

24 January 2012

MF Global Quarterly Report

Idea Cellular

| Results surprise positively, Maintain BUY

TELECOM

IDEA IN: BUY

RS 87

Idea Cellular's reported Q3FY12 results were above ours and consensus' estimates. The Q3FY12 results surprised us positively as voice traffic growth was better than expectations, while EBIDTA margins were in-line with our estimates. The key takeaways of the results and the conference call are:

Revenue growth beats expectations aided by robust voice traffic growth: Idea's voice traffic grew by 7.3% QoQ and 22% YoY. Average Revenue Per Minute (ARPM) improved by 1.4% QoQ translating to a revenue growth of 8.9% QoQ and 27% YoY to Rs 50.2bn. The company reported a 3G subscriber base of 2.25mn with a usage of 235MB and ARPU of Rs 79 for December 2011 translating to a quarterly run-rate of Rs 500mn. The management, during the conference call indicated that the changing incoming-outgoing mix in favor of incoming minutes will lead to lower than expected RPM improvements. The management also indicated that the company is unlikely to hike tariffs any further in the near future. Thus, discerning from the management commentary we find the pricing environment continues to be challenging while voice traffic growth and data services growth will be the key value drivers for the company.

EBIDTA margins improve 100bps QoQ aided by lower network costs: Network costs grew by only 1% QoQ and 16% YoY on account of reversal of provisions for energy related expenses. Although selling and marketing expenses increased sharply in the quarter, total expenses growth lagged revenue growth aiding margin improvement for the quarter. We note that the company has been able to manage cost structure efficiently while improving the revenue growth profile. We expect EBIDTA margins to improve further by 110bps to 27.8% in Q4FY12.

Estimates revision and Maintain Buy: We have marginally revised our core estimates for FY12E and FY13E taking into account strong revenue growth, forex losses and changes in tax rate. Our DCF target price of remains unchanged, and continues to factor in the one-time impact of spectrum renewal charges and present value of license renewal charges. Considering the significant upside from current levels, we maintain our recommendation at Buy.

TARGET RS 110 (+26%)

STOCK RATING

BUY	NEUTRAL	SELL
> 15%	-15% TO +15%	< -15%

COMPANY DATA

O/S SHARES :	3307MN
MARKET CAP (RS) :	289BN
MARKET CAP (USD) :	5.8BN
52 - WK HI/LO (RS) :	104 / 56
LIQUIDITY 3M (USD) :	12.6MN
FACE VALUE (RS) :	10

SHARE HOLDING PATTERN, %

PROMOTERS :	46.0
FII / NRI :	42.2
FI / MF :	8.7
NON-PROMOTER CORP. HOLDINGS :	0.8
PUBLIC & OTHERS :	2.3

PRICE PERFORMANCE, %

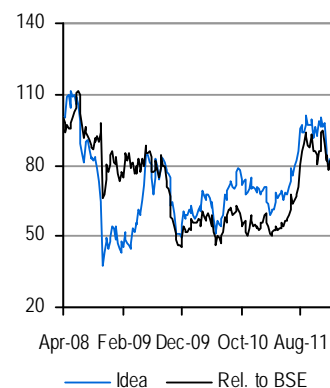
	1MTH	3MTH	1YR
ABS	10.9	-4.4	27.4
REL TO BSE	4.5	-4.2	39.3

VALUATION SUMMARY

Y/E MAR, RS MN	FY2009	FY2010	FY2011	FY2012E	FY2013E
NET SALES	101,313	124,471	155,032	194,574	238,605
GROWTH, %	50.8	22.9	24.6	25.5	22.6
CORE EBIDTA	28,134	34,059	37,907	52,052	72,011
EBIDTA MARGIN, %	27.8	27.4	24.5	26.8	30.2
NET PROFIT	10,371	9,526	8,987	7,382	20,696
EPS, RS	3.3	2.9	2.7	2.2	6.3
EPS GROWTH, %	658.6	-13.9	-5.7	-17.9	180.4
PER, X	27.2	31.6	33.5	40.8	14.5
EV/EBIDTA, X	11.4	10.7	10.7	8.1	5.7
EV/NET SALES, X	3.2	2.9	2.6	2.2	1.7
PRICE/BOOK VALUE, X	2.1	2.6	2.4	2.3	2.0
ROIC, %	11.3	7.0	6.1	6.3	10.8
ROE, %	12.3	7.7	7.6	5.8	14.7

Source: Company, MF Global India Research Estimates

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

CHANGE OF ESTIMATES

(RS MN)	EARLIER ESTIMATES		REVISED ESTIMATES		UPGRADE / (DOWNGRADE) (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
NET SALES	192,544	237,765	194,574	238,605	1.1	0.4
EBITDA	51,773	71,225	52,052	72,011	0.5	1.1
EBITDA MARGIN (%)	26.9	30.0	26.8	30.2	(13.7)	22.4
PBT	10,888	30,100	10,856	30,890	(0.3)	2.6
ADJ PAT	7,622	21,070	7,382	20,696	(3.1)	(1.8)
ADJ PAT MARGIN (%)	4.0	8.9	3.8	8.7	(16.4)	(18.8)
ADJ EPS (RS)	2.3	6.4	2.2	6.3	(3.1)	(1.8)

Source: MF Global India Research Estimates

Q3FY12 RESULTS AND NEAR-TERM FORECASTS

QUARTER (RS MN)	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12E
NET SALES	29,759	29,739	31,495	33,478	36,537	36,592	39,556	42,347	45,207	46,199	50,308	52,859
QOQ GROWTH (%)	1.3	-0.1	5.9	6.3	9.1	0.2	8.1	7.1	6.8	2.2	8.9	5.1
YOY GROWTH (%)	36.6	29.1	15.3	14.0	23	23.0	25.6	26.5	23.7	26.3	27.2	24.8
OPERATING COSTS												
ACCESS + LICENSE CHARGES	4,221	4,184	4,533	5,064	5,761	5,825	6,356	6,812	7,321	7,877	8,456	8,752
% OF SALES	14.2	14.1	14.4	15.1	15.8	15.9	16.1	16.1	16.2	17.1	16.8	16.6
NETWORK OPEX	7505	7614	7937	8214	10,159	10,091	9,936	9,945	11,156	11,423	11,534	11,880
% OF SALES	25.2	25.6	25.2	24.5	27.8	27.6	25.1	23.5	24.7	24.7	22.9	22.5
EMPLOYEE COSTS	1,446	1,663	1,784	1,558	1,715	2,155	2,072	2,114	2,110	2,417	2,424	2,450
% OF SALES	4.9	5.6	5.7	4.7	4.7	5.9	5.2	5.0	4.7	5.2	4.8	4.6
SG&A	3332	3567	4241	4677	4,224	4,015	5,344	6,160	5,492	5,422	6,432	6,428
% OF SALES	11.2	12.0	13.5	14.0	11.6	11.0	13.5	14.5	12.1	11.7	12.8	12.2
TOTAL OPEX	21,159	21,644	23,353	24,242	27,653	27,804	30,074	31,595	33,167	34,333	36,861	38,160
EBIDTA	8,600	8,095	8,141	9,236	8,884	8,788	9,483	10,752	12,040	11,866	13,447	14,699
EBIDTA MARGIN (%)	28.9	27.2	25.9	27.6	24.3	24.0	24.0	25.4	26.6	25.7	26.7	27.8
QOQ GROWTH (%)	6.1	-5.9	0.6	13.4	-3.8	-1.1	7.9	13.4	12.0	-1.4	13.3	9.3
YOY GROWTH (%)	19.4	33.4	16.8	13.9	3.3	8.6	16.5	16.4	35.5	35.0	41.8	36.7
EBIT	4,045	3,299	3,011	3,569	3,228	2,968	3,557	4,180	5,014	4,498	5,872	6,974
EBIT MARGIN (%)	13.6	11.1	9.6	10.7	8.8	8.1	9.0	9.9	11.1	9.7	11.7	13.2
PBT	3,175	2,559	2,073	2,947	2,087	1,940	2,616	3,326	2,551	1,559	2,992	3,762
PAT	2,971	2,202	1,701	2,666	2,014	1,797	2,431	2,745	1,773	1,058	2,011	2,543
PAT MARGIN (%)	10.0	7.4	5.4	8.0	5.5	4.9	6.1	6.5	3.9	2.3	4.0	4.8
YOY GROWTH (%)	12.9	52.8	-22.5	-2.8	-32.2	-18.4	42.9	3.0	-12.0	-41.2	-17.3	-7.4
EPS ADJUSTED DILUTED	0.9	0.7	0.5	0.8	0.6	0.5	0.7	0.8	0.5	0.3	0.6	0.8

Source: Company, MF Global Research estimates

QUARTERLY KPIS AND NEAR-TERM FORECASTS

QUARTERLY KPIS (CONSOLIDATED)	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12E
RPM (RS/MIN)	0.576	0.557	0.510	0.470	0.440	0.420	0.418	0.406	0.410	0.427	0.433	0.445
QOQ GROWTH (%)	(8)	(3)	(8)	(8)	(6)	(5)	(0)	(3)	1	4	1.4	2.7
YOY GROWTH (%)	(11)	(10)	(19)	(25)	(24)	(25)	(18)	(14)	(7)	2	3.6	9.5
TOTAL TRAFFIC (MINS MN)	54,459	56,074	64,158	68,275	82,274	84,828	93,503	101,960	108,630	106,224	114,000	117,990
QOQ GROWTH (%)	9.3	3.0	14.4	6.4	20.5	3.1	10.2	9.0	6.5	(2.2)	7.3	3.5
YOY GROWTH (%)	43.3	35.3	40.3	37.1	51.1	51.3	45.7	49.3	32.0	25.2	21.9	15.7
ARPU (RS/SUBSCRIBER/MONTH)	232	211	200	184	182	167	165	161	160	155	162	160
QOQ GROWTH (%)	(10)	(9)	(5)	(8)	(1)	(8)	(1)	(2)	(1)	(3)	4.5	(1.0)
YOY GROWTH (%)	(28)	(19)	(26)	(29)	(22)	(21)	(17)	(12)	(12)	(7)	(1.8)	(0.3)
SUBSCRIBERS EOP (MN)	47.1	51.5	57.6	63.8	68.9	74.2	83.1	89.5	95.1	100.2	106.4	111.5
QOQ GROWTH (%)	9.5	9.3	11.9	10.7	8.0	7.7	12.0	7.7	6.3	5.4	6.2	4.9
YOY GROWTH (%)	48.4	51.5	54.5	48.3	46.2	44.1	44.2	40.3	38.0	35.0	28.0	24.6
BTS COUNT	54,274	57,558	62,950	66,187	66,725	67,980	70,208	73,668	76,291	78,367	80,637	82,837

Source: Company, MF Global India Research

Annual forecasts for the company

KEY REVENUE SEGMENTS WITH DRIVERS AND PARAMETERS

WIRELESS BUSINESS (CONSOL, IDEA + 100% SPICE)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E	FY2017E	FY2018E
WIRELESS REVENUES (RS MN)	67,200	110,270	127,396	152,398	194,574	238,605	283,463	327,502	375,565	424,288	479,145
GROWTH/ (DECLINE) (%)	54	64	16	20	28	23	19	16	15	13	13
ABSOLUTE REVENUE GROWTH (RS MN)	23,536	43,070	17,126	25,002	42,175	44,031	44,858	44,039	48,063	48,723	54,857
TOTAL MINUTES TRAFFIC (MN)	86,212	174,968	242,966	362,565	446,844	525,901	609,114	690,307	772,158	849,826	920,528
GROWTH/ (DECLINE) (%)	88	103	39	49	23	18	16	13	12	10	8
SUBSCRIPTIONS EOP (MN)	24.0	43.0	63.8	89.5	111.5	127.5	142.5	157.5	171.5	183.5	193.5
GROWTH/ (DECLINE) (%)	71.3	79.3	48.4	40.3	24.6	14.3	11.8	10.5	8.9	7.0	5.4
AVERAGE WIRELESS SUBSCRIPTIONS (MN)	20	37	53	77	101	120	135	150	165	178	189
GROWTH/ (DECLINE) (%)	76	83	46	44	31	19	13	11	10	8	6
WIRELESS ARPU (RS PER SUBS/MONTH)	281	252	199	166	161	166	175	182	190	199	212
GROWTH/ (DECLINE) (%)	(13)	(10)	(21)	(17)	(3)	3	5	4	5	5	6
MOU (MINUTES PER SUBS/MONTH)	360	399	379	390	370	369	376	383	391	399	407
GROWTH/ (DECLINE) (%)	7	11	-5	3	-5	-1	2	2	2	2	2
3G REVENUES (RS MN)	-	-	-	0.0	1,216	3,374	11,434	19,554	31,397	45,730	69,250
CONTRIBUTION TO WIRELESS REVENUES (%)	0.0	0.0	0.0	0.0	0.6	1.4	4.0	6.0	8.4	10.8	14.5
3G SUBSCRIBERS EOP (MN)	0.0	0.0	0.0	0.0	3.6	7.7	11.4	15.8	20.6	27.5	38.7
3G ARPU	0.0	0.0	0.0	0.0	50.1	50.0	100.0	120.0	144.0	158.4	174.2

Source: Company, MF Global Research estimates

MINUTE FACTORY ECONOMICS

	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E	FY2017E	FY2018E
RPM (RS/MINUTE)	0.78	0.63	0.52	0.42	0.42	0.45	0.46	0.47	0.48	0.49	0.52
GROWTH/ (DECLINE) (%)	(18.01)	(19.15)	(16.80)	(19.84)	0.97	5.16	2.77	2.08	2.63	2.74	4.34
TOTAL VARIABLE COST PER MIN (ACCESS + LICENSE CHARGES) (RS/MINUTE)	0.21	0.17	0.14	0.12	0.11	0.12	0.12	0.12	0.12	0.12	0.13
GROWTH/ (DECLINE) (%)	(17.9)	(19.6)	(20.2)	(13.0)	(3.7)	3.42	1.16	0.89	1.17	1.24	2.03
TOTAL FIXED COST PER MIN (RS/MINUTE)	0.27	0.22	0.23	0.19	0.18	0.17	0.17	0.17	0.17	0.18	0.18
GROWTH/ (DECLINE) (%)	(19.43)	(18.17)	2.95	(19.69)	(4.28)	(1.66)	(1.20)	0.29	0.67	1.30	2.28
TOTAL OPEX PER MIN (RS/MINUTE)	0.48	0.39	0.37	0.30	0.29	0.29	0.29	0.29	0.29	0.30	0.31
GROWTH/ (DECLINE) (%)	(18.8)	(18.8)	(7.0)	(17.2)	(4.0)	0.3	(0.3)	0.5	0.9	1.3	2.2
EBIDTA PER MIN (RS/MINUTE)	0.29	0.24	0.16	0.12	0.13	0.15	0.15	0.15	0.14	0.14	0.13
GROWTH/ (DECLINE) (%)	(16.7)	(19.7)	(33.0)	(25.9)	13.9	10.9	0.5	(1.0)	(1.7)	(2.6)	(4.6)

Source: Company, MF Global Research Estimates

IDEA CELLULAR INCOME STATEMENT (ANNUAL)

IDEA CELLULAR CONSOL (PROP CONSO, RS MN)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E	FY2017E	FY2018E
TOTAL WIRELESS REVENUES (RS MN)	67,200	101,457	125,139	152,398	194,574	238,605	283,463	327,502	375,565	424,288	479,145
YOY GROWTH (%)		64.1	13.5	21.8	27.7	22.6	18.8	15.5	14.7	13.0	12.9
% OF TOTAL REVENUES		97.9	98.2	98.1	100.0	100.0	100.0	100.0	100.0	100.0	100.0
PASSIVE INFRASTRUCTURE BUSINESS (REVENUES FROM EXTERNAL TENANTS)	NA	NA	2,257	3,012	4,843	7,548	9,934	11,324	12,696	14,223	16,106
YOY GROWTH (%)		48.7	-3.6	33.5	60.8	55.9	31.6	14.0	12.1	12.0	13.2
% OF TOTAL REVENUES		2.1	1.8	1.9	2.5	3.2	3.5	3.5	3.4	3.4	3.4
TOTAL REVENUES (RS MN)	67,200	101,457	127,396	155,410	199,417	246,152	293,397	338,826	388,261	438,511	495,251
YOY GROWTH (%)	58	64	26	22	28	23	19	15	15	13	13
ACCESS + LICENSE CHARGES	18,186	29,829	31,774	42,895	55,776	66,855	77,754	88,325	99,419	110,332	121,527
% OF SALES	27.1	29.4	24.9	27.6	28.0	27.2	26.5	26.1	25.6	25.2	24.5
NETWORK OPEX	10,470	21,078	31,272	40,131	45,993	54,545	62,316	71,335	80,751	90,411	100,134
% OF SALES	15.6	20.8	24.5	25.8	23.1	22.2	21.2	21.1	20.8	20.6	20.2
EMPLOYEE COSTS	3,464	5,245	6,451	8,056	9,401	10,789	11,869	13,052	14,083	15,191	16,381
% OF SALES	5.2	5.2	5.1	5.2	4.7	4.4	4.0	3.9	3.6	3.5	3.3
SG&A	12,563	17,027	20,916	26,045	31,351	34,405	39,343	44,067	49,296	54,635	60,613
% OF SALES	18.7	16.8	16.4	16.8	15.7	14.0	13.4	13.0	12.7	12.5	12.2
TOTAL OPEX	44,682	73,179	90,412	117,125	142,522	166,594	191,282	216,779	243,549	270,569	298,655
EBIDTA	22,518	28,277	36,984	38,285	56,895	79,559	102,115	122,047	144,712	167,941	196,596
EBIDTA MARGIN (%)	33.5	27.9	29.0	24.6	28.5	32.3	34.8	36.0	37.3	38.3	39.7
YOY GROWTH (%)	53.7	24.9	21.1	11.3	37.3	38.3	28.0	20.1	19.2	16.4	17.4
EBIT	13,750	14,106	13,910	13,933	22,378	41,081	58,975	75,062	93,995	113,384	137,887
EBIT MARGIN (%)	20.5	13.9	10.9	9.0	11.2	16.7	20.1	22.2	24.2	25.9	27.8
PBT	11,148	9,391	10,741	9,969	10,856	30,890	50,329	66,653	87,425	109,465	137,456
PAT	10,423	8,816	9,526	8,987	7,382	20,696	33,721	44,657	58,575	73,342	92,095
PAT MARGIN (%)	15.5	8.7	7.5	5.8	3.7	8.4	11.5	13.2	15.1	16.7	18.6
YOY GROWTH (%)	108	(15)	8	(6)	(18)	180	63	32	31	25	26
EPS ADJUSTED DILUTED	4.0	3.0	2.9	2.7	2.2	6.3	10.2	13.5	17.7	22.2	27.9

Source: Company, MF Global Research estimates

EXPENSE PARAMETRICS

	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E	FY2015E	FY2016E	FY2017E	FY2018E
CAPEX (RS MN)	49,691	62,797	41,793	29,684	50,384	45,930	52,316	53,650	55,737	57,743	59,710
AS A % OF SALES	73.9	61.9	32.8	19.1	25.3	18.7	17.8	15.8	14.4	13.2	12.1
AS A % OF EBIDTA	220.7	222.1	113.0	77.5	88.6	57.7	51.2	44.0	38.5	34.4	30.4
OPEX + CAPEX (RS MN)	94,373	135,976	132,205	146,809	192,906	212,523	243,598	270,428	299,286	328,312	358,365
AS A % OF SALES	140.4	134.0	103.8	94.5	96.7	86.3	83.0	79.8	77.1	74.9	72.4
AS A % OF EBIDTA	419.1	480.9	357.5	383.5	339.1	267.1	238.6	221.6	206.8	195.5	182.3

Source: Company, MF Global Research estimates

Fair value calculation

We look at Idea Cellular with an 8-year horizon to clock revenue CAGR of 18%. Idea Cellular is currently in a high-growth phase and the company will post robust revenue growth over the next two years. Our revenue estimates for 3G services are conservative, but this segment has the potential to surprise us positively.

SEGMENTAL GROWTH AND MARGIN

SEGMENTS, RS MN	SALES FY11	SALES CAGR (8-YEAR %)	SALES FY18E	EBIT MARGIN (%)	EBIT
WIRELESS SERVICES	152,398	17.7	479,145	20.0	95,829
TOWER BUSINESS SERVICES	13,475	14.5	34,714	45.0	15,621
INTERSEGMENT	10,463	18.5	34,714	20.0	6,943
TOTAL	155,410	17.4	479,145	23.3	111,450

Source: Company, MF Global India Research estimates

We believe that Idea Cellular will trade at a discount in the long term to Bharti Airtel as its business model is less diversified. Thus, our exit multiples for Idea Cellular are lower compared to Bharti Airtel. Our terminal exit multiples are conservative, but Idea Cellular is a potential acquisition candidate and can command premium multiples as the M&A scenario gathers steam.

DERIVATION OF ENTERPRISE VALUE 2018 (EXCLUDING INTERMEDIATE FCF)

SEGMENTS (RS MN)	EBIT (N)	YIELD REQUIRED (%)	P/E, X	EV/EBIT, X	EV (2018)
WIRELESS SERVICES	95,829	10.0	10.0	7.0	670,803
TOWER BUSINESS SERVICES	15,621	8.0	12.5	8.8	136,687
INTERSEGMENT	6,943	8.5	11.8	8.2	57,176
TOTAL	111,450	10.4	9.6	6.7	750,314

Source: Company, MF Global India Research estimates

MEDIUM-TERM CASH FLOW GENERATION

CASH FLOWS (RS MN)	FY11	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E
EBIT	13,933	22,378	41,081	58,975	75,062	93,995	113,384	137,887
NOPLAT	12,562	15,217	27,524	39,514	50,291	62,977	75,967	92,384
DEPRECIATION	23,973	29,674	30,930	33,205	35,662	38,021	40,335	42,603
CAPEX	68,104	50,384	45,930	52,316	53,650	55,737	57,743	59,710
FCF	(31,570)	(5,493)	12,525	20,403	32,303	45,260	58,559	75,278
% CONVERSION	(227)	(25)	30	35	43	48	52	55
DISCOUNT FACTOR	1.0	1.0	0.9	0.8	0.7	0.6	0.5	0.5
PV	(31,570)	(5,493)	11,084	15,979	22,388	27,759	31,784	36,157
NPV	(31,570)	(5,493)	5,591	21,570	43,957	71,716	103,500	139,657

Source: Company, MF Global India Research estimates

DERIVATION OF FUNDAMENTAL VALUE

RS MN/ RS PER SHARE	VALUE
ENTERPRISE VALUE-2018 (WIRELESS BUSINESS)	750,314
NPV INTERMEDIATE FCF (WIRELESS BUSINESS)	139,657
NET CASH- END OF FY2011	(105,928)
RETURN REQUIREMENT	13%
EV VALUE END OF FY2011 (WIRELESS BUSINESS)	500,047
TARGET VALUE END OF FY2011 (WIRELESS BUSINESS)	394,119
TARGET VALUE PER SHARE (END OF JUNE 2012)	139
REGULATORY RISKS (RS BN)	
ONE-TIME SPECTRUM CHARGE ABOVE 6.2MHZ	(14)
PV OF LICENSE RENEWAL CHARGES (TO BE PAID POST-EXPIRY OF LICENSE PERIOD)	(89)
TOTAL (RS BN)	(103)
REGULATORY RISKS (RS/SHARE)	(31)
ADJUSTED TARGET VALUE PER SHARE (END OF JUNE 2012)	108

Source: Company, MF Global India Research estimates

FINANCIALS

INCOME STATEMENT

Y/E MAR, RS MN	FY2009	FY2010	FY2011	FY2012E	FY2013E
NET SALES	101,313	124,471	155,032	194,574	238,605
GROWTH, %	50.8	22.9	24.6	25.5	22.6
OPERATING EXPENSES	-73,179	-90,412	-117,125	-142,522	-166,594
EBITDA	28,134	34,059	37,907	52,052	72,011
GROWTH, %	24.9	21.1	11.3	37.3	38.3
MARGIN, %	27.8	27.4	24.5	26.8	30.2
DEPRECIATION	-12,473	-20,149	-23,973	-29,674	-30,930
EBIT	15,661	13,910	13,933	22,378	41,081
GROWTH, %	5	-11	0	61	84
MARGIN, %	15	11	9	12	17
NET INTEREST AND OTHERS	-4,714	-3,169	-3,965	-11,521	-10,191
PRE-TAX PROFIT	10,947	10,741	9,969	10,856	30,890
TAX PROVIDED	-576	-1,214	-982	-3,474	-10,194
PROFIT AFTER TAX	10,371	9,526	8,987	7,382	20,696
MF NET PROFIT	10,371	9,526	8,987	7,382	20,696
GROWTH, %	-11	-8	-6	-18	180
UNADJ. SHARES (M)	3,100	3,309	3,309	3,309	3,309
WTD AVG SHARES (M)	3,100	3,309	3,309	3,309	3,309

CASH FLOW

Y/E MAR, RS MN	FY2009	FY2010	FY2011	FY2012E	FY2013E
PRE-TAX PROFIT	10,947	10,741	9,969	10,856	30,890
DEPRECIATION	12,473	20,149	23,973	29,674	30,930
CHG IN WORKING CAPITAL	1,046	-10,587	22,402	-749	6,473
TOTAL TAX PAID	-106	-202	-24	-3,474	-10,194
CASH FLOW FROM OPERATING ACTIVITIES	24,359	20,101	56,320	36,308	58,099
CAPITAL EXPENDITURE	-94,378	-18,224	-98,146	-47,773	-45,930
CHG IN MARKETABLE SECURITIES	-14,892	9,148	1,104	0	0
OTHER INVESTING ACTIVITIES	-1,559	-9,305	0	0	21,153
CASH FLOW FROM INVESTING ACTIVITIES	-110,829	-18,381	-97,043	-47,773	-24,777
FREE CASH FLOW	-86,470	1,720	-40,723	-11,465	33,323
EQUITY RAISED/(REPAID)	88,391	-19,155	4,238	0	0
DEBT RAISED/(REPAID)	23,968	-10,529	42,112	15,000	0
CASH FLOW FROM FINANCING ACTIVITIES	112,359	-29,684	46,350	15,000	0
NET CHG IN CASH	25,890	-27,964	5,627	3,535	33,323

BALANCE SHEET

AS AT 31ST MAR, RS MN	FY2009	FY2010	FY2011	FY2012E	FY2013E
CASH & BANK	30,864	2,900	4,577	5,501	17,671
MARKETABLE SECURITIES AT COST	20,452	11,304	10,200	10,200	10,200
DEBTORS	3,618	4,656	4,789	5,837	7,158
INVENTORY	521	536	659	973	1,193
LOANS & ADVANCES	16,821	25,559	19,756	23,349	28,633
OTHER CURRENT ASSETS	1,861	2,979	776	6,114	6,906
TOTAL CURRENT ASSETS	74,137	47,934	40,758	51,974	71,761
GROSS FIXED ASSETS	227,692	270,646	337,038	386,629	432,558
LESS: DEPRECIATION	-59,971	-88,907	-112,128	-143,620	-174,551
ADD: CAPITAL WIP	21,409	5,465	36,467	36,467	36,467
NET FIXED ASSETS	189,129	187,204	261,377	279,475	294,475
TOTAL ASSETS	263,267	235,138	302,135	331,449	366,235
TOTAL CURRENT LIABILITIES	40,361	40,680	55,331	62,264	76,353
NON-CURRENT LIABILITIES	90,252	80,735	123,804	138,804	138,804
TOTAL LIABILITIES	130,613	121,415	179,136	201,068	215,158
PAID-UP CAPITAL	31,001	32,998	33,033	33,033	33,033
RESERVES & SURPLUS	101,652	80,725	89,966	97,348	118,045
SHAREHOLDERS' EQUITY	132,653	113,724	122,999	130,381	151,078
TOTAL EQUITY & LIABILITIES	263,266	235,138	302,135	331,449	366,235

PER-SHARE DATA

	FY2009	FY2010	FY2011	FY2012E	FY2013E
MF EPS (INR)	3.3	2.9	2.7	2.2	6.3
GROWTH, %	658.6	-13.9	-5.7	-17.9	180.4
BOOK NAV/SHARE (INR)	42.8	34.4	37.2	39.4	45.7
FDEPS (INR)	3.3	2.9	2.7	2.2	6.3
CEPS (INR)	7.4	9.0	10.0	11.2	15.6
CFPS (INR)	7.8	5.8	17.0	10.9	17.5

FINANCIAL STRUCTURE

	FY2009	FY2010	FY2011	FY2012E	FY2013E
TOTAL DEBT/EQUITY (X)	0.7	0.7	1.0	1.0	0.9
NET DEBT/EQUITY (X)	0.4	0.7	0.9	1.0	0.8

PROFITABILITY, PRODUCTIVITY, LIQUIDITY AND VALUATION RATIOS

	FY2009	FY2010	FY2011	FY2012E	FY2013E
RETURN ON ASSETS (%)	6.9	4.9	4.3	4.7	7.9
RETURN ON EQUITY (%)	12.3	7.7	7.6	5.8	14.7
RETURN ON INVESTED CAPITAL (%)	11.3	7.0	6.1	6.3	10.8
ROIC/COST OF CAPITAL (X)	11.3	7.0	6.1	6.3	10.8
ROIC - COST OF CAPITAL (%)	-0.6	-4.9	-5.6	-5.4	-1.0
RETURN ON CAPITAL EMPLOYED (%)	8.3	5.8	5.2	5.8	9.8
COST OF CAPITAL (%)	11.9	11.9	11.7	11.7	11.8
ROCE - COST OF CAPITAL (%)	-3.6	-6.1	-6.5	-5.9	-2.0
ASSET TURNOVER (X)	0.8	0.7	0.8	0.8	0.9
SALES/TOTAL ASSETS (X)	0.5	0.5	0.6	0.6	0.7
SALES/NET FA (X)	0.7	0.7	0.7	0.7	0.8
WORKING CAPITAL/SALES (X)	-0.2	-0.1	-0.2	-0.1	-0.1
FIXED CAPITAL/SALES (X)	2.2	2.2	2.2	2.0	1.8
RECEIVABLE DAYS	13.0	13.7	11.3	11.0	11.0
INVENTORY DAYS	1.9	1.6	1.6	1.8	1.8
PAYABLE DAYS	192.7	155.2	166.9	149.5	156.8
CURRENT RATIO (X)	1.8	1.2	0.7	0.8	0.9
QUICK RATIO (X)	1.8	1.2	0.7	0.8	0.9
INTEREST COVER (X)	3.2	3.5	3.5	1.9	3.9
DIVIDEND COVER (X)					
PER (X)	27.2	31.6	33.5	40.8	14.5
PEG (X) - Y-O-Y GROWTH	0.0	-2.3	-5.9	-2.3	0.1
PRICE/BOOK (X)	2.1	2.6	2.4	2.3	2.0
YIELD (%)	0.0	0.0	0.0	0.0	0.0
EV/NET SALES (X)	3.2	2.9	2.6	2.2	1.7
EV/EBITDA (X)	11.4	10.7	10.7	8.1	5.7
EV/EBIT (X)	20.4	26.3	29.2	18.8	10.0
EV/NOPLAT (X)	21.6	29.6	32.4	27.7	14.9
EV/CE	1.4	1.9	1.6	1.6	1.4
EV/IC (X)	2.4	2.1	2.0	1.7	1.6

Source: Company, MF Global India Research Estimates

RECOMMENDATION HISTORY

RECOMMENDATION	TARGET, RS	CMP, RS	DATE
BUY	110	91	24-OCT-2011
BUY	115	94	1-AUG-11
BUY	87	72	27-JAN-11
BUY	80	65	23-JULY-10
NEUTRAL	60	54	28-OCT-09
NEUTRAL	65	65	7-OCT-09
NEUTRAL	80	77	23-SEP-09
NEUTRAL	65	61	27-APR-09
NEUTRAL	60	45	27-JAN-09
NEUTRAL	70	54	22-OCT-08
BUY	120	80	25-JUL-08
BUY	130	102	26-JUN-08
BUY	130	112	22-MAY-09

VINEET BHATNAGAR	MANAGING DIRECTOR	91-22-2300 2999	VBHATNAGAR@MFGLOBAL.COM
SAJID KHALID	HEAD – INSTITUTIONAL EQUITIES	91-22-6667 9972	SAKHALID@MFGLOBAL.COM
JIGNESH SHAH	HEAD – EQUITY DERIVATIVES	91-22-6667 9735	JSHAH@MFGLOBAL.COM

EQUITY RESEARCH

MANISH AGARWALLA	VP - BANKING	91-22-6667 9962	MAGARWALLA@MFGLOBAL.COM
AARTHISUNDARI JAYAKUMAR	PHARMACEUTICALS	91-22-6667 9950	AJAYAKUMAR@MFGLOBAL.COM
ABHISHEK RANGANATHAN, CFA	RETAIL, REAL ESTATE	91-22-6667 9952	ABHISHEKR@MFGLOBAL.COM
ANJALI VERMA	ECONOMIST	91-22-6667 9969	ANVERMA@MFGLOBAL.COM
ANKUR SHARMA	ENGINEERING, CAPITAL GOODS	91-22-6667 9759	ASHARMA@MFGLOBAL.COM
DEEPAK JAIN	AUTOMOBILES & AUTO ANCILLARIES	91-22-6667 9758	DJAIN@MFGLOBAL.COM
DHAWAL DOSHI	METALS, POWER	91-22-6667 9769	DDOSHI@MFGLOBAL.COM
DIPESH SOHANI	REAL ESTATE, MIDCAP	91-22-6667 9756	DSOHANI@MFGLOBAL.COM
ENNETTE FERNANDES	FMCG	91-22-6667 9764	EFERNANDES@MFGLOBAL.COM
GAURI ANAND	OIL & GAS, FERTILISER	91-22-6667 9943	GANAND@MFGLOBAL.COM
KAPIL BAGARIA	MIDCAP, SUGAR	91-22-6667 9965	KBAGARIA@MFGLOBAL.COM
NAVEEN KULKARNI, CFA, FRM	TELECOM, FMCG, MEDIA	91-22-6667 9947	NKULKARNI@MFGLOBAL.COM
SACHIT MOTWANI	BANKING	91-22-6667 9953	SMOTWANI@MFGLOBAL.COM
VAIBHAV AGARWAL	CEMENT	91-22-6667 9967	VAGARWAL@MFGLOBAL.COM
VIBHOR SINGHAL	INFRASTRUCTURE	91-22-6667 9949	VSINGHAL@MFGLOBAL.COM
VIHANG NAIK, CFA	IT SERVICES, MIDCAP	91-22-6667 9768	VNAIK@MFGLOBAL.COM
VIVEKANAND SUBBARAMAN	TELECOM, MEDIA	91-22-6667 9766	VSUBBARAMAN@MFGLOBAL.COM
DHARMESH SHAH	RESEARCH ASSOCIATE	91-22-6667 9974	DHSHAH@MFGLOBAL.COM
JISHAR THOOMBATH	RESEARCH ASSOCIATE	91-22-6667 9986	JTHOOMBATH@MFGLOBAL.COM
NEHA GARG	RESEARCH ASSOCIATE	91-22-6667 9996	NGARG@MFGLOBAL.COM
SAURABH RATHI	RESEARCH ASSOCIATE	91-22-6667 9951	SRATHI@MFGLOBAL.COM
VARUN VIJAYAN	RESEARCH ASSOCIATE	91-22-6667 9992	VVIJAYAN@MFGLOBAL.COM
GANESH DEORUKHKAR	PRODUCTION	91-22-6667 9966	GDEORUKHKAR@MFGLOBAL.COM
ROSHNI KALLOOR	RESEARCH COMPLIANCE OFFICER	91-22-6667 9762	RKALLOOR@MFGLOBAL.COM

TECHNICAL & QUANT RESEARCH

NEPPOLIAN PILLAI	CHIEF TECHNICAL STRATEGIST	91-22-6667 9989	PNEPPOLIAN@MFGLOBAL.COM
SHIKHA KHURANA	QUANT ANALYST	91-22-6667 9948	SKHURANA@MFGLOBAL.COM

INSTITUTIONAL CASH EQUITY SALES

SUDHIR PADDIYAR	VP - EQUITY SALES (ASIAPAC)	91-22-6667 9991	SPADIYAR@MFGLOBAL.COM
KINSHUK TIWARI	EQUITY SALES	91-22-6667 9946	KTIWARI@MFGLOBAL.COM
KSHITIJ SHAH	EQUITY SALES (EUROPE)	91-22-6667 9944	KSSHAH@MFGLOBAL.COM
PAWAN KAKUMANU	EQUITY SALES	91-22-6667 9934	PKAKUMANU@MFGLOBAL.COM
SHUBHANGI AGRAWAL	EQUITY SALES	91-22-6667 9964	SAGRAWAL@MFGLOBAL.COM
ROSIE FERNS	SR. EXEC. – EQUITIES SALES SUPPORT	91-22-6667 9971	RFERNS@MFGLOBAL.COM

INSTITUTIONAL CASH EQUITY SALES TRADING

SUNIL KAMATH	VP - SALES TRADER	91-22-6667 9747	SKAMATH@MFGLOBAL.COM
CHETAN SAVLA	SALES TRADER	91-22-6667 9749	CSAVLA@MFGLOBAL.COM
RAJESH ASHAR	SALES TRADER	91-22-6667 9746	RASHAR@MFGLOBAL.COM

INSTITUTIONAL CASH EQUITY DEALING

MAYUR SHAH	DEALER	91-22-6677 9945	MASHAH@MFGLOBAL.COM
GURUDATT UCHIL	DEALER	91-22-6667 9750	GUCHIL@MFGLOBAL.COM

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MF Global Sify Securities India Pvt. Limited, 2nd Floor, C-Block, Modern Centre, Mahalaxmi, Mumbai-400 011

**MF Global Sify Securities
India Pvt. Limited**
2nd Floor, C-Block, Modern Centre
Mahalaxmi, Mumbai
400 011

mfglobal.com