8th Annual Global Investor Conference

August 27 - 31, 2012

Post Conference Report

featuring

CEO Track

- ☑ 10 CEO presentations
- ☑ 5 Thematic presentations
- ☑ 2 Special presentations

Company Connect

- ☑ Takeaways from company interactions

Index

CEO Track

CEO	Company	Page
Mr K Venkatramanan, CEO & MD	Larsen & Toubro	3
Mr Akhil Gupta, Dy Group CEO & MD	Bharti Airtel	4
Mr S Vasudeva, CMD	ONGC	5
Mr Himanshu Kapania, MD	Idea Cellular	6
Mr Pratip Chaudhuri, Chairman	State Bank of India	7
Mr Bhaskar Bhat, MD	Titan Industries	8
Mr S D Shibulal, CEO & MD	Infosys	9
Ms Chanda Kochar, CEO & MD	ICICI Bank	11
Mr Punit Goenka, CEO & MD	Zee Entertainment	13
Mr Kuldip Kaura, CEO & MD	ACC	14

Thematic/Special Presentations

Vision Of The Indian Financial Sector 15
Mr Deepak Parekh, Chairman, HDFC

Financial Health Of India Inc 16
Ms Roopa Kudva, S&P Region Head, South Asia

Power Of Nutrition: Bring Transformational Changes In Life 17
Ms Pooja Makhija, Nutritionist

United Colors Of Indian Politics 18
Mr Prabhu Chawla, Editorial Director, The New Indian Express

Super 30 – Revolutionizing Education at the Grassroots 19
Prof Anand Kumar, Leading Educationist & Social Entrepreneur

Making India A World Champion – Lessons from my journey 21
Ms Mary Kom, World & Olympic Boxing Supermom

Re-shaping Entertainment – Whether small screen or big! 23
Ms Ekta Kapoor, Soap Queen & Top Bollywood Producer

Company Connect

Takeaways from management interactions 24-104

Panel Discussions

25 Years of Wealth Creation

- **Mr Akash Prakash**
  CEO, Amansa Capital
- **Mr Motilal Oswal**
  CMD, Motilal Oswal Financial Services
- **Mr Raamdeo Agrawal**
  Jt MD, Motilal Oswal Financial Services

Navigating Through Business Cycles

- **Mr Glenn Saldanha**
  CMD, Glenmark Pharma
- **Mr Sanjiv Bajaj**,
  MD, Bajaj Finserv
- **Mr Vivek Chaand Sehgal**
  Founder Chairman, Motherson Sumi
- **Mr B Nagesh**
  Vice-Chairman, Shoppers Stop

Investors are advised to refer through disclosures made at the end of the Research Report.

Conference Highlights

2012 is turning out to be an eventful year with significant volatility in all asset classes.Even as the world is finding it tough to put growth back on track, India has been facing its own set of challenges of low growth, high inflation, weak rupee and no policy action.

Surprisingly, Indian equity markets have been holding out well, still among the top global performers of 2012, as foreign investors pumped in another USD11b into equities, CY12 YTD. Our earnings growth expectations remains muted at 7-8% for FY13, with probability of further downgrade. It was against this backdrop that we hosted the **8th Motilal Oswal Annual Global Investor Conference**, 27-29 August 2012, at the Grand Hyatt in Mumbai.

The **Motilal Oswal Annual Global Investor Conferences** in 2009, 2010 and 2011 were arguably the biggest in India. In 2012, we maintained this trend of hosting the largest India conference of the year. During 27-29 August, over 100 leading Indian companies interacted with more than 500 investors from all over the world, translating into 2,500+ company-investor meetings. During 30-31 August we had insightful visits to Uttar Pradesh and Delhi, where investors interacted with the Chief Minister of Uttar Pradesh and several state and central government officials.

Conference Highlights

- **CEO Track:** During the first two days of the conference, 10 CEOs of India's leading companies shared their vision, strategies and success stories.
- **7 thematic & special presentations:** By eminent personalities on a diverse range of themes –
  1. **Mr Deepak Parekh**, Chairman, HDFC, shared his **Vision of the Indian Financial Sector**
  2. **Ms Roopa Kudva**, Region Head - South Asia, Standard & Poor's, discussed her views on the **Financial Health of India Inc**
  3. **Mr Prabhu Chawla**, Editorial Director, The New Indian Express, spoke on the **United Colors of Indian Politics**
  4. **Prof Anand Kumar**, Leading Educationist & Social Entrepreneur, threw light on **Grassroots Transformation through Education**
  5. **Ms Pooja Makhija**, Top Nutritionist & Author, spoke on bringing transformational changes in life through the **Power of Nutrition**
  6. **Ms Mary Kom**, World & Olympics Boxing Supermom, shared the **Lessons from Her Journey** to an Olympics Medalist
  7. **Ms Ekta Kapoor**, Soap Queen & Ace Bollywood Producer, was interviewed by celebrity TV anchor, Mr Omar Qureshi, on **Re-shaping Entertainment**
- **Two luncheon panel discussions:** On each of the first two days there was a panel discussion over lunch. On Day 1, the topic was **25 Years of Wealth Creation**, and on Day 2 it was **Navigating Through Business Cycles**. The panelists were leading CEOs across sectors.

2012 also marks the Silver Jubilee for Motilal Oswal. To celebrate this, we set up a unique evening on August 27, featuring a dazzling Bollywood performance by Terence Lewis and his dance troupe.

The positive feedback we received makes us believe that the Conference indeed lived up to its theme, leaving investors with interesting insights, winning themes, greater conviction and the best investment ideas.

We will host the **9th Motilal Oswal Annual Global Investor Conference** in August 2013. We look forward to your participation in that event.

Navin Agarwal
CEO – Institutional Equities

Rajat Rajgarhia
MD – Institutional Equities

CEO Track

CEO Track

CEO	Company	Page
Mr K Venkatramanan, CEO & MD	Larsen & Toubro	3
Mr Akhil Gupta, Dy Group CEO & MD	Bharti Airtel	4
Mr S Vasudeva, CMD	ONGC	5
Mr Himanshu Kapania, MD	Idea Cellular	6
Mr Pratip Chaudhuri, Chairman	State Bank of India	7
Mr Bhaskar Bhat, MD	Titan Industries	8
Mr S D Shibulal, CEO & MD	Infosys	9
Ms Chanda Kochar, CEO & MD	ICICI Bank	11
Mr Punit Goenka, CEO & MD	Zee Entertainment	13
Mr Kuldip Kaura, CEO & MD	ACC	14

Thematic/Special Presentations

Vision Of The Indian Financial Sector 15
Mr Deepak Parekh, Chairman, HDFC

Financial Health Of India Inc 16
Ms Roopa Kudva, S&P Region Head, South Asia

Power Of Nutrition: Bring Transformational Changes In Life 17
Ms Pooja Makhija, Nutritionist

United Colors Of Indian Politics 18
Mr Prabhu Chawla, Editorial Director, The New Indian Express

Super 30 – Revolutionizing Education at the Grassroots 19
Prof Anand Kumar, Leading Educationist & Social Entrepreneur

Making India A World Champion – Lessons from my journey 21
Ms Mary Kom, World & Olympic Boxing Supermom

Re-shaping Entertainment – Whether small screen or big! 23
Ms Ekta Kapoor, Soap Queen & Top Bollywood Producer

Larsen & Toubro

Mr K Venkataramanan is the CEO and Managing Director of L&T. A graduate in Chemical Engineering from IIT, Delhi, he joined L&T in 1969. He was elevated to the Board of Directors in May 1999, and he assumed his current role in April 2012. He is credited with helping in the transformation of L&T from a fabrication-driven EPC contractor to a technology-led player.

Mr Venkataramanan is a Distinguished Alumni Awardee of IIT Delhi in 2005. He is the first Asian to be appointed Chairman of the Board of Directors of the 'Engineering & Construction Risk Institute, Inc.', USA for a two year term ended in May 2010. He is an Honorary Fellow of the Institute of Chemical Engineers (IChemE), UK. He is also a Fellow of the Indian Institute of Chemical Engineers, and currently the Chairman of the Capital Goods Committee of FICCI.

Mr Krishnamurthi Venkataramanan
CEO & Managing Director
Larsen & Toubro

Key takeaways

Core essence

- ***Lakshya 2016*** targets revenues of INR1,000b by FY16, from current levels of INR620b. This will be driven by increased contribution from overseas business to 25% (up from 15% now) and new manufacturing businesses (defense INR65b, ship-building INR40b, deepwater rigs INR35b, etc).

Industry insights

- High growth sectors include Power, Hydrocarbons and Steel.
- In the power sector, the issue of coal availability is moving in a positive direction. Many state utilities have also started to raise tariffs. However, sustained ordering in power sector still looks 2 years away. Fukushima event has pushed back nuclear capacity addition by 2 years, but investment in solar capacity is picking up as cost of setting up a plant has reduced to INR1b/MW. Hydel capacity remains sluggish.
- Domestic E&P spend is picking up while refinery and petroleum capex remains sluggish. Investment in fertilizer capacity is dependent on new Urea Investment policy and availability of gas. In the global markets, Middle East, South Eastern region, Australia and CIS countries continue to show increasing investments. Globally, offshore oil E&P is moving towards deeper water.
- Domestic ferrous segment continues to slow down due to ban on iron ore mining in Karnataka; non-ferrous capex is also sporadic.
- L&T is attractively positioned in many of these segments. In the infrastructure segment, metro rails and DFCC are major growth drivers. Road project orders by NHAI have slowed down, but there are some prospective orders in the Airports segment. Urban Infra is showing healthy traction driven by investment in hospitals and water treatment.

Key triggers/challenges

- The current phase of slowdown in domestic business is a wake-up call and the attempt going forward is not to depend on any single economy for growth. Hence the process of internationalization will accelerate now and the target is to increase the share of international business to 25% by 2016 from 15% currently.
- Correcting the capital structure is an important priority, and is being targeted through portfolio rationalization (hiving off businesses which cannot achieve a critical size), value unlocking (target at least 4 listed companies by 2020) and asset monetization / churn.
- One of the important objectives is to make L&T asset light going forward.

Covering Analyst(s):
Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Deepak Narnolia
+91 22 3029 5126
Deepak.Narnolia@MotilalOswal.com

Bharti Enterprises

Mr Akhil Gupta is the Deputy Group CEO and Managing Director of Bharti Enterprises and a Director of Bharti Airtel. He has been closely involved from the very beginning in the growth of Bharti in the telecommunication services sector. He has also been responsible for conceptualizing and implementing the separation of passive mobile infrastructure and forming Indus Towers, a JV with Vodafone and Idea, which has become the largest tower company in the world.

Mr Gupta is also the Chairman of Tower and Infrastructure Providers Association (TAIPA). He represents the Indian Telecom Industry and Bharti regularly at various forums. He was awarded 'CEO of the Year' at the National Telecom Awards 2012. He was also honored for 'Outstanding Contribution to the Telecom Sector' by the leading telecom magazine, tele.net.

A Chartered Accountant, Mr Gupta has also completed an "Advanced Management Program" at the Harvard Business School.

Mr Akhil Gupta
Deputy Group CEO & Managing Director
Bharti Enterprises

Key takeaways

Core essence

- Sector/country fundamentals remain intact but adverse industry structure and irrational competition are hurting financial health.
- The industry has taken some corrective initiatives recently; unless these initiatives sustain and succeed, the outlook remains weak.

Industry insights

- High sales and distribution expenses due to rotational churn remain a significant drag on margins.
- Data and 3G pick-up remain key long-term growth drivers, e.g. Bharti already has 39m data users out of its overall India subscriber base of ~190m. Data is growing at 25%+ QoQ.
- Most operators have deep pockets, which is driving irrational competition.

Company vision and strategy

- Aim to reduce Net Debt/EBITDA for the company to 2.5x (2.9x in 1QFY13).
- Taking initiatives to curb irrational competition in terms of sales and distribution expenses.
- Expect steady growth in Africa, but very high growth is unlikely, as tariffs remain relatively high (>5 cents per minute v/s less than 1 cent in India).

Key triggers/milestones/challenges

- Regulatory clarity on spectrum payments/allocation.
- Industry has been, over the last month, trying to ensure no negative landing, which should be positive for margins.
- Political will for reform and pro-industry/pro-growth measures remain low, dampening the investment mood.

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Oil and Natural Gas Corporation

Mr Sudhir Vasudeva is the Chairman and Managing Director of Oil and Natural Gas Corporation (ONGC), the most valuable Maharatna public sector unit (PSU) of India. He is also the Chairman of ONGC Videsh (OVL), Mangalore Refinery and Petrochemicals (MRPL) and five other ONGC Group Companies - ONGC Petro-additions, ONGC Mangalore Petrochemicals, Mangalore SEZ, ONGC Tripura Power Company and ONGC Mittal Energy.

Mr Vasudeva is a Gold Medalist Chemical Engineer with Advanced Diploma in Management. Under his stewardship, ONGC has registered its highest-ever profit, become the highest-ever dividend paying company in India, and often retains the Numero Uno position in terms of market capitalization. His focus on Investor Relationship has ranked ONGC Number-2 in Institutional Investors' Best IR Companies List of 2012 in the Oil & Gas domain across Asia.

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Deepak Dult
+91 22 3982 5445
Deepak.Dult@MotilalOswal.com

Mr Sudhir Vasudeva
Chairman & Managing Director
Oil and Natural Gas Corporation

Key takeaways

Core essence

ONGC aspires for 2x increase in production, 3x in revenue & EBITDA and 6x increase in international production under its Perspective Plan 2030. All of this may require investment of INR11t, which it can manage without external funding.

Industry insights

- Technology & innovation is expanding the capabilities of global E&P sector, helping to explore deepwater frontier basins.
- Unconventional energy forms like shale gas and oil shales will be game changers for the sector.
- Natural gas is the fuel of the 21st century driven by the environmental friendliness and improved fungibility.
- Surplus gas production in US and likely new gas production in China will play an important role in global gas prices and trade. This will also influence the conventional gas contracts and may shift incrementally from pure oil-linked to gas linked (e.g. Henry Hub) or linked to blend of oil/gas benchmarks.
- India, with 17% of the world population, accounts for just 1% of hydrocarbon resources in the world. Nevertheless,
- Indian E&P sector has witnessed significant progress post the NELP regime and has discovered 3.5btoe in-place hydrocarbon reserves through 380 discoveries in the last 11 years.
- India is now the fifth largest LNG importer (5.5% share in LNG trade) and is set to strengthen its position going forward with already planned LNG terminals.

Company vision and strategy

- ONGC targets to grow its overall production at 4-5% CAGR with major contribution from overseas production with a target of 60mmtoe/year by 2030.
- Further, it targets the non-E&P business to contribute 30% of the group revenues.
- It targets to unlock 450+ mmtoe YTF (yet-to-find) domestic hydrocarbon reserves.
- It plans to invest INR11t over 2013-2030 as against INR2.7t in 12th Five Year Plan.

Key triggers/milestones/challenges

- Near-term challenge is to maintain earnings growth amidst ad hoc subsidy sharing.
- Subsidy rationalization over the long term will improve earnings predictability and in turn valuations.
- ONGC's standalone domestic production is expected to rise by ~4mmt in FY14 led by monetization of marginal fields to 28.3mmtpa (meaningfully above consensus estimates), as against the flat production trend for the last several years at 24-25mmtpa. Further, domestic gas production is likely to cross 100mmscmd by FY17, helped by new discoveries (Mahanadi, KG-98/2).

Idea Cellular

Mr Himanshu Kapania is the Managing Director of Idea Cellular, a pan-India mobile operator with revenue of USD4b and over 110m subscribers. He is credited with strengthening Idea's dominance in Maharashtra & Goa, Madhya Pradesh & Chattisgarh, and Kerala, and launching Idea services in Mumbai, Karnataka, Tamil Nadu and Chennai while expanding brand presence in Gujarat and Andhra Pradesh. Under his leadership, Idea has grown in South and West India.

Mr Kapania has had two separate stints with Idea Cellular (erstwhile Birla AT&T). In his first stint, he joined the company in 1997 as General Manager, Operations - South Maharashtra and then moved on as COO for Gujarat (1998-2000) and as COO for Delhi (2000-2003). Subsequently, he worked with Reliance Infocomm as CEO - North India. In September 2006, Mr Kapania returned to Idea as COO and in 2008, was promoted as Director - Operations. He was appointed Managing Director in April 2011.

Mr Himanshu Kapania
Managing Director
Idea Cellular

Key takeaways

Core essence

- Industry potential for voice and data growth is intact.
- The sector is now better placed to enforce competitive discipline, as relative gap between scale/margins of incumbents has reduced.
- Upcoming 2G spectrum auction will be a defining event.

Industry insights

- Industry consolidation is inevitable, given significant losses for challengers and upcoming increase in spectrum costs.
- Tariffs and margins are bound to reverse; the industry is now better placed to enforce discipline, as relative gap in scale/margins of incumbents has reduced.
- Expect telecom sector revenue to grow at a CAGR of 10-12% over the next 10 years.

Company vision and strategy

- Idea has scaled up significantly over the last two years, with the top player's lead over Idea in the India wireless business reducing from 2.7x to 1.9x in revenue terms and from 4.1x to 2.5x in EBITDA terms.
- It plans to tap the data opportunity by positioning 3G as a mass product.
- It intends to maintain leadership in the established circles; cautiously invest in new circles to maintain effective deterrent.

Key triggers/milestones/challenges

- Industry VLR subscriber base remains under 700m; it has the potential to reach 1b.
- Upcoming Supreme Court mandated 2G auction will be a defining moment for the sector, and force various industry participants to rethink their strategies and cash losses.
- Industry initiatives to reduce subscriber churn will bring sanity in the market and support margins.

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

State Bank of India

Mr Pratip Chaudhuri is the Chairman of State Bank of India, the only Indian bank to feature in the Fortune Global 500 list. In this role, he is not only the Chief Executive of India's largest commercial bank, but also the head of the entire State Bank Group including 5 associate banks and 22 subsidiaries - 8 of which are overseas entities.

Mr Chaudhuri holds a post graduate degree in Business Administration with specialization in Finance. He joined this 205-year old institution as a Probationary Officer in the year 1974. During his tenure of 37 years in State Bank of India, he has held a number of important positions, including those of Chief General Manager (Foreign Offices), Chief General Manager of Chennai Circle and General Manager (Mid Corporate Group).

Mr Chaudhuri assumed Chairmanship of State Bank of India in April 2011. Immediately prior to taking over as Chairman, he was Deputy Managing Director in charge of the International Banking Group of the Bank.

Covering Analyst(s):

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Mr Pratip Chaudhuri
Chairman
State Bank of India

Key takeaways

Core essence

- Continued traction in low cost deposits, better utilization of excess liquidity (incl excess SLR), will keep margin story intact. Policy logjam, moderation in economic environment, deficit rainfall etc is leading to higher stress on asset quality.

Industry insights

- There is serious deceleration in long term credit especially capex driven industries like Power, Fertilizers, Metals etc.
- There remains a huge opportunity in retail loans especially home loans and auto loans. Any change on the liability rate will happen only at the shorter end.

Company vision and strategy

- NIM (reiterated 375bp guidance for FY13) remains the heart of the bank strategy. Focusing on improving retail deposits share (especially low cost deposits), better utilization of excess liquidity etc will lead to improvement in margins. NIMs in July have improved than June 2012.
- SBI will continue to follow the conservative policy of recognizing the stress upfront v/s restructuring the same.
- Consumer credit is gaining strong traction with the reduction in interest rates. With 100bp fall in interest rates for car loans volumes have become 3x.
- Others (a) Incrementally insisting borrowers to take higher tenor (12-14 years v/s 8-9 years) for capex loans. (b) focusing on reducing the bulk deposits further and (c) Focusing on reducing the cost to income ratio further.

Others

- Strength of savings deposits can be seen from some of the large accounts like 1.3m account of railways, 0.8m Railway pensioners accounts, 1.5m Indian army etc. Large corporate relationships and their employee's salary accounts also leading to strong traction in savings deposits.
- Higher stress on asset quality in 1QFY13 was on account of higher stress on pharma, construction, engineering, construction and EPC contractor (due to in release in payment from government).

Key triggers/milestone/challenges

- Change in macro-economic environment. Any concentrated efforts by government to get rid of policy paralysis and boost investment climate.
- Expected merger of one of the associate bank with SBI.

Titan Industries

Mr Bhaskar Bhat is the Managing Director of Titan Industries. He began his career as a Management Trainee at Godrej & Boyce in 1978. After five years at Godrej, he joined the Tata Watch Project, which is now Titan Industries. He assumed his current role in April 2002.

Mr Bhat is a BTech (Mechanical Engineering) from IIT Madras (1976) and has completed his Post Graduate Diploma in Management from IIM Ahmedabad (1978). Most of his working experience has been in Sales & Marketing. At Titan, he has handled Sales & Marketing, Human Resources, International Business and General Management. He is also a Director in Virgin Mobile India Limited, a joint venture of Tata Teleservices and Virgin Group, UK.

He won the Most Admired Retail Professional of the Year at the India Retail Forum 2011 and received the Distinguished Alumnus Award in IIM Ahmedabad in November 2011. Mr Bhat was ranked as the 4th CEO in a survey conducted by the Business Today, INSEAD and HBR.

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@motilaloswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Mr Bhaskar Bhat
Managing Director
Titan Industries

Key takeaways

Core essence

- Notwithstanding the current weak consumer sentiment driven by shaky consumer confidence and macro challenges, medium and long term consumption opportunity for Titan in the jewelry, Watches and other adjacent lifestyle categories remains immense and attractive. Titan has identified key growth drivers for its core and potential adjacent lifestyle categories and enunciated its focus areas to take advantage of the longer term consumption theme.

Industry Insights

- Cautious Consumer; stays in "Wait and Watch" mode: Though industry footfalls have improved from the lows of May-June, consumer remains in Wait & Watch mode. Impact of inflation and poor consumer sentiments continue to reel broader Retail industry and Discretionary categories in particular.
- "Discounting" being used to induce spending: Spending recovery in Discretionary categories will be a function of "discounting ", at-least in the short term. Today's "smart" consumer waits for offers/discounts to plan her purchases. Titan, on its part, is rolling out slew of attractive offers in high-value items to induce more spending and to attract new consumers.
- Expansion plans unchanged: A key change from the previous downturn is the continuation of network expansion plans.

Company vision and strategy

- India's large and under-penetrated middle class remains the cornerstone of Titan's long term strategy as it offers significant upside for Titan's core categories of Jewelry and Watches.
- Targeting Youth, Women and Kids as a focus consumer segments as they are expected to drive consumer spending in the lifestyle categories.
- Differentiated marketing in small towns will help drive penetration in unexplored geographies.
- It intends to unearth new unorganized products categories and focus on under-served consumer segments.

Key triggers/milestones/challenges

- Inflation in Gold price as it can continue to impact same store growth
- Any policy changes as government seems keen to curtail Gold imports.
- Longer than envisaged slowdown in discretionary categories.

Infosys

Mr SD Shibulal is the Co-Founder and the CEO and Managing Director of Infosys. Earlier, he has held a number of senior leadership roles in the company. Prior to becoming CEO, he served as COO between June 2007 and August 2011.

He has been instrumental in the development of Infosys' Global Delivery Model, which helped set the stage for its evolution into a leading multinational Business Consulting and IT Services provider. As CEO, Mr Shibulal is focused on strengthening strategic partnerships with clients, increasing client relevance and evolving the business model towards achieving Infosys' aspirations of becoming a next generation Global Consulting and IT Services corporation.

Mr Shibulal holds an MS degree in Computer Science from Boston University and a Master's degree in Physics from the University of Kerala. He is a member of the Board of Trustees, the International Advisory Board and the Metropolitan College Dean's Advisory Board of Boston University.

Covering Analyst(s):
Ashish Chopra
+91 22 3982 5424
Ashish.Chopra@MotilalOswal.com

Mr SD Shibulal
Co-Founder and CEO & Managing Director
Infosys

Key takeaways

Core essence

- While the environment remains challenging for the near term, growth opportunity over the long term remains healthy, when viewed from any dimension (Geography, Clients, Services or Verticals). Infosys 3.0 strategy is a long term journey, early indicators of which have been encouraging.

Industry insights

- **Vertical-specific challenges remain:** Uncertainty continues to mar the current environment, which has meant prolonged delays in decision making. Growth challenges have not eased in BFSI, and companies continue to seek cut in costs, especially Investment Banks. Also, delays in implementation of Regulatory changes and incidents of new likely regulations add on to the uncertainty that has affected spends. Retail vertical has so far done well, but consumer confidence numbers are a concern.
- **Ample opportunity for healthy long-term growth:** Over the long term, structural opportunity to grow remains healthy when looked at from any dimension - clients, geographies, services or verticals. Infosys serves between 600-700 clients, with an addressable space of 2,000 clients. Also, it has multiple service lines with a current scale of up to USD500m, and potential to scale up to USD1b in each. Among geographies too, countries like China, Brazil, Indonesia, Mexico currently have little to no penetration and remain opportunities over the long term.
- **Sporadic pricing declines, environment stable:** 3.2% QoQ decline in pricing was a function of [1] one-time revenue reversal of USD15m, [2] sporadic price cuts in stressed segments and [3] revenue mix shift in favor of business IT Services. However, there is no secular trend of pricing decline and pricing trends have been stable two months into 2QFY13 even though the challenges in the environment remain.

Company vision and strategy

- **Four drivers behind Infosys 3.0:** Infosys' choice to move away from low hanging fruits and undergo a transformation is driven by four imperatives:
  [1] Clients' expectation of IT Services vendors being business innovation partners than simply technology innovation partners to them, as Infosys seeks to stay relevant to them,
  [2] Increasing commoditization and price sensitivity in Business IT Services like Application Maintenance and Infrastructure Management Services,

[3] Decrease dependency on the linear model of growth, and

[4] Continue to stay ahead of the curve in innovation and technologies that shape future trends.

- **Acquisitions core to the execution of strategy:** Infosys 3.0 has a slated objective of increasing the share of revenues from Products and Platforms to one-third of the company's size (v/s ~6% currently) over the next 4-5 years. As other services continue to grow as well, the objective is likely to be met only with a necessary contribution from the inorganic route. Also, the company's target set has expanded with its new strategy, and it is now scouting across a much more diverse set of companies than before.
- **Harley Davidson deal substantiates growth focus on Business IT Services segment:** Infosys' 5-year deal with Harley Davidson in the Business IT Services space indicates that achievement of balanced services mix will not come at the cost of limited growth focus on the Business IT Services segment. Separation into three segments allows the company to take care of the different hiring needs and processes, strategies and business cultures across the segments.

Key triggers/milestones/challenges

- Greater hiring of locals onsite is likely to drag the onsite utilization rate down, as the utilization of locals is only ~70% v/s utilization of deputes from India at ~95%. Going forward, Infosys will need to plan resource allocation to limit the impact on margins due to this.
- Acquisitions will be a significant relief on concerns around cash non-deployment, and any buys in the Products & Platform space will help push its share up towards the targeted 30%+. Infosys is comfortable acquiring a company for up to 10% of its revenue size.
- Recent deals highlight the company's openness to newer models of working with clients - like transition of workforce, which could facilitate better growth.

ICICI Bank

Ms Chanda Kochhar is the Managing Director and CEO of ICICI Bank, India's largest private sector bank. She is recognized for her role in shaping Retail Banking in India, for her leadership of the ICICI Group, and for her contributions to various forums in India and globally.

Ms Kochhar began her career with the erstwhile ICICI Limited in 1984 and was instrumental in establishing ICICI Bank during the 1990s. Ms Kochhar has held various responsible positions in the Group. She assumed her current role in 2009.

Ms Kochhar was conferred the Padma Bhushan in 2011. In 2012, she has been named amongst the nine Indian women in the Forbes' inaugural "Asia Power Businesswomen" list, ranked fifth in the list of the "Most Powerful CEOs" in India by The Economic Times and first in the list of "Top Women CEOs" in the country, and conferred with CNBC Asia's India Business Leader of the year award and CSR award.

Covering Analyst(s):

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Ms Chanda Kochhar
Managing Director & CEO
ICICI Bank

Key takeaways

Core essence

- While the macro environment remains challenging over the near term, growth opportunity over the long term remains healthy. Consolidation phase of FY08-10 and focus on improving liability profile and risk management would help the bank to sustain/ improve profitability and, in turn, return ratios.

Company Vision and Strategy

- **Focus on sustainable and profitable growth:** ICICIBC to continue its focus on 5Cs (Credit growth, CASA, Cost efficiency, Credit quality and Capital conservation). Improving domestic loan growth while maintaining CASA ratio at the current level, stable margins and containment of credit cost would help ICICIBC to further enhance the return ratios. For FY13, ICICIBC has guided for exit RoA of 1.65% v/s 1.5% in FY12 and consolidated RoE target of 15%. Over the medium term it expects to improve consolidated ROE to 17-18%.

- **Near term loan growth to be driven by corporate segment; retail to accelerate:** Domestic loan growth expected to be 20% for FY13, within which retail loan portfolio expected to grow by 15%. Focus on secured retail loans to increase viz. mortgage, auto, CV etc which would see acceleration in FY14, whereas unsecured retail loan should also see some pick-up on a lower base. Working capital loans and disbursement from past sanctions would be the key driver for corporate loans. International loan book (in consolidation phase) to remain flat to +5% thereby overall growth expected to be 15% for FY13.

- **Structurally margins have moved to a higher level:** From the margin levels of 2.6-2.7%, ICICIBC has improved its margins to level of 3% led by improved liability profile (CASA ratio of 40%+) despite reducing share of high yielding unsecured loan. With higher share of retail loans, strong CASA ratio management expects to maintain margins at 3% in the near term and expect it to improve further by 20-25bp in medium to long term.

- **Challenging macro environment but asset quality manageable:** ICICIBC has managed its asset quality fairly well despite macro environment turning adverse. While stress in macro-environment continues ICICIBC believes asset quality performance would depend on individual banks portfolio mix and it is well placed

to face the challenges with strong risk management practices that it has followed in past few years. Though stress in corporate segment may lead to some incremental restructuring it would be lower than that seen in FY12. Credit cost guidance unchanged at 75bp for FY13.

- **Other highlights:**
  - ICICI Prudential Life Insurance: Focus on sustaining profitability. Have curbed cost in light of challenging macro and regulatory environment to protect profitability.
  - ICICI General Life: A large part of provision on third party pool that was to be made as per change in regulations was made in FY12. Profitability to improve going forward.
  - Overseas banking subsidiaries: In light of regulatory hindrance in overseas market ICICIBC to focus on consolidation in business and calibrate growth. Further optimize its capital structure for which steps have been initiated.

Key triggers/milestones/challenges

- Continued stress in infrastructure segment might lead to higher restructuring going forward.
- Regulatory changes like dynamic provisioning, PSL norms etc.

Zee Entertainment Enterprises

Mr Punit Goenka is Managing Director and CEO of Zee Entertainment Enterprises (ZEE). His strong work ethics and hands-on approach have helped steer the ZEE Empire to new frontiers of success. Under his leadership, Zee TV has emerged a leader among General Entertainment Channels in India. He is now working towards strengthening ZEE's reach internationally.

Mr Goenka has grown up the ranks, handling various responsibilities across the Essel conglomerate for over 15 years. He began his career with Zee TV in 1995 as Head of the Music division and went on to shoulder additional responsibilities across group companies. In 2004, he took charge as the Business Head of Zee TV. He was promoted to Network Operating Officer in 2005 and was made responsible for the Programming, Operations, Administration and HR functions of all of ZEE's entertainment channels. He assumed his current role in July 2008.

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Mr Punit Goenka
Managing Director & CEO
Zee Entertainment Enterprises

Key takeaways

Core essence

- Zee has maintained high profitability despite significant leakages in analog distribution; surplus from improved subscription revenues post digitization would be utilized for investments as well as for higher payouts to shareholders.

Industry insights

- Digitization will improve the revenue share of broadcasters, drive higher ARPU for DTH operators, and increase declarations for MSOs.
- Television remains the largest media sector in India, accounting for 45% of the industry, and has been growing at 13% CAGR.
- Top-5 Hindi GECs account for more than 95% of revenue.
- The broadcasting industry has single-digit EBITDA margin at the aggregate level as compared to 28% for Zee.

Company vision and strategy

- Zee is investing in new channels and products; has announced the launch of Bengali movie channel within the next two months. Other key investments include Arabic GEC (Zee Alwan), online ventures (Ditto TV and India.com), and a pipeline of niche channels for the Indian market.
- Zee has expanded the original programming hours by introducing weekend slots through programs like 'Fear Files' and 'Ramayan'.
- Zee's original reality formats like 'Saregamapa' and 'Dance India Dance' continue to generate better ratings v/s competitors' high cost celebrity shows.
- Profitability remains a key focus area; all the GECs in Zee's portfolio (excluding Tamil) remain profitable on a standalone basis.

Key triggers/milestones/challenges

- Digitization to improve economics across the value chain.
- Further delay in mandatory digitization remains an overhang.
- Ad revenue environment remains challenging.
- Expect near-term pressure on core margins due to increased investments in content.
- Sports loss to reduce from FY12 levels but breakeven unlikely in FY13/FY14.

ACC

ACC

Mr Kuldip K Kaura is CEO and Managing Director of ACC.

He has rich experience and a deep appreciation of the national and international business environment. He has had the benefit of management education from reputed institutions like London Business School and Swedish Institute of Management. He did his BE (Honors) in Mechanical Engineering from Birla Institute of Technology & Science, Pilani in 1968.

Mr Kaura worked with Vedanta Resources Plc for seven years, initially as the Managing Director of Hindustan Zinc and thereafter as Chief Executive Officer of Vedanta Resources until 2008 and played a significant role in the transformation and rapid growth of its group companies. Prior to this, he had an 18-year stint with ABB India, an engineering company. During this period, he grew through various key positions and was Managing Director from 1998 to 2001.

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Mr Kuldip K Kaura
CEO & Managing Director
ACC

Key takeaways

Core essence

- Demand outlook for the cement sector remains positive with 8-9% CAGR on ~7% GDP growth over next 10 years. ACC is focusing on maintaining its 11% market share, and attaining cost leadership in high cost (capex & opex) environment.

Industry insights

- Industry volumes to grow 8-9% CAGR to 470mt by 2020, driven by strong housing growth and improvement in infrastructure spend. It expects per capita consumption to increase from current 185kg, as against 1,390kg in China.
- Industry utilization to improve from ~76% now to 80% by CY15 and 84% by CY16.
- There has been significant increase in both capital cost and operating cost over last few years, along with significant increase in gestation period to set-up new capacity. It expects Greenfield capacity to take ~5 years and cost about ~INR7,500/ ton (~USD140/ton) excluding captive power.

Company vision and strategy

- It aims to maintain its market share at ~11%, effectively resulting in 55mt despatches by 2020.
- It is aiming for attaining cost leadership by improving critical operating parameters from the industry average to industry leading parameters. It is focusing on a) improving blending, b) improving energy efficiencies, c) increasing CPP PLF and d) improving logistics efficiencies.
- It doesn't expect any royalty, as ACC pays for services availed from Holcim and unlike other countries ACC does not use Holcim brand.

Key triggers/milestones/challenges

- Of 4 coal blocks in MP in JV with the state government, work on one block is progressing well with expected commissioning in 2 years time. The said coal block has ~30mt of mineable reserves. None of its coal blocks are implicated by CAG.
- Given increase in capex cost, the industry would require higher profitability to earn reasonable RoCE. Hence, it expects limited downside to current pricing.
- It is focusing on increasing use of alternate fuel to mitigate impact of shrinking linkage coal. It expects to replace 15-20% of coal by alternate fuels.
- It is setting-up a brownfield capacity of 5mt at Jamul, including split grinding units at Sindri and West Bengal, and is expected to be operational by 1QCY15. Upon commissioning, it would gradually phase out old plant of ~1.5mt capacity at Jamul.

Vision Of The Indian Financial Sector

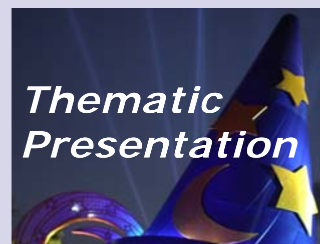
Mr Deepak Parekh is the Chairman of HDFC, India's premier housing finance company. Mr Parekh's business acumen and farsightedness has not only made HDFC the leader in Mortgages, but has also transformed it into India's leading financial services conglomerate, with presence in Banking, Asset Management, Insurance, Real Estate Venture Fund and Education Loans.

Besides HDFC Group companies, Mr Parekh is on the board of several leading companies across diverse sectors. He is often dubbed as the government's unofficial crisis consultant. Be it his role as Special Director on the Satyam Board in 2009 to revive the company or the crucial role played by him during the UTI mess in the late '90s, He has shared his ideas to formulate reform policies across sectors. He is an active member of various high-powered Economic Groups, government-appointed Committees and Task Forces.

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Mr Deepak Parekh
Chairman
HDFC
"Vision Of The Indian Financial Sector"



Key observations on the Indian Financial Sector

- Banking business world over runs on two principles i.e. "Trust" and "Confidence", and in India, the business model that can survive in long term is "Basic banking", which can also be called "Boring Banking"!
- India's financial sector remains fairly isolated from global chaos due to less complicated and sophisticated structures. Some comfort must be drawn from higher capitalization of banks and lower relapse from restructured loans. However, one worrying factor is increasing concentration risk in the banking system. 20% of the incremental banking credit in FY12 has gone to top 10 groups.
- In the recent period, India has got too pre-occupied with slowing GDP growth, policy paralysis, inability of government to push reforms, and investor confidence being shaken up due to GAAR and tax uncertainties. However, in the process, some of the key fundamentals needs to be considered, viz, young population, growing middle class, better job opportunities, rising disposable income and high household savings rate of 23% of GDP.
- There remains a big opportunity in terms of mortgages, autos, consumer credit, etc. Banks, NBFCs, MFIs, etc with strong retail customer relationships are likely to be the biggest beneficiaries in the longer term. Retail penetration remains low at 8% of GDP v/s 19% in China, 25% in Japan, 60% in Singapore and 65% in Malaysia.
- Lack of enabling environment in terms of policy measures has hindered a number of existing projects particularly large infra projects and the pipeline of new proposals has dried up.
- Other risks for financial services are - (a) Negative perception of regulators on NBFCs, (b) Moderation in deposits growth, (c) Frequent regulatory changes, (d) Increasing share of physical rather than financial savings, and (e) Lack of developed debt markets.
- **Take on Insurance industry:** (a) Too fragmented; expect mergers to take place ahead, and (b) FDI caps needs to be increased in several sectors.
- **Take on mutual funds:** De-growth will reverse; recent SEBI actions will have positive results.
- 4 key parameters which will differentiate players in financial services are: (a) Customer centricity, (b) Level of transparency, (c) Ability to cross-sell, and (d) Leveraging on technology.

Financial Health Of India Inc

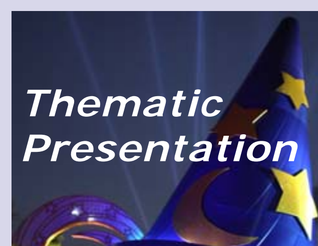
Ms Roopa Kudva is the Region Head, South Asia of Standard & Poor's, a global analytical company providing ratings, research, and risk and policy advisory services. She is also the MD and CEO of CRISIL, S&P's Indian subsidiary. During her tenure as CEO, CRISIL's profits have more than doubled, its customer-base has grown from 1,000 to 30,000, and its reach has expanded from 9 Indian cities to 150, while its international operations now cover 30 countries.

Ms Kudva holds a Degree in Statistics, and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. She joined CRISIL in 1992, and has more than two decades of credit-related experience across sectors, including a secondment to Standard & Poor's, Paris, as Director, Financial Institutions Ratings. She assumed her current role in 2007.

Ms Kudva regularly features in lists of the most powerful women in Indian business.

Covering Analyst(s):
Dipankar Mitra
+91 22 3982 5405
Dipankar.Mitra@MotilalOswal.com

Ms Roopa Kudva
Region Head, South Asia
Standard & Poor's
"Financial Health Of India Inc"



Key takeaways

Core essence

- Global and domestic economic weakness, policy paralysis, higher inflation and interest will lead to lower GDP growth of 5.5% in FY13.
- Other macroeconomic indicators are also likely to be worrisome like Inflation of 8%, 10-year interest rates of 8.0-8.2%, and fiscal deficit of 6.2%.
- On back of expected improvement in current account deficit (due to cooling commodity prices and improved/expected improvement in foreign flows) INR is expected to be INR53 by March 2013.

Other insights

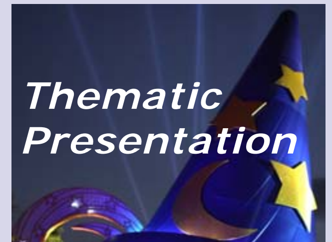
- Uncertainty over macroeconomic environment is likely to keep banking asset quality under stress. GNPA is expected to rise to 3.2-3.5% (worst case 3.9%) v/s 2.9% in FY12. Even restructured loans are likely to increase to INR3t (earlier estimate of INR2.1t).
- At the banking industry level, ROA is expected to decline to below 1% in FY13, the first time in the last 5 years. NIMs are likely to remain healthy at ~3%, PSBs are expected to lose market share to private sector banks.
- While stress is likely to increase, healthy capitalization remains a comfort factor. However, PSBs are expected to require INR2t by FY2018 to meet Basel III requirement.
- Based on current monsoon trends, agriculture growth is expected to be flat. Services are expected to grow 7.6% and industry at 3.6%. In the medium term GDP growth is expected to be 7.5% (with the assumption of favorable domestic factors and unfavorable global factors), worst case 6.5% (both unfavorable domestic and global) and best case of 8.5% (both global and domestic factors favorable).
- High interest rates led to fall in private consumption and lower investment cycle.
- Rating action ratio (RAR i.e. ratio of Crisil's rating upgrades to downgrades) has come down from the peak of 1.11x in 3Q2011 to 0.97x now and it is expected to come down further. RAR below 1x is an indicator of weakening health of Indian corporate sector.
- Reason for downgrades are (a) 56% on account of stretched liquidity leading to elongated working capital or capex, and/or inability to refinance, (b) 23% on account of weakening profitability, cost and demand pressures, and (c) rest on account of various economic and policy issues.
- Top 10 stress sectors include Power, Iron & steel, Engineering, Cotton textiles, Vehicles & allied segments, Constructions, Gems and Jewelry, Cement and Mining.

Power Of Nutrition

Ms Pooja Makhija is one of India's leading experts on nutrition and has counseled over 15,000 clients. She runs her own wellbeing clinic, Nourish, in Mumbai. She teaches her clients how to eat right, keep fit and maintain high energy levels, enabling them to deal with the rigors of life. She believes that understanding the importance of food can bring about huge, transformational changes in people's lives. She is known for her no-nonsense diet plans.

Her prescription for healthy weight loss is: Eat within the first hour of rising. Eat four main meals a day and a small snack every two hours in between. Exercise after a small light snack. Eat main meals after the workout. Hydrate yourself well - one glass of water every hour. Restrict daily oil consumption to 3-4 tablespoons a day. Avoid refined sugar in beverages. Stay away from artificial sweetener, too. Say no fruits juices, smoothies or milkshakes. Eat the fruits instead. Healthy eating is a lifestyle, not a "diet". Imbibe it.

Ms Pooja Makhija
Nutritionist
"Power Of Nutrition: Bring Transformational Changes In Life"



Key takeaways

- **Listen to your body:** We need to listen to our body as it continuously communicates to us.
- **Inadequate food causes ailments:** Many common ailments like nausea, acidity, fatigue, irritability, etc are caused by lower food intake. It also results in subsequent craving.
- **Excess eating leads to fat deposits:** Any form of excess food whether carbohydrate, protein or fat all get deposited as fat.
- **Food is the fuel:** While we have food for every other reason making it a social event or an emotional outlet, we need to think food as basic fuel.
- **Two aspects - frequency and quality:** Frequent meal intake makes it possible for fat to be burnt regularly while lack of food makes it draw the energy from muscle without burning fat. However, one needs to be selective about the food that one has too.
- **Food is your friend:** Food is your friend, but then you have close friends, good friends and acquaintances. Bread, poha, dal, rice are like meeting close friends; you should have them regularly. Then you have cheese, cake, chocolates, etc, that you have sometimes (like you meet good friends occasionally). In the last group, acquaintances, you have meat, aerated water, etc that you would have only once in a while.
- **Many myths around food:** Many myths about food abound: (i) You shouldn't have carbs after sunset, (ii) Diabetics can't have rice (they can, but only in the right quantity), (iii) Low fat is low calorie or anything "diet" is better, (iv) If you exercise you can eat whatever, (v) One spoon of sugar in tea does not cause harm, and (vi) You cannot mix carbs e.g. have rice and wheat together.
- **Two hour gap between meal and sleep:** A gap of around 1 hour 45 minutes is prescribed between meal and sleep, while a gap of 45 minutes is prescribed between snacks and bed.
- **Exercise:** One should exercise regularly, and think of the same as one's own personal time.

Covering Analyst(s):
Dipankar Mitra
+91 22 3982 5405
Dipankar.Mitra@MotilalOswal.com

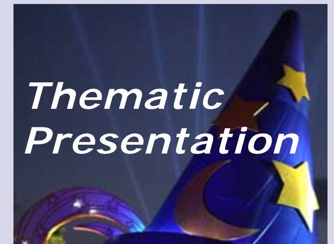
United Colors Of Indian Politics

Mr Prabhu Chawla is Editorial Director of The New Indian Express Group and hosts 'Teekhi Baat', a talk show on IBN7. He is one of the most authoritative and credible voices in print as well as the electronic media in India. In his 40 years as Reporter and Editor, he has extensively covered events that have changed India's political course and the people who engineered them.

Mr Chawla began his career as an Economics Lecturer at Delhi University before going on to become one of India's best-known journalists.

Among the recent awards and accolades he has received are: the Indian Television Academy Award for Best News and Current Affairs Anchor for 2009 for 'Seedhi Baat', the Indian Television Academy Award for Best Talk Show Host for 2008, and the Sansui Television Best TV Anchor Award for 2008. Mr Chawla is a Padma Bhushan recipient.

Mr Prabhu Chawla
Editorial Director
The New Indian Express Group
"United Colors Of Indian Politics"



Key takeaways

- **Political fragmentation:** At present there are 929 registered political parties, 6 national, 47 state level and 876 others - the last group is coming to the fore. They often claim share of power disproportionate to their representation. Parties based on language, caste, religion, philosophies are passé. One implication is that now every year is an election year. There have been 2,190 poll days since 1987.
- **Dynasty in democracy:** Only 25 families control 80% of seats in Indian legislatures.
- **Strong anti-incumbency:** Four out of five incumbent governments gets thrown out. Nearly 50% of the elected are ousted. Thin mandate warrants people of extremely divergent ideology to come together if only to share power.
- **Positive trends:** Three trends that are discernable are highly positive: (i) Indian economy is globalizing, (ii) Politics is regionalizing, and (iii) Society is localizing. These are mutually reinforcing phenomena. Despite all its follies, India has delivered an unmatched growth rate of 6.5% for over a 30-year period.
- **2014 elections:** Two possible trends: (1) Singles would decide the plurality of India (e.g. Mayawati, Mamata, Nitish Kumar, Jayalalitha and even Narendra Modi), and (2) Individuals would determine ideologies and institutions.
- **Corporate false promises mimics politicians:** One of the key problem facing India today is that politicians and corporate are speaking the same language in projecting images and making vacuous promises. For example, telecom players regularly churn out astronomical figures about mobile penetration, such as 1b people. However, this is just not possible as there are around 400m toddlers, 200m tribals where mobile penetration infrastructure is difficult and around 400m who live under INR35 per day. These are necessarily excluded from mobile penetration.
- **Scams and accountability:** Corporate sector wants the government to make and do things for it, while it escapes responsibility. If we look beyond big ticket corruption headlines, there would perhaps be a smaller scam in each of the toll road projects where revenue projections were deliberately suppressed only to make an abnormal profit later on. We are now a stage where people are demanding accountability.
- **High growth sectors are scam affected:** It is ironical that post 1990s, growth has been concentrated precisely in the same sectors that have made the headlines for biggest scams, e.g. telecom, aviation, real estate, roads and power.
- **Corporates need to invest bottom up:** It has been proved comprehensively that trickle-down does not work. Hence, just as investors beyond a point need to avoid large caps and invest in start-ups and emerging markets, companies need to invest in emergent political parties.

Covering Analyst(s):
Dipankar Mitra
+91 22 3982 5405
Dipankar.Mitra@MotilalOswal.com

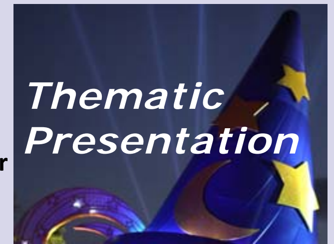
Super 30: Revolutionizing Education

Mr Anand Kumar is a noted Mathematics Teacher. In the last nine years, a phenomenal 236 students from his 'Super 30' initiative have cleared the Joint Entrance Test of the Indian Institute of Technology (IIT). What is remarkable about this achievement is that most of the successful candidates have been from the most underprivileged sections of society.

Mr Kumar has been fascinated by Mathematics since early childhood. Though he got an opportunity to pursue higher education in Cambridge University, his poor financial health came in the way. To help other financially disadvantaged students, who invariably fade away without getting the right opportunities, he founded 'Super 30'. Under this initiative, he gives underprivileged students free food, free lodging and above all free coaching.

The Discovery Channel has described 'Super 30' as a "revolutionary experiment to bring about social change". In recognition of his achievements, the Bihar government conferred on Mr Kumar the 'Maulana Abdul Kalam Azad Shiksha Puraskar' in November 2010.

Prof Anand Kumar
Leading Educationist & Social Entrepreneur
"Super 30: Revolutionizing Education at the Grassroots"



Key takeaways

- **Social mobility … delivered:** Mr Anand Kumar is a teacher of mathematics. His institute at Patna (called Super-30) regularly churns out successful candidates for the prestigious Indian Institute of Technology (IIT) each year, with a strike rate of 100% in some years. For every batch, he selects about 30 students based on two rigorous criteria: (1) underprivileged, and (2) meritorious.

- **263 stories to tell:** Mr Kumar highlighted examples of three students from his 263 success stories who have made it big despite severe deprivation. One such student, Santosh, the son of a marginal farmer selling produce roadside is a Professor of Chemistry in Europe today. Another student, Anup who lost his father early, landed up in his classes with continuous support from his mother and is pursuing final year in IIT Mumbai now. Another student, Anupam, whose father is an autorickshaw driver, is now a lecturer in France. Many of these students during early years faced pressures to join Naxalite groups but all dearly wanted to study and move forward.

- **His own story:** Mr Kumar was fascinated by mathematics from early childhood and during graduation he formed a Mathematics Club, 'Ramanujam School of Mathematics'. Anand contributed several problems and papers on Mathematics to various journals, magazines and newspapers - three of them published abroad. Subsequently he was encouraged by his teacher to apply for higher education in Cambridge University - but he only got a part scholarship with a waiver of tuition fee alone. His father who always encouraged him to study was a sorter in Railway Mail Service and was in no position to finance his education abroad. In any case, his father's sudden demise ended all dreams of going to Cambridge. His own poverty made him feel intensely for the poor students whom he started coaching. He had the option to take up a railway job on his father's death; however, he opted to continue coaching underprivileged students and started helping his mother for a living.

- **Support from family members and others:** He was supported throughout by his mother who continues to cook food for the kids. He called his brother who was staying in Mumbai to run his Super 30 coaching classes and after marriage his wife also joined in. They have a young kid. His school imposes no restrictions on religion, caste or creed. He does not accept donations and his team organizes the funds by teaching children of the richer classes.

Covering Analyst(s):
Dipankar Mitra
+91 22 3982 5405
Dipankar.Mitra@MotilalOswal.com

Super 30: Revolutionizing Education

- **Overcoming all odds:** Even while trying to do good to society, Mr Kumar faced extreme adversity. His outstanding performance robbed the regular coaching classes that were aplenty in Patna, and degraded themselves to money making machines, of their patronage and respect. His team members were stabbed badly by dreaded criminals, following which he was accorded special protection from the policy and Bihar government. However, this has severely restricted personal freedom for the family. The second range of problems involved mushrooming of copycats claiming to be the original Super-30 classes (e.g. Super-100, Gaya Super 30, etc). However, the pleasure of seeing the students succeeding in their own endeavor outweighed all pains.

- **Social impact:** The Super 30 has started making a difference to the society at large. Inspired by the successes of his students, many villages have seen transformative changes amongst children for whom Mr Kumar's students are now role models. Some of his students have also gone during vacation time to teach their own village students.

- **For the record:** In the last ten years, 263 students out of 300 have been accepted into various IITs in the country. When Super 30 started its journey in 2003, 18 out of 30 students qualified for the IIT. The very next year, the number jumped to 22. In 2005, it improved further to 26. Continuing the trend, 28 students made it in 2006 and 2007. However, the 'magic moment' came in 2008, when the result was an astonishing 30 out of 30. Super 30 had hit the bull's eye. It was 'a dream come true' for Anand and his team. Super 30 did an encore in 2009 and again in 2010. It has been 30 out of 30 for the third year in succession. However In 2011, 24 out of 30 candidates were able to make into IIT's. The figure for 2012 stands at 27.
  (Source: Wikipedia)

Making India A World Champion

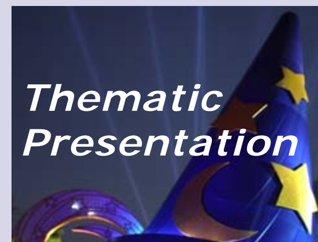
Ms Mary Kom is a five-time World Boxing champion, and the only woman boxer to have won a medal in each one of the six world championships. She is the only Indian woman boxer to have qualified for the 2012 Summer Olympics, competing in the flyweight (51 kg) category and winning the bronze medal. She is number-4 on the AIBA World Women's Ranking - flyweight category. She has more than three Asian titles and eleven National titles under her belt.

Ms Kom initially tried to hide her interest in boxing from her family, since it was not considered a suitable sport for a woman. However, after her victory in the Manipur state women's boxing championship in 2000, her career became public. After winning the regional championship in West Bengal, she began competing at the international level at the age of 18, only a year after she started boxing. Her international debut was at the first AIBA Women's World Boxing Championship in the United States, where she won a silver medal in the 48 kg weight category.

She is a recipient of the Arjuna Award, the Padma Shri Award, and the Rajiv Gandhi Khel Ratna Award.

Covering Analyst(s):
Dipankar Mitra
+91 22 3982 5405
Dipankar.Mitra@MotilalOswal.com

Ms Mary Kom
World & Olympic Boxing Supermom
"Making India A World Champion – Lessons from my journey"



Key takeaways

- **During childhood:** Liked any types of sports, especially martial arts - used to perform stunts of Jackie Chan and Bruce Lee on her own. She always used to come first in sports.

- **Move to Imphal:** Relatives and villagers prompted her to go to Imphal for better sports facilities. Finally she went but at the end took up boxing.

- **Concern of and consent from family:** She didn't inform about her taking up boxing at home as she knew they won't permit her. However, when she represented the State and won the gold, parents came to know of it anyway through newspaper photographs. Her father was both furious (about Mary secretly taking up boxing) and also concerned (about lack of money for treatment in case of injuries to her). Mary had to convince him that (1) boxing is what she wanted to do, and (2) amateur boxing (unlike its professional counterpart) has extra protection to prevent serious injury. Finally, her father relented on the condition that she plays to win medals (i.e. not merely as a pastime).

- **Strong resolve:** Since then, there has been no looking back. In her first outing abroad in Thailand, all her belongings including passport got stolen. While she was asked to come back by her father, her uncle who was a magistrate, persuaded her to stay back and arranged to send everything once again. After a lot of agony and prayers she opted to stay put. In her first bout she lost but didn't give up. Two months later in the World Championship she was the only silver medal recipient among 8-9 member contingent from India. She went on win the gold in five consecutive World Championships.

- **Marriage and family did not alter things:** After marriage near and dear ones were anxious of her continuing with boxing. But she proved herself by winning World Championship twice again. However, after kids, even her father discouraged her, worried of her ability to pursue boxing especially given her Caesarian delivery. However, she put her foot down and went on her way to box again to win World Championship twice more.

Making India A World Champion

- **Olympics changed everything once again:** For Olympics, she had to fight in the higher (51 kg) category for which a lot of controversy erupted. In the end, she got the selection. People said various things and while she was not indifferent to it, she always wanted to prove herself in the ring. Finally, support for her Olympics preparation poured in. The Ministry granted foreign coach for training facility at Pune, Boxing Federation supported her and many corporations too came in as sponsors. People from all religions prayed. She got best wishes from important personalities (Mr Amitabh Bacchhan and family, Sonia Gandhi and family, among others). And finally, she considered herself lucky to receive support from her husband too.

- **Aiming for gold in Rio ... and the next Mary Kom:** While she won a medal in London Olympics she was hugely disappointed at her defeat in semi-finals. However, she would go whole hog for the gold in Rio. Meanwhile, Mary has set up a boxing academy where she hopes to produce the next Mary Kom.

Quotes:

- "Boxing is a very dangerous sport - win or lose you get punched".
- "For all the small things that people said and did I had only one answer - come to the ring."
- "Three things that I had - hard work, will power and discipline."
- "In the ring two people can't win but after fight they should be friends."

Re-shaping Entertainment

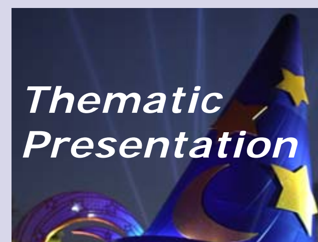
Ms Ekta Kapoor is a Television and Film Producer. She is the Joint Managing Director and Creative Director of Balaji Telefilms. She has produced several TV serials, the most popular of which include Hum Paanch, Kyunki Saas Bhi Kabhi Bahu Thi, Kahaani Ghar Ghar Kii, Kasautii Zindagii Kay, Kkusum, Pavitra Rishta, and Bade Achhe Lagte Hain, to name but a few.

Ms Kapoor branched out into Bollywood movie production in 2001, beginning with Kyo Kii Main Jhuth Nahin Bolta. Kyaa Kool Hai Hum, starring her brother Mr Tusshar Kapoor proved to be her breakout hit and became one of the highest earners of 2005. The years 2010 and 2011 proved to be important for her, with critical and commercial successes such as Love Sex Aur Dhokha, Once Upon a Time in Mumbaai, Shor in the City, Ragini MMS and The Dirty Picture.

Among the awards Ms Kapoor received in 2012 are: Indian Telly Awards' Special Award for Best Breakout in Films, Screen Awards' Best Performer of the Year, and Dadasaheb Phalke Academy Awards' Phalke Icon Film & Television Producer.

Covering Analyst(s):
Dipankar Mitra
+91 22 3982 5405
Dipankar.Mitra@MotilalOswal.com

Ms Ekta Kapoor
Soap Queen & Top Bollywood Producer
"Re-shaping Entertainment – Whether small screen or big!"



Key takeaways

Biggest learning from her TV success with soaps

- Balaji Telefilms merely worked as an outsourced production arm of the broadcasters.
- In hindsight, Balaji should have retained at least some claim on the content IPR (intellectual property right), so that the same could have been monetized in several ways e.g. dubbing in Indian languages other than Hindi, and also in some foreign languages.
- However, Ms Kapoor has no deep regrets. This very realization of importance of IPRs is what led her to turn to Bollywood movies through subsidiary company, Balaji Motion Pictures Ltd.

Digitization: A game-changer for the TV value chain

- As is commonly known and understood, mandatory digitization of TV signals will significantly increase the subscription revenue of broadcasters as LCOs (local cable operators) can no longer understate the subscriber numbers.
- What is not so easily understood is that digitization holds the potential to strengthen the bargaining power of the stronger production houses vis-à-vis the broadcaster. In the digitization era, TV viewers can choose to pay for only that content which they like. Thus, digitization will effectively be able to capture viewers' content preferences. Producers of such "preferred content" can then rightfully demand at least joint IPR of the same, and also claim a fair share of the broadcaster's subscription revenue.

Movies need to create value for the production house

- The latest buzz in Bollywood is the INR1b club i.e. movies which gross INR1b in the box office.
- Ms Kapoor said that at the end of the day, a movie has to add value to the production house, which is also a company answerable to its shareholders. This means that there is a sense of balance and rationale in the production budget, be it payments to cast and crew, or even the promotion spend.
- She said that she would not mindlessly chase "membership of the INR1b club". Rather than spend INR800m on a movie just to garner INR1b and qualify for such membership, she would rather spend INR100m but ensure that the earnings are INR500m. This is a more successful model from a company and its stakeholders' perspective.

Company Connect

Sector, Company	Page
Automobiles	
Ashok Leyland	25
Bajaj Auto	26
Fort Point Automotive	27
Hero MotorCorp	28
Mahindra & Mahindra	29
Maruti Suzuki	30
Tata Motors	31
Unitech Automobile	32
Capital Goods	
Larsen & Toubro	33
Voltas	34
Cement	
ACC	35
Ambuja Cements	36
Grasim/UltraTech	37
Jaiprakash Associates	38
Consumer	
Emami	39
Godrej Consumer Products	40
Hindustan Unilever	41
ITC	42
Marico	43
Pidilite Industries	44
Radico Khaitan	45
Financials	
Axis Bank	46
Bajaj Finance	47
Bajaj FinSer	48
Dewan Housing Finance	49
HDFC	50
HDFC Bank	51
ICICI Bank	52
IDFC	53
Indusind Bank	54
ING Vysya Bank	55
Kotak Mahindra Bank	56
LIC Housing Finance	57
Mahindra Finance	58
Manappuram Finance	59
Muthoot Finance	60
Rural Electric Corporation	61
Shriram Transport Finance	62
State Bank of India	63
Union Bank of India	64
Yes Bank	65
Healthcare	
GlaxoSmithKline Pharma	66
Glenmark Pharma	67

Sector, Company	Page
IPCA Laboratories	68
Lupin	69
Sun Pharmaceuticals	70
Media	
DB Corp	71
Dish TV	72
HT Media	73
Zee Entertainment	74
Metals	
Hindalco Industries	75
Jindal Steel & Power	76
JSW Steel	77
Tata Steel	78
Oil & Gas	
BPCL	79
Cairn India	80
GAIL India	81
Oil India	82
ONGC	83
Reliance Industries	84
Real Estate	
DLF	85
Retail	
Shoppers Stop	86
Titan Industries	87
Technology	
Info Edge (India)	88
Infosys	89
MCX	90
Tata Consultancy Services	91
Wipro	92
Telecom	
Bharti Airtel	93
Idea Cellular	94
Reliance Communications	95
Utilities	
CESC	96
JSW Energy	97
NTPC	98
Power Grid Corpn of India	99
Reliance Infrastructure	100
Others	
Container Corpn of India	101
Raymond	102
Simplex Infrastructure	103

Other companies: AIA Engg, Au Financiers, Bajaj Electricals, Havells India, ICRA, McLeod Russel, Motherson Sumi. | **Note:** All stock prices as on 28 August 2012

Ashok Leyland

Bloomberg	AL IN
Rating	Not Rated
CMP (INR)	21
Mcap (USD b)	1.0
52-Wk Range (INR)	33/20
1, 6, 12 Rel Perf (%)	-7/-25/-27

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (x)	P/BV (x)	ROE (%)	EV/ Sales	EV/ EBITDA
3/11A	111,771	6,313	2.4	49.0	-	-	15.9	-	-
3/12A	128,420	5,660	2.1	-10.3	10.4	1.4	13.4	0.7	6.9
3/13E	142,231	5,697	2.1	0.7	10.3	1.3	12.7	0.6	6.6
3/14E	162,996	7,292	2.7	28.0	8.1	1.2	15.1	0.5	5.5

Company Represented By:
Mr K Sridharan, CFO

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Key Takeaways

Guidance of flat FY13 volume growth for MHCV

- Ashok Leyland (AL) management highlighted that truck rentals and number of trips have declined 8-10% and 10-15% respectively. Transporters have been reluctant to expand their fleet due to weak economic outlook.
- However, the management indicated there has been no major constraint on financing environment with Net NPA levels of NBFCs being less than 1%.
- While CV demand is down 13% YTDFY13 (April - July), it is expected to improve from 2H with expected reduction in interest rates and macroeconomic improvement. Hence, it expects FY13 MHCV volumes to remain flat.

Growth in buses and LCVs remain healthy

- Management indicated that demand for buses remains healthy with the segment growing 42% in 1QFY13. Within buses, growth has been largely driven by the private segment (17% YoY in 1QFY13) whereas STUs (state transport undertakings) are near flat (2% YoY in 1QFY13).
- Demand for Dost continues to be healthy with annual guidance maintained at 32k (7.3k in 1QFY13). Dost has been launched in 7 states, and it has garnered 20% nationwide market share in its segment.

South market revival & growth in buses to drive 10% rise in AL volumes

- Led by improvement in South market, AL has recovered its lost market share to ~26% in 1QFY13. With flat industry volumes and continuance of 1QFY13 market share together with healthy growth in buses (~30% of AL's volumes), AL expects to grow its domestic MHCV volumes by 10%.
- AL expects to export ~13k in FY13 (flat YoY). While Sri Lanka and Bangladesh markets are sluggish, growth in Middle East and entry into new markets would sustain volumes. AL targets to increase its export share to 15% over 2-3 years (currently at ~13.5%).

FY13 margin guidance maintained at 10% levels, 11-11.5% excluding Dost

- Commodity price pressures are lower; also, AL expects to take suitable pricing actions to offset any margin hit. However, with demand skewed in favor of large operators, bargaining power of OEMs/dealers will be tested.
- With higher volumes and increased contribution from Pantnagar partially offset by trading activity of Dost, AL targets 10% margins for FY13.

Other highlights

- AL targets working capital reduction of INR7.5b in the next couple of quarters (INR26b working capital in 1QFY13).
- In FY12, captive financing arm Hinduja Leyland Finance financed ~4,500 AL vehicles. It targets to finance ~10% of AL's domestic volumes in FY13.

Bajaj Auto

Bloomberg	BJAUT IN
Rating	Buy
CMP (INR)	1,694
Mcap (USD b)	8.8
52-Wk Range (INR)	1,839/1,410
1, 6, 12 Rel Perf (%)	2/-4/1

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	RoE (%)	RoCE (%)
3/11A	163,981	26,150	90.4	43.9	-	-	-	-	66.7	76.0
3/12A	195,290	31,069	107.4	18.8	15.5	14.8	8.0	11.2	56.7	73.0
3/13E	200,275	29,853	103.2	-3.9	16.1	15.4	6.6	11.0	44.6	61.8
3/14E	232,813	37,645	130.1	26.1	12.8	12.3	5.2	8.3	45.4	62.6

Company Represented By:
Mr Kevin P Dsa,
President - Finance

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Key Takeaways

Bajaj Auto (BJAUT) expects industry growth to remain muted at 5-6% in FY13. With stabilization in export markets and favorable currency hedges, margins are expected to remain at 19-20% levels in FY13 with Fx led improvement of at least 100bp in FY14.

Near-term domestic volumes to remain muted; new launches to watch out for

- Considering weak consumer sentiment, BJAUT expects motorcycle industry volume growth to remain flat in 2Q and 5-6% for FY13. Channel inventory has increased to 30-35 days.
- With the recent launch of Discover 125ST and upcoming launch of a new commuter motorcycle (Discover brand) in Nov 2012, BJAUT expect to increase its market share in the largest segment (executive motorcycles) from 21% currently to 25% by Mar-13. The initial response to Pulsar 200NS has been very positive, and is expected to further strengthen its dominance in premium segment (currently ~47% share).

Sri Lanka market stabilizing post price cut to dilute impact of duty hike

- Post the sharp hike in import duties in Sri Lanka, BJAUT has cut its product prices (shared by distributor as well) to bring the retail prices at near pre-hike levels. With this, 3W export volumes are expected to normalize at 7,000 in Aug-12. However, 2W export volumes are expected to normalize by Nov-12, as channel inventory remains high.
- The price cut in Sri Lanka would not impact the blended EBITDA margin by more than 10-20bp.

Expects domestic and export market to grow 12-15% over the long term

- Rise in incomes and lack of public transportation system should drive ~12% CAGR in domestic motorcycle volumes over the next 5-7 years.
- Export markets should also grow by 12-15% over 2-3 years largely driven by Africa. Successful entry into new markets like Brazil, SE Asia, and Vietnam could provide further upside.

Favorable forex hedges, higher volumes, better mix to support FY14 margins

- With recent launches in motorcycle segment and higher share of 3W exports, product mix, and margins are expected to improve from 1Q level of 17.9% (FY13 guidance of 19-20%).
- BJAUT has started hedging its FY14 exports at INR/USD 55+ levels (compared to ~50 in FY13). FY14 margins could improve at least by 100bp, if benefit of favorable Fx is retained (depending on demand).

Fort Point Automotive

Company Represented By:
Mr Sundeep Bafna, MD

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Key Takeaways

On two-wheeler dealership (Hero MotoCorp): Inquiries improving with the start of festive season; inventory increased but at comfortable levels

- With the start of festive season, management highlighted that customer inquiries/bookings have started to improve. Fort Point expects demand to remain strong over the Sep-Nov festive season.
- Inventory has increased from earlier 7-15 days to 30-35 days but remains at comfortable levels (in-line with industry norms).
- It expects Hero MotoCorp's dominance to continue, as it offers best package to consumer in terms of lowest lifecycle cost. It indicated that maintenance cost for Hero's products is 40% lower than for the next best player.
- While it does not expect technology access to be a problem (Hero can buy technology), launch of 2-3 successful self-developed products would be important for the company to maintain its high market share.

On passenger vehicle dealership (Maruti Suzuki)

- It indicated that Maruti Suzuki understands 'Indian consumer psyche' very well resulting in launching appropriate products which deliver high value to the typical Indian car buyer.

On commercial vehicle dealership (Eicher Motors)

- While product designs are largely same, there has been a marked improvement in quality post Volvo's partnership. For example, clutch plate replacement cycle has improved to 40,000km v/s 20,000 earlier.
- The higher quality is very well appreciated by customers, reflecting in repeat orders even for heavy vehicles. "We used to sell Eicher trucks earlier; now they sell on their own."
- Eicher has been focusing on improving availability of spares and expanding service network (two critical factors to succeed in CV industry). Spare parts availability has improved considerably after a new warehouse for the same has become operational. Also, Eicher is planning to have service touch points every 25km on key routes.

Background

Fort Point Auto was founded by Mr Sundeep Kumar Bafna in 1993 with a dealership of Hero Honda (now Hero MotoCorp). Currently, Fort Point represents Hero MotoCorp for 2-wheelers, Maruti Suzuki for cars, and Eicher Motors for commercial vehicles.

Hero MotorCorp

Bloomberg	HMCL IN
Rating	Buy
CMP (INR)	1,913
Mcap (USD b)	6.9
52-Wk Range (INR)	2,279/1,703
1, 6, 12 Rel Perf (%)	-9/-2/-13

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS GR. (%)	P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	RoE (%)	RoCE (%)
3/11A	192,450	20,077	100.5	-10.0	-	-	-	-	62.5	59.2
3/12A	233,681	23,781	119.1	18.4	16.1	14.5	8.9	10.3	55.4	52.4
3/13E	238,768	22,573	113.0	-5.1	16.9	14.9	7.3	10.3	42.9	47.0
3/14E	275,293	25,431	127.3	12.7	15.0	13.2	6.0	8.5	39.7	50.5

Company Represented By:
Mr Ravi Sud, CFO

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Key Takeaways

Hero MotoCorp (HMCL) lowered its two-wheeler industry growth outlook to 4-5% (9-10% earlier) for FY13 on patchy monsoon and weak consumer sentiment. Short-run margins are expected to remain under pressure with adverse currency movement and poor product mix. Exports to new markets should start from October 2012; it expects to export 0.3m units in FY14.

Consumer sentiment remains weak, channel inventory levels high

- Led by poor monsoon and weak consumer sentiment, two-wheeler industry demand is expected to remain weak with guidance of 4-5% growth in FY13. Hero MotoCorp expects to grow in line with the industry.
- Volume growth over the past couple of quarters has been largely driven by channel inventory build-up (with limited room for further increase) as retail sales have been muted.
- However, despite weak demand and high channel inventory, HMCL is not offering any discount (as it is not beneficial for the brand in the long run).

Weak INR and unfavorable product mix to impact short-run margins

- HMCL expects short-run margins to remain under pressure due to (1) weak INR, and (2) downtrading in demand leading to unfavorable product mix (i.e. higher share of CD Dawn/Deluxe).

Exports to start in 2Q/3QFY13; targeting to export 0.3m/1m by FY14/17

- Exports are expected to start in 2Q/3QFY13 with initial markets being Nigeria, Uganda, Sri Lanka and Nepal. Majority of the exports would be of entry level CD Dawn/Deluxe motorcycles.
- HMCL expects FY14 exports to be ~0.3m, and maintained FY17 exports guidance at 1m.

Other highlights

- While brand transition has been smooth in urban markets, customers have been apprehensive in rural markets about the absence of 'Honda' name. However, HMCL indicated that with product specific ads and customer education, the issue is manageable.
- On competition, HMSI (Honda Motorcycles & Scooters) would be able to ramp up its reach from 1,500 touch points to 2,500 relatively quickly, but beyond that it would be progressively difficult as dealer viability would have to be taken care of. Hero has 5,200 touch points as of June 2012.
- From Hero's R&D stable, the first product would be launched in FY14.
- 4th plant commissioning is delayed by 3 months to Oct-13 due to weak demand outlook.

Mahindra & Mahindra

Bloomberg	MM IN
Rating	Buy
CMP (INR)	771
Mcap (USD b)	8.5
52-Wk Range (INR)	875/622
1, 6, 12 Rel Perf (%)	7/10/-2

Year End	Net Sales (INR m)	S/A PAT * (INR m)	S/A EPS * (INR)	Cons. EPS (INR)	Con EPS Gr (%)	P/E (X)	Cons, P/E (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	234,603	25,732	43.0	48.0	18.1	-	-	25.0	26.8	-	-
3/12A	318,535	28,888	48.3	51.2	6.6	15.7	14.8	23.0	23.1	1.4	11.8
3/13E	392,391	32,643	54.5	62.0	21.1	13.9	12.2	21.2	23.8	1.2	9.9
3/14E	442,011	36,143	60.4	81.4	31.3	12.5	9.3	19.1	22.4	1.0	9.2

* S/A including MVML

Company Represented By:

Mr V.S. Parthasarathy, Group CIO, Member of the Group Executive Board

Mr K Chandrasekhar, EVP - Corporate Finance & IR

Ms Sandhya Sharma, VP - Corporate Finance & IR

Mr Rajen Kavadia, Manager - IR

Ms Gaytri Udeshi, Manager - IR

Covering Analyst(s):

Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Key Takeaways

UV performance remains strong; XUV5OO booked for 4-5months

- Outlook for the auto division remains healthy with both the key segments, UVs and pick-ups, performing well. Recent launch of new-look Verito and upcoming festive season launch of mini-SUV (based on Xylo platform) would sustain the healthy growth momentum.
- The order book for XUV5OO stands at 15-16k units (~4-5months). The company would increase production from current 4,000 level to 5,000 over the next few months to meet high demand. XUV5OO has been launched in South Africa and will soon be launched in Chile and Australia.

Tractor industry to grow 0-2% in FY13; M&M also in the same range

- Management maintained its muted growth guidance for FY13 tractor industry at 0-2% considering (1) weak monsoon (though recovering of late), (2) pressure on crop prices, and (d) lower infrastructure and construction activity. However, despite weak demand inventory remains at desirable levels. Over the longer term, management expects industry CAGR of 7-8%.
- Investments of INR3b have been largely incurred for the new tractor plant in Zahirabad with capacity of 40k units (expandable to 100k units in Phase 2). The new plant is expected to commence operations in December 2012.

New products to drive 7-8% growth in Ssangyong's CY12 volumes

- M&M has guided for Ssangyong volumes of ~121,000 in CY12 translating into a growth of 7-8%.
- It expects recent launches of new Rexton W, Korando C, upcoming launch of Rodius (post meeting emission norm requirements) and commencement of CKD exports to India to drive strong 2HCY12 performance.

Other highlights

- Around 45% of the tractor demand is towards replacement.
- Retail finance remains healthy both for tractor and auto divisions.
- Over the longer term, farm implements and attachments offer significant business opportunity (globally 2-3x the tractor industry). M&M is working towards capturing this opportunity and also maintaining market share in the tractor industry (by offering value-added services to farmers).

Valuation and view

The stock trades at 9.3x FY14E consolidated EPS of INR81.4. Maintain **Buy** with target price of INR973 (FY14 SOTP based).

Maruti Suzuki

Bloomberg	MSIL IN
Rating	Buy
CMP (INR)	1,163
Mcap (USD b)	6.0
52-Wk Range (INR)	1,428/906
1, 6, 12 Rel Perf (%)	0/-8/-4

Year End	Net Sales (INR m)	PAT (INR m)	Cons.EPS (INR)	EPS Gr. (%)	Cons.P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	RoE (%)	RoCE (%)
3/11A	369,199	23,101	82.4	-9.2	-	-	-	-	16.5	22.1
3/12A	355,871	16,351	58.2	-29.4	19.9	12.1	2.2	10.4	10.8	13.2
3/13E	425,898	20,314	68.2	17.3	17.0	9.0	1.8	7.5	10.7	12.6
3/14E	503,067	28,469	95.6	40.1	12.1	6.9	1.6	5.0	13.3	16.0

* SPIL merger w.e.f 1/Apr/2012

Company Represented By:
Mr Ajay Seth, CFO

Mr Nikhil Vyas,
Sr Manager - Corp Planning

Mr Vivek Kumar, Manager - Corp. Planning & IR

Ms Chhavi Mehta,
Asst Manager (Finance)

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Key Takeaways

Manesar plant to ramp up in 2 months; current production at 500 cars/day

- Maruti Suzuki (MSIL) indicated that ramp-up at Manesar plant to 1,700 cars/ day is expected in 2 months. While it lifted lock-out at the plant from 21 August (after a month) with target of ~150 cars/day with 300 workers, it is now producing ~500 cars/day.
- Operations at Suzuki Powertrain India (SPIL, diesel engine SPV) have been normal for critical components with capacity constraint, and hence it is building inventory for future use.
- Of 1,500 permanent workers, it has dismissed ~500 workers and recalled ~1,000 workers to work, of which 800 have already reported to work. Of 500 dismissed workers, ~150 have been arrested while others have been implicated and police investigations are on. In case of any protest over dismissed workers, the management is confident of full support of administration.

Conversion of contract workers to permanent to have limited cost inflation

- It is planning to gradually regularize contract workers who work directly on the shop floor. However, it retains flexibility to hire ~20% workers on short-term contract based on business seasonality, along with contractual workers in non-production line areas.
- While it would start this regularization process at Manesar first, contract workers at Gurgaon would also be regularized. The temp workers would be recruited at entry-level technician level, where salary difference is negligible. However, as they gradually promoted, salary difference would widen.
- The management does not expect more than 10-20bp impact on EBITDA margins due to conversion of temp workers to permanent.

Focus on reducing forex exposure over medium term is the highest priority

- Senior management is focused on lowering net forex exposure over the next 3 years to USD0.4b (v/s USD1.7b currently) by reducing imports from USD2.5b in FY12 to USD1.8b and increasing exports from USD0.8b to USD1.4b. It expects at least 25-30% savings on localized components.

Industry growth guidance revised downwards to 6-7% for FY13 (earlier 10%)

- Petrol vehicles demand remains weak, whereas diesel demand continues to grow. MSIL has gained market share in petrol cars as it was forced to focus only on petrol cars due to Manesar issue. Dealer-end inventory remains under control at ~5 weeks, which is largely of petrol cars.
- Discounts on petrol cars have further increased 20-25% YoY.
- MSIL has order backlog of ~140k diesel cars (including ~30k of Ertiga), with waiting of 4-5 months for Dzire and Ertiga, and ~3 months for Swift. MSIL has not witnessed meaningful cancellations on waiting.

Tata Motors

Bloomberg	TTMT IN
Rating	Buy
CMP (INR)	238
Mcap (USD b)	11.6
52-Wk Range (INR)	321/138
1, 6, 12 Rel Perf (%)	7/-12/59

Company Represented By:
Mr Vijay Somaiya,
Head Treasury & IR

Ms Namrata Divekar,
AGM Treasury & IR

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Year End*	Sales (INR M)	Adj. PAT (INR M)	Adj. EPS (INR)	Normal EPS (INR)	Cons. ^P/E (X)	Normal P/E (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	1,221,279	90,695	27.3	15.4	-	-	47.3	26.5	-	-
3/12A	1,656,545	125,568	37.8	22.2	6.3	10.7	38.4	27.0	0.5	3.7
3/13E	1,955,985	111,455	33.5	14.7	7.1	16.2	26.6	27.0	0.5	3.6
3/14E	2,137,149	127,157	38.3	17.2	6.2	13.9	24.2	25.6	0.5	3.3

* Consolidated; ^ Normalized for capitalized expenses

Key Takeaways

JLR volume guidance maintained at 15-17%; new Range Rover launch in 3Q

- Tata Motors maintained JLR volume growth guidance at 15-17% for FY13 with 100-110,000 Evoque and 5-7% growth in non-Evoque portfolio. The latter will be led by product action in 2HFY13: (a) new Range Rover, (b) AWD Jaguar in USA, (c) MY13 Freelander 2, and (d) expansion of dealer network in China by 35 to 145 dealers by Mar-13.
- Recent capacity addition in Halewood plant (25,000 units) will ease capacity constraints on Freelander. Wholesale/retail dispatches of new Range Rover (on all new aluminum platform) is targeted to start in 3Q/4Q.
- JLR margins are expected to remain weak in 2Q as the company flushes out its existing Range Rovers. However, overall FY13 margin outlook is maintained at 15% (ex currency movement) led by better product mix in 2H.

Domestic MHCV outlook muted, but LCV remains strong

- Concerns dog MHCV demand consequent to patchy monsoon and weak business sentiments. With slowing demand, discounts have further increased in July/ August (also due to seasonal phenomena); however, inventory remains at comfortable levels post the recent production cuts. In best case, Tata Motors expects M&HCV FY13 volume growth to be flat.
- LCV volume growth continues to be healthy, particularly driven by SCVs (small commercial vehicles). Expect 15-17% volume growth in FY13.
- Bharat Benz could be a formidable competitor considering Benz's global leadership, brand, technology and India plans. Tata Motors is focused on offering competitive lifecycle cost to counter intensifying competition.
- On the PV business, no new platforms are under development (except for New Safari Storme to be launched during festive season). Current focus would be to expand distribution reach & network, launch more variants/upgrades of existing products, aggressively reduce costs, and improve product quality.
- While RM cost pressures are now manageable, lower volumes and higher discounts would continue to put pressure on standalone margins.

Other highlights

- Tata Motors has guided for capex of INR3-3.5b (standalone) and GBP2b (JLR business).
- It plans to launch the Ultra range of LCVs in 2HFY13. In the CV business, it has over 1,200 dealerships with more than 2,500 touch points.
- 100% tax exemption at Pantnagar is expected to expire in FY14. The plant is now eligible for only 30% tax exemption over the next 5 years.

Unitech Automobile

Company Represented By:
Mr G.S. Arora, CMD

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Chirag Jain
+91 22 3982 5418
Chirag.Jain@MotilalOswal.com

Key Takeaways

MHCV truck demand lower YoY; however LCVs continue to grow strongly

- Slowing economic activity and weak business sentiments have impacted freight availability and freight rates over the last few months. Turnaround time for transporters has increased with lower return load availability on certain key routes. Consequent to weak economic environment, MHCV truck demand has declined over the last few months (~10% YoY).
- Currently, demand largely comprises replacement demand, as transporters have been reluctant to expand their fleet considering the bleak outlook.
- However, LCV continues to grow at 15% YoY driven by relatively stable consumption spend and need for last mile connectivity.

Bargaining power of dealers & OEMs impacted as demand skewed in favor of large operators

- Over the last few months, demand has largely come from large fleet operators (almost 50% now v/s earlier 20% levels). Demand from First Time Buyers (FTBs) and small operators has shrunk significantly.
- Higher proportion of large operators has impacted the bargaining power of dealers and OEMs, particularly considering the weak economic outlook and increase in competition amongst CV players. Also, unlike in the past, dealers are getting more support from OEMs due to rising competitive intensity.

CV demand expected to revive from 3QFY13 with expected reduction in interest rates and improvement in macro-economic environment

- Unitech expects CV demand to improve from 3QFY13 (though September could witness some strength due to depreciation-related tax benefits) with expected reduction in interest rates and improvement in economic environment.

Other highlights

- Discounts continue to remain at high levels, particularly over the last two months. This has impacted the margins of both dealers and OEMs.
- Financing environment remains healthy though financiers are a bit cautious in the case of small operators. Interest rates have remained stable over the last few months with large fleet operators getting loans at 10.5-11% (from ICICI, HDFC) and small fleet operators at 13-13.5% (from IndusInd Bank, Magma, Sundaram, Reliance, etc).
- On increasing competitive intensity in the CV industry, Unitech highlighted that Tata Motors has adequate and appropriate technologies/products to counter competitive threats.

Background

Unitech Automobiles, based out of Mumbai, is the largest dealer for Tata Motors' CVs with annual sales of over 11,000 vehicles. Its CMD Mr G S Arora has recently entered the passenger vehicle business as a dealer for Maruti Suzuki. Besides, Mr Arora also runs a logistics company with over 130 trucks.

Larsen & Toubro

Bloomberg	LT IN
Rating	Buy
CMP (INR)	1,362
Mcap (USD b)	15.0
52-Wk Range (INR)	1,720/971
1, 6, 12 Rel Perf (%)	-2/2/-22

Year End	Order Intake (INR m)	Net Sales (INR m)	PAT* (INR m)	EPS* (INR)	EPS Gr. (%)*	P/E* (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	797,690	439,059	42,416	69.7	13.0	-	-	16.6	13.9	-	-
3/12A	705,740	531,705	47,730	78.0	11.9	18.5	3.5	17.8	14.1	1.7	14.3
3/13E	740,674	618,981	52,255	85.4	9.5	16.0	2.9	17.2	13.9	1.4	12.3
3/14E	823,281	701,694	55,953	91.4	7.1	14.9	2.6	16.4	13.5	1.3	10.9

* Consolidated; EPS is fully diluted

Company Represented By:
Mr Arnob Mondal, VP - IR

Mr M S Seshadri,
Jt GM Head - Finance,
Accounts and Admin

Mr V Gopinath- Head -
Finance, Accounts & Admin.,
Power Transmission

Covering Analyst(s):
Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Deepak Narnolia
+91 22 3029 5126
Deepak.Narnolia@MotilalOswal.com

Key Takeaways

Targets INR1t revenues by FY16 v/s INR645b of current levels

- Lakshya 2016 targets revenues of INR1t by FY16, from current levels of INR645b.
- This will be driven by increased contribution from overseas business (25% v/s 15% now) and new focus areas (defense INR65b, ship-building INR40b, deepwater rigs INR35b, etc).

Company sees around USD80b prospects in FY13

- L&T sees total prospective ordering of around USD80b in FY13 contributed by hydrocarbon (17%), infrastructure (62%), buildings and factories (17%), and water treatment (5%).
- High growth sectors include Power, Hydrocarbons and Steel. L&T is well positioned in these segments.

BTG facility is not cost inefficient; on evaluated basis L&T bid was only 0.3% lower than L1 in NTPC tender

- Management mentioned that L&T's bid in NTPC bulk tender was marginally higher (by 0.3%) on evaluated life cycle cost basis v/s 5-10% on quoted price.
- This effectively means that as per the demonstrated bidding track record, L&T's BTG facilities are not cost in-effective at least on the basis of life cycle cost. This significantly improves the project viability going forward, given that incrementally customs duty has also been levied on imported equipment.

Working capital cycle elongated due to vendor support

- Increasing support to vendors in a challenging liquidity environment is resulting in elongation of working capital cycle.
- Management expects working capital to remain at 15% of revenues in FY13, and this is an important focus area.

Internationalization and capital rationalization would be strategic focus areas

- The current phase of slowdown in domestic business is a wake-up call and the attempt going forward would be on geographical diversification. Hence the process of internationalization will accelerate now, and the target is to increase share of international business to 25% by 2016 from 15% currently.
- Correcting the capital structure is also an important priority, and is being targeted through (1) portfolio rationalization (hiving off businesses which cannot achieve a critical size), (2) value unlocking (target at least 4 listed companies by 2020), and (3) asset monetization/churn. Standalone RoCE is targeted to improve from 15% currently to ~20% by FY17.
- L&T's increased capital allocation towards subsidiaries has been an area of discomfort. As at the end of FY12, 37% of LT's standalone capital employed was towards subsidiaries which has resulted into meaningful dilution of RoE.

Voltas

Bloomberg	VOLT IN
Rating	Not Rated
CMP (INR)	110
Mcap (USD b)	0.7
52-Wk Range (INR)	133/72
1, 6, 12 Rel Perf (%)	5/2/-11

Company Represented By:
Mr Utsav Shah,
CFO - Central F&C Services

Mr B N Garudachar - GM - Corporate Communications and IR

Covering Analyst(s):
Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Deepak Narnolia
+91 22 3029 5126
Deepak.Narnolia@MotilalOswal.com

Key Takeaways

Environment continues to be challenging

- The management expressed that environment remains challenging, both in domestic and overseas markets, with limited positive changes over the past few quarters.
- Holding back of investments and conscious delays by customers to conserve cash has resulted in delayed project execution, resulting in marginal fall in 1QFY13 revenues.
- Working capital cycle is increasingly coming under pressure due to deteriorating payment cycle, elongated project schedules, increased number of contracts having disputes with clients, etc. This has also led to increased capital employed in MEP business. During 1QFY13, working capital as a percentage of TTM sales increased significantly to 31% v/s 4% as at the end of FY11.

Sidra project is 77% complete; still bears the risk of cost escalation

- Sidra Medical and Research Centre Hospital project in Qatar is almost 77% complete and the remaining 23% is likely to be completed by end FY13. The total revised project cost is INR13b (up from initial estimate of INR10b).
- Management mentioned that although adequate provision has been made after considering upward revision in costs and variations in claims being negotiated, uncertainties still exist given the complexities of the project and ongoing changes in design.
- The company said that a detailed techno-commercial review is scheduled before end-2QFY13 which will provide clarity on costs likely to be incurred for project completion, and additional revenue possibilities.

Green shoots in Middle East

- The company has started to see some green shoots in the Middle East region particularly in markets like Saudi Arabia, Abu Dhabi, Muscat and Qatar.
- For instance, the main contractor for the Abu Dhabi airport order has been finalized and the appointment of sub-contractors is likely by October 2012. Likewise, there has been USD4.6b infusion into ALDAR, the primary real estate developer in Abu Dhabi.
- Few tenders are also in the process of being funded in Qatar for the upcoming FIFA 2022, and are expected to be released from 2HFY13.

Other takeaways

- In the Middle East, about 70% of investment has been planned for the construction and tourism sector, which constitutes a huge market for Voltas and other EMP/HVAC players.
- Increased thrust on airport modernization and metro rail services will also be future domestic growth drivers.

ACC

Bloomberg	ACC IN
Rating	Neutral
CMP (INR)	1,334
Mcap (USD b)	4.5
52-Wk Range (INR)	1422/992
1, 6, 12 Rel Perf (%)	-1/4/23

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ EBITDA	EV/Ton (USD)
12/10A	77,173	10,137	53.9	-38.2	-	-	16.2	16.3	-	135
12/11A	94,387	11,083	59.0	9.3	23.1	3.5	16.2	15.7	13.1	132
12/12E	112,721	13,981	74.4	26.1	18.4	3.3	18.8	20.2	9.7	128
12/13E	129,592	16,508	87.8	18.1	15.2	2.9	20.2	21.9	8.4	126

Company Represented By:
Mr Kuldip Kaura, CEO & MD

Mr Sunil Nayak, CFO

Mr Ajeet Modi, VP - Corp. Finance & Treasury

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Sandipan Pal
+91 22 3982 5436
Sandipan.Pal@MotilalOswal.com

Key Takeaways

Demand outlook for the Indian cement industry remains positive with 8-9% CAGR over next 10 years on ~7% GDP growth. ACC is focusing on maintaining its 11% market share, and attaining cost leadership.

Expect industry volume growth of 8-9% amidst operational challenges

- ACC expects aggregate volume growth to sustain 8-9% growth over medium term, driven by housing growth and uptick in infrastructure spends, while industry utilization improves from current ~76% to 80%/84% by CY15/16.
- It aims to maintain market share at ~11%, effectively resulting in 55mt dispatches by 2020. Its south market exposure risk is partly mitigated by (a) limited presence in weak AP market, and (b) dispatches to western market given proximity of its plants.
- There has been significant increase in both capital cost and operating cost over last few years, along with significant increase in gestation period to set up new capacity. It expects greenfield capacity to take ~5 years and cost about ~INR7,500/ton (~USD140/ton) excluding captive power.

Attaining cost efficiencies key focus area; limited downside risks to pricing

- ACC is aiming to improve critical operating parameters, viz, (a) blending, (b) energy efficiencies, (c) CPP PLF, and (d) logistics efficiency.
- It expects to replace 15-20% of coal requirement through alternate fuels to mitigate impact of shrinking linkage coal.
- Given elevated capex cost, it would require higher profitability to earn reasonable RoIC, implying limited downside to current pricing.

MP coal blocks not part of CAG report; to be commissioned in 2 years

- ACC is setting up brownfield capacity of 5mt at Jamul, including split grinding units at Sindri and West Bengal, expected to be operational by 1QCY15. Upon commissioning, it would gradually phase out old ~1.5mt plant at Jamul. It is yet to place order for plant and machinery.
- At expanded capacity, 70% of fuel requirement will be addressed by existing CPP, while balance will be purchased from the state grid. It believes this will not be a major challenge as Chhattisgarh is not a power-deficit state.
- Of 4 coal blocks in MP in JV with the state government, work on one block is progressing well with expected commissioning in 2 years (producible capacity of 1.2-1.3mtpa). The said coal block has ~30mt of mineable reserves. None of its coal blocks are implicated by the CAG report.

Other takeaways

- ACC does not expect any royalty payment to Holcim, as (1) it pays for technical services availed from Holcim, and (2) unlike in other countries, it does not even use the Holcim brand.

Ambuja Cements

Bloomberg	ACEM IN
Rating	Neutral
CMP (INR)	187
Mcap (USD b)	5.2
52-Wk Range (INR)	197/131
1, 6, 12 Rel Perf (%)	-1/15/30

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ EBITDA	EV/Ton (USD)
12/10A	73,902	12,434	8.1	4.3	-	-	18.1	24.1	-	-
12/11A	85,306	12,547	8.2	0.6	22.8	3.6	16.3	23.2	13.3	170
12/12E	102,540	17,940	11.7	43.0	16.0	3.2	21.1	30.7	9.3	165
12/13E	117,913	20,364	13.3	13.5	14.1	2.8	21.3	30.9	7.9	161

Company Represented By:
Mr Anantharam Gopalkrishnan,
VP-Treasury & IR

Ms Michelle Falcao,
Research - IR

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Sandipan Pal
+91 22 3982 5436
Sandipan.Pal@MotilalOswal.com

Key Takeaways

FY12 cement volume growth for Ambuja is expected at 8-9%. De-bottlenecking and new capacities would drive volumes over 2-3 years.

Cement volume to grow 8-9% in CY12; de-bottlenecking to aid further delta

- Ambuja expects 8-9% volume growth in CY12 (base case); ramp-up in infrastructure spending given pent-up demand before elections has potential to boost growth to 9.5%+.
- Infrastructure and rural economy would be major long-term growth drivers. Almost 65-70% of Ambuja's retail volumes come from IHB demand (v/s industry average of 57%).
- Dispatch growth over next 2-3 years will be driven by (a) de-bottlenecking and (b) new capacity addition of 3mt (2.2mt integrated greenfield clinker capacity at Rajasthan and 0.8mt of grinding units at Sankrail).
- Rajasthan plant has already got environment clearance and limestone security, while land acquisition is in progress (capex of INR22b). The plant is expected to be commissioned by end-FY14. Grinding units at Sankrail will be operational in 1QCY13. CY12 capex budget would be ~INR7b.
- Monsoon has been delayed but not very weak. Expect no major adverse impact in rural demand, unless next year's monsoon also surprises negatively.

Prices holding up; limited downside risks to profitability

- Pricing has been strong, amidst lower seasonal dip. Ambuja expects seasonal drop to reverse in October.
- It expects demand-supply equation to improve with only 35mt capacity addition for industry over next 2-years (v/s our estimate of 60-65mt).
- The management sees no major downside risks to profitability as new capacities would require to earn EBITDA/ton of INR1,500 to earn reasonable return on capital.
- Favorable imported coal prices are yet to benefit the company owing to weak rupee. (It uses ~40% imported coal and 13-14% pet coke.)

Other takeaways

- Strategic acquisition of limestone mine (85% stake in Dang Cement) could help in serving east India markets; but the plan of action is yet to be finalized.
- Ambuja believes it has a strong case in CCI issue. Nonetheless, if Appellate Tribunal verdict goes unfavorable, the companies have to deposit only 10% of penalty amount during period of further legal procedures.
- Sea route accounts for almost 16% of Ambuja's freight; but this is lower during monsoon season.

Grasim Industries/Ultratech Cement

Bloomberg	GRASIM IN
Rating	Buy
CMP (INR)	3,006
Mcap (USD b)	5.0
52-Wk Range (INR)	3,073/2,111
1, 6, 12 Rel Perf (%)	7/10/32

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ EBITDA	EV/Ton (USD)
03/11A*	213,183	22,790	248.5	-16.7	-	-	16.8	16.5	-	117
03/12A*	249,878	26,475	288.6	16.2	10.4	1.6	16.7	17.7	6.7	123
03/13E*	269,921	31,673	345.3	19.6	8.7	1.4	17.1	18.7	6.0	125
03/14E*	308,646	34,098	371.8	7.7	8.1	1.2	15.9	18.3	4.8	91

Consolidated; * Demerger of cement business assumed w.e.f. 1 October 2009

Company Represented By:
Mr Adesh Gupta,
CFO (Grasim)

Mr Sharad Agarwal,
AVP - Finance (Grasim)

Mr Swaminathan V,
President-Finance (UltraTech)

Covering Analyst(s):
Jinesh K Gandhi
+91 22 3982 5416
Jinesh@MotilalOswal.com

Sandipan Pal
+91 22 3982 5436
Sandipan.Pal@MotilalOswal.com

Key Takeaways

Cement demand outlook remains positive with 8%+ growth in FY13 and FY14; infrastructure boost could lead to further delta. VSF prices have bottomed out, but recovery could be delayed.

Cement: Volume to see 8%+ growth over FY13/14; pricing showing resilience

- Cement demand outlook remains positive with 8% growth in FY13 and potentially 9-10% in FY14 driven by positive boost in infrastructure. Northern and Western markets are witnessing good growth.
- Rural and semi-rural markets would be key drivers with lower incremental expectations from infrastructure and organized real estate over near term.
- Major capacity addition is behind us and new additions (~66mt by FY15) will be in line with incremental demand - thus, gradually easing the oversupply.
- Prices are showing resilience with lower seasonal dip in this monsoon. Amidst elevated cost factors, profitability to sustain at INR1,200-1,300/ton.
- UltraTech has increased pet coke usage since 1QFY13 as its prices are coming down. Pet coke now accounts for 25% of coal usage.
- UltraTech is confident of winning appeal against alleged cartelization order of CCI (Competition Commission of India).

VSF prices bottomed out; expect sustainable margins of 25-30%

- VSF prices have stabilized with no further downside as Chinese players would be making losses at 65-68% utilization. Average prices in QTD 2QFY13 remain broadly stable QoQ at INR128/kg.
- However, price recovery could be delayed. Cotton production in forthcoming season would be the key influencing factor for VSF demand and pricing. Expect sustainable EBITDA margin of 25-30%.

Mega capex plans on track; water shortage issues largely resolved

- UltraTech is investing ~INR157b over the next 3-4 years to add new capacities, logistics infrastructure and modernization of its plants.
- Its work-in-progress plants at Raipur (4.8mt) and Karnataka (4.4mt) are expected to start operations by 1QFY14, along with grinding units at Pipava (2QFY13). The company expects both the plants to witness healthy utilization as it is short of capacity in these markets.
- Grasim is expanding capacity in VSF by 156,500 tons (greenfield + brownfield) at Vilayat and Harihar, also supplemented by caustic capacity of 182,500 tons. It would be investing INR37.4b to augment its VSF capacity by 47% to 490,475 tons by FY13. VSF business would have 80% captive pulp at expanded capacity.
- Post capacity addition in VSF, Grasim would have 15% market share in global VSF market of 3.5mt.
- Water storage issue for new VSF plants as well as Nagoda has been addressed.

Jaiprakash Associates

Bloomberg	JPA IN
Rating	Buy
CMP (INR)	70
Mcap (USD b)	2.7
52-Wk Range (INR)	89/50
1, 6, 12 Rel Perf (%)	-4/-5/17

Year End	Net Sales (INR m)	PAT* (INR m)	EPS* (INR)	EPS* Gr. (%)	P/E* (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	129,665	7,421	3.5	-17.0	-	-	8.3	10.6	-	-
3/12A	128,531	10,203	4.8	37.5	15.8	1.6	10.4	10.0	2.4	9.0
3/13E	141,997	7,973	3.7	-21.9	20.2	1.7	8.1	10.7	2.2	9.0
3/14E	161,157	10,286	4.8	29.0	15.6	1.5	10.4	12.3	1.9	8.0

* Not Fully Diluted

Company Represented By:
Mr Gaurav Jain,
Executive Vice President

Mr Rajkumar Ralhan,
Sr. Vice President

Covering Analyst(s):
Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Key Takeaways

Jaiprakash Associates (JPA) is focusing on de-leveraging and achieving higher cash flows from projects commissioned.

Cement capacity at 36m tons; looking to improve utilization

- JPA has attained cement capacity of ~36m tons, while FY12 volumes were ~19m tons. The management is focusing on improving the utilization of its recently commissioned projects and driving cash flows.
- Cement price outlook remains firm, though the current slowdown may impact prices in the short term.
- JPA is looking at divesting stake in its Gujarat and southern state based projects to raise cash flows at the parent level to retire debt. It is already in discussions with a strategic investor.

Power vertical needs equity infusion; securitization of existing project one option

- Jaiprakash Power Ventures (JPVL) has already commissioned 1.7GW of hydropower projects. It has recently synchronized the first unit of 250MW at Bina (UP) and the second unit of 250MW is expected shortly.
- In addition, JPVL is working on 1.3GW Nigrie project and 1.98GW Bara project, where equity investment of up to INR15b+ is required. It has already invested INR8b in these projects.
- Given that 1GW of Karcham Wangtoo project is already operational, JPA can securitize cash flows of the project to raise debt to meet equity funding requirement. It is also exploring other fund raising options.

RE business witnessing traction, revenue recognition a function of completion

- As at March 2012, Jaypee Infratech has sold 42.2msf and total pre-sales stood at INR138b. Similarly, the Noida RE development in standalone books is progressing well, with 7.9msf of booking and INR46b pre-sales.
- In 1QFY13, revenue recognition from the RE division for the standalone entity was lower, as the revenue recognition threshold was not met. Robust pre-sales and incremental booking indicate that revenue recognition would improve, going forward.

Valuation and view

We expect JPA to report standalone net profit of INR8b in FY13 (down 22% YoY) and INR10.3b in FY14 (up 29% YoY). Maintain **Buy**. The group has outlined its strategy for consolidation and de-leveraging, and plans to lower debt through project cash flows, stake sale in cement business, and divestment in Jaypee Infratech.

Emami

Bloomberg	HMN IN
Rating	Not Rated
CMP (INR)	490
Mcap (USD b)	1.3
52-Wk Range (INR)	553/318
1, 6, 12 Rel Perf (%)	-5/32/-4

Company Represented By:
Mr Mohan Goenka, Director

Mr Rajesh Sharma,
VP - Accts, Fin & IR

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Emami has seen a moderation in its domestic volume growth from mid-teens to low double digits. However, it expects growth to revive on the back of various trade and distribution initiatives.

Volumes still growing in double digits

- Slowdown or relatively poor monsoon is not affecting Emami's business as yet.
- Emami is focusing on "Pain Management" side of business (Zandu Balm, Menthoplus Balm, Fast Relief, etc) which aggregates INR4.5b of sales (largest in India).
- Emami Fast Relief (sales of INR300-350m) is growing well. Current market share is ~5%. Objective is to gain market share from Volini and Moov.
- Navratna Oil saw improvement in market share to 57.5% in 1QFY13. Competition is not able to make any dent here.
- In Fair & Handsome, (a) Competition from HUL is hurting and it is gaining market share, and b) Contract with Shahrukh Khan did not get renewed on time.
- OTC brands contribute INR700m to sales. Management expects growth rate of at least 25% in this segment.
- Emami is looking for acquisitions that are more strategic fit. Management clearly indicated it would be happy to buy any company in the Indian Ayurveda space.

International business: Still fighting counterfeits in Russia

- **Russia:** Emami continues to be dogged by counterfeit Boroplus products being sold in Russian market, 12-15% lower than the original product price. It has already discussed this issue with Russian Custom Authorities and they are taking steps to resolve it.
- **Africa:** The company has discontinued low margin brands Bonita and Emita, which contribute around 50% of sales from Africa.
- **Bangladesh:** The manufacturing plant is ready and should be operational once it receives license from the government.

Distribution initiatives on track

- Direct retail coverage stands at 500,000 outlets.
- Emami is planning to increase number of outlets to 600,000 by end-FY13.
- Project Swadesh is on track. It has appointed 250 sales personnel in last 3 months; it will appoint another 300-400 in next 6-9 months.

Godrej Consumer Products

Bloomberg	GCPL IN
Rating	Neutral
CMP (INR)	665
Mcap (USD b)	4.1
52-Wk Range (INR)	676/370
1, 6, 12 Rel Perf (%)	0/50/49

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/11A	36,763	4,736	14.6	32.8	-	-	27.5	18.4	-	-
03/12A	48,509	5,266	16.3	11.2	40.9	10.3	25.2	20.4	4.9	27.6
03/13E	63,147	7,446	21.9	34.5	30.4	7.1	23.3	22.7	3.9	21.8
03/14E	78,327	9,076	26.7	21.9	24.9	6.1	24.5	24.5	3.2	17.8

Company Represented By:
Mr P Ganesh, Ex. VP

Mr Sameer Shah, VP-Finance

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Godrej Consumer Products (GCPL) management indicated continued strong momentum in domestic categories. It expects that focusing on its "3x3 strategy" will continue to drive medium term growth.

Domestic business sustaining momentum

- Management believes current momentum in domestic categories is sustaining and is optimistic of delivering double digit volume growth in its Soaps category for FY13.
- It does not expect any material adverse impact of deficient monsoons.
- It expects high-teen growth in Home Insecticides to sustain.
- It is focusing on driving innovations and new product launches in domestic business (AER air fresheners, Cinthol re-launch, new variants in Godrej No 1, Cinthol Deos, Shower Gels, etc).
- Distribution expansion should continue to aid rural growth.
- It sees stable margins in Home Insecticides and Hair Color segments.
- GCPL plans to support Cinthol through ASP spends.
- Correction in raw material costs will be passed on through price promotions.

International business: Darling acquisition progressing as per plan

- On Darling, many synergies have been executed, and most supply chain initiatives are in place. It is currently working on branding and marketing.
- Darling acquisition timeline - Phase 1: 51% of 45% of Darling business (done); Phase 2: 51% of another 20-25% of Darling business by end-FY13; Phase 3: 51% of remaining 30% of Darling business by end-FY14; Phase 4: 49% of Darling business, thus acquiring 100% ownership of Darling.
- Payments for various phases of acquisition in Darling will happen at the time of deal. As of now, EBITDA multiple is frozen.

Debt: Staggered debt payment reduces currency risks

- GCPL has staggered the repayment schedule for its USD305m debt which has average cost of 3%.
- Repayments: USD60m in FY13, USD82m in FY14 and so on with last tranche of repayment in FY18 (USD22m).

Valuation and view

- GCPL's earnings outperformance is driven by strong organic momentum in Soaps, HI as well as inorganic initiatives. This has resulted in its stock outperforming the sector by nearly 50% in past 12 months.
- GCPL trades at a P/E of 30.4x FY13E and 24.9x FY14E EPS. We believe current valuations adequately capture all the positives. Maintain **Neutral**.

Hindustan Unilever

Bloomberg	HUVR IN
Rating	Neutral
CMP (INR)	523
Mcap (USD b)	20.3
52-Wk Range (INR)	528/315
1, 6, 12 Rel Perf (%)	8/38/53

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/11A	197,352	21,533	10.0	3.5	-	-	81.8	103.7	-	-
03/12A	221,164	25,725	11.9	19.5	43.9	28.9	74.6	97.2	4.4	29.2
03/13E	259,476	32,201	14.9	25.2	31.0	22.1	71.2	93.3	3.7	24.0
03/14E	289,164	37,128	17.2	15.3	26.9	17.1	63.7	83.8	3.3	20.7

Company Represented By:
Mr R. Sridhar, CFO

Mr Dinesh Thapar, GM - IR

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Consumer demand patterns in Hindustan Unilever's (HUVR) categories have not seen any material change despite concerns on macro as well as monsoon front.

No impact of monsoon as yet; remains cautious

- HUVR has not seen any change in consumer demand trends. Growth differential between urban and rural remains immaterial.
- Deficient monsoon tends to have a lag impact, if any, on rural consumer demand. HUVR remains cautious and does not rule out the possibility of some downtrading in categories like Soaps, Detergents and Tea.
- The management maintains that innate strength of HUVR's portfolio that straddles the price pyramid, will cushion volume impact, if any.
- In the long term, HUVR's volume growth in Personal Products should outperform category growth.
- Domestic acquisition, if any, will be a function of category gap opportunity.

Premiumization strategy working

- HUVR's premiumization strategy is delivering results across categories, in turn, aiding realization growth and higher margins.
- New formats and benefits are driving the premiumization trend e.g. bars to liquid soaps, detergents to fabric softeners, etc.
- Soaps: Despite being a heavily penetrated category, volume growth is driven by disappearance of regional/unorganized players due to inflationary raw materials environment.
- Hair Care: Launched TRESemme shampoo in August to provide salon experience to consumers.
- Beverages: Taaza has not done well; corrective actions are being taken.
- Foods: Offers attractive long-term opportunity; will take time to play out.
- Water Purifier segment is impacted to an extent because of its discretionary nature. HUVR is not contemplating entering the bottled water segment.
- Digital media spends have doubled in recent times.

Valuation and view

- We expect HUVR's volume momentum to sustain in high single digits. The company's innovation efforts have gained speed and will help drive medium-term volume growth.
- We also expect gains from the recent distribution expansion.
- The stock trades at a P/E of 31x FY13E and 26.9x FY14E EPS. We believe these valuations capture all positives and leave little room for error. Maintain **Neutral**.

ITC

Bloomberg	ITC IN
Rating	Buy
CMP (INR)	268
Mcap (USD b)	37.7
52-Wk Range (INR)	269/185
1, 6, 12 Rel Perf (%)	1/28/25

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/11A	214,590	49,867	6.5	28.9	-	-	31.3	43.5	-	-
03/12A	251,738	61,624	8.0	23.6	33.7	10.2	32.7	45.7	8.0	22.5
03/13E	291,436	71,726	9.3	16.4	26.9	8.7	32.3	45.4	6.3	17.4
03/14E	334,890	84,525	10.9	17.8	22.8	7.3	32.2	45.7	5.4	14.6

Company Represented By:
Mr Neel Kingston Jasper,
Head - Corporate Planning

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

ITC management presented a healthy outlook for non-cigarettes FMCG business while stressing the possibility that steep excise duty hikes may slow down growth in Cigarette volumes.

Cigarette excise growth may be higher than inflation in the medium term

- Management indicated the possibility of Cigarette excise duty hikes being higher than inflation rate in the medium term. If this happens, Cigarettes volume growth may remain in low single digits like in the past 5 years.
- ITC does not expect any material adverse impact even if plain packaging norms were to be implemented in India as ~70% of cigarettes are sold in loose form. It believes efficacy of packaging initiatives in controlling tobacco consumption is not established.
- It has rolled out 5-6 brands in the 64mm segment (Gold Flake Super Flake at INR2.5, Capstan, Flake, Berkley and Scissors at INR2).
- ITC intends to take market share from informal segment (8% of market) and contraband (4% of market) through this 64mm initiative.
- Expect Cigarette EBIT margins to expand 30-40bp each year due to mix improvement and some pricing component.
- There is no clarity on GST timelines. (If and when it comes into force, all the indirect taxes excluding excise will get subsumed under GST).

4QFY13 break-even for FMCG-Others; Personal Care to see investments

- ITC maintained the earlier guidance of 4QFY13 break-even for FMCG-Others.
- Growth in Biscuits and Confectionery categories is moderating by 200-300bp. Staples volumes continue to growing at mid-teens.
- It has reached 20% market share in Cream Biscuits segment. Glucose segment now contributes just 20% of Biscuits revenue v/s 45% in FY10.
- **Instant Noodles:** There is need to ramp up capacity as it currently covers just 70% of Maggi's distribution footprint.
- ITC expects Personal Products to remain in investment mode and get strong promotion support.
- Skin Care is doing well, and Vivel has received good response.
- **Capex guidance:** INR20b per year for next three years.

Valuation and view

Expect strong pricing power in Cigarettes to drive 17% PAT CAGR over FY12-14. We model in ~2% Cigarettes volume growth for FY13. ITC offers the best earnings visibility in our coverage universe, which coupled with the rising dividend payout ratio, justifies the premium valuations (P/E of 26.9x FY13E and 22.8x FY14E EPS). **Buy** with a target price of INR295 (27x FY14E EPS). Policy uncertainties (excise, VAT, etc) and measures to curtail cigarette consumption remain the key risk factors.

Marico

Bloomberg	MRCO IN
Rating	Buy
CMP (INR)	192
Mcap (USD b)	2.2
52-Wk Range (INR)	202/134
1, 6, 12 Rel Perf (%)	-6/21/15

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/11A	31,283	2,918	4.7	24.6	-	-	31.9	29.7	-	-
03/12A	39,968	3,189	5.2	9.3	37.0	10.3	28.0	30.5	3.0	25.5
03/13E	47,179	4,361	6.8	30.5	28.3	6.1	21.6	29.7	2.7	19.8
03/14E	54,963	5,442	8.5	24.8	22.7	4.9	21.8	30.6	2.2	15.7

Company Represented By:
Mr Chaitanya Deshpande,
Ex VP and Head- IR and M&A

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Marico management indicated moderation in domestic volumes from the mid-teens level reported in 1QFY13.

Domestic volumes moderating; may still remain in double digits

- Marico indicated a moderation in domestic volumes from the 16% number it reported in 1QFY13.
- **Parachute:** Its 18% volume growth of 1QFY13 is unlikely to be replicated. Still, 10% volume growth is possible. Marico took price cuts in Parachute of INR2 on 100ml (MRP INR27) and 50ml (MRP INR12).
- **Saffola:** Continues to gain consumer traction; 14-15% volume growth is achievable.
- **Hair Oil:** Gaining market share.
- **Skin Care:** Marico is looking at "head to body" but not face care.
- **Foods:** Ex edible oil, Foods form 1.5% of sales. It expects non-edible oil basket to contribute 25% of Foods revenue over the medium term.
- Marico has recently entered the muesli category. However, it is not keen on corn flakes as it believes it is a relatively commoditized category.

Paras: On track; meeting internal benchmarks

- Paras achieved INR100m revenues in 1QFY13. Marico plans to grow Paras at 25-30% compounded.
- Set Wet and Zatak together command 5% share of the Deodorant market which is extremely fragmented with leader (HUL) having 17% share.

Raw material costs not too worrying

- Marico is not overly worried about increase in MSP of Copra.
- Poor monsoon impacts Copra crop next year. Linkage to Palm oil table leads to volatility in Copra prices.

International business: May revert to 18% growth in FY14

- Expect macro situation to improve in Bangladesh due to rising remittances.
- International revenue growth may revert to 18% by FY14 after delivering 13-14%growth in FY13.

Valuation and view

- We like Marico's dominance in its core categories as well as strong new product basket. Increasing focus on Foods augurs well from long-term growth viewpoint.
- Marico trades at a P/E of 28.3x FY13E and 22.7x FY14E EPS. Reiterate **Buy**. Integration of Paras acquisition remains the key monitorable.

Pidilite Industries

Bloomberg	PIDI IN
Rating	Buy
CMP (INR)	186
Mcap (USD b)	1.7
52-Wk Range (INR)	193/134
1, 6, 12 Rel Perf (%)	7/24/8

Year End	Net Sales (INR m)	Adj.PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	23,806	3,330	6.6	13.4	-	-	29.2	30.9	-	-
3/12A	28,164	3,557	7.0	6.5	23.4	6.2	26.3	29.1	2.8	16.1
3/13E	33,820	4,329	8.3	17.9	19.9	4.8	24.3	30.7	2.4	12.5
3/14E	40,398	5,305	10.1	22.5	16.2	4.0	24.9	32.7	1.9	10.1

Company Represented By:
Mr Sandeep Batra,
Director Finance

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Pidilite management gave a cautious but healthy outlook for the Consumer segment. However, the Industrial segment continues to bear the impact of slowdown in infrastructure and construction sectors.

Slowdown hurting Industrials; Consumer remains relatively insulated

- Pidilite does not see very strong linkage between GDP growth and performance of Consumer segment.
- 1QFY13 volume growth in Fevicol was strong at 13-14% (it has since moderated somewhat to 9-10%.) Pidilite has taken a 2% price hike in 2QFY13 to pass on the impact of raw material costs.
- **Margin guidance:** Expect flat margins going forward.
- Unlike Consumer, slowdown in infrastructure and construction sectors is impacting the performance of Industrial segment.
- Even here, Pidilite's construction chemicals have clocked 30% CAGR for past 5 years. It expects similar growth in next 3-5 years.
- Status quo remains on the elastomer project; Pidilite has already spent INR3.7b on the same. It does not intend to spend further capex on this project and is awaiting the decision of its board.
- Expect clarity on the Elastomer project by end-FY13. At full capacity (36,000 tons), it is expected to have INR10b turnover with 30% EBITDA margin.
- Pidilite does not intend to enter commoditized spaces and paints.
- Carpenter is the single largest customer segment for Pidilite. B2C (business to consumer) forms 80% of the turnover currently.

International: Except Brazil, all is well

- International units are doing well on revenue and EBITDA front except Brazil, which may take 2 years for EBITDA break-even.
- Brazil needed funding to the tune of INR200m (cash loss of Rs120mn); other units did not need funding.
- The international business is expected to attain PAT break-even in 5-7 years.

Other points

- **Capex guidance:** INR1.25-1.5b.
- **Working capital:** Credit cycle to trade - Fevicol 30 days, Fevi Kwik 7 days, and Construction chemicals 30 days.
- **Debt:** Total debt of INR2.4b (FCCB INR1.8b, Debentures INR0.6b).
- Effective interest cost of 8%, of which a third gets capitalized.
- FCCB conversion price is INR196, due for maturity on 7 December 2012.

Radico Khaitan

Bloomberg	RDCK IN
Rating	Not Rated
CMP (INR)	106
Mcap (USD b)	0.3
52-Wk Range (INR)	135/92
1, 6, 12 Rel Perf (%)	-7/-9/-28

Company Represented By:
Mr Abhishek Khaitan, MD

Mr Dilip Banthiya, CFO

Mr Mukesh Agarwal,
VP Fin & IR

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Strategy focused around premium products

- RDCK is a pure play on the IMFL (Indian-made foreign liquor) consumption story in India. It has adopted a strategy of higher profitability through premiumization and launched various premium brands e.g. *Morpheus* brandy and *After Dark* whisky in the recent past.
- **Premiumization driving industry growth** – industry growth is ~10% more in value terms than volume terms due to premium brands.
- The management indicated that profits in premium products could be 8x the profit in mass products.
- Though Radico Khaitan (RDCK) has presence in all categories from mass to super premium products, it plans to focus more on premium products in order to increase profitability.

India - an underpenetrated market

- India's per capita consumption of alcoholic beverages is among the lowest in the world at 0.9 liters a year.
- Favorable demographics and changing consumer behaviour will drive consumption of alcoholic beverages.

White spirits to drive growth

- Management indicated that like in the West, consumers in India are moving towards white spirits.
- RDCK's *Magic Moments* vodka posted 17.5% growth in FY12 to 22.2m cases.

Price hikes in the pipeline

- RDCK plans to increase prices by 4-5% across products in its key markets and also for sales to CSD (Canteen Stores Department, Indian Armed Forces).
- Competition has also initiated price hikes, giving the company room to improve margins through price increases.

Leading brands in the kitty

- RDCK's *Morpheus* brandy has 65% market share in the brandy space. Its *Magic Moments* has 25% share of the overall vodka market and 85% of the semi-premium vodka market.
- The company mentioned that its products primarily target the youth.

Other points

- South India accounts for ~50% of the company's sales.
- RDCK has planned capex of ~INR400m in FY13, funded by internal accruals.

Axis Bank

Bloomberg	AXSB IN
Rating	Buy
CMP (INR)	1,016
Mcap (USD b)	7.6
52-Wk Range (INR)	1,309/785
1, 6, 12 Rel Perf (%)	-3/-13/-10

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	111,951	33,885	82.5	33.0	-	463	-	-	1.6	19.3
3/12A	134,380	42,422	102.7	24.4	9.9	547	1.9	1.9	1.6	20.3
3/13E	160,857	48,748	114.6	11.6	8.9	629	1.6	1.7	1.6	19.6
3/14E	192,417	56,053	131.8	15.0	7.7	740	1.4	1.4	1.5	19.1

Company Represented By:
Mr Sanjeev Gupta,
President & CFO

Mr Julius Samson, SVP &
Head Corp. Comm. & IR

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

Confident of maintaining margins at 3.25-3.5%

- In the last two quarters, Axis Bank's (AXSB) margins shrank by 38bp (3.4% as at the end of 1QFY13). The management expects margins to improve in 2Q and 3Q, led by running-off of low yielding priority sector loans (PSL), cooling bulk deposit rates and increasing share of high yielding retail loans.
- The management reiterated its sustainable margin guidance of 3.25-3.5%.

Fee income growth to moderate; to track balance sheet growth

- With slowdown in corporate activity (syndication business), AXSB expects growth in fees from corporate banking (constituted 36% of overall fees in FY12) to be flat or show marginal improvement in FY13.
- However, this would be partially offset by pick-up in retail banking fees (increased focus on retail loans and third party distribution). Overall, the management expects fee income growth to track balance sheet growth.

Retail liability growth - a key focus area

- Healthy SA deposit growth of 20%+ in the current environment demonstrates the power of its strong liability franchise.
- The management mentioned that SA deposit growth remains healthy and CASA would continue to be a key focus area.

No restructuring in Power segment yet; granular details provided

- Of AXSB's overall Power exposure, 80% is towards thermal (98% linked to domestic coal supply; the remaining dependent on imports from captive units abroad), 5% towards gas and 15% towards renewable energy.
- AXSB has no exposure to distribution companies or ultra mega projects located in coastal areas. Of its overall exposure, 20% is operational and 45% is expected to be operational by FY14.
- None of its loans to the Power segment have been restructured so far, though a few may get restructured in FY13.

Gross stress addition (slippages + restructuring) of INR10b-11b per quarter

- The management reiterated its guidance of gross stress addition of INR10b-11b per quarter. It maintained its credit cost guidance of 75-80bp.

Valuation and view

- AXSB's key strength has been its ability to grow CASA deposits (~35% CAGR over FY06-12). Given its strong and rapidly growing liability franchise, we expect SA growth to remain healthy (with strong customer acquisitions).
- While pressure on asset quality has increased, it still remains under check.
- Healthy NII, fee income growth and stable cost to income ratio should lead to 19% CAGR in core operating profit and 15% CAGR in PAT over FY12-14. **Buy**.

Bajaj Finance

Bloomberg	BAF IN
Rating	Not Rated
CMP (INR)	1,065
Mcap (USD b)	0.8
52-Wk Range (INR)	1,133/585
1, 6, 12 Rel Perf (%)	-1/38/59

Company Represented By:
Mr Rajeev Jain, CEO

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Healthy growth in consumer segment and new product lines to drive growth

- Bajaj Finance (BAF) continues to target ~25% AUM growth for FY13. However, the management indicated that the situation remains fluid, as the macro environment is not showing any signs of pick-up.
- The company expects the loans against property (LAP) / mortgages portfolio to grow comfortably at ~25%, as the opportunity remains large despite stiff competition. It has put the commercial business (infra and CE financing) on hold due to uncertain macro conditions. The SME business is currently growing at 30-35%.
- The management expects competition from banks to increase in retail home loans and auto loans in the coming months due to steady demand witnessed in these segments.
- BAF has added business lines such as (1) doctor loans - loans to professional doctors for various personal / professional needs, and (2) lifestyle financing - launched in April 2012; BAF achieved disbursements of INR250m in 1Q and wants to scale up this portfolio to INR2b-2.5b in FY13.

Asset quality remains healthy, mgmt remains cautious on commercial segment

- Asset quality continues to be healthy. Among different businesses, asset quality in the consumer and SME segments has held up well.
- The management remains cautious about asset quality in the commercial businesses such as infra and equipment financing. BAF has moderated growth in these segments, but asset quality remains a key monitorable.

Other highlights - Capital raising by year end

- BAF aims to raise capital by the end of the current fiscal. It targets to raise ~INR7.5b, which will take care of its growth plans for the next three years.
- The management indicated that they are keen to apply for a banking license and are awaiting the final guidelines.
- Though return ratios in 1QFY13 remained strong, with RoA of 4%+ and RoE of ~25%, the management stated that on a long-term sustainable basis, the return ratios are likely to moderate. Sustainable RoA and RoE are expected to be ~3% and 18-20%, respectively.

Bajaj Finserv

Bloomberg	BJFIN IN
Rating	Not Rated
CMP (INR)	796
Mcap (USD b)	2.1
52-Wk Range (INR)	954/392
1, 6, 12 Rel Perf (%)	6/37/48

Company Represented By:
Mr Sanjiv Bajaj,
MD

Mr S Sreenivasan,
President - Finance

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Challenging phase for life insurance industry; focus on profitable growth

- Bajaj Finserv (BJFIN) is one of the few life insurance companies that have become profitable on a cumulative basis.
- The management indicated that the life insurance industry is going through a tough phase mainly on account of severe regulatory changes, impacting business growth and profitability.
- In 1QFY13, new business premium growth was 28% YoY, led by strong growth in group and micro insurance segment. For the full year, the management has indicated 10% growth in new business premium.
- In the medium term, premium growth is likely to be in line with the nominal GDP growth. However, getting the mix right will be challenging.
- Nearly 40% of the business is contributed by the agency force (v/s 55% earlier). Bancassurance contributes only 20% of premium for BJFIN; the share for players like ICICI Prudential and HDFC Life is much higher.
- Persistency ratio likely to remain stable going forward, as in FY12, there was a sharp fall due to completion of the lock-in period (3 years) for one of the products.
- Surrender income is likely to decline considerably due to regulatory changes. In FY12, the income from surrenders was INR4b-4.5b.

Margins unlikely to improve considerably

- BJFIN's new business margins have moderated considerably to 12-13%. On a steady state basis, margins are likely to be 13-14%.
- Unit-linked products are high margin products, but incrementally, growth is being driven by traditional products due to regulatory constraints and poor performance of equity markets. In 1QFY13, traditional products contributed over 80% of the new business premium.

Other businesses performing well; capital raising through rights issue

- The general insurance business (barring the motor pool losses) remains highly profitable. Motor pool losses yet to be written off stand at INR3b.
- BJFIN remains keen on applying for a banking license and is committed to fulfilling all capital requirements for the banking license.
- BFIN plans to raise ~INR10b through a rights issue to fund capital requirements of Bajaj Finance (BAF) and to infuse additional capital in case the company applies for a banking license.

Dewan Housing Finance Corporation

Bloomberg	DEWH IN
Rating	Buy
CMP (INR)	168
Mcap (USD b)	0.4
52-Wk Range (INR)	279/142
1, 6, 12 Rel Perf (%)	12/-33/-31

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	7,126	2,937	28.1	48.8	-	149	-	-	2.0	26.7
3/12E	8,418	2,987	25.6	-9.1	6.6	173	1.0	1.2	1.3	18.5
3/13E	12,158	4,408	37.7	47.6	4.4	206	0.8	0.9	1.5	21.7
3/14E	15,225	5,507	51.3	36.1	3.3	246	0.7	0.8	1.4	22.7

Company Represented By:
Mr Koustubh Shah, AGM - IR

Ms Radhika Seshadri, AM - IR

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Growth for standalone entity remains strong

- Dewan Housing Finance (DEWH) has guided 25-30% growth in the consolidated loan book for FY13. While the standalone book is likely to grow at a faster pace, demand in First Blue Housing Finance (FBHFL) remains subdued, reflecting the weak demand in the metro and tier-I centers.
- On a medium term basis, the management targets to grow FBHFL book at 25% (v/s 17-18%, currently).

Consolidated margins to remain under pressure

- Spreads in the standalone business are likely to remain stable. Around 70% of the borrowings are in the form of bank borrowings and should get re-priced downwards, with reduction in base rates.
- Management indicated that spreads in FBHFL could witness some compression, as yields are unlikely to move up significantly due to competitive pressures and borrowing costs may increase following the merger to DEWH levels.
- On a consolidated basis, spreads may witness some compression in FY13. However, the management plans to increase the proportion of loans against property (LAP) and developer loans to provide some cushion to margins.

Asset quality remains healthy

- Asset quality remains healthy. No stress is seen yet in the developer portfolio. Sequential improvement in asset quality is likely in 2QFY13.

FBHFL merger likely to conclude in 3QFY13

- DEWH has received approval from Bombay High Court and approval from Delhi High Court is likely to come in October 2012. DEWH should start reporting quarterly numbers on a consolidated basis from 3QFY13.

Other highlights - Capital raising; treatment of goodwill

- At current growth rates, DEWH may have to raise capital in the next 12 months. However, the management does not wish to raise capital in the current fiscal. It plans to securitize loans towards the end of the year. Inability to do so may lead to lower growth for the company.
- Goodwill as at the end of FY12 stood at ~INR3.5b, which will be amortized over a period of seven years starting FY13.

Valuation and view

The stock trades at 0.9x FY13E ABV and 0.8x FY14E ABV (adjusted for goodwill). Valuations remain attractive and risk-reward appears favorable. Maintain **Buy**.

HDFC

Bloomberg	HDFC IN
Rating	Buy
CMP (INR)	723
Mcap (USD b)	19.3
52-Wk Range (INR)	735/601
1, 6, 12 Rel Perf (%)	3/9/5

Company Represented By:
Mr Keki Mistry,
Vice Chairman & CEO

Mr Conrad D'Souza, Member of Executive Management

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/BV (X)	ABV* (INR)	AP/ABV* (X)	AP/AE# (X)	RoAA (%)	Adj RoE (%)
3/11A	53,181	35,350	24.1	22.4	-	91.2	-	-	2.9	26.6
3/12A	61,975	41,226	27.9	15.8	5.6	100.5	5.4	20.8	2.8	27.3
3/13E	75,126	49,225	32.1	15.1	4.5	105.9	4.9	17.5	2.9	29.4
3/14E	90,173	59,173	38.6	20.2	4.0	125.8	3.9	13.6	2.9	30.9

* Price adj. for value of key ventures. BV is adj. by deducting invt in key ventures from NW
# Price adj. for value of key ventures. EPS is adj. for dividend from key ventures

Key Takeaways

Demand from tier-II and tier-III centers driving growth

- The management remains fairly confident of achieving 18-20% loan growth in FY13. Growth in 1Q and 2QFY13 (expected) has been healthy at 20%+ (on a lower base) and is likely to be 20% for the full year.
- While growth is currently being driven by tier-II and tier-III centers, demand in centers like Mumbai is also showing signs of pick-up.

Spreads to remain steady

- Spreads are likely to remain steady at 2.15-2.35%. While HDFC has reduced deposit rates by 25bp since May 2012, bank borrowing rates remain high.
- Bank base rates have to come down meaningfully for borrowing costs and also lending rates to come off.
- In 1QFY13, spreads were 1.93% for retail loans and 2.8% for non-retail loans.

Asset quality remains healthy

- Asset quality in the individual segment continues to be healthy.
- One large account in the non-retail segment slipped into NPA in FY12 but this was technical in nature. It is likely to get upgraded in FY13.

Regulatory changes

- HDFC has not yet implemented uniform rates for old and new customers; it is awaiting further clarity from the regulator.
- Tier-I capital requirement is unlikely to go up, as indicated by the NHB Chairman in the media.
- Waiver of prepayment penalty on teaser loans getting converted to floating rate loans is unlikely to impact significantly, as ~30% of such borrowers have already paid one-time fee and got rates revised to current floating rates.

Other highlights - Update on warrant conversion

- Around 99% of warrants have got converted and a very small portion of the total remains unconverted as on 24 August 2012.

Valuation and view

The stock trades at an adjusted price to adjusted book value (AP/ABV) of 3.9x FY14E. We believe valuations are reasonable, considering HDFC's growth potential (FY12-14E EPS CAGR of ~20%), sound business fundamentals, and substantially improved subsidiaries' performance. Maintain **Buy**.

HDFC Bank

Bloomberg	HDFCB IN
Rating	Neutral
CMP (INR)	588
Mcap (USD b)	24.9
52-Wk Range (INR)	610/400
1, 6, 12 Rel Perf (%)	-4/11/23

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	148,783	39,264	16.9	31.0	-	109.1	-	-	1.6	16.7
3/12A	175,405	51,671	22.0	30.4	26.7	127.4	4.6	4.7	1.7	18.7
3/13E	217,224	67,257	28.7	30.2	20.5	149.4	3.9	4.0	1.8	20.7
3/14E	263,361	83,817	35.7	24.6	16.5	176.7	3.3	3.4	1.8	21.9

*Includes pro forma merged figures for HDFC Bank and CBoP

Company Represented By:
Mr Sashi Jagdishan, CFO

Mr Bhavin Lakhpatwala,
Vice President

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

Above industry average loan growth to continue

- HDFC Bank (HDFCB) remains confident of growing its loan portfolio a few percentage points higher than the industry average.
- In FY12, HDFCB's corporate loan portfolio grew at a modest pace of 11%, in line with the bank's conscious strategy adopted in view of higher cost of funds and intent to maintain margins. In 1QFY13, corporate loans grew strongly by 15% QoQ as the bank resumed corporate lending driven by moderation in borrowing costs.
- In FY13, HDFCB expects wholesale and retail loans to grow at similar rates.

Superior asset quality performance; expect it to normalize

- Asset quality performance has been commendable in FY12, with gross slippage ratio at ~1% and credit cost at just 40bp (at decadal lows).
- On the corporate side (including SMEs and mid-to-large corporate accounts) at the sector level, stress is not concentrated in any particular segment but is restricted to a few accounts.
- In both retail and wholesale, the management believes that HDFCB is off the lowest delinquency levels it has seen in the last few quarters. Despite some increase, delinquency is still below what HDFCB has factored in.
- Over the quarters, the bank has built a floating provision buffer of INR16b to create adequate cushion and absorb any negative shocks.

NIM to be 3.9-4.3%; fee income growth to be 18-20%

- The management reiterated its guidance of maintaining margins at 3.9-4.3%.
- Fee income growth has been marginally higher in the last two quarters due to one-off fees. The lower base of 1HFY12 (due to negative impact of regulatory changes in mutual fund distribution and insurance commission) would ensure healthy growth. Change in regulations for card-related fees could impact fees marginally. Overall fee income growth would be 18-20%.

Valuation and view

HDFCB is best placed in the current environment, with (1) CASA ratio of ~46%, (2) growth outlook of 1.3x industry average, (3) improving operating efficiency, (4) expected traction in income due to strong expansion in branch network, and (5) best in class asset quality. While we remain positive on the bank's business, we believe valuations are rich. Maintain **Neutral**.

ICICI Bank

Bloomberg	ICICIBC IN
Rating	Buy
CMP (INR)	922
Mcap (USD b)	19.1
52-Wk Range (INR)	999/641
1, 6, 12 Rel Perf (%)	-5/2/1

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	AP/E* (X)	ABV* (INR)	AP/ABV* (X)	Core RoAE (%)	RoAA (%)
3/11A	156,648	51,514	44.7	23.9	0.0	16.6	365	0.0	12.2	1.3
3/12A	182,369	64,653	56.1	25.4	16.4	13.5	402	1.9	13.3	1.5
3/13E	223,038	80,092	69.5	23.9	13.3	10.2	447	1.6	15.1	1.6
3/14E	261,219	93,175	80.8	16.3	11.4	8.5	500	1.4	15.7	1.6

*Price adj. for value of key ventures and BV adjusted for investments in those key ventures

Company Represented By:
Ms Chanda Kochhar,
MD & CEO

Mr Rakesh Jha,
Deputy CFO

Mr Rakesh Mookim,
Chief Manager

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

Focus on sustainable and profitable growth

- ICICI Bank (ICICIBC) continues its focus on 5Cs (Credit growth, CASA, Cost efficiency, Credit quality and Capital conservation). Improving domestic loan growth with focus on CASA, stable margins and containment of credit cost would help the bank to further enhance its return ratios.
- For FY13, ICICIBC has guided exit RoA of 1.65% v/s 1.5% in FY12 and consolidated RoE target of 15%. Over the medium term, it expects to improve consolidated RoE to 17-18%.

Corporate segment to drive near-term loan growth; retail to accelerate

- In FY13, domestic loan growth is likely to be 20% and the domestic retail loan portfolio is expected to grow 15%. Focus would be on secured retail loans - mortgages, auto loans, CV loans, etc, which would see acceleration in FY14.
- Growth in the international loan book (in consolidation phase) would be 0-5%. Thus, the overall growth expected in FY13 is ~15%.

Structurally, margins have moved to a higher level

- From 2.6-2.7%, ICICIBC has expanded its margins to 3%, led by improved liability profile (CASA ratio of ~40%), despite reducing share of unsecured loans.
- With increasing share of retail loans and strong CASA ratio, margins should remain stable at ~3% in the near term. The management expects margins to improve by a further 20-25bp in the medium to long term.

Macro environment challenging, but asset quality manageable

- Though stress in the macro environment continues, ICICIBC is well placed to face the challenges, with the strong risk management practices that it has followed in the last few years.
- Though stress in the corporate segment may lead to incremental restructuring, it would be lower than that seen in FY12. Credit cost guidance for FY13 is unchanged at 75bp.

Valuation and view

- Sharp improvement in liability profile and asset quality, and better asset liability management has helped ICICIBC to improve its NIM from 2.6-2.7% to 3%. We expect gradual improvement in NIM to continue. Asset quality should remain healthy given the benign asset quality in the retail segment, though there may be some restructuring in the corporate segment.
- In effect, RoA is likely to remain strong at ~1.6% over FY13-14. Core RoE should increase from 11% over FY08-12 to ~16% in FY14, led by increasing leverage and strong RoA. ICICIBC has maintained strong capitalization, with tier-I at 12.8%. **Buy** with an SOTP-based target price of INR1,230.

IDFC

Bloomberg	IDFC IN
Rating	Buy
CMP (INR)	138
Mcap (USD b)	3.7
52-Wk Range (INR)	161/90
1, 6, 12 Rel Perf (%)	3/-1/20

Year End	Net Inc. (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (x)	ABV (INR)*	AP/ABV (x)	RoAA (%)	Core RoE (%)
3/11A	25,455	12,817	8.8	7.4	-	60.6	-	3.2	17.8
3/12A	29,788	15,540	10.3	17.1	13.4	72.7	1.6	2.9	16.2
3/13E	33,336	16,720	11.1	7.6	12.5	80.9	1.4	2.6	15.0
3/14E	39,810	20,205	13.4	20.8	10.3	90.7	1.3	2.6	16.1

*Adjusted for Investment in subsidaries , Prices adjusted for other ventures

Company Represented By:
Mr Sunil Kakar,
CFO

Mr Bimal Giri, Sr Director - Strategy, Corp. Planning, IR

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Key Takeaways

Growth outlook remains cautious in the medium term

- Despite strong growth in 1QFY13 (34% YoY on a lower base), the management maintains its loan growth guidance of 15-20% for FY13.
- The management believes that the current uncertain regulatory and macro environment and delays in decision making by the government can hamper investments (fresh spends) and impact medium-term growth.

Spreads to remain stable, decline in wholesale rates positive

- IDFC's spreads have improved considerably over the past few quarters. The management expects the spreads to remain stable if not improve from current levels.
- The incremental cost of funds is 9.5-10%; should decline with decline in wholesale rates.

Asset quality concerning but manageable

- The management remains cautious about asset quality. IDFC's investment in one large corporate account that went bad in 1QFY13 stands at less than INR 1.5b, of which INR600m have been provided for in 1QFY13.
- Of the total assets, 1.5% have been rescheduled. There has been no interest reset, and hence, no NPV hit on any of these loans.
- Of IDFC's total energy exposure, 80% of the projects are operational and are running at 60% PLF, which allows them to service debt.
- The management feels that 2% of its exposure to gas-based projects is vulnerable and may have to be restructured in the future.
- However, even in the worst case scenario, the management remains confident of containing GNPAs at ~1% v/s 0.3% currently.

Valuation and view

IDFC has delivered strong performance on the growth and margin fronts even during challenging times. Expected monetary easing and reform measures by the government could act as major catalysts in improving the growth and profitability outlook. Healthy asset quality and prudent provisioning policy makes IDFC better placed than its peers. The stock trades at 1.4x FY13E and 1.3x FY14E adjusted BV. Maintain **Buy**.

IndusInd Bank

Bloomberg	IIB IN
Rating	Buy
CMP (INR)	319
Mcap (USD b)	2.7
52-Wk Range (INR)	352/222
1, 6, 12 Rel Perf (%)	-7/5/29

Year End	Net Income (INR M)	PAT (INR M)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	20,902	5,773	12.4	45.3	-	82	-	-	1.4	19.3
3/12A	27,160	8,026	17.2	38.5	18.6	97	3.3	3.3	1.6	19.2
3/13E	35,024	10,007	21.4	24.7	14.9	115	2.8	2.8	1.6	20.2
3/14E	45,122	12,946	27.7	29.4	11.5	139	2.3	2.3	1.7	21.8

Company Represented By:
Mr Sanjay Mallik,
Head IR & Strategy

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

Loan growth guidance unchanged at 25-30%

- IndusInd Bank (IIB) is well poised to gain market share in overall loans and has guided 25-30% loan growth in FY13.
- Within the CV portfolio, growth is likely to moderate on slowdown in M&HCVs. However, growth in LCVs and used CVs is expected to be in line with overall loan growth. Further growth in the retail segment is likely to be strong, with robust growth in loans against property (LAP) and credit cards on lower base. IIB intends to increase its LAP portfolio from the current INR5.5b to INR45b over the next 2-3 years.
- The key growth driver in corporate banking would be working capital.

CV portfolio remains healthy; credit cost guidance of 70bp

- Asset quality performance remains healthy. Delayed monthly repayments are in line with the historical trend and there is no indication of significant stress.
- In the infrastructure space, majority of the exposure is towards working capital. Exposure to project loans is just 18-20% of infrastructure loans and the management does not expect significant pressure to arise in terms of asset quality. Over 90% of the corporate portfolio is classified as high investment grade and the balance portfolio is secured.
- Over FY06-12, IIB's average credit cost has been 70bp. Its current credit cost is ~50bp. The management believes that even if pressure on asset quality increases, it would be able to contain credit cost at/below 70bp.

NIM to improve, led by fall in cost of funds; CASA traction remains strong

- NIM has gradually declined from 3.6% in 3QFY11 to 3.2% in 1QFY13, led by increase in cost of funds and higher share of fixed rate loans (~50% of overall).
- The management believes that margins have bottomed out. Decline in cost of funds coupled with higher share of fixed rate loan portfolio built in the high interest rate regime would help IIB to improve margins.
- Traction in CASA remains strong, which should also help contain cost of funds. IIB targets CASA ratio of 34% with the CA-SA mix being 50:50.

Valuation and view

- NIM is likely to expand in 2HFY13 and FY14, with (a) 50% of the loan book being fixed in nature (built in high interest rate environment), (b) increasing share of consumer finance, (c) expected benefit of fall in interest rates on wholesale deposits, and (d) increasing traction in CASA deposits.
- Core operating profitability remains strong, though pressure on asset quality is likely to increase. Improving liability franchise, structural improvement in RoA and 20%+ asset growth should help IIB to post one of the highest PAT CAGR (~27%) among the banks under our coverage. **Buy**.

ING Vysya Bank

Bloomberg	VYSB IN
Rating	Buy
CMP (INR)	369
Mcap (USD b)	1.0
52-Wk Range (INR)	405/275
1, 6, 12 Rel Perf (%)	-6/9/13

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	16,614	3,186	26.3	42.3	-	208	-	-	0.9	13.4
3/12A	18,781	4,563	30.4	15.4	12.1	258	1.4	1.4	1.1	14.3
3/13E	22,346	5,377	35.8	17.8	10.3	289	1.3	1.3	1.0	13.1
3/14E	26,265	6,076	40.5	13.0	9.1	323	1.1	1.2	1.0	13.2

Company Represented By:
Mr Jayant Mehrotra,
Chief Financial Officer

Mr Uday Sareen,
Country Head - Retail Banking

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

Focus on productivity improvement - operating leverage a key to profitability

- Post the investment phase in FY10-11, during which it added 70 branches and enhanced technological capabilities, ING Vysya Bank (VYSB) is in consolidation phase, with key focus on improving productivity. Cost to core income ratio has improved from 71% in FY09 to 61% in FY12.
- The management expects to reap benefits from its existing branches and improve productivity, while containing cost, thus driving profitability.

Asset quality remains healthy; though management remains watchful

- Asset quality has been improving over the last two years, with gross slippage ratio declining to 0.7% in FY12 as against 2.4% in FY10. The management expects asset quality trend to remain healthy, but remains cautious, given the challenging macro environment.
- The bank has utilized the benefit of the benign asset quality cycle it has seen by boosting PCR to 90%+, which should help absorb the impact on profitability in the event of rising stress.

Loan growth to remain above industry average

- VYSB intends to grow its loan book a few percentage points higher than the industry average, with key focus on the SME and retail segments. Within retail, mortgages and gold loans would be strong growth drivers.
- Currently, loans against property (LAPs) constitute 20% of VYSB's mortgages portfolio, but the share of LAPs in incremental mortgage loans is 40-45%. These are better yielding loans (12.5-13%), which should also help the bank to expand margins.
- Another focus area for the bank is gold loans, where average yield is 15-16%. The average ticket size is currently INR80k-90k, with loan-to-value (LTV) on the portfolio at 70-75%.

Valuation and view

- We expect VYSB to report earnings CAGR of ~15%+ and RoA of 1%+ over FY13-14. However, RoE is likely to be ~13% due to lower leverage. Continued higher than industry growth, demonstration of operating leverage and improvement in fee income will be key re-rating triggers.
- The stock trades at 1.3x FY13E BV and 1.1x FY14E BV. Maintain **Buy**.

Kotak Mahindra Bank

Bloomberg	KMB IN
Rating	Neutral
CMP (INR)	578
Mcap (USD b)	7.7
52-Wk Range (INR)	612/413
1, 6, 12 Rel Perf (%)	4/5/28

Year End	Cons. PAT (INR m)	Cons. EPS (INR)	EPS Gr. (%)	P/E (x)	Cons. BV (INR)	P/BV (x)	P/ABV (x)	Cons RoE (%)	RoAA* (%)	Core RoE* (%)
3/11A	15,667	21.3	13.3	-	148.8	-	-	16.6	1.9	15.4
3/12A	18,322	24.7	16.3	23.4	174.2	3.3	3.4	15.4	1.9	15.4
3/13E	20,165	27.2	10.1	21.2	200.6	2.9	2.9	14.5	1.6	14.6
3/14E	22,642	30.6	12.3	18.9	230.3	2.5	2.6	14.2	1.5	14.3

*For standalone Bank

Company Represented By:
Mr Jaimin Bhatt, President & Group CFO

Mr R Sundarraman, Executive Vice President

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Key Takeaways

Growth expectations moderated led by macroeconomic factors

- Kotak Mahindra Bank (KMB) toned down its loan growth guidance to 20%+ from 25-30% earlier, reflecting the difficult credit environment.
- The bank is witnessing slowdown in demand in the retail segment, mainly in car loans and mortgages. Also, it is consciously slowing down its growth in the CV / CE segment, given the unfavorable macro environment.
- However, the management remains confident that the consumer segment would grow at 20-25%+.

Margins may remain under pressure

- KMB's consolidated margins have contracted from 4.7% as on June 2012 to ~4.5% currently.
- The management indicated that margins are likely to remain under pressure, as the bank is going slow in some of the high yielding but relatively risky segments (like CV / CE).
- Incrementally, the bank's focus is to selectively increase exposure to high rated corporates, where yields are relatively lower.

Asset quality remains monitorable; initial signs of stress visible in the retail segment

- In 1QFY13, KMB witnessed a spike in gross NPAs, led by one large corporate account falling into the NPA category. Currently, no stress is visible in any such large account, but the management remains watchful.
- The management indicated that credit cost was substantially lower in FY12 and is unlikely to sustain. Credit cost is likely to increase in FY13. Though not quantified, the current run rate meets the management's expectations.
- In FY12, KMB had certain CIBIL write-backs (repayments from defaulters to improve their score), which also led to improvement in asset quality.
- Some pressure on asset quality in the retail segment has started becoming visible.

Valuation and view

Moderating growth, expected deterioration in asset quality and higher base of FY12 (on healthy recoveries and just 15bp credit cost in FY12) will put pressure on the profitability of the lending business. Profitability of the capital market and asset management businesses is likely to remain sluggish for the next few quarters. The stock trades at 2.9x FY13E and 2.5x FY14E consolidated BV. Maintain **Neutral**.

LIC Housing Finance

Bloomberg	LICHF IN
Rating	Buy
CMP (INR)	249
Mcap (USD b)	2.3
52-Wk Range (INR)	290/200
1, 6, 12 Rel Perf (%)	-5/-1/13

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	17,710	9,743	20.5	47.3	-	87.8	-	-	2.4	27.2
3/12E	16,240	9,142	18.1	-11.7	13.7	112.5	2.2	2.2	1.8	20.3
3/13E	19,760	11,499	22.8	25.8	10.9	130.0	1.9	1.9	1.7	18.8
3/14E	25,481	16,492	32.7	43.4	7.6	155.0	1.6	1.6	1.8	21.3

Company Represented By:
Mr V K Sharma,
Director & Chief Executive

Mr Suresh Samtani,
CFO

Mr Sudipto Sil,
Manager - IR

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Loan growth to remain buoyant; share of developer loans to increase

- LIC Housing Finance (LICHF) expects loan growth to remain healthy at 20-25%. Growth would predominantly be driven by healthy traction in tier-II and tier-III centers.
- Pick-up in developer loans is visible. The management targets to increase the share of developer loans in the overall mix to ~6% from ~5% currently.

Margins to expand on a QoQ basis

- Cost of funds increased sharply in 1QFY13 due to some high cost borrowings towards the end of 4QFY12. Similar increase is unlikely in 2QFY13.
- Margins should expand from current levels on the back of expansion in the developer loan portfolio and re-pricing of teaser loans.
- Reduction in CD rates does not benefit LICHF from a margin perspective; movement in 5-year rates is a better indicator. Reduction in bank base rates would help lower LICHF's cost of funds.

Asset quality remains healthy

- Asset quality in the individual segment continues to be healthy.
- The management does not foresee any stress on asset quality. Moderation in growth in the developer portfolio in past few years and higher repayments in the developer segment also reduces asset quality risk.

Regulatory changes

- On the regulation warranting uniform rates for old and new customers, LICHF mentioned that all its old and new customers are at similar rates.
- Tier-I capital requirement is unlikely to go up as indicated by the NHB Chairman in the media.

Valuation and view

While LICHF continues to deliver on growth and asset quality, it has disappointed on the margin front. Margin expansion holds the key for further improvement in return ratios. We factor in flat margins for FY13. The stock trades at 1.9x FY13E BV of INR130 and 1.6x FY14E BV of INR155. Maintain **Buy**.

Mahindra Finance

Bloomberg	MMFS IN
Rating	Buy
CMP (INR)	761
Mcap (USD b)	1.4
52-Wk Range (INR)	805/590
1, 6, 12 Rel Perf (%)	8/3/17

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoA on AUM (%)	RoAE (%)
3/11A	13,173	4,631	45.2	26.0	-	243	-	-	3.7	22.0
3/12A	16,743	6,201	60.4	33.6	12.6	287	2.6	2.7	3.5	22.8
3/13E	22,688	8,151	79.4	31.4	9.6	346	2.2	2.3	3.6	25.1
3/14E	27,460	9,625	93.7	18.1	8.1	415	1.8	1.9	3.5	24.6

Company Represented By:
Mr Dinesh Prajapati, Sr GM - Treasury & Corporate Affairs

Mr Rakesh Bildani, Manager - Treasury

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Rural demand and product diversification to drive growth

- Mahindra & Mahindra Financial Services (MMFS) is fairly confident of achieving ~25% AUM growth (on a higher base of FY12), driven by buoyant rural demand and a diversified product portfolio.
- Cars, used vehicles and CVs remain the major growth drivers for MMFS. 3QFY13 will remain the crucial quarter from the growth perspective, as demand during the festive season will determine growth for the full year.

Margins likely to remain stable

- The liquidity situation has improved considerably. Hence, the pressure on funding costs has eased.
- The management expects margins to remain largely stable.

Asset quality to remain healthy; risks of poor monsoon receding

- The management cleared the air over fears related to asset quality. Asset quality is likely to remain healthy, given that the monsoon deficit has now narrowed substantially.
- Asset quality has remained under control so far, and the management indicated that by the time the quarter ends, there could be some improvement as well.

Impending regulatory changes to impact asset quality, but MMFS better off than peers

- If the asset classification norms are made applicable to AFCs and NPAs are to be recognized on a 90-day basis, GNPAs could increase by ~INR3b (GNPAs stood at INR7.6b as on June 2012). The increase would be lower compared with other AFCs, as MMFS recognizes NPAs on a conservative basis.

Valuation and view

MMFS is well positioned to sustain its qualitative growth momentum on the back of its multi-product strategy. This also augurs well from the asset quality perspective. We are factoring in AUM and earnings CAGR of ~25% over FY12-14. The stock trades at 2.2x FY13E BV and 1.8x FY14E BV. Maintain **Buy**.

Manappuram Finance

Bloomberg	MGFL IN
Rating	Not Rated
CMP (INR)	37
Mcap (USD b)	0.6
52-Wk Range (INR)	66/18
1, 6, 12 Rel Perf (%)	14/-12/-27

Company Represented By:
Mr I Unnikrishnan, MD

Mr Sachin Agrawal, VP

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Post regulatory changes funding remains a major challenge

- Post regulatory changes, gold loan companies are losing out to unorganized money lenders and private banks that are getting aggressive in the gold loan business.
- Under the new securitization guidelines, loans by gold loan companies do not qualify for either assignment or securitization.
- Following the regulatory changes (bank funding has become difficult due to exposure cap and absence of securitization as a route for resource mobilization), funding has been a major challenge for Manappuram Finance (MGFL).
- The management believes that the KUB Rao Committee report should bring an end to most uncertainties related to gold loan companies.

Growth expected to be muted in FY13

- After a period of substantially high growth over the past few years, MGFL wants to consolidate its position in FY13.
- The management has guided 5-10% AUM growth for FY13. In 1QFY13, AUM had declined by ~7% QoQ; growth is likely to pick up in 2HFY13.
- MGFL has changed its benchmark gold rate (against which it lends) to a 7-day moving average as against a 90-day moving average earlier.

Asset quality should improve from 1QFY13 levels

- In 1QFY13, gold loan net NPAs increased sharply from 0.3% as on March 2012 to 0.71% on account of delays in auction processing due to revised RBI guidelines on gold auctioning.
- The company has re-worked its auctioning process in accordance with the RBI guidelines. The resultant steep increase in NPAs (largely technical in nature) is likely to normalize in the coming quarters.

Tight control on opex to be maintained; branch network to remain at ~3,000

- MGFL has maintained a tight leash on operating expenses and will continue to do so. The management expects to save INR500m-600m on ad spends in the current fiscal.
- MGFL opened 63 new branches in 1QFY13, taking its total branch network to 2,971. No significant branch addition is expected during the year. The management plans to close the year with a branch network of ~3,000.
- On the HR front, the employee headcount as on June 2012 stood at ~19,000 employees, up 6.5% YoY but down 13% QoQ. The management expects the employee headcount to be lower on a YoY basis by March 2013. This will also help the company to reduce costs.

Muthoot Finance

Bloomberg	MUTH IN
Rating	Not Rated
CMP (INR)	126
Mcap (USD b)	0.8
52-Wk Range (INR)	191/106
1, 6, 12 Rel Perf (%)	-3/-18/-37

Company Represented By:
Mr George Alexander Muthoot, Managing Director

Mr C V Balasankar, GM (Credit & Operations)

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Regulatory changes leading to lost of market share

- Post regulatory changes, gold loan companies are losing out to unorganized money lenders and private banks that are getting aggressive in the gold loan business.
- With the introduction of the LTV cap, a lot of small ticket business is going to unorganized money lenders, while private banks are gaining share in the high ticket business.
- Under the new securitization guidelines, loans by gold loan companies do not qualify for either assignment or securitization. Muthoot Finance's (MUTH) existing off balance sheet portfolio (~INR17b as on June 2012) is expected to run down in the current fiscal.

FY13 to be year of consolidation

- The management has guided 5-10% AUM growth by March 2013. While AUM declined QoQ in 1QFY13 and might remain muted in 2Q, growth is likely to pick up in 2HFY13.
- The management indicated that if the regulations become less stringent, then on a steady state basis, MUTH can easily grow at ~20%.
- MUTH has curtailed its advertising spends and has not been advertising heavily since the last 3-4 months. The management believes that once the environment becomes conducive, the ad spends and activity will go up, translating into higher business growth.

Asset quality likely to improve from 1QFY13 levels

- In 1QFY13, GNPAs spiked to 1.28% from 0.56% as on March 2012 on account of delays in auction processing due to revised RBI guidelines on gold auctioning.
- However, the increase was largely technical in nature and is likely to normalize in the coming quarters.

Branch expansion to slowdown

- The company has a tight leash on operating expenses and the opex to assets ratio is likely to remain at current levels.
- Branch expansion momentum is likely to slow down in FY13. MUTH opened ~100 branches in 1QFY13 and may close the year with ~250 new branches.

Rural Electric Corporation

Bloomberg	RECL IN
Rating	Buy
CMP (INR)	194
Mcap (USD b)	3.4
52-Wk Range (INR)	251/142
1, 6, 12 Rel Perf (%)	1/-8/6

Year End	Net Inc. (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	RoAA (%)	RoAE (%)
3/11A	36,443	25,664	25.9	28.2	-	129	-	3.4	21.5
3/12A	40,780	28,173	28.6	10.1	6.8	149	1.3	3.0	20.5
3/13E	49,592	34,275	34.7	21.5	5.6	172	1.1	3.0	21.6
3/14E	59,586	41,195	41.7	20.2	4.7	199	1.0	3.1	22.5

Company Represented By:
Mr Ajeet Agarwal,
Director- Finance

Mr Rakesh Kumar Arora,
GM - Finance

Mr Sanjay Kumar,
DGM - F&A

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Macro issues impacting sector

- The management believes that the government is keen to resolve the fuel supply issue. Though it expects the issue to eventually get resolved, it believes that there could be some procedural delays.
- Long-term PPAs need to be renegotiated and an escalation clause has to be introduced to resolve the issue relating to fuel supply.

Growth guidance maintained at ~20%

- Loan growth remained healthy in 1QFY13 at 24% YoY. The management expects growth to remain healthy, as there is still enough demand for funds in the T&D segment and some greenfield generation projects are being taken up by state entities.
- For FY13, Rural Electrification Corporation (RECL) targets sanctions worth INR500b (flat YoY) and has already achieved ~INR300b till date.

Margins to remain stable

- RECL's margins are likely to remain stable at 4.3-4.4%. The company has been actively managing its liability mix, which has helped it to maintain a healthy margin profile.

Asset quality remains a key monitorable

- RECL does not expect any large project to fall into the NPA category.
- Large projects, Konaseema and Shree Maheshwar, which got classified as NPAs, are unlikely to get upgraded anytime soon. RECL may have to make additional provisions of 10% on these, if they remain in the NPA category for another 12 months.
- RECL has proposed to make 0.25% standard asset provisions and amortize the liability on the existing book over three years starting from FY14. If approved, RECL will have to make additional provisions of ~INR1b from FY14 onwards.
- RECL has rescheduled loans worth INR200b so far. However, there has been no reset of interest rates, no haircut and no NPV loss on any of these loans. Only the principal repayment has been rescheduled, while the interest servicing remains unchanged.

Valuation and view

We model loan CAGR of ~19% over FY12-14. Return ratios are likely to remain healthy, with average RoA of ~3% and RoE of over 20%. The stock trades at 1.1x FY13E BV and 1x FY14E BV. Maintain **Buy**.

Shriram Transport Finance

Bloomberg	SHTF IN
Rating	Buy
CMP (INR)	619
Mcap (USD b)	2.5
52-Wk Range (INR)	707/416
1, 6, 12 Rel Perf (%)	6/10/-7

Year End	Net Inc. (INR m)	PAT (INR m)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	RoA on AUM (%)	RoAE (%)
3/11A	30,680	12,028	53.2	37.4	-	217	-	3.2	27.5
3/12A	34,130	12,574	55.6	4.5	11.1	265	2.3	2.8	23.1
3/13E	36,273	13,542	59.8	7.7	10.3	316	2.0	2.6	20.6
3/14E	41,445	15,930	70.4	17.6	8.8	377	1.6	2.6	20.3

Company Represented By:
Mr Umesh Revankar, MD

Mr Sanjay Mundra, VP

Covering Analyst(s):
Umang Shah
+91 22 3982 5521
Umang.Shah@MotilalOswal.com

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Key Takeaways

Growth guidance maintained; likely to remain back ended

- Shriram Transport Finance (SHTF) maintains its AUM growth guidance for FY13 at 12-15%, with growth likely to be largely back-ended. If the ban on mining is lifted, there could be a spike in growth.
- In the medium term too, growth is likely to remain at 12-15%, as the base has become fairly large.

Funding costs have peaked, but may not decline substantially

- SHTF expects margins to remain in the range of 7-8%.
- The management indicated that funding costs have peaked and wholesale rates have started to cool off. However, the rates are unlikely to decline sharply from current levels. SHTF expects rates to decline 25-50bp from current levels in FY13.

Asset quality unlikely to deteriorate significantly

- The management indicated that asset quality is unlikely to deteriorate significantly and GNPAs are likely to remain at ~3% levels.
- If NPA classification norms are tightened to 90 days from 180 days, there will be a spike in GNPAs (one-time impact). GNPAs could increase to 5.5-6% levels from ~3% currently.
- If the provisioning norms are tightened and brought at par with banks, the management believes that the RBI may provide some moratorium to amortize provisions to be made on the existing book.

Regulatory headwinds receding

- The final securitization guidelines are likely to be beneficial for SHTF, as they eliminate most negative recommendations (for SHTF) in the draft guidelines.
- SHTF remains positive about continuing with its securitization activities without significantly impacting earnings.

Valuation and view

Apart from slowdown in asset growth, regulatory headwinds have been a major challenge for SHTF. With most regulatory changes coming through, the only regulatory uncertainty is on account of revised norms for NBFCs as proposed by the Usha Thorat Committee. The stock trades at 2x FY13E BV and 1.6x FY14E BV, factoring in most concerns prevailing today. Maintain **Buy**.

State Bank of India

Bloomberg	SBIN IN
Rating	Buy
CMP (INR)	1,843
Mcap (USD b)	22.2
52-Wk Range (INR)	2,475/1,576
1, 6, 12 Rel Perf (%)	-10/-17/-14

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	Cons. EPS (INR)	Cons. P/E (x)*	Cons.BV (INR)	Cons. P/BV (x)*	Cons. P/ABV (x)*	RoAA (%)	RoAE (%)
3/11A	483,510	82,645	130.2	168.3	-	1,303	-	-	0.7	12.7
3/12A	576,425	117,073	174.5	228.6	7.7	1,541	1.1	1.3	0.9	16.0
3/13E	646,494	147,230	219.4	275.7	6.3	1,766	1.0	1.3	1.0	16.9
3/14E	741,295	173,510	258.6	329.3	5.3	2,035	0.9	1.1	1.0	17.4

*Valuation multiples are adjusted for SBI Life's value

Company Represented By:

Mr Pratip Chaudhuri,
Chairman

Mr Diwakar Gupta,
Managing Director & CFO

Mr Sunil Pant,
Chief General Manager

Ms G Rita,
General manager

Covering Analyst(s):

Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

NIM at core of bank's strategy; focusing on retail liabilities for growth

- State Bank of India (SBIN) is confident of improving margins (reiterated 375bp guidance for FY13), as it is likely to utilize the excess SLR to fund loans (wherein the yield differential would be 250-300bp).
- Large number of savings accounts from government entities (like 1.3m for Indian Railways employees, 0.8m for Indian Railways pensioners, 1.5m for Indian Army, etc) and strong relationships in the large corporate segment will keep the momentum in savings deposits strong.
- Improving share of retail deposits (especially low cost deposits) would help SBIN to contain cost of funds and expand margins. NIM in July 2012 has improved as compared with the level in June 2012.

Macro environment remains challenging; not much relief on asset quality

- There were slippages of INR108.4b in 1QFY13 (annualized slippage ratio of 5.6%), led by higher stress in Pharmaceuticals, Construction, Engineering, Construction and EPC (due to delays in release of payments by the government).
- While slippages are expected to decline on a higher base of 1QFY13, improvement in the macroeconomic conditions would be vital. SBIN will continue to follow its conservative policy of recognizing stress upfront as against restructuring of the same. SBIN has also reduced SME loan rates to retain high quality borrowers.

Other highlights

- There is huge opportunity in retail loans, especially home loans and auto loans. Consumer credit is gaining strong traction, with reduction in interest rates. With 100bp fall in interest rates for car loans, volumes have multiplied to 3x.
- SBIN will focus on reducing the proportion of bulk deposits and on improving its cost to income ratio.

Valuation and view

- Continued higher stress in the macroeconomic environment and the management's policy of recognizing stress upfront rather than restructuring may keep slippages at an elevated level. Improvement in upgradations and recoveries would be critical to provide impetus to asset quality.
- While in 1QFY13, margins came under pressure, the management remains confident of improving margins hereon. This coupled with increase in fee income would help SBIN to absorb asset quality pressure to an extent. Further, absence of one-off provisioning (INR25b) and higher base of MTM provisions (INR7b) will provide strong cushion to earnings in FY13. **Buy**.

Union Bank of India

Bloomberg	UNBK IN
Rating	Buy
CMP (INR)	154
Mcap (USD b)	1.5
52-Wk Range (INR)	274/151
1, 6, 12 Rel Perf (%)	-11/-34/-45

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	82,550	20,819	39.6	-3.6	-	211	-	-	1.0	20.9
3/12A	92,413	17,871	32.3	-18.5	4.8	236	0.7	0.8	0.7	14.8
3/13E	102,963	23,383	42.3	31.0	3.6	268	0.6	0.7	0.8	16.8
3/14E	117,041	26,474	47.9	13.3	3.2	305	0.5	0.7	0.8	16.7

Company Represented By:
Mr S S Mundra,
Executive Director

Mr Nirupam Mehta,
Chief Financial Officer

Mr Mayank Mehta,
Dy. General Manager

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

Slippages to decline, but remain at an elevated level

- With the prevalent challenging economic conditions, gross slippages are likely to increase to INR7b-8b per quarter as against the normalized quarterly run-rate of INR5b-6b seen in 2HFY12. This, however, would be significantly lower than the INR16.3b reported in 1QFY13.
- The management mentioned that system-based NPA recognition and general stress in the segment has led to higher delinquency in agri segment. However, it believes that delinquency in this segment has peaked and improvement in recoveries should help to lower the GNPA ratio in this segment.
- The management mentioned that of the slippages in 1QFY13, it expects INR5b to be recovered / upgraded in 2Q and 3QFY13. This coupled with other recoveries and upgradations should help asset quality.
- Overall, the management mentioned that in absolute terms, it expects to contain GNPAs at levels similar to 1QFY13 (i.e. INR65.4b). Aided by growth in the loan portfolio, the GNPA ratio would decline.

Restructuring to continue in corporate segment

- Challenges in the macro environment have led to general increase in stress levels in the large and mid-corporate segments. Restructuring is likely to continue in the remainder of FY13. In 1QFY13, UNBK restructured INR16b.
- UNBK's total exposure to SEBs stood at INR110b, of which INR58b is towards healthy SEBs (example Gujarat: INR35b) and INR34b has already been restructured. Hence, restructuring of SEBs would be limited.
- Post stress test analysis, the management expects INR25b-30b to be restructured in the rest of FY13, a large part of which would be ex-SEBs.

Margins and fee income growth to improve

- In 1QFY13, NIM declined by 25bp+ to 3% - partially seasonal and also due to higher slippages. The management expects to maintain NIM hereon and expects FY13 NIM to be 3%+. Further improvement in fee income growth will keep operating profitability healthy.

Valuation and view

Healthy margins and fee income should lead to operating profit CAGR of 16%+ over FY13-14. RoA and RoE are likely to be 0.8% and ~17%, respectively. However, volatile asset quality performance in the past, uncertain macroeconomic environment and expectation of higher restructuring will remain overhangs. Valuation of 0.5x FY14E BV and dividend yield of 5.2% (FY12) factor in the negatives. Maintain **Buy**.

Yes Bank

Bloomberg	YES IN
Rating	Buy
CMP (INR)	336
Mcap (USD b)	2.1
52-Wk Range (INR)	389/231
1, 6, 12 Rel Perf (%)	-10/-3/18

Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
3/11A	18,702	7,271	20.9	48.9	-	109	-	-	1.5	21.1
3/12A	24,728	9,770	27.7	32.1	12.1	132	2.5	2.5	1.5	23.1
3/13E	32,725	12,512	35.4	28.1	9.5	162	2.1	2.1	1.5	24.1
3/14E	40,456	15,026	42.6	20.1	7.9	197	1.7	1.7	1.5	23.7

Company Represented By:
Mr Jaideep Iyer,
Sr. President, Financial Management

Ms Vatsala Bhatt,
Associate - FIS

Covering Analyst(s):
Alpesh Mehta
+91 22 3982 5415
Alpesh.Mehta@MotilalOswal.com

Sohail Halai
+91 22 3982 5430
Sohail.Halai@MotilalOswal.com

Key Takeaways

NIM to improve, led by fall in cost of funds; fee income growth to moderate

- YES has been able to maintain margins at ~2.8% despite liquidity conditions being adverse. With expected fall in interest rates, the management expects margins to improve to 2.9-3% by March 2012.
- Fee income growth would be in line with balance sheet growth, with strong growth expected in transaction banking and retail fees; fees from financial advisory and financial markets are likely to moderate.

Balance sheet growth to be 20-25%

- In light of the uncertain macro environment, Yes Bank (YES) has revised its customer asset growth guidance for FY13 from 25%+ to 20-25%.
- The management mentioned that most of the non-SLR investments are of grade A+ (average duration of three years); hence, the risk of delinquency is low. While the yield on investments is lower than the yield on loans, YES would be looking at selling a part of the book and earn investment gains once interest rate reverses.

Traction in SA deposit continues; CASA guidance of 30% by FY15 unchanged

- Post deregulation, growth in SA deposits has accelerated. SA deposits as a percentage of overall deposits have increased to 6% in 1QFY13 v/s 2% in 2HFY12.
- While SA deposit accretion slowed down in 1QFY13 to INR5b, it was due to some bulky repayment. The management mentioned that the quarterly run rate of SA deposits is INR7b-8b and that YES is opening 70k-80k accounts a quarter as against 18k-20k pre-deregulation.
- The management targets to achieve CASA ratio of 20% for FY13 and increase it further to 30% by FY15.

Other highlights

- Opex growth would be 25-30% on the back of continuous expansion. As a result, cost to income ratio would be 38-41%.
- Asset quality remains strong, but the uncertain economic environment remains a key risk.

Valuation and view

- Strong growth, proven execution capabilities, resilience, margin performance, diversified fee income and superior return ratios are the key positives for YES. While operating performance remains strong, any negative surprise on asset quality remains a key risk.
- We expect EPS CAGR of ~24% over FY12-14 (without dilution) after 42% EPS CAGR over FY08- 12. We expect RoA of ~1.5%; however, due to higher leverage, RoE would be ~24% over FY12-14. Maintain **Buy**.

GlaxoSmithKline Pharmaceuticals

Bloomberg	GLXO IN
Rating	Buy
CMP (INR)	2,081
Mcap (USD b)	3.2
52-Wk Range (INR)	2,338/1,830
1, 6, 12 Rel Perf (%)	-7/1/-14

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
12/10A	21,116	5,814	68.6	15.2	-	-	30.1	44.8	-	-
12/11A	23,380	6,314	74.5	8.6	27.9	9.2	32.9	47.9	6.6	20.8
12/12E	25,650	6,864	81.0	8.7	25.7	8.6	33.5	48.9	6.0	19.5
12/13E	28,899	7,840	92.6	14.2	22.5	7.7	34.2	49.9	5.3	16.7

Company Represented By:
Dr. Hasit Joshipura, MD
Mr Mehernosh Kapadia, Sr. ED

Covering Analyst(s):
Nimish Desai
+91 22 3982 5406
NimishDesai@MotilalOswal.com

Key Takeaways

GlaxoSmithKline Pharmaceuticals (GLXO) continues to target 12% growth for its pharmaceuticals business in CY12.

Guidance: Pharma sales growth of 12% for CY12, slight pressure on EBITDA margins

- The management has guided for CY12 topline growth of 12% for the pharma business (our estimates are in line with the management guidance), led by a combination of new launches, ramp-up in products launched in the last two years and minor price increases.
- EBITDA margins are likely to remain under slight pressure, mainly due to future investments and adverse exchange rate.

Pharma business: Expect 12% growth for CY12

- The management has guided 12% growth for the pharma business (~95% of overall revenues). Growth will be adversely impacted by lower incidence of infectious diseases, given the rainfall situation. While GLXO reported 16% topline growth for the June quarter, we believe that the growth may come off in the September quarter.
- Growth will be led by ramp-up in sales of products launched in the last 2-3 years, as well as aggressive new launches and price increases for few products.

Profitability to remain under slight pressure

- GLXO's EBITDA margins have shrunk from 35% in CY10 to 31-32%.
- EBITDA margins have declined mainly due to higher investments for future growth (including increased pace of new launches), higher input costs and an adverse exchange rate.
- We estimate that EBITDA margins will remain in the 31-32% range for CY12-13.

New Pharma Policy: No clarity

The management has indicated that, as of now, it does not have any clarity on the implementation of the New Pharma Policy, given the multiple suggestions that the Group of Ministers (GoM) has received from various interested parties.

Valuation and view

We believe that GLXO is one of the best plays on the IPR regime in India, with aggressive plans to launch new products in the high-growth lifestyle segments. It is likely to sustain double-digit topline growth over the next few years. GLXO deserves premium valuations due to strong parentage, brand-building ability and likely positioning in the post patent era. It is one of the few companies with the ability to drive reasonable growth without major capital requirement, leading to high RoCE of 45-50%. Our estimates exclude the potential adverse impact of the proposed New Pharma Policy, pending implementation. Stock is valued at 25.7x CY12E and 22.5x CY13E EPS. **Buy** with a target price of INR2,314 (25x CY13E EPS).

Glenmark Pharmaceuticals

Bloomberg	GNP IN
Rating	Buy
CMP (INR)	412
Mcap (USD b)	2.0
52-Wk Range (INR)	427/265
1, 6, 12 Rel Perf (%)	4/33/17

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/11A	29,491	3,548	12.5	7.2	-	-	17.4	13.4	-	-
03/12A	40,206	3,244	11.4	-8.6	36.1	4.6	13.5	12.1	3.2	13.1
03/13E	47,946	5,493	19.3	69.3	21.3	3.8	18.6	17.5	2.7	13.6
03/14E	54,603	7,713	27.1	40.4	15.3	3.0	20.8	20.9	2.3	10.9

Company has adopted IFRS accounting wef FY11. Estimates exclude one-off upsides

Company Represented By:

Mr Glenn Saldanha, CMD

Mr Percy Birdy, Sr. VP.

Mr Jason D'souza, GM - Corporate Communications

Covering Analyst(s):

Nimish Desai

+91 22 3982 5406

NimishDesai@MotilalOswal.com

Key Takeaways

Glenmark Pharmaceuticals (GNP) reiterated its guidance of 22-25% topline growth and INR9b-9.25b EBITDA for FY13.

US business: Expect over 20% growth

- GNP appears to be on good traction, led by new launches and gradual ramp-up in its oral contraceptives (OC) portfolio. It expects to launch ~5 OCs in 2QFY13, for which approvals are already in place.
- The management has also indicated that it is unlikely to get adversely impacted by the patent cliff, given the expected ramp-up in its differentiated portfolio. It targets to file 16-18 ANDAs in FY13 and has 39 ANDAs pending approval. We expect the US business to record 22% CAGR over FY12-14.

India formulations: Growth continues to be strong

- The management indicated that it will continue to outperform average industry growth in the coming quarters by 13-15%.
- It expects industry growth to slow down a little in 2QFY13, given the monsoon situation, which has led to lower incidence of infectious diseases.
- We expect GNP's India business to record 18% CAGR over FY12-14.

Emerging markets: To grow by over 20%

GNP's emerging markets portfolio is likely to record over 20% CAGR, led by increased traction in semi-regulated markets and growth recovery in the LatAm region. We expect 23% CAGR in GNP's emerging market revenues over FY12-14.

NCE research: Awaiting Revamilast data

- Revamilast clinical data will be available by 1QFY14, post which GNP will evaluate potential out-licensing partners.
- It has refrained from giving any guidance for NCE licensing income for FY13.

Improving balance sheet

While GNP has brought its net working capital under control (at 125-130 days), net debt continues to be high at INR22.4b (partly because of exchange rate). The management is targeting debt reduction of ~INR2b in FY13.

Valuation and view

We believe that improved working capital and moderate capex will give the management flexibility to target debt reduction. Return ratios are likely to improve gradually over the next two years, with RoCE increasing from 12.1% to 21% and RoE improving from 13.5% to 21%. GNP has differentiated itself among Indian pharmaceutical companies through significant success in NCE research. The stock trades at 21.3x FY13E and 15.3x FY14E EPS. **Buy** with a target price of INR446 (16x FY14E EPS + INR12/share DCF value for Crofelemer and Para-IV upsides).

IPCA Laboratories

Bloomberg	IPCA IN
Rating	Buy
CMP (INR)	406
Mcap (USD b)	0.9
52-Wk Range (INR)	425/230
1, 6, 12 Rel Perf (%)	-1/19/20

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	18,969	2,628	20.9	25.7	-	-	27.4	25.6	-	-
3/12A	23,587	2,762	21.9	4.7	18.5	4.1	24.0	24.1	2.4	11.0
3/13E	27,855	3,866	30.6	40.0	13.2	3.3	27.4	28.7	2.0	8.9
3/14E	32,257	4,709	37.3	21.8	10.9	2.6	26.9	28.6	1.7	7.5

Company Represented By:
Mr A. K. Jain, Jt-MD

Mr Harish Kamath, Sr. VP

Covering Analyst(s):
Nimish Desai
+91 22 3982 5406
NimishDesai@MotilalOswal.com

Key Takeaways

Ipca Laboratories (IPCA) continues to target sustainable topline growth of 20-22% and gradual expansion in EBITDA margins.

Guidance: Topline growth of 20-22% for FY13, EBITDA margins to improve

- The management has guided topline growth of 20-22% (v/s our estimate of 18-19% growth) for FY13, led mainly by exports.
- EBITDA margins are likely to expand by 100-200bp, led by growth recovery in India and favorable currency.
- The management has indicated that some more MTM forex losses are likely in 2QFY13 over the INR590m already booked in 1QFY13.

India formulations: Expect 15-16% growth for FY13

- The management has guided just 15-16% growth for FY13, despite a low base of FY12, as the anti-malaria business is yet to pick up, given the delayed monsoon season.
- We are forecasting 15% growth for this business, driven mainly by higher growth in the Pain Management and CVS categories.

US business: Next growth driver

- The company has commenced transfer filings to the recently approved Indore SEZ, with 1 transfer filing done and 4-5 more in the pipeline.
- It will also improve the pace of new filings, since the SEZ's expanded capacity is available, thus mitigating supply capacity constraints.
- The company will witness the full benefit of the new capacity in FY14. We expect this business to grow at 37% CAGR over FY12-14.

Institutional business: Reasonable visibility for future growth

- Revenues from this business have expanded from INR270m in FY10 to INR3b by FY12, led by execution of new supply contracts.
- The management is confident of growing this business further (though at a more moderate pace), given the visibility of future order flows and availability of funding for WHO programs from various international agencies.
- We expect 18% revenue CAGR from this business for FY12-14.

Valuation and view

Strong traction in exports and growth recovery in the domestic formulations business will be the key triggers for IPCA over the next two years. We expect IPCA to clock EPS CAGR of 30% over FY12-14 on the back of 17% revenue CAGR, coupled with 100bp EBITDA margin expansion and reversal of MTM forex losses. Return ratios continue to be strong, with RoCE of ~28% and RoE of 27%. The stock currently trades at 13.2x FY13E and 10.9x FY14E EPS. We reiterate **Buy**, with a target price of INR523 (14x FY14E EPS).

Lupin

Bloomberg	LPC IN
Rating	Buy
CMP (INR)	571
Mcap (USD b)	4.6
52-Wk Range (INR)	604/410
1, 6, 12 Rel Perf (%)	-4/18/14

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	57,068	8,582	19.3	25.9	-	-	29.3	25.1	-	-
3/12A	69,597	8,676	19.4	0.7	29.4	6.4	23.8	24.6	3.8	20.2
3/13E	88,090	10,649	23.8	22.7	23.9	5.3	24.1	26.6	3.0	15.7
3/14E	101,091	13,830	31.0	29.9	18.4	4.4	26.1	27.6	2.6	13.0

Company Represented By:
Mr Ramesh Swaminathan, President - Finance & Planning

Covering Analyst(s):
Nimish Desai
+91 22 3982 5406
NimishDesai@MotilalOswal.com

Key Takeaways

Lupin reiterated strong growth traction for FY13 and its INR135b topline guidance by FY15.

US business: Strong traction ahead, led by new launches

- Lupin has guided strong traction in the US business in the coming quarters, led by increased pace of new launches, part commercialization of its oral contraceptive (OC) portfolio and a few patent challenges / low-competition opportunities.
- It expects 20-25 new launches in the US in FY13 and has retained its long-term guidance of launching ~120 products in the US market over the next 3-4 years.

India formulations: Growth continues to be strong

- The management has indicated sustained momentum in the India formulations business.
- We forecast 20% CAGR over FY12-14 for this business, led by ramp-up in chronic therapies, addition of field force strength and increased geographical penetration.

Japan business: Expect gradual improvement in profitability

- The management has reiterated that it expects gradual improvement in the profitability of its Japanese operations over the next two years.
- The higher profitability will be led by likely improvement in margins for Irom and a gradual shift in manufacturing of some of its products to the company's India facilities.

Inorganic initiatives: Future acquisitions could be larger in size

- Lupin's current size makes it imperative that future acquisitions be of a certain minimum size to have a material impact for the company.
- Acquisitions could be targeted at emerging markets or for acquiring brands in the US market.

Valuation and view

Key growth drivers will be: (1) increased traction in India formulations and emerging markets, (2) strong launch pipeline for the US, and (3) contribution from OCs in the US. We expect 26% EPS CAGR over FY12-14. Significant internationalization of operations without dilution of return ratios has been Lupin's key achievement over the last five years. We expect this to sustain. The stock trades at 23.9x FY13E and 18.4x FY14 EPS. Maintain **Buy** with a target price of INR620 (20x FY14E EPS).

Sun Pharmaceuticals

Bloomberg	SUNP IN
Rating	Neutral
CMP (INR)	681
Mcap (USD b)	12.7
52-Wk Range (INR)	690/448
1, 6, 12 Rel Perf (%)	3/25/35

Company Represented By:
Mr Uday Baldota,
Sr.VP - Accounts & Finance

Ms Mira Desai, GM - Corp Communications

Covering Analyst(s):
Nimish Desai
+91 22 3982 5406
NimishDesai@MotilalOswal.com

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	52,066	14,041	13.6	47.8	50.2	-	16.2	23.4	-	-
3/12A*	80,057	25,873	25.0	42.5	27.3	5.8	21.5	30.3	8.1	20.1
3/12A	74,406	23,228	22.4	65.4						
3/13E	90,146	27,058	26.1	16.5	26.1	4.9	20.5	29.8	6.3	16.4
3/14E	110,895	30,006	29.0	10.9	23.5	4.3	19.5	26.7	5.5	15.6

*Including Para-IV/one-off upsides

Key Takeaways

Sun Pharmaceutical Industries (SUNP) has retained its 18-20% topline growth guidance for FY13.

Guidance: Topline growth of 18-20% for FY13

- The management has not revised its FY13 guidance despite the strong performance in 1Q (with topline growth of 62%). We are forecasting 24% topline growth for FY13.
- It has retained its 18-20% topline growth guidance for FY13 and has cautioned about a potential decline in Taro's profitability.

India formulations: Underlying growth continues to be strong

- While the underlying growth is likely to sustain at 20%, SUNP's 1HFY13 performance may be adversely impacted due to the one-time sales of INR1.8b booked by the company in 4QFY12.
- On reported basis, we expect 13% growth for this business in FY13.

US business: Cautions on Taro profitability, Doxil supplies

- The management has reiterated that the price increase undertaken by Taro for some of its dermatology products may not be sustainable, and hence, Taro's EBITDA margins may decline. It also expects increased R&D investments to strengthen Taro's generic pipeline in the coming quarters.
- While the temporary imports allowed by the US FDA for generic Doxil continue, J&J is expected to start supplying this product in the next few months, post which SUNP's supplies may stop.

Inorganic initiatives: Denies interest in acquiring Stada

SUNP has ~USD1b in cash, and hence, acquisition rumors surface periodically. The management has denied the latest rumors of it planning to acquire Stada. However, it has indicated that the company will look at acquisitions directed mainly towards the US market. We believe that future acquisitions could be larger than past inorganic initiatives.

Valuation and view

An expanding generic portfolio coupled with sustained double-digit growth in high-margin lifestyle segments in India is likely to bring in long-term benefits for SUNP. Its ability to sustain superior margins even on a high base is a clear positive. Key drivers for the future include: (1) ramp-up in US business, (2) monetization of the Para-IV pipeline in the US, (3) launch of controlled substances in the US, and (4) sustenance of Taro's high profitability. The stock is currently valued at 26.1x FY13E and 23.5x FY14E core earnings. While we are positive on SUNP's business outlook, rich valuations have tempered our bullishness. **Neutral** with a target price of INR730 (25x FY14E EPS). Inorganic initiatives are a key risk to our rating.

DB Corp

Bloomberg	DBCL IN
Rating	Not Rated
CMP (INR)	184
Mcap (USD b)	0.6
52-Wk Range (INR)	253/170
1, 6, 12 Rel Perf (%)	-12/-8/-33

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/09A	9,610	476	2.8	-37.3	-	-	19.0	9.0	-	-
03/10A	10,630	1,828	10.1	257.0	18.3	5.1	39.6	20.7	3.3	10.1
03/11A	12,652	2,293	12.6	24.8	14.6	4.0	30.9	24.6	2.7	8.5
03/12A	14,638	2,021	11.0	-12.3	16.7	3.5	22.6	17.8	2.3	9.6

Company Represented By:
Mr Aneil Mahajan, COO

Mr Prasoon Kumar Pandey, Head Investor Relations

Ms Vinatha Shetty, Assistant Manager, Investor Relations

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

While the advertising environment remains tough, there are early indications of decline in national advertising getting arrested. DB Corp reported flat YoY ad revenue in 1QFY13, as growth in local advertising (>60% of ad revenue) was offset by decline in national advertising. Ad growth could improve if the recent stability in national advertising continues. Cost control remains the key focus area, with growth in non-newsprint expenses likely to be contained within single digits; newsprint cost should remain flat, given stable prices/reduced pagination.

Early indications of decline in national advertising getting arrested

- Recent trends point towards stable national advertising as compared to YoY declines witnessed in past quarters.
- If national advertising remains table, ad growth for the company could bounce back to positive territory v/s no growth in 1QFY13.

Newsprint cost to remain stable; cost-cutting initiatives underway to contain other operating costs

- DB Corp expects newsprint costs (45% of total costs) to remain stable on a YoY basis, given reduced pagination and stable newsprint prices.
- The company is undertaking various cost-cutting initiatives, which will reflect in financials over the next two quarters.
- Increase in other operating costs is likely to be arrested at single-digit levels during FY13.

Expect ~50% YoY decline in FY13 EBITDA loss from emerging editions

- DB Corp has put all new launches on hold until the advertising environment improves.
- EBITDA loss from emerging editions was just INR121m in 1QFY13 as compared to the FY12 level of ~INR0.8b.
- The company expects ~50% YoY decline in EBITDA loss from emerging editions during FY13.

Valuation and view

The stock is trading at 15.6x FY13E and 13.1x FY14E EPS (based on consensus estimates). We do not cover DB Corp currently.

Dish TV

Bloomberg	DITV IN
Rating	Neutral
CMP (INR)	68
Mcap (USD b)	1.3
52-Wk Range (INR)	84/52
1, 6, 12 Rel Perf (%)	-4/25/-17

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	14,366	-1,897	-1.8	-	-	115.2	-	-	5.4	32.6
3/12A	19,578	-1,588	-1.5	-	-	-	-	-	4.0	15.9
3/13E	22,622	-653	-0.6	-	-	-	-	2	3.5	12.5
3/14E	28,197	314	0.3	-	230.4	-	-	10	2.8	9.6

Company Represented By:
Mr Rajiv Dalmia, CFO

Mr Tarun Nanda, DVP - Finance & IR

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

The rate of subscriber additions remains subdued due to macroeconomic slowdown and significant power shortage in certain states. In our view, other factors like the recent increase in entry price and base pack prices could also be impacting gross additions. While churn rate should remain under control at ~1% per month, recent price hikes could drive INR7-8/month blended ARPU increase over the coming quarters. Dish TV (DITV) has moderately increased outlay on marketing/advertising in 2QFY13 but expects bulk of the upside from mandatory digitization only after October 2012.

Subscriber additions remain subdued; recent price increase could contribute INR7-8 ARPU uptick

- With subscriber additions remaining relatively subdued in 2QFY13 (likely to decline from 1QFY13 level of 0.5m), DITV expects back-ended growth to drive its targeted 2.5m addition (excluding mandatory digitization upside) in FY13, and is well prepared with an inventory of ~1m set top boxes (STBs). We continue to model gross additions of 3m in FY13.
- Price hike of INR20 in the 'Rest of India' packs from July 2012 can drive overall blended ARPU increase of INR7-8 in the coming quarters. Our estimates factor in sustained ARPU improvement from INR156 in 1QFY13 to INR165 by 4QFY13.

Churn rate under control

- Subscriber churn, which had increased significantly to 1.6% per month in 3QFY12, has been ~1% per month in the last two quarters.
- The churn has not increased despite recent price hike of INR20/month; however, the company does not expect further decline.

Negotiations with Media Pro yet to conclude

- DITV is currently negotiating its content agreement with Media Pro, which is its largest content provider.
- The company expects the deal to conclude with an escalation of 15-20%, largely in line with earlier guidance.

Some of DITV's 3.5m dormant boxes could get activated due to mandatory digitization

- The DTH industry has >10m dormant STBs, as only 35m-37m of the gross 47m subscribers are currently active.
- DITV also has ~3.5m dormant subscribers (net base of 9.8m v/s gross base of 13.4m). Some of these subscribers could reconnect, once mandatory digitization kicks-in, so as to save on the one-time STB costs.

HT Media

Bloomberg	HTML IN
Rating	Neutral
CMP (INR)	93
Mcap (USD b)	0.4
52-Wk Range (INR)	157/82
1, 6, 12 Rel Perf (%)	6/-34/-47

Year End	Net Sales (INR m)	Adj. PAT (INR m)	Adj EPS (INR)	EPS Gr. (%)	P/E (x)	P/BV (x)	RoE (%)	ROCE (%)	EV/ Sales	EV/ EBITDA
3/11A	17,861	1,809	7.7	26	-	-	14.9	13.0	-	-
3/12A	20,030	1,655	7.0	-9	13.2	1.4	11.0	10.5	0.9	6.4
3/13E	20,144	1,437	5.4	-23	17.1	1.3	7.7	9.2	0.9	6.8
3/14E	22,329	1,669	6.3	16	14.8	1.2	8.3	9.8	0.7	5.5

Company Represented By:
Mr Vinay Mittal, Chief Financial Strategist

Mr Vineet Sabharwal, Deputy General Manager

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

The advertising environment remains tough, with no signs of improvement visible currently. HT Media (HTML) continues to focus on tight opex control and expects no major cost increase as compared to 1QFY13 levels, except residual impact of INR depreciation on newsprint costs (~10%). Newsprint costs have declined from over USD700/ton to USD600/ton.

Advertising environment remains tough

- HTML has not witnessed any significant improvement in the advertising scenario during the current quarter.
- The company had witnessed 4-6% YoY decline in the English segment during the last two quarters.

Focusing on cost control; decline in newsprint costs a positive

- In 1QFY13, operating costs had declined 5% QoQ (up 4% YoY), given the company's various cost control initiatives.
- HTML expects its cost base to remain at current levels, except for the residual impact of INR depreciation on newsprint costs (~10%).
- Newsprint costs have declined from a peak of over USD700/ton to USD600/ton in the past few quarters. However, gains in INR terms have been limited, given the sharp INR depreciation.

Valuation and view

- We expect EPS to decline 23% in FY13 and grow 16% in FY14.
- The stock trades at 17.1x FY13E and 14.8x FY14E EPS.
- Maintain **Neutral**, with a target price of INR90 (14x FY14E EPS).

Zee Entertainment Enterprises

Bloomberg	Z IN
Rating	Neutral
CMP (INR)	165
Mcap (USD b)	2.8
52-Wk Range (INR)	176/110
1, 6, 12 Rel Perf (%)	-2/32/32

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	29,414	5,852	6.0	14.4	-	-	16.9	23.8	-	-
3/12A	30,406	5,712	5.9	-1.4	28.0	4.7	17.5	25.5	4.8	19.9
3/13E	35,198	7,119	7.4	25.9	22.2	4.1	19.3	27.8	4.1	15.4
3/14E	39,742	8,184	8.5	15.0	19.3	3.6	19.4	27.9	3.5	13.3

Company Represented By:
Mr Punit Goenka, MD & CEO

Mr Atul Das,
Chief Strategy Officer

Mr Kanwaljeet Singh,
AVP - Corporate strategy and business development

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

Zee expects 12-13% ad revenue growth in FY13, outperforming the estimated industry growth of 7-9%. While mandatory digitization should enhance domestic subscription revenue from FY14, Zee has lined up significant investments like OPH ramp-up and new channel launches in FY13. These along with continued losses in sports business will impact margins. Zee could incur EBITDA loss of INR1.2b-1.5b in new investments over the next 12 months and ~INR1b in sports business during FY13.

Ad environment challenging; positive trends in FMCG/Durables, but Telecom/ Auto/BFSI/Real Estate remain a drag

- Zee expects to clock ad revenue growth of 12-13% (v/s our estimate of 17%) in FY13, outperforming the estimated industry growth of 7-9%.
- FMCG and Durables have been leading the advertising momentum, while the key laggards are Telecom, Automobiles, BFSI and Real Estate.

Government seriousness on digitization bodes well

- Regulator TRAI as well as Ministry of Information & Broadcasting have been showing serious intent towards digitization, including close monitoring and threat of license cancellations to entities not showing enough progress.
- Most of the agreements of its distribution JV, Media Pro with MSOs are already through.
- FY14 would be the first year of meaningful upside in domestic subscription revenue due to mandatory digitization.

Zee TV ratings improve on success of new launches; KBC may impact viewership

- All recent program launches by Zee have done well, driving strong ratings.
- Zee's in-house realty shows like 'Dance India Dance' and 'Saregamapa' clock better ratings than most of the competitors' celebrity-endorsed shows.
- However, the upcoming launch of 'Kaun Banega Crorepati' (KBC) on Sony will have some impact on Zee's viewership.

EBITDA loss of INR1.2b-1.5b in new investments over next 12 months; FY13 sports loss likely to be in line with our estimate of INR1b

- Zee has committed new investments including Arabic GEC (Zee Alwan), digital investments like subscription-based 'Ditto TV' and advertising-based JV, India.com, niche channels like 'Ten Golf' (couple more in the pipeline), and a new Bengali movie channel (to be launched in the next 60 days).
- Zee would be incurring EBITDA loss of INR1.2b-1.5b on these investments over the next 12 months.
- In the sports segment, there was some revenue impact, given no telecast of recent India-Sri Lanka series on Doordarshan due to Olympics. Sports loss is likely to be in line with our estimate of INR1b.

Hindalco Industries

Bloomberg	HNDL IN
Rating	Buy
CMP (INR)	107
Mcap (USD b)	3.7
52-Wk Range (INR)	165/105
1, 6, 12 Rel Perf (%)	-14/-27/-35

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	720,779	34,998	17.6	278.5	-	-	23.1	10.2	-	-
3/12A	808,214	33,970	17.1	-2.9	6.3	1.1	19.1	7.9	0.6	6.4
3/13E	802,787	36,054	18.1	6.1	5.9	1.0	17.6	7.9	0.7	6.6
3/14E	840,886	39,360	19.8	9.2	5.4	0.8	16.4	8.6	0.7	5.5

Consolidated

Company Represented By:
Mr Saket Sah,
Group Investor Relations

Mr Sagar Dhamorikar
Head - Investor Relations

Covering Analyst(s):
Sanjay Jain
+91 22 3982 5412
SanjayJain@MotilalOswal.com

Pavas Pethia
+91 22 3982 5413
Pavas.Pethia@MotilalOswal.com

Key Takeaways

Hindalco's (HNDL) aluminum business continues to face production disruptions. The Mahan smelter is likely to start production by December 2012.

Hirakud smelter facing power shortage on CPP shutdown

- HNDL's operating performance was impacted by grid problems at Renukoot and Hirakud, and drought conditions at its Muri refinery in 1QFY13. Though operations are back to normal at the Muri refinery, the Hirakud smelter is facing power shortage due to partial closure of the captive power plant (CPP). The State Pollution Control Board ordered closure of the CPP due to breach in the ash pond that damaged standing crops in the locality.
- Switching to grid power at Hirakud is unlikely, as it will result in power cost increasing by USD500-600/ton. HNDL is in talks with the relevant authorities on the ash spillover and expects to get some relief soon.

Expansion projects: Mahan smelter to start production in December 2012

- Mahan smelter: HNDL plans to start operations at its 359ktpa Greenfield smelter and 900MW CPP at Mahan by December 2012. Initially, 40 pots will be operational, followed by ramp-up of 1 pot per day. There are two lines of 180 pots each. Of the total project cost of INR105b, the company has already spent INR90b. Though the current LME prices are not conducive, lenders' pressure will prevent HNDL from delaying commissioning any further. There is no clarity on the status of the Mahan coal block.
- Utkal Alumina: HNDL has already spent INR40b of the total INR72b on the 1.5mtpa Utkal Alumina. The project is scheduled for completion by the end of FY13. HNDL targets 400k tons of production from this refinery in FY14.
- Aditya smelter: The company has already spent INR58b out of the budgeted INR105b for the 359ktpa smelter with 900MW CPP.
- Hirakud FRP: FRP and smelter expansion from 153ktpa to 213ktpa at Hirakud is likely to be completed by the end of FY13. The project includes transfer of equipment for FRP from the Novelis plant at Rogerstone, UK.
- Novelis: The 220ktpa rolling mill expansion at Brazil is expected to be completed by December 2012. Novelis is targeting 130k tons of incremental volume in FY14 on account of the Brazil expansion. The budgeted capex is USD500m while target shipments are 2.8-2.9m tons in FY13.

Expect consolidated EPS CAGR of 8% over FY12-14; maintain Buy

- We expect consolidated EPS CAGR of 7.6% over FY12-14, despite pressure on metal prices. HNDL's conversion business, which is insulated from metal prices, provides ~75% of operating cash flows. The stock is attractive at a P/E of 5.4x, EV/EBITDA of 5.5x, and P/BV (ex goodwill) of 0.8x. Maintain **Buy**.

Jindal Steel & Power

Bloomberg	JSP IN
Rating	Neutral
CMP (INR)	359
Mcap (USD b)	6.0
52-Wk Range (INR)	663/343
1, 6, 12 Rel Perf (%)	-14/-39/-34

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	131,116	37,539	40.1	6.0	-	-	30.6	21.6	-	-
3/12A	182,073	41,563	44.4	10.7	8.1	1.9	25.8	18.5	2.6	6.7
3/13E	208,923	36,763	39.3	-11.5	9.1	1.6	18.5	13.8	2.6	8.1
3/14E	221,316	34,634	37.0	-5.8	9.7	1.4	15.0	12.0	2.7	7.8

*Consolidated nos

Company Represented By:
Mr Rajeev Jain,
Head- Investor Relations

Covering Analyst(s):
Sanjay Jain
+91 22 3982 5412
SanjayJain@MotilalOswal.com

Pavas Pethia
+91 22 3982 5413
Pavas.Pethia@MotilalOswal.com

Key Takeaways

Jindal Steel and Power (JSP) is witnessing price correction in both steel and pellets, but does not expect further deterioration. It believes that the Sarda Mines issue is behind and does not see any operational hiccups on its account.

Expansion projects

- **Tanmar II:** Tamnar II has coal linkage for 1,200MW. The balance 1,200MW is based on imported coal from its mines in Indonesia, South Africa and Mozambique. 35% of the capacity is already tied-up through PPA with the state government. It plans to increase PPA to 80% of the capacity, post which it will be eligible to sign FSA with Coal India.
- **Godda power plant:** The Jitpur coal block in Jharkhand for 2x660MW Godda has received stage-I forest clearance in August.
- **Utkal B1 coal block:** Utkal B1 coal is critical for its Angul expansion. The company maintains that it can start operations within six months after signing mining lease with the state government.
- **Mozambique coal mine:** Mozambique mining operations are expected to start in the current year. The coal is of 4,000-4,500GCV, with 75:25 mix between thermal and coking coal. Initial production target is 1-2mtpa, which will be ramped up to 10mtpa in three years.
- **Indonesian coal mine:** JSP is unlikely to start mining below the target realization of USD40/ton while the current price is USD25-30/ton.

CIC Energy acquisition intent

- JSP plans to acquire CIC Energy, which has 2.4b tons of coal in Botswana. The shareholders of the Canadian firm have approved this.
- The initial plan is to start with 300MW power plant at a capex of INR10b-15b. Later, JSP intends to set up a coal to liquid plant. Coal from the mine cannot be sold in the open market.

Sarda Mines continue to operate normally

- The authorities have asked for certain clarifications on Sarda Mines, which the company has already provided. It is yet to receive further communication and the mines continue to operate normally.
- JSP does not expect any shortage of fines for its pellet operations, as it has been maintaining an inventory of 13m tons of iron ore fines.

Steel demand under pressure, realizations decline QoQ; maintain Neutral

- JSP expects steel realizations to decline by INR1,000-1,500/ton in 2QFY13. Pellet realizations have declined by INR200-500/ton in the last few days.
- We are bearish on steel prices and expect further de-rating of the steel sector. Indian steel stocks are still commanding premium valuations, though globally steel stocks have been de-rated. JSP trades at a P/E of 9.7x and EV/EBITDA of 7.8x. Maintain **Neutral**.

JSW Steel

Bloomberg	JSTL IN
Rating	Sell
CMP (INR)	710
Mcap (USD b)	2.8
52-Wk Range (INR)	885/464
1, 6, 12 Rel Perf (%)	6/-10/5

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	241,059	16,783	75.2	17.7	-	-	12.3	9.6	-	-
3/12A	343,681	14,844	66.5	-11.6	10.7	0.9	8.9	8.7	1.2	7.0
3/13E	360,186	11,321	50.7	-23.7	14.0	0.9	6.7	8.1	1.2	6.7
3/14E	390,034	11,011	49.4	-2.7	14.4	0.9	6.3	7.6	1.1	6.8

*Consolidated nos

Company Represented By:
Mr Sandep Agrawal,
Investor Relations

Covering Analyst(s):
Sanjay Jain
+91 22 3982 5412
SanjayJain@MotilalOswal.com

Pavas Pethia
+91 22 3982 5413
Pavas.Pethia@MotilalOswal.com

Key Takeaways

JSW Steel (JSTL) continues to maintain its volume guidance of 8.5m tons for FY13 despite challenges in procuring iron ore. It expects JSW Ispat to turn profitable from FY14, following various cost initiatives.

FY13 volume guidance of 8.5m tons maintained

- JSTL continues to maintain its production guidance of 8.5m tons in FY13, despite further delays in re-start of mining in Karnataka. It is banking on outside purchases and lower grade ores to meet the shortfall.
- 10-11 category-A mines, whose R&R plans have been approved, are waiting for other regulatory approvals. Earlier, the belief was that R&R plan approval would suffice and mining was expected to start in August. These mines have the capacity to produce 5.5mtpa.
- JSTL is investing in value-added segments to mitigate the risk of sluggish demand. Its 225ktpa color-coated lines at Tarapur are an attempt to replace imports. Its 2.3mtpa CRM expansion is expected to come in phases of 1.3mtpa in FY14 and 1mtpa in FY15. The benefication plant is likely to be delayed by a quarter due to uncertainty relating to ore availability.

Expect JSW Ispat to become profitable in FY14 due to cost initiatives

- JSW Ispat is investing to reduce its cost of production of steel. It plans to set up a 55MW CPP based on blast furnace gases. It is also putting up a railway sliding for transport and a lime calcining plant. The total cost for the projects is INR3b.
- The Amba project, containing 1mtpa coke and 4mtpa pellet capacity under a 100% subsidiary of JSTL, will also boost margins. Total project capex is INR18b-19b and is expected to be completed in FY14.
- JSW Ispat's total debt is ~INR85b, including working capital loans of INR15b.
- JSTL expects JSW Ispat to turn profitable by FY14. It expects JSW Ispat to deliver INR16b-16.5b of EBITDA in FY13, higher than the current run rate of ~INR12b.

Expect 2QFY13 to be softer due to demand pressure and lower realizations; maintain Sell

- JSTL is witnessing demand pressure across products such as galvanized steel and CR coils. Realizations are also expected to decline QoQ in 2QFY13.
- JSTL expects the benefits of lower coking coal prices to flow in from 3QFY13. However, it expects iron ore cost to increase by INR200-400/ton despite the fall in international prices, as similar price translation is unlikely in iron ore.
- We are bearish on steel prices and expect further de-rating of the steel sector. Indian steel stocks are still commanding premium valuations, though globally steel stocks have been de-rated. The stock trades at a P/E of 14.4x and EV/ EBITDA of 6.8x. Maintain **Sell**.

Tata Steel

Bloomberg	TATA IN
Rating	Sell
CMP (INR)	378
Mcap (USD b)	6.6
52-Wk Range (INR)	504/332
1, 6, 12 Rel Perf (%)	-10/-17/-22

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	1,187,531	59,724	62.3	-n/a-	-	-	40.5	13.2	-	-
3/12A	1,328,997	18,054	18.6	-70.1	20.3	1.4	7.8	9.1	0.7	7.2
3/13E	1,360,576	30,127	31.0	66.9	12.2	1.4	11.4	8.8	0.7	6.8
3/14E	1,430,516	45,030	46.4	49.5	8.2	1.2	15.8	9.6	0.7	6.6

*Consolidated nos

Company Represented By:
Mr Praveen Sood,
Head - IR

Ms Shilpa Jain,
Sr. Manager - IR

Covering Analyst(s):
Sanjay Jain
+91 22 3982 5412
SanjayJain@MotilalOswal.com

Pavas Pethia
+91 22 3982 5413
Pavas.Pethia@MotilalOswal.com

Key Takeaways

Tata Steel (TATA) expects 2QFY13 to be challenging, given lackluster demand in Europe and continued cost pressure in India. However, it expects European demand to recover and cost pressure to begin easing in India in 2HFY13.

Tata Steel India: Incremental capacity tied up in downstream products

- Most of the incremental capacity due to Brownfield expansion in Jamshedpur is tied to value-added products.
- Post ramp up, captive coking coal will constitute 45-46% of total coking coal consumption. It plans to increase production of coking coal in West Bokaro.
- Two coke ovens with 0.7mtpa capacity each at Jamshedpur are expected to be commissioned in 4QFY13 and 1QFY14, thereby reducing coke purchases and overall cost pressure.
- Realizations are likely to decline by INR1,500-2,000/ton QoQ. Price correction is more pronounced in flat steel. The company is targeting 6m tons of SME segment demand.
- TSI maintains its target of 7.5m ton steel deliveries and 8m ton production for FY13. It expects to increase production/deliveries by 1m tons in FY14.

Tata Steel Europe: Steel demand is very weak; targeting exports

- Steel demand has completely very weak in Europe and TSE is focusing on exports. It has pared volume guidance down from 14.5m tons to 14m tons.
- Realizations are likely to decline by USD30/ton and margins are expected to be under pressure. Cost benefits on lower raw material prices are not expected in 2QFY13.
- The refurbished Port Talbot blast furnace may not restart soon.
- Triennial valuation negotiation for pension fund is going on, which could result in deficit. However, TSE will try to negotiate the deficit over a longer horizon, with initial payment moratorium, to minimize cash outflow.

USD15b raised to pay for FCCB redemption; maintain Sell

- TATA raised INR15b through bonds in 1QFY13 to pay for USD490m FCCB redemption. The bond has a coupon of 2% and YTM of 9.8%. The difference between the two has been adjusted against net worth.
- The Benga project has already started production - expect 1m tons production in FY13 and 1.5m tons in FY14.
- We are bearish on steel prices and expect further de-rating of the steel sector. Indian steel stocks are still commanding premium valuations, though globally steel stocks have been de-rated. The stock is trading at FY14E EV/EBITDA of 6.6x. Reiterate **Sell**.

BPCL

Bloomberg	BPCL IN
Rating	Buy
CMP (INR)	354
Mcap (USD b)	4.6
52-Wk Range (INR)	395/230
1, 6, 12 Rel Perf (%)	-5/9/-6

Year End	Net Sales (INR b)	Adj. PAT (INR b)	Adj. EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	1,536	16.3	22.6	0.2	-	-	11.1	5.5	-	-
3/12A	2,120	7.8	10.8	-52.2	32.8	1.6	5.0	5.3	0.2	10.5
3/13E	2,393	15.1	20.9	93.4	17.0	1.5	9.3	8.0	0.2	8.1
3/14E	2,280	15.9	21.9	5.0	16.1	1.4	9.1	7.6	0.2	7.9

*Consolidated

Company Represented By:
Mr S. Varadarajan,
Director - Finance

Mr J. Dinaker,
GM - Corporate Treasury

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Deepak Dult
+91 22 3982 5445
Deepak.Dult@MotilalOswal.com

Key Takeaways

BPCL remains optimistic on its overseas E&P portfolio and sector reforms.

Journey to monetize E&P assets on track

- BPCL plans to spend ~USD700m in FY13 and FY14 towards E&P assets in Mozambique, Brazil, India, Indonesia and Australia.
- Mozambique exploration and appraisal is on track and the management expects the FID (final investment decision) by 4QCY13, post the reserve certification of the announced 30-60tcf of recoverable resources. Consortium partners are working on the pre-FEED study for the LNG terminal at Mozambique.

Price hikes, targeted subsidy to reduce under-recoveries

- At crude price of USD106/bbl and USD/INR of 55, there is under-recovery of INR13.4/liter on HSD and INR3.5/liter on MS. BPCL expects price hikes in controlled products (HSD, LPG and kerosene) to come by September end.
- The management is confident of significant reduction in LPG and kerosene subsidy, with the implementation of targeted subsidy. End-user subsidy pilot has been successful in Rajasthan and 11 states have already agreed for implementation. Delhi will eliminate PDS-kerosene by April 2013.
- If subsidized LPG cylinders are limited to 4-6 per household per year, it could bring down LPG under-recoveries by 40-50%.

To expand Kochi refinery by ~60% to 15.5mmtpa, to set up petchem unit

- Post expansion/upgradation, Kochi refinery capacity will increase from 9.5mmtpa to 15.5mmtpa and Nelson complexity will increase from 5.5 to 9. This will entail a capex of INR142b and will take 42 months for completion.
- BPCL has planned an INR55b JV petchem plant at Kochi, which will take propylene as feed from petro-FCC of planned refinery expansion. It expects completion of the plant in 30 months. It has signed an MoU with Korea's LG Chem and has indicated that the technology partner will hold 51% in the JV.

Expects Bina refinery to operate at 100% capacity in FY13

- The management indicated that it expects Bina refinery to run at 100% capacity utilization in FY13 (6mmtpa).
- Studies on refinery capacity expansion are under progress. BPCL expects capacity expansion to 7.5mmtpa from 6mmtpa through de-bottlenecking.

Valuation and view

E&P upside potential is BPCL's key differentiator vis-à-vis HPCL and IOC. There could be significant upside, as more clarity emerges on Mozambique and Brazil reserve sizes. Maintain **Buy**.

Cairn India

Bloomberg	CAIR IN
Rating	Neutral
CMP (INR)	341
Mcap (USD b)	11.7
52-Wk Range (INR)	401/255
1, 6, 12 Rel Perf (%)	3/-7/24

Company Represented By:
Mr P Elango, Interim CEO & Director - Strategy & Business Services,

Mr Anurag Pattnaik, DGM- Geology and IR

Ms Deepika Padhi, Manager - Finance (IR)

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Deepak Dult
+91 22 3982 5445
Deepak.Dult@MotilalOswal.com

Year End	Net Sales (INR m)	PAT (INR m)	Adj. EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ BOE(1P)	EV/ EBITDA
3/11A	102,779	63,343	33.3	502.6	-	-	17.1	17.9	-	-
3/12A	131,130	92,929	48.8	46.7	7.0	1.4	21.4	20.7	16.8	5.4
3/13E	174,533	107,207	56.3	15.4	6.1	1.2	21.2	21.7	13.6	4.0
3/14E	180,090	92,113	48.4	-14.1	7.0	1.1	15.8	17.7	12.8	3.9

* Consolidated

Key Takeaways

Cairn India is confident of achieving significant part of its 240kbpd crude oil production target in 2013.

Confident of Rajasthan production achieving significant part of 240kbpd in 2013

- The management is confident of achieving its significant part of 240kbpd production target in 2013 and mentioned that most of the incremental production will come from MBA fields.
- It indicated flat production rate at 175kbpd till December 2012 and exit rate of 185kbpd in March 2013, if pipeline de-bottlenecking gets delayed. Incremental production will come from commencement of production at the Aishwariya field and ramp-up of the Bhagyam field.
- **Working on DRAs for pipeline debottlenecking:** Cairn is testing the cost effective (v/s pumping stations) drag reducing agents (DRAs) for Rajasthan crude transportation, which will reduce crude oil viscosity and enable more crude to flow in the same time period.

Outlines dividend and Rajasthan exploration as near term priorities

- Cairn India still awaits government approval on its corporate reorganization, post which it will consider payout of its maiden dividend.
- Further, the company indicated that the Rajasthan exploration program is its priority so as to realize the full potential of the block and expects government support for the same.

~USD2b capex over FY13-14

- The management mentioned planned capex of ~USD2b over FY13-14, of which ~USD1.2b is for the Rajasthan block. It includes (a) ~USD600m on development, and (b) ~USD600m on exploration including Barmer Hill and EOR, subject to government approvals. The balance ~USD800m will be spent on exploration in other blocks and new ventures.
- The company has submitted the EOR FDP to the Operating Committee.

No upfront payment in PetroSA deal; planned appraisal of KG onshore

- The management indicated that the recent 60% farm-in deal with PetroSA Block-1 in South Africa did not involve in any upfront cash investment by Cairn India. During the next two years, Cairn India (operator) will carry out the survey activities in this acreage.
- In its KG-onshore block, Cairn has planned appraisal activity to evaluate the commerciality of KG onshore discoveries. It estimates cumulative in-place volumes at ~550mmboe and has filed for DoC for the first discovery.

GAIL India

Bloomberg	GAIL IN
Rating	Neutral
CMP (INR)	366
Mcap (USD b)	8.3
52-Wk Range (INR)	445/303
1, 6, 12 Rel Perf (%)	1/-2/-22

Year End	Net Sales (INR m)	Adj. PAT (INR m)	EPS (INR)	EPS GR. (%)	*P/E (X)	*P/BV (X)	RoE (%)	RoCE (%)	*EV/ Sales	*EV/ EBITDA
3/11A	324,586	35,610	28.7	16.0	-	-	18.5	22.9	-	-
3/12A	402,807	36,538	28.8	0.4	10.0	1.7	16.9	19.2	1.0	6.6
3/13E	439,439	38,642	30.5	5.8	9.4	1.5	16.0	15.5	1.0	6.7
3/14E	481,622	41,760	32.9	8.1	8.7	1.4	15.6	15.7	1.0	6.2

*Adjustment for investments

Company Represented By:

Mr Rajeev Mathur,
ED - Marketing

Mr Subir Purkayastha,
GM - (F&A)

Mr Sashi Menon,
DGM - (F&A)

Mr Ashish Gupta,
CM - Marketing

Mr H K Garg,
CM - Projects

Dr Shivraj Bhor,
CM - Finance

Covering Analyst(s):

Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Deepak Dult
+91 22 3982 5445
Deepak.Dult@MotilalOswal.com

Key Takeaways

GAIL (India) remains upbeat on medium to long term gas supply outlook.

Incremental gas availability to increase in medium to long term

- The management expects incremental natural gas of 10-30mmscmd from ONGC's marginal fields, KG Offshore and Mahanadi Basin discoveries in the medium to long term.
- The company has already started receiving ~1.5mmscmd from ONGC's C-series fields and expects ~2mmscmd more to come in FY13.

Dabhol terminal to get commissioned in December 2012

- The management indicated that it plans to bring a new ship at the Dabhol terminal in December 2012. However, full commercial operations of the terminal are likely to start in 1QFY14.
- The management guided for ~4mmscmd of gas from the terminal in FY14. Completion of the breakwater facility could take longer than expected due to legal issues created by one of the bidders for the project.

Projects on track; shale gas to turn cash positive by end-2014

- **Pata expansion to be completed by December 2013:** The management expects to complete capacity expansion at Pata (from 450ktpa to 900ktpa) and commission the BCPL plant by December 2013. Expanded capacity at Pata will not depend on Dahej LNG, as 30mmscmd of rich gas is available at Vijaipur from the PMT and ONGC fields and only 10-12mmscmd is used at the existing Pata facility.
- **Stake in OPaL reduced to 15.5%:** GAIL reduced its stake in OPaL to 15.5% from the original 19%, as project cost escalated. The management mentioned that it has decided to cap its investment at INR10b. However, there will be no changes in marketing rights.
- **BCPL project cost increases:** Project cost of the 280KT BCPL plant has been revised from INR54.6b to INR89.2b. It has capital subsidy of 52% (INR47b) and GAIL has equity investment of INR12.7b.
- **Phase-1 of Kochi-Mangalore-Bangalore pipeline** will be commissioned along with Petronet LNG's regas terminal and Phase-2 to Bangalore will be commissioned by December 2013.
- GAIL expects its investment in shale gas (Eagle Ford Shale) to turn cash positive by end-2014.

Valuation and view

We have a **Neutral** rating on GAIL due to: (1) low near-term visibility of transmission volume growth, (2) lower return ratios in the near term due to under-utilization of new capitalized pipelines, and (3) ad-hoc subsidy sharing risk. Adjusted for investments, the stock trades at 8.7x FY14E EPS of INR32.9.

Oil India

Bloomberg	OINL IN
Rating	Buy
CMP (INR)	486
Mcap (USD b)	5.2
52-Wk Range (INR)	556/431
1, 6, 12 Rel Perf (%)	-5/-3/-18

Year End	Net Sales (INR b)	PAT (INR b)	EPS (INR)	EPS Gr (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV (USD)/ BoE	EV/ EBITDA
3/11A	83,034	28,872	48.0	10.6	-	-	19.7	27.3	-	-
3/12A	97,741	34,469	57.3	19.4	8.5	1.6	20.7	27.7	7.6	3.9
3/13E	93,122	33,727	56.1	-2.2	8.7	1.5	18.0	24.8	6.9	4.3
3/14E	106,611	38,869	64.7	15.2	7.5	1.3	18.5	25.5	7.1	3.5

Company Represented By:
Mr Harish Madhav,
Head - Finance

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Deepak Dult
+91 22 3982 5445
Deepak.Dult@MotilalOswal.com

Key Takeaways

Oil India (OINL) hopes to complete its long-awaited overseas acquisition in 2012.

Expects subsidy sharing to remain ad-hoc in near term

- The ad-hoc nature of subsidy sharing is likely to continue in the near term; OINL is demanding a fixed subsidy contribution in dollar terms.
- As a percentage of upstream subsidy contribution, OINL's share was 13.4% in FY12 and 1QFY13 v/s 10.9% in FY11. The management indicated that higher subsidy sharing by OINL is likely to continue, as its crude oil production is increasing while ONGC's declining.
- OINL's 1QFY13 subsidy burden was USD56/bbl, and the total quantum of subsidy was calculated based on production volumes.

Overseas acquisition likely to be announced soon

- OINL is actively scouting for acquisitions and is in talks for 4-5 assets in US, Canada and Africa. It expects to announce an acquisition by December 2012.
- To gain technical expertise in shale gas exploration, OINL is targeting some shale gas assets in the US. The management mentioned that in response to the recent draft policy on shale gas by the Government of India, Petrofed will be submitting comments on behalf of oil companies.
- The management mentioned that it was very close to an acquisition in Africa in 2011, but it backed out due to unrest in the country.

Targets production growth of ~3% for oil and ~10% for gas in FY13/14

- OINL targets ~3% growth in oil production to 3.95mmt in FY13 and 3-4% growth in FY14.
- The company's natural gas production is likely to increase from 2.6bcm in FY12 to 2.9bcm in FY13 and 3.2bcm in FY14, if BCPL commissions on schedule. Else, FY14 gas production will average at 3bcm.

Strong balance sheet

- OINL's balance sheet continues to be strong, with net cash of INR130b.
- It has planned capex of INR34b on domestic and overseas acreage and has earmarked INR67b for the acquisition.

Valuation and view

We remain positive on OINL due to its strong operational foothold: (1) steady production growth, (2) high share of oil in its reserves (55% in 1P and 62% in 2P), and (3) attractive valuations - it trades at >50% discount to its global peers on EV/BOE (1P basis). The stock trades at 7.5x FY14E EPS of INR64.7 and has an implied dividend yield of ~4%. Maintain **Buy**.

ONGC

Bloomberg	ONGC IN
Rating	Buy
CMP (INR)	282
Mcap (USD b)	43.3
52-Wk Range (INR)	304/240
1, 6, 12 Rel Perf (%)	-3/0/-10

Year End	Net Sales (INR b)	PAT (INR b)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ BoE	EV/ EBITDA
3/11A	1,176	210	24.5	8.1	-	-	19.5	18.8	6.9	-
3/12A	1,464	260	30.4	24.1	9.3	1.8	21.0	20.1	6.3	3.6
3/13E	1,585	242	28.3	-7.1	10.0	1.6	17.3	16.7	5.6	3.9
3/14E	1,684	275	32.1	13.6	8.8	1.5	17.6	17.1	5.6	3.2

*Consolidated, EV/BOE in USD on 1P basis

Company Represented By:
Mr A K Banerjee,
Director - Finance

Mr B L Ghasolia,
Advisor Finance

Mr Sanjiv Kumar,
DGM

Mr S Ranganathan,
Chief Manager - F&A

Mr P Bhattacharya,
DGM CP, ONGC Videsh

Mr Atul Chaturvedi,
Chief Manger- Finance,
ONGC Videsh

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Deepak Dult
+91 22 3982 5445
Deepak.Dult@MotilalOswal.com

Key Takeaways

ONGC is optimistic on production growth in the medium to long term.

Strong oil/gas production estimates for FY14 (provisional)

- Standalone oil production is likely to grow from 23.7mmt to 24.0/28.3mmt in FY13/FY14, driven by development projects. Standalone gas production is expected to grow from 23.3bcm in FY12 to 23.7/25.5bcm in FY13/FY14. However, these estimates will be reviewed in the coming months.
- ONGC expects domestic gas production to cross 100mmscmd by FY17, driven by new discoveries in the KG and Mahanadi basins.
- ONGC is spending INR310b (INR170b already spent) on 37 fields to monetize reserves of >280mtoe. Key projects to support production targets are:
  a) **New oil pool discovery in D-1 field:** This would result in incremental production of 24kbpd. The company expects overall production from D-1 field to reach 60kbpd by January 2014 from the current 12.5kbpd.
  b) **KG-offshore:** Production from G-1 would start by January 2013, while GS-15 has already begun production.
  c) **KG-DWN-98/2:** The management expects the field to be developed by FY17; current appraisal period has been extended to November 2013.
  d) **Mahanadi Basin:** To be developed in the XIIth Plan period.
  e) **Daman Offshore:** Phase-III development has been advanced by four years.
- As against the XIth Plan standalone capex of INR1.1t, ONGC plans to spend INR1.6t in the XIIth Plan. However, the management admits that ad-hoc subsidy sharing continues to be a near-term risk.

Perspective Plan 2030 targets volume growth at 4% CAGR

- Through its ambitious perspective plan 2030, ONGC plans to double production to >130mmtoe by 2030. It has an aspiration to increase production of OVL six-fold from the current ~8mmt to 60mmt by 2030.
- ONGC targets to unlock over 450mmtoe YTF (yet-to-find) domestic hydrocarbon reserves.

Hopeful of early resolution of Sudan issue

- North and South Sudan have reached an agreement on pipeline transit fees at USD11/bbl. However, talks are still on to resolve border issues, which should clear the way to resume oil exports from South Sudan.

Valuation and view

Likely price hikes in controlled products in the near term, and subsidy rationalization and production growth in the long term are the key positives for the company. The stock is attractive at: (a) >40% discount to its global peers on EV/BOE (1P basis), and (b) implied dividend yield of ~3.5%. The stock trades at 10x FY13E EPS of INR28.3. Our SOTP-based target price is INR320. **Buy**.

Reliance Industries

Bloomberg	RIL IN
Rating	Neutral
CMP (INR)	790
Mcap (USD b)	46.0
52-Wk Range (INR)	902/674
1, 6, 12 Rel Perf (%)	5/0/-1

Company Represented By:
Mr Robinder Singh, VP - IR

Mr Hemen Modi, GM - IR

Covering Analyst(s):
Harshad Borawake
+91 22 3982 5432
HarshadBorawake@MotilalOswal.com

Deepak Dult
+91 22 3982 5445
Deepak.Dult@MotilalOswal.com

Year End	Net Sales (INR b)	PAT (INR b)	EPS (INR)	P/E (X)	Adj.EPS* (INR)	Adj.P/E (X)	Adj.P/B (X)	RoE (%)	RoCE (%)	EV/ EBITDA
3/11A	2,482	203	62.0	-	68.4	-	-	14.8	12.9	-
3/12A	3,299	200	61.3	12.9	67.7	11.7	1.4	13.0	12.1	7.6
3/13E	3,531	190	58.7	13.4	64.9	12.2	1.3	11.2	10.7	9.0
3/14E	3,226	206	63.5	12.4	70.2	11.2	1.2	11.1	11.1	7.8

*Adjusted for treasury shares

Key Takeaways

Reliance Industries (RIL) is positive on the potential benefits of its large capex plans. It expects KG-D6 production to reach 60mmscmd in the next 3-4 years, subject to approvals.

Recent GRM strength positive for RIL, as driven by auto fuels

- The management indicated that the recent strength in regional refining margins is positive for the company, as it is driven by auto fuels, which contribute ~64% to its refinery product slate.
- On the petchem front, while the near-term demand outlook is subdued, RIL expects demand to pick up nearer to Christmas and early 2013.

Expect significant earnings contribution from ongoing projects

- **Petchem expansion on track:** RIL's polyester expansion project is on track and its units will commission from CY13.
- **GRM to increase by USD2-3/bbl post petcoke gasification project:** RIL expects its refining margins to increase by USD2-3/bbl post the commissioning of the planned petcoke gasification project. RIL will not sell petcoke externally, as all the petcoke (~5mmt) will be converted to gas.
- Retail business reported revenue of INR76b in FY12 (grew >40% in 1QFY13). The management expects to reach INR400b-500b in the next 3-4 years.

E&P production ramp-up subject to approvals

- RIL and BP are working on the E&P development plans for KG-D6 discoveries and NEC-25. However, government approvals are critical for production ramp-up. If government approvals come through, production could reach 60mmscmd in 3-4 years.
- Shale gas volumes are likely to grow at ~50% CAGR in the next 2-3 years and the management expects EBITDA contribution of 8-10% by 2015.

Valuation and view

We maintain **Neutral** due to concerns of (1) RoE slipping to sub-12% levels, (2) falling KG-D6 volumes, and (3) increased share (75%) of cyclical refining and petchem businesses. The stock trades at 12.2x FY13E adjusted EPS of INR64.9 and at an EV of 9x FY13E EBITDA.

DLF

Bloomberg	DLFU IN
Rating	Buy
CMP (INR)	201
Mcap (USD b)	6.2
52-Wk Range (INR)	261/170
1, 6, 12 Rel Perf (%)	-2/-11/3

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	95,606	16,396	9.7	-5.2	-	-	5.8	7.1	-	-
3/12A	96,294	12,008	7.1	-26.8	28.4	1.3	4.5	7.4	5.9	14.5
3/13E	105,281	13,843	8.2	15.3	26.7	1.4	5.0	8.0	5.4	13.0
3/14E	107,880	16,542	9.7	19.5	22.3	1.3	5.7	8.3	5.1	12.2

Company Represented By:
Mr Rajiv Goel,
Senior GM - Finance & IR

Covering Analyst(s):
Sandipan Pal
+91 22 3982 5436
Sandipan.Pal@MotilalOswal.com

Key Takeaways

DLF continues to focus on consolidating core operations and strengthening its balance sheet. The stabilization process should bear fruits by the end of FY14.

Divestment and deleveraging: Expect significant success in FY13

- The value of the NTC Mill divestment (to Lodha Group) has been satisfactory, though a little below the management's initial expectations (already fetched INR5b; remaining INR22b to come by October 2012).
- The Aman Resorts transaction is likely to be concluded by 2QFY13 (indicative value of INR17b-18b ex Lodhi) and the Windmill division is likely to be divested in 2HFY13 (~INR9b). The company has shortlisted a couple of bidders, but is yet to achieve financial agreement.
- The management is confident of achieving deleveraging of INR50b in FY13, followed by more divestment in FY14, leading to a comfortable net debt-equity of 0.6x by the end of FY14.

Core operations: Focus on improving profitability

- DLF intends to focus on improving average realizations in the development company (DEVCO). In FY12, realizations were weak due to project launches in tier-II cities and the mid-income segment.
- Plot sales and premium projects would contribute evenly to monetization. Super luxury project, Magnolia-2 (1msf) is scheduled for launch in early 3QFY13. The management has guided sales of 10-12msf (INR65b) in FY13.
- New infrastructure initiatives like metro connectivity to Cyber City, 16-lane road to Phase-V would augment the value proposition - Cyber City monthly rentals, which are currently INR65-70/sf should see a growth of ~INR10/sf.
- Rental income should grow 15% to INR18b in FY13, though near-term leasing outlook remains weak due to (1) weaker macroeconomic environment (mostly overseas clients for DLF), (2) deliberate leasing slowdown to achieve higher rentals, and (3) Shilokhera litigation leading to cancellations.

Execution: Moving towards material+ contracts

- The management has guided delivery of 10-11msf per year over FY13-14. Outsourcing of construction (to players like L&T and Shapoorji) would improve turnaround time and give better branding to projects.
- New construction contracts will include material cost to mitigate commodity (cement, steel) price risks.

Tax claim concern: Of its INR30b of tax claim (owing to DAL's SEZ assets), the company has already paid INR15b. CCI hearing is due in October 2012.

Shoppers Stop

Bloomberg	SHOP IN
Rating	Under Review
CMP (INR)	352
Mcap (USD b)	0.5
52-Wk Range (INR)	427/251
1, 6, 12 Rel Perf (%)	-1/9/-17

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	16,589	752	9.1	120.1	-	-	12.6	16.3	-	-
3/12A	19,300	643	7.8	-14.5	45.0	4.5	9.9	11.0	1.5	20.5
3/13E	25,148	816	9.9	26.9	35.5	4.0	11.4	13.7	1.1	15.9
3/14E	29,943	1113	13.5	36.4	26.0	3.6	13.8	16.9	0.9	12.3

Company Represented By:
Mr Govind Shrikhande, MD

Mr Sanjeev Chakravarti, CFO

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Shoppers Stop management gave a bleak near-term outlook while underscoring the attractive long-term opportunity in the Indian organized retail market.

Near term outlook bleak; festive season is the key

- Mall footfalls have improved vis-à-vis the May performance, partly driven by the discounting season.
- Consumer continues to remain cautious due to uncertain/pessimistic macro environment prevailing in the economy.
- Festive season, commencing with *Ganesh Utsav* in September, holds the key for FY13 performance.
- Shoppers Stop remains concerned about organized retail's increasing propensity towards discounting.

Shoppers Stop: Expansion will continue

- No change from the earlier guidance on expansion plans - 8 Shoppers Stop stores each for FY13 and FY14. Total standalone operational space is targeted to reach 4.5m sq ft in FY15 v/s 3.1m sq ft in FY12.
- Stores have already been contracted, and there is no material concern on delivery commitments of builders as yet.

Hyper City: Focusing on profitability

- Hyper City intends to add 8 stores over next 3 years (1 in FY13, 4 in FY14 and 3 in FY15).
- It will focus on cluster-based growth strategy - core and mid-sized stores. Core size - 60k sq ft in Tier I to drive assortment. Mid-size - 35k sq ft, first in Tier-I cities; if the concept works, it will be extended to Tier-2 cities.
- No immediate improvement in profitability as traction from new stores remains sub-par.
- FY15 PAT breakeven guidance for Hyper City.

Valuation and view

- Shoppers Stop has added ~20 stores in the past two years which has impacted profit margins as LTL sales growth has been weak, given poor consumer sentiment.
- Delay in demand recovery remains the key risk as it will impact same store performance, and in turn hit margins.
- We arrive at SOTP based target price of INR356 valuing standalone operations at 23x FY14E earnings and valuing Hyper City at 0.7x EV/sales. **Under Review**.

Titan Industries

Bloomberg	TTAN IN
Rating	Neutral
CMP (INR)	221
Mcap (USD b)	3.5
52-Wk Range (INR)	255/154
1, 6, 12 Rel Perf (%)	-7/-1/-2

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	65,209	4,336	4.9	65.8	-	-	49.6	61.8	-	-
3/12A	88,384	6,048	6.8	38.4	32.7	13.5	48.7	66.8	2.1	22.5
3/13E	103,823	7,158	8.1	19.3	27.4	10.2	42.4	58.7	1.8	18.2
3/14E	123,199	8,858	10.0	23.8	22.1	7.7	34.8	54.1	1.4	11.5

Company Represented By:
Mr Bhaskar Bhat, MD

Mr Subramaniam, CFO

Covering Analyst(s):
Gautam Duggad
+91 22 3982 5404
Gautam.Duggad@MotilalOswal.com

Sreekanth P.V.S.
+91 22 3029 5120
Sreekanth.P@MotilalOswal.com

Key Takeaways

Titan management presented a near-term cautious outlook and also enunciated its key priorities to capture expected long-term attractive growth opportunity in the Jewelry, Watches and other related lifestyle categories.

Consumer sentiment remains weak; "wait & watch" mode continues

- Though industry footfalls have improved from the lows of May-June, consumer remains in "wait & watch" mode. Impact of inflation and poor consumer sentiment continue to reel broader Retail sector and discretionary categories in particular.
- Spending recovery in discretionary categories will be a function of "discounting", at least in the short term. Today's "smart" consumers wait for offers/discounts to plan their purchases. Titan, on its part, is rolling out slew of attractive offers in high-value items to induce more spending and also attract new consumers.

Network expansion plan continues; margin support in FY13

- A key change from the previous downturn is the continuation of network expansion plans. 80% of the expansion will be through franchisee route and hence balance sheet will remain light.
- FY13 should see margin support from (1) Withdrawal of excise duty on branded jewelry (20bp) and (2) Direct gold import (40bp).

Long term vision and strategy

- India's large and under-penetrated middle class remains the cornerstone of Titan's long-term strategy as it offers significant upside for Titan's core categories of Jewelry and Watches.
- Youth, women and kids are Titan's focus consumer segments as they are expected to drive consumer spending in the lifestyle categories.
- Differentiated marketing in small towns will help drive penetration in unexplored geographies.
- It intends to unearth new unorganized product categories and focus on under-served consumer segments.

Info Edge (India)

Bloomberg	INFOE IN
Rating	Not Rated
CMP (INR)	332
Mcap (USD b)	0.7
52-Wk Range (INR)	400/274
1, 6, 12 Rel Perf (%)	-2/3/-16

Company Represented By:
Mr Hitesh Oberoi, MD & CEO

Mr Ambarish Raghuvanshi, Group Director Finance & CFO

Covering Analyst(s):
Ashish Chopra
+91 22 3982 5424
Ashish.Chopra@MotilalOswal.com

Key Takeaways

Info Edge India (INFOE) is not seeing any competitive threat to the recruitment business in the near term. LinkedIn remains a threat from a medium term perspective.

Naukri.com: Competition from the likes of Monster.com is not visible on the ground, especially after Monster.com particularly is facing challenges in its business, globally. Others like Shine.com are significantly smaller in size. Only LinkedIn could be a potential threat over the medium term.

Jeevansathi.com: Jeevansathi is a 'me too' player in the industry at the moment, and having a majority share in North India is not differentiation enough. BharatMatrimony.com is the leader, given its clear focus in this segment and an early mover advantage. The cost of acquiring customers is increasing amidst intensifying competition, but the company has the mandate to invest capital in this segment over the near-to-medium term.

99acres.com: INFOE believes that this portal possesses huge scalability potential. While there is uncertainty in new home sales in the current environment, resale / rental business continues to do well. NCR is the biggest market for 99acres.com, given the huge inventory there, while Bangalore and Mumbai markets are comparable in their size. Listing of properties has been growing, especially from brokers, though it may still take time for builders to transition to the online medium for marketing.

INR1.8b invested in various sites, latest in Canvera.com: INFOE recently invested INR350m in Canvera.com, an online photography company, which follows a B2B model. As compared to its earlier investments, this is different in that it comes at a fairly advanced stage of the company's evolution. Earlier the company has raised Series-A round led by Footprint Ventures, Draper Fisher Jurvetson, Mumbai Angels and two angel investors from the UK, in 2008.

PolicyBazaar.com: After the notification from regulators earlier banned web aggregators from comparing products, much greater clarity has emerged now. PolicyBazaar is scaling very well, and the company is moving into more non-regulated products.

Education (Shiksha.com and MeritNation.com): Education segment presence focuses on both the large number of mushrooming private colleges in India and advertising for the international market. Within the international market, the focus is primarily on lesser known institutes.

Infosys

Bloomberg	INFO IN
Rating	Buy
CMP (INR)	2,423
Mcap (USD b)	25.0
52-Wk Range (INR)	2,977/2,102
1, 6, 12 Rel Perf (%)	8/-15/-1

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	275,010	68,230	119.4	11.2	-	-	27.8	33.1	-	-
3/12A	337,340	83,160	145.5	21.9	16.6	4.1	28.0	32.9	3.5	11.0
3/13E	393,740	94,467	165.5	13.7	14.6	3.8	27.1	32.3	2.9	9.4
3/14E	426,266	100,194	175.4	6.0	13.8	3.2	25.1	29.4	2.6	8.6

Company Represented By:
Mr Rajiv Bansal, VP - Finance

Mr Avishek Lath, IR

Covering Analyst(s):
Ashish Chopra
+91 22 3982 5424
Ashish.Chopra@MotilalOswal.com

Key Takeaways

While lower growth has been a function of multiple internal and external factors, Infosys (INFO) remains confident that its new strategy is the right one, fruition of which may take 3-4 years.

Multiple factors behind lower growth

Lower growth has been a function of:

1. The macro environment, which this time around has been lingering, as compared to a brief slump the last time; election year in the US has compounded woes
2. Visa cases against the company would also have had some impact on the way the clients approached bids from the company
3. Its own transition led to the management focusing a lot more on internal issues than external
4. The company's strategy to not stay focused on low hanging fruits alone; to also drive next-gen technologies in Products and Platforms from a low base

Confident of strategy; diversifying into new markets

- INFO remains confident of its strategy, which is a longer-term transformational journey, expected to yield rewards in 3-4 years. It deems presence in higher-end technologies a must, as that will ensure sustained revenue quality over a period of time.
- Over the near-to-medium term, INFO is diversifying into new markets to achieve growth. It is a late entrant in the Indian market but sees it as a big opportunity, with a lot of transformational deals having healthy margins.

Pricing sensitivity high in Business Operations; nothing irrational in companies' behavior

- Differentiation is minimal in the Business Operations segment, and as a result, sensitivity to pricing high. However, the sensitivity is not the same in a benign environment, and is more exacerbated in the current challenging environment.
- The company is witnessing normal cycle of rate negotiations in the current environment, and there is no secular trend of clients asking for discounts. At the company level, INFO is not doing anything different on pricing from before.

Valuation and view

We expect INFO to grow its USD revenues at a CAGR of 8% and EPS at a CAGR of 10% over FY12-14. We believe that: [1] the brand value enjoyed by INFO allows it to attract customers with even a moderate cut in price, and [2] the company will be extremely selective in offering such price cuts. Maintain **Buy**.

MCX

Bloomberg	MCX IN
Rating	Not Rated
CMP (INR)	1,096
Mcap (USD b)	1.0
52-Wk Range (INR)	1,426/838
1, 6, 12 Rel Perf (%)	3/-/-

Company Represented By:

Mr Shreekant Javalgekar,
Managing Director & CEO

Mr Hemant Vastani,
VP - Finance & Accounts

Mr Sumesh P, Director -
Business Development

Covering Analyst(s):

Ashish Chopra
+91 22 3982 5424
Ashish.Chopra@MotilalOswal.com

Key Takeaways

Multi Commodity Exchange of India (MCX) is confident that the much awaited FCRA Bill will see light of day, which will significantly boost volumes on the exchange.

FCRA Bill likely to be passed; will be a huge fillip for volumes

MCX sees FCRA Bill as one of the easier bills to be passed, given that it is necessary for a structured functioning of the exchange ecosystem. Unlike SEBI, FMC is not an autonomous body and there is rampant illegal trading on commodity exchanges, curbing which is extremely difficult in the current scheme of things. The Bill, if passed, will be a huge fillip to exchange's volumes, as it would:

1. Give autonomy to the regulator that could allow introduction of new products more freely
2. Allow trading of options on the exchange
3. Allow new participants like Banks, MFs and FIIs
4. Allow trading of commodity indices.

Higher volumes have impacted yields, pricing intact

MCX's transaction yields have been declining over the last few years - down from INR4.6/100k in FY08 to INR3.2/100k in FY12. However, the exchange's rate card has not changed in the last three years. The lower yields are a function of higher volumes, in line with the volume-based discounts as per the rate card.

Scope to add large number of clients, grow volumes multifold

- MCX has ~2m clients currently. This compares with ~20m demat account holders. Globally, more accounts are opened for trading in commodities than in equities. However, even a potential target size similar to that of equities implies that volumes could grow multiple times.
- Also, globally, exchange volumes in key commodities like gold are 70-80x the spot volumes as compared to just 17-18x in the domestic market. Silver is the only commodity where the ratio is comparable. This is another indicator of potential growth in volumes as the nascent industry matures.

To maintain a healthy payout ratio at ~50%; augurs well for valuations

MCX cited its intent to maintain payout ratio at 50%, similar to that in FY12. We believe there are multiple reasons for upside trigger in the stock: [1] volume growth potential from FCRA Bill and increasing penetration, [2] healthy payout ratios, and [3] option value from MCX-SX.

Tata Consultancy Services

Bloomberg	TCS IN
Rating	Neutral
CMP (INR)	1,349
Mcap (USD b)	47.4
52-Wk Range (INR)	1,352/961
1, 6, 12 Rel Perf (%)	5/10/31

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	373,245	86,826	44.4	26.3	-	-	37.4	42.2	-	-
3/12A	488,938	106,384	54.4	22.5	24.8	8.1	36.7	44.1	5.4	18.2
3/13E	619,223	139,191	71.1	30.8	19.0	6.5	38.1	44.8	4.1	13.8
3/14E	708,798	153,216	78.3	10.1	17.2	5.2	33.5	39.7	3.5	12.2

Company Represented By:
Mr S Mahalingam, Chief Financial Officer & ED

Mr Kedar Shirali, Head of Global Investor Relations

Covering Analyst(s):
Ashish Chopra
+91 22 3982 5424
Ashish.Chopra@MotilalOswal.com

Key Takeaways

There is no dearth of growth opportunities in the market, as penetration remains low. While parts of BFSI are stressed, activity has been normal, barring some caution in January-February 2012.

Spends happening as per plan, only January-February were slightly sluggish

- TCS does not see any serious causes for concern and things continue to move as per plan. The first two months of the year were characterized by cautiousness in IT spends, particularly within BFSI.
- Given lower growth v/s FY12, hiring numbers for FY13 have come down, leading to higher conversion of offers given out. Yet, there has not been any deferment in joining dates, as there is enough opportunity to build capacity for.
- Given customers' orientation towards technology changes, TCS sees no reason why growth in FY14 should not match/accelerate from FY13 levels.

Addressable opportunity remains huge

- There is no concern on sustainable growth from traditional services, as penetration remains low. ~USD745b IT spend is the outsourced quantum.
- However, even at clients where the offshore model has matured, 2/3rd of the work is handled in-house, and the proportion is even higher in other clients. This presents ample opportunity for sustained growth in the industry.

Stress visible in parts of BFS, but Insurance doing well

- Lower growth in FY13 is primarily on account of lower growth in BFSI (43% of revenues). Parts of the vertical are under stress, leading to moderation in spends. Negative news from JP Morgan and Barclays substantiate concerns.
- However, the Insurance segment within BFSI continues to do well. Insurance constitutes ~1/3rd of BFSI revenues, and the segment's IT spends are higher than in FY12.

Dollar pricing not lower even for new clients; not sharing currency benefits

- Like peers, TCS too cited normal pricing behavior in the industry, despite challenging environment and favorable currency. Pricing is stable even for new clients in USD terms.
- Also, TCS is not sharing currency benefits with its clients, given the high volatility. In cases where clients have asked for INR-based rate cuts, the company has asked them to bear the currency risk.

Valuation and view

We expect TCS to grow USD revenues at a CAGR of 16% and EPS at a CAGR of 20% over FY12-14. While the company is likely to outperform peers, at 17.2x FY14E EPS, we see the stock priced for perfection, with limited room to surprise on the positive side. Maintain **Neutral**.

Wipro

Bloomberg	WPRO IN
Rating	Buy
CMP (INR)	364
Mcap (USD b)	16.1
52-Wk Range (INR)	453/313
1, 6, 12 Rel Perf (%)	4/-13/3

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	310,986	52,794	21.6	15.1	-	-	24.2	20.1	-	-
3/12A	375,248	55,731	22.7	5.1	16.0	3.1	21.2	19.4	2.2	11.2
3/13E	436,439	61,966	25.2	11.2	14.4	2.7	20.2	19.0	1.9	9.8
3/14E	473,218	66,303	27.0	7.0	13.5	2.3	18.7	17.9	1.7	8.9

Company Represented By:
Mr Rishad Premji,
Chief Strategy Officer

Mr Aravind Viswanathan,
Head - Investor Relations

Covering Analyst(s):
Ashish Chopra
+91 22 3982 5424
Ashish.Chopra@MotilalOswal.com

Key Takeaways

Prolonged restructuring and a challenging environment have been the key hurdles in Wipro's aspiration to grow in line with industry leaders by 4QFY12. Growth pursuit will not result in further margin declines.

Refrains from giving a timeline for achievement of industry-leading growth

- Wipro missed out on its earlier guidance of matching/beating peer growth rates due to multiple factors: [1] the reorganization, which is taking longer to flow all the way down through the system, [2] non-conducive macro environment, and [3] Wipro's business mix, which has a high proportion of Global Media, Telecom and Hi-tech segments.
- The company's focus in the near-term is firmly on execution; however, it has refrained from giving another timeline by when growth could match top peers.

Missed out on a couple of large deals; pricing was not the factor

- Wipro failed to close a couple of large deals recently, losing out to competition. However, lower pricing was not the reason for the client's choice of vendor.
- There is no irrational behavior in pricing witnessed in the market. Pressure exists only in select pockets, particularly Investment Banking in Europe.

Margin differential due to business mix; Fixed Price contracts is a margin lever

Despite comparable reported realization metrics (to Infosys), Wipro's lower margins are explained by:

1. Business mix - presence in India / Middle East and acquisitions at onsite (having low double-digit margins). This explains 2.5pp of the differential.
2. Productivity, which explains ~3pp of the differential, especially in fixed price contracts. Wipro admits to not exactly being best-in-class here; higher productivity is a key lever for margins.

Underperformance in IMS on lower-than-expected wins and India headwinds

- Despite being the leader among Indian players in Infrastructure Management Services (IMS) - a key growth driver, Wipro has underperformed peers in this segment. Policy paralysis in India is one of the reasons, where dependence on government spend is high.
- Wipro also admitted to not winning as much as it should have in this area. It is not averse to participating in asset-heavy deals, but has noted that there are multiple instances where customers may not prefer it.

Valuation and view

We expect Wipro to grow USD revenues at a CAGR of 8% and EPS at a CAGR of 9% over FY12-14. We believe that the impact of Wipro's investments will be visible once the environment improves, and agree with the company's approach of continuing to invest in the business. Maintain **Buy**.

Bharti Airtel

Bloomberg	BHARTI IN
Rating	Neutral
CMP (INR)	249
Mcap (USD b)	17.0
52-Wk Range (INR)	417/244
1, 6, 12 Rel Perf (%)	-24/-27/-49

Year End	Net Sales (INR b)	PAT (INR b)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	595	60	15.9	-32.6	-	-	12.6	8.7	-	-
3/12A	715	43	11.2	-29.6	22.2	1.8	8.1	6.2	2.2	6.7
3/13E	802	28	7.5	-33.2	33.2	1.7	5.3	4.5	2.0	6.7
3/14E	885	40	10.4	39.2	23.9	1.6	7.0	5.1	1.8	5.6

Company Represented By:

Mr Akhil Gupta, Deputy Group CEO & Managing Director

Mr Harjeet Kohli, Group Treasurer

Ms Komal Sharan, Investor Relations

Covering Analyst(s):

Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

Post the sharp margin pressure witnessed in 1QFY13, industry leaders have initiated corrective measures like rationalizing channel commissions, promotions, freebies, etc, which should plug the leakages and drive RPM improvement. However, these measures will also negatively impact subscriber/traffic growth in the near term.

Industry taking corrective measures like refraining from "negative landing"; driving revenue growth could be a key challenge, in our view

- While Bharti's aggressive pricing and promotions since 4QFY12 helped restore market share, margin performance has been significantly impacted.
- The industry majors have now initiated corrective measures, which if sustained, would plug the leakages and reduce rotational churn.
- The key initiative would be to desist from offers having "negative landing".
- These measures would impact subscriber addition/traffic in the near term, but should help in reducing churn rate.
- We believe that growing traffic and revenue while implementing these measures would be the key challenge; margin improvement could be difficult on a sluggish revenue growth trajectory, given the high proportion of fixed costs.

2G cloud to clear post auction; expect participants to take circle-wise approach

- Given the cabinet decision of relatively high reserve price of INR140b for a 5MHz block in the upcoming 2G auction, higher spectrum price is a business reality.
- However, 2G auction will remove the current regulatory uncertainty and let operators take informed business decisions.
- Over-bidding in 2G auction appears unlikely, given challenges on the balance sheet front for most operators. Participants are likely to take a selective circle-wise approach. Probability of incumbents bidding in a significant way is low.
- Current hyper competition in the market is unlikely to sustain.

Africa: Investing in 3G; data to be the revenue driver

- Bharti has been relatively cautious in reducing tariffs to induce elasticity in the Africa market.
- Given relatively high tariff levels and no scope for significant tariff cuts in Africa, voice growth will remain modest.
- However, Bharti is focusing on significant investment in 3G network so that data can drive growth without cannibalizing the voice revenue/EBITDA.

Idea Cellular

Bloomberg	IDEA IN
Rating	Buy
CMP (INR)	74
Mcap (USD b)	4.4
52-Wk Range (INR)	104/71
1, 6, 12 Rel Perf (%)	-12/-21/-34

Year End	Net sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	155,032	8,986	2.7	-11.6	-	-	7.6	5.2	-	-
3/12A	195,412	7,231	2.2	-19.6	33.8	1.9	5.7	5.4	1.9	7.4
3/13E	231,315	11,707	3.5	61.7	20.9	1.7	8.6	6.6	1.6	6.0
3/14E	260,293	19,770	6.0	68.8	12.4	1.5	13.0	9.3	1.3	4.7

Company Represented By:
Mr Himanshu Kapania,
Managing Director

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

Industry potential for voice and data growth intact; sector now better placed to enforce competitive discipline as relative gap between scale/margins of incumbents has reduced; upcoming 2G spectrum auction to be a defining event.

Industry consolidation inevitable

- Industry consolidation is inevitable, given significant losses for challengers and upcoming increase in spectrum costs.
- Tariffs and margins are bound to reverse; the industry is now better placed to enforce discipline, as relative gap in scale/margins of incumbents has reduced.
- Expect telecom sector revenue to grow at a CAGR of 10-12% over the next 10 years.

Idea has closed the gap v/s the leader

- Idea has scaled up significantly over the last two years, with the top player's lead over Idea in the India wireless business reducing from 2.7x to 1.9x in revenue terms and from 4.1x to 2.5x in EBITDA terms.
- It plans to tap the data opportunity by positioning 3G as a mass product.
- It intends to maintain leadership in the established circles; cautiously invest in new circles to maintain effective deterrent.

Key triggers/milestones/challenges

- Industry VLR subscriber base remains under 700m and has the potential to reach 1b.
- Upcoming Supreme Court mandated 2G auction will be a defining moment for the sector, and force various industry participants to rethink their strategies and cash losses.
- Industry initiatives to reduce subscriber churn will bring sanity in the market and support margins.

Valuation and view

Idea trades at an EV of 6x FY13E and 4.7x FY14E EBITDA. Maintain **Buy**, with a target price of INR90, based on EV of 6.8x FY14E EBITDA ex-towers, INR5m/tower for stake in Indus, and INR121b potential regulatory outlay.

Reliance Communications

Bloomberg	RCOM IN
Rating	Neutral
CMP (INR)	51
Mcap (USD b)	1.9
52-Wk Range (INR)	110/50
1, 6, 12 Rel Perf (%)	-10/-45/-41

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	205,627	14,936	7.2	-69.4	-	-	3.9	2.9	-	-
3/12A	203,424	9,884	4.8	-33.8	10.6	0.3	2.9	2.7	2.3	7.2
3/13E	213,979	7,587	3.7	-23.2	13.9	0.3	2.3	2.9	2.1	6.8
3/14E	226,617	12,295	6.0	62.0	8.6	0.3	3.7	3.4	1.9	6.0

Company Represented By:
Mr Arvind Narang,
Joint President

Mr Mukund J, DGM

Covering Analyst(s):
Shobhit Khare
+91 22 3982 5428
Shobhit.Khare@MotilalOswal.com

Key Takeaways

The industry, including Reliance Communications (RCom), has become highly leveraged. RCom is relatively better placed v/s GSM incumbents, as there are no imminent payouts related to license renewal/spectrum re-farming.

Competitive pressure remains high; higher spectrum costs/balance sheet stress should restore rationality

- Competitive pressure remains high, given overcapacity in the telecom sector.
- Potential higher outlay towards spectrum should restore rationality among all operators.

No operational impact due to FLAG IPO not getting through

- FLAG IPO could not go through due to tough market environment and differences in valuation expectations.
- However, this has no immediate operational impact on RCom, as the proposed fund raising was aimed as de-leveraging at consolidated level and not towards any specific plans/projects.

Reduction in 3G data prices positive for development of data market

- The industry has significantly lowered 3G data prices to induce demand.
- Lower data pricing has been the key requirement towards developing the data market and is a positive step.

Valuation and view

- RCom trades at EV/EBITDA of 6.8x FY13 and 6x FY14.
- Maintain **Neutral** with a target price of INR53/sh based on 6x FY14 EV/EBITDA.

CESC

Bloomberg	CESC IN
Rating	Buy
CMP (INR)	309
Mcap (USD b)	0.7
52-Wk Range (INR)	322/186
1, 6, 12 Rel Perf (%)	5/18/0

Year End	Net Sales (INR m)	PAT (INR m)	EPS* (INR)	EPS* Gr. (%)	P/E* (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/11A	40,942	4,670	38.9	-	-	-	11.3	10.2	-	-
03/12A	46,050	5,543	44.1	13.5	7.0	0.8	12.1	10.6	1.2	5.1
03/13E	52,527	5,970	47.5	7.7	6.5	0.7	11.7	10.4	1.1	4.8
03/14E	58,139	6,662	53.0	11.6	5.8	0.6	11.7	10.2	1.0	4.6

* Excl Spencers; fully diluted

Company Represented By:
Mr B L Chandak,
Executive Director

Mr Pankaj Kedia
Chief Manager

Covering Analyst(s):
Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Key Takeaways

The management is focusing on breakeven of Spencer's and commissioning of 1.2GW of power projects. Power distribution provides CESC steady cash flows, with multi-year tariff (MYT) approved till FY14.

MYT petition provides strong visibility on core business

- The profitability of CESC's Kolkata distribution business has improved, with RoE increasing from 14% to 15.5%. Following its recent MYT petition, capex of INR6b per year till FY14 has been approved. This provides for robust cash flow of INR4b+, with steady growth linked to capex.

Focusing on improving performance of Spencer's

- Restructuring at Spencer's has led to improvement in gross margins and reduction in EBITDA losses to INR1.5b in FY12 v/s INR1.7b in FY11.
- Performance in 1QFY13 was even more robust, driven by strong revenue growth and cost efficiencies. 1QFY13 average sales grew 14% YoY to INR1,151/sf/month. Net sales grew 16% YoY to INR3,367m. Same store sales (SSS) growth was robust at 15% YoY (~20% YoY growth in June 2012 helped) to INR1,201/sf/month.
- Spencer's has closed 19 Small Express Stores in 1QFY13. Post this, area under operations declined 0.03msf QoQ to 0.98msf.
- Store level EBITDA was INR42/sf/month in 1QFY13 as against INR26/sf/month in 1QFY12.

1.2GW of power projects in advanced stages of execution

- CESC has spent INR8.3b towards under construction projects of 1.2GW as at June 2012. The management expects the Chandrapur project to be commissioned by April 2013 / July 2013, while the Haldia project would be operational by FY15.
- Out of its 1.2GW capacity under construction, CESC has already signed PPA for 450MW at Haldia on CERC terms for supply to its own Kolkata distribution. Balance capacity will be signed under ST/MT/LT bidding, as revised bid documents come through.

Valuation and view

We expect CESC to report standalone PAT of INR6b in FY13 (up 8%) and INR6.7b in FY14 (up 12%). The stock quotes at 5.8x FY14E standalone EPS and 0.6x FY14E BV. Maintain **Buy**, with an SOTP-based target price of INR471.

JSW Energy

Bloomberg	JSW IN
Rating	Buy
CMP (INR)	45
Mcap (USD b)	1.3
52-Wk Range (INR)	77/36
1, 6, 12 Rel Perf (%)	-13/-30/-25

Year End	Net Sales * (INR m)	PAT* (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	42,944	8,418	5.1	12.5	-	-	14.8	9.7	-	-
3/12A	61,189	3,314	2.0	-60.6	22.3	1.3	5.8	6.4	2.6	10.9
3/13E	81,635	6,223	3.8	87.8	11.9	1.2	10.6	10.5	2.2	7.2
3/14E	91,302	10,483	6.4	68.5	7.0	1.1	16.2	13.9	1.8	5.4

* Consolidated

Company Represented By:
Mr Sanjay Sagar,
CEO & Jt MD

Mr Pramod Menon,
CFO

Mr Amitav Chatterjee,
VP Investor Relation

Covering Analyst(s):
Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Key Takeaways

JSW Energy is upbeat on improving gross margins as fuel cost softens. The contribution of the Raj West project is likely to improve in FY14.

Upbeat on improving gross margins; fuel cost softening

- JSW's gross margins had improved to INR2.1/unit in 1QFY13 from the lows of INR0.2/unit in 2QFY12. In 1QFY13, the consumption of high cost inventory had restricted margin expansion. The management expects improvement in gross margins from 2QFY13.
- The management expects coal prices to soften internationally, as several supply bottlenecks for thermal coal are easing and new supply centers like the US are emerging. As demand remains subdued at higher costs, the coal price outlook is muted in the near term.
- Additionally, JSW has entered into ST PPAs for a sizable part of its merchant capacity, with average realization of INR4.25-4.50/unit, and is thus, insulated from ST rate swings.

Raj West contribution to improve in FY14

- 540MW capacity is already operational and JSW has synchronized three more units. The entire project should be ready to commission by 2QFY13.
- The management is awaiting environment clearance for expansion of lignite production from Kapurdi mines, as all major formalities are complete. Expansion at Kapurdi mines would enable JSW to declare the commercial operation date (CoD) for the entire project.
- Land acquisition at Jalipa has largely been completed and it will take some time to commence mining from the project. FY14 would see production from both the mines.
- CoD of the entire project would also enable recovery and approval of tariff order for the project, improving the visibility of returns on the project. Rajasthan Electricity Regulatory Commission has currently granted ad-hoc interim tariff for the first four units for FY13 at INR3.34/unit.

Valuation and view

We estimate consolidated net profit at INR6.2b (up 88%) for FY13 and INR10.5b (up 69%) for FY14. The stock trades at 7x FY14E EPS and 1.1x FY14E BV, with RoE of 16%). Maintain **Buy**.

NTPC

Bloomberg	NTPC IN
Rating	Buy
CMP (INR)	172
Mcap (USD b)	25.5
52-Wk Range (INR)	190/139
1, 6, 12 Rel Perf (%)	8/-4/-8

Year End*	Net Sales (INR m)	PAT * (INR m)	EPS* (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
03/11A	548,740	79,580	9.7	-5.9	-	-	12.2	12.2	-	-
03/12A	611,449	83,218	10.1	4.6	17.0	1.9	11.8	11.8	2.8	11.9
03/13E	715,095	96,318	11.7	15.7	14.7	1.8	12.7	12.7	2.6	11.2
03/14E	795,035	115,235	14.0	19.6	12.3	1.7	14.1	14.1	2.4	9.3

* Pre-excep. cons. earnings;we have factored in RoE gross-up based on MAT wef FY11 onwards

Company Represented By:
Mr A K Singhal,
Director - Finance

Ms Renu Narang,
GM - Finance

Covering Analyst(s):
Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Key Takeaways

NTPC is witnessing increased capacity addition (4GW on TTM basis) and its domestic coal receipt is up 11% YoY. This should enable robust earnings growth.

FY13 capacity addition at 4.2GW, confident of 12th plan target of 14GW

- NTPC's capacity addition is looking up. It has added 4GW on TTM basis. In YTD FY13, it has already achieved capacity addition of 2.2GW and the management is confident of achieving its full-year target of 4.2GW addition.
- The 12th plan capacity addition target of 14GW is attainable, given that capacity under construction is already at 16.6GW (including 2.6GW at Meja/Solapur is targeted for addition under 12th plan on best effort basis).

Domestic coal receipt up 11% YoY in YTD FY13, generation growth too robust

- NTPC's generation growth in YTD FY13 was 6% YoY, lower than 8% YoY in 1QFY13, as the company undertook planned maintenance shutdown during July/August 2012. For July-August 2012, generation growth was 2% YoY, despite the maintenance shutdown.
- While generation growth is partially driven by capacity addition, improved coal supply is also contributing. Domestic coal receipt for YTD FY13 is up 11% YoY (imports are a bit lower), and thus, availability of fuel is not an issue.
- NTPC had lost 24BU (12% of sales) in FY12 owing to grid constraint (17BU, 8% of sales) and fuel shortage (8BU, 4% of sales). Generation grew at a CAGR of 1% over FY10-12, despite capacity addition of 5.3GW.
- Sustainable increase in generation growth, led by higher capacity of DISCOMs to buy power owing to cushion in cash flows (financial restructuring + tariff hike) and lower gas/hydro-based generation would result in higher generation/dispatches from thermal projects. We believe this would be a key driver of earnings growth, as incentives would start increasing.

Valuation and view

We expect NTPC's earnings to grow at a CAGR of 17% over FY12-14. We estimate net profit at INR96b (up 15%) for FY13 and INR115b (up 20%) for FY14. The stock trades at 12.3x FY14E EPS and at 1.7x FY14E BV. Maintain **Buy**.

Power Grid Corporation of India

Bloomberg	PWGR IN
Rating	Buy
CMP (INR)	121
Mcap (USD b)	10.1
52-Wk Range (INR)	122/94
1, 6, 12 Rel Perf (%)	2/9/13

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	83,887	25,411	5.5	0.3	-	-	13.6	9.3	-	-
3/12A	100,353	33,199	7.2	30.6	16.9	2.4	14.8	9.2	10.4	12.5
3/13E	130,496	39,658	8.6	19.5	14.1	2.2	16.0	9.4	8.9	10.5
3/14E	158,436	47,716	10.3	20.3	11.7	1.9	17.3	9.5	8.2	9.5

Company Represented By:
Mr R. T. Agarwal,
Director (Finance)

Mr B. Mishra,
ED Corp. Planning & IT

Covering Analyst(s):
Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Key Takeaways

Power Grid Corporation (PWGR) remains upbeat on the 12th plan capitalization target and does not anticipate equity dilution at least in FY13.

FY13/12th plan implied capitalization target maintained at INR200b/INR1t+

- PWGR intends to retain its CWIP at FY12 level (INR333b) throughout the 12th plan, and is thus, targeting to match capitalization to capex i.e. INR200b per year, given its 12th plan capex target of INR1t.
- Given that 50%+ capex is related to high speed transmission corridor (HSTC), where CERC has already approved its capex, and grid strengthening (18% of total), the management is confident of meeting its 12th plan target. This is despite the fuel supply overhang, delays in generation capacity addition, etc, as transmission lines would be made available to projects that come up out of the total selected IPPs. This insulates PWGR from the risk of dedicated generation projects impacting capitalization.

12th plan order award at INR700b provides comfort

- For the 12th plan period, investment approval is already given for INR810b worth of projects, while orders have been placed for INR700b. This provides visibility on continued momentum in capex and capitalization, at least over the next three years.
- Balance awards are likely to be placed shortly and the management remains confident of INR1t capex under the 12th plan.

13th plan period opportunity size huge, but uncertain; focusing on backward integration

- For the 13th plan period, inter-state transmission capex is pegged at INR1.3t, while intra-state capex is pegged at INR950b. However, projects would be awarded on CBT mechanism, and thus, the surety for PWGR is bleak, though the opportunity size is huge.
- In the past, PWGR has demonstrated its ability to win projects on CBT mechanism. To further augment its competitiveness, it is selectively venturing into manufacturing JVs for related equipment.

No dilution in FY13; Buy

- PWGR is well placed to meet its equity requirement in FY13 and does not expect any dilution.
- We expect PWGR to report a net profit of INR40b in FY13 (up 20%) and INR48b in FY14 (up 20%).
- The stock trades at 11.7x FY14E EPS and 1.9x FY14E BV. Maintain **Buy**.

Reliance Infrastructure

Bloomberg	RELI IN
Rating	Buy
CMP (INR)	466
Mcap (USD b)	2.2
52-Wk Range (INR)	680/328
1, 6, 12 Rel Perf (%)	-6/-22/1

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E Ratio	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/11A	96,146	10,810	40.4	1.8	-	-	6.8	7.1	-	-
3/12A	178,205	19,621	73.4	81.5	6.4	0.7	11.1	13.3	0.1	0.5
3/13E	163,513	11,669	43.6	-40.5	10.7	0.6	6.0	9.1	0.1	1.0
3/14E	152,215	13,318	49.8	14.1	9.4	0.6	6.5	8.1	0.1	1.1

Company Represented By:
Amit Jain,
Head Investor Relations

Rahul Aagarwal,
Manager, Investor Relations

Covering Analyst(s):
Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Key Takeaways

Distribution business: No RAB addition in Mumbai and Delhi

- Post tariff hike in Mumbai business, Reliance Infrastructure (RELI) has not seen any addition to its regulated asset base (RAB) in the Mumbai distribution business in the last three quarters. MERC has approved recovery of RAB of INR24b, for which a detailed recovery plan is submitted.
- Similarly, for the Delhi distribution business, the accretion to RAB is NIL on an ongoing basis post tariff hike, 8% surcharge. Fuel cost is also allowed as passthrough on quarterly basis. The Delhi business has RAB of INR130b, of which DERC has approved INR90b. INR40b RAB addition over 2011-12 is expected to be approved once the petition for 2013-14 is filed.

Investments in infrastructure projects at INR46b - 13 projects operational

- RELI has invested INR46b in its infrastructure portfolio and has commissioned 13 projects - 7 road projects and 6 transmission projects. It expects further boost in FY13, with the commissioning of 6 more projects.
- RELI's project portfolio comprises of 24 infrastructure projects, aggregating ~INR356b, in segments like Roads (11 projects with 1,000km; cost INR120b), Metro Rail (3 projects, cost INR170b), Transmission (11 projects, cost INR66b), and Airports (5 regional brownfield airports in Maharashtra). MSRDC has entered into a pact with RELI to cancel the sealink project awarded to it (RELI has incurred capex of INR1b).
- In its Delhi Metro vertical, RELI faced structural issues (faulty bearings). Post consultancy report, DMRC has accepted the fault and has closed the project for repair.
- In its Mumbai Metro project, RELI is targeting to go commercial by December 2013. The project has received rolling stocks and commissioned trial run.

Strong EPC order book position; FY13 revenue target of INR90b-100b

- The EPC order book stands at INR156b (book-to-bill ratio of 1.3x). For FY13, RELI is targeting EPC revenue of INR90b-100b and margins of 8-10%.

Valuation and view

We expect RELI to report a net profit of INR11.6b in FY13 (down 41%) and INR13.3b in FY14 (up 14%). The stock quotes at 9.4x FY14E EPS. **Buy**.

Container Corporation of India

Bloomberg	CCRI IN
Rating	Not Rated
CMP (INR)	923
Mcap (USD b)	2.2
52-Wk Range (INR)	1,057/805
1, 6, 12 Rel Perf (%)	-2/-5/-12

Company Represented By:
Ms P Ali Rani,
Director - Finance

Covering Analyst(s):
Siddharth Bothra
+91 22 3029 5127
SBothra@MotilalOswal.com

Key Takeaways

Container Corporation of India (CCRI) presented a very upbeat outlook on its medium to long term growth prospects, while maintaining its positive outlook even in the near term.

Volume outlook turning positive

CCRI maintained that it has not witnessed any slowdown in freight movements and expects volume growth to improve, as few near-term constraints get resolved and the impact of high haulage charges by Indian Railways gets absorbed by domestic customers. It had reported 6.2% YoY volume growth in international handling in 1QFY13 and 13% de-growth in domestic handling.

Received favorable judgment from CCI

In August 2012, CCRI received a favorable judgment from the Competition Commission of India (CCI) with regard to charges filed by Arshiya International. At the same time, the ruling raised concerns with regard to frequent revisions in haulage charges by Indian Railways and recommended a review.

Opening of DFC to multiply addressable market

CCRI believes that the successful implementation of the Dedicated Freight Corridor (DFC) by FY16 would be a huge positive for the sector. It would multiply the potential market for existing players by 2-3x and allow CCRI to increase its asset turnover significantly. Currently, four key commodities - ores, minerals, coal and coke, which account for ~65% of the relevant freight markets, are under restricted category for private container transporters. Globally, rail transport accounts for 60-70% of freight movement, while it is at ~25% in India.

Capex plans on track

CCRI plans to invest ~INR45b over the next 4-5 years to transform from a container rail player to a total logistics services provider. Bulk of the capex would be funded through internal accruals.

Valuation and view

CCRI is a dominant player in the container rail cargo business, with ~74% market share, and is fast emerging as a total logistics player.

Raymond

Bloomberg	RW IN
Rating	Not Rated
CMP (INR)	338
Mcap (USD b)	0.4
52-Wk Range (INR)	439/300
1, 6, 12 Rel Perf (%)	-4/-5/-10

Year End	Net Sales (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	P/BV (X)	RoE (%)	RoCE (%)	EV/ Sales	EV/ EBITDA
3/09A	25,980	-1,610	-26.2	-	-	-	-13.2	-8.3	-	-
3/10A	25,085	-100	-1.6	L to P	-	-	-0.9	-2.8	-	-
3/11A	30,333	1,695	27.6	L to P	-	-	13.9	0.6	-	-
3/12A	36,395	1,487	24.2	-12.3	14.0	1.5	10.9	8.3	0.9	8.1

Company Represented By:

Mr Tarun Aiyar
Director - Finance

Mr H Sunder
President Finance

Mr Darshan Bagga
Dy. Manager- Corp. Planning

Ms Seema Khatri
Asst Manager- Corp. Planning

Covering Analyst(s):

Siddharth Bothra
+91 22 3029 5127
SBothra@MotilalOswal.com

Key Takeaways

Extended seasonal sale period helped lower inventory

- Longer seasonal sale period during 2QFY13 enabled Raymond to lower its inventory levels but impacted near-term margins.
- The company expects consumer demand to pick up, with the advent of the festive period.

Focus on branded retail business

- Raymond has identified four key apparel brands to focus on - Park Avenue, Parx, Color Plus and Raymond Premium Apparel. It will direct bulk of its advertisement and promotional initiatives (INR1.7b advertisement expenditure in FY12) to these brands.
- Over the last one year, it has slowly phased out several unprofitable brands such as Manzoni (premium luxury), Zapp (kidswear) and GAS (JV brand).
- Raymond added 269 new stores (net) over FY10-12, taking its retail store count to 853 in FY12 from 584 in FY09. The management intends to have a presence across all Class 1-5 cities/towns. It has identified ~435 towns, where it would like to have its TRS (The Raymond Store) format retail presence over the next 3-4 years.

Tremendous scope to lower costs

- There is tremendous scope to increase efficiencies and rationalize costs, including lower working capital, higher focus on key brands, etc.
- Nonetheless, Raymond faces near-term challenges of rising input prices and poor consumer demand, particularly in its branded apparel business.

Valuation and view

- Raymond is one of the strongest plays in the branded garment segment, well positioned to capitalize its strong franchise value.
- Early monetization of its real estate could be a key trigger. We estimate the value of its 125-acre land at Thane at INR147/share (based on INR120m/acre sold and monetized within two years, discounted at 14%).

Simplex Infrastructure

Bloomberg	SINF IN
Rating	Not Rated
CMP (INR)	197
Mcap (USD b)	0.2
52-Wk Range (INR)	290/157
1, 6, 12 Rel Perf (%)	-10/-15/-32

Company Represented By:
Mr N K Kakani ,
Executive Director

Mr Naresh Rathi,
Senior Manager

Covering Analyst(s):
Nalin Bhatt
+91 22 3982 5429
NalinBhatt@MotilalOswal.com

Satyam Agarwal
+91 22 3982 5410
AgarwalS@MotilalOswal.com

Key Takeaways

Management reiterates 10-15% revenue growth guidance for FY13

- The management reiterated revenue growth guidance of 10-15% for FY13 driven by healthy execution of standing order book of INR155b. The growth guidance is taking into account the challenging macro environment; if the same improves, then growth could even be higher at 20%.
- Execution remains healthy across sectors except for residential housing, given delayed payment by the customers.
- The company expects future growth to come from segments like Buildings, Urban Infrastructure, and Power T&D (mainly transmission line towers). Its inherent strengths in piling work enable it to qualify for State-level projects.
- EBITDA margin declined 30bp YoY to 8% in 1QFY13. Management mentioned that blended EBITDA margin on the current order book is 10.2% and it expects margins to be at this level for FY13.

Order intake robust, entering into partnerships in BOT projects to manage risk

- Strategically, Simplex has been entering into partnerships in BOT projects to manage its risk and increase EPC share of business. During 1QFY13, it entered into two such partnerships with Gammon Infrastructure with a 50-50 shareholding arrangement. In Kharagpur project, out of total EPC, Simplex has bagged about INR11b and in Vijayawada project so far it has bagged INR10.3b.
- Simplex's order book at the end of June 2012 was INR155b (up 8% from end June 2011 and up 2% from end March 2012). The order book mainly comprises Power (23%), Roads (22%), Residential buildings (20%), Institutional buildings (5%), Bridges (5%), Industrial structures (10%), and Urban infra (8%).
- Order intake in 1QFY13 was INR18.8b (up 116% YoY on a low base), driven by growth in road sector, including a large order of INR10.3b for the Vijaywada Road project. Excluding in-house projects, the share of orders from external clients stood at ~INR6b.

Other takeaways

- Working capital cycle continued to remain under pressure due to tightening liquidity conditions and deterioration of payment cycle. As at the end of 1QFY13, working capital stood at 136 days (including retention money of 31 days) up from 120 days at the end of March 2012. However, management mentioned that cash flow and working capital management remains its key focus area in the current economic environment.
- Total debt as of end-1QFY13 was INR24b, and the management expects to maintain this level.

NOTES

Disclosures

This report is for personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOSt) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOSt or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSt or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSt or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOSt and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOSt and/or its affiliates from doing so. MOSt or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report . MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOSt and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOSt has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement	Companies where there is interest
1. Analyst ownership of the stock	None
2. Group/Directors ownership of the stock	Bharti Airtel,Cairn India, GSK Pharma, HeroMotoCorp, Marico, State Bank of India
3. Broking relationship with company covered	State Bank of India
4. Investment Banking relationship with company covered	None

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOSt research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSt & its group companies to registration or licensing requirements within such jurisdictions.

For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

For U.S.

MOSt is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Any business interaction pursuant to this report will have to be executed within the provisions of this Chaperoning agreement.

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com

16TH ANNUAL WEALTH CREATION STUDY (2006-2011)

Blue Chip Investing

Creating wealth from dividends

15TH ANNUAL WEALTH CREATION STUDY (2005-2010)

UU Investing

Creating wealth from the unknown and unknowable

14TH ANNUAL WEALTH CREATION STUDY (2004-2009)

Winner Categories

Category Winners

Great Good Gruesome

13TH ANNUAL WEALTH CREATION STUDY (2003 - 2008)

MOTILAL OSWAL

25 years of Wealth Creation

1987-2012

2002 - 2007

12TH ANNUAL WEALTH CREATION STUDY

11TH ANNUAL WEALTH CREATION STUDY

10TH ANNUAL WEALTH CREATION STUDY

9TH ANNUAL WEALTH CREATION STUDY