

# 12 STOCKS TO WATCH OUT FOR

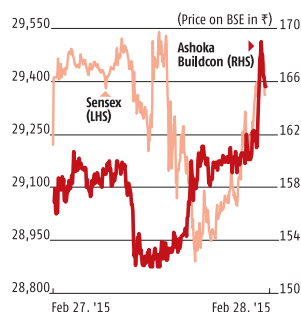
The Budget focuses on boosting investments in infrastructure and kick-starting growth. Though not a big-bang Budget, it was a balanced exercise with the Street's focus now shifting to execution and results. The impact is most on companies catering to the infrastructure, housing and financial sectors. These include L&T, IDFC, Asian Paints, Ashoka Buildcon, PFC and many more, while a few like ITC have to bear the brunt of higher taxes.

 POSITIVE  NEGATIVE

## ASHOKA BUILDCON

PRICE IN ₹ **165.6** % CHANGE\* **166.23**

Mcap (₹ cr)	2,625.48
Dividend Yield (%)	0.92
P/E Ratio (x)	42.61
TTM Net Sales (₹ cr)	2,121.39
% change y-o-y	15.65
TTM Net Profit (₹ cr)	57.23
% change y-o-y	-36.64

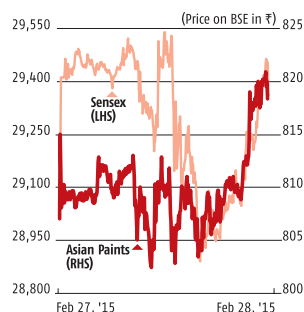


- To benefit from the incremental 100,000 km of new roads planned
- Prior to Budget, analysts were already factoring an increase in tendering activity boosting orders during second half of FY15
- The faster clearances of projects will provide further benefits
- Company's funding remains intact for future growth; equity requirement of ₹100 crore over the next two years
- \* Cash generating portfolio, strong execution and expanding geographical presence will benefit it further

## ASIAN PAINTS

PRICE IN ₹ **818.35** % CHANGE\* **73.03**

Mcap (₹ cr)	78,496.13
Dividend Yield (%)	0.65
P/E Ratio (x)	57.47
TTM Net Sales (₹ cr)	13,781.38
% change y-o-y	14.79
TTM Net Profit (₹ cr)	13,41.60
% change y-o-y	13.45

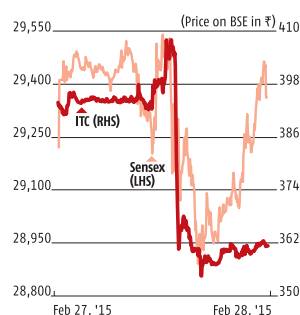


- Increased focus on housing development in both urban and rural areas to prop up demand for decorative paints
- Asian Paints' leadership position and strongest distribution network will enable it to tap this opportunity
- The company is also expanding capacities and continues to gain market share
- Lower crude oil prices also augur well for the company as it will lead to lower input costs which can aid margins/volume growth

## ITC

PRICE IN ₹ **361.25** % CHANGE\* **10.30**

Mcap (₹ cr)	2,89,201.78
Dividend Yield (%)	1.65
P/E Ratio (x)	36.86
TTM Net Sales (₹ cr)	36,040.10
% change y-o-y	12.92
TTM Net Profit (₹ cr)	9,524.56
% change y-o-y	12.91

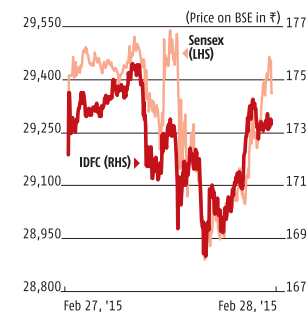


- Excise duty on cigarettes up to 65 mm length increased by 25 per cent, others increased by 15 per cent
- Weighted average excise duty hike works out to about 16 per cent, fourth straight year of 15 per cent plus excise duty hike
- Volume growth to be hit; slower EBIT growth likely ahead
- Excise duty imposed on lemonade and other juices, a segment ITC forayed into recently
- Analysts have trimmed earnings estimates for FY16 and FY17
- Investor sentiment to remain subdued in the medium term as performance of other businesses largely benign

## IDFC

PRICE IN ₹ **173.3** % CHANGE\* **84.46**

Mcap (₹ cr)	27,588.57
Dividend Yield (%)	1.43
P/E Ratio (x)	17.43
TTM Net Sales (₹ cr)	9,261.64
% change y-o-y	5.53
TTM Net Profit (₹ cr)	1,582.68
% change y-o-y	-23.56

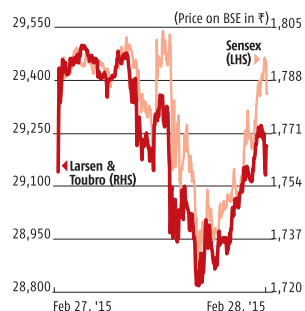


- IDFC stands to gain from various measures to push infrastructure lending which will lead to higher growth this year
- Extension of SARFESAI Act to NBFCs is another positive for the company
- Given that IDFC is becoming a bank next year, analysts believe the above benefits will last only for next one year
- Increase in PPP-based projects to further boost infrastructure segment lending

## LARSEN & TOUBRO

PRICE IN ₹ 1766.9 % CHANGE\* 59.42

Mcap (₹ cr)	1,64,244.31
Dividend Yield (%)	0.80
P/E Ratio (x)	31.71
TTM Net Sales (₹ cr)	58,128.58
% change y-o-y	6.47
TTM Net Profit (₹ cr)	5,719.01
% change y-o-y	25.48



- Increased budgetary allocation to roads and housing should drive L&T's order book
- Increased allocation for defence equipment again adds to defence order outlook for L&T
- Being in EPC space, the increased defence civil expenditure too is beneficial
- Government's initiative for speedier clearances of projects will improve execution rate
- Increased allocation for railways by ₹10,000 crore (up 33 per cent year-on-year); L&T also allowed to raise tax-free bond are positives

***"The FM delivered a people-friendly Budget. He has tried to rev up capital expenditure by enhancing the targeted fiscal deficit ceiling and setting aside funds for infra. The overall emphasis was making it easier to do business in India by plug-and-play tendering for large power plants and a similar model is envisaged for projects, in road, rail and ports sector. This could be a game-changer for India's infra companies"***

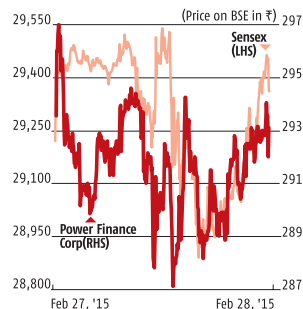
RASHESH SHAH  
Chairman, Edelweiss



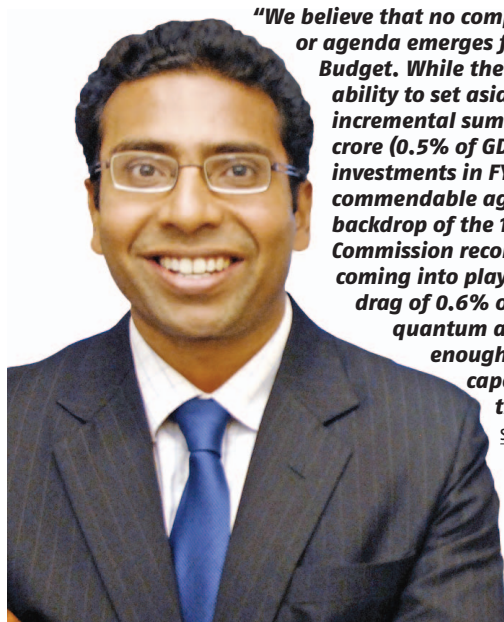
## POWER FINANCE CORP

PRICE IN ₹ 293.1 % CHANGE\* 78.17

Mcap (₹ cr)	38,690.39
Dividend Yield (%)	2.39
P/E Ratio (x)	7.08
TTM Net Sales (₹ cr)	23,945.65
% change y-o-y	19.46
TTM Net Profit (₹ cr)	5,809.98
% change y-o-y	9.61



- To gain the most from plan to set up five new ultra mega power projects (UMPP) as it is the nodal agency for UMPPs
- This move along with recently held coal auctions will boost credit demand from the power sector, leading to higher growth for the company
- The company is expected to gain from extension of SARFAESI Act to larger NBFCs
- Improving prospects of power companies to rub off favourably on PFC's asset quality and could lead to lower provisioning



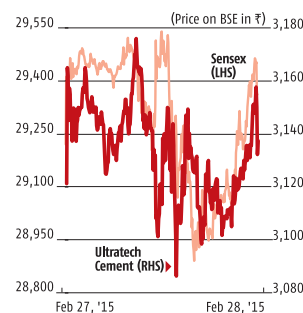
**"We believe that no compelling vision or agenda emerges from the Budget. While the government's ability to set aside an incremental sum of ₹70,000 crore (0.5% of GDP) for capex investments in FY16 is commendable against the backdrop of the 14th Finance Commission recommendations coming into play (net fiscal drag of 0.6% of GDP), the quantum allocated is not enough to drive a capex revival in the economy"**

**SAURABH MUKHERJEA**  
CEO, Institutional Equities, Ambit Capital

## ULTRATECH CEMENT

PRICE IN ₹ **3137.4** % CHANGE\* **70.53**

Mcap (₹ cr)	86,091.71
Dividend Yield (%)	0.29
P/E Ratio (x)	37.33
TTM Net Sales (₹ cr)	22,352.90
% change y-o-y	13.83
TTM Net Profit (₹ cr)	2,237.99
% change y-o-y	10.10

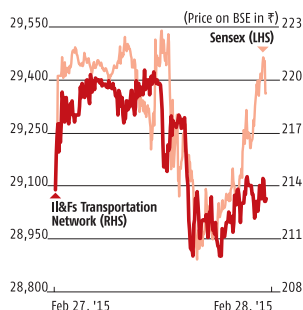


- Increase in spending on roads is positive for cement companies like UltraTech
- Boost to infrastructure, railways and ports will further prop up cement demand
- Housing for all with a target to build 60 million homes by 2022 will ensure sustained demand for cement
- UltraTech, which caters to all parts of the country, will benefit from demand push across segments
- Though there has been an increase in railway freight rates and clean cess on coal, the company will likely pass on freight costs. Its dependence on pet coke means the impact of coal cess will be lower

## IL&FS TRANSPORTATION

PRICE IN ₹ **213.25** % CHANGE\* **107**

Mcap (₹ cr)	5,261.30
Dividend Yield (%)	1.88
P/E Ratio (x)	10.89
TTM Net Sales (₹ cr)	6,702.65
% change y-o-y	0.22
TTM Net Profit (₹ cr)	483.17
% change y-o-y	-7.81

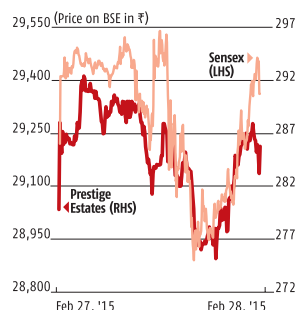


- Increase in budgetary allocation to road sector will benefit IL&FS Transportation (ITNL) by way of more opportunities
- Allocation for DMIC has been almost doubled to ₹1,200 crore in FY16
- Allocation of ₹20,000 crore to National fund for infrastructure adds further to benefits
- HSBC analysts forecast ITNL to report a 29 per cent EPS CAGR in FY15-17, driven by margin expansion on the back of a higher contribution from toll/annuity income
- The approved QIP is likely to de-leverage the company's balance sheet too

## PRESTIGE ESTATES

PRICE IN ₹ **285.75** % CHANGE\* **116.31**

Mcap (₹ cr)	10,715.63
Dividend Yield (%)	0.49
P/E Ratio (x)	35.36
TTM Net Sales (₹ cr)	2,193.09
% change y-o-y	12.60
TTM Net Profit (₹ cr)	395.59
% change y-o-y	18.49

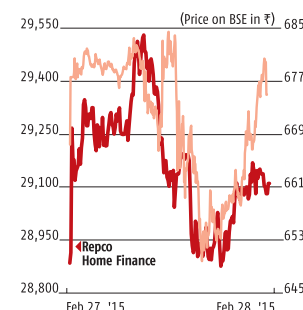


- Rationalisation of taxation structure for sponsors in REITs would lead to more companies opting for this structure
- Exits were limited to promoter buyouts; companies will be able to list the assets
- Rental income from commercial real estate assets will be a pass-through; Prestige has significant exposure to commercial space
- Commercial assets of companies such as Prestige could get better valuation
- Housing for all is a boost for the sector and should benefit Prestige which focuses on mid-income segment

## REPCO HOUSING

PRICE IN ₹ **661.55** % CHANGE\* **100.92**

Mcap (₹ cr)	4,125.07
Dividend Yield (%)	0.18
P/E Ratio (x)	34.44
TTM Net Sales (₹ cr)	630.91
% change y-o-y	31.38
TTM Net Profit (₹ cr)	119.76
% change y-o-y	12.65

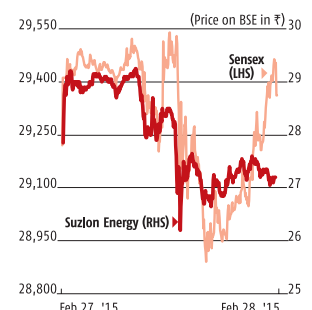


- Thrust on "housing for all" with higher rural focus to benefit Repco
- The company is eligible for National Housing Bank funding and caters largely to rural, self-employed borrowers
- Lower competition from banks, larger national banking and finance companies (NBFCs) especially in the self-employed segment enables Repco to enjoy pricing power
- Repco likely to post strong loan growth of over 20 per cent in the next two years, estimate analysts

## SUZLON ENERGY

PRICE IN ₹ **27.2** % CHANGE\* **170.11**

Mcap (₹ cr)	10,441.85
Dividend Yield (%)	0.00
P/E Ratio (x)	0.00
TTM Net Sales (₹ cr)	21,508.81
% change y-o-y	20.09
TTM Net Profit (₹ cr)	-8,549.08
% change y-o-y	Loss



- Renewable energy capacity revised upwards to 175GW (60,000 MW wind)
- Excise duty cut from 12 per cent to nil on pig iron SG grade and ferro-silicon magnesium for manufacture of cast components of wind-operated electricity generators will lower costs
- Policy allowing wind power equipment makers to sell their units as a tax-saving financial product and user companies to claim tax benefits already introduced
- New investors should lead to better corporate governance and business prospects due to funding support