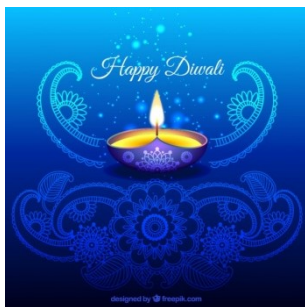


**SHARE INDIA SECURITIES LTD.
SAMVAT 2074 – DIWALI PICKS**



Share India

You generate, we multiply

**Wishing everyone a very HAPPY DEEPAWALI & a
PROSPEROUS NEW YEAR!**

YOU GENERATE, WE MULTIPLY



Market Outlook

Samvat 2073 has been a great year for Indian markets. Rarely has any single year been so eventful – beginning with demonetization – which forced nation into queues, elections in Uttar Pradesh – which strengthened political capital of NaMo, rollout of GST – a landmark tax reform and Nifty in 5 digits – keeping pace with record highs.

However, what sets this year apart is rally in wider markets - Nifty Small Cap index rallied ~21.5% higher than returns generated by Nifty Midacap and Nifty 50; continuous domestic flows in face of FII's selling – YTD average of Equity inflows of INR 225bn, led by channeling of financial savings post demonetization, improvement in macro fundamentals – lower twin deficit of fiscal and trade numbers.

We believe that best is yet to come for Indian markets. India's economy, will regain its course to grow at 7-8% after faltering slightly over the past 4 quarters. As familiarity of GST kick in, capacity utilization will increase leading to improvement in corporate earnings and higher private capex. Nifty's earning are likely to grow at CAGR of 18% - 20% over FY17-FY20E period.

On valuation front, Nifty is trading at P/E of 19X, 16X and 14.5X of FY18E, FY19E and FY20E earnings respectively. While in the near term, we expect markets to be range bound driven by global factors, fund flows, IPO market and sentiment; in long term Indian equity market is in midst of structural bull run and portfolio of right stocks will create significant long term wealth.

Share India has carefully chosen a model portfolio for Samvat 2074. This portfolio is well balanced and provides opportunity to earn higher return. The picks are largely from our key investment themes – companies which have completed significant capex and will witness higher utilization levels; increase in financial saving of households, increased government spending on infrastructure development and defence, higher commodity prices and shift in market share to organised companies.

Happy Investing! - Team Share India

YOU GENERATE, WE MULTIPLY

SHARE INDIA – Diwali Picks for SAMVAT 2074



Category	Symbol	LTP	TP	Potential Upside	FY19E EPS	FY19E P/E(x)	M.Cap (Mn)	52WkHigh	52WkLow
Large Caps - Stable Returns	IOC	415	475	15%	43	10	2,013,258	463	282
	LT	1,139	1,375	21%	57	20	1,594,731	1,251	863
	TATASTEEL	711	825	16%	60	12	690,389	717	366
	SUNDRMFAST	511	600	17%	24	21	107,281	526	262
Mid Caps - Movers and Shakers	CYIENT	539	655	22%	43	13	60,683	570	405
	MOIL	207	259	25%	19	11	55,260	214	130
	TRIDENT	98	150	53%	11	9	50,475	110	49
	GRANULES	136	195	43%	11	12	31,180	157	91
Small Caps - Diwali Bumper	MAHSEAMLES	460	590	28%	31	15	30,820	474	210
	IGPL	756	1,025	36%	54	14	23,290	784	188
	ASIANILES	487	650	33%	26	19	14,659	518	176
	PENIND	60	78	30%	7	9	7,203	67	39

*figures in INR

**LTP as on 13.Oct.2017

***TP is for SAMVAT 2074

SHARE INDIA – Diwali Picks for SAMVAT 2074



- **LARGE CAPS**
 - EXPECTED TO GIVE STABLE RETURN
 - PROVIDE PIVOT TO PORTFOLIO

DIWALI WALA BADA ROCKET!





Indian Oil Corporation (IOC)

- **Valuation** – We value IOC at EV/EBITDA (x) of 6.6 FY19E on consolidated level to reflect global peers. IOC currently trades at attractive valuation of 9x FY19E.
- **Trigger and Outlook** – As the Paradip refinery (core GRM of USD12/bbl) has been fully commissioned (as per IOCL earlier guidance for 92-95% utilisation in FY18), GRM will improve structurally. INR1.8tn capex will be funded via internal accruals (INR300bn p.a. operating cash flow).
- **About** - IOCL is the largest OMC in India with a ~47% market share and has the largest network of retail outlets across the country (more than 25,000 outlets). It also has the largest refining capacity in the country at 80.7mtpa. It has commissioned its 15mtpa refinery at Paradip which is the most complex PSU refinery. IOCL also has a large presence in pipelines and chemicals.

Financial Snapshot			
(INR bn)	FY17	FY18E	FY19E
Net Sales	3,553	3,099	3,420
EBITDA	340	342	387
Net Profit	199	178	208
EPS (INR)	41	37	43
ROE%	21	17	18

Larsen and Toubro (LT)

- **Valuation** – We value LT with an SOTP-based price target of INR1,375 (E&C business at 25x FY19E EPS, to which we add INR450 for subsidiaries), with 12% CAGR in revenues. Key risks include (a) sharp slowdown in government spending, and (b) sharp fall in oil prices in the Middle East.
- **Trigger and Outlook** – LT won the orders awarded under the Western Dedicated Freight Corridor and is expected to do well with DFCC. Indian Railways has planned a capex of INR 1.3trn in FY18 and trend is expected to be on the higher side. The increasing trend of water segment, a 25% CAGR growth in revenues, will add up to the order book.
- **About** - LT is a technology, engineering, construction and manufacturing company. The Company's segments include activities of Power, Infrastructure, Electrical & Electronics, Engineering Construction, Metallurgical & Material Handling.

Financial Snapshot			
(INR bn)	FY17	FY18E	FY19E
Net Sales	1,100	1,210	1,335
EBITDA	111	132	154
Net Profit	59	67	80
EPS (INR)	42	48	57
ROE%	13	13	14

TATA STEEL (TS)

- **Valuation** – We value TS at SoTP-based TP of INR825, implying exit multiple of 7.3x FY19E EBITDA. At CMP, the stock is trading at 6.5x FY19E EBITDA.
- **Trigger and Outlook** – TATA’s initiative to focus on domestic market by doubling capacity in next 5 years and presence in value-added segments will boost profitability. Kalinganagar has attained 90% capacity utilisation YTD and there exists potential to expand rapidly at lower incremental cost.
- **About** - Tata Steel is the sixth largest steel company in the world with over 30mtpa of steel capacity. Tata Steel India has low-cost steel-making facilities comprising the 9.7mtpa steel facility at Jamshedpur in Jharkhand and the recently commissioned 3.0mtpa Kalinganagar unit in Odisha.

Financial Snapshot			
(INR bn)	FY17	FY18E	FY19E
Net Sales	1,174	1,289	1,291
EBITDA	170	192	212
Net Profit	27	49	58
EPS (INR)	27	51	60
ROE%	7	13	14

SUNDRAM FASTENERS (SF)

- **Valuation** – The stock is currently trading at a FY19 PE multiple of 21x. We have a positive view on the stock given attractive industry dynamics, expanding capacities new manufacturing facilities.
- **Trigger and Outlook** – SF is introducing new products like engine components, pump assemblies, powder metal parts and shafts which would improve profitability. SF focus on high-value products (transmission and electric vehicle products) give sustainable revenue visibility.
- **About** – SF is part USD 5bn TVS group and has 40 years of track record in manufacturing auto parts and components such as high tensile fasteners, powder metal components, cold extruded parts, hot forged parts, radiator caps, automotive pumps, gear shifters etc.

Financial Snapshot			
(INR mn)	FY17	FY18E	FY19E
Net Sales	32,900	37,319	41,624
EBITDA	5,955	6,792	7,617
Net Profit	3,406	4,250	5,038
EPS (INR)	16	20	24
ROE%	28	28	27

SHARE INDIA – Diwali Picks for SAMVAT 2074



- MID CAPS
 - COMPANIES WITH SIGNIFICANT RERATING POTENTIAL
 - PLAY ON INDIAN ECONOMY

ENJOY DIWALI! PLAY SAFE!



CYIENT

- **Valuation** –Cyient is trading at a 13x FY19E P/E which has re-rating potential. It has surplus cash of ~INR75/sh. Revenue upside from inorganic growth provide upside trigger to our forecast.
- **Trigger and Outlook** – We expect Cyient to report revenue CAGR of 20% plus with improved profitability led by all segment performance improvement. Cyient is expected to outperform sector with low teen US\$ revenue CAGR.
- **About** - Cyient is engaged in providing software-enabled engineering and Geographic Information System services. The Company's segments include Data & Network Operations; Engineering, Manufacturing, Industrial Products and Product Realisation (PR).

Financial Snapshot			
(INR mn)	FY17	FY18E	FY19E
Net Sales	36,066	41,784	47,282
EBITDA	4,848	5,617	6,356
Net Profit	3,700	4,287	4,851
EPS (INR)	33	38	43
ROE%	18	20	21

MOIL

- **Valuation** – The stock is trading at and 10.6x FY19E earnings and revenue visibility position it for re-rating.
- **Trigger and Outlook** – Imposition of anti dumping duty on steel till FY21 bodes well demand of ore. EV push will also lead to higher off-take of electrolytic manganese dioxide. MOIL plans to double current production level of ~ 1.1MT to 2MT by 2021 and is targeting 2.5MT by 2025.
- **About** – MOIL is the largest producer of manganese ore by volume in the country with large reserves of high grade manganese ore. It also holds majority of total demonstrated reserves of high grade manganese ore in the country.

Financial Snapshot			
(INR mn)	FY17	FY18E	FY19E
Net Sales	12,031	13,300	12,860
EBITDA	5,212	5,200	6,050
Net Profit	3,074	4,420	4,920
EPS (INR)	12	17	19
ROE%	110	60	40

TRIDENT

- **Valuation** –: TRIDENT trades at ~9x FY19E EPS, the stock has the potential to deliver >50% return on back of re rating and strong growth.
- **Trigger and Outlook** – Increase in capacity utilization and entry into bed linen segment are major growth segment for the company. Operating margin expansion and lower financial expense will lead t EPS CAGR of 20% plus.
- **About** - Trident is one of India’s leading diversified group of businesses and is one of the world’s largest manufacturers of integrated home textile (bed and bath linen) and the largest manufacturer of wheat straw-based paper. In FY17, the Home Textile business contributed 82% of its overall revenue, while Paper accounted for 18%.

Financial Snapshot			
(INR bn)	FY17	FY18E	FY19E
Net Sales	47	52	57
EBITDA	9	10	11
Net Profit	3	4	5
EPS (INR)	7	8	11
ROE%	13	15	16

GRANULES (GRAN)

- **Valuation** –: GRAN trades at ~12x FY19E EPS, the stock has the potential to deliver >50% return on back of multiple re rating and strong EPS CAGR.
- **Trigger and Outlook** – GRAN is expected to report 35% plus PAT CAGR over FY18-20E led by – Vizag facility EIR and backward integration for API, tech transfer from JV with Omnicem and formulation growth with augmented capacity.
- **About** - GRAN is a vertically integrated manufacturer of pharmaceutical products and is among the largest manufacturers of Paracetamol and Ibuprofen in the world. It derives 63% of its business from Europe and the US.

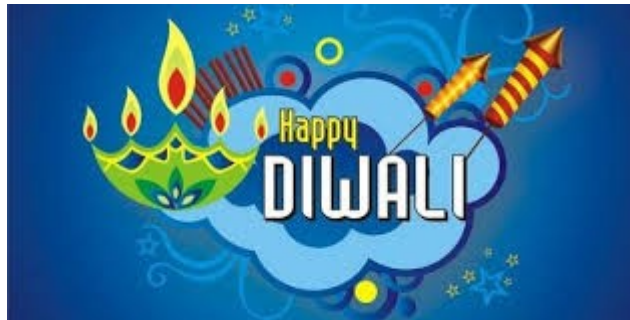
Financial Snapshot			
(INR bn)	FY17	FY18E	FY19E
Net Sales	14	17	23
EBITDA	3	4	5
Net Profit	2	2	3
EPS (INR)	7	8	11
ROE%	21	18	19

SHARE INDIA – Diwali Picks for SAMVAT 2074



- SMALL CAPS
 - COMPANIES WITH INCREASING UTILIZATION
 - SUPPOSED TO BE MULTI-BAGGERS OF THIS CYCLE

CHOTA BOMB – BADA DHAMAKA!





MAHRASHTRA SEAMLESS (MAHS)

- **Valuation** – The stock is trading at and 15x FY19E P/E.
- **Trigger and Outlook** – Anti dumping duty, higher capacity utilization and volume realization from upstream O&G segment will lead to re rating of the stock.
- **About** – MAHS is a leading manufacturer of seamless and ERW carbon & alloy steel pipes and tubes in India. Both seamless & ERW plants are a first of their kind in India and have a technical tie-up with SMS MEER of Germany. The plant is strategically located in Nagothane, about 100 km from Mumbai Port.

Financial Snapshot			
(INR Mn)	FY17	FY18E	FY19E
Net Sales	14,282	17,911	22,000
EBITDA	2,204	2,774	3,300
Net Profit	1,455	1,761	2,023
EPS (INR)	22	26	31
ROE%	5	6	7

I.G.PETROCHEMICALS (IGPL)

- **Valuation** – Well capitalised BS and healthy ROE's of 26% plus provide downside cushion and justify higher FY19E EV/EBITDA from current 8.5x.
- **Trigger and Outlook** – IGPL's market leadership in growing PAN market will lead revenue visibility. Aggressive growth plans, de-bottlenecking of existing plants and vertical integration of current product mix will improve profitability.
- **About** – IGPL is the third largest global PAN player with a capacity of 169,110MT. It is promoted by the Dhanuka Group in technical collaboration with Lurgi GmbH, Germany. The company has steadily increased its capacity over the last ten years.

Financial Snapshot			
(INR mn)	FY17	FY18E	FY19E
Net Sales	10,375	11,671	12,063
EBITDA	1,641	2,300	2,400
Net Profit	1,016	1,500	1,650
EPS (INR)	33	49	54
ROE%	30	32	27

ASIAN GRANITO (AG)

- **Valuation** – AG trades at 1.2x EV/Sales compared to 3.2x of Kajaria Ceramics.
- **Trigger and Outlook** – AG has constantly been trying to upgrade its product mix to increase profitability. Healthy demand growth, strong distribution network, synergy benefits of acquisitions (Artistique), focus on B2C franchise – all provide long term cushion for price downfall.
- **About** - AG is engaged in the manufacture and sale of ceramic wall and floor tiles, vitrified tiles, digital polished glazed vitrified tiles, digital wall tiles, marble and quartz. AG's current, vitrified sales (35%) are lower as compared to its peers like Somany Ceramics (47%) and Kajaria Ceramics (61%) but going forward we expect its focus on vitrified products will improve margins.

Financial Snapshot			
(INR mn)	FY17	FY18E	FY19E
Net Sales	10,660	12,099	14,425
EBITDA	1,235	1,499	1,975
Net Profit	391	525	780
EPS (INR)	13	18	26
ROE%	10	13	16

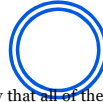
PENNAR INDUSTRIES (PEN)

- **Valuation** – PEN is currently trading at <10x FY19E P/E and has significant re-rating potential.
- **Trigger and Outlook** – Order flows in the Systems & Project segment (solar panels and railway wagons) is expected to increase. PEN has completed its capacity expansion and is well positioned for growth. There is room for growth in Pennar Enviro, a subsidiary engaged in the business of water treatment and fuel additives.
- **About** – Established in 1975, the Hyderabad-based company started with cold rolled steel strips, steel tubes and pipes, before expanding into other products. It has executed orders for global players such as JABB, Volvo, L&T, Texmaco, IVRCL, Reliance Industries, Ultratech, etc.

Financial Snapshot			
(INR mn)	FY17	FY18E	FY19E
Net Sales	15,494	18,748	22,498
EBITDA	1,742	2,212	2,699
Net Profit	467	663	802
EPS (INR)	4	6	7
ROE%	33	34	35



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Disclosure:

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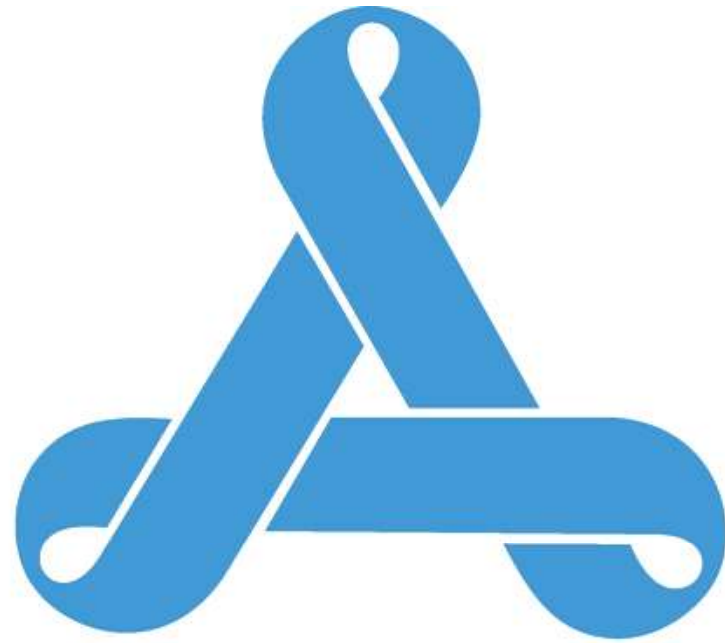
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