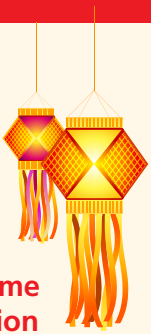




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After a challenging previous year, Samvad 2068 provided some cheer to the markets. For much of the year, there was frustration and near-despair. However, concerted action by US / EU central banks and the subsequent reforms initiatives by the Indian Government have provided a much needed boost to our markets in the last 10 weeks. The benchmarks have recovered from the lows of 2011.

The new Samvad brings with itself, hope of a better future. The Government is in a mood to bring the economy back on the high growth path and that, according to us, can be a big positive, if the Government carries out with further reforms. The US elections have ensured continuity in and minimal disruption of US economic policies. The easy monetary policy also seems set to continue. EU has so far, succeeded in averting any major defaults.

No doubt, there will be periods of uncertainty and anguish and concerns. There may be corrections in markets. The fiscal cliff in US is expected to be the first big test for global equities. EU chiefs will also have to keep on working hard to avoid catastrophes. And more importantly, the Indian policy-makers will face a big test in the ensuing winter session. The last budget before 2014 elections will also be important.

However, we are hopeful of a much better Samvad 2069. Given this backdrop, we have selected some stocks which look attractive to us from an investment perspective.

The stocks are :

CMP – Rs.328
Current TP – Rs.365

Cairn India

- Cairn India Ltd (CIL) is one of the biggest private exploration and production companies in India.
- MBA have recoverable oil reserves and resources of more than 1 billion barrels, which includes proven plus probable (2P) gross reserves and resources of 636 million barrels of oil equivalent (Mn boe) with a further 308 Mn boe or more of enhanced oil recovery (EOR) potential. This is 25-30 years of production.
- Based on our estimates, the stock is trading at 5.1x EV/EBIDTA and 6.3x P/E on FY14E earnings.

CMP – Rs.1077
Current TP – Rs.1286

ICICI Bank

- ICICI bank is better placed vis-à-vis its peers with robust liability franchise (CASA mix at ~41% at the end of Q2FY13), stable asset quality, improving NIM (3%+ during last 3 Quarters).
- Management's focus on stable growth with improving structural profitability (RoE is likely to improve further with increase in leverage in next 2-3 years) reinforces our existing positive outlook on the stock.
- Retail book, which constitutes ~35% of total loan book, has seen near nil slip-page during last couple of quarters; this has made us more confident on its overall asset quality.
- After stripping off the value of subsidiaries (Rs.204), stock is trading reasonable at 1.4x its FY14 ABV.





CMP – Rs.3356
Current TP – Rs.3662

Grasim Industries

- Grasim Industries is a diversified player in cement, viscose staple fibre (VSF) and chemicals and is also expanding its capacity in cement to enhance its overall market share in cement and VSF division to capture higher demand.
- We thus expect company to benefit from volume expansion as well as pricing improvement going forward.
- Along with this, company also has a healthy balance sheet and is open for further expansion in cement capacity through organic or inorganic means.
- It is trading at very attractive valuations of 9.4x P/E on FY14 estimates.

CMP – Rs.1329
Current TP – Rs.1460

Tata Consultancy Services

- The management has maintained its optimism of beating NASSCOM's target growth rate of 11% - 14% (USD terms) in FY13 in CC terms and has also maintained an optimistic macro outlook.
- TCS' revenue growth in the past few quarters has been better than Infosys and it has been able to restrict impact on margins.
- Stock is available at about 18x FY14 estimates

CMP – Rs.130
Current TP – Rs.156

Adani Port (ADSEZ)

- ADSEZ has outlined aggressive plans to emerge as one of the largest private port operators in India.
- Total cargo handling capacity for the company in India is expected to increase from 150mn tons currently to 225mn tons by FY14E.
- As a large portion of the volumes is linked to energy imports, we expect volumes for the port to grow at 18% CAGR to 90mn tons by FY14E.
- Stock is trading at very attractive valuations of about 13.3x on FY14 estimates.

CMP – Rs.227
Current TP – Rs.275

Engineer's India Ltd

- Engineers India Ltd (EIL) is India's leading publicly held company engaged in the areas of hydrocarbon, metals and infrastructure consultancy.
- According to Ministry of petroleum and natural gas, domestic crude oil refining sector is likely to significant capacity in twelfth five year plan. EIL is likely to benefit from this as it enjoys entrenched relationship with PSU majors like HPCL, BPCL, IOC etc.
- In order to widen its spectrum of offerings, company has entered into various favourable joint ventures with domestic as well as international players.
- Stock is trading at very attractive valuations of about 10.1x on FY14 estimates.

CMP – Rs.121
Current TP – Rs.146

KPIT Cummins

- Management commentary echoes the optimism sounded by other leading peers about the continuing traction in automotive, manufacturing and hi-tech verticals, the mainstay of KPIT.
- We understand that, the company has decent visibility on revenues, going ahead.
- Stock is available at about 9.3x FY14 estimates

Please Note : The target prices of a few companies may change over the quarters in line with the performance of these companies and the evolving macro scene.



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