Adani Enterprises

MCap: Rs 241.7bn | **CMP: Rs 486** | **NOT RATED**

- As part of its restructuring exercise, Adani Enterprises (AEL) intends to make the Mundra Port (Mundra) a subsidiary of itself by swapping the promoter's share in the port for an additional share. Post restructuring, AEL is likely to raise funds through a QIP (qualified institutional placement) issue. Consequently, the company's total outstanding share – after fund raising (QIP, rights issue) and share swapping – is likely to go up from Rs 496mn currently to Rs 1bn.
- As of FY09, AEL imported 19mn MT (MMT) coal for trading; the imported quantity is likely to increase to 25MMT in FY10 and 50MMT in FY12. However, the company plans to gradually transform itself from a trading business to an asset-based conglomerate. Coal mining, power, and infrastructure are likely to be the key focus areas of the company, going ahead.
- The company is foraying into coal mining by operating and developing coal mines in India for state governments. AEL has entered into a 74:26 JV with Rajasthan Rajya Vidyut Utpadan (RVUNL) for coal extraction in the Parsa East and Kente Basan coal blocks. It has also a received a 'Letter of Intent' for the Machhakatta mine block and the 'Letter of Award' for the Parsa mine block.
- The Parsa-Kente block has reserves of 452MMT. Through an estimated investment of Rs 18bn, AEL plans to mine 1.5MMT per annum from this block and generate realisations of US$ 20. The mine is expected to commence operations from Q1FY11 and touch peak capacity by 2014.
- AEL plans to mine 50MMT and 5MMT per annum from the Machhakata and Parsa blocks, which have reserves of 1.2bn MT and 170MMT, respectively. These mines are expected to commence operations in 2012.
- Post commencement of all three mines, the company targets to mine coal of 70MMT per annum.
- On the power generation front, AEL aims to generate 1,320MW by June '10; for this purpose, it is likely to commence its power operations at Mundra soon. The company intends to take its power generation capacity to 6,600MW (4,620MW at Mundra, 1,980MW at Tiroda) by FY13.
- As part of its infrastructure development plans, the company is likely to develop 42msf (over 570 acres) at Shantigram, Ahmedabad over five years; AEL has already acquired land for this project. Besides, it aims to develop 1.5msf at BKC, Mumbai, over the land acquired from HDIL at Rs 10,000psf; the project, expected to be rolled out in two years, is likely to fetch rentals of Rs 300psf per month. AEL also has a 2msf (acquired at Rs 2,000psf) project in its kitty; this project, to be developed at Borivalli and Byculla, Mumbai, will be jointly executed with the Marathon Group (60:40).
- As per the management, the company's EBIDTA is likely to magnify to Rs 200bn in FY12-FY13 from Rs 10bn currently. This increase will be led by the power business which is likely to contribute 60% of the EBITDA in FY12-FY13.
- We do not have a rating on the stock.

Suman Memani
(91-22) 6766 3439
suman.memani@religare.in

Ronald Siyoni
(91-22) 6766 3440
ronald.siyoni@religare.in

DB Corp

MCap: Rs 44.3 bn **CMP: Rs 244** **NOT RATED**

- DB Corp (DBCL) is one of India's leading print media companies with a presence across 11 states. Its flagship newspaper Dainik Bhaskar is the second largest read daily in the country. The company's readership (for Dainik Bhaskar, Divya Bhaskar, and Saurashtra Samachar combined) stands at 15.5mn.
- The management believes that tier 2 and tier 3 cities would be the next growth drivers for the company as incremental readership would be generated primarily from these cities – markets where DBCL already enjoys a strong presence. Moreover, since the share of advertising revenues is much lower in these markets (vis-à-vis the readership), DBCL stands to gain from any increase in ad spends of companies in these regions.
- The company has close to 300,000 advertisers; local advertisers constitute 60% of the pie. This provides significant diversity in terms of advertising revenues, with no single advertiser contributing more than 2-2.5% of the topline.
- DBCL expects significant growth to come in from the Gujarat market where penetration levels are as low as 35%. The company is unlikely to enter the UP market, which it feels is highly competitive. The company has broken even in all markets (or states) at operating level, except for Punjab where it is close to achieving the same.
- DBCL has incurred a capex of Rs 3.7bn in the last 18 months; this covers most of its capex plans for the next five years.
- DBCL expects to sustain its EBITDA margin at a level of 27-30% over the medium term. We do not have a rating on the stock.

Gaurang Kakkad
(91-22) 6766 3470
gaurang.kakkad@religare.in

Bandish Mehta
(91-22) 6766 3471
bandish.mehta@religare.in

Dewan Housing Finance

MCap: Rs 15.3bn **CMP: Rs 187** **NOT RATED**

- Dewan Housing Finance (DHFL) is well on track to achieve its disbursement target of Rs 37.5bn for FY10; the company has already disbursed Rs 31.5bn till January '10. DHFL has set an aggressive target of expanding its loan book to Rs 250bn (of this, Rs 50bn would be through securitisation) by FY13 from the current book size of ~Rs 80bn. DHFL expects to sustain its net interest margins (NIMs) at ~3% levels, going ahead.
- The company intends to shore up its Return on Equity (ROE) from the current level of 22% to ~28% in next three years through higher quantum of securitisation and improved profitability from fee-based verticals.
- YTD, DHFL has posted a fee income of Rs 175mn from new fee-based revenue streams. The company expects to near double this income to Rs 300mn-320mn in FY10.
- During FY10, the company's average ticket size for its outstanding loan book stood at Rs 485,000; however, on an incremental basis, it has been higher at ~Rs 900,000.
- Of the total loan book, 25% is disbursed among the top six to seven metros while the rest in tier 2 and tier 3 cities.

Abhishek Agarwal
(91-22) 6766 3466
abhishek.a@religare.in

Ishank Kumar
(91-22) 6766 3467
ishank.kumar@religare.in

Entertainment Network India (ENIL)

MCap: Rs 11.2 bn **CMP: Rs 235** **NOT RATED**

Gaurang kakkad
(91-22) 6766 3470
gaurang.kakkad@religare.in

Bandish Mehta
(91-22) 6766 3471
bandish.mehta@religare.in

- Entertainment Network India (ENIL), operating under the brand *Radio Mirchi*, has a well-entrenched presence across 32 Indian cities. According to Radio Audience Measurement (RAM) data, *Radio Mirchi* is the market leader in Delhi, Mumbai, and Kolkata, and enjoys a close second rank in Bangalore.
- The company hopes to capitalise on the opportunities arising from phase 3 of radio licensing, wherein it expects multiple frequencies to be permitted, with 700 licences across 238 towns. ENIL is likely to acquire 60 to 70 of these licences.
- Capacity utilisation currently stands at 53% with its top 10 stations boasting of 73% utilisation – the highest ever for the company.
- ENIL expects strong growth in advertising revenues if multiple frequency is permitted. Nevertheless, it foresees 1.4-1.5x the nominal GDP growth even if things go the other way.
- We do not have a rating on the stock.

KEC International

MCap: Rs 27.9bn **CMP: Rs 577** **Target: Rs 680** **BUY**

- Over the next two months, KEC International (KEC) expects to record significant traction in order inflows from the Power Grid Corporation of India (PGCIL), as the latter rushes to meet its investment target for FY10. KEC thus expects to maintain a 20-25% share of the PGCIL order pie.
- The company is not keen on participating in large BOO/BOOT projects on a standalone basis as this would mean investing in assets – something that KEC's balance sheet would find difficult to support. It would rather prefer to bid for small BOO/BOOT projects of Rs 4bn-5bn and invest in small equity partnerships, and thereby secure the EPC work for such contracts.
- According to the management, the next big opportunity for the company lies in the railway industry, particularly in segments such as signalling and track laying. KEC is also eyeing opportunities arsing from metro projects or projects pertaining to the setting up of dedicated freight corridors. The company expects its railway order book to build up over the next few quarters.
- KEC wants to convert RPG Cables (RPG) from a pure cable manufacturer to a cable EPC company; this would vault it up to a Rs 10bn company (as against the current Rs 3bn) over the next three years. It also intends to move RPG higher on the product value chain to the HT (high tension) and EHV (extra high voltage) range.
- KEC is eyeing acquisitions in the US markets for a consideration not more than ~US$ ~80mn.
- For FY11, the company aims to clock a growth of ~20% and maintain its EBITDA margin at 10%.

Kunal Sheth
(91-22) 6766 3476
kunal.sheth@religare.in

LIC Housing Finance

MCap: Rs 71.3bn **CMP: Rs 751** **Target: 825** **HOLD**

Ishank Kumar
(91-22) 6766 3467
ishank.kumar@religare.in

Abhishek Agarwal
(91-22) 6766 3466
abhishek.a@religare.in

- LICHF continues to witness strong traction in its core business. The company aims to achieve a ~75% growth in its loan disbursals (as against 20-25% for the industry) and ~35% growth in its loan book during FY10. Despite the lower rates offered by the market leader Housing Development Finance Corporation (HDFC), LICHF recorded a strong 60% growth in loan disbursals in December '09.
- The company is confident of outpacing the industry growth in FY11 as well and is aiming for a 30-35% growth in its loan disbursals during that year.
- During Q3FY10, LICHF's net interest margins (NIMs) expanded 32bps to 2.76% on account of benefits flowing in from re-pricing of liabilities. The company expects to see further improvement in NIMs in the current quarter as well.
- Asset quality deteriorated marginally in Q3FY10, with gross NPAs increasing by 16bps QoQ to 1.44%. However, the management has indicated that this increase was primarily technical in nature and will be reversed in the coming quarters.

M&M Finance

MCap: Rs 32.5bn **CMP: Rs 335** **NOT RATED**

Ishank Kumar
(91-22) 6766 3467
ishank.kumar@religare.in

Abhishek Agarwal
(91-22) 6766 3466
abhishek.a@religare.in

- After going slow on disbursements in FY09 due to higher slippages, M&M Finance (MMFS) has now sharpened its focus on expanding its loan book. The company aims to increase its loan disbursals by 25-30% in the current year. Currently, M&M vehicles constitute ~62% of the assets financed by the company with cars of Maruti Suzuki India (MSIL) constituting 80% of the rest.
- Apart from vehicle financing, MMFS is venturing into housing finance and gold loans. The current loan book of its housing finance subsidiary (87.5% owned by MMFS) stands at Rs 1bn. At present, MMFS' gold-backed lending business is at the pilot stage; the company is likely to launch this business through separate dedicated branches in the near future.
- MMFS has diversified its borrowing profile in the last 12-18 months; consequently, it has been successful in bringing down the share of MF borrowings from ~60% to ~20-22%. Retail borrowings currently constitute only 4% of the total borrowings; however, the company intends to increase this proportion to 10%, going ahead.
- The company's asset quality has improved in the last 12 months, with gross NPAs declining from a peak level of 10-11% to 8.7% at Q3FY10-end. While gross NPAs still remain high due to the rural focus, the management is confident of maintaining the proportion of its credit losses below 2%.

Oil India

MCap: Rs 279.5bn **CMP: Rs 1,163** **Target: Rs 1,428** **BUY**

- Oil India (OIL), under a consortium of six companies, has acquired a huge oil producing block (reserve base of ~260bn bbls) in Venezuela. This is in line with the company's strategy of expanding its operations inorganically. Petróleos de Venezuela S.A. (PDVSA), Venezuela's state oil company, holds a 60% stake in the block. OIL, Petronas (a Malaysian oil company), Repsol (Spain's largest oil company), OVL (ONGC's overseas subsidiary), and Indian Oil Corporation (IOC) together hold the remaining 40%. OIL, likely to acquire the stake for ~US$ 500mn-600mn, is also eyeing similar acquisitions in 2010.
- According to the management, the government will de-regulate the prices of petrol and increase the prices of diesel and LPG, albeit marginally, before Budget 2010. Further, it believes that the proposed subsidy share of upstream companies, which has been linked to crude oil prices by the Kirit Parikh committee, is realistic and achievable. However, it opines that if GAIL is exempt from the subsidy sharing mechanism, its upstream share would increase from 10% to 12% only.
- OIL expects a 30% price hike in APM (administered pricing mechanism) gas during the current quarter itself. Of its total gas production of 6.7mmscmd, the company sells only 65% under the APM structure.
- **OIL** expects its domestic oil production to grow at 3-4% per annum to touch 3.9mmt in FY12, up from the current 3.6mmt. It also projects its gas production to increase by 0.7mmscmd annually from April '10 onwards and near double to 13mmscmd by end-FY13 (current production at 6.7mmscmd), owing to the start-up of the Assam gas cracker.
- The company has already drilled 33 wells in 9MFY10 and aims to drill 44 exploratory and development wells in FY11. Also, it expects to honour its minimum commitment program under NELP-VI by FY12-end. Currently, the company owns 11 rigs (and is aiming for 15) and operates six rigs under lease.

Sudeep Anand
(91-22) 6766 3436
sudeep.anand@religare.in

SREI Infrastructure Finance

MCap: Rs 7.1bn **CMP: Rs 61** **NOT RATED**

- SREI, after its proposed merger with Quippo Infrastructure (Quippo), SREI's telecom tower subsidiary, will have 11.5% economic interest in Wireless TT Infoservices (WTTIL), a unit of Tata Teleservices. WTTIL will have 40,000 towers by March '10 and another 35,000 in the next two to three years. WWTIL, expected to end FY10 with a total asset size of Rs 98bn and total borrowings of Rs 50bn-54bn, is likely to generate revenues of Rs 16bn and EBITDA of Rs 9bn during the year. However, with better tenancy, EBITDA will more than double in FY11.
- Post the merger, SREI's net worth will increase from Rs 8bn to ~Rs 23bn, providing the company scale to finance infrastructure loans of larger ticket sizes. At present, the company has a project financing book of Rs 40bn (including Rs 10bn for Quippo).

Ishank Kumar
(91-22) 6766 3467
ishank.kumar@religare.in

Abhishek Agarwal
(91-22) 6766 3466
abhishek.a@religare.in

- The company has set a target of generating ~20-25% of its PBT (as against 10% currently) from its fee-based initiatives, going ahead.
- Currently, SREI has a total investment book of Rs 8.6bn; this includes road projects of Rs 2.3bn and an investment of Rs 3.4bn in telecom towers. The company, having already completed two road projects, is looking to exit these projects in FY11.

Titan Industries

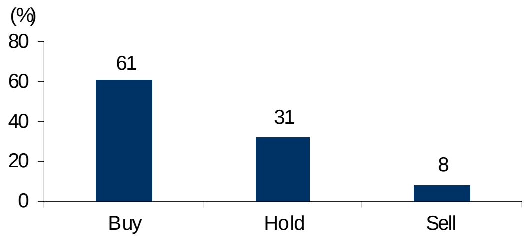
MCap: Rs 77.0bn **CMP: Rs 1,734** **Target: 1,914** **BUY**

- Titan Industries (Titan) continued to benefit from an uptick in consumer sentiment in January, and expects this trend to continue, going ahead.
- The company plans to expand its retail presence through large format stores of ~4,000sq ft (as against 2,000sq ft earlier). Correspondingly, it expects its revenues to touch Rs 150bn by FY15.
- As per the management, Titan's jewellery segment is poised to grow at 25% CAGR and contribute ~75 % of its total revenues by FY15. The growth is likely to be led by its studded jewellery collection – a segment whose contribution is pegged to surge from ~25% currently to ~40% in FY15.
- Premium and mid-premium watches have performed well while sales of mass watches (*Sonata*) have also started picking up since the last quarter. The management expects its watches business to grow by 18-20% CAGR over FY15.
- The eyewear business continues to improve sequentially. However, the company expects this business to consolidate in the near term.
- Titan's prescription eyewear business remains sluggish due to order cancellations and delays on account of global macro economic concerns.
- On account of higher studded jewellery revenues, the management foresees an improvement in its jewellery margins by FY15. For its watches business, it expects margins to sustain at the current levels of ~14%.
- We maintain our Buy rating on the stock.

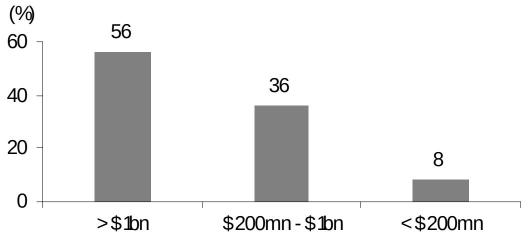
Ankur Periwal
(91-22) 6766 3469
ankur.periwal@religare.in

Coverage Profile

By recommendation



By market cap



Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and –5%
Sell	Less than –5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Religare Capital Markets Ltd

4th Floor, GYS Infinity, Paranjpe 'B' Scheme, Subhash Road, Vile Parle (E), Mumbai 400 057.

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