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9 May 2013

ANTIQUÉ'S MORNING PRESENTATION

FROM THE RESEARCH DESK

QUARTERLY RESULTS REVIEW

HDFC Limited

Steady performance continues

Ranbaxy Laboratories Limited

More of the same; No signs of revival

Glenmark Pharmaceuticals Limited

Operationally fine but some qualitative concerns

ABB Limited

Possible recovery already priced in !

KEC International Limited

Margin disappointment

Global News

- U.S. stocks rose, after the Dow Jones Industrial Average climbed above 15,000 for the first time yesterday, as earnings outlooks from Whole Foods Market Inc. and Electronic Arts Inc. beat analyst estimates.
- Sweden's government abandoned its hands-off stance on the krona and New Zealand announced it sold the kiwi, joining a growing band of countries to escalate their response to strengthening currencies.

Sector & Corporate News

- **The Sterlite Industries** plant will stay shut until at least May 14 when an environmental court meets again to review the case, prolonging a six-week shutdown that has pushed up copper concentrate processing fees in Asia.
- The bi-partisan group of eight US Senators has come out with eight provisions in its comprehensive immigration reform bill, which if passed by the Congress, may prove to be detrimental to the interests of major Indian IT companies.
- Listed companies are unlikely to get any respite from the Securities and Exchanges Board of India's (SEBI) June 30 deadline for having a minimum 25 percent public shareholding.
- The government is fine-tuning procedure for divesting its 10 percent stake in state miner Coal India before festive season start. The government has aimed to raise around Rs 40000 crore from stake sale in various state firm of which Coal India would make up for more than 50 percent.
- **Competition Commission of India (CCI)** is likely to examine the recent deal it announced with Abu-Dhabi's Etihad. The CCI will scrutinize whether the deal in which Etihad picked up 24 percent stake for around Rs 2000 crore, will have adverse impact on other airlines.

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	15,105	0.3	15.3
NASDAQ	3,413	0.5	13.0
FTSE	6,583	0.4	11.6
CAC	3,956	0.9	8.7
DAX	8,250	0.8	8.4
Russia	1,455	0.2	(4.7)
Bovespa	55,805	(0.8)	(8.4)
Nikkei	14,380	0.8	39.3
Hang Seng	23,244	0.9	2.6
Shanghai Composite	2,246	0.5	(1.0)

Indian Indices	Closing	% Chg	% YTD
Sensex	19,990	0.5	2.9
Nifty	6,069	0.4	2.8
MSCI India	445	0.4	3.6
CNX Midcap	8,042	0.0	(5.4)
BSE Smallcap	6,155	0.5	(16.6)

Flows (USDm)	Last	MTD
FII	171	1,022
Locals	(37)	(223)

Provisional flows	(USDm)
FIIs	181
Locals	(124)

Volumes	USDbn	% Chg
Cash (NSE + BSE)	2.3	16.2
F&O (net)	21.9	22.6

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	(21)	78
Open Int (%)	1.6	7.3

ADR/GDR Gainers	Last	% Chg
Wipro	8.2	1.5
Tata Motors	27.9	1.4
HDFC	43.2	1.2
TCL	8.5	1.0
Dr Reddy	36.9	0.2

ADR/GDR Losers	Last	% Chg
Reliance	30.1	(0.8)
Ranbaxy	8.3	(0.4)

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	11,054	(0.5)	0.9	(3.3)
BSE Bank	14,453	0.1	0.6	0.8
BSE Cap Goods	9,980	(0.6)	2.7	(8.2)
BSE Cons dur	7,586	(0.1)	2.1	(1.7)
BSE FMCG	6,753	1.4	3.1	14.1
BSE IT	6,007	(0.0)	5.2	5.7
BSE Health	8,882	0.1	2.2	9.2
BSE Metal	8,935	(0.4)	3.3	(19.3)
BSE Oil	8,850	0.1	1.6	3.9
BSE Power	1,780	(0.3)	1.0	(10.6)
BSE PSU	6,811	(0.1)	(0.8)	(7.1)
BSE Realty	1,933	(0.0)	1.7	(8.4)
BSE TECK	3,635	(0.1)	4.6	6.0

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Housing Development Finance	885	3.7	4.4	6.8
Ultratech Cement Ltd	1,978	2.6	4.1	(0.4)
Lupin Ltd	731	2.3	4.0	19.1
ITC Ltd	343	2.2	4.2	19.5
Power Grid Corp Of India Ltd	115	1.8	2.3	-
Indusind Bank Ltd	493	1.7	5.4	18.3
HDFC Bank Limited	697	1.3	2.2	2.7

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Ranbaxy Laboratories Ltd	444	(2.9)	(1.8)	(11.8)
Bharti Airtel Ltd	324	(2.1)	1.7	2.2
Tata Steel Ltd	319	(1.9)	5.3	(25.6)
Bank Of Baroda	692	(1.8)	(1.0)	(20.1)
Hero Motocorp Ltd	1,676	(1.8)	1.9	(11.8)
Mahindra & Mahindra Ltd	946	(1.3)	2.4	1.6
NMDC Ltd	128	(1.2)	-	-

Bulk Deals

Date	Security Name	Client Name	Buy/Sell	Qty	Price
8-May-13	Lakshmi Energy and Foods	Dewan Holdings Private Limited	BUY	800,000	34.71
8-May-13	Ess Dee Aluminium Limited	ICICI Prudential Life Insurance Co Ltd	SELL	174,640	512.73
8-May-13	Lakshmi Energy and Foods	PBR Impex Private Limited	SELL	800,000	34.71

Delivery Spike

Company	Volume	Spike (%)	Chg (%)
Zeel	1,820,691	75	4.69
Hindalco	3,918,631	59	1.03
Cipla	973,181	55	(0.49)
Bank of Baroda	413,765	42	(1.82)
Hind Unilever	2,099,469	41	1.32
Cairn	1,217,020	35	(0.05)
ONGC	2,541,459	32	0.06
Tata Motors	2,844,210	22	0.62
Dr Reddy	183,679	16	0.34
DLF	1,885,930	8	(0.84)

Derivatives Update

Long Build Up

Company	Last	% Chg	% Chg OI	OI (in 000)
IBREALEST	81	4.7	9.9	16,624
HDFC	890	4.0	31.2	7,625
ULTRACEMCO	1,982	2.4	5.2	782
LUPIN	735	2.3	73.2	2,384

Short Buildup

Company	Last	% Chg	% Chg OI	OI (in 000)
OFSS	2,599	(4.5)	2.9	435
JUBLFOOD	1,098	(3.7)	3.3	1,061
RANBAXY	446	(2.9)	9.7	3,516
M&M	950	(1.4)	4.7	2,738

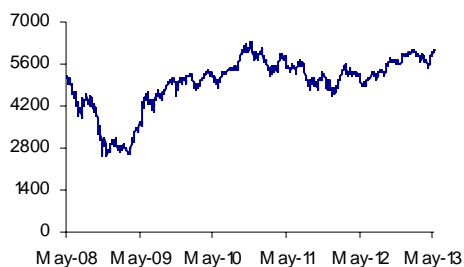
Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
BATAINDIA	797	1.9	(2.3)	2,165
IFCI	32	0.8	(2.6)	54,712
STER	98	0.3	(3.5)	23,904
RAYMOND	311	0.0	(2.1)	4,329

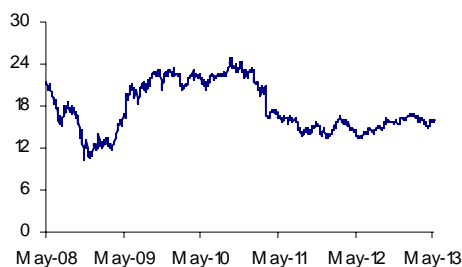
Profit Booking

Company	Last	% Chg	% Chg OI	OI (in 000)
IDEA	130	(2.0)	(7.5)	7,850
RELCAPITAL	380	(1.3)	(5.0)	8,434
RELINFRA	398	(1.1)	(3.3)	5,032
CENTURYTEX	316	(0.5)	(4.0)	4,676

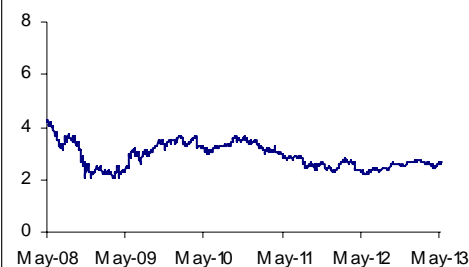
Nifty



Nifty P/E

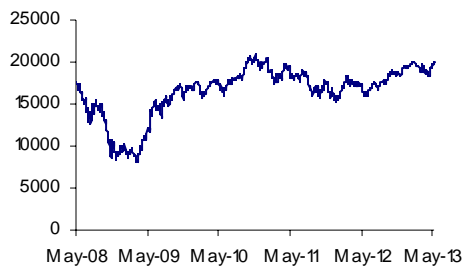


Nifty P/B

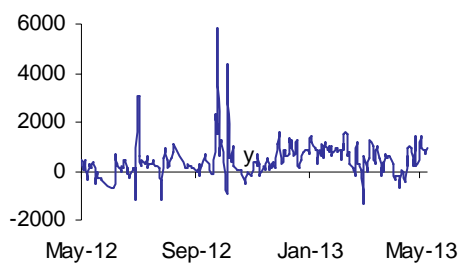


Source: Bloomberg

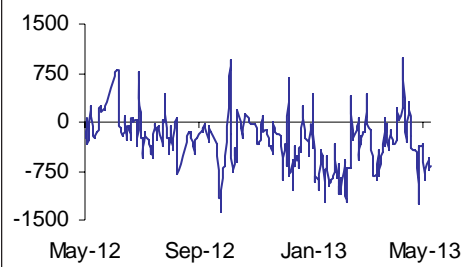
Sensex



FII Provisional Flows (INRcr)



DII Provisional Flows (INRcr)



Source: Bloomberg

Economy, Money & Banking

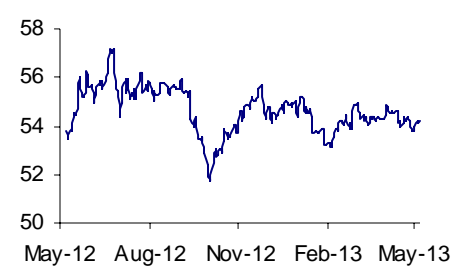
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	54.2	(0.0)	(0.7)	1.5
INR~EUR	71.1	(0.1)	(1.1)	2.0
INR~GBP	84.0	0.1	(0.9)	5.9

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	7.7	(5)	(3)	(35)
Interbank call	7.3	5	(95)	(170)

Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,472	(0.2)	(0.3)	(12.2)
Crude Oil (\$/Bl)	97	0.0	3.4	3.4
Aluminium (\$/t)	1,876	1.5	2.4	(8.1)
Copper (\$/t)	7,394	2.1	5.3	(6.5)
Zinc (\$/t)	1,861	1.3	1.4	(9.2)
Lead (\$/t)	2,045	1.9	1.9	(11.7)
Nickel (\$/t)	15,334	1.4	0.1	(9.8)

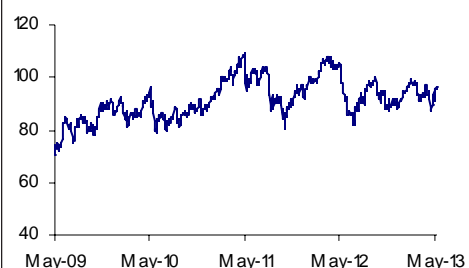
INR/USD



Gold and silver prices

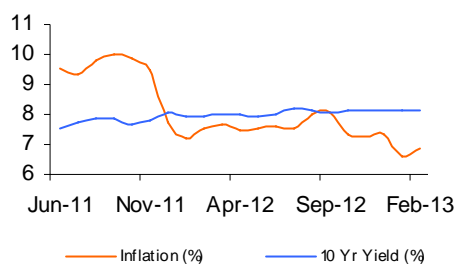


Crude prices

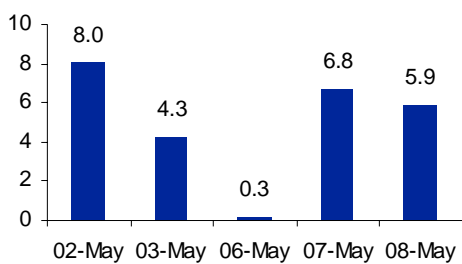


Source: Bloomberg

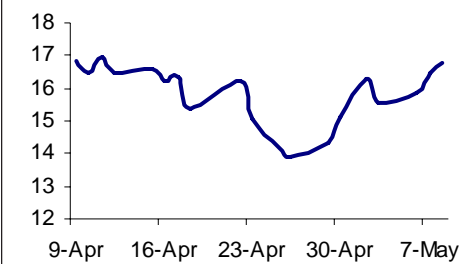
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

Current Reco	: HOLD
Previous Reco	: HOLD
CMP	: INR886
Target Price	: INR840
Potential Return	: -5%

4QFY13 RESULTS REVIEW

HDFC Limited

Steady performance continues

Key Highlights

HDFC Limited demonstrated one more quarter of strong performance with reported earnings at INR 15.5bn; substantially above our estimates of INR 14.1 bn (consensus estimates at INR 14.8bn) on back of strong traction in NII income. Continued buoyancy in loan growth, strong operating efficiency and pristine asset quality were the key positives that emerged from the results.

Buoyancy in retail disbursement continues

Despite adverse macro environment and modest mortgage growth for the system (14.6% YoY), business growth for HDFC Limited continued to remain robust. Growth in individual loan book continued to remain strong at 25% YoY (including sell down at 31%YoY), while corporate loan book grew at 13% YoY. Loan mix has remained stable in favor of retail mortgages. Despite sell down of loans to HDFC Bank, loan growth posted was healthy at 21% YoY which is commendable in our view. Adjusting for that, loan growth would be higher at 24%. Going forward, management has reinforced its view of targeting loan growth at 18-20% for FY14e.

Strong uptick in margins and spreads

NII for the bank surprised positively at 29% QoQ on the back of higher interest income.

4QFY12 tends to be a seasonally strong quarter as the company runs down excess liquidity build during the year, thereby positively impacting margins and spreads. Hence on the back of well-balanced balance sheet management, reported spreads for the company expanded by 7bps, to 3.35% and calculated margins expanded by 77bps to 4.01%. The company has also increased its dependence on terms loans from banks given the easing interest rate cycle. Going forward, we believe that HDFC limited is likely to be key beneficiaries of an easing wholesale rate in the system. Hence Re-pricing of high-cost term deposits coupled with benign wholesale deposit rates will lead to lower cost of funds and expanding margins. Management expects spreads to remain flat within its historical band of 2.15-2.35%.

Stable asset quality both on individual and non-individual loan portfolio

Asset quality continued to remain remarkable as always with GNPA ratios continued to improve YoY for 33rd consecutive quarter in a row basis. The non-performing loans of the individual portfolio stood at 0.58% while that of the non-individual portfolio stood at 0.91%. Further, HDFC Limited continues to carry surplus provisions amounting to INR 2.85bn over the regulatory requirements.

Valuation & Outlook

At the CMP of INR 886, HDFC is trading at 4.3x FY15e P/BV and 21.1x FY15e P/E which continues to remain tad expensive given the near term challenges. Therefore, we maintain our HOLD recommendation on the stock with a target price of INR 840/share and roll over our earnings estimates to FY15e.

Quarterly financials

INRm	Q4FY12	Q3FY13	Q4FY13	YoY (%)	QoQ (%)
Net interest income	16,807	14,757	18,994	13	29
Other income	2,715	2,532	3,385	25	34
Operating expenses	1,030	1,439	1,132	10	(21)
Operating profit	18,491	15,851	21,247	15	34
Provision for contingencies	250	400	250	0	(38)
Profit before tax	18,241	15,451	20,997	15	36
provision for tax	4,980	4,050	5,445	9	34
Net profit	13,261	11,401	15,552	17	36

Source: Company, Antique

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Market data

Sensex	:	19,990
Sector	:	BANKS
Market Cap (INRbn)	:	1,369
Market Cap (USDbn)	:	25
O/S Shares	:	1,546
52-wk HI/LO (INR)	:	895/611
Avg Daily Vol ('000)	:	2,504
Bloomberg	:	HDFC IN

Source: Bloomberg

Valuation

	FY13	FY14e	FY15e
EPS (INR)	31.0	36.4	42.0
PE (x)	28.5	24.4	21.1
BVPS (INR)	161.7	183.3	208.2
P/BV (x)	5.5	4.8	4.3
P/ABV (x)	5.6	5.0	4.4

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	17	9	11	35
Relative	8	7	5	11

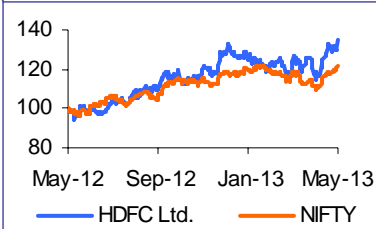
Source: Company, Antique

Shareholding pattern

FI	:	74%
DII	:	13%
Others	:	13%

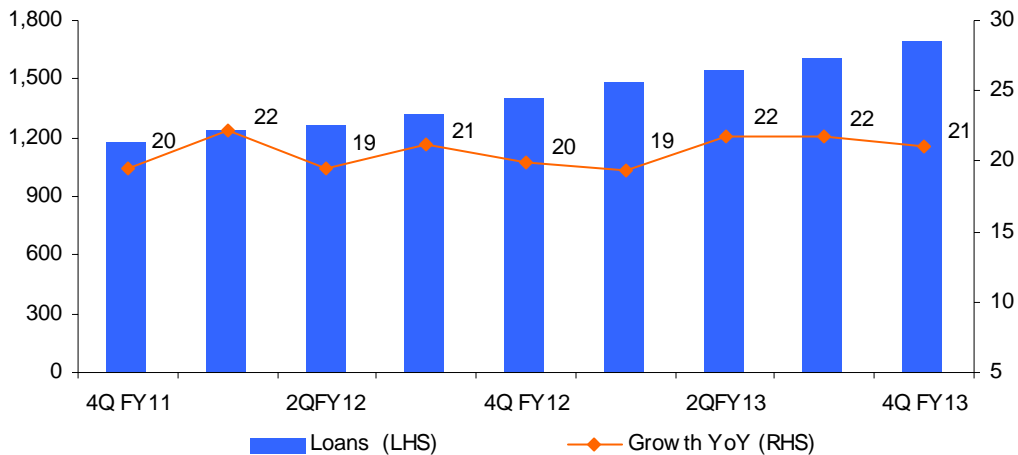
Source: Bloomberg

Price performance vs Nifty



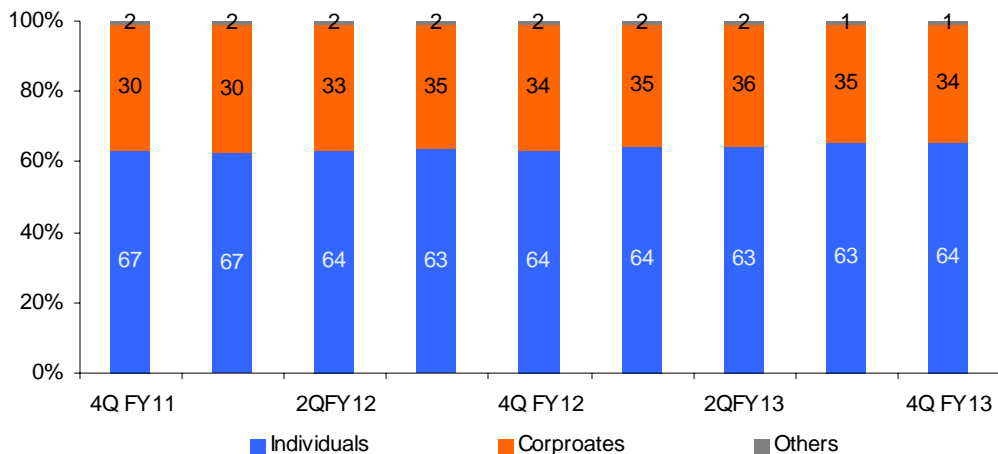
Source: Bloomberg

Buoyancy in loan growth continues to remain strong (including sell downs at 24% YoY)



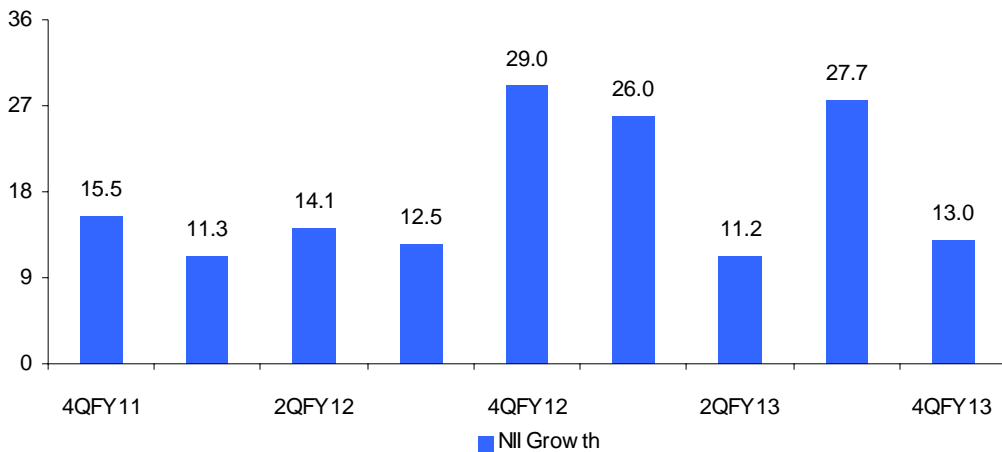
Source: Company, Antique

Traction in individual loan book robust at 25% (including sell downs at 31% YoY) and constitutes around 64% of total portfolio



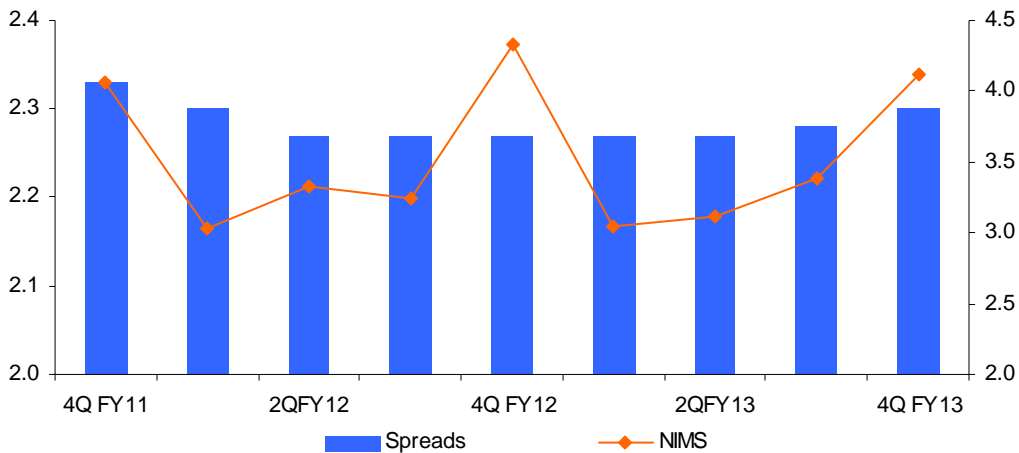
Source: Company, Antique

NII growth positively surprises QoQ



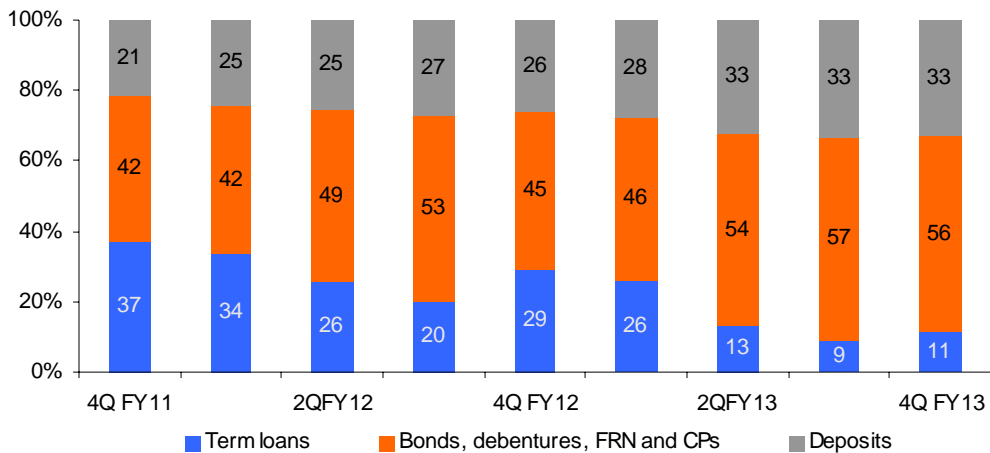
Source: Company, Antique

Improvement in margins and spreads



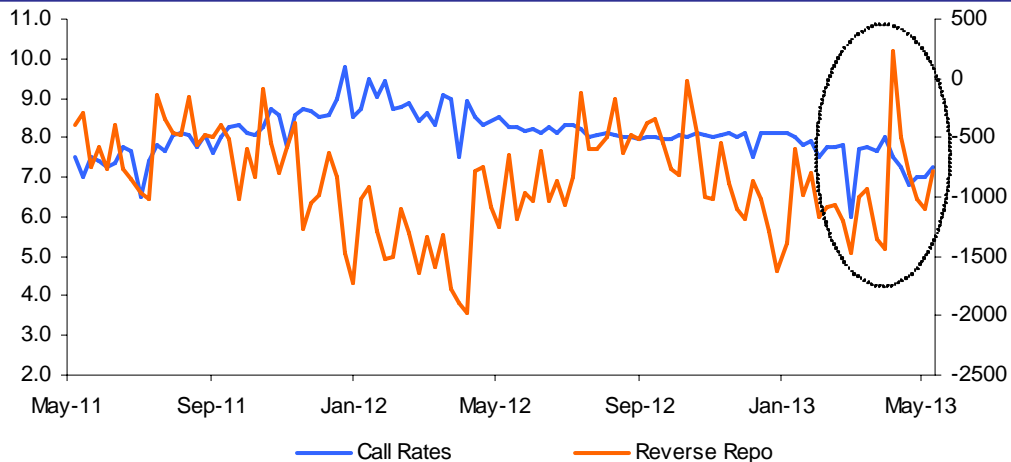
Source: Company, Antiqua

Funding mix continues to remain in favor of bonds, debentures, FRN, CP's and deposits



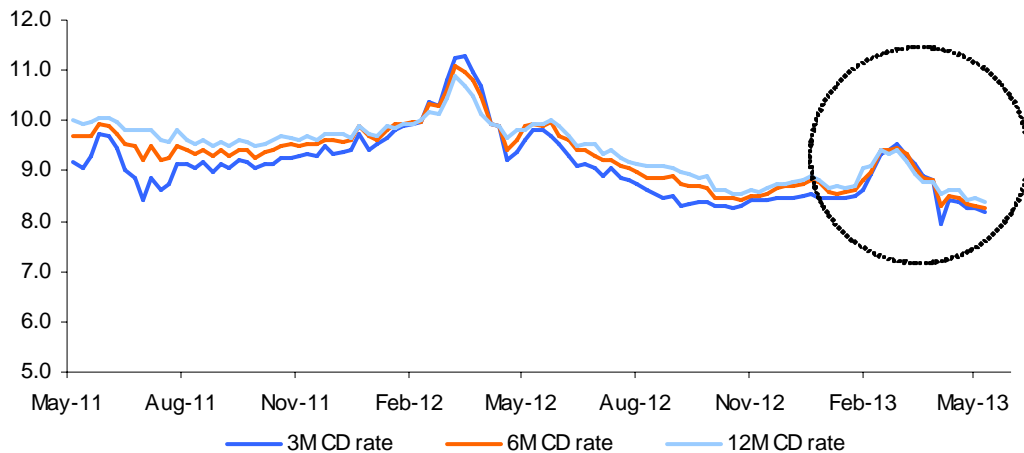
Source: Company, Antiqua

Liquidity in the system continues to remain in deficit mode



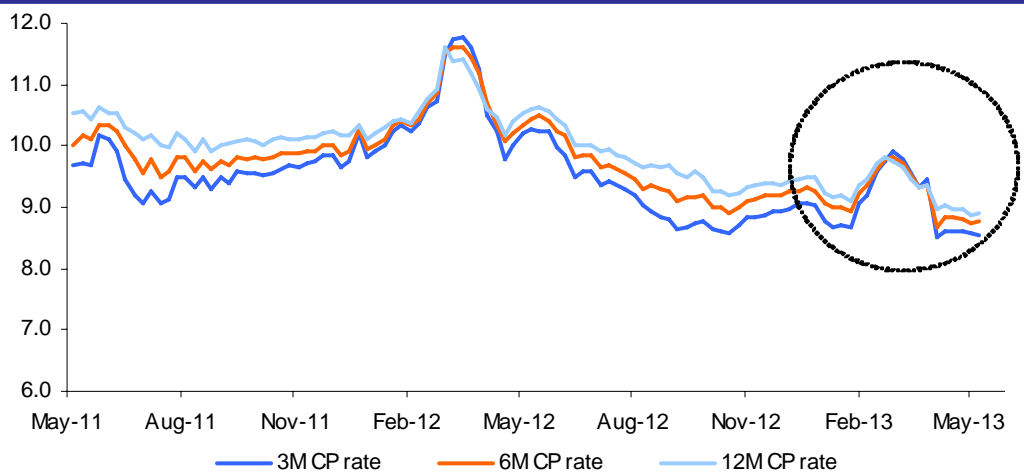
Source: Company, Antiqua

CD rates have cooled off



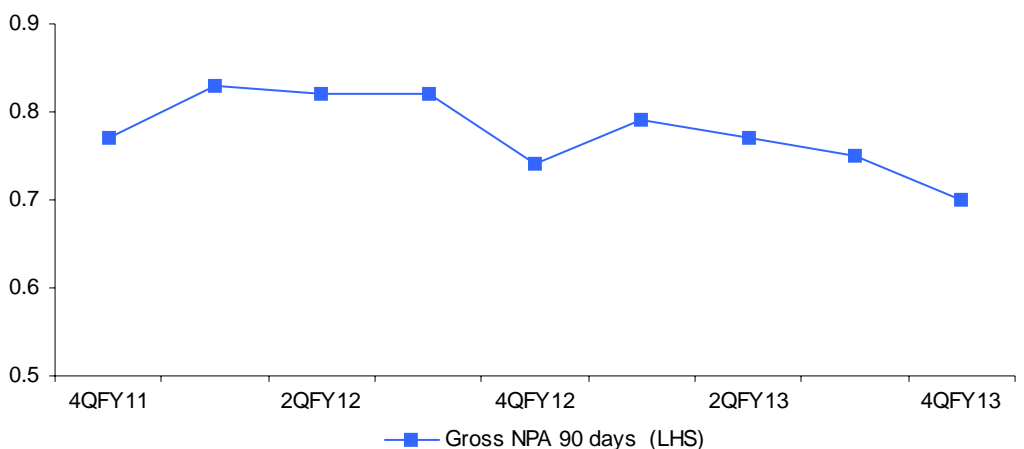
Source: Bloomberg, Company, Antique

And so have CP rates



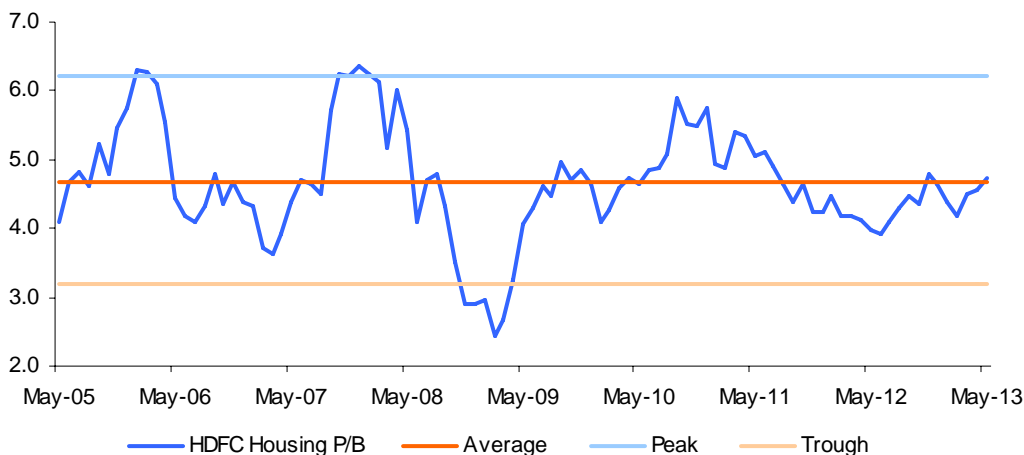
Source: Bloomberg, Company, Antique

Best in class asset quality - continued to improve for 33rd consecutive quarter



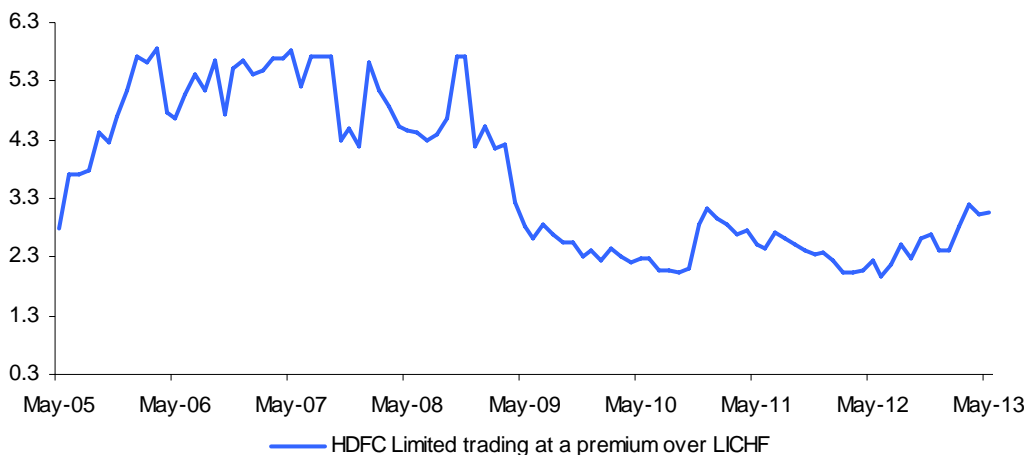
Source: Company, Antique

HDFC trading closer to its average valuations



Source: Bloomberg, Company, Antique

Premium to LIC Housing at the lower band



Source: Bloomberg, Company, Antique

Sum of parts valuation

	Basis	Multiple (x)	Stake	Value of stake (INRm)	% in total	Value/share (INR)
HDFC lending business	PE	15	100%	975,282	75%	630
HDFC Bank	BV	4	23%	220,570	17%	143
HDFC Standard Life	NBAP	12	74%	70,754	5%	46
HDFC AMC	% of AUM	4%	60%	25,200	2%	16
HDFC General Insurance	Stake sale to Ergo	11	74%	6,688	1%	4
Gruh finance	Market value		62%	8,552	1%	6
HDFC property funds	% of AUM	10%	81%	1,164	0%	1
Total				1,308,211	100%	840

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
Net interest income	42,471	49,982	59,275	68,552	79,933
Other income	10,459	11,778	12,942	15,003	16,617
Trading profits	5,773	5,900	5,679	6,500	6,500
Net revenue	52,930	61,760	72,216	83,555	96,549
Operating expenses	3,812	4,519	5,389	6,190	7,133
Provisions	700	800	1,450	500	500
PBT	48,670	56,656	65,728	77,016	89,067
Provision for tax	13,320	15,430	17,747	20,794	24,048
PAT	35,350	41,226	47,982	56,221	65,019

Balance sheet (INRm)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
Liabilities					
Equity capital	2,934	2,954	3,093	3,093	3,093
Reserves	170,231	187,222	246,907	280,303	318,924
Net worth	173,165	190,176	250,000	283,396	322,017
Total Debt	1,154,105	1,393,062	1,588,280	1,751,377	2,091,293
Current liabilities	67,751	91,961	117,028	136,448	170,495
Total	1,395,021	1,675,199	1,955,308	2,171,221	2,583,805
Assets					
Loans	1,171,266	1,408,746	1,700,460	1,990,215	2,388,259
Investments	118,324	122,070	136,135	144,080	153,208
Fixed assets	2,340	2,340	2,379	2,385	2,435
Net Current and short term assets	98,610	135,762	110,020	28,226	33,589
Deferred tax asset	4,481	6,282	6,314	6,314	6,314
Total	1,395,021	1,675,199	1,955,308	2,171,221	2,583,805

Per share data (INR)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
Period end shares outstanding (m)	1,467	1,467	1,546	1,546	1,546
EPS	24	28	31	36	42
Book value per share	118	130	162	183	208
Adjusted book value per share (100% coverage ratio)	115	126	158	179	202

Source: Company, Antique

Profitability ratios (%)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
Spread	3.3	3.3	3.1	2.8	2.3
Net interest margin	3.3	3.3	3.3	3.3	3.4
Return on avg. assets	2.8	2.7	2.6	2.7	2.7
Return on avg net worth	21.7	22.7	21.8	21.1	21.5

Growth ratios (%)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
Growth in NII	25.4	17.7	18.6	15.7	16.6
Growth in Net Revenue	23.8	16.7	16.9	15.7	15.6
Growth in PAT	25.1	16.6	16.4	17.2	15.6
Total assets	19.6	20.1	16.7	11.0	19.0
Advances	19.6	20.3	20.7	17.0	20.0
Total debt	19.5	20.7	14.0	10.3	19.4
Book value	11.5	9.8	24.7	13.4	13.6
EPS	22.4	16.6	10.4	17.2	15.6
DPS (INR)	9.0	11.1	10.9	12.7	14.7

Operating ratios (%)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
Operating cost to income	7.2	7.3	7.5	7.4	7.4
Operating expenses/ avg. assets	0.3	0.3	0.3	0.3	0.3

Valuation ratios (x)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
P/E	36.7	31.5	28.5	24.4	21.1
P/BV	7.5	6.8	5.5	4.8	4.3
P/ABV	7.7	7.0	5.6	5.0	4.4

Asset quality and capital (%)

Year ended 31 Mar	2011	2012	2013e	2014e	2015e
Gross NPA	1.2	1.2	1.2	1.2	1.3
Net NPA	0.4	0.4	0.4	0.4	0.4
Provisioning coverage	70.0	76.0	70.0	70.0	70.0
Loan loss provisions/ avg loans	0.1	0.1	0.1	0.0	0.0
Tier I Capital adequacy	12.2	12.2	13.4	13.1	12.6

Source: Company Antique



Current Reco	: SELL
Previous Reco	: SELL
CMP	: INR443
Target Price	: INR383
Potential Return	: -13%

1QCY13 RESULTS REVIEW

Ranbaxy Laboratories Limited

More of the same; No signs of revival

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Market data	
Sensex	: 19,990
Sector	: Pharmaceuticals
Market Cap (INRbn)	: 188
Market Cap (USDbn)	: 3
O/S Shares	: 423
52-wk HI/LO (INR)	: 578/371
Avg Daily Vol ('000)	: 983
Bloomberg	: RBXY IN

Source: Bloomberg

Valuation			
	CY12	CY13e	CY14e
EPS (INR)	24.3	17.8	20.8
PE (x)	17.3	23.6	20.2
P/BV (x)	4.3	3.5	2.9
EV/EBITDA (x)	8.2	13.9	11.9
Dividend Yield (%)	0.0	0.0	0.0

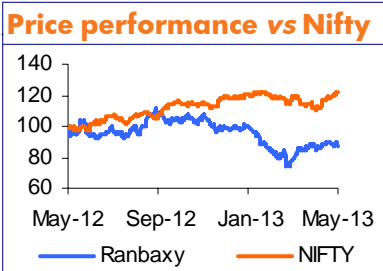
Source: Bloomberg

Returns (%)				
	1m	3m	6m	12m
Absolute	3	4	(18)	(13)
Relative	(5)	1	(23)	(28)

Source: Bloomberg

Shareholding pattern	
Promoters	: 63%
FII	: 11%
DII	: 10%
Others	: 16%

Source: Bloomberg



Source: Bloomberg

Sales were 7% lower than our estimates because of anemic sales contribution from core base business especially the U.S. This despite the launch of Absorcica in the U.S where the company has gained a 9% marketshare again short of our 25% expectations. The company also received approval for Desevenlafaxine tablets under deployment and supply agreement with Alembic Pharma. It is a cheaper alternative to the currently marketed brand Pristiq and has a market size of USD590m for treatment of depression. The product was launched in April 2013. Adjusted for a forex gain of INR462mn, the operational core numbers continue to disappoint. The company missed our lowest on the street numbers by 7%, 23% & 47% respectively. (adjusted for a 47 crore forex gain). While the beat at PAT level was amplified by higher tax rates, the operational performance continues to disappoint. India primary sales growth was up 11% in rupee terms.

Base business still in the woods

Strong sales contribution from exclusivities like Atorvastatin and Amlodipin + Atorvastatin characterized the corresponding quarter last year. However even for this quarter the company did have contribution from Actos. We estimate Actos sales for the quarter to be 30mn \$. Normalized for this the quarter (again assuming 60% EBITDA margins for Actos), Base business reported a EBITDA margin of sub 5%. The company continues to be plagued by high compliance/remedial costs on account of the consent decree. The management didn't offer any visibility on the duration of the overhang on account of this.

Key Monitorables for the company

- 1) Status of various exclusivities (Para IV, FTF).
- 2) Update on resolution of regulatory hurdles. Plans from the Mohali facility
- 3) Sustainable improvement in the Indian business and Diovan launch.

Valuation and Outlook

We continue to be negative on the stock

We are rolling forward our Price target to CY14 and continue to be negative on the stock on the back of a much weaker base business profile. We are also removing Diovan as an FTF opportunity given the unusual delay in approval from the US FDA. We value the stock at 19X CY14e EPS and have revised price target implying 13% downside from current levels making Ranbaxy still our Top "SELL" recommendation in the space. An improvement in base business margins, India growth rate catching up with the broader market growth rate remain key risks to our thesis.

Quarterly financials

	Q1CY13	Q1CY12	Q4CY12	YoY(%)	QoQ(%)
Sales	25,006	37,868	27,112	(34)	(8)
EBITDA	1,906	10,152	810	(81)	135
EBITDA Margins (%)	8	27	3	-	-
Adjusted PAT	796	9,020	(165)	(91)	-
Adj PAT Margins (%)	3	24	(1)	-	-

Source: Company, Antique

Revenue Breakup - USD m

Particulars (USDm)	Q1CY13	Q1CY12	Q4CY12	YoY(%)	QoQ(%)
U.S.A	110	401	139	(73)	(21)
Canada	17	15	21	13	(17)
Europe	37	48	41	(23)	(9)
Romania	29	25	29	16	2
Africa	55	45	49	22	13
CIS	20	28	27	(29)	(25)
Latin America	9	10	11	(10)	(14)
Asia inc. middle east	21	31	25	(32)	(14)
India	100	84	99	19	2
OTC	18	15	19	20	(3)
API	33	34	41	(2)	(18)
Total Revenue	449	736	496	-38.9	-9.4

Source: Company, Antique

Income Statement

Particulars	Q1CY13	Q1CY12	Q4CY12	YoY(%)	QoQ(%)
Revenues	25,006	37,868	27,112	-34.0	-7.8
Less: Expenditures					
Raw Materials	8,979	8,922	11,545	0.6	-22.2
Employee Cost	4,862	4,702	4,813	3.4	1.0
Others	9,259	14,093	9,945	-34.3	-6.9
EBIDTA	1,906	10,152	810	-81.2	135.4
Depreciation	797	799	805	-0.3	-1.0
Other Income	624	1,366	767	-54.3	-18.6
Exceptional	462	3,447	(4,760)	-86.6	-109.7
EBIT	2,195	14,167	(3,988)	-84.5	-155.0
Interest	525	187	537	181.4	-2.2
Tax	353	1,374	340	-74.3	3.8
Adjusted PAT	796	9,020	(165)	-91.2	-583.5
PAT	1,258	12,468	(4,924)	-89.9	-125.5
EPS	3	30	(12)	-89.9	-125.5

Source: Company, Antique

Margins

	Q1CY13	Q1CY12	Q4CY12
EBIDTA Margins	8%	27%	3%
PAT Margins	5%	33%	-18%
Adjusted PAT Margins (%)	3	24	-1

Source: Company, Antique

Key expenses as a % of sales

	Q1CY13	Q1CY12	Q4CY12
Raw Materials	36%	24%	43%
Employee Cost	19%	12%	18%
Others	37%	37%	37%
Tax rate	21%	10%	-8%

Source: Company, Antique

Financials

Profit and loss account (INRm)

Year ended 31 Dec	2010	2011	2012	2013e	2014e
Revenues	89,608	101,614	124,176	117,585	140,049
Expenses	71,219	85,425	104,606	105,827	126,745
Operating Profit	18,389	16,189	19,570	11,759	13,305
Other income	4,202	4,340	3,491	2,822	3,361
EBIDT	22,591	20,530	23,061	14,581	16,666
Depreciation	3,717	3,940	3,203	4,182	4,981
Interest expense	614	6,109	1,607	1,411	1,042
Profit before tax	18,260	10,480	18,251	8,987	10,643
Taxes incl deferred taxation	5,849	1,969	1,892	1,748	1,969
Profit after tax	12,411	8,511	16,359	7,239	8,674
Exceptional Items	(2,741)	37,345	(5,804)	462	-
Minority Interest	126	97	87	47	53
Share of profit in Associates	59	66	-196	-142	-160
PAT, minority Int & Sh of assos	14,967	-28,997	10,273	7,512	8,781
Diluted EPS (INR)	35.5	(68.7)	24.3	17.8	20.8

Balance sheet (INRm)

Year ended 31 Dec	2010	2011	2012	2013e	2014e
Share Capital	2,105	2,110	2,115	2,115	2,115
Reserves & Surplus	53,942	26,584	38,730	48,355	58,931
Networth	56,047	28,694	40,844	50,470	61,046
Minority Interest - Capital & Reserves	647	810	890	810	810
Debt	43,348	40,327	48,462	50,470	45,784
Deferred Tax Liability	(227)	(375)	(357)	(357)	(357)
Other long term Liabilities	-	16,104	10,511	10,511	10,511
Capital Employed	99,815	85,560	100,350	111,904	117,794
Net Assets	45,479	48,303	50,078	51,853	53,628
Capital work in progress	3,818	2,270	2,078	2,078	2,078
Investments	4,985	982	790	790	790
Other non current assets	0	181	419	419	419
Current Assets, Loans & Advances					
Inventory	21,926	26,107	27,314	29,396	35,012
Debtors	16,053	30,053	20,368	21,165	25,209
Cash & Bank balance	32,644	30,637	46,005	35,428	35,445
Loans & advances and others	16,309	18,217	17,113	17,638	21,007
Current Liabilities & Provisions					
Creditors	31,865	14,231	16,214	14,168	16,868
Other liabilities & provisions	9,534	56,959	47,601	32,696	38,927
Net Current Assets	45,534	33,825	46,984	56,764	60,879
Application of Funds	99,815	85,560	100,350	111,904	117,794

Per share data

Year ended 31 Dec	2010	2011	2012	2013e	2014e
No. of shares (m)	421	422	423	423	423
BVPS (INR)	133.1	68.0	96.6	119.3	144.3
CEPS (INR)	38.3	29.5	46.3	27.0	32.3
DPS (INR)	2.3	0.0	-	-	-

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Dec	2010	2011	2012	2013e	2014e
PBT	21,001	(26,865)	12,449	9,449	10,643
Depreciation & amortisation	5,533	3,940	70	105	4,981
Interest expense	614	768	3,036	1,411	1,042
Interest / Dividend Recd	(1,677)	(1,127)	(6,730)	(2,822)	(3,361)
Other Adjustments	(6,883)	12,670	(36)	(112)	(854)
(Inc)/Dec in working capital	2,987	19,078	7,030	(20,356)	(4,098)
Tax paid	(6,189)	(2,172)	(3,130)	(1,748)	(1,969)
CF from operating activities	15,386	6,292	12,688	(14,072)	6,383
Capital expenditure	(4,263)	(4,452)	(4,767)	(4,000)	(4,000)
(Purchase) / Sale of Investments	(18,328)	11,455	118	-	-
Income from investments	883	2,159	(13,554)	2,822	3,361
CF from investing activities	(21,708)	9,161	(18,203)	(1,178)	(639)
Inc/(Dec) in share capital	267	148	159	0	-
Inc/(Dec) in debt	8,248	(10,643)	9,523	2,008	(4,686)
Dividends & Interest paid	(607)	(1,620)	(7,314)	(1,411)	(1,042)
CF from financing activities	7,908	(12,115)	2,369	597	(5,727)
Net cash flow	1,587	3,338	(3,146)	(14,653)	17
Opening balance	12,416	32,644	30,637	46,005	35,428
Closing balance	32,644	30,637	46,005	35,428	35,445

Growth indicators (%)

Year ended 31 Dec	2010	2011	2012	2013e	2014e
Revenue	18.0	13.4	22.2	(5.3)	19.1
EBITDA	67.5	(9.1)	12.3	(36.8)	14.3
PAT	404.8	(293.7)	(135.4)	(26.9)	16.9
EPS	404.0	(293.3)	(135.4)	(26.9)	16.9

Valuation (x)

Year ended 31 Dec	2010	2011	2012	2013e	2014e
PE	11.8	(6.1)	17.3	23.6	20.2
P/BV	3.2	6.2	4.3	3.5	2.9
EV/EBITDA	8.5	9.6	8.2	13.9	11.9
EV/Sales	2.1	1.9	1.5	1.7	1.4
Dividend Yield (%)	0.5	0.0	0.0	0.0	0.0

Financial ratios

Year ended 31 Dec	2010	2011	2012	2013e	2014e
RoE (%)	26.7	(101.1)	25.2	14.9	14.4
RoCE (%)	15.0	(33.9)	10.2	6.7	7.5
Debt/Equity (x)	0.8	1.4	1.2	1.0	0.8
EBIT/Interest (x)	29.7	1.7	11.4	6.4	10.2

Margins (%)

Year ended 31 Dec	2010	2011	2012	2013e	2014e
EBITDA	20.5	15.9	15.8	10.0	9.5
EBIT	21.1	16.3	16.0	8.8	8.3
PAT	13.9	8.4	13.2	6.2	6.2

Source: Company Antique

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR527
Target Price	: INR615
Potential Return	: 17%

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Market data

Sensex	:	19,990
Sector	:	Pharmaceutical
Market Cap (INRbn)	:	143
Market Cap (USDbn)	:	3
O/S Shares	:	271
52-wk HI/LO (INR)	:	552/307
Avg Daily Vol ('000)	:	715
Bloomberg	:	GNPIN

Source: Bloomberg

Valuation

	FY13	FY14e	FY15e
EPS (INR)	22.7	26.6	32.1
PE (x)	21.3	18.2	15.1
P/BV (x)	4.7	3.8	3.0
EV/EBITDA (x)	15.6	12.9	10.5
Dividend Yield (%)	0.1	0.1	0.1

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	8	7	24	54
Relative	(1)	4	17	28

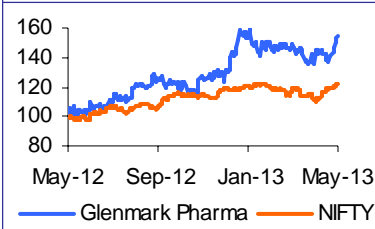
Source: Company, Antique

Shareholding pattern

Promoters	:	48%
FII	:	33%
DII	:	8%
Others	:	11%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg

4QFY13 RESULTS REVIEW

Glenmark Pharmaceuticals Limited

Operationally fine but some qualitative concerns

Revenues at INR 13.35 bn (up +25% yoy & -3% qoq) were ahead of our estimates by 4% and consensus by 2%. EBITDA at INR2.5 bn (up 36% yoy & down 20% qoq) was below our estimates despite a superior mix driving Gross margins (higher by 7% relative to our estimates) @ 72%. The big disappointment for the quarter was a very sharp increase in other expenses (up 62% yoy). On Adjusted basis, PAT at INR1.67 bn (up +10% yoy & down 22% qoq) were in line with our estimates but benefited from abnormally low tax rates. At PBT level the numbers missed our estimates by 13%.

Quarter Highlights

1. Generics business registered sales growth of 25.19 % in Q4 and 38.73% in FY 12-13
2. US Generics Business grew by 24.95% in Q4 and 39.14% in FY13
3. Specialty formulations business excluding outlicensing income grew by 24.72 % in Q4 and 27.52 % in the year
4. India formulations business recorded a growth of 32.39 % in Q4 and 30.68% in FY13

Domestic growth & Cost structure defies trends.

Glenmark posted a 2nd consecutive quarter of robust domestic growth. Domestic growth rate for the quarter was up 32% yoy & 7% qoq. This despite a very strong base preceding quarter (up 30% yoy). While secondary market trends indicate marginal marketshare gains for Glenmark, we remain surprised at the abnormally high rates of domestic growth for Glenmark. A better revenue mix skewed in favor of Indian domestic formulation has been the key contributor to higher gross margin, however it has been more than offset by a very sharp increase in other expenses (up 62% yoy). High R&D costs, OTC marketing spends and currency impact are the key drivers of this sharp increase.

Valuation and Outlook

We are rolling forward our Price target to FY15 and reiterate BUY on the back of: 1) a credible product portfolio heavily dominated by products in categories such as dermatology, oncology, oral contraceptives; 2) an improving balance sheet profile on steady improvement in receivable cycle and cash flow profile; 3) a credible play on emerging market generic penetration and a highly profitable domestic operation; 4) execution on monetizing its Drug discovery program. Our revised SOTP based target price of INR615 implies a 17% upside from current levels valuing the stock at 19x FY15e EPS. A slowdown in the Indian domestic growth / Russian market and volatility in cost structure remain key risks to our thesis.

Quarterly financials

INRm	4QFY13	4QFY12	YoY(%)	3QFY13	QoQ(%)
Sales	13,359	10,662	25	13,816	(3)
EBITDA	2,698	1,868	44	3,202	(16)
EBITDA Margin (%)	20	18	-	23	-
Adjusted PAT	1,818	1,514	20	2,130	(15)
Adj PAT Margin (%)	13.61	14.20	-	15.42	-

Source: Company, Antique

Revenue break-up

Particulars	4QFY13	4QFY12	3QFY13	YoY(%)	QoQ(%)
US - Total INR	4,291	3,435	4,365	25	(2)
Europe - generic INR	591	364	395	62	50
Argentina	45	37	51	22	(12)
API	939	850	999	10	(6)
Latin America (ex Argentina)	748	714	964	5	(22)
Semi regulated markets	2,213	1,828	2,620	21	(15)
Europe - branded formulations INR	901	720	467	25	93
India	3,550	2,682	3,307	32	7
R&D license fee/ milestones	-	-	493	na	na
Other operating revenue	80	33	156	142	(48)
Total Revenue	13,359	10,662	13,816	25	(3)

Source: Company, Antique

Income statement

Particulars	4QFY13	4QFY12	3QFY13	YoY(%)	QoQ(%)
Revenues	13,359	10,662	13,816	25	-3
Less: Expenditures					
Raw Materials	3,770	4,109	4,677	-8	-19
Employee Cost	2,087	1,633	2,124	28	-2
Others	4,804	3,053	3,814	57	26
EBIDTA	2,698	1,868	3,202	44	-16
Depreciation	318	236	356	35	-11
Other Income	(50)	374	51	-113	-197
Exceptional	150				
EBIT	2,180	2,005	2,897	9	-25
Interest	436	410	399	6	9
Tax	46	73	366	-37	-88
Adjusted PAT	1,818	1,514	2,130	20	(15)
Reported PAT	1,668	1,492	2,101	12	(21)
Reported EPS	6.16	5.60	7.86	10	(22)

Source: Company, Antique

Margins

(%)	4QFY13	4QFY12	3QFY13
EBIDTA Margins	20	18	23
PAT Margins	12	14	15

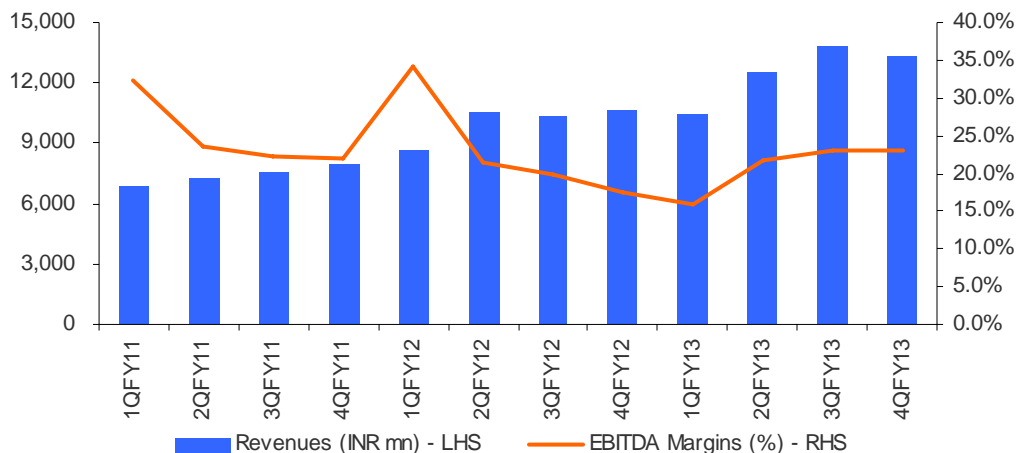
Source: Company, Antique

Key expenses as a % of sales

	4QFY13	4QFY12	3QFY13
Raw Materials	28	39	34
Employee Cost	16	15	15
Others	36	29	28
Tax Rate	3	5	15

Source: Company, Antique

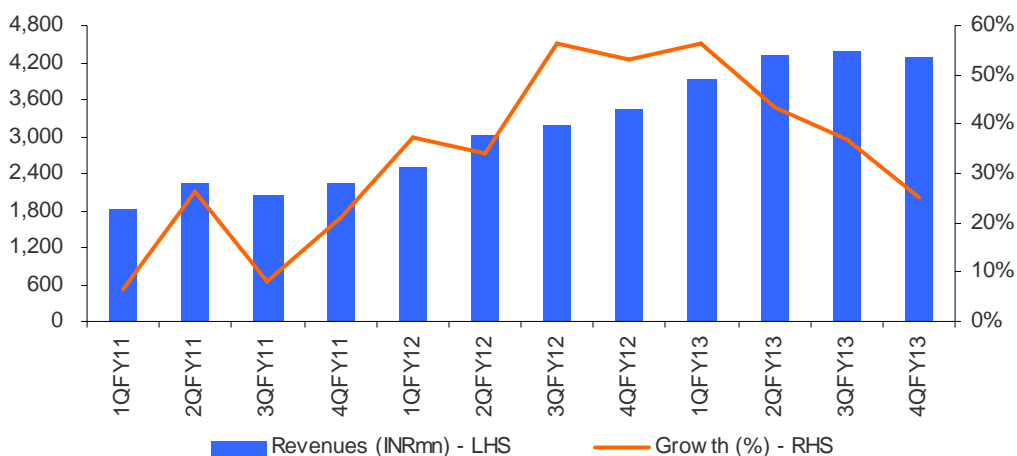
Revenue and EBITDA margin movement



Source: Company, Antique

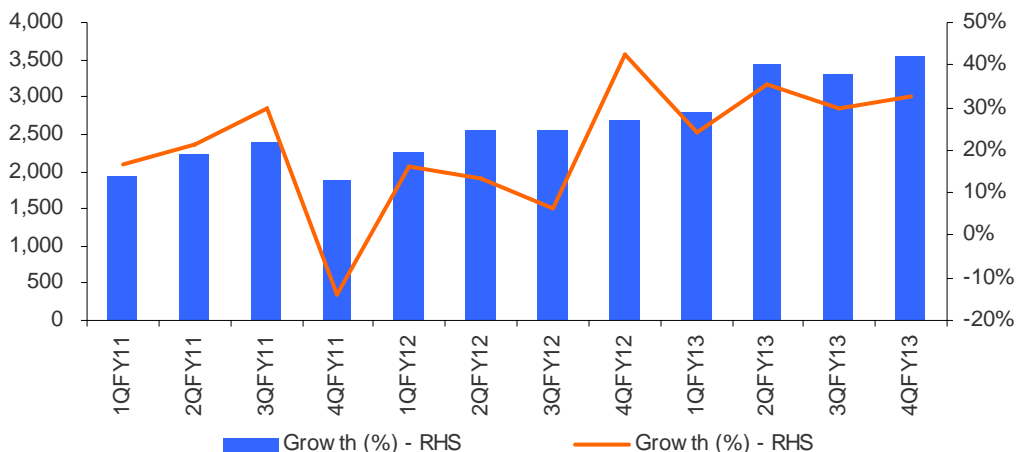
Segment Wise Revenues

US Formulation Sales - Generics



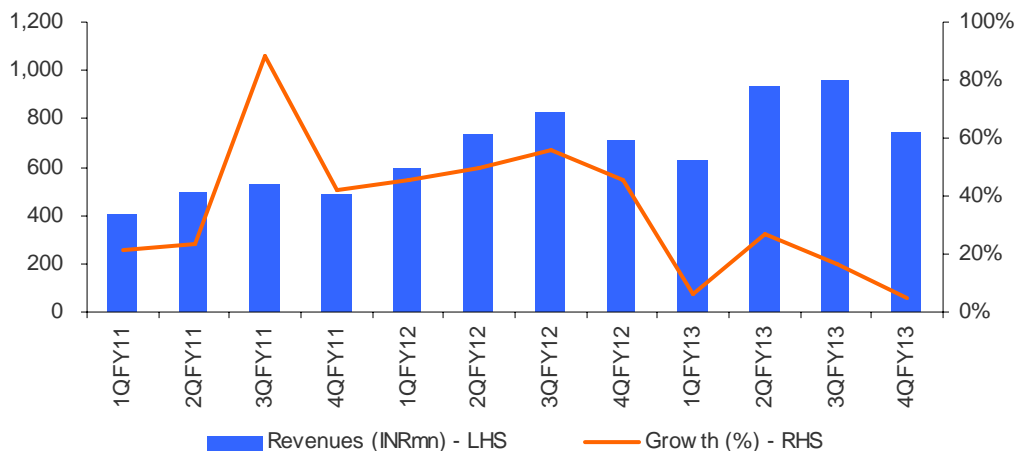
Source: Company, Antique

India Formulation Sales - Specialty



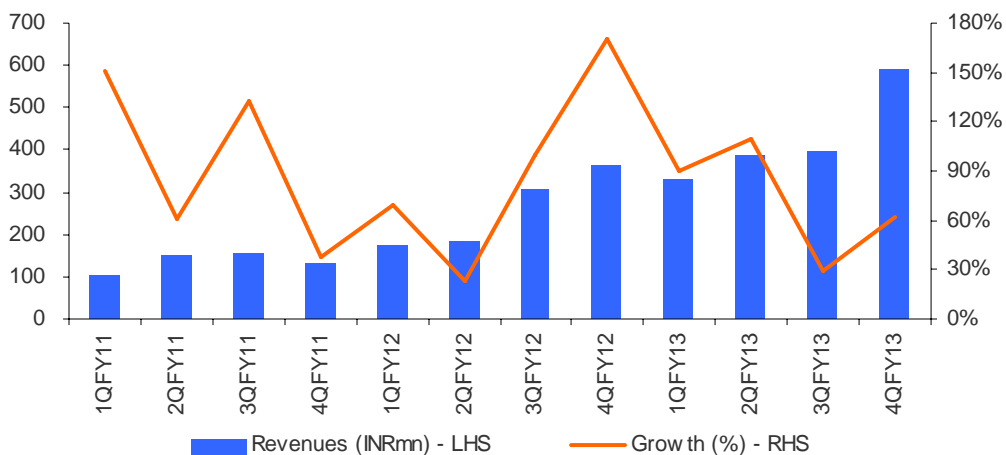
Source: Company, Antique

Latin America Formulation Sales – Speciality



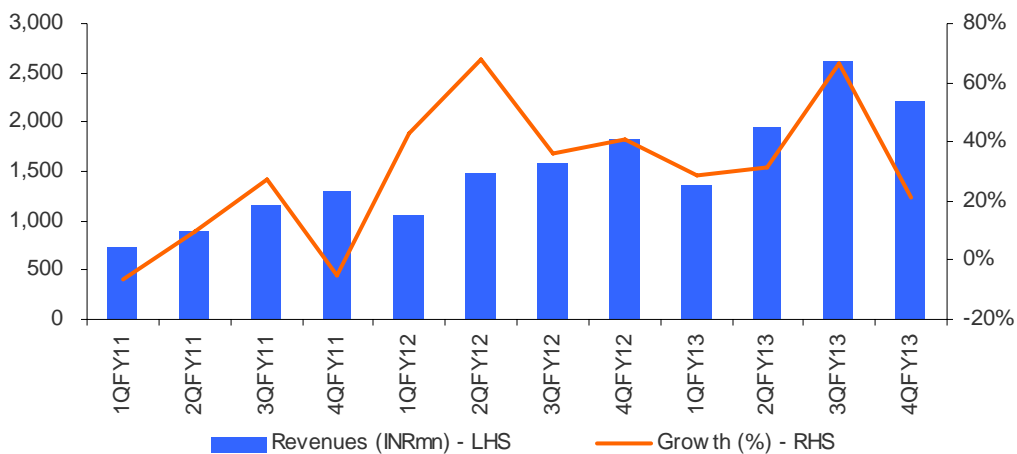
Source: Company, Antique

Europe Formulation Sales – Generics



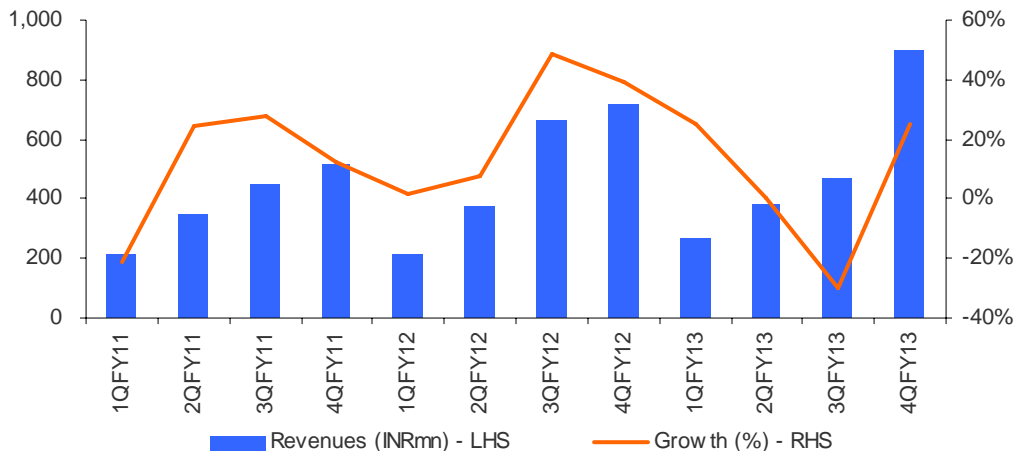
Source: Company, Antique

Semi regulated markets



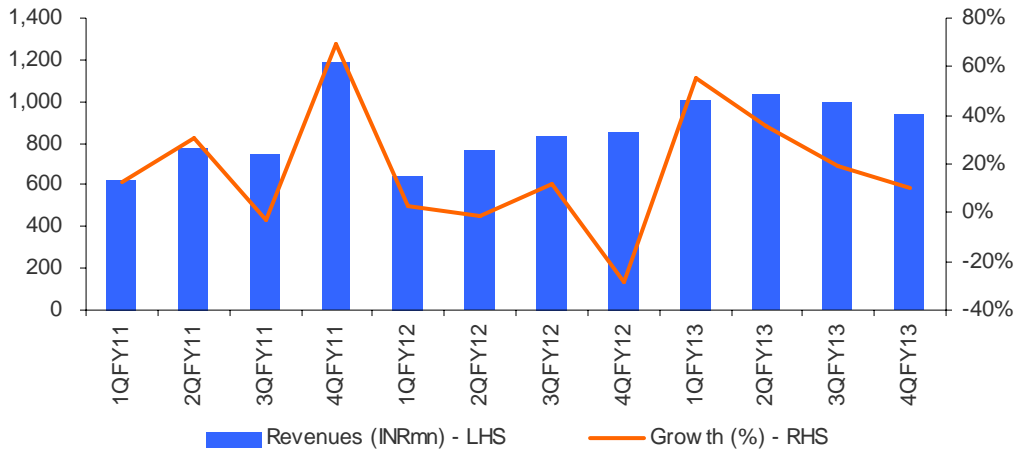
Source: Company, Antique

Europe - Branded formulations



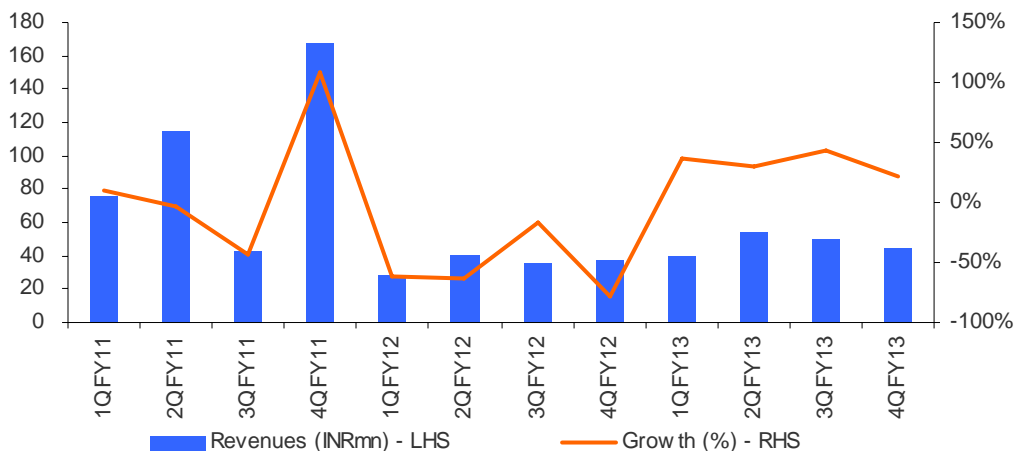
Source: Company, Antique

API Sales - Generics



Source: Company, Antique

Argentina formulation sales - generics



Source: Company, Antique

Conference call Highlights:

Guidance going forward

Management has guided for 20% revenue growth for FY14. However, they expect EBITDA to remain more or less flat with core EBITDA at INR12250m. We have modeled in 17.5% revenue growth for FY14 and 19% for FY15.

There has been significant improvement receivable and payable days. Inventory days stood at 62 in FY13 as compared to 76 days in FY12. Receivables days stood at 121 days in FY13 & Payables was at 77 days in FY13 as compared to 76 days in FY12. The net working capital was at 106 days in FY13, as compared to 121 days in FY12. Going forward, Management expects net working capital days to be around 105-115 days in FY14.

R&D spend: R&D expense is expected to increase further due to higher filings and GUDUFA fees. Management has guided R&D to increase in FY14 to 8.5% to sales. This increase in R&D spends is attributed to generic business in the US.

Tax guidance: Tax rate for FY14e is estimated to be 17-18%.

Capex guidance: Capex for FY14 is expected to be around INR 3bn.

Product update: Crofelemor, a novel anti-diarrheal agent, from Napo in July 2005, where Glenmark has exclusive right to distribute the formulations in 140 emerging market

countries including India, and also, has a commercial supply agreement, where it will supply API to Salix for the US market. Glenmark has got USFDA approval for its Fulyzaq, Salix's

NDA for Crofelemer, for HIV related diarrhea. Glenmark has started filing for Crofelemor in selected semi regulated market and is expected to commence API sales from 2HFY14e. Also, the company has completed the INR13.5bn capex for the Crofelemor plant.

Geographies to maintain growth momentum

Company has guided for 20-25% growth in the US over the next three years.. They are also planning to file 18-20 ANDAs every year. We have modeled in 20% growth in the US for FY14 & FY15.

Company has guided for 18-20% growth in the domestic formulations business.

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2011	2012	2013	2014e	2015e
Revenues	29,491	40,206	50,137	58,763	70,051
Expenses	23,568	30,307	40,024	46,717	55,536
Operating Profit	5,923	9,899	10,114	12,046	14,515
Other income	1,405	(1,257)	93	109	130
EBIDT	7,328	8,642	10,207	12,156	14,645
Depreciation	947	979	1,270	1,507	1,736
Interest expense	1,566	1,466	1,599	1,842	2,121
Profit before tax	4,816	6,198	7,337	8,807	10,787
Taxes incl deferred taxation	237	238	1,107	1,497	1,960
Profit after tax	4,578	5,960	6,230	7,310	8,828
Exceptional Items	0	(1,317)	0	0	0
Minority Interest	46	40	83	97	119
PAT, minority Int & Sh of asso	4,532	4,603	6,148	7,213	8,709
Diluted EPS (INR)	16.8	17.0	22.7	26.6	32.1

Balance sheet (INRm)

Year ended 31 Mar	2011	2012	2013	2014e	2015e
Share Capital	270	271	271	271	271
Reserves & Surplus	20,102	23,746	27,359	34,572	43,281
Networth	20,372	24,016	27,630	34,843	43,552
Minority Interest - Capital & Reserves	267	250	244	244	244
Debt	21,085	19,999	22,881	22,648	21,776
Deferred Tax Liability	(1,081)	(2,674)	(3,803)	(3,803)	(3,803)
Other long term Liabilities	101	780	851	851	957
Capital Employed	40,743	42,371	47,803	54,783	62,726
Net Assets	20,666	22,373	25,803	28,803	31,803
Capital work in progress	1,457	2,483	2,483	2,483	2,483
Other non current Assets	281	34	37	110	37
Current Assets, Loans & Advances					
Inventory	8,070	7,877	8,435	9,887	11,786
Debtors	11,308	12,436	16,400	19,222	22,914
Cash & Bank balance	1,986	3,382	6,233	7,850	9,857
Loans & advances and others	4,651	6,075	6,747	7,908	9,427
Current Liabilities & Provisions					
Creditors	6,574	7,888	10,456	12,248	14,588
Other liabilities & provisions	1,103	4,400	7,880	9,231	10,994
Net Current Assets	18,339	17,481	19,480	23,387	28,403
Miscellaneous Expenditure					
Application of Funds	40,743	42,371	47,803	54,783	62,726

Per share data

Year ended 31 Mar	2011	2012	2013	2014e	2015e
No. of shares (m)	270.3	270.5	271.0	271.5	271.5
BVPS (INR)	75.4	88.8	101.9	128.3	160.4
CEPS (INR)	20.3	20.6	27.4	32.1	38.5
DPS (INR)	0.5	2.3	0.5	0.5	0.5

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2011	2012	2013	2014e	2015e
PBT	4,816	4,881	7,337	8,807	10,787
Depreciation & amortisation	947	979	1,270	1,507	1,736
Other Adjustments	950	3,862	(3,568)		
(Inc)/Dec in working capital	3,531	(348)	852	(2,290)	(3,007)
Tax paid	(937)	(1,330)	(1,107)	(1,497)	(1,960)
CF from operating activities	9,306	8,044	4,784	6,527	7,556
Capital expenditure	(3,709)	(2,829)	(3,000)	(3,000)	(3,000)
(Purchase) / Sale of Investments	(232)	(327)			
CF from investing activities	(3,941)	(3,156)	(3,000)	(3,000)	(3,000)
Inc/(Dec) in share capital	41	36	0	0	0
Inc/(Dec) in debt	(2,581)	(1,565)	2,882	(233)	(872)
Dividends & Interest paid	(1,546)	(1,691)	(1,715)	(1,677)	(1,677)
CF from financing activities	(4,085)	(3,220)	1,167	(1,910)	(2,549)
Net cash flow	1,280	1,668	2,951	1,617	2,008
Opening balance	1,070	1,986	3,282	6,233	7,850
Closing balance	1,986	3,282	6,233	7,850	9,857

Growth indicators (%)

Year ended 31 Mar	2011	2012	2013	2014e	2015e
Revenue	17.8	36.3	24.7	17.2	19.2
EBITDA	9.6	17.9	18.1	19.1	20.5
PAT	39.7	1.6	33.6	17.3	20.7
EPS	39.4	1.5	33.3	17.1	20.7

Valuation (x)

Year ended 31 Mar	2011	2012	2013	2014e	2015e
PE	28.8	28.4	21.3	18.2	15.1
P/BV	6.4	5.4	4.7	3.8	3.0
EV/EBITDA	22.0	18.4	15.6	12.9	10.5
EV/Sales	5.5	3.9	3.2	2.7	2.2
Dividend Yield (%)	0.1	0.4	0.1	0.1	0.1

Financial ratios

Year ended 31 Mar	2011	2012	2013	2014e	2015e
RoE (%)	22.2	19.2	22.3	20.7	20.0
RoCE (%)	11.1	10.9	12.9	13.2	13.9
Debt/Equity (x)	1.0	0.8	0.8	0.7	0.5
EBIT/Interest (x)	4.1	5.2	5.6	5.8	6.1

Margins (%)

Year ended 31 Mar	2011	2012	2013	2014e	2015e
EBITDA	20.1	24.6	20.2	20.5	20.7
EBIT	21.6	19.1	17.8	18.1	18.4
PAT	15.5	14.8	12.4	12.4	12.6

Source: Company Antique

Current Reco	: SELL
Previous Reco	: SELL
CMP	: INR536
Target Price	: INR519
Potential Return	: -3%

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1QCY13 RESULTS REVIEW

ABB Limited

Possible recovery already priced in!

ABB reported marginally lower than expected 1QCY13 performance, largely due to forex loss of ~INR210m and muted revenue growth due to delay in execution of projects. Order inflow declined by 7.9% YoY to INR15.3bn. Management highlighted the weakness in orders from traditional business while growth in short cycle orders like Solar, building and railway segment was good. The internal cost efficiency led to improvement in profitability of 10bps on YoY and 278bps on QoQ basis. The company continues to focus on cashflows and profitability while revenue growth is expected to remain weak. Even after factoring in a significant turnaround in performance going ahead, which we believe would be difficult considering no large orders in market, valuations are rich with the stock trading at a P/E of 31.0x its CY13e earnings. Maintain SELL.

Revenue growth of 10.2%, driven by emerging opportunities

ABB reported revenue growth of 10.2% YoY to INR19.53bn in 1QCY13, 3% lower than our estimates of INR20bn. Power system revenue grew by 32.2% YoY to INR7.51bn while automation products reported growth of INR4.4%YoY to INR5.8bn. However, process automation and power products reported decline of 7.8% YoY and 3.5% YoY respectively. Revenue from renewable were major driver for growth during the quarter.

Cost control supported margins in competitive environment

EBITDA increased by 12% YoY (QoQ growth of 142%) to INR899m, as margins improved by 10bps on YoY basis to 4.6% in 1QCY13. Profitability improvement was on back of cost control and support from short cycle products. The profitability in project business continues to remain under pressure due to delayed projects and the accounting policy to take all anticipated increase in project costs. The company has adjusted forex loss of INR210m in other expenditure which impacted the margins by 107bps. PBT declined by 11% to INR636m due to increase in interest cost from INR54m 1QCY12 to INR198m in 1QCY13 as debt increased due to stretched working capital. PAT declined by 10.7% YoY to INR426m below our expectation of INR568m.

Order inflow declined by 7.9% YoY , Outlook remains challenging

The company reported 7.9% de-growth in order inflow to INR15.3bn during 1QCY13 compared to order intake of INR16.6bn in 1QCY12. The inflow was supported by short cycle orders which contributed 60% in 1QCY13 compared to normal range of ~45%. The order book declined by 8.9% YoY from INR90.2bn in 1QFY12 to INR82.3bn in 1QFY13.

Valuation and Outlook

At CMP of INR536, the stock is trading at 31x CY13 earnings and P/BV of 4.3xCY12. We have valued the company at 30xCY13 earnings with target price of INR519. We maintain SELL considering expensive valuation.

Quarterly financials

INRm	1QCY13	1QCY12	Chg (%)	4QCY12	Chg (%)
Net sales	19,534	17,730	10.2	20,528	(4.8)
Expense	18,635	16,928	10.1	20,157	(7.6)
Operating profit	899	803	12.0	371	142.5
OPM (%)	4.6	4.5	1.7	1.8	154.8
Other Income	180.4	191.3	(5.7)	323.4	(44.2)
Interest	198	54	265.7	185	6.9
Depreciation	246	223	10.2	246	0.1
Tax	210	240	(12.5)	96	119.2
PAT	426	476	(10.7)	168	153.8
EPS (INR)	2.0	2.2	(10.7)	0.8	153.8

Market data

Sensex	:	19,990
Sector	:	Industrials
Market Cap (INRbn)	:	114
Market Cap (USDbn)	:	2
O/S Shares (m)	:	212
52-wk HI/LO (INR)	:	830/468
Avg Daily Vol ('000)	:	63.6
Bloomberg	:	ABB IN

Source: Bloomberg

Valuation

	CY12	CY13e	CY14e
EPS (INR)	6.5	17.3	18.4
PE (x)	82.6	31.0	29.1
P/BV (x)	4.3	3.8	3.4
EV/EBITDA (x)	45.0	18.3	16.8
Dividend Yield (%)	0.1	0.4	0.4

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	10	(17)	(26)	(29)
Relative	2	(19)	(30)	(41)

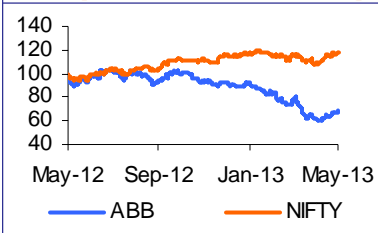
Source: Bloomberg

Shareholding pattern

Promoters	:	75%
FII	:	4%
DII	:	12%
Others	:	9%

Source: Bloomberg

Price performance vs Nifty



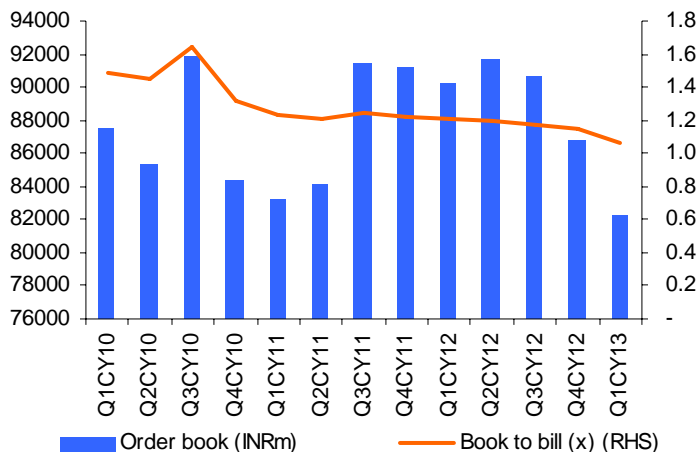
Source: Bloomberg

Source: Company, Antique

Order inflow declined by 7.9% YoY , Outlook remains challenging

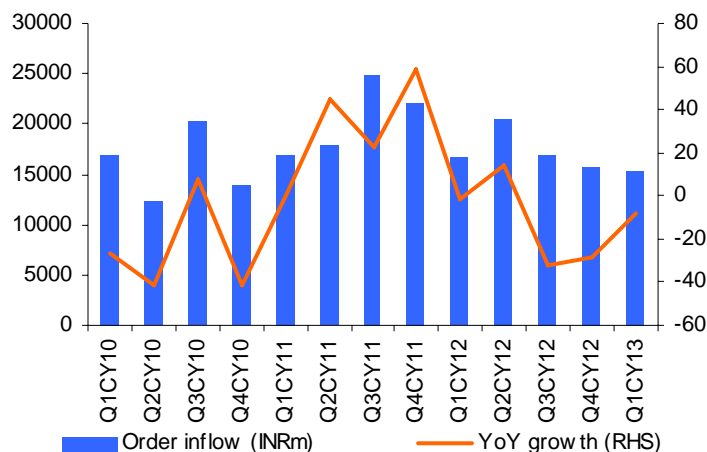
The company reported 7.9% de-growth in order inflow to INR15.3bn during 1QCY13 compared to order intake of INR16.6bn in 1QCY12. The inflow was supported by short cycle orders which contributed 60% in 1QCY13 compared to normal range of ~45%. The order book declined by 8.9% YoY from INR90.2bn in 1QFY12 to INR82.3bn in 1QFY13.

Order book (INRm) and book to bill (x)



Source: Company, Antique

Order intake trend (INRm)

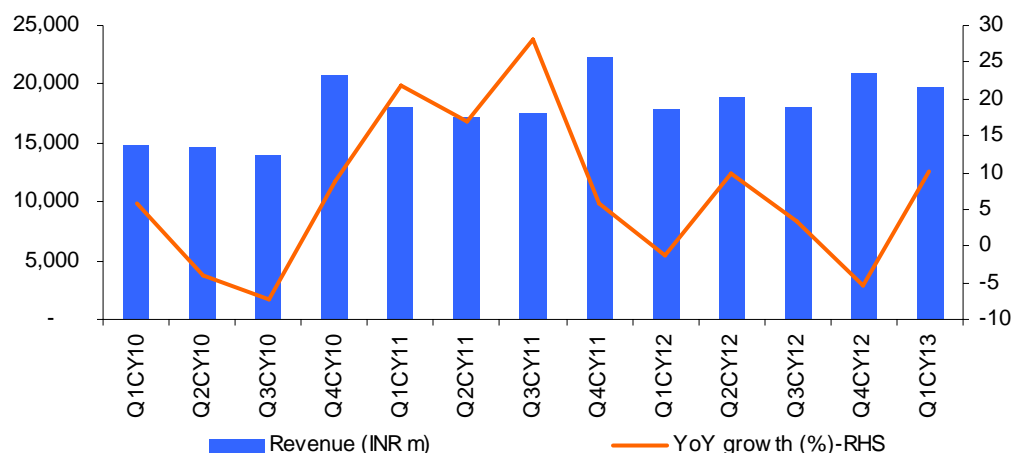


Source: Company, Antique

Revenue growth of 10.2%, driven by emerging opportunities

ABB reported revenue growth of 10.2% YoY to INR19.53bn in 1QCY13, 3% lower than our estimates of INR20bn. Power system revenue grew by 32.2% YoY to INR7.51bn. while automation products reported growth of INR4.4% to INR5.83bn. However, Process automation and power products reported decline of 7.8% YoY and 3.5% YoY respectively. Revenue from renewable were major driver for growth during the quarter.

Revenue and revenue growth trend

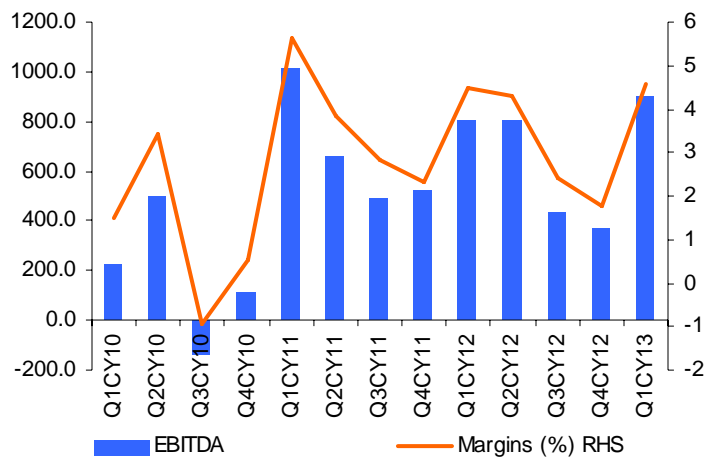


Source: Company, Antique

Cost control supported margins in competitive environment

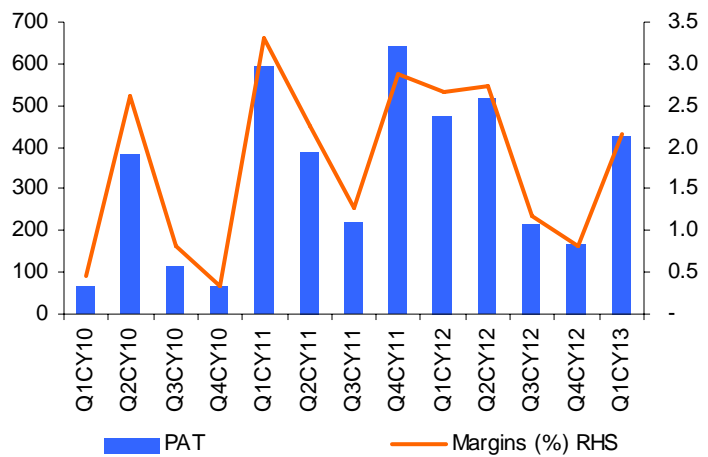
EBITDA increased by 12% YoY (QoQ growth of 1.42%) to INR899m, as margins improved by 10bps on YoY to 4.6% in 1QCY13. Profitability improvement was on back of cost control and support from short cycle products. The profitability in project business continues to remain under pressure due to delayed projects and the accounting policy to take all anticipated increase in project costs. The company has adjusted forex loss of INR210m in other expenditure which impacted the margins by 107bps. PBT declined by 11% to INR636m due to increase in interest cost from INR54m 1QCY12 to INR198m in 1QCY13 as debt increased due to stretched working capital. PAT declined by 10.7% YoY to INR426m below our expectation of INR568m.

EBITDA and EBITDA margin trend



Source: Company, Antique

PAT and PAT margin trend

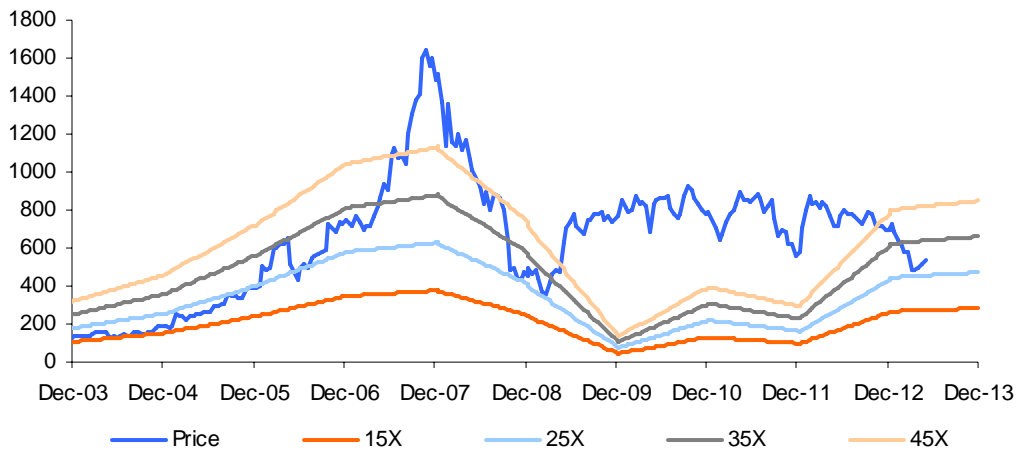


Source: Company, Antique

Valuation and Outlook

At CMP of INR536, the stock is trading at 82xCY12 and 31xCY13 and P/BV of 4.3xCY12. We expect earnings to increase by 167 to INR3.66bn in CY13. We have valued the company at 30xCY13 with target price of INR519. We maintain SELL considering expensive valuation.

1-year forward PE Band



Source: Bloomberg, Antique

Financials

Profit and loss account (INRm)

Year ended 31st Dec	2010	2011	2012	2013e	2014e
Revenue	62,871	73,703	73,155	83,151	97,356
Expenses	62,034	70,872	70,737	77,322	91,074
EBITDA	838	2,831	2,418	5,829	6,282
Depreciation	517	795	941	1,008	996
EBIT	321	2,035	1,478	4,821	5,286
Interest expense	174	307	432	340	354
Other income	855	949	1,017	1,077	1,080
Profit before tax	1,002	2,677	2,062	5,558	6,012
Taxes incl deferred taxation	370	832	688	1,890	2,104
Profit after tax	632	1,845	1,374	3,668	3,908
Reported PAT	632	1,845	1,374	3,668	3,908
Recurring EPS (INR)	3.0	8.7	6.5	17.3	18.4

Balance sheet (INRm)

Year ended 31st Dec	2010	2011	2012	2013e	2014e
Share Capital	424	424	424	424	424
Reserves & Surplus	23,813	24,921	26,137	29,382	32,838
Networth	24,237	25,345	26,561	29,806	33,262
Deffered tax assets/(liabilities)	(46)	(224)	(202)	(181)	(163)
Debt	-	-	-	-	-
Capital Employed	24,191	25,121	26,359	29,624	33,099
Gross Fixed Assets	9,978	14,619	15,488	17,123	18,758
Accumulated Depreciation	2,317	2,935	3,845	4,853	5,849
Net Assets	7,661	11,684	11,643	12,270	12,909
Capital work in progress	577	839	700	700	700
Goodwill on consolidation	-	-	-	-	-
Investments	168	507	507	507	507
Current Assets, Loans & Advances					
Inventories	6,979	9,255	7,616	8,657	10,136
Sundry Debtors	29,260	30,825	31,066	35,311	41,343
Cash and Bank Balance	5,871	2,644	4,365	6,185	7,259
Loan & advances and others	7,153	6,876	7,616	8,657	10,136
Current Liabilities & Provisions					
Creditors	31,630	35,179	36,878	41,917	49,078
Other liabilities & provisions	1,846	2,331	275	745	812
Net Current Assets	15,785	12,091	13,510	16,148	18,984
Application of Funds	24,192	25,121	26,359	29,624	33,099

Per share data

Year ended 31st Dec	2010	2011	2012	2013e	2014e
No. of shares (m)	211.9	211.9	211.9	211.9	211.9
BVPS (INR)	114.4	119.6	125.3	140.7	157.0
CEPS (INR)	5.4	12.5	10.9	22.1	23.1
DPS(INR)	2.3	3.5	0.7	2.0	2.1

Source: Company Antique

Cash flow statement (INRm)

Year ended 31st Dec	2010	2011	2012	2013e	2014e
EBT	1,002	2,677	2,062	5,558	6,012
Depreciation & amortisation	517	795	941	1,008	996
Interest expense	174	307	432	340	354
Other Adjustments	-	(1)	-	-	-
(Inc)/Dec in working capital	1,017	467	302	(817)	(1,762)
Tax paid	(370)	(832)	(688)	(1,890)	(2,104)
CF from operating activities	2,340	3,414	3,050	4,199	3,496
Capital expenditure	(860)	(5,080)	(760)	(1,635)	(1,635)
(Purchase) /Sale of Investments	1	(339)	-	-	-
CF from investing activities	(859)	(5,419)	(760)	(1,635)	(1,635)
Inc/(Dec) in share capital	(183)	(176)	22	20	18
Dividends & Interest paid	(668)	(1,046)	(591)	(763)	(805)
CF from financing activities	(851)	(1,222)	(569)	(743)	(787)
Net cash flow	630	(3,228)	1,721	1,821	1,074
Opening balance	5,241	5,871	2,644	4,365	6,185
Closing balance	5,871	2,644	4,365	6,185	7,259

Growth indicators (%)

Year ended 31st Dec	2010	2011	2012	2013e	2014e
Revenue	0.8	17.2	(0.7)	13.7	17.1
EBITDA	(84.2)	238.0	(14.6)	141.0	7.8
PAT	(82.2)	191.9	(25.5)	166.9	6.5
EPS	(82.2)	191.9	(25.5)	166.9	6.5

Valuation (x)

Year ended 31st Dec	2010	2011	2012	2013e	2014e
P/E	179.7	61.6	82.6	31.0	29.1
P/BV	4.7	4.5	4.3	3.8	3.4
EV/EBITDA	128.4	39.0	45.0	18.3	16.8
EV/Sales	1.7	1.5	1.5	1.3	1.1

Financial ratios

Year ended 31st Dec	2010	2011	2012	2013e	2014e
RoE (%)	2.6	7.3	5.2	12.3	11.7
Roce (%)	1.3	8.1	5.6	16.3	16.0
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
EBIT/ Interest (x)	1.8	6.6	3.4	14.2	14.9

Margins (%)

Year ended 31st Dec	2010	2011	2012	2013e	2014e
EBITDA	1.3	3.8	3.3	7.0	6.5
EBIT	0.5	2.8	2.0	5.8	5.4
PAT	1.0	2.5	1.9	4.4	4.0

Source: Company, Antique

Current Reco	: HOLD
Previous Reco	: BUY
CMP	: INR48
Target Price	: INR51
Potential Return	: 3%

4QFY13 RESULTS REVIEW

KEC International Limited

Margin disappointment

The company reported loss of INR138m in 4QFY13 as projects from new business impacted profitability with cost run in already low margin orders. The company's profitability has been significantly impacted over last six quarters due to cost-of- in new businesses. The company continues to have comfort of strong order book with growth 10% YoY to INR94.7bn during the quarter. The management highlighted benefit of new orders are at healthy margins and cost restructuring going ahead. However, in medium term financials will continue to impact as company is realizing cost as projects are coming to completions.

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Order book at INR94.7bn mark, BTB at 1.4x

Order book increased by 10% YoY (QoQ decline of 7%) to INR94.7bn translating into BTB of 1.4x providing comfort on revenue visibility. Transmission business has order book of INR76bn (75%) while Power systems has 12% share in order book with INR12.6bn. Railways and Water segment has order book of INR4.6bn (5%) and INR4.7bn (5%) respectively. KEC has order inflow of INR17bn during the quarter as compared to INR18.4bn in 4QFY12 and INR22.9bn in 3QFY13.

Execution slow down, revenue growth of 3.9%

Consolidated revenue increased by 3.9% to INR21.5bn on back of 53% YoY growth in new business (Telecom, Railway, Cable and Water) excluding power system which de-grew by 43% YoY to INR1.65bn. Transmission segment reported marginal growth of 5%YoY to INR15.8bn in 4QFY13 supported by 25% YoY growth in South Asia region.

EBITDA margins at 4.1%; down 406bps

EBITDA decline by 47.6% YoY (QoQ de-growth of 14.1%) to INR889m as margins declined from 8.2% in 4QFY12 to 4.1% in 4QFY13. The management highlighted that the margins in transmission remains healthy ~8% however increased revenue from new business at very low margins and cost over run impacted profitability. Again margins in cable business also impacted due to no production at thane plant and starting of new facility at Vadodra, Gujarat. Margins at SAE transmission was also lower at 10% due to order mix. The company reported loss of INR138m, below our expectation of PAT of INR5475m. It had tax adjustment of INR92m due to write back of provisions pertaining to earlier years resulting into adjusted loss is INR45.9m.

Valuation and outlook

At CMP of INR48, the stock is trading at 9.7x FY14 and 5.7x FY15 and P/BV of 1.1x FY13. We have revised our margin estimates for FY14 from 7.1% to 5.6% considering weak outlook in profitability of new vertical while expect marginal improvement in FY15. We have revised our target price to INR51 (10x FY14) and rating to HOLD.

Quarterly financials

INRm	4QFY13	4QFY12	Chg (%)	3QFY13	Chg (%)
Net sales	21,500	20,690	3.9	17,970	19.6
Expense	20,611	18,995	8.5	16,935	21.7
Operating profit	889	1,695	(47.6)	1,035	(14.1)
OPM (%)	4.1	8.2	(49.5)	5.8	(28.2)
Other Income	49.7	1.5	3,213.3	67.8	(26.7)
Interest	570	410	38.9	530	7.6
Depreciation	155	115	34.7	145	7.1
Tax	352	427	(17.6)	135	161.3
PAT	(138)	744	(118.5)	293	(147.0)
EPS (INR)	(0.5)	2.9	(118.5)	1.1	(147.0)

Market data

Sensex	:	19,990
Sector	:	Industrials
Market Cap (INRbn)	:	13
Market Cap (USDm)	:	229
O/S Shares (m)	:	257
52-wk HI/LO (INR)	:	80/47
Avg Daily Vol ('000)	:	305
Bloomberg	:	KECLIN

Source: Bloomberg

Valuation

	FY13	FY14e	FY15e
EPS (INR)	2.5	5.1	8.6
PE (x)	19.3	9.6	5.7
P/BV (x)	1.1	1.0	0.9
EV/EBITDA (x)	6.7	6.1	4.6
Dividend Yield (%)	1.0	1.0	2.0

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(8)	(12)	(23)	(5)
Relative	(15)	(14)	(28)	(21)

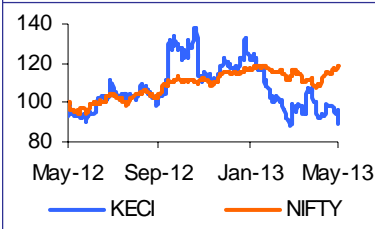
Source: Company, Antique

Shareholding pattern

Promoters	:	45%
FII	:	3%
DII	:	34%
Others	:	18%

Source: Bloomberg

Price performance vs Nifty



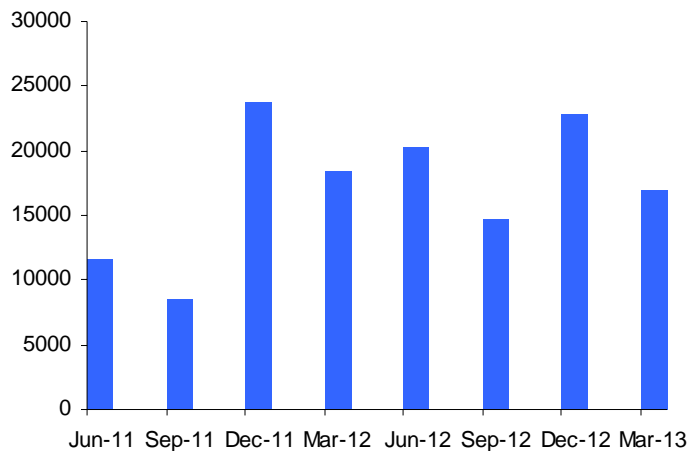
Source: Bloomberg

Source: Company, Antique

Order inflow provides better visibility

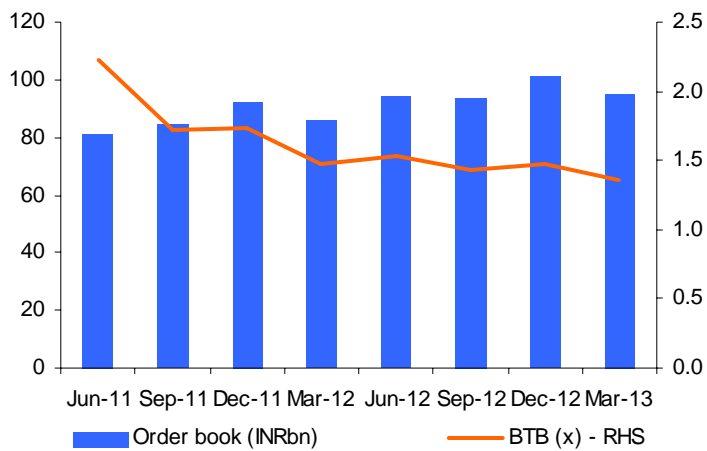
Order book increased by 10% YoY (QoQ decline of 7%) to INR94.7bn translating into BTB of 1.4x providing comfort on revenue visibility. Transmission business has order book of INR76bn (75%) while Power systems has 12% share in order book with INR12.6bn. Railways and Water segment has order book of INR4.6bn (5%) and INR4.7bn (5%) respectively. KEC has order inflow of INR17bn during the quarter as compared to INR18.4bn in 4QFY12 and INR22.9bn in 3QFY13.

Order inflow (INRM)



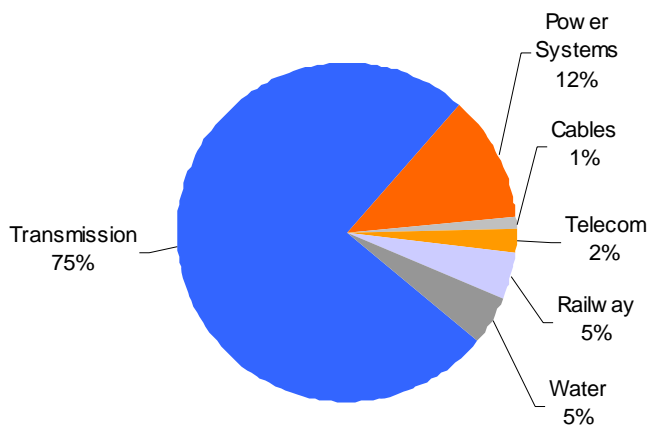
Source: Company

Order book and BTB (X) trend



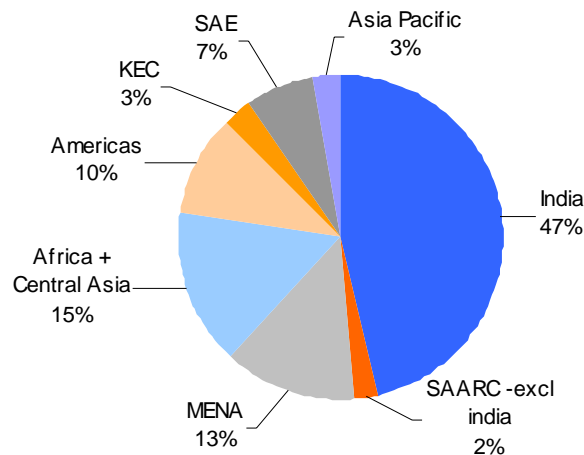
Source: Company

Order book break up - segment wise (INR94.7bn)



Source: Company

Order book - Geography wise

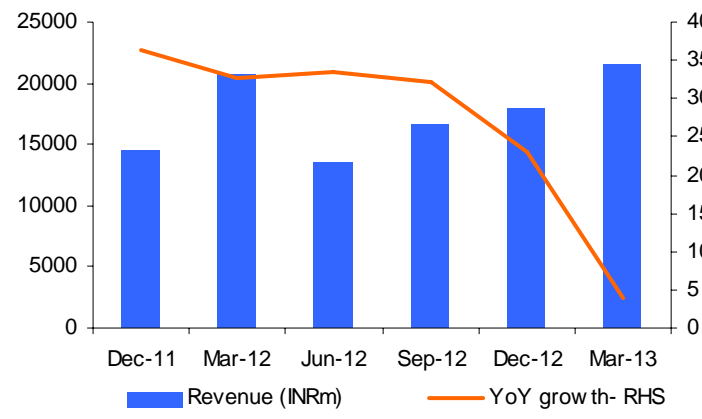


Source: Company

Execution slow down, revenue growth of 3.9%

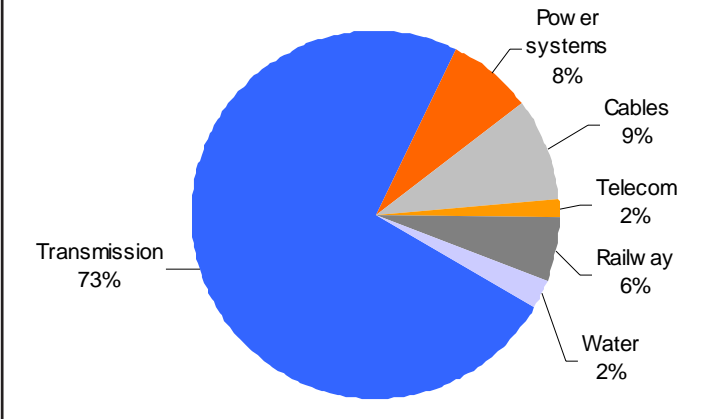
Consolidated revenue increased by 3.9% to INR21.5bn on back of 53% YoY growth in new business (Telecom, Railway, Cable and Water) excluding power system which de-grew by 43% YoY to INR1.65bn. Transmission segment reported marginal growth of 5%YoY to INR15.8bn in 4QFY13 supported by 25% YoY growth in South Asia region.

Revenue and revenue growth trend



Source: Company

Segmental Revenue

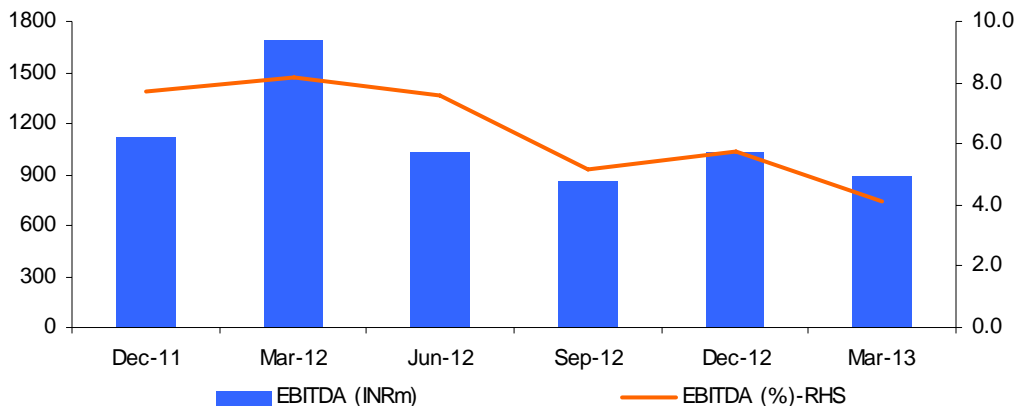


Source: Company

EBITDA margins at 4.1%; down 406bps

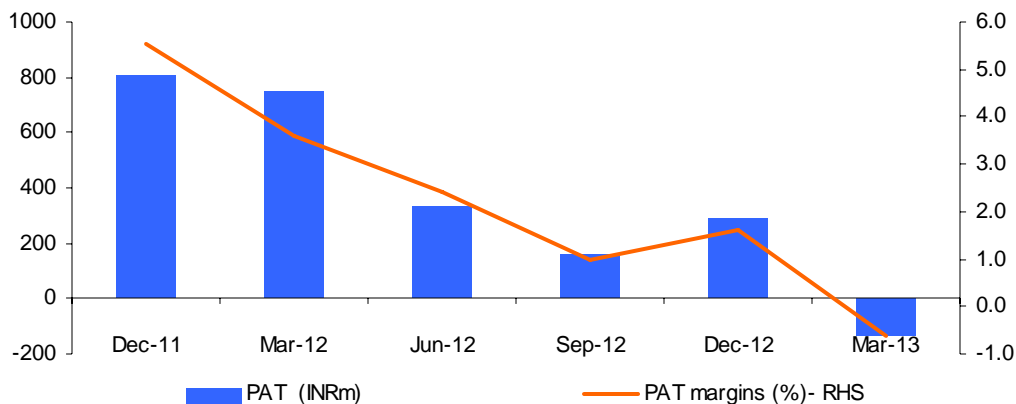
EBITDA decline by 47.6% YoY (QoQ de-growth of 14.1%) to INR889m as margins declined from 8.2% in 4QFY12 to 4.1% in 4QFY13. The management highlighted that the margins in transmission remains healthy ~8% however increased revenue from new business at very low margins and cost over run impacted profitability. Again margins in cable business also impacted due to no production at thane plant and starting of new facility at Vadodra, Gujarat. Margins at SAE transmission was also lower at 10% due to order mix. The company reported loss of INR138m, below our expectation of PAT of INR5475m. It had tax adjustment of INR92m due to write back of provisions pertaining to earlier years resulting into adjusted loss is INR45.9m.

EBITDA and EBITDA margin trend



Source: Company

PAT and PAT margin trend

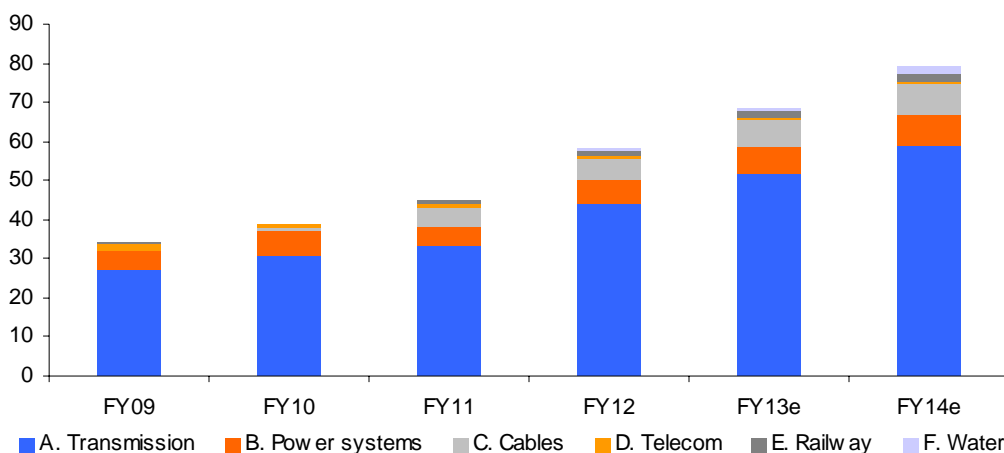


Source: Company

Expanding business through organic and inorganic opportunities

KEC has gradually ventured into new business verticals, which is expected to start yielding positive results. The strategic foray into Power Systems, Cables, Railways and Water businesses signals company's large potential in its vertical. The company is leveraging its project execution capabilities along with strong global presence in each of these businesses to achieve balanced portfolio in long-term. It diversified into water business in FY11 by winning first order of INR310m for construction of Canal in Madhya Pradesh. KEC forayed into international market in Railway business by securing a railway electrification order from Malaysia worth INR300m. It acquired US-based, SAE Towers Holdings LLC, a leading manufacturer of steel lattice transmission towers in Americas in September 2010, which helped KEC to enter in large markets of North and South America - United States, Canada, Mexico, Brazil and other neighboring countries.

Segmental revenue (INR bn) trend



Source: Company, Antique

Valuation and outlook

At CMP of INR48, the stock is trading at 9.7x FY14 and 5.7x FY15 and P/BV of 1.1x FY13. We believe the company has strong background with diversified revenue streams and long-term outlook is still good. We believe KEC will come out of the current lower profitability state due to business slowdown and cost of entry strategy, and expect improvement in profitability over FY14-15e on the back of improved pricing environment and completion of pre-qualification in new ventures..

We have revised our margin estimates for FY14 from 7.1% to 5.6% considering weak outlook in profitability of new vertical while expect marginal improvement in FY15. We have revised our target price to INR51 (10x FY14) and rating to HOLD.

Change in estimate

	Revised		Old		% Change	
	FY14	FY15	FY14	FY15	FY14	FY15
Revenue	79,143	90,938	79,143	90,938	-	-
EBITDA	4,443	5,985	5,616	5,985	(20.9)	-
Margin %	5.6%	6.6%	7.1%	6.6%	150bps	-
PAT	1,319	2,215	2,142	2,215	(38.4)	-
EPS	5.1	8.6	8.3	8.6	(38.4)	-

Source: Antique

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
Revenue	44,765	58,147	69,795	79,143	90,938
Expenses	39,998	53,434	65,981	74,700	84,953
EBITDA	4,768	4,713	3,814	4,443	5,985
Depreciation	408	479	561	587	636
EBIT	4,360	4,234	3,253	3,856	5,349
Interest expense	1,176	1,597	1,944	2,015	2,158
Other income	69	112	161	188	216
Profit before tax	3,252	2,749	1,470	2,029	3,408
Taxes incl deferred taxation	1,111	1,150	818	710	1,193
Profit after tax	2,141	1,599	652	1,319	2,215
Extraordinary income	(85)	494	(1)	-	-
Reported PAT	2,056	2,093	650	1,319	2,215
Recurring EPS (INR)	8.3	6.2	2.5	5.1	8.6

Balance sheet (INRm)

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
Share Capital	514	514	514	514	514
Reserves & Surplus	8,952	10,564	10,958	12,192	14,210
Networth	9,466	11,078	11,472	12,706	14,725
Deffered tax assets/(liabilities)	497	513	804	804	804
Debt	13,590	11,239	14,660	16,823	17,699
Capital Employed	23,552	22,830	26,936	30,334	33,228
Gross Fixed Assets	10,382	10,949	12,589	13,339	14,129
Accumulated Depreciation	2,366	2,852	3,413	4,000	4,636
Net Assets	8,016	8,097	9,177	9,340	9,494
Capital work in progress	278	1,122	953	658	658
Goodwill on consolidation	2,812	3,209	3,424	3,424	3,424
Current Assets, Loans & Advances					
Inventories	3,359	4,401	3,960	5,421	5,979
Sundry Debtors	21,716	25,062	28,870	37,945	42,355
Cash and Bank Balance	1,540	2,029	1,724	2,322	3,041
Loan & advances and others	10,528	11,588	14,423	14,261	16,586
Current Liabilities & Provisions					
Creditors	16,943	21,835	24,671	28,622	32,389
Other liabilities & provisions	7,754	10,843	10,923	14,415	15,921
Net Current Assets	12,446	10,402	13,382	16,912	19,652
Pre-operative and misc.	-	-	-	-	-
Application of Funds	23,552	22,830	26,936	30,334	33,228

Per share data

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
No. of shares (m)	257.1	257.1	257.1	257.1	257.1
BVPS (INR)	36.8	43.1	44.6	49.4	57.3
CEPS (INR)	9.6	10.0	4.7	7.4	11.1
DPS(INR)	1.2	1.2	0.5	0.5	1.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
EBT	3,183	2,637	1,309	1,841	3,192
Depreciation & amortisation	408	479	561	587	636
Interest expense	1,176	1,597	1,944	2,015	2,158
Other Income	69	112	161	188	216
Other Adjustments	(2,714)	(18)	(157)	(204)	20
(Inc)/Dec in working capital	(2,605)	2,533	(3,285)	(2,932)	(2,020)
Tax paid	(994)	(1,184)	(505)	(690)	(1,166)
CF from operating activities	(1,476)	6,157	27	805	3,035
Capital expenditure	(1,920)	(1,411)	(1,471)	(455)	(790)
CF from investing activities	(1,920)	(1,411)	(1,471)	(455)	(790)
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	5,722	(2,350)	3,420	2,164	876
Dividends & Interest paid	(1,485)	(1,906)	(2,073)	(2,143)	(2,415)
CF from financing activities	4,237	(4,256)	1,348	20	(1,539)
Net cash flow	842	489	(96)	370	706
Opening balance	698	1,540	2,029	1,933	2,303
Closing balance	1,540	2,029	1,933	2,303	3,009

Growth indicators (%)

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
Revenue	14.6	29.9	20.0	13.4	14.9
EBITDA	17.5	(1.1)	(19.1)	16.5	34.7
PAT	12.9	(25.3)	(59.2)	102.3	68.0
EPS	12.9	(25.3)	(59.2)	102.3	68.0

Valuation (x)

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
P/E	5.9	7.9	19.3	9.6	5.7
P/BV	1.3	1.1	1.1	1.0	0.9
EV/EBITDA	5.2	4.6	6.7	6.1	4.6
EV/Sales	0.6	0.4	0.4	0.3	0.3

Financial ratios

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
RoE (%)	22.6	14.4	5.7	10.4	15.0
Roce (%)	18.5	18.5	12.1	12.7	16.1
Debt/Equity (x)	1.4	1.0	1.3	1.3	1.2
EBIT/Interest (x)	3.7	2.7	1.7	1.9	2.5

Margins (%)

Year ended 31st Mar	2011	2012	2013e	2014e	2015e
EBITDA	10.7	8.1	5.5	5.6	6.6
EBIT	9.7	7.3	4.7	4.9	5.9
PAT	4.8	2.7	0.9	1.7	2.4

Source: Company Antique

Valuation Guide

Company	Reco	CMP	TP	Return	M.Cap	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INRbn)	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY13	FY13	FY13	1m	12m
AUTOMOBILES																			
Ashok Leyland	HOLD	23	28	24	61	2.5	4.5	0.9	1.7	24.3	13.5	9.7	8.1	1.4	4.4	5.8	9.2	4	(20)
Bajaj Auto	HOLD	1,839	2,065	12	532	31.2	38.9	107.9	134.4	17.0	13.7	13.5	10.7	7.3	3.0	42.8	59.5	8	23
Bosch	HOLD	9,001	9,422	5	283	9.9	9.3	316.5	376.9	28.4	23.9	22.4	23.2	5.1	0.5	17.8	25.6	3	(0)
Eicher Motors	HOLD	3,135	2,817	(10)	85	3.2	4.1	120.1	153.6	26.1	20.4	14.0	11.4	4.8	0.6	18.5	31.1	16	45
Exide Industries	HOLD	136	145	6	116	5.2	7.0	6.2	8.3	22.1	16.5	14.7	10.9	3.4	1.2	15.3	17.9	11	9
Escorts	HOLD	66	64	(2)	8	0.9	1.3	9.2	12.7	7.1	5.1	3.4	2.5	0.4	1.7	5.0	7.0	21	(6)
Hero MotoCorp	HOLD	1,676	1,858	11	335	21.2	23.7	106.1	118.8	15.8	14.1	14.6	11.7	6.7	3.6	42.3	63.8	13	(12)
Mahindra & Mahindra	HOLD	946	910	(4)	581	34.7	36.0	52.9	54.8	17.9	17.3	11.8	11.4	4.3	1.6	23.8	28.7	13	40
Maruti Suzuki	BUY	1,681	2,214	32	486	23.9	38.0	79.2	125.7	21.2	13.4	11.6	7.7	2.7	0.5	12.9	17.9	18	29
Tata Motors	BUY	300	353	18	882	90.0	131.5	28.2	41.2	10.6	7.3	4.8	3.8	2.3	1.3	21.5	25.3	17	1
CEMENT																			
ACC	HOLD	1,215	1,191	(2)	228	10.6	12.9	74.3	68.9	16.4	17.6	11.3	11.8	3.1	2.9	19.2	23.5	8	(1)
Ambuja Cements	HOLD	184	183	(1)	284	13.0	14.6	10.2	9.5	18.0	19.5	9.3	9.6	3.2	2.0	15.4	21.6	9	27
Shree Cements	BUY	4,653	5,195	12	162	8.0	9.1	230.4	262.5	20.2	17.7	10.3	8.8	4.7	0.3	25.8	32.3	16	72
Ultratech Cements	BUY	1,978	2,098	6	542	30.1	34.4	110.0	125.5	18.0	15.8	11.5	9.9	3.5	0.5	21.2	21.7	11	41
FMCG & RETAIL																			
Asian Paints	HOLD	4,854	4,981	3	466	12.1	15.3	122.7	154.5	39.6	31.4	25.6	19.9	16.3	1.1	41.2	48.8	5	33
Colgate Palmolive India	HOLD	1,514	1,304	(14)	206	5.1	6.1	37.1	45.0	40.8	33.6	34.4	27.6	40.9	1.8	100.4	107.9	16	34
Dabur India	HOLD	162	145	(10)	282	7.6	9.3	4.4	5.3	37.0	30.4	28.3	22.3	13.0	1.0	35.2	27.2	14	53
Radico Khaitan	BUY	128	169	32	17	0.9	1.1	6.7	8.7	19.1	14.7	11.2	9.4	2.2	0.7	11.5	11.1	0	2
Godrej Consumer Products	SELL	837	737	(12)	285	8.0	8.7	20.5	25.6	40.9	32.7	29.4	22.3	8.6	1.1	21.1	17.0	4	52
Hindustan Unilever	SELL	587	484	(18)	1,269	33.1	36.6	15.3	16.9	38.3	34.7	36.8	33.3	47.5	1.5	123.9	118.3	23	38
ITC	BUY	343	334	(3)	2,709	73.9	87.2	9.5	11.1	36.3	30.8	25.8	21.5	12.7	1.7	35.1	44.7	17	51
Jyothy Laboratories	HOLD	182	159	(13)	29	0.9	1.1	5.6	6.7	32.8	27.2	23.4	20.1	4.2	1.2	12.7	8.8	11	94
Marico	HOLD	213	209	(2)	138	4.1	5.0	6.3	7.7	33.9	27.7	22.6	18.6	6.9	0.3	20.3	19.8	(3)	20
Nestle India	BUY	4,930	5,126	4	475	12.4	16.4	128.8	170.3	38.3	29.0	26.7	23.1	19.0	1.0	49.6	45.9	11	10
Pantaloon Retail	BUY	154	246	60	35	0.5	1.1	2.3	4.9	67.2	31.2	7.6	6.3	1.1	1.6	1.6	7.3	(2)	1
Titan Industries	HOLD	276	289	5	245	7.3	8.4	8.2	9.5	33.8	29.0	23.6	19.8	12.5	0.8	36.9	47.8	9	13
TBZ	BUY	227	293	29	15	0.9	1.3	12.9	19.8	17.6	11.5	8.9	5.2	3.5	-	19.9	30.8	5	89
United Spirits	BUY	2,324	2,428	4	304	3.4	7.8	28.1	53.7	82.6	43.3	23.5	18.7	3.4	0.1	4.2	9.7	29	234
Tata Global	BUY	151	134	(11)	93	5.1	6.4	8.3	8.3	18.2	18.2	9.0	7.0	1.9	1.7	10.5	12.8	14	34
Tilaknagar Industries	BUY	70	101	45	9	0.6	0.7	4.6	5.6	15.1	12.5	8.8	7.6	1.6	1.6	10.6	10.6	18	29
INDUSTRIALS																			
ABB	SELL	536	519	(3)	114	1.4	3.7	6.5	17.3	82.9	31.0	45.3	18.5	4.3	0.1	5.2	5.6	10	(29)
Bajaj Electricals	HOLD	177	191	7	18	1.4	1.6	14.2	16.3	12.5	10.9	6.3	5.6	2.2	1.7	18.8	33.7	4	(8)
BGR	HOLD	204	251	23	15	1.7	1.9	23.6	26.7	8.6	7.6	5.2	5.8	1.2	4.9	14.6	12.3	8	(34)
Bharat Heavy Electricals	HOLD	195	180	(8)	478	64.9	49.5	26.5	20.2	7.4	9.7	4.2	5.8	1.6	3.8	21.8	29.9	7	(9)
Crompton Greaves Ltd.	BUY	97	156	61	62	(0.5)	6.3	2.9	10.0	33.3	9.7	13.5	7.0	2.0	1.6	5.9	7.2	6	(21)
Cummins India	BUY	518	585	13	144	6.9	7.9	24.9	28.3	20.8	18.3	16.2	14.2	5.3	1.5	34.3	40.1	4	14
Havells India	BUY	678	690	2	85	4.0	5.1	31.9	41.2	21.3	16.5	12.2	9.8	6.7	0.9	35.8	32.5	11	20
Larsen & Toubro	BUY	1,563	1,825	17	962	52.2	59.2	84.9	96.3	18.4	16.2	15.2	13.1	3.3	1.3	16.7	15.0	18	35
Siemens	HOLD	556	512	(8)	198	4.7	7.2	13.4	20.5	41.7	27.2	21.3	14.4	4.7	1.1	11.2	16.9	15	(24)
KEC	HOLD	48	51	3	13	0.6	1.3	2.5	5.1	19.3	9.6	6.1	4.6	1.0	2.5	10.4	12.7	(11)	(8)
Voltas	HOLD	89	105	18	29	1.7	3.0	5.3	9.2	16.8	9.7	14.4	7.3	1.9	2.3	11.2	9.3	16	(18)

UR: Under Review

contd...

Valuation Guide

Company	Reco	CMP	TP	Return	M.Cap	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INRbn)	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY13	FY13	FY13	1m	12m
INFRASTRUCTURE																			
Adani Port and SEZ	BUY	154	165	7	309	12.3	19.2	6.1	9.6	25.2	16.1	16.6	12.5	5.2	0.6	23.0	11.4	7	25
Spice Jet	BUY	40	60	51	19	0.6	2.1	1.2	4.1	33.7	9.8	3.7	2.9	-	-	-	-	41	32
IRB INFRASTRUCTURE	BUY	120	183	52	40	4.2	4.4	12.5	13.3	9.6	9.0	6.0	4.8	1.2	1.2	13.0	12.0	4	0
IL&FS Transportation Networks	BUY	177	221	25	34	5.3	5.3	27.0	27.4	6.5	6.4	8.7	8.0	1.1	2.3	16.4	10.4	(5)	1
INFORMATION TECHNOLOGY																			
HCL Technologies	HOLD	752	785	4	523	38.7	42.6	55.4	60.8	13.6	12.4	9.3	8.3	3.9	1.2	32.4	26.8	1	57
Hexaware Technologies	HOLD	86	90	5	26	2.9	3.1	9.8	10.4	8.3	8.3	8.3	8.0	2.0	5.7	24.1	21.9	(8)	(29)
Infosys Ltd.	HOLD	2,351	2,460	5	1,350	94.3	94.4	164.8	164.9	14.3	14.3	9.8	8.9	3.4	1.8	27.4	26.9	(17)	(1)
Tata Consultancy Services	BUY	1,480	1,615	9	2,897	139.4	160.8	71.2	82.1	20.8	18.0	15.4	13.0	7.1	1.7	34.0	38.0	(0)	24
Wipro	BUY	351	400	14	865	66.7	67.6	27.3	27.5	12.8	12.8	10.4	9.7	3.0	2.0	23.5	22.9	(22)	(13)
Mphasis	HOLD	418	390	(7)	88	7.7	8.6	36.5	40.8	10.3	10.3	8.3	7.0	2.0	4.1	18.6	21.3	12	10
Satyam Computer Services	BUY	113	145	29	133	13.3	13.9	11.3	11.8	10.0	9.6	6.1	5.2	3.4	0.9	38.7	21.9	(4)	53
Tech Mahindra	BUY	984	1,215	24	126	6.5	8.0	51.5	63.1	19.1	15.6	11.4	10.0	3.1	0.5	24.9	67.7	(0)	47
MEDIA																			
Den Networks	BUY	225	252	12	30	0.6	1.3	4.6	9.7	48.4	23.2	16.6	8.3	3.4	-	4.8	4.8	10	121
Dish TV India	BUY	69	95	38	73	(1.0)	0.3	(1.0)	0.3	-	265.2	13.6	10.6	4.7	-	(6.7)	(0.8)	(1)	16
Hathway Cable & Datacom	BUY	280	370	32	40	0.4	2.2	3.0	15.7	93.2	17.8	14.5	6.9	4.7	-	3.9	8.0	9	67
Sun TV Network	BUY	440	510	16	173	7.5	9.1	19.0	23.2	23.1	19.0	14.7	11.9	6.2	2.3	26.8	35.9	21	49
Zee Entertainment Enterprises	HOLD	246	220	(10)	236	7.2	8.8	7.5	9.2	32.7	26.7	23.7	18.8	6.0	0.8	17.2	17.0	22	97
METALS & MINING																			
Graphite India	BUY	79	101	27	16	1.8	1.9	9.2	9.5	8.6	8.4	6.5	6.1	0.9	4.4	10.6	13.3	0	(11)
Hindalco Industries	BUY	103	139	35	197	31.4	37.3	16.4	19.5	6.3	5.3	6.6	6.0	0.6	2.4	9.1	7.2	14	(13)
Hindustan Zinc	BUY	123	150	22	520	69.1	68.3	16.3	16.2	7.5	7.6	7.2	7.6	1.6	2.5	23.3	23.4	6	-
Jindal Steel & Power	BUY	330	440	34	308	28.2	39.6	30.2	42.4	10.9	7.8	7.6	7.5	1.5	0.6	24.8	13.9	(0)	(32)
JSW Steel	HOLD	711	920	29	159	15.6	24.5	69.8	109.7	10.2	6.5	5.6	4.9	0.9	1.1	9.1	7.5	6	3
Steel Authority of India	HOLD	63	71	12	261	21.9	35.9	5.7	8.7	11.1	7.3	9.0	6.7	0.6	3.2	5.4	4.5	3	(32)
Sterlite Industries	BUY	99	129	30	333	64.1	66.2	19.1	19.7	5.2	5.0	3.4	3.0	0.6	2.0	10.5	11.0	13	0
TATA Steel	BUY	319	465	46	309	4.7	42.4	4.6	41.9	69.3	7.6	7.3	4.8	0.7	3.8	0.0	0.1	4	(25)
Coal India	BUY	312	387	24	1,972	165.1	184.2	26.1	29.2	11.9	10.7	7.7	6.3	4.0	3.2	36.6	31.0	1	(7)
OIL & GAS																			
Bharat Petroleum Corp.	BUY	409	442	8	296	20.2	20.8	30.8	31.8	13.3	12.9	9.0	9.1	1.7	3.0	12.7	6.6	8	20
Cairn India	BUY	306	351	15	585	116.1	92.8	63.1	48.4	4.9	6.3	3.2	3.5	1.2	3.8	16.4	16.2	7	(3)
Essar Oil	BUY	80	86	7	109	5.2	11.8	3.8	8.6	21.1	9.3	9.6	7.8	3.8	-	18.2	3.1	2	53
GAIL India	HOLD	343	356	4	434	42.0	35.2	33.1	27.8	10.3	12.3	7.3	8.5	1.8	2.6	17.2	18.0	7	6
Gujarat State Petronet	BUY	66	96	46	37	5.1	4.8	9.0	8.6	7.3	7.6	4.6	4.7	1.3	1.5	17.5	19.5	(3)	(0)
Hindustan Oil Exploration Co	BUY	69	194	181	9	0.9	1.9	7.2	14.9	9.6	4.6	5.4	2.6	0.7	3.1	7.3	6.8	26	(39)
Hindustan Petroleum Corp	SELL	305	287	(6)	103	(1.3)	5.1	(3.9)	14.9	-	20.5	12.6	8.0	0.8	-	(1.0)	1.5	5	1
Indian Oil Corp	HOLD	292	337	15	708	56.7	59.2	23.9	25.0	12.2	11.7	8.6	8.6	1.1	2.5	9.2	7.2	1	10
MRPL	BUY	47	95	101	83	(0.8)	17.7	(0.5)	10.1	-	4.7	15.3	4.1	1.0	(0.3)	18.3	0.3	(5)	(17)
Oil India	BUY	549	616	12	330	34.4	37.0	57.2	61.6	9.6	8.9	4.2	3.9	1.7	3.6	19.5	20.7	3	21
Oil & Natural Gas Corp.	BUY	320	316	(1)	2,739	228.3	226.6	29.5	29.9	10.9	10.7	5.5	5.6	2.2	3.3	20.6	24.6	2	24
Petronet LNG	BUY	142	196	38	107	11.5	10.6	15.3	14.1	9.3	10.1	6.8	6.8	2.4	1.8	30.0	25.1	2	0
Reliance Industries	HOLD	830	875	5	2,679	208.0	227.7	63.6	69.6	13.0	11.9	9.5	8.8	1.3	1.0	11.4	7.8	5	17

UR: Under Review

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Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
						FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14					FY13	FY14
PHARMACEUTICALS																			
Cipla	HOLD	406	388	(4)	326	15.8	16.8	19.7	20.9	20.6	19.4	13.0	12.0	3.7	0.9	18.0	16.9	3	25
Dr Reddy's	BUY	1,999	2023	1	339	15.2	17.7	89.9	104.3	22.2	19.2	14.1	11.5	5.6	0.8	25.1	16.0	3	17
Lupin	BUY	731	706	(3)	327	12.3	14.3	27.5	31.9	26.5	22.9	15.5	13.5	7.0	0.7	26.4	18.9	18	34
Sun Pharma	BUY	986	916	(7)	1,019	29.4	40.5	28.4	39.1	34.8	25.2	18.4	15.0	7.1	0.5	20.3	18.0	14	66
Ranbaxy Laboratories	SELL	443	383	(13)	188	10.3	7.7	24.3	18.2	18.2	24.3	9.0	13.8	4.6	0.5	25.1	13.8	1	(10)
Cadila Health	SELL	797	672	(16)	163	5.8	7.8	28.4	38.1	28.1	20.9	16.5	13.4	5.5	0.9	19.6	9.7	6	8
Divis Labs	BUY	1,092	1223	12	145	6.7	8.2	50.3	61.8	21.7	17.7	19.6	15.8	2.3	0.9	25.6	24.7	6	32
Glenmark	BUY	527	615	17	143	6.1	7.8	22.5	28.7	23.4	18.4	19.5	16.0	5.0	0.1	21.2	14.7	7	59
Ipca Labs	BUY	566	606	7	71	3.8	4.2	30.3	33.7	18.7	16.8	30.0	26.4	4.5	0.1	24.0	17.2	12	57
Biocon	BUY	285	335	18	57	5.1	3.6	26.0	18.1	11.0	15.7	37.8	32.9	2.1	2.6	18.9	14.6	1	23

SHIPPING AND LOGISTICS

Container Corp. of India	HOLD	1,132	1,007	(11)	147	9.7	10.9	74.3	83.9	15.2	13.5	11.6	10.0	2.3	1.6	15.4	20.8	3	29
Essar Ports Ltd	BUY	92	120	31	39	2.2	3.9	5.2	9.1	17.8	10.1	10.5	7.7	1.5	-	8.7	8.6	4	3
Great Eastern Shipping Co	BUY	231	282	22	35	3.7	5.1	24.9	33.7	9.3	6.9	6.3	5.3	0.6	2.8	6.2	6.7	0	(6)
Gujarat Pipavav	BUY	49	59	20	24	0.8	1.4	1.9	3.3	26.3	14.9	13.5	9.4	2.5	-	9.6	9.6	(2)	(12)

SUGAR

Balrampur Chini Mills	BUY	52	51	(2)	13	1.8	0.9	7.5	3.8	7.0	13.6	6.4	8.3	0.9	1.4	14.1	12.1	6	3
Shree Renuka Sugars	BUY	25	35	40	17	0.1	2.6	0.1	0.1	206.0	206.0	7.5	5.9	0.9	4.0	0.4	6.7	-	(18)

UTILITIES

CESC	HOLD	303	343	13	38	3.2	3.9	25.7	31.4	11.8	9.6	9.7	9.2	0.7	1.3	6.3	5.2	9	16
Nava Bharat Ventures	BUY	171	267	56	15	2.6	3.3	28.4	36.3	6.0	4.7	3.1	1.6	0.7	1.9	8.5	7.5	1	(16)
NTPC	BUY	156	185	18	1,289	102.7	118.7	12.4	14.4	12.6	10.9	10.5	8.7	1.6	3.5	13.0	9.8	11	0
Power Grid	BUY	115	140	22	531	39.8	48.7	8.6	10.5	13.4	10.9	11.1	9.5	2.0	1.1	14.9	7.7	10	9
PTC India	BUY	62	86	38	18	2.0	2.7	6.9	9.2	9.0	6.8	7.0	2.7	0.8	2.6	5.9	7.5	3	11
Tata Power	HOLD	94	94	0	223	13.2	14.5	5.6	6.1	16.9	15.4	7.7	5.8	1.7	0.9	14.4	8.2	(3)	(5)

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		NNPA Ratio (%)		P/AdjBV (x)	Div Yld (%)	RoE (%)	RoA (%)	Absolute (%)	
						FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14					FY13	FY14

FINANCIALS

Axis Bank	BUY	1,490	1,580	6	698	52	60	111	129	13.5	11.6	0.3	0.4	1.9	1.4	18.5	1.7	24	51
Bajaj Auto Finance	BUY	1,362	1,551	14	68	5	7	130	158	10.5	8.6	1.1	1.2	1.8	0.8	23.5	3.8	16	59
Bank of Baroda	HOLD	692	850	23	292	42	45	102	110	6.8	6.3	1.3	1.6	1.0	3.2	14.5	0.9	8	5
Bank of India	HOLD	326	369	13	194	28	37	49	64	6.6	5.1	3.2	3.2	0.9	3.9	12.9	0.7	9	(1)
Canara Bank	BUY	403	488	21	178	29	39	65	87	6.2	4.6	2.2	2.2	0.9	3.3	12.1	0.7	4	(5)
HDFC	HOLD	885	840	(5)	1369	47	55	31	36	28.6	24.5	0.4	0.4	4.9	1.4	21.3	2.7	17	35
HDFC Bank	HOLD	697	710	2	1661	67	87	28	37	24.5	19.0	0.2	0.2	3.9	1.1	20.3	1.8	12	35
ICICI Bank	BUY	1,158	1,320	14	1336	83	96	72	83	16.0	13.9	0.8	1.0	1.9	1.8	12.5	1.6	17	39
IndusInd Bank	BUY	493	500	1	258	11	15	20	28	24.3	17.7	0.3	0.4	3.0	0.9	17.7	1.8	25	56
LIC Housing Finance	BUY	252	296	18	127	10	15	20	29	12.4	8.6	0.1	0.1	1.7	1.5	16.8	1.4	14	(1)
Power Finance Corp.	BUY	198	220	11	261	35	43	27	32	7.4	6.1	0.9	0.9	1.0	3.0	16.9	2.4	3	33
Punjab National Bank	HOLD	749	800	7	265	47	52	138	152	5.4	4.9	2.3	2.1	0.9	3.9	15.8	1.0	6	(4)
Rural Electrification Corp.	BUY	231	250	8	228	33	40	33	40	6.9	5.8	0.2	0.2	1.1	2.8	20.8	2.7	9	23
Shriram Transprt finance	BUY	739	850	15	168	14	16	64	73	11.5	10.2	2.5	2.3	1.9	2.7	21.9	3.8	8	45
State Bank Of India	HOLD	2,255	2,300	2	1542	142	167	212	248	10.6	9.1	2.1	2.1	1.9	2.0	15.8	1.0	11	15
Union Bank of India	BUY	239	280	17	143	19	29	35	52	6.9	4.6	2.2	2.5	1.2	4.4	14.0	0.7	11	13
YES Bank	BUY	507	558	10	182	13	15	36	43	14.0	11.8	0.0	0.0	2.6	1.3	23.1	1.5	19	54
Mahindra & Mahindra Fin.	BUY	263	240	(9)	150	9	10	16	18	16.8	14.7	1.1	1.9	2.9	1.7	23.8	3.5	26	96
Cholamandalam Invst & Fin.	BUY	270	302	12	39	2.6	3.4	20	26	13.6	10.6	0.4	0.5	1.8	-	15.9	1.3	2	50

UR: Under Review

Events Calendar

May 2013

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
6 May	7 May	8 May	9 May	10 May	11 May	12 May
			Asian Paints Escorts Union Bank Punjab National Bank	Ashok Leyland NTPC Cummins India Balrampur Chini Graphite India Essar Oil		
13 May	14 May	15 May	16 May	17 May	18 May	19 May
Nestle Bank of Baroda Bank of India Eicher Motors	Dr. Reddy's Labs	Bajaj Finance Adani Ports & SEZ United Spirits IRB Infra	Bajaj Auto Satyam Computer	Sun TV Network ITC		
20 May	21 May	22 May	23 May	24 May	25 May	26 May
Coal India			PTC India BHEL		Container Corp	
27 May	28 May	29 May	30 May	31 May		
Bajaj Electricals	Colgate Palmolive	BPCL	Mahindra & Mahindra Tata Power Ipca Labs			

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