

# AMP

STRICTLY CONFIDENTIAL



7 DECEMBER 2011

## ANTIQUÉ'S MORNING PRESENTATION

FROM THE RESEARCH DESK

### Axis Bank Limited

**Aiming for well-balanced growth with profitability**

### GVK Power and Infrastructure Ltd.

**All negatives priced in?**

## Global News

- U.S. stocks rose, sending the Standard & Poor's 500 Index to a three-week high, and the euro erased losses amid optimism European leaders are planning largerefforts to fight the debt crisis. Treasuries fell.
- The euro ended a three-day drop versus the yen amid speculation Europe is working to expand funds available to the region's most-indebted nations as leadersprepare to meet in Brussels tomorrow on the credit crisis.

## Sector & Corporate News

- **Coal Blocks:** The government has said it will seek Indonesia's cooperation for the accord of "special status" to Indian companies in the grant of coal blocks, a move aimed at bridging the widening demand-supply gap for the dry fuel at home. The Ministry of Coal will impress upon the provisional government/regional government to allocate blocks under their special status (most favoured nation type) to Indian government coal companies.
- **Capital Control:** The government is not planning to impose any capital controls to check the rupee's slide, a senior government source with direct knowledge of the matter told.
- **PMI:** The manufacturing and services sector index, as measured by HSBC India Composite Index, rose sharply to a three-month high in November to 52.3, from 50.3 in the previous month, even though the private sector output rose only modestly.
- **Hindalco:** Has plans to double its capacities with an investment outlay of over USD5bn in the next four-five years.
- **Coal India:** The coal ministry has rejected the proposal of Coal India (CIL) for bringing down the coal production target.

## Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	12,150	0.4	4.9
NASDAQ	2,650	(0.2)	(0.1)
FTSE	5,569	0.0	(5.6)
CAC	3,180	(0.7)	(16.4)
DAX	6,029	(1.3)	(12.8)
Russia	1,485	(0.1)	(16.1)
Bovespa	59,536	1.1	(14.1)
Nikkei	8,630	0.6	(14.5)
Hang Seng	18,942	(1.2)	(17.8)
Shanghai Composite	2,326	(0.3)	(17.2)

Indian Indices	Closing	% Chg	% YTD
Sensex	16,805	(0.2)	(18.1)
Nifty	5,039	(0.2)	(17.9)
MSCI India	391	-	(30.2)
CNX Midcap	6,819	(0.0)	(23.0)
BSE Smallcap	6,195	0.1	(35.9)

Flows (USDm)	Last	MTD
FII	139	341
Locals	32	(15)

Provisional flows	(USDm)
FII	29
Locals	7

Volumes	USDbn	% Chg
Cash (NSE + BSE)	1.9	(20.6)
F&O (net)	17.3	(21.8)

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	(55)	(42)
Open Int (%)	(0.9)	4.9

ADR/GDR Gainers	Last	% Chg
MTNL	1.1	1.9
Patni	17.5	0.6
SBI	75.4	0.5
Wipro	10.2	0.3
Sterlite	8.4	0.1

ADR/GDR Losers	Last	% Chg
Tata Motors	18.3	(1.7)
Reliance	31.3	(1.4)

## Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	8,824	0.0	4.6	(13.8)
BSE Bank	10,552	0.0	7.1	(21.1)
BSE Cap Goods	10,010	0.8	3.5	(35.1)
BSE Cons dur	5,839	(0.8)	3.4	(8.1)
BSE FMCG	4,084	(0.7)	1.1	10.8
BSE IT	5,727	0.0	4.1	(16.1)
BSE Health	6,100	(0.4)	0.7	(9.4)
BSE Metal	10,816	(0.9)	5.8	(38.5)
BSE Oil	8,400	(0.1)	3.0	(20.8)
BSE Power	2,029	0.9	4.8	(32.1)
BSE PSU	7,094	0.2	3.4	(25.0)
BSE Realty	1,649	(0.5)	4.9	(42.3)
BSE TECK	3,472	0.1	3.5	(14.2)

## Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Jaiprakash Associates Ltd	69	2.8	11.4	(34.6)
Axis Bank Ltd	1,032	2.6	8.9	(23.6)
Bharat Heavy Electricals	289	2.2	2.2	(37.8)
NTPC Ltd	176	1.8	8.3	(12.3)
Cairn India Ltd	322	1.5	6.8	(3.3)
State Bank Of India	1,911	1.3	8.4	(32.0)
Punjab National Bank	928	1.2	5.2	(24.1)

## Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Reliance Power Ltd	88	(2.4)	2.9	(44.4)
HCL Technologies Ltd	407	(2.4)	6.0	(10.4)
Steel Authority Of India	85	(2.1)	6.4	(53.3)
Tata Steel Ltd	411	(1.9)	6.7	(39.6)
Sun Pharmaceutical Indus	525	(1.6)	(0.2)	8.2
Sterlite Industries India Lt	108	(1.4)	8.7	(42.2)
Ranbaxy Laboratories Ltd	436	(1.3)	-	-

## Bulk Deals

Date	Security Name	Client Name	Buy/Sell	Qty	Price
05-Dec-11	Maharaja Shree-\$	Digvijay Investments Limited	BUY	1,820,000	597.34
05-Dec-11	Maharaja Shree-\$	Alka Devi Bangur	SELL	563,000	605.00
05-Dec-11	Maharaja Shree-\$	Shreeyash Bangur	SELL	499,000	604.91
05-Dec-11	Maharaja Shree-\$	Lakshmi Niwas Bangur (Huf)	SELL	518,000	580.00
05-Dec-11	Maharaja Shree-\$	Yogesh Bangur	SELL	498,000	601.00
05-Dec-11	Maharaja Shree-\$	Lakshmi Niwas Bangur	BUY	250,000	601.00
05-Dec-11	Indiabulls Real Estate Li	Hsbc Global Asset Management (Singapore) Limited A/C Halbis	BUY	2,186,987	63.21
05-Dec-11	Natco Pharma Limited	Dilip S. Shanghvi	BUY	275,000	233.60
05-Dec-11	Natco Pharma Limited	Pasha Finance Pvt Ltd	SELL	275,000	233.60
05-Dec-11	Indowind Ener	Subuthi Investments Private Limited	BUY	1,000,000	7.99
05-Dec-11	Indowind Ener	Indus Finance Corporation Limited	SELL	1,000,000	7.99

## Delivery Spike

Company	Volume	Spike (%)	Chg (%)
IB Real	13,041,958	110	(4.34)
Cairn	846,201	87	1.48
Dr Reddy	228,100	83	0.15
PFC	3,144,516	58	(1.72)
GAIL	1,106,267	39	0.15
Uni Phos	2,043,080	35	(4.05)
Hindalco	3,316,140	27	0.81
United Spirits	360,239	23	1.28
BHEL	1,233,709	14	2.23

## Derivatives Update

## Long Buildup

Company	Last	% Chg	% Chg OI	OI (in 000)
IFCI	25	3.7	0.3	58,272
NTPC	177	1.7	2.3	12,836
RELCAPITAL	309	1.5	1.6	5,802
BANKINDIA	345	1.5	2.9	3,971

## Short Buildup

Company	Last	% Chg	% Chg OI	OI (in 000)
RPOWER	88	(2.6)	2.6	19,830
HCLTECH	410	(2.5)	1.8	3,076
SAIL	86	(2.0)	3.5	17,524
TATASTEEL	411	(1.9)	1.7	19,622

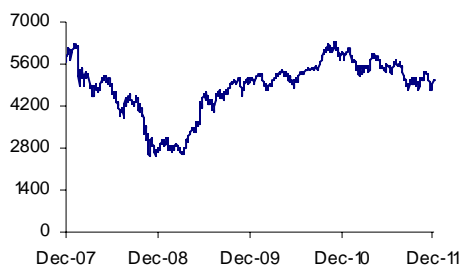
## Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
AXISBANK	1,031	2.2	(5.7)	6,491
BHEL	289	1.8	(1.1)	10,828
ADANIENIT	346	1.5	(2.4)	3,686
SESAGOA	193	1.1	(2.0)	8,244

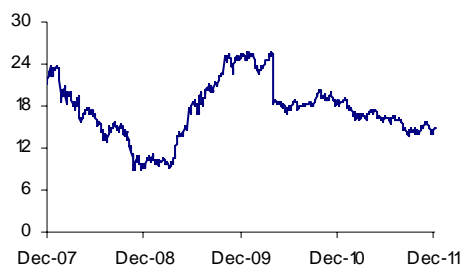
## Profit Booking

Company	Last	% Chg	% Chg OI	OI (in 000)
PANTALOONR	187	(13.3)	(10.2)	6,537
JSWSTEEL	615	(4.2)	(3.2)	7,990
MUNDRAPORT	128	(2.2)	(0.9)	11,020
TITAN	188	(2.1)	(0.0)	11,039

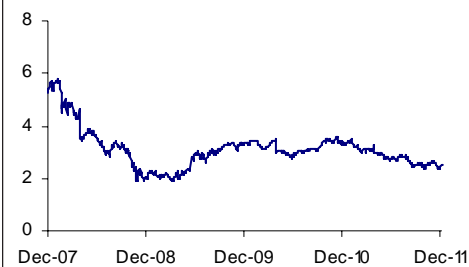
**Nifty**



**Nifty P/E**



**Nifty P/B**

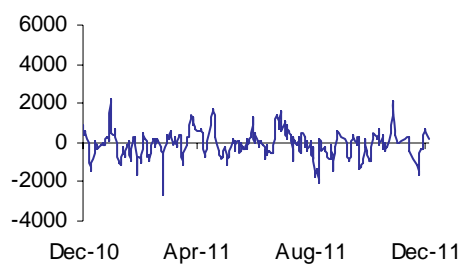


Source: Bloomberg

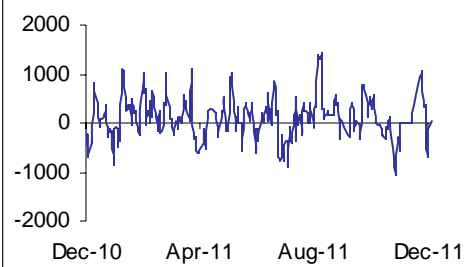
**Sensex**



**FII Provisional Flows (INRcr)**



**DII Provisional Flows (INRcr)**



Source: Bloomberg

**Economy, Money & Banking**

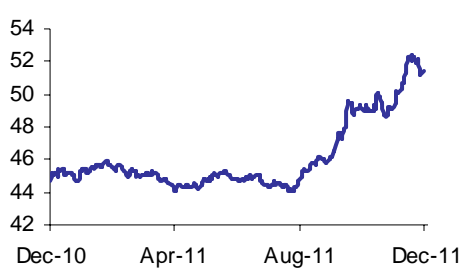
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	51.4	(0.4)	1.5	(13.1)
INR~EUR	69.1	(0.0)	0.7	(13.4)
INR~GBP	80.2	(0.1)	2.3	(13.1)

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	8.6	(8)	(15)	68
Interbank call	8.7	12	10	315

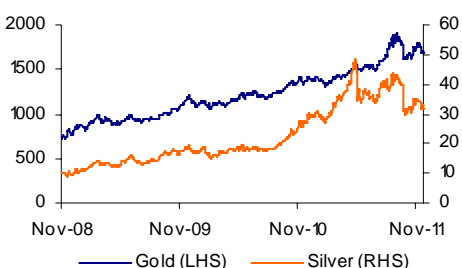
**Commodities Update**

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,730	0.1	(1.0)	21.7
Crude Oil (\$/Bl)	101	(0.0)	0.9	7.2
Aluminium (\$/t)	2,108	(1.0)	0.2	(14.4)
Copper (\$/t)	7,809	(1.3)	(0.6)	(19.1)
Zinc (\$/t)	2,042	0.2	(1.5)	(16.5)
Lead (\$/t)	2,106	0.2	0.7	(17.9)
Nickel (\$/t)	18,411	(0.4)	5.3	(25.5)

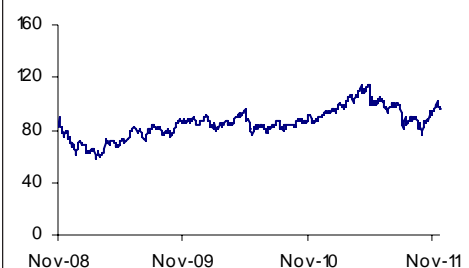
**INR/USD**



**Gold and silver prices**

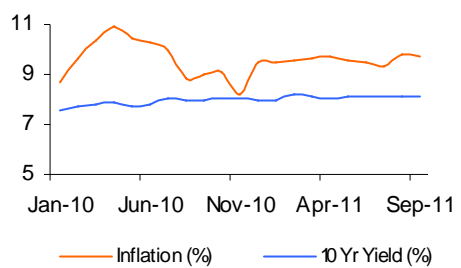


**Crude prices**

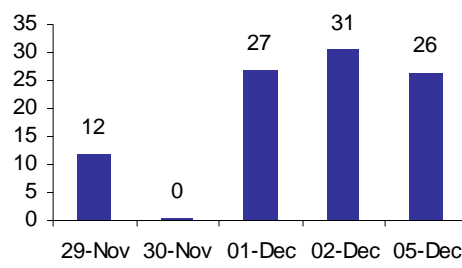


Source: Bloomberg

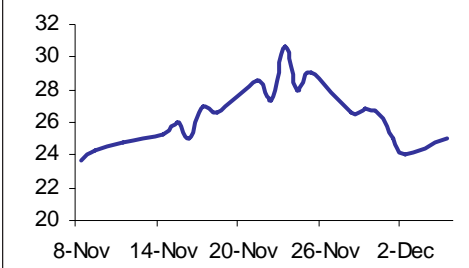
**Inflation vs 10 year yield**



**Nifty premium/discount**



**NSE volatility index (%)**



Source: Bloomberg

<b>Current Reco</b>	: BUY
<b>Previous Reco</b>	: BUY
<b>CMP</b>	: INR1,029
<b>Target Price</b>	: INR1,580
<b>Potential Return</b>	: 54%

**Alok Kapadia**

+91 22 4031 3442  
alok.kapadia@antiquelimited.com

**Sunesh Khanna**

+91 22 4031 3437  
sunesh.khanna@antiquelimited.com

**Reetu Gandhi**

+91 22 4031 3415  
reetu.gandhi@antiquelimited.com

**Market data**

Sector	:	BANKS
Market Cap (INRbn)	:	426
Market Cap (USDbn)	:	8
O/S Shares	:	412
Free Float (m)	:	372
52-wk HI/LO (INR)	:	1,461/921
Avg Daily Vol ('000)	:	2,547
Bloomberg	:	AXSB IN

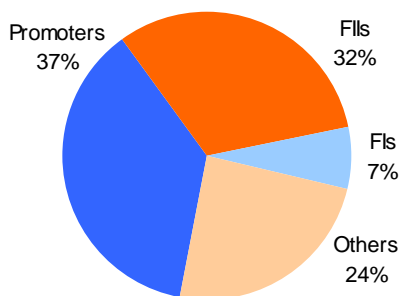
Source: Bloomberg

**Returns (%)**

	<b>1 m</b>	<b>3 m</b>	<b>6 m</b>	<b>12 m</b>
Absolute	(9)	(7)	(17)	(27)
Relative	(4)	(8)	(9)	(13)

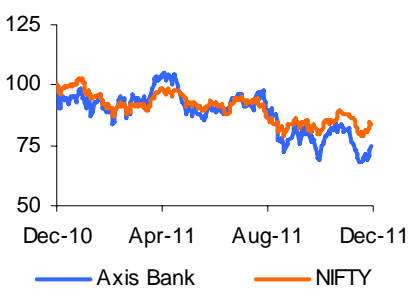
Source: Bloomberg

**Shareholding pattern**



Source: BSE

**Price performance vs Nifty**



Source: Bloomberg

**MANAGEMENT MEET UPDATE**

# Axis Bank Limited

## Aiming for well-balanced growth with profitability

We met with the management of Axis Bank and below are few key highlights that emerged from our meeting:

**Credit growth to remain 4-6% above system levels**

Axis Bank management is guiding at some moderation in loan growth, pretty much in line with the systemic growth. Bank loan growth is likely to be at 3-4% above systemic growth at 22-24%, driven by higher working capital requirements and planned disbursement in infrastructure sector. Infrastructure, SME, agriculture and retail are likely to remain key drivers of growth. Demand on the corporate segment is likely to come from higher working capital demand, given the supply side constraint. After degrowing its agricultural book in 2Q, management highlighted that traction in agriculture segment during the 2HFY12e is likely to remain strong given its obligation to meet PSL targets. The bank expects agriculture portfolio to constitute around 9-10% of its loan book at end of FY12e. While the bank has a lot of visibility on retail liabilities, they are building awareness amongst customers that they offer "loans and cards" as well and aggressively looking at branch-based sourcing of existing customers.

**No concerns on asset quality; credit costs to remain at 80bps for FY12e**

On asset quality front, bank management highlighted that they are not feeling any stress either on SME or on infrastructure portfolio. Within infrastructure segment, especially the power sector, 80% of loans are yet under construction. Hence, the bank management continues to remain comfortable on its infrastructure book. While some asset quality deterioration is imminent over the next couple of quarters, the bank has ensured adequate risk mitigation in place (both project specific and portfolio specific). The bank has also set up axis trusteeship service business; which helps to keep a check on account activities. Hence, going forward, we are building in credit costs at 80bps for FY12e.

**Valuation and outlook**

**Maintain estimates and target price**

Overall, Axis Bank has been gaining market share in business and profits over the last five years. The bank has shown a consistent growth trajectory with strong earnings and return ratios. Current valuations at 1.6x FY13e P/BV and 8.7x FY13e P/E continue to remain attractive. Axis Bank is our preferred pick within private sector banks and we reiterate a BUY recommendation on the stock with a target price of INR1,580/share.

**Summary financial**

Year ended March	2009	2010	2011	2012e	2013e
NII (INRm)	36,862	50,045	65,630	75,766	93,168
YoY growth (%)	42.6	35.8	31.1	15.4	23.0
PAT (INRm)	18,154	25,145	33,885	40,598	48,289
YoY growth (%)	69.5	38.5	34.8	19.8	18.9
EPS (INR)	50.6	62.1	82.5	98.9	117.6
BPVS (INR)	284	396	463	542	636
P/E (x)	20.3	16.6	12.5	10.4	8.7
P/B (x)	2.7	2.3	2.0	2.0	1.7
RoE (%)	19.1	19.2	19.3	19.7	20.0

Source: Company, Antique

### Other key highlights

#### Margins to remain at 3.25-3.45% in FY12e

Axis Bank reported blockbuster margins in 2Q at 3.78%, driven by stronger build-up in CASA deposits, stable funding rates and a pick-up in loan yields. However, going forward, management is conservative on its margins outlook and is guiding the same to be in the range of 3.25-3.45% in FY12e, as the bank intends to shore up its low yielding agriculture loans to meet PSL obligation. Further, the bank management also highlighted that they are not seeing any adverse impact of de-regulation of savings interest rates as of now and are not looking at increasing savings deposit rates.

#### To go slow on branch expansion plans

After having opened around 400 branches in FY11 and adding about 2,000 ATMs, management highlighted that it will go slow on branch expansion in the current fiscal. The bank intends to open 200-250 branches in FY12e as well as leverage on the recent branch additions.

#### Retail liability franchise

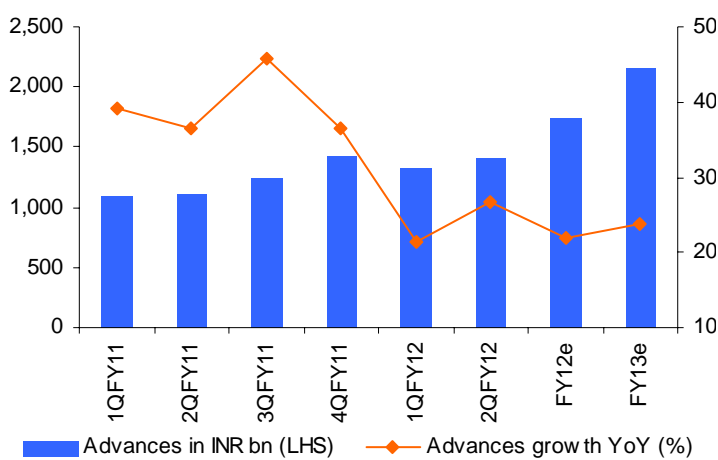
Axis bank management highlighted that contrary to perception of the bank's high dependence on wholesale, proportion of wholesale within overall deposit base has remained stable at 59-60% over the last five years.

The bank management also highlighted their lower retail term deposits (35%) in the non-CASA piece is a part of their strategy since they do not want to dilute their savings deposit franchise and confuse branch employees who garner liabilities.

#### Tier 1 ratio to remain comfortable at 9% for FY12e

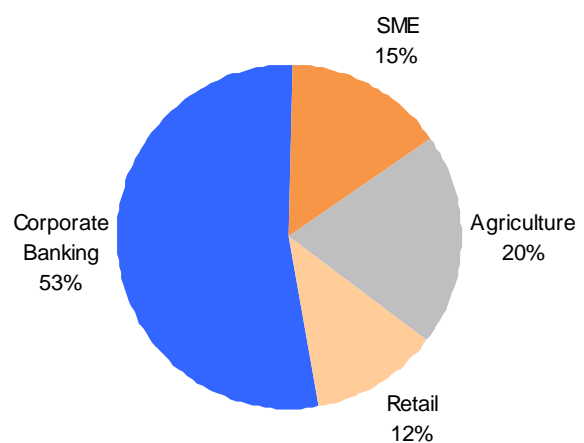
Axis Bank intends to raise capital in 1HFY13e as the current Tier 1 at around 9.33% (including 1H profit for FY12) is comfortable. Management is confident of maintain tier 1 ratio at 9% for FY12e.

Credit growth to remain 4-6% above system levels



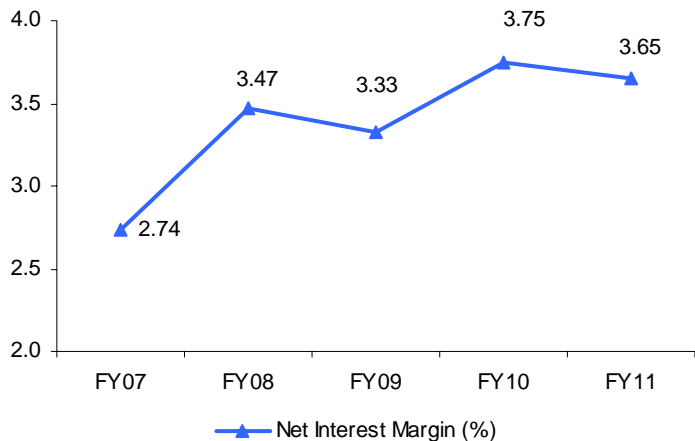
Source: Company, Antique

Corporate Banking: A key driver of overall bank performance



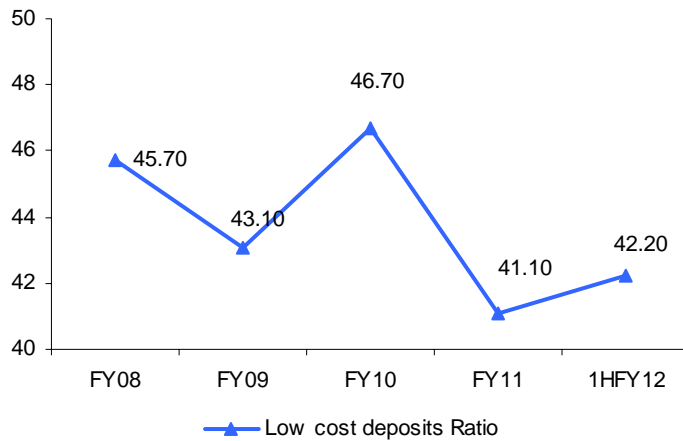
Source: Company, Antique

**Net interest margins continue to remain healthy**



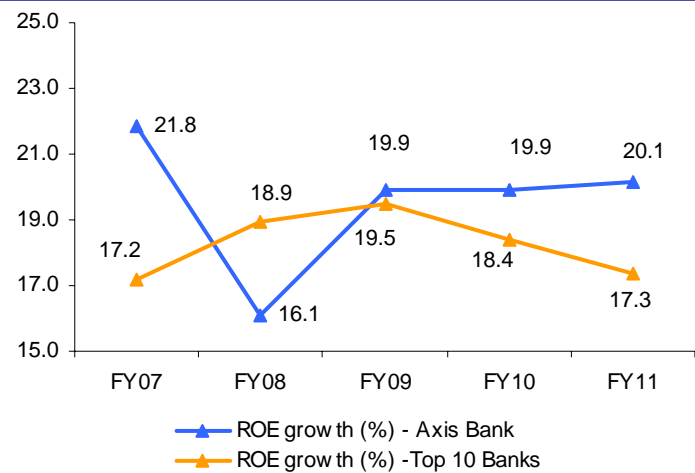
Source: Company, Antique

**Driven by low cost deposits**

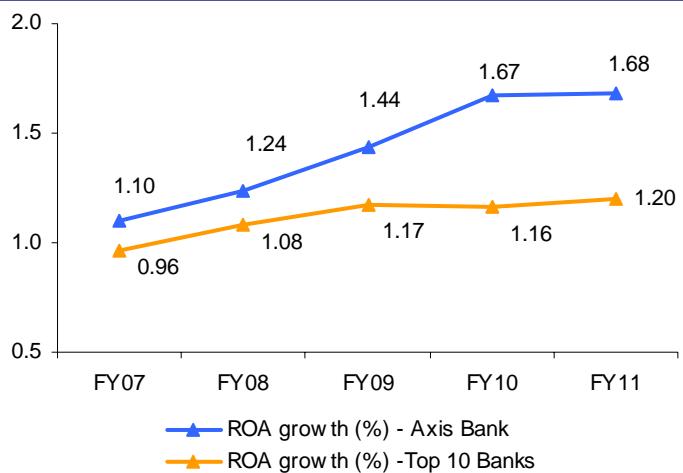


Source: Company, Antique

**The bank continues to deliver above industry return ratios**

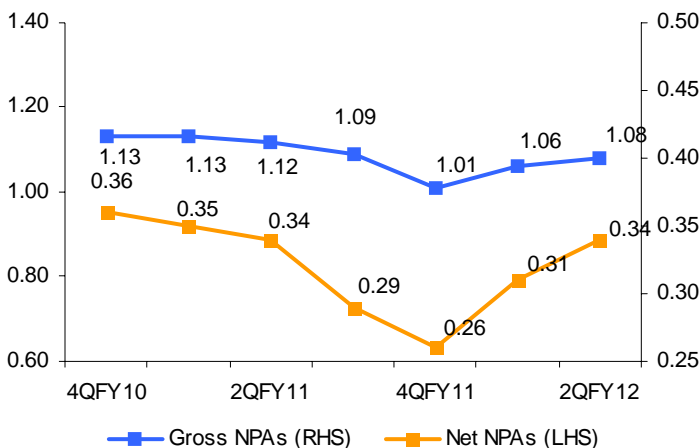


Source: Company, Antique



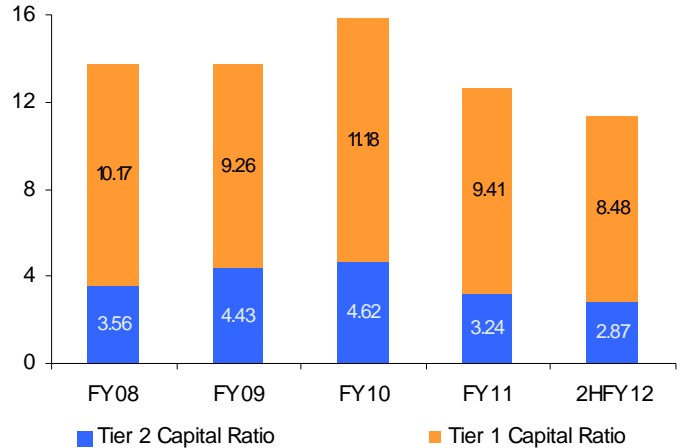
Source: Company, Antique

**Asset quality to remain stable**



Source: Company, Antique

**Tier 1 ratio likely to remain at 9% for FY12e**



Source: Company, Antique

## Financials

### Profit and loss account (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
<b>Net interest income</b>	<b>36,862</b>	<b>50,045</b>	<b>65,630</b>	<b>75,766</b>	<b>93,168</b>
Other income	28,969	39,458	46,321	54,839	67,458
Trading profits	2,802	7,324	3,593	3,750	4,000
Non trading income	26,166	32,134	42,728	51,089	63,458
<b>Net revenue</b>	<b>65,831</b>	<b>89,503</b>	<b>111,951</b>	<b>130,605</b>	<b>160,626</b>
Operating expenses	28,582	37,097	47,794	55,770	64,740
<b>Operating Profit</b>	<b>37,249</b>	<b>52,405</b>	<b>64,157</b>	<b>74,834</b>	<b>95,886</b>
Provisions	9,397	13,892	12,800	12,375	21,595
<b>PBT</b>	<b>27,852</b>	<b>38,514</b>	<b>51,357</b>	<b>62,459</b>	<b>74,290</b>
Provision for tax	9,698	13,368	17,472	21,861	26,002
<b>PAT</b>	<b>18,154</b>	<b>25,145</b>	<b>33,885</b>	<b>40,598</b>	<b>48,289</b>

### Balance sheet (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
<b>Liabilities</b>					
Equity capital	3,590	4,052	4,105	4,105	4,105
Reserves	98,546	156,393	185,883	218,437	257,073
Net worth	102,136	160,444	189,988	222,542	261,178
Deposits	1,173,740	1,413,002	1,892,378	2,263,574	2,774,981
Borrowings	137,018	171,696	262,679	297,072	338,945
Other liabilities	64,327	61,336	82,089	96,507	113,509
<b>Total</b>	<b>1,477,221</b>	<b>1,806,479</b>	<b>2,427,134</b>	<b>2,879,696</b>	<b>3,488,613</b>
<b>Assets</b>					
Loans	815,568	1,043,409	1,424,078	1,734,572	2,148,509
Investments	463,304	559,748	719,916	844,041	994,653
Cash & equi	150,169	152,039	214,087	225,102	261,872
Fixed assets	10,729	12,224	22,731	25,027	27,530
Other assets	37,451	39,058	46,321	50,953	56,049
<b>Total</b>	<b>1,477,220</b>	<b>1,806,479</b>	<b>2,427,134</b>	<b>2,879,696</b>	<b>3,488,613</b>

### Per share data

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Period end shares outstanding (mn)	359.0	405.2	410.5	410.5	410.5
EPS	50.6	62.1	82.5	98.9	117.6
Book value per share	284.5	396.0	462.8	542.1	636.2
Adjusted book value per share	275.4	385.6	452.8	527.1	610.4

Source: Company, Antique

### Profitability ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Net interest margin	2.9	3.0	3.1	2.9	2.9
Return on avg. assets	1.4	1.5	1.6	1.5	1.5
Return on avg. net worth	19.1	19.2	19.3	19.7	20.0

### Growth ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
NII	42.6	35.8	31.1	15.4	23.0
Net Revenue	69.5	38.5	34.8	19.8	18.9
Operating Profit	67.3	40.7	22.4	16.6	28.1
PAT	69.5	38.5	34.8	19.8	18.9
Total assets	34.8	22.3	34.4	18.6	21.1
Advances	36.7	27.9	36.5	21.8	23.9
Deposits	33.9	20.4	33.9	19.6	22.6
CASA as a % of Deposits	43.1	46.7	41.1	42.0	43.0

### Operating ratios (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Operating cost to income	43.4	41.4	42.7	42.7	40.3
Operating expenses/avg. assets	2.2	2.3	2.3	2.1	2.0

### Valuation ratios (x)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
P/E	20.3	16.6	12.5	10.4	8.7
P/BV	2.6	2.2	1.9	1.9	1.6
P/ABV	2.7	2.3	2.0	2.0	1.7
DPS	11.7	14.0	16.3	19.6	23.5

### Asset quality and capital (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Gross NPA	1.1	1.3	1.1	1.2	1.6
Net NPA	0.4	0.4	0.3	0.4	0.5
Provisioning coverage	64	68	69	70	70
Loan loss provisions/avg loans	1.0	1.5	0.8	0.8	1.1
Tier I Capital adequacy	9.3	11.2	9.4	9.3	8.8
Total CAR	13.7	15.8	12.7	12.1	11.3

Source: Company Antique

**NOT RATED**  
**CMP : INR11**

**Nirav Shah**  
 +91 22 4031 3473  
 nirav.shah@antiquelimited.com

**COMPANY UPDATE**

# GVK Power and Infrastructure Ltd.

## All negatives priced in?

**GVK Power and Infrastructure Ltd. (GVK) is the holding company and owns and operates assets across the power, airports, road BOT and natural resources verticals through various SPVs. We had a call with the management to discuss the current status of the projects (both operational and under implementation); following are the key takeaways:**

### Key highlights

- **Reduced gas availability impacts PLF:** GVK's three operational gas-based power plants have been operating at lower PLFs on account of reduced gas availability from ONGC and RIL. Lack of clarity on gas availability has also resulted in the company deferring its gas-based power capacity expansion.
- **Equity funding for power tied-up:** Post raising of ~INR15bn for a ~25% stake in GVK Energy (Power Holdco) from private equity players (drawn ~INR9.4bn) has taken care of the funding requirements for its capex relating to Goindwal Sahib, Alaknanda, Jegurupadu Phase-III and Gautami Phase-II. However, in case there is no clarity on the gas based power expansions or no alternate expansions, the PE investor's stake will rise to 30% from the current 25%.
- **Fuel security for future coal based power expansions:** Acquisition of stakes in Australia's Hancock Prospecting Pty Limited and certain of its affiliated entities by GVK and the promoter group entities will provide adequate fuel security to future expansions in the coal-based power plants.
- **Surge in debt levels post acquisition of MIAL stake:** With MIAL now becoming a subsidiary of GVK coupled with funds raised to increase the stake in MIAL and BIAL, the consolidated gross debt levels will surge to ~INR12bn from INR57.2bn as on March 2011.

### Market data

Sector	:	Infrastructure
Market Cap (INRbn)	:	17.3
Market Cap (USDm)	:	338
O/S Shares	:	1,579
Free Float (m)	:	309
52-wk HI/LO (INR)	:	43 / 10
Avg Daily Vol	:	GVKP IN
Bloomberg	:	GVKP.BO

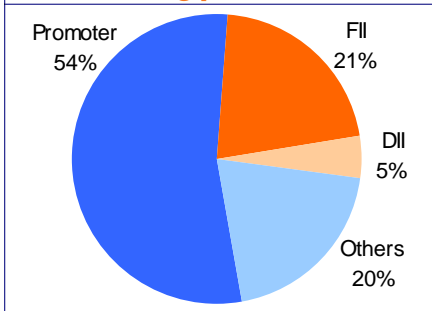
Source: Bloomberg

### Returns (%)

	<b>1 m</b>	<b>3 m</b>	<b>6 m</b>	<b>12 m</b>
Absolute	(20.3)	(36.4)	(51.1)	(73.1)
Relative	(16.2)	(36.4)	(46.2)	(67.8)

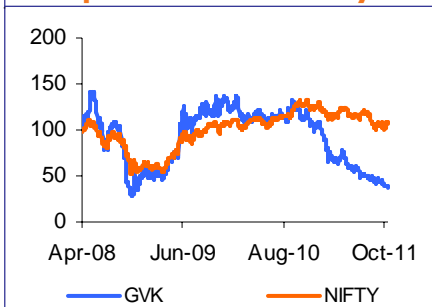
Source: Bloomberg

### Shareholding pattern



Source: BSE

### Price performance vs Nifty



Source: Bloomberg

### Valuation

At the CMP of INR11, the stock trades at a P/E, EV/EBIDTA and P/B of 11.2x, 13.1x and 0.5x respectively, its FY11a numbers. The stock has underperformed in the recent past on account of concerns regarding the gas availability for the existing power plants, rising debt levels, delay in expansions and sizeable future funding requirements for the existing capex.

### Key financials

YE March (INRm)	2007	2008	2009	2010	2011
Revenues	3,986	4,700	5,138	17,866	19,147
Net profits	580	1,355	1,064	1,559	1,549
PE (x)	4.5	11.4	14.5	11.1	11.2
RoE (%)	10.3	9.7	4.7	5.7	4.7
PB (x)	0.4	0.7	0.7	0.6	0.5

Source: Company, Antique



### Company background

GVK Power and Infrastructure Ltd. (GVK) is the holding company and owns and operates assets across the power, airports, road BOT and natural resources verticals through various special purpose vehicles (SPV). Over the years, it has expanded its power capacity to 901MW and has also diversified its presence into other verticals of infrastructure like road BOT, airports and natural resources. All the business operations are carried under separate SPVs where GVK holds stake ranging from 43% to 100%.

The company also has ambitious plans of increasing its power capacity and has raised ~INR15bn (drawn ~INR9.4bn) by selling a 25% stake in GVK Energy (power Holdco) to private equity investors like Actis, GIC and 3i. The fund will be utilised for meeting the equity requirements for the Goindwal Sahib (coal based), Alaknanda (hydro), Tokisud coal mine, Jegurupadu Phase-III and Gautami Phase-II (gas based) projects.

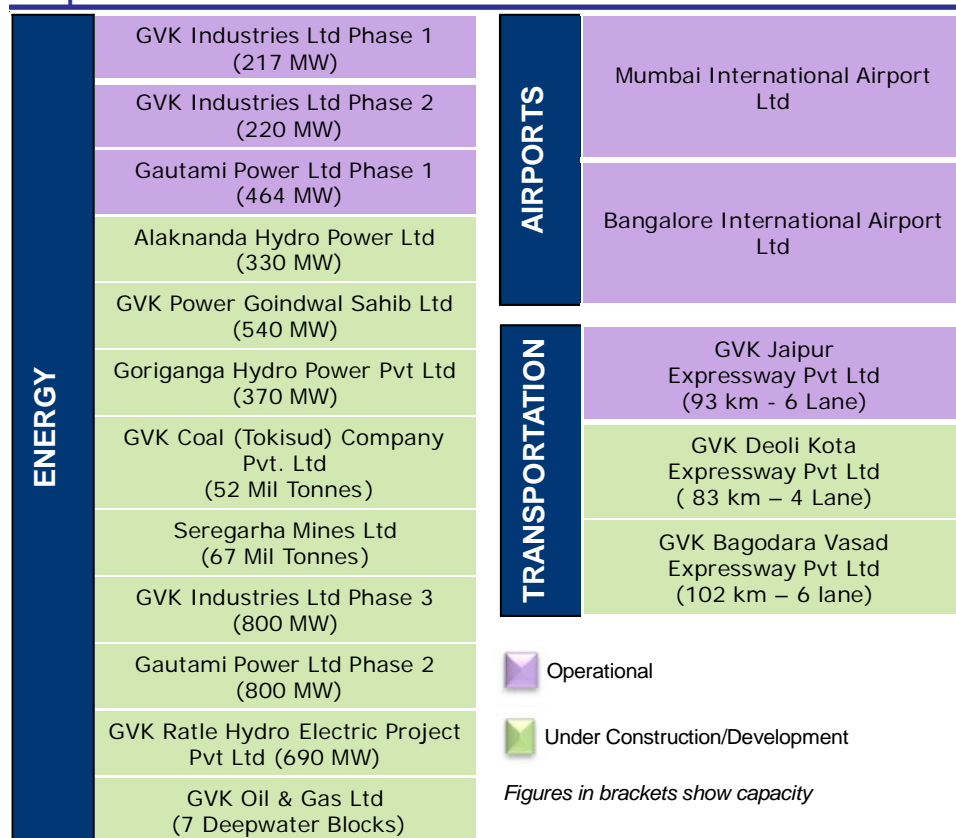
GVK also has ambitious expansion plans to increase its coal-based power capacity in the future and to address the fuel availability issues, it has, along with promoter group company, acquired a majority to 100% stake in Australia's Hancock Prospecting Pty Limited and certain of its affiliated entities.

#### Project details

	Capacity (MW)
<b>Operational</b>	
Jegurupadu-I	217
Jegurupadu-II	220
Gautami-I	464
<b>Under-implementation</b>	
Alaknanda (Hydro)	330
Goindwal Sahib (Coal)	540

Source: Company, Antique

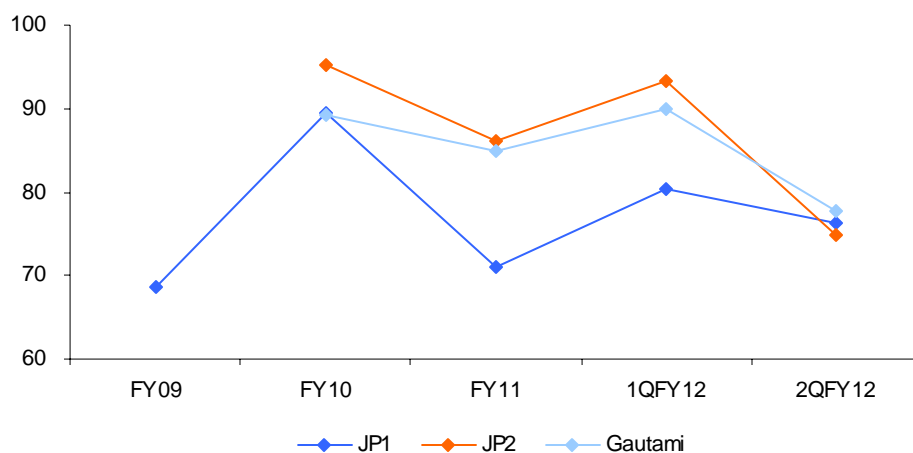
#### Group Structure



Source: Company, Antique

### Power

In the power generation business, the company presently operates three gas-based power plants namely Jegurupadu Phase-I (JP1, 217MW), Jegurupadu Phase-II (JP2, 220MW) and Gautami Power (464MW) with a combined operational capacity of 901MW. While JP1 relies on gas supply from ONGC through GAIL and deficit if any met from RIL's KG-D6 block, JP2 and Gautami Power relies completely on gas supplied by RIL. With reduction in natural gas supply from ONGC as well as RIL, the above plants are operating at lower PLFs compared to average of FY11. Although the gas availability continued to be on the lower side even in 1HFY12, use of R-LNG in 1QFY12 ensured that PLF remained at higher levels of ~83% for 1HFY12.

**PLF of operational power plants (%)**

Source: Company

To scale-up its power operations and diversify its fuel base, GVK planned to set up a 330MW (4 x 82.5MW) hydro power plant in Uttarakhand (Alaknanda) and a 540MW (2 x 270MW) coal-based power plant in Punjab (Goindwal Sahib). Post the stake sale to private equity investors, GVK effectively holds ~75% stake in each of these projects. The company also had plans of setting up Jegurupadu Phase-III (800MW) and Gautami Phase - II (800MW), which it has deferred due to lack of clarity on gas supplies.

**Goindwal Sahib Power Project**

The project, which achieved financial closure in 4QFY10, is a regulated power project and has been allocated two captive coal mines in Jharkhand viz. Tokisud and Seregarha. The total coal requirement of the plant is estimated to be ~2.4mmt. While Tokisud has total mineable reserves of 52mmt, Seregarha mine has total reserves of 66.7mmt (GVK's share). The annual mining capacity of Tokisud mine has been approved at 2mmt and for Seregarha at 1mmt.

The company expects to commission the plant by 1QFY14e at a cost of INR29.6bn, of which it has already spent ~INR12.8bn as on September 2011. The progress on the Tokisud mine has been satisfactory and the management expects to commence mining with the commissioning of the plant. However, there has not been any significant progress in terms of approvals/clearances for the Seregarha mine and is doubtful of commissioning the same in time. Thus, it plans to submit a proposal to enhance the mining capacity at Tokisud to meet the shortfall for the time being.

**Alaknanda Hydro Power Project**

The 330MW hydro power plant is a run of the river project on the Alaknanda river, a tributary of the Ganga. The project cost approved by UPERC is INR39bn, which also includes the cost over-run of INR12bn recently approved by UPERC. It has spent ~INR26bn as on September 2011 and expects to commission Phase-I (2 x 82.5MW) by September 2012 and Phase-II (2 x 82.5MW) by December 2012.

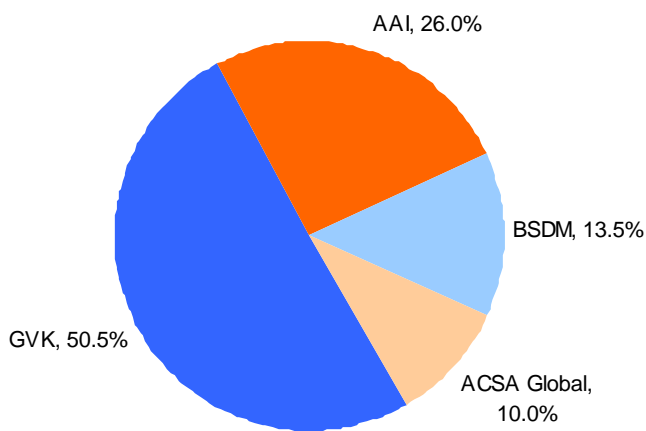
It has a PPA with UPERC for a period of 50 years with a guaranteed minimum RoE of 14%. Apart from the guaranteed return, it is also eligible for the availability and energy incentives which are available to hydro power projects. As per the agreement, 12% of the power generated will be given to Uttarakhand state free of cost.

### Airports

The company presently has two operational airports namely the Chattrapati Shivaji International Airport (CSIA) and Bangalore International Airport (BIA). While the CSIA airport was a brownfield airport, BIA was the country's first greenfield airport developed under the PPP framework. The SPVs for both the projects namely Mumbai International Airport Pvt. Ltd. (MIAL) for the CSIA and Bangalore International Airport Ltd. (BIAL) have been profitable since operations.

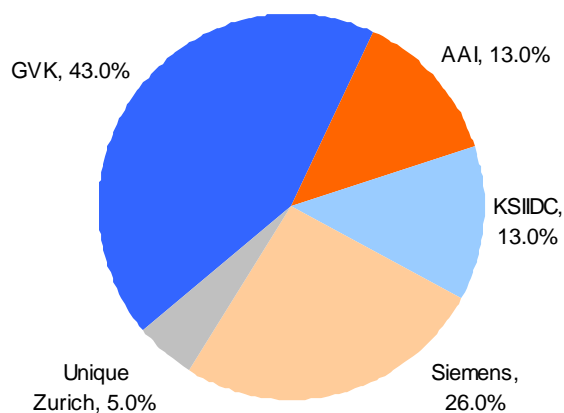
While CSIA is the second most busiest airport in India (in terms of passenger traffic), BIAL stands fourth in the category and is also among the fastest growing airports in the country.

MIAL shareholding (%)



Source: Company, Antique

BIAL Shareholding (%)

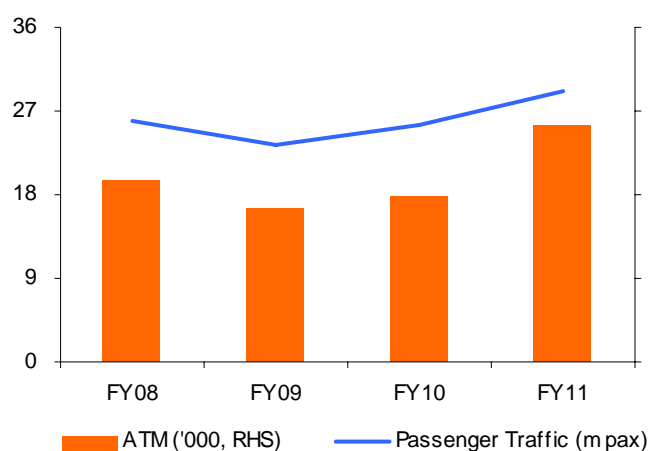


Source: Company, Antique

### MIAL

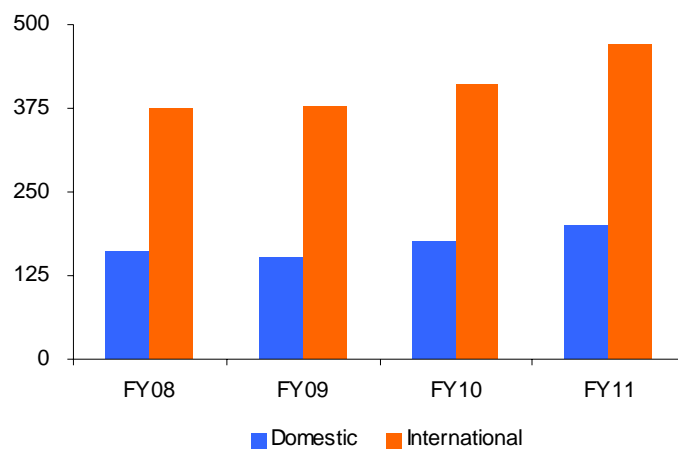
MIAL was awarded the rights to develop and manage the CSIA for a concession period of 30 years, extendable by another 30 years. As per the bidding agreement, MIAL would have to pay an upfront fee of INR 1.5bn and share 38.7% of its revenues with AAI. In Oct'11, GVK further raised its stake to 50.5% by acquiring ~13.5% from Bid Services Division (Mauritius) Ltd. (BSDM) for USD 231m (~INR 1.5bn), valuing the consortium at ~INR 1.7bn. Post acquisition, MIAL has become a subsidiary of GVK.

MIAL's operational details



Source: Company, Antique

Yearly cargo handled ('000mt)



Source: Company, Antique

**Funding of MIAL capex**

	INRbn
Total capex	98.0
- Equity	12.0
- Debt	42.3
- ADF	15.4
- Real Estate deposit	10.0
- Internal accruals	~12.0

Source: Company, Antique

MIAL has outlined a total capex of INR98bn in increasing the capacity which it expects to fund in the following: debt - ~INR42.3bn, ADF - INR15.4bn, equity - INR12bn, real estate deposit - INR10bn and internal accruals of INR12-15bn. As on September 2011, it has spent ~INR53.9bn, funded from equity of INR10bn, ADF of ~INR6bn and balance from debt. Cost over-run for the project is estimated at ~INR25bn, funding for which is yet to be tied-up. The company has discontinued ADF collection since April 2011 and has filed an application with AERA to resume the same. With AERA recently allowing Delhi International Airport Ltd. (DIAL) to charge ADF at Delhi airport, the management expects a positive outcome on the MIAL application. In case the application is rejected, MIAL expects to meet the shortfall from external debt.

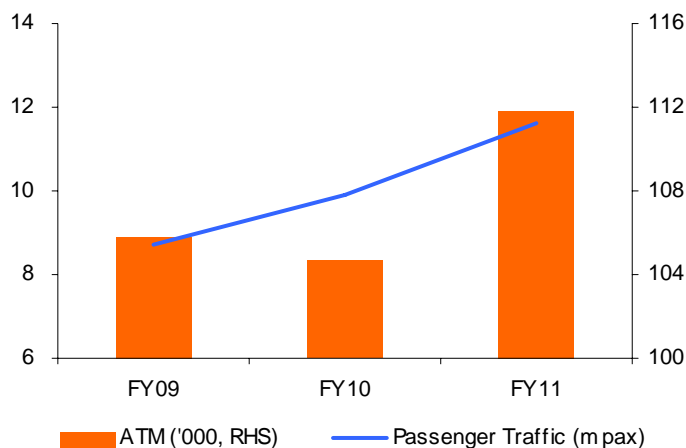
Considering the passenger and cargo traffic growth witnessed in the past coupled with limited scope for expansion, MMRDA plans of constructing a secondary airport at Navi Mumbai. As a developer of the existing airport, GVK led consortium will be eligible to re-bid for the project incase its bid is within 10% of the lowest bid.

**BIAL**

BIAL was awarded the country's first greenfield airport developed under the PPP framework by Ministry of Civil Aviation for a 30 year concession period extendable by another 30 years. Bangalore airport ranks 4th in terms of passenger traffic in India. GVK was not part of the original consortium of BIAL and acquired 12% stake from Zurich Airport for ~INR4.8bn and 17% from L&T for ~INR6.9bn in 3QFY10. Recently, it further raised its stake in BIAL to ~43% by acquiring ~14% stake from Siemens Project Ventures for INR6.1bn.

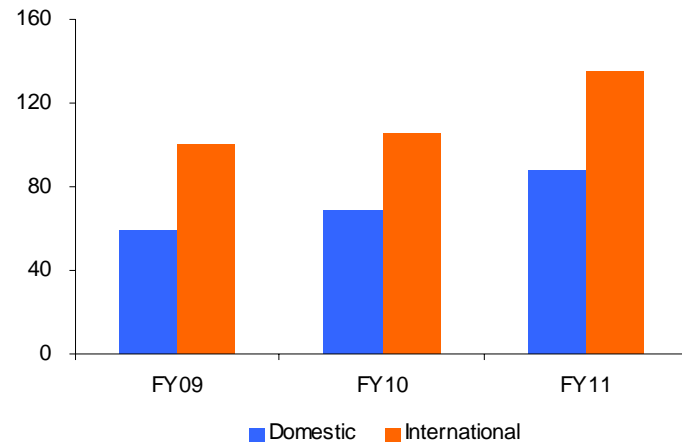
BIAL is presently increasing the passenger capacity from 12m to 17m and plans to spend ~INR15bn on the same. The total capex is estimated to be funded largely from internal accruals and balance will be met from debt.

**BIAL's operational details**



Source: Company, Antique

**Yearly cargo handled ('000mt)**

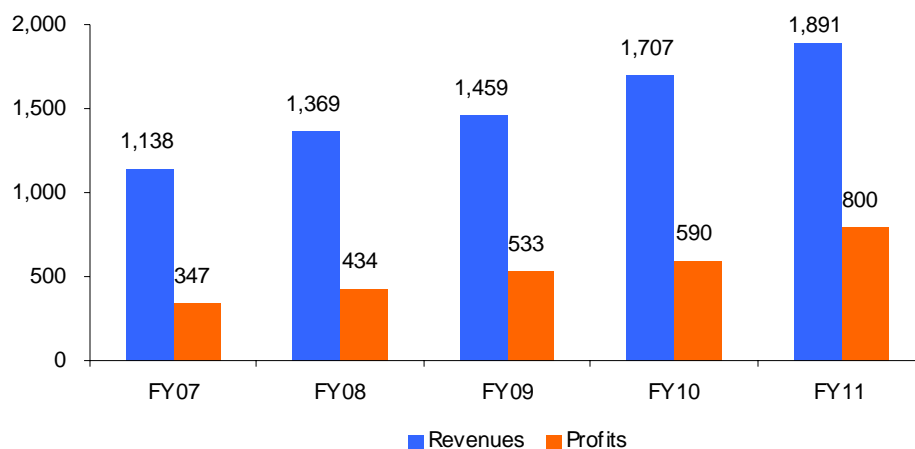


Source: Company, Antique

**Road Infrastructure**

GVK's operational road BOT portfolio consists of the 90km toll project between Jaipur and Kishangarh, which was commissioned in April 2005. The stretch has been witnessing a strong traffic growth and is very remunerative with expected IRR's in excess of 25%.

### Revenue and profit trend of Jaipur Expressway (INRm)



Source: Company, Antique

It has also been awarded the Deoli - Kota expressway for a concession period of 26 years (including construction period of 2.5 years), which is an 83km stretch and will be operated on toll basis. As per the agreement, GVK will have to pay INR486m to NHAI in the first year of operation, which will increase by 5% annually. The project is expected to achieve CoD by June 2013. The current daily traffic is estimated at 22,312 PCU of which freight traffic accounts for ~80%.

It has also been awarded the 101.9km, six laning of the existing two lane highway connecting Vasad and Bagodara in Gujarat. Expected to cost INR12bn, the project has been awarded on a concession period of 27 years (including construction period of 2.5 years). The project recently achieved financial closure in November 2011. As per the agreement, GVK will have to pay 15% of the first year's toll revenues to NHAI, which will increase by 1% annually.

### Acquisition of Hancock

A JV between GVK and GVK Coal Developers (Singapore) Pte Ltd., a promoter group company, has acquired a majority to 100% stake in Australia's Hancock Prospecting Pty Limited and certain of its affiliated entities. Presently, GVK has a 10% stake in JV, with an option to increase it to 49%, and the remaining 90% is held by GVKCDPL.

The purchase agreement includes: 1) up to 79% stake in Alpha and Alpha West coal projects located in the Galilee basin in Queensland; 2) 100% stake in Kevin's Corner coal project, located adjacent to Alpha; 3) 100% shareholding in the rail and port project connecting the above coal projects to the port of Abbot Point and Abbot Point T3 expansion project, whilst retaining some tonnage capacity for the Hancock Group.

The total cost of the above acquisitions is USD1.26bn, of which USD500m has already been paid and the balance is to be paid in two tranches. The first tranche consists of USD200m by Oct'12 and the second tranche consists of USD560m upon the financial closure for the Alpha project or within 3 years from the closure of the deal i.e. Oct'14, whichever is earlier.

The JV plans to spend ~USD10bn on the mine development of Alpha (~USD5bn) and developing the associated infrastructure (~USD5bn). The infrastructure set-up will consist of laying of 495km of rail link from Galilee basin to the Abbot Point port and port development project at Abbot Point port. The infrastructure set-up will take care of the requirements for all the three mines i.e., Alpha, Alpha West and Kevin's Corner. Thus, the capex spent on commissioning of Alpha West and Kevin's Corner mines will be lower than the current spend of USD10bn as the associated infrastructure has already been set up.

It targets to commence mining in 2014 and first phase envisages a production of ~30mmt coal. Once all the three mines are commissioned, it has the potential to mine upto 84mmt of coal annually. Additionally, it is planned to enter into a long-term contract with GVK Energy to supply up to 20mmt of coal annually. This can help GVK Energy to secure fuel supplies for its future power expansions.

**Project details**

Alpha Coal (GVK 79%)	Kevin's Corner (100%)	Alpha West (GVK 79%)	Hancock Railway (100%)	Hancock Port (100%)
				
<ul style="list-style-type: none"> <li>Expected to be the first thermal coal project to commence mining in the Galilee Basin</li> <li>It will rank as the largest thermal coal operations in the world and represents the next generation of independent thermal coal supply</li> <li>32 Mtpa plus export grade thermal coal</li> </ul>	<ul style="list-style-type: none"> <li>Also expected to rank as one of the largest thermal coal mines in the world</li> <li>Up to 30 Mtpa export grade thermal coal mine</li> </ul>	<ul style="list-style-type: none"> <li>Alpha West is expected to rank as one of the largest thermal coal mines in the world</li> <li>16-24Mtpa export grade thermal coal mine</li> </ul>	<ul style="list-style-type: none"> <li>The first standard gauge, heavy haul railway in Queensland</li> <li>Designed to replicate the efficiencies of the Western Australian iron ore industry</li> <li>495km, standard gauge, stand alone rail link from Galilee Basin to Abbot Point</li> </ul>	<ul style="list-style-type: none"> <li>Queensland's most northern coal port</li> <li>Ability for expansion subject to more efficient use of stockpile area and berth configuration</li> <li>Privately owned and operated, multi-user port at Abbot Point, Queensland</li> </ul>
<ul style="list-style-type: none"> <li>1.82Bt resource</li> <li>1.1Bt reserves</li> </ul>	<ul style="list-style-type: none"> <li>4.3Bt resource</li> </ul>	<ul style="list-style-type: none"> <li>1.8Bt resource</li> </ul>	<ul style="list-style-type: none"> <li>60Mtpa capacity</li> <li>Scalable to 120Mtpa</li> </ul>	<ul style="list-style-type: none"> <li>Awarded Preferred Developer for T3</li> <li>Framework Agreement agreed</li> </ul>
<ul style="list-style-type: none"> <li>Open cut mining, 30 years mine life</li> <li>First coal by Q2 2015</li> <li>Ramp up from 2015 to 2019</li> </ul>	<ul style="list-style-type: none"> <li>Open cut &amp; underground mining</li> <li>30 year mine life</li> </ul>	<ul style="list-style-type: none"> <li>Underground mining</li> <li>30 year plus mine life</li> </ul>	<ul style="list-style-type: none"> <li>First privately owned railway in Queensland</li> </ul>	<ul style="list-style-type: none"> <li>Offshore development</li> </ul>
<ul style="list-style-type: none"> <li>High grade thermal coal for export markets, mainly suitable for the premium North Asian utility market</li> </ul>	<ul style="list-style-type: none"> <li>High grade thermal coal for exports markets</li> <li>First coal by Q4 2015</li> <li>Ramp up from 2016 to 2019</li> </ul>	<ul style="list-style-type: none"> <li>High grade thermal coal for exports markets</li> <li>Pre Feasibility drilling has commenced</li> <li>Mining targeted for 2016</li> </ul>	<ul style="list-style-type: none"> <li>Supported by State and Federal governments</li> <li>Rail corridor finalised</li> </ul>	<ul style="list-style-type: none"> <li>2 x 30 Mt pa stockpile capacity</li> <li>2 x dedicated ship berths</li> </ul>
<ul style="list-style-type: none"> <li>BFS completed</li> <li>Mining lease expected to be issued by Q2/Q3 2012</li> <li>Native Title negotiated</li> <li>LOIs for 43Mtpa received</li> </ul>	<ul style="list-style-type: none"> <li>Prefeasibility completed with BFS to commence Q4 2011</li> <li>Mining lease expected to be issued by Q4 2012</li> <li>Native Title negotiated</li> </ul>	<ul style="list-style-type: none"> <li>Concept study completed</li> <li>BFS expected by 2014</li> <li>Leverage Alpha related studies and approvals</li> </ul>	<ul style="list-style-type: none"> <li>Rail approval by Q1 2012</li> <li>Third Party and ACCC consultation underway</li> <li>Native Title negotiated</li> </ul>	<ul style="list-style-type: none"> <li>Port approval by Q2 2012</li> </ul>

*The Galilee Basin assets comprise a large scale, high quality thermal coal resource with integrated rail and port infrastructure located in Australia's next major coal basin*

Source: Hancock Presentation

**Valuation**

At the CMP of INR11, the stock trades at a P/E, EV/EBIDTA and P/B of 11.2x, 13.1x and 0.5x respectively, its FY11 numbers. The stock has underperformed in the recent past on account of concerns regarding the gas availability for the existing power plants, rising debt levels, delay in expansions and sizeable future funding requirements for the existing capex.

## Financials (Consolidated)

### Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010	2011
Revenues	3,986	4,700	5,138	17,866	19,147
Expenses	1,959	2,827	3,375	13,183	14,007
<b>Operating Profit</b>	<b>2,027</b>	<b>1,873</b>	<b>1,763</b>	<b>4,683</b>	<b>5,140</b>
Other income	247	622	202	292	285
<b>EBIDT</b>	<b>2,274</b>	<b>2,494</b>	<b>1,965</b>	<b>4,975</b>	<b>5,425</b>
Depreciation	806	776	780	1,371	1,836
Interest expense	647	431	334	2,171	2,631
<b>Profit before tax</b>	<b>821</b>	<b>1,287</b>	<b>851</b>	<b>1,433</b>	<b>957</b>
Taxes incl deferred taxation	250	239	100	200	213
Profit after tax before MI & EO Items	571	1,049	751	1,233	744
Minority Interest	9	306	312	326	805
<b>Profit after tax</b>	<b>580</b>	<b>1,355</b>	<b>1,064</b>	<b>1,559</b>	<b>1,549</b>
<b>Diluted EPS (INR)</b>	<b>0.4</b>	<b>0.9</b>	<b>0.7</b>	<b>1.0</b>	<b>1.0</b>

### Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010	2011
Share Capital	1,086	1,409	1,696	1,579	1,579
Reserves & Surplus	4,870	20,457	21,533	29,980	32,289
<b>Networth</b>	<b>5,956</b>	<b>21,866</b>	<b>23,229</b>	<b>31,559</b>	<b>33,868</b>
Debt	17,321	14,668	31,439	46,241	57,186
Deferred Tax Liability	891	886	880	885	570
Minority Interest	2,729	6	2,644	2,501	11,534
<b>Capital Employed</b>	<b>26,897</b>	<b>37,426</b>	<b>58,192</b>	<b>81,186</b>	<b>103,158</b>
Gross Fixed Assets	18,890	19,044	21,269	48,411	47,577
Accumulated Depreciation	5,874	6,769	7,680	8,928	10,858
Net Assets	13,016	12,275	13,590	39,483	36,719
Capital work in progress	8,211	13,501	38,502	19,901	37,450
Investments	2,974	7,068	3,214	19,382	25,017
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	285	227	442	355	431
Debtors	600	652	643	676	693
Cash & Bank balance	631	1,643	1,562	508	3,326
Loans & advances and others	1,876	2,356	1,579	2,925	3,502
<b>Current Liabilities &amp; Provisions</b>					
Creditors	638	269	1,303	1,806	3,737
Other liabilities & provisions	59	28	36	238	244
<b>Net Current Assets</b>	<b>2,696</b>	<b>4,582</b>	<b>2,887</b>	<b>2,420</b>	<b>3,972</b>
<b>Application of Funds</b>	<b>26,897</b>	<b>37,426</b>	<b>58,192</b>	<b>81,186</b>	<b>103,158</b>

### Per share data

Year ended 31st Mar	2007	2008	2009	2010	2011
No. of shares (m)	1,086	1,409	1,696	1,579	1,579
BVPS (INR)	5.5	15.5	13.7	20.0	21.4
CEPS (INR)	1.3	1.5	1.1	1.9	2.1
DPS (INR)	2.5	-	-	-	-

### Margins (%)

Year ended 31st Mar	2007	2008	2009	2010	2011
EBITDA	50.9	39.8	34.3	26.2	26.8
EBIT	36.8	36.6	23.1	20.2	18.7
PAT	14.6	28.8	20.7	8.7	8.1

Source: Company, Antique

### Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010	2011
<b>PBT</b>	<b>821</b>	<b>1,287</b>	<b>851</b>	<b>1,433</b>	<b>957</b>
Depreciation & amortisation	806	776	780	1,371	1,836
Interest expense	627	396	311	2,085	2,545
Interest / Dividend Recd	(58)	(405)	(182)	(198)	(115)
Other Adjustments	4	6	14	(7)	(100)
(Inc)/Dec in working capital	(566)	(1,313)	(32)	(927)	(539)
Tax paid	(194)	(311)	(171)	(220)	(498)
<b>CF from operating activities</b>	<b>1,439</b>	<b>435</b>	<b>1,571</b>	<b>3,538</b>	<b>4,086</b>
Capital expenditure	(1,320)	(2,099)	(10,551)	(8,133)	(13,168)
Net Investments	316	(4,821)	(1,682)	(15,470)	(1,822)
Income from investments	(3,637)	2,340	2,894	(729)	(1,846)
<b>CF from investing activities</b>	<b>(4,641)</b>	<b>(4,580)</b>	<b>(9,340)</b>	<b>(24,332)</b>	<b>(16,836)</b>
Inc/(Dec) in share capital	(45)	11,688	275	7,050	-
Inc/(Dec) in debt	3,874	(2,428)	6,679	15,036	10,980
Dividends & Interest paid	(685)	(1,323)	(1,727)	(2,040)	2,658
<b>CF from financing activities</b>	<b>3,144</b>	<b>7,937</b>	<b>5,227</b>	<b>20,046</b>	<b>13,638</b>
<b>Net cash flow</b>	<b>(58)</b>	<b>3,792</b>	<b>(2,542)</b>	<b>(748)</b>	<b>888</b>
Opening balance	580	522	4,314	1,129	381
<b>Closing balance</b>	<b>522</b>	<b>4,314</b>	<b>1,772</b>	<b>381</b>	<b>1,269</b>

### Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010	2011
Revenue	160.3	17.9	9.3	247.7	7.2
EBITDA	239.0	9.7	(21.2)	153.2	9.1
PAT	133.4	133.4	(21.5)	46.6	(0.6)
EPS	133.4	133.4	(21.5)	46.6	(0.6)

### Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010	2011
PE	4.5	11.4	14.5	11.1	11.2
P/BV	0.4	0.7	0.7	0.6	0.5
EV/EBITDA	8.5	11.4	23.1	12.7	13.1
EV/Sales	4.8	6.1	8.8	3.5	3.7
Dividend Yield (%)	22.7	-	-	-	-

### Financial ratios

Year ended 31st Mar	2007	2008	2009	2010	2011
RoE (%)	10.3	9.7	4.7	5.7	4.7
RoCE (%)	10.1	7.3	4.2	7.7	5.3
Debt/Equity (x)	2.9	0.7	1.4	1.5	1.7
EBIT/Interest (x)	3.1	5.9	6.5	2.3	2.3

Source: Company Antique



## Valuation Guide

Company	Reco	CMP	TP	Return	M.Cap	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INRbn)	FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12	FY12	FY12	FY12	FY12	1m	12m
<b>AUTOMOBILES</b>																			
Ashok Leyland	HOLD	26	32	20	70	6.3	6.5	2.4	2.4	11.1	10.9	7.7	7.3	1.6	2.6	14.8	14.4	(5)	(27)
Bajaj Auto	BUY	1,700	1,935	14	492	26.2	32.0	90.4	110.7	18.8	15.4	14.5	11.9	7.7	2.9	50.4	67.9	(3)	6
Bosch	BUY	6,987	8,056	15	219	8.6	11.2	273.5	358.2	25.5	19.5	20.8	16.2	4.4	0.8	22.4	27.8	(0)	11
Exide Industries	SELL	120	102	(15)	102	6.2	4.4	7.3	5.1	16.4	23.3	11.5	16.4	3.3	0.8	14.1	20.8	(5)	(30)
Escorts	HOLD	84	87	5	9	1.3	1.3	13.2	12.9	6.3	6.5	5.2	4.1	0.4	2.1	6.9	9.1	(7)	(56)
Hero MotoCorp	BUY	2,062	2,672	30	412	19.3	23.5	100.5	117.6	20.5	17.5	19.3	16.6	10.3	4.9	79.1	96.0	(2)	12
Mahindra & Mahindra	BUY	749	874	17	460	25.4	26.3	40.6	40.2	18.4	18.6	13.8	13.1	4.0	1.3	21.6	26.8	(10)	(6)
Maruti Suzuki	HOLD	1,000	1,178	18	289	22.9	17.8	79.2	61.7	12.6	16.2	7.5	9.3	1.9	0.6	11.5	19.0	(11)	(29)
Tata Motors	BUY	192	207	8	564	89.4	94.6	28.0	29.7	6.8	6.5	4.7	3.9	2.2	0.9	34.0	30.4	2	(27)
<b>CEMENT</b>																			
ACC	HOLD	1,204	1,122	(7)	226	11.2	11.5	59.6	61.4	20.2	19.6	14.2	11.5	3.2	2.5	25.9	17.2	(2)	24
Ambuja Cements	HOLD	162	146	(10)	249	12.6	13.2	8.1	8.6	20.1	18.8	12.7	10.5	3.0	1.7	17.0	22.1	1	18
Shree Cements	BUY	2,146	2,275	6	75	2.1	2.6	61.2	75.8	35.0	28.3	9.2	7.6	3.2	0.6	11.7	12.7	8	7
Ultratech Cements	BUY	1,190	1,206	1	326	14.4	18.7	52.4	68.2	22.7	17.4	14.6	10.4	2.7	0.5	16.6	18.3	3	7
<b>DIVERSIFIED</b>																			
Aditya Birla Nuvo	BUY	911	1,060	16	103	3.4	3.7	29.9	32.6	30.5	27.9	16.3	14.8	1.9	0.4	6.7	7.7	(3)	22
<b>FMCG &amp; RETAIL</b>																			
Asian Paints	HOLD	2,854	3,102	9	274	8.8	10.0	87.4	100.3	32.7	28.5	20.9	18.6	12.0	1.2	42.2	42.1	(12)	7
Britannia Industries	HOLD	466	452	(3)	56	1.5	2.2	12.2	18.2	38.3	25.6	26.9	18.2	9.6	1.6	32.2	20.1	(1)	17
Colgate Palmolive India	SELL	1,001	832	(17)	136	4.0	4.1	29.6	30.5	33.8	32.8	29.3	26.9	30.8	2.3	104.8	108.4	(7)	13
Dabur India	BUY	96	113	18	167	5.7	6.6	3.3	3.8	29.3	25.2	23.8	19.7	9.2	1.5	40.8	27.3	(4)	(3)
Radico Khaitan	BUY	121	186	54	16	0.7	0.9	5.5	6.5	22.0	18.5	14.0	11.8	2.2	0.7	12.0	10.7	(2)	(24)
Godrej Consumer Products	HOLD	391	411	5	127	4.7	5.7	14.4	17.7	27.2	22.1	22.5	16.8	6.3	1.6	35.6	38.7	(8)	(2)
Hindustan Unilever	BUY	395	443	12	854	21.6	25.7	10.0	11.9	39.5	33.2	35.4	27.9	25.6	1.9	77.1	81.5	4	32
ITC	HOLD	204	218	7	1,590	49.9	62.1	6.4	8.0	31.7	25.4	21.9	17.9	8.9	2.4	31.3	40.5	(3)	20
Jyothy Laboratories	HOLD	149	153	3	12	0.8	0.7	9.5	8.3	15.7	18.0	10.2	14.9	1.8	2.1	11.9	11.1	13	(46)
Marico	HOLD	148	148	0	91	2.6	2.9	4.2	4.7	35.4	31.7	23.6	20.0	7.9	0.4	28.0	19.8	(1)	16
Nestle India	SELL	4,214	3,699	(12)	406	8.4	10.4	86.8	108.3	48.5	38.9	32.3	25.8	38.9	1.9	97.8	131.2	(6)	15
Pantaloon Retail	HOLD	186	180	(4)	41	1.9	2.1	8.7	9.0	21.3	20.8	8.3	7.6	1.3	0.8	6.1	9.9	(3)	(54)
Titan Industries	BUY	187	248	33	166	4.3	5.8	4.9	6.5	38.2	28.6	26.6	20.9	11.2	1.0	39.3	46.6	(14)	1
United Breweries	HOLD	405	372	(8)	103	1.9	2.2	7.3	8.5	55.4	47.9	30.1	26.3	1.6	0.2	13.2	10.2	1	0
United Spirits	HOLD	723	942	30	95	3.4	4.0	29.2	32.6	24.8	22.2	14.3	12.8	2.0	0.3	8.3	8.9	(13)	(48)
<b>INFRASTRUCTURE</b>																			
IL&FS TransportationNetworks	BUY	171	330	93	33	4.3	4.9	22.3	25.3	7.7	6.8	6.8	6.7	1.3	1.8	19.6	14.0	(16)	(43)
Mundra Port And SEZ	BUY	129	164	27	259	8.2	11.1	3.9	5.4	32.8	23.9	23.4	15.7	5.3	0.6	19.4	14.6	(22)	(12)
<b>INFORMATION TECHNOLOGY</b>																			
HCL Technologies	HOLD	407	428	5	281	17.1	20.0	24.6	28.6	16.6	14.3	10.8	9.2	2.8	2.0	19.8	27.3	(7)	(3)
Infosys Ltd.	BUY	2,701	3,318	23	1,551	68.2	83.5	119.4	146.1	22.6	18.5	15.4	12.4	4.8	1.1	25.8	31.0	(4)	(14)
Persistent Systems	BUY	309	418	35	12	1.4	1.4	34.7	33.9	8.9	9.1	7.2	5.1	1.4	2.9	15.7	16.1	(1)	(22)
Tata Consultancy Services	BUY	1,181	1,344	14	2,311	90.7	105.7	46.3	54.0	25.5	21.9	20.0	16.1	7.6	1.4	34.7	43.1	7	8
Wipro	BUY	390	421	8	959	310.5	364.3	21.8	22.1	17.9	17.6	14.7	13.8	3.6	1.8	19.9	18.3	5	(9)
KPIT Cummins	BUY	161	208	30	14	0.9	1.2	11.7	14.2	13.7	11.3	8.7	7.5	2.0	0.6	17.5	16.7	1	10
<b>MEDIA</b>																			
Den Networks	BUY	63	75	19	8	0.4	0.3	2.9	2.1	21.9	30.4	6.9	7.6	1.1	-	3.5	5.2	(17)	(65)
Dish TV India	HOLD	69	80	17	73	(1.9)	(1.3)	(1.8)	(1.2)	(38.3)	(56.3)	33.7	17.4	4.5	-	(7.9)	0.1	(10)	(7)
Hathway Cable & Datacom	BUY	119	119	0	17	(0.3)	0.0	(2.1)	0.1	(55.5)	1,441.3	13.3	10.6	2.0	-	0.1	3.2	(2)	(22)
TV 18 Broadcast	BUY	38	74	97	14	(0.2)	0.7	(0.7)	1.9	(51.5)	19.5	40.4	13.5	1.4	-	7.2	6.4	(14)	(60)
Sun TV Network	BUY	293	454	55	115	7.7	8.0	19.5	20.4	15.0	14.4	6.9	6.6	4.4	3.1	30.5	40.0	2	(44)
UTV Software Communications	HOLD	938	729	(22)	38	1.4	2.0	33.3	49.1	28.2	19.1	26.1	14.4	3.4	-	14.4	1.0	(1)	68
Zee Entertainment Enterprises	BUY	127	148	17	124	6.4	6.2	6.5	6.3	19.5	20.2	14.6	13.9	3.5	1.4	17.6	23.7	1	(14)

UR: Under Review



## Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					FY12	FY12
<b>METALS</b>																			
Graphite India	BUY	70	111	59	14	1.9	2.1	10.3	10.6	6.8	6.6	5.4	5.2	0.8	4.3	13.1	16.0	(3)	(25)
Hindalco Industries	HOLD	137	143	5	261	12.8	16.9	12.8	16.9	10.6	8.1	6.7	6.2	0.8	1.9	10.2	9.6	(2)	(37)
Hindustan Zinc	BUY	127	148	16	539	49.2	48.4	11.6	11.5	11.0	11.1	6.9	6.2	2.0	0.9	18.1	18.1	3	7
Jindal Steel & Power	BUY	528	603	14	494	37.5	44.0	47.1	55.4	11.2	9.5	10.0	8.9	2.7	0.3	23.8	14.6	(9)	(22)
JSW Steel	BUY	612	750	22	137	20.1	10.8	90.1	44.8	6.8	13.6	6.7	7.3	0.7	1.6	5.4	5.5	(14)	(45)
Monnet Ispat	BUY	375	618	65	24	2.6	3.2	40.9	50.2	9.2	7.5	11.9	9.7	12.5	4.2	17.4	13.2	(14)	(30)
Prakash Industries	BUY	36	107	200	5	2.2	2.1	16.3	15.7	2.2	2.3	2.4	2.6	0.2	-	11.6	12.8	(22)	(68)
Sesa Goa	HOLD	192	205	7	167	42.2	22.2	49	25	3.9	7.5	3.9	5.7	1.1	1.7	33.0	15.0	(9)	(38)
Steel Authority of India	HOLD	85	108	26	352	48.8	38.1	11.8	9.2	7.2	9.3	5.0	6.4	0.9	3.9	9.9	8.6	(23)	(53)
Sterlite Industries	BUY	108	148	37	363	50.4	44.4	15.0	13.2	7.2	8.2	4.5	4.1	0.8	1.0	9.8	11.4	(12)	(35)
TATA Steel	HOLD	411	418	2	394	89.8	51.8	93.7	53.4	4.4	7.7	5.7	7.6	1.0	2.9	12.4	6.7	(12)	(33)
<b>OIL &amp; GAS</b>																			
Bharat Petroleum Corp.	BUY	556	607	9	201	17.2	12.6	52.4	38.3	10.6	14.5	11.3	11.8	1.2	1.5	12.2	5.4	(11)	(18)
Cairn India	HOLD	322	312	(3)	612	63.2	72.0	33.3	43.6	9.7	7.4	7.1	5.0	2.2	1.9	17.5	17.7	5	(0)
Essar Oil	BUY	70	138	98	95	6.5	8.0	4.8	5.8	14.6	12.0	8.7	9.2	1.3	-	10.8	7.6	(19)	(46)
GAIL India	BUY	399	463	16	506	35.6	41.2	28.1	32.5	14.2	12.3	9.3	8.0	2.3	1.9	18.5	21.6	(6)	(18)
Gujarat State Petronet	BUY	89	134	51	50	5.1	4.5	9.0	8.0	9.9	11.2	6.5	6.9	19.0	8.4	18.7	19.6	(12)	(21)
Hindustan Oil Exploration Co.	BUY	131	183	40	17	0.8	1.0	6.2	7.6	21.0	17.3	9.2	7.3	8.5	1.7	7.9	8.5	11	(40)
Hindustan Petroleum Corp.	BUY	287	356	24	97	15.4	5.7	45.4	17.0	6.3	16.9	10.5	12.6	0.8	1.8	12.3	5.0	(15)	(31)
Indian Oil Company	BUY	268	314	17	651	74.5	38.7	31.4	16.3	8.5	16.4	9.9	10.9	1.1	1.9	13.5	6.6	(11)	(31)
MRPL	BUY	62	108	73	109	11.6	7.2	6.6	4.1	9.5	15.1	5.0	10.2	6.9	0.8	10.5	9.7	(3)	(15)
Oil India	BUY	1,152	1,638	42	277	28.9	33.2	120.1	138.2	9.6	8.3	4.2	3.1	1.6	3.3	18.6	21.3	(12)	(19)
Oil & Natural Gas Corp.	BUY	269	335	24	2,304	189.3	207.3	25.3	29.3	10.7	9.2	6.0	5.6	2.1	3.6	19.4	19.0	(3)	(18)
Petronet LNG	BUY	168	216	29	126	6.2	10.5	8.3	14.0	20.3	12.0	13.9	8.7	3.6	1.5	29.8	21.8	(2)	39
Reliance Industries	HOLD	807	880	9	2,642	192.9	206.1	58.9	62.9	13.7	12.8	8.4	8.3	1.4	1.0	12.0	9.2	(8)	(20)
<b>PHARMACEUTICALS</b>																			
Aurobindo Pharma	UR	96	UR	NA	28	5.8	5.3	19.9	18.2	4.8	5.3	5.2	5.6	1.1	0.8	16.1	22.9	(25)	(63)
Cadila Healthcare	UR	698	UR	NA	143	7.1	8.8	33.3	43.0	21.0	16.3	14.7	11.2	4.9	1.0	21.6	35.9	(8)	(10)
Claris Lifesciences	UR	115	UR	NA	7	1.5	1.9	24.1	29.2	4.8	3.9	3.5	3.2	0.6	6.3	16.5	21.5	(6)	
Dr Reddy's	UR	1,580	UR	NA	268	10.0	11.5	59.0	68.0	26.8	23.2	18.6	14.5	5.5	1.1	20.7	25.8	(3)	(14)
Indoco Remedies	UR	390	UR	NA	5	0.5	0.6	39.2	50.3	9.9	7.8	6.9	4.9	1.2	3.0	16.4	16.6	(1)	(19)
Ipca Laboratories	UR	263	UR	NA	33	2.4	3.4	19.2	27.3	13.7	9.6	9.4	6.6	2.3	-	18.5	26.8	(2)	(21)
Lupin	UR	466	UR	NA	208	8.8	10.9	19.9	24.5	23.4	19.0	16.7	13.2	4.9	0.5	29.1	28.7	(4)	(6)
Sun Pharma	UR	525	UR	NA	540	15.5	21.7	15.0	20.9	35.1	25.0	27.5	19.6	4.9	0.5	22.4	21.4	2	18
Ranbaxy Laboratories	UR	436	UR	NA	184	15.9	7.8	35.5	18.4	12.3	23.7	6.5	13.2	2.9	0.5	9.6	13.0	(13)	(24)
<b>REAL ESTATE</b>																			
D B Realty	UR	71	UR	NA	17	3.8	4.8	15.6	19.6	4.5	3.6	4.0	3.0	0.4	-	12.2	16.4	0	(70)
DLF	UR	222	UR	NA	378	16.4	14.9	9.7	8.8	23.0	25.3	16.1	15.5	1.4	0.9	5.5	6.2	(10)	(27)
HDIL	UR	66	UR	NA	27	8.3	8.8	19.9	19.9	3.3	3.3	6.2	5.0	0.3	-	8.1	7.9	(35)	(68)
Indiabulls Real Estate	UR	63	UR	NA	25	1.6	2.8	4.0	6.5	15.8	9.7	17.5	8.7	0.3	-	1.6	2.0	(19)	(58)
Phoenix Mills	UR	192	UR	NA	28	0.9	1.1	6.5	7.9	29.6	24.4	26.6	17.7	1.6	0.6	5.6	3.6	(5)	(18)
Sobha Developers	UR	239	UR	NA	23	1.9	2.3	19.5	23.0	12.2	10.4	10.3	8.9	1.1	1.2	10.9	9.5	(1)	(26)
Unitech	UR	24	UR	NA	64	5.7	6.4	2.2	2.4	11.2	9.9	12.7	10.6	0.5	-	4.9	5.1	(15)	(62)
<b>SHIPPING AND LOGISTICS</b>																			
Container Corp. of India	HOLD	910	1,024	12	118	8.3	9.0	63.9	68.9	14.2	13.2	9.3	8.7	2.1	1.9	15.8	22.5	(6)	(29)
Essar Ports Ltd	BUY	70	120	72	29	0.5	1.4	1.1	3.2	62.1	22.0	14.5	10.2	1.2	-	5.7	7.4	(18)	(40)
Great Eastern Shipping Co	BUY	227	305	34	35	4.2	2.6	27.8	17.1	8.2	13.3	8.3	7.3	0.5	3.5	4.1	5.2	(2)	(38)
Great Offshore	BUY	100	315	216	4	0.6	0.9	17.4	24.8	5.7	4.0	8.3	7.0	0.3	4.0	7.5	6.1	(24)	(74)
Mercator Lines	BUY	22	48	119	5	1.0	1.3	3.8	4.8	5.8	4.6	4.9	5.2	0.3	4.6	5.6	5.6	(17)	(62)
<b>SUGAR</b>																			
Balrampur Chini Mills	BUY	44	57	28	11	1.7	(0.1)	6.4	(0.5)	6.9	(83.6)	6.0	14.7	0.9	2.3	(1.1)	3.4	(17)	(44)
Shree Renuka Sugars	SELL	32	40	26	21	7.0	(2.9)	10.5	(4.3)	3.0	3.0	6.8	7.3	1.1	3.1	(13.4)	8.4	(44)	(65)

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## Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					FY12	FY12
<b>UTILITIES &amp; INDUSTRIALS</b>																			
ABB	SELL	637	533	(16)	135	2.2	3.6	10.4	17.0	61.5	37.4	158.2	24.7	4.8	0.0	12.8	16.5	(6)	(21)
Adani Power	UR	76	UR	NA	166	10.6	21.8	4.9	10.0	15.7	7.6	21.8	9.9	1.7	-	22.8	8.7	(11)	(42)
BGR	BUY	271	618	128	20	3.2	3.7	44.9	51.5	6.0	5.3	4.0	5.0	1.6	4.2	34.1	19.9	(21)	(64)
Bharat Heavy Electricals	BUY	289	405	40	707	54.8	64.7	22.4	26.4	12.9	10.9	8.2	6.3	2.9	2.5	26.4	33.7	(14)	(35)
CESC	BUY	249	391	57	31	2.5	3.0	20.1	23.9	12.4	10.4	11.4	12.9	0.7	2.4	8.6	3.1	(11)	(31)
Coal India	BUY	333	374	12	2,103	109.3	141.5	17.3	22.4	19.2	14.9	12.3	9.5	4.8	0.3	32.4	31.2	2	3
Lanco Infrastructure	BUY	13	35	178	30	4.5	6.0	1.9	2.5	6.7	5.0	14.5	8.9	0.7	-	13.3	7.8	(23)	(80)
Larsen & Toubro	BUY	1,316	1,643	25	805	44.6	49.7	73.2	81.6	18.0	16.1	14.3	12.7	2.8	1.3	17.2	11.4	(6)	(35)
McNally Bharat Eng. Ltd.	BUY	99	202	104	3	0.6	0.8	20.4	25.3	4.9	3.9	4.5	4.0	0.8	2.0	20.8	16.6	(17)	(58)
NTPC	BUY	176	203	15	1,450	93.7	97.8	11.4	11.9	15.5	14.8	11.6	10.7	2.0	2.7	13.3	10.8	(2)	(5)
Power Grid	BUY	103	124	21	475	23.9	29.1	5.2	6.3	19.9	16.4	12.1	10.8	2.0	1.5	12.3	8.1	(1)	3
PTC India	BUY	50	96	90	15	1.4	1.3	4.7	4.4	10.7	11.6	5.7	5.8	0.6	3.0	7.6	5.3	(31)	(58)
Reliance Infrastructure	BUY	410	1,065	160	110	15.0	16.0	65.6	70.2	6.2	5.8	11.8	11.4	0.4	6.0	6.4	2.0	(10)	(51)
Siemens	SELL	718	818	14	244	9.8	11.0	29.1	32.7	24.7	21.9	17.8	16.1	19.2	1.0	21.8	30.8	(17)	(6)
Suzlon Energy	BUY	24	70	195	42	(5.5)	4.9	(3.0)	2.6	(8.0)	9.1	19.7	7.0	0.7	1.9	7.5	7.4	(36)	(54)
Tata Power	SELL	97	92	(6)	231	20.6	19.0	86.8	77.1	1.1	1.3	9.9	7.8	0.2	13.5	12.9	4.3	(6)	(25)
Tecpro Systems	BUY	179	306	71	9	1.3	1.7	7.0	30.0	25.7	25.7	2.0	1.4	1.4	2.3	21.3	21.9	(19)	(54)

## MISCELLANEOUS

Amtek Auto	HOLD	118	NA	NA	28	1.6	4.0	6.9	17.2	17.2	6.9	5.9	4.8	0.5	1.7	7.4	8.9	(6)	0
Bajaj Electricals	BUY	177	268	51	18	1.4	1.5	14.5	15.6	12.2	11.3	7.1	6.8	2.4	1.7	23.0	33.5	(9)	(30)
Cummins India	HOLD	352	385	9	98	6.3	5.5	22.9	20.0	15.4	17.6	14.6	16.1	4.4	2.3	24.9	24.9	(6)	(37)
Havell's India	BUY	426	520	22	53	3.0	3.8	24.3	30.2	17.5	14.1	11.2	8.8	5.4	0.7	57.6	30.1	2	11
Maharashtra Seamless	BUY	336	436	30	24	3.4	3.5	48.6	49.5	6.9	6.8	5.8	4.1	0.8	1.8	14.2	21.5	0	(16)
Mahindra Holidays	BUY	302	481	59	25	1.0	1.4	12.5	16.4	24.2	18.4	19.6	12.6	4.3	1.7	25.0	13.5	(8)	(15)
McLeod Russel	BUY	228	291	28	25	2.3	2.7	21.2	24.2	10.7	9.4	9.6	7.4	1.4	2.2	16.3	18.7	(6)	5
Nava Bharat Ventures	BUY	185	245	33	17	3.1	1.4	33.9	15.9	5.5	11.6	4.9	7.4	0.9	1.4	7.5	6.2	2	(43)
Opto Circuits	BUY	204	287	41	38	3.7	4.8	19.7	25.8	10.3	7.9	10.0	6.9	2.2	2.2	24.1	0.5	(18)	(29)
Rainbow Papers	HOLD	61	60	(2)	6	0.4	0.6	4.1	6.2	14.9	9.8	10.0	6.1	1.6	0.8	14.7	9.5	(5)	(3)
REI Agro	BUY	21	32	50	20	2.7	3.5	2.8	3.6	7.6	5.9	6.0	5.5	0.8	1.9	16.5	13.3	(3)	(14)
S Kumars Nationwide	BUY	30	89	193	9	3.3	3.8	11.1	12.8	2.7	2.4	4.2	3.6	0.3	-	15.2	16.0	(22)	(65)
Spice Jet	BUY	22	41	84	10	1.0	0.4	2.6	0.9	8.7	25.4	1.6	2.7	2.5	-	9.8	(1.3)	(9)	(74)
Sterlite Technologies	HOLD	36	39	7	14	1.4	1.0	3.8	2.7	9.7	13.5	7.2	7.0	0.5	1.4	9.0	13.3	(10)	(53)
V-Guard Industries	HOLD	182	214	18	5	0.4	0.4	14.3	14.8	12.8	12.3	9.3	8.2	2.6	1.6	23.4	22.7	(11)	3
West Coast Paper Mills	BUY	52	90	74	3	0.9	0.1	14.4	1.6	3.6	32.0	6.3	5.2	0.5	3.8	14.2	7.7	(25)	(42)

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		NNPA Ratio (%)		P/AdjBV (x)	Div Yld (%)	RoE (%)	RoA (%)	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					FY11	FY12

## FINANCIALS

Axis Bank	BUY	1,032	1,580	53	426	34	41	83	99	12.5	10.4	0.3	0.4	2.0	1.6	19.7	1.5	(9)	(27)
Bajaj Auto Finance	BUY	652	800	23	24	2	3	67	78	15.3	8.4	1.8	1.8	2.2	0.2	3.2	0.8	(8)	(9)
HDFC	HOLD	662	714	8	975	35	40	24	27	27.5	24.1	0.4	0.4	5.1	1.4	21.8	2.8	(3)	(5)
HDFC Bank	HOLD	462	484	5	1082	39	50	17	22	27.2	21.5	0.2	0.3	3.7	0.8	18.3	1.7	(4)	(4)
ICICI Bank	BUY	780	1,320	69	898	52	64	45	55	17.4	14.1	1.1	1.4	1.6	2.0	10.7	1.4	(12)	(34)
LIC Housing Finance	HOLD	233	238	2	111	10	10	21	22	11.4	10.7	0.0	0.1	2.3	1.6	22.6	1.7	(3)	13
Punjab National Bank	BUY	928	1,340	44	294	44	50	140	158	6.6	5.9	0.8	1.0	1.3	0.3	21.2	1.2	(5)	(27)
Shriram Transprt finance	BUY	570	720	26	129	12	15	54	65	10.5	8.8	0.6	0.5	2.1	0.5	26.4	4.1	(6)	(33)
State Bank Of India	BUY	1,911	2,376	24	1214	83	113	130	169	14.7	11.3	1.4	1.7	2.0	1.6	15.6	0.9	(3)	(38)
YES Bank	HOLD	289	330	14	102	7	9	21	26	13.8	11.0	0.0	0.0	2.2	1.0	21.7	1.4	(9)	(12)
Bank of Baroda	BUY	740	1,063	44	290	42	45	108	114	6.8	6.5	0.3	0.5	1.3	2.6	19.7	1.2	(9)	(23)
Union Bank of India	BUY	225	321	42	118	21	24	40	46	5.7	4.9	1.2	1.6	1.2	3.5	20.2	1.0	(1)	(39)
Rural Electrification Corp.	BUY	201	220	9	199	26	30	24	30	8.3	6.7	0.0	0.0	1.3	3.0	20.1	21.5	3	(39)
Power Finance Corp.	BUY	177	200	13	234	27	30	23	23	7.6	7.8	0.0	0.3	1.1	2.8	16.7	2.6	8	(46)
Bank of India	BUY	347	452	30	189	25	23	45	42	7.6	8.2	2.3	2.8	1.3	2.3	12.6	0.6	1	(28)
Canara Bank	BUY	449	572	27	199	40	36	91	82	4.9	5.5	1.1	1.3	1.1	2.4	16.8	1.0	(9)	(38)

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## Antique Stock Broking Limited

Nirmal, 2nd Floor, Nariman Point, Mumbai 400 021.  
Tel. : +91 22 4031 3444 • Fax : +91 22 4031 3445  
[www.antiquelimited.com](http://www.antiquelimited.com)