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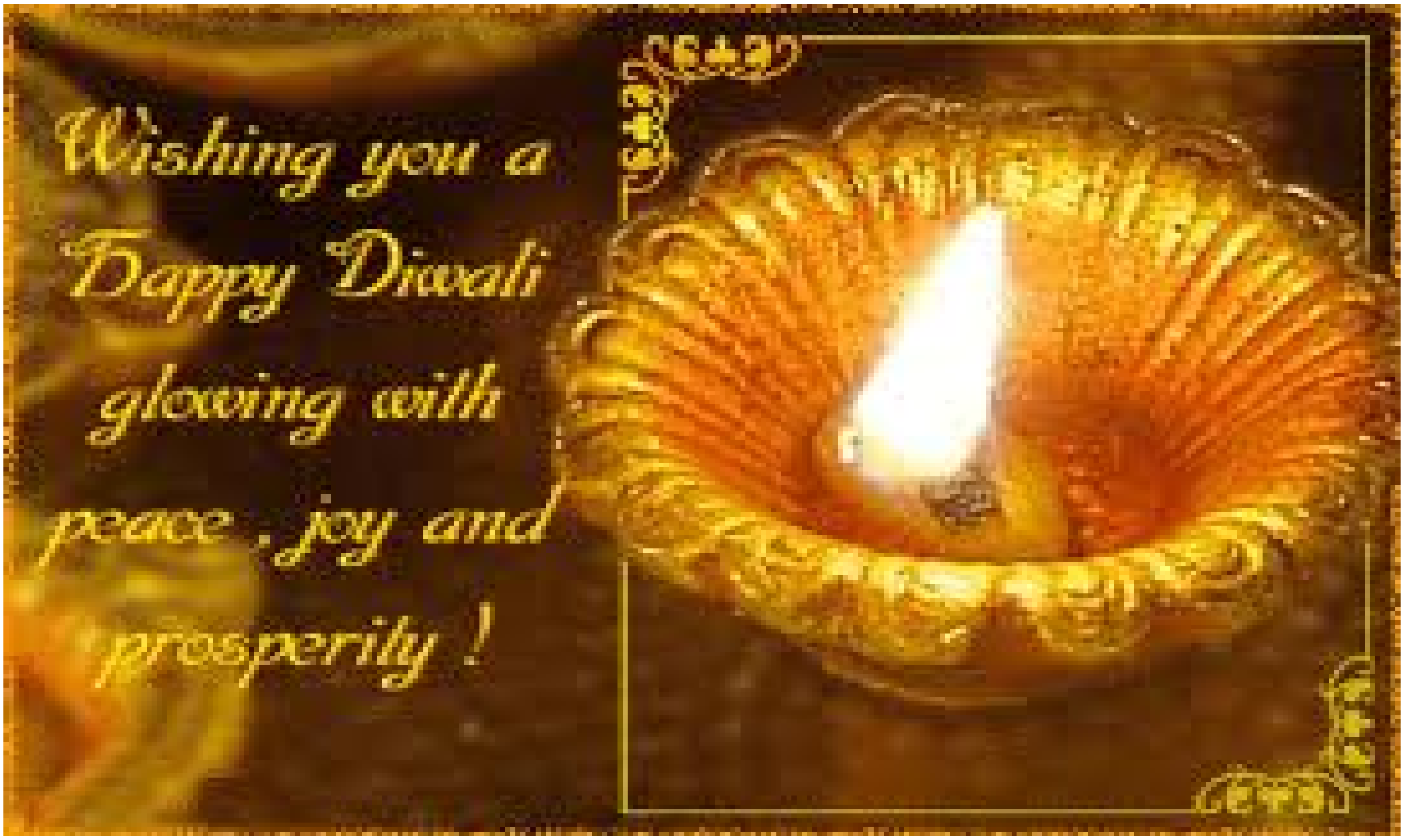
DIWALI PICKS



	CMP	Target Price	Upside
IndusInd Bank	363	412	13%
Tata Global Beverages Ltd	159	210	32%
Yes Bank	421	490	16%
Hindalco Ind Ltd	112	155	38%
Tata Motors	267	340	27%
Cipla	397	480	21%
TV18	29	45	54%
SKS Microfinance	118	145	23%
Trent	1163	1345	16%

IndusInd Bank

Rating: Accumulate; CMP: Rs 363; Target: Rs 412 Upside: 13%; Horizon: 12 months

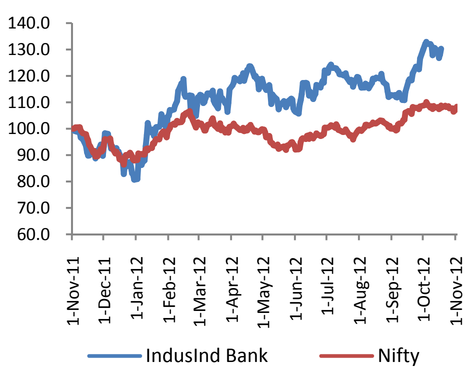
Bloomberg Code	IIB IN
Market Cap (Rs cr)	17093
Face Value (Rs)	10
Book Value (Rs)	96.34
EPS (Rs)	16.80
Dividend Yield	0.60%
52 week H/L (Rs)	376/222
Avg Quarterly. Vol (in '000)	575
Listed At	NSE,BSE
Equity capital (Rs cr)	470

Share Holding Pattern % (30th Sep 2012)

Promoter	19.4
FII	34.3
DII	8.7
Others	37.6
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	(1.4)	12.7	13.6	31.7
Rel to Nifty	(9.4)	13.5	2.1	23.7



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After achieving the set target for Planning Cycle I successfully, IIB moved further with aggressive plans and targets for second phase. Guidance for FY11-14 remains aggressive like the previous phase of planning cycle. As a part of the Phase 2 strategy (spanning over FY11-14), management expects bank's loan book to grow at 25-30%. Consumer finance division is likely to reach at Rs 25000cr, entirely funded by CASA. Hence, to ramp up CASA, bank plans to leverage its branch network with expected 350 new branches in the period of FY11-14.

Investment Thesis:

► **Strong loan growth to continue:** IIB loan book has been strong with 27% CAGR growth during FY08-11. After a dismal loan growth of 3% in FY06, it improved to 19% and 15% in FY07 and FY08 respectively. We expect loan growth of IIB to pick up in FY13. However, management aspiration to maintain profitability, margins and RoA may lead to a moderated credit growth in FY13 and FY14. We expect loan book to grow at a 26% CAGR during FY12-14.

► **CFD book expected to reach at ~ Rs. 25000cr by FY14:** The bank does not have any plan as of now to restructure the home loan share in CFD portfolio. However, it would continue to originate and distribute more home loans (HDFC Bank loan product), and thereby earn fee income. Overall, the bank targets to grow its consumer loan book to Rs 25000cr by FY2014.

► **Liability Franchise to improve:** The bank expects to open 285 branches by FY2014. Going forward, we expect CASA to strengthen further to 33% by FY14, largely driven by SA deposits accrued from the various initiatives taken such as hike in saving rates, credit card, LAP, mortgages etc.

► **Asset Quality to remain strong, marginal pressure can not be ruled out**: Progress in asset quality has been on account of continuous focus to lower credit risk and lower defaults in vehicle loans due to high replacement cost of vehicle and less exposure towards distressed sectors. Going forward, we believe asset quality remains prudent and is anticipated to remain firm in the long run.

► **Q2FY13 Results:** IIB posted better than expected numbers in the second quarter of FY13. Advances grew 31% (yoy) and 6% (qoq) to Rs 39427cr in Q2FY13. CASA improved to 27.98% as compared to 27.70% a year ago. The growth in CASA was largely driven by CA (8.6%, QoQ) while SA deposits moderated to 3.4% this quarter. Asset quality remains strong with Net NPA at 0.29, down 2bps from Q2FY12 while Gross NPA improved 6 basis points to 1.03%. IIB's corporate loan book is not exposed to highly distressed sectors which help in maintaining strong asset quality. PCR Ratio at 72.09% is comfortable as per RBI norms. Reported NIMs declined by 10 bps (YoY) but improved 3 bps sequentially.

Valuation: RoA and RoE of IIB continue to remain one of the highest in the industry. We expect IIB to deliver an impressive 30% earnings CAGR during FY11-14E. At CMP of Rs 363, IIB trades at 3.1x FY13E and 2.6x FY14E ABV. It trades at 14.8x FY13E and 11.8x FY14E EPS. IIB is currently trading at 18.6x of its earnings, which is below its 5-year average PE of 20. We recommend ACCUMULATE on IIB with the target price of Rs. 412, implying potential upside of 13%.

Tata Global Beverages Ltd

Rating: Buy; CMP: Rs 158; Target: Rs 210 Upside: 32%; Horizon: 12 months

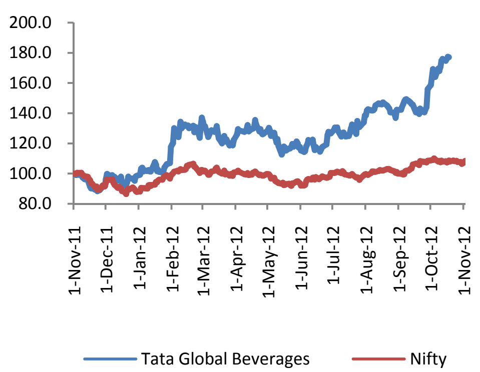
Bloomberg Code	TGBL IN
Market Cap (Rs cr)	10025
Face Value (Rs)	1
Book Value (Rs)	35.39
EPS (Rs)	4.56
Dividend Yield	1.33%
52 week H/L (Rs)	165/80
Avg Quarterly. Vol (in '000)	3110
Listed At	NSE,BSE
Equity capital (Rs Cr)	61.8

Share Holding Pattern % (30th Sep 2012)

Promoter	35.2
FII	16.5
DII	23.2
Others	25.1
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	5.9	22.4	38.9	74.9
Rel to Nifty	(2.1)	23.2	27.2	67.0



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Tata Global Beverages Limited, through its subsidiaries, joint ventures and associates, is a global beverages company engaged in the trading, production and distribution of tea, coffee, water and other beverage products. The Company operates in India, Europe, the United States, Canada and Australia. During the fiscal year ended March 31, 2012 (fiscal 2012), the Company incorporated Tata Starbucks Limited which opened its first store in Mumbai in Sep, 2012.

Investment Thesis:

► Tata Global is the premier brand in India as well as worldwide and maintains its position among the top brands in India, Australia, UK, US and South Asia. Company is one of the biggest tea manufacturer in the markets it operates. These regions have high potential for beverage market due to high populations and strong demand for tea among the people.

►Strategic partnerships and acquisitions across the globe have rendered TGBL a distinct advantage over its peers. TGBL ensures a huge market potential for itself after finalizing partnerships with companies such as Pepsico, Starbucksand and recently acquired Russian firm Suntyco Holding. In Joint Venture with Starbucks, the company has opened its first store in Mumbai in the month of September 2012 and management is hopeful of opening 100 stores in near term.

►Going ahead, TGBL should see an improvement in margins as it plans to concentrate on branded products business while reducing its dependancy on low margin plantation business. Company's focus to cut operational cost and to optimise operations will further enhance the margins.

Q2FY13 Results: Second quarter results for TGBL reflects a strong performance in margins with net profit growing 54% YoY to Rs 119cr from Rs 77cr last year. Net sales grew 7.5% to Rs 1843cr from Rs 1715cr an year back. Tax outgo went down to Rs 31cr Vs Rs 49cr. Key markets had good performance and coffee business performed exceedingly well in India, US and Russia. Rupee depreciation was also a key factor in robust performance of the company.

Valuation: With great potential of beverage market in densely populated Indian subcontinent, consumption profile always experience uptrend. Strong presence in subcontinental countries ensures exorbitant revenue generation for atleast the next few years. TGBL's strategic partnerships with global players will help establish the business in key markets around the world. Venture with Starbucks in India and Suntryco Holdings in Russia, a high tea consuming nation, will boost the sales in the coming quarters. At CMP of Rs 158, TGBL is trading at EPS of Rs 4.56. Considering the recent partnerships we expect EPS to reach Rs 6, implying a target price of Rs 210. We recommend "BUY" on the stock.

Yes Bank

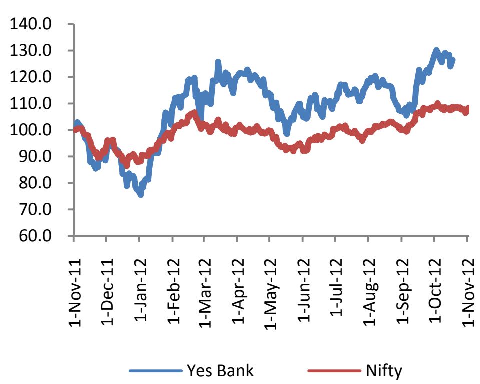
Rating: Buy; CMP: Rs 421; Target: Rs 490 Upside: 16%; Horizon: 12 months

Bloomberg Code	YES IN
Market Cap (Rs cr)	13874
Face Value (Rs)	10
Book Value (Rs)	131.23
EPS (Rs)	27.03
Dividend Yield	1.02%
52 week H/L (Rs)	119/66
Avg Quarterly. Vol (in '000)	3168
Listed At	NSE,BSE
Equity capital (Rs Cr)	356.6

Share Holding Pattern % (30th Sep 2012)	
Promoter	25.9
FII	47.5
DII	14.3
Others	12.3
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	6.2	14.3	25.4	32.0
Rel to Nifty	1.8	15.1	13.8	24.1



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Yes Bank has come a long way since the commencement of its business in 2004 as a wholesale bank. It overcame its small size as compared to its peers by adopting a knowledge based approach and built loan book in the initial years. After having good exposure in the corporate segment, bank is on the path of aggressively expanding its footprint in retail business. Yes Bank raised interest rates on saving accounts to 7% after the announcement of deregulation of saving interest rates by RBI. Consequently, CASA should expand along with a rise in the retail portion of the loan book. Wholesale Banking supported the loan book in a good manner and now the bank is shifting its focus towards retail banking to take it to the next level of growth.

Investment Thesis:

► **Exponential Business growth with robust profitability:** The exponential growth in business has resulted into improved market share at ~0.92% in FY11 as compared to 0.33% in FY07. We believe that Yes Bank will be able to increase the market share to ~1.5% till FY15. We expect this growth momentum to continue above the industry average with loan and deposit growth in the range of 25%-30% in FY13.

► **CASA growth driven by branch expansion:** It plans for pan India presence with the initial focus in North and West India which are liability rich corridors. With strong branch network expansion plan and penetration to retail segment, management plans to increase CASA share to 30% by FY15.

►**Retail banking- to be the crucial part of next growth phase:** With a strong foothold in the Corporate & Institutional Banking space, YES bank is set to shift its focus towards the retail segment. Aggressive branch expansion in next two years will help the bank to improve the contribution of its retail lending franchise to the overall loan book. We believe the management is being fairly ambitious by setting a target of reaching 750 branches from the current number of branches.

►**Asset Quality one of the best in the industry:** YES bank has enjoyed one of the best asset quality in the industry, thanks to the higher exposure to corporate and institutional banking. GNPAs stands at 0.22% with NNPAs at just 0.05% and healthy provision coverage ratio at 79.2% as on FY12.

►**Q2FY13 result remains strong:** Yes Bank continued to record good set of numbers in the second quarter of FY13. The growth in profit was mainly driven by strong net income growth. NII grew by 35.9% YoY (11.0% QoQ) largely on the back of robust growth in customer assets **Reported NIMs** improved sequentially by 10 bps to 2.9% as yields on advances remained steady sequentially at 12.4% as against a decline of 30 bps in cost of funds to 8.7%. **Advances** grew (22.9% YoY, 9.0% QoQ) to Rs 42019cr and **Deposits** on the other hand grew by 18.6% YoY (4.1% QoQ). The bank continues to witness strong uptick in CASA which stands at 17.3% from 16.3% in Q1FY13. **Asset quality** also remained stable during the quarter.

Valuation: In view of substantial growth potential and healthy financials, we recommend BUY on Yes Bank with a target of Rs 490 which provides ~16% potential upside in next 12 months.

Hindalco Industries Ltd

Rating: Buy; CMP: Rs 112; Target: Rs 155; Upside: 38%; Horizon: 12 months

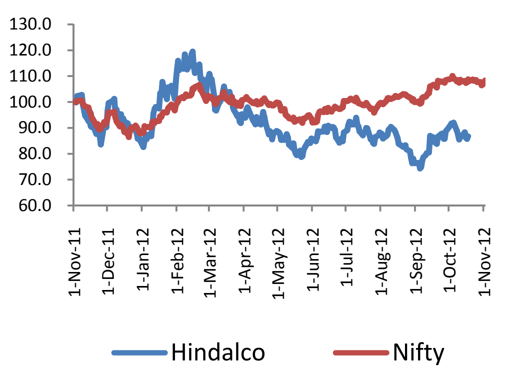
Bloomberg Code	HNDL IN
Market Cap (Rs cr)	22572
Face Value (Rs)	1
Book Value (Rs)	164.49
EPS (Rs)	11.5
Dividend Yield	1.31%
52 week H/L (Rs)	165/100
Avg Quarterly. Vol (in '000)	7436
Listed At	NSE,BSE
Equity capital (Rs Cr)	11.46

Share Holding Pattern % (30th Sep 2012)

Promoter	32.0
FII	26. 7
DII	15.3
Others	26.9
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	(9.2)	(4.7)	0.0	(19.0)
Rel to Nifty	(17.1)	(3.9)	(11.5)	(27.0)



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Hindalco Industries Limited (Hindalco), the metals flagship company of the Aditya Birla Group is the world's largest aluminium rolling company and one of the biggest producers of primary aluminium in Asia. Its copper smelter is the world's largest custom smelter at a single location. Company acquired Novelis in 2007 and has marked its footprints in 12 countries outside India with its low cost alumina products.The company is in expansion mode and plans to increase its alumina capacity five-fold to 5.0 mtpa (from 1.5 mtpa currently) and aluminium capacity to 1.7 mtpa, in the next five years.

Investment Thesis:

► Hindalco's brown field expansion plans are right on course and are expected to be completed on time. Brazil unit should be completed by 2012 end, while North America and South Korea units are expected to be completed by late 2013. Hindalco has set target to expand aluminium facilties approximately five times in coming 5-6 years.

► The management has aimed at 80% recycling in its products by 2020. The Korean recycling plant has started to operate while other projects in US, Brazil and China are running as per schedule. Large capex involved in these facilities has started generating revenue and most of them will start functioning by next year. Recently, company has added another recycling facility to be commissioned in Germany, in 2015.

► In a fast developing country like India, the demand for Aluminium is ever increasing. Hindalco is the biggest player in Aluminium industry in India and its cost of production is still the lowest in the industry. In spite of the recent hiccups, company will be able to maintain its growth momentum riding on high volumes and low cost of production. EBITDA will improve in Novelis led by completion of brownfield expansion plans, improved product mix and increased usage of scrap aluminium.

►**Q2FY13 results:** The standalone second quarter results were in line with expectations with revenues mounting to Rs 6163 cr. Weak rupee helped in maintaining top-line intact. PAT fell 28% yoy to Rs 359 cr from Rs 503 cr an year back. Cost pressure impacted aluminium business margins while copper business grew as cathode prices were up this quarter. Novelis continued to outperform and reported USD 277 million of EBITDA.

Valuation: Large capex incurred in projects have started bearing results and high demand for Aluminium in India and abroad underscores robust revenue visibility for Hindalco and Novelis. The management expects improvement in demand in third quarter of this fiscal with more focus on Chinese operations. Improvement in performance of Novelis should be continued in coming quarters as well and EBITDA should cross USD 1 billion in this fiscal year.

Hindalco has corrected a lot lately and is currently trading at Rs 112 that is 11.2x TTM EPS. We recommend 'BUY' for this stock with a target price of Rs 155.

Tata Motors Ltd

Rating: Buy; CMP: Rs 268; Target: Rs 340 Upside: 27%; Horizon: 12 months

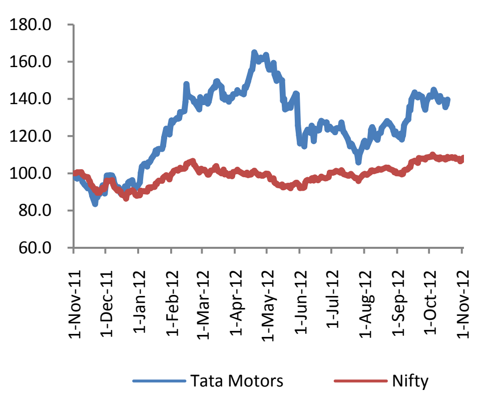
Bloomberg Code	TTMT IN
Market Cap (Rs cr)	86185
Face Value (Rs)	2
Book Value (Rs)	62.07
EPS (Rs)	3.54
Dividend Yield	1.49%
52 week H/L (Rs)	321/160
Avg Quarterly. Vol (in '000)	10896
Listed At	NSE,BSE
Equity capital (Rs Cr)	637.9

Share Holding Pattern % (30th Sep 2012)

Promoter	34.7
FII	28.5
DII	11.9
Others	24.9
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	(3.7)	18.1	(10.4)	43.6
Rel to Nifty	(11.7)	18.8	(21.9)	(35.7)



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Tata Motors Ltd is India's largest automobile company and leader in commercial vehicle section with consolidated revenue of USD 32.5 billion in 2011-12. It is the 4th largest truck and bus manufacturer in the world. In the year 2004, the company acquired Daewoo Commercial Vehicles while in 2008, it acquired the business of Jaguar and Land Rover (JLR) for USD 2.3 billion. It has also entered into partnerships with Marcopolo from Brazil, Flat Group Automobiles from and Trilix Srl. from Italy. During 2008, the company launched Tata Nano, the least expensive car in the world. Tata Motors are known for launching innovative products.

Investment Thesis:

►Tata Motors rely on innovative technologies and launches new products catering the needs of the various customers and different industries. They have portfolio of vehicles ranging from sub-1 Ton to 49 Ton gross vehicle weight (GVW). It has an Engineering Research Centre at Pune to provide impetus to automobile research and Development.

►Last few quarters has witnessed a sharp uptrend in demand for the luxury cars worldwide. JLR has a robust market hold in China and it should continue to generate handsome revenue from China along with other developing as well as developed economies. JV of JLR with Chery Auto of China is likely to increase competitiveness and profitability in China from FY15.

►Tata Motors announced its Oct sales number which saw a growth of 6% yoy. Domestic sales which was under pressure during last few quarters is likely to gain pace in FY14 owing to the fact that RBI is most likely to go for a series of rate cuts during next fiscal. Economic recovery and growth upswing will automatically act as catalyst for better vehicle sales.

►Favourable relative movement of USD and Euro against the British Pound will help Tata Motors to improve its EBITDA margins by approx 25 basis points in this quarter. US is net exporter for the company while Euro is net importer.

►Tata Motors most profitable domestic segment, LCVs continue to grow at a CAGR of 24% due to less cyclicality and hence less volatility in demand. LCV continues to be profitable and we expect Tata Motors to do well in this section in the future.

Valuation: Robust performance by luxury car section and JLR will withstand the growth story for Tata Motors. Company's ever increasing presence in China and JV with Chery Auto offers revenue visibility for the coming quarters. RBI's rate cut will prompt the growth stimulus which will translate into better auto sales number during next financial year. The ongoing model changes and innovative brands ensure the customer's interest in Tata. Tata Motors is trading at CMP of Rs 268, we recommend a BUY rating for the stock with a target price of Rs. 340.

Cipla Ltd

Rating: Buy; CMP: Rs 396; Target: Rs 480 Upside: 21%; Horizon: 12 months

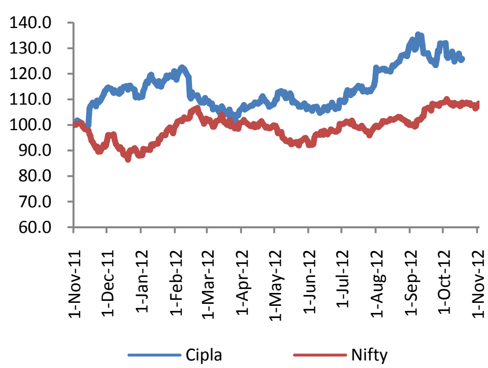
Bloomberg Code	CIPLA IN
Market Cap (Rs cr)	29158
Face Value (Rs)	2
Book Value (Rs)	93.93
EPS (Rs)	13.67
Dividend Yield	0.55%
52 week H/L (Rs)	395/284
Avg Quarterly. Vol (in '000)	2135
Listed At	NSE,BSE
Equity capital (Rs Cr)	160.6

Share Holding Pattern % (30th Sep 2012)

Promoter	36.8
FII	20.8
DII	13.4
Others	29.0
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	3.7	8.1	16.9	29.4
Rel to Nifty	(4.3)	8.9	5.3	21.4



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Chemical, Industrial & Pharmaceutical Laboratories (CIPLA) was incorporated in 1935 by Khwaza Abdul Hameid. The company focuses on development of new formulations and has a wide range of pharmaceutical products such as prescription drugs, bulk drugs, animal products and pesticides. It also offers a wide range of food and beverages, baked foods, oral hygiene products, detergents, room fresheners and personal care products. It is a market leader in domestic formulations in India. Cipla has foreign operations in more than 100 countries and has more than 5000 product registrations.

Investment Thesis:

► The performance of Cipla for the second quarter was better than expectations. The management has revised the revenue target upwards to 13-15%. OPM's are expected to be 23-23% for FY13. Management expects PAT growth to outperform the revenue growth.

►Cipla has witnessed the tremendous growth in last quarter due to the launch of the CFC-free inhalers. The inhalers help consolidate the position in European and US markets. In last quarter, the share of exports was ~60% of the total revenues, thanks to the firm positions in Africa, US and Latin America.

►The domestic formulation sales contribution to the total revenues stood at ~40% and grew at 30% in in last quarter.The company has decided to launch itself more vigorously in the domestic market with new therapies such as oncology and neuro-psychiatry. Also it has strategise to penetrate the domestic and rural markets with new anti-asthmatic and anti-arthritis medicines.

►Large capex utilised by the company over last few years will help in rapid expansion and improved asset utilisation. The better product-mix with lower proportion of anti-retroviral has improved the business. In US, the company has strategic partnerships with 22 firms to launch 118 new products that strengthens revenue visibility in the coming quarters. It also has strong product peipeline of ANDA's, of which 49 has been launched and 30 are pending for approval.

►**Q2FY13 results**: Second quarter results came as a positive surprise and net profit rose to Rs 500 cr, up 90% on yoy basis. Net sales increased 33% from last year to Rs 2146 cr. EBITDA margin surged to 31% as against 22.7% in Q2FY12. The results were far better than any estimate and management too has clarified that such kind of numbers are difficult to sustain.

Valuation: With large capex in the last few years and better product-mix now, Cipla is in able position to expand rapidly. The inhaler market potential across the world for Cipla is more than USD 3 billion. The uptick of revenue as well as PAT guidance indicates that new launches and anti-biotic and anti-asthmatic business is running better than expected. At CMP of Rs.396, we recommend a BUY rating for the stock with a target price of Rs. 480.

TV18 Broadcast Ltd

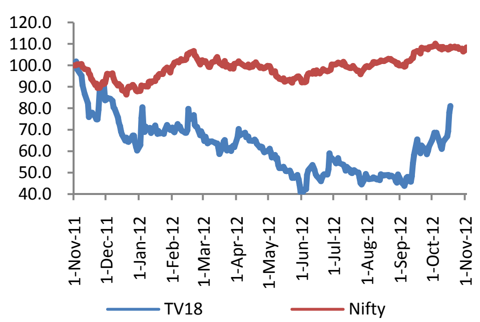
Rating: Buy; CMP: Rs 29; Target: Rs 45 Upside: 54%; Horizon: 12 months

Bloomberg Code	TV18 IN
Market Cap (Rs cr)	5340
Face Value (Rs)	2
Book Value (Rs)	20.31
EPS (Rs)	0.22
Dividend Yield	0.00%
52 week H/L (Rs)	44.4/15.1
Avg Quarterly. Vol (in '000)	4101
Listed At	NSE,BSE
Equity capital (Rs Cr)	342.3

Share Holding Pattern % (30th Sep 2012)	
Promoter	59.8
FII	5.5
DII	6.6
Others	28.2
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	17.4	59.3	31.8	(23.3)
Rel to Nifty	9.4	60.1	20.3	(31.2)



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The government liberalized foreign investment (FDI) in the broadcasting sector. The Cabinet Committee on Economic Affairs (CCEA) raised foreign investment limit from 49% to 74% in teleports (setting up up-linking HUBs/teleports), Direct to Home (DTH), Cable Networks (Multi-System-Operators operating at National or State or District level and undertaking upgradation of networks towards digitalization and addressability). In respect of Cable Networks (Other Multi-System-Operators not undertaking up-gradation of networks towards digitalization and addressability and Local Cable Operators), the existing limit of 49% foreign investment, under the automatic route, would continue. The CCEA has allowed foreign investment (FI) up to 74% in mobile TV.

Investment Thesis:

► Digitization of cable TV is expected to boost the subscription revenues for broadcasters as it will end the hefty carriage fee paid to cable TV operators. At the same time, the Government has assured the cable TV operators that digitisation would not hurt them.

► **Rights issue process over - Positives for the company:** Recent Successful completion of Right issue of Rs. 27 bn will support the company in ETV acquisition and reduce its debt. These developments are likely to provide TV18 strength in terms of business and re-rating in terms of investors' point of view. Phase -1 of DAS rollout has been kicked off, as of Nov 1, and while there are irritants in certain areas, we believe the intent of the government is sound.

►**Q2FY13 Results:** TV18 reported revenues Rs 363cr, up 24% (yoy) and EBITDA Rs 14.41cr, down ~29% (yoy). The company incurred losses of Rs 40.6cr on the back of higher interest cost which came in at Rs 49.1cr as on Q2FY13. Significant changes made by the company in reporting relating to subscription revenues, makes comparison on subscription revenues difficult. Advertising revenues grew strongly on sequential basis while remains flat on a yoy basis.

Valuation: At CMP of Rs 29, we recommend Buy on TV18 with the target price of Rs 45, implying 55% upside.

Trent Ltd

Rating: Buy; CMP: Rs 1163; Target: Rs 1345 Upside: 16%; Horizon: 12

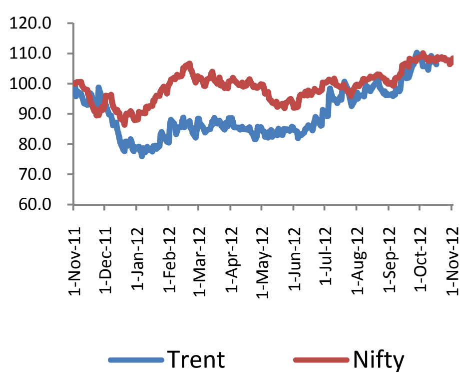
Bloomberg Code	TRENT IN
Market Cap (Rs cr)	3700
Face Value (Rs)	10
Book Value (Rs)	511.6
EPS (Rs)	16.53
Dividend Yield	0.48%
52 week H/L (Rs)	1260/771
Avg Quarterly. Vol (in '000)	16
Listed At	NSE,BSE
Equity capital (Rs Cr)	32.4

Share Holding Pattern % (30th Sep 2012)

Promoter	30.9
FII	13.6
DII	23.3
Others	32.2
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	2.0	12.3	31.4	10.6
Rel to Nifty	(5.9)	13.0	19.8	2.7



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Trent Limited, a Tata Group company is engaged in the business of retailing and owns and manages a number of retail stores such as Westside stores, Star Bazaar and Landmark stores. Westside is one of the largest retail stores in India. Trent has outlets in cities like Mumbai, Delhi, Hyderabad, Bangalore, Pune, Baroda and many other tier-2 cities. Company also holds 79% interest in Landmark Ltd. engaged in the business of books, toys and stationary. In 2009, the company entered into a MoU with Inditex Group of Spain to develop and promote Zara stores in India. During last quarter Trent posted an increase of 165% in their Net Profit to rise to Rs 9 cr.

Investment Thesis:

►Star Bazaar plans to launch ethnic wears in private labels this festive season as private labels are 20-25% cheaper than the normal brands and hence shoudl boost up the sales this season. Other cheap grocery and general items will also be launched in Star Bazaar stores to harness the consumer shopping spree during festivals in India.

►The company has the leverage of having international players as their partners. Inditex Group from Spain and Tesco from Britain are one of the leading store owners in the world and Trent gets useful operational and management ideas from them.

►Recent government announcement of hike in FDI in multi-brand retail to 100% will benefit Trent in the future as it already has partnerships with foreign retail players. India has emerged as one of the fastest growing retail markets in the world and currently has 5th ranking overall in terms of market voulme. Indian retail industry is expected to grow almost 3 folds to USD 1.5 billion in next 10 years.

►Trent has an advantage of having Tata as its parent company which will help it in securing better deals in the future. Foreign players will certainly prefer Trent Ltd over other retail owners in India owing to its strong parentage.

►**Q2FY13 Results:** Trent Ltd posted good numbers for Jul-Sep quarter. Net Sales stood at Rs 230 Cr which was 7% up from last year. PAT showed a lot of improvement yoy and rose 165% to Rs 9 cr this quarter. Operating margins improved as well and stood at 1.9% Vs -3.4% yoy. PAT margin improved from 1.6% to 6.2% this quarter. EPS too received a boost and improved from Rs 1.39 to Rs 4.68.

Valuation: Trent is expected to grow at a rate of 14% CAGR for next 3 years. FDI in retail sector could be a game changer for Trent in coming years. It already has business partnerships with top retail brands in the world and should attract foreign investment easily. Trent has planned to add 11 more stores to Westside this quarter and this will boost revenues during the next financial year. We expect an increase in 7-8% in EBITDA margins during second half of FY13. At CMP of Rs 1163, we recommend a BUY rating for the stock with a target price of Rs 1345, implying an upside of 16% in the medium term.

SKS Microfinance Ltd

Rating: Buy; CMP: Rs 118; Target: Rs 145 Upside: 23%; Horizon: 12 months

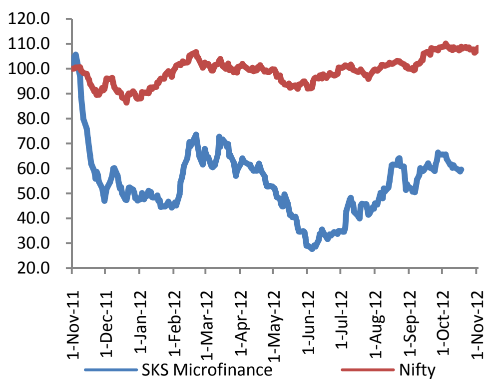
Bloomberg Code	SKSM IN
Market Cap (Rs cr)	1275
Face Value (Rs)	10
Book Value (Rs)	64.2
EPS (Rs)	0.0
Dividend Yield	0.0%
52 week H/L (Rs)	218/54
Avg Quarterly. Vol (in ‘000)	2966
Listed At	NSE,BSE
Equity capital (Rs Cr)	108.2

Share Holding Pattern % (30th Sep 2012)

Promoter	29.6
FII	31.8
DII	7.7
Others	30.9
Total	100.0

Price Performance %

	1M	3M	6M	12M
Absolute	(11.2)	13.7	16.7	(46.2)
Rel to Nifty	19.1	14.5	5.1	(54.1)



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SKS Microfinance Limited (SKSM) is the largest micro finance institution (MFI) in India in terms of total value of loans outstanding, borrowers and number of branches. SKS is a non-deposit accepting non-banking financial company (NBFC-ND) and is registered and regulated by the Reserve Bank of India (RBI). They are engaged in providing microfinance services to women in the lower income segment predominantly located in rural areas in India.

Investment Thesis:

► The worst seems to be over for SKS as it has been able to write down almost 85% of the loans from Andhra Pradesh region that troubled the business in the past. SKS has been able to keep non-AP operations unaffected from problems in AP.

► The company’s revival is largely owed to clearer environment that has emerged after the formulation of regulations for micro financial institutions by RBI. The new moves will favour MFI as priority sector, securitization guidelines are in place and ambiguity is sorted out.

► RBI, in its regulations in Aug has eased operational flexibility and allowed the MFI to charge on loans at interest rate exceeding the earlier cap of 26 per cent. RBI has also allowed the provisioning of Andhra Pradesh portfolio to be reckoned as part of Net- owned Fund (NOF) for MFIs.

► Loan recovery is better rationalized after the norms. 95% of recovery rate in non-AP states was recorded in Q4FY12. NBFC-MFI bill will clear the few remaining hurdles that are left.

► Recent infusion of equity like the one of Rs. 230 cr through QIP route shows the optimistic attitude of investors towards microfinance institutions in India. Asset book has started to expand at a rapid pace. On 4th Sep, SKS said that it has securitized Rs. 354 cr from 18 states, except AP. Capital raising spree through QIP route and two back to back securitizations reflects the worst is far behind now.

►**Q2FY13 Analysis:** Results in past quarter were not very encouraging. As the AP operation’s share will reduce, subsequently the book quality will improve. In 2nd quarter of FY13, SKS reported net loss of Rs 262 cr as compared to a loss of Rs 385 cr in the second quarter last fiscal. Its standalone income grew 7% to Rs 78 cr on qoq basis while provisioning mounted to Rs 234 cr.

Valuation: With the most recent guideline from RBI raising the cap on interest rates and provisioning of AP portfolio as part of NOF, SKS Microfinance will get benefitted. Also the troubles owed to operations in AP will be substantially reduced in the future as company has trimmed its exposure in AP. At CMP of Rs. 112, we recommend a BUY rating for the stock with a target price of Rs. 145 implying an upside of 29%

Stock Ratings	
BUY	The stock's total return is expected to exceed 15% over the next 12 months
ACCUMULATE	The stock's total return is expected to be within 10-15% over the next 12 months
HOLD	The stock's total return is expected to be within 0-10% over the next 12 months
SELL	The stock's total return is expected to give negative returns over the next 12 months
NOT RATED	The Analyst has no recommendation on the stock under review

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