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Dear Investors,

The global markets continue to march upwards with the DOW closing up by about 2% for the month of August. The broad-based Nifty index in India though up in local currency by 2.8%, was down by 0.51% in USD terms mainly because of currency depreciation.

Last few weeks, strengthening USD as well as crude has been impacting India's trade as well as current account deficit resulting in depreciating Rupee with the INR hitting 72.65 to a USD. This, (depreciating currency) though beneficial for exporting companies such as IT and Pharma, could dent the GDP growth in the long run.

We are not experts in currency, but we believe that the pickup in economic activity in India and a reasonably tame inflation would result in stabilizing of currency at current levels with a chance of actual appreciation barring unforeseen spike in oil prices.

The Indian GDP data that came out recently for the June quarter indicates that Private final consumption expenditure (PFCE) growth rose to 8.6% in the June quarter from 6.7% in the preceding March quarter. Clearly indicating that the GDP is being driven by consumption. As per RBI's annual report, Consumption growth has been aided by the rise in personal lending. Liabilities of the household sector went up from 2.4% of gross national disposable income in 2016-17 to 4% in 2017-18. RBI's figures for sectoral deployment of credit from banks show that as of 31 July, credit card outstanding's were up 30% year-on-year, on top of a 32% growth in the preceding year.

Over last few years, 'consumption' has been the main driver for Indian stock markets and the stock valuations in this segment have reached very high levels and some foreign brokerages have given an 'underweight' call on the sector.

We too have been bullish on consumption and continue to believe that internal consumption will drive India's economy. When we look at consumption, we look at anything that could benefit out of rising per capita income and do consider insurance, banking, hospitals and pharmaceuticals besides staples, retail, white goods etc as segments that will benefit from rising per capita income.

We also believe that the nominal GDP growth in India is likely to be in the range of 12-13% (with ~7-7.5% GDP growth and 5-5.5% inflation) . In this environment, better managed companies are likely to grow at a faster pace and the per capita income too is likely to rise steadily in the coming years.

We therefore continue to remain overweight on Consumption

However, It is true the Indian economy cannot grow on consumption alone and it is imperative now that the investment demand too picks up with the busy season starting October.



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IT SECTOR

Majority of the IT companies reported its Q1FY19 performance in July 2018. Results were largely in-line with our estimates and reinforced our positive view on the sector. Revenue growth in dollar terms was in the range of 0.5% - 6% qoq for companies under our coverage. EBITDA margins were a mixed bag they were impacted by wage hikes (usually done in Q1 of every financial year) and visa renewal costs which were off-set by INR currency depreciation. Other Income of companies across our coverage universe were impacted by lower Forex Gain due ~5% depreciation of the INR which resulted in a hedging losses / lower gains. Another notable trend was the positive commentary given by IT companies on the Banking & Financial (BFS) industry and Consumer Packaged Goods industry which means that BFS has finally turned the tide and can be a major play going ahead.

Outlook

We believe that one should play selectively in the IT sector and should follow an “Accumulate on Dips” strategy for quality companies such as TCS, Infosys, Tech Mahindra, Persistent Systems, Cyient, LTTS and Tata Elxsi despite their high valuations (trading at 18-22x FY20E). HCL Tech can be a good buy at current levels as we expect company to revise organic growth estimates by Q3FY19 and the stock is trading at cheap valuations of 13.8x FY20E EPS. IT sector should serve as a “safe haven” and will ensure Capital Preservation for an otherwise volatile market during election year.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
TCS	2,084	2,000	-4%	2,100	0.1%	Hold

Expect BFS vertical (33% of revenue) and Retail & CPG to outperform in FY19E.

Expect Digital Revenues (27% of revenues) to continue robust growth over the next 4-6 quarters.

Stock is currently trading at 25x and 22.5x FY19E and FY20E EPS.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Infosys	733	808	10%	852	16%	Accumulate

Infosys has currently come under spotlight after resignation of CFO. The company is still undergoing organizational restructuring and we will continue to monitor the performance of the company. At INR 740, the stock is trading at 18.1x and 16.4x FY19E and FY20E.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
HCL Tech	1,090	1,100	0.9%	1,213	11%	Accumulate

The stock corrected sharply post Q4 results as company reduced organic growth guidance to ~5% and maintained inorganic growth at 5-7% and therefore the stock is available at cheap valuations of 15.5x and 13.7x FY19E and FY20E. Management commentary in Q1FY19 conference call was in the positive direction and showed early signs of green shoots.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Tech Mahindra	767	802	4.5%	856	11%	Accumulate

Global implementation of 4G and 5G bodes well for communication services focused (48% of revenues) Tech Mahindra. Expect manufacturing (20% of revenue) to also outperform through FY19E.

TechM currently trades at 16.2x and 14.4x FY19E and FY20E.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Tata Elxsi	1,349	1,400	3.7%	1500	11%	Accumulate

We expect Tata Elxsi to outperform due to presence in high spending automotive tech industry and direction towards next gen offerings such as AR & VR industry.

TELX is trading at 30x and 25x FY19E and FY20E EPS.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Persistent Systems	889	899	1%	1000	12.4%	Accumulate

Persistent is trading at P/E multiple of 20x and 17x FY19E and FY20E EPS, which we believe is an opportunity to BUY as our view on the fundamentals remains intact and we are confident of the management's ability to deliver above industry average growth along with margin expansion over FY19 and FY20. Company has invested heavily in Sales & Marketing which should yield output from FY20E onwards

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Sterlite Tech	350	350	0%	450	27%	Accumulate

Expect growth to be driven by strong demand in Optic Fibre and Optic Fibre Cable space coupled with strength in realizations.

With unique technology to manufacture Optic Fibre from Silica, the company has a significant margin advantage over mere converting companies.

Projects like BharatNet Phase II, Network for Spectrum and Smart Cities as well as increasing non-spectrum capex by telcos to provide immense thrust to business.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Tejas Networks	311	350	15.7%	509	63%	Buy

TJNL is currently trading at PE multiple of 18.5x and 14.5x FY19E and FY20E EPS. We Believe that the company will deliver high growth given that it holds ~15% market share domestically and is present in a high growth optical networking industry.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Tata Communications	526	650	24%	812	55%	Buy

Data Business to become the growth driver going forward. Data revenues expected to grow at 10 - 15 %

Voice business to stabilize around the current levels

At CMP of Rs 526 stock is trading at 22x FY18E EPS of Rs 28 and 16x FY19E of Rs 40.

Rising free cash, Improving ROE to support the Valuations

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Cyient	801	750	-6%	900	12.4%	Accumulate

Based on certain key project wins in A&D, high level of penetration in Transportation segment, huge industry potential in Communications and Semi-conductor (>50% of revenues) and turnaround in DLM segment (~10% of revenues), we believe that Cyient is attractively placed at current levels. The stock is currently trading at a PE multiple of 18x and 15x FY19E and FY20E EPS.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
L&T Tech Services	1,729	1,800	3.7%	2,119	21.5%	Buy

Company has managed to continuously deliver above industry average growth since listing. In Q1FY19, company revised its USD revenue growth from 16% to 20% CAGR between FY18 and FY21E and margins to expand to 20%. Stock is trading at 25.6x and 20.9x FY19e and FY20e.



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Pharmaceuticals

During July'2018 the domestic pharmaceuticals industry grew at 12.7% to Rs 10,616 crs with a 3% increase in volumes. The sales from Indian players increased 13.4%, at a faster rate than the MNCs which grew at 10.2%.

The month saw the announcement of Ayushman Bharat, India's first national health insurance programme to cover each family at Rs 5 lakhs. The programme is expected to significantly increase volumes in both healthcare and pharmaceuticals, as the scheme gets implemented.

USFDA clearance to Sun Pharma's Halol facility once again in a month indicates surprise inspections will be a norm for the industry.

The Q1FY19 results indicate good performance in domestic as well as exports, with a common concern of increased prices of key starting materials (KSM) imported from China. The closure of units in China due to environmental concerns has seen an increase in prices thereby reducing gross margins. The industry is working on ways to indigenize the ingredients which should resolve the issue in a quarter or two.

Outlook

We are positive on the sector and anticipate good performance in domestic as well as exports. The rupee depreciation has also played well favoring pharmaceutical exports.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Biocon	640	700	9%	800	25%	BUY

USFDA approval to Pegfilgrastim as first to file opens up huge opportunity (mkt size US \$4bn). Trastuzumab to open up huge opportunity as first biosimilar to Roche's Herceptin - US market size \$ 2.6 bn . Insulin sales to grow due to EUGMP approval to Malaysia plant.

Biocon+Mylan have launched Pegfilgrastim in the US. Healthy growth in biopharmaceuticals will improve profitability.

At CMP, Biocon trades at 34x FY20E EPS of Rs 19.1.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Cipla	666	680	2%	716	8%	Buy on Dips

Cipla has started one complex generics launch per quarter in the US from Q3FY18. New launches in India, US and South Africa to drive revenue growth.

Profitability to **improve** through better product mix and operational efficiencies. Cipla to conduct trials for respiratory products over next 2 years.

At CMP, Cipla trades at 23x FY20E EPS of Rs 29.6.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Dr Reddy's	2565	2708	6%	3074	20%	Buy

Launch of Suboxone film in US is facing injunction from the US court- appeal hearing expected in October.

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

Plans 15-20 ANDA filings and 10-15 new launches in US. At CMP, DRL trades at 22x FY20E EPS of Rs 116.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Syngene	612	699	14%	830	36%	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 CMP, Syngene trades at 28x FY20E EPS of Rs 22.2.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Narayana Hrudayalaya	255	273	7%	300	18%	Neutral

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. Acquired balance stake in Cayman Islands, consolidated into FY18 results.

Promoted by Dr. Devi Shetty with a focus of affordable specialized treatment in oncology, neo natal care, cardiology, neurology and orthopedic. Scalable due to lowest capex per bed. Minimum impact of pricing control. Currently profitability impacted due to lower occupancy levels at Bengaluru and increased overheads at Mumbai & Delhi. At CMP, NH trades at 76x FY20E EPS of Rs 3.3.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Max India	85					SELL

Price correction due to effect of Shalimar Bagh hospital incident, New Delhi. Max has resumed operations at the hospital. In view of the developments at New Delhi, there will be a delay in turnaround of both Healthcare and Health Insurance operations. The Healthcare business has been impacted due to regulatory pricing caps and changes in trade practices. Health Insurance business needs investments to expand sales network. We do not expect investors to benefit for the next 2 years.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Deepak Nitrite	252	280	11%	311	23%	BUY

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

At CMP, DNL trades at 14x FY20E EPS of Rs 17.6.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Granules India	119	125	5%	140	18%	Buy

Granules India received USFDA approval for gMethergine, a \$100 mn opportunity, which will help improve profitability.

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

At CMP, Granules trades at 15x FY20E EPS of Rs 8.2.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Laurus Labs	436	480	10%	535	23%	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 commissioned in March'18. Currently facing challenges of increased raw material prices from China, and higher overheads from new plant, leading to lower profitability.

At CMP, Laurus Labs trades at 16x FY20E EPS of Rs 27.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Deepak Fertilisers	242	280	16%	320	32%	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.

At CMP, Deepak Fertilisers trades at 6x FY20E EPS of Rs 39.7.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Cadila Healthcare	421	412	-2%	450	7%	Buy on Dips

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 CMP, Cadila trades at 20x FY20E EPS of Rs 21.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Alembic Pharma	628	650	4%	700	11%	Buy on Dips

APL has restructured its portfolio in India to increase its focus on specialty chronic products. The company expects to grow better than the industry in India. In exports, the company plans to launch 10+ products in the US markets. Expects to benefit from higher volumes in existing products. Change in product mix expected to improve profitability.

At CMP, APL trades at 23x FY20E EPS of Rs 27.4.



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Consumer Durables

FMCG companies have posted encouraging results for the June quarter with an uptick in volume growth. Dabur India Ltd, for instance, grew 21% by volume, HUL witnessed 11% growth and Britannia too reported double-digit growth for the quarter backed by a double-digit volume growth primarily due to investment in brands and widening distribution network. Last year's June quarter was depressed because GST implementation started from first July. So, the wholesale trade wasn't lifting stocks. Hence one of the prime reason was low base.

Market research firm Nielsen expects India's fast moving consumer goods sector to grow 12-13% during calendar year 2018, helped by favourable economic and policy environment. Demonetisation woes and uncertainties around GST had created short-term stress on retail stock levels, but it has now bounced back and stand at a higher level from pre-demonetisation period.

During April-June quarter, the FMCG industry grew 10.9% and the growth trailing 12-months ended June FMCG industry stood at 11.6%, nearly 70% of which was driven by consumption volume.

Modern trade channels, that account for ~10% of the overall FMCG market have shown high growth while rural growth has picked up as cash is back in the market.

Outlook

As a sector we remain optimistic and would recommend investors to stay invested for Long-Term.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Bata	1033	1125	9%	1195	16%	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 1033 stock trades at 49x FY19e EPS of Rs 21 and 42x FY20e EPS of Rs 24.6.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Trent	361	400	10%	500	38%	Buy

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 361 stock trades at 70x FY19e EPS of Rs 5.1 and 47x FY20e EPS of Rs 7.6.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Mahindra Logistics	580	630	8%	690	19%	Accumulate

Mahindra Logistics (MAHLOG) is play on 3PL Logistics. Shift to organized from unorganized would benefit companies like Mahindra logistics and TCI Express.
Consolidation in warehouse industry and e-way bill in process would benefit strong brand name like Mahindra. Assetlight model would minimize industry risk.
MLL trades at 44x its FY19e EPS of Rs 13 and 31x its FY20e EPS of Rs 18.

We would recommend investors to Accumulate Mahindra Logistics.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
IFB Industries Ltd	1120	1350	20%	1500	34%	Buy

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 1120 stock trades at 47x FY19e EPS of Rs 24 and 37x FY20e EPS of Rs 30.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Britannia	6098	6625	8%	6891	13%	Buy on Dips

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 6098 trades at 59x FY19e EPS of Rs 102 and 50x FY20e EPS of Rs 123

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Kansai Nerolac	493	580	17%	615	25%	Buy

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 493 trades at 49x FY19e EPS of Rs 10 and 38x FY20e EPS of Rs 13



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Schaeffler India Ltd	5510	5800	5%	6275	14%	Accumulate

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 5510 trades at 34.5x CY18e EPS of Rs161 and 29x CY19e EPS of Rs 191

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Jyothy Labs	206	230	12%	250	21%	Accumulate

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

Going forward: Brand building and innovations to continue, IT spine in place would leverage to fullest.

Guidance FY19: Topline 12-14% growth, EBIDTA margins 16-17%, PAT growth 20-25%

At CMP of Rs 206 trades at 34x FY19e EPS of Rs 6 and 29x FY19e EPS of Rs 7

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Sarla Perf Fibers Ltd.	39	48	23%	55	41%	Buy

Co. added new clients in domestic market which will improve volume at a CAGR of 10-12%.

New capacity of Nylon 66 will boost domestic sales further.

Consolidation of US capacity to reduce losses.

The company trades at 11x FY19E and 9x FY20E earnings.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Arvind	402	509	26%	558	38%	Buy

Focus on asset-light B&R segment to drive growth. De-merger to unlock potential.

Focus of textile division shifted to asset-light garmenting and high growth advanced material segment.

Topline to increase a CAGR of 12% while PAT to increase at a CAGR of 26% over FY17-20E.

The company trades at 20x FY19E and 15x FY20E earnings.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
V-Mart	2856	3000	5%	3100	11%	Buy on Dips

Based on the aggressive expansion of the business in terms of new store openings, (26 stores opened this quarter),

and only 15% of the 770 districts as yet penetrated, the company has a huge expansion opportunity which makes this scrip an attractive buy.

The stock is currently trading at a PE multiple of 52x and 42.5x FY19 and FY20 EPS



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Capital Goods

The order inflows remained steady for the sector majorly in segments such as renewable, defence, railways, smart cities, etc. Order book remains healthy for the companies under coverage, focus to remain on better execution.

With the Industry Capacity Utilisation still at moderate levels, there is no urgency among manufacturers to go for expansions, which is delaying demand growth for Capital Goods manufacturers. Segments such as renewable, defence, railways, smart cities, etc are scaling up. Revenue growth momentum in electrical consumer goods has been good as observed, driven by product category as well as distribution network expansion exploring new geographical areas and simultaneously focusing on the rural where lies ample opportunity for growth.

Outlook

We remain positive on the sector and anticipate good performance in domestic and overseas in the medium to long term. We expect order inflows to improve further with improved execution across segments providing better revenue visibility.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
BHEL	77	82	6%	88	14%	Accumulate

BHEL has healthy share of executable orders, visibility on FY19-20 revenues has improved, focus remains on improved execution. Intends to increase its industrial exposure which has grown in double digits for FY18 & exploring new opportunities in railway transmission is a positive. We are positive on the stock 1) executable orders grown substantially providing good visibility 2) big project like Yadadri has started seeing execution and revenue recognition would be spread over 3) continuous focus on its gross margins and retaining it 3) employee cost reduction giving cushion to the operating margins

At CMP of Rs 77 stock trades at 20.6x FY19e EPS of Rs 3.7 and 13.1x its FY20e EPS of Rs 5.9

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Finolex Industries	584	630	7%	731	25%	Buy

Finolex being the market leader in Agri pipes & focus on improving market share. Recent volume growth with better price realization We believe with 1) government initiative & increased spending on irrigation, water supply, focus on doubling farmer income 2) affordable housing and 3) shift to organised players led by brand awareness, strong distribution network 4) 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 584 stock trades at 22x FY19e EPS of Rs 26.6 and 18.4x its FY20e EPS of Rs 31.8.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
KEC International	292	320	9%	380	30.1%	Buy

Incremental opportunities for KEC exist in railways, civil division and international operations and expects T&D to garner improved revenues from SEBs. International business has been good mainly the SAE region has been getting good order inflows and enquiry. Business visibility is strong across verticals for KEC. Order book remains healthy with a good mix of railway orders and domestic & international t&d orders. Focus on debt reduction and working capital is helping profitability At CMP of Rs 292 stock trades at 14x FY19e EPS of Rs 20.9 and 10.8x its FY20e EPS of Rs 27.1

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Voltas Ltd.	582	635	9%	712	22%	Buy

Voltas being the market leader with 23% market share in AC market. Better product profile with new additions in inverter ACs, large distribution network and focus on aftermarket sales keeps Voltas ahead of its competition. Project segment order book improved as the company is cautious in picking orders. Margin improvement for the FY18 to 6.5% from previous lows which is likely to sustain and will improve further going ahead. Voltas entry into other consumer durables such as refrigerators, washing machines and other small appliances will pave the way for a further re-rating of the stock as the proportion of the branded product segment in total revenue will increase further.

At CMP of Rs 582 the stock trades at 29x FY19E and 23x FY20E earnings.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Engineer's India	125	135	8%	145	16%	Accumulate

EIL is attractively placed as a strong early cyclical play, with robust demand outlook & the surging oil & gas capex to drive a much longer and larger capex cycle. Most of these will be driven by domestic OMCs like HPCL-Barmar (Rajasthan), West Coast refinery, IOCL-Paradip petchem expansion, Numaligarh refinery, among others. EIL will continue to benefit from investments in downstream hydrocarbon and fertilizers.

At CMP of Rs 125 stock trades at 17.8x FY19e EPS of Rs 7 and 14.7x its FY20e EPS of Rs 8.5.



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Automobiles

Overview:

Automobile industry reported a respectable growth of ~9.9% for month of August 2018. Industry growth was majorly driven by Commercial Vehicles (27.1% y-o-y) followed by two-wheeler (9.5% y-o-y). Industry growth slowed down due to passenger vehicles which registered a flat growth of ~1% y-o-y.

Passenger vehicles (PVs) growth was impacted due to floods in Kerala and also due to heavy rainfall in other states across south and eastern region. Two-wheeler (2-W) sales grew by 9.5% y-o-y on the back of higher sales in entry level segment. Commercial vehicles (CVs) continued to drive industry growth owing to ongoing infrastructure, mining activities, road constructions affordable housings and irrigation projects. Also clarity of new axle norms boosted the volumes resulting into 27.1% y-o-y growth.

In coming month we believe PV sales to register decent growth but higher fuel cost may impact monthly run-rate going forward. Secondly 2-Ws are expected to report decent growth owing to pickup in demand from rural markets along with commencement of festive season in India. Lastly CVs are expected to maintain their growth rate, thanks to infrastructure activities and clarification of new axle norms.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Bajaj Auto	2866	2800	-2.3%	2910	1.5%	Hold

Regulatory changes driving medium term visibility in 3wheelers. Key export markets showing revival and new ramp-up will drive volume growth and margin expansion.

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 2866 stock is trading at 20.1x of FY19E EPS of Rs 142.3 and 17.7x and FY20E EPS of Rs 161.7.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Mahindra & Mahindra	940	980	4.2%	1000	6.3%	Accumulate

Management expects electric vehicles as another big segment which has potential to grow. Currently M&M is L2 bidder in current ELSS order. Some of their products such as e-alfa, e-Supro and e-verito have been launched in Delhi and Himachal Pradesh. Planned capex of 600cr will be invested for technology and component development.

Strong product pipeline, with launch of four new products in PV, two in tractors and one new ICV by H1FY19

At CMP of Rs 940 stock is trading at 21.04X FY20E EPS of Rs 44.56

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Maruti Suzuki	8648	9900	14.4%	10475	21%	Buy

Maruti Suzuki well placed to drive premiumization and electrification of India's car market.

Expect company to further expand EBIT margins owing to its huge scale advantage

Strong hold on reach through premium channel Nexa and Strong financials are likely to enable MSIL to sustain premium Valuation

At CMP of Rs 8648 stock is trading at FY19E EPS of Rs 348 and FY20E of Rs 419 Our TP is based on P/E of 25x FY21E.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
WABCO	6960	7500	7.7%	8346	19.9%	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 6960 stock is trading at 38.8x FY19E EPS of Rs 179 and 32.5x FY20E of Rs 214

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Ashok Leyland	128	158	23%	173	35%	Buy

Ashok Leyland and Hino Motors (Japan) to renew partnership for Euro VI Engines.

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 till 2020.

At CMP of Rs 128 stock is trading at 16.4x FY20E EPS of Rs 7.8 Our TP is based on P/E of 22.2x FY21E.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
TVS	586	620	5.8%	690	24%	Hold

Management expect scooter to grow faster than motorcycle. With successful 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 586 stock is trading at 25.5x FY19E EPS of Rs 22.9 and 20.8x FY20E of Rs 28.1



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
JK Tyres	121	158	30%	185	53%	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 157, the company trades 6.5x FY19 EPS of Rs. 26. Our TP is based on P/E of 7.5x FY19E.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Hero Motocrop	3278	3944	20%	4176	27%	Buy

HMCL has a healthy volume uptick after 5 years of flattish 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 3278 stock is trading at FY19E EPS of Rs 218 and FY20E of Rs 232 Our TP is based on P/E of 18x FY20E



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Power sector

Power demand growth: Power generation grew by 4.8% yoy in July'18. Power generation increased by 5.1%, 2.1%, 14.1% and 8.4% yoy across Coal, Hydro, Nuclear and Renewable sector, respectively, while it declined by 5% in Gas-based plants. PLF improved in Coal to 54.4% (+196bps yoy) while it declined in Gas to 22.2% (-87bps yoy).

Both base deficit as well as peak deficit remained flat on MoM basis at 0.5% and 1.4%, respectively in July'18. Merchant rate declined to Rs3.3/unit in July'18 (- 3.5% MoM), while it was up 6.8% on a yoy basis. Softening of merchant rates was primarily due to lower demand during the peak monsoon period.

In July'18, capacity addition was NIL - in line with the target. In fact, 30MW of gas capacity was retired during the period. In YTD FY19, a net of 1,492MW capacity has been added v/s the target of 490MW. Total installed capacity in India now stands at 345GW.

Coal inventory has shown improvement with 11 plants facing sub-critical inventory (v/s average of 23 plants in Q1 FY19).

Outlook

Power demand outlook for FY19 is positive. However, commensurate increase in thermal production with view of improving coal availability remains key for increasing PLFs for manufacturers. Short term volumes are expected to increase in absence of incremental PPA capacity.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
PTC India	82	90	10%	110	34%	Buy

Short term volumes are likely to grow at 10-15% as discoms are more prone to buy short term power at bargain rates.

The company has invested Rs6.5bn in its wind power developer subsidiary (PTC Energy), ~Rs7.6bn in its listed subsidiary PTC India Financial Services (PFS), and Rs2.2bn in the 1,200MW Teesta hydroelectric power plant, which could be monetised if needed. At current price the company has dividend yield of 4%. It is trading at 6x FY18 earnings and 0.5xP/BV which is at discount to its peers.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
IEX	1740	1850	7%	2027	16%	Accumulate

IEX has 98% market share in power trading in India. Short term power contributes 10% of total volume and 35% of the short term power is traded through exchange.

Short term power trading is expected increase over a period as country has excess power capacity and no new PPAs are getting signed. Therefore, incremental power demand is expected to come for short term.

We expect IEX's volume to increase at a CAGR of 18% over FY18-20E and earnings to increase at a CAGR of 20%. At current price the stock is trading at 29x FY19E and 25x FY20E earnings and 25x FY19E and 21x FY20E EV/EBITDA.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
CESC	998	1150	15%	1340	34%	BUY

CESC is on track to demerge its businesses into four verticals: generation, distribution, retail, and other investments. CESC received franchisee for three circles of Rajasthan which will drive earnings for distribution segment.

Spencer Retail to grow at 15-18% and margin to reach 5% by FY20E. At current price the stock is trading at 11x FY19E and 10x FY20E earnings.



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Miscellaneous Sector

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Zuari Agro Chemicals	309	380	22%	400	28%	Hold

Decline in working capital and subsidy is expected to lower interest cost and drive earnings in long term. Implementation of DBT has teething effects on working capital will have some pressure going forward for short term.

Looking at revamping MCFL and ZAC. Focus on non-subsidy products where the company can use its distribution channel

At CMP of Rs 341 stock is trading at 6.8x FY19E of Rs 50.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Chambal Fertilizer	159	180	14%	225	42%	Accumulate

4Expected 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 158 stock is trading at 13.1x FY19E EPS of Rs 12 and 8.40x FY20E of Rs 18.8.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Spice Jet	80	105	32%	108	35%	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 126 stock is trading at 16.5x FY18E EPS of Rs 10.4 and 9.7x FY19E of Rs 17.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
M&M Financial Service	447	491	10%	512	15%	Hold

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 trades 3.2x its FY19 BV of Rs.135.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Petronet LNG	245	271	12%	289	19%	Accumulate

Kochi utilisation rising to 11%/29%/39% in FY19/20/21. Expect 9% 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 245 stock is trading at 14x FY19E EPS of Rs 14 and 12.4x FY20E EPS of Rs 17

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
Vijaya Bank	62	68	10%	74	20%	Accumulate

The Bank has a stable capital adequacy ratio of 12.5%

No Major Divergence in NPA's

Due to the current PSU problems the stock is available at a cheap valuation of 0.7x its current book value.



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Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
IGL	268	340	26%	375	40%	Buy

Policy push and Green initiatives for pollution control air pollution in Delhi would lead to volume increase.

Initiatives like subsidy of up to Rs 0.1mn to city restaurants to switch from coal to gas based/electric tandoors, SC directive on restricting use of polluting fuels can increase PNG volumes in future to grow and further expansion in new cities of Gurugram and Rewari all this will help IGL volumes to grow at 11% CAGR between FY18-20E.

We remain confident of IGL's growth potential and recommend to Buy. At CMP the stock is trading at 22x FY20E earnings.

Scrip Name	CMP	Short Term Target	% Upside	Long Term Target	% Upside	Recommendation
MGL	848	1170	38%	1300	53%	Buy

MGL's plans to aggressively set up +20 CNG stations every year (50% company-owned, which typically generates higher throughput and better margins). Its addressable target market is 3 Mn households currently stands at 1 Mn. Gradual expansion of its geographical area (including Raigarh District) will also help MGL going forward.

With regulatory approval of gas in NOC for new buildings will benefit PNG volumes.



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