Model Portfolio update

January 21, 2016

ICICI Securities Ltd.

Latest Model Portfolio

Large cap

Name of the company	Weightage(%)
Auto	14
Tata Motor DVR	4
Bosch	3
Maruti	4
EICHER Motors	**3**
BFSI	23
HDFC Bank	8
Axis Bank	3
HDFC	8
Bajaj Finance	**4**
Capital Goods	5
L & T	5
Cement	3
UltraTech Cement	3
FMCG/Consumer	14
ITC	7
United Spirits	2
Asian Paints	5
IT	21
Infosys	10
TCS	8
Wipro	**3**
Meida	2
Zee Entertainment	2
Metal	2
Tata Steel	2
Oil & Gas	4
Reliance Industries	**4**
Pharma	12
Lupin	5
Dr Reddys	4
Aurobindo Pharma	**3**
Total	100

- **Exclusion**- State Bank of India, Bharti Airtel and ONGC
- **Inclusion** – Eicher Motors, Bajaj Finance (transferred from midcap), Wipro, Reliance Industries & Aurobindo Pharma

Midcap

Name of the company	Weightage(%)
Aviation	6
Interglobe Aviation	**6**
Auto	6
Bharat Forge	**6**
BFSI	6
Bajaj Finserve	**6**
Capital Goods	6
Bharat Electronics	**6**
Cement	6
Ramco Cement	**6**
Consumer	24
Symphony	6
Supreme Ind	**6**
Kansai Nerolac	6
Pidilite	**6**
FMCG	8
Nestle	8
Infrastructure	8
NBCC	8
Oil & Gas	6
Castrol	6
Logistics	6
Container Corporation of India	6
Pharma	12
Natco Pharma	6
Torrent Pharma	6
Textile	6
Arvind	6
Total	100

- **Exclusion** - Eicher Motors, Bajaj Finance (transferred to large cap), PVR, CARE, Cummins & Shree Cement
- **Inclusion** – Ramco Cement, Bajaj Finserv, Supreme Industries, Indigo, Pidilite, Bharat Electronics and Bharat Forge

Source: Bloomberg, ICICIdirect.com Research
**Diversified portfolio - Combination of 70% large cap and 30% midcap portfolio*

Outperformance continues across all portfolios…

- Our indicative large cap equity model portfolio ("Quality-20") has continued to deliver an impressive return (inclusive of dividends) of 86.5% since its inception (June 21, 2011) vis-à-vis the index return of ~51.8% during the same period, an outperformance of ~35%. This validates our thesis of selecting companies with sound business fundamentals that form the core theme of our portfolio. Our midcap portfolio ("Consistent-15") outperformed the benchmark by ~2x since June 2011. Our consistent outperformance demonstrates our superior stock picking ability as markets in CY15 aligned to our view of favourable risk-reward, good franchisee vs. reward-at-any-risk businesses. Some key performers of our portfolio are Lupin, HDFC Bank and TCS in the large cap portfolio while Natco Pharma, Cummins and Shree Cement have delivered stupendous returns in the midcap portfolio
- We reiterate the SIP mode of investment as the preferred mode of deployment given the current volatile market conditions. We highlight that the SIP return of our portfolio has consistently outperformed the indices, which affirms our belief in the staggered and systematic approach of investment amid market volatility
- Global headwinds have been a spoiler for markets as we tread into the global growth re-alignment zone wherein, on the one hand, US is showing signs of improvement while, on the other, behemoths like China are adjusting to declining output. Post the Fed rate hike, concerns on China's hard landing and tepid domestic economic data points have weighed on investors' sentiments. Furthermore, the sharp sell-off in Chinese markets have triggered a domino effect in financial markets across the globe. Amid this volatility, though, India remains in a sweet spot on the cusp of a domestic recovery with relatively resilient consumption and savings patterns. We believe companies with reasonable earnings visibility & valuations will find flavour among investors
- *Given the valuations re-rating, we have aligned our portfolio to capture the new opportunities available in the market. We have transferred Eicher Motors and Bajaj Finance that were earlier a part of the midcap portfolio to the large cap portfolio. We have added Wipro & Aurobindo Pharma in our large cap portfolio and replaced ONGC with Reliance Industries. We have also added Interglobe Aviation in our midcap portfolio, which is a clear beneficiary of falling crude prices. Apart from shuffling stocks, we have also increased/reduced allocation weights of some companies*

- In the large cap space we continue to remain positive on pharma & IT. With the recent correction, we also remain overweight on BFSI and FMCG
- We continue to remain underweight on **metals** and **oil & gas** with our only pick being Reliance Industries and Tata Steel, which have a better risk-reward opportunity. We expect PSU banks to underperform next year owing to steep asset quality woes ahead. In the private banking space, we prefer large banks with a strong retail presence. We continue to remain overweight to neutral on pure play defensives (**IT, FMCG**) as secular earnings coupled with sector rotation could lead to consolidation in near term valuations and offer stock specific opportunities. We remain positive on **auto, pharma, capital goods** and **infrastructure**
- Among individual names, we are strongly overweight on Infosys, TCS in the IT space, HDFC and HDFC Bank in the BFSI space, ITC and Nestlé in the consumer space and L&T & NBCC in the infra space

House view on Index

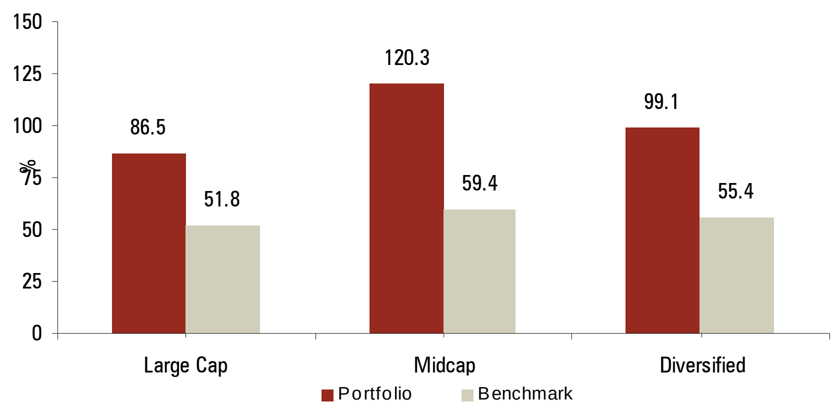
- **We expect Sensex EPS to grow 7.5% and 20% to ₹ 1462 and ₹ 1755 during FY16E and FY17E, respectively (CAGR of 14% in FY15-17E). We assign a P/E multiple of 16.5x on FY17E EPS to arrive at a fair value of 29000 for the Sensex and Nifty estimated to reach 8800**

Strategy 2016 - Sensex & Nifty Target

	FY14	FY15E	FY16E	FY17E
Sensex EPS	1365	1359	1462	1755
Growth (%)	17.1%	-0.4%	7.6%	20.1%
Target Multiple				16.5x
Sensex Target - December 2015				29000
Corresponding Nifty Target				8800

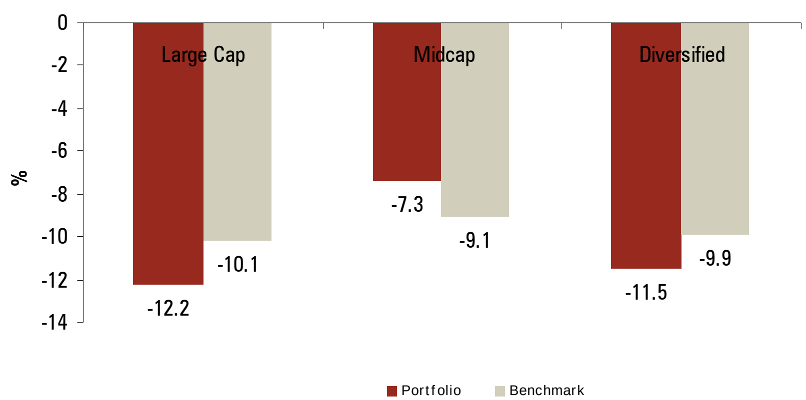
Performance* so far …

Portfolio performance since inception



- The large cap equity model portfolio-"Quality-20" continued to heavily outperform the index with ~86.5% return since its inception (June 21, 2011) vis-à-vis index return of ~51.8% in the same period. Our sustained preference for high quality names has aided this outperformance on a consistent basis. We continue to be rewarded for our meticulous approach towards stock selection while we endeavour to emulate the broader index
- The "Consistent-15" midcap portfolio recovered lost ground and surged ahead of its benchmark index (2x Index returns)
- The diversified portfolio (combination of Q-20/C-15 in a 70/30 ratio) has also outperformed its benchmark indices, given the overall outperformance of both portfolios

Portfolio performance since last update (Oct 2015)

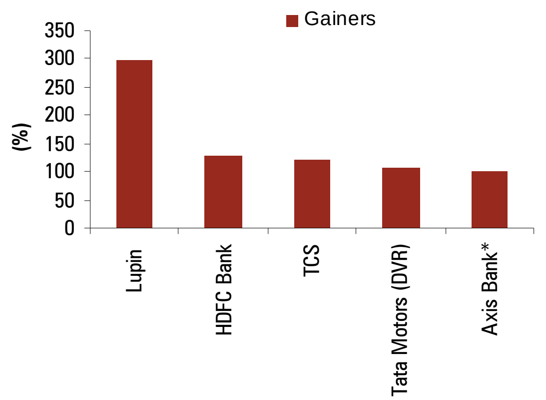


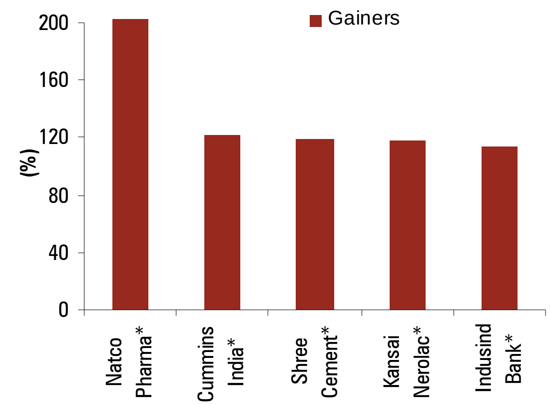
- Since the last update, our large cap portfolio was adversely impacted mainly due to subdued export earnings of frontline companies. However, the midcap portfolio exhibited some resilience to the negativity in markets. Though the index lagged, the performance of Bajaj Finance and Arvind helped the outperformance in our midcap portfolio
- Our Large cap portfolio lagged the index returns, delivering -12.2% vs. return of -10.2% for the BSE since July, 21, 2015. The drag was on account of underperformance from Dr Reddy's and Larsen & Toubro. However, the negativity was partially offset by positive performance in Infosys and Tata Motors DVR

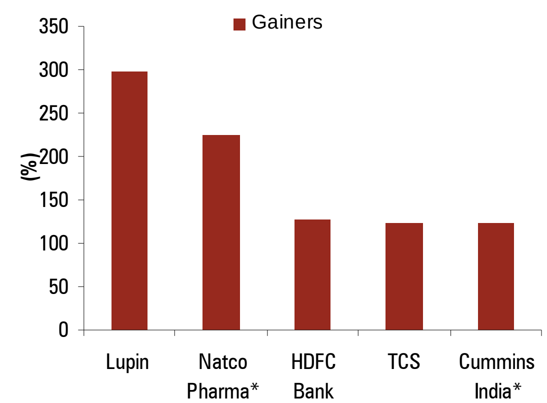
Source: Bloomberg, ICICIdirect.com Research

Top movers* so far…

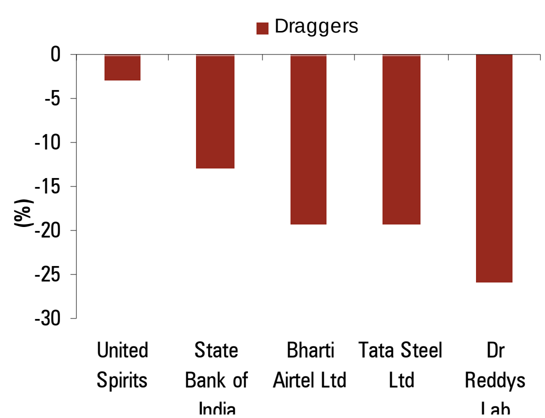
Large cap	Midcap	Diversified

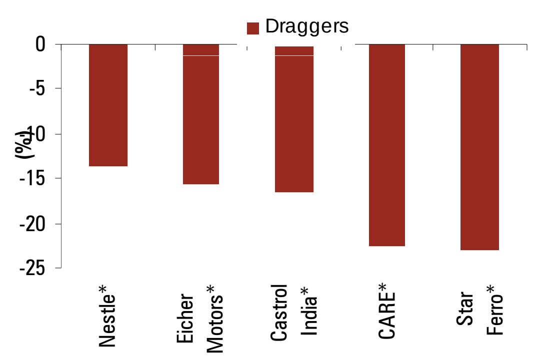


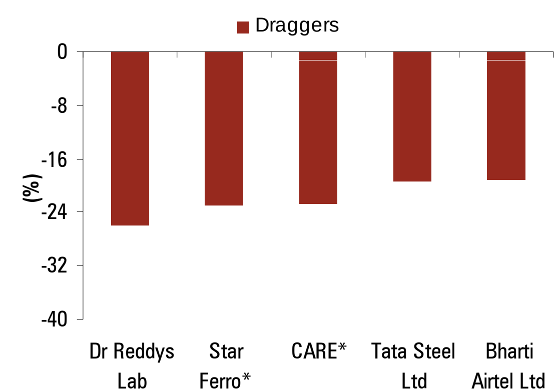




Large cap	Midcap	Diversified

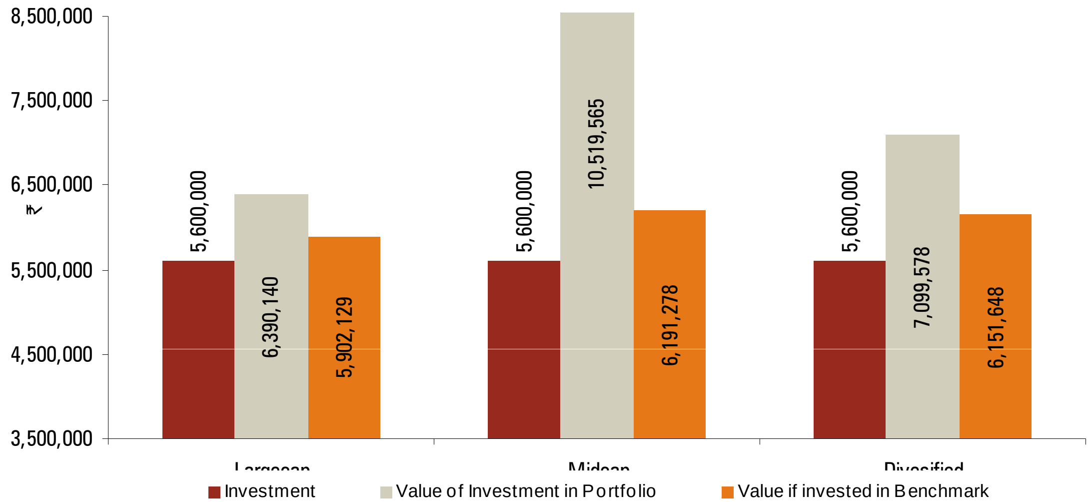






*Source: Bloomberg, ICICIdirect.com Research , *Starred stocks have been included in the portfolio since the last rejig in July 2012/May, August ,December 2013/ April, June, December 2014/ May 2015/July 2015/October 2015. Rest all are since inception in June 2011*

Performance* so far in SIP mode …



- Systematic investments at regular intervals in all our three portfolios have outperformed their respective benchmarks acting as a perfect shield to the volatility encountered by the market in the last year
- Assuming ₹ 1,00,000 invested as SIP at the end of every month
- Start date of SIP is June 30, 2011

Source: Bloomberg, ICICIdirect.com Research

What’s in, what’s out?

What's in?

Name	Portfolio	Weight
Eicher Motors	Shifted from Midcap to Largecap	3%
Bajaj Finance Ltd.	Shifted from Midcap to Largecap	4%
Wipro	Largecap	3%
Reliance Industries	Largecap	4%
Aurobindo Pharma	Largecap	3%
Interglobe Aviation	Midcap	6%
Bajaj Finserve	Midcap	6%
Bharat Electronics	Midcap	6%
Supreme Ind	Midcap	6%
Pidilite	Midcap	6%
Ramco Cements	Midcap	6%
Bharat Forge	Midcap	6%

What's out ?

Name	Portfolio	Weight
SBI	Largecap	6%
ONGC	Largecap	3%
Bharti Airtel	Largecap	3%
CARE	Midcap	6%
Cummins	Midcap	6%
Shree Cement	Midcap	6%
PVR	Midcap	8%

Source: ICICIdirect.com Research

The story of stocks…

Wipro (Wipro)

- Wipro could return to industry average growth led by bottoming of portfolio related concerns, leadership change and helped by account mining initiatives, improved deal traction & win ratios, large deal closures and ramp-ups. Further, an improvement in utilisation and revenue productivity could help sustain margin profile
- Despite ADM and IMS services contributing 75% of revenues, Wipro growth has largely underperformed peers and could largely be attributed to vertical and geographic portfolio mix. Energy & utilities and telecom (focus on telecom OEMs where R&D spends were challenged), two of the most troubled verticals from IT spends perspective, together contribute 28% of revenues while Wipro's BFSI portfolio (26%) is focused towards European investment banks. Note, European companies generally have been rigid, relative to their US counterparts, in outsourcing their IT operations. However, things could change led by change in portfolio mix. Wipro recently highlighted that it had one customer from E&U vertical in its top 11 vs. four a year earlier.
- With a cash pile of ~$4 billion, Wipro has been aggressive in acquiring companies in newer technologies to fill portfolio gaps.
- Wipro is trading at a 16% discount to its FY10-15 average PE multiple and relative to peers (FY17E earnings) and is likely factoring a majority of negatives. Better portfolio mix and execution could lead to mean reversal

Key Financials	FY14	FY15	FY16E	FY17E
Revenue (₹ crore)	43,763	47,318	51,300	57,000
EBITDA (₹ crore)	10,046	10,825	11,311	12,810
Net Profit (₹ crore)	7,796.6	8,652.8	8,852.0	9,985.1
EPS (₹)	31.7	35.1	36.0	40.5
PE (x)	17.3	15.6	15.2	13.5
P/BV (x)	3.9	3.3	2.9	2.6
ROE (%)	22.7	21.2	19.2	19.2
ROCE (%)	25.6	23.0	22.1	22.5

Reliance Industries (RELIND)

- RIL is the largest Indian private company operating across hydrocarbons exploration & production, petroleum refining & marketing, petrochemicals, textiles, retail and telecommunication. Refining and petrochemicals constitute the core of RIL's business and contributed ~ 70% to the 2014-15 EBIT. Historically, the revenue for the company has been growing at 9% CAGR while the PAT has grown at 5.1% CAGR during FY11-15
- RIL's EBIT growth from FY17-18 onwards would get an incremental push from the strong $17 billion of capex in refining and petrochemicals business that would boost its capacity as well as its margins, going forward. The refining business is expected to continue to report higher GRMs driven by strong product cracks and light-heavy crude spread, in premium to the Singapore GRMs benchmark. RIL's petrochemical business is expected to report incremental growth, going forward, due to cheaper sources for raw material and significant capacity expansion. The commercial launch of Reliance Jio expected by Q1FY16, would mark the entry of RIL into a new segment
- RIL's capex in the refining and petrochemicals business is expected to lead to strong earnings growth for the company over the next three years. However, RIL's telecom foray would negatively impact its profits in the short run. RIL is trading at reasonable valuations of 12.8x FY15 EPS and can generate decent returns for investors, going forward

Key Financials	FY12	FY13	FY14	FY15
Revenue (₹ crore)	358501.0	397062.0	434460.0	375435.0
PAT (₹ crore)	19724.0	20879.0	22493.0	23566.0
EPS(₹)	66.2	70.7	76.6	80.1
Growth (%)	2.2	6.8	8.4	4.7
P/E (x)	15.4	14.5	13.4	12.8
P/Book (x)	1.8	1.7	1.5	1.4
RoCE	11.5	10.8	10.4	8.5
RoE	12.5	12.0	11.9	10.1

Source: Bloomberg ICICIdirect.com Research

The story of the stocks…

Aurobindo Pharma (AURPHA)

- After filing its first ANDA in the US in 2003, the company has come a long way as current ANDA filings are at 387. The US revenue run rate has grown from ~US$100 million in FY09 to ~US$758 million as on FY15. US formulations now constitute 40% of the total turnover, up from 27% in FY11. US traction has also boosted investors' confidence, which was affected by warning letters, piling debts besides non-business political adversaries
- API: formulations ratio has improved from 43:57 in FY11 to 23:77 in FY15. Another USP of the company is its vertically integrated model with huge capacity, unmatched by most peers. The company owns a network of 19 manufacturing facilities in India and abroad of which ~12 are USFDA approved
- With consistent and incremental US cash flows, the D/E ratio improved from 1.9x to 0.8x. The debt/EBITDA has improved from 4.5x to 1.7x during FY09-15. Also, 60-65% of its current debt is working capital debt
- Aurobindo continues to thrive in the US, backed by a robust product pipeline and niche launches. The filing to final approval gap (~155 at present) is one of the highest among peers, enough to keep the US engine working at 20-25% growth rate for the next three to five years. We expect initial margin pressure due to recent acquisitions to ease further on the back of incremental high margin US launches

Key Financials	FY15	FY16E	FY17E	FY18E
Revenue (₹ crore)	12,120.5	13,664.6	15,584.6	17,803.5
EBITDA (₹ crore)	2,563.6	3,054.7	3,534.4	4,144.4
EBITDA Margins (%)	21.2	22.4	22.7	23.3
Adj. Net Profit (₹ crore)	1,635.4	1,900.2	2,191.1	2,603.1
Adj. EPS (₹)	28.1	32.5	37.5	44.7
PE (x)	32.2	28.1	23.3	19.5
P/BV	9.9	7.5	5.8	4.5
ROE (%)	31.7	27.9	24.8	23.2
ROCE (%)	23.4	25.3	26.6	27.3

Interglobe Aviation (INTAVI)

- India has one of the lowest air travel penetration rates in the world of 0.08 annual seats per capita vs. 0.35-0.65 in developing countries like Brazil, Turkey, Indonesia and China. This under-penetrated market has been dominated by Indigo (an LCC player) with a market share of 36.8% (up from 12.5% in FY09). Further, pending orders of 430 A320neos will help the company to grow its fleet at 11% CAGR in the next seven years and maintain leadership in the Indian aviation market
- The magnitude of order of 100 aircraft in 2005 and 180 aircraft in 2011 has enabled Indigo to have a structural cost advantage by reducing cost related to acquisition, maintenance and operation of aircraft. Indigo also receives incentives from Airbus (due to bulk orders), which helps in reducing aircraft rental payments. This places it in a better position compared to its peers
- The structural cost advantage has enabled the company to register consistent profitability over the past seven fiscals (FY09-15). Going forward, Indigo is expected to register robust revenues led by fleet growth of 11% CAGR over the next few years. Further, the EBITDA margin is expected to improve to 18.5% (as witnessed in FY11) from 13.4% in FY15 led by low crude prices

Key Financials	FY 12	FY13	FY14	FY15
Net Sales (₹ crore)	5,564.7	9203.1	11116.6	13925.3
EBITDA (₹ crore)	48.9	893.6	504.9	1869.7
Net Profit (₹ crore)	140.6	783.4	473.3	1295.6
EPS (₹)	4.1	23.0	14.0	38.0
PE (x)	293.9	52.3	85.9	31.6
EV/EBITDA (x)	966.5	52.9	93.6	25.3
RoCE (%)	NA	20.3	4.5	20.0
RoE (%)	57.8	201.4	112.5	304.1

Source: Bloomberg ICICIdirect.com Research

The story of the stocks…

Bajaj Finserv (BAFINS)

- Bajaj Finserv, a financial conglomerate under the flagship brand of Bajaj and leadership of Sanjeev Bajaj, has witnessed a sharp surge in earnings in all three key business segments. In general insurance, it is the most profitable and efficient player. Bajaj Finance, a niche consumer durable lender, reported a 4x increase in loan book in FY11-15 and earnings surged at 38% CAGR. We expect consolidated PAT to grow at a CAGR of 22.9% ₹ 2551 crore over FY15-17E
- Its general insurance is a strong business model generating RoE in excess of 24%, reporting underwriting profits on <100% combined ratio. The extensive retail focus enabled market share of ~6% in gross written premium (GWP). Expect PAT CAGR of 9.7% to ₹ 676 crore by FY17
- Bajaj Finance's loan book grew 36% YoY to ₹ 31200 crore in FY15 & asset quality sustained despite weak economic environment. Margins sustained around ~ 10% due to higher IRR in products. PAT has surged 38% CAGR to ₹ 897 crore over FY11-15. Expect PAT CAGR of 29% to ₹ 1502 crore
- Bajaj Allianz Life Insurance has been relatively slow in the insurance space and, hence, is trading at low valuations. It recorded first profit in FY10 of ₹ 542 crore and is now earning higher PAT of ₹ 876 crore in FY15. Post regulatory overhang on ULIP, etc, fading now, business potential is huge. PAT expected to grow at 26.7% CAGR to ₹ 1110 crore. Consolidated RoE is at 16-17% and RoA at 2%. Post recent insurance FDI increase, life and general insurance are expected to trade strong while dividend from them can be an upside risk.

Key Financials	FY14	FY15E	FY16E	FY17E
Revenue (₹ crore)	15,554.0	18,031.0	20,325.0	22996
PAT (₹ crore)	1,548.0	1,690.0	2,055.0	2551
EPS(₹)	97.0	106.0	129.0	160
Growth (%)	-1.6	9.2	21.6	24.1
P/E (x)	18.9	17.3	14.2	11.5
P/Book (x)	3.1	2.7	2.3	1.9
RoA	2.2	2.0	2.1	2.3
RoE	18.1	16.7	17.1	17.9

Bharat Forge (BHAFOR)

- Bharat Forge (BFL) is strongly leveraged to global CV growth, given that the CV business contributes ~50-55% of the consolidated business. In FY15, export revenues grew ~47%, mainly driven by ~89% YoY growth in US exports (~40% of standalone revenues). BFL has been constantly trying to diversify its revenue mix, which is reflected in PV's share of exports to increase from 4% in FY15 end to 9% in Q2FY16. PVs are expected to drive the next leg of export growth. Their share is expected to touch 20% by FY18E
- Although BFL will face near term headwinds in export markets, we expect unabated growth in domestic markets to continue owing to strong domestic CV growth & increasing focus on new verticals like railways, aerospace & defence. In the next two or three years, BFL is aiming to generate revenues of $100 million from aerospace vertical. BFL is also focusing on defence opportunity (~₹ 40,000 crore FY13 imports) where it is looking to use its engineering capabilities to develop indigenous products (e.g. 155 mm artillery gun). These non-auto businesses will have higher margins given higher proportion of machined parts
- We believe BFL's business franchise is unique and provides investors a great opportunity to own one of the few India listed "Global/Local Tier-1.5" ancillary supplier. We, thus, value BFL on an SOTP basis with standalone business at 24x FY7E EPS of ₹ 39.2 and other subsidiaries at ₹ 29/share to arrive at a target price of ₹ 970

Key Financials	FY14	FY15	FY16E	FY17E
Net sales	6,716.0	7,625.0	8,700.0	9,671.0
Growth	30.0	13.5	14.1	11.2
EBITDA margins	15.5	19.3	19.0	19.5
PAT	499.0	764.0	935.0	1,092.0
PAT growth	101.4	53.2	22.4	16.8
P/E	37.4	24.4	17.2	14.8
P/BV	7.0	5.4	4.8	4.0
RoE	18.6	22.2	24.2	23.7
RoCE	14.2	18.6	22.3	25.1

Source: Bloomberg ICICIdirect.com Research

The story of the stocks…

Supreme Industries (SUPIND)

- SIL is a strong play in the Indian plastic industry with plastic processing capacity of 4.5 lakh tonnes. We believe it is well placed to benefit from India's long term structural reform considering its diversified product portfolio with strong brand, widespread geographic reach, strong balance sheet that has enabled it to generate attractive RoCE & RoEs consistently. SIL envisages outlay of ~ ₹ 1500 crore to ramp up capacity to 6.5 lakh tonnes by FY20. We believe various government social programmes would help absorb incremental capacity. Also, gradual shift to branded products coupled with GST implementation would add market share
- Plastic piping industry (largely PVC) in India has been growing at ~12-15% CAGR in last five years. It is largely due to growth in construction activities in tier-II, tier-III cities, replacement of conventional piping systems like galvanised iron & cast iron piping systems & rise in demand for branded agriculture & plumbing piping. SIL is also taking concrete steps to increase value added products (VAPs) contribution to total sales from 31.7% in FY13 to 35% by FY20. VAPs commands EBITDA margin of 17% vs. 14.9% (in FY15). SIL foresees strong demand for cross laminated products, CPVC & bathroom fittings from housing and industrial segments
- We expect the company to maintain high RoE and RoCE considering 1) healthy topline growth backed by capex plan, 2) maintaining higher operating margin and 3) efficient working capital management turning lower debt/equity ratio. We believe strong brand coupled with sustained growth justifies SIL commanding premium valuations

Key Financials	FY15	9MFY16E	FY17E	FY18E
Net Sales (₹ crore)	4,219.5	3,017.1	5,018.4	5,883.0
EBITDA (₹ crore)	630.5	393.2	812.7	952.5
Net Profit (₹ crore)	322.4	176.3	420.6	500.0
EPS (₹)	25.4	13.9	33.1	39.4
PE (x)	26.8	49.1	20.6	17.3
P/BV (x)	7.1	6.6	5.5	4.8
ROE (%)	26.6	13.4	26.6	27.6
ROCE (%)	32.4	18.9	34.6	36.8

Pidilite Industries (PIDIND)

- Pidilite is a dominant play in India's growing adhesive and industrial chemical market with a market share of ~70% in its leading brand categories in the organised segment. The company's two major segments, consumer & bazaar (C&B) and speciality industrial chemical have grown at a CAGR of ~19% and ~13% (standalone), respectively, in FY10-15. C&B segment contributes ~79% to standalone revenue. This segment has grown mainly driven by the adhesive and sealants segments that contributed ~50% to the company's C&B segment revenue (FY14)
- The specialty industrial segment contributes ~21% to standalone revenue. This segment grew at 13% CAGR (FY10-15) mainly driven by demand growth from packaging, cigarettes, stickers, labelling, footwear, etc. The specialty industrial segment has three major sub-segments: industrial adhesive, industrial resins and organic pigments & preparations. We have modelled industrial segment revenues growth at ~13% CAGR (FY15-17E) led by a pick-up in demand of industrial adhesives & resins
- We estimate lower revenue CAGR of ~11% while a sharp margin expansion of ~500 bps for FY15- 17E may be supported by benign raw material prices. Also, a recovery in margin coupled with strong return ratios would justify the company's current valuation. At the CMP, the stock is trading at 39x FY16E & 34x FY17E earnings. We believe the stock is a potential candidate for re-rating considering its ability to maintain its market share and enjoy the benefit of lower raw material prices

Key Financials	FY14	FY15	FY16E	FY17E
Net Sales	4,260.6	4,820.4	5,292.4	5,965.8
EBITDA margin	15.8	16.1	20.9	21.1
PAT	454.6	520.6	711.1	813.9
PAT growth	7.3	18.9	38.6	14.6
P/E	60.9	58.7	42.3	37.0
P/BV	14.0	12.0	10.6	9.3
RoNW	23.3	22.9	27.6	27.8
RoCE	30.9	29.4	38.1	38.6

Source: Bloomberg ICICIdirect.com Research

The story of the stocks…

Bharat Electronics (BHAELE)

- Bharat Electronics (BEL), a Navratna public sector enterprise, is one of the oldest companies in the Indian defence sector. Renowned for its professional management and strong execution capabilities, BEL stands out among select well-run government companies and especially defence public sector unit s (DPSUs)
- BEL has emerged as a market leader in the Indian defence electronics segment with ~44% market share. Core competency in niche areas of electronics', diverse presence across geographies, debt-free status, best-in-class working capital cycle, reliability in execution and natural beneficiary of critical technologies developed by Defence Research and Development Organization (DRDO) places the company in a sweet spot
- With the current government's strong commitment to arming defence forces with state-of-the-art equipment and reducing the import bill to at most 30% (currently 60% to 70% of total expenditure), order inflows in this segment are set to embark on a new growth trajectory. BEL has a strong balance sheet with near nil debt and cash balance of ₹ 6038 crore (FY15). With accelerated order inflow and BEL's consistent performance over the past 10 years, gives us reasonable confidence on the robust prospects of the company.

Key Financials	FY15	FY16E	FY17E	FY18E
Net sales	7,092.6	8,102.3	9,317.6	10,715.3
Growth	8.8	14.2	15.0	15.0
EBITDA margins	16.6	14.6	14.6	14.1
PAT	1,197.2	1,284.1	1,453.0	1,575.3
PAT growth	25.8	7.3	13.2	8.4
P/E	24.1	22.4	19.8	18.3
P/BV	3.5	3.2	2.8	2.5
RoE	14.7	14.2	14.3	13.9
RoCE	19.1	18.3	18.4	17.8

The Ramco Cement (MADCEM)

- The Ramco Cement (Ramco) is the second largest player in south India and is well placed to benefit from revival in cement demand in the southern region. Ramco is also one of the most cost efficient cement producers in south India, with cost advantage emerging from captive power of 157 MW and strategic plant location (split grinding unit near the markets and clinker plant near the mines). Reported EBITDA/tonne of ₹ 1,425/tonne in Q2FY16 was among the highest in the industry
- Ramco has more than doubled its capacity to 16.5 MT over the last eight years. As a result, the company is not expected to incur any further capex for expansion. In addition, we expect debt to decline led by improved profitability and strong operating cash flows (driven by demand revival in the south and healthy realisation). Consequently, return ratios are further expected to improve in the coming years
- Ramco is one of the best midcap picks to play on the demand revival theme in south India. Better operating profitability, dominant market share backed by strong brand recognition ensures robust growth prospects for the company. We expect the utilisation to improve from 61% to 70% over the next few years. Further, improved realisation coupled with volume growth is expected to drive margins over the medium term

Key Financials	FY12	FY13	FY14	FY15
Net Sales (₹ crore)	3,223.6	3,830.0	3,683.5	3,644.9
EBITDA (₹ crore)	936.9	1,005.1	563.9	714.0
Net Profit (₹ crore)	385.1	403.7	137.7	242.4
EPS (₹)	16.0	17.0	6.0	10.0
PE (x)	22.9	21.6	61.2	36.7
EV/EBITDA (x)	12.2	11.4	20.3	16.1
EV/Tonne (US$)	182.0	140.0	140.0	136.0
RoCE (%)	15.1	15.5	4.1	5.9
RoE (%)	18.8	17.0	4.1	9.4

Source: Bloomberg ICICIdirect.com Research

Large cap portfolio

Earlier

Name of the company	Weightage(%)
Auto	10
Tata Motor DVR	3
Bosch	**3**
Maruti	**4**
BFSI	29
HDFC Bank	8
Axis Bank	7
HDFC	8
SBI	6
Capital Goods	6
L & T	6
Cement	3
UltraTech Cement	3
FMCG/Consumer	13
ITC	7
United Spirits	2
Asian Paints	**4**
IT	18
Infosys	10
TCS	8
Meida	2
Zee Entertainment	**2**
Metal	2
Tata Steel	2
Oil & Gas	3
ONGC	3
Pharma	11
Lupin	6
Dr Reddys	5
Telecom	3
Bharti Airtel	3
Total	100

Now

Name of the company	Weightage(%)
Auto	14
Tata Motor DVR	4
Bosch	3
Maruti	4
EICHER Motors	**3**
BFSI	23
HDFC Bank	8
Axis Bank	3
HDFC	8
Bajaj Finance	**4**
Capital Goods	5
L & T	5
Cement	3
UltraTech Cement	3
FMCG/Consumer	14
ITC	7
United Spirits	2
Asian Paints	5
IT	21
Infosys	10
TCS	8
Wipro	**3**
Meida	2
Zee Entertainment	2
Metal	2
Tata Steel	2
Oil & Gas	4
Reliance Industries	**4**
Pharma	12
Lupin	5
Dr Reddys	4
Aurobindo Pharma	**3**
Total	100

Source: Bloomberg, ICICIdirect.com Research

Midcap portfolio

Earlier

Name of the company	Weightage(%)
Auto	8
Eicher Motors	**8**
BFSI	14
Bajaj Finance	**8**
CARE	6
Capital Goods	6
Cummins	6
Cement	6
Shree Cement	6
Consumer	12
Symphony	**6**
Kansai Nerolac	6
FMCG	8
Nestle	**8**
Infrastructure	6
NBCC	**6**
Logistics	6
Container Corporation of India	6
Media	8
PVR	8
Oil & Gas	6
Castrol	6
Pharma	14
Natco Pharma	8
Torrent Pharma	6
Textile	6
Arvind	6
Total	100

Now

Name of the company	Weightage(%)
Aviation	6
Interglobe Aviation	**6**
Auto	6
Bharat Forge	**6**
BFSI	6
Bajaj Finserve	**6**
Capital Goods	6
Bharat Electronics	**6**
Cement	6
Ramco Cement	**6**
Consumer	24
Symphony	6
Supreme Ind	**6**
Kansai Nerolac	6
Pidilite	**6**
FMCG	8
Nestle	8
Infrastructure	8
NBCC	8
Oil & Gas	6
Castrol	6
Logistics	6
Container Corporation of India	6
Pharma	12
Natco Pharma	6
Torrent Pharma	6
Textile	6
Arvind	6
Total	100

Source: Bloomberg, ICICIdirect.com Research

Diversified portfolio (1/2)

Earlier

Name of the company	Weightage(%)
Consumer Discretionary	19
United Spirits	3
Tata Motors DVR	3
Symphony Ltd	**2**
Eicher Motors Ltd	**2**
Bosch	1
Maruti Suzuki India Ltd	**2**
Arvind	2
Asian Paints Ltd	**1**
Castrol	2
BFSI	24
HDFC	5
HDFC Bank	5
SBI	6
Axis Bank	5
CARE	2
Bajaj Finance Ltd	**2**
Power, Infrastructure & Cement	17
L & T	6
UltraTech Cement	5
NBCC	**2**
Container Corporation of India	2
Shree Cement	2

Now

Name of the company	Weightage(%)
Auto	12
Tata Motor DVR	3
Bosch	2
Maruti	3
EICHER Motors	2
Bharat Forge	2
Consumer Discretionary	16
Symphony	2
Supreme Ind	2
Kansai Nerolac	2
Pidilite	2
United Spirits	1
Asian Paints	4
Arvind	2
Interglobe Aviation	2
BFSI	18
HDFC Bank	6
Axis Bank	2
HDFC	6
Bajaj Finance	3
Bajaj Finserve	2
Power, Infrastructure & Cement	13
L & T	4
UltraTech Cement	2
Ramco Cement	2
NBCC	2
Bharat Electronics	2
Container Corporation of India	2

Source: Bloomberg, ICICIdirect.com Research

Diversified portfolio (2/2)

Earlier

Name of the company	Weightage(%)
FMCG	9
ITC	5
Kansai Nerolac	2
Nestle	**2**
Metals & Mining	3
Tata Steel	3
Oil and Gas	4
ONGC	4
Pharma	9
Lupin	2
Dr. Reddy's Lab	3
Natco Pharma	2
Torrent Pharma	2
IT	8
Infosys	4
TCS	4
Telecom	2
Bharti Airtel	2
Media	4
Zee Entertainment	1
PVR	2
Capital Goods	2
Cummins	2
Total	100

Now

Name of the company	Weightage(%)
FMCG	7
ITC	5
Nestle	2
Metals & Mining	1
Tata Steel	1
Oil and Gas	5
Reliance Industries	3
Castrol	2
Pharma	12
Lupin	4
Dr Reddys	3
Aurobindo Pharma	2
Natco Pharma	2
Torrent Pharma	2
IT	15
Infosys	7
TCS	6
Wipro	2
Media	1
Zee Entertainment	1
Total	100

Source: Bloomberg, ICICIdirect.com Research

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