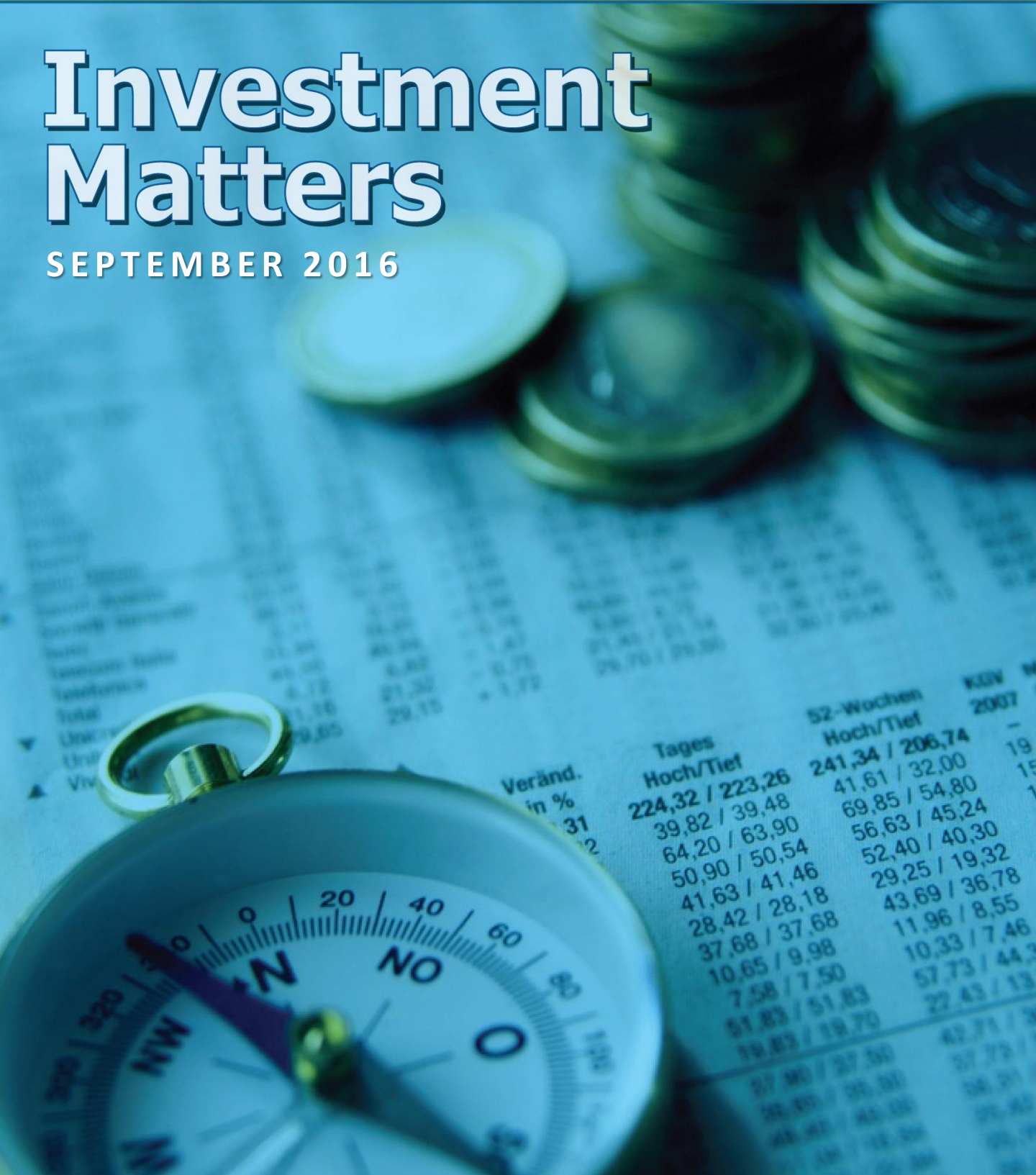


Investment Matters

SEPTEMBER 2016



	Veränd. in %	Tages Hoch/Tief	52-Wochen Hoch/Tief	KGV 2007
	31	224,32 / 223,26	241,34 / 206,74	-
	-2	39,82 / 39,48	41,61 / 32,00	19
		64,20 / 63,90	69,85 / 54,80	15
		50,90 / 50,54	56,63 / 45,24	1
		41,63 / 41,46	52,40 / 40,30	
		28,42 / 28,18	29,25 / 19,32	
		37,68 / 37,68	43,69 / 36,78	
		10,65 / 9,98	11,96 / 8,55	
		7,58 / 7,50	10,33 / 7,46	
		51,83 / 51,83	57,73 / 44,3	
		19,83 / 19,70	22,43 / 13	
		37,90 / 37,50	42,71 / 3	
		38,40 / 38,30	37,79 /	
		48,40 / 48,30	58,21	
		48,40 / 48,30	25,40	
		18 / 18,30	25,7	

EQUITY OUTLOOK

A good start to FY17 earnings, with Q1FY17 profit growth for Nifty companies (excluding banks) at 6.5%. FY16 ended with earnings being flat, with a growth of only 0.2%, impacted by weak monsoons, slow demand environment, weak global growth and weak commodity prices. We are currently seeing the negative impact of commodity price correction going away, along with a gradual pickup in the demand situation, leading to sales growth once again picking up, thus boosting our expectations of a better FY17. Consensus expectations for BSE30 Sensex earnings growth are in a range of 14-16% for FY17. Monsoon during the year has been better relative to previous years and has improved chances of good growth in farm incomes. India has seen weakness in demand, especially in rural areas, on the back of two back-to-back weak monsoons affecting crop production. Additionally, owing to global factors, crop prices also fell during the same period, impacting farm incomes substantially.

The trend of better earnings delivery from our investee companies continued, with average profit growth in excess of 25%. As always, there were a few hits and a few misses during the quarter worth highlighting, which prompted us to invest in a few new names in the portfolio that can enhance the return profile for our clients, going ahead. Companies that delivered robust performances and look promising to us, even going forward, are – Bajaj Finance, Biocon, Sundram Fasteners, Grasim Industries, Ramco Cement, Bharat Financial, Ujjivan Financials, Ultratech Cement. The misses during the quarter were – Container Corporation, Inox Wind, Everest Industries, Bharat Electronics, Praj Industries. Within the laggards for the quarter, we expect Container Corporation (volume growth in FY17 is likely to grow in double digits, along with margin improvement) to deliver better earnings, going forward. However, Bharat Electronics, Inox Wind, Everest Industries and Praj are names that we have started to exit from client portfolios. We have started to replace the same with better performing companies. We have added Qess Corp in portfolios during the period and it is likely to add to performance, going ahead. A gist of earnings for our portfolio companies is presented below for reference – we continue to expect strong earnings growth in excess of 25% CAGR from our portfolio companies and hence, are optimistic of the future outlook.

Refer Table Mentioned Below:-

EQUITY OUTLOOK

Rs mn		Sales			EBIDTA			PAT			EPS		
Name of company	CMP	Q1FY17	Q1FY16	% chg	Q1FY17	Q1FY16	% chg	Q1FY17	Q1FY16	% chg	Q1FY17	Q1FY16	% chg
Bajaj Auto	3000	60888	58812	4%	11760	11377	3%	10397	9139	14%	35.9	31.6	14%
Bajaj Finance	11200	22864	16462	39%				4240	2756	54%	77.8	53.6	45%
Bajaj Finserv	3000	29118	22117	32%	20119	16015	26%	5375	4669	15%	33.8	29.3	15%
Bharat Electronics	1220	8714	10997	-21%	-467	78	-699%	361	767	-53%	1.5	3.2	-53%
Biocon Ltd	920	9824	8139	21%	2631	2083	26%	1666	1239	34%	8.5	6.3	34%
Container Corporation	1380	13392	14204	-6%	2619	2851	-8%	1785	2073	-14%	9.2	10.6	-14%
Essel Propack	213	5280	5101	4%	976	976	0%	376	353	7%	2.4	2.3	6%
Everest Industries	268	3535	4069	-13%	246	378	-35%	118	229	-49%	7.7	15.0	-49%
Grasim Industries	4700	24265	19470	25%	5384	2888	86%	3209	1345	139%	34.3	14.4	138%
HDFC Bank	1290	193226	165030	17%				32389	26957	20%	12.6	10.6	19%
Honda Siel Power	1240	1575	1528	3%	240	191	25%	146	109	34%	14.4	10.7	34%
Infosys Ltd	1040	175350	151100	16%	52000	45160	15%	34360	30280	13%	15.0	13.3	13%
Inox Wind	180	4350	6439	-32%	457	937	-51%	118	604	-80%	0.5	2.7	-81%
ITD Cementation	142	8614	7323	18%	422	509	-17%	52	32	65%	0.3	0.2	70%
Mahindra CIE	180	13721	13973	-2%	1533	1542	-1%	715	701	2%	2.2	2.2	2%
Maruti Suzuki	5200	142973	133769	7%	22157	21673	2%	14862	12081	23%	49.2	40.0	23%
Praj Industries	90	2049	2059	0%	68	172	-60%	41	87	-52%	0.2	0.5	-53%
Qess Corp Ltd	540	9910	7303	36%	527	331	60%	247	180	37%	2.1	1.6	35%
Ramco Cement	560	9721	9474	3%	3042	2538	20%	1559	992	57%	7.0	4.0	75%
SKS Microfinance Ltd	820	3690	2409	53%				2359	612	286%	18.3	4.8	283%
Sterlite Technologies	85	5650	4630	22%	1150	1000	15%	400	310	29%	1.0	0.8	25%
Sundaram Fasteners	290	7130	6319	13%	1348	888	52%	756	385	96%	3.6	1.8	97%
Syngene International	470	2745	2337	17%	888	784	13%	598	466	28%	3.0	2.4	28%
Texmaco Rail & Eng Ltd	115	1848	900	105%	93	-27		151	-41		0.7	-0.2	
Thomas Cook	195	24761	15198	63%	1420	798	78%	620	398	56%	1.7	1.1	56%
TV18 Boradcast	42	2107	2731	-23%	-190	-222		-141	86		-0.1	0.1	
Ujjivan Financial Services	425	3217	2078	55%				714	352	103%	6.2	4.9	25%
Ultratech Cement	4070	65897	63414	4%	14754	12020	23%	7801	6039	29%	28.4	22.0	29%

* No EBIDTA for the Finance Companies .

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