year 2016.

Amara Raja Batteries

Face Value	01
CMP	861.65
52 Week High /Low	1132/778

Amara Raja Batteries, the second largest lead acid storage battery manufacturer in the country has been outpacing the number one player Exide, and has by now, pushed up its market share from 25 per cent to 35 per cent during the last five years.

With a sustained rise in the demand for its products, the company has been making rapid strides on the financial front. During the last five years, the company's sales have expanded almost two-and-a-half-times from Rs 1,761 crore in fiscal 2011 to Rs 4,230 crore and the net profit have shot up by almost three times from Rs 148 crore to Rs 411 crore. The company's financial position is very strong and is debt-free. It is sitting on a pile of reserves worth Rs 1682 crore, almost 99 times its equity capital of Rs 17.08 crore. In 2008, the company had issued bonus shares in the ratio of 1 for 2. In addition, it has been paying handsome dividends at rates, between 300 and 400 per cent in recent years.

The company's business model is derisked and it caters to automotive (60 per cent) and industrial (40 per cent) segments. In the automotive segment, the company is expanding its penetration in a big way thanks to its aggressive marketing policy and high quality of its products. The battery industry in India is a duopoly with Exide and Amara Raja being the two major players accounting for a cumulative 90 per cent market share, leaving the remaining market for over a dozen smaller players. Again, when Exide Industries did not pay too much attention about rising competition from Amara Raja Batteries, the leader's indifference resulted in loss of market share.

Needless to say, Amara Raja started chipping away at Exide is market share, first in the replacement market and then striving to achieve the same success in the OEM market. In the second quarter of FY 2016, Amara Raja Batteries reported an eight per cent y-o-y growth in four- wheeler OEM batteries as well as 27 per cent in two-wheeler OEM segment, and in the replacement market it was 18 per cent in four-wheeler and 14 per cent in two-wheeler segment. In striking contrast, Exide Industries could register a mere one per cent growth in four-wheelers and 9 per cent growth in two-wheeler replacement market, and a 5 per cent drop in OEM sales. Certainly, Amara Raja is gaining ground in the automotive segment.

Sensex can go up to 30,000


Lalit Kumar Dangi

The new year – 2016 – will be certainly a good year for equity markets and the investing public should certainly invest in stock market. I expect the Sensex to move up to 30,000 in 2016 opines Lalit Kumar Dangi, a knowledgeable merchant banker, in an interview to Corporate India.

Excerpts from the interview:

Corporate India: Where should investors park their surplus finds in the new year (2016) ? Do you think the stocks will be the best investment avenue this year ?

Lalit Kumar Dangi: The rate of interest has gone down substantially either in bank deposits or other deposits hence it will be prudent to park the money in equities in 2016 which will give better returns.

Moreover 2015 has been tumultuous year regarding the events since most of the policies for the economic reforms were not clear but it is predicted that the impediments will be over gradually and a push will be given to reforms which will give leap froging to the market hence equities in all respect will command good return in 2016.

CI: What do you think about the stock market trends in 2016? What may be the forces to govern them?

LKD: The stock market will move vertically in 2016 due to various favourable factors, viz. continuous flows of FDI, Interest in India story, many economic bills to be cleared in 2016 like GST etc.

The government is becoming serious for reforms as the election euphoria for 2019 will start in 2017. Moreover the Government is keen to achieve the growth rate of 8.5 % to 9 % to surpass the Chinas growth rate which will be a bench mark for India to show to other countries that India has more avenues for development then any other country.

The power and labour problems will be substantially reduced by 2016 end which will give an impetus to the economic growth.

In order to quicken the pace of growth, the company has planned a capex of Rs 600 crore, envisaging an investment of Rs 350 crore in tubular battery plant, Rs 60 crore in two-wheeler battery plant, Rs 50 crore in MVRCA plant and Rs 150 crore for regular capex. A further amount of around Rs 300 crore will be spent next year. The Rs 350 crore tubular battery plant in fast coming up and in expected to go on stream by the end of the current fiscal year.

Shares with a face value of Re. 1 are quoted around Rs. 880. Taking into account a huge reserves and a relatively small capital, a bonus issue is due in the near future. Accumulate at every decline.

P.I. Industries

Face Value	01
CMP	643.80
52 Week High /Low	786/482

P I Industries, a major player in the vital agri-inputs space has a unique business model with focus on the fast-growing custom synthesis and manufacturing (CSM) business. The company has three formation and two manufacturing facilities as well as five multi-product plants in Gujarat as well as in Jammu & Kashmir and one research and development centre at Udaipur in Rajasthan. The company's agrichem portfolio consists of fifteen insecticides, four fungicides and four herbicides.

PI has made rapid strides on the financial front of late. During the last five years, its sales turnover has expanded by more than two and a half times - from Rs. 719 crore in the fiscal 2011 to Rs. 1940 crore in the fiscal 2015 and the profit at net level has shot up almost four times - from Rs. 64 crore to Rs. 243 crore during this period.

Future prospects for the company are all the more promising as the domestic market for crop protection is growing steadily and at the same time, the export demand is also on the rise. At the same time, there are vast opportunities in the custom synthesis and marketing (CSM) space, as India is emerging as a preferred destination for global CSM player and PI has remarkable expertise in complex chemistry and rich experience in scaling up on molecules. Little wonder then that some of the large European and Japanese companies have entered into a long term contract with PI Indusries for their CSM requirements. Again global majors including Bayer, BASF, Kumiani and Mitsui have preferred to work with PII because of high entry barriers in the Indian agrichem market.

What is more, the company has built up a strong order book of US$ 325 million to be executed within the next 3 to 4 years.

Lalit Kumar Dangi, Chairman, Libord group

Chief minister of every state is keen to show his state's growth higher than that of other states which will lead to a healthy competition and in turn good environment for industrial growth.

All these factors will attribute to a vertical trend in the market.

CI: What do you think of the movement of Sensex in 2016?

LKD: The Sensex should move upto 30000 by 2016 end since the P.E. today may be at 21 but the yield ratio is low. It is showing a higher P.E. ratio but if the yield ratio increases (which will certainly increase in 2016) the earning will improve and even at that P.E. ratio, the index should be around 30000.

CI: Which may be the best industry sectors for investment? Which are the segments from which investors should keep away?

LKD: The pharma, FMCG, automobile, IT, commodities and education sectors will fare very well in 2016. The investor should remain away from steel / power / real estate / banking and infrastructure sectors in the new year.

CI: Do you think the mutual fund is the best route for investment in stock market now? Or the time is still not ripe for them?

LKD: Mutual funds is definitely a good route for investment since it gives a diversified portfolio to the investor. Moreover the economic, international scenario is changing so fast that it is difficult for an investor to keep the track of the prospects of the company in which he has invested whereas in mutual fund, there are experienced research analysts who take note of any change immediately and take action on that. So definitely for a small investor mutual fund is a good route for investment.

LKD:

- Sun Pharma
- Asian Paint
- Hindustan Unilever
- Colgate
- Hexaware
- ITC
- HDFC Bank
- IDFC Bank
- Bajaj Finance
- Blue Dart