

# Nivesh Portfolio Tracker

**BALANCED**

**Risk Profile: MODERATE**

**AGGRESSIVE**

**Risk Profile: HIGH**

**CONSERVATIVE**

**Risk Profile: LOW**



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*This is just a MODEL portfolio (not part of IndiaNivesh PMS)*

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## Nivesh Model Portfolios Modifications

Please note the following changes made in our model portfolios:

### Conservative Portfolio

Sharon Bio-Medicine      Bought @ Rs58 with target price of Rs.74      Reason: Rationale Attached

# Nivesh Portfolio | Balanced

Nivesh Portfolio   Balanced									
Inception Date: 20/11/2013			Current Date: 04/07/2014						
Balanced		Seed capital Rs 10 Lakh		Benchmark BSE500			Risk Profile: MODERATE		
name									
Sr no	Stock Name	Sector	Amt invested (Rs)	CMP (Rs)	Buy Date	Buy Price (Rs)	Qty Bought (Nos)	Target Price	MTM Gain/loss (Rs)
1	Infosys Ltd	IT	100,000	3227	9/6/14	2979	34	3952	8,330
2	Alstom T&D India*	Capital Goods	100,000	337	24/3/14	221	452	366	52,557
3	JB Chemicals#	Pharma	100,000	161	20/11/13	111	903	186	45,307
4	Cairn India*	Oil/gas/Energy	100,000	364	20/11/13	319	314	425	14,093
5	Mastek*	IT	100,000	200	10/3/14	210	476	230	(4,738)
6	Max India*	Financial Services	100,000	298	20/11/13	208	480	315	43,036
7	Hero Motocorp Ltd	Auto	100,000	2580	10/3/14	2012	50	3240	28,180
8	Thinksoft Global	IT	100,000	464	13/3/2014	313	320	494	48,361
<b>Total amount invested (Rs)</b>			800,000						
<b>Cash in hand</b>			200,000						
<b>Profit (+)/Loss (-) Booked</b>			256,186						
							<b>Gain/loss (Rs)</b>		491,311
							<b>Portfolio value (Rs)</b>		1,491,311
							<b>Return on Investment (%)</b>		49.1
							<b>Benchmark Return (%)</b>		31.7
							<b>Relative to Benchmark (%)</b>		17.4

## Salient features of Balanced portfolio

- Objective of this portfolio is to generate moderate returns in conjunction with moderate risk
- This portfolio is suitable for those investors whose risk appetite is moderate
- Stock selection criteria here will be strong fundamentals coupled with near term triggers
- This is an equal weighted portfolio meaning equal amount of money is invested in the stocks selected in this portfolio
- Benchmark index for calculating returns shall be BSE 500 Index
- Total seed amount invested in the portfolio is Rs 10 lakh (Rs 1 lakh each in 10 stocks)
- At any point of time total amount invested in portfolio will not be more than Rs 10 lakh
- Profits generated will not be reinvested in the portfolio
- This is a model portfolio reflecting INSPL Research stocks preference at this point of time. Our views can change at any point of time & portfolio shall reflect the same accordingly
- This portfolio is not a part of PMS service provided by INSPL. This is just a virtual (model) portfolio**
- Other products offered by INSPL may have contradictory recommendation on stocks mentioned in this portfolio**
- All returns are from the date of inception of the portfolio

# Nivesh Portfolio | Aggressive

## Nivesh Portfolio | Aggressive

Inception Date: 21/11/2013	Current Date: 04/07/2014
Aggressive	Seed Capital Rs 10 Lkah
Benchmark BSE500	Risk Profile : HIGH

Sr no	Stock Name	Sector	Amt invested (Rs)	CMP (Rs)	Buy Date	Buy Price (Rs)	Qty Bought (Nos)	Target Price	MTM Gain/loss (Rs)
1	Prism Cement Ltd*	Cement	100,000	73	14/5/14	50	1994	117	44,566
2	HDFC Bank Ltd.*	Banks (Pvt)	100,000	840	10/3/14	734	136	830	14,317
3	Jindal Steel & Power Ltd	Steel	100,000	324	27/5/14	297	337	365	9,226
4	Hsil Ltd	Ceramic Product	100,000	265	16/4/14	143	699	330	85,315
5	Exide Inds *	Auto ancillary	100,000	158	21/11/13	116	860	176	35,527
6	Dr Reddys Labs	Pharma	100,000	2676	21/11/13	2410	42	3006	11,037
7	JP Associates*	Diversified	100,000	73	21/11/13	47	2148	94	55,854
8	Federal Bank Ltd*	Banks (Pvt)	100,000	128	5/5/14	93	1075	137	37,473
9	Radico Khaitan Ltd	Liquor	100,000	113	16/4/14	123	813	190	(8,293)

Total amount invested (Rs)	900,000
Cash in hand	100,000
Profit (+)/Loss (-) Booked*	232,068

Gain/loss (Rs)	517,090
Portfolio value (Rs)	1,517,090
Return on Investment (%)	51.7
Benchmark Return (%)	34.2
Relative to Benchmark (%)	17.5

Note: \* target revised

### Salient features of Aggressive portfolio

- Objective of this portfolio is to generate moderate returns in conjunction with HIGH risk
- This portfolio is suitable for those investors who like to take risk
- Stock selection criteria here will be fundamentals coupled with near term events, news flow or sheer momentum in stock price
- This is an equal weighted portfolio meaning equal amount of money is invested in the stocks selected in this portfolio
- Benchmark index for calculating returns shall be BSE 500 Index
- Total seed amount invested in the portfolio is Rs 10 lakh (Rs 1 lakh each in 10 stocks)
- At any point of time total amount invested in portfolio will not be more than Rs 10 lakh
- Profits generated will not be reinvested in the portfolio
- This is a model portfolio reflecting INSPL Research stocks preference at this point of time. Our views can change at any point of time & portfolio shall reflect the same accordingly
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# Nivesh Portfolio | Conservative

## Nivesh Portfolio | Conservative

Inception Date: 22/11/2013

Current Date: 04/07/2014

Conservative      Seed Capital Rs 10 Lakh      Benchmark BSE500      Risk Profile LOW

Sr no	Stock Name	Sector	Amt invested (Rs)	CMP (Rs)	Buy Date	Buy Price (Rs)	Qty Bought (Nos)	Target Price	MTM Gain/loss (Rs)
1	Shilpa Medicare Ltd	Pharma	100,000	491	24/03/14	347	288	544	41,513
2	Sharon Bio-Medicine Ltd	Pharma	100,000	58	7/4/14	58	1724	74	776
3	Nesco	Realty	100,000	1132	22/11/13	750	133	1109	50,933
4	Cadila*	Pharma	100,000	1129	22/11/13	747	134	1228	51,077
5	OIL (Oil India Ltd)#*	Oil/gas/Energy	100,000	582	22/11/13	450	222	720	29,244
6	Credit Analysis & Research	BFSI	100,000	1070	9/6/14	930	108	1014	15,054
7	A B Nuvo*	Consumption	100,000	1384	22/11/13	1190	84	1456	16,288
8	Divi'S Laboratories Ltd	Pharma	100,000	1526	9/6/14	1290	78	1507	18,256
9	Mangalam Cement Ltd*	Cement	100,000	220	5/5/14	132	758	228	66,768
10	Tata Global Beverages Ltd	FMCG	100,000	167	25/6/14	167	599	180	(30)

Total amount invested (Rs)	1,000,000
Cash in hand	-
Profit (+)/Loss (-) Booked*	243,200

Gain/loss (Rs)	533,079
Portfolio value (Rs)	1,533,079
Return on Investment (%)	53.3
Benchmark Return (%)	34.2
Relative to Benchmark (%)	19.1

Note: \* target revised

Note: # Profit (+)/Loss (-) Booked includes dividend received of Rs.21 (Ex Date 4th Feb 2014 and 27th Mar-2014)

### Salient features of Conservative portfolio

- Objective of this portfolio is to generate High returns in conjunction with low risk
- This portfolio is suitable for those investors whose risk appetite is very low
- Stock selection criteria here will be strong business model, sustainable growth prospects likely to play in next few years
- This is an equal weighted portfolio meaning equal amount of money is invested in the stocks selected in this portfolio
- Benchmark index for calculating returns shall be BSE 500 Index
- Total seed amount invested in the portfolio is Rs 10 lakh (Rs 1 lakh each in 10 stocks)
- At any point of time total amount invested in portfolio will not be more than Rs 10 lakh
- Profits generated will not be reinvested in the portfolio
- This is a model portfolio reflecting INSPL Research stocks preference at this point of time. Our views can change at any point of time & portfolio shall reflect the same accordingly
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# Sharon Bio-Medicine Ltd.

CMP Rs.58 | P/E (FY15E) 6.2x  
P/E (FY16E) 4.5x | Target Rs.74

## *Sharon Bio Medicine Booster dose of profits doubling in next 2 years*

*Sharon Bio Medicine (Sharon) is an integrated pharmaceutical company engaged into manufacture of API & formulations. The company has 3 plants out of which 2 are API plants based out of Taloja in Maharashtra & 1 Formulations plant located at Dehradun, Uttrakhand. All the facilities are approved by UK, Latin America etc. but none by USFDA as of now. However the company is waiting for USFDA approval for its formulation facility. We have recently met the management & come out extremely positive from the meeting. We believe the company is poised for a very strong growth going ahead. The company is changing its strategy from being API dominated company to Formulation driven. Approval from USFDA will be a strong rerating trigger for the stock.*

**Future growth will be driven by Formulations:** Currently the company's revenue mix is 67:33 in terms of API: Formulation. Going forward in next 2 years the management intends to reverse this ratio. The growth in formulation will come from approval from USFDA & launch of many products. However we are conservative on this count & we have modeled 50:50 mix of API & Formulation by June 2016.

**Profit margins will expand due to increased contribution from formulations:** Since the margins are far higher in formulation than in API we expect the blended margins at EBITDA level to increase by 120 bps in FY15 & another 100 bps in FY16 reflecting total of 220 bps increase in margins in 2 years. We would highlight that this margin expansion can be even higher as we are taking contribution of formulation at lesser rate than the company management.

**Fully integrated operations give competitive edge:** backward integration up to API stage gives control over the supply chain in terms of quality & availability of raw material. **Captive API** gives control over fluctuations in pricing thereby reduces issues at the end of formulation customer. As of now about 10% of entire API production is used for captive purposes. Over next 2 years we expect internal consumption may go up to 15%.

**Gross fixed assets have increased 5x in last 5 years but sales have gone up only 2x.** Implying no more capex required for capacity expansion:

## Sharon Bio-Medicine Ltd. (contd..)

**Company is poised to take off on sharp growth trajectory:** On back of large existing capacities both in API as well as formulations the company is now poised for sharp growth. According to our understanding Sharon can grow its revenue at 20% CAGR over next 3-4 years without increasing capacity. In simple terms it means all the investments in the past are now ready to start delivering returns.

**The entire capex was funded by debt:** Over last few years company has invested in capex via borrowings. It has ECBs pending worth around 24 mn dollars & another about Rs 4 bn debt on its balance sheet. The huge amount of debt is taking away large part of operating profit. In high interest rate scenario large debt has been a major drain.

### Financials

The company follows June year ending. In 9 months ended March 31, 2014 on consolidated basis it has clocked turnover of Rs 9677.1 mn with EBITDA of Rs 1092.9 mn. Interest expense was Rs 389.6 mn & PAT was at Rs 492.7 mn.

Over last 5 years from 2009 to 2013 June ending the company has doubled its net sales with top line growing at a CAGR of 26.4%. Historically the company has witnessed high raw material costs & interest expenses

Going forward we expect top line growth of 20% CAGR in next 2 years. EBITDA is likely to grow by 70% over FY14E to FY16E while PAT is expected to grow from Rs 635.5 mn to Rs 1376.2 mn a jump of 117% in the same period. In EPS terms it means a EPS of Rs 6 in FY14E to increase to Rs 13 in FY16E.

### Valuation & Recommendation

At CMP of Rs 58 the stock is trading at PER of ~9.7x FY14E, 6.2x FY15E & 4.5x FY16E. We believe this company is at the point of inflexion, ready to take off. The stock can easily rerate to its peer multiples of around 10x. However, for the rerating to come into effect the formulation business & USFDA approval has to come. Conservatively as of now we are valuing this company at 8x FY15E EPS yielding a target of Rs 74.

# DISCLAIMER

## Thank You

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