

Mid-Cap Marvels

RCM Research

Edelweiss – Ideas create, values protect

July 2015



I	Our Core Investment Philosophy (1 of 2)
II	Our Core Investment Philosophy (2 of 2)
III	Our preferred stocks with philosophy
IV	Mid Cap Marvels Stocks



Opportunity size

- * How big the sector can grow (3x, 4x, 5x)

Corporate Governance

- * Management back ground
- * Accounting policies
- * Corporate policies
- * Business with Related Parties

Investment Philosophy

Moat around the business

- * Differentiated business Model
- * Sustainable competitive advantage
- * High barriers to entry

Strong Management Credentials

- * Professional management
- * 2nd level of management
- * One person dependency
- * Track record of past decisions
- * Comments v/s deliverable



Strong earning visibility

- * Predictability for next 5-6 years
- * Ease in understanding business
- * Impact of technology, obsolescence of technology

Financials

- * Revenue growth
- * ROE/ROCE
- * Cash flow
- * Du-pont Analysis
- * Financial comparison with the competition

Investment Philosophy

Leadership Position

- * Market Share
- * Bargaining power
- * Consistent leadership

What we don't play

- * Subsidy driven
- * Non self sustaining



	Consistency	Sustainable	Pedigree	Profitable
Key Investment Philosophy	5 year revenue growth >10-15%	Earning Visibility (Sustainable growth in revenues)	Corporate Governance	Profitable Growth
DCB Bank Ltd	✓	✓	✓	✓
Cholamandalam Finance	✓	✓	✓	✓
Pokarna Ltd.	✓	✓	✓	✓
Natco Pharma	✓	✓	✓	✓
Ratnamani Metals	✓	✓	✓	✓
Suprajit Engineering	✓	✓	✓	✓
Indo Count Industries Ltd	✓	✓	✓	✓



DCB Bank	Consistency	DCB Bank loan book has grown by 25% CAGR over last 5 years.
	Sustainable	DCB is a play on the high growth Indian SME and mortgage industry, which is driven by growing urbanization, rising income levels, low penetration of housing finance and mortgages
	Profitable	The company has consistently maintained NIMs of 3.1% over last 5 years.
	Pedigree	DCB has a high-quality, broad-based senior management team, which is almost comparable to leading Indian banks.
Cholamandalam	Consistency	The company's net interest income has grown 33% CAGR over last 5 years, with stable margins.
	Sustainable	Cholamandalam is leading financier in vehicle segment with 9.8% and 11.8% share in CV and LCV financing business. The company is adding new lines of business like tractor and SME financing
	Profitable	The company has not only shown consistency in profitability. With the revival in Commercial vehicle segment and interest rate peaking out, the profitability is sustainable.
	Pedigree	The company is promoted by Murugappa group, a leading business house in India



Indo Count Industries Ltd

Consistency

Indo Count Industries Ltd. (ICIL) is a leading manufacturer and exporter of Home Textiles. It is Third largest exporter of bed linen from India, 14th largest Home Textiles supplier to the USA and fourth-largest Bed Sheet exporter to the USA

Sustainable

ICIL exports bed linen on a made-to-order basis, resulting in effective management of the company's inventory. Currently, ICIL products make up 20% of the top global retailers' bed linen requirement, making the company a key supplier for top global retailers.

Profitable

The change in product mix towards high value items supported by a product mix shift towards Home Textiles and a declining contribution of the Consumer Durables segment to Nil by FY17E will lead to improvement in margins.

Pedigree

India's cost competitiveness in textiles vis-à-vis other Asian countries, high gestation period to get entry into global retailers, expectation of sustainably soft cotton prices and move towards high value added products like fashion will help ICIL to maintain current margins going forward.

Pokarna Ltd

Consistency

Established in 1991, company exports granites and quartz to over 69 countries and is one of the largest granite exporters from India with 15 captive mines for granite catering to wide variety of colour palettes for granite and Quartz (75 and 64 respectively).

Sustainable

Total global countertop market is valued at USD 74bn with Quartz at USD6bn. USA and Canada account for 24% of the global countertop market. Quartz's share in the US and Canadian counter top market is estimated at mere 6% and 12%, respectively, portending humungous scope for growth.

Profitable

Quartz is expected to be the key growth driver going ahead for Pokarna as Quartz segment accounts for 27% of Pokarna's top line reporting higher EBITDA margins at 34% which has been consistently improving over the years. With granite segment expected to gain market share in global counter top markets Granite business is expected to grow at a steady pace going ahead.

Pedigree

Pokarna is one of the largest manufacturer of granite and engineered quartz stone slabs in India. Pokarna's exclusive technology contract with Breton Stone for India gives it an edge over other quartz slab producers in India as well as over quartz manufactured using Chinese technology.



Natco Pharma

Consistency

The company has grown at 21% CAGR consistently over last 7 years.

Sustainable

With dominant position and market share in generic oncology space in the domestic market, and a strong pipeline of niche products in the US, the company is building strong base for future growth

Profitable

The company along with growth has been able to improve the quality of business and has been consistently improving its margins over the last 7 years from 10% to 22%.

Pedigree

Mr. V C Nannapaneni with strong focus on oncology and developing difficult to manufacture products, the company has been able to create a niche for itself in the pharma space.

Ratnamani Metals & Tubes

Consistency

The company has grown at 27% CAGR in sales and 43% CAGR in PAT in the past 10 years

Sustainable

The company has maintained market leadership in domestic industrial project pipes business with 35-40% market share in high end stainless steel project pipes and tubes.

Profitable

The company has consistently maintained its EBITDA margins of 15-20% and average ROCE of 25% Plus.

Pedigree

Promoted by Prakash Sanghvi in 1983, the company is focused on niche project pipes business and has been continuously expanding its product range in the project pipes business



Consistency

Suprajit earnings have grown by 20% CAGR over last 10 years increasing marketshare in key segments.

Sustainable

Cost Economics of Suprajit are superior vs industry. Company has ability to deliver on QCDD requirement of OEMs.

Profitable

Suprajit ROCE has averaged at 40% in last 5 years with incremental ROCE to be at the same levels.

Pedigree

Suprajit is run by its promoter and founder Mr Ajit Kumar Rai. Mr Rai thought process in terms of getting into ne product, acquisition etc is very clear. Maintaining lean cost structure while delivering on quality is DNA of the company.



S. No.	Stock Name	CMP (INR)	Mkt Cap (INR Crs.)	P/E		EV/EBITDA		ROE (%)	
				FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
1.	Cholamandalam Finance	632	8,997	16.7	13.8	NM	NM	17.2	18.0
2.	DCB Bank Ltd.	130	3,686	18.5	13.4	NM	NM	11.8	14.3
3.	Indo Count Industries Ltd	725	2,857	12.9	10.3	7.3	5.9	38.6	34.4
4.	Natco Pharma	2280	7,589	43.5	38.4	24.6	22.1	19.2	16.3
5.	Pokarna Ltd.	1099	682	16.0	13.1	8.5	7.6	57.9	43.1
6.	Ratnamani Metals & Tubes	543	2,567	12.3	10.0	6.9	5.7	20.8	21.5
7.	Suprajit Engineering Ltd	121	1,465	23.2	17.4	13.5	10.6	24.0	26.0

Note: Market CAP (Mkt CAP) and Current Market Price (CMP) were last recorded on 30th June, 2015



Business Overview

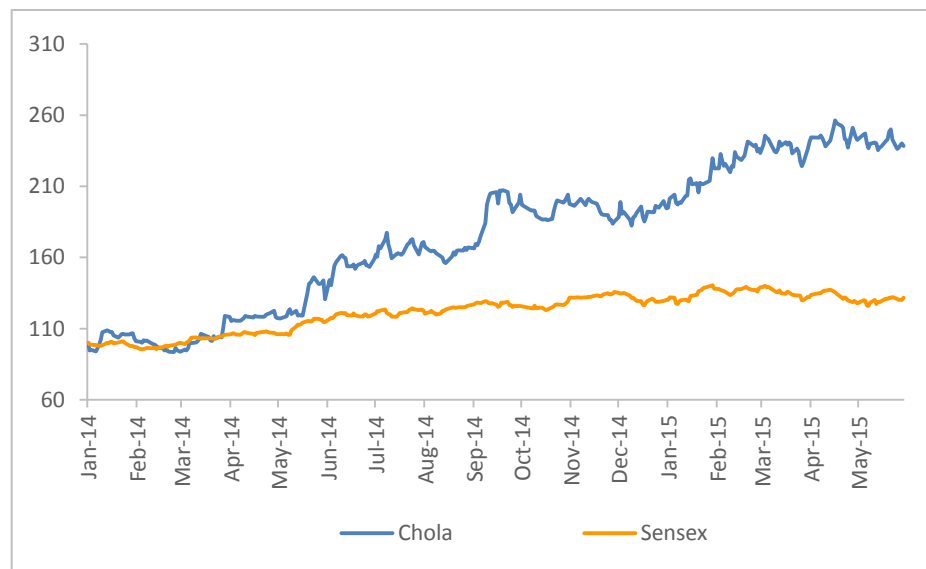
- * Retail finance company, promoted by Murugappa group, with focus on vehicle finance and loan against property
- * Vehicle finance constitute 69% of AUM and home equity constitute 29% of AUM
- * Within vehicle finance, the focus is on small road transport operators
- * Within home equity, 89% of loan is against self occupied residential property.
- * Company has 534 branches (90% in Tier II, Tier III and Tier IV towns)

Opportunity Size: -

- * CV sales growth over last 2 years was worst in 10 years. There will be growth due to uptick in pent up demand
- * Company is adding new lines of business like tractor financing, rural financing, SME financing, both working capital and term loan

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net Interest Income (INR cr)	1,107	1,459	1,654	1,991	2,432
Net Profit after tax (INR cr)	307	364	433	587	712
Adjusted BV per share	137	160	221	235	274
Dilute EPS (Rs.)	21.4	25.4	30.2	37.8	45.8
Gross NPA ratio (%)	1.0	1.9	2.7	2.5	2.1
Net NPA ratio (%)	0.2	0.7	1.4	1.3	0.9
Price/Adj. Book Value(x)	4.6	3.9	2.9	2.7	2.3
Price/Earnings (x)	29.6	24.9	20.9	16.7	13.8

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	58.76
Norwest Venture Partners X Fii – Mauritius	4.93
Creador I Llc	4.61
Amansa Holdings Private Limited	4.28
International Finance Corporation	4.12





Investment Hypothesis

- * Leading financier in vehicle segment. Adding new lines of business like tractor, rural and SME financing, both working capital and term loan
- * Constant improvement in efficiency. The operating cost as % of assets has come down from 5.1% in FY09 to 3.5% in FY15
- * Currently at the bottom of NPA cycle. Asset quality is expected to improve constantly

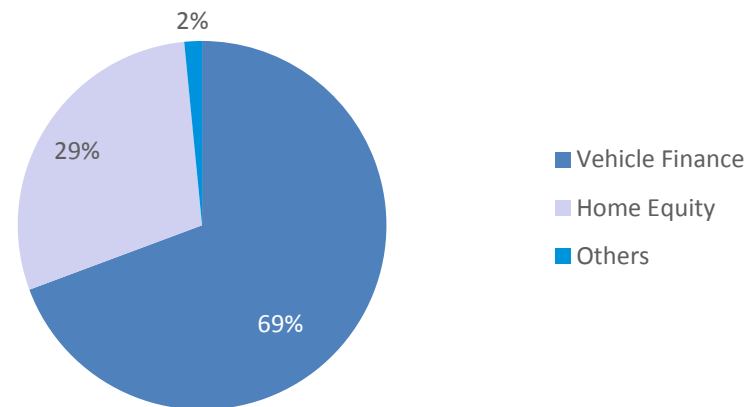
Risks

- * Commercial vehicle segment is highly correlated to GDP growth and IIP. Slow down in GDP growth and IIP will have impact on growth
- * Vehicle segment constitute 69% of loan book. Negative news like mining ban etc. will have impact on the asset quality

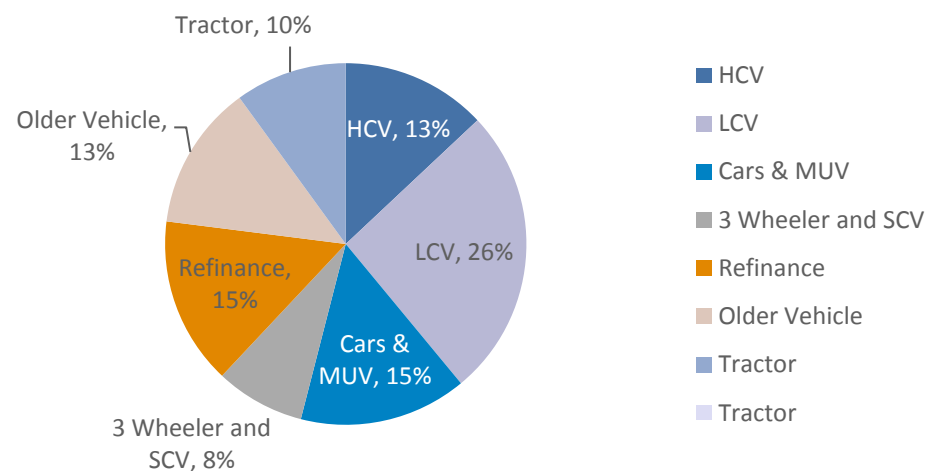
Peer Comparison

	Price to earnings		Price to book value		Return on average equity	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Shriram Transport	14.0	11.9	2.1	1.9	13.7	14.4
Cholamandalam	16.8	14.0	2.5	2.1	15.7	16.4

Loan Book Break-up



Vehicle Finance Loan Book Break-up





Business Overview

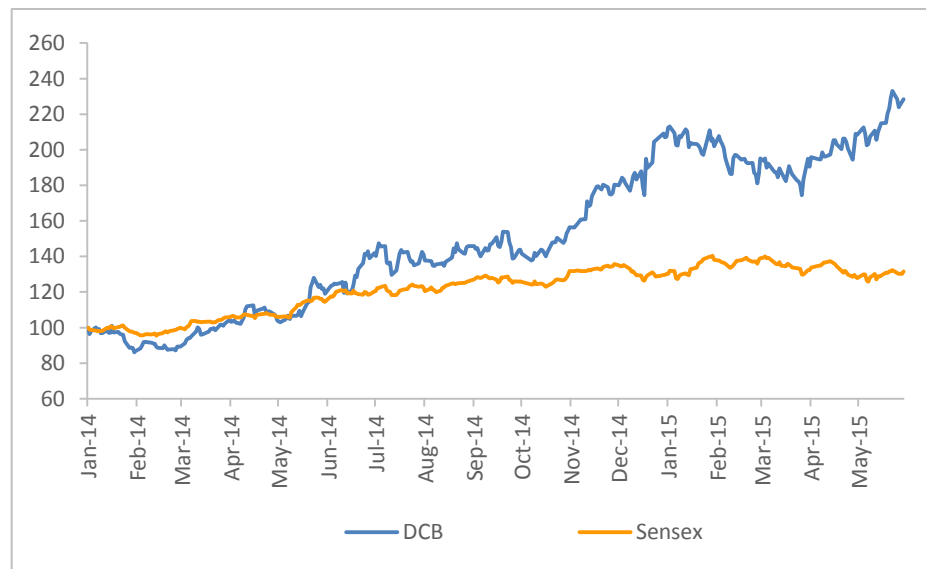
- * Promoted by one of the prominent group Aga Khan Fund for Economic Development (AKFED) .
- * DCB is a modern emerging new generation private sector bank with 154 branches across 14 states and 2 union territories .
- * It is professionally managed and governed bank with loan book focused on Retail, micro-SMEs, SMEs, mid-Corporate and Agriculture sectors.

Opportunity Size: -

- * As of FY15 , DCB has only 0.15% market share in the Indian banking space.
- * Industry Credit growth is likely to sustain at 2X-3X real GDP growth rate: CAGR of ~21% (Historically, non-food gross bank credit has grown at ~2.5X real GDP growth rate .

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net int. income	284	368	508	595	726
Net profit after tax	105	151	191	197	272
Adjusted BV per share (INR)	38.1	43.2	54.0	61.0	69.7
Diluted EPS (INR)	4.2	6.0	6.8	7.0	9.7
Gross NPA ratio (%)	3.3	1.7	1.8	1.4	1.1
Net NPA ratio (%)	0.7	0.9	1.0	0.8	0.8
Price/Adj. book value (x)	3.4	3.0	2.4	2.1	1.9
Price/Earnings (x)	31.0	21.5	19.2	18.5	13.4
ROAE (%)	11.9	14.7	14.3	11.8	14.3
ROA (%)	1.0	1.2	1.3	1.1	1.2

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	16.38
CX Securities Ltd	3.84
Dilip S Shanghvi	3.46
HSBC Bank (Mauritius) Ltd	1.08
Hypnos Fund Ltd	1.53





Investment Hypothesis

- * New management undertaking broad based transformation with higher focus on profitability, asset quality and balance sheet health .
- * Focus on retail mortgages, SME, agri loans and lesser advances to stressed corporates to lead to strong stable advances growth.
- * Strengthen risk management practices (no large ticket accounts and green field funding and higher collateral lending).
- * Expansion strategy in tier II - tier IV cities where they are already present (cluster approach) to lead to lower operating costs and higher return ratios
- * Strong retail deposit base and focus on higher CASA to give access to stable low cost funding.

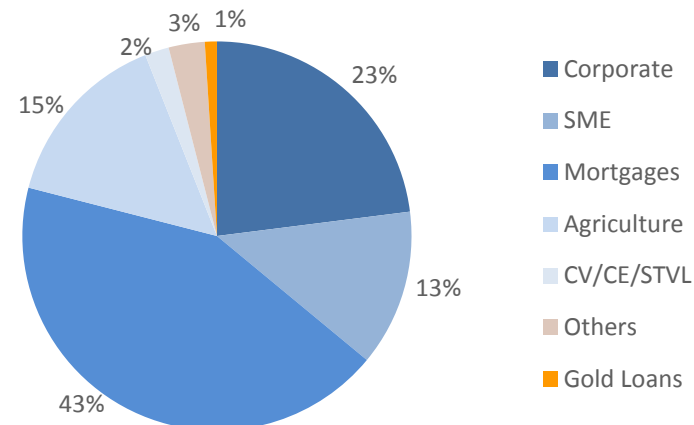
Risks

- * Execution risk
- * Higher than expected delinquencies
- * Slowdown in Economy

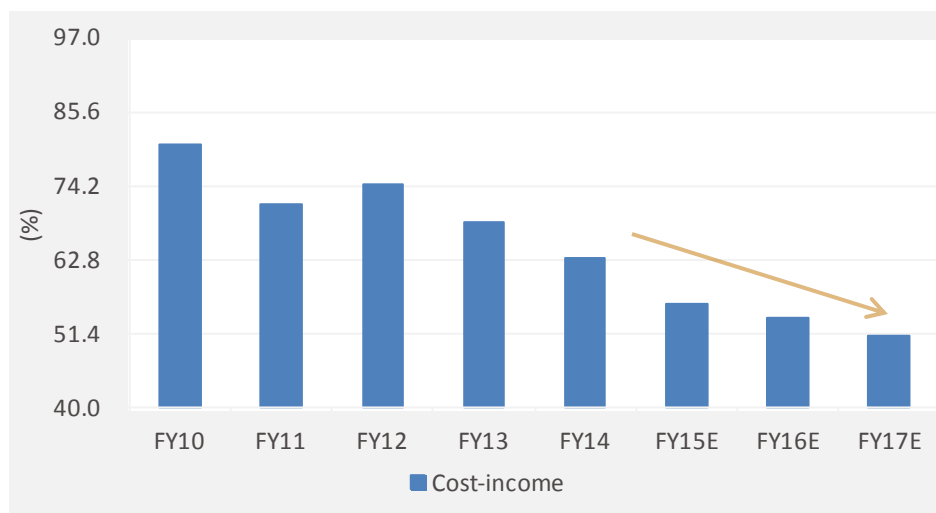
Peer Comparison

Company Name	CMP	Diluted P/E (x)		P/BV(x)		ROA (%)	
		FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
DCB Bank	133	18	13	2.1	1.8	1.2	1.3
Yes Bank	880	14	11	2.7	2.2	1.8	1.8
Indusind Bank	883	20	16	3.7	3.1	2.0	2.0
Kotak Bank	1392	31	26	4.5	3.9	2.8	2.9

Breakup of Advances FY15



Reducing Costs





Business Overview

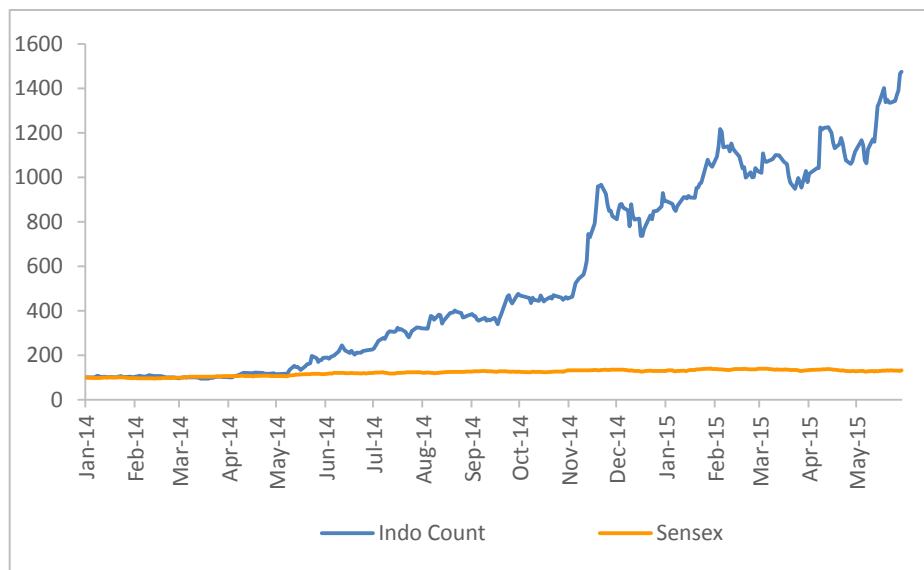
- * Third largest exporter of Home Textiles (bed linen); 20% market share
- * Exports constitute 85% of revenue (70% to US)
- * Marquee global clients - Walmart,, House of Fraser, JC Penney, BBB (top 2 supplier)

Opportunity Size: -

- * Global Home Textile Market is currently valued at USD 86bn (2015) and is expected to grow to USD 96bn by 2017.
- * India's Home Textiles exports stood at USD 1.4bn in 2013 and is expected to grow to USD6.8bn by 2020 i.e. FY13-20 CAGR of 12%
- * India is 46.5% of the US Cotton Bed Sheets/Pillow imports (Imports USD 1.56bn)
- * Bed Sheet segment alone is estimated to be USD 4.5bn in the USA market
- * Newer segments such as Fashion Bedding, Utility Bedding and Institutional bedding together account for USD 9.5bn.
- * These three segments are currently dominated by China (85-90% of total USA imports in these three segments). Any shift in the market share from China to India would offer huge growth potential for Indian Home Textile players

Year to March	FY13	FY14	FY15	FY16E	FY17E
Revenue(crs)	1,208	1,489	1,782	2,050	2,426
Rev. growth (%)	50.0	23.2	19.6	15.1	18.3
EBITDA (crs)	96	180	314	363	435
Net profit (crs)	30	110	146	203	255
Shares outstanding (crs)	3.8	3.8	4.1	4.1	4.1
Diluted EPS (INR)	7.8	29.1	35.7	49.6	62.4
EPS growth (%)	1,377.5	274.0	22.8	38.9	25.9
Diluted P/E (x)	82.4	22.0	17.9	12.9	10.3
EV/ EBITDA (x)	29.6	15.7	9.3	7.3	5.9
ROCE (%)	14.1	24.0	37.7	40.6	38.3
ROE (%)	15.7	44.7	40.2	38.6	34.4

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	58.76
Amruit Promoters & Finance Pvt Ltd	1.51
Uniworth Finance & Securities Pvt Ltd	1.47
Aegis Finstate Pvt Ltd	1.46
Consolidated Finvest & Holdings Ltd	1.43





Investment Hypothesis

- * Competitive advantage over competitors due to cotton surplus status, favorable cost dynamics, skilled labour advantage and supportive government policies & subsidies.
- * Shift in Home Textiles market from China to India due to wage inflation and Yuan appreciation in China.
- * Shift in Product mix towards high margin Home Textiles business (20% margins) from low margin Spinning business (5-7% margins).
- * Foray into newer geographies and also newer segments with a total market size of USD 9bn such as Fashion, Utility and Institutional Bedding
- * Fashion and Utility segments would utilize the same retail distribution channel as Sheets allowing for distribution synergies.
- * China dominates 85-90% of these three segments. Any minor shift in market share to boost Indo Count's revenues.
- * Asset light business model leading to Superior return ratios.

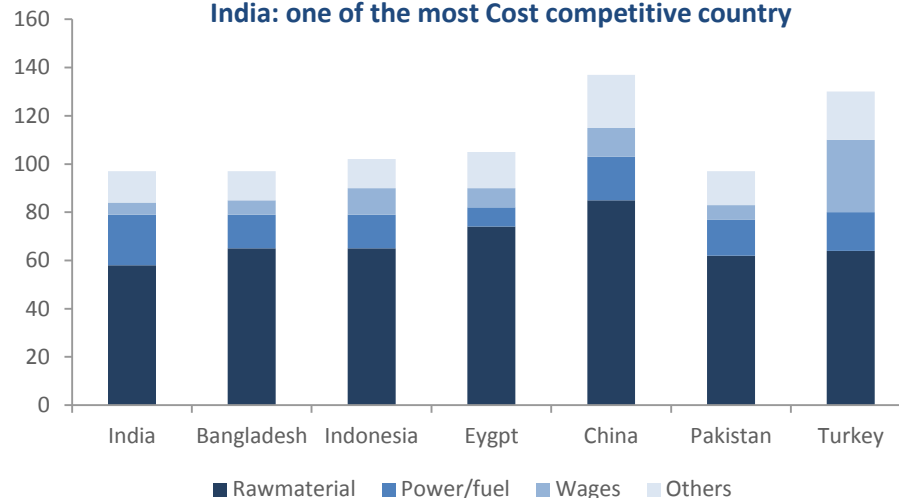
Risks

- * Raw material volatility
- * Losing Suppliers

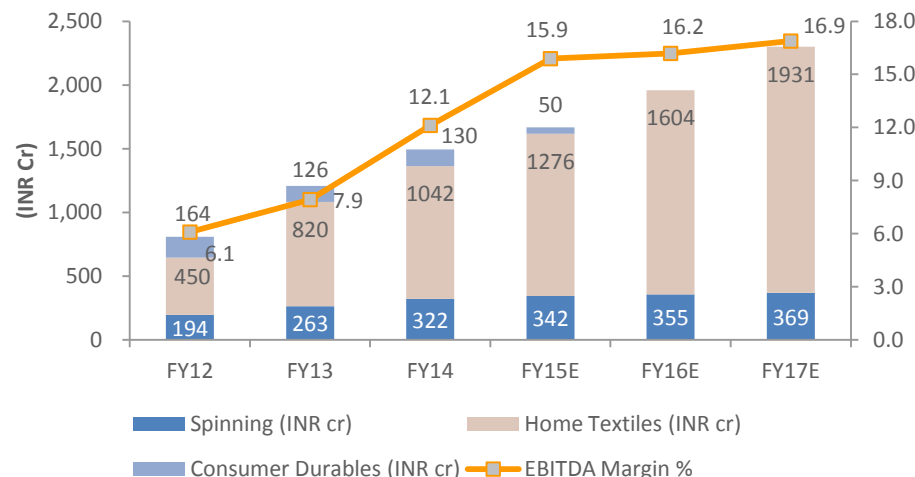
Peer Comparison

	EPS			PE			ROCE (%)		
	FY15	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
Indo Count Inds.	35.7	49.6	62.4	16.86	12.1	9.6	37.7	40.6	38.3
Welspun India	53.8	59.9	66.8	10.6	9.5	8.6	24.6	25.7	23.8

India: one of the most Cost competitive country



Segmental Revenue: Change in Product Mix to drive Margin growth





Business Overview

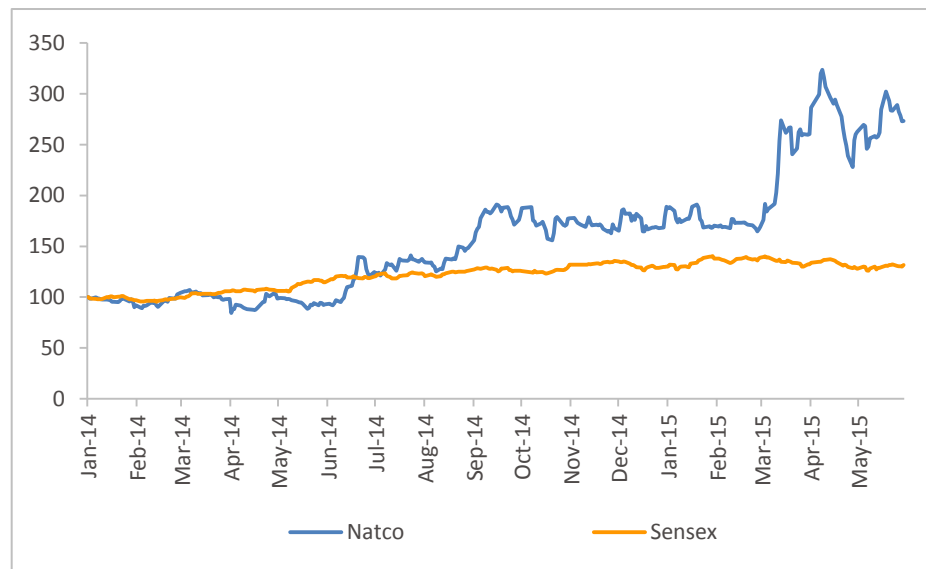
- * Focused R&D play in Oncology, CNS and other niche therapies
- * Identifies difficult to replicate molecules.
- * Has track record of winning complex patent challenges
 - Nexavar (CL)/ Copaxone/Sovaldi/Tamiflu
- * De-risks itself from litigation expenses
- * 30% market share in Indian generic Oncology market.

Opportunity Size: -

- * Current opportunity of USD 15 bn of the drugs known filed ANDA's in the US Market
- * Post generization the opportunity size is around ~ USD 5 bn (assuming 70% price erosion))
- * If we assume 20% market share for Natco, revenue accrual could be ~USD 1 bn.

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	661	739	825	1,023	1,127
Rev growth (%)	27.01%	11.86%	11.69%	23.90%	10.18%
EBITDA margin	150	179	213	293	324
Adjusted PAT	84	103	119	179	202
Adj. EPS (INR)	25.1	30.9	35.7	53.8	60.8
EPS growth (%)	38.5%	23.0%	15.4%	50.8%	13.1%
P/E (x)	93.0	75.6	65.5	43.5	38.4
P/B (x)	13	9.6	8.3	7.2	6.2
RoACE (%)	17.5%	17.9%	17.0%	21.5%	21.4%
RoAE (%)	14.1%	16.1%	17.0%	19.2%	18.3%

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	53.74
CX Securities Ltd	3.84
Dilip S Shanghvi	3.46
HSBC Bank (Mauritius) Ltd	1.08
Hypnos Fund Ltd	1.53





Investment Hypothesis

- * Strong revenue visibility due to
 - Copaxone launch on the anvil (3 Bn USD)
 - Other US filings equally lucrative: (Revlimid USD 4 Bn, Tracleer USD 1.5 Bn, Tamiflu USD 600 Mn, Vidaza USD 300 Mn)
 - Sovaldi (Hepatitis C) to be a game changer (100 mn patients in 91 EM)
- * Strong R&D focus as seen in its filings
- * Limited competition products would be margin accretive

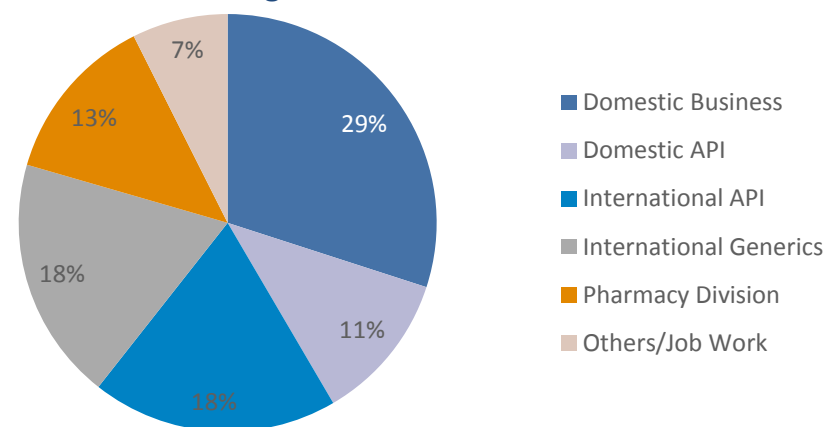
Risks

- * Delay in approvals from USFDA
- * Adverse court ruling
- * Currency risk

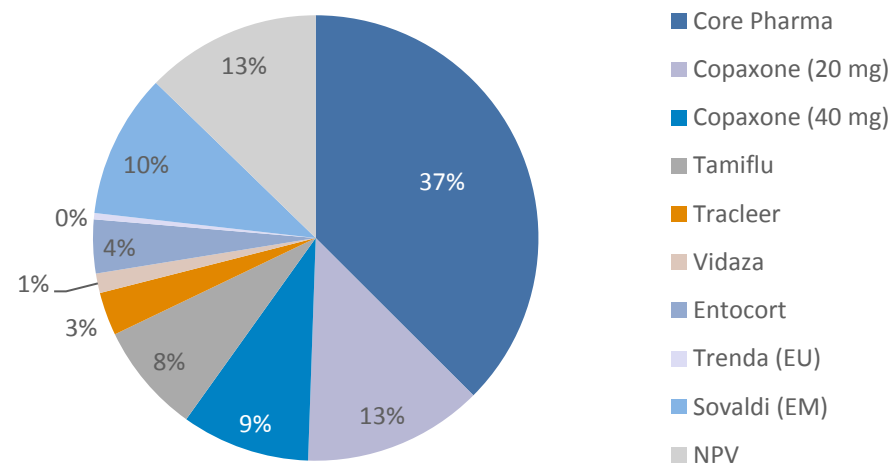
Peer Comparison

Company Name	Diluted P/E (x)		Diluted EV/EBITDA (x)		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Natco Pharma	61.67	40.89	35.63	25.65	17.00	19.19
Torrent Pharma	23.0	17.1	14.2	11.1	32.6	34.1
Alembic Pharma	35.82	30.36	25.25	21.17	36.82	33.24
Glenmark	22.4	17.8	14.4	12.2	24.5	24.7

Segmental Revenues



Target Price Break-up (Incl. of Launches in US & Sovaldi)





Business Overview

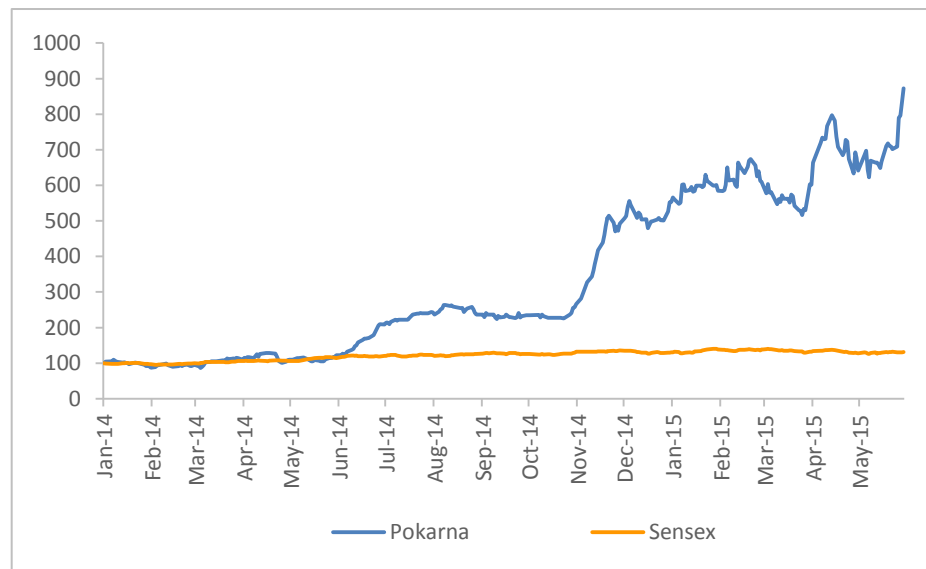
- * Pokarna exports granites and quartz to over 69 countries.
- * Pokarna's key segments are Engineered Stone-Quartz (contributing 42% of revenues) which is the fastest growing segment and Natural Stone -Granite (contributing 56% of revenues)
- * Quartz is the fastest growing segment for Pokarna with a gain in revenue contribution from high margin Quartz from 27% in FY14 to 42% in FY15.
- * Granite is a steady state business for the company. Pokarna is one of the largest granite exporters from India with captive quarries for granite.

Opportunity Size: -

- * Global counter top market is USD 81bn; with Quartz at a mere 8bn i.e.10% market share offering immense growth potential.
- * US/ Canada at 24% are the biggest markets for Counter top yet Quartz is grossly underpenetrated in these markets.
- * Quartz's share in US and Canada counter top markets is estimated at a mere 8% and 15%, respectively, portending humungous scope for growth.
- * US quartz is expected to grow in volume terms by 20% CAGR over 2012-17E

Year to March	FY13	FY14	FY15	FY16E	FY17E
Revenue(crs)	204	231	326	427	510
Rev. growth (%)	12.61	13.30	41.51	30.91	19.44
EBITDA (crs)	36	48	84	109	130
Net profit (crs)	(7)	12	31	43	53
Shares outstanding (crs)	0.6	0.6	0.6	0.6	0.6
Diluted EPS (INR)	(10.7)	18.8	50.6	69.9	85.6
EPS growth (%)	- 78.5	- 275.2	169.0	38.0	22.5
Diluted P/E (x)	(104.4)	59.6	22.1	16.0	13.1
EV/ EBITDA (x)	26.8	21.0	11.5	8.5	7.6
ROE (%)	(35.3)	56.5	79.6	57.9	43.1

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	56.7
Nemi Chand	4.8
Ashish Kacholia	4.8
Premier Investment Fund Ltd	1.9
Globe Capital Market Ltd	1.4





Investment Hypothesis

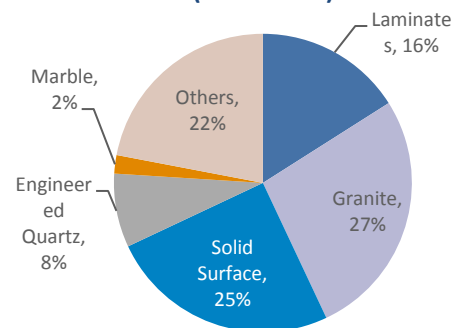
- * Shift in consumer interest from other Counter top materials such as Laminates (market share of 16% currently) towards Quartz fueling growth.
- * Quartz growing faster than Counter top market: from 1999-14 quartz segmetn grew at CAGR of 15.8% while counter top grew at CAGR of 4.4%
- * Shift in Pokarna's product mix towards high margin Quartz segment from traditional Granite segment. Quartz reported 32% EBITDA margin with 42% contribution to Total Revenues whereas Granite reported 22% margins with 56% contribution to Total Revenues.
- * BretonStone technology manufactures superior quality of Quartz product. Globally, only 10 sizeable manufacturers produce quartz using the Breton Stone technology. Pokarna has an exclusivity contract within India and is the sole company in India using the Breton Stone technology to manufacture quartz slabs
- * Currently Pokarna has less than 5% market share in the US Quartz market. Company is expanding its distribution reach in order to expand its presence in key counter top regions such as North America and in Europe.
- * Granite business segment to continue growing at a steady pace

Risks

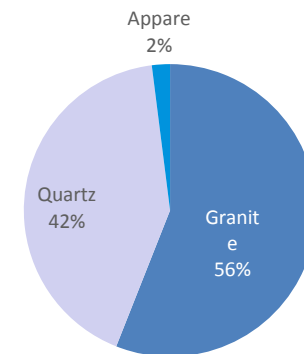
- * Currency risk due to non-hedging of currency exposure
- * Downturn in USA housing market
- * Change in consumer preference away for quartz counter tops

	EPS			PE		
	FY15	FY16E	FY17E	FY15	FY16E	FY17E
Pokarna	50.5	69.9	85.6	20.3	14.7	12.0
Ceasar Stone (USD)	2.4	3.4	4.1	24.6	17.4	14.4

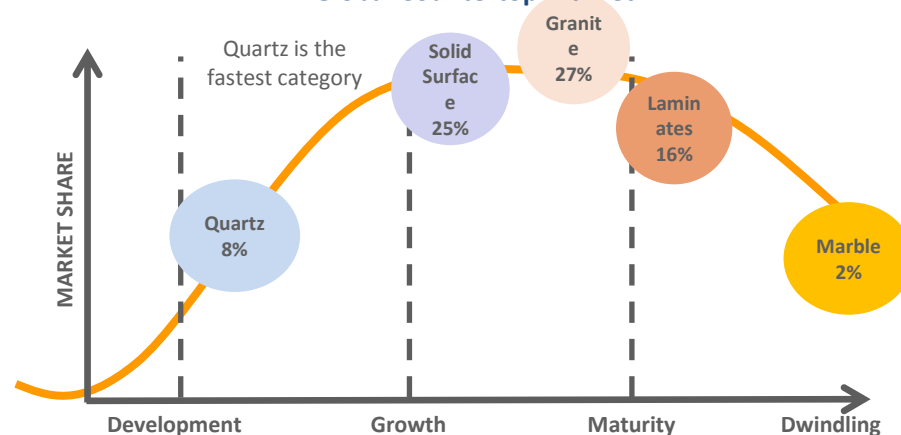
Global Countertop Market Segmentation (Sales-2012)



Pokarna Segmental Revenues



Quartz is the gaining Market Share in Global Countertop Market





Business Overview

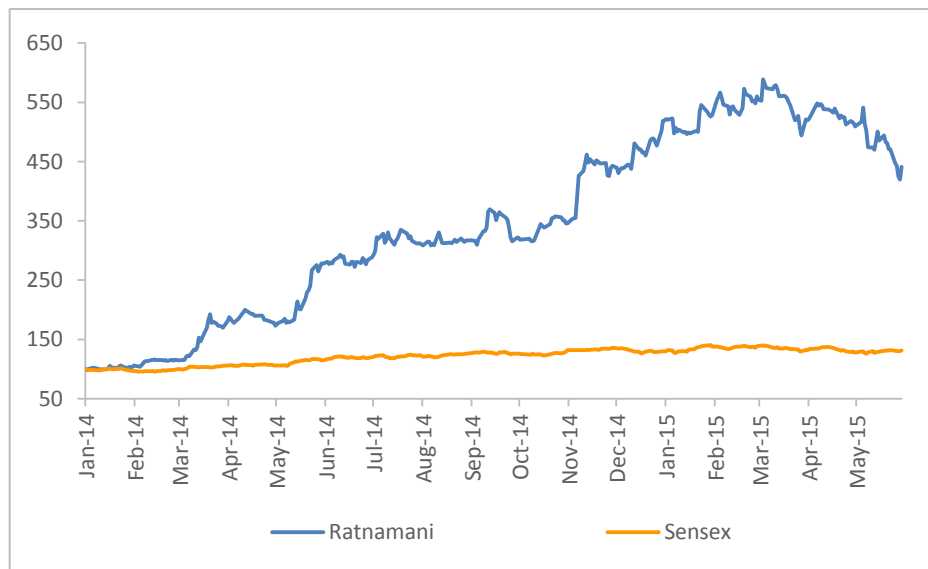
- * RMTL has a long history of 30 years in the business of industrial projects pipes (both stainless steel and carbon steel pipes) catering to sectors viz Oil & gas, Power, chemicals & fertilizers.
- * Installed capacity of 350000 mt of carbon pipes and 27000 mt for stainless pipes.
- * Industrial project pipes business contributes 75% of the company's sales with strong operating margins of 25-30%.
- * Balance 25% of the company's sales is contributed by Oil & Gas and water pipeline business (carbon steel pipes) operating at margins of 10-12%.
- * Marquee domestic & international clients viz RIL, IOCL, BPCL, HPCL, BHEL, L&T, Mitsubishi, Toshiba, IHI etc.

Opportunity Size

- * ~ 2x increase in planned capex in 12th five year plan to INR 1.25lakh cr provides opportunity to the tune of INR 12500 cr for RMTL
- * Global demand for carbon pipes (excluding replacement demand) is estimated USD 347 bn

Year to March	FY13	FY14	FY15	FY16E	FY17E
Net revenues	1201	1326	1676	1892	2199
Rev growth (%)	-1.7	10.4	26.3	12.9	16.2
EBITDA margin	238	257	300	352	428
Adjusted PAT	137	143	173	207	254
Adj. EPS (INR)	29.3	30.6	37.0	44.3	54.4
EPS growth (%)	22.0	4.5	21.0	19.6	22.9
P/E (x)	18.5	17.7	14.7	12.3	10.0
P/B (x)	3.9	3.3	2.8	2.3	2.0
RoACE (%)	23.3	24.7	26.2	27.0	28.3
RoAE (%)	23.1	20.2	20.6	20.8	21.5

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	59.97
Nalanda India Fund Ltd	8.36
Pukhraj H. Bhansali	3.21
Champalal Bachraj Bhansali	3.21
Nalanda India Equity Fund Ltd.	3.13





Investment Hypothesis

- * Strong moat in the business with market leadership:
 - Enjoys market leadership in high-end stainless steel pipes with 35-40% market share.
 - Diversified product basket for high end application for various sectors viz petrochemicals, oil & gas etc with limited competition.
- * Gaining footprints in international geographies
 - Overseas market contributes ~25% of revenue with marquee client international client like Mitsubishi, Toshiba, IHI, Saudi Aramco, etc
 - Overseas revenue is expected to double over next 4-5 years
- * Revival in growth on improved domestic capex in oil & gas
 - ~ 2x increase in planned capex in 12th five year plan to INR 1.25lakh cr
 - Huge opportunity to the tune of INR 12500cr for RMTL
- * Available at attractive valuations
 - The stock is trading at a FY16E & FY17E PE of 13.1x and 10.7x respectively.

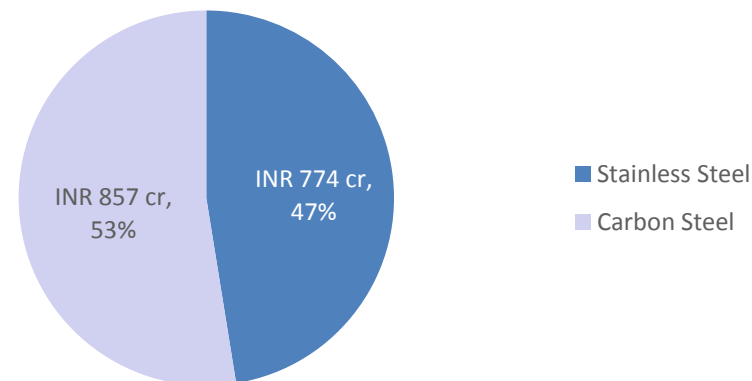
Risks

- * Huge volatility in raw material prices
- * Delay in capex revival

Peer Comparison

Company Name	Diluted P/E (x)		Diluted EV/EBITDA (x)		ROE (%)	
	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Welspun Corp	7.6	6.7	3.2	2.8	11.4	11.4
Jindal SAW	5.6	4.1	7.2	6.0	9.1	11.1
Ratnamani Metals	13.1	10.7	7.3	5.8	20.8	21.5

Segmental Revenues





Business Overview

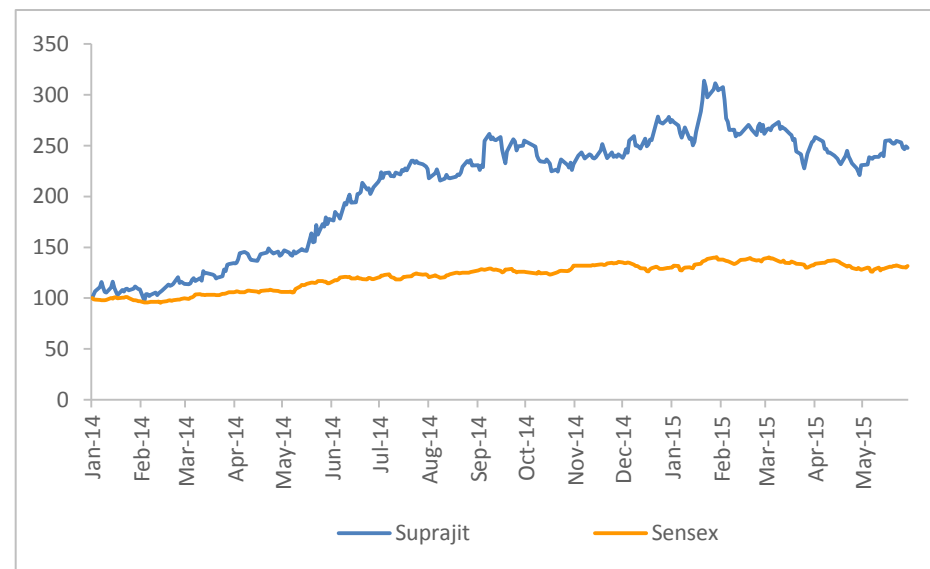
- * Suprajit Engineering Ltd (SEL) is the market leader in Automotive Control Cables for the 2-wheeler segment with a 60% market share and a 40% market share in the 4-wheeler space.
- * The company has 70% of share of business of customers like Hero, Bajaj Auto and TVS and 40% share of business of HMSI.
- * Export currently contributes about 20% of overall sales

Opportunity Size: -

- * Global cable Industry size is USD 3 Billion of which USD 500-600 Million is constituted by Non-Automotive cables.

Year to March	FY13	FY14	FY15	FY16E	FY17E
Revenue	463	545	612	693	849
Rev. growth (%)	9%	18%	12%	13%	22%
EBITDA	78	93	100	115	147
Net profit	42	50	54	64	85
Diluted EPS (INR)	3.5	4.2	4.5	5.3	7.1
EPS growth (%)	7%	18%	8%	18%	33%
Diluted P/E (x)	35.0	29.6	27.5	23.2	17.4
EV/ EBITDA (x)	19.9	16.7	15.6	13.5	10.6
ROCE (%)	36%	44%	37%	31%	36%
ROE (%)	29%	27%	24%	24%	26%

Name of the Shareholder	Shares as % of Total No. of Shares
Promoter	51.84
IDFC Dynamic Bond Growth	5.99
Reliance Dynamic Bond Growth	3.17
HSBC Income Fund STP Growth	2.86
HSBC Flexi Debt Growth	2.52





Investment Hypothesis

- * Manufacturing Proximity to customers allows SEL to be more cost competitive vis a vis peers, leading to high market share .
- * SEL plans to grow 5%-10% above the domestic industry growth. SEL's domestic growth to be driven by greater aftermarket penetration , new product introduction and HMSI capacity expansion.
- * The ability to supply quality cables at a lower price (~30% lower) than global peers has allowed the company to penetrate global customers like John Deere, , Renault Nissan, BMW, VW etc.
- * Capacity to increase by 50% (post capex 225 million cables) and margins expected to remain stable
- * A faster-than-industry growth rate resulting in better market-share, cost competency versus peers and healthy ROCE of 38%, will augur well for the company going forward. At CMP the company is trading at 19.7x FY16E earnings

Risks

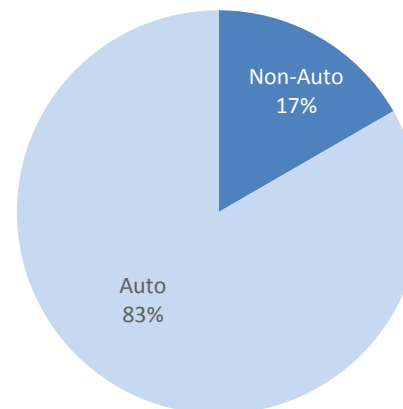
- * Demand in End-User segment (2-Wheelers & 4-Wheelers)

Peer Comparison

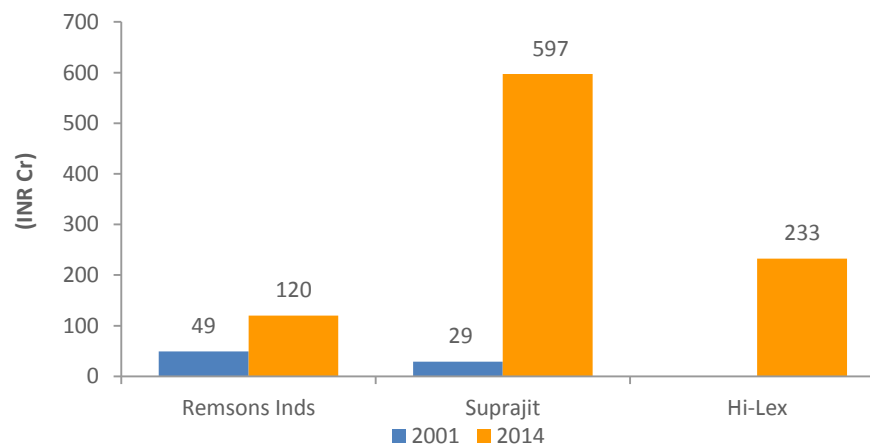
- * Remsons Inds (competitor co.) sales were 1.5x SEL sales in FY02 but in FY14 SEL sales were 5x that of Remson's.

Company Name	CMP (INR)	Diluted EPS		Diluted P/E (x)		ROCE (%)	
		FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Suprajit Engineering	123	6.3	8.4	19.7	14.7	35.0%	39.0%
Gabriel India	81	6.5	7.9	12.5	10.3	20.8%	21.1%
Pricol Ltd	175	21.3	25.1	8.2	7.0	18.7%	19.3%

Global cable industry Size- USD 3 bn (USD bn)



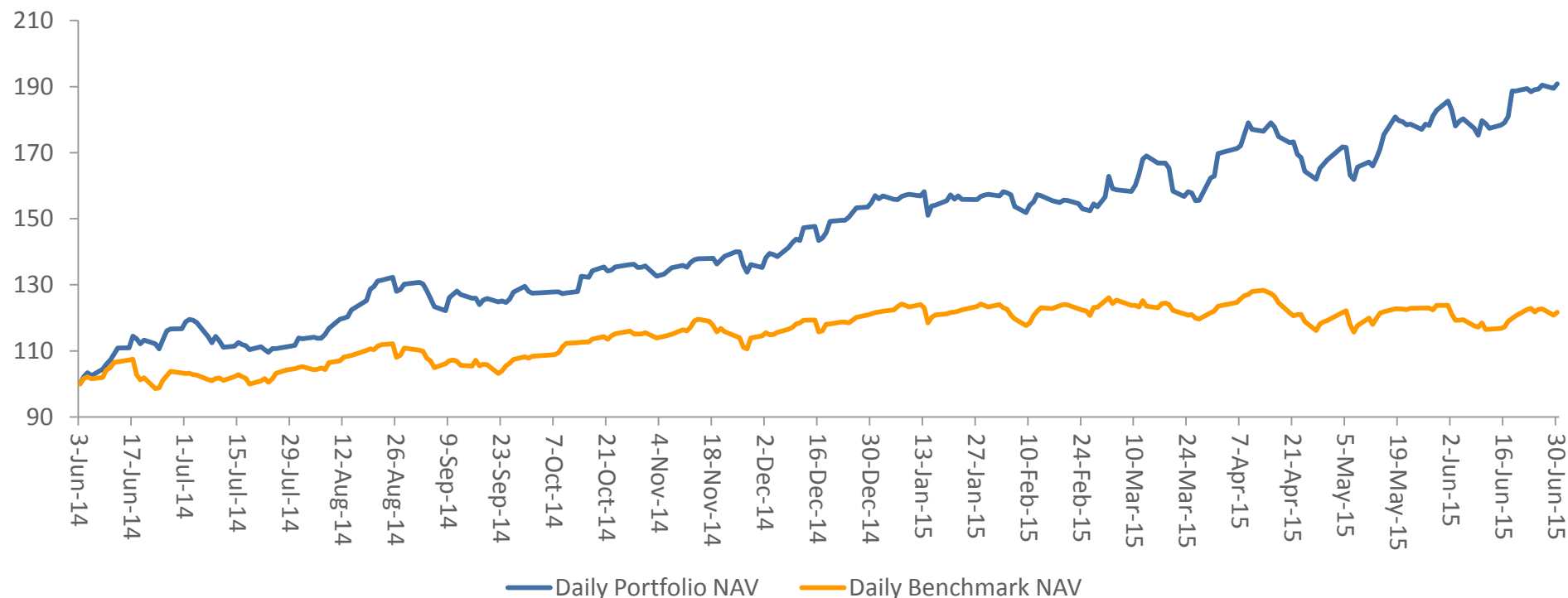
Sales comparison Vs peers (2001-2014, INR cr)



Edelweiss Midcap Marvels: Performance



Edelweiss Midcap Marvels NAV: At INR 191 vs CNX Midcap Index NAV of INR 122



* Edelweiss Midcap Marvels have delivered a return of 91% since inception (4 June 2014) as against CNX Midcap Index return of 22%, translating into an outperformance of 69%

Mid-Cap Marvels Portfolio Performance



Midcap Marvels Portfolio Performance

Parameters	1 M	3 M	6 M	9M	12M	ITD
Portfolio Returns	4.3%	11.4%	22.4%	49.3%	59.7%	82.5%
Benchmark Returns	0.5%	-2.4%	-0.6%	11.8%	17.8%	20.1%
Volatility	22.9%	24.7%	24.5%	22.8%	22.3%	22.4%
Benchmark Volatility	16.0%	19.0%	17.4%	16.9%	16.9%	17.7%
Sharpe Ratio	1.9	1.5	1.5	2.5	2.3	3.3
Information Ratio	2.5	3.1	1.9	2.9	2.5	3.6

Mid-Cap Marvels Portfolio Performance

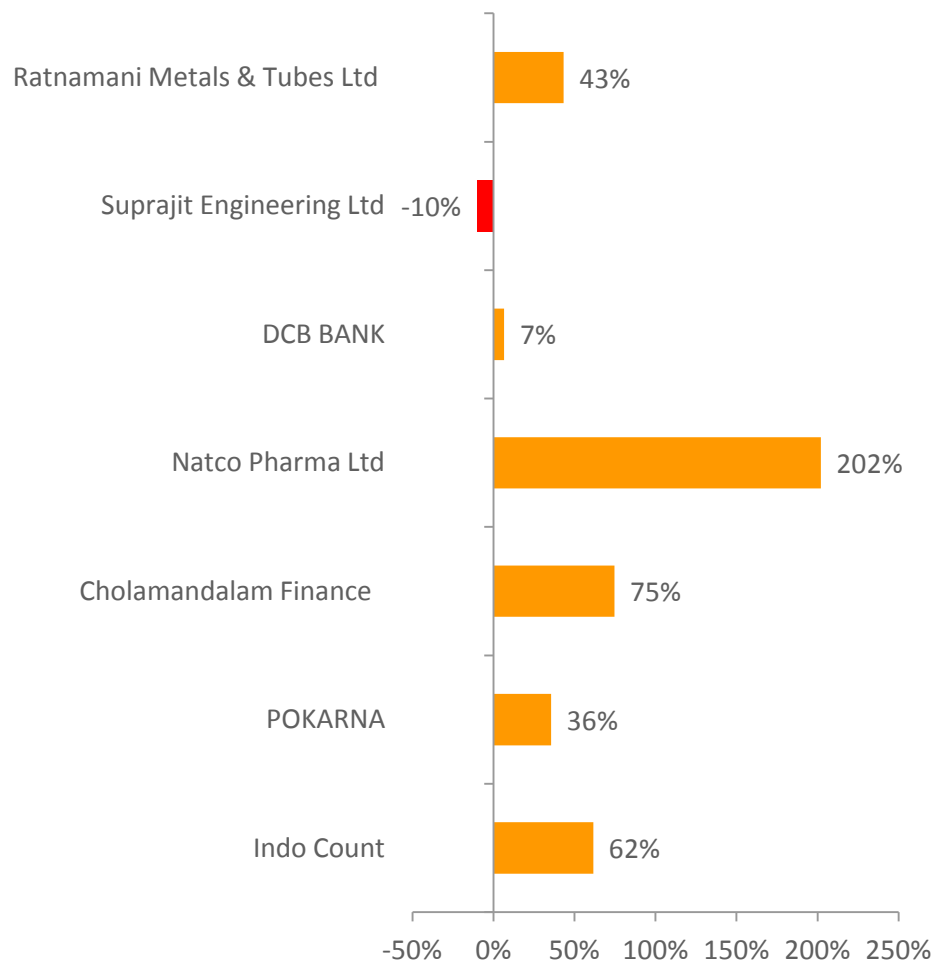


S. No.	Stock Name	Open/Close	Reco Price (INR)	CMP (30 th June 2015) (INR)	Returns (%)
1	DCB Bank Ltd.	Open	122	130	7%
2	Cholamandalam Finance	Open	359	626	74%
3	Indo Count Industries Ltd	Open	441	724	64%
4	Pokarna Ltd.	Open	797	1099	38%
5	Natco Pharma Ltd	Open	744	2283	207%
6	Ratnamani Metals & Tubes Ltd	Open	374	549	47%
7	Suprajit Engineering Ltd	Open	136	122	-10%

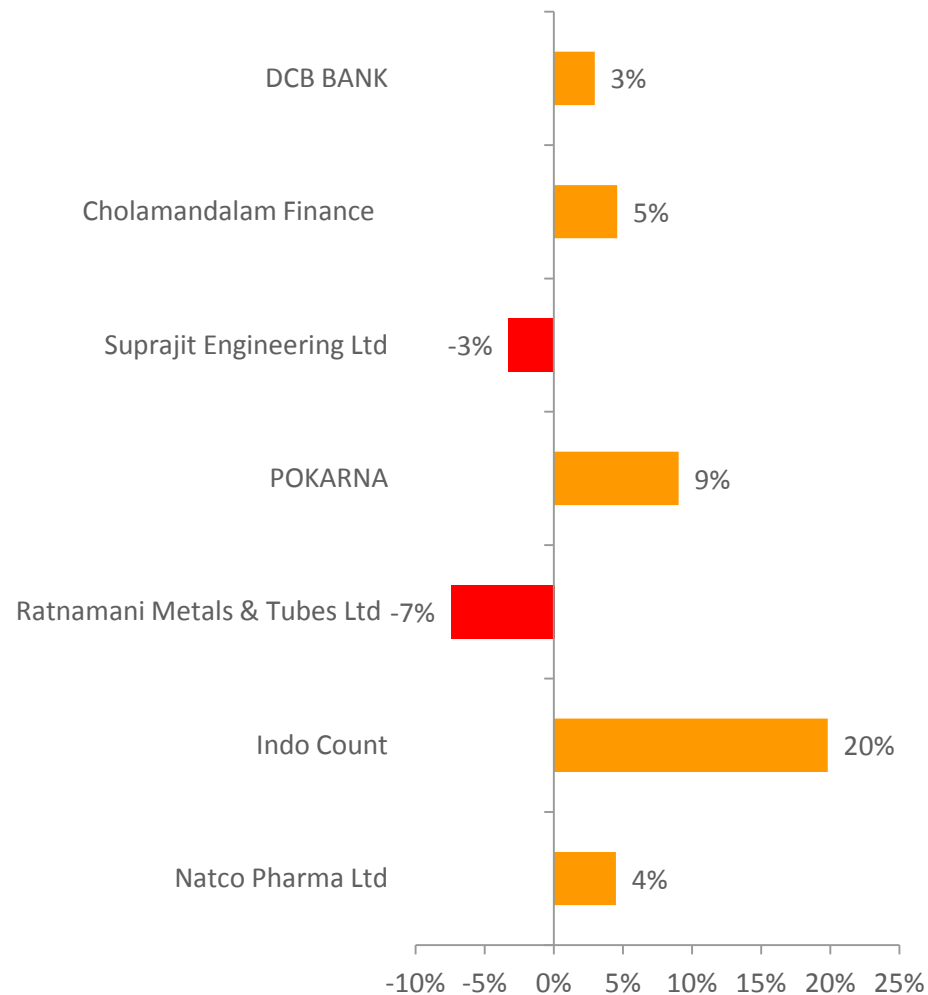
Returns for the Inception and for the month



Return Since inception



Return for the month of June





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