KARVY STOCK BROKING

Value Invest
Sep 2016

Keep Investing in Indian Equities

Keep Calm During Turbulence in Short Term

Keep Growing in the Long Term

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Top 10 Midcap Stocks

Value Invest Sep 2016

NSE Symbol	Sector	Market Cap (Rs. Mn.)	CMP * (Rs.)	Target Price (Rs.)	Upside (%)
APARINDS	Electrical Equipment	21739	565	646	15
ATULAUTO	Automobiles	9913	452	553	22
BAJAJCORP	FMCG	59774	405	465	15
ESABINDIA	Metalworking Machinery	8815	573	670	17
FCL	Specialty Chemicals	3010	27	33	23
GABRIEL	Auto Parts	16907	118	144	22
IDR	Tyre Products	4894	186	220	18
MAYURUNIQ	Apparel & Textile Products	19767	427	489	15
BYKE	Gaming, Lodging & Restaurants	6478	162	207	28
TUBEINVEST	Manufactured Goods	107162	572	654	15

**As on Sep 06, 2016; Time frame 9-12 Months*

Apar Industries Ltd

Bloomberg Code: APR IN

India Research - Stock Broking

BUY

Capacity Expansion & Premium Products to Propel Growth

Capacity expansion to derive growth: The company is currently expanding its conductors and specialty oils capacity by adding plants at Jharsaguda (Odisha) and Sharjah (UAE) respectively. The company is currently at 100% capacity utilization in both the segments. Apar is setting up a plant for conductor manufacturing with a capacity of 30000MT per annum on a capex of Rs. 360mn which makes the company a largest manufacturer of conductors in the industry with 180000MT per annum. As per management, the sites will be operational from Oct 2016. We expect the company to run on 70% capacity utilization in the new sites.

Focus on premium products to propel growth: The company is majorly focusing on premium products like HVDC in conductors segment, Auto lubes in specialty oil segment and elastomeric cables in cables segment. These all products are premium products and high margin earning products. The shift towards higher KV transmission lines and thrust on intra-state system will lead to increased demand of 765KV conductors. Apar's value added specialty cables introduced on FY13 has aided to increase in EBIT margins from 1.4% in FY13 to 6.4% in FY16. We expect the momentum to continue and with the uptick in power cables can drive the 17.0% CAGR growth over FY15-18E.

Focus on transmission sector: Looking at Apar's exposure to power and transmission space, we expect the government's thrust on improvement of transmission sector will augur well for Apar industries. Government's initiatives like UDAY and Deen Dayal Yojana to improve the financial health of the state discoms which would enable them to bring out new orders and incur capex in the sector. The company is having market share of 23% in conductors business and 45% in transformer oil business which give a picture of strong stability in the market.

Valuation and Outlook

We expect the revival of investment in transmission sector on the back of successful rollout of government policies like UDAY scheme, Deen Dayal Yojana etc. We expect stable commodity prices to drive 7.0%/7.5% CAGR growth in sales/ EBITDA respectively during FY15-18E. At Rs. 565, AIL is currently trading at 15.8x of FY18E EPS. We recommend Apar with a **"BUY"** rating for a target price of Rs. 646 representing 15% upside potential.

Key Risks

- Cyclical nature of power business.
- Project delays from customer side.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	46330	51219	50800	54003	58215
EBITDA	2939	2520	3628	3888	4191
EBITDA Margin (%)	6.3	4.9	7.1	7.2	7.2
Adj. Net Profit	896	495	1192	1256	1380
EPS (Rs.)	23.3	12.9	31.0	32.6	35.9
RoE (%)	12.9	6.8	13.9	13.2	14.0
P/E (x)	6.2	28.8	15.0	17.3	15.8

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on Sep 06, 2016)*	565
Target Price	646
Upside (%)	15

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	21739 / 327
52-wk High/Low (Rs.)	634 / 389
3M Avg.daily volume	28638
Beta (x)	0.9
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	38.5
Face Value (Rs.)	10.0

Shareholding Pattern (%)

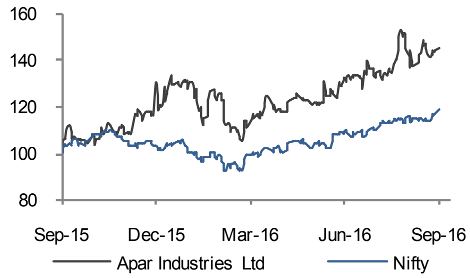
Promoters	58.2
FIIs	9.2
DIIs	10.8
Others	21.7

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(0)	10	29	36
Relative to Sensex	(4)	2	10	18

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Apar Industries (Apar) is a leading manufacturer of conductors, transformer oils and cables for the domestic and overseas power T&D sector. Apar operates in diverse field of Electrical, metallurgical and chemical engineering. Apar's business can be divided into three segments namely Conductors, Cables, Oils and Lubricants. Apar is market leader in the transformer oil segment standing at 4th position globally. In the lubricants segment, Apar is known for marketing the world renowned ENI brand (eni S.P.A of Italy) of lubricants. Apar has been recognized as a registered export house for conductors by Indian ministry of commerce and is the fifth largest manufacturer of conductors globally.

Atul Auto Ltd

Bloomberg Code: ATA IN

India Research - Stock Broking

BUY

Lower Raw Material Cost Leading to Higher Gross Margins

Considering good prospects of monsoon and the festive season in Q2FY17E and Q3FY17E, we expect the company to register volume growth of 7.0% in FY17E to sell 46,966 vehicles and around 10.0% volume growth in FY18E to sell 51,662 vehicles. Accordingly, we expect the company to register operating revenue CAGR of around 10.0% during FY16-FY18E to reach Rs. 5,688 mn in FY17E and Rs. 6,426 mn in FY18E.

Atul Auto Ltd has reported decrease in its operating revenues to Rs. 930 mn in Q1FY17 Vs Rs. 1,068 mn in Q1FY16 and Rs. 1,297 mn in Q4FY16. Decrease in the company's volumes was majorly on account of VAT issue in the state of Gujarat till May 19, 2016 and some registration issues in the state of Punjab. Exports volumes for the quarter stood at 336 vehicles as against 567 vehicles in the same quarter of last year. This was mainly due to the unfavourable conditions in terms of product approvals and currency deterioration in its export countries.

Higher Gross Margins and Lower EBITDA: The company's gross margin for the quarter was at 27.5%, the highest compared to the same corresponding quarter in its last 5 years. EBITDA for the quarter decreased to Rs. 87 mn Vs Rs.119 mn in Q1FY16 and Rs. 173 mn in Q4'FY16 and EBITDA margins stood at 9.4% which was lower from 11.1% in Q1'FY16 and 13.4% in Q4'FY16. The company's focus in improving the operational efficiencies along with likely increase in capacity utilization level, we expect the company's gross margins to increase to 28.1% in FY17E and around 28.2% in FY18E from 27.5% levels in FY16; and EBITDA to register CAGR of 8.9% to reach Rs. 790 mn in FY17E and Rs. 904 mn in FY18E, whereas EBITDA margins to remain at 13.9% in FY17E and 14.1% in FY18E.

Valuation Outlook:

The company's optimism in maintaining the growth rate for the year despite dismal performance in Q1FY17, considering the company's performance in the last 5 years, we expect the company to gain further market share in 3-wheeler segment. We reiterate our **"BUY"** recommendation, however lowering from our previous target price by valuing it at 20.7x of its FY18E EPS of Rs. 25.8, which is forward mean P/E over its last 5 years for a target price of Rs. 533.

Key Risk:

Unfavorable monsoon may lead to the decrease in the company's volumes and also to the earnings growth.

Valuation Summary					
YE Mar (Rs. Mn)	**FY14**	**FY15**	**FY16**	**FY17E**	**FY18E**
Net Sales	4301	4928	5310	5688	6426
EBITDA	454	579	763	790	904
EBITDA Margin (%)	10.6	11.8	14.4	13.9	14.1
Adj. Net Profit	298	406	474	495	566
EPS (Rs.)	13.6	18.5	21.6	22.6	25.8
RoE (%)	35.3	37.7	34.4	28.9	27.2
P/E (x)	13.2	30.0	24.1	20.0	17.5

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)	
CMP *(as on Sep 06, 2016)*	452
Target Price	553
Upside (%)	22

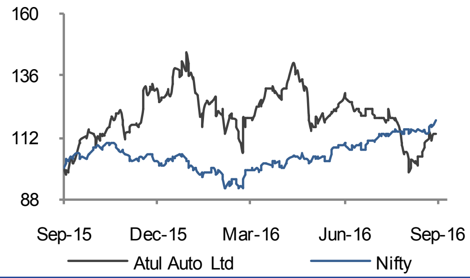
Stock Information	
Mkt Cap (Rs.Mn/US$ Mn)	9913 / 149
52-wk High/Low (Rs.)	585 / 385
3M Avg.daily volume	43820
Beta (x)	1.2
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	21.9
Face Value (Rs.)	5.0

Shareholding Pattern (%)	
Promoters	52.7
FIIs	0.0
DIIs	15.2
Others	32.1

Stock Performance (%)	1M	3M	6M	12M
Absolute	6	(11)	(6)	11
Relative to Sensex	3	(17)	(20)	(4)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Atul Auto Ltd, started in 1992 to meet the rural demand needs of transportation with manufacture of Chhakada, today it has emerged with a well diversified portfolio of three wheeler autos. The company has a manufacturing plant located at Shaper in Rajkot district with an annualised production capacity of 60,000 vehicles p.a. which is engaged in machining of components, fabrication of chassis, state of the art pre-paint and final paint along with assembling of 3-wheelers. Its major product portfolio brands consist of Atul Shakti, Atul Smart, Atul Gem and Atul Gemini Dz.

Bajaj Corp Ltd

Bloomberg Code: BJCOR IN

India Research - Stock Broking

BUY

In Pursuit of Excellence, with Almond Drops Hair Oil

Leading position in Light Hair Oil market and Well established brands to surge revenue growth: Bajaj corp is one of the leading players in FMCG sector in hair care category. Bajaj Almond Drops hair oil is market leader in the light hair oil segment with more than 60% of market share and major revenue contributor for the company. Despite the adverse market condition in the hair oil industry, Bajaj corp managed to register 2.9% growth in the sales volume and 4.1% increase in realisation per case for Almond Drops Hair Oil (ADHO) brand. However, the consumption demand is expected to improve considerably on the back of expected good monsoons in FY17E, after two consecutive years of poor rains. Good monsoons are likely to improve disposable incomes of rural India and hence consumption demand would be boosted. This would help the company to post moderate growth in coming years.

Increasing outlets to tap rural markets to push growth: Bajaj corp is continuously focusing towards improving its presence and strengthening its portfolio to drive higher revenue growth. At present, 42.0% of Bajaj Almond Drops hair oil sales are from rural areas only and the company managed to capture 63.2% market share in rural areas. Bajaj corp managed to come up with 0.89mn outlets during FY16, out of which 0.43mn were opened in urban area and 0.46mn in rural area.

Valuation and Outlook

Bajaj corp is market leader in Light Hair oil segment and more than 91% of its revenues are coming from ADHO only. Bajaj corp, with its credentials of debt free, healthy ratios and healthy cash flows, is currently trading at 20.9x FY18E EPS. We value the company at 24.0x FY18E EPS and recommend the company with **"BUY"** rating, for a target price of Rs. 465, representing an upside of 15% for a period of 9-12 months.

Key Risks

- Fluctuations in raw material prices.
- Depending on a single product ADHO.
- Competition from existing and new entrants.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	6717	8256	8764	9643	11088
EBITDA	1860	2392	2737	2937	3285
EBITDA Margin (%)	27.7	29.0	31.2	30.5	29.6
Adj. Net Profit	1489	1727	1964	2430	2859
EPS (Rs.)	10.1	11.7	13.3	16.5	19.4
RoE (%)	29.7	34.3	40.5	48.6	51.0
P/E (x)	21.3	39.0	23.2	24.6	20.9

*Source: Company, Karvy Research, **Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on Sep 06, 2016)*	405
Target Price	465
Upside (%)	15

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	59774 / 898
52-wk High/Low (Rs.)	479 / 356
3M Avg.daily volume (mn)	0.1
Beta (x)	0.6
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	147.5
Face Value (Rs.)	1.0

Shareholding Pattern (%)

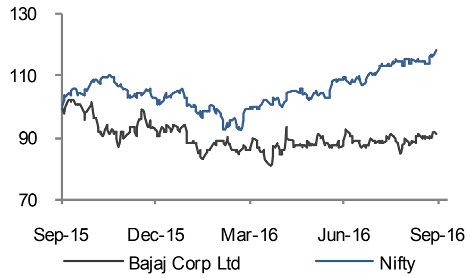
Promoters	66.9
FIIs	25.0
DIIs	2.3
Others	5.9

Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	4	6	(14)
Relative to Sensex	(1)	(3)	(10)	(25)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Bajaj Corp Limited (Bajaj corp), incorporated in the year 2006, is a company engaged in the trading and manufacturing of cosmetics, toiletries and other personal care products. Bajaj corp has leadership position in hair care segment. The company's principal product is Almond Drops hair oil, which is the market leader with over 60% share in the Light hair oil market. Now the company is delivering its products through 3.71mn retail outlets serviced by 7392 distributors or stockists and more than 15,000 wholesalers.

Esab India Ltd

Bloomberg Code: ESAB IN

India Research - Stock Broking

BUY

Domestic Economic Revival Together with Healthy Balance Sheet to Aid Profitability

Improved domestic industrial activity complemented by adequate capacity headroom: Growth in investment activities and increased investments in key sectors like steel, construction, infrastructure, power and cement are giving an optimistic outlook for future. We believe the Gross Fixed Capital Formation (GFCF) to GDP to improve to 33% by FY17E, also ESAB's current blended capacity utilization levels of ~60% leaves enough headroom to sustain the anticipated increase in demand. We expect the revenue to grow at 5.9% CAGR for FY16-18E.

Profitability and return ratios to improve by FY18E: EBITDA & PAT margins are expected to reach 12.4% & 8.3% respectively by FY18E, mainly owing to incremental revenue from new product launches, increased revenue from higher margin services segment. Also we believe RoE & RoCE to expand by 180 & 130 bps over FY16 to reach 10.8% & 15.4% by FY18E respectively.

Strong financial position to sustain growth: Net debt to Equity at -0.2x, Net working capital to sales at less than 50% and cash per share of Rs.32.9 indicate ESAB's balance sheet strength to remain debt free while maintaining operational efficiency in the revenue model that could be sustained going forward through FY16-18E. Also, ESAB's ability to produce consistent positive cash flows through harsh times together with healthy asset turnover ratio, huge cash & investments balance (~Rs. 1705 mn) enable it to price competitively to gain market share going forward.

Valuation and Outlook

We value the company based on P/E basis. At CMP of Rs. 573, ESAB is trading at 21.0x of FY18E EPS. Historically, ESAB has been trading at 1 standard deviation of one year average forward P/E multiple of 24.5x. Furthermore, ESAB has been trading at an average P/B of 3.2x for the last five years. We ascribe a multiple of 24.5x to FY18E EPS. We recommend the company a **"BUY"** rating for a target price of Rs. 670 representing an upside potential of 17% for 9-12 months period.

Key Risks

- Delay in economic recovery.
- Increase in competition in domestic market.

Valuation Summary

(Rs. Mn)	CY13	FY15**	FY16	FY17E	FY18E
Net Sales	4356	5519	4510	4740	5064
EBITDA	516	505	462	534	627
EBITDA Margin (%)	11.9	9.2	10.2	11.3	12.4
Adj. Net Profit	331	236	283	355	421
EPS (Rs.)	21.5	15.4	18.4	23.1	27.3
RoE (%)	12.4	8.2	9.0	10.2	10.8
PE (x)*	19.5	45.0	30.8	24.8	21.0

*Source: Company, Karvy Research; *Represents multiples for CY13, FY15 & FY16 are based on historic market price*
***FY15: for 15 months from Jan 2014 to Mar 2015*

Recommendation (Rs.)

CMP *(as on Sep 06, 2016)*	573
Target Price	670
Upside (%)	17

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	8815 / 132
52-wk High/Low (Rs.)	689 / 435
3M Avg.daily volume	3144
Beta (x)	1.0
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	15.4
Face Value (Rs.)	10.0

Shareholding Pattern (%)

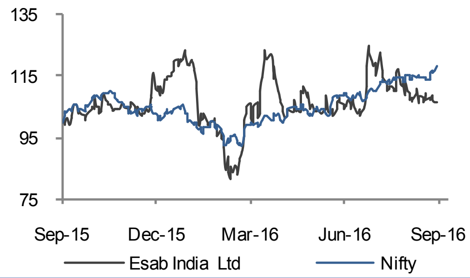
Promoters	73.7
FIIs	10.7
DIIs	0.9
Others	14.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(6)	0	1	4
Relative to Sensex	(9)	(7)	(14)	(10)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

ESAB India Ltd started its operations in 1987 by acquiring the welding business of Peico Electronics & Electricals Ltd & Indian Oxygen Limited's in 1991 and Flotech Welding & Cutting Systems Limited in 1992, followed by the merger of Maharashtra Weldaids Ltd in 1994. ESAB Group, USA owns 73.7%. ESAB products are now an integral part of industries like Ship building, Petrochemical, Construction, Transport, Offshore, Energy, Repair and Maintenance. The skills, know-how and resources at its R&D departments, have helped the company to offer a wide range of world-class products for diverse applications, cost effectively.

Fineotex Chemical Ltd

Bloomberg Code: FTXC IN

India Research - Stock Broking

BUY

Long Term Strategic Growth Drivers in Place…

Increased focus on specialty chemical to boost operating margin: Fineotex Chemical Limited (FCl) has posted consolidated revenue growth at CAGR of 8.0% over the period of FY12-16. EBITDA recorded significant growth at CAGR of 37.3% during same period whereas EBITDA margin has also grown by 819bps YoY to 24.7% in FY16 due to overall decline in raw material cost by 618 bps YoY. PAT Margin has grown by 301 bps YoY in FY16. We believe that the company will continue with growth momentum and it might record EBITDA and PAT growth of 24.6%-24.8% and 7.3%-9.5% respectively, during FY17E-18E on the back of robust demand by end user industries for higher yield specialty chemical production, onsite/offsite R&D facilities for product customization and niche clientele portfolio.

Capex to drive growth: FCL has planned for Rs. 80-100 mn capex for expanding manufacturing activities on recently acquired land in Wada (Maharashtra), Khopoli (Maharashtra) and Ambernath (Maharashtra) funded through 100% internal accruals. We believe that this capacity expansion will help to add topline growth by CAGR of 662 bps during FY16-18E.

Healthy Balance sheet with Zero debt: FCl is cash rich company with cash & equivalent of around Rs. 350-400 Mn (including investment in securities) & enjoying zero debt which will support to execute growth plans without affecting the financial performance of the company.

Valuation and Outlook

FCL majorly focuses on high margin specialty chemical business and capacity expansion plan with healthy financials coupled with zero debt and is currently trading at CMP of Rs.27, representing PE 15.0x FY18E EPS. We value the company at average P/E of 18.2x FY18E EPS. We recommend the company with **"BUY"** rating on the stock with the target price of Rs. 33, representing an upside potential of 23%, for a time frame of 9-12 months.

Key Risks

- Intense competition.
- Foreign exchange risk.
- Switching sticky customers.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	867	1020	1087	1175	1236
EBITDA	92	165	265	289	307
EBITDA Margin (%)	10.7	16.2	24.4	24.6	24.8
Net Profit	65	129	170	187	200
EPS* (Rs.)	** 0.6	1.2	1.5	1.7	1.8
RoE (%)	10.6	18.3	20.3	18.9	17.5
PE (x)#	10.2	19.4	21.3	16.1	15.0

*Source: Company, Karvy Research, *Adjusted for stock split of 1:5, **Adjusted bonus shares issued in proportion of 1:1 on face value of Rs. 10,# Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on Sep 06, 2016)*	27
Target Price	33
Upside (%)	23

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	3010 / 45
52-wk High/Low (Rs.)	38 / 19
3M Avg.daily volume (mn)	0.6
Beta (x)	1.3
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	112.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

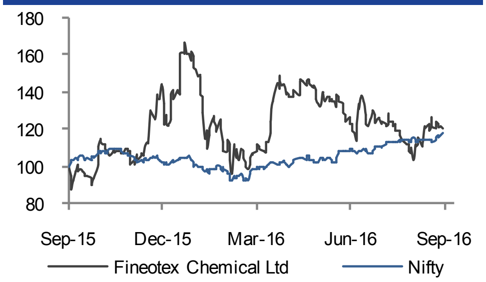
Promoters	71.72
FIIs	0.00
DIIs	0.03
Others	28.25

Stock Performance (%)

	1M	3M	6M	12M
Absolute	10	(5)	13	12
Relative to Sensex	6	(12)	(4)	(2)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Mumbai based Fineotex group was founded by Mr. Surendra Tibrewala in 1979. Later, in 2007, it was incorporated as Fineotex Chemical ltd. It's one of the leading players in manufacturing & trading of Specialty Chemical segment across the globe and engaged in business more than 400 specialty chemicals and Enzymes, catering to various industries like Textile, Construction, Agrochemicals, Adhesives, etc. Over the years, the company has strong global client portfolio along with global presence in almost 33 countries. The company has manufacturing facilities, located at Navi Mumbai & Malaysia with a combined production capacity of 22,000 MT/PA. FCL has 2 R&D laboratories in Mumbai. There is network of 68 to 70 distributors' pan-India and onsite R&D facility available across the region.

Gabriel India Ltd

Bloomberg Code: GABR IN

India Research - Stock Broking

BUY

Improved Processes Leading to Excellent Margins Despite Stable Revenue Growth

Gabriel India Ltd's operating revenue has registered a steady growth in its operating revenue (YoY) of 8.3% to Rs 3,704 mn, whereas it has seen an increase of 1.1% (QoQ). The company has witnessed an increase in volumes in passenger vehicle segment compared to the same quarter of its last year (32.0% Vs 27.0%) led by the likes of its some customer products, whereas the share of its 2/3 wheeler segment (56.0% Vs 60.0%) has decreased because of the lower off-take from 2 of its customers and share of commercial vehicles segment stood at 12.0% Vs 13.0% of its revenue. We introduce FY18E earnings and expect the company to register stable operating revenue at CAGR of over 10.4% during FY16-FY18E on the back of expected improvement in the economy and expected reforms at the macro-economic level leading to the increased customer demand.

Improved processes leading to increase in margin profile: The company's gross margins for the quarter was at 28.6%, the highest compared to the quarterly trend of the same corresponding quarter in its last 5 years, whereas EBITDA margins stood at 9.2% which was again the highest in its last 5 years. We expect the company to register EBITDA CAGR of around 17.6% during FY16-FY18E and increase its margins to 9.7% in FY17E and 10.1% in FY18E resulting on account of the company's focus on cost control measures, improvement in processes driven by technological developments and increased capacity utilization levels.

Valuation and Outlook

The company's likely focus on increasing its product lines coupled with the fact of improvement in the domestic market demand is likely to register higher growth in its revenues. Its focus on improved processes driven by different product mix and measures in improving and sustaining the margin levels is expected to witness increase in its margins and earnings profile in the coming years. We introduce FY18E earnings and reiterate our "**BUY**" on Gabriel India valuing it at 20.0x of its FY18E EPS of Rs 7.1, which is ~1 Standard deviation from its mean forward P/E multiple over its 5 years and also was the average forward P/E multiple in the last 2 years to arrive at a target price of Rs. 144.

Key Risks

Inability of the company in passing on the costs in case of any steep increase in its raw material prices such as steel will put pressure on its margins and earnings.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	12745	14298	14264	15796	17385
EBITDA	904	1168	1276	1545	1765
EBITDA Margin (%)	7.0	8.1	8.9	9.7	10.1
Adj. Net Profit	426	600	752	876	1025
EPS (Rs.)	3.0	4.2	5.2	6.1	7.1
RoE (%)	15.7	19.7	21.3	21.4	21.6
P/E (x)	10.0	21.7	17.1	19.3	16.5

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on Sep 06, 2016)*	118
Target Price	144
Upside (%)	22

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	16907 / 255
52-wk High/Low (Rs.)	123 / 75
3M Avg.daily volume	0.7
Beta (x)	1.0
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	143.6
Face Value (Rs.)	1.0

Shareholding Pattern (%)

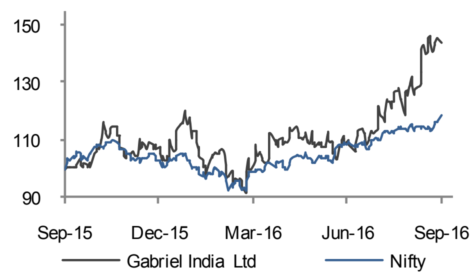
Promoters	54.6
FIIs	11.2
DIIs	7.1
Others	27.1

Stock Performance (%)

	1M	3M	6M	12M
Absolute	11	30	43	42
Relative to Sensex	8	21	22	22

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Gabriel India Ltd, the flagship company of Anand Group started in 1961 is a leading name in the Indian auto component industry. It supplies products such as front forks, hydraulic and gas shock absorbers for 2/3 wheelers, Mcpherson struts, gas shock absorbers for passenger cars and shock absorbers, cabin & seat dampers for commercial vehicles and railways. It has a well diversified OEM customer base in every automotive segment, 2/3 wheelers, passenger cars and commercial vehicles. It has 9 manufacturing facilities with a combined capacity of over 24 million shock absorbers & struts and 2.7 Mn front forks along with strong R&D.

Indag Rubber Ltd

Bloomberg Code: IDR IN

India Research - Stock Broking

BUY

Set to Ride on Commercial Vehicle Growth with Strong Cash Flows and Balance Sheet

Recovery in Commercial vehicle growth: Demand from commercial vehicles is one of the major growth triggers for retreading industry. Retreading industry picks up with lag effect. With improving economic activity, good growth is witnessed in commercial vehicle segment which is expected to sustain in the coming quarters and in the coming years. Domestic CV sales grown by 15.0% in FY15 and by 11.2% in FY16. The company is focusing more on end retreader and fleet owners.

New capacities coming on stream: Over the years, the company added the capacities with better utilization levels. Currently, it is adding 6200 MTPA (Metric Tonne Per Annum) (brownfield expansion), addition of around 50% to the current capacity of 13800 MTPA, with capex of Rs. 70 Mn which is expected to complete by mid-2016. This capacity augments well for the company's growth in the long term.

Increase in Radialisation in CV segment: Current radialisation in India is expected to be in the range of 28%-30% and expected to increase to 45-50% in the next three years. Radialization will get more tyres for retreading, as casing gets less affected and can be retreaded multiple times. This is going to narrow the gap in retreading time.

Healthy balance sheet: With zero debt, IDR has strong balance sheet with surplus free cash and investments over the years accumulated to Rs. 870 Mn, majority deposited in mutual funds. Lower capex over the years, high return on Assets and efficient working capital management led to better operating and free cash flow.

Valuation and Outlook

IDR is the leading thread manufacturing company in the domestic market with strong distribution network (25 depots). Though the growth is expected to be weak because of excise duty effect, but because of growth in free cash flow on the back of lower capex, better working capital cycle and expected recovery in returns on equity and assets by FY18E, we recommend Indag Rubber and assign P/B multiple of 2.9x to FY18E Book value and give **"BUY"** rating with a target price of Rs.220, with an upside potential of 18%.

Key Risks

- End of excise duty benefit.
- Dumping of Chinese tyres at very low prices.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	2322	2419	2528	2501	2801
EBITDA	387	442	509	371	453
EBITDA Margin (%)	16.6	18.0	19.8	14.6	15.8
Adj. Net Profit	276	326	320	243	301
EPS (Rs.)	10.5	12.4	12.2	9.2	11.5
RoE (%)	29.8	28.2	22.4	14.7	16.3
P/E (x)	5.5	11.9	15.8	20.2	16.3

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP*(as on Sep 06, 2016)*	186
Target Price	220
Upside (%)	18

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	4894 / 73
52-wk High/Low (Rs.)	237 / 146
3M Avg.daily volume	13701
Beta (x)	1.1
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	26.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

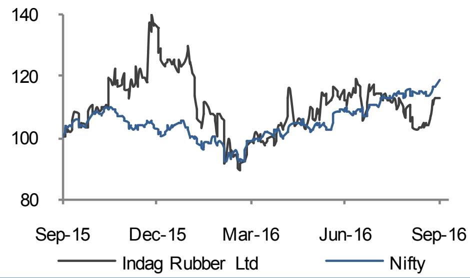
Promoters	74.8
FIIs	0.8
DIIs	0.2
Others	24.2

Stock Performance (%)

	1M	3M	6M	12M
Absolute	3	(2)	15	7
Relative to Sensex	(0)	(9)	(2)	(7)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Indag Rubber Ltd (IDR) was incorporated in July 1978 as a joint venture between Khemka group and M/S Bandag Incorporated, USA, one of the biggest players in the US retreading industry. The company manufactures precured tread rubber, un-vulcanized rubber strip gum, universal spray cement and tyre envelopes for the tyre retreading industry. Manufacturing plant is at Nalagarh (Himachal Pradesh) with a capacity of 13,800 MT for tread rubber. The company had one other plant at Bhiwadi (Rajasthan), which is not working right now. Close to 90% of the company's revenue is generated from the sale of precured tread.

Mayur Uniquoters Ltd

Bloomberg Code: MUNI IN

India Research - Stock Broking

BUY

Unique Product & Capacity Scaling-up to Ensure New Heights

Auto OEM Exports and Footwear to boost Sales in FY18E: Auto OEM Exports and Footwear contributed to a whopping 46.0% and 19.0% in FY16 and we see the trend to continue in a similar pattern in FY17E and FY18E. Auto OEMs in US and other parts of the world show a huge demand supply gap and hence a tremendous volume growth potential for Mayur in the upholstery market and is supposed to add a substantially to the top-line of the company.

Poly Urethane (PU) Plant to expand capacity in FY18E to meet rising demand from Exports: About Rs.1000 Mn of capex is going to be used by the company for PU leather plant in pipeline subject to Government clearance. Rs.800 Mn finance has been acquired from the 8.5% stake sale to WestBridge Capital deal in FY15 and is supposed to add 0.3 Mn metres to the existing capacity of 3.05 Mn linear metres and will be majorly used to meet the volume growth potential of the exports in general which contribute ~27% to revenues.

Synthetic Leather is increasingly replacing genuine leather: India is next only to China in terms of artificial/ synthetic leather production. Synthetic leather accounts for 80% of the total leather product manufacturing in the country. Synthetic leather industry in India is estimated to be ~Rs.45-50Bn. The market size of India's synthetic leather industry is expected to double in the next 5 years. It is increasingly replacing genuine leather because of high durability, variety and for the ease of maintenance.

Valuation and Outlook

MAYUR's strong position in the organized segment with diverse product portfolio, established clients and with the establishment of PU plant adding substantially to the existing capacity to cater solely for exports will make it a clear market leader. We recommend **"BUY"** for a target price of Rs.489 representing an upside potential of 15% in 9-12 months time frame. At CMP of Rs. 427, the stock is trading at PE of 24.2x of FY18E EPS.

Key Risks

- Rising raw material prices.
- Dependency on Footwear industry.
- Slowdown in Exports.
- Threat from Chinese imports.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	4696	5063	4956	5218	6005
EBITDA	932	1018	1310	1273	1441
EBITDA Margin (%)	19.9	20.1	26.4	24.4	24.0
Adj. Net Profit	568	659	775	758	856
EPS (Rs.)	13.1	15.2	16.0	15.6	17.7
RoE (%)	40.6	29.7	25.1	21.4	20.5
P/E (x)	25.0	29.8	24.2	27.3	24.2

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP*(as on Sep 06, 2016)*	427
Target Price	489
Upside (%)	15

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	19767 / 297
52-wk High/Low (Rs.)	480 / 384
3M Avg.daily volume	39200
Beta (x)	0.7
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	46.3
Face Value (Rs.)	5.0

Shareholding Pattern (%)

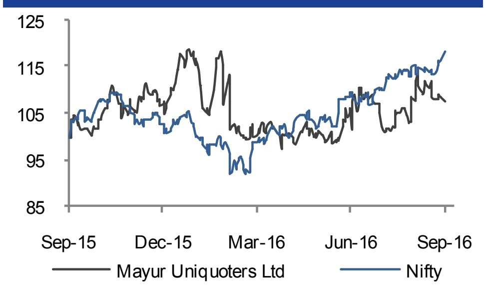
Promoters	61.1
FIIs	8.6
DIIs	5.9
Others	24.4

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(1)	2	7	7
Relative to Sensex	(4)	(5)	(9)	(7)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Incorporated in 1992 at Jaipur, Rajasthan and commencing operations in 1994, Mayur is in the business of making Poly Vinyl Chloride (PVC), Poly Urethane (PU) coated fabric which is more commonly known as Synthetic or Artificial Leather. Artificial leather is a substitute for genuine leather and has wide applications in automobiles, footwear, furnishing, fashion items, accessories etc. MAYUR's strong position in the organized segment along with integrated operation (backward integration), diverse product portfolio, standing product approvals from leading domestic & global automobile OEMs (Original Equipment Manufacturers) and established clients in the footwear segment.

The Byke Hospitality Ltd

Bloomberg Code: BYKE IN

India Research - Stock Broking

BUY

Unique Asset Light Business Model Continues to Scale New Heights

Room inventory addition to drive hotel revenues by 21.2% CAGR during FY16-18E: In order to scale its room inventory and increase its geographical presence, Byke is planning to add 8 new leased properties by FY19E. We expect the 4 properties to be operational by mid-FY18E leading to an addition of ~420 leased rooms, ~10 restaurants & ~12 conference halls and the total hotel revenues to grow at 21.2% during FY16-18E reaching to Rs. 1677 Mn in FY18E with Rs.914 Mn contributed from room rental revenue and Rs. 763 Mn from F&B and other segment.

Chartering business revenues to grow @ CAGR of 26.4% during FY16-18E: The numbers of the chartering rooms sold are expected to grow at 22.8% CAGR and reach 7.4 lac room nights in FY18E. We expect the ARR (Average Room Rent) to grow at 3.0% with occupancy levels in the range of 94-95% and revenues to grow at 26.4% to reach Rs. 1871 Mn by FY18E.

Rich Cash Flows and asset-light structure turning out to be a self funding hybrid model: We expect the business model to continue to support Cash Flow from Operations (CFO) and to grow at 24.7% CAGR during FY16-18E. The increasing CFO is further enabling "Byke" to invest in the leased properties and chartering segment leaving aside healthy free cash flows to the equity owners. We expect the free cash flow yield to remain in the range of 1.3-2.7% during FY16-18E.

Valuation and Outlook

The upcoming addition of leased room inventory and restaurants along with increasing room nights sold in chartering segment will aid the company to grow its revenue with improving operating margins and blended return ratios in the years to come. We recommend "The Byke" assigning P/E multiple of 19.7x to FY18E EPS and give a **"BUY"** rating with a target price of Rs. 207 with an upside potential of 28% for a period 12-15 months.

Key Risks

- Natural calamities and lack of seasonal demand.
- Competetion from the Online Room Aggregators.

Valuation Summary

YE Mar (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	1557	1814	2315	2763	3549
EBITDA	286	372	526	595	792
EBITDA Margin (%)	18.3	20.5	22.7	21.5	22.3
Adj. Net Profit	159	200	259	298	422
EPS (Rs.)	4.0	5.0	6.5	7.4	10.5
RoE (%)	20.2	21.7	23.4	22.5	26.4
P/E (x)	40.4	32.2	24.2	21.7	15.3

*Source: Company, Karvy Research; *Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP*(as on Sep 06, 2016)*	162
Target Price	207
Upside (%)	28

Stock Information

Mkt Cap (Rs.Mn/US$ Mn)	6478 / 97
52-wk High/Low (Rs.)	174 / 148
3M Avg.daily volume (mn)	0.1
Beta (x)	0.8
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	40.1
Face Value (Rs.)	10.0

Shareholding Pattern (%)

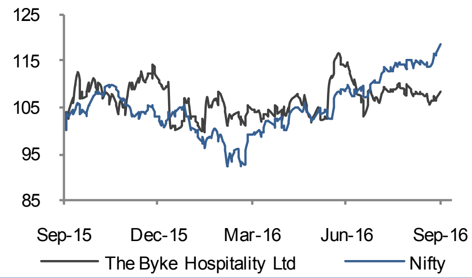
Promoters	44.5
FIIs	3.9
DIIs	8.1
Others	43.6

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(1)	(5)	4	6
Relative to Sensex	(5)	(12)	(12)	(8)

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

The Byke Hospitality Ltd incorporated in 1990, consists of two broad categories, Owned & Leased hotels (O&L) and Room Chartering (RC) business. In the O&L hotels business, the company enters into an operating lease agreement with hotel property on an annual lease basis, renovates it and operates it under the brand "The Byke". Currently, the company has 9 properties under its operation: of which, 2 are owned and the rest 7 are leased. It is also engaged in the room chartering business where the company buys bulk hotel room inventory in advance and then sells them through its network of agents.

Tube Investments of India Ltd

Bloomberg Code: TI IN

India Research - Stock Broking

BUY

Tube Investments contains more of positives; maintain BUY

Tube Investments of India (Tube) revenue, EBITDA and PAT grow to Rs.10,979 Mn, Rs.573 Mn and Rs.424 Mn respectively during Q1FY17 which are higher by 6.4%, 37.6% and 135.4% respectively on YoY basis.

We revise our standalone revenue, EBITDA and PAT to Rs.42,077 Mn, Rs.3,780Mn and Rs.1,542 Mn respectively for FY17E; and for FY18E, the same is revised to Rs.46,652 Mn, Rs.4,404, and Rs.1,921 Mn respectively.

We expect cycles segment to grow to Rs.15,540 Mn and Rs.16,370 Mn for FY17E and FY18E respectively which is a 5% CAGR growth during FY16-18E. The estimate incorporates 2.3% of volumes sustained by institutional business and 2.6% of realisation growth largely from speciality cycles.

Overall engineering volumes to grow at a CAGR of 7.2% while the blended realisation are estimated to grow at a CAGR of 5.6% delivering segment sales of Rs.18,200 Mn and Rs.20,890 Mn respectively by FY17E and FY18E respectively. We expect the auto sector to continue do well enabling engineering segment to post strong performance.

Auto products business, doorframes, chains and fine blanked components are expected to deliver strong growth on the back of auto sector while there is sufficient evidence in the market for railway sections and coaches revival. We expect the auto products and railway products to grow at a CAGR of 10.2% and 7.2% respectively during FY16-18E. The overall metal products segment is estimated to reach to Rs.10,280 Mn and Rs.11,390 Mn respectively which is a CAGR of 9.3% during FY16-18E.

Valuation and Outlook

We maintain **'BUY'** on Tube Investments of India for a target price of Rs.654 on SoTP basis with standalone business valued at Rs.237 based on 23x (11 year average P/E) of FY18E EPS of Rs.10.3, Chola investments valued at Rs.256/share, Chola MS valued at Rs.141/share and all other investments valued at investment value of Rs.20/share aggregating to per share value of Rs.654 representing an upside potential of 15% for 9-12 months period.

Key Risks

- Slowdown in consumption expenditure could impact cycles & auto demand.

Valuation Summary

YE Mar - Standalone (Rs. Mn)	FY14	FY15	FY16	FY17E	FY18E
Net Sales	35256	38278	39410	42077	46652
EBITDA	3015	3193	3501	3780	4404
EBITDA Margin (%)	8.6	8.3	8.9	9.0	9.4
Adj. Net Profit*	941	868	1019	1542	1921
EPS (Rs.)*	5	4.6	5.4	8.2	10.3
RoE (%)*	7.8	6.8	6.3	7.7	9.1
P/E (x)**	35.8	79.9	71.1	69.7	55.5

*Source: Company, Karvy Research, * Adjusted for exceptional items*

***Represents multiples for FY14, FY15 & FY16 are based on historic market price*

Recommendation (Rs.)

CMP *(as on Sep 06, 2016)*	572
Target Price	654
Upside (%)	15

Stock Information

Mkt Cap (Rs.mn/US$ mn)	107162 / 1611
52-wk High/Low (Rs.)	576 / 349
3M Avg.daily volume (mn)	0.1
Beta (x)	0.6
Sensex/Nifty	26803 / 8943
O/S Shares(mn)	187.3
Face Value (Rs.)	2.0

Shareholding Pattern (%)

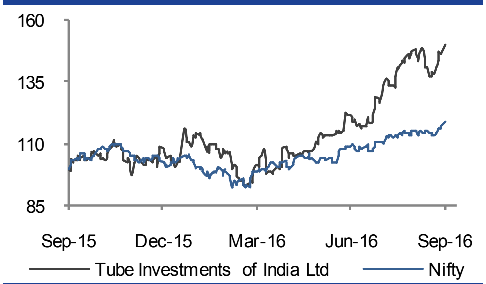
Promoters	14.6
FIIs	12.7
DIIs	22.8
Others	49.9

Stock Performance (%)

	1M	3M	6M	12M
Absolute	2	24	50	48
Relative to Sensex	(1)	15	27	28

Source: Bloomberg

Relative Performance*



*Source: Bloomberg; *Index 100*

Company Background

Tube Investments of India Limited (TI) is a holding company of the Murugappa Chettiar Group. The standalone entity operates through three segments, which include Cycles and Components, Engineering and Metal Formed Products, manufacturing products like precision steel tubes and strips, car doorframes, automotive and industrial chains and bicycles. TI's Cycles and Components segment consists of bicycles of different variety, including alloy bikes and specialty performance bikes. TI's brands include names like Hercules, BSA, Philips cycles, Montra and operates a wide distribution network of about 930 stores including 13 exclusive Track and Trial stores. TI operates 15 manufacturing plants in India.

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This is also a part of managing the overall risk, as the objective is to attain higher risk adjusted returns and deliver consistent outperformance.

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