



**Canara Bank Securities Ltd**

A WHOLLY OWNED SUBSIDIARY OF CANARA BANK



**DIWALI PICKS**

*Happy Diwali!*

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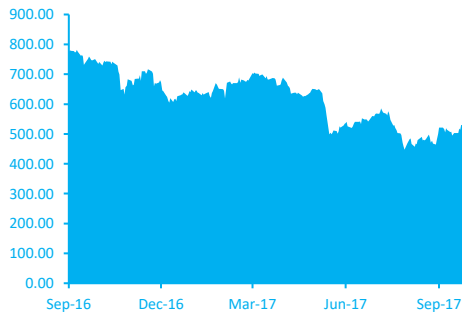


## DIWALI PICKS

### SUN PHARMACEUTICALS

<b>CMP</b>	<b>527</b>	<b>TGT</b>	<b>661</b>
<b>Sector</b>	<b>Pharmaceuticals &amp; Drugs</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>759/433</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>54.38</b>		
<b>FII (%)</b>	<b>19.74</b>		
<b>Public and others (%)</b>	<b>25.88</b>		

#### Sun Pharma



#### About the company

Sun Pharmaceutical Inds. Ltd is an international specialty pharma company. The company is engaged in manufacturing of products in the following therapy areas such as CNS disorders, Cardiology, Diabetes and Metabolic disorders, gastroenterology, Ophthalmology, Oncology, Pain, Allergy, Asthma and Inflammation and Gynecology.

#### Investment Rationale

- **Domestic sales to bounce back in Q2:** The pharmaceutical industry had seen a slump in domestic sales due to the implementation of GST. The inventory days had gone up for the industry as whole as there was destocking at distributor level. This is a temporary aberration in sales which is expected to return to normal in Q2.
- **Synergy benefits:** The Company is on track to realize \$300 million of Synergy benefits due to the Ranbaxy acquisition and this would augur well for the company going forward, as this would lead to better margins.
- **Halol facility inspection by USFDA:** The Company has invited the USFDA for a re-inspection of their Halol facility and if there is a positive outcome in terms of lifting of import alert, it would be a huge positive for the stock as it would help them launch more products.

#### Fair valuation of stock

Considering the past performance and present situations, management are confident of achieving their targets. Based on the information and data available to us, we expect the company to post a stable growth rate of ~10%, on top line in FY18. The Company currently trades at 15.80 ~P/E FY18E; we maintain our positive outlook on the stock, for a price target of Rs 661 in the next 9-12 months.

#### Financial Snapshot

Year / Particulars (Cr.)	REVENUE	EBIDTA	NET PROFIT	EPS	P/E	ROE	ROCE
<b>FY16</b>	<b>27888.07</b>	<b>8816.57</b>	<b>5656.86</b>	<b>18.90</b>	<b>43.38</b>	<b>19.32</b>	<b>18.64</b>
<b>FY17</b>	<b>30246.23</b>	<b>10712.42</b>	<b>7836.30</b>	<b>29.00</b>	<b>23.69</b>	<b>22.51</b>	<b>21.48</b>
<b>FY18E</b>	<b>33875.77</b>	<b>12319.28</b>	<b>9011.75</b>	<b>33.35</b>	<b>15.80</b>	<b>24.31</b>	<b>23.63</b>



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## DIWALI PICKS

### BHARAT FORGE

<b>CMP</b>	<b>640</b>	<b>TGT</b>	<b>768</b>
<b>Sector</b>	<b>Diversified</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>695/382</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>45.75</b>		
<b>FII (%)</b>	<b>20.58</b>		
<b>Public and others (%)</b>	<b>33.67</b>		

### Bharat Forge



### About the company

Bharat Forge Limited (BFL), the Pune based Indian multinational is a technology-driven global leader in metal forming having trans-continental presence across a dozen manufacturing locations, serving several sectors including automobile, power, oil and gas, rail & marine, aerospace, construction & mining, etc. The company manufactures a wide range of safety and critical components for the automotive & non-automotive sector.

### Investment Rationale

- **USA business showing good traction:** In USA, Class 8 trucks have shown a very good growth when compared to last year. For the month of July and August the trucks have shown a growth 50% year on year. This would aid the company as they are one of the major components suppliers to US class 8 truck manufacturers.
- **Defence foray:** The Company has made a foray into the defence manufacturing space and that would augur well for the company going forward as this segment may show non-linear growth (exponential).

### Fair valuation of stock

Considering the past performance and present situations, management are confident of achieving their targets. Based on the information and data available to us, we expect the company to post a stable growth rate of ~12%, on top line in FY18. The Company currently trades at 37.76~P/E FY18E; we maintain our positive outlook on the stock, for a price target of Rs 768 in the next 9-12 months.

### Financial Snapshot

Year / Particulars (Cr.)	REVENUE	EBIDTA	NET PROFIT	EPS	P/E	ROE	ROCE
<b>FY16</b>	<b>7001.56</b>	<b>1540.21</b>	<b>649.32</b>	<b>28.87</b>	<b>34.39</b>	<b>18.53</b>	<b>16.93</b>
<b>FY17</b>	<b>6598.16</b>	<b>1370.34</b>	<b>697.59</b>	<b>30.26</b>	<b>21.08</b>	<b>18.94</b>	<b>14.92</b>
<b>FY18E</b>	<b>7389.93</b>	<b>1548.48</b>	<b>802.22</b>	<b>16.95*</b>	<b>37.76*</b>	<b>20.64</b>	<b>16.71</b>

- Adjusted for 1:1 bonus given on 28/09/2017



### ALEMBIC PHARMACEUTICALS

**CMP** 494 **TGT** 612

**Sector** Pharmaceuticals & Drugs

**Market** Domestic & International

**Holding Period** 9-12 months

**52 Week High/Low** 695/470

#### Major Shareholders as on 201706

**Promoter Holding (%)** 72.68

**FII (%)** 10.41

**Public and others (%)** 16.91

#### Alembic Pharma Ltd



#### About the company

Alembic Pharmaceuticals Limited is a leading pharmaceutical company in India. The Company is vertically integrated with the ability to develop, manufacture and market pharmaceutical products, pharmaceutical substances and Intermediates. Alembic is the market leader in the Macrolides segment of anti-infective drugs in India. Alembic's manufacturing facilities are located in Vadodara and Baddi in Himachal Pradesh.

#### Investment Rationale

- **USA business showing good traction:** The US business for the company is showing good traction, they have filed 6 ANDA (abbreviated new drug approval) proposals and they have also filed 4 DMFs (drug master files) with the USFDA during FY18. The company is slated to file around 20 products for this year.
- **Presence in top 300 brands in India:** The Company has 5 drugs in the Top 300 brands in India. This shows that the company has a strong domestic focus and that would augur well for them going forward.
- **Diversified product mix:** The company is working on different therapies like oncology, dermatology and they are also working on an injectable portfolio. This shows that the company has a diversified product mix and that would help them mitigate the concentration risk.

#### Fair valuation of stock

Considering the past performance and present situations, management are confident of achieving their targets. Based on the information and data available to us, we expect the company to post a stable growth rate of ~15%, on top line in FY18. The Company currently trades at 20.82~P/E FY18E; we maintain our positive outlook on the stock, for a price target of Rs 612 in the next 9-12 months.

#### Financial Snapshot

Year / Particulars (Cr.)	REVENUE	EBIDTA	NET PROFIT	EPS	P/E	ROE	ROCE
FY16	3162.40	1013.95	720.19	38.19	15.72	58.03	65.87
FY17	3130.93	617.18	420.19	21.39	29.16	23.26	28.94
FY18E	3600.57	709.75	472.71	24.07	20.82	26.16	33.28



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## DIWALI PICKS

### ADVANCED ENZYME TECHNOLOGIES

<b>CMP</b>	<b>271</b>	<b>TGT</b>	<b>320</b>
<b>Sector</b>	<b>Biotech</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>475/246</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>71.31</b>		
<b>FII (%)</b>	<b>0</b>		
<b>Public and others (%)</b>	<b>28.69</b>		

#### Advanced Enzymes



#### About the company

Advanced Enzyme Technologies Ltd. (AETL) is a unique company in the Biotech arena. It is unique because, it creates and provides only eco-friendly solutions. Advanced Enzymes is a research driven company with global leadership in the manufacturing of enzymes & among top 15 enzyme companies globally and has the second highest market share domestically, next only to the world's largest enzyme company Novozymes. The application and adoption of enzymes is widening to newer areas and therefore the entire market size is bound to expand.

#### Investment Rationale

**Consistent Growth History:** The Company's topline has performed at CAGR of 10 % when Enzyme industry was growing at 6.3% during FY 13-17. It has recorded CAGR of 13% & 16% in EBIT & Net Profit respectively.

**R&D Investment:** The Company is consistently increasing R&D investment. As of Q1 FY18 ending advanced Enzymes has a team of 100 R&D people across seven sites in India, USA and Germany. As per management of company, there will be additional annual R&D investment of approx. ₹ 200 mn from current year onwards.

**Inorganic Expansion:** Inorganic Expansion is the new Key Business Strategy of the company. Acquisition of Key Technologies, Competencies & Skill-sets will enable consolidation and/or entry into New Market Segments, Acquisition of Client Relationships & Businesses in Key Focus Markets. We expect company to grow faster inorganically in FY 18-23.

#### Fair valuation of stock

Global growth of Enzymes will be led by Specialty Enzymes while Industrial Enzymes expected to see moderate growth. Between FY 18-22 topline of the industry is expected to grow 6.5% annually, majorly from North America, Western Europe & Asia/ Pacific. Developing countries, especially in Asia/Pacific and Central/South America shall witness faster growth in near future. Indian enzyme market is set to grow from USD 105 mn in 2015 to USD 279 mn in 2022 at a CAGR of 15.0%. Company has global presence and continues to focus at growth driving countries. We expect the company to repeat the FY13-17 history and expect topline CAGR of 10 % during FY18-23.

#### Financial Snapshot

Year / Particulars (Cr.)	REVENUE	EBIDTA	NET PROFIT	EPS	P/E	ROE	ROCE
FY16	293.76	138.85	76.75	8.80	* N/A	30.96	33.01
FY17	331.36	153.55	92.36	8.19	50.3	24.56	40.92
FY18E	355.96	172.42	100.16	10.10	31.68	19.29	27.30

\*The Company listed on Exchanges on 01-AUG-2016 so data not available.



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## DIWALI PICKS

### CENTURY PLYBOARDS (INDIA)

<b>CMP</b>	<b>264</b>	<b>TGT</b>	<b>315</b>
<b>Sector</b>	<b>Wood &amp; Wood Products</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>314/154</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>72</b>		
<b>FII (%)</b>	<b>0.93</b>		
<b>Public and others (%)</b>	<b>28</b>		

### Century Plyboards



### About the company

Century Plyboards (India) Ltd is a well-known manufacturer of plywood and decorative veneers. The company is the largest seller of plywood and decorative veneers in the Indian organized plywood market. They market their products under the brand name 'Centuryply'. The product range of company includes a wide range of plywood such as Architect, BWR Flexible Decorative, Marine Grade and MR Grade Commercial Ply. The company also manufactures Laminates, Decorative veneers and Prelam Medium Density Fibre (MDF) Board. The company also in the business activities of Plywood, Laminate, CFS Services. Besides, it exports range of premium products to over 20 countries.

### Investment Rationale

**MDF plant set to kick start commercial production:** Century Plyboards has commenced commercial production from the newly set-up green field MDF plant in Punjab from October and management expects it to run at ~50% utilization in the second half of FY18, catering primarily to domestic market with prime target being North Indian markets in order to maximize top-line and bottom-line. Commissioning of the three new laminates lines in the same premises going as per schedule and CPBI in the meanwhile is extending to a seven day production of laminates post discussing with the work force.

**Affordable Housing:** Going with the present scenario, building materials firms are structurally well placed on growing urbanization (31-40 per cent by 2025), rising disposable income, growing customer preference for branded products, government initiatives such as affordable housing and housing for all and GST rollout, which should curtail prospects for unorganized players.

### Fair valuation of stock

Increase in capacities, entry in MDF (Medium-density fiberboard) segment and revival in housing offstage will drive earnings growth. We expect the company to generate strong free cash flow over next 2-3 years. Net debt-to-equity is also expected to reduce to 0.5x in FY19 from 0.8x in FY17. We expect the company to post a stable growth rate of ~18% on top line in FY18-20. Company has provided a ROCE 23.06%. The Company currently trades at ~30.23 PE and it trades at 28.8 ~P/E FY18E; we maintain our positive outlook on the stock, for a price target of Rs 315 in the next 9-12 months.

### Financial Snapshot

Year/ Particulars(Cr.)	REVENUE	EBIDTA	NET PROFIT	EPS	P/E	ROE	ROCE
FY16	1640.93	295.47	169.75	7.6	22.40	37.04	26.04
FY17	1818.73	334.53	193.48	8.6	30.23	31.11	23.06
FY18E	2160	357	203	9.1	28.8	28.2	24.0



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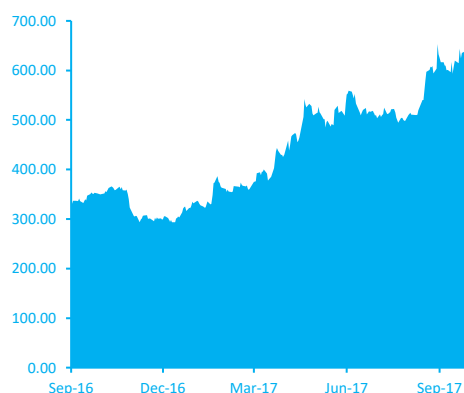


## DIWALI PICKS

### GODREJ INDUSTRIES

<b>CMP</b>	<b>609</b>	<b>TGT</b>	<b>720</b>
<b>Sector</b>	<b>Diversified</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>699/364</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>74.74</b>		
<b>FII (%)</b>	<b>0</b>		
<b>Public and others (%)</b>	<b>25.26</b>		

### Godrej Industries



### About the company

Godrej Industries is one of the Godrej Group's holding companies. It has significant interests in consumer goods, real estate, agriculture and gourmet retail through subsidiaries and associate companies, across 18 countries. **Godrej Consumer Products** is an emerging markets FMCG leader, delighting consumers with innovative, superior quality products at affordable prices. **Godrej Properties** brings innovation and excellence to the real estate industry in India, delivering superior value through extraordinary and imaginative spaces created out of deep customer focus and insight. The Company's **Chemicals division**, ranks among India's leading manufacturers of oleo chemicals and surfactants and Godrej Industries products are exported to over 80 countries in North and South America, Asia, Europe, Australia and Africa.

### Investment Rationale

- **Group philosophy, brand moat, execution excellence to support consistent wealth creation:** The Godrej group practices the EVA philosophy, entering into those businesses where they believe they can achieve sustainable leading positions. We believe that a robust management, strong brand equity, consistent innovation and execution excellence would help Godrej to consistently create wealth for its stakeholders.
- **Consolidated Group Growth:** All four subsidiaries/associate companies of the company have high growth potentials and unique positioning in growth driving sectors. The company will reap huge dividends from its investments across various businesses.

### Fair valuation of stock

We expect the company to post a stable growth rate of ~14% on top line in FY18-20. Company has provided a ROCE 7.86%. The Company trades at 58.25 ~P/E FY18E; we maintain our positive outlook on the stock, for a price target of Rs720 in the next 9-12 months.

### Financial Snapshot

Year/ Particulars(Cr.)	REVENUE	EBIDTA	NET PROFIT	EPS	P/E	ROE	ROCE
<b>FY16</b>	<b>7453.59</b>	<b>598.11</b>	<b>140.48</b>	<b>4.51</b>	<b>74.08</b>	<b>4.40</b>	<b>6.17</b>
<b>FY17</b>	<b>8365.13</b>	<b>814.47</b>	<b>233.37</b>	<b>7.12</b>	<b>66.12</b>	<b>7.73</b>	<b>7.86</b>
<b>FY18E</b>	<b>9380</b>	<b>1070</b>	<b>351.82</b>	<b>10.46</b>	<b>58.25</b>	<b>10.41</b>	<b>9.95</b>

\* Total Comprehensive Income includes Income Attributable to Consolidated Group



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## DIWALI PICKS

### SYMPHONY

**CMP** 1392    **TGT** 1670

**Sector** Consumer Durables

**Market** Domestic & International

**Holding Period** 9-12 months

**52 Week High/Low** 1113/1570

#### Major Shareholders as on 201706

**Promoter Holding (%)** 75

**FII (%)** 0

**Public and others (%)** 25

#### Symphony



#### About the company

Symphony Ltd is engaged in the manufacture of air-coolers. The company has established itself as a world leader in evaporative air coolers. The product range of the company includes Evaporative Air Coolers (Desert Coolers, Room Coolers and Personal Coolers), Air Conditioners (Window Air Conditioners and Split Air Conditioners), Water Heaters (Sauna Heaters). The company is also in the business activities of Home Appliances. It exports range of premium products to over 60 countries.

#### Investment Rationale

**Maintain its leadership position:** Symphony Ltd has maintained its leadership position in Air Cooler category with value market share ~50% of total organized market. Symphony operates through an asset light model wherein it outsources manufacturing of air coolers and uses the cash & carry model for sales. We believe the zero debt status provides adequate room to fund Symphony's organic and inorganic growth opportunities whenever required.

**Rural Demand:** Going with rising disposable income, growing customer preference for branded products there is huge untapped/ under-penetrated market for Air Cooler category.

**Exploring opportunities to tap new markets:** Symphony is exploring new opportunities in the industrial cooling segment (through Impco) and air cooling segment. To get access to the Chinese market, the company has acquired Chinese air cooler brand MKE.

#### Fair valuation of stock

A successful business model has turned Symphony into an asset-light, zero-debt company; which has enabled the business to generate very high RoE (42.59%) and RoCE (58.83%). With its strong brand image company is building strong distribution network to penetrate into the rural markets which will lead to robust growth. We anticipate revenue to grow at CAGR of 20% and PAT to grow at CAGR of 24% between FY18 and FY20. Currently the stock is trading at a P/E of 45.6x and we have a price target of Rs1670 in next 9-12 months.

#### Financial Snapshot

Year/ Particulars(Cr.)	REVENUE	EBIDTA	NET PROFIT	EPS	P/E	ROE	ROCE
FY16	445.55	136	118.37	16.92	70.24	37.89	52.88
FY17	768.03	197.6	165.6	23.67	64.39	42.59	58.83
FY18E	952	265	215	30.7	53	37.9	46.2





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## DIWALI PICKS

### CAPITAL FIRST

<b>CMP</b>	<b>748</b>	<b>TGT</b>	<b>915</b>
<b>Sector</b>	<b>BFSI</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>839/465</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>36</b>		
<b>FII (%)</b>	<b>25.69</b>		
<b>Public and others (%)</b>	<b>38.31</b>		

### Capital First



### About the company

Capital First Limited is an India-based financial company, which focuses on providing debt financing to Micro, Small and Medium Enterprises (MSMEs) and Indian consumers. The Company's products include personal loans, business loans, loan against property, two-wheeler loans, pre-owned car loan and insurance. The Company also provides other credit granting services.

### Investment Rationale

- **Robust AUM growth:** The Company AUM has crossed 214.10 Bn in Q1FY18 from 9.35 Bn in FY10, which has grown with a CAGR of 54%. The company is having presence in 228 locations with 4.5 million customer base.
- **Diversified Portfolio:** The company loan book is well diversified with MSME contributes around 58%, consumer loans at 15%, 2-wheeler segment at 10%, and housing at 4%. The company is strategically shifting its focus from MSME to Consumer finance and housing. The Retail loans portfolio commands 93% of the total AUM.
- **Stable Asset Quality:** The Company's GNPA stands at 1.72% and NNPA stands at 1.04% as on June 2017. The increase in NPA is due to company migrated to 90 days past due norms as per RBI guidelines. We believe that company asset quality is going to be stable despite robust loan book growth. The company's capital adequacy ratio stands at 19.10%. The company enjoys the highest long term credit rating of AAA.

### Fair valuation of stock

Considering the past performance and present situations, management are confident of achieving their targets. Based on the information and data available to us, we expect the company to post a stable growth rate of ~34%, on top line in FY18. The Company currently trades at ~3.18 P/B for FY17 and going forward it may trade at 2.83 ~P/B FY18E; we maintain our positive outlook on the stock, for a price target of Rs.915 in the next 9-12 months.

### Financial Snapshot

Year/ Particulars(Cr.)	TOTAL INCOME	NET PROFIT	P/B	ROA	GNPA	NNPA
FY16	1888.04	166.19	4.02	1.3	1.74	1.21
FY17	2789.95	238.92	3.18	1.5	1.65	1.00
FY18E	3738.53	317.76	2.83	1.6	1.75	1.10



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## DIWALI PICKS

### FEDERAL BANK

<b>CMP</b>	<b>117</b>	<b>TGT</b>	<b>142</b>
<b>Sector</b>	<b>BANKING</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>122/62</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>NIL</b>		
<b>FII (%)</b>	<b>36.70</b>		
<b>Public and others (%)</b>	<b>63.30</b>		

### Federal Bank



### About the company

Federal Bank Limited is a major Indian commercial bank in the private sector headquartered at Aluva, Kerala having more than thousand branches and ATMs spread across different States in India. The Bank offer its customers, a variety of services such as Internet banking, Mobile banking, on-line bill payment, online fee collection, depository services, Cash Management Services, merchant banking services, insurance, mutual fund products and many more as part of its strategy to position itself as a financial super market and to enhance customer convenience.

### Investment Rationale

- **Consistent Credit Growth:** The credit growth of the bank is significant despite of the slump in overall credit growth of the Economy. The bank has registered 29% YoY growth by raising its advances to Rs. 77087 in Q1FY18 from Rs.59852 in Q1FY17. Out of total Advances retail and agriculture segments had grown at 27% whereas wholesale growth was at 39% YOY.
- **Sustainable Profitability with Digital boost:** The Company is able to maintain above 3% NIM and able to reduce the cost to income ratio from 54.19% in Q1FY17 to 50.62% in Q1FY18. The company is augmenting well on digital front and increasing the digital client base significantly.
- **Stable Asset Quality with adequate Capital:** The Company GNPA stands at 2.42% and NNPA stands at 1.39% as on June 2017. The capital adequacy ratio increased significantly from 15.28% in Q1FY18 from 12.39% in Q4FY17 on account of raising Rs.2500 Cr from QIP. The provision coverage ratio stands at 70.26%.

### Fair valuation of stock

Considering the past performance and present situations, management is confident of achieving their targets. Based on the information and data available to us, we expect the company to post a stable growth rate of ~23%, on Net Interest income for FY18E. The Company currently trades at 2.48 P/B FY17 and it trades at 2.12 ~P/B for FY18E; we maintain our positive outlook on the stock, for a price target of Rs 142 in the next 9-12 months.

### Financial Snapshot

Year/ Particulars(Cr.)	TOTAL INCOME	NII	NET PROFIT	P/B	ROA	GNPA	NNPA
<b>FY16</b>	<b>8556.35</b>	<b>2507.70</b>	<b>475.65</b>	<b>2.78</b>	<b>0.57</b>	<b>2.84</b>	<b>1.64</b>
<b>FY17</b>	<b>9759.20</b>	<b>3052.60</b>	<b>830.79</b>	<b>2.48</b>	<b>0.84</b>	<b>1.72</b>	<b>1.28</b>
<b>FY18E</b>	<b>12042.85</b>	<b>3754.70</b>	<b>1088.35</b>	<b>2.12</b>	<b>0.87</b>	<b>2.45</b>	<b>1.43</b>



# Canara Bank Securities Ltd

A WHOLLY OWNED SUBSIDIARY OF CANARA BANK

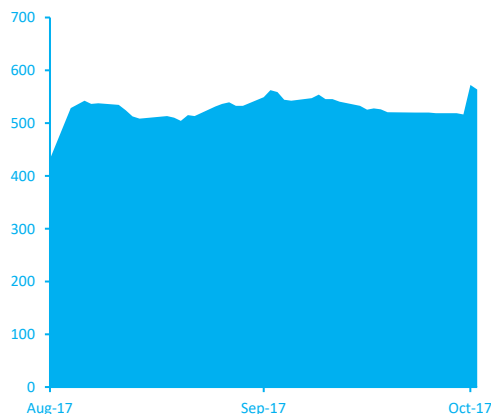


## DIWALI PICKS

### COCHIN SHIPYARD

<b>CMP</b>	<b>563</b>	<b>TGT</b>	<b>685</b>
<b>Sector</b>	<b>SHIP BUILDING</b>		
<b>Market</b>	<b>Domestic &amp; International</b>		
<b>Holding Period</b>	<b>9-12 months</b>		
<b>52 Week High/Low</b>	<b>592/435</b>		
<b>Major Shareholders as on 201706</b>			
<b>Promoter Holding (%)</b>	<b>75</b>		
<b>FII (%)</b>	<b>3.11</b>		
<b>Public and others (%)</b>	<b>21.89</b>		

### Cochin Shipyards Ltd



### About the company

Incorporated in 1969, Cochin Shipyards Limited is one of the largest public sector shipyards in India in terms of dock capacity. They operate a shipyard which provides shipbuilding and ships/offshore structures repair services. Cochin Shipyards's shipbuilding activities include the construction of vessels for clients operating in the defence and in the commercial sector shipping industry. The company got Miniratna status in 2008.

### Investment Rationale

- **Strong order pipeline and bidding:** The Company has strong order book worth of Rs.2856 crore. Recently it has won L1 status for an order worth Rs.5400 crore from Indian Navy, and likely to receive phase 3 order of IAC for Rs.11900 crores, which are going to be very positive in the coming years. The Government strong spending on Defence and infrastructure (Coastal) may bring more opportunities. The Government is expected to invest US\$16 billion for the prestigious Sagarmala project.
- **Debt free and high Dividend paying company:** The debt free cash rich company has a healthy dividend paying history. They have paid dividends of 76.50% in FY 16 and 89.70% in FY17 of their earnings.
- **Reputed Client Base:** The company client base includes the Indian Navy, the Indian Coast Guard, SCI, Oil & Natural Gas Corporation, etc and foreign clients includes NPCC, the clipper group, Vroom, and Sigba AS, etc.

### Fair valuation of stock

Considering the past performance and present situations, management are confident of achieving their targets. Based on the information and data available to us, we expect the company to post a stable growth rate of ~9%, on top line in FY18. The Company currently trades at ~23.71 P/E and it trades at 19.98 ~P/E FY18E. We maintain our positive outlook on the stock, for a price target of Rs.685 in the next 9-12 months.

### Financial Snapshot

Year/ Particulars(Cr.)	REVENUE	NET PROFIT	EPS	P/E	RONW	ROCE
FY16	2107	273	20.10	NA	15.60	16.80
FY17	2222	322	23.70	23.71	16.50	18.70
FY18E	2421	383	28.18	19.98	17.10	19.20



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## DIWALI PICKS

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