

FROM THE RESEARCH DESK

3QFY12 RESULTS REVIEW

**ICICI Bank Limited**

Impressive core; guidance even better

**Punjab National Bank**

Operating performance in line, asset quality disappoints

**Havells India Limited**

No sign of fatigue here!

**McLeod Russel India Limited**

On track for good year

### Global News

- U.S. stocks fell for a fourth day, the longest slump for the Dow Jones Industrial Average since August, while Treasuries rose as reports showed American consumer confidence trailed estimates and business activity cooled in January. Equities pared early losses as banks rallied.
- European governments moved toward a confrontation over a second rescue package for Greece, just as a dimming fiscal outlook in Portugal opened a new front in the debt crisis. Union Leaders agreed to accelerate the setup of a full-time 500bn euro (\$659bn) rescue fund and endorsed a German-inspired deficit-control treaty. Stocks and the euro rose.

### Sector & Corporate News

- **Banking:** Reserve Bank of India said that all private sector banks will be considered eligible to handle any federal or state government business at par with state-run banks as agents of the central bank. ICICI Bank, HDFC Bank and Axis Bank were the private sector banks eligible till now for handling government businesses.
- **Oil & Gas:** State-owned oil companies slashed jet fuel prices by over 3% as an appreciating rupee made imports cheaper. The price of aviation turbine fuel (ATF), or jet fuel, was cut by INR1,974 per kilolitre (kl), or 3.02%, to INR62,908 per kl with effect from 1<sup>st</sup> February 2012.
- **RBI:** Announced that it would purchase government securities worth INR100bn through open market operations (OMO) on Friday to tide over the current liquidity crisis.
- **Dabur India:** Plans to invest about USD20m to build plants in Africa as competition intensifies in its home market. They would invest over two years to build facilities in Morocco and in southern and eastern Africa, and will add capacity to existing plants in Nigeria and Egypt.

### Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	12,633	(0.2)	3.4
NASDAQ	2,814	0.1	8.0
FTSE	5,682	0.2	2.0
CAC	3,299	1.0	4.4
DAX	6,459	0.2	9.5
Russia	1,570	(0.5)	13.6
Bovespa	63,072	0.5	11.1
Nikkei	8,800	(0.1)	4.1
Hang Seng	20,390	1.1	10.6
Shanghai Composite	2,293	-	4.2

Indian Indices	Closing	% Chg	% YTD
Sensex	17,194	2.0	11.2
Nifty	5,199	2.2	12.4
MSCI India	419	3.0	20.8
CNX Midcap	7,101	2.3	16.2
BSE Smallcap	6,463	1.4	16.5

Flows (USDm)	Last	MTD
FII	(16)	2,040
Locals	(57)	(290)

Provisional flows	(USDm)
FIIs	125
Locals	(48)

Volumes	USDbn	% Chg
Cash (NSE + BSE)	3.3	16.5
F&O (net)	17.6	13.0

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	(5)	77
Open Int (%)	0.5	1.1

ADR/GDR Gainers	Last	% Chg
MTNL	1.2	6.1
ICICI Bank	36.2	4.6
Reliance	33.1	3.5
SBI	83.5	3.3
Tata Motors	24.1	2.1

ADR/GDR Losers	Last	% Chg
Ranbaxy	9.0	(2.5)
Satyam	2.9	(0.3)

## Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	9,242	2.4	13.5	13.5
BSE Bank	11,391	3.8	24.4	24.4
BSE Cap Goods	9,865	0.8	22.3	22.3
BSE Cons dur	5,906	1.0	11.8	11.8
BSE FMCG	4,074	1.0	1.0	1.0
BSE IT	5,778	1.6	0.4	0.4
BSE Health	6,336	1.4	7.9	7.9
BSE Metal	11,499	2.2	23.7	23.7
BSE Oil	8,500	1.7	12.9	12.9
BSE Power	2,076	1.4	15.6	15.6
BSE PSU	7,357	1.1	15.6	15.6
BSE Realty	1,708	3.5	24.2	24.2
BSE TECK	3,477	1.8	2.9	2.9

## Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Sesa Goa Ltd	218	7.0	-	33.4
Reliance Communications Ltd	99	6.7	-	41.7
Hindalco Industries Ltd	147	6.6	-	26.5
Icici Bank Ltd	902	5.9	-	31.8
Infrastructure Dev Finance	133	5.7	-	45.2
Jaiprakash Associates Ltd	70	5.5	-	33.3
Dlf Ltd	216	5.4	-	18.0

## Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Coal India Ltd	327	(2.5)	-	8.8
Punjab National Bank	941	(1.5)	-	20.5
Siemens Ltd	731	(1.4)	-	13.9
Cairn India Ltd	339	(1.1)	-	8.0
Hindustan Unilever Ltd	379	(0.9)	-	(7.0)
Maruti Suzuki India Ltd	1,187	(0.6)	-	29.2
Ranbaxy Laboratories Ltd	450	(0.2)	-	-

## Bulk Deals

Date	Security Name	Client Name	Buy/Sell	Qty	Price
31-Jan-12	Denso India Ltd	ECE INDUSTRIES LIMITED	BUY	300,000	61.48
31-Jan-12	Denso India Ltd	Minal Patel	SELL	298,450	61.5
31-Jan-12	Cubical Fin	RASHMI BAJAJ	BUY	100,000	36.6
31-Jan-12	Cubical Fin	THE HINDUSTAN TIMES LIMITED	SELL	100,000	36.6

## Delivery Spike

Company	Volume	Spike (%)	Chg (%)
Century	914,299	1073%	6.74
PNB	616,708	466%	(1.48)
Unitech	13,087,345	293%	2.16
Glenmark	1,443,359	213%	(5.36)
Power Grid	4,566,084	173%	2.31
Maruti	467,595	163%	(0.55)
Siemens	346,239	141%	(1.36)
Cairn	2,562,153	132%	(1.12)
HCLTech	817,289	125%	2.00

## Derivatives Update

## Long Buildup

Company	Last	% Chg	% Chg OI	OI (in 000)
SESAGOA	217	7.1	4.8	9,568
CENTURYTEX	282	6.9	10.8	4,021
RCOM	100	6.8	1.7	21,580
HINDALCO	148	6.8	8.2	21,828

## Short Buildup

Company	Last	% Chg	% Chg OI	OI (in 000)
CAIRN	337	(1.1)	12.3	12,835
COALINDIA	323	(1.1)	12.5	7,533
PNB	940	(1.1)	0.0	2,621
HINDUNILVR	382	(0.9)	4.6	10,520

## Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
TATAGLOBAL	109	9.9	(7.1)	10,720
PUNJLLOYD	53	7.3	(1.2)	26,136
SUZLON	28	6.8	(1.0)	75,552
GMRINFRA	30	4.6	(0.1)	46,000

## Profit Booking

Company	Last	% Chg	% Chg OI	OI (in 000)
MARUTI	1,193	(0.0)	(0.8)	3,641

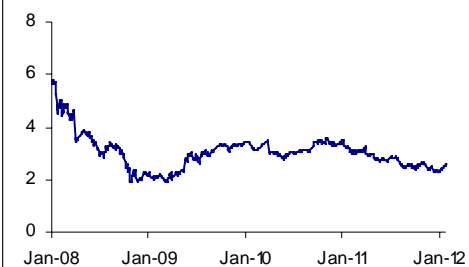
**Nifty**



**Nifty P/E**



**Nifty P/B**

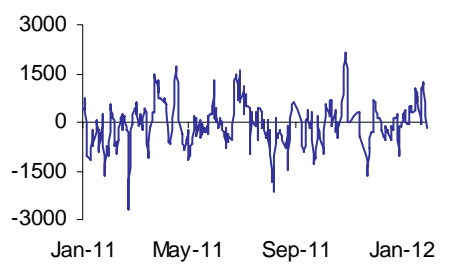


Source: Bloomberg

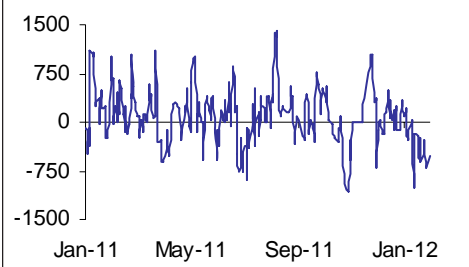
**Sensex**



**FII Provisional Flows (INRcr)**



**DII Provisional Flows (INRcr)**



Source: Bloomberg

**Economy, Money & Banking**

Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	49.5	0.7	-	7.3
INR~EUR	65.3	0.2	-	5.3
INR~GBP	78.1	0.0	-	5.6

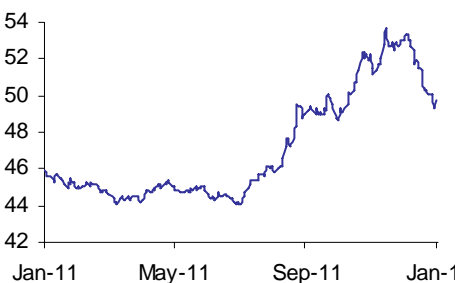
  

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	8.3	(1)	(29)	(29)
Interbank call	8.6	(50)	10	10

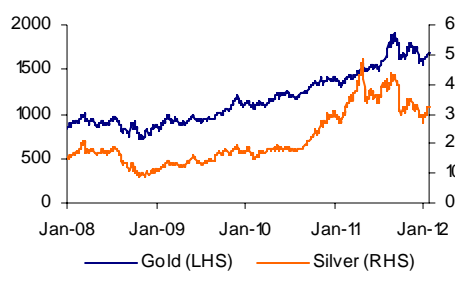
**Commodities Update**

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,737	(0.1)	(0.1)	11.1
Crude Oil (\$/Bl)	99	0.3	0.3	(0.3)
Aluminium (\$/t)	2,202	(1.9)	-	10.4
Copper (\$/t)	8,300	(1.4)	-	9.3
Zinc (\$/t)	2,088	(0.9)	-	14.3
Lead (\$/t)	2,185	(2.3)	-	8.7
Nickel (\$/t)	20,774	(2.2)	-	10.9

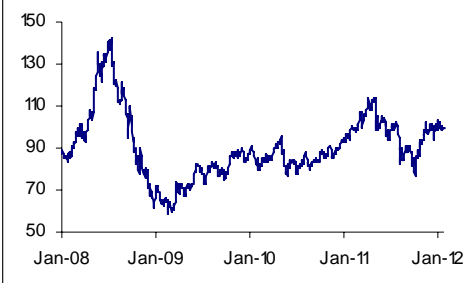
**INR/USD**



**Gold and silver prices**

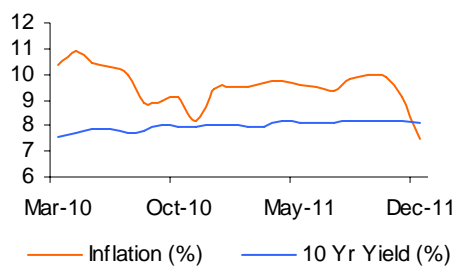


**Crude prices**

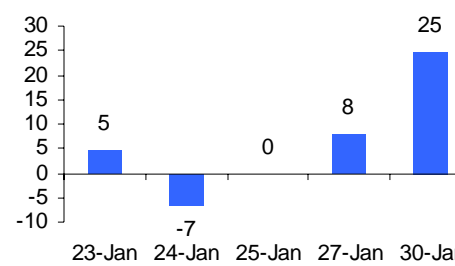


Source: Bloomberg

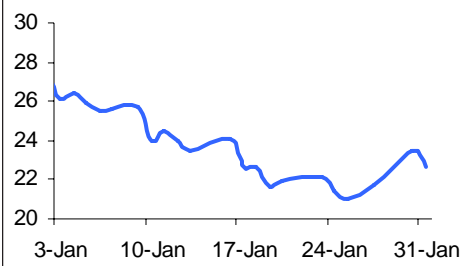
**Inflation vs 10 year yield**



**Nifty premium/discount**



**NSE volatility index (%)**



Source: Bloomberg

<b>Current Reco</b>	: BUY
<b>Previous Reco</b>	: BUY
<b>CMP</b>	: INR902
<b>Target Price</b>	: INR1,320
<b>Potential Return</b>	: 46%

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**Market data**

Sector	:	BANKS
Market Cap (INRbn)	:	1,040
Market Cap (USDbn)	:	21
O/S Shares	:	1,153
Free Float (m)	:	649
52-wk HI/LO (INR)	:	1139/641
Avg Daily Vol ('000)	:	6,239
Bloomberg	:	ICICIBC IN

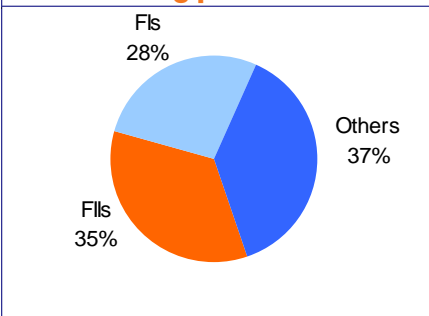
Source: Bloomberg

**Returns (%)**

	<b>1 m</b>	<b>3 m</b>	<b>6 m</b>	<b>12 m</b>
Absolute	32	(3)	(13)	(12)
Relative	18	(0)	(8)	(6)

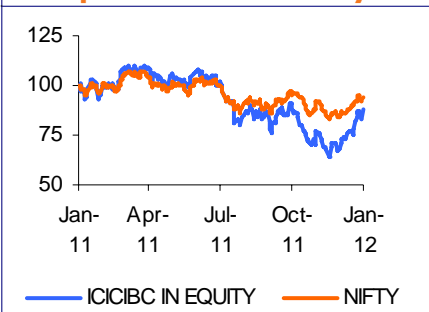
Source: Bloomberg

**Shareholding pattern**



Source: BSE

**Price performance vs Nifty**



Source: Bloomberg

**3QFY12 RESULTS REVIEW**

# ICICI Bank Limited

## Impressive core; guidance even better

**Results highlights**

ICICI Bank reported operational 3Q earnings at INR17.3bn, above our as well as consensus estimates, on the back of better than expected core earnings progression driven by margin improvement of 10bps (2.6% to 2.7%) and dividend income of INR1.5bn from ICICI PruLife. Credit costs during the quarter were at 56bps while asset quality continued to remain stable. Bank management's positive guidance on asset quality and margins for FY13e were the key positives that emerged from the result.

**Corporate, overseas advances drive loan growth; CASA on average balances improves**

Loan growth for the bank was above systemic credit growth at 19% YoY (5% QoQ) driven by higher disbursements to large corporate (23% YoY) and overseas advances (38% YoY) while retail unsecured continued to show decline. Retail segment grew 1% QoQ due to higher disbursements in the Auto and CV segment. Margins improved 10bps QoQ to 2.7% as international NIMs improved by 31bps QoQ to 1.4% while domestic NIMs improved 6bps to 2.98%. Currently, the bank is not facing any funding issues overseas given that asset prepayments are likely to offset liabilities maturing in FY12. CASA based on average balances improved by 70bps to 39% as absolute CASA improved 10% QoQ. Management is guiding margins to improve to 2.8% in FY13e driven by domestic book and loan growth at 18% driven by retail and working capital loans.

**Asset quality stable; management guiding credit costs at 75bps in FY13e**

Asset quality continued to improve with both absolute GNPA and NPA decreasing by 3% and 2% QoQ respectively. Coverage ratio marginally improved to 78.9% while credit costs remained flat QoQ at 58bps. Net additions to the restructured book were at INR5.7bn in 3Q taking total restructured book to INR30.7bn (1.3% of advances). Incremental restructuring in 4Q is likely to be at INR13bn (GTL and 3I InfoTech). The bank has not classified Kingfisher as an NPL given that it is performing for the bank. Bank management is not seeing a significantly large restructured pipeline as of now and is guiding at credit costs at 70bps for FY12e and 75bps for FY13e.

**Valuation and outlook**

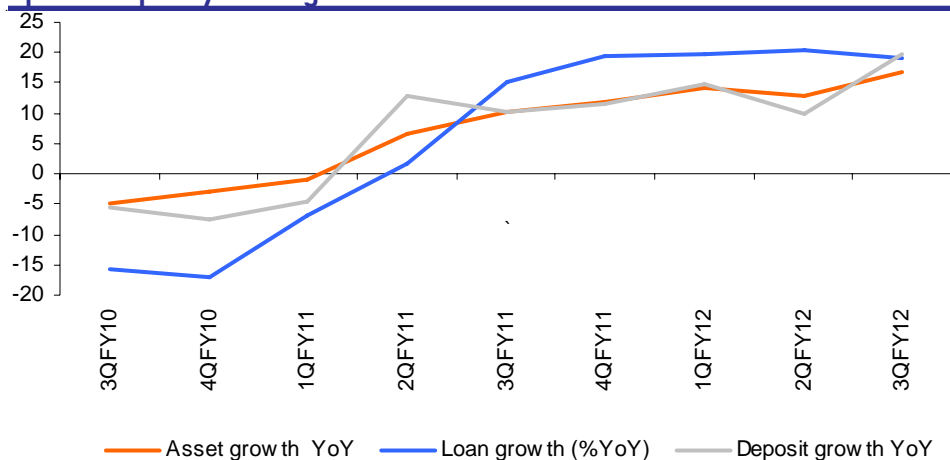
We maintain our earnings estimates for FY12e and FY13e as well as target price of INR1,320 with a BUY rating based on 2.3 FY13e P/BV on core book.

**Quarterly financials**

INRm	3QFY11	2QFY12	3QFY12	QoQ (%)	YoY (%)
Non fund income	17,488	17,396	18,919	9	8
Net interest income	23,117	25,064	27,120	8	17
Net revenue	40,605	42,460	46,039	8	13
Operating expenses	17,179	18,922	19,168	1	12
Operating profit	23,426	23,538	26,871	14	15
Provisions	4,643	3,188	3,411	7	(27)
PBT	18,783	20,350	23,460	15	25
Tax	4,413	5,318	6,179	16	40
PAT	14,370	15,032	17,281	15	20

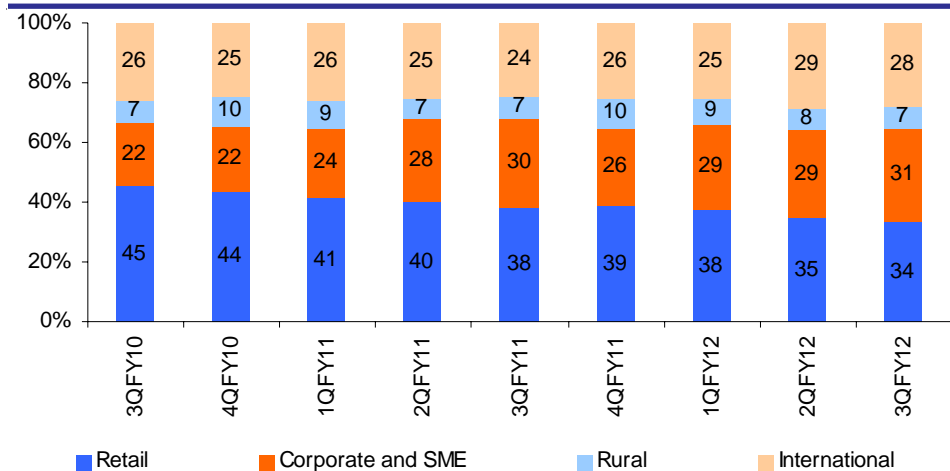
Source: Company, Antique

### Upward trajectory in loan growth continues



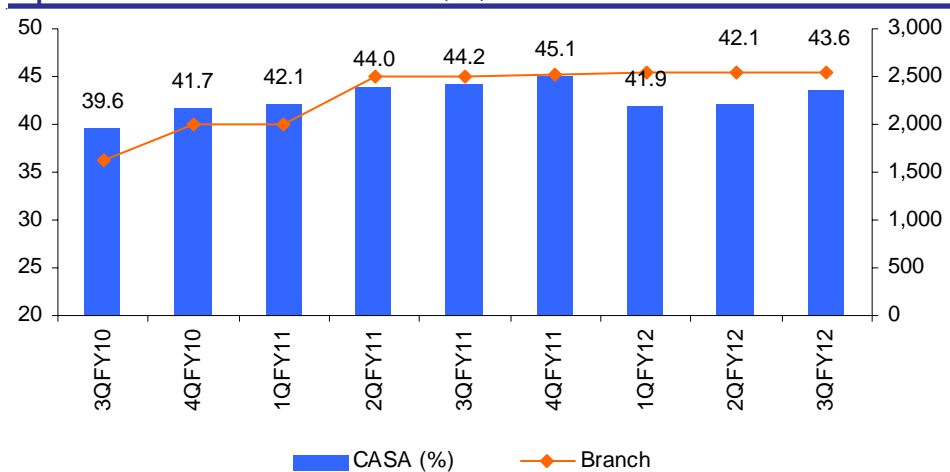
Source: Company, Antique

### Well diversified loan book



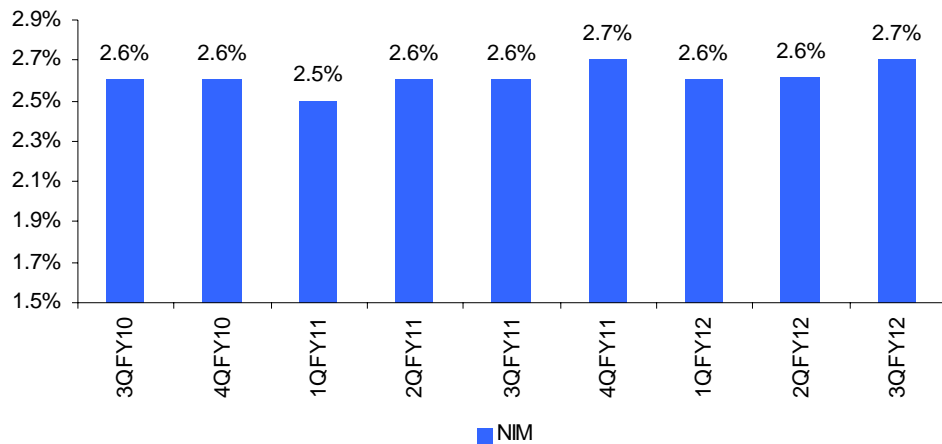
Source: Company, Antique

### Improvement in CASA franchise on a QoQ basis



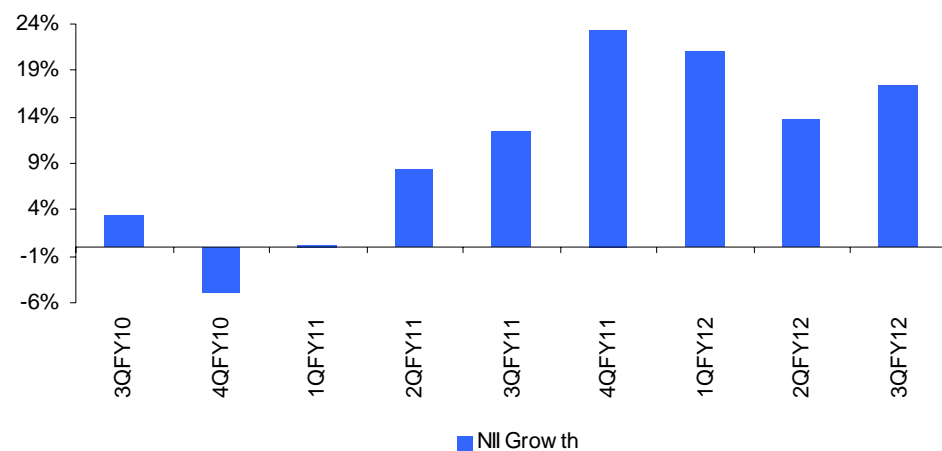
Source: Company, Antique

**Margins expand on a sequential basis**



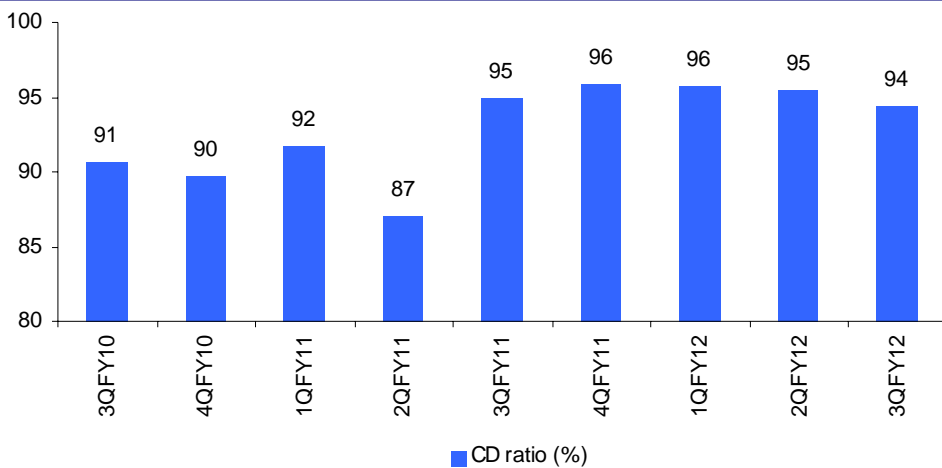
Source: Company, Antique

**Growth in NII continue to remain healthy at 17% YoY**



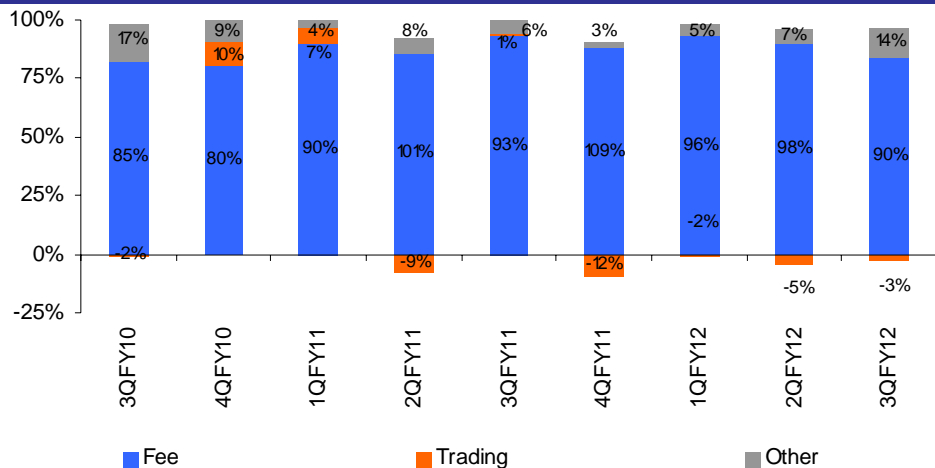
Source: Company, Antique

**CD ratio stable at 94%**



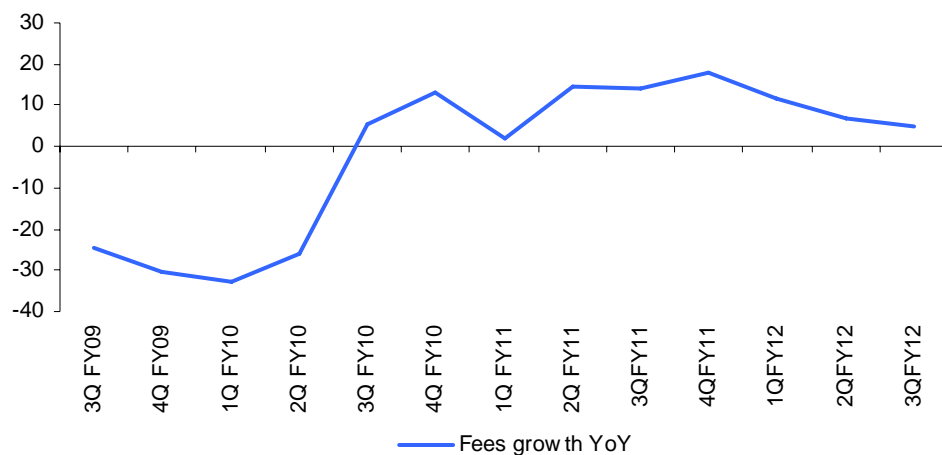
Source: Company, Antique

**Core fee income driven by corporate segment**



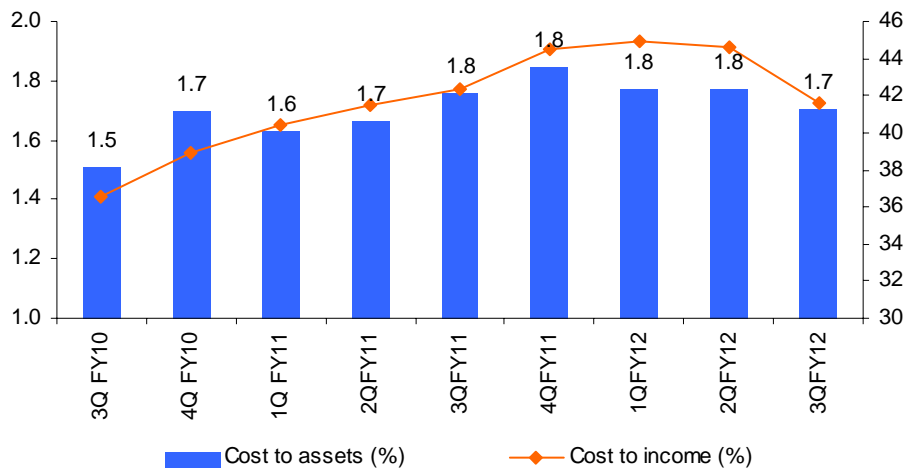
Source: Company, Antique

**Declining trend in core fee income**



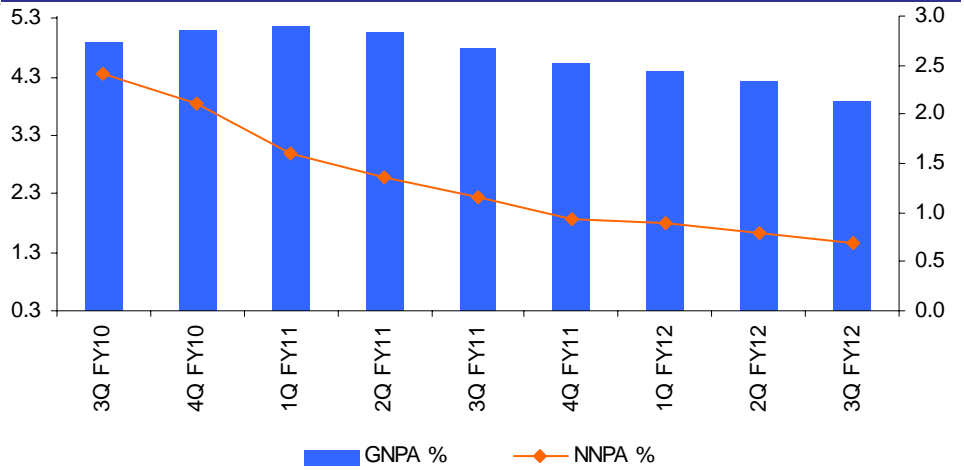
Source: Company, Antique

**Declining trend in cost ratios**



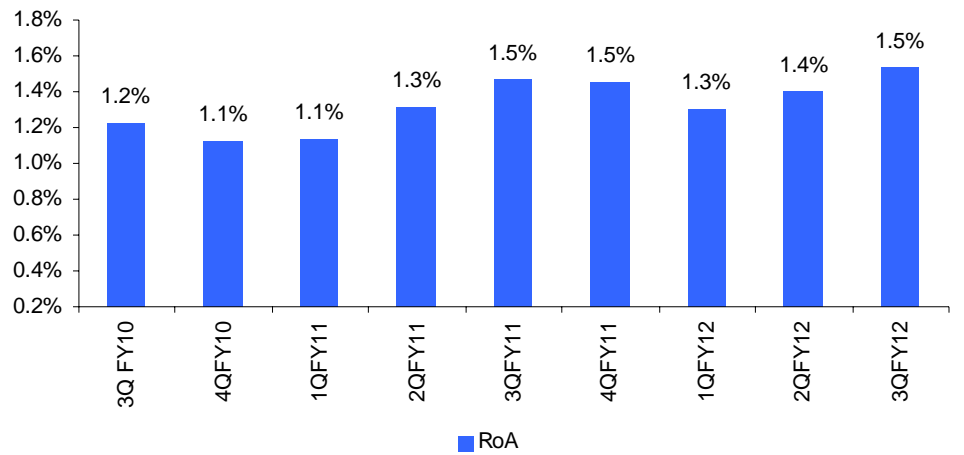
Source: Company, Antique

**Asset quality improved on a sequential basis...**



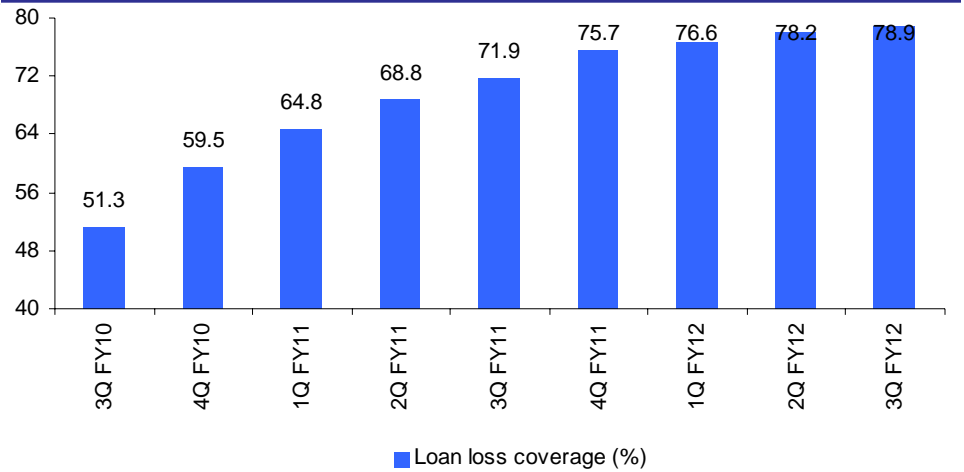
Source: Company, Antique

**... resulting in rapidly improving RoA**



Source: Company, Antique

**Coverage ratio in a comfort zone**



Source: Company, Antique



**SOTP valuation**

	<b>Basis</b>	<b>Multiple (x)</b>	<b>Stake</b>	<b>Value/sh (INR)</b>
Core Banking business	BV	2.5	100%	1,022
ICICI Canada	BV	1	100%	42
ICICI Bank UK	BV	1	100%	20
Life Insurance	NBAP	12%	74%	122
General Insurance	BV	1.1	74%	13
AMC	Market value	5%	51%	21
ICICI Ventures	% of AUM	10%	100%	11
ICICI Securities	PE	15	100%	11
ICICI PD	BV	1.4	100%	22
ICICI Home finance	BV	1.5	100%	24
<b>Total</b>				<b>1,307</b>

Source: Antique

**Quarterly financials - Detailed**

<b>INRm</b>	<b>3QFY11</b>	<b>2QFY12</b>	<b>3QFY12</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>
Interest income	66,960	81,576	85,919	5	28
Non fund income	17,488	17,396	18,919	9	8
Non trading income	18,928	17,646	19,719	12	4
Interest expenses	43,842	56,512	58,799	4	34
Net interest income	23,117	25,064	27,120	8	17
Net revenue	40,605	42,460	46,039	8	13
Operating expenses	17,179	18,922	19,168	1	12
Staff	7,605	8,427	8,366	(1)	10
Other operating expenses	9,575	10,495	10,802	3	13
Operating profit	23,426	23,538	26,871	14	15
Provisions	4,643	3,188	3,411	7	(27)
PBT	18,783	20,350	23,460	15	25
Tax	4,413	5,318	6,179	16	40
PAT	14,370	15,032	17,281	15	20
Ratios (%)					
NIM (%)	2.6	2.6	2.7	0.1	0.1
Cost to assets	1.8	1.8	1.7	(0.1)	(0.1)
Cost to income	42.3	44.6	41.6	(2.9)	(0.7)
CASA (%)	44.2	42.1	43.6	1.5	(0.6)
Gross NPA (INRm)	102,300	101,070	98,200	(3)	(4)
Net NPA (INRm)	28,730	22,360	20,820	(7)	(28)
Gross NPA (%)	4.8	4.2	3.8	(0.3)	(0.9)
Net NPAs (%)	1.2	0.8	0.7	(0.1)	(0.5)
Advances (INRbn)	2,067	2,340	2,462	5	19
Deposits (INRbn)	2,177	2,451	2,606	6	20

Source: Company, Antique

## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
<b>Net interest income</b>	<b>83,666</b>	<b>81,144</b>	<b>90,169</b>	<b>105,516</b>	<b>128,823</b>
Other income	76,037	74,777	66,479	82,764	94,849
Trading profits	18,180	8,662	-2,022	2,500	3,000
Non-trading income	57,857	66,115	68,501	80,264	91,849
<b>Net revenue</b>	<b>159,703</b>	<b>155,920</b>	<b>156,648</b>	<b>188,280</b>	<b>223,672</b>
Operating expenses	70,451	58,598	66,172	80,736	94,074
Provisions	38,083	43,869	22,868	20,259	25,324
<b>PBT</b>	<b>51,169</b>	<b>53,453</b>	<b>67,608</b>	<b>87,284</b>	<b>104,274</b>
Provision for tax	13,588	13,203	16,093	23,392	28,675
<b>PAT</b>	<b>37,580</b>	<b>40,250</b>	<b>51,514</b>	<b>63,892</b>	<b>75,599</b>

### Balance sheet (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Advances	2,183,110	1,812,056	2,163,659	2,536,856	3,018,598
Investments	1,030,553	1,208,928	1,346,860	1,621,859	1,728,163
Cash and bank balances	299,660	388,737	340,901	376,451	415,858
Fixed assets	38,016	32,127	47,443	52,572	58,151
Other assets	241,636	192,149	163,475	171,648	180,231
<b>Total</b>	<b>3,792,975</b>	<b>3,633,997</b>	<b>4,062,337</b>	<b>4,759,386</b>	<b>5,401,000</b>
Share Capital	11,133	11,149	11,518	11,518	11,518
Total Reserves	484,200	505,035	539,388	585,390	647,215
<b>Networth</b>	<b>495,333</b>	<b>516,184</b>	<b>550,906</b>	<b>596,909</b>	<b>658,733</b>
Preference Capital	3,500	3,500	3,500	3,500	3,500
Borrowings	928,055	939,136	1,092,043	1,287,845	1,488,559
Deposits	2,183,478	2,020,166	2,256,021	2,679,297	3,020,005
other liabilities	182,610	155,012	159,863	191,836	230,203
<b>Total</b>	<b>3,792,975</b>	<b>3,633,997</b>	<b>4,062,337</b>	<b>4,759,386</b>	<b>5,401,000</b>

### Per share data

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Shares outstanding (m)	1113	1115	1152	1152	1152
EPS (INR)	33.8	36.1	44.7	55.5	65.6
BV/sh (INR)	444.9	463.0	478.3	518.2	571.9

Source: Company, Antique

### Growth ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
NII	15	(3)	11	17	22
Net revenue	(1)	(2)	0	20	19
PAT	(10)	7	28	24	18
Total assets	(5)	(4)	12	17	13
Advances	(3)	(17)	19	17	19
Deposits	(11)	(7)	12	19	13
Casa as % Deposit	29	42	45	46	47

### Valuation ratios (x)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
P/E	26.7	25.0	20.2	16.3	13.7
P/BV	2.0	1.9	1.9	1.7	1.6
P/ABV	2.2	2.1	2.0	1.8	1.7

### Operating ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Operating cost to income	44.1	37.6	42.2	42.9	42.1
Opex/avg. assets	1.8	1.6	1.7	1.8	1.9

### Profitability ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Net interest margin	2.1	2.2	2.3	2.4	2.5
Return on avg. assets	1.0	1.1	1.3	1.4	1.5
Return on avg. net worth	7.6	7.8	9.4	10.7	11.5

### Asset quality and capital (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Gross NPAs	4.4	5.2	4.6	4.6	4.6
Net NPAs	2.1	2.1	1.1	1.4	1.4
Provisioning coverage	52.8	59.5	76.0	70.0	70.0
Loan loss provisions/avg loans	1.7	2.2	1.0	0.9	0.9
Tier I capital adequacy	11.8	14.0	13.2	12.4	11.7

Source: Company Antique



<b>Current Reco</b>	: BUY
<b>Previous Reco</b>	: BUY
<b>CMP</b>	: INR940
<b>Target Price</b>	: INR1,340
<b>Potential Return</b>	: 43%

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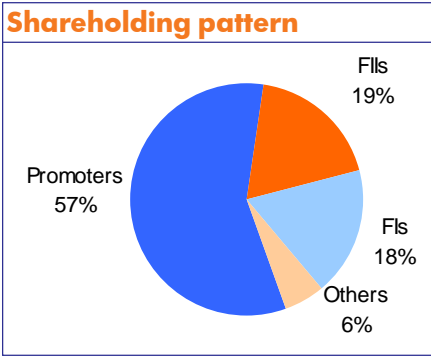
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Market data	
Sector	: BANKS
Market Cap (INRbn)	: 298
Market Cap (USDbn)	: 6
O/S Shares	: 317
Free Float (m)	: 106
52-wk HI/LO (INR)	: 1,235/751
Avg Daily Vol ('000)	: 484
Bloomberg	: PNB IN

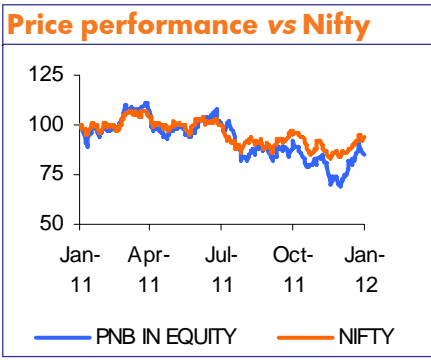
Source: Bloomberg

Returns (%)				
	1 m	3 m	6 m	12 m
Absolute	21	(4)	(16)	(15)
Relative	8	(1)	(11)	(9)

Source: Bloomberg



Source: BSE



Source: Bloomberg

3QFY12 RESULTS REVIEW

# Punjab National Bank

## Operating performance inline, asset quality disappoints

### Results highlights

Punjab National Bank (PNB) reported earnings with net profits at INR11.5bn (+6% YoY) in 3Q, below our estimates of INR12.54bn (consensus estimates at INR12.58bn), on higher than expected loan loss provisioning. However, core earnings progression positively surprised on better than expected NII traction and stronger recoveries in written-off accounts. Higher slippages and deterioration in asset quality ratios were the key negative that emerged from the result.

### Moderation in b/s growth in line with industry; margins compress on expected lines

Loan growth moderated to 19% YoY, pretty much in line with the industry, driven by infrastructure, retail and MSME loans. Margins for the bank came compressed by 7bps sequentially to 3.88% on the back of rise in cost of funds. Given the high interest rate environment, the bank has witnessed signs of cannibalisation of low cost deposits to retail term deposits leading to erosion in CASA by 100bps with CASA ratio share declining to 36.1%. While the momentum in savings and current deposits accretion slowed down, retail term deposits continued to be robust at 31% YoY. Going forward, management is guiding sedate NIMs at 3.5% levels for full year FY12e and moderate b/s growth.

### Asset quality deteriorates

Asset quality for the bank substantially deteriorated with GNPA accretion at 25%QoQ. Slippages came in at INR16.83bn (delinquency ratio at 2.6% vs. 1.6% in 2QFY12) as the bank recognized its exposure to Kingfisher as NPL (INR7.5bn). Overall, provisioning came in higher at INR9.46bn on the back of NPV provisioning of INR1.2-1.3bn linked to GTL exposure under CDR. However, lower recoveries and upgrades were key disappointment during the quarter. Restructured book increased by INR18.9bn (one large chunky account related to telecom of INR9.9bn) to INR168.8bn at 6.4% of advances. While the bank is likely to witness SEB restructuring (related to Rajasthan & Haryana) during 4Q, the management is confident of containing GNPA ratio at <2%.

### Valuation and outlook

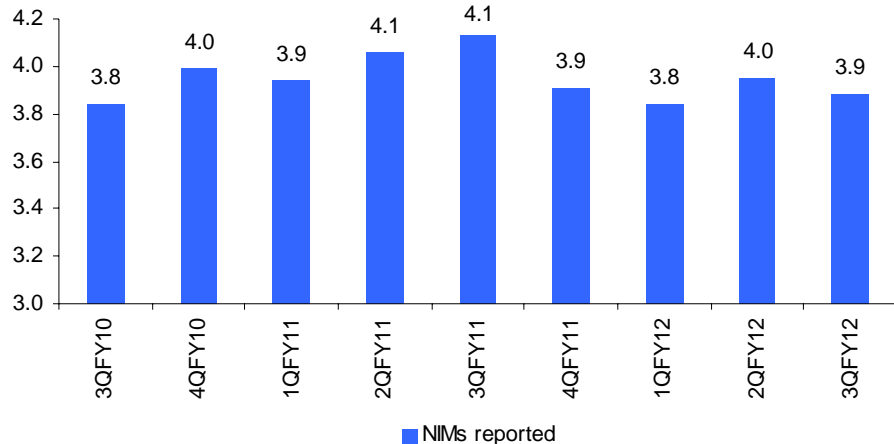
While slippages and credit costs continue to remain high for the bank, risk adjusted margins (margins - credit costs) continue to remain amongst the highest within PSU banks. PNB continues to remain one of the best deposit franchises with best in class margins and returns profiles and has adequate earnings power to absorb any negative surprises on asset quality. Hence, we reiterate a BUY with a target price of INR1,340.

### Quarterly financials

INRm	3QFY11	2QFY12	3QFY12	QoQ (%)	YoY (%)
Non fund income	8,572	8,889	9,541	7	11
Net interest income	32,033	34,526	35,366	2	10
Net revenue	40,605	43,414	44,907	3	11
Operating expenses	17,106	18,137	18,143	0	6
Operating profit	23,499	25,278	26,765	6	14
Provisions	7,139	7,103	9,461	33	33
PBT	16,360	18,175	17,304	(5)	6
Tax	5,463	6,124	5,803	(5)	6
PAT	10,898	12,050	11,501	(5)	6

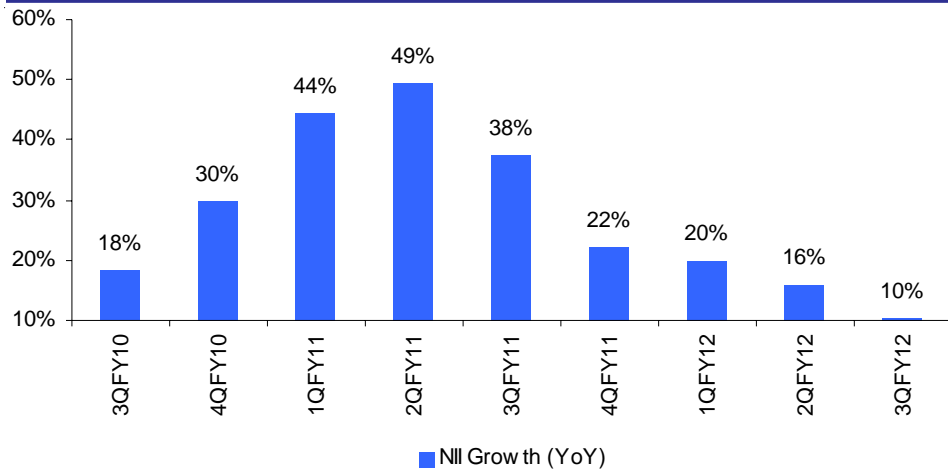
Source: Company, Antique

### Margins decline on a sequential basis



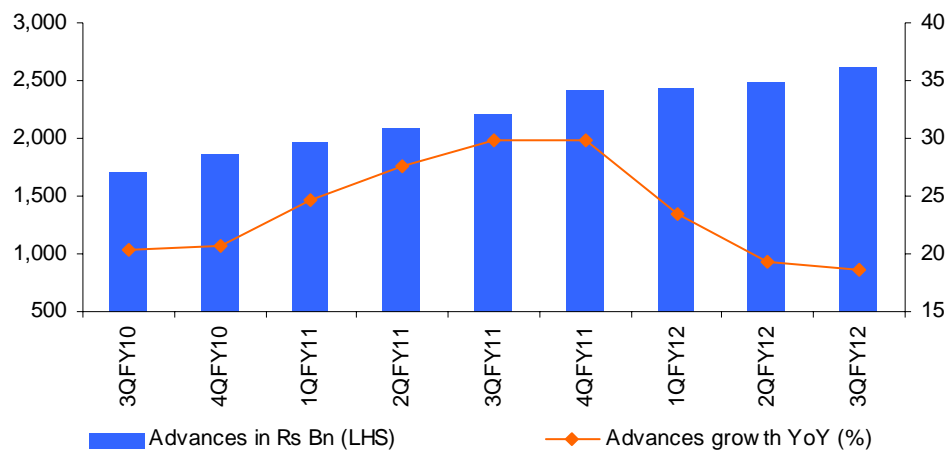
Source: Company, Antique

### On the back of moderating trends in NII growth



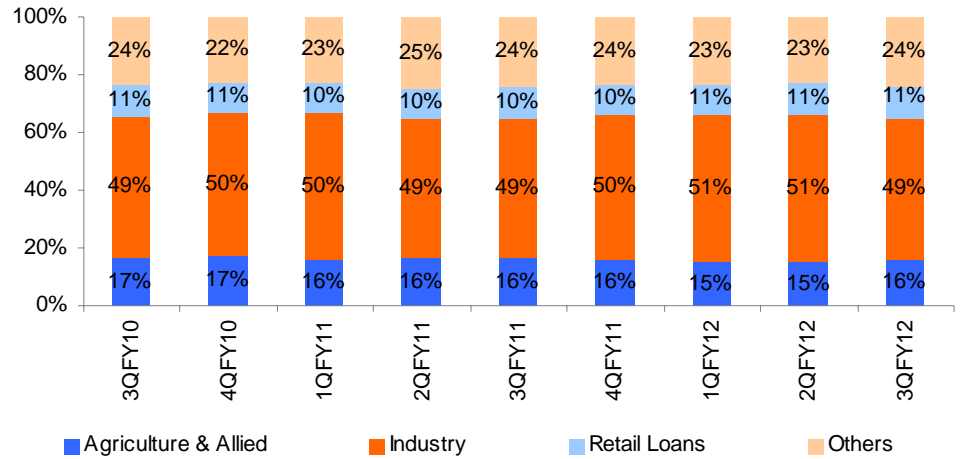
Source: Company, Antique

### Loan growth showing signs of moderation



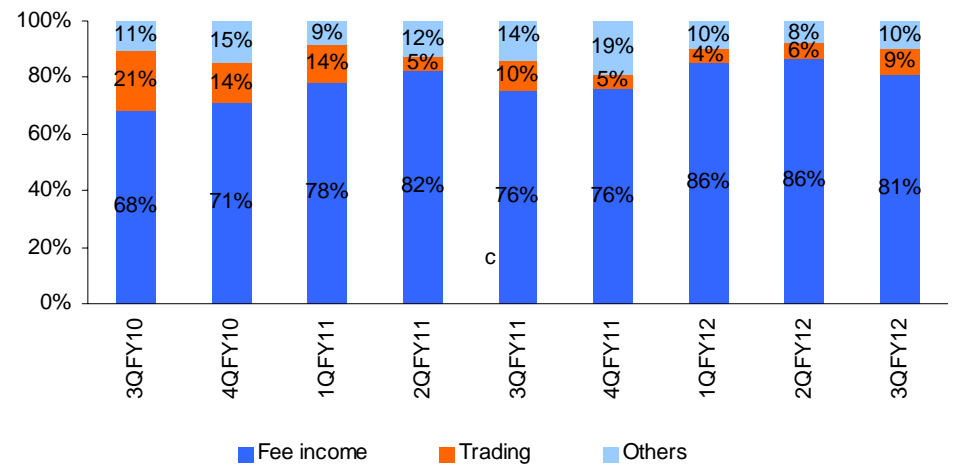
Source: Company, Antique

**Loan mix remains stable on a sequential basis**



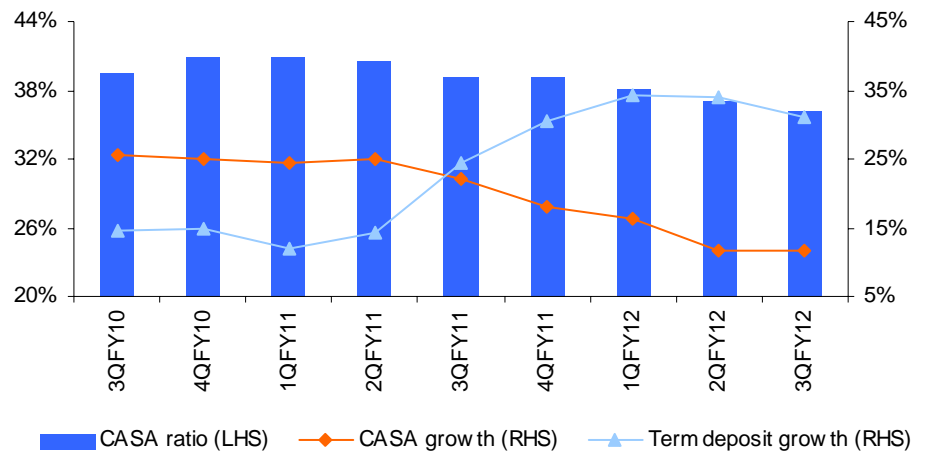
Source: Company, Antique

**Non-fund income dominated by high proportion of core fee income**



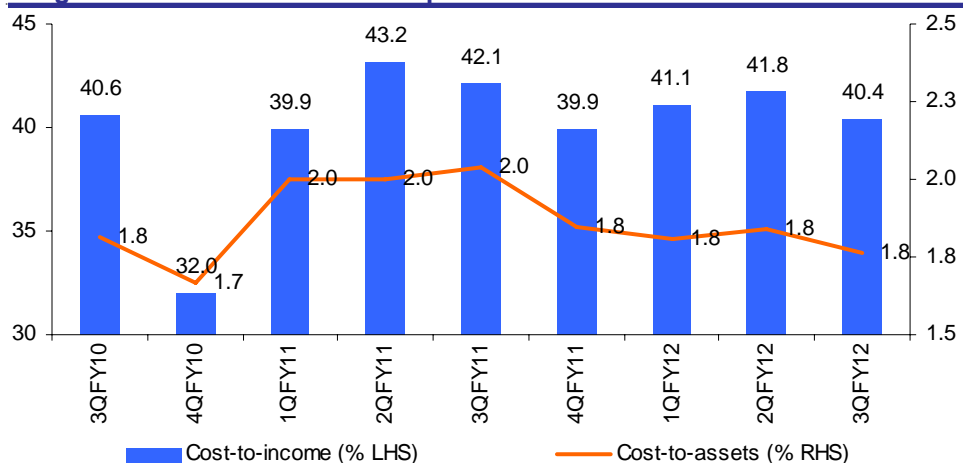
Source: Company, Antique

**CASA momentum slowing at 6% QoQ due to traction in term deposits**



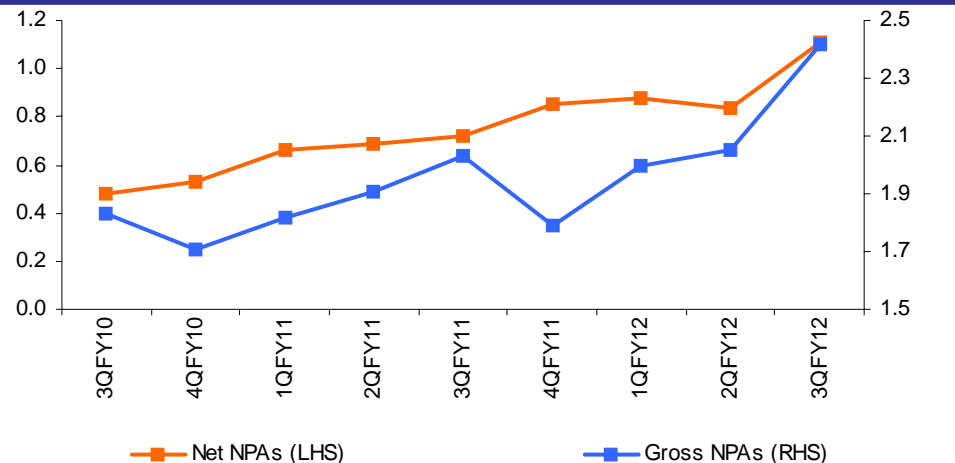
Source: Company, Antique

### Marginal decline in cost ratio on a sequential basis



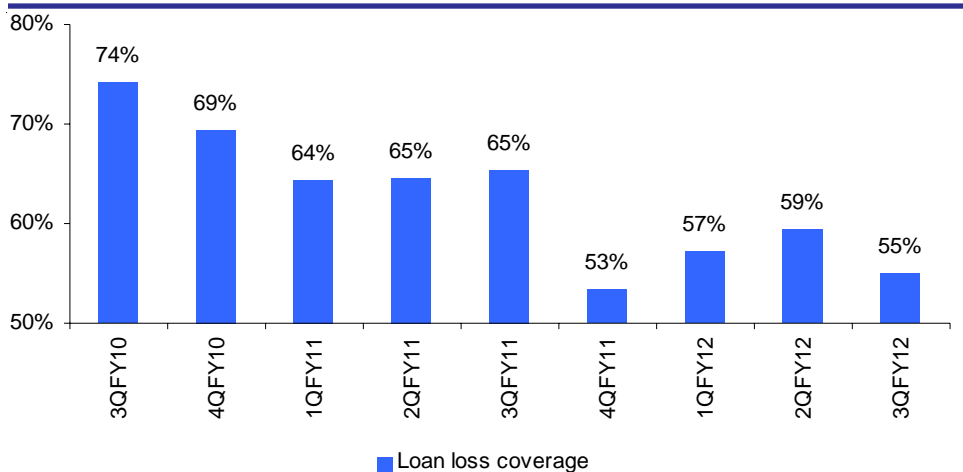
Source: Company, Antique

### Asset quality deteriorates on a sequential basis



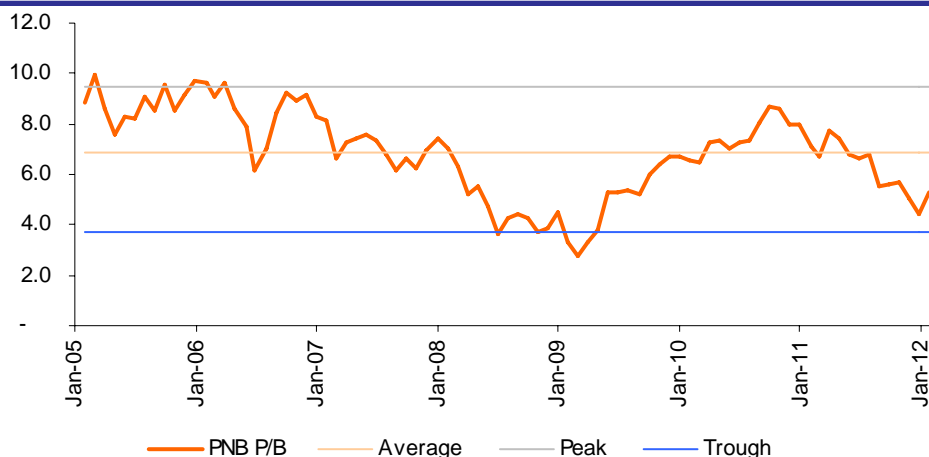
Source: Company, Antique

### Trends in PCR ratio



Source: Company, Antique

**Historical P/BV valuation band for PNB**



Source: Company, Antique

**Quarterly financials - Detailed**

INRm	3QFY11	2QFY12	3QFY12	QoQ (%)	YoY (%)
Interest income	71,191	89,520	94,810	6	33
Non fund income	8,572	8,889	9,541	7	11
Non trading income	8,572	8,889	9,541	7	11
Interest expenses	39,158	54,994	59,444	8	52
Net interest income	32,033	34,526	35,366	2	10
Net revenue	40,605	43,414	44,907	3	11
Operating expenses	17,106	18,137	18,143	0	6
Staff	12,235	12,404	12,636	2	3
Other operating expenses	4,871	5,732	5,507	(4)	13
Operating profit	23,499	25,278	26,765	6	14
Provisions	7,139	7,103	9,461	33	33
NPA	5,550	3,190	5,790	82	4
PBT	16,360	18,175	17,304	(5)	6
Tax	5,463	6,124	5,803	(5)	6
PAT	10,898	12,050	11,501	(5)	6
<b>Ratios (%)</b>					
NIM (%)	4.13	3.95	3.88	(0.07)	(0.25)
Yield on advances	10.59	11.92	11.97	0.05	1.38
Yield on investments	0.00	7.78	7.86	0.08	7.86
Cost of deposits	0.00	0.00	0.00	0.00	0.00
Cost to assets	2.04	1.84	1.76	(0.08)	(0.28)
Cost to income	42.13	41.78	40.40	(1.38)	(1.39)
CASA (%)	39.1	37.1	36.2	(0.9)	(3.5)
Gross NPA (INRm)	45,411	51,501	64,418	25	42
Net NPA (INRm)	15,751	20,885	29,014	39	84
Gross NPA (%)	2.03	2.05	2.42	0.37	0.39
Net NPAs (%)	0.72	0.84	1.11	0.27	0.39
CAR (%)	11.90	12.23	11.48	(0.75)	(0.42)
Tier 1 (%)	7.58	8.37	7.85	(0.52)	0.27
Advances (INRbn)	2,213	2,490	2,626	5	19
Deposits (INRbn)	2,889	3,418	3,565	4	23

Source: Company, Antique

## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Interest earned	191,272	214,221	269,865	335,433	385,408
Interest Expenses	122,953	129,440	151,791	202,170	230,446
<b>Net interest income</b>	<b>68,319</b>	<b>84,781</b>	<b>118,073</b>	<b>133,263</b>	<b>154,962</b>
Other income	30,647	36,101	36,126	39,428	42,758
Fee Income	23,689	27,797	32,840	36,151	39,468
<b>Net revenue</b>	<b>98,966</b>	<b>120,882</b>	<b>154,199</b>	<b>172,691</b>	<b>197,720</b>
Operating expenses	42,062	47,619	63,642	70,006	82,258
<b>Operating profit</b>	<b>56,904</b>	<b>73,263</b>	<b>90,557</b>	<b>102,684</b>	<b>115,462</b>
Provisions	9,235	14,215	24,920	27,916	29,427
<b>PBT</b>	<b>47,669</b>	<b>59,048</b>	<b>65,637</b>	<b>74,768</b>	<b>86,035</b>
Provision for tax	16,760	19,994	21,302	24,674	28,392
<b>PAT</b>	<b>30,909</b>	<b>39,054</b>	<b>44,335</b>	<b>50,095</b>	<b>57,644</b>

### Balance sheet (INRm)

YE 31st Mar	2009	2010	2011	2012e	2013e
<b>Liabilities</b>					
Equity capital	3,153	3,153	3,168	3,168	3,168
Reserves	143,383	174,076	211,917	253,818	299,933
Networth	146,536	177,229	215,085	256,986	303,101
Deposits	2,097,605	2,493,298	3,128,987	3,632,709	4,271,642
Borrowings	124,597	192,624	315,897	347,487	364,861
Other liabilities	100,448	103,177	123,283	129,447	142,391
<b>Total</b>	<b>2,469,186</b>	<b>2,966,328</b>	<b>3,783,252</b>	<b>4,366,628</b>	<b>5,081,995</b>
<b>Assets</b>					
Loans	1,547,030	1,866,012	2,421,067	2,856,859	3,428,230
Investments	633,852	777,245	951,624	1,046,786	1,151,465
Cash & equi	214,131	234,736	296,912	326,603	340,507
Fixed assets	23,971	25,135	31,056	37,267	42,857
Other assets	50,202	63,201	82,594	99,113	118,936
<b>Total</b>	<b>2,469,186</b>	<b>2,966,328</b>	<b>3,783,253</b>	<b>4,366,628</b>	<b>5,081,995</b>

### Per share data

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Outstanding share	315.3	315.3	316.8	316.8	316.8
EPS	98.0	123.9	139.9	158.1	181.9
BV/sh	416.7	514.8	632.5	762.4	905.5
Adjusted BV/sh	410.0	489.9	581.0	692.0	804.3

Source: Company, Antique

### Growth ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
NII	23.4	24.1	39.3	12.9	16.3
Net Revenue	31.4	22.1	27.6	12.0	14.5
Operating Profit	42.0	28.7	23.6	13.4	12.4
PAT	50.9	26.4	13.5	13.0	15.1
Total assets	24.1	20.1	27.5	15.4	16.4
Advances	29.5	20.6	29.7	18.0	20.0
Deposits	26.0	18.9	25.5	16.1	17.6
Casa as a % of deposits	38.8	40.8	38.5	40.0	42.0

### Valuation ratios (x)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
P/E	9.6	7.6	6.7	5.9	5.2
P/BV	2.3	1.8	1.5	1.2	1.0
P/ABV	2.3	1.9	1.6	1.4	1.2
DPS	23.4	25.7	25.6	31.6	36.4

### Operating ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Operating cost to income	42.5	39.4	41.3	40.5	41.6
Operating expenses/avg. assets	1.9	1.8	1.9	1.7	1.7

### Profitability ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Return on assets	1.3	1.5	1.3	1.2	1.2
Return on equity	22.9	24.1	22.6	21.2	20.6

### Asset quality and capital (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Gross NPA	1.6	1.7	1.8	2.2	2.6
Net NPA	0.2	0.5	0.8	1.0	1.2
Provisioning coverage	89.5	69.5	53.4	55.0	55.0
Slippage	1.45	1.83	2.32	2.20	2.20
Tier1 Capital adequacy	9.0	9.1	8.4	8.5	8.4
Total CAR	14.0	14.2	12.4	12.6	12.5

Source: Company Antique





<b>Current Reco</b>	: BUY
<b>Previous Reco</b>	: BUY
<b>CMP</b>	: INR480
<b>Target Price</b>	: INR535
<b>Potential Return</b>	: 12%

3QFY12 RESULTS REVIEW

# Havells India Limited

No sign of fatigue here!

## Results highlights

### Domestic revenues maintain strong momentum

Havells India Limited's (HIL) 3QFY12 standalone and consolidated revenues at INR9bn and INR16.6bn were in line with our estimates. In India, growth was impressive across all verticals viz. cables & wires (C&W), lighting & fixtures (L&F) and consumer durables, while the switchgears division delivered the second quarter of superlative growth (30% YoY) after two quarters of sluggish growth in 4QFY11 and 1QFY12.

Sylvania's revenues fell 4% YoY to Euro114m, but improved product mix and timely price increases across several key product lines coupled with tight cost control resulted in EBITDA rising 30% YoY to Euro7.8m in the quarter.

### Sylvania sees margin improvement, Indian OPM slightly better

HIL delivered margin improvement of 290bps (consolidated) on the back of a superior product mix and savings resulting from the management's efforts at rationalisation of manufacturing and selling costs in Sylvania. This reflected HIL's continued preference on operational profitability as opposed to improving revenues at the cost of margins and cash flows. In India, HIL registered an OPM of 12.7% (+10bps YoY). Its consolidated EBITDA jumped 52% to INR1.8bn in the quarter. The company also registered a forex loss of INR194m on account of M-to-M provisioning on its forex loans in India as well as its Brazilian operations. PAT stood at INR889m (+40%).

## Valuation and outlook

HIL's 3QY12 operating performance and profitability, at the domestic and international levels, were in line with our estimates. Going forward, we believe that HIL's domestic turnover and margins would play a key role in shaping the operational cash flows of the company. We expect HIL to focus on higher channel sweating in domestic and international markets, which in turn, should bolster profitability and cash flows. This would be the key to fortifying its balance sheet metrics and return ratios. We reiterate a BUY recommendation on the stock, with a marginally higher target price of INR535, which represents an upside of 12% from current levels.

### Quarterly financials (Standalone)

INRm	3QFY12	3QFY11	Chg (%)	2QFY12	Chg (%)
Revenue	8,982	7,279	23.4	8,518	5.4
Expense	7,843	6,365	23.2	7,489	4.7
EBITDA	1,138	914	24.6	1,029	10.6
Other income	1	1	0.0	2	(17.6)
Depreciation	104	75	37.6	91	13.6
PBT	968	788	22.8	868	11.4
Tax	179	171	0.0	166	7.7
Reported PAT	789	617	27.8	702	12.3

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### Market data

Sector	: Electricals
Market Cap (INRm)	: 60,010
Market Cap (USDm)	: 1,214
O/S Shares	: 125
Free Float (m)	: 49
52-wk HI/LO (INR)	: 485/290
Avg Daily Vol ('000)	: 424
Bloomberg	: HAVL IN

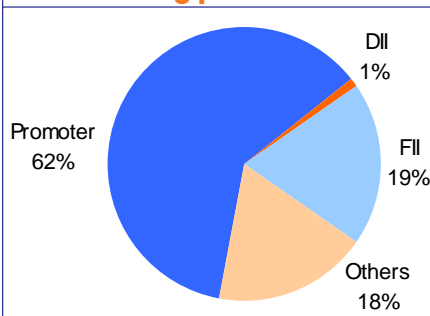
Source: Bloomberg

### Returns (%)

	1m	3m	6m	12m
Absolute	25	35	32	39
Relative	12	39	40	48

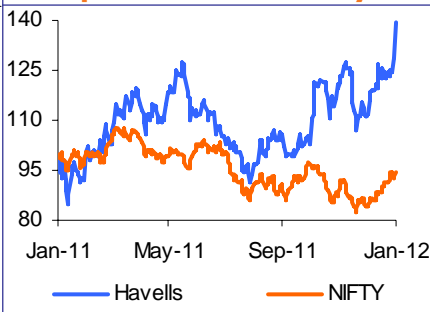
Source: Bloomberg

### Shareholding pattern



Source: BSE

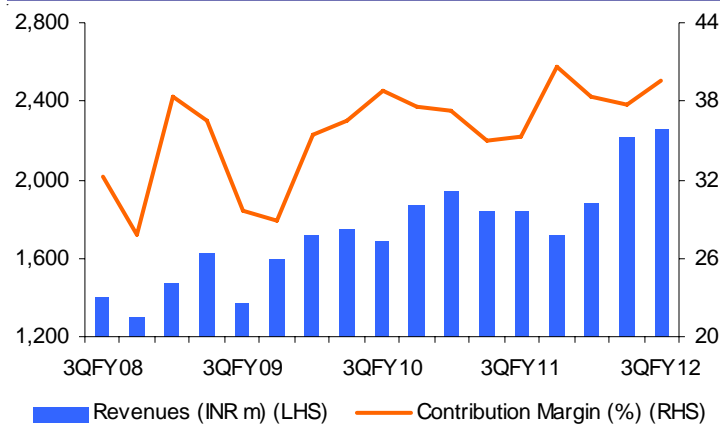
### Price performance vs Nifty



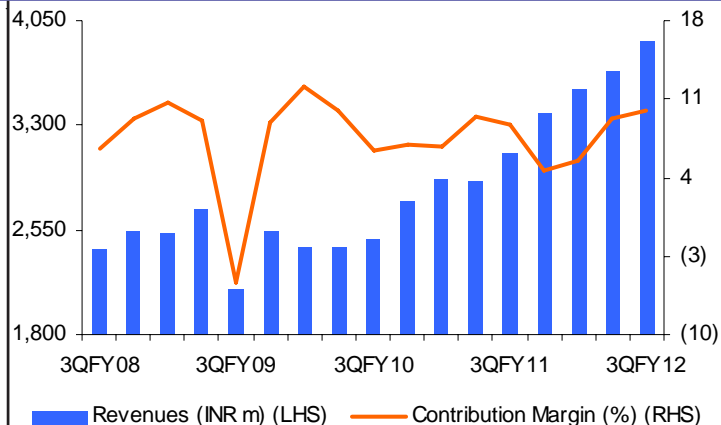
Source: Bloomberg

Source: Company, Antique

### Switchgears



### Cables & Wires



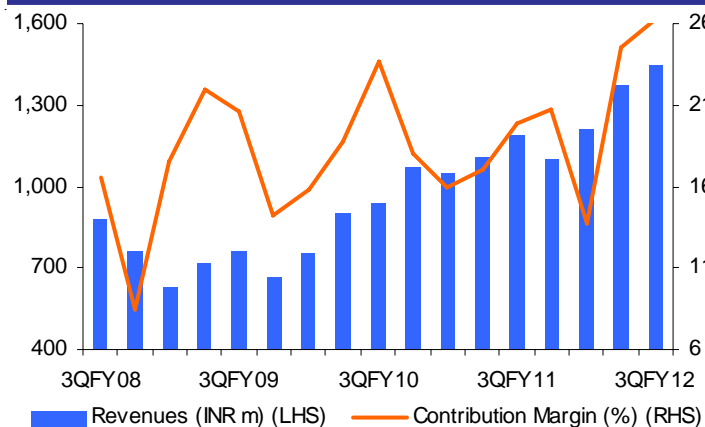
Source: Company, Antique

## Other key highlights

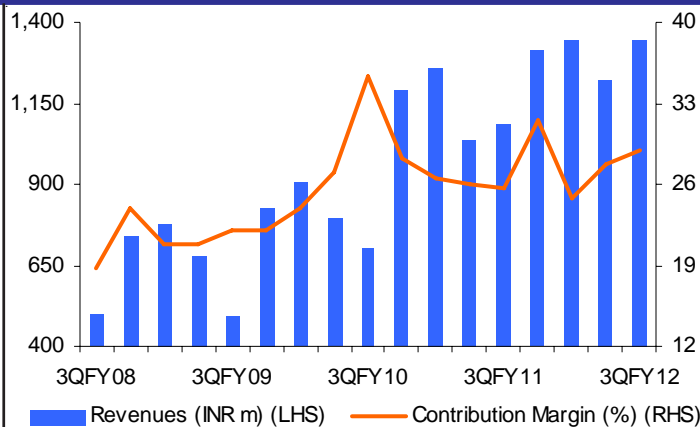
### Indian operations

- The company delivered a stellar performance in its domestic business, as revenues in 3QFY12 rose 23% YoY to INR9bn on the back of higher revenues across all divisions viz. consumer durables (+35%), switchgears (+30%), cables and wires (+29%) and lighting and fixtures (+28%). It was heartening to note the company maintained the traction in revenue growth in the switchgears division after two consecutive quarters of insipid performance viz. 4QFY11 and 1QFY12.
- OPM rose marginally by 10bps to 12.7%, as the company maintained a tight rein on SG&A expenses to offset the rise in material costs. Consequently, EBIDTA stood at INR1.1bn (+25%). An increase in working capital borrowings to fund stocking of raw materials and consumer durables, resulted in an increase in interest outgo by 32%. Additionally, higher depreciation (+38% YoY) resulted in HIL recording a PAT of INR789m in 3QFY12 (+28%).
- The company has outlined capex. of INR1.5bn in FY12 across verticals, with a particular emphasis on the L&F segment, which should be commercialised from 4QFY12 onwards.

### Lighting and fixtures



### Consumer durables



Source: Company, Antique

**Segmental financials (Standalone)**

INR m	Quarter Ending			Nine Months Ending		
	Dec-11	Dec-10	Gr (%)	Dec-11	Dec-10	Gr (%)
<b>Net Revenues</b>						
Switchgears	2,261	1,739	30.0	6,362	5,344	19.0
Cable and Wires	3,907	3,036	28.7	11,163	8,710	28.2
Lighting & Fixt.	1,448	1,133	27.8	4,033	3,189	26.5
El. Cons Dur	1,346	999	34.7	3,908	3,149	24.1
<b>Segment PBIT</b>						
Switchgears	894	651	37.3	2,457	2,021	21.6
Cable and Wires	385	267	44.2	1,037	738	40.6
Lighting & Fixtures	379	239	58.6	1,018	594	71.2
El. Cons. Dur.	390	277	40.5	1,145	882	29.8
Others	-	-	-	-	6	-
<b>PBIT Margin (%)</b>						
Switchgears	39.5	37.4	-	38.6	37.8	-
Cable and Wires	9.9	8.8	-	9.3	8.5	-
Lighting & Fixtures	26.2	21.1	-	25.2	18.6	-
El. Cons. Dur.	28.9	27.8	-	29.3	28.0	-
Others	-	-	-	-	37.4	-
Total Margin(%)	22.9	20.8	-	22.2	20.8	-
<b>ROCE (%)</b>						
Switchgears	104.0	83.1	-	95.3	86.0	-
Cable and Wires	98.5	52.1	-	88.4	47.9	-
Lighting & Fixtures	57.9	52.4	-	51.8	43.4	-
El. Cons. Dur.	119.5	109.6	-	117.1	116.2	-
Total ROCE of co.	44.7	37.8	-	41.2	37.3	-

Source: Company, Antique

**Sylvania**

- Sylvania's revenues were marginally lower (-4%) at Euro114m. However, in INR terms, revenues rose 11% due to favourable currency headwinds. Despite the ongoing turbulence in Europe, the company's revenues in this geography were only 4% lower, while EBIDTA more than doubled to Euro9.4m. However, operations in the Latin American geography experienced some headwinds on account of volatile currency, which resulted in a 4% decline in revenues. The corresponding OPM stood at 5.9%, a contraction of 20bps YoY, as the company opted to absorb the currency fluctuations as opposed to hiking prices.
- The management maintained its thrust on operational profitability as Sylvania's EBIDTA vaulted 30% YoY to Euro8m. This was achieved by means of a superior product mix, including thrust on sales of LED based lighting systems, which are more profitable. The absence of any exceptional items saw Sylvania registering a PAT of Euro2m (vs. loss of Euro0.3m).
- HIL's management has indicated that while European sales could stagnate and even decline marginally from current levels, focus on profitability through optimisation of product mix would continue over the next 5-6 quarters.
- Sylvania had a net debt position of Euro125m in 3QFY12. The management has indicated that it would be repaying Euro12m in 1QFY13 and will refinance the Euro40m bullet payment that is due in Apr'12.

### Sylvania performance

Eurom	3QFY12	3QFY11	Chg (%)	2QFY12	Chg (%)
Revenues	114	119	(4.1)	116	(1.8)
<b>EBIDTA</b>	<b>8</b>	<b>6</b>	<b>30.0</b>	<b>9</b>	<b>(13.3)</b>
EBIDTA %	6.8	5.1		7.8	
(+) Other Income	1	0	-	2	(1.4)
(-) Depreciation	2	2	(14.3)	2	(10.0)
(-) Interest	3	3	-	3	(10.0)
(-) Exceptional Items	1	1	-	3	(70.0)
<b>PBT</b>	<b>3</b>	<b>0</b>	<b>-</b>	<b>3</b>	<b>-</b>
Tax	1	1	57.1	1	-
<b>PAT</b>	<b>1.9</b>	<b>-0.3</b>	<b>-</b>	<b>2</b>	<b>-</b>

Source: Company, Antique

### Business outlook

#### Indian operations

- The launch of a new range of home appliances viz. mixers, juicers, grinders, irons etc in Sep'11 has met with an encouraging response, with the company effecting sales of INR300m in the first four months of operations. While the company plans to maintain its momentum of advertising, it has guided towards the next big chunk of the same to be expensed in 4QFY12.
- The company has also started shipping its switchgears product line to the UK in Oct'11, which it was supplying till 2QFY11 under third party labels.
- The company expects commodity prices to ease in the next 2-3 quarters, and hence, we feel that raw material cost pressures could ease going forward. However, the working capital cycle in India could rise as the company feeds more inventory into its channels.

#### Sylvania

- The major restructuring efforts undertaken in Sylvania have yielded conclusive results, as can be seen from its financial performance in 9mFY12. However, we believe that some amount of tweaking of the product profile could generate some price based leverage in the European theatre over the next 5-6 quarters.
- On the revenue front, while the improvement in profitability in Europe is not surprising, the performance of the company in L. America and Far East Asia is being disrupted by unfavourable currency movements as well turbulence in the local economies in this geography. While this doesn't diminish the prospects of revenue growth for Sylvania, we feel profitability of operations is a key metric to be watched out for.
- While the large portion outsourcing of manufacturing operations to China and India has served to improve Sylvania's operating metrics and return ratios so far, we believe adverse currency movements could generate undesirable levels of forex losses. However, we remain hopeful that the company has an adequate forex risk mitigation strategy to keep such losses at acceptable levels and help maintain OPM ~8% in 4QFY12e and FY13e.

## Valuation and outlook

- HIL's revenue traction in its Indian operations in the current quarter was most encouraging, as it clocked a monthly revenue run rate of INR3bn. This also indicates the company's strong focus on distribution and pricing, as it has affected the same at a constant debt level of INR1bn.
- On the consolidated level, we maintain that the company's focus on improving operating cash flows is the key to the gradual deleveraging of Sylvania and subsequent re-rating of the enterprise.
- While we haven't factored in significant growth in consolidated revenues going forward, we believe that operational metrics will register a minor improvement over the next 5-6 quarters, especially in Sylvania. As HIL maintains margins in Europe at current levels, we believe the incremental revenues cash flows would come from new geographies like ASEAN.
- In India, we expect the company's revenues to rise on back of higher sales in the lucrative consumer durables and switchgears verticals. On back of a solid brand and excellent dealer reach, we believe that revenues, profits and cash flows will receive a much needed boost.
- Going forward, we maintain our estimates of revenues of INR64bn in FY12e (+14%). The growth will primarily emanate in the Indian operations (+21%), while we estimate Sylvania's growth to be more sedate at 7% in FY12e. On the margin front, we estimate an OPM of 10.7% (consolidated), with PAT at ~INR3.6bn in FY12e (+18%).
- For FY13e, we have retained our estimates of revenues of INR72bn (+12%). Here again, we believe that India will be the lynchpin for growth (+19%), with margins static at current levels of ~12.7%. Simultaneously, we estimate Sylvania's growth to be taper out as the company opts for replacing the obsolete products in its lineup with contemporary offerings. We expect this to translate into more robust margins for Sylvania and estimate its OPM in FY13e at 9.8%. On a consolidated basis, we expect the company to clock an EBIDTA of ~INR8.2bn (+12%) in FY13e with PAT at ~INR4.7bn (+30%).
- We have always maintained our discomfort about the current levels of debt and the pace of repayment. However, the same is prudent in light of Sylvania's cash flow generation, as it negates the need for recapitalisation from the parent's Indian operations. We also feel that HIL's intentions to re-finance its bullet payment of Euro40m in FY13e would significantly alleviate fears on debt front. Going forward, we expect a gradual deleveraging of the company's balance sheet, with ~Euro18-20m of debt being repaid in FY13e.
- At the CMP of INR480, HIL is trading at PER and EV/EBIDTA multiples of 12.8x and 7.8x respectively, discounting its FY13e numbers. We have valued the company using the 'Sum-of-Parts' method and have assigned EBIDTA multiples to HIL's and Sylvania's operating profits.

**HIL: Valuation (FY13e)**

<b>Havells (Stand-Alone)</b>		<b>Sylvania</b>	
EBIDTA (INRm)	5,269	EBIDTA (INRm)	3,005
<b>EBIDTA multiple (x)</b>	<b>10</b>	<b>EBIDTA multiple</b>	<b>6</b>
EV (INRm)	53,744	EV (INRm)	18,029
Net Debt (INRm)	(3,522)	Net Debt (INRm)	8,537
Equity Value	57,266	Equity Value	9,492
<b>Value/sh (INR) - (A)</b>	<b>459</b>	<b>Value/sh (INR) - (B)</b>	<b>76</b>
<b>Havells India Ltd. (Consolidated) (A+B): Value /sh (INR)</b>			<b>535</b>

Source: Antique

We are optimistic about the overall operations of HIL and believe that the gradual reduction in Sylvania's debt over the next few years coupled with the buoyancy in Indian operations will trigger a re-rating in the stock. While the stock has run up sharply since our last update, we reiterate our BUY recommendation with a marginally higher price target of INR535, which reflects an upside of 12% from current levels.

## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Revenues	54,775	54,315	56,126	64,017	71,974
Expenses	51,889	51,093	50,556	57,147	63,728
<b>Operating Profit</b>	<b>2,886</b>	<b>3,222</b>	<b>5,571</b>	<b>6,870</b>	<b>8,246</b>
Other income	86	222	237	100	100
<b>EBIDT</b>	<b>2,972</b>	<b>3,444</b>	<b>5,808</b>	<b>6,970</b>	<b>8,346</b>
Depreciation	905	837	804	874	960
Interest expense	1,253	979	902	970	898
Profit before tax & excp. Items	814	1,628	4,102	5,126	6,488
(+) Exceptional items	(1,986)	-	(36)	-	-
<b>Profit before tax</b>	<b>(1,172)</b>	<b>1,628</b>	<b>4,066</b>	<b>5,126</b>	<b>6,488</b>
Taxes incl deferred taxation	429	932	1,031	1,538	1,817
<b>Profit after tax</b>	<b>(1,601)</b>	<b>696</b>	<b>3,035</b>	<b>3,588</b>	<b>4,672</b>
<b>Diluted EPS (INR)</b>	<b>(12.8)</b>	<b>5.6</b>	<b>24.3</b>	<b>28.8</b>	<b>37.4</b>

### Balance sheet (INRm)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Share Capital	301	301	624	624	624
Reserves & Surplus	5,845	3,701	5,914	9,064	13,298
<b>Networth</b>	<b>6,146</b>	<b>4,002</b>	<b>6,537</b>	<b>9,688</b>	<b>13,921</b>
Debt	12,278	10,664	11,173	10,373	9,573
Deferred Tax Liability	(97)	266	559	559	559
Minority Interest	2	2	6	6	6
<b>Capital Employed</b>	<b>18,328</b>	<b>14,934</b>	<b>18,275</b>	<b>20,625</b>	<b>24,059</b>
Gross Fixed Assets	28,961	26,963	28,454	30,104	31,104
Accumulated Depreciation	20,427	18,089	18,499	19,373	20,333
Net Assets	8,534	8,874	9,955	10,731	10,771
Capital work in progress	308	336	249	400	500
Goodwill	3,579	3,212	3,354	3,354	3,354
Investments	-	-	-	-	-
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	7,947	8,246	10,860	11,906	13,277
Debtors	7,573	6,982	7,724	8,891	9,996
Cash & Bank balance	2,473	1,481	1,779	1,729	4,558
Loans & advances and others	2,141	1,578	1,615	1,615	1,615
Other assets	79	102	100	100	100
<b>Current Liabilities &amp; Provisions</b>					
Creditors	13,934	15,555	16,722	17,462	19,473
Other liabilities & provisions	373	321	639	639	639
Net Current Assets	5,907	2,512	4,717	6,140	9,434
Miscellaneous Exp (not w/o)	1	0	-	-	-
<b>Application of Funds</b>	<b>18,328</b>	<b>14,934</b>	<b>18,275</b>	<b>20,625</b>	<b>24,059</b>

### Per share data

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
No. of shares (m)	60	60	125	125	125
BVPS (INR)	102.2	66.5	52.4	77.6	111.6
CEPS (INR)	(11.6)	25.5	30.8	35.8	45.1
DPS (INR)	2.5	3.8	2.5	3.0	3.0

Source: Company, Antique

### Cash flow statement (INRm)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
<b>PBT</b>	<b>(1,172)</b>	<b>1,628</b>	<b>4,066</b>	<b>5,126</b>	<b>6,488</b>
Depreciation & amortisation	905	837	804	874	960
Interest expense	1,084	871	812	970	898
Interest / Dividend Recd	(18)	(16)	55	(100)	(100)
Other Adjustments	(369)	(2,252)	(299)	-	-
(Inc)/Dec in working capital	2,168	2,543	(2,013)	(1,473)	(465)
Tax paid	(400)	(699)	(851)	(1,538)	(1,817)
<b>CF from operating activities</b>	<b>2,199</b>	<b>2,913</b>	<b>2,575</b>	<b>3,859</b>	<b>5,964</b>
Capital expenditure	(1,676)	(1,077)	(1,790)	(1,801)	(1,100)
(Purchase) / Sale of Investments	33	-	-	-	-
Income from investments	18	16	71	100	100
<b>CF from investing activities</b>	<b>(1,626)</b>	<b>(1,061)</b>	<b>(1,719)</b>	<b>(1,701)</b>	<b>(1,000)</b>
Inc/(Dec) in share capital	1,397	-	-	-	-
Inc/(Dec) in debt	(684)	(1,761)	454	(800)	(800)
Dividends & Interest paid	(1,229)	(1,035)	(1,026)	(1,407)	(1,335)
<b>CF from financing activities</b>	<b>(515)</b>	<b>(2,796)</b>	<b>(572)</b>	<b>(2,207)</b>	<b>(2,135)</b>
<b>Net cash flow</b>	<b>57</b>	<b>(944)</b>	<b>285</b>	<b>(49)</b>	<b>2,828</b>
Opening balance	2,358	2,415	1,471	1,756	1,707
Unreconciled Items	58	10	23	23	23
<b>Closing balance</b>	<b>2,473</b>	<b>1,481</b>	<b>1,779</b>	<b>1,729</b>	<b>4,558</b>

### Margins (%)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
EBITDA	5.3	5.9	9.9	10.7	11.5
EBIT	3.8	4.8	8.9	9.5	10.3
PAT	-2.9	1.3	5.4	5.6	6.5

### Growth indicators (%)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
Revenue	9.5	(0.8)	3.3	14.1	12.4
EBITDA	(16.7)	11.7	72.9	23.3	20.0
PAT	(199.5)	(143.5)	336.0	18.2	30.2
EPS	(199.5)	(143.5)	336.0	18.2	30.2

### Valuation (x)

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
PE	(37.4)	86.0	19.7	16.7	12.8
P/BV	9.7	15.0	9.2	6.2	4.3
EV/EBITDA	13.0	11.1	11.9	9.8	7.8
EV/Sales	0.7	0.7	1.2	1.0	0.9
Dividend Yield (%)	0.5	0.8	0.5	0.6	0.6

### Financial ratios

Year ended 31st Mar	2009	2010	2011e	2012e	2013e
RoE (%)	(24.5)	13.7	57.6	44.2	39.6
RoCE (%)	10.8	15.7	30.1	31.3	33.1
Debt/Equity (x)	2.0	2.7	1.7	1.1	0.7
EBIT/Interest (x)	1.6	2.7	5.5	6.3	8.2

Source: Company Antique



<b>Current Reco</b>	: BUY
<b>Previous Reco</b>	: BUY
<b>CMP</b>	: INR188
<b>Target Price</b>	: INR266
<b>Potential Return</b>	: 42%

3QFY12 RESULTS REVIEW

# Mcleod Russel India Limited

## On track for good year

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**Market data**

Sector	: Tea & Coffee
Market Cap (INRm)	: 20,561
Market Cap (USDm)	: 416
O/S Shares	: 109
Free Float (m)	: 51
52-wk HI/LO (INR)	: 296/166
Avg Daily Vol	: 700
Bloomberg	: MCLR IN

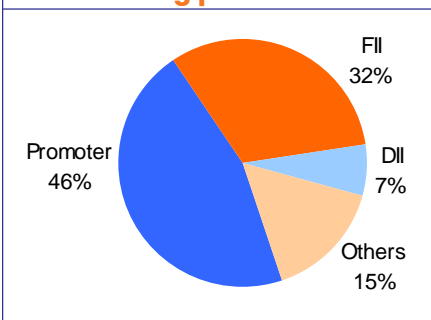
Source: Bloomberg

**Returns (%)**

	<b>1m</b>	<b>3m</b>	<b>6m</b>	<b>12m</b>
Absolute	(0)	(27)	(31)	(6)
Relative	(10)	(25)	(27)	(0)

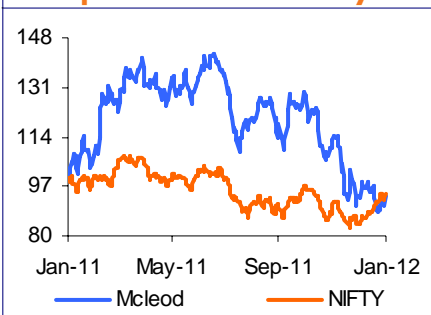
Source: Bloomberg

**Shareholding pattern**



Source: BSE

**Price performance vs Nifty**



Source: Bloomberg

**Results highlights**

**Higher despatches, robust prices drive revenues**

Mcleod Russel India Ltd. (MRIL) registered revenue growth of 7% on the back of 5% growth in despatches to 25.6m kgs and 3% improvement in realisations to INR158/kg. As a result, revenues rose 7% to INR4bn, marginally above our estimates of INR3.8bn.

Volumes and prices were higher YoY due to lower output on the back of inclement weather in north eastern India. On the exports front, MRIL's international sales rose ~17% YoY to INR163m as international stocks, especially in tea producing countries like Kenya and other African countries, ran low as adverse climatic conditions resulted in lower production.

**Consumption of bought leaf, power costs play spoilsport for EBIDTA and PAT**

Due to the increase in per kg prices of bought leaf (~52% YoY) and power & fuel costs (~8% YoY), EBIDTA fell 9% YoY to INR1.3bn. Additionally, the provision of INR40m on account of M-to-M losses on forward booking of forex for 4QFY12 exports resulted in PAT falling by 14% YoY to INR1.2bn in the quarter.

**Options being explored for inorganic growth in Africa**

MRIL has announced that it will bidding for two tea estates that are being put up for sale in Rwanda by the local government. While the company expects to pay 2x Sales/ 5x EBIDTA for the acquisition, the management did not disclose the expected bid amount due to competitive nature of the bidding process.

**Valuation and outlook**

At the CMP of INR188, the stock is trading at a PE of 8.3x and EV/EBITDA of 5.8x discounting its FY13e earnings. With tea prices and demand maintaining their current trends, the industry is in a structurally upward trend, given the static global output and poor availability of quality teas for blending. Our valuations provide us a target price of INR266 after factoring in improvements of 8% volume growth, 4% realisation growth and USD/ INR at INR45.1. This reflects an upside of 42% from the current levels, and we maintain our BUY recommendation.

**Quarterly financials**

INRm	3QFY12	3QFY11	Chg (%)	2QFY12	Chg (%)
Revenue	4,053	3,786	7.1	4,162	(2.6)
Expense	2,713	2,309	17.5	1,801	50.6
EBITDA	1,340	1,477	(9.3)	2,361	(43.2)
Other income	0	6	(100.0)	9	(100.0)
Depreciation	75	70	6.7	74	1.4
PBT	1,171	1,353	(13.5)	2,232	(47.5)
Tax	0	0	-	0	-
Reported PAT	1,171	1,353	(13.5)	2,232	(47.5)

Source: Company, Antique



## MRIL - Quarterly financials

Quarter ended (INRm)	Quarter Ended			Nine Months Ended		
	Dec-11	Dec-10	Gr %	Dec-11	Dec-10	Gr %
<b>Net sales</b>	<b>4,053</b>	<b>3,786</b>	<b>7.06</b>	<b>9,718</b>	<b>8,764</b>	<b>11.23</b>
<b>Expenditure</b>	<b>2,713</b>	<b>2,309</b>	<b>17.50</b>	<b>5,553</b>	<b>4,992</b>	<b>-</b>
<b>% of net sales</b>	<b>66.93</b>	<b>60.99</b>	<b>-</b>	<b>57.14</b>	<b>56.97</b>	<b>0.00</b>
(Inc.) / Dec. Stock-in-trade	576	252	0.00	(1,722)	(1,449)	5.04
Raw Material consumption	225	251	59.30	1,084	841	-
% of net sales	0.20	0.13	-	(0.07)	(0.07)	
Operating & Manuf. Exp.	392	372	5.40	1,384	1,275	-
% of net sales	0.10	0.10	-	0.14	0.15	19.56
Power & Fuel Cost	328	291	12.53	1,074	898	-
% of net sales	0.08	0.08	-	0.11	0.10	9.60
Employee Cost	1,041	976	6.64	3,305	3,016	-
% of net sales	0.26	0.26	-	0.34	0.34	4.28
Selling & Admin Expenses	151	166	(9.39)	429	411	-
% of net sales	0.04	0.04	-	0.04	0.05	10.44
<b>Operating profit</b>	<b>1,340</b>	<b>1,477</b>	<b>(9.26)</b>	<b>4,165</b>	<b>3,771</b>	<b>-</b>
<b>OPM margin (%)</b>	<b>0.33</b>	<b>0.39</b>	<b>-</b>	<b>0.43</b>	<b>0.43</b>	<b>(75.02)</b>
Other income	0	6	(100.00)	35	142	7.34
<b>PBIDT</b>	<b>1,340</b>	<b>1,483</b>	<b>(9.61)</b>	<b>4,200</b>	<b>3,913</b>	<b>32.86</b>
Interest	94	59	58.68	205	154	5.84
Depreciation	75	70	6.70	219	207	6.33
<b>PBT &amp; extra-ordinary items</b>	<b>1,171</b>	<b>1,353</b>	<b>(13.45)</b>	<b>3,776</b>	<b>3,552</b>	<b>0.00</b>
Tax	0.0	0.0	0.00	0.0	0.0	6.33
<b>PAT</b>	<b>1,171</b>	<b>1,353</b>	<b>(13.45)</b>	<b>3,776</b>	<b>3,552</b>	<b>-</b>
<b>PAT margin (%)</b>	<b>0.29</b>	<b>0.36</b>	<b>-</b>	<b>0.39</b>	<b>0.41</b>	

Source: Company, Antique

## MRIL: Operating Metrics (INR/kg)

INRm	2QFY12	2QFY11	Chg (%)	1QFY12	Chg (%)
<b>Realisations (INR/kg)</b>	<b>158.3</b>	<b>154.5</b>	<b>2.5</b>	<b>158.9</b>	<b>(0.4)</b>
(Inc.) / Dec. Stock-in-trade (INR/kg)	22.5	10.3	119.0	(40.2)	(156.0)
Raw Material (INR/kg)	8.8	10.2	(14.3)	19.1	(54.1)
Operating & Manuf. Exp. (INR/kg)	15.3	15.2	0.9	19.8	(22.7)
Power & Fuel Cost (INR/kg)	12.8	11.9	7.7	17.6	(27.4)
Employee Cost (INR/kg)	40.7	39.8	2.1	45.0	(9.7)
Selling & Admin Expenses (INR/kg)	5.9	6.8	(13.3)	7.3	(19.9)
Operating Profit (INR/kg)	52.3	60.3	(13.2)	90.1	(41.9)

Source: Company, Antique

## Other key highlights

## ■ Performance of subsidiaries (For CY11)

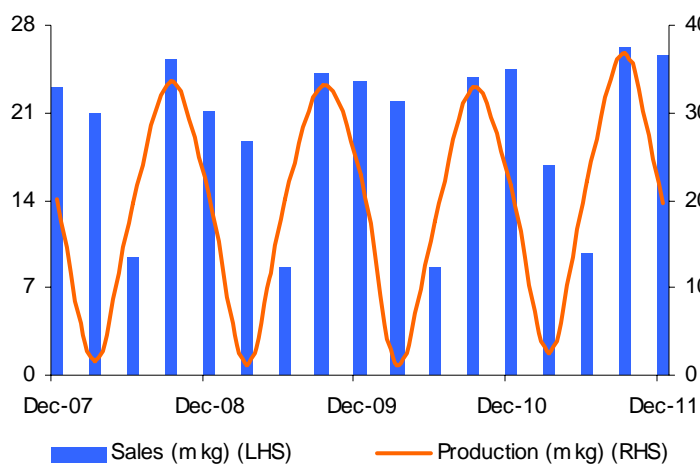
*Phu Ben Tea Company, Vietnam:* The company's production stood AT 5.4m kgs for the period, with average realisations at USD1.75/kg. Revenues for the entity stood at USD9m, while EBIDTA stood at USD0.9m.

*Mcleod Russel Uganda Ltd, Uganda:* Production stood at 16.2m kgs for the period, and clocked average realisations of ~USD2/kg. Its revenues stood at USD31m, while EBIDTA stood at USD12m.

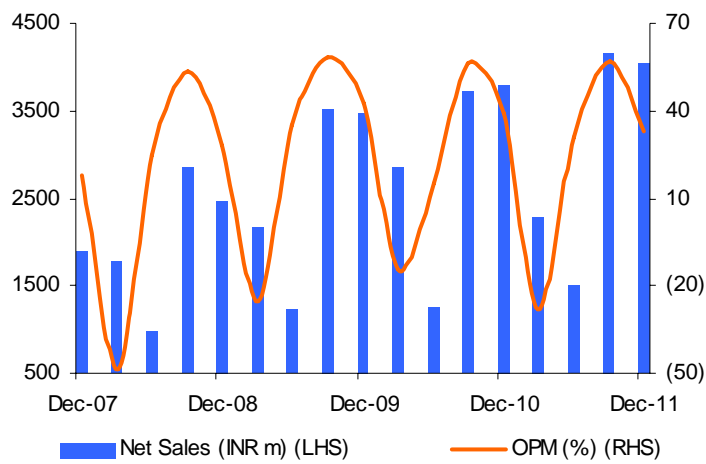
*Gisovu Tea Company, Rwanda:* It recently acquired estate registered production of 1.9m kgs in CY11 and gave a stellar operational performance with average realisations of USD3.4/kg, turnover of USD5m and EBIDTA of USD3m.

- MRIL's management has pointed to an increase in manpower costs over the coming quarters in India, on account of the imminent wage hike in plantations in Assam. However, the company feels that this escalation would be met through higher auction prices over 4QFY12/1QFY13e.

**MRIL: Sales and production trend**

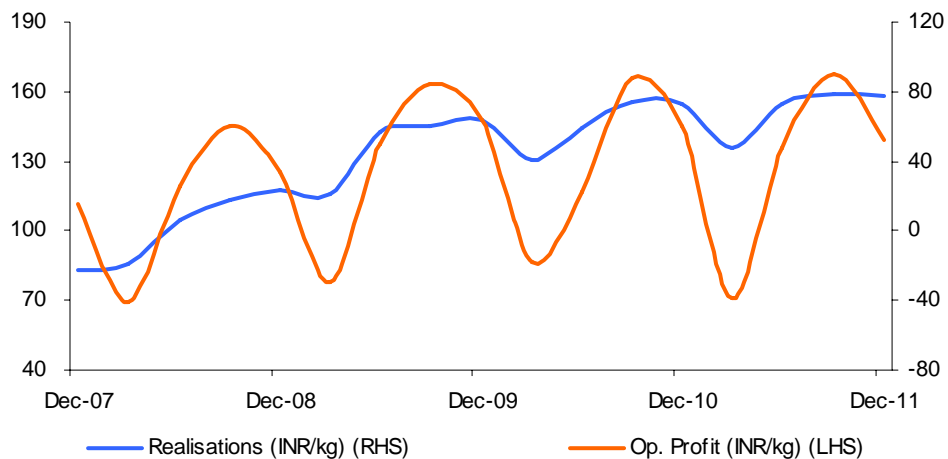


**MRIL: Sales and OPM trend**



Source: Company, Antique

**MRIL: Realisation and operating profit (INR/Kg)**



Source: Company, Antique

**Valuation and outlook**

- We retain our belief that MRIL is in the best position to ride out the current upcycle that the tea industry has entered. Our reading of the global tea industry points to weakness in global supplies and static domestic output. With stable growth in consumption (~2-3% pa globally), prices of tea are expected to be on a steady uptrend, unless the Kenyan crop is significantly above expectations. A large component of exports (~40%) and a weak INR add an interesting angle to revenue and profitability estimates for FY12e. However, we have ignored the option value of the same and have assumed the USD/INR conversion rate at INR45.1.

- We have maintained our revenue and profitability estimates for MRIL (stand-alone), while increasing our estimates for investment in subsidiary operations. Subsequently, due to reduction in the cash float for the Indian operations, we have lowered our EBIDTA multiple for the company from 9 to 8.

#### MRIL: Valuation (FY12)

EBIDTA multiple		Earnings multiple	
<b>EBIDTA (INRm)</b>	<b>3,544</b>	<b>EPS (INR)</b>	<b>23</b>
<b>EBIDTA multiple (x)</b>	<b>8</b>	<b>P/E multiple (x)</b>	<b>12</b>
EV (INRm)	28,351		
Net Debt (INRm)	(115)		
Equity Value (INR m)	28,466		
<b>Value/sh (INR) - (A)</b>	<b>260</b>	<b>Value/sh (INR) - (B)</b>	<b>272</b>
<b>Average (A+B): Value /sh (INR)</b>	<b>266</b>		

Source: Antique

- We maintain our BUY rating on the company with a price target of INR266, with a 6-month investment outlook which reflects an upside potential of 42% from current levels.

## Financials

### Profit and loss account (INRm)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
<b>Revenues</b>	<b>8,289</b>	<b>10,768</b>	<b>10,731</b>	<b>12,225</b>	<b>12,656</b>
Expenses	6,494	7,482	7,916	8,751	9,412
<b>Operating Profit</b>	<b>1,794</b>	<b>3,286</b>	<b>2,816</b>	<b>3,473</b>	<b>3,244</b>
Other income	273	347	459	300	300
<b>EBIDT</b>	<b>2,067</b>	<b>3,633</b>	<b>3,275</b>	<b>3,773</b>	<b>3,544</b>
Depreciation	260	271	275	316	329
Interest expense	766	253	183	161	116
<b>Profit before tax</b>	<b>1,041</b>	<b>3,109</b>	<b>2,816</b>	<b>3,296</b>	<b>3,099</b>
Taxes incl deferred taxation	153	706	493	659	620
<b>Profit after tax</b>	<b>888</b>	<b>2,403</b>	<b>2,322</b>	<b>2,637</b>	<b>2,479</b>
<b>Diluted EPS (INR)</b>	<b>8.1</b>	<b>22.0</b>	<b>21.2</b>	<b>24.1</b>	<b>22.7</b>

### Balance sheet (INRm)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
Share Capital	547	547	547	547	547
Reserves & Surplus	11,175	13,023	14,666	16,663	18,501
<b>Networth</b>	<b>11,722</b>	<b>13,571</b>	<b>15,213</b>	<b>17,210</b>	<b>19,049</b>
Debt	4,154	2,799	2,088	1,488	1,088
Deferred Tax Liability	525	575	635	635	635
<b>Capital Employed</b>	<b>16,401</b>	<b>16,945</b>	<b>17,936</b>	<b>19,333</b>	<b>20,772</b>
Gross Fixed Assets	18,218	18,593	18,933	19,175	19,325
Accumulated Depreciation	3,870	4,153	4,404	4,720	5,049
Net Assets	14,347	14,440	14,529	14,455	14,276
Capital work in progress	138	120	148	100	100
Investments	2,051	2,595	2,604	3,603	4,603
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	639	529	704	851	915
Debtors	255	163	130	170	176
Cash & Bank balance	306	219	128	563	1,203
Loans & advances and others	1,315	1,839	2,484	2,484	2,484
<b>Current Liabilities &amp; Provisions</b>					
Creditors	1,165	1,127	1,113	1,215	1,307
Other liabilities & provisions	1,485	1,833	1,677	1,677	1,677
<b>Net Current Assets</b>	<b>(135)</b>	<b>(210)</b>	<b>655</b>	<b>1,175</b>	<b>1,793</b>
<b>Application of Funds</b>	<b>16,401</b>	<b>16,945</b>	<b>17,936</b>	<b>19,333</b>	<b>20,772</b>

### Per share data

Year ended 31 Mar	2009	2010	2011	2012e	2013e
No. of shares (m)	109	109	109	109	109
BVPS (INR)	107.1	124.0	139.0	157.2	174.0
CEPS (INR)	10.5	24.4	23.7	27.0	25.7
DPS (INR)	2.0	4.0	5.0	5.0	5.0

### Margins (%)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
EBITDA	21.6	30.5	26.2	28.4	25.6
EBIT	21.8	31.2	27.9	28.3	25.4
PAT	10.7	22.3	21.6	21.6	19.6

Source: Company, Antique

### Cash flow statement (INRm)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
<b>PBT</b>	<b>1,041</b>	<b>3,109</b>	<b>2,816</b>	<b>3,296</b>	<b>3,099</b>
Depreciation & amortisation	260	271	275	316	329
Interest expense	784	253	183	161	116
Misc expense	(56)	(22)	(115)	-	-
Other Adjustments	10	10	(17)	-	-
Other Income	-	-	-	(300)	(300)
(Inc)/Dec in working capital	88	(236)	(728)	(84)	22
Tax paid	(111)	(519)	(630)	(659)	(620)
<b>CF from operating activities</b>	<b>2,017</b>	<b>2,866</b>	<b>1,785</b>	<b>2,730</b>	<b>2,646</b>
Capital expenditure	(418)	(483)	(459)	(194)	(150)
Purchase of Investments in subsidiary	-	(462)	-	(1,000)	(1,000)
(Purchase) / Sale of Investments	(111)	(44)	(7)	-	-
Income from investments	(18)	(81)	31	300	300
<b>CF from investing activities</b>	<b>(547)</b>	<b>(1,070)</b>	<b>(435)</b>	<b>(894)</b>	<b>(850)</b>
Inc/(Dec) in share capital	-	0	-	-	-
Inc/(Dec) in debt	(568)	(1,271)	(702)	(600)	(400)
Dividends & Interest paid	(643)	(612)	(739)	(801)	(756)
<b>CF from financing activities</b>	<b>(1,211)</b>	<b>(1,883)</b>	<b>(1,440)</b>	<b>(1,401)</b>	<b>(1,156)</b>
Net cash flow	258	(87)	(91)	435	639
<b>Opening balance</b>	<b>48</b>	<b>306</b>	<b>219</b>	<b>128</b>	<b>563</b>
<b>Closing balance</b>	<b>306</b>	<b>219</b>	<b>128</b>	<b>563</b>	<b>1,203</b>

### Growth indicators (%)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
Revenue	26.5	29.9	(0.3)	13.9	3.5
EBITDA	178.8	83.1	(14.3)	23.4	(6.6)
PAT	88.0	170.7	(3.4)	13.5	(6.0)
EPS	86.1	170.7	(3.4)	13.5	(6.0)

### Valuation (x)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
PE	23.1	8.6	8.8	7.8	8.3
P/BV	1.8	1.5	1.4	1.2	1.1
EV/EBITDA	11.8	6.4	6.9	5.7	5.8
EV/Sales	2.9	2.1	2.1	1.8	1.6
Dividend Yield (%)	1.1	2.1	2.7	2.7	2.7

### Financial ratios

Year ended 31 Mar	2009	2010	2011	2012e	2013e
RoE (%)	7.8	19.0	16.1	16.3	13.7
RoCE (%)	11.1	20.2	17.2	18.6	16.0
Debt/Equity (x)	0.4	0.2	0.1	0.1	0.1
EBIT/Interest (x)	2.4	13.3	16.3	21.5	27.7

Source: Company Antique

## Valuation Guide

Company	Reco	CMP	TP	Return	M.Cap	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INRbn)	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY13	FY13	FY13	FY13	1m	12m
<b>AUTOMOBILES</b>																			
Ashok Leyland	HOLD	27	32	16	73	6.5	8.0	2.4	3.0	11.3	9.0	7.5	6.5	1.5	3.3	16.3	16.0	20	(8)
Bajaj Auto	BUY	1,601	1,858	16	463	32.0	35.2	110.5	121.5	14.5	13.2	11.2	9.5	5.9	3.7	45.1	65.9	1	29
Bosch	BUY	7,250	8,056	11	228	11.2	13.7	358.2	435.5	20.2	16.6	16.8	13.4	3.7	0.9	22.2	28.0	7	22
Exide Industries	HOLD	133	133	(0)	113	4.6	7.0	5.5	8.2	24.3	16.2	16.6	11.1	3.0	0.8	18.8	27.2	26	3
Escorts	HOLD	81	87	8	9	1.3	1.9	12.9	18.6	6.3	4.4	4.0	2.9	0.4	3.0	9.2	11.4	23	(38)
Hero MotoCorp	BUY	1,863	2,363	27	372	23.5	28.1	117.6	140.9	15.8	13.2	15.4	13.1	9.3	5.4	81.7	97.6	(2)	14
Mahindra & Mahindra	BUY	674	874	30	414	26.3	33.3	40.2	50.8	16.8	13.3	11.8	9.3	3.0	1.9	22.9	29.1	(1)	(5)
Maruti Suzuki	BUY	1,187	1,414	19	343	14.2	23.3	49.1	80.7	24.2	14.7	12.8	8.3	2.0	0.7	13.6	21.4	29	(5)
Tata Motors	BUY	244	270	11	713	112.1	130.1	35.1	40.8	6.9	6.0	4.2	3.4	1.9	1.6	32.3	33.0	36	6
<b>CEMENT</b>																			
ACC	HOLD	1,193	1,122	(6)	224	11.5	14.8	61.4	78.9	19.4	15.1	11.4	9.1	2.9	2.9	27.8	20.3	5	21
Ambuja Cements	HOLD	161	146	(10)	247	13.2	15.3	8.6	10.0	18.7	16.1	10.4	8.7	2.7	1.9	17.6	22.5	4	28
Shree Cements	BUY	2,262	2,554	13	79	2.0	3.3	60.4	98.4	37.4	23.0	8.7	7.1	3.3	0.5	15.0	15.4	7	36
Ultratech Cements	HOLD	1,215	1,261	4	333	20.4	22.5	74.4	82.0	16.3	14.8	10.1	8.8	4.4	9.8	17.7	0.5	4	21
<b>FMCG &amp; RETAIL</b>																			
Asian Paints	HOLD	2,995	2,831	(5)	287	9.7	12.2	97.9	122.5	30.6	24.5	20.3	15.2	10.2	1.8	41.6	45.2	16	16
Colgate Palmolive India	HOLD	1,003	902	(10)	136	4.4	5.1	32.7	37.6	30.7	26.7	25.3	20.8	26.6	2.8	99.8	112.9	1	22
Dabur India	BUY	94	113	20	164	6.6	8.2	3.8	4.7	24.8	20.0	19.4	15.4	7.2	1.7	36.1	29.2	(5)	1
Radico Khaitan	BUY	112	186	67	15	0.9	1.2	6.5	8.9	17.1	12.6	11.1	8.9	1.8	1.0	14.3	13.2	0	(17)
Godrej Consumer Products	BUY	446	460	3	144	6.1	7.8	18.0	23.0	24.8	19.4	18.6	14.4	4.8	2.1	24.9	18.2	16	20
Hindustan Unilever	BUY	379	443	17	819	25.7	30.3	11.9	14.1	31.9	27.0	26.8	22.0	19.8	2.3	73.5	79.6	(7)	40
ITC	HOLD	204	218	7	1,590	62.1	70.4	8.0	9.1	25.4	22.4	17.9	15.5	7.9	2.7	35.3	45.3	1	27
Jyothy Laboratories	BUY	164	215	31	13	0.8	1.0	9.9	12.1	16.5	13.5	13.3	10.3	1.9	2.8	13.8	8.8	2	(30)
Marico	HOLD	152	148	(2)	93	2.9	4.1	4.7	6.7	32.6	22.5	20.6	14.9	6.1	0.4	27.2	22.5	4	21
Nestle India	SELL	4,236	3,699	(13)	408	10.4	12.3	108.3	127.5	39.1	33.2	26.0	22.1	29.9	2.2	90.1	101.7	3	27
Pantaloon Retail	HOLD	169	180	7	36	2.1	2.5	9.0	10.7	18.8	15.8	7.3	6.7	1.1	1.5	6.8	10.4	31	(41)
Titan Industries	BUY	203	191	(6)	180	5.8	7.2	6.5	8.1	31.1	25.2	22.8	16.5	9.0	1.1	35.6	43.8	19	13
United Breweries	HOLD	410	372	(9)	108	2.2	3.2	8.5	12.4	48.4	33.0	27.5	15.6	1.6	0.2	16.3	18.8	7	(14)
United Spirits	BUY	668	756	13	87	3.0	4.2	24.7	34.4	27.0	19.4	13.5	11.1	1.7	0.3	8.8	9.9	36	(46)
<b>INFRASTRUCTURE</b>																			
IL&FS TransportationNetworks	BUY	205	330	61	40	4.9	6.8	25.3	34.8	8.1	5.9	7.2	5.2	1.3	1.5	21.6	14.7	41	(22)
Mundra Port And SEZ	BUY	146	164	12	293	11.1	16.5	5.4	8.1	27.0	18.1	17.4	12.3	4.6	0.7	21.7	17.9	22	4
<b>INFORMATION TECHNOLOGY</b>																			
HCL Technologies	HOLD	438	432	(1)	303	21.8	23.2	31.2	33.2	14.0	13.2	8.7	8.2	2.6	1.8	19.5	28.6	13	(10)
Infosys Ltd.	BUY	2,746	3,082	12	1,577	84.3	97.8	147.6	171.2	18.6	16.0	12.5	10.0	4.0	1.5	24.8	31.0	(1)	(12)
Persistent Systems	BUY	323	418	29	13	1.4	1.7	33.9	41.8	9.5	7.7	5.4	4.1	1.3	3.1	16.3	17.3	(2)	(16)
Tata Consultancy Services	BUY	1,132	1,287	14	2,216	109.0	132.6	55.7	67.7	20.3	16.7	14.6	11.4	5.7	1.8	33.9	42.3	(2)	(2)
Wipro	BUY	414	448	8	1,017	53.4	64.2	22.1	26.4	18.7	15.7	14.7	12.4	3.2	1.9	20.5	20.0	4	(6)
KPIT Cummins	BUY	147	208	41	13	1.2	1.4	14.2	16.2	10.4	9.1	6.9	5.4	1.5	-	16.9	18.7	1	(10)
<b>MEDIA</b>																			
Den Networks	BUY	77	75	(2)	10	0.3	0.3	2.1	2.7	37.0	28.5	9.3	7.8	1.3	-	4.4	6.6	58	(49)
Dish TV India	HOLD	62	66	5	66	(1.5)	(1.0)	(1.4)	(1.0)	na	na	15.9	13.7	4.1	-	(6.2)	2.1	6	6
Hathway Cable & Datacom	BUY	137	119	(13)	20	0.0	0.1	0.1	0.5	na	na	12.0	10.4	2.3	-	0.9	4.4	24	5
TV 18 Broadcast	BUY	31	54	72	11	0.7	1.2	1.9	3.4	16.2	9.3	11.9	7.4	1.2	-	12.6	11.2	16	(67)
Sun TV Network	BUY	305	454	49	120	8.0	8.9	20.4	22.7	15.0	13.4	6.9	6.2	3.9	3.3	29.2	38.8	11	(38)
Zee Entertainment Enterprises	BUY	128	145	13	125	6.1	7.0	6.3	7.3	20.3	17.6	15.4	12.3	3.1	1.5	17.5	23.2	9	11

UR: Under Review

## Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
						FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13					FY13	FY13
<b>METALS</b>																			
Graphite India	BUY	75	111	47	15	2.1	2.1	10.6	10.9	7.1	6.9	5.5	5.0	0.8	4.7	12.6	15.5	8	(20)
Hindalco Industries	HOLD	147	143	(2)	281	32.3	30.6	16.9	16.0	8.7	9.2	6.4	6.2	0.8	1.6	8.9	8.7	27	(36)
Hindustan Zinc	BUY	135	148	10	572	48.4	57.2	11.5	13.5	11.8	10.0	6.7	5.1	1.8	1.0	17.9	17.9	13	8
Jindal Steel & Power	BUY	542	603	11	506	44.0	51.8	47.1	55.4	11.5	9.8	9.0	8.1	2.1	0.3	21.9	14.0	20	(18)
JSW Steel	BUY	700	780	11	156	7.7	23.2	34.6	104.0	20.2	6.7	6.9	5.5	0.8	2.1	11.8	10.7	38	(23)
MOIL	BUY	263	313	19	44	4.1	3.9	24.6	23.4	10.7	11.2	4.4	4.3	1.7	2.7	14.8	16.9	16	(36)
Monnet Ispat	BUY	479	618	29	31	3.2	4.8	50.2	74.9	9.6	6.4	13.0	10.5	1.1	1.1	17.4	13.2	32	(19)
Prakash Industries	BUY	49	107	119	7	2.1	4.7	15.7	35.2	3.1	1.4	3.0	1.1	0.3	2.0	21.9	20.9	61	(48)
Sesa Goa	HOLD	218	218	0	189	26.9	36.9	31	42	7.0	5.1	7.8	7.9	1.2	1.5	22.7	16.1	33	(33)
Steel Authority of India	BUY	102	104	2	420	35.4	42.4	8.6	10.3	11.9	9.9	7.8	6.9	1.0	3.2	10.3	9.9	25	(37)
Sterlite Industries	BUY	116	150	30	389	46.2	46.3	13.7	13.8	8.4	8.4	4.3	4.2	0.8	1.0	9.3	11.0	29	(29)
TATA Steel	HOLD	451	406	(10)	432	50.4	52.1	51.9	53.7	8.7	8.4	8.1	6.1	0.9	2.6	11.2	9.3	34	(30)
<b>OIL &amp; GAS</b>																			
Bharat Petroleum Corp.	BUY	572	607	6	207	12.6	18.7	38.3	57.2	14.9	10.0	12.0	9.0	1.1	2.2	8.4	4.0	20	(7)
Cairn India	HOLD	339	312	(8)	646	72.0	77.0	43.6	46.8	7.8	7.3	5.3	4.1	1.2	1.8	16.1	16.1	8	3
Essar Oil	BUY	61	138	124	84	8.0	13.5	5.8	9.9	10.6	6.2	8.8	5.9	1.0	-	15.6	9.9	22	(50)
GAIL India	HOLD	373	393	5	474	41.9	38.7	33.0	30.5	11.3	12.2	7.3	7.8	1.9	2.0	15.4	17.3	(3)	(21)
Gujarat State Petronet	BUY	83	134	61	47	4.5	4.6	8.0	8.2	10.5	10.2	6.6	6.6	1.7	9.0	16.6	18.0	7	(18)
Hindustan Oil Exploration Co.	BUY	117	183	56	15	1.0	1.2	7.6	9.0	15.5	13.0	6.7	5.2	1.2	2.3	8.9	10.0	31	(36)
Hindustan Petroleum Corp.	BUY	295	356	21	100	5.7	12.1	17.0	35.6	17.4	8.3	12.7	8.8	0.7	3.6	8.8	5.0	17	(18)
Indian Oil Company	BUY	289	314	9	701	38.7	72.0	16.3	30.4	17.7	9.5	11.4	8.0	1.1	3.3	11.5	8.8	14	(14)
MRPL	BUY	61	97	58	107	4.0	9.2	2.2	5.2	27.2	11.8	16.0	6.7	1.4	2.5	12.2	11.8	18	(9)
Oil India	BUY	1,211	1,638	35	291	33.2	34.2	138.2	142.1	8.8	8.5	3.4	3.0	1.4	1.8	17.0	19.2	2	(6)
Oil & Natural Gas Corp.	BUY	276	335	21	2,362	207.3	224.0	29.3	31.0	9.4	8.9	5.7	5.3	2.0	3.8	18.6	21.2	8	(6)
Petronet LNG	BUY	165	216	31	124	11.2	10.7	14.9	14.3	11.0	11.5	8.1	7.8	2.8	1.5	24.1	19.9	6	28
Reliance Industries	HOLD	817	801	(2)	2,676	204.7	205.4	62.5	63.3	13.1	12.9	8.5	8.8	1.3	1.0	11.0	8.0	18	(11)
<b>SHIPPING AND LOGISTICS</b>																			
Container Corp. of India	HOLD	973	1,024	5	126	9.0	10.2	68.9	78.7	14.1	12.4	9.5	8.2	2.0	2.0	16.0	21.1	16	(19)
Essar Ports Ltd	BUY	60	120	99	25	1.4	2.4	3.2	5.3	19.0	11.4	9.8	8.2	1.0	-	8.6	8.6	18	(47)
Great Eastern Shipping Co	BUY	233	305	31	35	2.6	4.1	17.1	27.3	13.6	8.5	7.4	6.9	0.5	3.4	6.2	5.9	23	(24)
Great Offshore	UR	94	UR	NA	3	0.9	1.6	24.8	41.8	3.8	2.2	6.9	4.7	0.3	4.3	11.5	8.6	32	(69)
Mercator Lines	UR	24	UR	NA	6	1.3	1.6	4.8	5.9	5.1	4.1	5.3	4.6	0.3	4.5	6.5	6.0	51	(46)
<b>SUGAR</b>																			
Balrampur Chini Mills	BUY	49	53	9	12	(1.2)	1.4	(4.8)	5.5	(10.3)	8.8	28.0	8.4	1.0	1.4	12.0	8.6	45	(31)
Shree Renuka Sugars	SELL	38	40	5	26	(2.9)	2.2	(4.3)	3.3	3.6	11.4	7.6	6.3	1.2	2.6	10.9	9.1	52	(54)
<b>TELECOM</b>																			
Bharti Airtel Ltd	HOLD	366	379	4	1,389	60.4	83.5	15.9	22.0	23.0	16.6	8.0	6.5	2.2	0.3	13.4	11.6	6	15
Idea Cellular	HOLD	95	74	(22)	315	7.4	10.5	2.2	3.2	35.0	30.0	8.9	7.1	2.3	0.5	7.5	9.3	16	37
<b>UTILITIES &amp; INDUSTRIALS</b>																			
ABB	SELL	816	533	(35)	173	2.2	4.0	10.2	19.0	80.0	42.9	56.8	28.4	5.7	0.1	13.3	17.3	40	11
BGR	BUY	231	618	167	17	2.8	2.0	38.9	27.2	6.0	8.5	7.9	12.1	1.3	2.6	15.1	7.6	29	(58)
Bharat Heavy Electricals	HOLD	251	296	18	613	64.7	76.6	26.4	31.3	9.5	8.0	5.0	3.3	2.1	3.4	25.7	33.7	5	(44)
CESC	BUY	252	356	41	31	3.3	4.0	26.3	32.2	9.6	7.8	9.3	10.8	0.6	1.6	8.0	3.9	25	(18)
Coal India	BUY	327	374	14	2,067	141.5	154.3	22.4	24.4	14.6	13.4	9.2	7.4	3.8	0.3	28.0	29.1	9	8
Lanco Infrastructure	BUY	15	35	131	36	1.8	0.9	7.4	3.8	2.0	4.0	16.0	21.1	0.1	-	2.2	2.7	59	(70)
Larsen & Toubro	BUY	1,311	1,403	7	802	49.7	53.1	81.6	87.2	16.1	15.0	12.6	11.8	2.4	1.4	16.2	11.5	32	(20)
McNally Bharat Eng. Ltd.	BUY	109	202	85	3	0.8	0.9	25.3	27.6	4.3	4.0	4.2	4.0	0.8	1.8	19.6	16.2	35	(49)
NTPC	BUY	172	203	18	1,420	98.0	106.6	11.9	12.9	14.5	13.3	10.4	9.2	1.8	3.2	13.5	11.0	7	(9)
Power Grid	BUY	104	124	19	482	29.1	34.2	6.3	7.4	16.6	14.1	10.8	9.5	1.8	1.8	13.1	8.6	4	8
PTC India	BUY	49	96	96	14	1.7	1.9	5.9	6.3	8.3	7.7	5.5	5.6	0.6	3.3	7.5	5.2	26	(52)
Siemens	SELL	731	818	12	249	10.0	11.8	29.8	34.9	24.5	21.0	14.8	12.3	4.2	0.9	20.0	29.2	14	(14)
Suzlon Energy	BUY	28	70	150	50	4.9	15.5	2.6	8.4	10.7	3.4	7.4	1.3	0.7	5.1	19.9	14.8	56	(43)
Tata Power	SELL	104	92	(12)	247	21.1	13.8	8.5	5.6	12.2	18.6	3.6	3.5	1.6	15.2	8.7	10.9	19	(16)
Tecpro Systems	BUY	172	306	78	9	1.6	1.7	32.0	34.0	6.5	5.0	1.3	4.0	0.9	2.4	18.1	18.3	4	(46)
Tecpro Systems	BUY	176	306	74	9	1.6	1.7	32.0	34.0	6.7	5.2	1.3	4.0	0.9	2.4	18.1	18.3	10	(47)

UR: Under Review

## Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x) FY13	Div Yld (%) FY13	RoE (%) FY13	RoCE (%) FY13	Absolute (%)	
						FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13					1m	12m
<b>MISCELLANEOUS</b>																			
Bajaj Electricals	BUY	174	268	54	17	1.5	1.9	15.6	19.3	11.1	9.0	6.7	5.3	1.9	1.7	23.6	34.1	14	(20)
Cummins India	HOLD	420	385	(8)	116	5.5	6.1	20.0	22.0	21.0	19.1	19.2	16.9	4.5	1.9	23.7	24.0	20	(20)
Havell's India	BUY	481	520	8	60	3.8	4.6	30.2	37.1	15.9	12.9	9.8	8.1	4.3	0.6	38.7	31.8	25	39
Maharashtra Seamless	BUY	339	436	29	24	3.5	3.8	49.5	54.5	6.8	6.2	4.2	3.6	0.8	2.1	12.8	17.7	6	(2)
Mahindra Holidays	BUY	302	481	59	25	1.4	2.3	16.4	27.5	18.4	10.9	12.6	8.8	3.3	1.7	33.8	18.3	(1)	(19)
McLeod Russel	BUY	188	278	48	21	2.6	2.5	24.1	22.7	7.8	8.3	6.2	6.3	1.1	2.7	13.7	16.0	(0)	(6)
Nava Bharat Ventures	BUY	183	245	34	16	1.8	2.6	19.6	28.7	9.3	6.4	6.0	3.3	0.7	-	11.3	10.6	(1)	(37)
Opto Circuits	BUY	237	287	21	44	4.8	6.3	25.8	33.8	9.2	7.0	7.8	5.8	1.9	1.9	31.3	25.9	19	(3)
Rainbow Papers	HOLD	61	60	(3)	6	0.6	0.8	6.2	8.5	10.0	7.2	6.2	4.2	1.4	0.8	20.0	16.0	2	8
REI Agro	BUY	15	32	118	14	3.5	4.3	3.6	4.5	4.1	3.2	4.8	4.4	0.5	2.7	15.0	15.2	(11)	(46)
S Kumars Nationwide	BUY	33	89	168	9	3.8	4.8	12.8	16.2	2.6	2.0	3.7	3.1	0.3	-	16.1	16.1	41	(49)
Spice Jet	BUY	21	41	94	9	0.4	0.5	0.9	1.3	24.1	15.7	2.6	2.7	2.0	-	13.0	2.1	26	(65)
Sterlite Technologies	HOLD	39	38	(5)	15	0.4	1.4	1.1	3.6	37.5	10.8	11.1	6.9	0.5	1.3	11.4	13.6	39	(27)
V-Guard Industries	HOLD	184	214	17	5	0.4	0.6	14.8	21.5	12.4	8.5	8.2	5.8	2.1	1.6	27.6	28.0	19	10
West Coast Paper Mills	BUY	54	66	21	3	(0.0)	0.2	(0.1)	3.3	(616.1)	16.5	5.4	4.7	0.6	3.7	3.4	4.5	18	(30)

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		NNPA Ratio (%)		P/AdjBV (x) FY13	Div Yld (%) FY13	RoE (%) FY13	RoA (%) FY13	Absolute (%)	
						FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13					1m	12m
<b>FINANCIALS</b>																			
Axis Bank	BUY	1,075	1,580	47	444	41	48	99	118	10.9	9.1	0.4	0.5	1.8	2.2	20.0	1.5	33	(13)
Bajaj Auto Finance	BUY	751	800	7	27	3	4	78	104	9.6	7.2	1.8	1.8	2.4	0.8	8.1	2.1	24	28
Bank of Baroda	BUY	754	1,063	41	295	45	51	114	131	6.6	5.8	0.5	0.5	1.1	3.5	19.7	1.1	13	(13)
Bank of India	BUY	345	452	31	188	24	34	45	63	7.7	5.5	2.7	2.5	1.1	3.7	13.4	0.8	29	(22)
Canara Bank	BUY	470	572	22	208	33	42	75	95	6.3	4.9	1.5	1.6	1.1	2.4	15.4	1.0	29	(22)
HDFC	HOLD	698	714	2	1028	40	47	27	32	25.4	22.0	0.4	0.4	4.7	1.6	22.1	2.8	7	11
HDFC Bank	HOLD	492	484	(2)	1152	50	66	22	28	22.8	17.3	0.3	0.4	3.4	1.2	20.6	1.8	15	20
ICICI Bank	BUY	902	1,320	46	1040	64	76	55	66	16.3	13.7	1.4	1.4	1.7	1.3	11.5	1.5	32	(12)
IndusInd Bank	BUY	292	328	12	136	78	96	17	21	17.4	14.1	0.3	0.4	2.6	1.3	19.0	1.5	29	30
LIC Housing Finance	HOLD	251	238	(5)	119	10	13	22	27	11.6	9.2	0.1	0.1	2.1	1.5	23.9	1.7	13	40
Power Finance Corp.	BUY	170	200	18	224	30	35	23	27	7.5	6.4	0.3	0.3	1.0	3.5	16.7	2.5	23	(31)
Punjab National Bank	BUY	941	1,340	42	298	50	58	158	182	6.0	5.2	1.0	1.2	1.2	0.4	20.6	1.2	21	(15)
Rural Electrification Corp.	BUY	191	220	15	188	30	34	30	35	6.4	5.5	0.0	-	1.1	3.4	20.1	21.2	24	(22)
Shriram Transprt finance	BUY	583	720	24	132	7	8	62	70	9.5	8.3	0.5	1.5	24.3	-	24.0	3.5	39	(15)
State Bank Of India	BUY	2,062	2,376	15	1309	113	147	169	220	12.2	9.4	1.7	1.6	1.9	2.4	15.6	1.0	27	(22)
Union Bank of India	BUY	228	321	41	120	24	31	46	59	4.9	3.9	1.6	1.7	1.0	0.5	20.2	1.0	34	(31)
YES Bank	HOLD	330	330	(0)	116	9	11	26	31	12.6	10.5	0.0	0.0	2.1	1.1	21.7	1.3	38	26

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Events Calendar

January/February 2012

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
<b>30 Jan</b>	<b>31 Jan</b>	<b>1 Feb</b>	<b>2 Feb</b>	<b>3 Feb</b>	<b>4 Feb</b>	<b>5 Feb</b>
		Ashok Leyland	Marico Essar Ports	Container Corp HPCL Power Finance Corp Nava Bharat Ventures Prakash Industries	Maharashtra Seamless	
<b>6 Feb</b>	<b>7 Feb</b>	<b>8 Feb</b>	<b>9 Feb</b>	<b>10 Feb</b>	<b>11 Feb</b>	<b>12 Feb</b>
MOIL BGR Energy Bajaj Electricals Hindustan Unilever	Mahindra & Mahindra IL&FS Transportation Radico Khaitan	Power Grid Corp ONGC	Hindalco Industries ACC Ambuja Cements	BPCL Tata Power Britannia Industries Sun TV Network	Aditya Birla Nuvo	
<b>13 Feb</b>	<b>14 Feb</b>	<b>15 Feb</b>	<b>16 Feb</b>	<b>17 Feb</b>	<b>18 Feb</b>	<b>19 Feb</b>
SAIL Lanco Infra	REI Agro Tata Motors					



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