

Strictly Private and Confidential

## Edelweiss Top Picks

January, 2013

# Edelweiss Top Picks



S.No	Stock Name	CMP	M.Cap	P/E		EV/EBITDA		P/B		ROE	
				FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14
1	Larsen & Toubro Ltd	1,607	98,836	19.7	16.9	4	3	3.0	2.6	16.4	16.7
2	ICICI Bank Ltd	1,173	1,34,305	16.4	14.4	NM	NM	2.5	2.2	11.0	12.0
3	Maruti Suzuki India Ltd	1,472	42,684	21.0	14.0	10.9	6.7	2.5	2.1	12.4	16.3
4	Jammu & Kashmir	1,280	6,064	7.4	6.3	NM	NM	1.4	1.2	21.0	21
5	Bajaj Finance	1,311	5,461	11.1	10.0	NM	NM	2.1	1.7	21.0	19.0
6	Astral Poly	366	814	14.5	10.1	7.7	5.6	4.5	3.5	26.0	29.0
7	Zee Entertainment	225	21,532	30.8	26.2	21.7	17.9	5.5	4.8	19.1	19.6
8	Mindtree Ltd	785	3,247	9.8	8.3	5.7	5.1	2.6	2.0	29.6	27.4
9	WABCO India Ltd	1,584	3,005	21.3	16.8	13.0	10.3	4.6	3.6	24.0	24.0
10	Madras Cements Ltd	235	5,569	13.1	11.2	7.5	6.3	2.4	2.0	19.6	19.4

Note: Market CAP (Mkt CAP) and Current Market Price (CMP) were last recorded on 25th January, 2013

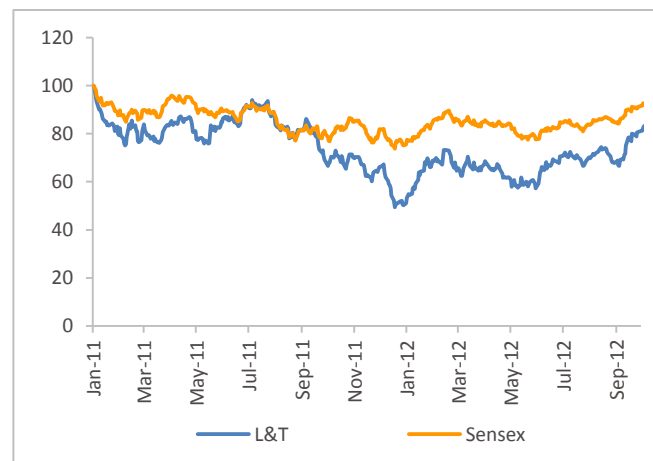


- \* L&T is India's largest infrastructure and EPC company with presence across major verticals like process, hydrocarbons, power, core infrastructure like roads, ports, bridges, industrial structures etc. It has a dominant position and market share in most operating verticals like oil & gas, process projects, roads, bridges, or industrial structures.
- \* L&T targets to achieve an improvement in RoCEs over next 2-3 years by exiting noncore businesses which are not scalable, value unlocking in select developmental projects and optimizing the current manufacturing base in ship-building, defense, heavy forgings and power equipment.
- \* Strong order inflows of INR 60100 crore in 9MFY13 with 22% yoy growth strengthened the order backlog to INR 1.62 lakh crore (up 11% yoy). The current order backlog stands at 31x FY12 standalone revenues and provides good revenue visibility for the next two years.
- \* In 9MFY13, execution remained strong with 17% yoy growth in standalone revenue resulting into 18% yoy growth in recurring PAT. Management is confident of achieving its guidance of 15-20% growth in revenue and order inflow for the full year FY13. Consolidated EBITDA margins would sustain in the 13-13.5% range.
- \* At CMP, the stock is valued at 16.3x FY14E.

Year to March	FY10	FY11	FY12	FY13E	FY14E
Revenue	43,969	52,089	64,313	73,635	84,857
Rev. growth (%)	8.5	18.4	23.4	14.4	15.2
EBITDA	6,439	7,690	8,769	9,866	11,307
Net profit	5,450	4,463	4,693	5,197	6,092
Diluted EPS (INR)	57.0	71.4	75.1	84.2	98.7
Diluted P/E (x)	28.2	22.5	21.4	19.1	16.3
EV/ EBITDA (x)	3.4	2.9	4.3	4	3.5
ROCE (%)	16.6	13	10	9.5	10.4
ROE (%)	19.9	19	17	16.4	16.8

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Top 200 Fund	11,778.68	4.27	0.492	502.95
HDFC Equity Fund	10,056.31	4.17	0.41	419.35
DSP BR Top 100 Equity Fun..	3,451.99	5.54	0.187	191.24
UTI-Infrastructure Fund	1,874.14	9.03	0.166	169.23
UTI-Opportunities Fund	3,316.05	4.89	0.159	162.15

Shareholding Pattern		Bloomberg:	LT :IN
Promoters:	–	52-week range (INR):	1,720/ 969
MFs, FIs & Banks:	36.7	Share in issue (Crs):	61.2
FII:	16.7	M cap (INR Crs):	98,836
Others:	46.5	Avg. Daily Vol.BSE/NSE:(‘000):	836.7



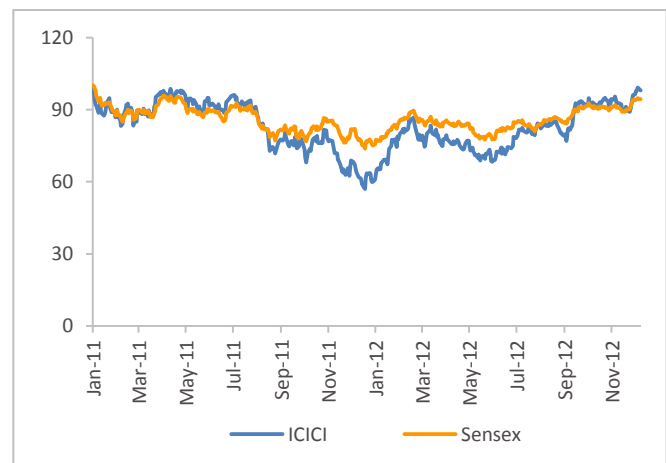


- \* ICICI Bank is India's largest private sector bank with total asset of INR 4.7tn. The loan book is expected to grow at 20% CAGR over next few years driven by retail segment and working capital related corporate loans
- \* Average CASA is 38-40% which keeps cost of funds low and add to net interest 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
- \* Adjusting for subsidiary valuation of INR 170, the stock trades at 1.7x FY13E core book

	FY10	FY11	FY12	FY13E	FY14E
Net int. income	8,114	9,017	10,734	13,697	15,806
Net profit after tax	4,025	5,151	6,465	7,889	8,985
Adjusted BV per share	320	356	406	452	509
Diluted EPS (INR)	36.1	44.7	56.1	68.4	77.9
Gross NPA ratio (%)	5.0	4.2	3.4	3.5	3.3
Net NPA ratio (%)	2.1	1.1	0.7	0.8	0.8
Price/Adj. book value (x)	3.7	3.3	2.9	2.6	2.3
Price/Earnings (x)	32.5	26.2	20.9	17.1	15.1

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Top 200 Fund	11,778.68	7.41	0.675	872.8
HDFC Equity Fund	10,056.31	7.53	0.586	757.24
Franklin India Bluechip F..	5,192.68	7.07	0.284	367.12
HDFC Prudence Fund	6,103.71	5.9	0.279	360.12
SBI Magnum Tax Gain Schem..	4,870.62	7.14	0.269	347.76

Shareholding Pattern		Bloomberg:	ICICIBC:IN
Promoters:	-	52-week range (INR):	1,150/641
MFs, FIs & Banks:	25.38	Share in issue (Cr):	115
FII:	36.40	M cap (INR Cr):	1,34,305
Others:	38.22	Avg. Daily Vol. BSE/NSE: ('000):	5075



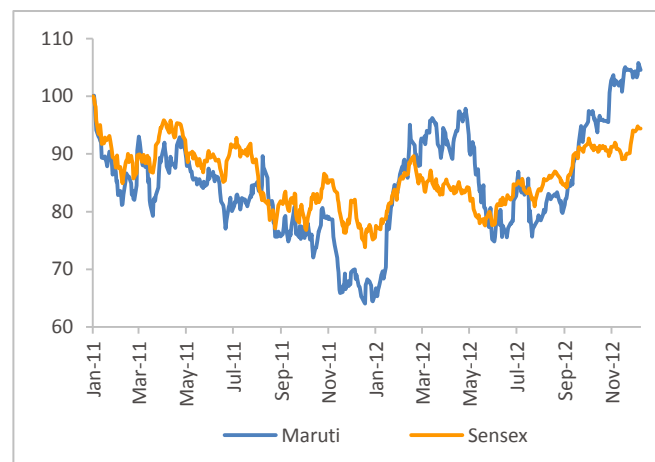


- \* MSIL is India's largest passenger vehicle manufacturer with more than 40% market share. It is a key player in the compact car segment with a dominant market share. MSIL offers the widest product range in passenger cars (10 models), with special focus on the compact car segment (five models).
- \* Peaking of interest rates and competition are key positive for Maruti Suzuki where as near term headwinds in the form of weak INR Vs JPY (as 25% of sales are imports) are wanning off.
- \* New launches (Ertiga and alto have been well received by market, and additional diesel capacity by FY14 to drive sales going forward.
- \* Maruti Suzuki has been a preferred early interest rate cycle play. Its multiple expands to the range of 16x-21x 1-year forward earnings when growth returns and earnings up cycle begins. Stock currently trades at 14x FY14 E EPS.

Year to March	FY10	FY11	FY12	FY13E	FY14E
Revenue	29,623	36,919	35,910	44,757	52,015
Rev. growth (%)	42.0	24.6	-3	24.6	16.2
EBITDA	3,968	3,615	2,653	3,322	5,111
Net profit	2,511	2,233	1,779	2,025	3,031
Shares outstanding (crs)	2.8	2.8	2.8	2.8	2.8
Diluted EPS (INR)	86.9	77.3	61.5	70.1	104.9
EPS growth (%)	78.9	-11	-20	13.8	49.6
Diluted P/E (x)	16.9	19.1	23.9	21.0	14.0
EV/ EBITDA (x)	9.1	9.7	13.4	10.9	6.7
ROCE (%)	49.7	35	14.8	15.9	24.4
ROE (%)	23.7	17.3	12.1	12.4	16.3

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:	54.21	52-week range (INR):	1,540/900
MFs, FIs & Banks:	16.15	Share in issue (Cr):	28.9
FIs:	20.45	M cap (INR Cr):	43,147
Others:	9.19	Avg. Daily Vol.BSE/NSE:(‘000):	86/869



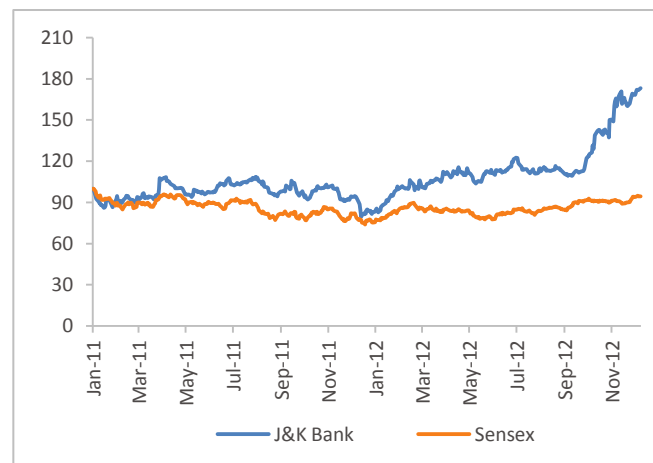


- \* JKB is dominant in its home state of J&K, where it has a market share of 66% and 64% in advances and deposits, respectively (as of March 2012). Out of the 8.6 mn adult population in J&K state, 54% are account holders in JKB. The bank's low-cost current and savings account (CASA) deposit improved from 37% in FY07 to 40.7% in FY12 which enables it to maintain cost of deposits at ~6%, which is a key indicator of the strength of its liability franchise.
- \* JKB's advances grew at a CAGR of 18% over the past ten years, mainly due to the bank's sole focus on the J&K region and endeavor to improve asset quality. Over the past few years, JKB has aggressively expanded its advances book outside J&K region, reporting a 26% growth in advances over FY11-12, considerably ahead of the industry average of 17%. We expect JKB's advances to grow at a CAGR of 22% over FY12-14.
- \* JKB's gross and net non-performing assets (NPA) is one of the lowest among small and mid-sized banks at 1.6% and 0.14%, respectively. Over the past few years, the management has put strict processes in place to prevent slippages and manage NPAs. The bank has also been focusing on secured credit, which has helped improve its asset quality. Total stressed assets (restructured advances + gross NPA) are at comfortable levels of 5.7%.
- \* We believe JKB is an attractively priced bank compared to its peers, delivering sustainable RoE of around 21% and RoA of 1.5%. Capital Adequacy Ratio (CAR) of 13.7% (Basel-II), gross NPA of 1.6% and PCR at 94% makes a strong case for the stock to trade at premium valuations compared to peer group valuations

	FY10	FY11	FY12	FY13	FY14E
Net int. income	1119	1544	1838	2183	2643
Net profit after tax	512	615	803	910	1072
Adjusted BV per share	598	696	824	951	1145
Diluted EPS (INR)	106	127	166	188	221
Gross NPA ratio (%)	2	2	1.6	1.4	1.3
Net NPA ratio (%)	0.3	0.2	0.1	0.3	0.3
Price/Adj. book value (x)	2.1	1.8	1.5	1.3	1.1
Price/Earnings (x)	9.0	7.5	5.8	7.4	6.3

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Birla Sun Life Dividend Y..	1,330.00	2.76	0.536	36.71
SBI PSU Fund	369.39	5.31	0.286	19.61
Sundaram Tax Saver	1,428.82	1.31	0.273	18.72
HSBC Progressive Themes Fund	164.56	10.53	0.253	17.33
Kotak 30	766.33	1.76	0.197	13.49

Shareholding Pattern		Bloomberg:	JKBK:IN
Promoters:	53.17	52-week range (INR):	1,474/645
MFs, FIs & Banks:	3.91	Share in issue (Cr):	4.8
FIs:	24.76	M cap (INR Cr):	6,064
Others:	18.16	Avg. Daily Vol.BSE/NSE:( '000):	68





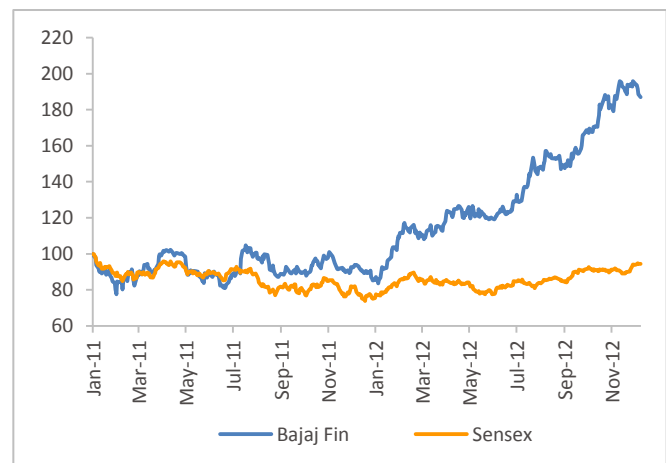
- \* Bajaj Finance Limited (BFL), a subsidiary of Bajaj Finserv Ltd., is a leading and diversified NBFC in India. The company has a well-diversified portfolio bouquet with loan book spread across nine business lines and balanced in terms of scale and profitability
- \* Over the years, BFL has built pan-India 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 3.4% in FY13E, while RoE has jumped from 3.2% in FY09 to 22% in FY13E
- \* The company has maintained healthy asset quality with gross and net NPA of 1.3% and 0.3% in FY12 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 1.6x FY14E book value

	FY10	FY11	FY12	FY13E	FY14E
Net int. income	608	608	1,250	1,665	2,141
Net profit after tax	89	89	406	539	668
Adjusted BV per share	315	315	492	686	821
Diluted EPS (INR)	24.4	24.4	95.3	108.8	134.7
Gross NPA ratio (%)	4.9	4.9	1.2	1.2	1.2
Net NPA ratio (%)	2.2	2.2	0.1	0.2	0.3
Price/Adj. book value (x)	4.2	4.2	2.7	1.9	1.6
Price/Earnings (x)	57.4	57.4	14.7	12.9	10.4

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Reliance Banking Fund	1,799.49	9.66	3.177	173.83
Reliance Tax Saver (ELSS)..	2,068.22	3.74	1.414	77.35
Sundaram Select Midcap	2,127.56	3.12	1.213	66.38
Sundaram Tax Saver	1,428.82	3.86	1.008	55.15
IDFC Sterling Equity Fund	1,273.97	4.03	0.938	51.34

Shareholding Pattern	
Promoters:	60.95
MFs, FIs & Banks:	11.68
FIIIs:	5.83
Others:	21.54

Bloomberg:	BAF:IN
52-week range (INR):	1,450/560
Share in issue (Cr):	4.3
M cap (INR Cr):	5,461
Avg. Daily Vol.BSE/NSE:(‘000):	26/15



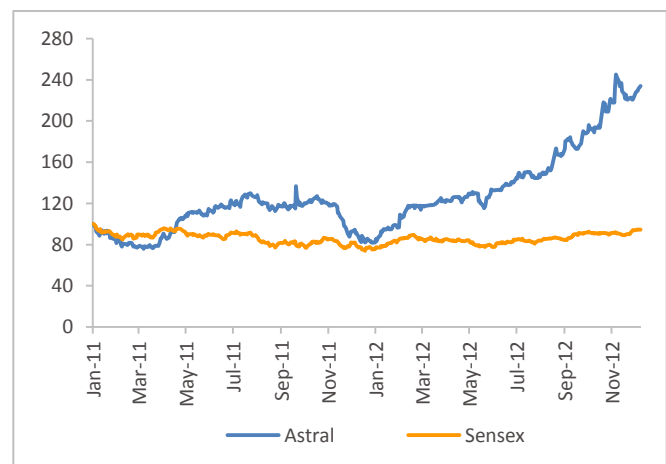


- \* Astral Poly Technik Limited (APTL) is the first licensee of Lubrizol Inc. to manufacture and market chlorinated polyvinyl chloride (CPVC) piping and plumbing systems in India. Lubrizol is a global leader in the CPVC segment with a market share of 80% and high R&D capabilities. Apart from CPVC, APTL also manufactures PVC piping and plumbing systems
- \* The company has been a high-growth player (5 year revenue CAGR of 43%) on the back of strong demand environment, expanding dealership network, and improving brand saliency
- \* The company is set to benefit from the shift in demand towards PVC/CPVC pipes from GI pipes (current mkt share of 53%), and with its reputation for strong product quality, APTL will continue to witness robust growth going ahead
- \* The company's capacities have multiplied by over 5 times over the past 5 years from 11,800 MT to 65,000 MT. And the company would be further expanding capacities by 40000 MT over the next two years to 105,000 MT. Currently the company is running on 60% utilization
- \* We expect APTL's revenues and PAT to grow at a CAGR of 35% and 42%, respectively, over FY12-FY14E. Return ratios are expected to be strong with ROCEs of 36% and ROE of 27%. At CMP, the stock is valued at 10.1x FY14E, we recommend a Buy on the stock with a price target of INR 426

Year to March	FY10	FY11	FY12	FY13E	FY14E
Revenue	290	411	583	816	1061
Rev. growth (%)	51	42	42	40	30
EBITDA	42	53	83	110	148
Net profit	28	33	39	56	80
Profit Growth (%)	97.6	17.9	18.7	43.3	44.0
Diluted EPS (INR)	12.3	14.6	17.5	24.7	35.6
EPS growth (%)	98.0	18.5	20.1	41.0	44.0
Diluted P/E (x)	29.1	24.5	20.5	14.5	10.1
EV/ EBITDA (x)	20.1	16.2	10.4	7.7	5.6

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
ICICI Pru Equity & Deriv...	177.13	0.79	0.168	1.40

Shareholding Pattern		Bloomberg:	ASTRA:IN
Promoters:	63.82	52-week range (INR):	418/ 125
MFs, FIs & Banks:	0.18	Share in issue (Crs):	2.2
FIIIs:	8.28	M cap (INR Crs):	838
Others:	27.72	Avg. Daily Vol.BSE/NSE:(‘000):	8.6





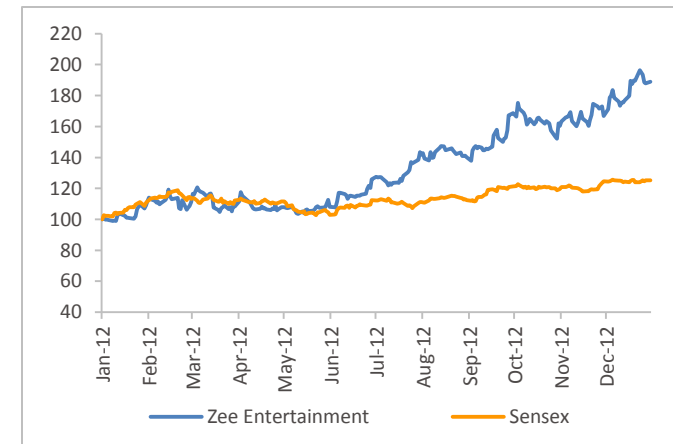


- \* ZEE is India's oldest private cable television broadcaster and one of the largest media companies in India. Besides Zee TV and Zee Cinema, the company has an attractive bouquet of regional channels. The company has 650mn viewers in total all over the globe.
- \* ZEE will be a major beneficiary of 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 FY12, 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 current CMP the stock trades at a PE multiple of 26x FY14E earnings. We recommend a Buy on the stock with a target price of INR 301.

Year to March	FY11	FY12	FY13E	FY14E
Revenue	3,008	3,040	3,646	4,151
Rev. growth (%)	36.7	1.0	19.9	13.8
EBITDA	822	739	933	1112
Net profit	605	590	701	826
Shares outstanding (crs)	97	95	95	95
Diluted EPS (INR)	6.3	6.1	7.3	8.6
EPS growth (%)	1.8	-3	19.3	17.5
Diluted P/E (x)	35.7	36.7	30.7	26.1
EV/ EBITDA (x)	25.6	27.8	21.6	17.8
ROCE (%)	33.4	28.4	31.5	31.7
ROE (%)	19.5	18	19	19.5

Scheme Name	AUM ( INR Cr.)	% AUM in Stock	% Stake	Current Value
HDFC Equity Fund	11,497.8	2.8	1.5	327.6
HDFC Top 200 Fund	12,394.9	2.0	1.1	255.3
DSP BR Top 100 Equity Fun..	3,683.7	3.8	0.6	141.4
Reliance Growth Fund	5,738.1	1.5	0.4	89.5
IDFC Premier Equity Fund	3,603.4	2.4	0.4	88.2

Shareholding Pattern		Bloomberg:	ICICIB:IN
Promoters:	43.36	52-week range (INR):	239 / 115
MFs, FIs & Banks:	11.39	Share in issue (Crs):	21
FIIIs:	37.53	M cap (INR Crs):	21,532
Others:	7.72	Avg. Daily Vol.BSE/NSE:( '000):	483/2538



# Mindtree Ltd (CMP: 785; Mkt Cap: 3,247 crs)

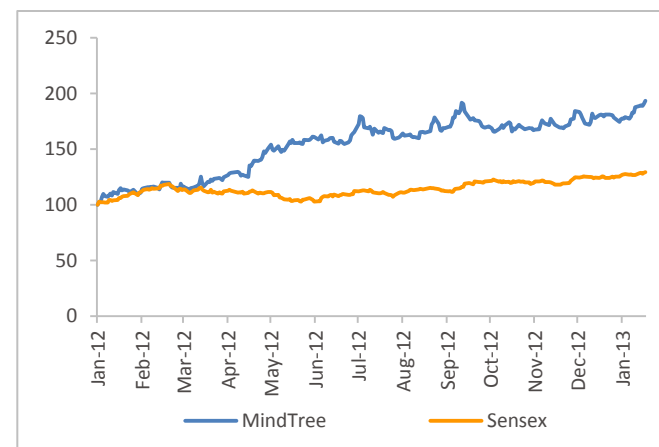


- \* Mindtree is one of the few mid-tier Indian IT services companies to have employed a two-pronged complementary business model. The company's IT services front embraces some of the more recent and more profitable service lines such as business intelligence and infrastructure management services, business intelligence, analytics, and testing & validation services.
- \* Mindtree has built long-term relationships with marquee clients through successful execution and strong client references. Its established relationships with clients are reflected in the fact that of its top 10 customers, seven to eight companies have been present over the past seven years. We believe that Long-term engagement with marquee clients + focus on new client addition to fuel growth
- \* The company has significant headroom for operational margin expansion given its multiple margin levers such as rationalization of employee pyramid, lower investments in SG&A, higher utilization, improvement in fixed price projects and lesser attrition rates. We expect margin levers to play out going forward
- \* We expect steady performance from the Mindtree, both in terms of growth and margin expansion. Mindtree is trading at attractive valuations compare to its peers at P/E of 9.6x FY13E and 8.2x FY14E earnings, delivering sustainable RoE of around +25%. We recommend 'BUY' with a revised one-year target price of INR 930, valuing the company at P/E of 10.0x FY14E.

Year to March	FY11	FY12	FY13E	FY14E
Revenue	1,509	1,915	2,370	2,601
Rev. growth (%)	65.3	64.0	59.9	61.5
EBITDA	178	293	476	508
Net profit	102	219	325	386
Diluted (crs)	4.1	4.1	4.1	4.2
Diluted EPS (INR)	24.9	53.7	79.4	93.0
EPS growth (%)	(52.9)	115.5	47.9	17.1
Diluted P/E (x)	31.1	14.4	9.8	8.3
EV/ EBITDA (x)	16.9	9.7	5.7	5.1
ROCE (%)	14.7	25.1	36.5	30.6
ROE (%)	14.1	25.2	29.6	27.4

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
ICICI Pru Discovery Fund	2,503.3	2.4	1.8	61.3
HDFC Mid-Cap Opportunitie..	2,756.0	1.9	1.6	54.5
HDFC Balanced Fund	1,101.3	1.6	0.5	17.7
ICICI Pru Technology Fund	104.0	14.7	0.4	15.3
ICICI Pru MidCap Fund	241.7	5.2	0.3	12.5

Shareholding Pattern		Bloomberg:	MTCL:IN
Promoters:	19.30	52-week range (INR):	814 / 425
MFs, FIs & Banks:	8.81	Share in issue (Crs):	4.1
FIs:	25.88	M cap (INR Crs):	3,247
Others:	46.01	Avg. Daily Vol.BSE/NSE:( '000):	75





- \* Wabco India Ltd. (WIL) is a market leader in Medium and Heavy Commercial Vehicle (MHCV) air brakes, with an 85% market share in OEM segment.
- \* Due to its market dominant position, WIL is able to maintain its gross margins on the one hand and grow faster than industry on the other hand due to rising content per vehicle, ably supported by strong product portfolio.
- \* The company is well positioned to leverage the rising content per vehicle in the domestic MHCV market (growing faster than MHCV industry growth) due to its strong parentage (technology).
- \* We see implementation of ABS (Anti-lock Braking System) and adoption of Opti-Drive to give a market opportunity of INR 1,600 cr (1.5x FY12 sales) estimated on FY12 MHCV sales.
- \* It will also be able to capitalise on the global outsourcing opportunity to Wabco Holding (parent) due to cost efficient India operations.
- \* In the medium term, bottoming out of MHCV downturn and cut in policy interest rates by RBI will lead to multiple and earnings expansion for WIL.
- \* WIL has a debt free balancesheet and ROE of 35%. We expect sales and PAT to grow at a CAGR of 25%/30% over FY13E-FY15E as against MHCV industry growth of 17% CAGR over the same period (lower base of FY13).

Year to March	FY11	FY12	FY13E	FY14E
Revenue	893	1,046	994	1,259
Rev. growth (%)	51.0	17.2	-4.9	26.6
EBITDA	201	220	202	274
Net profit	126	152	137	191
Shares outstanding (crs)	1.9	1.9	1.9	1.9
Diluted EPS (INR)	66.7	80.1	72.5	100.5
EPS growth (%)	62.3	20.2	9.6	38.7
Diluted P/E (x)	23.6	19.7	21.7	15.7
EV/ EBITDA (x)	13.9	12.7	13.8	10.2
ROCE (%)	60.0	53.0	42.0	52.0
ROE (%)	38.0	33.0	23.0	25.0

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Sundaram Select Midcap	2,145.1	2.2	1.6	49.1
HDFC Prudence Fund	6,426.7	0.5	1.1	33.4
Fidelity Equity Fund	2,545.1	0.8	0.7	22.4
IDFC Sterling Equity Fund	1,362.5	1.2	0.5	16.9
DSP BR Micro-Cap Fund	459.5	2.8	0.4	13.2

Shareholding Pattern		Bloomberg:	WIL:IN
Promoters:	75.00	52-week range (INR):	814 / 425
MFs, FIs & Banks:	9.05	Share in issue (Cr):	1.9
FII:	2.40	M cap (INR Cr):	3,247
Others:	13.55	Avg. Daily Vol.BSE/NSE:(‘000):	1046/2984



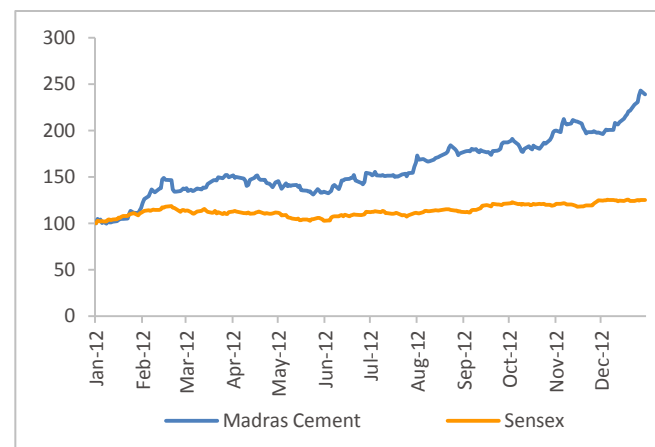


- \* Madras Cements Ltd. (MCEM) is the fifth largest cement producer in the country and the second largest in south, with an installed capacity of 16.3 MTPA
- \* MCEM is a leading player in lucrative markets of Tamil Nadu and Kerala. The company has further forayed into Eastern markets where the demand-supply scenario is relatively favorable, thus supporting volume growth. We expect the company to report a volume growth CAGR of 11% in over FY13-14e, which would lead to a revenue growth CAGR of 15.6% over FY12-14E.
- \* 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 from the 15.4% in FY12 to 18.5% in FY14E
- \* 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 7.5x FY14E EV/EBITDA, which translates into a 20% discount to large-cap cement companies. We recommend a "BUY" with a price target of INR 300

Year to March	FY11	FY12	FY13E	FY14E
Revenue	2,605	3,236	3,842	4,324
Rev. growth (%)	-7.0	24.2	18.7	12.6
EBITDA	617	918	1,109	1,237
Net profit	211	385	437	509
Shares outstanding (crs)	23.8	23.8	23.8	23.8
Diluted EPS (INR)	8.9	16.2	18.4	21.4
EPS growth (%)	-40.3	82.5	13.5	16.4
Diluted P/E (x)	27.1	14.8	13.1	11.2
EV/ EBITDA (x)	13.7	9.1	7.5	6.3
ROCE (%)	10.1	15.4	16.8	18.5
ROE (%)	12.8	20.3	19.6	19.4

Scheme Name	AUM (INR Cr.)	% AUM in Stock	% Stake	Current Value
Reliance Tax Saver (ELSS)..	2,164.1	4.6	1.7	99.5
Sundaram Select Midcap	2,145.1	3.5	1.3	77.0
Sundaram Tax Saver	1,443.7	4.3	1.1	63.0
Reliance Equity Opportuni..	4,990.1	1.2	1.1	61.3
Reliance Vision Fund	1,943.5	3.0	1.0	60.0

Shareholding Pattern		Bloomberg:	MC:IN
Promoters:	42.32	52-week range (INR):	251 / 110
MFs, FIs & Banks:	23.69	Share in issue (Cr):	23.8
FIs:	5.76	M cap (INR Cr):	5,569
Others:	28.23	Avg. Daily Vol.BSE/NSE:(‘000):	220



# Edelweiss Top Picks: Performance since inception



Top Picks	Reco Price	CMP	Chg (ABS)	Chg (%)	Reco
Larsen & Toubro Ltd	1305	1611	306	23%	Add
ZEE Entertainment	228	228	0	0%	Add
Wabco India Ltd	1603	1603	0	0%	Add
Mindtree Ltd	783	783	-1	0%	Add
Maruti Suzuki India Ltd	1297	1599	303	23%	Add
ICICI Bank Ltd	1054	1173	119	11%	Add
Astral Poly Technik Ltd	278	362	84	30%	Add
Madras Cements	235	235	0	0%	Add
J&K Bank	918	1280	362	39%	Add
Bajaj Finance Ltd	1105	1308	202	18%	Add
<b>Portfolio Value</b>				<b>130</b>	
<b>Nifty</b>	<b>5080</b>	<b>6075</b>	<b>995</b>	<b>120</b>	

\* Our top picks have outperformed Nifty by 10% since inception, 30<sup>th</sup> January 2012

\* Total returns for the last 1 year have amounted to 30% as against Nifty performance of 20%

# Edelweiss Top Picks: Deletions since inception



Deletions:-	Reco Price	Exit Price	Chg (ABS)	Chg (%)
Yes Bank	314	372	58	19%
HCL Tech	429	566	137	32%
EROS International	198	161	-37	-19%
Bajaj Auto Ltd	1550	1749	199	13%
GSK Consumer	2520	2977	457	18%
City Union Bank	42	51	9	23%
Tata Steel Ltd	442	415	-27	-6%
Glenmark Pharmaceuticals Ltd	312	412	100	32%
Supreme Industries	258	304	46	18%
Coromandel International	263	225	-38	-14%
Gateway Distriparks Ltd	150	132	-18	-12%
Amara Raja Batteries	194.5	299	105	54%

# Disclaimer



Broking services offered by:

Edelweiss Financial Advisors Limited under SEBI Registration No. INB/INF/INE231414534 (NSE) INB/INF011412336 (BSE) INE261414531 (MCX-SX); Compliance Officer: Mr. Jinesh Shah Tel. (022) 40885757/40883737, Email ID-compliance@Edelweissfa.com

Edelweiss Securities Limited under SEBI Registration No. INB/INF/INE231193310 (NSE), INB/INF/INE01193332 (BSE) and INE261193310 (MCX-SX); Tel.: (022) 4009 4400; Compliance Officer: Mr. Pravin Bathe Tel. (022) 40885757/40886278, Email ID - complianceofficer.esl@edelcap.com

Edelweiss Broking Limited under SEBI Registration No. INB/INF/INE231311631 (NSE) and INB/INF011311637 (BSE); Compliance Officer: Mr. T.V. Rangaswami Tel. (022) 40885757/40886278, Email ID complianceofficer.ebl@edelcap.com

Corporate Office: Edelweiss House, Off CST Road, Kalina, Mumbai - 400098; Tel.: (022) 4009 4400;

This document has been prepared jointly by Edelweiss Securities Limited, Edelweiss Broking Limited, and Edelweiss Financial Advisors Limited (Jointly known as Edelweiss). Edelweiss and its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document 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, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates/ 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. This document 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 document 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. We and our affiliates, group companies, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities and / or derivatives and/or bonds/NCDs, etc thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and / or derivatives and/or bonds, NCD, etc and earn brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. 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 Edelweiss and affiliates/ group companies to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document 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. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss generally prohibits its analysts, persons reporting to analysts and their dependents from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Please note that Mutual Fund Investments are subject to market risks, read the offer document carefully of the respective schemes before investing for full understanding and detail. Kindly read the Risk Disclosure Documents carefully before investing in Equity Shares, Derivatives, Commodities or other instruments. The information provided in these reports remains, unless otherwise stated, the copyright of Edelweiss. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright Edelweiss 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.

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.

Analyst holding stock / derivative position - No

Additional Disclaimer for U.S. Persons: This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.