

WEALTH MAXIMIZER 2019

LARGE CAP STOCKS



WEALTH MAXIMIZER

Company Name	NSE Symbol	Sector	Market Cap (Rs. Bn.)	CMP* (Rs.)	Target Price (Rs.)	Upside (%)
Bharti Infratel Ltd	INFRATEL	Telecom	486	263	308	17
HCL Technologies Ltd	HCLTECH	IT	1335	958	1167	22
Hindustan Unilever Ltd	HINDUNILVR	FMCG	3944	1822	2138	17
ICICI Bank Ltd	ICICIBANK	Banking	2323	361	440	22
Larsen & Toubro Ltd	LT	Infrastructure	2018	1439	1700	18
Oil & Natural Gas Corp Ltd	ONGC	Oil & gas	1931	151	210	39
State Bank of India Ltd	SBIN	Banking	2631	295	347	18
Tata Motors Ltd	TATAMOTORS	Automotive	540	171	259	51
UPL Ltd	UPL	Chemicals	386	758	1004	32
Yes Bank Ltd	YESBANK	Banking	420	181	410	127

*As on Dec 28, 2018

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Karvy Stock Broking Research is available on Thomson Reuters & Bloomberg (Code: KRVY<GO>)

BHARTI INFRATEL LTD

Bloomberg Code: BHIN IN

Company's Intent to Diversify Business Tends to be a Positive Move

New Revenue Streams: Considering the rapid increase of data services through expansion of 3G / 4G network and infrastructure expansion across cities, we expect a likely surge in demand for small cells, fiberised backhaul, WiFi and In-building Solutions (IBS) which are new revenue opportunities for tower companies. These will also be key to the 'Smart Cities' - 'Digital India' project which is one of the biggest focus areas of the Government of India. Development of 'Smart Cities' is a key initiative under the 'Digital India' Program and the Government has already announced the creation of 100 'Smart Cities'. During the year, Bharti Infratel has been implementing the Bhopal Smart City project while the company's Joint Venture with Indus won the bids for Smart city project of Vadodara and New Delhi Municipal Corporation area. For both the Companies, these projects will open a new avenue of business.

Low Rural Penetration Levels: Indian telecom market has a huge untapped potential in the rural areas. With wireless rural tele-density still at 58.7% (as of Mar 31, 2018, Source – TRAI), there is significant headroom for growth in voice services currently and in data services over time in these untapped areas. The high cost of providing services and the ability to quickly deploy state of the art networks will translate into growth opportunities for the Company. Already, Bharti Infratel has a wide footprint in the Category B and C circles enabling the expansion of networks in rural markets.

Expect healthy gross tenancy additions ahead: Management indicated that gross tenancy addition trend may be weak for some time but it is expected to bounce back on account of aggressive 4G rollouts from incumbents. As per management, they do not foresee any threat for gross tenancy additions despite Jio's continued preference to build some of the sites on its own.

5G Incremental Opportunities: The company has stated that they have already started deploying small cell in top 2 metros and this would be a scalable model for the company as data usage will be elevated when 5G will be deployed.

Valuation and Risks: At CMP of 263, BHIN is trading at a P/E 21x FY20E EPS. The consensus has valued the stock at P/E of 24.5x FY20E EPS, arriving at a target price of Rs. 308 with an upside potential of 17%.

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	55583	60874	66212	146656	158457
EBITDA	24883	28251	31865	59153	62577
EBITDA Margin (%)	44.77	46.42	48.12	40.3	39.5
Adj. Net Profit	22474	27470	24937	23255	24068
EPS (Rs.)	11.9	14.7	13.5	12.8	12.5
RoE (%)	12.8	16.3	15.4	14.3	14.5
PE (x)*	32.2	22.1	24.9	21.0	21.0

Source: Bloomberg, Karvy Research. *Represents multiples for FY16 - FY18 are based on historic market price

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	263
Target Price	308
Upside(%)	17

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	486.4 / 7.0
52-wk High/Low (Rs.)	384 / 242
3M Avg.daily value (Rs. Mn)	649.4
Beta (x)	0.3
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	1849.6
Face Value (Rs.)	10.0

Shareholding Pattern (%)

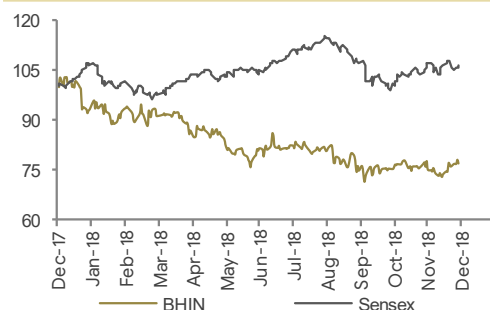
Promoters	53.5
FII's	42.3
DII's	3.0
Others	1.2

Stock Performance (%)

	1M	3M	6M	12M
Absolute	1	0	(12)	(29)
Relative to Sensex	0	0	(14)	(33)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Bharti Infratel is a provider of tower and related infrastructure and on a consolidated basis, the company is one of the largest tower infrastructure providers in India, based on the number of towers that Bharti Infratel owns and operates and the number of towers owned or operated by Indus, that are represented by Bharti Infratel's 42% equity interest in Indus, which was created as a Joint Venture among Bharti Infratel, Vodafone and Aditya Birla Telecom to hive off the Towers business in 15 telecom circles.

The company is a pioneer in the tower infrastructure sharing concept in India with over 39,000+ towers across 18 states, and 11 Telecom circles, with some of them in the remotest and tough terrains. The company has also pioneered the concept of environment friendly Towers or 'GreenTowers' and energy efficient methods for maintenance of these towers. Infratel has helped Telecom operators maximize their reach in a short period of time. Infratel is a domain within Airtel and is responsible for managing the tower infrastructure of Airtel's wireless business. Bharti Infratel is created as an independent tower company to provide compelling capex saving opportunities to telecom service providers, while optimally utilising Airtel's large tower base.

INFRATEL: Technical View



The stock price made an all time low of 126 in June'13, wherein from it witnessed stupendous rise towards 499.65 made in the start of Aug'15. After clocking an all time high, stock entered into a deep correction mode, which extended in time also. From the highs, prices made a swing low of 281.75 in the start of Mar'17, wherein from price rebounded towards its all time high and where it found resistance and again entered into a correction mode; in the last correction prices failed to protect its previous swing low of 281.75 and moved lower. Technically, prices have a typical behavior of respecting double bottoms and bouncing back; in the recent past, stock has made a double bottom near 244 levels and attempted to recover, exhibiting possibility of prices to regain strength in sessions to come. On the weekly momentum setup, 14-pd RSI was consolidating below 40-levels from last couple of months, but in the recent pullback indicator attempted to move above consolidation zone, which indicates prices may recover from lower levels. Going forward, stock has important support near 230-240 levels, followed by 180-200 levels. On the higher side, stock is likely to find immediate resistance near 290-300 levels, followed by 325-330 moving above which stock may move towards 380-400 mark.

HCL TECHNOLOGIES LTD

Bloomberg Code: HCLT IN

Relative Underperformance Gives Confidence

Price reaction overdone: After HCL Technologies (HCLT) announced \$1.8 bn deal to acquire 8 software products from IBM, the largest ever deal by an Indian IT company, markets expressed concerns about the rationale behind the deal and punished the stock. We believe that these 8 products with a market size of \$110 bn will bring in great synergies in the form of \$625mn in incremental revenues in 12 months after completion of the deal (mid-2019) and addition of more clients. Moreover, we believe that relative underperformance of HCLT (returned just 5% YTD vs average YTD return of 23% recorded by Big Five IT firms and 25% YTD return posted by BSE IT Index over the same period) prices in all the risks in the deal.

Large deal wins to support organic growth: Concerns surrounding organic growth rate seem to be faded with the announcement of four mega deals from Broadcom, Nokia, P&G and Barclays. Organic growth rate for H1 FY19 at 7%-8% was better than expected and we believe that HCLT might close FY19 with an organic growth rate of 7%-8%, much better than 5% guided by the management.

Mode 3 achieves scale as Mode 2 gains traction: One of the four large deals announced recently was based on professional services related to cyber security and DevOps. We believe that this is proof of HCLT's capabilities and its past investments would further enhance its Mode 2 revenues, thanks to its recent deals announced, we believe Mode 3 will gain traction.

Key Catalysts for earnings re-rating in place: We believe regaining organic growth momentum and scaling up of products and platforms business are key catalysts for rerating of the earnings and subsequently the stock. We believe that the ongoing large deal momentum and maturing of IBM's IP partnerships are giving visibility for the same. In the coming year, we expect HCLT's stock price to be re-rated given the rerating of earnings.

Valuation and Risks: We remain positive on the stock given its relative underperformance, upside risks to core organic growth and its potential to increase Mode 2 and Mode 3 revenues. We reiterate our buy on HCLT and value it on a consensus FY20E PE of 14.5x with a target price of Rs. 1167, an upside of 22%.

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	958
Target Price	1167
Upside(%)	22

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	1334.6 / 19.1
52-wk High/Low (Rs.)	1125 / 875
3M Avg.daily value (Rs. Mn)	2270.0
Beta (x)	0.7
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	1392.6
Face Value (Rs.)	2.0

Shareholding Pattern (%)

Promoters	60.2
FII's	28.0
DII's	8.1
Others	3.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(8)	(12)	5	9
Relative to Sensex	(9)	(12)	2	2

Source: Bloomberg

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	408082	475675	505690	601610	673306
EBITDA	87547	103844	112460	141197	157100
EBITDA Margin (%)	21.5	21.8	22.2	23.5	23.3
Adj. Net Profit	73188	86063	87210	101408	109762
EPS (Rs.)	51.9	60.1	61.4	73.7	80.2
RoE (%)	-	28.3	25.2	25.8	24.3
PE (x)*	15.5	14.5	15.6	13.0	11.9

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

HCL Technologies is India's fourth largest IT services company. HCL Technologies helps global enterprise transform their businesses for the digital age through integrated portfolio of products, solutions and services and IP. HCLT's products are built around digital, IoT, AI, automation, infrastructure management and engineering services. HCLT offers these services through a global network of R&D labs, innovation labs, and delivery centers spread across 39 countries.

HCLT serves as a leading enterprise across key industries including 250 of the Fortune 500 companies and 650 of the Fortune 2000 companies. HCLT offers integrated portfolio of products solutions and services and IP through Mode 1-2-3 strategy built around Digital, IoT, Cloud, Automation, Cybersecurity, Analytics, Infrastructure management and Engineering Services to help enterprises reimagine their businesses for the digital age.

HCLT has been the Top Employer in the UK for the past 12 consecutive years. HCL's DRYiCE COPA (Cognitive Orchestrated Process Autonomics) platform that applies AI to drive enterprise-wide process automation and orchestration won the Best Innovation in RPA at AI Summit in San Francisco in 2017.

HCLTECH: Technical View



HCLTECH has witnessed a stellar rally from the low of 654 levels till it clocked its life time high of 1125 levels on 25th September, 2018. Thereafter, the rally took pause, on account of profit taking; price corrected and made a low of 930.70 levels. Currently, the stock is consolidating in a range of 930-980 levels forming a base before its next rally. Among the indicators and oscillators, the 14-day RSI is trading above its 9-day signal line on daily chart and poised with bullish bias, indicating that stock is likely to continue its outperformance in the coming month as well. Among other leading indicators, parabolic SAR (Stop & Reverse) is trading below the current price on monthly chart, suggesting an uptrend in the counter. The MACD is trading above the signal line in buy territory on monthly chart, indicating positive momentum in the stock on medium to long term perspective. On the downside, stock has an immediate support around its 52 week low of 850 levels, followed by 760-750 levels. While on the higher side stock may find immediate resistance near 1050-1060 levels, followed by 1125-1150 levels. From the above observation, technically the stock has potential to surge higher towards its life time high and eventually in an uncharted territory in the coming months.

HINDUSTAN UNILEVER LTD

Bloomberg Code: HUVR IN

Horlicks Proves to be a Drink of Health for the Health Food Drinks Business

HUL's acquisition of GSK Consumer garners valuation of the entity at Rs. 317 Bn. HUL, implies a leadership in the domestic HFD (Health Food Drinks) business along with soaps and detergent category. Given the low penetration in the HFD category i.e. 14% in rural market and 24% in overall domestic market, there is ample opportunity for growth which will be aided by HUL's strong direct distribution network (3x GSK Consumer's). HUL's volume increased more than its peers, such as Dabur, Marico, BCL, etc. Post-merger GSK Consumer will hold 5.7% in HUL with a lock in period of one year. GSK Consumer would supposedly liquidate its shares to finance the Novartis acquisition. Synergy from the acquisition will lower HUL's operational expenditure, employee costs, A&P spends, and procurement costs.

Intimidating presence in premium detergents space: Channel checks have suggested that the market share has increased for HUL in the premium detergents space. HUL's dominance reflects the company's solid execution and market development efforts as well.

Valuation and Risks: We believe HFD portfolio growth will accelerate, given its strong direct distribution and portfolio innovation. In addition, significant cost savings are expected in FY21E, after all synergies from the deal factor in. To consider all benefits of the acquisition, we have assigned HUL a P/E of 54x to arrive at a TP of Rs. 2138 reflecting an upside potential of 17%.

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	1822
Target Price	2138
Upside(%)	17

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	3944.1 / 56.4
52-wk High/Low (Rs.)	1871 / 1281
3M Avg.daily value (Rs. Mn)	2853.1
Beta (x)	0.8
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	2164.6
Face Value (Rs.)	1.0

Shareholding Pattern (%)

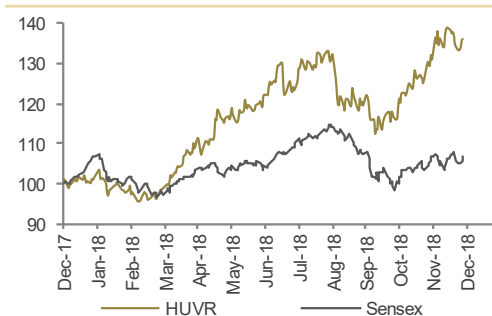
Promoters	67.2
FIIs	12.1
DIIIs	7.3
Others	13.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	5	13	14	35
Relative to Sensex	4	14	10	26

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

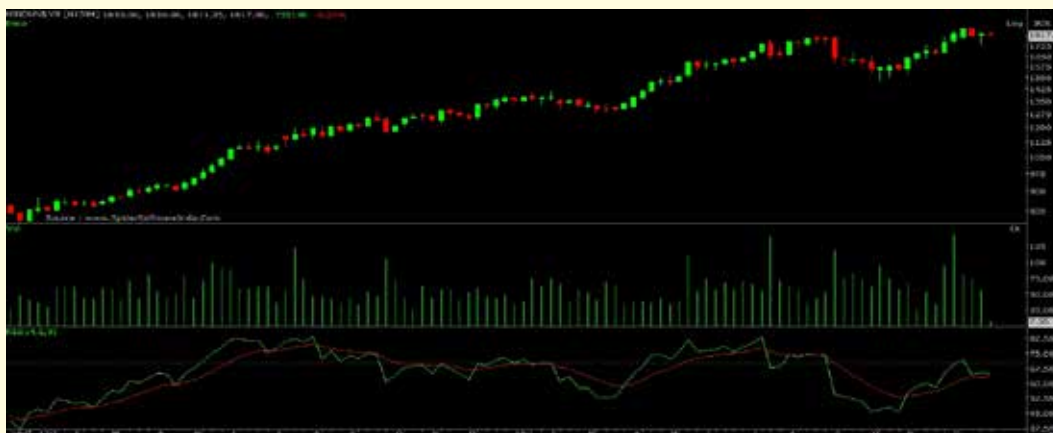
YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	323670	347810	393652	444298	506764
EBITDA	63400	74990	88372	103644	120773
EBITDA Margin (%)	19.6	21.6	22.4	23.3	23.8
Adj. Net Profit	44760	52140	62070	72976	85800
EPS (Rs.)	20.7	24.1	28.7	33.6	39.6
RoE (%)	66.5	74.7	82.4	90.1	90.7
PE (x)*	44.0	55.4	63.1	53.6	46.0

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price

Company Background

Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods company with a heritage of over 80 years in India. In 1931, Unilever set up its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company, followed by Lever Brothers India Limited (1933) and United Traders Limited (1935). These three companies merged to form HUL in November 1956; HUL offered 10% of its equity to the Indian public, being the first among the foreign subsidiaries to do so. Unilever now holds 67.25% equity in the company. The rest of the shareholding is distributed among about 3 lakh individual shareholders and financial institutions. With over 35 brands spanning 20 distinct categories such as soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, and water purifiers, the Company is a part of the everyday life of millions of consumers across India. Its portfolio includes leading household brands such as Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's and Pureit.

HINDUNILVR: Technical View



HINDUNILVR is in uptrend and making higher highs and higher lows on weekly charts. The historical price action in the stock reflects that, any meaningful dip in the stock may attract market participants which will help stock to resume its up move. Currently, the stock is trading near its all time high and seen profit bookings from its all time high levels of 1869.50 levels which has placed the stock to the low of 1741.25 levels. Thereafter, the stock has bounced from the said lower levels with supportive volume formation on daily charts which suggests that the strong hands are accumulating the stock at higher levels. Prior to that, the stock has seen sharp cut from the high of 1808 levels which has placed the stock near its 200 DEMA on daily charts. The bounce from the 200 DEMA has seen supportive volume formation which again reflects uptrend in the stock will remain intact. The stock is trading above all its major moving averages on daily charts which indicates strength in the stock. On technical setup, the 14 period RSI is pointing northwards indicates strength in the stock. The parabolic SAR is trading below the price on weekly charts which indicates uptrend in the stock will remain intact.

ICICI BANK LIMITED

Bloomberg Code: ICICIBC IN

Recovery and Stability at the Core

The performance continues to underlie the traction in recovery & stability in the core operating metrics. Headline loan growth numbers showed improvement as the quarter saw lesser drag from stressed book and the healthy part continues to grow. Margins showed sharp sequential uptick (14 bps QoQ) aided by multiple factors and the outlook remains positive. Core fee income growth too held on to the improved growth trajectory.

Loan Growth: The loan book (Rs. 5.5 trillion) growth for the quarter was healthy and broadly in line with the expectation at 5.5%/12.8% QoQ/YoY. The same was well diversified across the segments: Retail (5.0%/20.5% QoQ/YoY, 57.3% of loan mix), SME (5.8%/21.8% QoQ/YoY, 4.6% of loan mix), Domestic Corporate (5.2%/5.3% QoQ/YoY, 25.4% of loan mix), and Overseas (7.1%/-4.0% QoQ/YoY, 12.7% of loan mix). The growth in overseas is more optical as the same reflects the positive impact of rupee depreciation. The growth in retail was diversified largely across the products and gives us confidence on the hold on asset quality at the granular level. While the headline loan growth in the domestic corporate was muted at 5.3% YoY, the underlying growth in the non-stress book was healthy at ~15%. With big ticket resolutions expected over 2HFY19E, we expect the headline reading on domestic corporate to remain weak. We have revised our FY19E/FY20E growth estimates by 13.4%/18.0% (earlier 10.8%/16.7%).

Stable Asset quality: The headline asset quality ratios GNPA/NNPA/Coverage improved to 8.54%/3.65%/59.5% vs 8.81%/4.19%/54.8% in Q2FY19. The retail slippages were at ~Rs. 8 bn vs ~Rs. 11 bn in Q2FY19, which continue to inspire confidence. Of the ~Rs. 24 bn corporate slippage (Rs. 29 bn in Q2FY19), Rs. 13.0 bn were due to impact of exchange rate movement. The quarter also held a positive surprise on ~Rs. 18 bn of a steel account upgrade from the bank's stress list. Further the bank's exposure to IL&FS is limited at ~Rs. 9.0 bn. We expect credit costs to be at 3.1%/0.9% in FY19E/FY20E.

Valuation and Risks: We maintain "BUY" on the stock with target price at Rs. 440 valuing subsidiaries at Rs. 101 per share and core banking book at 2.3x FY20E P/B.

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	212240	217373	230258	271994	328055
Net Profit	97263	98011	67774	40575	149645
EPS (Rs.)	15.0	15.0	11.0	6.0	23.0
BVPS (Rs.)	140	156	164	169	188
P/E (x)*	20.7	20.6	29.9	49.9	13.5
P/BV (x)*	1.7	1.5	1.4	1.4	1.2
RoE (%)	11.4	10.3	6.6	3.8	13.1
RoA (%)	1.6	1.4	0.9	0.5	1.5

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	361
Target Price	440
Upside(%)	22

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	2323.4 / 33.2
52-wk High/Low (Rs.)	375 / 257
3M Avg.daily value (Rs. Mn)	8010.3
Beta (x)	1.4
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	6440.4
Face Value (Rs.)	1.0

Shareholding Pattern (%)

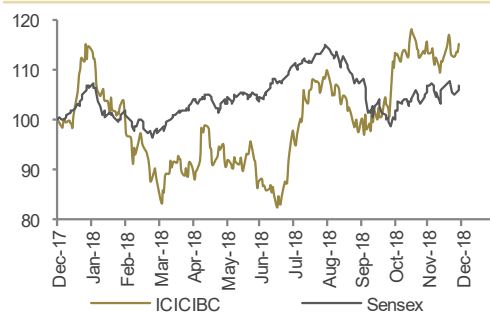
Promoters	0.0
FIIs	45.3
DIIIs	44.2
Others	14.5

Stock Performance (%)

	1M	3M	6M	12M
Absolute	0	18	33	14
Relative to Sensex	(1)	19	29	7

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

ICICI Bank Limited provides banking and financial services in India and internationally. It operates through Retail Banking, Wholesale Banking, Treasury, Other Banking, Life Insurance, General Insurance and other segments. It provides home, car, two wheeler, personal, gold and commercial business loans as well as loans against securities and loans for new entities. In addition, the bank offers life, health, travel, car, two wheeler, home, and student medical insurance products; pockets wallet; fixed income products; investment products such as mutual funds, gold monetization schemes and initial public offerings as well as other online investment services. It also provides farmer finance, tractor loans, and micro-banking services as well as other services to agro-traders and processors and agro corporate. Further, it provides portfolio management, trade, foreign exchange, locker, private and NRI banking and cash management services; family wealth and demat accounts; commercial banking, investment banking, capital markets and custodial, project and technology finance and institutional banking services as well as internet, mobile and phone banking services.

ICICIBANK: Technical View



ICICIBANK is one of the preferred counters from the Banking sector as the stock is in secular uptrend, making higher highs and higher lows on all chart frames. In the calendar year 2018, the stock has generated over 15% of returns and has outperformed its broader index Nifty Bank and even Nifty 50 for the same time frame. On daily chart, the stock is placed above all its major moving averages indicating inherent strength in the counter and even it is trading near to its all time high levels. As far as technical setup is concerned, the 14 period RSI is placed in a comfort zone of 60-63 levels on weekly chart suggesting further potential in the counter. On oscillator front, the stock is placed above the mean of the Bollinger band and is heading towards the upper band on weekly chart frame affirming the bullish view in the counter; even the ADX is clearly indicating that the stock is gaining strength of its current up move. Hence, investors with medium to long term time horizon can start accumulating the stock in small quantities on every dip towards the immediate support zone of 340 levels for the immediate upside of 375 levels, which is also its all time high breaching which the stock might surge further in the uncharted territory towards 408-410 levels as per price extension on technical chart.

LARSEN & TOUBRO LTD

Bloomberg Code: LT IN

Eight Decades of Leading the Change

Robust order book, traction in infrastructure segment: L&T's outstanding order book at the end of Sep 2018 stood at Rs. 2812 Bn (9% growth Vs H1FY18) from diversified sectors while the order inflow for Q2FY19 stood at Rs. 419 Bn (46% growth Vs Q2FY18). Order inflow is mainly due to strong tendering activity in domestic market. Although the private sector investment remains subdued, public sector continues to drive the order inflow. Infrastructure segment constitutes for 77.6% of the order book and 54.8% of its new order inflow during Q2FY19. Current outstanding order book is dominated by domestic orders with 78% contribution followed by Middle East with 13%.

Financial performance: Robust order book reflects its proven leadership in the infrastructure & engineering segments and gives revenue visibility. While the consensus estimates a slowdown in ordering activity due to the scheduled general elections, they remain optimistic about the execution momentum. Consensus estimates revenue CAGR of 14% & earnings CAGR of 18% during FY18-20E along with a healthy EBITDA margin of ~12% by FY20E.

Five-year strategic plan 'Lakshya' in place: LT has put in place its five-year strategic plan "Lakshya", which focuses on doubling sales to Rs. 2 tn by FY21, improving margins (ex-services) from 10% in FY16 to 11.2% in FY21, value unlocking either by listing the asset or by divesting non-core assets, improving RoE's from 12% in FY16 to 18% in FY21 and bringing down working capital from 24% in FY16 to 18% by FY21. Successful implementation of the strategic plan should ensure healthy operational growth for LT.

Buyback: L&T announced a share buyback of up to 6 crore equity shares at a maximum price of Rs.1500/ share for aggregate amount of Rs. 9000 crore.

Metro: Entire corridor 1 of the Hyderabad metro became operational and the company is planning to open another stage of the metro in FY19, taking the total operations to 56 km.

Valuation and Risks: L&T's diversified exposure to various sectors/geographies coupled with its excellent execution capabilities across sectors and its balance sheet strength compared to other peers in the sector has resulted in strong order book build up. The consensus values the company at 23.5x for a target price of Rs. 1700, representing an upside potential of 18%. Delay in capex cycle recovery & order execution may pose threat to the call.

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	1000328	1076365	1179081	1377648	1551471
EBITDA	104571	110732	195911	166052	191154
EBITDA Margin (%)	10.5	10.3	16.6	12.1	12.3
Adj. Net Profit	41933	60287	87892	88390	100842
EPS (Rs.)	29.9	43.0	62.6	63.3	72.4
RoE (%)	9.9	12.9	13.9	15.0	15.6
PE (x)*	29.0	31.5	28.0	22.7	19.9

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	1439
Target Price	1700
Upside(%)	18

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	2018.0 / 28.9
52-wk High/Low (Rs.)	1470 / 1183
3M Avg.daily value (Rs. Mn)	3407.0
Beta (x)	1.1
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	1401.9
Face Value (Rs.)	2.0

Shareholding Pattern (%)

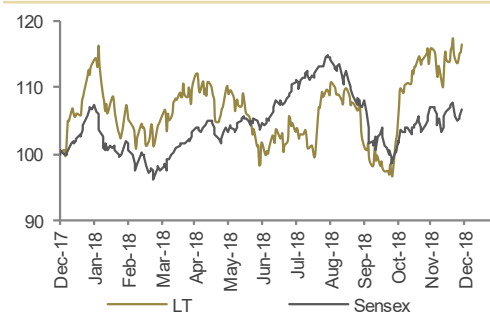
Promoters	0.0
FII's	18.9
DII's	38.3
Others	42.8

Stock Performance (%)

	1M	3M	6M	12M
Absolute	3	13	17	15
Relative to Sensex	2	14	13	8

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

L&T is a \$18 bn technology, engineering, construction, projects, manufacturing and financial services conglomerate with global operations. L&T is one of Asia's largest vertically integrated E&C Companies and is India's largest Engineering & Construction Company. L&T has an excellent track record of executing the most complex projects in diverse sectors like infrastructure, oil & gas, defence, power and others making it the most preferred partner resulting in repeat orders from the clients. L&T has strong presence in Infrastructure, Power, Metallurgical-material handling, Heavy Engineering, Electrical & Automation, Hydrocarbon, Development projects, IT, Financial services and others. It undertakes developmental projects like Buildings & Factories, Transportation infrastructure, Heavy Civil Infrastructure, Power, water & renewable energy, Ship Building, Defence, Machinery & Industrial products. L&T, through its subsidiaries, associates and JVs operates in Financial services, Infotech, Infrastructure, Hydrocarbon, Manufacturing, fabrication and other Services, etc.

LT: Technical View



LT has witnessed a stellar rally from the low of 645.50 levels till it clocked its life time high of 1459.70 levels on 21st December 2018. Adding to that, the stock is trading well above its 21/50/100/200 DEMA with positive price structure indicating the positive momentum in the stock is likely to continue in the coming month also. Among the indicators and oscillators front, 14 periods RSI is pointing northwards and poised with bullish bias, clearly indicating the bullish trend in the stock is likely to continue and the counter is expected to head higher in the near to medium term. The parabolic SAR (Stop & Reverse) is comfortably trading below the price on daily as well as on weekly chart, which reflects buying will remain intact in the counter. The MACD is trading above the signal line in buy territory on weekly chart, suggesting strength in up move. The immediate support for the stock is placed around 1340-1300 levels followed by 1180-1150 levels, while on the higher side, the stock may face resistance near 1600-1650 levels followed by 1850-1900 levels. From the above observations, it is evident that stock is likely to surge higher and outperform its peers in the near to medium term perspective.

OIL & NATURAL GAS CORP LTD

Bloomberg Code: ONGC IN

Impressive Performance

Oil and Natural Gas Corporation in FY18 recorded standalone revenue of Rs. 850041 Mn, up 9% over FY17 on the back of impressive production and sales performances. Crude oil production on standalone basis increased to 22.31 MMT recording flattish growth of 0.3%. Natural gas production rose to 23.48 BCM registering an impressive growth of 6%. Domestic hydrocarbon volumes at 50.05 MMtoe registered 3% growth. Production of value added products at 3.39 MMT increased 4.6% over FY17. The company realized \$ 7.33/barrel for crude oil sold in domestic market.

Better Business Synergy: The acquisition of majority stake (51.11%) in Hindustan Petroleum Corporation Limited provides synergy in terms of low crude procurement cost for both HPCL and Mangalore refinery & Petrochemicals Limited (71.63% owned by ONGC and 16.96% by HPCL). In event of decline in crude oil price, ONGC upstream margin could be offset by an increase in refining margin of HPCL. Thus, acquisitions of these entities help protect margins of each other thereby neutralizing erratic movements in crude price.

Upcoming Gas Projects: The company completed 17 projects during last 4 years contributing over 6 MMtoe of oil & gas supplies. Ramp-up in gas output is expected from key projects such as KG-DWN-98/2, Daman and Vashishta fields whereas Western Offshore redevelopment projects will add to oil production.

Transparent Pricing: ONGC's crude subsidy burden has significantly eased following downstream sector reforms. Domestic gas price is now linked to prices in international hubs (US Henry Hub, UK NBP, Alberta and Russia), which is revised every 6 months. We believe, ONGC will continue to benefit from benign subsidy environment and its net realization will now closely track oil price.

Valuation and Risks: Synergies in ONGC's upstream and downstream business with the acquisitions of HPCL and MRPL will prove to be value unlocking and ensure not only retention of margin but also enhancement of the same for the company. Consensus valuation for the company is PE 8.2x of FY20E EPS for the target price of Rs. 210 with upside potential of 39%.

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	1348162	3232749	3598789	4136673	4213822
EBITDA	405143	529583	574770	785366	796468
EBITDA Margin (%)	30.1	16.4	16	19	18.9
Adj. Net Profit	180600	240823	223602	324041	330703
EPS (Rs.)	9.4	18.8	17.4	24.9	25.7
RoE (%)	6.8	12.5	11.1	14.8	13.7
PE (x)*	21.4	11.4	10.3	6.0	5.8

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	151
Target Price	210
Upside(%)	39

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	1931.4 / 27.6
52-wk High/Low (Rs.)	213 / 135
3M Avg.daily value (Rs. Mn)	1781.9
Beta (x)	0.9
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	12833.2
Face Value (Rs.)	5.0

Shareholding Pattern (%)

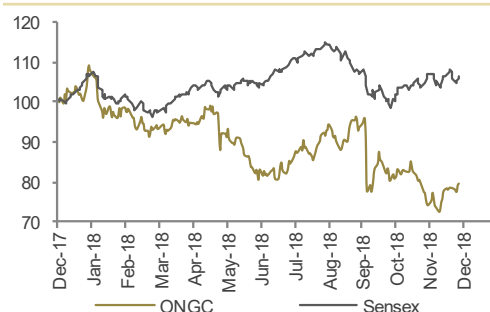
Promoters	67.5
FIIs	5.8
DIIIs	13.3
Others	13.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	5	(15)	(2)	(22)
Relative to Sensex	4	(15)	(5)	(27)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Oil and Natural Gas Corporation with 'Maharatna' status, is World's No. 1 Exploration & Production company and ranks 11 among global energy majors. In Forbes Global 2000 list 2018, ONGC ranked 3rd largest in India and 246th worldwide. ONGC group companies comprises of ONGC Videsh Limited (having 41 oil and gas projects in 20 countries), Hindustan Petroleum Corporation Limited (having 15000 retail outlets and pipeline network of 3370 kms), Mangalore Refinery & Petrochemicals Limited, ONGC Petro additions Limited (OPaL) and ONGC Mangalore Petrochemicals Limited (OMPL). ONGC is the fully integrated oil and gas company in India, operating along the entire hydrocarbon. The company has established 8.70 billion tonnes of hydrocarbon reserves. The company holds the largest share of hydrocarbon acreages in India (61% in Petroleum Exploration Licence (PEL) Areas & 81% in Mining Lease (ML) Areas). The company produces over 1.26 million barrels of oil equivalent per day, contributing around 70% of India's domestic production. Of this 75% of crude oil produced is Light & Sweet.

ONGC: Technical View



ONGC has bounced well after finding support around 134 levels. The immediate trend in the stock reflects lower lows and lower highs on daily charts. Prior to that, the stock has seen sharp fall from its swing high of 212.85 levels which has dragged the stock to the low of 134.75 levels. The fall in the stock has placed the stock below all its major moving averages and trading well below the same. The recent bounce in the stock from the support of 134 levels and sustainability above this level will be a fresh trigger for the stock which indicates near term bottom in the stock is placed and stock is expected to resume its up move in medium term. The historical price action in the stock also reflects that any meaningful dip in the stock may attract market participants which will help the stock resume its upward movement. On technical setup, the 14 period RSI is pointing northwards indicates strength in the stock. The immediate support is placed around 134 levels and below that is 120 levels. Whereas, the resistance is placed around 165 levels and above that at 185 levels.

STATE BANK OF INDIA LTD

Bloomberg Code: SBIN IN

SBI: On the Road to Recovery

Improvement in profitability: SBI reported positive earnings for Q2FY19. SBI reported PAT of Rs. 9.4 bn after three consecutive quarters of losses on back of Rs. 15.6 bn gains from stake sale in SBI General Insurance and merchant acquiring business. Domestic NIM increased 29 bps YoY to 2.88% in Q2FY19. Global NIMs expanded to 2.73% in this quarter. On sequential basis, net advances increased to 8.5%. Deposits growth came at 7% YoY at Rs. 28.07 lakh cr, increased by 2.2% sequentially. NII grew 12.5% YoY to Rs. 20906 cr led by loan growth.

Reduction in slippages: The GNPA's improved as it got lowered 74 bps sequentially to 9.95%. i.e. it lowered approx. 3.3% QoQ to approx. Rs 2.06 tn. This downtrend is likely to continue. This GNPA was due to lower slippages (Rs. 109 bn), even though there was a sharp drop in overall reductions (Rs. 178 bn, down by ~28%). Across segments, slippages were lower but SME slippages doubled QoQ (Rs. 38.3 bn) despite the bank availing the RBI dispensation of Rs 5.1 bn. Corporate slippages lowered quarterly to Rs. 31.9 bn (-14% QoQ) incl. slippages of ~Rs. 23.9 bn from the watch list.

Growth in various financial vectors: Management commented that advance growth will be at 10% YoY in FY19E. NIM may reach to 3% as per management's comment. Domestic credit growth was at 11% YoY. Retail credit increased by 14.3% YoY to Rs. 5.79 lakh crores in Q2FY19. Home loans grew by 14.26% YoY to Rs. 3.14 lakh crore. Advances to large corporates increased by 14% YoY to Rs. 7.45 lakh crore.

Valuation and Risks: SBI with its focus on reducing NPAs and fresh slippages augur well in the long term. We value the stock at 1.3x FY20 BVPS with a "BUY" rating for a target price of Rs. 347. Risks are IL&FS exposure and slippages outside the watch list.

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	295
Target Price	347
Upside(%)	18

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	2631.0 / 37.6
52-wk High/Low (Rs.)	335 / 232
3M Avg.daily value (Rs. Mn)	6738.0
Beta (x)	1.5
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	8924.6
Face Value (Rs.)	1.0

Shareholding Pattern (%)

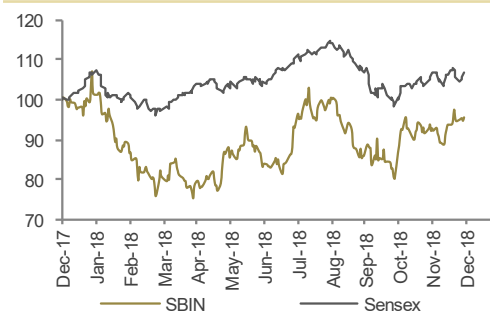
Promoters	58.9
FII's	11.2
DII's	22.3
Others	7.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	4	11	15	(4)
Relative to Sensex	3	11	11	(10)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	775929	813367	823828	928742	1045000
EBITDA	122246	2412	(45563)	92244	276531
EBITDA Margin (%)	15.9	0.3	(5.3)	11.1	28.5
Adj. Net Profit	232.6	272.4	258.0	241.5	262.7
EPS (Rs.)	12.2	946.4	0.0	24.5	9.5
RoE (%)	0.8	1.0	0.9	1.1	1.0
PE (x)*	0.5	0.4	(0.2)	0.3	0.7

Source: Bloomberg, Karvy Research. *Represents multiples for FY16 - FY18 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. 36.2 lakh crore (Rs. 36.2 Tn). SBI employs over 264,041 employees and operates through a network of 22414 branches and has one of the largest ATM networks in the world with 59541 ATMs including Cash Deposit Machines and Recyclers serving over 424 Mn customers. SBI, along with its merged subsidiaries provides various services like deposits, retail loans for Home, Automobile, Education, other Personal 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 gained more than 11% during the third quarter of 2019 Financial Year and is one of the stocks in Bank Nifty index which has gained for the month of December 2018. The stock is currently trading well above its all major moving averages like 50, 100, and 200 days moving averages. Even on the weekly charts also, the stock is trading well above its all major moving averages, confirming the uptrend. However, on a broader trend, the stock is stuck in the range of 245-325 levels over last few quarters. The overall chart structure of the stock indicates that though the stock is stuck in the broader range, the volumes, momentum and magnitude suggest the bulls are having strong grip on the counter. The stock has good support around Rs. 255-250 levels below which the next levels of meaningful support lie around Rs. 230-225 levels. As far as the technical setup of the stock is concerned, the ADX is clearly indicating that the stock is gaining strength of its current up move and a similar picture is being painted by the RSI which is trading around 57 on weekly charts. Investors with a medium term horizon can start accumulating the stock in bits and parts with a provision to add more on dips towards 250 levels and may hold with a stop loss placed below Rs. 230 on a closing basis for potential upside technical targets of Rs. 330-350 in the next few quarters.

TATA MOTORS LTD

Bloomberg Code: TTMT IN

To Overcome Near Term Challenges

Despite the near term pressure on margins due to slowdown in luxury car demand, we think that the management's focus on improving core profitability will help recover from the stress. Also, new vehicle launches lined up during the next 2 years including that of the EV platform is expected to drive volume growth. Increased focus on the LCV and utility vehicle segment has led TTMT's domestic market share to improve considerably during YTD FY19. Though we are not worried about the domestic business but for the irregularities in the JLR business. We expect JLR business to get streamlined during FY20E.

JLR business to revive on the back of new launches: JLR's business was impacted by lower volume due to disruption in the Chinese market while other markets such as UK and Europe have done fairly better. Inventory destocking and higher discounts led to a decline in the overall profitability. However, new models in the hybrid segment are expected to be launched under the JLR cap which we think will be helpful in reviving demand.

Cost measures to fill the profitability gap: The company has evaluated several measures to maintain operating costs at lower levels where the entire business will be restructured to achieve higher operating margin. Some of the parameters include modular architecture, procurement, in-house engineering to simulate product design changes and overall business consolidation.

Valuation and Risks: After the recent correction in the stock, we think that TTMT is available at cheap valuation. We expect steady recovery in the JLR business and think that cost reduction measures being taken will work in favour of the company. TATA Motors is valued on SOTP basis based on consensus estimates for a target price of Rs. 259 having an upside of 51%. However, uncertainties in the JLR business continue to be the downside risk to our call.

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	171
Target Price	259
Upside(%)	51

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	540.1 / 7.7
52-wk High/Low (Rs.)	444 / 155
3M Avg.daily value (Rs. Mn)	3528.8
Beta (x)	1.3
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	2887.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

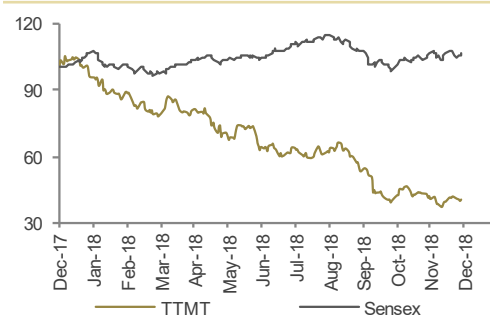
Promoters	37.3
FIIs	18.8
DIIs	17.2
Others	26.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(2)	(24)	(35)	(59)
Relative to Sensex	(3)	(23)	(37)	(62)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	2673201	2639995	2910930	3176151	3490468
EBITDA	371520	344314	351842	329936	418515
EBITDA Margin (%)	13.9	13.0	12.1	10.4	12.0
Adj. Net Profit	107498	79842	83290	30217	77859
EPS (Rs.)	32.0	23.0	25.7	8.8	22.9
RoE (%)	17.1	10.9	12.3	3.2	7.7
PE (x)*	12.2	19.8	12.7	19.4	7.5

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price

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 having more prominence in the UK, Europe, North American and Chinese regions.

TATAMOTORS: Technical View



TATAMOTORS is in secular downtrend and is in the cycle of making lower tops and lower bottoms from the highs of 598.40 levels and is currently trading in a truncated trading zone of 160-180 levels. The stock is placed below all its major moving averages on daily chart. However at current juncture, the stock is trading in a narrow range having immediate support placed around 150-154 levels, which is also the multiple support for the counter on weekly chart followed by its multiyear support of 135-140 levels sustaining which the stock is expected to surge higher close to its immediate resistance of the unfilled gap placed around 205-208 levels. As far as the technical setup of the stock is concerned, the ADX is clearly indicating that the stock is gaining strength at current scenario and the bulls are trying to fight hard against the bears. Even the weekly RSI depicts the same kind of view as it is placed near to the oversold region suggesting the stock to be bottomed out soon and a reversal in the trend can be witnessed. Tata Motors being one of the underperformers from the auto sector in the FY18 is expected to perform in FY19. Hence, investors with medium to long term time horizon can start accumulating the stock in small quantities on every dip towards the immediate support zone for the potential upside of 205-208 levels, breaching which the stock might surge further towards 225-230 levels.

Traction in Latin American Business has kept Growth Stable

Growth in India and LATAM jointly contribute to ~66% of total sales. Products like Sweep Power, Avancer Glow and Delma received encouraging response from the farmers in India Business, despite erratic business. H2FY19 is expected to be encouraging with higher reservoir levels than last year. Except for Argentina, LATAM growth has remained healthy for the recent quarter at 25.8% YoY. The inventory position in LATAM is below normal with healthy order book, coupled with the benefits accruing from the US-China trade war. UPL posted stable volume growth of 8% YoY for Q2FY19, driven by robust performance across India, LATAM and Africa. Better realization and favourable currency movement resulted in a 14% YoY growth in net revenue to Rs 42.5 bn. Management has re-iterated its revenue growth guidance for FY19E at 10-12%. UPL is well-positioned to post stronger growth in 2HFY19, driven by better farmer sentiments following the recent MSP hike (which would increase agri spends by farmers), pick-up in demand amid better monsoon and healthy performance of the new and existing product portfolio in key crops like Cotton, Soybean and Sugar beet.

Positive Synergies from UPL-Arysta Life Sciences Acquisition continue: The acquisition will enhance UPL's position as a global leader in the agricultural solutions. Through this, it intends to find market opportunities in emerging markets like Asia, Latin America and Europe. The consolidation in the industry is driven towards giving crop solutions to farmers. UPL has been investing in the same from the last few years to improve their ability to fight climate change. Globally, Arysta is 4th in seed treatment while being 7th/8th in seed treatment solutions. Arysta also has an alliance with Japanese manufacturers who have access to several patented and new molecules which would bring in new value to UPL. Strong backward integration, consolidation in the agrochemical space with a boost to geographical/ segment/ product mix would give strong traction to the business and aid profitability.

Valuation and Risks: Factoring in strong backward integration, consolidation in the agrochemical space with a boost to geographical/ segment/ product mix and strong traction in LATAM business, at CMP Rs. 758, as per consensus estimates, we recommend **'BUY'** for a target of Rs. 1004 valuing at 5 year average historical PE of 16x on FY21E EPS representing an upside potential of 32%.

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	160750	171410	194041	273652	289361
EBITDA	29850	35050	40017	57542	62786
EBITDA Margin (%)	18.6	20.4	20.6	21.0	21.7
Adj. Net Profit	17270	20220	22456	26854	32005
EPS (Rs.)	34.1	39.8	44.9	53.8	62.8
RoE (%)	28.4	23.2	22.5	21.8	21.6
PE (x)*	21.3	18.4	16.7	14.2	12.1

Source: Bloomberg, Karvy Research, *Represents multiples for FY16 - FY18 are based on historic market price

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	758
Target Price	1004
Upside(%)	32

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	386.2 / 5.5
52-wk High/Low (Rs.)	830 / 537
3M Avg.daily value (Rs. Mn)	1559.4
Beta (x)	1.2
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	509.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

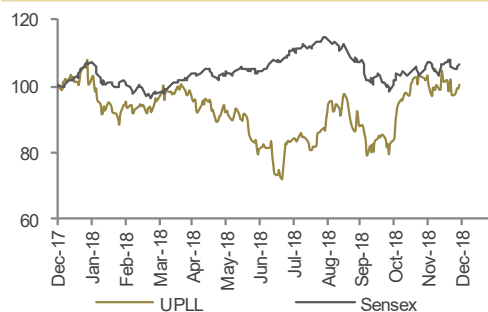
Promoters	27.9
FII's	42.4
DII's	8.6
Others	21.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(2)	14	25	(1)
Relative to Sensex	(3)	15	21	(7)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

United Phosphorous Ltd (UPL) is the largest producer of agrochemicals in India. The company produces and exports off-patent crop protection products, other industrial chemicals. Incorporated in the year 1969, UPL is among the top five post-patent agrochemical manufacturers in the world and is present across 123 countries. It offers wide range of products and has developed more than 100 insecticides, fumigants, rodenticides, fungicides, herbicides, specialty chemicals, industry chemicals and chloroalkaline products. All the units of UPL are certified under the ISO 9001 for quality assurance, 14001 for Environment Pollution Control norms and OHSAS 18001 for healthy and safety. UPL also manufactures Caustic Chlorine, White Phosphorus, Industrial Chemicals and Specialty Chemicals. It also has captive power plant that has a generating capacity of 48.5 MW i.e. BEIL (Bharuch Enviro Infrastructure). BEIL is engaged in collection and disposing off solid/hazardous wastes from member industries in the regions. CEL (Chemo Electronic Laboratory) is part of UPL's diversification strategy. It is one of the largest manufacturers of toxic gas detection devices and is the only manufacturer of chemical detector tubes in India. ETL (Enviro Technology) has a common effluent treatment plant in Gujarat. Recently, it acquired a seed treatment/solutions company called Arysta Life Sciences in a 4.2 Bn deal.

UPL: Technical View



UPL stock price clocked an all time high of 902.50 in the start of Aug'17, post which it entered into a correction mode, and continued to drift lower till July 18, almost a year long price correction, wherein prices retraced its key Golden Fibonacci Ratio by placing a swing low of 537, post which it witnessed gradual recovery towards 790 levels in last couple of months. Technically, prices managed to recover from the lows and formed higher-high and higher low in the recent recovery, also prices moved above its major 200-DEMA (706) and from last two months it is sustaining above that, also it is holding above its 21 & 50-DEMA which is currently placed near 753 & 733 levels respectively. On the weekly momentum setup, 14-pd RSI after testing oversold territory, moved back in bullish territory, and it is also reflected on daily time frame chart where indicator managed to float above 40-levels from last many sessions, regaining underlying strength in the counter. Going forward, stock has important support near 700-710 levels, followed by 580-600 levels. On the higher side, stock is likely to find immediate resistance near 800-830 levels followed by 890-910 moving above which stock will enter into an uncharted territory towards 960-990 mark.

Odds In favour of Yes

The bank's Q2FY19 performance disappointed on asset quality notwithstanding the healthy business momentum. The slippages were much higher than anticipated nevertheless the miss was led by concentrated exposure and the bank continues to see good possibility of recovery. Additional disclosure on asset quality pertaining to lower SMA2 accounts (> Rs. 50 mln at 0.15%) and no exposure to IL&FS at the parent level should somewhat balance out the negative on slippages. Business momentum remained healthy with advances led by across the segments. NIMs surprised on the positive and held stable notwithstanding high consumption. The outperformance on NIMs vis-a-vis retail peers could be explained by much higher proportion of variable book and quite less pressure on retail book. The bank has lowered its branch expansion targets nevertheless we see past investments sufficing to maintain the granular momentum in the medium term. Factoring in higher treasury losses, lower loan growth and a similar performance on divergences as it was last year, we estimate ROEs to be at ~16%/18% in FY19E/FY20E.

Outperformance on margins: The NIMs were stable QoQ at 3.3% notwithstanding high capital consumption as against our expectation of a sequential decline. We believe the outperformance as against the retail peers is led by higher proportion of variable book and less competitive pressure on retail book.

Loan growth remains strong: We expect loan growth to remain healthy (~20/25%) not withstanding capital and transition issue. The loan growth for the quarter was quite strong at 12%/61% QoQ/ YoY. The same was led by the business banking, 9.5%/57% QoQ/ YoY and corporate banking, 12.6%/63% QoQ/ YoY. Within the business banking the most granular of the segment, Retail Banking, continues to show the strongest momentum at 14%/102% QoQ/ YoY. We expect some pressure on growth because of constrained capital to be led by corporate banking leading to a positive shift in the loan book mix towards business banking. We estimate loan growth at 25%/21% FY19E/FY20E.

Valuation and Risks: We rate "BUY" on the stock with a Target Price of Rs. 410 valuing the stock at 2.67x FY20E P/B. We believe that uncertainties about its top management and asset-quality issues will remain a cloud on the stock price in the near term.

Valuation Summary

YE Mar (Rs. Mn)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	45667	57973	77371	99294	113656
Net Profit	25394	33301	42246	43745	58762
EPS (Rs.)	12.0	15.0	18.0	19.0	26.0
BVPS (Rs.)	66	97	112	130	154
P/E (x)*	16.4	13.6	10.8	10.4	7.8
P/BV (x)*	3.0	2.1	1.8	1.5	1.3
RoE (%)	19.9	18.6	17.7	15.7	18.0
RoA (%)	1.8	1.9	1.7	1.3	1.4

Source: Bloomberg, Karvy Research. *Represents multiples for FY16 - FY18 are based on historic market price

Recommendation (Rs.)

CMP (as on Dec 28, 2018)	181
Target Price	410
Upside(%)	127

Stock information

Mkt Cap (Rs.Bn/US\$ Bn)	419.5 / 6.0
52-wk High/Low (Rs.)	404 / 147
3M Avg.daily value (Rs. Mn)	12779.9
Beta (x)	1.4
Sensex/Nifty	36077 / 10860
O/S Shares(mn)	2312.0
Face Value (Rs.)	2.0

Shareholding Pattern (%)

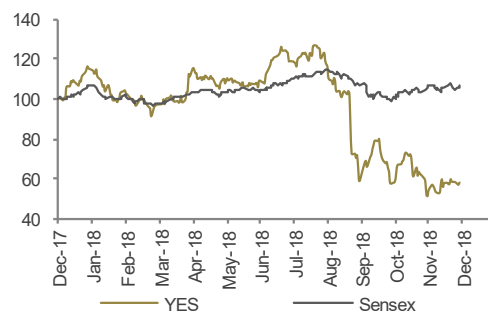
Promoters	19.9
FIIs	39.6
DIIIs	22.9
Others	17.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	12	(1)	(45)	(42)
Relative to Sensex	11	(1)	(46)	(46)

Source: Bloomberg

Relative Performance*



Source: Bloomberg; *Index 100

Company Background

Yes bank is a private bank set-up in 2004. Over the years, the bank's strong business growth, healthy net interest margins, stable profitability, healthy capitalization have made it one of the top five private sector banks in India. It 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 across the country. Its Treasury segment includes investments and financial market activities such as trading, maintenance of reserve requirements and resource mobilization. The Corporate/Wholesale Banking includes lending, deposit taking and other services offered to corporate customers. The Retail Banking includes lending, deposit taking and other services offered to retail customers. The Other Banking Operations segment includes Para banking activities, such as third party product distribution and merchant banking among others. Yes bank has adopted knowledge driven approach to offer financial solutions, which go beyond the traditional realm of banking.

YESBANK: Technical View



YESBANK witnessed a huge correction from the higher levels of 404 towards 146 levels within a short time frame of around 4 months. The stock is trading far from the major moving averages and is trading near the major support area of 150-160 levels and formed a good base around the same levels from past few weeks. The stock has been in the sideways consolidation mode from past few weeks and witnessed reasonable volumes indicating strong hands have started accumulating the stock at current levels after the recent correction. At the current juncture, the stock is indicating a bullish divergence as seen with its momentum indicators and is looking bullish. The stock is poised to surge higher towards 280 plus levels with 14 days RSI plotting comfortably around 45-50 levels suggesting positivity in the counter. On the shorter time frame, the stock will enter into bullish trajectory once the price breached its immediate resistance level of 195 followed by 205 levels. On the flip side, the next best support for the counter is placed around 145-150 which may be utilized as a good accumulating opportunity for the long-term period. On the overall front, we expect the stock to gradually move northwards in the next few months and may continue to trade with positive bias. Long-term investors may buy the stock at current levels and accumulate more if the stock dips towards the support zones.

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The objective of 'Wealth Maximizer' is to deliver superior returns over an extended time frame. The investment philosophy works on simple but superior fundamental research.

The 10 large cap companies detailed in this product in our opinion, reflect superior businesses with consistent future cash flows, operating efficiency and growth potential.

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