IIFL Institutional Equities

The Front Page

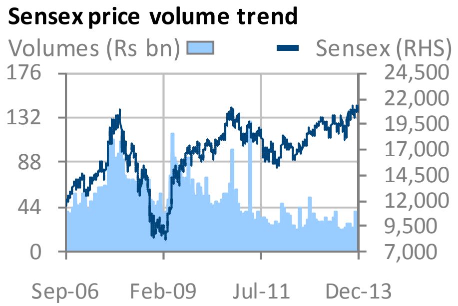
India | January 2, 2014

IIFL,

Market Front Page

Index Movements	Closing	% Chg	% YTD	ADR/GDR (US$)	Latest	% Chg	% Prem
Sensex	21,140	(0.1)	(0.1)	HDFC Bank	34.4	(1.0)	6.8
Nifty	6,302	(0.0)	(0.0)	Reliance	29.0	2.3	1.1
BSE Smallcap	6,649	1.5	1.5	Infosys	56.6	0.1	1.0
CNX Midcap	8,114	0.5	0.5	L&T	18.0	(0.2)	4.0
Nasdaq	4,177	0.5	0.0	Wipro	12.6	0.6	41.0
DJIA	16,577	0.4	0.0	ICICI Bank	37.2	0.5	4.8
IBOV	51,507	0.5	0.0	SBI	57.2	0.1	0.2
FTSE	6,749	0.3	0.0	Dr Reddy's	41.0	0.3	0.1
CAC	4,296	0.5	0.0	Tata Motors	30.8	0.5	1.7
Turnover		US$m	% Chg	**Commodities**	Latest	%Chg	%YTD
BSE		225	(12.1)	Gold (US$/ounce)	1,214	1.1	0.7
NSE		979	(28.0)	Crude (US$/bl)	98	(0.9)	0.0
Derivatives (NSE)		5,436	(35.6)	Aluminium (US$/MT)	1,800	(1.2)	0.0
FII F&O (US$m)		Index	Stocks	Copper (US$/MT)	7,360	(0.2)	0.0
Net buying		87	4	**Forex Rates**	Closing	% Chg	%YTD
Open interest		7,237	5,094	Rs/US$	61.9	0.1	0.1
Chg in open int.		145	35	Rs/EUR	85.1	(0.3)	(0.3)
Eqy Flows (US$m)	Latest	MTD	YTD	Rs/GBP	102.4	0.4	0.4
FII(30/12)	44	2,527	19,987	**Bond Markets**		Closing	bps Chg
DII (1/1)	(36)	(36)	(36)	10 yr bond		8.85	1.00
MF (26/12)	(3)	(94)	(3,753)	Interbank call		7.15	(160.00)

Chart Front Page



Top Research Stories

Strategy; **Bharti Airtel** (BUY); Events Calendar

Corporate Front Page

- **Reliance Industries'** expansion plan for its facilities at the Sikka port in Gujarat's Jamnagar is facing a green wall. A statutory environmental panel has flagged concerns over the project. (ET)
- Following the successful drilling of the country's first shale gas exploratory well near Jambusar, about 60 km from here, **ONGC** has decided to drill more wells in Cambay region of Gujarat. (ET)
- **Gujarat Gas Company** said it has signed an agreement to buy 0.65 million standard cubic meters per day of gas from **Gujarat State Petroleum** for almost 12 years. (BL)
- In what could strain India's commercial relations with Egypt, a consortium of **Gujarat State Petroleum Corporation**, **Hindustan Petroleum Corporation** and **Oil India** has decided to relinquish two of its exploration blocks in that country, citing viability issues. (BS)
- In line with some of its peers, **NIIT Technologies** is undertaking an internal transformation to "uplift its service culture". The company's CEO said the move would also help to align itself with the changing business environment, as clients begin to look beyond only cost advantage. (BS)
- **Viceroy Hotels** has informed that it had concluded a deal to sell its Chennai assets, including the hotel and residential projects, to Ceebros Hotels. The sale is estimated to be worth Rs4.8bn. (BS)
- The Odisha government has directed the independent power producers to deliver its share of power at its own substations and transmission lines, instead of transmission network of **Power Grid Corporation of India Ltd**. (BS)
- **Coal India Ltd** might not get a free hand in selecting a private partner to tap into the newly-opened coal bed methane opportunity as the petroleum ministry may impose restrictions on private partnership for development of four trillion cubic feet CBM reserves in CIL's blocks allocated on a nomination basis. (BS)

Market Front Page

Top Movers BSE 200

Top Gainers	Price (Rs)	Chg (%)	YTD (%)	Top Losers	Price (Rs)	Chg (%)	YTD (%)
Reliance Commun	138	6.4	6.4	Indian Infotech & Soft	23	(4.9)	(4.9)
UCO Bank	80	6.1	6.1	Indian Oil Corp	209	(2.6)	(2.6)
Indiabulls Real Estate	73	5.7	5.7	Hathway Cable & Data	277	(2.4)	(2.4)
Motherson Sumi Systems	192	4.9	4.9	Apollo Tyres	105	(2.2)	(2.2)
IRB Infrast Developers	96	3.9	3.9	Coromandel Int'l	235	(2.0)	(2.0)

Volume spurts

Company	CMP	M.Cap (US$ m)	Vol. (in '000)	10D A.Vol (in '000)	Vol % Chg
Bayer CropScience/India	1,770	1,047	66	19	239.6
Bajaj Finserv	760	1,953	141	49	189.4
Reliance Communications	138	4,611	14,484	5,063	186.1
Piramal Enterprises	550	1,533	251	99	152.2
UCO Bank	80	973	9,398	4,239	121.7
Asian Paints	500	7,740	2,028	917	121.1
Gruh Finance	263	762	188	87	115.3
Indiabulls Real Estate	73	499	9,163	5,220	75.5
Federal Bank	86	1,191	3,712	2,327	59.5
CRISIL	1,181	1,348	19	12	55.8

FII – FII trades

Scrip	12/31/2013			1/1/2014		
	Volume '000	Price	Avg.Prem %	Volume '000	Price	Avg.Prem %
Cub	36	54	4.8	-	-	-
Federal bank	9	85	1.1	9	86	0.5
Grasim	-	-	-	-	-	-
Hdfc bank	766	678	1.8	275	684	2.6
Ing vysya bank	7	600	0.6	-	-	-
Lupin	14	958	5.3	-	-	-
Star	67	388	7.2	-	-	-
Tata chem	-	-	-	-	-	-
Titan	331	230	0.4	70	232	0.5

Corporate Front Page

- **Canara Bank** said it has raised Rs5bn by allotting 18.25mn equity shares on preferential basis to the government of India, the public sector lender's principal shareholder. (BS)
- **Jindal Steel and Power Ltd** said that it increased the price of its steel products. It hiked the prices for steel plates, hot rolled coils, wired rod coils and TMT rebars by Rs1,000 a tonne each. (BL)

Economy Front Page

- Commerce Minister has indicated further liberalisation of the FDI policy in the coming weeks to attract foreign investments into the country. His ministry is working towards allowing FDI in railways and e-commerce. (ET)
- Despite offering record discounts and freebies in December, car companies' sales during the month declined 5-7% to approximately 0.18mn to 0.184mn units against 0.194mn units sold in December 2012. (ET)
- Reserve Bank of India has eased norms for assigning risk weights and making provisions for loans extended for low income housing which are covered by the new credit guarantee fund. (BS)
- Bank credit rose 14.7% in November 2013 compared with 17.6% in the corresponding period of the previous year. This is according to the Reserve Bank of India's statistics collected from 47 scheduled commercial banks, which account for about 95% of the total non-food credit. Priority sector loans grew at 24% to Rs17.14trn. (BL)

IIFL Institutional Equities

Insider Trading

Company	Name of Acquirer / Seller	Transaction Date	Buy /Sale	Quantity	Price (Rs)	Deal Size (Rs m)	Shares Transaction (%)	Holding after Transaction (%)
Aditya Birla Nuvo	Umang Commercial	12/12/2013	BUY	8,225,123	1,188.0	9,771	6.3	9.6
Berger Paints	UK Paints	12/12/2013	BUY	350,000	229.0	80	0.1	45.7
Berger Paints	Vinu Dhingra	12/12/2013	SELL	350,000	229.0	80	0.1	2.1
Biocon	Kiran Mazumdar Shaw & Others	16/12/2013	SELL	21,700	389.0	8	0.0	1.9
Grasim Industries	Umang Commercial Company	-	BUY	204,799	2,666.0	546	0.2	1.7
Gruh Finance	Jayesh K Gangwani	-	SELL	36,178	244.0	9	0.0	-
HDFC Bank	Ashish Parthasarthy	10/12/2013	SELL	10,000	697.0	7	0.0	0.0
HDFC Bank	Rahul N Bhagat	09/12/2013	SELL	10,000	697.0	7	0.0	0.0
HDFC Bank	Madhusoodan Hegde	11/12/2013	SELL	10,000	696.0	7	0.0	0.0
HDFC Bank	Vivek Joshi	13/12/2013	SELL	10,000	690.0	7	0.0	0.0
HDFC Bank	Ashish Parthasarthy	13/12/2013	SELL	9,000	690.0	6	0.0	0.0
Indusind Bank	Suhail Chander	10/12/2013	SELL	30,000	453.0	14	0.0	0.0
ITC	Sivakumar Surampudi	11/12/2013	SELL	51,115	321.0	16	0.0	0.0
ITC	Nakul Anand	11/12/2013	SELL	45,000	321.0	14	0.0	0.0
ITC	Nakul Anand	11/12/2013	SELL	45,000	321.0	14	0.0	0.0
ITC	P V Dhobale	11/12/2013	SELL	20,000	321.0	6	0.0	0.0
JK Lakshmi Cement	BMF Inv	12/12/2013	SELL	700,000	75.0	53	0.0	0.6
JK Lakshmi Cement	Bengal & Assam Co	13/12/2013	BUY	700,000	75.0	53	0.0	23.7
Kalyani Inv Co	Sundaram Trading & Inv	12/12/2013	BUY	26,139	298.0	8	0.0	15.5
Kotak Mahindra Bank	C Jayaram	10/12/2013	SELL	20,000	772.0	15	0.0	0.0
Kotak Mahindra Bank	Dipak Gupta	13/12/2013	SELL	17,289	758.0	13	0.0	0.0
Kotak Mahindra Bank	Eshwar Karra	11/12/2013	SELL	11,549	769.0	9	0.0	0.0
Kotak Mahindra Bank	Parul Parambi	11/12/2013	SELL	10,000	769.0	8	0.0	0.0
Kotak Mahindra Bank	Satyanarayan Nuwal	11/12/2013	SELL	10,000	769.0	8	0.0	0.0
L&T Finance Hldg	Larsen & Toubro	17/12/2013	SELL	460,000	69.0	32	0.0	81.8
L&T Finance Hldg	Larsen & Toubro	16/12/2013	SELL	141,492	71.0	10	0.0	81.9
L&T Finance Hldg	Larsen & Toubro	12/12/2013	SELL	128,723	72.0	9	0.0	81.9
Mahindra & Mahindra	Anand Mahindra/Bharat Doshi/A K Nanda	16/12/2013	SELL	31,318	927.0	29	0.0	4.3
Nucleus Software	Vishnu R Dusad	14/12/2013	SELL	2,000,000	112.0	224	6.2	4.9
R Systems Intl	Sartaj Singh Rekhi	12/12/2013	BUY	254,600	351.0	89	2.0	4.7

Deal size worth more than Rs5m considered. The exchange does not report transaction prices, so we have assumed them to be closing prices for the respective days. Hence, actual deal sizes may vary from the figures above.

Insider Trading

Company	Name of Acquirer / Seller	Transaction Date	Buy /Sale	Quantity	Price (Rs)	Deal Size (Rs m)	Shares Transaction (%)	Holding after Transaction (%)
R Systems Intl	Ramneet Singh Rekhi	12/12/2013	BUY	254,600	351.0	89	2.0	4.0
R Systems Intl	Guru Harikrishan Irrevocable Trst	12/12/2013	SELL	254,600	351.0	89	2.0	-
R Systems Intl	Guru Tegh Bahadur Irrevocable Trst	12/12/2013	SELL	254,600	351.0	89	2.0	-
Siti Cable Network	Digital Satellite Hldg	10/12/2013	BUY	10,800,000	17.0	184	2.4	-
Solar Inds	Satyanarayan Nuwal	12/12/2013	BUY	16,723	921.0	15	0.0	22.4
SRF	Kama Hldg	12/12/2013	BUY	158,092	219.0	35	0.0	52.3
TCS	AfTaab Inv	12/12/2013	SELL	8,000	2,029.0	16	0.0	0.0
Tech Mahindra	Vineet Nayyar	12/12/2013	SELL	547,208	1,670.0	914	0.2	0.2
Usha Martin	Kenwyn Overseas	25/11/2013	BUY	255,000	25.0	6	0.0	0.0
Vardhman Polytex	Alma Assets Consultancy	16/12/2013	BUY	1,975,000	32.0	63	11.1	22.0
Welspun Corp	Welspun Fintrade	10/12/2013	SELL	8,503,483	37.0	315	3.2	31.6
Welspun Corp	Krishiraj Trading	10/12/2013	BUY	8,503,483	37.0	315	3.2	31.6
Welspun Corp	Welspun Fintrade	12/12/2013	SELL	540,000	36.5	20	0.0	68.8
Welspun Corp	Krishiraj Trading	12/12/2013	BUY	540,000	36.5	20	0.0	68.8
Wipro	Pratik Kumar	12/12/2013	BUY	28,030	511.0	14	0.0	0.0

Deal size worth more than Rs5m considered. The exchange does not report transaction prices, so we have assumed them to be closing prices for the respective days. Hence, actual deal sizes may vary from the figures above.

Cycle getting back in gear

The year 2014 will herald the beginning of a more broad-based market rally and will be a better year for Indian equities. Most macro variables, including real growth and current account, will turn for the better, inflation will likely peak in the early part of the year, and rate cycle will gradually become supportive. Quality of growth will be better as a gradual turnaround in the investment cycle will lead the recovery. The momentum in earnings downgrade will reverse and there is a rising probability of an upgrade cycle kicking in. Thus, the environment will be supportive for a valuation re-rating. The key known unknown is the outcome of the May 2014 elections and as of now, it is too close to call.

Investment cycle – turning around: Private sector capital formation, the key swing factor in capital formation growth (down from +12% during FY07-11 to -5% in FY14ii), will start to recover this year, driven by an acceleration in execution rates. Given the large size of projects under implementation (~US$1.4 trillion) a pickup in execution rates from the current historic lows would by itself have a more-than-proportionate impact on growth in capital formation.

Earnings, rate cycle - will be supportive: A continued slowdown in demand side pressures, slower growth in wages, lower food inflation, and a more stable rupee, augur well for mitigation of inflationary pressures. The monetary policy will gradually turn more accommodative. The turnaround in ex-agricultural GDP growth will drive the recovery in Ebidta and net profit margins; in all likelihood, FY15/FY16 earnings estimates will see upgrades.

Portfolio positioning - cyclical bias: In the backdrop of a broader cyclical recovery, we overweight financials and domestic industrials. IT and Autos are the other key O/Ws as we believe that both these sectors will see positive earnings surprises. In contrast, FMCG will be negatively impacted due to the consumption slowdown and earnings momentum will be weak. Apart from FMCG, Energy is the other key underweight, given lacklustre growth.

Top large-cap buys

- Dr Reddys
- Hero Motocorp
- ICICI Bank
- L&T
- Wipro

Top mid-cap buys

- Crompton Greaves
- IPCA Labs
- The Ramco Cements
- Motherson Sumi
- Shriram Transport

Dark horses

- Ashok Leyland
- Bharti
- Infosys
- SBI
- Sesa Sterlite

Key overweight sectors

- Consumer Discretionary
- Financials
- Industrials
- Information Technology

Key underweight sectors

- Consumer Staples
- Energy
- Materials

2013 Top BUYs performance	Absolute return (%)	Relative to Nifty
Nifty	6.8	
Large-cap Buys		
Dr Reddys	39.4	32.7
HDFC Bank	-1.1	-7.8
ITC	13.9	7.2
M&M	2.8	-3.9
Ultratech Cement	-10.8	-17.5
Top Mid-cap Buys		
Amara Raja	42.9	36.1
Shree Cements	-6.1	-12.9
Shriram City Union	9.5	2.7
Tech Mahindra	97.9	91.1
Torrent Pharma	34.3	27.5

Source: Bloomberg, IIFL Research

Nemkumar | nemkumar@iiflcap.com
91 22 4646 4630

Ashutosh Datar | ashutosh.datar@iiflcap.com
91 22 4646 4642

We believe that 2014 would be a much better year for Indian equities for the following reasons:

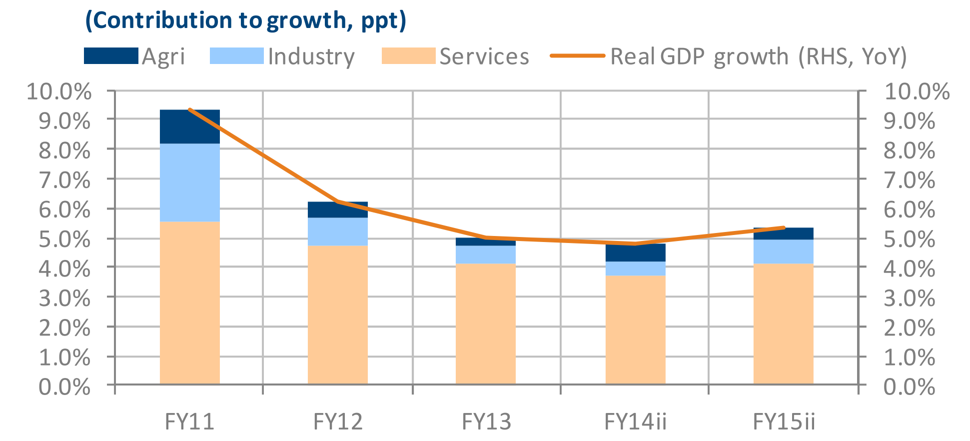
1. The macro economic outlook will turn for the better. GDP growth will pick up pace, current account will further improve, inflation will peak in the early months, and the rate cycle will eventually turn more supportive.
2. A revival in the investment cycle will lead the turnaround in growth ; a likely pickup in execution rates from the current historic lows will be the initial driver for the turnaround and in our view, growth will be much more broad based and qualitatively better.
3. The downgrade momentum in earnings estimates will likely reverse and the favorable turnaround in macro economic variables will drive upgrades in FY15/FY16 consensus estimates; Ebidta and PAT margins will likely trough out in FY14.
4. An improving macro outlook will mitigate the pressure from rising NPLs in the banking system and the trend will stop worsening; credit costs may still be high, but may not surprise on the negative side.

Valuations, which are at median or below median levels for large-cap and mid-small cap indices, will likely see an expansion as earnings upgrades start to kick in and cost of capital / equity risk premium comes down. We assume that the global growth environment will be supportive and price of risk will remain range bound at the current levels. The outcome of May 2014 elections potentially remains a market moving event and a determinant of a more sustained upturn in the growth cycle; as of now, it is too close a contest to call.

GDP growth – improving outlook

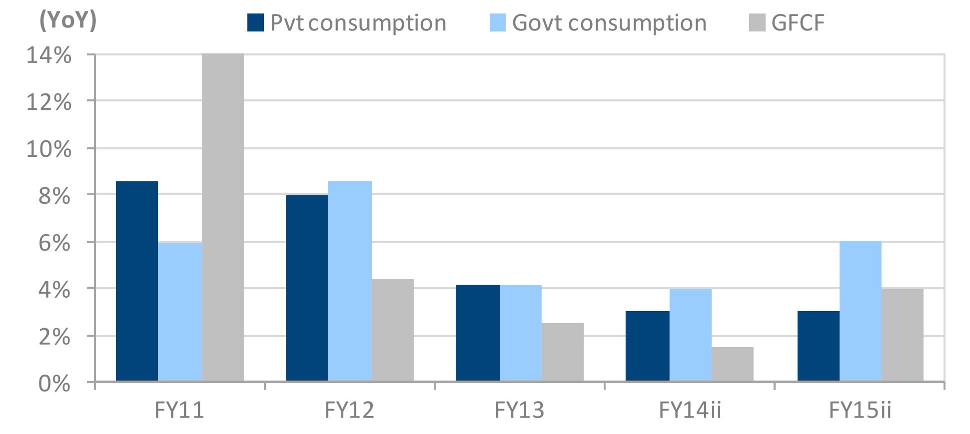
After near halving of growth rates between FY11-FY14 from 9.3% to an estimated 4.8%, we believe that growth rates will see a gradual acceleration to 5.3-5.5% in FY15. FY14 will likely be the trough year in the current growth cycle. A pickup in the capital formation cycle will principally lead the recovery in growth; the consequent recovery in industrial growth will have a benign impact on services sector growth. Between FY11 and FY14, YoY growth in the industry collapsed from 9.2% to 1.6% and that of fixed capital formation from 14% to 2% (real terms).

Figure 1: GDP growth : Bottoming out



Source: CSO, IIFL Research

Figure 2: Growth in gross capital formation: A favourable turnaround



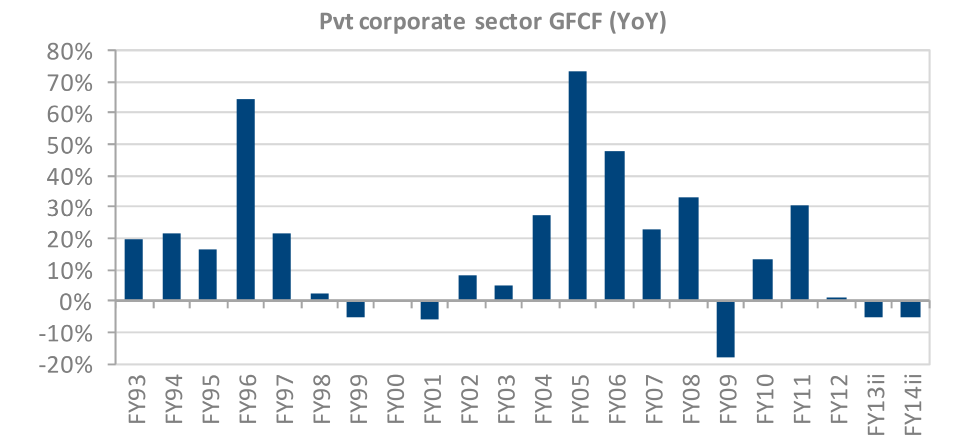
Source: CSO, IIFL Research

As we argue in the following section, a pickup in execution rates from the current abysmally low levels will lead the recovery in growth in capital formation. Exports will be an added engine of growth. In our view, the cyclical upturn in investments would more than make up for the potential slowdown in consumption growth. A sentiment turnaround in the event of a stronger pro-growth political combination being elected to power in the May 2014 general elections will accelerate the pace of recovery and drive upgrades to FY16 GDP growth estimates.

Investment cycle – likely to turn around

As we highlighted in our 25th Nov13 note '*Capex cycle – close to trough*', we believe that the investment cycle is bottoming out and capital formation growth will turn around in FY15. Household and government capex have held up reasonably well through the current slowdown. However, growth in private sector capital formation has collapsed from an average of 12% in FY07-FY11 to an estimated –5% in FY14 (in nominal terms). The reasons for the collapse in growth are well documented; inter alia, these include policy inaction, mining bans as a consequence of past irregularities, issues relating to fuel availability / PPAs / health of SEBs for the power sector, the rising share of non-productive CWIP, weakening balance sheets, and a sharp downswing in business sentiment. Not only have new project announcements hit an all-time low at 3.5% of GDP (from the FY07-09 average of 40%), execution rates (defined as projects completed in a year as a % of total projects under implementation) are down to nearly a third of FY05-10 average.

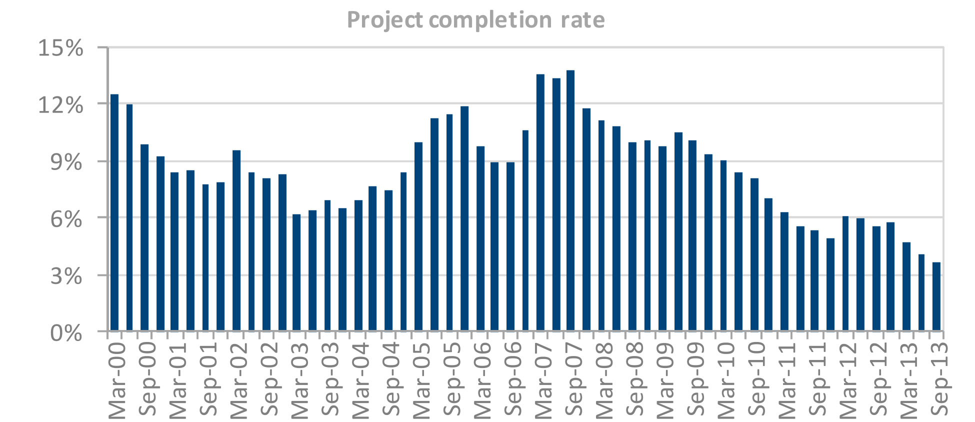
Figure 3: Private sector capital formation: From +30% in FY07-09 to -5% in FY14



Source: CSO, IIFL Research

While a turnaround in new project announcements is sometime away, execution rates can pick up quickly if approvals are expedited or sentiment turns around. Given the large size of projects currently under implementation (US$1.4 trillion or 80% of GDP - 2x that of the FY01-03 downturn as % of GDP), even a retracement to historic median levels would mean a more than 2x jump in execution rates and a concomitant recovery in capital formation growth. As project completion quickens, asset sweating, cash flows and capital productivity will all get better.

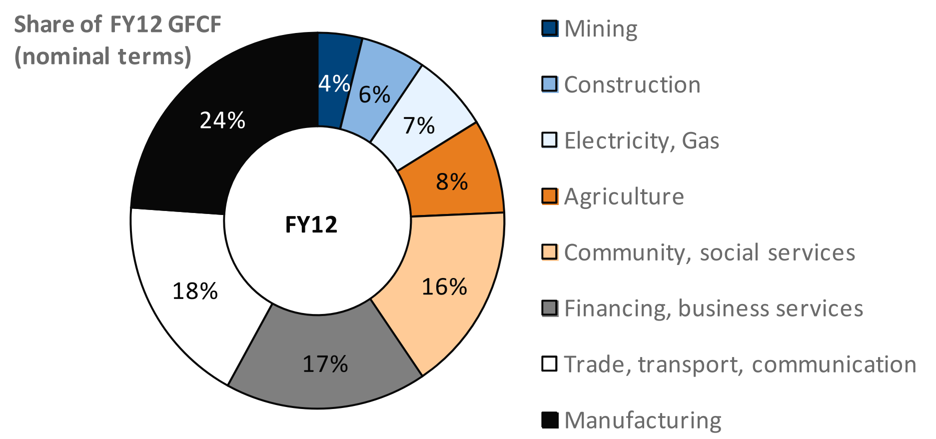
Figure 4: Project completion rate: almost at one-half of FY02-04 downturn



Source: CMIE, IIFL Research

In the past few months, we have already seen some positive policy action in the power sector: loan restructuring of large loss making SEBs is complete, an improved model PPA is in place, a few FSAs have been signed and approvals have been expedited. In the case of roads where no construction has started in almost 8000kms of highway projects awarded in the past two years, the government is trying to design a package to alleviate cash flow issues for aggressively bid projects; a few contracts may get cancelled as well, but either factors would help revive the sector over the next 2-3 quarters. Faster environmental clearances, now all the more likely with the change in the environment minister (the earlier one was perceived to have created many roadblocks delaying key approvals), will positively impact investments in the mining and metals sector. The tailwind of improved export competitiveness and faster growth in exports will be one of the drivers for a pickup in manufacturing investments, although a broader sentiment turnaround would be crucial to accelerate the pace.

Figure 5: A pickup in execution rate, better growth will drive the turnaround in GFCF



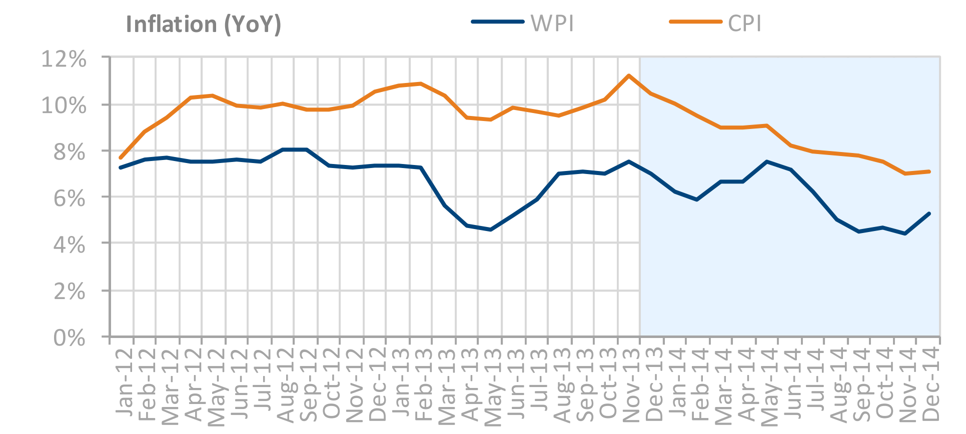
Source: CSO, IIFL Research

Of course, for sustainability of the recovery a few more factors such as more concerted government effort to expedite approvals for large projects, better profit outlook, and lower cost of capital, have to fall into place. More importantly, the May 2014 elections need to throw up a stronger pro-growth political coalition to power as that can drive faster improvement in business confidence and sentiment. All said it is fair to say that the share of GFCF in GDP will rise in FY15 and it now looks increasingly probable that this momentum will further gain strength in FY16.

Inflation – sticky but peaking out

Of all, high inflation has been the biggest thorn in India's flesh. The disinflationary impact from a sharp slowdown in growth has had little impact on headline inflation numbers as pressure from food prices have remained unrelenting, despite abundant monsoon rainfall. However, we believe that inflation is close to its peak for the following reasons: 1) the momentum of unabated rise in vegetable prices (up almost 100% YoY in WPI, 60% YoY in CPI for Nov-13) is now behind us; 2) the arrival of new crop and a bumper winter crop should ease the price pressures on cereals (up 11% YoY currently) even as prices for non food-grain crops in general continue would see a downward bias; 3) although high wage growth has already started to weaken both in urban and rural areas, in our view it will continue to weaken; 4) a continued slowdown in consumption momentum will further mitigate demand-side pressures, 5) rupee will likely be stable at 61-63/USD (as argued below) keeping inflation from imported goods in check. As of now, the government still seems committed to containing fiscal deficit close to budgeted levels, although some slippage is inevitable, given the slowdown in revenue collections.

Figure 6: Inflation: Sticky but the bias is on the downside



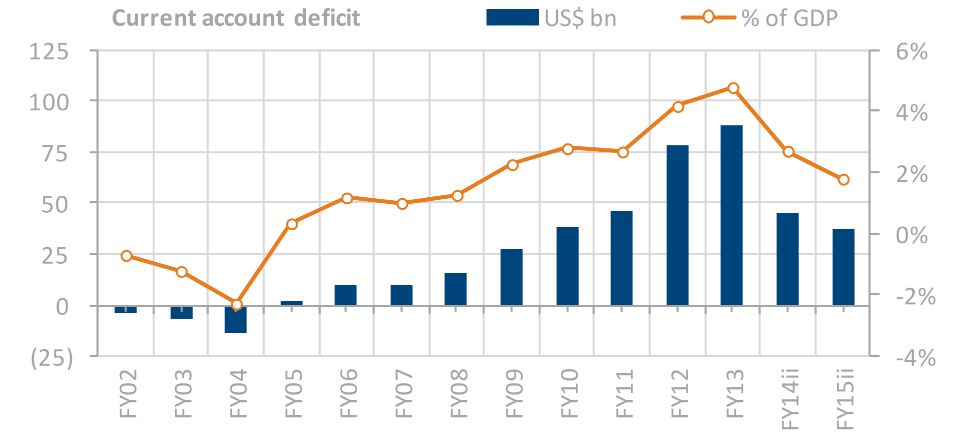
Source: CEIC, IIFL Research. Note: Shaded region denotes IIFL projection till December 2014

While inflation may remain elevated in the initial months and would rather ease gradually, the bias is on the downside. By Dec 2014, we estimate WPI to come down to 5.5% (down 200bps from the last print) and CPI to 8.0% (down 320bps from last print). More structurally, inflation can come down only if the supply-side response sees a significant improvement and from that perspective, a turnaround in investment cycle will be critical; however, it is fair to assume that cyclical and food-price linked pressures would wane in 2014 and headline inflation will gradually fall.

Current account deficit: under 3% of GDP

It is a well known fact that India's current account deficit (CAD) worsened substantially in FY13 (US$88bn, 4.8% of GDP). Between FY10-13, net oil and gold imports almost doubled. This, coupled with a slowdown in export growth, had a debilitating impact on India's current account. The 11% depreciation of INR vs. USD in the past 18 months has restored considerable competitiveness; export growth has already seen a sharp pickup and non-oil / non-gold imports are on a declining trend. Quantitative restrictions and a sharp increase in import duty have had the effect of driving down FY14 gold imports by almost 50%. We estimate that FY14 CAD will be down 50% YoY to US$45bn or 2.5% of GDP. CAD is unlikely to be an intractable issue in the next 12-18 months.

Figure 7: Current account deficit will decline sharply this year and further in FY15



Source: RBI, IIFL Research

Capital flows and rupee: well-behaved

Through the rupee's tumultuous phase in 2012 and 2013, FII flows into equities and FDI remained remarkably sticky and stable. An estimated cumulative amount of US$100bn came under these two heads and this helped India offset the sharp deterioration in FY13 current account. However, FII flows into debt markets were much more volatile with US$7bn of inflows in 2012 and US$8bn of outflows in 2013. The good news is that the total FII stock of ownership in debt is US$20bn, one that India can comfortably manage in the event of any further outflows. RBI has also further shored up its FX reserves through the US$35bn swap (from non-resident deposits and fresh banking capital). If our hypothesis of pickup in growth and a slowdown in inflation plays out, capital inflow momentum will likely remain benign. RBI's interventions in FX market has also sent out an unambiguous signal that it is comfortable with the 61-63 range for the INR/USD; current REER calculations too suggest that rupee is under-valued at these levels. In our view, the rupee is unlikely to see any material swings in 2014, barring unforeseen events.

Figure 8: Capital flows would be supportive and easily fund the reduced CAD

US$ bn	FY10	FY11	FY12	FY13	FY14ii	FY15ii
Exports	182	250	310	307	320	333
Imports	301	381	500	502	475	489
Trade deficit	118	131	190	196	155	156
Invisibles	80	85	112	107	110	119
Current account Deficit	**38**	**46**	**78**	**88**	**45**	**37**
Capital Flows	**52**	**62**	**68**	**89**	**65**	**55**
Net FDI	18	9	22	20	20	20
Portfolio flows	32	30	17	27	5	10
Loans	12	28	19	31	10	15
Others	(11)	(6)	9	11	30	10
Discrepancies	(0)	(3)	(2)	3	-	-
BoP Surplus	**13**	**13**	**(13)**	**4**	**20**	**18**

Source: RBI, IIFL Research

Fiscal deficit: Still early to call FY15

Between FY08 and FY12, India's fiscal deficit rose fourfold and there was a palpable deterioration in government finances. Since Chidambaram took over as Finance Minister in July 2012, his focus on expenditure management has helped contain fiscal deficit at close to budgeted levels. However, the environment remains challenging, as FY14 tax collections are likely to be 8% lower than budgeted levels. As of now, indications are that the FM's focus on expenditure control is unrelenting, though there is a lurking fear that the government may turn populist in the run-up to the May 2014 elections. We estimate FY14 fiscal deficit at 5.1% of GDP, marginally higher than the budgeted 4.8%. One of the key challenges for the new government would be to bring down fiscal deficit to more manageable levels and we may have to wait until the outcome of May 2014 elections to have a better view on the likely FY15 / FY16 fiscal roadmap.

Figure 9: Summarised central government finances

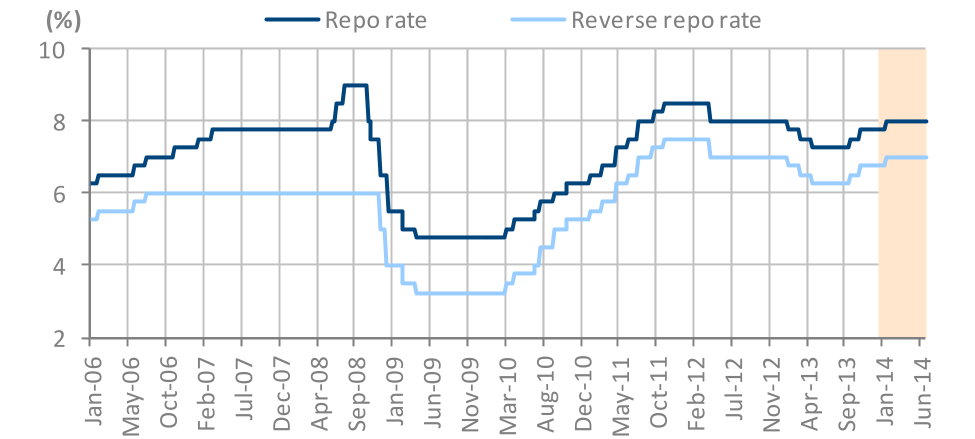
(Rs bn)	FY11	FY12	FY13 (P)	FY14ii
RECEIPTS				
Revenue Receipts	**7,885**	**7,512**	**8,788**	**9,797**
Tax Receipts	5,699	6,295	7,411	8,074
Non-Tax revenue	2,186	1,217	1,377	1,723
Capital receipts	**353**	**370**	**407**	**457**
- Disinvestment	223	181	259	350
- Others	130	189	148	107
Total Receipts	**8,238**	**7,881**	**9,195**	**10,254**
EXPENDITURE				
Non-Plan Expenditure	8,183	8,920	9,951	11,091
Plan Expenditure	3,790	4,124	4,143	4,823
Total Expenditure	**11,973**	**13,044**	**14,094**	**15,914**
Fiscal Deficit	3,735	5,162	4,899	5,660
Fiscal deficit % GDP	**4.8%**	**5.8%**	**4.9%**	**5.1%**

Source: Budget documents, IIFL Research

Rate cycle: will turn benign

Despite a sharp deceleration in growth, RBI's leeway to use monetary policy as a tool to revive growth was constrained by continued negative surprises on inflation and the sharp depreciation of the rupee in mid-2012. Rates may still go up in 1Q14, if headline WPI and CPI surprise on the negative side, but we believe that the interest rate cycle is close to the peak, given our hypothesis that inflation will gradually come off in the coming months. Policy rates may remain elevated in the initial months, but we believe that the rate cycle will turn more benign in the latter part of 2014.

Figure 10: Policy rates may remain elevated for some time, but rates are about to peak



Source: Bloomberg, IIFL Research. Note: Shaded region denotes IIFL projection till June 2014

Politics: improving tidings, still a close call

The outcome of the May 2014 general elections can potentially be a market-moving event; understandably so, as the policy morass of the Congress-led UPA-II government is one reason why growth in capital formation and business sentiment has been so badly dented. There is justifiable hope that the emergence of BJP-led coalition can help turnaround sentiment and growth. There is no denying the fact that BJP is on the ascendancy. However, to get close to the magic number of 190-200 seats (from 116 in the current Lok Sabha), the minimum that BJP will need to put together a post-poll coalition, the party needs to dramatically improve its tally in the states of UP and Bihar (and our recent road trip to UP suggests that BJP has started to make significant inroads there), do better in the states of Maharashtra and Karnataka, as also get coalitions in some of the states such as AP right. While this seems achievable, it is still a daunting task. The chances of a third front (a coalition of non-Congress, non-BJP regional parties) emerging as the largest political coalition with or without the outside support of Congress is no less either. Unfortunately, markets may not perceive a third front as growth-friendly and that makes the May 2014 election a potential binary event. The situation could of course change in the coming months but for now it is too early to place odds on the potential election outcome especially in the context of the emergence of anti-corruption party AAP (but for whose emergence, BJP would have won significantly more seats in the recent Delhi state elections). The Congress party slumping to its worst ever seat share looks probabilistically more likely.

Figure 11: BJP will need to increase its tally by 60-70 seats if it aspires to get to power

States	1999	2009	Total Seats
Uttar Pradesh	29	10	80
Maharashtra	13	9	48
Andhra Pradesh	7	0	42
Bihar	23	12	40
Madhya Pradesh	29	16	29
Karnataka	7	19	28
Gujarat	20	15	26
Rajasthan	16	4	25
Orissa	9	0	21
Jharkhand	NA	8	14
Chhattisgarh	NA	10	11
Delhi	7	0	7
Uttaranchal	NA	0	5
Others	22	13	167
Total	**182**	**116**	**538**

Source: CSO, IIFL Research

Earnings cycle: Momentum to reverse for the better

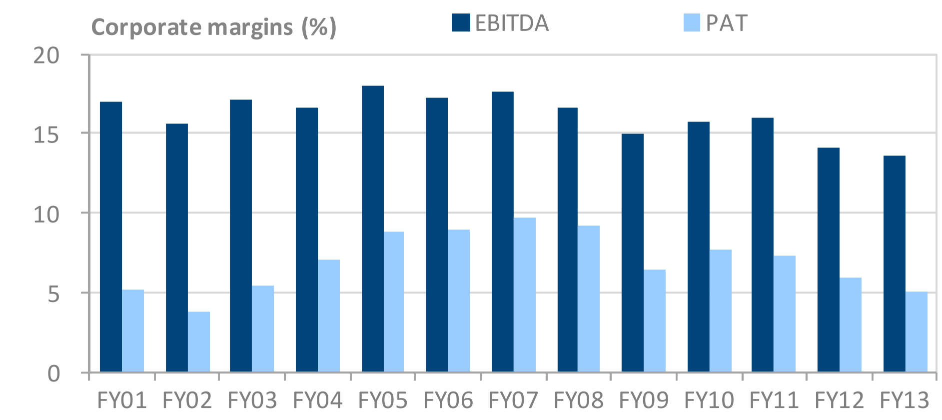
From the FY11 peak of 9.6% India's real ex-agricultural GDP growth will nearly halve to 4.8% in FY14. As we had highlighted in our earlier note (What drives corporate profit growth, 10 April13) corporate profit growth has a high degree of correlation with real ex-agricultural GDP growth. It is understandable that such a sharp fall in real growth in the past three years would thus have had a more-than-proportionate negative impact on margins and profit growth during this period.

For a static universe of 140 companies within IIFL coverage universe, FY14 profit growth of 5.5% would just be marginally better than the FY09-crisis year growth but almost two-thirds lower than the past decade's average. Profit growth between FY11 and FY14 (when real GDP growth significantly slowed) for this universe averaged 7.5% against preceding five-year average of nearly 20%.

For smaller companies outside our coverage, the fall in earnings has been even stark. For a broader sample of 1800 companies, FY13 Ebidta and PAT margins were at decade low of 13.6% and 5.1% respectively; for the bottom 1000, the respective numbers were 9.2% and -1.4%. Sharp spike in NPLs and higher credit costs have hurt earnings of banks and that has been an added drag.

In our view, the broader market earnings growth will bottom out in FY14 and as real GDP growth starts to turn around, corporate profit growth will pick up too. Better operating and financial leverage will aid a recovery in net profit margins, although the fuller impact of the recovery will reflect in earnings with a lag. We believe that the earnings downgrade cycle is behind us and current consensus FY15/FY16 earnings estimates will see upgrades. Earnings momentum will thus be supportive.

Figure 12: Ebidta and profit margins of top 1800 companies are at decade lows

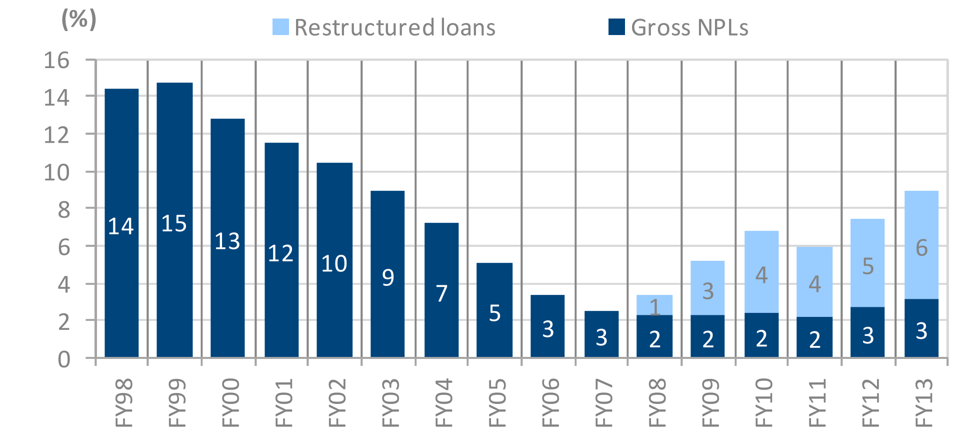


Source: CMIE, IIFL Research. Note: Excludes financials and PSU OMCs

NPLs: Pain may linger for some time, unlikely to worsen

Between FY11-FY14 when ex-agriculture real GDP halved, gross non performing loans (GNPLs) of the IIFL banking coverage universe doubled from 2.2% of loans to an estimated 4.4%; restructured loans rose from 3.7% to an estimated 7.0%. PSU banks account for 85% of GNPLs, 95% of restructured loans although they account for only 76% of system loans. The sharp deterioration in asset quality is attributable less to the cyclical slowdown and more to the stress arising from infrastructure projects (infra sector alone accounts for 21% of bad loans) stuck due to a number of prickly issues. As we have highlighted in the earlier section (on why Investment cycle is on the road to recovery), the government has started to address some of these issues in the power and roads sector. However, while we wait for the new government to more aggressively address some of the sticky issues the momentum has already started to turn for the better. Given our hypothesis of a cyclical turnaround in 2014, we expect the stress that arose because of growth slowdown will likely start to wane as well. The improvement in the macro-economic environment typically reflects on asset quality with a lag and it is possible that credit costs may still be high in FY15. However, outlook and direction of change will be more important; in our view, that trajectory will turn for the better in the coming months.

Figure 13: Stressed assets are elevated but the pace of accretion will moderate in FY15



Source: RBI, IIFL Research

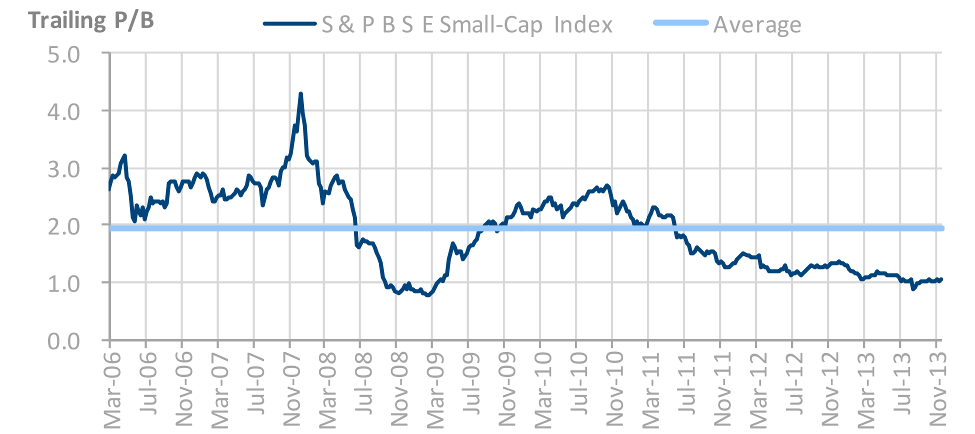
Nifty: current valuations assume a high equity risk premium

Market valuations have seen a de-rating over the past three years; large-cap indices like Nifty are still trading close to the historic median whereas mid-small caps are trading at much lower than median levels, especially on a price-to-book basis. This is understandable as earnings downgrades have been much more severe for mid-small caps as they had to bear the brunt of the slowdown pain. Cyclical downturn adversely impacted Ebidta margins, even as higher borrowing costs accentuated the pain at the PAT margin level. As macro variables start to look up as we hypothesize earnings outlook will start to improve. Earnings recovery for mid-small caps will understandably be sharper.

Figure 14: Mid caps are trading at a large discount to their long-term average PB

Source: NSE, IIFL Research

Figure 15: Small caps are trading at a significant discount to their long-term average PB



Source: BSE, IIFL Research

Our two-stage earnings discount model also suggests that at the current levels of Nifty, implied Equity Risk Premium (ERP) is close to 6.5% (this assumes a risk free rate of 9% and a terminal growth of 7%). Current ERP is well above its historic median. As we have highlighted in the table below, even marginal changes in ERP or terminal growth tends to have an exaggerated impact on fair value. In our view, current valuations do not price in a potential earnings upgrade cycle and thus the risk-reward for the Nifty at current valuations is favorable.

Figure 16: Nifty Fair Value

		Equity risk premium (%)					
		2	3	4	5	6	7
Terminal growth rate (%)	4	9,623	8,220	7,169	6,353	5,700	5,166
	5	11,285	9,376	8,013	6,992	6,198	5,563
	6	13,779	10,994	9,139	7,813	6,820	6,048
	7	17,936	13,422	10,714	8,909	7,620	6,654

Source: Bloomberg, IIFL Research. Note: Using 3 stage earnings discount model.

Portfolio Strategy – Overweight IT, domestic cylicals

We are moving away from a pure bottom-up portfolio construction to a mix of top-down and bottom-up. We would have a neutral bias for telecom and pharmaceutical sectors whereas our key overweight and underweight sectors would be as follows:

Key overweight sectors:

1. Information Technology: Earnings momentum remains strong, upgrade cycle is still intact, and valuations are reasonable despite the stellar performance in the past year. Our bias is towards large caps as valuation gap vs. mid-caps is too narrow.
2. Financials: This sector remains a good proxy to play the improving top-down story. Our bias would be to own cheaper private sector banks and NBFCs as larger weights within the sector.
3. Engineering & Construction: A play on the upturn in the investment cycle, this sector will see sustained earnings upgrades and valuations will re-rate.
4. Autos: A large number of good companies to own, valuations are attractive, growth momentum is reasonable.

Key underweight sectors:

5. FMCG: Consumption growth is weakening, earnings upgrade cycle is behind us, risk of downgrades rising, valuations are too rich and the sector will underperform in a cyclical upturn.
6. Energy: Earnings momentum remains lacklustre, valuations are cheap, but we do not see any re-rating drivers.

Figure 17:IIFL recommended portfolio stance

Sectors	Nifty weight	IIFL weight
Consumer Discretionary	9.0	10.0
Consumer Staples	10.5	7.0
Energy	11.7	7.0
Financials	26.5	30.0
Health Care	6.0	6.0
Industrials	5.2	8.0
Information Technology	17.0	20.0
Materials	8.3	6.0
Telecommunication Services	1.9	2.0
Utilities	3.9	4.0
Total	**100.0**	**100.0**

Source: NSE, IIFL Research

Top large-cap buys

Company	Mkt-Cap (US$ m)	Valuation PE (x) FY15ii	PB (x) FY15ii	EPS Cagr (%) FY14-FY16ii	RoE (%) FY15ii	Investment rationale
Dr Reddy's (DRRD IN CMP: Rs2,535)	6,973	17.0	3.8	20.5	25.0	• Recent limited-competition product launches and pipeline provide comfort of sustained high-teen growth in the US; the business grew 27% in FY13, expect FY14 growth >23% (all in USD). • India business should sustain mid-teen growth; large established Russia and smaller 'other emerging market' branded businesses will continue to deliver ~20% growth. One of the front-runners in biosimilars world-wide; already launched several products in EMs; partnership with Merck KGaA for regulated markets. • We project 17%+ core earnings Cagr over FY14-FY16, better than what we believe is priced in the stock. Valuation at ~17x FY15ii core earnings is still at 10-20% discount to peers; potential to re-rate 15-20%.
Hero Moto (HMCL IN CMP: Rs2,075)	6,706	13.8	5.6	27.2	45.7	• Consumer acceptance of the new brand, confidence in product quality as affirmed by the 5-year warranty program and resultant stabilization in market-share places Hero in a strong position into a potential recovery in 2W demand. • Stable market share will bring back pricing power and margins. In addition, Hero is working on a "margin transformation project", which can drive 300-400bp of margin gains led by alternative sourcing and cost cutting. Launch of new models based on Hero's own R&D will remove Street concerns on technology. • Stock is trading at 13.8x FY15 EPS. Our estimates do not build in margin expansion; a 100bp cost saving can add 8% to our EPS estimate.
ICICI Bank (ICICIBC IN CMP: Rs1,099)	20,527	11.8	1.6	15.7	13.9	• ICICIBC is strongly positioned as regards profitability, capitalization and financing flexibility. A cyclical upturn may further improve the operating environment in the medium term. • Asset quality is likely to be tackled through pro-active loan workouts like restructuring, forcing asset sales and re-financing. Hence, we believe ICICIBC should be able to contain slippages and GNPA ratios. • We estimate 15.5% earnings CAGR through FY14-16ii with ROA of 1.6% and RoE of 14-15% through FY16ii. The bank will easily comply with Basel III requirements of capital and could potentially monetize investments in subsidiaries.
L & T (LT IN CMP: Rs1,070)	16,038	18.4	2.8	11.7	15.9	• As the cycle turns, there is a sharp pickup in execution rate – FY03 witnessed 8ppt improvement YoY. With order coverage of 2.6x, every ppt improvement in execution will drive 2% upside to revenue estimate. This would more than offset margin risks. • Domestic order inflow has lagged so far but improved political will and administrative efficiency could kick start investments in roads, railways and metros. Sustained activity in Middle East and better hit rate will drive overseas inflows as well. • Better traction in monetisation of asset business will reduce funding requirements from the parent balance sheet.
Wipro (WPRO IN CMP: Rs559)	22,309	15.8	3.4	13.6	23.6	• Signs of restructuring that were visible only in lower attrition and higher client satisfaction have started becoming evident in a better revenue growth and large deal wins. Healthy traction in infra. services and deal wins even in BFSI gives confidence over the sustainability of an improvement in its revenue growth • Wipro's has amongst the best margin levers within top-4 vendors. A greater increase in SG&A expenses than peers over the past two years is one of the reasons for its margin levers • Despite the narrowing of gap in growth rates, its valuations continue to be at a material discount to TCS.

Top mid-cap buys

Company	Mkt-Cap (US$ m)	Valuation PE (x) FY15ii	PB (x) FY15ii	EPS Cagr (%) FY14-FY16ii	RoE (%) FY15ii	Investment rationale
Crompton Greaves (CRG IN CMP: Rs129)	1,336	19.0	2.0	51.4	11.0	• Profitability of domestic power systems business being supported by higher contribution from exports. This should continue helped by favourable currency. Completion of low-margin orders means that risks to profitability remain low. • Healthy margin for consumer product segment despite seasonally lower revenues in 2Q lends comfort. Enhanced distribution and lower competition from Chinese imports would help sustain segment performance. • Despite constant currency revenue decline, overseas subsidiaries have turned the corner with Ebitda breakeven in 2Q. Except Canada and USA, other subsidiaries have become profitable. Management remains confident of full year breakeven for overseas subsidiaries.
IPCA Labs (IPCA IN CMP: Rs724)	1,479	15.6	3.7	21.7	26.5	• Large contribution from domestic formulations business (32%); strength in chronic pain medicines and anti-malarials. Expect to deliver mid-high teen growth in medium term. • Focus on branded formulations in global emerging markets; management plans to tap newer geographies to maintain high growth. Institutional anti-malarial business sales remain strong as well. • USFDA clearance of Indore plant raises growth prospects in the US market. • Trading at ~15x FY15ii core earnings, at discount to large cap peers; gradual re-rating to large cap multiples likely.
Motherson Sumi (MSS IN CMP: Rs183)	2,604	13.6	4.2	27.0	35.0	• Motherson Sumi's (MSSL) wiring harness business is a direct play on recovery in the Indian auto sector as well as on India's emergence as a production hub for exports. MSSL's India revenue has outpaced auto industry by a big margin; hence, a recovery in Indian auto will drive an even stronger revenue/earnings growth for MSSL. • MSSL's subsidiaries (SMR & SMP) will benefit from an increasing order book (EUR6.6bn new orders in last 1.5 years) and a potential recovery in the European car market. We estimate 10% revenue Cagr over FY14-16 combined with margin expansion from operational improvement to result in earnings of these subsidiaries doubling over FY14-16. • We forecast a 27% consolidated EPS CAGR over FY14-FY16. Stock is trading at 13.8x FY15 EPS.
The Ramco Cements (TRCL IN CMP: Rs192)	738	19.6	1.7	25.2	9.2	• We expect demand to revive in southern region in FY15 after remaining sluggish for the past 4 years with likely improvement in political environment in Andhra Pradesh. • Pace of cement capacity addition is likely to reduce in the southern region going forward and is likely to improve utilisation gradually in the next 2-3 years (from ~60% now to ~70% in FY16). • Ramco Cements, a south based cement company with 12.5mtpa capacity is trading at USD 74/tonne (40% discount to replacement cost), which is attractive from a medium term perspective, in our view. Any revival in discipline in south region could boost earnings.
Shriram Transport Fin. (SHTF IN CMP: Rs673)	2,469	9.2	1.6	19.6	18.1	• We believe STFC will incrementally benefit from increasing financing requirements in the CV space, medium term impact of better monsoons, partial removal of bans on mining and better outlook for the capital goods sector. • Despite the adverse operating environment, STFCs business model has been intact. An improvement in the CV cycle could drive a large upgrade in our earnings outlook driven by better growth, margins and credit cost estimates. • Over FY14-16ii, P/E re-rating to 12.5x 12-month forward EPS (last cycle peak 15.7x, currently 9.3x FY15ii EPS) and a ~45% earnings growth over FY14-16ii suggest a large upside.

Dark horses

Company	Mkt-Cap (US$ m)	Valuation PE (x) FY15ii	PB (x) FY15ii	EPS Cagr (%) FY14-FY16ii	RoE (%) FY15ii	Investment rationale
Ashok Leyland (AL IN CMP: Rs17)	743	13.9	1.1	NM	7.9	• M&HCV volume growth has a very strong correlation with IIP growth. Improvement in IIP may drive demand for M&HCVs in FY15. Also the current CV down-cycle has been longer than past down-cycles (12-18 months), implying that an uptick may not be too far. • Ashok Leyland has the highest operating and financial leverage among Indian Auto companies. Its employee cost is the highest among auto peers. While these factors hurt in a slowdown, it magnifies earnings growth in a recovery. • Stock is trading at 14.0x our FY15 EPS. However, if the CV cycle picks up pace, earnings can potentially double in FY16 over FY15 levels.
Bharti Airtel (BHARTI IN CMP: Rs330)	21,362	24.8	1.9	50.8	8.0	• While overall industry dynamics in India has improved, Bharti has also streamlined distribution/employee base, launched innovative products to seed the data market and improved capex productivity. We build in 18% India Ebitda Cagr over FY13-16ii. • Africa operations' performance improved in 2QFY14 and we believe it is close to bottoming out. We estimate 2.5%/8.5%/8.5% Ebitda growth (in US$) in FY14/15/16. • 900/1800MHz base prices have been cut by 57%/26% from March 2013 levels and hence spectrum payouts would get crystallised at significantly lower levels. Valuation is attractive at 6.7x FY15ii EV/Ebitda and 16% FY13-16ii Ebitda Cagr.
Infosys (INFO IN CMP: Rs3,486)	32,388	16.1	3.6	17.1	24.3	• Margin fall at Infosys in the past two years was primarily led by deterioration in its delivery levers (age pyramid, onsite cost inflation etc.). While 'correcting' its delivery is a delicate issue and will take time, the margin levers are significant. • Infosys' earlier re-organization has streamlined its sales operations and has improved its deal traction. The company has also been aggressive in bidding for infrastructure services deals which has resulted in a better growth for the company in 2013. • Given the narrowing of gap in growth rate vs TCS and margin levers, we expect its re-rating to continue.
State Bank of India (SBIN IN CMP: Rs1,767)	19,553	9.1	1.0	18.1	12.0	• SBIN is currently facing a number of headwinds such as poor asset quality, slowing loan growth and gross under-provisioning all culminating into significantly eroded tier 1 capital. • Despite this, any change in the economic and regulatory environment, improving corporate credit cycle or pickup in loan growth would provide a disproportionately beneficial environment to SBIN. • The stock may potentially re-rate faster in such a case. Its ROA and ROE profile could improve materially (from the 0.7% and 12% trajectory estimated now).
Sesa Sterlite (SSLT IN CMP: Rs202)	9,688	5.9	0.8	18.0	14.4	• SSLT trades at a discount to the sum of intrinsic value of its businesses due to lack of fungibility of cash of Cairn and Hindustan Zinc (HZ). • Buyout of government's stake in HZ - a potential trigger, and subsequent merger of HZ could unlock value (Rs42/share) for SSLT's shareholders. Similarly, merger of Cairn could add Rs24/share. • Stable operating performance of zinc and oil businesses (~70% of attributable Ebitda), resumption of iron ore operations and likely improvement in copper and aluminium businesses suggest a better outlook for FY15. Improving cash flow and moderate capex would reduce leverage and strengthen balance sheet over FY14-16.

Bharti Airtel – BUY

02 January 2014

Who says elephants can't dance?

Based on our recent interaction with Bharti, industry interactions, media reports, and survey of prepaid and post-paid plans, we observe that Bharti has taken a number of measures in the past few months. These include: 1) launching Airtel Store to accelerate seeding of the data market; 2) launching Airtel myPlan for more effective targeting of post-paid subs; and 3) capex productivity improvements (minutes per BTS being still lower than historical high, data traffic moving from 2G to 3G network and improving handset mix are levers). Moreover, telcos have continued discount reductions by lowering the validity period and the SMS and 2G data limit by 20-30% across circles. In our view, part of this has manifested through Bharti's strong 1HFY14 results and more of this should be visible going forward. But in the near term, the stock could be driven by news-flow around RIL's likely bidding for 1800MHz in the upcoming auction due to contiguous (4G suitable) spectrum availability. BUY (TP Rs414).

Yield improvement measures have continued: Bharti's voice RPM in 2QFY14 was 7% above 4QFY13 levels and discount reductions have continued even in the past three months. Our tariff surveys indicate that Bharti and Idea have cut validity period/SMS limit/2G data limit in certain plans by 30%/20%/25% across circles.

Faster seeding of data market through Airtel Store: On data, messaging to customers has been simplified; for instance, "99 retro Bollywood songs for Rs99" is easier for the subscriber to understand, in our view. Airtel Store allows users 3MB free data for Re1 for a day (in the form of games, videos, and social media browsing). Such a low denomination should encourage more users to try out data, resulting in faster seeding of the market by Bharti.

Post-paid offering simplified and made more flexible through myPlan; improved capex productivity: Bharti has simplified its post-paid offering from multiple plans to a single myPlan. This allows subscribers the flexibility of choosing (and changing once a month) from equally priced bundles, each offering local minutes, STD minutes, SMS, 2G/3G data, etc, with discounts increasing with the number of bundles chosen. Minutes per BTS being still lower than historical highs, data traffic moving from 2G to 3G, freeing up 2G network capacity, and better handset mix, are the medium-term capacity levers.

Company update

CMP	**Rs338**
12-mth TP (Rs)	**414 (23%)**
Market cap (US$m)	**21,817**
Enterprise value(US$m)	**29,563**
Bloomberg	**BHARTI IN**
Sector	**Telecom**

Shareholding pattern (%)

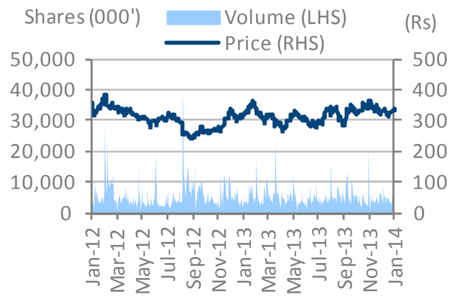
Promoter	65.2
FII	16.0
DII	8.8
Others	10.0

52Wk High/Low (Rs)	374/267
Shares o/s (m)	3997
Daily volume (US$ m)	24.5
Dividend yield FY14ii (%)	0.5
Free float (%)	34.8

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	3.3	4.7	4.9
Absolute (US$)	4.2	5.7	(7.0)
Rel. to Sensex	1.6	(3.6)	(3.1)
Cagr (%)		**3 yrs**	**5 yrs**
EPS		(38.6)	(20.7)

Stock performance



Financial summary (Rs bn)

Y/e 31 Mar, Consolidated	FY12A	FY13A	FY14ii	FY15ii	FY16ii
Revenues (Rs bn)	683	769	859	978	1,095
Ebitda margins (%)	*32.5*	*30.2*	*32.4*	*33.2*	*33.6*
Pre-exceptional PAT (Rs bn)	43	21	33	53	74
Reported PAT (Rs bn)	43	23	33	53	74
Pre-exceptional EPS (Rs)	11.2	5.5	8.1	13.3	18.5
Growth (%)	*(29.6)*	*(50.6)*	*47.1*	*63.5*	*39.1*
IIFL vs consensus (%)			*(15.1)*	*(17.6)*	*(12.9)*
PER (x)	**30.1**	**61.0**	**41.5**	**25.4**	**18.2**
ROE (%)	*8.1*	*3.9*	*5.5*	*8.0*	*10.4*
Net debt/equity (x)	1.2	1.1	1.1	1.0	0.8
EV/Ebitda (x)	8.8	8.7	8.1	6.8	5.6
Price/book (x)	2.4	2.4	2.1	2.0	1.8

Source: Company, IIFL Research. Priced as on 01 January 2014

G V Giri | gvgiri@iiflcap.com
91 22 4646 4676

Balaji Subramanian | balaji.subramanian@iiflcap.com
91 22 4646 4644

Based on our recent interactions with the company, media articles and survey of tariff plans, we observe that the recent measures taken by Bharti focus on (a) improving yield (b) growing data revenues (c) improving post paid offerings and (d) implementing capex productivity improvements. We believe these have a high chance of helping achieve faster revenue growth, drive market share gains, control costs and hence improve margins.

Yield improvement measures continue

Bharti's voice RPM increased by 7% over 4QFY13-2QFY14. Discount and validity reductions have continued happening in the last three months (as shown below).

Figure 1: Examples of yield improvement measures since September 2013

Telco	Circle	Plan MRP (Rs)	Attribute	Change
Bharti	Karnataka	15	Data limit, validity	Data limit cut by 30% and validity cut by 25%
Bharti	Delhi	59	2G data limit	Cut by 25%
Bharti	Mumbai	48	Local rate per minute	Increased by 17%
Bharti	Kerala	15	SMS limit	Cut by 25%
Bharti	AP	13	SMS limit	Cut by 20%
Idea	Maharashtra	16	Validity period	Cut by 50%
Idea	UP (W)	11	SMS limit	Cut by 17%
Idea	Mumbai	22	2G data limit	Cut by 22%
Idea	AP	62	SMS limit	Cut by 17%
Idea	TN	28	Validity period	Cut by 33%

Source: Companies, IIFL Research;

We believe that until such time that voice realizations correct upwards appropriately, voice revenue may accelerate, but then will slip towards a steady state which will be impacted by other dynamics including VoIP etc.

Airtel Store to improve seeding of the data market

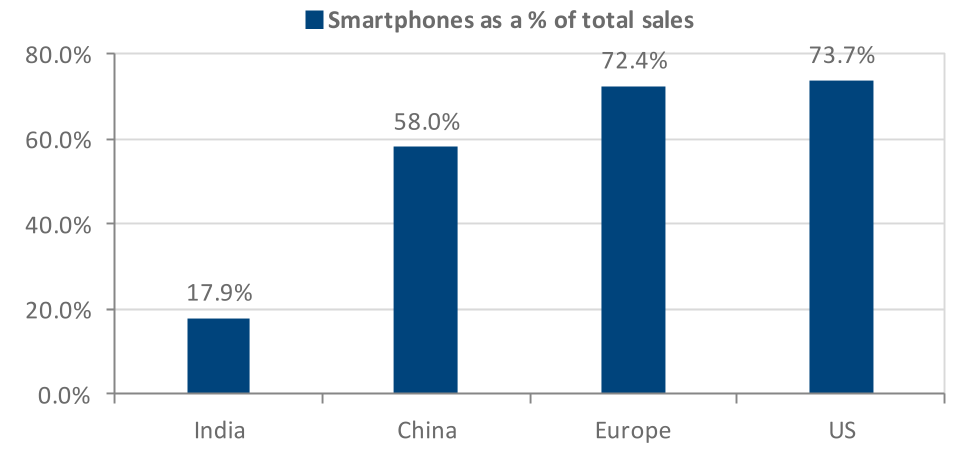
The key measures taken on the data front are

- Bharti has simplified communication to customers. For instance, Bharti now sells data using phrases such as "99 retro Bollywood songs for Rs99". We believe this is much more user-friendly than the earlier references to MB/GB, etc.
- A key innovation is the Airtel store that has 300k+ downloadable items (video, sings, photos), each for Re1, and can be accessed by dialling 56789. It also includes internet surfing for a day. (Refer box below for details).

Anecdotal evidence suggests that this is taking off fast. We believe this has the potential to improve realization relative to the current average of Rs0.31/MB since usage beyond 3MB is charged at the significantly higher pay-as-you-go rates (6-7x higher).

Increasing smartphone penetration should continue to drive data usage growth.

Figure 2: Smartphone sales as a % of total handset sales as of 3QCY13



Source: Cyber Media, IDC, IIFL Research

Assuming that yield per MB does not fall from current levels, data revenue growth story should resume.

Airtel store allows customers to browse/download content for Re1

Airtel's "Re 1 Entertainment Store" was launched in August 2013.

- To access this, one needs to dial 56789 and the user will receive a WAP link to the store. Alternatively, one can type http://one.airtellive.com/store/
- The Re 1 pack comes with 3MB free data after which pay-as-you-go rates will be applicable. It is valid until 23:59 on the same day.
- For Re1, the user can access content from out of 300k+ videos, games, songs and photos across languages and genres.
- Alternatively, he can do internet browsing (direct links to Facebook, Yahoomail, Twitter and LinkedIn) and get news updates.

Launch of myPlan to boost post paid

While only ~4.5% of Bharti's customers are post-paid subs, we estimate that they contribute ~20% of Bharti's mobile revenue (assuming parity between Vodafone's and Bharti's post paid ARPU).

Post paid offering has been simplified to just one plan ("myPlan"), which is highly flexible. In this plan there are different value bundles, all priced identically. If a user chooses a budget of say Rs300, he would get seven bundles (effectively worth Rs400). Refer box below for details.

The main advantages of myPlan are higher flexibility (customers can tweak their plans every month) for subscribers, better targeting and ease of monitoring for Bharti.

myPlan allows post-paid users to customise their plans

myPlan is available only for individual post-paid connections and not for corporate users. This was launched on Oct 11, 2013.

One can make changes to the plan once every month. This can be either through the website, or by calling 121 or by visiting an Airtel store.

- There are five myPlans (each with a different denomination) out of which the user has to select one. The five myPlan options are Rs 199, 299, 399, 599 and 999.
- There is a whodunit called myPack. These are pre-decided. Examples of myPack are "100 local min", "80 STD minutes", 50 min national roaming", "135MB 3G data", "250MB 2G data", "200 SMS", etc.
- The Rs199 myPlan gives an option of four myPacks. Similarly 299/399/599/999 myPlans come with 7/10/16/40 myPacks.
- On top of this, there are also additional custom-made benefits called myBoosters which come at an extra charge. One such example is 700 local min @ Rs200.

Very recently, Idea has launched I-Plan which is very similar to Bharti's myPlan. It also has whodunits named Value Pack similar to Bharti's myPack. A typical Rs599 plan for Bharti and Idea could look like:

Figure 3: A typical Rs599 Bharti myPlan combination (based on typical traffic/revenue pattern)

Price	# myPacks	Benefits per MyPack	Overall benefits
75	2	250MB 2G	500MB 2G
37	1	250 SMS	250 SMS
374	10	100 local min	1000 local min
112	3	80 STD min	240 STD min
599	16		

Source: Company, IIFL Research

Figure 4: A typical Rs599 Idea I-Plan combination

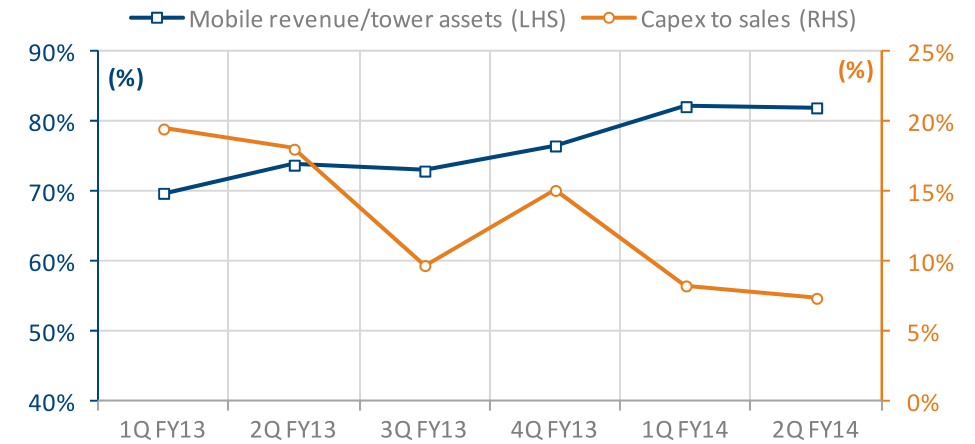
Price	# Value Packs	Benefits per Value Pack	Overall benefits
60	2	250MB 2G	500MB 2G
60	2	150 SMS	300 SMS
359	12	100 local min	1200 local min
120	4	90 STD min	360 STD min
599	20		

Source: Company, IIFL Research

Capex productivity improvements to continue

If one uses annualised mobile revenue as a % of total mobile and tower fixed assets as a proxy for capacity utilisation, it can be seen that this has increased by 550bps in the past two quarters. Mobile + tower capex as a % of mobile revenue has come off which we understand is by improving the timing of procurement of equipment.

Figure 5: Annualised revenue as a % of total mobile + tower fixed assets: If we use it as a proxy for capacity utilization, this has increased by ~550bps in the past two quarters

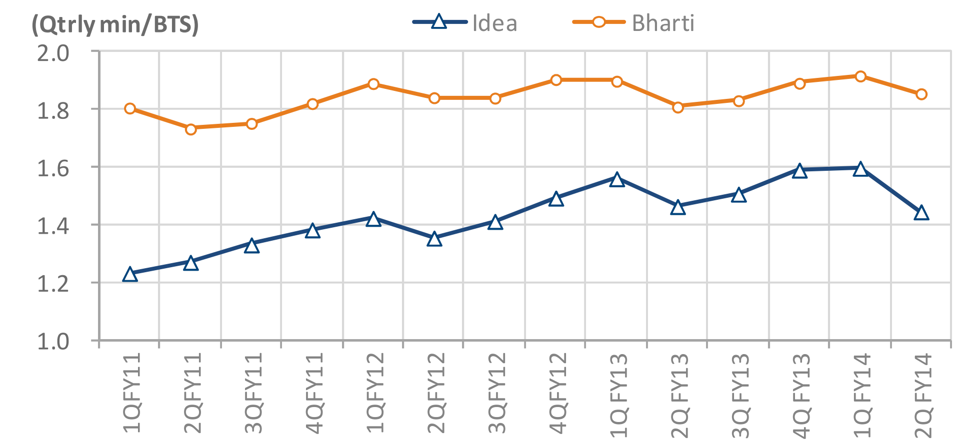


Source: Company, IIFL Research

We believe there is still some additional improvement that can happen.

- Despite the recent increase in capacity utilisation, minutes carried per BTS for Bharti is still below historical high.
- As more 2G data users upgrade to 3G, more data will be carried by 3G network resulting in freeing up of capacity in the 2G band
- Based on our interaction with industry sources, we understand that telcos' 3G network can support up to 21Mbps. However, handsets in India support <4Mbits/s (since the mix is currently skewed towards lower end handsets) thereby consuming more capacity. With improvement in technology (cheaper handsets becoming more efficient) and change in mix (towards better handsets), more headroom should be freed up.

Figure 6: Bharti's minutes per BTS, despite recent capex productivity improvements, is still below historical high



Source: Companies, IIFL Research

Figure 7: Sector valuation matrix

Company	BBG Ticker	CMP (LCY)	M-Cap (US$m)	EV/Ebitda		PER		P/B		FY13-16 Cagr (%)		FY14 RoE (%)	FY14 RoCE (%)	YTD
				FY15	FY16	FY15	FY16	FY15	FY16	Ebitda	EPS			return (%)
Emerging market telcos														
Bharti Airtel (INR)*	BHARTI IN	338	21,817	6.8	5.6	25.4	18.2	1.9	1.8	17	52	5.5	8.4	5
Idea Cellular (INR)*	IDEA IN	168	8,997	7.6	5.8	26.9	19.7	3.0	2.6	28	41	13.6	11.4	69
RCOM (INR)*	RCOM IN	138	4,598	11.3	10.5	31.5	27.9	0.8	0.7	12	16	3.4	4.9	89
China Mobile (HKD)	941 HK	80	208,440	3.3	3.2	13.4	13.6	1.9	1.8	1	(2)	14.6	20.3	(4)
China Telecom (HKD)	728 HK	3.92	40,916	3.3	3.1	15.1	13.1	1.1	1.0	11	14	7.6	6.9	(2)
China Unicom (HKD)	762 HK	11.60	35,572	3.5	3.2	18.3	14.7	1.2	1.1	(3)	23	6.7	6.3	(1)
Telkom (IDR)	TLKM IJ	2,150	17,806	5.1	4.8	13.4	12.4	3.2	2.9	5	5	25.2	26.5	23
America Movil (MXP)	AMXL MM	15	82,650	5.9	5.8	12.3	12.2	4.1	3.8	1	8	32.6	20.4	3
MTN (ZAr)	MTN SJ	21,702	38,939	6.6	6.2	14.5	13.4	3.8	3.6	7	10	27.2	36.3	15
Vodacom (ZAr)	VOD SJ	13,300	18,955	7.1	6.6	13.4	12.7	8.0	7.5	6	5	64.3	53.4	3
SingTel (SGD)	ST SP	3.66	46,169	13.1	12.7	14.6	13.4	2.2	2.1	(1)	7	15.3	38.9	15
Median - EM telcos				**6.6**	**5.8**	**14.6**	**13.4**	**2.2**	**2.1**	**6**	**10**	**14.6**	**20.3**	**5**
Developed market telcos														
StarHub (SGD)	STH SP	4.29	5,837	10.0	9.8	19.2	18.3	NM	NM	3	3	NM	NM	18
M1 (SGD)	M1 SP	3.27	2,389	9.5	8.9	16.7	15.4	7.2	6.6	5	7	44.6	35.1	29
Telstra (AUD)	TLS AU	5.25	56,835	7.0	6.9	15.5	15.2	4.8	4.6	3	4	31.3	22.3	22
AIS (THB)	ADVANC TB	200	18,128	8.1	7.1	13.7	12.2	12.0	11.3	11	12	NM	NM	13
Globe (PHP)	GLO PM	1,640	4,898	7.0	6.6	17.4	14.9	4.8	4.4	5	61	28.5	5.4	64
AT&T (USD)	T US	35	185,645	6.1	5.9	13.2	12.4	2.1	2.0	13	5	16.0	10.8	9
Verizon (USD)	VZ US	49	140,626	5.3	5.0	14.1	12.9	4.6	3.9	12	14	40.5	14.5	19
Vodafone (GBp)	VOD LN	237	189,890	10.5	10.2	18.4	18.1	0.9	0.8	3	NM	5.3	NM	54
Deutsche Telekom (EUR)	DTE GR	12.43	76,135	5.9	5.8	18.1	18.1	1.9	1.8	1	NM	11.6	14.7	43
NTT DoCoMo (JPY)	9437 JT	1,725	71,649	4.5	4.5	13.6	13.6	1.2	1.1	1	3	9.1	13.1	40
Median - DM telcos				**7.0**	**6.8**	**16.1**	**15.0**	**4.6**	**3.9**	**4**	**6**	**28.5**	**14.6**	**26**

Source: Bloomberg, IIFL Research; *indicates IIFL estimates; Note FY15 refers to FY15/CY14 and so on

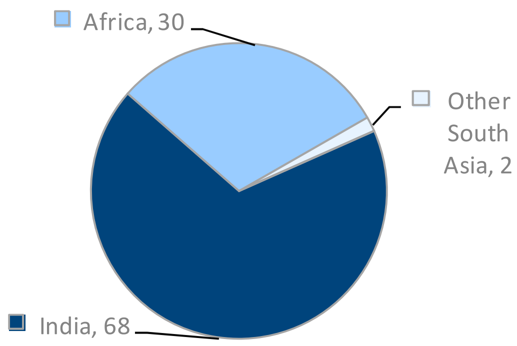
Background: Bharti Airtel, founded in 1995, is a diversified telecom service provider offering wireless, fixed line, enterprise and DTH services. It expanded into Africa by acquiring Zain's Africa operations for US$10.7bn EV in 2010 and is present in 17 African markets. It is India's largest mobile operator with 22% subscriber market share and 30% revenue market share as of FY13. It owns 79% stake in Bharti Infratel, which in turn owns 42% stake in Indus Towers, a three-way JV between Bharti, Idea and Vodafone. These tower assets, the highest ARPU in the industry (Rs200) and 900MHz spectrum in 68% of its revenue footprint make it well placed to ride the next wave of growth from data and rural India.

Management

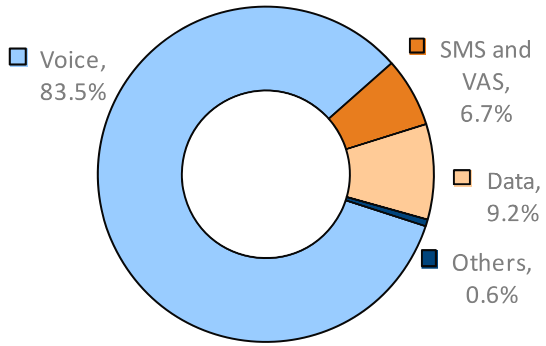
Name	Designation
Sunil Mittal	Chairman
Manoj Kohli	MD & CEO (International)
Gopal Vittal	JMD & CEO (India)

Vodafone (23% revenue market share), Idea (15.9%), RCOM (7.9%), Tata DoCoMo (7.6%), BSNL/MTNL (6.9%), Aircel (5.3%) in India; MTN, Vodacom, Safaricom and Millicom in Africa

Geography-wise revenue break-up as of FY13 (%)



India mobile revenue break-up as of 2QFY14



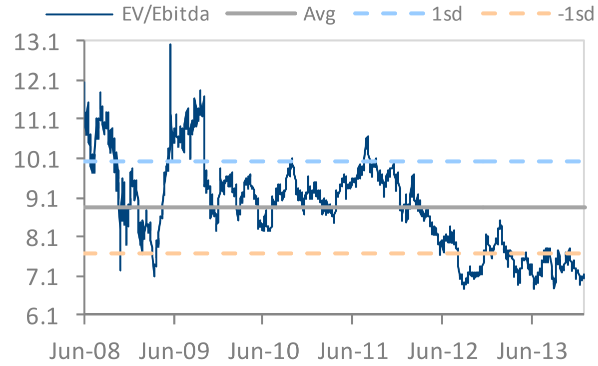
Assumptions

Y/e 31 Mar, Consolidated	FY12A	FY13A	FY14ii	FY15ii	FY16ii
India traffic (min bn)	888.5	967.5	1,034.4	1,083.4	1,124.0
India RPM (p/min)	43.6	42.5	44.7	49.6	55.3
India Ebitda margin (%)	35.5	32.5	35.6	36.6	36.5
India capex-to-sales (%)	12.4	15.6	11.5	14.2	14.0
Africa traffic (min bn)	71.9	92.8	112.3	128.5	132.9
Africa RPM (US$c/min)	5.8	4.8	4.0	3.8	4.0
Africa Ebitda margin (%)	26.5	26.2	26.5	26.1	26.6
Africa capex-to-sales (%)	36.6	16.4	16.1	16.5	17.0

Source: Company data, IIFL Research

PE chart

EV/Ebitda



Financial summary

Income statement summary (Rs bn)

Y/e 31 Mar, Consolidated	FY12A	FY13A	FY14ii	FY15ii	FY16ii
Revenues	**683**	**769**	**859**	**978**	**1,095**
Ebitda	222	232	279	324	367
Depreciation and amortisation	(127)	(148)	(167)	(197)	(216)
Ebit	95	84	111	128	151
Non-operating income	0	4	7	5	6
Financial expense	(32)	(40)	(48)	(41)	(37)
PBT	64	48	70	92	120
Exceptionals	0	0	0	0	0
Reported PBT	64	48	70	92	120
Tax expense	(21)	(25)	(36)	(40)	(49)
PAT	43	23	35	52	71
Minorities, Associates etc.	0	0	(2)	1	3
Attributable PAT	**43**	**23**	**33**	**53**	**74**

Ratio analysis

Y/e 31 Mar, Consolidated	FY12A	FY13A	FY14ii	FY15ii	FY16ii
Per share data (Rs)					
Pre-exceptional EPS	11.2	5.5	8.1	13.3	18.5
DPS	1.2	1.5	1.6	3.3	5.8
BVPS	140.6	143.3	162.6	172.2	184.2
Growth ratios (%)					
Revenues	14.9	12.6	11.7	13.8	12.0
Ebitda	11.2	4.6	20.0	16.5	13.2
EPS	(29.6)	(50.6)	47.1	63.5	39.1
Profitability ratios (%)					
Ebitda margin	32.5	30.2	32.4	33.2	33.6
Ebit margin	13.9	10.9	13.0	13.1	13.8
Tax rate	33.3	52.6	50.6	43.5	40.5
Net profit margin	6.2	2.9	4.0	5.3	6.5
Return ratios (%)					
ROE	8.1	3.9	5.5	8.0	10.4
ROCE	7.8	6.9	8.4	8.5	10.2
Solvency ratios (x)					
Net debt-equity	1.2	1.1	1.1	1.0	0.8
Net debt to Ebitda	2.9	2.5	2.7	2.1	1.5
Interest coverage	3.0	2.1	2.3	3.1	4.1

Source: Company data, IIFL Research

Balance sheet summary (Rs bn)

Y/e 31 Mar, Consolidated	FY12A	FY13A	FY14ii	FY15ii	FY16ii
Cash & cash equivalents	39	86	89	116	107
Inventories	1	1	2	2	2
Receivables	64	68	55	61	67
Other current assets	44	42	42	42	42
Creditors	233	260	272	303	325
Other current liabilities	63	62	76	76	76
Net current assets	**(148)**	**(125)**	**(160)**	**(158)**	**(183)**
Fixed assets	675	638	596	553	508
Intangibles	661	648	911	978	968
Investments	0	0	0	0	0
Other long-term assets	87	109	200	200	200
Total net assets	**1,275**	**1,270**	**1,546**	**1,572**	**1,492**
Borrowings	690	667	831	806	665
Other long-term liabilities	51	58	66	78	91
Shareholders equity	**534**	**544**	**650**	**689**	**737**
Total liabilities	**1,275**	**1,270**	**1,546**	**1,572**	**1,492**

Cash flow summary (Rs bn)

Y/e 31 Mar, Consolidated	FY12A	FY13A	FY14ii	FY15ii	FY16ii
Ebit	95	84	111	128	151
Tax paid	(29)	(31)	(32)	(40)	(49)
Depreciation and amortization	127	148	167	197	216
Net working capital change	15	20	34	37	29
Other operating items	2	(3)	(5)	0	0
Operating cash flow before interest	210	218	276	321	348
Financial expense	(32)	(40)	(48)	(41)	(37)
Non-operating income	0	4	7	5	6
Operating cash flow after interest	**179**	**182**	**235**	**285**	**317**
Capital expenditure	**(150)**	**(130)**	**(271)**	**(221)**	**(161)**
Long-term investments	(66)	(9)	(42)	0	0
Others	68	34	(22)	0	0
Free cash flow	**30**	**76**	**(100)**	**65**	**155**
Equity raising	(1)	0	68	0	0
Borrowings	(3)	(24)	42	(25)	(141)
Dividend	(4)	(6)	(6)	(13)	(23)
Net chg in cash and equivalents	23	47	3	26	(9)

Source: Company data, IIFL Research

Events Calendar – January 2014

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4
6	7	8	9 Geodesic	10 Indusind Bank, Infosys Dec CPI Nov IIP Dec Exports Dec Imports	11 Goa Carbon
13 CMC, Exide	14 Maharashtra Scooter Dec WPI:	15 Bajaj Finance, Bajaj Finserv	16 Axis Bank, Bajaj Auto, Bajaj Holding, Gruh Finance, MindTree, South Indian Bank	17 HDFC Bank	18 Himachal Futuristic
20 Asian Paints, Emami, Lakshmi Machine Works Nov CPI:	21 Thermax, Torrent Pharma	22 Biocon, HDFC	23	24 Karnataka Bank, Mahindra Lifespace	25 ICRA, Persistent Systems
27 Shree Cements	28 Monetary policy – 3Q review	29 Mah Holidays	30	31 Kansai Nerolac Dec CPI: IW	

Black: Quarterly results, Blue: Economic data, Red: India Holiday

Events

	Jan-Mar 14	Apr-Jun 14	Jul-Sep 14
Economics / Politics	• RBI's Monetary Policy meeting (Jan, Mar) • 3QFY14 Quarterly GDP	• RBI's Monetary Policy meeting (Apr, Jun) • 4QFY14 Quarterly GDP	• RBI's Monetary Policy meeting (Jul, Aug) • 1QFY15 Quarterly GDP
Cement	• Reliance 4.5mtpa cement plant in Madhya Pradesh		
Metals	• **JSW Steel:** Commissioning of 4mtpa pellet plant and 1mtpa coke oven battery at Dolvi • **SAIL:** Commissioning of 0.6mtpa Universal Section Mill at IISCO in FY14-end • **SAIL:** Commissioning of 0.75mtpa Bloom-cum-round caster and 1mtpa new medium structure mill at Durgapur in H2FY14 • **Sesa Sterlite:** Synchronization of first 660 MW unit of 1,980 MW Power Plant at Talwandi Sabo • **Sesa Sterlite:** Synchronization of first 300 MW unit of 1,200 MW Power Plant at Balco • **Sesa Sterlite:** First metal tapping at Balco's 325ktpa Korba III Aluminium smelter • **Sesa Sterlite:** First shipment from Liberia iron ore mines	• **Sesa Sterlite:** Commencement of mining at Balco's 211mt coal block • **Hindalco- Novelis:** Commissioning of 120kt auto finishing line in China • **Hindalco- Novelis**: Commissioning of 400kt recycling facility in Germany	• **SAIL:** Commissioning of new steel melting shop (SMS-3) and new billet casters at Bhilai Steel plant.
Oil & Gas	• **IOC** FPO / auction	• **IOC** Paradip refinery (300kbpd) commission	

Events

	Jan-Mar 14	Apr-Jun 14	Jul-Sep 14
Pharma	• **Cipla:** First European approval of generic version of combination inhaler – Advair • **Divi's Lab:** USFDA approval of three blocks in DSN SEZ facility • **Ranbaxy:** Launch of generic Diovan in US with 180-day market exclusivity • **Ranbaxy:** Launch of generic Valcyte in US with 180-day market exclusivity	• **Ranbaxy:** Launch of generic Nexium in US with 180-day market exclusivity • **Ipca:** Data on novel delivery form product clinical trial in the US • **Torrent Pharma:** Closure of the deal to acquire select brands from Elder Pharma's domestic business	
Telecom	• Court hearing on excess spectrum charges • Court hearing on COAI vs. Tata case • Jan 15: Last date for submission of applications to participate in 900/1800MHz auctions • Jan 29: Final list of bidders • Feb 3: Start of the 900/1800MHz auctions • Feb 20: Hearing on Sunil Mittal case for excess spectrum	• Possible LTE launch by **RIL** in Delhi and Mumbai	
Utilities	• **IGL**-PNGRB case up for hearing in Supreme Court on 29 Jan 2014 • Awarding of Odisha and Tamil Nadu UMPP (4GW each) in February 2014 • **NHPC** to commission 240MW Uri project and 45MW Nimoo Bazgo project in J&K • **CESC** to commission 300MW at Chandrapur (U1) • **JSPL** to commission 2mtpa DRI plant at Angul, Orissa • **Reliance Power** to commission 660MW at Sasan U3, Madhya Pradesh • **JSPL** to commission 600MW Tamnar Exp, Chattisgarh • **KSK Energy** to commission 600MW Mahanadi project (U2) • **SJVNL** to commission 205MW Rampur Hydro project, HP	• **NTPC** to commission 66OMW unit at Barh • **CESC** to commission 300MW Chandrapur (U2), Maharashtra • **NHPC** to commission 520MW Parbati III in Himachal Pradesh • **Reliance Power** to commission 660MW Sasan U4, Madhya Pradesh • **JSPL** to commission 600MW Tamnar Exp, Chattisgarh • **KSK Energy** to commission 600MW Mahanadi project (U3)	• **Reliance Power** to commission 660MW Sasan U5, Madhya Pradesh • **JSPL** to commission 600MW Tamnar Exp, Chattisgarh • **KSK Energy** to commission 600MW Mahanadi project (U4)

Key to our recommendation structure

BUY - Absolute - Stock expected to give a positive return of over 20% over a 1-year horizon.
SELL - Absolute - Stock expected to fall by more than 10% over a 1-year horizon.

In addition, **Add** and **Reduce** recommendations are based on expected returns relative to a hurdle rate. Investment horizon for **Add** and **Reduce** recommendations is up to a year. We assume the current hurdle rate at 10%, this being the average return on a debt instrument available for investment.

Add - Stock expected to give a return of 0-10% over the hurdle rate, i.e. a positive return of 10%+.
Reduce - Stock expected to return less than the hurdle rate, i.e. return of less than 10%.

Analyst Certification
(a) that the views expressed in the research report accurately reflect such research analyst's personal views about the subject securities and companies; and (b) that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in the research report.

This report is published by IIFL's Institutional Equities Research desk. IIFL has other business units with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets. This report is for the personal information of the authorized recipient and is not for public distribution. This should not be reproduced or redistributed to any other person or in any form. This report is for the general information of the clients of IIFL, a division of India Infoline, and should not be construed as an offer or solicitation of an offer to buy/sell any securities.

We have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without notice.

India Infoline or any persons connected with it do not accept any liability arising from the use of this document. The recipients of this material should rely on their own judgment and take their own professional advice before acting on this information.

India Infoline or any of its connected persons including its directors or subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this publication.

India Infoline and/or its affiliate companies may deal in the securities mentioned herein as a broker or for any other transaction as a Market Maker, Investment Advisor, etc. to the issuer company or its connected persons. India Infoline generally prohibits its analysts from having financial interest in the securities of any of the companies that the analysts cover. In addition, the company prohibits its employees from conducting F&O transactions or holding any shares for a period of less than 30 days.