

June 09, 2016



QUARTERLY BASKET

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Co_Name	Sector	Market Cap[Latest]	Buy Around	Stop loss	Target	Upside Potential (%)
Canara Bank	Public Sector Bank	10531.31	196	182	218	11
HCL Technologies	IT - Software	104882.20	753	690	825	10
Bajaj Auto Ltd	Auto	76149.16	2590	2510	2750	6
Ambuja Cement	Cement	36927.40	232	218	262	13
Magma Fincorp	NBFC	2325.80	98.5	91.5	112	14

Buy Around: 196

SL: 182

Target: 218

Upside: 11%

Horizon: 3 Month

VALUE PARAMETERS

Current Mkt.Price (Rs.)	193.95
Face Value (Rs.)	10.00
52 Week High/Low	359.85/156.20
M.Cap (Rs. in Cr.)	10531.31
EPS (Rs.)	50.50
P/E Ratio (times)	3.84
P/B Ratio (times)	0.36
Dividend Yield (%)	0.00
Stock Exchange	BSE

STOCK DATA

BSE Code	532483
NSE Symbol	CANBK
Reuters	CNBK.BO
Bloomberg	CBK IN

SHAREHOLDING PATTERN

(As on 31 Mar 2016)	% Of Holding
Foreign	7.33
Institutions	18.57
Govt Holding	0.00
Non Promoter Corp. Hold.	1.23
Promoters	66.30
Public & Others	6.57

Note: Follow Strict Stop Loss.

The bank has been consistently delivering good result on improving asset quality, cost efficiency, other income and productivity in the past few quarters. However, Q3 and Q4 was a spoiler primarily due to the impact of RBIs assessment on asset quality. No doubt ahead of RBI direction almost all the banks have reported loss in the recent quarter amid concerns over mounting NPA. Consistent rise in non-performing assets hit balance sheets of public sector banks more as compared to private banks. On the flip side, Government of India initiatives to support PSUs in terms of additional capital allocation, mechanism to deal with bad assets, formation of bankruptcy law and setting up of the stressed assets fund under National Infrastructure Investment Fund would not only re-build the lost confidence among investors but will also act as a catalyst for next leg of growth.

Business Profile

Canara Bank is a state-owned commercial bank with headquarter in Bangalore. The Government of India held 66.3% stake as per the shareholding pattern as on 31 March 2016. Bank added 62 domestic branches in Q4FY2016, taking the total tally under the branch network to 5849 branches, in addition to 8 overseas branches. The Bank added 107 ATMs during the quarter, taking the total number of ATMs to 9251 ATMs as at end March 2016.

Investment Rationale

- Business of the bank has rose at improved pace of 1% yoy to Rs 816340 crore at end March 2016. Deposits increased mere by 1% at Rs 479792 crore, while advances flat at Rs 336548 crore the at end March 2016.
- Net interest margin (NIM) of the bank improved by 3 bps qoq 2.19% ,while yield on funds fell mere 1 bp qoq to 8.11% in Q4FY2016. However, bank has improved margins while reducing the cost of funds.
- The Gross Non Performing Asset (NPA) % of the bank stood at 5.84% as at December 2015 in comparison to 4.27% during the quarter ended September 2015 and the net NPA % stood at 3.90% as against 2.90% for the same period. NPA has reported higher primarily due to the impact of RBIs assessment on asset quality.
- The bank is targeting strong recoveries and upgradations of Rs 8000-10000 crore in FY2016. However, the bank expects fresh slippages to be lower than recoveries and upgradations in FY2016. Bank proposes to reduce GNPA ratio to 5% by end March 2017 from 9.4% at end March 2016.



We recommend a buy in the stock of Canara Bank Limited for a short-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs156.20 and 52 week high of Rs 359.85. Buy around at 194-195 with a closing below stop loss of Rs.182 levels for the target of Rs.218.

Buy Around: 753

SL: 690

Target: 825

Upside: 11%

Horizon: 3 Month

VALUE PARAMETERS

Current Mkt.Price (Rs.)	743.55
Face Value (Rs.)	2.00
52 Week High/Low	1004.95/706.50
M.Cap (Rs. in Cr.)	104882.20
EPS (Rs.)	53.09
P/E Ratio (times)	14.00
P/B Ratio (times)	3.84
Dividend Yield (%)	2.96
Stock Exchange	BSE

STOCK DATA

BSE Code	532281
NSE Symbol	HCL TECH
Reuters	HCLT.BO
Bloomberg	HCLT IN

SHAREHOLDING PATTERN

(As on 31 Mar 2016)	% Of Holding
Foreign	27.46
Institutions	5.69
Govt Holding	0.00
Non Promoter Corp. Hold.	3.15
Promoters	60.38
Public & Others	3.33

Note: Follow Strict Stop Loss.

Overall performance reported by the Company is quite healthy, a well-balanced capital allocation strategy through a combination of capital expenditure, dividends and acquisitions. Return on Equity for the Year continues to be robust at 28%. Its investments in BEYONDigital, IoT WORKS and Next-Gen ITO helped close FY'16 year with a robust growth of 11.6% LTM YoY in constant currency. This nine month financial year, it has signed 25 transformation deals with more than USD 4 billion of TCV. According to management of the company, it has significantly enhanced its strengths in new age services and domain leadership through strategic client acquisitions.

Business Profile

HCL Technologies Limited is a global IT services company. It operates in 34 countries across the globe, including its headquarters in Noida. Its ecosystem consists of close to 100 companies in various technology areas with which it has formed go-to-market alliances, specialist partnerships for niche technologies, and teaming partnerships for specific customer.

Investment Rationale

- HCL Tech's consolidated net profit rose 0.3% to Rs 1926 crore on 3.4% growth in revenue to Rs 10698 crore in the quarter ended 31 March 2016 over the quarter ended 31 December 2015. Revenue in constant currency terms rose 1.7% on sequential basis in the quarter ended 31 March 2016. In dollar terms, HCL Tech's net profit declined 2% to \$285 million on 1.3% growth in revenue to \$1,587 million in the quarter ended 31 March 2016 over the quarter ended 31 December 2015. HCL Tech has changed its accounting year to the period from 1 April to 31 March from earlier 1 July to 30 June.
- Strong client addition continues in the 12 month ended March 31, 2016. 1 new client has added in the basket of \$100 million client category, 2 new clients were added in the basket of \$50 million client category, 7 new clients were added in the \$40 million category, and 22 new clients were added in the \$10 million category.
- HCL Signed 7 transformational deals this quarter with TCV of more than USD 2 billion, taking the number of transformational engagements during the nine month financial year to 25, with TCV of more than USD 4 billion. These wins are broad-based across service lines and industry verticals, led by its next generation offering – BEYONDigital, IoTWORKS and Next-Gen ITO.



We recommend a buy in the stock of HCL Technologies Limited for a short-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs. 706.50 and 52 week high of Rs 1004.95. Buy around at 743-745 with a closing below stop loss of Rs.690 levels for the target of Rs.825.

Buy Around: 2590

SL: 2510

Target: 2750

Upside: 6%

Horizon: 3 Month

VALUE PARAMETERS

Current Mkt.Price (Rs.)	2631.55
Face Value (Rs.)	10.00
52 Week High/Low	2658.00/2133.15
M.Cap (Rs. in Cr.)	76149.16
EPS (Rs.)	98.41
P/E Ratio (times)	26.74
P/B Ratio (times)	6.86
Dividend Yield (%)	2.09
Stock Exchange	BSE

STOCK DATA

BSE Code	532977
NSE Symbol	BAJAJ-AUTO
Reuters	BAJA.BO
Bloomberg	BJAUT IN

SHAREHOLDING PATTERN

(As on 31 Mar 2016)	% Of Holding
Foreign	17.67
Institutions	8.65
Govt Holding	0.00
Non Promoter Corp. Hold.	6.95
Promoters	49.29
Public & Others	17.45

Note: Follow Strict Stop Loss.

BAL expects its domestic motorcycle volumes to grow almost 37% in FY 17. Moreover, the management of the company expects the domestic motorcycle market to grow @ around 6-7% in FY16-17 in line with the total industry (2 and 3W together) to grow @ around 7-10% in FY16-17. The company has maintained its EBITDA margin guidance of 20%. BAL has given a guidance of 4.6 million for total volumes in FY 16-17 vis a vis volume of 3.9 million in FY 15-16, a growth of around 18%. In the domestic market, the company expects its domestic motorcycle volumes to grow to 2.6 million in FY16-17 from 1.9 million in FY15-16, almost 37%. It plans to achieve this mainly through Avenger & V15, whose monthly run rate is expected at 25,000-30,000 units. It is also going to launch refreshed versions of Platina/Pulsar & 400 cc Pulsar.

Business Profile

Bajaj Auto is one of the leading two-and three-wheeler manufacturers in India. It manufactures and sells motorcycles, scooters and auto rickshaws. It is the world's sixth-largest manufacturer of motorcycles and the fourth-largest in India and world's largest three-wheeler manufacturer.

Investment Rationale

- The company has reported motorcycles sales rose 2% to 3.07 lakh units in May 2016 over May 2015. Sales of commercial vehicles declined 7% to 40,311 units in May 2016 over May 2015. Exports fell 10% to 1.43 lakh units in May 2016 over May 2015. However, management is very hopeful for increasing in sale units in coming months.
- Bajaj Auto's net profit rose 29.2% to Rs 803.06 crore on 13.1% rise in total income to Rs 5535.56 crore in Q4 March 2016 over Q4 March 2015.
- The company aims to create a new segment 'M3' with its recently launched V15 (150 cc). The strategy will be to move consumers from the M2 segment to either M1 or M3. It has given a volume guidance of 3-W exports at 250,000 units for FY16-17 vis a vis FY 15-16 figure of 281,719 units. Domestic 3-W volumes are expected to increase to 300,000 units in FY16-17 from 253,610 units.
- The company has gained 400 bps/200 bps in market share in small/large diesel 3-W passenger segment in FY16. The current arrangement with KTM is to produce bikes below 300 cc. BAL has plans to make larger KTM bikes. It also expects the domestic volume of KTM bikes to grow from 30,355 units in FY16 to 37,000 units in FY17.

TECHNICAL CHART



We recommend a buy in the stock of Bajaj Auto Limited for a short-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs. 2133.15 and 52 week high of Rs 2658. Buy around at 2590-2595 with a closing below stop loss of Rs.2510 levels for the target of Rs.2750.

Buy Around: 232

SL: 218

Target: 262

Upside: 13%

Horizon: 3 Month

VALUE PARAMETERS

Current Mkt.Price (Rs.)	237.95
Face Value (Rs.)	2.00
52 Week High/Low	256.50/185.00
M.Cap (Rs. in Cr.)	36927.40
EPS (Rs.)	4.07
P/E Ratio (times)	58.44
P/B Ratio (times)	3.59
Dividend Yield (%)	1.18
Stock Exchange	BSE

STOCK DATA

BSE Code	500425
NSE Symbol	AMBUJACEM
Reuters	ABUJ.BO
Bloomberg	ACEM IN

SHAREHOLDING PATTERN

(As on 31 Mar 2016)	% Of Holding
Foreign	25.96
Institutions	16.70
Govt Holding	0.00
Non Promoter Corp. Hold.	0.59
Promoters	50.28
Public & Others	6.46

Note: Follow Strict Stop Loss.

The cement demand registered double digit growth in January-March quarter. As per the management of the company, long term outlook for cement demand remains positive considering Government's focus on housing, concrete roads, smart cities and infrastructure development. The management said that it would continue to focus on improving operational efficiencies.

Business Profile

Ambuja Cement is the most efficient cement producer in the country. The company is the fourth largest player in terms of capacity, with aggregate capacity of 9 million tonnes on stand-alone basis (and 12.5 million tonne inclusive of subsidiaries and associates). In addition, the strategic stake in Associated Cement Companies has made it a formidable force in the Indian Cement industry.

Investment Rationale

- Ambuja Cement, the Holcim Group Company, which follows January-December period as its accounting year, has posted 4% dip in standalone net profit to Rs 303.76 crore on 1% drop in total income from operations to Rs 2444.63 crore for the quarter ended March 2016, due to lower cement prices, additional provision towards contribution to District Mineral Fund, and increased advertising and promotion expenses. OPM reduced by 230 bps to 18.4%, resulting a 12% shrink in OP to Rs 449.82 crore but Sales volumes rose 9.5% to 5.86 million tonnes in Q1 March 2016 over Q1 March 2015 on the back of good demand.
- Recently, it has completed a 0.9Mt/yr capacity upgrade at its Sankrail grinding plant in West Bengal. The US\$50m upgrade was commissioned on 24 May 2016. The cement grinding plant has increased its production capacity to 2.4Mt/yr from 1.5Mt/yr which would give further boost to its sales volume.
- To meet the demand of the eastern market and enhance customer orientation in the competitive market of West Bengal and increasing supply to the nearby States of Orissa & Jharkhand by optimising the overall regional logistics cost, a capacity addition of 0.90 million tonne per annum of PPC cement at Sankrail was envisaged.
- It has also recently launched its super speciality cement Ambuja Plus, the Roof special in the specialised segment of the cement market. It extracts 100% of silicate gel from cement that helps in making the concrete stronger, denser and leak proof, resulting in strengthening of the roof and according to management; it would enhance the market share of the company drastically.

TECHNICAL CHART



We recommend a buy in the stock of Ambuja Cements Limited for a short-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs. 185.00 and 52 week high of Rs 256.50. Buy around at 234-235 with a closing below stop loss of Rs.220 levels for the target of Rs.265.

Buy Around: 98.50

SL: 91.50

Target: 112

Upside: 14%

Horizon: 3 Month

VALUE PARAMETERS

Current Mkt.Price (Rs.)	98.20
Face Value (Rs.)	2.00
52 Week High/Low	107.50/67.00
M.Cap (Rs. in Cr.)	2325.80
EPS (Rs.)	8.37
P/E Ratio (times)	11.73
P/B Ratio (times)	1.08
Dividend Yield (%)	0.81
Stock Exchange	BSE

STOCK DATA

BSE Code	524000
NSE Symbol	MAGMA
Reuters	MAGM.BO
Bloomberg	MGMA IN

SHAREHOLDING PATTERN

(As on 31 Mar 2016)	% Of Holding
Foreign	14.32
Institutions	50.24
Govt Holding	0.00
Non Promoter Corp. Hold.	0.00
Promoters	27.00
Public & Others	8.45

Note: Follow Strict Stop Loss.

The management of the company targets loan growth of 10-12% for FY2017 and disbursements growth of about 35% in FY2016, so the impact of these two will be a significant improvement in the NPA ratios both at a gross level and a net level. Budget 2016-17 emphasize on rural India and the regions where Magma operates, increase in MNREGA allocation and Rabi crop MSP hike are the key positive steps. Forecast of a normal monsoon after two consecutive years of shortfall will further boost the rural economy.

Business Profile

Magma Fincorp Limited is a Kolkata based non-banking financial company registered with the Reserve Bank of India as an Asset Finance Company. It operates more than 235 branches in 21 states and a union territory and has a strong presence in rural and semi-rural India

Investment Rationale

- The company has been focusing on organizational restructuring and rolled out the new structure from December 2015 named as project smart. The first five months have shown encouraging results. The process has now stabilized and there is now a scale up time for the company.
- The company would continue to focus on growing business in mortgage SME used assets and tractors. The management of the company expects both disbursement and the loan book growth to improve significantly in the next couple of years. In the asset backed financing business which includes tractors, used vehicles as focus products, the growth will be driven by newer branch additions, focused channel activation and increased cross sell.
- As new business model is stabilized, the company has shifted focus on increasing branch strength by going deeper and opening branches in talukas. It plans to add 50 more branches at taluka level in FY 2017, of which 15 to 20 would be added by June 2016.
- The existing branches are currently operating at 65% capacity; hence the company can grow the business with no additional cost. The benefits of operating leverage would be visible in the latter half of the year.
- In the mortgage business, it continues to focus on the lower ticket size home loans and loan against properties. Housing finance subsidiary will be more like affordable housing finance focused on Tier II, Tier III locations, self-employed nonprofessional customers with an average ticket size of less than 15 lakhs and originated by own employees.
- SME business focusing on the lower ticket size loans of Rs 20 lakhs will be the highest ROA product and would double the loan book size in a couple of years.

TECHNICAL CHART



We recommend a buy in the stock of Magma Fincorp Limited for a short-term perspective. The stock is trading at its good support level with good fundamental records and is expected to move up from this level. It made a 52 week low Rs. 67.00 and 52 week high of Rs 107.50. Buy around at 98.50 with a closing below stop loss of Rs.91.50 levels for the target of Rs.112.



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