

## DIWALI PICKS-ARIHANT BFSI UNIVERSE

On the auspicious occasion of Diwali , we advise our clients to have a look at the following BSFI stock picks to maximize returns.

Sr.No.	Company	CMP (Dt. 12.11.12)	TP	Upside Potential	Reco	BV (FY14E)	Valuation Methodology	Investment Rationale
1	Federal Bank	472	533	13%	BUY	435	Two-stage Gordon Growth Model 1.3X P/B FY14E	We continue to remain confident wrt fundamentals of the bank and given the inherent balance sheet strength, provision cushion , healthy capital cushion, adequacy and good return ratios, we Maintain BUY. We derive comfort on the asset quality front of the bank due to signs of marked improvement and hence reduce the credit costs estimates marginally for FY14; thereby boosting the profitability of the bank. Hence, we revise the target price upwards to Rs 533 (earlier Rs 480) valuing the bank at 1.3X P/ABV FY14E and reckon that Federal Bank stands as a strong fundamental bet with comfortable valuations and continues to maintain healthy balance sheet proving to be one of the best managed banks particularly amongst the small private sector space.
2	Indusind bank	367	385	5%	ACCUMULATE	134	Two-stage Gordon Growth Model 3.2X P/B FY14E	We reiterate positive stance on the bank given the stable asset quality, enduring operational matrix and improving liability franchise. Stock is currently trading at higher valuations of 3.2X P/BV FY13E and we recommend Investors to Accumulate on declines maintaining our price target at Rs 385. We believe IIB stands better amongst the mid-size private pack and we plan to upgrade the same probably next quarter to accomodate fairly good performance.
3	Bank of Maharashtra	54	79	49%	BUY	86	Two-stage Gordon Growth Model 1.0X P/B FY14E	Asset quality pressures with restructured book, stagnant return ratios and more scope for operating efficiency remain concern areas for the bank. Improving signs of business growth, capital and provision cushion, presence in rich states and the current cheap valuations (0.6X P/ABV FY14E) form the positives for the bank. We tweak our estimates little upwards to accommodate increased earnings and expect the return ratios to witness uptick from hereon. We, therefore, continue to maintain BUY rating on the stock, valuing the bank at 1.0X P/ABV FY14E with price target of Rs 79. BoM stands as a pure long term play and we see significant upside for the stock due to consistent performance and we stand comfortable with the current cheap valuations.
4	Power Finance Corporation	188	265	41%	BUY	191	Two-stage Gordon Growth Model 1.5X P/B FY14E	Despite the macro headwinds, PFC book stands resilient with strong recoveries, good traction in commissioned projects, minimal restructuring and strong margins. With strong earnings visibility and growth plans in place we remain positive on the fundamentals of the company and reiterate BUY, maintaining the target price at Rs 265, valuing the company at 1.5X P/ABV FY14E. In our opinion, amongst teh NBFC space PFC stands stronger despite the macro challenges and would continue to surprise positively on the earnings and asset quality front due to the resilient and niche business model.

**HAPPY DIWALI AND A PROSPEROUS NEW YEAR!!!!!!!!!!!!!!!!!!!!!!!!!!!!**

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**RSF-SUP-01**

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