



**kotak**<sup>®</sup> Securities

# Muhurat Stock Picks

from our experts



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# Fundamental Stock Picks

As on October 30, 2013

**Infosys Technologies**

**CMP: Rs. 3,324**

**Target Price: Rs. 3,592**

**Upside: 8.1%**

Infosys has recently shown encouraging performance in their realizations in 2Q. This is a result of their revised growth strategy and change in senior management. The risk we hold to our argument is the sharp movement in rupee against various currencies which may directly hit our earnings estimates.

**Cairn India Ltd.**

**CMP: Rs. 316**

**Target Price: Rs. 361**

**Upside: 14.2%**

MBA blocks (Rajasthan) have recoverable reserves and resources of more than 1 bn bbls, includes 2P gross reserves and resources of 636 Mn boe with a further 308 Mn boe or more of enhanced oil recovery (EOR) potential. Cairn is a private E&P company so not liable to share under-recoveries like ONGC, OIL.

**Cummins India Ltd.**

**CMP: Rs. 394**

**Target Price: Rs. 435**

**Upside: 10.4%**

Company is poised to benefit from the infrastructure spending in the country. The commencement of company's Phaltan plant is expected to contribute to cash flow generation in future. Company has committed a USD 300mn capex funding through internal accruals only.

**DB Corp.**

**CMP: Rs. 262**

**Target Price: Rs. 315**

**Upside: 20.2%**

Strong presence in MP / Chhattisgarh, Rajasthan, Punjab, Haryana regions with a clear dominant position in the newspaper market. Upcoming elections boast a huge opportunity for DB Corp for growth in circulation. This dominance also gives them bargaining power over political advertisers. Modest declines in market price observed recently offers attractive entry point.

**ICICI Bank**

**CMP: Rs. 1094**

**Target Price: Rs. 1322**

**Upside: 20.8%**

CASA mix at 43.2% - one of the best in country. In loan portfolios, ICICI faces lower risk from SME portfolio due to ~5% exposure of total portfolio. Corporate portfolio has been showing consistent performance. Management focus on stable growth with improving structural profitability reinforces positive outlook on the stock.

**IDFC**

**CMP: Rs. 103**

**Target Price: Rs. 137**

**Upside: 33%**

Company has been focusing on the niche infrastructure financing space and enjoys the best asset quality in its space. IDFC carries sufficient provision buffer to provide for any likely future increase in GNPA. Falling wholesale lending rates in addition to improved view on capital market related business may act as future catalyst on the stock.

# Fundamental Stock Picks

As on October 30, 2013

**KPIT Cummins Infosystems**

**CMP: Rs. 141**

**Target Price: Rs. 169**

**Upside: 15%**

Company management maintains a positive outlook on continued traction in automotive, manufacturing and utility verticals. Revolo, if successfully launched, can provide a significant earnings boost to the company. Management maintains revenue growth expectations at ~15% in FY14.

**Tata Steel**

**CMP: Rs. 327**

**Target Price: Rs. 358**

**Upside: 9.5%**

Tata Steel India has delivered commendable H1 sales volume growth of 18% Y/Y and has provided a guidance of similar growth in near future. The Europe division production has reached a 2yr high on the back of improved production rates and value added products. TS is the best play amongst domestic steel companies over medium term and should be accumulated on declines on likely week Q2 results.

# Technical Stock Picks

As on October 30, 2013

## **Infosys Tech: Buy : CMP - 3308**

The stock has completed one more leg of correction and heading for the target of 5000. It will arrest at 3500 but again on corrections it will attract value buying. On the down side it has big support at 3000. Buy at 3350 and 3050 with a final stop loss at 2700 on a weekly closing basis, for the target 5000.

## **Mcdowell: Buy CMP - 2577**

The stock is moving with trendline support. Technically it seems that the stock has good amount of momentum. 2750 is the hurdle area for the stock. Sustaining above 2750 will be interesting for the higher side target of 3700. Buy at current add more if it dips to 2350 with a stop loss at 2200 on a weekly closing basis.

## **Tata Steel: Buy CMP - 329**

As per quarterly charts the stock has paused and reversed the prevailing trend of bearishness. It will again bounce back to 420 or 470 in coming few months. Buy at current and balance at 285 with a final stop loss at 255 on a weekly closing basis.

## **Reliance: Buy CMP - 903**

It seems that the stock is absorbing selling pressure that it has in the region of 900. Above the level 900 it has next major hurdle in the range of 1100 and 1150. Buy in three phases, 30% at current, 30% at 830 and balance 40% at 780 with a stop loss at 750 on a weekly closing basis for the target 1150.

## **Nestle: Buy CMP-5525**

The stock is into consistent and gradual up move. It turned volatile in the first half of the year 2013; however it is stabilizing above the level of 4900. Based on overall performance it should quote at 7000/7500 in the long run. Buy 50% at current balance at 4900 with a stop loss at 4700 on a weekly closing basis.



# Detailed Fundamental Picks



## CAIRN INDIA LTD

## INVESTMENT ARGUMENT

- Cairn India Ltd (CIL) is one of the biggest private exploration and production companies in India. Cairn is a private E&P company so not liable to share under-recoveries like ONGC, OIL.
- MBA have gross recoverable oil reserves and resources of more than 1.76 billion barrels (CIL net interest 1.23 Bn bbls), which includes 1.27 bn from MBA and other fields balance is exploration upside. This is 25-30 years of production.
- **KG-ONN-2003/1 block.** CIL has successfully completed drilling of one appraisal well (Nagayalanka-1z-ST) and expects to submit DoC and FDP in FY15.
- **South Africa.** The company has started the interpretation of the recently acquired 3D seismic survey data. Cairn plans to acquire 3,000 line-km of 2D seismic data in CY2014.
- Any major commercial discovery will improve the future growth prospects of the Company.

## RISKS &amp; CONCERNS

- Any delays and cost overruns; though cost recoverable, could impact NAV of the project.
- Any major decline in crude oil prices due to fall in global oil demand, will have a corresponding impact on CIL's realizations.

## BACKGROUND

- Cairn India is part of the Vedanta Group, a globally diversified natural resources group with wide ranging interests in aluminium, copper, zinc, lead, silver, iron ore, etc.

FINANCIALS (RS MN)	FY13	FY14E	FY15E
Sales	175,242	193,782	201,609
Growth (%)	47.8	10.6	4.0
EBITDA	138,014	142,208	141,681
EBITDA margin (%)	78.8	73.4	70.3
PBT	122,915	124,921	124,526
Net profit	120,564	116,177	115,810
EPS (Rs)	63.1	60.8	60.6
Growth (%)	51.7	-3.6	-0.3
CEPS (Rs)	74.4	72.8	72.2
Book value (Rs/share)	249.7	349.3	395.8
Dividend per share (Rs)	11.5	12.2	12.1
ROE (%)	23.6	19.4	15.7
ROCE (%)	30.6	33.1	25.8
Net cash (debt)	55,568	283,375	337,899
Net Working Capital (Days)	94.8	63.4	59.0

VALUATION PARAMETERS	FY13	FY14E	FY15E
P/E (x)	5.0	5.2	5.2
P/BV (x)	1.3	0.9	0.8
EV/Sales (x)	3.1	1.7	1.3
EV/EBITDA (x)	4.0	2.3	1.9

PRICE PERFORMANCE (%)	1M	3M	6M
	(0.3)	7.7	1.8

Source: Bloomberg, Company, Kotak Securities - Private Client Research

## CURRENT MARKET PRICE

318

## LATEST REPORT

DATE	23-Oct-13
PRICE	332
TARGET PRICE	361
RECOMMENDATION	BUY

## STOCK DETAILS

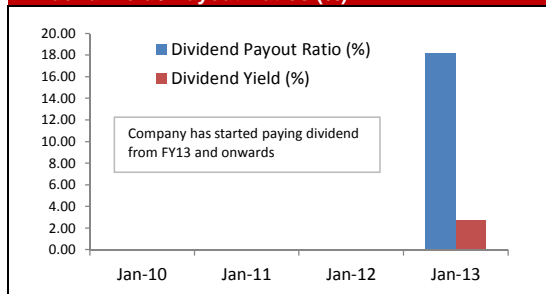
SHARES OUTSTANDING (Mn)	1911
MARKET CAP (Rs mn)	607,080
52 WEEK HIGH / LOW	350 / 268

## Brent Crude Oil Price (US\$/bbls)



Source: Bloomberg

## Dividend Yield / Payout Ratios (%)

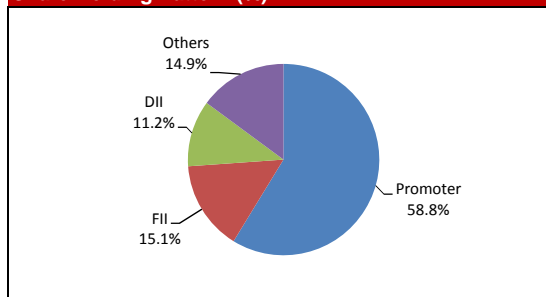


Promoters Pledged Percentage of Shares

0

Source: Company

## Share Holding Pattern (%)



Source: Bloomberg

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## CUMMINS INDIA LTD

### INVESTMENT RATIONALE

- CIL reported moderate revenue growth in Q1FY14 due to sluggish spending in infrastructure space in India.
- Company is well poised to benefit from recovery in the infrastructure spending in the country.
- Commencement of mega production site at Phaltan is likely to ease out capacity constraints and would add to cash flow generation in future. Company has committed a Capex of USD 300 mn funded mainly through internal accruals.
- We recommend 'Accumulate' on company's stock with a DCF based one year price target of Rs 435.

### RISKS & CONCERNS

- Slowdown in industrial production and core sector growth
- Rising interest rate scenario can put further pressure on domestic capex cycle.

### BACKGROUND

- A Cummins Inc subsidiary.
- Significant player in domestic market
- Diversified across power, industrial and automotive sector.

FINANCIALS (RS MN)	FY12	FY13	FY14E
Sales	41,172	45,894	48,933
Growth (%)	0.2	11.5	4.9
EBITDA	6,972	8,349	8,068
EBITDA margin (%)	16.9	18.2	16.5
PBT	8,246	10,513	8,593
Net profit	5,398	6,535	6,273
EPS (Rs)	17.6	19.6	22.6
Growth (%)	(9.0)	21.1	(4.0)
CEPS (Rs)	21.0	25.3	24.5
Book value (Rs/share)	73.7	86.1	94.7
Dividend per share (Rs)	11.0	13.0	12.0
ROE (%)	28.0	29.5	25.0
ROCE (%)	44.2	47.1	35.4
Net cash (debt)	2,235	2,804	(147)
Net Working Capital (Days)	22.3	17.0	41.0

VALUATION PARAMETERS	FY12	FY13	FY14E
P/E (x)	22.4	20.1	17.4
P/BV (x)	5.3	4.6	4.2
EV/Sales (x)	2.5	2.2	2.1
EV/EBITDA (x)	14.5	12.0	13.0

PRICE PERFORMANCE (%)	1M	3M	6M
	(3.4)	(7.9)	(22.9)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

### CURRENT MARKET PRICE

394

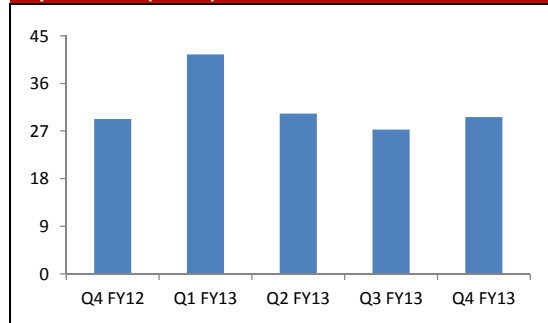
### LATEST REPORT

DATE	05-Aug-13
PRICE	396
TARGET PRICE	435
RECOMMENDATION	ACCUMULATE

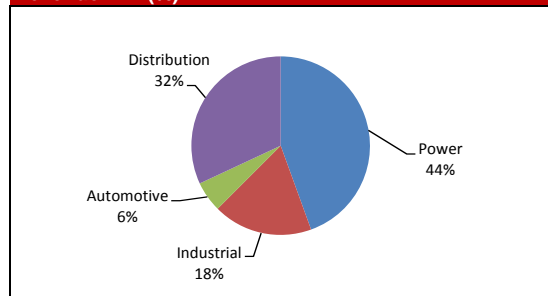
### STOCK DETAILS

SHARES OUTSTANDING (Mn)	277
MARKET CAP (Rs mn)	109,300
52 WEEK HIGH / LOW	550 / 365

### Export Sales (Rs bn)



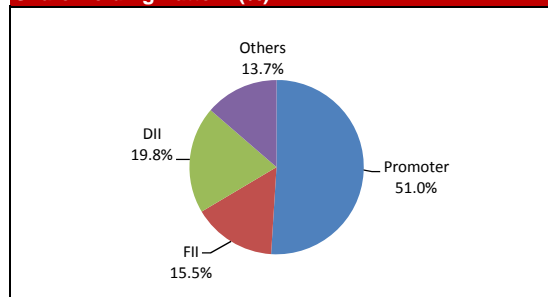
### Revenue mix (%)



Promoters Pledged Percentage of Shares

0

### Share Holding Pattern (%)



Source: Bloomberg





DB Corp

**INVESTMENT ARGUMENT**

- Entrenched, diversified, dominating, urban-focused: DB Corp owns the #2 Hindi newspaper (Dainik Bhaskar), and has a significant presence in Gujarati (Divya Bhaskar) and Marathi (Divya Marathi) newspaper markets. Dainik Bhaskar is a clear #1 in the MP/ Chhattisgarh (MPCG) markets, and competes for #2 slot in various states such as Rajasthan, Punjab, Haryana. The company focuses on regional newspapers, and has a clear strategy to be #1/ #2 player in each of its markets with focus on urban markets. We believe the strategy of the company, and its execution, places it at the top of the table among newspaper plays.
- Entering an election super-cycle: DB Corp has a dominating position in the MPCG markets and a competitive #2 position in Rajasthan, which implies there is no choice for the political advertiser in the upcoming elections. DB Corp shall also be extremely relevant in the Lo Sabha polls (by May, 2014). This means that DB Corp shall see 2-3 quarters of growth well above industry growth rates. It is our belief that DB Corp shall command high bargaining power with the advertiser as well as the reader (rising importance of must know news) in the coming quarters.
- Valuations reasonable at CMP see fair value at Rs 300: Relatively quiet 2Q has led to modest declines, and CMP offers an attractive entry point in DB Corp.

**RISKS & CONCERNS**

- Rise in newspaper prices, further weakening in advertising environment

**BACKGROUND**

- DB Corp's primary business is that of newspaper publishing, although the company also has presence in FM radio (MY FM).

FINANCIALS (RS MN)	FY13	FY14	FY15E
Sales	14,638	15,923	18,427
Growth (%)	15.7	8.8	15.7
EBITDA	3,550	3,760	4,956
EBITDA margin (%)	24.25	23.61	26.89
PBT	3,005	3,313	4,432
Net profit	2,023	2,181	2,881
EPS (Rs)	11.0	11.9	15.7
Growth (%)	(22.1)	7.8	32.1
CEPS	13.8	15.1	19.0
Book Value (Rs / Share)	52.4	56.2	64.9
Dividend per Share (Rs)	3.5	5.5	6.0
ROE (%)	22.7	21.9	26.0
ROCE (%)	17.9	17.7	20.8
Net cash (debt)	825	312	295
Net working capital (Days)	38	45	71

VALUATION PARAMETERS	FY13	FY14	FY15E
P/E (x)	23.5	21.8	16.5
P/BV (x)	4.9	4.6	4.0
EV/Sales (x)	3.2	3.0	2.6
EV/EBITDA (x)	13.2	12.6	9.5

PRICE PERFORMANCE (%)	1M	3M	6M
	6.8	3.9	7.4

Source: Bloomberg, Company, Kotak Securities - Private Client Research

**CURRENT MARKET PRICE**

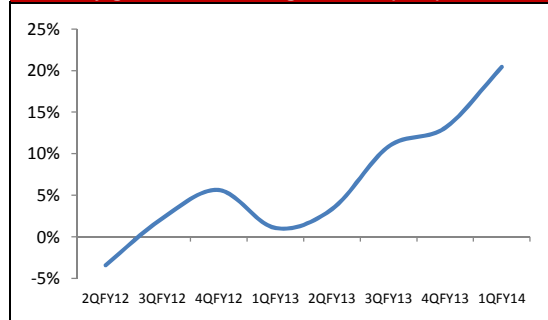
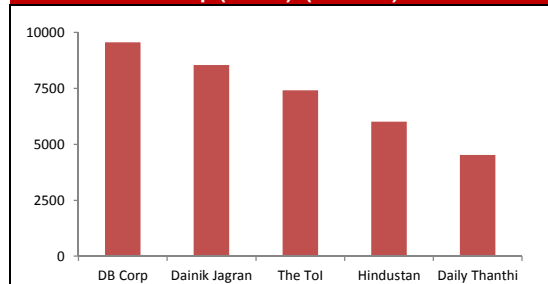
259

**LATEST REPORT**

DATE	21-Oct-13
PRICE	252
TARGET PRICE	315
RECOMMENDATION	BUY

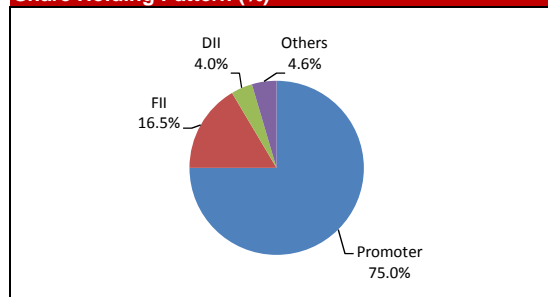
**STOCK DETAILS**

SHARES OUTSTANDING (Mn)	183
MARKET CAP (Rs mn)	47,575
52 WEEK HIGH / LOW	283 / 205

**Quarterly growth advertising revenue (YoY)****All India Readership (Urban) (AIR '000)**

Promoters Pledged Percentage of Shares

36.17

**Share Holding Pattern (%)**

Source: Bloomberg

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ICICI BANK

**INVESTMENT ARGUMENT**

- We like the quality of liability franchise - CASA mix at 43.2% (Q2FY14), one of the best in the industry.
- NIM is on the improvement trajectory on funding cost gains and improvement in the international spread; for the first time, it has crossed 3% mark during FY13 (3.11% in FY13; 3.31% in Q2FY14), an improvement of 38bps YoY. Improvement in liability franchise & better ALM are aiding in reported better margins.
- Lower risk arising from the SME portfolio, as it constitutes only ~5% of total portfolio. While retail piece has witnessed insignificant net slippage, corporate segment continues to perform well.
- Credit cost is slightly higher than management's guidance (~82bps in H1FY14) but better performance on opex and NIM will take care of this; provision coverage ratio is healthy at 73.1% (Q2FY14), providing cushion to its future earnings.
- RoA is likely to remain stronger at 1.8% during FY14/15E, driving up the core RoE to ~15% in FY14/15E. Management focus on stable growth with improving structural profitability reinforces our existing positive outlook on the stock.
- We have used SOTP method to value the stock, where standalone business comes to Rs.1108 (1.6x FY15E ABV) and subsidiaries are valued at Rs.214 (holding co discount: 20%).

**RISKS & CONCERNS**

- Retail book stands at ~36% of total book, highly vulnerable to system-wide deterioration in retail asset quality.
- Deregulation of interest rates on saving deposits (30.3% of deposits) might increase the funding costs and in turn impacting its NIM.

**BACKGROUND**

- Largest private sector banks (3507 branches in Q2FY14) with 4.2% market share in domestic loans.
- After conscious strategy of de-growing their B/S during recent economic downturn, bank has started focusing on profitable growth

FINANCIALS (RS MN)	FY13	FY14E	FY15E
Interest income	400.8	444.1	506.4
Interest expense	262.1	279.6	316.0
Net interest income	138.7	164.5	190.4
Growth (%)	29.2%	18.7%	15.7%
Other income	83.5	93.4	104.7
Gross profit	132.0	157.9	181.7
Net profit	83.3	97.9	114.6
Growth (%)	28.8%	17.6%	17.1%
Gross NPA (%)	3.3	3.1	3.0
Net NPA (%)	0.8	1.0	1.0
Net interest margin (%)	3.0	3.2	3.2
CAR (%)	18.7	19.8	18.6
RoE (%)	13.1	13.9	14.5
RoAA (%)	1.6	1.7	1.8
Dividend per share (Rs)	20.0	22.0	24.0
EPS (Rs)	72.2	84.8	99.3
Adjusted BVPS (Rs)	558.8	618.4	692.6

VALUATION PARAMETERS	FY13	FY14E	FY15E
P/E (x)	15.5	13.2	11.3
P/ABV (x)	2.0	1.8	1.6

PRICE PERFORMANCE (%)	1M	3M	6M
	26.9	23.3	(3.7)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

**CURRENT MARKET PRICE**

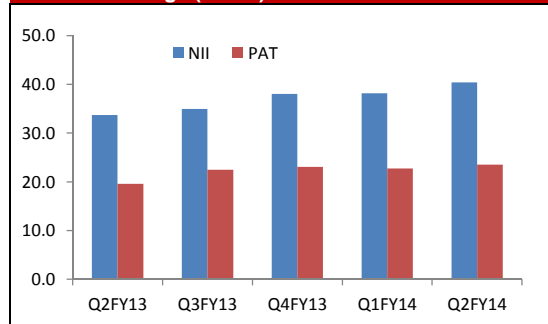
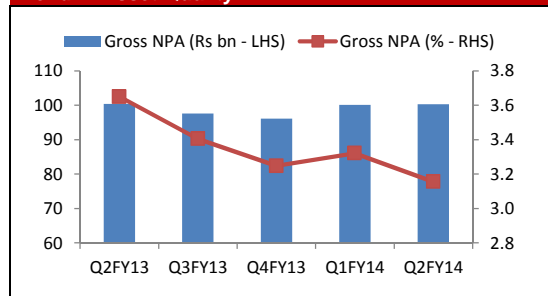
1121

**LATEST REPORT**

DATE	28-Oct-13
PRICE	1022
TARGET PRICE	1322
RECOMMENDATION	BUY

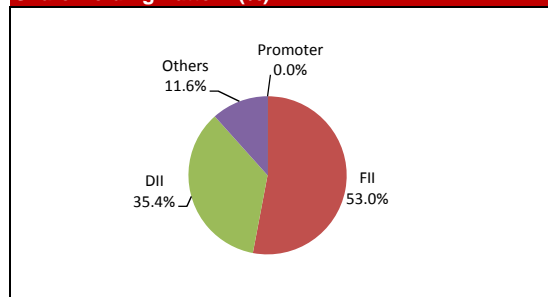
**STOCK DETAILS**

SHARES OUTSTANDING (Mn)	1154
MARKET CAP (Rs mn)	1,294,019
52 WEEK HIGH / LOW	1238 / 757

**Trend in earnings (Rs bn)****Trend in Asset Quality**

Promoters Pledged Percentage of Shares

0

**Share Holding Pattern (%)**

Source: Bloomberg

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IDFC

**INVESTMENT ARGUMENT**

- It is present in the niche infrastructure financing space and is well positioned to benefit from India's large infrastructure opportunity.
- Despite higher proportion of loan growth coming from refinancing opportunities having lower margins, it has managed to improve its spreads on back of declining funding costs.
- Asset quality is best in class - GNPA/NNPA at 0.32%/0.20% (Q1FY14). Moreover, it carries sufficient provision buffer (1.9% of loans) to provide for any likely future increase in GNPA.
- Borrowing profile has seen improvement – MF's share has gone up while bank's share has declined, +ve from funding perspective.
- In prevailing macro-environment, higher non-power assets and strong capitalization makes it a lower-risk play. We believe, falling wholesale funding rates along with improvement in the outlook on capital market related business are future catalyst for the stock.

**RISKS & CONCERNS**

- Continued moderation in infrastructure capex cycle and delay in project commissioning due to policy/approval delays or due to lack of fuel-availability can impact the lending business.
- Continued softness in capital markets for a relatively longer period.

**BACKGROUND**

- Established in 1997 as a specialized Infrastructure financier to encourage private sector investments in the infrastructure space.
- Apart from lending business, it has diversified into non-fund based product offerings like asset management, private equity and debt finance/syndication.

FINANCIALS (RS MN)	FY12	FY13	FY14E
Net Interest Income	20,960	25,640	29,817
Growth (%)	27.4%	22.3%	16.3%
Non-Int Income	8,610	8,830	9,200
Total Income	29,570.0	34,470.0	39,017.1
Operating Profit	24,570	29,440	32,950
Net Profit	15,540	18,360	21,438
Growth (%)	21.2%	18.1%	16.8%
Gross NPA (%)	0.3	0.2	0.7
Net NPA (%)	0.2	0.1	0.2
NIMs (%)	3.8	3.9	3.9
RoA (%)	2.9	2.6	2.6
RoE (%)	13.2	13.9	14.8
DPS (Rs)	2.3	2.5	2.5
EPS (Rs)	10.3	12.0	14.2
BV (Rs)	81.2	90.3	101.5
Adj. BV (Rs)	80.8	90.1	101.0

VALUATION PARAMETERS	FY12	FY13	FY14E
P/E (x)	10.2	8.8	7.4
P/ABV (x)	1.3	1.2	1.0

PRICE PERFORMANCE (%)	1M	3M	6M
	19.1	(4.2)	(31.4)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

**CURRENT MARKET PRICE**

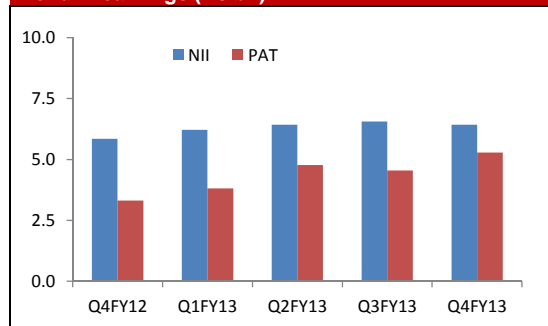
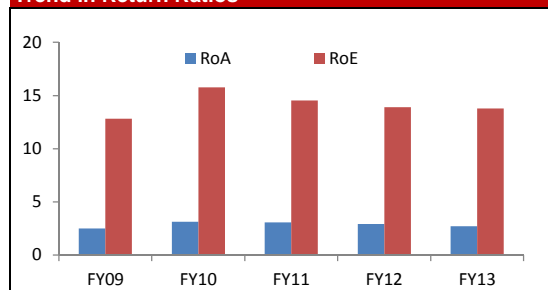
105

**LATEST REPORT**

DATE	10-Sep-13
PRICE	85
TARGET PRICE	137
RECOMMENDATION	BUY

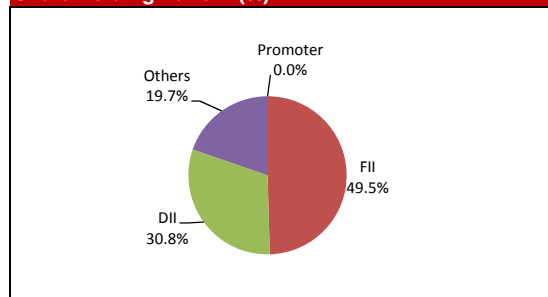
**STOCK DETAILS**

SHARES OUTSTANDING (Mn)	1516
MARKET CAP (Rs mn)	158,966
52 WEEK HIGH / LOW	185 / 76

**Trend in earnings (Rs bn)****Trend in Return Ratios**

Promoters Pledged Percentage of Shares

0

**Share Holding Pattern (%)**

Source: Bloomberg

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# INFOSYS TECHNOLOGIES

## INVESTMENT ARGUMENT

- The company's strategy of focusing on growth continues to yield results. In 2Q, it has been accompanied by improvement in realisations, which is encouraging.
- With the change in management, we do expect the company to take further initiatives to improve employee engagement, especially in client facing functions. This may lead to sustained revenue growth rates, going ahead.
- We have been positive on the long-term demand prospects for quite some time. With the developed economies stabilizing, we do expect the demand scenario to improve over the next few quarters.
- We accord valuations which are at a marginal premium to the lower end of the valuations band of previous low-growth phase (FY10), as the growth prospects for Infosys have improved.

## RISKS & CONCERNS

- A sharp appreciation in the rupee against various currencies will impact our earnings estimates.
- Delayed recovery in developed economies will likely impact future revenue growth and profitability of the company.

## BACKGROUND

- Infosys was incorporated in 1981 by 7 engineers, led by Mr. Narayana Murthy. Infosys had been the proxy for the Indian IT sector since its inception.
- The company has been an outstanding corporate citizen in terms of corporate governance in India. Infosys services clients in over 30 countries.

FINANCIALS (RS MN)	FY13	FY14	FY15E
Sales	403,520	503,284	554,850
Growth (%)	19.6	24.7	10.2
EBITDA	104,290	120,263	138,564
EBITDA margin (%)	25.8	23.9	25.0
PBT	127,880	142,133	162,764
Net profit	94,210	104,066	118,818
EPS (Rs)	164.9	182.2	208.0
Growth (%)	13.3	10.5	14.2
CEPS	193.2	217.4	246.8
BV (Rs / Share)	665.0	789.2	925.1
Dividend / Share (Rs)	42.0	60.0	70.0
ROE (%)	26.4	25.1	24.3
ROCE (%)	35.8	34.2	33.2
Net cash (debt)	218,320	249,339	308,346
NW capital (Days)	62.4	66.0	67.5

VALUATION PARAMETERS	FY13	FY14	FY15E
P/E (x)	20.1	18.2	16.0
P/BV (x)	5.0	4.2	3.6
EV/Sales (x)	4.1	3.3	2.8
EV/EBITDA (x)	16.0	13.6	11.4

PRICE PERFORMANCE (%)	1M	3M	6M
	10.2	11.8	48.6

Source: Bloomberg, Company, Kotak Securities - Private Client Research

## CURRENT MARKET PRICE

3321

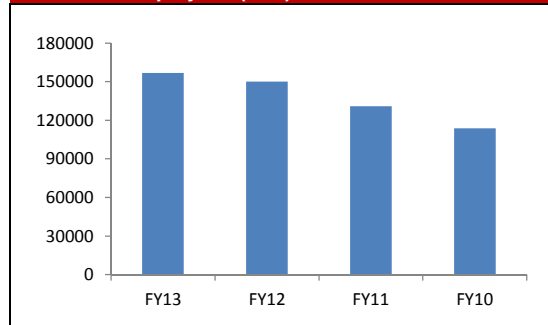
## LATEST REPORT

DATE	14-Oct-13
PRICE	3275
TARGET PRICE	3592
RECOMMENDATION	BUY

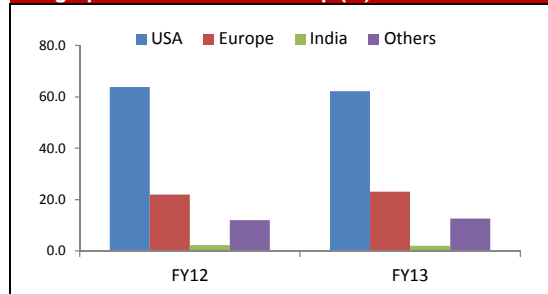
## STOCK DETAILS

SHARES OUTSTANDING (Mn)	574
MARKET CAP (Rs mn)	1,907,038
52 WEEK HIGH / LOW	3378 / 2186

## Number of Employees (Nos)



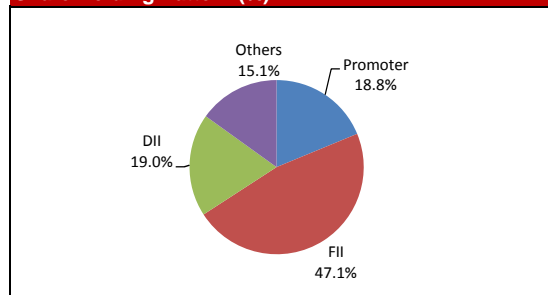
## Geographical Revenue Break up (%)



Promoters Pledged Percentage of Shares

0

## Share Holding Pattern (%)



Source: Bloomberg

THE BEST BROKERAGE FIRM IN INDIA. NO DEBATE HERE.





## KPIT CUMMINS INFOSYSTEMS

### INVESTMENT ARGUMENT

- Management commentary echoes the optimism sounded by other leading peers about the continuing traction in automotive, manufacturing and Utilities verticals, the mainstay of KPIT.
- The company has bagged and started work on large deals in 2Q. This should lead to a better 2HFY14.
- However, we note that, the company had faced constraints / delays in scaling up few accounts and we will continue to be watchful of this trend.

### RISKS & CONCERNS

- Slower-than-expected recovery in demand from major user economies and a sharper-than-expected appreciation in rupee remain the key risks for earnings. Revolo earnings can provide significant upsides, if successful.

### BACKGROUND

- Headquartered in Pune, KPIT has been in business for more than 20 years and has served more than 180 clients globally.
- Cummins Inc is a shareholder in the company and is also a major customer for KPIT.

FINANCIALS (RS MN)	FY13	FY14	FY15E
Sales	22,386	27,521	30,240
Growth (%)	49.2	22.9	9.9
EBITDA	3,641	4,632	5,144
EBITDA margin (%)	16.3	16.8	17.0
PBT	2,860	3,935	4,386
Net profit	1,990	2,841	3,158
EPS (Rs)	10.3	15.4	17.1
Growth (%)	26.4	49.3	11.2
CEPS (Rs)	12.8	18.5	20.4
Book value (Rs/share)	53.7	71.1	87.2
Dividend per share (Rs)	0.8	0.4	1.0
ROE (%)	22.8	24.2	21.6
ROCE (%)	28.7	30.4	28.1
Net cash (debt)	462	2,743	5,162
Net Working Capital (Days)	76.2	80.4	78.7

VALUATION PARAMETERS	FY13	FY14	FY15E
P/E (x)	14.3	9.5	8.6
P/BV (x)	2.7	2.1	1.7
EV/Sales (x)	1.3	1.0	0.8
EV/EBITDA (x)	7.7	6.0	5.0

PRICE PERFORMANCE (%)	1M	3M	6M
	12.6	16.6	41.4

Source: Bloomberg, Company, Kotak Securities - Private Client Research, Yr End October

### CURRENT MARKET PRICE

147

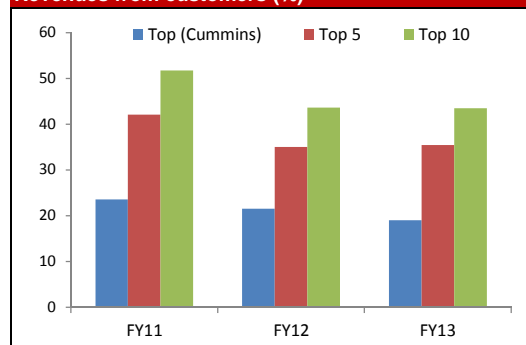
### LATEST REPORT

DATE	24-Oct-13
PRICE	145
TARGET PRICE	169
RECOMMENDATION	BUY

### STOCK DETAILS

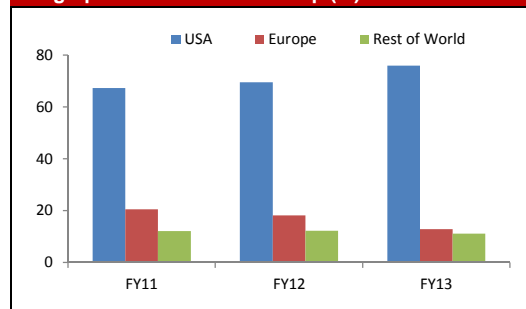
SHARES OUTSTANDING (Mn)	193
MARKET CAP (Rs mn)	28,424
52 WEEK HIGH / LOW	160 / 92

### Revenues from customers (%)



Source: Company

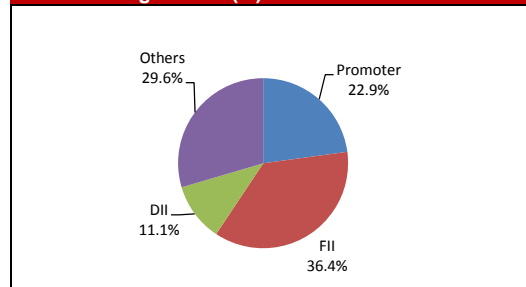
### Geographical Revenue Break up (%)



Promoters Pledged Percentage of Shares 16.4

Source: Company

### Share Holding Pattern (%)



Source: Bloomberg

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**TATA STEEL****INVESTMENT ARGUMENT**

- TS India has delivered impressive H1 sales volume growth of 18.8% Y/Y to 4.04MT and has guided to deliver 1mt of higher sales in FY14e.
- TS Europe production hit a 2 year high in Q1 and is guided to sustain on improved production rate and with higher value added products.
- China third plenum scheduled for November is likely to kick start next wave of reforms and sustainable growth measures which is likely to support steel demand and prices.
- Improvement in global steel prices and sharp rupee depreciation has allowed Indian steel companies to raise domestic steel prices in Sep'13.
- TS Europe is likely to increase steel prices from Nov onwards once weak seasonality is over. EU PMI data has recently hit 26 month high.
- Tata Steel had commissioned its coke oven batteries of 0.7mtpa in Dec 2012 which would reduce coke purchases and improve margins for Indian operations in FY14.
- We expect Indian steel demand to improve in H2FY14 driven by increased government spending on infrastructure projects pre parliamentary elections and improved rural demand post good monsoons this year.
- TS is the best play amongst domestic steel companies over medium term and should be accumulated on declines on likely week Q2 results.

**RISKS & CONCERNS**

- Proposed MMDR bill if implemented in current format in coming months.
- Downturn in EU due to any unexpected development.

**BACKGROUND**

- Established in 1907, Tata Steel is world's 12<sup>th</sup> largest steel company with crude steel capacity of 27MT. It has employee strength of 81000 employees, spread over 5 continents. It is a fortune 500 company. Major steel plant locations are (i) Jamshedpur, India (ii) Ijmuiden, Netherlands (ii) Scunthorpe, UK (iv) Port Talbot, UK (v) Natsteel, Singapore (vi) Thailand.

FINANCIALS (RS MN)	FY13	FY14	FY15E
Sales	1,328,997	1,347,115	1,440,803
Growth %	11.9%	1.4%	7.0%
EBITDA	124,168	123,212	156,950
EBITDA margin %	9.3%	9.1%	10.9%
PBT	85,850	(41,330)	59,915
Net profit	51,673	(73,234)	31,502
EPS (Rs)	51.0	(72.3)	31.1
Growth %	-43.2%	-241.7%	-143.0%
CEPS	76.7	25.7	62.9
Book Value (Rs / Share)	424.9	337.4	355.2
Dividend per Share (Rs)	12.0	12.0	11.9
ROE %	0.1	(0.2)	0.1
ROCE %	0.1	(0.0)	0.1
Net cash (debt)	410,964	442,840	518,862
Net working capital (Days)	33.1	18.7	18.1

VALUATION PARAMETERS	FY13	FY14	FY15E
P/E (x)	6.5	(4.6)	10.6
P/BV (x)	0.8	1.0	0.9
EV/Sales (x)	0.5	0.6	0.6
EV/EBITDA (x)	5.9	6.5	5.6

PRICE PERFORMANCE (%)	1M	3M	6M
	21.2	52.6	8.8

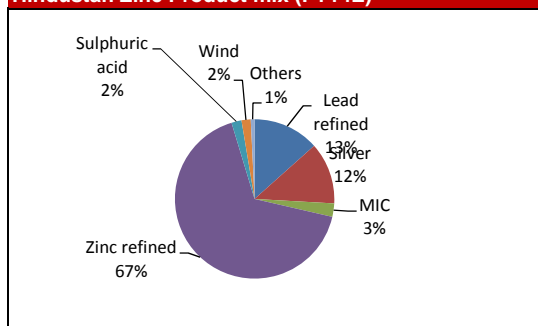
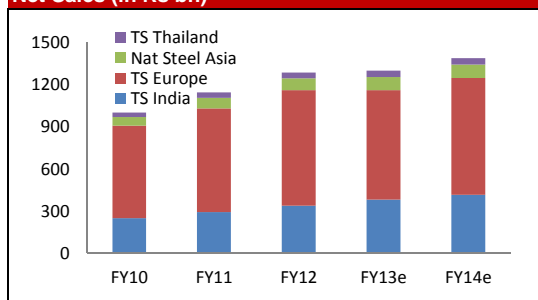
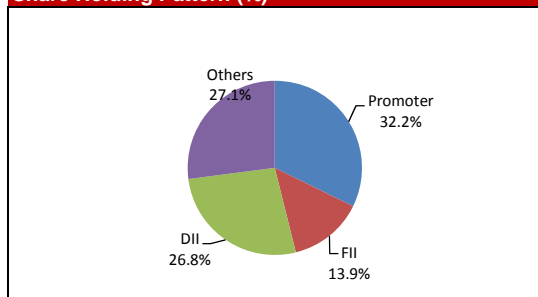
Source: Bloomberg, Company, Kotak Securities - Private Client Research

**CURRENT MARKET PRICE****329****LATEST REPORT**

DATE	20-Sep-13
PRICE	311
TARGET PRICE	358
RECOMMENDATION	ACCUMULATE

**STOCK DETAILS**

SHARES OUTSTANDING (Mn)	971
MARKET CAP (Rs mn)	319,773
52 WEEK HIGH / LOW	448 / 195

**Hindustan Zinc Product mix (FY14E)****Net Sales (in Rs bn)**Promoters Pledged Percentage of Shares **6.57****Share Holding Pattern (%)**

Source: Bloomberg

**THE BEST BROKERAGE FIRM IN INDIA. NO DEBATE HERE.**



### INVESTMENT RATIONALE

- Diversified play on the Indian infrastructure and Industrial sector.
- Order backlog of Rs 1.76 trn remains strong providing visibility of 32 months.
- The company has given guidance of 20% growth in order intake in FY14.
- Stock performance would be contingent on newsflow on larger order wins, commodity price trends and general economic and policy datapoints (interest rate cuts and mining and power sector reforms), we opine.
- We expect stock to respond favourably to any reforms moves to address the issues that have plagued the power sector.

### RISKS & CONCERNS

- Mainly project execution and commodity price risks.
- Project investments has slowed down in recent quarters, which may impact order flow in the coming quarters.

### BACKGROUND

- Professionally managed engineering company.
- Presence across Middle East and Central Asia
- Diversified across Power, Infrastructure, Hydrocarbons, Railways, Shipbuilding, Nuclear etc

FINANCIALS (RS MN)	FY13	FY14E	FY15E
Sales	744,980	842,236	968,571
Growth (%)	15.8	13.1	15.0
EBITDA	98,087	101,722	118,166
EBITDA margin (%)	13.2	12.1	12.2
PBT	76,379	71,475	85,555
Net profit	52,057	47,690	57,110
EPS (Rs)	49.8	51.6	61.8
Growth (%)	(1.4)	3.6	19.8
CEPS (Rs)	67.6	70.0	82.1
Book value (Rs/share)	366.2	404.0	451.9
Dividend per share (Rs)	12.3	12.3	12.3
ROE (%)	14.6	13.4	14.4
ROCE (%)	4.5	4.3	4.6
Net cash (debt)	(584,220)	(580,111)	(614,818)
Net Working Capital (Days)	126.3	92.4	92.5

VALUATION PARAMETERS	FY13	FY14E	FY15E
P/E (x)	19.6	18.9	15.8
P/BV (x)	2.7	2.4	2.2
EV/Sales (x)	1.7	1.7	1.5
EV/EBITDA (x)	12.9	13.9	11.9

PRICE PERFORMANCE (%)	1M	3M	6M
	23.4	14.9	(3.4)

Source: Bloomberg, Company, Kotak Securities - Private Client Research

### CURRENT MARKET PRICE

974

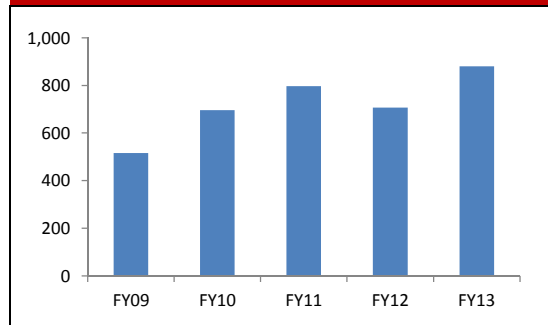
### LATEST REPORT

DATE	21-Oct-13
PRICE	872
TARGET PRICE	960
RECOMMENDATION	ACCUMULATE

### STOCK DETAILS

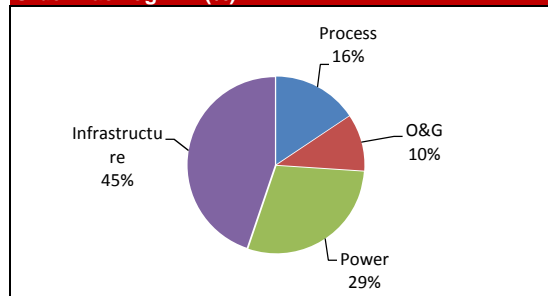
SHARES OUTSTANDING (Mn)	925
MARKET CAP (Rs mn)	900,922
52 WEEK HIGH / LOW	1133 / 677

### Order intake Rs bn



Source: Company

### Order Backlog mix (%)

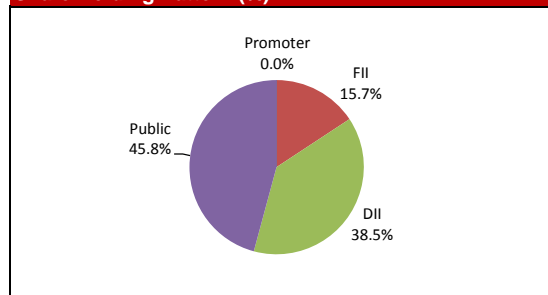


Promoters Pledged Percentage of Shares

0

Source: Company

### Share Holding Pattern (%)



Source: Bloomberg

