

2015: Six midcaps for Success

The year 2014 was surely one for the stock market. Having witnessed a ~30% rise for the Nifty and Sensex in the previous year, the predictions for the New Year are markedly divided in logic and argument. Some marketmen feel 2015 may bring about only a single digit upsurge while some others are more hopeful in their analysis. The contrasting forecasts are hardly a matter of concern, for this is the time to gainfully focus on individual stocks rather than pin hopes on the overall market or fret and fume over its likely direction. There are many individual stocks with the power to yield 30% returns and hence the hunt should be for such potential winners.

In the worst case scenario, we may have to bear with a market slowdown phase that may extend to the immediate future but a medium to long time frame of four to five years looks remarkably productive for the market. There are a few factors that more than support this view.

For one, the political scenario is at its very best for the country and there's absolutely no reason to disbelieve the plum prospects waiting in the wings. How many times has India enjoyed the luxury of a historic mandate with a single party in majority, a workaholic Prime Minister and sweeping nationwide power acquisitions for the ruling party in state after state? In all probability, 2015 would be a year of meaningful political action. The government seems visibly determined to deliver its promise and the forthcoming budget would be the first tangible proof of its positive intent to usher in a reform-led economic growth. Precisely why we have every reason to keep the faith alive and kicking.

At 4 to 4.5%, our fiscal deficit is placed at one of its lowest levels in the last three decades. The government can clearly afford to increase its Plan expenditure spend as also stagger disinvestment to get the right price. The crude oil status is a big positive and will undoubtedly help keep in check the usual suspects like current account deficit and inflation.

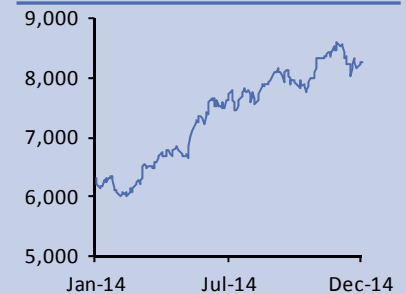
Our position on the world map couldn't have been better. In fact, it won't be inappropriate to call India one of the brightest spot in an otherwise dark world. Once the rupee stabilises, we strongly believe, we should see a remarkable FII inflow to the tune of \$10 billion plus over the next 6 to 8 months. Notwithstanding the possibility of an US Fed interest rate surge, there's enough liquidity in global markets to see them through with key stakeholders Japan and Europe on a predominant easing spree. Interest rates too, will begin to drop sooner than most of us expect at this point.

Last but not the least; corporate earnings should gather momentum in the coming quarters on the back of the low base of last 3 years. With a gradual demand pick up and the benefit triggers of operating and financial leverage, the corporate scorecard is likely to rise by at least 17-18% in each of the next two years.

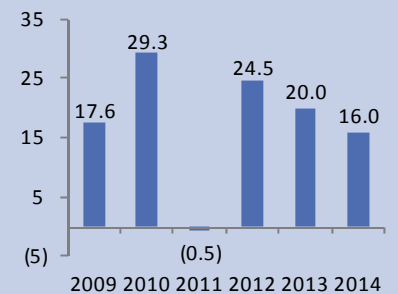
Nifty: 8,284
Sensex: 27,508

Price as on January 01, 2015

Nifty chart



FII flows in equities (US\$bn)



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January 02, 2015

Yes, corrections would indeed remain an integral feature of the market voyage, as they have always been, but more importantly, the overall trend is only pointing to an upward march. Never mind the ensuing dips; the market is well poised to record new highs in the years to come.

Far from indecision, this is the time ripe for positive action...this is the time to correct the reactionary sentiment of panic and perplexity that gains ground on every correction...this is the time to increase our hand-picked exposure to that phenomenal investment avenue called equities. Here're our six picks: Bajaj Corp, CanFin, Granules India, Indian Hume Pipe, MM Forgings, Symphony.

Wishing you all a Happy and Prosperous 2015!

BUY recommendation summary

Company	Sector	CMP (Rs)	Target (Rs)	Upside (%)	FY14-17E PAT CAGR (%)	FY17E		
						P/E (x)	RoE (%)	EV/EBIDTA
Bajaj Corp	FMCG	372	485	30.4	17.0	18.6	45.8	16.4
Granules India	Pharma	832	1085	30.4	27.6	10.8	24.3	6.5
Indian Hume Pipe	Infrastrucutre	338	440	30.2	39.8	12.5	18.1	8.3
MM Forgings	Auto Ancillary	546	710	30.0	42.3	7.8	28.6	4.1
Symphony	Consumer Discretionary	1,913	2,489	30.1	35.3	25.4	50.5	19.4

Company	Sector	CMP (Rs)	Target (Rs)	Upside (%)	FY14-17E PAT CAGR (%)	FY17E		
						P/ABV (x)	ROA (%)	ROE (%)
Can Fin Homes	Financials	498	660	32.5	30.5	1.3	1.3	16.8

Source: India Infoline Research

Well-oiled for growth

Bajaj Corp is a dominant player in high-growth Light Hair Oil (LHO) segment in India with a strong 60%+ market share in its flagship brand Bajaj Almond Drops hair oil (ADHO) contributing ~94% to revenues. The LHO market (largest non-coconut hair oil segment) accounts for ~18% of the ~Rs81bn hair oil market in India. With the changing hair styling trends and the non-greasy benefit of light hair oil, LHO market is the fastest growing segment in the hair oil industry. Bajaj Corp being the market leader is expected to be the biggest beneficiary. The company has witnessed revenue/earnings CAGR of ~22/31% respectively over FY09-14 and is currently trading at cheap valuations of 18.6x FY17E EPS of Rs19.9 compared to its peers in the FMCG space. We recommend Buy.

Dominant player in light hair oil market

The LHO market (largest non-coconut hair oil segment) accounts for ~18% of the ~Rs81bn hair oil market in India and Bajaj Corp is well positioned with its undisputed leadership position. The company dominates high-growth LHO segment in India with a strong 60% market share in its flagship brand Bajaj Almond Drops hair oil (ADHO, more than 3x market share of its nearest competitor) contributing ~94% to revenues. The company targets to increase its market share to 65% in the next few years. Bajaj Corp's dependence on a single product is seen as a risk but high entry barriers in the hair oil industry gives us comfort in the brand's strength and undisputed leadership position.

Revival in volume growth

Over the past four quarters, Bajaj Corp had witnessed subdued volume growth in its ADHO brand with averaging decline of 2% due to inventory pile up with distributors on account of slowdown in hair oil industry. However, Q2 FY15 has witnessed a volume recovery with primary sales growing 4% and secondary sales growing even faster at 7%. A revival in industry fortunes and normalisation of trade inventory will aid the company in clocking high single-digit volume growth for the coming few quarters.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	6,717	7,886	8,898	10,283
yoy growth (%)	10.7	17.4	12.8	15.6
Operating profit	1,867	2,212	2,749	3,193
OPM (%)	27.8	28.1	30.9	31.1
Pre-exceptional PAT	1,790	2,059	2,501	2,941
Reported PAT	1,504	1,589	2,031	2,757
yoy growth (%)	(10.1)	5.6	27.8	35.7
EPS (Rs)	12.1	14.0	17.0	19.9
P/E (x)	30.6	26.6	21.9	18.6
Price/Book (x)	10.5	9.9	9.1	8.0
EV/EBITDA (x)	28.7	24.0	19.2	16.4
RoE (%)	35.6	38.4	43.5	45.8
RoCE (%)	44.3	47.3	54.4	57.3

Source: Company, India Infoline Research

Rating: BUY

Target (1-year): Rs485

CMP: Rs372

Upside: 30.4%

Sector: FMCG

Sector view: Positive

Sensex: 27,508

52 Week h/l (Rs): 375 / 200

Market cap (Rscr): 5,482

6m Avg vol ('000Nos): 148

Bloomberg code: BACO IN

BSE code: 533229

NSE code: BAJAJCORP

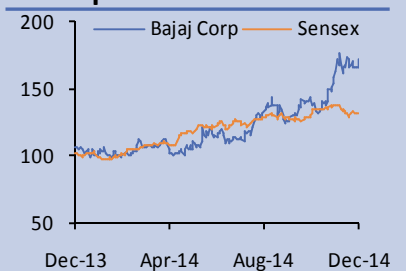
FV (Re): 1

Price as on January 01, 2015

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth			3		
Cash Flow				4	
B/S Strength				4	
Valuation appeal				4	
Risk		2			

Share price trend

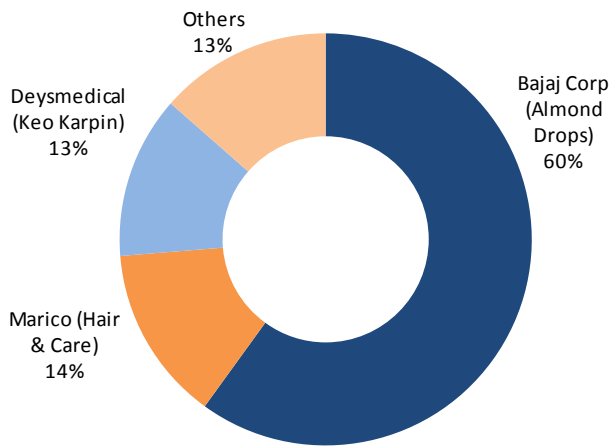


Share holding pattern

(%)	Mar-14	Jun-14	Sep-14
Promoters	75.0	75.0	75.0
Institutions	15.4	16.6	17.1
Others	9.6	8.4	7.9

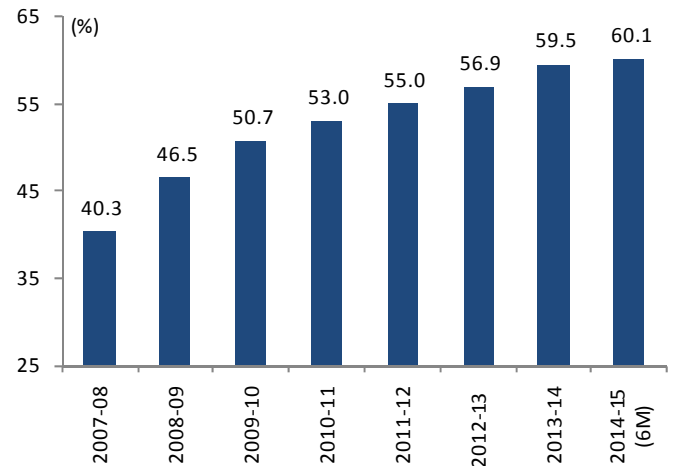
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Bajaj Corp - largest player in light hair oil market



Source: Company, India Infoline Research

Bajaj Corp's value market shares trends (All India)



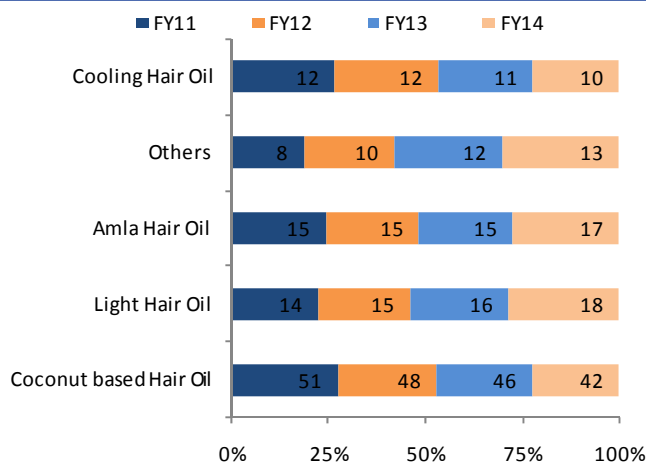
Source: Company, India Infoline Research

Light hair oil industry... the fastest growing segment

The LHO industry is the fastest growing segment of the ~Rs81bn hair oil market in India and has witnessed 19% CAGR over FY09-14 in value terms. It has grown at a faster rate compared to the overall hair oil industry mainly due to the changing hair styling trends and increased preference for light hair oil, which has non-sticky, non-greasy benefits. Within the LHO market, the almond hair oil segment has been growing strongly with 23% revenue CAGR over FY10-14, where Bajaj Corp is a dominant player with its key brand ADHO. Region-wise light hair oil sales are skewed towards urban areas due to its higher cost and urban consumers larger exposure to changing fashion trends. Geographically, sales are skewed towards North India (50% share) while western region (28% share) is the fastest growing one due to higher urbanization rates.

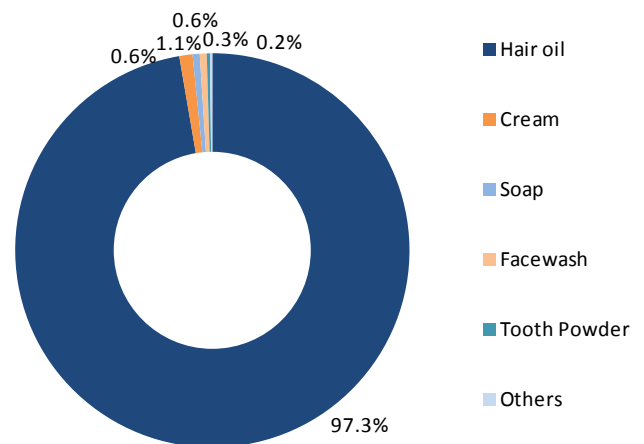
LHO industry is the fastest growing segment of the ~Rs81bn hair oil market in India and has witnessed 19% CAGR over FY09-14 in value terms

Increasing share of light hair oil segment



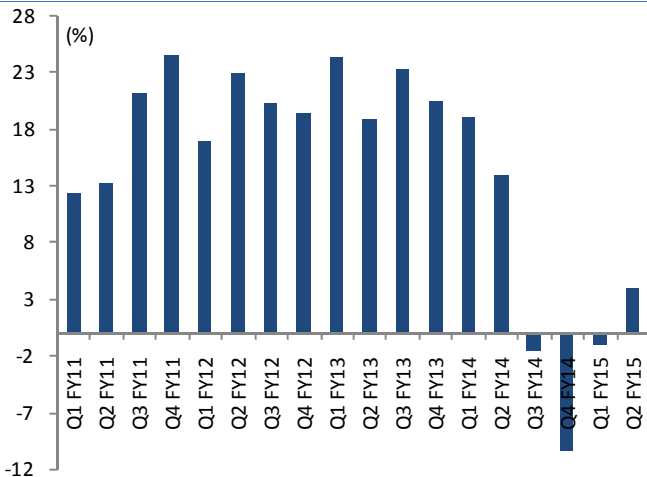
Source: Company, India Infoline Research

Bajaj Corp's segment-wise revenue mix (FY14)



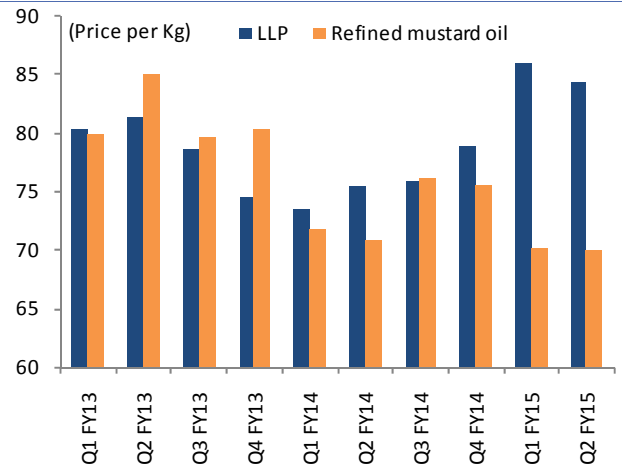
Source: Company, India Infoline Research

Bajaj Almond hair oil volume growth



Source: Company, India Infoline Research

Softening raw material prices



Source: Company, India Infoline Research

Correction in LLP prices expected to fuel margins

With crude oil prices declining by ~40% over the last few months, we expect Bajaj Corp to witness significant gross margin benefit. Light Liquid Paraffin (LLP), a crude derivative is the largest cost component for Bajaj Corp and accounts for 35% of the cost and 15% of the sales. As most of the price correction is recent, it has not yet reflected in LLP consumption cost of Bajaj Corp. We expect benefit to start accruing from Q4 FY15 onwards, and the full impact of the raw material cost saving is likely to accrue in FY16.

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Distribution network expansion to drive revenues

Bajaj Corp is focusing on widening its distribution network as distribution led growth has been an important driver in the past for Bajaj Corp. It has increased its distribution network from ~0.8mn in FY06 to ~2.7mn outlets in FY14. The distribution expansion has helped the company to penetrate further into rural areas where consumers use loose mustard oil or cheap local brands and gradually convert to ADHO. As a result, revenue contribution from rural areas has increased from 29% in FY07 to 38% in FY14. The distribution reach is also important for the No Marks brand, acquired in August 2013. Currently, the brand is available in 0.4mn outlets and the company plans to gradually roll out to outlets in which ADHO is available.

Revenue contribution from rural areas has increased from 29% in FY07 to 38% in FY14

Bajaj Corp acquired No Marks brand for Rs1.4bn in Aug'13. The brand is expected to clock ~Rs600mn revenues in FY15

Valuations attractive... recommend Buy

Bajaj Corp dominates high-growth Light Hair Oil segment in India with a strong 60%+ market share in its flagship brand ADHO contributing ~94% to revenues. The Light Hair Oil market (largest non-coconut hair oil segment) accounts for ~18% of the ~Rs81bn hair oil market in India. With changing hair styling trends and the non-greasy benefit of light hair oil, this market is growing fastest. Bajaj Corp being the market leader is expected to be the biggest beneficiary. Bajaj Corp has witnessed revenue/earnings CAGR of ~22%/31% respectively over FY09-14. We expect the company to witness a revenue/PAT CAGR of ~18%/17% respectively over FY14-17. The stock is currently trading at cheap valuations of 18.6x FY17E EPS of Rs19.9 compared to its peers in the FMCG space.

We expect the company to witness a revenue/PAT CAGR of ~18%/17% respectively over FY14-17

Financials

Income statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenue	6,717	7,886	8,898	10,283
Operating profit	1,867	2,212	2,749	3,193
Depreciation	(37)	(47)	(52)	(56)
Interest expense	(59)	(2)	(2)	(2)
Other income	401	371	431	541
Profit before tax	2,172	2,535	3,127	3,676
Taxes	(382)	(475)	(625)	(735)
Adj. profit	1,790	2,059	2,501	2,941
Exceptional items*	(286)	(470)	(470)	(184)
Net profit	1,504	1,589	2,031	2,757

* No Marks acquisition amortisation expenses

Balance sheet

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Equity capital	148	148	148	148
Reserves	5,073	5,368	5,847	6,705
Net worth	5,221	5,516	5,994	6,852
Total liabilities	5,221	5,516	5,994	6,852
Fixed assets	483	507	528	543
Intangible assets	1,126	836	542	584
Investments	2,107	2,207	2,407	2,907
Net working capital	215	313	374	459
Inventories	395	465	524	606
Sundry debtors	84	97	110	127
Other current assets	333	388	438	508
Sundry creditors	(405)	(475)	(536)	(620)
Other current liabilities	(191)	(161)	(161)	(161)
Cash	1,290	1,652	2,143	2,359
Total assets	5,221	5,516	5,994	6,852

Cash flow statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Profit before tax	2,172	2,535	3,127	3,676
Depreciation	37	47	52	56
Tax paid	(382)	(475)	(625)	(735)
Working capital Δ	(67)	(98)	(61)	(85)
Operating cashflow	1,760	2,008	2,492	2,912
Capital expenditure	(1,187)	219	222	(114)
Free cash flow	573	2,227	2,714	2,798
Investments	248	(100)	(200)	(500)
Debt financing/ disposal	-	-	-	-
Dividends paid	(1,122)	(1,294)	(1,553)	(1,898)
Other items	(299)	(470)	(470)	(184)
Net Δ in cash	(600)	362	491	216

Key ratios

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Growth matrix (%)				
Revenue growth	10.7	17.4	12.8	15.6
Op profit growth	8.0	18.5	24.3	16.2
EBIT growth	6.5	13.7	23.3	17.6
Net profit growth	7.0	15.0	21.5	17.6

Profitability ratios (%)

OPM	27.8	28.1	30.9	31.1
EBIT margin	33.2	32.2	35.2	35.8
Net profit margin	26.7	26.1	28.1	28.6
RoCE	44.3	47.3	54.4	57.3
RoNW	35.6	38.4	43.5	45.8
RoA	31.5	34.4	39.0	41.1

Per share ratios

EPS	12.1	14.0	17.0	19.9
Dividend per share	6.5	7.5	9.0	11.0
Cash EPS	12.4	14.3	17.3	20.3
Book value per share	35.4	37.4	40.6	46.5

Valuation ratios (x)

P/E	30.6	26.6	21.9	18.6
P/CEPS	30.0	26.0	21.5	18.3
P/B	10.5	9.9	9.1	8.0
EV/EBIDTA	28.7	24.0	19.2	16.4

Payout (%)

Dividend payout	62.7	62.8	62.1	64.6
Tax payout	17.6	18.8	20.0	20.0

Liquidity ratios

Debtor days	5	5	5	5
Inventory days	21	22	22	22
Creditor days	22	22	22	22

Du-Pont Analysis

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Tax burden (x)	0.82	0.81	0.80	0.80
Interest burden (x)	0.97	1.00	1.00	1.00
EBIT margin (x)	0.33	0.32	0.35	0.36
Asset turnover (x)	1.18	1.32	1.39	1.44
Financial leverage (x)	1.13	1.11	1.12	1.12
RoE (%)	35.6	38.4	43.5	45.8

In the midst of a strong growth cycle

Can Fin Home Finance (CHF), a South India focused HFC, is set to deliver a 2.5x growth in loan assets over FY14-17 aided by significant branch additions. Portfolio spread, which has narrowed off-late, is expected to recover as cost of borrowings decline. Improvement in branch productivity levels (shorter break-even periods) will drive a material operating leverage. Asset quality has been impeccable so far; NPL ratios may normalize in coming years but still remain below the industry. Estimate earnings growth to average 30% pa over FY14-17. We believe that CHF can operate at RoA of 1.5% and RoE of 16-17% in the longer term as business attains greater scale and maturity. Stock valuation is attractive at 8x P/E and 1.3x P/ABV on FY17 estimates. Capital adequacy will be bolstered by the upcoming rights issue.

A fast growing HFC focused on South India

Can Fin Home Finance (CHF) is one of the fastest growing housing finance companies (HFC) promoted by Canara Bank (42.4% stake). Regionally, CHF is mainly focused in South India where more than 70% of branches are located. Company mainly caters to the first time home buyers in largely urban pockets (metro and Tier-1 cities). Bangalore itself houses 21 of the existing 114 branches; Chennai (7 branches), Hyderabad (5 branches) and Delhi-NCR (6 branches) are other cities where company has significant presence. The customer profile is quite robust with 88% of the portfolio being individual home loans pre-dominantly (93% of it) to salaried borrowers largely employed in IT sector and government companies/PSUs. The balance 12% of the portfolio is LAP (to self-employed), builder loans (small tickets to local developers) and commercial lending. Average ticket size of housing loans is Rs1.7-1.8mn with CHF focused on the affordable housing segment.

Loan assets to grow 2.5x over FY14-17E

Since the deputation of Mr C Ilango as the Managing Director in 2011, CHF's loan assets have grown 2.7x in size representing robust growth of 38% pa. Over the past four years, Mr Ilango has driven growth by establishing a substantial DSA channel and expanding branch network rapidly (doubled from 41 to 83 over FY11-14).

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Total operating income	5,571	7,932	10,985	14,628
Yoy growth (%)	47.1	42.4	38.5	33.2
Operating profit (pre-provisions)	1,113	1,352	2,038	2,888
Net profit	757	890	1,236	1,682
yoy growth (%)	39.9	17.5	38.9	36.1
EPS (Rs)	37.0	32.6	45.3	61.6
Adj. BVPS (Rs)	228.4	302.5	337.8	387.1
P/E (x)	13.5	15.3	11.0	8.1
P/Adj.BV (x)	2.2	1.7	1.5	1.3
ROE (%)	17.6	13.7	14.0	16.8
ROA (%)	1.5	1.2	1.3	1.3
CAR (%)	13.8	18.1	14.5	12.4

Source: Company, India Infoline Research

Rating: BUY

Target (1-Year): Rs660

CMP: Rs498

Upside: 32.5%

Sector: Financials

Sector view: Positive

Sensex: 27,508

52 Week h/l (Rs): 548/160

Market cap (Rscr): 1,020

6m Avg vol ('000Nos): 51.5

Bloomberg code: CANF IN

BSE code: 511196

NSE code: CANFINHOME

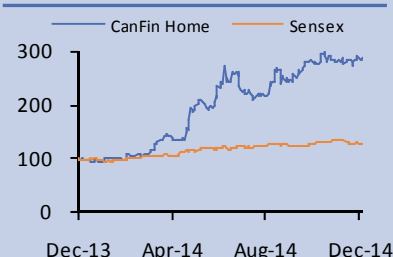
FV (Rs): 10

Price as on January 01, 2015

Company rating grid

	1	2	3	4	5
Earnings Growth					5
RoA Progression			3		
B/S Strength				4	
Valuation appeal				4	
Risk		2			

Share price trend



Share holding pattern

(%)	Mar-14	Jun-14	Sep-14
Promoter	42.4	42.4	42.4
Insti	0.9	0.9	1.1
Others	56.7	56.7	56.5

Research Analyst:

Rajiv Mehta

research@indiaonline.com

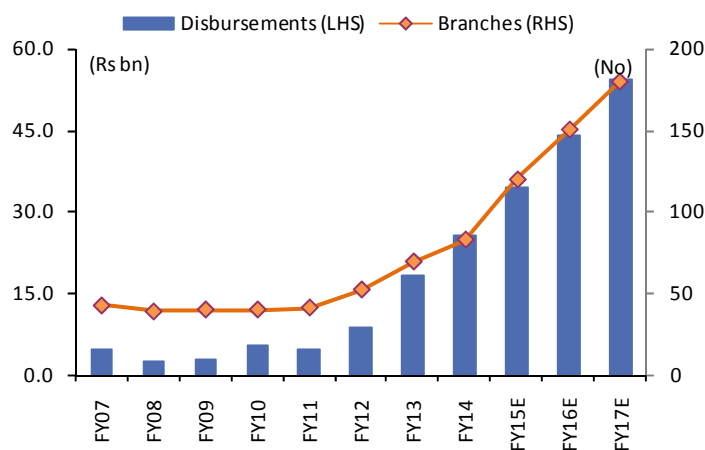
Currently, company has more than 700-800 active DSAs across the country and they contribute around 50% of incremental disbursements. To ensure high credit quality, the proposals of DSAs are verified by external agencies and evaluated by the respective branches. Other factors propelling growth have been CHF's presence in the resilient affordable housing space (has not witnessed slow down) and faster turnaround time (within seven days) that enables it to differentiate from competition. Even on an increased base, sanctions and disbursements have been growing at 30-35% in the current fiscal and this is likely to sustain in coming years too aided by persistent branch additions (expect the no of branches to reach 180 by end FY17). Consequently, we estimate loan assets to grow by 2.5x over FY14-17 to Rs148bn. CAR which is low currently at near 12% will be bolstered by the upcoming rights issue of upto Rs3bn thus becoming adequate to support the projected growth.

Co has more than 700-800 active DSAs across the country; no of branches to reach 180 by end FY17

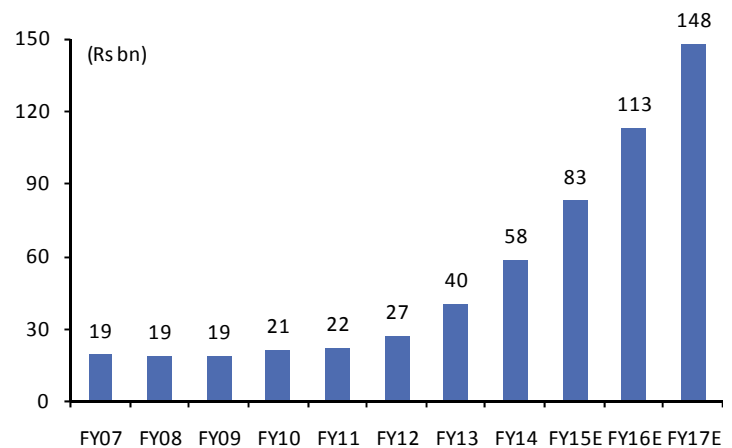
Sanctions and disbursements have been growing at 30-35%

Upcoming rights issue to bolster CTRA

Disbursements traction to remain strong



Loan portfolio to grow rapidly



Source: Company, India Infoline Research

Spread to recover; asset quality to remain strong

CHF's portfolio spread has fallen to sub-1.4% from 1.8% over the past couple of years impacted by compression in portfolio yield which in-turn was driven by change in product mix and hyper competition in the market. Fortunately, company's cost of borrowings has remained stable (unlike most peers) thanks to its access to low-cost long-term NHB financing (44% of borrowings) and a robust credit rating (AAA) that enables CHF to borrow from banks (48% share) at Base Rate. In the near term, management intends to tap NCDs and CPs for short-term liability management which are available at much cheaper rates. This along with inevitable commencement of a Base Rate reduction cycle should bring the borrowing cost materially down in the longer term. Resultantly, loan spreads could revert back to 1.8% by FY17.

NHB financing at 44% of borrowings;

Co tapping bond market to lower borrowing cost

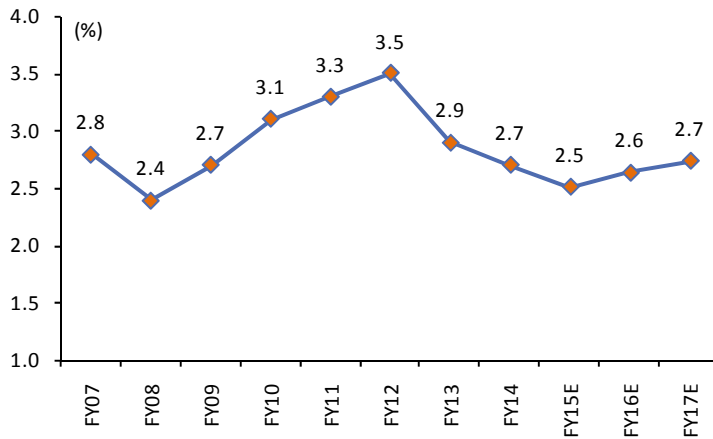
Cyclical decline in the cost of borrowings to aid loan spread recovery

The key highlight of CHF's growth story so far has been impeccable asset quality as manifested in sustained negligible Gross NPLs. While the portfolio is largely unseasoned, company's focus on first time salaried home buyers, low proportion of relatively risky non-housing loan portfolio and strong underwriting standards has backed robust asset quality performance. While we do believe that sustaining such low NPL ratios would be challenging in coming years, it would still remain well below the industry average

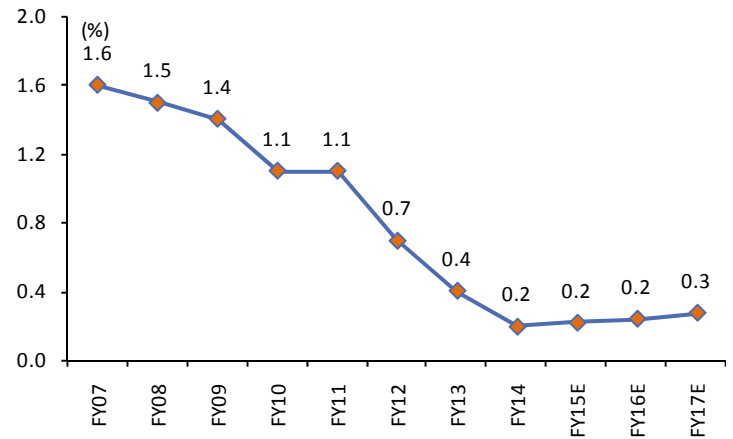
Asset quality has been impeccable so far

NPL ratios to inch-up but remain well below industry average

NIM to climb-up on the back of spread recovery



Gross NPLs to stay low



Source: Company, India Infoline Research

Robust earnings growth available at attractive valuation

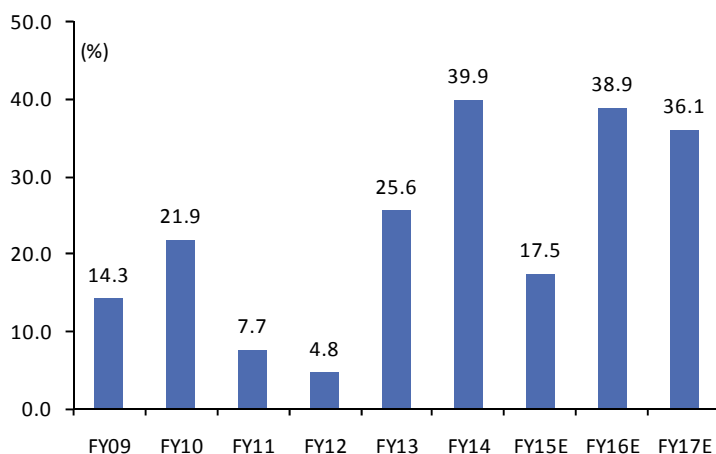
After dipping in FY15, we estimate earnings growth of CHF to bounce-back strongly aided by expansion of loan spread and improve in cost income ratio. The latter would be a function of improvement in branch productivity levels as typically new branches take 7-8 months to break-even. The growth in earnings is expected to average 30% over FY14-17. With assets also growing at similar pace, the expansion in RoA is likely to be restricted to 1.3% by FY17. But we believe that in the longer term, CHF can operate at RoA of 1.5% as the business attains higher scale and maturity. On optimal leverage levels, sustainable RoE band works out to 16-17%. In our view, since the company is in a new-found growth cycle, valuation will be more sensitive to asset growth than to the medium term business profitability. So from this angle, we find CHF’s valuation quite attractive at 8x P/E and 1.3x P/ABV on our FY17 estimates.

Earnings growth to bounce back sharply in FY16 and FY17

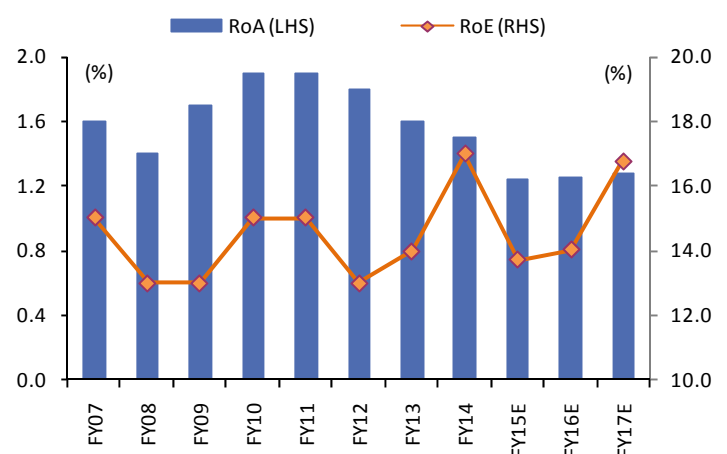
See longer term RoA/RoE at 1.5%/16-17% respectively

Valuation attractive at 8x P/E and 1.3x P/ABV on FY17 estimates

Estimate 30% earnings CAGR over FY14-17



RoA to gradually improve to 1.5% in longer term



Source: Company, India Infoline Research

Financials

Income statement

Y/e 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Income from Operatns	5,571	7,932	10,985	14,628
Interest expense	(4,228)	(6,159)	(8,401)	(11,058)
Net interest income	1,343	1,773	2,584	3,570
Non-interest income	209	303	414	537
Total op income	1,552	2,076	2,998	4,107
Total op expenses	(439)	(724)	(960)	(1,219)
Op profit (pre-prov)	1,113	1,352	2,038	2,888
Provisions	(45)	(98)	(296)	(518)
Exceptional Items	(2)	0	0	0
Profit before tax	1,067	1,254	1,741	2,370
Taxes	(309)	(364)	(505)	(687)
Net profit	757	890	1,236	1,682

Balance sheet

Y/e 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Equity Capital	205	273	273	273
Reserves	4,474	8,039	9,053	10,450
Shareholder's funds	4,679	8,313	9,327	10,723
Long-term borrow	43,288	59,961	82,653	109,652
Deferred tax liab	0	0	0	1
Long term provi	408	469	539	620
Total non-curr liab	43,695	60,430	83,192	110,272
Short Term Borrow	3,659	5,247	7,232	9,595
Trade payables	0	0	0	0
Other current liab	6,731	9,744	13,431	17,818
Short term prov	352	387	426	469
Total current liab	10,742	15,378	21,089	27,882
Equity + Liab	59,116	84,120	113,608	148,877
Fixed Assets	78	106	132	155
Non-current inv	149	139	129	119
Long-term loans/adv	58,306	82,903	112,049	146,778
Deferred tax assets	49	54	59	64
Total non-curr asset	58,583	83,202	112,370	147,116
Trade receivables	0	0	0	0
Cash & equivalents	92	344	442	719
Short-term loan/adv	438	569	790	1,035
Other current assets	5	5	6	7
Total Current assets	534	919	1,238	1,761
Total Assets	59,117	84,121	113,607	148,877

Key ratios

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Growth matrix (%)				
Net interest income	40.3	32.0	45.7	38.2
Total op income	41.5	33.7	44.4	37.0
Op profit (pre-prov)	51.0	21.4	50.8	41.7
Net profit	39.9	17.5	38.9	36.1
Advances	45.5	41.9	36.1	31.0
Borrowings	48.9	42.2	37.8	32.7
Total assets	45.4	42.3	35.1	31.0
Profitability Ratios (%)				
NIM	2.7	2.5	2.6	2.7
Non-int inc/Total inc	13.5	14.6	13.8	13.1
Return on Avg Equity	17.6	13.7	14.0	16.8
Return on Avg Assets	1.5	1.2	1.3	1.3
Per share ratios (Rs)				
EPS	37.0	32.6	45.3	61.6
Adj.BVPS	228.4	302.5	337.8	387.1
DPS	6.5	5.0	7.0	9.0
Valuation ratios (x)				
P/E	13.5	15.3	11.0	8.1
P/Adj.BVPS	2.2	1.7	1.5	1.3
Other key ratios (%)				
Loans/Borrowings	1.1	1.1	1.1	1.1
Cost/Income	28.3	34.9	32.0	29.7
CAR	13.8	18.1	14.5	12.4
Gross NPLs/Loans	0.2	0.2	0.2	0.3
Credit Cost	0.1	0.1	0.3	0.4
Net NPLs/Net loans	0.0	0.1	0.1	0.1
Tax rate	29.0	29.0	29.0	29.0
Dividend yield	1.3	1.0	1.4	1.8

A healthy dose

Granules India is an export focused pharma player with presence across the entire value chain from API to finished dosages. It straddles ~75% of the overall analgesics and 49% of anti-diabetes market and supplies respective API molecules; these act as the first line of defense and have no direct replacement in pipeline giving Granules a sustainable demand pool. The three key segments of APIs, pharma formulation intermediates (PFI) and finished dosages (FD) each accounted for ~32-35% of FY14 standalone revenues. Auctus Pharma acquisition brings 12 high value APIs along with DMF filings which would be used to launch ANDA filings from CY15 onwards; in the near term company looks to turnaround Auctus through shift in API sales from domestic to exports, direct selling to Granules customers and stoppage of intermediate sales which together would act as a key rerating trigger in our view. Company targets eventual FD share of 60-65% in the longer term which can provide significant boost to margins. We factor in 14% revenue and 28% EPS cagr over FY14-17 and recommend BUY based on 14x FY17 earnings. Headwinds to our reco include subpar Auctus turnaround and lack of traction in finished dosages.

Auctus Pharma turnaround key rerating trigger

Granules India had acquired Auctus Pharma, a Hyderabad based API and intermediates manufacturer for ~Rs1.2bn and the acquisition became effective from February 2014. Auctus barely broke even at EBIDTA despite sales of ~Rs109mn in FY14 and Granules indicated that turnaround of the company would be a key focus area. In the short term this would be driven by 1) Stoppage of intermediate sales from Auctus and only drive API sales 2) shift API sales from domestic market to exports which would result in better margins and 3) selling to Granules global customer base instead of third party traders. In the longer term, Granules would move up the value trajectory by filing ANDAs based on Auctus' API. In an interaction with us, Granules expects Auctus to turnaround at both EBIDTA and PAT level with FY15 revenues of ~Rs1.2bn. Auctus margins would eventually converge to that of Granules margin (c17%).

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	10,959	12,817	14,481	16,376
yoy growth (%)	43.4	17.0	13.0	13.1
Operating profit	1,583	2,064	2,520	2,981
OPM (%)	14.4	16.1	17.4	18.2
Reported PAT	752	1,008	1,284	1,564
yoy growth (%)	131.0	33.9	27.4	21.8
EPS (Rs)	37.1	49.7	63.3	77.1
P/E (x)	22.3	16.6	13.1	10.7
Price/Book (x)	4.7	3.7	3.0	2.3
EV/EBITDA (x)	13.1	10.1	8.0	6.5
Debt/Equity (x)	1.2	1.0	0.8	0.6
RoE (%)	23.9	25.1	25.3	24.3
RoCE (%)	19.0	19.5	21.6	22.7

Source: Company, India Infoline Research

Rating: BUY

Target (1-Year): Rs1,085

CMP: Rs832

Upside: 30.4%

Sector: Pharmaceuticals

Sector view: Positive

Sensex: 27,508

52 Week h/l (Rs): 941 / 189

Market cap (Rscr): 1,700

3m Avg vol ('000Nos): 132

Bloomberg code: GRAN IN

BSE code: 532482

NSE code: GRANULES

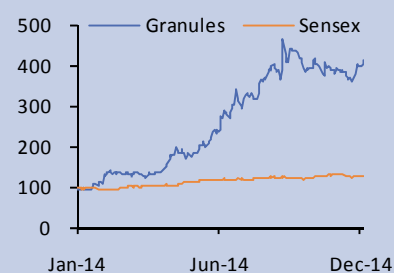
FV (Rs): 10

Price as on January 01, 2015

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth				■	
Cash Flow				■	
B/S Strength			■		
Valuation appeal				■	
Risk	■				

Share price trend



Share holding pattern

%	Mar-14	Jun-14	Sep-14
Promoters	48.9	48.7	48.6
Insti	1.9	4.5	6.3
Others	49.2	46.8	45.1

Research Analyst:

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API business on a sustainable footing

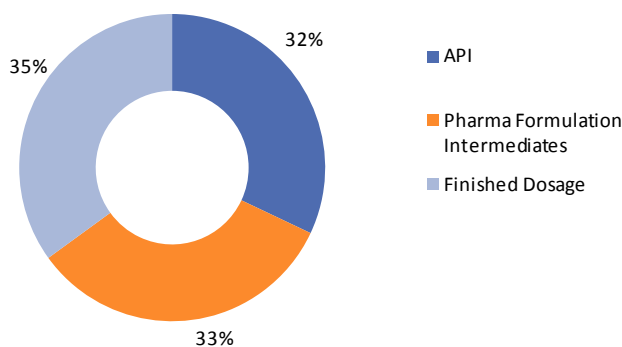
Granules India supplies APIs for analgesics such as paracetamol and anti-diabetes (metformin). It straddles 75% of the analgesics and 49% of the anti-diabetes market. Paracetamol and Metformin have maintained their role as first line of defense molecules in respective segments and have no direct replacement in the pipeline. Granules India has a 30% market share of the regulated markets (US + Canada + EU) Paracetamol supplies and the molecule accounted for 42% of FY14 consolidated sales. After paracetamol, Ibuprofen is the key analgesic molecule and given its complex nature has only six primary manufacturers of which Granules Biocause JV accounts for ~16% share. In the lucrative anti-diabetes space, Metformin has ~50% share and Granules has a 5% share in its API supplies. In addition to being largely non replaceable, above API supplies are on usually long term contracts involving significant switching costs; hence Granules is likely to retain its competitive advantage in supplying these APIs to pharma customers with whom it has established deep relationships. Granules scale of operations has typically led to double digit growth in these APIs even as market for most of these products posts single digit growth. Company sells bulk of its APIs to regulated market customers. Auctus acquisition brought 12 high potential molecules in several therapeutic areas like antihistaminic, anti-hypertensive, anti-thrombotic, anti-convulsant along with 22 regulatory filings. Global value of Auctus API portfolio is pegged at US\$37bn with Valsartan (US\$8.7bn, high blood pressure), Clopidogrel (US\$5.2bn, anti-hypertensive) and Pregabalin (US\$4.8bn, anti-epilepsy) accounting for more than half of the portfolio value. API sales accounted for ~32% of standalone revenues in FY14 and we expect steady ~14% annual growth over the next 2-3 years.

Granules India enjoys sizable market shares in Paracetamol and Ibuprofen molecules and given the lack of alternative in analgesics, it would retain its competitive advantage in such API supplies

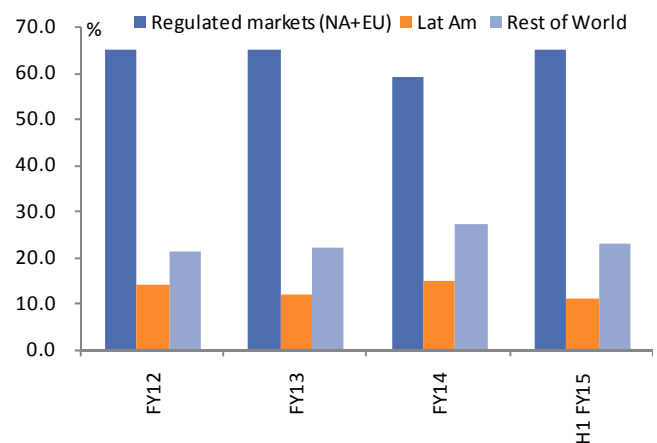
Granules scale of operations and long term relationships with customers has led to double digit growth for most APIs even as globally these register at best high single digit growth with a few exceptions

Auctus acquisition brings 12 high potential molecules in several therapeutic areas

FY14 standalone revenue breakup



Regulated markets account for bulk of revenues



Source: Company, India Infoline Research

Molecule wise sales %: Others gaining share vis-à-vis Paracetamol

Key molecules	Drug class	FY11	FY12	FY13	FY14	H1 FY15
Paracetamol	Analgesics	53.0	45.0	48.0	42.0	40.0
Guaifenesin	Anti-cough	4.0	4.0	5.0	6.0	6.0
Ibuprofen	Analgesics	23.0	25.0	21.0	22.0	15.0
Metformin	Anti-diabetes	10.0	17.0	22.0	24.0	26.0
Others*	-	11.0	9.0	5.0	6.0	14.0

Source: Company, India Infoline Research

*Naproxen, Methocarbamol, Ciprofloxacin

Margin expansion on cards driven by higher FD share

Finished dosage accounted for 35% of standalone sales in FY14, up from 31% in the previous fiscal. The beneficial impact of higher FD was seen on margins which expanded ~330bps yoy. As Granules moves up the value chain, we expect FD share to expand and in our interaction company indicated FY16 margins of 21% (H1 FY15 at 17%) and eventual FD share of revenues at 60-65% in the longer term. Indeed on a combined basis (Granules + Auctus), company is looking to file 3-4 ANDAs in CY15 which would mark the first step towards building a full fledged finished dosage business. Granules would use Auctus APIs and its regulatory DMF filings to file some of the ANDAs along with filings from its own R&D unit.

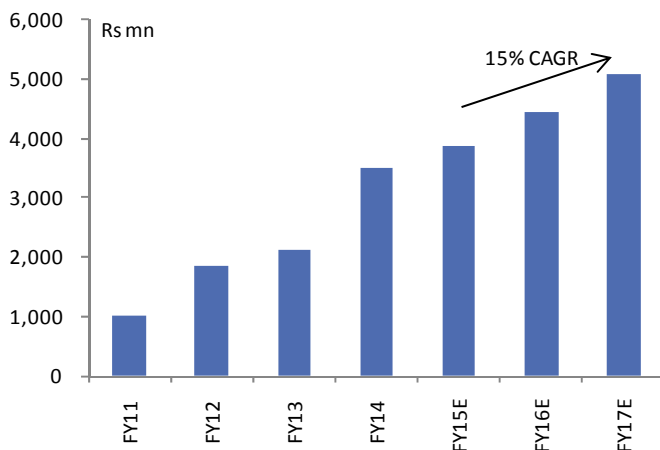
Granules would leverage its own R&D and Auctus APIs to file ANDAs from CY15 onwards resulting in higher FD share over the longer term

Deserves rerating on changing business profile: BUY

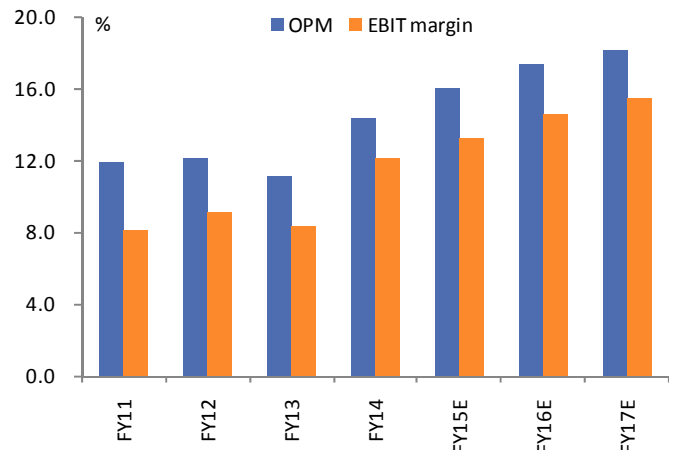
We forecast ~28% earnings cagr over FY14-17 on the back of margin expansion and healthy revenue growth. Stock trades at 10.8x FY17 EPS, and although other mid cap pharma peers have a established formulations business in US, we believe the gradual transformation underway in to a finished dosage player deserves better multiples; recommend BUY with a 1-yr target of Rs1,085 based on 14x FY17 earnings. Failure to turnaround Auctus and lack of traction in finished dosage business are key risks to our recommendation.

Stock deserves to be rerated as FD share is set to rise in the medium term; recommend BUY for ~30% upside

Finished dosage revenues to sustain ~15% cagr

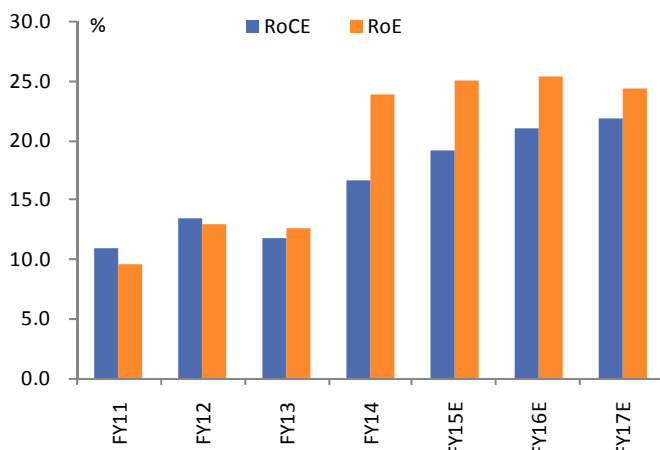


Margin expansion on higher FD share in revenues

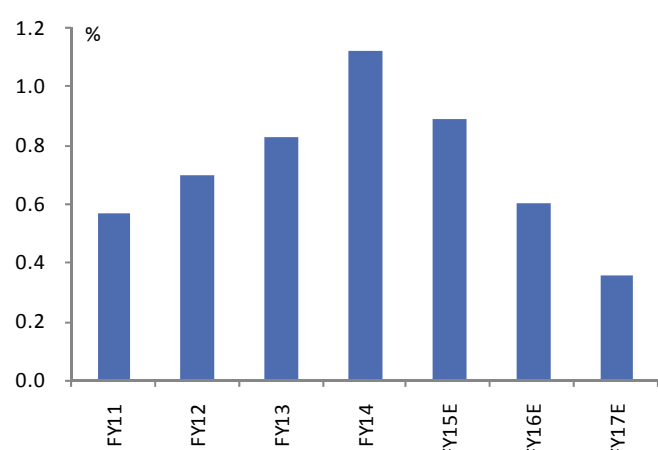


Source: Company, India Infoline Research

Return ratios to improve further



Leverage remains comfortable; peak D/E is behind



Source: Company, India Infoline Research

Financials

Income statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenue	10,959	12,817	14,481	16,376
Op.profit	1,583	2,064	2,520	2,981
Depreciation	(298)	(406)	(452)	(497)
Interest expense	(204)	(199)	(199)	(199)
Other income	43	45	48	50
PBT	1,124	1,504	1,917	2,334
Taxes	(371)	(496)	(632)	(770)
Net profit	752	1,008	1,284	1,564

Balance sheet

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Equity capital	203	203	203	203
Reserves	3,357	4,281	5,482	6,963
Net worth	3,560	4,484	5,685	7,166
Debt	4,417	4,417	4,417	4,417
Def.tax lia	303	303	303	303
Total liabilities	8,280	9,204	10,406	11,886
Fixed assets	6,070	6,558	6,906	7,209
Investments	37	37	37	37
Net working cap	2,172	2,609	3,462	4,640
Inventories	1,742	2,037	2,301	2,603
Sundry debtors	1,109	1,297	1,466	1,657
Cash	417	428	997	1,853
Other curr assets	544	769	869	983
Sundry creditors	(1,355)	(1,585)	(1,791)	(2,026)
Other current lia	(285)	(337)	(380)	(430)
Total assets	8,280	9,204	10,406	11,886

Cash flow statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Profit before tax	1,124	1,504	1,917	2,334
Depreciation	298	406	452	497
Def.tax lia	58	-	-	-
Tax paid	(371)	(496)	(632)	(770)
Working capital Δ	(247)	(427)	(283)	(323)
Other op.items	-	-	-	-
Operating CF	861	987	1,453	1,739
Capital exp	(2,646)	(894)	(800)	(800)
Free cash flow	(1,784)	93	653	939
Equity raised	142	-	-	-
Investments	14	-	-	-
Debt financing/disp	1,713	-	-	-
Dividends	(83)	(83)	(83)	(83)
Net Δ in cash	0	10	570	856

Key ratios

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Growth matrix (%)				
Revenue growth	43.4	17.0	13.0	13.1
Op profit growth	86.2	30.4	22.1	18.3
EBIT growth	107.5	28.2	24.2	19.7
Net profit growth	131.0	33.9	27.4	21.8
Profitability ratios (%)				
OPM	14.4	16.1	17.4	18.2
EBIT margin	12.1	13.3	14.6	15.5
Net profit margin	6.9	7.9	8.9	9.5
RoCE	19.0	19.5	21.6	22.7
RoNW	23.9	25.1	25.3	24.3
RoA	9.0	9.6	10.8	11.6
Per share ratios				
EPS	37.1	49.7	63.3	77.1
Dividend per share	3.5	3.5	3.5	3.5
Cash EPS	51.8	69.7	85.6	101.6
Book value per share	175.5	221.1	280.3	353.3
Valuation ratios (x)				
P/E	22.3	16.6	13.1	10.7
P/BV	4.7	3.7	3.0	2.3
M Cap/Sales	1.5	1.3	1.2	1.0
EV/EBIDTA	13.1	10.1	8.0	6.5
Payout (%)				
Tax payout	33.0	33.0	33.0	33.0
Dividend payout	9.4	8.2	6.5	5.3
Liquidity ratios				
Debtor days	37	37	37	37
Inventory days	58	58	58	58
Creditor days	45	45	45	45
Leverage ratios				
Interest coverage	6.5	8.6	10.6	12.7
Net debt / equity	1.1	0.9	0.6	0.4
Net debt / op. profit	2.5	1.9	1.4	0.9
Du-Pont Analysis				
Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Tax burden (x)	0.67	0.67	0.67	0.67
Interest burden (x)	0.85	0.88	0.91	0.92
EBIT margin (x)	0.12	0.13	0.15	0.15
Asset turnover (x)	1.31	1.22	1.22	1.22
Financial leverage (x)	2.65	2.62	2.33	2.09
RoE (%)	23.9	25.1	25.3	24.3

Strong water infrastructure spending to boost earnings

Indian Hume Pipe Co (IHP) is a major player in the water infrastructure segment in India. The company would be a major beneficiary of the Government's focus to provide sanitation to all by 2019 and developing 100 smart cities. The company has received large orders from various states for sewerage and water supply. Order book has increased 157% over FY11-14 to Rs25.9bn, providing strong revenue growth visibility (BTB Of 2.8x). Margins are expected to improve on the back of faster execution and operational efficiencies. Earnings over the next three years are expected to jump 173% to Rs657mn in FY17. Value unlocking of the various land parcels in major cities would be a big trigger for the company in the near term. We believe there would be some re-rating in the near term due to strong order book, high growth outlook and healthy balance sheet. We recommend a BUY on the stock with a price target of Rs440.

Huge opportunity in water infrastructure capex

IHP undertakes water supply projects for the supply of drinking water and irrigation water and sewer and drainage pipelines for cities and towns. Rising urbanisation and industrialisation would increase the stress on demand for fresh water and would necessitate significant investment in wastewater management by local municipal bodies. To meet the rising water demand, the 12th five-year plan targets Rs2.5tn worth of investments in water and sewage sector, which is 130% higher than 11th five-year plan's actual capex of Rs1.1tn. We believe IHP would be a big beneficiary of the huge spending in the water infrastructure segment over the next five years

Earnings to more than double over FY14-17E

IHP's strong order book coupled with faster execution in the domestic market would lead to strong revenue growth for the company. We expect the company to report a margin expansion of 170bps over the period FY14-17E on the back of operational efficiencies. The company has several land parcels in major cities which it plans to sell either through joint development or by outright sale over the next five years. We estimate earnings to jump 173% to Rs657mn in FY17 from Rs241mn in FY14.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	7,903	9,669	11,439	12,849
yoy growth (%)	18.8	22.4	18.3	12.3
Operating profit	751	989	1,257	1,437
OPM (%)	9.5	10.2	11.0	11.2
Reported PAT	241	385	545	657
yoy growth (%)	5.3	59.8	41.8	20.6
EPS (Rs)	9.9	15.9	22.5	27.1
P/E (x)	34.0	21.3	15.0	12.5
EV/EBITDA (x)	14.0	11.1	9.3	8.3
D/E (x)	1.0	1.1	1.1	1.0
RoE (%)	9.8	14.2	17.6	18.1
RoCE (%)	15.6	17.2	18.5	18.5

Source: Company, India Infoline Research

Rating: BUY

Target (1-Year): Rs440

CMP: Rs338

Upside: 30.2%

Sector: Infrastructure

Sector view: Neutral

Sensex: 27,508

52 Week h/l (Rs): 349 / 117

Market cap (Rscr) : 820

6m Avg vol ('000Nos): 66

Bloomberg code: INHP IN

BSE code: 504741

NSE code: INDIANHUME

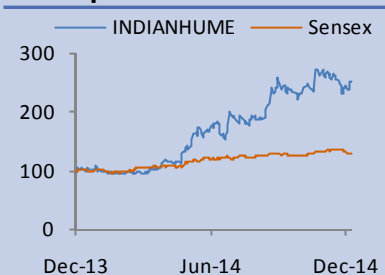
FV (Rs): 2

Price as on January 01, 2015

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth			3		
Cash Flow				4	
B/S Strength				4	
Valuation appeal			3		
Risk		2			

Share price trend



Share holding pattern

%	Mar-14	Jun-14	Sep-14
Promoters	69.9	69.9	69.9
Insti	3.4	3.0	2.8
Others	26.7	27.1	27.2

Research Analyst:

Tarang Bhanushali

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Water infrastructure spending to surge

India faces an impending water crisis as it moves on into the 21st century. India has 16% of world's population with just 4% of world's fresh water resources. The demands of a rapidly industrializing economy and urbanizing society come at a time when the potential for augmenting supply is limited, water tables are falling and water quality issues are increasingly coming to the fore. It is estimated that by 2020, India will become a water-scarce nation. The country thus faces a looming water crisis where demand is set to outstrip supply by 50% by 2030 according to Water Resources Group. Climate change is set to compound the issue. Climate change and its resulting impacts such as changes in rainfall patterns increase in frequency and severity of extreme weather events along with droughts and floods will make water security and distribution even more difficult and costly to achieve.

The country thus faces a looming water crisis where demand is set to outstrip supply by 50% by 2030

While a trend of increasing urbanisation and industrialisation would increase the stress on demand for fresh water, it would also necessitate significant investment in wastewater management by local municipal bodies. The Central Government has already shown its intent to improve the water infrastructure in the country. Through the National Rural Water Drinking program, government aims to provide clean drinking water to rural households across India. It has also setup a ministry for the Clean Ganga river project. To meet the rising water demand, the 12th Five-year Plan targets Rs2.5tn worth of investments in water and sewage sector, which is 130% higher than last five-year plan's actual capex of Rs1.1tn. According to a recent report by the High Powered Expert Committee (HPEC), the next 20 years capex expenditure on water supply alone is estimated at ~Rs3.2tn translating into an opportunity of ~Rs160bn per annum. Besides that, operation and maintenance expenditure on water supply is pegged at ~Rs5.46tn (~Rs270bn per annum). We believe IHP would be a big beneficiary of the huge spending in the water infrastructure segment over the next five years.

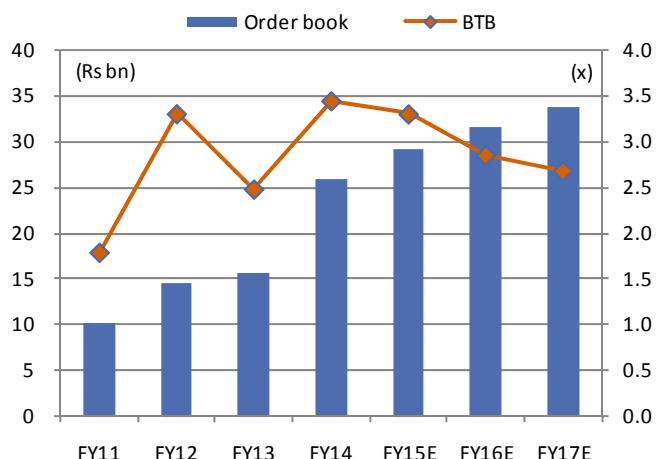
To meet the rising water demand, the 12th Five-year Plan targets Rs2.5tn worth of investments in water and sewage sector, which is 130% higher than last five-year plan's actual capex of Rs1.1tn.

Orderbook at Rs25.9bn; a BTB of 2.8x

IHP undertakes water supply projects for the supply of drinking water and irrigation water and sewer and drainage pipelines for cities and towns, as well as designs, fabricates, and installs penstock pipes for hydro electric projects and cooling water pipelines for thermal power plants. With an increase in focus to augment the water resources over the last three years, the company's order book has more than doubled over the period FY11-14. We believe, going ahead, order inflow for the company would remain strong as the Government starts to implement its plan to cover every household with total sanitation by year 2019. As per census 2011 data, in India ~46% have sanitation facility within their premises. Covering the remaining 54% households in the next five years will require huge pipeline infrastructure, leading to a robust demand opportunity for plastic and cement pipes. We feel that IHP would be a major beneficiary of the orders in cement pipes space. Order book at Q2 FY15 stood at Rs25.9bn, a BTB of 2.8x, providing strong revenue growth visibility over the next two years. We expect order inflow to remain strong over the next two years on the back of strong ordering in the water infrastructure space.

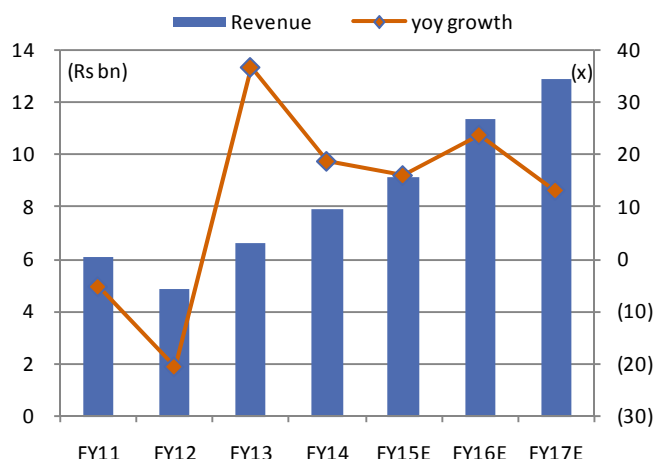
Order book at Q2 FY15 stood at Rs25.9bn, a BTB of 2.8x, providing strong revenue growth visibility over the next two years.

Order book at the end of Q2 FY15 stood at Rs25.9bn, BTB of 2.8x



Source: Company, India Infoline Research

We expect revenue CAGR of 18% over FY14-17E



Source: Company, India Infoline Research

Strong revenue growth to boost bottomline 40% CAGR over FY14-17E

IHP's strong order book coupled with faster execution in the domestic market would lead to strong revenue growth for the company. Over the years, the company has reduced the concentration of orders from one particular state and hence reduces the risk of execution due to the diverse orders bagged. We expect revenue CAGR of 17% over FY14-17 as the company executes the large orders won in FY14. Topline would also be boosted by orders expected from the government to provide water to all. We remain conservative on margin expansion and expect the company to report a margin expansion of 170bps over the period FY14-17E on the back of operational efficiencies. Operating profit is expected to double to Rs1.4bn in FY17 from Rs0.75bn in FY14. We estimate earnings to jump 173% to Rs657mn in FY17 from Rs241mn in FY14.

We estimate earnings to jump 173% to Rs658mn in FY17 from Rs241mn in FY14

Company Profile

Indian Hume Pipe Co (IHP), established in 1926, is a major player in the water infrastructure segment in India. IHP undertakes water supply projects for the supply of drinking water and irrigation water and sewer and drainage pipelines for cities and towns, as well as designs, fabricates, and installs penstock pipes for hydro electric projects and cooling water pipelines for thermal power plants. The company's services include right from designing of custom made pipes to the company's total engineering packages for pipeline projects. The company has a well spread out and wide network of over twenty factories and forty projects in India. The company has earned a reputation for excellence through employing modern technology, stringent quality control measures, timely execution and continuous Research and Development. The company is also manufacturing Air Rifles & Pistols for promoting Target Shooting Sports. The company has several acres of land in major cities, which it plans to sell either through joint development or by outright sale over the next two to five years.

Indian Hume Pipe Co (IHP), established in 1926, is a major player in the water infrastructure segment in India

Financials

Income statement

Y/e 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Revenue	7,903	9,669	11,439	12,849
Operating profit	751	989	1,257	1,437
Depreciation	(78)	(82)	(86)	(91)
Interest expense	(337)	(370)	(393)	(401)
Other income	44	46	48	50
Profit before tax	380	583	826	996
Taxes	(140)	(198)	(281)	(339)
Net profit	241	385	545	657

Balance sheet

Y/e 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Equity capital	48	48	48	48
Reserves	2,495	2,811	3,288	3,878
Net worth	2,543	2,860	3,337	3,926
Debt	2,457	3,157	3,757	4,057
Deferred tax liab (net)	21	21	21	21
Total liabilities	5,021	6,037	7,114	8,004
Fixed assets	848	898	948	998
Investments	16	10	10	10
Net working capital	4,014	4,786	5,890	6,701
Inventories	3,537	4,241	4,917	5,413
Sundry debtors	2,283	2,514	2,915	3,209
Other current assets	1,996	2,442	2,888	3,245
Sundry creditors	(1,785)	(2,293)	(2,712)	(3,047)
Other current liabilities	(2,018)	(2,119)	(2,119)	(2,119)
Cash	142	343	266	294
Total assets	5,021	6,037	7,114	8,004

Cash flow statement

Y/e 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Profit before tax	380	583	826	996
Depreciation	78	82	86	91
Tax paid	(140)	(198)	(281)	(339)
Working capital Δ	(904)	(772)	(1,104)	(811)
Operating cashflow	(585)	(305)	(472)	(63)
Capital expenditure	(121)	(132)	(136)	(141)
Free cash flow	(706)	(438)	(609)	(204)
Investments	2	6	-	-
Debt financing/ disposal	693	700	600	300
Dividends paid	(68)	(68)	(68)	(68)
Other items	9	-	-	-
Net Δ in cash	(70)	200	(77)	28

Key ratios

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Growth matrix (%)				
Revenue growth	18.8	22.4	18.3	12.3
Op profit growth	23.1	31.7	27.1	14.3
EBIT growth	22.0	32.9	27.9	14.6
Net profit growth	5.3	59.8	41.8	20.6

Profitability ratios (%)

OPM	9.5	10.2	11.0	11.2
EBIT margin	9.1	9.9	10.7	10.9
Net profit margin	3.0	4.0	4.8	5.1
RoCE	15.6	17.2	18.5	18.5
RoNW	9.8	14.2	17.6	18.1
RoA	3.0	4.0	4.9	5.2

Per share ratios

EPS	9.9	15.9	22.5	27.1
Dividend per share	2.4	2.4	2.4	2.4
Cash EPS	13.2	19.3	26.1	30.9
Book value per share	105.0	118.1	137.7	162.1

Valuation ratios

P/E	34.0	21.3	15.0	12.5
P/CEPS	25.7	17.5	13.0	10.9
P/B	3.2	2.9	2.5	2.1
EV/EBIDTA	14.0	11.1	9.3	8.3

Payout (%)

Dividend payout	28.3	17.7	12.5	10.3
Tax payout	36.7	34.0	34.0	34.0

Liquidity ratios

Debtor days	105	95	93	91
Inventory days	163	160	157	154
Creditor days	82	87	87	87

Leverage ratios

Interest coverage	2.1	2.6	3.1	3.5
Net debt / equity	0.9	1.0	1.0	1.0
Net debt / op. profit	3.1	2.8	2.8	2.6

Du-Pont Analysis

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Tax burden (x)	0.63	0.66	0.66	0.66
Interest burden (x)	0.53	0.61	0.68	0.71
EBIT margin (x)	0.09	0.10	0.11	0.11
Asset turnover (x)	0.98	1.00	1.02	1.02
Financial leverage (x)	3.28	3.57	3.61	3.46
RoE (%)	9.8	14.2	17.6	18.1

Growing strength to strength

MM Forgings is leading exporter of forging products to US and Europe. More than 75% of the revenues arise from exports. In terms of segments, 63% of the sales arise from CV segment, 13% from passenger car segment and remaining from the non-auto segment. The company has steadily improved its machining capabilities adding to production of value added products which is reflected in the margin expansion seen over the past few years. Going ahead, the company should benefit from improving CV demand in US given aging fleet there. Domestic market is also expected to be strong given the strong recovery expected in industrial production and infrastructure activities. MMFL is expanding its capacities to meet the rising business opportunities. We expect a 20.3% FY14-17E revenue CAGR and 42.3% PAT CAGR. Considering such strong bottomline growth, expected 25%+ return ratios, robust cash flow generation and strong balance sheet, valuations appear attractive at P/E of 7.8x on FY17E EPS of Rs70.1. Relative to the industry leader Bharat Forge, MMFL is trading at a sharp discount. Recommend BUY with a 9-12 month price target of Rs710.

American CV market to gain strength

Following the financial crisis, US economy has bounced back strongly in the past couple of years. This has translated into strong consumer sentiment resulting in robust retail spending which includes passenger cars. It is estimated that passenger car sales in US will cross 17mn units in CY15 as compared to 15.6mn achieved in CY13. CV demand has also been growing at strong pace driven by improving economic activity and also aging of the existing fleet. US manufacturing PMI has been consistently above the 50 mark in the past three years and is expected to remain strong given the strong economic outlook, weak interest rates and falling fuel prices. Europe is expected to be weak to flattish. Given the fact that automobile base in US is large even a low single digit growth would result in large business opportunities for a small player like MMFL. Currently US and Europe account for ~30% each of the total sales.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	4,114	5,123	6,119	7,174
yoy growth (%)	17.5	24.5	19.4	17.2
Operating profit	789	1,132	1,371	1,636
OPM (%)	19.2	22.1	22.4	22.8
Pre-exceptional PAT	277	510	668	846
Reported PAT	293	510	668	846
yoy growth (%)	116.2	74.0	30.9	26.6
EPS (Rs)	23.0	42.3	55.3	70.1
P/E (x)	23.8	12.9	9.9	7.8
Price/Book (x)	3.4	3.0	2.5	2.0
EV/EBITDA (x)	10.1	6.5	5.2	4.1
Debt/Equity (x)	0.7	0.5	0.4	0.3
RoE (%)	15.1	23.7	25.5	26.0
RoCE (%)	13.8	21.6	24.8	26.5

Source: Company, India Infoline Research

Rating: BUY

Target (1-Year): Rs710

CMP: Rs546

Upside: 30.0%

Sector: Auto Ancillary

Sector view: Positive

Sensex: 27,508

52 Week h/l (Rs): 580 / 89

Market cap (Rscr) : 666

6m Avg vol ('000Nos): 147

Bloomberg code: MMFG IN

BSE code: 522241

NSE code: MMFL

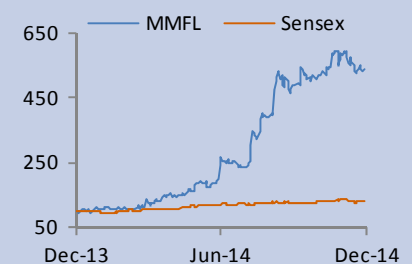
FV (Rs): 10

Price as on January 01, 2015

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth				■	
Cash Flow					■
B/S Strength				■	
Valuation appeal					■
Risk	■				

Share price trend



Share holding pattern

	Mar-14	Jun-14	Sep-14
Promoters	59.5	58.7	59.3
Institutions	8.3	7.7	7.9
Others	32.2	33.6	32.9

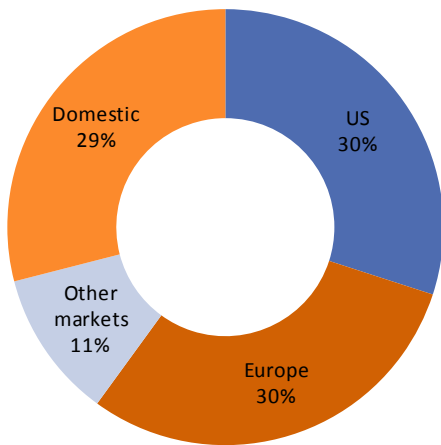
Research Analyst:
Prayesh Jain
research@indiainfoline.com

Domestic CV demand to bounce back

Domestic CV demand has been weak over the past couple of years due to 1) paucity in infrastructure investments, 2) ban on mining, 3) poor industrial activity and 4) rising diesel prices. Infrastructure investments are expected to revive under the new government which has a track record of pro-infrastructure policies. While ban on mining activities have been partially lifted, industrial activity has slowly started picking up. Diesel price, now market-linked, have come down given the sharp fall in crude oil prices. These factors should translate into strong demand for CVs from H2 FY15 creating large demand for forged and machined products.

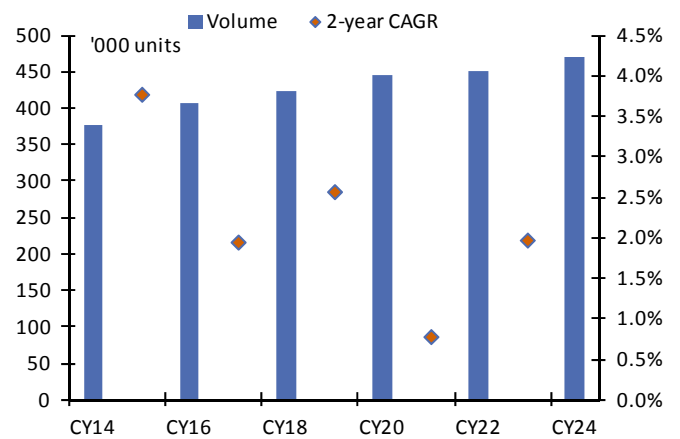
Improvement in infra activities, industrial production along with low interest rates and fuel prices to shore up CV demand in domestic markets

Exports account for more than 75% of sales



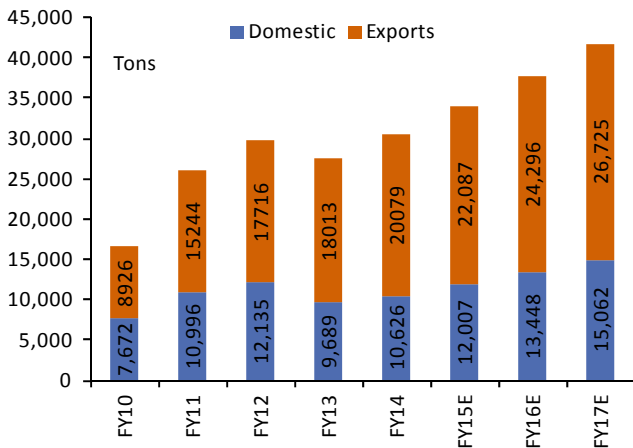
Source: Company, India Infoline Research

Expected truck sales in US



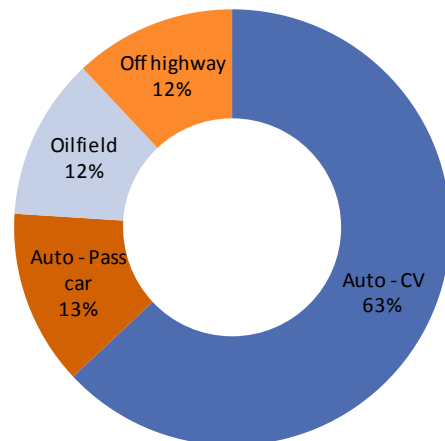
Source: Statistica.com, India Infoline Research

Volume trend of MMFL



Source: Company, India Infoline Research

Segmental break up of sales



Source: Company, India Infoline Research

Expanding capacities to meet rising demand

MMFL currently has a manufacturing capacity (productive capacity) of 45,000 tons per annum and the current utilization rate is at 80%. Nameplate or installed capacity is of 54,000 units. Envisaging strong growth in both domestic and export markets, the company is expanding capacities to 50,000 tons (installed capacity 60,000 tons). Also the company is investing to add machining capacities.

Expanding installed capacity to 60,000 tons to meet rising demand from both domestic and international markets

Operating leverage and value addition to drive margins

- 1) Operating leverage: Current capacity utilization levels for MMFL is at 80% of the productive capacity leaving substantial scope for operating leverage. To add to this, the company through its efforts has brought down costs related to power through setting up captive wind-farms.
- 2) Value addition: Over the years the company has increased value addition by adding machining capacity utilization of which stood at 15% at the end of FY14 which is expected to go up to 25% in the next three years. Margins on machining are relatively higher.

Improvement in asset utilization coupled with increase in value addition through machining will lead to margin expansion in the next three years

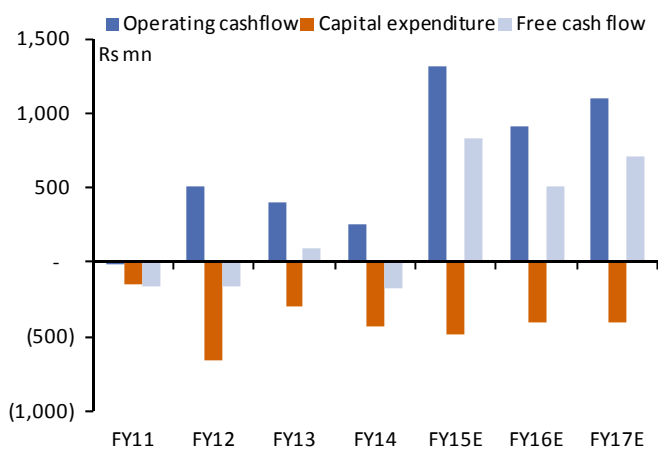
The aforementioned factors could result in substantial improvement in margins for MMFL from the current levels. However, the company has been conservative in terms of guidance of 22-23% OPM.

Financials to gain further strength

Driven by robust growth across segments and geographies and higher capacity in place, we expect MMFL to report a FY14-17E revenue CAGR of 20.3%. As outlined above, OPM is expected to expand by 360bps during the same period. Resultantly, earnings CAGR is expected to be much higher at 42.3%. RoE and RoCE are expected to improve meaningfully. With annual capex of close to Rs500mn (given low capacity utilization) free cash flows are expected to surge during this period.

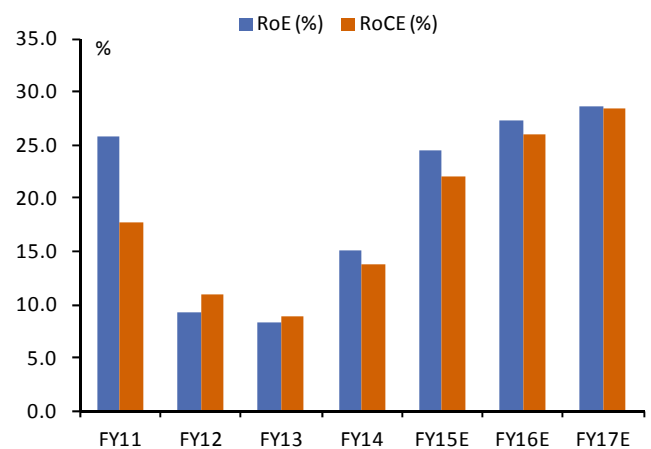
Financials to gain strength with 3 year revenue CAGR of 20.3%, PAT CAGR of 42.3%, RoE and RoCE of 25%+ and robust free cash flow generation

Strong free cash flow generation



Source: Company, India Infoline Research

Improving RoE and RoCE trend



Source: Company, India Infoline Research

Valuations attractive both on absolute and relative basis

MMFL trades at one year forward P/E multiple of 9.9x compared to Bharat Forge Ltd's 24x. Given the top quartile earnings growth expected in the next three years we believe the stock should re-rate closer to the industry leader. Compared to other auto ancillary players which operate in relatively less complicated segments too MMFL's valuations are attractive. We recommend BUY with a 9-12 month price target of Rs710.

Financials

Income statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenue	4,114	5,123	6,119	7,174
Operating profit	789	1,132	1,371	1,636
Depreciation	(360)	(381)	(412)	(443)
Interest expense	(77)	(95)	(95)	(95)
Other income	15	15	15	15
Profit before tax	368	672	879	1,113
Taxes	(91)	(161)	(211)	(267)
Adj. profit	277	510	668	846
Exceptional items	16	0	0	0
Net profit	293	510	668	846

Balance sheet

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Equity capital	121	121	121	121
Reserves	1,837	2,106	2,533	3,137
Net worth	1,958	2,227	2,653	3,257
Debt	1,379	1,191	1,191	1,191
Deferred tax liab (net)	114	114	114	114
Total liabilities	3,451	3,533	3,959	4,563
Fixed assets	2,063	2,166	2,154	2,111
Investments	1	1	1	1
Net working capital	1,373	953	1,125	1,311
Inventories	763	879	1,050	1,231
Sundry debtors	289	179	214	251
Other current assets	645	435	500	575
Sundry creditors	(156)	(405)	(484)	(568)
Other curr liabilities	(169)	(135)	(155)	(179)
Cash	14	412	679	1,140
Total assets	3,451	3,533	3,959	4,563

Cash flow statement

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Profit before tax	368	672	879	1,113
Depreciation	360	381	412	443
Tax paid	(91)	(161)	(211)	(267)
Working capital Δ	(382)	420	(172)	(186)
Operating cashflow	255	1,311	908	1,103
Capital expenditure	(428)	(484)	(400)	(400)
Free cash flow	(173)	828	508	703
Equity raised	185	-	-	-
Investments	-	-	-	-
Debt financing/ disposal	207	(188)	-	-
Dividends paid	(241)	(241)	(241)	(241)
Other items	24	-	-	-
Net Δ in cash	0	399	266	461

Key ratios

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Growth matrix (%)				
Revenue growth	17.5	24.5	19.4	17.2
Op profit growth	68.3	43.4	21.1	19.3
EBIT growth	69.2	72.5	27.0	24.0
Net profit growth	104.3	84.1	30.9	26.6

Profitability ratios (%)

OPM	19.2	22.1	22.4	22.8
EBIT margin	10.8	15.0	15.9	16.8
Net profit margin	6.7	10.0	10.9	11.8
RoCE	13.8	22.0	26.0	28.4
RoNW	15.1	24.4	27.4	28.6
RoA	7.5	13.0	15.4	17.1

Per share ratios

EPS	23.0	42.3	55.3	70.1
Dividend per share	20.0	20.0	20.0	20.0
Cash EPS	52.8	73.8	89.5	106.8
Book value per share	162.2	184.5	219.8	269.9

Valuation ratios

P/E	23.8	12.9	9.9	7.8
P/CEPS	10.3	7.4	6.1	5.1
P/BV	3.4	3.0	2.5	2.0
EV/EBIDTA	10.1	6.5	5.2	4.1

Payout (%)

Dividend payout	87.1	47.3	36.1	28.6
Tax payout	24.7	24.0	24.0	24.0

Liquidity ratios

Debtor days	26	13	13	13
Inventory days	68	63	63	63
Creditor days	14	29	29	29

Leverage ratios

Interest coverage	5.8	8.0	10.2	12.7
Net debt / equity	0.7	0.3	0.2	0.0
Net debt / op. profit	1.7	0.7	0.4	0.0

Component ratios (%)

Raw material	42.9	42.0	41.9	41.8
Staff cost	9.4	9.1	8.9	8.6
Other operating exp	28.5	26.8	26.8	26.8

Du-Pont Analysis

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Tax burden (x)	0.75	0.76	0.76	0.76
Interest burden (x)	0.83	0.88	0.90	0.92
EBIT margin (x)	0.11	0.15	0.16	0.17
Asset turnover (x)	1.11	1.31	1.41	1.45
Financial leverage (x)	2.01	1.88	1.78	1.68
RoE (%)	15.1	24.4	27.4	28.6

Cooling the world

Symphony Ltd, a pioneer in air coolers, commands 50% market share in the domestic air cooler market. Symphony's inherent strength lies in its asset light business model along with the cash and carry business strategy that has led to superior return ratios and negative working capital. Seasonality in the business has been reduced by venturing into various geographies. Today the company exports to more than 60 countries with a sales office in 15 of them. Post IMPCO's acquisition, exports have got a big boost as Symphony is now using IMPCO's already established strong tie up with large modern retail stores like Wal-Mart, Home Depot, Lowes etc to sell its residential air coolers. The company exports ~0.2mn units while the size of the global air cooler market stands at ~7mn units giving a huge potential for growth. Debt free balance sheet, sound financials and experienced management team are some of the other things that make this stock attractive.

IMPCO acquisition has opened new avenues of growth

Acquisition of Mexico based IMPCO in FY11 has given Symphony access to technological expertise in the industrial cooling (IC) segment. IMPCO is the world's oldest player in the industrial and commercial air cooling and its products are considered superior to most American as well as Indian brands. The result is that Symphony quotes 10-12% premium for its products and still continues to get more clients. Potential market size for this segment in India is pegged at ~Rs40bn and is largely untapped thus providing huge potential for growth. In last few years the company has successfully implemented many central air cooling projects at factories, warehouses, hospitals, assembly halls, religious places, railway stations etc. Some of its marquee clients include Maruti, DHL warehouse, Ranbaxy, Coke coal, Kota railway station and Baba Ramdev's Patanjali Yogpeeth in Haridwar. The company has won a repeat order from Patanjali Yogpeeth. OPM for this segment is comparable with that of residential air coolers.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	5,327	7,178	9,582	12,492
yoy growth (%)	40.9	34.7	33.5	30.4
Operating profit	1,261	1,788	2,455	3,288
OPM (%)	23.7	24.9	25.6	26.3
Pre-exceptional PAT	1,065	1,428	1,966	2,638
Reported PAT	1,065	1,428	1,966	2,638
yoy growth (%)	76.8	34.2	37.7	34.2
EPS (Rs)	30.4	40.8	56.2	75.4
P/E (x)	62.9	46.9	34.0	25.4
Price/Book (x)	24.3	19.2	14.8	11.3
EV/EBITDA (x)	53.0	37.1	26.6	19.4
Debt/Equity (x)	0.0	0.0	0.0	0.0
RoE (%)	42.8	45.7	49.1	50.5
RoCE (%)	53.8	61.7	66.3	68.2

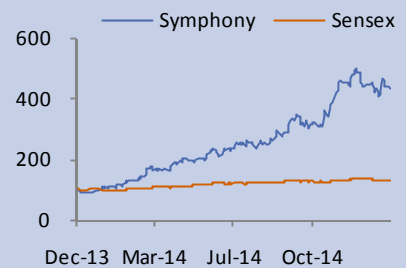
Source: Company, India Infoline Research

Rating: BUY
Target (1-Year): Rs2,489
CMP: Rs1,913
Upside: 30%

Sector: Consumer Discretionary
Sector view: Positive
Sensex: 27,508
52 Week h/l (Rs): 2,149 / 365
Market cap (Rscr): 6,715
6m Avg vol ('000Nos): 23
Bloomberg code: SYML IN
BSE code: 517385
NSE code: SYMPHONY
FV (Rs): 2

Price as on January 01, 2015

Share price trend



Share holding pattern

%	Mar-14	Jun-14	Sep-14
Promoters	75.0	75.0	75.0
Insti	5.8	5.7	6.5
Others	19.2	19.3	18.5

Research Analyst:
Pratik Tholiya
research@indiainfoline.com

Domestic demand robust; shift to organized sector key trigger

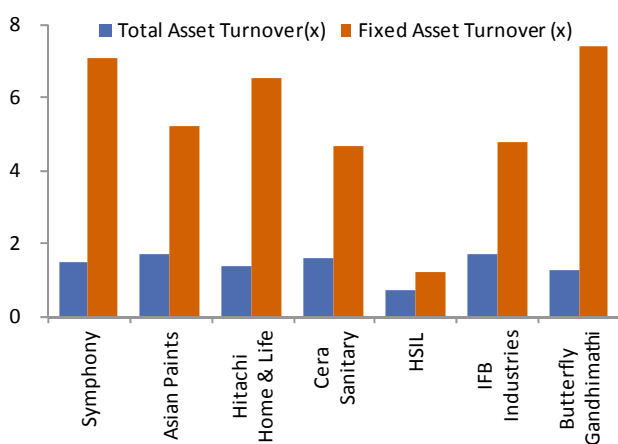
The domestic market for residential air coolers is at ~6.2mn units of which 80% is controlled by unorganized sector. The penetration of air coolers is currently very low at ~9%. Households owning only fans are ~58%. These households are the target audience for Symphony. With increasing purchasing power and changing lifestyle preferences, the shift from fans to air coolers is expected to happen at a much faster pace in the coming years. Besides, cost of owning, operating and maintaining air coolers is far less than that of air conditioners. Consumer’s preference for superior quality, high performance, aesthetical appeal and prompt after sales service will drive them towards the organized sector. During FY08-14, the industry grew at ~15%. The organized market managed to grow at a faster pace of 25% led by Symphony which recorded a growth of ~39%. In the coming 2-3 years we expect the company to register 35% growth. This high growth can also be attributed to higher advertising and promotional spends. Symphony’s advertising budget is highest in the industry (~4.5% of sales) which has helped it to remain on the top of the mind of the customers. Over the years “Symphony” has become synonymous with air coolers

Asset light model, marketing and distribution centric

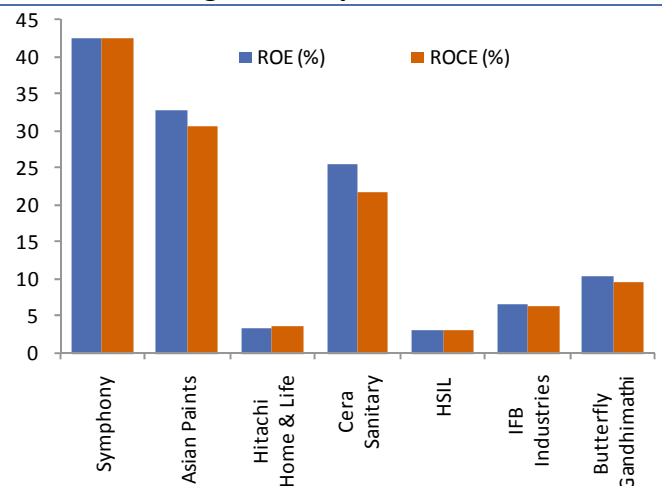
Symphony’s asset light business model has enabled it to achieve superior asset turnover ratio as well as return ratios compared to its peers. Symphony currently has manufacturing operations at two locations Surat SEZ and Mexico. A third facility at Kandla SEZ will commence from Jan’15. IMPCO’s Mexico facility is used for manufacturing of industrial coolers. Surat as well as Kandla SEZ mainly caters to residential coolers for the export market while manufacturing of residential coolers for the domestic market has been outsourced to nine different vendors. These vendors work exclusively for Symphony and are bound by contract. Symphony holds the patents and IP rights for each of its model manufactured by the vendors thus product duplication by the vendors is not possible. By consciously avoiding the capital-intensive manufacturing process the management has been able to channelize its bandwidth to more important functions like designing and developing innovative products, enhancing product features, quality and performance by using latest technology and expanding its marketing and distribution network within the country as well as exploring newer geographies.

Asset light model, cash and carry strategy and strong distribution network has resulted in superior ratios.

Superior Asset Turnover Ratio

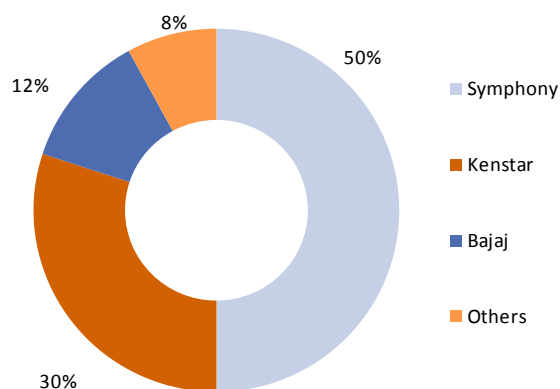


Return Ratios higher than peers

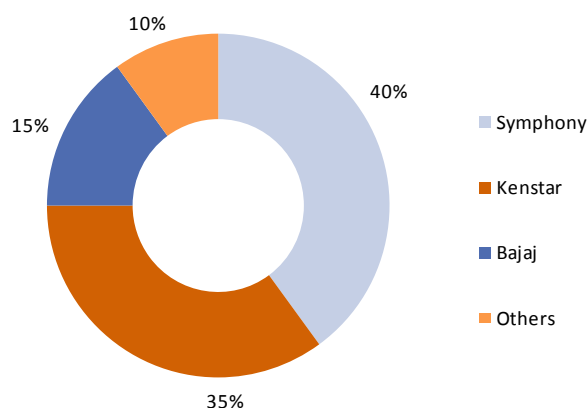


Source: Company, IIFL Research, Bloomberg

Domestic Residential Coolers Market Share- By Value



Domestic Residential Coolers Market Share- By Volume



Source: Company, IIFL Research

Debt free balance sheet, strong cash flow calls for high payout

As explained above, the asset light approach has led to superior return ratios. Its cash and carry business model has led to a very efficient working capital cycle. ~90% of the domestic sales are done through distributors/dealers that pay full payment in advance. Remaining 10% sales are through large format stores (like Croma, e-zone etc) where 1-3 month credit is given. The story remains the same on the export front where large format stores get credit similar to their Indian counterparts while distributors/ dealers pay in advance. Strong free cash flows coupled with debt free balance sheet and improving profitability has prompted the management to increase the dividend payout ratio to 50%. We believe the ratio should further increase as the business is self funded and need for cash is minimal. RoCE has consistently been maintained above 50% which is higher than the industry.

RoCE above 40% due to strong balance sheet and higher profitability

Outlook & Valuation

We are positive on the company's prospects in the coming years, given (i) rising income levels leading to higher disposal incomes per household, favorable demographic and changing consumer preferences (ii) launch of new innovative products which command higher margins (iii) strong brand recall on the back of aggressive advertising and promotional campaigns (iv) capturing market share from unorganized players (v) robust balance sheet. We expect Symphony to report revenue and earnings CAGR of 33% and 35% respectively during FY2014-17E. EBITDA is expected to clock a CAGR of 38% led by ~260 bps margin expansion from 23.7% in FY14 to 26.3% in FY17. At CMP of Rs1,920, the stock is trading at a P/E of 26x based on FY17E EPS of Rs75. We recommend Buy on the stock with a target price of Rs2,489.

Company Background

Ahmedabad based Symphony Ltd is the largest air cooler manufacturer not only in India but in the world. It sells more than 23 different types of residential air coolers globally. One of the key strengths of the company lies in its strong distribution network. Its pan-India network consists of more than 750 distributors which in turn sell to more than 16,650 dealers. Symphony is the only company in the industry whose global R&D centre has been recognized by the Govt. of India. The company also manufactures commercial and industrial coolers in various capacities.

Financials (Consolidated)

Income statement

Y/e 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Revenue	5,327	7,178	9,582	12,492
Operating profit	1,261	1,788	2,455	3,288
Depreciation	(38)	(44)	(45)	(46)
Interest expense	(1)	0	0	0
Other income	138	186	248	323
Profit before tax	1,360	1,930	2,657	3,565
Taxes	(296)	(502)	(691)	(927)
Adj. profit	1,065	1,428	1,966	2,638
Net profit	1,065	1,428	1,966	2,638

Balance sheet

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Equity capital	70	70	70	70
Reserves	2,688	3,420	4,445	5,856
Net worth	2,758	3,490	4,515	5,926
Debt	0	0	0	0
Deferred tax liab (net)	5	5	5	5
Total liabilities	2,763	3,495	4,521	5,931
Fixed assets	779	784	769	753
Investments	1,986	1,986	1,986	1,986
Net working capital	(59)	71	85	60
Inventories	385	487	586	757
Sundry debtors	416	551	735	856
Other current assets	311	393	525	685
Sundry creditors	(258)	(340)	(488)	(630)
Other current liabilities	(913)	(1,021)	(1,273)	(1,606)
Cash	57	654	1,681	3,132
Total assets	2,763	3,495	4,521	5,931

Cash flow statement

Y/e 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Profit before tax	1,360	1,930	2,657	3,565
Depreciation	38	44	45	46
Tax paid	(296)	(502)	(691)	(927)
Working capital Δ	189	(130)	(13)	24
Operating cashflow	1,292	1,343	1,998	2,709
Capital expenditure	(86)	(50)	(30)	(30)
Free cash flow	1,206	1,293	1,968	2,679
Equity raised	3	(0)	0	0
Investments	(998)	0	0	0
Debt financing/ disposal	0	0	0	0
Dividends paid	(532)	(696)	(941)	(1,228)
Other Items	(70)	0	0	0
Net Δ in cash	(391)	597	1,027	1,451

Key ratios

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Growth matrix (%)				
Revenue growth	40.9	34.7	33.5	30.4
Op profit growth	59.9	41.8	37.2	33.9
EBIT growth	48.5	41.8	37.7	34.2
Net profit growth	76.8	34.2	37.7	34.2

Profitability ratios (%)

OPM	23.7	24.9	25.6	26.3
EBIT margin	25.5	26.9	27.7	28.5
Net profit margin	20.0	19.9	20.5	21.1
RoCE	53.8	61.7	66.3	68.2
RoNW	42.8	45.7	49.1	50.5
RoA	30.0	32.5	35.3	36.5

Per share ratios

EPS	30.4	40.8	56.2	75.4
Dividend per share	13.0	17.0	23.0	30.0
Cash EPS	31.5	42.1	57.5	76.7
Book value per share	78.8	99.8	129.1	169.4

Valuation ratios

P/E	62.9	46.9	34.0	25.4
P/CEPS	60.7	45.4	33.3	24.9
P/B	24.3	19.2	14.8	11.3
EV/EBIDTA	53.0	37.1	26.6	19.4

Payout (%)

Dividend payout	50.0	48.7	47.9	46.5
Tax payout	21.7	26.0	26.0	26.0

Liquidity ratios

Debtor days	28	28	28	25
Inventory days	35	33	30	30
Creditor days	23	23	25	25

Leverage ratios

Interest coverage	-	-	-	-
Net debt / equity	(0.0)	(0.2)	(0.4)	(0.5)
Net debt / op. profit	(0.0)	(0.4)	(0.7)	(1.0)

Du-Pont Analysis

Y/e 31 Mar	FY14	FY15E	FY16E	FY17E
Tax burden (x)	0.78	0.74	0.74	0.74
Interest burden (x)	1.00	1.00	1.00	1.00
EBIT margin (x)	0.26	0.27	0.28	0.29
Asset turnover (x)	1.50	1.63	1.72	1.73
Financial leverage (x)	1.43	1.41	1.39	1.38
RoE (%)	42.8	45.7	49.1	50.5

'Best Broker of the Year' – by Zee Business for contribution to broking

Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

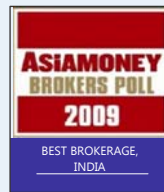
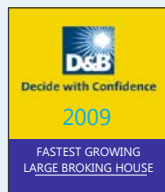
'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



Recommendation parameters for fundamental reports:

Buy – Absolute return of over +15%

Accumulate – Absolute return between 0% to +15%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

Call Failure - In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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