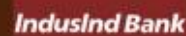


Diwali Special Picks

October 28, 2013

Finance Pharma Banks
Electric equipment Engineering
Information technology



Analyst:

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Diwali Special Picks -2013

| Company Name | Industry | CMP* (₹) | Target (₹) | Potential Upside(%) |
|-----------------------|--------------------|----------|------------|---------------------|
| Axis Bank Ltd. | Banks- Private | 1190 | 1430 | 20.17 |
| Bajaj Finance Ltd. | Finance | 1285 | 1500 | 16.73 |
| Havells India Ltd. | Electric Equipment | 701 | 800 | 14.12 |
| HCL Technologies Ltd. | IT | 1078 | 1300 | 20.59 |
| Indusind Bank | Banks- Private | 424 | 525 | 23.82 |
| L&T Ltd. | Engineering | 947 | 1130 | 19.32 |
| Lupin Ltd. | Pharma | 889 | 1050 | 18.11 |
| Tech Mahindra Ltd. | IT | 1541 | 1830 | 18.75 |

*CMP as on Oct 25, 2013



Axis Bank Ltd.

Investment Rationale

- The Bank aims to increase its share in the financial services sector by continuing to build a strong retail franchise. This segment continues to be one of the key drivers of the Bank's growth strategy, encompassing a wide range of products delivered through multiple channels to customers.
- The bank has been focusing on low cost CASA deposits. The bank's asset quality is reasonably comfortable during H1 FY14, however, the management expects the asset quality stress to continue in next two quarters. Considering the uncertain macroeconomic environment, the bank has turned cautious in offering loans.

Outlook

The bank has been consistently delivering better-than-industry growth due to its strong retail focus. The performance of the bank was led by strong increase in margins, higher loan growth and improvement in CASA and expense ratio. The Bank has a network of 2021 domestic branches and extension counters and 11488 ATMs at the end of June 2013. The Bank proposes to open additional 250 branches in FY2014.

Financial Summary

| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------------|--------|---------|---------|---------|
| Net Interest Income | 8017.7 | 9666.3 | 11156.6 | 12912.4 |
| Net revenues | 13438 | 16217.4 | 18768.5 | 21831.6 |
| Pre-provisions profit | 7430.9 | 9303.1 | 10644.3 | 12285.6 |
| Adj. PAT | 4242.2 | 5179.4 | 5742.8 | 6758.4 |
| Net NPA (%) | 0.3 | 0.4 | 0.6 | 0.6 |

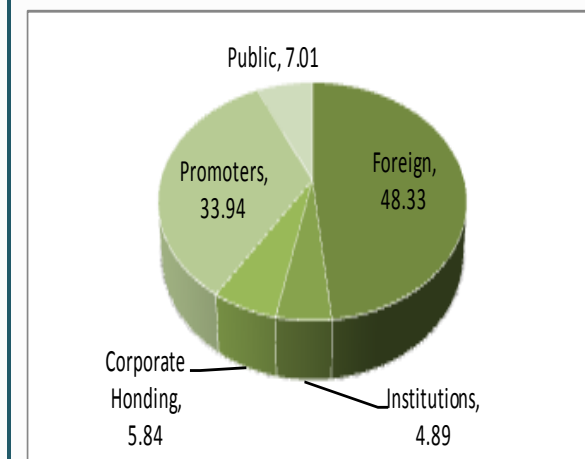
CMP (₹) : 1190

Target (₹) : 1430

Key Data

| | |
|--------------------|------------|
| Market Cap (₹ Cr.) | 55869 |
| Equity Cap (₹ Cr.) | 469.19 |
| Face Value (₹) | 10 |
| Book Value (₹) | 764 |
| P/E (x) | 9.98 |
| P/BV (x) | 1.71 |
| Dividend Yield (%) | 1.51 |
| 52 Week High-Low | 1549 / 763 |

Shareholding Pattern (%)





Bajaj Finance Ltd.

Investment Rationale

- Bajaj Finance continued to be the largest consumer durables lender in India during FY13 with presence in the 91 cities of the country. It helped finance 13% of all consumer electronics sold in the year. The company is currently financing one out of every four LCD and plasma televisions sold in the country and works with all leading consumer durable manufacturers. Its net NPA is 0.19% amongst the lowest in the industry.
- The company is expanding its products, geographies and segments. Consumer durable loans and loan against securities are its main segments; the company is also planning to enter the rural markets this financial year. The rural lending will be the eleventh vertical for the company and will be launched in 13 towns with 40 spokes within the state of Maharashtra.

Outlook

Despite the challenges in the macro economy the loan book of Bajaj Finance continued to remain strong. The demand for retail finance has also been robust. The Company continues to target the growth of 20-25% in AUM in FY2014, with the cautious view on commercial financing. Due to strong earnings growth, healthy return ratios and low concerns on asset quality, we believe Bajaj Finance will continue to show its robust performance in the near future as well.

Financial Summary

| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------------|--------|--------|--------|--------|
| Net Interest Income | 1182.1 | 1632.0 | 2054.2 | 2552.3 |
| Net revenues | 1425.7 | 1911.6 | 2397.7 | 2975.0 |
| Pre-provisions profit | 756.6 | 1053.3 | 1360.2 | 1692.2 |
| Adj. PAT | 406.4 | 591.3 | 739.3 | 912.3 |
| Net NPA (%) | 0.1 | 0.2 | 0.3 | 0.3 |

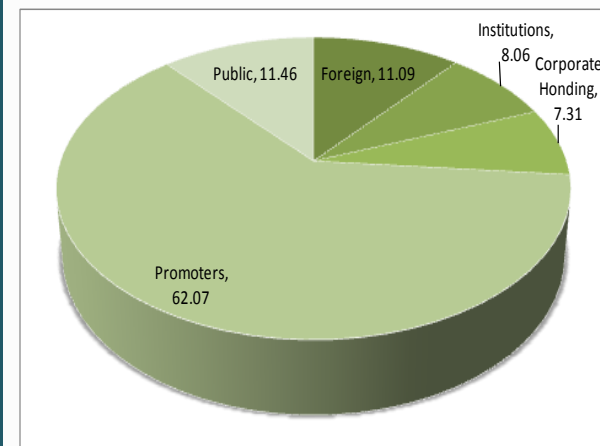
CMP (₹) : 1285

Target (₹) : 1500

Key Data

| | |
|--------------------|------------|
| Market Cap (₹ Cr.) | 6400 |
| Equity Cap (₹ Cr.) | 49.78 |
| Face Value (₹) | 10 |
| Book Value (₹) | 745.24 |
| P/E (x) | 9.52 |
| P/BV (x) | 1.88 |
| Dividend Yield (%) | 1.18 |
| 52 Week High-Low | 1595 / 965 |

Shareholding Pattern (%)





Havells India Ltd.

Investment Rationale

- Havells enjoys a dominant market share in the overall organised switchgears market and continued to take initiative in expanding its product portfolio.
- The company has increased the number of Havells Galaxy stores to 200 in FY13 and plans to double the showrooms in the next couple of years.
- The company is in the process of enhancing the Neemrana plant's (Rajasthan) capacity from the present 20 Lacs pcs per month to 40 Lacs pcs per month.
- Havells Sylvania, continues to expand its operational reach and expanse on the back of its wide product portfolio of energy-efficient lights, lamps and luminaries.

Outlook

In the domestic market, Havells is expected to continue its robust sales growth trend, led by switchgears, consumer durables, cables and wires segments, and helped by industrial expansion, ramp-up in power capacity and strong demand for consumer products. Its strong growth in domestic market, new product launches and capacity additions will be key growth drivers for the company.

Financial Summary

| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------|--------|--------|--------|--------|
| Total Revenue | 6518.2 | 7247.9 | 7864.6 | 8540.5 |
| EBITDA | 657.3 | 668.9 | 797.7 | 885.2 |
| Adj. PAT | 369.9 | 451.2 | 484.1 | 559 |
| Adj. EPS | 29.6 | 36.2 | 38.8 | 44.8 |
| EV / EBITDA (x) | 13.7 | 13.2 | 10.8 | 9.5 |

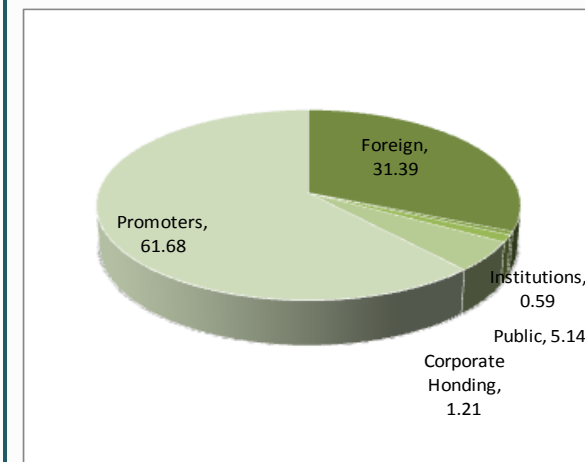
CMP (₹) : 701

Target (₹) : 800

Key Data

| | |
|--------------------|--------------|
| Market Cap (₹ Cr.) | 8753 |
| Equity Cap (₹ Cr.) | 62.41 |
| Face Value (₹) | 10 |
| Book Value (₹) | 157 |
| P/E (x) | 22.60 |
| P/BV (x) | 6.05 |
| Dividend Yield (%) | 1.07 |
| 52 Week High-Low | 817.45 / 557 |

Shareholding Pattern (%)





HCL Technologies Ltd.

Investment Rationale

- HCL Tech continues on its growth trajectory fuelled by its Alternative Outsourcing (AO) approach led by two unique value propositions of Alternative ASM and Enterprise Function as a Service (EFaaS). It has consistently doing well from the past few quarters and has been able to improve its margins.
- Its Infrastructure Services Division (ISD) is the fastest growing service offering business line and contributes 24.2% to HCLT's total revenues.
- HCLT Enterprise Applications Services (EAS) division accounts for over 20.4% of HCLT's revenues and continues to be a key area of growth.

Outlook

The company is well positioned to tap the full IT outsourcing market, involving the entire portfolio of applications and infrastructure services. Having strengthened capabilities in this space over the years, HCL Tech now has a balanced portfolio to target large opportunities in F500 and G2000 organizations. A balanced run- the-business and change-the-business portfolio of services has made HCL Tech a strategic partner of some of the biggest brands in the world.

Financial Summary

| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------|---------|---------|---------|---------|
| Total Revenue | 21084.9 | 25723.1 | 31391.4 | 36595.9 |
| EBITDA | 3942.6 | 5757.4 | 6697.9 | 7585.9 |
| Adj. PAT | 2454.4 | 4019.6 | 4539.1 | 5143.1 |
| Adj. EPS (₹) | 35.2 | 57.1 | 64.3 | 72.9 |
| EV / EBITDA (x) | 16.2 | 11.0 | 9.0 | 7.8 |

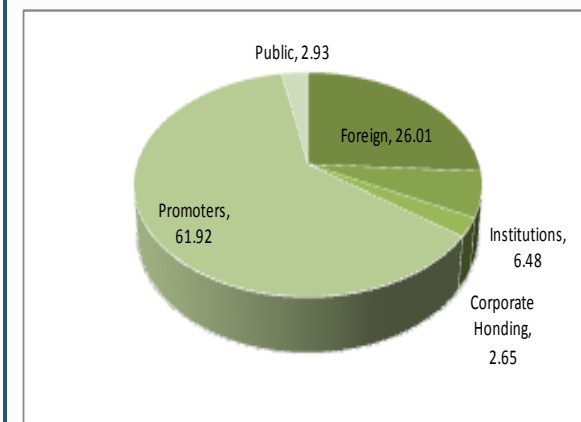
CMP (₹) : 1078

Target (₹) : 1300

Key Data

| | |
|--------------------|------------|
| Market Cap (₹ Cr.) | 75329 |
| Equity Cap (₹ Cr.) | 139.66 |
| Face Value (₹) | 2 |
| Book Value (₹) | 166.12 |
| P/E (x) | 15.96 |
| P/BV (x) | 5.60 |
| Dividend Yield (%) | 1.13 |
| 52 Week High-Low | 1178 / 602 |

Shareholding Pattern (%)





IndusInd Bank

Investment Rationale

- The bank's primarily focused on higher yielding segments in retail. The bank enjoys a niche presence in the commercial vehicle (CV) financing business due to its parentage - the promoter group owns Ashok Leyland. HCV and LCV constitutes close to about 80% of the total CV book.
- IndusInd Bank has low exposure to risky segments such as power, infrastructure, airlines and commercial real estate, which provides comfort on asset quality. We believe asset quality would remain stable in FY14.
- IndusInd Bank continues to expand its network aggressively and expanded its branch network rapidly to 500 branches in FY13. The Bank plans to add new 125-150 branches in FY2014 and expects to get 2 offshore branch licenses.

Outlook

The Bank plans to improve its market share with improved dominance in area of its core competence of vehicle finance. Its loan book has grown at 29% annually over the last three years and the bank is targeting it in the range of 25-30% for FY14-16. We expect a 27% EPS CAGR over FY14-FY15 driven by strong advances growth and stable asset quality.

Financial Summary

| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------------|--------|--------|--------|--------|
| Net Interest Income | 1704.3 | 2232.9 | 2921.9 | 3654.7 |
| Net revenues | 2716 | 3595.8 | 4775.9 | 5778.9 |
| Pre-provisions profit | 1373 | 1839.5 | 2547.4 | 3042.9 |
| Adj. PAT | 802.6 | 1061.2 | 1388.1 | 1722.6 |
| Net NPA (%) | 0.3 | 0.3 | 0.3 | 0.3 |

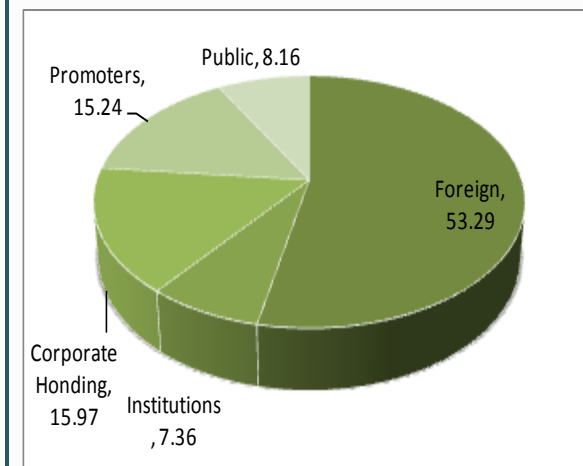
CMP (₹) : 424

Target (₹) : 525

Key Data

| | |
|--------------------|-----------|
| Market Cap (₹ Cr.) | 22269 |
| Equity Cap (₹ Cr.) | 524.14 |
| Face Value (₹) | 10 |
| Book Value (₹) | 154.02 |
| P/E (x) | 18.06 |
| P/BV (x) | 3.02 |
| Dividend Yield (%) | 0.70 |
| 52 Week High-Low | 531 / 311 |

Shareholding Pattern (%)





L&T Ltd.

Investment Rationale

- L&T's current order book stands at Rs 1.75 lakh crore and expects to add another Rs 10000cr to 15000cr by the end of this year. Its previous year order book was Rs 1.55 lakh crore.
- Due to intense challenges in domestic environment, the company is making efforts outside India and expects that overseas business would account for about 30% of its total revenue this year; currently, 20% of its business is contributed by international operations mostly in the Gulf region.
- The company has managed to minimise the unhedged exposure to around 10% of its total debt of \$1.5 billion. The company is hopeful of maintaining its guidance for the year of attaining 20% increase in order intake, 15% increase in sales and keeping the margins at the last year levels.

Outlook

The Company continues to focus on good prospects in various countries in the Middle East and select markets in CIS region, Africa & South Asia. With a healthy order book, strong balance sheet, wide ranging capabilities and international presence, the Company is optimistic about its growth.

Financial Summary

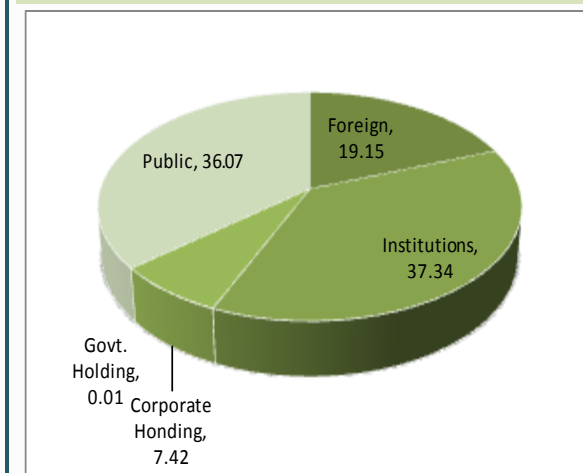
| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------|---------|---------|---------|---------|
| Total Revenue | 53170.5 | 60873.3 | 69388.5 | 81088.8 |
| EBITDA | 6282.6 | 6407.1 | 6983.0 | 8424.4 |
| Adj. PAT | 4417.7 | 4711.9 | 4821.1 | 6028.2 |
| Adj. EPS (₹) | 48.1 | 51.0 | 51.5 | 64.4 |
| EV / EBITDA (x) | 9.4 | 9.2 | 9.1 | 7.5 |

CMP (₹) : 947
Target (₹) : 1130

Key Data

| | |
|--------------------|------------|
| Market Cap (₹ Cr.) | 87743 |
| Equity Cap (₹ Cr.) | 185.21 |
| Face Value (₹) | 2 |
| Book Value (₹) | 365.74 |
| P/E (x) | 20.21 |
| P/BV (x) | 2.64 |
| Dividend Yield (%) | 1.27 |
| 52 Week High-Low | 1146 / 677 |

Shareholding Pattern (%)





Lupin Ltd.

Investment Rationale

- The US is the largest market for the company accounting for nearly 40% of revenues. It is planning to improve its share to 50% by developing new limited competition therapies, such as oral contraceptives, dermatology and respiratory care drugs.
- The company plans to maintain an annual launch rate of around 20 products a year and looking at 25% growth in the US generic market.
- The Company has a pipeline of 116 products (including products approved but not launched) that address a market opportunity of close to USD 80 billion. Of these, 29 ANDAs are first-to-file opportunities addressing a market size of close to USD 15 billion. The Company has 12 exclusive first-to-file opportunities addressing a market opportunity valued at around USD 2 billion.

Outlook

A strong product pipeline in the US would help the company to sustain healthy growth momentum. Its domestic business is doing well and with a strong brand franchise and 30-40 new product launches, the company would drive a growth rate of 18-20% in the domestic market. The company is also expanding its footprint in Japan and expects to file 15 new products in the country over the next two years.

Financial Summary

| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------|--------|--------|---------|---------|
| Total Revenue | 7082.9 | 9641.3 | 11441.4 | 13538.8 |
| EBITDA | 1444.7 | 2270.0 | 2673.5 | 3230.6 |
| Adj. PAT | 867.7 | 1314.2 | 1659.4 | 2088.1 |
| Adj. EPS (₹) | 20.6 | 29.3 | 37.0 | 46.6 |
| EV / EBITDA (x) | 27.1 | 17.5 | 14.7 | 12.0 |

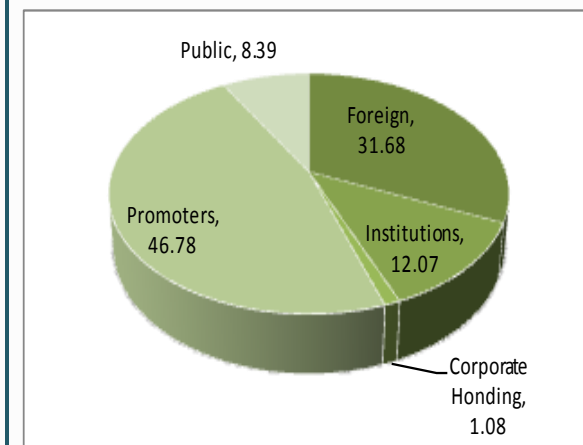
CMP (₹) : 889

Target (₹) : 1050

Key Data

| | |
|--------------------|-----------|
| Market Cap (₹ Cr.) | 39854 |
| Equity Cap (₹ Cr.) | 89.61 |
| Face Value (₹) | 2 |
| Book Value (₹) | 117.34 |
| P/E (x) | 28.28 |
| P/BV (x) | 7.80 |
| Dividend Yield (%) | 0.44 |
| 52 Week High-Low | 945 / 556 |

Shareholding Pattern (%)





Tech Mahindra Ltd.

Investment Rationale

- Tech Mahindra has completed the merger of Satyam and has become the fifth largest Indian IT firm. The combined entity is now able to better leverage Tech Mahindra's depth of expertise developed in telecom to better penetrate the opportunity presented by Mahindra Satyam's diverse set of clients across multiple verticals.
- Tech Mahindra has also expanded its presence in Turkey by setting up a new branch in Istanbul. Tech Mahindra Turkey will serve as a hub for Turkey and Central Asia.
- It has successfully managed to scale up revenues from non-telecom verticals and attain profitable growth. While revenues from its largest client, BT, continue to slide and non-BT clients are witnessing strong growth, aiding its growth prospects.

Outlook

Its growth momentum likely to continue due to the pick-up in discretionary spending and strong deal momentum in the US and some parts of Europe. Tech Mahindra is in an expansion mode with the organic as well as inorganic advancement, this will enable it to provide unique value propositions.

Financial Summary

| (₹ Crore) | FY12 | FY13 | FY14E | FY15E |
|-----------------|--------|--------|---------|---------|
| Total Revenue | 5489.7 | 6873.1 | 18539.1 | 21324.4 |
| EBITDA | 919.3 | 1424.3 | 4093.3 | 4445.2 |
| Adj. PAT | 1098.7 | 1307.2 | 2844.5 | 3018.8 |
| Adj. EPS (₹) | 86.5 | 100.8 | 133.0 | 141.3 |
| EV / EBITDA (x) | 19 | 12.1 | 4.1 | 2.7 |

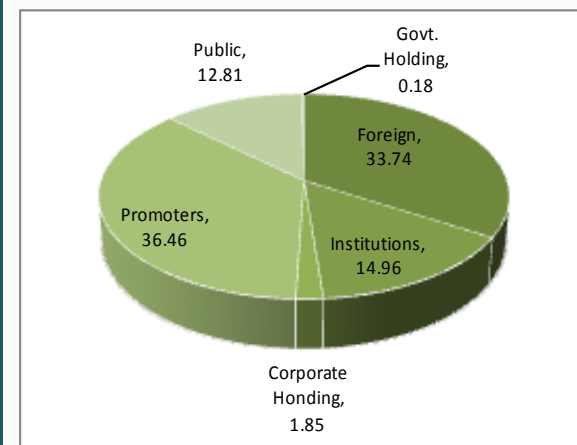
CMP (₹) : 1541

Target (₹) : 1830

Key Data

| | |
|--------------------|------------|
| Market Cap (₹ Cr.) | 35825 |
| Equity Cap (₹ Cr.) | 232.42 |
| Face Value (₹) | 10 |
| Book Value (₹) | 237.92 |
| P/E (x) | 16.40 |
| P/BV (x) | 6.46 |
| Dividend Yield (%) | 0.18 |
| 52 Week High-Low | 1594 / 865 |

Shareholding Pattern (%)



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