



# Monthly Report - May 2017

## Monthly Overview

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**Pick Of The Month: Tata Elxsi Ltd.****BUY****Target Price: ₹ 2050**

Market Cap:	₹ 4708.3 Crores	Stock P/E:	30.41
Current Price:	₹ 1512.05	Book Value:	₹ 123.83
Target Price:	₹ 2050	Dividend yield:	1.10%
Upside potential:	35%+ (15-18 months)	52 Week High/Low:	₹ 2065.0 / ₹ 1021.25

**Tata Elxsi Ltd.**

The BSE IT index has underperformed BSE Sensex in the last 1/3/6 months owing to multiple headwinds faced by the sector including – 1) Slower growth on account of transition of digital technologies; 2) Risks of adverse visa rules in the US and 3) Cross-currency volatility. However, Tata Elxsi has outperformed the BSE IT index with gains of 2.5%/3.7%/19.7% in the last 1/3/6 months. In fact it has outperformed even BSE Sensex on 1/6 month basis. We believe that the outperformance has been driven by Tata Elxsi's differentiated business model with focus on Engineering and R&D space where the outsourcing had significant growth potential.

According to Zinnov, the ER&D services market catered by India was US\$20 bn in 2015 which a higher share from in-house R&D centers. However, it expects ER&D services by third-party service providers to grow at CAGR of 14% to US\$14.9bn in 2020.

Tata Elxsi a leading provider of design and technology services for product engineering and solutions across key verticals Automotive, Communication, Consumer Electronics, Healthcare, Aerospace, and Media verticals. The company benefits from the domain expertise of the Tata Group and has many of the group companies like Tata Motors as its key clients. Its solutions include - technology consulting, new product design, development, and testing services. It also has a good presence across new technologies viz. - IoT (Internet of Things), Big Data Analytics, Cloud, Mobility, Virtual Reality and Artificial Intelligence.

Tata Elxsi has a strong track record. In the last three years its revenue has grown at a CAGR of 17% to Rs12.3bn in FY17. It has demonstrated strong improvement in profitability with its EBITDA margin seeing a strong growth to 23.8% in FY17 from 14.6% in FY14. As a result, its EPS grew at a CAGR of 32% to Rs55.6 in FY17.

Tata Elxsi is expected to continue with its strong track record and delivery revenue CAGR of 18% and EPS CAGR of 26% over the next two years. This would mean that it would continue to outperform the sector. Due to this and strong RoE of 40% for FY18/19E and net-cash balance sheet, the stock would continue to trade at premium valuation (current PER of 21x FY18E and 17x FY19E). We have a positive outlook on the stock.

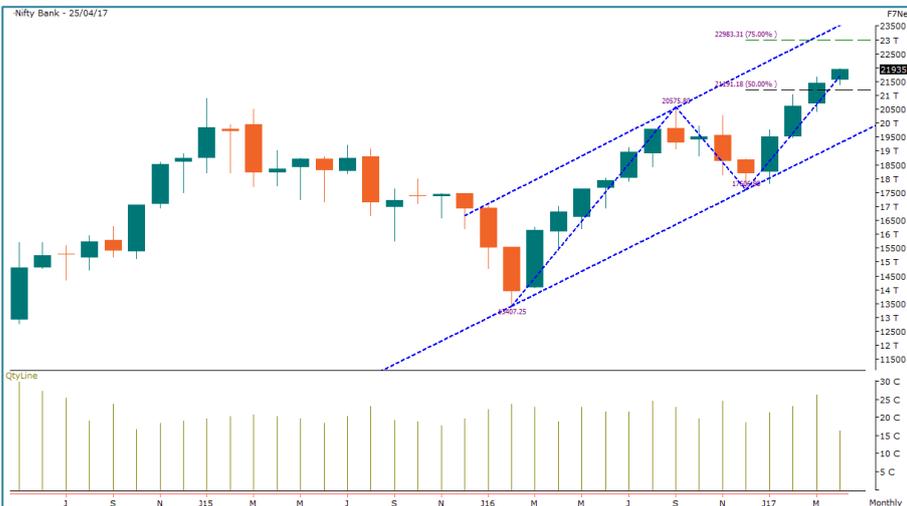
## Technical Overview: Tata Elxsi Ltd.



- As depicted on the Monthly chart, the stock rallied from the low of 152.8 to the high of 2382.98 and after that depicted weakness. However, from Fib retracement level of 61.8%, it reverted sharply.
- The stock created positive candle on the monthly chart and traded well above the resistance level of 1505 during the month of April.
- The RSI has turned from the oversold zone and showing bullish crossover on the monthly time frame chart.
- On the Daily time frame chart, the 50DEMA and 200DEMA are showing positive crossover.
- The stock is trading above all the important averages i.e. 50DMA (1500.9), 200DMA (1460.9) and 200Week SMA (1105.6).

Based on above mentioned technical & fundamental rational, we can build a long position in the stock with 15-18 months perspective and target can be placed at around 2050. We can accumulate the stock in the range of 1450-1550. We believe the stock is having high-performance prospects with long-term perspective so one can hold the stock for a longer time for better returns.

## Nifty Bank- Overview



<b>Montly Closing</b>	22358	
<b>Monthly High: 22383</b>	<b>Monthly Low : 21386</b>	
<b>Sector Bias:</b>	Neutral to Positive	
<b>Support Level:</b>	21380	20575
<b>Resistance Level:</b>	22980	23850

### Sector Outperformers

Federal Bank  
CANARA Bank

### Sector Underperformers

ICICI Bank  
State Bank of India

During April, Nifty Bank continued to outperform Nifty Index and recorded returns of around 2.5%. It started the month on the slightly positive note but depicted sideways consolidation for the better part of the month. It traded in the broader range of 21400-21800 but breached that range in the last week of the month. The swing sequence of higher-top higher-bottom remained intact. After making low of 21396 Bank Nifty resumed the uptrend so this low can be considered as the higher-low formation of uptrend sequence. Bank Nifty is showing rising channel movement on the daily chart. Bank Nifty rallied from 13407 to 20575 and after around 38% retracement it resumed the uptrend. During April Bank Nifty hit a fresh life high of 22383. Bank Nifty till holding the level of 21380 the bias will remain positive and any dip can be considered as buying opportunity. Investors can prefer accumulating quality stocks on dips.



## Nifty Outlook

Nifty started the new financial year with muted performance. Nifty posted returns of around 1.42% during April-17. It started the month on the bullish note with Gap-up opening and hit a fresh life high of 9273 in the first week of the month. After that, it depicted weakness till last week of the month. FII remained net seller in domestic equities with the outflows of around 6628Crores while DII remained net buyers with the inflows of around 9247Crores.

In the First Bi-monthly Monetary Policy review, the Reserve Bank of India (RBI) kept its repo rate at 6.25% for a third consecutive policy meeting considering the inflation risk and excess liquidity in the system. But it increased the reverse repo rate at which it pays to lenders by 0.25% to 6% and narrowed the policy rate corridor. The RBI allowed banks to invest in real estate investment trusts (REITs) as well as infrastructure investment trusts (INVIT's). This announcement gave a boost to Reality stocks as this move is positive for the sector as a whole and even banking stock rallied after the announcement, However, the rally was short-lived.

During the month of Nifty depicted weakness but recoup all the losses before closing the month. An uptrend sequence of higher peaks and troughs remained unbeaten. Nifty rallied from the low of 6825 (Mar-16) to the high of 8968 (Sep-16) and after around 50% Fib retracement it resumed the uptrend. As per the price extension pattern, the upside till 75% level i.e. 9500 is very much on cards in near-term. On the daily chart, Nifty is showing short-term expanding triangle kind of pattern. However, the momentum oscillator Relative Strength Index (RSI) is still a concern factor as Nifty is marking high-high but RSI is not supporting the movement. But Nifty till trading above the level of 9020-9000 any dip can be considered as buying opportunity with positional perspective. Nifty has confirmed major bull market by crossing the high of 9119 (Mar-15), therefore now Nifty could target 10500-12000 within this year, while the long-term target is even higher. The important levels base on moving averages are 50Day SMA-9068, 200Day SMA-8637, and 200Week SMA-7747.

The domestic equity is in major bull-run, however, the global geopolitical concerns and few line-up election outcomes from Eurozone are likely to remain influential factors. Prolonged fall in crude is also a factor of concern in the global economy but now it seems oil is stabilising. But the forecast of a normal monsoon this year is igniting encouraging sentiments on the domestic front. The Q4 earnings for Indian corporate sector depicting mixed tone, but the corporate earnings from the subsequent quarter are expected to be better a demonetization impact will subside. Investors can consider the accumulation of suggested stocks on dips with a long-term perspective.

### Nifty Outlook:

<b>Short-term</b>	Positive
<b>Medium-term</b>	Neutral to Positive
<b>Long-term</b>	Bullish

<b>Montly Closing</b>	9304	
<b>Monthly High: 9367</b>	<b>Monthly Low : 9075</b>	
<b>Monthly Bias:</b>	Choppy	
<b>Support Level:</b>	9020	8850
<b>Resistance Level:</b>	9500	9650

### Moving Average

Days	SMA
50 Days	9068
200 Days	8637
200 Weeks	7747

Date	Event	Period	Survey	Actual	Prior
1-May-17	Eight Infrastructure Industries	Mar	--	--	1.0%
2-May-17	Nikkei India PMI Mfg	Apr	--	--	52.5
2-May-17	India to Sell INR250 Bln 317-Day Bills				
4-May-17	Nikkei India PMI Services	Apr	--	--	51.5
4-May-17	Nikkei India PMI Composite	Apr	--	--	52.3
8-May-17	India to Sell INR250 Bln 312-Day Bills				
9-May-17	Local Car Sales	Apr	--	--	190065
10-May-17	Trade Balance	Apr	--	--	-\$10437.2m
10-May-17	Exports YoY	Apr	--	--	27.60%
10-May-17	Imports YoY	Apr	--	--	45.30%
12-May-17	CPI YoY	Apr	--	--	3.81%
12-May-17	Industrial Production YoY	Mar	--	--	-1.20%
13-May-17	SEA Total Edible Oil Imports	Apr	--	--	1093.4k
13-May-17	SEA Crude Palm Oil Imports	Apr	--	--	454.2k
13-May-17	SEA Palm Olein Imports	Apr	--	--	219.3k
13-May-17	SEA Edible Crude Palm Kernel Oil Imports	Apr	--	--	6.6k
13-May-17	SEA Sunflower Oil Imports	Apr	--	--	177.4k
13-May-17	SEA Soybean Oil Degummed Imports	Apr	--	--	229.9k
15-May-17	Wholesale Prices YoY	Apr	--	--	5.7%
25-May-17	Eight Infrastructure Industries	Apr	--	--	--
31-May-17	Fiscal Deficit INR Crore	Mar	--	--	41422
31-May-17	GVA YoY	1Q	--	--	6.60%
31-May-17	GDP YoY	1Q	--	--	7.00%
31-May-17	GDP Annual Estimate YoY	Jul-05	--	--	7.10%

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