



ARIHANT Capital Markets Ltd.



Happy Diwali

Samvat 2073

STOCK PICKS 2016-17



Bajaj Holdings & Investment Limited (BHIL) is essentially a holding and Investment Company focusing on earning income through dividend, interest and gains on investments Held. The Company is registered as a Non-Banking Financial Company (NBFC) with Reserve Bank of India (RBI). They are classified as a 'Systemically Important Non-deposit taking NBFC' as per RBI regulations.

BHIL came into existence upon the demerger in 2007-08 of erstwhile Bajaj Auto Ltd. into three entities - Bajaj Auto Ltd., Bajaj Fiserv Ltd. and the erstwhile Bajaj Auto Ltd. which was renamed as Bajaj Holdings & Investment Ltd. Bajaj Holdings and Investment Ltd (BHIL) holds Bajaj Group's investments in two flagship companies, Bajaj Auto Ltd (BAL; a 31.49% stake) and Bajaj Finserv Ltd (BFL; a 39.29% stake).

As for BFL, we have a positive outlook on its key businesses, especially the life insurance business and expect its performance to improve with a recovery in the macro economy. The management has taken several initiatives to increase the efficiency and productivity of agency network which augurs well for the life insurance business going forward.

Valuation: At CMP of Rs 2172 the stock is currently trading at FY18E PE multiple of 10x. We have positive view on the stock.

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (X)	EV/EBIT DA (x)	ROE (%)	ROCE(%)
FY13	346	320	93.3	254	166	5	31.1	2.6	3.3
FY14	389	359	102.9	318	179	6	27.5	2.8	3.5
FY15	524	479	98.1	414	182	7	28.0	3.2	4.0
FY16	470	423	91.5	342	203	7	34.4	2.3	3.0



Dewan Housing Finance Corporation Limited is a deposit-taking housing finance company registered with the National Housing Bank and is focused on providing financing products to the lower and middle income (LMI) segments in India, primarily in Tier II and Tier III cities and towns. During FY16, the company witnessed a steady increase in profits every sequential quarter. The year gone witnessed growth in the overall performance of the company characterised by quality loan portfolio and prudent resource management. The loan assets under management grew steadily, while company continued its focus on the asset quality.

India's housing finance sector remains relatively underpenetrated compared to other advanced economies, as is evident by its low mortgage-to-GDP ratio. The decision of the RBI to increase loan-to-value (LTV) ratio to 90% for loans up to ` 30 lakh is another positive step, which will enable housing finance companies to lend more to lower middle income customers. Mortgage lending is a strong driver of growth for both housing demand and construction of houses in the country.

Valuation: At CMP of Rs 330 the stock is currently trading at FY18E PE multiple of 8x. We have positive view on the stock.

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (X)	EV/EBIT DA (x)	ROE (%)	ROCE(%)
FY13	4061	3715	91%	452	17.6	4.6	9.0	17.2	13.3
FY14	4965	4521	91%	529	20.6	5.3	9.1	15.6	11.5
FY15	6419	5444	85%	642	22.0	10.6	10.0	18.4	13.4
FY16	7851	6615	84%	749	25.7	7.6	9.5	14.6	11.0



Force Motors Limited is a fully vertically integrated automobile company, with expertise in design, development and manufacture of the full spectrum of automotive components, aggregates and vehicles. The company's product range includes Tractors, Three wheelers, Light commercial vehicles, Multi Utility Vehicles and Heavy commercial vehicles.

The FY15-16 has been a good year, for all aspects of the company's business. The Light Commercial Vehicles (LCV) and Tractors manufactured by the company registered satisfactory growth in sales value and also profitability. The number of vehicles sold during the year under report was 33,354 compared to 29,366 vehicles sold in the year FY14-FY15. The proportion of Light Commercial Vehicles and Utility Vehicles, in the product mix of the company, has increased in relation to the small Commercial Vehicles.

The traveller brand is very well recognized and valued in the market. The new products already introduced and further models under development are expected to provide strength and stability to the sales efforts. Similar new offerings in the 'Trax' and 'Gurkha' Market niches are expected to be progressively available during the next year.

Valuation: At CMP of Rs 4390 the stock is currently trading at FY18E PE multiple of 23x. We have positive view on the stock.

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (X)	EV/EBIT DA (x)	ROE (%)	ROCE(%)
FY13	1973	54	4.3	14	11	30	2.5	2.3	3
FY14	2021	97	6.8	78	60	6	1.6	6.5	5.9
FY15	2364	147	8.0	102	77	18	7.2	7.9	10.2
FY16	3060	274	9.9	180	136	21	9.9	12.8	18.0



L&T Finance Holdings Limited operates primarily in the business segment of investments activity. Its product portfolio across four business groups includes retail finance, corporate finance, infrastructure finance and investment management.

During FY16, retail finance business, micro finance, housing finance and the SME finance segments witnessed robust disbursement growth, while the tractors segment witnessed a drop in disbursements owing to drought conditions in the key markets. In the wholesale finance business, renewable energy projects and operational road assets witnessed an increase. Asset quality remained stable, despite the stress in the rural book.

The trend of improvement in returns is expected to pick up pace, aided by the implementation of a focused business strategy, stability in key operating metrics and optimisation of leverage. Distress in the rural sector is expected to subside from the third quarter. Consequently, a decent improvement in delinquencies and stressed assets should come after Q3FY17.

Valuation: At CMP of Rs 102 the stock is currently trading at FY18E PE multiple of 15x. We have positive view on the stock.

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (X)	EV/EBIT DA (x)	ROE (%)	ROCE(%)
FY13	3943	3054	77%	730	4.3	17.4	13.0	14.3	11.0
FY14	5056	3805	75%	597	3.0	24.3	12.2	10.5	10.1
FY15	6196	4524	73%	855	4.3	14.5	11.4	14.0	10.3
FY16	7289	5286	73%	857	3.9	16.2	11.6	12.7	9.8



Way of Life!

Maruti Suzuki India Limited (MSIL) is engaged in the business of manufacture, purchase and sale of motor vehicles, automobile components and spare parts (automobiles). The other activities of the company consist of facilitation of pre-owned car sales, fleet management and car financing. The Company's portfolio includes the Maruti 800, Alto 800, Alto K10, A-star, Estilo, WagonR, Ritz, Swift, Swift DZire, SX4, Omni, Eeco, Kizashi, Grand Vitara, Gypsy, Ertiga and Stingray. The Company's services include Finance, Insurance, Maruti Genuine Accessories, Maruti Genuine Parts, Maruti Driving School and Autocard.

Maruti Suzuki enjoys a market share of 46.8% in the buzzing Indian passenger vehicle market. MSIL has launched two new products during the year, namely the Baleno and the Breeza, which have exceeded the expectations of demand, and both have waiting period of 6-7 months.

As the Indian economy attains a higher growth trajectory in the medium term, as is widely expected, MSIL's goal is to achieve sales of 2 million cars annually in 2020. It has consistently grown faster than industry in the context of an overall market slowdown.

Valuation: At CMP of Rs 5649 the stock is currently trading at FY18E PE multiple of 23x. We have positive view on the stock.

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (X)	EV/EBIT DA (x)	ROE (%)	ROCE(%)
FY13	49,885	4,283	10.34	2448	82	16	7.6	14.1	17.3
FY14	49,800	5,260	12.12	2831	94	21	10	13.9	17.7
FY15	56,052	6,775	13.75	3790	126	30	14.5	16.5	21.4
FY16	66,266	9,058	14.48	4630	156	24	11.7	17.7	25.3



Ujjivan Financial Services Limited is a microfinance Institution serving the economically active urban and semi-urban poor. Ujjivan provides a basket of customised products to meet a wide range of customer needs. Products are continually designed and developed to enable families to build assets, generate income, protect themselves from various spikes in their cash flow and to help them become self reliant.

During FY16, overall gross loan books including growth in managed assets grew by 65%; GL book grew by 60% while the MSE and Housing business collectively grew by 102%. Opex ratio dropped to 7.5% on account of improved productivity. Credit quality stood intact along with dropping coast of borrowings.

The company has maintained strong growth through high rates of customer retention, geographical expansion, improved staff productivity, enhancement of individual loan portfolio, lower credit cost & its technology infrastructure has been a key operational strength. Borrowing cost is expected to come down with the buildup in deposits.

Valuation: At CMP of Rs 456 the stock is currently trading at FY18E PE multiple of 22x. We have positive view on the stock.

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (X)	EV/EBIT DA (x)	ROE (%)	ROCE(%)
FY13	222	121	55%	34	5.2	NA	6.7	12.0	11.9
FY14	351	226	64%	55	8.4	NA	5.7	15.9	13.7
FY15	600	379	63%	76	8.8	NA	6.5	13.7	13.1
FY16	1007	682	68%	177	17.5	26.0	5.6	18.3	14.8



Diwali Stock Picks Performance

Diwali 2014 Recommended Stocks Performance

Stock name	Reco Price 21-Oct-14	CMP as on 20-Oct-16	Return % as on 20-Oct-16
Axis Bank	423.05	540.05	27.66
Bajaj Holding	1404.5	2131.70	51.78
Bharti Airtel	410.65	309.10	-24.73
Emami	764.40	1150.05	50.45
ICICI Bank	316.42	277.60	-12.27
Kotak Bank	506.88	772.35	52.37
Marico	149.95	283.65	89.16

Diwali 2015 Recommended Stocks Performance

Stock name	Reco Price 09-Nov-15	CMP as on 20-Oct-16	Return % as on 20-Oct-16
Bajaj Finserv	1961.10	3337.30	70.17
Divis Lab	1139.15	1256.25	10.28
Tata Motors	411.75	545.85	32.57
Torrent Pharma	1550.15	1604.00	3.47
Himatsingka Seide	202.05	269.05	33.16
Trent	140.00	208.45	48.89



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