



**STEWART &
MACKERTICH**
LEGACY | TRUST | GROWTH

Wishing you a very
happy
diwali



BALJ.
AMNS.

BCML

BATA

ENGG.
INDIA

ICICI
BANK

ITC

JGRN.
PRKSN.

JK
PAPER

L&T

M&M

MHNGR.
GAS

Dear Patrons,

Wishing You a Very Happy Diwali & Prosperous SAMVAT 2075!!!

Samvat 2074 was a roller coaster year on all fronts. Relentless increase in Brent crude oil prices from \$55.92/barrel to \$75.91/barrel as on 30th October 2018 after hitting a high of ~USD86/barrel in early October 2018, sharp depreciation of INR against USD from 65.04 to 73.67 and increase in current account deficit impacted India's economic indicators. Imposition of LTCG Tax, electoral setback to the ruling Government in Karnataka, oppositions' clamor on Rafale deal and default by IL&FS to meet its obligations and liquidity squeeze all have led to loss of sentiment in the market. On the positive front, formalization of the economy, increase in the tax base, smooth transition of GST in the second half were some of the structural changes that gives confidence for a long term sustainability. On the global front, US president lived up to his poll promises and waged trade war against China and some other countries which the world had never witnessed before. Sharp increase in US fed rates on robust US economic growth led to flight of capital from Emerging Markets. However, US-North Korea talks, a first of its kind signaled peace in the region.

Around the eve of Samvat 2075, (31/10/2018), Nifty lost 10198.40, 20.80 times to TTM EPS of 490.60. According to Bloomberg consensus estimates, forward 12 months EPS of Nifty is 628, which makes it trade 16.30 times. On the same estimates, we expect Nifty to trade 15.50-18.50 times Forward 12 months EPS estimates, which makes a range of 9734-11618. However, being an election year, we believe a sharp upside cannot be ruled out in case the ruling Government once again manages to retain thumping mandate. Nevertheless, expect severe bouts of volatility during for the year ahead. The current political developments in the country indicates that it may not be a cake walk for the ruling government in General election 2019.

Top Picks for investment during Samvat 2075:

Exhibit-1

Diwali Picks - 2018						
Company name	Sector	Market Cap (INR Cr.)	FV (INR)	CMP (INR)	Target Price (INR)	Upside %
Balaji Amines Ltd	Chemical	1470	2	454	686	51%
Balrampur Chini Mills Ltd	Agri	2511	1	110	152	38%
Bata India Ltd	Footwear	12357	5	939	1280	36%
Engineers India Ltd	Engineering & Consulting Services	7213	5	114	159	39%
ICICI Bank Ltd	Banking	224727	2	345	464	34%
ITC Ltd	FMCG	341488	1	279	330	18%
Jagran Prakashan Ltd	Print & Publishing	3367	2	114	164	44%
JK Paper Ltd	Paper & Paper Products	2997	10	168	259	54%
Larsen & Toubro Ltd	Infrastructure	178292	2	1271	1610	27%
Mahindra & Mahindra Ltd	Automobiles	95723	5	746	1044	40%
Mahanagar Gas Ltd	Oil & Gas	8192	10	821	980	19%

* Price as on 30-10-2018

Exhibit-2

Changes during Samvat 2074(between 18-Oct-2017 to 30-Oct-2018)

Name	Measure	18-Oct-17	30-Oct-18	% Change
Sensex	Index	32584.35	33897.13	4.03%
Nift	Index	10210.85	10198.40	-0.12%
NSE Mcap	Index	18867.50	16865.80	-10.61%
NSE Scap	Index	8079.30	5977.45	-26.02%
Nifty P/	Value	23.22	20.79	-10.47%
NSE Mcap P/E	Value	43.32	34.07	-21.34%
Gold	Mcx 10G	1281.06	1222.87	-4.54%
INR/USD	Currency	65.04	73.67	13.27%
10Y Govt	Govt Bond	6.76	7.83	15.83%
Repo Rate	RBI	6.00	6.50	8.33%
Brent	USD/ Barrel	55.92	75.91	35.75%
India Foreign Exchange Reserves	USD	400.30	393.52	-1.69%

Exhibit-3

Nifty 50 Top Gainers and Losers (Between 18-Oct-2017 to 30-Oct-2018)		Nifty Midcap 100 Top Gainers and Losers (Between 18-Oct-2017 to 30-Oct-2018)	
Top Gainers	% change	Top Gainers	% change
Name		Name	
Tech Mahindra Ltd	49.44%	HEG Ltd	235.72%
Tata Consultancy SVCS Ltd	46.51%	Graphite India Ltd	112.33%
Infosys Ltd	42.72%	Lersen & Toubro Infotech Ltd	109.31%
Titan Co Ltd	35.50%	Divi's Laboratories Ltd	69.35%
ICICI Bank Ltd	31.37%	Mindtree Ltd	56.57%
Top Losers	% change	Top Losers	% change
Name		Name	
Indiabulls Housing Finance Ltd	-43.38%	Reliance Capital Ltd	-57.79%
Bharat Petroleum Corp Ltd	-48.14%	Central Bank of India	-59.21%
Yes Bank Ltd	-49.77%	Dewan Housing Finance Corporatio	-65.63%
Hindustan Petroleum Corp	-52.53%	PC Jeweller Ltd	-85.25%
Tata Motors Ltd	-59.08%	Vakrangee Ltd	-89.96%

* Price as on 30-10-2018

With warm regards,

Happy Investing!

Team Stewart & Mackertih Research

Brief Overview

CMP (INR)	454
Target (INR)	686
Upside(%)	51
Recommendation	Strong Buy

BSE Code	530999
NSE Code	BALAMINES
Reuters Ticker	BAMN.BO
Bloomberg Ticker	BLA IN

Stock Scan

Market cap (INR Cr.)	1470
Outstanding Shares (Cr.)	3.24
Face Value (INR)	2
Dividend Yield(%)	0.57
P/E (x)	12.99
Industry P/E (x)	22.74
Debt/Equity	0.33
Beta vs. Sensex	1.87
52 Week High/ Low (INR)	781/411.60
Avg. Daily Vol. (NSE)/1 yr.	75505

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	54.59	54.57	54.55
Institutions	2.94	3.23	3.20
Non-institutions	42.48	42.20	42.25

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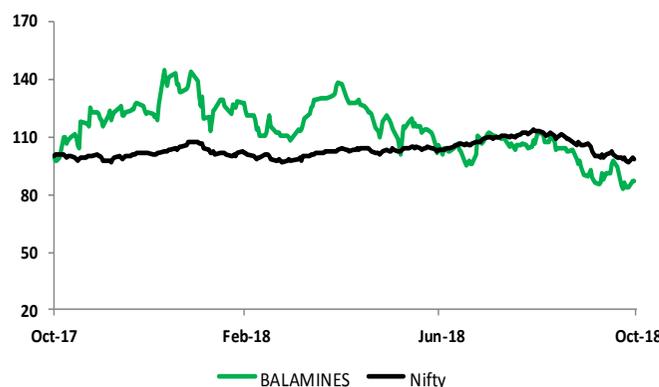
Company Overview

Balaji Amines Ltd is one of the leading manufacturers of Aliphatic Amines in India. It commenced manufacture of Methyl Amines in the year 1989 and later added facilities for manufacture of Ethyl Amines and other derivatives of Methyl Amines and Ethyl Amines. The company has been consistently adding capacities and fine tuning process to provide quality products at lowest cost to the customers. The company also operates a 5 star hotel in Solapur – Balaji Sarovar. It has tied up with Sarovar group for management of this hotel.

Outlook and Valuation

Balaji Amines is the leading manufacturer of amines in the country and thus enjoys a handsome market share. The cash rich company is also investing heavily in debottlenecking which resulted in good growth in volume. Moreover, the anti dumping duty on some of their products and import substitution opportunities led to better realization. The company is also expected to reduce its debt by INR130 Crore by the end of FY21. **Considering this we assign a multiple of 14x to its FY20E EPS of INR49 and arrive at a target price of INR686.**

Stock vs. Nifty (Relative Returns)



Source: NSE

Investment Rationale

Largest manufacturer of Aliphatic Amines in India: The company is the leader in in Morpholine, DMA HCL, NMP, NEP, PVK-30 and DMF. It has witnessed high volume growth for most of these products. This was supported by higher demand and recent capacity expansion. Govt. of India has imposed antidumping duty on some of the chemicals manufactured by the company resulting in higher volume growth. The quality of these products matches the global standards and provides a great potential in import substitution apart from export opportunities to Europe and Asia.

Strong Demand from the user Industry is leading to high volume growth: The company caters to various Industry however pharma and agrochemical sector contributes more than 70% to the company's revenue. Both the sectors are expected to grow at 11-12% CAGR growth in the next five years. Moreover, due to chemical supply disruptions in China, Indian companies are witnessing higher demand from MNCs for raw materials. The company has been playing a major role in offering value added products to both domestic and international customers.

Investment in speciality chemical business and Mega project will drive growth: The company has invested INR66 Crore in Balaji Specialty chemicals which is expected to start giving returns from the second half of this year. It is also expected to start its work on the greenfield Mega Project at Solapur from third quarter of the current fiscal year. This will also start contributing from FY20 onwards. Both these projects has got immense potential as some of the chemicals that will be produced is majorly imported in India. This will give the company opportunity to substitute import in the domestic market.

Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY16	FY17	FY18	FY19E	FY20E
Net sales	643	670	864	1021	1167
Growth(%)	3.9%	4.2%	28.8%	20.2%	18.5%
EBITDA (Ex OI)	123	149	182	214	260
EBITDA Margin (%)	19.2%	22.2%	21.1%	21.0%	22.3%
Net Profit	58	82	113	132	159
Net Profit Margin (%)	9.0%	12.3%	13.1%	12.9%	13.6%
EPS	17.78	25.42	34.93	40.64	49.00
Book Value/Share	86.48	111.87	144.15	181.81	227.21
P/E	10.0	14.9	16.1	11.2	9.3
P/BV	2.1	3.4	3.9	2.5	2.0
EV/EBITDA (x)	5.7	8.5	10.0	7.4	6.1
ROE (%)	20.6%	22.7%	24.2%	22.4%	21.6%
ROCE(%)	16.1%	20.8%	22.1%	19.8%	19.7%

Source: Company data, SMIFS Research

Brief Overview

CMP (INR)	110
Target (INR)	152
Upside(%)	38
Recommendation	Strong Buy

BSE Code	500038
NSE Code	BALRAMCHIN
Reuters Ticker	BACH.BO
Bloomberg Ticker	BRCM IN

Stock Scan

Market cap (INR Cr.)	2511
Outstanding Shares (Cr.)	22.84
Face Value (INR)	1
Dividend Yield(%)	2.27%
P/E (x)	14.38
Industry P/E (x)	11.52
Debt/Equity	0.55
Beta vs. Sensex	1.36
52 Week High/ Low (INR)	179/59
Avg. Daily Vol. (NSE)/1 yr.	6510587

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	40.98	40.98	39.84
Institutions	17.85	26.71	28.47
Non-institutions	41.16	32.30	31.69

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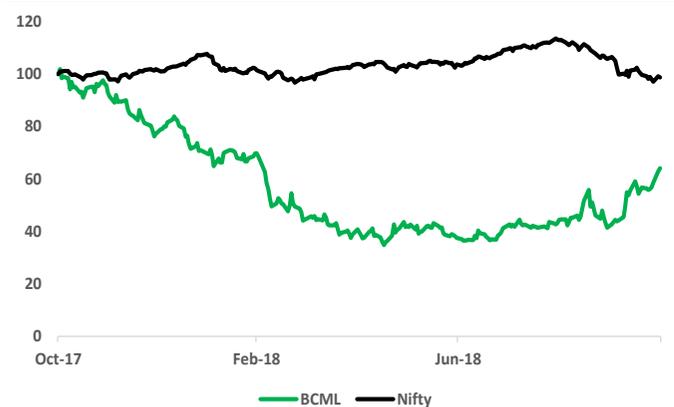
Company Overview

Balrampur Chini Mills Limited (BCML) is one of the largest integrated sugar companies in India. The allied businesses of the Company comprise distillery operations and cogeneration. The Company presently has 10 sugar factories located in Uttar Pradesh having an aggregate sugarcane crushing capacity of 76,500 TCD, distillery and co-generation operations of 360 KLPD and 163.2 MW (Saleable) respectively.

Outlook and Valuation

On the back of reduced cyclicity in earnings, sustainable cash flows and increasing return ratios, we feel P/E of 4.5x in FY20E is inexpensive. **We have used DCF method of valuation to find the intrinsic value of the stock and derived at a Target Price of INR152 per share.**

Stock vs. Nifty (Relative Returns)



Source: NSE

Investment Rationale

Early-mover advantage in ethanol production : BCML has the third largest distillery capacity in the country with 360 KLPD producing aggregate 13 crore litre of ethanol every year. On August 8th, 2018, the Company approved setting up of another distillery of 160 KLPD in Gularia unit which is likely to be in operation within 2 years and will help in producing extra 6 crore litre every year.

ZLD norms: Out of 159 sugar mills, around 25% of them have distillery capacities and few of them have environmental and pollution control norms. All its plant emissions are well below the pollution control limits, which will help in gaining an upper hand as it creates an entry barrier for others.

Strong Balance Sheet: BCML performance improvement helped in strengthening its balance sheet through the industry cycles. It has reported a peak long-term debt of INR668 crore in the last 5 years and repaid INR552 crore during the past 2 years, including prepayment. Even during a sectoral downturn, the Company selected to buyback 66 lakh shares for an aggregate INR99 crore in FY18.

Financial Performance at a glance (Standalone)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
Net sales	2,744	3,457	4,343	4,395	4,406
Growth(%)	-10.2%	26.0%	25.6%	1.2%	0.3%
EBITDA (Ex OI)	398	866	452	758	800
EBITDA Margin (%)	14.5%	25.1%	10.4%	17.3%	18.2%
Net Profit	86	589	222	522	557
Net Profit Margin (%)	3.1%	17.0%	5.1%	11.9%	12.6%
EPS	3.51	25.06	9.72	22.84	24.40
BVPS	50.27	65.59	69.49	88.12	107.10
P/E	31.4	4.4	11.3	4.8	4.5
P/BV	2.2	1.7	1.6	1.2	1.0
EV/EBITDA (x)	10.0	4.9	7.5	4.2	3.7
ROE (%)	7.3%	42.5%	14.2%	29.0%	25.0%
ROCE (%)	18.6%	37.3%	15.7%	29.2%	24.9%

Source: ACE Equity, Company data, SMIFS Research

Brief Overview

CMP (INR)	939
Target (INR)	1280
Upside(%)	36
Recommendation	Strong Buy

BSE Code	500043
NSE Code	BATAINDIA
Reuters Ticker	BATA.BO
Bloomberg Ticker	BATA IN

Stock Scan

Market cap (INR Cr.)	12357
Outstanding Shares (Cr.)	12.85
Face Value (INR)	5
Dividend Yield(%)	0.43
P/E (x)	50.97
Industry P/E (x)	47.54
Debt/Equity	0.00
Beta vs. Sensex	1.00
52 Week High/ Low (INR)	1116/653
Avg. Daily Vol. (NSE)/1 yr.	869318

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	52.96	52.96	52.96
Institutions	31.08	31.08	31.69
Non-institutions	15.96	15.96	15.35

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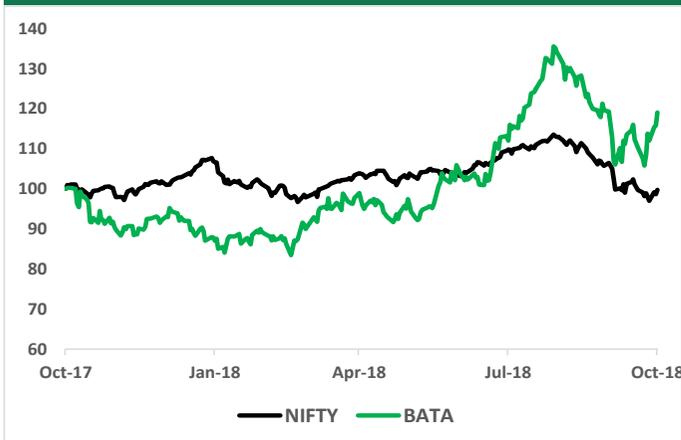
Company Overview

Bata India Ltd. is the largest retailer and manufacturer of footwear in the country, offering footwear, accessories and bags across brands like Bata, Hush Puppies, Naturalizer, Power, Claire, Weinbrenner, North Star, Scholl, & Bubblegummers to name a few. The company commands a strong pan India retail presence with more than 1375 stores and sold 47 mn pairs of footwear last year. Bata's 75% of revenue comes from product below INR1000.

Outlook and Valuation

We expect Bata to report net revenue CAGR of 16.5% to INR3,575 cr over FY2018-20E backed by increasing brand awareness, new product launches, higher number of store additions in tier II/ III cities & focus on high growth women's segment. Further, on the bottom-line front, we expect CAGR of 28% to INR366 cr over the same period on the back of margin improvement led by increasing premium product sales. **Thus, considering facts we assign a P/E(x) multiple of 45 (x) on FY20E EPS, to arrive at a target price of INR1280.**

Stock vs. Nifty (Relative Returns)



Source: NSE

Investment Rationale

Red Angela Store Concept: Bata took inspiration from the brand's global retail concept, launching its internationally conceptualized "Red Angela Store Concept" in Kolkata & Delhi. The store design seamlessly marries visual merchandising with thematic windows to magnificently bring alive every product display. This will allow the company to win the consumer hearts. The company is planning to add 100 stores more, 50 COCO & 50 FOFO in FY19 and convert their existing COCO store to new phase modern looks store 'Red Angela'.

Focus on Women's Shoes: The company has taken various steps to reinvent its image, evident in the fresh and trendy new collection that have been successfully drawing in young buyers to its stores, which will drive their top line growth further. At present, women's shoes account for around 40% of Bata sales in India which the company wants to grow to 50% in next 3 years. The company expects this segment to offer big potential of growth.

Savings from Rental Renegotiation: Bata is also renegotiating the rentals with existing landlords and optimizing retail spaces. The company is planning to surrender surplus space of the bigger stores if required to the landlords and get substantial saving in this cost which will help them to improve their margin.

Revival of the 'Power' brand: Bata has introduced Ms. Smriti Mandhana for their sports brand "Power" which contributes 12% of their total revenue. The new looks and design meet the aspiration of the young youth which will help them to achieve their previous glory.

Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
Net sales	2414	2466	2628	3069	3575
Growth(%)	-10.0%	2.1%	6.6%	16.8%	16.5%
EBITDA (Ex OpI)	276	278	354	475	599
EBITDA Margin (%)	11.4	11.3	13.5	15.5	16.8
Net Profit	218	159	224	290	366
Net Profit Margin (%)	9	6.4	8.5	9.4	10.2
EPS	16.96	12.35	17.39	22.59	28.47
BVPS	95.09	103.12	115.06	132.18	153.75
P/E	54.4	74.6	52.9	41.6	33.0
P/BV	9.7	8.9	8.0	7.1	6.1
EV/EBITDA (x)	41.7	40.8	31.8	24.1	18.9
ROE (%)	17.8	12.0	15.1	17.1	18.5
ROCE (%)	14.9	14.9	18.5	21.8	24.0

Source: Company data, SMIFS Research

Brief Overview

CMP (INR)	114
Target (INR)	159
Upside(%)	39
Recommendation	Strong Buy

BSE Code	532178
NSE Code	ENGINEERSIN
Reuters Ticker	ENGI.BO
Bloomberg Ticker	ENGR IN

Stock Scan

Market cap (INR Cr.)	7213
Outstanding Shares (Cr.)	63.19
Face Value (INR)	5
Dividend Yield(%)	3.5
P/E (x)	18.82
Industry P/E (x)	20.04
Debt/Equity	0.00
Beta vs. Sensex	1.22
52 Week High/ Low (INR)	206/100
Avg. Daily Vol. (NSE)/1 yr.	2269815

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	52.02	52.02	52.02
Institutions	31.29	31.56	32.18
Non-institutions	16.69	16.43	15.8

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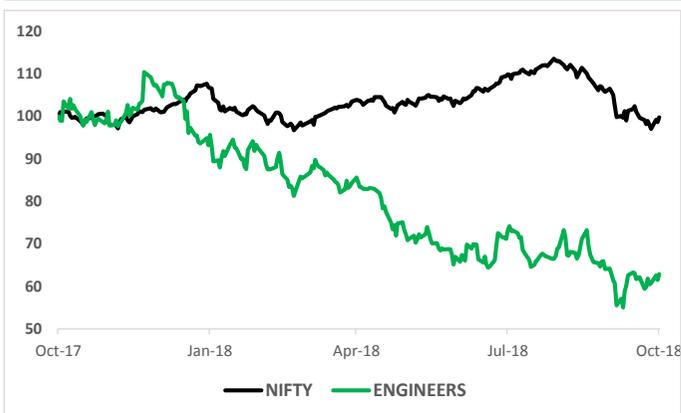
Company Overview

Engineers India Ltd (EIL) is a leading global engineering consultancy and EPC company. Established in 1965, EIL provides engineering consultancy and EPC services principally focused on the oil & gas and petrochemical industries. The Company has also diversified into sectors like infrastructure, water and waste management, solar & nuclear power and fertilizers to leverage its strong technical competencies and track record. EIL is a 'Total Solutions' engineering consultancy company providing design, engineering, procurement, construction and integrated project management services.

Outlook and Valuation

Ongoing OMCs' capex in India, recovering oil prices, strong order book and deal pipeline, place EIL in a sweet spot. The order inflow has improved significantly in last 2 years led by BS-VI emission norms and modernization of Vizag refinery. Looking ahead, we expect order inflow to remain strong in domestic market which provides promising revenue visibility for next couple of years. **Considering all these, we have assigned a multiple of 18 times to its FY20 EPS and arrive at a price of INR 159.**

Stock vs. Nifty (Relative Returns)



Investment Rationale

PSU Giants to pump around INR1 lac crore for Capex plans: Indian Oil has lined up INR 22,000 crore capex plan for the current fiscal year. HPCL has plans to invest INR 75000 crore over five years to expand refining capacity, pipelines and LNG terminal. Considering the huge capex plans for upcoming two years, we believe Engineers India Ltd (EIL) will be greatly benefitted. We believe the huge capex plans by Oil PSU's to boost order inflow of EIL for the next two years. Also since the company is a zero-debt company and has 14% revenues from export, it is safeguarded from current scenario of rising interest rate and to benefit from rupee depreciation.

Largest order win worth INR 5,000 crore: EIL bagged a INR5,000 Cr. project execution order from HPCL Rajasthan Refinery to build a greenfield refinery and petrochemical complex in Barmer, Rajasthan. As on Q1FY19, the EIL held a strong order book of INR 7,229cr on a standalone basis, out of this 53% orders are attributed to consultancy and rest to turnkey projects. This order book translates book-to-bill of around 3.6x on TTM revenue which gives healthy revenue visibility for the next 3 to 4 years.

Strong global opportunities especially in Middle East and African region: EIL is consistently expanding its presence in international markets. With current growth trends of fuel consumption and improved GDP numbers for some of the major nations in African continent, EIL expects future business opportunities in oil & gas sector in this region as well. With its engineering set-up in Abu Dhabi, EIL is well positioned to actively participate in these upcoming opportunities in Middle East and African region.

Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
Net sales	1,541	1,480	1,824	2,189	2,671
Growth%	-12.0%	-3.9%	23.3%	20.0%	22.0%
EBITDA (Excluding OI)	208	314	427	459	583
EBITDA Margin (%)	13.5%	21.2%	23.4%	21.0%	21.8%
Net Profit	281	330	383	444	557
Net Profit Margin (%)	18.3%	22.3%	21.0%	20.3%	20.8%
EPS	4.37	4.86	6.14	7.03	8.81
BVPS	44.66	45.02	37.05	39.86	43.39
P/E(x)	26.1	23.5	18.6	16.2	13.0
P/BV(x)	2.6	2.5	3.1	2.9	2.6
ROE(%)	10.2%	11.7%	14.8%	18.3%	21.2%
ROCE(%)	10.2%	11.8%	14.8%	18.3%	21.2%

Source: Company data, SMIFS Research

Brief Overview

CMP (INR)	345
Target (INR)	464
Upside(%)	34
Recommendation	Strong Buy

BSE Code	532174
NSE Code	ICICIBANK
Reuters Ticker	ICBK.BO
Bloomberg Ticker	ICICIB IN

Stock Scan

Market cap (INR Cr.)	224727
Outstanding Shares (Cr.)	643
Face Value (INR)	2
Dividend Yield(%)	0.43
P/E (x)	29.14
Industry P/E (x)	18.89
Debt/Equity	0.00
Beta vs. Sensex	1.5045
52 Week High/ Low (INR)	365/256
Avg. Daily Vol. (NSE)/1 yr.	19630838

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	0	0	0
Institutions	89.25	89.10	89.66
Non-institutions	10.75	10.9	10.34

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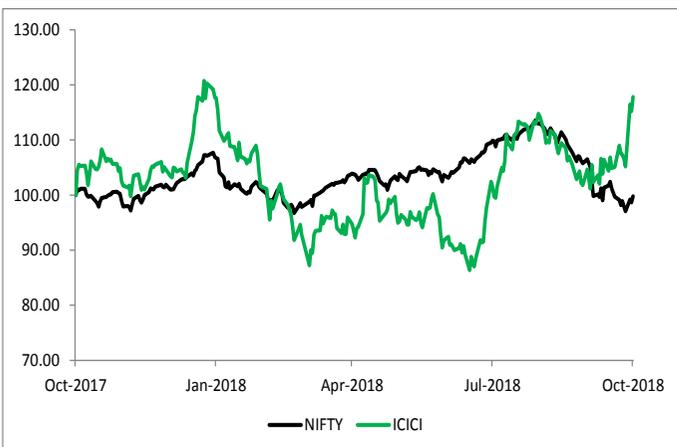
Company Overview

ICICI Bank is India's largest private sector bank with total consolidated assets of INR11,242 Bn. The bank is engaged in providing a range of banking & financial services. The area of operations include commercial banking, retail banking, working capital finance, insurance, venture capital, private equity & investment banking. The bank has a strong & diversified distribution network.

Outlook and Valuation

The company is expected to continue its growth story, led by strong asset quality, resolution of cases at NCLT & stable NIMs. The leadership issues have been resolved and the bank is all set to grow on the opportunities available. **We assign a multiple of 2.5x on the FY20E Book Value, to arrive at a target price of INR462.**

Stock vs. Nifty (Relative Returns)



Source: NSE

Investment Rationale

Reductio in NPAs: A sharp decline in slippages & write offs, followed by increase in PCR to around 70% from 60%, ensure that no further deterioration is expected in asset quality. The resolution of cases at NCLT has further helped in reducing the NPA numbers.

Stable NIMs: In spite of the increase in interest rates, the bank has been able to maintain its NIM at 3.5% level due to increase in CASA ratio & ability to pass on the interest rate hike. With MCLR repricing coming up, the interest rates would be adjusted to protect the NIMs.

Diversified Loan Book: The bank has diversified lending portfolio. 57% of the total lending is for Retail customers. The share for SME lending is low at around 4.6%, which going forward could be seen as a major growth driver.

Well Capitalized: In the current scenario where lending system is crippled due to shortage of capital, the bank is more than adequately capitalized.

Strong Management: The leadership crisis seems to be resolved and with new management and focus on growth, the bank is expected to once again continue on its growth trajectory. The newly appointed MD, has been a part of the ICICI group for the past 32 years.

Financial Performance at a glance (Standalone)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
NII	21224	21738	23025	26197	30455
Growth(%)	11.0%	3.0%	5.9%	13.8%	16.3%
Provisions	8067	15208	17306	15839	8947
Growth(%)	106%	89%	14%	-8%	-44%
Net Profit	9726	6777	9801	6267	14394
EPS	16.75	15.31	10.56	10.18	22.15
BVPS	135.80	151.25	158.90	167.26	185.50
Net NPA (%)	2.7	4.9	4.8	4.2	3.9
P/E (x)	20.6	22.5	32.7	33.9	15.6
ROE	11.6	10.7	6.8	6.0	12.4
ROA	1.4	1.3	0.8	0.8	1.5
NIM(%)	3.5	3.3	3.2	3.2	3.2
P/B (x)	2.5	2.3	2.2	2.1	1.9

Source: Company data, SMIFS Research

Brief Overview

CMP (INR)	279
Target (INR)	330
Upside(%)	18
Recommendation	Buy

BSE Code	500875
NSE Code	ITC
Reuters Ticker	ITC.BO
Bloomberg Ticker	ITC IN

Stock Scan

Market cap (INR Cr.)	341488
Outstanding Shares (Cr.)	1224.19
Face Value (INR)	1
Dividend Yield(%)	1.85
P/E (x)	28.95
Industry P/E (x)	29.11
Debt/Equity	0.00
Beta vs. Sensex	0.87
52 Week High/ Low (INR)	323/250
Avg. Daily Vol. (NSE)/1 yr.	11671412

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	0.00	0.00	0.00
Institutions	55.06	55.06	55.10
Non-institutions	44.94	44.94	44.90

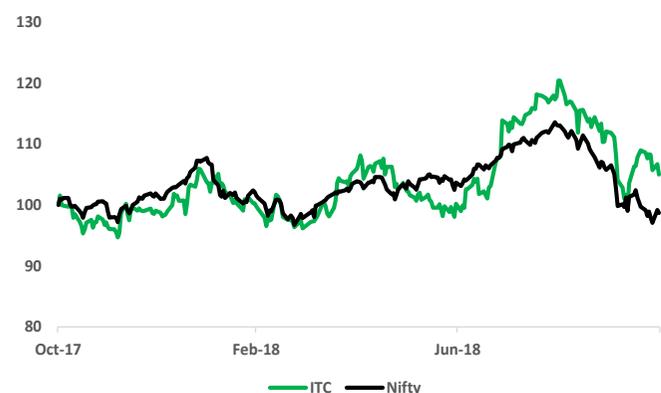
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Company Overview

ITC Ltd. has a diversified presence in Cigarettes, Packaged Foods & Confectionery, Branded Apparel, Hotels, Paperboards & Specialty Papers, packaging, Agri Business, etc. The Company holds around 72% market share in the legal cigarette market in India.

Outlook and Valuation

ITC is the market leader in the tobacco industry and enjoys pricing power. Branded Packaged Food Business, Personal Care products, Education & Stationery products and Hotel business are also likely to contribute more to the total revenue as the company is shifting its focus to Non-Tobacco business. EBIT Margin showed improvement in FY18 and is expected to report a quarter lower to Industry average from FY20E onwards. We expect topline & bottom line to grow at 10% & 18% respectively over FY18-20E. **We value the Company at 26x to its FY20E EPS of INR12.70 to arrive at a Target Price of INR330.**

Stock vs. Nifty (Relative Returns)


Source: NSE

Investment Rationale

Riding on strong cigarette volume: Cigarettes business was hit with the implementation of GST and increase in cess. The industry witnessed 6-7% volume growth on stable prices in FY10-12. Since then, there was continuous increase in excise duty and cess and the company had to opt for price hike which resulted in volume de-growth by the organized players. The industry did not witness any increase in cess over the past 6 months and the price hike was not done during that period, which resulted in 1.5%/8% volume growth in Q1FY19/Q2FY19. Being a market leader in the tobacco industry, it enjoys pricing power. We expect the company to witness volume as well as value growth under stable GST rates and cess regime.

FMCG business poised for long-term growth: Focus to shift from Tobacco business to Non-Tobacco business, the Company is investing significantly to build brands under packaged food & personal care portfolio. Backward integration and appetite to enter new categories would help to scale up its existing portfolio.

Improved performance from Hotel/Paper/Agri businesses: Paper products backed by improvement in EBIT margins, Agri-products on better monsoon & higher yields and Hotel industry divisions backed by booming tourism and increase in tariff would help in aiding profitability of the company.

Financial Performance at a glance (Standalone)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
Net sales	36,221	39,642	40,255	44,113	48,712
Growth(%)	0.4%	9.4%	1.5%	9.6%	10.4%
EBITDA (Ex OI)	13715	14578	15541	18277	20463
EBITDA Margin (%)	37.9%	36.8%	38.6%	41.4%	42.0%
Net Profit	9328	10201	11223	13497	15500
Net Profit Margin (%)	25.8%	25.7%	27.9%	30.6%	31.8%
EPS	7.73	8.40	9.20	11.03	12.66
BVPS	34.51	37.33	42.12	46.80	53.25
P/E	36.1	33.2	30.3	25.3	22.0
P/BV	8.1	7.5	6.6	6.0	5.2
EV/EBITDA (x)	24.7	23.3	21.8	18.5	16.6
ROE (%)	22.4%	22.5%	21.8%	23.5%	23.7%
ROCE (%)	21.3%	21.1%	20.1%	22.5%	22.7%

Source: ACE Equity, Company data, SMIFS Research

Brief Overview

CMP (INR)	114
Target (INR)	164
Upside(%)	45
Recommendation	Strong Buy

BSE Code	532705
NSE Code	JAGRAN
Reuters Ticker	JAGP.BO
Bloomberg Ticker	JAGP IN

Stock Scan

Market cap (INR Cr.)	3367
Outstanding Shares (Cr.)	29.64
Face Value (INR)	2
Dividend Yield(%)	2.64
P/E (x)	11.27
Industry P/E (x)	8.49
Debt/Equity	0.07
Beta vs. Sensex	0.54
52 Week High/ Low (INR)	192/102
Avg. Daily Vol. (NSE)/1 yr.	219415

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	61.31	60.85	60.85
Institutions	22.56	23.27	23.7
Non-institutions	16.13	15.89	15.45

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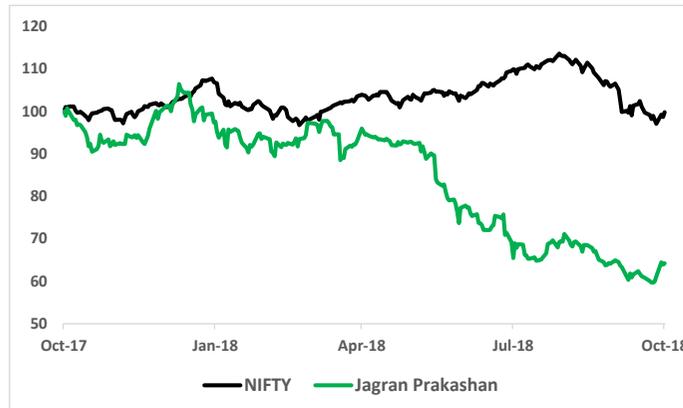
Company Overview

Incorporated in 1942, Jagran Prakashan Ltd (JPL) is a media house with interests spanning across printing and publication of newspapers & magazines, FM Radio, Digital, Outdoor Advertising and Promotional marketing/Event management/on ground activation businesses. The Group publishes 8 newspapers and 2 magazines from 37 different printing facilities across 13 states in 5 different languages. It also enjoys a strong footing in the radio market through Radio City/Radio Mantra in India.

Outlook and Valuation

With the economy improving and the impact of GST also waning, the second half of FY19 looks much better for print media. This is on the back of expectations that spending on advertising would pick up meaningfully in months closer to the general election in 2019. We expect incremental growth driven by healthy ad spend by FMCG, education and real estate. Further, strong footing in the radio market and increasing presence in the digital space bodes well for the growth outlook. **Considering all these, we have assigned a multiple of 12.5 times to its FY20 EPS and arrive at a price of INR 164.**

Stock vs. Nifty (Relative Returns)



Investment Rationale

Electio fever will boost Ad revenue: Media plays an important role in helping political parties interact with voters and most of the parties are now using the print media, television and radio. This will translate into huge revenue growth for the media industry at large. As the election is around the corner, JPL is expected to gain substantially on the back of a pick-up in advertising revenue, primarily in print media.

Undisputed leader in Hindi newspaper segment: According to the Indian Readership Survey 2017, Dainik Jagran retained its leadership position as the largest read Hindi daily of the country across languages with a total readership of 7.03 Cr. According to IRS 2017 data, Hindi dailies saw a 45% surge in readership to reach 17.6 Cr. With its strong presence in Tier II and Tier III cities, the company will benefit from fast growing advertising spending in these cities due to strong economic growth and rising consumption, which allows it to charge premium ad rates.

Strong Growth Potential in Radio: Music Broadcast Limited (MBL) has expanded its presence over the years with footprint in 40 cities and is present in 12 out of the top 15 cities in India by population from 4 cities in 2001. MBL is reaping benefits of geographical expansion and market penetration. The acquisition of Friends 91.9 FM gives access in the Kolkata market and it enhances the reach footprint from 62% to 72%. With 52.5 Mn. listenership, improving utilizations in Phase III markets and rate hike implemented in all 12 core markets, we believe Radio City will continue to generate robust cash flow and add significant value going ahead.

Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
Net sales	2079	2283	2304	2534	2686
Growth(%)	17.5%	9.8%	0.9%	10.0%	6.0%
EBITDA (Ex OI)	590	640	583	634	698
EBITDA Margin (%)	28.4%	28.0%	25.3%	25.0%	26.0%
Net Profit	306	348	300	329	390
Net Profit Margin (%)	14.7%	15.2%	13.0%	13.0%	14.5%
EPS	9.39	10.63	9.63	11.12	13.14
BVPS	23.57	38.03	37.50	71.9	79.91
P/E	15.8	18.1	18.0	10.2	8.6
P/BV	3.3	2.9	2.6	1.6	1.4
EV/EBITDA (x)	9.8	9.7	9.2	5.8	5.1
ROE (%)	24.3%	15.9%	13.3%	15.5%	17.3%
ROCE (%)	32.8%	18.6%	14.3%	14.5%	15.0%

Source: Company data, SMIFS Research

Brief Overview

CMP (INR)	168
Target (INR)	259
Upside(%)	54
Recommendation	Strong Buy

BSE Code	532162
NSE Code	JKPAPER
Reuters Ticker	JKPA.BO
Bloomberg Ticker	JKPAPER.IN

Stock Scan

Market cap (INR Cr.)	2997
Outstanding Shares (Cr.)	17.82
Face Value (INR)	10
Dividend Yield(%)	1.49
P/E (x)	10.15
Industry P/E (x)	11.93
Debt/Equity	0.80
Beta vs. Sensex	1.55
52 Week High/ Low (INR)	194/98
Avg. Daily Vol. (NSE)/1 yr.	1180742

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	48.41	48.41	49.17
Institutions	10.90	14.83	13.97
Non-institutions	40.68	36.76	36.86

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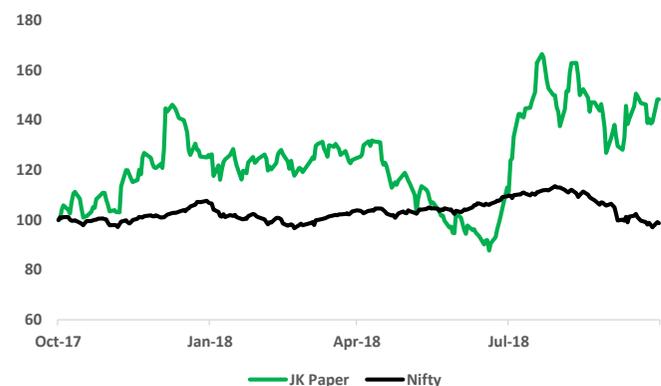
Company Overview

JK Paper is one of India's largest producers of office, printing, writing and specialty paper, and packaging boards, with two fully integrated manufacturing facilities. It is the market leader in the writing and printing segment and among the top players in packaging & paperboard segment. It has 23% market share in the copier paper segment (B2C) which is primarily due to its strong distribution network and brand recall.

Outlook and Valuation

The robust demand outlook and rising consumerism bodes well for the Indian paper industry, which is expected to maintain its growth momentum in the near future. Rapid urbanization and transformation in lifestyle habits have resulted in a larger offtak of packaged products. The recent acquisition of Sirpur Paper Mill will provide synergistic advantage both in terms of a strategically located manufacturing facility and access to raw material. **We value the company at 9x to its FY20E EPS of INR28.74 and arrive at a Target Price of INR259.**

Stock vs. Nifty (Relative Returns)



Source: NSE

Investment Rationale

Strong demand: The robust demand outlook and rising consumerism bodes well for the Indian paper industry, which is expected to maintain its growth momentum in the near future. Rapid urbanization and transformation in lifestyle habits have resulted in a larger offtak of packaged products. China cutting down its production to control pollution, rising Indian demand & depreciating rupee are the major tailwinds for the industry.

Market Leadership Position: Market leadership in branded copier paper segment, focus on value added products, improving profitability and robust outlook for the Indian paper industry are the key positives for the company.

Acquisition of Sirpur Paper Mill: The recent acquisition of Sirpur Paper Mill will provide synergistic advantage both in terms of a strategically located manufacturing facility and access to raw material.

Capacity Addition: The company is setting up of additional capacity upto 2 lakh TPA of Packaging Board, pulping facilities upto 1.60 lakh TPA and utilities, etc. at Unit CPM, Gujarat. The Project cost of approximately INR1450 crore would be funded with a mix of internal accruals and long term debts.

Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E*
Net sales	2437	2629	2844	3312	4219
Growth(%)	12.9%	7.9%	8.2%	16.4%	27.4%
EBITDA (Ex OI)	385	512	618	858	1037
EBITDA Margin (%)	15.8%	19.5%	21.7%	25.9%	24.6%
Net Profit	61	163	260	409	512
Net Profit Margin (%)	2.5%	6.2%	9.1%	12.3%	12.1%
EPS	4.10	10.44	14.82	22.92	28.74
BVPS	74.20	84.72	88.82	112.28	136.21
P/E	41.0	16.1	11.3	7.3	5.9
P/BV	2.3	2.0	1.9	1.5	1.2
EV/EBITDA (x)	10.9	8.2	6.8	4.9	4.0
ROE (%)	5.5%	12.3%	16.7%	20.4%	19.1%
ROCE (%)	9.7%	14.3%	12.4%	16.0%	13.7%

*FY20E figures includes Sirpur financials

Source: ACE Equity, Company data, SMIFS Research

Brief Overview

CMP (INR)	1271
Target (INR)	1610
Upside(%)	27
Recommendation	Strong Buy

BSE Code	500510
NSE Code	LT
Reuters Ticker	LART.BO
Bloomberg Ticker	LT IN

Stock Scan

Market cap (INR Cr.)	1,78,292
Outstanding Shares (Cr.)	140.22
Face Value (INR)	2
Dividend Yield(%)	1.26
P/E (x)	23.18
Industry P/E (x)	18.27
Debt/Equity	1.94
Beta vs. Sensex	1.07
52 Week High/ Low	1469.6/1176
Avg. Daily Vol. (NSE)/1 yr.	2390210

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	0.00	0.00	0.00
Institutions	57.57	57.79	58.16
Non-institutions	42.44	42.21	41.84

Research Analyst
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Company Overview

Larsen & Toubro Limited (L&T) is a technology, engineering, construction and manufacturing company. L&T also has an international presence, with a global spread of offices. A thrust on international business has seen overseas earnings grow significantly. It continues to grow its global footprint, with offices and manufacturing facilities in multiple countries. The company also in the business activities of Power, Infrastructure, Electrical & Electronics, Engineering Construction, Metallurgical & Material Handling.

Outlook and Valuation

We believe the company is already witnessing strong order inflow, improving working capital and stronger generation of cash flows. Going ahead we expect the margins to improve with higher execution rate and international orders. With huge domestic capex spending, the company is the best placed to capitalize the opportunity. **We assign PE multiple of 20x to its FY20E EPS to arrive at a target price of INR1610.**

Stock vs. Nifty (Relative Returns)



Source: NSE

Investment Rationale

Sizeable Order Backlog: The company has robust order book of INR271732 crore as of June 2018 which is equivalent to nearly 2.25 times of FY18 revenue. Its large and diverse order book mitigates cyclical volatility. Order inflows grew 37% to INR36,142 crore in the June quarter, mainly driven by domestic projects. L&T sees order inflow growth at 10-11% for FY19. As historically witnessed, we expect the order execution to slowdown going into May'19 elections. However, it is likely to bounce back post the elections and recovery in capex cycles starts.

Margins to grow on Infrastructure and Defense push: The company is looking for opportunities in the defense and infrastructure sectors to drive growth. Much stress has been laid on urbanization through adoption of smart cities, smart infrastructure and construction of large linear infrastructure projects which L&T will be highly benefitted from. The Company is also focusing on defense engineering as a crucial business for its future growth strategy. India's infrastructure and defense manufacturing push will likely to fuel L&T's revenue growth and margins in the next three years. For FY19, company is expecting revenue growth at 12-15% while 25 basis points improvement in the margins.

Key beneficiary of the Government Modernization plan: The Company is expecting enormous opportunities as the Indian Government is on a massive spending spree for infrastructure development. The Company is well placed to capitalize the opportunities in Roads, Railways, Metro projects and urban infrastructure projects. For upcoming months, the industry expects government to step up the tendering activity in segments such as roads; airports & Urban Infrastructure and L&T will be among the key beneficiaries to take up the opportunity.

Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
Net sales	101,123	109,312	119,683	135,438	152,622
Growth(%)	9.9%	8.1%	9.5%	13.2%	12.7%
EBITDA (Ex OI)	15691	16661	16986	19232	22741
EBITDA Margin (%)	15.5%	15.2%	14.2%	14.2%	14.9%
Net Profit	5583	6881	8440	9589	11294
Net Profit Margin (%)	5.5%	6.3%	7.1%	7.1%	7.4%
EPS	30.29	43.17	52.59	68.38	80.54
Book Value/Share	314.18	356.67	394.90	439.47	501.95
P/E	42.0	29.5	24.2	18.6	15.8
P/BV	4.0	3.6	3.2	2.9	2.5
EV/EBITDA (x)	11.8	13.0	13.3	17.1	14.8
ROE (%)	13.2%	14.7%	16.0%	16.4%	16.7%
ROCE (%)	11.2%	11.5%	12.7%	13.1%	14.5%

Source: Company data, Bloomberg, SMIFS Research

Brief Overview

CMP (INR)	746
Target (INR)	1044
Upside(%)	40
Recommendation	Strong Buy

BSE Code	550520
NSE Code	M&M
Reuters Ticker	MAHM.BO
Bloomberg Ticker	MM IN

Stock Scan

Market cap (INR Cr.)	95,723
Outstanding Shares (Cr.)	124.32
Face Value (INR)	5
Dividend Yield(%)	1.00
P/E (x)	12.38
Debt/Equity	1.53
Beta vs. Sensex	1.12
52 Week High/ Low (INR)	993.0/660.0
Avg. Daily Vol. (NSE)/1 yr.	2430810

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	21.61	21.66	21.71
Institutions	55.19	55.42	54.93
Non-institutions	23.20	22.92	23.36

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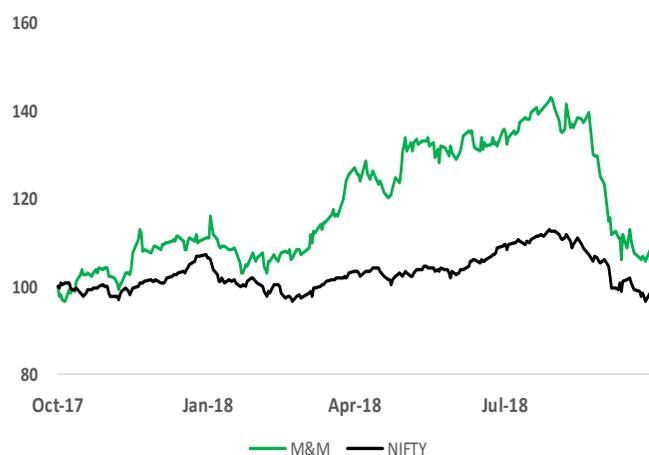
Company Overview

Mahindra & Mahindra Limited, is the flagship company of the Mahindra Group, which operates in nine segments and is having diverse business interests across the globe. The automotive segment includes sales of automobiles, spare parts and related services. Farm equipment segment includes sales of tractors, spare parts and related services; information technology (IT) services which consists of services rendered for IT and telecom; financial services includes services relating to financing, leasing and hire purchase of automobiles and tractors; and its others segment includes logistics, after-market, two wheelers and investment.

Outlook and Valuation

Considering consecutive good monsoon, Govt.'s increased focus on improving rural infrastructure, rise in MSP, stringent emission norms, implementation of fleet modernization program, series of new launches in the PV space, strong R&D, increasing global footprint and first mover advantage in EV, **we are assigning a PE of 17x to FY20E EPS of INR61.4 to raise our Target Price to INR1044 from our earlier Target Price of INR862.5.**

Stock vs. Nifty (Relative Returns)



Source: NSE

Investment Rationale

Robust industry outlook: The tractor space saw a growth of 22% led by two consecutive years of normal monsoon, easy availability of credit, increased use of tractors in the non-agricultural sector and hike in MSP. Going forward, the tractor industry's 5 year CAGR is expected to be around 8-10%. M&M, with a mammoth 43% market share, is expected to get benefitted from this.

Focus on improving market share in the domestic tractor industry: M&M is focusing on states where it has a less than national average market share of 43%, which amount to roughly half the states. It plans to introduce crop-specific products, which should help in regaining market share in these states. Apart from this it is going to pursue three brand strategy, namely: Mahindra as a high-tech product, Swaraj as a reliable product with high resale value and Trakstar for the price sensitive segment (5-10% cheaper than cheapest national competitor).

Expansion into global markets: The global Farming Equipment Segment market currently stands at USD160 billion with tractor segment constituting USD60 billion and non-tractor segment USD100 billion. It has ventured into Turkey, which is a USD3.5 billion market, through acquiring Hisarlar & Erkunt tractors. The North American market is currently ~USD22 bn. It has a local assembly unit in markets like US, Mexico and Brazil to tap that market. In Japan, it is fourth-largest player with a market share of 7%.

Financial Performance at a glance (Consolidated)

Particulars (in INR Crore)	FY16A	FY17A	FY18A	FY19E	FY20E
Net Sales	80,462	88,983	93,265	104,400	115,900
Growth (%)	27%	10.6%	4.8%	11.9%	11.0%
EBITDA (ex OI)	10,082	10,735	13,226	14,511	18,102
EBITDA Margin	12.5%	12.1%	14.2%	13.9%	15.6%
Net Profit	2,708	3,151	6,851	6,102	7,161
Net Profit Margin	3.4%	3.5%	7.3%	5.8%	6.2%
EPS	29.11	34.13	69.14	52.33	61.41
BVPS	243.72	272.41	336.43	384.61	441.20
P/E (x)	25.6	21.8	10.8	14.2	12.1
P/BV (x)	3.1	2.7	2.2	1.9	1.7
EV/EBITDA (x)	9.7	9.9	9.4	10.9	9.4
ROE (%)	10.4%	11.3%	20.7%	16.4%	17.2%
ROCE (%)	12.4%	12.4%	15.4%	15.2%	15.6%

Source: Company data, Bloomberg, SMIFS Research

Brief Overview

CMP (INR)	821
Target (INR)	980
Upside(%)	19
Recommendation	Buy

BSE Code	539957
NSE Code	MGL
Reuters Ticker	MGAS.BO
Bloomberg Ticker	MAHGL.IN

Stock Scan

Market cap (INR Cr.)	8192
Outstanding Shares (Cr.)	9.87
Face Value (INR)	10
Dividend Yield(%)	2.29
P/E (x)	17.0
Industry P/E (x)	21.97
Debt/Equity	0
Beta vs. Sensex	0.74
52 Week High/ Low (INR)	1377/756
Avg. Daily Vol. (NSE)/1 yr.	517293

Shareholding Pattern (%)

	Sep-2018	Jun-2018	Mar-2018
Promoters	42.5	56.5	65
Institutions	43.28	30.38	25.24
Non-institutions	14.22	13.12	9.76

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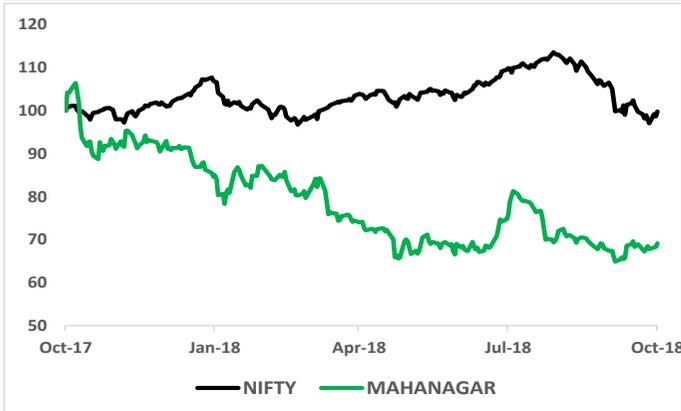
Company Overview

Mahanagar Gas Ltd (MGL) is the sole authorized distributor of compressed natural gas (CNG) and piped natural gas (PNG) in Mumbai, Thane urban and adjoining municipalities and the Raigad district. They distribute CNG for motor vehicles and PNG for domestic household use as well as commercial and industrial use. With a wide distribution network, They have a well-established customer base across Mumbai Metropolitan region and adjoining areas.

Outlook and Valuation

CGD (City Gas Distribution) business is monopolistic in nature due to allotment of license for specified region and cities. Sequential price hike will help MGL to offset the elevated gas price in the international market and rupee depreciation headwind. We expect MGL to report net revenue CAGR of 11% to INR2751 Cr. over FY2018-20E. Strong return ratios and low valuation for a sustainable business gives us an opportunity to invest in the company. We expect an EPS of INR61.3 for FY20E. **Thus, considering above facts we assign a P/E(x) multiple of 16 (x) on FY20E EPS, to arrive at a target price of INR980.**

Stock vs. Nifty (Relative Returns)



Investment Rationale

Infrastructure exclusivity: MGL holds infrastructure exclusivity in Mumbai, Thane and Raigad. MGL has established connectivity to supply gas to over 3,000 PNG consumers in Uran. Even with the existing areas that MGL covers, the growth prospects look promising with the govt's push to use the cleaner fuel and with the rising urbanization.

Expansion plans in advancement: In the recently announced 9th bidding round by PNGRB, 86 geographical areas (GAs) covering 174 districts are being offered to set up the CGD network out of which MGL plans to expand its network by bidding for 20 of those GAs. MGL has also given capex guidance of INR300 Cr. for FY19E.

Crucial triggers-Natural gas under GST: Government has indicated that it intends to bring natural gas under the ambit of GST which will be positive for the sector and also for MGL, currently, the taxes on CNG in Maharashtra is roughly around 29% (i.e. 14% excise duty and 13.5% Maharashtra VAT). With GST, we presume the rates to be lower which will support volume growth.

First Mover Advantage: MGL is well placed with domain expertise and capacity to have access to the most cost competitive priced gas. For any new entrant aiming to compete with MGL (Shipper), usage of MGL's distribution network would require them to pay an additional transportation tariff to MGL and thereby increasing its costs as compared to MGL.

Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY16	FY17	FY18	FY19 E	FY20 E
Net sales	2078	2034	2233	2501	2751
Growth(%)	-0.7%	-2.1%	9.8%	12.0%	10.0%
EBITDA (Ex OI)	509	644	780	875	963
EBITDA Margin (%)	24.5%	31.7%	34.9%	35.0%	35.0%
Net Profit	311	393	478	543	605
Net Profit Margin (%)	15.0%	19.3%	21.4%	21.7%	22.0%
EPS	34.80	39.83	48.38	54.94	61.27
BVPS	193.46	186.28	212.13	245.61	285.80
P/E	25.7	22.5	19.9	14.9	13.4
P/BV	5.1	4.8	4.5	3.3	2.9
EV/EBITDA (x)	13.5	12.5	11.24	8.58	7.56
ROE (%)	19.8%	22.1%	24.3%	23.3%	22.6%
ROCE (%)	30.2%	33.7%	36.9%	38.5%	35.7%

Source: Company data, SMIFS Research

Research & Development Strategies

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 12% and 20%
Accumulate	between 6% and 12%
Hold	between 0% and 6%
Sell	0 to <10%
Neutral	No Rating

Bloomberg Ticker for Stewart & Mackerich Research: SMIF<Enter>

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