

MM Forgings

We had recommended a BUY on MM Forgings in our strategy report “2015: Six midcaps for Success” released on **January 02, 2015** with a price target of Rs710. The stock surpassed our target in today’s trading session yielding 30% return in two months. We remain positive on the stock as CV demand in US and India continues to rise. MMFL’s low capacity utilization entails further margin expansion scope leading to 42% earnings CAGR expectation for FY14-17E. Valuations are at substantial discount to the larger peer Bharat Forge, which we believe should narrow down. We advise investors to hold on to the stock for a new target of Rs800.

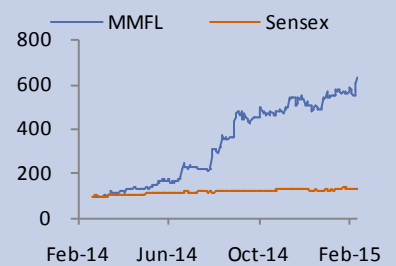
Previous reco price:	Rs546
Previous target price:	Rs710
Return achieved:	30.0%
New target price:	Rs800
Expected return:	12.7%

Sector:	Auto Components
Sector view:	Positive
Sensex:	29,865
52 Week h/l (Rs):	711 / 98
Market cap (Rscr) :	841
6m Avg vol ('000Nos):	79
Bloomberg code:	MMFG IS
BSE code:	522241
NSE code:	MMFL
FV (Rs):	10
<i>Price as on March 03, 2015</i>	

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth				4	
Cash Flow				4	
B/S Strength				4	
Valuation appeal				4	
Risk					

Share price trend



Share holding pattern

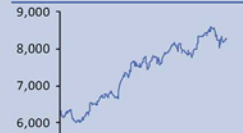
(%)	Jun-14	Sep-14	Dec-14
Promoter	58.7	59.3	56.4
Insti	7.7	7.9	9.2
Others	33.6	32.9	34.4



Nifty: 8,284
Sensex: 27,508

Price as on January 01, 2015

Nifty chart



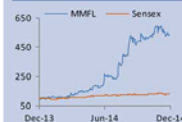
Rating: BUY
Target (1-Year): Rs710
CMP: Rs546
Upside: 30.0%

Sector: Auto Ancillary
Sector view: Positive
Sensex: 27,508
52 Week h/l (Rs): 580 / 89
Market cap (Rscr) : 666
6m Avg vol ('000Nos): 147
Bloomberg code: MMFG IN
BSE code: 522241
NSE code: MMFL
FV (Rs): 10
Price as on January 01, 2015

Company rating grid

	Low → High				
	1	2	3	4	5
Earnings Growth				4	
Cash Flow				4	
B/S Strength				4	
Valuation appeal				4	
Risk					

Share price trend



Share holding pattern

	Mar-14	Jun-14	Sep-14
Promoters	59.5	58.7	59.3
Institutions	8.3	7.7	7.9
Others	32.2	33.6	32.9

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India Strategy

2015: Six midcaps for Success

The year 2014 was surely one for the stock market. Having witnessed a ~30% rise for the Nifty and Sensex in the previous year, the predictions for the New Year are markedly divided in logic and argument. Some marketmen feel 2015 may bring about only a single digit upsurge while some others are more hopeful in their analysis. The contrasting forecasts are hardly a matter of concern, for this is the time to gainfully focus on individual stocks rather than pin hopes on the overall market or fret and fume over its likely direction. There are many individual stocks with the power to yield 30% returns and hence the hunt should be for such potential winners.

In the worst case scenario, phase that may extend to a frame of four to five years are a few factors that more

For one, the political scenario absolutely no reason to dis How many times has India single party in majority, a wide power acquisitions f probability, 2015 would I government seems visibly forthcoming budget would usher in a reform-led econo to keep the faith alive and k

At 4 to 4.5%, our fiscal defi three decades. The gover expenditure spend as also crude oil status is a big pos usual suspects like current a

Our position on the world n inappropriate to call India world. Once the rupee st remarkable FII inflow to th months. Notwithstanding t there's enough liquidity in stakeholders Japan and Eur too, will begin to drop soon

Last but not the least; cor coming quarters on the ba demand pick up and the be the corporate scorecard is l two years.

MM Forgings

Growing strength to strength

MM Forgings is leading exporter of forging products to US and Europe. More than 75% of the revenues arise from exports. In terms of segments, 63% of the sales arise from CV segment, 13% from passenger car segment and remaining from the non-auto segment. The company has steadily improved its machining capabilities adding to production of value added products which is reflected in the margin expansion seen over the past few years. Going ahead, the company should benefit from improving CV demand in US given aging fleet there. Domestic market is also expected to be strong given the strong recovery expected in industrial production and infrastructure activities. MMFL is expanding its capacities to meet the rising business opportunities. We expect a 20.3% FY14-17E revenue CAGR and 42.3% PAT CAGR. Considering such strong bottomline growth, expected 25%+ return ratios, robust cash flow generation and strong balance sheet, valuations appear attractive at P/E of 7.8x on FY17E EPS of Rs70.1. Relative to the industry leader Bharat Forge, MMFL is trading at a sharp discount. Recommend BUY with a 9-12 month price target of Rs710.

American CV market to gain strength

Following the financial crisis, US economy has bounced back strongly in the past couple of years. This has translated into strong consumer sentiment resulting in robust retail spending which includes passenger cars. It is estimated that passenger car sales in US will cross 17mn units in CY15 as compared to 15.6mn achieved in CY13. CV demand has also been growing at strong pace driven by improving economic activity and also aging of the existing fleet. US manufacturing PMI has been consistently above the 50 mark in the past three years and is expected to remain strong given the strong economic outlook, weak interest rates and falling fuel prices. Europe is expected to be weak to flattish. Given the fact that automobile base in US is large even a low single digit growth would result in large business opportunities for a small player like MMFL. Currently US and Europe account for ~30% each of the total sales.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	4,114	5,123	6,119	7,174
yoy growth (%)	17.5	24.5	19.4	17.2
Operating profit	789	1,132	1,371	1,636
OPM (%)	19.2	22.1	22.4	22.8
Pre-exceptional PAT	277	510	668	846
Reported PAT	293	510	668	846
yoy growth (%)	116.2	74.0	30.9	26.6
EPS (Rs)	23.0	42.3	55.3	70.1
P/E (x)	23.8	12.9	9.9	7.8
Price/Book (x)	3.4	3.0	2.5	2.0
EV/EBITDA (x)	10.1	6.5	5.2	4.1
Debt/Equity (x)	0.7	0.5	0.4	0.3
RoE (%)	15.1	23.7	25.5	26.0
RoCE (%)	13.8	21.6	24.8	26.5

Source: Company, India infoline Research

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'Best Broker of the Year' – by Zee Business for contribution to broking

Nirmal Jain, Chairman, IIFL, received the award for The Best Broker of the Year (for contribution to broking in India) at India's Best Market Analyst Awards 2014 organised by the Zee Business in Mumbai. The award was presented by the guest of Honour Amit Shah, president of the Bharatiya Janata Party and Piyush Goel, Minister of state with independent charge for power, coal new and renewable energy.

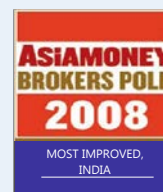
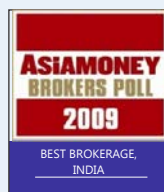
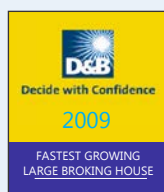
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IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

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IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



Recommendation parameters for fundamental reports:

Buy – Absolute return of over +15%

Accumulate – Absolute return between 0% to +15%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

Call Failure - In case of a Buy report, if the stock falls 20% below the recommended price on a closing basis, unless otherwise specified by the analyst; or, in case of a Sell report, if the stock rises 20% above the recommended price on a closing basis, unless otherwise specified by the analyst

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