AXIS DIRECT

Fundamental Muhurat Picks – Nov 2013

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Muhurat Picks – Nov 2013

We, the entire research team and Axis Securities family, wish all our investors, colleagues, sales personnel and associates a very Happy Diwali and a Blissful New Year.

Equity markets, in the year which went by exhibited its natural state which is to be perennially volatile. Domestic slowdown continued to show disappointing / dampening macroeconomic numbers all throughout the year. This was correctly reflected in the price movement of small and mid-cap companies which had to bear the brunt of – rising labor costs, wildly fluctuating INR, amendments in companies bill, slowdown in demand, higher financial costs and ever changing competitive landscape. At global level too there were concerns on US reaching its debt limit.

FII flows in the Indian markets continued its deluge with an accumulated inflow of over US $ 21 bln from last Diwali. This year we believe the markets will be driven by series of events which we will touch upon. Firstly in the coming two months namely November & December we have state elections in 5 major states i.e. MP, Chhattisgarh, Rajasthan, Delhi and Mizoram. Markets will be enthused about a polarized verdict rather than one of coalition. If NDA manages to muster significant majority in these states, markets will react in a positive manner presuming similar outcome for the election slated in May 2014. A mixed verdict will take the markets in a tailspin – the probability of which is extremely meager.

Come, start of the Calendar 2014, again the talks about breaching of the US debt ceiling will gain momentum. US data on unemployment will be watched and this could give indication of the timing of QE tapering. Tapering or probability of tapering will make the markets volatile, the same concerns on currency depreciation, FII selling could resurface once again.

Muhurat Picks – Nov 2013

The positive event in 1QCY14 will be the announcement of new banking license. We have short-listed few companies like Bajaj Finance, IDFC, Aditya Birla Nuvo, L & T Finance and Shriram Transport as the ones which could benefit from this announcement. Our economic team indicates that given the lower base macro numbers will start improving from 4QFY14, however given uncertain factors, markets might be volatile and that volatility should be used as an opportunity to buy quality stocks.

General Elections are due in the month of April May 2014. This will be extremely decisive as it will decide the course of the markets not only till Diwali of next year but also for next few years. A data point on the site of Election Commissioner indicates that the number of votes polled for current ruling party namely Congress is 11.9 cr votes and number of young people who will be voting for the first time in 2014 election is 12 cr. These new votes can be a significant game changer and could throw up a complete surprise in time to come. Thus election of 2014 will be decisive and completely unpredictable. In stock markets – the unknowns always have maximum price impact.

We have short-listed few stocks to invest for the next year, in the large cap we like Reliance Inds – it will benefit from revised gas pricing from April 2014, Bajaj Finance and Aditya Birla Nuvo as they are top bank license contender, Infosys, Divi's lab, MT Educare, Jyothy labs, Dishman Pharma, KEC International and Gujarat Pipavav are all seeing significant change in their business outlook due to various initiatives taken by the companies to positively and significantly impact their bottom line. We would recommend clients to invest in the shortlisted stocks.

Once again on behalf of our entire research team a Happy and Blissful New Year. HAPPY INVESTING.

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Muhurat Picks

Company	CMP	Target	Potential Upside*
Reliance Industries Ltd	898	1130	26%
Infosys Ltd	3323	3859	16%
Aditya Birla Nuvo Ltd	1212	1669	38%
Divi's Laboratories Ltd	972	1346	38%
Bajaj Finance Ltd	1316	1400	6%
Jyothy Laboratories Ltd	185	245	32%
Gujarat Pipavav Port Ltd	50	61	22%
KEC International Ltd	35	43	23%
Dishman Pharma. Ltd	63	73	16%
MT Educare Ltd	100	116	16%

* Potential upside from CMP (30th October, 2013)

Reliance Industries Ltd

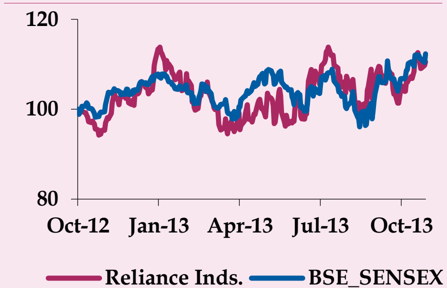
BUY CMP: 898 | Target: 1,130

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	:	323.1 Cr
Free Float	:	55%
Market Cap	:	Rs 2,89,744 Cr
52-week High / Low	:	Rs 955 / Rs 761
Avg. Daily vol. (6mth)	:	38,34,377 shares
Bloomberg Code	:	RIL IN
Promoters Holding	:	45.3%
FII / DII	:	17.7% / 11.6%
BSE Code	:	500325
NSE Code	:	RELIANCE

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **Exploration & Production : production to improve with progress on regulatory approvals**
  - With the progress on the regulatory approvals, we expect RIL to address spilling gas output at its KG-D6 basin. The company received approval for development plan of R-Series in Aug '13.
  - With the deployment of two rigs in KG D6 block the gas production in the MA field is expected to increase to 9 mmscmd (vs. 6 mmscmd currently).
  - Possible Gas price hike to US$ 8/mmbtu from FY15 will help monetize deepwater resources and will provide further upside to company's earnings.
  - Recent order by Petroleum ministry to RIL to relinquish 5 gas discoveries would hardly affect company's KG-D6 prospects as the company have not made any investment in those discoveries.
- **Refining: higher utilization and stable GRM to drive profitability**
  - Higher throughput supported by capacity utilization of over 110% coupled with weak INR is likely to support profitability of the refining division of the Company.
  - Weak Fuel Oil (FO) margins would lead to widening of light-heavy differential, which would benefit complex refiners like RIL.
- **Petrochemicals: firm margin and volume growth to drive earnings**
  - Strong demand in the China and India for Polymer products will support the volume growth and also provide further impetus to polymer margins in the near term.
  - Cracker utilization is also expected to remain high in CY13/14 due to delays in new cracker capacity additions.
- **We have a BUY rating on the stock with TP of Rs 1,130**
  - We expect RIL to deliver strong earnings CAGR of 22% over FY13-15 supported by INR depreciation and improving petrochemical margins and capacities.
  - RIL's RoCE would improve to over 14% in FY15, driven by improvement in earnings (FY13 RoCE at 10.7)
  - In terms of valuation, RIL trades at multi-year low valuations. We have a BUY rating on the stock with SOTP-based TP of Rs 1,130.

Financial Summary

Y/E Mar	Sales (Rs cr)	Adj.PAT (Rs cr)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	EV/EBITDA (x)	DPS (Rs)
2012	358,501	20,033	61.3	(0.9)	-	12.4	11.4	-
2013	397,062	20,879	64.7	5.6	-	11.9	10.7	-
2014E	381,563	24,780	76.5	18.4	11.8	13.0	11.9	8.4
2015E	408,644	30,892	95.2	24.4	9.4	14.6	14.1	6.7

Source: Axis Capital, Bloomberg, Capitaline

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Infosys Ltd

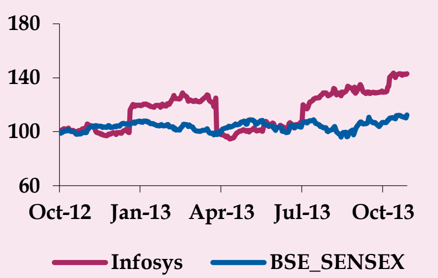
BUY CMP: 3,323 | Target: 3,859

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 57.42 Cr
Free Float	: 84%
Market Cap	: Rs 190,807 Cr
52-week High / Low	: Rs 3,372 / Rs 2,190
Avg. Daily vol. (6mth)	: 1222954 shares
Bloomberg Code	: INFO IN
Promoters Holding	: 16%
FII / DII	: 40% / 16%
BSE Code	: 500209
NSE Code	: INFY

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **Revival post Mr Murthy's return at helm:**
  - Post return of Mr Murthy Infosys has shown strong back-to-back quarterly performances. This has set the tone for 12% YoY growth in USD terms in FY14. Strong visibility and improved demand environment in US & Europe augurs well for the company to surpass its growth target of 9-10%.
- **Core ADM services (35% of revenues) strong footing:**
  - Traditional service like Application, Development, and Maintenance (ADM) and Infrastructure Management Services (IMS) contributed to 50% of incremental revenue during the current quarter.
- **Strong deal wins continue:**
  - The company won 5 large deals during the quarter (TCV* of USD 450 mn) [7 deals in Q1 with TCV of USD 600+ mn]. H1FY14 has seen deal wins of USD 1bn+. America and Europe saw two deals each in Q2.
- **Broad-based growth & pick up in volumes:**
  - Apart from core services the company has witnessed growth across verticals with Financial Services, Manufacturing and RCL (Retail, Logistics, CPG and Life Sciences) contributing to 80% of incremental revenue during Q2. Q2 witnessed a growth of 3.8% QoQ driven by strong volume growth of 3.1% and 0.6% increase in realization.
- **Improvement in employee utilization:**
  - The employee Utilization (excluding) trainees increased by 2% QoQ to 78%. The management is targeting optimum level of 82%. The company has also taken steps to boost employee morale by giving salary hikes.
- **Valuation:**
  - Maintain BUY with TP of Rs 3,859 We maintain our FY14E/ FY15E USD revenue growth at 12%/ 13%. Our FY14E and FY15E EPS stands at Rs 184 and 214 respectively.
  - Key risk: Higher than expected impact of furloughs due to US government shutdown and US immigration bill

Financial Summary (Consolidated)

Y/E Mar	Sales (Rs cr)	Adj PAT (Rs cr)	Con. EPS* (Rs.)	EPS (Rs.)	Change YOY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
FY12	33,734	8,313	-	145	21.8	19.7	29.0	40.4	13.3	37
FY13	40,352	9,421	-	165	13.3	19.9	27.2	36.4	14.1	42
FY14E	50,435	10,496	181	184	11.4	18.1	25.3	34.3	12.0	55
FY15E	60,025	12,251	205	214	16.7	16.2	25.1	34.0	10.0	64

Source: Axis Capital, Bloomberg, Capitaline

Aditya Birla Nuvo Ltd

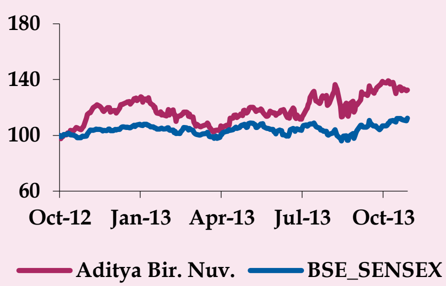
BUY CMP: 1,212 | Target: 1,669

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 12.02 Cr
Free Float	: 46%
Market Cap	: Rs 14,611 Cr
52-week High / Low	: Rs 1,290 / Rs 886
Avg. Daily vol. (6mth)	: 2,04,923 shares
Bloomberg Code	: ABNL IN
Promoters Holding	: 53.7%
FII / DII	: 16.6% / 13.6%
BSE Code	: 500303
NSE Code	: ABIRLANUVO

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **Value Unlocking in Life Insurance business and potential banking license act as near term trigger:**
  - With the increased foreign direct investment (FDI) limit in the insurance sector from 26% to 49%, ABNL could unlock value in its life insurance business going forward. Currently life insurance business translates into per share value of Rs 390.
  - ABNL is a strong contender for new banking license to be issued in near future. This can be a short term trigger to ABNL. Both these opportunities (value unlocking in insurance and potential banking license are apparently not build in the current valuations).
- **Migrating to Growth business:**
  - In order to focus on growth business, the free cash flow generated by high RoCE Mfg businesses of Rayon, Insulator, Fertilizers & Textiles is being invested in growth business like Telecom, Fashion & Lifestyle and NBFC. The new growth business will form pillars of sustainable growth over long term.
  - We believe ABNL is a blue chip stock with significant cash flow generation visibility going ahead and multiple trigger over long term.
- **Leverage ratio improved with sale of Carbon black business:**
  - The company has divested its stake in Carbon black business and the proceeds have been used to partially repay its debt. Hence strengthening its balance sheet and reduce its con. D:E ratio to 1.7x as compared to 2.3x earlier. This will support the Company's growth plans and ensure greater focus in other growing businesses.
- **We have a BUY rating on the stock with TP of Rs 1,669**
  - We expect ABNL to deliver strong earnings CAGR of 17% over FY13-15 supported by Growth business like Telecom, Fashion & Lifestyle and NBFC.
  - We Maintain BUY with SoTP-based TP of Rs 1,669 (37% upside from current level). Potential banking license and value unlocking in Insurance business could provide further upside.

Financial Summary

Y/E Mar	Sales (Rs cr)	Adj.PAT (Rs cr)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	EV/EBITDA (x)	DPS (Rs)
2012	21,840	994	87.6	7.3	-	14.0	-	6.0
2013	25,490	1,059	88.1	0.6	-	12.5	-	6.5
2014E	27,828	1,440	110.8	25.7	10.9	13.9	6.9	6.5
2015E	31,206	1,580	121.5	9.7	10.0	13.1	6.8	6.5

Source: Axis Capital, Bloomberg, Capitaline

Divi's Laboratories Ltd

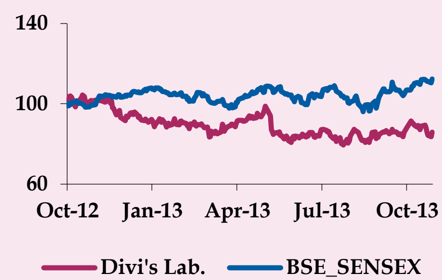
BUY CMP: 972 | Target: 1,346

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 13.3 Cr
Free Float	: 48%
Market Cap	: Rs 12,928 Cr
52-week High / Low	: Rs 1,233 / Rs 906
Avg. Daily vol. (6mth)	: 171,614 shares
Bloomberg Code	: DIVI IB
Promoters Holding	: 52%
FII / DII	: 15% / 13%
BSE Code	: 532488
NSE Code	: DIVISLAB

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **One of the best CRAMS player**
  - Divi's early mover advantage in CRAMS, strict adherence to IPR norms and strong relationship with pharma majors marked its transformation from an API player to a successful CRAMS player from India..
  - Divi's services 20 of the top 25 global companies, with over 100 projects in the pipeline. The company collaborates with innovator companies through the early drug development stage to the commercialization stage.
- **Short term growth concerns but long term story intact:**
  - High power cost (additional Rs 12 cr in 1Q) would keep EBITDA margin flat in FY14. However, with full-fledged commissioning of all capital work-in-progress (Rs 3 bn; including DSN facility), we expect Divi's to post strong growth in subsequent years.
  - Operating leverage along with reducing power cost (captive power, East-South grid) will improve EBITDA margin as well (our estimate: 39% in FY15).
- **Volume pick up from FY15**
  - Management indicated volume would pick up in FY15 as CWIP of Rs 3 bn gets commissioned by FY14-end. This along with lower cost (power cost to decline as supply in Andhra Pradesh is expected to improve post commissioning of East-South grid).
- **We have a BUY rating on the stock with TP of Rs 1,346**
  - The commissioning of the 3 blocks post regulatory approvals is likely to be the key catalyst driving growth (likely 2H), high operating leverage and an improved product mix will support valuation multiples.
  - We have a BUY rating on the stock with a target price of Rs 1,346 giving potential upside of 38%; valuing the company at 18x FY15E EPS of Rs 74.8).

Financial Summary

Y/E Mar	Total Income (Rs cr)	EBITDA (Rs cr)	Adj.PAT (Rs cr)	Adj. EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	DPS (Rs)
2013	2140	810	602	46.0	11%	-	26.0	15.0
2014E	2525	962	741	56.7	23%	17.14	27.6	25.0
2015E	3182	1250	978	74.8	32%	12.99	31.1	30.0

Source: Axis Capital, Bloomberg, Capitaline

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Bajaj Finance Ltd

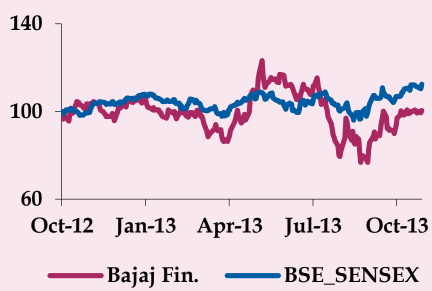
BUY | CMP: 1,316 | Target: 1,400

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 5 Cr
Free Float	: 35%
Market Cap	: Rs 6,503 Cr
52-week High / Low	: Rs 1,591 / Rs 966
Avg. Daily vol. (6mth)	: 59,109 shares
Bloomberg Code	: BAF IN
Promoters Holding	: 65%
FII / DII	: 10% / 8%
BSE Code	: 500034
NSE Code	: BAJ FINANCE

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **High growth momentum to continue**
  - Opportunity size in SME and consumer finance segment remains huge,
- **Strong distribution network and superior technology**
  - The company enjoys competitive edge due to strong distribution network and superior technology. It targets ONLY affluent and mass affluent customers across its product lines in consumer finance (40% of loans) and SME (43% of loans) segments.
- **Strong Return Ratios and Superior Asset Quality**
  - The Return ratios and asset quality of the company is far better than the peers.
- **Favorable demographics**
  - Rising affluent population provides high growth opportunity for the company and there exists significant opportunity from 2.5 mn cross sellable customer base.
- **High likelihood of becoming a bank**
  - Given strong parentage, favorable group structure and astute business acumen of the management, we believe it has high likelihood of becoming a bank. BAF is expanding its rural footprint. Intends to add 7 hubs and 28 spokes in H2 (mostly in Gujarat), in line with what it did in Maharashtra. The products offered so far include lending products like consumer durable loans, gold loans, refinance for mobile phones and fee-based products like general insurance and life insurance.
- **Outlook**
  - BAF remains one of our preferred picks among NBFCs led by continued growth in a challenging macro environment without compromising on asset quality. It continues to report superior return ratios and future growth visibility is strong given (1) huge opportunity in SME and (2) scope for market share gains in consumer finance. Possibility of conversion into a bank if it gets banking license from RBI is an upside trigger. At CMP of Rs 1,316, the stock trades at 1.4x FY15E ABV of Rs 932. Maintain BUY with TP of Rs 1,400 (1.5x FY15E ABV).

Financial Summary (Standalone)

Y/E Mar	PAT (Rs Cr)	EPS (Rs)	EPS chg (%)	Book value (Rs)	Adj. BV (Rs)	PE (x)	P/ABV (x)	RoE (%)	RoA (%)	Net NPA (%)
2012	406	98	45.9	492	489	8.3	1.7	24	3.8	0.1
2013	591	119	20.8	676	670	10.9	1.9	21.9	3.8	0.2
2014E	692	139	17	798	790	9.5	1.7	18.8	3.5	0.3
2015E	833	167	20.5	946	932	7.9	1.4	19.2	3.5	0.4

Source: Axis Capital, Bloomberg, Capitaline

Jyothy Laboratories Ltd

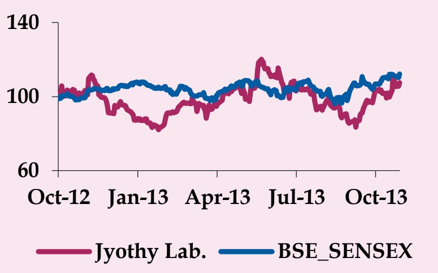
BUY CMP: 185 | Target: 245

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 1.66 Cr
Free Float	: 36%
Market Cap	: Rs 3,070 Cr
52-week High / Low	: Rs 211 / Rs 140
Avg. Daily vol. (6mth)	: 155,655 shares
Bloomberg Code	: JYL IN
Promoters Holding	: 64%
FII / DII	: 16% / 10%
BSE Code	: 532926
NSE Code	: JYOTHYLAB

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **Takeover bearing Fruits**
  - With Successful integration of Henkel, which was acquired in 2012, Jyothi Ltd is transforming itself into a FMCG player with wide range of products (premium detergents, household insecticides, deodorants & diswashers etc); The acquisition changed JLL's revenue mix from 70:30 to 50:50 among rural & urban market.
- **Aggressive Management**
  - Induction of new management team under the leadership of S Ranganathan (ex CEO of Paras Pharma); the new management has taken bold decisions including restructuring of distribution network & margins for channel partners, implementation of technological solutions to modernize the supply chain & adoption of better manufacturing practices
- **Pan India Manufacturing**
  - Company has 28 manufacturing facilities in 16 locations across India; Strong distribution network with its products available in about 2.9 mn outlets across India
- **Cost Saving Steps**
  - Company has implemented slew of measures such as rationalization of traders' margins & restructuring of distribution system to improve its profitability over period of time. The cost savings achieved through opportunities in streamlining of manufacturing, sourcing & packaging have been invested in brand building & promotional activities.
- **Strong Brands**
  - Brands with strong recall across the segments viz. popular/ economy, mid premium & premium; Focus on brand building with innovations & innovations in the portfolio
- **De-leveraging Balance sheet**
  - Management is focused on deleveraging B/S by reducing D/E to 0.5x by FY15 from 0.9x coupled with improvement in margins & return ratios, already approved preferential allotment of 1.5 mn shares to promoters infusing Rs 250 cr & raising Rs 400 cr from zero coupon NCD

Financial Summary

Y/E Mar	Sales (Rs Cr)	Adj.PAT (Rs Cr)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2012	913	43.5	2.7	(31.4)	-	7.0	6.3	-	1.6
2013	1,104	61.7	3.8	41.8	-	9.9	6.6	-	1.6
2014E	1,324	107	5.9	54.5	31.4	13.4	8.9	21	1.4
2015E	1,564	166	9.2	55.0	20.1	16.6	10.7	17	1.9

Source: Axis Capital, Bloomberg, Capitaline

Gujarat Pipavav Port Ltd

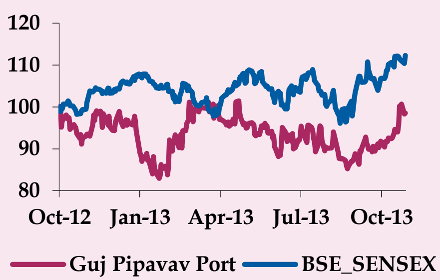
BUY CMP: 50 | Target: 61

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 48.34 Cr
Free Float	: 60%
Market Cap	: Rs 2,417 Cr
52-week High / Low	: Rs 57 / Rs 41
Avg. Daily vol. (6mth)	: 193,072 shares
Bloomberg Code	: GPPL IN
Promoters Holding	: 43.01%
FII / DII	: 33.52% / 12.85%
BSE Code	: 533248
NSE Code	: GPPL

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **Container volumes:- Benefiting from new client additions and superior rail asset**
  - GPPL's container volumes will gain from the addition of new container line service – new Gulf service (NMG – India- Middle East) which made its first call on Sept 19, 2013. The new line is still in the ramp-up stage and could potentially bring in about 50,000-60,000 TEUs p.a. Operational efficiencies of Pipavav Port is a USP for the company. In terms of Crane productivity, GPPL has achieved 34 Moves Per Hour (MPH) which is the highest when compared to any other port operator in India. Company also commenced its double-stack high-cube train services on 17 July 2013, and has since handled 129 such trains to ICD's in North. We believe offering such unique proposition and high operational efficiency standards acts as a good differentiating factor amongst the ports for global shipping lines.
- **Coal volumes:- regained vigor**
  - GPPL's coal cargo volumes are continuing to show strong demand traction. Company is focusing on inelastic demand for coal by catering to upcountry power plants at the cost of certain margin dilution (on account of low freight differentials). Thus this isn't expected to be a one off quarter and coal volumes are expected to see better times over the next year.
- **Liquid cargo:- the next growth driver**
  - Liquid cargo business ramp up is on schedule and will be an exciting opportunity for GPPL with better revenue visibility (as demand is inelastic) & is highly margin accretive (as handling charges are limited).
- **We have a BUY rating on the stock with TP of Rs 61**
  - Despite economic headwinds, GPPL has been delivering exceptional results over past few quarters. Company has done remarkably well in adding new shipping lines over the past year which is visible in the container volumes uptick.
  - We maintain a BUY rating on the stock with target price of Rs 61 (DCF based target price), implying upside of 22%.

Financial Summary

Y/E Dec	Total Income (Rs cr)	EBITDA (Rs cr)	Margin (%)	Adj.PAT (Rs cr)	Adj. EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)
2012	416	187	45.0%	79	1.65	22.4%	-	7.9
2013E	459	215	46.9%	127	2.62	59.1%	19.1	9.9
2014E	544	257	47.3%	167	3.45	31.8%	14.5	11.7

Source: Axis Capital, Bloomberg, Capitaline

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KEC International Ltd

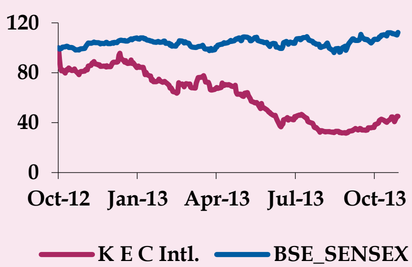
BUY CMP: 35 | Target: 43

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 25.71 Cr
Free Float	: 52%
Market Cap	: Rs 900 Cr
52-week High / Low	: Rs 81 / Rs 24
Avg. Daily vol. (6mth)	: 295,441 shares
Bloomberg Code	: KECI IN
Promoters Holding	: 48%
FII / DII	: 2% / 34%
BSE Code	: 532714
NSE Code	: KEC

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **Diversified player:**
  - KEC Intl. has been a dominant player in the erection and commissioning of the Long distance power transmission towers. KEC has entrenched presence in MENA region and acquisition of SAE Towers (US) (in FY11) has aided the company to explore the business opportunities in The American continent. The company procures its business from 45 countries across S Asia, ME, Africa, Central Asia & Americas. Geographically, the order backlog is spread across India (46%), MENA (19.4%), Americas (8.5%), S Asia (3.1%), SE Asia (4.8%) and Central Asia & Africa (18.2%) at the end of Q2FY14.
- **Consistently rising Order book:**
  - The company has a robust order book of Rs 10,200cr (at the end of Q2FY14) giving visibility of ~18 months (based on FY13 Sales), which has been growing consistently despite trend of rising quarterly revenues. With its vast experience in building power transmission lines, KEC could be one of the major beneficiaries of the incremental order flows from PGCIL (PGCIL has planned 9 High Capacity Transmission Corridors (HCTC) at an expense of Rs 58,000 cr in the XII five year plan along with other planned transmission network expansion).
- **Margins expected to improve:**
  - Stable margins from transmission tower business coupled with improving margins from new businesses will lead to improvement in overall margins of the company. KEC has reported profit in Q2FY14 post 2 consecutive quarters of loss & contraction in margins for few quarters in row on account of the underperformance of new businesses which were bid with the entry level pricing strategy to gain foothold. Going forward, we are expecting gradual inching up of margins but are of firm opinion that the margins have bottomed out & on course to improve in coming quarters.
  - We believe, Indian power sector has remained dormant for a long period and needs rapid measures from the Govt. to make up for the lost time. We believe, KEC Ltd. would be one of the prime beneficiaries once the sector turnarounds from its recent lows. KEC has a healthy order book of INR10,200 cr (book to bill), 1.5x FY13 sales, which imparts sufficient visibility for the next ~18 months.
- **We have a target price of Rs 43 which discounts the FY15E earnings by 7x.**

Financial Summary

Y/E Mar	Sales (Rs Cr)	Adj.PAT (Rs Cr)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2012	5815	209	8.1	1.8	-	20.0	26.2	-	1.2
2013	6854	65	2.5	(68.9)	-	5.7	17.6	-	0.5
2014E	7748	95	3.7	46.6	9.4	8.0	21.2	3.2	1.2
2015E	8658	157	6.1	65.1	5.7	12.4	23.5	2.8	1.2

Source: Axis Capital, Bloomberg, Capitaline

Dishman Pharma. Ltd

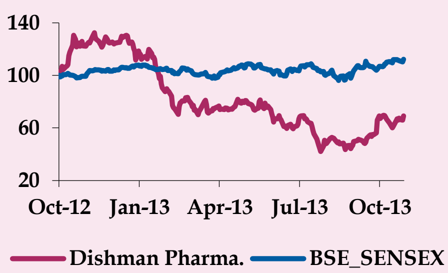
BUY | CMP: 63 | Target: 73

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 8.08 Cr
Free Float	: 40%
Market Cap	: Rs 509 Cr
52-week High / Low	: Rs 125 / Rs 37
Avg. Daily vol. (6mth)	: 200,611 shares
Bloomberg Code	: DISH IN
Promoters Holding	: 62%
FII / DII	: 7.4% / 3.48%
BSE Code	: 532526
NSE Code	: DISHMAN

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **HIPO Facility:- An asset to reckon**
  - Dishman has created a 6 cell facility which collectively can earn peak revenues of USD 125-150 mn. Considering the extent of complexity involved; EBITDA margin earned from such units are usually very high (can range as high as 35-40% at higher capacity utilizations). Unit 9 is expected to generate revenue of US$5 mn in FY14 & US$15 mn in FY15.
- **Vitamin D3:- Moving up the value chain**
  - Dishman covers the entire value chain for the manufacture of Vitamin D (right from manufacture of cholesterol in Netherlands, converting the same into Vitamin D resins in India and then converting them into analogues & API in Netherland.
  - Unit 13 got commercialized in FY13. With this backward integration; Dishman will gain further competitiveness in the Vitamin D3 space.
  - Focus by Dishman Netherland on high margin Vitamin D analogues and formulations to augment revenue and margins in the medium term.
- **Generic API:- emerging opportunity**
  - 40-50 products are currently under development of which company has already readied filing for 20 DMF's.
  - Dishman is targeting revenue of Rs 100cr -125 cr in FY15 from its generic API business.
- **We have a BUY rating on the stock with TP of Rs 73**
  - Dishman is focusing on improving capacity utilization, limiting its capex, selling off its non-core assets (land bank) and reducing leverage going forward. We believe, all these measures will positively impact Co's profitability and cash flows.
  - We have a BUY rating on the stock with a target price of Rs 73 giving potential upside of 16%; valuing the company at 5x FY15E EPS of Rs 14.61).

Financial Summary

Y/E Mar	Total Income (Rs cr)	EBITDA (Rs cr)	Margin (%)	Adj.PAT (Rs cr)	Adj. EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)
2013	1,272	290	22.8%	100	12.42	77.2%	-	10.2%
2014E	1,417	302	21.3%	105	12.99	(7.6%)	4.87	9.7%
2015E	1,595	351	22.0%	118	14.61	27.2%	4.34	10.6%

Source: Axis Capital, Bloomberg, Capitaline

AXIS DIRECT

AXIS SECURITIES

MT Educare Ltd

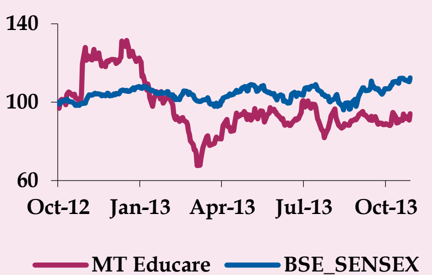
BUY CMP: 100 | Target: 116

CMP as of 30 Oct 2013

MARKET DATA

No. of Shares	: 3.95 Cr
Free Float	: 60%
Market Cap	: Rs 395 Cr
52-week High / Low	: Rs 142 / Rs 68
Avg. Daily vol. (6mth)	: 200,611 shares
Bloomberg Code	: MTEL IN
Promoters Holding	: 45.3%
FII / DII	: 11.6% / 3.7%
BSE Code	: 534312
NSE Code	: MTEDUCARE

Price Performance



Source: Axis Securities, Bloomberg

Investment Rationale

- **Regional expansion: The next leg of growth**
  - MT Educare Ltd. (MTEL) started with 1 centre in Mulund, Mumbai & within a span of 5 years has spread its wings across 8 states via 128 locations.
  - Plans to consolidate its presence in these 8 states with focus on opening centers at new locations (MTEL is opening new locations in cities like Pune & Kolhapur) with a long term vision of transforming itself into a pan India player
- **Target National level test for scalability**
  - MTEL focuses on National level examinations (such as IIT, CA, CS, MBA, medical tests, etc) which have uniform language & curriculum on Pan India basis. Plans to launch JEE coaching in Karnataka in next 2 years.
  - Company has pursued inorganic route to expand into national level examinations with the acquisition of Chitale Coaching classes targeting MBA aspirants & "Lakshya" targeting IIT, NEET & NIT aspirants.
- **Karnataka PUC:- emerging opportunity**
  - MTEL is aiming at 30 tie-ups in next 5 years and target revenue of Rs 90 cr from Karnataka PU college opportunity by FY18.
  - Karnataka PU college tie up model is an asset light opportunity, EBITDA and return ratios accretive for MTEL as all infra. costs are borne by the colleges.
- **Lakshya: A fitting acquisition**
  - Lakshya has been a fitting acquisition and has aided MTEL to further consolidate its position in Science section .
- **We have a BUY rating on the stock with TP of Rs 116**
  - Highly scalable & asset light business model, zero debt and negative working capital will command premium multiples. Healthy return ratios with ROE's over 20% and ROCE over 30% expected during FY13 - FY15E.
  - We have a BUY rating on the stock with a target price of Rs 116 giving potential upside of 16%; valuing the company at 15x FY15E EPS of Rs 7.78).

Financial Summary

Y/E Mar	Total Income (Rs cr)	EBITDA (Rs cr)	Adj.PAT (Rs cr)	Adj. EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	DPS (Rs)
2013	157	29.3	18.0	4.57	20.8%	-	22.8	2.0
2014E	219	44.6	24.3	6.14	34.5%	16.3	22.6	3.0
2015E	258	55.8	30.2	7.64	26.6%	12.8	25.1	3.7

Source: Axis Capital, Bloomberg, Capitaline

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