



#### DIWALI PICKS

Stocks	CMP	Target	Upside Potential (%)
Bharat Forge	349	395	13
Gujarat Apollo Industries	279	350	25
IDBI	153	195	27
MIC Electronics	517	725	40
Orbit Corporation	658	1000	52

# BHARAT FORGE

*"Forging ahead"*

**CMP: Rs 349**

**Recommendation: BUY**

**Diwali 2008 Target: Rs 395**



Despite a slowdown in two of its key markets – Indian automotive and the US CV – and significant Rupee appreciation, BFL registered strong revenue growth of 25% YoY and limited its EBITDA margin contraction to 24.6% (down 150 bps YoY; however, up 420 bps QoQ). After a muted FY08E, we expect an accelerated revenue and net profit CAGR of 14.8% and 28.4% respectively through FY09E-11E, given prospects of business from India and the US, new long-term contracts moving into commercial production stage, initiatives in non-automotive space translating into Rs 1,050 Cr incremental revenues by FY11E and 250 bps margin enhancement over FY09E-11E. The company is also considering foray into the Casting space for the capital goods sector. It is focusing on new growth & high technology areas such as Aerospace, Marine & Rail, Power, Mining & Construction Equipment, and it has already established a new production center in Baramati towards this end.

Apart from its global leadership in forging industry, we expect Bharat Forge to take some major initiatives in wind power industry as it already produces some components of wind power generation machines. Such initiatives, in the light of Bharat Forge's global presence and expertise in engineering goods, would lead to further appreciation of the stock.

# GUJARAT APOLLO

"Paving the way"

**CMP: Rs 279**

**Recommendation: BUY**

**Diwali 2008 Target: Rs 350**



Gujarat Apollo Industries Ltd is an ISO 9001:2000 certified company. From a modest beginning in the year 1987, the company today offers the entire range of road construction equipment that helps in building roads. The product basket includes road construction equipment like asphalt plants (batch mix plants, drum mix & mobile drum mix plants), wet mix plants or soil stabilization plants, paver finisher, bitumen pressure distributor, kerb paver & road maintenance equipments like milling machines & recycling machines.

The company is one of the lowest cost producers of the road construction equipments. The company had sourced the technology from Niigatta, Engineering co, Japan & has a technical collaboration with Barber Greene, USA. The company has over 1000 installation globally. We believe that having globally competitive technology, and the capacity to price its products at 30-35% lower than the competition, will give the company a definite competitive advantage to with stand the competition. Increasing demand for higher capacity Asphalt batch mix plants (range of 120-240 tph) will give the company an edge over competition, as Gujarat Apollo is one of the few companies to have presence in this range.

The company has taken various initiatives which will enhance earnings visibility even further. A Technical Know-how and Licensing agreement with an European Company for manufacturing of 2 models of soil compactors and 3 models of tandem vibratory compactors. This coupled with recently added range of crusher and mining equipment will strengthen Company's already well established product range and will position the Company with all the important products under one brand. Rollers and crusher range of products have much larger addressable market size and have versatile end uses which will offer product de-risking to the Company in the future. At the current price of Rs 191, the stock is available at 13.5x its FY08E EPS and 9x its FY09E EPS.



## *"Ripening Investments"*

**CMP: Rs 153**

**Recommendation: BUY**

**Diwali 2008 Target: Rs 195**



"Aao Sochein Bada!" - Let us think big! is the slogan of IDBI, one of the most trusted and valued financial conglomerates of the Indian Banking industry that has been the backbone of the recent economic boom. With a network of 453 branches, 257 distribution centers and 573 ATMs, the bank provides various financial services in the country. In addition to the banking business, the bank has high yielding stakes in prominent financial institutions like NSDL, CARE, IDFC, IFCI, to name a few. We believe these investments will yield high returns to IDBI. 2009 will herald a new phase in the Indian Banking industry, and IDBI is well entrenched to benefit from it.



# MIC ELECTRONICS

"Amazing Display"

**CMP: Rs 517**

**Recommendation: BUY**

**Diwali 2008 Target: Rs 725**



MIC Electronics Ltd. is a leader in the design, development & manufacturing of LED Video Displays. Being the only player in this field, it shall continue to enjoy the first mover's advantage in this field.

## **Projected Growth of Indian Out-of-Home (OOH) Advertising Industry**

The market for outdoor video wall is US\$ 550 mn and expected to reach US\$ 861 mn by 2010, at a CAGR of 11.75%. A majority of LED sales happened in the North American continent, which includes Canada and Mexico. The second largest market by sales was Asia followed by Europe, South America and Middle East. Indian OOH advertising market is expected to reach Rs 1,750 Cr by 2010 from the current Rs 1,050 Cr, a growth of 13.62%.

## **LED Lighting Business**

With the ever-growing shortage of electricity, LED lighting is fast becoming the choice of the consumers. The LED lighting market is expected to grow by 20%. The primary benefits of LEDs are long life, durability and efficiency. When driven properly, a power LED can last tens of thousands of hours without degradation in light output. The typical efficacy of a power LED, measured in lumens per watt, is 20-30. This is much greater than of incandescent light sources and is only exceeded by fluorescent light sources.

The company may look to demerge or divest its telecommunication business to concentrate on LED business. The LED display business and LED lighting business offers a large potential upside for the investors. At CMP of Rs 517, the stock is trading at 22x its FY08E EPS of Rs 23. Looking at the huge opportunity in LED display boards and lighting space, we recommend investors to BUY the stock at current levels.

# ORBIT CORPORATION

*"In an orbit of its own"*

**CMP: Rs 658**

**Recommendation: BUY**

**Diwali 2008 Target: Rs 1000**



Orbit Corporation primarily focuses on redevelopment of ramshackle buildings of existing properties in the Mahim – Colaba region of Mumbai. The company has a land bank of 1.1 mn sq foot under development. The company is operating in the segment, where there are very few large players because of the tedious procedures and requirements necessary to get the requisite approvals.

It is also looking to develop studio apartments concept in Mumbai mainly in the area of Lower Parel for working couples. It is least affected by the slowdown in real estate sector, mainly because it is operating in a niche market targeting upper class clients and also in a city like Mumbai, where there is significant demand–supply gap for the higher segment of properties. The company is expected to report a topline of Rs 800 Cr and an EPS of Rs 65 in FY08. At CMP of Rs 663, the stock is trading at 10x its FY08E earnings, which is attractive looking at its unique business model and the sector in which the company operates.

We recommend a "BUY" rating on the stock.

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