



# NEW YEAR SPECIAL PICKS

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## New Year Special Picks : 2015

### Outlook for 2015

- Indian equities have seen a strong liquidity driven rally in the year 2014. During the year BSE Sensex jumped 29% or more than 6000 points and CNX Nifty jumped 31% or almost 2000 points. FII inflow was very strong and they have pumped approx. Rs 97,000 crore in Indian equities.
- Market also witnessed a sharp decline in crude oil prices to levels below \$60 per barrel, due to supply side concerns. Further, the decision by OPEC nations to not cut oil production means that crude oil prices will remain under pressure for the next couple of quarters. Decline in the price of crude oil has been a big positive for the country.
- The important factors that may affect the stock market in 2015 would be global and domestic market environment, inflation, interest rate scenario, fiscal/trade scenario and reform actions from the Modi government which is taking strong steps for revival of the economy. An environment of positive growth, declining inflation and possible rate cut by RBI in early 2015 are the main catalyst for Indian equities.
- On divestment front, we expect more announcements on the first quarter of 2015. During that period, some volatility will be observed in the markets due to oversupply. However, we believe that the equity market's momentum is likely to continue during next year also. Investors can use the volatility to pick strong fundamental stocks for long term.
- On global front, US Fed decision for its interest rate increase will also play a major role.

## Ipca Laboratories Ltd.

CMP : ₹ 733.35

### Investment Rationale

- IPCA Laboratories is a fully-integrated Indian pharmaceutical company manufacturing over 350 formulations and 80 APIs for various therapeutic segments.
- Growth in US market is the major driver for its business and it expects high growth in the next couple of years. In the near term, the US business is expected to be impacted by issues of Ratlam facility. The company has been lowered its revenue growth guidance to 12% from the earlier guidance of 15-17% for FY 2015.
- The Company expects that its domestic branded business to grow by 15-17% this year and domestic API business is also expected to grow by 12-13%.

### Outlook

The domestic business has been a key growth driver for IPCA as the company changed focus from the low margin anti-malarial segment to focus on higher margin chronic/lifestyle diseases. We expect that its US FDA issue with Ratlam facility will be sorted in the next financial year. Therefore, investors can consider the stock with long term investment perspective.

Target – ₹ 870

Key Data	
Market Cap (₹ Cr.)	9341
Equity Cap (₹ Cr.)	25.24
Face Value	2
Book Value	157.02
EPS	38.27
Dividend Yield (%)	0.68
P/BV (x) - TTM	4.71
P/E (x) - TTM	19.33
ROE (%)	26.88
Debt / Equity	0.34
52 Week High-Low	906.85/630

**Ipca is a fully integrated, rapidly growing Indian pharmaceutical company with a strong thrust on exports.**



## Mahindra & Mahindra Ltd

CMP : ₹ 1257.75

### Investment Rationale

- Mahindra & Mahindra (M&M) is looking to launch 3 new platforms from CY15 beginning, including 2 platforms for subcompact UV platforms (UV 1 segment – sub 4400mm segment) and one for the commercial segment.
- M&M is turning to give a big push to the SUV portfolio of its South Korean subsidiary Ssangyong. The duo is currently working on three new engines, to power its new range of sports utility vehicles. M&M has maintained its capex guidance of Rs 75bn over next three years and further Rs 25bn in investments towards subsidiaries.
- The company's agri division signed a joint venture agreement with HZPC, Holland (one of the leading innovative companies in the world in potato breeding, seed potato growing and seed potato trading) to offer the best quality seed potatoes to farmers within and outside India.

### Outlook

The key value driver of M&M will be the new launches where the company is expected to launch 3 products in CY15 (2 SUVs and 1 CV) and an XUV 500 hybrid. Its farm equipment sector is strengthening footprint with a focus on the key markets of USA and China, amongst other regions. We expect an increased demand of utility vehicle and tractor sales with new launches. The HCV industry has also shown a sign of revival and consequently, we expect that M&M HCV volumes will improve along with the improvement in domestic economy.

Target – ₹ 1450

Key Data	
Market Cap (₹ Cr.)	77735
Equity Cap (₹ Cr.)	310.55
Face Value	5
Book Value	375.28
EPS	69.99
Dividend Yield (%)	1.11
P/BV (x) - TTM	4.63
P/E (x) - TTM	21.30
ROE (%)	23.92
Debt / Equity	1.32
52 Week High-Low	1433.70/846.6

**The Company is looking to launch 3 new platforms from CY15 beginning, including 2 platforms in compact UV platforms and one in the CV segment.**



## PI Industries Ltd

CMP : ₹ 496.50

### Investment Rationale

- PI Industries is a leading Agri Input and Custom Synthesis & Manufacturing company in India. During 2014, the company introduced two new products- MELSA, a wheat herbicide and PIMIX, a rice herbicide.
- The agri inputs sector continued to perform well due to favourable monsoon, higher crop prices and increased output. Correspondingly, agrochemical companies continued to report robust performance.
- At any given point in time, there are 8-10 products in the registration phase, a process that usually takes three to four years to get completed. The company plans to introduce new insecticides in this fiscal. Its Jambusar (Gujarat) facility work at phase II is underway and the commissioning is slated for 2nd half of FY16.
- The country's crop protection market is expected to grow at around 12% annually to reach US\$ 6.8 billion by FY17. Low consumption of crop protection products at 0.6 kg/ha, compared with the global average of 3 kg/ha, emphasizing significant potential for growth.

### Outlook

PI's capacity maintains an optimal utilization due to its strong order book. Also the company is a preferred supplier to the global agrochemicals industry for newly discovered products. The Company commercialized three new molecules for custom synthesis exports, which are expected to gain traction over the next few years. The company also possesses an immense presence in custom synthesis field and its expertise in the complex chemistry puts it in an advantageous position for adding new molecules to its pipeline.

Target – ₹ 580

Key Data	
Market Cap (₹ Cr.)	6805
Equity Cap (₹ Cr.)	13.66
Face Value	1
Book Value	50.72
EPS	13.65
Dividend Yield (%)	0.40
P/BV (x) - TTM	10.03
P/E (x) - TTM	34.05
ROE (%)	30.52
Debt / Equity	0.28
52 Week High-Low	528.75/213.15

**PI Industries is a leading Agri Input and Custom Synthesis & Manufacturing company in India.**

## Sundaram Finance Ltd.

CMP : ₹ 1293.05

### Investment Rationale

- Sundaram Finance Ltd (SFL) is a leading non-banking finance companies (NBFC) in the country. Its main business includes hire-purchase and lease financing of commercial vehicles, cars and machinery. It has a nationwide network of 575 branches.
- In H1FY15, it reported 5.8% increase in its net profit to Rs 252.51 crore. Total income increased by 2.3% to Rs 1189.29 crore. The Company has been able to maintain a tight leash on its asset quality, thereby enabling it to report reasonable growth in profits. However, the growth in tractor business is good and the company is likely to improve its market share in that segment.
- The financing of commercial vehicles (CVs) and cars will continue to remain the backbone of its business; there is also more headroom to expand its business in construction equipment segments as well.

### Outlook

The sales of Commercial vehicle are linked to economic growth of the country and auto industry is likely to witness improved sentiments in CY15. The company is expected to continue focus on writing profitable business and maintaining its asset quality, however, the prospects for growth will hinge largely on the policy measures of the new government and speedy implementation of stalled infrastructure projects.

Target – ₹ 1700

Key Data	
Market Cap (₹ Cr.)	14334
Equity Cap (₹ Cr.)	111.10
Face Value	10
Book Value	277.25
EPS	50.09
Dividend Yield (%)	0.78
P/BV (x) - TTM	5.99
P/E (x) - TTM	32.09
ROE (%)	19.7
Debt / Equity	5.8
52 Week High-Low	1400/486.95

**Sundaram Finance Ltd (SFL) is a leading non-banking finance companies (NBFC) in the country.**

## Wipro Ltd.

CMP : ₹ 552.55

### Investment Rationale

- Wipro has shown healthy performance in H1FY15. Its consolidated sales grew 11% to Rs 23061.50 crore, OPM grew 100 basis points to 22.9%, operating profit rising 17% to Rs 5274.20 crore and PAT grew 18% to Rs 4216.30 crore.
- The Company sees a significant rise in business confidence in developed markets as well as in India. It is expecting strong demand in the verticals of healthcare and life-sciences, manufacturing and hi-tech. However, weakness in retail continues and the company sees problems in this area persisting for another quarter.
- Wipro has signed many large deals that would help improve sequential growth rates. Further a pickup in tech spending in the domestic IT market could aid revenue growth in H2FY15.

### Outlook

The company expects multiple opportunity spaces for growth and gaining market share, while the industry landscape is still undergoing change. In H2FY15, it expects good momentum in large deals and better performance. In digital field, it sees immense opportunity and will establish a digital capability which offers a broad based human-centric design proposition, with an architecture directly focused on addressing core customer needs.

Target – ₹ 700

Key Data	
Market Cap (₹ Cr.)	135815
Equity Cap (₹ Cr.)	493.74
Face Value	2
Book Value	130.15
EPS	34.14
Dividend Yield (%)	1.44
P/BV (x) - TTM	4.63
P/E (x) - TTM	16.03
ROE (%)	27.57
Debt / Equity	0.2
52 Week High-Low	621.90/474.70

**A pickup in tech spending in the domestic IT market could aid its revenue growth.**

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S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
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	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
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	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest ( if answer to F (a) above is Yes : .....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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