



Moneywise. Be wise.

**IT'S ALL ABOUT \_\_\_\_\_**

**PICKING**

**THE RIGHT STOCK**

29th Dec 2016

**TOP 10 PICKS - 2017**

The eventful year 2016 has come to an end and a lot of the surprising developments seen in the year will continue to affect markets in the years ahead. One needs to see how the rest of the world, especially China, would further react to 'Trumponomics' as it unfolds. Important national elections in France, Germany, and other parts of Europe next year will give further clues as to whether Europe holds together. Elections have effects, and the year ahead will read out about what U.S. voters actually have voted for. Besides this, market participants will be closely watching rate hikes by the US Federal Reserve and progress on Britain's exit from the European Union.

Back at home, the markets got spooked due to demonetization announced on 8th November and ended the year at almost the same levels at which they finished last year. There was selling in the market by the foreign market participants. Against the backdrop of a strong dollar, ambiguity over the impact of demonetization on the economy and corporate earnings as well as the policy path Trump will take; market participants are approaching the New Year with caution. The victory of Donald Trump in the US election and the demonetization of higher currency notes were met with fear, fuelled by lack of clarity on the way forward in the year gone by. With Budget 2017 just about month away, expectations on the sectoral and taxation front have been doing the rounds. The market expects that Finance minister would announce some steps to lower individual and corporate taxes to boost public sentiment and revive spending. Though in the short term, market is expected to remain volatile, but as the long term growth story of the Indian economy is intact, it is expected that market would see 10-12% upside from here in the New Year. After the demonetization "shock", now it is expected that the government would introduce some bold measures to kick-start the economy and improve consumer demand. Nevertheless it is expected that once the demonetization dust get settled and implementation of GST takes place then we would see flurry of foreign market participants busy buying the Indian stocks.

*Happy Investing*

### Snap Shot

Sr.no.	Co_Name	Sector	Close Price*	Target (Rs.)	Upside Potential (%)
1	Reliance Inds.	Refineries	1052.20	1255	19
2	NTPC	Power Generation & Distribution	160.80	185	15
3	Power Grid Corpn	Power Generation & Distribution	180.00	226	26
4	Bharat Electron	Consumer Durables	1359.50	1696	25
5	PI Inds.	Agro Chemicals	810.85	1107	37
6	Arvind Ltd	Textiles	331.10	412	24
7	JB Chem & Pharm	Pharmaceuticals	342.40	494	44
8	Navneet Educat.	Media - Print/Television/Radio	109.85	131	19
9	Suprajit Engg.	Auto Ancillaries	182.50	224	23
10	Guj Inds. Power	Power Generation & Distribution	94.90	116	22

\*CMP as on 28th December 2016

## Performance of report " TOP 10 PICKS - 2016" released on 29th December 2015

Sr.no.	Co_Name	Sector	Recomended Price	Target (Rs.)	Status/ CMP*	Return (%)
1	Reliance Inds.	Refineries	1008.55	1289	1052.20	4
2	Zee Entertainmen	Entertainment	411.10	500	Target Met	22
3	Tata Power Co	Power Generation & Distribution	67.60	84	Target Met	24
4	Biocon	Pharmaceuticals	507.50	613	Target Met	21
5	Dewan Hsg. Fin.	Finance	230.40	294	Target Met	28
6	DB Corp	Media - Print/Television/Radio	327.50	439	Target Met	34
7	Sintex Inds.**	Plastic products	100.72	131	72.65	-28
8	Kalpataru Power	Capital Goods - Electrical Equipment	259.55	312	244.15	-6
9	Essel Propack	Packaging	168.00	220	Target Met	31
10	Suprajit Engg.	Auto Ancillaries	139.00	190	Target Met	37
Average Return						17

"SMC Retail Research came out with a report "" TOP 10 PICKS - 2016"" on 29th December 2015. It is a pleasure to share with you that out of ten stocks recommendation, Seven stocks met the targets given in the report for one year perspective. The average return generated is 17%."

"\*Calculated either on the target price in case of target met or otherwise calculated on the CMP as on 28th December 2016.\*\*Adjusted price due to Right Issue"

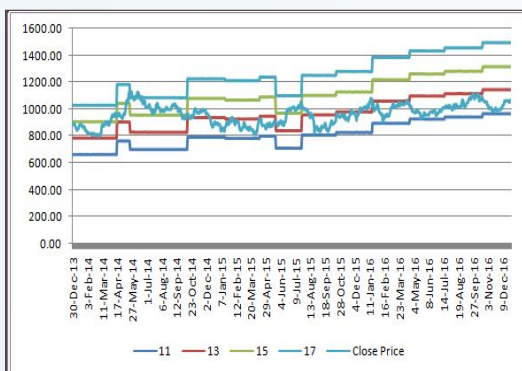
## VALUE PARAMETERS

Current Mkt.Price (Rs.)	1052.20
Face Value (Rs.)	10.00
52 Week High/Low	1128.90/888.50
M.Cap (Rs. in Cr.)	341290.94
EPS (Rs.)	87.82
P/E Ratio (times)	11.98
P/B Ratio (times)	1.34
Dividend Yield (%)	0.91
Stock Exchange	BSE

## SHAREHOLDING PATTERN

As on Sep'16	% Of Holding
Foreign	24.29
Institutions	12.33
Non Promoter Corporate Holding	2.68
Promoters	45.12
Public & Others	15.60

## P/E CHART



## INVESTMENT RATIONALE

- Gross refining margin (GRM) during the quarter reported at USD 10.1 a barrel - outperforming Singapore benchmark by \$ 5/bbl against USD 10.6 a barrel in the preceding quarter but quarterly crude throughput was 18 MMT compared to 17.1 MMT in Q2FY'16. It has reported 10% increase in revenue is primarily on account of increase in volumes in refining, petrochemical and retail businesses. Exports from India operations were lower by 11.5% at Rs 37,717 crore as against Rs 42,636 crore in the corresponding period of the previous year due to lower product prices.
- Its Paraxylene project will be commissioned in Q3FY17, the off gas cracker in Q1FY18 and the petcoke gasification project full ramp-up is expected by Q4FY18 (first phase to start by H2CY17). It has already spent Rs.115965 crore towards capex and plans to spend Rs.40242 crore by FY17 end.
- The capital expenditure for the half year ended 30th September 2016 was Rs 43900 crore including exchange rate difference capitalization. Capital expenditure was principally on account of ongoing expansions projects in the petrochemicals and refining business at Jamnagar, Dahej and Hazira, Jio Infocomm and US Shale gas projects.
- Recently, it has announced the signing of a global partnership agreement in the Industrial IOT (internet of things) (IIOT) space whereby RIL and GE will work together to build out joint applications on GE's Predix platform. The partnership marks the coming together of two of the world's largest industrial conglomerates to provide Industrial IOT solutions to customers in oil & gas, fertilizer, power, healthcare, telecom and other industries.
- The company continues to build towards the roll-out of Jio's services, with the imminent launch of a range of 4G smartphones under the 'Lyf' brand aimed at helping build an ecosystem of handsets compatible with the full range of Jio's services. It has already added 1.6 crore subscribers.
- Reliance Retail expended with added 59 stores across various store concepts and strengthened its distribution network for consumer electronics and revenues for 2Q FY17 grew by 63.0% Y-o-Y to Rs 8,079 crore from Rs 4,956 crore. The increase in turnover was led by growth in Digital, Fashion & lifestyle and petroleum products. As on 30th September 2016, Reliance Retail operated 3,442 stores across 679 cities with an area of over 13 million square feet.

## Valuation

The company has achieved outstanding performance during Q2FY17 with strong refining business performance and record petrochemicals segment earnings. Refining business sustained high profitability in a tough environment highlighting, dynamic response to market trends and robust operations. Petrochemicals segment gained significantly from higher volumes, integration and supportive product margins. Its projects in the hydrocarbon chain are at advanced stages of mechanical completion and precommissioning activities. These projects would further strengthen its position as a leading operator in the energy and materials businesses, thus we expect the stock to see a price target of Rs 1255 in 8 to 10 months time frame on a target 3 year average P/E of 13.18x and FY18 (E) earnings of Rs.95.21.

## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	276,544.00	299,985.00	354,928.80
EBITDA	44,257.00	47,520.60	56,880.60
EBIT	31,341.00	36,551.80	40,432.20
Pre-Tax Profit	35,345.00	37,293.30	39,032.40
Net Income	27,207.00	28,210.30	29,779.70
EPS	92.36	90.85	95.21
BVPS	751.92	865.41	944.49
ROE	11.80	10.80	10.50

Source: Company's Website, Reuters & Capitaline

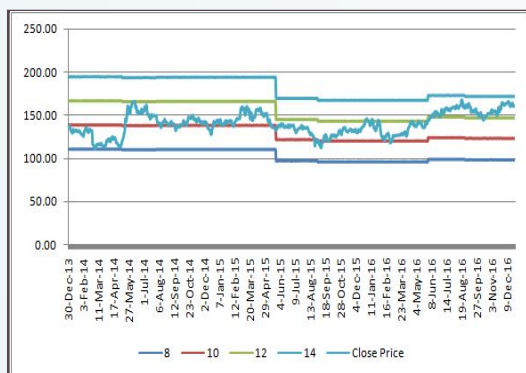
## VALUE PARAMETERS

Current Mkt.Price (Rs.)	160.80
Face Value (Rs.)	10.00
52 Week High/Low	169.95/116.80
M.Cap (Rs. in Cr.)	132587.00
EPS (Rs.)	11.56
P/E Ratio (times)	13.91
P/B Ratio (times)	1.49
Dividend Yield (%)	2.08
Stock Exchange	BSE

## SHAREHOLDING PATTERN

As on Sep '16	% Of Holding
Foreign	11.19
Institutions	16.95
Non Promoter Corporate Holding	0.18
Promoters	69.75
Public & Others	1.94

## P/E CHART



## INVESTMENT RATIONALE

- NTPC, India's largest power company, has presence in the entire value chain of power generation business and it also undertakes consultancy and turnkey project contracts that involve engineering, project management, construction management and operation and management of power plants
- Targeted capacity addition for FY17 is 5648 MW and it is on course for achieving this target. Moreover, It has further guided for commercial capacity addition of 4,500-5000 MW in FY18, which would provide strong earnings growth visibility.
- It is better placed to address fuel supply concerns as it is getting into FSA with Coal India. The Current Installed capacity is 47,228 MW with the commissioning of the Unit-VI of 500 MW of Rihand Super Thermal Power Project on October 7th, 2013 and which includes 800 MW of hydro, and 360 MW of solar generation capacity. Moreover, it has Planned Capex for FY17 is Rs 30000 crore and the capex estimated for FY17-18 is Rs 28000 crore.
- Out of the total capacity under implementation, 1329 MW is based on diversified sources of renewable energy. The Company is quickly moving towards its ambition of achieving a solar portfolio of 10 GW, out of the 100 GW target of GoI by 2022.
- It operates with 15 coal based, 7 gas based power stations and 7 joint venture / subsidiary power projects located across India. The company plans to become 128,000 MW plus company by 2032.
- It also plans to go global and on that target, it has signed a memorandum of agreement with the Government of Sri Lanka and Ceylon Electricity Board for setting up a 500 MW (2x250) coal-based thermal power plant in the island nation. Recently, it has announced a supplemental joint venture between NTPC, Coal India, Indian Oil Corporation, Fertilizer Corporation of India and Hindustan Fertilizer Corporation in order to induct IOC, FCIL and HFCL, as joint venture partners and shareholders in Hindustan Urvarak & Rasayn (HURL). HURL is a joint venture company formed between NTPC and CIL.

## Valuation

The company is the most preferred power company and rationalization of movement of coal to reduce electricity costs, and rationalization of coal grades based on Gross Calorific Value for correct tariff fixation would give further lead to transformational changes in power sector. Moreover, it had added 4028 MW of renewable capacity, which highlights the accelerating speed of solar and wind capacity addition along with conventional capacity. Thus we expect the stock to see a price target of Rs 185 in 8 to 10 months time frame on an expected P/E of 14x and FY18 (E) earnings of Rs.13.22.

## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	70,049.20	77,980.50	89,068.80
Ebitda	17,513.00	21,109.00	24,037.40
Ebit	12,087.70	15,636.60	17,519.70
Pre-tax Profit	10,058.70	12,441.40	13,866.90
Net Income	10,242.90	9,675.50	10,804.70
EPS	12.42	11.76	13.22
BVPS	107.67	116.72	124.91
ROE	12.00	10.50	10.90

Source: Company's Website, Reuters & Capitaline

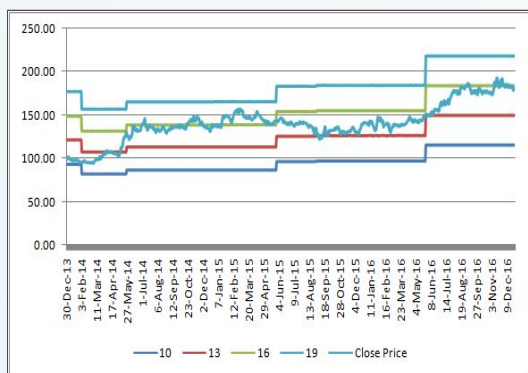
VALUE PARAMETERS

Current Mkt.Price (Rs.)	180.00
Face Value (Rs.)	10.00
52 Week High/Low	196.40/129.25
M.Cap (Rs. in Cr.)	94168.62
EPS (Rs.)	11.01
P/E Ratio (times)	16.35
P/B Ratio (times)	2.19
Dividend Yield (%)	1.28
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'16	% Of Holding
Foreign	27.23
Institutions	8.05
Non Promoter Corporate Holding	3.17
Promoters	57.90
Public & Others	3.66

P/E CHART



INVESTMENT RATIONALE

- Power Grid Corporation of India is a state run electric power transmission utility company. The Government of India holds 57.9% stake in the firm as at 30 September 2016.
- As on Sep'16, Power grid has a network of 132138 ckm of transmission lines and 273862 MVA of substation. Total capitalization from April' 16 till Oct' 16 stood at Rs 11000 crore while capex till Sep'16 stood at Rs 10876 crore. Moreover, it capitalised assets aggregating Rs 6,700 crore in Q2 and incurred Rs 5,300 crore on capex.
- Overall, the company has total work in hand orders of Rs 146000 crore of which around Rs 46000 crore worth of orders are under work in progress and balance capex aimed is of around Rs 100000 crore.
- Continuous grid capacity addition in Southern, Northern and Western grid will further drive the transmission line orders going forward. Management expects more than 30000 MW of grid addition by 2020.
- The company continues to expect to spend around Rs 22000 crore of capital expenditure in FY'17 as well. Growth momentum of capex and capitalization will continue to remain in FY'17.
- Management expects that scope for ROE improvement remains going forward. Current ROE stands around 15%. Despite competition and competitive bidding, management remains firm on its target to improve ROE.
- In Q2FY17, Power Grid reported 29% earnings growth due to a sharp increase in asset capitalization. It has front-loaded asset capitalisation with 76% of FY17 target achieved for transmission lines (regarding circuit km) and 83% of the target achieved for substations (MVA) in the first half.

Valuation

Strong project execution capabilities, history of meeting targets and visibility on investment plans for next few years gives comfort on earning visibility. Company continues to take various initiatives for development of Smart Grid in India and is constantly enhancing its abilities through in-house research and demonstration projects in this direction. Thus, it is expected that the stock will see a price target of Rs.226 in 8 to 10 months time frame on a target P/E of 13x and FY18 (E) earnings of Rs.17.41.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	21,352.30	26,574.70	30,386.20
EBITDA	18,605.60	22,485.20	26,974.10
EBIT	12,303.40	16,295.10	18,911.60
Pre-Tax Profit	7,645.80	9,848.20	11,455.20
Net Income	6,015.40	7,770.50	9,105.00
EPS	11.50	14.87	17.41
BVPS	82.13	92.78	105.32
ROE	14.80	16.60	17.20

Source: Company's Website, Reuters & Capitaline

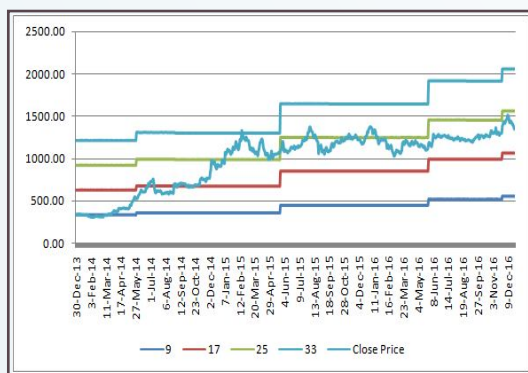
## VALUE PARAMETERS

Current Mkt.Price (Rs.)	1359.50
Face Value (Rs.)	10.00
52 Week High/Low	1540.00/1009.00
M.Cap (Rs. in Cr.)	30366.17
EPS (Rs.)	58.15
P/E Ratio (times)	23.38
P/B Ratio (times)	3.39
Dividend Yield (%)	1.34
Stock Exchange	BSE

## SHAREHOLDING PATTERN

As on 4th Nov'16	% Of Holding
Foreign	4.22
Institutions	15.63
Non Promoter Corporate Holding	2.66
Promoters	74.41
Public & Others	3.08

## P/E CHART



## INVESTMENT RATIONALE

- ☞ Bharat Electronics Limited (BEL) is a multi-product, multi-technology, multi-unit Navratna company providing the technology and product as per the needs of defence in diverse fields in India and outside india.
- ☞ BEL would be the prime beneficiary of government initiatives in defence sector through "MAKE IN INDIA" and to take the benefit as it has enhanced its focus on procurement of new capital equipments. Moreover, its Increased focus on R&D, system integrator and outsourcing to increase long term sustainability of business. The management has also planned investment of Rs.1500 crore for next 3 years on expansion and modernization.
- ☞ An impressive order book Rs 21,648 crore as on October FY16 reflects the three times a order book to sales ratio, is a key positive for the company. The management has guided 7-8% growth in order book in coming years. Moreover, It has planned to increase 'Contribution from Indian Industries' to 36% (current level 32%) in next 5 years.
- ☞ Outsourcing non-core products and reduced dependency on foreign technology due to better utilisation of in-house talent pool that has helped in improving operational performance. Research and development cost has steadily climbed from 3.6 per cent in FY07 to 8 per cent in FY16.
- ☞ Being a 'zero debt' public sector firm , it could support working capital requirement of the company to increase its scale of business.
- ☞ In long term, the company has plan to focus on building healthy pipeline on orders in network systems, tank electronics, radars, guns, electronic warfare and avionics, increased thrust on exports, offset orders, and new offerings in areas of indian defence security system , smart city elements, etc.
- ☞ The company has registered 68% growth in its net profit to Rs 346.25 crore for the quarter ended Sep 2016. Strong growth in bottom-line can be attributed to good operating performance, higher other income. On higher sales up 15% to Rs 1755.89 crore, the operating margin expanded by 82% to Rs. 338.42 crore.

## Valuation

Government's greater emphasis on 'Make in India' initiative in Defence sector provides a great opportunity for the Company to enhance its indigenisation efforts and to address the opportunities in Indian Defence sector. Healthy order book and orders in pipeline, capacity enhancements and creation of new test facilities help the company in achieving the targeted growth and also would continue to drive the growth in the coming 4 to 5 years. Thus, we expect the stock to see a price target of Rs 1696 in 8 to 10 months time frame on a two year average P/E of 24.04 and FY18 (E) earnings of Rs.70.53.

## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	7,382.70	8,330.20	9,416.40
Ebitda	1,541.00	1,625.50	1,788.70
Ebit	1,341.40	1,341.90	1,467.70
Pre-tax Profit	1,868.70	2,020.90	2,213.90
Net Income	1,394.30	1,520.20	1,670.50
EPS	58.10	63.37	70.53
BVPS	381.81	398.31	446.46
ROE	16.30	15.70	15.50

Source: Company's Website, Reuters & Capitaline

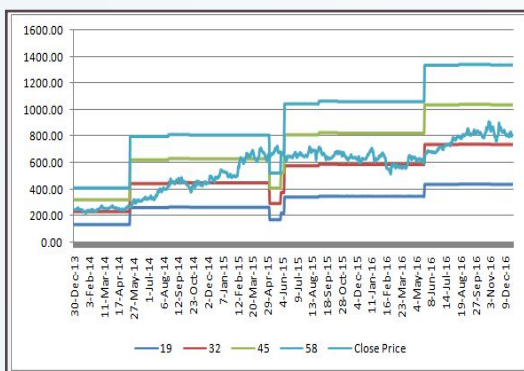
### VALUE PARAMETERS

Current Mkt.Price (Rs.)	810.85
Face Value (Rs.)	1.00
52 Week High/Low	921.85/495.35
M.Cap (Rs. in Cr.)	11156.21
EPS (Rs.)	22.38
P/E Ratio (times)	36.23
P/B Ratio (times)	9.52
Dividend Yield (%)	0.38
Stock Exchange	BSE

### SHAREHOLDING PATTERN

As on Sep '16	% Of Holding
Foreign	23.04
Institutions	13.19
Non Promoter Corporate Holding	1.19
Govt Holding	0.00
Promoters	51.72

### P/E CHART



### INVESTMENT RATIONALE

- According to the management of the company, the growth in revenue in Q2 Sep 2016 was backed by 20% growth in overall topline on the back of improved demand in exports with advancement of orders from global customers. Products introduced in the past couple of years and improved product mix has contributed to scale up in volumes during the period.
- The planned scale-up in deliveries against existing molecules combined with commissioning of two new plants at Jambusar facility led to healthy improvement in custom synthesis exports.
- The future business outlook remains positive, duly supported by normalization of momentum in exports and regular introduction of 2-3 products in both the segments i.e. agri-input and custom synthesis.
- Moreover, growth on the domestic front will be driven by a leading profile of exciting products that have been launched in the past couple of years and augmented by new introductions. This would be supported by extensive efforts to establish the range of products further, while leveraging the extensive distribution apparatus and farmer outreach initiatives of the company.
- While Custom synthesis exports order book remains robust, revenue recognition during the past three quarters has been weak as clients deferred orders on the back of tepid demand and excess inventory in the global markets. Management expects this to normalize as demand picks up in key agrochemical markets of Latin America, Europe and USA and has guided for 18-20% YoY growth in FY17.
- During Q2 FY17, it has reported good growth in its agri-input revenue share. Growth is almost double since last 5 years and top 5 products contribute around 60-65% of the domestic agri-inputs business.
- Exports have grown with many advanced schedule delivery met in 2QFY17. Jambusar facility is operating at 75% utilization levels and contributed a major part of growth for 2QFY17. The management has guided for a capex of Rs 200 crore for FY17

### Valuation

Continued focus on quality of operations, strong order book position and growth on the domestic front helped the company to hold on to the margins and has significantly improved its working capital situation. With emphasis on cash, the company is now to a near to zero debt status. Improved demand in exports, advancement of orders from global customers and improved product mix would improve the consumption pattern, which would guide the financial strength of the company. Thus, it is expected that the stock will see a price target of Rs.1107 in 8 to 10 months time frame on a expected P/E of 32x and FY18 (E) earnings of Rs.34.60.

### FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	2,076.00	2,463.90	2,933.90
Ebitda	434.60	539.90	657.10
Ebit	380.30	457.30	565.30
Pre-tax Profit	405.80	500.20	616.50
Net Income	315.30	395.20	472.90
EPS	22.86	28.97	34.60
BVPS	85.45	109.67	138.45
ROE	30.50	29.40	27.80

Source: Company's Website, Reuters & Capitaline



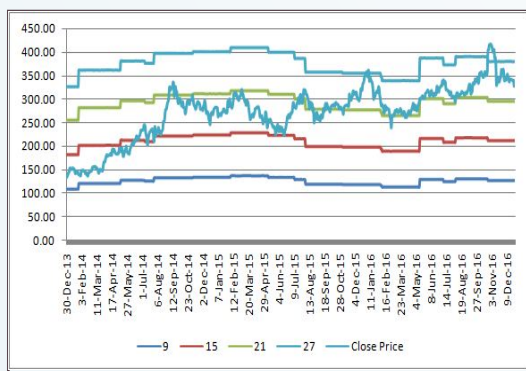
## VALUE PARAMETERS

Current Mkt.Price (Rs.)	331.10
Face Value (Rs.)	10.00
52 Week High/Low	423.60/235.90
M.Cap (Rs. in Cr.)	8554.27
EPS (Rs.)	14.08
P/E Ratio (times)	23.51
P/B Ratio (times)	3.35
Dividend Yield (%)	0.72
Stock Exchange	BSE

## SHAREHOLDING PATTERN

As on Sep '16	% Of Holding
Foreign	22.97
Institutions	16.22
Non Promoter Corporate Holding	2.90
Promoters	43.76
Public & Others	14.15

## P/E CHART



## INVESTMENT RATIONALE

- Recently, Arvind partnered with former Indian cricketer Sachin Tendulkar to launch men's apparel brand 'True Blue'. The company plans to open around 25 'True Blue' stores and is eyeing Rs 200-300 crore from the brand in five years.
- Company's textiles business, which recorded 9% revenue growth, continues to deliver a strong performance as it continues to pursue a calibrated growth strategy. The brands business continues to demonstrate strong growth with 33% growth in Q2. It established power brands consolidated their market positions. Management believes that it will have continued growth momentum in the second half of the current financial year.
- Meanwhile, the company is bullish on its newly-launched omni channel — NNNow.com, going ahead. NNNow.com redefines shopping for Indian consumers by linking online and offline retail shopping experience.
- It has the largest portfolio of foreign licensed apparel brands like Arrow, US Polo, GANT, Nautica, Izod and Tommy Hilfiger. The company owns & operates India's largest 225-outlet strong value retail chain under the brand name 'Megamart'. It is setting-up exclusive stores across the country - 'The Arvind Store' that brings the best of fabric and ready-mades to its customers.
- Recently, the company has divested 10 per cent stake in its brand business subsidiary, Arvind Lifestyle Brands, to Multiples, the private equity firm founded by Renuka Ramnath. At an enterprise value of ~8000 crore, the deal is valued at ~740 crore which would be used by Arvind to reduce its debt.
- Arvind Group has decided to step into the USD 5.2 billion footwear retail industry with the store name 'Stride' and plans to open five footwear stores in the next one and half years. Currently the fit-out cost for the stores is coming at Rs 2,200 per sq ft and each footwear store building should cost around Rs 50-70 lakh.

## Valuation

The company enjoys a global leadership positions in textiles as well as Carries an unmatched domestic portfolio of apparel brands and retail formats. Company's capability in manufacturing garments, coupled with its positioning of the most preferred franchisee/distribution partner in India, it is poised to benefit from an increase in demand for apparels, thus it is expected that the stock will see a price target of Rs.412 in 8 to 10 months time frame on three year average P/E of 19.52x and FY18 (E) earnings of Rs.21.13.

## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	8,431.50	9,282.40	10,557.90
Ebitda	1,065.10	1,097.90	1,319.00
Ebit	809.20	846.60	1,039.40
Pre-tax Profit	524.50	611.40	718.50
Net Income	362.70	579.30	553.20
EPS	14.04	20.35	21.13
BVPS	112.75	144.52	161.31
ROE	13.60	13.70	13.20

Source: Company's Website, Reuters & Capitaline

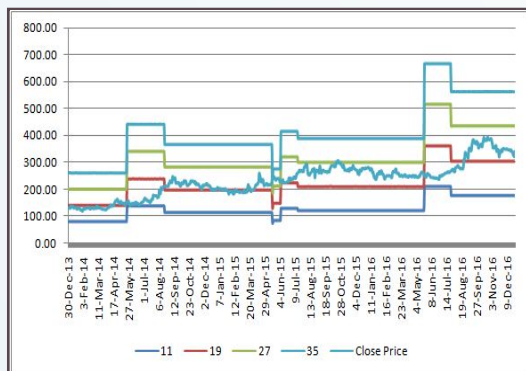
**VALUE PARAMETERS**

Current Mkt.Price (Rs.)	342.40
Face Value (Rs.)	2.00
52 Week High/Low	403.60/228.30
M.Cap (Rs. in Cr.)	2904.24
EPS (Rs.)	15.07
P/E Ratio (times)	22.72
P/B Ratio (times)	2.66
Dividend Yield (%)	1.46
Stock Exchange	BSE

**SHAREHOLDING PATTERN**

As on Sep'16	% Of Holding
Foreign	6.70
Institutions	6.81
Non Promoter Corporate Holding	1.45
Promoters	55.77
Public & Others	29.27

**P/E CHART**



**INVESTMENT RATIONALE**

- J B Chemicals & Pharmaceuticals Limited (JBCPL), one of India's leading pharmaceutical companies, manufactures & markets a diverse range of pharmaceutical formulations, herbal remedies and APIs. JBCPL exports to many countries worldwide with presence in US, Europe, Australia, South Africa, other developing countries, Russia and CIS.
- The Company continues to invest in growing its share in the regulated markets in USA, Europe and Australia. JBCPL has a strong R & D and regulatory set-up for development of new drug delivery system and formulations, filing of ANDAs and DMFs. Its State-of-the-Art manufacturing facilities are approved by health authorities of important regulated markets.
- During the quarter ended September 2016, US FDA has approved Company's ANDA for Oxybutynin Chloride Extended-Release Tablets USP, 5 mg, 10 mg and 15 mg. The Company expects to commence commercial supplies in the quarter.
- During the quarter ended September 2016, the domestic formulations business at sales of Rs. 125.84 crores registered good growth of 12.11%, while the focus products group achieved growth of 21%. The Company has lined up several new product launches in H2, which is expected to aid growth. The contrast media products sales in domestic market at Rs. 11.11 crores registered growth of 2.26%. The overall formulations exports at Rs. 131.35 crores were 1.26% lower than exports in corresponding period in the previous year.
- The R&D division continues to play an important role in the Company's growth. R&D is currently focussed on the development of new formulations for ANDAs filings, new drug delivery systems and new formulations and APIs. Our R&D has been playing an important role in the growth of exports.
- The company has reported a 7.23 percent rise in its net profit to Rs 45.19 crore for the quarter ended September 30, mainly on account of robust domestic formulations sales. The company had posted a net profit of Rs 42.14 crore during the same period a year ago.

**Valuation**

With the company's manufacturing infrastructure of international standard, strong products portfolio with high growth brands, strong marketing capability and strong balance sheet present good outlook for the company's business. Moreover, the company continues to invest in products, people and processes to achieve its growth objective, thus we expect the stock to see a price target of Rs.494 in 8 to 10 month's time frame on a target P/E of 19x and FY18 (E) earnings of Rs.25.98.

**FINANCIAL PERFORMANCE**

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	1,226.60	1,269.30	1,395.50
Ebitda	204.50	310.80	341.30
Ebit	163.30	292.60	321.90
Net Income	161.90	199.70	220.30
EPS	19.09	23.55	25.98
BVPS	128.95	151.91	173.84
ROE	15.50	9.80	9.50

Source: Company's Website, Reuters & Capitaline

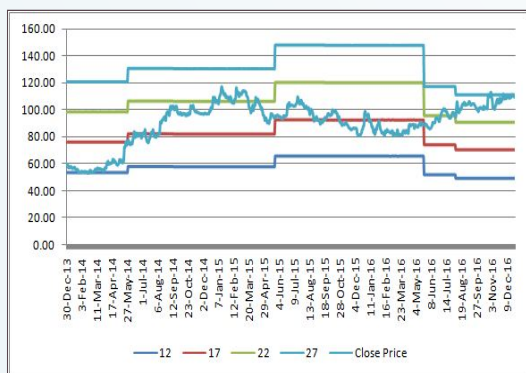
## VALUE PARAMETERS

Current Mkt.Price (Rs.)	109.85
Face Value (Rs.)	2.00
52 Week High/Low	114.90/76.10
M.Cap (Rs. in Cr.)	2616.63
EPS (Rs.)	3.67
P/E Ratio (times)	29.95
P/B Ratio (times)	4.49
Dividend Yield (%)	2.00
Stock Exchange	BSE

## SHAREHOLDING PATTERN

As on Sep '16	% Of Holding
Foreign	7.33
Institutions	15.17
Non Promoter Corporate Holding	1.93
Promoters	61.80
Public & Others	13.78

## P/E CHART



## INVESTMENT RATIONALE

- Navneet Education, formerly known as Navneet Publications (India), is in the business of educational, children and general books publication, scholastic paper and non-paper stationery products.
- Navneet Education is an educational syllabus based content provider in print & digital medium, manufacturer of scholastic Paper stationery, publisher of general & children books and also has a wide range of Scholastic Non-Paper Stationary products.
- The company has agreed to acquire the Indian schools' curriculum-based business of Encyclopaedia Britannica Inc. for Rs 85-90 crore (\$12.7-13.5 million) in cash. The acquisition of Encyclopaedia Britannica India Pvt. Ltd will enhance Navneet's footprint and provide access to newer markets.
- The company has gone a step further and launched 'YOUVA Smartbooks'. A perfect combination of Navneet's core products and advanced technology, Youva Smartbooks have been designed to portray the beauty of Augmented Reality that work in sync with the YOUVA app. The YOUVA app lets you enter the virtual space and at the same time brings you very close to the real world environment. This is the foremost offline Augmented Reality application in this segment designed keeping in mind the inclinations of the youth.
- Management expects its digital educational business to grow 50-60 percent every year. With the growing use of digital education system in schools of Mumbai, Pune and Bangalore, management said that digital was the way forward for the country. The company's traditional business (stationary) is likely to increase 15 percent. Navneet has moved into Central Board of Secondary Education (CBSE) textbook segment and started marketing across the country.
- Many English Medium Private SSC Schools (Around 80,000 in the Country) have started positioning themselves as CBSE Pattern schools where they use private publishers' text books up to Grade VIII. Navneet has ventured into this space and going forward, this space will create additional publication sales opportunities for the company.
- For FY'17, management expects the publication business to grow better than FY'16. Change in syllabus in state of Gujarat for IX and XI standards, introduction of new titles in the primary books, scholarship programs and government bulk orders will drive growth.

## Valuation

The company has been a pioneer in catering to educational publications. Stability in earnings and reducing equity risk premiums would support valuation. The company is entering newer states. In addition to its own publications, it is also looking at healthy growth from government orders. Thus, it is expected that the stock will see a price target of Rs.131 in 8 to 10 months time frame on a target P/E of 17x and FY18 (E) earnings of Rs.7.71.

## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	948.90	1,088.90	1,276.70
Ebitda	205.60	260.80	303.80
Ebit	176.80	228.90	266.60
Pre-tax Profit	190.90	239.00	275.70
Net Income	103.40	154.90	183.10
EPS	4.34	6.55	7.71
BVPS	24.49	27.99	29.84
ROE	18.40	25.00	26.10

Source: Company's Website, Reuters & Capitaline

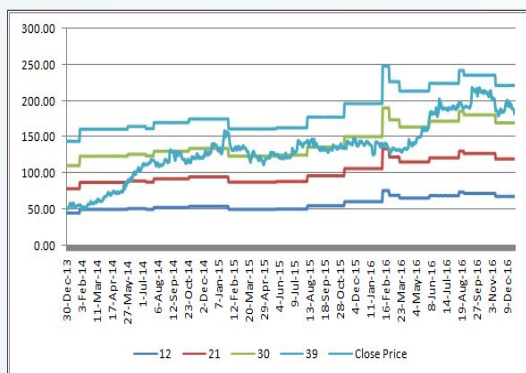
## VALUE PARAMETERS

Current Mkt.Price (Rs.)	182.50
Face Value (Rs.)	1.00
52 Week High/Low	233.90/121.70
M.Cap (Rs. in Cr.)	2396.93
EPS (Rs.)	5.68
P/E Ratio (times)	32.12
P/B Ratio (times)	3.73
Dividend Yield (%)	0.57
Stock Exchange	BSE

## SHAREHOLDING PATTERN

As on Sep '16	% Of Holding
Foreign	7.69
Institutions	8.45
Non Promoter Corporate Holding	11.69
Promoters	47.37
Public & Others	24.81

## P/E CHART



## INVESTMENT RATIONALE

- Suprajit Engineering Limited is the largest automotive cable maker with a planned annual cable capacity of 250 million cables. Company's customer list includes most Indian automotive majors. It also exports to many marquee global customers.
- The capacity expansion plan to increase annual capacity to 225 million is complete. Suprajit Goup's annual cable capacity now stands at 250 million considering the capacity at Wescon Contols, USA.
- The company uses its diverse knowledge and experience in manufacturing processes to leverage the best out of all its manufacturing facilities and research centers.
- The company has 14 plants; 13 in India and one in the UK, which also operates as a technology centre for control cables for both automotive and non-automotive clients.
- Company strives to comply with the highest possible quality standards and practices a philosophy of continuous improvement. It adopts processes that ensure full proof & defect free manufacturing.
- On the development foot, recently its subsidiary, Suprajit USA Inc., has acquired 100% controlling stake of Wescon Controls, USA. Wescon is a specialist cable maker and a market leader in the non-automotive outdoor power equipment market in the USA. That acquisition would increase the market presence in US. This transaction was funded by Suprajit's cash balances and debt in an approximate ratio of 50:50. The Enterprise Value of Wescon was estimated at USD 44.4 million.
- Next phase of growth for the company is likely to be driven by gaining share in global auto and non-auto cables (incl inorganic); increase in content supplied for CBS/ABS in domestic 2Ws; focus on aftermarket space (both lamps & cables). Moreover, Healthy growth in 2W helped it to decent revenue growth. With steady commodity prices, margins grew modestly. The company is expanding business in North America.

## Valuation

The company is the most preferred manufacturer of cables and meets the demand of virtually every major OEM in the automotive sector. It would more focus on cables in the export market for better positioning. Steady demand from specific OEMs and the shoring up of control-cable growth in the auto and non-auto markets, exports and replacements would guide the further growth to the company. Thus we expect the stock to see a price target of Rs 224 in 8 to 10 month's time frame on an expected P/E of 21x and FY18 (E) earnings of Rs.10.65.

## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	950.20	1,275.90	1,580.90
Ebitda	154.30	213.40	270.00
Ebit	138.60	195.90	244.90
Net Income	74.63	114.70	144.70
EPS	5.52	8.49	10.65
BVPS	34.08	40.40	49.06
ROE	21.70	23.40	24.00

Source: Company's Website, Reuters & Capitaline

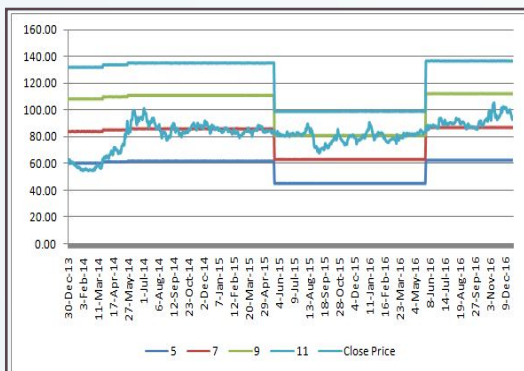
## VALUE PARAMETERS

Current Mkt.Price (Rs.)	94.90
Face Value (Rs.)	10.00
52 Week High/Low	110.05/74.40
M.Cap (Rs. in Cr.)	1435.36
EPS (Rs.)	11.89
P/E Ratio (times)	7.98
P/B Ratio (times)	0.73
Dividend Yield (%)	2.85
Stock Exchange	BSE

## SHAREHOLDING PATTERN

As on Sep'16	% Of Holding
Foreign	3.76
Institutions	15.13
Government Holding	7.64
Non Promoter Corporate Holding	3.55
Promoters	58.21
Public & Others	11.72

## P/E CHART



## INVESTMENT RATIONALE

- ☞ The company is engaged in business of Electrical Power Generation. The total present capacity of Vadodara and Mangrol Plants is 815 MW. The company has a vision to transform itself into a national level power sector enterprise.
- ☞ On the expansion front, recently it has announced that it has commissioned a total of 34.8 Megawatt (MW) renewable energy projects in the districts of Kutch and Rajkot in Gujarat.
- ☞ The Kutch project comprises of 8 turbines of 2.1 MW each while the Rajkot project has 9 wind turbines of 2 MW each, the company said in a statement.
- ☞ It has also issued Letters of Intent (LoI) to Vikram Solar for two Solar PV Power Projects of 40 MW each at Plot No. 1 and 3 at Gujarat Solar Park in Patan. Vikram Solar Would also be responsible for operation and maintenance the two projects for ten years, the projects are scheduled to be commissioned by June, 2017.
- ☞ GIPCL in association with ONGC Energy Centre Trust, has commenced an R & D experiment on Bioconversion of lignite with the objective of exploiting part of the lignite reserves of Vastan Lignite Mine, which could not be mined by conventional opencast mining. The R & D experiments in field conditions are conducted in order to develop a biotechnological process for bioconversion of lignite to methane and humic acid, which would give further strength to the capacity of the company.
- ☞ In order to provide cheaper power to consumers, large size power projects are being developed at different locations by various project developers. The company is in the process of implementing a 51 MW Wind based Power Projects at Village Kotdapitha and Jamarvada respectively of Taluka Babra, District: Amreli, Gujarat. Further, the company has successfully bagged 2 x 40 MW Solar Power Projects at Gujarat Solar Park at Charanka, District: Patan, Gujarat under the National Solar Mission.

## Valuation

The company is well placed in terms of fuel security, with the entire fuel requirement met by captive lignite mines. Further, power generated by the company has assured offtake through power purchase agreements (PPAs) signed under the cost-plus model, ensuring fixed Return on Equity of Plant Availability Factor (PAF) for lignite and gas-based plants. Moreover, expansions and development; favourable government policies would give favourable boost to the company. Thus we expect the stock to see a price target of Rs 116 in 8 to 10 months time frame on an target P/E of 9x and FY18 (E) earnings of Rs.12.90.

## FINANCIAL PERFORMANCE

(Rs.in Cr.)

	Actual	Forecast	
	FY Mar-16	FY Mar-17	FY Mar-18
Revenue	1,345.80	1,350.90	1,397.90
Ebitda	389.70	359.40	369.90
Pre-tax Profit	249.71	189.40	198.10
Net Income	188.40	187.20	195.60
EPS	12.46	12.40	12.90
BVPS	130.57	140.10	150.10
ROE	9.86	9.10	8.90

Source: Company's Website, Reuters & Capitaline



Moneywise. Be wise.

## SMC Research Desk

SMC Research also available on Reuters

E-mail: [researchfeedback@smcindiaonline.com](mailto:researchfeedback@smcindiaonline.com)



Moneywise. Be wise.

**Corporate Office:**  
11/6B, Shanti Chamber,  
Pusa Road, New Delhi - 110005  
Tel: +91-11-30111000  
[www.smcindiaonline.com](http://www.smcindiaonline.com)

**Mumbai Office:**  
Dheeraj Sagar, 1st Floor,  
Opp. Goregaon sports club, link road  
Malad (West), Mumbai - 400064  
Tel: 91-22-67341600, Fax: 91-22-28805606

**Kolkata Office:**  
18, Rabindra Sarani,  
"Poddar Court", Gate No. 4,  
4th Floor, Kolkata - 700001  
Tel: 91-33-39847000, Fax: 91-33-39847004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of

**Disclaimer:** This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions.

All disputes shall be subject to the exclusive jurisdiction of Delhi High court.