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STRATEGY

Reforms Unleashed!

Identifying winners...

Shrugging off its image of being in a state of 'policy paralysis', Government of India unleashed a blitz of reforms late last week, including diesel price hike and opening up FDI in several key sectors. Though many will argue that these measures will have limited impact, we believe that 51% FDI in multi-brand retail and 49% in airlines are probably the biggest and toughest reform initiatives that the UPA Government has taken in its tenure of eight years. We believe that it will have significantly positive implications for the economy and the market.

FDI in retail (51%), aviation (49%) and broadcasting (74%)

FDI will bring much needed funding options for domestic players. We see **Pantaloon**, being the largest player, **a key beneficiary of FDI in retail** as it will strengthen its back end operations and inventory management, which in our view has been one of the most challenging areas for the company. We believe increased FDI is very positive for the **broadcasting industry**. With nearly 90m households and top five players having market share of 50%, the market is fragmented. FDI, coupled with digitalization, will lead to consolidation, benefiting larger players. We remain positive on both cable and DTH. Our top picks are **Hathway** and **Dish**. On the other hand, **Spicejet** is among the **biggest beneficiaries of FDI in civil aviation** due to significant market share (~18%) and relatively better balance sheet.

Rate cut hopes: Not unfounded

With falling GDP growth and dwindling capex cycle, need for sustained rate cuts is more than ever before. We believe that the Government has initiated small yet meaningful steps, such as diesel price hike and divestments of certain PSUs, to bring down cost of capital. We believe that banks, particularly PSU banks, will be key beneficiaries of rate cuts, as it will arrest formation of NPAs in the system. **SBI is our top pick among banks**. Lower rates, coupled with PM's concerted efforts to revive infrastructure investments, will also boost growth outlook for large infra-plays. We like **L&T** and **IRB Infrastructure** in this space. We believe that stocks like **Maruti** (demand outlook may improve, lower import bill) and **PFC** (Wholesale funded NBFCs key gainers of rate cuts) will also see significant re- rating, following rate cuts.

Re unlikely to fall further; Can appreciate buoyed by inflows

FII investment in India has already crossed US$10b, YTD. Historically, strong reform initiatives by government have led to improved foreign capital inflow. We believe that appreciation of INR vs. US$ will significantly benefit a host of companies, exposed to imports. This will also help curtail oil import bill, thereby further helping fiscal situation. We like **JSW energy**, which operates 2.6GW of power plant, and meets its coal requirement through imports. JSW Energy will benefit from appreciating INR, apart from falling international coal prices.

FDI in multi-brand retail – Bold move

Cabinet approves FDI in multi-brand amidst apposition

Multi-brand retail sales allowed to be set up in cities with population of over 1 million

The Cabinet has approved the proposal of the Department of Industrial Policy & Promotion for permitting 51% FDI in multi-brand retail trading, subject to specified conditions as follows:

- Retail sales outlets may be set up in those States which have agreed or agree in future to allow FDI in MBRT under this policy. The establishment of the retail sales outlets will be in compliance of applicable State laws/ regulations, such as the Shops and Establishments Act etc.
- Retail sales outlets may be set up only in cities with a population of more than 1mn as per 2011 Census and may also cover an area of 10kms around the municipal/ urban agglomeration limits of such cities. In States/ Union Territories not having cities with population of more than 1m as per 2011 Census, retail sales outlets may be set up in the cities of their choice, preferably the largest city and may also cover an area of 10kms around the municipal/urban agglomeration limits of such cities.
- At least 50% of total FDI brought in shall be invested in 'backend infrastructure' within three years of the induction of FDI, where 'back-end infrastructure' will include capital expenditure on activities such as processing, manufacturing, distribution, logistics, storage etc. Expenditure on land cost and rentals, if any, will not be counted for purposes of backend infrastructure.
- Atleast, 30% procurement will have to be made from Indian small industries (SME's)

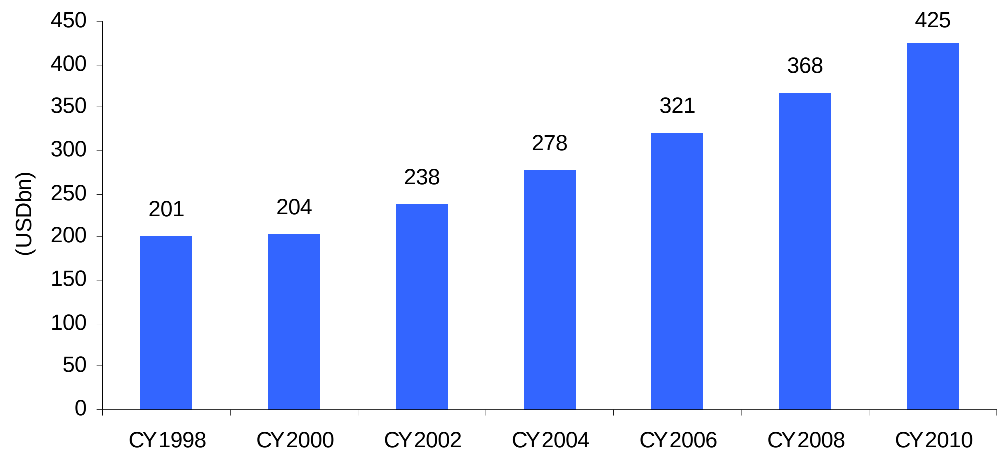
India is one of the most favoured destination, for global retailers

India has emerged as the fifth most favourable destination for international retailers, outpacing UAE, Russia, Indonesia and Saudi Arabia, according to A T Kearney's Global Retail Development Index (GRDI) 2012. According to A T Kearney, India remains a high potential market with a retail growth of 15-20% expected over the next five years.

Indian retail market estimated at US$425b, largely dominated by textiles (38%), grocery (12%) and consumer durables (9%)

According to industry reports, the Indian retail industry was estimated to be at about USD425bn during CY2010 growing at a CAGR of 6.4% during CY1998-CY2010. During 2010, textiles accounted for the largest share (38.1%) in Indian retail business, followed by food and grocery (11.5%) and consumer durables (9.1%). Health and beauty segment contributed the lowest (0.8%) of total sector revenue.

Indian retail growing at a healthy pace

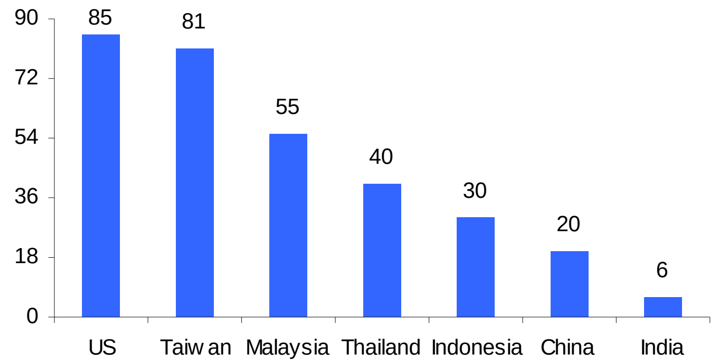


Source - EIU, Euromonitor

The organised retail industry holds a huge potential in the years ahead with India's organised retail penetration levels being one of the lowest in the world at 6% compared to 85% in US, 20% in China and 30% in Indonesia. Penetrations levels of the organised retail industry is expected to reach 9% of total retail industry by 2015 and 20% by 2020 according to Industry reports. This would be driven by a broad based growth across categories.

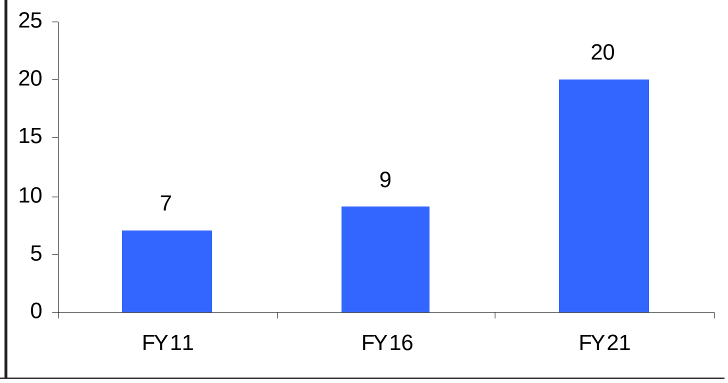
Lower organised retail penetration in India

Organised retail penetration (%) - FY11



Source - E&Y report

Organised retail penetration (%)



Source - Deloitte report

Few of the key states have not provided their approval for the new FDI policy

The state governments of Delhi, Assam, Maharashtra, Andhra Pradesh,Rajasthan, Haryana, Uttarakhand, Jammu & Kashmir and Governments of the State of Manipur and the Union Territory of Daman & Diu and Dadra and Nagar Haveli, have favoured the new policy. However the State Governments of Bihar, Karnataka, Kerala, Madhya Pradesh, Tripura and Orissa have expressed reservations. Additionally we understand that the state governments of West Bengal and Tamil Nadu have not participated in the new FDI policy on multi-brand retail.

According to our understanding, if we have to estimate the impact of the non-participation of states for the country's largest retailer Pantaloon Retail, the same would cover about 45-50% of its total retailing space.

In our view going ahead, though almost 50% of the states have not participated, investments would happen in the first phase in the participating states and in the second phase the success of these states could attract the current non-participating states over a period of 3-4 years.

Non-participating states: Many options now available to avail investments

- **Investments can be routed through investment firms:** In the current scenario as stated earlier a few of the key states like Karnataka, West Bengal, Gujarat and Uttar Pradesh have not participated in the FDI policy in multi-brand. Therefore global retailers cannot invest in modern retail front end expansion in these states. However, investments can be done by Private Equity firms or global investors in Indian organised retailers as the overall investment limit has been increased for FII and FDI from the current 24% to 51%. Additionally FIIs had to invest in Indian organised retailers through the secondary market and no fresh equity could be issued to them by Indian organised retailers. This also would change with the new FDI policy as FIIs would be allowed to invest in fresh equity issues by organised retailers. Therefore the cash strapped Indian organised retailers can now pull in funds through fresh equity issues to FIIs.

  Additionally, in states which have not agreed to participate in the FDI in multi-brand, investments could commence with investments in back end operations and not in front end operations.

- **Retail expansion through the franchisee route:** In case of participating states in the new FDI policy, global retailers can enter the market along with the Indian retailers through co-branding. However in case of the non-participating states, global retailers can extend their tie up with the Indian retailers through the franchisee route.

Real estate would be a challenge for global retailers planning to enter India on their own

For global players like Walmart, Tesco and Carrefour foraying in to India on its own would be difficult as real estate in the key areas of modern retail businesses like metro cities are blocked by the existing modern retailers. Therefore the option for a global player would be tying up with a real estate developer for properties or setting up shop in the outskirts of key cities. Wherein the earlier option looks to be a more feasible option, the second option would face challenges due to lack of infrastructure.

FDI in multi-brand to benefit the Indian population as a whole

Mandatory 30% local sourcing will benefit small manufacturer

FDI in multi-brand would benefit stakeholders across the entire span of the supply chain. Farmers stand to benefit from the significant reduction in post-harvest losses, expected to result from the strengthening of the backend infrastructure and enable the farmers to obtain a remunerative price for their produce. Small manufacturers will benefit from the conditionality requiring at least 30% procurement from Indian small industries, as this would enable them to get integrated with global retail chains. This, in turn, will enhance their capacity to export products from India.

The policy would aid job creation in India in a substantial manner. Nevertheless consumers stand to gain the most, from lower prices resulting from supply chain efficiencies and improvement in product quality, resulting from technological upgradation, efficient grading, sorting and packaging, testing and quality control and product standardization.

Top Pick

Pantaloon Retail

We believe that PRIL would be the biggest beneficiary from FDI in multi-brand retail due to its leading distribution and debt burden. Additionally, FDI would strengthen its back end operations and inventory management, which in our view has been one of the most challenging areas for the company. We believe that the FDI in multi-brand would lead to a re-rating of the organised retail sector as a whole and would be more pronounced for Pantaloon Retail. We therefore recommend a BUY on PRIL.

FDI in Aviation: Foreign airlines can buy up to 49% stake in domestic carriers

Indian domestic aviation companies till now were allowed to have investment from foreign investors; however, foreign airlines were not allowed to invest in domestic airline companies. The process of allowing FDI by foreign airlines was in news since February 2012 and finally the Government has removed artificial restriction by allowing foreign airlines to buy up to 49% stake in local carriers.

Positive for Domestic Companies

FDI will provide a potential lifeline to the country's debt-laden airlines by opening up one more option to strengthen balance sheet

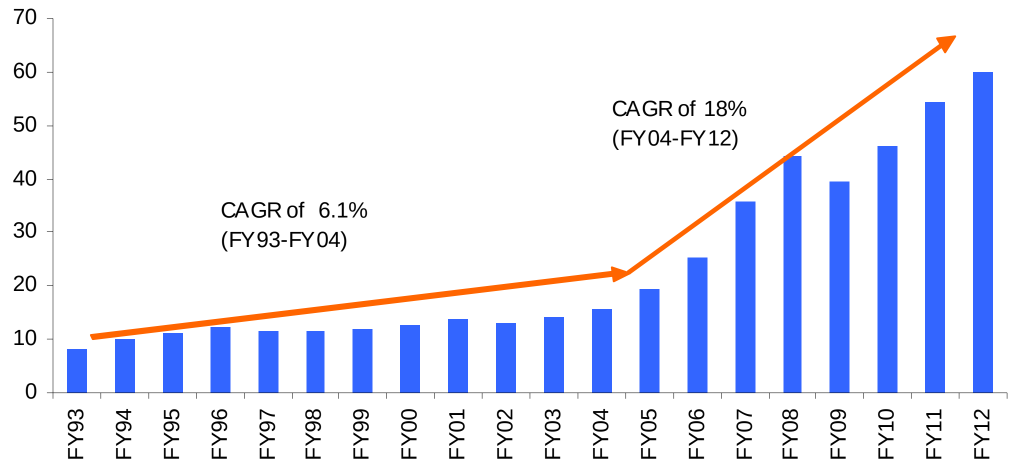
We believe the move is beneficial to domestic aviation players as it provides a potential lifeline to the country's debt-laden airlines by opening up one more option to strengthen balance sheet. Though there was no restriction for foreign investors to invest in domestic aviation companies, there was no investment interest so far due to poor profitability of the sector and regulatory nature of business. The most logical investors, i.e foreign airlines, were not allowed to invest who are best suitable compared to other investors. We believe this as win – win move for the players as domestic players need to strengthen balance sheet and foreign airlines get entry in one of high growth potential market with significant share of foreign travellers. Foreign airlines will also bring in operational expertise for domestic companies along with sharing of routes and fleet co-ordination. The companies will benefit from code sharing and bring in regular passenger revenue apart from one time investment in domestic company.

India remains attractive destination

Passenger traffic in India is expected to grow multi-fold in next 7-8 years

India is one of the highest growing aviation market with very low penetration level (current 60m passengers per annum is expected to grow to 4x over next 7-10 years) which makes India an attractive destination for foreign airlines.

Exponential growth in domestic passenger segment (m)



Source: DGCA

What could delay the process?

Though, FDI is positive for the sector, we expect the FDI would be long drawn process and valuation would be concern for most of Indian promoters due to poor profitability history and regulatory nature of business.

1. ***Not through automatic route***: FDI by foreign airlines will not be through automatic route and companies have to get clearance from the ministry and FIPB. Also according to 1937 aircraft rules, 3/4th of the directors and Chairman have to be Indian. India player has to hold sustentative amount of investment in that airline.

2. **Structural Challenge:** The government support to loss making Air India is viewed as unequal play in the domestic industry, which may restrict the entry of interested foreign players.

3. **Tax rationalization:** The profitability of domestic players has impacted due to very high taxes of ATF and fuel cost is ~ 50 to 55% of sales as compared to international range of 35% to 45%. The domestic operations are at disadvantage as compared to foreign operation as companies are paying ~22% sales tax. The industry has requested for "Declared Goods" status for ATF to bring tax to uniform 4%. We believe tax rationalisation is very important to get full benefit of FDI announcement as it will improve profitability without hampering growth.

Top Pick

Spicejet to benefit most among listed players

SpiceJet, India's most preferred budget airline is working on importing of aviation turbine fuel (ATF) and would be the first company to import fuel (expect to benefit by ~8-10% due to tax difference). For FDI also, we believe the Spicejet would be major beneficiary of the move due to significant market share (~18%) and relatively small balance sheet.

Company	Mcap (INRbn)	Liabilities (INRbn)	Profit (INRbn) FY11	FY12	Domestic market share (%)	Mcap/ Market	EV	EV/ Mcap
Air India	na	422*	(40)	(30.0)	18.2		422*	
Jet Airways	31.8	194.0	(1.6)	(14.2)	26.6	1.20	226	8.49
Spice Jet	16.7	7.9	1.0	(5.7)	17.8	0.94	25	1.38
Kingfisher	8.7	115.8	(10.3)	(23.2)	3.4	2.57	125	36.64

*Air India average annual loss of ~INR30-50bn per year for the last five years

India Broadcasting …. FDI limits raised; strong positive for the sector

What has changed?

Higher FDI limit, alongwith pasing of the Cable TV digitalization, will open up huge market and attract FDI in the sector

Cabinet yesterday raised FDI limits for broadcasting services (Cable /DTH providers) to 74% from 49%. Further, up to 49% will be through automatic route and beyond 49% will require FIPB approval. This places the cable/ DTH industry on par with telecom players which was one of the key demands of the industry. This follows approval of cable digitalization bill last year and Government's firm stance on implementing cable digitalization in the country.

Why is it relevant?

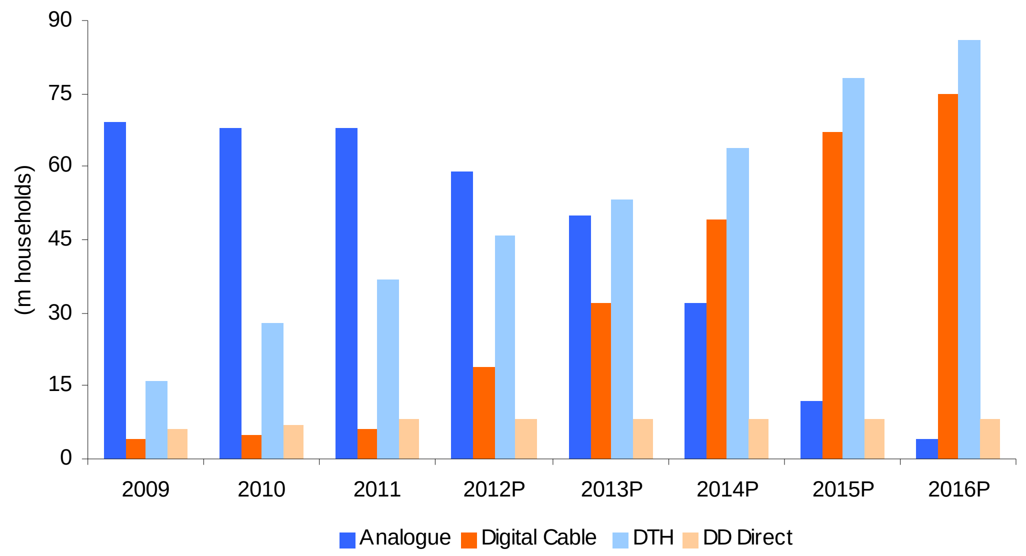
Raise in FDI limits and tax exemptions was one of the key demands of cable/ DTH industry. Last year the parliament approved The Cable TV digitalization bill which provides for transition of all analogue cable TV networks to digital in four phases starting November 2012. With nearly 90mn analogue TV households, MSO/ DTH would have to deploy INR130-140bn over the next 3-4 years. Raise of FDI limits would help attract foreign capital.

Cable TV - Big will get bigger

We believe this is positive for the industry. With nearly 90m households and top five players having market share of 50%, the market is fragmented. We reiterate our view that digitalization will lead to consolidation, with the top five increasing its market share. We think the Big will get Bigger and players such as Hathway and Den who have a head start in digitalization should benefit. **Remain positive on both cable and DTH. Prefer Hathway, Dish and Den Networks.**

With nearly 90m households and top five players having market share of 50%, the market is still fragmented

Digitalization is way forward



Source: Industry, Antique

Key risks: increasing competitive intensity in DTH ?

With nearly six players in the DTH industry, increase in competitive intensity is a key risk. With significant losses and high debt, the industry off late had demonstrated a sense of maturity with key players increasing prices and discontinuing various freebies which otherwise were offered to consumer. With likely infusion of funds post raising of FDI limits, risk of increasing competitive intensity in DTH cannot be ruled out.

Revised FDI limits for the sector

Segment	Existing Limit	Revised Limit
DTH	49%	74%
HITS	74%	74%
Cable Operators	49%	74%
FM Radio	26%	Status Quo
Downlinking of TV Channels	100%	Status Quo
Uplinking of TV News & current affairs channels	26%	Status Quo
Uplinking of TV Non- News & current affairs channels	100%	Status Quo
Mobile TV	No Policy	74%
Teleport(Hub)	49%	74%

Source : Antique

Top Picks

Dish TV

We believe FDI is a long term positive for the industry and Dish TV- the leading DTH player in the country. Our Buy rating is based on our view that 1) FCF for the company will likely expand in FY13E , 2) our view that ARPUs will likely trend up led by Cable TV digitalization and 3) subscriber additions likely to remain strong given opportunity to tap in cable in Phase II/ III markets and increasing penetration of digital TV in the country.

Hathway Cable & Datacom

The industry will see significant consolidation over the next 4-5 years. Ability to attract FDI should help industry leaders such as Hathway to increase market share in the digital cable market. In the near term cut in carriage revenue has been much lower than feared. Hathway has successfully concluded agreements with an average cut of 15-20% vs 50% assumed expected earlier for Phase I. This will help get better operating leverage in the near term.

Diesel price hike, divestment small yet positive steeps; hopes of sustained rate cuts

Diesel prices hiked by INR5/ltr, LPG cylinders capped at 6 per year, per family

Overall, the diesel price hike capped number of LPG cylinders per annum will lower u/r by INR203bn in FY13e and INR406bn in FY14e.

Indian Govt. hiked diesel prices by INR5/ltr or 12% (incl INR1.5/ltr hike in excise duty) and capped number of LPG cylinders at 6/annum/family (connection). Excise duty on petrol has been lowered by INR5.3/ltr to INR9.05/ltr thereby eliminating the current INR6/ltr loss on petrol sales. The hike in diesel excise and reduction of petrol excise is revenue neutral. Overall, the move will lower u/r by INR203bn in FY13e and INR406bn in FY14e.

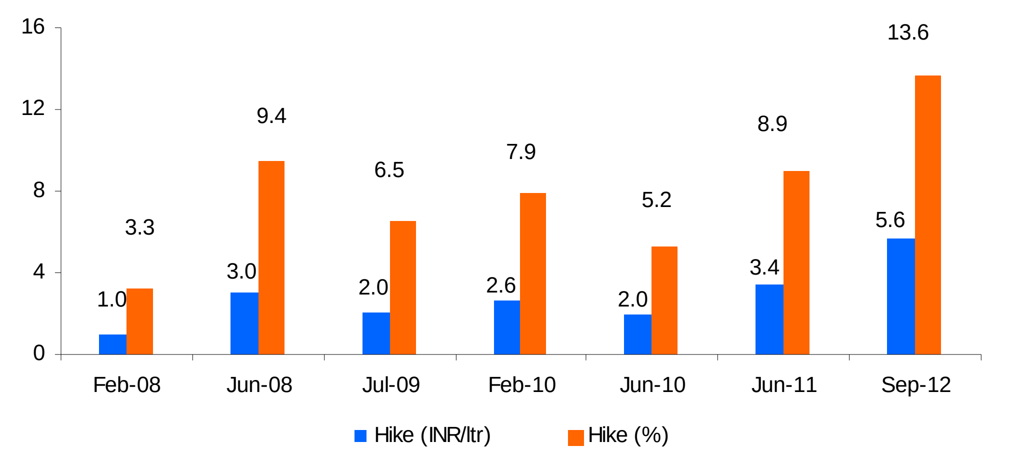
What's changed?

	Then	Now	
Delhi diesel price (INR/ltr)	41.3	47.0	Delhi RSP (post VAT) rises by INR5.6/ltr
Diesel excise (INR/ltr)	2.06	3.56	Ann. inflow of INR120bn to the exchequer
Diesel u/r (INR/ltr)	17.05	13.55	Lower by INR3.5/ltr
FY13e diesel u/r (INRbn)	1180	1030	Lower by INR150bn
Delhi petrol price (INR/ltr)	68.5	68.5	Status quo
Petrol excise (INR/ltr)	14.35	9.05	Ann. outflow of INR120bn from the exchequer
FY13e petrol u/r (INRbn)	150	50	Currently nil/ltr
Delhi LPG price (INR/cy)	399	399	Status quo
LPG cy/conn./yr	~7	6	6+ to be sold at CMP of INR747/cy
FY13e LPG u/r (INRbn)	373	320	Lower by INR53bn assuming 20% lower vol.
Delhi kerosene price (INR/ltr)	14.83	14.83	Status quo
FY13e kerosene u/r (INRbn)	320	320	No change
Total u/r (INRbn)	**1873**	**1670**	**Lower by INR203bn**

Note: blue colored are Govt. estimates; Source: Govt statement, Antique

Diesel prices have risen by nearly 50% since January 09

Latest hike is one of the steepest in recent history



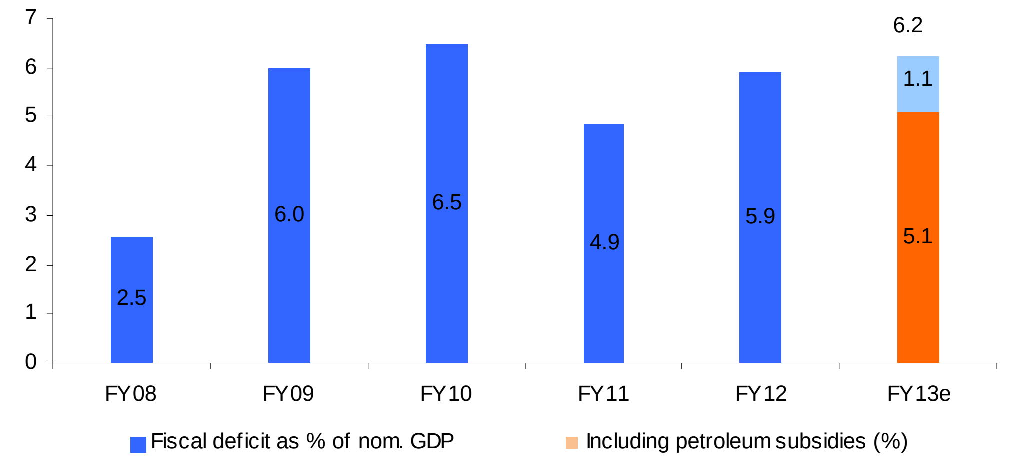
Source: IOCL, Antique

Burgeoning subsidy bill remains unmanageable; fiscal deficit to stay high

Despite price hike, fiscal deficit will breach Government's target of 5.1%; but could have been worse without the hike

Due to delay in price hikes, u/r on regulated products are estimated at a whopping INR1682bn (at USD112/bbl Brent and INR55/USD) for FY13e and INR1372bn for FY14e (USD110/bb, INR54/USD), which is still unmanageable. We estimate that adjusting for upstream subsidy at INR640bn, if Govt. provides INR1022bn, fiscal deficit in FY13e is estimated to move up by 1% from targeted 5.1% to 6.1% in FY13e.

India's fiscal deficit likely to come 1% above target due to petroleum subsidies



Source: RBI, Antique

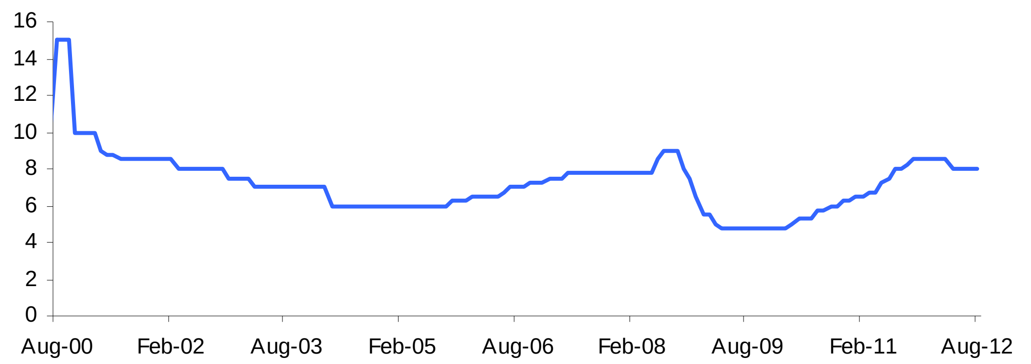
High hopes on rate cuts now

We believe that RBI may cut rates upto 75bps in remainder of FY13. In any case, given slowdown in the economy, demand for bank credit has already, pushing lending rates downwards.

Though inflation remains high, there is increasing clamour for policy rate cut in the RBI Policy to be announced on September 17, 2012. Given the slump in the industrial production and GDP, it is not entirely unthinkable. We believe that RBI may cut rates upto 75bps in remainder of FY13. In any case, given slowdown in the economy, bank credit has already fallen to abysmal, which itself will drive lending rates downwards.

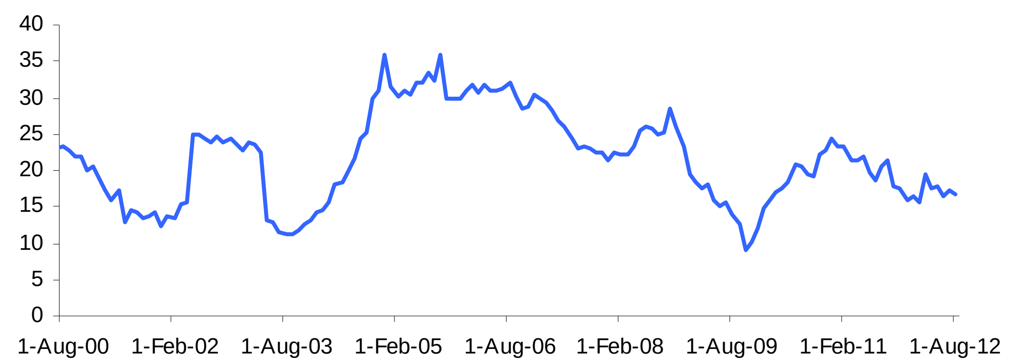
We believe sustained rate cuts over next few quarters will significantly improve outlook for India's manufacturing and infrastructure sectors, thereby providing hope for revival of the capex cycle in the economy. This will also improve outlook for credit off take, which has remained subdued in near past.

Hardening rates



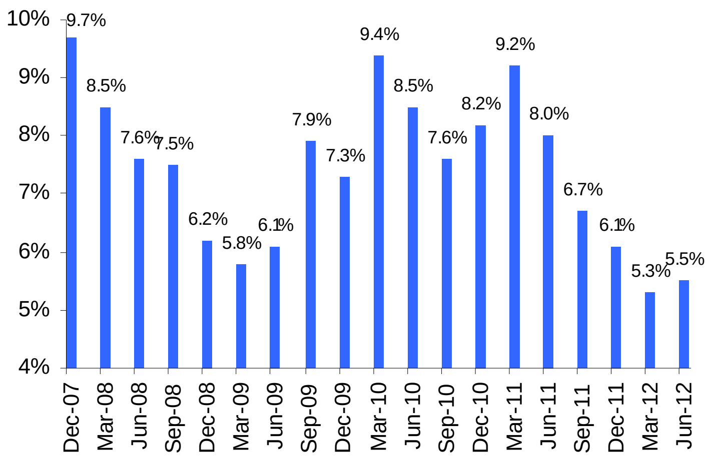
Source: Bloomberg, Antique

Falling bank credit growth

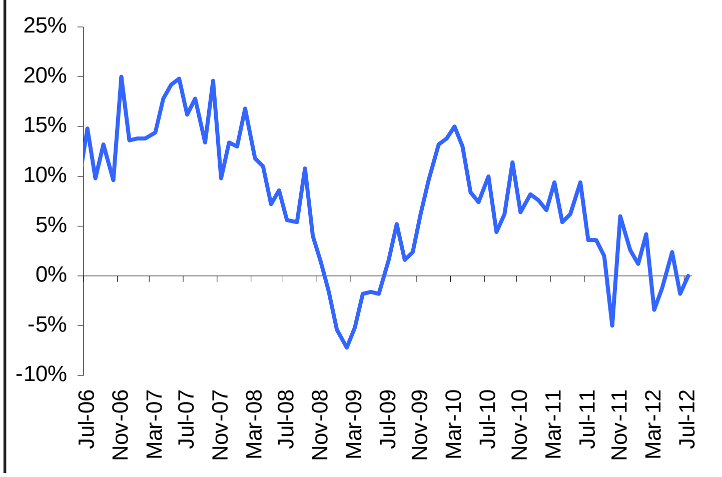


Source: Bloomberg, Antique

GDP Growth falling towards 5%



IIP growth continues to be abysmally low



Source: MOSPI

Top Picks

State Bank of India

Lower rates will arrest NPA formation in banks. Banks will also earn some healthy trading profits on their SLR book. This will result into re-rating of price to book multiples both PSU and private banks.

Larsen & Toubro

Among the key beneficiaries of any revival in the capex cycle due to its diversified presence, impressive technology base and strong balance sheet. The execution is expected to be healthy with stable margins. At 16xFY14e earnings, valuations are not stretched.

IRB Infrastructure

An easing interest rate environment tends to reduce the interest obligation on operational projects and improve cash flows. IRB has a net debt of INR58.7bn, of which around INR16.5bn pertains to projects under construction (ex Kolhapur project). Thus, the company would benefit from an easing interest rate environment on the remaining INR42.2bn of loans, which are on floating rates.

PFC

NBFCs being wholesale funded are the biggest beneficiaries of rate cuts. PFC is trading at a significant discount to historical valuations and should re-rate with falling interest rates and resolution of issues related to power sector.

Maruti Suzuki

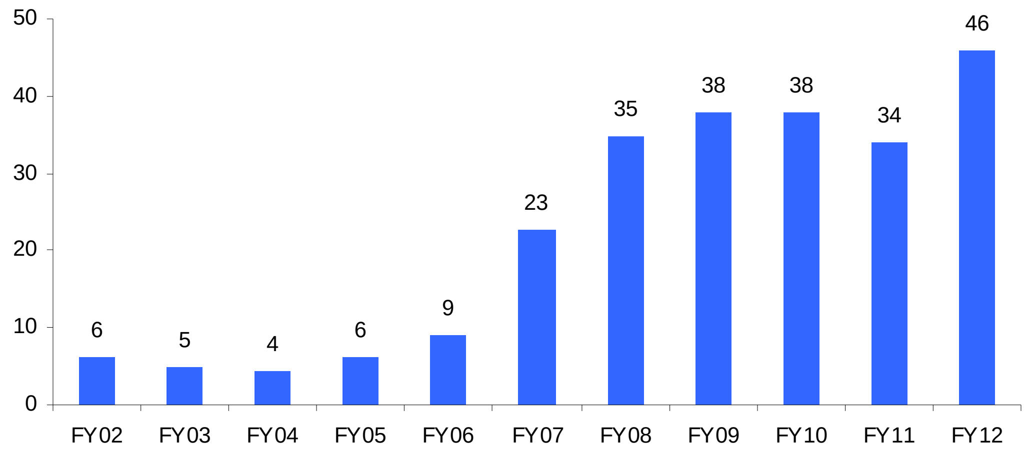
Lower rates will improve consumer sentiments and a consequent uptick in high discretionary spends, benefiting Maruti. Also, given its fat import bill (net imports at USD1.7bn), it also benefits from any INR appreciation.

Rupee unlikely to fall further; Can appreciate buoyed by inflows, QE3

On 13 September 2012, US's Federal Reserve initiated yet another stimulus programme, popularly called Quantitative Easing 3 (QE3), saying it will buy $40bn worth of mortgage debt per month until outlook for employment improves meaningfully. It also says that Fed rates will continue to stay close to zero until mid 2015. Earlier in QE1 and QE2, US Fed injected liquidity worth US$2.85tn and US$600b in the system.

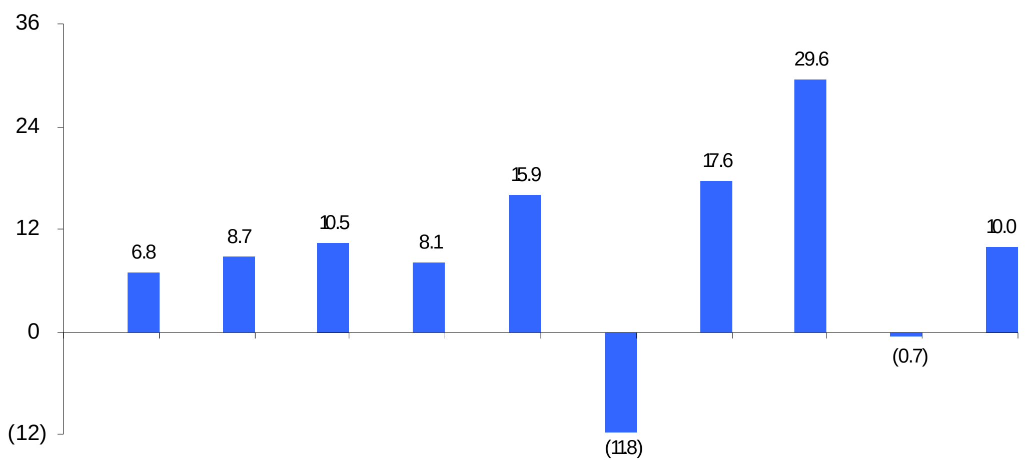
QE3 can potentially infuse substantial liquidity in emerging markets like India. Already, FIIs have pumped in US$12bn worth of liquidity. Potential FDI and FII inflows, coupled with QE3, can improve market sentiment for local currencies (like INR). We believe Re can appreciate meaningfully with these measures over next few quarter. This will also mitigate risk associated with potential rally in crude oil following QE3.

FDI Inflows have largely remained static since FY08 (US$bn)



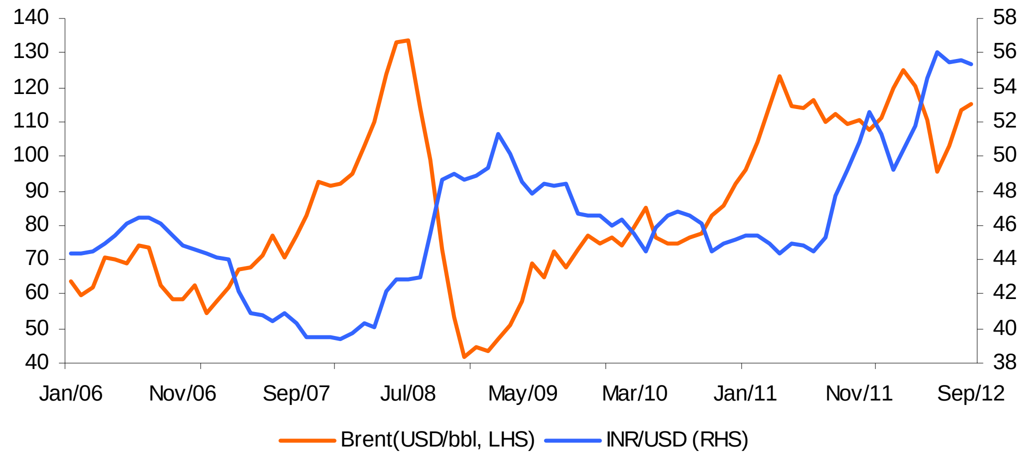
Source: Bloomberg, Antique

Sharp pick up in net FII inflows YTD CY12 (US$bn)



Source: Bloomberg, Antique

Rising crude and weak INR playing havoc with fiscal situation



Source: Bloomberg, Antique

Top Picks

JSW Energy

JSW Energy has 2600MW under operation, 860MW is in southern zone (entire merchant) and 1200MW is located in Maharashtra (600MW is being sold on merchant basis). We believe the company is attractively positioned to take advantage of higher merchant rates and weakness in international coal prices. It could also benefit if rupee start appreciation against USD as Govt. moves on reforms agenda.

Valuation

Company	CMP (INR)	M. Cap (INRbn)	EPS Growth (%) FY13e	EPS Growth (%) FY14e	PE (x) FY13e	PE (x) FY14e	PB (x) FY13e	PB (x) FY14e	ROE (%) FY13e
State Bank Of India	1,971	1,322.3	26	23	9.0	7.3	1.4	1.2	15.0
Larsen & Toubro	1,487	912.7	12	19	18.3	15.5	3.2	2.8	15.4
Maruti Suzuki India	1,261	364.4	26	36	17.7	13.1	2.1	1.9	12.1
Power Finance Corp	166	219.6	17	19	6.2	5.2	0.9	0.8	15.0
JSW Energy*	50	82.3	268	37	13.1	9.6	1.3	1.2	10.4
Dish TV India	77	81.4	na	na	na	148.0	5.0	5.0	(3.9)
IRB Infrastructure Developers	126	42.0	na	6	10.1	9.5	1.3	1.2	13.0
Pantaloon Retail (India)	158	34.0	78	69	32.9	19.5	1.1	1.1	3.0
Hathway Cable & Datacom	219	31.2	na	218	na	na	3.6	2.8	5.8
SpiceJet	35	16.7	na	133	14.4	6.2	na	6.1	na

* Bloomberg estimates; Source: Company, Antique

COMPANIES

State Bank of India

Larsen & Toubro

Maruti Suzuki India

Power Finance Corporation

Dish TV India

IRB Infrastructure Developers

Pantaloon Retail (India)

Hathway Cable & Datacom

SpiceJet

JSW Energy

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR1,971
Target Price	:	INR2,300
Potential Return	:	17%

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Market data

Sector	:	FINANCIAL
Market Cap (INRm)	:	1,322,965
Market Cap (USDm)	:	24,361
O/S Shares (m)	:	671
Free Float (m)	:	184
52-wk HI/LO (INR)	:	2475/1571
Avg Daily Vol ('000)	:	2,668
Bloomberg	:	SBIN IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	3	(10)	(14)	4
Relative	(1)	(17)	(19)	(5)

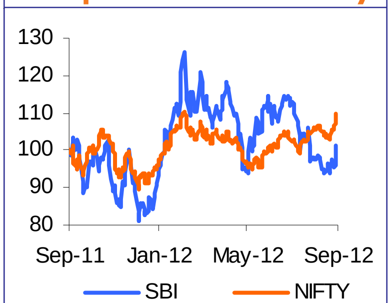
Source: Bloomberg

Shareholding pattern

Promoters	:	61%
FII	:	9%
DII	:	17%
Others	:	13%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

COMPANY UPDATE

State Bank of India

Big beneficiary of easing rates cycle

Given the fast-tracking reforms such as Diesel price hike, subsidising in LPG cylinder, reforms of FDI in Retail, Aviation, Broadcasting, Disinvestment in four PSUs and project implementation process over the last one week, we believe that the overall market sentiment may gradually improve from here on with the government aiming to consolidate its fiscal position and boost investment climate, thereby giving RBI a greater room to cut policy rate. We believe that State Bank of India is likely to be major beneficiary of any upturn in macroeconomic environment and easing interest rate scenario.

Credit growth sluggish; likely to remain 14-16% levels for FY14e

Given the slowdown in economy, credit growth for the bank is likely to moderate in line with RBI's projection at 14-16% levels for FY13e with retail segment likely to remain key driver of growth. Further in order to boost credit growth the bank has cut interest rate in home and auto loans segments.

Margins to remain at 3.75% levels for FY13e

While reported margins for the bank declined to 3.57% levels in 1QFY13, SBI is confident of improving its margins to +3.75% levels for FY13e on back of relatively strong CASA franchise and utilisation of excess SLR. CASA ratio for the bank continues to remain healthy at 43% levels. Further, SBI has reduced deposit rate by 50-100bps which should also provide some respite to margins in near term as well.

Asset quality trends - weak macro environment to weight

Given the weak macro environment, asset quality for the bank has continued to deteriorate over the last few quarter, with GNPA and NNPA ratio at 4.99% and 2.20% respectively during 1QFY13. While reported slippages have been higher, restructured loans as a percentage of overall advances continues to remain one of the lowest at 3.1% - on back of bank's conservative policy on restricting and recognising stress upfront. Going forward while some asset quality deterioration is imminent, we believe that pace of deterioration should moderate going forward.

Valuation and outlook

While slippages and credit costs continue to remain high for the bank, we believe that the State Bank of India is likely to be major beneficiary of any upturn in macroeconomic environment and easing interest rate scenario. Therefore at CMP of INR 1,971 the bank is trading at 1.2x FY14e P/BV and 7.3x FY14e P/E which continues to remain attractive. SBI is our preferred pick within public sector banks, and hence we reiterate a BUY recommendation on the stock with a target price of INR2,300/share.

Key financials

Year ended March (INRm)	2010	2011	2012	2013e	2014e
NII (INRm)	236,714	325,264	432,911	462,141	526,715
YoY growth (%)	13.4	37.4	33.1	6.8	14.0
PAT (INRm)	91,661	82,645	117,133	147,559	180,921
YoY growth (%)	0.5	(9.8)	41.7	26.0	22.6
EPS (INRm)	144	130	175	220	270
BPVS (INRm)	1,039	1,023	1,251	1,431	1,652
P/E (x)	13.7	15.1	11.3	9.0	7.3
P/B (x)	1.9	1.9	1.6	1.4	1.2
RoE (%)	14.8	12.6	15.7	16.4	17.5

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Net interest income	**236,714**	**325,264**	**432,911**	**462,141**	**526,715**
Other income	149,682	158,246	143,514	155,581	173,782
Trading profits	21,063	9,025	-9,639	5,000	5,000
Non trading income	128,618	149,221	153,153	150,581	168,782
Net revenue	**386,396**	**483,510**	**576,425**	**617,722**	**700,497**
Operating expenses	203,187	230,154	260,690	291,509	339,535
Operating profit	**183,209**	**253,356**	**315,735**	**326,213**	**360,962**
Provisions	43,948	103,813	130,902	105,976	90,931
PBT	**139,261**	**149,542**	**184,833**	**220,237**	**270,031**
Provision for tax	47,600	66,897	67,700	72,678	89,110
PAT	**91,661**	**82,645**	**117,133**	**147,559**	**180,921**

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Liabilities					
Equity capital	6,349	6,350	6,710	6,710	6,710
Reserves	653,143	643,510	832,802	953,800	1,102,155
Net worth	**659,492**	**649,860**	**839,512**	**960,511**	**1,108,865**
Deposits	8,041,162	9,339,328	10,436,474	12,284,132	14,481,479
Borrowings	710,312	799,451	869,894	978,631	1,174,357
Other liabilities	1,123,171	1,448,722	1,209,313	1,330,244	1,463,268
Total	**10,534,137**	**12,237,362**	**13,355,192**	**15,553,517**	**18,227,970**
Assets					
Loans	6,319,142	7,567,194	8,675,789	10,063,915	11,875,420
Investments	2,957,852	2,956,006	3,121,976	3,652,712	4,273,673
Cash & equi	861,887	1,228,741	971,632	1,165,958	1,340,852
Fixed assets	44,129	47,642	54,665	60,132	66,145
Other assets	351,130	437,780	531,130	610,800	671,880
Total	**10,534,139**	**12,237,364**	**13,355,192**	**15,553,517**	**18,227,970**

Per share data (INR)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Period end shares outstanding (mn)	634.9	635.0	671.0	671.0	671.0
EPS	144.4	130.2	174.6	219.9	269.6
Book value per share	1,039	1,023	1,251	1,431	1,652

Source: Company, Antique

Growth ratios (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
NII	13.4	37.4	33.1	6.8	14.0
Net Revenue	15.1	25.1	19.2	7.2	13.4
Operating Profit	2.3	38.3	24.6	3.3	10.7
PAT	0.5	-9.8	41.7	26.0	22.6
Total assets	9.2	16.2	9.1	16.5	17.2
Advances	16.5	19.8	14.7	16.0	18.0
Deposits	8.4	16.1	11.7	17.7	17.9
CASA as % of Deposits	47.3	49.4	44.8	46.5	47.5

Valuation ratios (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
P/E	13.7	15.1	11.3	9.0	7.3
P/BV	1.9	1.9	1.6	1.4	1.2
P/ABV	2.3	2.4	1.9	1.8	1.5

Operating ratios (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Operating cost to income	52.6	47.6	45.2	47.2	48.5
Operating expenses/ avg. assets	2.0	2.0	2.0	2.0	2.0

Profitability ratios (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Net interest margin (calculated)	2.4	2.7	3.1	3.0	2.9
Return on avg. assets	0.9	0.7	0.9	1.0	1.1
Return on avg. net worth	14.8	12.6	15.7	16.4	17.5

Asset quality and capital (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Gross NPA	3.1	3.3	4.6	5.2	5.2
Net NPA	1.4	1.3	1.5	1.7	1.7
Provisioning coverage	44.4	51.2	60.1	60.0	60.0
Slippage Ratio	2.2	2.9	3.3	3.5	2.7
Tier I Capital adequacy	9.5	7.8	8.5	8.8	9.3

Source: Company Antique

Current Reco	:	BUY
Previous Reco	:	HOLD
CMP	:	INR1,487
Target Price	:	INR1,655
Potential Return	:	11%

COMPANY UPDATE

Larsen & Toubro Limited

Healthy performance amidst weak macros

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Larsen & Toubro is among the key beneficiaries of any revival in the capex cycle. The company, due to its diversified presence, impressive technology base and strong balance sheet, has maintained annual orders worth INR700bn - 800bn in FY12-13, despite extremely adverse macro-environment. Any recovery in infra-spend can improve outlook on order-flows meaningfully. We expect inflows to grow by 5% to INR741bn in FY13. The execution is expected to be healthy with stable margins. L&T remains our preferred large-cap capital goods stock. Standalone business at 13xFY14e earnings, valuations are not stretched. We upgrade the stock to buy, with a target price of INR1,655.

Core infrastructure strong

A large part of L&T's order-book in recent quarters has been driven by core infrastructure, such as transportation, real estate, factories, education sector, etc. In 1QFY13, order inflows from infrastructure segment grew by 60%. The company expects to get INR200b worth of orders from this segment in remaining three quarters of FY13, implying total order inflow of INR330b (40% of total inflows).

Hydrocarbon expected to pick up

Ordering from hydrocarbon sector has remained weak in the year so far (INR4b in 1QFY13). However, there are a few bid expected to open both in India (ONGC) and Middle-East, which can help boost orders from this segment. We expect INR150b worth of orders (India: Overseas in 60:40 ratio) from the segment in remainder of the year. Though pricing pressure has eased off a bit, competitive intensity remains a key challenge in the hydrocarbon EPC space.

Power T&D continues to grow

We expects INR150bn worth of new orders in remaining nine months of the year, including INR100b from T&D sector (India and Middle-East) and BTG order of INR50b. The India power equipment market continues to be lackluster with very few new projects being initiated.

Valuation and outlook

At CMP of INR1,487, stock is trading at 18.3x FY13e and 15.5xFY14e earnings, on P/BV it is trading at 2.8xFY14e. We expect consolidated earnings to increase by 12% to INR81 in FY13 and by 18.6% to INR96 by FY14. Our revised SOTP target of INR1,655 includes standalone business at 16xFY14 (earlier 15xFY13) at INR1,294 and subsidiary valuation of INR360 (earlier INR316).

Market data

Sector	:	INDUSTRIALS
Market Cap (INRm)	:	914,578
Market Cap (USDm)	:	16,841
O/S Shares (m)	:	614
Free Float (m)	:	424
52-wk HI/LO (INR)	:	1632/969
Avg Daily Vol ('000)	:	1,686
Bloomberg	:	LT IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	2	13	9	(6)
Relative	(2)	3	4	(14)

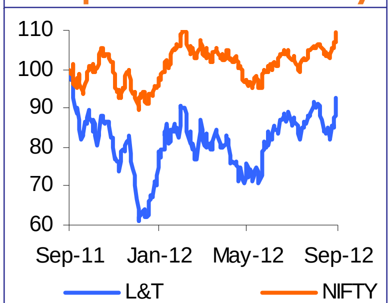
Source: Bloomberg

Shareholding pattern

FII	:	14%
DII	:	38%
Others	:	48%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

Key financials

Year ended March (INRm)	2010	2011	2012	2013e	2014e
Revenues(INRm)	370,348	439,049	531,705	619,814	712,259
EBITDA(INRm)	47,756	56,364	62,826	69,672	83,925
PAT(INRm) (Std.)	31,850	36,761	41,977	43,515	51,830
PAT(INRm) (Consl.)	37,110	42,416	44,348	49,677	58,952
EPS (INR) (Std.)	52.0	60.0	68.5	71.0	84.6
EPS (INR) (Consl.)	60.6	69.2	72.4	81.1	96.2
EPS growth (%) (Consl.)	23.5	14.3	4.6	12.0	18.7
P/E(x) (std)	28.6	24.8	21.7	20.9	17.6
P/E(x) (Consl)	24.6	21.5	20.5	18.3	15.5
P/BV(x)	4.9	4.1	3.6	3.2	2.8
EV/EBITDA(x)	17.3	14.5	13.0	12.1	10.1
EV/Sales(x)	2.2	1.9	1.5	1.4	1.2

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	370,348	439,049	531,705	619,814	712,259
Expenses	322,592	382,685	468,879	550,142	628,334
EBITDA	**47,756**	**56,364**	**62,826**	**69,672**	**83,925**
Depreciation	4,159	6,003	6,995	7,939	8,760
EBIT	**43,597**	**50,361**	**55,832**	**61,733**	**75,165**
Interest expense	5,053	6,474	6,661	9,377	11,048
Other income	7,422	9,259	11,344	12,592	13,241
Profit before tax	**45,966**	**53,147**	**60,515**	**64,948**	**77,358**
Taxes incl deferred taxation	16,409	19,459	18,538	21,433	25,528
Profit after tax (std)	31,850	36,761	41,977	43,515	51,830
Reported PAT (std)	43,760	39,581	44,565	43,515	51,830
Profit after tax (Consl)	**37,110**	**42,416**	**44,348**	**49,677**	**58,952**
Recurring EPS (INR)	**52.0**	**60.0**	**68.5**	**71.0**	**84.6**
Recurring EPS (Consl)	**60.6**	**69.2**	**72.4**	**81.1**	**96.2**

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Share Capital	1,204	1,218	1,225	1,226	1,226
Reserves & Surplus	181,912	217,245	251,005	281,961	318,832
Networth	**183,116**	**218,463**	**252,230**	**283,187**	**320,057**
Deffered tax assets/(liabilities)	774	2,635	1,330	1,330	1,330
Debt	68,008	71,611	86,428	112,756	132,756
Capital Employed	**251,899**	**292,708**	**339,988**	**397,273**	**454,144**
Gross Fixed Assets	72,901	89,567	103,571	124,046	139,046
Accumulated Depreciation	17,986	23,125	27,521	36,341	45,101
Net Assets	**54,915**	**66,442**	**76,050**	**87,705**	**93,945**
Capital work in progress	8,742	8,139	7,587	4,500	4,500
Investments	137,054	146,848	158,719	148,425	160,308
Current Assets, Loans & Advances					
Inventories	14,154	15,772	17,766	29,176	33,528
Sundry Debtors	111,584	124,276	187,298	180,205	207,082
Cash and Bank Balance	14,319	17,304	19,053	32,147	38,034
Loan & advances and others	123,897	192,160	210,457	274,294	314,789
Current Liabilities & Provisions					
Current liabilities	190,905	255,898	313,070	330,003	364,514
Provisions	21,860	22,334	23,871	29,176	33,528
Net Current Assets	**51,188**	**71,279**	**97,633**	**156,643**	**195,391**
Application of Funds	**251,898**	**292,708**	**339,988**	**397,273**	**454,144**

Per share data

Year ended 31 Mar	2010	2011	2012	2013e	2014e
No. of shares (m)	602.2	608.9	612.4	612.8	612.8
BVPS (INR)	304.1	358.8	411.9	462.1	522.3
CEPS (INR)	79.6	74.9	84.2	84.0	98.9
DPS (INR)	12.5	14.5	16.5	17.8	21.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBT	**48,259**	**56,219**	**63,104**	**64,948**	**77,358**
Depreciation & amortisation	4,159	6,003	6,995	7,939	8,760
Interest expense	5,053	6,474	6,661	9,377	11,048
(Inc)/Dec in working capital	11,434	(17,107)	(24,605)	(45,916)	(32,862)
Tax paid	(16,409)	(19,459)	(18,538)	(21,433)	(25,528)
CF from operating activities	**52,497**	**32,130**	**33,616**	**14,916**	**38,776**
Capital expenditure	(15,870)	(16,927)	(16,050)	(16,507)	(15,000)
(Purchase) /Sale of Investments	(54,416)	(9,795)	(11,871)	10,294	(11,883)
CF from investing activities	**(70,287)**	**(26,722)**	**(27,921)**	**(6,213)**	**(26,883)**
Inc/(Dec) in share capital	35,761	10,747	(983)	1	(0)
Inc/(Dec) in debt	2,448	3,603	14,817	26,328	20,000
Dividends & Interest paid	(13,853)	(16,774)	(17,780)	(21,937)	(26,008)
CF from financing activities	**24,356**	**(2,424)**	**(3,947)**	**4,392**	**(6,008)**
Net cash flow	**6,566**	**2,984**	**1,749**	**13,095**	**5,886**
Opening balance	7,753	14,319	17,304	19,053	32,147
Closing balance	**14,319**	**17,304**	**19,053**	**32,147**	**38,034**

Growth indicators (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	9.1	18.6	21.1	16.6	14.9
EBITDA	21.8	18.0	11.5	10.9	20.5
PAT	17.6	15.4	14.2	3.7	19.1
PAT (Consl.)	23.5	14.3	4.6	12.0	18.7
EPS	17.6	15.4	14.2	3.7	19.1
EPS (Consl.)	23.5	14.3	4.6	12.0	18.7

Valuation (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
P/E	24.6	21.5	20.5	18.3	15.5
P/BV	4.9	4.1	3.6	3.2	2.8
EV/EBITDA	17.3	14.5	13.0	12.1	10.1
EV/Sales	2.2	1.9	1.5	1.4	1.2

Financial ratios

Year ended 31 Mar	2010	2011	2012	2013e	2014e
RoE (%)	17.4	16.8	16.6	15.4	16.2
Roce (%)	17.3	17.2	16.4	15.5	16.6
Debt/Equity (x)	0.4	0.3	0.3	0.4	0.4
EBIT/ Interest (x)	8.6	7.8	8.4	6.6	6.8

Margins (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBITDA	12.9	12.8	11.8	11.2	11.8
EBIT	11.8	11.5	10.5	10.0	10.6
PAT	8.6	8.4	7.9	7.0	7.3

Source: Company Antique

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR1,260
Target Price	:	INR1,684
Potential Return	:	34%

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Market data

Sector	:	AUTOMOBILES
Market Cap (INRm)	:	364,345
Market Cap (USDm)	:	6,709
O/S Shares (m)	:	289
Free Float (m)	:	90
52-wk HI/LO (INR)	:	1429/900
Avg Daily Vol ('000)	:	662
Bloomberg	:	MSIL IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	6	14	(8)	17
Relative	2	5	(13)	7

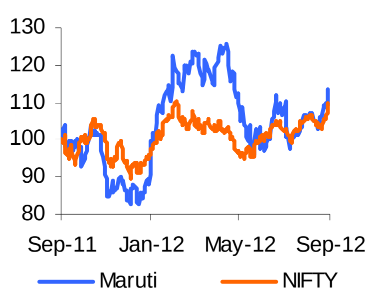
Source: Bloomberg

Shareholding pattern

Promoters	:	55%
FII	:	20%
DII	:	16%
Others	:	9%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

COMPANY UPDATE

Maruti Suzuki India Limited

Inflection point approaches...

Analysing the past few cycles, we infer that even an indication of rates easing-off, re-rates multiples for the rate sensitives (cars), much before an actual uptick in volumes (which could be even 2-3 quarters away). Also, an improving macro normally leads to an improvement in consumer sentiment and a consequent uptick in high discretionary spends. Maruti seems to fit the bill perfectly, as a beneficiary from all of the above. Also, given its fat import bill (net imports at USD1.7bn), it also benefits from any INR appreciation. The only argument for the bear (competitive pressures) is also fading. Reiterate BUY!

Well-balanced fuel mix - Cushion in an uncertain fuel price environment!

At the onset, the quantum of this last diesel price increase seems unlikely to impact diesel car demand and/or swing demand towards petrol variants. However, given its new-found/long-overdue fiscal obedience, should the government increase diesel prices any further, or if it imposes an additional excise duty on diesel vehicles, any resultant demand diversion from diesel back to petrol vehicles would be neutral (if not positive) for Maruti, given its petrol capacity aplenty.

Margin catalysts ahead…

Besides an improving product mix (higher share of nil discount diesel variants/Swift family), the focus on reducing the net import bill (from USD1.7bn currently to USD400m in FY15) will be a positive catalyst for margins. In the interim, an appreciating INR is an icing on the cake. We let this be an upside risk to our estimates.

Market share argument fading!

We have to make our peace with high competition in small cars, but the extent of market share loss for Maruti (which has been de-rating catalyst in the past) has been much lesser than earlier anticipated. Maruti has withheld competitive pressures (peak, in our view) extremely well thus far. Competitor focus shifting from small cars to SUVs, coupled with tepid performance to some of the existing competitor models is another positive. Also, the Ertiga increases Maruti's presence in a fast growing/relatively untapped segment which could offset any probable market share losses in small cars.

Directionally, our favourite stock in the sector… Reiterate BUY!

Maruti seems to be nearing the first stage of all its positive cycles - volumes, margins and consequently, multiples. Directionally, the stock seems to be one of the best FY14-15 plays in the sector. Reiterate BUY with a target price of INR1,684 (11x FY14e Cash P/E + INR50 for SPIL).

Key financials - standalone

Year ended March (INRm)	2010	2011	2012	2013e	2014e
Revenues	296,231	369,199	355,871	439,188	525,803
EBITDA	39,543	35,442	25,129	32,137	41,922
EBITDA Margin (%)	13.3	9.6	7.1	7.3	8.0
EPS (INR)	86.4	79.2	56.6	71.0	96.5
Cash EPS (INR)	115.0	114.3	96.0	116.9	148.5
P/E (x)	14.6	15.9	22.3	17.7	13.1
Cash P/E (x)	11.0	11.0	13.1	10.8	8.5

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenues	296,231	369,199	355,871	439,188	525,803
Expenses	256,688	333,757	330,742	407,051	483,881
EBITDA	**39,543**	**35,442**	**25,129**	**32,137**	**41,922**
Depreciation & amortisation	8,250	10,135	11,383	13,247	15,038
EBIT	**31,293**	**25,307**	**13,745**	**18,890**	**26,883**
Interest expense	335	244	552	1,045	896
Other income	4,967	6,025	8,269	9,509	10,935
Profit before tax	**35,925**	**31,088**	**21,462**	**27,354**	**36,923**
Taxes incl deferred taxation	10,949	8,202	5,111	6,838	9,046
Profit after tax	**24,976**	**22,886**	**16,351**	**20,515**	**27,877**
Adjusted profit after tax	**24,976**	**22,886**	**16,351**	**20,515**	**27,877**
EPS (INR)	**86.4**	**79.2**	**56.6**	**71.0**	**96.5**

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Share Capital	1,445	1,445	1,445	1,445	1,445
Reserves & Surplus	116,906	137,230	150,429	168,544	193,159
Networth	**118,351**	**138,675**	**151,873**	**169,988**	**194,603**
Debt	8,214	3,093	11,749	9,890	8,334
Capital Employed	**126,565**	**141,768**	**163,622**	**179,878**	**202,938**
Gross Fixed Assets	104,067	117,377	137,377	162,377	187,377
Accumulated Depreciation	53,820	62,083	73,466	86,713	86,713
Capital work in progress	3,876	14,286	17,411	22,411	27,411
Net Assets	**54,123**	**69,580**	**81,321**	**98,075**	**128,075**
Investments	71,766	51,067	61,473	61,473	61,473
Current Assets, Loans & Advances					
Inventory	12,088	14,150	17,965	16,846	20,168
Debtors	8,099	8,933	9,377	10,829	12,965
Cash & Bank balance	982	25,085	24,362	24,754	19,898
Loans & advances and others	16,555	15,395	20,478	20,478	20,478
Current Liabilities & Provisions					
Liabilities	29,394	35,540	41,345	42,082	49,073
Provisions	6,284	5,258	6,985	7,334	7,701
Net Current Assets	**2,046**	**22,765**	**23,851**	**23,491**	**16,735**
Deferred tax (assets)/liabilities	1,370	1,644	3,023	3,160	3,345
Application of Funds	**126,565**	**141,768**	**163,622**	**179,878**	**202,938**

Per share data

Year ended 31 Mar	2010	2011	2012	2013e	2014e
No. of shares (m)	289.0	289.0	288.9	288.9	288.9
BVPS (INR)	409.5	479.8	525.7	588.4	673.6
CEPS (INR)	115.0	114.3	96.0	116.9	148.5
DPS (INR)	6.0	7.5	5.7	7.1	9.6

Margins (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBITDA	13.3	9.6	7.1	7.3	8.0
EBIT	10.6	6.9	3.9	4.3	5.1
PAT	8.4	6.2	4.6	4.7	5.3

Source: Company, Antique

Volumes - In Nos

Year ended 31 Mar	2010	2011	2012	2013e	2014e
A1 + A2	666,218	835,037	727,143	748,957	860,564
A3	99,315	131,282	128,129	134,535	154,716
A4	-	128	458	458	440
MPV	101,325	160,626	144,061	148,383	170,640
MUV	3,932	5,666	6,525	54,721	70,129
Total Domestic	**870,790**	**1,132,739**	**1,006,316**	**1,087,054**	**1,256,489**
Exports	147,575	138,266	127,379	140,117	156,931
Total Volumes	**1,018,365**	**1,271,005**	**1,133,695**	**1,227,171**	**1,413,420**
Growth (%)	28.6	24.8	(10.8)	8.2	15.2

Cash flow statement (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBIT	**31,293**	**25,307**	**13,745**	**18,890**	**26,883**
Depreciation & amortisation	8,250	10,135	11,383	13,247	15,038
Interest expense	335	244	552	1,045	896
(Inc)/Dec in working capital	(481)	(3,384)	1,810	(753)	(1,900)
Tax paid	11,130	7,928	3,731	6,702	8,861
CF from operating activities	**28,559**	**30,654**	**19,036**	**25,143**	**34,064**
Capital expenditure	12,124	23,720	23,125	30,000	30,000
Inc/(Dec) in investments	40,033	(20,699)	10,406	-	-
Income from investments	4,967	6,025	8,269	9,509	10,935
CF from investing activities	**(47,190)**	**3,004**	**(25,262)**	**(20,491)**	**(19,065)**
Inc/(Dec) in debt	1,225	(5,121)	8,656	(1,859)	(1,556)
Dividends paid	(74)	(2,562)	(3,153)	(2,400)	(3,262)
CF from financing activities	**1,151**	**(7,683)**	**5,503**	**(4,259)**	**(4,818)**
Net cash flow	**(18,408)**	**24,103**	**(723)**	**392**	**(4,856)**
Opening balance	19,390	982	25,085	24,362	24,754
Closing balance	**982**	**25,085**	**24,362**	**24,754**	**19,898**

Growth indicators (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	42.1	24.6	(3.6)	23.4	19.7
EBITDA	96.1	(10.4)	(29.1)	27.9	30.4
PAT	78.0	(8.4)	(28.6)	25.5	35.9
EPS	104.9	(8.4)	(28.5)	25.5	35.9

Valuation (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
P/E	14.6	15.9	22.3	17.7	13.1
Cash P/E	11.0	11.0	13.1	10.8	8.5
P/BV	3.1	2.6	2.4	2.1	1.9
EV/EBITDA	7.4	8.3	11.7	9.2	7.0
EV/Sales	1.0	0.8	0.8	0.7	0.6
Dividend Yield (%)	0.5	0.6	0.4	0.6	0.8

Financial ratios

Year ended 31 Mar	2010	2011	2012	2013e	2014e
RoE	21.1	16.5	10.8	12.1	14.3
RoCE	29.6	24.6	15.1	18.0	21.5
Debt/Equity (x)	0.1	0.0	0.1	0.1	0.0
EBIT/Interest (x)	93.4	103.7	24.9	18.1	30.0

Source: Company Antique

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR166
Target Price	:	INR225
Potential Return	:	36%

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Market data

Sector	:	FINANCIAL
Market Cap (INRm)	:	219,781
Market Cap (USDm)	:	4,047
O/S Shares (m)	:	1,320
Free Float (m)	:	261
52-wk HI/LO (INR)	:	225/131
Avg Daily Vol ('000)	:	2,001
Bloomberg	:	POWF IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(10)	(1)	(14)	7
Relative	(14)	(9)	(19)	(2)

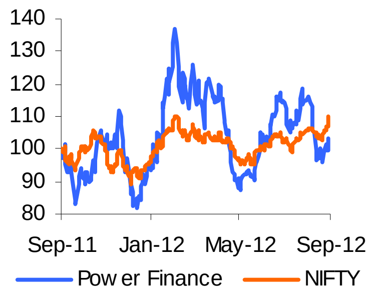
Source: Bloomberg

Shareholding pattern

Promoters	:	73%
FII	:	10%
DII	:	10%
Others	:	7%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

COMPANY UPDATE

Power Finance Corporation Limited

Valuation at steep discount to fundamentals

The reforms initiated by government will lead to some fiscal consolidation. RBI had earlier made it clear that a credible fiscal consolidation could pave way for monetary easing. We believe that interest rates are directionally headed to come down thereby NBFCs being wholesale funded are the biggest beneficiaries of rate cuts. In our coverage universe PFC is trading at cheapest valuation and given the falling interest rates and resolution of issues related to power sector the stock can witness upside from these levels.

Chaturvedi Committee recommendations

The report is expected in next few weeks, and press reports and our interactions with market participants suggest that the key recommendation could be based on restructuring of the short term loans of the SEBs. It is generally expected that the report could recommend the following: a) 50% of the short term loans to SEBs to be taken over by the state government by issuing bonds to the financiers. b) 50% of the loans are to be restructured with repayments spread over longer period.

Easier competitive intensity boosting yields and margins

Amidst the bleak macro environment and concerns relating to power sector has led to reduced competition from Banks. We believe coupled with reduced competition and sanctioned but not disbursed book more than the loan book ensures healthy loan book growth. The lesser competitive intensity is also leading to stronger pricing power. This quarter the yields and margins have expanded by 31 bps sequentially leading to a healthy profit growth. PFC being a central government owned NBFC is regarded as quasi government hence funding is also available easily at cheaper rates.

Management does not expect any credit losses

PFC reported substantial increases in gross NPLs during last 2 quarters with some projects slipping into NPLs However, our read on current performance from our discussions suggests that firms are not seeing a marked increase in NPLs in the current quarter, nor should there be new restructuring or re-schedulement.

Valuations & Outlook

The recent developments like resolution of coal issues and reducing stress on SEB finances are positive for PFC. The stock has seen multiple round to de-rating because of these issues hence accommodative policy stance by government/regulators address the concerns relating to the sector thereby improving the visibility for PFC. The stock is trading at 0.9x FY14e P/B (a deep discount to other NBFCs and below its long term average valuation of 1.7x 1 year forward P/B). We believe that such valuations adequately capture the concerns relating to power sector and incremental positive could lead to an upside. We maintain our 12M target price of INR225 valuing stock at 1.1x FY14e P/B and we reiterate our BUY.

Key financials

Year ended March (INRm)	2010	2011	2012	2013e	2014e
NII (INRm)	29,343	35,464	40,835	48,298	58,581
PAT (INRm)	23,573	26,716	30,320	35,148	42,562
EPS (INR)	21	23	23	27	32
BPVS (INR)	116	133	157	178	203
P/E (x)	8.08	7.13	7.29	6.23	5.15
P/B (x)	1.44	1.25	1.05	0.93	0.82
ROE (%)	19.0	18.7	16.7	15.9	16.9

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Interest Income	78,523	99,563	128,215	157,637	195,854
Interest Expended	49,180	64,099	87,379	109,340	137,272
Net Interest Income	**29,343**	**35,464**	**40,835**	**48,298**	**58,581**
Other Income	2,246	2,094	2,183	2,299	2,456
Total net income	31,589	37,558	43,018	50,596	61,037
Operating expenses	**1,472**	**1,273**	**1,631**	**1,961**	**2,342**
- Staff Expenses	676	742	881	1,000	1,137
- Other Expenses	796	532	750	961	1,206
Pre-Provision Profit	30,117	36,285	41,387	48,635	58,695
Provisions & Contingencies	(17)	62	617	731	738
PBT	**30,135**	**36,223**	**40,770**	**47,905**	**57,957**
PBT	**6,562**	**9,507**	**10,700**	**12,756**	**15,394**
PAT	**23,573**	**26,716**	**30,320**	**35,148**	**42,562**

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Capital	11,478	11,478	13,199	13,199	13,199
Reserves & Surplus	121,130	141,132	194,616	221,199	255,196
Networth	**132,608**	**152,609**	**207,815**	**234,398**	**268,395**
Borrowings	671,084	848,006	1,101,260	1,325,566	1,667,038
Current Liabilities & provisions	36,975	34,874	40,394	46,653	54,576
Deferred Tax Liabilities	470	446	424	403	382
Total Liabilities	**847,772**	**1,041,907**	**1,355,750**	**1,607,019**	**1,990,391**
Net Advances	798,558	995,369	1,300,720	1,531,118	1,904,911
Investments	314	377	434	499	574
Fixed assets	745	797	837	902	973
Current Assets, Loans & Adv	48,155	45,365	71,049	74,499	83,933
Total Assets	**847,772**	**1,041,908**	**1,355,750**	**1,607,018**	**1,990,390**

Per share data (INR)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Period end shares outstanding (mn)	11,478	11,478	13,199	13,199	13,199
EPS	21	23	23	27	32
Book value per share	116	133	157	178	203

Source: Company, Antique

Growth ratios (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
NII	30.4	20.9	15.1	18.3	21.3
Loans	23.9	24.6	30.7	17.7	24.4
Net Revenue	26.6	18.9	14.5	17.6	20.6
PAT	19.7	13.3	16.0	15.9	19.4
Total assets	24.3	22.9	30.1	18.5	13.6

Valuation ratios (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
P/E	8.08	7.13	7.29	6.23	5.15
P/BV	1.44	1.25	1.05	0.93	0.82

Operating ratios (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Cost/Income	4.7	3.4	3.8	3.9	3.8
Cost/assets	0.2	0.1	0.1	0.1	0.1

Profitability ratios (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Net interest margin (calculated)	4.1	4.0	3.7	3.5	3.4
Return on avg. assets	3.1	2.8	2.6	2.5	2.4
Return on avg. net worth	19.0	18.7	16.7	15.9	16.9
Yield on assets	10.9	11.1	11.5	11.4	11.4
Cost of funds	8.1	8.4	9.2	9.2	9.2

Asset quality and capital (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Gross NPAs (INR m)	0.02	0.01	1.00	1.00	1.00
Net NPAs (INR m)	0.01	0.01	0.93	0.93	0.93
Gross NPA	132	2,310	13,580	13,580	13,580
Net NPA	130	1,950	12,510	12,510	12,510
Capital Adequacy Ratio	19.3	15.71	18.2	17.5	17.5

Source: Company Antique

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR71
Target Price	:	INR90
Potential Return	:	17%

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Market data

Sector	:	MEDIA
Market Cap (INRm)	:	81,600
Market Cap (USDm)	:	1,503
O/S Shares (m)	:	1,062
Free Float (m)	:	385
52-wk HI/LO (INR)	:	84/52
Avg Daily Vol ('000)	:	2,985
Bloomberg	:	DITV IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	5	34	40	1
Relative	1	23	33	(8)

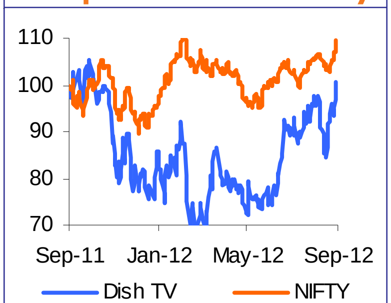
Source: Bloomberg

Shareholding pattern

Promoters	:	65%
FII	:	12%
DII	:	5%
Others	:	18%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

COMPANY UPDATE

Dish TV India Limited

Improving industry dynamics augurs well

Cabinet yesterday approved the FDI limits in Cable/ DTH industry to 74% from 49%, making it on par with telecom operators. We believe it is a long term positive for the industry and Dish TV- the leading DTH player in the country. Our Buy rating is based on our view that 1) FCF for the company will likely expand in FY13E , 2) our view that ARPUs will likely trend up led by Cable TV digitalization and 3) subscriber additions likely to remain strong given opportunity to tap in cable in Phase II/ III markets and increasing penetration of digital TV in the country.

Industry dynamics changing for better

We believe industry dynamics will improve significantly benefitting key players. Ability to raise ARPU has been one o f the key concerns for the stock. Company recently raised ARPU by INR20 across all key schemes which should help increase average realization rates in the near term. With Cable ARPU likely to trend up post digitalization we believe ARPUs will see sustained increase over the next 3-4 years impacting margins positively. Forecast ARPU to expand by 6% (FY12-14E) to INR168.

FCF likely to accelerate

While FCF has turned positive since last two quarters, we expect FCF expansion to sustain and expand significantly from FY13E. With net subscriber base of ~10mn and increase in ARPU, Dish should be able to drive subscriber growth through internal accruals.

Expect subscriber growth to pick up from 3Q

Expect subscriber additions to improve from 3Q onwards led by 1) onset of festive season and 2) some shift from cable to DTH in Phase I locations. While subscriber growth has slowed down during 2Q, our checks indicate that company has raise dealer commissions to arrest slow down in subscriber adds.

Valuation and out look

We roll forward valuations to FY14E and raise our target prices to INR90, for an upside of 20%. Our target price is based on DCF and factors in ARPU expansion of 6% CAGR, gross sub adds of 2.4m and long term churn of 11%. Our target price implies EV/EBITDA of 14x in line with current valuations. Reiterate Buy.

Key financials

Year ended March (INRm)	2010	2011	2012	2013e	2014e
Net Revenue (INRm)	10,850	14,367	19,579	22,412	25,100
EBITDA (INRm)	1,117	2,380	4,960	6,071	7,414
EBITDA margin (%)	10.3	16.6	25.3	27.1	29.5
PAT (INRm)	(2,622)	(1,920)	(1,331)	(625)	560
EPS(INR)	(2.5)	(1.8)	(1.3)	(0.6)	0.5
EBITDA growth (%)	na	113	108	22	22
PAT growth %	na	na	na	na	na
EPS growth (%)	na	na	na	na	na
P/E (x)	na	na	na	na	148
P/BV (x)	5	5	5	5	5
EV/EBITDA (x)	78	38	19	15	12
RoE (%)	(16)	(12)	(8)	(4)	3

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenues	10,850	14,367	19,579	22,412	25,100
Expenses	9,733	11,986	14,619	16,341	17,686
EBITDA	**1,117**	**2,380**	**4,960**	**6,071**	**7,414**
Depreciation & amortisation	3,227	3,996	5,219	5,877	6,171
EBIT	**(2,111)**	**(1,615)**	**(259)**	**194**	**1,244**
Interest expense	971	1,534	1,780	1,275	1,275
Other income	453	1,226	707	457	592
Profit before tax	**(2,628)**	**(1,923)**	**(1,331)**	**(625)**	**560**
Taxes incl deferred taxation	(6)	(3)	-	-	-
PAT	**(2,622)**	**(1,920)**	**(1,331)**	**(625)**	**560**
EPS(INR/share)	**(2.5)**	**(1.8)**	**(1.3)**	**(0.6)**	**0.5**

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Share Capital	1,062	1,063	1,063	1,063	1,063
Reserves & Surplus	15,282	15,499	15,522	14,897	15,457
Networth	**16,344**	**16,562**	**16,585**	**15,960**	**16,520**
Debt	9,322	10,792	12,781	12,781	12,781
Capital Employed	**25,667**	**27,354**	**29,366**	**28,741**	**29,301**
Gross Fixed Assets	18,344	25,131	29,267	36,446	42,468
Accumulated Depreciation	7,298	10,694	15,063	20,940	27,111
Net Assets	**11,046**	**14,437**	**14,204**	**15,506**	**15,358**
Capital work in progress	3,541	4,421	3,884	3,984	4,084
Investments	3,561	2,000	1,500	1,500	1,500
Inventory	28	44	69	79	89
Debtors	359	227	286	307	344
Cash & Bank balance	5,550	3,257	3,919	3,739	7,283
Loans & advances and others	4,965	2,845	2,479	2,529	2,579
Current Assets, Loans & Adv	**10,902**	**6,373**	**6,753**	**6,653**	**10,294**
Creditors	14,243	12,784	9,499	11,327	14,259
Other liabilities & provisions	1,718	3,286	4,999	5,099	5,199
Current Liabilities & Provs	**15,960**	**16,069**	**14,497**	**16,425**	**19,457**
Net Current Assets	**(5,058)**	**(9,696)**	**(7,745)**	**(9,772)**	**(9,164)**
Profit and Loss Account	12,576	16,192	17,523	17,523	17,523
Application of Funds	**25,666**	**27,354**	**29,366**	**28,741**	**29,301**

Per share data

Year ended 31 Mar	2010	2011	2012	2013e	2014e
No. of shares (m)	1,062	1,063	1,063	1,063	1,063
BVPS (INR)	15	16	16	15	16
CEPS (INR)	0.6	2.0	3.7	4.9	6.3
DPS (INR)	0	0	0	0	0

Margins (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBITDA	10	17	25	27	30
EBIT	(19)	(11)	(1)	1	5
PAT	(24)	(13)	(7)	(3)	2

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
PBT	**(2,628)**	**(1,923)**	**(1,331)**	**(625)**	**560**
Depreciation & amortisation	3,227	3,996	5,219	5,877	6,171
Interest expense	490	443	745	1,275	1,275
(Inc)/Dec in working capital	1,125	1,602	(977)	1,847	2,935
Tax paid	(36)	(141)	16	-	-
Others	84	(30)	419	-	-
CF from operating activities	**2,261**	**3,947**	**4,089**	**8,375**	**10,941**
Capital expenditure	(5,095)	(10,050)	(6,032)	(7,280)	(6,122)
Inc/(Dec) in investments	(3,957)	2,784	688	-	-
Income from investments	317	837	349	-	-
CF from investing activities	**(8,735)**	**(6,429)**	**(4,995)**	**(7,280)**	**(6,122)**
Inc/(Dec) in share capital	12,845	56	22	-	-
Inc/(Dec) in debt	(647)	1,751	2,185	-	-
Interest expense	(979)	(1,152)	(784)	(1,275)	(1,275)
CF from financing activities	**11,219**	**655**	**1,424**	**(1,275)**	**(1,275)**
Net cash flow	**4,745**	**(1,826)**	**518**	**(180)**	**3,544**
Opening balance	805	5,550	3,272	3,919	3,739
Closing balance	**5,550**	**3,257**	**3,918**	**3,739**	**7,283**

Growth indicators (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	52	32	36	14	12
EBITDA	na	113	108	22	22
PAT	na	na	na	na	na
EPS	na	na	na	na	na

Valuation (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
PE	na	na	na	na	148
P/BV	5	5	5	5	5
EV/EBITDA	78	38	19	15	12
EV/Sales	8	6	5	4	4
Dividend Yield (%)	-	-	-	-	-

Financial ratios

Year ended 31 Mar	2010	2011	2012	2013e	2014e
RoE (%)	(16.0)	(11.6)	(8.0)	(3.9)	3.4
RoCE (%)	(8.2)	(5.9)	(0.9)	0.7	4.2
Debt/Equity (x)	0.6	0.7	0.8	0.8	0.8
EBIT/Interest (x)	(2.2)	(1.1)	(0.1)	0.2	1.0
Net debt/EBITDA (x)	3.4	3.2	1.8	1.5	1.3

Source: Company Antique

COMPANY UPDATE

IRB Infrastructure Developers Limited

Attractive valuations

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR126
Target Price	:	INR183
Potential Return	:	45%

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IRB Infrastructure Developers Ltd. (IRB) has one of the largest BOT toll projects in India and has a total portfolio of 16 projects (6,446 lane kms) of which 11 are operational (4,097 lane kms). Given the scale of operations, balance sheet strength and ability to bid for large projects, IRB is well placed to benefit from any potential awarding by NHAI and is also well capitalized to ensure smooth execution of the existing projects under construction.

Healthy order book provides visibility

IRB has an order-book of INR77.8bn as on June 2012 executable over the next 3 years. The order-book comprises INR20.7bn worth of EPC contracts, INR20.4bn of projects in O&M phase and INR36.8bn where LOA's have been issued but construction is yet to commence. High order-book coverage (3.4x FY12 construction revenues) provides enough revenue visibility for the next 2-3 years.

Integrated and efficient project execution capabilities

The company has an in-house construction business under its wholly owned subsidiary Modern Road Makers (MRM) which undertakes EPC work for its BOT projects. In-house execution of the entire project with minimal subcontracting and ownership of aggregate mines has enabled MRM to enjoy core EPC margins in excess of 16-18%.

Commissioning of under construction projects on schedule

IRB presently has four projects under construction. It expects Jaipur - Deoli - Tonk to commission by December 2012, Talegaon - Amravati by March 2013 and Amritsar - Pathankot by June 2013. Including Ahmedabad - Vadodara project, it has a pending equity requirement of ~INR17bn over the next three years.

Increase in daily toll collection

IRB has a total BOT road portfolio of 16 projects of which 11 are operational. Of the 5 projects under implementation, all projects except Ahmedabad - Vadodara are expected to commission by FY14e while the Ahmedabad - Vadodara (NH-8 section) will commission in FY17e. Thus, commissioning of these projects would also increase the average daily toll collection to INR50m in FY15e; thereby significantly improving the cash flows of the company.

Valuation and outlook

At the CMP of INR126, the stock trades at a PE, PB and EV/EBIDTA of 9.5x, 1.2x and 5.8x respectively discounting its FY14e numbers. We maintain our BUY recommendation and target price of INR183, which presents a potential upside of 45% from the current levels. While we have valued MRM at 5x FY14e EPS, we have valued the road SPV's on DCF basis.

Key financials

Year ended March (INRm)	2010	2011	2012	2013e	2014e
Revenues	17,049	24,381	31,330	36,922	44,247
EBITDA	7,990	10,883	13,694	15,734	19,385
EBITDA margin (%)	46.9	44.6	43.7	42.6	43.8
EBITDA growth (%)	82.1	36.2	25.8	14.9	23.2
PAT	3,854	4,524	4,960	4,163	4,424
PAT growth (%)	119.2	17.4	9.6	(16.1)	6.3
EPS (INR)	11.6	13.6	14.9	12.5	13.3
EPS growth (%)	119.2	17.4	9.6	(16.1)	6.3
P/E (x)	10.9	9.3	8.4	10.1	9.5
P/BV (x)	2.1	1.7	1.5	1.3	1.2
EV/EBITDA (x)	8.3	6.9	6.7	6.5	5.8
RoE (%)	18.9	18.6	17.4	13.0	12.3

Source: Company, Antique

Market data

Sector	:	INFRA
Market Cap (INRm)	:	42,011
Market Cap (USDm)	:	774
O/S Shares (m)	:	332
Free Float (m)	:	72
52-wk HI/LO (INR)	:	211/100
Avg Daily Vol ('000)	:	7,132
Bloomberg	:	IRB IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	4	0	(34)	(24)
Relative	(0)	(8)	(37)	(31)

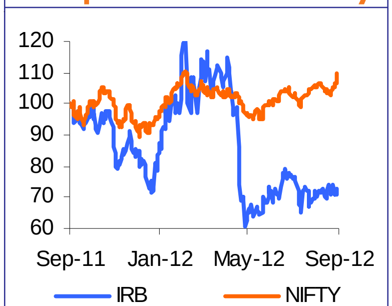
Source: Bloomberg

Shareholding pattern

Promoters	:	67%
FII	:	16%
DII	:	5%
Others	:	12%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenues	17,049	24,381	31,330	36,922	44,247
Expenses	9,059	13,499	17,637	21,188	24,862
Operating Profit	**7,990**	**10,883**	**13,694**	**15,734**	**19,385**
Other income	490	645	1,252	1,083	1,340
EBIDT	**8,480**	**11,527**	**14,946**	**16,818**	**20,725**
Depreciation	1,819	2,254	2,970	3,979	5,098
Interest expense	2,494	3,515	5,464	6,652	9,016
Profit before tax	**4,167**	**5,758**	**6,512**	**6,186**	**6,612**
Taxes incl deferred taxation	133	1,117	1,552	2,070	2,224
Profit after tax before MI & EO Items	4,034	4,641	4,960	4,116	4,388
Minority Interest	179	117	0	(47)	(36)
Profit after tax	**3,854**	**4,524**	**4,960**	**4,163**	**4,424**
Diluted EPS (INR)	**11.6**	**13.6**	**14.9**	**12.5**	**13.3**

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Share Capital	3,324	3,324	3,324	3,324	3,324
Reserves & Surplus	17,075	21,002	25,243	28,822	32,663
Networth	**20,399**	**24,326**	**28,566**	**32,146**	**35,987**
Debt	29,152	44,668	68,367	73,791	75,397
Minority Interest	779	896	1,123	1,075	1,039
Deferred Tax Liability	267	232	259	135	69
Capital Employed	**50,597**	**70,122**	**98,315**	**107,148**	**112,491**
Gross Fixed Assets & CWIP	48,988	66,391	90,641	106,359	126,179
Accumulated Depreciation	5,511	7,695	10,647	14,626	19,724
Net Assets	**43,477**	**58,696**	**79,995**	**91,733**	**106,455**
Investments	451	551	139	139	139
Current Assets, Loans & Advances					
Inventory	1,698	1,638	1,624	2,322	2,725
Debtors	297	397	141	607	727
Cash & Bank balance	5,102	12,000	18,208	13,723	4,701
Loans & advances and others	4,380	6,517	8,474	9,321	10,253
Current Liabilities & Provisions					
Creditors	1,587	8,313	10,017	10,449	12,261
Other liabilities & provisions	3,229	1,362	248	248	248
Net Current Assets	**6,661**	**10,876**	**18,181**	**15,275**	**5,897**
Misc.Expenses	9	-	-	-	-
Application of Funds	**50,597**	**70,122**	**98,315**	**107,148**	**112,491**

Per share data

Year ended 31 Mar	2010	2011	2012	2013e	2014e
No. of shares (m)	332	332	332	332	332
BVPS (INR)	61.4	73.2	85.9	96.7	108.3
CEPS (INR)	17.1	20.4	23.9	24.5	28.6
DPS (INR)	1.5	1.5	1.5	1.5	1.5

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
PBT	**4,167**	**5,758**	**6,512**	**6,186**	**6,612**
Depreciation & amortisation	1,819	2,254	2,970	3,979	5,098
Interest expense	2,437	3,040	5,144	6,652	9,016
Interest / Dividend Recd	(297)	(618)	(1,194)	(1,083)	(1,340)
Other Adjustments	(130)	496	37	-	-
(Inc)/Dec in working capital	1,849	1,314	(779)	(1,579)	356
Tax paid	(812)	(1,463)	(1,587)	(2,194)	(2,290)
CF from operating activities	**9,033**	**10,781**	**11,103**	**11,961**	**17,452**
Capital expenditure	(10,603)	(17,719)	(24,094)	(15,717)	(19,820)
Net Investments	549	(6,403)	(3,802)	-	-
Income from investments	291	394	1,167	1,083	1,340
CF from investing activities	**(9,763)**	**(23,728)**	**(26,729)**	**(14,634)**	**(18,480)**
Inc/(Dec) in debt	4,315	17,086	24,450	5,424	1,606
Dividends & Interest paid	(2,884)	(3,675)	(6,872)	(7,236)	(9,599)
CF from financing activities	**1,431**	**13,411**	**17,579**	**(1,812)**	**(7,993)**
Net cash flow	**700**	**464**	**1,953**	**(4,485)**	**(9,022)**
Opening balance	4,147	5,102	12,000	18,208	13,723
Closing balance	**4,848**	**5,566**	**13,952**	**13,723**	**4,701**

Growth indicators (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	71.9	43.0	28.5	17.8	19.8
EBITDA	82.1	36.2	25.8	14.9	23.2
PAT	119.2	17.4	9.6	(16.1)	6.3
EPS	119.2	17.4	9.6	(16.1)	6.3

Valuation (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
PE	10.9	9.3	8.4	10.1	9.5
P/BV	2.1	1.7	1.5	1.3	1.2
EV/EBITDA	8.3	6.9	6.7	6.5	5.8
EV/Sales	3.9	3.1	2.9	2.8	2.5
Dividend Yield (%)	1.2	1.2	1.2	1.2	1.2

Financial ratios

Year ended 31 Mar	2010	2011	2012	2013e	2014e
RoE (%)	18.9	18.6	17.4	13.0	12.3
RoCE (%)	15.9	20.6	16.2	12.0	13.9
Debt/Equity (x)	1.4	1.8	2.4	2.3	2.1
EBIT/Interest (x)	2.7	2.6	2.2	1.9	1.7

Margins (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBITDA	46.9	44.6	43.7	42.6	43.8
EBIT	39.1	38.0	38.2	34.8	35.3
PAT	22.6	18.6	15.8	11.3	10.0

Source: Company Antique

Current Reco	:	BUY
Previous Reco	:	HOLD
CMP	:	INR158
Target Price	:	INR304
Potential Return	:	92%

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COMPANY UPDATE

Pantaloon Retail (India) Limited

Biggest beneficiary of FDI

We believe that PRIL would be the biggest beneficiary from FDI in multi-brand retail due to its leading distribution and debt burden. Additionally, FDI would strengthen its back end operations and inventory management, which in our view has been one of the most challenging areas for the company. We believe that the FDI in multi-brand would lead to a re-rating of the organised retail sector as a whole and would be more pronounced for Pantaloon Retail. We therefore recommend a BUY with a target price of INR304.

Leading scale of operations provides an edge

PRIL has a leading retailing space of about 16.7m (including Pantaloon format, which is in the process of being divested in favour of Aditya Birla Nuvo Ltd). Excluding Pantaloon format, PRIL still remains the biggest retailer in the country with a retailing space of about ---. This provides an edge in an environment, where the retailing space available in the key metro cities is limited. This is more important in a scenario where lack of infrastructure restricts, the development of retailing space in the peripheries of a city (especially metros, where majority of the demand is concentrated).

FDI in multi-brand would aid further de-leveraging

The FDI policy is expected to further aid de-leveraging of PRIL's balance sheet post the recent re-structuring taken up by the company. PRIL is in the process of reducing its core retail debt of INR56bn by INR23.65bn, through sale of its Pantaloon format to ABNL, divestment of stake in FCH to leading global private equity firm, Warburg Pincus and issue of fresh equity to Bennett Coleman & Co Ltd. The company is expected to save interest outgo of about INR2.25-2.30bn from the ongoing re-structuring exercise and further witness a reduction in its debt/Equity ratio to 0.9x from about 1.6x. This is expected to improve further subject to any fresh equity investment through the FII or FDI route, which in turn would lead to a substantial re-rating for the company.

International expertise would improve back end operations

PRIL has been reeling under the pressure of inventory build up in a scenario of slowdown in retail and inflation. Consequently the company has been working on reducing its inventory levels to control its soaring working capital levels. With the FDI in multi-brand being approved, a tie up with a global retailer will not only provide a breather in terms of funding requirements, but most importantly would provide a more prudent and strong back end system to control working capital escalation in a high growth phase. This in turn would bring in more sanity in PRIL's operations and have a substantial positive impact on the company's valuations in the medium term.

Upgrade to BUY with a target price of INR304

At the CMP of INR158, the stock is trading at a PE of 32.9x FY13e earnings and at 19.5xFY14e earnings. On an EV/Sales basis, the stock is trading at 0.34xFY13e and at 0.29x FY14e. By applying a EV/Sales multiple of 0.5x after excluding sales of the demerged entity, Pantaloon format and factory outlet, resulting from the current re-structuring, we arrive at a target price of INR304, (providing a 92% upside from the current levels).

Market data

Sector	:	FMCG
Market Cap (INRm)	:	35,846
Market Cap (USDm)	:	660
O/S Shares (m)	:	216
Free Float (m)	:	65
52-wk HI/LO (INR)	:	267/124
Avg Daily Vol ('000)	:	6,015
Bloomberg	:	PF IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(2)	(6)	(2)	(40)
Relative	(6)	(14)	(7)	(45)

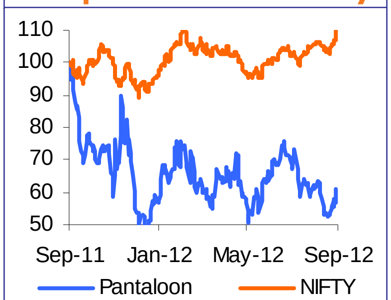
Source: Bloomberg

Shareholding pattern

Promoters	:	44%
FII	:	22%
DII	:	12%
Others	:	22%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

Key financials

Year ended June (INRm)	2010	2011	2012	2013e	2014e
Revenue	89,261	1,10,123	1,17,323	1,35,939	1,59,898
EBITDA	8,191	9,580	10,067	12,040	14,570
EBITDA Margin (%)	9.2	8.7	8.6	8.9	9.1
PAT (INRm)	1,648	1,896	624	1,109	1,876
EPS(INR)	8.0	8.7	2.7	4.8	8.1
PE (x)	19.7	18.0	58.5	32.9	19.5
PB (x)	1.2	1.1	1.1	1.1	1.1
EV/EBITDA (x)	5.6	4.8	4.5	3.8	3.1
RoE (%)	5.9	6.2	1.9	3.3	5.4

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 30 Jun	2010	2011	2012	2013e	2014e
Revenues	89,261	110,123	117,323	135,939	159,898
Expenses	81,070	100,542	107,256	123,898	145,328
EBITDA	**8,191**	**9,580**	**10,067**	**12,040**	**14,570**
Depreciation & amortisation	2,123	2,676	3,522	4,402	5,195
EBIT	**6,068**	**6,904**	**6,545**	**7,638**	**9,375**
Interest expense	3,913	4,288	6,417	6,821	7,481
Other income	760	229	771	790	825
Profit before tax	**2,915**	**2,845**	**899**	**1,607**	**2,719**
Taxes incl deferred taxation	613	928	276	498	843
Profit after tax	**2,302**	**1,917**	**624**	**1,109**	**1,876**
Adjusted profit after tax	**1,648**	**1,896**	**624**	**1,109**	**1,876**
Recurring EPS (INR)	**8.0**	**8.7**	**2.7**	**4.8**	**8.1**

Balance sheet (INRm)

Year ended 30 Jun	2010	2011	2012	2013e	2014e
Share Capital	412	434	463	463	463
Reserves & Surplus	27,654	30,116	32,458	32,989	34,288
Networth	**28,067**	**30,551**	**32,921**	**33,453**	**34,752**
Debt	29,152	41,900	60,000	67,500	75,000
Capital Employed	**57,219**	**72,451**	**92,921**	**100,953**	**109,752**
Gross Fixed Assets	26,745	32,095	39,707	43,007	47,482
Accumulated Depreciation	(3,453)	(6,205)	(9,334)	(12,990)	(17,073)
Net Assets	**23,292**	**25,889**	**30,373**	**30,017**	**30,409**
Capital work in progress	2,838	2,838	2,838	2,838	2,838
Investments	10,244	10,244	10,244	10,244	10,244
Current Assets, Loans & Advances					
Inventory	24,032	35,850	39,380	45,556	53,627
Debtors	2,711	4,072	7,714	8,938	10,514
Cash & Bank balance	1,648	2,471	6,234	7,663	6,943
Loans & advances and others	10,291	12,881	17,692	20,497	24,108
Current Liabilities & Provisions					
Creditors	16,114	19,984	19,982	23,082	27,075
Other liabilities & provisions	436	522	285	430	568
Net Current Assets	**22,133**	**34,767**	**50,754**	**59,142**	**67,548**
Deferred tax assets/(liabilities)	(1,287)	(1,287)	(1,287)	(1,287)	(1,287)
Application of Funds	**57,219**	**72,451**	**92,921**	**100,953**	**109,752**

Per share data

Year ended 30 Jun	2010	2011	2012	2013e	2014e
No. of shares (m)	206	217	232	232	232
BVPS (INR)	136.1	140.7	142.1	144.4	150.1
CEPS (INR)	18.3	21.1	17.9	23.8	30.5
DPS (INR)	0.97	1.4	1.7	2.5	2.5

Margins (%)

Year ended 30 Jun	2010	2011	2012	2013e	2014e
EBITDA	9.2	8.7	8.6	8.9	9.1
EBIT	6.8	6.3	5.6	5.6	5.9
PAT	1.8	1.7	0.5	0.8	1.2

Source: Company, Antique

Key assumptions

Year ended 30 Jun	2010	2011	2012	2013e	2014e
Raw material cost (% of net sales)	70.6	71.1	71.2	71.1	71.2
Staff cost (% of net sales)	4.4	4.4	4.3	4.4	4.4
Other exp (% of sales)	15.8	15.8	16.0	15.7	15.3

Cash flow statement (INRm)

Year ended 30 Jun	2010	2011	2012	2013e	2014e
EBIT	**6,068**	**6,904**	**6,545**	**7,638**	**9,375**
Depreciation & amortisation	2,123	2,676	3,522	4,402	5,195
Interest expense	(3,913)	(4,288)	(6,417)	(6,821)	(7,481)
(Inc)/Dec in working capital	1,900	(11,898)	(11,986)	(7,104)	(9,265)
Tax paid	(613)	(928)	(276)	(498)	(843)
CF from operating activities	**5,565**	**(7,533)**	**(8,612)**	**(2,383)**	**(3,019)**
Capital expenditure	(7,366)	(5,350)	(7,613)	(3,300)	(4,475)
Inc/(Dec) in investments	(704)	-	-	-	-
Income from investments	760	229	771	790	825
CF from investing activities	**(7,309)**	**(5,121)**	**(6,842)**	**(2,510)**	**(3,650)**
Inc/(Dec) in share capital	3,241	915	2,145	0	(0)
Inc/(Dec) in debt	648	12,748	18,100	7,500	7,500
Dividends paid	(200)	(307)	(399)	(577)	(577)
Others	(1,390)	121	(630)	(1,321)	(974)
CF from financing activities	**2,299**	**13,477**	**19,217**	**5,602**	**5,949**
Net cash flow	**555**	**823**	**3,763**	**708**	**(720)**
Opening balance	1093	1648	2471	6234	7663
Closing balance	**1,648**	**2,471**	**6,234**	**6,943**	**6,943**

Growth indicators (%)

Year ended 30 Jun	2010	2011	2012	2013e	2014e
Revenue	40.7	23.4	6.5	15.9	17.6
EBITDA	22.5	17.0	5.1	19.6	21.0
PAT	16.3	15.1	-67.1	77.8	69.2
EPS	7.4	9.3	-69.2	77.8	69.2

Valuation (x)

Year ended 30 Jun	2010	2011	2012	2013e	2014e
PE	19.7	18.0	58.5	32.9	19.5
P/BV	1.2	1.1	1.1	1.1	1.1
EV/EBITDA	5.6	4.8	4.5	3.8	3.1
EV/Sales	0.5	0.4	0.4	0.34	0.29
Dividend Yield (%)	0.6	0.9	1.1	1.6	1.6

Financial ratios

Year ended 30 Jun	2010	2011	2012	2013e	2014e
RoE(%)	6	6	2	3	5
RoCE (%)	11	10	7	8	9
Debt/Equity (x)	1.0	1.4	1.8	2.0	2.2
EBIT/Interest (x)	(1.6)	(1.6)	(1.0)	(1.1)	(1.3)

Source: Company Antique

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR220
Target Price	:	INR275
Potential Return	:	25%

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COMPANY UPDATE

Hathway Cable & Datacom Limited

Operating leverage likely to be better than expected

Cabinet yesterday approved the FDI limits in Cable/ DTH industry to 74% from 49%, making it on par with telecom operators. Given fragmented nature of industry with market share of 50% for top five, the industry will see significant consolidation over the next 4-5 years. Ability to attract FDI should help industry leaders such as Hathway to increase market share in the digital cable market. We raise earnings to factor in likely better carriage revenues than estimated earlier and roll forward valuations to FY14. Raise PO to INR275 for upside of 25%. Reiterate Buy.

Fall in carriage much lower than feared

Our checks with industry indicate that cut in carriage revenue has been much lower than feared. Hathway has successfully concluded agreements with an average cut of 15-20% vs 50% assumed by us for Phase I. Worst case we think carriage revenue could now fall by 30% vs 50% assumed earlier 1) given fragmented viewership, demand for placement in key packages likely to remain strong, 2) ability to provide 500 channels vs 200 now leading to carriage revenues from more number of channels. Hathway is building capacity for ~1900 channels. Consequently we have now factored in cut of 30% vs 50% earlier.

Near term operating leverage likely to be better than estimated

Though we expect margins to expand from phase I implementation, we believe margin leverage can be better than expected. While we have factored in linearity in content cost (ie at 35% of ARPU), almost all deals in our view has been on fixed price basis. With subscription revenues likely to be on per sub basis, content cost likely to be fixed, margin likely to be better than expected.

A step closer to digitalization

We think industry players are taking proactive steps to encourage cable TV consumers to go digital. These include 1) Joint ads by MSO offering common pricing for Set top boxes 2) shifting of key content (sports, kids, regional) to digital ahead of sunset date and 3) scheduled two minute black out by leading broadcasters during prime time to increase awareness amongst consumers on digitalization.

Valuation and out look

We forecast 2x jump in revenues and 5x jump in EBIT over next 2-3 years. Our price target of INR 275 is on DCF basis which provides an upside of 25%. Our target price implies EV/ EBITDA of 7x fY14 in line with current valuations. Reiterate Buy.

Market data

Sector	:	MEDIA
Market Cap (INRm)	:	31,214
Market Cap (USDm)	:	575
O/S Shares (m)	:	143
Free Float (m)	:	48
52-wk HI/LO (INR)	:	227/79
Avg Daily Vol ('000)	:	1,004
Bloomberg	:	HATH IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	18	24	34	172
Relative	13	14	26	150

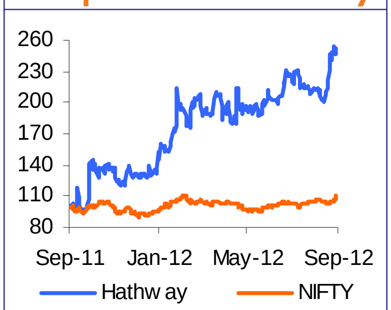
Source: Bloomberg

Shareholding pattern

Promoters	:	49%
FII	:	29%
DII	:	15%
Others	:	7%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

Key financials

Year ended March (INRm)	2010	2011	2012	2013e	2014e
Net Revenue (INRm)	7,332	8,827	10,121	12,102	16,540
EBITDA (INRm)	1,254	1,501	1,676	3,209	5,987
EBITDA growth (%)	47	20	12	91	87
PAT (INRm)	(754)	(298)	(480)	643	2,048
PAT growth (%)	(23)	(60)	61	(234)	218
EPS (INR)	(5.3)	(2.2)	(3.4)	4.5	14.3
EPS growth %	(40)	(58)	57	(231)	218
PE (x)	na	na	na	na	na
PB (x)	2.8	3.7	3.9	3.6	2.8
EV/EBITDA (x)	25.6	22.8	21.5	10.8	5.8
RoE %	(7)	(2)	(3.1)	5.8	16.5

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenues	7,332	8,827	10,121	12,102	16,540
Expenses	6,077	7,326	8,445	8,894	10,553
EBITDA	**1,254**	**1,501**	**1,676**	**3,209**	**5,987**
Depreciation & amortisation	1,129	1,276	1,443	1,844	2,643
EBIT	**126**	**225**	**233**	**1,365**	**3,344**
Interest expense	556	452	520	552	601
Other income	74	270	166	145	280
Profit before tax	**(357)**	**42**	**(120)**	**958**	**3,024**
Taxes	156	127	153	154	464
Exceptional Item	149	143	104	-	-
Minority interest	92	71	102	161	512
PAT	**(754)**	**(298)**	**(480)**	**643**	**2,048**
Recurring EPS (INR)	**(5.3)**	**(2.2)**	**(3.4)**	**4.5**	**14.3**

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Share Capital	1,429	1,429	1,429	1,429	1,429
Reserves & Surplus	12,020	12,025	12,026	12,830	15,390
Profit and Loss Account	(4,623)	(4,935)	(5,427)	(5,427)	(5,427)
Networth	**8,826**	**8,518**	**8,028**	**8,832**	**11,392**
Debt	4,607	3,533	3,940	5,909	7,873
Minority Interest	1,280	1,484	1,802	1,802	1,802
Capital Employed	**14,714**	**13,535**	**13,770**	**16,543**	**21,067**
Gross Fixed Assets	13,487	15,390	17,623	20,387	25,577
Accumulated Depreciation	3,991	5,085	6,463	8,307	10,950
Net Assets	**9,497**	**10,304**	**11,160**	**12,080**	**14,626**
Capital work in progress	274	512	1,005	1,005	1,005
Investments	4,183	1,861	158	158	158
Inventory	42	47	55	65	75
Debtors	1,955	2,529	2,492	2,858	4,982
Cash & Bank balance	1,004	390	976	4,384	6,391
Loans & advances and others	1,484	1,843	1,923	1,973	1,973
Current Assets, Loans & Adv	**4,485**	**4,809**	**5,445**	**9,279**	**13,421**
Creditors	3,524	3,377	3,647	3,797	3,997
Other liabilities & provisions	119	484	249	2,079	4,043
Current Liabilities & Provs	**3,643**	**3,862**	**3,896**	**5,876**	**8,040**
Net Current Assets	**842**	**947**	**1,550**	**3,404**	**5,381**
Deferred tax assets/(liabilities)	(82)	(90)	(103)	(103)	(103)
Application of Funds	**14,714**	**13,535**	**13,770**	**16,544**	**21,068**

Per share data

Year ended 31 Mar	2010	2011	2012	2013e	2014e
No. of shares (m)	111	143	143	143	143
BVPS (INR)	79	60	56	62	80
CEPS (INR)	3	7	7	17	33
DPS (INR)	-	-	-	-	-

Margins (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBITDA	17.1	17.0	16.6	26.5	36.2
EBIT	1.7	2.5	2.3	11.3	20.2
PAT	(10.3)	(3.4)	(4.7)	5.3	12.4

Source: Company, Antique

Key assumptions

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Total Subscriber base (m)	8.2	8.3	8.8	8.5	7.7
Total Paying Subscribers (m)	1.6	1.8	1.9	3.3	6.5
Total Digital subscriber (m)	1.0	1.5	2.1	2.4	5.6

Cash flow statement (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
PAT	**(652)**	**(192)**	**(338)**	**804**	**2,560**
Depreciation & amortisation	1,129	1,276	1,443	1,844	2,643
Interest expense	556	450	520	552	601
(Inc)/Dec in working capital	9	(500)	(448)	(533)	(1,934)
Tax paid	(98)	(265)	(20)	-	-
Others	424	302	456	-	-
CF from operating activities	**1,368**	**1,071**	**1,613**	**2,667**	**3,870**
Capital expenditure	(1,617)	(2,494)	(2,592)	(795)	(3,226)
Inc/(Dec) in investments	(4,036)	3,217	1,040	-	-
Income from investments	9	54	37	-	-
CF from investing activities	**(5,644)**	**777**	**(1,515)**	**(795)**	**(3,226)**
Inc/(Dec) in share capital	4,853	-	-	-	-
Inc/(Dec) in debt	542	(1,276)	358	1,969	1,964
Interest expense	(568)	(437)	(505)	(552)	(601)
CF from financing activities	**4,828**	**(1,713)**	**(147)**	**1,417**	**1,364**
Net cash flow	**552**	**135**	**(49)**	**3,290**	**2,007**
Opening balance	434	985	1,120	1,094	4,384
Closing balance	**1,004**	**390**	**976**	**4,384**	**6,391**

Growth indicators (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	12	20	15	20	37
EBITDA	47	20	12	91	87
PAT	(23)	(60)	61	(234)	218
EPS	(40)	(58)	57	(231)	218

Valuation (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
PE	na	na	na	na	na
P/BV	2.8	3.7	3.9	3.6	2.8
EV/EBITDA	25.6	22.8	21.5	10.8	5.8
EV/Sales	4.4	3.9	3.6	2.9	2.1
Dividend Yield (%)	-	-	-	-	-

Financial ratios

Year ended 31 Mar	2010	2011	2012	2013e	2014e
RoE (%)	(6.7)	(2.0)	(3.1)	5.8	16.5
RoCE (%)	1.7	5.0	3.6	9.1	16.4
Debt/Equity (x)	0.3	0.3	0.3	0.4	0.5
EBIT/Interest (x)	0.2	0.5	0.4	2.5	5.6

Source: Company Antique

Current Reco	:	BUY
Previous Reco	:	BUY
CMP	:	INR35
Target Price	:	INR41
Potential Return	:	19%

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Market data

Sector	:	AVIATION
Market Cap (INRm)	:	16,710
Market Cap (USDm)	:	308
O/S Shares (m)	:	484
Free Float (m)	:	237
52-wk HI/LO (INR)	:	38/15
Avg Daily Vol ('000)	:	7,954
Bloomberg	:	SJET IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(3)	10	38	41
Relative	(7)	1	30	29

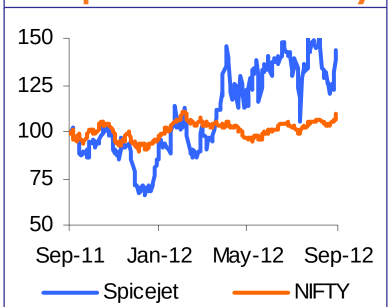
Source: Bloomberg

Shareholding pattern

Promoters	:	49%
FII	:	4%
DII	:	12%
Others	:	35%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

COMPANY UPDATE

SpiceJet Limited

Hope on horizon

We believe SpiceJet will be the major beneficiary of government's recent announcement to allow foreign airlines to buy up to 49% stake in domestic carriers. Country's growing aviation market with strong promoter support and its lean balance sheet makes SpiceJet one of the best candidates among listed player to attract investment. The company has gained market share from 12% in FY10 to ~18% in 1QFY13 and is expected to continue to outperform domestic market with higher load factor and growing fleet. We reiterate BUY with a target price of INR41.

FDI in Aviation to bring financial and operational strength

We believe FDI by foreign airline would be a win - win move for the players as domestic players need to strengthen balance sheet and foreign airlines get entry in one of high growth potential market with significant share of foreign travellers. Foreign airlines will also bring in operational expertise for domestic companies along with sharing of routes and fleet co-ordination. The companies will benefit from code sharing and bring in regular passenger revenue apart from one time investment in domestic company.

Government started addressing industry issue

Considering the importance of domestic aviation industry, Government is actively looking to support the industry. The recent announcement of allowing direct import of aviation turbine fuel (ATF) gives more options for aviation companies to control one of the largest cost elements. It has now permitting foreign carriers to own 49% of an Indian carrier. The ministry considering allocate bilateral traffic rights to Indian private airlines which will help private carriers to fly on more international routes and also considering tax rationalization for ATF.

SpiceJet to benefit most

Focus on operational efficiency and growth will help the Spice jet to continue to grow going ahead. The company has added 5 Boeing and 12 Q400 aircraft and gained market share from 13.6% to 18.6% over year to become third largest player in domestic market in 1QFY13. With strong balance sheet with low leverage in sector as compared to competitors facing problem of high debt, SpiceJet is in better place to expand and attract investment.

Valuation and outlook

At CMP of INR35, it is trading at attractive valuations 1.26x EV/ Sales as compared to historical average of 2.9x [FY06 to FY12]. Considering possible re-rating in the sector we have revised valuation from 6x to 6.5xEV/EBITDAR of FY13e and revised target price from INR36 to INR41.

Key financials

Year ended March (INRm)	2010	2011	2012	2013e	2014e
Revenues(INRm)	21,811	28,795	39,980	58,682	70,654
EBITDAR(INRm)	4,297	4,957	838	10,252	12,993
EBITDA(INRm)	314	672	(5,181)	2,612	4,661
PAT(INRm)	529	896	(5,802)	1,160	2,701
EPS (INR)	2.2	2.2	(13.1)	2.4	5.6
EPS growth (%)	na	1.1	(695.1)	(118.2)	132.9
P/E(x)	15.8	15.6	(2.6)	14.4	6.2
P/BV(x)	(2.4)	4.4	(9.9)	308.4	6.1
EV/EBITDAR(x)	8.6	7.7	70.4	7.2	5.7
EV/Sales(x)	1.7	1.3	1.5	1.3	1.0

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	21,811	28,795	39,980	58,682	70,654
Expenses	17,514	23,838	39,142	48,430	57,661
EBITDAR	**4,297**	**4,957**	**838**	**10,252**	**12,993**
Lease	3,983	4,285	6,019	7,640	8,332
Depreciation	76	89	310	786	901
EBIT	**238**	**583**	**(5,491)**	**1,826**	**3,760**
Interest expense	114	112	523	924	970
Other income	469	672	211	537	561
Profit before tax	**592**	**1,143**	**(5,802)**	**1,439**	**3,351**
Taxes incl deferred taxation	64	247	-	279	650
Profit after tax	**529**	**896**	**(5,802)**	**1,160**	**2,701**
Reported PAT	**719**	**1,012**	**(6,055)**	**1,160**	**2,701**
Recurring EPS (INR)	**2.2**	**2.2**	**(13.1)**	**2.4**	**5.6**

Note: no does not include non recurring items

Balance sheet (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Share Capital	2,419	4,054	4,413	4,842	4,842
Reserves & Surplus	(5,841)	(843)	(5,947)	(4,788)	(2,087)
Networth	**(3,422)**	**3,211**	**(1,534)**	**54**	**2,755**
Debt	4,383	858	13,933	19,730	19,013
Capital Employed	**961**	**4,069**	**12,398**	**19,785**	**21,767**
Gross Fixed Assets	1,027	1,276	11,431	22,580	22,661
Accumulated Depreciation	357	409	719	1,504	2,406
Net Assets	**670**	**867**	**10,712**	**21,075**	**20,255**
Capital work in progress	3,249	6,114	2,580	-	-
Current Assets, Loans & Advances					
Inventories	147	204	317	150	151
Sundry Debtors	190	172	204	187	186
Cash and Bank Balance	4,507	1,409	2,376	1,317	4,169
Loan & advances and others	1,128	2,330	8,321	6,217	6,403
Current Liabilities & Provisions					
Creditors	1,548	2,536	4,701	1,548	1,548
Other liabilities & provisions	7,381	4,492	7,410	7,613	7,848
Net Current Assets	**(2,958)**	**(2,913)**	**(894)**	**(1,291)**	**1,512**
Application of Funds	**961**	**4,069**	**12,398**	**19,785**	**21,767**

Per share data

Year ended 31 Mar	2010	2011	2012	2013e	2014e
No. of shares (m)	241.9	405.4	441.3	484.2	484.2
BVPS (INR)	(14.1)	7.9	(3.5)	0.1	5.7
CEPS (INR)	2.5	2.4	(12.4)	4.0	7.4
DPS(INR)	-	-	-	-	-

Margins (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBITDAR	19.7	17.2	2.1	17.5	18.4
EBIT	1.1	2.0	(13.7)	3.1	5.3
PAT	2.4	3.1	(14.5)	2.0	3.8

Source: Company, Antique

Key assumptions

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Average Fleet (no)	18.8	22.5	32.5	46.8	56.2
Passenger (m)	6.6	8.6	10.9	13.8	16.0
ASKM (m)	8,770	10,467	13,709	17,272	19,538
Yield /ASKM (INR)	2.5	2.6	2.8	3.3	3.5
Fuel Cost/ASKM (INR)	0.9	1.1	1.5	1.5	1.6
Opex/ASKM (INR)	2.5	2.6	3.2	3.2	3.4

Cash flow statement (INRm)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
EBT	**124**	**471**	**(6,014)**	**902**	**2,790**
Depreciation & amortisation	76	89	310	786	901
Interest expense	114	112	523	924	970
Interest / Dividend Recd	469	672	211	537	561
Other Adjustments	84	78	(253)	-	-
(Inc)/Dec in working capital	2,450	(3,143)	(1,052)	(662)	48
Tax paid	(64)	(247)	-	(279)	(650)
CF from operating activities	**3,254**	**(1,968)**	**(6,275)**	**2,208**	**4,620**
Capital expenditure	(1,466)	(3,114)	(6,620)	(8,569)	(81)
CF from investing activities	(1,466)	(3,114)	(6,620)	(8,569)	(81)
Inc/(Dec) in share capital	258	5,621	1,310	429	-
Inc/(Dec) in debt	(505)	(3,525)	13,075	5,798	(718)
Dividends & Interest paid	(114)	(112)	(523)	(924)	(970)
CF from financing activities	**(361)**	**1,984**	**13,862**	**5,302**	**(1,688)**
Net cash flow	**1,427**	**(3,098)**	**968**	**(1,059)**	**2,851**
Opening balance	3,080	4,507	1,409	2,376	1,317
Closing balance	**4,507**	**1,409**	**2,376**	**1,317**	**4,169**

Growth indicators (%)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
Revenue	29.1	32.0	38.8	46.8	20.4
EBITDAR	NA	15.3	(83.1)	1123.4	26.7
PAT	NA	69.4	(747.8)	(120.0)	132.9
EPS	NA	1.1	(695.1)	(118.2)	132.9

Valuation (x)

Year ended 31 Mar	2010	2011	2012	2013e	2014e
P/E	15.8	15.6	(2.6)	14.4	6.2
P/BV	(2.4)	4.4	(9.9)	308.4	6.1
EV/EBITDAR	8.6	7.7	70.4	7.2	5.7
EV/Sales	1.7	1.3	1.5	1.3	1.0

Financial ratios

Year ended 31 Mar	2010	2011	2012	2013e	2014e
RoE (%)	(15.5)	27.9	378.1	2141.3	98.0
Roce (%)	24.7	14.3	(44.3)	9.2	17.3
Debt/Equity (x)	(1.3)	0.3	(9.1)	364.3	6.9
EBIT/ Interest (x)	2.1	5.2	(10.5)	2.0	3.9

Source: Company Antique

NOT RATED

CMP : INR50

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COMPANY UPDATE

JSW Energy Limited

Leveraged to rupee appreciation

JSW Energy has 2600MW under operation, 860MW is in southern zone (entire merchant) and 1200MW is located in Maharashtra (600MW is being sold on merchant basis). We believe the company is attractively positioned to take advantage of higher merchant rates and weakness in international coal prices, could also benefit if rupee start appreciation against USD as Govt. moves on reforms agenda.

Beneficiary of power shortage in Karnataka and Andhra Pradesh

Karnataka and Andhra Pradesh DISCOMs are facing huge power shortage in recent times. Power generated from 860 MW Vijay Nagar plant is currently being sold to both these states at very attractive rates. According to recent fuel surcharge adjustment petition filed by Andhra Pradesh DISCOMs and SRLDC, approx. 350 MW is being sold at a rate of INR5.51/unit. We believe from secondary sources that the current tariff for balance capacity being sold to Karnataka is ~INR4.3/Kwh.

Coal Prices are expected to remain subdued

JSW is meeting its coal requirements for its power plant from South Africa and Indonesia on spot basis. The spot prices have corrected significantly over last three quarters. Coupled with lower custom duty, CVD and low coal prices, we expect the benefits to accrue to the company in coming quarters. We note that buyer's credit of INR20bn has affected quarterly profits in Q1FY13 on adverse rupee depreciation.

MOEF Clearances and Tariff order for Rajwest TPS on Anvil

Rajwest TPS of 1080 MW was conceived as lignite based TPS with lignite coming from Jalipa and Kapurdi Mines. Currntly, half of the capacity is operational with reported PLF of 69% in last 4 months (vs normative capacity of 70% in first year of operation). Pending land acquisition for Jalipa mine, JSW has applied for expansion of producing Kapurdi mines to 7mtpa which will be sufficient enough for generation at 70-75% PLF. We expect MOEF clearance for the expansion of mines rated capacity to fructify in next few months. In addition, we estimate final tariff order for the said plant to be in place by December 2012 which will be a key trigger.

Valuation

With every one rupee appreciation JSW FY14e earnings improve by 2%. For the power business, we have used discounted cash flow (DCF) to value the cash flows available to equity holders with cost of equity at 14% (risk-free: 8%, beta: 1.2, Risk Premium: 5.5%). We assign 1.5 times to regulated equity in its transmission portfolio and Raj West TPS in base case. We expect tariff orders for Unit 1, 2, 3 and 4 to be in place by end of October. We expect markets to assign value to Raj west on announcement of tariff order and on receipt of environment clearance for expansion of mining capacity from 3mtpa to 7mtpa.

Key financials

Year ended March (INRm)	2008	2009	2010	2011	2012
Revenue (INRm)	12,931	18,350	23,551	42,944	61,188
EBITDA (INRm)	8,765	5,319	12,189	15,673	14,478
EBITDA growth (%)	-	(39)	129	29	(8)
PAT (INRm)	6,253	2,767	7,564	8,478	1,712
PAT growth (%)	-	(56)	173	12	(80)
EPS (INR/share)	12.1	5.1	4.6	5.2	1.0
EPS growth (%)	-	(58)	(9)	12	(80)
PE (x)	4.1	9.9	10.8	9.7	47.9
PB (x)	2.5	1.8	1.7	1.4	1.4
EV/EBITDA (x)	19.9	32.8	14.3	11.1	12.1
RoE (%)	61.8	18.7	15.8	14.9	3.0

Source: Company, Antique

Market data

Sector	:	UTILITIES
Market Cap (INRm)	:	82,331
Market Cap (USDm)	:	1,516
O/S Shares (m)	:	1,640
Free Float (m)	:	494
52-wk HI/LO (INR)	:	77/36
Avg Daily Vol ('000)	:	1,419
Bloomberg	:	JSW IN

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(3)	1	(28)	(16)
Relative	(7)	(7)	(32)	(23)

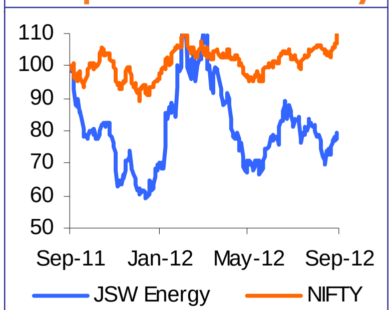
Source: Bloomberg

Shareholding pattern

Promoters	:	77%
FII	:	2%
DII	:	6%
Others	:	15%

Source: Bloomberg

Price performance *vs* Nifty



Source: Bloomberg

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