

New Year Stock Picks



HAPPY NEW YEAR!

2018

OUR SERVICES

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NPS | MFs | Financial Planning | Real Estate | Insurance | FDs

Market View:

The year 2017, witnessed the repercussions of demonitisation and the implementation of the major tax reform in the country i.e. goods and services tax (GST). India also faced the lowest growth rate of 5.7% in the second quarter of the year 2017 mainly because of destocking by companies and traders ahead of GST implementation and the lingering impact of demonitisation.

The implementation of GST would definitely benefit the organized players in the industry, washing out the unorganized players that were giving competition to formal players and not paying taxes to the government. The impact of GST in medium & long term would be very positive on the front of macroeconomic indicators as inflation would be lower, higher tax revenue, increase in exports and higher FDI.

In addition, in October, the government also announced Rs 2.11 lakh crore capital infusion into state owned banks as part of a broad plan to strengthen the asset quality and thereby the balance sheet, boost investments and quicken growth in the broader economy.

The year 2017, saw several global cues affecting the sentiment in the emerging markets including India. US Federal Reserve, stuck to its script of raising interest rates three times in 2017 (current rate is 1.5%). Also in 2018, the Fed has held its projection of three more rate hikes. The Fed also raised its growth forecast for 2018 to 2.5%. Going forward, the emerging market economies will watch the decisions of the Fed very closely.

The year also witnessed volatility in crude oil prices dampening the sentiment. Higher global crude oil prices is a concern for Indian economy as this would stoke inflation, impact the interest rate decisions by the country's central bank and effect the fiscal deficit target of the government.

The year also saw India climb into the 100th position in the World Bank's Ease of Doing Business rankings, jumping 30 notches from last year and highest ever since 2014. Similarly, global ratings agency, Moody's Investors Service upgraded India's sovereign ratings to Baa2 from its lowest investment grade (Baa3), after a gap of 13 years. The rating upgrade was an indication of giving credit to the Narendra Modi government's reforms initiatives across various areas. Also, Standard & Poor's (S&P) kept India's sovereign rating unchanged at BBB- on the back of stronger consumption growth, political stability and robust democratic institutions.

India is undoubtedly best placed amongst the emerging markets and going forward we will reap the benefits of these structural & steady reforms that are taking place under the Modi government. The important tax reform of GST, introduction of e-way bill, push towards the use of electric vehicles, waiving of farmer's loans, spending on infrastructure will be a major boost to the domestic consumption story. Going forward, we recommend selecting companies which have strong balance sheet, high growth potential and positive cash flows.

2017 Stock Performance:

Performance Of New Year Stock Picks-2017								
Company	Recommendation	Given Price (Rs)	Target (Rs)	Time Horizon	Status	Return (%)	CMP (Rs)	Return from CMP (%)
Kotak Mahindra Bank	Accumulate (Rs 717-680)	717	895	9-12 Months	TGT HIT	25	1007	40
Bharat Electronics Ltd	Accumulate (Rs 1376-1360)	1376	1600	9-12 Months	TGT HIT	16	184	47*
NBCC	Buy	226	270	9-12 Months	TGT HIT	19	249	66*
Jain Irrigation Systems Ltd	Buy	84	105	9-12 Months	TGT HIT	25	130	55
Ador Welding Ltd	Buy	290	340	9-12 Months	TGT HIT	17	503	73

*Adjusted for stock split and bonus **Dividend not been considered

We are recommending our best stock picks for the New Year 2018:

New Year Stock Picks-2018					
Company	Recommendation	CMP (Rs)	Target (Rs)	Upside (%)	Time Horizon
Mangalam Drugs & Organics Ltd	Accumulate (Rs 211-222)	222	270	22	9-12 Months
RACL Geartech	Accumulate (Rs 78-83)	83	120	45	9-12 Months
UPL	Buy	763	930	22	9-12 Months
Cyient	Buy	575	820	43	9-12 Months
Kotak Mahindra Bank	Buy	1005	1250	24	9-12 Months
Aurobindo Pharma Ltd	Buy	687	950	38	9-12 Months
Munjal Showa Ltd	Accumulate (Rs265-279)	279	390	40	9-12 Months
Deepak Fertilizers & Petrochemicals Corpn Ltd	Accumulate (Rs 405-427)	427	552	29	9-12 Months

Mangalam Drugs & Organics Ltd:

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
222	MANGALAM/532637	294.96	PHARMACEUTICAL	15.83	10	60.69	1.16

Mangalam Organics Limited is an India-based chemical manufacturing company. The Company is engaged in the manufacturing and selling activities of Camphor, Sodium Acetate and by-products, Terpene Chemicals, Synthetic Resins and Phenol formaldehyde (PF) resins. The Company offers camphor tablets under the brand name mangalam. The Company exports its products to Europe, the United States, Africa and the Middle East. The Company's manufacturing units are located at Kumbhivali Village, Taluka Kahalapur, Khopoli, District Raigad, Maharashtra. Company has a diversified product range having synergies in operations and economies of scale. It is amongst the top manufacturers in Asia in all the products it manufactures, and is a largest manufacture of some of its products in the world.

RACL Geartech Ltd:

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
83	520073	70.91	Auto Ancillaries	9.93	10	40.15	1.12

RACL Geartech Limited, formerly Raunaq Automotive Components Limited, is an India-based company, which is engaged in automotive gears and components business. The Company is involved in manufacturing of gears, shafts and other automotive component parts. Its products are used in in Motorcycles & Scooters, 3&4 Wheeler Passenger & Cargo Vehicles, Agricultural Machinery, Tractors, ATV, Light & Heavy Commercial Vehicles etc. RACL has evolved as a leading supplier to OEM's in the Automotive Sector and prominent names from the global arena have entrusted their faith in the company.

United Phosphorus Ltd:

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
763	UPL /512070	37366.76	Chemicals	101.67	2	154.79	1.07

United Phosphorus Limited (UPL) is engaged in the business of agrochemicals, industrial chemicals, chemical intermediates and specialty chemicals. The company's segments include Agro activity and Non-agro activity. The Agro activity segment includes the manufacture and marketing of conventional agrochemical products, seeds and other agricultural related products. The Non-agro activity segment includes manufacture and marketing of industrial chemical and other non-agricultural related products. It offers fungicides, herbicides, insecticides, plant growth and regulators, rodenticides, industrial and specialty chemicals, and nutrifeeds. UPL widened their reach by manufacturing closer to large consuming markets and analyzing grassroot realities to strengthen demand forecasting. UPL commissioned 11 Unimart stores across India to market agricultural inputs, provide knowhow and catalyse productivity.

Cyient:

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
575	CYIENT /532175	6348.89	COMPUTERS - SOFTWARE	56.29	5	172.56	0.56

Cyient Limited is engaged in providing software-enabled engineering and geographic information system (GIS) services. Its segments include Data & Network Operations (DNO); Engineering, Manufacturing, Industrial Products (EMI), and Product Realisation (PR). DNO vertical services industries, such as power, gas, telecom, transportation and local government, and offers data conversion, data maintenance, photogrammetry and information technology (IT) services to the DNO vertical. EMI vertical services customers in industries, such as aerospace, automotive, off-highway transportation and industrial and commercial products, engineering design, embedded software, IT Solutions, manufacturing support, technical publications and other strategic customers.

Kotak Mahindra Bank:

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
1005	KOTAKBANK /500247	193250.56	BANKS - PRIVATE SECTOR	952.21	5	184.87	0.65

Kotak Mahindra Bank Ltd is one of the fastest growing bank and among the most admired financial institutions in India. The bank's segments include treasury, BMU and corporate centre, which includes dealing in debt, equity, money market, forex market, derivatives and investments and primary dealership of government securities and Balance Sheet Management Unit (BMU), retail banking, wholesale banking, vehicle financing, other lending activities and broking.

Deepak Fertilizers & Petrochemicals Corpn Ltd:

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
427	DEEPAKFERT /500645	3491.84	FERTILISERS	88.20	10	192.78	1.50

Deepak Fertilizers and Petrochemicals Corporation Limited is a manufacturer of fertilizers. The Company's segments include Chemicals, which offers products, such as ammonia, methanol, dilute nitric acid (DNA), concentrated nitric acid (CAN), carbon dioxide (CO₂), technical ammonium nitrate (TAN), iso propyl alcohol (IPA), propane, and bulk and specialty chemicals; Bulk Fertilisers, which offers products, including nitro phosphate (NP), muriate of potash (MOP), diammonium phosphate (DAP), ammonium sulfate, mixtures, single superphosphate (SSP), sulfur, micronutrients, bio fertilizers, fruits, vegetables and pesticides; Realty, which includes real estate business, and Others, which provides windmill power. Its principal products/services include Nitrophosphate (Fertilisers), Complexes (Fertilisers) and TAN. Its primary brand is Mahadhan. It manufactures prilled nitro phosphate fertilizer under the brand name Mahadhan Mahapower.

Aurobindo Pharma Ltd.

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
687	AUROPHARMA /524804	40071.43	PHARMACEUTICALS	58.59	1	160.53	1.20

Aurobindo Pharma Limited is a pharmaceutical company, engaged in producing oral and injectable generic formulations and active pharmaceutical ingredients (APIs). Aurobindo has robust product portfolio spread over major product areas encompassing CVS, CNS, Anti-Retroviral, Antibiotics, Gastroenterologicals, Anti-Diabetics and Anti-Allergic with approved manufacturing facilities by USFDA, UKMHRA, WHO, MCC-SA, ANVISA-Brazil for both APIs & Formulations.

Munjal Showa Ltd:

CMP	NSE/BSE Symbol	MCAP (Cr)	Sector	Equity (Cr)	Face Value	Book Value	Beta-Sensex
279	MUNJALSHOW /520043	1127.66	AUTO ANCILLARIES	8.00	2	133.00	0.71

Munjal Showa Limited is engaged in the manufacture of shock absorbers and struts. The Company operates as an ancillary and manufactures auto components for the two-wheeler and four-wheeler industry, primary products being shock absorbers and its variants are Front Forks, Rear Cushions, Struts and Gas Spring/Rear Door Lifters etc. Its products serve as original equipment to a range of Maruti Suzuki cars, Honda City, Hero motorcycles & scooters, and Honda motorcycles & scooters. The company has three manufacturing locations that are in Gurgaon, Manesar and Haridwar.

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