Sensex: **18,817.38** **Nifty: 5,724.40**

Happy Diwali 2012

Dear investors,

We have had a lull phase beginning last Diwali before a sharp rally in the last five months, wherein the indices were strongly up by about 17 %. Flurry of reforms and policy initiatives by the government along with strong global liquidity flows led to such a sharp rise.

Though not everything is hunky dory globally, policy makers are doing their best to address the liquidity issues in the interim. Also domestically, we could see the end of the earnings downgrade cycle. With global commodity prices cooling off, we could see easing by the Reserve Bank of India going ahead, starting from the first quarter of FY2013.

In such times of consolidation, focus should be on the stock picking to generate returns from the equity markets.

Wish you all a very Happy & Safe Diwali.

We list down our best Mahurat picks for Diwali 2012

Bluechip Stock Portfolio

No	Stock	Sector	Price (Rs.)
1.	ICICI Bank	Banking	1,082
2.	Sun Pharma	Pharma	698
3.	Aditya Birla Nuvo	Diversified	932
4.	CMC	IT	1,136
5.	Cairn India*	Oil & Gas	330

High Beta Stock

No	Stock	Sector	Price (Rs.)
1.	Raymond	Retail	398
2.	Mcleod Russel	FMCG	307
3.	JP Associates	Diversified	89
4.	Indusind Bank*	Banking	365
4.	TV18 Broadcast*	Media	29

*Not under Sharekhan research active coverage

Closing prices as of 11 November, 2012)

Happy Investing !!!

Fundamental arguments

ICICI Bank

Company name	CMP** (Rs)	Price target (Rs)	BV		PBV	
			FY13E	FY14E	FY13E	FY14E
ICICI Bank	1,082.0	1,230.0	567.0	617.0	1.9	1.7

** Price as on 06.11.12

Remarks :

- ICICI Bank is India's largest private sector bank with a network of over 2,500 branches in India and a presence in around 18 countries. The bank has once again entered an expansionary mode after making a conscious effort to contract its advances book due to asset quality concerns. The bank offers substantial value unlocking opportunities with the expected listing of its subsidiaries like ICICI Securities and ICICI Prudential Life Insurance.
- During the first half of FY2013, the bank has posted a top line and a profit growth of over 30%. On the operational front, the bank's net interest margins (NIMs) are high at 3.0% during first half. The asset quality is also good with low non-performing assets (NPAs) and high coverage ratios. In Q2FY2013, the asset quality of bank remained stable as the gross and net NPAs were at 3.54% and 0.78% respectively. The bank is adequately capitalised at 18.3% as against the Reserve Bank of India (RBI)'s norm of 12% as on September 2012.
- ICICI Bank continued to report a healthy growth in the balance sheet with an improved asset quality and stable margins. In view of the strong performance, we expect earnings to grow at a compounded annual growth rate (CAGR) of 15% over FY2012-14. This should result in a return on asset (RoA) of 1.5%. Our sum of the parts (SOTP)-based price target is set upwards to Rs1,230.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
ICICI Bank	979.0	875.0	1,129.0	1,278.0

Fundamental arguments

Sun Pharmaceutical Industries

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
Sun Pharmaceutical Industries	698.0	743.0	27.9	32.3	25.0	21.6

** Price as on 06.11.12

Remarks :

- The combination of Sun Pharmaceutical Industries (Sun Pharma) and its subsidiary, Taro Pharma (Taro), offers an excellent business model. With a stronghold in the domestic formulation market, Sun Pharma has become an aggressive participant in the para IV patent challenge space. Along with the exclusivities in the USA, the recent consolidation of the Taro acquisition has provided the much needed boost to the stock. Recently, the US Food and Drug Administration (USFDA) has cleared the company's Caraco Pharma (Caraco) plant, which can resume the production of two key drugs to start with. This will help Caraco gradually regain the market share in the USA.
- Business restructuring and full control of Taro to help sustain the strong growth : Sun Pharma is in the process of restructuring its business. It has announced a plan to spin-off its domestic formulation business (which contributes about 22% of its revenues) to its wholly owned subsidiary called Sun Resins and Polymers Pvt Ltd with effect from March 31, 2012. This is being done with a view to enhance the focus on the business and to allow for quicker responses to the competitive market conditions. Besides, the company has announced a plan to acquire the entire stake in Taro, which will give it a stronger foothold in the USA and Europe.
- We expect the domestic formulation business to deliver a better performance after the divestment and special focus. Besides, synergies from Taro are also likely to back-up the growth. The company has 135 abbreviated new drug applications pending approvals by the USFDA and is increasing its focus on niche product segments. All this is likely to result in an impressive growth going forward. Accordingly, our price target stands revised by 14% to Rs743 (implies 23x FY2014E earnings). The stock is currently trading at 21x FY2014E earnings per share (EPS).

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
Sun Pharmaceutical Industries	641.0	556.0	730.0	800.0

Fundamental arguments

Aditya Birla Nuvo

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
Aditya Birla Nuvo	932.0	943.0	33.1	41.0	27.5	22.2

** Price as on 06.11.12

Remarks :

- Aditya Birla Nuvo (ABN) is amongst the top five players in the insurance, asset management and telecom (Idea Cellular is the fastest growing telecom company, third in ranking) segments. ABN's businesses enjoy strong positioning in their respective fields. Further, the promoter is infusing equity into the company by subscribing to the warrants that would be convertible into equity shares over the next 12-15 months. That would aid in soothing the company's stretched leverage position (stand-alone net debt/EBITDA at 4x). It also speaks of the promoters' confidence in the business.
- The value businesses of the company (insulators, textiles, fertilisers, carbon black and rayon) have started witnessing increased efficiency as reflected in the sharp improvement in their operating profit margin (OPM), while the growth businesses (retail, BPO, life insurance and financial services) are showing improved revenue visibility and gaining strong market share. The strong internal cash flows from value businesses coupled with the promoter funding would aid in meeting the funding requirement of the growth businesses.
- Given the diverse businesses in which ABN is present, we value the company on a SOTP basis, giving a piecemeal value to each business and then adjusting the same with the company's consolidated debt to arrive at a price target. We maintain our Buy rating on the stock with a price target of Rs943. Recent government reforms on foreign direct investments in retail and likely reforms in insurance sector investment are positive for the company's business going forward.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
Aditya Birla Nuvo	830	760	975	1035

Fundamental arguments

CMC

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
CMC	1,136.0	1,551.0	79.0	100.0	14.4	11.4

** Price as on 06.11.12

Remarks :

- Solid parentage, strong visibility: Under the Tata Consultancy Services (TCS) parentage, CMC has transformed itself from a low-margin information technology (IT) equipment provider to a well-diversified IT services and solutions provider and created a niche for itself in the field of large system engineering and integration projects. CMC initiated its "Joint-Go-To-Market" approach with TCS in 2005, which is paying up handsomely now.
- In the last five years, the contribution of the international revenues has tripled from 20% to around 60% of the total revenues in FY2012, whereas the share of the services' revenues has gone up to almost 90% of the total revenues as compared with 53% in FY2005. The share of revenues achieved through synergies with TCS has crossed 51% in FY2012 from 43% in FY2007.
- CMC has gained a strong foothold in the domestic IT arena by winning large turnkey deals, some on its own and the others in partnership with TCS. Another favourable factor driving its strong growth and helping it tap large government projects is its previous status as a public sector undertaking (PSU), which has given it an edge over the other players. The company counts some of the marquee names in the domestic market, like RBI, IOC, BPCL, ONGC, coupled with the Indian Railways, other PSUs and defence sectors.
- CMC has set the stage for the next level of growth and is likely to witness a much stronger growth in the coming years. We expect its earnings to grow at a CAGR of 43% over FY2012-14. At the current market price (CMP) of Rs1,108, the stock is trading at 13.4x FY2013E and 10.7x FY2014E earnings respectively. We value the stock at 15x target multiple based on the FY2014 earnings estimate, in line with its two-year average trading multiple. We have Buy on CMC with a buy rating and a one-year price target of Rs1,551.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
CMC	1,013.0	953.0	1,200.0	1,285.0

Fundamental arguments

Cairn India

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
Cairn India*	330.0	372.0	54.8	50.9	6.1	6.6

* Not under Sharekhan research active coverage   ** Price as on 06.11.12

Remarks :

- Cairn India owns ten oil and gas blocks that include producing, development and exploration assets. The Rajasthan block, RJ- ON-90/1, in which it has a 70% stake, contributes significant proportion of Cairn India's total production. The location of the ten blocks is divided into three strategically focused areas: one in Rajasthan; three on the west coast of India; and five on the east coast of India, including one in Sri Lanka. Recently, Cairn India acquired one block at South Africa. Exploration activities are at different stages in some of these blocks.
- Cairn India has net cash of US $2.4 billion or Rs65/share, about 20% of its current market cap and nearly equal to its capital expenditure guidance for the next two years. This leaves room for the possibility of a higher payout to the shareholders.
- Portfolio optimisation in process: Cairn India has identified a high-risk, high-value deeper prospect at Ravva, capable of extending the field's economic life; the drilling for the same is scheduled in H1FY14. Acquisition of 3D seismic data of Sri Lanka is complete with exploratory drilling planned in mid-CY2013. The Aishwarya field commencing by FY2013-end, and government of India approval to further explore Rajasthan basin, where besides crude, rich gas finds in southern part can be commercially exploited.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
Cairn India	300.0	322.0	367.0	380.0

Fundamental arguments

Raymond

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
Raymond	398.0	483.0	25.8	34.8	15.0	11.1

** Price as on 06.11.12

Remarks :

- Raymond is present in the fast-growing discretionary and lifestyle category of branded textiles and apparels. With the growing income, rise in aspirations to lead a luxurious life, greater discretionary spending and favourable demographics, the segment of branded apparels and fabrics presents a tremendous growth opportunity and Raymond with its brands and superior distribution set-up is very well geared to encash the same.
- Raymond's Q2FY2013 results are ahead of expectations, revenues grew by 13.0% year on year (YoY) to Rs1,115.1 crore (ahead of our estimate of Rs861.7 crore), but the OPM declined by 349 basis points YoY to 14.3% on account of higher input prices, which we believe will turn in the company's favour in the coming quarters due to a fall in the wool prices. The company added 42 stores with an increase of 61,914 square feet in the retail space during the quarter.
- With the festive season upon us, we expect Raymond to post a better performance in the coming quarters. A likely improvement in the macro environment and its positive effect on consumer sentiment should also help the company to post a strong bottom line growth in FY2014. Any development with regard to the Thane land in the form of either joint development or disposal would lead to value unlocking and provide significant cash to the company. At the CMP, the stock trades at 18.5x its FY2013E EPS (excluding the value of the Thane land parcel) of Rs20.3 and 12.8x its FY2014E EPS (excluding the value of the Thane land parcel) of Rs29.3.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
Raymond	323.0	258.0	440.0	473.0

Fundamental arguments

Mcleod Russel

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
Mcleod Russel	307.0	356.0	27.1	35.4	11.3	8.6

** Price as on 06.11.12

Remarks :

- Mcleod Russel is the world's largest tea producer with an annual tea production of close to 100 million kg. With tea estates in India and Africa, it is well poised to take advantage of the current favourable global demand supply scenario. With the expectations of a substantial improvement in its sales realisation and a volume growth in mid-to-high single digits (in the domestic market and the international subsidiaries), the company's consolidated top line and earnings are expected to grow at CAGR of 18.5% and 20% respectively over FY2012-14.
- Mcleod Russels tea production was affected by abnormal weather conditions in north India during the key tea producing season (July-September). The weather has improved and the tea production was estimated to be better in October 2012. The management indicated in the conference call that the positive impact of the increase of ~Rs20 per kg in the blended realisation on the profitability would be seen in Q3 and Q4 of FY2013.
- In view of expectations of normal production in FY2014, we expect Mcleod Russel to post a strong bottom line growth in FY2014 on account of an improvement in the OPM (due to higher blended realisation of the stand-alone entity and increased contribution from the African subsidiaries, which have much better margins than the consolidated entity).
- At the CMP the stock trades at 11.1x its FY2013E (consolidated) EPS of Rs27.1 and 8.5x its FY2014E EPS of Rs35.4. Our price target of Rs356 valuing the stock at 10x its FY2014E earnings, which is in line with the last six years' average one-year forward multiple of 10x.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
Mcleod Russel	267.0	258.0	346.0	380.0

Fundamental arguments

JP Associates

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
JP Associates	89.0	105.0	4.9	5.5	18.2	16.2

** Price as on 06.11.12

Remarks :

- Jaiprakash Associates (JP Associates), India's leading cement and construction company, is all set to reap the benefits of India's infrastructure spending. The company has also monetised very well on the real estate properties of Yamuna Expressway. The marked improvement in the macro environment has improved accessibility to the capital and thus eased the concerns of liquidity to some extent for the company.
- Since the last couple of months, the company is under the process of selling their stake in two cement plant located at Gujarat and Andhra Pradesh, with a total capacity of 9.8 million tonne. Any break-through in the selling of these plants will be a positive trigger for the company because we believe this deal will help the company to raise about Rs 6,000 crore, which will help it to ease burden on leverage balance sheet. Further the company has successfully raised funds through issue of foreign currency convertible bond of up to US $ 200 million.
- We like JP Associates due to its diversified business model and aggressive expansion plans. In terms of valuation, we value the stock using the SOTP valuation methodology and arrive at a value of Rs105 per share.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
JP Associates	75.0	66.0	104.0	111.0

Fundamental arguments

IndusInd Bank

Company name	CMP** (Rs)	Price target (Rs)	BV		PBV	
			FY13E	FY14E	FY13E	FY14E
IndusInd Bank *	365.0	402.0	115.0	140.0	3.2	2.6

* Not under Sharekhan research active coverage ** Price as on 06.11.12

Remarks :

- IndusInd Bank is one of the fastest growing private sector banks with over +400 branches, 796 ATMs and two international locations at London and Dubai. The bank was incorporated in April 1994 and Hinduja group was the founding promoters. With a new management team led by Mr. Romesh Sobti from ABN ARMO in 2008, the bank has turned around significantly in the last four years.
- The bank has posted a top line growth of more than 25% and a profit growth of more than 30% during the first half of the current financial year. On the operational front, its asset quality is one of the best in the industry with its NPAs at 0.29% on September 2012. The bank's capitalisation is above the RBI's levels; however, it is planning to raise capital through equity in the coming quarters to make it more comfortable.
- In absolute terms, gross non-performing assets (GNPAs) grew 12% quarter on quarter (QoQ) to Rs410 crore, while in percentage terms, GNPAs and net non-performing assets remained flat QoQ at 1% and 0.3%, one of the best in Industry. In absolute terms, the slippages were flat . On the valuation front, at CMP of Rs366, the stock is trading at 3.2 x FY13 and 2.6x FY2014 P/BV. By looking at healthy NIM growth and assets quality, we believe the current valuation is attractive.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
IndusInd Bank	341.0	308.0	375.0	405.0

Fundamental arguments

TV18 Broadcast

Company name	CMP** (Rs)	Price target (Rs)	EPS		PE	
			FY13E	FY14E	FY13E	FY14E
TV18 Broadcast *	29.0	36.0	0.3	1.3	107.7	22.4

* Not under Sharekhan research active coverage   ** Price as on 06.11.12

Remarks :

- TV 18 Broadcasting (TV18) is the broadcasting arm of the Network18 group. The company has over the years scaled up its business substantially and currently owns 27* channels (news, Hindi GEC, music, and regional channels), up from the single CNBC TV18 channel that it owned ten years ago. Most of the channels are in top three ranks in their respective segments.
- Digitisation – subscribers' revenue drivers: With the advent of digitisation, we expect the revenues for the industry to increase on the back of higher subscription revenues as more subscribers are reported vs the current structure of high level of under-reporting by local cable operators. In our view, the biggest beneficiaries of digitisation will be leading broadcasters like TV18 as the increasing uptick in subscription revenues will see a complete flow through to the bottom lines as there is not much incremental cost involved.
- In the recent months, the company has successfully raised Rs2,625 crore through the right issue for the purpose of funding their recent acquisition of ETv group's bouquet of regional entertainment channels and news channel and to reduced the debt by Rs420 crore. We believe as a result, the company will expand its viewership base and attract more diverse viewer base across our media properties, which would improve profitability.

Technical View

Company name	S1 (Rs)	S2 (Rs)	R1 (Rs)	R2 (Rs)
TV18 Broadcast	25.0	23.0	38.0	50.0