

Stocks to Buy – 2015

Fundamental Product – Stocks to Buy – 2015



Asset Class	Product Type	Recommendation Style	Risk	Indicative Potential Upside*	Maximum open calls	Time Frame
Equity	Fundamental	Long only	Medium	20% - 25% per annum	-	1 Year

Salient features:

- * **Stocks to Buy – 2015** are 'long' only recommendations with the objective of wealth creation.
- * **Stocks to Buy – 2015** provides a detailed overview of the company's business model, operational drivers , valuations, possible risks, etc.
- * Regular updates of quarterly earnings review, news-based events ,policy changes, etc. that impact the company are provided through follow-up research updates.
- * The product is targeted at investors willing to hold on to the share for at least a year.

Suitable for:

- * Long-term Investors

Risk management:

- * **We provide regular updates on share recommendations under coverage.**

	Short Term	Med. Term	Long Term	Low Risk	Med. Risk	High Risk	Indicative Potential Upside
Fundamental							<5%
Technical							5%-15%
Derivative							16%-19%
Others							>20%

* The return mentioned above is indicative return. The indicative returns are based on past performance. The investor should consult his own advisors to understand the risks such investment and before making investment

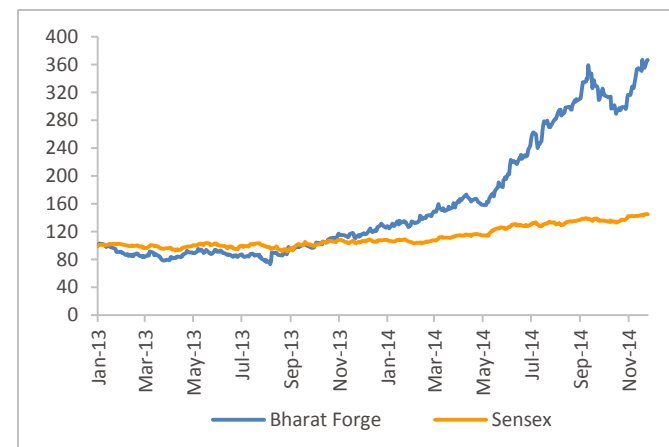


- * Bharat Forge Ltd. (BFL) is a leading supplier of critical components for automotive and non automotive market globally with a well-diversified customer base across all geographies. BFL has ~65% market share in Indian commercial vehicle market and 45% market share in Europe and US in crankshaft and front axle beam, which are its key products.
- * BFL key markets and segments are witnessing growth albeit on a low base. For instance Indian truck market has reported growth of 20% YoY over past months.
- * BFL has taken steps to become AS9100-certified company (pre-condition for aerospace manufacturers/suppliers) and has already achieved NADCAP certification. The aerospace segment is a difficult sector to enter due to the criticality of the components. BFL has built relationships with material suppliers for titanium based products. The company's potential customer could be Airbus, Boeing, GE, Rolls Royce etc. Precision Castparts Corp. of USA, which is also into aerospace casting and forging, does revenue of ~USD 9 bn and EBITDA margins of ~30%.
- * With low capex spends expected over the next 2-years, significant reduction in debt and improvement in machining mix (higher margins), we expect BFL earnings to grow by 42% CAGR over FY14-FY16E .Improving demand in Europe, subsidiary utilization level will improve and operating leverage benefit will kick in further.

Year to March	FY12	FY13	FY14	FY15E	FY16E
Revenue (crs)	6,279	5,702	6,716	7,329	8,467
Rev. growth (%)	23%	-9%	18%	9%	16%
EBITDA (crs)	996	827	1,027	1,463	1,695
Net profit (crs)	413	285	418	717	863
Shares outstanding (crs)	23.3	23.3	23.3	23.3	23.3
Diluted EPS (INR)	17.7	12.2	17.9	30.8	37.1
EPS growth (%)	42%	-31%	47%	72%	20%
Diluted P/E (x)	53.5	93.8	54.1	31.3	26.0
EV/ EBITDA (x)	23.5	28.3	22.8	16.0	13.8
ROCE (%)	22%	14%	18%	29%	33%
ROE (%)	19%	10%	16%	24%	24%

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Reliance Equity Opportuni..	5,291	3.1	2.0	164.0
Reliance Vision Fund	2,509	2.3	0.7	58.9
ICICI Pru Discovery Fund	3,052	1.9	0.7	57.9
Reliance Tax Saver (ELSS)..	2,027	2.3	0.5	47.2
Reliance Top 200	769	3.6	0.3	27.9

Shareholding Pattern		Bloomberg:	BHFC:IN
Promoters:	46.74	52-week range (INR):	934 / 280
MFs, FIs & Banks:	15.22	Share in issue (Crs):	23.3
FIIIs:	16.72	Mkt cap (INR Crs):	20,128
Others:	21.32	Avg. Daily Vol.BSE/NSE:(‘000):	60/368



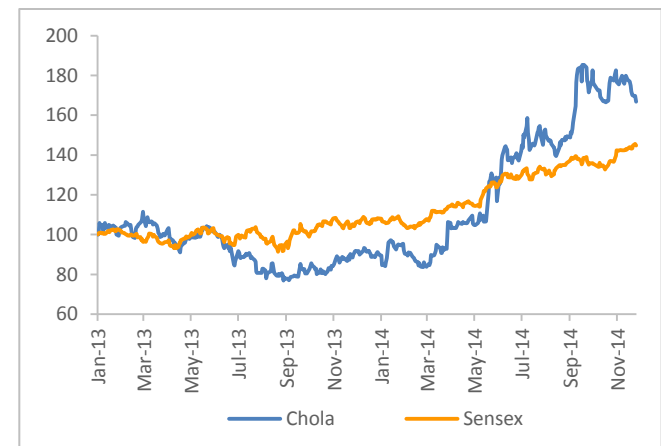


- * Cholamandalam Investment and Finance Ltd. (CFL), promoted by the Murugappa group, is a retail finance company with primary focus on vehicle finance and loan against property
- * The company is one of the leading vehicle finance companies with market share of 9.8% and 11.8% in Commercial Vehicles (CV) and Light Commercial Vehicle (LCV), respectively.
- * In 2006, the company started consumer finance business in JV with DBS Bank, Singapore. This unsecured lending business led to pressure on the overall book. The company exited the personal loan business in 2009 and post that terminated the JV with DBS pursuant to the purchase of their stake by the promoters.
- * Over the last few years, the company was under rapid branch expansion phase. The branch network has increased from 236 branches in FY11 to 529 branches as on Dec. 2013.
- * CV sales growth worst in last 10 years. Uptick in volume due to pent-up demand in the CV segment will aid growth and Improvement in the product mix will aid margin improvement.
- * CFL will be able to sustain growth in excess of 20% and RoAE of ~18% in coming years on the back of strong growth (5 year PAT CAGR of 40%).
- * Valuation: The stock is currently trading at attractive valuation of 2.1x FY16E book value

Year to March	FY12	FY13	FY14	FY15E	FY16E
Net int. income	754	1,107	1,459	1,654	1,991
Net profit after tax	171	307	364	433	587
Adjusted BV per share (INR)	107	137	160	219	232
Diluted EPS (INR)	12.9	21.4	25.4	30.2	37.8
Gross NPA ratio (%)	0.9	1.0	1.9	2.1	1.8
Net NPA ratio (%)	0.3	0.2	0.7	0.7	0.6
Price/Adj. book value (x)	4.2	3.3	2.8	2.1	2.0
Price/Earnings (x)	35.1	21.2	17.8	15.0	12.0

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Sundaram Select Midcap	1,820.56	0.57	0.207	10.38
UTI-CCP Balanced Fund	2,919.67	0.32	0.186	9.34
UTI-Mid Cap Fund	868.68	0.89	0.154	7.73
SBI Magnum Midcap Fund	300.45	2.41	0.144	7.24
SBI Magnum Global Fund	1,004.70	0.46	0.092	4.62

Shareholding Pattern		Bloomberg:	CIFC:IN
Promoters:	57.75	52-week range (INR):	518 / 217
MFs, FIs & Banks:	8.18	Share in issue (Crs):	14.3
FIs:	25.51	Mkt cap (INR Crs):	6,485
Others:	8.56	Avg. Daily Vol.BSE/NSE:('000):	26/15



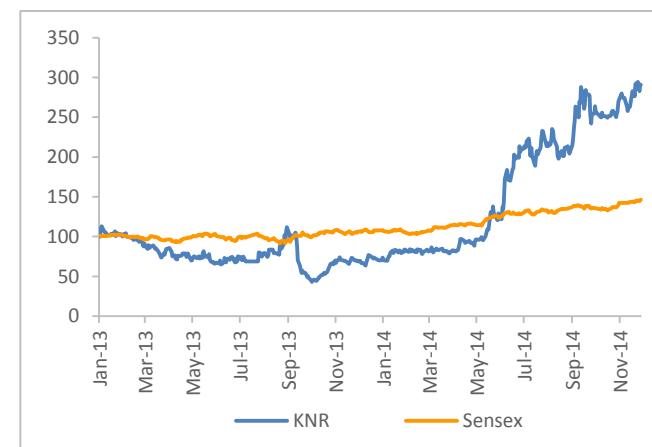


- * KNR Constructions Ltd in the business of construction of roads and highways, which comprises 95% of its order book (INR 1200 cr) and would be a major beneficiary from expected revival in the road infrastructure space.
- * The company adopted a selective approach during high competition and rising cost of funding thereby resulting projects unviable. Staying away from aggressive bidding turned positive for the company by resulting in strong balance sheet with low debt to equity of 0.1x and positive OCF
- * After 2 years of lull phase, project awarding in the road sector is expected to pick up which is positive for road construction companies like KNR. NHAI has floated tenders of over 5000 km of road projects which would be awarded in the next 6-8 months.
- * KNR is expected to be a major beneficiary from declining interest rate as this would revive in the road construction on cheaper funding cost.
- * KNR has sterling track record of executing road projects ahead of schedule with the top management actively involved at all stages of project execution.
- * KNR is well equipped to achieve over 20% sales CAGR in the next three years with 20% plus core ROCE considering pick up in project awarding
- * The stock is available at FY16E PE of 8.8x (adjusted for BOT value of INR 58/share).

	FY12	FY13	FY14	FY15E	FY16E
Income from operations	751	692	835	895	1161
YoY Grth%	-5.4	-7.8	20.6	7.2	29.7
EBITDA	134	116	126	134	169
EBITDA Margin%	17.8	16.8	15.1	15.0	14.5
Profit after tax	53	52	61	61	79
YoY Grth%	-7.2	-1.2	17.0	-0.1	30.1
EPS	18.8	18.5	21.7	21.7	28.2
ROAE (%)	13.8	12.1	12.6	11.2	13.1
ROACE (%)	18.4	12.3	12.7	12.5	17.2
P/E	16.6	16.8	14.4	14.4	11.1
EV/EBITDA	6.9	8.1	7.3	6.4	4.9

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Mid-Cap Opportunitie..	7,924.73	0.86	7.754	68.15
Franklin India Smaller Co..	1,435.89	1.12	1.830	16.08
Tata Infrastructure Fund	816.65	1.34	1.245	10.94
Tata Equity P/E Fund	542.55	1.88	1.161	10.20
DSP BR Micro-Cap Fund	1,590.33	0.53	0.959	8.43

Shareholding Pattern		Bloomberg:	KNRC:IN
Promoters:	67.29	52-week range (INR):	333 / 67
MFs, FIs & Banks:	17.19	Share in issue (Cr):	2.8
FII:	1.07	Mkt cap (INR Cr):	805
Others:	14.45	Avg. Daily Vol.BSE/NSE:('000):	135



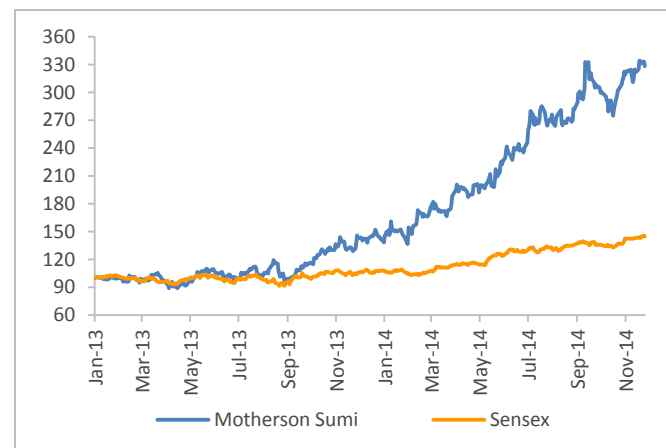


- * Motherson Sumi Systems Ltd. (MSSL) is a global auto component supplier with market leading position in wiring harness (65% MS in India), rear view mirrors (22% Global MS) and polymer components (Bumpers, Dashboards etc). International revenue accounts for 87% of revenues
- * The Management has significantly scaled up business (57% CAGR growth in 10 years) through acquisitions/JVs (at the right time and right valuations), turned them around and created a global company with marquee clients while focusing on ROCE and maintaining dividend payout of 30% plus. MSSL customers include marquee names like VW, Audi , BMW, Porsche, Skoda, General Motors ,Maruti Suzuki, TataMotors, Hyundai etc
- * Revenue visibilty – 1) Relationship with Sumitomo for technology and backward integration for wiring harness (Promoter is on Sumitomo, Japan Board) 2) Just in sequence supplies and replacement of plastics from metal for SMP 3)Industry firsts with few players globally.
- * New order wins at SMP & SMR (Euro 6 bn) gives sales visibility while margins expansion (SMR/SMP) gives us comfort on MSSL effort to expand margins going forward. Moreover depletion of low margins old orders and new orders with high margins will lead to margins expansion at SMR and SMP.
- * Internal sourcing opportunities (INR 5000 crs) , tapping customers within business segments (SMR – SMP) and vertical integration (SMR) gives us sustained sales and margin visibility over a longer period

	FY12	FY13	FY14	FY15E	FY16E
Revenue	14,862	25,567	30,658	35,274	45,757
Rev.growth (%)	80%	72%	20%	15%	30%
EBITDA	948	1,782	2,815	3,342	5,618
Net Profit	280	457	910	1,095	1,965
Shares outstanding (Crs)	88.20	88.20	88.20	88.20	88.20
Diluted EPS (INR)	3.2	5.2	10.3	12.4	22.3
EPS growth (%)	-19%	63%	99%	20%	79%
Diluted P/E (x)	134.6	82.4	41.4	34.4	19.2
EV/EBITDA (x)	53.5	32.2	22.5	18.9	12.1
ROCE (%)	13.6%	16.8%	29.4%	32.2%	52.5%
ROE (%)	10.3%	18.3%	38.6%	34.9%	49.1%

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
ICICI Pru Focused Bluechi..	4,849	3.7	1.1	181.8
Reliance Regular Savings ..	2,262	4.8	0.6	109.4
HDFC Tax Saver Fund	3,580	2.7	0.6	98.0
Birla Sun Life Midcap Fun..	991	4.9	0.3	49.2
Birla Sun Life Frontline ..	3,756	1.3	0.3	49.2

Shareholding Pattern		Bloomberg:	MSS:IN
Promoters:	65.59	52-week range (INR):	448 / 166
MFs, Fls & Banks:	5.79	Share in issue (Crs):	88.2
FIIIs:	16.67	M cap (INR Crs):	35,990
Others:	11.95	Avg. Daily Vol.BSE/NSE:(‘000):	45/420



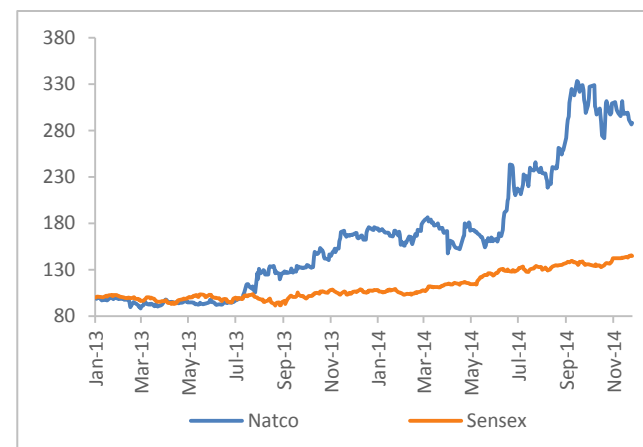


- * Natco Pharma is a R&D focused company with major presence in oncology and niche therapies, where in the domestic market it commands 30% market share in the generic oncology space.
- * US generic market is a future growth driver for the company where the company has some very interesting niche filings (Copaxone, Revlimid, Tamiflu, etc.), of its many opportunities Copaxone, Tamiflu, Fosrenol and Lansoprazole OTC are expected to be in market by the end of FY16.
- * Copaxone is one of the key launches for the company with the potential to double its revenue from its current levels, at the year of launch, and also continue to contribute substantially over the longer period of time as it is expected to be a limited competition product for long with only four filers currently
- * NPL further has filed for some other small niche products like Tykerb, Nuvigil, Gosnerol, Vidaza, Doxil among others, which would further help the company strengthen and report sustainable growth from the US market
- * We recommend a BUY rating on the stock.

Year to March	FY12	FY13	FY14E	FY15E	FY16E
Revenue	520	661	739	825	884
Revenue Growth (%)	14.1%	27.0%	11.9%	11.6%	7.2%
EBITDA	106	150	179	199	216
Net Profit	60	84	103	125	141
Profit Growth (%)	12.7%	38.5%	23.0%	21.5%	12.8%
Shares Outstanding (crs.)	3.3	3.3	3.3	3.3	3.3
Diluted EPS (INR)	18.2	25.3	31.1	37.8	42.6
EPS Growth (%)	12.7%	38.5%	23.0%	21.5%	12.8%
Diluted P/E (x)	74.7	54.0	43.9	36.1	32.0
EV/EBITDA (x)	44.5	32.2	26.4	23.6	21.5
RoE (%)	14.4%	14.1%	16.1%	15.9%	15.6%
RoCE(%)	15.8%	17.5%	17.9%	18.3%	18.4%

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
ICICI Pru Value Discovery..	7,243.85	1.70	2.740	123.15
SBI Magnum Tax Gain Schem..	5,038.76	0.57	0.639	28.72
L&T Tax Advantage Fund	1,539.42	1.79	0.613	27.56
SBI Tax Advantage Fund-Se..	415.84	6.22	0.576	25.87
ICICI Pru Export and Othe..	533.07	3.74	0.444	19.94

Shareholding Pattern		Bloomberg:	NTPCH:IN
Promoters:	53.52	52-week range (INR):	1,590 / 650
MFs, FIs & Banks:	7.84	Share in issue (Crs):	12.6
FII:	16.63	Mkt cap (INR Crs):	4,405
Others:	22.01	Avg. Daily Vol.BSE/NSE:(‘000):	171.3





- * Repco Home Finance Limited (RHF), promoted by Repco Bank Ltd., is a dedicated Tier II and Tier III cities focused housing finance company in India
- * RHF, since inception has focused on under-served and under-penetrated areas. The average ticket size of the company's loan is INR 9.8 lakhs
- * During the last five years, loan book have grown at a CAGR of 38% from INR 655 cr. in FY08 to INR 4,661 cr. in FY14 while PAT has also grown by 38% CAGR from INR 15.6 cr. to INR 110 cr. in FY14
- * RHF has zero builder/developer loan. In addition, the company has maintained healthy asset quality with Gross and net NPA of 2.5% and 1.6% as on June 2014
- * The loan book of RHF is equally divided between salaried and non salaried. The company has developed strong in-house model to evaluate non salaried borrowers. This is clearly visible in the cumulative write offs of INR 3.90 crores since initiation.
- * RHF has managed its costs well with a cost-to-income ratio of 17.3%. Unlike its peers, RHF does not depend on intermediaries for loan origination
- * RHF will be able to sustain growth in excess of 20% and RoAE in excess of 20% in coming years . The company is well capitalized (24.95% capital adequacy ratio)
- * The stock is currently trading at attractive valuation of 3.6 FY16E book value

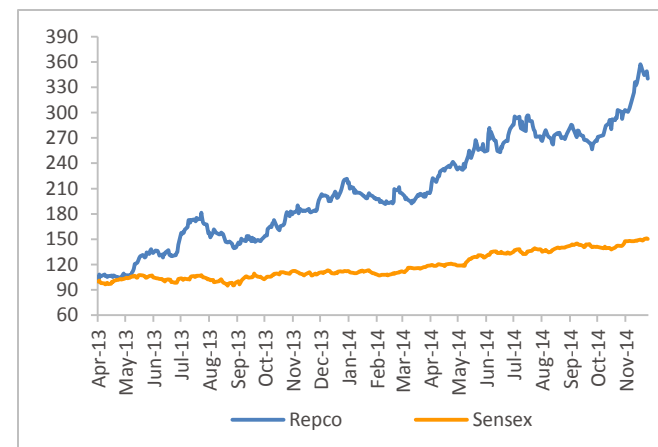
	FY13	FY14	FY15E	FY16E
Net int. income	125	190	240	306
Net profit after tax	80	110	130	165
Adjusted BV per share	98.1	108.3	125.9	148.9
Diluted EPS (INR)	12.6	17.6	20.8	26.5
Gross NPA ratio (%)	1.5	1.5	1.6	1.7
Net NPA ratio (%)	1.0	0.7	0.7	0.7
Price/Adj. book value (x)	5.5	5.0	4.3	3.6
Price/Earnings (x)	43.2	31.0	26.3	20.6
RoA	2.4	2.6	2.4	2.4
RoE	17.0	16.5	17.2	18.6

FY16 projections not available

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Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
SBI Magnum SFU-Emerging B..	1,244	5.0	3.1	62.3
Reliance Banking Fund	1,512	1.6	1.2	24.9
SBI Magnum Balanced Fund	415	4.1	0.8	17.1
Franklin India Prima Fund	885	1.7	0.7	15.2
ICICI Pru Banking & Finan..	274	4.5	0.6	12.5

Shareholding Pattern		Bloomberg:	REPCO:IN
Promoters:	37.37	52-week range (INR):	515 / 284
MFs, FIs & Banks:	16.26	Share in issue (Cr):	62.2
FII:	24.98	Mkt cap (INR Cr):	3,744
Others:	21.39	Avg. Daily Vol.BSE/NSE:(‘000):	33/5





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