TOP 10 PICKS FOR 2019

24TH DECEMBER , 2018

Moneywise. Be wise.

FROM SMC RESEARCH DESK .....

Markets appear to be much better in Year 2019 compared to the behaviour we saw in year 2018. Two important variables among others that went negative for Indian markets were rise in crude prices and consistent selling by foreign institutional investors (FII). And now both of these factors appear to be in favour and will support the markets. If one sees the performance of the Indian markets as compared to other emerging markets, Indian markets have certainly outperformed by a margin on year to date basis and the reason is attributed to the large flows coming through our domestic institutions.

On the global economy side, trade war worries and global growth slowdown as evinced by economic data which is even voiced by major central banks may add to volatility in the markets in 2019. All these may lead to lower pace of tightening or pause by central banks to support growth in their respective economies like U.S. Federal Reserve, European Central Bank, etc. which in turn my support markets. However, planned interest rate hikes by Fed (now projected two hikes instead of three in 2019) and planned balance sheet reduction may affect FII flows in emerging markets thus adding to volatility. Trade worries and negotiations may continue for long between U.S. and China thus adding volatility to the markets.

Back at home, investors would be eyeing the general elections outcome in 2019. Historically it has been seen elections may play out well for the consumption side and consumer discretionary side on account of rural focus and populism. In this report we are looking at 10 themes that will be played out during the year. A strong consumer loan growth and rising real income will be an advantage with respect to consumer discretionary. Also a turn in capital expenditure and public capex remaining strong will boost the growth in the economy. Even loan growth prospects are looking up as the economy gathers pace. The NPA situation in the Indian banking system has been stabilizing and the bankruptcy processes are gaining pace. Going forward, the recognition of and the quick pace of resolution for non-performing assets will continue to strengthen Indian banks over the next few years.

The advice to investors to tide the volatility in the markets is to spread investments over months and remain invested for three years or more.

Happy Investing

TOP 10 PICKS - 2019

SR.NO.	CO_NAME	SECTOR	CLOSE PRICE*	TARGET (RS.)	UPSIDE POTENTIAL (%)
1	Reliance Inds.	Refineries	1098.35	1297	18
2	ITC	FMCG	276.50	331	20
3	ICICI Bank	Banks	353.35	407	15
4	Bajaj Fin.	Finance	2601.35	3048	17
5	M & M	Automobile	780.35	963	23
6	UPL	Agro Chemicals	736.70	869	18
7	Indian Hotels	Hotels & Restaurants	146.95	183	24
8	L&T Technology	IT - Software	1646.75	1970	20
9	Torrent Power	Power Generation & Distribution	256.30	303	18
10	K E C Intl.	Capital Goods - Electrical Equipment	300.65	386	28

***CMP as on 21st December 2018**

RELIANCE INDUSTRIES LIMITED

CMP: Rs. 1098.35 | **Target: Rs. 1297** | **Upside Potential : 18%** | **Recommendation: Buy**

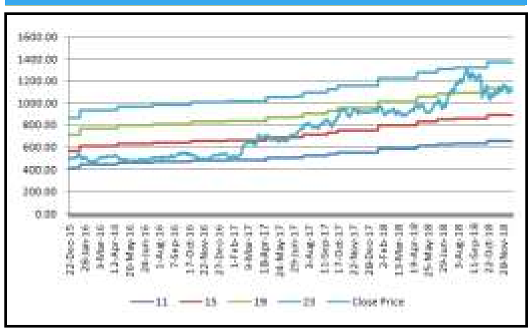
VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	1328.75/872.10
M.Cap (Rs. in Cr.)	696195.94
EPS (Rs.)	59.69
P/E Ratio (times)	18.40
P/B Ratio (times)	2.28
Dividend Yield (%)	0.51
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	26.71
Institutions	11.46
Non Promoter Corporate Holding	2.59
Promoters	46.17
Public & Others	13.08

P/E CHART



INVESTMENT RATIONALE

- The company has delivered robust operating and financial results for the September quarter despite macro headwinds, with strong growth in earnings on Y-o-Y basis. Its integrated refining and petrochemicals business generated strong cash flows in a period of heightened volatility in commodity and currency markets. Its world-class petrochemicals assets contributed record earnings; endorsing benefits of diversified feedstock, integration and superior product portfolio. Jio has now crossed 250 million subscriber milestone and continues to be the largest mobile data carrier in the world.
- Petrochemical production for the first half increased by 25.7% to 18.6 MMT. EBIT margin for the segment stood at an all-time high of 19%. Incremental volumes from new polyester chain facilities enhanced the company's profitability. Ethane import project achieved completion with pipeline connectivity to Nagothane cracker, which enhanced feedstock optionality.
- Jio subscriber base increased to 252.3 million as of end of Q2 FY 19. Jio clocked revenues of Rs. 17,349 crore with EBIT of Rs. 3,750 crore during first half of FY 19. EBITDA for the same period was Rs. 6,720 crore with EBITDA margin at 38.7%. ARPU of Rs. 131.7/subscriber per month were recorded, while total wireless data traffic stood at 1,413 crore GB. Recently, Jio has announced strategic investment in Den Networks and Hathway Cable for traction in JioGigaFiber.
- The company is also considering a plan of boosting its oil refining capacity by half. The plant is expected to come up in Jamnagar where it already has its refining complex & is expected to cost the company around Rs. 70,000 crores. The plant will have a capacity to process 30 million tonnes of crude a year.
- Retail business recorded robust growth in revenue and profitability in the first half with revenue growth of 122.5% Y-o-Y to Rs. 58,326 crore. Its commitment to create consumer value is gathering momentum, with the robust scale-up of India-centric consumer-facing businesses. The financial performance of both Retail and Jio reflect the benefits of scale, technology and operational efficiencies. Retail business EBITDA has grown three fold on a YoY basis. There has been a net addition of 1,573 stores till Q2 FY 19.
- In Q2 FY19, revenue has improved by 54.5% YoY to Rs 1,56,291 crore while PAT increased by 17.4% to Rs 9,516 crores as against Rs 8109 crores YoY. EBIT grew by 24.9% to Rs. 22,359 crores during Q2 FY19.

RISK

- Foreign Exchange Fluctuation
- Regulatory Changes in tariff (telecommunications business)

VALUATION

Reliance has continued to grow and evolve, creating value by building competitive global scale businesses and delivering increasing shareholder value. The company has made significant investments in new plants, organically growing the energy business. New age businesses such as retail and Jio have shown strong resilience & sustainable growth. Thus we expect the stock to see a price target of Rs 1297 in 8 to 10 months time frame on an expected P/Ex of 15.37 and FY20 EPS of Rs.84.36.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	391677.00	573160.31	634129.99
EBITDA	64176.00	86108.69	103225.69
EBIT	47470.00	64804.88	77908.86
NET INCOME	34988.00	42519.45	51591.01
EPS	59.06	68.90	84.36
BVPS	495.62	561.38	637.44
RoE	12.56	13.12	14.11

Source: Company's Website, Reuters & Capitaline

ITC LIMITED

Moneywise. Be wise.

CMP: Rs. 276.50 | **Target: Rs. 331** | **Upside Potential : 20%** | **Recommendation: Buy**

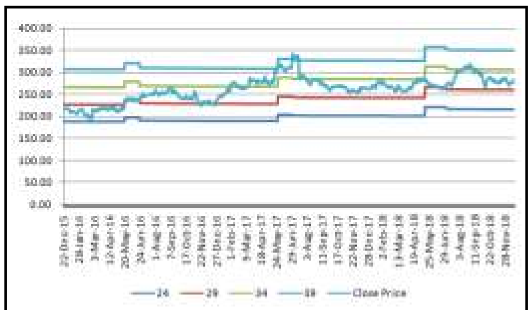
VALUE PARAMETERS

Face Value (Rs.)	1.00
52 Week High/Low	322.70/251.30
M.Cap (Rs. in Cr.)	338627.22
EPS (Rs.)	8.99
P/E Ratio (times)	30.76
P/B Ratio (times)	6.45
Dividend Yield (%)	1.86
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	47.63
Institutions	37.68
Non Promoter Corporate Holding	4.23
Promoters	0.00
Public & Others	10.47

P/E CHART



INVESTMENT RATIONALE

- ITC is one of India's foremost multi-business enterprises. It has robust portfolio of traditional and greenfield businesses encompassing Fast Moving Consumer Goods (FMCG), Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, and Information Technology. Company's ability to leverage internal synergies residing across its diverse businesses lends a unique source of competitive advantage to its products and services. Some of it's popular brands include Aashirvaad, Sunfeast, Mom's Magic, Bingo!, Yippee!, Fiama & Vivel.
- Cigarettes business, which contributed 45 percent to the total revenue, has registered a 10.4% increase at Rs 5,026 crore with its reported EBIT rising 8.7%. Launches in the quarter include new variants in Hollywood (triple fliter) and Flake Taste Pro (dual filter). Cigarette margins have taken a slight hit due to costs related to new warnings on cigarette packs from September, 2018.
- FMCG business also posted modest growth owing to positive traction in branded food business, growing at the rate of 10.1% over the previous quarter. Paper and Paperboard business net sales grew 5.1% to Rs. 1,424 Crores owing to strong demand and capacity enhancement in Value Added Paperboard and Décor segment. Capacity utilization has been scaled up at the bleached chemical thermo mechanical pulp mill. Restoration of a paperboard machine at Bhadrachalam unit was successfully completed during the quarter, thereby increasing the paperboard capacity by 1.5 Lakhs tones (per annum). In its lifestyle retailing business, Wills Lifestyle & John Players, the company is restructuring the vertical by re-crafting the core- portfolio.
- The company has forayed into the frozen snacks category in the September Quarter. It has initially launched 10 variants of snacks. Revenue in this segment grew by 12.8% over the same period in previous year but saw contraction in the EBIT due to competitive pricing of new launches. The Company's Hotel business is doing extremely well. ITC Kohenur, a 271 room luxury hotel was commissioned on 1st June 2018. Revenue grew by at a healthy pace of 6.15% over the last quarter & EBIT also saw strong growth.
- September Quarter was steady with Gross Revenue standing at Rs. 11,094.89 crores, representing a growth of 3.5% over the June quarter & a growth of 14.65% over the same period in previous year driven mainly by FMCG, Agribusiness and Hotels. PBDIT stood at Rs. 4,205.97 Crores and Profit After Tax at Rs. 2,954.67 Crores.

RISK

- Increase in GST rates & ad valorem duty on Cigarettes
- Downturn in Consumption patterns

VALUATION

The company has posted robust and encouraging growth numbers from its core segments & the Cigarette segment has delivered second consecutive quarter of volume growth. Other business, especially paperboards & packaging continue to support the margins & the profit owing to which the synchronized growth momentum is expected to continue. India remains the fastest growing major economy in the world. The pace of consumption will show up in numbers to come. It is expected that the stock will see a price target of Rs. 331 in 8-10 months time frame on a target P/E 29 of and FY20 EPS of Rs.11.4

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	43122.90	47413.71	52376.58
EBITDA	16482.96	18437.19	20614.39
EBIT	15246.68	17102.71	19262.98
PRE-TAX PROFIT	16988.63	19075.25	21292.59
NET INCOME	11271.20	12442.61	13814.87
EPS	9.20	10.16	11.40
BVPS	43.03	45.77	49.44
RoE	22.4	23.06	24.12

Source: Company's Website, Reuters & Capitaline

ICICI BANK LIMITED

CMP: Rs. 353.35 | **Target: Rs. 407** | **Upside Potential : 15%** | **Recommendation: Buy**

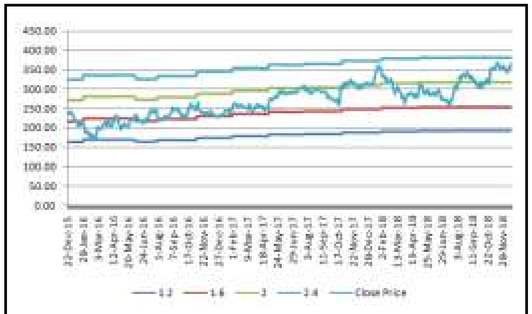
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	375.25/256.50
M.Cap (Rs. in Cr.)	227563.95
EPS (Rs.)	11.97
P/E Ratio (times)	29.51
P/B Ratio (times)	2.11
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	59.19
Institutions	33.03
Non Promoter Corporate Holding	1.60
Public & Others	6.18

P/E CHART



INVESTMENT RATIONALE

- Business of the bank increased 12% yoy to Rs 1103156 crore at end September 2018, supported by loans growth improving to 13% at Rs 544487 crore. Meanwhile, the deposits growth galloped to 12% at Rs 558669 crore at end September 2018. The bank has raised credit-deposit ratio 97.5% end September 2018 from 94.4% a quarter ago and 96.8% a year ago.
- Overall, the bank is focusing on further growing its core operating profit through granular and risk-calibrated business growth. The domestic loan book grew by 16% led by retail loan growth of 20.5%.
- The bank expects the provisions in FY2019 to remain elevated and bank is closely monitoring the asset quality. Retail NPA's declined 7% qoq to Rs 5463 crore at end September 2018. During September quarter, Net NPA's declined to 3.65 as against 4.19 sequentially and 4.43 year on year basis.
- The funding profile of the bank continues to be healthy. CASA deposits increased 15% and average CASA ratio was maintained above 45%.
- The management of the bank has also kept up its guidance of double digit growth in the fee income & maintaining the Net interest margins well above 3%. The fee growth has come at 17% over the same period in previous year & Net Interest Margin has come at 3.33%.
- There has been an increase in the incremental cost of term deposits for the banking system in September. While the Bank has been passing on the increase in cost of deposits to borrowers by hiking the MCLR and the incremental lending rates, the impact of the same on margins would come with a lag due to the lower reset frequency of loans linked to MCLR.
- Bank has posted healthy 12% increase in NII at Rs 6417.58 crore for the quarter ended September 2018. Interest income increased 11% to Rs 15105.63 crore, while interest expenses rose 10% to Rs 8688.05 crore.

RISK

- Unidentified Asset Slippages. (Non- Identified NPA's).
- Regulatory Provisioning on assets.

VALUATION

Business performance of the bank such as domestic loan growth, overall corporate advances , retail loan growth, CASA ratio are continuously improving. On the development front, it is increasing its presence across the country and working on fully leveraging existing resources and infrastructure. Further, it would also look at implementing additional cost optimization measures during the year, while growing its retail franchise. Thus, it is expected that the stock will see a price target of Rs.407 in 8 to 10 months time frame on a target P/BVx of 2.22x and FY20 BVPS of Rs.183.18.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
TOTAL INCOME	40445.47	41106.11	47348.51
EBIT	24741.63	19181.81	25626.09
PRE-TAX PROFIT	7434.55	7803.60	19641.35
NET INCOME	6777.42	5851.09	13852.53
EPS	10.46	9.81	23.02
BVPS	163.57	165.04	183.18
RoE	6.11	5.24	12.52

Source: Company's Website, Reuters & Capitaline

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BAJAJ FINANCE LIMITED

CMP: Rs. 2601.35 | **Target: Rs. 3048** | **Upside Potential : 17%** | **Recommendation: Buy**

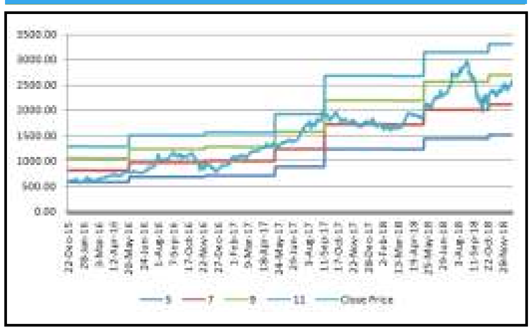
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	2995.10/1514.40
M.Cap (Rs. in Cr.)	150349.81
EPS (Rs.)	55.31
P/E Ratio (times)	47.03
P/B Ratio (times)	8.64
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	20.97
Institutions	8.64
Non Promoter Corporate Holding	5.09
Promoters	55.16
Public & Others	10.14

P/E CHART



INVESTMENT RATIONALE

- Bajaj Finance is engaged in the business of lending and primarily deals in financing of two and three-wheelers, consumer durables, small business loans, personal loans, mortgage loans, loan against securities. The company continued to expand its presence in the current quarter as well and is now present in 1613 locations. It expects geographic expansion to continue at 15%-20% annualized growth rate.
- On the development front, the company has acquired 100% shares of Bajaj Financial Securities (BFinsec) on 10 August 2018 from its wholly owned subsidiary Bajaj Housing Finance, which is expected to support existing Loan Against Securities business. Bajaj Housing Finance is progressing well and it's on track to deliver high growth along with threshold ROEs over the next few years.
- AUM surged 38% to Rs 100217 crore end September 2018 from Rs 72669 crore end September 2017. Consumer segment AUM increased 39% to Rs 38797 crore, while SME AUM moved up 33% to Rs 13370 crore. The commercial segment AUM has shown an improvement of 38% to Rs 11760 crore, while rural segments AUM surged 71% to Rs 7439 crore and mortgage 32% to Rs 28851 crore at end September 2018.
- Deposit book crossed a milestone of 10,000 crore and surged 93% to Rs 10651 crore end September 2018 from Rs 5517 crore end September 2017. Deposits contributed to 13% of the consolidated borrowings and its share in borrowing is expected to increase to 20% by 2020. The company expects the operating expense to NII ratio to remain in the range of 38-39% in FY2019
- Consolidated Gross NPA and Net NPA as of 30 September 2018 stood at 1.49% and 0.53% respectively.
- Segment wise, the company is doing well and credit card business in partnership with RBL Bank is over 21 months old and has shaped up well on volume growth, spends; revolve metrics and portfolio credit quality. The business has 6.63 lakh cards in force as of 30 September 2018 and is well positioned to cross 1.0 million cards milestone by March 2019 demonstrating franchise strength and cross sell capabilities.

RISK

- Competition
- Regulatory risk

VALUATION

The management of the company expects to grow upwards of 25% on the back of evenly spread growth across segments, with India's two-wheeler industry growing by 11.5 percent and commercial vehicle sales by 40 percent. Also mobile phone sales continue to mount, growing by an estimated 10-11 percent each year. Strong growth in business across segment lines with diversified product portfolio on back of robust demand outlook the company is expected to perform well over medium term. Thus, it is expected that the stock will see a price target of Rs. 3048 in 8 to 10 months time frame on a three year average P/BV of 7.44x and FY20 BVPS of Rs 409.72.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
TOTAL INCOME	8807.71	11633.13	15153.71
EBITDA	5243.46	5524.71	6883.93
EBIT	5141.39	6714.68	8701.00
NET INCOME	2496.34	3670.92	4831.27
EPS	47.05	63.74	83.51
BVPS	287.87	333.78	409.72
RoE	20.50	21.00	22.38

Source: Company's Website, Reuters & Capitaline

MAHINDRA & MAHINDRA LIMITED

CMP: Rs. 780.35 | **Target: Rs. 963** | **Upside Potential : 23%** | **Recommendation: Buy**

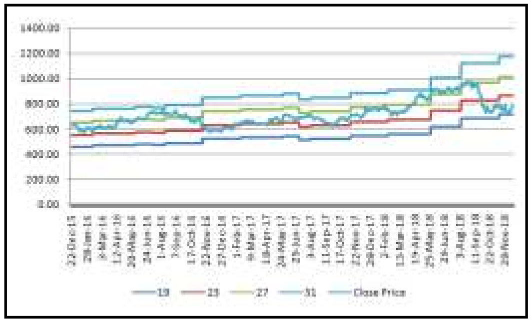
VALUE PARAMETERS

Face Value (Rs.)	5.00
52 Week High/Low	992.00/695.20
M.Cap (Rs. in Cr.)	97012.53
EPS (Rs.)	37.78
P/E Ratio (times)	20.66
P/B Ratio (times)	3.01
Dividend Yield (%)	0.96
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	38.29
Institutions	20.09
Non Promoter Corporate Holding	6.46
Promoters	20.45
Public & Others	14.71

P/E CHART



INVESTMENT RATIONALE

- Its newly launched vehicle, Marazzo, has performed well, bookings have crossed 13500 units and growth is expected to continue for the rest of the year as well. While Private vehicle growth is expected to be 7-8%, tractor demand is expected to grow in 12-14% range.
- M&M intends to offer petrol versions of all models by 2020. It would be launching four new petrol engines. Given that M&M has a diesel background, it has been focusing to bring petrol model's performance closer to that of diesel. BS6 petrol TGDI/GDI-based engines would also help bridge the gap between diesel and petrol.
- The company has been aggressive in rolling out new products. It had launched two variants of electric three wheelers from its Electric Technology Manufacturing Hub in Karnataka. Also, its wholly owned subsidiary has launched next gen Jawa motorcycles bringing back the classic appeal of Jawa with a retro-cool twist. Lately, it has launched a high-end SUV, the Alturas G4, which the management feels will garner them a 15% market share
- M&M plans to invest Rs. 900 crores for capacity expansion of Electric Vehicles, partnerships/JVs and R&D (excluding product development). It would have capacity of 70,000 units by March 2020. MM plans to launch eKUV SUV in the next one year. Also, it plans to launch two SUVs with Model-1 having 250km range on 90kw battery and Model-2 having 156km range on 50kw battery.
- It has reported 16 per cent increase in total sales at 45,101 units in November against 38,570 units in the same month last year. According to the management of the company, it has registered double-digit growth in overall sales and going forward expects good demand in demand for passenger vehicles due to decrease in fuel prices. The company is upbeat due to new product launches of Marazzo, Alturas G4 and the upcoming launch of its new SUV code-named S201.
- In Q2 FY 19, the company posted net revenue of Rs. 12,790 Crores, higher by 6.4% YoY. Operating margins stood at 14.5%, lower by 1.5% YoY, the impact being largely due to commodity costs increase and new product launch impact. It made a PAT of Rs. 1,779 crores versus Rs. 1411 crores YoY. The Company exported 9,244 vehicles during the current quarter, a growth of 18.9% YoY.

RISK

- High Competition.
- Slowing Demand due to inflation.

VALUATION

Going forward, the management believes that growth will be a function of evolving liquidity conditions as well as private and government spending. Among global factors, crude oil price behavior and US-China trade policy maneuvering will be the key factors. With New launches, the company is continuously crossing new milestones on our journey to becoming an innovative and technology driven global brand. Thus we expect the stock to see a price target of Rs 963 in 8 to 10 months time frame on a current P/Ex of 20.66 and FY20 (EPS) of Rs 46.6.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	48685.55	54786.79	62191.60
EBITDA	6224.02	7525.87	8620.77
EBIT	4744.60	6011.62	6998.29
PRE-TAX PROFIT	6102.37	7021.75	8013.09
NET INCOME	4356.01	4918.98	5535.28
EPS	36.47	41.17	46.60
BVPS	254.59	286.65	321.05
RoE	14.02	15.15	15.29

Source: Company's Website, Reuters & Capitaline

UPL LIMITED

CMP: Rs. 736.70 | **Target: Rs. 869** | **Upside Potential : 18%** | **Recommendation: Buy**

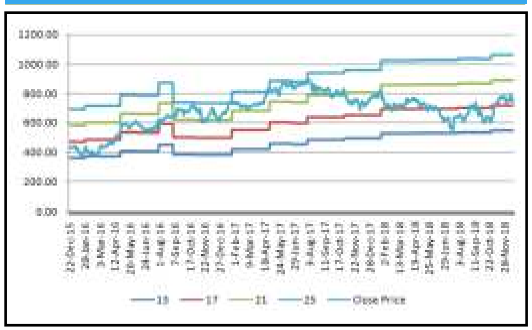
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	830.00/537.90
M.Cap (Rs. in Cr.)	37523.27
EPS (Rs.)	42.40
P/E Ratio (times)	17.38
P/B Ratio (times)	4.12
Dividend Yield (%)	1.09
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	51.80
Institutions	8.61
Non Promoter Corporate Holding	3.11
Promoters	27.90
Public & Others	8.58

P/E CHART



INVESTMENT RATIONALE

- UPL Limited provides crop protection solutions. The Company is engaged in the business of agrochemicals, industrial chemicals, chemical intermediates and specialty chemicals. The Company's segments include Agro activity and Non-agro activity. The Company sells its products in approximately 120 countries.
- Recently, UPL has agreed to acquire agri-pesticides maker Arysta LifeScience Inc. for $4.2 billion (aprox Rs 28500 crore) in cash to become one of the world's largest crop protection companies. This acquisition will create a "New UPL" and fulfills UPL's objective of creating an integrated patent and post-patent agricultural solutions business with a global footprint. "New UPL" will represent a compelling value proposition for growers, distributors, suppliers and innovation partners in a consolidating market.
- The company is a direct proxy for increase in demand for food crops due to rising commodity prices, high population growth and high demand for bio-fuel. It has his torically focused on acquisitions of smaller companies and brands to achieve higher growth than the market.
- UPL has been trying to grow its seeds business, which constitutes 10% of its overall bouquet of crop solutions products. UPL entered the seeds business through its acquisition of Advanta. The main markets for its seeds business include the US, Australia and Latin America. The company, however, is yet to make a strong mark in the seeds business in India.
- The management has been focussing on technological enhancement and new product developments, which would aid further financial growth of the company. Moreover, the company believes that new launches would bear fruit in the coming term.
- It continued to service key agriculture markets like India, Brazil and North America through the development of specialised products in line with emerging farmer needs.

RISK

- Foreign Exchange
- Monsoon Risk

VALUATION

The company has strong fundamentals and robust outlook. Its strong focus on brand building and customer reach is helping the company in increasing its market share in major addressable markets. Moreover, with the acquisition with Arysta LifeScience, the company will be one of the world's largest global crop protection companies, with an innovative and differentiated product portfolio. Thus, it is expected that the stock to see a price target of Rs 869 in 8 to 10 months time frame on an target P/Ex of 17 and FY20 (EPS) of Rs 51.12.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	17378.00	19357.44	21351.68
EBITDA	4012.78	4502.95	5011.05
EBIT	2830.00	3248.65	3681.21
PRE-TAX PROFIT	2305.00	2751.21	3608.10
NET INCOME	2022.00	2213.41	2551.01
EPS	39.78	44.18	51.12
BVPS	179.78	214.95	257.05
RoE	25.17	22.55	21.39

Source: Company's Website, Reuters & Capitaline

INDIAN HOTELS COMPANY LIMITED

CMP: Rs. 146.95 | **Target: Rs. 183** | **Upside Potential : 24%** | **Recommendation: Buy**

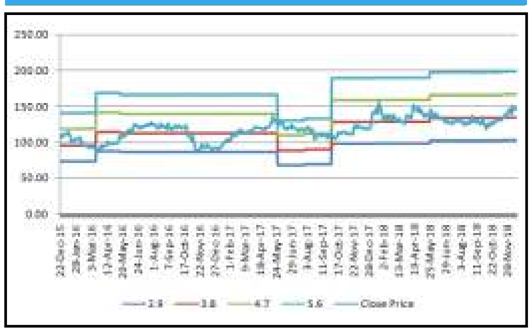
VALUE PARAMETERS

Face Value (Rs.)	1.00
52 Week High/Low	160.60/110.00
M.Cap (Rs. in Cr.)	17476.15
EPS (Rs.)	1.91
P/E Ratio (times)	76.79
P/B Ratio (times)	4.16
Dividend Yield (%)	0.27
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	15.17
Institutions	27.20
Non Promoter Corporate Holding	5.61
Promoters	39.09
Public & Others	12.95

P/E CHART



INVESTMENT RATIONALE

- The Indian Hotels Company (IHCL) and its subsidiaries, collectively known as Taj Group, is one of Asia's largest and finest group of hotels. Its has brand of Taj, Taj Safaris, Vivanta by Taj, The Gateway Hotel, Ginger, and Taj Trade and Transport.
- The Company has approximately 145 hotels in over 72 locations, including over 25 Ginger hotels across India, with an additional approximately 20 international hotels in the Maldives, Malaysia, Australia, the United Kingdom, the United States, Bhutan, Sri Lanka, Africa and the Middle East.
- Recently, it has re-opened Taj Connemara in Chennai (standalone) after two years of renovation(150 keys). It would further boost top line and operating performance of the company. Moreover, according to the management, Taj Connaught to take two years andis expected to open in late CY20.
- On the development front, it has tied up with Umm Al Qura Development and Construction Company in the King Abdul Aziz Road (KAAR) project, one of the largest urban rejuvenation projects in the city of Makkah, Saudi Arabia for proposed taj hotel which is suppose to open by 2023. This hotel will be IHCL's fourth venture in the MENA region. It will also open another two hotels in Dubai in the next 12 to 18 months.
- Taj's continued focus on the digital space, it has launched its new hybrid mobile application to provide ease of exploration and link to booking on the mobile smartphone itself. It has also introduced a new booking engine including unbiased guest reviews and a rate check mechanism compared to online travel agencies like Expedia and Booking.com in order to drive direct bookings on the Brand website with an improved experience for the guest.
- The company plans to monetize around 10 properties in the next three years as part of a larger plan to bring down its debt and fund its future growth. The Tata Group firm aims to reduce its consolidated debt by 30% in the next 18 months.
- It has assigned a capex of Rs 3,000 crore for the next five years and hotel industry occupancy levels and average room rate (ARR) are showing upward trends due to a demand-supply gap.

RISK

- Impact of changes in global and domestic economies,
- Competition

VALUATION

The Company plans to continue to grow through a judicious mixture of owned and leased hotels, a de-risked model along with its ability to attract management contracts. Its strong brand equity, pan India footprint and leadership in luxury segment, healthy EBITDA/Capital Employed and significant scope for improvement in subsidiaries (especially Ginger) with repositioning would give growth to the company.Thus we expect the stock to see a price target of Rs 183 in 8 to 10 months time frame on an expected P/Bvx of 4.7 and FY20 (BVPS) of Rs.38.92.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	4103.55	4434.32	4760.41
EBITDA	670.35	824.26	963.80
EBIT	369.15	526.61	669.21
PRE-TAX PROFIT	161.84	344.66	411.10
NET INCOME	100.87	263.75	372.36
EPS	0.91	2.14	3.24
BVPS	35.16	36.89	38.92
RoE	2.34	4.81	7.64

Source: Company's Website, Reuters & Capitaline

L&T TECHNOLOGY SERVICES LIMITED

CMP: Rs. 1646.75 | **Target: Rs. 1970** | **Upside Potential : 20%** | **Recommendation: Buy**

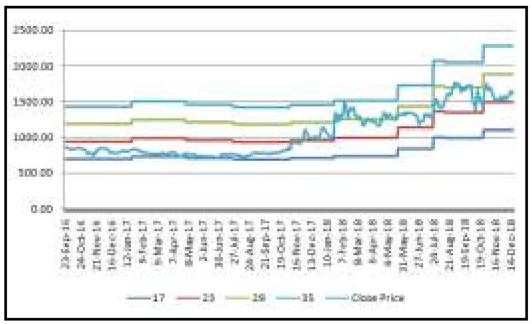
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	1852.50/967.15
M.Cap (Rs. in Cr.)	17121.27
EPS (Rs.)	64.79
P/E Ratio (times)	25.42
P/B Ratio (times)	8.59
Dividend Yield (%)	0.24
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	4.13
Institutions	4.33
Non Promoter Corporate Holding	2.97
Promoters	80.66
Public & Others	7.90

P/E CHART



INVESTMENT RATIONALE

- L&T Technology Services (LTTS) is a leading global pure-play Engineering Research and Development (ER&D) services provider. It provides ER&D services, which is defined as the set of services provided to manufacturing, technology and process engineering companies, to help them develop and build products, processes and infrastructure required to deliver products and services to their end customers.
- It has completed the acquisition of Bangalore-based Graphene Semiconductor Services Private Limited, on October 15, 2018. Graphene's strong offshore presence, coupled with expertise in complete VLSI Chip Design & Embedded Software, allows LTTS to further strengthen its footprint in SOC Design and consolidate its leadership in the Semiconductor & Product OEM space. According to the management of the company, this acquisition would act as a force multiplier for LTTS in the Semiconductor & Product OEM space
- LTTS won a large deal worth USD 40 million to provide digital content management services to a technology company's industrial products segment. It will leverage centres in Europe, US and India while assuming complete ownership and talent to manage content for all current and future product suites for the customer.
- During Q2FY19, the company has won 6 multi-million dollar deals across Industrial Products, Process Industry and Telecom & Hi-tech. LTTS has increased its USD30mn+ clients by 1, USD10mn+ clients by 3 and its USD5mn+ clients by 5 on a YoY basis. Revenues from digital & leading-edge technologies increased to 33% and grew by 66% YoY.
- The patents portfolio of L&T Technology Services stood at 349 out of which 256 are co-authored with its customers and 93 are filed by LTTS. 12 new patents were added in the quarter with 7 being filed by LTTS and 5 co-authored with customers. LTTS' employee strength stood at 13,585, a net addition of 504 during the quarter.
- The company had a strong second quarter with a 29.5% YoY growth in constant currency. All of its industry segments grew in double digits on a YoY basis, with Industrial Products also turning around this quarter. The strong growth was accompanied by good execution on the operational front as improved EBITDA margins to 18.1% despite wage hikes, leading to a 56% YoY growth in Net profit to Rs.191.80 crore.

RISK

- Currency Fluctuation
- Highly Competitive

VALUATION

The management of the company expects a healthy deal pipeline and good traction in focus areas such as Edge computing, Smart Manufacturing, IoT, Electric & Autonomous vehicles. The company was rated as a 'Leader' in 6 market categories across 3 industries in the U.S. market by ISG. Thus, it is expected that the stock will see a price target of Rs.1970 in 8 to 10 months time frame on a current P/E of 25.42x and FY20 (E) earnings of Rs.77.48.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	3747.10	5062.30	6026.59
EBITDA	575.60	892.23	1103.68
EBIT	486.80	817.81	1015.38
PRE-TAX PROFIT	677.80	955.98	1101.29
NET INCOME	506.00	706.64	811.07
EPS	48.18	67.19	77.48
BVPS	189.37	225.69	276.99
RoE	29.57	33.53	31.33

Source: Company's Website, Reuters & Capitaline

TORRENT POWER LIMITED

CMP: Rs. 256.30 | **Target: Rs. 303** | **Upside Potential : 18%** | **Recommendation: Buy**

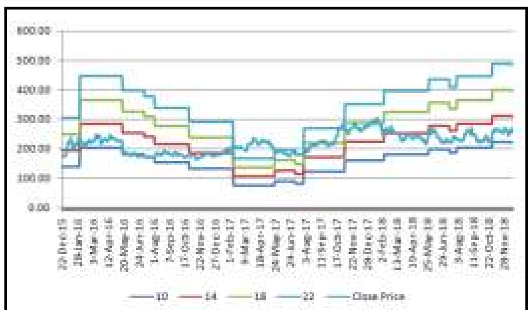
VALUE PARAMETERS

Face Value (Rs.)	10.00
52 Week High/Low	306.95/212.10
M.Cap (Rs. in Cr.)	12318.21
EPS (Rs.)	22.08
P/E Ratio (times)	11.61
P/B Ratio (times)	1.41
Dividend Yield (%)	1.95
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	6.78
Institutions	18.08
Non Promoter Corporate Holding	11.40
Promoters	53.57
Public & Others	10.16

P/E CHART



INVESTMENT RATIONALE

- Torrent Power Limited is an integrated utility engaged in the business of power generation, transmission and distribution with operations in the states of Gujarat, Maharashtra and Uttar Pradesh. It is also engaged in the business of cables manufacturing with operations in the state of Gujarat.
- It has a strong market position as a sole power distribution licensee for Ahmedabad, Surat, Gandhinagar and Dahej SEZ, and power distribution franchisee for Bhiwandi, Maharashtra; and Agra, Uttar Pradesh.
- 164.9 MW Wind Power Projects have been successfully commissioned during the year ended March 2018. The total renewable power generation capacity, including operational and under-construction projects, has crossed the mark of 1,550 MW.9 LNG cargoes have been imported till 31st March 2018 and another 26 LNG cargoes have been contracted, after following a competitive tender process, with international suppliers for delivery up to December 2020.
- Further the Company has also floated Invitation to Offer for procurement of another 36 cargoes of LNG over the period from January, 2018 to December, 2020 – with 12 cargoes for each of the 3 years. As the LNG availability at affordable price has improved, the company is now awaiting demand growth in the country to run its UNOSUGEN and DGEN power plants.
- It has posted about 29 percent jump in its consolidated net profit at Rs 413.52 crore in September quarter mainly on the back of higher revenues. Its total income of the company rose to Rs 3444.54 crore in the quarter; the growth in net income can be attributed to improvement in the performance of Sugen Mega Power Plant and reduction in Aggregate Technical & Commercial (AT&C) losses in the distribution franchisee business.
- The company has been reducing its debt equity ratio with a focus on improvement of efficiency. Moreover, improvement in T&D, focus on green power project and commissioning of renewable power plants would give good strength to the company.

RISK

- High leverage
- risks related to fuel availability

VALUATION

The Company continues to believe in its play of being an integrated utility. As part of its future growth plan, its keeps on exploring opportunities in the coal based generation space – either Greenfield or Brownfield, working towards expanding its renewable energy portfolio. Moreover, Government's policy push like emphasis on clean coal technologies, replacing old plants with new super critical plants, policy on automatic transfer of coal linkage, stricter environmental norms and emphasis on digitalization will go a long way in reenergizing the coal based power generation sector. Thus, it is expected that the stock will see a price target of Rs.303 in 8 to 10 months time frame on a current P/Ex of 10x and FY20 EPS of Rs.30.27.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	11512.09	13354.024	15223.588
EBITDA	3117.13	3821.168	4297.564
EBIT	1985.63	3821.168	4297.564
PRE-TAX PROFIT	1400.99	1697.234	2039.338
NET INCOME	942.31	1229.955	1454.859
EPS	19.61	25.59	30.27
BVPS	160.61	186.21	216.48
RoE	12.90	13.84	14.07

Source: Company's Website, Reuters & Capitaline

KEC INTERNATIONAL LIMITED

Moneywise. Be wise.

CMP: Rs. 300.65 | **Target: Rs. 386** | **Upside Potential : 28%** | **Recommendation: Buy**

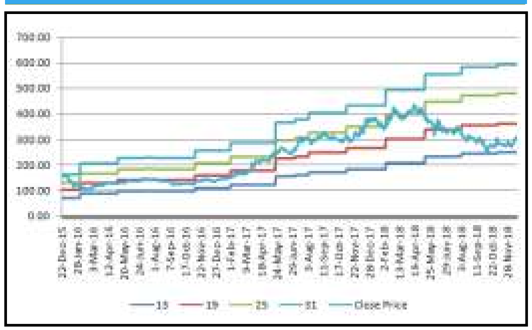
VALUE PARAMETERS

Face Value (Rs.)	2.00
52 Week High/Low	442.60/244.20
M.Cap (Rs. in Cr.)	7729.36
EPS (Rs.)	19.17
P/E Ratio (times)	15.69
P/B Ratio (times)	3.61
Dividend Yield (%)	0.80
Stock Exchange	BSE

SHAREHOLDING PATTERN

As on Sep'18	% Of Holding
Foreign	10.44
Institutions	20.97
Non Promoter Corporate Holding	3.29
Promoters	51.17
Public & Others	14.13

P/E CHART



INVESTMENT RATIONALE

- KEC International Limited is an Infrastructure Engineering, Procurement & Construction (EPC) major with presence across Power Transmission & Distribution, Railways, Civil, Smart Infrastructure, Cables and Solar.
- Order book stood at end of Q2 FY19 stood at Rs. 20,135 crore, a growth of 44% YoY. During the quarter, the company has secured new orders of Rs.1,518 crores across its various Businesses. The T&D business has secured turnkey orders of Rs.475 crore across India, Africa and Americas. The Railway Business has secured fresh and change orders of Rs.800 crore for Overhead Electrification works and associated Civil works across India.The Cables Business secured orders of Rs.159 crore for various types of Cables and the Civil Business secured an order of Rs.84 crore for a Residential project.
- The management believes that the T&D infrastructure is highly underdeveloped in the SAARC and expects significant increase in investments in that sector. Also, dedicated freight corridor and Metro rail construction offers sizeable opportunity to the company.
- The company has guided for and is confident of achieving the guidance of 15% growth in revenue for FY19 and a margin of 10.5% and expects 10-15% growth in order inflow for current fiscal. Considering strong order book, the management expects to close current fiscal with a revenues of about Rs 1500-1600 crores. Once the company starts executing international orders, the company will get an advance of 10-15%, which will improve the realization visibility of the company.
- It reported a 13% YoY revenue growth to Rs 2,408 crores led by 254% YoY growth in the railway segment and strong execution in civil and solar segments. Supported by Rs 15 crores in Forex gain under, margins improved to 10.5%. It posted a profit after tax of Rs. 97.81 crores, increasing by 9.4% YoY. The company is sitting on a debt of Rs. 594 crores, which translates into debt equity of 0.42.

RISK

- Commodity price fluctuations
- Infrastructure investment slowdown

VALUATION

Going ahead, it expects strong demand driven by increase in new power generation capacities, increasing private sector investments, investments in interconnection grids/projects, replacement of existing aged networks, more frequent and intense blackouts and governments focus on increasing access. Management of the company is of the view that the company is delivering strong performance quarter after quarter on all fronts. With strong order book, it is confident of delivering good growth. It is expected that the stock will see a price target of Rs. 386 in 8-10 months time frame on a current P/E 15.69 of and FY20 EPS of Rs.24.57.

FINANCIAL PERFORMANCE

(Rs.in Cr.)

	ACTUAL	FORECAST	
	FY Mar-18	FY Mar-19	FY Mar-20
REVENUE	10096.37	11574.43	13473.09
EBITDA	1006.18	1191.73	1391.51
EBIT	896.44	1075.27	1243.05
PRE-TAX PROFIT	690.24	789.41	960.37
NET INCOME	460.42	519.61	631.78
EPS	17.91	20.17	24.57
BVPS	77.70	97.15	119.23
RoE	25.69	22.31	22.17

Source: Company's Website, Reuters & Capitaline

SMC Research Desk

SMC Research also available on Reuters

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