Recommended Basket - Conservative

Anand Rathi Equity Research

18th February 2015

Suitability

❖Suitable for Investors looking for….

- ❖ Investment horizon over three years.
- ❖ Having low risk appetite.
- ❖ Lower volatility and price fluctuations on investments.
- ❖ Modest return with low risk within equity asset class.
- ❖ High liquidity of investments.

Investment Philosophy

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Business Model
1) Market Share 2) Leadership
3) Niche Business Model

Consistency
1) Sales / EBIDTA / PAT growth (3-5 years)
2) Stable or improving margins (3-5 years)

Visibility
1) Earnings outlook over next 3 years
2) Predictable business model

Corporate Governance
1) Management back ground
2) Accounting policies & Corporate policies

Stock Selection

Allocation

Sector opportunity
1) Sector potential to grow 2) Cyclical / Non Cyclical 3) Favoring Policies

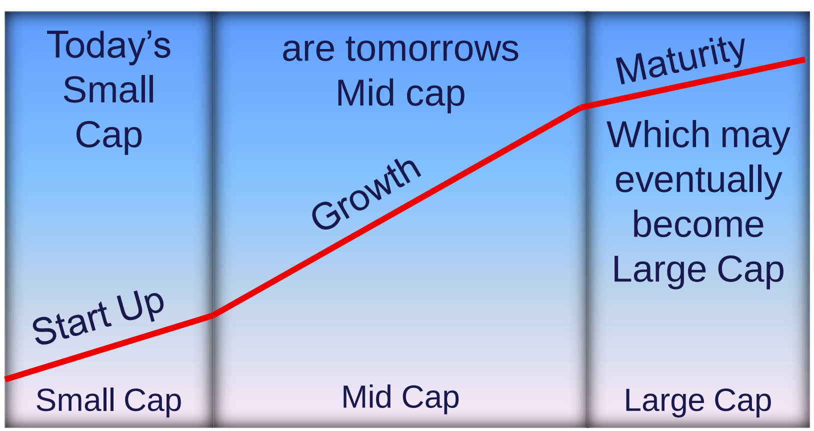
Diversification
1) Sectorally well diversified basket of 15 stocks
2) 80:20 Large cap and Midcap companies

Exposure
1) Single Stock exposure < 10%
2) Single Sector exposure < 30%

Active Monitoring
1) Tracking news /policies /Quarterly Performance
2) Rebalancing recommended list

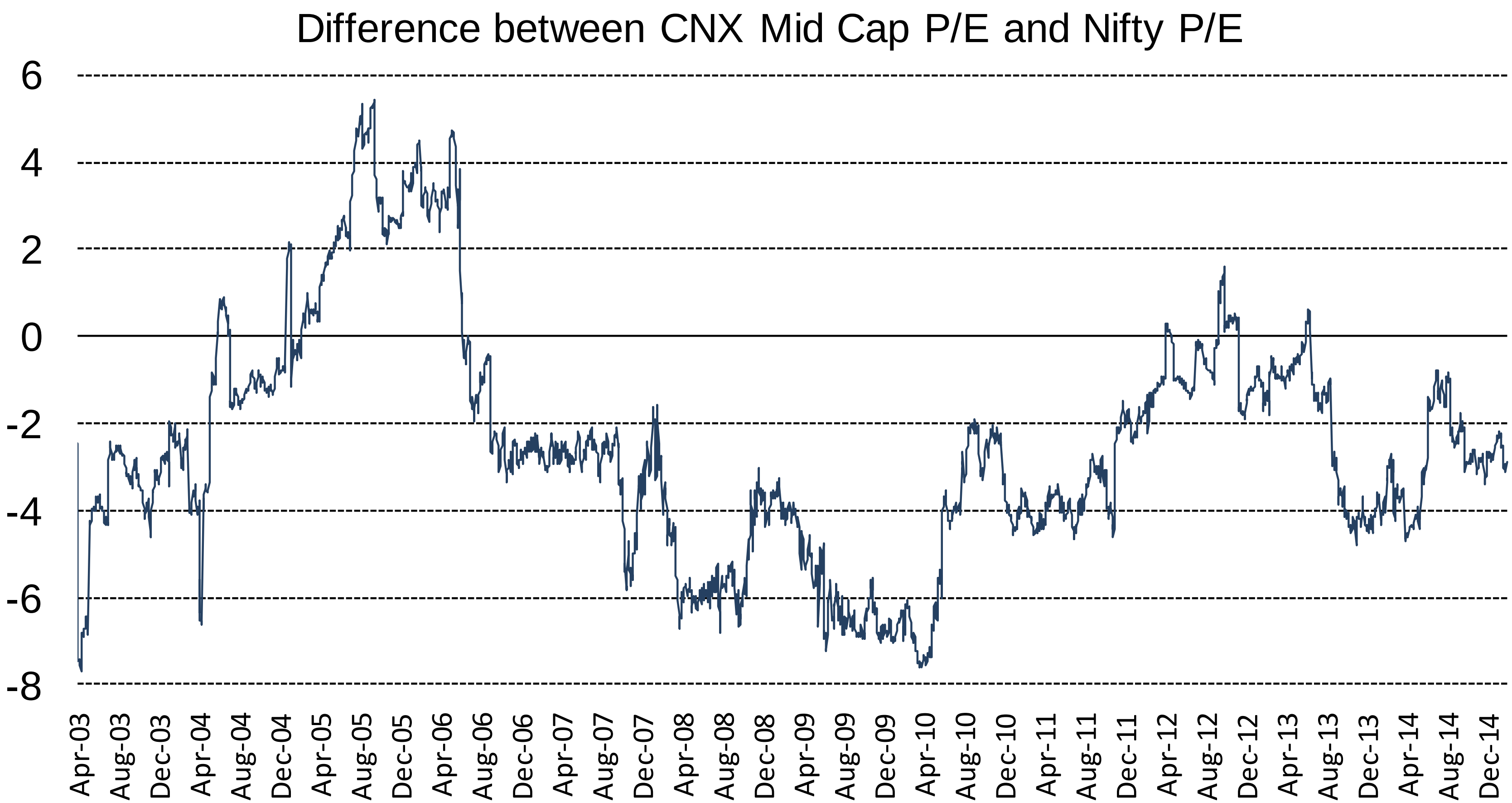
Why Mid Cap

	Bull Period			
	Apr-03	Dec-07	CAGR	Volatility
Sensex	2960	20287	51.0%	18.8%
BSE Mid Cap	952	9789	64.6%	24.6%
BSE Small Cap	893	13348	78.4%	43.8%
	Bear Period			
	Dec-07	Dec-11	CAGR	Volatility
Sensex	20287	15455	-6.6%	36.1%
BSE Mid Cap	9789	5135	-14.9%	53.2%
BSE Small Cap	13348	5550	-19.7%	62.0%
	Current Bull period			
	Dec-11	Jan-15	CAGR	Volatility
Sensex	15455	29183	22.9%	14.0%
BSE Mid Cap	5135	10739	27.0%	26.9%
BSE Small Cap	5550	11329	26.0%	38.4%



- The table shows outperformance of the Mid Cap and Small Cap Index over the Sensex Index during the Bull Period.
- Outperformance of the Mid Cap happens because of better earnings growth in the bull phase.
- The P/E for Mid cap and Small Caps also expands as earnings growth is superior v/s Sensex earnings growth.
- Going forward Mid Cap and Small Cap are expected to outperform the Large Cap, however one should keep in mind the risk associated with it as we see the higher volatility in it. Therefore we emphasis on stringent stock selection strategy to create alpha over the benchmark.

Why Mid Cap



The above graph represents the P/e difference between the CNXMCAP P/e & NIFTY P/e over the last 9 years. The MidCaps had a great rally when the diff. in P/e reached 6 from Minus 7.7. After Jan 08 crash, this difference has largely remained in the negative territory. **<u>We site this as an opportunity</u>**.

Recent research picks performance

Sr.No.	Company Name	Stock Return (%)	Nifty Return (%)	Days Held
1	ATUL LTD	74.8	11.0	86
2	HINDUSTAN MEDIA VENTURES	69.4	28.4	251
3	BAYER CROPSCIENCE	64.1	19.8	154
4	SUNDRAM FASTENER (1st Call)*	48.0	4.9	46
5	SUNDRAM FASTENER (2nd Call)*	39.3	7.0	58
6	IGARASHI MOTORS*	36.0	15.0	131
7	AKZO NOBEL INDIA	33.8	18.8	135
8	EROS INTERNATIONAL	32.8	4.4	81
9	KIRLOSKAR OIL ENGINE	28.5	13.5	73
10	AARTI INDS	28.2	5.4	23
11	GIC HOUSING	24.8	2.1	8
12	LUPIN	24.5	8.4	111
13	VA-TECH WABAG*	23.9	7.9	51
Note: * These stocks we still hold for long term investment				

Recommended Basket

Company	Sector	CMP	% Holding	Mkt Cap (cr)
RALLIS	AGRICHEM	236	6.5%	4589
EXIDEIND	AUTOMOBILES	180	6.5%	15300
M&M	AUTOMOBILES	1208	6.5%	75016
CUMMINSIND	CAPITAL GOODS	899	6.5%	24923
LT	CAPITAL GOODS	1650	6.5%	153373
PRAJIND	CAPITAL GOODS	64	6.5%	1140
ICICIBANK	FINANCIALS	338	7.0%	195945
LICHSGFIN	FINANCIALS	462	6.5%	23331
DABUR	FMCG	267	7.0%	46846
BPCL	OIL & GAS	726	7.0%	52510
DRREDDY	PHARMA	3351	6.5%	57086
SUNPHARMA	PHARMA	915	6.5%	189408
TCS	TECHNOLOGY	2585	7.0%	506380
BHARTIARTL	TELECOM	361	7.0%	144126
ARVIND	TEXTILES	307	6.5%	7932
Total			**100%**	

Market Cap	% Allocation
Large Cap	80.5%
Mid Cap	19.5%

Sector	% Allocation
AGRICHEM	6.5%
AUTOMOBILES	13.0%
CAPITAL GOODS	19.5%
FINANCIALS	13.5%
FMCG	7.0%
OIL & GAS	7.0%
PHARMA	13.0%
TECHNOLOGY	7.0%
TELECOM	7.0%
TEXTILES	6.5%
Total	100.0%

Rallis India Ltd CMP 236

- Rallis India (Rallis), a Tata Group company, is an established agrochemical player in India. The company, with market share of ~12% is well placed to capture emerging opportunities in the domestic agrochemical market on back of healthy distribution network, branded farm solutions and launch of new products.
- Acquisition of Metahelix has further equipped it to cash in on the spurt in the hybrid seed market riding the former's formidable R&D capabilities and strong product pipeline. Additionally, its Dahej SEZ facility is expected to spur export sales and reduce dependence on the domestic market.
- Poised well to exploit emerging opportunities in agrochemical market Increasing consumption, rising minimum support price, sharpened government focus and mounting cost of labour will propel domestic agrochemical market to post 10-12% CAGR in the near term.
- International business contributes approx. 33% of total revenue which is actually helping company to reduce dependence on domestic growth. Inventory in the system is not very high across the geographies which highlight good growth prospects going ahead. The products worth USD 7 bn are expected to go off-patent in next 7 years.

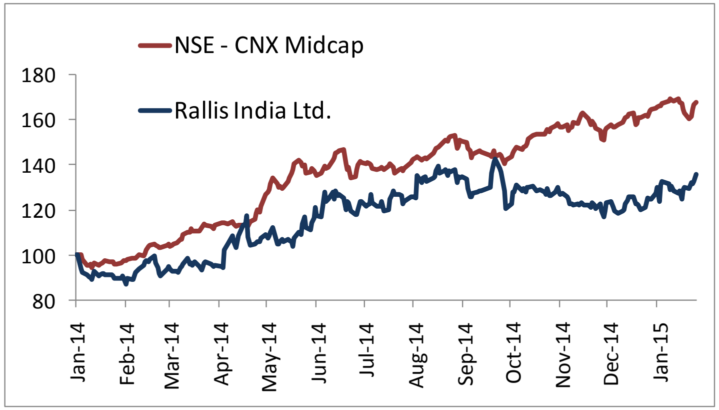
SECTOR	AGRICHEM	
NSE Symbol	**BSE Code**	**Bloomberg**
RALLIS	500355	RALI IN
CMP	**Market Cap (cr)**	**Equity (cr)**
236	4589	19
EPS (TTM)	**BV**	**FV**
8.0	42.5	1
P/E	**P/BV**	**Div Yield**
29.6	5.6	1.02
52 Week H	**52 Week L**	**Avg Vol ('000)**
254.8	150.6	121.2

Share Holding Pattern	
Promoter	50.09
FII	15.19
DII	6.51
Others	28.21

Rallis India Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	1275	1458	1747	1901	2214
EBIDTA	202	210	263	283	350
EBIDTA Margin	15.9%	14.4%	15.1%	14.9%	15.8%
PAT	101	119	153	169	216
PAT Margin	7.9%	8.1%	8.7%	8.9%	9.8%
EPS	5.1	6.1	7.8	8.5	10.7

Source: Anand Rathi Research, Bloomberg, Ace equity



Exide Industries Ltd CMP 180

- ❖ EXIDE Industries (EIL) is the largest lead acid battery manufacturer in India with market leadership in auto OEM and replacement segment.
- ❖ The industry offers good proxy play on auto industry which is expected to grow at healthy rate. Growth in industrial battery revenues is driven by growth in economic activity, power shortages and weather conditions (temperature).
- ❖ Improvement signs are visible in 4W replacement segment driven by sharp improvement in sales and service processes.
- ❖ Margins are likely to improve with increased capacity utilization.
- ❖ Management is guiding towards capex of INR3.5bn in FY15. This includes R&D spend of INR2bn to bring new innovative products which should lead to improved product quality and lower costs.
- ❖ EIL's stake in the insurance business has been a drag on its return ratios. With the government's recent move to increase foreign investment limit in the insurance sector from 26% to 49% along with Indian management control, any stake sale will help the stock to get re-rated.

SECTOR	AUTOMOBILES

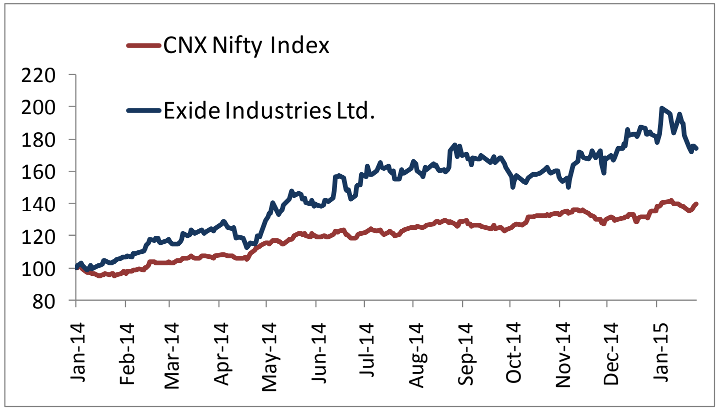
NSE Symbol	BSE Code	Bloomberg
EXIDEIND	500086	EXID IN
CMP	**Market Cap (cr)**	**Equity (cr)**
180	15300	85
EPS (TTM)	**BV**	**FV**
6.4	46.6	1
P/E	**P/BV**	**Div Yield**
28.3	3.9	1.00
52 Week H	**52 Week L**	**Avg Vol ('000)**
205.2	105.85	1104.4

Share Holding Pattern	
Promoter	45.99
FII	16.9
DII	17.28
Others	19.83

Exide Industries Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	5316	6366	8309	9357	10338
EBIDTA	748	846	864	1055	1221
EBIDTA Margin	14.1%	13.3%	10.4%	11.3%	11.8%
PAT	465	540	546	627	755
PAT Margin	8.7%	8.5%	6.6%	6.7%	7.3%
EPS	5.2	6.5	6.4	7.9	9.5

Source: Anand Rathi Research, Bloomberg, Ace equity



Mahindra & Mahindra Ltd. CMP 1208

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- M&M is the market leader in UV and tractors, with market share of over 40% in both segments. It also has presence into CVs, 3 & 2-wheelers segments. Also, Ssangyong, it subsidiary in South Korea is focused on SUV segment in global markets. Apart from core business, it has subsidiaries/ associates in various businesses like IT, NBFC, Auto ancillaries, hospitality, infrastructure etc.
- M&M enjoys structural advantages like a) significantly higher exposure to rural and semi-urban markets (c.70% of domestic volumes), b) relatively lower competitive intensity in core UV and tractor business, c) immensely successful launches in UV segment like Scorpio and XUV500, d) recent successes like Quanto and Ssangyong Rexton, e) strong financing arm that specialises in rural lending, f) increased demand for farm mechanisation due to scarce labour.
- We believe Ssangyong is a strategic fit for M&M's automotive division. It will help M&M absorb newer technology and extend its product range in India by introducing premium Ssangyong SUVs with access to foreign market through its distribution network.
- Entry into the fast growing small truck market with Maxximo and the passenger segment with the passenger variant of Maxximo.

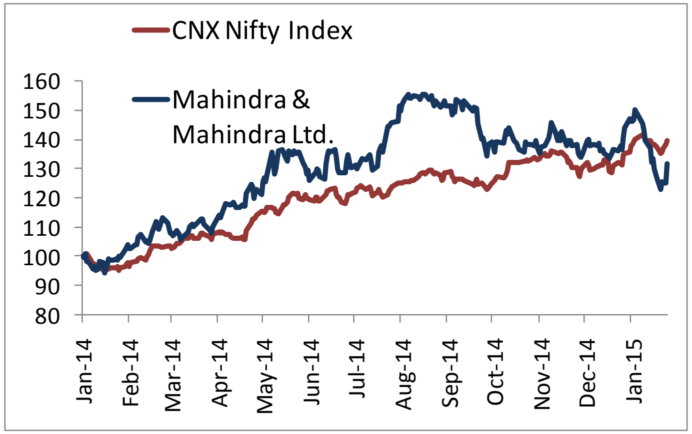
SECTOR	AUTOMOBILES	
NSE Symbol	BSE Code	Bloomberg
M&M	500520	MM IN
CMP	Market Cap (cr)	Equity (cr)
1208	75016	311
EPS (TTM)	BV	FV
59.0	315.0	5
P/E	P/BV	Div Yield
20.5	3.8	1.16
52 Week H	52 Week L	Avg Vol ('000)
1433.7	897.3	139.0

Share Holding Pattern	
Promoter	25.74
FII	37.4
DII	18.86
Others	18

Mahindra & Mahindra Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	59399	68693	74001	75761	87442
EBIDTA	7351	9114	10120	9926	11840
EBIDTA Margin	12.4%	13.3%	13.7%	13.1%	13.5%
PAT	2776	3646	4323	4443	5590
PAT Margin	4.7%	5.3%	5.8%	5.9%	6.4%
EPS	53.1	69.4	79.1	74.4	89.4

Source: Anand Rathi Research, Bloomberg, Ace equity



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Cummins India Ltd. CMP 899

- Cummins India retains its leadership in the medium and large DG sets in India despite weak traction in the power generation segment.
- During FY 14 Three manufacturing plants were commissioned at Phaltan including for LHP/HHP and Midrange segments; supports new product launches.
- It has successfully explored new markets for HHP / Heavy Duty exports in LatAm; LHP product range extended to more product applications / ranges.
- It is looking at doubling its sales in the next five years, largely driven by strong export growth (~20% CAGR) and stable domestic market growth (CAGR of 8-10%). The company continues to reiterate that it is not impacted by change in power shortage scenario as 95% of sales are for back-up power requirement and demand is more linked to GDP growth, industrial activity and investment in infrastructure.
- Cummins continues to command premium given (1) technology and distribution intensive business model (2) strong cash generation and (3) quality of business and its managers.4) Relatively strong balance sheet and return ratios (+30%) – amongst the best in the capital goods universe.

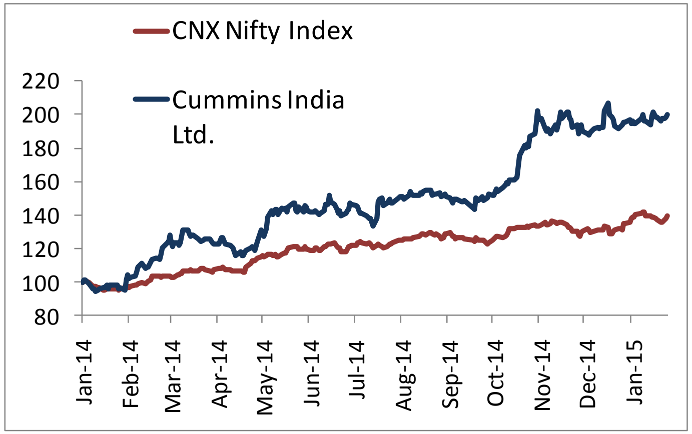
Cummins India Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	4117	4589	3977	4413	5192
EBIDTA	697	835	697	755	927
EBIDTA Margin	16.9%	18.2%	17.5%	17.1%	17.9%
PAT	591	764	600	709	821
PAT Margin	14.4%	16.6%	15.1%	16.1%	15.8%
EPS	21.3	27.6	21.6	25.6	29.9

Source: Anand Rathi Research, Bloomberg, Ace equity

SECTOR	CAPITAL GOODS	
NSE Symbol	BSE Code	Bloomberg
CUMMINSIND	500480	KKC IN
CMP	Market Cap (cr)	Equity (cr)
899	24923	55
EPS (TTM)	BV	FV
26.6	108.1	2
P/E	P/BV	Div Yield
33.8	8.3	1.45
52 Week H	52 Week L	Avg Vol ('000)
960.65	430.25	49.5

Share Holding Pattern	
Promoter	51
FII	18.21
DII	18.05
Others	12.74



Larsen & Toubro Ltd. CMP 1650

- ❖ Larsen and Toubro (LT) is India's largest E&C Company. Larsen has made significant investments in defence, shipbuilding and power, over the last 4-5 years. Larsen has also expanded into new geographies like Saudi Arabia and Qatar. Most of these businesses are highly capital intensive, which shall fetch revenues in the coming years.
- ❖ Larsen expanded business overseas with overseas intake at Rs.35700 Crs. up 2.4 times, yoy in FY14. Overseas business contributes 26% of consol. Order book in FY14
- ❖ LT is well placed to capitalize on long-term infrastructure demand. Order book stands at INR 2.25 trn, as Dec 14. For FY15 management has guided for 15% increase in order inflows & 15% YoY increase in consolidated revenues.
- ❖ Larsen has created huge assets in power, roads and ports. In view of resource optimisation, LTIDPL has raised funds while Dhamra port has sold equity stake. This will reduce cash allocation to subsidiaries and improve the ROE.
- ❖ LT intends to list its IT & other subsidiaries by July 2016, as a part of value unlocking initiative.

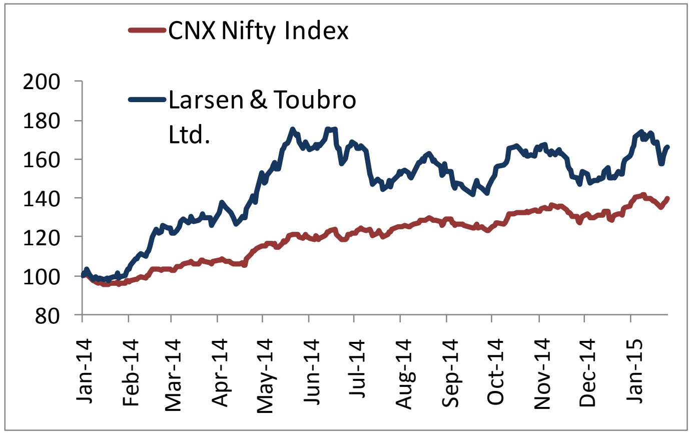
SECTOR	CAPITAL GOODS	
NSE Symbol	**BSE Code**	**Bloomberg**
LT	500510	LT IN
CMP	**Market Cap (cr)**	**Equity (cr)**
1650	153373	186
EPS (TTM)	**BV**	**FV**
59.5	435.2	2
P/E	**P/BV**	**Div Yield**
27.7	3.8	0.86
52 Week H	**52 Week L**	**Avg Vol ('000)**
1776.6	988.5	498.4

Share Holding Pattern	
Promoter	0
FII	18.07
DII	36.12
Others	45.81

Larsen & Toubro Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	64313	74498	85128	94024	110363
EBIDTA	8884	9929	10755	11651	14253
EBIDTA Margin	13.8%	13.3%	12.6%	12.4%	12.9%
PAT	4691	5252	4875	4398	5792
PAT Margin	7.3%	7.1%	5.7%	4.7%	5.2%
EPS	51.1	56.4	52.9	47.0	62.9

Source: Anand Rathi Research, Bloomberg, Ace equity



Praj Industries Ltd. CMP 64

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- Praj received two international orders in the brewery business in FY14. Praj has presence in almost 60 countries with 600 references in this business. This allows Praj to enhance modernisation revenues for the alcohol/ethanol plants, world-wide.
- Praj is expecting major contribution to come from emerging business [waste water, Hipurity systems and critical process equipment]. This could form 50% of revenues in next two-three years.
- Praj is a debt free company and has almost doubled its gross block in the last four years. With revenues being almost stagnant, the earnings took a hit. With revenues now diversified, the revenues are expected to grow at a faster pace, thereby improving the ROE
- The order book is quite healthy for the company. The order intake domestic market consist of 34% while exports 66%. Segment wise contribution of order is, emerging business – 41%, ethanol – 45% and brewery – 5%.
- Under Ganga action plan 750 polluting industries identified Praj working with clients to design ZLD systems. Role includes upstream cleaning. Per plant wise potential in water treatment of mid size plant is 25-45cr.

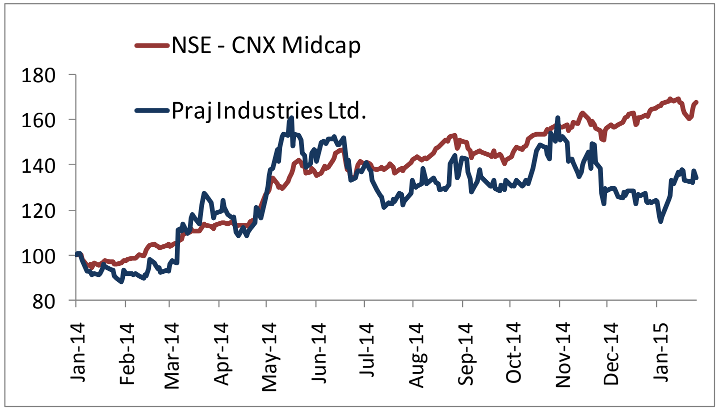
SECTOR	CAPITAL GOODS	
NSE Symbol	BSE Code	Bloomberg
PRAJIND	522205	PRJ IN
CMP	Market Cap (cr)	Equity (cr)
64	1140	35
EPS (TTM)	BV	FV
3.4	34.9	2
P/E	P/BV	Div Yield
18.9	1.8	3.46
52 Week H	52 Week L	Avg Vol ('000)
78.95	42	482.7

Share Holding Pattern	
Promoter	33.47
FII	6.31
DII	16.66
Others	43.56

Praj Industries Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	957	949	932	1020	1184
EBIDTA	92	85	78	80	110
EBIDTA Margin	9.6%	8.9%	8.4%	7.8%	9.3%
PAT	70	72	57	54	71
PAT Margin	7.3%	7.5%	6.1%	5.3%	6.0%
EPS	3.8	3.8	3.1	3.1	4.0

Source: Anand Rathi Research, Bloomberg, Ace equity



Dabur India Ltd. CMP 267

- Dabur's vast product portfolio provides a good play on Indian Consumer Goods spend by virtue of its strong presence in less penetrated and high growth categories. Contribution: Consumer care 53.4% , Food 11.2% and International Business 32.4%
- Dabur's positioning on the 'health and wellness' platform, backed by its ANH (ayurvedic/natural/herbal) image is very progressive. Its ability to create new categories and sub-categories, makes it well-placed to capture lifestyle changes-led growth in the Consumer Goods space. Dabur also demonstrated its ability to make and integrate smart acquisitions (Balsara) that complement its product portfolio and thereby drive inorganic growth.
- Dabur recruited 350 additional resources in 150 towns and increased chemist coverage from 32,000 to 55,000 currently. It has set a target of reaching 75,000 stores (of the total universe of 250,000).
- Improvement in margins of foods and international businesses are expected to result in improvement in margins for the consolidated operations. The company is in a sweet spot with volume growth ahead of most peers due to its huge innovation funnel, higher ad spends and aggressive distribution drive.

SECTOR	FMCG

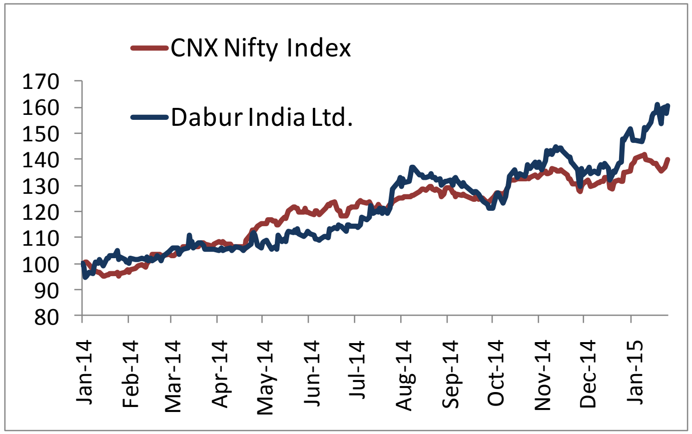
NSE Symbol	BSE Code	Bloomberg
DABUR	500096	DABUR IN
CMP	Market Cap (cr)	Equity (cr)
267	46846	176
EPS (TTM)	BV	FV
5.8	18.5	1
P/E	P/BV	Div Yield
46.1	14.4	0.66
52 Week H	52 Week L	Avg Vol ('000)
276.9	168.7	212.3

Share Holding Pattern	
Promoter	68.16
FII	20.87
DII	4.82
Others	6.15

Dabur India Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	5305	6169	7094	7956	9115
EBIDTA	860	988	1156	1340	1638
EBIDTA Margin	16.2%	16.0%	16.3%	16.8%	18.0%
PAT	644	766	916	1063	1303
PAT Margin	12.1%	12.4%	12.9%	13.4%	14.3%
EPS	3.7	4.4	5.2	6.1	7.5

Source: Anand Rathi Research, Bloomberg, Ace equity



ICICI Bank CMP 338

- Retail transformation over past few years: Over the past six years ICICI Bank has improved its retail footprint, in line with other large Private Banks.
- We estimate a stable 3.3% NIM over FY15-16, aided by a larger share of domestic loans and a stable, 43%, CASA share.
- We expect the focus on transactional services within corporate banking and on better leverage of its retail customer base to drive fee-income growth. Hence, we expect fees-to earning- assets to improve over FY15-16.
- We expect credit costs to decline over FY15-16, with NPA coverage of ~70% to persist. With tier-1 capital of 12.2%, the bank is well capitalised for robust business growth as well as cushioned against any asset quality shocks ahead.
- The Banks substantial branch expansion over the past 4 to 5 years and strong capital position has positioned it to grow better than the average industry growth, as and when business environment turns conducive.

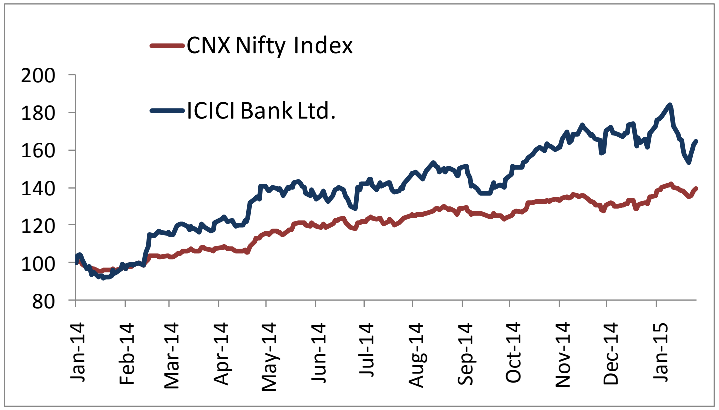
SECTOR	FINANCIALS	
NSE Symbol	BSE Code	Bloomberg
ICICIBANK	532174	ICICIBC IN
CMP	Market Cap (cr)	Equity (cr)
338	195945	1159
EPS (TTM)	BV	FV
18.8	141.2	2
P/E	P/BV	Div Yield
18.0	2.4	1.36
52 Week H	52 Week L	Avg Vol ('000)
393.4	197.8	657.7

Share Holding Pattern	
Promoter	0
FII	41.72
DII	21.55
Others	36.73

ICICI Bank Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
NET INT Income	10734	13866	16476	19559	23527
TOTAL Income	18237	22212	26903	30858	36339
Operating EXP	7850	9013	10309	11572	13264
PAT	6465	8326	9811	11628	14046
NIM %	2.6	2.9	3.1	3.2	3.3
EPS	11.2	14.4	16.9	20.0	24.0
BV	105	115	126	140	175

Source: Anand Rathi Research, Bloomberg, Ace equity



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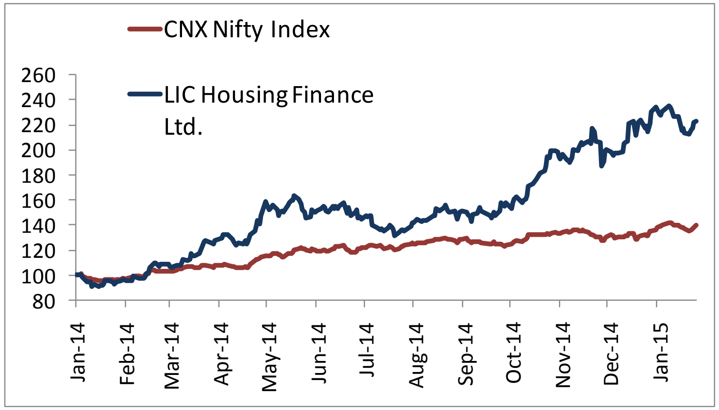
LIC Housing Finance Ltd. CMP 462

- LIC Housing Finance (LICHF) is a proxy player of India Housing Sector Growth with a consistent performer on all fronts and operates on a distribution network business model.
- Apart from wide marketing network comprising Direct Selling Agents (DSAs), Home Loan Agents (HLAs) and Customer Relationship Associates (CRAs), a wholly owned subsidiary LICHF Financial Services (LICHFLFS) also distributes the company's product.
- Despite high interest rates and property prices, volume growth in the individual loan segment remains fairly strong. Pick up in the project loan segment is a key from NIMs and growth perspective
- LICHF continues to deliver well in terms of growth, margin improvement and health of corporate loan portfolio continues to remain key monitorables.
- Going forward, the key to margin improvement is (a) Full impact already reprised portfolio in FY14 (b) higher incremental spreads (c) Replacement of high cost bank borrowing with lower cost NCDs and (d) increase in the share of LAP and corporate loan portfolio.

SECTOR	FINANCIALS	
NSE Symbol	BSE Code	Bloomberg
LICHSGFIN	500253	LICHF IN
CMP	Market Cap (cr)	Equity (cr)
462	23331	101
EPS (TTM)	BV	FV
27.3	153.4	2
P/E	P/BV	Div Yield
16.9	3.0	0.97
52 Week H	52 Week L	Avg Vol ('000)
504.9	197.15	860.6

Share Holding Pattern	
Promoter	40.31
FII	40.87
DII	5.9
Others	12.92



LIC Housing Finance Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
NET INT Income	1641	1535	1899	2311.1	2899.4
TOTAL Income	1654	1651	2007	2435.4	3042.3
Operating EXP	237	282	313	377	468
PAT	920	1023	1317	1412	1689
NIM %	2.5%	2.2%	2.3%	2.30%	2.30%
EPS	18.1	20.3	26.1	28.0	33.5
BV	113	130	150	174	201

Source: Anand Rathi Research, Bloomberg, Ace equity

Bharat Petroleum Corporation Ltd. CMP 726

- ❖ BPCL is the best among other Oil Marketing company in terms of operating performance, margins and profitability.
- ❖ With the recent monthly diesel price hike and with international crude prices falling OMC now stands in positive territory with current diesel prices.
- ❖ Post diesel deregulation, we do not see the entry of private players to pose a major threat to OMCs. Under recovery is expected to be lower on weak crude oil price outlook.
- ❖ Incrementally, lower under-recoveries, timely dispensation of cash by government, lower interest outgo and progress in E&P are key catalysts for BPCL.
- ❖ Bina refinery is likely to report cash profit in FY15E while performance of Numaligarh refinery has been largely stable. Kochi expansion is progressing smoothly with a total capex of `160bn with commissioning by May 2016.

SECTOR	OIL & GAS

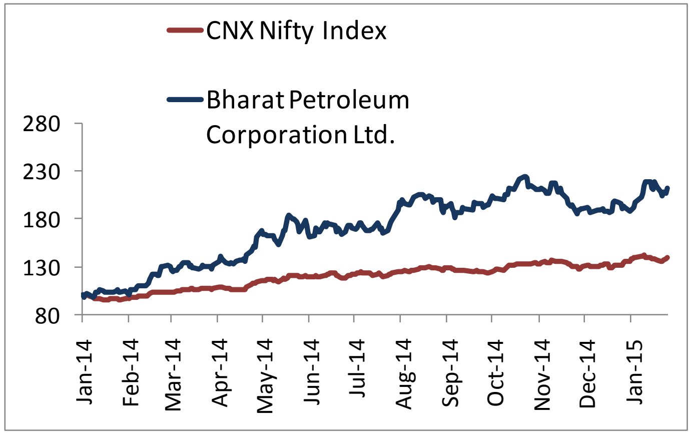
NSE Symbol	BSE Code	Bloomberg
BPCL	500547	BPCL IN
CMP	**Market Cap (cr)**	**Equity (cr)**
726	52510	723
EPS (TTM)	**BV**	**FV**
87.1	297.5	10
P/E	**P/BV**	**Div Yield**
8.3	2.4	2.34
52 Week H	**52 Week L**	**Avg Vol ('000)**
785	342.2	231.8

Share Holding Pattern	
Promoter	54.93
FII	15.2
DII	13.96
Others	15.91

Bharat Petroleum Corporation Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	212140	242181	264407	250280	232774
EBIDTA	4813	6508	9359	7763	9033
EBIDTA Margin	2.3%	2.7%	3.5%	3.1%	3.9%
PAT	851	1936	4053	3299	4120
PAT Margin	0.4%	0.8%	1.5%	1.3%	1.8%
EPS	10.8	26.0	54.1	45.7	57.9

Source: Anand Rathi Research, Bloomberg, Ace equity



Dr. Reddys Laboratories Ltd.   CMP   3351

ANANDRATHI

- Dr. Reddy's is a vertically integrated company, with presence across the pharmaceutical value chain through its core businesses of Global Generics, Pharmaceutical Services and Active Ingredients (PSAI) and Proprietary Products, which focuses on developing NCE's and biosimilars.
- Dr. Reddy's stands out with its world class R&D skills in developing technically complex/niche products which attract limited competition and is well set to capture the less-explored world of higher complexity generic products in the US.
- It is also among the leading players globally with a strong pipeline in the high potential biosimilars space which will be a long term growth driver.
- US business would be the key growth driver, considering the company's strong product pipeline with restricted competition opportunities. The company has 220 approved and 68 ANDAs pending approval from the US FDA, including 42 Para IVs (and eight FTFs).
- Management expects India sales growth momentum to continue and further improvement in market share in Russia. The PSAI business to pickup over the next few quarters with scope for margin improvement.

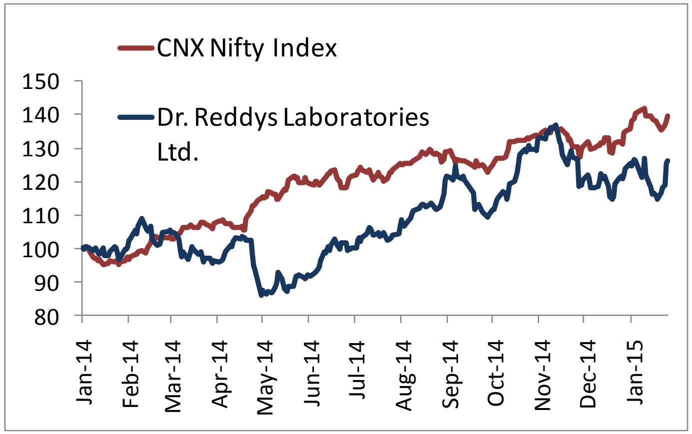
SECTOR	PHARMA	
NSE Symbol	BSE Code	Bloomberg
DRREDDY	500124	DRRD IN
CMP	Market Cap (cr)	Equity (cr)
3351	57086	85
EPS (TTM)	BV	FV
128.0	614.5	5
P/E	P/BV	Div Yield
26.2	5.5	0.54
52 Week H	52 Week L	Avg Vol ('000)
3666.25	2246.5	50.5

Share Holding Pattern	
Promoter	25.49
FII	38.53
DII	5.66
Others	30.32

Dr. Reddys Laboratories Ltd.   Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	9815	11896	13415	14806	16677
EBIDTA	2440	2720	3251	3445	3921
EBIDTA Margin	24.9%	22.9%	24.2%	23.3%	23.5%
PAT	1301	1527	1963	2287	2612
PAT Margin	13.3%	12.8%	14.6%	15.4%	15.7%
EPS	76.7	89.9	115.3	134.4	154.3

Source: Anand Rathi Research, Bloomberg, Ace equity



Sun Pharmaceutical CMP 915

- ❖ Sun Pharma is among the largest players in the domestic formulations market and the most profitable one.
- ❖ Sun Pharma, along with its subsidiaries, has 10 USFDA approved formulation facilities. Of these, five are in the US, two in India and one each in Canada, Israel and Hungary. It is one of the largest USFDA approved manufacturing infrastructure among Indian companies.
- ❖ Company's patents, together with those of Taro, have reached 573 filings and 346 were granted patents as of March 31, 2014.
- ❖ Post Ranbaxy-deal closure, the merged entity targets to generate synergy benefits of USD250m by the third year - driven by a combination of revenue, procurement, supply chain and other cost synergies.
- ❖ It has 358 approved and 130 ANDAs pending for approval with the USFDA. This pipeline is expected to be one of the key drivers of future growth.
- ❖ Earnings visibility remains strong on back of 1) Enhancing its pipeline of complex/specialty products for the US 2) Successfully turning around Ranbaxy's operations. 3) Focusing on building a differentiated product basket, foraying into products that yield stable and consistent cash flows.

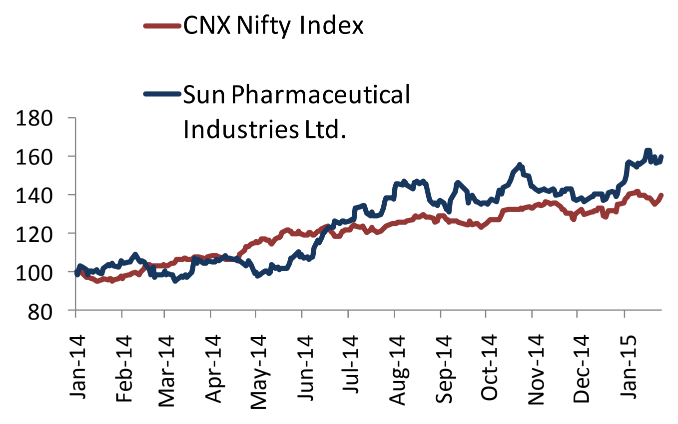
Sun Pharmaceutical Industries Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	8019	11300	16080	18427	23302
EBIDTA	3183	4862	6961	8309	9959
EBIDTA Margin	39.7%	43.0%	43.3%	45.1%	42.7%
PAT	3043	3476	3881	6286	7550
PAT Margin	37.9%	30.8%	24.1%	34.1%	32.4%
EPS	12.8	14.4	15.2	30.3	35.9

Source: Anand Rathi Research, Bloomberg, Ace equity

SECTOR	PHARMA	
NSE Symbol	**BSE Code**	**Bloomberg**
SUNPHARMA	524715	SUNP IN
CMP	**Market Cap (cr)**	**Equity (cr)**
915	189408	207
EPS (TTM)	**BV**	**FV**
28.8	113.7	1
P/E	**P/BV**	**Div Yield**
31.7	8.0	0.16
52 Week H	**52 Week L**	**Avg Vol ('000)**
965.95	552.55	375.0

Share Holding Pattern	
Promoter	63.65
FII	21.67
DII	4.88
Others	9.8



Tata Consultancy Services CMP 2585

- TCS is the largest Indian IT services company with employee base of 300,464 at Mar'14. North America contributes the highest 53% to revenues, followed by 18% from UK, 11% from continental Europe, 7% from India and 11% from rest of world. In terms of verticals, BFSI leads with 43% revenue share, followed by 14% from Retail & distribution, 10% from telecommunications, 9% from manufacturing, 5% from Hi-Tech, 6% from Life sciences and healthcare and rest (13%) from other verticals.
- Company's entry into Japan's IT services market could be an opportunity for TCS, taking FY14-FY16E revenue CAGR to 20% from 18%. Japan can open up similar to how Europe did in the past 3 years,
- Over the last four years TCS continues to lead the industry growth with its forte in efficient execution of large deals. It has a balanced services portfolio which has helped it grow even in weak IT spending environments. TCS would continue to remain key beneficiary of increased global sourcing of IT services given its strong client relations, stable management and its dominance in emerging services like IT infrastructure management services, business process management and digital that is likely to drive superior growth vs. peers.

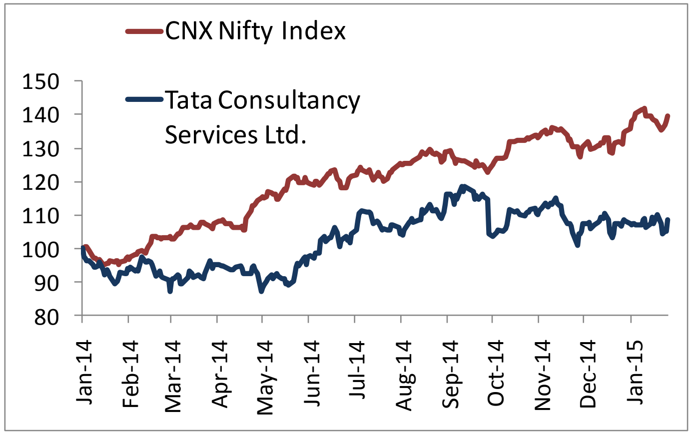
SECTOR	TECHNOLOGY	
NSE Symbol	**BSE Code**	**Bloomberg**
TCS	532540	TCS IN
CMP	**Market Cap (cr)**	**Equity (cr)**
2585	506380	196
EPS (TTM)	**BV**	**FV**
109.8	274.9	1
P/E	**P/BV**	**Div Yield**
23.6	9.4	1.24
52 Week H	**52 Week L**	**Avg Vol ('000)**
2839.7	1999.5	243.5

Share Holding Pattern	
Promoter	73.9
FII	15.96
DII	5.58
Others	4.56

Tata Consultancy Services Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	48894	62989	81809	95488	110668
EBIDTA	13982	18040	25147	27618	32077
EBIDTA Margin	28.6%	28.6%	30.7%	28.9%	29.0%
PAT	10523	14076	19332	21413	24740
PAT Margin	21.5%	22.3%	23.6%	22.4%	22.4%
EPS	53.1	71.0	97.7	109.3	125.8

Source: Anand Rathi Research, Bloomberg, Ace equity



Bharti Airtel Ltd. CMP 361

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- Bharti has maintained its wireless leadership in India with a wireless subscriber share of ~21% and adjusted revenue share of ~31%. It has highest investment in data spectrum among Indian telecom operators.
- Bharti continues to show the robust recovery in Indian Mobile. Ebidta margin improving to 35%, Revenue Per Minute (RPM) has now increased to 38 paisa in FY14 after bottoming out at 35 paisa in FY13.
- DTH had a strong year with 27% growth in revenues and sharp jump in profitability. Profitability fell sharply in the Telemedia business even as performance improved substantially in the last couple of quarters. Enterprise business had a year of strong revenue and EBITDA growth, while also generating healthy simple FCF (EBITDA less capex).
- Africa business revenues grew a modest 1.7% yoy in FY2014 to US$4.5 bn; However, volume growth was 19% and RPM dipped 19% while non-voice revenues grew 30% on the back of strong data revenue growth. We expect margins to improve as most cost related to infrastructure and network is now behind the company and revenue momentum improving.
- 6) S&P recently upgraded Bharti Airtel credit rating to BBB- from BB+. will lead to Interest cost reduction and benefit earnings

SECTOR	TELECOM

NSE Symbol	BSE Code	Bloomberg
BHARTIARTL	532454	BHARTI IN

CMP	Market Cap (cr)	Equity (cr)
361	144126	1999

EPS (TTM)	BV	FV
12.2	157.3	5

P/E	P/BV	Div Yield
29.5	2.3	0.50

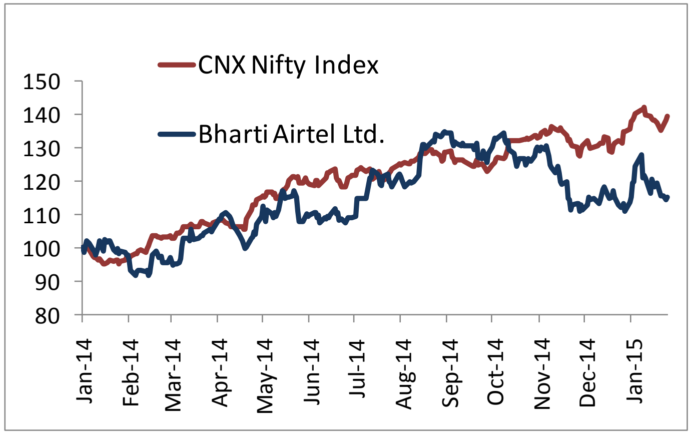
52 Week H	52 Week L	Avg Vol ('000)
420	281.9	447.8

Share Holding Pattern	
Promoter	65.37
FII	17.23
DII	7.72
Others	9.68

Bharti Airtel Ltd. Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	71506	76947	85864	93449	102628
EBIDTA	23712	23258	27777	31515	34984
EBIDTA Margin	33.2%	30.2%	32.4%	33.7%	34.1%
PAT	4266	1916	2498	5581	6765
PAT Margin	6.0%	2.5%	2.9%	6.0%	6.6%
EPS	11.2	6.0	7.6	14.1	17.1

Source: Anand Rathi Research, Bloomberg, Ace equity



Arvind Ltd. CMP 307

ANANDRATHI

- ❖ Arvind offers a good mix of export and domestic consumption growth. Its textiles business will benefit from a recovery in the developed markets and improving competitiveness, while its brands and expanding retail network will benefit from secular growth in India's organized apparel market.
- ❖ The prospects for Arvind's traditional business of denim and woven textiles (63% of FY14 revenue) are improving as its largest markets of US and EU recover, and India's competitiveness rises. Arvind's focus on value-added fabrics will give it better pricing power and margins.
- ❖ Brands and retail on secular growth Arvind's leading position in menswear and its track record of growing licensed brands like Arrow and Tommy Hilfiger etc. will enable it to exploit opportunities in the branded apparel space.
- ❖ Real estate business de-merger - creates scope for better capital allocation and signifies the management's focus on core business
- ❖ The management's focus on cash flows and ROCE and expecting ROCe over 20% in next 4-5 years. We forecast ROCE will reach 23% by FY 18 because of change in revenue mix and high contribution from brand and retail segment.

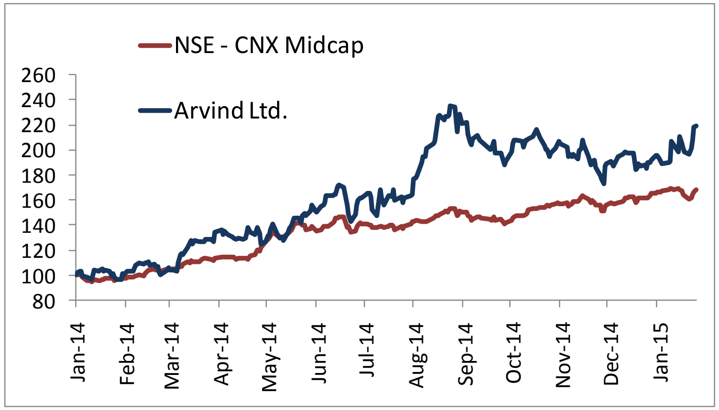
Arvind Ltd. — Figures INR crore

	FY 12	FY 13	FY 14	FY 15 E	FY 16 E
Net Sales	4925	5388	6948	7906	9211
EBIDTA	594	687	934	1043	1257
EBIDTA Margin	12.1%	12.8%	13.4%	13.2%	13.6%
PAT	436	248	353	390	488
PAT Margin	8.9%	4.6%	5.1%	4.9%	5.3%
EPS	17.1	9.6	13.7	15.1	19.4

Source: Anand Rathi Research, Bloomberg, Ace equity

SECTOR	TEXTILES	
NSE Symbol	**BSE Code**	**Bloomberg**
ARVIND	500101	ARVND IN
CMP	**Market Cap (cr)**	**Equity (cr)**
307	7932	258
EPS (TTM)	**BV**	**FV**
15.0	93.7	10
P/E	**P/BV**	**Div Yield**
20.5	3.3	0.77
52 Week H	**52 Week L**	**Avg Vol ('000)**
341.5	135.05	814.9

Share Holding Pattern	
Promoter	43.46
FII	21.08
DII	14.81
Others	20.65



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