# investor's eye



## Index

# Ipca Laboratories

**Ugly Duckling**

## Stock Update

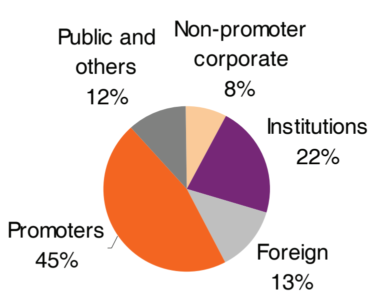
## Q2FY2013 results: First-cut analysis

**Buy; CMP: Rs460**

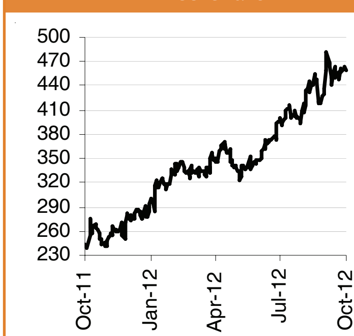
### Company details

| | |
|---|---|
| **Price target:** | Rs476 |
| **Market cap:** | Rs5,838 cr |
| **52 week high/low:** | Rs496/233 |
| **NSE volume:** (no. of shares) | 1.7 lakh |
| **BSE code:** | 524494 |
| **NSE code:** | IPCALAB |
| **Sharekhan code:** | IPCALAB |
| **Free float:** (no. of shares) | 6.8 cr |

### Shareholding pattern




### Price chart




### Price performance

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 8.5 | 16.5 | 33.9 | 94.5 |
| Relative to Sensex | 8.7 | 4.8 | 20.7 | 71.6 |

### Result highlights

- **Q2 results better than expected:** In Q2FY2013 the net sales of Ipca Laboratories (Ipca) jumped by 22.6% year on year (YoY) to Rs757.5 crore. The growth was mainly driven by exports, which surged by 31.5% YoY to Rs464.3 crore during the quarter. However, the domestic formulation business recorded a 14.6% year-on-year (Y-o-Y) growth to Rs262.8 crore in the same period. The revenues from the export of active pharmaceutical ingredients (APIs) jumped by 35% YoY to Rs125.2 crore, mainly due to the contribution of the newly acquired Tonira Pharma. However, the revenues from domestic API business declined by 15% YoY to Rs30.4 crore, presumably due to higher captive consumption. Overall, the net sales grew by 7%, at a rate higher than expected.

- **Operating profit declines 290 basis points YoY from a high base:** During the quarter, the operating profit margin (OPM) of the company declined by 290 basis points YoY to 21.8%. The Y-o-Y decline in the OPM can mainly be attributed to the higher base effect caused by the reversal of certain employees' expenses in Q2FY2012. However, this was marginally better than our expectation of a 21.5% margin.

- **Other income, forex gains and extraordinary income strengthen profit line:** During the quarter, the company provided for foreign exchange (forex) gains of Rs6.4 crore as compared with forex losses of Rs27.2 crore in Q2FY2012. Moreover, the other income that included export incentives jumped by 125% YoY to Rs18.2

**Results** Rs cr

| Particulars | Q2FY13 | Q2FY12 | YoY % | Q1FY13 | QoQ % | H1FY13 | H1FY12 | YoY% |
|---|---|---|---|---|---|---|---|---|
| **Net sales** | **757.5** | **618.0** | **22.6** | **630.3** | **20.2** | **1,387.8** | **1,144.4** | **21.3** |
| Expenditure | 592.5 | 465.5 | 27.3 | 492.6 | 20.3 | 1,085.1 | 901.1 | 20.4 |
| **Operating profit** | **165.0** | **152.5** | **8.2** | **137.6** | **19.9** | **302.7** | **243.3** | **24.4** |
| Other income | 18.2 | 8.1 | 124.6 | 7.1 | 155.8 | 25.4 | 14.3 | 76.9 |
| EBIDTA | 183.3 | 160.7 | 14.1 | 144.8 | 26.6 | 328.0 | 257.6 | 27.3 |
| Interest | 8.9 | 11.8 | -24.5 | 9.5 | -6.6 | 18.4 | 19.2 | -4.1 |
| Depreciation | 20.9 | 17.6 | 18.8 | 19.9 | 4.8 | 40.8 | 33.0 | 23.7 |
| PBT | 153.5 | 131.3 | 16.9 | 115.3 | 33.1 | 268.9 | 205.5 | 30.8 |
| Tax | 39.5 | 26.2 | 50.6 | 13.5 | 192.6 | 53.0 | 47.8 | 11.0 |
| **Adj. PAT (ex-forex)** | **114.0** | **105.1** | **8.5** | **101.8** | **12.0** | **215.9** | **157.7** | **36.8** |
| Forex loss | -6.4 | 27.2 | -123.5 | 58.9 | -110.8 | 52.5 | 18.1 | 190.7 |
| EO | 4.7 | 0.0 | | 0.0 | | 4.7 | 0.0 | |
| Net profit (reported) | 125.1 | 77.9 | 60.5 | 43.0 | 191.0 | 168.1 | 139.7 | 20.3 |
| EPS (Rs) | 9.0 | 8.4 | 8.1 | 8.1 | 12.0 | 17.1 | 12.5 | 36.4 |
| **Margins (%)** | | | **bps** | | **bps** | | | **bps** |
| OPM | 21.8 | 24.7 | -290 | 21.8 | -5.0 | 21.8 | 21.3 | 55 |
| EBIDTA margin | 24.2 | 26.0 | -180 | 23.0 | 122.6 | 23.6 | 22.5 | 113 |
| Net profit margin | 15.1 | 17.0 | -195 | 16.2 | -110.5 | 15.6 | 13.8 | 177 |
| Tax rate | 24.7 | 20.0 | 473 | 11.7 | 1299.7 | 24.5 | 25.5 | -98 |

crore. The company also received an extraordinary income of Rs4.69 crore with respect to the profit on the sale of shares of an associate. These items helped the company to achieve a Y-o-Y growth of 58% to Rs164.6 crore.

- **Sharp jump in tax restricts net profit growth:** The adjusted net profit (adjusted for the forex gains and extraordinary income) increased moderately by 8.5% YoY to Rs114 crore, mainly due to a sharp rise in the effective tax rate by 473 basis points to 24.7%. However, including the forex gains and the extraordinary item, the reported profit witnessed a 60.5% Y-o-Y rise to Rs125.1 crore. The quarter's adjusted net profit was 5% higher than our estimate.

***We will revisit our earnings estimates and price target after interaction with the management. A teleconference call with the management is expected on October 29, 2012 at 12.15pm.***

**Revenue break-up**

| Particulars | Q2FY2013 | Q2FY2012 | YoY % | Q1FY2013 | QoQ % | H1FY2013 | H1FY2012 | YoY % |
|---|---|---|---|---|---|---|---|---|
| **India** | **293.2** | **264.8** | **10.7** | **263.5** | **11.3** | **556.7** | **494.5** | **12.6** |
| Formulations | 262.8 | 229.2 | 14.6 | 224.2 | 17.2 | 487.0 | 418.2 | 16.4 |
| API | 30.4 | 35.6 | -14.7 | 39.3 | -22.7 | 69.7 | 76.3 | -8.6 |
| **International** | **464.3** | **353.2** | **31.5** | **366.7** | **26.6** | **831.1** | **646.0** | **28.6** |
| Formulations | 339.2 | 260.5 | 30.2 | 224.5 | 51.1 | 563.7 | 323.0 | 74.5 |
| Tender business | 75.0 | 90.8 | -17.4 | 60.0 | 25.0 | 135.0 | 144.1 | -6.3 |
| Other generic business | 264.2 | 169.7 | 55.6 | 164.5 | 60.6 | 428.7 | 178.9 | 139.6 |
| API | 125.2 | 92.7 | 35.0 | 142.2 | -12.0 | 267.4 | 182.8 | 46.3 |
| **Total sales** | **757.5** | **618.0** | **22.6** | **630.3** | **20.2** | **1,387.8** | **1,140.5** | **21.7** |
| **Total API** | **155.6** | **128.3** | **21.2** | **181.6** | **-14.3** | **337.1** | **259.1** | **30.1** |
| **Total formulations** | **601.9** | **489.7** | **22.9** | **448.7** | **34.2** | **1,050.6** | **741.2** | **41.7** |

# Mahindra & Mahindra

**Apple Green**

**Stock Update**

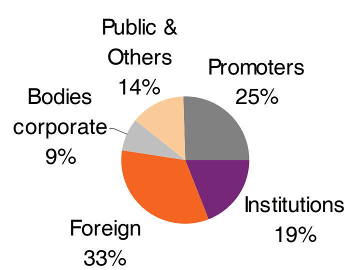
## Price target revised to Rs949

**Buy; CMP: Rs858**

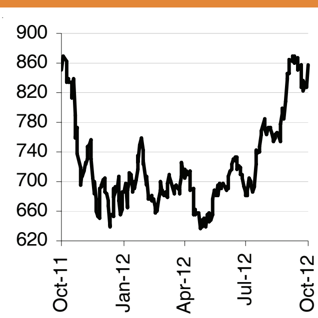
**Company details**

| | |
|---|---|
| **Price target:** | Rs949 |
| **Market cap:** | Rs52,651 cr |
| **52 week high/low:** | Rs879/622 |
| **NSE volume:** (no. of shares) | 11.3 lakh |
| **BSE code:** | 500520 |
| **NSE code:** | M&M |
| **Sharekhan code:** | M&M |
| **Free float:** (no. of shares) | 45.8 cr |

**Shareholding pattern**




**Price chart**




**Price performance**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 2.4 | 19.7 | 18.0 | 5.1 |
| Relative to Sensex | 2.6 | 7.7 | 6.3 | -7.3 |

### Q2FY2013 highlights: Q2FY2013 PAT grew on strong operating performance and higher other income

For Q2FY2013, Mahindra and Mahindra (M&M) reported a net profit of Rs901.8 crore, which was significantly above our estimates. Better realisations in the automotive segment and cost control measures led to a better than expected operating performance, which boosted the profitability. Higher other income due to dividend from subsidiaries further boosted the profitability leading to a significant outperformance vis-a-vis the expectations.

### Highlights of Q2FY2013 results

- The company's revenues are in line with our estimate. The realisation of both the automotive segment and the farm equipment (FE) segment improved compared with that in Q2FY2012.
- The company had taken price increases of 1.5% in the automotive segment in July 2012.
- A 60-basis-point sequential improvement in the automotive business on account of the price increases and improved mix was commendable. The earnings before interest and taxes (EBIT) margin at 9.4% was the highest in four quarters.
- The EBIT margin of the tractor segment was affected due to the volume decline. The margins declined 50 basis points on a year on year (Y-o-Y) basis. The overall EBIT margin at 10.9% was better than our estimate of 10.7%
- The employee cost/sales remained flat on a sequential basis. The better than expected other income due to dividend from subsidiaries helped the profitability during the quarter.

**Valuation:** We maintain our volume assumptions for both the tractor and the automotive divisions for FY2013. However, we are revising our margin expectation upwards for FY2013 and FY2014, given the positive surprise in Q2FY13 results. Our sum-of-the-parts (SOTP) valuation estimates the M&M stock at Rs949/share. We maintain Buy recommendation on the stock.

**Results (stand-alone)** Rs cr

| Particulars | Q2FY13 | Q2FY12 | YoY % | Q1FY13 | QoQ % |
|---|---|---|---|---|---|
| Revenues | 9,813.0 | 7,360.6 | 33.3 | 9,367.4 | 4.8 |
| Total expenses | 8,694.0 | 6,486.6 | 34.0 | 8,258.0 | 5.3 |
| **EBITDA** | **1,118.9** | **874.0** | **28.0** | **1,109.4** | **0.9** |
| Other income | 322.9 | 231.5 | 39.5 | 59.9 | 439.5 |
| Depreciation | 178.4 | 125.7 | 41.9 | 154.8 | 15.2 |
| Interest | 47.5 | 4.9 | 870.8 | 46.0 | 3.2 |
| PBT | 1,216.0 | 974.9 | 24.7 | 968.4 | 25.6 |
| Tax | 314.2 | 237.6 | 32.2 | 242.8 | 29.4 |
| PAT recurring | 901.8 | 737.4 | 22.3 | 725.6 | 24.3 |
| EPS | 14.7 | 12.0 | | 11.8 | |
| EBITDA margin (%) | 11.4 | 11.9 | (50bps) | 11.8 | (40bps) |
| Eff tax rate (%) | 25.8 | 24.4 | | 25.1 | |

### Q2FY2013 segmental performance

***Automotive segment:*** The segment's Q2FY2013 stand-alone revenues grew by 58.3% year on year (YoY). Its volumes grew by 17.2% YoY, while its realisation grew sharply by 35% YoY on account of a richer mix (utility vehicles) and price increases. The automotive segment's margin at 9.4% was better than our estimate and recorded a 60-basis-point improvement on a sequential basis.

***FE segment:*** The Q2FY2013 revenues of the FE segment declined by 6.1% YoY. The volumes declined 13% but the realisation grew 8.1% YoY on account of a better mix (higher horse power tractors) and price increases. The margins declined due to a volume drop and higher selling expenses.

**Stand-alone segmental result** Rs cr

| Particulars | Q2FY13 | Q2FY12 | YoY % | Q1FY13 | QoQ % |
|---|---|---|---|---|---|
| **Automotive division** | | | | | |
| Volumes | 138,572 | 118,207 | 17.2 | 122,571 | 13.1 |
| Revenues | 7,149.8 | 4,517.7 | 58.3 | 6,278.7 | 13.9 |
| PBIT | 671.8 | 448.1 | 49.9 | 552.8 | 21.5 |
| PBIT margins (%) | 9.4 | 9.9 | | 8.8 | |
| **Farm equipment division** | | | | | |
| Volumes | 49,840 | 57,394 | -13.2 | 59,578 | -16.3 |
| Revenues | 2,653.4 | 2,826.0 | -6.1 | 3,078.3 | -13.8 |
| PBIT | 392.1 | 432.5 | -9.4 | 482.4 | -18.7 |
| PBIT margins (%) | 14.8 | 15.3 | | 15.7 | |
| **Others** | | | | | |
| Revenues | 15.1 | 24.6 | -38.6 | 17.0 | -11.0 |
| PBIT | 3.4 | 2.1 | 61.5 | 4.0 | -15.6 |
| PBIT margins (%) | 22.3 | 8.5 | | 23.5 | |

## Conference call takeaways

### Tractor outlook maintained at 0-2% growth on account of improved H2FY2013 performance

The management maintained the FY2013 tractor volume guidance to 0-2% despite the industry volumes declining to double digits in August and September 2012. Late recovery in monsoon augurs well for the rabi crop, which should boost the tractor volumes in Q4FY2013. Further, due to the deficit in kharif production, the farmers have realised better returns boosting their tractor purchasing power.

For M&M, the tractor inventory is under control. A new plant is being established at Zaheerabad with an investment of Rs300 crore and a capacity of 50,000 units. The plant would be commissioned shortly.

### Automotive growth robust on back of new launches

During Q2FY2013, M&M's automotive volumes grew by 17% YoY. The volume growth was aided by a 43% growth in the exports. *XUV 5oo* continues to witness a strong traction with an order backlog of three months. The company has increased its production capacity to 4,500/month. The compact sports utility vehicle *Quanto* has also received a good response with an order book of over 6,000 units (implying backlog of over two months). Further, the demand for its flagship *Bolero* and *Scorpio* continues to be robust.

In the pick-up segment, the industry growth is migrating to large pick-ups in over 1.5 tonne range, where M&M has a strong presence. In light commercial vehicle segment, *Maxximo* grew by 34% YoY and continues to see a strong traction.

### Margins surprised positively on strong automotive realisations

In the automotive segment the company took price increases of 1.5% in July 2012. With the price hikes and improving model mix on account of *XUV5oo*, the automotive margins surprised with an 60-basis point improvement on a sequential basis. The company is realising benefits of operating leverage as the automotive volumes continue the strong momentum with a double-digit growth. However, the tractor margins were affected by lower volume offtake. With the commodity prices stabilising and the tractor volumes set to increase, the margins are expected to remain at elevated levels.

### Automotive exports to maintain strong momentum

M&M is witnessing a strong traction in exports with a growth in excess of 40% in H1FY2013. Going forward, the company expects to maintain a strong double-digit growth. The company is focusing on new markets like South Africa, Australia, Brazil and Russia to maintain its strong momentum.

### Mahindra-Ssangyong to realise long-term cost synergies, Ssangyong CY2012 outlook reduced

Ssangyong and Mahindra are jointly developing engines that would lead to sourcing benefits for both the partners. Also the companies are developing joint vehicle platforms that would realise cost synergies for both the partners.

Slowdown in the Korea and China has led to a reduction in volume forecast for Ssangyong. The volume outlook has been cut to 4.5% Y-o-Y growth as against 9% projected earlier. However, introduction of new products and entry into new markets such as India are likely to shore up Ssangyong's volumes going forward.

**Valuation:** We maintain our volume assumptions for both the tractor and automotive divisons for FY2013. However, we are revising our margin expectation upwards for FY2013 and FY2014, given the positive surprise in Q2FY2013 results. Our SOTP valuation estimates the M&M stock at Rs949/share. We maintain Buy recommendation on the stock.

**Valuation (stand-alone)**

| Particular | FY2010 | FY2011 | FY2012 | FY2013E | FY2014E |
|---|---|---|---|---|---|
| Total income (Rs cr) | 18,381.9 | 23,460.3 | 31,853.5 | 41,670.3 | 48,398.3 |
| *Growth (%)* | *42.3* | *27.6* | *35.8* | *30.8* | *16.1* |
| EBITDA (Rs cr) | 2,755.6 | 3,454.3 | 3,770.7 | 4,688.3 | 4,754.9 |
| EBITDA margin (%) | 15.0 | 14.7 | 11.8 | 11.3 | 9.8 |
| PAT (Rs cr) | 2,087.2 | 2,662.1 | 2,878.9 | 3,192.5 | 3,052.4 |
| *Growth (%)* | *140.6* | *27.5* | *8.1* | *10.9* | *-4.4* |
| FD EPS (Rs) | 32.7 | 41.4 | 45.1 | 52.0 | 49.7 |
| P/E (x) | 26.2 | 20.7 | 19.0 | 16.5 | 17.3 |
| P/B (x) | 6.7 | 5.1 | 4.3 | 3.7 | 3.2 |
| EV/EBIDTA (x) | 18.5 | 15.5 | 14.2 | 11.2 | 10.9 |
| RoE (%) | 25.6 | 24.7 | 22.8 | 22.1 | 18.4 |
| RoCE (%) | 26.1 | 27.5 | 23.9 | 25.9 | 22.3 |

**SOTP valuation**

| Particulars | Rs | Remarks |
|---|---|---|
| Core business | 720.7 | At 14.5x FY14 earnings |
| **Key subsidiaries** | | |
| MVML | 100.8 | At 13x FY14 earnings |
| Tech Mahindra | 86.2 | Market cap |
| M&MFSL | 60.3 | 1.3x its FY2014 Book value |
| Mahindra Lifespace | 13.6 | Based on our Target Price |
| Mahindra Holiday Resort | 32.1 | Market cap |
| Mahindra Forgings | 4.5 | Market cap |
| Ssangyong + EPC Ltd | 29.0 | On BV |
| Value of subsidiaries before discount | 326.6 | |
| 30% discount | 228.6 | |
| **Price target** | **949.3** | |

# CESC

**Ugly Duckling**

**Stock Update**

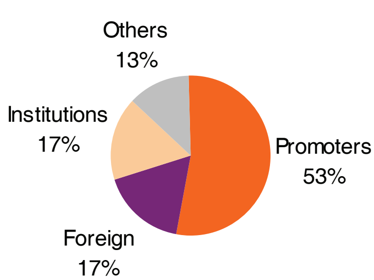
## Unrelated diversification to weigh down its valuations

**Hold; CMP: Rs332**

**Company details**

| | |
|---|---|
| **Price target:** | Rs355 |
| **Market cap:** | Rs4,170 cr |
| **52 week high/low:** | Rs346/186 |
| **NSE volume:** (no. of shares) | 2.0 lakh |
| **BSE code:** | 500084 |
| **NSE code:** | CESC |
| **Sharekhan code:** | CESC |
| **Free float:** (no. of shares) | 5.6 cr |

**Shareholding pattern**




**Price chart**


**Price performance**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | 3.6 | 14.0 | 34.3 | 33.1 |
| Relative to Sensex | 3.8 | 2.6 | 21.0 | 17.4 |

### Event: CESC to acquire majority stake in FSL through wholly owned subsidiary

CESC's wholly owned subsidiary, Spen Liq Private Limited (SpenLiq), has entered into an agreement with Firstsource Solutions Limited (FSL) to subscribe about 34.5% of the diluted equity share capital. CESC will infuse approximately Rs640 crore including open offer at Rs12.10 per share to the existing shareholders. CESC will make further acquisition of 15% of shares (5% each) from the existing three large shareholders in FSL. The fresh infusion of cash in FSL would be utilised to repay the outstanding foreign currency convertible bonds.

**Deal structure**

| Particulars | Nos.of share (Rs cr) | Price/share | Value (Rs cr) |
|---|---|---|---|
| Fresh issue | 22.7 | 12.1 | 274.5 |
| Acquire from three large shareholders | 9.9 | 12.2 | 120.4 |
| Open offer | 19.9 | 12.2 | 242.2 |
| **Total offer/outflow** | **52.5** | | **637.1** |

### Deal at EV/revenue of 1x; seems reasonable

The median revenues multiple for deals in the business process outsourcing (BPO) sector ticked up to 1.5x-2x enterprise value (EV)/revenues. The recent deal being acquisition of 30% stake in Genpact by Bain Capital for $1 billion, which translates into EV/revenues of close to 2x. Thus, on a relative basis, CESC's acquisition of FSL at 1x EV/revenues look modest.

**Recent BPO deals**

| Particulars | Employees | EV/sales |
|---|---|---|
| Intelenet - Serco deal | 40,000 | 2.0 |
| Genpact - Bain Capital | 58,500 | 2.1 |
| Firstsource - CESC | 32,553 | 1.0 |

**Valuations**

| Particulars | FY10 | FY11 | FY12 | FY13E | FY14E |
|---|---|---|---|---|---|
| Net sales (Rs cr) | 3,292.8 | 3,939.9 | 4,593.0 | 5,455.1 | 5,902.1 |
| EBITDA (Rs cr) | 749.7 | 1,001.3 | 1,096.0 | 1,161.9 | 1,226.8 |
| Net profit (Rs cr) | 433.3 | 488.4 | 565.0 | 582.4 | 614.9 |
| EPS (Rs) | 34.5 | 38.9 | 45.0 | 46.4 | 49.0 |
| EPS growth (%) | 5.8 | 12.7 | 15.7 | 3.1 | 5.6 |
| EBITDA margin (%) | 22.8 | 25.4 | 23.9 | 21.3 | 20.8 |
| PER (x) | 9.6 | 8.5 | 7.4 | 7.2 | 6.8 |
| P/BV (x) | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 |
| Price/sales (x) | 1.3 | 1.1 | 0.9 | 0.8 | 0.7 |
| EV/EBITDA (x) | 7.8 | 6.3 | 5.5 | 5.1 | 4.5 |
| Dividend yield (%) | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| RoCE (%) | 6.1 | 7.6 | 7.8 | 7.8 | 7.7 |
| RoE (%) | 8.6 | 9.1 | 9.8 | 9.4 | 9.3 |

### However, voice BPO business has muted growth outlook…

However, given the fading growth outlook of the Indian BPO industry (12% growth for FY2013E, compounded annual growth rate of around 13.5% in the last six years), more so in the voice-based space (growing at a much lower pace), the acquisition doesn't seems to be a good strategic fit.

As per the industry data, in the last two years, about 75,000 seats that could have been added to Indian call centres went to the Philippines, which is currently the World No.1 pushing India to second position. Overall, given the commoditisation of the voice-based BPO space and loosing advantage of the Indian-based providers, we have a cautious stance on the BPO sector.

### …also does not fit strategically for CESC

*Why an integrated power company is diversifying into an ailing BPO sector? We don't see any strategic rational.*

- The company has already diversified into the retail business, which is ailing, and the cash generating power business is supporting the same. Again, with this acquisition, the company would be doing one more diversification into an area of business, BPO sector. We don't see much rational from a strategic point of view in a medium-term or long-term perspective.
- If this acquisition would have been through RPG Group's IT company, Zensar Technology, there could be business synergy on a long-term perspective.

### Impact on CESC's financials

- With this acquisition, consolidated balance sheet of CESC would bear the burden of funding the acquisition, over its commitment of funding for its upcoming power units (~Rs400 crore annually) and regular capital expenditure of Rs500 crore in the distribution business. Further, it needs fund to support the cash-burning retail business (to the tune of Rs250 crore annually).
- At the end of FY2012, CESC's (consolidated) cash was around Rs1,300 crore. In future, CESC's internal accruals could be to the tune of Rs700 crore annually from a stand-alone business. We believe the company could manage to close the deal without raising additional debt. However, we believe that the acquisition would be earnings dilutive for CESC over the next couple of years.

### Valuation

The unrelated diversification in the BPO business by CESC would not add any strategic value to its business and would be earnings dilutive in the near term. CESC valuations already suffer due to its loss-making retail business and the acquisition of FSL would further weigh down its valuations. Given the unnecessary diversification leading to outflow of Rs640 crore (when CESC itself has aggressive expansion plans in its core business of power generation), we see risk of de-rating of CESC valuation multiples. Consequently, we are downgrading the stock of CESC to Hold and reducing the price target to Rs355.

# United Phosphorus

**Ugly Duckling**

## Stock Update

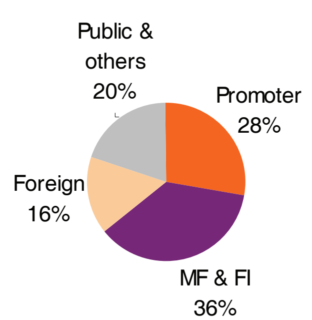
## Price target revised to Rs160

**Buy; CMP: Rs120**

### Company details

| | |
|---|---|
| **Price target:** | Rs160 |
| **Market cap:** | Rs5,440 cr |
| **52 week high/low:** | Rs169/105 |
| **NSE volume:** (no. of shares) | 4.4 lakh |
| **BSE code:** | 512070 |
| **NSE code:** | UNITEDPHOS |
| **Sharekhan code:** | UNITEDPHOS |
| **Free float:** (no. of shares) | 32.7 cr |

### Shareholding pattern




### Price chart


### Price performance

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | -9.6 | -2.9 | -6.9 | -15.9 |
| Relative to Sensex | -9.4 | -12.7 | -16.1 | -25.8 |

## Result highlights

- **Q2 results disappoint; revenues below estimate:** United Phosphorous Ltd (UPL)'s Q2FY2013 net revenues were lower than our and the Street's estimates at the consolidated level. The revenues grew mainly on account of the price hikes (of 5%) and currency benefits (of 2%) during the quarter. The volumes declined by 2% due to a lower demand on account of erratic weather conditions in Q2FY2013. The consolidated revenue grew by just 4.5% to Rs1,856.0 crore as compared with Rs1,775.7 crore in Q2FY2012 whereas the adjusted profit after tax (PAT) for the quarter stood at Rs119.8 crore, which was way below the consensus expectation as well as our estimate of Rs171.3.
- **OPM declines; cost pressure persists:** In Q2FY2013 the operating profit margin (OPM) stood at 17.6%, which showed a decline of 76 basis points as compared with Q2FY2012 and was marginally lower than our expectation too. The margin pressure persisted despite the price hikes taken by the company across products due to an increase in the employee cost and other expenditure. However, in order to improve its margin in the domestic market the company has changed its business strategy from Q2FY2013 onwards. The management will shift its focus from low-margin products to high-margin products as well as introduce new high-margin products, though the change in the business strategy for the domestic market may have a negative effect on the sales volumes in the short term.
- **Cautious outlook; rough weather conditions across globe may weigh on earnings:** Taking into consideration the rough weather conditions across

**Results**

| Particulars | Q2FY13 | Q2FY12 | YoY % | 6MFY13 | 6MFY12 | YoY % |
|---|---|---|---|---|---|---|
| Total income from operation | 1,856 | 1,776 | 4.5 | 4,070 | 3638 | 11.9 |
| Total expenditure | 1,530 | 1,450 | 5.5 | 3,358 | 2967 | 13.1 |
| **Operating profit** | **326** | **325** | **0.2** | **713** | **670** | **6.3** |
| Other income | 20 | 20 | 3.1 | 31 | 42 | (26.6) |
| EBIDTA | 346 | 345 | 0.4 | 743 | 712 | 4.3 |
| Depreciation | 82 | 72 | 14.0 | 155 | 135 | 15.3 |
| Interest | 76 | 80 | (5.7) | 159 | 168 | (5.4) |
| Exceptional expenses | 5 | 126 | | 8 | 110 | |
| **PBT** | **183** | **67** | **173.9** | **421** | **300** | **40.2** |
| Tax | 46 | 15 | 202.9 | 116 | 62 | 88.1 |
| Minority interest | -19 | 13 | | 11 | 13 | |
| Income from associates | 1 | -8 | | 6 | -10 | |
| **RPAT** | **120** | **57** | **110.4** | **323** | **242** | **33.4** |
| **Adjusted PAT** | **125** | **183** | **(31.7)** | **331** | **352** | **(5.8)** |
| **Margins (%)** | | | | | | |
| OPM | 17.6 | 18.3 | | 17.5 | 18.4 | |
| NPM | 6.5 | 3.2 | | 7.9 | 6.6 | |

geographies, mainly in North America and India, as well as the change in the domestic business strategy, we see a lower growth in volumes which may restrict the revenue growth. However, the management is hopeful about the demand in Brazil's sowing season (October-February) in the second half of the fiscal. The launch of new products and incremental revenues from the recently acquired SD Agchem Europe will aid the growth in FY2013. However, we see a risk to its guidance of a 15-20% growth in FY2013 if the weather conditions remain unfavourable.

- **Valuation:** To factor in the subdued demand environment across the world along with the input cost pressure and limited pricing power, we have lowered our earnings estimates for FY2013 and FY2014. We have revised our earnings per share (EPS) estimates for FY2013 and FY2014 to Rs15.3 and Rs16 respectively. At the current market price the stock trades at 7.7x FY2013 and 7.4x FY2014 estimated earnings. We maintain our Buy recommendation on UPL with a revised price target of Rs160 (10x FY2014E).

## Management commentary

- UPL's sales were affected in North America during the quarter mainly on account of a severe drought in the mid-west which affected corn and soy crops. A shift from rice and cotton towards corn in terms of sowing also affected the overall volume.
- The Indian sales were affected during the quarter because of a delay in the rainfall and a drought-like condition in some states. The company also introduced new products in the domestic market in order to expand its product portfolio in the insecticide segment. The newly introduced product is in the high-margin category targeted at "sucking" insects which damage cotton and rice crops.
- The demand in Europe was affected in the beginning of the year but as the year progressed it normalised, thereby helping the company to improve its realisation by taking price increases of 7 to 8% across products.
- Seasonal delays in the market along with the political situation in Venezuela affected the volumes in Latin America during Q2FY2013.

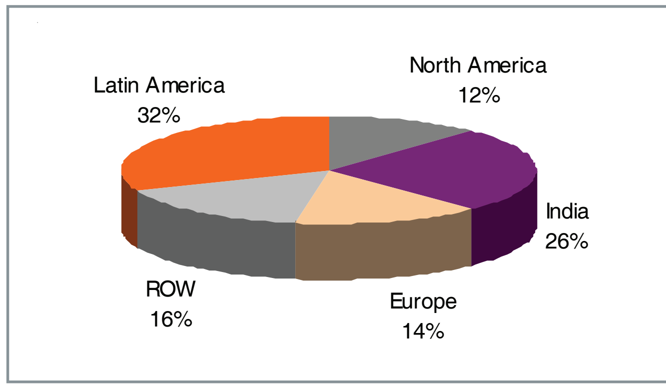
## Revenue break-up across geographies

In terms of geographies, the revenues from the European market were up by 22% year on year (YoY) while the revenues from the Rest of the World (RoW) market showed a growth of 22% YoY. The domestic market delivered a subdued performance during quarter—the revenues declined by 14% mainly because of a delay in the rainfall and a drought-like condition in the important sowing areas in the current kharif season. The revenues from the North American market also declined by 9% YoY during Q2FY2013 because of a heat wave that affected the sowing of some important crops.

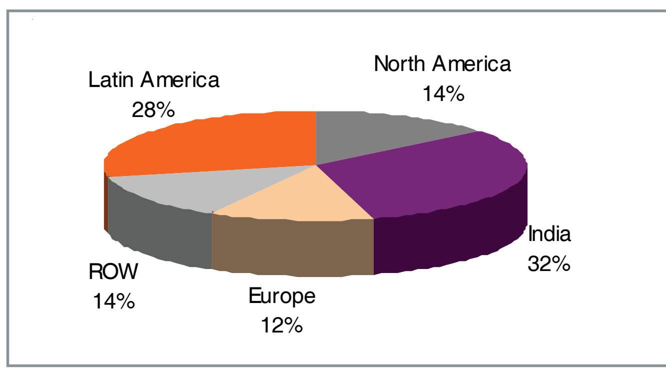
**Revenue break-up** Rs cr

| Particulars | Q2 FY13 | Q2 FY12 | YoY % | 6M FY13 | 6M FY12 | YoY % |
|---|---|---|---|---|---|---|
| North America | 227 | 249 | -9 | 809 | 701 | 15 |
| India | 491 | 569 | -14 | 1,113 | 1,105 | 1 |
| Europe | 271 | 223 | 22 | 692 | 599 | 16 |
| RoW | 301 | 247 | 22 | 522 | 488 | 7 |
| Latin America | 592 | 507 | 17 | 996 | 787 | 27 |
| **Total** | **1,882** | **1,795** | **5** | **4,132** | **3,680** | **12** |

**Revenue break-up for Q2FY2013**




**Revenue break-up for Q2FY2012**




## Net working capital days increased substantially during quarter

The working capital cycle deteriorated during the quarter mainly on account of an increase in the inventory and debtor days to push sales and increase the market share. The net working capital cycle dropped by ten days to 103 days in Q2FY2013 from 113 days in FY2012. Going ahead, the management believes that the company will be able to maintain the working capital cycle in this range.

**Working capital cycle ( as days of sales)**

| Particular | H1FY13 | H1FY12 |
|---|---|---|
| Inventory | 96 | 86 |
| Debtors | 109 | 96 |
| Payables | 92 | 107 |
| **Net working capital** | **113** | **75** |

## Valuations

To factor in the subdued demand environment across the world along with the input cost pressure and limited pricing power, we have lowered our earnings estimates for FY2013 and FY2014. We have revised our EPS estimates for FY2013 and FY2014 to Rs15.3 and Rs16 respectively. At the current market price the stock trades at 7.7x FY2013 and 7.4x FY2014 estimated earnings. We maintain our Buy recommendation on UPL with a revised price target of Rs160 (10x FY2014E).

**Valuations (consolidated)**

| Particulars | FY10 | FY11 | FY12 | FY13E | FY14E |
|---|---|---|---|---|---|
| Net sales (Rs cr) | 5460.3 | 5804.5 | 7654.7 | 8711.9 | 9334.6 |
| Adj. net profit (Rs cr) | 537.6 | 585.8 | 636.0 | 694.9 | 729.9 |
| No. of shares (cr) | 44.0 | 46.2 | 46.2 | 46.2 | 46.2 |
| Fully diluted EPS (Rs) | 11.6 | 12.7 | 12.0 | 15.3 | 16.0 |
| *Y-o-Y change %* | *11.4* | *9.0* | *-5.2* | *26.9* | *5.0* |
| PER (x) | 9.9 | 9.8 | 9.8 | 7.7 | 7.4 |
| Book value (Rs) | 68.1 | 80.7 | 90.4 | 103.0 | 116.2 |
| P/BV (x) | 1.7 | 1.5 | 1.3 | 1.1 | 1.0 |
| EV/EBIDTA (x) | 5.8 | 5.3 | 5.4 | 4.6 | 4.1 |
| RoCE (%) | 14.9 | 15.6 | 15.3 | 14.5 | 13.9 |
| RoNW (%) | 17.6 | 15.0 | 13.3 | 14.8 | 13.8 |

# Mutual Gains

## Mutual Fund

## Sharekhan's top equity mutual fund picks

### Top rated equity mutual funds

Data as on October 22, 2012

| Scheme name | Star rating | NAV (Rs) | 6 mths' returns % | Annually compounded returns (%) | | | |
|---|---|---|---|---|---|---|---|
| | | | | 1 yr | 3 yrs | 5 yrs | Since inception |
| **Large-cap funds** | | | | | | | |
| UTI Wealth Builder Fund - Series II | ★★★★★ | 22.9 | 8.9 | 17.4 | **11.1** | - | 24.1 |
| ICICI Prudential Focused Bluechip Equity Fund - Ret | ★★★★ | 17.6 | 7.8 | 13.5 | **11.0** | - | 13.6 |
| Franklin India Bluechip | ★★★★ | 224.1 | 6.1 | 11.1 | **8.9** | 6.2 | 24.9 |
| Tata Pure Equity Fund | ★★★★ | 104.7 | 8.4 | 15.7 | **8.1** | 5.5 | 24.2 |
| Birla Sun Life Frontline Equity Fund - Plan A | ★★★★ | 93.6 | 11.6 | 17.5 | **7.8** | 7.3 | 24.6 |
| **Indices** | | | | | | | |
| BSE Sensex | | 18,793.4 | 8.1 | 11.9 | **3.8** | 1.3 | 16.7 |
| **Mid-cap funds** | | | | | | | |
| SBI Magnum Sector Funds Umbrella - Emerg Buss Fund | ★★★★★ | 53.8 | 11.9 | 24.0 | **21.8** | 7.4 | 23.1 |
| HDFC Mid-Cap Opportunities Fund | ★★★★ | 17.8 | 6.7 | 18.3 | **16.2** | 11.0 | 11.4 |
| IDFC Sterling Equity Fund | ★★★★★ | 20.4 | 6.7 | 16.9 | **13.7** | - | 16.7 |
| Franklin India Prima Fund | ★★★★ | 301.1 | 11.1 | 19.5 | **10.0** | 4.5 | 19.7 |
| Reliance Long Term Equity Fund | ★★★★ | 16.4 | 10.2 | 17.0 | **8.7** | 4.8 | 8.9 |
| **Indices** | | | | | | | |
| BSE Midcap | | 6,664.8 | 3.8 | 9.0 | **1.1** | -1.7 | 23.3 |
| **Multi-cap funds** | | | | | | | |
| Reliance Equity Opportunities Fund - Growth | ★★★★★ | 41.9 | 11.4 | 24.0 | **17.6** | 10.9 | 20.9 |
| ICICI Prudential Discovery Fund - IP - Growth | ★★★★★ | 24.4 | 8.7 | 24.9 | **14.4** | 14.3 | 14.4 |
| UTI Opportunities Fund - Growth | ★★★★★ | 31.1 | 8.7 | 17.7 | **10.6** | 10.2 | 16.9 |
| Tata Ethical Fund - Growth | ★★★★★ | 71.4 | 12.3 | 16.8 | **10.5** | 2.4 | 16.7 |
| UTI Equity Fund - Growth | ★★★★★ | 60.5 | 10.0 | 17.6 | **10.2** | 8.4 | 11.2 |
| **Indices** | | | | | | | |
| BSE 500 | | 7,244.3 | 6.8 | 12.1 | **3.6** | 1.2 | 15.5 |
| **Tax saving funds** | | | | | | | |
| ICICI Prudential RIGHT Fund - Growth | ★★★★★ | 14.2 | 6.9 | 18.0 | **12.5** | 0.0 | 12.2 |
| Reliance Tax Saver (ELSS) Fund - Growth | ★★★★ | 23.4 | 6.0 | 20.1 | **11.9** | 6.6 | 12.8 |
| Franklin India Taxshield - Growth | ★★★★★ | 228.2 | 7.1 | 12.8 | **11.4** | 7.0 | 26.0 |
| BNP Paribas Tax Advantage Plan - Growth | ★★★★★ | 15.7 | 8.2 | 14.8 | **8.2** | -0.8 | 6.9 |
| IDFC Tax Advantage (ELSS) Fund - Growth | ★★★★ | 20.9 | 11.0 | 13.4 | **8.0** | 0.0 | 21.3 |
| **Indices** | | | | | | | |
| CNX500 | | 4,528.5 | 7.1 | 12.4 | **3.5** | 1.3 | 8.7 |
| **Thematic funds** | | | | | | | |
| Birla Sun Life India GenNext Fund - Growth | ★★★★★ | 29.1 | 12.2 | 22.3 | **15.6** | 8.1 | 16.0 |
| Canara Robeco FORCE Fund - Reg - Growth | ★★★★ | 15.1 | 11.8 | 21.1 | **13.3** | 0.0 | 14.1 |
| UTI India Lifestyle Fund - Growth | ★★★★★ | 13.3 | 8.6 | 16.0 | **11.7** | 5.6 | 5.7 |
| Reliance Media & Entet Fund - Growth | ★★★★ | 34.5 | 17.9 | 31.4 | **11.3** | 3.2 | 16.6 |
| Fidelity India Special Situations Fund - Growth | ★★★★★ | 20.4 | 11.4 | 19.8 | **10.3** | 6.1 | 11.7 |
| **Indices** | | | | | | | |
| S&P Nifty | | 5,717.2 | 8.0 | 13.1 | **4.6** | 2.0 | 14.5 |
| **Balanced funds** | | | | | | | |
| HDFC Balanced Fund - Growth | ★★★★★ | 62.3 | 6.7 | 13.4 | **14.1** | 11.7 | 16.3 |
| HDFC Prudence Fund - Growth | ★★★★ | 230.5 | 7.3 | 13.7 | **11.8** | 10.5 | 19.9 |
| ICICI Prudential Balanced - Growth | ★★★★ | 52.8 | 8.2 | 16.2 | **11.7** | 4.6 | 13.7 |
| Canara Robeco Balance - Growth | ★★★ | 68.6 | 9.1 | 15.9 | **10.6** | 7.2 | 10.5 |
| Birla Sun Life 95 - Growth | ★★★ | 331.5 | 9.5 | 11.9 | **8.4** | 7.8 | 21.9 |
| **Indices** | | | | | | | |
| Crisil Balanced Fund Index | | | 6.7 | 12.1 | **5.8** | 4.7 | 13.2 |

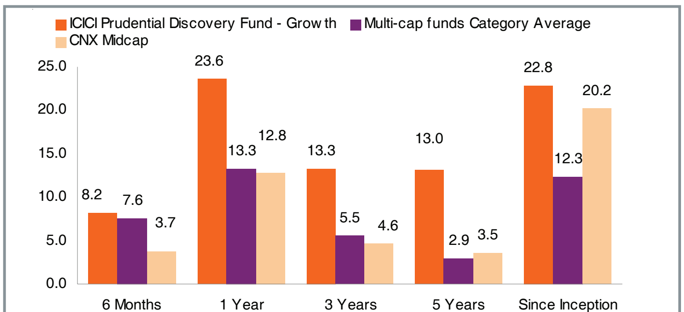
Note: Returns < 1 year - absolute, > 1 year - CAGR (compounded annualised growth rate)

# ICICI Prudential Discovery Fund

## Fact sheet

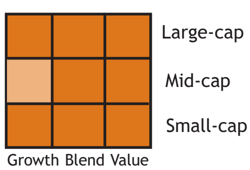
ICICI Prudential Discovery Fund is an open-ended diversified equity scheme. The objective of the scheme is to provide long-term capital growth by investing primarily in a well-diversified portfolio of companies accumulated at a discount to their fair value.

## Scheme's performance

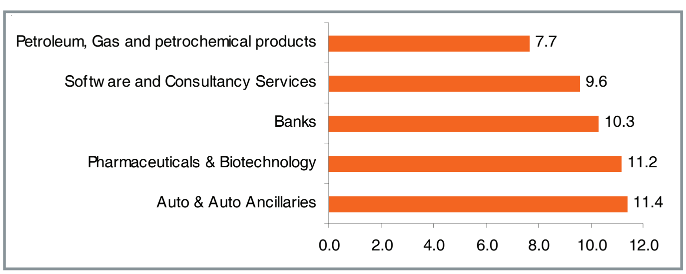



Returns < 1 yr: Absolute, >1yr: CAGR

## Style box analysis




## Top 5 sectors




## Key features

| | |
|---|---|
| • Fund category | Multi-cap funds |
| • Launch date | 16-Aug-2004 |
| • Minimum investment | Rs5,000 |
| • Load structure | Entry load is nil / if redeemed between 0 months to 6 months, exit load is 3% / If redeemed between 6 months to 18 months, exit load is 2% |
| • Fund manager | Mrinal Singh |
| • Latest NAV (Gr.) | Rs53.7 |
| • Latest NAV (Div.) | Rs20.5 |
| • Expense ratio | 1.92% (Mar-12) |
| • AUM (Sept 2012) | Rs1,985.21 crore |
| • Benchmark index | CNX Midcap |

## Holding by market cap

| Particular | % |
|---|---|
| BSE Sensex | 18.0 |
| BSE Midcap | 39.8 |
| BSE Small cap | 18.3 |
| CNX Midcap | 25.2 |
| Top 5 holdings | 22.1 |
| Top 10 holdings | 36.5 |

## Top 10 stock holdings (total no. of scrips: 64)

| Company name | % of net assets |
|---|---|
| Bharti Airtel | 6.2 |
| Amara Raja Batteries | 4.6 |
| Sterlite Industries (India) | 4.2 |
| Reliance Industries | 3.9 |
| Rain Commodities | 3.2 |
| Vardhman Textiles | 3.0 |
| United Phosphorus | 2.9 |
| Oracle Financial Services Software | 2.9 |
| Balkrishna Industries | 2.8 |
| Mindtree | 2.8 |

## Scheme analysis

With about eight years of experience, the fund has been a consistent outperformer in comparison with both the benchmark index, CNX Midcap, and the category average. Despite the volatility and uncertainties in the market, the fund performed much better than its peers, giving returns of 23.6% over one year as against that of 12.8% and 13.3% given by the benchmark index and the category average respectively in the same period. Over the longer time horizon of three years, the fund has grown at 13.3% compounded annual growth rate (CAGR) while the CNX Midcap Index and the category average have grown at just 4.6% and 5.5% respectively. In recent months the fund has garnered positive returns of 8.2%, higher than the 3.7% returns posted by the benchmark index and the 7.6% returns of the multi-cap category average.

The fund is well-diversified, having about 64 stocks in its portfolio. It has nearly 92.6% of its net assets exposed to equity while the balance is exposed to the other money-market instruments. The top ten stocks form about 36.5% of the portfolio. The fund has invested nearly 11.4% of its funds in the automobile (auto) & auto ancillaries sector followed by the pharmaceutical & biotechnology and banking sectors with 11.2% and 10.3% allocations respectively.

# Fund ranking procedure

We have identified the best equity-oriented schemes available in the market today based on the following five parameters: the past performance as indicated by the one-year, two-year and three-year returns, the Sharpe ratio and the Information ratio.

The Sharpe ratio indicates risk-adjusted returns, ie the returns earned in excess of the risk-free rate for each unit of the risk taken. The Sharpe ratio is also indicative of the consistency of the returns as it takes into account the volatility in the returns as measured by the standard deviation.

The Information ratio is one of the most important tools in active fund management. It is the ratio of active return (the return over the index return) to active risk annualised. A higher Information ratio indicates a better fund manager.

We have selected the schemes based upon their ranking using the above five parameters and then calculated the maximum value of each of the five parameters. Thereafter, we have calculated the percentage under-performance or over-performance of each scheme (relative performance) based on each of the five parameters vis-a-vis the maximum value among them.

For our final selection of schemes, we have generated a total score for each scheme giving 60% weightage each to the relative performance as indicated by the one-year, two-year and three-year returns; 20% weightage to the relative performance as indicated by the Sharpe ratio; and the remaining 20% to the relative performance as indicated by the Information ratio of the scheme.

**Sharekhan mutual fund ranking scale**

| Stars | Description |
|---|---|
| ★★★★★ | For top 10 percentile of the eligible schemes |
| ★★★★ | Next 22.5 percentile of the eligible schemes |
| ★★★ | Next 35 percentile of the eligible schemes |
| ★★ | Next 22.5 percentile of the eligible schemes |
| ★ | Bottom 10 percentile of the eligible schemes |

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand the individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. So, we suggest that you get in touch with our Mutual Fund Advisor before investing in the best funds.

**Disclaimer:** Mutual fund investments are subject to market risk. Please read the offer document carefully before investing. Past performance may or may not be sustained in the future.

# Mutual Gains

## Mutual Fund

## Sharekhan's top SIP fund picks

### Why SIP?

- **Disciplined investing**

  Being disciplined is a key to investing success. Through a systematic investment plan (SIP) you can choose to invest fixed amounts in a mutual fund scheme which could be as low as Rs500 at regular intervals (like every month) for a chosen period of time (say for a year). The amount you invest every month or every quarter will be used to purchase units of a SIP of a mutual fund scheme. Small amounts set aside every month towards well performing SIP mutual fund schemes can make an investor achieve his financial goals in future.

- **Invest in instruments that beat Inflation**

  Equity investing can help you combat rising inflation that diminishes the value of your savings.

- **SIP over a longer period can reduce the cost per unit**

  Example (see table below): An investment of Rs24,000 in a mutual fund resulted in a value of Rs25,200 after 12 months; whereas a SIP mutual fund investment of Rs2,000 per month grew to Rs27,095 after the same period.

- **Fewer efforts to opt for SIP**

  The procedure to invest through SIP is easy. All you need to do is give post-dated cheques or opt for an auto debit of a specific amount towards SIP from your bank account. SIP plans are completely flexible. One can even start a SIP just by placing an order by logging into Sharekhan's online mutual fund page. One can invest for a minimum of six months or for a long tenure. Also, there is an option of choosing the investment interval which could be monthly or quarterly.

**Illustrative example**

| Month | Price per unit (Rs) | One-time investment | | SIP | |
|---|---|---|---|---|---|
| | | Amount invested (Rs) | Units purchased | Amount invested (Rs) | Units purchased |
| Jan-10 | 20 | 24,000 | 1,200 | 2,000 | 100.0 |
| Feb-10 | 18 | -- | | 2,000 | 111.1 |
| Mar-10 | 14 | -- | | 2,000 | 142.9 |
| Apr-10 | 22 | -- | | 2,000 | 90.9 |
| May-10 | 26 | -- | | 2,000 | 76.9 |
| Jun-10 | 20 | -- | | 2,000 | 100.0 |
| Jul-10 | 18 | -- | | 2,000 | 111.1 |
| Aug-10 | 17 | -- | | 2,000 | 117.7 |
| Sep-10 | 15 | -- | | 2,000 | 133.3 |
| Oct-10 | 18 | -- | | 2,000 | 111.1 |
| Nov-10 | 20 | -- | | 2,000 | 100.0 |
| Dec-10 | 21 | -- | | 2,000 | 95.2 |
| **Total investment (Rs)** | | | **24,000** | | **24,000** |
| Average price (Rs) | | | 20 | | 19 |
| Total units purchased | | | 1,200 | | 1,290 |
| **Value of investment after 12 months (Rs)** | | | **25,200** | | **27,095** |

*NAV as on the 1st of every month. These are assumed NAVs in a volatile market.

Data as on October 22, 2012

| SIP investment (monthly Rs1,000)* | | 1 year | | 3 years | | 5 years | |
|---|---|---|---|---|---|---|---|
| **Total amount invested (Rs)** | | **12,000** | | **36,000** | | **60,000** | |
| **Funds would have grown to** → | **NAV** | **Present value (Rs)** | **Compounded annualised return (%)** | **Present value (Rs)** | **Compounded annualised return (%)** | **Present value (Rs)** | **Compounded annualised return (%)** |
| **Large-cap funds** | | | | | | | |
| Birla Sun Life Frontline Equity Fund - Plan A | 93.6 | 13,668.9 | 15.2 | 40,470.8 | **4.1** | 81,528.6 | 6.4 |
| UTI Top 100 Fund | 30.9 | 13,478.8 | 13.5 | 40,463.8 | **4.1** | 75,713.4 | 4.9 |
| SBI Magnum Bluechip Fund | 15.7 | 13,764.8 | 16.1 | 40,365.3 | **4.0** | 76,689.1 | 5.1 |
| Tata Pure Equity Fund | 104.7 | 13,370.9 | 12.5 | 39,964.3 | **3.6** | 78,994.5 | 5.7 |
| Franklin India Bluechip | 224.1 | 13,019.0 | 9.3 | 39,616.6 | **3.3** | 80,452.0 | 6.1 |
| **BSE Sensex** | **18,793.4** | **13,332.1** | **10.5** | **38,374.3** | **2.1** | **71,847.3** | **3.6** |
| **Multi-cap funds** | | | | | | | |
| Reliance Equity Opportunities Fund | 41.9 | 14,006.5 | 18.3 | 44,169.4 | **7.3** | 98,113.3 | 10.5 |
| ICICI Prudential Discovery Fund - IP | 24.4 | 13,716.7 | 15.7 | 42,604.3 | **5.9** | 99,889.1 | 10.9 |
| UTI Opportunities Fund | 31.1 | 13,385.1 | 12.6 | 42,476.2 | **5.8** | 88,700.7 | 8.3 |
| Tata Ethical Fund | 71.4 | 13,501.0 | 13.7 | 40,831.6 | **4.4** | 82,618.5 | 6.7 |
| Reliance RSF - Equity | 31.8 | 14,021.0 | 18.5 | 40,011.3 | **3.7** | 81,291.7 | 6.4 |
| **BSE 500** | **7,244.3** | **13,389.7** | **10.9** | **37,898.0** | **1.7** | **71,848.5** | **3.6** |
| **Mid-cap funds** | | | | | | | |
| SBI Magnum Sector Funds Umbrella - Emerg Buss Fund | 53.8 | 14,178.9 | 19.9 | 47,711.1 | **10.1** | 104,131.8 | 11.9 |
| HDFC Mid-Cap Opportunities Fund | 17.8 | 13,571.5 | 14.3 | 43,115.2 | **6.4** | 94,840.5 | 9.8 |
| Franklin India Prima Fund | 301.1 | 13,836.3 | 16.8 | 41,261.2 | 4.8 | 85,238.3 | 7.4 |
| Sundaram Select Midcap | 164.4 | 13,828.6 | 16.7 | 41,100.6 | **4.7** | 87,706.7 | 8.0 |
| Reliance Long Term Equity Fund | 16.4 | 13,831.1 | 16.7 | 40,334.6 | **4.0** | 80,221.9 | 6.1 |
| **BSE Midcap** | **6,664.8** | **13,340.8** | **10.6** | **36,275.6** | **0.2** | **69,228.8** | **2.9** |
| **Tax saving funds** | | | | | | | |
| Reliance Tax Saver (ELSS) Fund | 23.4 | 13,741.6 | 15.9 | 41,935.3 | **5.4** | 85,899.0 | 7.6 |
| BNP Paribas Tax Advantage Plan | 15.7 | 13,367.0 | 12.5 | 41,238.6 | **4.8** | 77,236.9 | 5.3 |
| Franklin India Taxshield | 228.2 | 13,231.0 | 11.2 | 41,100.2 | **4.7** | 83,494.3 | 6.9 |
| Fidelity Tax Advantage Fund | 22.7 | 13,209.2 | 11.0 | 39,680.1 | **3.4** | 81,905.9 | 6.5 |
| Sundaram Taxsaver - (Open Ended Fund) | 45.7 | 13,448.5 | 13.2 | 39,293.0 | **3.0** | 75,146.3 | 4.7 |
| **S&P Nifty** | **5,717.2** | **13,429.0** | **11.3** | **38,869.8** | **2.5** | **72,698.7** | **3.9** |

(*invested on 2nd day of every month)

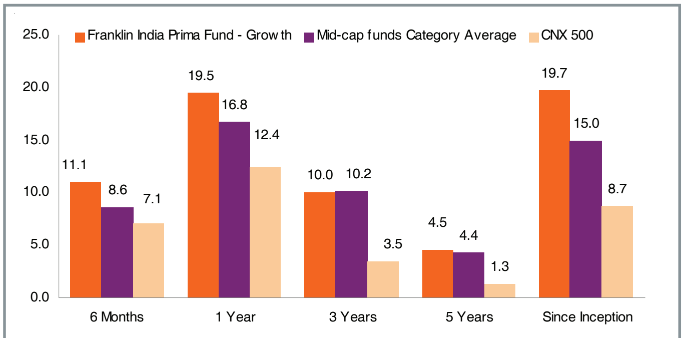
We will be showing compounded annualised returns for three years and five years from now on.

# Franklin India Prima Fund

## Fact sheet

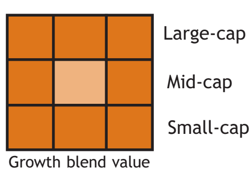
Franklin India Prima Fund provides easy and convenient access to wealth-creating and profitable companies. The fund seeks to invest in mostly large-cap companies with a small exposure to mid- and small-cap companies. The mid-cap exposure seeks to boost the growth potential of the portfolio without significantly adding to the overall risk.

## Scheme performance

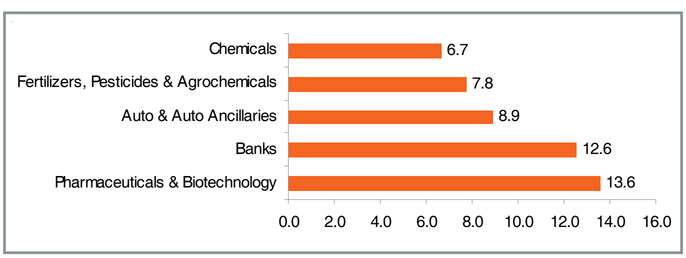



Returns (point to point) < 1 yr: Absolute, >1yr: CAGR

## Style box analysis




## Top 5 sectors




## Key features

| | |
|---|---|
| • Fund category | Mid-cap funds |
| • Launch date | 1-Dec-93 |
| • Minimum investment | Rs5,000 |
| • Load structure | Entry load is nil / if redeemed between 0 year to 1 year. Exit load is 1% |
| • Fund manager | K. N. Siva Subramanian, R Janakiraman |
| • Latest NAV (Gr.) | Rs301.1 |
| • Latest NAV (Div.) | Rs35.5 |
| • Expense ratio | 2.15% (Sep-12) |
| • AUM (Sept 2012) | Rs716.67 crore |
| • Benchmark index | CNX 500 |

## Holding by market cap

| Particular | % |
|---|---|
| BSE Sensex | 2.4 |
| BSE Midcap | 59.6 |
| BSE Small cap | 10.0 |
| CNX 500 | 91.9 |
| Top 5 holdings | 23.1 |
| Top 10 holdings | 39.1 |

## Top 10 stock holdings (total no. of scrips: 52)

| Company name | % of net assets |
|---|---|
| IPCA Laboratories | 5.9 |
| Pidilite Industries | 5.8 |
| IndusInd Bank | 4.2 |
| Amara Raja Batteries | 3.6 |
| Mahindra & Mahindra Financial Services | 3.6 |
| Shree Cement | 3.5 |
| Torrent Pharmaceuticals | 3.3 |
| Cadila Healthcare | 3.2 |
| Federal Bank | 3.2 |
| Yes Bank | 2.8 |

## Scheme analysis

With about 19 years of experience, the fund has been a consistent outperformer in comparison with both the benchmark index, CNX 500, and the category average. Despite the volatility and uncertainties in the market, the fund performed much better than its peers, giving returns of 19.5% over one year as against that of 12.4% and 16.8% given by the benchmark index and the category average respectively in the same period. Over the longer time horizon of three years, the fund has grown at 10% compounded annual growth rate (CAGR) while the CNX 500 Index and the category average have grown at 3.5% and 10.2% respectively. In recent months the fund has garnered returns of 11.1%, higher than the 7.1% return posted by the benchmark index and the 8.6% returns from the mid-cap category average.

The fund currently has about 52 stocks in its portfolio. It has nearly 95% of its net assets exposed to equities while the balance is exposed to the other money-market instruments. The top ten stocks form about 39.1% of the portfolio. The fund has invested nearly 13.6% of its funds in the pharmaceutical & biotechnology sector followed by the banking, and automobile (auto) & auto ancillaries sectors with 12.6% and 8.9% allocations respectively.

# Sharekhan Stock Idea

## Evergreen

GlaxoSmithKline Consumer Healthcare
Housing Development Finance Corporation
HDFC Bank
Infosys
Larsen & Toubro
Reliance Industries
Tata Consultancy Services

## Apple Green

Aditya Birla Nuvo
Apollo Tyres
Bajaj Auto
Bajaj FinServ
Bajaj Holdings & Investment
Bank of Baroda
Bank of India
Bharat Electronics
Bharat Heavy Electricals
Bharti Airtel
Corporation Bank
Crompton Greaves
Divi's Laboratories
GAIL India
Glenmark Pharmaceuticals
Godrej Consumer Products
Grasim Industries
HCL Technologies
Hindustan Unilever
ICICI Bank
Indian Hotels Company
ITC
Mahindra & Mahindra
Marico
Maruti Suzuki India
Lupin
Oil India
Piramal Enterprises (Piramal Healthcare)
PTC India
Punj Lloyd
Sintex Industries
State Bank of India
Tata Global Beverages (Tata Tea)
Wipro

## Cannonball

Allahabad Bank
Andhra Bank
IDBI Bank
Madras Cements
Shree Cement

## Emerging Star

Axis Bank (UTI Bank)
CMC
Cadila Healthcare
Eros International Media
Gateway Distriparks
Greaves Cotton
IL&FS Transportation Networks
IRB Infrastructure Developers
Kalpataru Power Transmission
Max India
Opto Circuits India
Persistent Systems
Relaxo Footwears
Thermax
Yes Bank
Zydus Wellness

## Ugly Duckling

AGC Networks
Ashok Leyland
Bajaj Corp
CESC
Deepak Fertilisers & Petrochemicals Corporation
Dishman Pharmaceuticals & Chemicals
Federal Bank
Gayatri Projects
India Cements
Ipca Laboratories
Jaiprakash Associates
Kewal Kiran Clothing
Mcleod Russel India
NIIT Technologies
Orbit Corporation
Polaris Financial Technology
Pratibha Industries
Provogue India
Punjab National Bank
Ratnamani Metals and Tubes
Raymond
Selan Exploration Technology
Sun Pharmaceutical Industries
Torrent Pharmaceuticals
UltraTech Cement
Union Bank of India
United Phosphorus
V-Guard Industries

## Vulture's Pick

Mahindra Lifespace Developers
Orient Paper and Industries
Tata Chemicals
Unity Infraprojects