

Prudent

— Money through wisdom —

20 October 2014

**FIRST MILESTONE ACHIEVED,
10460 NEXT**



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- In last year's SAMVAT report titled "MAJOR UPTREND INTACT, MEGA BREAKOUT IN MAKING" we had said that a crossover of 6357 would confirm a major breakout from a long-long consolidation of nearly six years, which in turn would project major upmove over next couple of years.
- We had also indicated that the triangle formed by 6338-4531 range gives an upside level of 8150 which would be the first major target while the triangle formed by 6357-2252 range gives a level of 10460 which would be the next major upside level to eye.
- Nifty, after consolidating for the first few months of new Samvat, finally took out 6357 hurdle in March 2014 and surged all the way to 8180 in September, achieving the first major target of 8150.
- Having achieved the first milestone of 8150, Nifty is now set to move towards the next big target of 10460.
- However, the move from 6357 to 8180 was quite rapid and hence the benchmark might consolidate for some time before decisively resuming the uptrend.
- On the way down, 6357, the erstwhile resistance, would now act as a major support, until the breach of which, the long term trend will continue to be bullish.
- In the light of above observations, investor are advised to hold on to long positions and take any possible dip as a buying opportunity for the next big target of 10460, keeping a stop loss of 6357.

CMP	Rs. 1537	ICICIBANK LIMITED
Target Price	Rs. 1850	
NSE Code	ICICIBANK	Background & Business
BSE Code	532174	
BSE Group	A	<p>ICICI Bank is India's largest private sector bank with a total assets of Rs. 5,946.42 billion (US\$ 99 billion) as on March 31, 2014 and profit after tax of Rs. 98.10 billion (US\$ 1,637 million) for the year ended March 31, 2014. The Bank has a branch network of 3,763 branches and about 11,447 ATMs in India. The bank's move on the progress of 5Cs strategy: Credit Growth, CASA deposits, Costs, Credit Quality and Customer centricity.</p>
Industry	Banks - Private	
52 Week H/L	1618 / 944	Investment Rationale
Market Cap (Rs. Cr)	1,77,919	
Book Value (Rs.)	660	<ul style="list-style-type: none"> In the backdrop of several negative factors in the environment over past couple of years, including the slow-down in the industrial sector, tightness of liquidity and volatility in the currency markets, the bank has performed well on its 5Cs strategy despite the challenging economic environment. The bank has grown its business at the rate of 13% CAGR for last 5 years. PAT has grown at 24% CAGR in this period. The bank has continued to demonstrate on improving its asset quality, improving ALM with healthy NII growth which in turn would do well for the stock during downward trending interest rate cycle. The leadership in technology innovation is likely to support new customer acquisition as well as getting larger wallet-share from the existing customers. The banks has consistently demonstrated on improving its CASA during previous several quarters, when banking system as a whole was witnessing migration away from low cost deposits. Possible unlocking of value in the subsidiaries going forward might act as a positive trigger.
Dividend (FY14)	Rs. 23	
KEY RATIOS		
P/E	16.10	
Price/Book	2.33	
MC/Sales	3.59	
NIM (%)	2.81	
ROCE (%)	11.00	
ROE (%)	16.9	
Shareholding Pattern (%)		
Promoters	0.00	
FII	41.19	
DII	22.25	
ADR's	29.10	
Others	7.46	

The bank is well placed to capitalise on the expected improvement in the economic cycle. Looking at the strong operating efficiencies on better NII, healthy asset quality and reasonable valuation we recommend accumulating the stock in the range of 1540-1450 for a target of about 1850 in next 10-12 months.

Financial Performance					(Rs. in crores)
Particulars	Standalone 1QFY15	Standalone 1QFY14	Consolidated FY14	Consolidated FY13	
Total Revenue	14,616.71	12,904.97	79,563.85	74,204.40	
PBT	3,790.64	3,220.98	16,286.66	13,616.76	
PAT	2,655.30	2,274.21	11,677.12	10,129.88	
EPS (Annualized)	91.88	79.08	95.60	83.25	
% of Net NPA	0.99	0.82	0.97	0.77	
% of Gross NPA	3.05	3.23	3.03	3.22	

CMP	Rs. 162
Target Price	Rs. 205

NSE Code	IDEA
BSE Code	532822
BSE Group	A

Industry	Telecom
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52 Week H/L	184/125
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Market Cap (Rs. Cr)	57,922
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Book Value (Rs.)	55.50
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Dividend (FY14)	Rs. 0.40
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KEY RATIOS	
P/E	30.22
Price/Book	2.92
MC/Sales	2.13
Debt / Equity	1.24
ROCE (%)	11.19
ROE (%)	11.43

Shareholding Pattern (%)	
Promoters	42.28
FII	24.96
DII	3.92
Others	28.84

IDEA CELLULAR LIMITED

Background & Business

Idea cellular, a flagship part of the Aditya Birla group, is one of the fastest growing Indian telco serving approximately 139 million subscribers. Idea operates across all 22 service areas with 2G services and 3G services spread in over 3,000 towns and 10,000 villages. The company provides host of services in all the area of telecom, Voice Based Services, Location Based Services, Connectivity Based Services and Market to Market Based Services. With the launch of 3G services, Idea has scaled up from being in the pure voice business to high speed wireless broadband services as well.

Investment Rationale

- Idea has consistently stayed ahead of the industry in Visitor Location Register (VLR) reporting, and has the 3rd highest base of active subscribers.
- The company has grown its business at the rate of 21% CAGR for last 5 years. PAT has grown at 20% CAGR in this period.

Peer Group Comparison (Consolidated data for FY14)				(Rs in Crore)
Company Name	Bharti Airtel	Idea Cellular	Reliance Comm	Tata Comm
Net Sales	85863.50	26431.97	21238.00	19665.90
PBIDT	28490.30	8570.88	7670.00	3231.26
PAT	2498.30	1967.82	1137.00	101.13
Adj. EPS(Rs)	7.55	5.93	5.57	3.56
PBIDTM%	33.18	32.43	36.11	16.43
PATM%	2.91	7.44	5.35	0.51
ROCE%	9.79	12.37	4.34	8.53
ROE%	4.53	12.78	3.43	9.09
TTM PE (x)	50.30	22.79	22.41	0.00
Price/BV(x)	2.64	2.68	0.64	13.71
MCap/TTM Sales(x)	1.82	2.02	1.14	0.53

The company fares well on PATM%, ROCE and ROE parameters among its peers.

- It has been the highest gainer of revenue market share since past four years. Idea ranks among top 10 cellular operators in the world with about 1.4 billion minutes of usage per day.
- The last few years have been tough for the telecom sector with intense competition, predatory pricing and slowing industry growth but with the ongoing investments into infrastructure deployment, the country is projected to witness high penetration of Internet, broadband, and mobile subscribers in near future.
- Looking into the ample opportunities in mobile data traffic growth coupled with mobile banking and mobile commerce, WiFi and LTE opportunities that will drive growth for the sector and Idea is well placed to reap the benefits of the same, we recommend to accumulate the stock in the range of 165-155 for a price target of 205 in next 10-12 months.

Financial Performance				(Rs. in crores)	
Particulars	Consolidated HYFY15	Consolidated HYFY14	Consolidated FY15	Consolidated FY14	
Revenue	15,130.91	12,862.03	26,431.97	22,407.45	
PBDIT	5,117.84	4,047.85	8,570.88	6,099.62	
PAT	1,484.08	910.32	1,967.82	1,010.93	
EPS (Annualized)	8.30	5.50	5.93	3.05	
PBIDTM (%)	33.82	31.47	32.43	27.22	
PATM (%)	9.81	7.08	7.44	4.51	

CMP	Rs. 116	VIP INDUSTRIES LIMITED
Target Price	Rs. 145	
NSE Code	VIPIND	Background & Business
BSE Code	507880	
BSE Group	B	<p>VIP Industries Ltd is the world second largest and Asia's largest luggage maker manufacturing plastic moulded suitcases, handbags, briefcases, vanity cases and luggage. It has acquired UK luggage brand Carlton in 2004. It provides travel products, hard and soft-sided luggage, bags, backpacks, duffels, shoulder bags, waist pouches, sling bags, duffel trolleys, vanity cases, office bags and satchels, suitcases, and briefcases. The company offers its products primarily under the VIP, Carlton, Footloose, Alfa, Aristocrat, Sky bags, and Buddy brands.</p>
Industry	Plastic Products	
52 Week H/L	126 /52	Investment Rationale
Market Cap (Rs. Cr)	1,640	
Book Value (Rs.)	20.31	<ul style="list-style-type: none"> As per the marker research firm, Research and Markets, the Indian luggage market is expected to grow at an average rate of 18 per cent between 2014 and 2018. As Indians adopt more sophisticated modes of travelling, VIP Industries with about 60 per cent market share in the organised segment should benefit. The company's revenues are split between hard and soft luggage in the ratio of 30:70. While the hard luggage is manufactured in India, the soft luggage is mostly imported from China. This makes the company's margin highly volatile on back of exchange fluctuation. In order to cater to the need of soft luggage, the company has gone through the backward integration by building a manufacturing facility in Bangladesh which commenced operations in January. This strategy of backward integration will help the company to show a sustained growth in its margin over the next 2-3 years.
Dividend (FY14)	Rs.1.70	
KEY RATIOS		
P/E	28.43	
Price/Book	5.71	
MC/Sales	1.68	
Debt / Equity	0.06	
ROCE (%)	27.87	
ROE (%)	21.17	
Shareholding Pattern (%)		
Promoters	52.43	
FII	8.07	
DII	4.30	
Others	35.20	

- Unorganised players have a little over 46 per cent share in the luggage market. But with the growing preference for branded and fashionable luggage, organised players could see their market share rising.
- The company is constantly growing and evolving its range of product with innovation that has helped to be the market leaders over the last 40 years.
- Looking into the strong growth prospect of the industry going into the future, strong brand loyalty and healthy balance sheet, we recommend accumulating the stock in the range of 117-108 for a target of 145 over the next 10-12 months.

Financial Performance				(Rs. in crores)	
Particulars	Standalone 1QFY15	Standalone 1QFY14	Consolidated FY14	Consolidated FY13	
Revenue	329.30	310.70	972.49	837.66	
PBDIT	43.60	39.00	85.00	72.49	
PAT	26.80	23.00	57.64	31.52	
EPS (Annualized)	7.58	6.50	4.13	2.23	
PBIDTM (%)	13.24	12.55	8.68	8.49	
PATM (%)	8.14	7.40	5.91	3.69	

PRUDENT INVESTMENT IDEAS - TRACK RECORD

SR. NO.	RECO DATE	STOCK	AVERAGE ENTRY PRICE	AVERAGE EXIT PRICE	ABSOLUTE NON-ANNUALISED RETURN (%)	REMARK
1	3-Jan-12	J KUMAR INFRA	165	182.7	11	
2	31-Jan-12	PAREKH ALUMINEX	289	315	9	
3	2-Feb-12	AARTI IND	55	69.5	26	
4	2-Jun-12	DEWAN HOUSING	228.5	274.2	20	
5	2-Aug-12	BAJAJ FINANCE	785	926	18	
6	16-Feb-12	TATA GLOBAL	114.5	142	24	
7	21-Feb-12	AXIS BANK	1236	1482.5	20	
8	28-Feb-12	GODREJ IND	248.75	298	20	
9	7-Mar-12	CANFINEHOMES	109.5	131.5	20	
10	22-Mar-12	INDUSINDBANK	310.3	376.5	21	
11	2-Apr-12	LUPIN	514.5	610	19	
12	10-Apr-12	TDPOWER	292	350.4	20	
13	11-Apr-12	SHILPA MEDICARE	242.5	274	13	
14	16-Apr-12	BASF	616	738.5	20	
15	26-Apr-12	IFGL REFRACTORIES	43.75	55.4	27	
16	9-May-12	NAVIN FLOURO	336	403.7	20	
17	24-May-12	RANBAXY	514	616.5	20	
18	29-May-12	JYOTHY LAB	210	251	20	
19	7-Jun-12	V-GUARD	210	259.5	24	
20	11-Jun-12	HYDRABAD IND	370	469	27	
21	18-Jun-12	SUPRAJIT ENGG	24.65	31.2	27	
22	18-Jun-12	KARUR VYSYA BNAK	400	479.5	20	
23	27-Jun-12	ATUL	224	258	15	
24	28-Jun-12	DISHMAN PHARMA	63.25	74.5	18	
25	13-Jul-12	TUBE INVESTMENT	153	182.5	19	
26	16-Jul-12	DLINKINDIA	26	31.15	20	
27	1-Aug-12	AMBUJA CEMENT	183	219.3	20	
28	9-Aug-12	EID PARRY	212	245.4	16	50% BOOKED
29	13-Aug-12	M & M FINANCE	760	912	20	
30	21-Aug-12	BAYER CROP	961	1153.5	20	
31	23-Aug-12	ICICI BANK	957.5	1148.5	20	
32	24-Aug-12	UB HOLDING	94.5	113.35	20	
33	4-Sep-12	INDIA GLYCOL	165	199.1	21	
34	14-Sep-12	MOTHERSON SUMI	135.3	161.825	20	
35	17-Sep-12	M & M	793	950	20	
36	20-Sep-12	CMC	1120	1342.5	20	
37	26-Sep-12	SELAN EXPLORATION	295.5	355	20	
38	26-Sep-12	THERMAX	564	675	20	
39	28-Sep-12	EXIDE	143	171.85	20	
40	1-Oct-12	MARUTI	1360	1632.5	20	
41	1-Oct-12	INOX	69.8	83.5	20	
42	8-Oct-12	LLOYD ELEC	58	69.6	20	
43	10-Sep-12	AVT NAT PROD	20	24	20	
44	15-Oct-12	GMDC	199			CALL OPEN
45	16-Oct-12	GIC HOUSING	103	127.2	23	

SR. NO.	RECO DATE	STOCK	AVERAGE ENTRY PRICE	AVERAGE EXIT PRICE	ABSOLUTE NON-ANNUALISED RETURN (%)	REMARK
46	18-Oct-12	GREENPLY	252	302.5	20	
47	26-Oct-12	TALWALKAR	194.5	233	20	50% BOOKED
48	2-Nov-12	IDFC	154.9			CALL OPEN
49	12-Nov-12	NAVNEET	60.2	72.825	21	
50	26-Nov-12	ABIRLA NUVO	1005	1204.5	20	
51	3-Dec-12	NETWORK 18	44.5	53.4	20	
52	3-Dec-12	EROS	209	251.45	20	
53	6-Dec-12	NESCO	729.5	875.5	20	
54	10-Dec-12	SOUTH INDIAN BANK	24.8	29.825	20	
55	31-Dec-12	CORPORATION BANK	423			CALL OPEN
56	1-Jan-13	SBI	2298.5	2645	15	50% BOOKED
57	1-Jan-13	LIC HOUSING	280.2	336	20	
58	4-Jan-13	VIJAYA BANK	59.5			CALL OPEN
59	4-Jan-13	TATA CHEM	331.5	397.82	20	
60	7-Jan-13	JSW STEEL	805	968.5	20	
61	9-Jan-13	ESCORTS	72.3	87.575	21	
62	1-Feb-13	BPCL	390	468.25	20	
63	8-Feb-13	PFC	201.2	243.2	21	
64	14-May-13	MPHASIS	409	471.4	15	50% BOOKED
65	27-May-13	ZYDUS WELLNESS	580	697.5	20	
66	6-Jun-13	JM FINANCIAL	26.5	32.1	21	
67	11-Jun-13	KPIT	117.5	141.625	21	
68	23-Jul-13	RELIANCE IND	881.5	1074.5	22	
69	23-Jul-13	HEXWARE	107.85	129.525	20	
70	24-Jul-13	BATA	905	1085	20	
71	12-Aug-13	HERO MOTO	1820	2186	20	
72	21-Aug-13	ARVIND REMEDIES	41	49.2	20	
73	4-Sep-13	PERSISTENT SYSTEM	587	704.5	20	
74	4-Oct-13	AMAR RAJa	316	379	20	
75	10-Oct-13	NIIT TECH	287.5	344.5	20	
76	17-Oct-13	BAJAJ AUTO	2040	2346	15	50% BOOKED
77	28-Oct-13	ZENSAR	273	327.5	20	
78	13-Nov-13	FINOLEX CABLE	68	81.6	20	
79	18-Nov-13	DIVI'S LAB	1140	1368	20	
80	22-Nov-13	FIEM	240	282.05	18	
81	2-Dec-13	ATUL	390	468	20	
82	12-Dec-13	CCL PRODUCT	38.6	47.125	22	
83	23-Dec-13	CADILA	800	960	20	
84	23-Dec-13	NBCC	151	181.2	20	
85	26-Dec-13	MCLEOD	305			CALL OPEN
86	1-Jan-14	BAJAJ FINSERVE	716	858.5	20	
87	3-Mar-14	AARTI DRUGS	260	311.875	20	
88	10-Mar-14	AXIS BANK	1380	1663.5	21	
89	24-Mar-14	HDFC BANK	730	840	15	50% BOOKED
90	2-Apr-14	INDUSINDBANK	500	598.25	20	
91	10-Apr-14	GIC HOUSING	115.5	139.4	21	

SR. NO.	RECO DATE	STOCK	AVERAGE ENTRY PRICE	AVERAGE EXIT PRICE	ABSOLUTE NON-ANNUALISED RETURN (%)	REMARK
92	25-Apr-14	CHOLA INVESTMENT	296	355	20	
93	20-May-14	HDFC	886	1063.5	20	
94	21-May-14	NOIDA TOLL	31.5	36.2	15	50% BOOKED
95	26-May-14	HIND ZINC	157.75	181.4	15	50% BOOKED
96	26-May-14	ZICOM	80.5	97.1	21	
97	26-May-14	MARICO	236.5	283.8	20	
98	3-Jun-14	SSLT	273.6			CALL OPEN
99	4-Jun-14	HEG	259	310.8	20	
100	4-Jun-14	KPR MILLS	174.5	208.75	20	
101	5-Jun-14	PRAJ	74.5			CALL OPEN
102	9-Jun-14	ROLTA	108	124	15	50% BOOKED
103	9-Jun-14	PTC INDIA	92.25			CALL OPEN
104	11-Jun-14	NAHAR SPINNING	150	172.5	15	50% BOOKED
105	12-Jun-14	GODREJ IND	335-305			CALL OPEN
106	19-Jun-14	VIP IND	108.8	125.1	15	50% BOOKED
107	2-Jul-14	DEEPAK FERT	154.5	178.9	16	50% BOOKED
108	4-Jul-14	UCO BANK	109			CALL OPEN
109	10-Jul-14	GAIL	444.1			CALL OPEN
110	17-Jul-14	EMAMI	546	655.25	20	
111	21-Jul-14	DISHMAN PHARMA	135.3	162.35	20	
112	22-Jul-14	U-FLEX	129.25	155.12	20	
113	4-Aug-14	IDEA	157.5			CALL OPEN
114	5-Aug-14	AXIS-IT & T	114	136.8	20	
115	18-Aug-14	CYIENT	407	468	15	50% BOOKED
116	3-Sep-14	JYOTHY LAB	237	283.25	20	
117	10-Sep-14	DEEP IND	78			CALL OPEN
118	17-Sep-14	J KUMAR INFRA	316.5			CALL OPEN
119	14-Oct-14	FEDERAL BANK	140-126			CALL OPEN



HAPPY DIWALI AND A PROSPEROUS NEW YEAR TO ALL OF YOU

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