## Wealth Maximizer

<table>
<thead>
<tr>
<th>Company Name</th>
<th>NSE Symbol</th>
<th>Sector</th>
<th>Market Cap (Rs. Mn.)</th>
<th>CMP* (Rs.)</th>
<th>Target Price (Rs.)</th>
<th>Upside (%)</th>
</tr>
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<tbody>
<tr>
<td>Adani Ports &amp; Special Economic Zone Ltd</td>
<td>ADANIPORTS</td>
<td>Marine Port &amp; Services</td>
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<td>358220</td>
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*As on Mar 23, 2018, Please [CLICK HERE](#) for previous Wealth Maximizer report
Market Outlook

Looking Beyond the Correction

Normalization of volatility: In the past couple of months, markets have witnessed a rise in volatility; however, it is still below the 20 year historical average of 22%. We believe that the volatility regime is shifting to a more normal one.

A correction, not a crash: We believe that the market is experiencing a correction (Sensex down 10.1% from recent high), but not a crash. This is on account of the following reasons:

- The Indian economic data is likely to improve over the coming months. In Q3FY17-18, the economy grew at 7.2% compared to an estimate of 6.9%, in Q2FY17-18 the GDP growth rate was 6.5%.
- IMF in its latest update forecasted a growth rate of 7.4% for FY18-19 and 7.8% in FY19-20. Leading indicators also point to a pickup in the months ahead. The OECD leading indicator has picked up after its bottom in March 2017.
- Global growth remains supportive. Growth is forecasted to pickup to 3.9% in CY18 from 3.7% in CY17 and 3.2% in CY16.
- Though it is early, IMD has indicated that the probability of an unfavorable monsoon is low.
- However, the following factors are likely to limit upside.
  - Beginning of trade disputes around the world, especially the prospect of escalation between the US and China, the two largest economies.
  - Ongoing process of resolution of NPAs in the banking sector.
  - State elections in states (Karnataka, Mizoram, Rajasthan, Chhattisgarh and Madhya Pradesh) in the run up to the general elections, which are to be held by May 2019.

Outlook:

Though volatility is likely to rise, we believe that the markets will move up and deliver decent returns during the year, we forecast Sensex to end year 2018 at 37500, which represents a 1 year forward PE of 16.5x, and an upside of 15% from the current levels.

In the following pages, we highlight 10 Nifty stocks that have the potential to deliver good returns over the next 12 months, based on consensus target price.
Exhibit: Volatility rising from low levels

Source: Bloomberg, Karvy Research

Exhibit: Rise in policy uncertainty likely to support rise in Volatility

Source: www.policyuncertainty.com, Karvy Research

Exhibit: OECD Leading indicator shows economy likely to accelerate

Source: OECD, Karvy Research
**Adani Ports & Special Economic Zone Ltd**

**Bloomberg Code: ADSEZ IN**

**India Research - Stock Broking**

### Expansion and Mundra Port Legacy to Drive Growth

**A very unique port, one of its kind:** The Mundra port managed by APSEZ is the largest among all and has handled 91.95MMT of cargo for 9M FY18 and is expected to cross 115MMT by FY18E. Mundra port has given exceptional performance by growing revenue 10 times during last decade and marked itself as one of the fastest growing ports. Mundra port is a multipurpose port and at present manages 26 berths and two single point mooring with an installed annual capacity of 228MMT. The cargo handled at Mundra port includes coal, container, crude, fertilizers, steel and project cargo. Mundra also contains India’s largest Special Economic Zone (SEZ) with 8300 hectares which acts as a value addition to Mundra port. The company is aiming a tonnage growth of 15-20% CAGR over the next few years.

**Expansion to drive the growth:** Expansion of Dhamra to make it handle containers and making Kattupalli port a multipurpose cargo port could be the growth driving factors. Coal handling is expected to increase on the back of higher electricity demand and lower inventory at different power plants. Ennore terminal has also started operations from Jan’18, therefore the increasing volume can be factored in coming quarters, to make all the sites operational company plans to incur a capex of Rs. 25000 -28000 Mn. As a result of above strategies company expects the container and cargo volume to grow by 20% and 12% respectively.

**Diversification aiding overall improvement:** APSEZ is consistently delivering growth with gaining market share. Total cargo volumes grew by 7% for 9MFY18 to 135MMT. Container volume has also grown across all ports. Growth was realized across ports with cargo volumes at Mundra, Hazira, and Katupalli up 8%, 10% and 45%.

**Valuation and Risks:** Healthy growth of container and cargo volumes, coming in from the expansion plans are the key positives. Stock is currently trading at 11.4x. The consensus values the company at 14.9x for a target price of Rs. 474, representing an upside potential of 31%.

### Valuation Summary

<table>
<thead>
<tr>
<th>YE Mar (Rs. Mn)</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18E</th>
<th>FY19E</th>
<th>FY20E</th>
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<td>RoE (%)</td>
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<tr>
<td>PE (x)*</td>
<td>13.2</td>
<td>17.7</td>
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<td>15.4</td>
<td>11.4</td>
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</tbody>
</table>

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

Incorporated as Gujarat Adani Port Ltd on May 26, Adani Ports and Special Economic Zone (APSEZ) is India’s largest private multi-port operator, post entering concession agreement with GMB to build, operate and maintain the port for a period of 30 years till 2031 extendable by another 20 years. The port is into providing cargo handling services for bulk, crude and container cargo. While the company is also bidding for other domestic and international port projects, it has also invested in value added services like logistics support, providing container rail services and inland container depots to diversify from its core port business.

ADANIPORTS: Technical View

ADANIPORTS is India’s largest ports developer and Operator Company promoted by the Adani group. They have built, acquired and developed an unparalleled portfolio of ports infrastructure and services across India. In the secondary market, ADANIPORTS has fallen over 20% from its all time high, which it made in the month of January 2018 and has plunged down, placing it below all its major moving averages on the daily chart. On the daily chart, the stock is in correction phase and may plunge downside in near future as it has breached its long term moving average of 200 DEMA placed around Rs. 385-386 levels. On the oscillator front, the 14 period RSI is indicating weakness and is placed near the oversold region, indicating a reversal in the counter. While on the weekly chart, the stock has breached its support zone of Rs. 380-385 levels and has plunged downside. On the Bollinger band, the stock is on the verge of breaching its lower band and is expected to plunge downside in near future. However, the stock is having multiple supports placed around the levels of Rs. 325-330 levels which would be a crucial zone for the counter to look upon. If it is able to sustain above the same mentioned levels, then a reversal can be seen in the counter. Also the 14 week RSI is near to bottom out at its oversold area. On the monthly chart, the stock is still in an uptrend making higher highs and higher lows, indicating inherent strength in the counter from medium to long term perspective. Even the Parabolic SAR (Stop and Reverse) is placed below the price, indicating buying in the counter is still intact from long term perspective. On the flip side, the immediate resistance is placed around the previous support i.e Rs. 390-400 levels, breaching which the stock might surge towards its all time high levels of Rs. 450 and even further. At current juncture and considering all the data mentioned above, one may go long in the counter on any dip towards the mentioned support zone for an immediate upside of the its all time high, breaching which the stock might move in the uncharted territory from long term perspective.
Strong US Drug Pipeline to Drive Growth

Volumes to drive injectables segment in US: The US injectables business has grown at 39% and 67% in FY16 and FY17 to USD157Mn. However, recent USFDA inspection was a minor setback but with the observations being largely procedural, company expects to clear the same, and launch new products in the next fiscal. Overall, 35 to 40 new launches in the injectables business are expected in the next fiscal and management has guided the business to grow to US$ 240Mn.

USFDA observations on Unit 4 largely procedural: The recent observations by USFDA post the plant inspections on Unit 4 (injectables) are mostly procedural (not quality related). USFDA has requested rework on the monitoring of implementation process. The issues are expected to be resolved in FY19E. The company has also undertaken a de-risking strategy of mapping other units as manufacturing options for its major drugs to ensure least disruption in sales in case of any plant issues.

European business thriving: European business (26% revenues), continues to post strong growth (16% YoY, constant currency). The top 5 countries in the region - Italy, Germany, UK, Spain and France, posted double-digit growth in Q3FY18. Auro also managed to turn around the Actavis business, which was loss making at the time of acquisition to profitability on the back of shifting manufacture of products to India. As of Q3FY18, manufacture of 78 out of 112 drugs have been shifted to India. Going forward, management expects 8%- 10% growth on constant currency basis from the region.

Valuation and Risks: Backed by strong pipeline of launches, and continued improvements in European performance, consensus expectations for revenue and PAT stood at 10% CAGR over the FY17-20E. As per bloomberg consensus, Auro is valued at 16x on FY20E EPS of Rs. 52.8 and recommend “BUY” with a target price of Rs. 826, an upside potential of 50%. Key risks are delay in clearing USFDA observations and further price erosions.
Company Background

Aurobindo Pharma Ltd (Aurobindo) is one of India’s leading manufacturer of generic pharmaceuticals and active pharmaceutical ingredients. Company has presence in over 150 countries, majorly spread in USA (44% of revenues) and Europe (with key focus markets being US and Europe). It has significant presence in USA (44% of revenues) and Europe (26% of revenues). Its product portfolio spans across categories such as antibiotics, anti-retrovirals (ARV), CVS, CNS, gastroenterological, pain management and anti-allergic. Aurobindo is amongst the top-5 ARV suppliers to global funding agencies.

AUROPHARMA: Technical View

AUROPHARMA has been under tremendous selling pressure from the past few months owing to the overall bearish trend in the entire pharmaceuticals space. The shorter term chart structure of the stock indicates formation of lower tops and lower bottoms. However, the longer term chart patterns indicate that the stock is consolidating in a wide range between Rs. 500 - Rs. 800 on the weekly charts and is currently hovering around the lower end of the said trading band. The stock has immediate supports pegged around Rs. 520 - Rs. 500 below which the next meaningful support zone for the stock lies around Rs. 480 - Rs. 470. Whereas on the upside, the stock has its immediate supply zone around Rs. 630 - Rs. 650 crossing which a surge towards a potential upside target zone around Rs. 780 - Rs. 800 levels may also be seen in the counter. Technical parameters like the RSI and ADX do not indicate a rosy picture for the stock at the current juncture. However, things may get better for the market leader in Semi-Synthetic Penicillins, if it manages to hold and sustain above the immediate support levels as mentioned above. The monthly chart structure of the stock suggests formation of cycles of higher highs and higher lows, which clearly indicates that the long term chart structure is still bullish and the current decline in the price of the stock is a normal technical correction. In the past, it has also been observed that every time the stock has made a cycle of higher low preceded by a higher high, it has always seen value buying from such levels, which gives investors with a longer term horizon a brilliant break to go long in the counter at current levels with a stop loss placed below Rs. 430, for the aforesaid target levels in about a year’s time.
Emerging as a Major Player Post Consolidation

Continues to grow its network in the consolidation phase:
Bharti Airtel (Airtel) has emerged as one of the 3 major players post the regulatory changes and the entrance of Reliance Jio. The company has a subscriber base of 290.1mn and data subscriber reach of 70.8mn. It was also an early entrant into the 4G spectrum and now commands a pan India presence. While the price wars and regulatory issues disturbed the smaller players, Bharti moved to acquire players such as Tata Teleservices (TTSL) and Telenor. With increased presence (pan India) post consolidation, regulatory hurdles at its final leg, and Reliance Jio’s discounting of tariff beginning to diminish, Bharti stands to significantly gain in the long term.

African operations a key to long term growth:
The African operations continue to see increased profitability (post the sale of Ghana operations). EBITDA margins in Q3FY18 stood at of 35.5%, up 220bps. African business contributes nearly 24% of the consolidated EBITDA (as of Q3FY18). The management sees African business as a key growth driver in the long term and thus is ramping up the business in the region. Capex in Africa for Q3FY18 stood at US$ 75mn vs less than US$100mn in H1FY18.

In the last leg of regulatory hurdles:
Cut in interconnect usage charges (ICU) for international calls had eroded average revenue per user (ARPU) by Rs. 16 (in Q3FY18) but regulatory issues have eased off. As the industry moves past these hurdles, and Jio’s tariff discounting continues to diminish, ARPU (Rs. 123 for Q3FY18) will move up from the current levels.

Valuation and Risks:
The breadth of Bharti’s telecom business, improving overseas operations and diversified services such as the tower digital business has helped Airtel consolidate during this phase, while many of the smaller players moved out of business. The stock is valued at 39x on Bloomberg consensus FY20E EPS of Rs. 14.7 and recommend “BUY” with a target price of Rs. 573, a potential upside of 39%. Key risks are continued aggressive pricing by peers, further regulatory hurdles.

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<thead>
<tr>
<th>YE Mar (Rs. Mn)</th>
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<th>FY17</th>
<th>FY18E</th>
<th>FY19E</th>
<th>FY20E</th>
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<tr>
<td>Net Sales</td>
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<td>Adj. Net Profit</td>
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<td>EPS (Rs.)</td>
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<td>10.1</td>
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<td>RoE (%)</td>
<td>8.5</td>
<td>9.4</td>
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<td>PE (x)*</td>
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Source: Bloomberg, Company, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price
Company Background

Bharti Airtel India, headquartered in New Delhi, India, along with its subsidiaries, is a leading telecommunications services company with operations across 20 countries including India, Bangladesh, Srilanka, and Africa. Its operations pan across all 22 telecom circles and has a total subscriber base of 290.1Mn (market share of ~24%) in India. It has namely 4 verticals - Airtel business - provides voice, data, video, network integration, data center, and managed services, Tower Infrastructure Services business that engages in setting up, operating, and maintaining wireless communication towers, Homes Services business that provides voice and data communications through fixed-line network and broadband technology, and Digital TV business offers digital broadcasting services under the direct-to-home platform.

BHARTIARTL: Technical View

Bharti Airtel Limited is an Indian global telecommunications services company based in New Delhi, India. It operates in 16 countries across South Asia and Africa. Airtel provides GSM, 3G, 4G LTE and VoLTE mobile services, fixed line broadband and voice services depending upon the country of operation. It is the largest mobile network operator in India and the third largest in the world with over 386 million subscribers. Airtel was named India’s second most valuable brand in the first ever Brandz ranking by Millward Brown and WPP Plc. Technically, Bharti Airtel was in a secular uptrend since 2003, forming higher highs and higher lows as seen on the monthly charts. However, from 2007 the stock is strictly trading in a range of Rs. 276 to Rs. 564 levels and is holding the same. The 55 day CCI is in the monthly chart is trading above the zero levels, indicating that the stock is poised to trade with a positive bias. Similarly, the MACD (12, 26, 9) in the monthly charts are plotting above zero line, indicating the bullishness in the stock. Even the Parabolic SAR (Stop and Reverse) is placed below the price, indicating buying in the counter is still intact from a long-term perspective. On the momentum setup, the 14-period weekly RSI managed to sustain above 40-levels during recent price correction, which indicates that bulls are in control and price correction in the stock is being utilized as a buying opportunity by long-term investors in the counter. In the current scenario, considering all the data mentioned above, one may go long in the counter on dips towards the mentioned floor support zone for an immediate upside target towards the said range ceiling levels, breaching which the stock might move towards its all-time highs in the long-term perspective.
One of the Largest Aluminium Producers

Growing Demand for Aluminium Sheets will Trigger Sales: The growing demand for rolled aluminum sheets will considerably be accretive to the topline of Hindalco. Carmakers are using more of Lightweight metal in vehicles to help meet stricter fuel efficiency targets. Novelis, plans to further expand the Automotive-products share of its portfolio, from 18% in fiscal 2017. The acquisition of Novelis made Hindalco the world’s largest producer of rolled-aluminium products.

Push in Aluminium Capacity Growth: “Make in India” push is likely to drive manufacturing expansion and infrastructure spending. And Hindalco, now is more focused on capacity expansion of Utkal Alumina (100% subsidiary of Hindalco industries). This would help fuel the nation’s surging growth in aluminium capacity. The capacity for 2017 has likely increased as new projects were completed, and Hindalco Industries Ltd will be one of major beneficiary.

Focus on Premium goods for better profitability: Novelis, (wholly owned subsidiary of Hindalco) which converts primary aluminium into flat-rolled products, aims to improve its mix to produce higher value-added product in order to boost profitability. The downstream producer has increased Research and Development spending over the past three financial years, to raise conversion charges and lift the share of higher-margin products such as automotive sheets. These measures have contributed to boost Novelis’ EBITDA in the three years through the fiscal year ended March. Novelis is the largest producer of rolled-aluminium products, accounting for about 14% of global supply.

Valuation and Risks: The company is trading at 8x on (Bloomberg Consensus) FY20E EPS of Rs. 25.64 and is valued at 12x with a “BUY” recommendation and a target price of Rs. 310, an upside potential of 50%. Any slowdown in US auto demand would affect the Novelis (wholly owned subsidiary of Hindalco) Profitability is the risk factor.
Company Background

Hindalco Industries Ltd, the metals flagship company of the Aditya Birla Group is the world’s largest aluminium rolling company and one of the biggest producers of primary aluminium in Asia. Hindalco was founded in 1958 and commissioned its aluminum facility at Renukoot in eastern Uttar Pradesh, India in 1962. Later acquisitions and mergers, with Indal, Birla Copper and the Nifty and Mt. Gordon copper mines in Australia strengthened its position in value-added alumina, aluminium and copper products. The acquisition of Novelis Inc. in 2007 positioned the company among the top five aluminium majors worldwide and the largest vertically integrated aluminium company in India. The company’s aluminium units across the globe encompass the entire gamut of operations, from bauxite mining, alumina refining and aluminium smelting to downstream rolling, extrusions, foils, along with captive power plants and coal mines. The company’s copper unit, Birla Copper, produces copper cathodes (used to make copper wires), continuous cast copper rods and other by-products, such as gold, silver and DAP fertilizers.

HINDALCO: Technical View

HINDALCO: The stock has been in a secular bull trend from last one year making higher highs & higher lows on the longer term charts, clearly indicating overall strength in the counter. After clocking a high of Rs. 184 odd levels in January 2018, stock has been witnessing a profit taking move or is in a short term corrective phase, which is a normal phenomenon in bull markets. The stock is currently available to be bought near to its 100-week Exponential Moving Average, which is placed around Rs. 200-202 levels, and such dips in the stock should be utilized as good opportunity for long term investors to accumulate the stock at current levels. Also key swing supports for the Aluminium major rests around Rs. 180 levels, indicating good demand around those levels from where value based buying can come in. Technical indicators are moving towards the oversold region on the weekly charts and any positive crossover like the RSI cutting the RSI average from below with substantial delivery volume is likely to bring in a fresh round of buying in the counter. Relative Strength Index (RSI) is trading towards the 26-points mark on the weekly chart. The Stochastic Oscillators, which has entered the oversold region, accompanied by the RSI, can be expected to change in line with the overall trend in the market. However, MACD which crossed-over for a bullish indication is giving a glimmer of hope to the bulls on the monthly charts. Considering the current price volume activity in the counter, HINDALCO is expected to trade with a bullish bias in positive terrain in the coming weeks, having said that, the stock may witness selling pressure at higher levels, owing to regular profit taking. The first resistance is pegged around the zone of Rs. 240-250 followed by Rs. 275-285. On the flip side, the first support is pegged around at Rs. 185-190 and the further downside support is around be at Rs. 150-155.
Focus on Home Loans and Cost Profile to Improve Margins

**Improvement in cost profile segment:** The company intends to diversify more into retail lending. The company expects the home loans to contribute 66% of total loan book from 54% currently. Also company expects the bank borrowing to come down from 39% to 30% level and increase in the issue of bonds. The company is currently AA+ rated by two rating agencies (AAA by other two) would reduce the cost of borrowings due to shift from bank borrowings to bonds. It has been noted that over last 9 months close to 64% of the borrowings is through issue of bonds.

**Steady Loan growth and stable margins:** IHFL continues to diversify in the retail home loan segment which accounted for 54% of loan book. The company’s loan assets have shown a strong growth of 28% over FY11-9MFY18, whereas the revenues have shown a growth of CAGR 29%. The company has consistently shown an improvement in cost to income ratio which is declining by averagely 126bps every year. With GST and RERA issues being resolved, construction finance book growth have also picked up as demands have been normalized.

**Strong Structural drivers and Government focus:** Under Pradhan Mantri Awaas Yojana (PMAY) subsidy eligibility cover up to 12 lakh of home loan reduces home loan rates to 0.30% for mid-income affordable housing. Budget 2016-17 has provided a 100% tax exemption on profits from construction of affordable housing would be attracting organized players. The PMAY projects have been kept out of purview of GST. Service tax exemption on construction of affordable housing projects will lead to reduction in prices indeed increasing affordability.

**Valuation and Risks:** The company fundamentals are on strong footing and as per consensus, the operating performance will be strong which derives a valuation of 3.5x price/book value for a target price of Rs. 1561 representing an upside potential of 30%.

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<th>FY18E</th>
<th>FY19E</th>
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<tr>
<td>Net Interest Income</td>
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<td>Net Interest Margin (%)</td>
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<td>10.4</td>
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Source: Bloomberg, Company, Karvy Research, *Represents multiples for FY16 & FY17 are based on historic market price
Company Background

IBHF started operations in 2000 as a Non Banking Finance Company (NBFC). In early 2013, the company was reverse merged into housing finance company. IBHF is one of the leading housing finance company in India. The company has also launched E-Home Loans, one of its kind in the home loan industry. It has credit rating of AAA from CARE and AA+ from CRISIL and is among very few who enjoy such rating from the rating agencies. It has the presence pan India with a strong hold in tier 1 and tier 2 cities. IBHF is one of the largest housing finance company with AUM of more than 1trn.

IBULHSGFIN: Technical View

IBULHSGFIN being from the BFSI sector has faced heat of the market which dragged it from its all time high of Rs. 1440 levels which it made in the month of January 2018 towards its long term moving average on the lower side. The stock is primarily in an uptrend making higher highs and higher lows in all time frame of the technical chart, indicating inherent strength in the counter. On the daily chart, the stock is placed around its short and medium term moving averages and is placed just above its 200 DEMA, suggesting a strong support for the counter. The overall structure of the stock is positive, supported by the technical indicators. However in the short term, the stock might see some correction towards Rs. 1145-1150 levels which is a strong support zone for the counter and which can be utilized for better buying opportunity for the investors having time view of medium to long term. Also the stock is placed just below the mean of the Bollinger Band (20, 2) having support of lower band at Rs. 1125-1130 levels and upper band at Rs. 1355-1360 levels, breaching which it might surge higher on the daily chart, as volatility burst can be expected above the mentioned range on the weekly chart. Even the 14 period RSI is near to bottoming out and a reversal in the trend can be expected in near future. On the daily chart, the stock is placed around its 200 DEMA and is able to sustain above it. It is also its lower band of the Bollinger (20, 2) on the daily chart which might act as a strong support for the counter and it might surge higher towards the immediate resistance of 1300, followed by Rs. 1420-1430 levels from short to medium term perspective. Looking to the trend of the chart from long term perspective, the stock is having multiple support zones of Rs. 1100-1130 followed by Rs. 1040-1050 levels, sustaining which a bull move can be expected from long term perspective. Considering all the data points mentioned above, one may go long in the counter on any dip towards the mentioned support zone for an immediate upside of the its all time high, breaching which the stock might move in the uncharted territory from long term perspective.
Healthy Performance and Product Quality Upgradation in Refining Segment

IndianOil refineries have achieved highest crude throughput of 65.1 Mn tons during FY16-17 as against 56.69 Mn tons in FY15-16. The company has reported higher GRM of US$ 12.32/bbl during Q3FY18 compared to GRM of US$ 7.7/bbl on the back of inventory gain during this quarter. The refineries also have achieved the best performance in energy parameters. The Paradip Refinery has commenced its operations in a phase manner and achieved capacity utilization of 54.9% in FY16-17. From May 2017 onwards, Paradip refinery is operating at 100% capacity.

Marketing margins yet to improve: The company has 42.9% market share in the domestic market and sold 74.11 Mn tons of petroleum products during FY16-17 compared to 72.60 Mn tons during FY15-16. During Q3FY18 domestic volume growth was driven by Aviation Turbine Fuel (ATF) and Liquefied Petroleum Gas (LPG) sales. Margins were diluted due to sharp increase in the crude prices. The company has managed to add 881 retail outlets during FY16-17 taking their total number of outlets to 26212.

Expansion in Petrochemical segment to meet the growing demand: IOC is planning to invest Rs. 320 Bn in petrochemicals to increase their capacity in order to meet the increasing demand for plastics and polymers. This investment is part of the overall Rs. 1.8 Tn Capex planned for the next 5-7 years. During FY16-17, the company has recorded highest sales of 2.585 MMT (Million Metric Tons) during FY16-17 as against 2.528 MMT in FY15-16.

Valuation and Risks: IndianOil with its vast presence and expansion strategies is planning to grow further. At CMP of Rs. 169, the stock trades at 7.5x FY20E EPS. We value the stock at 11.0 FY20E EPS based on the Bloomberg consensus and recommend a target price of Rs. 247, representing an upside potential of 46%. However, fluctuations in commodity prices, exchange rates and global petroleum rates are the key risks to the company.
**Company Background**

Indian Oil Corporation (IOC), India’s flagship national oil company and petroleum major, was incorporated in 1959. IndianOil accounts for nearly half of India’s petroleum products market share, with sales of 83.5 Mn tons in 2016-17. Over 35% national refining capacity and 71% downstream sector pipelines throughput capacity are with IndianOil. IOC is an integrated energy major with presence in almost all the streams of oil, gas, petrochemicals and alternative energy sources. The Indian Oil Group owns and operates 11 of India’s 23 refineries, with a combined refining capacity of 80.7 million metric tons per annum (MMTPA). The IndianOil’s cross–country pipeline network of crude oil and finished products is spread over 12,800 km in an efficient, economical and environment–friendly manner. Its throughput capacity of 93.7 MMTPA for crude oil & petroleum products and 9.5 MMSCMD (Million Metric Standard Cubic Meter per Day) for gas makes it one of the largest pipeline networks in the world.

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**IOC: Technical View**

IOC: The stock has been in an uptrend since Rs. 73.85 levels made in February 2016 and rallied to its recent high of Rs. 214.40 levels registered in the month of August 2017, a spectacular gain of 140% in a span of around one and half year. Thereafter, the stock corrected lower towards Rs. 173.33 levels, clocked in the month of January 2018. On the daily chart, the stock has been trading in the upward sloping channel drawn from the high of Rs. 88.05 levels made on September 2014 to the high of Rs. 208.35 levels clocked in the month of May 2017 to the low of Rs. 168.63 levels clocked in the month of January 2014. On the price chart, the stock is trading in the sideways range of Rs. 168-214 levels from past 6 months which appears to be just a passing by correction in its larger uptrend as it appears to be a fourth wave correction within its larger wave three of one higher degree. Once this wave four corrective phase is over, one may expect wave five on the higher side. The stock is flirting with its 200-day exponential moving average which is currently placed around Rs. 182 levels. The stock hasn’t traded below 8-10% of the moving average value indicating that institutional buying is present at lower levels. On the weekly chart, the stock found support near its weekly lower Bollinger band (20, 2, S) set up in its recent correction from the highs of Rs. 214.41 levels and bouncing back higher towards its upper weekly Bollinger band. Also on the monthly charts, the monthly mean of monthly Bollinger band (20, 2, S) is placed around Rs. 173 levels. The 14 period RSI on the weekly chart is currently pegged at sub Rs. 42.74 levels, indicating the stock is in bull market range. On the quarterly charts, the prices are above its quarterly parabolic SAR, indicating long-term uptrend intact in the counter. Technical support for the stock is placed around Rs. 160-163 levels followed by Rs. 140-145 levels while resistances are placed at Rs. 195-200 levels followed by Rs. 225-230 levels.
Stronger and Bigger Financial Conglomerate

Huge Deposit Base, Diverse Loan Book: SBI, the largest Indian Bank, enjoys a diverse market base and has a healthy market share of 23% in deposits & 21% of advances. SBI enjoys a multi sector exposure, highest being home loans (18%) followed by infrastructure (16), thus mitigating the concentration risk. Going forward, the management is positive about maintaining a double digit growth in loan book, owing to traction in personal segment (home loans + auto loans) where it has the highest market share. SBI has a strong operational infrastructure in place making it future ready.

Rationalization to Aid Improved Profitability: SBI has a balance-sheet with deposits of ~Rs. 26.6 Tn & advances of ~Rs. 18.5 Tn. With its huge 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. Management expects the merger synergies to leverage through FY18E & FY19E.

Recovery in Asset Quality & Stable NIM’s: Management sees an improvement in asset quality due to lower retail slippages, higher recoveries & efforts to regulate stressed sector credit. As on Dec 31, 2017, GNPA & NNPA were at 10.4% & 5.6%. As per BASEL III guidelines, SBI has a CAR of 12.7% with a tier-1 capital of 10.3% and CET 1(Common Equity Tier 1) capital of 9.6%. Historically, SBI was able to maintain a net interest margin of over 3% in the last 4 years. Strong growth in retail deposits, coupled with over ~45% CASA, provides a case for up-tick in NIM.

Valuation and Risks: SBI with its focus on loan book growth, CASA share in deposits, sustained NIMs of over 3% along with focus on reducing NPAs and fresh slippages augur well in the long term. Merged SBI presents a case for biggest and diversified balance sheet that mirrors the domestic economy available at bargain valuations from a long term investment perspective. Currently, SBI is trading at 0.9x PBV to consensus estimate of FY19E BV. Rising bond yields, higher provisioning and headwinds in realizing the synergies through merger may pose threat to the call.

Valuation Summary

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<tr>
<th>YE Mar (Rs. Mn)</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18E</th>
<th>FY19E</th>
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<td>0.8</td>
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<tr>
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<tr>
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<td>0.1</td>
<td>0.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

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

SBIN: Technical View

SBIN has been witnessing a profit taking move from its recent 52 week highs (Rs. 351) clocked in October, 2017 and has reached its medium term support zone around Rs. 220 - Rs. 230. The overall long term chart structure of the stock is positive and looks good at current levels for long term investment. The stock being the premier PSU Bank in the country is one of the most sought after banking stocks when it comes to investing and this decline from the said highs gives investors an excellent opportunity to go long for potential upside technical targets of Rs. 340 - Rs. 350 in about a year or so. As far as the technical setup of this stock is concerned, the weekly charts indicate strong support around Rs. 220 - Rs. 230 zone below which the next levels to watch out for will be Rs.190 - Rs. 200, where the stock has very strong support. Whereas on the upside, the immediate resistance zone around Rs. 265 - Rs. 270 will test the patience of investors. However, if the stock manages to cross and sustain above the mentioned immediate resistance zone, then a quick rally towards the next resistance zone around Rs. 300 - Rs. 320 could be seen. Technical parameters such as ADX (20.65) on the weekly charts suggest that the stock is under selling pressure at the moment. However, things could get better for the stock once it surpasses the above mentioned resistance zone with reasonable volumes coupled with the ADX and DMI+ pointing upwards. As far as the weekly RSI (33.42) is concerned, it is also indicating a similar scenario as it is trading below the RSI Avg. (40.32) and the positive momentum is likely to be revived once there is a positive crossover with the RSI cutting the RSI Avg. from below. The monthly chart structure of the stock depicts formations of cycles of higher tops and higher bottoms which is a positive sign in itself for the long term. Hence, we recommend long term investors to go long in the counter at current levels, average in case of declines towards Rs. 200 and hold with a stop loss placed below Rs. 175 for the above mentioned target levels in the stipulated time frame.
Jaguar Land Rover (JLR) witnesses strong growth in China:
China reported strong volume growth in the JLR retail and wholesale segment at 14.6% and 14.0% YoY respectively in Q3FY18 and ~23.0% growth YoY during 9MFY18 driven by better performance from models like “Discovery”, “F-Pace” and “RR Sport”. On the other hand, there was some decline in the UK and Europe due to economic and cyclicality reasons which is expected to turn-around on the back of investments in newer models and technology as indicated by the management.

Good response to new products results in market share gain:
TATA Motor’s (TML) new launch Nexon has performed well in the utility segment. TATA’s total domestic utility vehicles sales volume stood at 44,138 units during YTD FY18 (Apr 2017 - Feb 2018) as compared to 16,251 vehicles in the previous period posting a growth of 171%. This led to an increase in market share from 2.37% to 5.32% in the utility segment. Therefore, resulting in the overall passenger vehicle segment market share to increase from 5.62% to 6.27%. In the commercial vehicle segment, TML’s sales volume grew at 21.6% YoY during YTD FY18 which led to a market share gain of 83bps to 44.1%.

Future growth measures in the domestic market: After TATA motors delivered the first batch of Tigor electric vehicles to EESL, they won the tender to supply electric buses (~190 electric buses across 6 cities) to FAME (Faster Adoption and Manufacturing of Electric Vehicles), indicating faster market prominence.

Valuation and Risks: At CMP of Rs. 331, the stock is trading at P/E 6.7x for FY20E EPS. The Bloomberg consensus target price for TATA Motors is Rs. 479 which is valued at P/E 9.7x for FY20E EPS based on future growth prospects. However, increasing aluminum prices and slowdown in the UK and European markets for JLR can be viewed as the possible downside risks.

India Research - Stock Broking

Tata Motors Ltd
Bloomberg Code: TTMT IN

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Company Background
Tata Motors Group, is an automobile manufacturer with a portfolio that includes a wide range of cars, sports vehicles, trucks, buses and defence vehicles, spread across 175 countries around the globe. TATA Motor’s Jaguar Land Rover Automotive PLC is the holding company of Jaguar Land Rover Limited, a British multinational automobile company with its headquarters in Coventry United Kingdom. Models under the Jaguar Series include XF, XJ, F-Pace, XE etc, and models under the Land Rover series are Defender, Discovery and Range Rover (RR) series with most prominence in the UK, Europe, North American and Chinese regions.

TATAMOTORS: Technical View

Tata Motors Ltd headquartered in Mumbai is an Indian multinational automotive manufacturing company and a member of the Tata Group. Its products include passenger cars, trucks, vans, coaches, buses, sports cars, construction equipment and military vehicles. Since Sep’17, Tata Motors is correcting from the highs at 598 levels and is currently trading close to its support zone at Rs. 315-332 levels. The stock is finding a cluster of supports at the current levels with the mentioned swing supports being in coincidence with the 78.6% Fibonacci ratio of the previous upside move from Rs. 265 levels to Rs. 598 levels. On the other hand, 55 day CCI is showing bullish divergence at current levels, indicating that the bearish momentum has been decreasing and there are more chances for rebound in the stock price from current levels. The stock is also forming a downward sloping channel with the ceiling line connecting the swing highs at Rs. 598, Rs. 552 and Rs. 443 levels while the floor line connects the swing lows at Rs. 468, Rs. 370 levels. This channel pattern coupled with the 55 day CCI reading may help the stock to bounce from current levels towards Rs. 420 levels and above towards Rs. 520 levels. On the oscillator front, the 14 period RSI is indicating weakness and is placed near the oversold region, indicating a reversal in the counter. On the monthly chart, the stock is still in uptrend making higher highs and higher lows, indicating inherent strength in the counter from medium to long term perspective. In the current scenario, considering all the data mentioned above, one may go long in the counter on any dip towards the mentioned support zone for an immediate upside targets towards the said resistance zones, breaching which the stock might move towards its all-time highs in the long-term perspective.
Steady Performance From TSI; Outlook Remains Strong

Healthy growth in domestic sales volume: Tata Steel reported good earnings in 9MFY18E driven by significantly higher EBITDA/ton from Indian operations. Considering a realization per ton of Rs. 46205 as Kalinganagar steel plant is close to full ramp-up, EBITDA/ton came in at ~Rs. 12000 and the increase in the margin was mainly due lower other expenses and operating leverage due to higher volumes.

Organic expansion in India and restructuring of European business is a big positive: Restructuring of TATA Steel Europe (TSE) and increased focus on Indian operations with a goal to double the capacity (through organic and inorganic route) in next five years strengthens Tata Steel further. In case of Europe, EBITDA/ton was ~Rs. 2600 Vs ~Rs. 2900 in Q2FY18 mainly due to maintenance shut down for business upgrades, lower spread and higher coking coal prices and quarter ending December is seasonally weak for Europe.

TATA is the highest bidder for Bhushan Steel: TATA officially confirmed that the company’s bid for Bhushan Steel has been identified as the highest evaluated Compliant Resolution Plan. With the strongest presence by Tata Steel in domestic environment and Bhushan’s exposure in downstream, value-added and Auto steels, the acquisition further increase TATA’s market share in the Auto and value-added steels market; and delivers the opportunity for further growth. Augmenting the capacity of Kalinganagar by 5MnT at a capex of Rs. 23500 Mn and JV with ThyssenKrupp for European operations on track and expected to complete Q3FY19E.

Valuation and Risks: Based on Bloomberg Consensus and considering risks of weak European business margins, delay in the ramping up of new facilities, volatile raw material cost, we value the company at 10.7x FY20E P/E for both India and international operations with a “BUY” rating and arriving at a target price of Rs. 835 representing an upside potential of 47%.

**Recommendation (Rs.)**

- **CMP (as on Mar 23, 2018)**: 567
- **Target Price**: 835
- **Upside (%)**: 47

**Stock Information**

- **Mkt Cap (Rs. Mn/US$ Mn)**: 648200 / 9968
- **52-wk High/Low (Rs.)**: 748 / 403
- **3M Avg.daily value (Rs. Mn)**: 5491.1
- **Beta (x)**: 1.2
- **Sensex/Nifty**: 32597 / 9998
- **O/S Shares(mn)**: 1126.5
- **Face Value (Rs.)**: 10.0

**Shareholding Pattern (%)**

- **Promoters**: 31.4
- **FIIs**: 15.7
- **DIIs**: 29.7
- **Others**: 23.2

**Stock Performance (%)**

- **1M**: (16) (15) (8) 21
- **3M**: (12) (12) (10) 9

**Valuation Summary**

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<th>YE Mar (Rs. Mn)</th>
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*Source: Bloomberg, Company, Karvy Research; *Represents multiples for FY16 & FY17 are based on historic market price
Company Background

Established in Jamshedpur in 1907, Tata Steel, a company that took shape from the vision of Jamsetji N. Tata, is among the top global steel company with an annual crude steel capacity of 27.5 million tons per annum (MTPA). It is the world’s second-most geographically-diversified steel producer, with continuous improvement in product and service portfolio, along with success in value creating initiatives for customers. Today, Tata Steel operates in 26 countries and have a commercial presence in over 50 countries with employees across five continents. In India, its downstream business activities are structured into strategic business units such as Ferro-alloys and Minerals, Tubes, Wires, Bearings, Agrico, Industrial By-products Management & Tata Growth Shop.

TATASTEEL: Technical View

TATASTEEL: Stock has seen a correction of over 22%-24% from its all time high levels of Rs. 754.60 in past three months. However, the stock is in stellar Bull Run and making higher highs & higher lows on the chart. The counter has generated strong returns for the medium to long term investors where the stock has rallied from Rs. 200 levels and made all time highs of Rs. 754.60 levels in the month of January 2018. On the other hand, after making all time highs of Rs. 754.60 levels, the stock has witnessed a steep round of profit booking which dragged the stock towards the lower support zone of Rs. 590-600 levels which may be utilized to enter the counter for long term period. Technically, stock price is hovering near its 21 DEMA which is currently placed near Rs. 600-605 levels on weekly chart, while stock is well poised above its long term moving average 100-DEMA (525). As far as the weekly RSI (38.13) is concerned, it is also indicating a similar scenario as it is trading below the RSI Avg. (50.09) and the positive momentum is likely to be revived once there is a positive crossover with the RSI cutting the RSI Avg. from below. The supports for the stock is placed at Rs. 540-550 followed by Rs. 500 levels on the lower side while resistance is pegged around Rs. 660-670 followed by Rs. 720-730 levels. Medium to long term investors may enter the stock at current levels and utilize any dips as a buying opportunity. Hence, considering all the factual data mentioned above the stock is looking pretty decent and is expected to surge towards its all time high once again, sustenance of which it may move to the uncharted territory of Rs. 800-850 levels.
Long Term Outlook Intact on back of high future Global demand in Agrochemicals

High Diversification across Segments & Geographies Keep the Growth Story Kicking: The global agrochemical segment generated a value of US$ 4.4 bn in FY15 and is expected to grow at 7.5% p.a to reach US $6.3bn by FY20 with India being the 4th largest global producer in the world after US, Japan and China. UPL is now 2nd largest post-patent crop protection chemical company and the 9th largest agrochemical company in the world. It has done 25+ acquisitions since its inception to increase distribution, brands and registrations. Crop protection market has entry barriers because, high investments, R&D Cost and strict regulations. The overall process of product registration remains difficult where UPL has about 5934 registrations globally with over 1415 formulations, 200+ granted patents and a presence in over 130 countries, all of which add to the topline of UPL.

Backward Integration to bring economies of scale: UPL is consistently outperforming the global crop protection chemical industry for the last 5 consecutive years. 60-65% of manufacturing takes place in-house for UPL giving it a significant upper hand over players who are dependent on China as a supplier of raw materials. Due to increasingly stringent environmental norms in China, their supply to the global market is reducing. UPL has outperformed the global crop protection chemical industry by reporting revenue growth of 17% this year against the broad sectors’ de-growth of 2.5%.

Valuation and Risks: The company posted decent set of numbers by FY17. Sales increased by 16%; EBITDA grew at 24.6% while net profit jumped 73% aided by other income. Going ahead we expect UPL will continue to keep its profitability to high diversification across segments and geographies. At CMP Rs. 705, As per consensus estimates, we recommend ‘BUY’ for a price target of Rs. 1003 valuing UPL at 18x FY20E EPS representing an upside potential of 42%.
Company Background
With over 1415 formulations, 200+ granted patents, US$ 2.56 Bn revenue in FY17 and a presence in over 130 countries
United Phosphorus, under the leadership of Mr. Rajnikant Devidas Shroff (Chairman, MD, Promoter-Director) started
with the manufacture of Red Phosphorus in 1969 and entered into the agrochemical exports business for the first time
in 1976. UPL Ltd. manufactures phosphorus & phosphorus-based compounds and its products include herbicides,
fungicides, insecticides, fumigants and rodenticides. United Phosphorus also manufactures industrial chemicals, specialty
chemicals and chlorkalkine products. The company is engaged in the business of agrochemicals, industrial chemicals,
chemical intermediates and specialty chemicals. The Agro activity segment includes the manufacture and marketing
of conventional agrochemical products, seeds and other agricultural related products. The Non-agro activity segment
includes manufacture and marketing of industrial chemical and other non-agricultural related products. It offers fungicides,
herbicides, insecticides, plant growth and regulators, rodenticides, industrial and specialty chemicals, and nutrifeeds.

UPL: Technical View

UPL: The stock has been in an uptrend since Rs. 354.88 levels made in February 2016 and rallied to its recent high
of Rs. 902.50 levels registered in the month of July 2017 a whopping gain of 153.60 percent in a span of around one
and half year. Thereafter, the stock went into correction mode and corrected lower towards 684 levels initially clocked
in the month of December 2017 and rallied again to make a lower low at Rs. 828.50 levels which was registered
in the month of January 2018; thereafter the stock again went into correction mode and traded lower towards
Rs. 672.50 levels cloaked in the month of February 2018. The correction from the highs of Rs. 900 levels to the low
of Rs. 672.50 levels is just around 33.84 percent from the top which is a normal correction in any bull market. The
price high at Rs. 902.50 made a full square of 30(30*30=900), which indicates that stock is respecting Gann Square
of Nine principle, which was again reaffirmed by the stock in recent price correction, where stock made a swing
low near Rs. 672.50 which happens to be another Gann square out number of 26 (26*26=676), and noticeably it
has also completed 720 degrees circle correction, which depicts power of Gann square of nine. On the price chart,
the stock is trading in the sideways range of Rs. 672.50-828.50 levels from past 11weeks, indicating sideways
corrective phase in a larger bull market. The stock is flirting with its 200-day Exponential moving average which is
currently placed around Rs. 754 levels; with the stock currently trading below it by around 12%. On the weekly chart,
the stock appears to be finding support near its weekly lower Bollinger band (20, 2, S) which is currently placed
around Rs. 680.50 levels. Also on the monthly charts the monthly mean of monthly Bollinger band (20, 2, S) is placed
around Rs. 745 levels. The 14 period RSI on the weekly chart is currently pegged at sub Rs. 41.86 levels, indicating
the stock is in bull market range. On the quarterly and monthly charts, prices are above its quarterly and monthly
parabolic SAR indicating long-term uptrend intact in the counter. Technical support for the stock is placed around
Rs. 660-665 levels followed by Rs. 580-600 levels while resistances are placed at Rs. 760-770 levels followed by
Rs. 820-830 levels.
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