



COS LIKELY TO POST GOOD Q2 NUMBERS

Feel Left Out of Mid-cap Party? Here are 10 Stocks to Help you Join In

CITY UNION BANK CMP: ₹140.05
City Union Bank, with a retail-oriented business, may report good performance, while other banks may report weak numbers. The bank is expected to benefit from improving access to end markets and capital and physical infrastructure because of structural resets. "Among mid and small-cap banks, City Union Bank is our top pick and we expect strong margins and controlled asset quality to support RoAs at about 1.55%," said Nitin Bhasin, analyst at Ambit Capital.

Sales Growth Q2 (%)	20	1M Return (%)	0.65
PAT Growth Q2 (%)	18	FY17 Est PE	15.10
Target Price (₹) *	137.63	5Y Avg PE	9.99

DCB BANK CMP: ₹123.75
DCB's loan growth (28% YoY) and deposit growth (20% YoY) would be above industry average. Non-interest income is expected to grow by 43% YoY, on strong growth in trading gains. It is one of the cheapest among private banks with FY17 price-to-book of 1.8 times. "We expect revenue growth to have similar contribution for NII and non-interest income," said MB Mahesh of Kotak Institutional Equities. "We expect PAT to grow about 22% YoY despite elevated costs."

Sales Growth Q2 (%)	22	1M Return (%)	2.40
PAT Growth Q2 (%)	22	FY17 Est PE	16.60
Target Price (₹) *	110.00	5Y Avg PE	12.76

KALPATARU POWER CMP: ₹253.80
It is trading at a P/E of 15.5 times its FY17 earnings, at a discount to its two-year average P/E of 19.31 times. Analysts believe strong outlook in the domestic T&D market and increasing presence in high-growth areas like railways should help the company deliver nearly 20% earnings CAGR over FY 2016-18. "We expect a strong revenue growth of 26% YoY in September quarter as execution picks up in projects won over the last 6-9 months," said Pawan Parekh of HDFC Securities.

Sales Growth Q2 (%)	26	1M Return (%)	-3.26
PAT Growth Q2 (%)	45	FY17 Est PE	14.67
Target Price (₹) *	309.59	5Y Avg PE	17.08

MINDA CORP CMP: ₹109.75
Analysts expect the operating margin of Minda Corp to improve in the September quarter due to operating leverage benefits and improvement in the profitability of Minda Furukawa JV. It is trading at an attractive valuation of 15 times FY17 estimated earnings. "We expect consolidated revenues to grow by 24% YoY, led by strong growth in standalone business and impact of consolidation of Minda Stoneridge and Panalfa financials," said Sanjeev Prasad of Kotak Institutional Equities.

Sales Growth Q2 (%)	24	1M Return (%)	-5.39
PAT Growth Q2 (%)	25	FY17 Est PE	14.99
Target Price (₹) *	122.33	5Y Avg PE	26.49

Mid-cap and small-cap stocks have been on a roll in the past year. The BSE Mid-cap index has not only scaled new highs in the past few weeks, but has also outperformed the large-cap index so far this year, gaining 20% compared with the Sensex's 11% gain. The upcoming September quarter results could see the party continuing. Nearly a dozen mid-caps could surprise the street in terms of both topline and bottomline on robust consumer demand and a strong order book. ET picks 10 such stocks from brokerage recommendations, whose prices could race ahead on an upside in performance.

- Dia Rekhi & Rajesh Mascarenhas



RALLIS INDIA CMP: ₹230.15
Rallis shares trade at 23.6 times FY17 estimated earnings, cheaper than its peers - PI Industries, Dhanuka Agritech and Vinati Organics. This could be a strong quarter on a weak base for it, but Rallis India will have to take full losses of Metahelix. This will lead to PAT before minority interest growth of 19% fall to 16% on post-MI basis. "We expect agr-inputs to grow by 16% and seeds revenues to grow at 20% YoY with better margins" said Satish Mishra of HDFC Securities.

Sales Growth Q2 (%)	24	1M Return (%)	1.32
PAT Growth Q2 (%)	27	FY17 Est PE	20.65
Target Price (₹) *	212.59	5Y Avg PE	23.23

TECHNO ELECTRIC CMP: ₹300.85
Techno Electric has capabilities to serve the whole power space, including transmission, distribution and generation, helping it adapt to changing trends. "Techno Electric shows all the hallmarks of a top-notch contractor," said Nitin Bhasin of Ambit Capital. "We expect revenue of 26% and EPS CAGR of 34% over FY2016-18 in the EPC business. Valuations of 16 times of the EPC business FY18 estimated EPS is expensive but strong FCF profile justifies the multiples."

Sales Growth Q2 (%)	31	1M Return (%)	-9.52
PAT Growth Q2 (%)	48	FY17 Est PE	15.03
Target Price (₹) *	385.45	5Y Avg PE	13.37

TRIDENT CMP: ₹54.20
Trident reported strong volume off-take in home textiles due to strategic initiatives and efforts taken in the past like strengthening marketing team, expanding global reach and widening product offerings. "We are overweight for medium to long-term investment," said an analyst with Firstcall Research. "Trident will focus on marketing efforts and is on track to optimally utilise its global scale capacities. This will help it generate significant free cash flows."

Sales Growth Q2 (%)	22	1M Return (%)	6.69
PAT Growth Q2 (%)	49	FY17 Est PE	6.69
Target Price (₹) *	73.00	5Y Avg PE	9.52

MUTHOOT FINANCE CMP: ₹343.70
Muthoot Finance is expected to report one of its best quarters, supported by strong gold prices. Margins are likely to improve YoY on better auction realisation, increase in lending rates and declining funding costs, said analysts. The stock is trading at 2.2 times FY17 estimated book against 2.7 in the previous year. "We maintain buy recommendation with a target price of ₹405 as net interest income is expected to grow 31% YoY in September quarter," said Alpesh Mehta of Motilal Oswal.

Sales Growth Q2 (%)	30	1M Return (%)	-6.20
PAT Growth Q2 (%)	58	FY17 Est PE	12.50
Target Price (₹) *	395.25	5Y Avg PE	8.80

PI INDUSTRIES CMP: ₹824.90
PI Industries is expected to report healthy numbers with a combined revenue growth of 20%. Its domestic business growth is likely to be driven by the good performance of new products such as Keefun and Vibrant - both of which are gaining traction. "The consistent augmentation in its pipeline, resulting in innovator products, and the visible pipeline of high-margin in-licensed products could lead to a 20% EPS CAGR over FY2016-18," said Girish Solanki of Anand Rathi.

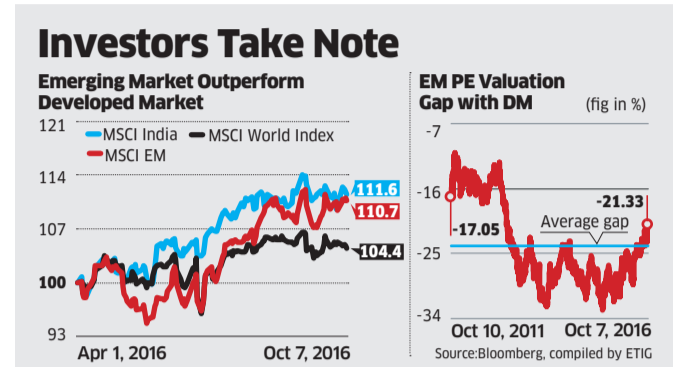
Sales Growth Q2 (%)	20	1M Return (%)	-1.89
PAT Growth Q2 (%)	35	FY17 Est PE	24.65
Target Price (₹) *	816.64	5Y Avg PE	21.54

WABCO INDIA CMP: ₹6,095.85
Analysts estimate Wabco's revenues to increase by 18% YoY, led by higher content per vehicle due to mandatory ABS in MHCVs from October 1, and growth in the after-market segment. "We expect earnings momentum to remain strong at a CAGR of 35% over FY2016-18, driven by steady MHCV demand, implementation of stricter safety standards driving ABS revenues, and healthy margins, although royalty hike would be a drag," said Amrith Mishra, analyst, JM Financials.

Sales Growth Q2 (%)	18	1M Return (%)	-3.79
PAT Growth Q2 (%)	36	FY17 Est PE	39.49
Target Price (₹) *	6,602.33	5Y Avg PE	43.93

EARNINGS UPGRADE MSCI EM index gains 13% in the past six months

EMs Outperform Developed Peers with Double the Returns



Investors Take Note
Emerging Market Outperform Developed Market
EM PE Valuation Gap with DM (fig in %)
with an average of 24% in the past five years. The MSCI EM index boosted by the rally in commodity producers and energy stocks is valued at 12.1 times estimated 12-months earnings. This compares with a multiple of 15.35 for the developed-market benchmark. Earnings upgrade in the EM equities after five years helped investors to increase wagers on them. According to Bloomberg, corporate earnings of EM equities will increase by \$3.99 to \$73.41 per share on an average in the next 12 months. The implied growth forecast in the MSCI EM index has been highest since 2011. After a sluggish performance in the first few months of 2016, Indian equities are gradually closing the valuation gap with EM equities. The MSCI India index gained 13.5% in the past six months. Foreign portfolio investors have invested close to \$7.9 billion in Indian equities in 2016 so far.

Pimco Expects 2-3 Rate Hikes by the End of 2017

London: Treasuries dropped, pushing benchmark 10-year note yields to four-month high, as investors bet along with Pacific Investment Management Co that the prospects have grown for higher interest rates. Pimco says the Federal Reserve may raise its benchmark two or three times by the end of 2017. Stronger economic growth and inflation would drive it to act. Pimco said in a tweet. The company, which manages the world's biggest active-

HEAVY WEIGHTS They are part of over 7,000 different schemes aggregating to ₹1,86,703 crore in value

Mutual Funds are Gung-ho About these 20 Blue Chips

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New Delhi: Investors not able to generate alpha for their portfolio but still wanting to invest in equities cannot ignore these top 20 stocks, which are part of over 7,000 different mutual fund schemes aggregating to ₹1,86,703 crore in value. Mutual fund houses have been gung-ho on these blue chips, including HDFC Bank, ICICI Bank, Infosys, Reliance Industries, UltraTech Cements, TCS, Lupin, HDFC and Cipla, according to data collated by ETMarkets.com. Domestic mutual funds have invested more than ₹13,000 crore in the equity market during the quarter ended September, which showed that retail investor confidence in equities is on the rise. Mutual funds have invested over ₹13,500 crore in the equity market in the first nine months of the year thanks mainly to strong participation from retail investors. This is on top of over ₹70,000 crore already invested in the whole of 2015 and around ₹24,000 crore in 2014. HDFC Bank is a prominent stock in as many as 586 mutual fund schemes. The total asset of various MF schemes riding on this private sector lender is close to ₹31,000 crore. Similarly, ICICI Bank is a prominent stock in as many as 532 schemes, while Infosys, ITC, and Sun Pharma are part of key holdings in 485, 414 and 399 schemes, respectively. Large inflows from systematic investment plans (SIPs) are driving asset growth in mutual funds, said experts. SIP is an investment vehicle that allows investors to invest in small amounts periodically instead of in lump sum. "We have witnessed a big qualitative shift among investors in the last six to eight months. In August, we had a record inflow to the tune of ₹27,000 crore into long-term mutual

Top Picks

Company Name	No of Shares	Market Value (₹)	Holding Schemes Count
HDFC Bank	2,34,992,955	30,342.0	586
ICICI Bank	6,58,035,406	16,977.0	532
Infosys	15,91,73,768	16,488.5	485
ITC	3053,52,874	7,940.7	414
Sun Pharma	9,95,71,871	7,723.0	399
Axis Bank	1504,77,547	8,980.7	396
L&T	8,47,71,109	12,825.6	395
Maruti Suzuki	1,86,78,758	9,439.6	391
SBI	5413,64,337	13,669.5	389
Reliance Inds	9,05,35,670	9,596.2	342
HCL Tech	6,79,22,838	5,288.4	331
Tata Motors	11,58,55,009	6,229.4	317
IndusInd Bank	6,60,14,270	7,830.5	312
M&M	2,68,05,785	3,851.2	309
Kotak Bank	84,155,638	6,790.5	294
Cipla	7,82,25,032	4,481.9	277
UltraTech	96,07,350	3,870.5	275
TCS	2,10,50,449	5,060.5	274
HDFC	4,69,82,749	6,603.4	269
Lupin	1,83,15,357	2,714.8	243
Total		186,703.7	

* Figures as on August 31, 2016

funds," Dharendra Kumar, CEO, Value Research, said in an interview with ETNow. "By long-term, I mean equity funds, tax-saving funds and balanced funds. These are funds in which a bulk of the money comes by way of SIPs, which I think is great news," he said. Following large inflows from SIPs and retail interest in the domestic equity market, investment in Indian mutual fund schemes has hit a record high. The average assets under management (AUM) of the India's mutual fund industry hit a historic high of ₹16.11 lakh crore (excluding fund of funds) during the July-September

quarter, Crisil Research said, citing data released by the Association of Mutual Funds in India (Amfi). Equity funds scaled a new high by crossing the ₹5 lakh crore mark to close at ₹5.37 lakh crore, led by a strong mix of inflows and mark-to-market (MTM) gains for the quarter ended September. Assets of this category of funds rose by 13.44%, or ₹63,658 crore (record in absolute terms), during the quarter. The category reported Rs 15,026 crore inflow during July-August vis-à-vis ₹14,973 crore in the previous quarter, while the underlying asset class (represented by the Nifty50) gained 3.90% in the quarter.

'WILL REDUCE UK GDP' Brexit Makes Euro Collapse 5 Times More Likely: Dimon



Ben Moshinsky
London: The UK's vote to leave the European Union has made the chance of a eurozone collapse five times more likely, JP Morgan CEO Jamie Dimon said. Brexit made the "chances of the eurozone not surviving in the next decade five times higher," Dimon said, according to a report in the Financial Times. Dimon made the comments at a conference organised by the International Institute of Finance, which was attended by other Wall Street bank CEOs, including Morgan Stanley boss James Gorman. Dimon also said that Brexit would create uncertainty for the UK but not disaster. "It will reduce the GDP of the UK. That's not a disaster. It will create years of uncertainty. That's not a disaster," he said. Morgan Stanley CEO James Gorman said the bank was looking at whether it needs to move employees to different financial centres. Britain risks losing its financial passport rights to offer and sell services in the European Union without restrictions. Many US investment banks use their base in London to passport into the single market of 28 EU member states. "Do you have the infrastructure you need in any of these places?" Gorman said, according to the FT. "I think the big winner is going to be New York. I think that will be one of the big consequences." —Business Insider

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