AMBIT INSIGHTS

9 May 2013

DAILY

Updates

Cement

Demand impacting pricing, supply impacting bargaining power

Results Update

HDFC (SELL)

In-line net profit; spreads remain under pressure

Cognizant (NOT RATED)

Soft 2H guidance suggest demand uncertainties

Magma Fincorp (BUY)

Results first cut - ahead of our estimates

Results Expectation

Asian Paints: (BUY, 3% upside)

Punjab National Bank: (SELL, 5% upside)

Union Bank: (BUY, 18% upside)

Jubilant Foodworks: (SELL, 14% downside)

Potential turnaround plays for the impending recovery

Stock	Rating	FY14 P/B (x)
Bharti Airtel	BUY	2.2
DLF	NR	1.4
Tata Steel	BUY	0.7
Hindalco Inds.	SELL	0.5
Adani Power	BUY	2.2
Ashok Leyland	BUY	1.3
Indian Hotels	NR	1.4
Jain Irrigation	NR	1.2
Sintex Inds.	NR	0.5
GVK Power Infra	NR	0.4

Source: Ambit Capital research, Bloomberg,
Note: For NR stocks, FY14 P/B is based on consensus estimates, NR= Not Rated

Analyst Notes: Utilities: Fall in Indonesian coal price augurs well for JSW & Adani

Bhargav Buddhadev, +91 22 3043 3252

Global coal prices have fallen by ~14-17% in CY12 as demand from China slowed. China, the largest consumer of Indonesian coal (it consumed ~95MT in CY12) is increasing its domestic coal production at lower costs and thereby reducing its dependence on imported coal. Consequently, profits for Indonesian miners like Bumi, Adro, Kideco, Byan etc fell in Q12013 in the range of ~38% to ~85% YoY. Also, fuel costs for imported coal based companies like Adani Power and JSW Energy came off in 4QFY13 results in the range of 4%-11% YoY.

With demand from China (in CY12 it consumed ~25% of Indonesian coal production) coming off, Indonesian coal prices are likely to fall. This augurs well for Adani Power and JSW Energy given their dependence on imported coal from Indonesia. This fall in fuel cost coupled with a likelihood of PPA tariff revisions for Adani Power and an increase in merchant realizations for JSW Energy in FY14 augurs well for them. We reiterate our BUY stance on Adani Power and JSW Energy.

Source: Ambit Capital research

NEGATIVE

Quick Insight

Analysis	
Meeting Note	✓
News Impact	

UltraTech Cement	**SELL**
Bloomberg Code:	UTCEM IN
CMP (₹):	1,978
TP (₹):	1,752
Mcap (₹ bn/US$ mn):	542/10,017
3M ADV (₹ mn/US$ mn):	381/7.0

Ambuja Cements	**SELL**
Bloomberg Code:	ACEM IN
CMP (₹):	184
TP (₹):	163
Mcap (₹ bn/US$ mn):	284/5,244
3M ADV (₹ mn/US$ mn):	440/8.1

ACC	**SELL**
Bloomberg Code:	ACC IN
CMP (₹):	1,215
TP (₹):	1,100
Mcap (₹ bn/US$ mn):	228/4,214
3M ADV (₹ mn/US$ mn):	496/9.2

Analysts

Nitin Bhasin
nitinbhasin@ambitcapital.com
Tel: +91 22 3043 3241

Achint Bhagat
achintbhagat@ambitcapital.com
Tel: +91 22 3043 3173

Cement

Demand impacting pricing, supply impacting bargaining power

Last one week meetings across Mumbai and Bangalore with cement companies' marketing teams and large trade partners highlight that AP-based suppliers after having made inroads into Mumbai are now impacting prices in Pune and Northern Karnataka and fears remain high of impacting Bangalore and Chennai markets. However, the trade partners did not appear as despondent as the marketing teams; large trade partners are using the influx of capacities/ suppliers to break long-held and sole relationships and tying up with new brands/ players and extracting much higher incentives. We believe this shift in bargaining power towards channel partners can lead to further market share losses for larger players and hear that ACC is the most exposed. UltraTech's capacity additions and better connect with its trade network stood out as its key defenses. Whilst a single-party majority government in Karnataka raises hopes of some pick up in investment led demand in the region, we do not see major demand recovery leading to price rises in the near-term. We maintain SELL on ACC, Ambuja and UltraTech and continue to prefer players like Madras, JK Cement and JK Lakhsmi given relatively cheaper valuations and/or better positioning to deliver growth with a recovery.

Our meetings in Mumbai and Bangalore broadly had the same conclusion—weak demand and either prices under pressure or expected to come under pressure in these and surrounding regions. However, the key major observations/ trends that stood out and which we believe will have an impact over the operating landscape in the near-term were:

(a) **Excess capacity in Andhra Pradesh (AP) impacting supplies and now pricing** in Mumbai, Pune, Bangalore and Chennai. After having impacted supplies and pricing in Mumbai. Marketing teams of a few companies and large trade partners highlighted that the new brands from AP or extant players with expanded capacities are entering the large markets of Mumbai/ Pune and Bangalore given the high institutional demand in these markets. Their entry strategy is either offer higher incentives to trade partners or by selling cheaply to the builder or the Ready Mix Concrete (RMC) manufacturer. Whilst the price impact of these entrants was limited up to March 2013, incremental capacity additions in the last 3 months has exacerbated the competitition and hence pricing. Whilst Mumbai prices are under pressure since March, the pricing in North Karnataka has taken a hit in last 7-10 days and now marketing personnel fear that that the pricing discipline in Bangalore can also come under pressure if these AP-based players break prices in hunt of demand. Trade partners also highlighted that most of these players are either losing money or making very little money selling at these prices given the high freight cost involved to reach these markets. Most people were of the belief that unless AP demand recovers (unlikely) or there are green shoots of demand recovery in Maharashtra/ Karnataka, there is limited to scope for price recovery and risks remain for price declines;

Independent checks with the dealers of these regions highlight that prices have corrected in the first week of May (Rs5-10/ 50kg bag) and the AP based players have been aggressively entering the market through breaking existing incumbents' channel partners. Furthermore, Pune based dealers highlight that the usage of RMC has increased significantly (especially in the last 5-6 months) in the institutional segment as the contractors get better credit terms from the RMC players compared to the cement dealers/distributors.

(b) **Institutional demand/segment supporting trends not favorable for long-term profitability.** Whilst retail (Individual House Builder, IHB) demand continues to remain the larger proportion driving India's cement demand, market participants highlighted that institutional segment has a majority share in metros and tier I cities. In these metros and tier I cities, the demand from institutional segments has either held up or gone up in the last few years and this is leading to increased competitive intensity in these markets as this client is brand agnostic and bargain-price seeking. Further, increasing usage of RMC manufacturers by the institutional clients is also leading to price decline alongside entry of new brands as these RMC manufacturers buy cheaper cement for maintaining profitability and supporting credit to their clients. Also, market participants highlight that the large trade partners are using this excess supply situation to sell into small/mid-size institutional client on their own rather going through the retail trade route, which is highly unfavorable trend for the large incumbent brands as this was one of the major earnings sources for their retail dealers. Lastly, the increasing share of RMC demand in the institutional segment is driving higher blending with slag (GGBS), which is reducing the consumption of cement in the overall concrete which could adversely impact, albeit slowly, the growth and brand advantages from this segment; and

(c) **Shift in bargaining power towards large trade partners.** Marketing teams and trade partners highlighted that presently, the bargaining power is more with the large trade partners and the latter are using this to extract 2-4X more incentives for themselves. We heard a number of instances wherein the large distributors of brands such as ACC and Ambuja have given up sole dependence on are now promoting the newer brands/ players within their retail trade network but more so with their institutional clients. We believe this is the reason why players like ACC and Ambuja posted YoY decline in volumes in 4QFY13 as against the industry posting a positive growth. Trade partners highlighted that this trend will continue for some more time unless the larger incumbents were to change their incentive sharing mechanisms and become more real to the market dynamics. Multiple market participants highlighted poor connect of ACC with their trade network but on the other hand praised UltraTech for its strong connect with the trade network and continued aggression in servicing large institutional markets.

Where do we go from here?

We believe cement volume growth is correlated to GFCF growth and given that the capex is likely to pick up from public and private institutional bodies, uptick in cement demand growth should be dependent upon the intensity of capex growth. Given the continued weakness in demand and lack of clear signs of a pick up in institutional demand we believe that **cement demand/despatch growth in FY14 could be slightly higher at ~7%** owing to a pick up in capex from Government bodies ahead of the CY14 elections. However, we expect that pricing to further weaken in 1QFY14 with any possible recovery only towards the beginning of 2HFY14.

Valuations - retain SELL on large caps: We expect present rich valuations to remain under pressure because of shifting industry dynamics—larger share of near-term demand growth from bargain-seeking institutional clients and the increasing capacity share of small/mid-size producers — impacting pricing more adversely given weak demand amid increasing competition. We expect unitary profits and RoICs for large players to decline over next 12-15 months given this industry dynamics shift when costs have little room to soften. We retain SELL, given high unjustified premiums — 11-46% to 5-year EV/tonne averages and 25-50% to 5-year EV/EBITDA averages. However, if investors are comfortable owning these expensive cement stocks, especially large caps, we would investors to own UltraTech given its higher dependence on South/ West and institutional customers which can lead to it volume growth rates (given new capacities) either in line or marginally ahead of the industry. However, on the contrary we prefer players like Madras, JK Cement and JK Lakhsmi given relatively cheaper valuations and/or better positioning to deliver growth with a recovery.

Relative valuation summary

	Capacity (mn tonnes)		CMP	Mcap	EV/EBITDA (x)		P/E (x)		EV/tonne (US$)		CAGR (FY13-15)		ROE (%)	
	FY13	FY14	Rs	Rs bn	FY14	FY15	FY14	FY15	FY14	FY15	EBITDA	EPS	FY14	FY15
Large cap														
UltraTech	55.0	58.9	1,978	542	11.0	9.3	18.5	15.6	193	180	5.0	6.4	17.6	17.7
Grasim ^			3,037	279	5.5	4.6	9.5	8.0			17.0	14.1	14.0	14.3
Ambuja*	28.2	32.0	184	284	9.8	8.3	17.7	15.0	161	142	3.0	20.7	17.1	18.0
ACC*	30.5	34.0	1,215	228	8.7	7.5	16.6	13.8	121	108	10.4	24.7	17.8	19.1
JPA #	35.9	35.9	76	169	20.0	18.8	23.5	17.7	376	376	-31.4	-9.9	5.7	6.8
Shree Cement **	17.0	17.5	4,653	162	8.3	7.1	16.0	13.3	142	137	16.8	16.8	24.5	23.9
Mid cap														
Madras Cements **	14.0	14.0	259	62	6.7	6.1	12.3	9.9	98	98	10.4	19.9	18.9	19.8
Century Tex#	12.8	12.8	315	29	10.1	7.5	39.2	56.3	100	100	30.5	NA	3.9	3.0
India Cements	15.5	18.5	91	28	5.7	5.0	8.8	7.3	68	57	12.0	25.8	7.4	8.8
Prism Cement #	5.6	10.4	47	24	NA	NA	NA	NA	128	69	NA	NA	NA	NA
JK Cement	7.5	10.5	284	20	4.0	3.4	6.6	5.6	61	49	16.7	30.6	16.9	17.7
Birla Corp #	10.8	10.8	260	20	5.5	4.6	6.4	5.1	46	46	19.0	18.5	12.0	13.2
Chettinad	13.0	15.5	700	15	NA	NA	NA	NA	36	31	NA	NA	NA	NA
Jk Lakshmi Cement	6.3	9.0	109	13	3.0	2.2	5.4	4.3	49	34	26.0	50.3	16.7	18.7
Small Cap														
Orient Paper#	5.0	8.0	7	1	1.1	1.0	0.6	0.5	18	11	16.2	-0.5	16.0	18.1
Dalmia Bharat #@	11.8	13.7	131	11	4.1	3.7	3.5	3.4	54	46	17.8	12.8	8.3	8.2
Heidelberg*	6.0	6.0	42	10	8.4	5.8	17.7	7.7	59	59	93.5	36.0	6.2	11.8
OCL India	5.4	6.7	150	9	2.3	NA	4.0	NA	40	33	NA	159.7	19.4	Na
Mangalam Cement	3.5	3.5	128	3	1.7	NA	2.4	NA	24	24	NA	59.1	21.9	NA
Sagar Cement	2.5	2.5	217	4	5.4	4.0	9.3	6.1	46	46	32.9	-4.0	12.3	18.5

*Source: Bloomberg consensus, Company Data, Industry, We use Bloomberg reported EV as of today for calculation of EV/tonne. We take EV/EBITDA as reported by Bloomberg, Note: * indicates December ending (CY13=FY14). ^ Grasim owns 61% in UltraTech. # We have not adjusted the numbers of these companies for the value of the non-cement business. ** Shree Cements: We value power assets of 400 MW (of the 560 MW) at Rs45 mn/MW and adjust the same in the EV. ** Madras Cements: We value windmill assets of 160MWat Rs35 mn/MW and adjust the same in the EV.*

SELL

Result Update

HDFC

In-line net profit; spreads remain under pressure

HDFC's FY13 standalone adjusted PAT (adjusted for interest expense on ZCBs) increased by 21% YoY, 2% ahead of our estimates. However, net interest spreads were under pressure in FY13 vs FY12 with 14bps decline despite ~13% of the company's fixed-rate portfolio being repriced at ~250bps higher rates in FY13. The impact of this spread contraction was not visible in the company's FY13 profitability due to higher contribution of interest-free equity funding and better balance sheet management during the year. We expect the company's net interest spreads to further decline over the next two years due to: (i) increased competitive intensity in mortgages; (ii) Higher prepayments in it's higher yield portfolio in a declining rate environment; and (iii) lower profitability on loans assigned to HDFC Bank (spreads of ~1% vs 1.5% a year ago) due to a change in securitisation guidelines. This, we believe, would lead RoAs in HDFC's core lending business to decline to 1.6% over the next two years, with EPS CAGR of only 10% over FY13-15. Given that the stock is trading at ~20.0x one-year forward earnings and at 4.5x one-year forward P/B, a 10% EPS growth is still not enough to justify these valuations. We retain our SELL stance and our target price of Rs520/share.

Results overview: HDFC's FY13 standalone adjusted PAT (adjusted for interest expense on ZCBs) increased by 21% YoY, 2% ahead of our estimates. Adjusted core operating income increased by 19% YoY primarily driven by average loan book growth of 21% YoY. The company was able to maintain stable growth in the loan book and stable asset quality in FY13 vs FY12. However, net interest spreads were under pressure in FY13 vs FY12 with 14bps decline despite ~13% of the company's fixed-rate portfolio being repriced at ~250bps higher rates in FY13. The impact of this spread contraction was not visible in the company's FY13 profitability due to: **(i)** high contribution of interest-free equity funding during the year, as the company raised ~Rs30bn through equity warrants at the start of the year, and **(ii)** the company managing its balance sheet better during the year, with interest earning loans being at 96% of the total assets in FY13 vs 94% in FY12.

Where do we go from here? We expect the company's net interest spreads to further decline over the next two years due to: **(i)** increased competitive intensity in mortgages; **(ii)** Higher prepayments in it's higher yield portfolio in a declining rate environment; and **(iii)** lower profitability on loans assigned to HDFC Bank (spreads of ~1% vs 1.5% a year ago) due to a change in securitisation guidelines. This, we believe, would lead RoAs in HDFC's core lending business to decline to 1.6% over the next two years, with EPS CAGR of only 10% over FY13-15. HDFC faces added risks from maintaining higher capital requirements in line with what has been proposed for the rest of the NBFC sector, which we believe is not built into consensus earnings expectations and current valuations. Given that the stock is trading at ~20.0x one-year forward earnings and at 4.5x one-year forward P/B, a 10% EPS growth is still not enough to justify these valuations. We retain our SELL stance and our target price of Rs520/share.

Stock Information

Bloomberg Code:	HDFC IN
CMP (Rs):	885
TP (Rs):	520
Mcap (Rs bn/US$ bn):	1,369/25.3
3M ADV (₹ mn/US$ mn):	2,149/39.7

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	17	9	35	7
Rel. to Sensex	8	7	14	4

Source: Bloomberg, Ambit Capital research

Ambit Estimates (Rs bn)

	FY13	FY14E	FY15E
NII	50.5	52.6	55.4
Adj. PAT	44.1	49.3	53.6
Dil. EPS (Rs)	28.7	31.4	34.2

Source: Bloomberg, Ambit Capital research

Analysts

Pankaj Agarwal, CFA,
pankajagarwal@ambitcapital.com,
Tel: +91 22 3043 3206

Krishnan ASV,
vkrishnan@ambitcapital.com,
Tel: +91 22 3043 3205

Aadesh Mehta,
aadeshmehta@ambitcapital.com,
Tel: +91 22 3043 3239

Key takeaways from the results

Robust growth in individual loans, corporate loans slows down: Including assigned assets, HDFC's loan book increased by 20% YoY primarily driven by 25% YoY growth in the individual loan book which was slightly offset by the 11% YoY growth in the corporate loan book. The proportion of corporate loan book in total loans has declined to 31% of the total loan book vs 34% a year ago. With many of the real estate developers facing a cash flow crunch, the management might be making a conscious decision to reduce its exposure in the corporate loan book.

Stable asset quality: Asset quality remained largely stable between FY12 and FY13, with gross NPAs at 0.70%, declining 4bps YoY. However, provisioning cost at ~8bps for FY13 was higher than 5bps in FY12. Unlike its peers like LIC Housing which has seen some stress on its developer portfolio, HDFC continues to report stable trends in its corporate loan book as well, with gross NPAs in the corporate loan book declining 14bps YoY to 0.91%. However, we believe that if the liquidity crunch persists with developers, some stress on HDFC's asset quality cannot be ruled out in FY14.

Fee income under pressure: Fee income declined 10% YoY (declining to 0.14% of average loans in FY13 vs 0.19% of average loans in FY12). Fee income as a percentage of loan disbursals declined to 0.29% in FY13 vs 0.73% in FY12. We believe that pressure on fee income is driven by: (1) removal of pre-payment penalty on floating rate loans, and (2) pressure on loan processing fees due to a declining trend in loan processing fees (due to intense competition in the segment) and increasing ticket size of loans.

Quaterly snapshot

Rs mn	FY13	FY12	YoY (%)	FY13E	Deviation from Ambit Estimates
Net Interest Income	**44,407**	**34,882**	**27%**	**44,764**	**-1%**
Interest on loans	**189,452**	**153,532**		**191,893**	
Interest Expense	**145,046**	**118,650**		**147,129**	
Interest and Other Charges	138,909	111,568			
Interest expenses directly adjusted fromequity	6,137	7,083			
Other operating Income	**14,061**	**14,212**	**-1%**	**13,641**	**3%**
Other Interest	8,731	8,019			
Surplus from Cash Management	2,523	3,198			
Other Operating Income	43	98			
Other Income	351	213			
Fees and Other Charges	2,413	2,684			
Total Operating Income	**58,468**	**49,094**	**19%**	**58,405**	**0%**
Operating Expenses	5,389	4,519		5,624	
Core Operating income	**53,079**	**44,575**	**19%**	**52,781**	**1%**
Profit on Sale of investments	3,156	2,702		3,070	
Dividend Income	4,807	3,097		4,655	
Loan loss provisions	1,450	800		1,958	
Profit Before Tax	**59,591**	**49,574**	**20%**	**58,549**	**2%**
Less : Provision for Tax	15,490	13,198		15,486	
Adjusted Profit After Tax	**44,101**	**36,376**	**21%**	**43,063**	**2%**
Interest on ZCB, net of taxes	4,381	4,851			
Reported PAT	**48,482**	**41,227**	**18%**		
Adjusted Diluted EPS (Rs)	**28.7**	**24.3**	**18%**	28.0	**2%**
Reported Diluted (Rs)	31.5	27.5	14%		
Dividend Per share	12.5	11.0			
Dividend distribution per share	2.03	1.78			
Shareholders' Equity	**250,000**	**190,176**	31%		
Book Value per Share (Rs)	161	129	25%		
ABV - adjusted for unrealised gains	326	294	11%		
Core Book Value of lending business	108	73	48%		
MARGINS					
Calculated margins					
Yield on Advances	12.10%	11.83%		12.23%	
Cost of Funds	9.84%	9.44%		9.92%	
Loan spreads	**2.26%**	**2.40%**		**2.30%**	
NIMs on AUM	**2.61%**	**2.47%**		**2.63%**	
Total Operating Income as % ag loans	3.43%	3.48%			
Average Loans (including assigned loans)	**1,703,017**	**1,410,440**	**21%**		
Equity as a % of funding	8.4%	7.1%			
Loans as a % of assets	96%	94%			
LOAN GROWTH					
Loan Outstanding	**1,870,100**	**1,554,310**	**20%**	**1,874,809**	**0%**
Individual	**1,282,850**	**1,025,845**	**25%**	**1,261,789**	**2%**
on books	1,113,210	880,285		1,094,824	
Assigned	169,640	145,560		166,964	
Corporate	**587,250**	**528,465**	**11%**	**613,020**	**-4%**
Loan Disbursements	**824,520**	**711,130**	**16%**		
Fee Income analysis					
Fee Income as % of avg loans	0.14%	0.19%		0.12%	
Fee Income as % of loan disbursals	0.29%	0.73%			
OPERATIONAL EFFICIENCY					
Cost to income (%)	7.4%	8.8%		7.9%	
Opex to AUM (%)	0.32%	0.33%		0.33%	
ASSET QUALITY					
Gross NPLs as a % of Portfolio	0.70%	0.74%		0.73%	
Net NPLs as a % of Portfolio	0.42%	0.43%		0.42%	
Provisioning coverage	40%	42%		42%	
Gross NPLs	11,903	10,690		12,467	
Net NPLs	7,150	6,161		7,231	
Provisions	4,753	4,529		5,236	
CAPITAL ADEQUACY					
Capital adequacy ratio	16.20%	14.6%		16.2%	
Tier I	13.80%	11.7%		13.0%	
Tier II	2.40%	2.9%		3.2%	

Source: Company, Ambit Capital research

Balance sheet

Rs mn	FY12	FY13	FY14E	FY15E
Sources of Funds:				
Shareholders' Funds	190,176	250,000	277,025	303,385
Loan Funds	1,391,280	1,588,880	1,922,898	2,291,075
Total Resources	1,581,456	1,838,880	2,199,923	2,594,460
Application Of Funds:				
Loans	1,408,750	1,700,460	2,017,062	2,393,226
Investments	122,070	136,135	162,859	177,906
Deferred Tax Asset	6,282	6,314	7,489	8,886
Net Current Assets	42,014	(6,408)	10,085	11,966
Fixed Assets	2,340	2,379	2,427	2,476
Total application of funds	1,581,456	1,838,880	2,199,923	2,594,460

Source: Company, Ambit Capital research

Income statement

Rs mn	FY12	FY13	FY14E	FY15E
Net Interest Income	**41,964**	**50,544**	**52,648**	**55,400**
Interest on loans	153,532	189,452	215,067	245,029
Interest and Other Charges	111,568	138,909	162,420	189,629
Other Interest, dividend and investment income	17,327	19,610	21,371	25,442
Fees and Other Charges	2,684	2,413	2,898	3,442
Total Income	**61,975**	**72,567**	**76,916**	**84,284**
Operating Expenses	4,519	5,389	6,472	7,686
Pre-provisioning profits	**57,456**	**67,178**	**70,444**	**76,598**
Provision for Contingencies	800	1,450	2,947	3,211
Profit Before Tax	56,656	65,728	67,497	73,387
Less : Provision for Tax	15,430	17,245	18,224	19,814
Profit After Tax	**41,226**	**48,483**	**49,273**	**53,572**
Adjusted PAT	**32,808**	**44,101**	**49,273**	**53,572**

Source: Company, Ambit Capital research

Key Metrics

Rs mn	FY12	FY13	FY14E	FY15E
EPS Basic (Rs)	22.3	29.0	31.8	34.6
EPS Diluted (Rs)	21.9	28.7	31.4	34.2
Loan spreads	2.40%	2.24%	2.20%	2.00%
NIMs- on loans	2.47%	2.61%	2.57%	2.28%
YoY % loan growth	20.2%	20%	18.7%	18.8%
Gross NPLs as a % of Portfolio	0.74%	0.70%	0.72%	0.71%
Net NPLs as a % of Portfolio	0.43%	0.42%	0.43%	0.43%
Tier I	11.7%	13.80%	12.9%	12.0%
P/E- Adjusted core lending business	29.2	22.4	20.5	19.0
P/B- Adjusted core lending business	7.4	5.0	4.3	3.8

Source: Company, Ambit Capital research

NOT RATED
Result Update

Stock Information

Bloomberg Code:	CTSH US
CMP (US$):	67
TP (US$):	NA
Mcap (US$ bn):	20
3M ADV (US$ mn):	214

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	1	(14)	12	(7)
Rel. to Sensex	NA	NA	NA	NA

Source: Bloomberg, Ambit Capital research

Ambit Estimates (USD mn)

	FY13	FY14	FY15
Revenues	NA	NA	NA
EBITDA	NA	NA	NA
EPS (Rs)	NA	NA	NA

Source: Bloomberg, Ambit Capital research

Analysts

Ankur Rudra, CFA,
ankurrudra@ambitcapital.com
Tel: +91 22 3043 3211

Nitin Jain
nitinjain@ambitcapital.com
Tel: +91 22 3043 3291

Cognizant

Soft 2H guidance suggest demand uncertainties

Cognizant reported 1QCY13 revenues up 3.7% QoQ (3.1% organic) 100bps ahead of its guidance and 60bps ahead of consensus estimates. Growth was driven by Banking clients and scale service lines (application management, infrastructure etc.). Importantly, the management indicated no adverse impact from the uncertainties on client decision making arising from the immigration bill, which is positive news for Indian IT services firms. It further highlighted that although the visa reform bill in its current form is clearly detrimental to the Indian IT offshore outsourcing industry it is unlikely to become a law undiluted. It expects the version of its bill that passes through the Senate to remain substantially restrictive to Indian IT firms, while facing substantial dilution in the House of Representatives. It also expects clients to influence the eventual debate on this issue. Finally, Cognizant guided to 5.4% QoQ /4.8% organic QoQ growth in 2Q whilst maintaining its CY13 guidance (17% YoY, 15.8% organic YoY). Although management accepted possibility of a beat this suggests persisting uncertainties in demand conditions. Clearly, Cognizant's results remain more reflective of company-specific strengths rather than the overall demand environment. We maintain our cautious stance on demand recovery in FY14 and would warn clients against reading the results as a sign of sector strength.

Results overview: Cognizant reported 1QCY13 revenues of US$2,021mn, up 3.7% QoQ (up 3.4% QoQ organically), 1% above its 1QCY13 revenue guidance of at least US$2,000mn. Revenues from the Financial Services vertical showed strong growth of 4.9% QoQ, whilst the Healthcare vertical grew at a moderate 2% QoQ, reflecting weakness in the Pharmaceutical segment due to patent cliff issues in CY13. Application Development revenues (comprising Consulting and Technology services) increased at 5.2% QoQ or 22% YoY whilst Application Maintenance revenues (Outsourcing services) increased at 2.3% QoQ or 14% YoY. Geographically, UK business revenues increased by 5% QoQ, followed by the rest of the world (4.8% QoQ). The Europe business showed good traction, with 4% organic QoQ growth whilst the North America business displayed a moderate 3% growth. EBITDA margin was relatively flat QoQ but contracted by 43bps YoY, largely due to a 185bps YoY contraction in gross margins. PAT increased by 1.1% QoQ (up 17.7% YoY) whilst the cash conversion deteriorated significantly to 18% from 29% in 1QCY12.

Implications for our coverage: Cognizant maintained its CY13 revenue growth guidance of 17% growth (15.8% organic growth), which would have disappointed a section of the street that was expecting a guidance upgrade. However, indication of a possibility of an upgrade in the next quarter will keep hopes alive. With 2QCY13 revenue guidance of US$2,130mn (implying 5.4% QoQ growth/4.8% organic growth), the management's confidence for CY13 guidance appears credible. The management's strong commentary resembles that of TCS and confirms the superiority of these firms over Infosys and Wipro in execution. However, discretionary demand remains weak and is likely to weigh on the FY14 performance of Indian IT services firms. Cognizant's management did not indicate any incremental positive in the demand environment, implying that it remains the same. We continue to hold our cautious outlook on demand recovery in FY14 and we do not expect any upgrades to consensus revenue estimates for Indian IT services firms.

Key takeaways

- **Positive demand outlook; maintains CY13 revenue guidance**: Cognizant maintained its CY13 revenue guidance of US$8.6bn revenues (implying 17% YoY growth and 15.8% organic growth). The management highlighted a healthy demand environment and the demand patterns during the quarter were unchanged. For 2QCY13, the management guided for revenues of US$2,130mn (implying 5.4% QoQ growth and ~4.8% organic QoQ growth). Assuming Cognizant expands at 4.8% QoQ organically in 2QCY13, it would need to grow at a CQGR of ~3% for the next two quarters to achieve its full-year guidance. Given the strong performance in the Financial Services vertical during the quarter, the management now believes that it can even outperform the guidance if momentum continues and there are no incremental macro-economic issues. However, the 2Q organic guidance does not seem substantially bullish to us.

- **Financial services delivers strong performance**: The Financial Services vertical delivered strong performance, growing by 4.9% QoQ, largely due to the strength in banking. Banking demand is fueled by cost optimisation projects, regulatory projects and growing demand for Mobility and Analytics. The Pharmaceutical segment, on the other hand, remains weak, as expected by the management, dragging the Healthcare vertical's revenue growth to 2% QoQ. However, the management indicated that growth would return in CY14 and CY15 based on its discussions with its clients. The Retail, Manufacturing and Logistics vertical maintained its momentum, growing at 4.2% QoQ.

- **Discretionary spending continues to grow slower**: Application Development revenues, representing discretionary services, grew by 2.3% QoQ (14% YoY) whilst Application Maintenance revenues grew by 5.2% QoQ (22%). The management highlighted that 1Q is typically a soft quarter for consulting projects, as the budgets are finalised. It expects the growth rate in Application Development to improve in 2QCY13 but continues to expect it to grow at a slower pace than Application Maintenance for the full year.

- **Significant decline in gross margins**: Gross margins declined by 185bps YoY, driven by higher onsite efforts as compared to last year (Cognizant ramped up ING project in 3QCY12, which increased its onsite mix) and ~700bps decline in offshore utilisation (excluding trainees). Including trainees, the utilisation was flat YoY, implying declining proportion of trainees in the bench.

- **Visa immigration bill looks hostile, likely to get diluted:** The management highlighted that there have been no impact on decision making due to uncertainties created by the immigration bill. However, the bill in the current form remains detrimental to the Indian IT offshore outsourcing industry. It expects the bill to get watered down before it becomes a law primarily in debates in the Republican dominated House of Representatives (house) rather than the Democrats dominated Senate. Cognizant management's client conversations suggest that clients and several lawmakers are equally concerned about the unintended consequences of the bill on the competitiveness of the US economy, owing to the shortfall in technology talent in the US. It indicated that clients are willing to lobby but are waiting for the right time to proceed (as the bill is likely to take months before it takes final shape - after the bill is passed by the Senate, it will go through long discussions in the House of Representatives over months). The management indicated that its discussions with clients and experts in the US suggests that the bill, if implemented in the current form, would seriously damage the US economy due to a rise in costs, unavailability skilled labour and international trade implications that is likely to morph the eventual bill as it goes through discussions.

Key Financials

In US$ mn	1QCY12	4QCY12	1QCY13	1QCY13 Consensus	YoY	QoQ	vs Cons
Revenues	1,711	1,948	2,021	2,009	18.1%	3.7%	0.6%
Cost of Revenues	985	1,151	1,200		21.9%	4.3%	
% of Sales	*57.5%*	*59.1%*	*59.4%*		*185*	*31*	
Gross profit	727	797	821		12.9%	2.9%	
Gross margin	*42.5%*	*40.9%*	*40.6%*		*(185)*	*(31)*	
S G & A	374	402	413		10.4%	2.9%	
% of Sales	*21.9%*	*20.6%*	*20.4%*		*(142)*	*(17)*	
EBITDA	353	396	408	411	15.6%	3.0%	-0.8%
EBITDA Margin (%)	*20.6%*	*20.3%*	*20.2%*	*20.5%*	*(43)*	*(13)*	*(29)*
EBIT	318	356	366		15.1%	2.7%	
EBIT Margin (%)	*18.6%*	*18.3%*	*18.1%*		*(47)*	*(18)*	
PBT	322	366	377	380	17.0%	3.1%	-0.7%
Provision for Income Taxes	79	87	93		18.2%	6.8%	
Effective tax rate (%)	*24.4%*	*23.8%*	*24.6%*		*25*	*85*	
PAT	244	279	284		16.6%	1.9%	
GAAP diluted EPS	0.79	0.92	0.93	0.93	17.7%	1.1%	0.5%

Source: Company, Ambit Capital research

Revenue Mix

In US$ mn	1QCY12	4QCY12	1QCY13	YoY	QoQ
Verticals					
Financial services	695	815	855	23.1%	4.9%
Healthcare	467	500	510	9.1%	2.0%
Retail, manufacturing & logistics	335	409	426	27.2%	4.2%
Other	214	224	230	7.0%	2.5%
Geographies					
North America	1,361	1,536	1,582	16.3%	3.0%
UK	180	206	216	20.0%	5.0%
Europe (Ex UK)	104	120	132	27.3%	9.7%
Other	67	86	90	35.4%	4.8%
Other Key Financial Metrics					
CFO	102	362	74	-27.8%	-79.7%
Cash Conversion	29%	92%	18%	*(1,083)*	*(7,349)*
Debtor days	70	67	71	2	4
Unbilled revenue Days	11	9	10	(1)	1
Total DSO	80	76	81	1	5

Source: Company, Ambit Capital research

BUY
Result Update

Stock Information

Bloomberg Code:	MGMA IN
CMP (Rs):	88
TP (Rs):	130
Mcap (Rs bn/US$ bn):	17/0.3
3M ADV (₹ mn/US$ mn):	25/0.5

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	12	(1)	30	10
Rel. to Sensex	3	(3)	9	7

Source: Bloomberg, Ambit Capital research

Ambit Estimates (Rs bn)

	FY13	FY14E	FY15E
NII	6.8	10.1	14.2
PAT	1.5	2.7	4.2
EPS (Rs)	6.6	14.0	21.6

Source: Bloomberg, Ambit Capital research

Magma Fincorp

Results first cut - ahead of our estimates

Magma's 4QFY13 adjusted PAT was at Rs456mn, up 89% YoY and 20% QoQ (16% above our estimates), owing to higher-than-expected net interest income and other income. Magma continued its loan growth momentum, with on-book assets growing at 59% YoY. Loan loss provisioning increased 63% YoY. We would get more clarity on NIMs, credit costs, operational efficiency as further disclosures would be made available.

Where do we go from here? Whilst we would have more clarity on key metrics through additional disclosures and the analyst meet, our thesis hinges on anticipation of robust NII growth going forward, driven by the increasing share of interest earning assets in total AUM and expansion in margins as the rate cycle turns. Further, maintaining credit quality going forward along with ramping up the high-yield loans segment would remain key drivers for Magma's RoAs and RoEs to reach 2% and 15%, respectively, over the next couple of years. We maintain our BUY stance with a target price of Rs130/share (implied FY14 P/B of 1.6x and 48% upside) and await the analyst meet to get more colour on the company's strategy going forward.

Quaterly snapshot

(Rs mn)	4QFY13	4QFY12	YoY (%)	3QFY13	QoQ (%)	4QFY13E	Deviation (%)	FY13	FY12	YoY (%)
INCOME STATEMENT										
NII	**2,097**	**1,185**	**77%**	**1,717**	**22%**	**1,958**	**7%**	**6,806**	**4,060**	**68%**
Other Income	**301**	**261**	**16%**	**215**	**40%**	**160**	**88%**	**946**	**485**	**95%**
Total Income	**2,398**	**1,446**	**66%**	**1,933**	**24%**	**2,118**	**13%**	**7,752**	**4,546**	**71%**
Total Expenses	1,359	956	42%	1,149	18%	1,341	1%	4,662	3,031	54%
Operating Profit	**1,039**	**490**	**112%**	**784**	**33%**	**777**	**34%**	**3,091**	**1,515**	**104%**
Write-offs	365	224		173		195		826	414	
Provisions for std assets	20	-10		47		21		140	64	
PBT	**654**	**276**	**137%**	**564**	**16%**	**561**	**17%**	**2,125**	**1,037**	**105%**
Tax	197	21		183		185		675	259	
PAT	456	255		381		376		1,449	778	
Minority interest	15	17		16		16		67	38	
Net profits	**441**	**239**	**85%**	**364**	**21%**	**360**	**23%**	**1,382**	**740**	**87%**
Preference div	46	30		36		36		136	112	
Adjusted PAT	**395**	**209**	**89%**	**329**	**20%**	**340**	**16%**	**1,246**	**628**	**98%**
Basic EPS	2.1	1.1	89%	1.7	20%	1.8	16%	6.6	3.6	82%
Diluted EPS	2.1	1.1	91%	1.7	20%	1.8	17%	6.6	3.6	84%

Source: Company, Ambit Capital research

Analysts

Pankaj Agarwal, CFA,
pankajagarwal@ambitcapital.com,
Tel: +91 22 3043 3206

Krishnan ASV,
vkrishnan@ambitcapital.com,
Tel: +91 22 3043 3205

Aadesh Mehta,
aadeshmehta@ambitcapital.com,
Tel: +91 22 3043 3239

Asian Paints: 4QFY13 results expectation

(APNT IN, mcap US$8.6bn, BUY, TP Rs4,976, 3% upside)

Analyst: Rakshit Ranjan, CFA, rakshitranjan@ambitcapital.com, Tel: +91 22 3043 3201

Asian Paints would likely record a volume growth of 13-14% YoY in 4QFY13 vs 3-5% in 1HFY13 and around 12% in 3QFY13. This revival is likely to reflect market share gains from competitors in the premium segment. However, in the economy segment, we expect Asian Paints' revenue growth to have lagged behind that of Berger Paints during the quarter. The company is unlikely to have undertaken any price increases during the quarter. Profit margins are likely to have benefited from further premiumisation of the product mix and flat-to-down input costs (by 2-5% YoY).

The stock is currently trading at 31.0x FY14 EPS. We expect the premium rating that Asian Paints enjoys against peers to be justified by the strength of its competitive advantages related to a more efficient supply chain and stronger brand recall. We see Asian Paints as a long-term sustainable growth firm. Our DCF-based target price is Rs4,976 (3% upside).

Result expectations (Rs mn, unless specified)

Particulars	Mar'13	Mar'12	Dec'12	YoY	QoQ	Comments
Sales	30,082	25,460	30,529	18%	-1%	Volume growth of 13-14% and price increase/mix change effect of 4-5%.
EBITDA	4,868	3,827	5,104	27%	-5%	YoY margin benefit from premiumisation of product portfolio (mix change) and from lower prices of titanium dioxide during the quarter.
EBITDA margin (%)	16.2%	15.0%	16.7%	115bps	(54)bps	
PBT	4,821	3,744	4,969	29%	-3%	In line with EBITDA growth; we factor in higher tax rate due to the lower rate in the base quarter.
PAT	3,254	2,595	3,352	25%	-3%	

Source: Company, Ambit Capital research

Punjab National Bank: 4QFY13 results expectation

(PNB IN, mcap US$4.9bn, SELL, TP Rs790, 5% upside)

Analyst: Krishnan ASV, vkrishnan@ambitcapital.com, Tel: +91 22 3043 3205

Punjab National Bank (PNB) will report its 4QFY13 results today. PNB's net profit is likely to decline 11% YoY at Rs12.6bn, despite NII growth of 13% YoY at Rs37.3bn. We anticipate higher credit costs to drag earnings.

Key metrics to watch out for during the quarter would be: (i) Asset quality: PNB has shown deteriorating asset quality in 1HFY13, only with some marginal improvement in 3QFY13; it would be interesting to see if the improving trend from 3QFY13 has sustained; (ii) Loan growth: As PNB takes stock of the increasing proportion of impaired loans, we expect the bank to slow down its pace of loan growth during FY13; it would be pertinent to monitor how the bank consolidates its asset quality by focussing on recoveries instead of growth.

We retain our SELL stance. The stock is currently trading at 0.8x our FY14 ABVPS of Rs994.

Result expectations (Rs mn, unless specified)

Particulars	4QFY13E	4QFY12	3QFY13	YoY(%)	QoQ(%)	Comments
Net revenues	37,309	33,100	37,333	13%	0%	We expect margins to remain steady QoQ.
Operating profit	28,554	29,362	26,819	-3%	6%	
Operating margin(%)	77%	89%	72%			
PBT	18,222	19,089	18,803	-5%	-3%	We expect NPL / restructured asset provisioning to drag 4QFY13 earnings.
PAT	12,646	14,241	13,056	-11%	-3%	

Source: Company, Ambit Capital research

Union Bank: 4QFY13 results expectation

(UNBK IN, mcap US$2.7bn, BUY, TP Rs285, 18% upside)

Analyst: Krishnan ASV, vkrishnan@ambitcapital.com, Tel: +91 22 3043 3205

Union Bank (UNBK) will announce its 4QFY13 results today. We expect net profit to remain flat, exhibiting 4% YoY decline to Rs7.5bn, because we expect strong recoveries to drive write-back in provisions. We expect net interest income to increase 4% YoY to Rs19.5bn driven by stable margins.

Whilst Union Bank's relatively weaker asset quality performance despite a visibly lower exposure to stressed sectors (no exposure to the aviation sector; SEB exposure largely restructured), has been a matter of concern and we continue to watch out for stability in these asset quality trends. The stock is currently trading at 0.8x one-year forward ABVPS of Rs285. We retain our BUY stance with our valuation of Rs285, implying an 18% upside from current levels.

Result expectations (Rs mn, unless specified)

Particulars	4QFY13E	4QFY12	3QFY13	YoY (%)	QoQ (%)	Comments
Net revenues	19,488	18,766	18,915	4%	3%	
Operating profit	13,417	15,988	13,584	-16%	-1%	We expect margins to dip by about 10bps QoQ. We expect strong recoveries during the quarter whilst slippages are likely to have been contained.
Operating margin (%)	69%	85%	72%			
PBT	10,174	10,816	5,010	-6%	103%	
PAT	7,455	7,732	3,024	-4%	147%	

Source: Company, Ambit Capital research

Jubilant Foodworks: 4QFY13 results expectation

(JUBI IN, mcap US$1.3bn, SELL, TP Rs946, 14% downside)

Analyst: Rakshit Ranjan, CFA, rakshitranjan@ambitcapital.com, Tel: +91 22 3043 3201

Jubilant Foodworks remains our top SELL recommendation, with its 4QFY13 results likely to reflect further pressure from the store-split phenomenon in tier-1 cities. This is likely to adversely affect same-store sales and EBITDA margins (from increased rental costs and A&P spends). Dunkin Donuts is unlikely to contribute materially to profitability over the next three years, because it will go through its own learning curve to understand which format and business model works best for the brand.

We expect revenue growth of 37% YoY, which would be supported by same-store sales growth of 15% YoY, with EBITDA margin compression of 190bps YoY, leading to a PAT growth of 20% YoY. The stock is currently trading at a FY14 P/E multiple of 37.0x.

Result expectations (Rs mn, unless specified)

Particulars	Mar'13	Mar'12	Dec'12	YoY	QoQ	Comments
Sales	3,871	2,832	3,851	37%	1%	We expect same-store sales growth of 15% driven mostly by promotions.
EBITDA	655	533	672	23%	-3%	Whilst price increases will help hold gross margins, promotions and advert spends are likely to be a drag on EBITDA margins. Dunkin Donuts is unlikely to be a material contributor to revenues and earnings. Instead, Dunkin Donuts is likely to be a marginal drag on EBITDA margins.
EBITDA margin (%)	16.9%	18.8%	17.5%	(190)bps	(53)bps	
PBT	530	450	551	18%	-4%	
PAT	360	301	377	20%	-5%	

Source: Company, Ambit Capital research

Institutional Equities Team

Saurabh Mukherjea, CFA **Head of Equities** **(022) 30433174** **saurabhmukherjea@ambitcapital.com**

Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Aadesh Mehta	Banking / NBFCs	(022) 30433239	aadeshmehta@ambitcapital.com
Achint Bhagat	Cement	(022) 30433178	achintbhagat@ambitcapital.com
Ankur Rudra, CFA	Technology / Telecom / Media	(022) 30433211	ankurrudra@ambitcapital.com
Ashvin Shetty	Automobile	(022) 30433285	ashvinshetty@ambitcapital.com
Bhargav Buddhadev	Power / Capital Goods	(022) 30433252	bhargavbuddhadev@ambitcapital.com
Dayanand Mittal	Oil & Gas	(022) 30433202	dayanandmittal@ambitcapital.com
Gaurav Mehta	Strategy / Derivatives Research	(022) 30433255	gauravmehta@ambitcapital.com
Harshit Vaid	Power / Capital Goods	(022) 30433259	harshitvaid@ambitcapital.com
Jatin Kotian	Metals & Mining / Healthcare	(022) 30433261	jatinkotian@ambitcapital.com
Karan Khanna	Strategy / Derivatives Research	(022) 30433251	karankhanna@ambitcapital.com
Krishnan ASV	Banking	(022) 30433205	vkrishnan@ambitcapital.com
Nitin Bhasin	Construction / Infrastructure / Cement	(022) 30433241	nitinbhasin@ambitcapital.com
Nitin Jain	Technology	(022) 30433291	nitinjain@ambitcapital.com
Pankaj Agarwal, CFA	NBFCs	(022) 30433206	pankajagarwal@ambitcapital.com
Pratik Singhania	Real Estate / Retail	(022) 30433264	pratiksinghania@ambitcapital.com
Parita Ashar	Metals & Mining	(022) 30433223	paritaashar@ambitcapital.com
Rakshit Ranjan, CFA	Consumer / Real Estate	(022) 30433201	rakshitranjan@ambitcapital.com
Ritika Mankar Mukherjee	Economy / Strategy	(022) 30433175	ritikamankar@ambitcapital.com
Ritu Modi	Healthcare	(022) 30433292	ritumodi@ambitcapital.com
Shariq Merchant	Consumer	(022) 30433246	shariqmerchant@ambitcapital.com
Utsav Mehta	Telecom / Media	(022) 30433209	utsavmehta@ambitcapital.com

Sales

Name	Regions	Desk-Phone	E-mail
Deepak Sawhney	India / Asia	(022) 30433295	deepaksawhney@ambitcapital.com
Dharmen Shah	India / Asia	(022) 30433289	dharmenshah@ambitcapital.com
Dipti Mehta	India / Europe / USA	(022) 30433053	diptimehta@ambitcapital.com
Parees Purohit, CFA	USA	(022) 30433169	pareespurohit@ambitcapital.com
Pramod Gubbi, CFA	India / Asia	(022) 30433228	pramodgubbi@ambitcapital.com
Praveena Pattabiraman	India / Asia	(022) 30433268	praveenapattabiraman@ambitcapital.com
Sarojini Ramachandran	UK	+44 (0) 20 7614 8374	sarojini@panmure.com

Production

Sajid Merchant	Production	(022) 30433247	sajidmerchant@ambitcapital.com
Joel Pereira	Editor	(022) 30433284	joelpereira@ambitcapital.com

Explanation of Investment Rating

Investment Rating	Expected return (over 12-month period from date of initial rating)
Buy	>5%
Sell	≤5%

Disclaimer

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Ambit Capital. AMBIT Capital Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities is available on request.

Disclaimer

1. AMBIT Capital Private Limited ("AMBIT Capital") and its affiliates are a full service, integrated investment banking, investment advisory and brokerage group. AMBIT Capital is a Stock Broker, Portfolio Manager and Depository Participant registered with Securities and Exchange Board of India Limited (SEBI) and is regulated by SEBI
2. The recommendations, opinions and views contained in this Research Report reflect the views of the research analyst named on the Research Report and are based upon publicly available information and rates of taxation at the time of publication, which are subject to change from time to time without any prior notice.
3. AMBIT Capital makes best endeavours to ensure that the research analyst(s) use current, reliable, comprehensive information and obtain such information from sources which the analyst(s) believes to be reliable. However, such information has not been independently verified by AMBIT Capital and/or the analyst(s) and no representation or warranty, express or implied, is made as to the accuracy or completeness of any information obtained from third parties. The information or opinions are provided as at the date of this Research Report and are subject to change without notice.
4. If you are dissatisfied with the contents of this complimentary Research Report or with the terms of this Disclaimer, your sole and exclusive remedy is to stop using this Research Report and AMBIT Capital shall not be responsible and/ or liable in any manner.
5. If this Research Report is received by any client of AMBIT Capital or its affiliate, the relationship of AMBIT Capital/its affiliate with such client will continue to be governed by the terms and conditions in place between AMBIT Capital/ such affiliate and the client.
6. This Research Report is issued for information only and should not be construed as an investment advice to any recipient to acquire, subscribe, purchase, sell, dispose of, retain any securities. Recipients should consider this Research Report as only a single factor in making any investment decisions. This Research Report is not an offer to sell or the solicitation of an offer to purchase or subscribe for any investment or as an official endorsement of any investment.
7. If 'Buy', 'Sell', or 'Hold' recommendation is made in this Research Report such recommendation or view or opinion expressed on investments in this Research Report is not intended to constitute investment advice and should not be intended or treated as a substitute for necessary review or validation or any professional advice. The views expressed in this Research Report are those of the research analyst which are subject to change and do not represent to be an authority on the subject. AMBIT Capital may or may not subscribe to any and/ or all the views expressed herein.
8. AMBIT Capital makes no guarantee, representation or warranty, express or implied; and accepts no responsibility or liability as to the accuracy or completeness or currentess of the information in this Research Report. AMBIT Capital or its affiliates do not accept any liability whatsoever for any direct or consequential loss howsoever arising, directly or indirectly, from any use of this Research Report.
9. Past performance is not necessarily a guide to evaluate future performance.
10. AMBIT Capital and/or its affiliates (as principal or on behalf of its/their clients) and their respective officers directors and employees may hold positions in any securities mentioned in this Research Report (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). Such positions in securities may be contrary to or inconsistent with this Research Report.
11. This Research Report should be read and relied upon at the sole discretion and risk of the recipient.
12. The value of any investment made at your discretion based on this Research Report or income therefrom may be affected by changes in economic, financial and/ or political factors and may go down as well as up and you may not get back the full or the expected amount invested. Some securities and/ or investments involve substantial risk and are not suitable for all investors.
13. This Research Report is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied in whole or in part, for any purpose. Neither this Research Report nor any copy of it may be taken or transmitted or distributed, directly or indirectly within India or into any other country including United States (to US Persons), Canada or Japan or to any resident thereof. The distribution of this Research Report in other jurisdictions may be strictly restricted and/ or prohibited by law or contract, and persons into whose possession this Research Report comes should inform themselves about such restriction and/ or prohibition, and observe any such restrictions and/ or prohibition.
14. Neither AMBIT Capital nor its affiliates or their respective directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for views or opinions expressed in this Report or the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the Report or inability to use or access our service or this Research Report or for any loss or damages whether direct or indirect, incidental, special or consequential including without limitation loss of revenue or profits that may arise from or in connection with the use of or reliance on this Research Report or inability to use or access our service or this Research Report.

Conflict of Interests

15. In the normal course of AMBIT Capital's business circumstances may arise that could result in the interests of AMBIT Capital conflicting with the interests of clients or one client's interests conflicting with the interest of another client. AMBIT Capital makes best efforts to ensure that conflicts are identified and managed and that clients' interests are protected. AMBIT Capital has policies and procedures in place to control the flow and use of non-public, price sensitive information and employees' personal account trading. Where appropriate and reasonably achievable, AMBIT Capital segregates the activities of staff working in areas where conflicts of interest may arise. However, clients/potential clients of AMBIT Capital should be aware of these possible conflicts of interests and should make informed decisions in relation to AMBIT Capital's services.
16. AMBIT Capital and/or its affiliates may from time to time have investment banking, investment advisory and other business relationships with companies covered in this Research Report and may receive compensation for the same. Research analysts provide important inputs into AMBIT Capital's investment banking and other business selection processes.
17. AMBIT Capital and/or its affiliates may seek investment banking or other businesses from the companies covered in this Research Report and research analysts involved in preparing this Research Report may participate in the solicitation of such business.
18. In addition to the foregoing, the companies covered in this Research Report may be clients of AMBIT Capital where AMBIT Capital may be required, inter alia, to prepare and publish research reports covering such companies and AMBIT Capital may receive compensation from such companies in relation to such services. However, the views reflected in this Research Report are objective views, independent of AMBIT Capital's relationship with such company.
19. In addition, AMBIT Capital may also act as a market maker or risk arbitrator or liquidity provider or may have assumed an underwriting commitment in the securities of companies covered in this Research Report (or in related investments) and may also be represented in the supervisory board or on any other committee of those companies.

Additional Disclaimer for U.S. Persons

20. The research report is solely a product of AMBIT Capital
21. AMBIT Capital is the employer of the research analyst(s) who has prepared the research report
22. Any subsequent transactions in securities discussed in the research reports should be effected through J.P.P. Euro-Securities, Inc. ("JPP").
23. JPP does not accept or receive any compensation of any kind for the dissemination of the AMBIT Capital research reports.
24. The research analyst(s) preparing the research report is resident outside the United States and is/are not associated persons of any U.S. regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

AMBIT
Acumen at work

Ambit Capital Pvt. Ltd.
Ambit House, 3rd Floor
449, Senapati Bapat Marg, Lower
Parel, Mumbai 400 013, India.
Phone: +91-22-3043 3000
Fax: +91-22-3043 3100