

## Top Picks

### Edel Invest Research

Edelweiss – Ideas create, values protect

November, 2013

# Edelweiss Top Picks



S.No	Stock Name	CMP (INR)	Mkt Cap (INR Crs)	P/E (X)		EV/EBITDA (X)		ROE (%)	
				FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
1	Alembic Pharma	195	3,759	12.5	9.8	9.2	7.4	37	37
2	Bajaj Finance Ltd	1,350	6,735	6.7	5.5	NM	NM	20.2	20.2
3	ICICI Bank Ltd	1,125	1,29,399	11.1	10.1	NM	NM	13.1	13.3
7	Larsen & Toubro Ltd	977	90,169	18.5	15.7	12.6	11.3	13.3	14.1
6	Lupin Ltd	885	39,782	22.4	18.7	13.8	11.9	28.8	27.2
8	Maruti Suzuki India Ltd	1,636	49,426	15.8	12.4	7.1	5.6	13.1	14.8
10	Motherson Sumi Systems	265	15,864	16.2	12.1	9.6	7.5	34.0	37.0
9	Pidilite Industries Ltd	289	14,794	27.0	23.0	19.0	16.0	27.0	27.0
4	Sobha Developers Ltd	303	3,067	11.0	8.0	6.0	5.0	13.3	15.8
5	The Ramco Cements Ltd	176	4,252	16.8	10.9	8.4	6.2	10.1	14
11	Wipro Ltd	482	1,17,758	15.15	13.5	12.2	9.9	23.0	22
12	Zee Entertainment Enterprises Ltd	270	25,546	26.1	22.3	17.4	14.3	19.0	19.5

Prices updated as on 1st November 2013

NM- Not meaningful

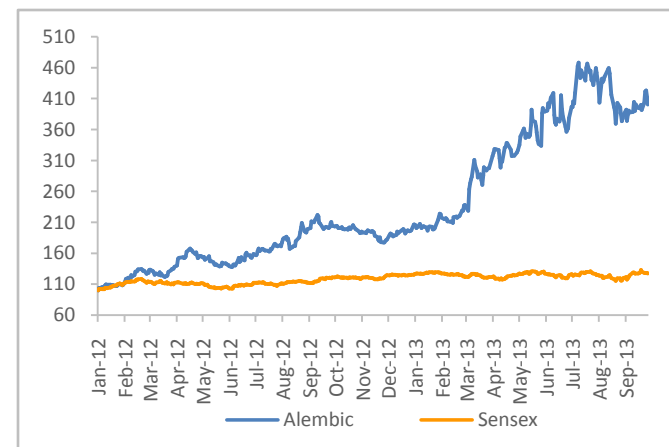


- \* Alembic Pharma, is a leader in several sub-segments of the Anti-Infective Therapeutic segment. Over the last two to three years, it has invested heavily in increasing its revenue contribution from chronic therapies & regulated markets, which are high margins businesses
- \* The company has increased its revenues from the chronic segment from 45% to over 50% currently over the last year growing at over 20% in the chronic segment, and intends to increase its share further. As a result, we expect the company's domestic formulation business to grow at 12% CAGR over FY13-15E
- \* The company continues to improve its margins year-on-year, the company has ended FY13 at 16% EBITDA margins, and plans to improve it further by 100-125 bps every year, and expects margins to stabilize at 20% over the next 2-3 years
- \* Facility expansion for US, would start contributing from Q2FY14, which would help the company grow its US business at 25-30% CAGR from \$20-30 mn currently to over \$80-100 mn. The company has strong enough pipeline of filings in the US to support the growth. We expect the company's international generic sales to grow at a CAGR of 28% over FY13-15E
- \* Negligible debt on books, company plans to become ZERO debt by FY15E

Year to March	FY11	FY12	FY13	FY14E	FY15E
Revenue	1,192	1,462	1,520	1,727	1,977
Rev. growth (%)	0%	23%	4%	14%	14%
EBITDA	157	216	252	313	387
Net profit	85	130	165	213	270
Shares outstanding (crs)	18.9	18.9	18.9	18.9	18.9
Diluted EPS (INR)	4.5	6.9	8.8	11.3	4.3
EPS growth (%)	0%	53%	27%	29%	27%
Diluted P/E (x)	31.3	20.4	16.1	12.5	9.8
EV/ EBITDA (x)	18.2	13.3	11.4	9.2	7.4
ROCE (%)	21%	25%	30%	35%	37%
ROE (%)	29%	38%	37%	37%	37%

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
SBI Magnum Multicap Fund	314.77	0.89	0.106	2.80
Principal Growth Fund	213.22	1.29	0.104	2.75
Principal Tax Saving Fund	175.54	1.30	0.086	2.28
SBI Pharma Fund	113.15	1.78	0.076	2.01
SBI Magnum Midcap Fund	156.20	1.22	0.072	1.91

Shareholding Pattern		Bloomberg:	ALPM:IN
Promoters:	74.13	52-week range (INR):	205 / 56
MFs, FIs & Banks:	1.37	Share in issue (Cr):	18.9
FII:	7.73	Mkt cap (INR Cr):	3,759
Others:	16.77	Avg. Daily Vol.BSE/NSE:(‘000):	277



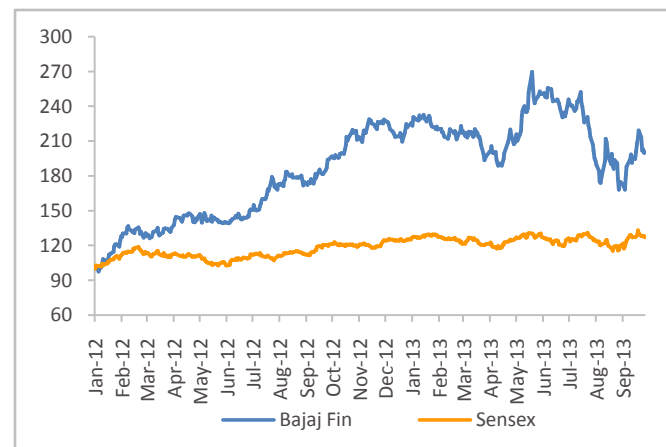


- \* Bajaj Finance Limited (BFL), a subsidiary of Bajaj Finserv Ltd., is a leading and diversified NBFC in India. The company has a well-diversified portfolio bouquet with loan book spread across nine business lines and balanced in terms of scale and profitability
- \* Over the years, BFL has built pan-India presence, covering 225 points across India and more than 4,000 distribution partners and dealers
- \* BFL has exhibited strong growth momentum with 75% CAGR growth in AUM over the last three years
- \* BFL is trying to maintain the balance between profitability and growth - the consumer book will provide profitability and the non-consumer book will provide scale
- \* During the last four years, return ratios have improved significantly - RoA has improved from 1.3% in FY09 to 4.1% in FY13, while RoE has jumped from 3.2% in FY09 to 22% in FY13
- \* The company has maintained healthy asset quality with gross and net NPA of 1.1% and 0.2% in FY13 respectively
- \* BFL is maintaining the balance with the profitability (consumer segment) and scalability (infrastructure segment)
- \* Valuation: The stock is currently trading at attractive valuation of 1.2x FY15E book value

	FY11	FY12	FY13	FY14E	FY15E
Net int. income	906	1,250	1,719	2,225	2,707
Net profit after tax	247	406	591	758	929
Adjusted BV per share	371	492	676	829	1,015
Diluted EPS (INR)	67.7	95.3	118.8	152.3	186.5
Gross NPA ratio (%)	3.9	1.2	1.1	1.2	1.2
Net NPA ratio (%)	0.8	0.1	0.2	0.3	0.3
Price/Adj. book value (x)	3.2	2.4	1.7	1.4	1.2
Price/Earnings (x)	17.4	12.4	9.9	7.7	6.3

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Reliance Banking Fund	1,386.56	4.95	1.364	68.63
Sundaram Select Midcap	1,589.77	3.53	1.115	56.12
DSP BR Equity Fund	1,880.42	2.41	0.901	45.32
IDFC Sterling Equity Fund	1,233.56	3.62	0.887	44.65
Sundaram Tax Saver	1,140.49	2.81	0.637	32.05

Shareholding Pattern		Bloomberg:	BAF:IN
Promoters:	62.07	52-week range (INR):	1,595 / 965
MFs, FIs & Banks:	9.73	Share in issue (Cr):	4.9
FIs:	8.75	Mkt cap (INR Cr):	6,735
Others:	19.45	Avg. Daily Vol.BSE/NSE:(‘000):	26/15



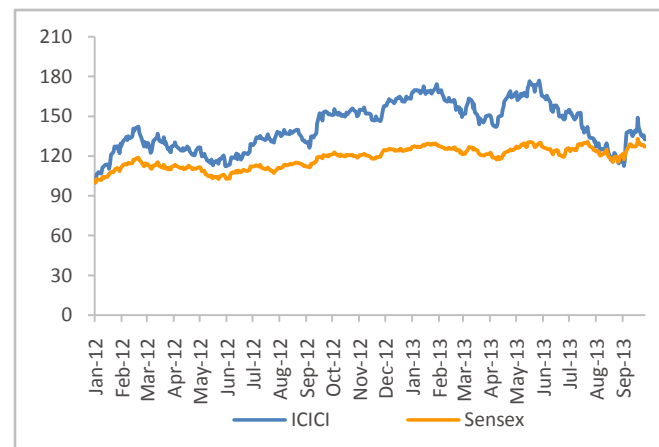


- \* ICICI Bank is India's largest private sector bank with total asset of INR 4.7tn. The loan book is expected to grow at 20% CAGR over next few years driven by retail segment and working capital related corporate loans
- \* Average CASA is 38-40% which keeps cost of funds low and add to net interest margin
- \* Asset quality has been improving steadily with Gross and Net NPA at 3.5% and 0.7% respectively. Restructuring book (1.6% of loans) has been declining. We do not see major restructuring in the future
- \* The bank has near market leadership in almost all its businesses including mortgages, auto loans, commercial vehicle loans, life insurance, general insurance, and asset management. In future, the listing of Insurance business and asset management will lead to monetization of stake
- \* Guidance of 20% domestic advance growth, NIMs of 3.2% for FY14, cost/income to be capped at 40%, CASA at 38- 40% and credit cost of 75bps will sustain the RoA/RoE at similar levels. Adjusting for valuation of subsidiaries of INR221 per share, the stock trades at 1.1x FY15 adj.book

	FY11	FY12	FY13	FY14E	FY15E
Net int. income	9,017	10,734	13,866	16,035	183,922
Net profit after tax	5,151	6,465	8,326	9,145	10,235
Adjusted BV per share	356	406	460	515	579
Diluted EPS (INR)	44.7	56.1	72.2	79.3	88.7
Gross NPA ratio (%)	4.2	3.4	3.2	3.1	3.0
Net NPA ratio (%)	1.1	0.7	0.8	0.7	0.7
Price/book value (x)	1.8	1.6	1.4	1.3	1.1
Price/Earnings (x)	19.7	15.7	12.2	11.1	9.9

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Top 200 Fund	10,186.03	5.89	0.644	599.96
HDFC Equity Fund	9,580.88	6.19	0.637	593.06
Franklin India Bluechip F..	4,752.77	5.93	0.303	281.84
ICICI Pru Focused Bluechi..	4,308.75	6.51	0.301	280.50
Reliance Banking Fund	1,386.56	19.10	0.284	264.83

Shareholding Pattern		Bloomberg:	ICICIBC:IN
Promoters:	–	52-week range (INR):	1,238 / 757
MFs, FIs & Banks:	25.38	Share in issue (Cr):	115
FII:	36.40	Mkt cap (INR Cr):	1,29,399
Others:	38.22	Avg. Daily Vol.BSE/NSE:(‘000):	5075



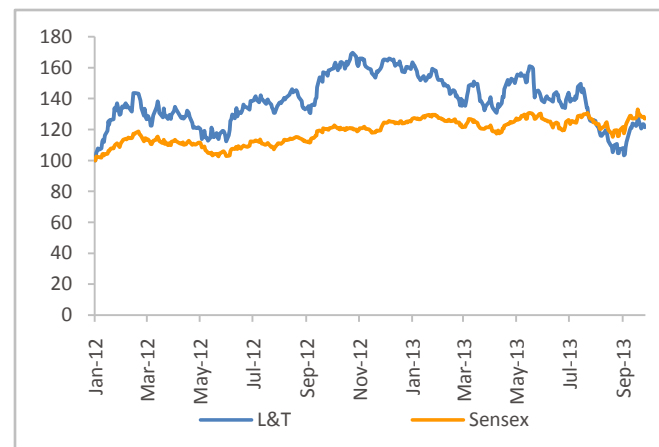


- \* L&T is India's largest infrastructure and EPC company with presence across major verticals like process, hydrocarbons, power, core infrastructure like roads, ports, bridges, industrial structures etc. It has a dominant position and market share in most operating verticals like oil & gas, process projects, roads, bridges, or industrial structures
- \* L&T targets to achieve over 20% RoE in next 3-5 years by improving internal efficiency, optimal cash flow utilization and optimizing the current manufacturing base in ship-building, defense, heavy forgings and power equipment
- \* L&T would focus on divesting stake in several developmental projects for meeting equity requirement and exiting noncore businesses which are not scalable. Thus there would be value unlocking in those businesses
- \* L&T witnessed strong order inflows of INR 88000 crore in FY13 with 25% yoy growth and maintained strong inflows in H1FY14 with INR 51700 cr (up 27% yoy). The management aims to achieve 20% growth in order inflows in FY14 on a high base
- \* The management is confident of achieving 15-17% growth in standalone revenue in FY14 with stable margins. The current order backlog of INR 1.76 lakh crore (2.9x FY13 standalone revenue) and expectation of strong order inflows in H2FY14 gives revenue growth visibility

Year to March	FY11	FY12	FY13	FY14E	FY15E
Revenue	52,089	64,313	74,498	82,693	94,696
Rev. growth (%)	18.4	23.4	15.8	11.0	14.5
EBITDA	7,690	8,769	9,859	10,665	12,249
Net profit	4,463	4,693	5,206	4,750	5,606
Shares outstanding (crs)	92.5	92.5	92.5	92.5	92.5
Diluted EPS (INR)	47.6	50.1	51.6	51.1	60.3
EPS growth (%)	-16.6	5.2	2.9	-1.0	18.0
Diluted P/E (x)	19.9	18.9	18.3	18.5	15.7
EV/ EBITDA (x)	13.3	13.3	12.9	12.6	11.3
ROCE (%)	13.0	10.0	9.0	7.8	8.0
ROE (%)	19.0	17.0	15.2	13.3	14.1

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Top 200 Fund	10,186.03	4.01	0.611	408.46
HDFC Equity Fund	9,580.88	3.75	0.538	359.28
DSP BR Top 100 Equity Fun..	3,013.55	5.34	0.241	160.92
UTI-Opportunities Fund	3,440.24	4.05	0.209	139.33
HDFC Prudence Fund	5,111.87	2.61	0.200	133.42

Shareholding Pattern		Bloomberg:	LT :IN
Promoters:	-	52-week range (INR):	1,133 / 677
MFs, FIs & Banks:	36.7	Share in issue (Cr):	92.5
FII:	16.7	Mkt cap (INR Cr):	90,169
Others:	46.5	Avg. Daily Vol.BSE/NSE:( '000):	836.7



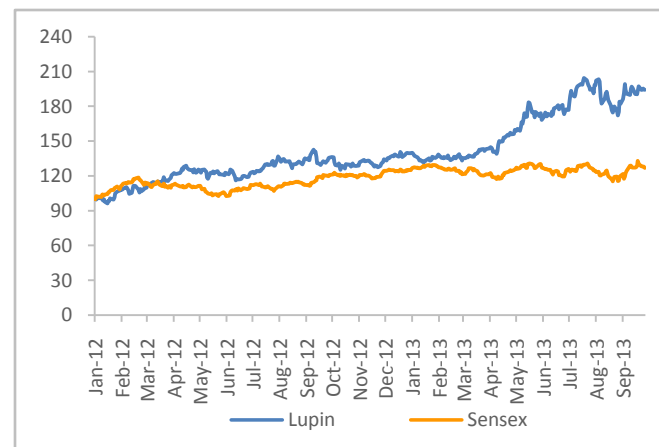


- \* The company has over the years shifted its focus from anti-infective and TB, to chronic segment. The company has increased the contribution from 25% to 50% over the last five years. It plans to increase the same to 65-70% by FY14E
- \* Lupin has a strong pipeline of products (120 products) for the US markets pending for approval. It is expected that the company would be able to get the approvals for the same in the next 2-3 years. Of the 120 products 20 have FTF status, and many are limited competition products. This would help the company to generate better margins with less competition for a longer period of time
- \* Lupin one on the few players which has successfully managed to tap the Japanese market through its acquisition of Kyowa earlier and l'rom recently, now has a presence across value chain in Japan from oral formulations (through Kyowa) to Injectables (through l'rom)
- \* We expect LPC's total sales to grow at 17% CAGR between FY13-15E led by strong growth in US generics business over FY13-15E primarily exclusive product launches. Domestic business is expected to grow at 16% CAGR over FY15E. Net profits are expected to grow at 19% CAGR over FY15E
- \* At CMP the stock is trading at 18.7x its FY15E earnings

	FY11	FY12	FY13	FY14E	FY15E
Revenue	5,819	7,082	9,641	11,756	12,991
Rev.growth (%)	20.3	21.7	36.1	21.9	10.5
EBITDA	1,178	1,475	2,269	2,785	3,150
Net Profit	879	974	1340	1738	2085
Shares outstanding (Crs)	44	44	44	44	44
Diluted EPS (INR)	19.3	21.2	29.3	38.1	45.7
EPS growth (%)	0.3	0.3	0.3	0.3	0.3
Diluted P/E (x)	44.2	40.2	29.1	22.4	18.7
EV/EBITDA (x)	33.0	26.7	17.2	13.8	11.9
ROCE (%)	25.6	25.7	33.3	37.7	38.9
ROE (%)	29.4	26.0	28.5	28.8	27.2

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Equity Fund	10,328.47	2.09	0.539	215.87
HDFC Top 200 Fund	10,874.80	1.76	0.478	191.40
Reliance Growth Fund	4,268.71	4.21	0.449	179.71
SBI Magnum Tax Gain Schem..	4,025.68	2.71	0.273	109.10
HDFC Mid-Cap Opportunitie..	2,700.80	2.50	0.169	67.52

Shareholding Pattern		Bloomberg:	LPC:IN
Promoters:	46.8	52-week range (INR):	946 / 557
MFs, FIs & Banks:	12.4	Share in issue (Crs):	44
FIs:	30.6	M cap (INR crs):	39,782
Others:	10.1	Avg. Daily Vol.BSE/NSE:(‘000):	11116



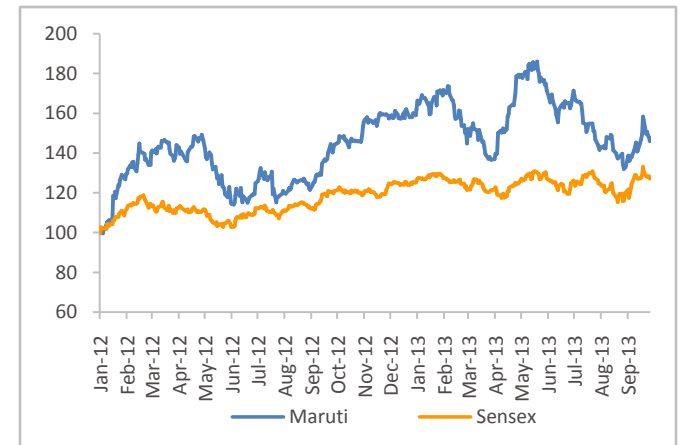


- \* MSIL is India's largest passenger vehicle manufacturer with more than 40% market share. It is a key player in the compact car segment with a dominant market share.
- \* MSIL offers the widest product range in passenger cars (10 models), with special focus on the compact car segment (five models)
- \* Peaking of competition is a key positive for Maruti Suzuki where as near term INR Vs JPY is turning favorable for the company which will lead to margin improvement (as 25% of sales are imports). Increase in localisation will aid for margin expansion in long term thereby reducing currency risk
- \* Expected demand recovery on the back of good monsoon, substantial rural focus, shift to petrol cars and new launches/refreshes augur well for Maruti Suzuki.
- \* MSIL multiple expands to the range of 16x-21x 1-year forward earnings when growth returns and earnings up cycle begins.
- \* Currently stock trades at 12.4x FY15E EPS.

Year to March	FY11	FY12	FY13	FY14E	FY15E
Revenue	36,618	35,587	43,587	45,130	50,580
Rev. growth (%)	23.6	-3.0	22.4	3.5	12.0
EBITDA	4,390	2,512	4,229	4,944	5,712
Net profit	2,383	1,635	2,392	2,590	3,296
Shares outstanding (crs)	28	28	30	30	30
Diluted EPS (INR)	82.4	56.5	79.1	85.7	109.1
EPS growth (%)	0.0	-31.0	39.9	8.2	27.2
Diluted P/E (x)	16.4	24	17.1	15.8	12.4
EV/ EBITDA (x)	8.9	13.1	8.6	7	5.6
ROCE (%)	0.0	13.2	17.2	17.0	18.7
ROE (%)	0.0	10.7	14.1	13.1	14.8

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Reliance Equity Opportuni..	4,471.03	3.54	0.367	158.27
Reliance Vision Fund	1,981.58	7.95	0.365	157.54
DSP BR Top 100 Equity Fun..	3,451.99	3.81	0.305	131.52
Reliance Tax Saver (ELSS)..	2,068.22	6.26	0.3	129.47
ICICI Pru Focused Bluechi..	4,130.19	2.91	0.279	120.19

Shareholding Pattern		Bloomberg:	MSIL:IN
Promoters:	56.21	52-week range (INR):	1,777/ 1,215
MFs, FIs & Banks:	12.60	Share in issue (Crs):	30.2
FIIIs:	22.36	Mkt cap (INR Crs):	49,426
Others:	8.83	Avg. Daily Vol.BSE/NSE:(‘000):	86/869





# Motherson Sumi Systems (CMP: 265; Mkt Cap: 15,864 crs)

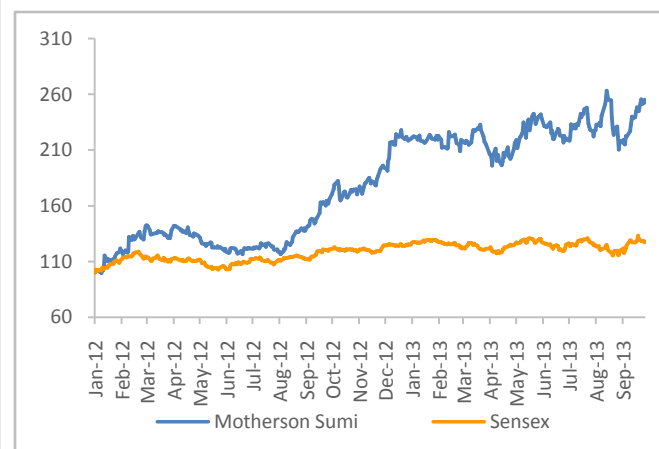


- \* Motherson Sumi Systems Ltd. (MSSL) is a global auto component supplier with market leading position in wiring harness (65% MS in India), rear view mirrors (22% Global MS) and polymer components (Bumpers, Dashboards etc).
- \* The Management has significantly scaled up business (57% CAGR growth in 10 years ) through acquisitions/JVs (at the right time and right valuations), turned them around and created a global company with marquee clients while focusing on ROCE and maintaining dividend payout of 30% plus. MSSL customers include marquee names like VW, Audi , BMW, Porsche, Skoda, General Motors ,Maruti Suzuki, Tata Motors, Hyundai etc.
- \* Revenue visibility – 1) Relationship with Sumitomo for technology and backward integration for wiring harness (Promoter is on Sumitomo, Japan Board) 2) Just in sequence supplies and replacement of plastics from metal for SMP 3) Industry firsts & one time mould cost for SMR.
- \* New order wins in FY13 at SMP & SMR (Euro 4 bn) gives sales visibility while margins expansion (SMR/SMP) over last three quarters gives us comfort on MSSL effort to expand margins going forward.
- \* Internal sourcing opportunities (INR 5000 crs) , tapping customers within business segments (SMR –SMP) and vertical integration (SMR) gives us sustained sales and margin visibility over a longer period .
- \* Stock is currently trading at 12.1x FY15E EPS.

Year to March	FY11	FY12	FY13	FY14E	FY15E
Revenue	8,249	14,777	25,312	28,479	33,576
Rev. growth (%)	23%	79%	71%	13%	18%
EBITDA	767	863	1,528	2,390	3,095
Net profit	434	260	445	778	1041
Shares outstanding (crs)	58.40	58.80	58.80	58.80	58.80
Diluted EPS (INR)	6.7	4.8	7.8	13.2	17.7
EPS growth (%)	80%	40%	71%	75%	34%
Diluted P/E (x)	32.1	45.2	27.7	16.2	12.1
EV/ EBITDA (x)	25.1	21.2	13.4	9.6	7.5
ROCE (%)	26%	12%	13%	24%	34%
ROE (%)	28%	10%	18%	34%	37%

Scheme Name	AUM ( INR Cr.)	% AUM in Stock	% Stake	Current Value
ICICI Pru Focused Bluechi..	4,318.32	3.29	1.053	142.07
HDFC Equity Fund	9,110.79	1.45	0.980	132.11
Reliance Regular Savings ..	2,036.39	4.77	0.720	97.14
HDFC Tax Saver Fund	2,954.17	2.36	0.517	69.72
UTI-CCP Balanced Fund	2,634.19	1.59	0.311	41.88

Shareholding Pattern		Bloomberg:	MSS:IN
Promoters:	65.59	52-week range (INR):	278 / 152
MFs, FIs & Banks:	9.84	Share in issue (Cr):	58.8
FII:	15.18	M cap (INR Cr):	15,864
Others:	9.39	Avg. Daily Vol.BSE/NSE:(‘000):	45/420



# Pidilite Industries Ltd (CMP: INR 289; Mkt Cap: INR 14,794 crs)

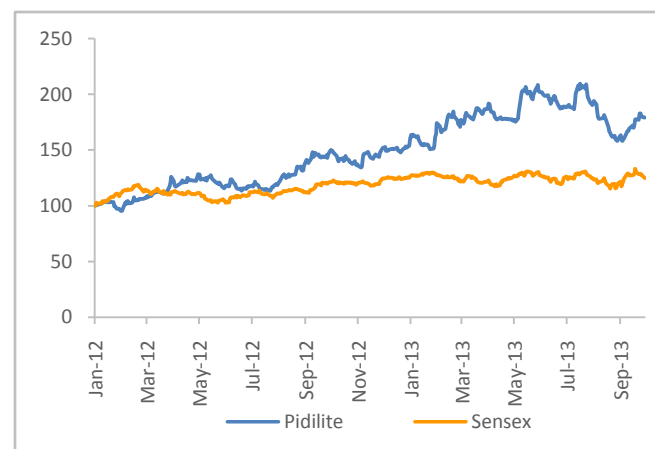


- \* Pidilite Ltd. is a pioneer in the Indian adhesives space with extremely strong brands across categories – Fevicol, Fevikwik, Mseal, Fevistick, Dr. Fixit and Roff to name a few.
- \* Brands from Pidilite’s stable enjoy age old recall among Indian consumers and command dominant (>70%) market shares in their respective categories.
- \* Branding led consumer facing business of the company forms 81% of standalone revenues and 90% of profits with the balance being contributed by B2B industrial business.
- \* Pidilite has an impressive long term track record, with volumes growing on an average by 2x India’s real GDP amid stable long term margins.
- \* We estimate revenue CAGR of 16% and PAT CAGR of 18% over FY13-15E.
- \* Secular long term growth, healthy return ratios (>35% ROCE), robust operating & free cash flow generation, net cash balance sheet, healthy dividend payout and attractive valuations at 22.7x FY15E (19% discount to FMCG median) are reasons why we like the stock.
- \* We recommend a ‘BUY’, valuing the company at 28x FY15E earnings arriving at a price target of INR 340.

Year to March	FY11	FY12	FY13	FY14E	FY15E
Revenue	2,657	3,127	3,678	4,230	4,991
Rev. growth (%)	21.0	18.0	18.0	15.0	18.0
EBITDA	469	484	590	677	799
Net profit	300	313	409	495	583
Shares outstanding (crs)	51.3	51.3	51.3	51.3	51.3
Diluted EPS (INR)	6	6	8	10	11
EPS growth (%)	14.0	4.0	29.0	17.0	18.0
Diluted P/E (x)	42	41	31	27	23
EV/ EBITDA (x)	28	27	22	19	16
ROCE (%)	31.0	29.0	34.0	35.0	36.0
ROE (%)	32.0	27.0	28.0	27.0	27.0

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Equity Fund	9,431.31	1.25	0.907	117.89
HDFC Mid-Cap Opportunitie..	2,546.44	2.19	0.429	55.77
Franklin India Prima Fund	777.85	5.32	0.318	41.38
HDFC Prudence Fund	4,949.22	0.70	0.266	34.64
HDFC Monthly Income Plan ..	4,391.12	0.69	0.233	30.30

Shareholding Pattern		Bloomberg:	PIDI:IN
Promoters:	70.06	52-week range (INR):	303 / 189
MFs, FIs & Banks:	5.28	Share in issue (Cr):	51.3
FIs:	13.66	Mkt cap (INR Cr):	14,794
Others:	11.00	Avg. Daily Vol.BSE/NSE:(‘000):	53



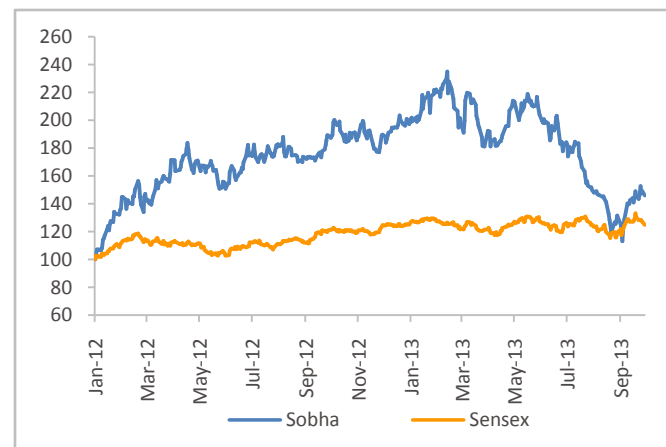


- \* Sobha Developers is amongst the leading real estate players in India, with a strong track record of having developed over 53 million sq. ft. It derives majority of its business from South India, primarily Bangalore.
- \* It is one of the most reputed developers known for its high quality construction, timely delivery and high corporate governance.
- \* The company is having a sizeable low cost land bank of 2500 acres, translating into a saleable area of 220 million sq.ft which it has acquired at a FSI cost of INR 90/sq ft. The current value of the land bank is 4x historical cost.
- \* Sobha has a strong ongoing project pipeline of 15 msf in the real estate segment and 10.0 msf in the contractual business segment and has lined up 8 msf of new launches.
- \* It has comfortable D/E at 0.57x with high dividend payout of 32%. We see the stock as a major beneficiary of the improved real estate demand on the back of interest rate reversal.
- \* Our NAV on the stock stands at INR 530 per share, with 23% of value derived from ongoing projects (net of debt), 12% from forthcoming projects, 5% from contractual business and balance 59% from land bank. We recommend a buy on the stock with target price of INR 530.

Year to March	FY11	FY12	FY13	FY14E	FY15E
Revenue	1,394	1,408	1,865	2,349	2,729
Rev. growth (%)	23	1	32	26	16
EBITDA	360	467	547	680	816
Net profit	181	206	216	297	385
Shares outstanding (crs)	10	10	10	10	10
Diluted EPS (INR)	18	21	22	30	39
EPS growth (%)	27	14	5	38	30
Diluted P/E (x)	17	15	15	11	8
EV/ EBITDA (x)	12	9	8	6	5
ROCE (%)	10.7	13.5	14.4	17.2	19.6
ROE (%)	10.2	10.7	10.4	13.3	15.8

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Morgan Stanley Growth Fun..	1,210.79	1.93	0.753	23.37
Birla Sun Life Infrastruc..	252.20	1.89	0.154	4.77
AXIS Midcap Fund	224.28	1.88	0.136	4.22
L&T India Special Situati..	541.86	0.66	0.115	3.58
Franklin India Smaller Co..	282.11	1.25	0.114	3.53

Shareholding Pattern		Bloomberg:	SOBHA:IN
Promoters:	60.58	52-week range (INR):	498 / 213
MFs, FIs & Banks:	2.58	Share in issue (Cr):	51.3
FIs:	33.16	Mkt cap (INR Cr):	3,172
Others:	3.68	Avg. Daily Vol.BSE/NSE:(‘000):	53



# The Ramco Cements Ltd (CMP: INR 176; Mkt Cap: INR 4,252 crs)

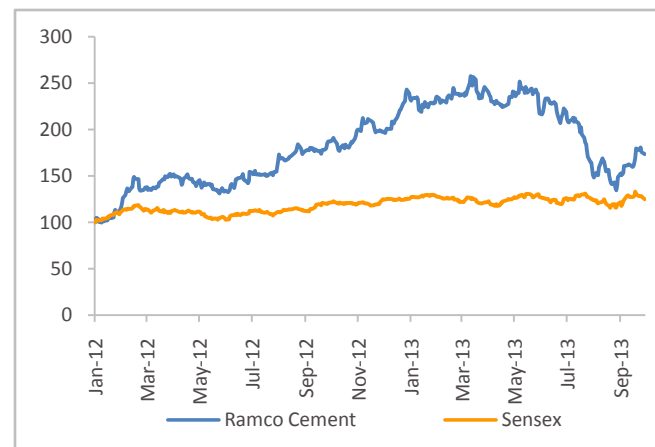


- \* Madras Cements Ltd. (MCEM) (now re-named as Ramco Cements) is the fifth largest cement producer in the country and the second largest in south, with an installed capacity of 16.3 MTPA
- \* MCEM is a leading player in lucrative markets of Tamil Nadu and Kerala. The company has further forayed into Eastern markets where the demand-supply scenario is relatively favorable, thus supporting volume growth. We expect the company to report a volume growth CAGR of 7% in over FY13-15e, which would lead to a revenue growth CAGR of 7.6% over FY13-15E.
- \* MCEM is one of the most cost efficient producers of cement in India, with power and fuel cost per ton of cement comparable to top players in the industry, coupled with significant savings on the fixed cost, thus making it less susceptible to negative fluctuations in the realization or volumes viz-a-viz its peers.
- \* MCEM over FY07-12 has invested more than INR 4500 crs in various expansion projects. The company has no major investment plans for the next 2-3 years. This would help the company to use the free cash flows to repay debt and thus improve its RoCe to 15% in FY15E .
- \* MCEM is currently trading at a discount of 30% to the large-cap cement companies, against its historical mean of 15% discount. We value MCEM at 6.24x FY14E EV/EBITDA, which translates into a 20% discount to large-cap cement companies. We recommend a “BUY” with a price target of INR 223.

Year to March	FY11	FY12	FY13	FY14E	FY15E
Revenue	2,605	3,236	3788	3771	4385
Rev. growth (%)	-7.0	24.2	17.1	-0.5	16.3
EBITDA	617	918	964	740	938
Net profit	211	385	404	249	380
Shares outstanding (crs)	23.8	23.8	23.8	23.8	23.8
Diluted EPS (INR)	8.9	16.2	17.0	10.0	16.0
EPS growth (%)	-40.3	82.5	4.8	-38.4	53.0
Diluted P/E (x)	19.7	10.9	10.3	16.8	10.9
EV/ EBITDA (x)	11.2	7.4	7.0	8.4	6.2
ROCE (%)	10.1	15.4	15.6	10.7	14.7
ROE (%)	12.8	20.3	18.3	10.1	14.0

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Reliance Tax Saver (ELSS)..	1,717.10	3.11	1.321	53.40
Reliance Equity Opportuni..	4,690.82	0.74	0.859	34.71
Sundaram Select Midcap	1,612.35	1.92	0.766	30.96
UTI-CCP Balanced Fund	2,706.34	1.12	0.750	30.31
HDFC Prudence Fund	4,949.22	0.61	0.747	30.19

Shareholding Pattern		Bloomberg:	MC:IN
Promoters:	60.58	52-week range (INR):	274 / 135
MFs, Fls & Banks:	2.58	Share in issue (Cr):	23.8
FII:	33.16	Mkt cap (INR Cr):	4,252
Others:	3.68	Avg. Daily Vol.BSE/NSE:(‘000):	220



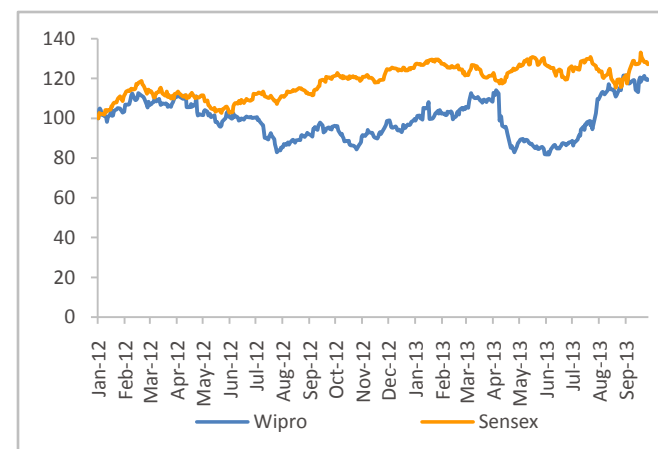


- \* Wipro Limited is a leading Indian company with business interests in export of IT & BPO services and domestic hardware. It has the widest range of services, including Systems Integration and IT-enabled Services.
- \* **Revenue growth to improve** – Post its restructuring exercise, Wipro realigned its client facing profiles and also increased its focus on mining strategic clients
  - It is also investing in sales and marketing to increase its new deal wins rate. Wipro is now effectively competing in higher number of deals than earlier and is hitting the final short-list of vendors
  - We believe that continued investments in S&M and increased focus on client mining would result in higher new deal wins and revenue growth going forward
- \* **Operating Metrics to improve from heron** – Wipro's EBITDA margin has been in the range of 20-21% over the last five quarters vs the earlier range of 22-23% in both FY10 and FY11. Going forward, we believe EBITDA margins are set to rise, largely due to improvement in utilisation and new deal wins. We expect utilisation to improve from current 72% level to 80-81% range
- \* **Attractive Valuations:** We expect revenue growth to improve to 2-4% on a QoQ basis in FY14 versus the 0-2% in FY13, driven by improved client mining and enhanced deal flows. Wipro now trades at ~14.4x 1-year forward (FY15E) at ~30% discount to TCS. With some signs of 2H recovery, recent INR depreciation and current valuations, risk reward is favorable

Year to March	FY12	FY13	FY14E	FY15E
Revenue	31,874	37,425	43,583	47,556
Rev. growth (%)	2.6	17.4	16.4	9.1
EBITDA	6,671	7,818	9,209	9,973
Net profit	5,256	6,168	7,237	8,094
Shares outstanding (crs)	244	245	245	245
Diluted EPS (INR)	21.3	24.9	29.3	32.8
EPS growth (%)	-1.0	17.0	17.6	11.9
Diluted P/E (x)	22.1	18.9	16.1	14.4
EV/ EBITDA (x)	16.5	13.8	11.5	10.2
ROCE (%)	20.1	22.5	26.1	24.3
ROE (%)	19.9	21.5	23.2	21.8

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Top 200 Fund	10,874.80	1.00	0.098	108.75
HDFC Tax Saver Fund	3,171.97	1.62	0.046	51.39
UTI Dividend Yield Fund	3,120.03	1.46	0.041	45.55
Morgan Stanley Growth Fun..	1,307.02	2.47	0.029	32.28
UTI-Equity Fund	2,264.79	1.19	0.024	26.95

Shareholding Pattern		Bloomberg:	WPRO:IN
Promoters:	73.54	52-week range (INR):	520 / 295
MFs, FIs & Banks:	4.58	Share in issue (Cr):	246.5
FII:	7.29	Mkt cap (INR Cr):	1,17,758
Others:	14.59	Avg. Daily Vol.BSE/NSE:(‘000):	3370



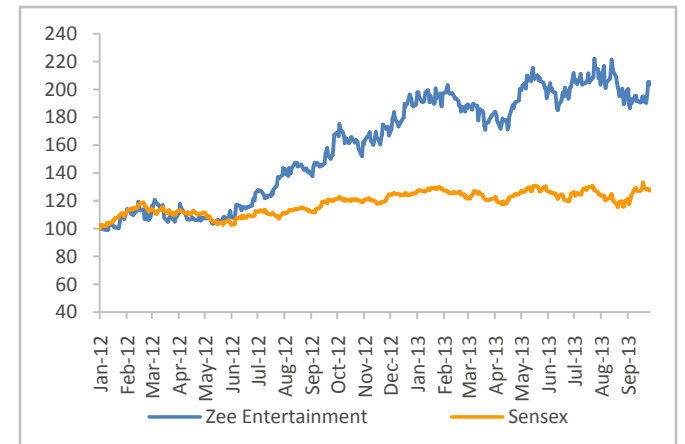


- \* ZEE is India's oldest private cable television broadcaster and one of the largest media companies in India. Besides Zee TV and Zee Cinema, the company has an attractive bouquet of regional channels. The company has 650mn viewers in total all over the globe
- \* ZEE will be a major beneficiary of digitization, with its large channel bouquet, strong distribution muscle, sound balance sheet, cash flows, large dividend payouts and ability to garner higher share of the subscription revenue pie
- \* As of FY13, subscription revenues contributed ~44% to ZEE's total revenues. We expect subscription revenues to contribute ~56% to ZEE's total revenues by FY16. ZEE's international revenues will further add to the company's profitability prospects
- \* Further, ZEE and STAR group have merged their distribution arms recently to form MediaPro. Digitization, coupled with the MediaPro distribution JV, will enable ZEE to grow its subscription revenues aggressively over the next few years
- \* At the CMP the stock trades at a PE multiple of 22.3x FY15E earnings. We recommend a Buy on the stock with a target price of INR 301

Year to March	FY11	FY12	FY13E	FY14E	FY15E
Revenue	3,008	3,040	3,699	4,158	4,692
Rev. growth (%)	36.70	1.00	21.60	12.40	12.80
EBITDA	822	739	954	1151	1367
Net profit	605	590	718	842	985
Shares outstanding (crs)	97	95	95	95	95
Diluted EPS (INR)	6.3	6.1	7.5	8.7	10.2
EPS growth (%)	1.8	-3.0	22.7	15.7	16.9
Diluted P/E (x)	36.2	37.1	30.2	26.1	22.3
EV/ EBITDA (x)	25.9	28.1	21.5	17.4	14.3
ROCE (%)	33.4	28.4	32	32.8	33
ROE (%)	19.5	18.0	19.6	19.9	20.1

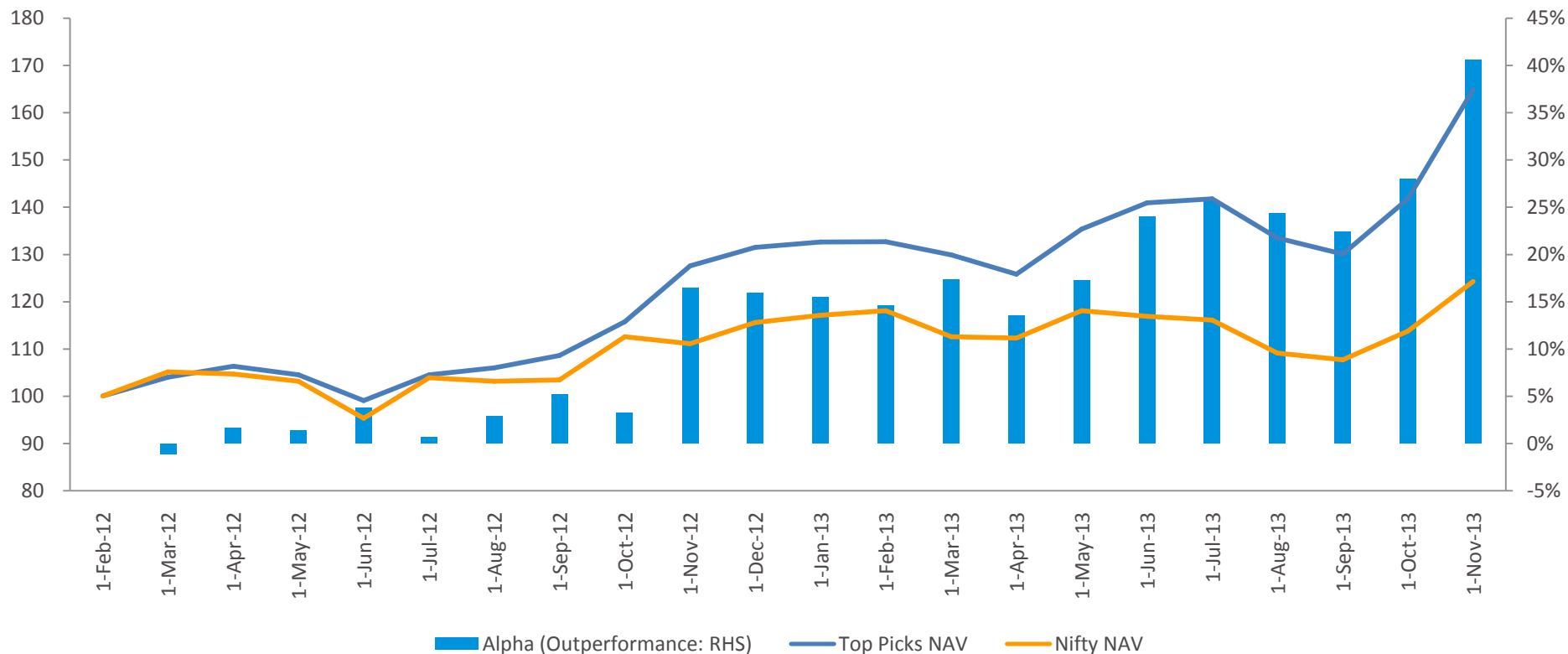
Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Equity Fund	9,580.88	2.10	0.932	201.20
HDFC Top 200 Fund	10,186.03	1.91	0.901	194.55
IDFC Premier Equity Fund	3,191.45	3.10	0.458	98.93
Reliance Growth Fund	3,947.67	2.19	0.401	86.45
DSP BR Top 100 Equity Fun..	3,013.55	2.33	0.325	70.22

Shareholding Pattern		Bloomberg:	Z:IN
Promoters:	43.36	52-week range (INR):	274 / 178
MFs, FIs & Banks:	11.39	Share in issue (Crs):	95
FIIIs:	37.53	Mkt cap (INR Crs):	25,546
Others:	7.72	Avg. Daily Vol.BSE/NSE:( '000):	483/2538





## Edelweiss Top Picks NAV: At INR 165 vs Nifty NAV of INR 124



\* Edelweiss Top Picks have delivered a return of 65% since inception as against Nifty return of 24%, translating into an outperformance of 40%

\* On an annualized basis, Top Picks have delivered a return of 33% per annum as against Nifty return of 13%

# Edelweiss Top Picks: Current Deletions and Additions



Sr. No.	Deletions	Entry	Exit Price	Chg (ABS)	Chg (%)
1	ITC	303	330	27	9%
2	KPIT	133	145	12	9%

Sr. No.	Additions	Entry	Exit Price	Chg (ABS)	Chg (%)
1	Sobha Developers	303	-	-	0%
2	Ramco Cements	176	-	-	0%



# Stocks Under Coverage



Stock	Release Date	Reco Price	CMP	Return
TTK Prestige	Oct-11	900	3,295	266%
Whirlpool of India Ltd	Oct-11	300	171.45	-43%
Symphony Ltd	Oct-11	184	374.7	104%
Bajaj Finance Limited	Feb-12	810	1,367	69%
City Union Bank Limited	Feb-12	42	48.3	15%
GRUH Finance Limited	Apr-12	133	232.1	75%
Kajaria Ceramics Limited	Apr-12	130	242.3	86%
Tube Investments of India Limited	Apr-12	141	151.9	8%
Alembic Pharma Ltd	Apr-12	47	194.5	314%
Vinati Organics Limited	May-12	86	110	28%
La Opala RG Limited	Jun-12	105	556.7	430%
Karur Vysya Bank Limited	Jun-12	413	362.65	-12%
Jammu & Kashmir Bank Limited	Jul-12	925	1,296	40%
V-Guard Industries Limited	Jul-12	240	484.75	102%
Astral Poly Technik Limited	Aug-12	230	257.25	12%

Stock	Release Date	Reco Price	CMP	Return
Pratibha Industries Limited	Aug-12	48	23.85	-50%
Amara Raja Batteries Limited	Aug-12	188	314.85	67%
Dishman Pharmaceuticals and Chemicals Limited	Sep-12	86	74.4	-13%
MindTree Limited	Oct-12	674	1,389.10	106%
Zee News Limited	Nov-12	13	13.8	6%
TV18 Broadcast Limited	Nov-12	23	23.7	3%
Prestige Estates Projects Limited	Dec-12	163	146.05	-10%
WABCO India Limited	Jan-13	1620	1,666	3%
Madras Cements Limited	Jan-13	240	176.15	-27%
KPIT Cummins Infosystems Limited	Jan-13	110	142.3	29%
Sobha Developers Limited	Feb-13	430	301.4	-30%
Bharat Forge	Apr-13	230	295.2	28%
Development Credit Bank Ltd	May-13	48	51.45	7%
J K Lakshmi Cement Ltd	Jun-13	106	68.1	-36%
Kewal Kiran Clothing Ltd	Jul-13	820	998	22%



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