

# HINDALCO INDUSTRIES

## Execution holds the key

India Equity Research | Metals and Mining

Hindalco's management maintains December 2011 completion for its 359ktpa aluminium project at Mahan. Post the site visit, we see a momentum in project execution, but still expect a delay of two more quarters. Our estimates factor in such delays, hence we do not expect any further negative surprises. The existing 340ktpa aluminium plant at Renukoot is in 'steady state' mode, enjoying advantages of captive bauxite, captive power, linkage coal and portfolio of downstream products which enable USD 700/t premium.

### Management pegs December 11 for Mahan project operations

The management expects the smelter to start with ~11% of capacity between Dec-11 (first pot) and Mar-12 while the guidance for FY13 production is at 200kt. However, we maintain our assumptions at - Sep-12 for the start and 90kt as the output for FY13.

### Coal sourcing remains a challenge till captive coal starts

The company continues to expect a successful resolution to 'no-go' issues at Mahan coal block. Nevertheless, until the start of the captive coal, the company will have to source coal through a mix of e-auction, tapering linkage and washery rejects.

### Utkal alumina start maintained at Sep-12

The management maintains that the Utkal alumina project operations would commence by June-Sep-12 period, until which, the excess alumina of 0.17mtpa from existing operations could be used by Mahan plant.

### Outlook and valuations: Positive; maintain 'BUY'

Aluminium prices are expected to remain weak in the short term, but key sector indicators such as marginal cost, strong Chinese demand, scrap prices and low industry margins hint at higher prices for FY13. We maintain 'BUY/SO' recommendation on Hindalco with a target price of INR 266.

#### Financials (consolidated)

Year to March	FY10	FY11	FY12E	FY13E
Revenues (INR mn)	607,221	720,779	780,506	848,499
Rev. growth (%)	(7.9)	18.7	8.3	8.7
EBITDA (INR mn)	70,094	80,017	93,542	110,890
Net profit (INR mn)	39,255	24,564	33,770	39,434
Shares outstanding (mn)	1,913	1,913	1,913	1,913
Diluted EPS (INR)	20.5	12.8	17.6	20.6
EPS growth (%)	620.9	(37.4)	37.5	16.8
Diluted P/E (x)	5.8	9.3	6.8	5.8
EV/EBITDA (x)	5.0	4.8	5.0	4.5
ROAE (%)	21.0	10.7	13.0	13.4

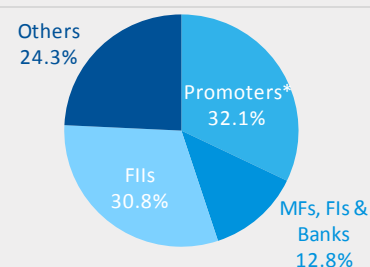
#### EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Underweight

#### MARKET DATA (R: HALC.BO, B: HNDL IN)

CMP	: INR 120
Target Price	: INR 266
52-week range (INR)	: 253 / 122
Share in issue (mn)	: 1,914.5
M cap (INR bn/USD mn)	: 239 / 4,847
Avg. Daily Vol.BSE/NSE('000)	: 8,512.3

#### SHARE HOLDING PATTERN (%)



\* Promoters pledged shares : NIL  
(% of share in issue)

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Metals and Mining Index
1 month	4.6	4.9	(0.0)
3 months	(10.6)	(2.2)	(7.4)
12 months	(22.3)	(14.0)	(7.4)

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### Day 1: Visit to Renukoot integrated aluminium complex

- **Largest integrated aluminium complex in Asia**

With an alumina and aluminium capacity of 700ktpa and 345ktpa respectively and captive/low cost bauxite sourcing and downstream product capacity of ~160ktpa, Renukoot is the largest integrated aluminium complex in Asia. Alumina and aluminium cash costs are competitive but not low at USD 275/t and USD 1,750/t respectively. Plant remained profitable even during the financial crisis of 2008-09 due to cost reduction and downstream product margins.

The plant is operating at over 100% capacity utilization - FY11 production was 410kt while the target for FY12 is 420kt. Established in 1962, the facility has constantly added capacity. Renukoot, located in the Sonbhadra district of Uttar Pradesh, is near to Madhya Pradesh, Chattisgarh and Jharkhand.

- **Key positives – Captive bauxite, linkage coal, continuous improvements and downstream products**

The company sources 70% bauxite from captive mines (in Jharkhand and Chattisgarh) and 30% from long term contracts at relatively low cost (mostly in Madhya Pradesh) since proximate locations aid low freight costs. Hindalco works closely with its bauxite vendors and provides its mining expertise to them. Manpower costs of these bauxite vendors are lower than that of Hindalco's captive mines hence (in spite of vendors adding profit margins) the total cost is still comparable to that of Hindalco's captive mines.

It gets 70% coal from Coal India via FSA (low cost) and the balance through e-auctions and washery rejects. Proximity to Singaruali coalfield saves on freight. While the plant has a track record of continuous improvements (e.g. recycling, reducing power consumption and debottlenecking), its downstream products command an average premium of USD 700/t, thereby adding to the margins.

- **Key issues – Falling bauxite grade and reserves, no captive coal and high staff cost**

Bauxite grade which used to be 41%-42% is now 40% (total available alumina). Though current reserves account for only 15 years of production, resources in existing mines as well as new allocations should boost reserve life to 25 to 40 years. Nonetheless, lack of captive coal exposes the company to the risk of price increases by Coal India. Conversely, considering the plant capacity, the staff strength of 12,000 is on the higher side. Mitigation – Recruitment frozen for several years, excess staff would be transferred to the Mahan project besides increasing the outsourced labour.

- **Future projects – Increase capacity by 16%, cut power use**

Currently Hindalco is adding 10ktpa aluminium capacity every year by debottlenecking even as it is also contemplating a project to increase the aluminium capacity by 16%. Further, another project is being implemented to reduce power consumption by ~5% by end of FY13.

- **CPP of 740 MW – Utilizes washery rejects to trim costs**

The management has worked towards use of coal washery rejects in the boiler which has helped reduce costs further. Further, the plant runs at over 100% PLF (for FY11, the PLF was 102% with the generation of 6,305 MU).

The CPP of 740 MW is situated at Renusagar which is 40 km from the Renukoot aluminium complex. It has 10 units and was started in 1967. The CPP has recently switched its coal FSA with Coal India from the depleting Jhingurda mine to the Krishnasheela mine which is close to the CPP. Its coal has a calorific value of 4,400 kcal/kg (above the CIL average).

## Day 2: Visit to Mahan greenfield project

We visited the greenfield 359ktpa aluminium project of Hindalco Industries at village Bargawan, district Singrauli in Madhya Pradesh. Located across 5,000 acres, site is 84 kms from the Renukoot plant. Singrauli is a coal belt with a capacity of 60mtpa of which 6mt is the e-auction volume. The total capex for the project is guided to be unchanged at INR 105 bn.

- **Management maintains Dec-11 start for Mahan project**

The smelter is expected to start with ~11% of capacity between Dec-11 (first pot) to Mar-12 and in terms of pots, this would mean that the first pot would start by the end of December 2011 and 40th pot by end of March 2012. Full commissioning would be by Jan-13, says the management (schedule provided in table below)

**Table 1: Pot-wise commissioning schedule for the smelter**

Timeframe	No. of pots (x)	Cumulative pots (x)	Capacity (ktpa)	Cumulative capacity (ktpa)
Dec-11 to Mar-12	40	40	40	40
Apr-12 to Jul-12	140	180	140	180
Sep-12 to Dec-12	140	320	140	319
Jan-13	40	360	40	359

Source: Company, Edelweiss research

- **Guidance for FY13 production by the management was 200kt**

We, however, consider a delay of three quarters - while a start in June 2012 is likely, we prefer to be conservative and maintain our assumption at Sep-12 for the start of the operation and FY13 production estimates at 90kt.

All major equipment is on the site with most of the land requirements being complete. The configuration is a single potline with 2 potrooms of 180 pots each. Proposed product portfolio does not include any value-added products.

**Table 2: Production portfolio and consumption of input material**

<b>Product portfolio at full capacity (ktpa)</b>	
Ingots/saw ingots	224
Wire rods	80
Billets	55
Total	<b>359</b>
<b>Input consumption at full capacity (ktpa)</b>	
Alumina	689
Aluminium flouride	6.5
CP Coke	132
CT Pitch	29
Power (MW)	600

Source: Edelweiss research, Company

- **Coal sourcing by e-auction, tapering linkage and washery rejects till captive coal starts**

The company continues to expect a successful resolution to the 'no-go' issues for Mahan coal block, possibly in Oct-9 following the EGoM meeting. Until start of the captive coal, coal would be sourced through the mix of e-auction, tapering linkage and washery rejects. The proposed mix is e-Auction of 30%-40% and tapering linkage/rejects of 60%-70%.

The company has successfully used rejects in existing CPP of Renukoot to derive lower costs. The captive coal production would commence at least 15 months from the successful resolution of the 'no-go' issue hence FY13 even in the best case to see no captive coal.

- **Utkal alumina start maintained at Sep-12**

The management continued to guide for the commencement of Utkal alumina project operations by June-Sep-12. Until the start of Utkal, the excess alumina of 0.17mtpa in existing operations could be used for Mahan. Aluminium cash cost based on this and above coal sourcing guided at USD 1,750/t. We build in USD 2,150/t in our model assumptions.

- **CPP (6x150 MW) at Mahan to be ready by Jun-12**

The first unit is likely to start generation by end Dec-11. With the commissioning of one unit every month, all six units would start operations by Jun-12. Hydro test for the first unit is currently underway while Boiler-Turbine-Generator (BTG) units for four of the power units have been received with the balance coming in shortly.

We expect a six-nine month delay i.e. the commencement of the first unit would be by Jun-12 to Sep-12. The CPP has 2x150 MW excess power and has signed a PPA @ INR 2.48/unit for 200 MW sale with local SEB.

The boiler can accept Indian coal with a calorific value ranging between 2,800 kcal/kg and 4,500 kcal/kg. The station heat rate of the boiler is 2,300 kcal/kwh. The railway siding at the plant is nearing completion (the plant is only 2 km away from the nearest rail-head).

The BTG supplier is BHEL while the Balance-of-Plant (BOP) equipment is from a variety of vendors including Larsen & Toubro (CHP, chimney structurals), Paharpur (cooling towers), ABB (switchgear), Areva (electrical systems) and Simplex (grid).

- **Smelter technology gives higher throughput, efficiency**

Mahan smelter uses AP36 technology, provided by Aluminium Pechiney (part of Rio Tinto Alcan), enabling a 4x higher throughput than Renukoot. Power saving is ~5% while the labour cost is one-fifth of Renukoot (USD 12/t vs Renukoot's USD 60/t). With its captive alumina and coal, cash cost is expected to be low at USD 1,450/t. Other advantages are: (i) high degree of automation (cuts downtime and labour) and (ii) zero discharge.

The design parameters of the smelter involve alumina and net carbon consumption of 1.92 tonnes and 0.4 tonnes per tonne of aluminium. The minimum guaranteed pot life would be 6 years.

### Other key points

- Key vendors/partners include L&T (includes civil construction, supply of pot cells), EIL, Alstom, FLSmidth, Schneider Electric, Befesa and Hencon.
- Water is adequately available for the entire plant through the Gopad river which is a perennial river located about 35 kms from the site.
- MoEF clearance has been obtained for the 325ktpa aluminium capacity while the company has applied clearances for 359ktpa. Similarly, clearance for the CPP is for 750 MW of power while it has applied for the balance 150 MW as well.

**Fig. 1: CPP under construction**



**Fig. 2: Unit 1 of CPP along with coal conveyor belt**



Source: Company, Edelweiss research

**Fig. 3: Turbine-generator building**



**Fig. 4: Smelter under construction**



*Source: Company, Edelweiss research*

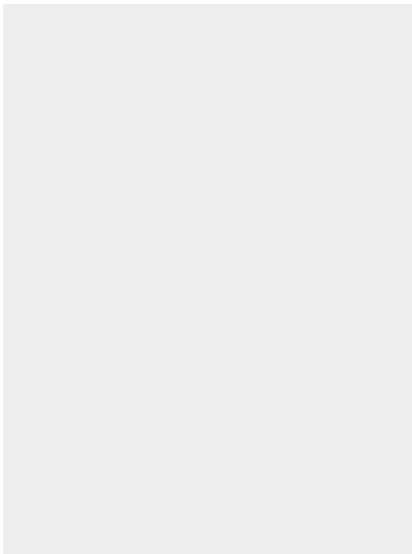
**Fig. 5: Aluminium cast house**



**Fig. 6: Alumina silo**



*Source: Company, Edelweiss research*



## Company Description

Hindalco is one of the largest aluminium producers in India with 514,000 tonnes of upstream aluminium facility/capacity and backward linkage in alumina (1.5 mtpa) and bauxite (reserves of 65 mn tonnes). It also operates India's largest copper smelter with a capacity of 500,000 tonnes at Dahej with a captive power plant, jetty, and ~20-25% backward linkage in copper concentrate through Aditya Birla Mineral (a 51% subsidiary). In February 2007, Hindalco acquired Novelis, a 3.4 mtpa aluminium rolled-products producer, for enterprise value of USD 6.1 bn. Novelis has 33 operating plants and 3 research facilities in 11 countries, across 4 continents. The company is in expansion mode and plans to increase its alumina capacity five-fold to 5.0 mtpa (from 1.5 mtpa currently) and aluminium capacity to 1.7 mtpa, with total capital outlay of INR 407.5 bn in the next five years. The green field phases of these projects, which are back-ended, will only come on stream starting FY12E.

## Investment Theme

We have a positive outlook on aluminium led by strongly increasing demand. Hindalco's standalone business is robust with competitive cost of producing aluminium (~USD 1,550/tonne currently) and value-added aluminium products, which constitute over 50% of the volume mix. The company manufactures special grade alumina that commands a premium of up to ~USD 250/tonne over the regular variety. We expect margin expansion in Novelis due to overall recovery in developed markets and aluminium. Novelis is likely to benefit once the impact of metal price ceiling contract expires in December 2009.

## Key Risks

- Higher- than- expected increase in input costs.
- Lower –than- expected margin expansion at Novelis.

## Financial Statements

Income statement					(INR mn)
Year to March	FY09	FY10	FY11	FY12E	FY13E
Net revenue	659,630	607,221	720,779	780,506	848,499
Accretion to stock	27,815	(17,012)	(8,933)	0	0
Raw material costs	379,749	408,368	474,163	625,962	671,163
Purchase of goods	1,167	738	5,223	1,167	1,167
Employee expenses	53,404	50,650	55,933	8,529	8,870
Power and freight	36,393	33,451	36,868	26,119	28,271
SGA and other expenses	107,599	60,932	77,508	25,186	28,138
Total operating expenses	606,127	537,127	640,762	686,964	737,609
EBITDA	53,502	70,094	80,017	93,542	110,890
Depreciation and amortisation	30,378	27,836	27,500	29,994	33,283
EBIT	23,125	42,258	52,517	63,548	77,607
Interest expenses	12,280	11,041	18,393	16,240	22,143
Other income	6,914	3,227	4,309	5,360	5,381
VRS & other expenses	(23,807)	27,364		0	0
Profit before tax	(6,049)	61,808	38,432	52,668	60,845
Provision for tax	(9,538)	18,289	9,638	16,493	18,951
Core profit	3,488	43,519	28,793	36,176	41,893
Profit after tax	3,488	43,519	28,793	36,176	41,893
Minority interest	(1,718)	4,237	3,659	2,039	2,092
Share of profit of associates	(367)	(27)	(571)	(367)	(367)
Profit after minority interest	4,839	39,255	24,564	33,770	39,434
Basic shares outstanding (mn)	1,700	1,913	1,913	1,913	1,913
Diluted shares (mn)	1,700	1,913	1,913	1,913	1,913
Basic EPS	2.8	20.5	12.8	17.6	20.6
Diluted EPS	2.8	20.5	12.8	17.6	20.6
Dividend per share (INR)	1.4	1.4	1.0	1.0	1.0
Dividend payout (%)	56.0	7.7	7.1	6.6	5.7
Tax rate (%)	157.7	29.6	25.1	31.3	31.1

### Common size metrics- as % of net revenues

Year to March	FY09	FY10	FY11	FY12E	FY13E
Operating expenses	91.9	88.5	88.9	88.0	86.9
Depreciation	4.6	4.6	3.8	3.8	3.9
Interest expenditure	1.9	1.8	2.6	2.1	2.6
EBITDA margins	8.1	11.5	11.1	12.0	13.1
Net profit margins	0.5	7.2	4.0	4.6	4.9

### Growth metrics (%)

Year to March	FY09	FY10	FY11	FY12E	FY13E
Revenues	9.9	(7.9)	18.7	8.3	8.7
EBITDA	(19.4)	31.0	14.2	16.9	18.5
PBT			(37.8)	37.0	15.5
Net profit	(84.9)	1,147.6	(33.8)	25.6	15.8
EPS	(84.1)	620.9	(37.4)	37.5	16.8



<b>Balance sheet</b>					(INR mn)
<b>As on 31st March</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
Equity capital- Voting shares	1,701	1,914	1,914	1,914	1,914
Reserves & surplus	155,882	213,533	242,658	274,187	311,382
Shareholders funds	157,587	215,446	244,571	276,101	313,296
Secured loans	130,246	107,627	181,158	255,293	325,804
Unsecured loans	152,851	132,360	132,860	132,860	132,860
Minority interest	12,866	17,372	19,925	21,964	24,056
Deferred tax liability	28,106	39,382	40,551	41,547	42,743
<b>Sources of funds</b>	<b>481,656</b>	<b>512,187</b>	<b>619,066</b>	<b>727,766</b>	<b>838,759</b>
Gross block	462,196	456,221	467,787	493,193	585,193
Depreciation	104,776	127,492	155,645	185,639	218,922
Impairment	39,263	38,724	38,724	38,724	38,724
Net block	318,157	290,005	273,419	268,830	327,547
CWIP	29,495	58,008	131,074	236,981	245,711
Total fixed assets	347,651	348,013	404,493	505,811	573,257
Investments	103,893	112,455	156,267	143,901	177,415
Loans and advances	27,955	31,171	31,171	31,171	31,171
Inventories	85,241	112,754	121,640	144,931	157,557
Sundry debtors	66,733	65,437	70,594	84,111	91,438
Cash and equivalents	21,918	21,954	23,684	28,219	30,677
Other current assets	546	569	561	589	619
Total current assets	202,394	231,884	247,650	289,021	311,461
Sundry creditors and others	109,462	130,996	138,674	158,797	169,706
Provisions	62,825	49,170	50,670	52,170	53,670
Total CL & provisions	172,287	180,166	189,344	210,967	223,375
Net current assets	30,107	51,718	58,306	78,054	88,085
Miscellaneous expenditure	4	0	0	0	0
<b>Uses of funds</b>	<b>481,656</b>	<b>512,187</b>	<b>619,066</b>	<b>727,766</b>	<b>838,759</b>
Book value per share (BV) (INR)	93	113	128	144	164

<b>Free cash flow metrics</b>					(INR mn)
<b>Year to March</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
Net profit	4,839	39,255	24,564	33,770	39,434
Depreciation	30,378	27,836	28,152	29,994	33,283
Others	5,095	(11,786)	19,154	16,239	22,142
Gross cash flow	40,311	55,305	71,870	80,002	94,859
Less: Changes in W. C.	(2,591)	5,984	4,858	15,212	7,574
Operating cash flow	42,903	49,321	67,012	64,790	87,286
Less: Capex	26,747	42,756	84,632	131,312	100,730
<b>Free cash flow</b>	<b>16,155</b>	<b>6,564</b>	<b>(17,620)</b>	<b>(66,522)</b>	<b>(13,445)</b>

<b>Cash flow statement</b>					(INR mn)
<b>Year to March</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>	<b>FY13E</b>
Operating cash flow	42,903	49,321	67,012	64,790	87,286
Financing cash flow	(67,313)	4,284	63,161	58,691	49,417
Investing cash flow	32,188	(54,368)	(128,443)	(118,947)	(134,244)
Net cash flow	7,778	(764)	1,730	4,535	2,458
Capex	(26,747)	(42,756)	(84,632)	(131,312)	(100,730)
Dividends paid	(3,532)	(3,274)	(2,239)	(2,239)	(2,239)
Share issuance/(buyback)	50,623	27,543	0	0	0

### Ratios

Year to March	FY09	FY10	FY11E	FY12E	FY13E
ROAE (%)	2.9	21.0	10.7	13.0	13.4
ROACE (%)	5.8	10.9	12.2	12.1	12.5
Inventory (days)	88	92	91	78	82
Debtors (days)	37	40	34	36	38
Payable (days)	98	112	105	87	89
Cash conversion cycle (days)	26	20	21	27	31
Debt/EBITDA	5.3	3.4	3.9	4.1	4.1
Current ratio	1.2	1.3	1.3	1.4	1.4
Debt/ Equity	1.8	1.1	1.3	1.4	1.5
Adjusted debt/Equity	1.8	1.1	1.3	1.4	1.5

### Turnover

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Fixed assets turnover (x)	2.0	2.0	2.6	2.9	2.8
Total asset turnover (x)	1.3	1.2	1.3	1.2	1.1
Equity turnover (x)	4.0	3.3	3.1	3.0	2.9

### Du pont analysis

Year to March	FY09	FY10	FY11E	FY12E	FY13E
NP margin (%)	0.7	6.5	3.4	4.3	4.6
Total assets turnover	1.3	1.2	1.3	1.2	1.1
Leverage multiplier	3.2	2.7	2.5	2.6	2.7
ROAE (%)	2.9	21.0	10.7	13.0	13.4

### Valuation parameters

Year to March	FY09	FY10	FY11E	FY12E	FY13E
Diluted EPS (INR)	2.8	20.5	12.8	17.6	20.6
Y-o-Y growth (%)	(84.1)	620.9	(37.4)	37.5	16.8
CEPS (INR)	20.7	35.1	27.2	33.3	38.0
Diluted P/E (x)	42.2	5.8	9.3	6.8	5.8
Price/BV(x)	1.3	1.1	0.9	0.8	0.7
Market cap/Sales (x)	0.3	0.4	0.3	0.3	0.3
EV/Sales (x)	0.6	0.6	0.5	0.6	0.6
EV/EBITDA (x)	7.0	5.0	4.8	5.0	4.5
Dividend yield (%)	1.1	1.1	0.8	0.8	0.8



Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Bhushan Steel	HOLD	SP	M	Coal India	BUY	SO	M
Hindalco Industries	BUY	SO	M	Hindustan Zinc	BUY	SO	L
Jindal Steel & Power	BUY	SO	M	JSW Steel	BUY	SO	M
National Aluminium Company	HOLD	SU	M	Sesa Goa	HOLD	SP	M
Steel Authority of India	HOLD	SU	L	Sterlite Industries (India)	BUY	SP	M
Tata Steel	BUY	SO	M	Usha Martin	HOLD	SP	M

## ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

## RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

## RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

## SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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## Coverage group(s) of stocks by primary analyst(s): Metals and Mining

Bhushan Steel, Coal India, Hindalco Industries, Hindustan Zinc, Jindal Steel & Power, JSW Steel, National Aluminium Company, Steel Authority of India, Sesa Goa, Sterlite Industries (India), Tata Steel, Usha Martin

### Recent Research

Date	Company	Title	Price (INR)	Recos
20-Sep-11	Steel	Tempered growth; <i>Sector Update</i>		
05-Sep-11	Sesa Goa	Volume challenges; <i>Company update</i>	232	Hold
05-Sep-11	JSW Steel	Apex court ruling a blessing in disguise; <i>Company update</i>	725	Buy

### Distribution of Ratings / Market Cap

#### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	119	47	15	184
* 3 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	111	57	16	

### Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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