



## Contents

- Result Updates** > **eClerx Services Ltd**
- > **Reliance Power Ltd**
  - > **Coromandel International Ltd**
  - > **Aban Offshore Ltd**
  - > **Maruti Suzuki India Limited**
  - > **ICRA**

Inline show, inexpensive valuations drive upgrade

January 25, 2013

<b>Rating</b>	<b>Previous Reco</b>
Accumulate	Hold
<b>CMP</b>	<b>Target Price</b>
Rs631	Rs720
EPS Chg FY13E/FY14E (%)	1/(0.7)
Target Price change (%)	NA
Nifty	6,075
Sensex	20,104

**Price Performance**

(%)	1M	3M	6M	12M
Absolute	-10	-11	-12	-12
Rel. to Nifty	-14	-17	-27	-25

Source: Bloomberg

**Relative price chart**



Source: Bloomberg

**Stock Details**

Sector	IT Services
Bloomberg	ECLX IB
Equity Capital (Rs mn)	297
Face Value(Rs)	10
No of shares o/s (mn)	30
52 Week H/L	910/ 570
Market Cap (Rs bn/USD mn)	19/ 349
Daily Avg Volume (No of sh)	32,217
Daily Avg Turnover (US\$mn)	0.4

**Shareholding Pattern (%)**

	<b>Dec12</b>	<b>Sep12</b>	<b>Jun12</b>
Promoters	53.8	54.2	54.5
FII/NRI	21.6	20.3	20.3
Institutions	13.5	13.1	13.0
Private Corp	1.5	1.6	1.7
Public	9.7	10.8	10.4

Source: Bloomberg

- **eClerx's Dec'12 qtr operating performance was inline with expectations with a 5% QoQ US\$ rev growth and ~190 bps sequential increase in EBITDA margins to 39.1%**
- **Profits at Rs 490 mn (+94% QoQ) beat exp a tad (Emkay est of Rs 464 mn) led by lower taxes. Strong traction in emerging accounts continues, albeit on a low base**
- **Management indicates softness in co wide revenue growth as client concentration related sluggishness continues to daunt overall performance**
- **Moderate our rev est (16% growth V/s 19% earlier for FY14), FY13/14E EPS remain unchanged. Inexpensive valuations at ~11/9x FY13/14E P/E drive ratings upgrade albeit BUY case remains contingent on uptick in revenue growth trajectory**

**Inline operating performance, profit beat driven by lower taxes**

eClerx reported revenues at US\$ 31.3 mn (+5%QoQ) , inline with est (Emkay est US\$ 31.1 mn) with margins expanding by ~190 bps sequentially to 39.1% (V/s est of ~140 bps increase). However profits at Rs 490 mn (+94% QoQ) beat expectations (Emkay est Rs 464 mn) driven largely by lower than expected taxes (16% V/s est of 22%). Management indicated that strong revenue growth during the qtr was aided by certain short term projects during the quarter with emerging accounts growing strongly by ~10% QoQ (albeit on a low base). Headcount addition was weak at a net addition of 77 people during the quarter and the lowest since Mar'09 quarter.

**Management cites softness in revenue growth in near/medium term, high client concentration/ challenges in some top clients impacting co performance**

eClerx management continues to guide for a soft revenue growth in the near/medium term driven by challenges in at least a couple of top 5 clients in our view. While eClerx has made the necessary sales investments through the past 12-18 months to drive greater traction in the emerging accounts which has yielded some positive results, the high client concentration and the related sluggishness continues to impact overall revenue growth. In this context, it is worth highlighting that the top 5 clients have grown by ~12% YoY in Dec'12 qtr V/s an impressive 30%+ until Dec'11 qtr.

**Moderate FY14 rev est, inexpensive valuations drive ratings upgrade**

While we moderate our revenue estimates for FY14 (build in a 16% US\$ revenue growth V/s 19% earlier), our FY13/14E earnings remain largely unchanged at ~Rs 56/69 driven by Dec'12 qtr beat and higher other income in FY14. **While an up tick in revenue growth trajectory remains paramount to building in a strong BUY case, inexpensive valuations at 11.4x/9.2x FY13/14E P/E along with 4% dividend yield limit any case for sharp absolute downside in our view. Thereby, we upgrade our ratings to ACCUMULATE (V/s HOLD earlier) with an unchanged TP of Rs 720 and would recommend buying into any further stock weakness.**

**Financial Snapshot (Consolidated)**

(Rsmn)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY12A	4,729	1,898	40.1	1,599	53.0	20.0	55.0	11.9	8.6	5.6
FY13E	6,619	2,543	38.4	1,675	55.5	4.8	43.2	11.4	6.5	4.4
FY14E	7,288	2,727	37.4	2,070	68.6	23.6	42.4	9.2	5.7	3.5
FY15E	8,409	3,084	36.7	2,283	75.6	10.3	37.8	8.3	4.6	2.9

**Exhibit 1: Quarterly Performance at a glance**

Rs mn	Q1 FY12	Q2 FY12	Q3 FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)	FYTD'13	FYTD'12	YoY (%)
Revenues(in US\$ mn)	22.3	24.3	25.4	25.5	28.1	29.8	31.3	23.2	5.0	89.2	72.0	23.9
Revenue	996	1,137	1,320	1,276	1,537	1,617	1,708	29.4	5.6	4,861.9	3,453.1	40.8
Operating Expenditure	605	696	722	808	947	1,016	1,040	44.0	2.4	3,002	2,023	48.4
Cost of revenues	366	395	404	419	510	568	578	43.2	1.9	1,656	1,165	42.1
as % of sales	36.7	34.7	30.6	32.8	33.1	35.1	33.9			34.1	33.7	
SG&A expenses	239	301	318	389	437	448	461	45.1	3.0	1,347	858	57.0
as % of sales	24.0	26.5	24.1	30.5	28.4	27.7	27.0			27.7	24.8	
EBITDA	391	441	598	468	590	601	668	11.8	11.1	1,860	1,431	30.0
Depreciation	24	31	34	40	38	77	74	113.9	(4.5)	189	88	113.1
EBIT	368	411	563	427	552	524	595	5.5	13.4	1,671	1,342	24.5
Other Income	73	139	63	(51)	46	(187)	(10)			-151	274	
PBT	440	550	626	376	598	337	585	(6.6)	73.5	1,520	1,616	(5.9)
Total Tax	88	108	126	71	105	85	95	(24.3)	11.7	286	322	(11.3)
Adjusted PAT	353	441	500	305	493	252	489	(2.1)	94.5	1,234	1,294	(4.6)
(Profit)/loss from JV's/Ass/MI												
APAT after MI	353	441	500	305	493	252	489	(2.1)	94.5	1,234	1,294	(4.6)
Extra ordinary items	0	0	0	0	0	0	0			0	0	
Reported PAT	353	441	500	305	493	252	489	(2.1)	94.5	1,234	1,294	(4.6)
Reported EPS	11.7	14.7	16.6	10.1	16.4	8.4	16.2	(2.1)	94.3	41.0	42.9	(4.5)

Margins (%)								(bps)	(bps)				
EBIDTA	39.3	38.8	45.3	36.7	38.4	37.2	39.1	(618)	193	38.3	41.4	(317.6)	
EBIT	36.9	36.1	42.7	33.5	35.9	32.4	34.8	(788)	239	34.4	38.9	(449.1)	
EBT	44.2	48.3	47.4	29.5	38.9	20.8	34.2	(1,319)	1,340	31.3	46.8	(1,554)	
PAT	35.4	38.8	37.9	23.9	32.1	15.6	28.7	(923)	1,309	25.4	37.5	(1,208)	
Effective Tax rate	20.0	19.7	20.1	19.0	17.6	25.3	16.3	(382)	(901.4)	18.8	19.9	(113.6)	

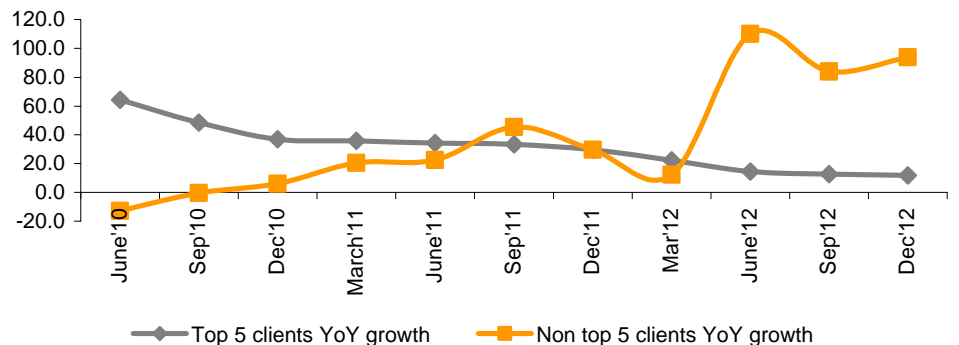
Source: Company, Emkay Research

**Exhibit 2: Changes in earnings estimates**

(in Rs mn, except EPS)	FY13E			FY14E			FY15	
	Old	New	change	Old	New	change	New % growth	
Revenues (US\$ mn)	122.3	121.2	-0.9%	144.9	140.2	-3.3%	161.7	15.4%
Revenues	6,698	6,619	-1.2%	7,537	7,288	-3.3%	8,409	15.4%
EBITDA	2,585	2,543	-1.6%	2,803	2,727	-2.7%	3,084	13.1%
EBITDA margins, %	38.6	38.4		37.2	37.4		36.7	
Net Profits	1,661	1,675	0.8%	2,087	2,070	-0.8%	2,283	10.3%
EPS	55.0	55.5	0.9%	69.1	68.6	-0.7%	75.6	10.3%

Source: Emkay Research

While we moderate our FY14 revenue estimates, our FY13/14E earnings remain largely unchanged on a/c of a better hedging position for FY14

**Exhibit 3: Non Top 5 clients revenue growth trajectory has picked up sharply , albeit sluggishness in top 5 clients beginning to hurt co wide performance given the high concentration**

Source: Company, Emkay Research

**Exhibit 4: Op metrics at a glance**

Operating Metrics at Glance	Q3FY13	Growth %	
		% QoQ	% YoY
<b>Revenue by Geography (%)</b>			
North America	75.0%	5.0%	32.0%
Europe	18.0%	-0.5%	-7.6%
ROW	7.0%	22.5%	43.8%
<b>Client contribution to revenue</b>			
Top 5, %	78.0%	3.7%	12%
Non Top 5 client revenues	22.0%	10.0%	94%
<b>Total Employees</b>	<b>5,837</b>	<b>1%</b>	<b>37%</b>
<b>Currency Concentration</b>			
USD	82.0%	3.8%	26.3%
Euro	12.0%	-3.0%	-17.8%
GBP	5.0%	75.1%	105.4%
<b>Billing Mix</b>			
FTE	92.0%	-2.1%	20.6%
<b>SEZ Revenue</b>	<b>59.0%</b>	<b>6.8%</b>	<b>8.5%</b>
	<b>Q3FY13</b>	<b>Q2FY13</b>	<b>Q3FY12</b>
Active clients	60	54	53

*Top 5 clients YoY revenue growth trajectory at ~12% now V/s 30%+ until Dec'11 quarter*

*Headcount addition was the lowest ever since Mar'09 quarter indicating slowing revenue growth trajectory in the near term*

Source: Company, Emkay Research

## Key Financials (Consolidated)

## Income Statement

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
<b>Net Sales</b>	<b>4,729</b>	<b>6,619</b>	<b>7,288</b>	<b>8,409</b>
<i>Growth (%)</i>	38.2	40.0	10.1	15.4
<b>Expenditure</b>	<b>2,831</b>	<b>4,076</b>	<b>4,561</b>	<b>5,325</b>
Raw Materials	0	0	0	0
Employee Cost	1,584	2,252	2,613	3,106
Other Exp	1,247	1,825	1,948	2,219
<b>EBITDA</b>	<b>1,898</b>	<b>2,543</b>	<b>2,727</b>	<b>3,084</b>
<i>Growth (%)</i>	41.0	34.0	7.2	13.1
<b>EBITDA margin (%)</b>	<b>40.1</b>	<b>38.4</b>	<b>37.4</b>	<b>36.7</b>
Depreciation	129	263	304	318
<b>EBIT</b>	<b>1,769</b>	<b>2,280</b>	<b>2,423</b>	<b>2,766</b>
<b>EBIT margin (%)</b>	<b>37.4</b>	<b>34.4</b>	<b>33.3</b>	<b>32.9</b>
Other Income	223	-195	231	160
Interest expenses	0	0	0	0
<b>PBT</b>	<b>1,992</b>	<b>2,085</b>	<b>2,654</b>	<b>2,926</b>
<b>Tax</b>	<b>394</b>	<b>410</b>	<b>584</b>	<b>644</b>
<i>Effective tax rate (%)</i>	19.8	19.7	22.0	22.0
<b>Adjusted PAT</b>	<b>1,599</b>	<b>1,675</b>	<b>2,070</b>	<b>2,283</b>
<i>Growth (%)</i>	20.4	4.8	23.6	10.3
<b>Net Margin (%)</b>	<b>33.8</b>	<b>25.3</b>	<b>28.4</b>	<b>27.1</b>
(Profit)/loss from JVs/Ass/MI	0	0	0	0
<b>Adj. PAT After JVs/Ass/MI</b>	<b>1,599</b>	<b>1,675</b>	<b>2,070</b>	<b>2,283</b>
E/O items	0	0	0	0
<b>Reported PAT</b>	<b>1,599</b>	<b>1,675</b>	<b>2,070</b>	<b>2,283</b>
<b>PAT after MI</b>	<b>1,599</b>	<b>1,675</b>	<b>2,070</b>	<b>2,283</b>
<i>Growth (%)</i>	20.4	4.8	23.6	10.3

## Cash Flow

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
<b>PBT (Ex-Other income)</b>	<b>1,769</b>	<b>2,280</b>	<b>2,423</b>	<b>2,766</b>
Depreciation	129	263	304	318
Interest Provided	0	0	0	0
Other Non-Cash items	0	0	0	0
Chg in working cap	-34	-438	30	-101
Tax paid	-394	-410	-584	-644
<b>Operating Cashflow</b>	<b>1,449</b>	<b>1,704</b>	<b>2,173</b>	<b>2,339</b>
Capital expenditure	-221	-974	-259	-213
<b>Free Cash Flow</b>	<b>1,228</b>	<b>731</b>	<b>1,914</b>	<b>2,126</b>
Other income	223	-195	231	160
Investments	-720	742	0	0
<b>Investing Cashflow</b>	<b>-719</b>	<b>-427</b>	<b>-28</b>	<b>-53</b>
Equity Capital Raised	31	3	0	0
Loans Taken / (Repaid)	0	0	0	0
Interest Paid	0	0	0	0
Dividend paid (incl tax)	-591	-784	-969	-1,068
Income from investments	0	0	0	0
Others	0	0	0	0
<b>Financing Cashflow</b>	<b>-560</b>	<b>-781</b>	<b>-969</b>	<b>-1,068</b>
<b>Net chg in cash</b>	<b>171</b>	<b>496</b>	<b>1,176</b>	<b>1,218</b>
Opening cash position	1,515	1,687	2,184	3,360
<b>Closing cash position</b>	<b>1,686</b>	<b>2,183</b>	<b>3,360</b>	<b>4,578</b>

## Balance Sheet

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
Equity share capital	291	294	294	294
Reserves & surplus	3,137	4,038	5,140	6,354
<b>Net worth</b>	<b>3,428</b>	<b>4,332</b>	<b>5,434</b>	<b>6,648</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	0	0	0	0
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net deferred tax liability	-8	-2	-2	-2
<b>Total Liabilities</b>	<b>3,420</b>	<b>4,330</b>	<b>5,431</b>	<b>6,646</b>
Gross Block	881	1,895	2,155	2,368
Less: Depreciation	437	700	1,003	1,321
<b>Net block</b>	<b>444</b>	<b>1,196</b>	<b>1,152</b>	<b>1,047</b>
Capital work in progress	45	4	4	4
<b>Investment</b>	<b>999</b>	<b>257</b>	<b>257</b>	<b>257</b>
<b>Current Assets</b>	<b>3,115</b>	<b>4,251</b>	<b>5,636</b>	<b>7,204</b>
Inventories	0	0	0	0
Sundry debtors	953	1,378	1,517	1,751
Cash & bank balance	1,687	2,184	3,360	4,578
Loans & advances	475	689	759	875
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>1,182</b>	<b>1,378</b>	<b>1,617</b>	<b>1,866</b>
Current liabilities	518	653	779	899
Provisions	664	725	839	968
<b>Net current assets</b>	<b>1,933</b>	<b>2,873</b>	<b>4,019</b>	<b>5,338</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>3,420</b>	<b>4,330</b>	<b>5,431</b>	<b>6,646</b>

## Key Ratios

Y/E Mar	FY12A	FY13E	FY14E	FY15E
<b>Profitability (%)</b>				
EBITDA Margin	40.1	38.4	37.4	36.7
Net Margin	33.8	25.3	28.4	27.1
ROCE	68.7	53.8	54.4	48.5
ROE	55.0	43.2	42.4	37.8
RoIC	293.1	177.1	131.1	152.9
<b>Per Share Data (Rs)</b>				
EPS	53.0	55.5	68.6	75.6
CEPS	57.2	64.2	78.7	86.2
BVPS	113.6	143.6	180.1	220.3
DPS	16.8	22.2	27.4	30.3
<b>Valuations (x)</b>				
PER	11.9	11.4	9.2	8.3
P/CEPS	11.0	9.8	8.0	7.3
P/BV	5.6	4.4	3.5	2.9
EV / Sales	3.5	2.5	2.1	1.7
EV / EBITDA	8.6	6.5	5.7	4.6
Dividend Yield (%)	2.7	3.5	4.4	4.8
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	-0.8	-0.6	-0.7	-0.7
Net Debt/EBITDA	-1.4	-1.0	-1.3	-1.6
Working Cap Cycle (days)	19.0	38.0	33.0	33.0

January 25, 2013

<b>Rating</b>	<b>Previous Reco</b>
Buy	Buy
<b>CMP</b>	<b>Target Price</b>
Rs95	Rs140
EPS Chg FY13E/FY14E (%)	NA
Target Price change (%)	NA
Nifty	6,075
Sensex	20,104

### Price Performance

(%)	1M	3M	6M	12M
Absolute	2	-4	-1	-3
Rel. to Nifty	-2	-10	-17	-18

Source: Bloomberg

### Relative price chart



Source: Bloomberg

### Stock Details

<b>Sector</b>	Power
Bloomberg	RPWR IB
Equity Capital (Rs mn)	28,051
Face Value(Rs)	10
No of shares o/s (mn)	2,805
52 Week H/L	139/ 75
Market Cap (Rs bn/USD mn)	265/ 4,938
Daily Avg Volume (No of sh)	7,046,079
Daily Avg Turnover (US\$m)	12.6

### Shareholding Pattern (%)

	D'12	S'12	J'12
Promoters	75.0	80.4	80.4
FII/NRI	6.6	5.3	5.4
Institutions	5.1	1.6	1.6
Private Corp	2.4	1.8	1.7
Public	11.0	10.9	10.8

Source: Bloomberg

- **Reliance Power's (RPWR) 3Q13 APAT of Rs2.6bn was better than our estimates due to higher availability (103% vs. 93% estimated) – Rosa PAT was Rs2b in 3Q vs. 1.4b in 2Q13**
- **Sasan UMPP remains on track to commission in FY13 itself. Hinting at start of construction in Sasan II/Chitrangi in next few months. Clarity likely post 4Q on Tilaiya and Butibori**
- **Triggers ahead - 1) Sasan 1<sup>st</sup> unit COD in Feb/Mar-13, 2) construction at Chitrangi/ Sasan-II, 3) MERC approval to Butibori PPA with Reliance Infrastructure, 4) Tilaiya land acquisition & 5) Chhatrasal stage II forest clearance**
- **We maintain our earning estimates for FY13 and FY14. With the stock trading at 1.2x FY15 book; we maintain Buy with a longer term view & a PT of Rs140/sh. Earnings momentum to start from FY15. Risk: no value from excess coal assets**

### Better than expected result on higher availability factor

RPWR's 3Q13 APAT of Rs2.57bn (+26%yoy) was ahead our estimate of Rs2.47bn on account of better than expected PAF (103%) and PLF (92%) at Rosa. More importantly, the growth in profit was achieved even after c50% yoy drop in other income as the cash was deployed in incremental capex. Rosa contributed to APAT by Rs2bn, taking the ROE for 3Q13 to 10.6% vs. 7.5% during 2Q13 and 8.0% during 3Q12.

### 3Q13 highlights – Sasan UMPP on track for commissioning during FY13

During the conference call, the management highlighted several key developments during the quarter, such as - (1) steam blowing completed at Sasan UMPP and the first unit should be commissioned during Feb/Mar-13 itself; coal mining for the project stabilized, (2) Stage I forest clearance received for Chhatrasal mines, (3) Land and other infrastructure ready for the Chitrangi project and the work should start once there is clarity on clearance, (4) Butibori plant should start generation from 1<sup>st</sup> April 2013 and there are various options to sell power till Apr-14. The long-term PPA with Reliance Infra to sell power on cost-plus basis is before the MERC.

### Maintain Buy with a longer-term view, with various trigger in the near term

We believe the management has followed the prudent strategy of not accepting any fuel risk and as the capacity ramp gather pace, earnings momentum should pick up from FY15. We maintain our Buy rating and a PT of Rs140/sh. The likely triggers in the near-term include – (1) Sasan 1st unit COD in Feb/Mar-13, (2) MERC approval to Butibori PPA with Reliance Infra and (3) Stage II forest clearance for the Chhatrasal coal block. The key risk is inability to capture value from the excess coal reserves due to legal hurdles.

### Financial Snapshot (Consolidated)

(Rsmn)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
Mar										
FY12A	20,192	6,239	30.9	8,666	3.1	13.9	5.0	30.6	67.0	1.5
FY13E	40,092	15,164	37.8	10,179	3.6	17.5	5.6	26.0	31.1	1.4
FY14E	65,857	27,843	42.3	10,831	3.9	6.4	5.6	24.5	22.7	1.3
FY15E	100,339	48,912	48.7	14,686	5.2	35.6	7.2	18.1	15.9	1.3

## Exhibit 1: Result snapshot

Rs mn	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)	YTD'12	YTD'13	YoY (%)
<b>Revenue</b>	<b>4,573</b>	<b>5,326</b>	<b>11,237</b>	<b>10,512</b>	<b>14,518</b>	<b>217.5</b>	<b>38.1</b>	<b>14,866</b>	<b>36,267</b>	<b>144.0</b>
<b>Expenditure</b>	<b>-3,171</b>	<b>-3,537</b>	<b>-7,709</b>	<b>-6,862</b>	<b>-9,712</b>	<b>206.2</b>	<b>41.5</b>	<b>-10,415</b>	<b>-24,283</b>	<b>133.1</b>
as % of sales	-69.4%	-66.4%	-68.6%	-65.3%	-66.9%			-70.1%	-67.0%	
Power and Fuel	-2,564	-2,757	-7,258	-6,370	-9,084	254.2	-12.2	-8,540	-22,712	165.9
as % of sales	-56.1%	-51.8%	-64.6%	-60.6%	-62.6%			-57.5%	-62.6%	
Employee Cost	-148	-52	-173	-203	-215	45.6	17.3	-544	-591	8.7
as % of sales	-3.2%	-1.0%	-1.5%	-1.9%	-1.5%			-3.7%	-1.6%	
Other expenditure	-459	-728	-278	-289	-413	-10.1	4.0	-1,331	-980	-26.4
as % of sales	-10.0%	-13.7%	-2.5%	-2.7%	-2.8%			-9.0%	-2.7%	
<b>EBITDA</b>	<b>1,401</b>	<b>1,788</b>	<b>3,528</b>	<b>3,650</b>	<b>4,806</b>	<b>243.0</b>	<b>31.7</b>	<b>4,450</b>	<b>11,984</b>	<b>169.3</b>
Depreciation	-323	-313	-686	-719	-703	145.4	4.8	-902	-2,108	133.7
<b>EBIT</b>	<b>1,078</b>	<b>1,476</b>	<b>2,842</b>	<b>2,931</b>	<b>4,103</b>	<b>280.6</b>	<b>40.0</b>	<b>3,548</b>	<b>9,876</b>	<b>178.3</b>
Other Income	2169	1202	1159	1022	1219	-61.2	-11.8	6,274	3,400	-45.8
Interest	-720	-742	-1289	-1374	-1493	82.5	6.6	-2,234	-4,156	86.0
<b>PBT</b>	<b>2,527</b>	<b>1,935</b>	<b>2,712</b>	<b>2,579</b>	<b>3,829</b>	<b>51.5</b>	<b>48.5</b>	<b>7,588</b>	<b>9,120</b>	<b>20.2</b>
Total Tax	-488	378	-418	-412	-1255	-4.4	-1.5	-1,235	-2,085	68.9
<b>Adjusted PAT</b>	<b>2,039</b>	<b>2,313</b>	<b>2,294</b>	<b>2,167</b>	<b>2,574</b>	<b>26.2</b>	<b>18.8</b>	<b>6,353</b>	<b>7,035</b>	<b>10.7</b>
Extra ordinary items post tax	0	0	101	235	81			0	417	
<b>Reported PAT</b>	<b>2,039</b>	<b>2,313</b>	<b>2,395</b>	<b>2,402</b>	<b>2,655</b>	<b>30.2</b>	<b>10.5</b>	<b>6,353</b>	<b>7,452</b>	<b>17.3</b>
<b>Adjusted EPS</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>26.2</b>	<b>18.8</b>	<b>2.3</b>	<b>2.5</b>	<b>10.7</b>

Margins (%)					(bps)	(bps)			(bps)	
EBIDTA	30.6	33.6	31.4	34.7	33.1	246	-162	29.9	33.0	311
EBIT	23.6	27.7	25.3	27.9	28.3	468	38	23.9	27.2	336
EBT	55.3	36.3	25.2	27.2	27.2	-2807	0	51.0	25.1	-2590
PAT	44.6	43.4	20.4	20.6	17.7	-2686	-288	42.7	20.5	-2219
Effective Tax rate	19.3	-19.5	15.4	16.0	32.8	1346	1678	16.3	22.9	659

Source: Company, Emkay Research

## Exhibit 2: Operational performance

Rs mn	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)	YTD'12	YTD'13	YoY (%)
Gross generation (MU)	987	1,031	2,055	1,655	2,407	143.9	45.4	3,202	6,117	91.0
Plant Availability Factor (%)	79	92	81	78	103			NA	NA	-
Average tariff (Rs/unit)	4.9	5.1	5.2	6.1	6.0	24.6	-0.4	4.9	5.8	17.9
Average fuel cost (Rs/unit)	2.8	2.9	3.8	3.6	3.8	34.8	4.6	2.9	4.1	40.3

Source: Company, Emkay Research

## Exhibit 3: SOTP valuation

SoTP (Rs mn)	Capacity	Stake (%)	COE	Equity	Invested	NPV	Rs/sh
Rosa I	600	100.0%	13.0%	9,339	9,339	22,203	8
Rosa II	600	100.0%	13.0%	9,450	9,450	20,848	7
Butibori	600	74.0%	14.0%	8,140	8,140	13,015	5
Sasan	3960	100.0%	12.0%	50,000	39,000	41,017	15
Tilaiya	3960	100.0%	12.0%	55,000	3,520	31,596	11
Sasan II	1980	100.0%	13.5%	26,250	7,350	102,895	37
Chitrangi	1980	100.0%	13.5%	29,000	6,960	69,503	25
Samalkot - II	2400	100.0%	17.0%	30,000	30,000	0	0
Indo Mines	30MTPA	100.0%	15.0%	3,500	3,500	51,875	18
Cash/Others						45,231	16
<b>Total</b>	<b>16080</b>			<b>220,679</b>	<b>117,259</b>	<b>398,184</b>	<b>140</b>

Source: Emkay Research



## Exhibit 4: Project status

Project	Capacity	Month	Milestones achieved	COD/Exp CoD of 1st unit / Start of Production
<b>Power Projects</b>				
Butibori	600 MW	Sep-10	Boiler structure erection started	Apr-13
		Feb-11	TG Deck Casting, Boiler drum lift	
		Mar-11	Started condenser erection	
		Nov-11	Hydro test completed	
		Feb-12	Pre-commissioning activities started	
		May-12	Steam blowing completed for Unit#1, Boiler hydro test done for Unit#2	
		Jun-12	Unit#1 Synchronised	
		Dec-12	Unit#2 Synchronised	
Samalkot	2400 MW	Jan-11	Started civil work	Mar-15
		Apr-11	Started GTG PHB erection work	
		Feb-12	Gas turbines ready for synchronization	
		May-12	Two units synchronized, two more units tested at full speed	
Sasan	3960 MW	Aug-10	Started main plant civil work	Feb-13
		Jul-10	Started boiler erection	
		Dec-10	Started TG structural erection	
		May-11	Started erection of pressure parts	
		Feb-12	Boiler closer to Hydro test	
		May-12	Boiler hydro test completed for first unit	
		Aug-12	LP turbine box-up complete	
Jan-13	Steam blowing completed for Unit#1			
Chitarangi	3960 MW		Land under possession, tied up off take for 2640 MW with UPPCL, Site leveling done and civil work ready to commence	Mar-15
Sasan II	1980 MW		Land under possession, environmental clearance obtained, LTOA application submitted, Site leveling completed, Construction to start after forest clearance for Chhatrasal mines (Stage I forest clearance received for mines)	Mar-15
Krishnapatnam	3960 MW		97% land possession, PPA signed, debt tied up, 50% of piling done, Project put on hold on tariff issues, Exercised force majeure and is under arbitration	On hold
Tilaiya	3960 MW		EPC contract tied up with R-Infra, 186acre pvt land transferred and 1220acre forest land acquired, final approval for 167acre govt land expected shortly, Forest clearance awaited	May-15
<b>Coal Mines</b>				
Sasan	25 MTPA	May-11	Got possession of OB dump land & started CHP civil work	Sep-12
		Feb-12	Own equipments commissioned and operational, removal of overburden in progress, coal seam seen, production to start from 2Q13	
		Sep-12	Moher & Moher-Amlohri commenced production	
Tilaiya	40 MTPA		Mine plan approved, Drilling in progress, Sec 4 notification for land acqn expected shortly, Gol clarified in October that land acquisition to be treated at par with government land, Stage-1 forest clearance processed for state gov, R&R colony land identified and will be progressed phase wise	
Indonesia	30 MTPA		JORC study for all 3 blocks completed, got upgraded environmental clearance for 10mn MT per block in 3Q12, Feasibility study for barge transportation completed during 3Q12, 261 hectares land acquired, no forest clearance required for first 5 years, DPR study done on Rail and port infrastructure, Production to start from 2013. Land acquisition for the second mine in progress.	Feb-12

Source: Company, Emkay Research



**Exhibit 5: Effective capacity built-up**

MW	FY12	FY13E	FY14E	FY15E	FY16E
Rosa I	600	600	600	600	600
Rosa II	0	600	600	600	600
Butibori	0	0	550	600	600
Sasan	0	55	1,485	3,410	3,960
Sasan II	0	0	0	0	1,485
Chitrangi	0	0	0	0	495
Indo. Mines					
<b>Total (ex- Indo. mines)</b>	<b>600</b>	<b>1,255</b>	<b>3,235</b>	<b>5,210</b>	<b>7,740</b>

Source: Company, Emkay Research

**Exhibit 6: Volume built-up**

MU	FY12	FY13E	FY14E	FY15E	FY16E
Rosa I	4,217	4,625	4,625	4,625	4,625
Rosa II	0	4,468	4,468	4,468	4,468
Butibori	0	0	4,095	4,468	4,468
Sasan	0	448	12,098	27,781	32,261
Sasan II	0	0	0	0	11,708
Chitrangi	0	0	0	0	3,903
Indo. Mines	0	0	0	4	44.1
				MTPA	MTPA
<b>Total (ex-Indo.mines)</b>	<b>4,217</b>	<b>9,541</b>	<b>25,286</b>	<b>41,341</b>	<b>61,432</b>

Source: Company, Emkay Research

**Exhibit 7: Revenue built-up**

Rs. mn.	FY12	FY13E	FY14E	FY15E	FY16E
Rosa I	20,156	19,951	20,391	19,900	20,338
Rosa II	0	19,816	20,202	19,866	20,173
Butibori	0	0	17,296	17,614	17,848
Sasan	0	290	7,875	33,963	39,669
Sasan II	0	0	0	0	36,134
Chitrangi	0	0	0	0	12,045
Indo.	0	0	0	8,820	17,364
Others	36	36	93	176	490
<b>Total</b>	<b>20,192</b>	<b>40,092</b>	<b>65,857</b>	<b>100,339</b>	<b>164,060</b>

Source: Company, Emkay Research

**Exhibit 8: PAT built-up**

Rs. mn.	FY12	FY13E	FY14E	FY15E	FY16E
Rosa I	3,130	2,930	3,044	2,407	2,488
Rosa II	0	3,073	3,030	2,528	2,521
Butibori	0	0	2,849	1,898	1,953
Sasan	0	-147	-960	4,481	5,837
Sasan II	0	0	0	0	16,811
Chitrangi	0	0	0	0	4,416
Indo. Mines	0	0	0	1,430	2,816
Others	5,536	4,323	2,868	1,941	2,088
<b>Total</b>	<b>8,666</b>	<b>10,179</b>	<b>10,831</b>	<b>14,686</b>	<b>38,930</b>

Source: Company, Emkay Research

**Exhibit 9: Debt built-up**

Debt outstanding (Rs mn)	FY12	FY13E	FY14E	FY15E	FY16E
Rosa I	19,975	18,159	16,343	14,527	12,711
Rosa II	22,050	20,213	18,375	16,538	14,700
Butibori	21,830	28,860	28,860	26,455	14,700
Sasan	81,000	111,000	135,000	150,000	137,500
Tilaiya	0	1,320	42,680	75,680	110,880
Sasan II	0	3,150	35,438	66,938	78,750
Chitrangi	0	3,480	38,280	73,080	87,000
Samalkot - II	30,000	40,000	50,000	70,000	70,000
Others and WC loan	37,853	40,466	43,750	46,840	62,731
<b>Total</b>	<b>212,708</b>	<b>266,647</b>	<b>408,726</b>	<b>540,057</b>	<b>588,973</b>

Source: Company, Emkay Research

## Reliance Power – Investment summary

## Earnings forecast - Emkay vs. Consensus

(Rs mn)	Emkay	Consensus	Variance
FY13E	10,179	9,728	4.6%
FY14E	10,831	10,908	- 0.7%
FY15E	14,686	17,282	- 15.0%

Source: Bloomberg

## Focus Chart

Trigger	Timeline
Sasan UMPP Commissioning	1st unit – Feb/Mar-13
Butibori Commissioning	Apr-13
Stage II forest clearance for Chhatrasal mines	FY14
MERC approval for cost-plus PPA for Butibori with Reliance Infra	FY14
Tilaiya coal mine land acquisition	Significant progress expected in FY14

## Company description:

Reliance Power Ltd, part of Reliance-ADA group, was incorporated in 1995 as a power utility. Company owns and operates 1200MW of generation capacity with another 14.5GW of under-construction/development stage. It came up with an IPO in 2007/8 at Rs450 per share. Reliance Infrastructures Ltd holds 38.4% shares in company.

## Recent update

- Received Stage I forest clearance for Chhatrasal mines
- Steam-blowing completed for boiler of first unit of Sasan UMPP, likely commissioning in Feb/Mar-13
- Butibori ready for commissioning in Apr-13

## Promoters background

- Anil Dhirubhai Ambani:** 52yrs; Non-executive Chairman; B.Sc, Bombay university and MBA, Wharton; Ex-member of Central Electricity Regulatory Commission (resigned in Mar'2006)

## Investment rationale

- Captive coal with reserves of about 3bn MT and annual production potential of 95mn MT in next 5-7 years offers (1) fuel security and (2) cheapest cost power (fuel cost in the range of Rs0.40/unit; only utility with mines won by competitive bid. EGOM re-confirming excess coal use and recommending Chhatrasal for forest clearance. Earning trajectory to move on a higher level from FY15 onwards as capacities ramp-up.
- Significant progress achieved in execution - (1) Rosa 1200MW fully commissioned, (2) Butibori commissioning likely Apr-13, (3) Sasan coal mine production started in Sep'12, (4) Sasan power plant commissioning to start from Feb/ Mar-13, (5) Stage I forest clearance received for Chhatrasal coal block, and (6) Land acquisition for Tilaiya mines to expedite post clarification from Govt. to classify land as government land
- None of the current/ foreseeable problems likely to impact Reliance Power - fuel (captive - control on supplies/cost), merchant prices (no merchant capacity), discom's health (contributor to improvement) and drying up case I bids (13,500MW PPAs).

## Valuations

- Limited downside - Risk adjusted value of base case projects (Rosa, Butibori, Sasan-I and Indonesian mines) plus net cash is Rs69/share. NPV-based fair value of Rs140/sh. Our PT does not include (1) Tilaiya's excess coal (~Rs25/Share) and (2) Rs17/Share (discount given to adjust risks).

## Investment risk

- 1) Unfavorable Supreme court order on Sasan surplus coal use, (2) Delya in Tilaiya coal mine land acquisition (naxalite area but now almost sorted out) and (3) mMining and minerals act (profit sharing).

## Top Institutional holdings

Name	Holding %
Vanguard group	0.52
Dimensional Fund Advisors	0.39
Blackrock group	0.24
State Street Global Advisors	0.17
Parametric Portfolio Associates	0.09

Source: Factset

## Shares pledge

Period	Promoters holding	Pledge % of Prom. holding	Pledge % of total holdings
Dec-11	80.4%	0.0%	0.0%
Mar-12	80.4%	0.0%	0.0%
Jun-12	80.4%	0.0%	0.0%
Sep-12	80.4%	0.0%	0.0%
Dec-12	75.0%	0.0%	0.0%

Source: Capitaline

## Key Financials (Consolidated)

## Income Statement

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
<b>Net Sales</b>	<b>20,192</b>	<b>40,092</b>	<b>65,857</b>	<b>100,339</b>
Growth (%)	91.4	98.6	64.3	52.4
<b>Expenditure</b>	<b>13,953</b>	<b>24,928</b>	<b>38,013</b>	<b>51,427</b>
Raw Materials	11,285	22,528	33,959	39,162
Employee Cost	596	0	0	0
Other Exp	2,072	2,400	4,054	12,265
<b>EBITDA</b>	<b>6,239</b>	<b>15,164</b>	<b>27,843</b>	<b>48,912</b>
Growth (%)	172.2	143.1	83.6	75.7
<b>EBITDA margin (%)</b>	<b>30.9</b>	<b>37.8</b>	<b>42.3</b>	<b>48.7</b>
Depreciation	1,215	3,454	7,474	14,354
<b>EBIT</b>	<b>5,024</b>	<b>11,710</b>	<b>20,370</b>	<b>34,558</b>
<b>EBIT margin (%)</b>	<b>24.9</b>	<b>29.2</b>	<b>30.9</b>	<b>34.4</b>
Other Income	7,476	6,013	3,585	2,426
Interest expenses	2,976	4,980	10,283	18,028
<b>PBT</b>	<b>9,524</b>	<b>12,744</b>	<b>13,672</b>	<b>18,957</b>
<b>Tax</b>	<b>858</b>	<b>2,565</b>	<b>2,841</b>	<b>4,271</b>
Effective tax rate (%)	9.0	20.1	20.8	22.5
<b>Adjusted PAT</b>	<b>8,666</b>	<b>10,179</b>	<b>10,831</b>	<b>14,686</b>
Growth (%)	13.9	17.5	6.4	35.6
<b>Net Margin (%)</b>	<b>42.9</b>	<b>25.4</b>	<b>16.4</b>	<b>14.6</b>
(Profit)/loss from JVs/Ass/MI	0	0	0	0
<b>Adj. PAT After JVs/Ass/MI</b>	<b>8,666</b>	<b>10,179</b>	<b>10,831</b>	<b>14,686</b>
E/O items	-1,613	0	0	0
<b>Reported PAT</b>	<b>7,053</b>	<b>10,179</b>	<b>10,831</b>	<b>14,686</b>
<b>PAT after MI</b>	<b>8,666</b>	<b>10,179</b>	<b>10,831</b>	<b>14,686</b>
Growth (%)	13.9	17.5	6.4	35.6

## Cash Flow

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
<b>PBT (Ex-Other income)</b>	<b>2,048</b>	<b>6,731</b>	<b>10,087</b>	<b>16,530</b>
Depreciation	1,215	3,454	7,474	14,354
Interest Provided	2,976	4,980	10,283	18,028
Other Non-Cash items	0	0	0	0
Chg in working cap	-21,089	-3,732	-4,692	-4,415
Tax paid	-858	-2,565	-2,841	-4,271
<b>Operating Cashflow</b>	<b>-15,708</b>	<b>8,867</b>	<b>20,311</b>	<b>40,226</b>
Capital expenditure	-154,033	-63,780	-172,350	-172,400
<b>Free Cash Flow</b>	<b>-169,740</b>	<b>-54,913</b>	<b>-152,039</b>	<b>-132,174</b>
Other income	7,476	6,013	3,585	2,426
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>-139,081</b>	<b>-51,753</b>	<b>-165,180</b>	<b>-167,548</b>
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	139,360	53,939	142,078	131,332
Interest Paid	-2,976	-4,980	-10,283	-18,028
Dividend paid (incl tax)	0	0	0	0
Income from investments	0	0	0	0
Others	-8,154	-4,683	-2,275	-1,324
<b>Financing Cashflow</b>	<b>128,230</b>	<b>44,277</b>	<b>129,520</b>	<b>111,980</b>
<b>Net chg in cash</b>	<b>-26,559</b>	<b>1,390</b>	<b>-15,350</b>	<b>-15,341</b>
Opening cash position	86,041	59,482	59,541	42,882
<b>Closing cash position</b>	<b>59,482</b>	<b>60,872</b>	<b>44,192</b>	<b>27,541</b>

## Balance Sheet

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
Equity share capital	28,051	28,051	28,051	28,051
Reserves & surplus	148,269	158,444	169,278	183,964
<b>Net worth</b>	<b>176,320</b>	<b>186,495</b>	<b>197,329</b>	<b>212,015</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	212,708	266,647	408,726	540,057
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>	<b>212,708</b>	<b>266,647</b>	<b>408,726</b>	<b>540,057</b>
Net deferred tax liability	0	0	0	0
<b>Total Liabilities</b>	<b>389,028</b>	<b>453,143</b>	<b>606,055</b>	<b>752,072</b>
Gross Block	69,354	102,687	239,687	306,354
Less: Depreciation	3,636	7,089	14,563	28,917
<b>Net block</b>	<b>65,718</b>	<b>95,598</b>	<b>225,124</b>	<b>277,437</b>
Capital work in progress	249,695	280,142	315,492	421,225
<b>Investment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current Assets</b>	<b>77,176</b>	<b>81,889</b>	<b>70,853</b>	<b>59,244</b>
Inventories	1,607	2,989	4,387	5,017
Sundry debtors	6,552	9,823	14,049	18,253
Cash & bank balance	59,482	59,541	42,882	26,439
Loans & advances	7,568	7,568	7,568	7,568
Other current assets	1,968	1,968	1,968	1,968
<b>Current lia &amp; Prov</b>	<b>3,561</b>	<b>4,483</b>	<b>5,415</b>	<b>5,834</b>
Current liabilities	3,561	4,483	5,415	5,834
Provisions	0	0	0	0
<b>Net current assets</b>	<b>73,615</b>	<b>77,406</b>	<b>65,438</b>	<b>53,410</b>
Misc. exp	0	3	0	0
<b>Total Assets</b>	<b>389,028</b>	<b>453,148</b>	<b>606,054</b>	<b>752,072</b>

## Key Ratios

Y/E Mar	FY12A	FY13E	FY14E	FY15E
<b>Profitability (%)</b>				
EBITDA Margin	30.9	37.8	42.3	48.7
Net Margin	42.9	25.4	16.4	14.6
ROCE	4.0	4.2	4.5	5.4
ROE	5.0	5.6	5.6	7.2
RoIC	9.2	12.1	11.3	12.5
<b>Per Share Data (Rs)</b>				
EPS	3.1	3.6	3.9	5.2
CEPS	3.5	4.9	6.5	10.4
BVPS	62.9	66.5	70.3	75.6
DPS	0.0	0.0	0.0	0.0
<b>Valuations (x)</b>				
PER	30.6	26.0	24.5	18.1
P/CEPS	26.8	19.4	14.5	9.1
P/BV	1.5	1.4	1.3	1.3
EV / Sales	20.7	11.8	9.6	7.8
EV / EBITDA	67.0	31.1	22.7	15.9
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.9	1.1	1.9	2.4
Net Debt/EBITDA	24.6	13.7	13.1	10.5
Working Cap Cycle (days)	255.5	162.6	125.0	98.1

January 25, 2013

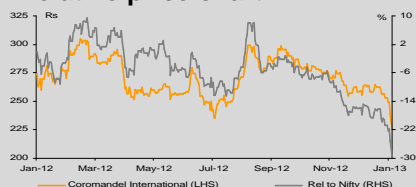
<b>Rating</b>	<b>Previous Reco</b>
Buy	Accumulate
<b>CMP</b>	<b>Target Price</b>
Rs 225	Rs 320
EPS Chg FY13E/FY14E (%)	-27/-20
Target Price change (%)	-6
Nifty	6,019
Sensex	19,924

### Price Performance

(%)	1M	3M	6M	12M
Absolute	-11	-17	-7	-15
Rel. to Nifty	-14	-22	-21	-28

Source: Bloomberg

### Relative price chart



Source: Bloomberg

### Stock Details

<b>Sector</b>	Agri Input & Chemicals
<b>Bloomberg</b>	CRIN IB
<b>Equity Capital (Rs mn)</b>	283
<b>Face Value(Rs)</b>	1
<b>No of shares o/s (mn)</b>	283
<b>52 Week H/L</b>	314/ 230
<b>Market Cap (Rs bn/USD mn)</b>	65/ 1,218
<b>Daily Avg Volume (No of sh)</b>	143,124
<b>Daily Avg Turnover (US\$mn)</b>	0.7

### Shareholding Pattern (%)

	D'12	S'12	J'12
Promoters	63.8	63.9	63.9
FII/NRI	7.3	7.3	7.6
Institutions	7.5	7.6	7.5
Private Corp	4.3	4.0	3.3
Public	17.2	17.3	17.7

Source: Bloomberg

- **Q3FY13 results disappointed on margins front. EBITDA margins dipped to 5.3% (-390bps yoy & qoq), lowest since implementation of NBS. PAT stood at Rs 684mn, -53% yoy**
- **Coro announced acquisition of Liberty Phosphate, leading SSP player with ~1mn capacity & market share of 14%, at deal price of Rs 241 / share valuing it at approx Rs 4bn**
- **Sharp drop in fertiliser volumes (-21% 9MFY13) and higher inventories continues to affect profitability. However, we believe volumes will pick up in FY14 on revival of demand**
- **With continued pressure on margins we are downgrading our FY13/FY14 est by 27/20% to Rs 15.1/22.8 and target price to Rs 320. However upgrade to BUY due to price correction**

### Margin dipped to 5.3% (-390bps yoy/qoq), lowest since NBS

Coromandel's results disappointed on margins front. EBITDA margins dipped to 5.3% (-390bps yoy & qoq), lowest since implementation of NBS. Though revenues at Rs 24.2bn, -5% yoy were ahead of est (of Rs 20.2bn) driven by higher volumes, EBITDA came much lower at Rs 1.3bn, -45% yoy (est of Rs 1.9bn). Coromandel reported PAT at Rs 684mn, -53% yoy lower than est of Rs 1bn.

### Acquisition of Liberty Phosphate to strengthen its position in SSP

Coromandel has announced acquisition of Liberty Phosphate, a leading SSP player with capacity of 826,000 mtpa of SSP, 165,000 mtpa of NPK. Liberty is a leading SSP player domestically with an established brand & strong distribution network with a market share of 14% domestically. At acquisition price of Rs 241 / share (13% premium to closing price of 24th Jan'13) valuing it at approx Rs 4bn, the deal is valued at EV/EBITDA of 4.2x, EV/Sales of 0.8x & P/E of 6.5x based on FY12 earnings. We believe valuations are reasonable and it will strengthen Coromandel's position in SSP.

### Sluggish demand and higher inventory continues to affect margins

Sharp drop in complex fertiliser demand (industry vols down by ~21% ytd) and higher inventory level in the system are putting pressure on margins and working capital. Coromandel also witnessed 28% drop in sales volumes. However, we expect demand to pick up from next year which is likely to boost company's earnings.

### Downgrade FY13/FY14 earnings, upgrade to BUY on sharp correction

On back of margin pressure and poor results, we have downgraded our FY13/FY14 est by 27/20% to Rs 15.1/22.8. These est do not include consolidation of Liberty Phosphate. Subsequently we have also revised our target price from Rs 340 to Rs 320 (14x FY14E) and upgrade the stock to BUY from Accumulate on sharp correction in the stock price. We expect softening in raw material prices and rebound in consumption will be key driving factor for earnings growth.

### Financial Snapshot (Consolidated)

(Rsmn)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY11A	73,410	7,961	10.8	5,160	18.4	30.5	29.8	12.2	8.8	3.2
FY12A	97,900	9,971	10.2	6,229	22.2	20.7	28.6	10.1	8.3	2.6
FY13E	91,908	7,488	8.1	4,237	15.1	-32.0	17.2	14.9	10.4	2.5
FY14E	108,034	10,210	9.5	6,405	22.8	51.2	23.7	9.9	7.5	2.2

**Exhibit 1: Consolidated Quarterly Results Summary**

Rs mn	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)	YTDFY13	YTDFY12	YoY (%)
Revenue	25,497	27,498	18,545	25,678	24,245	(4.9)	(5.6)	68,468	70,403	(2.7)
Expenditure	23,162	25,829	16,437	23,305	22,961	(0.9)	(1.5)	62,703	62,100	1.0
as % of sales	90.8	93.9	88.6	90.8	94.7			91.6	88.2	
Consumption of RM	20,158	22,208	12,963	19,656	19,009	(5.7)	(3.3)	51,627	53,818	(4.1)
as % of sales	79.1	80.8	69.9	76.5	78.4			75.4	76.4	
Employee Cost	535	553	563	592	575	7.5	(2.8)	1,730	1,554	11.3
as % of sales	2.1	2.0	3.0	2.3	2.4			2.5	2.2	
Other expenditure	2,469	3,069	2,911	3,058	3,377	36.8	10.4	9,345	6,728	38.9
as % of sales	9.7	11.2	15.7	11.9	13.9			13.6	9.6	
EBITDA	2,335	1,668	2,108	2,374	1,284	(45.0)	(45.9)	5,766	8,303	(30.6)
Depreciation	139	178	170	171	180	29.2	5.6	521	418	24.7
EBIT	2,196	1,490	1,938	2,203	1,104	(49.7)	(49.9)	5,245	7,885	(33.5)
Other Income	212	140	184	219	143	(32.6)	(34.8)	545	589	(7.6)
Interest	304	504	538	447	536	76.5	19.9	1521	738	106.1
PBT	2,103	1,126	1,584	1,974	710	(66.3)	(64.1)	4,268	7,736	(44.8)
Total Tax	631	398	442	434	21	(96.7)	(95.2)	1,417	2,277	(37.7)
Adjusted PAT	1,472	727	1,142	1,540	689	(53.2)	(55.3)	3,371	5,460	(38.3)
(Profit)/loss from JV's/Ass/MI	0	-42.5	-8.3	8	4.7			4.4	0	
APAT after MI	1,472	770	1,151	1,532	684	(53.5)	(55.4)	3,367	5,460	(38.3)
Extra ordinary items	-166	-101	0	837	0			837	224	
Reported PAT	1,306	669	1,151	2,370	684	(47.6)	(71.1)	4,204	5,683	(26.0)
Reported EPS	4.7	2.4	4.1	8.4	2.4	(48.1)	(71.4)	15.0	20.3	(26.1)

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	9.2	6.1	11.4	9.2	5.3	(386)	(395)	8.4	11.8	(337)	
EBIT	8.6	5.4	10.5	8.6	4.6	(406)	(403)	7.7	11.2	(354)	
EBT	7.4	3.6	7.6	6.8	2.3	(508)	(450)	5.4	10.2	(471)	
PAT	5.8	2.8	6.2	6.0	2.8	(295)	(315)	4.9	7.8	(284)	
Effective Tax rate	30.0	35.4	27.9	22.0	3.0	(2,704)	(1,902)	33.2	29.4	378	

Source: Company, Emkay Research

**Revision in estimates**

We have revised our earnings to reflect margin pressure in the core business. Revised earnings stands at Rs 15.1/22.8 (prev Rs 20.7/28.4)

**Exhibit 2: Revision in estimates**

Rs mn	FY13E			FY14E		
	Old Estimates	New Estimates	% Change	Old Estimates	New Estimates	% Change
Net sales	93792	91,908	-2.0%	102,422	108,034	5.5%
EBITDA	9145	7,488	-18.1%	12,050	10,210	-15.3%
EBITDA %	9.8%	8.1%	-160	11.8%	9.5%	-231
APAT	5,803	4,237	-27.0%	7,961	6,405	-19.5%
AEPS	20.7	15.1	-27.0%	28.4	22.8	-19.6%

Source: Emkay Research

## LIBERTY PHOSPATE ACQUISITION

### Coromandel has announced acquisition of Liberty Phosphate, leading SSP player

Coromandel has announced acquisition of Liberty Phosphate, a leading SSP player with capacity of 826,000 mtpa of SSP, 165,000 mtpa of NPK & 5000 MT of magnesium sulphate. Liberty Phosphate has 4 manufacturing units situated at Udaipur (Rajasthan), Nandesari (Gujrat), Kota (Rajasthan) and Pali (Maharashtra). Liberty is also setting up one more unit of 1.32 lakh mt at Raebarely in the State of Uttar Pradesh to cater to the growing demand of Northern & Eastern India. Coromandel's board has also approved the acquisition of 100% equity stake of Liberty Urvarak Limited and acquisition of business undertaking of M/s. Tungabhadra Fertilisers and Chemicals Company Limited as a going concern on a slump sale basis.

Liberty's products are marketed across pan-India with primary markets being Rajasthan, Madhya Pradesh, Gujarat, Haryana, Uttar Pradesh, Karnataka & Maharashtra. Liberty enjoys a market share of 14% based on total SSP demand domestically.

### Liberty acquisition at reasonable valuations

Coromandel will acquire 8 mn fully paid equity shares of Liberty Phosphate representing 56.28% of Liberty's equity @ Rs 241/share resulting in outflow of Rs 2bn. Further, company will also make an open offer for acquiring 4mn equity shares (upto 26% of Liberty) at Rs 241/share resulting in outflow of Rs 0.9 bn. Coromandel plans to finance the entire acquisition through internal accruals. Liberty Phosphate had net debt of Rs 420mn at the end of Q2FY13.

Liberty Phosphate generated Rs 4.9bn of sales & net profits of Rs 535mn during FY12. On a YTD basis, Liberty Phosphate has generated sales of Rs 3.7bn with net profits of Rs 271mn. At acquisition price of Rs 241 / share (13% premium to closing price of 24<sup>th</sup> Jan'13) the deal is valued at EV/EBITDA of 4.2x, EV/Sales of 0.8x & P/E of 6.5x based on FY12 earnings. We believe valuations are reasonable given Liberty's leadership position in SSP segment, access to raw materials, established brand, strong distribution network, increasing acceptance of SSP fertilizers by the farmers.

### Liberty acquisition to give overnight access to SSP capacity & new markets

Coromandel's acquisition of Liberty will give it overnight access to an established brand with capacity of 826,000 mtpa of SSP, 165,000 mtpa of NPK & 5000 MT of magnesium sulphate. Liberty's "DOUBLE HORSE" brand is well accepted in the markets and company enjoys a market share of 14% in SSP domestically. Acquisition of Liberty will enhance Coromandel's product portfolio and increase company's geographic footprint in Northern/Eastern markets.

Liberty also has long-term contracts with the local suppliers of rock phosphate and sulphuric acid which are the key raw materials for production of SSP. Liberty sources rock phosphate from Rajasthan Mines (~50% of requirement) and sulphuric acid from Hindustan Zinc. Owing to secured access to raw materials, strong brand positioning, established distribution network, Liberty was able to clock a capacity utilization of 60% in FY12 compared to sub-50% average capacity utilization for SSP industry. Liberty also operates on a low cost business model as its manufacturing locations are situated nearby its raw material sources as well as its addressable markets.

### SSP has emerged as a cost-effective solution for farmer

SSP fertiliser has been gaining ground over the last couple of years as it has emerged as a cost-effective solution for the farmer due to windfall increase in prices of DAP & other complex fertilizers. Since SSP is cost effective & provides phosphorous and sulphur content at lower cost, small and marginal farmers have resorted to usage of this fertiliser due to its easy affordability. Further, govt.'s increased focus to promote SSP in order to reduce its subsidy burden & at the same time prevent soil from over-use of urea is likely to support SSP consumption going forward. While Brazil's consumption of SSP is 30% of the total phosphatics basket, India's consumption is relatively lower at 7-8%.



## ConCall Key Takeways

- **Q3FY13 witnessed challenging conditions which led to disappointing performance-** Q3FY13 results were disappointing due to challenging conditions witnessed during the quarter. Complex fertiliser demand remained subdued due to higher prices, oversupply in the system which led to industrywide volume decline of 28% yoy. Rabi acreages were also impacted in certain southern pockets which impacted demand.
- **Margins were impacted due to higher ammonia, warehousing, power costs-** Coromandel's EBITDA margins dipped to 5.3% (-390bps yoy & qoq) during Q3FY13. Management attributed the decline in margins to increased costs burden in the form of ammonia, power, warehousing costs.

Ammonia prices continued to rule at high levels though they have recently softened to \$650/mt from \$720/mt. Power costs went up due to usage of diesel generating sets. Warehousing costs went up due to high inventory carrying costs. Further, increased discounts offered & higher credit days extended led to pressure on margins & working capital.

- **Crop protection/retail business fared well-** Management indicated that crop protection fared well during the quarter as formulations sales remained strong while Sabero performance also improved. Retail business witnessed growth of ~30% in non-fertiliser business however fertiliser business was affected.
- **Kakinada commercial production to start soon-** Kakinada new train commissioning has been completed however regulatory clearances are awaited. Management expects to start commercial production soon.
- **TIFERT shipments to start soon-** Management indicated that TIFERT production is expected to start soon.
- **Though farmer economics remains favorable, he is reluctant to use complex fertiliser at high prices-** Though farmer economics remains favorable for most crops, he is reluctant to use complex fertiliser as there prices have seen sharp increase. Farmers have stopped to stock up inventory at his end as system is flushed with high inventory.
- **Complex fertiliser inventory remains high in system-** Complex fertiliser inventory remains high in the system at 3.5-4.0 mn mt compared to normal inventory of 2.0-2.5 mn mt. Additionally, companies are carrying 1.5-2.0 mn mt of inventory (normal level of 1 mn mt).
- **FY14 subsidies likely to be reduced-** Management indicated that FY14 subsidies are likely to be reduced as global fertiliser prices have cooled off from their highs. Further, govt.'s efforts to reduce fiscal deficit are likely to result in subsidy reduction this year.



## Key Financials (Consolidated)

## Income Statement

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
<b>Net Sales</b>	<b>73,410</b>	<b>97,900</b>	<b>91,908</b>	<b>108,034</b>
Growth (%)	17.7	33.4	-6.1	17.5
<b>Expenditure</b>	<b>65,449</b>	<b>87,929</b>	<b>84,420</b>	<b>97,824</b>
Raw Materials	55,708	77,214	61,917	73,070
Employee Cost	1,829	2,012	4,225	4,648
Other Exp	7,913	8,704	18,278	20,106
<b>EBITDA</b>	<b>7,961</b>	<b>9,971</b>	<b>7,488</b>	<b>10,210</b>
Growth (%)	37.6	25.3	-24.9	36.3
<b>EBITDA margin (%)</b>	<b>10.8</b>	<b>10.2</b>	<b>8.1</b>	<b>9.5</b>
Depreciation	619	596	701	720
<b>EBIT</b>	<b>7,342</b>	<b>9,375</b>	<b>6,788</b>	<b>9,490</b>
<b>EBIT margin (%)</b>	<b>10.0</b>	<b>9.6</b>	<b>7.4</b>	<b>8.8</b>
Other Income	821	729	745	800
Interest expenses	839	1,242	2,021	1,140
<b>PBT</b>	<b>7,324</b>	<b>8,862</b>	<b>5,511</b>	<b>9,150</b>
<b>Tax</b>	<b>2,164</b>	<b>2,632</b>	<b>1,274</b>	<b>2,745</b>
Effective tax rate (%)	29.5	29.7	23.1	30.0
<b>Adjusted PAT</b>	<b>5,160</b>	<b>6,229</b>	<b>4,237</b>	<b>6,405</b>
Growth (%)	30.5	20.7	-32.0	51.2
<b>Net Margin (%)</b>	<b>7.0</b>	<b>6.4</b>	<b>4.6</b>	<b>5.9</b>
(Profit)/loss from JVs/Ass/MI	0	0	0	0
<b>Adj. PAT After JVs/Ass/MI</b>	<b>5,160</b>	<b>6,229</b>	<b>4,237</b>	<b>6,405</b>
E/O items	1,805	0	0	0
<b>Reported PAT</b>	<b>6,965</b>	<b>6,229</b>	<b>4,237</b>	<b>6,405</b>
<b>PAT after MI</b>	<b>5,160</b>	<b>6,229</b>	<b>4,237</b>	<b>6,405</b>
Growth (%)	30.5	20.7	-32.0	51.2

## Cash Flow

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
<b>PBT (Ex-Other income)</b>	<b>6,503</b>	<b>8,133</b>	<b>4,766</b>	<b>8,350</b>
Depreciation	619	596	701	720
Interest Provided	839	1,242	2,021	1,140
Other Non-Cash items	0	0	0	0
Chg in working cap	1,146	-10,228	4,340	-696
Tax paid	-2,164	-2,632	-1,274	-2,745
<b>Operating Cashflow</b>	<b>9,051</b>	<b>-3,973</b>	<b>11,679</b>	<b>7,998</b>
Capital expenditure	-2,472	-7,392	-2,000	-2,000
<b>Free Cash Flow</b>	<b>6,579</b>	<b>-11,365</b>	<b>9,679</b>	<b>5,998</b>
Other income	821	729	745	800
Investments	-12	210	0	0
<b>Investing Cashflow</b>	<b>-2,372</b>	<b>-3,712</b>	<b>-2,381</b>	<b>-2,429</b>
Equity Capital Raised	1	1	0	0
Loans Taken / (Repaid)	-3,831	12,461	-5,000	-2,000
Interest Paid	-839	-1,242	-2,021	-1,140
Dividend paid (incl tax)	-2,298	-2,954	-2,954	-2,954
Income from investments	0	0	0	0
Others	288	-341	0	0
<b>Financing Cashflow</b>	<b>-6,678</b>	<b>7,925</b>	<b>-9,975</b>	<b>-6,094</b>
<b>Net chg in cash</b>	<b>1</b>	<b>241</b>	<b>-677</b>	<b>-525</b>
Opening cash position	9,605	9,605	9,847	9,170
<b>Closing cash position</b>	<b>9,605</b>	<b>9,847</b>	<b>9,170</b>	<b>8,644</b>

## Balance Sheet

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
Equity share capital	282	283	283	283
Reserves & surplus	19,286	23,721	25,003	28,454
<b>Net worth</b>	<b>19,567</b>	<b>24,003</b>	<b>25,286</b>	<b>28,737</b>
<b>Minority Interest</b>	<b>0</b>	<b>158</b>	<b>158</b>	<b>158</b>
Secured Loans	5,802	5,863	5,863	5,863
Unsecured Loans	10,836	23,237	18,237	16,237
<b>Loan Funds</b>	<b>16,638</b>	<b>29,100</b>	<b>24,100</b>	<b>22,100</b>
Net deferred tax liability	815	675	675	675
<b>Total Liabilities</b>	<b>37,020</b>	<b>53,935</b>	<b>50,218</b>	<b>51,668</b>
Gross Block	13,529	24,336	24,336	26,336
Less: Depreciation	5,515	6,111	6,811	7,531
<b>Net block</b>	<b>8,015</b>	<b>18,226</b>	<b>17,525</b>	<b>18,805</b>
Capital work in progress	3,415	0	2,000	2,000
<b>Investment</b>	<b>1,705</b>	<b>1,495</b>	<b>1,495</b>	<b>1,495</b>
<b>Current Assets</b>	<b>42,277</b>	<b>59,929</b>	<b>56,061</b>	<b>73,887</b>
Inventories	15,138	19,218	18,844	21,311
Sundry debtors	2,052	9,579	9,540	22,199
Cash & bank balance	9,605	9,847	9,170	8,644
Loans & advances	15,481	21,160	18,382	21,607
Other current assets	0	126	126	126
<b>Current lia &amp; Prov</b>	<b>18,392</b>	<b>25,716</b>	<b>26,865</b>	<b>44,519</b>
Current liabilities	17,070	24,213	25,362	43,017
Provisions	1,322	1,502	1,502	1,502
<b>Net current assets</b>	<b>23,885</b>	<b>34,214</b>	<b>29,197</b>	<b>29,368</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>37,020</b>	<b>53,935</b>	<b>50,218</b>	<b>51,668</b>

## Key Ratios

Y/E Mar	FY11A	FY12A	FY13E	FY14E
<b>Profitability (%)</b>				
EBITDA Margin	10.8	10.2	8.1	9.5
Net Margin	7.0	6.4	4.6	5.9
ROCE	22.3	22.2	14.5	20.2
ROE	29.8	28.6	17.2	23.7
RoIC	32.0	28.9	16.9	24.6
<b>Per Share Data (Rs)</b>				
EPS	18.4	22.2	15.1	22.8
CEPS	20.6	24.3	17.6	25.4
BVPS	69.7	85.6	90.1	102.4
DPS	7.0	9.0	9.0	9.0
<b>Valuations (x)</b>				
PER	12.2	10.1	14.9	9.9
P/CEPS	10.9	9.2	12.8	8.9
P/BV	3.2	2.6	2.5	2.2
EV / Sales	1.0	0.8	0.8	0.7
EV / EBITDA	8.8	8.3	10.4	7.5
Dividend Yield (%)	3.1	4.0	4.0	4.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.4	0.8	0.6	0.5
Net Debt/EBITDA	0.9	1.9	2.0	1.3
Working Cap Cycle (days)	71.0	90.8	79.5	70.0

January 25, 2013

Rating	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs355	Rs475
EPS Chg FY13E/14E (%)	-27/-10
Target Price change (%)	-5%
Nifty	6,075
Sensex	20,104

### Price Performance

(%)	1M	3M	6M	12M
Absolute	-6	-23	-7	-19
Rel. to Nifty	-10	-28	-22	-32

Source: Bloomberg

### Relative price chart



Source: Bloomberg

### Stock Details

Sector	Offshore Oil Field Services
Bloomberg	ABAN IB
Equity Capital (Rs mn)	87
Face Value(Rs)	2
No of shares o/s (mn)	44
52 Week H/L	572/ 320
Market Cap (Rs bn/USD mn)	15/ 288
Daily Avg Volume (No of sh)	417,618
Daily Avg Turnover (US\$mn)	3.1

### Shareholding Pattern (%)

	D'12	S'12	J'12
Promoters	54.1	54.1	54.1
FII/NRI	10.0	10.1	9.3
Institutions	3.7	3.7	3.7
Private Corp	3.7	3.6	4.7
Public	28.5	28.5	28.2

Source: Capitaline

- **3Q13 EBIDTA at Rs4.9 bn (-2.6% yoy) came in line. Higher tax rate @48% (vs estimate of 26%) drags APAT at Rs390 mn (-46.6% yoy) below est (Rs689 mn)**
- **Refinance of INR debt of ~USD350 on track-see potential saving of USD25 mn. USD140mn already done @ LIBOR+6% bps implying ~8% savings. Balance by 1QFY14**
- **DD-2,4,5 contract/day rate renewal (though on track) delayed by a quarter resulting in incremental revenues loss for 4QFY13 leading to cut in FY13E/14E EBIDTA estimate by -3.5%/-1.7% while EPS est see higher cuts at -27%/-10%**
- **Contract renewals & debt refinance remains key triggers to improve cash flow visibility & accelerate de-leveraging. Possible QIP of up to USD100 mn leading to high dilution could be a stock dampener. ACCUMULATE**

### Margins contract 420bps- However higher revenues lead to in line EBITDA

Aban's Q3FY13 EBITDA at Rs4.87bn, -2.6% yoy came in line with estimates. However despite higher than estimated revenues of Rs9.1bn, +5% yoy (vs est of Rs8.6bn) margins at 53.6% (vs est of 57.7%), declined 420bps yoy. This was due to 1. Higher pre-operating expenses at the start of renewed contracts for Aban7, DD7 2. Rig DD-I operated for just 15days during the quarter resulting in higher fixed costs with almost no contribution to revenues. As a result total expenses increased 15.4% yoy resulting in 420bps contraction in margins.

### Higher tax rate drags APAT below estimates

Despite in line EBITDA, APAT at Rs390mn, -46.6% yoy and -45.2% qoq, came in lower than estimates of Rs690mn led by substantially higher tax rates at 41.5% resulted in below estimated profit for the quarter. Tax expenses also included one time provisions made by the company for withholding tax for earlier years. Reported net profit came in at Rs291mn, -60.3% yoy and -41% qoq. Interest charges at Rs2.99bn increased +16.6% yoy, due to higher coupon rate for Aban's refinanced bond issues (1<sup>st</sup> Bond issued refinance at coupon of 12% and 2nd bond redemption at 14.25% vs earlier 9.3%).

### Refinance of INR debt of ~USD350 on track - USD 140mn INR debt already refinanced, implying ~800bps savings

Aban's plan to reduce interest costs by refinancing its high cost rupee term loan of Rs18 bn (~USD350mn with interest rate of 13-14%) with ECB (having interest rate of ~7-8%) remains on track. Out of this sum, USD 140mn has already been refinanced at interest rate of LIBOR +6%, implying a saving of ~800 bps, higher than our expectations (we were building in 650 bps saving). Company has got credit approval for another USD 95 mn (out of the remaining USD 210 mn) from domestic banks, and the documentation work is going on currently while it is waiting for approvals for the remaining USD115mn amount. The company is targeting potential saving of 700 bps annually leading to total savings of USD25mn.

### Financial Snapshot (Consolidated)

(Rsmn)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY11A	33,472	21,454	64.1	5,279	121.3	1.7	28.8	2.9	6.7	0.9
FY12A	31,629	18,404	58.2	2,944	67.6	-44.2	13.4	5.2	8.3	0.6
FY13E	36,093	19,956	55.3	2,136	49.1	-27.4	8.1	7.2	7.7	0.6
FY14E	38,065	21,247	55.8	4,479	102.9	109.7	15.2	3.5	6.8	0.5

## Exhibit 1: Quarterly Financials

Rs mn	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)	YTDFY13	YTDFY12	YoY (%)
<b>Revenue</b>	<b>8,659</b>	<b>8,032</b>	<b>8,500</b>	<b>9,541</b>	<b>9,090</b>	5.0	-4.7	<b>27,130</b>	<b>23,598</b>	15.0
<b>Expenditure</b>	<b>3,652</b>	<b>3,811</b>	<b>3,439</b>	<b>4,428</b>	<b>4,213</b>	15.4	-4.8	<b>12,080</b>	<b>9,393</b>	28.6
as % of sales	42.2	47.5	40.5	46.4	46.4			44.5	39.8	11.9
Consumption of RM	317	332	334	542	472	48.8	-13.0	1,348	847	59.2
As % of Sales	3.7	4.1	3.9	5.7	5.2			5.0	3.6	38.5
Employee Cost	931	825	969	1,210	1,121	20.4	-7.3	3,300	2,554	29.2
As % of Sales	10.8	10.3	11.4	12.7	12.3			12.2	10.8	12.4
Other expenditure	2,403	2,654	2,136	2,676	2,621	9.0	-2.1	7,432	5,992	24.0
As % of Sales	27.8	33.0	25.1	28.0	28.8			27.4	25.4	7.9
<b>EBITDA</b>	<b>5,007</b>	<b>4,220</b>	<b>5,060</b>	<b>5,113</b>	<b>4,877</b>	-2.6	-4.6	<b>15,050</b>	<b>14,205</b>	5.9
Depreciation	1,441	1,152	1,281	1,233	1,203	-16.5	-2.4	3,717	4,009	-7.3
<b>EBIT</b>	<b>3,566</b>	<b>3,069</b>	<b>3,779</b>	<b>3,880</b>	<b>3,674</b>	3.0	-5.3	<b>11,333</b>	<b>10,197</b>	11.1
Other Income	79	450	66	64	77		20.3	207	263	-21.5
Interest	2570	2855	2964	2976	2997	16.6	0.7	8937	7057	26.6
<b>PBT</b>	<b>1,075</b>	<b>663</b>	<b>881</b>	<b>968</b>	<b>753</b>	-29.9	-22.2	<b>2,603</b>	<b>3,403</b>	-23.5
Total Tax	344	(142)	200	256	363	5.6	42.0	818	938	-12.7
Adjusted PAT	<b>731</b>	<b>805</b>	<b>681</b>	<b>712</b>	<b>391</b>	-46.6	-45.2	<b>1,784</b>	<b>2,465</b>	-27.6
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
<b>APAT after MI</b>	<b>731</b>	<b>805</b>	<b>681</b>	<b>712</b>	<b>391</b>	-46.6	-45.2	<b>1,784</b>	<b>2,465</b>	-27.6
Extra ordinary items	<b>0</b>	<b>0</b>	<b>-160</b>	<b>-220</b>	<b>-100</b>			<b>-480</b>	<b>-55</b>	770.4
<b>Reported PAT</b>	<b>731</b>	<b>805</b>	<b>521</b>	<b>492</b>	<b>291</b>	-60.3	-41.0	<b>1,304</b>	<b>2,410</b>	-45.9
<b>EPS</b>	<b>16.8</b>	<b>18.5</b>	<b>15.7</b>	<b>16.4</b>	<b>9.0</b>	-46.6	-45.2	<b>41.0</b>	<b>56.7</b>	-27.6

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	57.8	52.5	59.5	53.6	53.6	-418	6	55.5	60.2	-472
EBIT	41.2	38.2	44.5	40.7	40.4	-77	-25	41.8	43.2	-144
EBT	12.4	8.3	10.4	10.1	8.3	-413	-186	9.6	14.4	-483
PAT	8.4	10.0	8.0	7.5	4.3	-415	-317	6.6	10.4	-387
Effective Tax rate	32.0	(21.4)	22.7	26.4	48.2	1619	2176	31.4	27.6	389

Source: Company, Emkay Research

## Exhibit 2: Fleet Contract Status

Rigs	Day rate ('000 USD)	Contract renewal date
Deep Driller 1	108	March-13
Deep Driller 7	137	Renewed
Deep Driller 2	177	Jan-13
Deep Driller 4	177	Jan-13
Deep Driller 5	177	Jan-13
Aban VII	68	Jun-13
Aban VIII	160	Jun-13
Aban VI	60	Jan-14
Deep Driller 6	125	May-14
Aban IV	63	Jul-14
Deep Driller 8	100	Sep-14
Aban V	115	Nov-14
Aban III	63	Dec-14
Aban II	52	Apr-15
Deep Driller 3	150	Oct-15
Aban Abraham	269	Jun-16
Aban Ice	121	March-13
Tahara	Under Marketing	Under Marketing

Source: Company, Emkay Research

### Status on rig contract renewals

During the quarter, contract for the rig DD7, operating in Mexico has been renewed and is extended at the same day rate. Rig DD1, which was operating in India is currently on a short term contract @ USD150K/day and the company is actively marketing the rig. Company maintains guidance that the rate on this rig will be at least 25-30% higher than the rate in last contract for the rig (108K/day).

The company is negotiating contract renewals at higher day rates for rigs DD2, DD4, DD5 its clients in Iran. Company remains confident that the rigs are likely to get higher day rate and the accrued revenues at higher day rate would be paid to the company on renewals. However these contract renewals are expected delayed by a quarter (earlier expected by Jan-13) and now is expected to get renewed by Q1FY14.

### Aban looking to raise USD 100 mn via QIP

Aban is planning to reduce its debt and is contemplating a QIP of upto USD 100 mn. Though in the long run this debt reduction would mean sustainable leverage for the company, the high dilution involved in the QIP (Current MCAP of USD 300 mn) could act as a major stock dampener.

### Downgrade Earnings due to delayed contract renewals

Q3FY13 operating margins were mainly affected by higher costs. Further contract renewals for DD2, DD4 and DD5 in Iran have been delayed (earlier expected by Jan-13) resulting in revenues from these contracts accruing later for the company. Adjusting for these lower margins coupled with delayed revenue due to delay in contract renewals, we downgrade our EBITDA estimates for FY13 by 3.5% and FY14E by 1.7%. However the downgrade at the EPS level is steeper led by higher tax rate (26.7% vs earlier 22% for FY13 and 23.1% vs earlier 22% for FY14E). In line with our earnings downgrade, we revise our target price for Aban to Rs475 (Rs500 earlier), valuing the stock at average 6XPER, 6.5X EV/EBITDA and 0.8X P/B on FY14E nos.

#### Exhibit 3: Earnings downgrade

	FY13E			FY14E		
	Earlier	Revised	Change	Earlier	Revised	Change
Revenues	36316	36093	-0.6%	37553	38065	1.4%
EBITDA	20681	19956	-3.5%	21622	21247	-1.7%
Margin (%)	56.9%	55.3%	-165.5	57.6%	55.8%	-176.0
PAT	2910	2136	-26.6%	4985	4479	-10.1%
EPS	66.9	49.1	-26.6%	114.5	102.9	-10.1%

Source: Company, Emkay Research

### Contract renewals and debt refinance remains key triggers, however large dilution in QIP could be a stock dampener

The contract renewals would significantly improve revenue visibility which currently stands at 84%/56% for FY13/14 to 96%/86% for FY13E/14E, while debt refinance would ease interest cost pressures thereby improving cash flow generation. We believe contract renewals and debt refinance remain positive stock triggers as improved cash flow would accelerate debt repayment thereby helping Aban's stretched balance sheet. However high dilution on account of QIP could be a stock dampener. Stock currently trades at 3.5X PER and 6.6X EV/EBITDA for FY14 numbers remain reasonable. Maintain Accumulate.

## Key Financials (Consolidated)

## Income Statement

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
<b>Net Sales</b>	<b>33,472</b>	<b>31,629</b>	<b>36,093</b>	<b>38,065</b>
Growth (%)	-0.3	-5.5	14.1	5.5
<b>Expenditure</b>	<b>12,019</b>	<b>13,225</b>	<b>16,136</b>	<b>16,818</b>
Raw Materials	1,369	1,179	1,439	1,830
Employee Cost	2,896	3,378	4,122	5,242
Other Exp	7,754	8,668	10,576	9,747
<b>EBITDA</b>	<b>21,454</b>	<b>18,404</b>	<b>19,956</b>	<b>21,247</b>
Growth (%)	2.1	-14.2	8.4	6.5
<b>EBITDA margin (%)</b>	<b>64.1</b>	<b>58.2</b>	<b>55.3</b>	<b>55.8</b>
Depreciation	4,907	5,160	5,454	5,454
<b>EBIT</b>	<b>16,546</b>	<b>13,244</b>	<b>14,502</b>	<b>15,793</b>
<b>EBIT margin (%)</b>	<b>49.4</b>	<b>41.9</b>	<b>40.2</b>	<b>41.5</b>
Other Income	260	713	275	275
Interest expenses	9,336	9,891	11,366	9,721
<b>PBT</b>	<b>7,470</b>	<b>4,066</b>	<b>3,411</b>	<b>6,347</b>
<b>Tax</b>	<b>2,530</b>	<b>795</b>	<b>912</b>	<b>1,465</b>
Effective tax rate (%)	33.9	19.6	26.7	23.1
<b>Adjusted PAT</b>	<b>4,940</b>	<b>3,270</b>	<b>2,499</b>	<b>4,882</b>
Growth (%)	15.8	-33.8	-23.6	95.4
<b>Net Margin (%)</b>	<b>14.8</b>	<b>10.3</b>	<b>6.9</b>	<b>12.8</b>
(Profit)/loss from JVs/Ass/MI	665	326	363	403
<b>Adj. PAT After JVs/Ass/MI</b>	<b>5279</b>	<b>2944</b>	<b>2136</b>	<b>4479</b>
E/O items	-4156	-55	-480	0
<b>Reported PAT</b>	<b>1123</b>	<b>2889</b>	<b>1656</b>	<b>4479</b>
<b>PAT after MI</b>	<b>5,605</b>	<b>3,270</b>	<b>2,499</b>	<b>4,882</b>
Growth (%)	1.6	-41.7	-23.6	95.4

## Cash Flow

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
<b>PBT (Ex-Other income)</b>	<b>3,315</b>	<b>4,011</b>	<b>3,136</b>	<b>6,072</b>
Depreciation	4,907	5,160	5,454	5,454
Interest Provided	9,194	9,735	11,366	9,721
Other Non-Cash items	4,784	188	-480	0
Chg in working cap	-4,709	-7,721	-2,005	-373
Tax paid	-2,286	-1,670	-912	-1,465
<b>Operating Cashflow</b>	<b>15,204</b>	<b>9,703</b>	<b>16,559</b>	<b>19,409</b>
Capital expenditure	5,026	-6,610	-6,260	0
<b>Free Cash Flow</b>	<b>20,230</b>	<b>3,093</b>	<b>10,299</b>	<b>19,409</b>
Other income	59	29	275	275
Investments	4,355	427	0	0
<b>Investing Cashflow</b>	<b>9,440</b>	<b>-6,154</b>	<b>-5,985</b>	<b>275</b>
Equity Capital Raised	8	0	0	0
Loans Taken / (Repaid)	-11,629	1,100	755	-9,180
Interest Paid	-8,892	-8,758	-11,366	-9,721
Dividend paid (incl tax)	-510	-506	-546	-586
Income from investments	0	0	0	0
Others	-32	8	0	0
<b>Financing Cashflow</b>	<b>-21,054</b>	<b>-8,156</b>	<b>-11,158</b>	<b>-19,487</b>
<b>Net chg in cash</b>	<b>3,590</b>	<b>-4,607</b>	<b>-584</b>	<b>198</b>
Opening cash position	2,360	5,951	1,344	760
<b>Closing cash position</b>	<b>5,950</b>	<b>1,344</b>	<b>760</b>	<b>958</b>

## Balance Sheet

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
Equity share capital	87	87	87	87
Reserves & surplus	17,991	25,719	27,192	31,488
<b>Net worth</b>	<b>18,078</b>	<b>25,806</b>	<b>27,279</b>	<b>31,576</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	129,337	137,944	138,699	129,519
Unsecured Loans	4,401	0	0	0
<b>Loan Funds</b>	<b>133,738</b>	<b>137,944</b>	<b>138,699</b>	<b>129,519</b>
Net deferred tax liability	292	269	269	269
<b>Total Liabilities</b>	<b>152,107</b>	<b>164,044</b>	<b>166,272</b>	<b>161,388</b>
Gross Block	163,041	188,082	194,342	194,342
Less: Depreciation	23,982	31,107	36,561	42,015
<b>Net block</b>	<b>139,059</b>	<b>156,975</b>	<b>157,781</b>	<b>152,327</b>
Capital work in progress	175	245	245	245
<b>Investment</b>	<b>153</b>	<b>34</b>	<b>34</b>	<b>34</b>
<b>Current Assets</b>	<b>21,325</b>	<b>16,431</b>	<b>17,109</b>	<b>18,097</b>
Inventories	2,616	3,006	3,338	3,515
Sundry debtors	9,692	10,116	11,046	11,659
Cash & bank balance	5,951	1,344	760	958
Loans & advances	3,067	1,965	1,965	1,965
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>8,605</b>	<b>9,665</b>	<b>8,921</b>	<b>9,340</b>
Current liabilities	6,764	8,703	7,959	8,377
Provisions	1,842	962	962	962
<b>Net current assets</b>	<b>12,720</b>	<b>6,766</b>	<b>8,188</b>	<b>8,758</b>
Misc. exp	0	25	25	25
<b>Total Assets</b>	<b>152,107</b>	<b>164,044</b>	<b>166,272</b>	<b>161,388</b>

## Key Ratios

Y/E Mar	FY11A	FY12A	FY13E	FY14E
<b>Profitability (%)</b>				
EBITDA Margin	64.1	58.2	55.3	55.8
Net Margin	14.8	10.3	6.9	12.8
ROCE	10.6	8.8	8.9	9.8
ROE	28.8	13.4	8.1	15.2
RoIC	10.9	8.6	8.9	9.7
<b>Per Share Data (Rs)</b>				
EPS	121.3	67.6	49.1	102.9
CEPS	234.0	186.2	174.4	228.2
BVPS	415.4	592.4	626.2	724.9
DPS	3.6	3.6	3.6	3.6
<b>Valuations (x)</b>				
PER	2.9	5.2	7.2	3.5
P/CEPS	1.5	1.9	2.0	1.6
P/BV	0.9	0.6	0.6	0.5
EV / Sales	4.3	4.8	4.3	3.8
EV / EBITDA	6.7	8.3	7.7	6.8
Dividend Yield (%)	1.0	1.0	1.0	1.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	7.1	5.3	5.1	4.1
Net Debt/EBITDA	6.0	7.4	6.9	6.1
Working Cap Cycle (days)	73.8	62.6	75.1	74.8



January 25, 2013

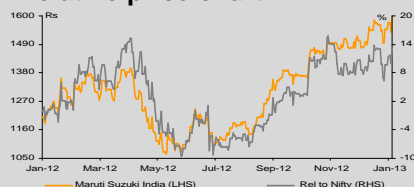
Rating	Previous Reco
Hold	Hold
CMP	Target Price
Rs1,599	Rs1,700
EPS Chg FY13E/FY14E (%)	NA
Target Price change (%)	NA
Nifty	6,075
Sensex	20,104

### Price Performance

(%)	1M	3M	6M	12M
Absolute	8	17	45	35
Rel. to Nifty	4	9	22	15

Source: Bloomberg

### Relative price chart



Source: Bloomberg

### Stock Details

Sector	Automobiles
Bloomberg	MSIL IB
Equity Capital (Rs mn)	1,445
Face Value(Rs)	5
No of shares o/s (mn)	289
52 Week H/L	1,608/ 1,051
Market Cap (Rs bn/USD mn)	462/ 8,608
Daily Avg Volume (No of sh)	800,522
Daily Avg Turnover (US\$mn)	22.3

### Shareholding Pattern (%)

	D'12	S'12	J'12
Promoters	54.2	54.2	54.2
FII/NRI	23.1	20.5	20.3
Institutions	14.4	16.2	16.4
Private Corp	5.9	6.2	6.2
Public	2.4	2.9	2.9

Source: Bloomberg

- **Q3 operating performance ~5% ahead of estimates**
- **Management outlook on volumes continues to remain very bearish - expects 6-7% volumes growth in FY14**
- **Has begun hedging FY14 Yen exposure at favorable rates**
- **Retain HOLD on fair valuations - downside risk to volumes offsetting upside risk to margins from a favorable currency**
- **We retain est and TP of Rs 1700, based on 14x FY15E EPS of Rs 122 – stock trading at 15.6x/13.1x FY14/FY15 earnings**

### Decent show in Q3

MSIL reported a decent show in Q3FY13 beating our/consensus EBITDA estimates by 5%/3%. Net revenue at Rs 112 bn (+42% YoY, +35% QoQ) beat estimates by 2% on better-than-expected realizations (+12.9% YoY, +3.1% QoQ). Export of the *Ertiga* CKD kits continued to aid export realizations. EBITDA Margin came in at 8.0%, marginally ahead, driven by better mix resulting in lower avg. discounts (Rs 12,100/car in Q3 vs Rs 14,750/car in Q2). Lower discounts were a function of resumption in production of the Swift & Dzire post the labour strike ended. Net profit was in-line with expectations at Rs 5.01 bn (+144% YoY, +120% QoQ).

### Volume outlook pessimistic; currency to be the saviour this time

MSIL management has been guiding for an FY14 volume growth of 6-7% - as against this most street expectation including ours is in the range of 14-17% (Emkay est. at 17%). Our dealer interactions still do not point out to any pick up in demand for cars and the new diesel policy could risk the diesel driven growth the industry has been seeing in recent times. We see downside risk to our volume growth estimates.

Nonetheless, currency has moved very favorably for MSIL in the last one quarter because of which we have already raised our margin estimates in the recent past, despite lackluster volume growth and continued high discounting. 1% depreciation in the Yen positively impacts our earnings estimates by ~2.5%. At present Yen-INR stands at 0.59 vs our base case assumption of 0.64. We see the downside risk to our volume growth estimates more than offset by the currency benefits the company could see.

### Maintain HOLD on fair valuations

We maintain our HOLD rating on the stock primarily because we believe that the stock price adequately discounts the fundamentals and further upgrades are likely only if currency continues to hover at current levels. We factor in volume of 1.4mn/1.6mn units in FY14/FY15 implying a growth rate of 17%/16%. We have retained our margin assumption at 9.5% currently and would review upgrading from forex benefits if the Yen depreciates further or continue to hover at current level. We retain estimates and TP of Rs 1700, based on 14x FY15E EPS of Rs 122 – stock trading at 15.6x/13.1x FY14/FY15 earnings.

### Financial Snapshot (Standalone)

(Rs mn)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY12A	355,871	25,130	7.1	16,353	56.6	-27.1	11.3	27.3	14.8	2.9
FY13E	431,959	32,191	7.5	18,261	63.2	11.7	11.4	24.4	11.8	2.7
FY14E	521,319	49,431	9.5	29,589	102.4	62.0	16.4	15.1	7.4	2.3
FY15E	617,870	58,640	9.5	35,353	122.4	19.5	16.8	12.6	5.9	2.0

**Exhibit 1: Performance vs Emkay and Consensus**

(Rs mn)	Actual	Emkay Est	% var	Consensus	% var
Net sales	112,003	108,923	3	109,994	2
EBITDA	8,913	8,492	5	8,672	3
Adj net income	8.0	7.8	20 bps	7.9	10 bps
FDEPS (Rs)	5,013	5,016	-	5,000	-

Source: Emkay Research

**Exhibit 2: Quarterly Financial Summary**

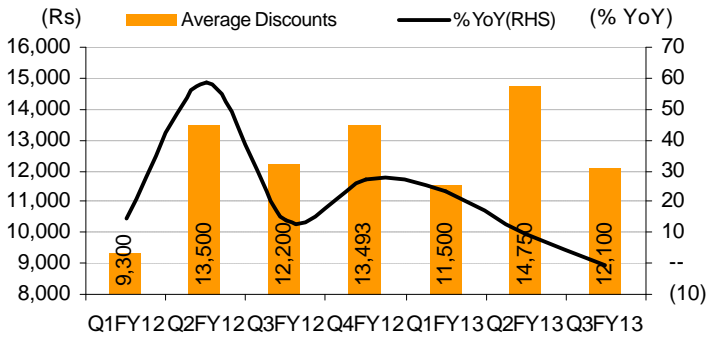
Rs mn	Q2FY12A	Q3FY12A	Q4FY12A	Q1FY13A	Q2FY13A	YoY (%)	QoQ (%)	YTFY13	YTFY12	YoY (%)
Revenue	78,824	117,270	107,782	83,054	112,003	42.1	34.9	302,839	242,433	24.9
Expenditure	74,652	108,685	99,919	77,969	103,091	38.1	32.2	280,978	225,175	24.8
as % of sales	94.7	92.7	92.7	93.9	92.0			92.8	92.9	
Consumption of RM	62,433	93,328	83,903	66,110	87,842	40.7	32.9	237,854	190,915	24.6
as % of sales	79.2	79.6	77.8	79.6	78.4			78.5	78.7	
Employee Cost	2,090	2,560	2,383	2,352	2,412	15.4	2.6	7,147	5,878	21.6
as % of sales	2.7	2.2	2.2	2.8	2.2			2.4	2.4	
Other expenditure	10,129	12,797	13,633	9,507	12,837	26.7	35.0	35,977	28,382	26.8
as % of sales	12.9	10.9	12.6	11.4	11.5			11.9	11.7	
EBITDA	4,172	8,585	7,863	5,085	8,913	113.6	75.3	21,861	17,258	26.7
Depreciation	2,989	3,306	3,399	3,470	3,583	19.9	3.3	10,453	8,078	29.4
EBIT	1,183	5,279	4,464	1,615	5,329	350.5	230.0	11,408	9,180	24.3
Other Income	1,604	2,969	1,123	1,563	1,886	17.6	20.7	4,573	4,582	(0.2)
Interest	174	208	332	380	459			1,171	340	244.2
PBT	2,613	8,040	5,255	2,798	6,756	158.6	141.5	14,810	13,422	10.3
Total Tax	557	1,642	1,018	524	1,743	213.1	232.9	3,285	3,469	(5.3)
Adjusted PAT after MI	2,056	6,398	4,238	2,274	5,013	143.8	120.4	11,525	9,953	15.8
Extra ordinary items Loss/(Gain)	-	-	-	-	-			-	-	#DIV/0!
Reported PAT	2,056	6,398	4,238	2,274	5,013	143.8	120.4	11,525	9,953	15.8
Adjusted EPS	7.1	22.1	14.7	7.9	17.4	143.8	120.4	39.9	34.4	15.8

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	5.3	7.3	7.3	6.1	8.0	266	183	7.2	7.1	10
EBIT	1.5	4.5	4.1	1.9	4.8	326	281	3.8	3.8	(2)
EBT	3.3	6.9	4.9	3.4	6.0	272	266	4.9	5.5	(65)
PAT	2.6	5.5	3.9	2.7	4.5	187	174	3.8	4.1	(30)
Effective Tax rate	21.3	20.4	19.4	18.7	25.8	450	709	22.2	25.8	(367)

Source: Company, Emkay Research

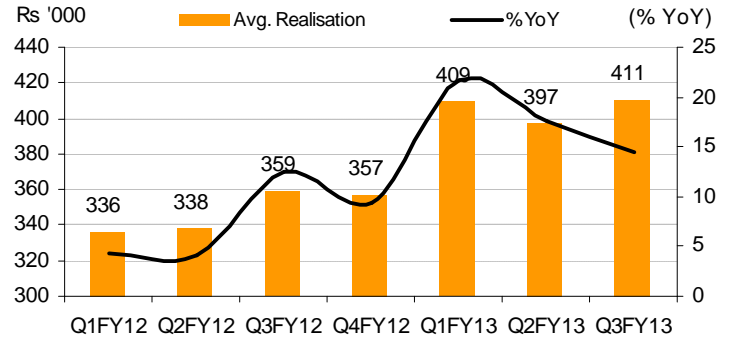


**Exhibit 3: Average discount trends lower as mix improves**



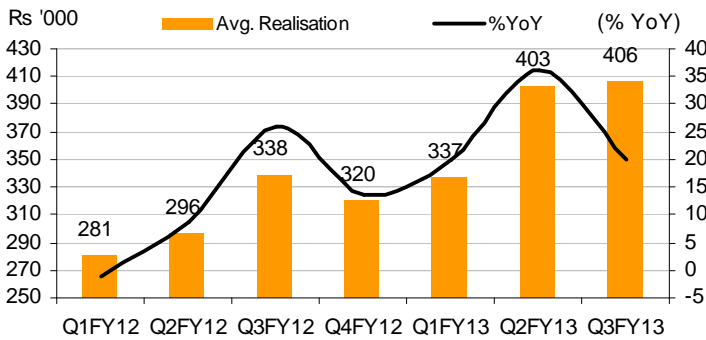
Source: Company, Emkay Research

**Exhibit 4: Domestic average realisations benefits from product mix**



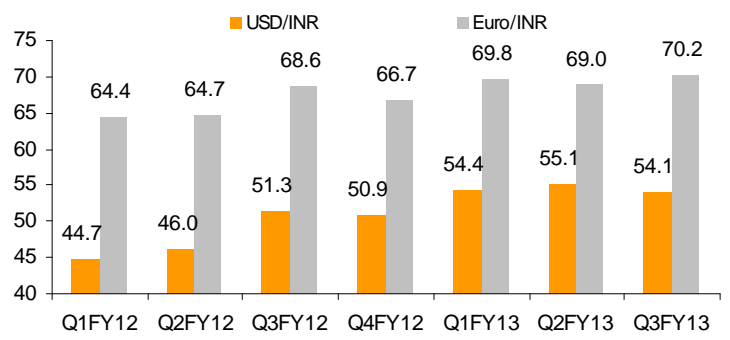
Source: Company, Emkay Research

**Exhibit 5: Export avg. realisation show sharp uptick on Ertiga exports**



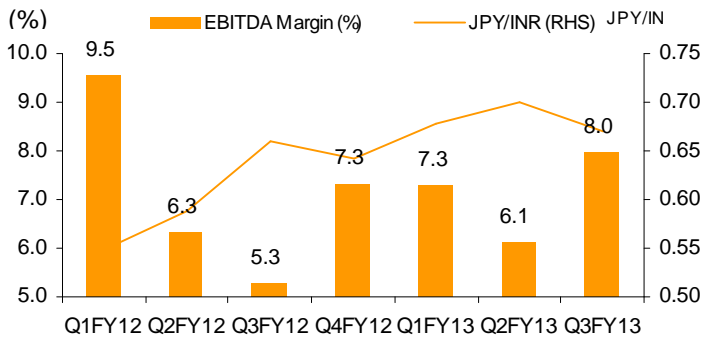
Source: Company, Emkay Research

**Exhibit 6: Average currency rates trend**



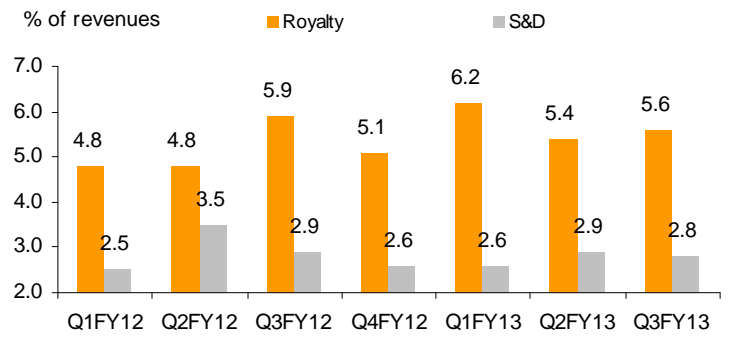
Source: Company, Emkay Research

**Exhibit 7: Impact of favourable Yen to begin from the next quarter**



Source: Company, Emkay Research

**Exhibit 8: Royalty costs lower on translation benefits**



Source: Company, Emkay Research

## Key Financials (Standalone)

## Income Statement

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
<b>Net Sales</b>	<b>355,871</b>	<b>431,959</b>	<b>521,319</b>	<b>617,870</b>
Growth (%)	-3.7	21.4	20.7	18.5
<b>Expenditure</b>	<b>330,741</b>	<b>399,768</b>	<b>471,888</b>	<b>559,230</b>
Raw Materials	280,656	342,975	406,628	481,938
Employee Cost	8,438	9,719	12,772	15,138
Other Exp	41,647	47,073	52,487	62,154
<b>EBITDA</b>	<b>25,130</b>	<b>32,191</b>	<b>49,431</b>	<b>58,640</b>
Growth (%)	-30.2	28.1	53.6	18.6
<b>EBITDA margin (%)</b>	<b>7.1</b>	<b>7.5</b>	<b>9.5</b>	<b>9.5</b>
Depreciation	11,384	14,012	16,367	18,687
<b>EBIT</b>	<b>13,747</b>	<b>18,179</b>	<b>33,063</b>	<b>39,953</b>
<b>EBIT margin (%)</b>	<b>3.9</b>	<b>4.2</b>	<b>6.3</b>	<b>6.5</b>
Other Income	8,268	6,689	7,137	7,732
Interest expenses	552	1,153	748	548
<b>PBT</b>	<b>21,463</b>	<b>23,715</b>	<b>39,452</b>	<b>47,137</b>
<b>Tax</b>	<b>5,110</b>	<b>5,454</b>	<b>9,863</b>	<b>11,784</b>
Effective tax rate (%)	23.8	23.0	25.0	25.0
<b>Adjusted PAT</b>	<b>16,353</b>	<b>18,261</b>	<b>29,589</b>	<b>35,353</b>
Growth (%)	-27.1	11.7	62.0	19.5
<b>Net Margin (%)</b>	<b>4.6</b>	<b>4.2</b>	<b>5.7</b>	<b>5.7</b>
(Profit)/loss from JVs/Ass/MI	0	0	0	0
<b>Adj. PAT After JVs/Ass/MI</b>	<b>16,353</b>	<b>18,261</b>	<b>29,589</b>	<b>35,353</b>
E/O items	0	0	0	0
<b>Reported PAT</b>	<b>16,353</b>	<b>18,261</b>	<b>29,589</b>	<b>35,353</b>
<b>PAT after MI</b>	<b>16,353</b>	<b>18,261</b>	<b>29,589</b>	<b>35,353</b>
Growth (%)	-27.1	11.7	62.0	19.5

## Cash Flow

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
<b>PBT (Ex-Other income)</b>	<b>13,195</b>	<b>17,026</b>	<b>32,315</b>	<b>39,405</b>
Depreciation	11,384	14,012	16,367	18,687
Interest Provided	552	1,153	748	548
Other Non-Cash items	0	0	0	0
Chg in working cap	535	-4,082	-3,577	-3,842
Tax paid	-2,509	-5,454	-9,863	-11,784
<b>Operating Cashflow</b>	<b>23,156</b>	<b>22,655</b>	<b>35,991</b>	<b>43,014</b>
Capital expenditure	-23,125	-35,000	-25,000	-25,000
<b>Free Cash Flow</b>	<b>31</b>	<b>-12,345</b>	<b>10,991</b>	<b>18,014</b>
Other income	8,268	6,689	7,137	7,732
Investments	-10,407	-9,000	-10,000	-20,000
<b>Investing Cashflow</b>	<b>-25,264</b>	<b>-37,311</b>	<b>-27,863</b>	<b>-37,268</b>
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	7,691	-300	-3,000	-2,000
Interest Paid	-552	-1,153	-748	-548
Dividend paid (incl tax)	-2,503	-2,670	-3,003	-3,337
Income from investments	0	0	0	0
Others	0	0	0	0
<b>Financing Cashflow</b>	<b>4,636</b>	<b>-4,123</b>	<b>-6,752</b>	<b>-5,885</b>
<b>Net chg in cash</b>	<b>2,528</b>	<b>-18,779</b>	<b>1,376</b>	<b>-139</b>
Opening cash position	25,085	24,361	5,582	6,958
<b>Closing cash position</b>	<b>27,613</b>	<b>5,582</b>	<b>6,958</b>	<b>6,819</b>

## Balance Sheet

Y/E Mar (Rsmn)	FY12A	FY13E	FY14E	FY15E
Equity share capital	1,445	1,445	1,445	1,445
Reserves & surplus	150,429	166,020	192,606	224,622
<b>Net worth</b>	<b>151,874</b>	<b>167,465</b>	<b>194,050</b>	<b>226,066</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	10,784	7,784	4,784	2,784
Unsecured Loans	0	2,700	2,700	2,700
<b>Loan Funds</b>	<b>10,784</b>	<b>10,484</b>	<b>7,484</b>	<b>5,484</b>
Net deferred tax liability	3,023	2,823	2,623	2,423
<b>Total Liabilities</b>	<b>165,680</b>	<b>180,771</b>	<b>204,157</b>	<b>233,973</b>
Gross Block	147,347	182,347	207,347	232,347
Less: Depreciation	72,140	86,152	102,519	121,206
<b>Net block</b>	<b>75,207</b>	<b>96,195</b>	<b>104,828</b>	<b>111,141</b>
Capital work in progress	6,114	6,114	6,114	6,114
<b>Investment</b>	<b>61,474</b>	<b>70,474</b>	<b>80,474</b>	<b>100,474</b>
<b>Current Assets</b>	<b>80,228</b>	<b>66,302</b>	<b>74,080</b>	<b>79,457</b>
Inventories	17,965	19,263	21,167	22,446
Sundry debtors	9,377	10,651	12,426	13,542
Cash & bank balance	24,361	5,582	6,958	6,819
Loans & advances	24,498	25,918	27,630	29,658
Other current assets	4,027	4,888	5,899	6,992
<b>Current lia &amp; Prov</b>	<b>57,342</b>	<b>58,313</b>	<b>61,339</b>	<b>63,213</b>
Current liabilities	50,357	50,826	53,517	55,058
Provisions	6,985	7,488	7,821	8,155
<b>Net current assets</b>	<b>22,886</b>	<b>7,989</b>	<b>12,742</b>	<b>16,244</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>165,681</b>	<b>180,772</b>	<b>204,157</b>	<b>233,973</b>

## Key Ratios

Y/E Mar	FY12A	FY13E	FY14E	FY15E
<b>Profitability (%)</b>				
EBITDA Margin	7.1	7.5	9.5	9.5
Net Margin	4.6	4.2	5.7	5.7
ROCE	14.2	14.4	20.9	21.8
ROE	11.3	11.4	16.4	16.8
RoIC	21.7	21.1	31.6	34.6
<b>Per Share Data (Rs)</b>				
EPS	56.6	63.2	102.4	122.4
CEPS	96.0	111.7	159.1	187.0
BVPS	525.7	579.6	671.7	782.5
DPS	7.5	8.0	9.0	10.0
<b>Valuations (x)</b>				
PER	27.3	24.4	15.1	12.6
P/CEPS	16.1	13.8	9.7	8.3
P/BV	2.9	2.7	2.3	2.0
EV / Sales	1.0	0.9	0.7	0.6
EV / EBITDA	14.8	11.8	7.4	5.9
Dividend Yield (%)	0.5	0.5	0.6	0.6
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	-0.5	-0.4	-0.4	-0.5
Net Debt/EBITDA	-3.0	-2.0	-1.6	-1.7
Working Cap Cycle (days)	-1.5	2.0	4.0	5.6

January 25, 2013

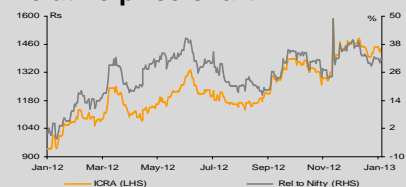
Rating	Previous Reco
Hold	Hold
CMP	Target Price
Rs1,433	Rs1,300
EPS Chg FY13E/FY14E (%)	-13/-4
Target Price change (%)	NA
Nifty	6,075
Sensex	20,104

**Price Performance**

(%)	1M	3M	6M	12M
Absolute	-3	6	20	59
Rel. to Nifty	-7	-1	0	35

Source: Bloomberg

**Relative price chart**



Source: Bloomberg

**Stock Details**

Sector	Non Banking Financial Company
Bloomberg	ICRA IB
Equity Capital (Rs mn)	100
Face Value(Rs)	10
No of shares o/s (mn)	10
52 Week H/L	1,583/ 896
Market Cap (Rs bn/USD mn)	14/ 268
Daily Avg Volume (No of sh)	18,185
Daily Avg Turnover (US\$m)	0.5

**Shareholding Pattern (%)**

	Dec12	Sep12	Jun12
Promoters	28.5	28.5	28.5
FII/NRI	8.9	7.6	7.4
Institutions	43.2	43.3	43.2
Private Corp	4.2	4.0	4.0
Public	15.3	16.6	16.9

Source: Capitaline

- **ICRA's Q3FY13 op. revenue at Rs652mn slightly below exp led by lower than exp rev from BPA tech. With net loss of Rs10mn in BPA, conso PAT was significantly lower at Rs125mn**
- **Rating revenue growth remain lower at 6%yoy as expected, as poor credit offtake and sluggish bond market activity continue to impact business**
- **Slower revenue growth with sharp deterioration in subsidiary's profitability taking toll on margins. Blended EBIDTA margin fell to 25.5% from 39% in Q3FY13**
- **At CMP the stock trades at 27.1x/22.6x FY13E/14E EPS of Rs52.9 and Rs63.5. Maintain HOLD with price target maintained at Rs1300**

**Cost pressures in BPA impacted earnings growth**

ICRA's Q3FY13 operating revenues at Rs652mn, 20.3%yoy was slightly below expectation, led by lower than expected revenue from its subsidiary, BPA technologies (Rs81mn, -10%qoq). Revenue adjusted for BPA technologies which was acquired in May 2012 would have been about Rs571mn, growth of just 5.3%yoy. Moreover with loss of about Rs10mn in BPA technologies, consolidated net profit (adjusted for esop exp of Rs10.2mn) came in significantly lower at Rs125mn, decline of 30%yoy. With consistently higher opex in subsidiaries, consolidated EBIDTA margin came down further to 25.5% from 39% in Q3FY12. As ICRA shifted almost its entire investment book to Fixed Maturity Plans/short term debt funds of 12-18 months maturity in earlier quarters, other income was also lower at Rs13mn.

**Exhibit 1: Income from operations**

Revenues	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)
Rating Services	369	433	278	362	391	6.0	8.1
Consulting	63	74	60	60	62	-2.5	3.4
KPO/BPO Serv	44	47	52	54	57	28.1	4.6
Professional Serv	65	72	119	148	142	118.3	-3.8
<b>Total revenues</b>	<b>542</b>	<b>626</b>	<b>508</b>	<b>624</b>	<b>652</b>	<b>20.3</b>	<b>4.5</b>
BPA Tech	-	-	59	90	81	-	-10
<b>Revenue ex BPA</b>	<b>542</b>	<b>626</b>	<b>508</b>	<b>534</b>	<b>571</b>	<b>5.3</b>	<b>7.0</b>

Source: Company, Emkay Research

**Lower bond activity & credit growth continue to impact rating revenues**

Muted credit growth at ~15%yoy and lower activity in the bond market continue to impact ratings revenue growth as the same came in at just 6%yoy. Though, credit growth could improve a bit in next quarter due to seasonality and possible cut in interest rates, improvement in debt market activity could take little longer.

**Financial Snapshot (Consolidated)**

(Rsmn)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
Mar										
FY11A	1,930	734	38.0	515	51.5	25.4	22.4	27.8	16.9	5.8
FY12A	2,075	755	36.4	523	52.3	1.6	19.4	27.4	15.8	4.9
FY13E	2,500	634	25.4	529	52.9	1.1	17.8	27.1	18.8	4.7
FY14E	2,938	837	28.5	635	63.5	19.9	20.0	22.6	14.2	4.3

## Exhibit 2: Key financials – Quarterly

	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)	YTD'13	YTD'12	YoY (%)
<b>Revenue</b>	<b>542</b>	<b>626</b>	<b>508</b>	<b>624</b>	<b>652</b>	<b>20.3</b>	<b>4.5</b>	1,785	1,448	<b>23.2</b>
<b>Expenditure</b>	<b>331</b>	<b>371</b>	<b>411</b>	<b>462</b>	<b>486</b>	<b>46.8</b>	<b>5.2</b>	1,359	949	<b>43.2</b>
as % of sales	61.0	59.2	80.9	74.0	74.5			76.1	65.5	
Employee Cost	238	261	278	311	321	34.5	3.1	910	676	34.5
as % of sales	44.0	41.8	54.7	49.8	49.1			51.0	46.7	
Selling & Administrative Expenses	42	42	51	50	54	28.0	8.0	155	117	32.2
as % of sales	7.8	6.7	10.0	8.0	8.3			8.7	8.1	
Other Expenses	50.4	67.0	82.6	100.7	111.2	120.8	10.4	294	156	88.7
as % of sales	9.3	10.7	16.2	16.1	17.0			16.5	10.8	
<b>EBITDA</b>	<b>211</b>	<b>256</b>	<b>97</b>	<b>162</b>	<b>167</b>	<b>-21.1</b>	<b>2.6</b>	<b>426</b>	<b>499</b>	<b>-14.6</b>
Depreciation	12	13	11	12	13	9.3	10.4	35	34	4.0
<b>EBIT</b>	<b>200</b>	<b>243</b>	<b>86</b>	<b>151</b>	<b>154</b>	<b>-22.9</b>	<b>2.0</b>	<b>391</b>	<b>465</b>	<b>-16.0</b>
Other Income	49.1	95.2	53.9	7.9	12.9	-73.8	61.8	75	111	-33.0
Interest	0	0	0	0	0			0	0	
<b>PBT</b>	<b>249</b>	<b>338</b>	<b>140</b>	<b>159</b>	<b>167</b>	<b>-33.0</b>	<b>5.0</b>	<b>466</b>	<b>577</b>	<b>-19.3</b>
Total Tax	71	80	38	49	46	-34.9	-5.3	133	174	-23.2
<b>Adjusted PAT</b>	<b>178</b>	<b>259</b>	<b>102</b>	<b>110</b>	<b>120</b>	<b>-32.5</b>	<b>9.6</b>	<b>332</b>	<b>403</b>	<b>-17.6</b>
(Profit)/loss from JV's/Ass/MI	1	0	0	0	5			5	0	
<b>APAT after MI</b>	<b>177</b>	<b>259</b>	<b>102</b>	<b>110</b>	<b>125</b>	<b>-29.5</b>	<b>14.1</b>	<b>337</b>	<b>403</b>	<b>-16.4</b>
Extra ordinary items	-3	-16	-16	26	-10			1	-107	
Reported PAT	175	243	87	136	115	-34.0	-15.0	338	297	13.8
Reported EPS	17.4	24.2	8.7	13.6	11.0	-36.5	-18.6	33	30	12.4

<b>Margins (%)</b>	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)	YTD'13	YTD'12	YoY (%)
EBIDTA	39.0	40.8	19.1	26.0	25.5	-1343	-47	23.9	34.5	-1,059
EBIT	36.8	38.8	17.0	24.1	23.6	-1323	-58	21.9	32.1	-1,022
EBT	45.9	54.0	27.6	25.4	25.5	-2032	12	26.1	39.8	-1,373
PAT	32.8	41.4	20.2	17.6	19.2	-1365	160	18.9	27.9	-897
Effective Tax rate	29.0	24.7	30.3	26.5	28.7	-31	217	28.3	36.9	-861

Source: Company, Emkay Research

**Lower profitability in subsidiaries continue to add to the margin pressure**

While margins in the standalone operation (rating business) have come down from 46% in Q3FY11 to 40% in Q3FY13, the decline has been even severe in case of subsidiaries with margins coming down from 9% to just 1% over the same period. As a result the consolidated EBIDTA margins have fallen sharply from 34% in Q3FY12 to 24% in Q3FY13. Rise in opex in subsidiaries could partially be attributed to BPA technologies, which has reported net loss of Rs2mn for M9FY13, as against ~21% net margin for ex BPA business.

## Exhibit 3: Expense ratio in subsidiaries on the rise

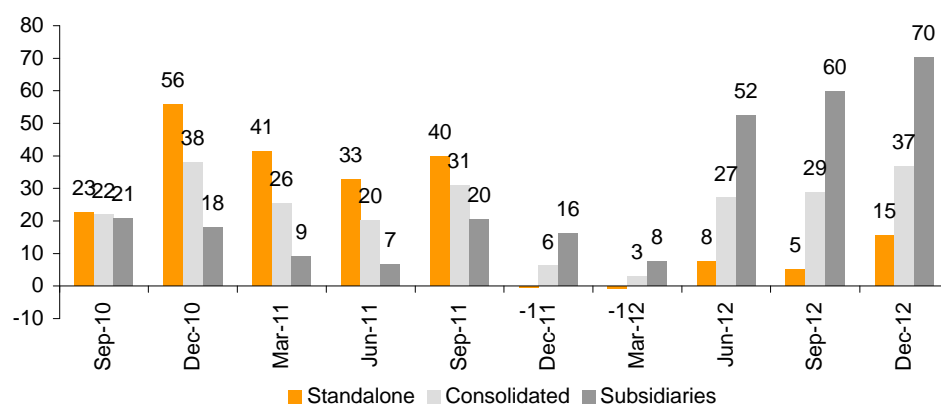
	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	YoY	QoQ
<b>Standalone</b>							
Revenues	370	433	277	361	385	4.0	6.4
Expenses	199	214	206	223	229	15.5	3.1
EBIDTA Margin	46	51	26	38	40		
<b>Consolidated</b>							
Revenues	542	626	509	624	652	20.3	4.5
Expenses	355	386	427	478	496	39.6	3.8
EBIDTA Margin	34	38	16	23	24		
<b>Subsidiaries</b>							
Revenues	173	193	232	263	268	55.1	1.9
Expenses	157	173	221	255	267	70.2	4.5
EBIDTA Margin	9	11	4	3	1		

Source: Company, Emkay Research

**Exhibit 4: Segmental results (Adjusted for ESOP expenses)**

EBIT (Rs)	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	YoY (%)	QoQ (%)
Rating Services Fees	215	256	102	176	182	-15.5	3.5
Consulting Fees	4	18	0	-3	4	-5.4	235.7
KPO/BPO Services Fees	3	4	7	10	14	318.8	-34.3
Professional Services Fees	14	3	8	4	-13	-192.3	400.3
<b>Total</b>	<b>237</b>	<b>281</b>	<b>117</b>	<b>187</b>	<b>187</b>	<b>-21.1</b>	<b>-0.2</b>
<b>EBIDTA margins (%)</b>							
Rating Services Fees	58.2	59.0	36.8	48.5	46.4	-1179	-206
Consulting Fees	6.9	24.6	0.4	-5.1	6.7	-21	1186
KPO/BPO Services Fees	7.3	7.7	13.7	18.7	23.9	1662	529
Professional Services Fees	21.4	4.3	6.4	2.9	-9.0	-3043	-1195
<b>Total</b>	<b>43.6</b>	<b>44.8</b>	<b>23.0</b>	<b>29.9</b>	<b>28.6</b>	<b>-1,503</b>	<b>-135</b>

Source: Company, Emkay Research

**Exhibit 5: Expenses growth (% yoy)**

Source: Company, Emkay Research

**BPA technologies disappoints for another quarter**

While the revenue from BPA technologies declined by 10%qoq to Rs81.4mn as against 90.5mn for Q2FY13, the major disappointment came on the bottomline front, as the company reported net loss of Rs12.1mn as against profit of 6.3mn in last quarter. ICRA reported revenue of USD10mn for FY12, which at 45/USD comes at Rs450mn. With rupee depreciating to now 53-54/ USD the quarterly run rate should have been about Rs130-140mn, as against the Rs80-90mn for the last two quarter. As the acquisition deal was based on performance, we believe the deal value could also come down from earlier decided USD8mn for the residual stake of 50%, if the performance continues to remain on similar lines.

**Exhibit 6: BPA Technologies**

	FY12	Q1FY13	Q2FY13	Q3FY13	9MFY13
Revenue	450	58.8	90.5	81.4	230.7
PAT	NA	2.2	5.7	-9.9	-2.0
PAT Margin	NA	3.7	6.3	-12.1	-0.9

Source: Company, Emkay Research Note: FY12 revenue was at USD10mn

**Earnings remain under pressure**

Despite 20%yoy growth in revenues, higher cost pressure in subsidiaries resulted in 30%yoy decline in PAT (adjusted for ESOP expenses of Rs10.2mn) to Rs125mn. We expect earnings growth to remain flat for FY13 and 15%for FY14 with EPS of Rs52.9 and Rs63.5 respectively

**Valuation and view**

While the growth in the rating business continue to remain on the lower side due to muted credit growth and poor debt market activity, rising cost pressure in the subsidiaries have further added to the margin pressure with same coming down from 39% in Q3FY12 to 25.5% in Q3FY13. Though reversal of interest rate cycle bodes well for bank loan rating business and debt market, we believe it will take some time before we see any meaningful turnaround in the investment activity and subsequent impact on demand for ratings. At CMP the stock trades at 27.1x/22.6x FY13E/14E EPS of Rs52.9 and Rs63.5. Maintain HOLD with price target at Rs1300.

## Key Financials (Consolidated)

## Income Statement

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
<b>Net Sales</b>	<b>1,930</b>	<b>2,075</b>	<b>2,500</b>	<b>2,938</b>
<i>Growth (%)</i>	42.1	7.5	20.5	17.5
<b>Expenditure</b>	<b>1,197</b>	<b>1,319</b>	<b>1,866</b>	<b>2,101</b>
Employee Cost	810	938	1,253	1,412
Administrative expenses	139	159	211	248
Other Exp	248	222	402	441
<b>EBITDA</b>	<b>734</b>	<b>755</b>	<b>634</b>	<b>837</b>
<i>Growth (%)</i>	31.2	3.0	-16.0	32.0
<b>EBITDA margin (%)</b>	<b>38.0</b>	<b>36.4</b>	<b>25.4</b>	<b>28.5</b>
Depreciation	45	47	47	72
<b>EBIT</b>	<b>793</b>	<b>769</b>	<b>725</b>	<b>920</b>
<b>EBIT margin (%)</b>	<b>41.1</b>	<b>37.1</b>	<b>29.0</b>	<b>31.3</b>
Other Income	105	60	138	154
Interest expenses	0	0	0	0
<b>PBT</b>	<b>740</b>	<b>792</b>	<b>746</b>	<b>910</b>
<b>Tax</b>	<b>259</b>	<b>253</b>	<b>201</b>	<b>282</b>
<i>Effective tax rate (%)</i>	35.0	31.9	27.0	31.0
<b>Adjusted PAT</b>	<b>515</b>	<b>523</b>	<b>529</b>	<b>635</b>
<i>Growth (%)</i>	25.4	1.6	1.1	19.9
<b>Net Margin (%)</b>	<b>26.7</b>	<b>25.2</b>	<b>21.2</b>	<b>21.6</b>
(Profit)/loss from JVs/Ass/MI	-	-	-	-
<b>Adjusted PAT After</b>	<b>515</b>	<b>523</b>	<b>529</b>	<b>635</b>
E/O items	-53	23	21	-9
<b>Reported PAT</b>	<b>481</b>	<b>539</b>	<b>544</b>	<b>628</b>
<i>Growth (%)</i>	23.2	12.2	0.9	15.4

## Cash Flow

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
<b>PBT (Ex-Other income)</b>	635	731	608	756
Depreciation	45	47	47	72
Interest Provided	-75	-32	0	0
Other Non-Cash items	-41	-156	109	-73
Chg in working cap	-28	-43	-85	-100
Tax paid	-241	-303	-201	-282
<b>Operating Cashflow</b>	<b>475</b>	<b>390</b>	<b>616</b>	<b>527</b>
Capital expenditure	-47	-41	-248	-148
<b>Free Cash Flow</b>	<b>428</b>	<b>349</b>	<b>367</b>	<b>379</b>
Other income	276	158	-62	54
Investments	-1145	-308	-4	0
<b>Investing Cashflow</b>	<b>-1022</b>	<b>-243</b>	<b>-452</b>	<b>-248</b>
Equity Capital Raised	-	-	-	-
Loans Taken / (Repaid)	-	-	-	1.00
Interest Paid	(0.01)	(0.05)	-	-
Dividend paid (incl tax)	-198	-202	-278	-278
Income from investments				
Others	0	43	0	0
<b>Financing Cashflow</b>	<b>-198</b>	<b>-159</b>	<b>-278</b>	<b>-278</b>
<b>Net chg in cash</b>	<b>-744</b>	<b>-12</b>	<b>-114</b>	<b>1</b>
Opening cash position	1165	420	409	295
<b>Closing cash position</b>	<b>420</b>	<b>409</b>	<b>295</b>	<b>295</b>

## Balance Sheet

Y/E Mar (Rsmn)	FY11A	FY12A	FY13E	FY14E
Equity share capital	100	100	100	100
Reserves & surplus	2,375	2,813	2,936	3,202
<b>Net worth</b>	<b>2,475</b>	<b>2,913</b>	<b>3,036</b>	<b>3,302</b>
<b>Minority Interest</b>				
Secured Loans	0	0	0	0
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>				
Net deferred tax liability	-21	-26	-26	-26
<b>Total Liabilities</b>	<b>2,455</b>	<b>2,886</b>	<b>3,009</b>	<b>3,275</b>
Gross Block	521	547	795	943
Less: Depreciation	278	311	358	430
<b>Net block</b>	<b>243</b>	<b>236</b>	<b>437</b>	<b>513</b>
Capital work in progress	-	-	-	-
<b>Investment</b>	<b>1,912</b>	<b>2,362</b>	<b>2,366</b>	<b>2,366</b>
<b>Current Assets</b>	<b>1,305</b>	<b>1,115</b>	<b>1,100</b>	<b>1,207</b>
Inventories	-	-	-	-
Sundry debtors	324	370	446	524
Cash & bank balance	420	408	295	295
Loans & advances	504	283	301	321
Other current assets	56	53	59	66
<b>Current lia &amp; Prov</b>	<b>1,005</b>	<b>827</b>	<b>1,088</b>	<b>1,174</b>
Current liabilities	465	357	371	377
Provisions	541	469	716	797
<b>Net current assets</b>	<b>299</b>	<b>288</b>	<b>13</b>	<b>32</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>2,455</b>	<b>2,886</b>	<b>3,009</b>	<b>3,275</b>

## Key Ratios

Y/E Mar	FY11A	FY12A	FY13E	FY14E
<b>Profitability (%)</b>				
EBITDA Margin	38.0	36.4	25.4	28.5
Net Margin	26.7	25.2	21.2	21.6
ROCE	34.7	28.8	25.4	32.1
ROE	22.4	19.4	17.8	20.0
RoIC	85%	94%	69%	60%
<b>Per Share Data (Rs)</b>				
EPS	51.5	52.3	52.9	63.5
CEPS	56.5	56.0	57.4	69.5
BVPS	247.5	291.3	303.6	330.2
DPS	17.4	20.0	24.0	24.0
<b>Valuations (x)</b>				
PER	27.8	27.4	27.1	22.6
P/CEPS	25	26	25	21
P/BV	5.8	4.9	4.7	4.3
EV / Sales	8.3	6.4	5.8	4.8
EV / EBITDA	16.9	15.8	18.8	14.2
Dividend Yield (%)	1.2	1.4	1.7	1.7
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	-	-	-	-
Net Debt/EBITDA	-	-	-	-
Working Cap Cycle (days)	-	-	-	-



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