

**Stock Picks***Diwali Muhurat Picks*

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NTPC

CMP: Rs.174

## Background

- Is engaged in the generation and sale of bulk power to state power utilities.
- The Company other business includes providing consultancy, project management and supervision, oil and gas exploration, and coal mining.
- As of March 31, 2011, the Company had installed capacity in India was 173626.4 mega-watts.
- It has five subsidiaries: NTPC Electric Supply Company Limited, NTPC Vidyut Vyapar Nigam Limited, NTPC Hydro Limited, Kanti Bijlee Utpadan Nigam Limited and Bhartiya Rail Bijlee Company Limited.

**We believe that NTPC being the largest utility in India remains the best pick to play the country's power story. Although the sector faces challenges such as securing coal linkages as well as capacity additions. Also off late the SEB's have shown reluctance in purchasing power. However as NTPC is the only utility to have the largest operating capacity on ground as well as, has 100% fuel linkage in (own mines, coal India and Spot) place for its existing as well as planned capacity. We remain positive on the company from a longer term perspective and maintain a Buy recommendation on the stock as well as the target price of Rs.248.**

Larsen & Toubro Limited

CMP: Rs.1337

## Background

- Is a technology, engineering, construction and manufacturing company.
- The Company operates in three segments Engineering & Construction Segment, Electrical & Electronics segment, Machinery & Industrial Products, and others.
- The Company's Engineering, Construction & Contracts Division (ECCD) undertakes engineering, design and construction of infrastructure, buildings, factories, water supply, and metallurgical & material handling projects covering civil, mechanical, electrical and instrumentation engineering disciplines.
- Its Engineering & Construction Division designs, engineering and executes projects for hydrocarbon sector with front-end design. Its heavy engineering division is organized into two independent companies: Heavy Engineering Independent Company and Ship Building Independent Company.
- Its Electrical & Electronics division comprises Electrical and Automation Independent Company and Medical Equipment and Systems business

**The management post the laest quarter highlighted that the current slowdown in investment momentum witnessed in almost all sectors of the economy, is constraining growth opportunities. Intensifying competition, high inflation, elevated interest rates, volatile financial markets and delayed policy intervention are posing considerable challenge for the decision-makers. Despite the above discussed issues, company continues to sit on a huge order book of 3.2x its FY11 revenues. This gives us the comfort level about the company meeting its 20-25% revenue guidance for FY12. The PE multiple compression which has been witnessed in the stock on the basis of above discussed factors would gradually turn as the situation improves on the earnings and margins front. Hence we recommend a BUY**

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**on the stock with a price target of Rs.2250 at 23x FY13E EPS adding Rs.350 per share for subsidiary valuations.**

Infosys Limited

CMP: Rs.2854

Background

- Is a global technology services company.
- Infosys provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries.
- Infosys's end-to-end business solutions leverage technology for its clients. Its suite of business solutions includes business and technology consulting, custom application development, infrastructure management services, maintenance and production support, package enabled consulting and implementation including enterprise solutions, product engineering and lifecycle solutions, systems integration, validation solutions and cloud-based solutions and services. The Company also provides software products to the banking industry.
- Through Infosys business process outsourcing (BPO), it provides business process management services, such as offsite customer relationship management, finance and accounting, and administration and sales order processing.

**We think that the current quarter could be the beginning of a phase of steady movement by Infosys into higher value adds services (like consulting and application development). Apart from that the overall business reconfiguration has also been done for the company which was the cause of some worry for the stock performance. There are, however, issues which still remain on the law suits that it is facing in the US for the visa misuse, which can be a medium term overhang. However, the deal pipeline that the company is chasing remains strong in the near term. We believe that barring a recession or a huge blow out in the Euro zone, Infosys would be well placed to take advantage of the slowdown in the growth in the developed economies as the demand of outsourcing would continue to remain strong. We think that in terms of margins Infosys has levers of improving the employee utilization rate that could help it sustain the margins. We have introduced the FY13 estimates for the company and have reduced our target multiple for the stock given the macro uncertainty for FY13. However, we would continue to recommend a BUY on the stock with a price target of Rs 3666 at 20x FY13E EPS of Rs 168.8 adding Rs 324 of cash per share.**

Reliance Industries

CMP: Rs.875

Background

- Operates through 3 business segments: petrochemicals, refining, and oil and gas.
- The petrochemicals segment includes production and marketing operations of petrochemical products, including polyethylene, polypropylene, polyvinyl chloride, poly butadiene rubber, polyester yarn, polyester fiber, purified terephthalic acid, paraxylene, ethylene glycol, olefins, aromatics, linear alkyl benzene, butadiene, acrylonitrile, caustic soda and polyethylene terephthalate.
- The refining segment includes production and marketing operations of the petroleum products.
- The oil and gas segment includes exploration, development and production of crude oil and natural gas.
- The other segment of the Company includes textile, retail business, special economic zone (SEZ) development and telecom/broadband business.

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Going forward, we believe that the growth will be driven by increased gas output, utilization of strong cash reserves and any new discovery. This can lead to re-rating of stock. Other ventures like Telecom could also add visibility to the revenue growth. We believe that Govt. stance of phasing out of subsidy could prove beneficial to the fuel retailing business of the company. The current steady refining margins and improved Petro-chemical output is like to provide downside support to the earnings. We are cutting are FY13E estimates due to expectations of lower E&P output by the company. However, we remain positive on the long term fundamentals of the company and reiterate BUY with target price of Rs.1253 @15x FY13E EPS of Rs83.5

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