

Top Ideas

Investment Argument, Financials & Valuation discussion

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(Prices as on June 5, 2012)

	CMP (Rs.)	TP (Rs)	Upside	Mcap (Rs bn)	Revenue Growth (%)		Earnings Growth (%)		RoE (%)		PER (x)		P/BV (x)	
					2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Large Cap														
Coal India	316	390	23.3%	1,996.6	9.3	8.7	7.2	18.5	34.3	32.2	12.7	10.7	3.9	3.1
ITC	226	266	17.8%	1,766.2	15.2	16.1	17.5	19.4	37.6	39.9	24.0	20.1	8.5	7.6
State Bank of India	2,083	2,350	12.8%	1,397.6	10.1	13.4	30.6	10.9	17.6	16.9	6.9	6.3	1.1	1.0
Infosys	2,389	2,940	23.1%	1,366.4	14.5	12.2	15.2	14.2	25.8	24.3	14.3	12.5	3.3	2.8
ICICI Bank	792	1,050	32.6%	914.9	19.7	19.4	18.3	17.8	12.1	13.1	12.0	10.2	1.4	1.3
Larsen & Toubro	1,211	1,342	10.8%	741.7	20.2	15.8	7.3	12.1	17.9	18.3	15.6	13.9	2.7	2.5
Power Grid Corporation	106	133	25.5%	490.5	30.3	18.2	19.2	12.9	14.3	14.9	12.5	11.1	1.7	1.5
Axis Bank	990	1,400	41.5%	408.9	21.5	21.7	12.8	20.7	19.8	20.2	8.5	7.1	1.6	1.3
Maruti Suzuki	1,079	1,460	35.3%	311.8	22.6	12.6	50.2	19.2	15.1	15.7	12.7	10.6	1.8	1.6
Dr.Reddy's Laboratories	1,618	1,936	19.6%	273.8	15.8	4.6	11.0	(2.5)	26.5	21.3	16.1	16.5	3.9	3.3
Adani Port & SEZ	123	156	27.1%	246.1	22.7	28.3	15.1	47.3	23.0	28.2	19.7	13.4	4.2	3.4
Mid-Caps														
LIC Housing Finance	233	340	46.0%	117.6	36.5	26.4	35.4	26.7	19.8	20.0	9.5	7.5	1.6	1.4
GlaxoSmithKline Consumer Products	2,739	3,200	16.8%	115.2	17.4	18.2	20.3	18.0	34.3	34.4	26.9	22.8	8.6	7.3
YES Bank	323	450	39.5%	113.8	33.0	28.1	22.1	27.1	23.4	24.3	9.3	7.4	2.0	1.6
Shree Cement	2,358	2,980	26.4%	82.1	20.1	13.6	35.9	105.9	22.0	36.7	14.5	7.0	2.9	2.3
SJVN	19	22	19.2%	77.8	1.8	17.0	1.1	16.6	13.5	14.5	7.0	6.0	0.9	0.8
Chambal Fertilizers & Chemicals	72	83	15.7%	29.9	(13.1)	1.6	4.2	17.9	18.8	19.2	8.7	7.4	1.5	1.3
Amara Raja Batteries	299	340	13.7%	25.5	14.6	12.4	17.6	15.0	28.8	27.3	10.1	8.8	2.6	2.2
NIIT Technologies	285	350	22.8%	16.9	21.0	14.6	17.0	15.9	23.5	23.0	7.4	6.4	1.6	1.4
Persistent Systems	344	460	33.8%	13.8	17.9	13.8	27.5	13.7	19.6	18.6	7.6	6.7	1.4	1.1
KEC International	51	68	32.3%	12.9	13.4	13.9	14.8	28.6	15.2	15.3	6.0	4.7	0.8	0.7

LARGE CAP

Increase in FSA trigger levels to expedite CIL's production capacity: Prime minister office's (PMO's) recent announcement to increase the fuel supply agreement (FSA) trigger level from the earlier 50% to 80% for power sector would warrant substantial expansion in CIL's volumes. Subsequent to PMO's announcement, we expect speedy clearances for the projects (117 projects with capacity of ~200mtpa) stuck due to hazy policies of MoEF like 'Go, No-Go', Comprehensive environment pollution index (CEPI) and stringent environment & forest clearance. We expect the existing 5-6% CAGR growth trajectory to accelerate to ~7-8% during the 12th Five year plan.

Concerns overdone on FSA deadlock and cut in E-auction volumes: Management guided that increased supplies to power sector would lessen its e-auction quantity from the existing 10% to 7% of the total quantity by the end of FY17. However, we don't see any concerns on E-auction volumes in next two years, given the logistic bottlenecks and FSA deadlock. Incremental risks to earnings associated with Presidential directive were alleviated by Board in form of putting insignificant penalties in new model FSAs.

Valuations in the attractive territory: Thanks to 6% volume growth and nominal 3% increase in flat realisations, we expect CIL's earnings to grow at a CAGR of 15% during FY12-14, despite sharp increase in the wage cost. We value the stock at Rs390, P/E of 12.5x FY13E operational EPS of Rs23.1 and cash per share of Rs102. We believe that valuations are justified, given the sustainable RoE in excess of 30%.

Risks: Key risks to our recommendation remains 1) lower-than-expected increase in prices 2) approval of MMDRA act and 3) lower-than-expected growth in production.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	446,153	502,293	624,154	681,904	740,939
<i>Growth (%)</i>	<i>15.0</i>	<i>12.6</i>	<i>24.3</i>	<i>9.3</i>	<i>8.7</i>
EBITDA (Rs m)	105,360	134,776	156,387	174,607	201,380
PAT (Rs m)	96,580	108,957	147,263	157,831	187,067
EPS (Rs)	15.3	17.3	23.3	25.0	29.6
<i>Growth (%)</i>	<i>369.2</i>	<i>12.8</i>	<i>35.2</i>	<i>7.2</i>	<i>18.5</i>
Net DPS (Rs)	3.5	3.9	10.0	5.5	6.6

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	23.6	26.8	25.1	25.6	27.2
RoE (%)	43.1	36.9	39.9	34.3	32.2
RoCE (%)	37.6	33.3	36.7	31.9	30.2
EV / sales (x)	3.6	3.1	2.4	2.0	1.7
EV / EBITDA (x)	15.4	11.5	9.5	7.8	6.1
PER (x)	20.7	18.3	13.6	12.7	10.7
P / BV (x)	7.7	6.0	4.9	3.9	3.1
Net dividend yield (%)	1.1	1.2	3.2	1.8	2.1

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(4.2)	(5.0)	(19.3)
Relative to Sensex	0.7	(0.4)	(6.5)

Y/e March	FY09	FY10	FY11	FY12E	FY13E	FY14E
Raw coal prod (mn tn)	403.7	431.3	431.3	432.2	462.8	485.9
Coal despatches (mn tn)	399.9	415.2	423.7	432.2	462.8	485.9
Vol sold under FSA/MoU (mn tn)	330.5	352.2	356.2	362.1	392.7	407.8
Vol sold under E-auction (mn tn)	48.9	43.1	47.7	50.9	48.5	50.4
Beneficiated coal vol (mn tn)	14.9	14.6	15.5	16.9	16.9	21.7
Vol sold to power utilities (mn tn)	295.5	298.0	304.2	335.0	350.0	370.0
Real. / tonne (Rs)	964.4	1,070.1	1,170.3	1,427.5	1,455.8	1,503.0
Total cost per tonne (Rs)	746.6	945.5	833.3	867.5	1,082.3	1,096.2
Cash cost per tonne (Rs)	682.9	793.7	731.3	806.1	971.6	987.0
Employee cost / tonne (Rs)	355.5	437.1	386.2	438.9	584.3	584.1
EBITDA / tonne (Rs)	61.5	253.7	318.1	361.8	377.3	414.4
OBR adj / tonne (Rs)	41.2	53.9	70.8	60.7	84.8	80.5

Source: Company Data, PL Research

Figures in (Rs m)	FY12	FY13	FY14
PAT	147,263	157,831	187,067
Interest income	50,002	53,972	61,778
Interest income adjusted for tax	33,779	36,461	41,734
Pure mining profit including OBR adjustment	138,438	146,541	172,558
26% share of pure mining profit (before tax benefit)	23,052	35,994	38,101
Amount adjusted for tax	15,573	24,316	25,739
Operational PAT after 26% profit sharing	122,866	122,225	146,819
Operational EPS adjusted for 26% profit sharing and OBR adj	19.5	19.4	23.2
P/E		14.7	12.0
Valuation per share on operational EPS		285	279
Net Cash per share	79	100	118
Price target		385	397
Book value	96.1	118.7	142.3
P/BV at our target		3.2	2.8
RoE (%)		27.7	26.2
OBR adjustment (Tax adjusted)	24,954	25,171	27,225

	FY13
Core PAT including OBR adjustment (Rs mn)	146,541
Core EPS	23.2
P/E	12.5
Valuation per share on Core EPS	290
Net cash per share	100
Price target	390

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	446,153	502,293	624,154	681,904	740,939
Direct Expenses	59,994	58,073	71,355	83,800	92,414
<i>% of Net Sales</i>	<i>13.4</i>	<i>11.6</i>	<i>11.4</i>	<i>12.3</i>	<i>12.5</i>
Employee Cost	166,555	189,318	252,536	270,316	280,561
<i>% of Net Sales</i>	<i>37.3</i>	<i>37.7</i>	<i>40.5</i>	<i>39.6</i>	<i>37.9</i>
SG&A Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other Expenses	114,243	120,125	143,876	153,181	166,584
<i>% of Net Sales</i>	<i>25.6</i>	<i>23.9</i>	<i>23.1</i>	<i>22.5</i>	<i>22.5</i>
EBITDA	105,360	134,776	156,387	174,607	201,380
<i>Margin (%)</i>	<i>23.6</i>	<i>26.8</i>	<i>25.1</i>	<i>25.6</i>	<i>27.2</i>
Depreciation	13,138	17,654	19,402	21,162	19,173
PBIT	92,066	117,122	136,986	153,445	182,207
Interest Expenses	886	737	540	590	641
PBT	139,649	164,531	212,549	228,741	267,238
Total tax	43,425	55,959	64,790	70,910	80,172
<i>Effective Tax rate (%)</i>	<i>31.1</i>	<i>34.0</i>	<i>30.5</i>	<i>31.0</i>	<i>30.0</i>
PAT	96,224	108,639	147,882	157,831	187,067
Extraordinary Gain/(Loss)	(356)	(385)	496	-	-
Adjusted PAT	96,580	108,957	147,263	157,831	187,067

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	63,164	63,164	63,164	63,164	63,164
Reserves & Surplus	194,789	270,008	341,368	451,849	582,796
Shareholder's Fund	257,952	333,172	404,531	515,013	645,960
Preference Share Capital	-	-	-	-	-
Total Debt	19,631	15,536	14,536	13,536	12,536
Other Liabilities(net)	15,010	16,540	20,411	24,706	29,382
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	292,594	365,247	439,478	553,254	687,877
Gross Block	349,453	367,211	404,809	441,660	493,604
Less: Depreciation	229,099	238,782	258,184	279,345	298,518
Net Block	120,354	128,429	146,626	162,315	195,086
Capital Work in Progress	22,107	22,181	26,311	31,311	26,311
Cash & Cash Equivalent	403,603	469,260	538,041	655,560	792,742
Total Current Assets	543,248	643,960	722,086	848,658	994,252
Total Current Liabilities	415,557	448,725	474,948	508,433	547,175
Net Current Assets	127,691	195,235	247,138	340,225	447,077
Other Assets	9,620	8,766	8,766	8,766	8,766
Total Assets	292,594	365,247	439,478	553,254	687,877

Source: Company Data, PL Research

Well insulated from fierce competition in home and personal care categories: Limited exposure to key headwinds faced by the market i.e. high input costs, elevated competitive intensity.

Expect flat 2.5% volume decline in Cig in FY13e on the back of ~18% expected price hike post the budget. We have been conservative in our volume growth estimate and see some upside risks to the same.

Non-cigarette FMCG profitability continues to improve. Gaining traction in Soaps (6% market share). Expecting a Q4FY13e breakeven.

Agri and Paper margins have improved substantially over the last three years and are sustainable. Agri business to sustain double-digit EBIT margins on the back of improved portfolio mix.

Improvement in dividend payout ratio will sustain the premium valuations.

Solid earnings CAGR of 18% for FY12-14E.

SOTP- based price target of Rs266. Top pick in large cap consumer space.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	191,359	222,737	261,837	301,614	350,084
<i>Growth (%)</i>	<i>15.6</i>	<i>16.4</i>	<i>17.6</i>	<i>15.2</i>	<i>16.1</i>
EBITDA (Rs m)	63,241	74,077	88,415	101,816	121,237
PAT (Rs m)	41,619	50,083	62,584	73,534	87,824
EPS (Rs)	5.4	6.5	8.0	9.4	11.2
<i>Growth (%)</i>	<i>25.4</i>	<i>20.3</i>	<i>23.7</i>	<i>17.5</i>	<i>19.4</i>
Net DPS (Rs)	4.9	4.5	4.8	5.6	6.7

Source: Company Data, PL Research

Profitability & valuation

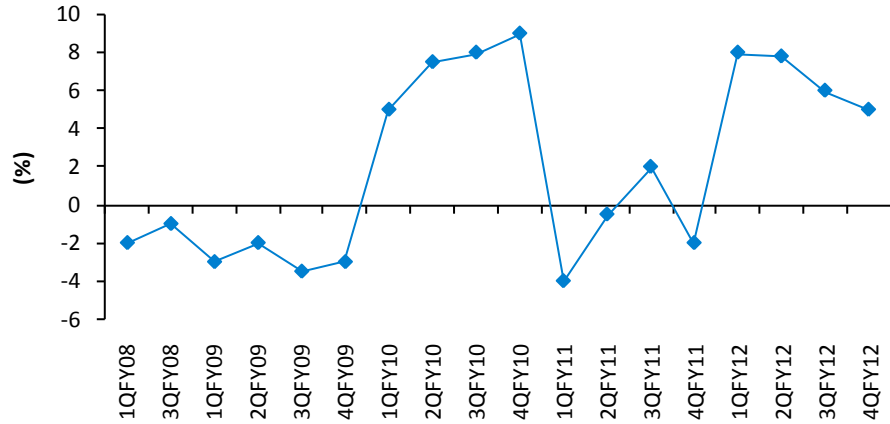
Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	33.0	33.3	33.8	33.8	34.6
RoE (%)	29.2	32.4	35.8	37.6	39.9
RoCE (%)	29.3	32.5	36.0	37.2	39.5
EV / sales (x)	8.8	7.6	6.5	5.6	4.8
EV / EBITDA (x)	26.7	22.7	19.2	16.5	13.8
PER (x)	42.0	34.9	28.2	24.0	20.1
P / BV (x)	12.1	10.6	9.6	8.5	7.6
Net dividend yield (%)	2.2	2.0	2.1	2.5	3.0

Source: Company Data, PL Research

Stock Performance

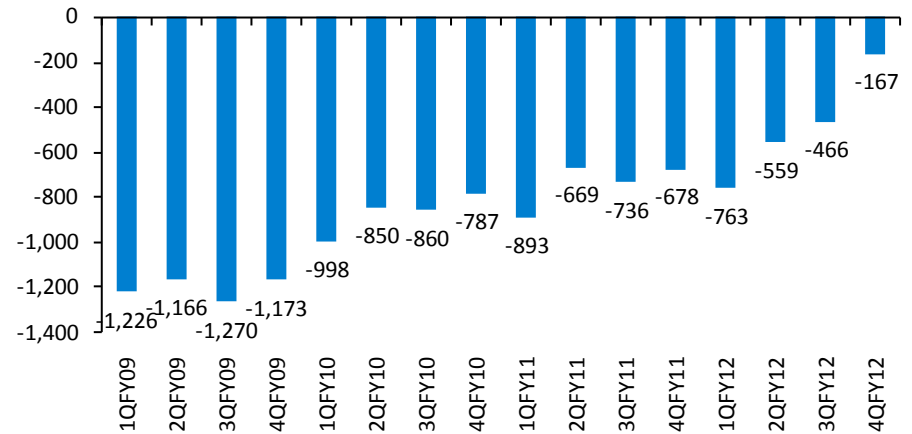
(%)	1M	6M	12M
Absolute	(5.1)	10.7	17.8
Relative to Sensex	(0.3)	15.3	30.6

Cigarette Volume Growth



Source: Company Data, PL Research

FMCG Losses



Source: Company Data, PL Research

SOTP Valuation

	Multiple (EV/ EBITDA)	EBITDA (FY13E)	Contribution to value of ITC (Rs m)	(Rs/ share)
Cigarettes	17	91,530	1,574,312	201
FMCG-Others (EV/Sales)	2	77,392	154,784	20
Hotels	15	4,444	66,655	9
Agri business	8	7,548	60,384	8
Paper	8	16,080	128,637	16
Net (debt)/ cash			96,020	12
Total value per share			2,080,793	266

Source: PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	191,359	222,737	261,837	301,614	350,084
Direct Expenses	73,973	85,656	101,692	115,647	134,325
<i>% of Net Sales</i>	<i>38.7</i>	<i>38.5</i>	<i>38.8</i>	<i>38.3</i>	<i>38.4</i>
Employee Cost	14,640	17,240	19,441	22,923	25,906
<i>% of Net Sales</i>	<i>7.7</i>	<i>7.7</i>	<i>7.4</i>	<i>7.6</i>	<i>7.4</i>
SG&A Expenses	6,243	7,321	8,143	9,652	10,853
<i>% of Net Sales</i>	<i>3.3</i>	<i>3.3</i>	<i>3.1</i>	<i>3.2</i>	<i>3.1</i>
Other Expenses	33,261	38,444	44,146	51,576	57,764
<i>% of Net Sales</i>	<i>17.4</i>	<i>17.3</i>	<i>16.9</i>	<i>17.1</i>	<i>16.5</i>
EBITDA	63,241	74,077	88,415	101,816	121,237
<i>Margin (%)</i>	<i>33.0</i>	<i>33.3</i>	<i>33.8</i>	<i>33.8</i>	<i>34.6</i>
Depreciation	6,439	6,991	7,455	8,110	8,900
PBIT	56,802	67,086	80,960	93,706	112,337
Interest Expenses	648	502	804	329	299
PBT	62,457	74,349	91,712	106,663	127,399
Total tax	20,349	23,655	28,486	33,129	39,574
<i>Effective Tax rate (%)</i>	<i>32.6</i>	<i>31.8</i>	<i>31.1</i>	<i>31.1</i>	<i>31.1</i>
PAT	41,619	50,083	62,584	73,534	87,824
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	41,619	50,083	62,584	73,534	87,824

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	3,818	7,738	7,818	7,818	7,818
Reserves & Surplus	128,711	140,143	159,081	181,332	207,911
Shareholder's Fund	144,583	164,621	184,664	206,915	233,494
Preference Share Capital	-	-	-	-	-
Total Debt	1,108	1,246	1,146	1,046	946
Other Liabilities(net)	1,264	1,408	1,408	1,408	1,408
Deferred Tax Liability	7,944	8,112	8,325	8,573	8,869
Total Liabilities	154,899	175,386	195,543	217,942	244,717
Gross Block	129,927	139,935	155,850	174,231	195,013
Less: Depreciation	42,128	48,440	55,894	64,005	72,905
Net Block	87,800	91,495	99,955	110,226	122,109
Capital Work in Progress	10,177	13,623	13,623	13,623	13,623
Cash & Cash Equivalent	63,491	72,947	80,066	91,223	105,284
Total Current Assets	135,480	151,485	174,291	201,095	232,193
Total Current Liabilities	83,247	88,168	99,777	114,952	131,658
Net Current Assets	52,233	63,317	74,514	86,142	100,535
Other Assets	140	132	132	132	132
Total Assets	154,899	175,386	195,543	217,942	244,717

Source: Company Data, PL Research

Q4FY12 results mellows concerns on asset quality: After two-three quarters of disappointment on the asset quality front, SBI reported better-than-expected numbers on this front in Q4FY12. The 50% QoQ reduction in gross slippages in Agri/SME, the problem area in the past, should bring some optimism on the credit cost assumptions by the market. Further, relatively lower exposure to the power sector and lower involvement in CDR cases, adds to the confidence.

NIM expected to remain robust, ROA to inch up to +1%: The improvement on NIMs through FY12 should hold out in the near term aided by capital infusion in FY12, better investment yields, and impact of CRR cut. With lower provisions, FY13 could be another year of high profit growth (Ple: 30% PAT growth) with ~11% growth driven by decline in investment losses (Rs9bn in FY12) and lower tax rate. ROAs is expected to bounce back to ~1.1%. Our assumptions of ~Rs33bn of net slippages is conservative v/s management guidance of Rs20-25bn, leaving the room for a positive surprise in FY13.

Valuations: SBI is currently trading at FY13 Price/Book of 1.12x. Our March-13 TP for the stock is Rs 2,350/Share, implying an upside of ~15% and FY13 Price/Book of 1.35x. The only caveat is that with valuations at ~20-25% premium to larger PSU peers, market is already factoring in NIM improvement, low restructuring v/s peers and some improvement in asset quality.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net interest income	334,432	455,500	578,778	637,182	722,609
<i>Growth (%)</i>	<i>15.2</i>	<i>36.2</i>	<i>27.1</i>	<i>10.1</i>	<i>13.4</i>
Operating profit	245,229	328,735	403,012	442,126	492,471
PAT	116,983	108,139	154,173	201,370	223,418
EPS (Rs)	184.3	170.3	229.8	300.1	332.9
<i>Growth (%)</i>	<i>4.1</i>	<i>-7.6</i>	<i>34.9</i>	<i>30.6</i>	<i>10.9</i>
Net DPS (Rs)	25.2	25.2	35.0	42.0	50.4

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
NIM (%)	73.3	72.2	69.6	69.4	68.2
RoAE (%)	15.0	13.0	16.3	17.6	16.9
RoAA (%)	0.9	0.7	0.9	1.0	1.0
P / BV (x)	1.6	1.6	1.3	1.1	1.0
P / ABV (x)	1.7	1.7	1.4	1.2	1.0
PE (x)	11.3	12.2	9.1	6.9	6.3
Net dividend yield (%)	1.2	1.2	1.7	2.0	2.4

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	4.3	9.0	(9.9)
Relative to Sensex	9.1	13.7	2.9

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Int. Earned from Adv.	722,987	837,972	1,113,415	1,286,165	1,471,070
Int. Earned from Invt.	246,141	276,795	337,052	391,667	449,397
Others	-	-	-	-	-
Total Interest Income	1,000,807	1,136,364	1,471,974	1,702,865	1,949,652
Interest expense	666,375	680,864	893,196	1,065,682	1,227,043
NII	334,432	455,500	578,778	637,182	722,609
<i>Growth (%)</i>	<i>15.2</i>	<i>36.2</i>	<i>27.1</i>	<i>10.1</i>	<i>13.4</i>
Treasury Income	19,712	10,614	(11,040)	4,400	6,600
NTNII	157,472	184,197	193,054	211,384	240,977
Non Interest Income	177,184	194,811	182,014	215,784	247,577
Total Income	1,177,991	1,331,176	1,653,988	1,918,648	2,197,229
<i>Growth (%)</i>	<i>9.6</i>	<i>13.0</i>	<i>24.3</i>	<i>16.0</i>	<i>14.5</i>
Operating Expense	266,387	321,577	357,780	410,840	477,715
Operating Profit	245,229	328,735	403,012	442,126	492,471
<i>Growth (%)</i>	<i>2.3</i>	<i>34.1</i>	<i>22.6</i>	<i>9.7</i>	<i>11.4</i>
NPA Provisions	63,814	125,176	155,660	127,255	144,194
Investment Provisions	(13,157)	7,661	7,764	6,640	6,640
Total Provisions	61,563	133,198	162,444	137,020	153,959
PBT	183,666	195,537	240,568	305,107	338,512
Tax Provisions	66,683	87,398	86,395	103,736	115,094
<i>Effective Tax Rate (%)</i>	<i>36.3</i>	<i>44.7</i>	<i>35.9</i>	<i>34.0</i>	<i>34.0</i>
PAT	116,983	108,139	154,173	201,370	223,418
<i>Growth (%)</i>	<i>4.1</i>	<i>(7.6)</i>	<i>42.6</i>	<i>30.6</i>	<i>10.9</i>

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Par Value	10	10	10	10	10
No. of equity shares	635	635	671	671	671
Equity	6,349	6,350	6,710	6,710	6,710
Networth	831,356	834,712	1,062,300	1,230,696	1,414,544
Adj. Networth	693,533	671,981	857,697	966,755	1,084,711
Deposits	11,164,646	12,555,625	14,146,894	16,359,829	19,032,811
<i>Growth (%)</i>	<i>10.3</i>	<i>12.5</i>	<i>12.7</i>	<i>15.6</i>	<i>16.3</i>
Low Cost deposits	4,762,179	5,637,899	5,875,393	6,794,454	7,904,579
<i>% of total deposits</i>	<i>42.7</i>	<i>44.9</i>	<i>41.5</i>	<i>41.5</i>	<i>41.5</i>
Total Liabilities	14,475,026	16,449,168	18,262,305	21,164,584	24,614,731
Net Advances	8,695,016	10,064,015	11,636,702	13,382,207	15,657,183
<i>Growth (%)</i>	<i>15.9</i>	<i>15.7</i>	<i>15.6</i>	<i>15.0</i>	<i>17.0</i>
Investments	4,027,541	4,191,564	4,609,491	5,234,576	5,996,100
Total Assets	14,475,026	16,449,168	18,262,305	21,164,584	24,614,731

Source: Company Data, PL Research

Weak Q4FY12 - Not entirely a company-specific problem: Infosys' management commentary for Q4FY12 was not entirely a company-specific problem. The cautious behavior of client has pushed project ramp-ups across the vendors. Results from IBM and HCL Tech resonate well with Infosys' commentary.

Strong client addition – Not captured in performance: Infosys added highest number of clients among the peers over the last four quarters. However, the quarterly performance didn't add-up to the same. We expect ramp-up of projects from the client win to result in a positive surprise. Moreover, anemic guidance for seasonally strong Q1 has further raised doubts about back-ended growth. But, 1-2pp beat due to project ramp-up could give further upside risk to consensus expectation.

Ramp-down likely to be bottoming out in H1FY13: Top client's ramp-down which troubled Infosys through H2FY11 are bottoming out. The consistent underperformance from top clients is reaching a nadir. We expect ramp-down to spill over in H1FY13. We are factoring 2% negative impact due to the same.

Consensus expectation not factoring margin levers: Post Q4FY12 results, consensus expectation came spiraling down by 3-4%. Moreover, consensus is factoring in margin dip despite multiple margin levers. We expect consensus upgrade post Q1FY13 results.

Inexpensive valuation, retain "BUY": Infosys is currently trading at 12.5x FY14 earnings estimates, one of the lowest valuations that the company has witnessed since Lehman crisis. We are still not able to envisage a scenario similar to that. Moreover, the delay in project ramp-up will only create projects along the sidelines, which would start once there is more clarity on macro-uncertainty. We reiterate **"BUY"** with a target price of Rs2,940.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	227,420	275,010	337,340	386,420	433,711
<i>Growth (%)</i>	<i>4.8</i>	<i>20.9</i>	<i>22.7</i>	<i>14.5</i>	<i>12.2</i>
EBITDA (Rs m)	78,610	89,640	107,160	124,780	139,119
PAT (Rs m)	62,660	68,230	83,160	95,821	109,463
EPS (Rs)	109.5	119.3	145.4	167.5	191.4
<i>Growth (%)</i>	<i>4.6</i>	<i>8.9</i>	<i>21.9</i>	<i>15.2</i>	<i>14.2</i>
Net DPS (Rs)	23.5	26.5	31.5	37.9	44.9

Source: Company Data, PL Research

Profitability & valuation

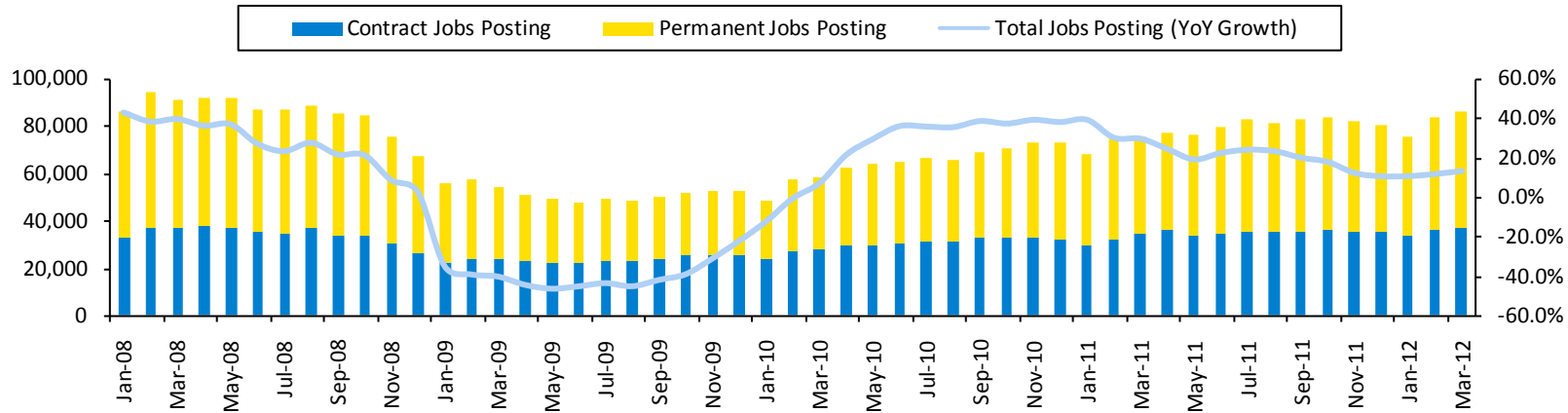
Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	34.6	32.6	31.8	32.3	32.1
RoE (%)	30.3	27.1	27.4	25.8	24.3
RoCE (%)	30.1	26.9	27.2	25.7	24.2
EV / sales (x)	5.5	4.4	3.4	2.8	2.4
EV / EBITDA (x)	16.0	13.4	10.8	8.8	7.4
PER (x)	21.8	20.0	16.4	14.3	12.5
P / BV (x)	5.9	5.0	4.1	3.3	2.8
Net dividend yield (%)	1.0	1.1	1.3	1.6	1.9

Source: Company Data, PL Research

Stock Performance

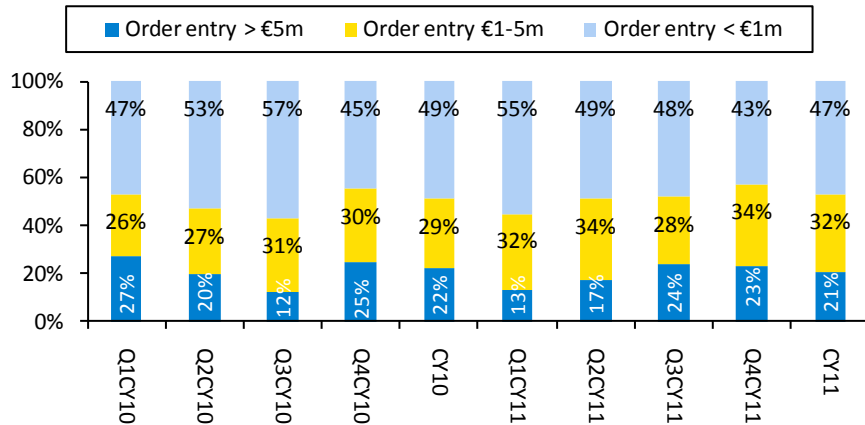
(%)	1M	6M	12M
Absolute	(1.8)	(11.2)	(14.8)
Relative to Sensex	3.1	(6.5)	(2.0)

IT Job posting surged for the 2nd consecutive month with improved mix of permanent job posting: Indicates sustainable demand



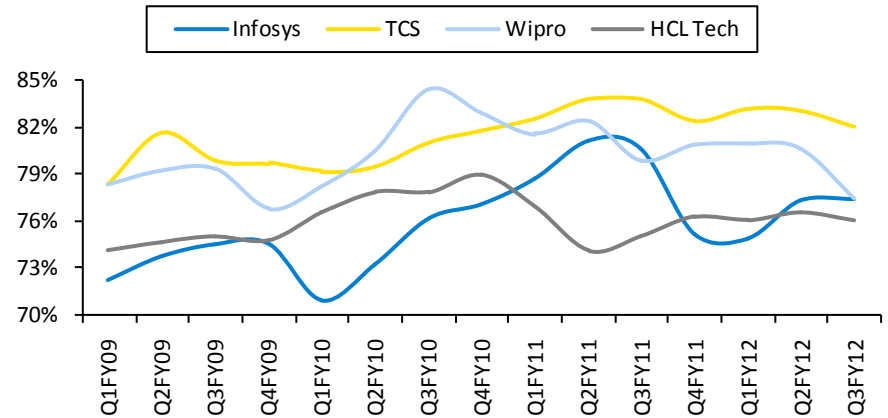
Source: DICE, PL Research

SAP smaller order entry improves competitiveness of Indian Outsourcers



Source: Company Data, PL Research

Utilization excl. Trainees: Infosys lowest utilization among peers



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	227,420	275,010	337,340	386,420	433,711
Direct Expenses	120,710	150,540	188,710	214,137	241,319
<i>% of Net Sales</i>	<i>53.1</i>	<i>54.7</i>	<i>55.9</i>	<i>55.4</i>	<i>55.6</i>
Employee Cost	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
SG&A Expenses	28,100	34,830	41,470	47,503	53,273
<i>% of Net Sales</i>	<i>12.4</i>	<i>12.7</i>	<i>12.3</i>	<i>12.3</i>	<i>12.3</i>
Other Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
EBITDA	78,610	89,640	107,160	124,780	139,119
<i>Margin (%)</i>	<i>34.6</i>	<i>32.6</i>	<i>31.8</i>	<i>32.3</i>	<i>32.1</i>
Depreciation	9,050	8,620	9,370	11,913	13,129
PBIT	69,560	81,020	97,790	112,867	125,990
Interest Expenses	-	-	-	-	-
PBT	78,990	93,130	116,830	133,085	147,923
Total tax	16,810	24,900	33,670	37,264	38,460
<i>Effective Tax rate (%)</i>	<i>21.3</i>	<i>26.7</i>	<i>28.8</i>	<i>28.0</i>	<i>26.0</i>
PAT	62,660	68,230	83,160	95,821	109,463
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	62,660	68,230	83,160	95,821	109,463

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	2,860	2,860	2,860	2,860	2,860
Reserves & Surplus	-	239,350	300,860	374,976	458,736
Shareholder's Fund	230,490	273,030	334,610	408,726	492,486
Preference Share Capital	-	-	-	-	-
Total Debt	-	-	-	-	-
Other Liabilities(net)	-	3,190	1,090	1,090	1,090
Deferred Tax Liability	-	-	120	120	120
Total Liabilities	230,490	276,220	335,820	409,936	493,696
Gross Block	78,390	80,980	90,300	106,916	124,698
Less: Depreciation	28,930	32,540	36,210	46,153	57,376
Net Block	49,460	48,440	54,090	60,763	67,322
Capital Work in Progress	4,090	-	-	-	-
Cash & Cash Equivalent	142,680	168,760	209,680	270,842	341,447
Total Current Assets	182,370	234,790	298,690	370,823	452,343
Total Current Liabilities	44,550	36,410	47,660	52,350	56,669
Net Current Assets	137,820	198,380	251,030	318,473	395,674
Other Assets	2,000	27,300	26,930	26,930	26,930
Total Assets	230,490	276,220	335,820	409,936	493,696

Source: Company Data, PL Research

Core growth, key to bank's ROE's expansion, sees pick-up: Bank seems to be coming out of the consolidation phase set in the aftermath of the global economic crisis. Q4FY12 shows some pick-up in domestic loan growth and fee income growth which has been the weak link and is expected to improve from FY13, given low base impact of project finance and third-party distribution.

Lending business return ratios converging to industry levels: Low return ratios has been the primary reason for relatively low valuations for ICICI's lending business. ROAs have inched up from ~1.0% in FY09 to ~1.5% in FY12 and we expect margin expansion to drive ROAs to ~1.6%. Core lending business' ROEs is expected to improve from 11% in FY10 to 15.5-16% in FY14 driving lower valuation discount to peers.

Asset quality performance comforting; CDR pipeline extremely limited: ICICI's asset quality has bucked the trend with sequential drop in slippages. Restructured book addition was in line with expectations and with limited CDR pipeline, negative surprises to near-term asset quality seem limited.

Valuations: Current valuations are trading at 1.4x FY13 book. Improving ROEs, pending growth in balance sheet could imply better multiples. We have a Mar 13-target price of Rs1,050 per share, implying FY13 P/B of 1.86x.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net interest income	81,141	90,169	107,342	128,532	153,438
<i>Growth (%)</i>	<i>-3.0</i>	<i>11.1</i>	<i>19.0</i>	<i>19.7</i>	<i>19.4</i>
Operating profit	97,319	90,476	103,865	127,206	152,941
PAT	40,248	51,514	64,653	76,506	90,129
EPS (Rs)	36.1	44.7	56.0	66.2	78.0
<i>Growth (%)</i>	<i>6.9</i>	<i>23.9</i>	<i>25.1</i>	<i>18.3</i>	<i>17.8</i>
Net DPS (Rs)	12.0	14.0	14.0	16.6	19.5

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
NIM (%)	119.9	100.3	96.8	99.0	99.7
RoAE (%)	8.0	9.7	11.2	12.1	13.1
RoAA (%)	1.1	1.3	1.5	1.5	1.6
P / BV (x)	1.7	1.7	1.5	1.4	1.3
P / ABV (x)	1.7	1.7	1.5	1.4	1.3
PE (x)	21.9	17.7	14.2	12.0	10.2
Net dividend yield (%)	1.5	1.8	1.8	2.1	2.5

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(5.0)	1.6	(24.4)
Relative to Sensex	(0.1)	6.3	(11.6)

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Int. Earned from Adv.	173,727	164,248	221,299	256,392	294,194
Int. Earned from Invt.	64,663	79,052	96,840	113,397	128,608
Others	-	-	-	-	-
Total Interest Income	257,067	259,740	335,427	388,805	444,541
Interest expense	175,926	169,571	228,085	260,273	291,103
NII	81,141	90,169	107,342	128,532	153,438
<i>Growth (%)</i>	<i>(3.0)</i>	<i>11.1</i>	<i>19.0</i>	<i>19.7</i>	<i>19.4</i>
Treasury Income	8,662	(2,023)	(757)	4,000	4,500
NTNII	66,115	68,501	75,784	85,627	99,584
Non Interest Income	74,777	66,479	75,028	89,627	104,084
Total Income	331,844	326,219	410,454	478,431	548,625
<i>Growth (%)</i>	<i>(14.2)</i>	<i>(1.7)</i>	<i>25.8</i>	<i>16.6</i>	<i>14.7</i>
Operating Expense	58,598	66,172	78,504	90,953	104,581
Operating Profit	97,319	90,476	103,865	127,206	152,941
<i>Growth (%)</i>	<i>9.0</i>	<i>(7.0)</i>	<i>14.8</i>	<i>22.5</i>	<i>20.2</i>
NPA Provisions	43,722	19,769	9,932	21,404	28,476
Investment Provisions	(27)	2,038	4,132	1,000	1,000
Total Provisions	43,969	22,868	15,891	22,404	29,476
PBT	53,351	67,607	87,973	104,803	123,464
Tax Provisions	13,103	16,093	23,321	28,297	33,335
<i>Effective Tax Rate (%)</i>	<i>24.6</i>	<i>23.8</i>	<i>26.5</i>	<i>27.0</i>	<i>27.0</i>
PAT	40,248	51,514	64,653	76,506	90,129
<i>Growth (%)</i>	<i>7.1</i>	<i>28.0</i>	<i>25.5</i>	<i>18.3</i>	<i>17.8</i>

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Par Value	10	10	10	10	10
No. of equity shares	1,115	1,152	1,155	1,155	1,155
Equity	11,149	11,518	11,552	11,552	11,552
Networth	516,184	550,909	604,052	658,168	721,919
Adj. Networth	477,773	526,836	585,444	636,993	696,614
Deposits	2,020,826	2,256,021	2,555,000	2,998,255	3,631,203
<i>Growth (%)</i>	<i>(7.4)</i>	<i>11.6</i>	<i>13.3</i>	<i>17.3</i>	<i>21.1</i>
Low Cost deposits	842,818	1,016,465	1,110,194	1,305,794	1,585,086
<i>% of total deposits</i>	<i>41.7</i>	<i>45.1</i>	<i>43.5</i>	<i>43.6</i>	<i>43.7</i>
Total Liabilities	3,634,656	4,062,336	4,736,471	5,273,971	6,209,743
Net Advances	1,812,056	2,163,659	2,537,277	2,917,868	3,443,084
<i>Growth (%)</i>	<i>(17.0)</i>	<i>19.4</i>	<i>17.3</i>	<i>15.0</i>	<i>18.0</i>
Investments	1,208,928	1,346,859	1,595,600	1,702,701	1,984,316
Total Assets	3,634,655	4,062,336	4,736,471	5,273,971	6,209,743

Source: Company Data, PL Research

Order inflow momentum slows down; however, order book will still sustain revenue growth: L&T ended the year with a 11% YoY dip in its order inflow in FY12E at Rs705bn. However, NHAI, DFC and International sectors will be the main drivers in FY13E order intake. Hydrocarbon, which took a major hit in terms of inflows due to absence of large ONGC orders, projects from other exploration and refining companies, are expected to revive. However, on captious note, we have assumed a flat YoY growth in order inflows. The order book, even after weak inflows, will be 2.8x FY12E revenues, which will lead to a 20% revenue growth next year.

Most rewarding play in stabilizing economic scenario: With spells of monetary easing, we expect the order inflow to grow towards Q2FY13E, and with peer's limited bandwidth, L&T stands to benefit. Also, with increasing trend of ordering higher ticket size projects, the competition would narrow down and favor the company.

Valuations: In the worst case scenario, we still expect a 20% revenue FY11-14E CAGR, with margins close to 11%. L&T is trading at 8.9x FY14E (core) which is a narrow premium to EPC players, which should increase as the technological/financial capabilities and corporate governance will play in.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	366,752	434,959	531,705	639,286	739,978
<i>Growth (%)</i>	<i>9.0</i>	<i>18.6</i>	<i>22.2</i>	<i>20.2</i>	<i>15.8</i>
EBITDA (Rs m)	44,558	52,136	62,826	72,095	83,729
PAT (Rs m)	31,649	36,720	44,196	47,429	53,172
EPS (Rs)	52.6	60.3	72.2	77.4	86.8
<i>Growth (%)</i>	<i>13.4</i>	<i>14.7</i>	<i>19.7</i>	<i>7.3</i>	<i>12.1</i>
Net DPS (Rs)	12.5	11.5	13.1	13.1	13.1

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	12.1	12.0	11.8	11.3	11.3
RoE (%)	20.6	18.3	18.8	17.9	18.3
RoCE (%)	15.9	15.2	15.2	14.1	14.4
EV / sales (x)	2.1	1.8	1.5	1.3	1.2
EV / EBITDA (x)	17.6	15.2	13.1	11.6	10.2
PER (x)	23.0	20.1	16.8	15.6	13.9
P / BV (x)	4.0	3.4	2.9	2.7	2.5
Net dividend yield (%)	1.0	0.9	1.1	1.1	1.1

Source: Company Data, PL Research

Stock Performance

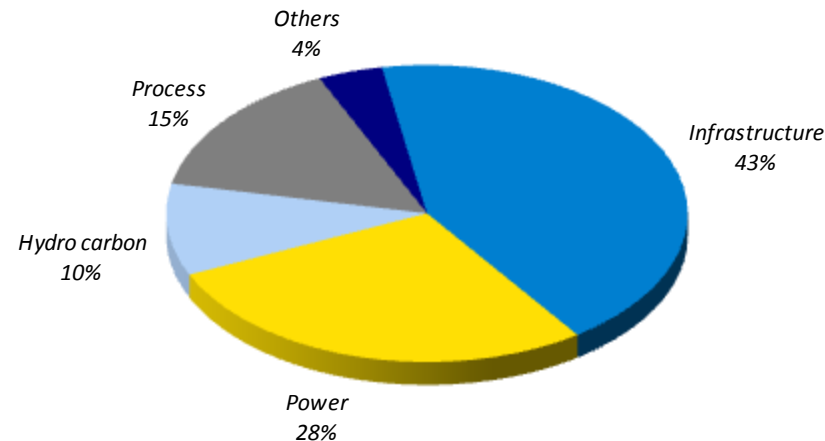
(%)	1M	6M	12M
Absolute	5.6	(7.9)	(29.3)
Relative to Sensex	10.4	(3.3)	(16.5)

SOTP Valuation

Sectors	Valuation Parameter	Rs / Share
L&T Standalone	11x (25% higher multiple than our coverage universe P/E) FY14 EPS of Rs86.8	955
L&T Infotech	10x FY13 PAT of Rs 5 bn @25% HOLDCO	60
L&T Finance	1.5x FY13E BV	57
L&T Infra Finance	1.5x FY13 BV	46
L & T IDPL & developmet project	1.5x Equity in FY13E of Rs70bn @ HOLDCO of 25%	134
LT Power Equipement	P/E 7.5x FY13E PAT of Rs2.9bn on USD 1bn sales @ HOLDCO of 25%	27
L & T Manufacturing	5x FY13E Rs3bn PAT of various facilities	25
Others	5x FY13E Rs8bn PAT of various businesses	70
Total Value		1,342

Source: PL Research

Order Book Break-up



Source: Company Data, PL Research

Order Inflow (Rs bn)

	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Order inflow Composites												
In-house	12	8	0	14	53	48	22	75	29	20	0	0
Third Party	83	183	164	231	103	157	111	226	133	141	171	211
Total	96	191	164	245	156	205	133	301	162	161	171	211

Order Inflow by sectors (Eng)

Infra	36	36	46	76	39	62	77	163	83	50	102	110
Hydrocarbon	11	61	5	61	11	18	0	0	15	40	65	25
Process	9	14	23	45	13	20	0	72	0	16	11	22
Power	29	61	98	42	81	88	44	61	35	42	22	36
Others	11	13	5	21	13	16	12	6	20	13	19	17

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	366,752	434,959	531,705	639,286	739,978
Direct Expenses	244,152	100,640	242,424	494,892	576,388
<i>% of Net Sales</i>	<i>66.6</i>	<i>23.1</i>	<i>45.6</i>	<i>77.4</i>	<i>77.9</i>
Employee Cost	23,791	28,845	9,754	39,887	45,828
<i>% of Net Sales</i>	<i>6.5</i>	<i>6.6</i>	<i>1.8</i>	<i>6.2</i>	<i>6.2</i>
SG&A Expenses	13,886	-	19,867	32,412	34,033
<i>% of Net Sales</i>	<i>3.8</i>	<i>0.0</i>	<i>3.7</i>	<i>5.1</i>	<i>4.6</i>
Other Expenses	40,364	253,338	196,834	-	-
<i>% of Net Sales</i>	<i>11.0</i>	<i>58.2</i>	<i>37.0</i>	<i>0.0</i>	<i>0.0</i>
EBITDA	44,558	52,136	62,826	72,095	83,729
<i>Margin (%)</i>	<i>12.1</i>	<i>12.0</i>	<i>11.8</i>	<i>11.3</i>	<i>11.3</i>
Depreciation	4,146	5,992	6,995	7,552	8,700
PBIT	40,412	46,144	55,831	64,543	75,029
Interest Expenses	5,053	6,474	6,661	7,400	8,800
PBT	48,058	56,181	62,553	70,790	79,361
Total tax	16,409	19,459	18,357	23,361	26,189
<i>Effective Tax rate (%)</i>	<i>34.1</i>	<i>34.6</i>	<i>29.3</i>	<i>33.0</i>	<i>33.0</i>
PAT	43,754	39,580	44,564	47,429	53,172
Extraordinary Gain/(Loss)	12,105	-	-	-	-
Adjusted PAT	31,649	36,720	44,196	47,429	53,172

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	1,204	1,218	1,225	1,225	1,225
Reserves & Surplus	178,821	217,245	251,005	276,753	300,690
Shareholder's Fund	183,115	218,463	252,231	277,978	301,914
Preference Share Capital	-	-	-	-	-
Total Debt	68,008	71,611	98,968	111,622	131,577
Other Liabilities (net)	-	-	1	2	3
Deferred Tax Liability	774	2,635	1,330	865	900
Total Liabilities	251,897	292,708	352,530	390,467	434,394
Gross Block	72,901	89,567	106,765	127,851	143,689
Less: Depreciation	17,985	23,125	30,134	37,986	46,738
Net Block	54,916	66,442	76,631	89,865	96,951
Capital Work in Progress	8,742	8,139	10,300	12,450	12,801
Cash & Cash Equivalent	151,372	164,152	176,500	182,307	186,312
Total Current Assets	263,616	349,511	434,573	488,494	528,656
Total Current Liabilities	212,429	278,233	327,599	364,966	371,683
Net Current Assets	51,187	71,279	106,975	123,528	156,973
Other Assets	-	-	(94)	56	42
Total Assets	251,898	292,708	352,530	390,467	434,394

Source: Company Data, PL Research

Increasing capitalization to drive earnings: We expect capitalization to increase to Rs167bn in FY17E from Rs71bn in FY11 and regulated equity base to increase by 2.6x to Rs435bn in FY17, resulting in earnings CAGR of 16% over FY12-17E. The CWIP in balance sheet has also increased 2x to Rs266bn in FY11 from Rs132bn in FY09, indicating higher capitalization over the next few years. The management highlighted that it is highly focused on execution and ambitiously looking at reducing CWIP in FY13 despite huge capex plans of Rs200bn in FY13. This effectively means that the management is indicating capitalization numbers of ~Rs200-210bn for FY13. It has already capitalized assets worth Rs25bn till the end of May and looking at capitalization of ~Rs45bn for Q1FY13. It believes if it can pull off this kind of number in FY13 and work around with the debt: equity ratio of 72:28 (as regulation say equity up to 30%), it can possibly avoid need for dilution in FY14

Telecom and Consultancy a growing opportunity: PWG is using in-house expertise in Planning, Design, Engineering to increase consultancy business in both domestic and international markets. In Domestic Consulting Business, it has more than 21 projects worth Rs170bn in hand. In the International Business, it has 19 projects worth Rs90bn in hand. In Telecom, new business model of leasing transmission towers for placing telecom antennas has been formulated to drive growth. Telecom and Consultancy are steady growth businesses which contribute ~5-6% to PBT without incremental drain on capital. In fact, consultancy business has negative capital employed.

Relative a better bet: We believe PWGR remains the safest play in the Power Utilities space which has been facing multiple issue of coal shortage, deteriorating SEB finances etc. PWGR is immune to fuel risk and faces relatively moderate land acquisition issues as compared to IPPs. We expect the company to deliver 16% EPS growth over FY12-17E with core RoEs of ~17.6% over the same period.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	71,275	83,887	100,353	130,810	154,574
<i>Growth (%)</i>	<i>8.3</i>	<i>17.7</i>	<i>19.6</i>	<i>30.3</i>	<i>18.2</i>
EBITDA (Rs m)	58,933	70,572	83,824	114,393	136,844
PAT (Rs m)	20,629	27,009	32,925	39,262	48,680
EPS (Rs)	4.9	5.8	7.1	8.5	9.6
<i>Growth (%)</i>	<i>18.6</i>	<i>19.0</i>	<i>21.9</i>	<i>19.2</i>	<i>12.9</i>
Net DPS (Rs)	1.5	1.8	2.1	2.5	2.9

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	82.7	84.1	83.5	87.4	88.5
RoE (%)	11.7	12.8	13.2	14.3	14.9
RoCE (%)	6.3	6.6	6.4	6.9	7.0
EV / sales (x)	10.6	10.3	9.9	8.5	7.8
EV / EBITDA (x)	12.9	12.2	11.8	9.7	8.8
PER (x)	21.6	18.2	14.9	12.5	11.1
P / BV (x)	2.4	2.1	1.9	1.7	1.5
Net dividend yield (%)	1.4	1.7	2.0	2.4	2.7

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(0.7)	3.2	4.9
Relative to Sensex	4.1	7.9	17.7

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	71,275	83,887	100,353	130,810	154,574
Direct Expenses	5,074	5,857	8,100	6,831	7,378
<i>% of Net Sales</i>	<i>7.1</i>	<i>7.0</i>	<i>8.1</i>	<i>5.2</i>	<i>4.8</i>
Employee Cost	7,267	7,459	8,430	9,586	10,353
<i>% of Net Sales</i>	<i>10.2</i>	<i>8.9</i>	<i>8.4</i>	<i>7.3</i>	<i>6.7</i>
SG&A Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
EBITDA	58,933	70,572	83,824	114,393	136,844
<i>Margin (%)</i>	<i>82.7</i>	<i>84.1</i>	<i>83.5</i>	<i>87.4</i>	<i>88.5</i>
Depreciation	19,815	21,610	25,725	37,461	44,361
PBIT	39,118	48,961	58,099	76,932	92,483
Interest Expenses	15,432	17,339	19,432	31,195	36,515
PBT	26,261	38,247	46,351	52,350	64,907
Total tax	5,854	11,278	13,426	13,087	16,227
<i>Effective Tax rate (%)</i>	<i>22.3</i>	<i>29.5</i>	<i>29.0</i>	<i>25.0</i>	<i>25.0</i>
PAT	20,407	26,969	32,925	39,262	48,680
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	20,629	27,009	32,925	39,262	48,680

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	42,088	46,297	46,297	46,297	50,841
Reserves & Surplus	141,455	190,847	216,343	239,320	318,830
Shareholder's Fund	183,543	237,144	262,592	285,617	369,672
Preference Share Capital	-	-	-	-	-
Total Debt	344,168	408,828	522,009	662,009	772,009
Other Liabilities (net)	-	-	-	-	-
Deferred Tax Liability	7,035	11,467	16,009	16,009	16,009
Total Liabilities	534,746	657,438	800,610	963,635	1,157,689
Gross Block	432,022	503,518	634,362	814,362	964,362
Less: Depreciation	111,410	131,278	157,003	194,464	238,824
Net Block	320,612	372,240	477,359	619,898	725,538
Capital Work in Progress	204,222	266,246	281,099	301,099	351,099
Cash & Cash Equivalent	47,309	50,452	36,213	58,584	120,215
Total Current Assets	96,273	105,171	137,691	162,953	215,053
Total Current Liabilities	100,929	99,893	121,502	131,836	144,220
Net Current Assets	(4,656)	5,279	16,189	31,117	70,832
Other Assets	36	22	13,119	(24)	(24)
Total Assets	534,747	657,438	800,610	963,635	1,157,689

Source: Company Data, PL Research

Valuation discount on asset quality concerns seems exaggerated: We believe the street is assigning discount valuations to AXIS v/s peers, given the latter's high exposure to SME book (~20%). However, asset quality trends exhibits much better underwriting standards at the bank as against the PSUs. Though asset quality concern arising from the relatively unseasoned power exposure remain, low CDR pipeline and strong asset quality show in H2FY13, imply limited negative surprise on asset quality in the near term.

High return ratios to sustain: Axis Bank's ROAs improved significantly between FY08-11, driven by improving margins and strong fee income growth. Though the fees income has shown signs of moderation, we expect the ROAs to sustain at >1.5% led by stable growth in core income, stable opex and manageable asset quality.

Valuations: Current valuations are trading at 1.6x FY13 book. Asset quality has been holding up well despite high SME exposure. We have a Sep-13 target of Rs1,400 per share, implying FY13 P/B of 2.2x.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net interest income	50,064	65,630	80,177	97,381	118,475
<i>Growth (%)</i>	<i>36.0</i>	<i>31.1</i>	<i>22.2</i>	<i>21.5</i>	<i>21.7</i>
Operating profit	52,092	64,157	74,309	90,548	109,294
PAT	24,791	33,884	42,422	49,208	59,407
EPS (Rs)	61.2	82.5	102.7	115.8	139.9
<i>Growth (%)</i>	<i>21.2</i>	<i>34.9</i>	<i>24.4</i>	<i>12.8</i>	<i>20.7</i>
Net DPS (Rs)	12.0	14.0	16.0	17.0	18.0

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
NIM (%)	104.1	97.8	92.7	93.0	92.3
RoAE (%)	18.9	19.3	20.3	19.8	20.2
RoAA (%)	1.5	1.6	1.6	1.6	1.6
P / BV (x)	2.5	2.1	1.8	1.6	1.3
P / ABV (x)	2.5	2.1	1.8	1.6	1.3
PE (x)	16.2	12.0	9.6	8.5	7.1
Net dividend yield (%)	1.2	1.4	1.6	1.7	1.8

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(2.0)	(4.1)	(20.4)
Relative to Sensex	2.8	0.6	(7.5)

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Int. Earned from Adv.	79,866	104,031	153,794	185,270	215,247
Int. Earned from Invt.	34,283	44,387	63,943	79,011	95,241
Others	-	-	-	-	-
Total Interest Income	116,391	151,548	219,946	266,737	313,238
Interest expense	66,326	85,918	139,769	169,356	194,762
NII	50,064	65,630	80,177	97,381	118,475
<i>Growth (%)</i>	<i>36.0</i>	<i>31.1</i>	<i>22.2</i>	<i>21.5</i>	<i>21.7</i>
Treasury Income	7,100	3,593	931	3,500	4,500
NTNII	32,552	42,728	53,271	62,665	74,949
Non Interest Income	39,652	46,321	54,202	66,165	79,449
Total Income	156,043	197,869	274,149	332,902	392,687
<i>Growth (%)</i>	<i>13.5</i>	<i>26.8</i>	<i>38.6</i>	<i>21.4</i>	<i>18.0</i>
Operating Expense	37,624	47,794	60,071	72,998	88,630
Operating Profit	52,092	64,157	74,309	90,548	109,294
<i>Growth (%)</i>	<i>39.9</i>	<i>23.2</i>	<i>15.8</i>	<i>21.9</i>	<i>20.7</i>
NPA Provisions	14,126	11,363	10,996	17,611	21,241
Investment Provisions	(222)	993	581	-	-
Total Provisions	13,888	12,800	11,430	17,611	21,241
PBT	38,204	51,356	62,878	72,937	88,054
Tax Provisions	13,413	17,472	20,456	23,729	28,647
<i>Effective Tax Rate (%)</i>	<i>35.1</i>	<i>34.0</i>	<i>32.5</i>	<i>32.5</i>	<i>32.5</i>
PAT	24,791	33,884	42,422	49,208	59,407
<i>Growth (%)</i>	<i>36.7</i>	<i>36.7</i>	<i>25.2</i>	<i>16.0</i>	<i>20.7</i>

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Par Value	10	10	10	10	10
No. of equity shares	405	411	413	425	425
Equity	4,052	4,105	4,132	4,248	4,248
Networth	160,444	189,988	228,085	268,961	319,422
Adj. Networth	156,254	185,884	223,359	262,559	310,934
Deposits	1,412,787	1,892,376	2,201,043	2,596,677	3,102,645
<i>Growth (%)</i>	<i>20.4</i>	<i>33.9</i>	<i>16.3</i>	<i>18.0</i>	<i>19.5</i>
Low Cost deposits	660,241	777,673	914,220	1,077,621	1,290,700
<i>% of total deposits</i>	<i>46.7</i>	<i>41.1</i>	<i>41.5</i>	<i>41.5</i>	<i>41.6</i>
Total Liabilities	1,806,419	2,427,129	2,856,278	3,374,654	4,030,895
Net Advances	1,043,431	1,424,076	1,697,595	2,011,651	2,413,981
<i>Growth (%)</i>	<i>27.9</i>	<i>36.5</i>	<i>19.2</i>	<i>18.5</i>	<i>20.0</i>
Investments	559,748	719,916	931,921	1,097,043	1,302,717
Total Assets	1,806,419	2,427,129	2,856,278	3,374,654	4,030,895

Source: Company Data, PL Research

Maruti's market share to remain stable: MSIL's market share is likely to remain stable @51.4% in the small car segment, given the strong demand for its Diesel 'Swift' and production being on track at Manesar. We expect small car segment volumes to grow by 11.7% CAGR, whereas, overall volumes are expected to grow by 13.1% CAGR for FY12-FY14E period led by new products i.e. New 'Swift' Dzire and the MPV 'Ertiga'.

Diesel engine capacity to enhance to 33,000/month: Diesel engine capacity has been enhanced to 25k/month compared to 20k/month in December to cater to the increasing demand for diesel cars. The new 'Swift' has received a good response and MSIL already has an order backlog of ~1 lac units, out of which ~86% is diesel.

EBITDA margins set to improve: With diesel vehicles accounting for ~30% of overall volumes in FY13E compared to ~21% currently, discounts are likely to come down. On account of better product mix, depreciating Yen and operating leverage, we expect a 170bps YoY improvement in FY13E EBITDA margins at 8.9%. MSIL has hedged both its direct + indirect Yen exposure to the tune of 40% of FY13E requirement. Our sense is that the Yen has been hedged upwards of ¥80/\$ (Q4FY12 average was ¥78/\$).

Positive dealer feedback: MSIL has seen a revival in volumes over the past few months. Sales of four models – Ritz, Swift, Dzire and SX4 – have risen significantly since December 2011. All the four cars are available in diesel variants and that accounts for 80% of the sales. The new 'Swift' has received a good response and MSIL already has an order backlog of ~1 lac units, out of which ~88% is diesel.

Outlook & Valuation: We expect the FY13E top-line to grow by 17.6 %, driven by a CAGR of 12.9% in volumes and 4.1% CAGR in ASPs for FY12-FY14E period. We expect the margins to improve by ~200bps over the next two years, mainly on account of depreciating Yen, lower discounts and operating leverage. The stock is currently trading at 12.7x FY13E EPS and 10.6x FY14E, which is at a discount to its 5-yr average P/E of 14.5x. Maintain **'Accumulate'** on expected improvement in volumes and margins.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	296,229	366,184	355,871	436,303	491,112
<i>Growth (%)</i>	<i>42.1</i>	<i>23.6</i>	<i>(2.8)</i>	<i>22.6</i>	<i>12.6</i>
EBITDA (Rs m)	39,761	37,037	25,130	38,376	45,861
PAT (Rs m)	25,194	23,538	16,352	24,560	29,282
EPS (Rs)	87.2	81.4	56.6	85.0	101.3
<i>Growth (%)</i>	<i>106.7</i>	<i>(6.6)</i>	<i>(30.5)</i>	<i>50.2</i>	<i>19.2</i>
Net DPS (Rs)	6.0	7.5	7.5	10.0	11.0

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	13.4	10.1	7.1	8.8	9.3
RoE (%)	23.8	18.3	11.3	15.1	15.7
RoCE (%)	22.4	17.7	10.9	14.7	15.9
EV / sales (x)	1.1	0.8	0.8	0.7	0.6
EV / EBITDA (x)	8.0	7.8	11.9	7.5	6.2
PER (x)	12.4	13.2	19.1	12.7	10.6
P / BV (x)	2.6	2.2	2.1	1.8	1.6
Net dividend yield (%)	0.6	0.7	0.7	0.9	1.0

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(15.8)	7.9	(12.6)
Relative to Sensex	(11.0)	12.6	0.3

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
A2 segment volumes (nos)	633,190	808,552	709,430	794,562	874,018
A3 segment volumes (nos)	99,315	131,410	128,587	169,735	194,346
Domestic Volumes (nos)	870,790	1,132,739	1,006,316	1,191,463	1,306,186
Export Volumes (nos)	147,575	138,266	127,379	128,000	136,000
Volumes (nos)	1,018,365	1,271,005	1,133,695	1,319,463	1,442,186
<i>Growth (%)</i>	<i>28.6</i>	<i>24.8</i>	<i>(10.8)</i>	<i>16.4</i>	<i>9.3</i>
Av. Real. / Veh. (Rs)	290,887	288,106	313,904	330,667	340,533
<i>Growth (%)</i>	<i>10.5</i>	<i>(1.0)</i>	<i>9.0</i>	<i>5.3</i>	<i>3.0</i>
RM cost / veh. (Rs)	220,092	222,959	247,559	258,956	265,552
<i>Growth (%)</i>	<i>7.3</i>	<i>1.3</i>	<i>11.0</i>	<i>4.6</i>	<i>2.5</i>
Contr. / Veh. (Rs)	70,795	65,147	66,345	71,711	74,980
Selling expenses (Rs mn)	9,160	11,029	13,064	12,931	13,853
Selling exp. / Veh. (Rs)	8,995	8,677	11,524	9,800	9,605
<i>Growth (%)</i>	<i>(3.5)</i>	<i>(3.5)</i>	<i>32.8</i>	<i>(15.0)</i>	<i>(2.0)</i>
Other exp. / Veh. (Rs)	26,393	30,472	36,736	35,298	35,788
<i>Growth (%)</i>	<i>(3.8)</i>	<i>15.5</i>	<i>20.6</i>	<i>(3.9)</i>	<i>1.4</i>
EBITDA / Veh. (Rs)	39,044	29,140	22,166	29,085	31,800
<i>Growth (%)</i>	<i>57.3</i>	<i>(25.4)</i>	<i>(23.9)</i>	<i>31.2</i>	<i>9.3</i>
Net Profit / Veh. (Rs)	24,526	18,006	14,424	18,614	20,304

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	296,229	366,184	355,871	436,303	491,112
Direct Expenses	224,134	283,382	280,656	341,683	382,976
<i>% of Net Sales</i>	<i>75.7</i>	<i>77.4</i>	<i>78.9</i>	<i>78.3</i>	<i>78.0</i>
Employee Cost	5,456	7,036	8,438	9,670	10,661
<i>% of Net Sales</i>	<i>1.8</i>	<i>1.9</i>	<i>2.4</i>	<i>2.2</i>	<i>2.2</i>
SG&A Expenses	9,160	11,029	13,064	12,931	13,853
<i>% of Net Sales</i>	<i>3.1</i>	<i>3.0</i>	<i>3.7</i>	<i>3.0</i>	<i>2.8</i>
Other Expenses	17,718	27,701	28,583	33,643	37,761
<i>% of Net Sales</i>	<i>6.0</i>	<i>7.6</i>	<i>8.0</i>	<i>7.7</i>	<i>7.7</i>
EBITDA	39,761	37,037	25,130	38,376	45,861
<i>Margin (%)</i>	<i>13.4</i>	<i>10.1</i>	<i>7.1</i>	<i>8.8</i>	<i>9.3</i>
Depreciation	8,250	10,135	11,384	12,361	13,772
PBIT	31,511	26,902	13,746	26,015	32,090
Interest Expenses	335	250	552	500	550
PBT	35,925	31,087	20,703	33,415	39,840
Total tax	10,949	8,201	5,111	8,855	10,558
<i>Effective Tax rate (%)</i>	<i>30.5</i>	<i>26.4</i>	<i>24.7</i>	<i>26.5</i>	<i>26.5</i>
PAT	24,976	22,886	15,592	24,560	29,282
Extraordinary Gain/(Loss)	(218)	(652)	(760)	-	-
Adjusted PAT	25,194	23,538	16,352	24,560	29,282

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	1,445	1,445	1,445	1,445	1,445
Reserves & Surplus	116,906	137,230	150,429	172,200	197,741
Shareholder's Fund	118,351	138,675	151,874	173,645	199,186
Preference Share Capital	-	-	-	-	-
Total Debt	8,214	312	10,784	-	-
Other Liabilities(net)	-	2,355	2,648	-	-
Deferred Tax Liability	1,370	1,644	3,023	3,023	3,023
Total Liabilities	127,935	142,987	168,329	176,669	202,209
Gross Block	104,067	123,998	148,908	181,784	208,660
Less: Depreciation	53,820	63,955	75,339	87,700	101,471
Net Block	50,247	60,043	73,570	94,084	107,189
Capital Work in Progress	3,876	3,876	3,876	2,876	2,876
Cash & Cash Equivalent	72,748	87,308	102,942	95,359	110,399
Total Current Assets	37,724	56,246	63,250	73,680	83,042
Total Current Liabilities	35,678	39,402	50,947	65,424	74,386
Net Current Assets	2,046	16,844	12,303	8,256	8,656
Other Assets	-	-	-	-	-
Total Assets	127,935	142,986	168,329	176,669	202,209

Source: Company Data, PL Research

DRL is largely an exports-focused company as international businesses contribute ~80% of the overall revenues. India's share <20%. Key markets includes US (contributes ~34% of the overall revenues) and EU which contributes ~26% of revenues. In 2006, DRL acquired Betapharm, a German company for EUR480m. Its German business witnessed tremendous margin pressure on account of various regulatory changes (tender-based business).

DRL is a predominantly strong player in APIs (~27% of the revenues captured under PSAI division). Other markets include Russia/CIS where DRL has a strong brand franchise. This region accounts for 19.1% of revenues.

In 2010, DRL signed an agreement with GSK to supply more than 100 products for several emerging markets. Subsequently, it acquired rights to Augmentin brand in US besides GSK's penicillin facility.

DRL has a strong product pipeline for the US market with >70 ANDAs pending for approval including 30 para IVs (16 FTFs). It has a decent portfolio of OTC store brands with revenues of >US\$100m. Key products like Arixtra (Fondaparinux) & Allegra D-24 (fexo-pseudo OTC) have been launched in US. Expect Zyprexa 80mg, Arixtra, Geodon exclusivity/differentiated products to boost earnings in FY12 & FY13 (already launched).

DRL has signed a supply agreement with GSK under which it would manufacture and supply drugs for various emerging markets. We expect DRL to garner ~Rs1.2bn through GSK in FY13E/FY14E. In Russia, DRL is building its OTC franchise which accounts for nearly 25% of its revenues (growing at 40%). Nearly 50% of OTC portfolio is coming from its partners (include Vitabiotics, Cipla, Torrent, R-Pharm). It also has a formidable presence in Russia.

We like DRL's biologics portfolio comprising of nine products (four launched in India and other markets). It launched its first MaB, Reditux in the Indian market a couple of years ago (already its fifth largest brand).

The company guides for revenues of US\$2.7bn in FY13E.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	70,846	75,808	97,503	112,896	118,079
<i>Growth (%)</i>	<i>2.4</i>	<i>7.0</i>	<i>28.6</i>	<i>15.8</i>	<i>4.6</i>
EBITDA (Rs m)	12,084	15,590	22,920	25,395	24,953
PAT (Rs m)	9,671	11,040	15,302	16,980	16,547
EPS (Rs)	57.3	65.3	90.4	100.4	97.8
<i>Growth (%)</i>	<i>9.0</i>	<i>13.9</i>	<i>38.6</i>	<i>11.0</i>	<i>(2.5)</i>
Net DPS (Rs)	6.3	6.3	6.3	7.5	8.8

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	17.1	20.6	23.5	22.5	21.1
RoE (%)	22.8	24.8	29.6	26.5	21.3
RoCE (%)	17.6	18.1	20.9	20.0	17.1
EV / sales (x)	3.9	3.8	3.0	2.5	2.3
EV / EBITDA (x)	23.0	18.7	12.7	11.1	10.9
PER (x)	28.2	24.8	17.9	16.1	16.5
P / BV (x)	6.4	6.0	4.8	3.9	3.3
Net dividend yield (%)	0.4	0.4	0.4	0.5	0.5

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(7.4)	2.4	2.7
Relative to Sensex	(2.6)	7.1	15.6

US Launch program as per company

Opportunity	Product Name	FY11E	FY12E	FY13E	FY14E	FY15E
180 days exclusivity	Product A (could be Olanzapine)		X			
	Product B (could be Clopidogrel)			X		
	Product C (could be Ziprasidone HCL)			X		
Settlements / Early monetisation	Rivastigmine		X			
	Desloratadine		X			
	Finasteride			X		
	Esomeprazole					X
	Amlodipine Benazepril	X				
	Fenofibrate Capsules		launch date undisclosed			
Limited competition / difficult to make	Tacrolimus	X	X			
	Fondaparinux		X	X		
	Fexofenadine Pseudoephedrine	X	X			
	Zafirlukast		X			
	Lansoprazole		X			

Source: Company-Feb'11

SOTP

	Rs / Share
Core EPS [FY14E]	90
Assigning PE of 22x	1,888
Value of Key FTF - NPV (Exclusivities)	
Olanzapine (FY12E) - Zyprexa	8
Clopidogrel (FY13E) - Plavix	14
Ziprasidone (FY12E & FY13E) - Geodon	14
Esomeprazole (FY14E) - Nexium	7
Memantine (FY15E) - Namenda	5
Total upside from FTFs	48
Value of Limited Competition	
Target Price (A+B+C)	1,936

Source: PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	70,846	75,808	97,503	112,896	118,079
Direct Expenses	33,937	31,469	39,804	46,389	49,059
<i>% of Net Sales</i>	<i>47.9</i>	<i>41.5</i>	<i>40.8</i>	<i>41.1</i>	<i>41.5</i>
Employee Cost	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
SG&A Expenses	21,026	23,689	28,868	33,890	36,577
<i>% of Net Sales</i>	<i>29.7</i>	<i>31.2</i>	<i>29.6</i>	<i>30.0</i>	<i>31.0</i>
Other Expenses	3,799	5,060	5,911	7,222	7,490
<i>% of Net Sales</i>	<i>5.4</i>	<i>6.7</i>	<i>6.1</i>	<i>6.4</i>	<i>6.3</i>
EBITDA	12,084	15,590	22,920	25,395	24,953
<i>Margin (%)</i>	<i>17.1</i>	<i>20.6</i>	<i>23.5</i>	<i>22.5</i>	<i>21.1</i>
Depreciation	1,479	2,961	3,628	4,167	4,355
PBIT	10,605	12,629	19,292	21,227	20,598
Interest Expenses	369	362	690	562	579
PBT	2,053	12,443	18,466	21,225	20,684
Total tax	985	1,403	4,204	4,245	4,137
<i>Effective Tax rate (%)</i>	<i>48.0</i>	<i>11.3</i>	<i>22.8</i>	<i>20.0</i>	<i>20.0</i>
PAT	1,068	11,040	14,262	16,980	16,547
Extraordinary Gain/(Loss)	(8,603)	-	(1,040)	-	-
Adjusted PAT	9,671	11,040	15,302	16,980	16,547

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	844	846	846	846	846
Reserves & Surplus	41,379	44,415	55,667	69,425	82,538
Shareholder's Fund	42,915	45,990	57,242	71,000	84,113
Preference Share Capital	-	-	-	-	-
Total Debt	10,989	23,532	22,491	21,491	20,491
Other Liabilities(net)	249	666	666	666	666
Deferred Tax Liability	2,720	2,022	2,022	2,022	2,022
Total Liabilities	56,873	72,210	82,421	95,179	107,292
Gross Block	29,679	39,683	47,269	52,109	56,405
Less: Depreciation	12,087	16,548	20,176	24,343	28,698
Net Block	17,592	23,135	27,093	27,766	27,707
Capital Work in Progress	4,867	6,507	7,751	8,545	9,250
Cash & Cash Equivalent	11,067	6,859	5,583	14,033	24,514
Total Current Assets	37,360	46,334	55,909	70,977	83,761
Total Current Liabilities	23,457	22,795	25,426	29,203	30,519
Net Current Assets	13,903	23,539	30,483	41,774	53,242
Other Assets	16,028	17,899	15,964	15,964	15,964
Total Assets	56,873	72,210	82,421	95,179	107,292

Source: Company Data, PL Research

Coal volumes to scale up: With the coal terminal operational since Q4FY11, volumes are likely to witness strong growth. Notwithstanding current issues surrounding the price of imported coal, the Adani Power plant and Tata UMPP volumes are likely to scale up to a level of ~28m tonnes by FY15 from the current 8m tonnes in FY12. Overall, total port volumes are expected to more than double in the same period from FY11 levels of ~51m tonnes, largely led by coal, crude and container volumes.

Utilizations to improve at container terminal: The container terminals at Mundra are currently operating at 50% utilizations levels. With the strong growth in container traffic, we expect utilizations to improve. Besides, the company is further looking at setting up additional container terminals at Mundra to tap future growth in the segment.

Commencement of HMEL refinery to boost crude volumes: With the ~9 mt HMEL refinery commencing operations in the last week of March 2012, crude volumes are likely to witness a strong pickup in FY13, we expect the refinery to contribute ~5-6 mt of additional crude volumes at the port in FY13.

Developing new port assets: The company commenced operations at its Dahej bulk terminal during FY11. Besides, it is also developing terminals at Mormugao and Hazira. Recently, it has won a bid to set up a coal terminal at Vishakapatnam which marks its entry on the east coast of India. Also, with the acquisition of Abbot point coal terminal, Mundra has entered the international stage.

Valuations: Based on DCF, the value of the port stands at Rs99/share. Further, we are assigning a 50% probability to a 20-year extension of the concession agreement which translates to Rs21/share. The value of the SEZ at a 30% discount to NAV stands at Rs13/share, Abbot point contributes ~Rs 13/share, while all its other assets are valued at Rs10. Our SOTP value stands at Rs156.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	14,955	20,001	32,708	40,142	51,509
<i>Growth (%)</i>	<i>25.2</i>	<i>33.7</i>	<i>63.5</i>	<i>22.7</i>	<i>28.3</i>
EBITDA (Rs m)	9,443	12,994	20,653	26,499	35,086
PAT (Rs m)	6,758	8,342	10,833	12,466	18,366
EPS (Rs)	3.4	4.2	5.4	6.2	9.2
<i>Growth (%)</i>	<i>56.2</i>	<i>23.4</i>	<i>29.9</i>	<i>15.1</i>	<i>47.3</i>
Net DPS (Rs)	0.8	1.3	1.5	2.0	2.5

Source: Company Data, PL Research

Profitability & valuation

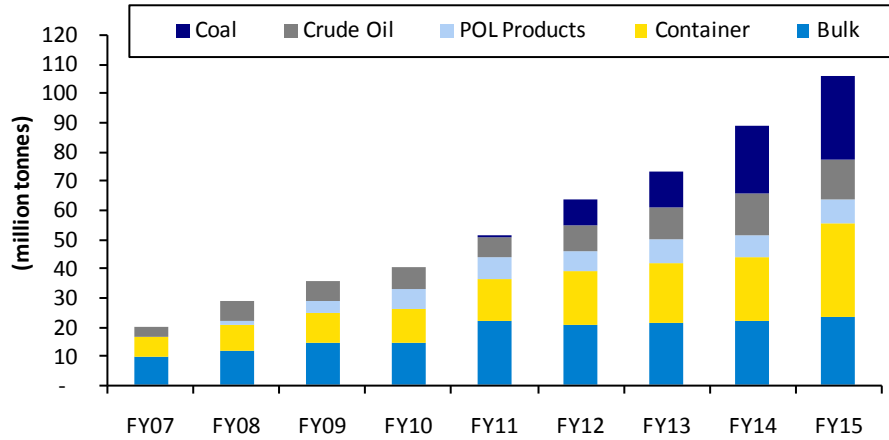
Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	63.1	65.0	63.1	66.0	68.1
RoE (%)	21.2	21.8	23.6	23.0	28.2
RoCE (%)	9.9	10.9	9.4	7.8	9.4
EV / sales (x)	18.3	14.0	11.9	10.2	7.9
EV / EBITDA (x)	28.9	21.5	18.8	15.5	11.6
PER (x)	36.4	29.5	22.7	19.7	13.4
P / BV (x)	7.1	5.9	4.9	4.2	3.4
Net dividend yield (%)	0.7	1.0	1.2	1.6	2.0

Source: Company Data, PL Research

Stock Performance

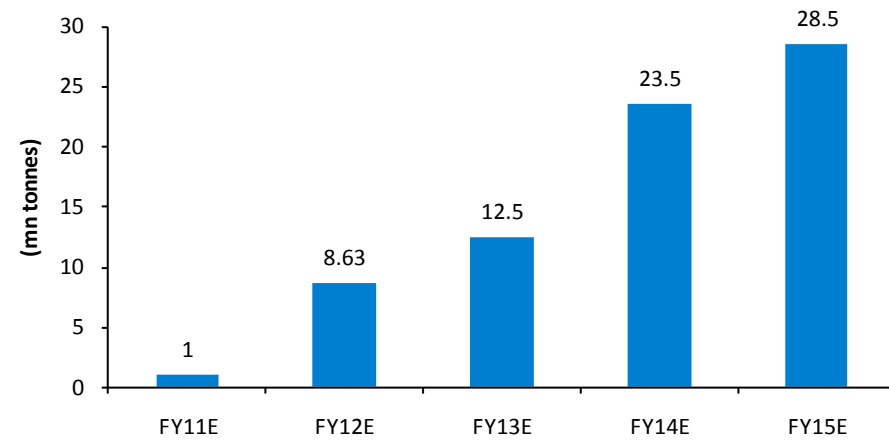
(%)	1M	6M	12M
Absolute	(1.0)	(4.9)	(23.7)
Relative to Sensex	3.8	(0.2)	(10.9)

Commodity-wise port volumes



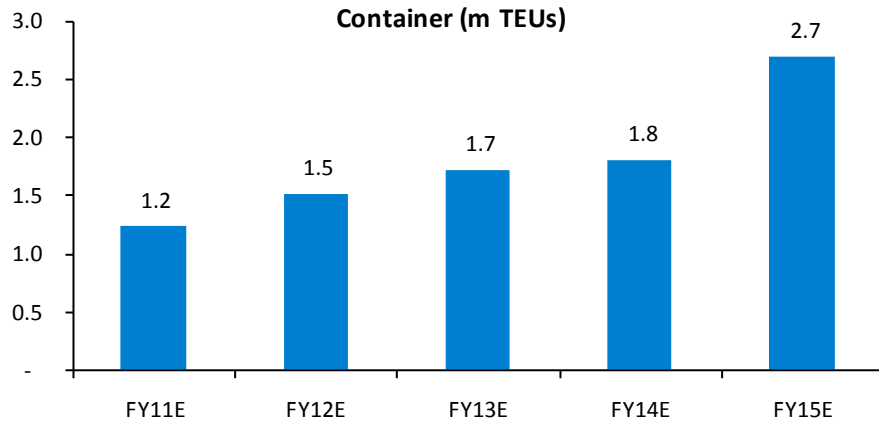
Source: Company Data, PL Research

Coal volumes to bump up with upcoming Adani and UMPP power plants



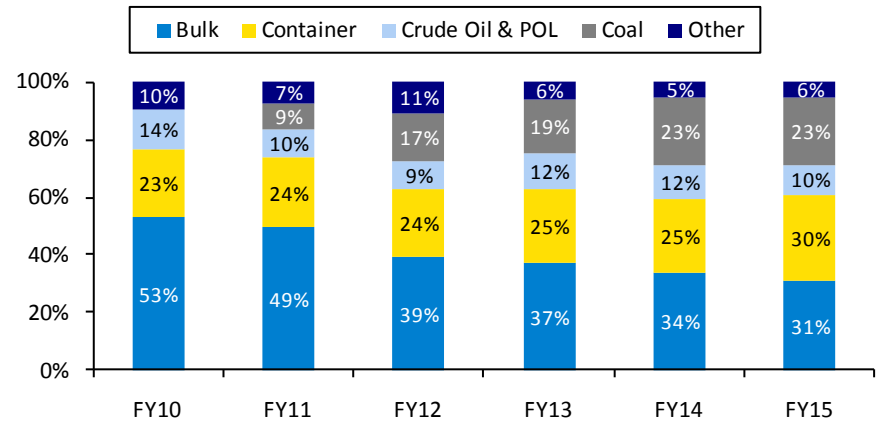
Source: PL Research

Container volumes to show rapid growth in FY11-15 period



Source: PL Research

Commodity wise contribution to port revenues



Source: Company Data, PL Research

Revenue Break-up (Rs m)

Y/e March	FY10	FY11E	FY12E	FY13E	FY14E
Port	13,634	19,023	22,382	26,767	31,948
SEZ	865	515	868	1,029	1,669
Others	456	463	1,570	477	484
Total	14,955	20,001	24,819	28,273	34,101

Source: Company Data, PL Research

Operating Parameters of Port & SEZ

Y/e March	FY10	FY11E	FY12E	FY13E	FY14E
Port Volumes (m tonnes)	40.3	51.7	64.0	80.3	97.1
Average Realization/tonne Rs	338.4	368.1	349.9	418.5	499.5
SEZ Sales (Acres)	160.0	27.0	15.0	80.0	150.0

Source: Company Data, PL Research

Breakup of Volumes (m Tonnes)

Y/e March	FY10	FY11E	FY12E	FY13E	FY14E
Bulk	14.7	21.7	20.6	21.1	21.8
POL	6.9	7.5	7.1	8.0	8.0
Container	11.2	14.9	18.3	20.7	21.8
Crude	7.5	6.7	9.3	18.0	22.0
Coal	-	1.0	8.6	12.5	23.5
Total	40.3	51.7	64.0	80.3	97.1

Source: Company Data, PL Research

Port Capacity	Million Tonnes
Bulk	20
Container	30
Crude Oil	25
Coal	35
Total	110

Details of SEZ	Area (Acres)
Total Size of SEZ	32,000
Area in Possession	23,000
Notified Area	18,000

Summary of Valuations

	NAV/Share Rs.
Mundra Port	99
Value of 20 year extension	21
SEZ	13
Dahej Port (75% Stake)	4
Mormogao Port	2
Hazira Port	4
Abbot Point	13
Total NAV	156

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	14,955	20,001	32,708	40,142	51,509
Direct Expenses	3,789	5,321	9,015	8,940	10,404
<i>% of Net Sales</i>	<i>25.3</i>	<i>26.6</i>	<i>27.6</i>	<i>22.3</i>	<i>20.2</i>
Employee Cost	595	798	1,243	963	1,236
<i>% of Net Sales</i>	<i>4.0</i>	<i>4.0</i>	<i>3.8</i>	<i>2.4</i>	<i>2.4</i>
SG&A Expenses	1,129	888	1,797	3,613	4,636
<i>% of Net Sales</i>	<i>7.5</i>	<i>4.4</i>	<i>5.5</i>	<i>9.0</i>	<i>9.0</i>
Other Expenses	-	-	-	128	147
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.3</i>	<i>0.3</i>
EBITDA	9,443	12,994	20,653	26,499	35,086
<i>Margin (%)</i>	<i>63.1</i>	<i>65.0</i>	<i>63.1</i>	<i>66.0</i>	<i>68.1</i>
Depreciation	1,868	2,388	4,630	5,237	6,944
PBIT	7,575	10,606	16,022	21,262	28,142
Interest Expenses	559	880	4,796	8,326	8,861
PBT	7,336	10,036	11,822	13,387	20,041
Total tax	601	874	896	921	1,675
<i>Effective Tax rate (%)</i>	<i>8.2</i>	<i>8.7</i>	<i>7.6</i>	<i>6.9</i>	<i>8.4</i>
PAT	6,760	9,181	10,833	12,466	18,366
Extraordinary Gain/(Loss)	2	839	-	-	-
Adjusted PAT	6,758	8,342	10,833	12,466	18,366

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	4,007	4,007	4,007	4,007	4,007
Reserves & Surplus	11,882	19,381	27,397	35,856	49,213
Shareholder's Fund	34,510	41,871	49,886	58,345	71,702
Preference Share Capital	28	28	28	28	28
Total Debt	37,062	35,925	159,899	182,276	190,814
Other Liabilities(net)	7,211	7,108	7,108	7,108	7,108
Deferred Tax Liability	2,817	3,468	3,468	3,468	3,468
Total Liabilities	81,629	88,400	220,390	251,225	273,120
Gross Block	56,342	74,216	177,016	189,974	206,660
Less: Depreciation	7,842	10,708	15,784	21,021	27,966
Net Block	48,500	63,508	161,232	168,953	178,694
Capital Work in Progress	19,183	21,174	35,750	55,000	50,000
Cash & Cash Equivalent	12,216	3,181	19,189	21,834	36,997
Total Current Assets	17,191	9,433	29,390	32,401	48,567
Total Current Liabilities	5,494	6,786	8,148	9,794	12,807
Net Current Assets	11,698	2,647	21,242	22,606	35,760
Other Assets	30	404	-	-	-
Total Assets	81,629	88,400	220,390	251,225	273,120

Source: Company Data, PL Research

MID-CAP

Margins – Worst behind us: With ~40% of loan book fixed (Fix-O-Floaty + Advantage 5), built over FY10-11, and contractions in builder portfolio, spreads have come off drastically. With ~Rs90bn of upward repricing in FY13 from the 'Fix-O-Floaty' portfolio and ramp up again in the builder portfolio, we expect margins to improve to ~2.7% from 2.4% in FY12. "New freedom" floating rate offering at ~10.4% is only till June 2012, after which rates will revert back to +11% and hence, we do not expect negative impact on margins in FY13.

Strong growth + Consistent asset quality: LICHF's market share has increased from 6% to 9% in mortgages, with strong distribution from parent LIC and we expect faster-than-system growth to continue. LICHF has been consistently gaining market share over the last 4-5 yrs, with growth at >2x industry levels over FY08-11. Though maintaining 2x system growth at the current base is unlikely, we expect LICHF to continue to deliver above industry growth of 22-24% in individual mortgages over the next 2-3 years. Credit costs have been volatile in FY12 mainly due to regulatory provisioning requirements. With improving margins/ROAs and stable asset quality, we expect ~30% EPS growth over FY12- 14 and that will drive the valuations higher.

Compares well v/s HDFC: LICHF has caught up with HDFC on many operating metrics like asset quality, cost structure, size to some extent and more importantly on adjusted ROEs. Growth profile continues to remain stronger than HDFC. The big differentiator still remains the consistency in profitability and more importantly margins which continue to remain volatile for LICHF. We, thus, believe LICHF will continue to narrow the valuation gap with HDFC and is our preferred mortgage play.

Outlook and Valuations: We have a BUY on the company with a target price of Rs 340, implying an upside of 46.0% and FY13 P/B 2.4x.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net interest income	8,939	14,144	13,916	18,990	24,002
<i>Growth (%)</i>	<i>19.2</i>	<i>58.2</i>	<i>-1.6</i>	<i>36.5</i>	<i>26.4</i>
PPP	8,819	15,548	13,870	19,055	24,123
PAT	6,622	9,745	9,142	13,396	16,974
EPS (Rs)	13.9	20.5	18.1	24.5	31.1
<i>Growth (%)</i>	<i>11.4</i>	<i>47.2</i>	<i>-11.8</i>	<i>35.4</i>	<i>26.7</i>
Net DPS (Rs)	3.0	3.5	3.6	4.2	6.2

Source: Company Data, PL Research

Profitability & valuation

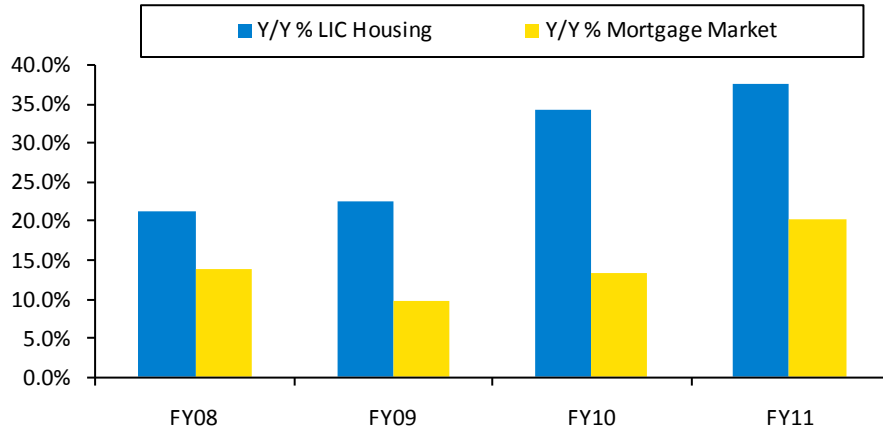
Y/e March	FY10	FY11	FY12	FY13E	FY14E
NIM (%)	98.7	109.9	99.7	100.3	100.5
RoE (%)	23.6	25.8	18.6	19.8	20.0
RoA (%)	2.0	2.2	1.7	2.0	2.0
P / BV (x)	3.3	2.7	2.1	1.6	1.4
P / ABV (x)	3.3	2.7	2.1	1.7	1.4
PE (x)	16.7	11.3	12.9	9.5	7.5
Net dividend yield (%)	1.3	1.5	1.5	1.8	2.7

Source: Company Data, PL Research

Stock Performance

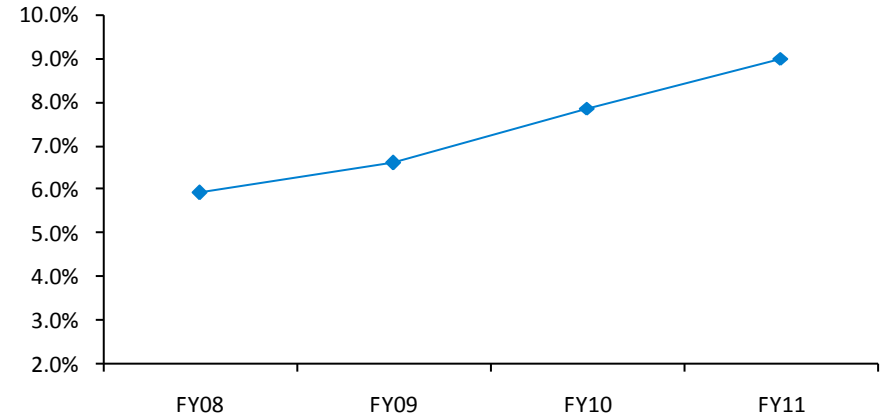
(%)	1M	6M	12M
Absolute	(8.6)	(0.1)	2.2
Relative to Sensex	(3.8)	4.6	15.0

LIC's growth much higher than overall mortgage growth



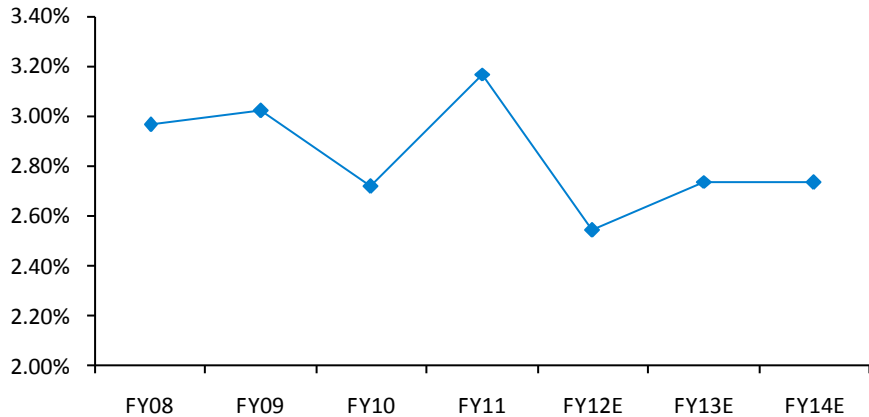
Source: Company Data, PL Research

Strong improvement in market share in mortgages



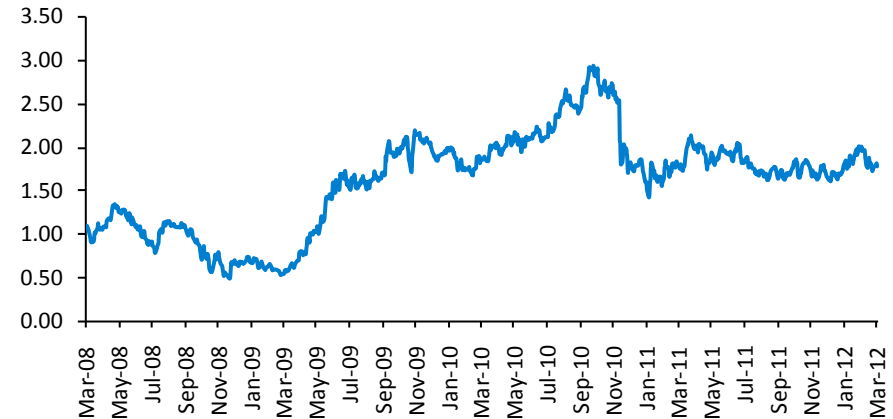
Source: Company Data, PL Research

Margins to pick up in FY13



Source: Company Data, PL Research

P/BV: We expect further re-rating from here on



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Int. Inc. / Operating Inc.	32,897	45,121	59,827	74,696	89,795
Interest Expenses	23,957	30,977	45,911	55,706	65,793
Net interest income	8,939	14,144	13,916	18,990	24,002
<i>Growth (%)</i>	<i>19.2</i>	<i>58.2</i>	<i>(1.6)</i>	<i>36.5</i>	<i>26.4</i>
Non interest income	1,795	3,567	2,324	2,852	3,434
<i>Growth (%)</i>	<i>31.4</i>	<i>98.7</i>	<i>(34.8)</i>	<i>22.7</i>	<i>20.4</i>
Net operating income	10,735	17,710	16,241	21,842	27,436
Expenditure					
Employees	485	681	724	833	975
Other expenses	1,367	1,419	1,572	1,872	2,248
Depreciation	64	62	74	82	90
Total expenditure	1,916	2,162	2,371	2,787	3,312
PPP	8,819	15,548	13,870	19,055	24,123
<i>Growth (%)</i>	<i>20.4</i>	<i>76.3</i>	<i>(10.8)</i>	<i>37.4</i>	<i>26.6</i>
Provision	(284)	2,609	1,561	704	871
Other income	10	2	-	-	-
Exchange Gain / (Loss)	-	-	-	-	-
Profit before tax	9,113	12,942	12,309	18,351	23,252
Tax	2,491	3,197	3,167	4,955	6,278
<i>Effective tax rate (%)</i>	<i>27.3</i>	<i>24.7</i>	<i>25.7</i>	<i>27.0</i>	<i>27.0</i>
PAT	6,622	9,745	9,142	13,396	16,974
<i>Growth (%)</i>	<i>24.6</i>	<i>47.2</i>	<i>(6.2)</i>	<i>46.5</i>	<i>26.7</i>

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Sources of funds					
Equity	950	950	1,010	1,093	1,093
Reserves & Surplus	32,927	40,741	55,812	77,461	90,463
Networth	33,877	41,691	56,822	78,554	91,556
<i>Growth (%)</i>	<i>51.6</i>	<i>23.1</i>	<i>36.3</i>	<i>38.2</i>	<i>16.6</i>
Loan funds	347,582	451,628	555,972	675,104	846,125
<i>Growth (%)</i>	<i>36.7</i>	<i>29.9</i>	<i>23.1</i>	<i>21.4</i>	<i>25.3</i>
Others	-	-	-	-	-
Minority Interest	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
Total	381,458	493,319	612,795	753,658	937,681
Application of funds					
Net fixed assets	356	474	622	536	588
Advances	380,814	510,898	630,802	776,904	965,752
<i>Growth (%)</i>	<i>37.6</i>	<i>34.2</i>	<i>23.5</i>	<i>23.2</i>	<i>24.3</i>
Net current assets	(13,599)	(32,085)	(20,269)	(30,840)	(37,501)
Investments	13,887	14,032	1,640	7,059	8,842
<i>Growth (%)</i>	<i>23.0</i>	<i>1.0</i>	<i>(88.3)</i>	<i>330.4</i>	<i>25.3</i>
Other Assets	-	-	-	-	-
Total	381,458	493,319	612,795	753,658	937,681

Source: Company Data, PL Research

Dominant positioning in core MFD business: GSK enjoys dominant market share of ~70% (55% for Horlicks) in its core MFD business (category size of ~Rs35bn) which is under-penetrated (22% penetration, 11% in rural), driven by strong brand equity of Horlicks as well as growing awareness for Health and Nutrition products, which in-turn, is catalyzed by rising disposable income. We expect GSK to witness 9-10% volume CAGR in MFD driven by distribution expansion, increased penetration in rural markets and GSK's successful sub-segmentation strategy which is driving the premiumisation in core business.

Non-MFD business remains a mixed bag: GSK's attempts to diversify the revenue basket have not yielded spectacular gains so far. While Biscuits has remained confined to niche categories (<2% market share), GSK had to withdraw its Nutribar offering after it failed to gain traction. Similarly its foray into Noodles segment hasn't built scale. Recently, leveraging the equity of Horlicks, it entered into Rs2bn Oats category which is growing at 25% per annum. While there are many examples of successful umbrella branding (Colgate, Amul) we reckon stretching the equity of Horlicks runs the risk of diluting its core proposition. Successful execution and scale up are key parameters to monitor. Non-MFD bucket remains insignificant as yet (6% of sales) to impact the overall business either ways.

19% EPS CAGR for CY11-14e: We expect GSK to register steady 17.5% sales growth driven by MFD business. We are building in marginal 40bps expansion in operating margins as we expect GSK to pass input cost inflation to consumers. GSK has been re-rated in the last three years owing to its healthy volume growth in MFD segment and preference for safe havens in risk-averse market. We value GSK at a rolling forward 12-month P/E of 25x to arrive at our May 2013 target price of Rs3200, an upside of 18%. Spike in input costs, rising competition in core MFD category and failure of new launches are the key risks.

Key Financials (Rs m)

Y/e Dec	CY09	CY10	CY11	CY12E	CY13E
Revenue (Rs m)	19,864	23,800	27,798	32,633	38,565
<i>Growth (%)</i>	<i>22.7</i>	<i>19.8</i>	<i>16.8</i>	<i>17.4</i>	<i>18.2</i>
EBITDA (Rs m)	3,754	4,506	5,193	6,141	7,274
PAT (Rs m)	2,328	2,998	3,552	4,275	5,046
EPS (Rs)	55.4	71.3	84.5	101.6	120.0
<i>Growth (%)</i>	<i>23.5</i>	<i>28.8</i>	<i>18.5</i>	<i>20.3</i>	<i>18.0</i>
Net DPS (Rs)	18.0	50.0	35.0	45.7	54.0

Source: Company Data, PL Research

Profitability & valuation

Y/e Dec	CY09	CY10	CY11	CY12E	CY13E
EBITDA margin (%)	18.9	18.9	18.7	18.8	18.9
RoE (%)	27.9	32.2	33.8	34.3	34.4
RoCE (%)	28.3	32.3	34.0	34.5	34.6
EV / sales (x)	5.8	4.8	4.1	3.5	3.0
EV / EBITDA (x)	30.6	25.5	22.1	18.7	15.8
PER (x)	49.5	38.4	32.4	26.9	22.8
P / BV (x)	12.7	12.0	10.1	8.6	7.3
Net dividend yield (%)	0.7	1.8	1.3	1.7	2.0

Source: Company Data, PL Research

Stock Performance

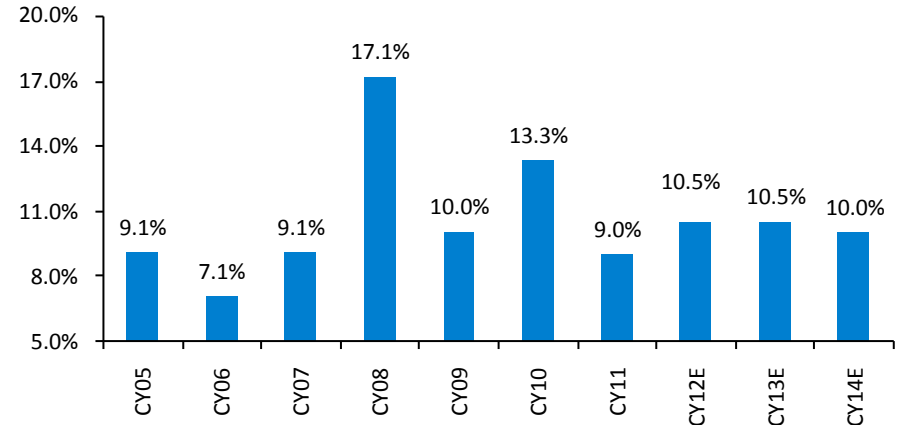
(%)	1M	6M	12M
Absolute	(0.9)	8.6	17.2
Relative to Sensex	3.9	13.2	30.1

Operating Metrics

Y/e Dec	CY09	CY10	CY11	CY12E	CY13E
Tonnage (MT)	22.7	19.8	16.8	17.4	18.2
Realization / kg	63.0	62.2	61.8	62.0	61.5
Recipe cost / kg	18.9	18.9	18.7	18.8	18.9
Standalone - Rev. (Rs m)	10.0	13.3	9.0	10.5	10.5

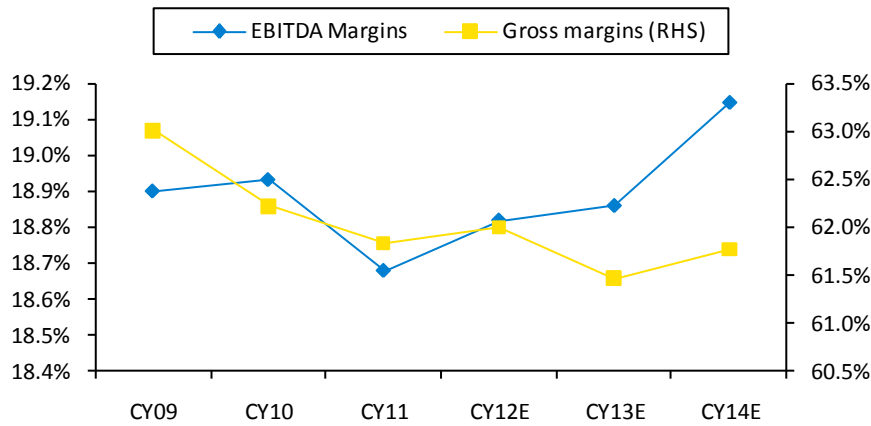
Source: Company Data, PL Research

Volume growth in MFD



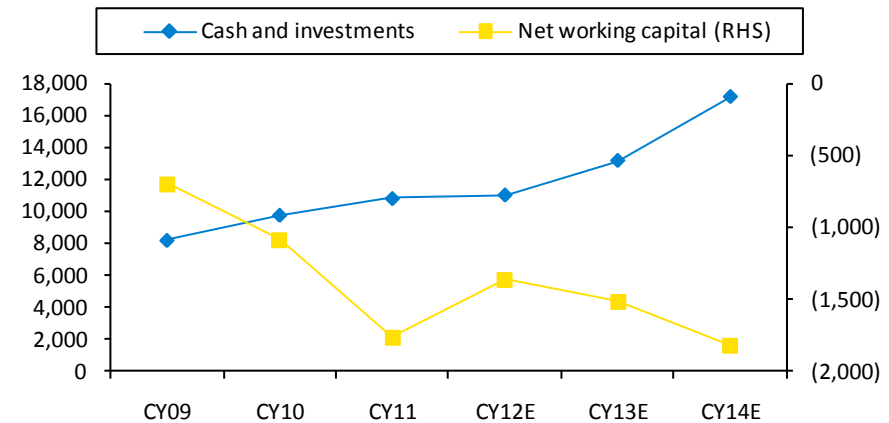
Source: Company Data, PL Research

We expect 40bps expansion in op margins over CY11-14E



Source: Company Data, PL Research

Robust cash rich balance sheet



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e Dec	CY09	CY10	CY11	CY12E	CY13E
Net Revenue	19,864	23,800	27,798	32,633	38,565
Direct Expenses	8,426	10,226	11,889	14,099	16,837
<i>% of Net Sales</i>	<i>42.4</i>	<i>43.0</i>	<i>42.8</i>	<i>43.2</i>	<i>43.7</i>
Employee Cost	2,007	2,297	2,584	3,165	3,664
<i>% of Net Sales</i>	<i>10.1</i>	<i>9.7</i>	<i>9.3</i>	<i>9.7</i>	<i>9.5</i>
SG&A Expenses	5,279	6,363	7,619	8,639	10,096
<i>% of Net Sales</i>	<i>26.6</i>	<i>26.7</i>	<i>27.4</i>	<i>26.5</i>	<i>26.2</i>
Other Expenses	397	408	515	587	694
<i>% of Net Sales</i>	<i>2.0</i>	<i>1.7</i>	<i>1.9</i>	<i>1.8</i>	<i>1.8</i>
EBITDA	3,754	4,506	5,193	6,141	7,274
<i>Margin (%)</i>	<i>18.9</i>	<i>18.9</i>	<i>18.7</i>	<i>18.8</i>	<i>18.9</i>
Depreciation	420	397	460	556	698
PBIT	3,334	4,109	4,733	5,585	6,575
Interest Expenses	40	26	35	40	45
PBT	3,539	4,518	5,403	6,387	7,540
Total tax	1,211	1,520	1,851	2,113	2,494
<i>Effective Tax rate (%)</i>	<i>34.2</i>	<i>33.6</i>	<i>34.3</i>	<i>33.1</i>	<i>33.1</i>
PAT	2,328	2,998	3,552	4,275	5,046
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	2,328	2,998	3,552	4,275	5,046

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e Dec	CY09	CY10	CY11	CY12E	CY13E
Share Capital	421	421	421	421	421
Reserves & Surplus	8,630	9,180	11,021	13,045	15,435
Shareholder's Fund	9,051	9,600	11,442	13,466	15,855
Preference Share Capital	-	-	-	-	-
Total Debt	-	-	-	-	-
Other Liabilities (net)	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	9,051	9,600	11,442	13,466	15,855
Gross Block	5,585	5,990	6,367	8,867	10,367
Less: Depreciation	3,640	3,967	4,360	4,916	5,614
Net Block	1,945	2,023	2,007	3,951	4,752
Capital Work in Progress	378	1,083	1,711	1,711	1,711
Cash & Cash Equivalent	8,198	9,761	10,797	11,022	13,169
Total Current Assets	3,897	4,641	6,146	6,647	7,693
Total Current Liabilities	5,111	8,004	9,376	9,743	11,411
Net Current Assets	(1,214)	(3,363)	(3,230)	(3,096)	(3,718)
Other Assets	110	267	399	399	399
Total Assets	9,051	9,600	11,442	13,466	15,855

Source: Company Data, PL Research

Beneficiary of a moderating rate cycle: Yes Bank is a wholesale fund bank and margins have been under pressure due to high rates. With RBI delivering a surprise ~50bps cut and wholesale rates cooling off, we believe margins will inch up for Yes in FY13.

Asset quality continues to remain robust: Delinquency and credit costs continue to remain low and Yes bank's involvement in CDR cases seem very low and hence, asset quality will continue to surprise positively. We, thus, believe market expectations of 60-70bps credit costs in FY13 may not materialize leading to positive earnings surprise.

SA momentum strong: Liability franchise has been a weak point for Yes but the SA de-regulation was a shot in the arm. Q3FY12 has seen significant momentum in SA account accretion and we expect the build up to continue in Q4FY12 and into FY13.

Valuations and stock view: Robust asset quality and improving liability franchise will lead to further re-rating. The stock is trading at 2.0x FY13 book, we believe valuations are very reasonable. We expect a PT of Rs450/share over next 6-12mnts.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net interest income	7,879	12,469	16,156	21,486	27,534
<i>Growth (%)</i>	<i>54.7</i>	<i>58.3</i>	<i>29.6</i>	<i>33.0</i>	<i>28.1</i>
Operating profit	8,633	11,904	15,602	21,140	27,295
PAT	4,778	7,271	9,970	12,176	15,476
EPS (Rs)	14.1	20.9	28.2	34.5	43.8
<i>Growth (%)</i>	<i>37.4</i>	<i>48.9</i>	<i>34.8</i>	<i>22.1</i>	<i>27.1</i>
Net DPS (Rs)	1.5	2.5	3.4	4.4	5.4

Source: Company Data, PL Research

Profitability & valuation

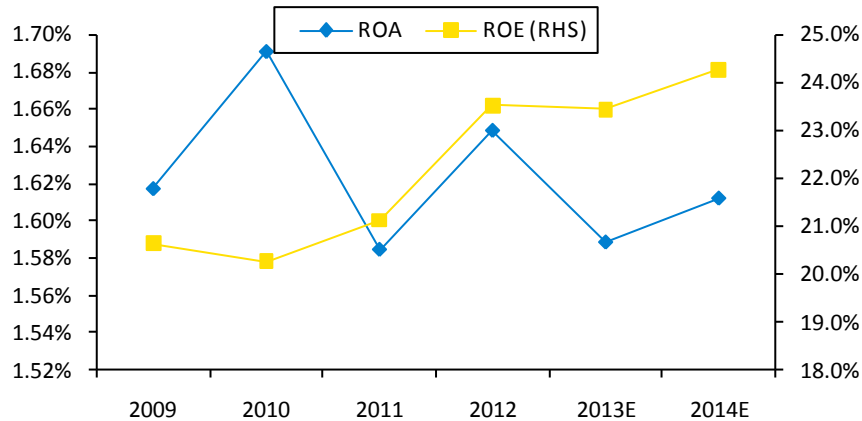
Y/e March	FY10	FY11	FY12	FY13E	FY14E
NIM (%)	109.6	95.5	96.6	98.4	99.1
RoAE (%)	20.3	21.1	23.5	23.4	24.3
RoAA (%)	1.6	1.5	1.5	1.5	1.5
P / BV (x)	3.5	3.0	2.4	2.0	1.6
P / ABV (x)	3.5	3.0	2.4	2.0	1.6
PE (x)	22.9	15.4	11.4	9.3	7.4
Net dividend yield (%)	0.5	0.8	1.1	1.4	1.7

Source: Company Data, PL Research

Stock Performance

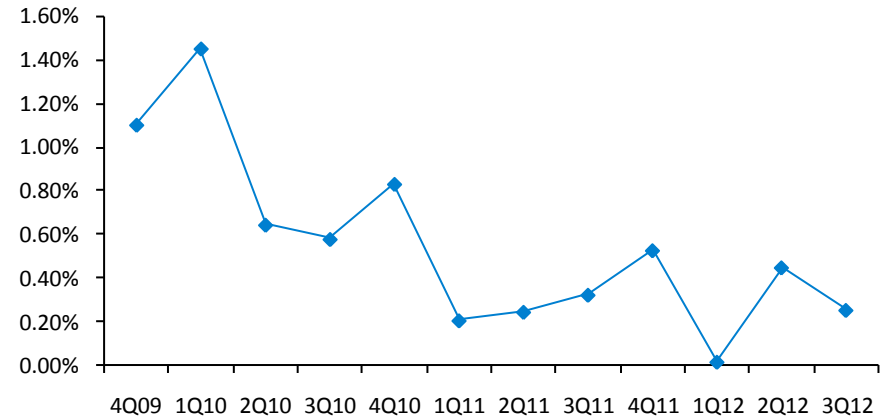
(%)	1M	6M	12M
Absolute	(3.4)	11.6	10.8
Relative to Sensex	1.5	16.3	23.6

Returns to sustain at high levels



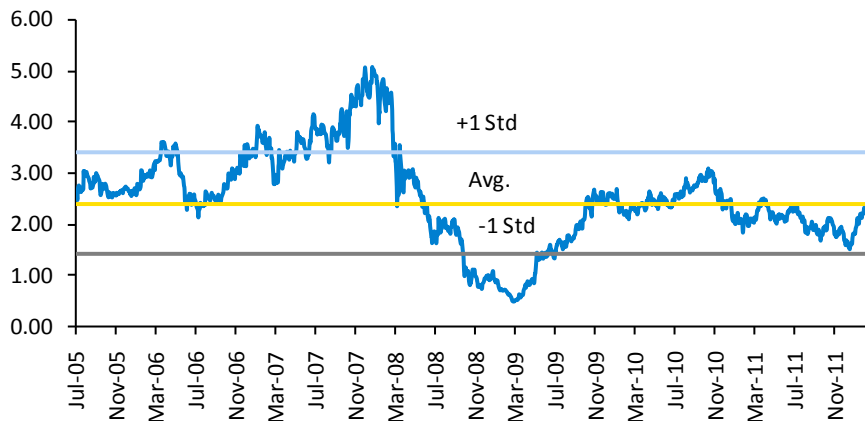
Source: Company Data, PL Research

Credit costs continues to remain low



Source: Company Data, PL Research

Price to Book



Source: Company Data, PL Research

RoE, combination of stable margin, low opex and credit costs

RoE Decomposition	FY10	FY11	FY12E	FY13E	FY14E
Net Interest Income/Assets	2.79%	2.72%	2.67%	2.80%	2.87%
Fees/Assets	1.69%	1.46%	1.42%	1.47%	1.55%
Investment profits/Assets	0.35%	-0.10%	0.03%	0.10%	0.10%
Net revenues/Assets	4.82%	4.08%	4.12%	4.38%	4.52%
Operating Expense/Assets	-1.77%	-1.48%	-1.54%	-1.62%	-1.68%
Provisions/Assets	-0.48%	-0.21%	-0.15%	-0.42%	-0.47%
Taxes/Assets	-0.88%	-0.80%	-0.78%	-0.75%	-0.76%
Total Costs/Assets	-3.13%	-2.49%	-2.47%	-2.79%	-2.91%
ROA	1.69%	1.58%	1.65%	1.59%	1.61%
Equity/Assets	8.34%	7.50%	7.00%	6.78%	6.64%
ROE	20.3%	21.1%	23.5%	23.4%	24.3%
RORWA	2.17%	2.12%	2.14%	2.15%	2.11%

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Int. Earned from Adv.	17,715	29,891	44,268	52,100	65,448
Int. Earned from Invt.	5,859	10,273	18,470	24,081	27,822
Others	-	-	-	-	-
Total Interest Income	23,696	40,417	63,074	76,617	93,733
Interest expense	15,817	27,948	46,917	55,131	66,199
NII	7,879	12,469	16,156	21,486	27,534
<i>Growth (%)</i>	<i>54.7</i>	<i>58.3</i>	<i>29.6</i>	<i>33.0</i>	<i>28.1</i>
Treasury Income	986	(464)	200	800	1,000
NTNII	4,769	6,696	8,571	11,250	14,851
Non Interest Income	5,755	6,233	8,771	12,050	15,851
Total Income	29,451	46,650	71,845	88,667	109,584
<i>Growth (%)</i>	<i>20.8</i>	<i>58.4</i>	<i>54.0</i>	<i>23.4</i>	<i>23.6</i>
Operating Expense	5,001	6,798	9,325	12,396	16,090
Operating Profit	8,633	11,904	15,602	21,140	27,295
<i>Growth (%)</i>	<i>63.6</i>	<i>37.9</i>	<i>31.1</i>	<i>35.5</i>	<i>29.1</i>
NPA Provisions	1,264	914	902	3,187	4,477
Investment Provisions	154	(72)	-	-	-
Total Provisions	1,368	982	902	3,187	4,477
PBT	7,265	10,922	14,700	17,953	22,819
Tax Provisions	2,487	3,650	4,730	5,777	7,343
<i>Effective Tax Rate (%)</i>	<i>34.2</i>	<i>33.4</i>	<i>32.2</i>	<i>32.2</i>	<i>32.2</i>
PAT	4,778	7,271	9,970	12,176	15,476
<i>Growth (%)</i>	<i>57.2</i>	<i>52.2</i>	<i>37.1</i>	<i>22.1</i>	<i>27.1</i>

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Par Value	10	10	10	10	10
No. of equity shares	340	347	353	353	353
Equity	3,397	3,471	3,530	3,530	3,530
Networth	30,895	37,941	46,766	57,114	70,348
Adj. Networth	30,765	37,849	46,592	56,888	69,904
Deposits	267,985	459,389	491,517	609,425	809,730
<i>Growth (%)</i>	<i>65.7</i>	<i>71.4</i>	<i>7.0</i>	<i>24.0</i>	<i>32.9</i>
Low Cost deposits	28,180	47,509	73,939	109,697	161,946
<i>% of total deposits</i>	<i>10.5</i>	<i>10.3</i>	<i>15.0</i>	<i>18.0</i>	<i>20.0</i>
Total Liabilities	363,823	590,070	736,621	893,393	1,149,847
Net Advances	221,930	343,636	379,886	478,657	636,614
<i>Growth (%)</i>	<i>78.9</i>	<i>54.8</i>	<i>10.5</i>	<i>26.0</i>	<i>33.0</i>
Investments	102,099	188,288	277,574	317,051	386,908
Total Assets	363,823	590,070	736,621	893,393	1,149,847

Source: Company Data, PL Research

Strong visibility on volume expansion: Company's cement capacity would increase by ~37% or 5mtpa (2X2.5mtpa, first unit in June-2013) to 18.5mtpa by the end of March-2014 through brownfield expansion at Ras (Rajasthan). In addition to this, we expect ordering for 3mtpa green-field expansion at Chhattisgarh during the current financial year. The expansions broadly fall in line with company's targeted capacity of 25mtpa by FY2015 end. Strong cash flow generation and zero net debt profile would aid company in funding this expansions.

Presence in stable and balanced markets: SRCM's entire despatches come from relatively stable Northern and Central regions. Utilisation levels in these regions (including East) are way ahead of the national average as well as threshold levels, coupled with better demand growth and lower capacity addition. Hence, it would benefit SRCM with strong prices and higher operating rates on expanded volumes.

Structural beneficiary of shrinkage in domestic coal supplies: SRCM meets its entire fuel requirement through imported coal/pet coke. Coupled with continuous cut in legacy coal linkages and price increases by Coal India, the availability of cheaper domestic coal under linkage came down significantly to all top producers. Shree cement would stand as the major beneficiary of this structural shift given its 100% dependence on imported coal/pet coke.

Valuations attractive, maintain 'BUY': Stock price corrected by ~25% during last two months for no specific reason. At CMP, stock trades at attractive valuations of EV/Tonne at US\$72 and EV/EBITDA at 4.5x FY14E. We reiterate our 'BUY' rating with TP of Rs2,980, valued cement biz at EV/EBITDA of 6x FY14E and power biz at P/BV of 0.5x FY14E BV.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	36,321	35,119	46,624	56,006	63,636
<i>Growth (%)</i>	<i>33.8</i>	<i>(3.3)</i>	<i>32.8</i>	<i>20.1</i>	<i>13.6</i>
EBITDA (Rs m)	14,919	8,812	12,789	14,393	20,466
PAT (Rs m)	7,395	2,582	4,176	5,677	11,691
EPS (Rs)	212.3	74.1	119.9	163.0	335.6
<i>Growth (%)</i>	<i>21.5</i>	<i>(65.1)</i>	<i>61.8</i>	<i>35.9</i>	<i>105.9</i>
Net DPS (Rs)	13.0	14.0	16.0	18.0	22.0

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	41.1	25.1	27.4	25.7	32.2
RoE (%)	48.6	13.5	19.4	22.0	36.7
RoCE (%)	24.6	9.4	13.6	16.4	27.5
EV / sales (x)	2.3	2.4	1.8	1.4	1.2
EV / EBITDA (x)	5.6	9.7	6.4	5.6	3.7
PER (x)	11.1	31.8	19.7	14.5	7.0
P / BV (x)	4.5	4.1	3.5	2.9	2.3
Net dividend yield (%)	0.6	0.6	0.7	0.8	0.9

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(13.7)	9.9	31.3
Relative to Sensex	(8.9)	14.6	44.1

Y/e March	FY08	FY10	FY11	FY12	FY13E	FY14E
Volume (mn te)-Cement	8.4	10.2	10.3	11.5	12.3	13.9
Volume (mn units)-Power	117	264	621	1,249	2,296	2,441
Net Realisations (Rs/te)	3,118	3,372	3,114	3,615	3,791	3,881
Realised rate (Rs/unit)	6.9	6.7	5.1	4.0	4.0	4.0
Cement EBITDA (Rs/te)	1,063	1,355	742	1,026	1,053	1,105
Raw material cost (Rs/te)	317	345	395	411	419	444
Power & Fuel cost (Rs/te)	717	590	733	787	779	774
Freight cost (Rs/te)	449	492	452	483	537	563

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	36,321	35,119	46,624	56,006	63,636
Direct Expenses	10,463	14,743	19,478	24,552	27,153
<i>% of Net Sales</i>	28.8	42.0	41.8	43.8	42.7
Employee Cost	1,586	1,985	2,482	2,978	-
<i>% of Net Sales</i>	4.4	5.7	5.3	5.3	0.0
SG&A Expenses	6,298	6,141	7,642	9,105	10,436
<i>% of Net Sales</i>	17.3	17.5	16.4	16.3	16.4
Other Expenses	3,055	3,438	4,233	4,977	5,581
<i>% of Net Sales</i>	8.4	9.8	9.1	8.9	8.8
EBITDA	14,919	8,812	12,789	14,393	20,466
<i>Margin (%)</i>	41.1	25.1	27.4	25.7	32.2
Depreciation	5,704	6,758	6,531	6,519	6,401
PBIT	9,214	2,055	6,258	7,874	14,064
Interest Expenses	1,185	1,709	2,040	2,071	1,990
PBT	8,679	1,103	4,971	6,924	13,474
Total tax	1,918	(994)	895	1,247	1,783
<i>Effective Tax rate (%)</i>	22.1	(90.0)	18.0	18.0	13.2
PAT	6,761	2,097	4,076	5,677	11,691
Extraordinary Gain/(Loss)	(634)	(485)	(100)	-	-
Adjusted PAT	7,395	2,582	4,176	5,677	11,691

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	348	348	348	348	348
Reserves & Surplus	17,984	19,513	22,941	27,889	35,116
Shareholder's Fund	18,332	19,862	23,290	28,238	35,464
Preference Share Capital	-	-	-	-	-
Total Debt	21,062	20,079	18,279	16,479	14,679
Other Liabilities (net)	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	39,395	39,941	41,569	44,717	50,143
Gross Block	29,509	40,421	54,921	57,021	75,021
Less: Depreciation	21,989	28,750	35,281	41,800	48,201
Net Block	7,520	11,671	19,640	15,221	26,819
Capital Work in Progress	9,674	10,278	2,030	10,760	90
Cash & Cash Equivalent	20,086	16,573	18,706	17,618	21,963
Total Current Assets	31,744	26,353	29,540	30,149	35,758
Total Current Liabilities	9,667	9,084	10,463	12,373	13,682
Net Current Assets	22,077	17,269	19,077	17,776	22,076
Other Assets	124	723	822	960	1,158
Total Assets	39,395	39,941	41,569	44,717	50,143

Source: Company Data, PL Research

Strong dividend yield, negligible downside: We are turning positive on SJVN, primarily on the pretext of the deteriorating thermal power scenario, volatile market conditions and the company being the highest dividend yield (5-6%) play. The company has a sound operating history and some near-term triggers which will give an impetus to the earnings growth. We expect an EPS and book value CAGR of 7% and 9%, respectively, over FY12E-15E.

Capacity addition of 27% to the present capacity by FY15E: SJVN's current operational landmark, the 1500MW Nathpa Jhakri Hydroelectric Project (NJHEP) on the river Sutlej, is running at an average plant availability factor of 99-100% during FY11-12E (which is above the normative benchmark of 82%) and thus, has surpassed MOU targets. The company is now expected to commission the 412MWs' Rampur project (located downstream to NJHEP) by FY15E and is likely to commence another 50MW wind project during the same period. Post that, an additional capacity of nearly 1.3GWs is expected to come in by FY21E.

Annuity-based sales guarantee ROE: NJHEP plant operates under the CERC norms and is entitled to earn ROE of 15.5% on the regulated equity of Rs41bn plus incentives based on the upside from good monsoons which aid ROEs by at least 4-5%. We expect the total returns to grow to Rs10.5bn in FY15E from Rs8.8bn in FY12E.

Valuation and Recommendation: SJVN is a relatively steady and safe bet on account of a proven track record in terms of operations, a small but reliable capacity addition and a superior dividend yield of 5-6%. The company trades at 0.8x FY14E which is at par with NHPC's (Accumulate, TP Rs24) current valuations but below NTPC and Private IPPs. In the absence of any convincing sustainable story in the thermal sector, we turn positive on the hydro sector and thus initiate on SJVN with a 'BUY'.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	17,697	18,127	19,929	20,290	23,735
<i>Growth (%)</i>	<i>0.6</i>	<i>2.4</i>	<i>9.9</i>	<i>1.8</i>	<i>17.0</i>
EBITDA (Rs m)	15,916	16,108	17,771	18,002	20,988
PAT (Rs m)	8,600	9,700	10,931	11,051	12,882
EPS (Rs)	2.1	2.3	2.6	2.7	3.1
<i>Growth (%)</i>	<i>(16.0)</i>	<i>12.0</i>	<i>12.7</i>	<i>1.1</i>	<i>16.6</i>
Net DPS (Rs)	0.8	0.8	1.0	1.0	1.1

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	89.9	88.9	89.2	88.7	88.4
RoE (%)	13.5	14.0	14.5	13.5	14.5
RoCE (%)	10.7	11.3	11.4	11.0	11.4
EV / sales (x)	4.4	4.1	3.7	3.5	3.2
EV / EBITDA (x)	4.9	4.6	4.2	3.9	3.6
PER (x)	9.0	8.0	7.1	7.0	6.0
P / BV (x)	1.2	1.1	1.0	0.9	0.8
Net dividend yield (%)	4.2	4.3	5.1	5.1	6.0

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(1.8)	(8.1)	(12.1)
Relative to Sensex	3.0	(3.4)	0.7

Operating Metrics

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Units Sold Mus	5,904	6,220	6,643	6,652	7,517
Capacity MWs	1,500	1,500	1,500	1,500	1,757
Realisation Rs/unit	2.8	2.6	3.0	3.1	3.2

Source: Company Data, PL Research

NJHEP - high on perfection

Plant	Capacity MWs	Regulated Equity (Rs bn)	Debt o/s FY13E (Rs bn)	ROE%
Nathpa Jhakri	1500	41.4	3	21-22%

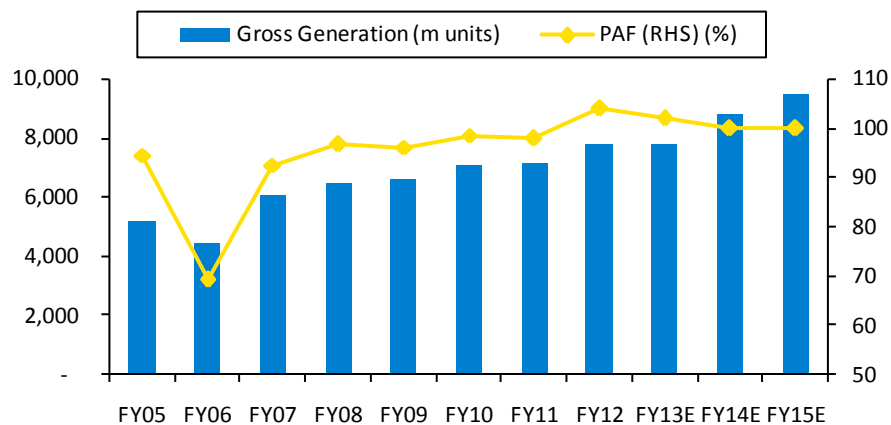
Source: Company Data, PL Research

Rampur Project - 412MW (Rs bn)

Project Cost	20.5
Revised Project Cost	24.7
Contractor for civil works	Patel Engineering
Electro-mechanical works	BHEL
COD (Est. by Co)	FY14E

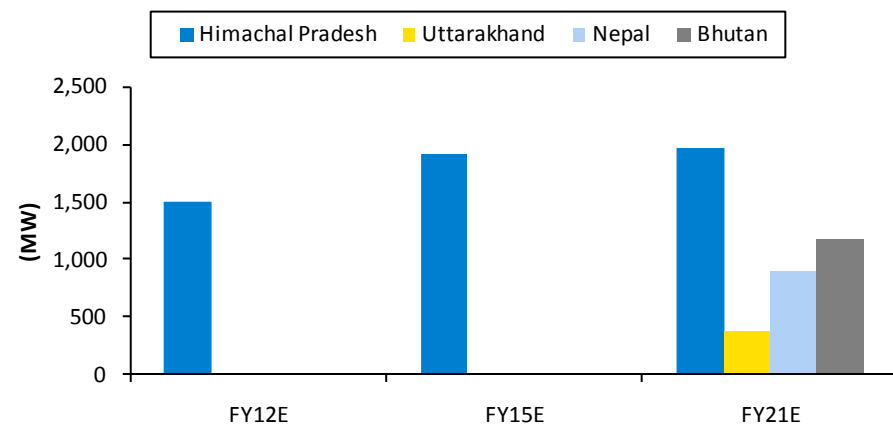
Source: Company Data, PL Research

Generation currently at its peak, should remain so



Source: Company Data, PL Research

Geographical break-up of future capacities



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	17,697	18,127	19,929	20,290	23,735
Direct Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Employee Cost	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
SG&A Expenses	1,781	2,018	2,157	2,287	2,747
<i>% of Net Sales</i>	<i>10.1</i>	<i>11.1</i>	<i>10.8</i>	<i>11.3</i>	<i>11.6</i>
Other Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
EBITDA	15,916	16,108	17,771	18,002	20,988
<i>Margin (%)</i>	<i>89.9</i>	<i>88.9</i>	<i>89.2</i>	<i>88.7</i>	<i>88.4</i>
Depreciation	4,333	4,442	4,420	4,473	4,744
PBIT	11,584	11,666	13,352	13,529	16,244
Interest Expenses	1,729	1,584	900	1,190	1,414
PBT	10,175	11,556	14,622	14,540	16,730
Total tax	447	2,441	3,655	3,490	3,848
<i>Effective Tax rate (%)</i>	<i>4.4</i>	<i>21.1</i>	<i>25.0</i>	<i>24.0</i>	<i>23.0</i>
PAT	9,727	9,115	10,966	11,051	12,882
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	8,600	9,700	10,931	11,051	12,882

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	41,088	41,366	41,366	41,366	41,366
Reserves & Surplus	25,450	30,689	37,017	43,533	51,128
Shareholder's Fund	66,538	72,055	78,384	84,899	92,495
Preference Share Capital	-	-	-	-	-
Total Debt	16,819	17,539	18,000	17,869	29,768
Other Liabilities(net)	8,494	8,494	8,494	8,494	8,494
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	91,850	98,088	104,878	111,262	130,757
Gross Block	86,549	87,949	88,149	88,349	98,599
Less: Depreciation	17,205	21,743	26,162	30,635	35,379
Net Block	69,344	66,206	61,986	57,713	63,219
Capital Work in Progress	9,947	14,056	21,412	30,412	35,754
Cash & Cash Equivalent	15,424	20,638	21,685	24,685	32,500
Total Current Assets	24,903	30,332	36,663	40,142	50,830
Total Current Liabilities	12,541	13,203	15,283	16,705	18,646
Net Current Assets	12,362	17,129	21,379	23,437	32,184
Other Assets	197	697	100	(300)	(400)
Total Assets	91,850	98,088	104,878	111,262	130,757

Source: Company Data, PL Research

Earning from stable urea business to continue: We believe that RoE-linked urea earning is likely to be stable, going forward. Global urea prices (FoB) are hovering to >US\$500/MT at present v/s Chambal's FY12 accounting estimate of US\$415/MT. We believe that higher global urea prices are likely to benefit Chambal's de-bottlenecking capacity during FY13. We have considered US\$400/MT in our estimate on conservative basis. Further, company's urea Gadepan-I plant is fully depreciated and is likely to boost EBIT of urea business by ~Rs0.5b during FY13.

Urea policy announcement, if any... could be upside trigger to our TP: According to Media/Industry sources, government is likely to come out with modified NPS-III policy for urea (instead of NBS). Under Modified NPS-III policy, company is likely to get Rs350/MT additional fixed cost reimbursement. Hence, we believe that Chambal's EPS could upgrade by Rs1/Share (i.e.12% of FY13E EPS). It could be upside trigger to our estimate.

IT business is likely to show improved picture: Chambal's IT business is operating at ~US\$1.5m-2m loss/quarter at present. Hence, we are assuming EBIT loss of Rs0.3bn in FY13 considering the present run-rate (v/s Rs1.1bn and Rs0.7bn in FY11 and FY12, respectively). Management has indicated that IT business should show breakeven at EBITDA level during FY13.

Favorable Risk-Reward: We expect Chambal's EPS to grow by FY12-14 CAGR of 10.9% (v/s 10.8% in FY05-12). Chambal's stock price has been corrected ~25% in the past three months. We believe that stock valuation has been reasonable post correction and is providing good medium-term investment opportunity (six months). At present, stock is trading at one-year forward P/E of 8.7x (v/s trading range of 6x-13x for the past ten years). We recommend 'BUY' on the stock with a TP of Rs83 (10x FY13E EPS). **Any positive policy outcome could be an upside to our TP. Stock has dividend yield of 2.7% at CMP.**

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	41,942	57,798	75,584	65,657	66,676
<i>Growth (%)</i>	<i>(26.0)</i>	<i>37.8</i>	<i>30.8</i>	<i>(13.1)</i>	<i>1.6</i>
EBITDA (Rs m)	7,567	7,863	9,190	8,948	9,435
PAT (Rs m)	2,448	2,470	3,301	3,440	4,057
EPS (Rs)	5.9	5.9	7.9	8.3	9.7
<i>Growth (%)</i>	<i>(0.3)</i>	<i>0.9</i>	<i>33.6</i>	<i>4.2</i>	<i>17.9</i>
Net DPS (Rs)	1.9	1.9	1.9	1.9	1.9

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	18.0	13.6	12.2	13.6	14.2
RoE (%)	18.0	16.4	20.1	18.8	19.2
RoCE (%)	7.0	6.9	5.4	8.5	10.4
EV / sales (x)	1.3	0.9	0.8	0.7	0.6
EV / EBITDA (x)	7.3	6.3	6.5	5.0	4.2
PER (x)	12.2	12.1	9.0	8.7	7.4
P / BV (x)	2.1	1.9	1.8	1.5	1.3
Net dividend yield (%)	2.6	2.6	2.6	2.6	2.6

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	1.9	(23.2)	(10.2)
Relative to Sensex	6.7	(18.6)	2.6

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Fertilizers Sales (Rs m)	22,408	24,142	29,901	31,670	32,163
Trading Sales (Rs m)	7,611	16,069	27,291	16,375	16,375
Shipping Sales (Rs m)	2,766	2,846	3,904	3,904	3,904
Fertilizers EBIT (%)	17.0	15.0	16.8	17.3	17.1
Trading EBIT (%)	2.9	5.8	6.1	6.0	6.0
Shipping EBIT (%)	20.7	19.2	(0.7)	0.7	2.8

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	41,942	57,798	75,584	65,657	66,676
Direct Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Employee Cost	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
SG&A Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other Expenses	34,374	49,935	66,394	56,708	57,241
<i>% of Net Sales</i>	<i>82.0</i>	<i>86.4</i>	<i>87.8</i>	<i>86.4</i>	<i>85.8</i>
EBITDA	7,567	7,863	9,190	8,948	9,435
<i>Margin (%)</i>	<i>18.0</i>	<i>13.6</i>	<i>12.2</i>	<i>13.6</i>	<i>14.2</i>
Depreciation	3,189	3,229	3,084	2,723	2,748
PBIT	4,378	4,634	6,106	6,225	6,687
Interest Expenses	888	1,137	1,298	1,419	1,100
PBT	3,215	3,433	3,083	4,806	5,586
Total tax	1,142	1,268	1,801	1,661	1,824
<i>Effective Tax rate (%)</i>	<i>35.5</i>	<i>36.9</i>	<i>58.4</i>	<i>34.6</i>	<i>32.6</i>
PAT	2,172	2,406	1,576	3,440	4,057
Extraordinary Gain/(Loss)	(275)	(65)	(1,725)	-	-
Adjusted PAT	2,448	2,470	3,301	3,440	4,057

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	4,162	4,162	4,162	4,162	4,162
Reserves & Surplus	9,395	10,625	11,876	14,391	17,523
Shareholder's Fund	14,358	15,761	17,012	19,526	22,658
Preference Share Capital	-	-	-	-	-
Total Debt	27,412	25,803	34,744	23,664	19,664
Other Liabilities (net)	478	452	664	664	664
Deferred Tax Liability	2,455	2,005	3,850	3,850	3,850
Total Liabilities	44,704	44,021	56,270	47,705	46,837
Gross Block	54,694	54,254	54,754	55,579	56,079
Less: Depreciation	24,580	26,787	29,871	32,594	35,342
Net Block	30,113	27,467	24,883	22,985	20,737
Capital Work in Progress	488	731	2,737	2,737	2,737
Cash & Cash Equivalent	2,649	6,165	4,797	8,760	9,954
Total Current Assets	16,740	20,725	37,104	29,791	31,237
Total Current Liabilities	6,558	7,840	11,662	11,016	11,082
Net Current Assets	10,182	12,885	25,442	18,775	20,154
Other Assets	3,290	2,937	3,207	3,207	3,207
Total Assets	44,704	44,021	56,270	47,705	46,837

Source: Company Data, PL Research

Fundamentals intact for the battery industry: We believe that the fundamentals of the battery industry remains strong and we continue to remain positive on both the battery companies. Post >25% YoY growth in FY10 and FY11 each, we expect strong traction in high margin replacement segment (with sufficient pass-on ability). Shift of shares from unorganized to organized within the replacement market due to obligation on Exide/ARBL to procure a worn-out battery (source of lead for unorganized segment) for every new battery sold. Shift to VRLA technology in two-wheeler batteries is difficult to manufacture for the unorganized players

Automotive Segment: 65% of automotive business comes from the replacement market in terms of volume and about 35% comes from OEMs. In revenue terms, it would be around 28% OEMs and the balance comes from the replacement markets. The replacement market includes two brand sales which are 'Amaron' and 'Power Zone' as well as some private label opportunities.

Industrial Battery segment volumes up 15%: Industrial segment registered a volume growth of 15%+ amidst very competitive market conditions. AMRJ has gained market share in the both the segments of Telecom and UPS. AMRJ has increased its market share to ~33% currently in UPS segment at the cost of the importers in the unorganised market. With China levying a 17.5% export tax on lead and lead products and rupee depreciating, it is unviable for the traders to import the UPS batteries. This, together with higher demand in the commercial UPS segment, augurs well for AMRJ.

Telecom vertical to grow at 6-8% CAGR over next three years: Overall, the Telecom Operators and Service Providers have shifted to one-on-one negotiations with reliable vendors as against the earlier followed norm of reverse auction mechanism, where the lowest bidders used to get the orders.

Strong balance sheet to support higher valuations: The current valuation seems attractive, given the strong balance sheet, with return ratios in excess of 28% and earnings CAGR of 14.2% for FY12- FY14E. We maintain our '**Accumulate**' call on the stock.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	14,666	17,634	23,711	27,182	30,564
<i>Growth (%)</i>	<i>11.1</i>	<i>20.2</i>	<i>34.5</i>	<i>14.6</i>	<i>12.4</i>
EBITDA (Rs m)	2,895	2,597	3,578	4,221	4,840
PAT (Rs m)	1,550	1,474	2,152	2,531	2,911
EPS (Rs)	18.1	17.3	25.2	29.6	34.1
<i>Growth (%)</i>	<i>92.6</i>	<i>(4.9)</i>	<i>46.0</i>	<i>17.6</i>	<i>15.0</i>
Net DPS (Rs)	5.8	9.2	7.6	8.0	8.8

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	19.7	14.7	15.1	15.5	15.8
RoE (%)	32.7	24.8	29.9	28.8	27.3
RoCE (%)	24.1	21.7	26.5	26.3	25.8
EV / sales (x)	1.8	1.5	1.1	0.9	0.8
EV / EBITDA (x)	8.9	10.0	7.0	5.8	4.9
PER (x)	16.5	17.3	11.9	10.1	8.8
P / BV (x)	4.7	4.0	3.2	2.6	2.2
Net dividend yield (%)	1.9	3.1	2.5	2.7	2.9

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	2.2	35.8	41.0
Relative to Sensex	7.0	40.4	53.9

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	14,666	17,634	23,711	27,182	30,564
Direct Expenses	9,383	12,230	16,735	19,006	21,369
<i>% of Net Sales</i>	<i>64.0</i>	<i>69.4</i>	<i>70.6</i>	<i>69.9</i>	<i>69.9</i>
Employee Cost	624	885	1,003	1,142	1,223
<i>% of Net Sales</i>	<i>4.3</i>	<i>5.0</i>	<i>4.2</i>	<i>4.2</i>	<i>4.0</i>
SG&A Expenses	1,705	1,851	2,347	2,732	3,041
<i>% of Net Sales</i>	<i>11.6</i>	<i>10.5</i>	<i>9.9</i>	<i>10.1</i>	<i>9.9</i>
Other Expenses	60	72	47	82	92
<i>% of Net Sales</i>	<i>0.4</i>	<i>0.4</i>	<i>0.2</i>	<i>0.3</i>	<i>0.3</i>
EBITDA	2,895	2,597	3,578	4,221	4,840
<i>Margin (%)</i>	<i>19.7</i>	<i>14.7</i>	<i>15.1</i>	<i>15.5</i>	<i>15.8</i>
Depreciation	429	417	465	534	605
PBIT	2,466	2,180	3,113	3,687	4,235
Interest Expenses	68	30	41	39	30
PBT	2,426	2,204	3,187	3,778	4,345
Total tax	876	724	1,035	1,247	1,434
<i>Effective Tax rate (%)</i>	<i>36.1</i>	<i>32.9</i>	<i>32.5</i>	<i>33.0</i>	<i>33.0</i>
PAT	1,670	1,480	2,152	2,531	2,911
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	1,550	1,474	2,152	2,531	2,911
Operating Metrics					
Industrial Revenues	8,221	9,689	12,197	14,293	16,047
Automotive Revenues	9,458	11,313	15,345	18,457	20,778
Lead Prices (\$/ tonne)	2,000	2,400	2,400	2,300	2,400
Lead & Lead Alloys	6,969	9,313	12,760	14,889	16,774

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	171	171	171	171	171
Reserves & Surplus	5,266	6,288	7,744	9,478	11,512
Shareholder's Fund	5,436	6,459	7,914	9,648	11,682
Preference Share Capital	-	-	-	-	-
Total Debt	913	950	1,101	801	601
Other Liabilities(net)	-	-	-	-	-
Deferred Tax Liability	216	205	205	205	205
Total Liabilities	6,566	7,615	9,220	10,654	12,488
Gross Block	5,040	5,713	6,367	7,521	8,575
Less: Depreciation	1,887	2,304	2,769	3,303	3,907
Net Block	3,153	3,409	3,598	4,218	4,668
Capital Work in Progress	100	117	117	117	117
Cash & Cash Equivalent	785	563	1,715	1,993	2,606
Total Current Assets	6,342	7,419	9,684	11,068	12,698
Total Current Liabilities	3,191	3,491	4,369	4,939	5,183
Net Current Assets	3,152	3,928	5,314	6,128	7,515
Other Assets	-	-	-	-	-
Total Assets	6,566	7,615	9,220	10,654	12,491

Source: Company Data, PL Research

TTL – Size & agility and room for positive surprise: The company has niche presence in Travel, Transportation & Logistic (38% revenue). A specialized presence in the segments and small size gives room for strong growth. It is rated as one of the most preferred vendor in the space. We are factoring in modest growth expectation of 2.8% CQGR over the next five quarters, despite reporting strong growth of 10% CQGR over the last 11 quarters.

Insurance – IP led growth in non-life market: NIIT Tech derives ~36% of revenue from BFSI sector, led by 27% from Insurance. The company's IP (ROOM Solution) in general insurance gives them unique capability to drive growth ahead of peers. The revenue growth has been steady at 6.5% CQGR over the last seven quarters. We expect stronger growth for Insurance than overall growth, yielding positive surprise on operating margin.

Order Intake strength still not captured in growth: Revenue growth over the forward two quarters follows the trajectory of the order intake at the beginning of the period. Our analysis suggests that NIIT Tech, therefore, has a low downside risk because forward revenue forecasts does not exceed its current level of order intake grew by 70% YoY for FY12

Valuation and Recommendation – BUY with Target Price Rs 350: NIIT Tech is a unique IT services provider for TTL and Insurance sector (non-life) with a 28-year heritage. NIIT Tech is best positioned in the niche IT space to meet or exceed our above consensus forward estimates and grows faster than peers. With a P/E multiple of 6.5x, is at steep discount compared to the peer group, moreover with a predicted EPS growth CAGR of 16%, the valuation looks compelling.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	9,138	12,323	15,764	19,080	21,874
<i>Growth (%)</i>	<i>(6.8)</i>	<i>34.9</i>	<i>27.9</i>	<i>21.0</i>	<i>14.6</i>
EBITDA (Rs m)	1,889	2,404	2,683	3,079	3,549
PAT (Rs m)	1,263	1,821	1,956	2,289	2,653
EPS (Rs)	21.5	30.7	33.0	38.6	44.7
<i>Growth (%)</i>	<i>9.9</i>	<i>43.0</i>	<i>7.4</i>	<i>17.0</i>	<i>15.9</i>
Net DPS (Rs)	8.3	8.2	9.0	11.0	12.0

Source: Company Data, PL Research

Profitability & valuation

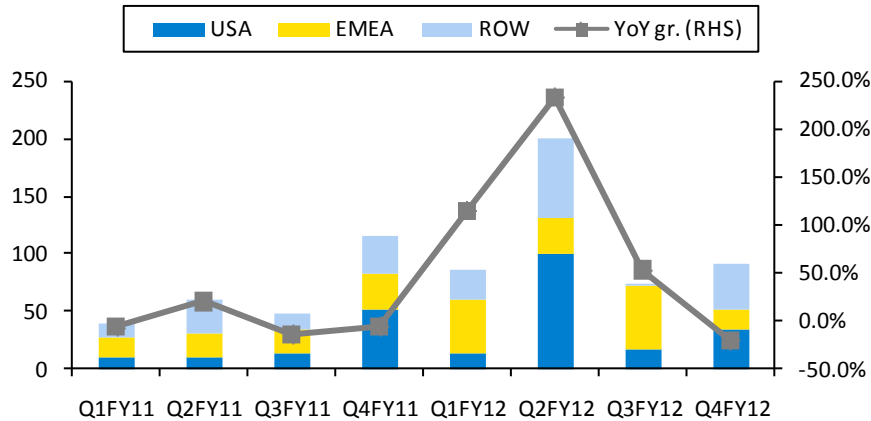
Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	20.7	19.5	17.0	16.1	16.2
RoE (%)	26.1	27.4	23.9	23.5	23.0
RoCE (%)	24.8	27.1	23.5	23.2	22.8
EV / sales (x)	1.7	1.3	1.0	0.8	0.7
EV / EBITDA (x)	8.2	6.6	5.8	5.0	4.3
PER (x)	13.3	9.3	8.6	7.4	6.4
P / BV (x)	2.9	2.3	1.9	1.6	1.4
Net dividend yield (%)	2.9	2.9	3.2	3.9	4.2

Source: Company Data, PL Research

Stock Performance

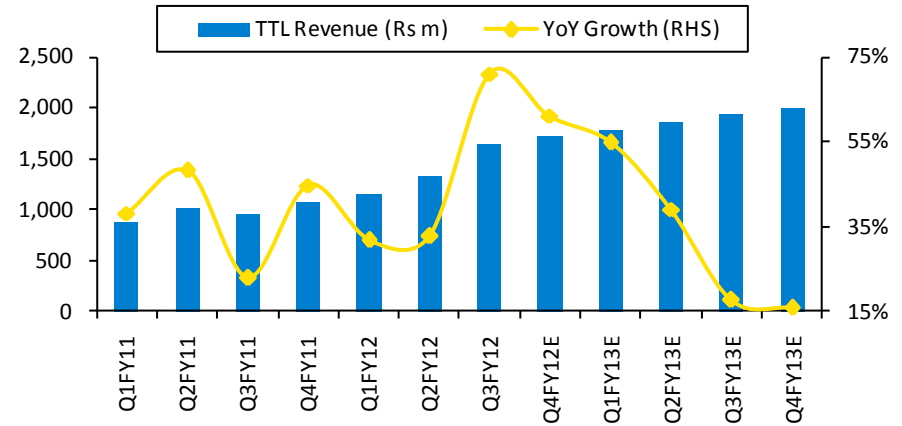
(%)	1M	6M	12M
Absolute	13.7	39.0	51.9
Relative to Sensex	18.6	43.7	64.7

Order Intake (US\$ m): Q4 strongest leaves room for positive surprise



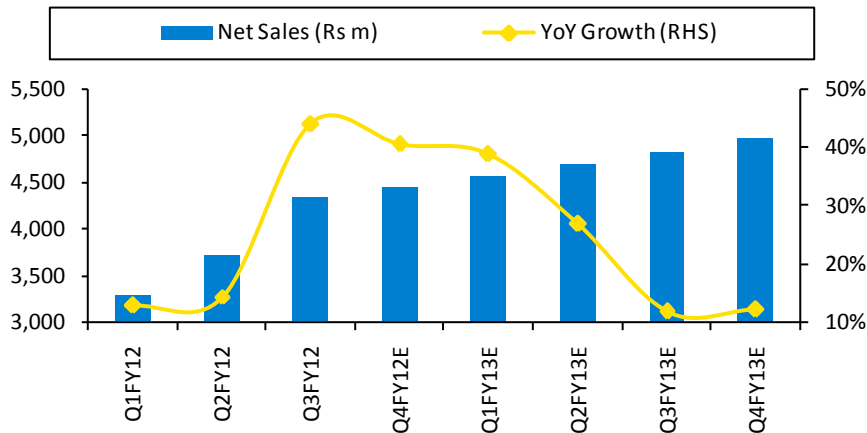
Source: Company Data, PL Research

Even moderated gr. would translate to 3.8% CQGR over the next 5 qtrs



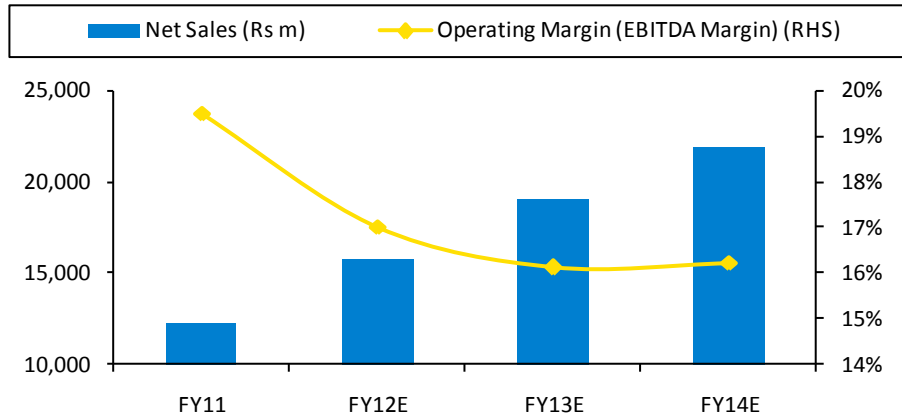
Source: Company Data, PL Research

Moderate growth expectation over next 5 quarters



Source: Company Data, PL Research

... however, expect company to retain margin



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	9,138	12,323	15,764	19,080	21,874
Direct Expenses	7,249	7,768	9,876	11,981	13,952
<i>% of Net Sales</i>	<i>79.3</i>	<i>63.0</i>	<i>62.6</i>	<i>62.8</i>	<i>63.8</i>
Employee Cost	-	2,151	3,205	4,021	4,373
<i>% of Net Sales</i>	<i>0.0</i>	<i>17.5</i>	<i>20.3</i>	<i>21.1</i>	<i>20.0</i>
SG&A Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
EBITDA	1,889	2,404	2,683	3,079	3,549
<i>Margin (%)</i>	<i>20.7</i>	<i>19.5</i>	<i>17.0</i>	<i>16.1</i>	<i>16.2</i>
Depreciation	360	315	364	399	442
PBIT	1,529	2,089	2,319	2,680	3,107
Interest Expenses	-	-	-	-	-
PBT	1,420	2,178	2,601	3,104	3,548
Total tax	144	324	637	807	887
<i>Effective Tax rate (%)</i>	<i>10.1</i>	<i>14.9</i>	<i>24.5</i>	<i>26.0</i>	<i>25.0</i>
PAT	1,263	1,821	1,956	2,289	2,653
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	1,263	1,821	1,956	2,289	2,653

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	588	593	593	593	593
Reserves & Surplus	5,210	6,885	8,314	9,958	11,906
Shareholder's Fund	5,798	7,478	8,907	10,551	12,499
Preference Share Capital	-	-	-	-	-
Total Debt	217	110	110	110	110
Other Liabilities (net)	28	43	43	43	43
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	6,043	7,631	9,060	10,704	12,652
Gross Block	4,559	4,633	5,421	6,642	8,042
Less: Depreciation	2,706	2,740	3,087	3,486	3,928
Net Block	1,853	1,893	2,334	3,157	4,114
Capital Work in Progress	1,287	1,437	1,687	2,042	2,340
Cash & Cash Equivalent	1,895	1,637	1,898	1,947	2,261
Total Current Assets	4,531	6,223	7,481	8,621	9,855
Total Current Liabilities	2,200	2,508	3,027	3,702	4,243
Net Current Assets	2,330	3,716	4,454	4,920	5,611
Other Assets	107	143	143	143	143
Total Assets	6,043	7,631	9,060	10,704	12,652

Source: Company Data, PL Research

Ramp-down from clients are bottoming out: Persistent witnessed ramp-down from top clients due to end of projects and M&A activity (of clients). Top clients, whose projects got shelved after acquisition, are already captured in quarterly run-rate. Moreover, due to project completion with other top-client, we may see some impact in Q1FY13. Nevertheless, the company is working with the same client on other projects to back-fill the gap. Hence, we expect it to recoup some of the negative impact.

New deal wins to offset deceleration: The management is very confident of demand environment. The company has signed a large deal (end of life-cycle) with one of the top clients. Also, new engagements with clients (acquired from Openwave location based service product) are likely to pick-up.

Near-term margin volatility due to investment: Persistent is likely to accelerate investment in S&M effort (could go up to 8% of sales from Q4FY12 of 6.7%) in H1FY13. However, the management is likely to recoup some of the investment in H2FY13. Some of the new deals involved taking clients employee on their payroll that may have a negative impact on the margin in Q1FY13.

Improving free cash flow conversion: As the company comes out of the investment phase, FCF conversion is likely to improve. The earlier guidance of Rs115cr included some expansion (land deal) that is likely to be postponed. Hence, we expect FY13 FCF/EBITDA conversion to 67% (FY12: 7.4%, FY11:55%).

Valuation and Recommendation – BUY with a revised target price of Rs460: We believe the option value of IP sales along with success of “Sell with Partner” could spin a positive surprise. Currently, Persistent is traded at 7.6x FY13E earnings estimate with 20% earnings CAGR (FY12-14E).

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	6,012	7,758	10,003	11,795	13,420
<i>Growth (%)</i>	<i>1.2</i>	<i>29.1</i>	<i>28.9</i>	<i>17.9</i>	<i>13.8</i>
EBITDA (Rs m)	1,464	1,583	2,324	2,929	3,224
PAT (Rs m)	1,150	1,396	1,418	1,807	2,056
EPS (Rs)	28.8	34.9	35.4	45.2	51.4
<i>Growth (%)</i>	<i>59.6</i>	<i>21.3</i>	<i>1.6</i>	<i>27.5</i>	<i>13.7</i>
Net DPS (Rs)	0.7	1.4	2.4	3.3	3.8

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	24.3	20.4	23.2	24.8	24.0
RoE (%)	22.2	20.0	17.8	19.6	18.6
RoCE (%)	22.2	20.0	17.7	19.4	18.5
EV / sales (x)	2.0	1.6	1.2	0.9	0.7
EV / EBITDA (x)	8.1	8.1	5.4	3.6	2.8
PER (x)	12.0	9.9	9.7	7.6	6.7
P / BV (x)	2.1	1.8	1.6	1.4	1.1
Net dividend yield (%)	0.2	0.4	0.7	1.0	1.1

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(8.8)	11.4	(10.5)
Relative to Sensex	(4.0)	16.0	2.3

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	6,012	7,758	10,003	11,795	13,420
Direct Expenses	860	849	394	480	517
<i>% of Net Sales</i>	<i>14.3</i>	<i>10.9</i>	<i>3.9</i>	<i>4.1</i>	<i>3.9</i>
Employee Cost	3,687	5,327	7,285	8,387	9,679
<i>% of Net Sales</i>	<i>61.3</i>	<i>68.7</i>	<i>72.8</i>	<i>71.1</i>	<i>72.1</i>
SG&A Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Other Expenses	-	-	-	-	-
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
EBITDA	1,464	1,583	2,324	2,929	3,224
<i>Margin (%)</i>	<i>24.3</i>	<i>20.4</i>	<i>23.2</i>	<i>24.8</i>	<i>24.0</i>
Depreciation	335	424	611	674	740
PBIT	1,128	1,159	1,713	2,255	2,484
Interest Expenses	-	-	-	0	0
PBT	1,241	1,504	1,969	2,459	2,797
Total tax	91	108	551	652	741
<i>Effective Tax rate (%)</i>	<i>7.3</i>	<i>7.2</i>	<i>28.0</i>	<i>26.5</i>	<i>26.5</i>
PAT	1,150	1,396	1,418	1,807	2,056
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	1,150	1,396	1,418	1,807	2,056

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	400	400	400	400	400
Reserves & Surplus	6,003	7,066	8,005	9,681	11,586
Shareholder's Fund	6,435	7,501	8,405	10,081	11,986
Preference Share Capital	-	-	-	-	-
Total Debt	-	-	77	77	77
Other Liabilities (net)	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	6,435	7,501	8,483	10,158	12,063
Gross Block	3,715	4,543	6,036	6,743	7,549
Less: Depreciation	1,881	2,281	2,838	3,513	4,253
Net Block	1,834	2,261	3,197	3,231	3,296
Capital Work in Progress	485	605	528	625	711
Cash & Cash Equivalent	3,479	3,500	3,413	5,221	6,880
Total Current Assets	4,258	3,677	4,124	7,176	9,202
Total Current Liabilities	1,710	1,602	1,660	3,167	3,440
Net Current Assets	2,548	2,075	2,464	4,008	5,762
Other Assets	7	60	256	256	256
Total Assets	6,435	7,501	8,483	10,158	12,063

Source: Company Data, PL Research

Diversified order book: Order book for the company stood at Rs85bn, up 9% YoY. Transmission line contributed 69.9% of the order book, Power systems contributed 17.9% and other initiatives like Railways, Water etc. contributed 12.2%. The order inflow for the quarter stood at Rs18bn (up 32% YoY); this is the second consecutive quarter with strong inflows. 24% of the total order inflows came from its new business initiatives like power system, cable, telecom and water segments. Transmission segment got the biggest order worth Rs4bn from Kazakhstan. It managed to get orders across segments and geographies. The diversified nature of order book in across customers base and geographies gives it flexibility to cushion the impact slowdown and make the most of up cycle.

New initiatives bearing fruits: KEC has taken up various new initiative over the few years by getting into new business like sub-station segment, water business, Balance of Plant and railways. KEC has also entered in the CIS region by securing the largest ever order of Rs9.42bn from Kazakhstan. This order gives KEC an entry into 1150kV to 110kV sub-station at the entire range. This new initiatives will secure the future growth of the company as KEC has ambition to scale up each of this new business to ~Rs5-10bn in 3-4 years time. The contribution of orders from this new business increased to 30% from ~21% at the start of FY11.

SAE tower: KEC acquired SAE tower in Sep 2010. The company has been able to scale up the operation of SAE successfully, with revenue of Rs9.1bn and order book of Rs7.5bn in FY12. It has also been able to maintain EBITDA margin for SAE above 13%. SAE enjoys highest markets share in Brazil, United States and Mexico. It will help KEC to scale up its presence in this markets with high entry barriers successfully.

Valuation: We believe that strong order book, huge pipe line of orders and ability to win orders in the current environment gives comfort on revenue visibility. We expect the stock to post earnings CAGR of 15.5% over FY12-14E. Improved working capital and debt management will help continue to outperform.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Revenue (Rs m)	39,072	44,742	58,147	65,958	75,113
<i>Growth (%)</i>	<i>14.0</i>	<i>14.5</i>	<i>30.0</i>	<i>13.4</i>	<i>13.9</i>
EBITDA (Rs m)	4,059	4,625	4,713	5,640	6,680
PAT (Rs m)	1,897	2,057	1,853	2,127	2,735
EPS (Rs)	7.5	8.2	7.4	8.4	10.9
<i>Growth (%)</i>	<i>56.6</i>	<i>8.5</i>	<i>(9.9)</i>	<i>14.8</i>	<i>28.6</i>
Net DPS (Rs)	1.1	1.2	1.2	1.3	1.6

Source: Company Data, PL Research

Profitability & valuation

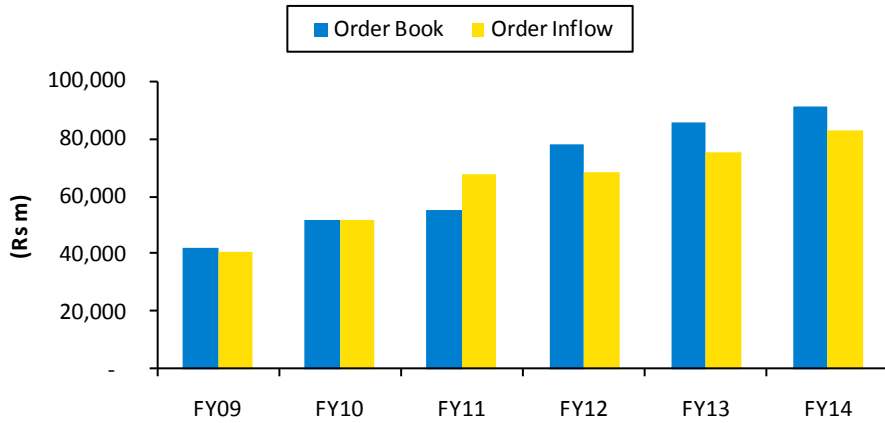
Y/e March	FY10	FY11	FY12	FY13E	FY14E
EBITDA margin (%)	10.4	10.3	8.1	8.6	8.9
RoE (%)	28.2	23.7	17.8	15.2	15.3
RoCE (%)	18.0	14.1	12.6	12.0	11.5
EV / sales (x)	0.5	0.6	0.4	0.4	0.4
EV / EBITDA (x)	4.9	5.5	4.7	4.6	4.0
PER (x)	6.8	6.3	6.9	6.0	4.7
P / BV (x)	1.6	1.4	1.1	0.8	0.7
Net dividend yield (%)	2.2	2.4	2.4	2.5	3.2

Source: Company Data, PL Research

Stock Performance

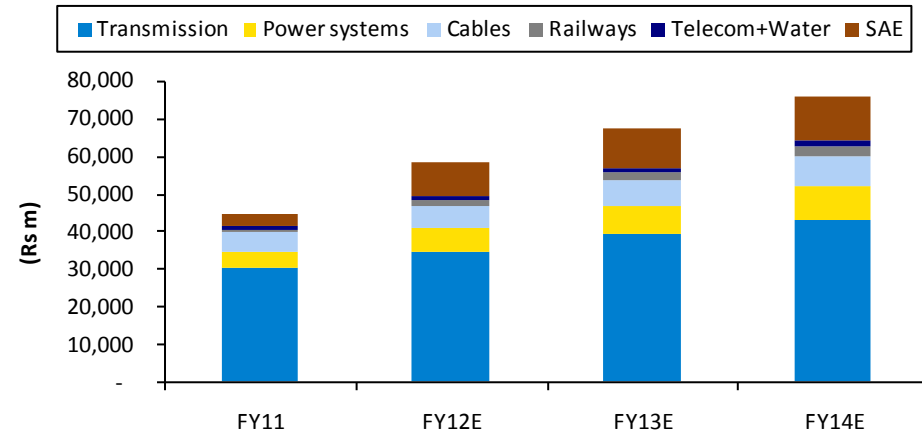
(%)	1M	6M	12M
Absolute	(5.6)	24.4	(38.3)
Relative to Sensex	(0.7)	29.0	(25.5)

Order Book Trend



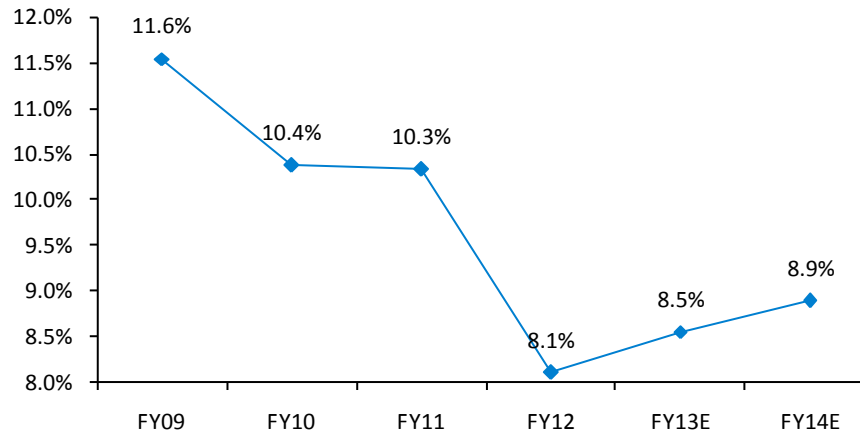
Source: Company Data, PL Research

Sales Breakup



Source: Company Data, PL Research

EBITDA Margin Trend



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Net Revenue	39,072	44,742	58,147	65,958	75,113
Direct Expenses	20,127	22,552	31,498	35,469	40,060
<i>% of Net Sales</i>	<i>51.5</i>	<i>50.4</i>	<i>54.2</i>	<i>53.8</i>	<i>53.3</i>
Employee Cost	1,689	2,833	4,274	3,958	4,507
<i>% of Net Sales</i>	<i>4.3</i>	<i>6.3</i>	<i>7.3</i>	<i>6.0</i>	<i>6.0</i>
SG&A Expenses	3,616	4,926	5,987	7,502	8,844
<i>% of Net Sales</i>	<i>9.3</i>	<i>11.0</i>	<i>10.3</i>	<i>11.4</i>	<i>11.8</i>
Other Expenses	9,582	9,806	11,675	13,390	15,023
<i>% of Net Sales</i>	<i>24.5</i>	<i>21.9</i>	<i>20.1</i>	<i>20.3</i>	<i>20.0</i>
EBITDA	4,059	4,625	4,713	5,640	6,680
<i>Margin (%)</i>	<i>10.4</i>	<i>10.3</i>	<i>8.1</i>	<i>8.6</i>	<i>8.9</i>
Depreciation	270	408	479	669	744
PBIT	3,788	4,217	4,234	4,971	5,936
Interest Expenses	865	1,075	1,597	1,778	1,825
PBT	2,934	3,168	3,243	3,222	4,144
Total tax	1,037	1,111	1,150	1,095	1,409
<i>Effective Tax rate (%)</i>	<i>35.3</i>	<i>35.1</i>	<i>35.5</i>	<i>34.0</i>	<i>34.0</i>
PAT	1,897	2,057	2,093	2,127	2,735
Extraordinary Gain/(Loss)	-	-	240	-	-
Adjusted PAT	1,897	2,057	1,853	2,127	2,735

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12	FY13E	FY14E
Share Capital	514	514	514	514	514
Reserves & Surplus	7,356	8,952	10,350	12,181	14,516
Shareholder's Fund	7,870	9,466	11,317	16,631	19,135
Preference Share Capital	-	-	-	-	-
Total Debt	7,867	14,321	11,251	16,173	17,070
Other Liabilities(net)	-	-	-	-	-
Deferred Tax Liability	461	497	513	-	-
Total Liabilities	16,199	24,284	23,081	32,804	36,205
Gross Block	5,839	7,746	11,874	13,374	14,874
Less: Depreciation	920	1,544	2,137	2,806	3,550
Net Block	4,919	6,203	9,737	10,568	11,324
Capital Work in Progress	383	392	(514)	514	514
Cash & Cash Equivalent	700	1,613	2,029	2,900	3,280
Total Current Assets	26,774	35,872	43,083	51,603	58,743
Total Current Liabilities	17,775	22,809	32,434	33,091	37,585
Net Current Assets	8,999	13,064	10,649	18,513	21,157
Other Assets	1,896	4,626	3,209	3,209	3,209
Total Assets	16,199	24,284	23,081	32,804	36,205

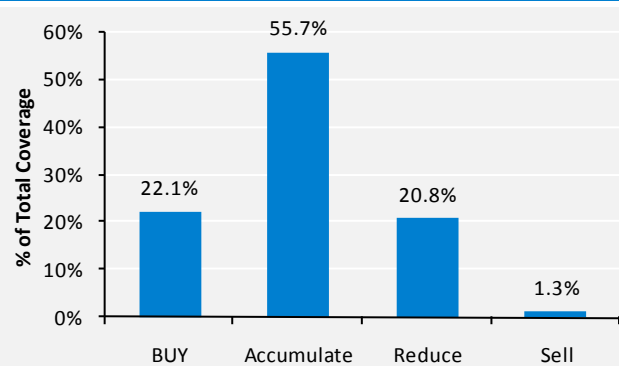
Source: Company Data, PL Research

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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