

JM Financial Research

Passenger Vehicle Thematic | Diesel advantage fading; will gasoline cars gain?

Sector Update

- Diesel's historic price advantage to gasoline fading sharply...
- ...Correcting the high economic advantage of diesel cars over gasoline cars
- Buyers primarily look for better value proposition, more than fuel option
- Discounts on gasoline cars may have peaked, although diesel cars at risk of attracting discount
- Dieselization to reverse in medium-to-long term, we maintain car/UV volume CAGR at 9%/12% during FY13-15E

HDFC | Strong individual loans growth; stable spreads

Company Update BUY ₹1,000 (Mar'14)

- Adjusted profit up 23% YoY
- Individual loans (+25% YoY) drive steady loans growth of 21% YoY (on-book)
- Adjusted NII up 20% YoY, supported by stable spreads (calc.)
- Strong well diversified non-interest income growth
- Maintain BUY with Mar'14 TP of ₹1,000

South Indian Bank | Weak Quarter

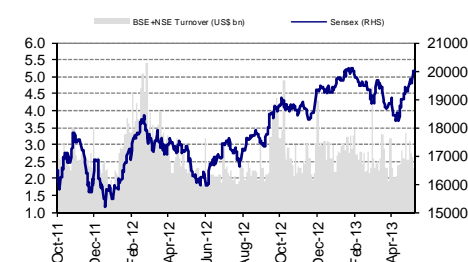
Company Update BUY ₹32 (Mar'14)

- PBT down 7% YoY on high provisions
- Loans growth slows to 16.6% YoY
- 4Q13 NIM down 33bps on reduced CD ratio, income reversals and lower CASA
- Non-interest up 47% YoY on forex and treasury income - pension cost drove employee cost
- Asset quality deteriorates on high delinquencies
- Attractive valuation; Maintain BUY with Mar'14 TP of ₹32

World Indices

	Close	% Change	
		Daily	YTD
BSE Sensex	19,990	1.1	2.4
NSE 50 Nifty	6,069	1.2	2.3
CNX Mid Cap	8,042	0.9	-5.5
S&P 500	1,626	0.5	14.0
FTSE 100	6,557	0.5	11.2
Nasdaq	3,397	0.1	12.5
Hang Seng	23,213	0.7	2.5
Shanghai Comp	2,250	0.7	-0.8

Sensex and Total Turnover (US\$ bn)



Net Institutional Flows (US\$ mn)

Cash	FII	Cash	MF
5/6/2013	170.5	5/6/2013	-36.9
MTD	667.4	MTD	-213.7
YTD	12001.4	YTD	-1264.5
Derivatives			
FII	Index		Stocks
5/7/2013	99.8		-96.7
MTD	546.3		-655.4

Turnover (US\$ bn)

	BSE	% Chg	NSE	% Chg
Cash	0.4	6.0	2.0	18.2
F&O	NA	NA	21.9	22.6

Top Gainers/Losers*		Turnover spurt over 5 days avg.			BSE Sectoral & Broad Indices			
Gainers	% Chg	Company	Val-mn	% Chg	Sector	Close	% Chg	%YTD
Mphasis Ltd	10.9	United Spirit	5.65	4.5	Auto	11,054	1.1	35.7
M&M Fin Servi	10.6	Icici Bank Lt	3.70	2.9	Bankex	14,453	1.8	57.9
Essar Oil Ltd	5.9	State Bank In	3.57	2.8	FMCG	6,753	2.0	67.3
Century Texti	5.9	Reliance Inds	3.42	2.7	Cap.Goods	9,980	0.9	23.7
Mmtc Ltd	5.0	Reliance Comm	3.08	2.4	IT	6,007	0.3	4.4
Sintex Indus	4.8	Housing Dev F	2.85	2.3	Metal	8,935	0.1	-3.9
Crisil Ltd	4.5	Axis Bank Ltd	2.47	2.0	Oil & Gas	8,850	0.5	17.5
Losers	% Chg	5 Day Movement	Price	% Chg	Power	1,780	0.7	-0.9
Allahabad Ban	-4.8	Hindustan Uni	580	16.5	Realty	1,933	1.4	40.5
Rajesh Export	-3.4	United Spirit	2,347	13.0	Healthcare	8,882	0.9	51.3
Gitanjali Gem	-2.6	Reliance Comm	113	12.3	PSU	6,811	0.4	7.0
Wockhardt Ltd	-2.3	M&M Fin Servi	258	12.3	BSEI 00	6,080	1.1	32.2
Coal India Lt	-2.1	Mphasis Ltd	416	11.6	BSE200	2,445	1.1	32.1
Zee Entertain	-2.0	Jain Irrigati	70	11.6	BSE500	7,559	1.0	30.8

Note: *From BSE200

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Lupin | US and India beat

Company Update	BUY	₹800 (Mar'14)
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- Significant beat on profits
- India and US sales beat
- Maintain BUY

Ranbaxy Labs | Q1'13 disappoints on ongoing remediation costs

Company Update	BUY	₹510 (Dec'13)
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- Base EBIDTA disappoints
- Europe/India miss estimates, CIS beats, US in line
- Maintain BUY, TP

ABB India | Operationally in-line, rising interest cost a worry

Company Update	HOLD	₹492 (Dec'13)
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- Revenue beat, but profit declines 18% on higher interest costs
- Operating margins in-line at 5.7% (adj for forex loss), down 70bps YoY
- Order book contracts 9% YoY on weak inflows
- Maintain HOLD, cut TP to ₹492

KEC International | Margins to remain weak

Company Update	HOLD	₹54 (Mar'14)
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- Swings to loss on low margin projects, higher tax liability
- EBITDA margin falls to 4.1% in 4Q13
- Order book stood at ₹94.7bn, up 11% YoY
- Maintain HOLD, cut TP to ₹54

Glenmark Pharma | Strong sales growth continues**Flash Update**

- 34% adjusted net profit growth on strong sales
- Strong growth in India
- NCE update
- Guidance of 20% sales growth and stable margins

Key Statistics

	Close	% Change	
		Daily	YTD
US\$ / ₹*	54.1	0.1	1.6
US\$/Euro	1.3	0.1	-0.8
US\$/Yen	99.1	-0.1	-12.4
10 yr G-Sec (%)	7.8	-0.1	-5.1
Call rate (%)	7.6	-3.2	-9.0
Brent-spot (US\$/bbl)	104	0.0	-6.8
Gold (US\$)	1,452	-0.1	-13.3
Aluminium (LME, US\$/t)	1,848	0.0	-9.5
Copper (LME, US\$/t)	7,239	-0.1	-8.5
Zinc (LME, US\$/t)	1,838	-0.8	-10.3
Steel (US\$/t)	540	0.0	1.4

*+/- chg reflects \$ appreciation/depreciation

Bulk Deals

Company	Price	Rs mn		
		Buy	Sell	Total
Ess Dee Alumin.	513	0	90	90
IVRCL Infra.	21	38	36	73
Lakshmi Energy	35	28	28	56
Agarwal Holdings	36	12	0	12
Shekhawati Poly-Yarn	4	11	0	11
Brescon Corp Adv	179	4	4	9
BAG Films	4	4	4	8
PFL Infotech	53	3	3	6
Alang Indl.Gas.	125	0	5	5
Akl Soft&Infosy.	1	0	2	2
Mavens Biotech	1	1	0	1
Chambal Brewer	15	1	0	1
Crew B.O.S.Prod.	9	0	1	1
Sujana Univ. Ind	1	0	1	1
BOSTON BIO	4	0	0	0

Key Stock Activity of Previous Trading Day

Top Sensex Movers				Top Turnover (NSE+BSE)		Company**	Vol (mn)	%Chg		
c. 84% of Sensex wt.				% of total turnover,		Future OI gainers				
Company	Price	Cont.	Daily	YTD	Company	Rs. bn	%			
Itc Ltd	335	57.7	2.7	16.9	United Spirit	5.6	4.5	Lupin Ltd	2.3	72.8
Reliance Inds	827	11.7	0.7	-1.4	Icici Bank Lt	3.7	2.9	Apollo Tyres	7.0	14.9
Icici Bank Lt	1,164	26.1	1.7	2.3	State Bank In	3.6	2.8	Zee Entertain	3.9	12.9
Housing Dev F	853	2.4	0.2	3.0	Reliance Inds	3.4	2.7	Gail India Lt	2.2	12.0
Hdfc Bank Ltd	687	27.5	1.8	1.2	Reliance Comm	3.1	2.4	Housing Devel	6.4	11.3
Infosys Ltd	2,349	4.1	0.3	1.3	Housing Dev F	2.8	2.3	Future OI losers		
Larsen & Toub	1,578	10.7	1.1	-1.8	Axis Bank Ltd	2.5	2.0	Century Texti	4.6	-4.0
Tata Consulta	1,469	2.9	0.3	16.7	Infosys Ltd	2.4	1.9	Idea Cellular	7.7	-7.8
Oil & Natural	320	3.0	0.4	19.7	Larsen & Toub	2.2	1.8	Wipro Ltd	1.7	-7.0
Hindustan Uni	580	7.9	1.1	10.5	Bharti Airtel	2.1	1.7	Shriram Trans	1.8	-6.4
State Bank In	2,256	9.8	1.4	-5.3	Hdfc Bank Ltd	2.0	1.6	Ptc India Ltd	3.0	-6.3
Tata Motors L	299	16.7	2.6	-4.4	Reliance Capi	2.0	1.6	MW Position	OI (Mn)	MWP %
Mahindra & Ma	959	-3.2	-0.6	3.1	Dif Ltd	1.9	1.5	Unitech Ltd	56.4	21.4
Bharti Airtel	330	15.6	3.1	4.2	Tata Steel Lt	1.9	1.5	Ifci Ltd	54.8	37.0
Sun Pharma In	991	4.0	0.8	34.7	Tata Motors L	1.8	1.5	Jaiprakash As	51.0	21.6
Ntpc Ltd	158	2.3	0.6	0.9	Itc Ltd	1.8	1.4	Shree Renuka	50.4	64.3
								Gmr Infrastru	49.1	23.8

Contribution to change in Sensex, MWPL - Market wide position limit, ** One day prior data

Corporate News

- **GMR Infra** looks to sell stake in 4 road assets; co in talks with Morgan Stanley fund, Citigroup VC, SBI Macquarie and ICICI Venture to raise ₹18bn. (ET)
- **Cognizant** sees strong 2Q; firm posts a 17% rise in 1Q profit driven by European clients; US immigration Bill remains a worry. (Mint)
- **GoAir** scouts for foreign partner, to sell 49% stake; co appoints JP Morgan to look for a partner; seen in talks with airlines from Europe, Mid-east. (ET)
- **Valvoline Cummins** to invest \$30mn in an all-new manufacturing and packaging plant for lubricants at Ambarnath, on the outskirts of Mumbai, to meet future demand. (ET)
- **Tata Chemicals** temporarily closes two units of diammonium phosphate at Haldia plant in West Bengal due to disruption in supply of phos acid. (Mint)
- **HUL** says the \$5.4bn open offer by its parent Unilever Plc to buy 22.52% stake in the co would begin on 21 June. (Mint)
- Japan's **Uniqlo** and Sweden's **Hennes and Mauritz** plan to open stores in India; Both are moving closer to finalizing anchor store space at **DLF's** 1.8 mn sq. ft Mall of India in Noida's Sector 18. (Mint)
- **OracleCorp** says it will cut its current 80.3% ownership stake in Oracle Financial to 75% as required by SEBI. (Mint)

Economic/Regulatory News

- **Power** from gas-based projects may see tariff hike; govt working on a plan to allow gas-powered projects to import the fuel and pass on the incremental costs as higher charges. (Mint)

Passenger Vehicle Thematic

Diesel advantage fading; will gasoline cars gain?

- Diesel's historic price advantage to gasoline fading sharply...:** After peaking in May'12, the disparity between retail gasoline and diesel prices has come off significantly. Government has shown resolve to cut diesel subsidy by raising diesel prices by c.21% in the last 12 months (vis-à-vis 1% reduction in gasoline prices). Increased diesel prices, coupled with c.10% cut in gasoline prices in last 2 months has reduced the historic price advantage enjoyed by diesel meaningfully in PVs. In fact, the retail gasoline price premium to diesel is currently at lowest levels since Jul'02 (barring a brief period in Apr'03).
- ...Correcting the high economic advantage of diesel cars over gasoline cars:** Total savings from owning a diesel car against a gasoline car jumped by >80% from Mar'09 to Mar'12 (assuming 5-yr replacement cycle), despite >30% hike in diesel prices. However, the benefit since then has corrected substantially, as price hikes and higher local taxes led to rising capital cost of diesel cars and premium on gasoline prices fell. We estimate that saving (economic gains) on diesel-run cars over gasoline has corrected c.30% from Mar'12 to Mar'13 and further by >70% from Mar'13 to May'13.
- Buyers primarily look for better value proposition, more than fuel option:** India remains one of the most price-conscious passenger vehicle markets in the World, reflected in the rapid change in sales mix with diesel cars accounting for c.58% of new car sales in FY13 compared to c.35% in FY11. However, given the recurring nature of fuel expense, fall in savings due to reduced fuel price disparity would have a greater sentimental impact on the decision making of potential diesel car buyers compared to reduction in savings due to rise in capital cost, in our view. Having said this, we believe longevity of current fuel pricing structure and greater visibility would be essential for any meaningful shift towards gasoline cars.
- Discounts on gasoline cars may have peaked, although diesel cars at risk of attracting discount:** We believe discounts/promotions have peaked in case of gasoline cars, while the same may be introduced/increased for diesel cars going forward, if fuel price disparity continues to drop. Consequently, fresh discounts on diesel cars and lower discounts on gasoline cars could lead to higher savings on diesel cars from the current level, raising the attractiveness of these cars.
- Dieselization to reverse in medium-to-long term, we maintain car/UV volume CAGR at 9%/12% during FY13-15E:** Given the direction of government's diesel pricing policy and global weakness in crude oil, we see remote chances of diesel powered cars regaining excessive superiority over gasoline cars anytime soon. However, we do not see this impacting the growth momentum in premium hatchback and compact-sedan segment (which have been driving dieselization) materially as customers with limited usage would shift to gasoline cars and not delay/avoid purchase, in our view. On the other hand, correction in gasoline price augurs well for entry-level cars, but rate cut and uptick in economic growth would be equally critical for any meaningful demand recovery. We maintain car/UV volume CAGR at 9%/12% for FY13-15E and reiterate Maruti Suzuki as our top pick in the Indian automotive space.

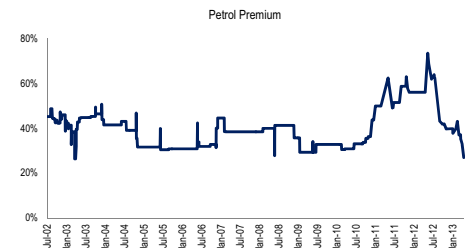
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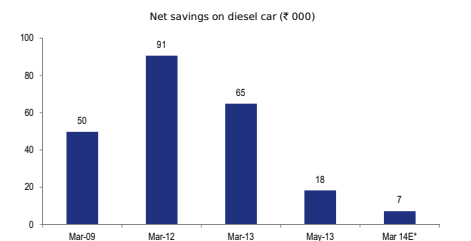


Premium on Gasoline over Diesel (retail price)



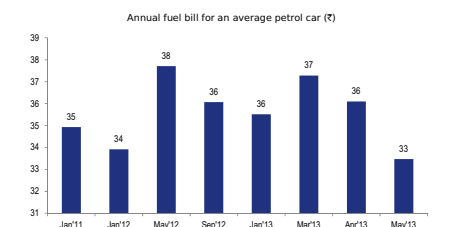
Source: IOC, JM Financial / Note: Prices as in Mumbai.

Saving on diesel car vis-à-vis gasoline



Source: IOC, Industry, JM Financial

Fuel bill (entry level, gasoline) trends



Source: IOC, Industry Media reports, JM Financial

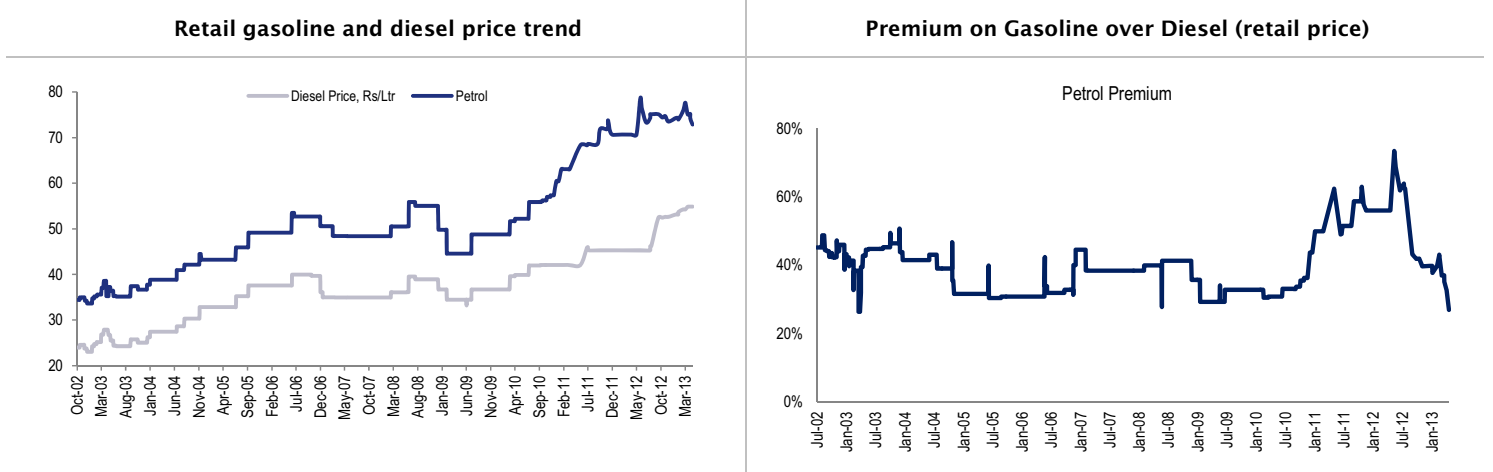
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Over last few years, demand environment has remained challenging for the Indian passenger vehicle industry with volumes witnessing meager 2% CAGR during FY11-13. However, rapid 'dieselization' surprised the industry positively. Diesel cars accounted for c.58% of new car sales in FY13 compared to c.35% in FY11, thanks to soaring retail price difference between diesel and gasoline. Interestingly, falling global crude oil prices (-11% in the past quarter) and government's efforts on reducing diesel subsidy has changed the operating economics of diesel cars vs. gasoline cars quite meaningfully. The premium of retail gasoline prices over diesel prices has now plunged to a low of c.27% from the peak of c.74% in May'12 and CY2012 average of c.56%. As a result, the attractiveness of diesel cars over gasoline cars has started losing diminishing. But, will this lead to change in demand dynamics of Indian passenger vehicle market? Will consumers of entry level gasoline cars (who have stayed away from the markets for a while now) return? We try to find answers to some of these questions in the report.

- Diesel's historic price advantage to gasoline is fading sharply...:** After peaking in May'12, the disparity between retail gasoline and diesel prices has come off significantly in the last 6-12 months. While raising diesel price still remains a tough task on grounds of effective inflationary pressure and implicit populist compulsions (ahead of 2014 general elections), government has displayed some resolve by hiking retail diesel prices by c.21% in the last 12 months. This is a significant reflection of government's fuel policy when viewed in light of - a) 1% reduction in gasoline prices in the same period, and b) just 8% increase in diesel prices during Jun'10-Jun'12 when retail gasoline prices were hiked by >30%. Increased diesel prices, coupled with c.10% cut in gasoline prices in last 2 months (on lower global crude prices) have reduced the historic price advantage enjoyed by diesel fuel meaningfully. In fact, the retail gasoline price premium to diesel is currently at lowest levels since Jul'02 (barring a brief period in Apr'03).

Exhibit 1. Fuel price trend is reflecting the falling disparity

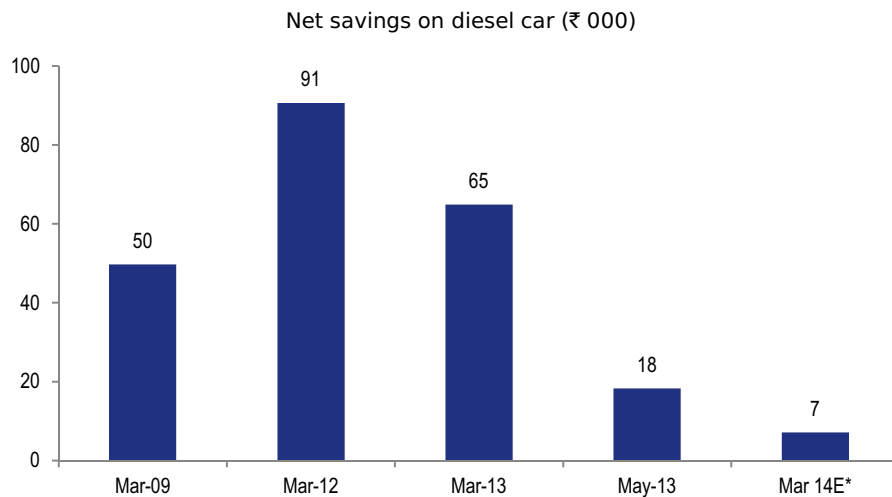


Source: IOC, JM Financial / Note: Prices as in Mumbai.

- ...Correcting the extreme superiority of diesel cars over gasoline cars:** The savings from owning a diesel vehicle increased by >80% between Mar'09 to Mar'12, despite >30% hike in diesel prices and rising capital cost of diesel vehicles (vis-à-vis comparable gasoline variant). The jump in diesel benefit was primarily driven by increasing premium on gasoline prices (up c.59% during same period). However, driven by rising capital cost of diesel cars (led by price hikes and higher local taxes), and falling premium on gasoline prices, the benefit since then has corrected substantially. We estimate saving (cost

benefit) on diesel-run cars over gasoline-run has corrected by c.30% between Mar'12 to Mar'13 and further by >70% between Mar'13 to May'13.

Exhibit 2. Saving on diesel car ownership over a 5-yr period



Source: IOC, Industry, JM Financial; Note – Assuming 1st buyer ownership of 5 yrs.

■ Buyers primarily look for better value proposition, more than fuel option:

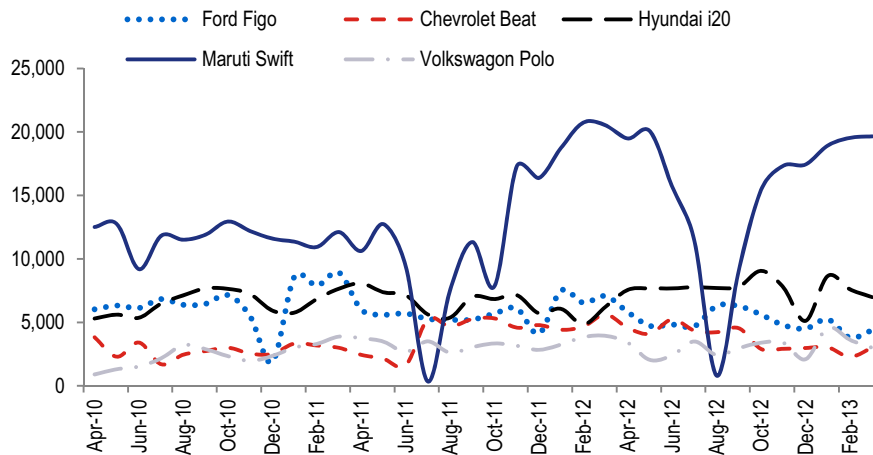
India remains one of the most price-conscious passenger vehicle markets in the World. Furthermore, discerning customers tend to opt for vehicles with lower total cost of ownership, rather than looking at only the upfront capital cost of acquiring the vehicle. Given increasing premium on gasoline prices over diesel, along with technological advancements and increasing product range (almost all manufacturers rolled out diesel variants of popular models), diesel vehicles in India witnessed strong demand in recent years despite an overall sluggish growth environment. This is reflected in the change in sales mix with diesel cars accounting for c.58% of new car sales in FY13 compared to c.35% in FY11. Since Mar'12, savings from owning a diesel car have come down significantly, driven by higher capital cost and sharp reduction in retail gasoline price premium over diesel. While the reduction in savings from Mar'12 to Mar'13 was largely driven by increase in capital cost of diesel cars, the reduction in savings from Mar'13 to May'13 is triggered by cut in gasoline prices. Given the recurring nature of fuel expense, the fall in savings due to reduced fuel price disparity would have a greater sentimental impact on the decision making of potential diesel car buyers compared to reduction in savings due to increased capital cost. However, we believe longevity of current fuel pricing structure and greater visibility would be essential for any meaningful shift towards gasoline cars. Car dealer highlight that customers are skeptical about the sustainability of such pricing policy going ahead.

"Has seen about 15 percent shift in demand for gasoline vehicles in the last four months"; "Diesel-gasoline cars sales ratio is currently 80:20 from 90:10 earlier" – Ford India

"Enquiries for gasoline cars have already gone up and further reduction in gasoline prices will positively impact demand" – Hyundai India

The company witnessed about five per cent increase in gasoline car sales between January and April 2013. – Mahindra First Choice

Exhibit 3. Volume trend of popular car models with diesel variants (units)

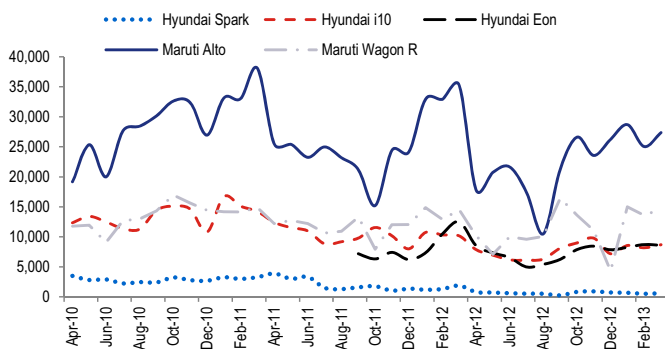


Source: Media reports, JM Financial

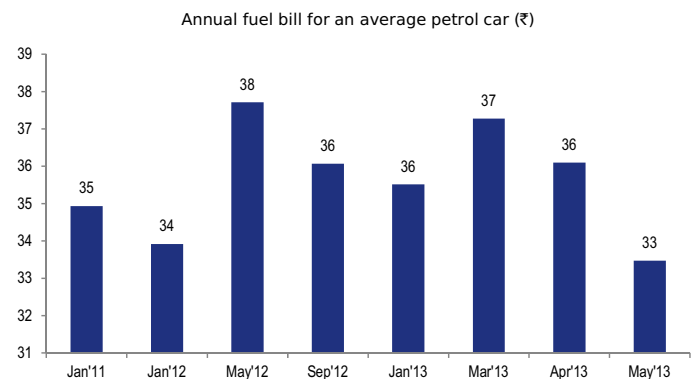
■ **Ownership cost of entry-level gasoline cars gets attractive, but is it enough for demand recovery?** Besides correcting the unusual disparity between the ownership cost of gasoline and diesel vehicles, lower gasoline prices have reduced the ownership cost of entry-level cars (mainly priced < ₹0.4mn). Over the past 12-18 months demand for entry-level cars (primarily driven by first-time buyers) was impacted by various factors, key being the sharp increase in gasoline prices. The retail gasoline price was hiked by c.25% between Jan'11 to May'12, leading to sharp jump in running costs. Notably, this was also the period when lending rates continued to head north. Since May'12 gasoline prices have corrected c.11% (large share of this fall coming in the last 2 months), resulting into drop in ownership cost of entry-level cars. Given the weak macro-economic outlook, volatility in fuel prices, and subdued customer sentiments, we believe near-term impact of lower gasoline prices on entry-level car demand would be minimal. However, over the medium-term, reduced operating costs (because of lower gasoline prices) would be a major catalyst for demand recovery in smaller gasoline cars, along with rate cut and uptick in economic growth. In the event of demand recovery, we believe Maruti Suzuki and Hyundai Motors India would be relatively better placed to capture the upturn given their extensive/popular product range in small car segment.

Exhibit 4. Entry-level (gasoline only) models: Volumes and Fuel bill

Monthly volume trends (units)



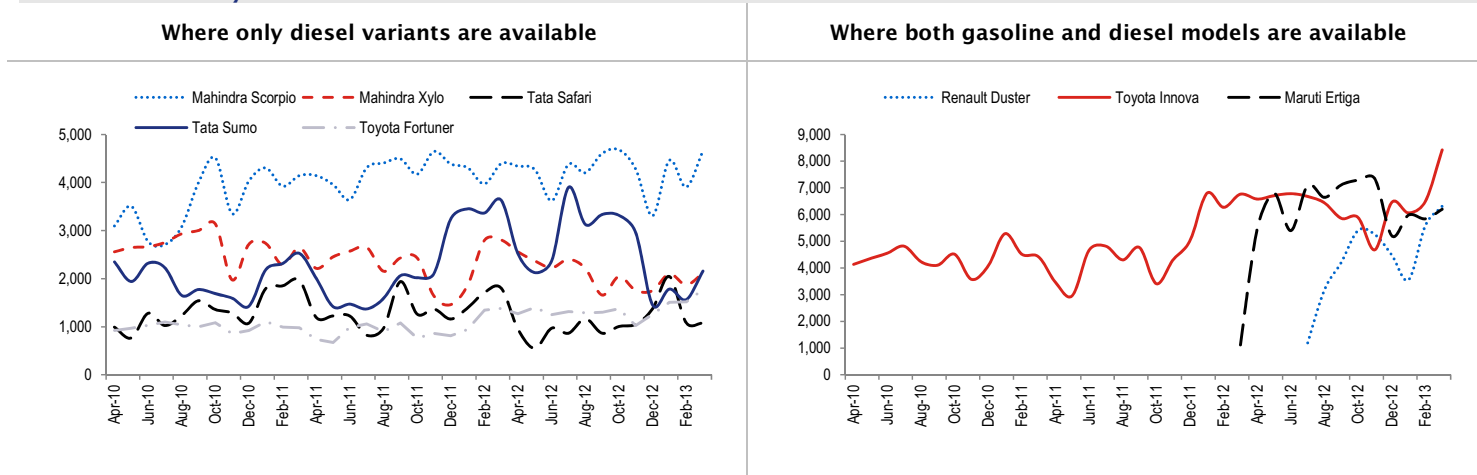
Change in fuel bill over last few years



Source: IOC, Industry Media reports, JM Financial

- What happens to UVs/SUVs?** Despite a weak economic environment, Utility Vehicles continue to grow at a healthy pace; triggered by new model launches, introduction of more affordable UV/MPV (priced between ₹0.75mn-₹1.25mn), better road infrastructure and continued subsidy on diesel fuel. While we expect the UV segment to grow at a healthy pace in FY14, we expect the growth rate to come off from higher levels (18%) of FY13. Within UV space, we expect the share of compact UVs to increase over the next 2-3 years, driven by launch of keenly awaited models like Ford 'Ecosport', Maruti Suzuki 'XA-Alpha' and others. But the recent 300bps hike in excise duty on UVs (>4-mtrs long) in the Union Budget 2013-14 along with increase in diesel prices would keep a check on growth momentum in the near term.

Exhibit 5. Monthly volume trends in UVs



Source: JM Financial,, Media reports.

- Discounts on gasoline cars may have peaked, although diesel cars at risk of attracting discount:** We believe discounts/promotions have peaked in case of gasoline cars, while the same may be introduced/increased in diesel cars going forward, if the fuel price disparity continues to drop. Our view stems from the fact that demand is subdued for gasoline cars for a reasonably long time now and that their operating economics has improved now, thanks to weak global crude price and change in government's fuel pricing policy. In fact, sales volume of many gasoline cars have stopped falling and stabilized at lower levels.

Exhibit 6. Discounts/freebies still largely on gasoline cars

Source: Media reports, JM Financial

- Investment plans of carmakers in diesel technology/capacity would stay, we believe:** Encouraged by strong growth in diesel cars in the last few years, most car companies have committed investment for their upcoming diesel car capacity. Although in the current scenario, volume growth for diesel cars may come under incremental pressure, impacting volume off-take by the market. Given that India inherently remains an attractive market, we do not expect short term changes in trends to adversely affect investment plans significantly, although some of these capacity addition may get delayed.

Exhibit 7. Diesel capacities planned by companies

	Capacity	Investment	Comments
Maruti Suzuki	150k engines	₹10bn	Phase II includes capacity for additional 150k engines.
Honda India	120k vehicles, Also includes diesel engine component production and a forging plant	₹25bn	Recently launched its first diesel offering in the domestic market - Honda Amaze
Ford India	270k engines, 240k vehicles	₹40bn	Greenfield facility in Sanand. To commence production in FY14. Flexible line capable of supporting both diesel and gasoline engines

Source: Media reports, Company, JM Financial

- Dieselization to reverse in medium-to-long term, we maintain car/UV volume CAGR at 9%/12% during FY13-15E:** Given the direction of government's diesel pricing policy and global weakness in crude oil, we see remote chances of diesel powered cars regaining excessive superiority over gasoline cars anytime soon. However, we do not see this impacting the growth momentum in premium hatchback and compact-sedan segment (which have been driving dieselization) materially as customers with limited usage would shift to gasoline cars and not delay/avoid purchase, in our view. On the other hand, correction in gasoline price augurs well for entry-level cars, but rate cut and uptick in economic growth would be equally critical for meaningful demand recovery. We maintain our car/UV volume CAGR at 9%/12% for FY13-15E and reiterate Maruti Suzuki as our top pick in the Indian auto space.

Exhibit 8. Upcoming launches

Company	Model	Segment	Timeline
Mahindra	Verito - Vibe	Hatchback	2QCY13
Ford	EcoSport	Compact SUV	2QCY13
Skoda	New Octavia	Sedan	3QCY13
Maruti	Wagon R Stringray	Hatchback	3QCY13
Tata	Nano Diesel	Compact hatchback	3QCY13
Maruti	XA Alpha	Compact SUV	2HCY2014
Nissan Datsun	NA	Small car segment	CY2014

Source: Company, JM Financial

Strong individual loans growth; stable spreads

- Adjusted profit up 23% YoY:** HDFC's reported net profit grew 17.3% YoY to ₹15.55bn, in-line with JMFe. Cost of zero coupon bonds (net of taxes), adjusted through reserve during 4Q13 was at ₹0.83bn (5% of reported net profit). Adjusting for its impact, NII and net profit grew 20% and 23% YoY, respectively. Earnings growth was driven by **a)** steady loan book growth of 21% YoY, **b)** Adj. NII growth of 20% YoY, supported by stable spreads of 2.30% (FY13), **c)** Strong non-interest income growth of 38% YoY was well diversified. Gross NPLs reduced to 0.70% (3Q13: 0.75%, 4Q12: 0.74%).
- Individual loans (+25% YoY) drive steady loans growth of 21% YoY (on-book):** HDFC's loan book grew 21% YoY and 6% QoQ. Individual loan book (66% of total loans) was up 25% YoY and corporate loan book (34% of total loans) grew 14% YoY. Including sell-downs in preceding 12 months, individual loan growth was strong at 31% YoY. Industry trends for individual mortgage market share indicate that HDFC has improved its current market share to 14.2% (on-books) and 16.5% (including sell-downs). On incremental basis, HDFC has maintained market share of c.21% during last 3 years; we believe there is scope for further market share gain even as competition from private banks (market share 14%) remains intense. We expect SOE banks, currently commanding 47%, to lose share. We expect HDFC to grow its retail loan book at premium and on-book loans to witness steady c.17% CAGR for FY13-15E.
- Adjusted NII up 20% YoY, supported by stable spreads (calc.):** Adjusting for cost of zero coupon bonds, NII grew 20% YoY, broadly in-line with JMFe. FY13 spreads were stable at 2.30% (FY12: 2.27%). Despite concerns of rising price competition, spreads (reported) for individual loans have been stable at 1.96% in last three quarters. Spreads for non-individual loans improved to 2.94% (FY12) vs 2.79% in 9M13. We expect stable spreads over FY14-15E to drive NII CAGR of 17% for FY13-14E.
- Strong well diversified non-interest income growth:** Non-interest income growth (+38% YoY) was driven by dividend income (+32% YoY), fee income (+47% YoY) and treasury income (+33% YoY). We expect 12% CAGR in core non-interest income for FY13-15E, slower than loans growth.
- Maintain BUY with Mar'14 TP of ₹1,000:** We revise our FY14/15E earnings due to continued strength in loans growth and asset quality. We expect adjusted net profit CAGR of c.16% for FY13-15E. We value the parent at 18x Mar'15 EPS, implying standalone value of ₹691 per share. We ascribe ₹309 (net of cost of investments and 15% holding company discount) to listed associates and other subsidiaries, **implying Mar'14 TP of ₹1,000. BUY.**

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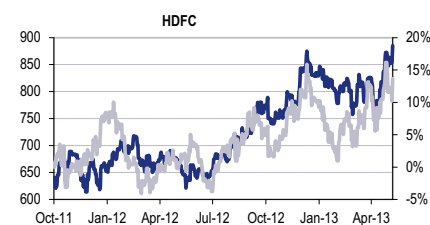
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Key Data

Market cap (bn)	₹ 1368.5 / US\$ 25.3
Shares in issue (mn)	1,531.7
Diluted share (mn)	1,531.7
3-mon avg daily val (mn)	₹ 2149.2/US\$ 39.7
52-week range	₹ 895.0/610.5
Sensex/Nifty	19,990/6,069
₹/US\$	54.2

Daily Performance



%	1M	3M	12M
Absolute	16.7	9.4	34.6
Relative*	8.3	6.8	13.8

* To the BSE Sensex

Shareholding Pattern (%)

	4Q FY12	4Q FY13
Promoters	0.0	0.0
FII	65.8	73.7
DII	15.4	12.9
Public / others	18.8	13.5

Exhibit 1. Financial Summary (Standalone)

Y/E March	FY11	FY12	FY13	FY14E	FY15E
Adj. Profit*	30,029	36,376	44,103	51,670	59,397
Adj. Profit (YoY) (%)	14.0%	21.1%	21.2%	17.2%	15.0%
Assets (YoY) (%)	19.4%	20.3%	16.4%	16.8%	16.3%
ROA (%)	2.35%	2.37%	2.43%	2.44%	2.41%
ROE (%)	18.5%	20.0%	20.0%	19.6%	20.2%
Adj. EPS (₹)	20.5	24.6	28.5	33.4	38.4
EPS (YoY) (%)	11.6%	20.3%	15.8%	17.2%	15.0%
PE (x)	43.2	35.9	31.0	26.5	23.0
BV (₹)	118	129	162	180	201
BV (YoY) (%)	11.5%	9.1%	25.6%	11.3%	11.9%
P/BV (x)	7.50	6.87	5.47	4.92	4.40

Source: Company data, JM Financial. Note: Valuations as of 08/05/2013

* adjusted for interest Cost of Zero coupon NCD which is charged directly to securities premium account

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HDFC – SOTP valuation

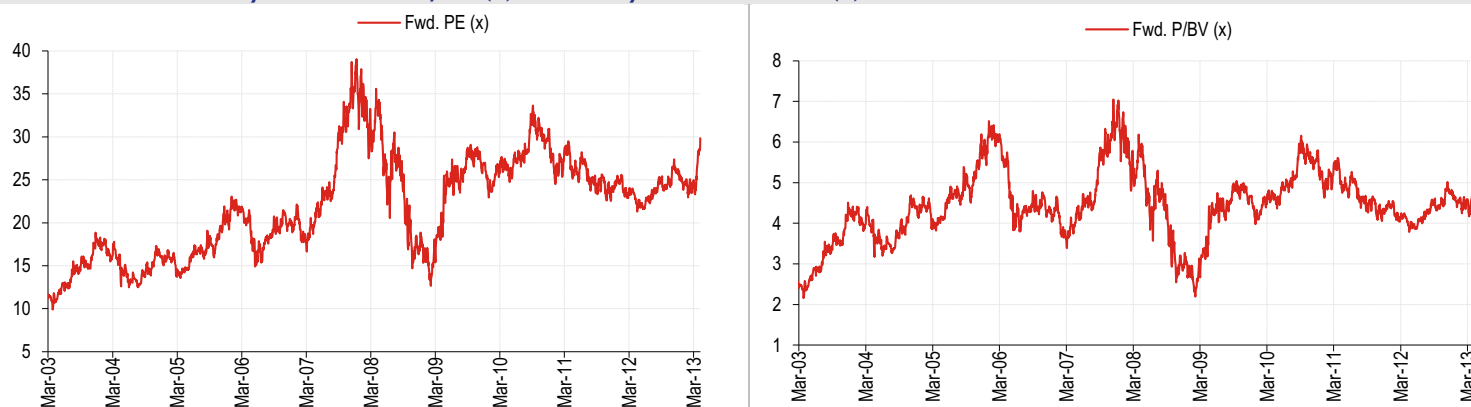
- **Maintain BUY with Mar'14 TP of ₹1,000:** We revise our FY14/15E earnings due to continued strength in loans growth and asset quality. We expect adjusted net profit CAGR of c.16% for FY13-15E. We value the parent at 18x Mar'15 EPS, implying standalone value of ₹691 per share. We ascribe ₹308 (net of cost of investments and 15% holding company discount) to listed associates and other subsidiaries, **implying Mar'14 TP of ₹1,000. BUY.**
- **Key risks:** We build loan book CAGR of 17% during FY13-15E (vs c.22% CAGR during FY06-12) as we believe mortgage market is susceptible to economic slowdown and higher property prices. We have factored the impact on loan growth in our projections. However, lower than expected growth is the risk to estimates.
- Also, sustained liquidity shock and aggressive competition can impact spreads negatively.

Exhibit 2. HDFC: SOTP valuations

HDFC SOTP	Holding (%)	Valuation Methodology	Value Per Share	Contribution to TP (%)
HDFC – Parent	100%	18x Mar'15E Adj. EPS*	691	69%
HDFC Bank Stake	22.8%	Fair Value	286	29%
HDFC Standard Life	72.4%	Appraisal Value	67	7%
Asset Management	60.0%	5% of AUM	20	2%
HDFC Ergo	74.0%	2.5x Book	6	1%
HDFC Property Fund	80.5%	15% of AUM	1	0%
HDFC Int. Real Estate Fund	100%	15% of AUM	3	0%
Gruh Finance	59.7%	CMP	15	1%
Less: Cost of investments			(53)	-5%
Less: Holding Co. discount (@15%)*			(38)	-4%
Total			1,000	100%

Source: Company JM Financial. * Discount applied for listed subsidiaries/associates. # adjusted for interest Cost of Zero coupon NCD which is charged directly to securities premium account.

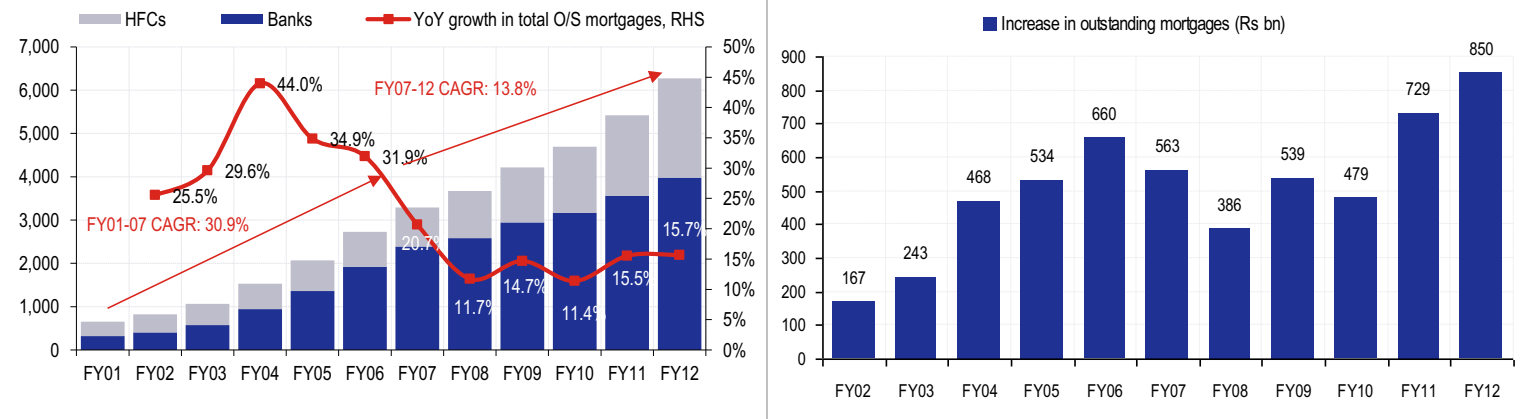
Exhibit 3. HDFC: One-year forward P/BV (x) and one-year forward PE (x)



Source: Bloomberg, JM Financial.

- Home loan market growth in India stable at 15% - HFCs regain market share to 37%:** Home loan market in India witnessed robust 31% CAGR for 6 years, from mere ₹650bn in FY01 to ₹3,300bn in FY07. Since FY08, home loan market growth in India has slowed to c.15% (FY07-12 CAGR at 14%). HFCs, after losing share over FY03-07, have gradually been gaining market share and outpaced banks. HFCs' market share in outstanding retail mortgages now stands at 37% (FY07: 27%).

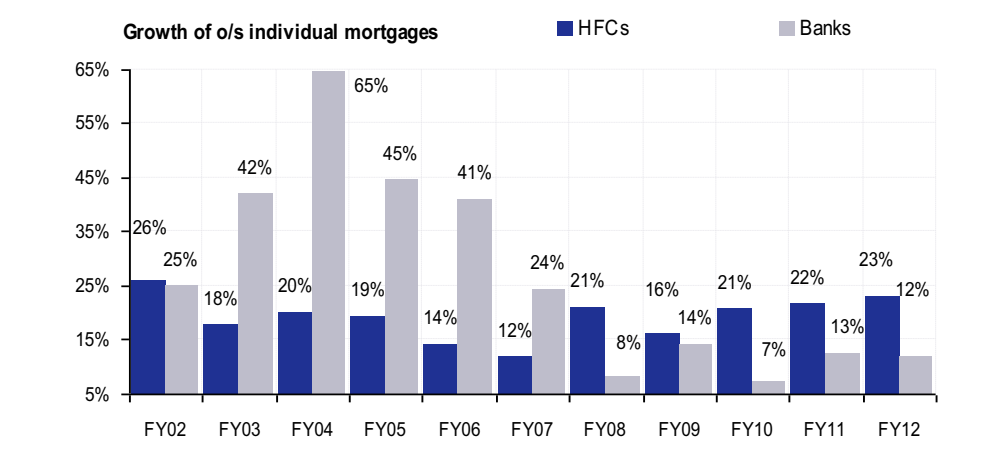
Exhibit 4. Indian mortgage loans growth



Source: RBI, NHB, JM Financial.

- HFCs have driven growth in last five years:** While banks dominated mortgage growth over FY03-07, HFCs have been growth drivers since FY08. Mortgage growth turned negative for ICICI Bank in FY09 and 10 and led to banks' (overall) lagging growth in this segment.

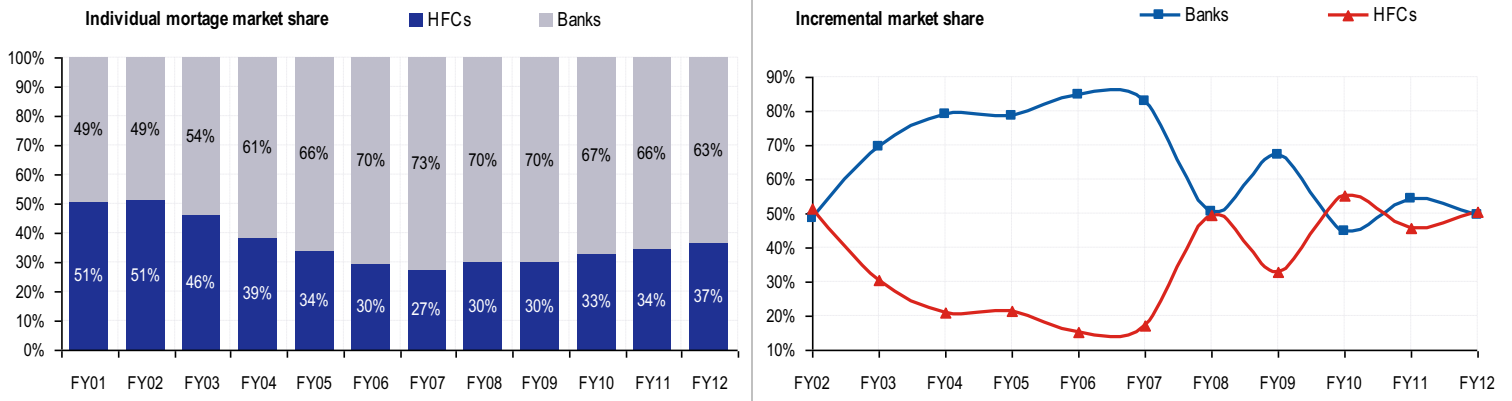
Exhibit 5. Retail mortgage (outstanding) growth for HFCs and Banks



Source: Company, JM Financial.

- HFCs have gained some of the lost market share (c.37%) - Incremental market share at c.50%:** After touching a high of 73% in FY07, banks' market share in mortgage lending has been declining slowly. In FY08, financial crisis triggered withdrawal by the banks, primarily ICICI Bank, from mortgage market. Since then, incremental market share for HFCs has been near 50%. While private sector banks are looking to again expand in mortgages, we believe this will affect market share of SOE banks (which currently have 47% market share). We believe this, in addition to current trends in incremental market share, is expected to support continued market share gain in near term.

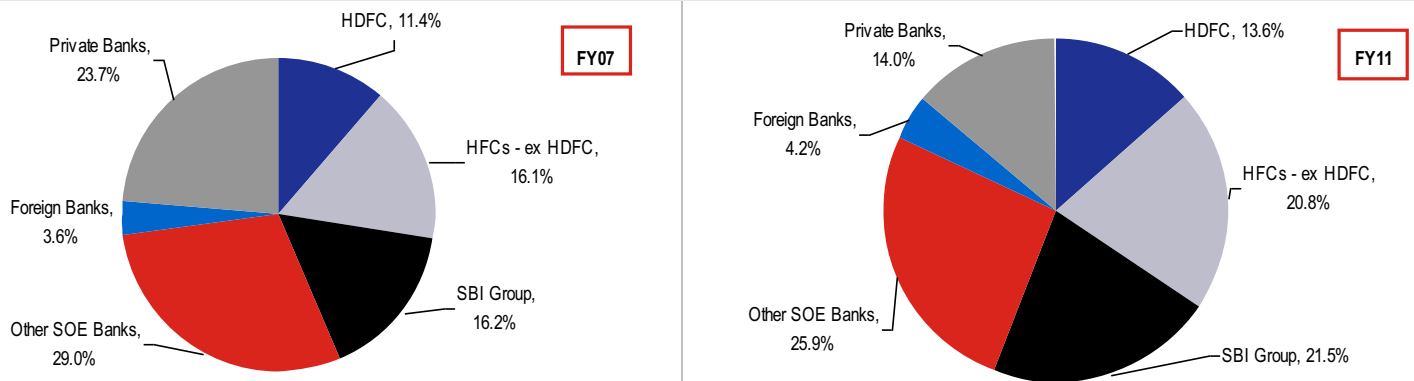
Exhibit 6. Individual mortgage loans market



Source: Company, RBI, NHB, JM Financial.

- Retail mortgage market share - private sector banks and other SOE banks lose, SBI Group and HFCs gain:** Based on the available NHB and RBI data until FY11, retail mortgage loans market share has undergone material shift over FY07-11. Among banks, while private sector banks (led by ICICI Bank) and other SOE banks (from a high market share of 29%) lost market share, SBI Group increased its market share by 530bps to 21.5%. HFCs overall increased their market share from 27.4% to 34.4%. Both HDFC and other HFCs gained market share. While HDFC raised its market share by 222bps to 13.6%, other HFCs grew even faster, increasing their market share by 475bps to 20.8%.

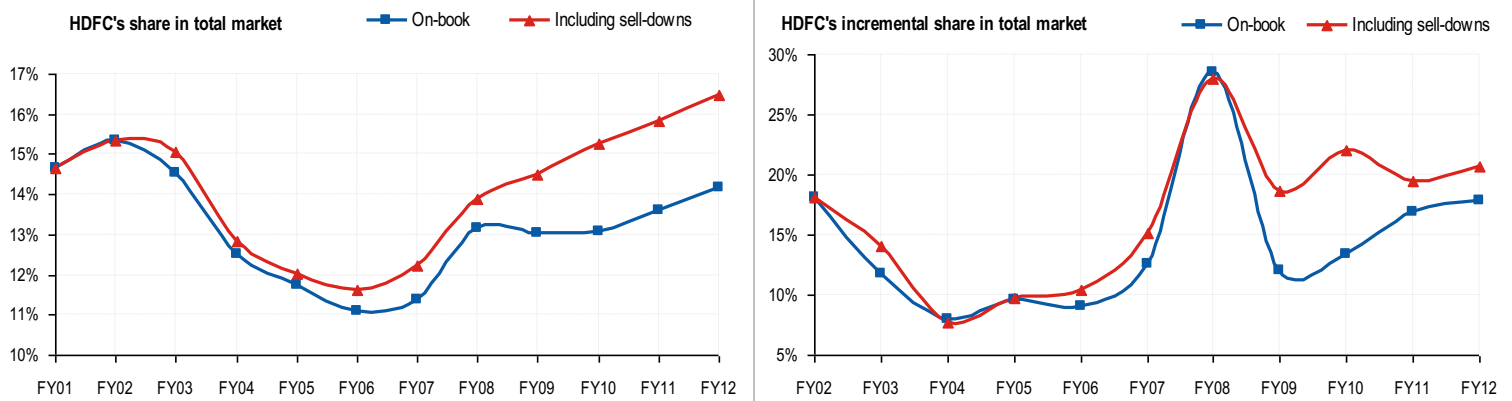
Exhibit 7. Individual mortgage loans (on-book) market share (FY07 and FY11)



Source: Company, RBI, NHB, JM Financial.

- HDFC's market share (AUM basis) in overall mortgage lending has recovered to 16.5% - incremental share at c.21%:** HDFC's market share in overall mortgage lending has recovered to 16.5%, after touching a low of 11.6% in FY06. This has been driven by overall market share gain by HFCs and loss by banks since FY07. While the competition from private sector banks has intensified, we expect SOE banks, with share of 47%, to lose ground. With average incremental market share at 20-22% in last four years (FY09-12), we believe HDFC will continue to grow its retail loan book at premium to industry growth and in 15-18% range going forward.

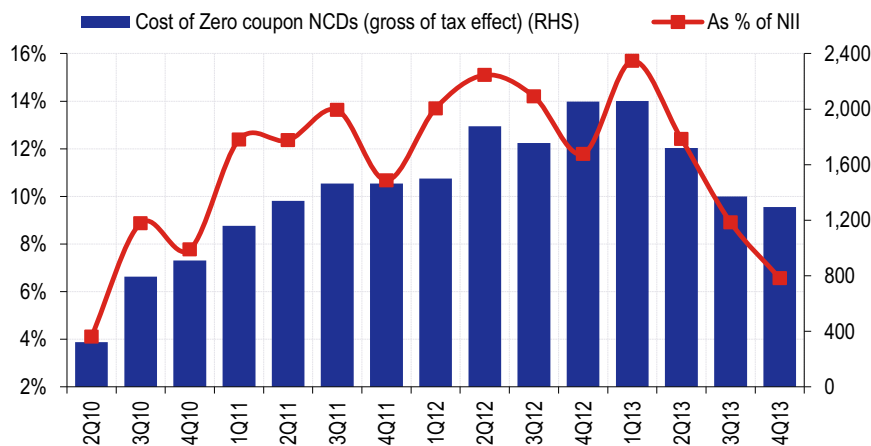
Exhibit 8. HDFC: Market share in overall individual mortgage loans, including and excluding sell-downs



Source: Company, RBI, NHB, JM Financial.

- Impact of Zero-coupon debentures on future profits to reduce:** HDFC has been raising zero coupon NCDs since Aug'09 to support its investments in various subsidiaries. Premium on redemption of these ZCDs have been charged directly to securities premium account. In FY13, premium charge amounted to c.₹6.14bn (gross of tax effect) and c.₹4.38bn (net of tax effect), which lifted NII and net profit by c.10%. We estimate amount of outstanding Zero Coupon Bonds have come down to ₹50.3bn (FY12: ₹81.6bn).

Exhibit 9. HDFC: Impact of cost of zero coupon debentures



Source: Company, JM Financial.

HDFC - 4Q13 Trends

Exhibit 10. HDFC: 4Q13 - Results Summary

Earnings Table (₹ mn)	4Q12	3Q13	4Q13	YoY (%)	QoQ (%)
NII (adj.)	15,380	14,019	18,441	19.9%	31.5%
Dividends	615	452	814	32.4%	80.2%
Profit on sale of investments	791	963	1,049	32.7%	8.9%
Income from leases	18	10	13	-32.1%	22.5%
Fees and Other Charges	600	391	879	46.5%	124.7%
Other Income	63	84	116	85.2%	38.8%
Total Non-Interest income	2,087	1,900	2,871	37.6%	51.1%
Total Income	17,467	15,920	21,312	22.0%	33.9%
Employee Cost	497	642	590	18.9%	-8.0%
Establishment expenses	110	154	183	66.6%	19.0%
Other expenses	365	584	286	-21.7%	-51.1%
Depreciation and Amortisation	59	59	73	24.4%	23.9%
Total Operating Expenses	1,030	1,439	1,132	9.9%	-21.3%
Operating Profit (PPP)	16,437	14,481	20,180	22.8%	39.4%
Core Operating Profits	15,647	13,518	19,131	22.3%	41.5%
Total Provisions	250	400	250	0.0%	-37.5%
PBT	16,187	14,081	19,930	23.1%	41.5%
Tax	4,201	3,549	5,204	23.9%	46.6%
Adjusted Profit	11,986	10,532	14,727	22.9%	39.8%
Adj. for ZCD cost	1,275	869	825	-35.3%	-5.0%
Reported Profit	13,261	11,401	15,552	17.3%	36.4%
Loans (₹ bn)					
Loans Outstanding	1,408.7	1,609.4	1,700.5	20.7%	5.7%
Total Assets	1,679.7	1,837.7	1,955.3	16.4%	6.4%
Ratios Analysis (%)					
Cost / Income ratio (%)	5.9%	9.0%	5.3%	-0.58%	-3.73%
Fees to Income	3.4%	2.5%	4.1%	0.69%	1.67%
Tax rate	26.0%	25.2%	26.1%	0.15%	0.90%
Credit Quality					
Gross NPAs (₹ mn.)	10,425	12,240	11,990	15.0%	-2.0%
Gross NPA (90 days overdue) (%)	0.74%	0.75%	0.70%	-0.04%	-0.05%
Capital Adequacy (%)					
Tier I (%)	11.70%	14.90%	13.80%	2.10%	-1.10%
CAR (%)	14.60%	17.50%	16.20%	1.60%	-1.30%
Du-pont Analysis (%)					
NII / Assets (%)	3.82%	3.08%	3.89%	0.07%	0.81%
Non-Interest Inc. / Assets (%)	0.52%	0.42%	0.61%	0.09%	0.19%
Operating Cost / Assets (%)	0.26%	0.32%	0.24%	-0.02%	-0.08%
Operating Profits / Assets (%)	4.08%	3.18%	4.26%	0.18%	1.08%
Provisions / Assets (%)	0.06%	0.09%	0.05%	-0.01%	-0.04%
ROA (%)	2.97%	2.31%	3.11%	0.13%	0.79%

Source: Company, JM Financial, * adjustment for interest Cost of Zero coupon NCD which is charged directly to securities premium account

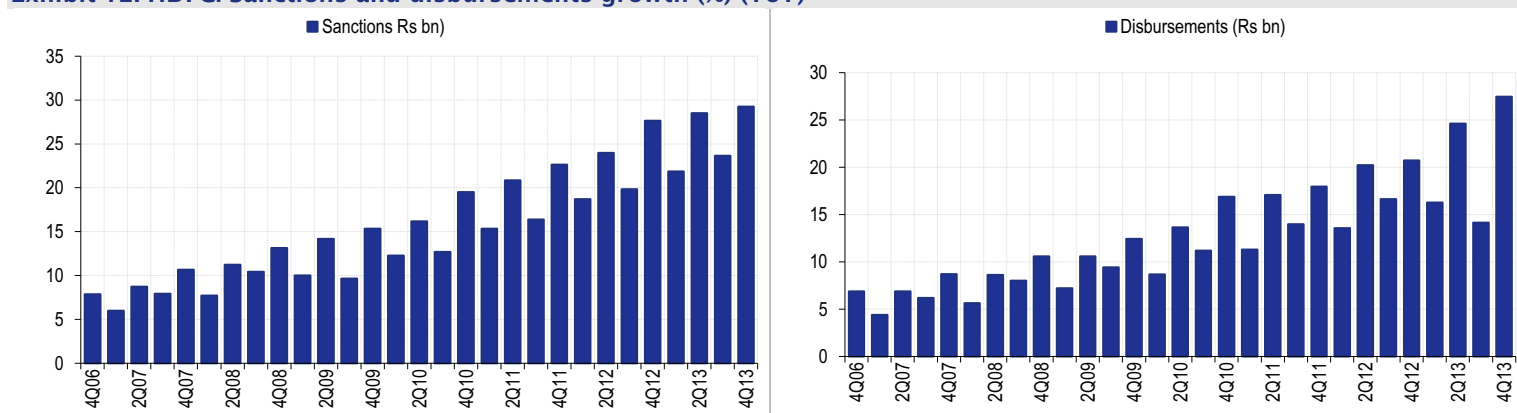
- HDFC reported 4Q13 adjusted net profit in-line with our estimate.

Exhibit 11. HDFC: Actual vs estimates

	(₹ mn)		
Actual vs. Estimates	4Q13	4Q13A	A/E (%)
NII (adj.)*	18,801	18,441	-2%
P/L from sale of Investments	893	1,049	17%
Other Non-interest Income	1,629	1,823	12%
Total Income	21,323	21,312	0%
Op. Exp.	1,340	1,132	-16%
Op. Profit	19,984	20,180	1%
Core Op. Profit	19,091	19,131	0%
Provisions	400	250	-38%
Adjusted PAT	14,492	14,727	2%
Cost of ZCBs / FRNs	871	825	-5%
Reported Profit	15,363	15,552	1%

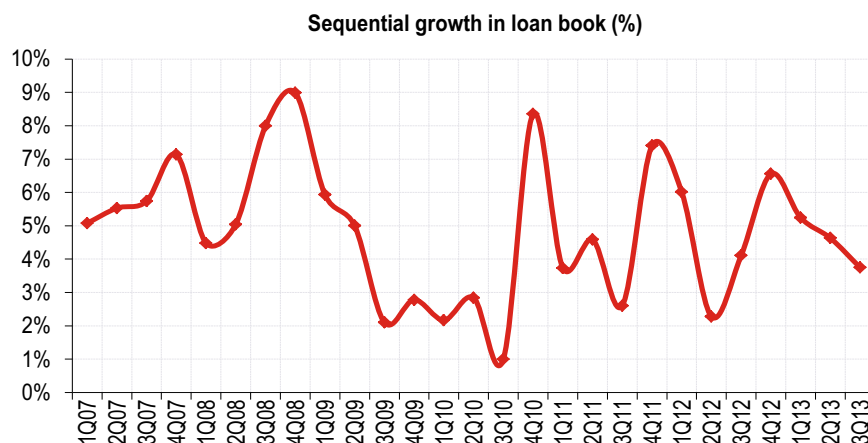
Source: Company, JM Financial, * adjustment for interest Cost of ZCDs which is charged directly to securities premium account

- In 4Q13, disbursements were up 33% YoY, even as sanctions growth slowed.

Exhibit 12. HDFC: Sanctions and disbursements growth (%) (YoY)

Source: Bloomberg, JM Financial.

- HDFC witnessed healthy loans growth (up 5.7% QoQ), driven by individual loans (up 5.8% QoQ).

Exhibit 13. HDFC: QoQ growth in outstanding loan book (%)

Source: Company, JM Financial.

- Share of individual loans was stable QoQ at 65.5% in the on-book loans portfolio.

Exhibit 14. HDFC: Loan portfolio (on-book) - growth and composition (₹ bn)

	4Q12	3Q13	4Q13	YoY (%)	QoQ (%)
Individuals	888	1,052	1,113	25.4%	5.8%
Corporate Bodies	502	539	570	13.5%	5.6%
Others	19	18	18	-7.2%	0.0%
Total	1,409	1,609	1,700	20.7%	5.7%
Individuals	63.0%	65.4%	65.5%	2.4%	0.1%
Corporate Bodies	35.6%	33.5%	33.5%	-2.1%	0.0%
Others	1.4%	1.1%	1.0%	-0.3%	-0.1%
Total	100%	100%	100%		

Source: Company, JM Financial.

- AUM (loan portfolio adjusted for sell down) grew 20.3% YoY with individual loans comprising 68.6% of AUM.

Exhibit 15. HDFC: AUM (Assets under management) (₹ bn)

	4Q12	3Q13	4Q13	YoY (%)	QoQ (%)
O/S Individuals Loans	888	1,052	1,113	25.4%	5.8%
Add: Sell-downs	146	160	170	16.5%	5.7%
Individuals (Gross of sell-downs)	1,033	1,213	1,283	24.1%	5.8%
Corporate Bodies	521	557	587	12.7%	5.4%
Total	1,554	1,770	1,870	20.3%	5.7%
Individuals	66.5%	68.5%	68.6%	2.1%	0.1%
Corporate Bodies	33.5%	31.5%	31.4%	-2.1%	-0.1%
Total	100%	100%	100%		

Source: Company, JM Financial.

- Borrowing mix has shifted towards lower share of term loans, replaced by bonds, debentures, CPs and deposits. Proportion of term loans in borrowing mix was at 11% (4Q12: 29%).

Exhibit 16. HDFC: Borrowings - growth and composition

Borrowings (₹ bn)	4Q12	3Q13	4Q13	YoY (%)	QoQ (%)
Term Loans	407	136	178	-56.2%	30.7%
Bonds, Debentures, CPs	621	855	891	43.3%	4.2%
Deposits	363	498	519	43.1%	4.4%
Total	1,391	1,489	1,588	14.2%	6.7%
Term Loans	29%	9%	11%	-18.0%	2.1%
Bonds, Debentures, CPs	45%	57%	56%	11.4%	-1.3%
Deposits	26%	33%	33%	6.6%	-0.7%
Total	100%	100%	100%		

Source: Company, JM Financial.

Financial Tables (Standalone)

Profit & Loss					
	(₹ mn)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E
Net Interest Income (NII)	39,325	46,098	55,662	65,826	76,746
Profit on Investments	3,597	2,702	3,156	2,800	2,800
Dividends	2,252	3,097	4,807	5,129	5,591
Fee & Other Income	2,686	2,996	2,807	3,371	3,879
Non-Interest Income	8,535	8,794	10,769	11,300	12,270
Total Income	47,860	54,892	66,432	77,126	89,016
Operating Expenses	3,812	4,519	5,389	5,949	6,670
Pre-provisioning Profits	44,049	50,373	61,043	71,177	82,346
Total Provisions	700	800	1,450	1,300	1,350
PBT	43,349	49,573	59,593	69,877	80,996
Tax	13,320	13,198	15,490	18,208	21,599
Adj. PAT	30,029	36,376	44,103	51,670	59,397
Adj. for ZCD cost*	5,321	4,851	4,380	3,105	3,105
Reported Profits	35,350	41,226	48,483	54,775	62,502
Dividend	15,516	18,868	22,615	23,520	26,234
Retained Profits	14,513	17,508	21,488	28,150	33,164

Source: Company, JM Financial * adjustment for interest Cost of Zero coupon NCD which is charged directly to securities premium account.

Balance Sheet					
	(₹ mn)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E
Equity Capital	2,934	2,954	3,093	3,093	3,093
Reserves & Surplus	170,231	187,222	246,907	275,057	308,221
Borrowed Funds	1,151,123	1,391,275	1,588,280	1,867,817	2,184,412
Current Liabilities	68,136	93,749	112,274	131,449	154,027
Total Liabilities	1,392,424	1,675,199	1,950,554	2,277,416	2,649,753
Investments	118,324	122,070	136,135	147,814	160,159
Net Advances	1,168,062	1,404,217	1,695,707	1,983,977	2,321,253
Cash & Bank Bal.	64,053	60,014	63,589	73,407	84,726
Loans & Advances	33,015	77,934	43,580	59,519	69,638
Other Current Assets	2,150	2,343	2,901	3,307	3,770
Fixed Assets	2,340	2,340	2,330	2,446	2,568
Deferred Tax Asset	4,481	6,282	6,314	6,945	7,640
Total Assets	1,392,424	1,675,199	1,950,554	2,277,416	2,649,753

Source: Company, JM Financial.

Key ratios					
	(%)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E
Growth (YoY) (%)					
Borrowed Funds	19.2%	20.9%	14.2%	17.6%	17.0%
Advances	19.2%	20.2%	20.8%	17.0%	17.0%
Total Assets	19.4%	20.3%	16.4%	16.8%	16.3%
NII	16.2%	17.2%	20.7%	18.3%	16.6%
Non-Interest Income	18.5%	3.0%	22.5%	4.9%	8.6%
Operating Expenses	17.7%	18.6%	19.3%	10.4%	12.1%
Operating Profits	16.5%	14.4%	21.2%	16.6%	15.7%
Core Operating Profits	13.2%	17.8%	21.4%	18.1%	16.3%
Provisions	20.7%	14.3%	81.3%	-10.4%	3.9%
PAT (Pre-Extraordinaries)	14.0%	21.1%	21.2%	17.2%	15.0%
Adj. PAT	14.0%	21.1%	21.2%	17.2%	15.0%
Reported PAT	25.1%	16.6%	17.6%	13.0%	14.1%
Yields / Margins (%)					
Interest Spread (%)	2.58%	2.23%	2.07%	2.07%	2.12%
NIM (%)	3.34%	3.23%	3.27%	3.30%	3.28%
Profitability (%)					
ROA (%)	2.35%	2.37%	2.43%	2.44%	2.41%
ROE (%)	18.5%	20.0%	20.0%	19.6%	20.2%
Cost to Income (%)	8.0%	8.2%	8.1%	7.7%	7.5%
Assets Quality (%)					
Gross NPAs (%)	0.77%	0.76%	0.70%	0.70%	0.69%
Capital Adequacy (%)					
Tier I (%)	12.20%	11.70%	13.80%	12.35%	11.94%
CAR (%)	14.00%	14.60%	16.20%	13.45%	12.89%

Source: Company, JM Financial.

DuPont Analysis					
	(%)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E
NII / Assets (%)	3.07%	3.01%	3.07%	3.11%	3.12%
Other income / Assets (%)	0.67%	0.57%	0.59%	0.53%	0.50%
Total Income / Assets (%)	3.74%	3.58%	3.66%	3.65%	3.61%
Cost to Assets (%)	0.30%	0.29%	0.30%	0.28%	0.27%
PPP / Assets (%)	3.44%	3.28%	3.37%	3.37%	3.34%
Provisions / Assets (%)	0.05%	0.05%	0.08%	0.06%	0.05%
ROA (%)	2.35%	2.37%	2.43%	2.44%	2.41%

Source: Company, JM Financial.

Valuations					
Y/E March	FY11	FY12	FY13	FY14E	FY15E
Shares in issue (mn)	1,466.9	1,477.0	1,546.4	1,546.4	1,546.4
Adj. EPS (₹.)	20.5	24.6	28.5	33.4	38.4
Adj. EPS (YoY) (%)	11.6%	20.3%	15.8%	17.2%	15.0%
PE (x)	43.2	35.9	31.0	26.5	23.0
BV (₹.)	118	129	162	180	201
P/BV (x)	7.50	6.87	5.47	4.92	4.40
DPS (₹.)	10.6	12.8	14.6	15.2	17.0
Div. yield (%)	1.2%	1.4%	1.7%	1.7%	1.9%

Source: Company, JM Financial.

History of earnings estimates and target price

Date	FY13 EPS (₹)	% Chg.	FY14E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
11-Jul-11*	27.7				715	Mar-12	
18-Oct-11*	27.6	-0.4			735	Mar-12	2.8
13-Jan-12*	26.8	-2.9	30.9		750	Dec-12	2.0
8-May-12*	27.6	3.0	31.7	2.6	765	Mar-13	2.0
29-Jun-12*	27.6	0.0	31.7	0.0	765	Mar-13	0.0
11-Jul-12*	27.6	0.0	31.7	0.0	765	Mar-13	0.0
23-Oct-12*	27.8	0.7	32.2	1.6	875	Sep-13	14.4
21-Jan-13*	28.7	3.2	32.5	0.9	925	Dec-13	5.7

*adjusted EPS for Zero coupon NCDs.

Recommendation history



JM Financial Institutional Securities Private Limited

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South Indian Bank | SIB IN

BUY

Target: ₹32 (Mar'14)

Weak Quarter

- PBT down 7% YoY on high provisions:** South Indian Bank (SIB) delivered 4Q13 PBT of ₹1.40bn, down 7% YoY on high provisions. Tax credit of ₹136mn however drove net profit up 26% YoY. Highlights: **a)** NII (down 5% QoQ) was below expectation due to margin compression, **b)** Non-interest income, up 46% YoY, was strong on forex, treasury income and income on IT refunds, **c)** LLPs were sharply higher, at 57bps (3Q13: 39bps), on elevated delinquencies. Net NPLs rose to 0.78% (3Q13: 0.68%) on reduced PCR of 43% (3Q13: 59%). Standard restructured book to loans stands at 4.5%.
- Loans growth slows to 16.6% YoY:** Loans growth, at 16.6% YoY, slowed to the lowest in last four years. Corporate loans (58% of book) were up 29% YoY. Share of gold loans in total loans was stable at 23.8% (4Q12: 24.9%). We estimate bank to deliver advances CAGR of 20% (FY13-15E).
- 4Q13 NIM down 33bps on reduced CD ratio, income reversals and lower CASA:** NIM compressed by 33bps QoQ to 3.21%, as **1)** credit to deposit ratio declined 270bps QoQ to 71.9%, **2)** significant delinquencies drove interest income reversals of c.₹120mn, and **3)** CASA ratio reduced by 180bps QoQ to 18.6%. We build FY14-15E average margins (calc.) of 2.85% (FY12: 2.91%), which should drive NII CAGR of 19% (FY12-15E).
- Non-interest up 47% YoY on forex and treasury income – pension cost drove employee cost:** While fee income was down 15% YoY, strong forex income (+93% YoY) and treasury income (+54% YoY) drove non-interest income growth of 47% YoY. Employee costs were up 50% QoQ driven by a) provisions wrt to wage revisions, b) reduction in discount rate from 9% to 8.5% for calculation of pension liabilities. The bank opened 50 branches during FY13 and should continue with similar expansion. We build non-interest income CAGR of 12% (FY13-15E) and average cost to asset of c.1.60% (FY13: 1.71%).
- Asset quality deteriorates on high delinquencies:** Net delinquencies increased to 153bps (3Q13: -33bps) as two large accounts of c.₹0.5bn each slipped during the quarter. Write-offs of ₹1.25bn drove gross NPLs down to 1.36% (3Q13: 1.62%). However net NPLs increased to 0.78% and PCR reduced to 43% (3Q13: 59%). We believe the bank has resorted to aggressive write-offs to claim IT benefits deduction under section 36(1)(vii) and (viiia), as interpretation of these sections have changed w.e.f 1st April following clarification in Union Budget.
- Attractive valuation; Maintain BUY with Mar'14 TP of ₹32:** We estimate SIB to deliver net profit CAGR of 15% (FY13-15E) with average ROA/ROE of 1.03%/18%. **We maintain BUY with Mar'14 TP of ₹32, based on 1.1x fwd BV and 6.5x Mar'15 EPS.**

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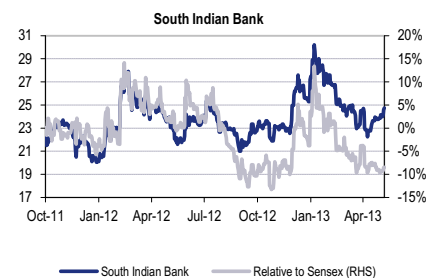
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Key Data

Market cap (bn)	₹ 33.1 / US\$ 0.6
Shares in issue (mn)	1,133.9
Diluted share (mn)	1,133.9
3-mon avg daily val (mn)	₹ 46.7/US\$ 0.9
52-week range	₹ 30.7/20.1
Sensex/Nifty	19,990/6,069
₹/US\$	54.2

Daily Performance



%	1M	3M	12M
Absolute	8.6	-7.5	6.7
Relative*	0.1	-10.1	-14.1

* To the BSE Sensex

Shareholding Pattern (%)

	4Q FY13	4Q FY12
Promoters	0.0	0.0
FII	44.0	46.2
DII	12.3	7.6
Public / others	43.8	46.2

Exhibit 1. Financial Summary	(₹ mn)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E
Net Profit	2,926	4,017	5,023	5,611	6,628
Net Profit (YoY) (%)	25.2%	37.3%	25.0%	11.7%	18.1%
Assets (YoY) (%)	28.0%	23.1%	23.4%	19.0%	19.1%
ROA (%)	1.01%	1.10%	1.12%	1.03%	1.02%
ROE (%)	18.5%	21.6%	20.5%	18.1%	18.5%
EPS (₹.)	2.6	3.5	3.8	4.2	5.0
EPS (YoY) (%)	25.2%	36.8%	5.9%	11.7%	18.1%
PE (x)	9.6	7.0	6.6	5.9	5.0
BV (₹)	15.0	17.8	21.4	24.8	28.8
BV (YoY) (%)	15.5%	19.0%	20.0%	15.8%	16.2%
P/BV (x)	1.65	1.39	1.16	1.00	0.86

Source: Company data, JM Financial. Note: Valuations as of 08/05/2013

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters.

Please see important disclosure at the end of the report

South Indian Bank – 4Q13 trends

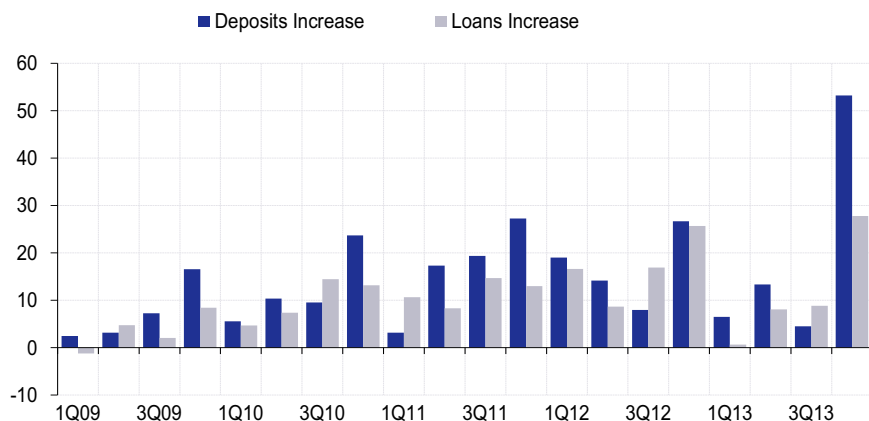
Exhibit 2. South Indian Bank: 4Q13 - Results summary

Earnings Table (₹ mn)	4Q12	3Q13	4Q13	YoY (%)	QoQ (%)
NII	2,846	3,526	3,337	17.3%	-5.4%
Fee based Income	135	99	115	-15.1%	16.2%
Exchange Profits	62	44	119	93.3%	171.5%
Treasury Profits	90	132	137	53.5%	4.1%
Misc Income	539	387	838	55.6%	116.7%
Non-Interest income	825	662	1,210	46.6%	82.8%
Total Income	3,671	4,188	4,547	23.9%	8.6%
Employee Cost	1,281	1,082	1,627	27.0%	50.4%
Other Operating Expenses	760	752	859	13.0%	14.2%
Total Operating Expenses	2,040	1,834	2,486	21.8%	35.5%
Operating Profit	1,630	2,353	2,061	26.4%	-12.4%
Loan Loss Provisions	130	260	421	223.4%	61.8%
Total Provisions	123	460	659	434.4%	43.3%
PBT	1,507	1,893	1,402	-7.0%	-25.9%
Tax	288	616	-136	n.m.	n.m.
PAT (Pre-Extraordinaries)	1,220	1,277	1,538	26.1%	20.4%
Extraordinaries (Net of Tax)	0	5	0	0.0%	0.0%
Reported Profit	1,220	1,282	1,538	26.1%	20.0%
Balance sheet (₹ bn)					
Deposits	365.0	389.4	442.6	21.3%	13.7%
Net Advances	272.8	290.4	318.2	16.6%	9.6%
Total Assets	403.7	438.8	498.0	23.3%	13.5%
Low-cost Deposits (%)	19.7%	20.4%	18.6%	-1.1%	-1.8%
Loan-Deposit ratio (%)	74.7%	74.6%	71.9%	-2.9%	-2.7%
Key Ratios					
Credit Quality					
Gross NPAs (₹ mn)	2,672	4,745	4,339	62.4%	-8.6%
Net NPAs (₹ mn)	765	1,966	2,495	226.1%	26.9%
Gross NPA (%)	0.97%	1.62%	1.36%	0.38%	-0.26%
Net NPA (%)	0.28%	0.68%	0.78%	0.50%	0.11%
Loan Loss Provisions (%)	0.41%	0.53%	0.78%	0.37%	0.25%
Coverage Ratio (%)	71.4%	58.6%	42.5%	-28.9%	-16.1%
Capital Adequacy					
Tier I (%)	11.54%	11.78%	12.05%	0.51%	0.27%
CAR (%)	14.00%	13.85%	13.91%	-0.09%	0.06%
Du-pont Analysis					
NII / Assets (%)	2.93%	3.25%	2.85%	-0.08%	-0.40%
Non-Interest Inc. / Assets (%)	0.85%	0.61%	1.03%	0.18%	0.42%
Operating Cost / Assets (%)	2.10%	1.69%	2.12%	0.03%	0.43%
Operating Profits / Assets (%)	1.68%	2.17%	1.76%	0.08%	-0.41%
Provisions / Assets (%)	0.13%	0.42%	0.56%	0.44%	0.14%
ROA (%)	1.25%	1.18%	1.31%	0.06%	0.13%

Source: Company, JM Financial

- Deposits growth was strong at 13.7% QoQ compared to 9.6% QoQ growth in loans.

Exhibit 3. South Indian Bank: Absolute increase in loan and deposit book (₹ bn)



Source: Company, JM Financial.

- CASA ratio declined to 18.6%, as CASA growth lagged TD growth.

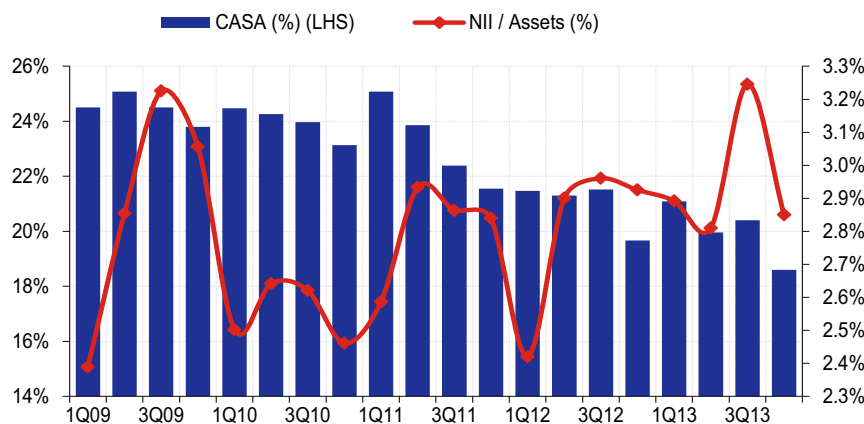
Exhibit 4. South Indian Bank: Deposits mix as of 4QFY13

Deposits Composition (₹ bn)	4Q12	3Q13	4Q13	YoY (%)	QoQ (%)
Current	13	15	15	20.9%	1.7%
Saving	59	64	67	13.0%	3.8%
Time	293	310	361	22.9%	16.3%
Total Deposits	365	389	443	21.3%	13.7%
Current	3.5%	3.9%	3.4%	0.0%	-0.4%
Saving	16.2%	16.5%	15.1%	-1.1%	-1.4%
CASA	19.7%	20.4%	18.6%	-1.1%	-1.8%
Time	80.3%	79.6%	81.4%	1.1%	1.8%
Total	100%	100%	100%		

Source: Company, JM Financial.

- Margins declined on lower CASA ratio and reduced CD ratio.

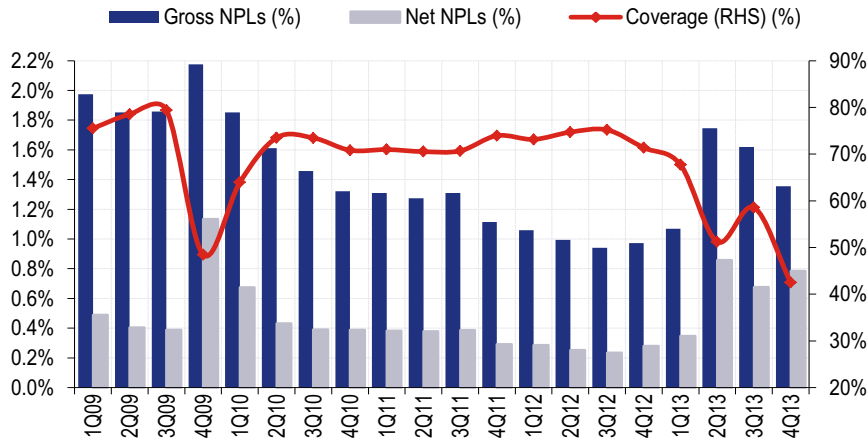
Exhibit 5. South Indian Bank: Quarterly trend in margins (%)



Source: Company, JM Financial.

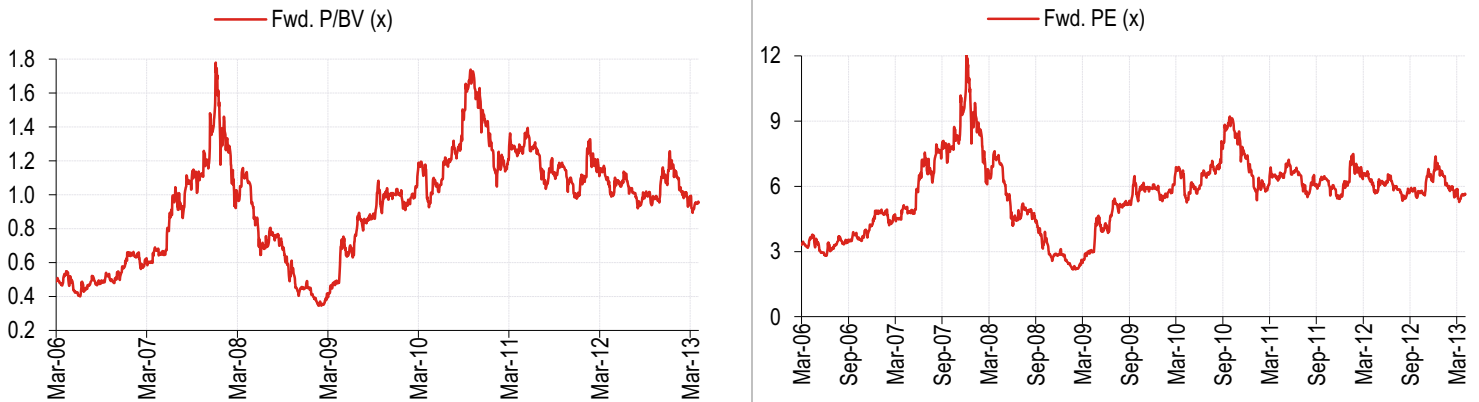
- While gross NPL declined to 1.36% (3Q13: 1.62%) net NPLs increased to 0.78% (3Q13: 0.68%) as PCR reduced to 43% (3Q13: 59%).

Exhibit 6. South Indian Bank: Quarterly trend in NPA (%)



Source: Company, JM Financial.

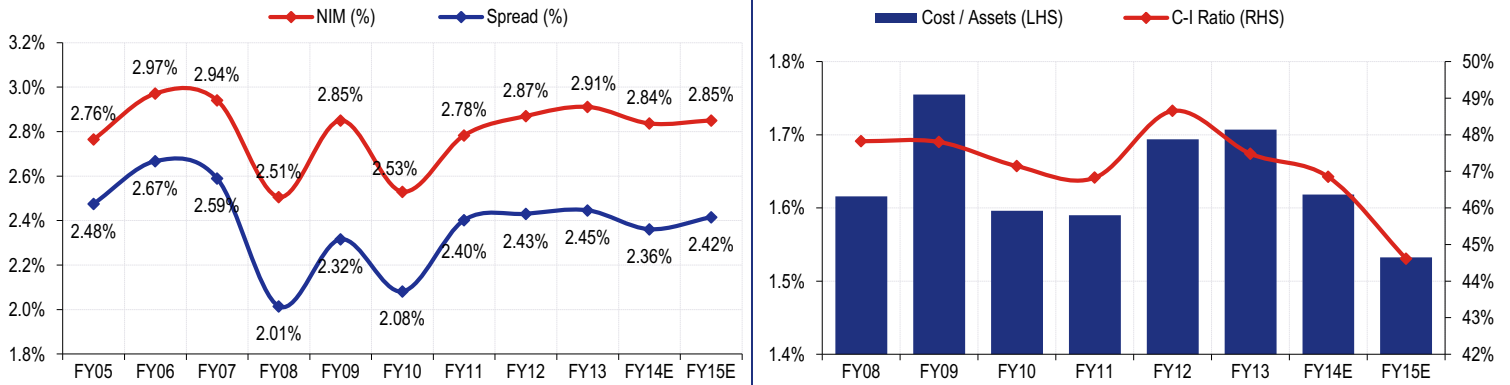
Exhibit 7. South Indian Bank: One-year forward P/BV (x) and one-year forward PE (x)



Source: Bloomberg, JM Financial.

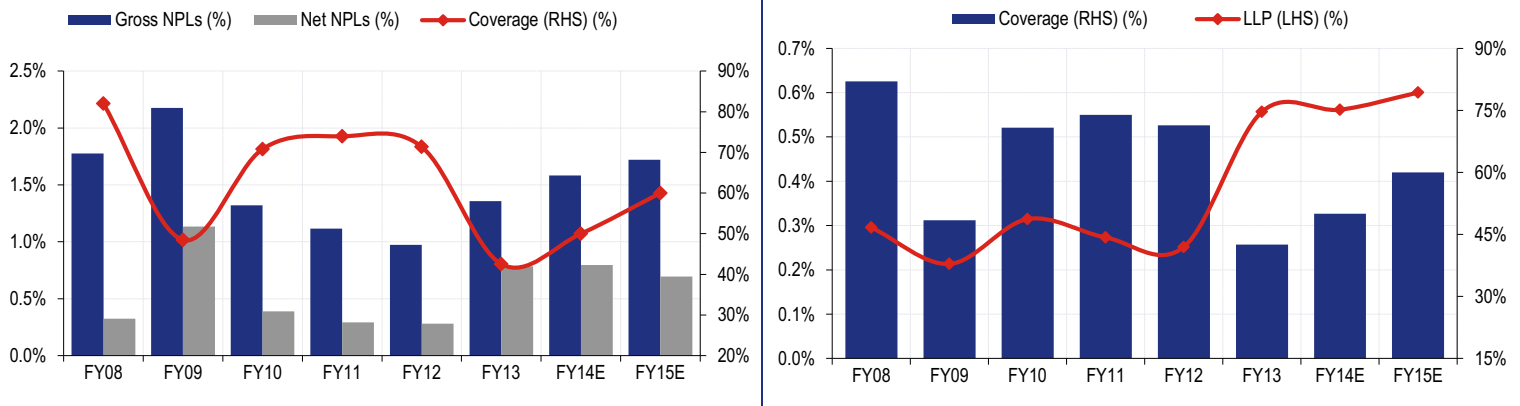
South Indian Bank - Key annual trends

Exhibit 8. South Indian Bank: Margins and cost ratios (%)



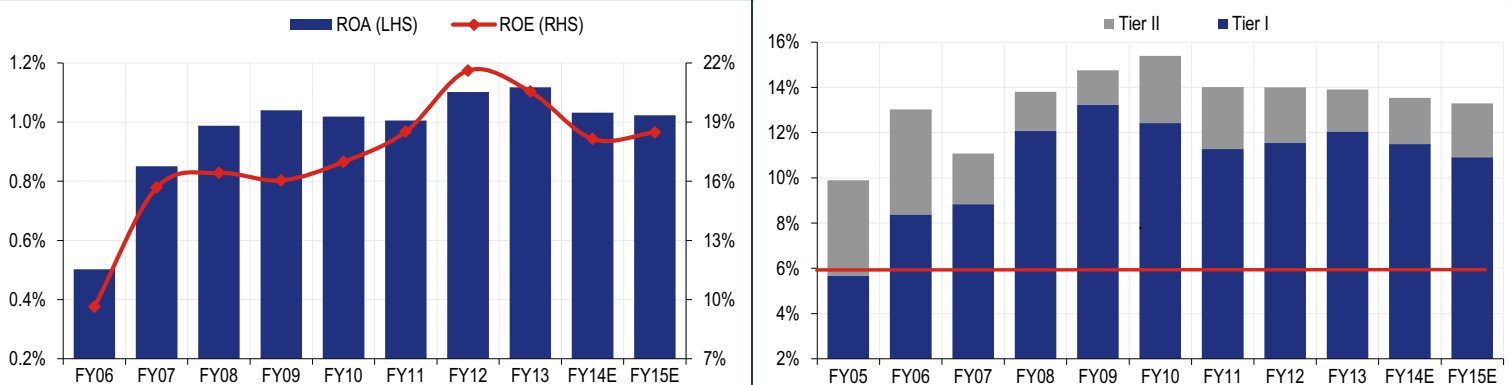
Source: Bloomberg, JM Financial.

Exhibit 9. South Indian Bank: NPA ratios, slippages and LLP



Source: Bloomberg, JM Financial.

Exhibit 10. South Indian Bank: Return ratios and Tier I



Source: Bloomberg, JM Financial.

Financial Tables (Standalone)

Profit & Loss		(₹ mn)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E	
Net Interest Income	7,911	10,217	12,808	15,108	18,059	
Profit on Investments	394	408	577	450	450	
Exchange Income	191	256	279	329	388	
Fee & Other Income	1,383	1,807	2,493	2,900	3,350	
Non-Interest Income	1,967	2,471	3,349	3,679	4,189	
Total Income	9,878	12,688	16,158	18,787	22,248	
Operating Expenses	4,625	6,173	7,672	8,801	9,925	
Pre-provisioning Profits	5,253	6,515	8,486	9,986	12,323	
Loan Loss Provisions	496	601	1,645	1,970	2,526	
Provisions on Investments	94	141	112	-100	-50	
Other Provisions	208	50	-147	100	100	
Total Provisions	798	792	1,610	1,970	2,576	
PBT	4,455	5,723	6,876	8,016	9,747	
Tax	1,529	1,707	1,536	2,405	3,119	
PAT (Pre-Extra ordinaries)	2,926	4,017	5,340	5,611	6,628	
Extraordinaries (Net of Tax)	0	0	-317	0	0	
Reported Profits	2,926	4,017	5,023	5,611	6,628	
Dividend	657	791	1,096	1,096	1,253	
Retained Profits	2,269	3,225	3,926	4,515	5,375	

Source: Company, JM Financial

Key ratios		(%)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E	
Growth (YoY) (%)						
Deposits	29.2%	22.8%	21.3%	18.0%	18.0%	
Advances	29.5%	33.1%	16.6%	20.6%	19.5%	
Total Assets	28.0%	23.1%	23.4%	19.0%	19.1%	
NII	39.2%	29.2%	25.4%	18.0%	19.5%	
Non-Interest Income	-5.6%	25.6%	35.6%	9.9%	13.8%	
Operating Expenses	26.3%	33.5%	24.3%	14.7%	12.8%	
Operating Profits	27.9%	24.0%	30.2%	17.7%	23.4%	
Core Operating Profits	46.1%	25.7%	29.5%	20.6%	24.5%	
Provisions	84.4%	-0.7%	103.4%	22.3%	30.8%	
Reported PAT	25.2%	37.3%	25.0%	11.7%	18.1%	
Yields / Margins (%)						
Interest Spread (%)	2.40%	2.43%	2.45%	2.36%	2.42%	
NIM (%)	2.78%	2.87%	2.91%	2.84%	2.85%	
Profitability (%)						
Non-IR to Income (%)	19.9%	19.5%	20.7%	19.6%	18.8%	
Cost to Income (%)	46.8%	48.7%	47.5%	46.8%	44.6%	
ROA (%)	1.01%	1.10%	1.12%	1.03%	1.02%	
ROE (%)	18.5%	21.6%	20.5%	18.1%	18.5%	
Assets Quality (%)						
Slippages (%)	0.68%	0.84%	1.95%	1.25%	1.25%	
Gross NPAs (%)	1.11%	0.97%	1.36%	1.58%	1.72%	
Net NPAs (%)	0.29%	0.28%	0.78%	0.80%	0.70%	
Provision Coverage (%)	73.9%	71.4%	42.5%	50.0%	60.0%	
Specific LLP (%)	0.15%	0.09%	0.45%	0.47%	0.51%	
Net NPAs / Networth (%)	3.54%	3.78%	8.71%	9.22%	8.27%	
Capital Adequacy (%)						
Tier I (%)	11.27%	11.54%	12.05%	11.49%	10.91%	
CAR (%)	14.01%	14.00%	13.91%	13.54%	13.29%	

Source: Company, JM Financial

Balance Sheet		(₹ mn)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E	
Equity Capital	1,130	1,134	1,339	1,339	1,339	
Reserves & Surplus	15,805	19,095	27,324	31,839	37,214	
Deposits	297,211	365,005	442,623	522,295	616,308	
Borrowings	2,903	5,882	12,846	20,980	31,993	
Other Liabilities	9,636	11,138	12,446	14,681	17,319	
Total Liabilities	326,686	402,254	496,576	591,133	704,173	
Investments	89,238	93,999	125,235	154,077	182,875	
Net Advances	204,887	272,807	318,155	383,577	458,262	
Cash & Equivalents	24,661	26,405	43,359	40,829	47,494	
Fixed Assets	2,052	2,329	2,587	2,932	3,317	
Other Assets	5,847	6,714	7,240	9,718	12,226	
Total Assets	326,686	402,254	496,576	591,133	704,173	

Source: Company, JM Financial

DuPont Analysis		(%)				
Y/E March	FY11	FY12	FY13	FY14E	FY15E	
NII / Assets (%)	2.72%	2.80%	2.85%	2.78%	2.79%	
Other income / Assets (%)	0.68%	0.68%	0.75%	0.68%	0.65%	
Total Income / Assets (%)	3.40%	3.48%	3.60%	3.45%	3.44%	
Cost to Assets (%)	1.59%	1.69%	1.71%	1.62%	1.53%	
PPP / Assets (%)	1.81%	1.79%	1.89%	1.84%	1.90%	
Provisions / Assets (%)	0.27%	0.22%	0.36%	0.36%	0.40%	
PBT / Assets (%)	1.53%	1.57%	1.53%	1.47%	1.50%	
Tax Rate (%)	34.3%	29.8%	22.3%	30.0%	32.0%	
ROA (%)	1.01%	1.10%	1.12%	1.03%	1.02%	
RoRWAs (%)	2.25%	2.54%	2.51%	2.20%	2.12%	
Leverage (x)	18.4	19.6	18.4	17.6	18.1	
ROE (%)	18.5%	21.6%	20.5%	18.1%	18.5%	

Source: Company, JM Financial

Valuations						
Y/E March	FY11	FY12	FY13	FY14E	FY15E	
Shares in issue (mn)	1,130.1	1,133.9	1,338.5	1,338.5	1,338.5	
EPS (₹)	2.6	3.5	3.8	4.2	5.0	
EPS (YoY) (%)	25.2%	36.8%	5.9%	11.7%	18.1%	
PE (x)	9.6	7.0	6.6	5.9	5.0	
BV (₹.)	15.0	17.8	21.4	24.8	28.8	
BV (YoY) (%)	15.5%	19.0%	20.0%	15.8%	16.2%	
P/BV (x)	1.65	1.39	1.16	1.00	0.86	
ABV (₹.)	15.0	17.8	20.9	24.2	28.3	
ABV (YoY) (%)	15.7%	19.0%	17.1%	15.6%	17.1%	
P/ABV (x)	1.65	1.39	1.18	1.02	0.87	
DPS (₹)	0.6	0.7	0.8	0.8	0.9	
Div. yield (%)	2.3%	2.8%	3.3%	3.3%	3.8%	

Source: Company, JM Financial

History of earnings estimates and target price

Date	FY13E EPS (₹)	% Chg.	FY14E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
19-Jul-12	4.3		5.0		33	Mar-13	
17-Jan-13	3.8	-11.6	4.6	-8.0	35	Dec-13	6.1

Recommendation history

JM Financial Institutional Securities Private Limited

Member, BSE Limited and National Stock Exchange of India Limited

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US and India beat

- Significant beat on profits:** Lupin's 4QFY13 reported net profit of ₹4.08bn (up 162% YoY) is in line with JMFe, However, this includes an exceptional write-off of ₹736mn towards residual value of Antara's IP. Adjusting for this, net profit was 14% above JMFe, driven by a 6% sales beat and lower tax rate. Sales grew 36% YoY to ₹25.9bn cf. JMFe: ₹23.97bn. EBITDA increased 89% YoY to ₹6.6bn (25.5% margin) – 3% ahead of JMFe. RM/Sale was 35% cf. JMFe/3Q13/4Q12: 34.5/37.4/40.2%. Staff costs increased 22% YoY – 3% lower than JMFe. Overheads increased 34%/8% YoY/QoQ and were 14% higher than JMFe. R&D expense was ₹2bn (7.7% of sales) vs. ₹1.36bn/2.38bn in 4Q12/3Q13. While EBDT was in line with JMFe, lower tax rate (20.7% vs. JMFe: 28%) drove net profit beat. Capex was ₹1.5bn/4.85bn for 4Q/FY13. Net working capital reduced from 99 days in FY12 to 93 days in FY13.
- India and US sales beat:** Lupin's 4QFY13 US sales were \$205mn (3Q/2Q/1Q13/3Q12: US\$193/144/150/127mn) vs. JMFe: US\$200mn. Generics segment grew on the back of Geodon, Fortamet, Tricor and Cefdinir generics. Brands made up c.13% of sales (\$26mn) vs. 25%/22%/25% in 3Q/2Q/1Q13 (\$48/32/38mn). For FY13, brands grew 13% and made up 21% of sales. Suprax drops have been approved by the FDA. Lupin filed 7/8/2/3 ANDAs in 4Q/3Q/2Q/1Q13. It got approvals for 14 ANDAs and launched 10 products in FY13. The company has 25 FTFs addressing \$13bn market opportunity of which 12 products are exclusive, addressing \$1.62bn brand size. Domestic formulations grew 43% beating JMFe. This is due to low base effect and supply constraints in 9MFY13. For FY13, domestic business has grown 24%. 60% of domestic business consists of chronic/semi-chronic segments. The company ranks 3rd in CV and 7th in Diabetes segment (23% growth). CNS grew 19% vs. market growth of 13%. Japan grew 2% in ₹ terms, but 9% in local currency terms in 4Q13. 3/2 formulations/APIs have been approved for Japan from India. Kyowa grew 13% in FY13 in JPY terms. It launched 11 products in Japan. Pharma Dynamics (SA) grew 26% in FY13 and ranks 5th with 1st position in CV. Australia grew to \$25mn and turned PBT positive.
- Maintain BUY:** We raise FY14/15E EPS by 22%/18% on the back of higher US sales and higher margins. Our Mar'14 TP of ₹800 is based on 20x FY15E EPS. The company reiterated its aspiration of growing at over 20% CAGR for next 5 years and is focusing on building strong US pipeline and expanding geographically. We maintain BUY.

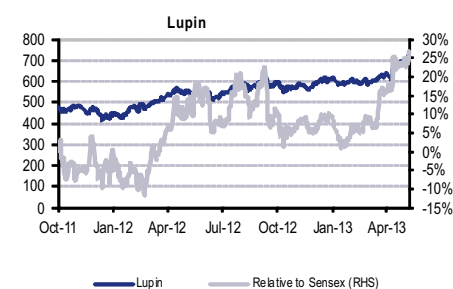
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Key Data

Market cap (bn)	₹ 327.1 / US\$ 6.0
Shares in issue (mn)	446.7
Diluted share (mn)	446.7
3-mon avg daily val (mn)	₹ 475.8/US\$ 8.8
52-week range	₹ 738.8/496.4
Sensex/Nifty	19,990/6,069
₹/US\$	54.2

Daily Performance



%	1M	3M	12M
Absolute	18.0	22.3	33.6
Relative	9.6	19.7	12.8

* To the BSE Sensex

Shareholding Pattern (%)

	Mar-13	Mar-12
Promoters	46.8	46.9
FII	28.8	27.5
DII	14.3	16.5
Public / Others	10.0	9.0

Exhibit 1. Financial Summary

(₹ mn)

Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Net sales	56,126	68,186	94,618	109,720	122,852
Sales growth (%)	18.4	21.5	38.8	16.0	12.0
EBITDA	10,704	12,905	22,374	26,939	28,728
EBITDA (%)	18.9	18.8	23.3	24.4	23.2
Adjusted net profit	7,547	6,822	13,143	16,496	17,781
EPS (₹)	16.9	15.3	29.4	36.9	39.8
EPS growth (%)	13.0	-9.7	92.7	25.5	7.8
ROIC (%)	20.6	15.2	24.0	26.9	26.1
ROE (%)	25.8	18.7	29.0	28.9	25.1
PE (x)	43.2	47.9	24.8	19.8	18.4
Price/Book value (x)	9.9	8.1	6.5	5.1	4.2
EV/EBITDA (x)	31.2	26.3	15.0	12.1	11.1

Source: Company data, JM Financial. Note: Valuations as of 08/05/2013

JM Financial Research is also available on:
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Exhibit 1. PBDT in-line with JMFe							(₹ mn)
	Q4FY12	Q4FY13	% YoY	Q4FY13E	% Delta vs JMFe	Q3FY13	% QoQ
Net sales	18,596	25,374	36%	23,970	6%	24,659	3%
Other op. income	407	485	19%	313	55%	352	38%
Net Total Income	19,003	25,858	36%	24,282	6%	25,011	3%
Expenses							
Raw material	7,632	9,039	18%	8,368	8%	9,357	-3%
Staff cost	2,702	3,309	22%	3,405	-3%	3,165	5%
Other expense	5,176	6,924	34%	6,087	14%	6,440	8%
EBITDA	3,493	6,587	89%	6,422	3%	6,049	9%
% EBITDA Margin	18.4%	25.5%	709 bps	26.4%	-98 bps	24.2%	129 bps
Other income	82	62		150	-59%	265	-77%
Interest expense	145	133		70		77	
Depreciation	706	554	-21%	750	-26%	688	-19%
Extraordinary income (expense)	238	-736					
Profit Before Tax (PBT)	2,962	5,227	76%	5,752	-9%	5,550	-6%
Tax	1,348	1,080	-20%	1,611	-33%	2,116	-49%
% Tax rate	45%	21%		28%		38%	
Minority interest*	56	66		50		82	
Reported PAT	1,559	4,081	162%	4,092	0%	3,352	22%
Adj Net Profit	494	4,670	844%	4,092	14%	3,352	39%

(* positive number represents minority's share of company's profits or company's share of associate profit)

Source: Company, JM Financial.

Exhibit 2. Margin movement							
	Q4FY12	Q4FY13	% YoY	Q4FY13E	% Delta vs JMFe	Q3FY13	% QoQ
Raw Materials	40.2	35.0	-521 bps	34.5	49 bps	37.4	-246 bps
Staff cost	14.2	12.8	-142 bps	14.0	-123 bps	12.7	14 bps
Mfg & Other expense	27.2	26.8	-46 bps	25.1	171 bps	25.7	103 bps

Source: Company, JM Financial R&D costs were 7.7% of sales in 4Q13 vs. 7.2% in 4Q12.

Exhibit 3. Beat driven by US/ India							(₹ mn)
	Q4FY12	Q4FY13	% YoY	Q4FY13E	% Delta vs JMFe	Q3FY13	% QoQ
Formulations	16,164	22,938	42%	21,294	8%	22,306	3%
Domestic	3,773	5,659	50%	4,452	27%	5,708	-1%
US + EU	7,915	12,123	53%	11,223	8%	10,988	10%
- US	7,460	11,463	54%	10,700	7%	10,390	10%
- EU	455	660	45%	523	26%	598	10%
Kyowa	2,694	2,752	2%	3,319	-17%	3,658	-25%
Pharma Dynamics (SA)	705	906	29%	846	7%	831	9%
RoW	1,077	1,498	39%	1,454	3%	1,121	34%
API	2,432	2,436	0%	2,675	-9%	2,353	4%
Net sales	18,596	25,374	36%	23,970	6%	24,659	3%

Source: Company, JM Financial, JPY/INR was lower YoY. INR depreciated 8% vs. USD.

Exhibit 4. Higher sales and margins lead to upgrade (₹ mn)

Particulars	FY14E		FY15E		% change	
	Old	New	Old	New	FY14E	FY15E
Sales	101,256	109,720	117,612	122,852	8.4	4.5
Raw Materials	36,148	39,541	42,392	45,050	9.4	6.3
Staff Cost	14,849	14,736	17,076	16,946	(0.8)	(0.8)
R&D	6,324	6,783	7,272	7,800	7.3	7.3
Others	21,968	22,471	24,499	25,078	2.3	2.4
EBITDA	21,967	26,189	26,371	27,978	19.2	6.1
Depreciation	3,032	2,836	3,282	3,086	(6.5)	(6.0)
Profit before tax	20,135	24,554	24,639	26,442	21.9	7.3
Net Profit after tax	13,492	16,496	15,105	17,781	22.3	17.7
EPS	30.2	36.9	33.8	39.8	22.3	17.7
Raw Material (% of sales)	35.7	36.0	36.0	36.7		
Staff cost (% of sales)	14.7	13.4	14.5	13.8		
R&D (% of sales)	6.2	6.2	6.2	6.3		
Other expense (% of sales)	21.7	20.5	20.8	20.4		
EBITDA Margin	21.7	23.9	22.4	22.8		
PBT Margin	19.9	22.4	20.9	21.5		
Profit Margin	13.3	15.0	12.8	14.5		

Source: Company, JM Financial

Exhibit 5. US Generic sales increased (₹ mn)

	FY14E		FY15E		% change	
	Old	New	Old	New	FY14E	FY15E
Domestic formulations	26,475	27,729	31,240	32,720	4.7	4.7
US - Branded	7,049	7,579	7,420	7,420	7.5	-
US - Generics	30,331	38,421	37,436	42,776	26.7	14.3
EU	2,487	2,487	2,785	2,785	-	-
Kyowa (Japan)	15,240	13,830	17,069	15,489	(9.3)	(9.3)
Developing Formulations	9,937	9,937	11,925	11,925	-	-
Bulk	9,737	9,737	9,737	9,737	-	-
Total	101,256	109,720	117,612	122,852	8.4	4.5

Source: Company, JM Financial

Exhibit 6. FTF revenues considered part of base (₹ mn)

	FY11	FY12	FY13E	FY14E	FY15E
Net Sales	56,126	68,186	94,618	109,720	122,852
% growth		21%	39%	16%	12%
One-off sales	0	1,139	1,500	0	2,120
Net Sales (excl one-off)	56,126	67,047	93,118	109,720	120,732
		19%	39%	18%	10%
EBITDA	10,704	12,905	22,374	26,939	28,728
% growth		21%	73%	20%	7%
% margin	19.1%	18.9%	23.6%	24.6%	23.4%
One-off EBITDA	0	1,082	1,425	0	2,014
EBITDA (excl one-off)	10,704	11,824	20,949	26,939	26,714
% growth		10%	77%	29%	-1%
% margin	19.1%	17.6%	22.5%	24.6%	22.1%
Adj Net Profit	7,547	6,822	13,143	16,496	17,781
% growth		-10%	93%	26%	8%
Adj EPS	16.9	15.3	29.4	36.9	39.8
% growth		-10%	93%	26%	8%

Source: Company, JM Financial

Lupin – Bear case Analysis

- **Bear case presents 21% downside to Mar '14 TP:** In our bear case scenario, we assume \$55mn lower US branded revenue. We assume ₹2.8bn lower pre-tax profits due to lower brand sales. We also assume lower PE.

Exhibit 7. Bear case – Scenario Analysis

	Base case	Bear case
	FY15E	FY15E
US Generic sales	42,706	42,706
US Brand sales - In case of Suprax generic entry	7,490	4,548
Total US sales	50,196	47,254
Net sales	122,852	119,910
EBITDA	28,728	25,892
% margin	23.4%	21.6%
Adj Net Profit	17,781	15,512
Adj EPS	39.8	34.7
		-12.8%
P/E Multiple	20	18
Target Price (Mar'14)	796	625
% change to TP		-21%

Source: Company, JM Financial

Financial Tables (Consolidated)

Profit & Loss Statement						(₹ mn)
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E	
Net sales (Net of excise)	56,126	68,186	94,618	109,720	122,852	
Growth (%)	18.4	21.5	38.8	16.0	12.0	
Other operational income	586	575	1,297	750	750	
Raw material (or COGS)	21,977	25,513	34,980	39,541	45,050	
Personnel cost	7,677	9,695	12,488	14,736	16,946	
Other expenses (or SG&A)	16,353	20,648	26,073	29,254	32,878	
EBITDA	10,704	12,905	22,374	26,939	28,728	
EBITDA (%)	18.9	18.8	23.3	24.4	23.2	
Growth (%)	13.3	20.6	73.4	20.4	6.6	
Other non-op. income	72	144	606	650	650	
Depreciation and amort.	1,712	2,275	2,586	2,836	3,086	
EBIT	9,064	10,774	20,394	24,754	26,292	
Add: Net interest income	-261	-315	-410	-200	150	
Pre tax profit	8,804	10,459	19,984	24,554	26,442	
Taxes	1,169	3,086	5,842	7,857	8,461	
Add: Extraordinary items	807	1,524	-736	0	0	
Less: Minority interest	168	199	263	200	200	
Reported net profit	8,273	8,699	13,143	16,496	17,781	
Adjusted net profit	7,547	6,822	13,143	16,496	17,781	
Margin (%)	13.3	9.9	13.7	14.9	14.4	
Diluted share cap. (mn)	446	447	447	447	447	
Diluted EPS (₹)	16.9	15.3	29.4	36.9	39.8	
Growth (%)	13.0	-9.7	92.7	25.5	7.8	
Total Dividend + Tax	1,575	1,684	2,684	3,334	3,335	

Source: Company, JM Financial

Balance Sheet						(₹ mn)
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E	
Share capital	892	893	893	893	893	
Other capital	0	0	0	0	0	
Reserves and surplus	31,918	39,236	49,695	62,857	77,303	
Networth	32,811	40,129	50,588	63,751	78,196	
Total loans	11,624	16,400	13,543	8,284	4,012	
Minority interest	515	723	725	725	725	
Sources of funds	44,950	57,252	64,856	72,759	82,934	
Intangible assets	6,460	9,014	9,014	9,014	9,014	
Fixed assets	23,184	32,905	38,405	43,405	48,405	
Less: Deprn. and amort.	9,075	14,422	17,008	19,844	22,930	
Net block	20,568	27,497	30,411	32,575	34,489	
Capital WIP	5,312	4,437	4,437	4,437	4,437	
Investments	32	28	28	28	28	
Def tax assets/- liability	-1,411	-1,442	-1,600	-1,800	-2,000	
Current assets	34,967	46,911	54,053	62,089	73,485	
Inventories	12,000	17,327	20,446	22,899	27,021	
Sundry debtors	12,558	17,318	20,435	22,888	27,007	
Cash & bank balances	4,201	4,025	4,791	7,781	10,795	
Other current assets	0	0	0	0	0	
Loans & advances	6,208	8,241	8,381	8,521	8,661	
Current liabilities & prov.	14,518	20,178	22,473	24,570	27,505	
Current liabilities	11,085	13,978	17,473	19,570	22,505	
Provisions and others	3,433	6,200	5,000	5,000	5,000	
Net current assets	20,449	26,733	31,580	37,519	45,980	
Others (net)	0	0	0	0	0	
Application of funds	44,950	57,252	64,856	72,759	82,934	

Source: Company, JM Financial

Cash flow statement						(₹ mn)
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E	
Reported net profit	8,273	8,699	13,143	16,496	17,781	
Depreciation and amort.	2,003	5,347	2,586	2,836	3,086	
Inc/dec in working cap.	-2,142	-7,193	-2,741	-2,809	-5,306	
Others	260	208	2	0	0	
Cash from operations (a)	8,394	7,060	12,990	16,523	15,560	
Inc/dec in investments	233	4	0	0	0	
Capex	-5,243	-11,400	-5,500	-5,000	-5,000	
Others	-259	734	-1,340	-140	-140	
Cash flow from inv. (b)	-5,269	-10,663	-6,840	-5,140	-5,140	
Inc/-dec in capital	434	303	0	0	0	
Dividend+Tax thereon	-1,575	-1,684	-2,684	-3,334	-3,335	
Inc/-dec in loans	226	4,776	-2,858	-5,259	-4,271	
Others	-24	31	158	200	200	
Financial cash flow (c)	-939	3,426	-5,384	-8,393	-7,406	
Inc/-dec in cash (a+b+c)	2,186	-177	766	2,990	3,014	
Opening cash balance	2,015	4,201	4,025	4,791	7,781	
Closing cash balance	4,201	4,025	4,791	7,781	10,795	

Source: Company, JM Financial

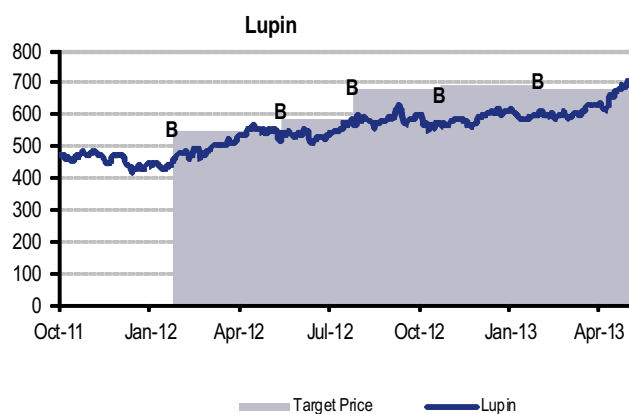
Key Ratios					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
BV/Share (₹)	73.5	89.8	113.2	142.7	175.1
ROIC (%)	20.6	15.2	24.0	26.9	26.1
ROE (%)	25.8	18.7	29.0	28.9	25.1
Net Debt/equity ratio (x)	0.2	0.3	0.2	0.0	-0.1
Valuation ratios (x)					
PER	43.2	47.9	24.8	19.8	18.4
PBV	9.9	8.1	6.5	5.1	4.2
EV/EBITDA	31.2	26.3	15.0	12.1	11.1
EV/Sales	5.9	5.0	3.5	3.0	2.6
Turnover ratios (no.)					
Debtor days	82	93	79	76	80
Inventory days	78	93	79	76	80
Creditor days	184	200	182	181	182

Source: Company, JM Financial

History of earnings estimates and target price

Date	FY13E EPS (₹)	% Chg.	FY14E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
25-Jan-12	24.2		28.6		550	Dec-12	
13-May-12	23.5	-2.9	29.1	1.7	583	Mar-13	6.0
25-Jul-12	27.3	16.2	33.9	16.5	680	Mar-13	16.6
23-Oct-12	27.4	0.4	33.9	0.0	695	Sep-13	2.2
31-Jan-13	26.9	-1.8	30.2	-10.9	680	Mar-14	-2.2

Recommendation history



JM Financial Institutional Securities Private Limited

Member, BSE Limited and National Stock Exchange of India Limited

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Q1'13 disappoints on ongoing remediation costs

- Base EBIDTA disappoints:** Ranbaxy reported 1QCY13 net profit of ₹1.25bn, 27% below JMFe. Profits include forex gain of ₹818mn on derivatives and forex loss of ₹357mn on trade. Sales were 7% below JMFe at ₹24.4bn and were down 34% YoY. However, adjusted for FTFs from base, they were up 10%. EBIDTA margins at 7.6% (1Q12 base: 15%) were lower than JMFe of 11.9% mainly due to other expense. Other expense at ₹9.3bn was 19% higher than JMFe due to continued remediation/product recall expense. The company explained these would total c.3.5% of sales. RM/Sale at 36.1% was 385/643bps lower than JMFe/4Q12. Base RM/Sales was broadly in line with 1Q12 at 37%. Staff costs were 3% lower than JMFe and grew 2% YoY. However, it included reversal of provision on defined benefit plan of ₹305mn. Further, there still seems to be small portion of non-recurring sales in US, as pioglitazone exclusivity got over in Feb'13 (peak MS: 31%, current:24%). The company spent ₹1.45bn (6% of sales) on R&D in 1Q13. Capex for 1Q13 is ₹1.2bn. Gross and net debt are \$824mn/167mn. Outstanding hedges are \$962mn vs \$1.07bn as at Dec'12.
- Europe/India miss estimates, CIS beats, US in line:** US business at ₹5.96bn (\$110mn) was down 73% YoY but in-line with expectation and up 40% ex-FTFs/AG from base. The company has gained ~9% share with Absorica, and >50% share in Cevimeline HCl AG. It filed 3 ANDAs in 1Q13 (including 2 potential FTFs). Management is satisfied with progress on FDA resolution and reiterated confidence to monetize FTFs. Mohali is not yet supplying to the US. It is confident of increasing market share in the re-launched atorvastatin from the present 2%. India grew 11% to ₹5.4bn - slightly below JMFe. Western Europe declined and missed JMFe. CIS grew strongly on the back of good winter and strong OTC sales.
- Maintain BUY, TP:** We cut our CY13E by 10% on lower margins due to higher overheads. However, we broadly maintain our CY14E, as we assume that remediation related costs will come off and help improve EBIDTA margins to c. 13.5% - in line with the management objective to return to healthy margins. We maintain our Dec'13 TP of ₹510, based on 18x CY14E EPS and ₹80/share towards FTFs. Maintain BUY.

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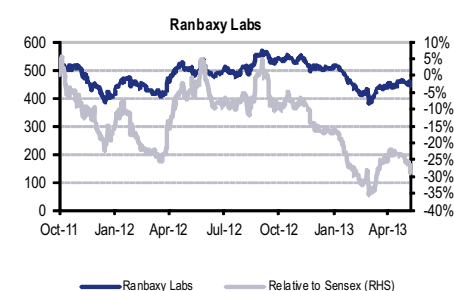
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Key Data

Market cap (bn)	₹ 187.8 / US\$ 3.5
Shares in issue (mn)	422.3
Diluted share (mn)	422.3
3-mon avg daily val (mn)	₹ 400.5/US\$ 7.4
52-week range	₹ 578.4/370.5
Sensex/Nifty	19,990/6,069
₹/US\$	54.2

Daily Performance



%	1M	3M	12M
Absolute	0.8	3.5	-9.9
Relative	-7.6	0.9	-30.7

* To the BSE Sensex

Shareholding Pattern (%)

	Mar-13	Mar-12
Promoters	63.5	63.7
FII	10.6	9.6
DII	10.0	10.9
Public / Others	15.9	15.9

Exhibit 1. Financial Summary

Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Net sales	85,091	99,578	122,529	112,188	125,802
Sales growth (%)	18.2	17.0	23.0	-8.4	12.1
EBITDA	15,721	15,637	17,842	12,686	16,898
EBITDA (%)	18.3	15.6	14.4	11.2	13.4
Adjusted net profit	4,655	1,750	3,250	6,839	10,213
EPS (₹)	11.0	4.2	7.7	16.2	24.2
EPS growth (%)	888.1	-62.3	85.4	110.3	49.3
ROIC (%)	4.7	0.9	8.4	18.7	25.5
ROE (%)	9.5	4.1	9.4	15.7	20.4
PE (x)	40.3	NA	57.6	27.4	18.4
Price/Book value (x)	3.4	6.5	4.6	4.1	3.5
EV/EBITDA (x)	12.3	12.8	10.6	14.4	10.3

Source: Company data, JM Financial. Note: Valuations as of 08/05/2013

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Exhibit 2. EBIDTA misses due to higher overheads

Ranbaxy	1Q12A	1Q13A	% YoY	1Q13E	vs JMFe	4Q12A	(₹ mn) % QoQ
Net sales	36,954	24,398	-34%	26,109	-7%	26,708	-9%
Other Op.Income	914	607	-34%	200	204%	404	50%
Total sales	37,868	25,006	-34%	26,309	-5%	27,112	-8%
Raw material	8,922	9,039	1%	10,523	-14%	11,545	-22%
Staff costs	4,702	4,802	2%	4,937	-3%	4,813	0%
Other expenses	14,093	9,259	-34%	7,800	19%	9,945	-7%
Op. Income	10,152	1,906	-81%	3,048	-37%	810	135%
% Op.income Margin	26.8%	7.6%	-1919 bps	11.6%	-397 bps	3.0%	464 bps
Interest Expense	187	525	181%	325		1,357	-61%
Depreciation	799	797	0%	876	-9%	805	-1%
Other income	616	624	1%	213	194%	767	-19%
Extra-ordinary income / expense	2,697	462		0		-3,940	
Profit Before Tax (PBT)	12,480	1,670	-87%	2,060	-19%	-4,525	-137%
Tax	1,374	353		474		340	
% Tax rate	11%	21%		23%		-8%	
Minorities	139	59		38		59	
Reported Net Profit	10,968	1,258	-89%	1,549	-19%	-4,924	-126%
Adj Net Profit	2,457	1,258	-49%	1,549	-27%	-1,499	-159%
% Net Profit Margin	6.5%	5.0%		5.9%	-152 bps	-5.5%	908 bps

Source: Company, JM Financial, Extraordinary items include forex loss/gain on hedge/trade, interest cost includes forex loss of ₹13mn for 1Q13. We have not adjusted these costs for 1Q13 net profit).

Exhibit 3. Overheads are impacted by some non-recurring items

% Cost Ratios	1Q12A	1Q13A	% YoY	1Q13E	vs JMFe	4Q12A	% QoQ
Raw Materials	23.6	36.1	1259 bps	40.0	-385 bps	42.6	-643 bps
Staff	12.4	19.2	679 bps	18.8	44 bps	17.8	145 bps
Other expenses	37.2	37.0	-19 bps	29.6	738 bps	36.7	35 bps

Source: Company, JM Financial

Exhibit 4. US sales in-line, but India and Europe behind

Sales Break-up	1Q12A	1Q13A	% YoY	1Q13E	vs JMFe	4Q12A	(\$ mn) % QoQ
Domestic	99	100	1%	111	-10%	99	1%
Middle East		3					
North America	416	127	-69%	130	-2%	159	-20%
- US	401	110	-73%	110	0%	138	-21%
- Canada	15	17	15%	20	-13%	21	-18%
Europe	83	66	-20%	94	-29%	85	-22%
CIS	18	37	106%	21	77%	27	38%
Africa	45	52	15%	51	2%	49	6%
Rest of World	41	29	-29%	46	-37%	35	-17%
API	34	34	1%	39	-11%	41	-16%
Net Sales	736	449	-39%	492	-9%	495	-9%

Source: Company, JM Financial, US includes c.\$30m Actos generic in 4Q12. Assuming \$ - ₹54.31

Exhibit 5. Sales break-up in rupee terms		(₹ mn)
	4Q12A	1Q13A
North America	8,510	6,892
Canada	1,139	936
USA	7,371	5,956
India + SL + CHC	5,418	5,513
India Region + SL	4,405	4,563
CHC	1,013	950
Europe + CIS	6,039	5,622
Eastern Europe & CIS	3,830	3,604
Romania	1,550	1,586
Russia	1,454	1,107
Others	826	911
Western Europe	2,209	2,018
APAC & ME	1,354	1,240
APAC		1,070
ME		170
Africa	2,656	2,814
LATAM	591	503
Total Dosage Form	24,568	22,584
API + Others	2,142	1,814
Total Sales	26,710	24,398

Source: Company, JM Financial

Exhibit 6. Cutting CY13E EPS by 10%, broadly maintain CY14E						
	CY13			CY14		
	Old	New	% chg	Old	New	% chg
India	376	371	-1%	422	415	-2%
India - consumer	79	78	-1%	90	89	-1%
N. America (in \$ mn)	650	644	-1%	710	704	-1%
Europe	269	215	-20%	296	237	-20%
CIS	95	138	45%	110	159	45%
Africa	200	201	0%	230	231	0%
Asia	75	60	-20%	87	69	-20%
Asia-Consumer	45	45	0%	52	52	0%
Brazil	46	44	-4%	53	51	-4%
Formulation	1,837	1,797	-2%	2,050	2,008	-2%
Bulk	156.18	152.4193	-2%	179.607	175	-2%
Terapia	123	120	-2%	142	138	-2%
Total (\$ mn)	2,116	2,070	-2%	2,371	2,321	-2%
Net Sales (₹ mn)	112,278	112,188	0%	125,654	125,802	0%
Raw material	43,022	40,787	-5%	47,402	45,317	-4%
Staff cost	19,267	18,103	-6%	21,194	19,914	-6%
R&D	5,500	5,850	6%	6,050	6,435	6%
SGA	31,259	35,409	13%	34,662	37,938	9%
EBITDA	14,029	12,686	-10%	17,047	16,898	-1%
Net Interest Income	-1,300	-1,500	15%	-500	-500	0%
Adj. Net Profit	7,609	6,839	-10%	10,268	10,213	-1%
Adj. EPS	18.0	16.2	-10%	24.3	24.2	-1%

Source: Company, JM Financial

Exhibit 7. PIV value driven by near-term launches (₹)		
	Launch	NPV/share
Valsartan	Dec-12	18
Valganciclovir	Mar-13	16
Nexium	Nov-14	47
Total PIV value		81

Source: Company, JM Financial

Exhibit 8. Expect base margins to improve (₹ mn)			
	CY12A	CY13E	CY14E
Total Sales	122,527	112,188	125,802
% YoY growth	22.6%	-8.4%	12.1%
One-off opportunities	26,400	0	0
Base Sales	96,127	112,188	125,802
% YoY growth	19.6%	16.7%	12.1%
Reported EBITDA	17,842	12,686	16,898
% margins	14.6%	11.3%	13.4%
% YoY growth	14.1%	-28.9%	33.2%
One-off EBITDA	12,878	0	0
Base EBITDA	4,964	12,686	16,898
% margins	5.2%	11.3%	13.4%
% YoY growth	-1.3%	155.6%	33.2%
Adj Net Profit	3,250	6,839	10,213
% margins	3.4%	6.1%	8.1%
% YoY growth	85.7%	110.4%	49.3%
Adj EPS	7.7	16.2	24.2
% YoY growth	85.4%	110.3%	49.3%

Source: Company, JM Financial

Bear case scenario

Our bear-case assumes a P/E of 16x, and 100bps lower EBITDA margins. Our bear case TP of ₹432 presents 16% downside to our base case TP.

Exhibit 9. Bear case presents 16% downside to TP (₹)		
	Base case	Bear case
	CY14E	CY14E
Base US sales	33,564	33,564
Net sales	125,802	125,802
EBITDA	16,898	15,640
% margin	13.4%	12.4%
Adj Net Profit	10,213	9,269
Adj EPS	24.2	21.9
		-9.4%
P/E Multiple	18	16
P-IV Value	81	81
Target Price (Dec'13)	517	432
% change to TP		-16%

Source: Company, JM Financial

Financial Tables (Consolidated)

Profit & Loss Statement					
	(₹ mn)				
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Net sales (Net of excise)	85,091	99,578	122,529	112,188	125,802
Growth (%)	18.2	17.0	23.0	-8.4	12.1
Other operational income	799	483	1,020	647	700
Raw material (or COGS)	29,462	32,558	38,485	40,787	45,317
Personnel cost	13,381	14,971	17,576	18,103	19,914
Other expenses (or SG&A)	27,326	36,897	49,647	41,259	44,373
EBITDA	15,721	15,637	17,842	12,686	16,898
EBITDA (%)	18.3	15.6	14.4	11.2	13.4
Growth (%)	234.4	-0.5	14.1	-28.9	33.2
Other non-op. income	714	700	146	1,263	850
Depreciation and amort.	3,717	3,940	3,202	3,425	3,725
EBIT	12,718	12,397	14,785	10,524	14,023
Add: Net interest income	2,557	1,486	-486	-1,500	-500
Pre tax profit	15,275	13,883	14,299	9,024	13,523
Taxes	5,849	1,969	2,939	1,976	3,110
Add: Extraordinary items	7,311	-39,620	-1,850	0	0
Less: Minority interest	185	163	282	209	200
Reported net profit	16,553	-27,870	9,228	6,839	10,213
Adjusted net profit	4,655	1,750	3,250	6,839	10,213
Margin (%)	5.4	1.7	2.6	6.1	8.1
Diluted share cap. (mn)	423	421	422	422	422
Diluted EPS (₹)	11.0	4.2	7.7	16.2	24.2
Growth (%)	888.1	-62.3	85.4	110.3	49.3
Total Dividend + Tax	982	-3	0	1,600	2,390

Source: Company, JM Financial

Balance Sheet					
	(₹ mn)				
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Share capital	2,105	2,110	2,115	2,115	2,115
Other capital	0	0	0	0	0
Reserves and surplus	53,876	26,577	38,718	43,956	51,779
Networth	55,981	28,687	40,832	46,071	53,894
Total loans	43,348	44,907	48,462	41,252	29,167
Minority interest	0	0	0	0	0
Sources of funds	99,329	73,594	89,294	87,323	83,061
Intangible assets	27,387	27,387	27,387	27,387	27,387
Fixed assets	39,663	45,880	48,904	52,904	56,904
Less: Depn. and amort.	21,571	24,680	26,070	29,494	33,219
Net block	45,479	48,587	50,221	50,797	51,072
Capital WIP	3,818	2,641	1,935	1,935	1,935
Investments	4,985	982	790	790	790
Def tax assets/- liability	227	375	-132	-132	-132
Current assets	86,932	104,582	111,706	116,039	120,178
Inventories	21,926	26,107	27,314	30,591	34,262
Sundry debtors	16,052	30,065	20,368	22,812	25,549
Cash & bank balances	32,644	30,681	46,004	44,816	42,546
Other current assets	16,309	17,729	18,020	17,820	17,820
Loans & advances	0	0	0	0	0
Current liabilities & prov.	41,398	82,757	74,325	81,206	89,881
Current liabilities	18,977	14,231	16,214	18,646	21,443
Provisions and others	22,422	68,526	58,112	62,560	68,438
Net current assets	45,534	21,826	37,381	34,834	30,297
Others (net)	-713	-816	-901	-901	-901
Application of funds	99,329	73,594	89,294	87,323	83,061

Source: Company, JM Financial

Cash flow statement					
	(₹ mn)				
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Reported net profit	16,553	-27,870	9,228	6,839	10,213
Depreciation and amort.	3,691	3,109	1,390	3,425	3,725
-Inc/dec in working cap.	3,409	-22,940	10,474	-3,290	-3,612
Others	0	0	0	0	0
Cash from operations (a)	23,652	-4,701	21,091	6,974	10,326
-Inc/dec in investments	423	4,002	192	0	0
Capex	-1,852	-5,040	-2,318	-4,000	-4,000
Others	-9,741	44,684	-10,706	4,648	5,878
Cash flow from inv. (b)	-11,170	43,647	-12,832	648	1,878
Inc/-dec in capital	-1,265	574	2,917	0	0
Dividend+Tax thereon	-982	3	0	-1,600	-2,390
Inc/-dec in loans	7,053	1,559	3,555	-7,210	-12,085
Others	2,940	-45	591	0	0
Financial cash flow (c)	7,746	2,090	7,063	-8,810	-14,474
Inc/-dec in cash (a+b+c)	20,228	-1,964	15,323	-1,188	-2,270
Opening cash balance	12,416	32,644	30,681	46,004	44,816
Closing cash balance	32,645	30,681	46,004	44,816	42,546

Source: Company, JM Financial

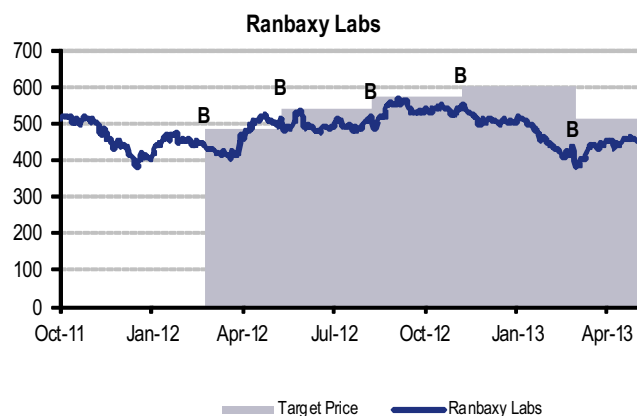
Key Ratios					
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
BV/Share (₹)	132.4	68.1	96.8	109.1	127.6
ROIC (%)	4.7	0.9	8.4	18.7	25.5
ROE (%)	9.5	4.1	9.4	15.7	20.4
Net Debt/equity ratio (x)	0.1	0.5	0.0	-0.1	-0.3
Valuation ratios (x)					
PER	40.3	NA	57.6	27.4	18.4
PBV	3.4	6.5	4.6	4.1	3.5
EV/EBITDA	12.3	12.8	10.6	14.4	10.3
EV/Sales	2.3	2.0	1.5	1.6	1.4
Turnover ratios (no.)					
Debtor days	69	110	61	74	74
Inventory days	94	96	81	100	99
Creditor days	235	160	154	167	173

Source: Company, JM Financial

History of earnings estimates and target price

Date	CY12E EPS (₹)	% Chg.	CY13E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
23-Feb-12	13.8		23.0		485	Dec-12	
9-May-12	18.2	31.9	26.0	13.0	540	Dec-12	11.3
9-Aug-12	20.1	10.4	27.8	6.9	574	Dec-12	6.3
7-Nov-12	16.0	-20.4	21.0	-24.5	600	Dec-13	4.5
27-Feb-13	7.7	-51.9	18.0	-14.3	510	Dec-13	-15.0

Recommendation history



JM Financial Institutional Securities Private Limited

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Operationally in-line, rising interest cost a worry

- Revenue beat, but profit declines 18% on higher interest costs:** ABB reported 1QCY13 results below expectations, mainly due to higher working capital and related interest costs. Net sales grew 10% YoY (beating 5.6% JMFe) on higher execution of short cycle projects and smaller size orders in solar, building infrastructure and railways segments. Total debt at ₹5bn is higher vs ₹3.3bn at end-4Q12, on higher NWC requirement leading to a spike in interest costs. This is due to a large quantum of retention money (receivables) which is yet to be recovered from customers on large gestation projects completed or nearing completion.
- Operating margins in-line at 5.7% (adj for forex loss), down 70bps YoY:** Internal cost efficiency continued to deliver results with 5.7% EBITDA margins adj for ₹210mn forex loss, (in-line with JMFe). Segmental EBIT margins improved in Power Products & Process Automation segments while Discrete Auto & LV products saw a decline. Management indicates better margin potential in products (short cycle) than projects (high value longer gestation) which are more prone to delays. The OB mix has also tilted towards products with 60% share from 55% earlier.
- Order book contracts 9% YoY on weak inflows:** Order inflows were down 8% YoY (₹15.3bn) on delay in finalisations of larger projects in core sectors, with the company concentrating more on short cycle, low value product related orders. Although progress is seen at macro level with SEBs moving towards signing the FRP, management is uncertain about timing of recovery. Order book stands at ₹82.3bn, down 9% YoY.
- Maintain HOLD, cut TP to ₹492:** We find operational efficiency improvement sustaining; however, macro headwinds of slow execution, low order inflow and stretched working capital may continue. We cut CY13/14E earnings by 8.5%/6% taking into account higher interest costs while stable margins of 6.2%/6.4% respectively. We revise TP to ₹492, based on 30x Dec'14 EPS of ₹16.4. Recovery in SEB ordering once their restructuring commences (expected in 6-8 months) can improve order inflow visibility and profitability.

Exhibit 1. Financial Summary

Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Net sales	62,871	73,703	74,703	81,517	90,931
Sales growth (%)	0.8	17.2	1.4	9.1	11.5
EBITDA	1,784	2,831	2,883	5,059	5,835
EBITDA (%)	2.8	3.8	3.9	6.2	6.4
Adjusted net profit	1,229	1,664	1,684	2,921	3,477
EPS (₹)	5.8	7.9	7.9	13.8	16.4
EPS growth (%)	-68.2	35.4	1.2	73.5	19.0
ROIC (%)	6.8	9.1	7.7	11.1	11.6
ROE (%)	5.1	6.7	6.6	10.9	12.0
PE (x)	92.6	68.4	67.6	39.0	32.8
Price/Book value (x)	4.7	4.5	4.4	4.1	3.8
EV/EBITDA (x)	60.5	39.1	40.2	23.2	20.0

Source: Company data, JM Financial. Note: Valuations as of 08/05/2013

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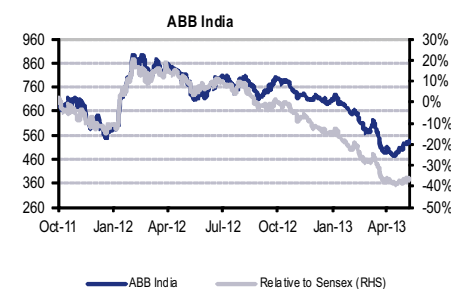
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Key Data

Market cap (bn)	₹ 113.9 / US\$ 2.1
Shares in issue (mn)	211.9
Diluted share (mn)	211.9
3-mon avg daily val (mn)	₹ 39.7/US\$ 0.7
52-week range	₹ 830.0/468.0
Sensex/Nifty	19,990/6,069
₹/US\$	54.2

Daily Performance



%	1M	3M	12M
Absolute	10.4	-16.8	-29.1
Relative	2.0	-19.4	-49.9

* To the BSE Sensex

Shareholding Pattern

	Mar-13	Mar-12
Promoters	75.0	75.0
FII	3.7	3.2
DII	12.4	12.9
Public / Others	8.9	8.9

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Exhibit 2. Change in estimates

Y/E December	Actual			Revised Estimates		Old estimates		% chg	
	CY12A	CY13E	CY14E	CY13E	CY14E	CY13E	CY14E	CY13E	CY14E
Net sales	74,703	81,517	90,931	81,517	90,931	0.0	0.0		
Sales growth	1.4	9.1	11.5	9.1	11.5				
EBITDA	2,883	5,059	5,835	5,211	6,010	-2.9	-2.9		
EBITDA (%)	3.9	6.2	6.4	6.4	6.6	-20bps	-20bps		
Net Profit (Adj)	1,684	2,921	3,477	3,194	3,703	-8.5	-6.1		
EPS (₹)	7.9	13.8	16.4	15.1	17.5	-8.5	-6.1		
EPS Growth (%)	11.4	73.5	19.0	89.7	15.9				
ROCE (%)	7.3	11.0	11.6	11.4	12.0				
ROE (%)	6.6	10.9	12.0	11.8	12.5				

Source: Company, JM Financial

Exhibit 3. Growth & margin assumptions

	Actual		Revised Estimates		Old Estimates		% chg	
	CY12A	CY13E	CY14E	CY13E	CY14E	CY13E	CY14E	
Power Systems								
Sales growth	-5.1	5.0	8.0	5.0	8.0	0bps	0bps	
EBIT margin	-0.6	3.0	3.0	3.0	3.0	0bps	0bps	
Power Products								
Sales growth	4.2	12.0	15.0	12.0	15.0	0bps	0bps	
EBIT margin	6.6	6.0	6.0	6.5	6.5	-50bps	-50bps	
Process Automation								
Sales growth	2.6	10.0	12.0	10.0	12.0	0bps	0bps	
EBIT margin	-1.1	3.0	4.0	3.0	4.0	0bps	0bps	
Discrete Automation and Motion								
Sales growth	-1.3	8.0	10.0	8.0	10.0	0bps	0bps	
EBIT margin	11.0	11.0	11.0	11.0	11.0	0bps	0bps	
LV Products								
Sales growth	14.4	15.0	15.0	15.0	15.0	0bps	0bps	
EBIT margin	6.4	6.0	6.0	6.5	6.5	-50bps	-50bps	

Source: Company, JM Financial

Exhibit 4. Quarterly Performance

Y/E December	1Q CY12	1Q CY13	% YoY	1Q CY13E	% YoY E	CY12	CY13E	% YoY
Net Sales	17,730	19,534	10.2	18,723	5.6	74,703	81,517	9.1
Expenditure	16,600	18,425	11.0	17,646	6.3	71,820	76,458	6.5
EBITDA	1,130	1,109	-1.9	1,077	-4.7	2,883	5,059	75.5
EBITDA (%)	6.4	5.7	-70bps	5.8	-60bps	3.9	6.2	230bps
Other income	191	180	-5.7	201	5.0	1,017	1,072	5.4
Depreciation	223	246	10.2	253	13.4	941	1,041	10.6
EBIT	1,098	1,043	-5.0	1,024	-6.7	2,959	5,090	72.0
Interest	54	198	265.7	114	110.2	432	711	64.4
Eol	-328	-210		0		-465	-210	
PBT	716	636	-11.3	911	27.1	2,062	4,169	102.2
Tax	240	210	-12.5	301	25.2	688	1,388	101.8
<i>Eff. Tax rate (%)</i>	<i>33.5</i>	<i>33.0</i>		<i>33.0</i>		<i>33.4</i>	<i>33.3</i>	
PAT	476	426	-10.7	610	28.1	1,374	2,781	102.4
EPS (₹)	2.2	2.0	-10.7	2.9	28.1	6.5	13.1	102.4
Adjusted PAT	694	566	-18.4	610	-12.1	1,684	2,921	73.5
Adjusted EPS (₹)	3.3	2.7	-18.4	2.9	-12.1	7.9	13.8	73.5

Source: JM Financial

Exhibit 5. Cost Break Up

Y/E December	1Q CY12	1Q CY13	% YoY	1Q CY13E	% YoY E	CY12	CY13E	% YoY
Raw Material	12,740	14,242	11.8	13,761	8.0	54,278	60,322	11.1
<i>% of net sales</i>	71.9	72.9	110bps	73.5	160bps	72.7	74.0	130bps
Staff Cost	1,489	1,693	13.7	1,638	10.0	6,196	6,816	10.0
<i>% of net sales</i>	8.4	8.7	30bps	8.7	40bps	8.3	8.4	10bps
Other expenses	2,371	2,490	5.0	2,247	-5.2	11,346	9,320	-17.9
<i>% of net sales</i>	13.4	12.7	-60bps	12.0	-140bps	15.2	11.4	-380bps

Source: JM Financial

Exhibit 6. Segmental Performance

	1Q CY12	1Q CY13	% YoY	CY12	CY13E	% YoY
Power Systems						
Sales	5,689	7,519	32.2	22,422	23,543	5.0
EBIT	282	299	6.0	-145	706	-585.7
<i>% EBIT</i>	5.0	4.0	-100bps	-0.6	3.0	360bps
Power Products						
Sales	4,580	4,421	-3.5	20,853	23,355	12.0
EBIT	107	220	105.2	1,384	1,401	1.2
<i>% EBIT</i>	2.3	5.0	260bps	6.6	6.0	-60bps
Process Automation						
Sales	3,039	2,803	-7.8	13,566	14,923	10.0
EBIT	83	179	114.8	-152	448	-394.0
<i>% EBIT</i>	2.7	6.4	360bps	-1.1	3.0	410bps
Discrete Automation & Motion						
Sales	4,141	4,420	6.8	17,753	19,173	8.0
EBIT	432	332	-23.2	1,956	2,109	7.8
<i>% EBIT</i>	10.4	7.5	-290bps	11.0	11.0	0bps
Low Voltage Products						
Sales	1,447	1,414	-2.3	6,174	7,100	15.0
EBIT	82	54	-33.8	396	426	7.7
<i>% EBIT</i>	5.7	3.8	-180bps	6.4	6.0	-40bps

Source: JM Financial

Financial Tables

Profit & Loss Statement					
	(₹ mn)				
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Net sales (Net of excise)	62,871	73,703	74,703	81,517	90,931
Growth (%)	0.8	17.2	1.4	9.1	11.5
Other operational income	0	0	0	0	0
Raw material (or COGS)	48,021	54,785	54,278	60,322	67,380
Personnel cost	4,901	5,868	6,196	6,816	7,838
Other expenses (or SG&A)	8,165	10,218	11,346	9,320	9,879
EBITDA	1,784	2,831	2,883	5,059	5,835
EBITDA (%)	2.8	3.8	3.9	6.2	6.4
Growth (%)	-69.0	58.7	1.8	75.5	15.3
Other non-op. income	722	949	962	984	1,023
Depreciation and amort.	517	795	941	1,041	1,164
EBIT	1,989	2,984	2,904	5,002	5,694
Add: Net interest income	-41	-307	-378	-623	-481
Pre tax profit	1,948	2,677	2,527	4,379	5,213
Taxes	370	832	688	1,388	1,736
Add: Extraordinary items	-946	182	0	0	0
Less: Minority interest	0	0	0	0	0
Reported net profit	632	2,027	1,839	2,991	3,477
Adjusted net profit	1,229	1,664	1,684	2,921	3,477
Margin (%)	2.0	2.3	2.3	3.6	3.8
Diluted share cap. (mn)	212	212	212	212	212
Diluted EPS (₹)	5.8	7.9	7.9	13.8	16.4
Growth (%)	-68.2	35.4	1.2	73.5	19.0
Total Dividend + Tax	494	741	739	985	1,034

Source: Company, JM Financial

Balance Sheet					
	(₹ mn)				
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Share capital	424	424	424	424	424
Other capital	0	0	0	0	0
Reserves and surplus	23,813	24,921	25,557	27,352	29,795
Networth	24,237	25,345	25,980	27,776	30,219
Total loans	0	0	3,277	5,000	4,500
Minority interest	0	0	0	0	0
Sources of funds	24,237	25,345	29,257	32,776	34,719
Intangible assets	0	0	0	0	0
Fixed assets	9,978	14,620	15,856	17,856	19,856
Less: Depn. and amort.	2,318	2,936	3,783	4,824	5,988
Net block	7,661	11,684	12,073	13,033	13,868
Capital WIP	577	744	1,170	0	0
Investments	168	507	525	525	525
Def tax assets/- liability	46	224	148	148	148
Current assets	49,262	49,786	50,784	56,133	61,520
Inventories	6,979	9,255	9,204	10,742	11,076
Sundry debtors	29,260	30,825	32,644	35,733	39,860
Cash & bank balances	5,871	2,644	851	916	893
Other current assets	3,611	3,423	3,500	3,850	4,235
Loans & advances	3,542	3,639	4,585	4,891	5,456
Current liabilities & prov.	33,477	37,600	35,443	37,062	41,343
Current liabilities	31,630	35,270	32,978	34,617	38,615
Provisions and others	1,846	2,331	2,465	2,446	2,728
Net current assets	15,785	12,186	15,341	19,071	20,178
Others (net)	0	0	0	0	0
Application of funds	24,237	25,345	29,257	32,776	34,719

Source: Company, JM Financial

Cash flow statement					
	(₹ mn)				
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
Reported net profit	632	2,027	1,839	2,991	3,477
Depreciation and amort.	256	618	847	1,041	1,164
Inc/dec in working cap.	1,394	-203	-4,059	-2,989	-463
Others	0	0	0	0	0
Cash from operations (a)	2,283	2,442	-1,373	1,042	4,178
Inc/dec in investments	1	-339	-18	0	0
Capex	-599	-4,808	-1,663	-830	-2,000
Others	-377	575	-889	-675	-667
Cash flow from inv. (b)	-975	-4,572	-2,569	-1,505	-2,667
Inc/-dec in capital	-138	-178	-465	-210	0
Dividend+Tax thereon	-494	-741	-739	-985	-1,034
Inc/-dec in loans	0	0	3,277	1,723	-500
Others	-45	-178	76	0	0
Financial cash flow (c)	-678	-1,097	2,149	528	-1,534
Inc/-dec in cash (a+b+c)	630	-3,227	-1,793	65	-23
Opening cash balance	5,241	5,871	2,644	851	916
Closing cash balance	5,871	2,644	851	917	893

Source: Company, JM Financial

Key Ratios					
Y/E December	CY10A	CY11A	CY12E	CY13E	CY14E
BV/Share (₹)	114.4	119.6	122.6	131.1	142.6
ROIC (%)	6.8	9.1	7.7	11.1	11.6
ROE (%)	5.1	6.7	6.6	10.9	12.0
Net Debt/equity ratio (x)	-0.2	-0.1	0.1	0.1	0.1
Valuation ratios (x)					
PER	92.6	68.4	67.6	39.0	32.8
PBV	4.7	4.5	4.4	4.1	3.8
EV/EBITDA	60.5	39.1	40.2	23.2	20.0
EV/Sales	1.7	1.5	1.5	1.4	1.3
Turnover ratios (no.)					
Debtor days	170	153	159	160	160
Inventory days	41	46	45	48	44
Creditor days	240	235	222	209	209

Source: Company, JM Financial

History of earnings estimates and target price

Date	FY13E EPS (₹)	% Chg.	FY14E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
5-Mar-12	16.6		23.5		825	Dec-12	
9-May-12	16.6	0.0	23.5	0.0	825	Dec-12	0.0
9-Aug-12	14.9	-10.2	21.2	-9.8	740	Dec-12	-10.3
6-Nov-12	11.8	-20.8	18.2	-14.2	718	Dec-13	-3.0
22-Feb-13	7.8	-33.9	15.1	-17.0	524	Dec-13	-27.0
18-Apr-13	7.9	1.3	15.1	0.0	524	Dec-13	0.0

Recommendation history**JM Financial Institutional Securities Private Limited**

Member, BSE Limited and National Stock Exchange of India Limited

SEBI Registration Nos.: BSE - INB011296630 & INF011296630, NSE - INB231296634 & INF231296634

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KEC International | KECI IN

Margins to remain weak

- Swings to loss on low margin projects, higher tax liability:** KEC surprised negatively as it reported ₹139mn net loss for 4Q13 on: **a)** cost over-runs and execution of low margin orders in new businesses causing ₹450-500mn loss, **b)** higher tax provisioning as foreign subsidiaries reported profits, while consolidated PBT was lower on losses in standalone entity, and **c)** one-time costs associated with closure of Thane plant, **d)** low utilisation for new cables facility at Vadodara, and **e)** sharp increase in interest costs at 39% YoY. Also, sales growth momentum slowed during the quarter (on high base); it grew 3.9% YoY in 4Q13 against 29% YoY growth in 9M13. Sales growth is likely to slow to 8% CAGR over FY13-15E vs 25% CAGR during FY11-13E.
- EBITDA margin falls to 4.1% in 4Q13:** Although margins for transmission projects (65% of sales) remained stable in 8.5-9% range, there was sharp decline in EBITDA margin to 4.1% in 4Q13 on losses from new businesses. Execution of these low margin orders in water and railways segment are expected to continue over next 2 quarters, keeping EBITDA margins under pressure.
- Order book stood at ₹94.7bn, up 11% YoY:** Order inflows declined by 8% YoY in 4Q13 to ₹17bn despite healthy inflows from PGCIL (₹5.5bn), Saudi Electric (₹2bn), APTRANSCO (₹1.9bn) and others. Order book stood at ₹94.7bn (1.4x FY13 sales), but we believe inflows will moderate as PGCIL ordering turns flat at ₹200bn over next 3-4 years, while orders associated with power generation projects are progressing slow.
- Maintain HOLD, cut TP to ₹54:** We cut our earnings estimates by 36%/22% for FY14/15 as we cut our operating margin estimates by 120/100bps respectively and factor in higher interest outgo as net debt-equity increases to 1.3x at end-FY13 (up from 0.9x at end- FY12). Maintain HOLD with revised TP of ₹54 (₹70), valuing the stock at 8x Mar'15 EPS on **a)** continued pressure on margins as low margins orders are likely to persist, **b)** order inflows may moderate on weak outlook in domestic transmission segment, and **c)** sharp increase in net debt-equity ratio. Faster than expected recovery in operating margins may pose upsides to our estimates.

Exhibit 1. Financial Summary

Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
Net sales	44,742	58,147	69,795	76,039	81,123
Sales growth (%)	14.5	30.0	20.0	8.9	6.7
EBITDA	4,709	4,713	3,814	4,574	5,375
EBITDA (%)	10.5	8.1	5.5	6.0	6.6
Adjusted net profit	2,141	1,774	652	1,290	1,741
EPS (₹)	8.3	6.9	2.5	5.0	6.8
EPS growth (%)	12.9	-17.2	-63.3	97.9	34.9
ROIC (%)	15.3	12.1	6.3	10.3	11.9
ROE (%)	24.7	17.3	5.8	10.8	13.3
PE (x)	5.8	7.1	19.2	9.7	7.2
Price/Book value (x)	1.3	1.1	1.1	1.0	0.9
EV/EBITDA (x)	5.4	4.9	7.3	5.7	4.9

Source: Company data, JM Financial. Note: Valuations as of 08/05/2013

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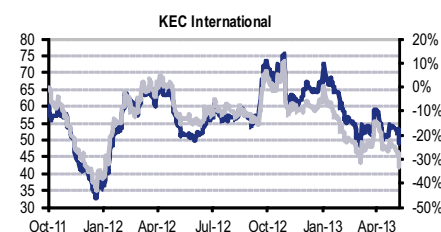
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Key Data

Market cap (bn)	₹ 12.5 / US\$ 0.2
Shares in issue (mn)	257.1
Diluted share (mn)	257.1
3-mon avg daily val (mn)	₹ 17.3/US\$ 0.3
52-week range	₹ 80.8/47.3
Sensex/Nifty	19,990/6,069
₹/US\$	54.2

Daily Performance



%	1M	3M	12M
Absolute	-11.4	-11.6	-7.8
Relative	-19.8	-14.2	-28.6

* To the BSE Sensex

Shareholding Pattern (%)

	Mar-13	Mar-12
Promoters	44.6	43.1
FII	2.5	2.3
DII	34.5	39.0
Public / Others	18.4	15.7

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Exhibit 2. Change in estimates

(₹mn)

Y/E March	Old estimates		Revised estimates		% change	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net sales	75,349	77,741	76,039	81,123	0.9%	4.4%
Sales growth	6.0%	3.2%	8.9%	6.7%		
EBITDA	5,472	5,935	4,574	5,375	-16.4%	-9.4%
EBITDA Margin	7.3%	7.6%	6.0%	6.6%	-120bps	-100bps
Tax rate	35%	35%	35%	35%		
Adj Net Profit	2,015	2,223	1,290	1,741	-36.0%	-21.7%
Adj Net Profit Growth (%)	41.6%	10.3%	97.9%	34.9%		
Adj EPS (₹)	7.8	8.6	5.0	6.8	-36.0%	-21.7%
Adj EPS Growth (%)	41.6%	10.3%	97.9%	34.9%		
ROCE (%)	11.9	11.8	9.3	10.3		
ROE (%)	15.1	14.9	10.3	12.7		

Source: Company, JM Financial

Exhibit 3. Quarterly Performance – Consolidated

(₹mn)

Y/E March	4QFY12	4QFY13	% YoY	4QFY13E	% YoY	FY12	FY13	% YoY
Net Sales	20,690	21,500	3.9	22,799	10.2	58,147	69,795	20.0
Expenditure	18,995	20,611	8.5	21,226	11.7	53,434	65,981	23.5
EBITDA	1,695	889	-47.6	1,573	-7.2	4,713	3,814	-19.1
EBITDA M (%)	8.2	4.1	-410bps	6.9	-130bps	8.1	5.5	-260bps
Other income	2	50	NA	39	NA	12	161	NA
Depreciation	115	155	34.7	148	28.4	479	561	17.0
EBIT	1,581	783	-50.5	1,464	-7.4	4,246	3,414	-19.6
Interest	410	570	38.9	531	29.5	1,497	1,944	29.9
PBT before Eol	1,171	214	-81.8	933	-20.4			
Extraordinary item	0	-1		0		494	-1	
PBT after Eol	1,171	212	-81.9	933	-20.4	3,243	1,468	-54.7
Tax	427	352	-17.6	300	-29.8	1,150	818	-28.9
Tax rate (%)	36.4	165.6		32.1		35.5	55.7	
Tax on Eol (assumed)	0	0		0				
Reported PAT	744	-139	-118.7	633	-15.0	2,093	650	-68.9
EPS (₹)	2.9	-0.5	-118.7	2.5	-15.0	8.1	2.5	-68.9
Adjusted PAT	744	-138	-118.5	633	-15.0	1,774	652	-63.3
EPS Adjusted (₹)	2.9	-0.5	-118.5	2.5	-15.0	6.9	2.5	-63.3

Source: Company, JM Financial

Exhibit 4. Cost break-up – Consolidated

(₹mn)

Y/E March	4QFY12	4QFY13	% YoY	4QFY13E	% YoY	FY12	FY13	% YoY
Raw Material	16,081	17,235	7.2	17,610	9.5	43,173	53,301	23.5
% of sales	77.7	80.2	240bps	77.2	-50bps	74.2	76.4	210bps
Staff Cost	1,114	1,178	5.7	1,306	17.3	4,274	4,829	13.0
% of sales	5.4	5.5	10bps	5.7	30bps	7.3	6.9	-40bps
Other Expenses	1,800	2,199	22.2	2,310	28.4	5,987	7,852	31.1
% of sales	8.7	10.2	150bps	10.1	140bps	10.3	11.2	100bps

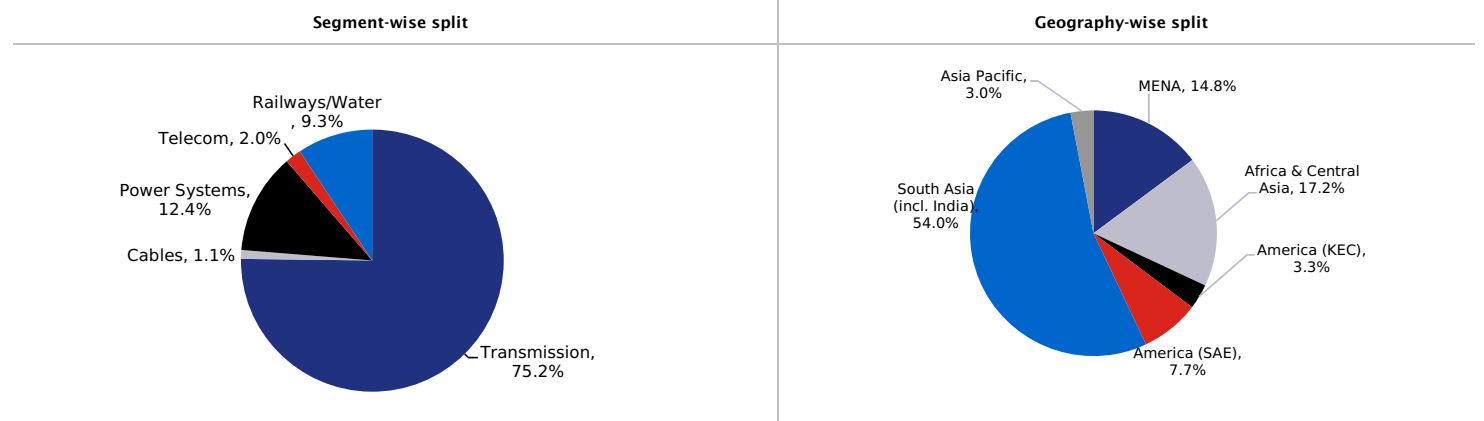
Source: Company, JM Financial

Exhibit 5. Major orders booked in 4Q13

Date	Client	Scope of work	Order Value (₹mn)
02-Apr-13	PGCIL	400kV and 220kv transmission line	2,190
02-Apr-13	Saudi Electricity Company	380kV transmission lines	1,960
15-Feb-13	APTRANSCO	400kV double circuit transmission line	1,890
15-Feb-13	PGCIL	765kV single circuit transmission line	1,730
02-Apr-13	PT PLN (Persero) - State electricity corp	150kV transmission line	1,290
15-Feb-13	PGCIL	220kV and 132kV transmission lines in Jharkhand	1,180

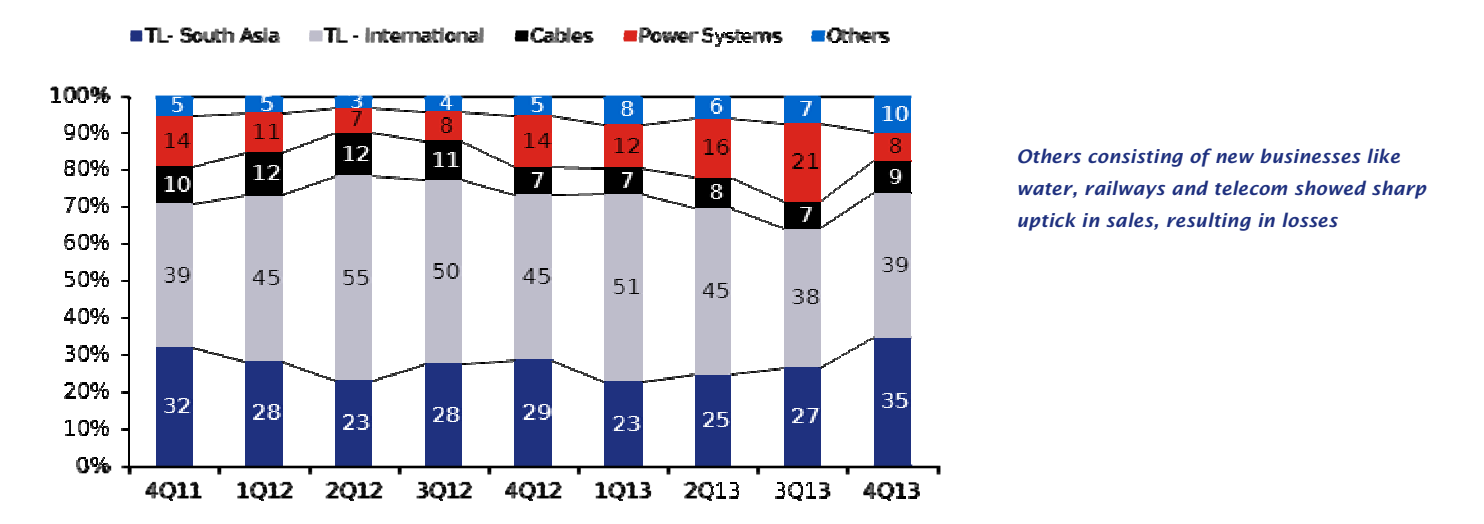
Source: Company

Exhibit 6. Consolidated order book split



Source: Company

Exhibit 7. Revenue mix



Source: Company

Financial Tables (Consolidated)

Profit & Loss Statement					
Y/E March	(₹ mn)				
	FY11A	FY12A	FY13E	FY14E	FY15E
Net sales (Net of excise)	44,742	58,147	69,795	76,039	81,123
Growth (%)	14.5	30.0	20.0	8.9	6.7
Other operational income	0	0	0	0	0
Raw material (or COGS)	32,358	43,173	53,301	57,790	61,248
Personnel cost	2,833	4,274	4,829	5,312	5,577
Other expenses (or SG&A)	4,841	5,987	7,852	8,364	8,924
EBITDA	4,709	4,713	3,814	4,574	5,375
EBITDA (%)	10.5	8.1	5.5	6.0	6.6
Growth (%)	16.0	0.1	-19.1	19.9	17.5
Other non-op. income	26	12	161	161	161
Depreciation and amort.	408	479	561	578	634
EBIT	4,327	4,246	3,414	4,156	4,901
Add: Net interest income	-1,075	-1,497	-1,944	-2,171	-2,223
Pre tax profit	3,252	2,749	1,470	1,985	2,679
Taxes	1,111	1,150	818	695	938
Add: Extraordinary items	-85	494	0	0	0
Less: Minority interest	0	0	0	0	0
Reported net profit	2,056	2,093	652	1,290	1,741
Adjusted net profit	2,141	1,774	652	1,290	1,741
Margin (%)	4.8	3.1	0.9	1.7	2.1
Diluted share cap. (mn)	257	257	257	257	257
Diluted EPS (₹)	8.3	6.9	2.5	5.0	6.8
Growth (%)	12.9	-17.2	-63.3	97.9	34.9
Total Dividend + Tax	357	359	136	270	364

Source: Company, JM Financial

Balance Sheet					
Y/E March	(₹ mn)				
	FY11A	FY12A	FY13E	FY14E	FY15E
Share capital	514	514	514	514	514
Other capital	0	0	0	0	0
Reserves and surplus	8,952	10,564	10,958	11,858	13,220
Networth	9,466	11,078	11,472	12,373	13,734
Total loans	14,322	12,392	16,690	16,190	16,690
Minority interest	0	0	0	0	0
Sources of funds	23,788	23,470	28,162	28,563	30,424
Intangible assets	0	0	0	0	0
Fixed assets	13,195	14,159	16,953	17,953	19,153
Less: Depn. and amort.	2,366	2,852	3,413	3,991	4,625
Net block	10,828	11,307	13,540	13,962	14,528
Capital WIP	393	1,122	0	0	0
Investments	0	0	0	0	0
Def tax assets/- liability	-497	-513	-621	-621	-621
Current assets	35,873	43,081	48,807	54,322	57,884
Inventories	3,359	4,401	3,960	3,957	4,434
Sundry debtors	26,177	29,448	28,870	37,499	40,006
Cash & bank balances	1,614	2,029	1,555	2,864	2,772
Other current assets	0	2,102	7,805	3,042	3,245
Loans & advances	4,723	5,101	6,618	6,962	7,427
Current liabilities & prov.	22,809	31,526	33,564	39,100	41,367
Current liabilities	22,248	30,554	32,679	38,171	40,391
Provisions and others	561	972	885	930	976
Net current assets	13,063	11,555	15,243	15,222	16,517
Others (net)	0	0	0	0	0
Application of funds	23,788	23,470	28,162	28,563	30,424

Source: Company, JM Financial

Cash flow statement					
Y/E March	(₹ mn)				
	FY11A	FY12A	FY13E	FY14E	FY15E
Reported net profit	2,056	2,093	652	1,290	1,741
Depreciation and amort.	796	486	561	578	634
Inc/dec in working cap.	-2,380	3,992	3,144	-3,133	-764
Others	0	0	0	0	0
Cash from operations (a)	472	6,571	4,356	-1,265	1,611
Inc/dec in investments	0	0	0	0	0
Capex	-4,817	-1,693	-1,672	-1,000	-1,200
Others	-768	-2,068	-7,307	4,463	-622
Cash flow from inv. (b)	-5,585	-3,761	-8,979	3,463	-1,822
Inc/-dec in capital	-104	-122	-121	-120	-16
Dividend+Tax thereon	-357	-359	-136	-270	-364
Inc/-dec in loans	6,454	-1,930	4,298	-500	500
Others	36	16	108	0	0
Financial cash flow (c)	6,029	-2,394	4,148	-890	120
Inc/-dec in cash (a+b+c)	916	416	-474	1,309	-92
Opening cash balance	698	1,614	2,029	1,555	2,864
Closing cash balance	1,613	2,029	1,555	2,864	2,772

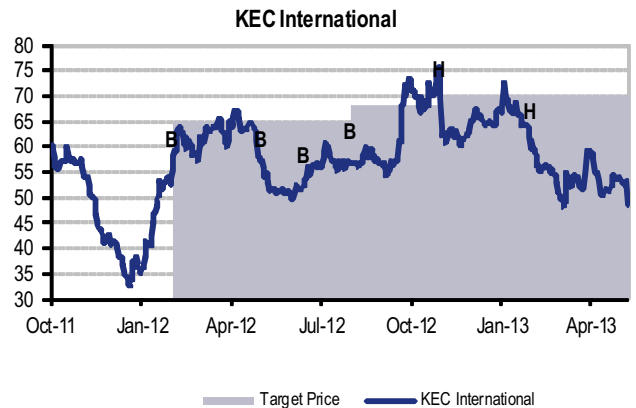
Source: Company, JM Financial

Key Ratios					
Y/E March	FY11A	FY12A	FY13E	FY14E	FY15E
BV/Share (₹)	36.8	43.1	44.6	48.1	53.4
ROIC (%)	15.3	12.1	6.3	10.3	11.9
ROE (%)	24.7	17.3	5.8	10.8	13.3
Net Debt/equity ratio (x)	1.3	0.9	1.3	1.1	1.0
Valuation ratios (x)					
PER	5.8	7.1	19.2	9.7	7.2
PBV	1.3	1.1	1.1	1.0	0.9
EV/EBITDA	5.4	4.9	7.3	5.7	4.9
EV/Sales	0.6	0.4	0.4	0.3	0.3
Turnover ratios (no.)					
Debtor days	214	185	151	180	180
Inventory days	27	28	21	19	20
Creditor days	251	258	224	241	241

Source: Company, JM Financial

History of earnings estimates and target price

Date	FY13E EPS (₹)	% Chg.	FY14E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
1-Feb-12	7.1		8.1		65	Mar-13	
3-May-12	7.1	0.0	8.1	0.0	65	Mar-13	0.0
14-Jun-12	7.1	0.0	8.0	-1.2	65	Mar-13	0.0
1-Aug-12	7.4	4.2	8.5	6.3	68	Mar-13	4.6
30-Oct-12	6.6	-10.8	8.0	-5.9	70	Sep-13	2.9
31-Jan-13	5.5	-16.7	7.8	-2.5	70	Mar-14	0.0

Recommendation history**JM Financial Institutional Securities Private Limited**

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Strong sales growth continues

- 34% adjusted net profit growth on strong sales:** Glenmark reported 4QFY13 adjusted net profit of ₹1.67bn (up 34% YoY) cf. 55%/60%/flattish YoY growth in 3Q/2Q/1Q13. Sales grew a strong 25% YoY cf. 32/34/37% YoY growth in 3Q/2Q/1Q13. EBIDTA grew 37% YoY, adjusting for forex gain of ₹350mn in base period cf. 50%/39%/19% growth in 3Q/2Q/1Q13 YoY. EBIDTA margins are 19.0% - 122bps lower QoQ but 158bps higher YoY. Staff/other costs (ex-forex) grew 28/62% YoY. Other expenses grew sharply on GDUFA, ₹150m forex loss and OTC/marketing spends in Russia/India. R&D expenses were ₹920mn (6.9% of sales) vs. ₹700mn (6.6% of sales) in 4Q12 and over ₹1bn in 2/3Q13. 52% of FY13 R&D of ₹3.87bn (7.8% of sales) is towards NCEs. RM/sales fell to 28.2% in 3Q13 - below 3Q/4Q12 on the back of better business mix with greater contribution from Russian OTC and high margin US products. It has net debt of ₹21.5bn as of Mar'13 vs. ₹19.2bn as of Mar'12. MTM loss has led to an increase of ₹1.52bn in net debt. Receivables are 121 days - same as in Mar'12. Capex for FY13 is ₹4.7bn including ₹1.35bn towards Crofelemer and ₹950m towards intangible assets on account of in-licensed products and registration of Crofelemer. Amortisation is ₹344mn in FY13 vs. ₹140mn in FY12. Spent ₹480mn on ESOP buy-out of GGL, which is adjusted in reserves. Tax rate is low due to MAT credit and deferred tax.
- Strong growth in India:** Domestic formulation sales grew 32% to ₹3.6bn cf. 30/36/24% YoY growth in 3Q/2Q/1Q13 and 19% in FY12. This growth is well ahead of peers. GNP climbs to 20th rank in India. It had strong secondary sales growth of 59%/131%/16% in Russia/Ukraine and Africa/ME region. It is now ranked 42nd in Russia and in the top 15 in derma. Devaluation of Venezuelan currency and ANVISA strike in Brazil resulted in only 5% growth in LatAm. US sales at ₹4.3bn (up 25% YoY, 17% in \$ terms to \$79m) compared with \$80/78/72mn in 3Q/2Q/1Q13 driven by recent launches (Malarone/Cutivate FTFs, OCs, mupirocin and montelukast). GNP filed for 7/5/5/1 ANDAs in 4Q/3Q/2Q/1Q13 (12 in FY12) and has 53 ANDAs pending approval. In all, the company launched 5 new products in US during the FY.
- NCE update:** It has initiated filing Crofelemer in a few of the 140 countries it has marketing rights for. The company anticipates the topline data of Phase IIa trial for Revalimast in asthma in 2QCY13. A Phase I/IIa trial has been initiated in UK for GRC 17536 in respiratory indication, while the recruitment for Ph II in pain indications is still on. GBR900 phase I enabling toxicity studies are near completion and it intends to file for a Ph I study in Q2FY14.
- Guidance of 20% sales growth and stable margins:** The company has guided to 20% sales growth driven by 18-20% growth in domestic and 18% growth in the US, EBIDTA of ₹12.25bn, net w.cap to be stable at 105-115 days, reduction in net debt/EBIDTA, R&D sales of 8.5%, tax rate of 15-17% and capex of ₹3-3.5bn. The stock trades at 18x FY14 and 15x FY15 consensus EPS.

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Please see important disclosure at the end of the report

Exhibit 1. Strong growth in net profit			(₹ mn)
	4QFY12	4QFY13	%chg
Net Sales	10,659	13,355	25.3
Other op income		4	
Total income		13,359	
Raw Material/FG	4,109	3,770	(8.2)
Staff Cost	1,633	2,087	27.9
Other Expenses	2,703	4,954	83.3
EBITDA	2,214	2,548	15.0
EBITDA (%)	20.78	19.08	
Other Income	27	(50)	(285.0)
Interest	410	436	6.4
Depreciation	236	318	34.6
PBT	1,595	1,744	9.3
Tax	73	46	
Tax Rate (%)	4.6	2.6	
PAT (Reported)	1,522	1,698	11.6
Minority		30	
Net profit	1,522	1,668	
PAT (Adjusted)	1,242	1,668	34.2

Source: Company, JM Financial

Exhibit 2. Raw material/sales falls		
Margin (as % to sales)	4QFY12	4QFY13
Raw Materials	38.5	28.2
Staff Cost	15.3	15.6
Other expenses	25.4	37.1

Source: Company, JM Financial

Exhibit 3. Strong growth across generics and specialty			(₹ mn)
Sales Break-up	4QFY12	4QFY13	% chg
Generic Business			
US	3,435	4,291	25%
Europe	364	591	62%
Latin America	37	45	22%
API	850	939	10%
Total	4,685	5,865	25%
Specialty Business			
Latin America	714	748	5%
Semi Regulated Markets	1,828	2,213	21%
Europe	720	901	25%
India	2,682	3,550	32%
Specialty Formulation	5,944	7,413	25%
Out-licensing Revenues			
Specialty Business	5,944	7,413	25%
Others	30	77	
Consolidated Revenues	10,659	13,355	25%

Source: Company, JM Financial

Exhibit 4. NCE/NBE Pipeline

NCE/NBE	Target	Indication	Status in Oct'12	Status in Jan'13	Status in May'13
Crofelemer		HIV associated diarrhoea	FDA to revert by 4QFY13. ICDR allowed Glenmark to sell to relief agencies. Launch in EM is depending on FDA outcome.	USFDA approves for HIV related non-infectious.	Glenmark has initiated filings among the 140 countries it has marketing rights.
		Adult acute diarrhoea	Patients being recruited for adult acute watery diarrhoea in India/Bangladesh	Continues to make progress in adult acute watery diarrhea with recruitment in India/Bangladesh. Also finalising in pediatric.	Continues to make progress in adult acute watery diarrhea with recruitment in India/Bangladesh. Still putting pediatric setting development plan in place.
GRC 15300	TRPV3	Osteoarthritis, Neuropathic Pain, Dental Pain	Phase I ongoing	Phase IIa in POC in neuro pain started in 1QFY13.	Phase IIa in POC in neuro pain currently running.
Revamilast (GRC 4039)	PDE IV + TNF α + T-cell	RA, Inflammation, MS	Completed p-II recruitment in EU/Asia for RA. Data should be available in end-Jan'13. Asthma data should be available in Mar'13. Filed IND in the US. Intends to take into p-III by end-FY14 for at least one indication.	Completed phase IIb for RA in EU/Asia. Failed primary end-point of efficacy. Discontinued for RA. Topline for asthma in 2Q13. Open IND in US. Conducting safety/PK in geriatrics.	Completed phase IIb for RA in EU/Asia. Failed primary end-point of efficacy. Discontinued for RA. Anticipate topline from currently running phase IIb in asthma in 2Q13. Open IND in US. Conducting safety/PK in geriatrics.
GRC 17536	TRPA1	Inflammatory and Neuropathic pain	Received approval for ph-II in pain in Germany, awaiting in India. Initiated ph-I in respiratory in UK	Recruitment for phase II POC in pain in UK, Germany, India on.	Has initiated Ph I/IIa study for respiratory indications in UK. Recruitment for phase II POC in pain in UK, Germany, India on.
Vatelizumab (GBR 500)	VLA 2	Acute MS, Inflammatory disorders (Crohn's disease)	Phase I is completed, phase II in UC is ongoing	Study ongoing	Ph II in UC (initiated in Q2FY13) still ongoing.
GBR 401	anti-CD19	B cell leukemias / lymphomas			
GBR 900	TrkA	Pain	Toxicity study initiated. Ph-I filing in 1Q14	Same	Phase I enabling toxicity studies are nearing completion. Intend to file for phase I in Q2FY14.
Various mPGES-1 inhibitors	mPGES-1 inhibitor	Chronic inflammatory conditions, including pain.		Entered into an option agreement with Forest Laboratories for collaboration on development.	
GBR 830	anti-OX40 monoclonal antibody	Autoimmune disorders			Phase I enabling toxicity studies have been initiated. Intend to file for phase I in Q4FY14.

Source: Company, JM Financial

Earnings Calendar - May 2013

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
06	07	08	09	10	11
Emami The South Indian Bank Lanco Industries State Bank of Bikaner and Jaipur Surana Ventures Adani Ports and Special Economic Zone	Shriram Transport Finance Company CEAT UCO Bank GlaxoSmithKline Pharmaceuticals Glenmark Pharmaceuticals Hindustan Motors Dewan Housing Finance Corporation Allahabad Bank	HDFC Ranbaxy Laboratories Lupin Corporation Bank Aditya Birla Chemicals (India) ABB Limited SKS Microfinance Future Retail Sundaram Clayton KEC International	Apollo Tyres Asian Paints GATI PTL Enterprises Jubilant Foodworks Union Bank of India Indian Bank Punjab National Bank Prism Cement Deepak Nitrite Bajaj Hindusthan GTL Infrastructure Godrej Properties HCL Infosystems	Shriram EPC Central Bank of India Ashok Leyland Punj Lloyd Nicco Corporation Sobha Developers NTPC Cummins India United Bank of India Balrampur Chini Mills Reliance Communications	GIC Housing Finance JK Cement Dena Bank Unichem Laboratories
13	14	15	16	17	18
Thomas Cook (India) 3i Infotech Bank of India Bank of Baroda Hindustan Media Ventures Rain Commodities Zydus Wellness Eicher Motors Aptech Blue Star Reliance Power	Dr. Reddy's Laboratories Sun Pharma Advanced Research Company The Motor & General Finance HT Media Whirlpool of India Elder Pharmaceuticals	Bajaj Finance Bajaj Finserv GVK Power & Infrastructure Transport Corporation of India Trident WABCO India Edelweiss Financial Services United Spirits VIP Industries The Jammu & Kashmir Bank	TTK Prestige Bajaj Auto Essar Shipping Kalpataru Power Transmission Archies Satyam Computer Services Orbit Corporation D.B. Corp	NIIT Technologies Bharat Bijlee Balaji Telefilms Dhanlaxmi Bank Voltamp Transformers Motherson Sumi Systems ITC Sun TV Network	Emkay Global Financial Services
20	21	22	23	24	25
Adani Enterprises The India Cements	Deccan Cements	Thermax NCC Zee Learn TD Power Systems	Religare Enterprises PTC India BHEL	ICRA TV Today Network Karur Vysya Bank	
27	28	29	30	31	01
Gujarat Industries Power Company Bajaj Electricals Coal India Tata Chemicals	PVR NHPC Monsanto India Colgate Palmolive (India) Chennai Petroleum Corporation		IPCA Laboratories		

Source: BSE, NSE India

Valuation Table

Coverage Universe		8 May 2013																				
Company	Reco	Mkt Cap (₹ bn)	CMP	% YTD	Target	Target Date	(% upside)	EPS			EPS Gr (%)	PE (x)			PEG		EV/EBITDA		P/BV		ROE	
								FY13E	FY14E	FY15E	13-15	FY13E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E		
Automobiles																						
Ashok Leyland*	HOLD	61	23	-15.2	28	Mar-14	20.8	1.2	2.0	2.6	45.5	18.4	11.7	8.7	0.3	5.1	4.1	1.3	1.2	11.2	14.2	
Bajaj Auto*	BUY	532	1,839	-13.7	2,250	Sep-13	22.4	105.8	125.4	140.6	15.3	17.4	14.7	13.1	1.2	9.9	8.4	5.6	4.5	42.4	38.2	
Eicher Motors	BUY	84	3,109	7.0	3,067	Dec-13	-1.4	120.1	159.3	187.7	25.0	25.9	19.5	16.6	1.1	9.2	7.3	4.0	3.3	22.2	21.6	
Hero MotoCorp*	BUY	335	1,676	-11.8	1,951	Mar-14	16.4	106.1	114.7	139.6	14.7	15.8	14.6	12.0	0.7	8.3	7.4	5.5	4.4	41.1	40.8	
Mahindra & Mahindra*	BUY	572	946	1.6	1,008	Mar-14	6.5	53.9	59.1	65.2	9.9	17.5	16.0	14.5	1.6	9.2	7.9	3.4	2.9	22.7	21.4	
Maruti Suzuki*	BUY	508	1,681	12.8	2,168	Mar-14	29.0	79.2	110.4	128.0	27.1	21.2	15.2	13.1	1.0	8.0	6.6	2.4	2.0	16.6	16.6	
Tata Motors	BUY	953	300	-4.0	318	Mar-14	5.9	31.8	41.1	46.6	21.0	9.4	7.3	6.4	0.6	4.6	4.1	1.8	1.4	27.7	24.7	
TVS Motor*	BUY	20	41	-1.2	50	Mar-14	20.2	4.4	4.8	5.5	12.6	9.5	8.7	7.5	0.6	3.5	3.0	1.4	1.3	17.6	18.3	
Auto Ancillaries																						
Apollo Tyres	BUY	49	98	10.2	114	Mar-14	16.3	11.8	14.0	15.2	13.2	8.3	7.0	6.5	0.8	4.0	3.6	1.2	1.0	18.7	17.1	
Bharat Forge	BUY	57	243	-3.5	310	Mar-14	27.7	11.5	15.9	20.1	32.0	21.1	15.3	12.1	0.6	7.7	6.3	2.2	2.0	15.3	17.4	
Motherson Sumi Systems	BUY	118	201	1.5	268	Mar-14	33.4	9.8	13.3	19.2	40.2	20.6	15.2	10.5	0.3	6.6	4.7	2.9	2.4	20.4	25.1	
Wabco India*	BUY	27	1,400	-16.1	2,053	Mar-14	46.7	72.9	89.6	114.1	25.1	19.2	15.6	12.3	0.6	9.7	7.5	3.3	2.6	23.1	23.7	
Cement																						
ACC*	BUY	228	1,215	-15.1	1,500	Dec-13	23.4	71.2	75.5	91.1	13.2	17.1	16.1	13.3	0.8	7.9	6.6	2.8	2.5	18.3	20.0	
Ambuja Cement*	BUY	284	184	-8.4	230	Dec-13	25.0	9.6	10.6	12.6	14.2	19.1	17.3	14.6	0.9	8.8	7.3	2.9	2.6	17.6	18.6	
Grasim Industries	BUY	279	3,037	-4.2	3,900	Dec-13	28.4	287.3	317.2	377.3	14.6	10.6	9.6	8.0	0.5	4.3	3.2	1.3	1.1	14.0	14.6	
India Cements*	HOLD	28	91	0.1	95	Dec-13	4.5	7.7	10.2	11.8	23.7	11.7	9.0	7.7	0.5	4.3	3.7	0.6	0.6	7.2	7.9	
Shree Cement*	BUY	162	4,650	0.1	4,800	Dec-13	3.2	262.5	238.9	285.2	4.2	17.7	19.5	16.3	1.0	8.4	7.2	3.8	3.1	21.2	20.9	
UltraTech Cement*	BUY	542	1,978	-0.4	2,250	Dec-13	13.7	97.9	113.5	134.8	17.3	20.2	17.4	14.7	0.9	9.7	8.0	3.0	2.5	18.7	18.6	
Consumer Goods																						
Asian Paints	HOLD	466	4,854	9.5	4,316	Dec-13	-11.1	121.9	148.4	180.7	21.7	39.8	32.7	26.9	1.5	20.6	16.9	11.2	9.1	37.6	37.3	
Bajaj Corp.	BUY	40	274	17.1	295	Mar-14	7.6	11.2	13.3	15.5	17.8	24.5	20.6	17.6	1.2	16.9	14.2	7.3	6.4	37.9	38.8	
Colgate-Palmolive India	SELL	206	1,514	-3.4	1,261	Dec-13	-16.7	39.2	45.3	52.1	15.3	38.6	33.4	29.0	2.2	24.5	21.0	33.9	28.8	NA	NA	
Dabur	BUY	282	162	25.5	160	Mar-14	-1.1	4.4	5.3	6.4	20.3	36.7	30.3	25.3	1.6	22.4	18.9	10.4	8.4	38.1	36.6	
GSK Consumer	BUY	166	3,951	3.9	4,268	Mar-14	8.0	103.9	122.7	145.3	18.3	38.0	32.2	27.2	1.7	21.6	17.7	10.3	8.6	34.6	34.5	
Godrej Consumer Products	BUY	285	837	15.9	896	Mar-14	7.0	20.1	26.0	33.2	28.4	41.6	32.3	25.2	1.2	22.0	17.6	7.3	6.1	24.6	26.5	
Hindustan Unilever	BUY	1,269	587	11.8	555	Mar-14	-5.5	15.5	17.4	19.8	13.1	37.9	33.7	29.6	2.5	24.9	21.4	35.1	28.4	NA	NA	
ITC	BUY	2,707	343	19.5	344	Mar-14	0.4	9.5	11.1	13.2	18.0	36.1	30.9	25.9	1.6	19.7	16.6	10.4	9.0	35.9	37.2	
Marico Ltd.	HOLD	138	213	-2.1	227	Mar-14	6.3	6.0	7.3	9.1	22.6	35.3	29.1	23.5	1.2	18.5	15.1	5.8	4.8	21.6	22.2	
Titan Industries	BUY	245	276	-2.8	316	Mar-14	14.4	8.1	9.8	12.2	22.3	33.9	28.3	22.7	1.2	18.7	14.9	9.5	7.3	38.1	36.5	
Industrials																						
BGR Energy*	SELL	15	204	-22.0	212	Mar-14	4.0	24.1	23.8	26.5	5.0	8.5	8.6	7.7	0.7	5.9	6.8	1.1	1.0	13.1	13.2	
BHEL*	HOLD	478	195	-14.4	185	Mar-14	-5.3	26.5	21.0	20.7	-11.7	7.4	9.3	9.5	NA	6.1	6.0	1.4	1.3	16.2	14.3	
Cummins India*	BUY	144	518	-0.3	555	Mar-14	7.2	26.5	24.8	27.6	2.1	19.5	20.9	18.7	1.8	17.0	15.1	5.2	4.5	26.5	25.9	
Thermax	SELL	69	577	-6.4	520	Mar-14	-9.9	27.4	28.6	32.5	8.9	21.1	20.2	17.8	1.5	12.0	10.7	3.3	3.0	17.5	17.7	
Voltas	HOLD	29	89	-16.3	105	Mar-14	18.4	6.0	7.6	8.8	21.9	14.9	11.7	10.0	0.7	7.8	6.6	1.6	1.4	14.3	15.1	
Transmission & Distribution																						
ABB India*	HOLD	114	537	-23.3	492	Dec-13	-8.4	6.5	13.1	16.4	59.1	82.9	41.0	32.8	1.6	23.2	20.0	4.1	3.8	10.9	12.0	
Alstom T&D*	HOLD	38	160	-14.5	175	Mar-14	9.5	3.5	5.4	7.3	43.8	45.4	29.4	22.0	0.9	12.0	9.9	3.9	3.5	13.7	16.8	
Crompton Greaves	SELL	62	97	-16.5	91	Mar-14	-5.9	1.6	7.3	9.1	141.6	62.2	13.3	10.7	0.5	6.1	4.6	1.5	1.4	12.2	13.8	
KEC International	HOLD	13	49	-27.0	54	Mar-14	10.9	2.5	5.0	6.8	63.6	19.3	9.7	7.2	0.3	5.7	4.9	1.0	0.9	10.8	13.3	
Kalpitaru Power	BUY	13	82	-13.4	105	Mar-14	28.8	9.8	11.7	12.6	13.3	8.3	7.0	6.5	0.9	5.5	5.2	0.6	0.6	9.0	9.1	

* - Standalone Numbers /UR - Under Review

Company	Reco	Mkt Cap (₹ bn)	CMP	% YTD	Target	Target Date	(%) upside	EPS			EPS Gr (%)	PE (x)			PEG		EV/EBITDA		P/BV		ROE	
								FY13E	FY14E	FY15E	13-15	FY13E	FY14E	FY15E			FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Infrastructure/Construction																						
GMR Infrastructure	BUY	85	22	12.7	27	Dec-13	23.9	-1.0	-1.6	-1.2	NA	NA	NA	NA	NA	NA	12.6	10.2	0.9	1.0	NA	NA
HCC*	SELL	9	15	-19.4	16	Mar-13	12.6	-1.4	-0.5	-0.2	NA	NA	NA	NA	NA	NA	8.7	8.4	0.7	0.8	NA	NA
IVRCL*	BUY	6	21	-54.9	60	Sep-13	191.1	-2.9	0.2	0.2	NA	NA	96.5	86.8	8.7	4.4	4.6	0.3	0.3	0.3	0.3	0.3
Larsen & Toubro*	BUY	966	1,563	-2.8	1,910	Dec-13	22.2	78.2	86.7	97.8	11.9	20.0	18.0	16.0	1.4	10.8	9.3	2.9	2.5	17.2	17.0	
Nagarjuna Const*	BUY	9	34	-41.4	50	Dec-13	47.9	2.1	2.1	3.0	20.0	16.2	16.1	11.2	0.4	4.4	4.3	0.3	0.3	2.1	3.0	
Punj Lloyd	SELL	19	57	-5.8	50	Sep-13	-11.1	0.0	3.3	5.0	1,743.0	NA	17.0	11.2	0.3	5.3	5.1	0.6	0.6	3.7	5.4	
Simplex Infra.*	HOLD	6	116	-54.7	212	Sep-13	83.4	11.7	16.0	17.1	20.9	9.9	7.2	6.8	1.1	4.8	4.6	0.4	0.4	6.2	6.2	
IT Services																						
eClerx	BUY	17	612	-10.7	910	Sep-13	48.8	59.4	71.6	79.4	15.6	10.3	8.5	7.7	0.8	5.7	4.8	3.5	3.0	47.6	44.2	
Hexaware	HOLD	25	86	0.5	95	Sep-13	11.0	10.9	10.2	10.7	-0.7	7.9	8.4	8.0	1.5	5.0	4.7	1.9	1.7	24.2	23.2	
HCL Tech	BUY	521	752	21.5	950	Jun-14	26.4	53.0	63.6	73.1	17.4	14.2	11.8	10.3	0.8	7.4	6.1	3.0	2.4	29.0	26.3	
Infosys	BUY	1,343	2,351	1.4	2,800	Mar-14	19.1	163.4	164.7	186.4	6.8	14.4	14.3	12.6	1.1	8.7	7.2	2.9	2.5	21.8	21.3	
Tech Mahindra	BUY	125	984	5.5	1,400	Dec-13	42.3	86.1	100.8	125.1	20.5	11.4	9.8	7.9	0.4	6.4	5.6	2.4	2.0	27.2	29.1	
MindTree	HOLD	36	883	29.3	800	Mar-14	-9.4	81.0	84.6	89.0	4.8	10.9	10.4	9.9	2.0	6.0	5.2	2.4	2.0	25.5	22.2	
Mphasis	HOLD	88	418	8.8	391	Oct-13	-6.5	37.6	36.6	39.1	2.0	11.1	11.4	10.7	1.7	6.7	5.8	1.8	1.7	16.9	16.6	
NIIT Tech	BUY	16	264	8.8	355	Mar-14	34.6	35.1	40.9	44.4	12.5	7.5	6.4	5.9	0.8	3.2	2.6	1.3	1.1	21.3	19.9	
Persistent Systems	HOLD	20	519	1.3	480	Mar-14	-7.5	46.4	51.1	52.3	6.2	11.2	10.1	9.9	4.3	4.1	3.4	1.7	1.5	19.1	16.9	
Satyam Computer	BUY	133	113	5.4	165	Dec-13	46.3	11.0	12.1	13.8	11.9	10.2	9.4	8.2	0.7	4.6	3.4	2.3	1.8	28.4	24.9	
Tata Consultancy	BUY	2,897	1,480	17.9	1,710	Mar-14	15.5	71.4	82.7	95.2	15.5	20.7	17.9	15.5	1.2	12.3	10.4	5.4	4.3	33.6	30.5	
Media																						
DB Corp	HOLD	45	244	6.5	234	Mar-14	-3.7	11.4	13.2	15.6	17.3	21.5	18.5	15.6	1.0	10.2	8.5	3.9	3.5	22.5	23.8	
Dish TV*	HOLD	73	69	-9.4	72	Mar-14	5.2	-1.6	-1.0	NA	NA	NA	NA	NA	NA	11.7	9.3	NM	NM	44.4	NA	
Eros International	BUY	15	167	-18.3	240	Mar-14	43.3	16.5	21.4	24.0	20.6	10.2	7.8	7.0	0.6	6.0	5.5	1.3	1.1	18.6	17.7	
HT Media	BUY	24	102	-4.4	138	Mar-14	35.5	7.1	8.0	9.2	13.7	14.3	12.8	11.1	0.8	4.8	3.7	1.4	1.2	11.1	11.5	
Jagran Prakashan	BUY	28	90	-15.0	120	Mar-14	33.5	5.2	6.7	8.0	24.3	17.4	13.4	11.2	0.7	7.4	6.3	3.1	2.8	24.3	26.4	
Sun TV Network	BUY	173	440	3.0	516	Mar-14	17.3	17.8	20.1	23.4	14.8	24.7	21.9	18.8	1.3	13.2	11.3	5.6	5.1	26.7	28.6	
Zee Entertainment	BUY	234	246	11.3	246	Mar-14	0.1	7.2	8.2	9.8	17.0	34.2	30.1	25.0	1.5	20.9	17.1	5.3	4.6	18.8	19.7	
Metals & Mining																						
Bhushan Steel	BUY	98	462	-2.3	464	Dec-13	0.4	40.2	43.2	46.5	7.5	11.5	10.7	9.9	1.4	7.6	6.6	1.1	1.0	10.7	10.3	
Hindalco Industries	HOLD	197	103	-21.1	114	Dec-13	10.7	12.8	11.6	12.5	-1.1	8.1	8.8	8.3	1.2	5.9	5.2	0.5	0.5	6.2	6.2	
Hindustan Zinc	BUY	520	123	-9.6	140	Mar-14	13.7	16.4	16.3	14.5	-5.9	7.5	7.6	8.5	NA	5.1	5.5	1.9	1.6	27.8	20.8	
Jindal Steel & Power	BUY	308	330	-26.4	366	Mar-14	11.1	38.6	37.6	39.0	0.6	8.5	8.8	8.4	2.2	7.3	5.7	1.3	1.1	15.5	14.0	
JSW Steel	HOLD	159	711	-12.5	704	Dec-13	-1.0	60.4	89.1	96.4	26.4	11.8	8.0	7.4	1.0	5.1	4.9	0.8	0.7	10.6	10.3	
Monnet Ispat	BUY	13	193	-31.5	323	Dec-13	67.4	38.2	31.2	40.0	2.3	5.1	6.2	4.8	0.2	7.0	4.7	0.5	0.4	7.5	8.9	
NMDC	BUY	509	128	-22.2	150	Dec-13	16.8	16.7	16.5	16.8	0.4	7.7	7.8	7.6	5.4	3.6	3.4	1.5	1.3	21.5	18.6	
SAIL	HOLD	261	63	-30.2	80	Dec-13	26.5	8.0	7.9	7.3	-4.9	7.9	8.0	8.7	NA	5.9	5.1	0.6	0.6	7.5	6.6	
Sesa Sterlite	BUY	488	165	-15.7	192	Mar-14	16.6	31.2	32.5	36.2	7.7	5.3	5.1	4.5	0.4	3.0	2.4	0.6	0.6	12.7	12.8	
Tata Steel	BUY	310	319	-25.6	439	Dec-13	37.8	1.9	21.4	24.1	260.0	NA	14.9	13.2	1.2	5.4	5.1	0.7	0.7	5.1	5.4	
Others																						
Adani Port & SEZ	BUY	309	154	14.4	169	Mar-14	9.5	6.3	9.0	11.0	32.0	24.5	17.1	14.1	0.8	11.8	10.1	4.2	3.4	27.4	26.7	
Bajaj Electricals*	BUY	18	177	-15.4	240	Mar-14	35.4	8.7	16.4	20.0	51.7	20.4	10.8	8.9	0.5	6.0	5.0	2.1	1.8	20.9	21.9	
Balkrishna Industries	BUY	27	284	-5.2	351	Mar-14	23.4	35.0	38.5	43.9	12.0	8.1	7.4	6.5	0.5	6.2	5.4	1.5	1.3	23.1	21.3	
Gujarat Pipavav*	BUY	24	49	-1.0	58	Mar-14	18.2	1.5	2.8	4.0	61.9	32.1	17.3	12.2	0.4	12.5	10.7	1.8	1.5	10.7	13.4	
Havells India	BUY	85	678	6.5	725	Mar-14	6.9	30.6	42.3	51.9	30.2	22.1	16.0	13.1	0.7	10.2	8.4	4.9	3.9	34.4	33.2	
HSIL	BUY	7	108	-19.9	144	Mar-14	33.5	10.0	13.6	18.0	34.3	10.8	7.9	6.0	0.2	5.7	4.8	0.7	0.6	8.6	10.6	
Mahindra Holidays	BUY	23	254	-24.7	389	Mar-14	53.5	10.8	13.9	16.6	23.7	23.4	18.3	15.3	0.9	10.2	8.3	3.2	2.8	18.7	19.6	
Rain Commodities	UR	16	46	15.0	UR	UR	NA	16.6	11.8	12.4	-13.7	2.7	3.8	3.7	0.9	3.2	2.6	0.5	0.5	14.4	13.4	
Redington India	BUY	32	81	-6.7	116	Mar-14	43.5	8.3	9.5	11.6	18.4	9.8	8.6	7.0	0.4	7.1	6.1	1.7	1.4	21.2	21.5	
TTK Prestige*	HOLD	39	3,458	2.3	3,254	Mar-14	-5.9	112.3	133.4	167.7	22.2	30.8	25.9	20.6	1.0	16.8	13.3	7.8	6.0	34.0	32.8	
Thomas Cook (India)	BUY	11	54	-8.9	68	Dec-13	26.9	2.6	3.1	3.8	20.7	20.8	17.4	14.2	0.8	8.2	6.7	2.3	2.0	14.1	15.2	

* - Standalone Numbers /UR - Under Review

Company	Reco	Mkt Cap (₹ bn)	CMP	% YTD	Target	Target Date	(% upside	EPS			EPS Gr	PE (x)			EV/EBITDA		P/BV		ROE		
								FY13E	FY14E	FY15E	(%) 13-15	FY13E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	
Oil & Gas																					
Bharat Petroleum	BUY	296	409	14.9	419	Mar-14	2.4	22.5	24.5	17.4	-12.2	18.2	16.7	23.6	NA	7.6	8.7	1.7	1.6	10.2	6.9
Cairn India	BUY	584	306	-4.0	401	Mar-14	30.9	63.1	64.7	64.9	1.4	4.9	4.7	4.7	13.8	2.5	2.0	0.9	0.8	21.4	17.2
GAIL	BUY	434	343	-4.0	385	Mar-14	12.4	38.8	36.7	39.6	1.0	8.8	9.3	8.6	1.2	6.7	5.8	1.4	1.2	15.5	15.0
Gujarat Gas*	HOLD	33	254	-16.8	247	Mar-14	-2.7	22.3	21.5	22.9	1.3	11.4	11.8	11.1	1.8	6.3	5.8	3.2	2.9	28.1	27.5
Hindustan Petro.	BUY	103	305	4.8	395	Mar-14	29.6	22.7	47.5	34.1	22.7	13.4	6.4	8.9	NA	6.5	7.1	0.7	0.7	11.5	7.7
Indraprastha Gas*	UR	43	311	24.8	UR	UR	NA	22.9	25.7	28.1	10.8	13.6	12.1	11.1	1.3	5.8	5.1	2.6	2.3	23.6	22.2
Indian Oil	HOLD	708	292	8.1	291	Mar-14	-0.3	11.4	28.7	24.7	47.5	25.7	10.2	11.8	NA	6.1	6.3	1.1	1.0	10.8	8.7
Petronet LNG*	BUY	107	142	-9.6	185	Mar-14	30.2	15.3	13.1	11.8	-12.4	9.3	10.8	12.1	NA	7.4	6.1	2.0	1.8	20.3	15.9
Oil India*	BUY	329	548	17.5	637	Mar-14	16.3	58.4	70.7	76.8	14.6	9.4	7.7	7.1	0.9	2.5	2.1	1.4	1.3	19.9	19.0
ONGC	BUY	2,739	320	19.5	393	Mar-14	22.8	30.3	39.4	43.0	19.1	10.6	8.1	7.4	0.9	3.1	2.6	1.6	1.4	20.5	19.6
Reliance Industries	HOLD	2,714	830	-1.2	854	Mar-14	2.9	71.1	73.8	65.0	-4.4	11.7	11.2	12.8	NA	6.4	6.2	1.3	1.2	12.4	9.8
Pharmaceuticals																					
Aurobindo Pharma	BUY	56	194	2.3	207	Mar-14	6.8	11.1	20.7	23.0	44.1	17.5	9.4	8.4	0.8	7.3	6.8	1.8	1.5	21.2	19.9
Cadila Healthcare	BUY	163	797	-11.6	900	Mar-14	12.9	24.9	31.0	45.2	34.6	32.0	25.7	17.6	0.6	15.3	11.5	4.9	4.1	20.2	25.2
Cipla	BUY	326	406	-2.0	460	Mar-14	13.3	19.4	20.2	23.0	8.9	20.9	20.1	17.6	1.5	13.1	11.2	3.2	2.8	17.0	17.1
Dr Reddy's Labs	BUY	340	1,999	9.2	2,270	Mar-14	13.6	91.4	103.1	113.4	11.4	21.9	19.4	17.6	2.0	14.8	12.9	4.1	3.5	22.9	21.3
Ipsa Laboratories	BUY	72	566	9.2	550	Mar-14	-2.9	31.4	37.6	46.0	21.0	18.0	15.1	12.3	0.7	10.3	8.5	3.7	2.9	27.3	26.3
Lupin	BUY	326	731	19.1	800	Mar-14	9.5	29.4	36.9	39.8	16.3	24.8	19.8	18.4	2.5	12.1	11.1	5.1	4.2	28.9	25.1
Natco Pharma	BUY	13	438	-4.7	522	Mar-14	19.1	25.8	29.6	34.1	14.9	17.0	14.8	12.8	1.0	9.4	8.0	2.1	1.8	14.9	15.1
Ranbaxy Labs	BUY	187	444	-11.8	510	Dec-13	14.9	7.7	16.2	24.2	77.2	57.6	27.4	18.4	0.6	14.4	10.3	4.1	3.5	15.7	20.4
Sun Pharma	BUY	1,021	986	33.9	900	Mar-14	-8.7	33.8	38.2	45.0	15.3	29.1	25.8	21.9	1.4	17.0	14.5	5.8	4.8	24.7	24.1
Torrent Pharma	BUY	58	684	-5.6	830	Mar-14	21.3	42.2	49.3	59.4	18.7	16.2	13.9	11.5	0.7	8.7	7.2	3.3	2.7	25.8	25.9
Wockhardt	BUY	203	1,853	17.8	2,330	Mar-14	25.7	148.9	154.9	166.1	5.6	12.4	12.0	11.2	1.7	9.1	8.2	4.9	3.7	49.0	37.8
Real Estate																					
DLF	SELL	403	237	2.9	220	Dec-13	-7.3	5.4	8.0	12.3	51.2	44.2	29.5	19.3	0.6	14.7	11.9	1.4	1.4	4.9	7.2
Oberoi Realty	BUY	78	237	-17.8	300	Mar-14	26.6	15.4	15.7	20.9	16.7	15.4	15.1	11.3	0.5	9.1	6.2	1.7	1.5	11.8	14.0
Orbit Corporation	HOLD	3	22	-59.4	55	Dec-13	148.9	2.7	3.8	8.2	73.5	8.1	5.9	2.7	0.0	7.9	4.3	0.2	0.2	4.0	8.2
Prestige Estate Projects	BUY	58	177	-1.3	205	Dec-13	15.8	6.7	10.8	14.4	46.7	26.4	16.4	12.3	0.5	9.9	7.6	2.2	1.9	14.3	16.7
Sobha Developers	BUY	38	391	2.9	475	Mar-14	21.5	21.3	28.1	46.1	47.2	18.4	13.9	8.5	0.2	7.2	4.8	1.6	1.4	12.2	17.8
Unitech	SELL	77	29	-13.1	24	Dec-13	-17.9	1.1	1.5	2.0	33.3	25.8	19.8	14.5	0.5	18.6	12.3	0.6	0.6	3.1	4.1
Telecom																					
Bharti Airtel	BUY	1,231	324	2.2	360	Mar-14	11.0	6.1	9.5	14.3	53.0	53.2	34.1	22.7	0.7	6.4	5.4	2.2	2.0	6.5	9.1
Idea Cellular	BUY	429	130	24.8	152	Mar-14	17.4	3.2	5.4	8.5	63.4	40.5	24.2	15.1	0.4	7.2	5.7	2.7	2.4	11.8	16.7
Utilities																					
Adani Power	HOLD	116	48	-21.5	43	Mar-14	-11.2	-8.9	-1.5	5.1	NA	NA	NA	9.6	NA	12.3	6.3	3.0	2.3	NA	26.8
Coal India	BUY	1,972	312	-12.0	365	Mar-14	16.9	26.8	28.0	30.2	6.1	11.6	11.1	10.3	1.4	6.1	5.0	3.4	2.9	33.2	30.5
JSW Energy	BUY	105	64	-6.3	68	Mar-14	6.2	6.3	5.6	6.3	0.0	10.1	11.5	10.1	0.8	5.5	5.0	1.5	1.4	14.1	14.6
Lanco Infratech	SELL	26	11	-19.2	10	Mar-14	-8.7	-5.3	0.4	NA	NA	NA	26.2	8.7	0.1	8.8	NA	0.8	NA	3.0	NA
NTPC*	HOLD	1,289	156	-0.1	161	Sep-13	3.0	13.5	13.1	14.3	3.2	11.6	11.9	10.9	1.3	9.2	8.3	1.5	1.4	13.0	13.0
NHPC	HOLD	256	21	-18.1	24	Mar-14	14.8	1.8	2.0	2.1	8.9	11.8	10.6	9.9	1.6	7.7	7.1	0.8	0.8	7.9	8.1
Power Grid Corp.*	BUY	595	115	0.0	128	Mar-14	11.5	9.2	9.4	10.9	8.9	12.5	12.2	10.5	0.7	8.4	7.7	1.7	1.5	15.6	15.0
Tata Power	HOLD	223	94	-14.9	97	Sep-13	3.2	3.6	8.9	12.3	84.9	26.0	10.6	7.6	0.3	6.4	5.4	1.6	1.4	13.1	16.9
Agri																					
Bajaj Hindusthan*	SELL	14	22	-13.3	23	Sep-13	5.5	-4.4	-7.6	-6.4	NA	NA	NA	NA	NA	27.6	18.3	0.4	0.5	NA	NA
Balrampur Chini	BUY	13	52	5.9	72	Mar-14	37.8	9.9	6.2	4.7	-31.2	5.3	8.4	11.1	NA	7.0	9.1	0.9	0.8	10.6	7.6
Coromandel International	BUY	53	188	-28.7	245	Mar-14	30.6	15.2	18.4	22.2	20.8	12.3	10.2	8.4	0.5	7.1	5.6	1.8	1.6	20.3	20.1
EID Parry*	BUY	26	147	-28.8	201	Mar-14	36.6	19.1	9.3	10.3	-26.7	7.7	15.8	14.3	1.5	11.6	11.0	1.9	1.8	11.9	12.6
Shree Renuka Sugars	UR	17	25	-21.6	UR	UR	NA	0.6	3.4	2.9	112.5	38.6	7.3	8.6	NA	5.6	5.3	0.7	0.7	10.4	8.4

* - Standalone Numbers /UR - Under Review

Company	Reco	Mkt Cap (₹ bn)	CMP	% YTD	Target	Target Date	(% upside	EPS			EPS Gr	PE (x)			PEG	P/BV		ROE	
								FY13E	FY14E	FY15E	(%) 13-15	FY13E	FY14E	FY15E		FY14E	FY15E	FY14E	FY15E
Banking & Financial Services*																			
NBFC																			
Bajaj Finance	BUY	68	1,362	3.7	1,500	Dec'13	10.1	129.1	137.5	168.3	14.2	10.5	9.9	8.1	0.4	1.7	1.5	21.2	19.6
Cholamandalam Investment	BUY	39	271	0.6	330	Dec'13	21.9	21.5	28.8	36.4	30.1	12.6	9.4	7.4	0.4	1.6	1.4	18.8	19.8
HDFC	BUY	1,356	885	6.8	925	Dec-13	4.5	31.4	35.1	39.5	12.2	28.2	25.2	22.4	2.0	5.0	4.5	19.5	19.8
IDFC	BUY	234	155	-9.5	190	Dec'13	22.6	11.9	14.0	12.1	0.8	13.0	11.1	12.8	NA	1.5	1.4	14.7	11.4
LIC Housing Finance	BUY	140	252	-13.6	285	Dec'13	13.2	19.3	22.6	29.5	23.6	13.0	11.1	8.5	0.4	1.6	1.4	16.5	17.5
L&T Finance Holdings	UR	136	80	-10.7	UR	UR	NA	3.6	4.4	5.5	23.4	22.0	18.1	14.5	0.7	2.2	1.9	13.1	14.3
MCX India	BUY	48	937	-36.4	1,350	Mar'14	44.1	57.8	56.5	67.3	7.9	16.2	16.6	13.9	0.9	3.7	3.3	23.6	25.2
M&M Financial	BUY	148	263	19.7	275	Dec'13	4.6	15.7	18.0	21.6	17.5	16.8	14.6	12.1	0.7	2.8	2.4	21.0	21.6
Power Finance Corp.	BUY	261	198	-2.7	235	Dec'13	18.6	32.2	38.0	44.1	17.1	6.2	5.2	4.5	0.3	0.9	0.8	19.5	19.5
Rural Electrification Corp.	BUY	57	231	-6.0	285	Dec'13	23.6	375.7	438.8	502.4	15.6	0.6	0.5	0.5	0.0	0.3	0.2	51.7	50.0
Shriram Transport	BUY	167	739	-2.4	850	Dec'13	15.0	60.5	72.0	88.6	21.0	12.2	10.3	8.3	0.4	2.0	1.6	20.8	21.2
Shriram City Union Finance	BUY	61	1,055	7.5	1,260	Dec'13	19.4	83.5	96.4	125.3	22.5	12.6	10.9	8.4	0.4	2.2	1.8	23.1	23.0
Private Sector Banks																			
AXIS Bank	BUY	705	1,490	9.8	1,650	Dec-13	10.8	117.0	121.6	141.0	9.8	12.7	12.3	10.6	0.8	1.9	1.6	17.7	16.4
Federal Bank	BUY	77	451	-16.2	565	Dec-13	25.3	50.8	56.7	63.6	11.9	8.9	8.0	7.1	0.7	1.1	1.0	14.4	14.4
HDFC Bank	BUY	1,636	697	2.7	775	Dec-13	11.2	28.7	35.8	44.2	24.1	24.3	19.5	15.8	0.8	3.9	3.3	21.9	22.6
ICICI Bank	BUY	1,335	1,158	1.7	1,425	Dec-13	23.1	72.0	81.4	92.0	13.0	16.1	14.2	12.6	1.1	1.8	1.7	13.5	13.9
IndusInd Bank	BUY	256	493	18.3	515	Dec-13	4.4	20.1	27.1	33.9	29.8	24.5	18.2	14.6	0.7	3.0	2.6	17.7	19.0
ING Vysya Bank	BUY	92	611	15.4	675	Dec-13	10.6	40.5	52.2	65.9	27.5	15.1	11.7	9.3	0.4	1.8	1.6	16.6	18.1
Karur Vysya Bank	BUY	50	471	-16.1	535	Sep-13	13.6	55.2	63.4	75.5	17.0	8.5	7.4	6.2	0.4	1.4	1.2	20.3	20.8
South Indian Bank	BUY	33	25	-9.0	35	Dec-13	41.4	3.8	4.6	5.5	20.6	6.5	5.4	4.5	0.3	1.0	0.8	19.5	19.9
Yes Bank	BUY	203	507	9.2	700	Dec'13	38.1	36.7	40.7	50.2	16.9	13.8	12.5	10.1	0.5	2.1	1.8	21.0	18.9
SOE BANKS																			
Bank of Baroda	BUY	292	692	-20.1	925	Dec-13	33.7	110.9	132.1	155.6	18.4	6.2	5.2	4.4	0.3	0.8	0.7	16.9	17.3
Bank of India	HOLD	195	326	-5.0	375	Dec-13	15.1	49.4	58.6	68.4	17.7	6.6	5.6	4.8	0.3	0.8	0.7	14.3	14.8
Canara Bank	BUY	178	403	-18.9	480	Dec'13	19.1	66.4	73.1	88.7	15.6	6.1	5.5	4.5	0.3	0.7	0.6	13.4	14.5
Oriental Bank	BUY	75	258	-26.4	370	Dec'13	43.6	47.3	56.8	66.2	18.3	5.4	4.5	3.9	0.3	0.6	0.5	13.0	13.6
Punjab National Bank	BUY	264	749	-14.1	1,125	Dec-13	50.2	145.1	162.3	190.3	14.5	5.2	4.6	3.9	0.3	0.7	0.6	16.7	17.1
State Bank of India	BUY	1,543	2,255	-5.5	2,500	Dec-13	10.9	222.5	256.4	296.7	15.5	10.1	8.8	7.6	0.6	1.4	1.2	16.5	16.7
Union Bank of India	BUY	142	239	-12.8	265	Dec-13	10.8	35.8	39.5	45.9	13.2	6.7	6.1	5.2	0.4	0.8	0.7	14.1	14.6

* - Standalone Numbers /UR - Under Review

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