



Edelweiss Mid Cap Marvels

July 2016

Sandeep Raina
Research Analyst
+91 (22) 4088 6033
sandeep.raina@edelweissfin.com

Product description and Investment Objective

❖ **Product description:**

- ❖ The portfolio seeks to achieve capital appreciation by predominantly investing in high-growth companies
- ❖ Bottom-up approach by selecting stocks that adhere to our investment philosophy

❖ **Investment objective:**


- ❖ Generate market outperformance over benchmark and comparable diversified Mutual Funds
- ❖ Take calculated risk
- ❖ Focus on identifying top 7 stocks from investment universe
- ❖ Constantly look for ideas to generate better risk adjusted returns

Core Investment Philosophy



Product risk profile and Strategy

❖ Risk Profile

High			
Medium			
Low			
Risk/Return	Low	Medium	High

❖ Product Strategy

- ❖ Maximum 7 stock portfolio
- ❖ Flexible sector and market cap allocation
- ❖ Monthly portfolio review
- ❖ No stock and sector limits

Why Mid Cap Marvels

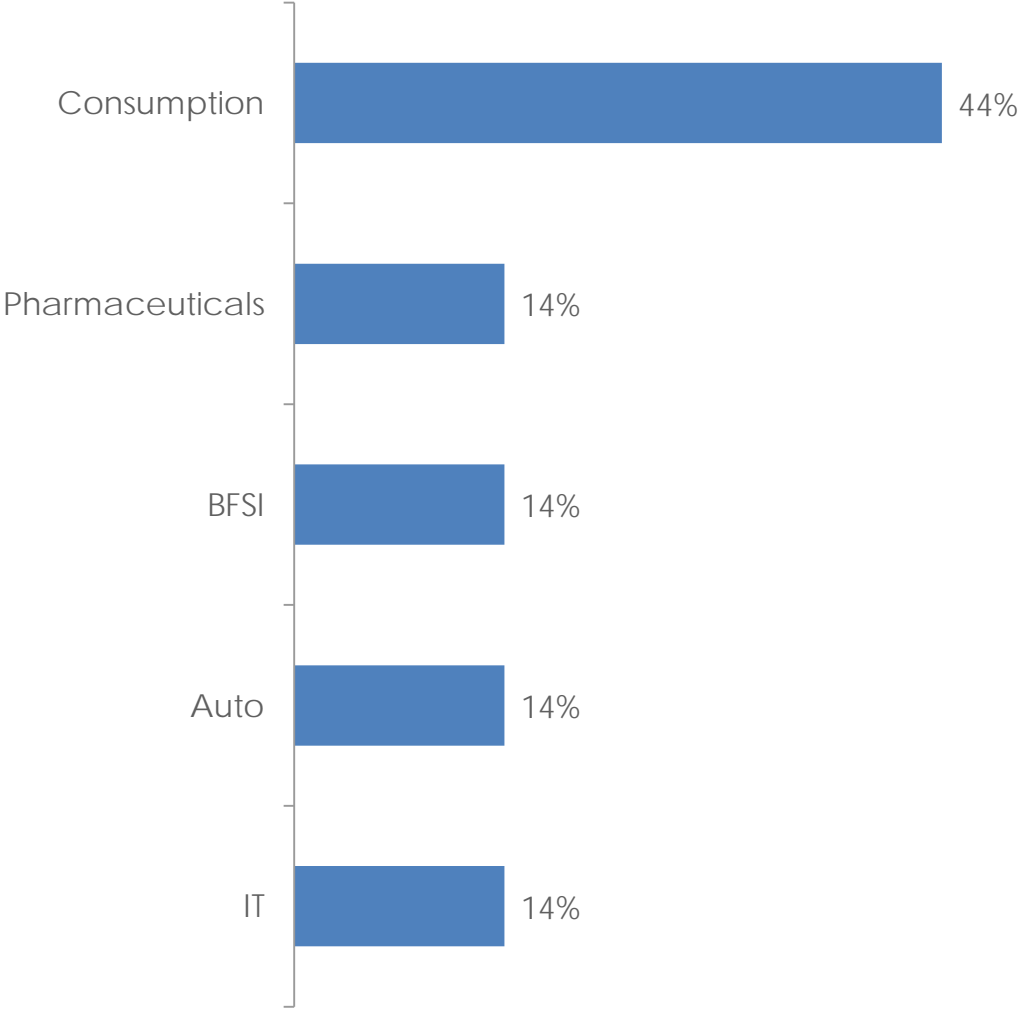
- * Leverages Edelweiss's Stock Picking Acumen
- * Ensures an evergreen portfolio through active guidance
- * Stringent stock selection process on model portfolio stocks
- * Focus on capturing stock upside
- * Investment committee to monitor stringent Quality standards

Model Holdings

Major Holdings

Name	Weight(%)
Indo Count	14%
Natco Pharma Ltd	14%
Siyaram Silk	14%
Jamna Auto Industries Ltd.	14%
Others	44%

Sector Composition



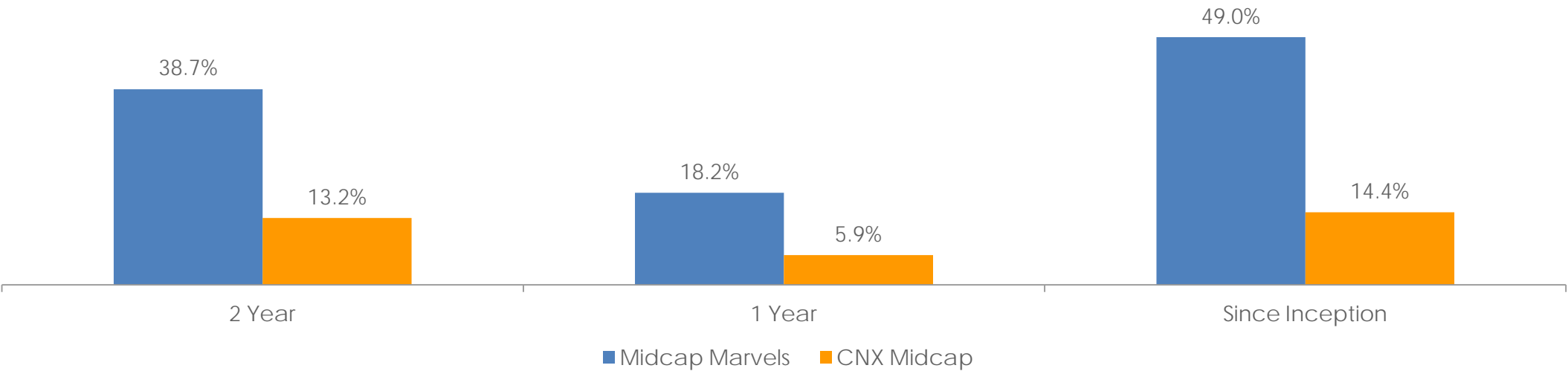
Portfolio Performance

Performance as on 4th July, 2016

	1M	3M	6M	9M	1 Year	SI*
Midcap Marvels	6.8%	16.9%	8.1%	5.6%	18.2%	49.0%
CNX Midcap	5.7%	9.7%	4.0%	6.2%	5.9%	14.4%

*CAGR return since inception – 4th June, 2014

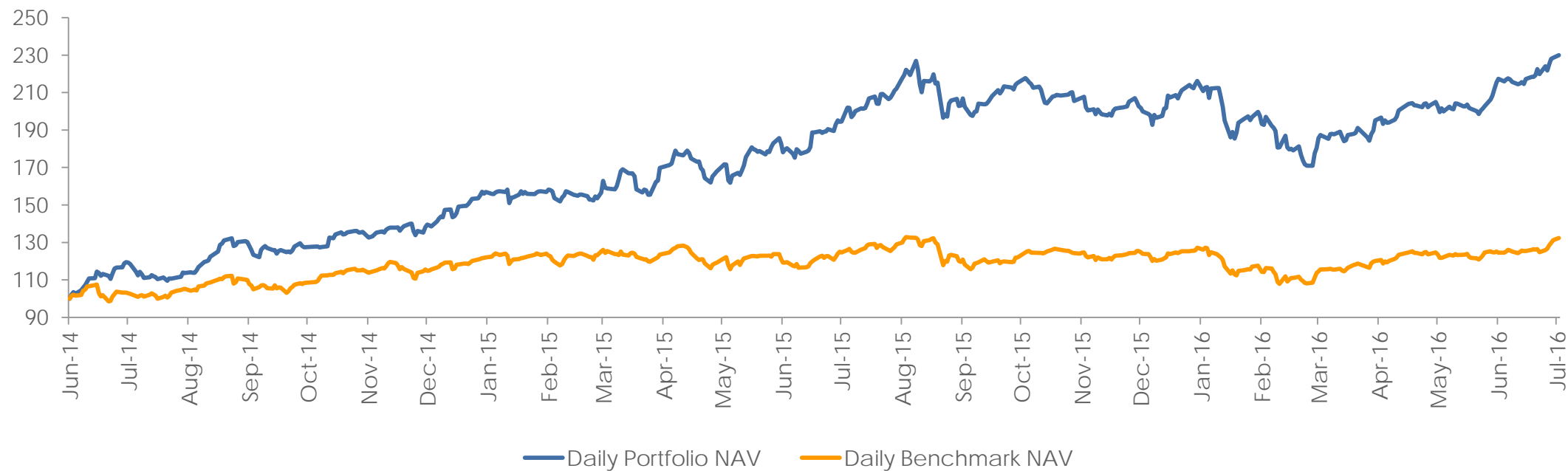
Performance Midcap Marvels - CAGR



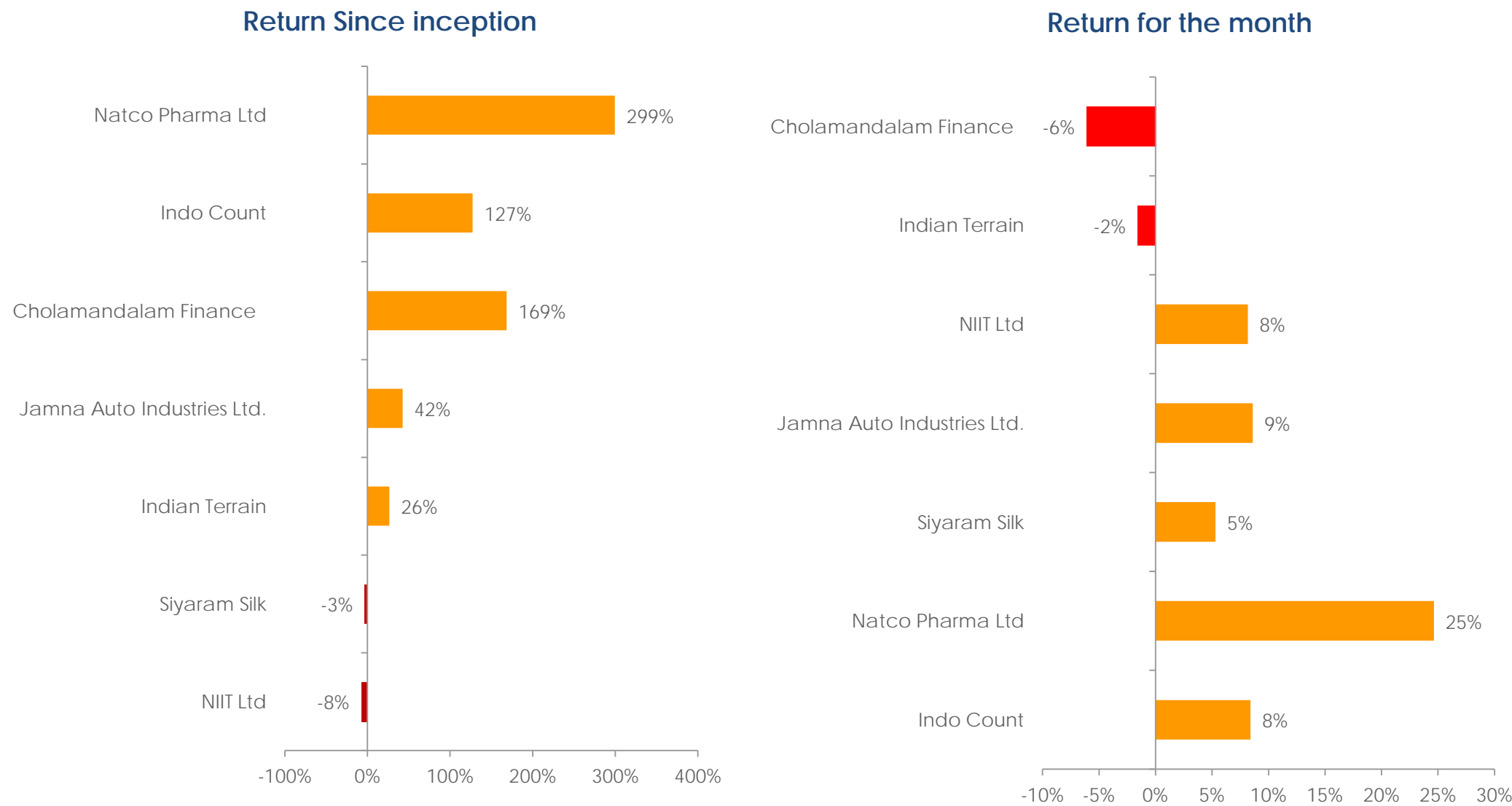
Portfolio Performance

Edelweiss Mid Cap Marvels NAV: At INR 230 vs CNX Midcap NAV of INR 132

- * Edelweiss Midcap Marvels have delivered a CAGR return of 49.0% since inception (4 June, 2014) as against CNX Midcap Index CAGR return of 14.4%.



Returns since Inception and for the month



Coverage Stocks

	(in crs)		P/E		EV/EBITDA		ROCE (%)	
Stock	M.Cap	EV	FY16	FY17E	FY16	FY17E	FY16	FY17E
Va Tech Wabag Ltd	3312	2868	22.2	16.2	12.8	9.7	20.2	24.1
KNR Constructions Ltd	1636	1527	19.9	18.0	15.3	12.8	14	15.8
PNC Infratech Ltd	2843	2846	21.7	16.8	16.3	13.4	17.6	17.2
City Union Bank Limited	6281	NA	14.0	10.9	-	-	-	-
Bajaj Finance Limited	42557	NA	33.3	27.9	-	-	-	-
Cholamandalam Investment	14,950	NA	26.5	21.5	-	-	-	-
Intellect Design Arena Ltd	2050	NA	NA	184	(115.1)	150.6	2	3
Finolex industries	4937	5132	23.7	19.7	14.9	13.0	17.5	21.6
Mayur Uniquoters Limited	1920	1841	24.6	21.6	14.1	12.3	33.4	32.4
Kewal Kiran Clothing Ltd	2191	2070	32.2	27.4	20.6	18.0	27.3	26.8
Alembic Pharmaceuticals Limited	10467	11743	13.7	20.7	9.5	14.3	66	31.4
Natco Pharmaceutical Ltd	9992	8384	66.7	19.7	38.7	13.3	17.6	42.2
Biocon Ltd	14064	8819	31.2	27.5	18.7	17.0	13.6	12.4
Hester Biosciences Ltd	533	414	28.9	19.4	17.6	12.7	19.2	24.5
Strides Arcolab	9905	8945	34.7	23.7	20.1	14.5	10.7	10.1
Poly Medicure	1548	1329	36.0	28.2	19.2	15.8	21.4	24.4
Madras Cements Limited	11928	12281	24.9	19.5	13.1	11.4	14.4	16.8
Star Ferro & Cement Ltd	2295	2603	22.0	14.7	6.5	5.6	13.6	17.5
Dalmia Bharat Ltd	8238	6322	58.5	21.2	9.5	8.6	10.5	11.3
Sagar Cement Ltd	994	772	15.7	11.9	8.1	7.3	15.5	14.8
Vinati Organics Limited	2420	2078	19.2	18.2	11.6	11.0	35.1	30.7
SRF Ltd	7205	8387	17.2	13.0	9.3	7.8	13.0	15.0
Indo Count Industries Ltd	3703	4002	14.9	11.4	8.7	7.1	48.7	43.2
Siyaram Silk Mills Ltd	1001	1223	11.3	9.4	7.3	6.2	17.7	18.8
Indian Terrain Ltd	561	426	17.6	17.6	14.4	11.7	20.3	21.0
Tata Communications	12590	10025	124.2	64.2	8.4	7.0	7.0	13.0
NIIT Ltd	1359	1456	21.4	14.0	20.7	13.9	8.5	14.2
Jamna Auto	1339	1168	29.8	16.9	12.2	8.1	32.4	44.6
Skipper Ltd	1492	1797	17.8	10.8	9.0	6.3	23.3	29.9

Edelweiss Mid-Cap Marvels

S.No	Stock Name	CMP (INR)	Mkt Cap (INR Crs)	P/E (X)		EV/EBITDA (X)		ROE (%)	
		(INR)	(INR Cr)	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
1.	Cholamandalam Finance	964	14,950	21.5	18.6	NA	NA	17.7	17.1
2	NIIT Ltd.	87	1,359	14.0	10.5	13.9	10.6	10.2	13.3
3.	Indo Count Industries Ltd.	1,001	3,703	11.4	9.6	6.7	5.5	43.2	37.5
4.	Indian Terrain Fashions Ltd.	156	561	17.6	14.9	9.9	8.3	18.7	18.0
5.	Jamna Auto Industries Ltd.	174	1,339	16.9	12.3	8.1	6.2	32.3	35.8
6.	Natco Pharma Ltd.	594	9,992	19.7	23.1	13.3	14.6	33.2	21.8
7.	Siyaram Silk Mills Ltd.	1,100	1,001	9.4	7.8	6.3	5.4	19.5	20.0

Note: Market CAP (Mkt CAP) and Current Market Price (CMP) were last recorded on 4th July, 2016

ANNEXURE

Cholamandalam Investment (CMP: INR 964; Mkt Cap: INR 14,950 cr)

Business Overview

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

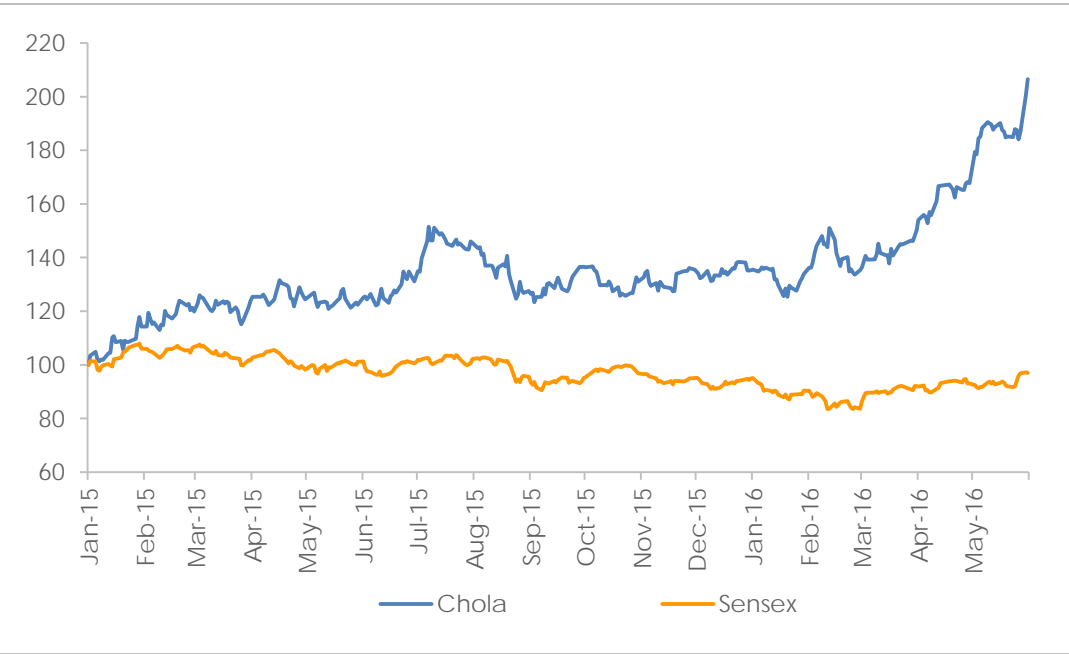
Opportunity Size: -

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

Year to March	FY14	FY15	FY16	FY17E	FY18E
Net Interest Income (INR cr)	1,459	1,704	2,127	2,522	3,019
Net Profit after tax (INR cr)	364	435	568	700	835
Adjusted BV per share	160	203	234	274	341
Dilute EPS (Rs.)	25.4	30.3	36.4	44.8	51.8
Gross NPA ratio (%)	1.9	3.1	3.5	3.3	3.1
Net NPA ratio (%)	0.7	2.0	2.1	2.0	2.0
Price/Adj. Book Value(x)	6.0	4.7	4.1	3.5	2.8
Price/Earnings (x)	37.9	31.8	26.5	21.5	18.6

Share Holding Pattern

	(%)
Promoter	53.14
Public	46.86
Others	-



Cholamandalam Investment (CMP: INR 964; Mkt Cap: INR 14,950 cr)

Investment Hypothesis

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

Risks

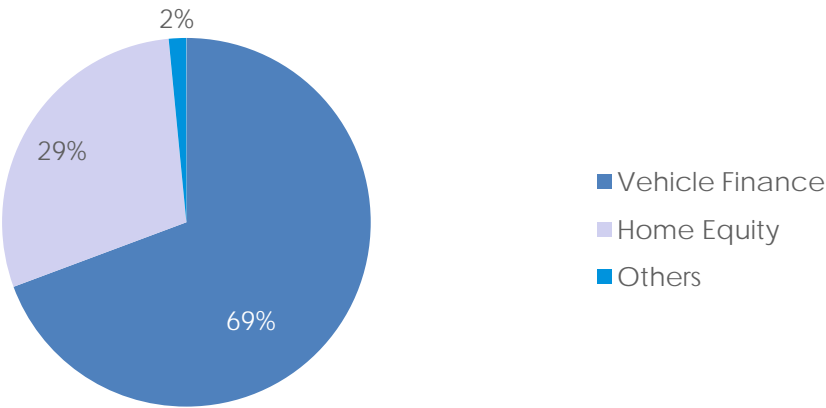
- * Commercial vehicle segment is highly correlated to GDP growth and IIP. Slow down in GDP growth and IIP will have impact on growth
- * Vehicle segment constitute 69% of loan book. Negative news like mining ban etc. will have impact on the asset quality

Peer Comparison

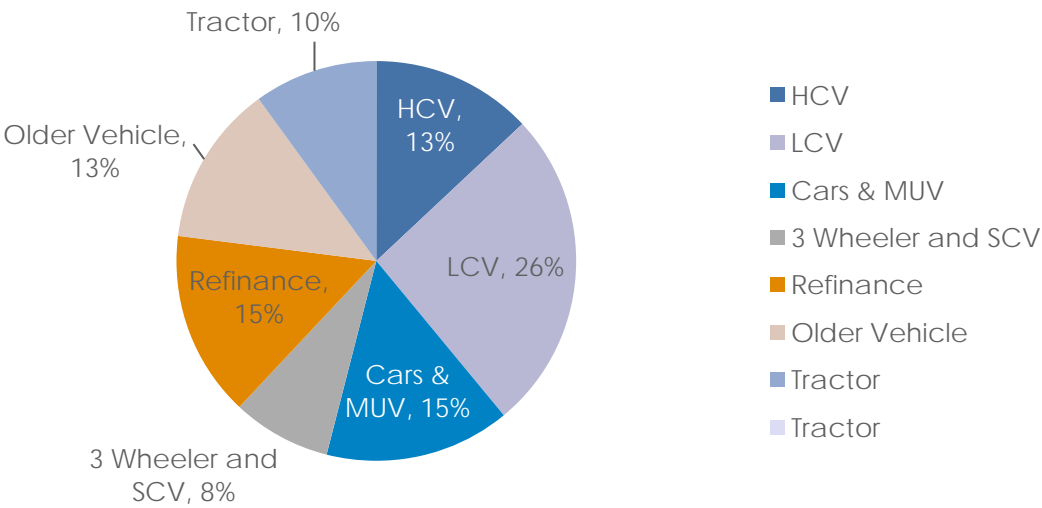
	Diluted P/E(x)		P/BV(x)		ROE(%)	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Shriram Transport*	16.3	13.0	2.2	1.9	14.7	16.1
Cholamandalam	21.5	18.6	3.5	2.8	17.7	17.1

*Consensus estimates used for Shriram Transport

Loan Book Break-up



Vehicle Finance Loan Book Break-up



Jamna Auto Industries Ltd. (CMP: INR 174; Mkt Cap: INR 1,339 cr)

Business Overview

- * Jamna Auto Industries Ltd. (JAI) is a market leader in the CV suspension leaf spring segment (90% of sales), including products like the conventional leaf spring and parabolic leaf spring.
- * JAI currently has a 64% market share in the conventional leaf springs segment and a market leader in the parabolic leaf spring segment. Being the industry leader makes JAI a key beneficiary of the ongoing domestic MHCV cycle recovery.
- * The company is focused on capturing the rising content-per-vehicle trend and hence it has forayed into the Air Suspension and Lift Axle segments (10% of consolidated sales) where its main client is Ashok Leyland for the heavy tonnage trucks.

Opportunity Size: -

- * Domestically, considering the 2.3 lakh MHCV run-rate in FY15 the overall leaf spring OEM opportunity stands between INR 1500 cr to INR 1800 cr .
- * Post GST implementation, aftermarket will offer an opportunity that is 4x of the OEM market opportunity.

Year to March	FY14	FY15	FY16	FY17E	FY18E
Revenue (INR Cr)	834	1,095	1,280	1,528	1,693
Rev. growth (%)	-14.9	31.3	16.9	19.4	10.8
EBITDA (INR Cr)	44	94	118	177	230
Net Profit (INR Cr)	2	29	46	81	112
EPS (INR)	0.2	3.7	5.8	10.3	14
EPS growth (%)	-94.3	1915.2	57.0	76.1	37.9
P/E (x)	944.4	46.9	29.8	16.9	12.3
EV/ EBITDA (x)	118.4	15.2	12.2	8.1	6.2
ROCE (%)	6.6	25.3	32.4	44.6	52.3
ROE (%)	0.9	15.6	21.9	32.3	35.8

Share Holding Pattern

(%)

Promoter

48.01

Public

51.99

Others

-



Jamna Auto Industries Ltd. (CMP: INR 174; Mkt Cap: INR 1,339 cr)

Investment Hypothesis

- * Post a 2-year downturn, the MHCV industry in India is registering a recovery. JAI is the largest player in the domestic leaf spring industry with 64% market share whilst several other small companies contribute to the remaining 36% share. JAI is expected to be a significant beneficiary of the CV cycle recovery in India.
- * JAI's multiple plant location strategy in proximity to CV OEM customers has helped the company maintain its dominance in the leaf spring industry. At present, the company has six facilities located close to major CV manufacturing hubs in India and this has helped JAI gain a significant share of business (SOB) with leading CV OEMs. Apart from scale, the strategic location of its plants has helped it to manage cost efficiently by reducing freight expenses.
- * Additionally, the company has forayed into the air suspension and lift axle segment via a technology tie-up with Ridewell, USA. Implementation of GST (Goods and Services Tax), will open up a significant aftermarket opportunity (i.e. ~4x OEM industry) for organized suspension leaf spring manufacturers such as JAI.

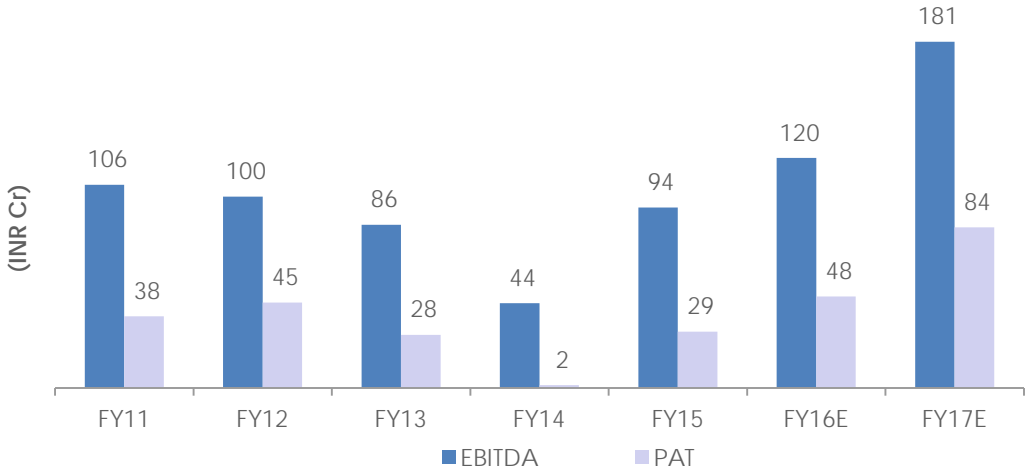
Risks

- * End-segment concentration risk
- * Steel price pass-through may affect revenue growth

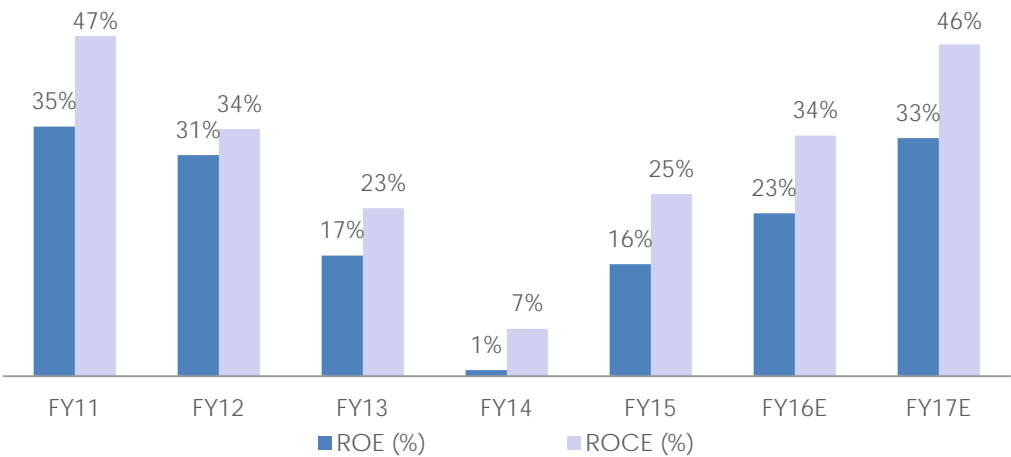
Peer Comparison

	Diluted P/E (x)		Diluted EPS		ROCE (%)	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Jamna Auto	16.9	12.3	10.3	14.0	44.6	52.3
Suprajit Engineering	22.8	17.8	7.1	9.1	23.7	27.1

Operating Leverage to be a primary driver of profitability



ROCE will improve significantly



NIIT Ltd. (CMP: INR 87; Mkt Cap: INR 1,359 cr)

Business Overview

- * NIIT Ltd is in the business of providing training with a whole gamut of content, delivery and educational platforms to Corporates, Individuals and Schools.
- * The company has 3 main business segments – Corporate Learning Group (CLG), Skills & Careers Group (SCG) and School Learning Group (SLG). The company’s learning and talent development solutions have received widespread recognition globally.
- * It has been ranked among the Top 20 Training Outsourcing Companies for the 8th consecutive year by Training Industry Inc.

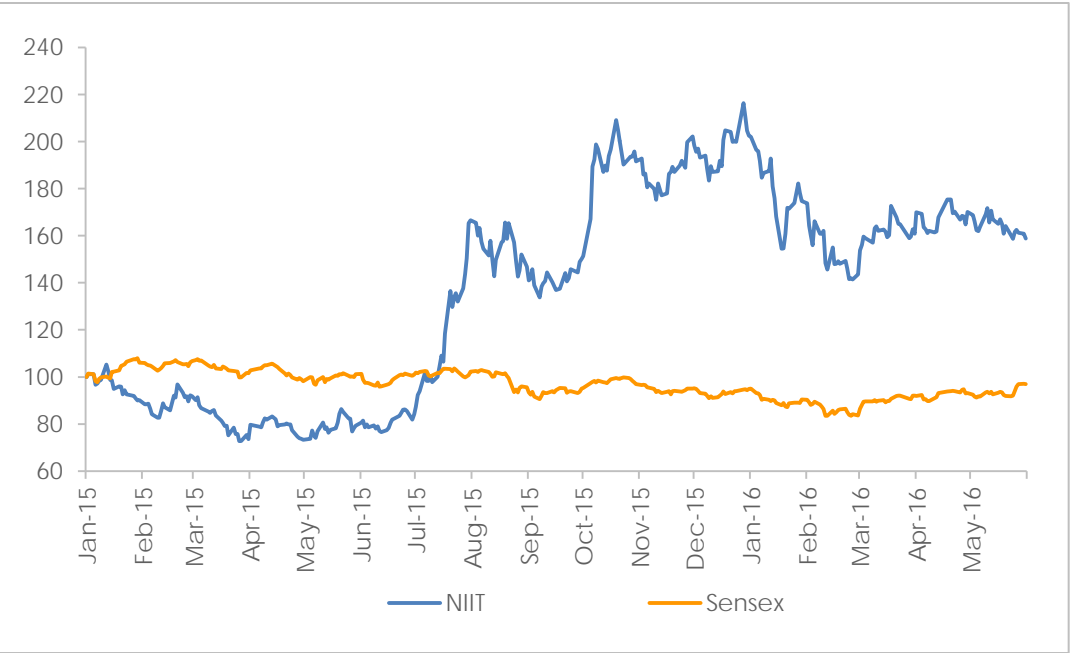
Opportunity Size: -

- * Global spend on corporate training currently totals US\$135bn and within that USA’s share is US\$85bn.
- * The year 2014, saw sizeable increase in the average expenditure for training outsourcing in USA. Currently US companies on an average spend \$308,833 on training outsourcing up from \$140,345 in 2013. An average 8% of the total training budget was spent on outsourcing in 2014.

Year to March	FY14	FY15	FY16	FY17E	FY18E
Revenue (INR Cr)	951	957	1,007	1,131	1,255
Rev. growth (%)	(1.0)	0.7	5.2	12.4	10.9
EBITDA (INR Cr)	51	22	71	106	138
Net Profit (INR Cr)	-42	-87	4.0	33	59
EPS (INR)	1.1	(8.4)	4.1	6.2	8.3
EPS growth (%)	32.6	(881.8)	148.5	53.1	33.0
P/E (x)	81.1	(10.4)	21.4	14.0	10.5
EV/ EBITDA (x)	28.9	66.1	20.7	13.9	10.6
ROCE (%)	-6.0%	-25.6%	8.5%	14.2%	25.4%
ROE (%)	-8.6%	-55.5%	1.5%	10.2%	13.3%

Share Holding Pattern

	(%)
Promoter	34.12
Public	65.88
Others	–



NIIT Ltd. (CMP: INR 87; Mkt Cap: INR 1,359 cr)

Investment Hypothesis

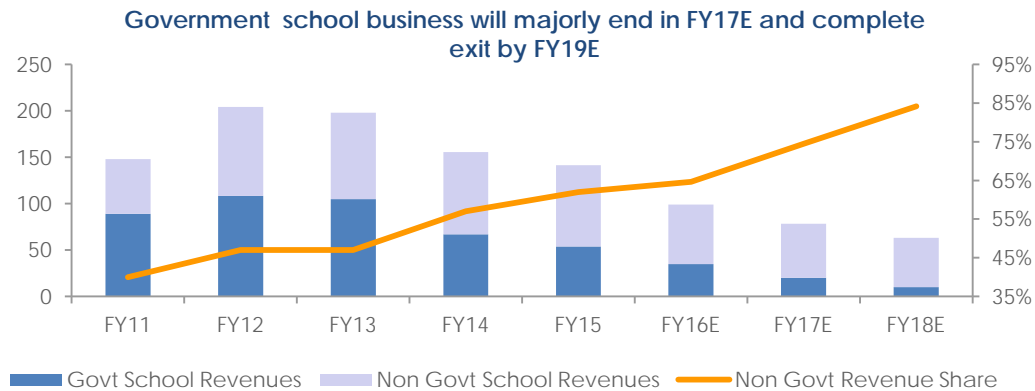
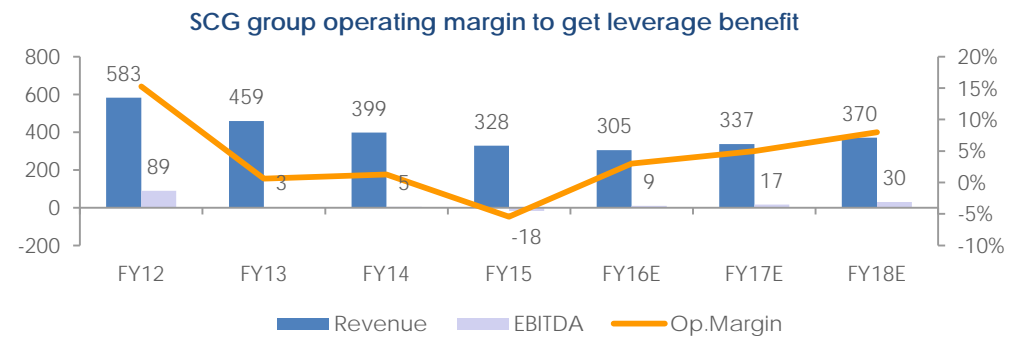
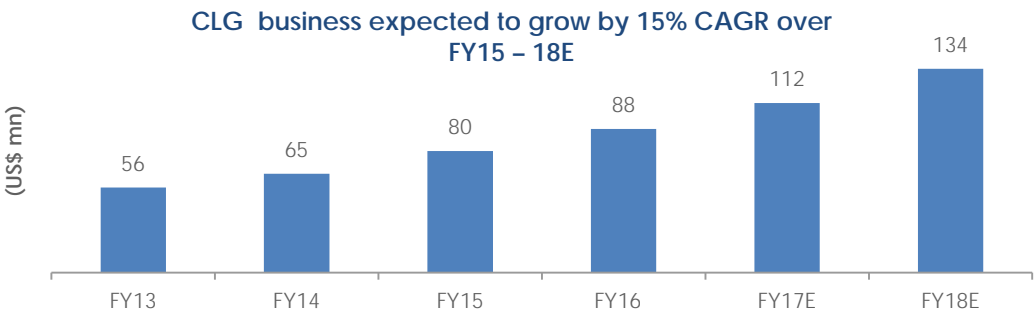
- * Globally corporate training and training outsourcing industry is coming back into the growth path. NIIT's Corporate Learning business (CLG) is well placed to gain from the changing market dynamics. Going forward, CLG business is expected to grow at 15% CAGR over FY15-FY18E and EBITDA margin is expected to improve to 13% in FY18E from 11.5% currently.
- * In the Skill & Career Group (SCG) business, NIIT took a decision to launch a comprehensive business transformation programme to get back onto the profitable growth path. Although, the growth of SCG will likely be anaemic in near term; we believe that with demand pick-up, the benefit of operating leverage would kick in and operating margin would improve to 8% in FY18E against 1% currently.
- * In the School Group (SCG), NIIT has exited from the government and capex driven private school business and focus has shifted towards IP driven school business to become more asset light and improve return ratios.

Risks

- * Lower pick-up in global corporate training business.
- * Losing market share to low cost online training companies.

Peer Comparison

	Diluted P/E (x)		Diluted EPS		ROCE (%)	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
NIIT Ltd	14.0	10.5	6.2	8.3	14.2	25.4
GP Strategies	19.0	15.0	1.4	1.5	19.0	20.0



Indian Terrain Fashions Ltd. (CMP: INR 156; Mkt Cap: INR 561 cr)

Business Overview

- * Indian Terrain has positioned itself as a contemporary Smart Casual brand in the men's wear segment targeting the working population in the age group of 25-44 years, which is highly brand and fashion conscious.
- * The brand portrays 'masculine' sensibility, yet conforms to the popular 'Friday Dressing' concept. Currently, the company offers a wide product range comprising shirts, trousers, knits, jackets and sweaters.
- * It has a pan India distribution network spread across 200 cities and ~1000 touch points through varied distribution channels such as EBOs, MBOs as well as LFOs

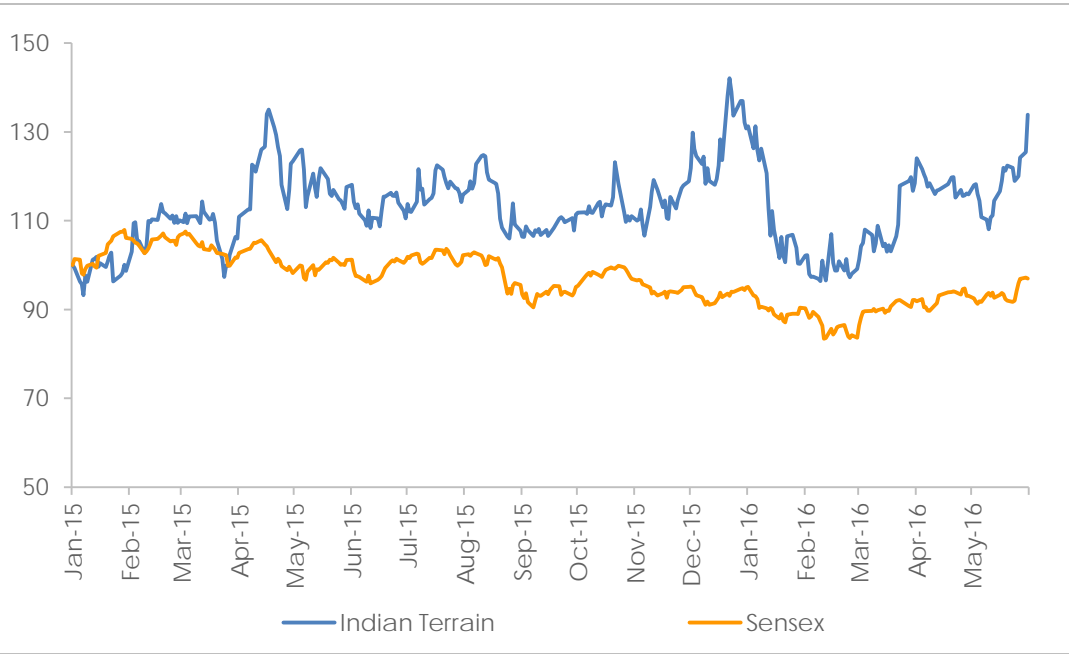
Opportunity Size: -

- * The textile market will grow to USD221bn by 2021 from USD108bn. The growth will be driven by readymade garments (RMG).
- * Sales of branded apparel (part of RMG) have increased at 15% CAGR over 2009-14. Going ahead, branded apparel is expected to clock 10-12% CAGR over 2014-19. Therefore, the share of branded garments is expected to catapult to 46-48% in 2019 compared to around 35% in 2014.

Year to March	FY14	FY15	FY16	FY17E	FY18E
Revenues (INR Cr)	232	290	325	390	468
Rev growth (%)	48.1%	25.1%	11.9%	20.0%	20%
EBITDA (INR Cr)	24	34	41	54	14
Net Profit (INR Cr)	10	18	33	33	39
EPS (INR Cr)	3.5	5.0	8.9	8.9	11.0
EPS growth (%)	141.6	81.1	83.8	-0.3	19
P/E (x)	45.1	31.2	17.6	17.6	14.9
P/B (x)	12.3	4.4	3.6	3.0	2.5
RoACE (%)	22.6	22.6	19.6	20.3	21.0
RoAE (%)	31.8	22.1	23.1	18.7	18.0

Share Holding Pattern

	(%)
Promoter	30.20
Public	69.80
Others	-



Indian Terrain Fashions Ltd. (CMP: INR 156; Mkt Cap: INR 561 cr)

Investment Hypothesis

- * Indian Terrain’s positioning as a men’s smart casualwear brand along with its contemporary designs and superior product quality have lent a competitive edge, reflected by a 24% CAGR over FY11-15 from INR 121 cr to INR 290 cr.
- * A vibrant pan-India distribution network along with focus on expanding in uncluttered Tier 2 and 3 cities has undeniably reinforced its long-term growth prospects. We expect revenues to grow at 15% CAGR over FY16-18E
- * A light asset model due to outsourced manufacturing has lead to high RoCE of +20%
- * We expect an EPS CAGR of 34% over FY16-18E. The stock currently trades at 13.8x FY17E and 10.6x FY18E EPS of INR 10 and INR 13, respectively.

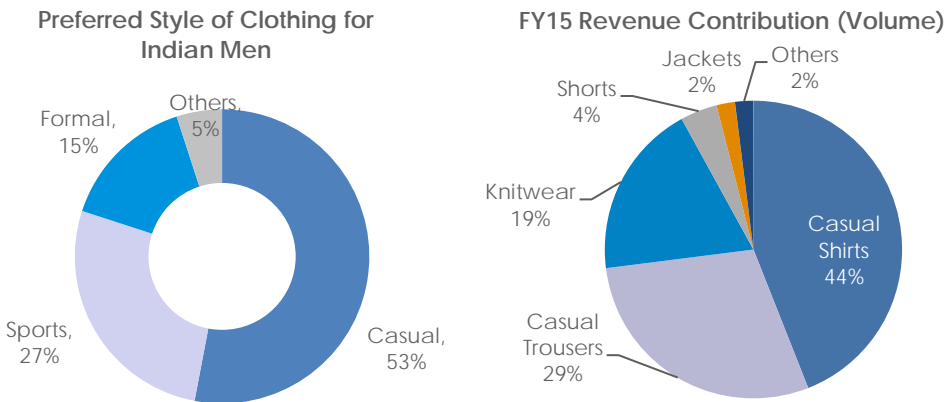
Risks

- * Increasing competition
- * 25% of outsourcing to a single vendor
- * Semi-Urban slowdown
- * Key Personnel Risk

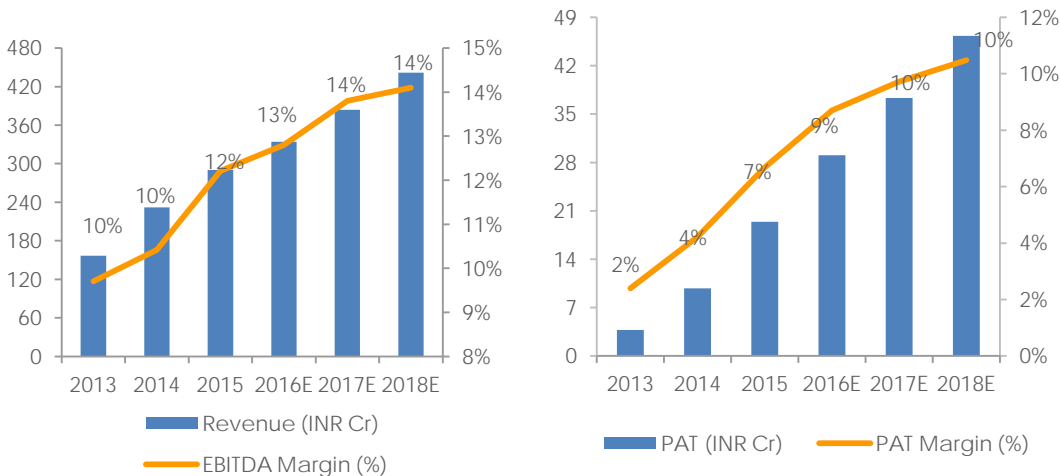
Peer Comparison

	Diluted P/E (x)		Diluted EPS		ROCE (%)	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Indian Terrain	17.6	14.9	8.9	11.0	20.3	21.0
Siyaram	10.6	8.3	98.0	121.0	18.0	19.0
Raymond	21.9	14.1	18.0	28.0	9.0	12.0

Unique positioning in the Indian Branded Apparel Space



EBITDA and PAT margins to expand over FY16-18E



Indo Count Industries Ltd (CMP: INR 1,001; Mkt Cap: INR 3,703 cr)

Business Overview

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

Opportunity Size: -

- * Global Home Textile Market is currently valued at USD 86bn (2015) and is expected to grow to USD 96bn by 2017.
- * India's Home Textiles exports stood at USD 1.4bn in 2013 and is expected to grow to USD6.8bn by 2020 i.e. FY13-20 CAGR of 12%
- * India is 46.5% of the US Cotton Bed Sheets/Pillow imports (Imports USD 1.56bn)
- * Bed Linen market alone is estimated at USD 14bn in the USA market growing annually at 2-3 percent.
- * Newer segments such as Fashion Bedding, Utility Bedding and Institutional bedding together account for USD 9.5bn.
- * Newer segments are currently dominated by China (85-90% of total USA imports in these segments). Any shift in the market share from China to India would offer huge growth potential for Indian Home Textile players

Year to March	FY14	FY15	FY16	FY17E	FY18E
Revenues (INR Cr)	1,489	1,782	2,213	2,623	3,091
Rev growth (%)	23.2	19.6	24.2	18.5	17.9
EBITDA (INR Cr)	180	314	474	590	710
Net Profit (INR Cr)	110	146	265	346	413
EPS (INR Cr)	29.1	37.1	67.1	87.6	104.7
EPS growth (%)	274.0	27.6	80.8	30.6	19.6
P/E (x)	34.4	27.0	14.9	11.4	9.6
P/B (x)	12.8	9.3	6.0	4.2	3.1
RoACE (%)	24.0	37.8	48.6	46.8	42.8
RoAE (%)	44.7	40.4	48.7	43.2	37.5

Share Holding Pattern

(%)

Promoter

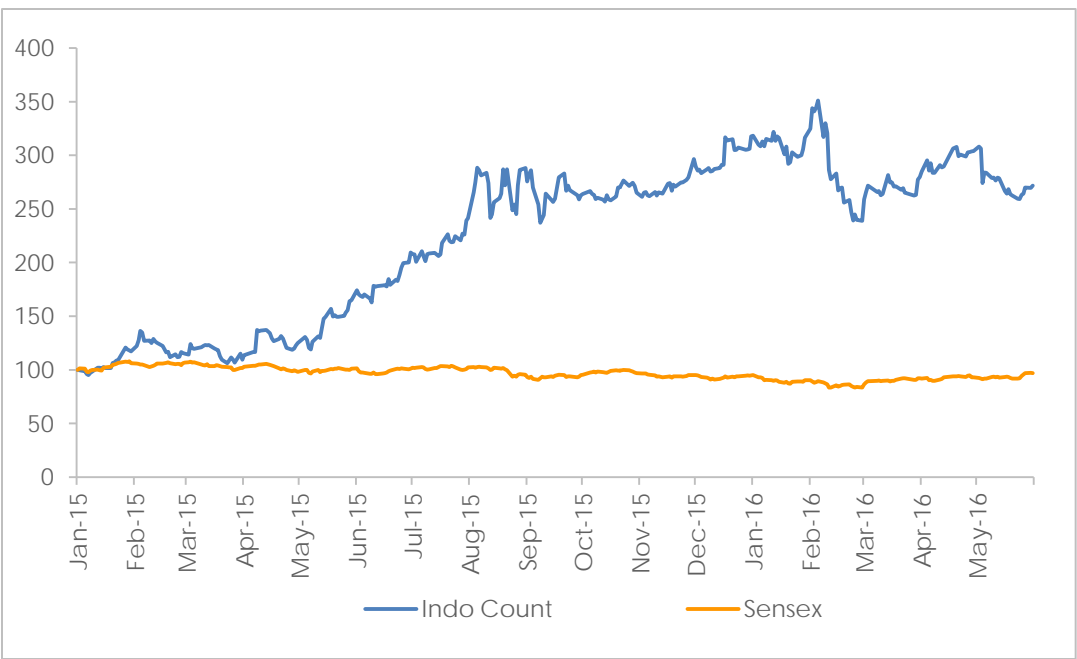
58.95

Public

41.05

Others

–



Indo Count Industries Ltd (CMP: INR 1,001; Mkt Cap: INR 3,703 cr)

Investment Hypothesis

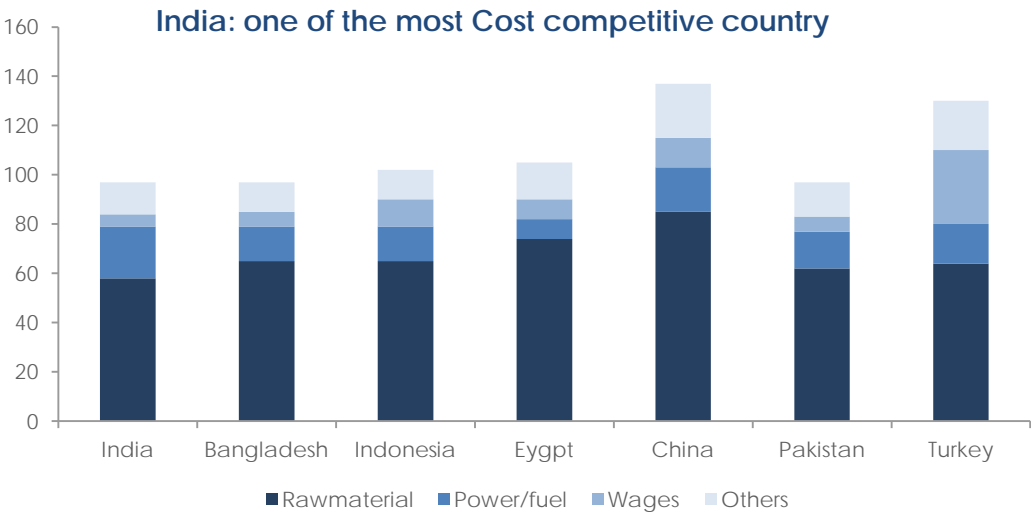
- * Competitive advantage over competitors due to cotton surplus status, favorable cost dynamics, skilled labour advantage and supportive government policies & subsidies.
- * Shift in Home Textiles market from China to India due to wage inflation and Yuan appreciation in China.
- * Foray into newer geographies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

Risks

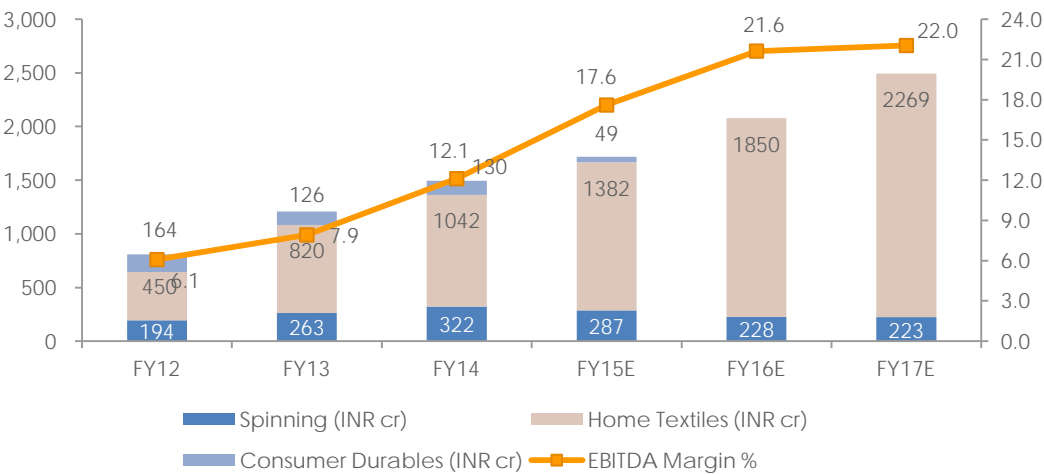
- * Raw material volatility
- * Losing Suppliers

Peer Comparison

	Diluted P/E (x)		Diluted EPS		ROCE (%)	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Indo Count Inds.	11.4	9.6	87.6	104.7	46.8	42.8
Welspun India	12.5	11.4	8.5	9.3	28.8	28.2



Segmental Revenue: Change in Product Mix to drive Margin growth



Natco Pharma Ltd (CMP: INR 594; Mkt Cap: INR 9,992 cr)

Business Overview

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

Opportunity Size: -

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

Year to March	FY14	FY15	FY16	FY17E	FY18E
Net revenues (INR Cr)	739	825	1,142	1,868	1,846
Rev growth (%)	11.9%	11.7%	38.3%	63.6%	-1.2%
EBITDA (INR Cr)	179	213	270	763	671
PAT (INR Cr)	103	150	155	526	449
EPS (INR)	5.9	8.6	8.9	30.2	25.8
EPS growth (%)	23.0%	45.8%	3.6%	238.8%	-14.6%
P/E (x)	100.7	76.8	66.7	19.7	23.1
EV/EBITDA (x)	59.0	49.9	38.7	13.3	14.6
RoAE (%)	16.1%	18.9%	14.2%	33.2%	21.8%
RoACE (%)	17.9%	16.9%	17.6%	42.2%	28.3%

Share Holding Pattern

(%)

Promoter

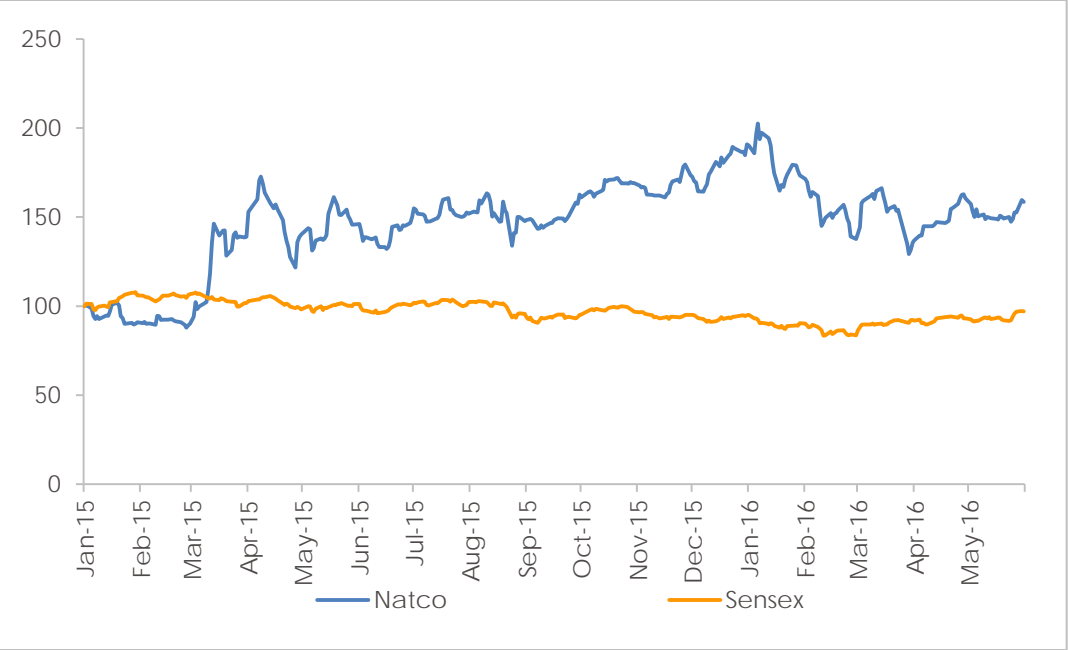
51.28

Public

48.72

Others

–



Natco Pharma Ltd (CMP: INR 594; Mkt Cap: INR 9,992 cr)

Investment Hypothesis

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

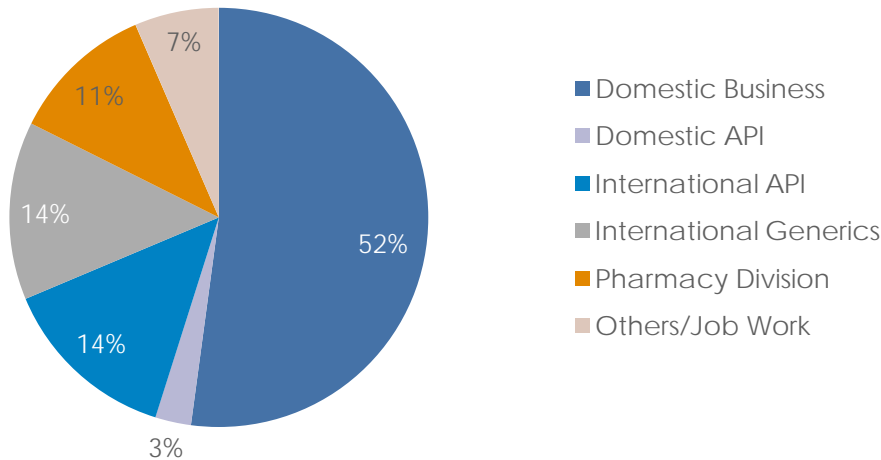
Risks

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

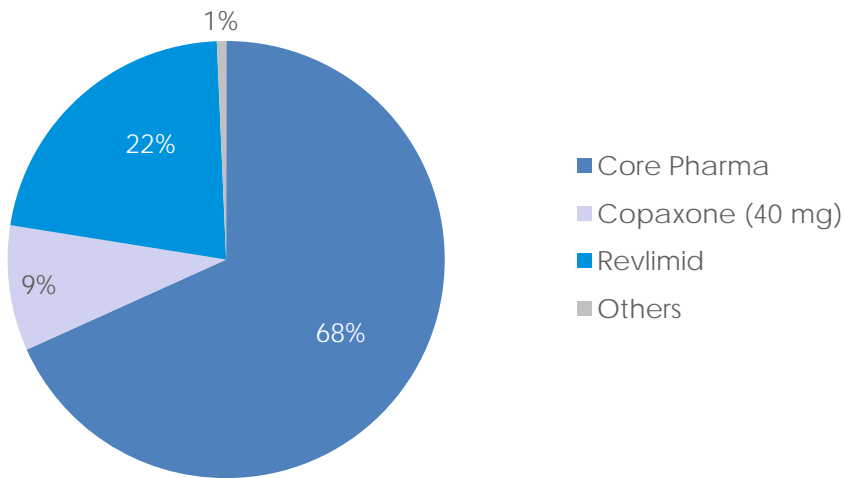
Peer Comparison

Company Name	Diluted P/E (x)		EV/EBITDA (x)		ROE (%)	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Natco Pharma	19.7	23.1	13.3	14.6	33.2	21.8
Torrent Pharma	15.0	14.5	10.1	9.6	38.3	31.1

Segmental Revenues



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



Siyaram Silk Mills Ltd. (CMP: INR 1,100; Mkt Cap: INR 1,001 cr)

Business Overview

- * Siyaram Silk Mills Ltd. (Siyaram) is an integrated textile manufacturer with a domestic focus which has strategically transformed itself from a textile manufacturer to a major garmenting and brand house
- * Revenues breakup is Fabrics - 76%, Readymade Garments - 16%, Others - 5% and Yarn - 3%
- * Siyaram's biggest brands include Siyaram, J. Hampstead, Mistair and Oxemberg
- * It has a pan India distribution network comprising 500 agents, 1,500 dealers and 365,000 retailers and over 200 franchise stores

Opportunity Size: -

- * The textile market will grow to USD221bn by 2021 from USD108bn. The growth will be driven by readymade garments (RMG).
- * Sales of branded apparel (part of RMG) have increased at 15% CAGR over 2009-14. Going ahead, branded apparel is expected to clock 10-12% CAGR over 2014-19. Therefore, the share of branded garments is expected to catapult to 46-48% in 2019 compared to around 35% in 2014.

Year to March	FY14	FY15	FY16	FY17E	FY18E
Revenues (INR Cr)	1,291	1,496	1,637	1,806	1,995
Rev Growth (%)	25.1%	15.8%	9.5%	10.3%	10%
EBITDA (INR Cr)	146	174	182	211	12
Net Profit (INR Cr)	69	79	91	109	132
EPS (INR)	78	83	97	117	141
EPS Growth (%)	25.5	14.1	15.9	19.9	20.0
P/E (x)	14.2	13.2	11.3	9.4	7.8
P/B (x)	2.8	2.4	2.0	1.7	1.4
RoACE (%)	17.4	17.8	17.7	18.8	20.0
RoAE (%)	21.3	19.4	19.3	19.5	20.0

Share Holding Pattern

(%)

Promoter

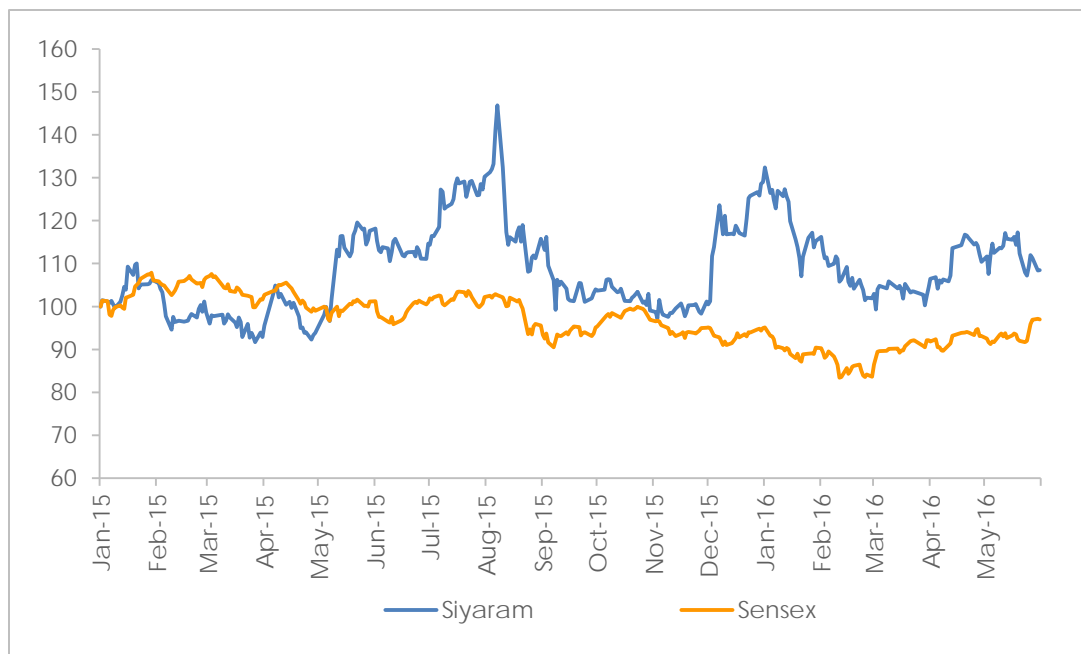
67.07

Public

32.93

Others

–



Siyaram Silk Mills Ltd. (CMP: INR 1,100; Mkt Cap: INR 1,001 cr)

Investment Hypothesis

- * The changing product mix to premium products and increasing share of the high-margin RMG segment has helped improve EBITDA margin and ROCEs from 8% and 6% in FY09 to 11.7% and 18%, respectively in FY15.
- * The RMG segment's share in revenues and EBIT will increase from 16% and 18% currently to 20% and 31% of revenues in next 3 years
- * Margin to stabilize at 12.2% by FY17E from the 11.7% margins currently which will help reducing earnings volatility. Any spurt in consumption will lead to volume growth, which will in turn trigger operating leverage.
- * The stock trades at very attractive valuations of 9x FY16E and 8x FY17E EPS of INR 105 and INR 121, respectively – much cheaper than its peers.

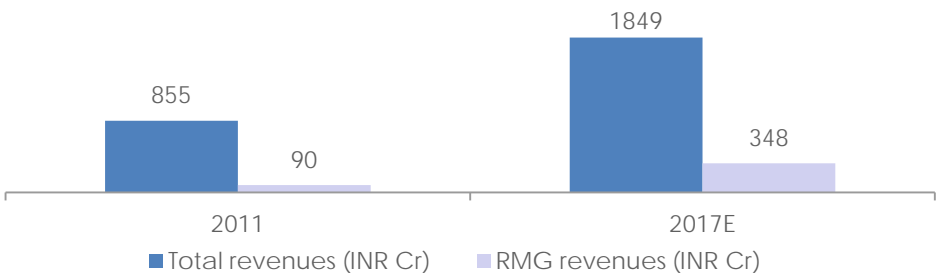
Risks

- * Fluctuation in raw material prices
- * Competition from the unorganized sector
- * Semi-Urban slowdown and limited Pricing Flexibility

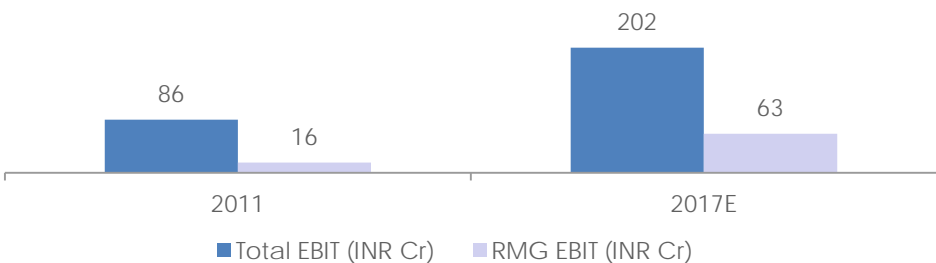
Peer Comparison

	Diluted P/E (x)		Diluted EPS		ROCE (%)	
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Siyaram	9.4	7.8	117	141	18.8	20.0
Arvind	15.4	12.9	20.4	24.2	16.5	17.0

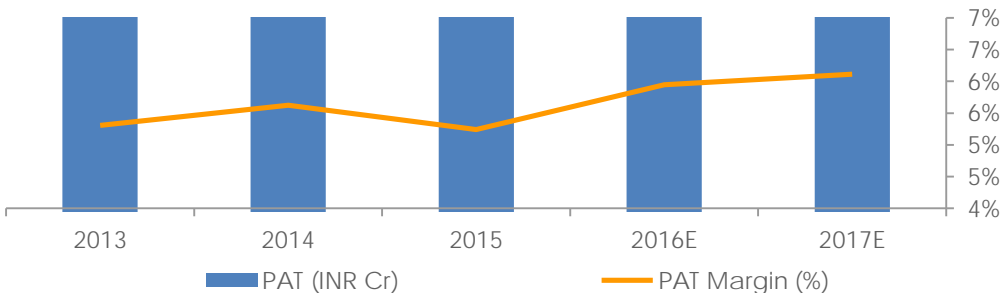
Readymade garment revenues to improve to ~20% of total revenues



Readymade garments EBIT to improve to 31% of total EBIT



PAT growth expected to outpace topline growth



Disclaimer

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

Broking services offered by Edelweiss Broking Limited under SEBI Registration No.: INZ000005231; Name of the Compliance Officer: Mr. Dharendra Rautela, Email ID: complianceofficer.ebl@edelweissfin.com Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel. (022) 4009 4400/ 4088 5757/4088 6278

Disclosures under the provisions of SEBI (Research Analysts) Regulations 2014 (Regulations)

Edelweiss Broking Limited ("EBL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of EBL and its associates are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance. There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years. This research report has been prepared and distributed by Edelweiss Broking Limited ("Edelweiss") in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No.INH000000172

This Report has been prepared by Edelweiss Broking Limited in the capacity of a Research Analyst having SEBI Registration No.INH000000172 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject EBL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. EBL reserves the right to make modifications and alterations to this statement as may be required from time to time. EBL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. EBL is committed to providing independent and transparent recommendation to its clients. Neither EBL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of EBL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of EBL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

EBL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the EBL to present the data. In no event shall EBL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the EBL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

EBL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. EBL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with EBL.

EBL or its associates may have received compensation from the subject company in the past 12 months. EBL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. EBL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EBL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or EBL's associates may have financial interest in the subject company. EBL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

EBL has financial interest in the subject companies: No

EBL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

EBL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by EBL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimer for U.S. Persons

Edelweiss is not a registered broker – dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition Edelweiss is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Edelweiss, including the products and services described herein are not available to or intended for U.S. persons.

This report does not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.

Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Additional Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only to (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Additional Disclaimer for Canadian Persons

Edelweiss is not a registered adviser or dealer under applicable Canadian securities laws nor has it obtained an exemption from the adviser and/or dealer registration requirements under such law. Accordingly, any brokerage and investment services provided by Edelweiss, including the products and services described herein, are not available to or intended for Canadian persons.

This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services.