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Dear all,

We would request you to kindly go through our new recommendation list which is given below. Both the targets i.e. Long term as well as short term will be updated on a monthly basis. We have included a small note giving out our rationale behind the investment.

Monthly Outlook:

The month was dominated by the geo-political developments – between India and China over Doklam & North Korea and US over nuclear tests by the former. The month of August saw the large cap, mid cap and small cap index fall by 1.6%, 1.3% and 0.7% respectively.

The US Fed held on to policy rates, a hawkish stance is likely to result in one more rate hike before the end of the year. Indian Government is considering a plan to loosen its fiscal deficit target in order to enable it to spend up to USD 7.7 billion more to halt an economic slowdown. Growth has slowed to a three-year low of 5.7% in the quarter that ended in June, and Finance Minister has mentioned that the government was looking for ways to speed it up.

The global markets saw consolidation during the month owing to geopolitical tensions. India underperformed with respect to its emerging market peers posting negative returns for this month. While India posted a -1.6% return, the developed nations of USA and UK posted marginal gains of 0.1% and 0.8% respectively. France, Japan and Germany saw market corrections too this month.

On the monsoon front, trends have improved over the last week and are currently at 3.5% below normal on an aggregate basis, as on Aug 31st, 2017. Overall Kharif season sowing acreage at the end of August is 0.5% less than the previous year. Farmers are sowing more of cotton and sugarcane and moving away from the once profit-making oilseeds and jute. In the commodity markets, aluminum, copper, zinc, iron ore and gold price were up 10.4%, 6.6%, 12.6%, 4.8% and 3.7% respectively. Gold touched its highest level since September 2016 in USD terms and its highest level since February 2017 in INR terms.

The equity markets are near about the all-time highs. We believe a phase of consolidation is possible in the equity markets.



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| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|---------------|--------------|------------|-------------|------------|-------------|----------------|
| Biocon | 344.5 | 380 | 10% | 420 | 22% | BUY |

USFDA approval to Trastuzumab to open up huge opportunity as first biosimilar to Roche's Herceptin - US market size \$ 2.6 bn.

Biocon+Mylan to launch Pegfilgrastin in India. Insulin sales to grow due to EUGMP approval to Malaysia plant.

At CMP, Biocon trades at 24x FY19E EPS of Rs 14.3.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------|--------------|------------|-------------|------------|-------------|-------------------|
| Cipla | 564.8 | 593 | 5% | 631 | 12% | Accumulate |

Cipla to start complex generics launches in the US from Q3FY18 which will improve product mix and thereby profitability.

New launches in India, growth in South Africa to drive revenue growth. Profitability to improve through better product mix and operational efficiencies.

At Rs 565, Cipla trades at 26x FY19E EPS of Rs 21.6.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-------------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Dr Reddy's | 2257 | 2600 | 15% | 2800 | 24% | BUY |

USFDA approval to Duvvada plant will help restore revenues and profitability due to impact of warning letter.

Awaits clearance to Bachupally and Srikakulam formulations plant. Plans 15-20 ANDA filings and 10-12 new launches in US. Cautious on outlook as regulatory

clearances hold key to future growth.

At Rs 2257, DRL trades at 19x FY19E EPS of Rs 115.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|----------------|--------------|------------|-------------|------------|-------------|----------------|
| Syngene | 475.6 | 550 | 16% | 620 | 30% | BUY |

Largest contract research service (CRO) company in India, with a focus on early stage R & D. Wide offerings of niche services in discovery chemistry and biology.

Robust revenue growth due to increased demand, improvement in EBITDA margins due to increased business from dedicated centres to drive earnings growth.

At Rs 476, Syngene trades at 22x FY19E EPS of Rs 20.8.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|---------------------------|--------------|------------|-------------|------------|-------------|----------------|
| Narayana Hrudayala | 302.5 | 350 | 16% | 440 | 45% | BUY |

Increase in average revenue per occupied bed (ARPOB) due to widening presence in Mumbai and Delhi. Increase in number of operating beds due to Increased

occupancy due to better service offerings.

Promoted by Dr. Devi Shetty with a focus of affordable specialised treatment in oncology, neo natal care, cardiology, neurology and orthopedic.

Scalable due to.

Lowest capex per bed. Minimum impact of pricing controls.

At Rs 302.5, NH trades at 38x FY19E EPS of Rs 7.82.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|------------------|------------|------------|-------------|------------|-------------|----------------|
| Max India | 140 | 170 | 21% | 205 | 46% | BUY |

Turnaround due to improvement in profitability in healthcare services and expected break- even of health insurance by FY19.

Healthcare services to improve from better services at acquired hospitals, leading to higher ARPOB. Robust growth in Health insurance with increased penetration.

At Rs 140, Max India trades at 34x FY19E EPS of Rs 4.13.



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| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------------|------------|------------|-------------|------------|-------------|-------------------|
| Deepak Nitrite | 174 | 185 | 6% | 192 | 10% | Accumulate |

The company is setting up a greenfield project for 2 lakh tonnes of phenol, used in laminates, paints, rubber adhesives and 1.2 lakh tonnes of acetone, used in pharmaceuticals to be commissioned by Q4FY18

The new products will improve profitability over 2-3 years.

At Rs 174, DNL trades at 13x FY19E EPS of Rs 12.5.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------------|---------------|------------|-------------|------------|-------------|----------------|
| Laurus Labs | 549.65 | 620 | 13% | 744 | 35% | BUY |

Strong promoters background with strength in research & development of new molecules, with focus on high volume therapies.

Healthy growth in active pharmaceutical ingredients (APIs), custom synthesis. New formulations plant to be commissioned by Q3FY18.

At CMP, Laurus Labs trades at 16x FY19E EPS of Rs 35.4.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------------|--------------|------------|-------------|------------|-------------|----------------|
| Granules India | 125.9 | | | 156 | 24% | BUY |

Granules India is expanding its capacities in Paracetamol & Metformin, due to increasing demand to be commissioned by Q3FY18.

Granules is a fully integrated lowest cost producer of matured generics and has filed for complex generics ANDAs pending approval.

At Rs 126, Granules trades at 13x FY19E EPS of Rs 9.81.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------------------|------------|------------|-------------|------------|-------------|----------------|
| Cadila Healthcare | 486 | 558 | 15% | 650 | 34% | BUY |

USFDA Approves the Moraiya and Baddi Plant. Sizeable pipeline of ANDA fillings.

India formulations to grow through new product launches and vaccines.

Cadila to expand formulations facility with a capex of Rs 1000 crs.

At Rs 486, Cadila trades at 20x FY19E EPS of Rs 24.1

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|---------------------------|------------|------------|-------------|------------|-------------|----------------|
| Deepak Fertilisers | 381 | 420 | 10% | 468 | 23% | BUY |

Expects turnaround of fertilizer business. To increase capacity & more number of complex fertilizers.

The company expects to receive subsidy payment of Rs.310 Crores within next 2 to 3 months.

At Rs 381, Deepak Fertilises trades at 14x FY19E EPS of Rs 27.3

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-------------|------------|------------|-------------|-------------|-------------|-------------------|
| Bata | 710 | 730 | 3% | 1000 | 41% | Accumulate |

Retail sentiments remain positive, same store sales growth picking up.

EBIDTA Margins to improve with saving on fixed costs like rentals with higher turnover.

At CMP of Rs 710 trades at 41x FY18e EPS of Rs 17.4 and 34x FY19e EPS of Rs 21.



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| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------|------------|------------|------------|------------|------------|-------------------|
| Trent | 295 | 350 | 19% | 500 | 69% | Accumulate |

Trent a play on consumer theme, includes Westside - apparels, Starbazaar- departmental and Zara-high end fashion.

Diversified business with a potential of compounded growth in each of its segment.

At CMP of Rs 295 trades at 82x FY18e EPS of Rs 3.6 and 55.7x FY19e EPS of Rs 5.3

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|---------------------|------------|------------|-----------|------------|------------|-----------------------|
| Shopper Stop | 409 | 418 | 2% | 380 | -7% | Shift to Trent |

Shoppers Stop (SS) is play on Indian Retail. Shift to organised from unorganised would benefit companies like Shoppers Stop and Trent

SS mainly sells 3rd party apparels where margin expansion is limited. Hypercity has still not turned around.

We would recommend investors to shift from Shoppers Stop to Trent

At CMP of Rs 409 trades at 85x FY18e EPS of Rs 4.8 and 43x FY19e EPS of Rs 9.5

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|------------|------------|------------|-----------|------------|------------|--------------------|
| IFB | 713 | 740 | 4% | 900 | 26% | Buy on Dips |

IFB Industries a leader in manufacturing of Washing Machines a good consumer durable stock to play the housing for all theme

Company is known for Front Loaders and has started Top Loaders and gaining market share. Entering in to Refrigerators as well

At CMP of Rs 713 trades at 40x FY18e EPS of Rs 17.8 and 27x FY19e EPS of Rs 26.7.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------|-------------|-------------|-----------|-------------|------------|-------------------|
| Britania | 4328 | 4400 | 2% | 5000 | 16% | Accumulate |

FMCG company with high success ratio in terms of margins sustainability during tough times.

Expanding in to croissants through JV and also would be announcing it plan on dairy in the near future.

At CMP of Rs 4328 trades at 46x FY18e EPS of Rs 85 and 40x FY19e EPS of Rs 108

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------------|------------|------------|-----------|------------|------------|-------------------|
| Kansai Nerolac | 500 | 530 | 6% | 650 | 23% | Accumulate |

Paint company have been maintaining double digit topline and bottomline growth.

Leader in Auto paints with Maruti being one of the major client.

At CMP of Rs 500 trades at 49x FY18e EPS of Rs 10.2 and 42x FY19e EPS of Rs 12

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------------------|-------------|-------------|-----------|-------------|-----------|--------------------|
| Schaeffler India Ltd | 4890 | 5150 | 5% | 5500 | 7% | Buy on Dips |

Original Name: Fag India Ltd

Management decisions to merge the unlisted entities in the listed entity will bring in synergies and increase business prospects

At CMP (excluding the merger) Rs 4890 trades at 36x CY17e EPS of Rs 135.6 and 31x CY18e EPS of Rs 157

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------------|------------|------------|-----------|------------|------------|----------------|
| Jyothy Labs | 433 | 441 | 2% | 500 | 15% | Hold |

The company has good product profile with flagship brands like Ujala. Acquisition of Henkel's India added high quality products.

The company successfully turnaround Henkel brands and has been successful in its niche

Henkel Internation has not yet confirmed buying 26% stake in Jyothy Laboratories which could impact expansive valuations.

At CMP of Rs 433 trades at 43x FY18e EPS of Rs 10 and 38x FY19e EPS of Rs 11.1



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| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|----------------|------------|------------|------------|------------|------------|----------------|
| Castrol | 388 | 427 | 10% | 460 | 19% | Hold |

GST implementation would have a positive impact as lot of un-organized players will be out of business

Lower crude oil prices and shift to high end quality oils for automobiles beneficial for the company

Introduction of Electric Vehicles at fast pace is a Risk

At CMP of Rs 388 trades at 28x CY17e EPS of Rs 13.8 and 25x its CY18e EPS of Rs 15.3

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|------------|-------------|-------------|-----------|-------------|------------|-------------------|
| SKF | 1538 | 1650 | 7% | 1850 | 20% | Accumulate |

Economic activity improvement will give rise to demand for CV and automobiles.

Railways too is a big opportunity going forward where SKF is already affiliated.

At CMP of Rs 1538 trades at 28x FY18e EPS of Rs 54 and 25.6x its FY19e EPS of Rs 60

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-------------|------------|------------|-----------|------------|------------|----------------|
| BHEL | 137 | 147 | 7% | 180 | 36% | BUY |

Recovery in orders due to faster clearances: Faster clearances with new orders give a good visibility for the company

Employee cost reducing by 10% every year and induction of around 180 so we envisage reduction in employee cost

At CMP of Rs 137 stock trades at 16x FY18e EPS of Rs 8.6 and 11x its FY19e EPS of Rs 12.4

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|----------------|------------|------------|-----------|------------|------------|----------------|
| Finolex | 626 | 665 | 6% | 800 | 28% | BUY |

After GST unorganized player shifting to organized would help improve Finolex improve its market share

CPVC to drive next leg of growth: Plans to ramp-up its CPVC volumes exponentially over the near term, from ~4,000 to ~20,000 MTPA

At CMP of Rs 626 stock trades at 17x FY18e EPS of Rs 36.3 and 16x its FY19e EPS of Rs 40.

Govt fund allocation to irrigation projects will push the demand and benefit Finolex.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------------------|------------|------------|-----------|------------|------------|----------------|
| KEC International | 327 | 340 | 4% | 380 | 19% | BUY |

Proven transmission line EPC player, diversifying into emerging areas

Business visibility is strong across verticals for KEC with good order book, Focus on debt reduction and working capital is helping profitability

At CMP of Rs 327 stock trades at 22x FY18e EPS of Rs 14.6 and 17x its FY19e EPS of Rs 19

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|----------------------|-------------|-------------|-----------|-------------|------------|-------------------|
| Hero Motocrop | 3896 | 4200 | 8% | 4536 | 16% | Accumulate |

HMCL has a healthy volume uptick after 5 years of flatish CAGR in motorcycle and its scooter market share of 13% seems to have bottom out.

We value the stock at 20.5x FY19 due to slightly better growth outlook in rural India as it contributes ~50% to revenue

At CMP of Rs 3898 stock is trading at FY18e EPS of Rs 184.4 and FY19e of Rs 206.5 Our TP is based on P/E of 20.5x FY19E.



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| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Bajaj Auto | 2922 | 3102 | 6% | 3429 | 17% | Accumulate |

We believe worst of volumes and margins is reflected in 1QFY18, with expected recovery in volumes in domestic as well as export markets from 2HFY18.

BAL JV with UK's Triumph motorcycle to cater mid-capacity(250-750 cc)motorcycle for India and Global markets. Focus on entering new markets & higher volume

At CMP of Rs 2922 stock is trading at FY18E EPS of Rs 137.2 and FY19E of Rs 163.6 Our TP is based on P/E of 21.5

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| Mahindra & Mahindra | 1295 | 1399 | 8% | 1500 | 16% | Accumulate |

Management expects next 12 months to be more exciting than the last 12 months in terms of product launches.

There would be likely 4 new refreshes of existing models by March'18. The new multi-purpose vehicle - U321 would be launched in Q4FY18.

There will also be launch of one crossover around same time next year.

At CMP of Rs 1295 stock is trading at FY18E EPS of Rs 75 and FY19E of Rs 87.5

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|----------------------|-------------|-------------|-------------|-------------|-------------|----------------|
| Maruti Suzuki | 8077 | 8900 | 10% | 9780 | 21% | Buy |

Long waiting periode for key products such as Brezza,Baleno and Dezire. Structured planning for new product launch planned till '20 Strong hold on reach through premium channel Nexa and Strong financials are likely to enable MSIL to sustain premium Valuation

At CMP of Rs 8077 stock is trading at FY18E EPS of Rs 292 and FY19E of Rs 350 Our TP is based on P/E of 27x FY19E.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| WABCO | 5990 | 6312 | 5% | 7405 | 24% | Accumulate |

WIL is one of the major beneficiaries of an improvement in M&HCV volumes, as it enjoys higher market share ~85% in the CV.

The company expects to gradually benefit from increasing its content per vehicle (CPV) partly driven by safety legislations.

At CMP of Rs 5990 stock is trading at FY18E EPS of Rs 154.3 and FY19E of Rs 180.4

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|----------------------|---------------|------------|-------------|------------|-------------|----------------|
| Ashok Leyland | 117.75 | 125 | 6% | 140 | 19% | Buy |

Recovery in volume is seen in MH&CV & Market share due to adoption of New igr technology is expected in FY18-19

We Expect strong bounce back in M&HCV industry by FY19 with steady improvement to begin in 2HFY18.

Increasing focus on exports, better after sales service, incremental spare-parts revenues, new orders from defense, digital initiatives and network expansion would drive revenues/PAT growth.

At CMP of Rs 117 stock is trading at FY18E EPS of Rs 5.1 and FY19E of Rs 6.7 Our TP is based on P/E of 21x FY19E.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|------------|------------|------------|-------------|------------|-------------|----------------|
| TVS | 639 | 702 | 10% | 773 | 21% | Buy |

Management expect scooter to grow faster than motorcycle. With succesfull launch of Jupiter management expect market share to reach 16% soon from 14.5%

TVS-BMW product launch would be announced post festive season. Consumer trends in rural are changing due to more awareness .

At CMP of Rs 639 stock is trading at FY18E EPS of Rs 16.9 and FY19E of Rs 26.2.



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| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|---------------------|------------|------------|-------------|------------|-------------|--------------------|
| Bluestar Ltd | 788 | 800 | 2% | 844 | 7% | Buy on dips |

Introduction of new models and emphasis on distribution networks in North India would help increase its market share in room AC segment
The EMP market continues to report modest growth, largely driven by government funded infra projects but private sector capex remains subdued
At CMP of Rs 788 stock is trading at 42x FY18E EPS of Rs 18.4 and 31x FY19E of Rs 24.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|---------------------|------------|------------|-------------|------------|-------------|----------------|
| Petronet LNG | 232 | 253 | 9% | 287 | 24% | Buy |

Kochi utilisation rising to 11%/29%/39% in FY19/20/21. Expect 6% CAGR in offtake over FY17-21.
Petronet turning net cash in FY18 with rising free cash flow. We expect the EPS to grow at 13% CAGR over FY17-21.
At CMP of Rs 232 stock is trading at 18x FY18E EPS of Rs 12.4 and 16x FY19E of Rs 14.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------------------|------------|------------|-------------|------------|-------------|----------------|
| Zuari Agro Chemicals | 475 | 524 | 10% | 576 | 21% | Buy |

Decline in working capital and subsidy is expected to lower interest cost and drive earnings. With earnings visibility, we raise our target multiple to 12x (from 10x)
Looking at revamping MCFL and ZAC. Focus on non-subsidy products where the company can use its distribution channel
At CMP of Rs 475 stock is trading at 13.2x FY18E EPS of Rs 35.8 and 10.8x FY19E of Rs 43.7.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|---------------------------|---------------|------------|-------------|------------|-------------|----------------|
| Chambal Fertilizer | 149.05 | 160 | 7% | 180 | 21% | Buy |

Expected commissioning of new capacity in Jan/Feb 2019 and increased focus on agriculture and food production are key triggers for Chambal.
With the government introducing DBT (Direct Benefits Transfer), we believe that companies across the sector are likely to benefit in terms of working capital cycle.
At CMP of Rs 149 stock is trading at 13.3x FY18E EPS of Rs 11.2 and 12.4x FY19E of Rs 12.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|------------------|------------|------------|-------------|------------|-------------|----------------|
| Spice Jet | 142 | 157 | 10% | 178 | 25% | BUY |

Airline under-penetration (0.09 annual trips/capita, 1/4th of China) is expected to improve with better airport connectivity under UDAN.
SJ focused on maximising revenue by adopting dynamic revenue management through higher airline load factor than industry.
At CMP of Rs 142 stock is trading at 14x FY18E EPS of Rs 10.4 and 8x FY19E of Rs 17.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------------------------|------------|------------|-------------|------------|-------------|-------------------|
| M& M Financial Service | 440 | 475 | 8% | 512 | 16% | Accumulate |

Asset quality improvement on the back of higher recoveries and lower fresh delinquencies, translating into lower credit costs.
Demand for LCVs fuelled by increase of hub-and-spoke model, growth of organised retail, rising consumption expenditure and improvement in rural infrastructure
MMFS currently trade 3x its FY19 BV of Rs.135.



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| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|-----------------|------------|------------|-------------|------------|-------------|----------------|
| JK Tyres | 149 | 165 | 11% | 187 | 25% | BUY |

Increased capacity utilisation and lower rubber prices have led company's EBITDA margin to ~16-17% (above 10-year average).

With the Cavendish plant stabilising, we expect the company to generate Rs. 1000 cr. cash profit over next two years driving the debt downward.

The current price of 149, the company trades 5.7x FY19 EPS of Rs. 26. Our TP is based on P/E of 7x FY19E.

| Scrip Name | CMP | S.T Target | % Upside | L.T Target | % Upside | Recommendation |
|----------------------------|------------|------------|-------------|------------|-------------|-------------------|
| Tata Communications | 711 | 775 | 9% | 845 | 19% | Accumulate |

Tata Communication management expects to reach 30% data EBITDA margin by the end of F19.

Management has confirmed that the demerger process is ongoing between the government and promoter Tata Sons.

At CMP of Rs 711 stock is trading at 25x FY18E EPS of Rs 28 and 17x FY19E of Rs 40.



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