WEALTH MAXIMIZER

2018

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Wealth Maximizer

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NSE Symbol	Sector	Market Cap (Rs. Mn.)	CMP* (Rs.)	Target Price (Rs.)	Upside (%)
CADILAHC	Pharma	433350	423	506	20
HEROMOTOCO	Automobiles	761663	3793	4422	17
HINDUNILVR	FMCG	2911115	1357	1576	16
ICICIBANK	Banking	2022137	317	409	29
ITC	FMCG	3214640	263	316	20
LT	Infrastructure	1775107	1266	1461	15
RELIANCE	Oil & Gas	5951629	920	1073	17
SBIN	Banking	2742835	320	380	19
VEDL	Metal & Mining	1185785	317	367	16
YESBANK	Banking	716049	310	480	55

*As on Dec 22, 2017, Time frame 9 - 12 Months

Cadila Healthcare Ltd

Bloomberg Code: CDH IN

Well-Positioned to Monetise Robust U.S Pipeline

gTamiflu Suspension & Capsules - A Significant Opportunity:

Cadila Healthcare (CDH) is the first to receive ANDA approval for gTamiflu suspension in U.S in Sept 2017, annual sales of innovator is about $312 Mn for suspension alone. This is a limited competition product because the only other generic player is Natco/Alvogen, leading to smaller price erosion. Also, about 85% of annual sales happen during the flu season (Nov to Apr). For gTamiflu capsules, there are 3 other generics players in U.S - Amneal, Macleods Pharms, and Natco/Alvogen. We expect CDH to generate significant revenues and profits from gTamiflu both suspension and capsules.

Strong Traction in gLialda to Continue During Excl. Period:

We expect strong sales from gLialda during Q3FY18E, just like during Q2FY18. The 180-day exclusivity of CDH ends in Jan 2018. Teva is the sole player having tentative approval and is expected to launch in Jan 2018. We expect gLialda to remain a limited competition product during FY19E because of difficult and lengthy litigation process and since already two generics are approved, U.S FDA may not fast track approval of another generic. This would lead to leading to a smaller price erosion.

Increasing Focus on Complex and Differentiated Generics:

CDH has approx. 157 ANDAs pending approval, of which about 65 are Para IV filings. Of these 30 are oral modified release, 12 injectables, 7 transdermal and 15 topicals and 4 oral controlled substances. These are all complex products and thus are expected to have limited competition. Some near term opportunities are gToprol XL and gPrevacid ODT. Another significant product is gExelon Patch (transdermal) because only one generic is approved (Alvogen), CDH expects approval is H1CY18 and launch in H2CY18.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	423
Target Price	506
Upside (%)	20

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	433350 / 6764
52-wk High/Low (Rs.)	560 / 329
3M Avg.daily volume (Mn)	1.1
Beta (x)	0.7
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	1023.7
Face Value (Rs.)	1.0

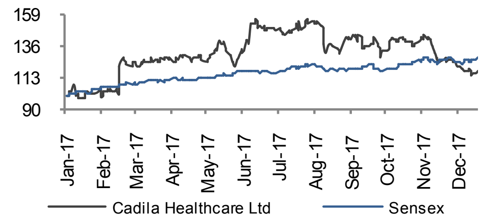
Shareholding Pattern (%)	
Promoters	74.8
FIIs	9.8
DIIs	7.4
Others	8.0

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(4)	(13)	(19)	19
Relative to Sensex	(5)	(19)	(26)	(9)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	86,513	96,169	96,253	127,060	144,246
EBITDA	17,556	23,304	19,036	31,619	35,708
EBITDA Margin (%)	20.3	24.2	19.8	24.9	24.8
Adj. Net Profit	11,503	19,338	15,168	20,975	24,806
EPS (Rs.)	11.3	18.9	14.8	20.5	24.2
RoE (%)	29.1	38.8	22.5	25.4	24.8
PE (x)*	30.8	16.8	29.9	20.6	17.5

Source: Company, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

Founded in 1952 by Late Mr. Ramanbhai B. Patel, a first-generation entrepreneur, CDH is one of the stalwarts of the Indian Pharmaceutical Industry. In 1995, the group restructured its operations and Cadila Healthcare came into being under the aegis of the Zydus group. Today, CDH is the third largest Indian pharma company by market cap and has a market share of 4.3% in Indian pharmaceutical market and one of the large players in U.S generic marketplace with a prescription market share of 2.9%. Business operations are spread across human health, animal health and consumer/ wellness products. CDH has about 159 approved ANDAs and another 157 ANDAs pending approval. CDH has about 32 manufacturing facilities spread across India, U.S, Germany and Brazil.

Valuation and Outlook

Based on significant opportunities like gTamiflu suspension /capsules, gLialda and expected launches of some complex generics – gToprol XL , gPrevacid ODT and gExelon Patch, we believe that CDH is expected to generate significant revenues and profits from U.S in FY18E and FY19E. At CMP of Rs. 423, CDH is currently trading at 17.5x FY19E EPS of Rs. 24.2. We maintain a **"BUY"** recommendation with target price of Rs. 506 based on 20.9x FY19E EPS of Rs. 24.2. The target of Rs. 506 represents a potential upside of 20%.

Key Risks

- Delay in launches of significant opportunities in U.S. Steep pricing pressure in U.S market.
- U.S FDA inspection with an adverse outcome.

CADILAHC: Technical View

CADILAHC for the year as on date, the stock has gained nearly 20%, and has significantly outperformed its sectoral benchmark of NIFTY PHARMA, which has lost nearly 10%, indicating that CADILA is one of the strongest stocks in the weakest space. During the first half of the year, the stock has seen a strong rally from the lows of sub Rs. 320 to the June-July highs of Rs. 560, thereby giving a move of near 75% from the said levels. However, over last few months the stock has retraced most part of the said move and has approached to the levels of its previous major swing highs or break out zone of Rs. 380-400. The said support levels also coincide with the medium and long term moving averages on the weekly charts. The two thirds retracement levels of the above stated move also coincide with the current zone of Rs. 400. Over last few days price and volume action suggest that some kind of value buying is seen. Hence, investors with a long term view may look to add into their portfolio as one of the preferred picks from Pharma space and may look for target of all time highs zone. For now the stock has support at Rs. 370-390 levels and below it at Rs. 310-320 zones, while resistance can be assumed at Rs. 520-530 levels and above it at all time highs to Rs. 600 levels.

Hero MotoCorp Ltd

Bloomberg Code: HMCL IN

Super Star of MotorBikes

Sustains the no.1 Position in Domestic MotorCycles Segment: The total domestic sales volume for HMCL for YTD FY18 stands at 4.9Mn vehicles posting a growth of 8.6% as compared to YTD FY17 driven by new launches and capacity additions. This has led to an increase in their market share to 51.3% during YTD FY18 as compared to 50.3% during YTD FY17 in the motorcycle segment, while their overall 2W market share is retained at 36.2%. On the exports side, HMCL has sold 115,635 units during YTD FY18, up by 4.1% YoY as compared to YTD FY17.

New Launches to Strengthen Domestic Presence: HMCL launched three new bikes, 125cc Super Splendor, 110cc Passion PRO and Passion XPRO, which will be launched in a phased manner during the next few months. With these launches HERO aims at consolidating its position in the 100-125cc segment. Also, the company is steadily upgrading its in-house facilities in order to enhance product development.

During Q2FY18, the festive season proved a great deal for HERO as they sold ~2.0Mn+ vehicles driven by rural demand, which could be attributed to normal monsoons for the last two years. For H1FY18, HMCL posted net revenue of Rs. 163336 Mn, up by 7.4% QoQ by selling ~3.9 Mn units as against 3.5 Mn units in H1FY17. EBITDA margin stood at 16.8% as compared to 17.1% in H1FY17 due to increasing commodity prices. PAT grew by 2.0% YoY during H1FY18 at Rs. 192453 Mn.

Future Prospects Look Promising: The overall 2W industry posted a growth of 9.6% and 17.5% YoY during YTD FY18 in the domestic and export segment respectively. Further, the domestic motorbike segment grew at 7.6%, which constitutes ~62.1% of the overall 2W domestic sales volume. Going ahead, government initiatives like financial inclusion and other infrastructure development programs are expected to be key drivers for the 2W industry.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	3793
Target Price	4422
Upside (%)	17

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	761663 / 11891
52-wk High/Low (Rs.)	4200 / 2957
3M Avg.daily volume (Mn)	0.4
Beta (x)	1.1
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	199.7
Face Value (Rs.)	2.0

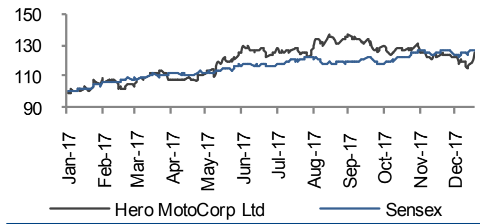
Shareholding Pattern (%)	
Promoters	34.6
FIIs	42.1
DIIs	11.6
Others	11.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	4	0	2	26
Relative to Sensex	2	(6)	(6)	(3)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	284427	284750	319745	355479	385910
EBITDA	44550	46348	52762	57660	61529
EBITDA Margin (%)	15.7	16.3	16.5	16.2	15.9
Adj. Net Profit	31602	33771	37607	41058	44156
EPS (Rs.)	158	169	188	206	221
RoE (%)	41.1	35.7	34.6	32.2	30.7
PE (x)	18.6	18.6	20.1	18.4	17.2

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price

Company Background

Incorporated in the year 1984 as Hero Honda Motors Ltd and currently known as Hero MotoCorp Ltd, the company manufactures 2-wheelers predominantly catering to the motorcycle segment with a 51% domestic market share. They have 5 manufacturing facilities in India, one each in Columbia and Bangladesh catering to ~35 countries spanning across three continents. The product portfolio caters to motorcycles ranging from 75cc to 150cc and scooters in the 100cc-125cc range. HMCL's cumulative sales since inception have been more than 70 Mn vehicles under the leadership of Mr. Pawan Munjal, (Managing Director, HMCL). Their key strategies include capacity addition through higher geographic reach.

Valuation and Outlook

With robust sales volume growth through increased geographic presence and new launches, HMCL is poised to take full advantage of the demand domestically and in other emerging markets. The stock is currently trading at 17.2x P/E FY20E EPS and we value the stock at 20.1x P/E FY20E EPS for a target price of Rs. 4422 having an upside potential of 17% with a **"BUY"** recommendation, for a time frame of 9-12 months.

Key Risks

- Volatility in raw material costs.
- Stiff competition in pricing.
- Rising commodity prices may impact operating margins.

HEROMOTOCO: Technical View

HERO MOTOCORP witnessed a strong uptrend from the low of Rs. 3410 levels forming higher highs and higher lows in the daily chart, it can be clearly ascertained that the stock has seen cycles of higher highs and higher lows on the weekly charts and a breakout above the recent swing high at Rs. 3700 levels can take the stock towards new 52 week high. For the month, the stock has traded in the positive territory generating return of over 3%. Correction from the higher levels of Rs. 4090 was witnessed in the stock in September. However, the stock has held firmly to its support level of Rs. 3380-3400 and rebounded from that level making higher highs and higher lows. On the weekly and monthly charts the stock is trading above all its major moving averages (21, 50, 100 and 200 DEMA), indicating inherent strength is still intact in the counter. Upside, it has a strong resistance at Rs. 4050-4080, which can restrict it from rising further. If it breaches this level, it can further move to Rs. 4,500 levels. Downside, Rs. 3,400 is the immediate support we recommend that declines in the price of the stock must be utilized to average long positions.

Hindustan Unilever Ltd

Bloomberg Code: HUVR IN

India Research - Stock Broking

Healthy Performance on the Back of Better Trade Conditions and Stabilized Wholesale Channels

Growth Prospects on the Back of Revival in Rural Demand: HUL is India's largest consumer packaged goods company. HUL has delivered improved volume growth in Q2FY18 despite the short term challenges. HUL managed to continue its strong growth momentum in Home Care and Refreshment segments. While Personal Care and Foods segments are managed to recover from the sluggish demand scenario by passing on the benefits to the consumers, despite being affected in GST transition by thinning of trade pipelines. The company managed to maintain healthy margins on the back of optimised spending and lower input cost.

Focus on New Innovations, Premiumisation and Expansion Plans: HUL is continuously investing in research and development facilities for new innovations and new range of products to strengthen its core portfolio, which will help the company to accelerate product innovations in new categories and pick up further growth. The company is also moving strategically to premiumise its products and penetrate more into rural markets, to grow in rural areas and gain market share.

Distribution and Supply Chain to Aid the Growth: HUL is investing in automation and modernisation of its warehouses. HUL's centralised ultra control tower to manage logistics operations will help the company in optimisation of cost and to provide better service. HUL managed to recover quickly from the GST transmission without any major disruption in trade channels on the back of its vast distribution and supply chain network.

Tactical Move by Entering into E-commerce Business: HUL is planning to enter into the E-commerce business by selling premium tea and teaware. The company is offering premium range of gourmet teas and exquisite teaware. The Refreshment segment, including tea and coffee, accounts for about 14.0% of the company's total sales.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	1357
Target Price	1576
Upside (%)	16

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	2911115/45448
52-wk High/Low (Rs.)	1368 / 782
3M Avg.daily volume (Mn)	1.2
Beta (x)	0.9
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	2164.5
Face Value (Rs.)	1.0

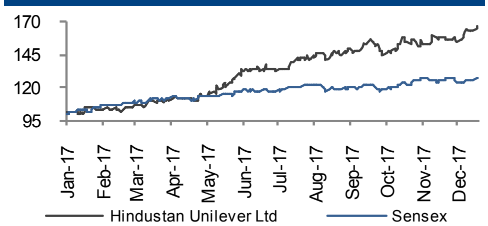
Shareholding Pattern (%)	
Promoters	67.2
FIIs	13.3
DIIs	5.8
Others	13.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	7	9	24	72
Relative to Sensex	6	3	14	32

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	311997	314610	323670	362241	406131
EBITDA	54137	60200	63400	73245	85584
EBITDA Margin (%)	17.4	19.1	19.6	20.2	21.1
Adj. Net Profit	43631	41390	44760	51129	60377
EPS (Rs.)	20.2	19.0	21.4	23.6	27.9
RoE (%)	115.4	78.1	67.2	76.8	90.7
PE (x)	43.3	45.4	44.0	57.4	48.6

Source: Bloomberg, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

Hindustan Unilever Limited (HUL) is engaged in fast-moving consumer goods (FMCG) business comprising Home Care, Personal Care, Foods and Refreshments. The company has over 35 brands spanning 20 distinct categories, including soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, frozen desserts and water purifiers. The company's Home Care segment includes detergent bars, detergent powders, detergent liquids, scourers, water business etc. Personal Care segment includes products in the categories of oral care, skin care (including soaps), hair care, deodorants, talcum powder, colour cosmetics, salon services etc. Food segment includes branded staples (atta, salt, bread, etc.) and culinary products (tomato based products, fruit based products, soups, etc). Refreshment segment includes tea and coffee and frozen desserts. Others include exports, infant care products etc. Its brands include leading household brands such as Lux, Lifebuoy, Surf excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakme, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's and Pureit.

Valuation and Outlook

HUL, with more than 400 brands focused on health and well-being, is touching many families in India. HUL, with its improving operational efficiencies, focuses on diversification and aggressive strategies in expanding its distribution, is moving up the value chain and capturing more market share. We expect the company's total revenue and margins would continue to grow further on the back of revival in demand scenario, softer raw material prices and improved operational efficiencies. At CMP of Rs. 1357 per share, the stock is trading at 48.6x FY19E EPS. We value the company at 56.5x and arrive at target price of Rs. 1576 with a potential upside of 16% with **"BUY"** rating.

Key Risks

1). Increase in raw material prices. 2). Competition from other players.

HINDUNILVR: Technical View

The stock has given a breakout on the charts in the month of July 2017 from the consolidation between the range of Rs. 767-980 levels. Since then the stock has been in an upward journey on the charts. The stock is marking higher high and higher low on the charts, which suggest that technically the stock has some inherent strength in it. The stock is currently trading above all of the major moving averages (short, medium and long term), which suggest that the stock's uptrend is still intact. When looked in the shorter term time frame the stock has taken a support around its 21-DEMA in the past, which means that this particular average acts as a strong support for the stock so any correction towards the levels of Rs. 1050 levels from a short to medium term perspective can be used as an opportunity to add fresh longs in the counter. Moreover, Hind Unilever is also at a striking distance from its all time high RSI level of 83.80 levels, currently pegged at 81 levels, after which the stock might witness some correction on the charts. So any correction between Rs. 1250-1050 levels can be used for an accumulation in the said stock.

ICICI Bank Ltd

Bloomberg Code: ICICIBC IN

Spanning the Spectrum of Financial Services

Strong retail franchise, leadership in technology: With retail segment constituting more than ~43%, ICICI bank enjoys sustained growth in granular deposits combined with robust loan portfolio growth and healthy fee income along with rationalised asset book. Improving macro economic conditions, strong momentum in digital services and scope for increased penetration of financial services are well complemented by ICICI bank's product mix spanning across financial sector and its huge presence in semi-urban and rural areas.

Diversified loan portfolio with strong capital position: ICICI Bank's healthy loan mix & growth favoring retail loans, selective corporate lending, continuous use of predictive models for stress identification may augur well in near future. Retail loan segment has witnessed a phenomenal 22% CAGR over last 3 years and increased its pie in total loan portfolio to 54% as on Sept 2017. During the same period, total loan portfolio has grown at 12.5% CAGR to reach Rs. 4.8Tn from Rs. 2.9Tn. We expect the advances to grow at 14.6% during FY18-FY20E. Also, its strong capital position with 14.85% Tier-1 capital and 17.89% CAR leaves enough headroom for further loan book growth.

Robust funding profile, stable net interest margins: Retail deposits contribute ~74% of the total deposits with an average CASA of 45.2%. CASA grew at 18% CAGR between FY10-H1FY18 aiding lower cost of deposits. We expect the CASA to constitute around 45.9% of deposits by FY20E, thus reducing the deposit cost. Strong control on operating expenses is expected to result in improved NIM of 3.4% by FY20E.

Asset quality to improve: Significant recoveries from non-performing loans, continued focus on recovery aided in GNPA declining from 7.99% to 7.87% in Q2FY18. During the same period NNPA declined from 4.86% to 4.43%. With increased focus from both the government and the management, we expect GNPA & NNPA to reach 4.5% & 1.8% by FY20E.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	317
Target Price	409
Upside (%)	29

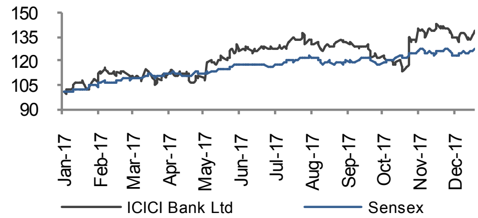
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	2022137/31571
52-wk High/Low (Rs.)	332 / 224
3M Avg.daily volume (Mn)	18.8
Beta (x)	1.6
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	6421.5
Face Value (Rs.)	2.0

Shareholding Pattern (%)	
Promoters	0.0
FIIs	45.9
DIIs	42.4
Others	11.7

Stock Performance (%)	1M	3M	6M	12M
Absolute	(1)	14	9	38
Relative to Sensex	(2)	7	1	5

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Interest Income	212240	217373	242585	289519	341048
Net Profit	97263	98011	58111	75874	170422
EPS (Rs.)	15.0	15.0	9.0	12.0	27.0
BVPS (Rs.)	140	156	163	173	195
P/E (x)*	19.8	19.7	33.2	26.4	11.7
P/BV (x)*	1.4	1.2	1.2	1.8	1.6
RoE (%)	11.4	10.3	5.7	6.9	14.5
RoA (%)	1.6	1.4	0.8	0.9	1.7

Source: Company, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price

Improvement in Core fee income growth: The core fee income growth has shown improvement to ~11% for Q2FY18 as against a reading of 2% in Q2FY17. With retail now contributing ~73% YTD to the fee income pie, we estimate fee income growth to hold ~10% in FY18E and improve to 13% in FY19E led by continued momentum in retail fee and some pick up in the corporate fee.

Company Background

ICICI Bank is India's largest private sector bank with total consolidated assets of Rs. 10.2 Tn as on Sept 31, 2017 and profit after tax of Rs. 98.01 bn for the year ended Mar 31, 2017. ICICI Bank currently has a network of 4,850 Branches and 14,164 ATM's across India. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its group companies. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI bank subsidiaries include ICICI prudential life insurance, ICICI Lombard, ICICI securities, ICICI AMC, ICICI Housing finance etc.

Valuation and Outlook

We admire core operating performance and business franchise of the ICICI Bank. We believe improved outlook on assets quality, better operating performance along with market based valuation of its life insurance & general insurance subsidiaries along with announcement of initial public offer of ICICI Securities, it may augur well for the Bank. At CMP of Rs. 317, ICICI Bank is trading at 1.8 P/BV at standalone level to its FY19E BV. We recommend a **"BUY"** rating with a SOTP-based Target Price of Rs. 409 (valuing parent at 2.0x FY19E BV implying standalone value at Rs. 306 and valuing subsidiaries at Rs. 103) for a period of 9-12 months.

Key Risks

- Policy Risk & Regulatory Risk.
- Slower than anticipated economic revival.

ICICIBANK: Technical View

The stock has clocked a fresh life time high of Rs. 332.35 levels on Nov 17, 2017, and thereafter the stock witnessed profit taking at the higher levels, which dragged the stock towards Rs. 300 levels. The overall chart structure of ICICIBANK suggests formation of cycles of higher tops and higher bottoms on the weekly time-frame, clearly indicating that the stock is in an uptrend. In the recent past, the stock has also witnessed good buying activity around consolidation zone Rs. 210-220, suggesting that market participants are expecting the stock to rally towards Rs. 400-420 over the next few month, once the immediate resistance of Rs. 330 is taken out on a sustainable basis. As far as technical parameters are concerned, the 14 period RSI on the monthly charts is currently at 64 levels, showing positive divergence over RSI Average. Technically, the stock is trading above its 50/100/200-DEMA on the daily, weekly & monthly charts, indicating strength in the counter. It seems that it is undergoing a consolidation before breaking through its next crucial resistance level at Rs. 325-330. Upside, if it breaches the Rs. 325-330 level decisively, it can go up to Rs. 400-410 levels. Downside, Rs. 280 is the immediate major support for it.

ITC Ltd

Bloomberg Code: ITC IN

Subdued Volumes, Impacted by Higher Cess on Cigarettes; Focus on Packaged Foods Segment

Realisation from cigarette segment is expected to rise up:

During Q2FY18, ITC has posted a negative volume growth from Cigarette segment. Sharp hike in prices of cigarette as result of higher Cess has adversely affected volume growth for ITC. Revenue growth during the year was majorly driven by price hike undertaken by the company to match higher Cess on cigarettes. However, stress in the cigarette value chain of the country intensified due to additional tax burden caused by increase in compensation cess rate. ITC has increased cigarette price of its 3 brands and is planning to increase it further to compensate for increased cess, thereby increasing per cigarette realisation & cigarette segment revenue.

Aggressive expansion and focus on Packaged Foods Segment:

ITC is aggressively planning to expand in Packaged Foods segment with numerous variants of small value packs for better penetration and wider accessibility. ITC is working with an internal target to reach Rs. 1000 Bn from Non-Cigarette and Packaged Goods revenues by 2030, of which , it is expected that contribution from Packaged Foods could reach to Rs. 650 Bn by FY30. ITC is also planning to strengthen its portfolio in the existing categories by expanding into adjacent areas and into new food categories with innovative new products as well to ramp up growth in its branded Packaged Foods segment. It is also entering into Fruits, Vegetables and other perishable goods. ITC had already come up with Frozen Prawns under its Master Chef brand.

Investment in new hotels may drag return ratios: ITC is planning to invest in 40 new hotels, which includes both company owned as well as managed hotels, adding around 5000 rooms to strengthen the hospitality business. In next three and half years span, ITC is investing Rs. 250 Bn under this expansion program across different verticals. ITC is expected to bid for 'Taj Mansingh', which could require further investments.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	263
Target Price	316
Upside (%)	20

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	3214640/50187
52-wk High/Low (Rs.)	368 / 222
3M Avg.daily volume (Mn)	10.9
Beta (x)	1.1
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	12188.2
Face Value (Rs.)	1.0

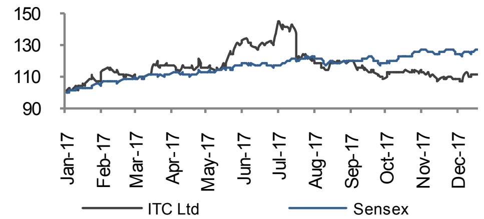
Shareholding Pattern (%)	
Promoters	0.0
FIIs	19.1
DIIs	36.4
Others	44.5

Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	(2)	(15)	16
Relative to Sensex	1	(8)	(22)	(11)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	384333	388042	423600	458947	511355
EBITDA	141492	144509	154359	165598	189096
EBITDA Margin (%)	36.8	37.2	36.4	36.1	37.0
Adj. Net Profit	96632	93445	102894	113430	129618
EPS (Rs.)	8.1	8.2	8.5	9.4	10.7
RoE (%)	32.8	25.1	23.1	25.5	29.1
PE (x)	26.9	42.4	33.0	28.1	24.6

Source: Bloomberg, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Company Background

ITC Ltd is one of India's foremost diversified businesses and a market leader in cigarettes in India. The company has wide range of products in its portfolio ranging from Cigarettes, Non Cigarette FMCG - Packaged Foods & Personal Care, Agri Business, Paperboards & Speciality Papers, Packaging, Hotels and Information Technology. Its popular brands include - 'Gold Flake', 'Bristol', 'NavyCut', 'Aashirvad', 'Sunfeast', 'Bingo', 'B Natural', 'Yippee', 'Kitchens of India', 'Candyman', 'mint-o', 'Wills Lifestyle', 'John Players', 'Fiama Di Wills', 'Vivel', 'Classmate', 'Paperkraft', 'Fortune' and 'ITC Hotels'. The company is into more than 40 categories of FMCG products and serving more than 0.1 Mn markets with over 2 Mn outlets. At present, ITC has more than 4.5 Mn sq.ft of warehousing space and it has more than 200 factories. ITC Foods is the 3rd largest and fastest growing segment; and ITC hotels is one of the fastest growing hospitality chains in India. ITC is the market leader in Paperboard & Packaging segment; it has most environmental friendly pulp mill in Asia.

Valuation and Outlook

ITC is a market leader in Cigarettes segment and strengthening its leadership position going forward. Wits its strategic investment plans and steady performance, the company is expanding its position in other FMCG segments. Going forward, margins from FMCG business along with growth from core business are likely to boost the profits of the company further. At CMP of Rs. 263, the stock trades at 24.6x FY19E EPS. We value the stock at 29.5x FY19E EPS and recommend **"BUY"** for a target price of Rs. 316, representing an upside potential of 20%.

Key Risks

- Any increase in excise duty could affect volumes and realisations.
- Any weakness in the other verticals of the business could affect the total profit margins of the business.

ITC: Technical View

The stock has been unable to surpass the resistance placed around Rs. 312 levels, which it made after touching its all time high of Rs. 367 levels. The overall trend on the charts for the stock is showing that stock is having some inherent strength in it. ITC has currently taken support around Rs. 249 levels, which is also acting as a decent short term support on the charts. It has also once again tested the consolidation range placed in between Rs. 182-268 levels from which it had given a breakout on the charts in the month of February 2017. From a long term perspective Rs. 190 levels is acting a good support for the stock. So any dips from the current levels to Rs. 190 levels from a medium to long term perspective should be taken as an opportunity to go long in the counter. If the stock is able to breach Rs. 289 levels and closes above it with above average volumes then one might see the stock crossing its all time highs.

Larsen & Toubro Ltd

Bloomberg Code: LT IN

Key Beneficiary of the India Infrastructure Boom

Large Order Book Led by Infrastructure to Drive Revenues:

Current order book stands at Rs. 2575 Bn at end of H1 FY18, of which about 74% are domestic orders. Infrastructure segment makes up 74% of total order book and Hydrocarbon constitutes 10%. During H1 FY18, order inflow was about Rs. 551 Bn, of which about 67% were domestic. Majority of the order inflow was from Infrastructure segment (49%), followed by Services (22%) and Hydrocarbon (10%). We expect that the proven execution abilities of L&T will drive revenue and profit going forward. During H1 FY18, order inflows fell by 9% YoY primarily due to GST transition.

Rising Public Sector Capex Expected to Increase Order Inflow:

We believe that the government's push on infrastructure particularly on roads and bridges through the ambitious Bharatmala project which aims to build about 83,677 km of roads by 2022 at a total investment of Rs.6.92Tn. We expect that L&T could grab a significant share of the Bharatmala project primarily because, L&T is not only the largest infrastructure company in India, but is also known for quality in construction and timely execution. Government's reforms in the power sector and defense sector are also expected to increase order inflows in the future.

Diversity in Order Book mitigates cyclical volatility: The current order book of Rs. 2575 Bn is well diversified across 6 segments - Infrastructure (74%), Hydrocarbon (10%), Heavy Engineering (5%), Power (4%), Electrical & Automation (1%) and Others (6%). Any downturn in a particular industry would not significantly hit order inflows and revenues across business cycles. Also, international orders make up 26% of order book and generated 35% revenues in H1FY18.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	1266
Target Price	1461
Upside (%)	15

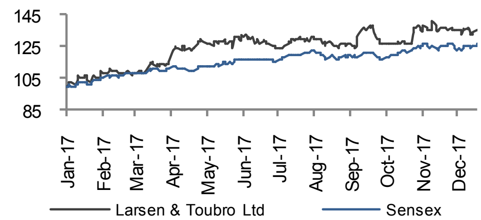
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	1775107/27714
52-wk High/Low (Rs.)	1275 / 868
3M Avg.daily volume (Mn)	2.4
Beta (x)	1.3
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	1400.5
Face Value (Rs.)	2.0

Shareholding Pattern (%)	
Promoters	0.0
FIIs	17.2
DIIs	40.1
Others	42.7

Stock Performance (%)	1M	3M	6M	12M
Absolute	4	7	9	44
Relative to Sensex	2	1	1	11

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary					
YE Mar (Rs. Mn)	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**
Net Sales	895,897	1,013,361	1,100,110	1,208,484	1,359,910
EBITDA	114,464	125,041	110,747	130,250	152,932
EBITDA Margin (%)	12.8	10.5	10.3	10.8	11.2
Adj. Net Profit	42,572	41,933	60,287	68,776	78,780
EPS (Rs.)	34.0	30.2	43.1	49.1	56.2
RoE (%)	12.1	9.9	12.8	13.0	13.7
PE (x)	33.7	26.9	24.4	25.8	22.5

Source: Bloomberg, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price,

Company Background

L&T is India's largest Engineering & Construction company with interests in Design & Engineering, EPC Projects, Financial Services, IT, Real Estate, Manufacture & Fabrication and Construction. It undertakes contracts in Buildings, Transportation Infrastructure like Airports, Metros, Heavy Civil Infrastructure, Power, Water & Renewable energy, Ship building, Defence, Nuclear, Machinery and Industrial products. L&T, through its subsidiaries, associates and JVs, operates in financial services, Infotech, Infrastructure, and Hydrocarbon, Special Purpose Vehicles (SPVs) for manufacturing, fabrication and other services. Infrastructure presently contributes around 48% of revenue. Services and Hydrocarbon segments contribute around 17% and 9% of total revenue respectively and the remaining part of revenue is contributed by Electrical and Automation (E&A), Power and Heavy Engineering (HE) businesses.

Valuation and Outlook

L&T is well positioned to ride the infrastructure boom in the Indian economy through its excellent execution capabilities in diverse sectors like Infra, Oil & Gas, Defence, Metals & Mining, Railways etc. coupled with its balance sheet strength when compared to the highly stressed balance sheets of its many smaller competitors in the sector. At CMP of Rs. 1266, L&T is currently trading at 22.5x FY19E EPS of Rs.56.2. We maintain a **"BUY"** recommendation with target price of Rs.1461 based on 26x FY19E EPS of Rs.56.2. The target of Rs.1461 represents a potential upside of 15%.

Key Risks

- Significant slowdown in the economy could lead to decline in the order book.
- Any stress in Middle East adversely impacts its Hydrocarbon business.

LT: Technical View

LT is in a strong uptrend marking higher highs and higher lows on the weekly charts. The counter has generated more than 40% returns in 2017 till date, indicating strong bullish trend. Stock has witnessed ascending triangle pattern breakout in the quarterly chart and after retesting the breakout levels started to move again, indicating a fresh leg of rally in the counter. On the weekly chart, the stock is sustaining above all of its major moving averages suggesting the strength in the counter for all major time frames. On the other hand, leading indicators such as parabolic SAR and Heiken candlesticks suggest positive trend in the weekly charts. The supports for the stock is placed at Rs. 1050-1080 followed by Rs. 950-970 levels on the lower side, while resistance is pegged around Rs. 1600 followed by Rs. 1720 levels. Medium to long term investors may enter the stock at current levels and utilise any dips as a buying opportunity.

Reliance Industries Ltd

Bloomberg Code: RIL IN

India Research - Stock Broking

Energy & Consumer Business Profitability Set to Rise Going Forward

Robust core business to deliver sustainable margin profile:

Higher Heavy-Light differential, optimised crude diet, favourable product mix entailed margin expansion by maintaining ~$3-6 premium over Singapore benchmark in the previous cycle. Going forward in a high oil price scenario, ramp-up of Ethane Imports, Pet coke gasifiers and RoGC could aid EBITDA margin expansion installing a unique annuity model of cash flows for the core business which could be rare at this scale elsewhere. Gasifier project alone is estimated to deliver perpetual cost saving to the extent of $1.5/bbl. Commissioning of downstream Pet chem capacities place RIL among top 10 petrochemical producers globally. In the upstream business, CBM blocks had been commissioned and RIL is buying all of its own CBM gas at market determined prices underscores the synergistic approach in maintaining cost competitiveness in energy and materials business. RIL continues to monetise shale assets in pursuance to preserve cash and is working with partner BP for development of KG basin with $6bn of fresh investments.

Jio – delivers mostly on all counts; best is yet to come:

138.6mn subscriber base, Rs.156 of ARPU and depreciation & amortisation being charged proportional to network utilisation has all contributed for Jio to turn EBIT positive in Q2FY18. RIL has invested ~$36bn into telecom expecting to deliver higher teen RoE's at world betting time with over 50% of revenue market share and EBITDA margins of over 50%; which seems distant at the moment. Nevertheless, phase of subscriber addition and incremental ARPUs are encouraging so far. Management has given indications of diversifying revenue base from pure mobile telephony play to digital platform spanning mobile, broadband, entertainment and e-commerce. We believe one of the key monitorable for Jio is sustainable FCF in the future. Media speculation indicates listing of Jio in FY18-19, which could aid market determined equity value for telecom investment by RIL.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	920
Target Price	1073
Upside (%)	17

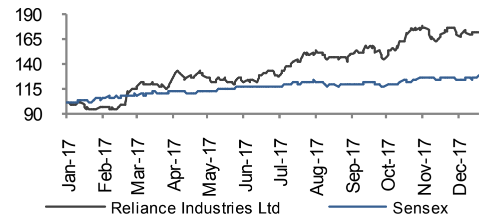
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	5951629/92918
52-wk High/Low (Rs.)	960 / 506
3M Avg.daily volume (Mn)	7.2
Beta (x)	0.9
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	6332.5
Face Value (Rs.)	10.0

Shareholding Pattern (%)	
Promoters	47.6
FIIs	23.6
DIIs	11.7
Others	17.1

Stock Performance (%)	1M	3M	6M	12M
Absolute	(1)	13	28	75
Relative to Sensex	(2)	6	18	34

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar - Consolidated (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	3754350	2739990	3566579	3994676	4166893
EBITDA	376010	417040	615814	759478	818084
EBITDA Margin (%)	10.0	15.2	17.3	19.0	19.6
Adj. Net Profit	213172	279043	335390	388450	428657
EPS (Rs.)	33.7	44.1	53.0	61.3	67.7
RoE (%)	11.3	13.2	11.5	12.1	12.5
PE (x)*	10.3	10.4	17.4	15.0	13.6

Source: Company, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price

Reliance Retail (RR) enters next phase of growth: With Petroleum retailing under RR, RIL has set an aggressive growth target of 30% each year for next decade. In H1FY18, turnover crossed Rs. 262bn which is a 77.8% YoY growth and EBIT margin reach to 2.4% higher by 30bps on YoY basis. Revenue share for consumer electronics, grocery, petro retailing and fashion & lifestyle stands at 46.9%, 22.8%, 18% and 12.3% respectively in H1FY18. Reliance Market & Reliance Smart witness strong SSS and own brands account for about 23% of revenue. In terms of geographic penetration Tire 2 & 3 cities account for 2/3rds of revenues.

Company Background

RIL is India's largest private sector enterprise with businesses in the energy, material and consumer value chain. Its key business activities span exploration and production of oil & gas, petroleum refining & marketing, petrochemicals, textiles, retail, telecom, SEZs and others. It operates one of the world's largest oil-refinery complex at Jamnagar, Gujarat with a capacity of 1.3 Mn BPD and has Petchem facilities at Jamnagar, Hazira, Patalganga, Vadodara, Nagothane and Nagpur. It is the second largest producer of polyester fibre/ yarn and 4th largest producer of PTA globally. It operates retail stores across the country in value and specialty formats. RIL's subsidiary Reliance Jio provides pan-India 4G telecom services. It has built next generation all-IP data network with latest 4G LTE technology.

Valuation and Outlook

RIL is expected to maintain profitability in its core business (Petcheml capcity, gasifiers , RoGC and Ethane imports) by improving operational efficiency and volumes across the refining & petchem business, which are expected to add to operating profits in FY18-20E, while new businesses like Reliance Jio and retailing are likely to trigger the next level of growth and boost revenues in FY19-20E. At CMP Rs. 920, RIL is trading at 15x FY19E EPS, we recommend **'BUY'** for a price target of Rs. 1073 valuing RIL at 17.5x FY19E EPS of Rs. 61.3 representing an upside potential of 17%.

Key Risks

1) Volatility in crude & its derivative could impact realisations. 2) Capex on new verticals could affect consolidated returns.

RELIANCE: Technical View

Reliance has moved nearly 70% this year YTD, as the stock was seen breaking out from its 2009 highs placed at around Rs. 620-630 levels (post bonus) and clocked a one sided move from there on. The stock has fallen into a consolidation range from the beginning of November 2017 with the upper band at Rs. 950-960 while the lower end is at the Rs. 850-860 levels. The price structure has remained above it 100 and 200 day moving averages for most part of the year and has maintained the higher high and higher low price pattern reiterating the long term secular trend, as observed on the weekly chart. The stock has immediate support placed at Rs. 850-860 and below that at Rs. 800-820, while resistance comes in near the all time high of Rs. 960 and above that the psychological level of Rs. 1000-1020 would open up. At current levels, the stock looks poised to continue its positive momentum making current levels attractive for accumulation from a medium to long term perspective

State Bank of India Ltd

Bloomberg Code: SBIN IN

Stronger and superior Financial Conglomerate

Diverse Loan Book, Deposit Base & Prospective Future Ahead:

SBI, the largest Indian Bank, which enjoys a diverse market base, has a phenomenal market share of 23.3% & 21.1% of deposits and advances respectively. SBI enjoys an exposure to all the sectors, highest being home loans (18.1%) followed by infrastructure (15.8), thus mitigating the concentration risk. Going forward, we expect the personal segment (home loans + auto loans) to drive the loan book growth where it has the highest market share. SBI has a strong operational infrastructure in place making it future ready. We expect the merger synergies to leverage through FY18E & FY19E and business metrics to improve by FY19E.

Healthy Growth in Loan Book: SBI is expected to maintain double digit growth rate in loan book amid an up-tick in economy. Loan book is expected to be driven mainly by home loans, auto loans, other retail loans, agri loans, trade and services as well as higher spending in infrastructure sector. We expect SBI to register a CAGR growth of over 10% in loan book in the next 3 years.

Rationalisation Drive to Aid Improved Profitability: SBI has a balance-sheet with deposits of ~Rs. 26Tn & advances of ~Rs. 18Tn. With its enormous branch network, SBI is well positioned to tap the incremental deposits and maintain double digit growth in retail deposits and also to maintain higher share of CASA above ~45% for quality growth.

Expected Recovery in Asset Quality: Asset quality is expected to improve in the next few quarters due to the lower retail slippages, higher recoveries and SBI's efforts to regulate credit towards the stressed sectors, which is expected to yield results. As on Sept 30, 2017, GNPA & NNPA were at 9.8% & 5.4%. As per BASEL III guidelines, SBI has a capital adequacy ratio of 13.9% with a tier-1 capital of 10.8%, which could aid loan book growth plans over the next couple of years.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	320
Target Price	380
Upside (%)	19

Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	2742835/42822
52-wk High/Low (Rs.)	352 / 241
3M Avg.daily volume (Mn)	24.9
Beta (x)	1.6
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	8632.1
Face Value (Rs.)	1.0

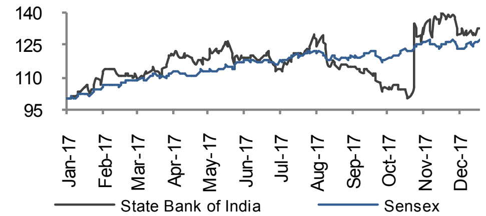
Shareholding Pattern (%)	
Promoters	58.0
FIIs	10.9
DIIs	22.3
Others	8.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(5)	22	9	28
Relative to Sensex	(6)	15	0	(2)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY15	FY16	FY17	FY18E	FY19E
Net Interest Income	556923	573576	625481	767947	866755
Net Profit	131016	99507	104841	104506	189857
EPS (Rs.)	17.6	13.0	13.4	12.7	22.1
BVPS (Rs.)	172.0	185.9	236.1	250.4	267.0
P/E (x)*	11.7	20.4	21.8	25.3	14.5
P/BV (x)*	1.2	1.4	1.2	1.3	1.2
RoE (%)	10.6	7.3	6.3	5.7	8.7
RoA (%)	0.5	0.5	0.4	0.3	0.5

Source: Bloomberg, Karvy Research, *Represents multiples for FY15, FY16 & FY17 are based on historic market price

Stable Net Interest Margins (NIMs): SBI was able to maintain a net interest margin of over 3% in the last 4 years; and in a downward rate cycle, NIMs are expected to sustain above 3%. Strong growth in retail deposits, coupled with over ~45% CASA, provides a case for up-tick in NIM. In view of improved recoveries, pick up in loan growth & declining cost of deposits we expect a 10-15 bps improvement in NIMs going forward.

Company Background

State Bank of India is India's largest bank offering personal banking, agricultural banking, corporate banking and NRI banking with a consolidated balance sheet close to Rs. 33.8 lakh crore (Rs. 33.8 Tn). SBI employs over 269,219 employees and operates through a network of 24017 branches and over 58916 ATMs serving over 420 Mn customers. SBI, along with its merged subsidiaries, provides various services like deposits, retail loans for Home, Automobile, Education, other personal loans and corporate loans. SBI has various non-banking subsidiaries: SBI Life insurance Company, SBI Capital Markets, SBI Funds Management and SBI Cards & Payments.

Valuation and Outlook

SBI with its focus on quality loan book growth, CASA share in deposits, sustained NIMs of over 3% along with emphasis on reducing NPAs and fresh slippages augur well in the long term. Merged entity of SBI presents a case for biggest and well diversified balance sheet that mirrors the domestic economy available at bargain valuations from a long term investment perspective. We value the standalone business at 1.2x FY19E BVPS and investments at Rs. 60 and recommend a **"BUY"** rating for a target price of Rs. 380.

Key Risks

- Policy & regulatory risks.
- Headwinds in realizing the synergies through associated merger.

SBIN: Technical View

SBI after clocking an all time high of Rs. 351.30 levels on October 26, 2017, the stock witnessed sharp correction towards Rs. 300.40 levels on December 18, 2017. The stock slipped more than 14% in a span of two and a half months. The stock took support around Rs. 300-304 levels and bounced back sharply. The counter stayed stuck in a range of Rs. 300-350 levels for around two months. The stock is trading well above all of its major moving averages, which indicate long term up trend remains intact in the counter. On indicator front, 14 periods monthly RSI is trading above its 9 period signal line, which indicates bullish bias in the long term. On the longer term charts, the stock has shown no sign of weakness in the mentioned up move, indicating any minor correction in the counter may be utilised as a buying opportunity for the medium to long term perspective. The stock has support placed at Rs. 280 and below that at Rs. 260, while resistance comes in near the all time high of Rs. 351.50 and above that the around Rs. 380 would open up. Thus, the stock is likely to continue the positive trend and we recommend accumulating the scrip from a medium to long term perspective.

Vedanta Ltd

Bloomberg Code: VEDL IN

Commodity Price Rally to Widen Growth Prospects

Capacity expansion: Contributed by global tightness and concentrated supplies coupled with mine supply cuts in China have been driving the price rally for Zinc where average Zinc LME prices during H1FY18 increased by 33.0% YoY to US$ 2,784 per tonne. VEDL's integrated zinc metal production was 219KT during Q2FY18 recording 14.0% YoY growth driven by higher ore production across all mines and is set to expand the mined metal (Zinc) capacity in India to 1.2MT by FY20E. In the international front, Gamsberg (South Africa) project for mining Zinc is likely to be set-in-motion by mid-CY18 initially at 100KT for FY19E and further ramp up to 250KT by FY20E.

New Exploration through prudent capital allocation to improve efficiency: Oil production with Cairn India merger, for H1FY18 stood at 184,062 boepd where Rajasthan contributed 156,278 boepd, which is expected to be ramped-up to 165,000 boepd by FY18E as 15 wells for infill drilling has commenced.

VEDL's iron ore business produced 10.9MT in FY17 as compared to 5.2MT in FY16 and is likely to benefit due to higher consumption following the Supreme Court's consideration on iron ore mining allocation in southern India, as they operate in regions of Karnataka and Goa.

Cost restructuring to strengthen balance sheet: Vedanta has reduced its gross debt by ~Rs. 199Bn (US$ 3.1Bn) to Rs. 966Bn (US$ 15.1Bn) as on Sept 30, 2017 from Rs. 11864 Bn (US$ 18.2Bn) as on 31st March, 2017. Further, in order to de-leverage and lengthen average maturity period, the company has issued dollar-denominated bond worth US$ 1.0Bn in August 2017, proceeds of which would be used to redeem US$ 752Mn bonds having maturity dates during 2019 and 2021. This is collectively expected to extend average maturity by 0.5 years and lower cost of funds by ~40bps where VEDL's current value of cash and liquid investments stand at Rs.391 Bn (US$ 6.1Bn) as on Sept 30, 2017.

Recommendation (Rs.)

CMP *(as on Dec 22, 2017)*	317
Target Price	367
Upside (%)	16

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	1185785/18512
52-wk High/Low (Rs.)	347 / 205
3M Avg.daily volume (Mn)	9.4
Beta (x)	1.7
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	3717.2
Face Value (Rs.)	1.0

Shareholding Pattern (%)

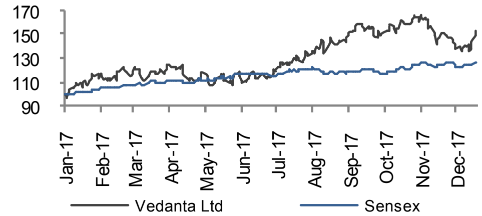
Promoters	50.3
FIIs	18.0
DIIs	13.0
Others	18.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	3	35	46
Relative to Sensex	1	(3)	24	12

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	687226	737286	887529	1006303	1099230
EBITDA	149530	204230	254813	308305	332777
EBITDA Margin (%)	21.8	27.7	28.7	30.6	30.3
Adj. Net Profit	22678	56294	99454	135887	164378
EPS (Rs.)	6.5	16.2	28.6	39.1	47.3
RoE (%)	5.2	10.5	16.2	19.7	20.7
PE (x)*	14.1	17.0	11.1	8.1	6.7

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price,

Company Background

Vedanta, headed by Mr. Anil Agarwal (Chairman), is a globally diversified natural resource company focusing on Zinc-Lead-Silver, Oil& Gas, Iron Ore, Copper, Aluminum and commercial power. Their operations span across India, South Africa, Namibia, Ireland and Australia having about 28 operation sites overall (India+Overseas). An important milestone was the Vedanta-Cairn merger to strengthen their oil and gas business segment. Consolidated revenue for FY17 stood at Rs. 722 Bn, where India contributes ~58.2%, China and Middle East make up 13.0% and 8.0% respectively.

Valuation and Outlook

We believe that increasing commodity prices on the back of strong global demand will improve earnings sustained with capacity expansion through new and diversified exploration sites. ~US$ 1.1 Bn capex is expected to be deployed in FY18E across all segments where US$0.3Bn has been utilized in H1FY18. Therefore, on the back drop of positive industrial growth we value Vedanta on SOTP basis for a target price of Rs. 367 with an upside potential of 16%.

Key Risks

- Commodity price changes.
- Exchange rate fluctuations.
- Highly leveraged.

VEDL: Technical View

VEDL has witnessed a huge recovery in the prices in past 2 years and has generated over 5.5x from its low of 58.15 levels. After the surge it has witnessed a consolidation breakout around 245-250 levels from where it showed one side movement to reach its fresh 52 weeks high of Rs. 346.40 levels. However in the recent past the stock corrected approximately 18% from its recent high and has taken support near its previous swing high of Rs. 275-280 levels and started to surge higher, indicating it to be a strong support for the counter. On the daily chart, the stock has reverted after testing is 200 DEMA placed around Rs. 275-280 levels and is currently placed above all its major moving averages making it a very good opportunity for accumulation. Technically, the stock is placed around its upper band of the Bollinger (20,2) which is even supported by the parabolic SAR. The immediate resistance for the counter is placed around Rs. 346-348 levels, sustaining which it is expected to surge higher towards Rs. 360 levels from medium to long term perspective.

Yes Bank Ltd

Bloomberg Code: YES IN

Continuing to Grow in Size and Strength

Advances growth led by retail and corporate segments: In FY17 advances grew by 34.7% YoY, led by retail and corporate segments. Increasing share of advances in total assets which is 61.5% in FY17 vs. 59.4% YoY signals enhanced productivity of the balance sheet and is reflective of management efforts in utilising more funds towards the core business of lending. In terms of the key earnings drivers, Yes Bank's net interest margin is at 3.2% in FY17 and expect margins to move up in future between 3.5-3.6% in FY18E-20E.

Steady growth in Net Interest Income, Stable NIMs: Yes Bank posted strong operational performance in H1FY18 boosted by strong business growth. In Q2FY18, NII grew by 33.5% YoY to Rs. 18851 Mn on the back of robust loan book growth of 34.9% and NIM expansion of 30 bps YoY. We expect the bank's CASA ratio to touch ~38% by FY19E, which could aid the bank to compete and gain market share in the lower yield/low risk segment of corporate market.

Asset quality divergence remains a key challenge: For the past five years, Yes Bank has increased its loan book at a CAGR of 28.4% while maintaining lowest nonperforming loan (NPL) ratio. However, the bank's asset quality has deteriorated in the last one year, with its gross NPLs increasing 170% in FY17. Slippages increased to ~Rs. 20 Bn, as accounts worth ~Rs. 12.2 Bn were recognized as NPA on divergence with RBI's inspection, driving GNPA ratio higher to 1.8% in Q2FY18 from 0.8% YoY.

Rapidly expanding franchise, focusing on corporate banking: Over the past few years, Yes Bank has focused on building its branch network and its retail banking franchise. As of the end of Sep 2017, the bank had 1040 branches, which expanded from 109 in 2009. Yes Bank's largest exposures in to large corporate banking, which covers 67.4% of its loan book as of the end of Sep 2017, with the remaining 32.6% consisting of loans to retail, SME, micro SME and mid-sized corporate.

Recommendation (Rs.)	
CMP *(as on Dec 22, 2017)*	310
Target Price	480
Upside (%)	55

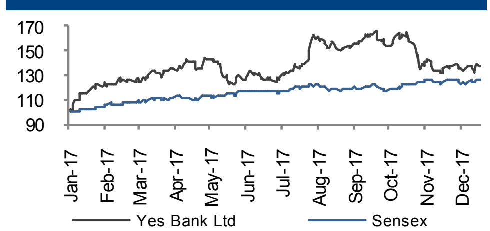
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	716049 / 11179
52-wk High/Low (Rs.)	383 / 218
3M Avg.daily volume (Mn)	12.0
Beta (x)	1.1
Sensex/Nifty	33940 / 10493
O/S Shares(mn)	2297.6
Face Value (Rs.)	2.0

Shareholding Pattern (%)	
Promoters	20.1
FIIs	46.0
DIIs	24.6
Others	9.4

Stock Performance (%)	1M	3M	6M	12M
Absolute	0	(14)	7	38
Relative to Sensex	(1)	(19)	(2)	5

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary					
YE Mar (Rs. Mn)	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Net Interest Income	45,667	57,973	75,573	99,988	126,951
Net Profit	25,394	33,301	37,834	51,626	68,309
EPS (Rs.)	12.0	15.0	17.0	23.0	30.0
BVPS (Rs.)	66	97	110	129	153
P/E (x)*	25.6	21.2	18.6	13.5	10.3
P/BV (x)*	4.7	3.2	2.8	2.4	2.0
RoE (%)	1.8	1.9	1.7	1.8	1.8
RoA (%)	19.9	18.6	16	18.9	21.2

Source: Company, Karvy Research, *Represents multiples for FYFY16 & FY17 are based on historic market price

Company Background

YBL is a private sector bank set up in 2004. Over the years, the bank's strong business growth, healthy net interest margins, stable profitability, healthy capitalisation have made it one of the top five private sector banks in India. As on Sept 30, 2017, the bank had a network of 1,040 branches and 1,823 ATMs. This network will cover major cities and towns across India to service your needs at any location in the country. Yes Bank has steadily built a Corporate, Retail & SME Banking franchise, with a comprehensive product suite of Financial Markets, Investment Banking, Corporate Finance, Branch Banking, Business and Transaction Banking, and Wealth Management business lines across the country. YES BANK has adopted Knowledge driven approach to offer financial solutions, which go beyond the traditional realm of banking. The bank's regulatory capital adequacy ratio (Basel III) stood at 17.8% (CET 1 of 11.4% and Tier 1 of 13.2%) as on September 30, 2017.

Valuation and Outlook

While RBI's divergence on NPA recognition has been a concern, Yes Bank has been delivering a strong performance over a decade now. We are positive on the stock as we expect that with the system getting past the peak NPA recognition, the operational performance of the banks particularly at the liabilities and retail end would come to the fore. We have valued the bank at 3.7x FY19E BV with **"BUY"** rating and have arrived at fair value of Rs. 480 per share representing an upside potential of 55% in next 9-12 months.

Key Risks

- Significantly higher-than-expected deterioration in the asset quality.
- Low proportion of retail loan book.

YESBANK: Technical View

The stock is trading in the broad range of Rs. 330- 296 levels from last couple of weeks. Prior to that, the stock has seen profits taking from life time high of Rs. 382.90 levels, which has dragged the stock to the low of around 296 levels. Thereafter, the stock entered in the consolidation phase. The stock is in an uptrend and historical price action suggests that every dip in the stock attract market participants. Currently, the stock is trading near 200 DEMA on the daily charts and bounce above the said rage of Rs. 330 levels will be fresh trigger for the stock. On technical setup, the 14 period RSI is pointing northwards and showing comfortable trade on the daily charts. The parabolic SAR is trading below the price, which reflects strength in the consolidation range. Going ahead the stock is expected to find immediate support around Rs. 296 levels below that Rs. 275 levels. Whereas, resistance is placed at Rs. 330 levels and above that is around Rs. 380- 400 levels.

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