

Top Ideas

Investment Argument, Financials & Valuation discussion

Ajay Bodke
ajaybodke@plindia.com
+91-22-66322210

Prabhudas Lilladher Pvt. Ltd. and/or its associates (the 'Firm') does and/or seeks to do business with companies covered in its research reports. As a result investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Please refer to important disclosures and disclaimers at the end of the report.

	Page No.
Top Pick Summary	3
Large Cap	
Coal India	5
ITC	8
Adani Port & SEZ	11
Bharti Airtel	15
Mid-Cap	
Rallis India	19
Gujarat State Petronet	22
LIC Housing Finance	25
Jain Irrigation	28
Polaris Financial Technology	31
Jagran Prakashan	34
Petronet LNG	37
MindTree	40
Amara Raja Batteries	43
Cummins India	45
Key Ideas to be bought on declines	48

(Prices as on February 27, 2012)

	CMP (Rs.)	TP (Rs)	Upside	Revenue Growth (%)		Earnings Growth (%)		RoE (%)		PER (x)		P/BV (x)	
				2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
Large Cap													
Coal India	323	390	20.7%	10.3	8.6	10.7	17.5	32.9	30.9	12.6	10.7	3.7	3.0
ITC	212	240	12.9%	13.5	14.7	17.5	17.7	36.2	38.1	23.3	19.8	8.0	7.1
Adani Port & SEZ	144	161	12.2%	22.9	24.5	26.9	36.8	26.0	29.0	19.9	14.5	4.7	3.8
Bharti Airtel	341	381	11.9%	15.4	12.2	86.6	27.9	15.9	17.2	14.8	11.6	2.2	1.8
Mid-Cap													
Rallis India	122	171	39.9%	18.8	17.7	27.2	20.9	28.8	28.1	12.9	10.6	3.4	2.7
Gujarat State Petronet	73	102	39.5%	3.5	4.5	0.4	7.5	18.5	17.1	8.5	7.9	1.5	1.3
LIC Housing Finance	244	340	39.4%	32.7	23.8	33.1	24.2	22.9	22.1	9.1	7.3	1.8	1.5
Jain Irrigation	101	138	37.4%	13.1	13.2	28.8	29.0	22.7	23.2	9.2	7.2	1.9	1.5
Polaris Financial Technology	154	210	36.3%	21.1	13.8	15.1	11.0	19.6	18.4	5.8	5.2	1.0	0.9
Jagran Prakashan	105	131	24.5%	12.3	12.2	26.8	20.3	26.9	26.6	13.7	11.4	3.4	2.7
Petronet LNG	162	197	22.0%	61.8	35.2	8.5	9.3	29.0	25.4	10.3	9.4	2.7	2.2
MindTree	455	550	20.9%	21.2	15.4	4.3	13.3	20.5	19.3	8.3	7.3	1.6	1.3
Amara Raja Batteries	277	322	16.5%	14.8	10.3	17.5	14.7	30.0	29.2	9.4	8.2	2.6	2.2
Cummins India	445	510	14.7%	17.8	15.2	22.7	21.2	29.2	30.2	18.3	15.1	4.9	4.2

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.

Well-placed to increase prices: Management at various forums guided that increased supplies to power sector would lessen its e-auction quantity from the existing 12% to 8% of the total quantity by the end of FY17. Given the highly profitable profile of e-auction, it would require CIL to take an increase of 4% in realisation of its (excl. e-auction) volumes. The increase seems marginal in the light of the fact that CIL has not increased prices for the power sector (consumes ~75% of the volumes) during the last two and a half years. We expect CIL to increase prices by ~10-12% during Q4FY12, enough to drive the EBITDA growth by 10-12% in FY13.

Valuations in the attractive territory: Backed by 6% growth in volumes and 5% increase in blended realisations, CIL's earnings are expected 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	FY12E	FY13E	FY14E
Revenue (Rs m)	446,153	502,336	594,202	655,694	712,375
<i>Growth (%)</i>	<i>15.0</i>	<i>12.6</i>	<i>18.3</i>	<i>10.3</i>	<i>8.6</i>
EBITDA (Rs m)	105,360	134,791	164,405	182,426	208,676
PAT (Rs m)	96,224	108,674	146,145	161,756	190,129
EPS (Rs)	15.2	17.2	23.1	25.6	30.1
<i>Growth (%)</i>	<i>362.9</i>	<i>12.9</i>	<i>34.5</i>	<i>10.7</i>	<i>17.5</i>
Net DPS (Rs)	3.5	3.9	5.1	5.7	6.7

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	23.6	26.8	27.7	27.8	29.3
RoE (%)	43.0	36.8	38.0	32.9	30.9
RoCE (%)	37.5	33.2	35.1	30.7	29.1
EV / sales (x)	3.7	3.2	2.5	2.1	1.8
EV / EBITDA (x)	15.8	11.9	9.1	7.6	6.0
PER (x)	21.2	18.8	14.0	12.6	10.7
P / BV (x)	7.9	6.1	4.7	3.7	3.0
Net dividend yield (%)	1.1	1.2	1.6	1.8	2.1

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(5.5)	(10.1)	10.4
Relative to Sensex	(6.7)	(20.2)	11.8

Y/e March	FY09	FY10	FY11	FY12E	FY13E	FY14E
Raw coal prod (mn tn)	403.7	431.3	431.3	431.2	462.0	485.1
Coal despatches (mn tn)	399.9	415.2	423.7	431.2	462.0	485.1
Vol sold under FSA/MoU (mn tn)	330.5	352.2	356.2	362.1	393.6	409.3
Vol sold under E-auction (mn tn)	48.9	43.1	47.7	49.4	48.6	50.6
Beneficiated coal vol (mn tn)	14.9	14.6	15.5	15.5	15.5	19.8
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	1,170.4	1,365.9	1,407.7	1,454.3
Total cost per tonne (Rs)	746.6	945.5	833.3	867.5	996.8	1,024.4
Cash cost per tonne (Rs)	682.9	793.7	731.3	808.0	914.7	944.1
Employee cost / tonne (Rs)	355.5	437.1	386.2	422.2	515.1	525.2
EBITDA / tonne (Rs)	61.5	253.7	318.2	381.3	394.9	430.2
OBR adj / tonne (Rs)	41.2	53.9	70.8	60.7	62.2	63.5

Source: Company Data, PL Research

Figures in (Rs m)	FY12	FY13	FY14
PAT	146,145	161,756	190,129
Interest income	49,248	52,526	62,544
Interest income adjusted for tax	33,270	35,484	42,252
Pure mining profit including OBR adjustment	131,001	146,081	169,094
26% share of pure mining profit (before tax benefit)	22,978	34,060	37,981
Amount adjusted for tax	15,523	23,009	25,658
Operational PAT after 26% profit sharing	115,479	123,071	143,436
Operational EPS adjusted for 26% profit sharing and OBR adj	18.3	19.5	22.7
P/E		14.7	12.0
Valuation per share on operational EPS		287	273
Net Cash per share	82	102	120
Price target		390	392
Book value	99.4	121.3	143.9
P/BV at our target		3.2	2.7
RoE (%)		26.8	25.5
OBR adjustment (Tax adjusted)	18,126	19,809	21,217

	FY13
Core PAT including OBR adjustment (Rs mn)	146,081
Core EPS	23.1
P/E	12.5
Valuation per share on Core EPS	288
Net cash per share	102
Price target	390

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	446,153	502,336	594,202	655,694	712,375
Direct Expenses	59,994	56,914	78,594	88,417	97,362
<i>% of Net Sales</i>	<i>13.4</i>	<i>11.3</i>	<i>13.2</i>	<i>13.5</i>	<i>13.7</i>
Employee Cost	166,555	182,110	222,116	242,641	251,837
<i>% of Net Sales</i>	<i>37.3</i>	<i>36.3</i>	<i>37.4</i>	<i>37.0</i>	<i>35.4</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	128,520	129,088	142,210	154,500
<i>% of Net Sales</i>	<i>25.6</i>	<i>25.6</i>	<i>21.7</i>	<i>21.7</i>	<i>21.7</i>
EBITDA	105,360	134,791	164,405	182,426	208,676
<i>Margin (%)</i>	<i>23.6</i>	<i>26.8</i>	<i>27.7</i>	<i>27.8</i>	<i>29.3</i>
Depreciation	13,138	16,462	19,107	19,045	19,173
PBIT	92,066	118,062	145,023	163,078	189,176
Interest Expenses	886	791	746	734	720
PBT	139,649	164,632	211,805	234,429	271,613
Total tax	43,425	55,959	65,659	72,673	81,484
<i>Effective Tax rate (%)</i>	<i>31.1</i>	<i>34.0</i>	<i>31.0</i>	<i>31.0</i>	<i>30.0</i>
PAT	96,224	108,674	146,145	161,756	190,129
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	96,224	108,674	146,145	161,756	190,129

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	63,164	63,164	63,164	63,164	63,164
Reserves & Surplus	194,789	270,008	372,310	485,539	618,630
Shareholder's Fund	257,952	333,172	435,474	548,703	681,793
Preference Share Capital	-	-	-	-	-
Total Debt	19,631	15,536	14,536	13,536	12,536
Other Liabilities(net)	15,010	16,540	20,419	24,648	29,381
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	292,594	365,247	470,429	586,887	723,710
Gross Block	349,453	367,211	404,805	441,653	493,594
Less: Depreciation	229,099	238,782	258,164	277,512	297,012
Net Block	120,354	128,429	146,641	164,141	196,581
Capital Work in Progress	22,107	22,181	26,311	31,311	26,311
Cash & Cash Equivalent	403,603	469,260	562,646	672,589	803,531
Total Current Assets	543,248	643,960	741,134	860,853	999,894
Total Current Liabilities	415,557	448,725	463,061	488,822	518,480
Net Current Assets	127,691	195,235	278,073	372,031	481,414
Other Assets	9,620	8,766	8,766	8,766	8,766
Total Assets	292,594	365,247	470,429	586,887	723,710

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 and elevated competitive intensity.

Expect 6% volume growth in Cig in FY12e. FY13e volume growth would be a function of excise action in forthcoming budget. We are forecasting 15% excise hike and conservative 2% volume growth in FY13e.

Non-cigarette FMCG profitability continues to improve. Gaining traction in Soaps (6% market share). Expecting a FY13e breakeven.

Agri and Paper margins have improved substantially over 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 FY10-14E.

SOTP- based price target of Rs240. Top pick in large cap consumer space

Risk : Abnormal excise duty hike in budget can impact volume growth.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	191,359	222,737	259,347	294,428	337,696
<i>Growth (%)</i>	<i>15.6</i>	<i>16.4</i>	<i>16.4</i>	<i>13.5</i>	<i>14.7</i>
EBITDA (Rs m)	63,241	74,077	87,154	101,932	119,466
PAT (Rs m)	41,619	50,083	59,967	70,474	82,916
EPS (Rs)	5.4	6.5	7.7	9.1	10.7
<i>Growth (%)</i>	<i>25.4</i>	<i>20.3</i>	<i>19.7</i>	<i>17.5</i>	<i>17.7</i>
Net DPS (Rs)	4.9	4.5	4.7	5.5	6.4

Source: Company Data, PL Research

Profitability & valuation

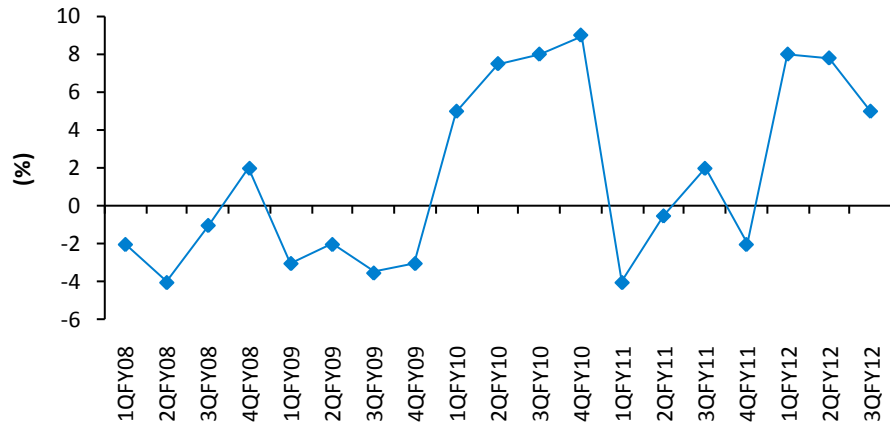
Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	33.0	33.3	33.6	34.6	35.4
RoE (%)	29.2	32.4	34.4	36.2	38.1
RoCE (%)	29.3	32.5	34.1	35.9	37.8
EV / sales (x)	8.3	7.1	6.1	5.3	4.6
EV / EBITDA (x)	25.1	21.3	18.0	15.3	13.0
PER (x)	39.5	32.8	27.4	23.3	19.8
P / BV (x)	11.4	10.0	8.9	8.0	7.1
Net dividend yield (%)	2.3	2.1	2.2	2.6	3.0

Source: Company Data, PL Research

Stock Performance

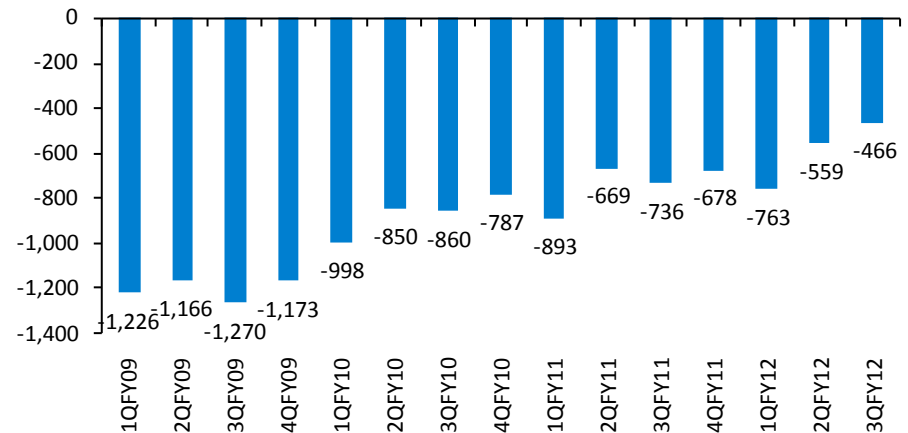
(%)	1M	6M	12M
Absolute	5.2	7.8	37.0
Relative to Sensex	4.0	(2.2)	38.4

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	15	89,356	1,322,464	173
FMCG-Others (EV/Sales)	2	72,155	144,311	19
Hotels	15	5,917	88,749	12
Agri business	8	7,671	61,369	8
Paper	8	15,328	122,623	16
Net (debt)/ cash			90,681	12
Total value per share			1,830,197	240

Source: PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	191,359	222,737	259,347	294,428	337,696
Direct Expenses	73,973	85,656	100,872	113,177	134,612
<i>% of Net Sales</i>	<i>38.7</i>	<i>38.5</i>	<i>38.9</i>	<i>38.4</i>	<i>39.9</i>
Employee Cost	14,640	17,240	19,840	22,377	22,965
<i>% of Net Sales</i>	<i>7.7</i>	<i>7.7</i>	<i>7.7</i>	<i>7.6</i>	<i>6.8</i>
SG&A Expenses	6,243	7,321	7,910	8,244	9,422
<i>% of Net Sales</i>	<i>3.3</i>	<i>3.3</i>	<i>3.1</i>	<i>2.8</i>	<i>2.8</i>
Other Expenses	33,261	38,444	43,570	48,698	51,230
<i>% of Net Sales</i>	<i>17.4</i>	<i>17.3</i>	<i>16.8</i>	<i>16.5</i>	<i>15.2</i>
EBITDA	63,241	74,077	87,154	101,932	119,466
<i>Margin (%)</i>	<i>33.0</i>	<i>33.3</i>	<i>33.6</i>	<i>34.6</i>	<i>35.4</i>
Depreciation	6,439	6,991	7,225	7,856	8,611
PBIT	56,802	67,086	79,929	94,076	110,856
Interest Expenses	648	502	359	329	299
PBT	62,457	74,349	87,966	103,372	121,590
Total tax	20,349	23,655	27,999	32,897	38,673
<i>Effective Tax rate (%)</i>	<i>32.6</i>	<i>31.8</i>	<i>31.8</i>	<i>31.8</i>	<i>31.8</i>
PAT	41,619	50,083	59,967	70,474	82,916
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	41,619	50,083	59,967	70,474	82,916

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	3,818	7,738	7,738	7,738	7,738
Reserves & Surplus	128,711	140,143	158,296	179,626	204,699
Shareholder's Fund	144,583	164,621	183,799	205,129	230,202
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	8,322	8,568	8,857
Total Liabilities	154,899	175,386	194,674	216,150	241,413
Gross Block	129,927	139,935	155,783	173,896	194,175
Less: Depreciation	42,128	48,440	55,665	63,521	72,132
Net Block	87,800	91,495	100,119	110,375	122,043
Capital Work in Progress	10,177	13,623	13,623	13,623	13,623
Cash & Cash Equivalent	63,491	72,947	79,098	87,377	99,946
Total Current Assets	135,480	151,485	172,538	194,945	222,883
Total Current Liabilities	83,247	88,168	99,056	110,744	125,588
Net Current Assets	52,233	63,317	73,482	84,201	97,295
Other Assets	140	132	132	132	132
Total Assets	154,899	175,386	194,674	216,150	241,413

Source: Company Data, PL Research

Coal volumes to kick in: 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 ~30m tonnes by FY15. Overall total port volumes are expected to more than double in the same period from FY11 levels of ~51m tonnes largely led by coal 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.

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 Rs100/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 18/share, while all its other assets are valued at Rs10. Our SOTP value stands at Rs161.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	14,955	20,001	33,446	41,091	51,161
<i>Growth (%)</i>	<i>25.2</i>	<i>33.7</i>	<i>67.2</i>	<i>22.9</i>	<i>24.5</i>
EBITDA (Rs m)	9,443	12,994	22,464	27,165	34,863
PAT (Rs m)	6,758	8,342	11,405	14,477	19,805
EPS (Rs)	3.4	4.2	5.7	7.2	9.9
<i>Growth (%)</i>	<i>56.2</i>	<i>23.4</i>	<i>36.7</i>	<i>26.9</i>	<i>36.8</i>
Net DPS (Rs)	0.8	1.3	1.5	2.0	2.5

Source: Company Data, PL Research

Profitability & valuation

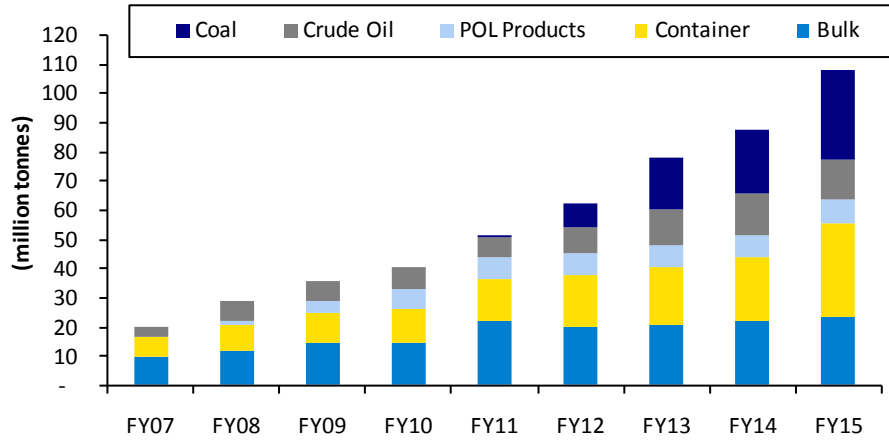
Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	63.1	65.0	67.2	66.1	68.1
RoE (%)	21.2	21.8	24.7	26.0	29.0
RoCE (%)	9.9	10.9	10.2	8.4	9.9
EV / sales (x)	20.6	15.7	12.6	10.8	8.6
EV / EBITDA (x)	32.6	24.2	18.8	16.3	12.6
PER (x)	41.5	33.6	24.6	19.4	14.2
P / BV (x)	8.1	6.7	5.6	4.6	3.7
Net dividend yield (%)	0.6	0.9	1.1	1.4	1.8

Source: Company Data, PL Research

Stock Performance

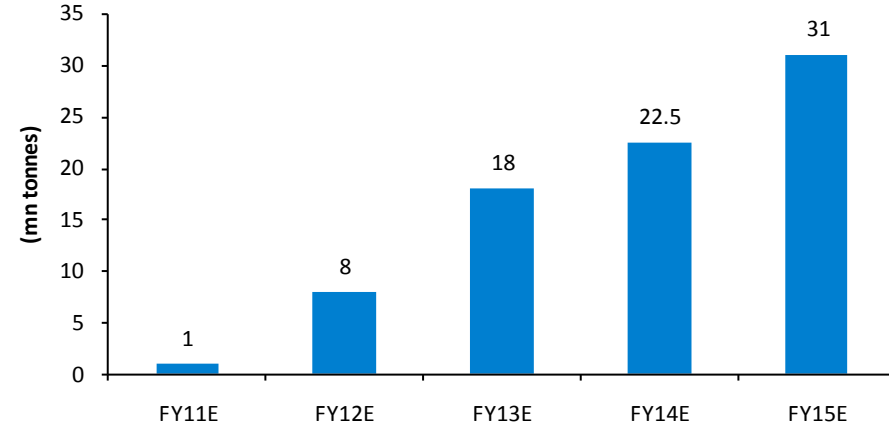
(%)	1M	6M	12M
Absolute	(2.3)	2.2	(3.1)
Relative to Sensex	(3.6)	(7.9)	(1.6)

Commodity-wise port volumes



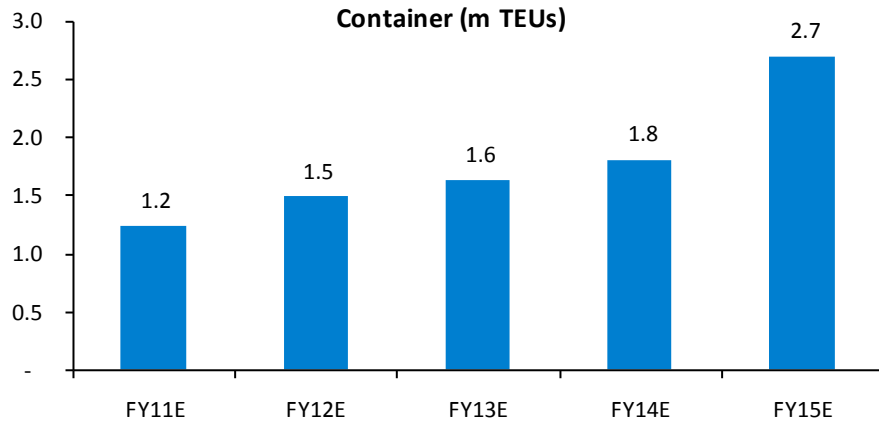
Source: Company Data, PL Research

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



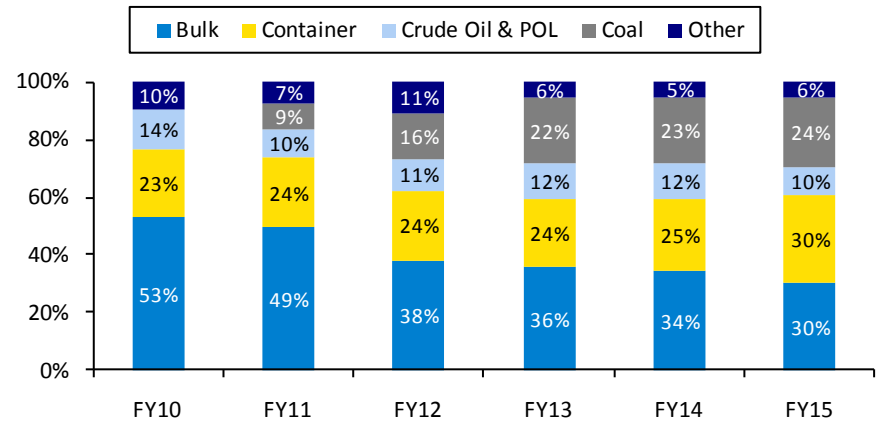
Source: PL Research

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	22,601	27,460	31,801
SEZ	865	515	868	857	1,655
Others	456	463	1,570	477	484
Total	14,955	20,001	25,038	28,794	33,940

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	66.0	85.2	96.1
Average Realization/tonne Rs	338.4	368.1	342.7	416.4	482.2
SEZ Sales (Acres)	160.0	27.0	15.0	50.0	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	20.1	20.6	21.8
POL	6.9	7.5	7.5	8.0	8.0
Container	11.2	14.9	17.9	19.6	21.8
Crude	7.5	6.7	12.5	19.0	22.0
Coal	-	1.0	8.0	18.0	22.5
Total	40.3	51.7	66.0	85.2	96.1

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	100
Value of 20 year extension	21
SEZ	13
Dahej Port (75% Stake)	4
Mormogao Port	2
Hazira Port	4
Abbot Point	18
Total NAV	161

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	14,955	20,001	33,446	41,091	51,161
Direct Expenses	3,789	5,321	6,656	9,113	10,318
<i>% of Net Sales</i>	<i>25.3</i>	<i>26.6</i>	<i>19.9</i>	<i>22.2</i>	<i>20.2</i>
Employee Cost	595	798	803	986	1,228
<i>% of Net Sales</i>	<i>4.0</i>	<i>4.0</i>	<i>2.4</i>	<i>2.4</i>	<i>2.4</i>
SG&A Expenses	1,129	888	3,411	3,698	4,604
<i>% of Net Sales</i>	<i>7.5</i>	<i>4.4</i>	<i>10.2</i>	<i>9.0</i>	<i>9.0</i>
Other Expenses	-	-	111	128	147
<i>% of Net Sales</i>	<i>0.0</i>	<i>0.0</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
EBITDA	9,443	12,994	22,464	27,165	34,863
<i>Margin (%)</i>	<i>63.1</i>	<i>65.0</i>	<i>67.2</i>	<i>66.1</i>	<i>68.1</i>
Depreciation	1,868	2,388	4,465	5,424	6,933
PBIT	7,575	10,606	17,999	21,741	27,930
Interest Expenses	559	880	5,740	6,800	7,305
PBT	7,336	10,036	12,420	15,371	21,385
Total tax	601	874	963	894	1,580
<i>Effective Tax rate (%)</i>	<i>8.2</i>	<i>8.7</i>	<i>7.8</i>	<i>5.8</i>	<i>7.4</i>
PAT	6,760	9,181	11,405	14,477	19,805
Extraordinary Gain/(Loss)	2	839	-	-	-
Adjusted PAT	6,758	8,342	11,405	14,477	19,805

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	4,007	4,007	4,007	4,007	4,007
Reserves & Surplus	11,882	19,381	27,885	38,355	53,152
Shareholder's Fund	34,510	41,871	50,374	60,844	75,641
Preference Share Capital	28	28	28	28	28
Total Debt	37,062	35,925	158,639	170,766	179,304
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	219,617	242,215	265,549
Gross Block	56,342	74,216	175,896	188,854	205,540
Less: Depreciation	7,842	10,708	15,173	20,597	27,530
Net Block	48,500	63,508	160,723	168,257	178,009
Capital Work in Progress	19,183	21,174	35,750	55,000	50,000
Cash & Cash Equivalent	12,216	3,181	18,451	13,490	30,028
Total Current Assets	17,191	9,433	29,353	24,317	41,334
Total Current Liabilities	5,494	6,786	8,375	10,026	12,460
Net Current Assets	11,698	2,647	20,978	14,291	28,874
Other Assets	30	404	-	-	-
Total Assets	81,629	88,400	219,617	242,215	265,549

Source: Company Data, PL Research

Focus on pricing strength to support margin in domestic wireless space:

Bharti's adopted strategy of testing the market with price increases at the cost of near-term volume drag will help margins. ARPM grew 3.5% QoQ in Q3FY12 (Idea 1.4% QoQ), while volume growth was muted at 0.8% QoQ (Idea 7.2% QoQ), leading to an improvement in wireless margins (adjusting for write-offs in Bangladesh). The management continues to maintain that the focus will be on quality subscribers and pricing improvement.

Regulatory environment: The cancellation of 122 licenses (largely new entrants) ordered by the Supreme Court will drive moderation in the aggressive price competition in the 2G space. While most of the important aspects (re-farming, one-time charge on excess spectrum and spectrum pricing) of the New Telecom Policy are yet to be decided, the partial policy announcement is positive for Bharti, specially related to higher limits of 60% combined market share for M&A and lower uniform license fee at 8% (Bharti currently pays 8.8%).

Africa is the key growth driver: We expect Africa to drive earnings growth with two-yr EBITDA CAGR of 32% through FY14E with revenue CAGR of 19% driven by improved operating leverage as Bharti continues to exploit scale benefits on key cost items like network operating costs and support and passive infrastructure costs. The strategy in Africa now is to keep tariffs stable, while growing volumes as well as revenue market share, which is evident in the Q3FY12 numbers, where ARPM was down marginally at 0.4% QoQ and volume growth decelerated to 3% QoQ following two quarters of ~10% QoQ growth.

Outlook & Valuation: We believe that the recent 2G verdict augurs well for Bharti as competitive intensity to moderate in the 2G space driven by 1) exits and 2) extended payback periods for those who re-bid. However, the industry still remains competitive with 5-6 players in each circle. We value Bharti at ~7x FY13E EV/EBITDA, at a premium to Idea at target EV/EBITDA of 6.5x, primarily owing to the insulation from the 2G scam and diversification to regulatory risk provided by the Africa ops. **'Accumulate'**.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	418,473	594,673	719,844	830,797	932,172
<i>Growth (%)</i>	<i>13.2</i>	<i>42.1</i>	<i>21.0</i>	<i>15.4</i>	<i>12.2</i>
EBITDA (Rs m)	168,145	200,834	239,478	295,370	340,925
PAT (Rs m)	98,059	60,922	46,785	87,314	111,682
EPS (Rs)	25.8	16.0	12.3	23.0	29.4
<i>Growth (%)</i>	<i>464.5</i>	<i>(37.9)</i>	<i>(23.2)</i>	<i>86.6</i>	<i>27.9</i>
Net DPS (Rs)	1.0	1.0	1.0	1.0	1.0

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	40.2	33.8	33.3	35.6	36.6
RoE (%)	27.0	28.0	14.0	15.3	16.7
RoCE (%)	20.5	13.8	7.3	6.6	7.6
EV / sales (x)	3.2	3.1	2.5	2.1	1.9
EV / EBITDA (x)	8.0	9.1	7.4	6.0	5.2
PER (x)	13.2	21.3	27.7	14.8	11.6
P / BV (x)	3.1	2.7	2.6	2.2	1.8
Net dividend yield (%)	0.3	0.3	0.3	0.3	0.3

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(9.0)	(14.5)	3.4
Relative to Sensex	(10.2)	(24.5)	4.8

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
India & South Asia					
Wireless Subs (m)	128	162	178	194	209
Voice ARPM (Rs)	0.49	0.40	0.39	0.39	0.40
Network Mins (m)	610,430	792,132	885,678	969,017	1,027,020
<i>Growth (%)</i>	<i>28.4</i>	<i>29.8</i>	<i>11.8</i>	<i>9.4</i>	<i>6.0</i>
Total Revenue (Rs m)	418,473	464,446	521,297	593,432	648,282
<i>Growth (%)</i>	<i>9.1</i>	<i>11.0</i>	<i>12.2</i>	<i>13.8</i>	<i>9.2</i>
EBITDA (Rs m)	168,145	171,155	185,473	221,558	246,313
<i>Margin (%)</i>	<i>40.2</i>	<i>36.9</i>	<i>35.6</i>	<i>37.3</i>	<i>38.0</i>
Africa					
Wireless Subs (m)	-	44	53	65	78
ARPM (US cents)	-	6.23	5.78	5.08	4.47
Network Mins (m)	-	46,296	72,235	95,585	129,909
<i>Growth (%)</i>	<i>-</i>	<i>-</i>	<i>56.0</i>	<i>32.3</i>	<i>35.9</i>
Revenue (Rs m)	-	130,834	199,996	237,366	283,890
<i>Growth (%)</i>	<i>-</i>	<i>-</i>	<i>52.9</i>	<i>18.7</i>	<i>19.6</i>
EBITDA (Rs m)	-	31,379	54,329	73,813	94,612
<i>Margin (%)</i>	<i>-</i>	<i>24.0</i>	<i>27.2</i>	<i>31.1</i>	<i>33.3</i>

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	418,473	594,673	719,844	830,797	932,172
Direct Expenses	175,227	254,017	317,961	355,401	393,629
<i>% of Net Sales</i>	<i>41.9</i>	<i>42.7</i>	<i>44.2</i>	<i>42.8</i>	<i>42.2</i>
Employee Cost	19,028	32,189	34,842	35,005	38,910
<i>% of Net Sales</i>	<i>4.5</i>	<i>5.4</i>	<i>4.8</i>	<i>4.2</i>	<i>4.2</i>
SG&A Expenses	55,588	107,341	126,651	141,235	154,109
<i>% of Net Sales</i>	<i>13.3</i>	<i>18.1</i>	<i>17.6</i>	<i>17.0</i>	<i>16.5</i>
Other Expenses	485	292	912	3,785	4,599
<i>% of Net Sales</i>	<i>0.1</i>	<i>0.0</i>	<i>0.1</i>	<i>0.5</i>	<i>0.5</i>
EBITDA	168,145	200,834	239,478	295,370	340,925
<i>Margin (%)</i>	<i>40.2</i>	<i>33.8</i>	<i>33.3</i>	<i>35.6</i>	<i>36.6</i>
Depreciation	60,457	102,073	134,696	140,127	144,243
PBIT	107,688	98,761	104,782	155,243	196,682
Interest Expenses	(6,075)	21,797	36,142	30,743	29,332
PBT	113,763	76,963	68,640	124,500	167,350
Total tax	13,710	17,802	21,781	37,112	55,594
<i>Effective Tax rate (%)</i>	<i>12.1</i>	<i>23.1</i>	<i>31.7</i>	<i>29.8</i>	<i>33.2</i>
PAT	98,059	60,922	46,785	87,314	111,682
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	98,059	60,922	46,785	87,314	111,682

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	18,988	18,988	18,988	18,988	18,988
Reserves & Surplus	402,952	468,680	486,997	574,311	685,993
Shareholder's Fund	421,940	487,668	505,985	593,299	704,981
Preference Share Capital	-	-	-	-	-
Total Debt	81,474	532,338	497,257	507,405	507,405
Other Liabilities(net)	55,811	62,726	66,102	66,176	66,250
Deferred Tax Liability	3,737	12,487	12,513	12,513	12,513
Total Liabilities	562,962	1,095,219	1,081,856	1,179,393	1,291,149
Gross Block	573,255	1,352,987	1,430,397	1,493,389	1,569,159
Less: Depreciation	-	-	-	-	-
Net Block	573,255	1,352,987	1,430,397	1,493,389	1,569,159
Capital Work in Progress	-	-	-	-	-
Cash & Cash Equivalent	25,323	9,575	21,429	25,872	39,339
Total Current Assets	137,685	112,077	175,308	207,586	254,901
Total Current Liabilities	147,978	369,845	523,849	521,582	532,912
Net Current Assets	(10,293)	(257,768)	(348,541)	(313,996)	(278,011)
Other Assets	-	-	-	-	-
Total Assets	562,962	1,095,219	1,081,856	1,179,393	1,291,149

Source: Company Data, PL Research

MID-CAPS

Rallis India has shown FY05-11 CAGR of 11.7% and 29.5%, respectively. Stock has been corrected by 30%+ in the past couple of months on account of adverse weather/market condition in Southern India market that lead to expectation of lower earnings growth. We believe that stock is providing a good long-term (12months plus) investment opportunity at comfortable valuation.

Strong growth is likely to continue in the existing business: Rallis is likely to witness strong sales growth (15%+) on the back of healthy distribution network, branded farm solutions and launch of new products in the domestic business, while, newly commissioned facility in Dahej SEZ would lead to higher growth in export sales. Management has guided Rs5bn (Ple: Rs4.4bn) cumulative sales in the next three years from Dahej facility.

Metahelix – new growth ladder: We believe that Rallis' 75.64% stake in Metahelix Life Sciences (Metahelix), a seed player would put it into new growth trajectory. Metahelix is a domestic seeds and agriculture biotechnology company, having sales of ~Rs700-800m during FY11. Management has guided Rs10b (Ple: Rs6.2bn) cumulative sales by FY15.

Strong earning growth to continue, back on cash inflow mode: We expect that Rallis would grow at FY11-14E CAGR of 20.1% and 20.7% in Sales and PAT, respectively, along-with healthy return ratio of 27-28%. Company has invested ~Rs4bn in Dahej facility, Metahelix and working capital in the past 18months. We expect that major capex is over for Rallis now and it is expected to generate ~Rs4bn operating cash flow in FY13/14 that resulted in debt-free balance sheet once again.

Recommend 'BUY': Rallis is trading at par/premium v/s global as well as domestic peer on account of better financials, focus on branded products, higher return ratio and synergy with Tata Chemicals (TCL). We strongly believe that Rallis will trade at a premium, going forward too. We expect that Rallis could positively surprise on the back of its land bank, strategic stake in Advinus, income from pulses initiatives (with TCL) any time in the future. We have not considered these factors either in our estimates or valuation. Our TP is based on 18x FY13 EPS or land adjusted valuation of 16x FY13 EPS. Adverse weather/monsoon could be downside risk to our estimate/TP.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	8,751	10,657	13,193	15,675	18,455
<i>Growth (%)</i>	<i>5.1</i>	<i>21.8</i>	<i>23.8</i>	<i>18.8</i>	<i>17.7</i>
EBITDA (Rs m)	1,526	1,713	2,190	2,650	3,134
PAT (Rs m)	1,110	1,267	1,450	1,844	2,229
EPS (Rs)	5.7	6.5	7.5	9.5	11.5
<i>Growth (%)</i>	<i>16.3</i>	<i>14.2</i>	<i>14.4</i>	<i>27.2</i>	<i>20.9</i>
Net DPS (Rs)	1.7	2.0	2.0	2.2	2.3

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	17.4	16.1	16.6	16.9	17.0
RoE (%)	32.5	27.3	26.9	28.8	28.1
RoCE (%)	26.2	24.6	23.4	26.0	27.9
EV / sales (x)	1.8	2.3	1.9	1.5	1.2
EV / EBITDA (x)	10.3	14.4	11.4	9.1	7.2
PER (x)	21.4	18.7	16.4	12.9	10.6
P / BV (x)	3.7	4.7	4.1	3.4	2.7
Net dividend yield (%)	1.4	1.6	1.6	1.8	1.9

Source: Company Data, PL Research

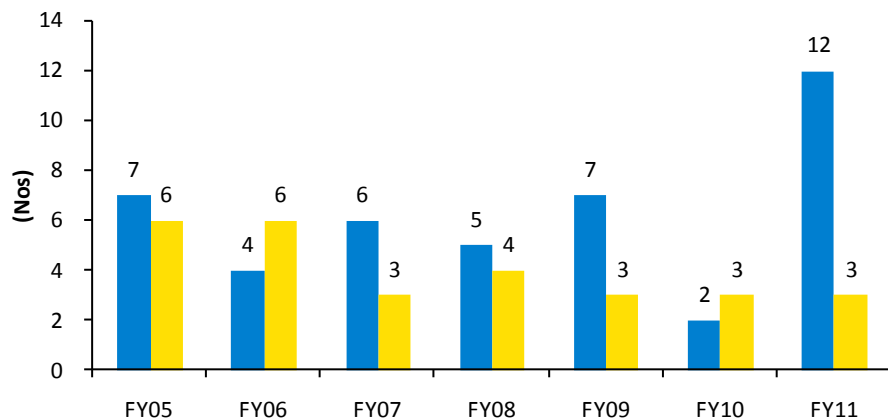
Stock Performance

(%)	1M	6M	12M
Absolute	(3.8)	(23.8)	(2.7)
Relative to Sensex	(5.0)	(33.9)	(1.3)

Y/e March	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Domestic Sales	6,156	5,579	7,059	8,161	9,303	10,699	12,304
% Growth	13.4	(9.4)	26.5	15.6	14.0	15.0	15.0
Export Sales	1,674	2,947	1,925	2,587	3,208	4,009	4,811
% Growth	6.4	76.0	(34.7)	34.4	24.0	25.0	20.0
Sales from Seeds Business				194	1,000	1,300	1,690
% Growth				-	416.5	30.0	30.0

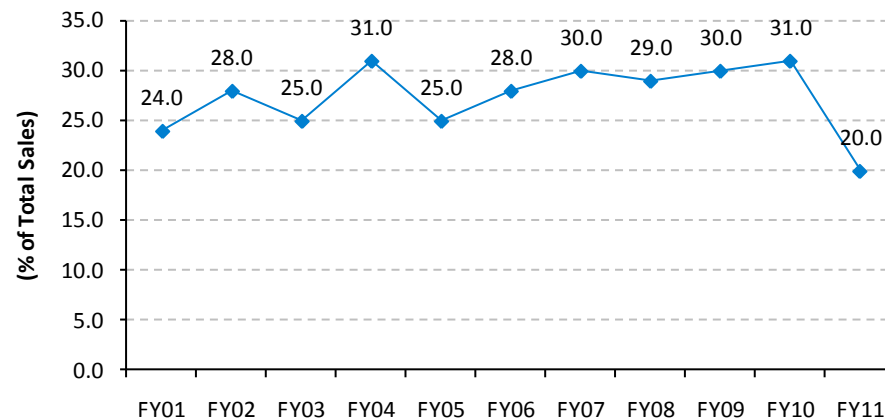
Source: Company Data, PL Research

Product Launches and Registrations



Source : Company Data, PL Research

Innovation Turnover Index



Source : Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	8,751	10,657	13,193	15,675	18,455
Direct Expenses	5,034	6,336	7,885	9,473	11,256
<i>% of Net Sales</i>	<i>57.5</i>	<i>59.5</i>	<i>59.8</i>	<i>60.4</i>	<i>61.0</i>
Employee Cost	667	729	875	918	964
<i>% of Net Sales</i>	<i>7.6</i>	<i>6.8</i>	<i>6.6</i>	<i>5.9</i>	<i>5.2</i>
SG&A Expenses	1,524	1,879	2,243	2,633	3,100
<i>% of Net Sales</i>	<i>17.4</i>	<i>17.6</i>	<i>17.0</i>	<i>16.8</i>	<i>16.8</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	1,526	1,713	2,190	2,650	3,134
<i>Margin (%)</i>	<i>17.4</i>	<i>16.1</i>	<i>16.6</i>	<i>16.9</i>	<i>17.0</i>
Depreciation	152	175	273	300	318
PBIT	1,374	1,539	1,918	2,350	2,816
Interest Expenses	27	40	133	38	-
PBT	1,622	1,852	2,103	2,646	3,167
Total tax	512	580	627	764	884
<i>Effective Tax rate (%)</i>	<i>31.5</i>	<i>31.3</i>	<i>29.8</i>	<i>28.9</i>	<i>27.9</i>
PAT	1,010	1,260	1,133	1,844	2,229
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	1,110	1,267	1,450	1,844	2,229

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	130	194	194	194	194
Reserves & Surplus	3,201	3,975	4,653	5,996	7,702
Shareholder's Fund	4,228	5,049	5,727	7,070	8,776
Preference Share Capital	-	-	-	-	-
Total Debt	81	1,172	1,400	400	-
Other Liabilities(net)	-	21	26	38	53
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	4,309	6,243	7,153	7,508	8,829
Gross Block	3,091	4,057	6,257	6,657	7,057
Less: Depreciation	1,564	1,743	2,015	2,315	2,632
Net Block	1,527	2,314	4,242	4,342	4,425
Capital Work in Progress	1,120	1,695	-	-	-
Cash & Cash Equivalent	1,515	402	405	387	1,364
Total Current Assets	3,245	4,666	5,457	6,141	7,850
Total Current Liabilities	3,040	3,891	4,281	4,709	5,180
Net Current Assets	205	774	1,177	1,432	2,670
Other Assets	53	1,204	1,478	1,478	1,478
Total Assets	4,309	6,243	7,153	7,508	8,829

Source: Company Data, PL Research

Leveraged play on gas availability in Gujarat: GSPL's fortunes are highly linked to availability of gas. GSPL, which currently transports around 36mmscmd, has witnessed a ~28% CAGR growth in gas transportation over FY06-FY11. However, on account of subdued domestic gas output, GSPL has not been able to deliver volumes growth over the last 7-8 quarters. The same has resulted into subdued stock performance. We believe the domestic natural gas production outlook is unlikely to see a material change in the near term, resulting in lack of significant volumes growth for GSPL from the domestic sources. However, given the relatively lower size of volumes transmitted, even 5-7mmscmd incremental volumes would lead to material increase in the volumes. GSPC is currently in talks to secure around 1.5MMTPA (~6mmscmd) from upcoming incremental Dahej Capacity. Moreover, from long term perspective planned, Mundra terminal, coupled with supplies from RIL, GSPC and ONGC from FY2015 onwards, should add to growth prospects of GSPL.

Tariff clarity a near-term catalyst: Impending clarity over the transmission tariffs is likely to emerge over the next 6 months (PNGRB likely to notify GSPL's tariff) and is likely to create upsides in the stock price. There is limited downside to GSPL's tariffs for Gujarat network and management has also indicated the same over the various platforms in the past. Thus, the tariff notification is likely to provide some upsides to the stock price.

Attractive valuations: Excluding the CGD value from the current market price, the stock is available at P/E of 8.5x FY13 (an attractive proposition for a utility play). The same in turn reflects lack of growth prospects, which we believe builds an over pessimistic scenario, going ahead. We recommend an '**Accumulate**' on the stock, with a target price of Rs102/share.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	9,920	10,252	10,463	10,827	11,318
<i>Growth (%)</i>	<i>103.5</i>	<i>3.4</i>	<i>2.1</i>	<i>3.5</i>	<i>4.5</i>
EBITDA (Rs m)	9,297	9,478	9,762	10,102	10,560
PAT (Rs m)	4,083	4,856	4,842	4,860	5,224
EPS (Rs)	7.3	8.6	8.6	8.6	9.3
<i>Growth (%)</i>	<i>228.5</i>	<i>18.9</i>	<i>(0.3)</i>	<i>0.4</i>	<i>7.5</i>
Net DPS (Rs)	1.0	1.5	1.6	1.8	2.2

Source: Company Data, PL Research

Profitability & valuation

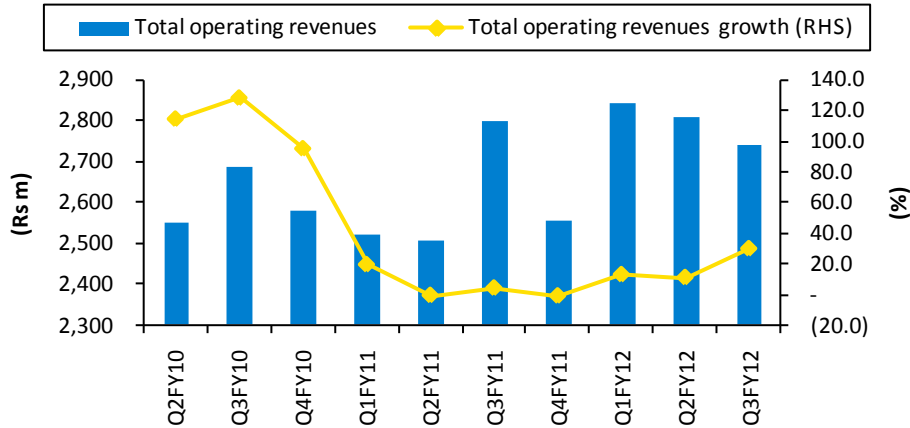
Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	93.7	92.5	93.3	93.3	93.3
RoE (%)	29.4	27.2	21.9	18.5	17.1
RoCE (%)	18.2	17.4	15.1	13.9	13.4
EV / sales (x)	5.2	5.2	4.9	4.7	4.5
EV / EBITDA (x)	5.6	5.6	5.3	5.0	4.8
PER (x)	10.1	8.5	8.5	8.5	7.9
P / BV (x)	2.6	2.0	1.7	1.5	1.3
Net dividend yield (%)	1.4	2.1	2.3	2.4	3.0

Source: Company Data, PL Research

Stock Performance

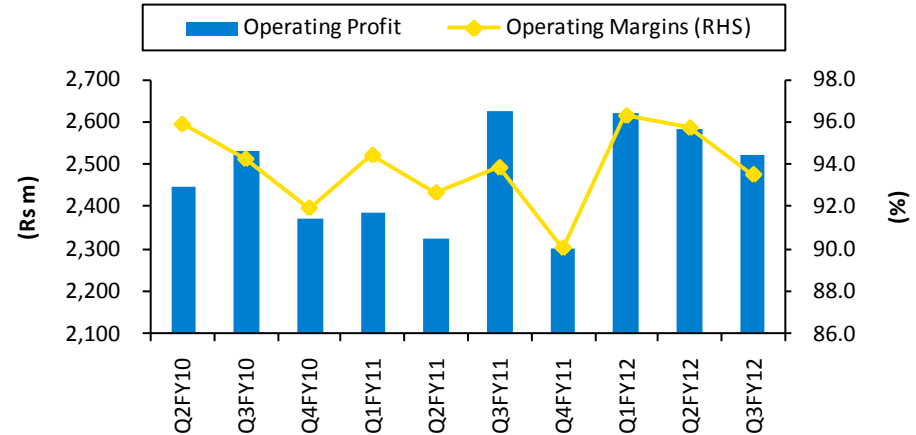
(%)	1M	6M	12M
Absolute	(13.2)	(21.7)	(19.8)
Relative to Sensex	(14.4)	(31.7)	(18.3)

Operating revenue trend



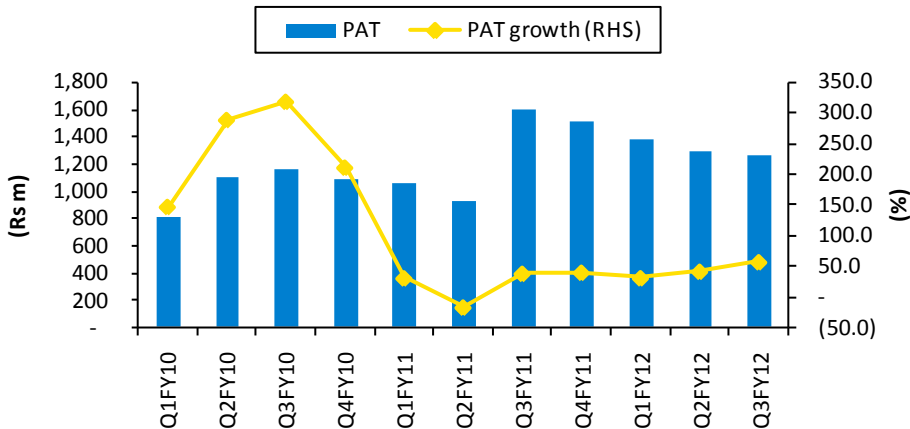
Source: Company Data, PL Research

Operating performance



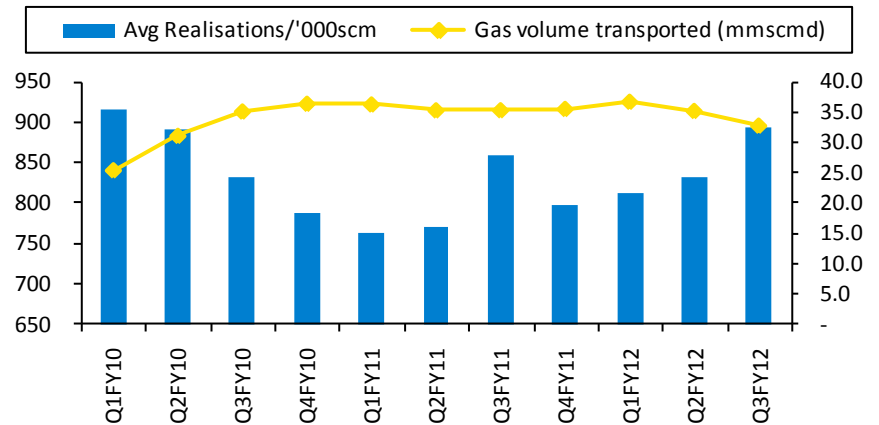
Source: Company Data, PL Research

PAT growth trend



Source: Company Data, PL Research

Transmission Performance



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	9,920	10,252	10,463	10,827	11,318
Direct Expenses	283	357	377	390	407
<i>% of Net Sales</i>	<i>2.9</i>	<i>3.5</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>
Employee Cost	99	153	136	141	147
<i>% of Net Sales</i>	<i>1.0</i>	<i>1.5</i>	<i>1.3</i>	<i>1.3</i>	<i>1.3</i>
SG&A Expenses	236	264	188	195	204
<i>% of Net Sales</i>	<i>2.4</i>	<i>2.6</i>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>
Other Expenses	4	-	-	-	-
<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	9,297	9,478	9,762	10,102	10,560
<i>Margin (%)</i>	<i>93.7</i>	<i>92.5</i>	<i>93.3</i>	<i>93.3</i>	<i>93.3</i>
Depreciation	2,365	1,533	1,529	1,759	1,949
PBIT	6,932	7,945	8,233	8,343	8,611
Interest Expenses	938	961	1,116	1,261	1,218
PBT	6,241	7,275	7,487	7,515	8,067
Total tax	2,131	2,416	2,645	2,655	2,842
<i>Effective Tax rate (%)</i>	<i>34.1</i>	<i>33.2</i>	<i>35.3</i>	<i>35.3</i>	<i>35.2</i>
PAT	4,110	4,859	4,842	4,860	5,224
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	4,083	4,856	4,842	4,860	5,224

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	5,624	5,626	5,626	5,626	5,626
Reserves & Surplus	10,010	14,422	18,579	22,654	27,017
Shareholder's Fund	15,635	20,063	24,220	28,295	32,659
Preference Share Capital	-	-	-	-	-
Total Debt	12,595	14,835	14,835	14,835	14,335
Other Liabilities(net)	-	-	-	-	-
Deferred Tax Liability	1,405	2,641	3,805	4,973	4,688
Total Liabilities	29,636	37,539	42,860	48,103	51,682
Gross Block	33,255	41,935	48,231	55,481	61,481
Less: Depreciation	8,887	10,118	11,647	13,406	15,355
Net Block	24,368	31,817	36,584	42,075	46,126
Capital Work in Progress	5,387	3,546	1,250	-	-
Cash & Cash Equivalent	2,407	3,156	5,310	6,265	5,729
Total Current Assets	7,549	8,997	11,193	12,195	11,723
Total Current Liabilities	8,334	7,586	6,932	6,932	6,932
Net Current Assets	(785)	1,410	4,260	5,262	4,790
Other Assets	-	-	-	-	-
Total Assets	29,636	37,539	42,860	48,103	51,682

Source: Company Data, PL Research

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 37.5% and FY13 P/B 1.84x.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net interest income	8,939	14,144	14,490	19,225	23,803
<i>Growth (%)</i>	<i>19.2</i>	<i>58.2</i>	<i>2.5</i>	<i>32.7</i>	<i>23.8</i>
PPP	8,819	15,548	14,617	19,448	24,151
PAT	6,622	9,745	9,552	13,685	16,995
EPS (Rs)	13.9	20.5	20.1	26.8	33.2
<i>Growth (%)</i>	<i>11.4</i>	<i>47.2</i>	<i>-2.0</i>	<i>33.1</i>	<i>24.2</i>
Net DPS (Rs)	3.0	3.5	3.4	4.5	6.6

Source: Company Data, PL Research

Profitability & valuation

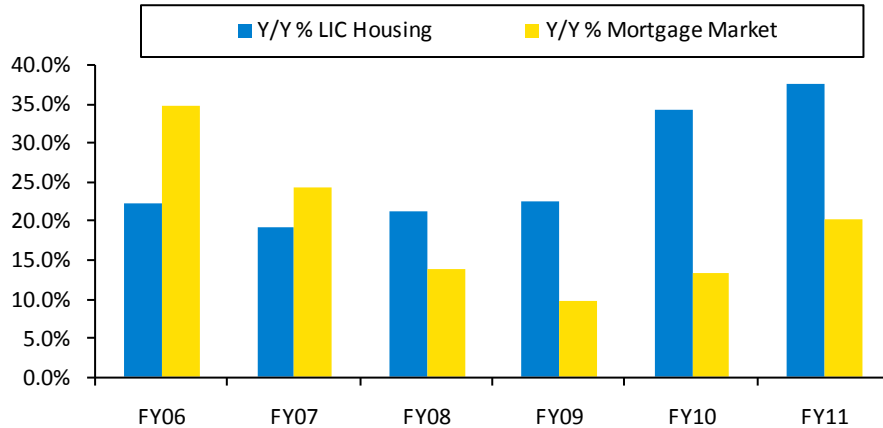
Y/e March	FY10	FY11	FY12E	FY13E	FY14E
NIM (%)	98.7	109.9	100.9	101.2	101.5
RoE (%)	23.6	25.8	21.0	22.9	22.1
RoA (%)	2.0	2.2	1.7	2.0	2.0
P / BV (x)	3.4	2.8	2.3	1.8	1.5
P / ABV (x)	3.4	2.8	2.3	1.8	1.5
PE (x)	17.5	11.9	12.1	9.1	7.3
Net dividend yield (%)	1.2	1.4	1.4	1.9	2.7

Source: Company Data, PL Research

Stock Performance

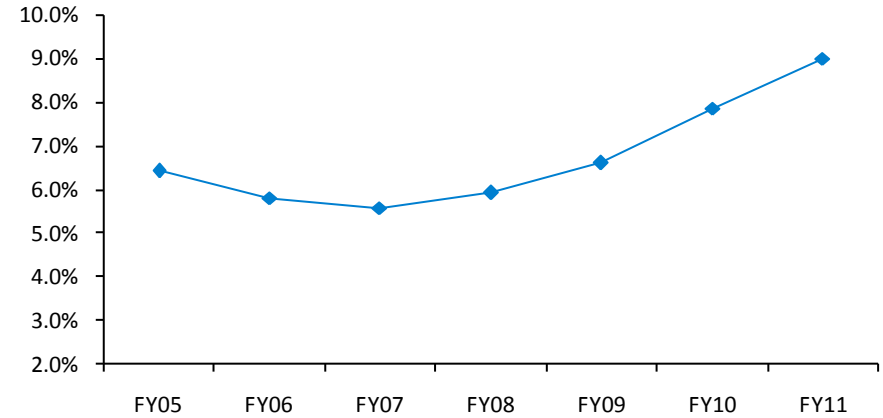
(%)	1M	6M	12M
Absolute	(3.2)	22.1	32.1
Relative to Sensex	(4.4)	12.1	33.5

LIC's growth much higher than overall mortgage growth



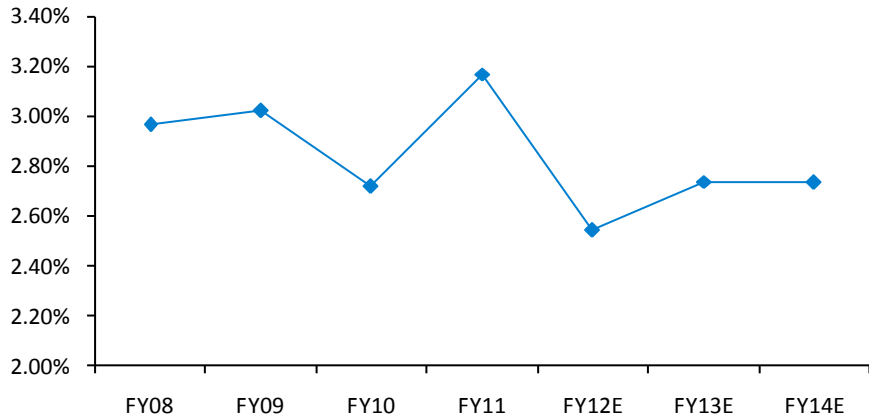
Source: Company Data, PL Research

Strong improvement in market share in mortgages



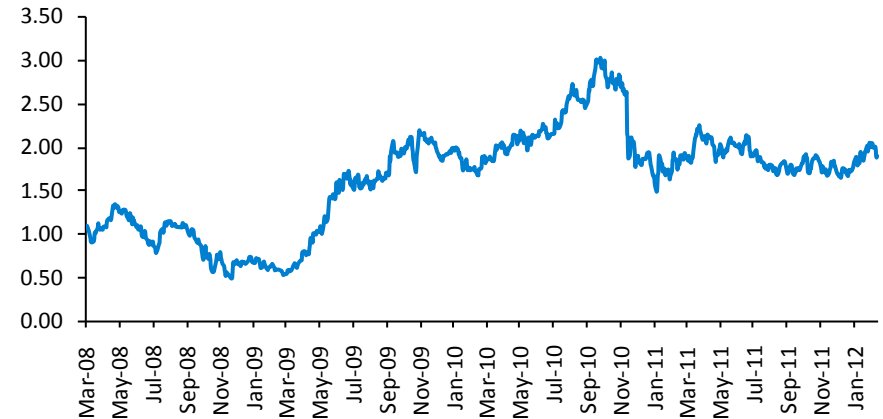
Source: Company Data, PL Research

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	FY12E	FY13E	FY14E
Int. Inc. / Operating Inc.	32,897	45,121	61,048	74,423	88,770
Interest Expenses	23,957	30,977	46,558	55,198	64,967
Net interest income	8,939	14,144	14,490	19,225	23,803
<i>Growth (%)</i>	<i>19.2</i>	<i>58.2</i>	<i>2.5</i>	<i>32.7</i>	<i>23.8</i>
Non interest income	1,795	3,567	2,459	3,065	3,757
<i>Growth (%)</i>	<i>31.4</i>	<i>98.7</i>	<i>(31.1)</i>	<i>24.7</i>	<i>22.5</i>
Net operating income	10,735	17,710	16,949	22,290	27,559
Expenditure					
Employees	485	681	749	899	1,079
Other expenses	1,367	1,419	1,514	1,868	2,246
Depreciation	64	62	69	76	83
Total expenditure	1,916	2,162	2,332	2,842	3,408
PPP	8,819	15,548	14,617	19,448	24,151
<i>Growth (%)</i>	<i>20.4</i>	<i>76.3</i>	<i>(6.0)</i>	<i>33.0</i>	<i>24.2</i>
Provision	(284)	2,609	1,708	702	871
Other income	10	2	-	-	-
Exchange Gain / (Loss)	-	-	-	-	-
Profit before tax	9,113	12,942	12,909	18,746	23,281
Tax	2,491	3,197	3,356	5,062	6,286
<i>Effective tax rate (%)</i>	<i>27.3</i>	<i>24.7</i>	<i>26.0</i>	<i>27.0</i>	<i>27.0</i>
PAT	6,622	9,745	9,552	13,685	16,995
<i>Growth (%)</i>	<i>24.6</i>	<i>47.2</i>	<i>(2.0)</i>	<i>43.3</i>	<i>24.2</i>

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Sources of funds					
Equity	950	950	950	1,023	1,023
Reserves & Surplus	32,927	40,741	48,394	69,284	82,302
Networth	33,877	41,691	49,343	70,306	83,325
<i>Growth (%)</i>	<i>51.6</i>	<i>23.1</i>	<i>18.4</i>	<i>42.5</i>	<i>18.5</i>
Loan funds	347,582	451,628	549,619	670,226	840,642
<i>Growth (%)</i>	<i>36.7</i>	<i>29.9</i>	<i>21.7</i>	<i>21.9</i>	<i>25.4</i>
Others	-	-	-	-	-
Minority Interest	-	-	-	-	-
Deferred tax liability	-	-	-	-	-
Total	381,458	493,319	598,962	740,532	923,967
Application of funds					
Net fixed assets	356	474	372	408	448
Advances	380,814	510,898	628,039	775,231	966,049
<i>Growth (%)</i>	<i>37.6</i>	<i>34.2</i>	<i>22.9</i>	<i>23.4</i>	<i>24.6</i>
Net current assets	(13,599)	(32,085)	(45,802)	(55,048)	(67,517)
Investments	13,887	14,032	16,354	19,941	24,987
<i>Growth (%)</i>	<i>23.0</i>	<i>1.0</i>	<i>16.5</i>	<i>21.9</i>	<i>25.3</i>
Other Assets	-	-	-	-	-
Total	381,458	493,319	598,962	740,532	923,967

Source: Company Data, PL Research

Jain Irrigation Systems (JISL), as a market leader in Micro Irrigation, has shown robust earnings growth during FY06-11. Stock has been sharply corrected and de-rated in the past couple of quarters on account of balance sheet concerns, moderation in growth and expectation of equity dilution (QIP). Management is focusing on balance sheet improvement and we expect that it would lead to improvement in earnings as well as re-rating of stock, going forward.

MI – Untapped potential and increased government focus: According to the Task Force (a government body for MI), India's 2m Ha land was under MIS in 2004 and government was targeting about 17m Ha (53.5% CAGR) and 69m Ha (16.7% CAGR) by 2012 and 2030, respectively, though, we believe that targets were aggressive. But, MIS has a huge potential to expand in India. According to industry sources, India's 5m Ha is under MI at present and it could comfortably grow at 30-35% CAGR in the coming years.

Focusing on cash generation, rather than growth: JISL leverage ratio stood at 1.9x during FY11 on account of working capital intensive nature of fastest growing business i.e. MIS. Management has indicated that company is focusing on cash flow/balance sheet improvement that resulted in moderation in MIS growth, going forward. We have assumed 15% FY12-14E CAGR (v/s 51.6% in FY06-11) in MIS and working capital of 182/212/187/179 days during FY11/12/13/14, respectively. We believe that it is likely to result in positive operating cash flow of Rs10bn in FY13/14 that would ultimately reduce the debt by Rs8bn in FY13/14.

Strong earnings growth to continue: JISL is expected to show sales and PAT FY11-14E CAGR of 15.4% and 28.7% v/s FY06-11 CAGR of 37.6% and 28.1%, respectively, primarily on account of lower interest out go.

Recommend 'BUY': Stock has been sharply de-rated from one-year forward P/E of 25x to 9x and EV/EBITDA of 15x to 6x. We believe that the present valuation is comfortable, considering JISL's strong business model despite considering slower growth, going forward. We recommend **'BUY'** the stock. Our TP is based on 8x FY13 EV/EBITDA and 13x FY13 EPS. Slower-than-expected growth in MIS or disappointment to improve balance sheet could lead to downward risk to our estimate as well as rating, going forward.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	34,200	41,528	49,897	56,439	63,897
<i>Growth (%)</i>	<i>19.6</i>	<i>21.4</i>	<i>20.2</i>	<i>13.1</i>	<i>13.2</i>
EBITDA (Rs m)	5,830	7,474	9,764	11,196	12,845
PAT (Rs m)	1,598	2,541	3,427	4,481	5,779
EPS (Rs)	4.2	6.6	8.5	10.9	14.1
<i>Growth (%)</i>	<i>(19.8)</i>	<i>56.7</i>	<i>28.4</i>	<i>28.8</i>	<i>29.0</i>
Net DPS (Rs)	0.9	1.0	1.0	1.0	1.0

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	17.0	18.0	19.6	19.8	20.1
RoE (%)	15.3	18.1	20.9	22.7	23.2
RoCE (%)	8.5	10.3	12.3	12.1	13.8
EV / sales (x)	1.7	1.6	1.5	1.3	1.1
EV / EBITDA (x)	9.9	8.6	7.8	6.5	5.5
PER (x)	23.9	15.3	11.9	9.2	7.2
P / BV (x)	3.1	2.5	2.4	1.9	1.5
Net dividend yield (%)	0.9	1.0	1.0	1.0	1.0

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	(3.0)	(38.9)	(46.2)
Relative to Sensex	(4.3)	(49.0)	(44.8)

Y/e March	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
MIS	6,179	9,509	13,023	16,992	19,541	22,472	25,843
Piping	6,601	7,445	8,420	9,467	10,414	11,455	12,601
Agro Processing	2,417	3,217	4,310	4,679	5,755	6,906	8,287
Sheets	1,891	1,717	1,523	1,402	1,893	2,082	2,290
Subsidiaries	5,577	7,074	6,971	8,219	9,863	10,850	11,935
Others	373	485	618	1,677	2,431	2,675	2,942
Total	23,038	29,447	34,864	42,436	49,897	56,439	63,897

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	34,200	41,528	49,897	56,439	63,897
Direct Expenses	21,692	26,039	30,501	34,385	38,800
<i>% of Net Sales</i>	<i>63.4</i>	<i>62.7</i>	<i>61.1</i>	<i>60.9</i>	<i>60.7</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	6,678	8,015	9,632	10,858	12,253
<i>% of Net Sales</i>	<i>19.5</i>	<i>19.3</i>	<i>19.3</i>	<i>19.2</i>	<i>19.2</i>
EBITDA	5,830	7,474	9,764	11,196	12,845
<i>Margin (%)</i>	<i>17.0</i>	<i>18.0</i>	<i>19.6</i>	<i>19.8</i>	<i>20.1</i>
Depreciation	1,020	1,216	1,457	1,551	1,645
PBIT	4,810	6,258	8,307	9,645	11,200
Interest Expenses	2,194	2,717	3,789	3,289	2,989
PBT	2,813	3,816	4,668	6,506	8,361
Total tax	1,203	1,201	1,167	1,952	2,508
<i>Effective Tax rate (%)</i>	<i>42.8</i>	<i>31.5</i>	<i>25.0</i>	<i>30.0</i>	<i>30.0</i>
PAT	2,476	2,807	1,987	4,481	5,779
Extraordinary Gain/(Loss)	877	266	(1,440)	-	-
Adjusted PAT	1,598	2,541	3,427	4,481	5,779

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	760	771	810	823	823
Reserves & Surplus	11,609	14,541	16,048	21,428	26,726
Shareholder's Fund	12,369	15,660	17,207	22,250	27,548
Preference Share Capital	23	-	-	-	-
Total Debt	24,447	29,888	37,888	32,888	29,888
Other Liabilities (net)	346	422	496	569	643
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	37,186	45,970	55,590	55,707	58,079
Gross Block	21,601	26,499	30,999	32,999	34,999
Less: Depreciation	6,667	8,044	9,501	11,052	12,697
Net Block	14,933	18,455	21,498	21,947	22,302
Capital Work in Progress	1,324	1,611	1,611	1,611	1,611
Cash & Cash Equivalent	5,263	4,355	2,524	2,004	1,332
Total Current Assets	30,780	40,962	48,395	49,856	53,916
Total Current Liabilities	11,119	16,324	17,180	18,972	21,016
Net Current Assets	19,662	24,638	31,215	30,883	32,900
Other Assets	1,056	1,055	1,055	1,055	1,055
Total Assets	37,186	45,970	55,590	55,707	58,079

Source: Company Data, PL Research

BFSI and Intellect on solid footing: We believe Polaris' Intellect platform is well positioned to take advantage of the current buoyancy in the demand in the vertical. Growth in the demand of Intellect platform may provide much needed non-linearity growth to the revenue. Our checks indicate that Polaris' platform is back on a solid footing after two years of investment. This provides a solid base for a possible re-rating of these businesses, with potential license upside from Intellect.

Non-IP business growing in-line with industry average: Focus on IP led growth didn't decelerate other businesses which includes ADM(~57%), Testing Services (~15%), Consulting (5%) and BPO (2%). We expect services business to act as referral for the product business and also an opportunity for Polaris to provide end-to-end IT services. We expect new business to be driven by product, whereas the increasing wallet share from existing clients would be the growth driver for services business.

Valuation: Services and IP business look undervalued— Polaris product business is a late-cyclical business and the cycle seems to be turning for this business due to increased regulation from central banks. Combined with operating leverage, we expect Polaris to be able to grow its earnings by 20% organically in FY13 and FY14. The stock is trading at 5.8x FY13E earnings, steep discount to peers.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	13,405	15,863	21,274	25,770	29,323
<i>Growth (%)</i>	<i>(2.7)</i>	<i>18.3</i>	<i>34.1</i>	<i>21.1</i>	<i>13.8</i>
EBITDA (Rs m)	2,087	2,139	2,874	3,272	3,497
PAT (Rs m)	1,528	2,023	2,297	2,643	2,934
EPS (Rs)	15.4	20.4	23.2	26.7	29.6
<i>Growth (%)</i>	<i>17.4</i>	<i>32.3</i>	<i>13.6</i>	<i>15.1</i>	<i>11.0</i>
Net DPS (Rs)	3.5	3.5	3.5	3.5	3.5

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	15.6	13.5	13.5	12.7	11.9
RoE (%)	18.6	21.1	20.2	19.6	18.4
RoCE (%)	18.6	21.2	20.2	19.6	18.4
EV / sales (x)	1.0	0.8	0.6	0.4	0.3
EV / EBITDA (x)	6.7	6.1	4.2	3.2	2.5
PER (x)	10.0	7.5	6.6	5.8	5.2
P / BV (x)	1.7	1.5	1.2	1.0	0.9
Net dividend yield (%)	2.3	2.3	2.3	2.3	2.3

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	8.3	23.4	(16.6)
Relative to Sensex	7.0	13.3	(15.2)

Y/e March	FY09	FY10	FY11	FY12E	FY13E	FY14E
Intellect Revenue (Rs m)	2,411	2,681	3,611	4,875	6,338	7,605
Optimus Revenue (Rs m)	616	318	173	138	117	100
Service Revenue (Rs m)	10,752	10,539	12,252	16,260	19,315	21,618
<i>Software Devp. Exp. (as % of sales)</i>	<i>64.3</i>	<i>64.9</i>	<i>67.6</i>	<i>69.0</i>	<i>67.5</i>	<i>68.8</i>
<i>Sales & Mktg. Exp (as % of sales)</i>	<i>9.9</i>	<i>10.8</i>	<i>10.9</i>	<i>10.9</i>	<i>11.0</i>	<i>10.7</i>
Revenue (US\$ m)	301	283	348	443	515	605
EBITDA Margin Expansion/(Erosion) (bps)	620	(138)	(209)	2	(81)	(77)
<i>Tax Rate (%)</i>	<i>13.8</i>	<i>14.3</i>	<i>15.1</i>	<i>26.0</i>	<i>26.0</i>	<i>25.0</i>

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	13,405	15,863	21,274	25,770	29,323
Direct Expenses	8,701	10,724	14,685	17,401	20,166
<i>% of Net Sales</i>	<i>64.9</i>	<i>67.6</i>	<i>69.0</i>	<i>67.5</i>	<i>68.8</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	2,616	3,000	3,715	5,097	5,660
<i>% of Net Sales</i>	<i>19.5</i>	<i>18.9</i>	<i>17.5</i>	<i>19.8</i>	<i>19.3</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	2,087	2,139	2,874	3,272	3,497
<i>Margin (%)</i>	<i>15.6</i>	<i>13.5</i>	<i>13.5</i>	<i>12.7</i>	<i>11.9</i>
Depreciation	350	337	374	407	443
PBIT	1,737	1,802	2,500	2,865	3,054
Interest Expenses	9	11	10	10	10
PBT	1,784	2,381	3,104	3,572	3,912
Total tax	255	359	807	929	978
<i>Effective Tax rate (%)</i>	<i>14.3</i>	<i>15.1</i>	<i>26.0</i>	<i>26.0</i>	<i>25.0</i>
PAT	1,528	2,023	2,297	2,643	2,934
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	1,528	2,023	2,297	2,643	2,934

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	495	495	495	495	495
Reserves & Surplus	8,230	9,906	11,858	14,156	16,744
Shareholder's Fund	8,725	10,402	12,353	14,651	17,239
Preference Share Capital	-	-	-	-	-
Total Debt	25	25	25	25	25
Other Liabilities(net)	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	8,749	10,426	12,377	14,675	17,263
Gross Block	5,599	6,059	6,676	7,397	8,204
Less: Depreciation	3,452	3,788	4,162	4,569	5,012
Net Block	2,147	2,271	2,514	2,828	3,192
Capital Work in Progress	125	214	287	335	367
Cash & Cash Equivalent	5,134	6,141	7,172	8,677	10,574
Total Current Assets	5,067	6,764	8,870	11,029	13,225
Total Current Liabilities	3,026	3,260	3,730	3,954	3,957
Net Current Assets	2,041	3,505	5,140	7,075	9,268
Other Assets	540	540	540	540	540
Total Assets	8,749	10,426	12,377	14,675	17,263

Source: Company Data, PL Research

Volume lever put to effective use to boost ad revenue: Having focused on yield improvement in H1FY12, Jagran lagged behind its more aggressive peers in ad revenue growth in H1FY12 (9% YoY v/s 15% for HT Media and 18% for DB Corp). However, it has used its volume lever successfully during the festive season in Q3FY12, outstripping its peers with 15% YoY growth in ad revenues driven largely by volume growth. (HT Media 10%; DB Corp 9%).

Maintained dominance in Uttar Pradesh – largest Hindi market: Jagran continues to dominate the UP market with a readership lead of 28% over its nearest competitor, Amar Ujala. Despite competitors like Amar Ujala and Hindustan narrowing the gap, we believe this lead is sufficient to command a disproportionate share of the ad revenues in UP. Jagran has been more conservative than its peers in expanding into new markets/businesses and hence has demonstrated more stable earnings in downturns (See chart on next page).

Stability in global newsprint prices to help margins: We expect raw material costs pressures to moderate in FY13E (10% YoY increase in cost driven largely by consumption growth). Pricing impact will be moderate owing to stable newsprint prices and INR regaining strength. We expect EBITDA margin to improve from ~25% in FY12E to 26.3% in FY13E owing to operating leverage benefits from a 14% YoY growth in ad revenues in a stable newsprint scenario.

Outlook & valuation: In a scenario where ad spends are weak and newsprint prices remain flat, we prefer Jagran in the print media space as it's conservatism (less cash burn from new launches) and dominant position in UP provides resilience to earnings relative to HT Media or DB Corp. Jagran is valued at 13.7x FY13E P/E and is attractive as compared to its peers (DB Corp – 15x; HT Media – 16x) and provides a 24.5% upside to our target price of Rs 131. **'BUY'**

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	9,402	12,210	13,585	15,256	17,120
<i>Growth (%)</i>	<i>14.4</i>	<i>29.9</i>	<i>11.3</i>	<i>12.3</i>	<i>12.2</i>
EBITDA (Rs m)	2,806	3,567	3,361	4,013	4,693
PAT (Rs m)	1,742	2,085	1,917	2,431	2,925
EPS (Rs)	5.8	6.6	6.1	7.7	9.2
<i>Growth (%)</i>	<i>92.9</i>	<i>14.0</i>	<i>(8.0)</i>	<i>26.8</i>	<i>20.3</i>
Net DPS (Rs)	2.0	3.5	2.0	2.0	2.0

Source: Company Data, PL Research

Profitability & valuation

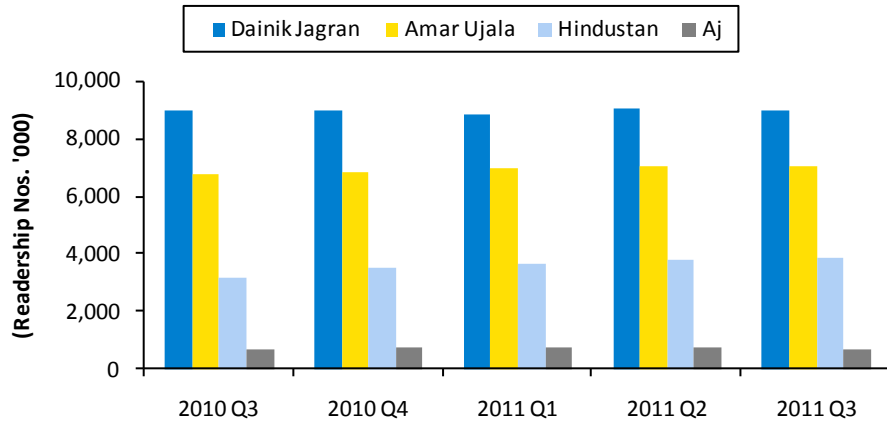
Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	29.8	29.2	24.7	26.3	27.4
RoE (%)	29.7	31.7	25.2	26.9	26.6
RoCE (%)	24.9	26.4	19.8	21.0	21.8
EV / sales (x)	3.4	2.8	2.6	2.2	1.9
EV / EBITDA (x)	11.4	9.7	10.4	8.5	7.0
PER (x)	18.2	15.9	17.3	13.7	11.4
P / BV (x)	5.2	4.7	4.1	3.4	2.7
Net dividend yield (%)	1.9	3.3	1.9	1.9	1.9

Source: Company Data, PL Research

Stock Performance

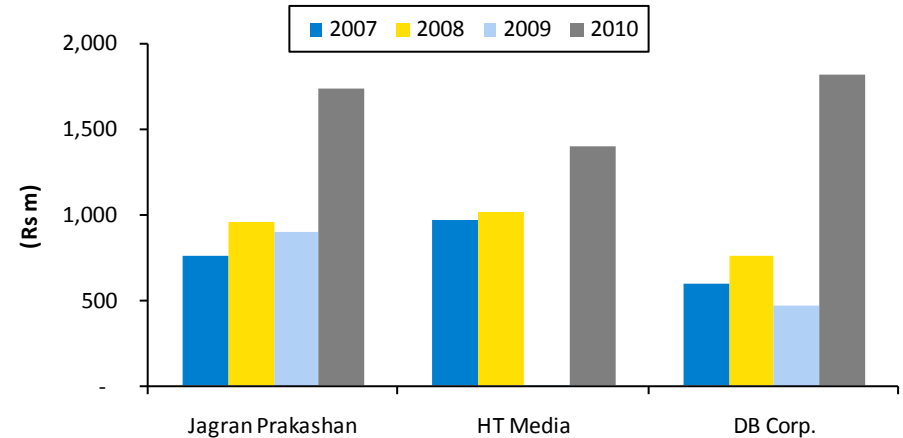
(%)	1M	6M	12M
Absolute	6.9	5.6	(5.4)
Relative to Sensex	5.7	(4.4)	(4.0)

Continued dominance in UP



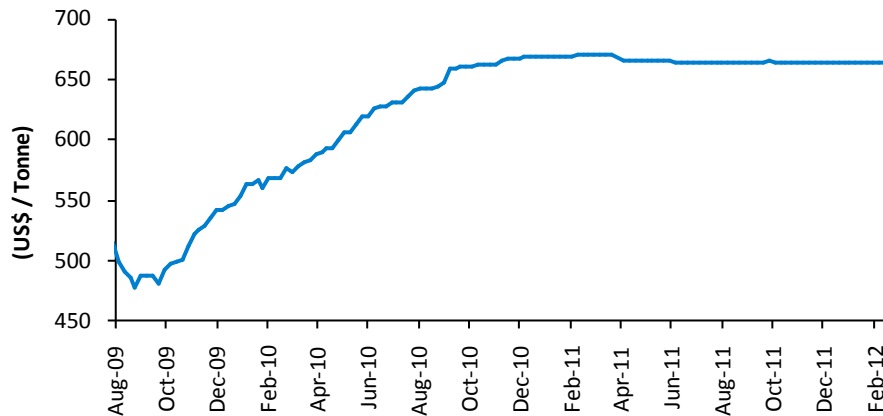
Source: IRS, PL Research

Earnings resilient during slowdown



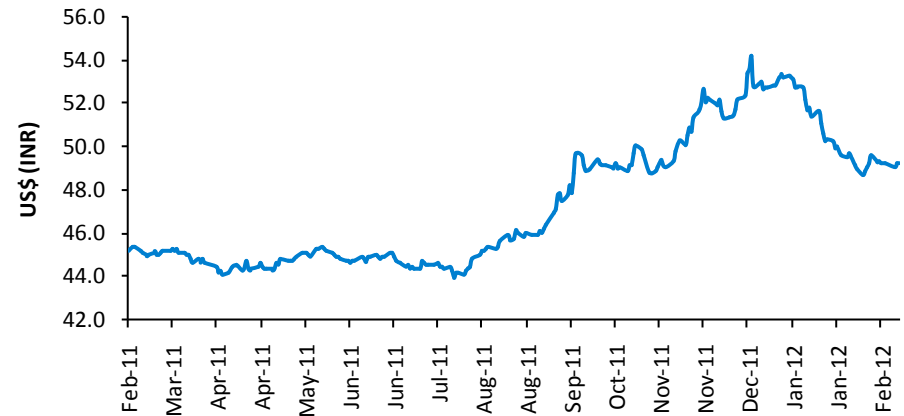
Source: Company Data, PL Research

Newsprint prices have flattened out



Source: Bloomberg, PL Research

INR regaining strength to reduce material cost pressure



Source: Bloomberg, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	9,402	12,210	13,585	15,256	17,120
Direct Expenses	3,963	4,604	5,768	6,267	6,855
<i>% of Net Sales</i>	<i>42.2</i>	<i>37.7</i>	<i>42.5</i>	<i>41.1</i>	<i>40.0</i>
Employee Cost	1,212	1,726	1,916	2,184	2,490
<i>% of Net Sales</i>	<i>12.9</i>	<i>14.1</i>	<i>14.1</i>	<i>14.3</i>	<i>14.5</i>
SG&A Expenses	1,420	2,314	2,540	2,792	3,081
<i>% of Net Sales</i>	<i>15.1</i>	<i>18.9</i>	<i>18.7</i>	<i>18.3</i>	<i>18.0</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	2,806	3,567	3,361	4,013	4,693
<i>Margin (%)</i>	<i>29.8</i>	<i>29.2</i>	<i>24.7</i>	<i>26.3</i>	<i>27.4</i>
Depreciation	507	647	700	781	845
PBIT	2,299	2,920	2,661	3,231	3,848
Interest Expenses	66	91	149	181	170
PBT	2,575	3,062	2,779	3,524	4,239
Total tax	833	977	861	1,092	1,314
<i>Effective Tax rate (%)</i>	<i>32.4</i>	<i>31.9</i>	<i>31.0</i>	<i>31.0</i>	<i>31.0</i>
PAT	1,742	2,085	1,917	2,431	2,925
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	1,742	2,085	1,917	2,431	2,925

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	602	633	633	633	633
Reserves & Surplus	5,523	6,390	7,567	9,258	11,444
Shareholder's Fund	6,125	7,022	8,200	9,891	12,076
Preference Share Capital	-	-	-	-	-
Total Debt	1,214	1,924	3,218	3,026	2,834
Other Liabilities(net)	-	-	-	-	-
Deferred Tax Liability	580	617	617	617	617
Total Liabilities	7,919	9,564	12,035	13,535	15,528
Gross Block	5,635	8,061	8,968	9,768	10,568
Less: Depreciation	1,945	2,592	3,292	4,073	4,919
Net Block	3,690	5,469	5,677	5,695	5,650
Capital Work in Progress	251	-	-	-	-
Cash & Cash Equivalent	2,518	2,380	4,219	4,938	6,443
Total Current Assets	4,173	4,980	5,337	6,508	8,388
Total Current Liabilities	1,861	2,902	1,803	1,493	1,617
Net Current Assets	2,312	2,078	3,534	5,015	6,771
Other Assets	-	-	-	-	-
Total Assets	7,919	9,564	12,035	13,535	15,528

Source: Company Data, PL Research

Kochi terminal to de-risk, going ahead: We expect gradual de-risking of the Kochi terminal, going ahead, which augers well for the company's business model. PLNG expects to replace the liquid fuel demand via LNG in the Southern region. According to the management, there is a demand to the tune of around 35mmscmd (equivalent to around 9 MMTPA) in the Southern markets. Thus, we believe the concerns over the utilization of the Kochi terminal seem exaggerated.

Business fundamental remains robust: PLNG expects to maintain the Dahej utilization rate between 110-115% on a stable basis. Moreover, on account of declining spot LNG prices, coupled with recent strength in crude oil prices, we expect marketing margins to remain firm, going ahead. Thus, we expect the Dahej terminal profitability to remain robust. On the regulator front as well, Petronet LNG is well placed compared to its gas sector peers as it is likely to be least impacted in the event of regulation on marketing margins (currently reviewed by regulator).

Outlook and Valuation: We continue to believe that the changing volume mix in favour of spot volumes on account of strong demand estimates is likely to keep PLNG in good stead. Moreover, we expect the strength in marketing margins to continue, going ahead due to subdued domestic gas production profile. Increase news flows on the new LNG terminal planned on the east coast and capacity expansion at Dahej is likely to guide Petronet LNG into high growth orbit, going ahead. While PLNG's utility nature of business (stable re-gasification margins and term contracts), low regulatory risks (re-gasification margins are not currently under PNGRB's purview), coupled with domestic gas shortages, will result in significant further upsides to the stock. We recommend '**BUY**', with a DCF-based target price of Rs197/share.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	106,491	131,973	217,931	352,528	476,736
<i>Growth (%)</i>	<i>26.3</i>	<i>23.9</i>	<i>65.1</i>	<i>61.8</i>	<i>35.2</i>
EBITDA (Rs m)	8,465	12,163	19,016	20,799	25,861
PAT (Rs m)	4,045	6,196	10,869	11,795	12,897
EPS (Rs)	5.4	8.3	14.5	15.7	17.2
<i>Growth (%)</i>	<i>(22.0)</i>	<i>53.2</i>	<i>75.4</i>	<i>8.5</i>	<i>9.3</i>
Net DPS (Rs)	1.8	2.0	2.1	2.4	2.8

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	7.9	9.2	8.7	5.9	5.4
RoE (%)	19.2	25.2	34.7	29.0	25.4
RoCE (%)	11.7	14.1	18.4	16.3	16.7
EV / sales (x)	1.3	1.2	0.7	0.4	0.3
EV / EBITDA (x)	16.9	12.5	8.2	7.6	5.7
PER (x)	30.0	19.6	11.2	10.3	9.4
P / BV (x)	5.4	4.5	3.4	2.7	2.2
Net dividend yield (%)	1.1	1.2	1.3	1.5	1.7

Source: Company Data, PL Research

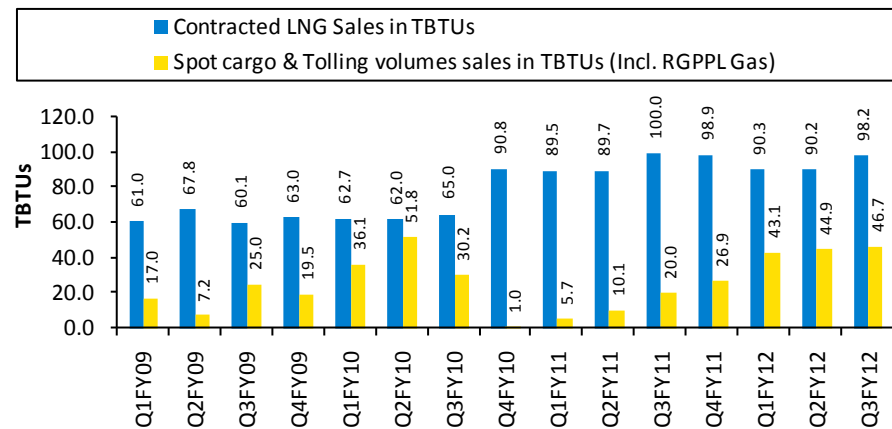
Stock Performance

(%)	1M	6M	12M
Absolute	(1.2)	(4.2)	48.2
Relative to Sensex	(2.4)	(14.3)	49.7

Y/e March	FY09	FY10	FY11E	FY12E	FY13E	FY14E
Installed capacity (TBTU)	331	586	586	586	586	663
Total volumes processed (TBTU)	325	405	442	524	575	616
Fixed contract (Rasgas)	252	252	252	251	252	252
Fixed contract (Rasgas Tranche 'A')	-	29	126	125	125	125
Spot/medium term contracts	69	104	36	105	155	196
Tolling Volumes	-	15.2	25.0	40.0	40.0	40.0
Total Volumes processed (MMTPA)	6.4	7.9	8.7	10.3	11.3	12.1
<i>Effective capacity utilisation</i>	<i>98.2%</i>	<i>69.1%</i>	<i>75.4%</i>	<i>89.3%</i>	<i>98.1%</i>	<i>93.0%</i>
Regasification charges (Rs per mmbtu)	29.2	30.6	32.2	33.8	35.5	36.8
EBDITA per TBTU (Rs)	28.1	21.2	27.7	36.5	35.4	35.8

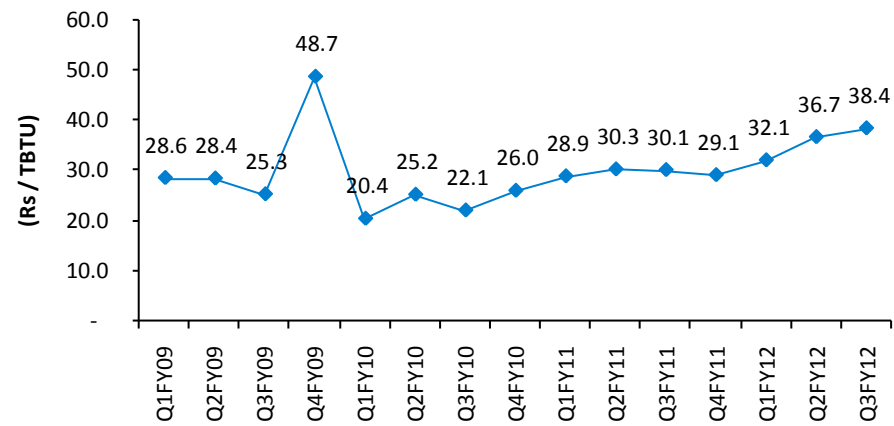
Source: Company Data, PL Research

R-LNG volumes



Source: Company Data, PL Research

Netback / TBTU



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	106,491	131,973	217,931	352,528	476,736
Direct Expenses	96,648	118,012	196,837	328,712	447,572
<i>% of Net Sales</i>	<i>90.8</i>	<i>89.4</i>	<i>90.3</i>	<i>93.2</i>	<i>93.9</i>
Employee Cost	204	306	325	519	554
<i>% of Net Sales</i>	<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</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	1,174	1,493	1,754	2,499	2,749
<i>% of Net Sales</i>	<i>1.1</i>	<i>1.1</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</i>
EBITDA	8,465	12,163	19,016	20,799	25,861
<i>Margin (%)</i>	<i>7.9</i>	<i>9.2</i>	<i>8.7</i>	<i>5.9</i>	<i>5.4</i>
Depreciation	1,609	1,847	1,848	2,420	4,092
PBIT	6,856	10,316	17,168	18,379	21,769
Interest Expenses	1,839	1,931	1,693	1,818	3,957
PBT	5,995	9,064	16,275	17,661	19,312
Total tax	1,950	2,868	5,406	5,867	6,415
<i>Effective Tax rate (%)</i>	<i>32.5</i>	<i>31.6</i>	<i>33.2</i>	<i>33.2</i>	<i>33.2</i>
PAT	4,045	6,196	10,869	11,795	12,897
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	4,045	6,196	10,869	11,795	12,897

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	7,500	7,500	7,500	7,500	7,500
Reserves & Surplus	14,849	19,302	28,340	38,030	48,506
Shareholder's Fund	22,349	26,802	35,840	45,530	56,006
Preference Share Capital	-	-	-	-	-
Total Debt	24,998	32,161	35,561	42,575	42,575
Other Liabilities (net)	-	-	-	-	-
Deferred Tax Liability	3,262	3,480	3,588	4,057	4,571
Total Liabilities	50,609	62,443	74,990	92,162	103,152
Gross Block	35,495	35,537	35,537	68,518	89,069
Less: Depreciation	6,667	8,513	10,361	12,780	16,873
Net Block	28,829	27,024	25,176	55,738	72,196
Capital Work in Progress	13,184	22,029	34,562	15,851	-
Cash & Cash Equivalent	8,791	13,189	13,417	18,413	28,305
Total Current Assets	12,216	13,875	22,732	39,891	61,009
Total Current Liabilities	9,006	12,134	19,130	30,966	41,702
Net Current Assets	3,211	1,741	3,602	8,925	19,306
Other Assets	-	-	-	-	-
Total Assets	50,609	62,443	74,990	92,162	103,152

Source: Company Data, PL Research

IT Services is steady, but PES is likely to be a drag: According to the management, there is no panic from their top 30 clients, as clients are more prepared than 2008. Demand in PES (one-third of revenue) is soft due to downward cycle in hi-tech spending; however, IT Services demand is steady with strong demand from Manufacturing (Consumer) vertical. The clients have not indicated for decline in IT budget with no pressure on pricing. The growth is likely to be led by top 10 clients' portfolio. In Q3FY12, the management commentary was cautious, but unlikely to yield any negative surprise on IT budgets.

Margin focus could spin surprise: The management is more focused on improving margin profile along with steady growth momentum. The company is likely to exit FY12 with operating margin of 14-15% (@Rs46/\$) and likely to attain 18% in FY13. The company is likely to focus more on mining existing clients to improve revenue per client. Also, MindTree has only 34% of total employees with less than three years of experience, compared to 45-55% for larger peers. The company is hiring 4k fresher for FY13 to rationalize pyramid.

Valuation & Recommendation – BUY, Target Price Rs550: We expect steady performance from the company, both in terms of growth and margin expansion. We retain our 'BUY' rating, with a TP of Rs550, 10x FY13e earnings estimate.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	12,960	15,090	19,371	23,485	27,102
<i>Growth (%)</i>	<i>4.7</i>	<i>16.4</i>	<i>28.4</i>	<i>21.2</i>	<i>15.4</i>
EBITDA (Rs m)	2,456	1,778	2,764	3,437	3,927
PAT (Rs m)	2,149	1,016	2,130	2,222	2,519
EPS (Rs)	54.4	25.4	52.6	54.9	62.2
<i>Growth (%)</i>	<i>294.4</i>	<i>(53.3)</i>	<i>107.1</i>	<i>4.3</i>	<i>13.3</i>
Net DPS (Rs)	2.5	2.9	2.9	2.9	3.4

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	18.9	11.8	14.3	14.6	14.5
RoE (%)	35.2	14.0	24.3	20.5	19.3
RoCE (%)	31.0	14.0	24.2	20.9	19.8
EV / sales (x)	1.3	1.2	0.8	0.6	0.5
EV / EBITDA (x)	7.1	10.0	6.0	4.3	3.3
PER (x)	8.4	17.9	8.6	8.3	7.3
P / BV (x)	2.7	2.3	1.9	1.6	1.3
Net dividend yield (%)	0.5	0.6	0.6	0.6	0.7

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	2.5	39.6	23.6
Relative to Sensex	1.3	29.5	25.1

Y/e March	FY09	FY10	FY11	FY12E	FY13E	FY14E
Volume (persons months)	51,725	57,255	69,391	83,963	96,558	111,524
Realization (US\$ / Hr)	29	26	27	27	27	28
Currency (USDINR)	43	48	45	48	50	49
<i>SW Devp. Cost (% of Sales)</i>	<i>56.3</i>	<i>61.6</i>	<i>67.2</i>	<i>65.7</i>	<i>65.5</i>	<i>66.0</i>
<i>SG&A (% of sales)</i>	<i>33.8</i>	<i>19.5</i>	<i>21.0</i>	<i>20.0</i>	<i>19.9</i>	<i>19.5</i>
Revenue (US\$ m)	269	272	331	404	470	559
EBITDA Margin Expansion/(Erosion) (bps)	(709)	909	(717)	249	36	(14)
<i>Tax Rate (%)</i>	<i>11.0</i>	<i>15.6</i>	<i>22.1</i>	<i>16.7</i>	<i>18.0</i>	<i>20.0</i>

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	12,960	15,090	19,371	23,485	27,102
Direct Expenses	7,982	10,145	12,733	15,380	17,882
<i>% of Net Sales</i>	<i>61.6</i>	<i>67.2</i>	<i>65.7</i>	<i>65.5</i>	<i>66.0</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	2,522	3,167	3,874	4,669	5,293
<i>% of Net Sales</i>	<i>19.5</i>	<i>21.0</i>	<i>20.0</i>	<i>19.9</i>	<i>19.5</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	2,456	1,778	2,764	3,437	3,927
<i>Margin (%)</i>	<i>18.9</i>	<i>11.8</i>	<i>14.3</i>	<i>14.6</i>	<i>14.5</i>
Depreciation	652	712	706	990	1,148
PBIT	1,804	1,066	2,059	2,447	2,778
Interest Expenses	27	4	4	81	108
PBT	2,547	1,304	2,558	2,710	3,148
Total tax	398	288	427	488	630
<i>Effective Tax rate (%)</i>	<i>15.6</i>	<i>22.1</i>	<i>16.7</i>	<i>18.0</i>	<i>20.0</i>
PAT	2,149	1,016	2,130	2,222	2,519
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	2,149	1,016	2,130	2,222	2,519

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	395	400	405	405	405
Reserves & Surplus	6,311	7,360	9,370	11,475	13,856
Shareholder's Fund	6,706	7,760	9,775	11,880	14,261
Preference Share Capital	-	-	-	-	-
Total Debt	31	46	46	46	46
Other Liabilities (net)	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	6,737	7,806	9,821	11,926	14,307
Gross Block	5,145	5,624	6,534	7,615	8,834
Less: Depreciation	2,533	2,618	3,324	4,314	5,462
Net Block	2,612	3,006	3,211	3,301	3,372
Capital Work in Progress	247	28	-	-	-
Cash & Cash Equivalent	1,796	1,571	3,130	4,773	6,747
Total Current Assets	4,841	5,790	8,599	11,608	14,767
Total Current Liabilities	2,604	2,344	3,317	4,311	5,160
Net Current Assets	2,238	3,446	5,282	7,297	9,607
Other Assets	368	216	216	216	216
Total Assets	6,737	7,808	9,821	11,926	14,307

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, namely Exide and ARBL. 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, which 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. Slowdown in OE business is covered up by focusing on replacement market.

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.

Telecom vertical to grow at 6-8% CAGR over the 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 20% and earnings CAGR of 16.7% for FY12- FY14E. We maintain our '**Accumulate**' call on the stock.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	14,666	17,672	22,725	26,089	28,781
<i>Growth (%)</i>	<i>11.1</i>	<i>20.5</i>	<i>28.6</i>	<i>14.8</i>	<i>10.3</i>
EBITDA (Rs m)	2,895	2,583	3,596	4,247	4,868
PAT (Rs m)	1,550	1,475	2,131	2,504	2,872
EPS (Rs)	18.1	17.3	24.9	29.3	33.6
<i>Growth (%)</i>	<i>92.6</i>	<i>(4.8)</i>	<i>44.4</i>	<i>17.5</i>	<i>14.7</i>
Net DPS (Rs)	5.8	9.2	10.0	11.2	12.8

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	19.7	14.6	15.8	16.3	16.9
RoE (%)	32.7	24.8	30.2	30.0	29.2
RoCE (%)	24.1	21.6	26.8	27.2	27.4
EV / sales (x)	1.6	1.4	1.1	0.9	0.8
EV / EBITDA (x)	8.3	9.4	6.7	5.6	4.9
PER (x)	15.2	16.0	11.1	9.4	8.2
P / BV (x)	4.3	3.7	3.1	2.6	2.2
Net dividend yield (%)	2.1	3.3	3.6	4.1	4.6

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	35.4	15.3	72.7
Relative to Sensex	34.1	5.2	74.1

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	14,666	17,672	22,725	26,089	28,781
Direct Expenses	9,383	12,289	15,982	18,111	19,870
<i>% of Net Sales</i>	<i>64.0</i>	<i>69.5</i>	<i>70.3</i>	<i>69.4</i>	<i>69.0</i>
Employee Cost	624	775	864	991	1,079
<i>% of Net Sales</i>	<i>4.3</i>	<i>4.4</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</i>
SG&A Expenses	1,705	1,953	2,238	2,661	2,878
<i>% of Net Sales</i>	<i>11.6</i>	<i>11.1</i>	<i>9.9</i>	<i>10.2</i>	<i>10.0</i>
Other Expenses	60	72	45	78	86
<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	2,583	3,596	4,247	4,868
<i>Margin (%)</i>	<i>19.7</i>	<i>14.6</i>	<i>15.8</i>	<i>16.3</i>	<i>16.9</i>
Depreciation	429	417	453	545	635
PBIT	2,466	2,166	3,143	3,702	4,233
Interest Expenses	68	15	48	39	30
PBT	2,426	2,205	3,185	3,743	4,293
Total tax	876	730	1,054	1,239	1,421
<i>Effective Tax rate (%)</i>	<i>36.1</i>	<i>33.1</i>	<i>33.1</i>	<i>33.1</i>	<i>33.1</i>
PAT	1,670	1,481	2,131	2,504	2,872
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	1,550	1,475	2,131	2,504	2,872
Operating Metrics					
Industrial Revenues	8,221	9,473	12,091	13,747	15,288
Automotive Revenues	9,458	11,827	15,289	17,686	19,388
Lead Prices (\$/ tonne)	2,000	2,400	2,450	2,475	2,500
Lead & Lead Alloys	6,969	9,313	12,228	13,510	14,922

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	171	171	171	171	171
Reserves & Surplus	5,266	6,288	7,482	8,869	10,463
Shareholder's Fund	5,436	6,459	7,653	9,040	10,634
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	8,958	10,045	11,440
Gross Block	5,040	5,713	6,367	7,621	8,875
Less: Depreciation	1,887	2,304	2,756	3,301	3,936
Net Block	3,153	3,409	3,610	4,320	4,939
Capital Work in Progress	100	117	117	117	117
Cash & Cash Equivalent	785	563	955	811	786
Total Current Assets	6,342	7,419	9,373	10,188	11,134
Total Current Liabilities	3,191	3,491	4,333	4,770	4,940
Net Current Assets	3,152	3,928	5,040	5,418	6,193
Other Assets	-	-	-	-	-
Total Assets	6,566	7,615	8,958	10,045	11,440

Source: Company Data, PL Research

Cummins Inc.'s targets a revenue of US\$7bn from India: Cummins Inc.'s targets a revenue of US\$7bn from India business by 2016 from US\$2.3bn in 2011 (CAGR of 25% over CY11-16E). The company expects the Powergen (including exports) business to grow at a CAGR of 17-20% over the next five years. The growth will be driven by 1) market growth 2) LHP export opportunity 3) larger penetration in the domestic LHP market (though might come at lower margins) and 4) tapping the bio mass opportunity.

Pick-up in the momentum: The company has highlighted that the business has seen a positive momentum in December 2011 and January 2012. Sectors like construction, infrastructure, manufacturing, ITES and data centers have seen a demand comeback. The company highlighted that it expects the current trend in momentum to continue into the first half of CY12; however, they are not sure of sustainability in the second half due to lack of visibility. The shipment of MHP/HHP engines had fallen below ~300 engines per month in the Oct–Dec 2011 period. However, the January shipment has touched 372 engines and the management expects the trend of improvement to continue. This will also help support margins due to a change in mix towards MHP/HHP again.

Valuation and Outlook: Cummins is trading at 18.3x FY13 earnings. We believe, given the strong franchisees and product profile, the company will be the biggest beneficiary of an upturn in the capex cycle. We believe it can continue to surprise on the upside in terms of earnings. We maintain our **'BUY'** rating on the stock.

Key Financials (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Revenue (Rs m)	28,990	40,568	43,118	50,772	58,484
<i>Growth (%)</i>	<i>(19.4)</i>	<i>39.9</i>	<i>6.3</i>	<i>17.8</i>	<i>15.2</i>
EBITDA (Rs m)	5,817	7,748	7,503	8,834	10,527
PAT (Rs m)	4,559	5,992	5,487	6,734	8,159
EPS (Rs)	16.5	21.6	19.8	24.3	29.4
<i>Growth (%)</i>	<i>(1.5)</i>	<i>31.4</i>	<i>(8.5)</i>	<i>22.7</i>	<i>21.2</i>
Net DPS (Rs)	8.6	10.7	7.9	8.5	13.2

Source: Company Data, PL Research

Profitability & valuation

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
EBITDA margin (%)	20.1	19.1	17.4	17.4	18.0
RoE (%)	29.9	35.6	28.1	29.2	30.2
RoCE (%)	29.8	35.5	27.7	28.7	30.0
EV / sales (x)	4.2	3.0	2.9	2.4	2.1
EV / EBITDA (x)	21.1	15.8	16.4	13.8	11.5
PER (x)	27.0	20.6	22.5	18.3	15.1
P / BV (x)	7.9	6.8	5.9	4.9	4.2
Net dividend yield (%)	1.9	2.4	1.8	1.9	3.0

Source: Company Data, PL Research

Stock Performance

(%)	1M	6M	12M
Absolute	5.1	5.9	(4.9)
Relative to Sensex	3.9	(4.1)	(3.5)

Sales Break-up (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Domestic	24,660	29,605	30,213	35,306	40,139
<i>% of Net Sales</i>	85.1%	73.0%	71.5%	70.9%	70.7%
<i>YoY</i>	22.0%	20.1%	2.1%	16.9%	13.7%
Exports	4,330	10,963	12,059	14,471	16,642
<i>% of Net Sales</i>	14.9%	27.0%	28.5%	29.1%	29.3%
<i>YoY</i>	-66.3%	153.2%	10.0%	20.0%	15.0%
Total	28,990	40,568	42,273	49,777	56,781
<i>YoY</i>	-12.3%	39.9%	4.2%	17.8%	14.1%

Source: Company Data, PL Research

Segmental Break-up (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
PGBU	10,410	13,533	12,856	15,428	17,433
<i>YoY</i>	3.9%	30.0%	-5.0%	20.0%	13.0%
<i>% of Net Sales</i>	35.8%	33.4%	30.4%	31.0%	30.7%
IBU	4,390	5,575	5,687	6,540	7,521
<i>YoY</i>	23.7%	27.0%	2.0%	15.0%	15.0%
<i>% of Net Sales</i>	15.1%	13.8%	13.5%	13.1%	13.2%
Auto	2,590	2,616	2,747	3,076	3,384
<i>YoY</i>	144.3%	1.0%	5.0%	12.0%	10.0%
<i>% of Net Sales</i>	8.9%	6.5%	6.5%	6.2%	6.0%
DBU	7,390	8,499	8,923	10,262	11,801
<i>YoY</i>	19.0%	15.0%	5.0%	15.0%	10.0%
<i>% of Net Sales</i>	25.4%	21.0%	21.1%	20.6%	20.8%
Exports	4,330	10,262	12,059	14,471	16,642
<i>YoY</i>	-66.3%	137.0%	17.5%	20.0%	10.0%
<i>% of Net Sales</i>	14.9%	25.3%	28.5%	29.1%	29.3%
Total	29,113	40,486	42,273	49,777	56,781

Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Net Revenue	28,990	40,568	43,118	50,772	58,484
Direct Expenses	18,358	25,808	27,811	32,748	37,430
<i>% of Net Sales</i>	<i>63.3</i>	<i>63.6</i>	<i>64.5</i>	<i>64.5</i>	<i>64.0</i>
Employee Cost	1,953	2,546	2,975	3,503	3,801
<i>% of Net Sales</i>	<i>6.7</i>	<i>6.3</i>	<i>6.9</i>	<i>6.9</i>	<i>6.5</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	2,864	4,466	4,829	5,687	6,726
<i>% of Net Sales</i>	<i>9.9</i>	<i>11.0</i>	<i>11.2</i>	<i>11.2</i>	<i>11.5</i>
EBITDA	5,817	7,748	7,503	8,834	10,527
<i>Margin (%)</i>	<i>20.1</i>	<i>19.1</i>	<i>17.4</i>	<i>17.4</i>	<i>18.0</i>
Depreciation	361	366	389	478	542
PBIT	5,456	7,382	7,114	8,357	9,985
Interest Expenses	21	19	68	18	18
PBT	6,109	8,023	8,217	9,202	11,159
Total tax	1,670	2,114	2,311	2,577	3,124
<i>Effective Tax rate (%)</i>	<i>27.3</i>	<i>26.3</i>	<i>28.1</i>	<i>28.0</i>	<i>28.0</i>
PAT	4,559	5,992	6,001	6,734	8,159
Extraordinary Gain/(Loss)	-	-	-	-	-
Adjusted PAT	4,559	5,992	5,487	6,734	8,159

Source: Company Data, PL Research

Balance Sheet (Rs m)

Y/e March	FY10	FY11	FY12E	FY13E	FY14E
Share Capital	396	396	554	554	554
Reserves & Surplus	15,214	17,667	20,709	24,732	28,669
Shareholder's Fund	15,610	18,063	21,026	25,050	29,035
Preference Share Capital	-	-	-	-	-
Total Debt	-	183	683	183	184
Other Liabilities(net)	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Total Liabilities	15,610	18,245	21,709	25,233	29,219
Gross Block	7,776	9,144	12,144	13,644	14,644
Less: Depreciation	4,440	4,734	5,122	5,600	6,142
Net Block	3,337	4,411	7,022	8,044	8,503
Capital Work in Progress	-	-	-	-	-
Cash & Cash Equivalent	7,888	8,292	8,217	9,594	11,916
Total Current Assets	12,672	16,804	18,068	21,491	25,831
Total Current Liabilities	7,812	10,411	10,824	12,746	14,605
Net Current Assets	4,860	6,393	7,244	8,745	11,226
Other Assets	84	187	189	189	237
Total Assets	15,610	18,245	21,709	25,233	29,220

Source: Company Data, PL Research

Key Ideas to be bought on declines

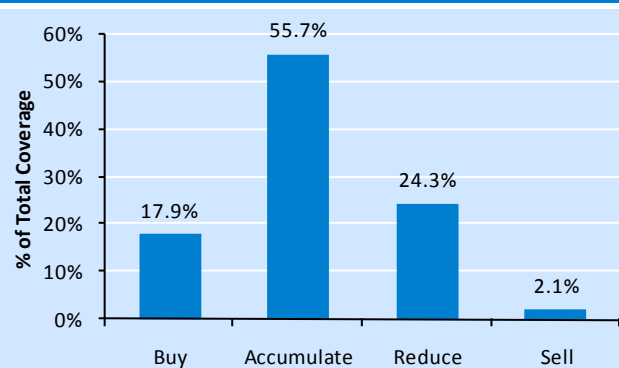
	CMP (Rs.)	Mcap (Rs bn)	Revenue Growth (%)		Earnings Growth (%)		RoE (%)		PER (x)		P/BV (x)	
			2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E
State Bank of India	2,123	1,507	10.0	13.6	30.0	9.9	17.7	16.9	7.6	6.9	1.3	1.1
ICICI Bank	887	1,022	18.7	18.9	18.9	19.5	12.3	13.6	13.7	11.4	1.6	1.5
Tata Motors	260	867	11.1	8.0	19.9	12.0	44.2	44.2	6.2	5.6	2.5	2.4
Larsen & Toubro	1,302	793	20.0	15.8	15.4	11.6	17.6	18.3	17.0	15.3	2.9	2.7
Axis Bank	1,115	458	20.6	22.3	15.7	22.1	20.2	20.8	9.6	7.9	1.8	1.5
Maruti Suzuki	1,257	363	19.8	12.7	39.4	16.8	13.8	14.4	16.4	14.1	2.2	1.9
NHPC	21	253	13.0	8.7	(13.1)	(0.0)	5.7	5.5	16.9	16.9	0.9	0.9
YES Bank	320	111	30.2	29.0	22.8	28.4	23.1	24.2	9.4	7.3	2.0	1.6
Thermax	510	61	(6.7)	13.4	(6.9)	20.6	22.1	23.0	17.3	14.3	3.6	3.1
Apollo Tyres	76	38	9.8	7.1	27.2	16.4	17.6	17.5	7.3	6.3	1.2	1.0
KEC International	58	15	23.8	16.4	29.9	27.0	18.8	19.7	6.2	4.9	1.1	0.9

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai 400 018, India.

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.