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— Money through wisdom —

1 November 2013



# STOCKS TO LIGHTEN YOUR NEW SAMVAT

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## MAJOR UPTREND INTACT, MEGA BREAKOUT IN MAKING



- As shown in the chart above, Nifty is on the cusp of a major breakout. After making a top of 6357 in 2008, Nifty plunged all the way to 2252 in October 2008. From there it rebounded back to 6338 in November 2010, made a double top and fell to 4531 in December 2011.
- The benchmark is now again near the two erstwhile tops. If these tops are taken out, it would confirm a major breakout from a long-long consolidation of nearly six years. This in turn would project major upmove over next couple of years.
- The triangle formed by 6338-4531 range projects a target of about 8150, which can materialise over one and half to two years.
- Moving forward, if one takes the triangle formed by 6357-2252 range, the target comes to about 10460, which can materialise over next 3-4 years.
- On the way down, trendline adjoining two major bottoms, viz. 920 in 2003 and 2252 in 2008, presents a solid support around 5100.

CMP	Rs. 2125
<b>NSE Code</b>	<b>BAJAJAUTO</b>
BSE Code	532977
BSE Group	A
Industry	Automobile – Two & Three Wheelers
52 Week H/L	2229 / 1657
Market Cap (Rs. Cr)	61,633
Book Value (Rs.)	278.72
Dividend (FY13)	Rs.45
<b>KEY RATIOS</b>	
P/E	21.29
Price/Book	7.62
MC/Sales	3.15
Debt / Equity	0.01
ROCE (%)	59.36
ROE (%)	43.25
<b>Shareholding Pattern (%)</b>	
Promoters	50.02
FII	17.81
DII	7.79
GDR's	0.02
Others	24.36

## BAJAJ AUTO LIMITED

### Background & Business

Bajaj Auto, a flagship of Bajaj group of companies, is a \$2.3 billion company founded in 1926. The group comprises of 34 companies with footprint stretches over a wide range of industries, spanning automobiles (two-wheelers and three-wheelers), home appliances, lighting, iron and steel, insurance, travel and finance. Bajaj Auto is ranked as the world's fourth largest two- and three- wheeler manufacturer and the Bajaj brand is well-known across several countries in Latin America, Africa, Middle East, and South East Asia. Bajaj Auto has three plants in all, two at Waluj and Chakan in Maharashtra and one plant at Pant Nagar in Uttaranchal.

The present Chairman of the group, Rahul Bajaj, took charge of the business in 1965. Under his leadership, the turnover of the Bajaj Auto the flagship company has gone up from INR.72 million to INR. 120 billion, its product portfolio has expanded and the brand has found a global market. He is one of India's most distinguished business leaders and internationally respected for his business acumen and entrepreneurial spirit.

Bajaj Auto continues to be world's largest three-wheeler manufacturer and remains India's No. 1 exporter of motorcycles and three-wheelers. The Company exports to 57 countries, and is a market leader in 12 of these. During FY2013, Bajaj Auto's exports accounted for ~35% of Net Sales. At 47% of the total exports, Africa accounts for the largest share by volume, followed by Asia and Middle East at 32%.

### Investment Rationale

- With rural economy accounting for 40-45% of the sales for two-wheelers, we expect good times ahead for the two-wheeler manufacturers on back of good monsoon coupled with possible increase in government spending ahead of 2014 national elections and going by the current trend of rising rural income.
- Low penetration level, lack of adequate mode public transport and rising per capita income in rural India would lead to long-term healthy volume of two-wheelers.

- Two key export markets, mainly Africa and Latin America, are currently dominated by Chinese players, with ~75-80% market share and ~70% market share, respectively. While the Indian players have been gaining share from the Chinese mainly on account of their better quality, there is a likelihood of further market share gains on account of a) rising labour cost in China b) 16% rupee depreciation v/s 3% CNY appreciation against the USD.
- Given the low penetration in African and Latin American market relative to the Asian market, these regions are likely to drive double-digit growth over the next 4-5 years. Given that there are no plants in Africa, it is the largest importer of motorcycles globally, thereby, making it the most important export market for Indian players. With an overall population of ~1bn people and with the fastest population growth rate in the world, African market has a lot of potential. In Latin American markets like Argentina and Chile, market share gains are likely, given the currency as well as quality advantage. Exports from Indian manufacturers are likely to grow in the region of 13-15% over the next five years.
- KTM is Europe's second largest motorcycle manufacturer. Bajaj Auto holds 47.96% stake in the Company. KTM, known for its racing achievements, dominates the off-road segment across the world. Bajaj Auto launched the KTM Duke 200 in January 2012, which is being retailed through exclusive KTM showrooms.
- Going forwards we expect that key triggers for the company will be the success of Discover Motorcycles (new launches); Issuance of 3Wheelers permits in the domestic market; better export growth in markets such as Africa, Latin America and Sri Lanka and the success of the Kawasaki JV in Indonesia and other markets.
- **Looking at promising track record, healthy financials, bright future prospect for the sector, regular dividend paying and the strong export growth, we recommend buying the stock at current market price and accumulate on every dip for a target of about 2600 in next 10-12 months.**

<b>Financial Performance</b>				<b>(Rs. in crores)</b>	
<b>Particulars</b>	<b>Standalone HYFY14</b>	<b>Standalone HYFY13</b>	<b>Consolidated FY13</b>	<b>Consolidated FY12</b>	
Revenue	10085.98	9530.71	19533.45	18945.52	
PBDIT	2338.43	2135.60	4442.81	4316.58	
PAT	1574.84	1459.06	3048.09	2990.18	
EPS (Annualized)	108.85	100.84	108.30	105.20	
PBIDTM (%)	22.04	20.58	20.99	21.01	
PATM (%)	14.85	14.06	14.40	14.56	

<b>CMP</b>	Rs. 267	<b>ZENSAR TECHNOLOGIES LIMITED</b>
<b>NSE Code</b>	ZENSARTECH	
<b>BSE Code</b>	504067	
<b>BSE Group</b>	B	
<b>Industry</b>	IT – SOFTWARE	
<b>52 Week H/L</b>	296 / 181	
<b>Market Cap (Rs. Cr)</b>	1175	
<b>Book Value (Rs.)</b>	202.16	
<b>Dividend (FY13)</b>	Rs.3.50	
<b>KEY RATIOS</b>		
P/E	5.32	
Price/Book	1.32	
MC/Sales	0.55	
Debt / Equity	0.28	
ROCE (%)	30.86	
ROE (%)	26.77	
<b>Shareholding Pattern (%)</b>		
Promoters	48.27	
FII	11.99	
DII	0.95	
Others	38.79	
<b>Background &amp; Business</b>		
<p>Zensar Technologies, incorporated in 1983, a joint venture between RPG Enterprises and Fujitsu Services (UK), offers global software and business process outsourcing services. The Company given its growth in recent times has moved up the NASSCOM listing of Software Service Companies in India by 6 places to # 13 this year. The company delivers comprehensive services in mission-critical applications, enterprise applications, e-business, BPO and knowledge services. It has more than 6500 associates with sales and operations presence across US, UK, Germany, Sweden, Finland, Middle East, South Africa, Hong Kong, Singapore, Australia, Japan and China.</p>		
<b>Investment Rationale</b>		
<ul style="list-style-type: none"> <li>• With a strong focus on continuous innovation, customer sovereignty and people orientation, Zensar has been able to demonstrate extraordinary growth and excellence in business results. The Company's expansion into new age technologies, Social Media, Mobility, Analytics and Cloud Computing are expected to provide significant avenues for growth.</li> <li>• The successful integration of the acquired company, Akibia, Zensar has emerged as a complete infrastructure management provider supporting the entire spectrum of services. The Company has gained multi shore capabilities in Infrastructure Management and in the past 12 months, has augmented its global footprint with customers in diverse fields</li> <li>• A strong traction in order booking and a healthy order pipeline of about \$340 mn.</li> <li>• The Company has been chosen by SAP, Oracle, Microsoft and Google, as their partner in many key markets and the organisation is in process of redefining the strategic imperatives.</li> </ul>		

- Revenues from Cisco, the largest client for Zensar, grew by about 6.5% in Rupee terms. The growth is on back of new projects which have started to generate revenue. Zensar has developed a joint strategy with Cisco and Accenture post which, new business from Cisco is being given to both, Zensar and Accenture.
- The management has focused on four key areas – BFSI, Healthcare, IM and Manufacturing / Retail / Distribution, which are expected to take Zensar to a top line of \$1bn by FY16.
- The company enjoy strong relationship with its clients that include UBS, Credit Suisse, Investec, Nomura etc. On the other hand, Akibia has some marquee customers like Federal Reserve Bank, JP Morgan chase etc.
- **Looking to the growth prospects for the IT sector, strong global clientele, global footprint of the company and strong fundamentals, we recommend accumulating the stock at current level and every dip with a target price of Rs. 350 in next 8-10 months.**

<u>Financial Performance</u>				(Rs. in crores)
Particulars	Consolidated HYFY14	Consolidated HYFY13	Consolidated FY13	Consolidated FY12
Revenue	1121.05	1081.60	2114.52	1782.48
PBDIT	223.52	154.29	303.71	279.03
PAT	131.57	86.73	174.53	158.70
EPS (Annualized)	60.24	39.84	40.05	36.56
PBIDTM (%)	19.72	14.13	14.27	15.55
PATM (%)	11.61	7.97	8.20	8.85

CMP	Rs. 391
<b>NSE Code</b> ATUL	
BSE Code	500027
BSE Group	B
Industry	Dyes & Pigments
52 Week H/L	472 / 280
Market Cap (Rs. Cr)	1159
Book Value (Rs.)	216.64
Dividend (FY12)	Rs.6
<b>KEY RATIOS</b>	
P/E	9.97
Price/Book	1.80
MC/Sales	0.57
Debt / Equity	0.58
ROCE (%)	22.75
ROE (%)	21.66
<b>Shareholding Pattern (%)</b>	
Promoters	50.55
FII	1.41
DII	6.41
Others	41.63

## ATUL LIMITED

### Background & Business

Atul is a member of Lalbhai Group, one of the oldest business houses of India, with interests mainly in textiles and chemicals. The company operates through six business divisions, namely, Crop Protection, Pharmaceuticals, Aromatics, Bulk Chemicals, Colors, and Polymers.

#### Crop Protection

Crop Protection Business mainly comprises Fungicides, Herbicides and Insecticides. The products are used by customers belonging to Agriculture industry for the protection of crops. The Business comprises about 14 products and 44 formulations.

World market for crop protection chemicals is estimated at US\$ 51 bn and is growing at about 3%. Indian market for such chemicals is estimated at US\$ 1 bn and is growing at about 5%. The main user industry, namely, Agriculture, is growing well because of increasing population on the one hand and improving standard of living on the other.

#### Pharmaceuticals

Pharmaceuticals Business mainly comprises API intermediates and a few APIs. The products are used by customers belonging to Pharmaceutical industry, under five broad therapeutic categories, namely, cardiovascular, anti-depressant, anti-diabetic, anti-infective and anti-retroviral. The Business comprises about 38 products, relatively new to the portfolio (of products) of the Company.

World market for pharmaceuticals is estimated at US\$ 730 bn (comprising US\$ 680 bn prescription drugs and US\$ 50 bn generic drugs) and is growing at about 5%. Indian pharmaceuticals market is estimated at US\$ 22 bn (including sales out of India) and is growing at about 8%. The main user industry, namely, Healthcare, is growing well because of increasing awareness about diseases and health.

#### Aromatics

Aromatics Business mainly comprises p-Cresol and its downstream products. The products are mainly used by customers belonging to Flavour & Fragrance and Personal Care industries. The Business comprises about 29 products.

The main user industries, namely, Flavour & Fragrance and Personal Care, are growing well because of increasing population on the one hand and improving standard of living on the other.

## Colors

Colors Business mainly comprises dyes for natural fibres such as Vat, Sulphur Black and Reactive and in a small way high performance pigments. The products are used by customers belonging to Textile and Paint & Coatings industries. The Business comprises about 500 products. World market for dyes and textile chemicals is estimated at US\$ 11 bn and is growing at about 2% and Indian market is estimated at US\$ 800 mn and is growing at about 3%.

The main user industry, namely, Textile, is showing signs of recovery in India and abroad. Automobile industry is growing well

## POLYMERS

Polymers Business mainly comprises Epoxy Resins and Hardeners and formulations thereof, other components such as air release agents, reactive diluents, rheological modifiers, wetting agents, etc and Sulphones. These products are used by Aerospace, Automobile, Construction, Defence, Electronics, Footwear, Handicraft, Marine, Paint & Coatings, Paper and Wind Energy industries. The Business comprises about 60 products and 270 formulations.

The user industries, Automobile, Construction and Paint & Coatings, are growing well, particularly in India.

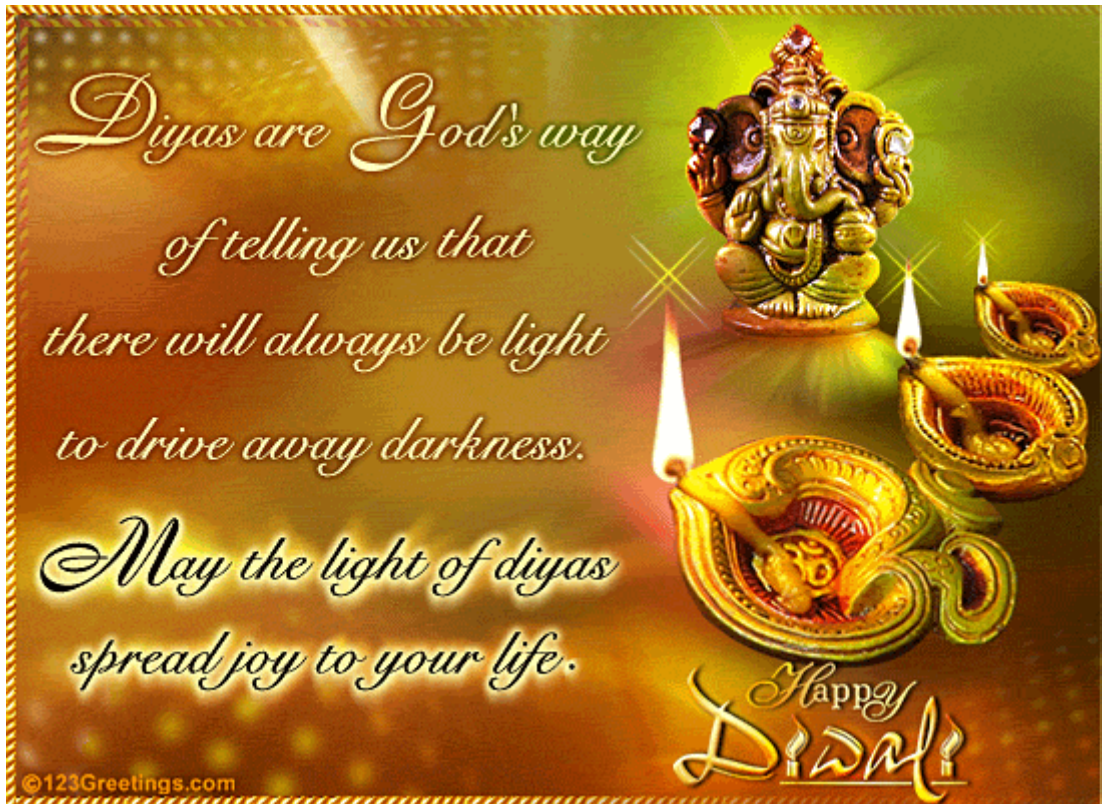
## Investment Rationale

- Experienced promoters and competent management
- Established track record and strong position in the chemical industry with diversified product portfolio
- Leadership position in some of the high-value products
- Strong R&D setup
- Established customer base
- Sustained improvement in business and financial risk profile aided by gradual shift in its product mix over the last few years.
- **Recommendation - Looking at improving asset quality, good dividend yield and growth prospect of the company, we recommend accumulating the stock at current level for a target of about Rs. 490 in next 8-10 months.**

## Financial Performance

Particulars	(Rs. in crores)			
	Standalone HYFY14	Standalone HYFY13	Consolidated FY13	Consolidated FY12
Revenue	1082.68	1032.72	2005.02	1761.54
PBDIT	177.68	156.01	267.24	217.40
PAT	95.99	86.18	128.07	95.04
EPS (Annualized)	64.73	58.11	40.38	30.71
PBIDTM (%)	16.07	14.90	13.08	12.13
PATM (%)	8.68	8.23	6.27	5.30





**HAPPY DIWALI AND A PROSPEROUS NEW YEAR TO ALL OF YOU**

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