

# India Strategy



## Pit-stop ... prolonged

# Contents

**Section A: India Strategy - Pit-stop ... prolonged ..... A1-58**

**Section B: 4QFY13 Highlights & Ready Reckoner ..... B1-12**

**Section C: Sectors & Companies ..... C1-210**

<b>1. Automobiles</b>	<b>2-12</b>	ING Vysya Bank	71	Indraprastha Gas	143
Ashok Leyland	6	Kotak Mahindra Bank	72	MRPL	144
Bajaj Auto	7	LIC Housing Finance	73	Oil India	145
Eicher Motors	8	M & M Financial Services	74	ONGC	146
Hero MotoCorp	9	Oriental Bank	75	Petronet LNG	147
Mahindra & Mahindra	10	Power Finance Corporation	76	Reliance Industries	148
Maruti Suzuki India	11	Punjab National Bank	77		
Tata Motors	12	Rural Electricfication	78	<b>10. Real Estate</b>	<b>149-161</b>
		Shriram Transport	79	Anant Raj Industries	154
<b>2. Capital Goods</b>	<b>13-24</b>	State Bank	80	DLF	155
ABB	16	Union Bank	81	Jaypee Infratech	156
BGR Energy	17	Yes Bank	82	Mahindra Lifespaces	157
BHEL	18			Oberoi Realty	158
Crompton Greaves	19	<b>6. Healthcare</b>	<b>83-105</b>	Phoenix Mills	159
Cummins India	20	Biocon	90	Prestige Estate Projects	160
Havells India	21	Cadila Healthcare	91	Unitech	161
Larsen & Toubro	22	Cipla	92		
Siemens	23	Divi's Laboratories	93	<b>11. Retail</b>	<b>162-168</b>
Thermax	24	Dishman Pharma	94	Jubilant Food	165
		Dr Reddy's Labs.	95	Pantaloon Retail	166
<b>3. Cement</b>	<b>25-35</b>	GSK Pharma	96	Shoppers Stop	167
ACC	28	Glenmark Pharma	97	Titan Industries	168
Ambuja Cement	29	IPCA Laboratories	98		
Birla Corporation	30	Jubilant Life Sciences	99	<b>12. Technology</b>	<b>169-183</b>
Grasim Industries	31	Lupin	100	Cognizant Technology	174
India Cements	32	Opto Circuits	101	HCL Technologies	175
Jaiprakash Associates	33	Ranbaxy Labs.	102	Hexaware Technologies	176
Shree Cement	34	Sanofi India	103	Infosys	177
UltraTech Cement	35	Sun Pharmaceuticals	104	KPIT Cummins	178
		Torrent Pharma	105	Mindtree	179
<b>4. Consumer</b>	<b>36-51</b>			Mphasis	180
Asian Paints	39	<b>7. Media</b>	<b>106-115</b>	TCS	181
Britannia Industries	40	D B Corp	110	Tech Mahindra	182
Colgate Palmolive	41	Dish TV	111	Wipro	183
Dabur India	42	HT Media	112		
GSK Consumer	43	Jagran Prakashan	113	<b>13. Telecom</b>	<b>184-191</b>
Godrej Consumer Products	44	Sun TV Network	114	Bharti Airtel	189
Hindustan Unilever	45	Zee Entertainment	115	Idea Cellular	190
ITC	46			Reliance Communication	191
Marico	47	<b>8. Metals</b>	<b>116-131</b>		
Nestle India	48	Hindalco	122	<b>14. Utilities</b>	<b>192-205</b>
Pidilite Industries	49	Hindustan Zinc	123	CESC	196
Radico Khaitan	50	Jindal Steel & Power	124	Coal India	197
United Spirits	51	JSW Steel	125	Jaiprakash Power Ventures	198
		Nalco	126	JSW Energy	199
<b>5. Financials</b>	<b>52-82</b>	NMDC	127	NHPC	200
Andhra Bank	58	Sesa Goa	128	NTPC	201
Axis Bank	59	SAIL	129	Power Grid Corp.	202
Bank of Baroda	60	Sterlite Industries	130	PTC India	203
Bank of India	61	Tata Steel	131	Reliance Infrastructure	204
Canara Bank	62			Tata Power	205
Dewan Housing	63	<b>9. Oil &amp; Gas</b>	<b>132-148</b>		
Federal Bank	64	BPCL	136	<b>15. Others</b>	<b>206-210</b>
HDFC	65	Cairn India	137	Castrol India	206
HDFC Bank	66	Chennai Petroleum	138	Concor	207
ICICI Bank	67	GAIL	139	Multi Commodity Exchange	208
IDFC	68	Gujarat State Petronet	140	Sintex Industries	209
Indian Bank	69	HPCL	141	United Phosphorus	210
IndusInd Bank	70	IOC	142		

**Note:** All stock prices and indices for Section C as on 26 March 2013, unless otherwise stated

## Pit-stop ... prolonged

### Identifying focus areas for the economy, government, companies and markets

Indian economy is expected to register GDP growth of 5% in FY13, the lowest in a decade. Inflation has remained consistently above the comfort level and currency problems have compounded in the last 18 months, with all-time high current account deficit levels. Indian equities have reflected all these concerns as markets remained flat for the last 5 years, with record outflow by domestic investors. The last couple of quarters provided some ray of hope with the Finance Minister pushing for several reforms, controlling FY13 fiscal deficit to 5.2% of GDP, and targeting to lower it further to 4.8% for FY14.

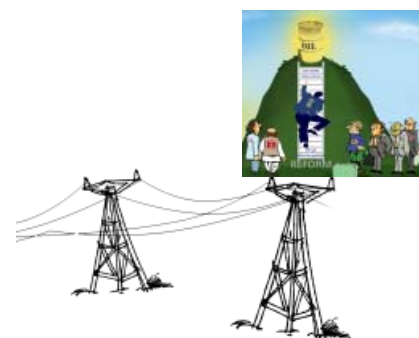
India would be facing general elections latest by May 2014. Several important states would be seeing elections in Nov-Dec 2013, thereby involving the government and machinery in the process. Thus, there is a limited time window for any more meaningful reform measures and their execution. Meanwhile, easing global commodity prices present an opportunity for some of the macro variables to self correct. We believe that few right measures can help limit downgrades of both macro indicators and corporate earnings. In this report, we discuss the key focus areas (KFA) in major aspects of the nation – economy, government, companies and markets.

### Macro economy: Inflation & interest rates | Current Account Deficit

- **KFA #1:** Inflation will correct in 1HFY14; RBI should further cut rates and effect a transmission in the system. We expect banks to cut deposit rates in 1QFY14 and in turn lead to lower lending rates too.
- **KFA #2:** Stability in rupee as CAD corrects from the record level. We expect CAD to decline to 4% in FY14 from a record 5% in FY13. Sharp correction in gold and oil import bill would be further positives.

### Government's topmost priority for 2 sectors: Energy | Power

- **KFA #1:** Energy - The three major reform areas are (1) Sustained diesel price hikes, (2) Gas pricing and (3) Upstream reforms. Improving outlook on the energy sector would help companies to undertake higher capex. The government's long standing problem of subsidy too will be set for a firm resolution.
- **KFA #2:** Power - The three major tasks here are (1) SEB restructuring, (2) Addressing fuel shortage and (3) Tariff review of large projects. Resolving the power sector issues could be the most significant driver of private sector capex and improvement in asset quality outlook of lenders.







### Corporate sector: De-leveraging/Restructuring | Raising dividend payouts

- **KFA #1:** De-leveraging and/or restructuring is important to reshape balance sheets. The process has begun with few companies selling assets and reducing debt; this needs to be followed more aggressively across sectors to drive re-rating .
- **KFA #2:** Raising dividend payouts by cash rich companies will help valuations in these times of low earnings growth.



### Markets: FY14/15 Earnings | Valuation divergence

- **KFA #1:** Earnings - downgrades over the last few months have again led to worries about growth recovery in FY14. While FY13 PAT growth rate is a mere 5%, we expect the same to recover to 16% in FY14.
- **KFA #2:** Valuations - We analyze the wide valuation divergence between outperformers and the rest. While equities have underperformed over the last 5 years, many sectors have seen huge fall in prices, leading to further distress.



### 4QFY13: MOSL Universe PAT flat, Sensex PAT down 2% YoY

We expect MOSL Universe of 144 companies (excluding RMs i.e. three major oil refining & marketing companies – IOC, BPCL, HPCL) to report zero growth in aggregate 4QFY13 PAT. This is the lowest growth in the last 28 quarters, excluding the four quarters of PAT de-growth during the global financial crisis (FY09/FY10). Aggregate PAT growth for full year FY13 works out to only 6%, the lowest since FY07, again excluding the global crisis year of FY09. Both in 4QFY13 and FY13, secular sectors like Consumer, Technology, and Healthcare are expected to perform much better than cyclical plays like Metals, Capital Goods, Auto, and Cement. Expect Sensex 4QFY13 PAT to be down 2% YoY.

#### 4QFY13 performance of MOSL Universe by sector – Seculars drive, cyclicals drag

(Nos of companies)	Sales		EBITDA		PAT		Contribution		EBITDA Margin (%)	
	Mar-13	YoY (%)	Mar-13	YoY (%)	Mar-13	YoY (%)	(%)	Delta (INR b)	Mar-13	Chg YoY (bp)
<b>High growth sectors</b>	<b>550</b>	<b>17</b>	<b>268</b>	<b>24</b>	<b>172</b>	<b>24</b>	<b>19</b>	<b>33</b>	<b>48.8</b>	<b>272</b>
NBFC (8)	81	27	79	28	53	30	6	12	96.9	32
Private Banks (8)	133	20	116	24	71	23	8	13	87.7	252
Media (6)	32	8	10	17	4	21	0	1	30.0	242
Consumer (13)	303	14	63	21	43	18	5	7	20.8	116
<b>Med/Low growth sectors</b>	<b>3,189</b>	<b>13</b>	<b>631</b>	<b>11</b>	<b>402</b>	<b>9</b>	<b>45</b>	<b>32</b>	<b>19.8</b>	<b>-32</b>
Technology (10)	499	20	123	17	93	13	10	10	24.6	-77
Retail (4)	70	14	6	12	2	13	0	0	9.2	-11
Health Care (16)	213	17	47	21	30	11	3	3	22.1	71
Oil Excl. RMs (10)	1,726	13	242	3	152	8	17	12	14.0	-135
Utilities (10)	623	7	201	16	117	6	13	6	32.2	270
<b>PAT de-growth sectors</b>	<b>3,365</b>	<b>3</b>	<b>726</b>	<b>-4</b>	<b>329</b>	<b>-16</b>	<b>36</b>	<b>-62</b>	<b>21.6</b>	<b>-174</b>
Telecom (3)	320	9	97	3	11	-29	1	-5	30.2	-165
Auto (7)	941	6	112	2	59	-23	7	-17	11.9	-45
Capital Goods (9)	538	5	77	-15	50	-19	6	-12	14.2	-332
PSU Banks (9)	283	4	202	-8	88	-16	10	-17	71.6	-888
Real Estate (8)	44	-11	18	15	7	-11	1	-1	40.6	903
Metals (10)	1,036	-1	176	-6	88	-11	10	-11	16.9	-82
Cement (8)	203	4	45	-2	25	-2	3	-1	22.2	-130
<b>MOSL Excl. RMs (144)</b>	<b>7,103</b>	<b>8</b>	<b>1,625</b>	<b>5</b>	<b>902</b>	<b>0</b>	<b>100</b>	<b>2</b>	<b>22.9</b>	<b>-69</b>
<b>Sensex (30)</b>	<b>4,765</b>	<b>9</b>	<b>978</b>	<b>3</b>	<b>541</b>	<b>-2</b>			<b>20.5</b>	<b>-106</b>



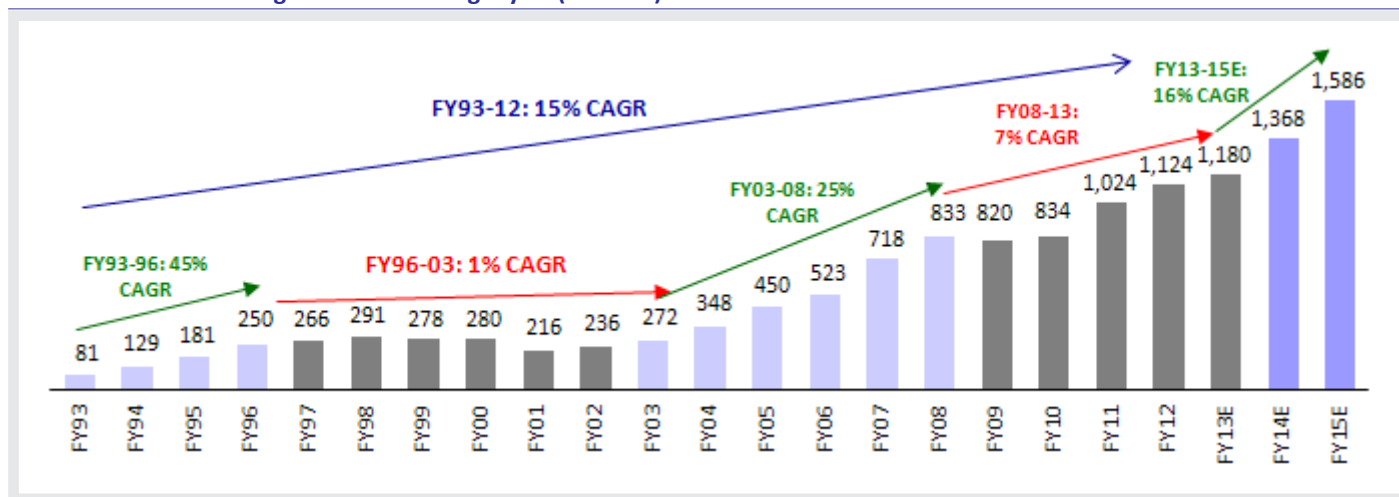
## Investment strategy: Recent correction makes valuations attractive; expect market returns to track earnings growth

Indian markets have been very volatile for the last couple of quarters. Post a strong 2012 (26% returns), the BSE Sensex is down marginally in 1QCY13 by 3%. However, the broader markets are down even further with the BSE Mid-cap index down by 14%. Domestic investors were net sellers throughout the last 12 months, whereas FII's were big buyers. The Sensex return in FY13 at 8% has very closely tracked the EPS growth of 5%, keeping the valuation multiples unchanged.

We expect growth in FY14 to recover over FY13 levels as our bottom-up estimates indicate an EPS growth of 16%. This is partly driven by a recovery in earnings of few beaten down companies. However, the current uncertainty does make us cautious and these estimates are prone to some downgrade in 1HFY14. Even with the possibility of some downgrades in FY14 earnings, we believe that Indian market at P/E of under 14x FY14E EPS is attractive.

We believe that earnings CAGR reverting to 15-16% (long-period average) will be an important catalyst for the markets. Monetary easing and some reforms by the government will be key triggers for this, and we are positive on both these fronts. Hence, we expect markets to generate returns at least in line with earnings growth.

### Sensex EPS: Still awaiting the fresh earnings cycle (FY13-15)



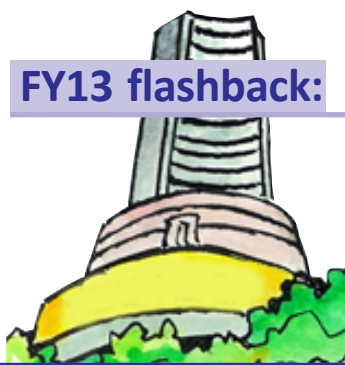
Our top **Overweights** are **Financials (ICICI, SBI, IDFC)**, **Autos (Maruti, Tata Motors)**, **Energy (ONGC, Cairn India)**. Post the sharp correction, we are positive on **Telecom**. Our other top bets are **Infosys, NTPC, Hindalco** and **Divi's Lab**. We have a significant allocation to mid-caps too, where valuations have taken a big hit in the previous quarter and stocks are very attractive.

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Sources of exhibits in this section include RBI, CMIE, Bloomberg, IMF, UN, Rogers International, Industry, Companies, and MOSL database

## FY13 flashback: Indian equities deliver 8% return



### In line with earnings growth of 5%

- ① Indian markets ended FY13 with a muted return of 8%. With this, the markets have remained range-bound for the last 3 years. Interestingly, FY13 returns of markets closely track the earnings growth of 5%, indicating stable valuations.
- ② As earnings saw downgrades in 4Q, markets also gave up some gains made during the year. After 4 consecutive quarters of positive returns, the BSE Sensex delivered negative return of 3% in 4QFY13. In 9 of the last 11 years, the March quarter has delivered flat to negative returns.
- ③ The Indian markets underperformed key global markets in the March quarter, but still managed to outperform other emerging markets over the last 12 months.
- ④ In FY13, the top performing sector was Consumer with 32% return v/s 8% for the Sensex. Private banks returned 23%. Healthcare and IT were the only two other sectors that outperformed during the year. Metals had a big underperformance (down 23%) followed by Utilities (down 21%) and Telecom (down 10%). The other 3 domestic sectors – PSU Banks, Capital goods and Autos – also underperformed in FY13, as economic slowdown led to earnings downgrades for them.
- ⑤ Sun Pharma was the best performing Sensex stock in FY13, with 44% return. ITC and TCS were other strong performers, up 35%. Both the HDFC group names were up by >20%, followed closely by ICICI at 18%. ONGC ended the year with 17% gain, largely in 2H as fuel price reforms led the re-rating. Metal stocks were the worst performers – JSPL (down 36%), followed by Tata Steel (-34%) and Hindalco (-29%).
- ⑥ FIIs invested USD26b in FY13, making it the highest year of inflows. With this, FIIs have now invested USD83b in the last 4 years. On the other hand, DIIs withdrew a huge USD12.7b during the year.

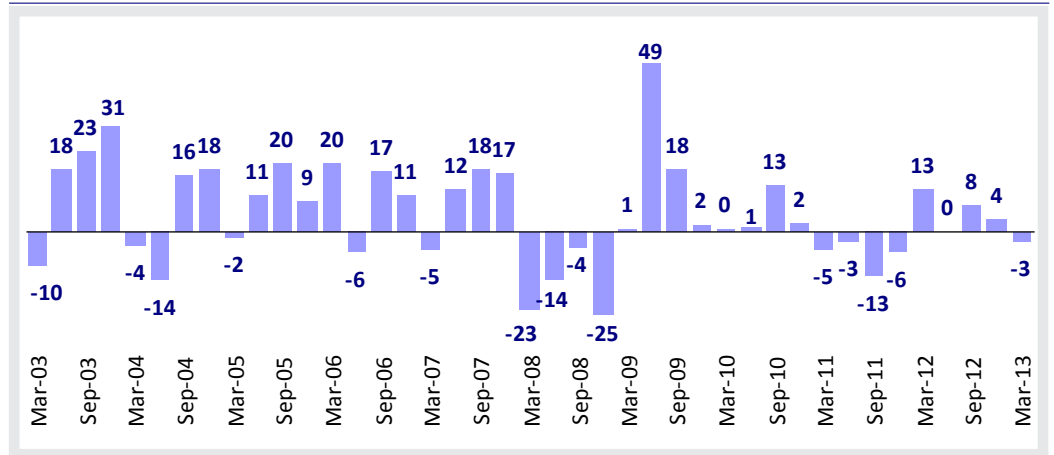
### Indian Markets: Annual Returns

2013		8				Negative return years: 12 (35%)		Positive return years: 22 (65%)	
2012	-10	2011	11						
2003	-12	2008	20						
2002	-4	2007	16						
2001	-28	2005	16					2010	81
1999	-4	1998	16					2006	74
1997	0	1996	3					2004	83
1995	-14	1990	9	2000	34	1994	66		
1988	-22	1984	16	1991	50	1992	267		
2009	-38	1987	-11	1982	26	1985	44	1989	79
1993	-47	1983	-3	1980	29	1981	35	1986	62
Year	%	Year	%	Year	%	Year	%	Year	%
-30 to -60		-30 to 0		0 to 30		30 to 60		>60	
Percentage Total Return Range									

Note: Years ending March

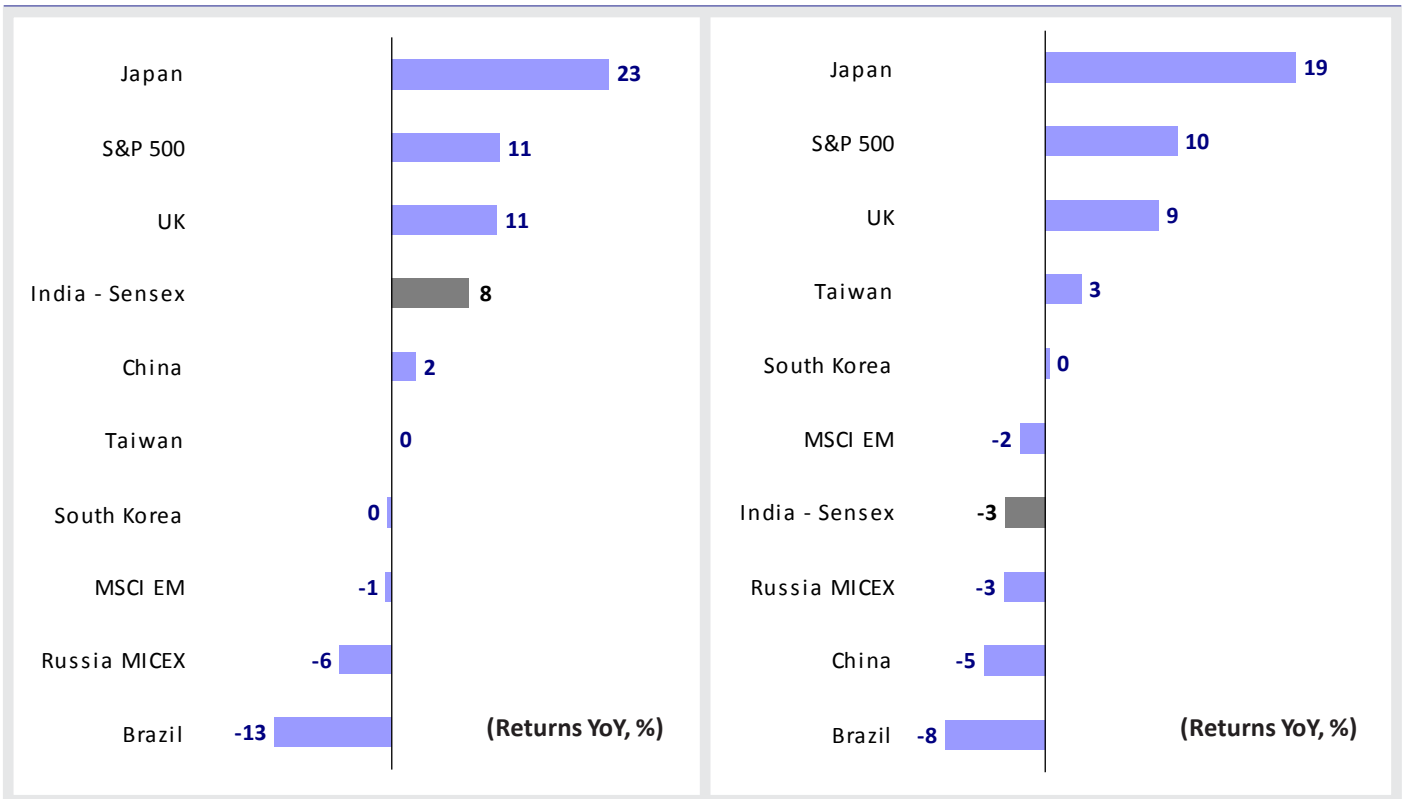
- 7 The total volumes in the exchanges during FY13 were unchanged over FY12 with the proportion of F&O rising by another 100bp to 91%.
- 8 Valuations are now below long-term averages with Sensex trading at P/E of 14x FY14E EPS. However, this is also because RoEs at 17% are much below the long-term average of 20%. Market cap to GDP ratio is at the average of 65%, significantly correcting from the peaks witnessed during the last 7-8 years.

**Indian markets delivered negative returns of 3% in 4QFY13 after four consecutive quarters of positive returns**



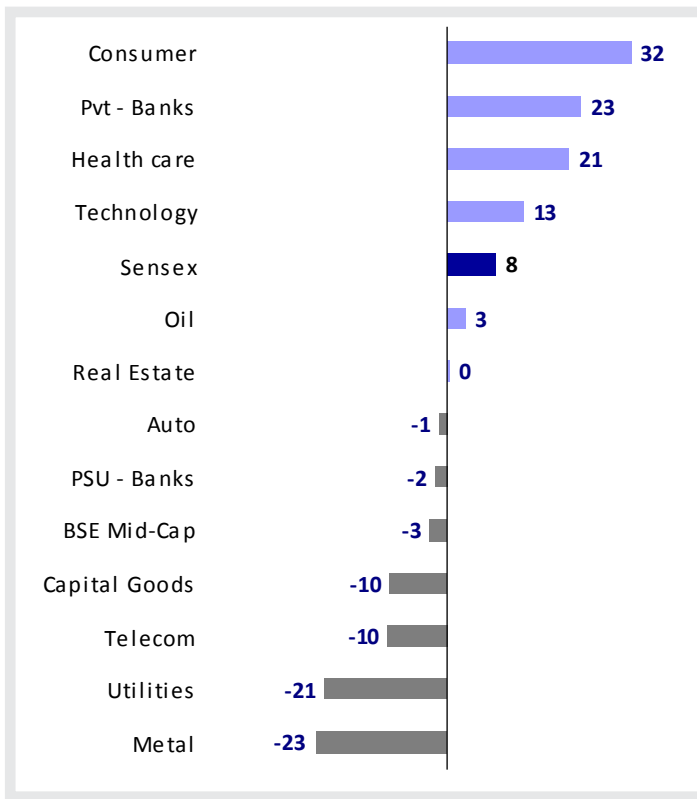
**India outperforms other EMs in FY13 ...**

**... despite underperforming in 4QFY13**

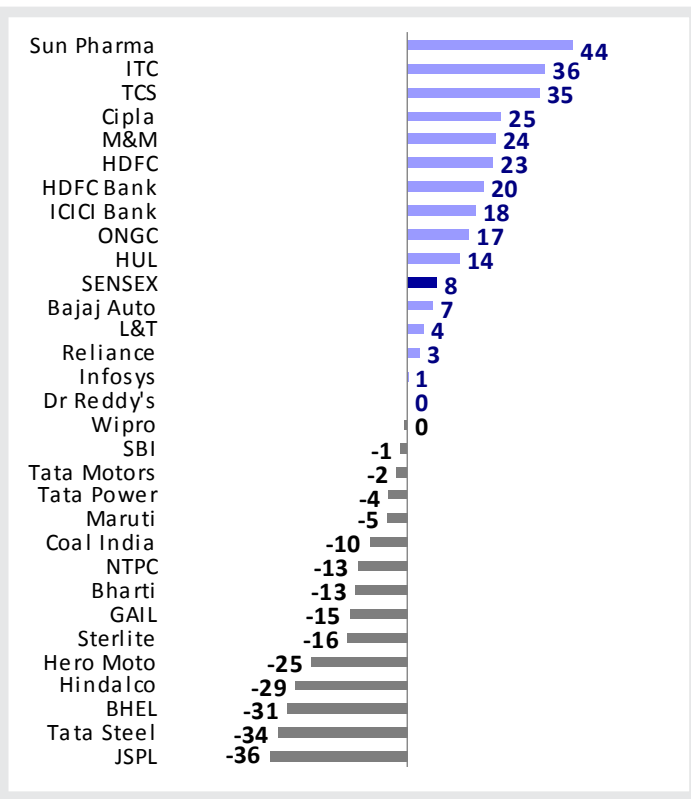


**FY13 sectoral / stock performance**

**Sectoral performance for FY13 (%)**

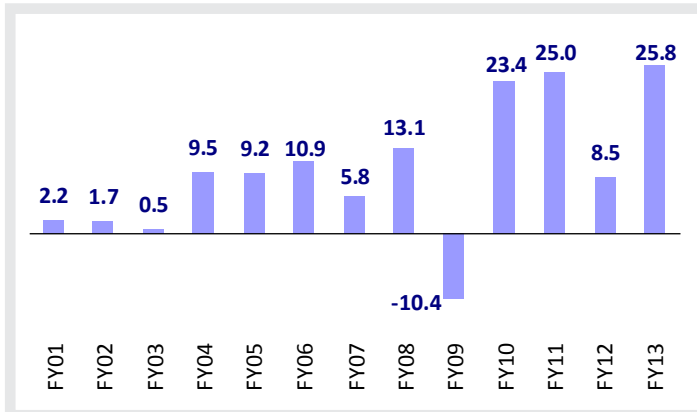


**Best & worst performers in Sensex in FY13 (%)**

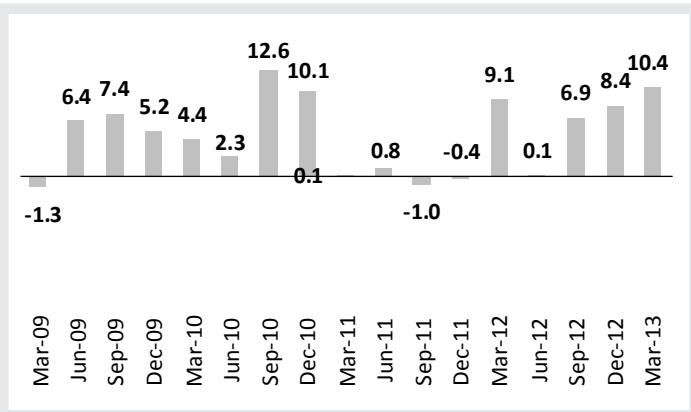


**Trend in net FII Investment (USD b)**

**Annual Trend**

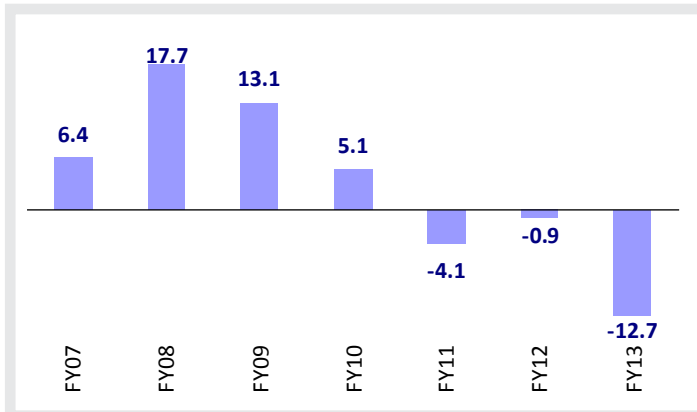


**Quarterly Trend**

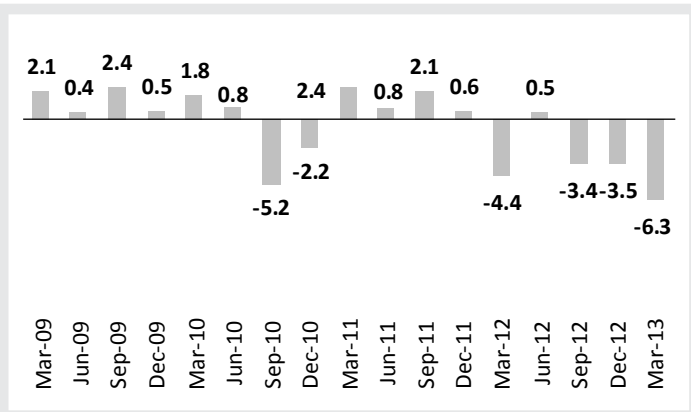


**Trend in net DII investment (USD b)**

**Annual Trend**

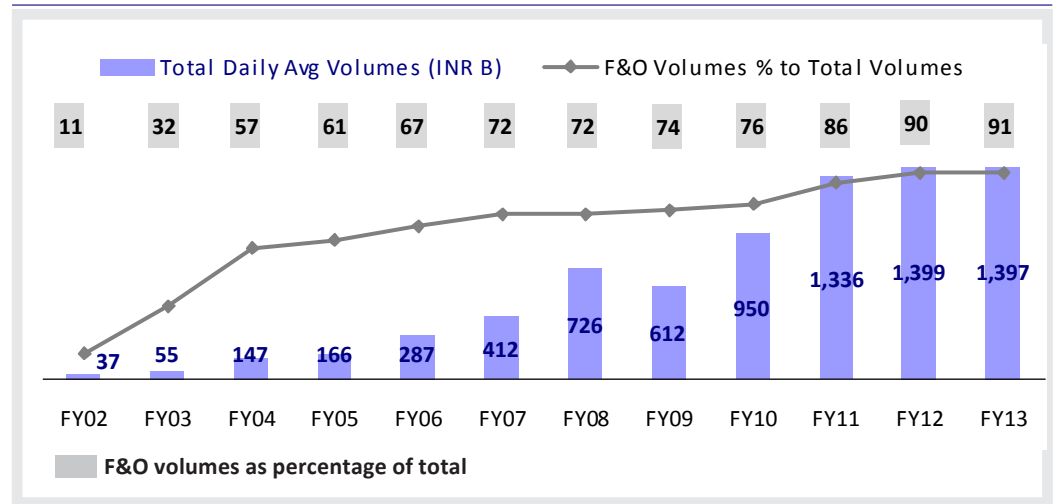


**Quarterly Trend**

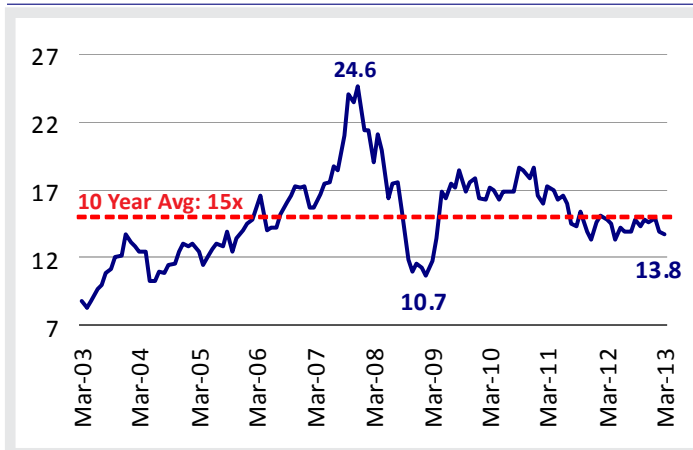




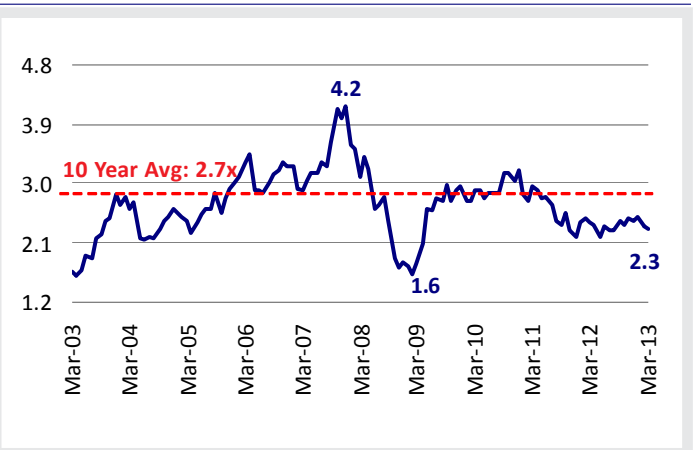
Market volumes have remained stable in FY13



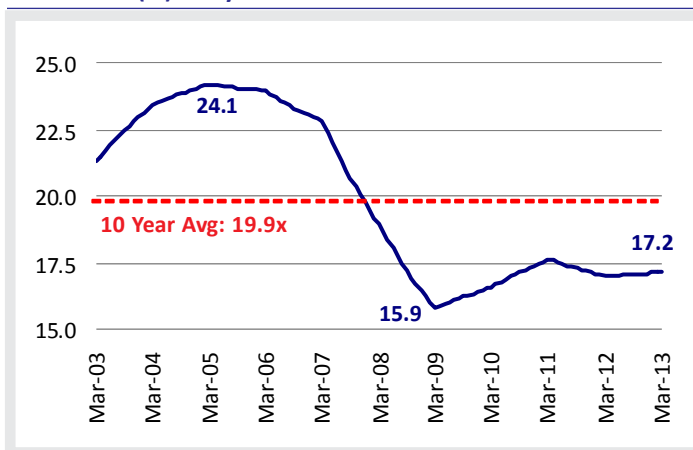
Sensex P/E (x) - 10 year



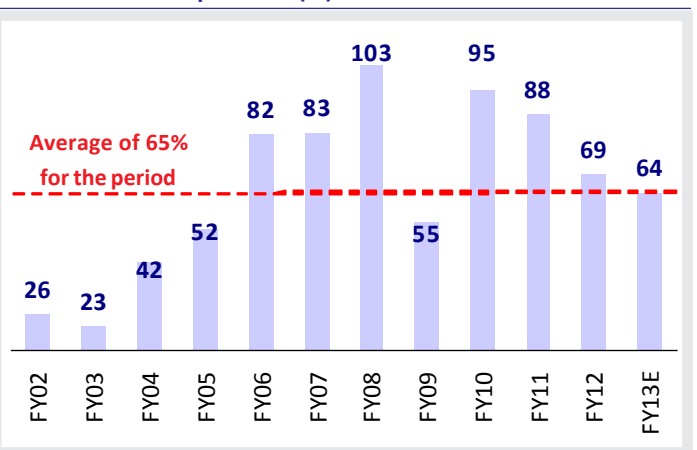
Sensex P/B (x) - 10 Year



Sensex RoE (%) - 10 year



Indian market cap to GDP (%)



## MACRO Two key economic variables to monitor in FY14

### Moderating inflation, easing CAD

India's FY13 GDP growth dipped to 5%, the lowest in a decade. Despite some constraints and uncertainties, the following two trends holds key to the expected limited recovery:

1. WPI moderation, CPI convergence and transmission of monetary easing
  - Inflation is likely to moderate in FY14 coupled with convergence of WPI and CPI
  - RBI is expected to cut rates further by 50bp; improvement in liquidity will help transmission in FY14
2. Twin deficit worries shift to the external side
  - FY14 CAD-GDP may ease to 4% on lower gold and oil imports, and some pick up in exports
  - Expect INR to be range-bound at 53-55

India's growth rate at 5% in FY13 is the lowest in a decade and dipped below the decadal average growth rate since 80s. Moreover, while 1HFY13 recorded a growth of 5.4%, it is expected to have plummeted to 4.6% in 2HFY13. While we project some pick-up in growth in FY14, business sentiments need to be boosted while navigating through election year challenges. Amidst all constraints and uncertainties, we focus on two macroeconomic trends which are critical for the limited economic recovery.



### Trend #1

### WPI moderation, CPI convergence and transmission of monetary easing

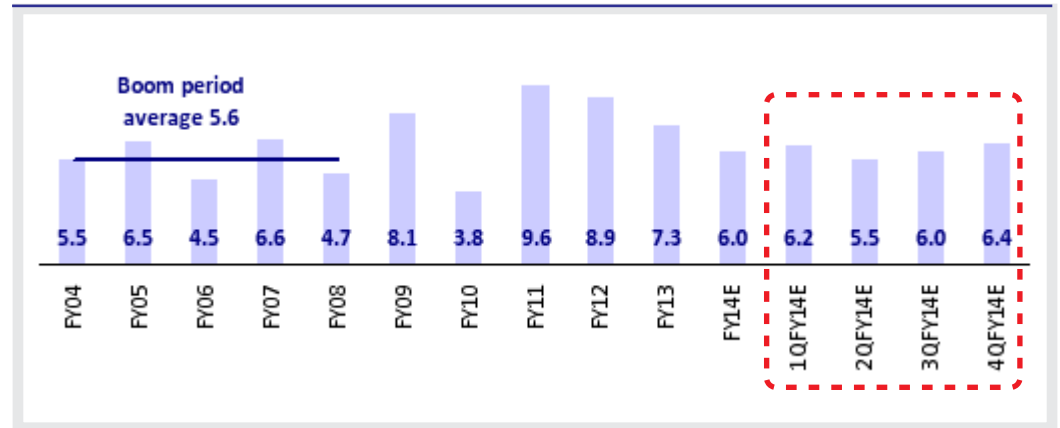
- Inflation is slated to fall to its lowest value in the last four years
- 1HFY14 inflation to be lower than 2HFY14
- The CPI-WPI divergence is temporary and has happened before too, will converge in FY14
- RBI has already cut rates by 100bp and is expected to cut 50bp more in remaining CY13
- The transmission of rate cuts, that is yet to take place, will happen in FY14

### Inflationary pressures ease despite intra-group variations within WPI

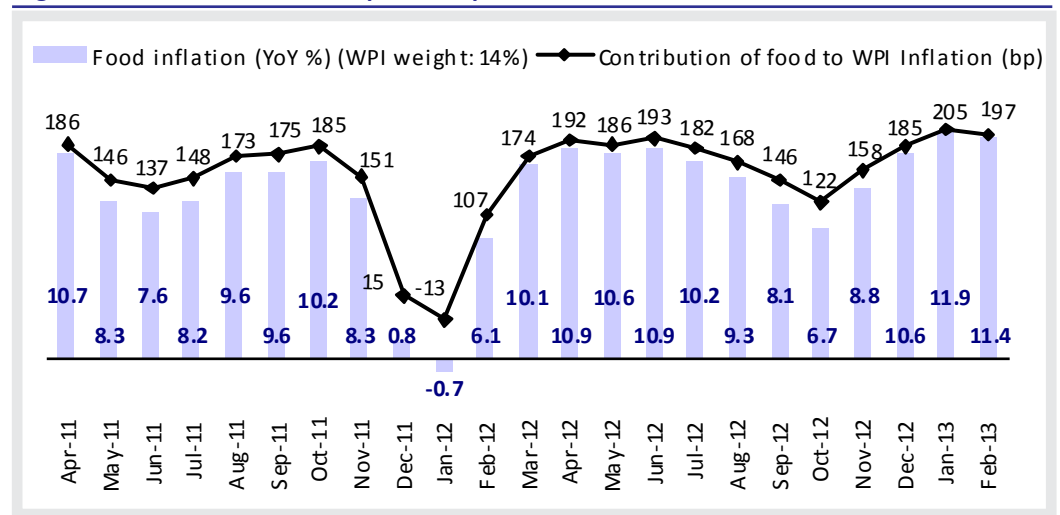
- In the recent past, inflation subsided from its decadal high levels of FY11 and FY12. WPI inflation subsided to below 7% level as per the latest count and is poised to decline further.
- Variations, however, exist in levels of inflation across the WPI basket. Notably, food inflation has remained in double digit. A few factors responsible for high food prices include the following:
  - ✓ Climatic events in many parts of the world in CY12
  - ✓ Significant increase in input costs (fertilizer and labor) in the past 3-4 years
  - ✓ Sharp upward revision (30-50%) in minimum support prices (MSP) every year
  - ✓ Supply-chain issues that led to wastages and restricted movement of food
- Similarly, while international oil prices remained fairly stable in FY13 (USD109/bbl in FY13 v/s USD112/bbl in FY12), fuel inflation remained in double digit level due to the following two factors:
  - ✓ A 14% depreciation in INR that directly impacted the freely-priced petroleum products
  - ✓ Nearly 12-30% increase in regulated fuel prices and a move towards deregulation of diesel prices

- The biggest contributor to the decline in inflation, however, has been core inflation (i.e., non-food manufacturing inflation) that not only hovered around 5% for large part of FY13 but also declined sharply in recent months. The strong correlation between core inflation and international commodity prices meant that easing commodity prices overwhelmed the impact of INR depreciation to yield in significant softening of core inflation.
- The outlook for FY14 thus points to a further easing of inflation as the factors responsible for food and fuel inflation unwind, while core inflation remains benign. We see average WPI inflation in FY14 to subside at least by 100bp over FY13 levels.

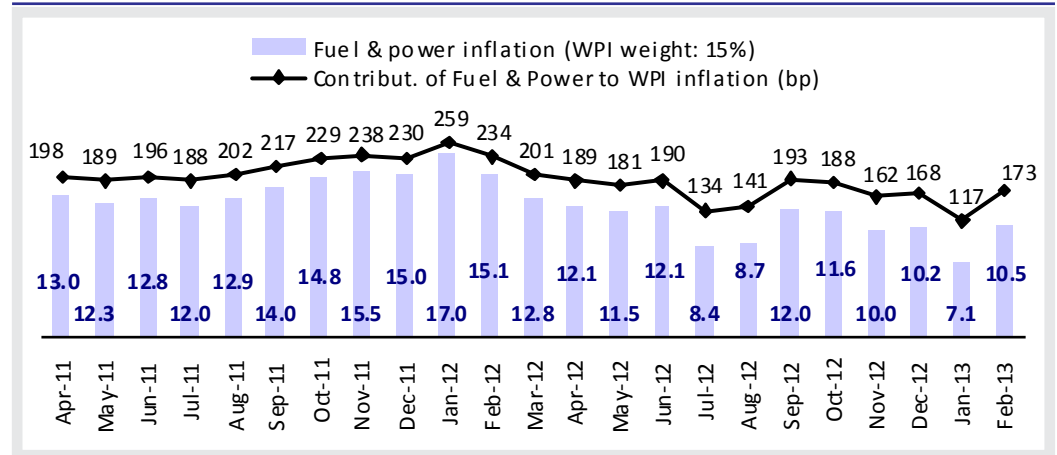
**FY14 is likely to see the lowest inflation in four years closer to the boom period average (WPI)**



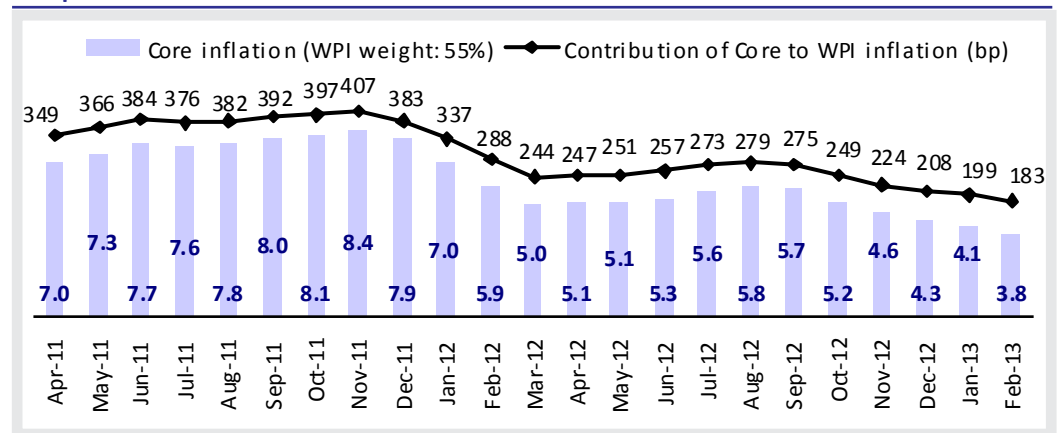
**High food inflation continues to provide upward thrust to overall inflation**



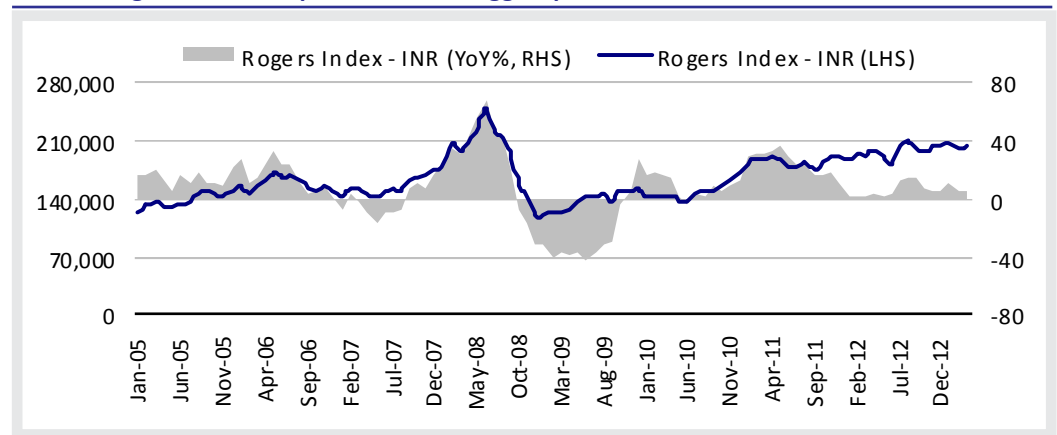
**Some moderation from higher levels but diesel deregulation weighs**



**Sharp and continued decline in core inflation**



**Moderating commodities prices hold the biggest promise for core and WPI inflation to decline**



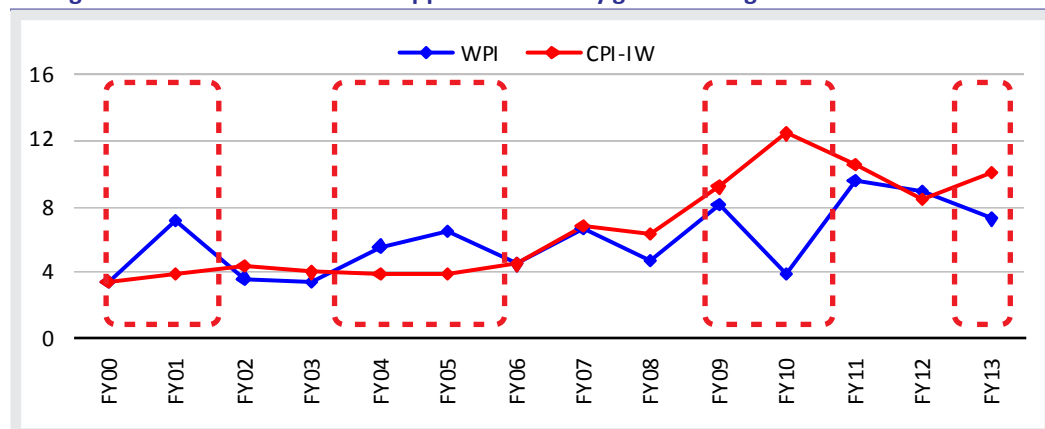
**CPI and WPI likely to converge in FY14**

- A keenly debated topic, particularly in the context of conduct of monetary policy in India, is the appropriate choice of inflation index in view of the divergence between WPI and CPI series.
- However, the divergence between CPI and WPI is not a new phenomenon and periods of much greater divergence either way (CPI above WPI and vice versa) has happened before too.
- The difference in a large part is explained by different commodity baskets for the two indices, with a much higher weightage for food in CPI indicators. Besides, WPI comprises a significant share of producer prices, viz manufacturing (nearly 65%) that has remained subdued for some time. On the other hand, services are

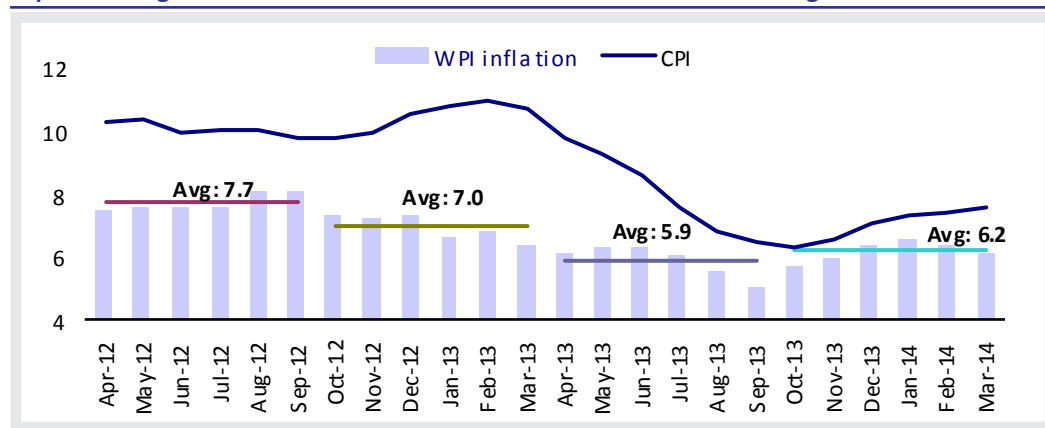
represented only in CPI (nearly 36%), the inflation for which has been somewhat higher than WPI too.

- We expect the divergence between CPI and WPI to reduce in FY14 due to the following reasons:
  - ✓ At the outset, both stand on a very high base
  - ✓ Food inflation is expected to subside as initially we expect normal monsoon in CY13 and the policy induced thrust to inflation is likely to ease in the year ahead of general election
  - ✓ Fuel inflation is expected to stabilize on stable international oil prices and INR, while deregulation of petroleum prices has already been carried out in a significant part
  - ✓ Consecutive years of growth slowdown has impacted pricing powers of businesses.

**Divergence between CPI and WPI happened earlier by greater margin**



**Expect cooling off of both WPI and CPI in FY14 and move towards convergence**



**Difference between WPI and CPI is primarily due to different weightage of food**

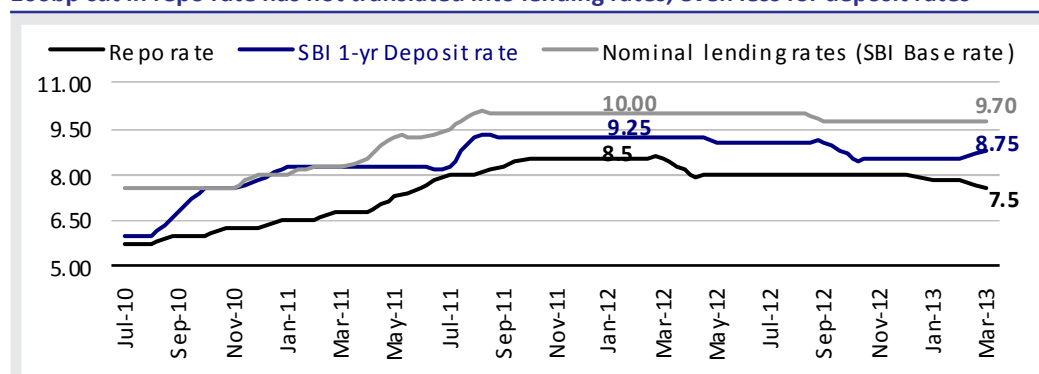
Weight	Group	Feb-13	FY13	Weight	Group	Feb-13	FY13
		(Apr-Feb)				(Apr-Feb)	
100.0	<b>All commodities</b>	6.8	7.4	100.0	<b>CPI (Rural-Urban)</b>	10.9	10.2
20.1	Primary articles	9.7	9.9				
<b>14.3</b>	<b>of which Food articles</b>	<b>11.4</b>	<b>10.0</b>	<b>49.7</b>	<b>Food, beverages and tobacco</b>	<b>13.4</b>	<b>11.9</b>
14.9	Fuel & power	10.5	10.4	9.5	Fuel and light	8.7	8.6
0.0	Clothing, bedding and footwear			4.7	Clothing, bedding and footwear	10.9	10.9
<b>65.0</b>	<b>Manufactured products</b>	<b>4.5</b>	<b>5.5</b>	<b>0.0</b>	<b>Manufactured products</b>		
55.0	of which Core	3.8	5.0	0.0	of which Core		
0.0	Housing			9.8	Housing	10.5	11.4
0.0	Miscellaneous			26.3	Miscellaneous (Services)	7.2	7.3



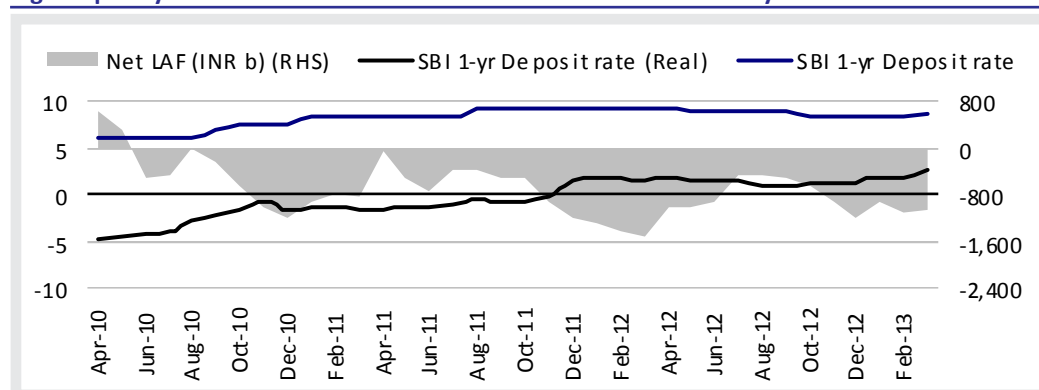
### See further rate cuts and effective transmission of monetary easing in FY14

- As inflation is expected to further subside and growth recovers only moderately in FY14, the headroom for further monetary easing would be created in FY14.
- We expect RBI to ease policy rates further in a calibrated manner in FY14, with at least 50bp more cuts in CY13.
- However, tight liquidity has inhibited the transmission of rate cuts in the credit market.
- Thus, despite 100bp rate cuts in FY13, nominal lending rates (proxied by SBI Base rate) barely softened by 30bp from their peak (that itself persisted for a fairly long time after the April 2012 50bp rate cut was effected by RBI).
- Real lending rates have in fact scaled new peaks as rate cuts have not been commensurate with the decline in WPI inflation, while banks have been hesitant to cut their nominal lending rates.
- However, RBI has stepped up its efforts to improve liquidity, as reflected by the priority given to it in the monetary policy stance and through cuts in CRR and successive rounds of OMO that lately helped money supply to come closer to the revised targets set by the central bank.
- With the unwinding of seasonal liquidity strain in end-March and governments' spending returning the cash balances held by them, liquidity situation is poised to improve in mid-April 2013 onwards.
- However, RBI needs to persist with its OMO programme from the early part of FY14 itself to keep the liquidity deficit closer to the neutral level that would permit clearing of the transmission backlog of rate cuts already effected and rate cuts to be done in future.
- The expected improvement in balance of payments in FY14 is likely to ease the strain on liquidity that arose from this source in FY13 on RBI's intervention in the forex market.

### 100bp cut in repo rate has not translated into lending rates, even less for deposit rates



### Tight liquidity inhibited transmission of rate cuts to the real economy



**Trend #2****Twin deficit worries shift to external side**

- CAD position was the most alarming concern in FY13, with CAD/GDP at 5%+
- Slowing consumption of gold and oil and some pick-up in exports likely to ease CAD
- Expect CAD to moderate but yet remain high at 4% in FY14
- Persistence of capital flows to see INR range-bound at 53-55, barring periods of volatility

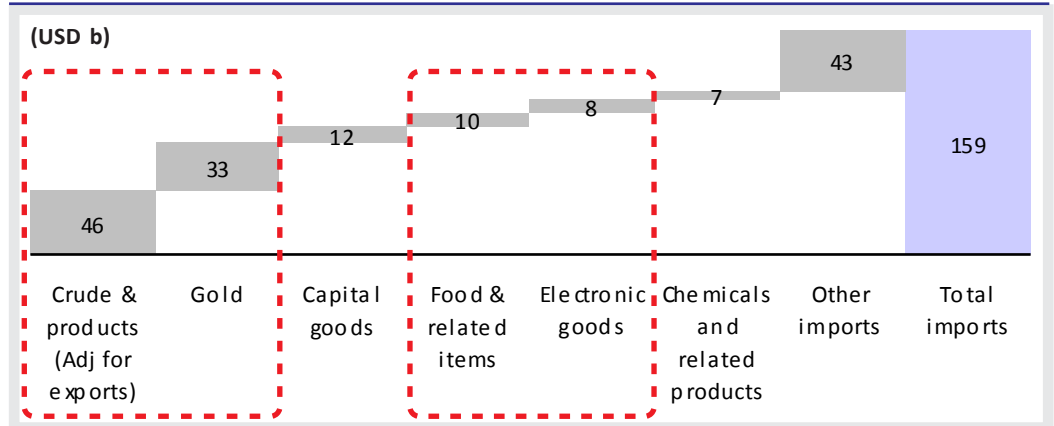
**Persistence of structural weaknesses since crisis**

- The twin deficit risks persisted for a large part of FY13. Now with the fiscal consolidation firmly in place, attention has shifted to the external balance front that remains challenging, with the current account deficit touching a record high of 6.7% of GDP in 3QFY13.
- Imports continued to grow during FY13, despite the slowdown, while exports fell on global slowdown and tightening of trade regime by various countries.
- Since the crisis year of FY09, the sharp rise in oil and gold import is largely responsible for a disproportionate growth in import bill, even as non-oil-non-gold imports showed only a moderate growth.
- Steady increase in demand and setback in domestic production led to a higher oil imports bill. Besides, continued consumption and safe haven status of gold resulted in a booming investment demand, now comprising nearly half of the total gold imports.
- The possibility of import substitution in other areas such as food and electronics items have not been explored fully either.
- The emphasis on low value add products for exports led to export revenue lagging import growth.
- Growth in net invisibles fell far short of growth in trade deficits. The growth in remittances and software services was moderated by a rising factor payments abroad and increased dependence on foreign business services in various areas of the economy.
- Thus, between FY09 and FY13, while trade deficit too expanded (as a percentage of GDP), current account deficit widened by a greater margin on static invisibles surplus.

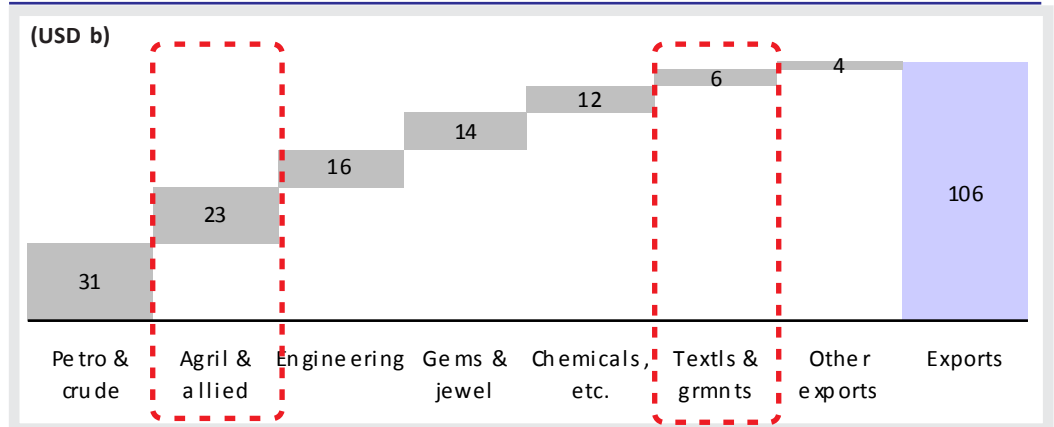
**See easing of external deficit concerns in FY14**

	FY09	FY10	FY11	FY12	FY13E	FY14E
<b>(in USDb)</b>						
Exports	189	182	251	310	293	308
Imports	309	301	381	500	491	506
of which						
<b>Oil imports</b>	<b>91</b>	<b>87</b>	<b>106</b>	<b>155</b>	<b>172</b>	<b>177</b>
<b>Gold imports</b>	<b>21</b>	<b>29</b>	<b>41</b>	<b>56</b>	<b>54</b>	<b>45</b>
Trade Deficit	-120	-118	-130	-190	-198	-198
Invisible Surplus	92	80	86	112	105	115
<b>Current A/c deficit</b>	<b>-28</b>	<b>-38</b>	<b>-44</b>	<b>-78</b>	<b>-93</b>	<b>-83</b>
Net capital flows	7	53	57	68	86	90
Forex Reserves	252	279	303	294	295	302
<b>(As % of GDP)</b>						
Exports	15.5	13.2	14.5	16.8	15.9	14.7
Imports	25.4	21.8	22.1	27.0	26.6	24.2
Trade Deficit	-9.8	-8.6	-7.6	-10.3	-10.7	-9.5
Invisible Surplus	7.5	5.8	5.0	6.0	5.7	5.5
<b>Current A/c deficit</b>	<b>-2.3</b>	<b>-2.8</b>	<b>-2.6</b>	<b>-4.2</b>	<b>-5.0</b>	<b>-4.0</b>
External debt	20.5	18.9	17.3	18.7	21.0	22.0

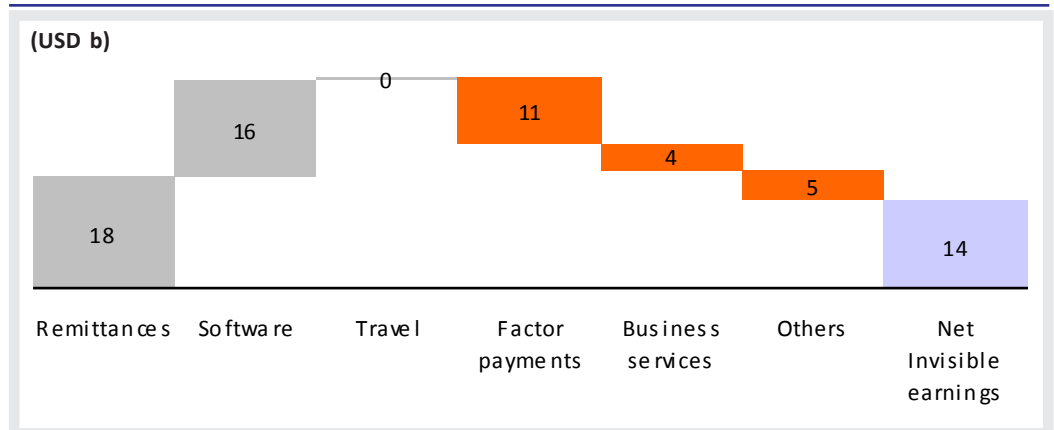
**Lessons not learned since the crisis? (Change in imports between FY09 to FY13)**



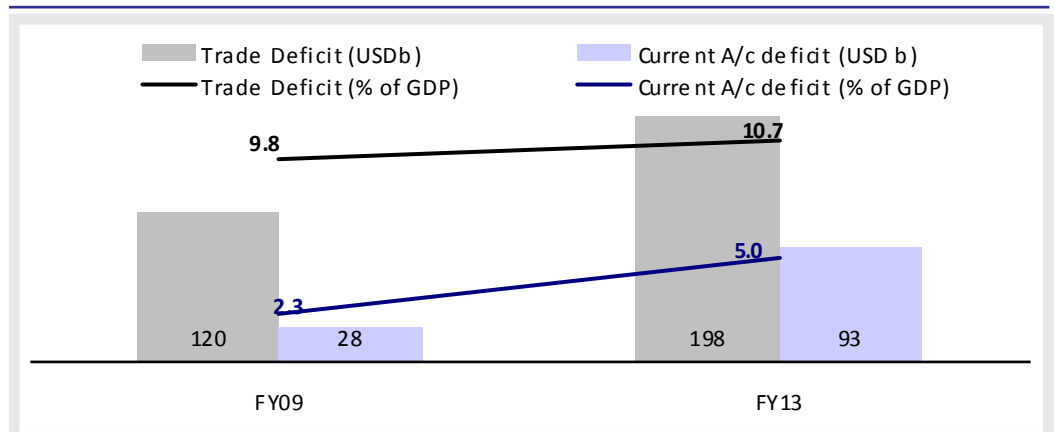
**Greater reliance on agri exports while textiles wane (Change in exports between FY09 to FY13)**



**Inadequate growth of remittances and software (Change in invisibles between FY09 to FY13)**



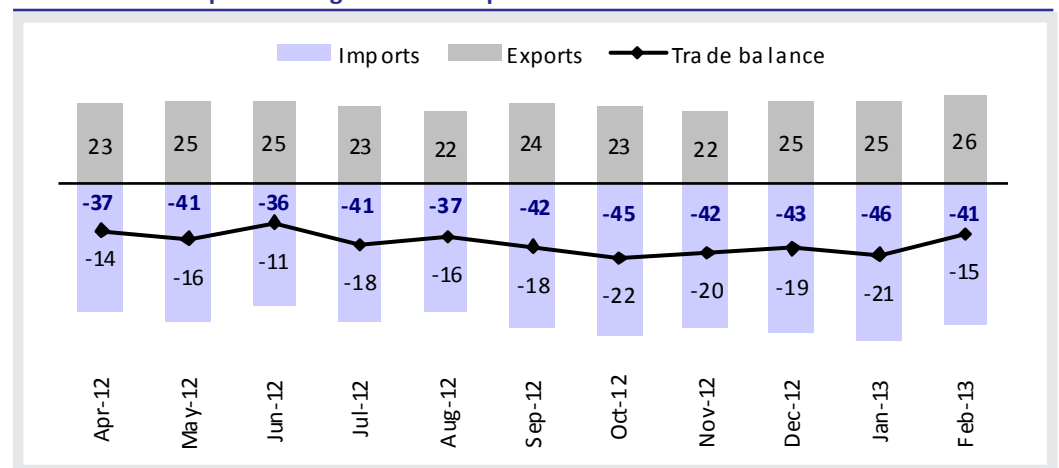
**While trade deficit too increased, static invisibles took a toll on CAD/GDP**



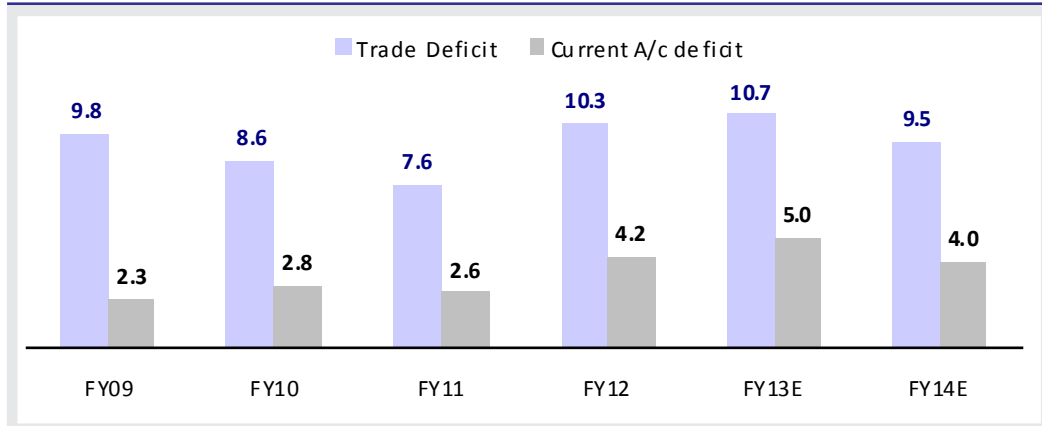
### See improved CAD/GDP in FY14 and relatively stable INR

- The latest trade data for Feb-13 has provided a glimmer of hope in showing substantial improvement in MoM trade deficit to USD15b from a run rate of USD20b for the past few months. Mar-13 too is expected to do better on seasonal factors.
- Improvement is expected in the oil import bill on the following two counts:
  - ✓ Moderation in domestic demand on rationalization arising from deregulation
  - ✓ Addition to domestic production facilities
- On the other hand, gold import is expected to decline due to the following factors:
  - ✓ Gold prices are moderating both internationally and in domestic economy, significantly reducing the investment demand for gold
  - ✓ Measures initiated at curbing gold imports have yielded some results, while more such measures are in the offing by RBI/government, including introduction of competing products to mimic the returns of gold and recycling of domestically available gold
- Slower growth is likely to aid further moderation in non-oil-non-gold imports.
- Thus, we expect current account deficit to improve to 4% of GDP in FY14 from 5% of GDP in FY13.
- This would reduce the funding requirement through capital flow on which recourse to debt sources increased recently. Continued capital flow is likely to leave a modest build-up of forex reserves, thus helping to improve the liquidity situation as alluded earlier.
- It is noteworthy that despite a significant deterioration in external position, INR has been largely stable in 2HFY13 on improved capital flow.
- This has kept INR moderately overvalued in Real Effective Exchange Rate (REER) terms. In FY14, we expect INR to remain range-bound at 53-55, although occasional period of volatility cannot be ruled out.

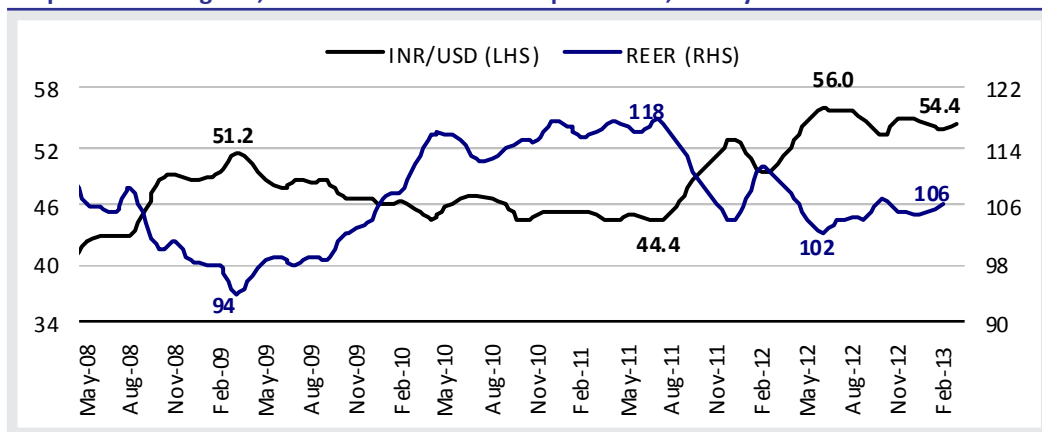
#### Latest trade data provides a glimmer of hope



**Expect lower trade and current account deficit in FY14 on lower growth and import control measures**



**Despite worsening BoP, INR has been stable on capital flows, mainly debt**





## GOVERNMENT Top priority for two sectors

### Energy and Power sector reforms firmly underway

Even as key macroeconomic constraints ease, the government on its part can aid the India recovery by focusing two key sectors: (1) Energy and (2) Power.

1. **ENERGY:** The sector has been plagued by ad hoc policies, significantly distorting profitability, investment and growth prospects. However, of late, the government seems focused on addressing 3 key issues:
  - (i) **Petroleum product pricing:** Major steps towards free market pricing; upstream companies should be key beneficiaries;
  - (ii) **Domestic gas price hikes:** Will be a positive when announced; and
  - (iii) **Upstream reforms:** Key to attract more private investment into the sector, increase output and monetize reserves.
2. **POWER:** The Indian power sector has been adversely affected by issues like fuel availability and cost, low profitability due to poor health of discoms, and unremunerative tariffs of few large projects. The government is likely to take big decisions on these fronts in FY14:
  - (i) **SEB financial restructuring:** Initial efforts in right direction; expect improvements to follow
  - (ii) **Addressing fuel shortage:** Domestic supply remains limited; price pooling is being actively explored
  - (iii) **Tariff review:** Regulator has initiated the process; will be a long-term positive if implemented.

## ENERGY 2013 could be the defining year of sector reforms



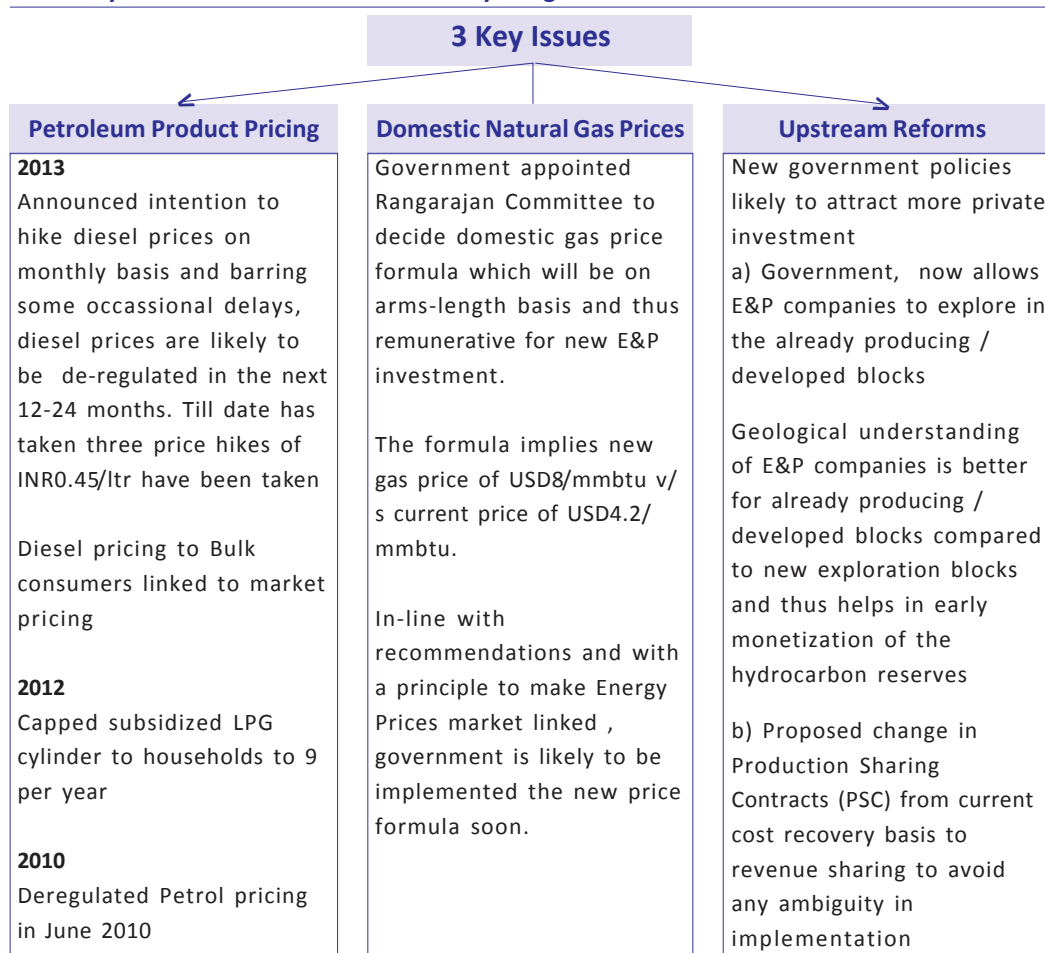
Indian energy sector's profitability has been historically plagued by regulations and ad hoc government policies. This has distorted the sector's growth prospects for a long period and resulted in:

- a) inefficient energy consumption, leading to high fuel under-recovery,
- b) high subsidy burden on the government, widening the fiscal deficit, and
- c) impact/delay in key investment decisions, leading to a decline in profitability (return ratios).

Indian oil consumption posted a 4% CAGR in the last decade to reach the current level of ~3.5mmbbl/d, of which >75% is import dependent. Underlying expected economic growth will necessitate a similar increase in the next decade, if not more, implying an additional demand of 1.6mmbbl/d by 2023 v/s ~1mmbbl/d in the last decade.

Thus, despite many political compulsions (current and future), it became imperative for the government to initiate reforms in the oil and gas sector. In 2013, the government embarked on key reforms, which are expected to help in a) satisfying the growing energy needs, b) reduce the fiscal burden and c) promote investment in the domestic E&P sector to increase production.

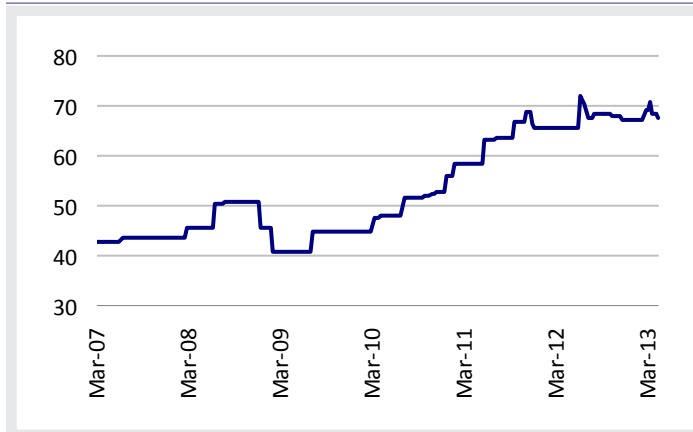
Three key reforms for issues undertaken by the government are:



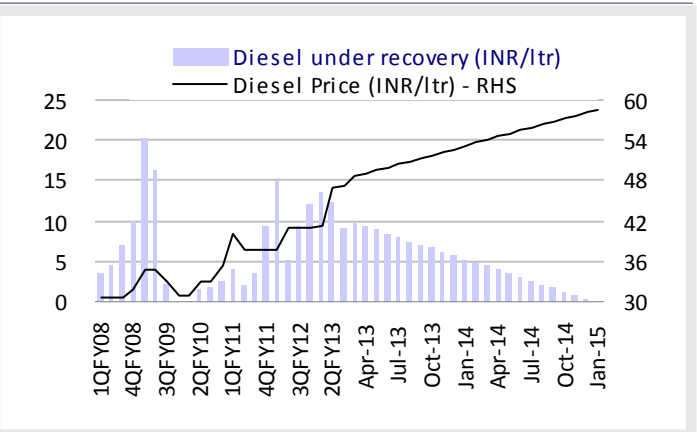
### Moving towards market pricing in petroleum products

- In June 2010, government deregulated petrol and intends to move towards market pricing for rest of the controlled petroleum products.
- In January 2013, it announced diesel reforms, i.e. intention to increase diesel prices by a small measure each month till it is fully deregulated. Further, sales to bulk diesel buyers were moved to market price.
- For domestic LPG and kerosene, government plans to move the subsidy compensation to cash basis through bank accounts, thereby reducing the scope for any subsidy leakages. Subsidized domestic LPG cylinders are now capped at 9 per year for a household.
- As seen below, petrol deregulation resulted in small but frequent changes in prices since June 2010. We expect similar price hike for diesel, which will reduce the under-recovery to nil over the coming period.

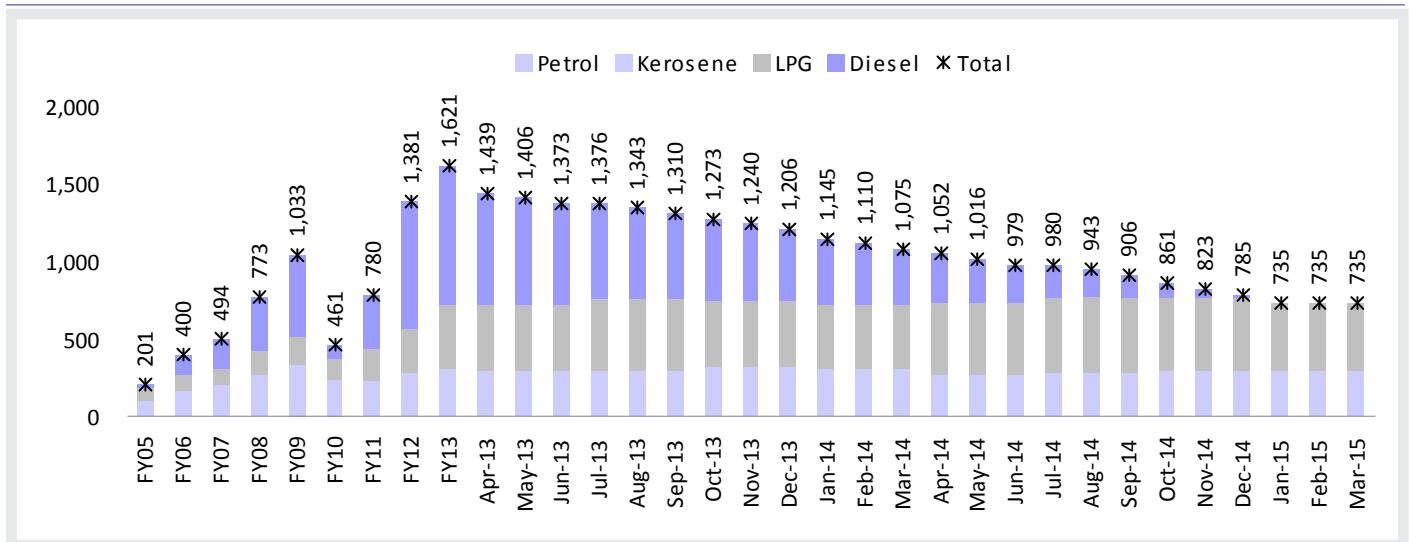
Frequent changes in petrol prices (INR/ltr)



Expect diesel under-recovery to reduce in coming months



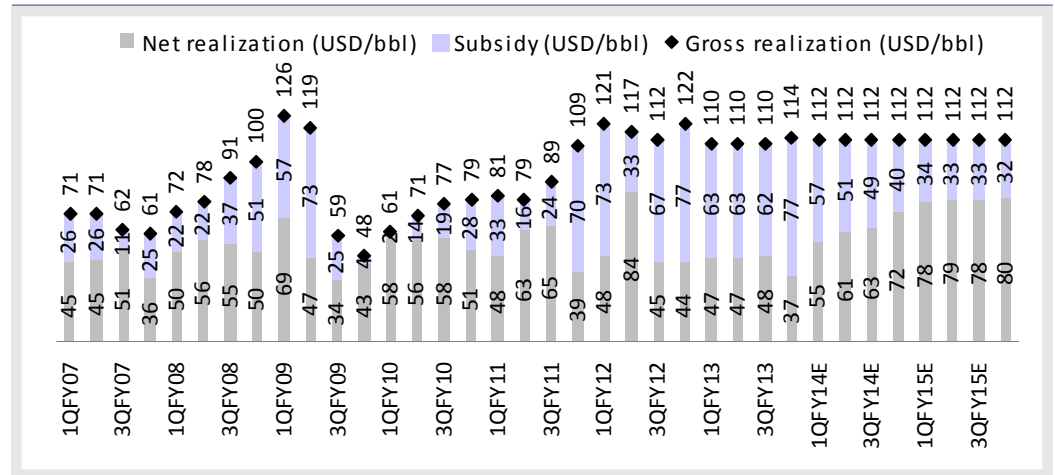
With likely increase in diesel prices, under-recovery set to reduce meaningfully (INR b)



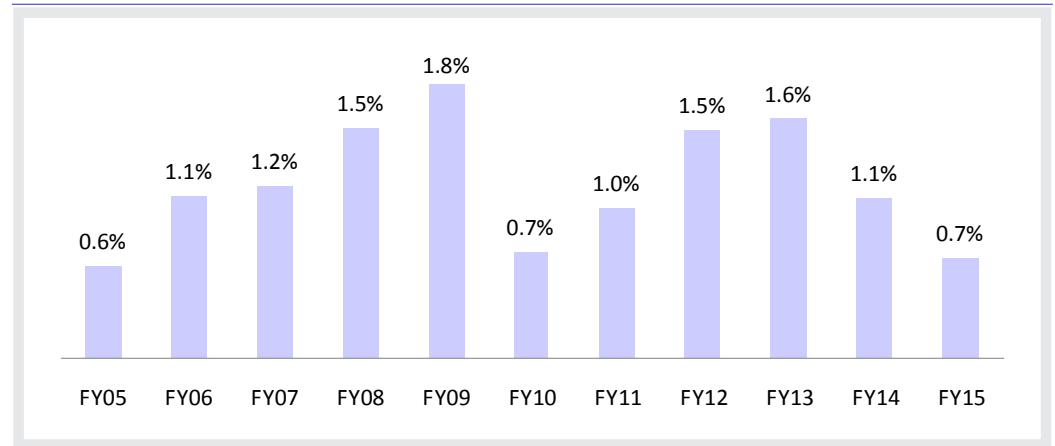
**Upstream companies likely to be key beneficiaries in the initial leg of reforms**

- Diesel reforms (INR0.45/ltr price hike per month) are set to reduce the under-recovery by 50% to INR870b in FY15E v/s INR1.6t in FY13E. Upstream subsidy sharing in FY11 and FY12 stood at 39% and 40% respectively and in 9MFY13 at ~36%.
- To be conservative, we are compelled to increase the upstream sharing in future years. But as there is no scientific method to predict future sharing, we maintain the upstream sharing at 40% even for future years. In the first leg of reforms, we believe upstream companies, ONGC and Oil India, are best plays, with likely increase in net realization.
- For every USD5/bbl increase in net oil price realization, ONGC/OIL's EPS increases by 9-10%.

**At 40% upstream sharing, ONGC's net realization to increase (USD/bbl)**



**Under-recovery as a percentage of GDP to reduce meaningfully**

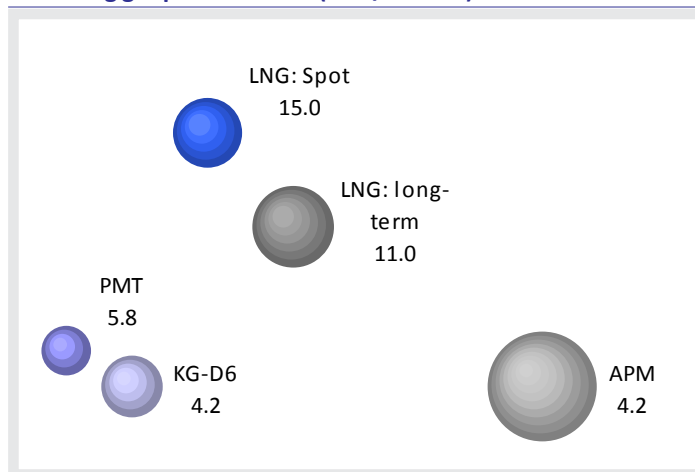


**Domestic gas price hike: Will be a positive when announced**

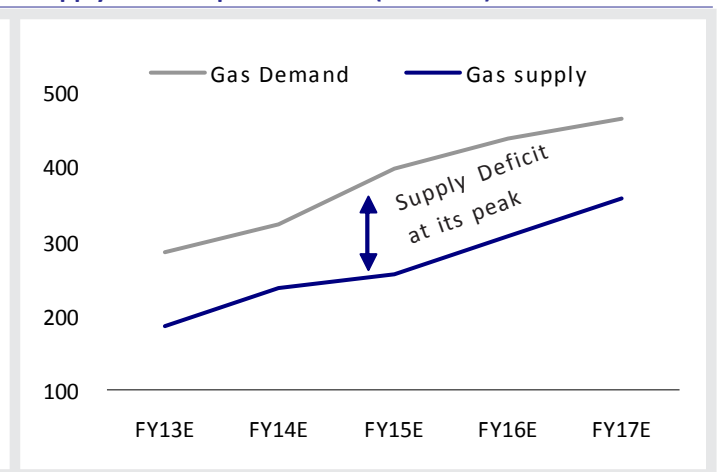
- **Huge gas supply gap in India:** Share of natural gas in India's primary energy consumption at ~10% is much below the world average of 24%. Further, gas demand-supply gap in the country is significant and it is imperative for the government to boost investment for domestic natural gas production.
- **Domestic gas pricing ad-hoc:** In 2007, government fixed the natural gas price of RIL's KG-D6 block at USD4.2/mmbtu, which was followed by an increase of APM price from USD2/mmbtu to USD4.2/mmbtu in June 2010. However, domestic natural gas prices are still at a significant discount to imported LNG prices which vary from USD11-15/mmbtu. Further, within India, gas prices vary from USD4.2/mmbtu (APM) to USD5.75/mmbtu (PMT).
- **Gas price hike imperative to boost domestic production:** One of the necessary reforms to increase domestic gas production is to give remunerative gas pricing to domestic producers. In 2012, government with an intention to make gas prices uniform in India and also to incentivize E&P companies with remunerating pricing, had appointed the Rangarajan Committee to provide guidelines/formula to determine domestic gas pricing.

- **Rangarajan Committee formula implies gas price of USD8/mmbtu:** Committee observed that as there is no gas-on-gas competition in India, which is unlikely to happen for several years, it proposed a formula based on wider global prices. Based on the Rangarajan Committee gas price formula, we estimate the gas price at USD8/mmbtu. Further, media reports indicate that the price increase for ONGC/OIL (APM gas) is likely before March-14.
- **ONGC/OIL/RIL to benefit from gas price hike:** A gas price hike will be significantly positive for domestic gas producers like ONGC, Oil India and RIL. While the benefit to ONGC and Oil India's earnings will be immediate, benefit to RIL will be over the medium term as its gas production increases. We currently model a gas price of USD7/mmbtu in our estimates from FY15E. For every USD1/mmbtu increase in APM gas price, ONGC/OIL's EPS increases by ~6%.

Prevailing gas prices in India (USD/mmbtu)

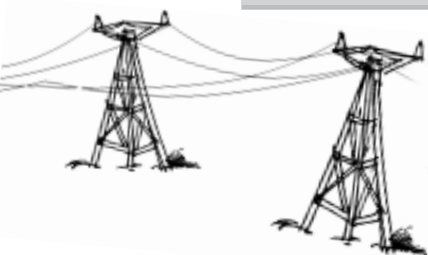


Supply deficit to peak in FY15E (mmscmd)





## POWER **Big decisions needed to revive sector, prevent system-wide stress**



Several policy issues have plagued the Indian Power sector. It witnessed capacity addition of 13.6GW (76% of FY13E target) v/s an annual average of 14GW over FY10-12. While capacity addition remains robust, fuel supply and cost, higher deficit owing to poor financial health of DISCOMs and unremunerative tariff of few projects continue to dent the prospects of the sector. Base deficit in India was 9% in 11MFY13; the Southern region faces deficit of 15%.

Power is a state subject in India. Thus, taking all states on the same footing on critical aspects remains the key to the sector's revival. While issues relating to DISCOMs have been addressed through joint efforts of the central and state governments, other critical issues like pooling, tariff review, etc remain unaddressed. Power sector exposure for banks/NBFC is huge (at ~INR4t or 19% of corporate loans) and persistent delays in resolving issues could increase the risk of distress assets. The government needs to take big decisions for the Power sector in FY14 to make things work for stakeholders.

### SEB financial restructuring: Efforts in right direction, improvement to follow

#### 1. Financial restructuring plan approved

SEBs' accumulated losses were INR2t as at the end of FY10 on the back of limited tariff increase and higher cost. Given the precarious scenario, the central government acted through the RBI/lenders to coax DISCOMs to put their houses in order. The key step in this direction has been the financial restructuring plan (FRP), which has been adopted by major loss making states. Also, the scheme envisages tight focus on reducing aggregate technical and commercial (AT&C) loss. Key states that have adopted the scheme include Kerala, Himachal Pradesh, Uttar Pradesh, Tamil Nadu, Rajasthan, Bihar, Haryana and Karnataka. These states account for ~70% of the ST liabilities of all DISCOMs.

#### Top 10 loss-making states in FY10

States	PAT		
	FY09	FY10	FY11
J&K	(13)	(21)	(22)
Karnataka	(31)	(19)	(12)
Bihar	(17)	(23)	(24)
Punjab	(36)	(44)	(47)
Madhya Pradesh	(34)	(44)	(35)
Haryana	(41)	(48)	(36)
Andhra Pradesh	(79)	(66)	(58)
Uttar Pradesh	(60)	(71)	(49)
Rajasthan	(79)	(119)	(107)
Tamil Nadu	(96)	(120)	(141)
<b>Total (Top Ten)</b>	<b>(488)</b>	<b>(576)</b>	<b>(533)</b>
<b>Total SEB losses</b>	<b>(537)</b>	<b>(645)</b>	<b>(620)</b>

**Key features of FRP**

- 50% of the outstanding short-term (ST) liabilities up to March 31, 2012 will be taken over by state governments and first converted into bonds to be issued by DISCOMs to participating lenders, duly backed by the respective state governments' guarantee.
- In the next 2-5 years, the state governments would take over the liabilities from DISCOMs by way of special securities and repayment and interest payment by State Governments till the date of takeover.
- The balance 50% of ST loans would be restructured by rescheduling and providing moratorium on principal repayment. Lenders should ensure best possible terms to ensure viability of this restructuring effort.
- The restructuring / reschedulement of loans should be accompanied by concrete and measurable action by the DISCOMs / states to improve the operational performance of the distribution utilities.
- For monitoring the progress of the turnaround plan, two committees at the state and central levels, respectively, are proposed to be formed.
- The central government would provide incentive by way of grant equal to the value of the additional energy saved by way of accelerated AT&C loss reduction beyond the loss trajectory specified under RAPDRP.
- The state governments would provide capital reimbursement support in terms of 25% of principal repayment on the liability taken over by the state governments under the scheme.

**Details of tariff hikes by SEBs (%)**

State	FY11	FY12	FY13
Andhra Pradesh	4	20	14
	19	-	-
Bihar	-	19	12
Chandigarh	-	-	11
Chhattisgarh	14	-	-
Delhi	-	21	24
Gujarat	1.5-3.5	4	2
Haryana	17	10	15
Himachal	-	9	-
Himachal	10	-	-
J&K	12	17	-
Jharkhand	11	18	-
Karnataka	6	7	3.4
Madhya Pradesh	11	6	-
Maharashtra	3	10	18
Manipur	15	-	-
Mizoram	11	-	-
Nagaland	-	34	-
Orissa	20	-	-
Punjab	8	9	10
Rajasthan		24	-
Tamil Nadu	11	37	-
UP	14	-	18
Uttarakhand	3	-	-
West Bengal	11	-	-

**2. States too hike tariffs - key positive for sustained development**

Tariff hikes by state DISCOMs in the past have been erratic and did not cover the true cost of power purchase. This, along with lower recoveries (high AT&C losses) and cross-subsidization meant that tariffs for large consumers were very high. Due to the withdrawal of ST financing by lenders and indirect pressure of financial crunch, there has been a series of tariff hikes by DISCOMs. Over FY11-13, all major loss-making states have raised tariffs significantly and have filed (or are in the process of filing) the petitions for FY14. The process of removing the existing under-recoveries in tariff is now set and is extremely important for sustained development of the power sector.

**Our view:** Demand growth has been muted, as most SEBs were constrained due to poor financial health. However, demand growth has improved from a low of 3.7% in FY11 to 8.7% in FY12 and 6.2% in YTFY13. Improvement in demand scenario and catering to latent demand (as not reflected in deficit) would help absorb new capacities/fully utilize existing capacities.

**Fuel shortage: Domestic supply remains limited; price pooling is being actively explored**

In YTFY13, the installed capacity grew by 15% to 143GW (vs 124GW YoY), while thermal generation has grown by 8% - as PLF declined from 73% to 70% YoY. Lower PLF's are due to fuel supply issues and if available, the cost of fuel (as imports are increasing). Though coal pooling mechanism was envisaged almost a year back, it is yet to be affected pending finalization. Similar arrangement is now also being proposed for gas based projects.

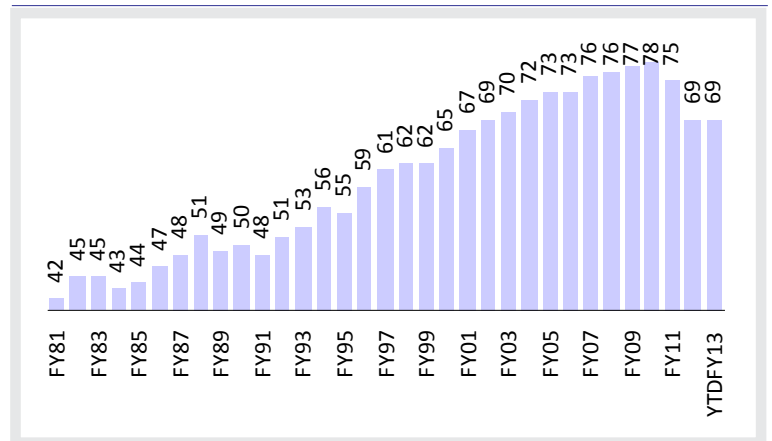
**1. Coal price pooling: Only an interim measure, augmentation of domestic supply key**

Coal project PLF has come off 400bp YoY in YTFY13 (to 69.5% from 73%), leading to several projects operating at sub-optimal PLF. Though Coal India's supply to the Power sector improved to 347m tons in FY13 from 322m tons in FY12, the demand-supply gap is huge. According to CEA, ~30m tons of coal would be required in FY14 and ~40m tons in FY15 for coal price pooling. However, the actual import by developers to meet plant availability of 85% could be much higher. For FY13, the thermal coal import in India is estimated to have crossed 100m tons.

**CEA estimates coal imports at 60m tons in FY15**

Particulars	FY13E	FY14E	FY15E
Coal requirement	381	426	464
Domestic coal availability	347	381	404
Shortfall	34	45	60
Import equivalent	22	30	40

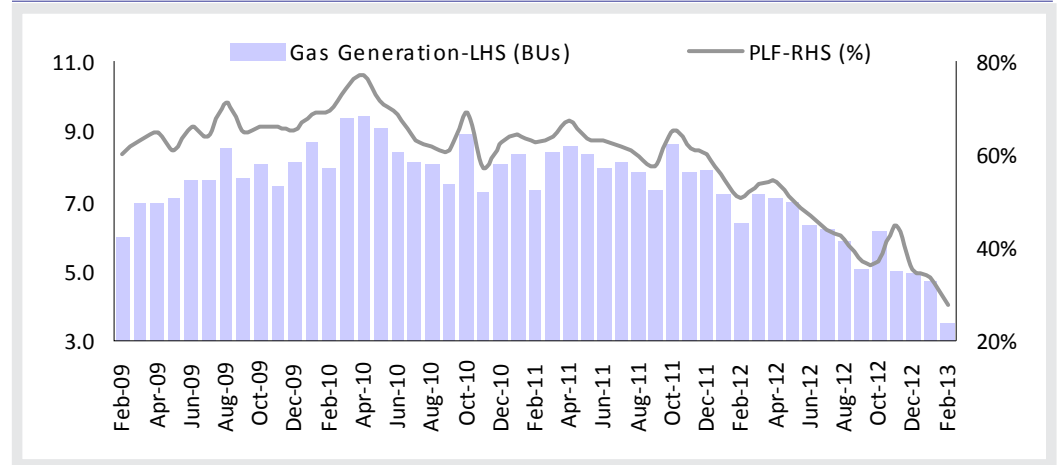
**Coal project PLF trending down (%)**



**2. Gas PLF continues to get impacted; no solution in sight**

Domestic gas production has declined from 4,783MCM in March 2010 to 3,242MCM in January 2013. This has impacted gas generation - PLF down from 60% to 41%. In addition, 7.8GW of new capacities are stranded for commissioning and awaiting gas. This paints a scary scenario for the sector, more so as gas power projects can cater to peaking power requirement. We understand that a gas price pooling mechanism is being worked upon to tide over the deficit.

**Gas project PLF at historic lows (%)**



**Our view:** Fuel supply remains critical to sustain existing capacities and meet debt covenants. Structural reforms too are required to revive the investment cycle in the sector. In the interim, establishing consensus on a pooling mechanism and execution holds the key.

**Cost escalation making projects unviable; tariff review process initiated; a long-term positive**

Reliance on domestic linkages, changes in overseas laws, adverse forex movement and aggressive bidding structure have made some large projects unviable. While the Central Regulator has got involved in the tariff review process, the developers have been facing heat. Large projects like Mundra UMPP have already witnessed equity write-offs of INR13b, while players like Adani Power are reeling under losses.

**Our view:** The tariff review process may take a while to settle, as the decision of the Central Regulator on the matter is now referred to a committee. DISCOMs may decide to challenge the order. Also, consumer bodies may see such reviews as defying competition/bidding for projects and against consumer interest. All things considered, we believe the current order for tariff review is a long-term positive.

## CORPORATE From bigger during good times ...



... to better during bad times

Even as the government and the RBI are trying to bring the Indian economy back on track, we believe the corporate sector too can do a few things to set its house in order. Of these, we believe the following two key strategies are low-hanging fruits and highly beneficial for companies amidst the current slowdown:

1. Deleveraging / Restructuring: The only lifeline for many
2. Raising dividend payout: A potent tool during slowdowns

We briefly discuss each one of these below.

### STRATEGY #1 Deleveraging / Restructuring: The only lifeline for many

It is said that companies should become bigger during good times, and better during bad times. During the recent "good times" (global boom of 2003-08 and a couple of years more), many Indian companies tried very hard at becoming bigger - mega expansions, unrelated diversifications, overseas acquisitions, etc. In most cases, the plans were based on aggressive leverage through debt funding.

Then came the "bad times" i.e. prolonged slowdown for almost five years now. And many companies found themselves in dire straits, including severe credit downgrades and even potential bankruptcy in some cases. So, having experienced the worst of getting bigger, many of these companies are now veering around to the possibility of getting better.

We present below a few case studies of companies firmly on the deleveraging / restructuring path. Successful completion of the process could coincide with India's economic revival, making these stocks attractive bets.

### CASE STUDY #1 Future Retail

#### Backdrop to the deleveraging

- Future Retail (erstwhile Pantaloon) has seen massive increase in debt and leverage due to investments in non-core ventures - Life and General Insurance, NBFC etc.
- This coupled with slowdown in core Retail, stretched working capital and ballooning inventory resulted in core Retail debt stretching to INR60b in FY12.
- In the absence of revival of core Retail, it became crucial for Pantaloon to divest non-core assets to alleviate the balance sheet strain.

#### Deleveraging measures

Future Retail has undertaken a series of deleveraging measures in the past 12 months.

- 1) Sale of Pantaloon format business to Aditya Birla Nuvo.
- 2) Stake sale in Future Capital to Warburg Pincus.
- 3) Restructuring of Fashion businesses of Pantaloon Retail and Future Venture into Future Lifestyle Fashion.
- 4) Stake sale in Life Insurance JV to IITL.
- 5) Stake sale in General Insurance JV to L&T.

**Impact on debt: ~55% debt reduction due to deleveraging measures**

- As a consequence of the aforementioned deleveraging measures, we expect Future Retail's debt to reduce by ~INR35b. The table below details the impact on debt from these transactions.
- These transactions are at various stages of regulatory/court approvals and are likely to be completed by September 2013.

**View and rating: Back of envelope SOTP suggests attractive upside**

- While we have not yet firmed our projections, pending clarity on financials, our back of the envelope SOTP suggests good upside potential from current levels. The stock has corrected ~46% YTD CY13 owing to continued weak same store sales and lack of meaningful news flow around FDI in multi-brand Retail (the stock had reacted positively after FDI in multi-brand Retail was approved by the government).
- We value Future Retail's residual stake in PEFRL at 12x EV/EBITDA, Core Retail business at 8x EV/EBITDA, Future Lifestyle Fashion at 10x EV/EBITDA and other investments (Future Logistics, Staples, etc) at book value. Thus, we arrive at an indicative SOTP value of INR203. We place our current **Neutral** rating and target price **Under Review**.

**Placing target price Under Review; our indicative SOTP suggests attractive potential upside after recent correction**

INR Mn	EBITDA	EV/EBITDA	EV	PF's stake(%)	PF's sh	Per Sh value	Remarks
Core Retail	8,800	8	70,400	100	30,400	131	
Future Lifestyle	3,630	10	36,300	20	41,96.1	14	25% holding company discount
50% stake in PEFRL	2,090	12	25,080	50	8,540	28	25% holding company discount
Support businesses	At book value				7,000	30	As per FY11 annual report - excluding investments in insurance and Value Retail sub
<b>Total</b>						<b>203</b>	

**CASE STUDY #2 Jaiprakash Associates (JPA)****Backdrop to the deleveraging / restructuring**

- JPA is a diversified entity with interests in Cement, Utilities (Jaiprakash Power Ventures, 72.7% stake), Infrastructure, Construction, Real Estate (Jaypee Infratech, 83.3% stake) and Hospitality. JPA has consolidated gross D/E of 4.1x and net D/E of 3.8x as at March 2012.
- JPVL and Jaypee Infratech have net D/E of 2.4x and 1.2x, respectively as at September 2012. Corporate debt taken to supplement equity investment, elimination of EPC profit from in-house construction projects and continued growth had led to higher D/E.

**Deleveraging / restructuring measures (taken and expected)**

- Plans to divest stake in Cement division. Transferred Gujarat and Andhra Pradesh cement capacity to Jaypee Cement (capacity of 9.8m tons) for potential divestment.
- Plans to mobilize part of Real Estate proceeds in Jaypee Infratech to lower debt (INR60b) taken for the Yamuna Expressway project.
- Use of proceeds from divestment in Jaypee Infratech to lower standalone debt.
- Equity issuance/treasury share monetization (JPA has 202.6m shares, while JPVL has 344m shares).

**Impact (or possible impact) on debt and/or profitability**

- JPA's interest outgo at standalone level is ~INR20b per year. It plans to mobilize INR40b-80b (50-100% stake) through stake sale in Jaypee Cement. This could lead to sizable savings in interest cost.
- Divestment in Jaypee Infratech can yield INR4.1b at current market capitalization (INR7b at our target price).

**Our view and rating**

- **Buy** JPA with a target price of INR104.

**CASE STUDY #3****DLF****Backdrop to the deleveraging / restructuring**

- DLF's net debt increased sharply over FY10-2HFY13 to INR240b (0.92x), driven by (a) the merger of DAL, (b) payments towards redemption of CCPs, and (c) weak operating cash flow.
- This has resulted in steady reduction in EBITDA/Interest Expense from 3.7x in 2QFY10 to <1.5x in 2QFY13.

**Deleveraging / restructuring measures (taken and expected)**

1. Divestment of non-core businesses (Power, Hotel, Insurance, etc) and land (land parcels with no near-term plans).
2. Faster cash generation from operations with lower execution risk (plotted development and luxury projects).
3. Grabbing the opportunity to raise funds through QIP, while bringing down promoters' stake to 75%.

**Impact (or possible impact) on debt and/or profitability**

- Large ticket divestments of ~INR50b witnessed recent success in FY13, with INR20b of reduction in debt in 3QFY13.
- Further reduction hinges on (1) receipt of cash flow from the concluded divestment, (2) successful QIP, and (3) super luxury launches that can augment operating cash flow meaningfully.
- Moreover, the interest rate downcycle offers further savings on interest outgo. A 100bp reduction in interest rate would increase cash profit by ~INR1.7b (at current leverage level).

**Our view and rating**

- With the recent success in divestment, conviction on deleveraging is higher. Operational improvement hinges on the success of super luxury launches in Phase-V on a sustainable basis for 2-3 years.
- DLF could be a strong beneficiary of the improvement in operating and financial leverage.
- We maintain **Buy**, with a target price of INR300.



**CASE STUDY #4 Oil Marketing Companies (OMCs)****Backdrop to the deleveraging / restructuring**

- OMCs' interest cost is up 6-10x in the last decade due to increased debt for working capital, led by ad hoc and delayed subsidy compensation.
- However, recent diesel reforms (market pricing for bulk consumers and monthly retail price hike of INR0.45/liter) are likely to improve the working capital situation of OMCs, resulting in interest cost reduction.

**Deleveraging / restructuring measures (taken and expected)**

- Subsidy receivable from the government towards under-recoveries equaled ~25% of OMC's FY12 gross debt.
- With gradual diesel deregulation over the next two years, we expect the subsidy receivable from the government to decline, thus lowering interest cost.

**Impact (or possible impact) on debt and/or profitability**

- Diesel reforms are likely to lead to reduction in debt levels for the OMCs. We model interest costs to decline by 10-20% for OMCs in the next two years (till FY15) and major reduction is likely in FY16 under the full diesel deregulation scenario.
- Further, OMCs' profitability is likely to increase in the medium term from likely renewed investments towards refinery and marketing network upgradation.

**Our view and rating**

- Of the three OMCs, BPCL is our top pick, given its E&P upside potential.
- However, given the high ratio of marketing volume to refining capacity, HPCL would have the highest increase in profitability, if marketing margin were to improve.
- IOC's earnings are relatively more protected, given the higher diversification and lower sensitivity to marketing business.

**CASE STUDY #5 ICICI Bank (ICICIB)****Backdrop to the deleveraging / restructuring**

- ICICIB had embarked on an aggressive growth strategy, including significant global presence.
- On the back of prolonged slowdown, over FY08-10, the bank saw sharp increase in slippages and higher credit cost (1.7% v/s 0.5% over FY04-07).
- At the same time, there was a lack of focus on the liability profile, leading to low CASA ratio and high dependence on bulk deposits.
- Besides, frequent equity dilution (also to fund subsidiaries) led to moderation of RoE.

**Deleveraging / restructuring measures (taken and expected)**

- In FY10, ICICIB embarked on a 4C strategy covering CASA, Capital conservation, Cost efficiency (e.g. shift to branch banking model, lower dependence on DSAs) and Credit profile (cutback in unsecured personal loans), even at the cost of growth. Later, it added a fifth C - Customer centricity.

- As regards subsidiaries, the bank is focused on transforming them from being guzzlers to capital providers.
- Even on the overseas front, the management has initiated the process of repatriating capital e.g. ~US500m capital of Canadian subsidiary was brought back to the parent.

#### **Impact (or possible impact) on debt and/or profitability**

- ICICIBC's risk adjusted margins (RAM) have improved sharply from a low of 1% in FY10 to 2.2% in FY12, led by a 95bp fall in credit cost and 25bp improvement in margins.
- The combined impact was reflected in RoA improving from 1.1% in FY10 to 1.5% in FY12. We expect the gradual improvement to continue, leading to RoA improving further to 1.7% by FY15 and core RoE rising to 17% (v/s 10% in FY10).

#### **Our view and rating**

- We expect ICICIBC to deliver EPS CAGR of 22%+ over FY13-15, despite higher base of 25%+ over FY10-12. Importantly, its tier-1 ratio would remain strong at 10%+ at end-FY15.
- We expect valuations to improve, as RoE approaches the sector average. Buy with an SOTP-based target price of INR1,400.

## **CASE STUDY #6**

### **GMR Infrastructure**

#### **Backdrop to the de-leveraging / restructuring**

- GMR is diversified in to Power, Infra, Airport, hotels and other businesses. It has a consolidated gross DER of 3.5x and net DER of 3.2x as at Sep-12. GMR Group has adopted "asset-light & asset-right" strategy to focus on core businesses, reduce leverage, etc.

#### **De-leveraging / restructuring measures (taken and expected)**

- Stake sale in Homeland energy: Homeland is divesting 50% stake in Tshedza Mining Resource (Pty) Ltd., which holds the license for the development of Eloff mines. Also, it is divesting 100% stake in Ferret Coal (Pty) Ltd, owing Kendal mine. Transaction would yield INR2b (USD37m) for GMR
- 70% stake sold in GMR energy Singapore (GMRE): GMR is divesting 70% stake in GMRE for total equity value of USD660m, an SPV established to develop 800MW natural gas fuelled power plant on Jurong Island, Singapore.
- Stake sale in GMR Jadcherla Expressways (GJEL): GMR Highways is divesting 74% stake in project to Macquarie SBI Infrastructure Investments Pte Ltd and SBI Macquarie Infrastructure Trust ('Macquarie SBI') for INR2.06b.
- Plans to sell stake in hotel at Hyderabad: Based on media article, GMR is also exploring possibility of divesting stake in a 5 star hotel located at Rajiv Gandhi airport, Hyderabad (potential value of INR3-3.5b).

#### **Impact (or possible impact) on debt and/or profitability**

- Divestment of stakes in operational/existing SPV is positive and would bring down consolidated debt by 7-8%.

**CASE STUDY #7 Madras Cements (MC)****Backdrop to the deleveraging / restructuring**

- MC undertook huge capex of ~INR44b over the last five years as a result of which its net debt spiraled to INR26.6b (net D/E of 1.3x).

**Deleveraging / restructuring measures (taken and expected)**

- Given the low prevailing capacity utilization, we do not expect any major expansion in the near term, barring the grinding capacity at Salem (0.4mtpa) and RR Nagar (1.1mtpa), which should be operational by March 2013 (INR1.7b).

**Impact (or possible impact) on debt and/or profitability**

- MC is likely to generate ~INR23b of FCF over FY13-15, which should lead to meaningful reduction in net debt by FY14/15 to INR20.2b/INR11.4b and net D/E of 0.7x/0.3x (from INR25.8b or 1.1x in FY13E).

**Our view and rating**

- MC offers an attractive play on superior operating efficiency, premium profitability and strong FCF visibility.
- The stock trades at 8.4x FY15E EPS, and at an EV of 4.7x FY14E EBITDA and USD91/ton.
- Maintain **Buy** with a target price of INR318 (EV of 6x FY15E EBITDA).

Even as companies such as the ones mentioned above are busy deleveraging and/or restructuring, there are several others that are actually sitting on idle cash set aside for that elusive acquisition, or as a result of deferred expansion plans. For such companies, raising dividend payouts may be a potent tool to sustain shareholder value during slowdowns (see next section).

**STRATEGY #2 Raising dividend payout: A potent tool during slowdowns**

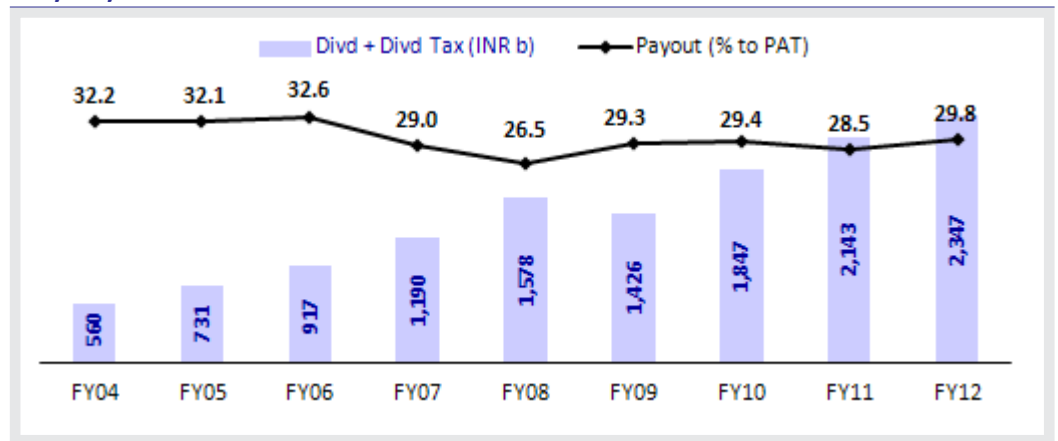
In this section, we present three simple, but interesting arguments:

1. During economic (and hence, stock market) slowdowns, higher dividend payouts are an effective way of enhancing (or at least maintaining) high shareholder value.
2. Stock valuations are directly correlated with dividend payouts.
3. Any indication of a structural change in a company's payout policy is a huge investment opportunity.

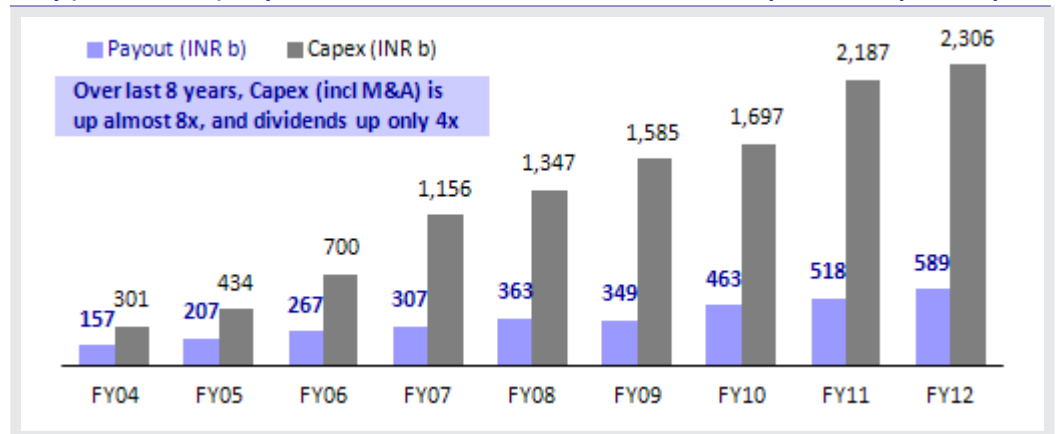
**Higher dividends enhance shareholder value**

At an aggregate level, payout ratio in India has hovered around 30%. The reason for no major increase in dividends is high level of growth capex undertaken by companies. Dividend payout, which stood at about 52% of capex in FY04 literally halved to 26% in FY12. However, given the current slowdown, companies are unlikely to engage in very high level of capex. We believe the most prudent deployment of non-deployed cash is distribution by way of dividends.

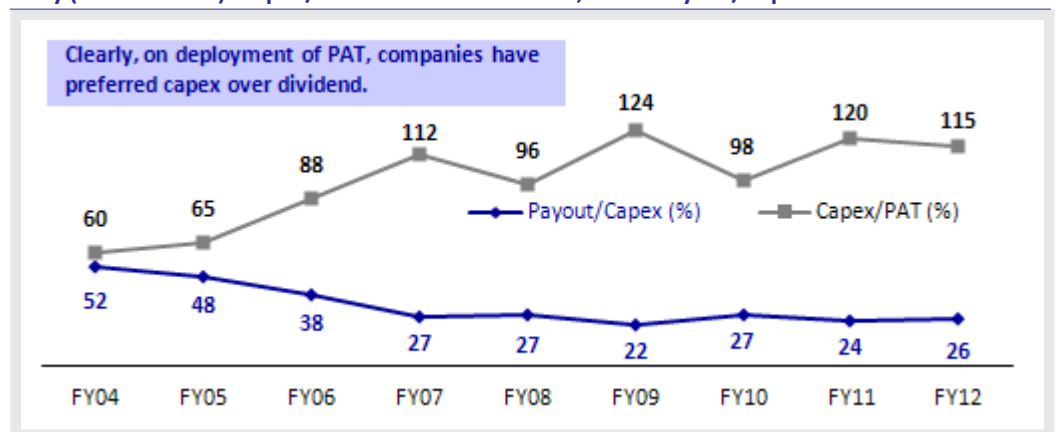
Nifty: Payout has hovered around 30%



Nifty (ex Financials): Payout has suffered amidst India Inc's massive expansion/acquisition plans



Nifty (ex Financials): Capex/PAT has almost doubled, while Payout/Capex has halved



## Stock valuations are directly correlated with dividend payout

Classical finance theory defines annual total return on an equity stock as follows:

$$\text{Total Return} = \frac{(P_1 - P_0) + D_1}{P_0} \times 100$$

where,  $P_0$  is purchase price of the stock  
 $P_1$  is price of the stock after one year  
 $D_1$  is the dividend earned during the year

Thus,  $(P_1 - P_0)$  captures the change in stock prices, to which is added dividend earned during the year ( $D_1$ ). However, as dividend tends to be much smaller component of total return, it is mostly ignored. During times when price appreciation is hard to come by, companies are better off rewarding shareholders by way of higher dividends.

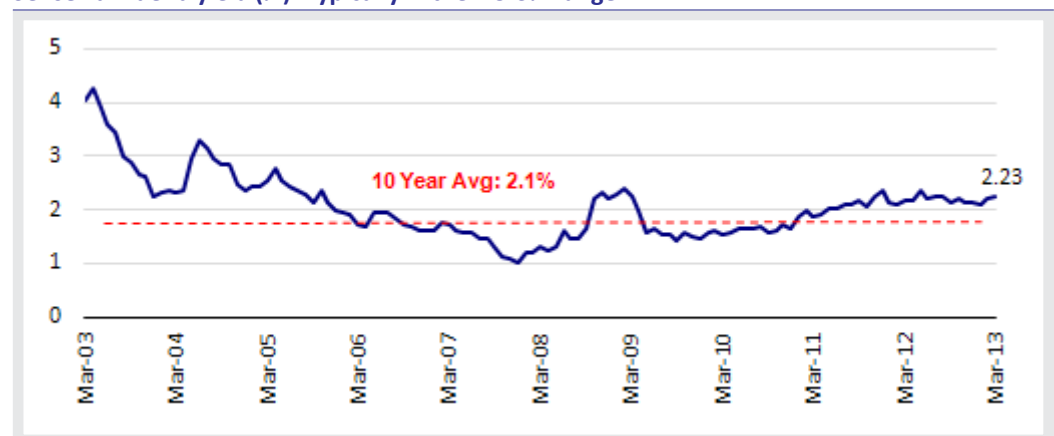
Also, what most investors typically miss is that  $P_1$  (i.e. the future price) is actually a function of  $D_1$  i.e. dividend. This is briefly explained below.

$$\begin{aligned} \text{Dividend Yield} &= \text{Dividend} \div \text{Price} \\ &= (\text{Dividend/Earnings}) \div (\text{Price/Earnings}) \\ &\quad \text{dividing both numerator and denominator by Earnings} \\ &= \text{Payout} \div \text{P/E} \end{aligned}$$

$$\text{Thus, P/E} = \text{Payout} \div \text{Dividend Yield}$$

The above suggests that for a given dividend yield, higher the payout, higher the P/E and vice versa. (Note: Dividend yield demanded by investors is inversely related with the growth in dividends i.e. if dividend (or earnings) growth is healthy, investors would be willing to settle for lower dividend yield, and vice versa. In India, dividend yields have typically tended to be in the range of 1.5-3%.)

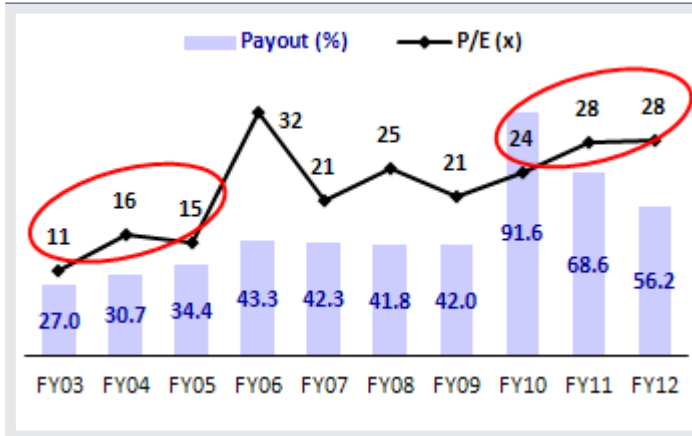
### Sensex dividend yield (%): Typically in the 1.5-3% range



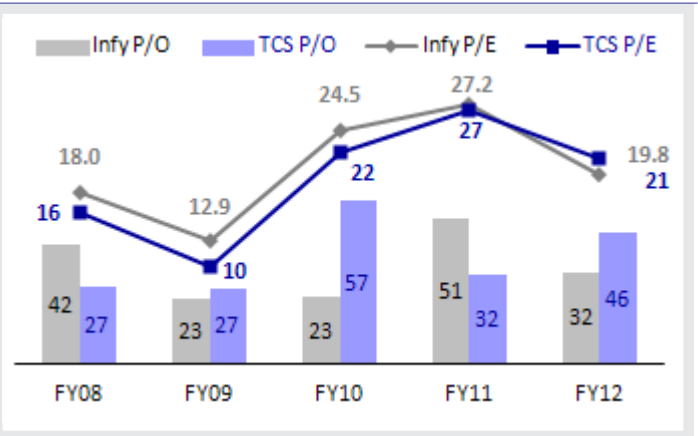
### Structural change in dividend policy an opportunity

Companies follow wide-ranging payout policies, many times even within the same sector. The above mentioned "high-payout-high-valuation" argument is reflected across sectors, and also in a company's own payout track record. ITC is a classic case where higher payout ratio since FY06 has translated into a higher P/E multiple ever since. Likewise, growth differential apart, we believe another strong explanation for TCS' valuations catching up with (and even exceeding) Infosys is its more steadily rising payout ratio.

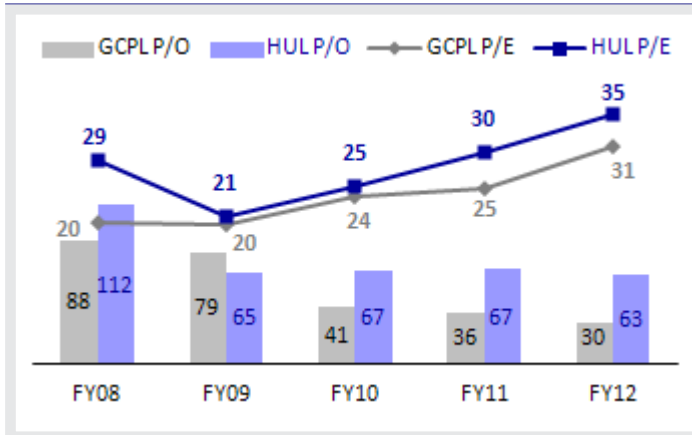
ITC - New payout and P/E orbit, especially in last three years



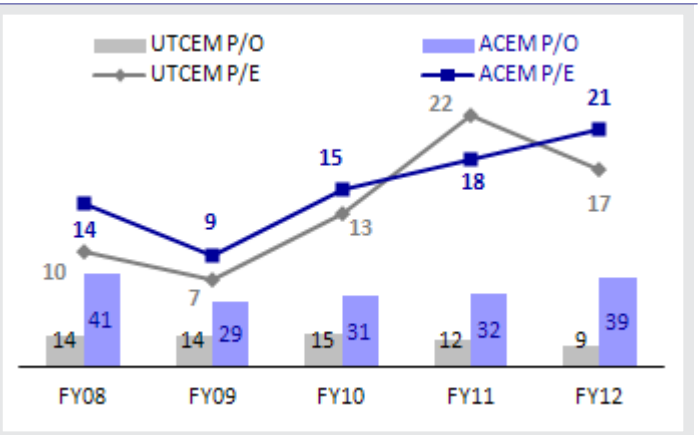
TCS' more steady payout vis-à-vis Infosys helps re-rating



HUL enjoys higher P/E over GCPL despite lower growth



UltraTech v/s Ambuja P/E also suggests role of higher payout



## FY12 dividend payout: Key exhibits

### Nifty

#### Top 10 dividend payers

Company	FY12 Divd (INR b)
O N G C	97
Coal India	75
TCS	57
ITC	41
NTPC	39
Infosys	31
Reliance Inds.	29
SBI	27
ICICI Bank	22
H D F C	19

#### Bottom 10 dividend payers

Company	FY12 Divd (INR b)
Ranbaxy	0
Kotak Mahindra	1
JP Assoc.	2
Lupin	2
Jindal Steel	2
Cipla	2
Reliance Infra	2
Siemens	2
Maruti Suzuki	3
Grasim	3

#### Top 10 dividend delta cos

Company	Delta Divd INR b (FY13 over FY08)
Coal India	55
TCS	44
ITC	27
Infosys	24
O N G C	20
St Bk of India	18
Reliance Inds.	13
H D F C	13
B H E L	11
ICICI Bank	11

#### Bottom 10 payout delta cos

Company	Delta Divd INR b (FY13 over FY08)
Ranbaxy Labs.	-3.6
B P C L	-2.7
Grasim Inds	-0.4
Cipla	0.0
Ambuja Cem.	0.2
Kotak Mah. Bank	0.3
JP Associates	0.5
Reliance Infra.	0.8
Maruti Suzuki	1.0
Jindal Steel	1.2

### Nifty

#### Top 10 dividend payouts

Company	FY12 Payout (%)
Siemens	72
Hind. Unilever	68
ITC	65
B P C L	64
ACC	62
TCS	55
Coal India	51
Ambuja Cem.	50
DLF	48
Asian Paints	45

#### Bottom 10 dividend payouts

Company	FY12 Payout (%)
Ranbaxy Labs.	0
Kotak Mah. Bank	3
Jindal Steel	5
Grasim Inds	10
Bharti Airtel	10
Hindalco Inds.	11
UltraTech Cem.	11
Tata Motors	11
Reliance Infra.	14
Reliance Inds.	15

#### Top 10 dividend delta cos

Company	Delta Payout % (FY13 over FY08)
Siemens	57
ACC	31
B P C L	28
DLF	27
TCS	24
Infosys	18
Ambuja Cem.	16
ITC	16
Coal India	15
Dr Reddy's Labs	13

#### Bottom 10 payout delta cos

Company	Delta Payout % (FY13 over FY08)
Ranbaxy Labs.	-71
Tata Motors	-21
Sesa Goa	-13
Hind. Unilever	-12
Cipla	-11
ICICI Bank	-11
GAIL (India)	-9
O N G C	-9
Bank of Baroda	-7
HCL Technologies	-6

### MOSL Universe

#### Top 20 FY13E dividend yield stocks

Company	Yield (%)	Company	Yield (%)
Hexaware Tech.	6.2	Indian Bank	4.0
Andhra Bank	5.3	Tata Steel	3.9
REC	5.1	OBC	3.9
Corporation Bk	5.0	BHEL	3.8
Oil India	4.9	BGR Energy	3.8
Coal India	4.8	Dena Bank	3.8
Cairn India	4.7	Jagran Prakashan	3.7
PFC	4.5	NHPC	3.7
Mphasis	4.2	Union Bank	3.4
NMDC	4.1	Nalco	3.0

#### Bottom 20 FY13E dividend yield stocks

Company	Yield (%)	Company	Yield (%)
Kotak Mahindra	0.1	Tech Mahindra	0.5
Shopper's Stop	0.2	Mindtree	0.5
United Spirits	0.2	Shree Cement	0.5
Glenmark Pharma	0.2	Godrej Properties	0.6
Bharti Airtel	0.2	JSPL	0.6
Indiabulls RE	0.3	Reliance Comm	0.6
Jubilant Food	0.3	HT Media	0.6
Marico	0.4	Ultratech Cement	0.6
ABB	0.4	Eicher Motors	0.7
Unitech	0.5	Sun Pharma	0.7



## MARKETS The tricky twosome

### Analyzing FY14/15 earnings and valuations



- The earnings downgrade cycle has resumed in the last few months, post some stability towards the end of 2012. As economic growth makes new lows, its impact on corporate earnings is also visible. Our revised Sensex EPS estimate for FY13 shows just 5% growth.
- Our bottom-up compilation for FY14 indicates earnings growth of 15% (part of this is led by some recovery in beaten down stocks). However, the current economic scenario can drive further downgrades as we enter FY14.
- While Indian equities have delivered flat returns over the last five years, the divergence in performance has been stark. Sectors with strong balance sheets have delivered huge outperformance.
- The convergence of valuations between various sectors and stocks within sectors will again be a function of pick-up in growth.

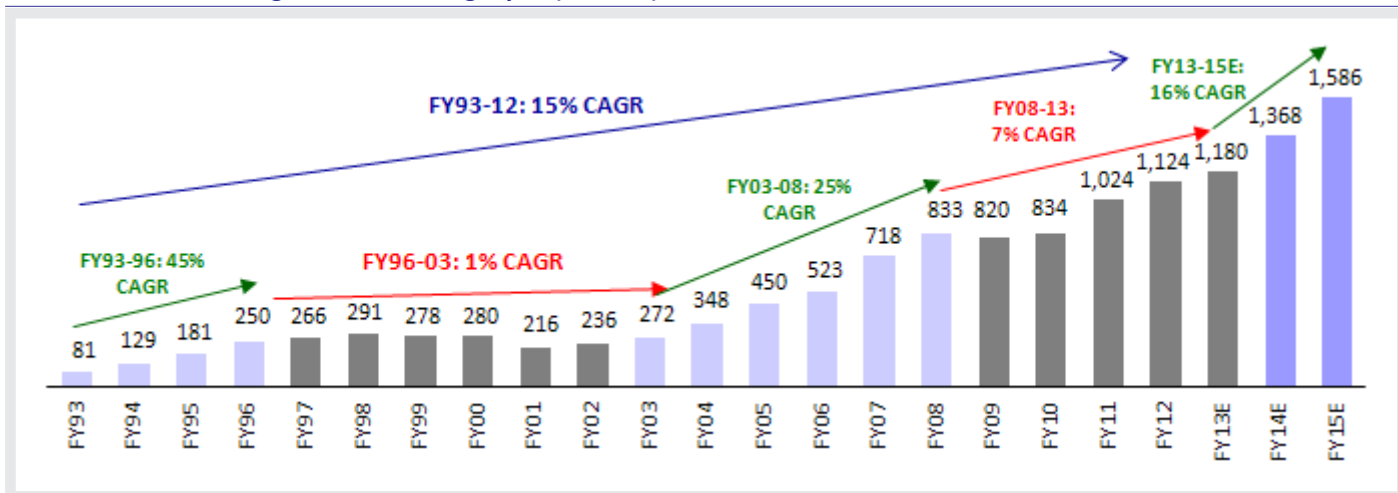
## EARNINGS Expect FY13-15 Sensex EPS CAGR of 16%, but ...

... past downgrades, present uncertainties warrant caution

### Expect FY13-15 Sensex EPS CAGR of 16%

Our bottom-up earnings estimates of Sensex constituent stocks suggest Sensex EPS CAGR of 16% over FY13-15. This is a marked recovery from the 7% CAGR clocked over the 5 years ending FY13. While FY15 earnings are more of a projection, the markets' immediate focus would be on FY14 earnings. Here too, our estimates suggest 16% growth over FY13. However, this comes on the back of just 6% earnings growth in FY13, implying last two-year (i.e. FY12-14) earnings CAGR of only 11%, which appears reasonable. Also, a significant part of the growth in FY14 is contributed by companies, whose earnings collapsed in FY13 (Tata Steel, Tata Motors, Bharti).

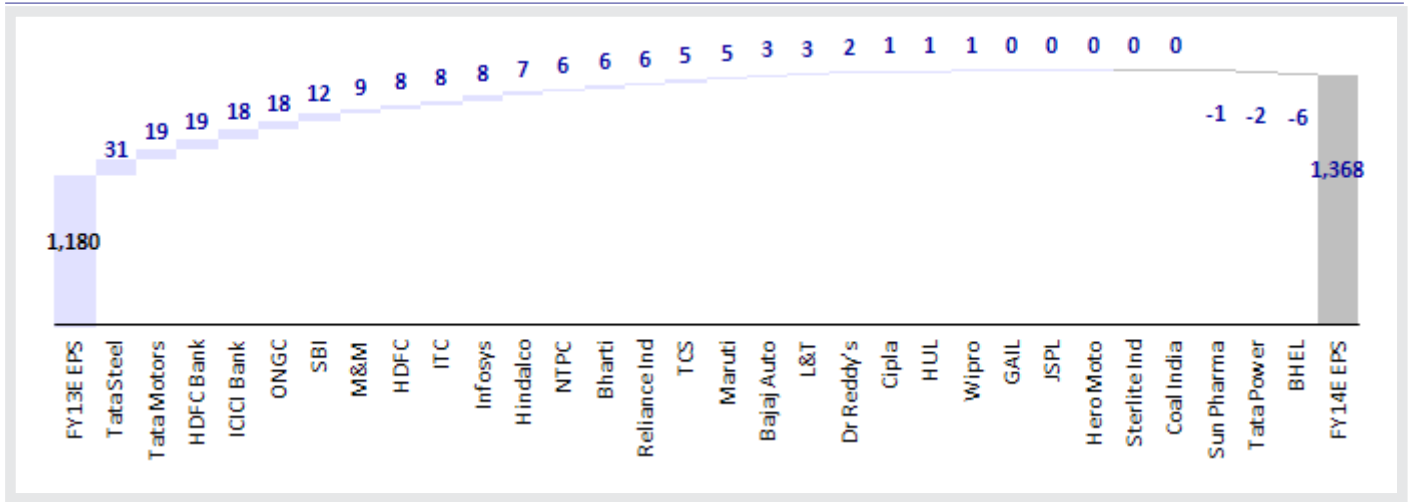
Sensex EPS: Still awaiting the fresh earnings cycle (FY13-15)



### Earnings rebound contingent on turnaround in heavyweights

The earnings rebound in FY14/15 is premised on meaningful turnaround in Sensex heavyweights, whose earnings collapsed in the last 2-3 years, viz, Tata Steel (loss in FY13), Bharti Airtel (FY13 PAT down 41%), Tata Motors (FY13 PAT down 21%) and ONGC (PAT flat in FY13).

**FY14E Sensex EPS build-up: Cyclical like Tata Steel, Tata Motors, M&M and rebound in Bharti, ONGC hold the key**



**Sensex Performance - FY13-15 (INR b)**

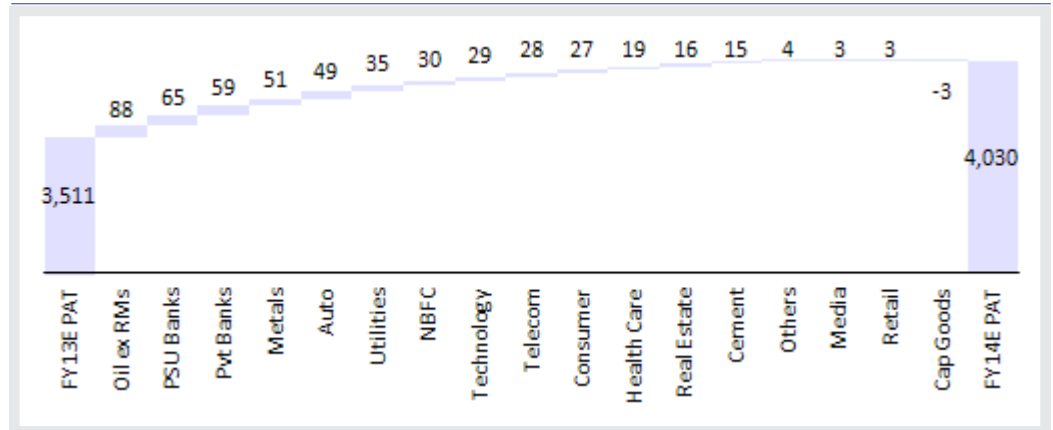
Company	Sales				EBITDA Margin (%)				EBITDA			PAT			PAT (YoY, %)		PAT (%)	
	FY13	FY14	FY15	CAGR %	FY13	FY14	FY15	CAGR%	FY13	FY14	FY15	FY14	FY15	CAGR	Delta			
<b>High PAT Gr.</b>	<b>6,904</b>	<b>7,658</b>	<b>8,387</b>	<b>10</b>	<b>20.2</b>	<b>22.4</b>	<b>24.6</b>	<b>22</b>	<b>489</b>	<b>662</b>	<b>877</b>	<b>35</b>	<b>32</b>	<b>34</b>	<b>57</b>			
Tata Steel	1,363	1,439	1,380	1	8.2	11.0	11.2	17	-7	31	27	L to P	-12	L to P	5			
Bharti Airtel	805	877	951	9	30.8	31.2	32.0	11	25	39	56	58	43	50	5			
ONGC	1,585	1,767	2,008	13	34.0	38.1	44.4	29	254	313	452	24	44	34	29			
Maruti Suzuki	436	483	549	12	9.3	11.3	12.2	29	22	30	39	37	30	33	3			
HDFC Bank	149	190	234	25	75.7	78.7	81.0	30	67	87	109	30	25	28	6			
M&M	689	788	886	13	13.2	13.9	14.4	18	37	47	58	27	25	26	3			
Tata Motors	1,877	2,112	2,380	13	13.3	13.9	14.0	15	91	114	134	25	17	21	6			
<b>Medium PAT Gr.</b>	<b>1,774</b>	<b>2,001</b>	<b>2,299</b>	<b>14</b>	<b>32.6</b>	<b>33.6</b>	<b>34.5</b>	<b>17</b>	<b>376</b>	<b>440</b>	<b>522</b>	<b>17</b>	<b>19</b>	<b>18</b>	<b>21</b>			
ICICI Bank	137	169	203	22	95.6	96.1	96.4	22	83	98	118	19	20	19	5			
NTPC	645	720	815	12	26.0	26.1	27.0	14	92	113	131	23	16	19	6			
Hero MotoCorp	237	258	298	12	9.5	9.9	12.1	27	21	21	29	1	38	18	1			
Bajaj Auto	202	230	266	15	18.3	19.5	19.3	18	30	36	42	19	15	17	2			
HDFC	63	74	88	19	107.4	107.2	107.1	19	48	55	66	15	20	17	3			
Dr Reddy's Labs	109	116	132	10	20.7	20.1	20.0	8	14	17	19	17	15	16	1			
ITC	298	343	394	15	36.0	36.5	36.7	16	74	84	100	13	19	16	4			
Cipla	83	90	103	11	26.5	24.9	24.9	8	14	15	18	13	17	15	1			
<b>Low PAT Gr.</b>	<b>9,959</b>	<b>10,433</b>	<b>10,939</b>	<b>5</b>	<b>18.9</b>	<b>19.5</b>	<b>20.0</b>	<b>8</b>	<b>1,243</b>	<b>1,298</b>	<b>1,393</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>22</b>			
State Bank	619	719	812	15	68.1	66.2	66.3	13	192	219	251	14	15	14	9			
Infosys	406	452	498	11	29.0	28.8	29.1	11	93	101	116	9	15	12	3			
TCS	630	715	797	12	28.8	28.5	27.7	10	140	154	170	10	10	10	4			
Larsen & Toubro	617	689	757	11	10.9	11.4	11.3	13	51	53	61	5	15	10	2			
Hindalco	798	856	915	7	10.1	12.0	11.8	16	33	42	40	27	-5	10	1			
Hind. Unilever	257	291	331	13	15.5	15.7	15.9	15	33	35	38	6	10	8	1			
Wipro	435	473	517	9	19.9	19.4	19.4	8	66	69	76	4	11	7	1			
JSPL	196	215	265	16	34.0	35.0	35.6	19	35	36	39	2	10	6	1			
Reliance Inds.	3,721	3,663	3,616	-1	8.3	8.3	9.0	2	208	217	231	4	6	5	3			
Sun Pharma	109	126	142	14	44.3	34.0	33.1	-1	33	31	35	-5	12	3	0			
Coal India	690	739	784	7	28.6	27.4	26.6	3	191	188	197	-1	5	2	1			
Tata Power	98	106	115	9	18.3	19.9	18.8	10	11	9	11	-21	28	0	0			
GAIL	464	504	548	9	14.1	14.7	14.2	9	42	43	41	2	-4	-1	0			
Sterlite Inds.	437	454	470	4	22.8	25.4	25.2	9	58	57	55	-1	-4	-2	0			
BHEL	482	431	370	-12	17.6	15.9	12.6	-26	59	45	32	-23	-28	-26	-4			
<b>Sensex PAT FF</b>	<b>18,638</b>	<b>20,092</b>	<b>21,625</b>	<b>8</b>	<b>20.7</b>	<b>22.0</b>	<b>23.4</b>	<b>14</b>	<b>1,007</b>	<b>1,168</b>	<b>1,354</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>100</b>			

**Key sectors would need to perform as expected**

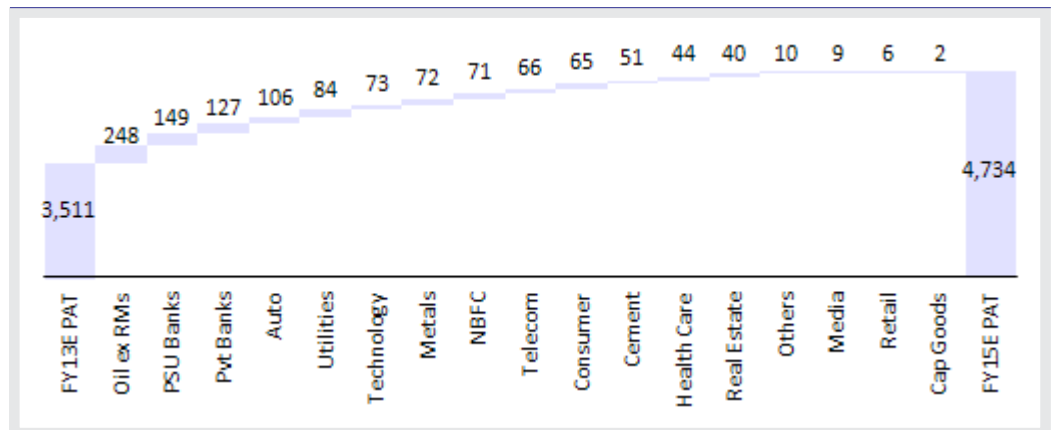
We table below the sectoral breakdown of FY14/FY15 earnings. Based on this, the emergence of a new earnings cycle from FY14 depends on:

- (1) Steady performance of heavyweight sectors like Oil & Gas and Financials, coupled with
- (2) Normalization of earnings in some beaten-down sectors like Telecom and Auto.

**MOSL Universe PAT build-up for FY14E over FY13E: Only Capital Goods expected to de-grow**



**MOSL Universe PAT build-up for FY15E over FY13E: FY14 pattern to continue through FY15 as well**

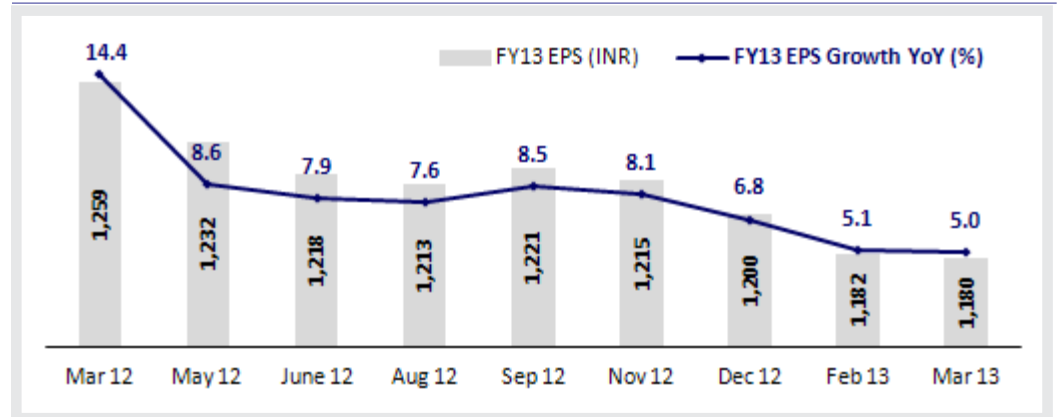


**Past downgrades, current uncertainties warrant caution**

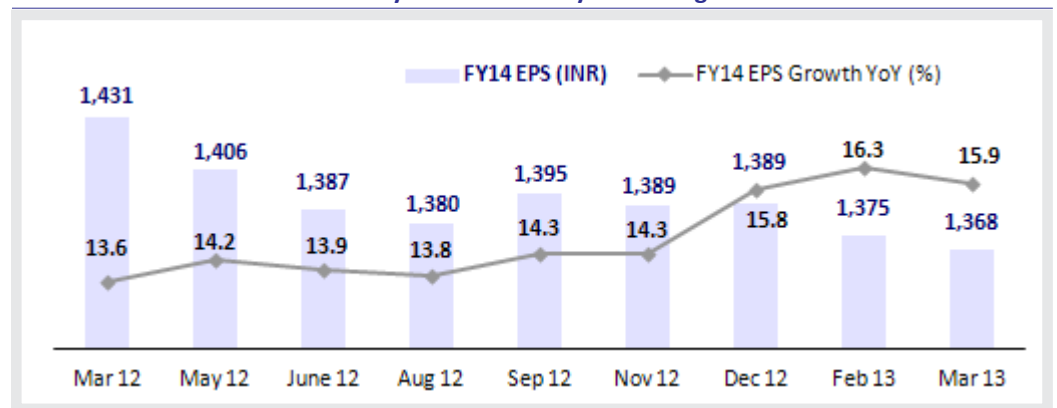
The optimism of a healthy rebound in corporate earnings needs to be tempered with caution, given (1) successive downgrades in FY13 and FY14 earnings through the last 12-18 months, and (2) high uncertainties on several fronts such as fragile political equations, sector-specific regulatory issues, global concerns, etc.

We have seen a 6% downgrade in FY13 Sensex EPS during the period March 2012 to date. As a result, FY13 Sensex EPS growth, which was originally expected to be 14%, now stands lowered to a mere 5%. Interestingly though, the FY14 Sensex EPS estimate has seen just about 4% downgrade over the last 12 months. In fact, because of the sharp downgrade in FY13 EPS, the expected FY14 EPS growth rate has actually improved from 14% in December 2010 to 16% now. The current economic environment may lead to some downgrades in FY14 estimates over the next couple of quarters.

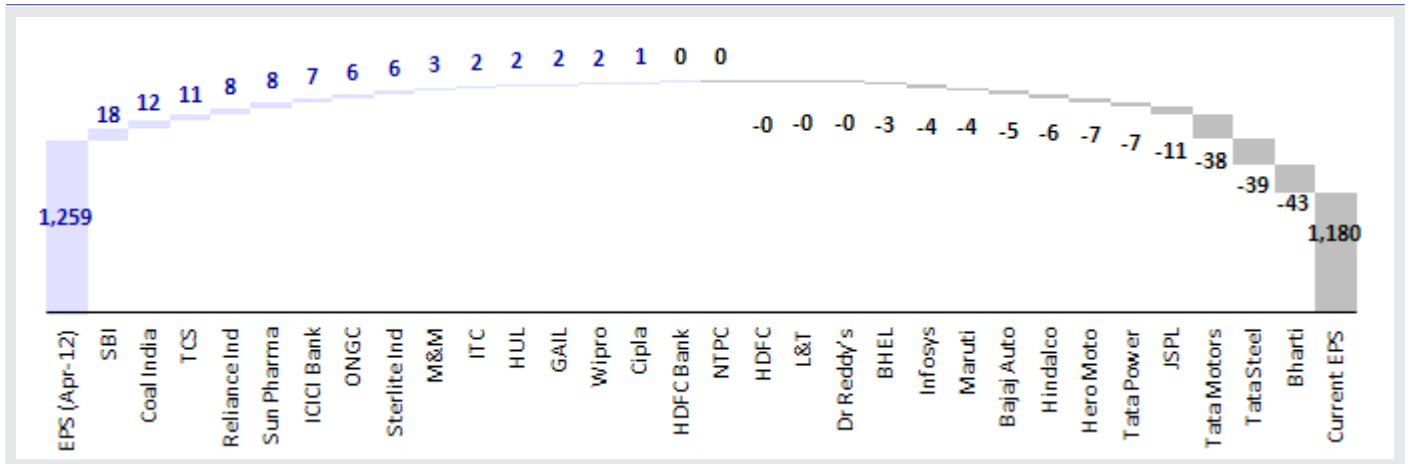
6% downgrade in FY13e Sensex EPS since March 2012 ...



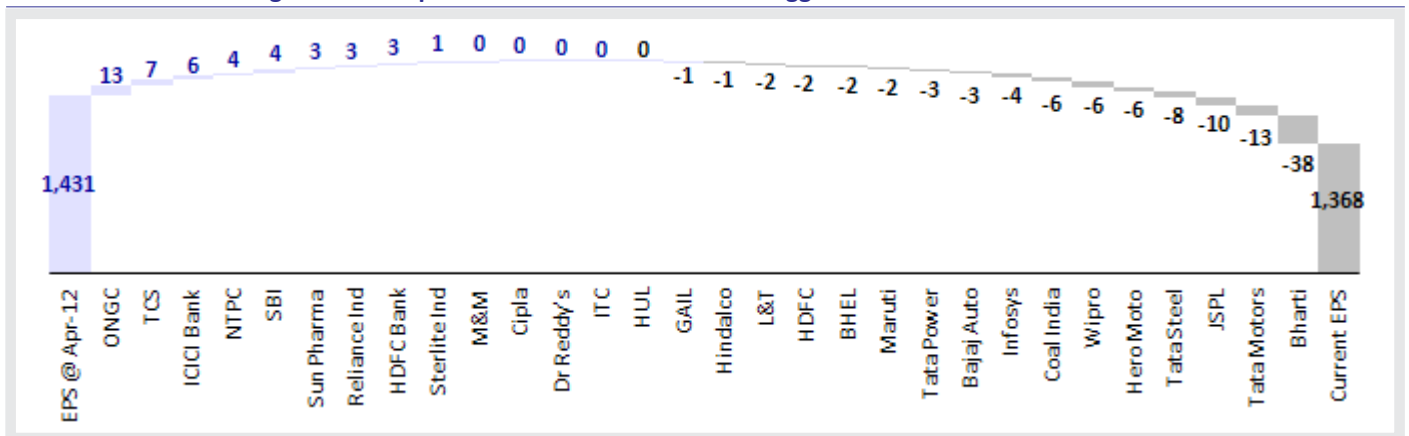
... but FY14e Sensex EPS holds fairly firm with barely 4% downgrade in the last 12 months



FY13e Sensex EPS downgrade build-up in the last 12 months - cyclicals a major drag



FY14e Sensex EPS downgrade build-up in the last 12 months - FY13 draggers continue into FY14 as well



**Top Upgrades and Downgrades in the last 12 months**

INR	Current EPS (INR) FY14E	EPS 1 Yr ago FY14E	Upgrade/ Downgrade (%)	CMP (INR)	12 month Price Chg (%)	FY14 P/E (x)
<b>Top 15 Upgrades</b>						
JSW Energy	6.5	3.1	109	52	-16	7.9
Kotak Mah. Bank	34.3	17.9	91	640	18	18.6
United Spirits	56.0	36.7	53	1,885	211	33.6
Shree Cement	366.2	244.2	50	4,067	27	11.1
Tech Mahindra	99.3	70.6	41	1,041	45	10.5
BPCL	32.4	23.1	40	375	7	11.6
HCL Tech	57.8	42.5	36	775	61	13.4
Dishman Pharma	14.9	11.6	28	67	46	4.5
MRPL	7.9	6.2	28	49	-27	6.3
Gujarat State Pet.	8.9	7.2	24	66	-14	7.3
Cairn India	55.3	44.9	23	277	-17	5.0
IBREL	10.5	8.5	23	53	-18	5.0
Power Grid	11.3	9.5	19	105	-3	9.3
Sun Pharma	29.9	25.3	18	822	44	27.5
Power Finance	38.5	32.7	18	182	-1	4.7
<b>Top 15 Downgrades</b>						
Bharti Airtel	10.4	26.8	-61	297	-12	28.6
ABB	11.0	26.6	-58	489	-42	44.3
BGR Energy	19.4	38.1	-49	184	-44	9.5
Idea Cellular	4.3	8.2	-47	109	10	25.2
Siemens	21.8	38.5	-43	527	-30	24.2
DLF	6.1	10.7	-43	236	17	38.6
HDIL	14.1	24.0	-41	45	-47	3.2
Shopper's Stop	8.0	13.5	-41	399	3	50.2
Crompton Greaves	7.9	12.8	-38	92	-33	11.7
Mphasis	36.7	57.9	-37	400	-1	10.9
India Cements	10.9	17.2	-36	84	-25	7.7
Opto Circuits	18.4	28.5	-35	53	-74	2.9
Tata Power	3.7	5.7	-35	95	-6	25.7
Phoenix Mills	12.7	19.4	-35	262	25	20.6
Ranbaxy Labs	15.2	23.1	-34	445	-5	29.2

We have considered most of the above factors while formulating our Model Portfolio (see next section).

**FY14 earnings growth - broad observations by sector**

- **Autos:** The 4-wheeler segment is expected to perform better than 2-wheelers.
- **Capital Goods:** No recovery likely in FY14, as the situation remains challenging across the board. Only exceptions are Cummins and Havells.
- **Cement:** Earnings likely to grow 13%, led by UltraTech. Both Holcim group companies will report flat to decline in growth.
- **Consumer:** Expect PAT growth to moderate at 16% following a robust 21% in FY13. Consumer should grow at Index levels, vis-à-vis a sharp outperformance in FY13. We are building moderation for both ITC and Hindustan Unilever.
- **Financials:** Sector PAT is expected to grow 18%, led by 22% growth for private banks. This should make it the largest contributor to incremental PAT (FY14 over FY13).
- **Healthcare:** The sector should maintain its growth momentum even in FY14, with PAT up 16%, after 19% growth in FY13. Cadila and Lupin are the two big growth drivers for the sector.
- **Media:** Expect rebound in growth from 9% in FY13 to 16% in FY14 and further to 28% in FY15.
- **Telecom:** We believe earnings have bottomed out in FY13, and build in a sharp recovery in FY14/15 (earnings growth of 67%/54%, the highest by far across sectors).

**16% PAT CAGR over FY13-15 contingent on key sectors - Financials, Oil & Gas, Auto, Telecom**

Sector/ (No of companies)	Sales Gr./ CAGR (%)			EBITDA Margin (%)			Margin Delta (bp)		EBITDA CAGR (%)			PAT Gr./ CAGR (%)		FY13-15 PAT delta
	FY14E	FY15E	FY13-15	FY13E	FY14E	FY15E	FY14E	FY15E	(FY13-15)	FY14E	FY15E	FY13-15	Share (%)	
<b>High PAT CAGR (&gt;20%)</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>18.0</b>	<b>18.9</b>	<b>19.5</b>	<b>91</b>	<b>55</b>	<b>18</b>	<b>32</b>	<b>31</b>	<b>31</b>	<b>19</b>	
Telecom (3)	10	9	9	30.2	31.0	31.9	87	87	13	67	54	61	5	
Real Estate (11)	34	22	28	38.1	40.2	42.4	209	221	35	44	44	44	3	
Retail (3)	25	23	24	9.7	10.1	10.5	41	42	29	29	30	29	0	
Auto (7)	13	14	13	12.6	13.4	13.8	79	39	18	24	22	23	9	
Media (7)	13	14	13	29.7	30.5	31.6	82	111	17	16	28	22	1	
<b>Medium PAT CAGR (15-20%)</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>27.2</b>	<b>28.9</b>	<b>31.3</b>	<b>178</b>	<b>239</b>	<b>17</b>	<b>16</b>	<b>20</b>	<b>18</b>	<b>62</b>	
Cement (15)	14	15	14	21.0	21.3	21.8	29	46	16	13	27	20	4	
Financials (27)	19	17	18	78.3	77.9	78.5	-39	61	18	18	19	18	28	
Private Banks (8)	25	21	23	85.0	86.4	87.1	135	71	24	23	21	22	10	
NBFC (8)	19	19	19	96.8	96.8	96.6	-6	-20	19	16	19	18	6	
PSU Banks (11)	16	15	16	71.8	70.4	70.8	-142	42	15	15	17	16	12	
Consumer (13)	16	16	16	20.7	21.2	21.5	58	24	18	16	19	18	5	
Healthcare (16)	9	14	11	24.0	22.6	22.8	-139	19	9	16	17	17	4	
Excl. RMs (10)	5	4	4	15.2	16.9	19.4	170	247	18	13	21	17	20	
Oil & Gas (13)	7	1	4	8.4	9.6	11.1	117	156	20	13	22	17	24	
<b>Low PAT CAGR (up to 15%)</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>20.2</b>	<b>21.2</b>	<b>21.7</b>	<b>100</b>	<b>50</b>	<b>11</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>19</b>	
Metals (10)	5	4	5	15.9	18.2	19.1	221	99	15	16	6	11	6	
Technology (10)	11	10	11	25.1	24.6	24.2	-46	-38	9	8	11	10	6	
Utilities (10)	11	12	11	30.7	30.7	31.2	2	55	12	9	11	10	7	
Capital Goods (9)	4	5	5	12.0	11.9	11.3	-9	-68	1	-2	4	1	0	
Others (6)	14	14	14	10.9	11.0	11.2	18	17	16	13	18	16	1	
MOSL Excl. RMs (157)	10	9	9	22.8	24.1	25.4	130	132	16	15	17	16	100	
MOSL (160)	9	7	8	18.1	19.3	20.8	125	148	16	15	18	16	NA	
Sensex (30)	8	8	8	19.2	20.6	21.8	141	122	15	16	16	16	NA	
<b>Nifty (50)</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>19.7</b>	<b>21.0</b>	<b>22.2</b>	<b>129</b>	<b>119</b>	<b>15</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>NA</b>	

**VALUATIONS Divergence in performance**

**Flat Nifty over 5-years; de-rated as earnings grew**

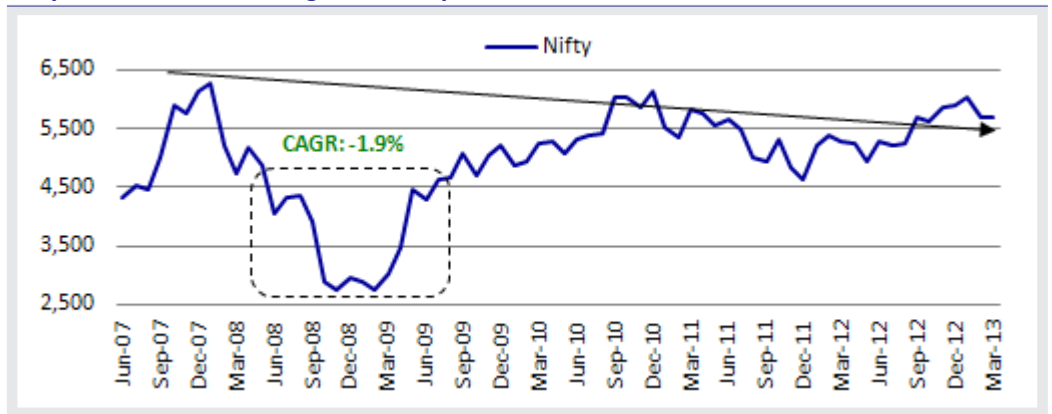
Equities continue to be a laggard in terms of overall performance when compared to other asset investment classes. During the period January 8, 2008 (Nifty high of 6,288) to March 31, 2013, Nifty has gone nowhere giving a CAGR of negative 1.9%. Alternate investment avenues delivered double digit returns during this period, also explaining the big outflows from equities into other asset classes.

Within equities itself, the divergence in performance has been huge. Certain sectors like Consumer, Healthcare, Technology (all strong balance sheets) have significantly outperformed cyclical, leveraged sectors and PSUs. The strong dichotomy is brought out from the fact that there were 68 stocks having market cap in excess of USD5bn in January 2008, which has reduced to 48 currently.

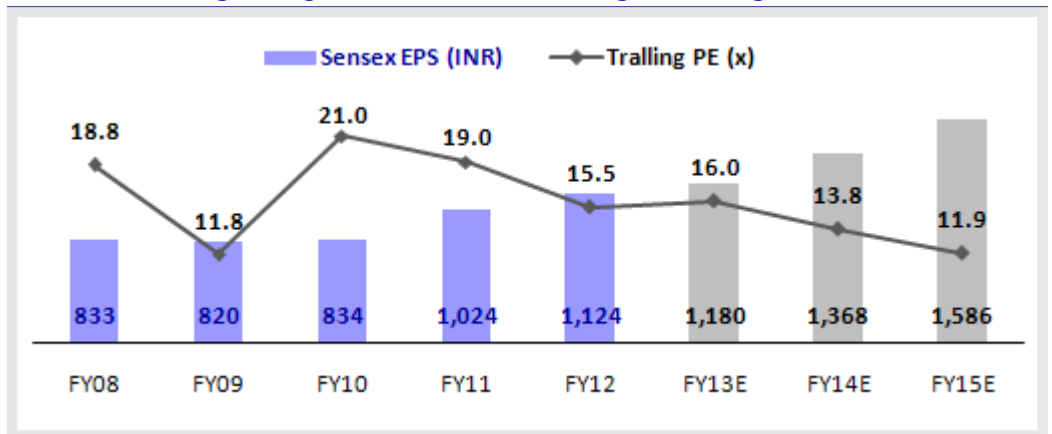
**Nifty performance is flat, but PE multiples continue to de-rate**

Over the last 5 years, Nifty remained in a range of 5,000-6,000 levels, barring the fall during the crisis of 2008. As Nifty returns have been negative, earnings for Nifty companies clocked a 7% CAGR (significantly below the long period averages). At current levels, markets are trading at a PE of 13.8x FY14E EPS and 11.9x FY15E EPS. This is modeling earnings CAGR of 16%, which can see further downgrades over the next couple of quarters. However, still the valuations will remain most attractive, barring the year of global crisis.

**Nifty has remained in a range for last 5 years**



**While Index earnings have grown at CAGR of 7%, leading to de-rating of markets**



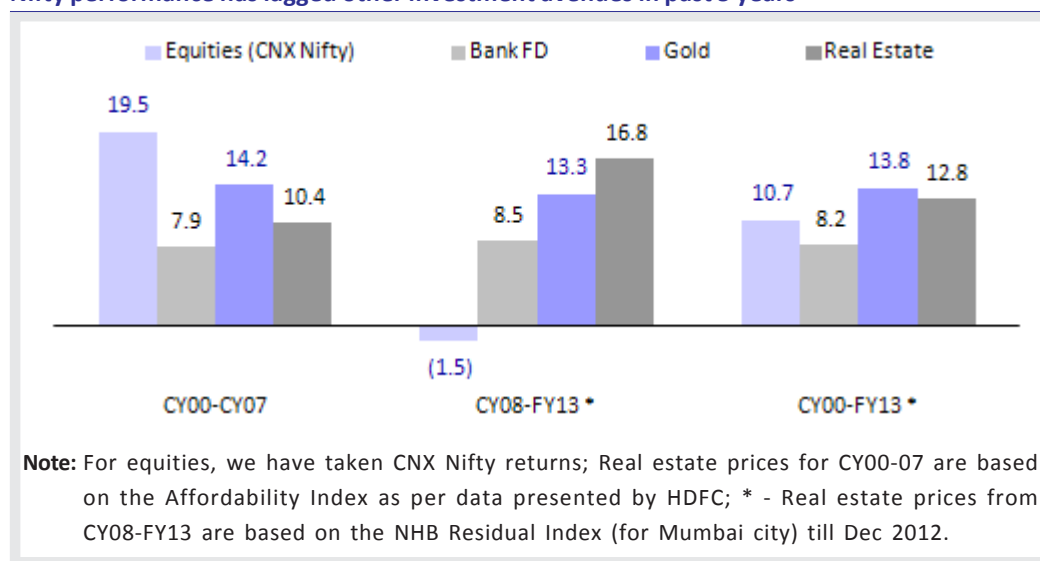


### Returns on asset investment classes

Indian equities were the top performing asset category during the boom of 2000-2007. However, the last 5 years saw it delivering negative returns (v/s strong positive returns by other asset classes). Over 2000-13, equities just managed to outperform fixed income but are lagging real estate and gold.

This also explains the sharp divergence in deployment of savings during this period. Equities have seen continuous outflows from domestic investors, while other asset classes have seen net inflows. As growth returns over the next couple of years and other asset categories' target returns moderate, we believe that equities outperformance will again attract domestic savings.

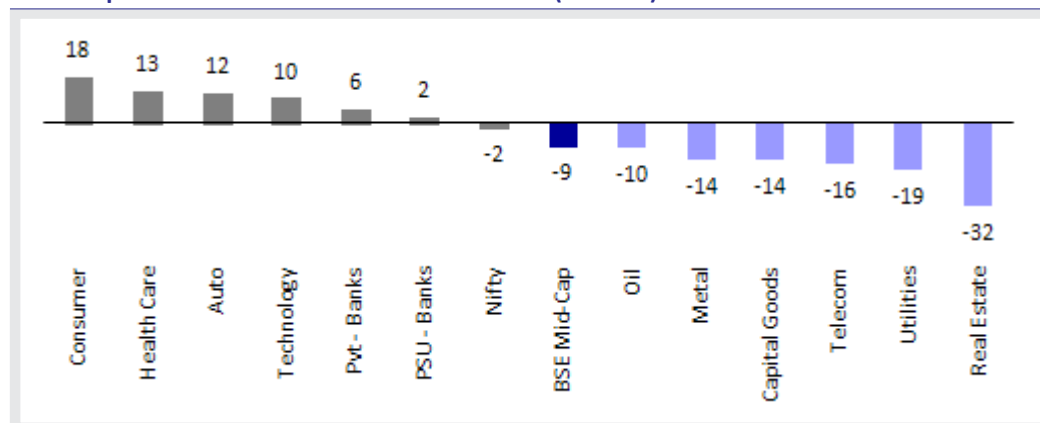
### Nifty performance has lagged other investment avenues in past 5 years



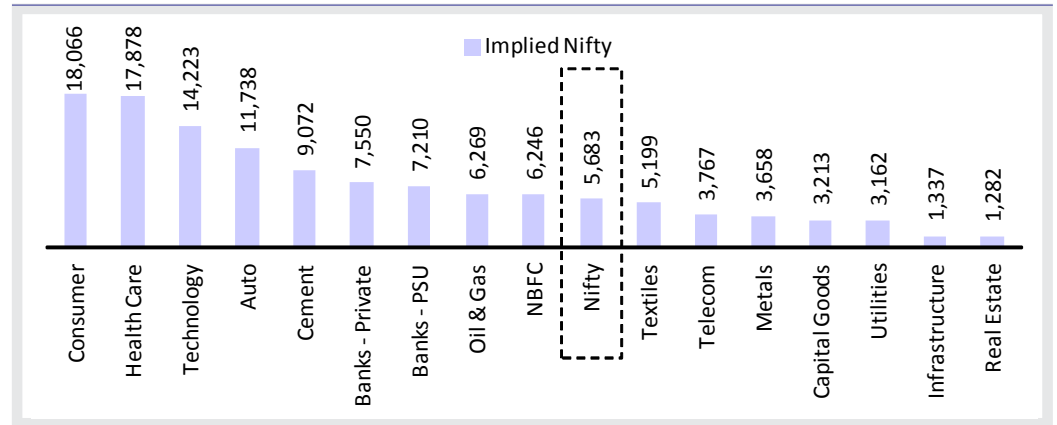
### Divergence in sectoral performance

There is a huge divergence in terms of sectoral performance, wherein certain sectors such as Consumer, Healthcare and Technology are appearing at implied Nifty levels of 12,000+ and certain sectors such as Real Estate and Infrastructure are significantly underperforming the Nifty.

### Sectoral performance from Jan 08 levels till 2013 (CAGR %)



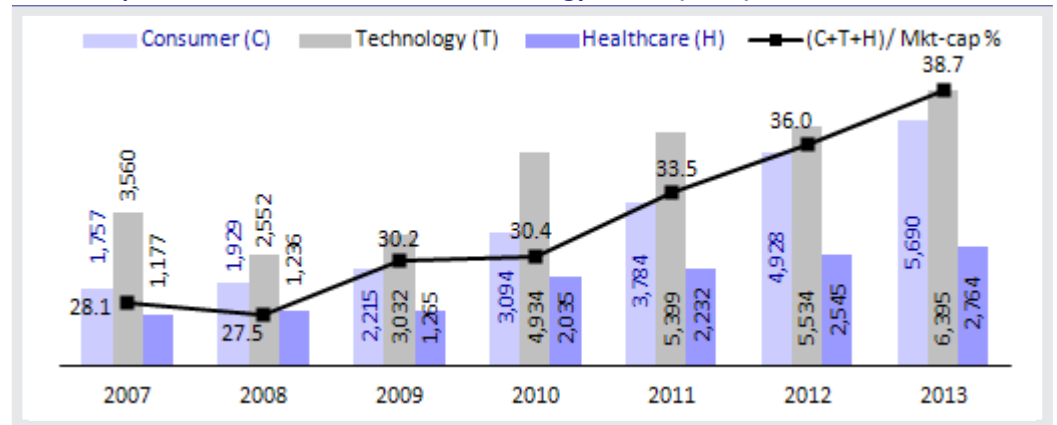
**Sector-wise performance - those pulling up Nifty and dragging it**



In our above analysis, we have used the sector performance CAGR returns from January 2008 to March 2013 period. We have then extrapolated the Nifty levels at which these particular sectors would appear on March 31, 2013 (based on January 8, 2008 Nifty highs of 6,288).

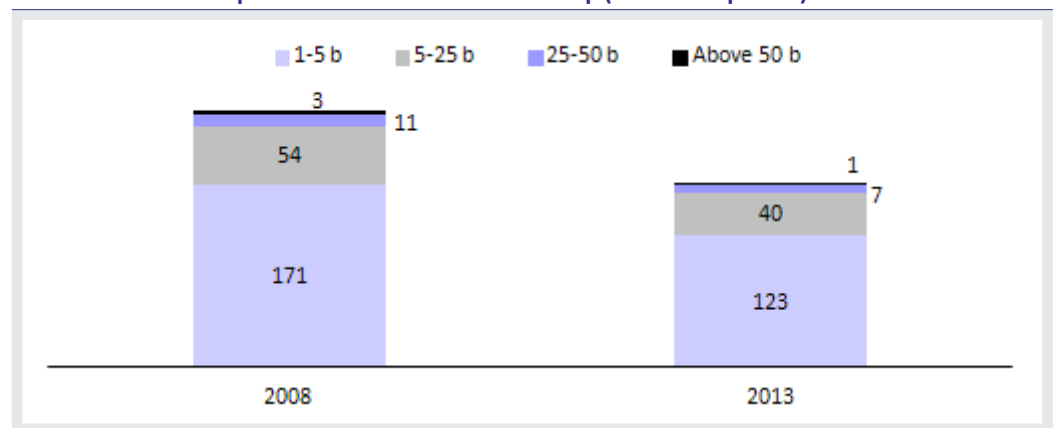
**Market cap of Consumer, Healthcare and Technology sectors (INR b)**

Weight of Consumer, Technology and Healthcare sectors in the overall market cap has been continuously rising

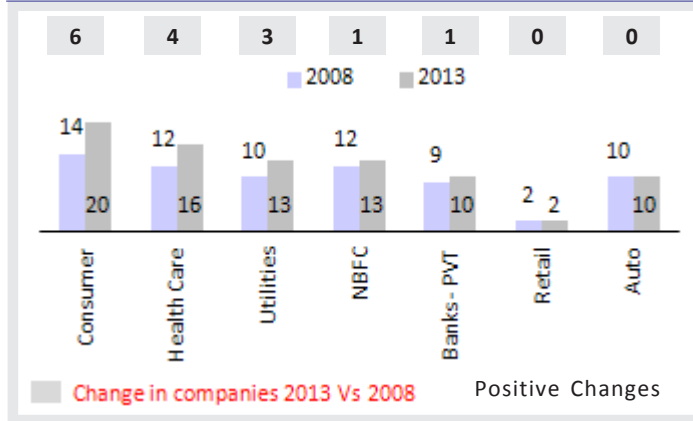


**Classification of companies on the basis of market cap (no. of companies)**

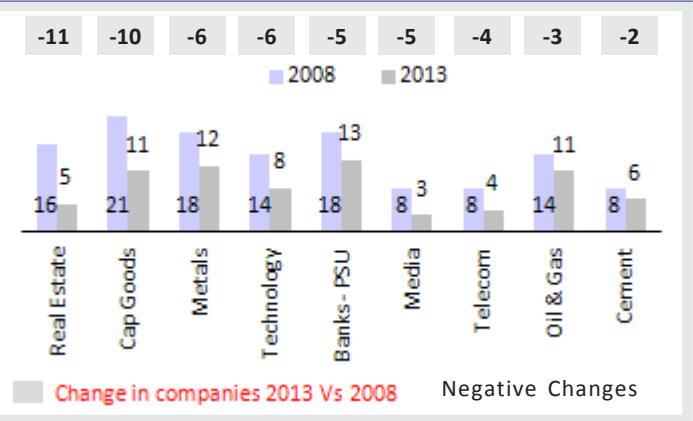
No. of companies having market cap above USD5bn has declined from 68 on January 8, 2008 to 48 on March 31, 2013



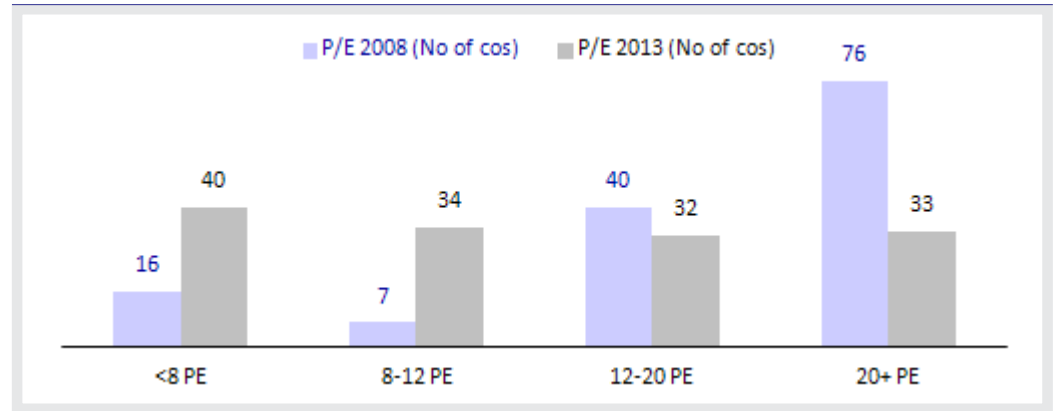
No. of companies with market cap greater than USD1b



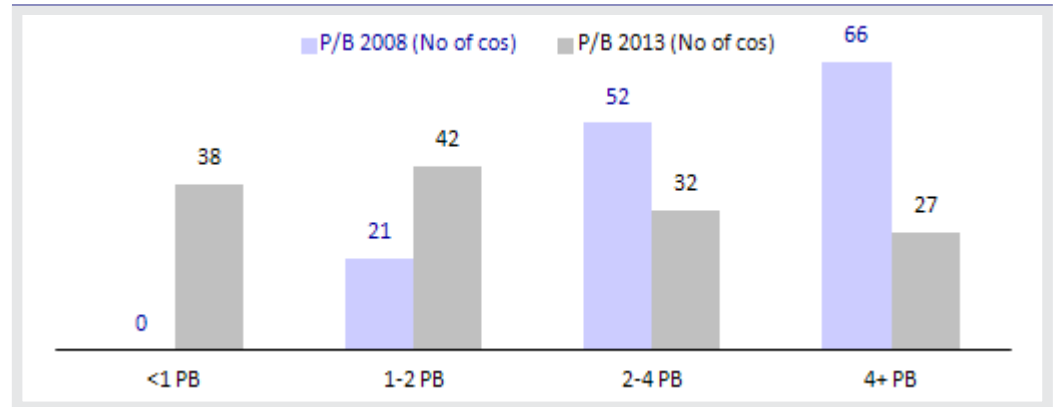
No. of cos with market cap greater than USD1bn



PE distribution mix for MoSL universe

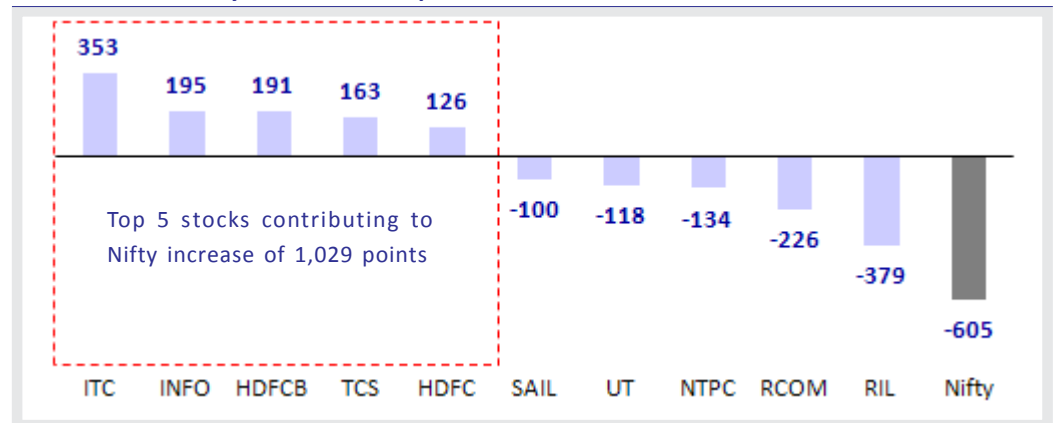


PB distribution mix for MoSL universe



PE and PB distribution mix for MoSL universe has deteriorated in the last 5 years

Contribution to Nifty vis-à-vis Jan-08 prices



Five stocks - ITC, Infosys, HDFC Bank, TCS and HDFC contributed to pushing Nifty up by 1,029 points, with the closing at 5,683 levels on March 31, 2013. Thus, the remaining 45 stocks are actually at Nifty levels of 4,654

Note: Prices of companies which moved out of Nifty are updated till the date they exited.

## Market valuations

### Top 10 Nifty outperformers

	10 Year PE (x)				PE Prem / Disc (%)				10 Year PB (x)				PB Prem / Disc (%)			
	Current	Avg	Min	Max	Avg	Min	Max	Nifty	Current	Avg	Min	Max	Avg	Min	Max	Nifty
Lupin	20.3	17.4	6.0	32.9	17	236	-38	52	4.9	4.1	1.2	6.5	18	315	-25	117
Asian Paints	33.4	21.0	9.0	33.4	59	270	0	150	11.5	7.6	4.0	11.5	51	190	0	415
Sun Pharma.Inds.	27.4	17.7	7.1	27.4	54	288	0	105	5.1	4.2	2.7	6.5	22	89	-21	128
TCS	19.9	18.4	7.0	25.8	9	185	-23	49	6.4	6.4	2.3	10.5	1	182	-39	187
ITC	28.7	20.0	9.1	29.1	44	216	-1	115	10.7	5.7	1.6	10.8	88	560	-1	378
<b>HCL Technologies</b>	<b>14.0</b>	<b>14.4</b>	<b>5.8</b>	<b>22.6</b>	<b>-3</b>	<b>143</b>	<b>-38</b>	<b>5</b>	<b>3.4</b>	<b>2.9</b>	<b>1.0</b>	<b>4.5</b>	<b>18</b>	<b>238</b>	<b>-23</b>	<b>54</b>
<b>Dr Reddy's Labs</b>	<b>18.1</b>	<b>41.3</b>	<b>11.2</b>	<b>370.4</b>	<b>-56</b>	<b>62</b>	<b>-95</b>	<b>35</b>	<b>3.8</b>	<b>3.3</b>	<b>1.5</b>	<b>5.6</b>	<b>15</b>	<b>148</b>	<b>-32</b>	<b>70</b>
Hero Motocorp	14.8	14.0	5.2	21.5	5	186	-31	10	4.9	6.5	3.3	13.1	-26	47	-63	117
M & M	11.0	10.7	3.3	17.1	3	231	-36	-17	3.0	2.9	0.6	5.3	1	387	-44	32
Hind. Unilever	28.8	26.0	18.7	39.3	11	54	-27	116	17.5	20.1	11.0	33.3	-13	59	-47	683

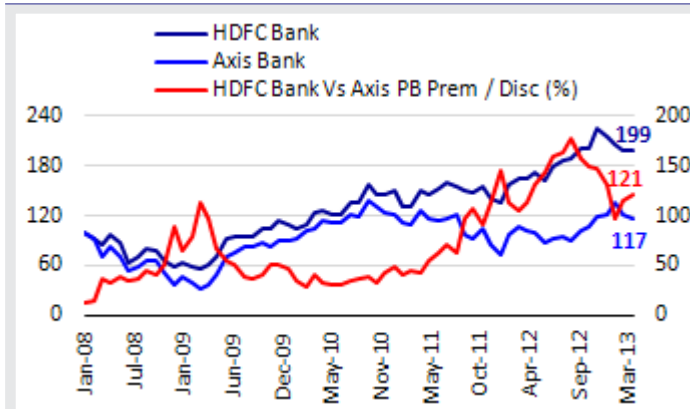
### Top 10 underperformers

	10 Year PE (x)				PE Prem / Disc (%)				10 Year PB (x)				PB Prem / Disc (%)			
	Current	Avg	Min	Max	Avg	Min	Max	Nifty	Current	Avg	Min	Max	Avg	Min	Max	Nifty
Bharti Airtel	28.1	22.6	9.6	51.1	24	193	-45	110	1.8	3.5	1.1	6.9	-47	62	-73	-18
Siemens	30.2	33.0	8.6	58.0	-9	251	-48	126	4.4	8.3	2.2	20.5	-47	100	-79	96
NTPC	10.4	16.9	10.4	25.9	-38	0	-60	-22	1.4	2.2	1.4	3.7	-37	0	-63	-39
Reliance Inds.	10.4	11.1	3.6	26.5	-6	189	-61	-22	1.1	1.6	0.6	3.5	-29	105	-68	-49
Hindalco Inds.	4.4	8.3	4.2	14.3	-47	3	-69	-67	0.8	1.7	0.6	4.5	-55	35	-82	-65
B H E L	9.6	17.3	8.5	40.9	-45	13	-77	-28	1.3	4.2	1.0	10.7	-68	30	-87	-40
Tata Steel	9.8	9.2	2.1	67.7	7	371	-86	-27	1.2	2.3	0.9	6.0	-48	33	-80	-46
JP Associates	16.4	25.5	6.3	71.7	-36	160	-77	23	1.2	2.0	0.2	5.4	-39	409	-78	-47
DLF	38.3	32.0	12.7	46.8	20	201	-18	187	1.4	2.5	0.9	8.8	-43	57	-84	-37
Reliance Infra.	6.1	18.7	5.8	63.2	-67	5	-90	-54	0.4	1.5	0.4	4.4	-72	0	-91	-81

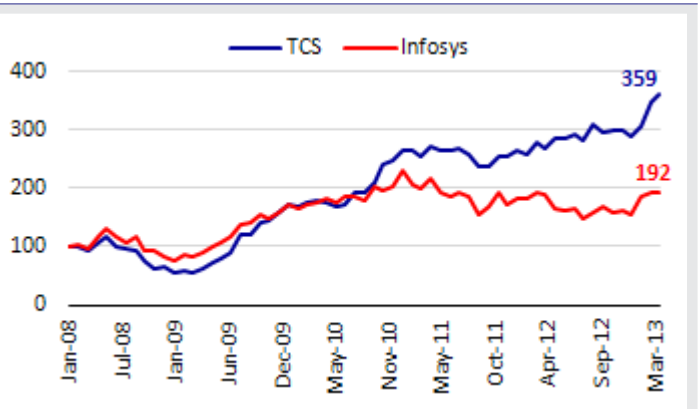
- We have considered the top 10 and bottom 10 Nifty stocks in terms of returns generated from January 8, 2008 levels.
- Barring HCL Tech and Dr Reddy's Labs, the current PE / PB is above the LTA PE / PB for most of the outperformers.
- For Asian Paints and Sun Pharma, PEs are at an all-time high.
- For all the underperformers, the current PB is below the LTA PB for the respective stocks.

**Sectoral/Stock performance and valuation charts**

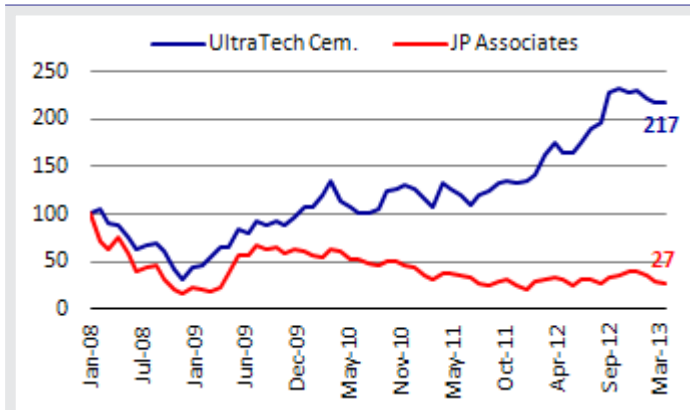
**HDFC Bank v/s Axis Bank performance and P/B**



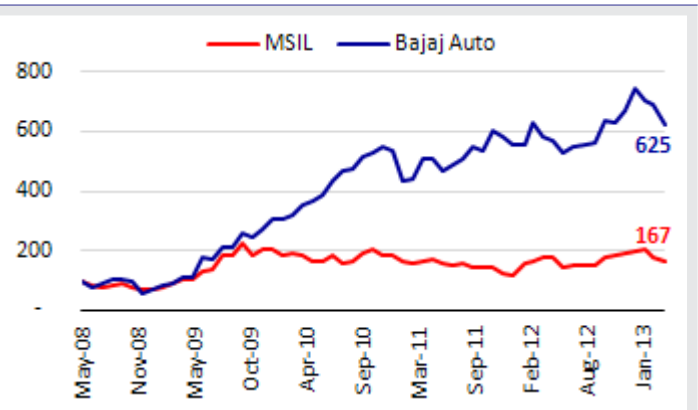
**TCS v/s Infosys performance**



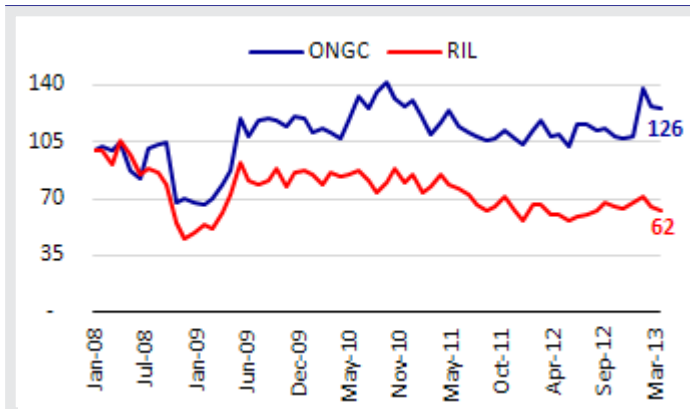
**Ultra Tech v/s JP Associates performance**



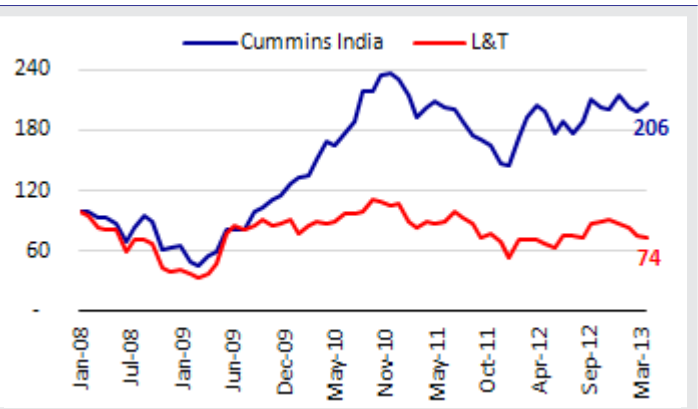
**Maruti Suzuki v/s Bajaj Auto performance**



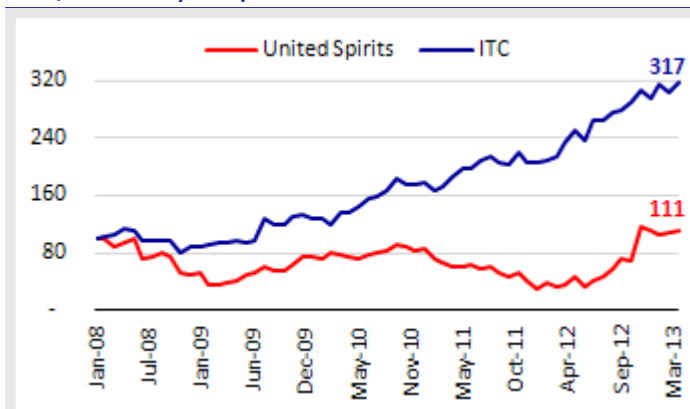
**ONGC v/s RIL performance**



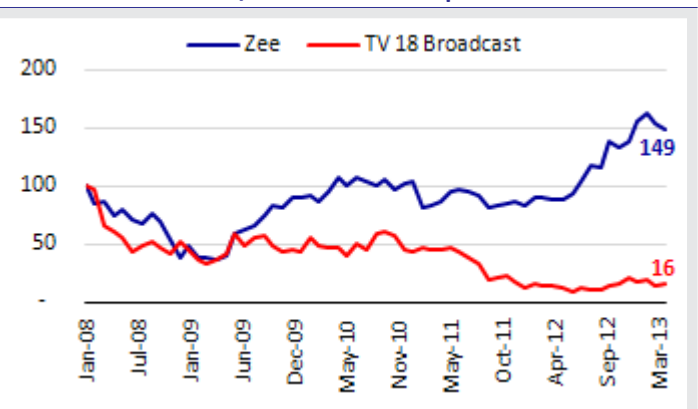
**Cummins v/s L&T performance**



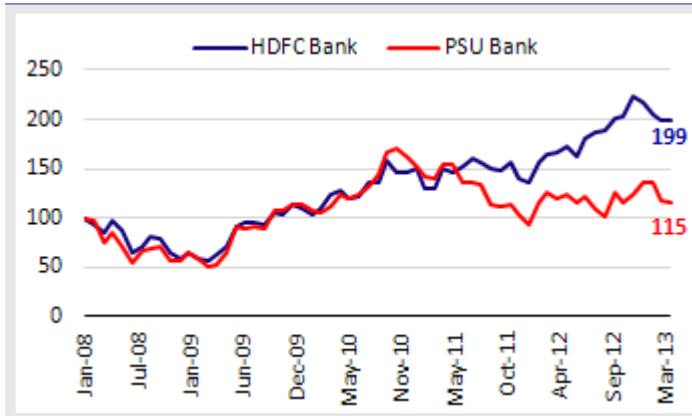
**ITC v/s United Spirits performance**



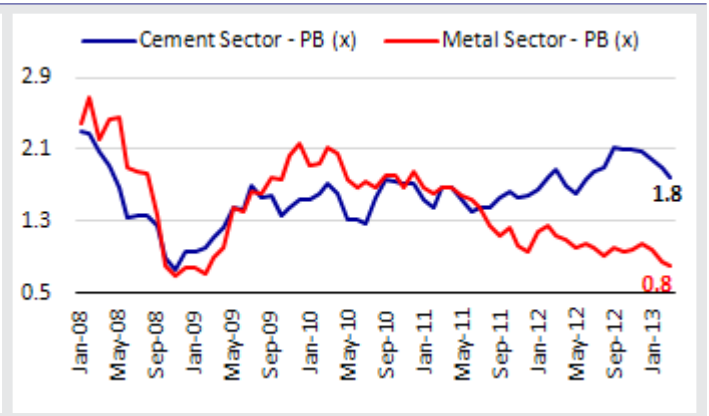
**Zee Entertainment v/s TV18 Broadcast performance**



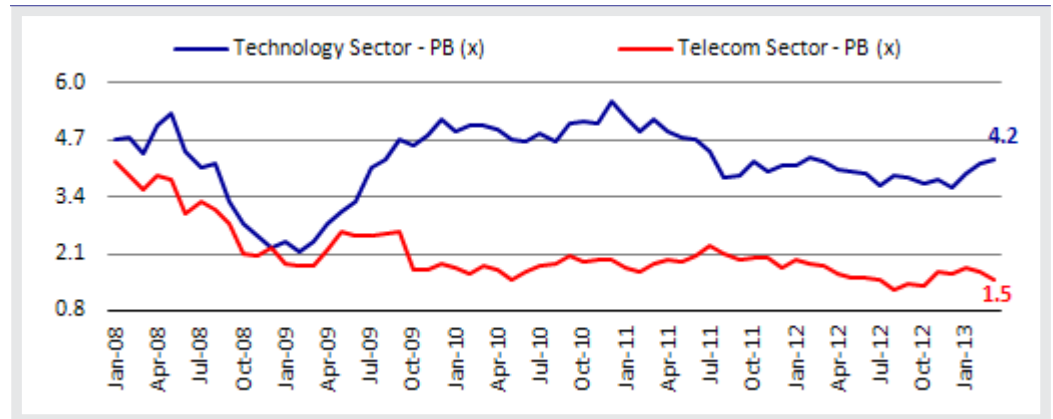
HDFC Bank v/s state-owned banks performance



Metals v/s Cement Sector PB (x)



Technology Vs Telecom PB (x)



## MOSL model portfolio



Sector / Portfolio Picks	BSE-100	MOSL Wt	Wt relative to BSE-100	Sector Stance
<b>Financials</b>	<b>27.3</b>	<b>26.0</b>	<b>-1.3</b>	<b>Neutral</b>
<b>Private</b>	<b>15.1</b>	<b>13</b>	<b>-2.1</b>	<b>Neutral</b>
ICICI Bank	5.3	7	1.7	Buy
HDFC Bank	5.2	4	-1.2	Neutral
Yes Bank	0.5	2	1.5	Buy
<b>PSU</b>	<b>5.3</b>	<b>9</b>	<b>3.7</b>	<b>Overweight</b>
SBI	2.5	5	2.5	Buy
PNB	0.4	2	1.6	Buy
Canara Bank	0.3	2	1.7	Buy
<b>NBFCs</b>	<b>7.0</b>	<b>4</b>	<b>-3.0</b>	<b>Neutral</b>
LIC Housing	0.3	2	1.7	Buy
IDFC	0.8	2	1.2	Buy
<b>Oil &amp; Gas</b>	<b>11.7</b>	<b>12.0</b>	<b>0.3</b>	<b>Overweight</b>
ONGC	2.9	4	1.1	Buy
Reliance Inds.	6.2	3	-3.2	Neutral
Cairn India	0.8	3	2.2	Buy
BPCL	0.5	2	1.5	Buy
<b>Information Technology</b>	<b>12.9</b>	<b>12.0</b>	<b>-0.9</b>	<b>Neutral</b>
Infosys	6.2	7	0.8	Buy
WIPRO	1.2	3	1.8	Buy
Tech Mahindra	0.0	2	2.0	Buy
<b>Auto</b>	<b>7.3</b>	<b>9.0</b>	<b>1.7</b>	<b>Overweight</b>
Maruti Suzuki	0.8	4	3.2	Buy
Tata Motors	2.3	3	0.7	Buy
Hero Motocorp	0.7	2	1.3	Buy
<b>Infrastructure &amp; Related sectors</b>	<b>8.7</b>	<b>8.0</b>	<b>-0.7</b>	<b>Underweight</b>
Larsen & Toubro	3.3	4	0.7	Buy
Jaiprakash Associates	0.4	2	1.6	Buy
Cummins	0.3	2	1.7	Buy
<b>Consumer / Retail</b>	<b>14.6</b>	<b>7.0</b>	<b>-7.6</b>	<b>Underweight</b>
ITC	7.6	3	-4.6	Buy
Titan	0.5	2	1.5	Buy
United Spirits	0.8	2	1.2	Buy
<b>Telecom</b>	<b>2.3</b>	<b>4.0</b>	<b>1.7</b>	<b>Overweight</b>
Bharti Airtel	1.8	2	0.2	Buy
IDEA	0.4	2	1.6	Buy
<b>Healthcare</b>	<b>5.0</b>	<b>4.0</b>	<b>-1.0</b>	<b>Underweight</b>
Dr Reddy's	1.0	2	1.0	Buy
Divi's Lab	0.3	2	1.7	Buy
<b>Metals</b>	<b>3.0</b>	<b>4.0</b>	<b>1.0</b>	<b>Neutral</b>
NMDC	0.5	2	1.5	Buy
Hindalco	0.5	2	1.5	Buy
<b>Utilities</b>	<b>5.1</b>	<b>3.0</b>	<b>-2.1</b>	<b>Underweight</b>
NTPC	1.3	3	1.7	Buy
<b>Others</b>	<b>1.9</b>	<b>11.0</b>	<b>9.1</b>	<b>Overweight</b>
Havells	0.0	1	1.0	Buy
Thermax	0.0	1	1.0	Buy
Jagran	0.0	1	1.0	Buy
Dewan Housing	0.0	1	1.0	Buy
Petronet LNG	0.0	1	1.0	Buy
Redington	0.0	1	1.0	Buy
Hexaware	0.0	1	1.0	Buy
MCX	0.0	1	1.0	Buy
OBC	0.0	1	1.0	Buy
SUN TV	0.0	1	1.0	Buy
Pantaloon	0.0	1	1.0	UR
<b>Cash</b>	<b>0.0</b>	<b>0.0</b>	<b>0.00</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		



## 4QFY13 PREVIEW Seculars hold, cyclicals fold

MOSL Universe PAT flat, Sensex PAT down 2% YoY



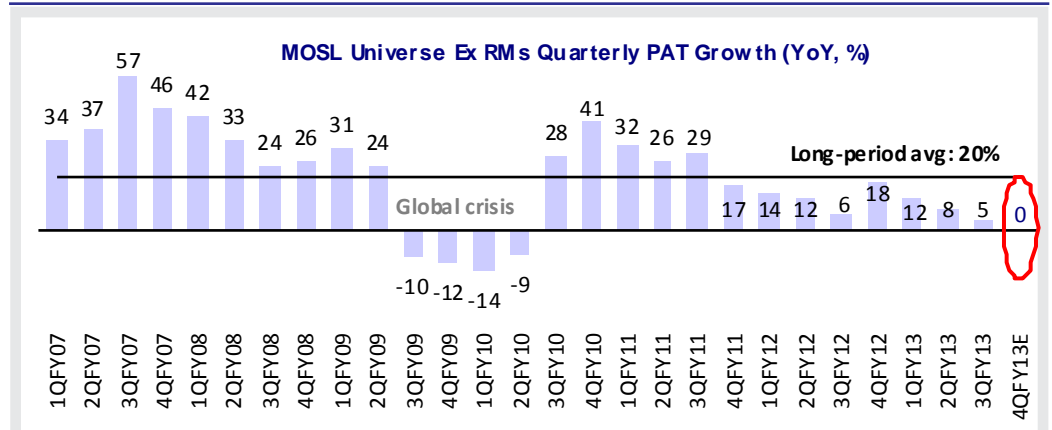
- Expect 4QFY13 Aggregate PAT to be flat, lowest ex global crisis quarters; full year FY13 PAT growth also muted at only 6%.
- Key financial metrics - Sales growth, EBITDA Margin, PAT Margin - all continue to be below long-period averages.
- Sensex 4QFY13 PAT down 2% YoY v/s LPA of 18%.
- Both in 4QFY13 and for FY13, the relatively more secular sectors like Consumer, Technology, Healthcare, Financials and Media have performed much better than cyclical plays like Metals, Capital Goods, Auto, Cement and Real Estate.

### 4QFY13 Aggregate PAT flat, lowest ex global crisis quarters

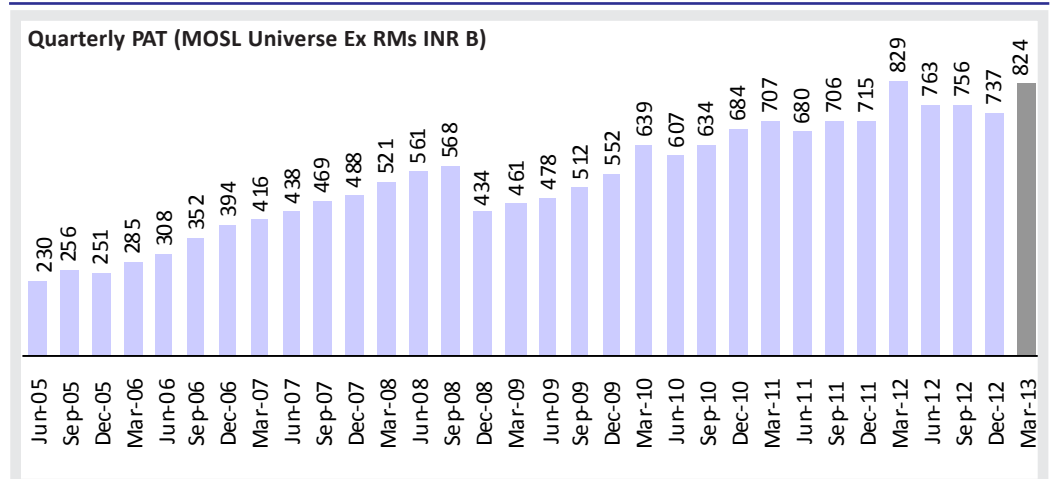
We expect MOSL Universe of 144 companies (excluding RMs i.e. 3 major oil refining & marketing companies IOC, BPCL, HPCL) to report zero growth in aggregate 4QFY13 PAT. This is the lowest growth in the last 28 quarters, excluding the 4 quarters of PAT de-growth during the global financial crisis (FY09/FY10). This marks the 9th successive quarter of PAT growth staying below the FY07-13 quarterly average of 20%.

Absolute Aggregate PAT is close to its all-time high, but other key financial metrics – Sales growth, EBITDA Margin, PAT Margin – all continue to be below long-period averages for several quarters now.

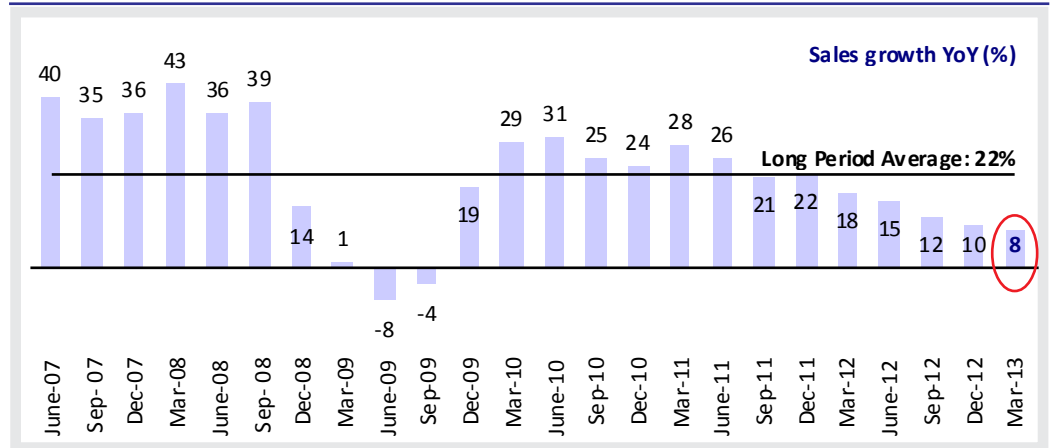
### 4QFY13 PAT flat, the lowest growth in last 28 quarters ex global crisis



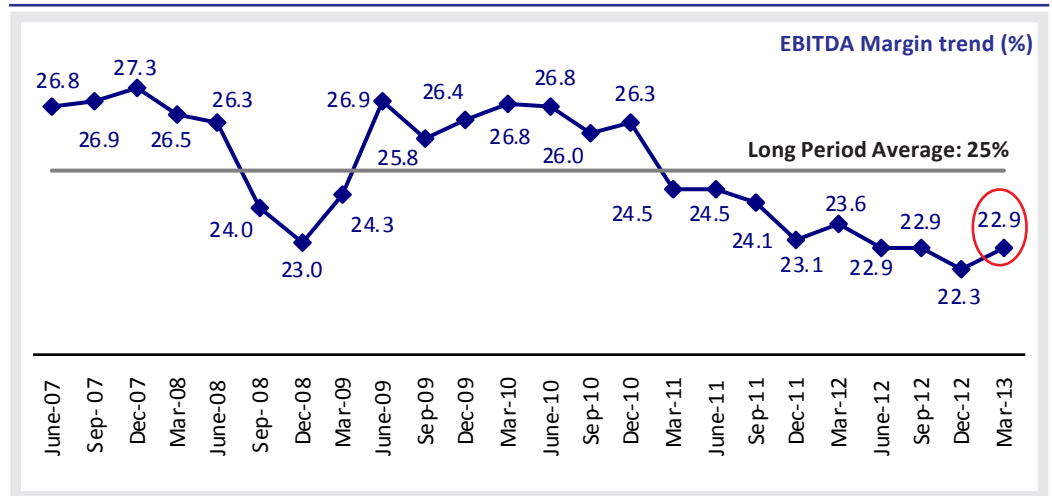
### Aggregate PAT close to all-time high of Mar-12 quarter ...



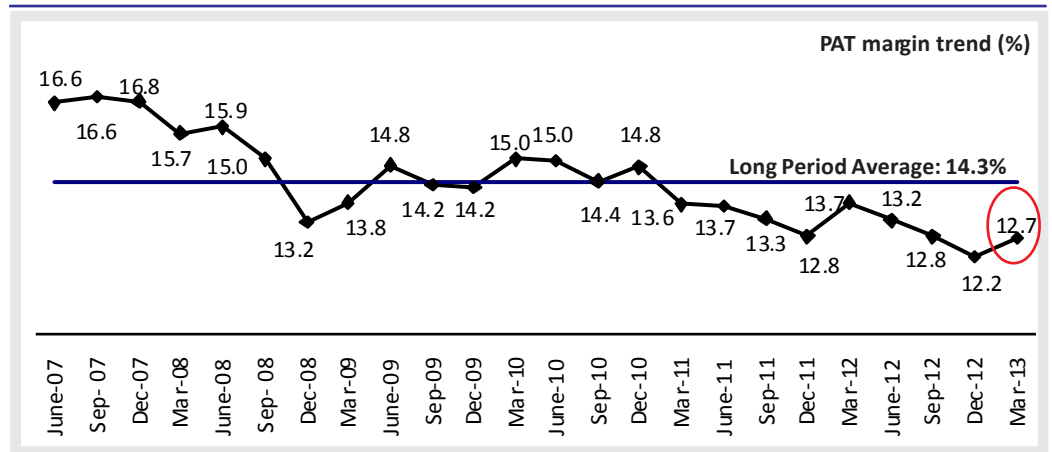
... but Sales growth continuously on the decline



... EBITDA Margin below LPA for the 9th successive quarter



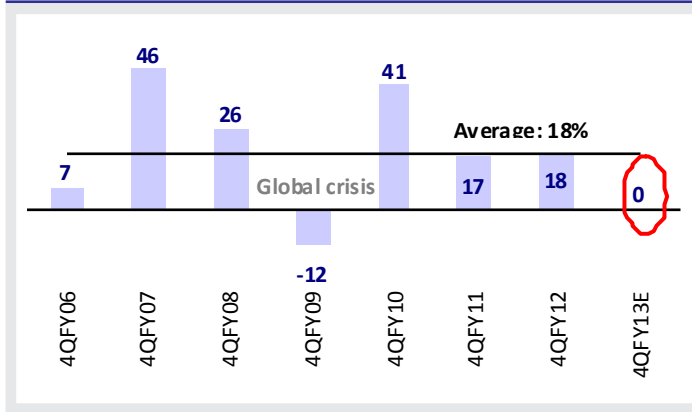
... and PAT Margin seems to be influenced by EBITDA margin – below LPA for the 9th successive quarter



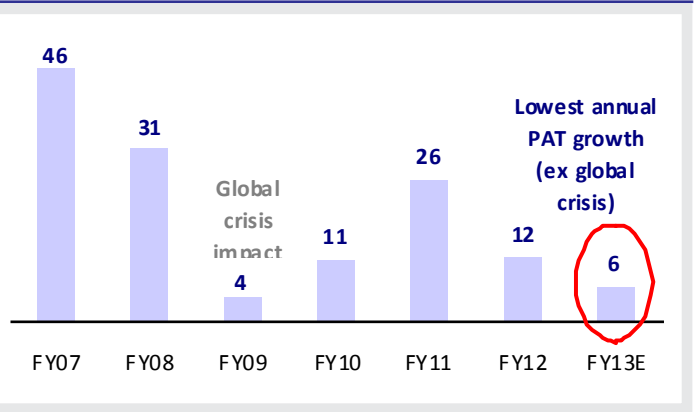
**FY13 PAT growth only 6%**

Even in terms of 4Q growth alone, this quarter’s growth is likely to be the lowest since FY06, excluding the global crisis quarter of FY09. In effect, during FY13, YoY PAT growth for the 4 quarters presents a steady decline – 12%, 8%, 5% and now 0%. As a result, Aggregate PAT growth for full year FY13 works out to only 6%, the lowest since FY07, again excluding the global crisis year of FY09.

4QFY13 PAT growth the lowest for 4Q ex global crisis



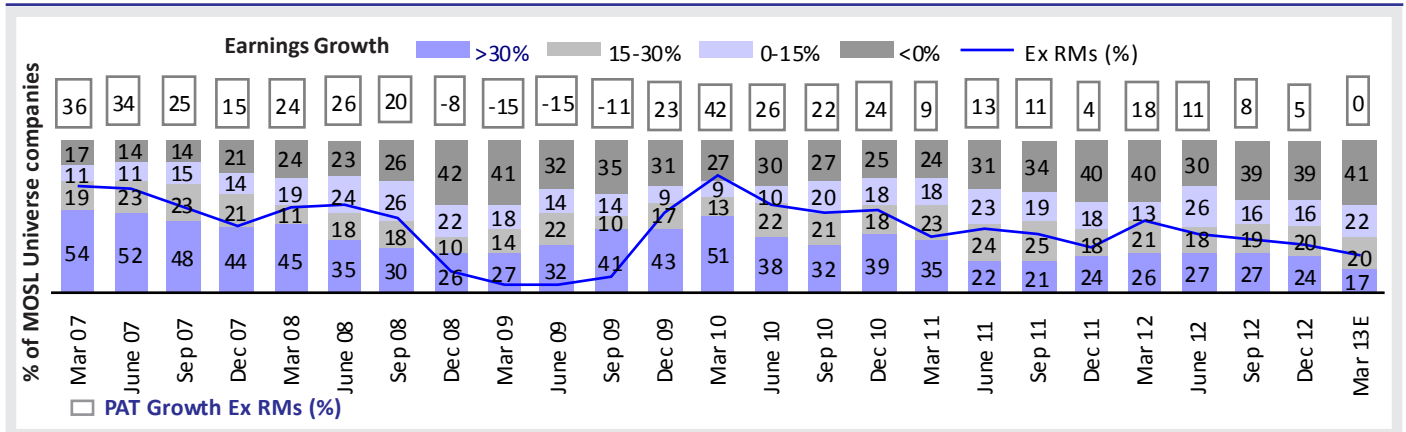
Low growth in all 4 quarters of FY13 drags full year growth



Performance weak across the board

The distribution of PAT growth suggests that performance of India Inc is likely to be weak across the board. Thus, for instance, 41% of companies in the MOSL Universe are expected to report PAT de-growth YoY. This is the highest level since March 2009. Likewise, at the other end, only 17% of the companies are expected to report PAT growth in excess of 30%. This is the lowest in any quarter ever. Even during the global crisis quarters of Dec-08 to Sep-09, 27-43% of MOSL Universe had reported PAT growth of 30%+.

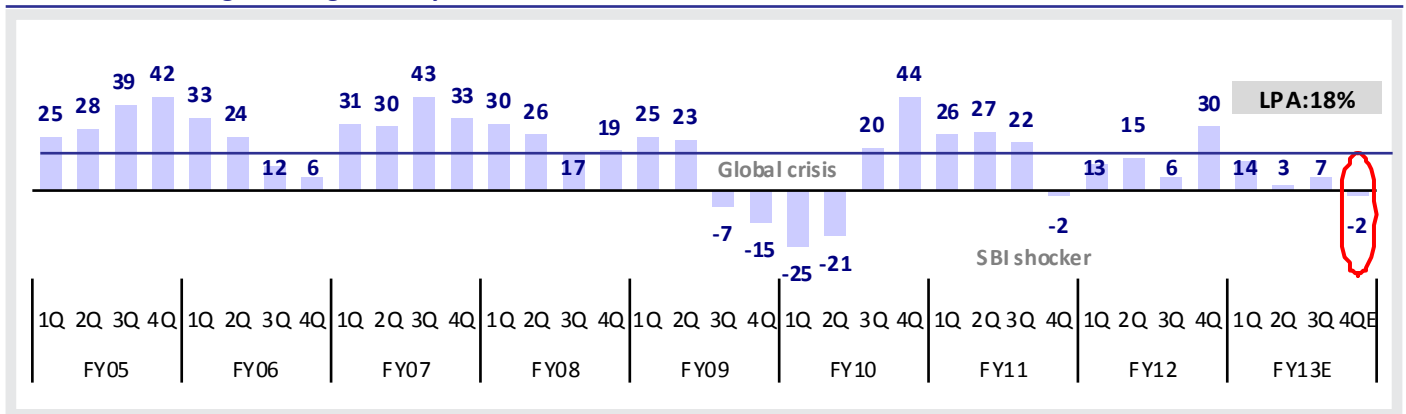
Earnings growth distribution suggests widespread weak performance



Sensex 4QFY13 PAT down 2% YoY v/s LPA of 18%

Based on bottom-up aggregates, we expect 4QFY13 Sensex PAT to de-grow 2% YoY. This is significantly below the long-period average of 18% growth, and is the weakest Sensex PAT performance ever excluding global crisis and Mar-11 quarter (massive provisioning by SBI; 5% growth ex SBI).

4QFY13 Sensex PAT growth significantly below LPA



**4QFY13 Sensex performance: PAT de-growth in 13 companies a major drag on aggregate (INR b)**

(INR b)	Sales		EBITDA		PAT		Contribution		EBITDA Margin (%)	
	Mar-13	YoY (%)	Mar-13	YoY (%)	Mar-13	YoY (%)	(%)	Delta (INR b)	Mar-13	Chg YoY (bp)
<b>High PAT growth</b>	<b>1,572</b>	<b>14</b>	<b>263</b>	<b>25</b>	<b>180</b>	<b>27</b>	<b>33</b>	<b>39</b>	<b>16.8</b>	<b>148</b>
GAIL	115	10	13	74	8	122	1	4	11.1	405
HDFC Bank	39	14	31	28	19	30	3	4	79.7	852
Reliance Inds.	960	13	81	23	55	29	10	12	8.4	70
Cipla	21	15	5	24	3	28	1	1	23.5	173
Maruti Suzuki	127	8	12	39	8	26	1	2	9.4	207
TCS	165	24	47	20	36	24	7	7	28.6	-95
ITC	82	18	28	24	19	20	4	3	34.4	185
Sun Pharma	27	28	12	41	9	20	2	1	43.3	405
ICICI Bank	37	19	35	14	23	19	4	4	96.1	-410
<b>Med/Low PAT growth</b>	<b>805</b>	<b>7</b>	<b>215</b>	<b>12</b>	<b>155</b>	<b>9</b>	<b>29</b>	<b>13</b>	<b>26.7</b>	<b>123</b>
HDFC	20	16	21	15	15	15	3	2	104.8	-129
Wipro	112	13	22	13	17	14	3	2	19.8	-7
Dr Reddy's Labs	26	13	5	7	2	13	0	0	19.0	-100
Sterlite Inds.	112	3	28	3	16	13	3	2	25.0	3
NTPC	166	2	43	4	26	12	5	3	25.8	51
Hind. Unilever	63	10	9	13	7	10	1	1	14.9	40
Coal India	206	6	74	19	64	6	12	4	35.6	393
Mahindra & Mahindra	99	9	13	18	8	5	2	0	13.0	94
<b>PAT de-growth</b>	<b>2,388</b>	<b>6</b>	<b>499</b>	<b>-8</b>	<b>205</b>	<b>-24</b>	<b>38</b>	<b>-65</b>	<b>20.9</b>	<b>-323</b>
Larsen & Toubro	211	14	27	7	18	-3	3	0	13.0	-90
Bajaj Auto	50	0	9	-1	7	-3	1	0	18.2	-25
Infosys	107	21	30	3	22	-4	4	-1	27.8	-484
Tata Power	97	34	23	55	3	-8	1	0	23.3	313
State Bank	115	-1	83	-14	36	-10	7	-4	71.8	-1,095
Hero MotoCorp	62	4	6	-9	5	-13	1	-1	9.4	-141
Hindalco	209	1	22	0	8	-21	1	-2	10.3	-10
BHEL	186	-3	37	-25	25	-25	5	-9	20.0	-563
Bharti Airtel	207	10	64	3	7	-28	1	-3	31.1	-222
JSPL	54	-1	16	-17	8	-32	1	-4	29.2	-567
ONGC	178	-6	85	-23	37	-34	7	-19	47.9	-1,087
Tata Motors	549	8	67	-1	27	-38	5	-17	12.2	-107
Tata Steel	363	7	31	-3	0	PL	0	-5	8.5	-81
<b>SENSEX</b>	<b>4,765</b>	<b>9</b>	<b>978</b>	<b>3</b>	<b>541</b>	<b>-2</b>	<b>100</b>	<b>-13</b>	<b>20.5</b>	<b>-106</b>

**Sector and company analysis: Seculars hold, cyclicals fold**

Of the 16 major sector classifications of the MOSL Universe of companies –

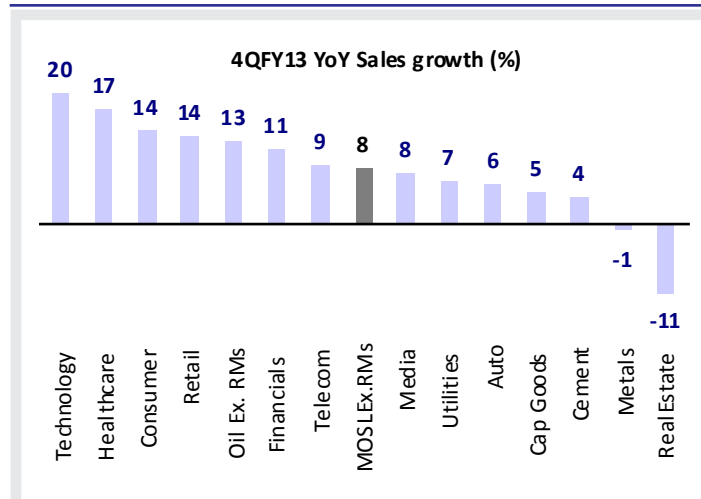
- 4 sectors are expected to report PAT growth of 15% or higher (NBFC, Private banks, Media, Consumer)
- 5 sectors are likely to clock medium/low PAT growth of 0-15% (Technology, Retail, Healthcare, Oil & Gas, Utilities).
- 7 sectors are expected to report PAT de-growth (Telecom, Auto, Capital Goods, PSU Banks, Real Estate, Metals, Cement).

The sectors in each of the above categories clearly indicate the broad pattern of results i.e. the relatively more secular sectors are faring much better than their cyclical counterparts. Thus, all sectors in categories A and B above are secular in nature, except arguably Oil & Gas. Likewise, all sectors in category C tend to have high degree of cyclicity (except Telecom).

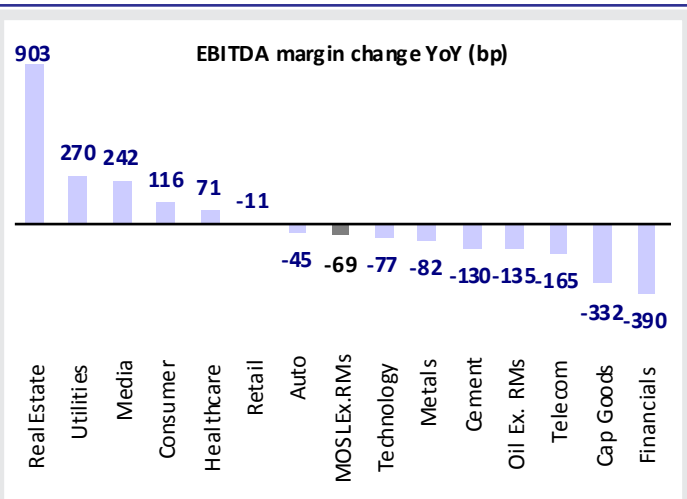
## 4QFY13 performance of MOSL Universe by sector – Seculars drive, cyclicals drag (INR b)

(Nos of companies)	Sales		EBITDA		PAT		Contribution		EBITDA Margin (%)	
	Mar-13	YoY (%)	Mar-13	YoY (%)	Mar-13	YoY (%)	(%)	Delta (INR b)	Mar-13	Chg YoY (bp)
<b>High growth sectors</b>	<b>550</b>	<b>17</b>	<b>268</b>	<b>24</b>	<b>172</b>	<b>24</b>	<b>19</b>	<b>33</b>	<b>48.8</b>	<b>272</b>
NBFC (8)	81	27	79	28	53	30	6	12	96.9	32
Private Banks (8)	133	20	116	24	71	23	8	13	87.7	252
Media (6)	32	8	10	17	4	21	0	1	30.0	242
Consumer (13)	303	14	63	21	43	18	5	7	20.8	116
<b>Med/Low growth sectors</b>	<b>3,189</b>	<b>13</b>	<b>631</b>	<b>11</b>	<b>402</b>	<b>9</b>	<b>45</b>	<b>32</b>	<b>19.8</b>	<b>-32</b>
Technology (10)	499	20	123	17	93	13	10	10	24.6	-77
Retail (4)	70	14	6	12	2	13	0	0	9.2	-11
Health Care (16)	213	17	47	21	30	11	3	3	22.1	71
Oil Excl. RMs (10)	1,726	13	242	3	152	8	17	12	14.0	-135
Utilities (10)	623	7	201	16	117	6	13	6	32.2	270
<b>PAT de-growth sectors</b>	<b>3,365</b>	<b>3</b>	<b>726</b>	<b>-4</b>	<b>329</b>	<b>-16</b>	<b>36</b>	<b>-62</b>	<b>21.6</b>	<b>-174</b>
Telecom (3)	320	9	97	3	11	-29	1	-5	30.2	-165
Auto (7)	941	6	112	2	59	-23	7	-17	11.9	-45
Capital Goods (9)	538	5	77	-15	50	-19	6	-12	14.2	-332
PSU Banks (9)	283	4	202	-8	88	-16	10	-17	71.6	-888
Real Estate (8)	44	-11	18	15	7	-11	1	-1	40.6	903
Metals (10)	1,036	-1	176	-6	88	-11	10	-11	16.9	-82
Cement (8)	203	4	45	-2	25	-2	3	-1	22.2	-130
<b>MOSL Excl. RMs (144)</b>	<b>7,103</b>	<b>8</b>	<b>1,625</b>	<b>5</b>	<b>902</b>	<b>0</b>	<b>100</b>	<b>2</b>	<b>22.9</b>	<b>-69</b>
<b>Sensex (30)</b>	<b>4,765</b>	<b>9</b>	<b>978</b>	<b>3</b>	<b>541</b>	<b>-2</b>			<b>20.5</b>	<b>-106</b>

## Sales growth modest ...



## ... but widespread damage to EBITDA margins



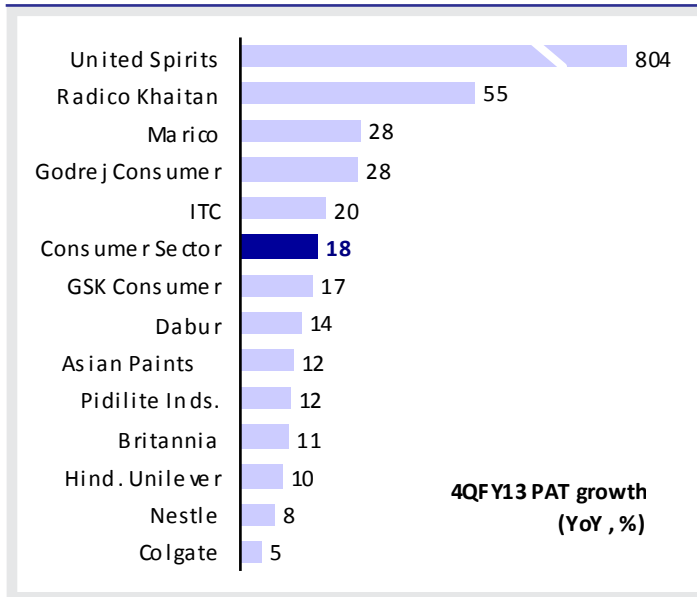
**Few interesting observations**

- **AUTOS:** Ashok Leyland, Bajaj Auto, Eicher have all 4 quarters of no growth / decline in earnings. M&M is the only company with all 4 quarters of growth.
- **Capital goods:** Cummins and Havells are the 2 exceptions of all 4 quarters of growth. L&T, post a strong 1H, is witnessing earnings decline in 2H. Crompton earnings have collapsed by 64-84% in last 3 quarters of FY13.
- **Cement:** Post a strong 1H, cement earnings will decline in 2H. Shree Cement will have all 4 quarters of strong growth while India cements will report 4<sup>th</sup> consecutive quarter of decline.
- **Consumer:** ITC will report another quarter of 20% (we expect growth rates to moderate in FY14). HUVR growth rates have been moderating throughout FY13. (Can show chart of ITC vs HUVR).
- **Private Banks:** With an exception of Federal Bank, every private bank will report growth of 20-30%. HDFC Bank will report 54 quarter of 30% growth. Other two banks with consistent 30%+ growth bracket are IndudInd (22 quarters) and Yes Bank (16 quarters).
- **PSU Banks:** OBC will be an exception with a profit growth in 4QFY13. We model SBI to report a decline, due to a high base of 4QFY12.
- **Media:** Post a dismal 1H, Media will report a strong rebound in 2H. SUN TV is the key driver of growth followed by Zee and DB Corp.
- **Metals:** Most of the metal majors will report a decline in earnings. Tata Steel will report its third consecutive quarter of loss.
- **Oil & Gas:** Reliance will report a 29% growth in earnings, its highest in last 11 quarters. ONGC's big earnings decline is due to 4Q adjustments and base effect.
- **Technology:** Sector PAT growth has decelerated to 15% in 2H v/s 35% in 1H, as the YoY currency impact has started waning. Infosys will report a marginal decline, while TCS and HCL Tech continue to be the growth leaders during the quarter.

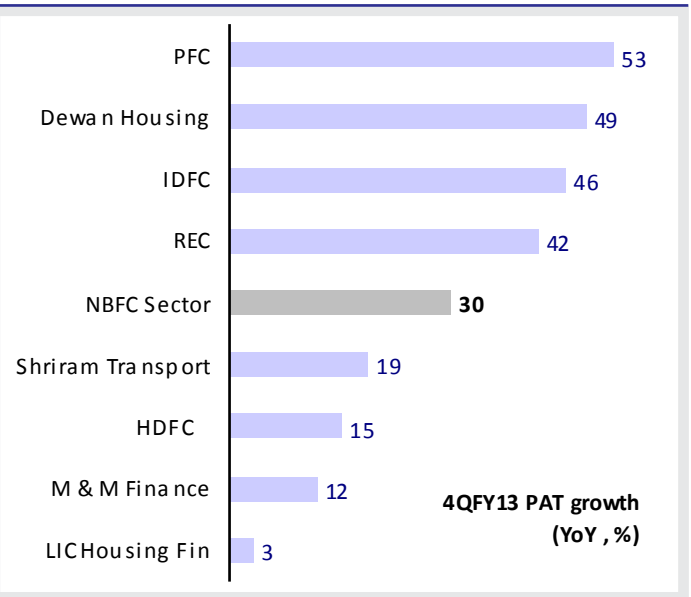
**Other pointers to secular-cyclical divergence**

- The only two sectors to have all companies clocking positive YoY growth are both secular in nature – Consumer and NBFCs.

**All profit growth expected in Consumer ...**

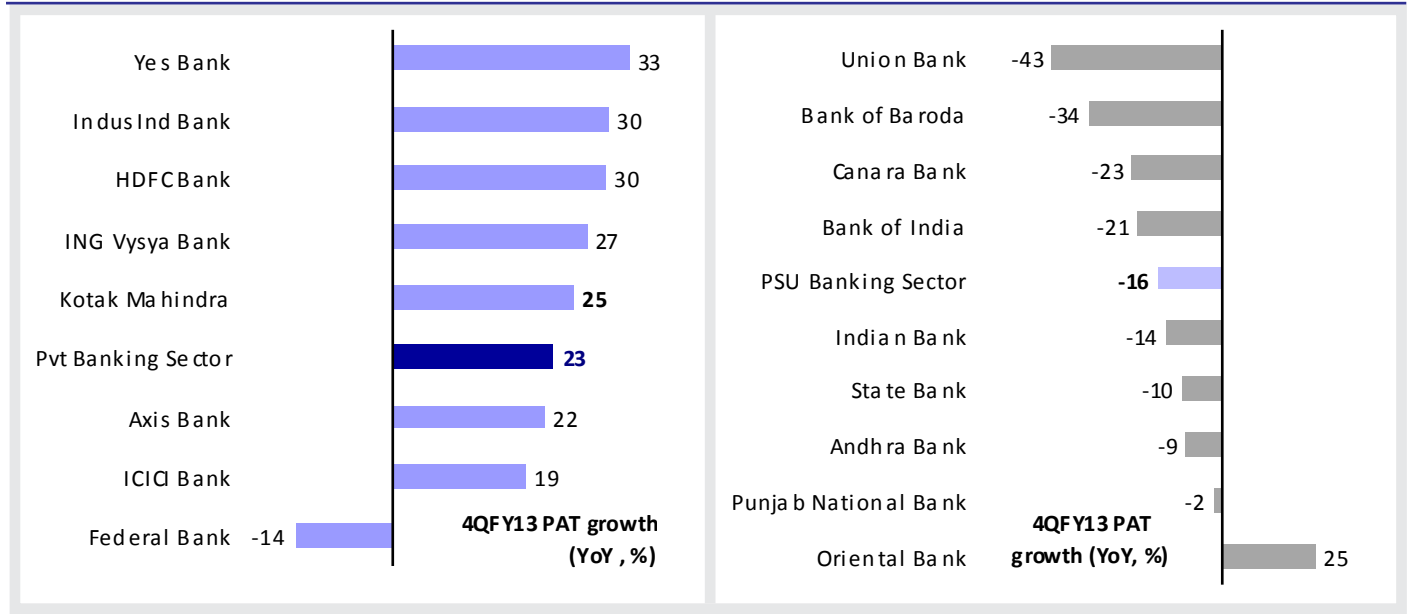


**... and NBFCs**



- The 4QFY13 performance of the more secular private sector banks is expected to be much better than that of the more cyclical PSU banks. In aggregate, private banks are likely to report 23% YoY growth in 4QFY13 PAT, whereas PSU banks' PAT is expected to de-grow 16% YoY. Interestingly, only one private bank out of our active coverage universe of 8 is expected to report YoY PAT de-growth. In sharp contrast, only one PSU bank out of 9 is expected to report YoY PAT growth.

#### Expect private banks' performance to be much better ... than that of PSU banks



- Even the full year FY13 numbers clearly reflect the “positive-secular-negative-cyclical” phenomenon. Thus, most of the high and medium PAT growth sectors are the seculars – Technology, Consumer, Healthcare, Financials, Retail and Utilities. On the other hand, all FY13 PAT de-growth sectors are cyclical except Telecom – Capital Goods, Metals, Auto and Real Estate.

#### Full year FY13: Few observations

- **Muted revenue growth:** Revenue growth for MOSL Universe (ex RMs and Financials) is expected to be only 11%. This is despite fairly high inflation persisting throughout the year, implying pressure on volume and/or margins (due to non pass-on of cost hikes).
- **Pressure on EBITDA margins:** Aggregate EBITDA Margin works out 104bp lower YoY. Of 13 sectors, 8 are expected to see margins decline. Of these, in 4 sectors, the decline is likely to be higher than that of aggregate - Metals (-186bp), Oil & Gas (-154bp), Telecom (-150bp) and Capital Goods (-143bp).
- **Consumer, Private Banks, NBFCs:** In these 3 sectors, all companies are expected to clock positive YoY PAT growth. For these sectors, this holds true for 4QFY13 PAT as well.
- **Sensex leaders and laggards:** Of Sensex companies, the top 5 PAT growth companies for FY13 are: Sun Pharma (+40% YoY), Maruti Suzuki (+32%), TCS (+31%), HDFC Bank (+30%) and ICICI Bank (+28%). The top 5 PAT de-growth companies are: Tata Steel (profit to loss), Bharti Airtel (-41% YoY), Tata Power (-37% YoY), Tata Motors (-27% YoY) and BHEL (-15% YoY).



## Annual performance - MOSL Universe (INR b)

(Nos of companies)	Sales		EBITDA		PAT		Contbn (%)	Delta (%)	EBITDA Margin (%)	
	FY13E	Chg. (%)	FY13E	Chg. (%)	FY13E	Chg. (%)			FY13E	Chg. (bp)
<b>High PAT growth (&gt;15%)</b>	<b>6,059</b>	<b>18</b>	<b>2,572</b>	<b>15</b>	<b>1,529</b>	<b>19</b>	<b>44</b>	<b>116</b>	<b>24</b>	<b>19</b>
Technology (10)	1,917	22	481	22	368	23	10	34	25	0
Consumer (13)	1,182	16	244	19	168	21	5	14	21	50
Health Care (16)	866	21	208	21	121	19	3	9	24	1
Financials (27)	2,095	14	1,640	11	872	16	25	58	N.A.	N.A.
Private Banks (8)	494	23	420	25	261	26	7	26	N.A.	N.A.
NBFC (8)	283	28	274	25	186	25	5	18	N.A.	N.A.
PSU Banks (11)	1,317	8	946	3	425	8	12	14	N.A.	N.A.
<b>Med/Low PAT growth (0-15%)</b>	<b>10,980</b>	<b>12</b>	<b>2,064</b>	<b>4</b>	<b>1,210</b>	<b>7</b>	<b>34</b>	<b>37</b>	<b>25</b>	<b>6</b>
Retail (3)	139	18	13	15	9	15	0	1	10	-21
Utilities (10)	2,026	8	621	19	393	12	11	20	31	267
Cement (15)	1,195	12	251	13	117	10	3	5	21	21
Media (7)	135	11	40	9	19	9	1	1	30	-66
Excl. RMs (10)	7,485	13	1,138	-4	672	3	19	10	15	-273
Oil & Gas (13)	15,993	10	1,341	-7	761	-3	22	-13	8	-154
<b>PAT de-growth (&lt;0%)</b>	<b>10,748</b>	<b>7</b>	<b>1,750</b>	<b>-1</b>	<b>742</b>	<b>-13</b>	<b>21</b>	<b>-53</b>	<b>22</b>	<b>-432</b>
Capital Goods (9)	1,622	6	195	-5	134	-7	4	-5	12	-143
Metals (10)	4,053	3	646	-7	322	-12	9	-21	16	-186
Auto (7)	3,629	12	457	10	207	-13	6	-14	13	-34
Real Estate (11)	207	-9	79	-10	37	-21	1	-5	38	-50
Telecom (3)	1,237	11	373	6	42	-30	1	-9	30	-150
Others (6)	455	11	49	4	31	7	1	1	11	-71
<b>MOSL (160)</b>	<b>36,750</b>	<b>10</b>	<b>6,639</b>	<b>6</b>	<b>3,600</b>	<b>5</b>	<b>100</b>	<b>100</b>	<b>14</b>	<b>-88</b>
<b>MOSL Excl. RMs (157)</b>	<b>28,242</b>	<b>11</b>	<b>6,436</b>	<b>7</b>	<b>3,511</b>	<b>6</b>			<b>18</b>	<b>-104</b>
<b>Sensex (30)</b>	<b>9,725</b>	<b>13</b>	<b>1,864</b>	<b>7</b>	<b>1,007</b>	<b>7</b>			<b>19</b>	<b>-106</b>

**Intra-sector 4QFY13 earnings divergence (%)**

Sectors	Sector Growth (%)	+30% Growth	15-30% growth	0-15% growth	-ve earnings growth (%)	Earnings momentum
Autos	-23		Maruti Suzuki: 26	M&M: 5	BJAUT: -3, HMCL: -13, EIM: -20, TTMT: -38, AL: -45	0 1 1 5
Capital Goods	-19			Cummins: 14, ABB: 12, Havells: 10	L&T: -3, BGR: -11, TMX: -21, BHEL: -25, SIEM: -51, CRG: -84,	0 0 3 6
Cement	-2	Shree Cement: 113	Grasim: 20		UTCEM: -2, ACC: -8, ICEM: -12, ACEM: -16, BCORP: -25, JPA: -43	1 1 0 6
Consumer	18	United Spirits: 804, Radico Khaitan: 55	Marico: 20, GCPL: 28, ITC: 20, GSK Consumer: 17	Dabur: 14, APNT: 12, Pidilite: 12, BRIT: 11, HUVR: 10, Nestle: 8, CLGT: 5		2 4 7 0
Bank - Private	23	Yes Bank: 33	IIB/HDFC Bank: 30, VYSB: 27, KMB: 25, AXSB: 22, ICICIBC: 19		Federal Bank: -14	1 6 0 1
Bank - PSU	-16		OBC: 25		PNB: -2, ANDB: -9, SBIN: -10, INBK: -14, BOI: -21, CBK: -23, BOB: -34, UNBK: -43	0 1 0 8
Bank - NBFC	30	PFC: 53, DHFL: 49, IDFC: 46, REC: 42	Shriram Trans: 19	HDFC: 15, MMFS: 12, LICHF: 3		4 1 3 0
Healthcare	11	Lupin: 421, Jubilant Life: 92	Cipla: 28, Sun Pharma: 20, Torrent Pharma: 19	Dr Reddy's: 13, GSK Pharma: 11, Sanofi India: 10, Glenmark: 5, IPCA: 3, Divis: 1	Biocon: -12, Cadila Health: -22, Ranbaxy Labs: -26, Dishman: -48, Opto Circuits: -64	2 3 6 5
Media	21	HT Media: 60	Zee Ent: 21, Sun TV: 17	D B Corp: 15	Jagran Prakas.: -6, Dish TV: Loss	1 2 1 2
Metals	-11	SAIL: 37	Hind. Zinc: 21	NMDC: 14, STLT: 13	Hindalco: -21, JSP: -32, Nalco: -35, JSTL: -45, SESA: -59, Tata Steel: PL	1 1 2 6
Oil & Gas (Ex RMS)	8	Chennai Petro.: 327, GAIL: 122, Cairn India: 38	RIL: 29, Oil India: 26, MRPL/PLNG: 18	Indraprastha Gas: 13	GUJS: -11, ONGC: -34	3 4 1 2
Real Estate	-11	Unitech: 3,964, Anant Raj Inds: 167, Prestige Estates: 139	Phoenix Mills: 22		MLIFE: -10, OBER: -11, DLF: -36, JPIN: -47	3 1 0 4
Retail	13		Jubi. Foodworks: 24, Titan Inds: 18		Shopper's Stop: -16, Pantaloon: -38	0 2 0 2
Technology	13	KPIT Cummins: 143, HCL Tech: 69	Mindtree: 24, TCS: 24	Wipro: 14, Tech Mah: 8	Infosys: -4, Mphasis: -4, Hexaware: -14	2 2 2 3
Telecom	-29				IDEA: -23, BHARTI: -28, RCOM: -46	0 0 0 3
Utilities	6	JSW Energy: 115, PTC India: 48	NHPC: 20	Powergrid: 14, NTPC: 12, Coal India: 6	Tata Power: -8, CESC: -17, RELI: -40, J. P. Power: Loss	2 1 3 4

**Earnings momentum:** Represents number of companies in each of the growth brackets; PL: Profit to Loss; LP: Loss to Profit

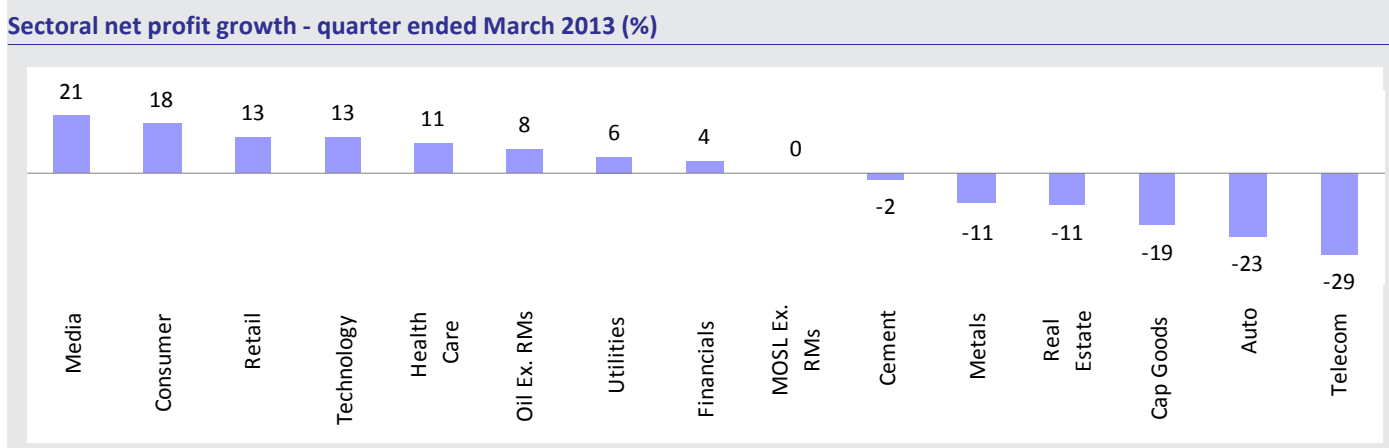
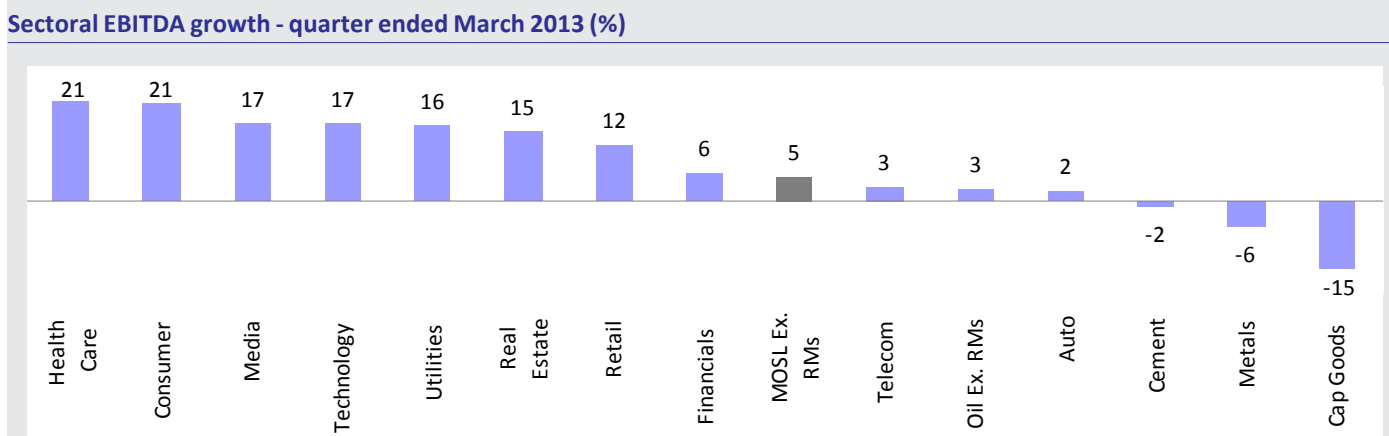
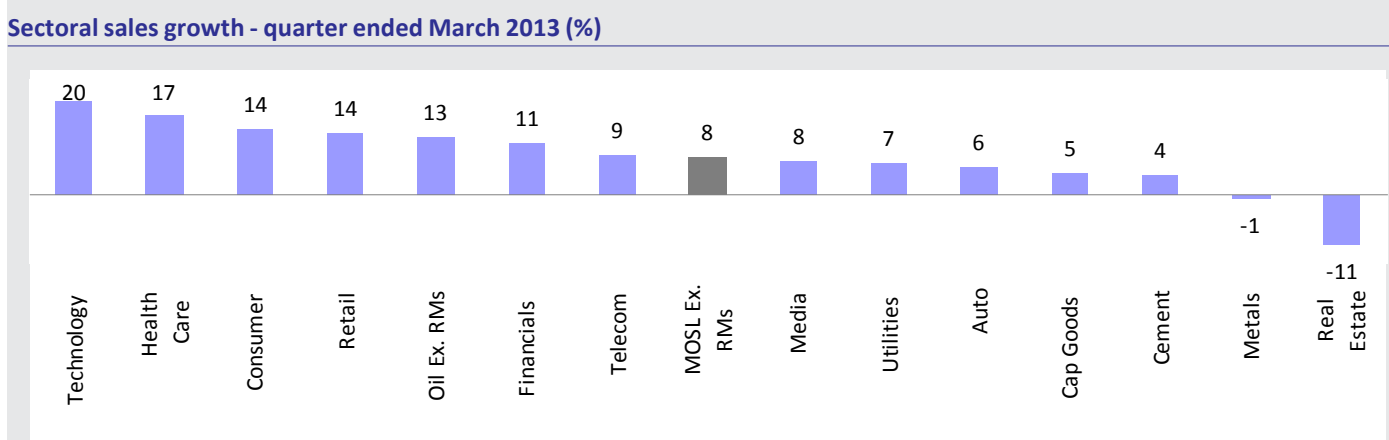
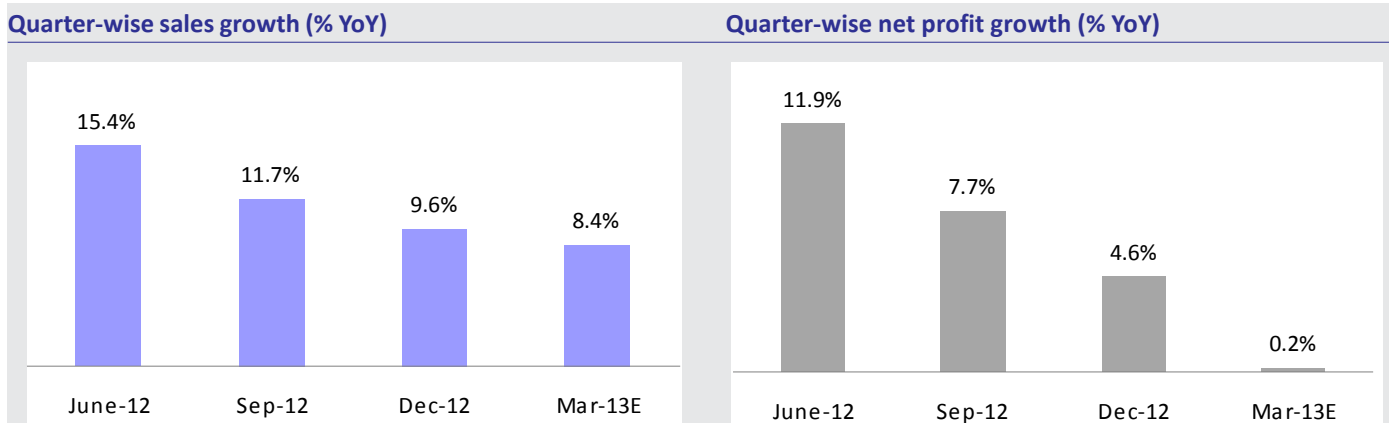


# MOSL Universe: 4QFY13 Highlights & Ready Reckoner

**Note:** In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

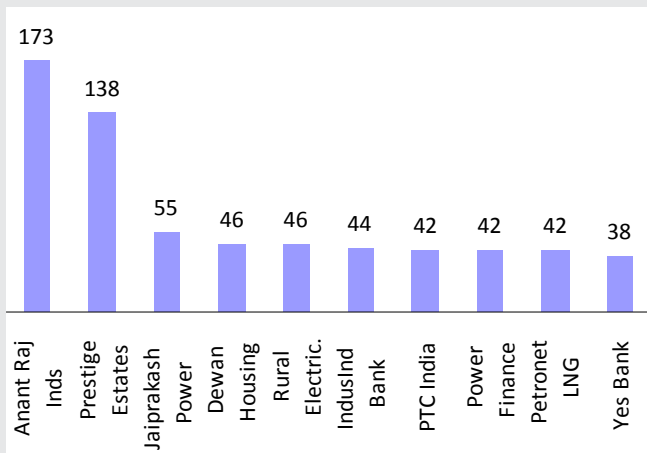
**All stock prices and indices as on 26 March 2013, unless otherwise stated.**

## MOSL Universe: 4QFY13 aggregate performance highlights (Ex RMs)

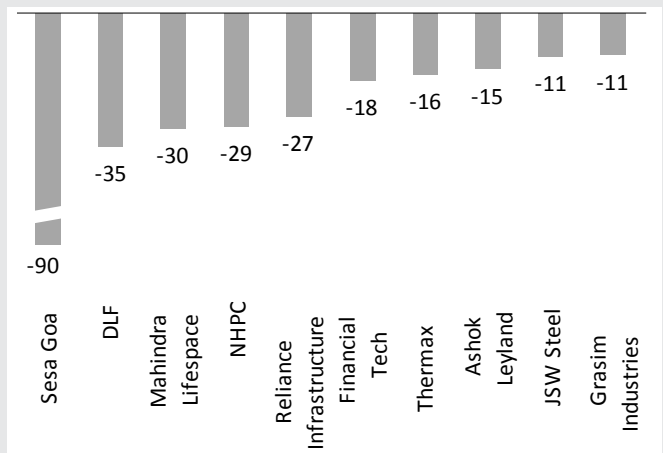


## Corporate Scoreboard (quarter ended March 2013)

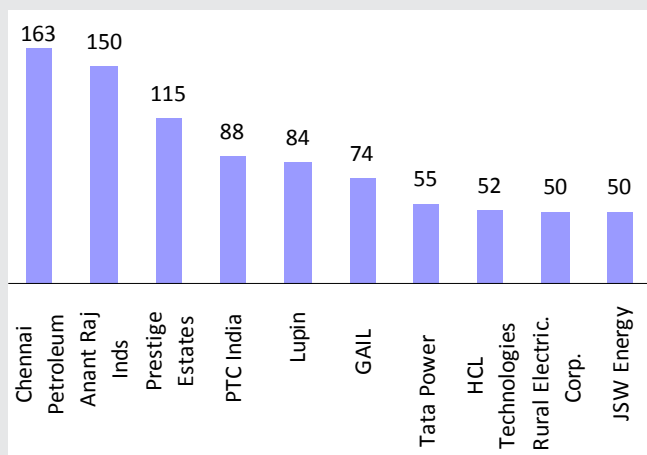
Top 10 by sales growth (%)



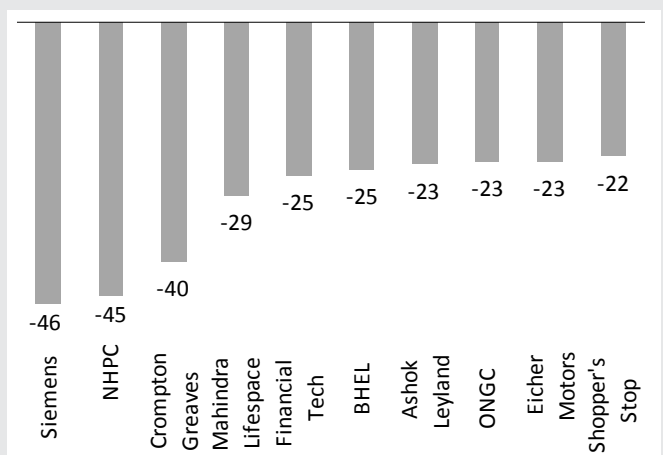
Worst 10 by sales growth (%)



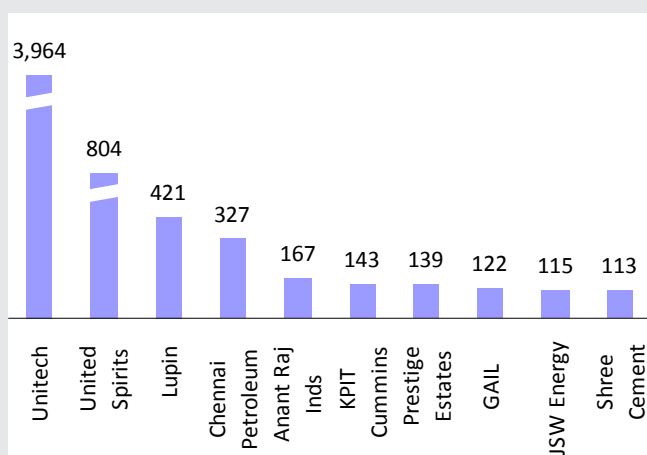
Top 10 by EBITDA growth (%)



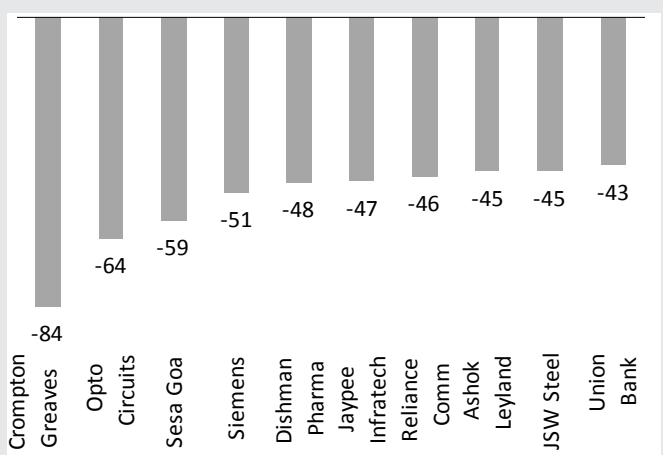
Worst 10 by EBITDA growth (%)



Top 10 by net profit growth (%)



Worst 10 by net profit growth (%)



Source: MOSL

## Annual performance - MOSL universe

(INR Billion)

	Sales					EBITDA					Net Profit				
	FY13E	FY14E	FY15E	Chg.# (%)	Chg.@ (%)	FY13E	FY14E	FY15E	Chg.# (%)	Chg.@ (%)	FY13E	FY14E	FY15E	Chg.# (%)	Chg.@ (%)
Auto (7)	3,629	4,085	4,639	12.5	12.6	457	547	640	9.5	19.6	207	255	313	-12.6	23.5
Capital Goods (9)	1,622	1,685	1,774	6.1	3.9	195	201	200	-5.1	3.2	134	131	136	-6.7	-2.0
Cement (15)	1,195	1,362	1,563	11.9	14.0	251	290	340	13.0	15.5	117	132	168	9.9	12.9
Consumer (13)	1,182	1,374	1,592	16.4	16.2	244	292	342	19.3	19.5	168	196	233	21.4	16.3
Financials (27)	2,095	2,483	2,906	13.7	18.5	1,640	1,934	2,281	11.3	17.9	872	1,026	1,218	16.1	17.7
Private Banks (8)	494	615	745	23.4	24.5	420	532	649	25.0	26.5	261	320	388	26.0	22.7
PSU Banks (11)	1,317	1,532	1,761	7.9	16.3	946	1,078	1,246	3.1	14.0	425	490	574	7.5	15.3
NBFC (8)	283	336	400	28.0	18.6	274	325	386	25.0	18.5	186	215	257	25.2	16.1
Health Care (16)	866	944	1,075	21.2	9.1	208	213	245	21.3	2.7	121	140	164	18.8	15.9
Media (7)	135	153	174	11.0	13.2	40	47	55	8.6	16.3	19	22	28	9.2	15.7
Metals (10)	4,053	4,270	4,457	3.5	5.3	646	775	853	-7.3	20.0	322	373	394	-11.7	15.8
Oil & Gas (13)	15,993	17,091	17,334	9.7	6.9	1,341	1,633	1,927	-7.4	21.8	761	863	1,050	-3.5	13.4
Excl. RMs (10)	7,485	7,876	8,161	13.3	5.2	1,138	1,331	1,581	-3.9	17.0	672	760	920	3.2	13.0
Real Estate (11)	207	278	338	-8.7	34.4	79	112	143	-9.8	41.7	37	53	77	-20.8	44.1
Retail (3)	139	173	212	17.8	24.6	13	17	22	15.3	29.9	9	11	15	14.8	29.3
Technology (10)	1,917	2,136	2,356	22.0	11.4	481	526	571	22.0	9.4	368	397	441	23.5	7.9
Telecom (3)	1,237	1,356	1,481	11.1	9.6	373	421	473	5.9	12.8	42	70	108	-29.9	67.4
Utilities (10)	2,026	2,246	2,512	8.5	10.8	621	689	784	18.8	10.9	393	428	477	11.9	8.9
Others (6)	455	521	595	11.2	14.4	49	58	67	4.4	16.3	31	35	41	6.7	13.4
<b>MOSL (160)</b>	<b>36,750</b>	<b>40,156</b>	<b>43,008</b>	<b>10.3</b>	<b>9.3</b>	<b>6,639</b>	<b>7,755</b>	<b>8,944</b>	<b>5.5</b>	<b>16.8</b>	<b>3,600</b>	<b>4,133</b>	<b>4,864</b>	<b>4.6</b>	<b>14.8</b>
<b>Excl. RMs (157)</b>	<b>28,242</b>	<b>30,940</b>	<b>33,835</b>	<b>11.4</b>	<b>9.6</b>	<b>6,436</b>	<b>7,453</b>	<b>8,598</b>	<b>6.8</b>	<b>15.8</b>	<b>3,511</b>	<b>4,030</b>	<b>4,734</b>	<b>6.3</b>	<b>14.8</b>
<b>Sensex (30)</b>	<b>9,725</b>	<b>10,509</b>	<b>11,300</b>	<b>13.1</b>	<b>8.1</b>	<b>1,864</b>	<b>2,162</b>	<b>2,463</b>	<b>7.2</b>	<b>16.0</b>	<b>1,007</b>	<b>1,168</b>	<b>1,354</b>	<b>6.6</b>	<b>15.9</b>
<b>Nifty (50)</b>	<b>10,970</b>	<b>11,884</b>	<b>12,845</b>	<b>10.8</b>	<b>8.3</b>	<b>2,161</b>	<b>2,494</b>	<b>2,849</b>	<b>9.2</b>	<b>15.4</b>	<b>1,184</b>	<b>1,362</b>	<b>1,583</b>	<b>10.0</b>	<b>15.0</b>

# Growth FY13 over FY12; @ Growth FY14 over FY13; For Banks : Sales = Net Interest Income, EBITDA = Operating Profits;

Note: Sensex &amp; Nifty Numbers are Free Float.

## Valuations - MOSL universe

Sector	P/E			EV/EBITDA			P/BV			RoE			Div. yld (%)		PAT CAGR
	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(%)	(%)
(No. of companies)	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY12	FY13-15	
Auto (7)	13.5	10.9	8.9	6.1	5.1	4.2	3.0	2.5	2.0	22.0	22.9	23.3	1.7	23.0	
Capital Goods (9)	14.0	14.3	13.8	9.0	8.5	8.2	2.5	2.2	2.0	17.7	15.7	14.7	1.9	0.9	
Cement (15)	14.7	13.0	10.3	8.8	6.4	5.2	2.0	1.8	1.7	13.7	13.9	15.6	1.2	19.7	
Consumer (13)	34.2	29.4	24.6	23.1	19.1	16.1	11.2	9.8	8.5	32.9	33.5	34.8	1.3	17.8	
Financials (27)	10.4	8.9	7.5	NM	NM	NM	1.8	1.5	1.3	16.9	17.2	17.8	1.8	18.2	
Private Banks (8)	16.2	13.2	10.9	NM	NM	NM	2.8	2.4	2.1	17.0	17.9	18.9	1.1	21.9	
PSU Banks (11)	6.2	5.3	4.6	NM	NM	NM	1.0	0.8	0.7	15.6	15.7	16.1	2.8	16.2	
NBFC (8)	12.2	10.5	8.8	NM	NM	NM	2.5	2.1	1.8	20.3	20.1	20.8	2.1	17.6	
Health Care (16)	23.1	19.9	17.0	13.4	12.9	11.0	4.4	3.8	3.4	19.2	19.3	19.5	0.8	16.6	
Media (7)	28.1	24.3	18.9	12.9	10.9	8.9	4.9	4.4	3.9	17.4	18.2	20.6	1.4	21.8	
Metals (10)	8.5	7.4	7.0	6.2	5.3	4.8	0.9	0.9	0.8	11.1	11.8	11.5	2.4	10.6	
Oil & Gas (13)	10.1	8.9	7.3	6.6	5.3	4.3	1.4	1.3	1.2	14.1	14.4	15.6	2.1	17.5	
Excl. RMs (10)	9.8	8.7	7.2	5.6	4.7	3.8	1.5	1.3	1.2	15.2	15.3	16.4	2.1	17.0	
Real Estate (11)	21.6	15.0	10.4	15.6	10.8	8.2	0.9	0.8	0.8	4.2	5.6	7.7	0.8	44.2	
Retail (3)	37.7	29.2	22.5	23.7	17.9	13.5	11.1	8.7	6.9	29.3	29.9	30.3	0.6	29.4	
Technology (10)	18.0	16.7	15.0	12.8	11.3	10.1	4.8	4.1	3.4	26.7	24.4	23.1	1.6	9.5	
Telecom (3)	38.1	22.7	14.7	7.3	6.2	5.1	1.6	1.5	1.5	4.3	6.8	9.5	0.3	60.8	
Utilities (10)	11.0	10.1	9.1	8.0	7.5	6.6	1.8	1.6	1.5	16.4	16.2	16.3	3.1	10.2	
Others (6)	13.9	12.2	10.4	8.9	7.6	6.4	2.5	2.2	1.9	17.9	18.1	18.8	1.7	15.6	
<b>MOSL (160)</b>	<b>13.6</b>	<b>11.9</b>	<b>10.1</b>	<b>N.M</b>	<b>N.M</b>	<b>N.M</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>15.6</b>	<b>15.9</b>	<b>16.6</b>	<b>1.7</b>	<b>16.2</b>	
<b>MOSL Excl. RMs (157)</b>	<b>13.7</b>	<b>11.9</b>	<b>10.1</b>	<b>N.M</b>	<b>N.M</b>	<b>N.M</b>	<b>2.2</b>	<b>1.9</b>	<b>1.7</b>	<b>15.9</b>	<b>16.2</b>	<b>16.8</b>	<b>1.7</b>	<b>16.1</b>	
<b>Sensex (30)</b>	<b>15.9</b>	<b>13.7</b>	<b>11.8</b>	<b>N.M</b>	<b>N.M</b>	<b>N.M</b>	<b>2.6</b>	<b>2.3</b>	<b>2.0</b>	<b>16.3</b>	<b>16.8</b>	<b>17.3</b>	<b>1.7</b>	<b>15.9</b>	
<b>Nifty (50)</b>	<b>15.3</b>	<b>13.3</b>	<b>11.4</b>	<b>N.M</b>	<b>N.M</b>	<b>N.M</b>	<b>2.5</b>	<b>2.2</b>	<b>2.0</b>	<b>16.5</b>	<b>16.8</b>	<b>17.3</b>	<b>1.6</b>	<b>15.6</b>	

N.M. - Not Meaningful.

Source: MOSL

## Ready reckoner: quarterly performance

(INR Million)	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ
<b>Automobiles</b>											
Ashok Leyland	22	Buy	36,751	-14.8	54.4	3,609	-23.2	252.7	1,420	-44.9	LP
Bajaj Auto	1,795	Buy	49,926	0.4	-7.8	9,063	-1.0	-10.4	7,356	-3.1	-10.2
Eicher Motors	2,561	Buy	17,331	2.2	6.5	1,388	-23.0	17.6	875	-20.2	20.0
Hero Motocorp	1,573	Buy	62,174	4.3	1.1	5,850	-9.3	9.9	5,266	-12.8	7.9
Mahindra & Mahindra	863	Buy	99,500	9.1	-2.9	12,966	17.6	-6.0	8,407	4.7	-8.1
Maruti Suzuki	1,293	Buy	126,911	8.2	13.3	11,920	38.8	33.7	8,070	26.1	61.0
Tata Motors	275	Buy	548,591	7.8	19.0	66,784	-1.0	18.0	27,378	-38.3	57.9
<b>Sector Aggregate</b>			<b>941,184</b>	<b>6.1</b>	<b>13.3</b>	<b>111,579</b>	<b>2.2</b>	<b>15.1</b>	<b>58,771</b>	<b>-22.8</b>	<b>32.2</b>
<b>Capital Goods</b>											
ABB	489	Neutral	18,440	3.0	-11.4	1,103	13.1	65.7	535	12.4	219.3
BGR Energy	184	Neutral	11,660	2.5	44.9	1,459	7.6	31.9	597	-11.1	44.1
BHEL	176	Neutral	186,304	-3.3	85.5	37,274	-24.5	128.1	25,071	-25.3	112.2
Crompton Greaves	92	Buy	35,085	14.0	18.1	1,287	-39.6	51.4	160	-84.0	7.8
Cummins India	485	Buy	11,237	8.0	3.1	2,168	11.3	3.9	1,646	13.9	-15.0
Havells India	611	Buy	12,021	14.7	13.6	1,577	7.5	15.8	1,123	9.9	15.1
Larsen & Toubro	1,337	Buy	211,307	14.5	37.0	27,401	7.0	71.3	18,276	-2.5	75.8
Siemens	527	Neutral	38,054	-1.2	53.1	2,954	-46.2	82.8	1,683	-50.9	130.4
Thermax	544	Buy	14,187	-15.9	35.5	1,475	-20.4	31.8	1,032	-20.5	35.1
<b>Sector Aggregate</b>			<b>538,295</b>	<b>4.8</b>	<b>45.4</b>	<b>76,699</b>	<b>-15.0</b>	<b>86.4</b>	<b>50,125</b>	<b>-18.7</b>	<b>83.3</b>
<b>Cement</b>											
ACC	1,157	Neutral	30,540	6.8	-1.4	5,688	-7.7	79.4	3,563	-7.7	49.0
Ambuja Cements	169	Neutral	27,219	3.4	17.7	6,605	-11.3	54.2	4,250	-16.3	84.8
Birla Corporation	244	Buy	6,848	5.1	11.8	706	-9.7	37.5	433	-24.7	34.3
Grasim Industries	2,826	Buy	12,397	-10.7	3.0	2,553	17.8	18.6	2,922	20.0	47.6
India Cements	84	Buy	12,040	7.9	11.2	2,247	4.5	16.6	574	-11.6	119.7
Jaiprakash Associates	64	Buy	39,469	-2.8	16.1	8,849	-13.2	16.0	1,598	-42.7	45.1
Shree Cement	4,067	Buy	16,528	16.1	15.7	4,870	15.7	31.0	3,158	113.3	38.7
Ultratech Cement	1,851	Buy	57,934	8.6	19.3	13,542	7.1	32.2	8,523	-1.7	41.9
<b>Sector Aggregate</b>			<b>202,975</b>	<b>4.2</b>	<b>12.8</b>	<b>45,061</b>	<b>-1.5</b>	<b>34.0</b>	<b>25,021</b>	<b>-2.0</b>	<b>50.4</b>
<b>Consumer</b>											
Asian Paints	4,896	Neutral	29,320	15.5	-3.5	4,793	27.7	-3.1	2,908	12.1	-13.2
Britannia	516	Sell	14,619	11.6	0.6	752	10.5	-3.8	591	11.4	3.7
Colgate	1,240	Neutral	7,881	14.9	3.3	1,821	7.2	21.5	1,370	4.8	23.4
Dabur	134	Buy	15,444	13.3	-5.3	2,577	19.7	-4.3	1,942	13.9	-8.0
Godrej Consumer	814	Neutral	16,394	23.9	-3.1	3,129	26.1	11.5	2,208	27.6	28.2
GSK Consumer	4,118	Neutral	9,583	17.9	35.2	2,012	24.5	294.8	1,539	16.6	120.9
Hind. Unilever	472	Neutral	63,396	10.0	-4.7	9,416	13.0	-13.5	7,277	9.7	-16.6
ITC	306	Buy	81,891	17.8	6.2	28,165	24.4	-1.4	19,398	20.2	-5.5
Marico	213	Neutral	10,281	12.0	-11.7	1,327	20.7	-18.1	913	27.8	-10.7
Nestle	4,589	Neutral	23,245	13.5	8.0	5,184	13.4	4.6	3,120	8.1	6.1
Pidilite Inds.	257	Buy	7,862	20.6	-6.1	1,187	23.9	-21.6	837	11.9	-19.2
Radico Khaitan	128	Buy	3,537	24.6	8.5	481	19.7	-3.9	208	22.3	-5.4
United Spirits	1,885	Buy	20,209	8.5	-7.0	2,335	32.6	-5.1	718	803.9	-10.9
<b>Sector Aggregate</b>			<b>303,376</b>	<b>14.4</b>	<b>0.1</b>	<b>63,178</b>	<b>21.2</b>	<b>-0.9</b>	<b>43,085</b>	<b>17.8</b>	<b>-3.9</b>





## Ready reckoner: quarterly performance

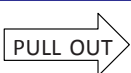
(INR Million)	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
<b>Healthcare</b>											
Biocon	271	Neutral	6,459	5.8	1.8	1,348	-12.8	-4.9	855	-12.5	-6.7
Cadila Health	731	Buy	16,253	16.3	2.1	2,748	-2.8	13.0	1,341	-21.5	30.3
Cipla	380	Neutral	20,790	14.8	0.4	4,891	23.9	-0.8	3,297	27.9	-2.7
Dishman Pharma	67	Neutral	3,609	3.0	13.6	649	-21.3	14.4	162	-48.3	-1.2
Divis Labs	998	Buy	8,080	14.1	51.5	2,889	2.1	59.4	2,173	1.2	50.6
Dr Reddy's Labs	1,754	Buy	25,763	12.7	-4.5	4,907	7.1	0.2	2,331	13.4	-25.0
Glenmark Pharma	472	Buy	12,245	18.9	-5.8	2,352	44.2	-6.2	1,397	5.0	-11.3
GSK Pharma	2,172	Buy	7,027	12.8	7.0	2,282	16.6	19.3	2,056	10.7	29.9
IPCA Labs.	510	Buy	6,674	18.9	-4.8	1,317	17.9	-16.9	787	2.7	-10.5
Jubilant Life	165	Neutral	13,278	13.4	2.0	2,255	24.4	-11.7	915	91.9	242.7
Lupin	622	Buy	22,733	33.6	-4.3	4,434	83.9	-14.8	2,600	421.1	-13.1
Opto Circuits	53	Neutral	6,334	-4.4	2.4	1,372	-6.3	-13.4	749	-64.2	-34.2
Ranbaxy Labs	445	Neutral	24,981	18.1	2.5	2,246	6.0	551.4	1,370	-26.4	LP
Sanofi India	2,480	Neutral	3,963	22.9	-1.1	624	26.8	23.1	441	9.9	-1.6
Sun Pharma	822	Neutral	27,093	27.7	0.6	11,740	40.8	-0.5	8,709	19.6	5.6
Torrent Pharma	693	Buy	7,784	15.4	-2.4	962	13.1	-40.3	669	19.3	-40.5
<b>Sector Aggregate</b>			<b>213,066</b>	<b>17.4</b>	<b>0.8</b>	<b>47,017</b>	<b>21.3</b>	<b>3.0</b>	<b>29,965</b>	<b>10.7</b>	<b>6.6</b>
<b>Media</b>											
D B Corp	238	Buy	3,912	8.5	-10.9	924	22.1	-22.4	520	14.7	-26.3
Dish TV	65	Neutral	5,811	10.7	4.2	1,400	-2.9	1.7	-473	Loss	Loss
HT Media	102	Neutral	5,174	4.7	-5.4	649	35.1	-25.7	353	60.5	-33.2
Jagran Prakashan	95	Buy	3,310	6.6	-5.1	743	12.8	-18.4	401	-6.3	-12.9
Sun TV	379	Neutral	4,780	11.9	-1.6	3,675	12.0	-2.4	1,855	16.7	-2.3
Zee Entertainment	209	Neutral	9,117	4.9	-2.9	2,224	39.0	-14.9	1,715	20.6	-11.6
<b>Sector Aggregate</b>			<b>32,104</b>	<b>7.5</b>	<b>-3.2</b>	<b>9,616</b>	<b>17.0</b>	<b>-10.4</b>	<b>4,371</b>	<b>20.6</b>	<b>-14.1</b>
<b>Metals</b>											
Hindalco	88	Buy	209,142	0.9	7.6	21,601	0.0	26.1	7,988	-21.2	35.1
Hindustan Zinc	116	Buy	34,526	10.1	8.6	18,387	10.8	23.1	17,122	20.6	6.2
JSPL	353	Sell	54,358	-0.8	13.2	15,900	-16.9	-11.2	7,935	-32.0	-8.5
JSW Steel	599	Sell	84,477	-11.5	1.9	14,482	-12.3	10.2	3,101	-44.5	-17.2
Nalco	34	Neutral	17,753	-0.5	4.9	2,455	-19.9	34.4	1,579	-35.2	32.8
NMDC	134	Buy	30,582	17.9	49.4	22,275	12.6	60.1	19,132	14.1	48.0
SAIL	61	Sell	128,160	-6.4	20.1	22,206	18.7	95.1	11,692	37.2	130.1
Sesa Goa	151	Buy	2,729	-90.2	15.4	-631	PL	Loss	4,713	-59.2	-8.4
Sterlite Inds.	91	Buy	111,657	3.2	4.0	27,955	3.3	20.1	15,556	12.9	24.1
Tata Steel	306	Sell	362,701	6.7	13.0	30,978	-2.5	38.4	-401	PL	Loss
<b>Sector Aggregate</b>			<b>1,036,085</b>	<b>-0.9</b>	<b>11.2</b>	<b>175,607</b>	<b>-5.5</b>	<b>30.2</b>	<b>88,416</b>	<b>-10.7</b>	<b>38.4</b>
<b>Others</b>											
Castrol India	304	Neutral	8,265	5.7	8.6	1,789	14.1	5.6	1,252	1.9	6.2
Container Corpn.	1,026	Buy	11,820	10.4	9.2	2,612	16.6	-0.8	2,161	-4.9	-8.8
MCX	866	Buy	1,113	-10.2	-10.7	621	-16.0	-14.1	671	2.0	-11.6
Sintex Inds.	44	Buy	12,620	23.3	-11.6	1,980	23.8	-9.9	970	6.8	-1.6
United Phosphorous	117	Buy	24,037	13.0	4.7	4,360	12.8	7.9	2,314	2.6	33.4
<b>Sector Aggregate</b>			<b>57,855</b>	<b>12.8</b>	<b>1.7</b>	<b>11,364</b>	<b>13.5</b>	<b>0.7</b>	<b>7,368</b>	<b>0.6</b>	<b>4.9</b>

PL: Profit to Loss; LP: Loss to Profit



## Ready reckoner: quarterly performance

(INR Million)	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
<b>Oil &amp; Gas</b>											
BPCL	375	Buy	612,076	-5.3	-1.8	71,910	42.2	218.4	51,460	29.9	212.3
Cairn India	277	Buy	45,132	23.6	5.5	35,589	19.4	8.3	30,206	38.2	-4.3
Chennai Petroleum	118	Buy	120,434	16.6	3.9	5,898	163.4	LP	4,581	327.4	LP
GAIL	304	Neutral	115,361	10.3	-7.5	12,764	73.9	-35.3	8,030	122.4	-37.5
Gujarat State Petronet	66	Neutral	2,492	-9.8	-4.4	2,262	-10.2	-3.3	1,146	-11.3	-3.7
HPCL	281	Buy	544,403	3.9	3.2	71,076	30.0	1733.1	72,261	56.0	4811.4
IOC	274	Buy	1,221,811	-4.3	6.0	189,171	34.7	268.7	155,348	9.3	366.2
Indraprastha Gas	267	UR	9,041	25.5	4.0	1,916	13.7	2.4	913	13.1	5.8
MRPL	49	Neutral	185,503	17.1	3.1	6,825	-12.7	LP	7,099	17.9	LP
Oil India	509	Buy	19,814	15.2	-17.9	6,567	36.2	-41.6	5,602	25.9	-40.4
ONGC	303	Buy	177,518	-5.7	-15.4	85,000	-23.1	-24.3	36,987	-34.5	-33.5
Petronet LNG	133	Buy	90,662	42.2	7.6	4,869	33.2	-7.9	2,883	17.6	-9.5
Reliance Inds.	783	Neutral	959,887	12.7	2.2	80,679	22.9	-3.6	54,730	29.2	-0.5
<b>Sector Aggregate</b>			<b>4,104,134</b>	<b>3.1</b>	<b>1.7</b>	<b>574,528</b>	<b>19.3</b>	<b>67.1</b>	<b>431,245</b>	<b>17.1</b>	<b>102.7</b>
<b>Excl. RMs</b>			<b>1,725,844</b>	<b>12.5</b>	<b>-0.3</b>	<b>242,370</b>	<b>2.7</b>	<b>-8.9</b>	<b>152,177</b>	<b>8.4</b>	<b>-5.7</b>
UR = Under Review											
<b>Real Estate</b>											
Anant Raj Inds	63	Buy	1,228	173.2	-32.4	499	150.4	-34.4	326	167.4	-40.5
DLF	236	Buy	17,062	-34.8	30.2	7,492	-6.1	760.9	1,361	-35.7	-52.2
Jaypee Infratech	37	Buy	9,652	4.9	3.4	4,817	10.5	14.0	1,837	-47.4	18.5
Mahindra Lifespace	382	Buy	981	-29.9	59.7	227	-28.6	151.1	290	-9.7	114.0
Oberoi Realty	251	Buy	2,605	2.3	-8.9	1,552	-5.5	-9.1	1,279	-10.9	-4.9
Phoenix Mills	262	Buy	706	17.7	1.8	469	29.1	-1.1	333	22.0	-2.4
Prestige Estates	163	Buy	4,804	137.7	-2.4	1,478	115.5	3.8	914	138.9	-0.6
Unitech	22	Buy	6,810	1.4	5.6	1,254	LP	13.2	918	3963.9	9.1
<b>Sector Aggregate</b>			<b>43,848</b>	<b>-10.7</b>	<b>10.2</b>	<b>17,787</b>	<b>14.8</b>	<b>66.9</b>	<b>7,260</b>	<b>-11.1</b>	<b>-14.9</b>
<b>Retail</b>											
Jubilant Foodworks	1,220	Neutral	3,863	36.4	0.3	658	29.2	-2.1	363	23.8	-3.7
Pantaloon Retail	140	Neutral	32,400	7.1	2.2	2,810	1.2	1.1	74	-38.2	58.3
Shopper's Stop	399	Neutral	6,218	15.0	3.0	283	-22.1	-37.5	116	-15.8	-32.3
Titan Industries	252	Buy	27,117	18.9	-9.1	2,666	28.7	7.6	1,699	17.7	-16.6
<b>Sector Aggregate</b>			<b>69,598</b>	<b>13.5</b>	<b>-2.6</b>	<b>6,417</b>	<b>12.2</b>	<b>0.5</b>	<b>2,252</b>	<b>12.9</b>	<b>-14.4</b>
<b>Technology</b>											
HCL Technologies	775	Buy	64,574	23.8	2.9	14,217	51.8	2.0	9,849	69.3	4.3
Hexaware Tech.	84	Buy	5,121	16.8	2.0	918	-6.5	8.4	758	-14.2	19.1
Infosys	2,854	Buy	107,435	21.4	3.1	29,872	3.4	0.6	22,334	-3.6	-5.7
KPIT Cummins	96	Buy	5,733	22.0	1.8	892	35.7	1.2	570	143.5	-4.9
Mindtree	911	Buy	6,110	16.2	3.5	1,170	18.8	-2.8	856	24.3	-13.3
Mphasis	400	Sell	14,487	9.0	15.2	2,598	-0.6	11.6	1,809	-4.5	-1.9
TCS	1,557	Neutral	164,767	24.3	2.5	47,045	20.3	1.1	36,266	23.7	2.1
Tech Mahindra	1,041	Buy	18,218	28.4	1.7	3,495	46.2	-7.1	3,272	8.2	18.6
Wipro	436	Buy	111,942	13.4	2.2	22,171	13.1	3.5	16,848	13.8	-1.8
<b>Sector Aggregate</b>			<b>499,386</b>	<b>20.3</b>	<b>2.9</b>	<b>122,898</b>	<b>16.7</b>	<b>1.3</b>	<b>93,006</b>	<b>12.5</b>	<b>-0.6</b>
<b>Telecom</b>											
Bharti Airtel	297	Buy	206,732	10.4	2.1	64,210	3.0	3.8	7,226	-28.2	154.8
Idea Cellular	109	Buy	58,295	8.6	4.5	15,769	4.6	7.0	2,656	-22.5	16.2
Reliance Comm	51	Neutral	54,826	3.3	3.4	16,661	2.1	0.8	1,080	-46.5	-5.5
<b>Sector Aggregate</b>			<b>319,853</b>	<b>8.8</b>	<b>2.8</b>	<b>96,640</b>	<b>3.1</b>	<b>3.8</b>	<b>10,962</b>	<b>-29.3</b>	<b>75.0</b>



## Ready reckoner: quarterly performance

(INR Million)	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
<b>Utilities</b>											
CESC	265	Buy	12,790	-7.3	23.0	3,979	-7.9	49.6	2,074	-17.4	105.4
Coal India	301	Neutral	206,324	6.2	19.1	73,501	19.4	71.4	64,044	5.9	36.8
Jaiprakash Power	25	Buy	4,542	54.6	6.4	2,969	21.7	10.8	-663	Loss	Loss
JSW Energy	52	Neutral	24,209	16.3	2.4	8,778	49.6	4.9	3,611	114.6	-2.8
NHPC	20	Neutral	10,197	-29.4	0.9	5,475	-44.9	-10.7	2,526	19.7	4.5
NTPC	143	Buy	166,186	2.2	5.3	42,866	4.2	7.3	25,645	11.7	11.2
Power Grid Corp.	105	Buy	39,783	28.3	18.3	34,307	31.8	17.4	12,376	14.3	11.8
PTC India	57	Buy	20,568	42.5	9.5	608	88.5	102.9	442	47.8	102.6
Reliance Infrastructure	324	Buy	41,787	-27.1	20.9	5,750	-6.8	17.4	3,883	-40.1	3.6
Tata Power	95	Neutral	96,887	33.9	7.2	22,588	54.7	21.8	2,281	-35.2	-17.3
<b>Sector Aggregate</b>			<b>623,272</b>	<b>6.7</b>	<b>11.9</b>	<b>200,821</b>	<b>16.5</b>	<b>29.0</b>	<b>117,179</b>	<b>5.7</b>	<b>24.9</b>

PL: Profit to Loss; LP: Loss to Profit; UR = Under Review

	CMP (INR) 26.03.13	Rating	Net Interest Income			Operating Profit			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
<b>Financials</b>											
<b>Private Banks</b>											
Axis Bank	1,294	Buy	26,306	22.6	5.4	26,901	32.0	13.9	15,520	21.5	15.2
Federal Bank	488	Buy	5,413	10.2	8.8	3,662	-1.7	-7.0	2,045	-13.9	-3.0
HDFC Bank	614	Neutral	38,673	14.1	1.8	30,837	27.8	2.0	18,896	30.0	1.6
ICICI Bank	1,021	Buy	36,827	18.6	5.2	35,397	13.8	2.5	22,598	18.8	0.4
IndusInd Bank	400	Buy	6,693	44.1	15.8	5,120	35.1	8.4	2,912	30.4	8.9
ING Vysya Bank	550	Buy	4,184	31.1	3.8	2,718	23.4	3.2	1,624	27.5	0.0
Kotak Mahindra Bank	640	Neutral	8,463	23.1	2.8	5,856	31.5	2.3	3,725	25.5	3.0
Yes Bank	426	Buy	6,204	38.4	6.2	5,915	37.4	5.0	3,619	33.2	5.7
<b>Pvt Banking Aggregate</b>			<b>132,764</b>	<b>20.1</b>	<b>4.7</b>	<b>116,405</b>	<b>23.7</b>	<b>4.8</b>	<b>70,939</b>	<b>22.5</b>	<b>4.3</b>
<b>PSU Banks</b>											
Andhra Bank	94	Buy	10,186	11.5	4.9	7,228	9.4	1.5	3,090	-9.0	20.2
Bank of Baroda	663	Neutral	28,508	1.9	0.3	21,583	5.8	-3.8	10,046	-33.8	-0.7
Bank of India	290	Neutral	24,260	-3.0	5.1	17,164	-14.8	-7.5	7,484	-21.5	-6.9
Canara Bank	363	Buy	21,847	7.1	9.9	14,725	-1.2	-2.9	6,597	-20.4	-7.1
Indian Bank	164	Buy	11,910	10.0	4.2	7,671	-3.8	2.5	2,962	-14.2	-10.4
Oriental Bank	238	Buy	12,805	19.9	6.3	9,912	31.5	7.0	3,301	24.6	1.1
Punjab National Bank	713	Buy	38,778	17.2	3.9	28,195	-4.0	5.1	13,959	-2.0	6.9
State Bank	2,051	Buy	115,123	-0.7	3.2	82,711	-13.8	6.2	36,444	-10.0	7.3
Union Bank	210	Buy	19,732	5.1	4.3	13,635	-14.7	0.4	4,407	-43.0	45.7
<b>PSU Banking Aggregate</b>			<b>282,541</b>	<b>3.9</b>	<b>3.7</b>	<b>202,438</b>	<b>-7.5</b>	<b>2.1</b>	<b>88,092</b>	<b>-16.1</b>	<b>4.3</b>
<b>NBFC</b>											
Dewan Housing	165	Buy	1,882	46.5	15.5	1,559	30.7	12.4	1,024	48.9	12.2
HDFC	823	Buy	20,253	16.2	31.6	21,219	14.8	33.9	15,315	15.5	34.3
IDFC	140	Buy	6,963	18.8	6.1	7,714	34.3	9.7	4,895	46.2	7.6
LIC Housing Fin	221	Buy	4,188	12.9	13.3	3,810	10.0	8.1	2,615	3.1	10.7
M & M Financial	198	Buy	6,457	26.9	15.0	4,303	20.8	13.5	2,546	11.8	27.2
Power Finance Corp	182	Buy	17,510	42.5	4.3	17,220	38.8	4.5	12,313	52.9	6.9
Rural Electric. Corp.	202	Buy	14,909	46.1	4.2	15,488	49.8	7.9	10,927	42.4	4.8
Shriram Transport Fin.	675	Buy	9,265	15.0	3.6	7,585	16.2	4.6	3,666	19.0	6.0
<b>NBFC Banking Aggregate</b>			<b>81,426</b>	<b>27.4</b>	<b>11.7</b>	<b>78,898</b>	<b>27.8</b>	<b>13.2</b>	<b>53,301</b>	<b>30.3</b>	<b>14.3</b>
<b>Sector Aggregate</b>			<b>496,731</b>	<b>11.3</b>	<b>5.2</b>	<b>397,741</b>	<b>6.1</b>	<b>4.9</b>	<b>212,333</b>	<b>4.2</b>	<b>6.7</b>



## Ready reckoner: valuations

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Automobiles</b>														
Ashok Leyland	22	Buy	1.0	1.7	2.5	21.1	12.9	9.0	8.4	6.3	5.3	6.5	10.4	14.3
Bajaj Auto	1,795	Buy	104.1	124.3	143.6	17.2	14.4	12.5	11.9	9.4	7.8	44.9	44.1	41.9
Eicher Motors	2,561	Buy	120.2	114.3	163.0	21.3	22.4	15.7	11.3	11.5	6.6	20.3	17.1	21.4
Hero Motocorp	1,573	Buy	103.7	104.4	144.4	15.2	15.1	10.9	12.5	10.6	6.9	43.1	35.7	41.0
Mahindra & Mah.	863	Buy	61.3	78.0	97.3	14.1	11.1	8.9	5.5	4.4	3.6	22.0	20.5	20.0
Maruti Suzuki	1,293	Buy	73.3	100.1	130.4	17.7	12.9	9.9	7.8	5.4	3.9	11.4	13.7	15.6
Tata Motors	275	Buy	27.4	34.3	40.2	10.0	8.0	6.9	4.5	4.0	3.6	21.8	22.3	21.2
<b>Sector Aggregate</b>						<b>13.5</b>	<b>10.9</b>	<b>8.9</b>	<b>6.1</b>	<b>5.1</b>	<b>4.2</b>	<b>22.0</b>	<b>22.9</b>	<b>23.3</b>
<b>Capital Goods</b>														
ABB	489	Neutral	6.5	11.0	16.3	75.7	44.3	29.9	29.2	25.1	18.0	5.4	8.8	12.1
BGR Energy	184	Neutral	23.1	19.4	19.1	8.0	9.5	9.6	5.6	5.3	5.8	14.2	11.1	10.4
BHEL	176	Neutral	24.0	18.5	13.3	7.3	9.6	13.3	4.5	5.2	6.2	21.5	14.7	9.7
Crompton Greaves	92	Buy	2.8	7.9	12.5	33.4	11.7	7.3	17.0	7.9	5.5	-1.4	13.0	18.6
Cummins India	485	Buy	25.3	28.4	33.0	19.2	17.1	14.7	14.6	12.3	10.4	31.7	31.0	31.9
Havells India	611	Buy	33.0	40.3	48.1	18.5	15.2	12.7	9.6	9.5	7.5	29.5	28.5	27.1
Larsen & Toubro	1,337	Buy	82.8	87.0	100.5	16.1	15.4	13.3	11.1	9.4	8.6	16.6	15.6	15.4
Siemens	527	Neutral	14.5	21.8	27.0	36.3	24.2	19.5	17.0	12.2	10.2	7.7	9.6	10.0
Thermax	544	Buy	25.6	27.3	37.8	21.2	19.9	14.4	12.8	9.9	6.7	17.6	16.8	20.7
<b>Sector Aggregate</b>						<b>14.0</b>	<b>14.3</b>	<b>13.8</b>	<b>9.0</b>	<b>8.5</b>	<b>8.2</b>	<b>17.7</b>	<b>15.7</b>	<b>14.7</b>
<b>Cement</b>														
ACC	1,157	Neutral	68.7	64.7	83.6	16.8	17.9	13.8	9.5	9.5	7.6	17.7	15.9	19.0
Ambuja Cements	169	Neutral	10.0	10.1	12.4	16.9	16.6	13.6	9.0	8.9	7.4	18.3	17.0	18.8
Birla Corporation	244	Buy	31.2	35.6	50.0	7.8	6.9	4.9	4.5	3.4	2.3	9.9	10.5	13.2
Grasim Industries	2,826	Buy	311.9	338.6	429.3	9.1	8.3	6.6	3.7	3.0	2.2	14.5	13.8	15.1
India Cements	84	Buy	7.9	10.9	16.4	10.6	7.7	5.1	6.5	5.3	4.1	5.0	6.8	9.6
J P Associates	64	Buy	2.8	4.4	5.2	23.2	14.7	12.4	17.7	6.8	6.2	5.0	7.7	8.6
Shree Cement	4,067	Buy	316.2	366.2	453.7	12.9	11.1	9.0	7.2	5.7	4.3	34.4	30.6	28.5
Ultratech Cement	1,851	Buy	101.5	116.1	140.4	18.2	15.9	13.2	11.3	9.2	7.5	19.8	19.2	19.7
<b>Sector Aggregate</b>						<b>14.7</b>	<b>13.0</b>	<b>10.3</b>	<b>8.8</b>	<b>6.4</b>	<b>5.2</b>	<b>13.7</b>	<b>13.9</b>	<b>15.6</b>
<b>Consumer</b>														
Asian Paints	4,896	Neutral	120.3	147.2	184.5	40.7	33.3	26.5	26.1	20.9	17.1	34.5	34.6	34.9
Britannia	516	Sell	17.2	20.3	24.1	30.1	25.4	21.4	21.3	16.9	14.0	33.5	34.0	34.5
Colgate	1,240	Neutral	37.5	44.1	51.8	33.0	28.1	23.9	24.2	19.9	17.0	108.4	104.7	101.6
Dabur	134	Buy	4.4	5.4	6.5	30.5	24.9	20.6	23.6	18.9	15.8	34.9	35.3	35.1
Godrej Consumer	814	Neutral	20.4	26.3	32.5	40.0	31.0	25.0	28.0	21.2	17.7	21.7	24.3	25.2
GSK Consumer	4,118	Neutral	103.9	120.3	142.3	39.7	34.2	28.9	34.7	25.8	20.8	32.2	31.4	31.2
Hind. Unilever	472	Neutral	15.1	16.1	17.6	31.3	29.4	26.8	24.4	20.9	17.9	70.5	61.0	57.8
ITC	306	Buy	9.5	10.8	12.8	32.2	28.4	23.9	21.0	17.9	15.3	36.1	37.3	40.0
Marico	213	Neutral	6.3	7.6	9.4	34.0	28.1	22.5	22.3	18.4	14.8	20.3	20.2	20.6
Nestle	4,589	Neutral	112.3	132.2	161.8	40.9	34.7	28.4	24.7	20.3	16.9	71.6	62.9	60.1
Pidilite Inds.	257	Buy	8.2	9.8	11.8	31.2	26.2	21.7	20.4	16.3	13.3	24.3	24.4	24.7
Radico Khaitan	128	Buy	6.6	8.6	11.8	19.4	14.8	10.9	11.4	9.6	8.0	12.0	14.0	16.8
United Spirits	1,885	Buy	29.6	56.0	80.4	63.8	33.6	23.5	24.8	18.3	14.3	4.3	7.5	9.8
<b>Sector Aggregate</b>						<b>34.2</b>	<b>29.4</b>	<b>24.6</b>	<b>23.1</b>	<b>19.1</b>	<b>16.1</b>	<b>32.9</b>	<b>33.5</b>	<b>34.8</b>



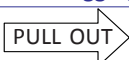
## Ready reckoner: valuations

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Healthcare</b>														
Biocon	271	Neutral	17.3	18.3	21.0	15.7	14.8	12.9	8.5	7.5	6.4	13.3	12.9	13.5
Cadila Health	731	Buy	25.7	39.7	49.7	28.4	18.4	14.7	14.6	11.3	9.4	18.9	24.5	25.3
Cipla	380	Neutral	17.0	19.2	22.4	22.3	19.8	17.0	13.3	12.8	11.1	15.4	15.3	15.8
Dishman Pharma	67	Neutral	12.0	14.9	17.9	5.6	4.5	3.7	5.1	4.0	3.2	10.0	11.3	12.2
Divis Labs	998	Buy	48.7	57.4	72.4	20.5	17.4	13.8	15.2	12.1	9.5	27.8	27.7	29.3
Dr Reddy' s Labs	1,754	Buy	83.7	97.8	112.9	21.0	17.9	15.5	13.7	12.9	11.1	20.9	21.1	21.1
Glenmark Pharma	472	Buy	17.7	26.7	32.0	26.6	17.7	14.7	13.9	11.6	9.6	16.9	20.4	19.7
GSK Pharma	2,172	Buy	80.0	90.1	101.6	27.2	24.1	21.4	20.6	17.8	15.5	33.7	34.9	36.4
IPCA Labs.	510	Buy	26.5	38.4	45.0	19.2	13.3	11.3	11.6	9.5	7.9	24.1	28.3	26.6
Jubilant Life	165	Neutral	17.3	32.5	37.9	9.6	5.1	4.4	5.7	4.8	3.9	11.2	18.6	18.5
Lupin	622	Buy	23.1	30.9	37.3	26.9	20.1	16.7	15.4	13.4	11.3	23.4	26.0	26.1
Opto Circuits	53	Neutral	18.3	18.4	22.0	2.9	2.9	2.4	3.2	2.8	2.3	23.3	19.3	19.4
Ranbaxy Labs	445	Neutral	14.1	15.2	19.2	31.6	29.2	23.2	9.8	16.9	14.2	24.9	11.4	12.8
Sanofi India	2,480	Neutral	76.7	85.1	100.7	32.3	29.1	24.6	22.7	19.9	16.9	14.8	15.3	16.6
Sun Pharma	822	Neutral	31.4	29.9	33.4	26.2	27.5	24.6	16.1	17.9	15.9	24.6	20.0	19.4
Torrent Pharma	693	Buy	45.9	54.3	64.1	15.1	12.8	10.8	9.8	7.8	6.6	28.9	27.4	26.3
<b>Sector Aggregate</b>						<b>23.1</b>	<b>19.9</b>	<b>17.0</b>	<b>13.4</b>	<b>12.9</b>	<b>11.0</b>	<b>19.2</b>	<b>19.3</b>	<b>19.5</b>
<b>Media</b>														
Dish TV	65	Neutral	-1.4	-1.1	-0.1	-47.6	-59.8	-502.7	13.6	10.7	8.3	NA	NA	NA
D B Corp	238	Buy	11.7	13.7	16.2	20.3	17.4	14.7	11.2	9.5	8.0	21.1	21.7	22.7
Hindustan Media	140	Buy	11.8	14.8	17.4	11.9	9.5	8.1	6.0	4.1	3.0	18.2	18.8	18.4
HT Media	102	Neutral	6.7	7.6	8.4	15.3	13.5	12.2	7.0	5.3	4.6	9.5	9.7	9.7
Jagran Prakashan	95	Buy	5.0	6.0	7.2	19.0	15.8	13.2	10.1	8.7	7.5	18.6	19.4	21.7
Sun TV	379	Neutral	17.5	19.4	23.7	21.6	19.5	16.0	10.2	8.8	7.3	24.0	24.7	27.5
Zee Entertainment	209	Neutral	7.4	8.3	10.5	28.1	25.2	19.8	20.9	17.9	14.3	19.3	18.8	20.8
<b>Sector Aggregate</b>						<b>28.1</b>	<b>24.3</b>	<b>18.9</b>	<b>12.9</b>	<b>10.9</b>	<b>8.9</b>	<b>17.4</b>	<b>18.2</b>	<b>20.6</b>
<b>Metals</b>														
Hindalco	88	Buy	16.5	21.0	19.9	5.3	4.2	4.4	7.3	5.8	5.3	18.0	19.5	15.8
Hindustan Zinc	116	Buy	15.3	15.7	15.6	7.6	7.4	7.5	4.3	3.3	2.6	21.9	19.1	16.5
JSPL	353	Sell	37.6	38.2	42.0	9.4	9.2	8.4	8.7	8.1	6.4	18.7	17.0	16.1
JSW Steel	599	Sell	39.0	23.0	64.5	15.4	26.0	9.3	7.1	7.3	6.0	6.4	3.8	10.1
Nalco	34	Neutral	2.0	3.2	3.5	17.5	10.7	9.8	6.6	4.2	3.1	4.3	6.8	7.1
NMDC	134	Buy	17.1	19.1	22.9	7.8	7.0	5.8	3.9	3.3	2.5	26.6	23.2	23.1
SAIL	61	Sell	7.6	7.5	6.9	8.1	8.1	8.8	6.2	6.0	5.9	7.6	7.2	6.3
Sesa Goa	151	Buy	29.3	24.5	26.7	5.2	6.2	5.7	33.0	30.0	14.8	17.0	14.5	16.1
Sterlite Inds.	91	Buy	17.1	17.0	16.3	5.3	5.4	5.6	2.7	2.1	1.8	12.9	11.6	10.3
Tata Steel	306	Sell	-6.8	31.8	28.0	-45.3	9.6	10.9	8.1	6.1	6.3	-2.7	12.8	10.6
<b>Sector Aggregate</b>						<b>8.5</b>	<b>7.4</b>	<b>7.0</b>	<b>6.2</b>	<b>5.3</b>	<b>4.8</b>	<b>11.1</b>	<b>11.8</b>	<b>11.5</b>
<b>Others</b>														
Castrol India	304	Neutral	9.0	10.6	11.6	33.6	28.7	26.3	23.4	19.2	17.5	83.8	71.5	78.8
Container Corpn.	1,026	Buy	71.6	73.7	81.9	14.3	13.9	12.5	10.5	9.3	7.9	15.8	14.7	14.7
MCX	866	Buy	56.8	53.7	63.2	15.2	16.1	13.7	13.4	13.5	10.7	27.2	23.0	24.7
Redington India	78	Buy	8.1	10.2	11.8	9.7	7.7	6.6	7.4	6.2	5.5	21.9	22.8	22.0
Sintex Inds.	44	Buy	11.1	13.2	15.4	4.0	3.4	2.9	4.3	3.5	2.7	11.9	12.6	13.0
United Phosphorous	117	Buy	16.4	20.0	25.3	7.1	5.8	4.6	4.2	3.3	2.5	16.7	18.2	19.7
<b>Sector Aggregate</b>						<b>13.9</b>	<b>12.2</b>	<b>10.4</b>	<b>8.9</b>	<b>7.6</b>	<b>6.4</b>	<b>17.9</b>	<b>18.1</b>	<b>18.8</b>



## Ready reckoner: valuations

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Oil &amp; Gas</b>														
BPCL	375	Buy	39.0	32.4	36.9	9.6	11.6	10.2	8.2	7.2	6.4	16.8	12.7	13.2
Cairn India	277	Buy	65.6	55.3	49.8	4.2	5.0	5.6	2.9	2.6	2.5	25.7	20.4	16.0
Chennai Petroleum	118	Buy	-61.5	29.1	28.6	-1.9	4.1	4.1	-25.0	4.8	4.8	-27.5	14.4	13.0
GAIL	304	Neutral	33.2	33.9	32.7	9.2	9.0	9.3	7.3	6.9	6.5	17.1	15.6	13.6
Guj. State Petronet	66	Neutral	8.7	8.9	9.4	7.5	7.3	7.0	4.3	3.8	3.8	18.3	16.2	14.8
HPCL	281	Buy	13.3	26.3	32.0	21.1	10.7	8.8	49.1	10.4	8.5	3.4	6.5	7.5
Indraprastha Gas	267	UR	25.9	29.5	33.0	10.3	9.0	8.1	5.4	4.6	3.9	26.9	26.0	24.6
IOC	274	Buy	22.9	29.0	38.1	11.9	9.5	7.2	11.8	8.0	6.2	9.0	10.6	12.9
MRPL	49	Neutral	0.1	7.9	8.7	581.0	6.3	5.7	10.6	4.4	3.7	0.2	17.8	17.2
Oil India	509	Buy	56.3	72.7	99.5	9.0	7.0	5.1	5.0	3.3	2.2	18.3	21.0	24.7
ONGC	303	Buy	29.6	36.6	52.9	10.2	8.3	5.7	4.3	3.3	2.3	17.6	19.4	24.4
Petronet LNG	133	Buy	15.9	13.6	15.3	8.4	9.8	8.7	6.0	5.6	5.0	29.8	20.8	20.0
Reliance Inds.	783	Neutral	71.3	74.2	78.7	11.0	10.6	10.0	8.3	8.3	7.8	12.2	11.6	11.2
<b>Sector Aggregate</b>						<b>10.1</b>	<b>8.9</b>	<b>7.3</b>	<b>6.6</b>	<b>5.3</b>	<b>4.3</b>	<b>14.1</b>	<b>14.4</b>	<b>15.6</b>
<b>Oil &amp; Gas Ex RMS</b>						<b>9.8</b>	<b>8.7</b>	<b>7.2</b>	<b>5.6</b>	<b>4.7</b>	<b>3.8</b>	<b>15.2</b>	<b>15.3</b>	<b>16.4</b>
UR = Under Review														
<b>Real Estate</b>														
Anant Raj Inds	63	Buy	5.9	8.1	9.9	10.8	7.8	6.4	12.8	8.7	6.8	4.5	5.8	6.6
DLF	236	Buy	5.0	6.1	11.8	47.0	38.6	20.0	22.8	16.3	12.0	3.1	3.7	6.6
Godrej Properties	532	Neutral	16.2	25.5	33.5	32.8	20.8	15.9	21.7	15.5	12.4	8.5	12.2	14.3
HDIL	45	UR	11.4	14.1	18.0	4.0	3.2	2.5	6.8	5.5	4.2	4.5	5.3	6.3
Indiabulls Real Est.	53	Buy	4.3	10.5	13.0	12.3	5.0	4.0	7.6	4.1	3.4	2.5	5.9	6.5
Jaypee Infratech	37	Buy	5.3	7.5	9.4	7.1	5.0	4.0	7.8	5.5	4.5	12.0	15.4	17.1
Mahindra Lifespace	382	Buy	22.8	33.6	41.1	16.8	11.4	9.3	14.6	9.3	7.3	7.6	10.1	11.1
Oberoi Realty	251	Buy	14.9	21.3	30.3	16.9	11.8	8.3	12.1	7.8	5.1	12.4	15.7	19.1
Phoenix Mills	262	Buy	7.4	12.7	21.3	35.3	20.6	12.3	20.7	13.2	8.9	6.0	9.5	14.1
Prestige Estates	163	Buy	6.5	11.0	16.1	25.1	14.8	10.1	12.9	9.2	6.8	9.8	13.3	17.1
Unitech	22	Buy	1.0	1.5	2.0	22.5	14.8	11.2	29.1	18.6	14.1	2.1	3.1	4.0
<b>Sector Aggregate</b>						<b>21.6</b>	<b>15.0</b>	<b>10.4</b>	<b>15.6</b>	<b>10.8</b>	<b>8.2</b>	<b>4.2</b>	<b>5.6</b>	<b>7.7</b>
<b>Retail</b>														
Jubi. Foodworks	1,220	Neutral	21.5	29.0	43.5	56.8	42.1	28.1	30.3	21.5	14.6	35.7	35.5	37.9
Shopper's Stop	399	Neutral	4.4	8.0	11.6	90.4	50.2	34.3	27.7	19.7	15.2	5.4	8.9	11.8
Titan Industries	252	Buy	8.0	10.0	12.5	31.5	25.1	20.2	21.6	16.6	12.9	41.7	34.7	33.1
<b>Sector Aggregate</b>						<b>37.7</b>	<b>29.2</b>	<b>22.5</b>	<b>23.7</b>	<b>17.9</b>	<b>13.5</b>	<b>29.3</b>	<b>29.9</b>	<b>30.3</b>
<b>Technology</b>														
HCL Technologies	775	Buy	54.1	57.8	61.0	14.3	13.4	12.7	9.3	8.6	7.9	31.4	29.9	25.8
Hexaware Tech.	84	Buy	10.8	10.0	11.5	7.8	8.4	7.3	5.0	5.3	4.3	29.9	24.7	26.1
Infosys	2,854	Buy	162.1	176.2	202.2	17.6	16.2	14.1	11.9	10.3	8.8	26.3	25.1	26.6
KPIT Cummins	96	Buy	10.9	13.1	14.4	8.8	7.3	6.7	4.3	3.5	3.2	23.4	22.8	23.0
Mindtree	911	Buy	83.5	94.1	98.9	10.9	9.7	9.2	7.4	6.3	5.5	26.5	26.4	22.0
Mphasis	400	Sell	37.5	36.7	40.8	10.7	10.9	9.8	8.3	8.1	6.7	19.1	17.3	18.1
TCS	1,557	Neutral	71.4	78.8	86.6	21.8	19.8	18.0	16.2	14.1	12.7	39.0	35.6	32.0
Tech Mahindra	1,041	Buy	91.7	99.3	115.3	11.4	10.5	9.0	6.9	6.7	6.2	22.7	21.8	20.6
Wipro	436	Buy	26.8	28.0	31.0	16.2	15.6	14.1	11.5	10.5	9.4	21.8	20.0	19.3
<b>Sector Aggregate</b>						<b>18.0</b>	<b>16.7</b>	<b>15.0</b>	<b>12.8</b>	<b>11.3</b>	<b>10.1</b>	<b>26.7</b>	<b>24.4</b>	<b>23.1</b>
<b>Telecommunication</b>														
Bharti Airtel	297	Buy	6.6	10.4	14.9	45.1	28.6	20.0	7.1	6.1	5.2	4.6	6.8	8.9
Idea Cellular	109	Buy	2.9	4.3	7.4	37.2	25.2	14.7	8.4	6.7	5.3	7.1	9.5	14.3
Reliance Comm	51	Neutral	3.5	7.9	13.2	14.7	6.5	3.9	7.2	5.8	4.6	2.2	5.1	7.9
<b>Sector Aggregate</b>						<b>38.1</b>	<b>22.7</b>	<b>14.7</b>	<b>7.3</b>	<b>6.2</b>	<b>5.1</b>	<b>4.3</b>	<b>6.8</b>	<b>9.5</b>

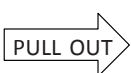


## Ready reckoner: valuations

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Utilities</b>														
CESC	265	Buy	45.3	51.7	56.5	5.8	5.1	4.7	4.5	3.9	3.6	11.2	11.5	11.4
Coal India	301	Neutral	30.2	29.8	31.2	10.0	10.1	9.6	6.7	6.1	5.4	30.1	24.9	22.4
Jaiprakash Power	25	Buy	1.4	2.7	4.2	17.3	9.3	5.9	12.8	11.0	6.3	6.8	10.9	15.8
JSW Energy	52	Neutral	6.6	6.5	6.3	7.8	7.9	8.2	6.4	5.5	5.3	18.0	15.8	13.7
NHPC	20	Neutral	1.9	2.0	2.1	10.7	10.1	9.4	7.3	7.8	6.7	7.3	7.4	7.7
NTPC	143	Buy	11.1	13.7	15.8	12.8	10.4	9.0	8.9	8.4	7.3	12.0	13.6	14.5
Power Grid Corp.	105	Buy	9.2	11.3	13.7	11.4	9.3	7.7	9.2	8.4	7.5	17.1	18.7	19.9
PTC India	57	Buy	7.2	9.0	10.8	8.0	6.4	5.3	6.1	6.2	1.7	5.9	6.9	8.2
Reliance Infra.	324	Buy	52.1	53.2	60.0	6.2	6.1	5.4	0.4	0.2	-0.2	7.4	7.1	7.5
Tata Power	95	Neutral	4.7	3.7	4.7	20.2	25.7	20.1	16.4	14.2	13.2	9.1	7.7	8.0
<b>Sector Aggregate</b>						<b>11.0</b>	<b>10.1</b>	<b>9.1</b>	<b>8.0</b>	<b>7.5</b>	<b>6.6</b>	<b>16.4</b>	<b>16.2</b>	<b>16.3</b>

UR = Under Review

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			P/BV (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Private Banks</b>														
Axis Bank	1,294	Buy	111.3	136.5	160.8	11.6	9.5	8.0	1.9	1.6	1.4	18.6	17.9	18.1
Federal Bank	488	Buy	48.0	54.9	61.5	10.2	8.9	7.9	1.3	1.2	1.1	13.6	14.0	14.1
HDFC Bank	614	Neutral	28.5	36.9	46.3	21.6	16.6	13.3	4.1	3.5	2.9	20.7	22.7	23.8
ICICI Bank	1,021	Buy	71.8	85.3	102.4	14.2	12.0	10.0	2.2	2.0	1.8	15.0	15.9	17.0
IndusInd Bank	400	Buy	20.0	25.7	32.9	20.0	15.5	12.2	2.8	2.4	2.1	17.5	16.8	18.5
ING Vysya Bank	550	Buy	40.3	44.7	51.6	13.7	12.3	10.7	1.9	1.7	1.5	14.6	14.3	14.7
Kotak Mah. Bank	640	Neutral	28.9	34.3	40.8	22.1	18.6	15.7	3.2	2.7	2.3	15.4	15.7	16.0
Yes Bank	426	Buy	36.8	46.2	56.6	11.5	9.2	7.5	2.6	2.1	1.7	24.9	25.4	25.2
<b>Private Bank Aggregate</b>						<b>16.2</b>	<b>13.2</b>	<b>10.9</b>	<b>2.8</b>	<b>2.4</b>	<b>2.1</b>	<b>17.0</b>	<b>17.9</b>	<b>18.9</b>
<b>PSU Banks</b>														
Andhra Bank	94	Buy	22.4	25.6	30.3	4.2	3.7	3.1	0.6	0.6	0.5	15.8	16.0	16.7
Bank of Baroda	663	Neutral	105.5	116.2	139.1	6.3	5.7	4.8	0.9	0.8	0.7	16.0	15.2	15.9
Bank of India	290	Neutral	45.9	52.8	58.3	6.3	5.5	5.0	0.8	0.7	0.6	13.5	13.6	13.4
Canara Bank	363	Buy	62.9	76.0	91.1	5.8	4.8	4.0	0.7	0.6	0.6	12.8	13.9	14.7
Corporation Bank	385	Neutral	95.1	94.6	110.6	4.0	4.1	3.5	0.6	0.5	0.5	16.0	14.2	14.8
Dena Bank	89	Neutral	25.5	26.5	30.2	3.5	3.4	3.0	0.6	0.5	0.5	19.1	16.9	16.7
Indian Bank	164	Buy	36.9	40.7	46.9	4.5	4.0	3.5	0.7	0.6	0.5	15.6	15.3	15.7
Oriental Bank	238	Buy	46.3	56.0	69.2	5.2	4.3	3.4	0.6	0.5	0.5	11.6	12.8	14.3
Punjab Nat. Bank	713	Buy	141.8	170.1	208.0	5.0	4.2	3.4	0.8	0.7	0.6	17.2	17.6	18.5
State Bank	2,051	Buy	280.8	319.5	366.7	7.3	6.4	5.6	1.1	1.0	0.9	17.5	17.0	17.0
Union Bank	210	Buy	30.1	43.2	52.1	7.0	4.9	4.0	0.8	0.7	0.6	12.7	15.8	17.0
<b>PSU Bank Aggregate</b>						<b>6.2</b>	<b>5.3</b>	<b>4.6</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>	<b>15.6</b>	<b>15.7</b>	<b>16.1</b>
<b>NBFC</b>														
Dewan Housing	165	Buy	33.9	43.5	54.6	4.9	3.8	3.0	0.8	0.7	0.6	19.8	21.4	22.4
HDFC	823	Buy	31.5	36.2	43.3	26.1	22.8	19.0	5.2	4.6	4.1	28.7	28.6	29.1
IDFC	140	Buy	11.9	13.9	16.4	11.7	10.1	8.5	1.6	1.4	1.2	13.9	14.6	15.4
LIC Housing Fin	221	Buy	19.2	27.1	31.5	11.5	8.2	7.0	1.7	1.5	1.3	16.0	18.0	19.4
M & M Financial	198	Buy	14.3	18.2	22.9	13.8	10.9	8.6	2.5	2.1	1.8	21.7	21.1	22.6
Power Finance Corp	182	Buy	33.8	38.5	45.5	5.4	4.7	4.0	1.0	0.9	0.8	20.0	19.8	20.4
Rural Electric. Corp.	202	Buy	39.8	44.3	52.1	5.1	4.6	3.9	1.1	1.0	0.8	24.4	23.0	23.0
Shriram Trans. Fin.	675	Buy	65.5	80.1	92.7	10.3	8.4	7.3	2.1	1.8	1.5	20.8	21.1	20.2
<b>NBFC Aggregate</b>						<b>12.2</b>	<b>10.5</b>	<b>8.8</b>	<b>2.5</b>	<b>2.1</b>	<b>1.8</b>	<b>20.3</b>	<b>20.1</b>	<b>20.8</b>
<b>Sector Aggregate</b>						<b>10.4</b>	<b>8.9</b>	<b>7.5</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>	<b>16.9</b>	<b>17.2</b>	<b>17.8</b>





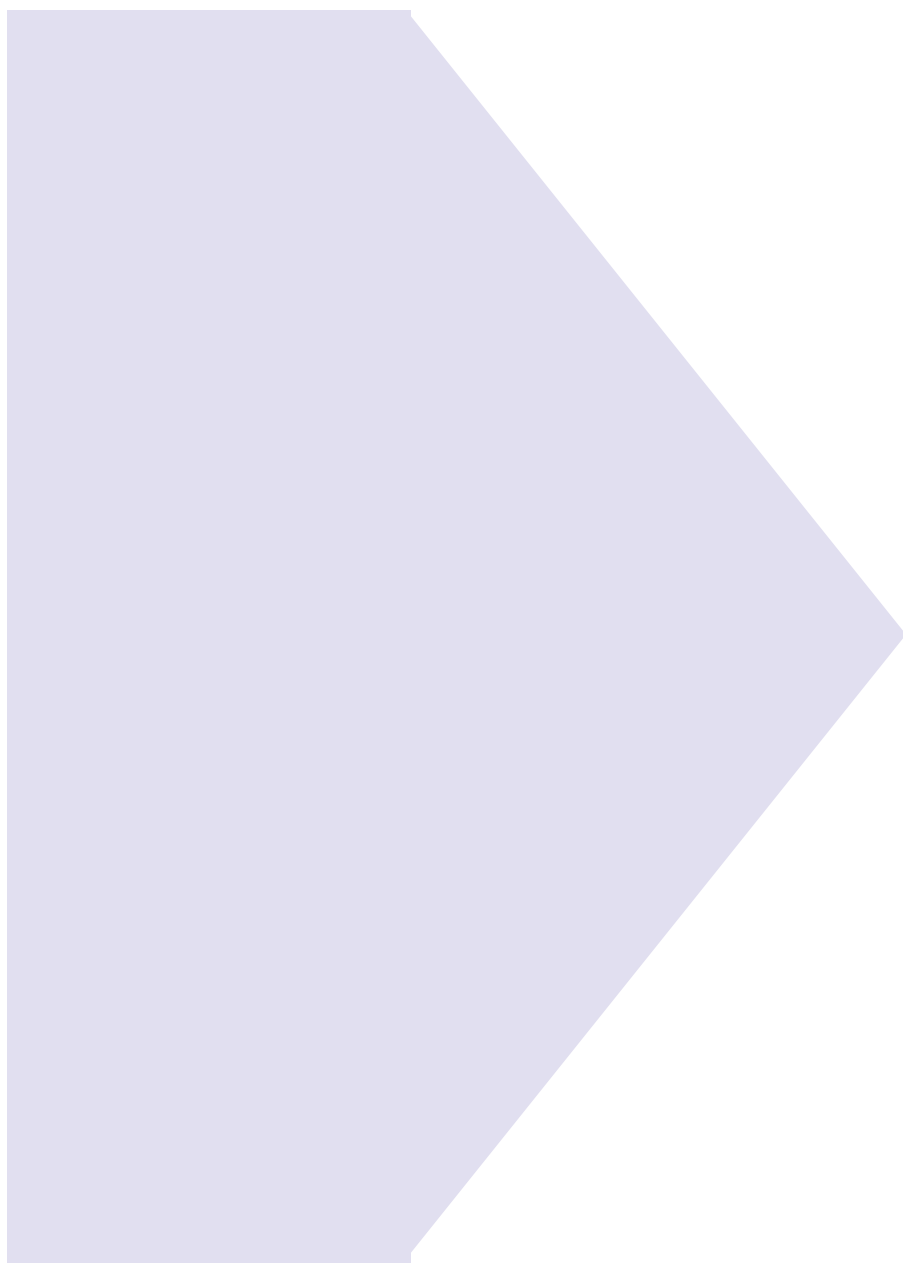
# Sectors & Companies

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BSE Sensex: **18,705**

S&P CNX: **5,642**

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**Note:** In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

**All stock prices and indices as on 26 March 2013, unless otherwise stated.**

# Automobiles

## Companies Covered

Ashok Leyland  
Bajaj Auto  
Eicher Motors  
Hero MotoCorp  
Mahindra & Mahindra  
Maruti Suzuki India  
Tata Motors

## Demand weakens further; to remain so for next couple of quarters

Demand has weakened across auto segments on the back of economic slowdown and consequently weak consumer and business sentiments:

- **Two-wheelers:** For most players, weak retail demand has led to higher inventory to 4-5 weeks.
- **Passenger vehicles:** The petrol segment remains weak for over a year now due to sharp rise in petrol prices. Now, even diesel segment demand has also moderated over the last 4-5 months (with YoY drop in volumes).
- **MHCVs:** The segment continues to fall sharply reflecting tough macroeconomic conditions. This coupled with higher competitive intensity has resulted in high level of discounting.
- **Tractors** continue to struggle due to weak demand from Southern and Western regions.

Expected softening in interest rates, and reform-led revival in business and consumer sentiment are key medium-term drivers for auto volumes.

## 4QFY13 margins to improve QoQ on favorable currency, stable RM cost

EBITDA margins for our Auto universe is expected to improve 70bp QoQ (-110 YoY) on favorable currency (JPY/INR) together with stable RM cost. Discount levels remain high across segments particularly for CVs and PVs. In two-wheelers, there is no widespread cash discount, but OEMs are aggressively pushing finance schemes to spur demand. Expect EBITDA margin to rise for Maruti Suzuki 140bp QoQ (+210bp YoY), and for Hero 80bp QoQ (-140bp YoY).

## Lower rates, price hikes, soft commodities cushion slowdown impact

Over the last few months, major auto financiers have cut lending rates. This augurs well for auto demand, particularly for PVs and CVs. Besides, on the back of further monetary easing, economic activity and consumer sentiment should improve. At the company level, price increases and softening commodity prices are positive to cushion the impact of slowdown on profitability.

## Expected quarterly performance summary

(INR Million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ
	<b>26.03.13</b>										
Ashok Leyland	22	Buy	36,751	-14.8	54.4	3,609	-23.2	252.7	1,420	-44.9	LP
Bajaj Auto	1,795	Buy	49,926	0.4	-7.8	9,063	-1.0	-10.4	7,356	-3.1	-10.2
Eicher Motors	2,561	Buy	17,331	2.2	6.5	1,388	-23.0	17.6	875	-20.2	20.0
Hero Motocorp	1,573	Buy	62,174	4.3	1.1	5,850	-9.3	9.9	5,266	-12.8	7.9
Mahindra & Mahindra	863	Buy	99,500	9.1	-2.9	12,966	17.6	-6.0	8,407	4.7	-8.1
Maruti Suzuki	1,293	Buy	126,911	8.2	13.3	11,920	38.8	33.7	8,070	26.1	61.0
Tata Motors	275	Buy	548,591	7.8	19.0	66,784	-1.0	18.0	27,378	-38.3	57.9
<b>Sector Aggregate</b>			<b>941,184</b>	<b>6.1</b>	<b>13.3</b>	<b>111,579</b>	<b>2.2</b>	<b>15.1</b>	<b>58,771</b>	<b>-22.8</b>	<b>32.2</b>

Jinesh Gandhi (Jinesh@MotilalOswal.com) / Chirag Jain (Chirag.Jain@MotilalOswal.com)

### Valuation & view: Downgrades across companies; Prefer Maruti, Tata, Eicher

We have downgraded our volume growth and earnings estimates across companies given (1) the current weak demand environment, and (2) expected gradual economic recovery (2HFY14 onwards).

- **Hero MotoCorp:** FY14/15 EPS estimate lowered 10%/9.4% to factor in lower industry growth in FY14 and consequent pressure on margins.
- **Maruti:** FY14/15 EPS estimate cut 7.8%/6.4% to factor in demand weakness partly offset by favorable currency.
- **Tata Motors:** FY14/15 Consol EPS cut 7.0%/5.2% due to weak outlook on standalone business.

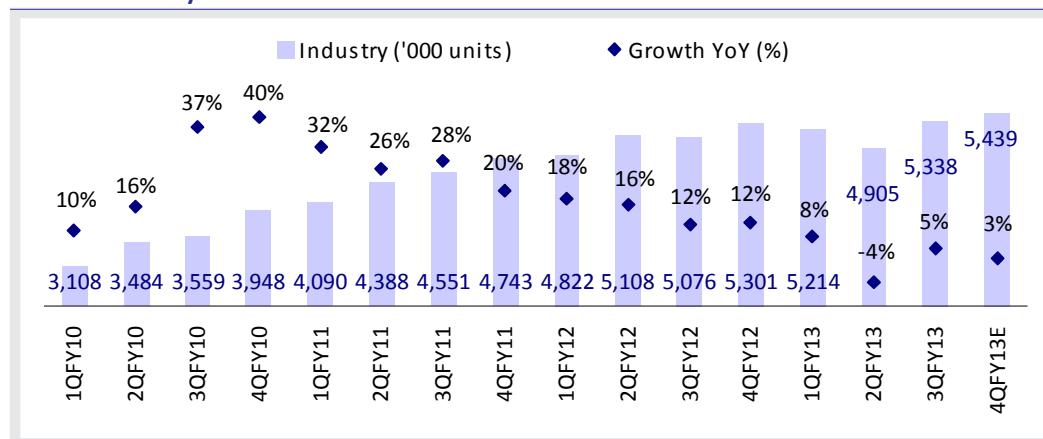
Changing competitive landscape in the auto sector would be one of the key determinants of stock performance. We believe that worst of competitive pressure is behind for passenger cars, but in 2W, UVs and CVs, rising competitive intensity poses a major challenge to incumbents. We prefer **Maruti Suzuki, Tata Motors** and **Eicher Motors**.

#### Volume snapshot for 4QFY13 ('000 units)

	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)	FY13E	FY12	YoY (%)
Two wheelers	4,071	3,888	4.7	4,071	0.0	15,925	15,376	3.6
Three wheelers	218	207	5.4	241	-9.6	846	875	-3.4
Passenger cars	690	762	-9.5	627	10.1	2,465	2,512	-1.9
UVs & MPVs	234	179	30.6	210	11.5	796	641	24.2
<b>Total PVs</b>	<b>924</b>	<b>941</b>	<b>-1.8</b>	<b>837</b>	<b>10.4</b>	<b>3,262</b>	<b>3,154</b>	<b>3.4</b>
M&HCV	71	112	-37.0	62	14.8	283	377	-24.8
LCV	155	152	2.0	147	4.9	581	524	10.8
<b>Total CVs</b>	<b>225</b>	<b>264</b>	<b>-14.6</b>	<b>209</b>	<b>7.8</b>	<b>864</b>	<b>901</b>	<b>-4.1</b>
<b>Total</b>	<b>5,439</b>	<b>5,301</b>	<b>2.6</b>	<b>5,358</b>	<b>1.5</b>	<b>20,896</b>	<b>20,306</b>	<b>2.9</b>

Source: SIAM, MOSL

#### Trend in Industry volumes



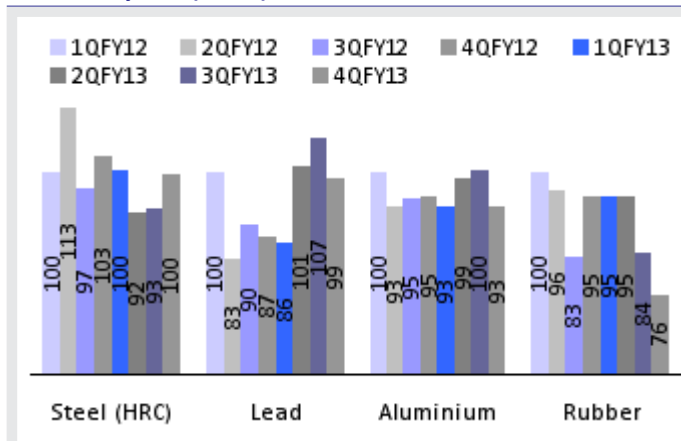
Source: Company, MOSL

#### Revised EPS Estimates (INR)

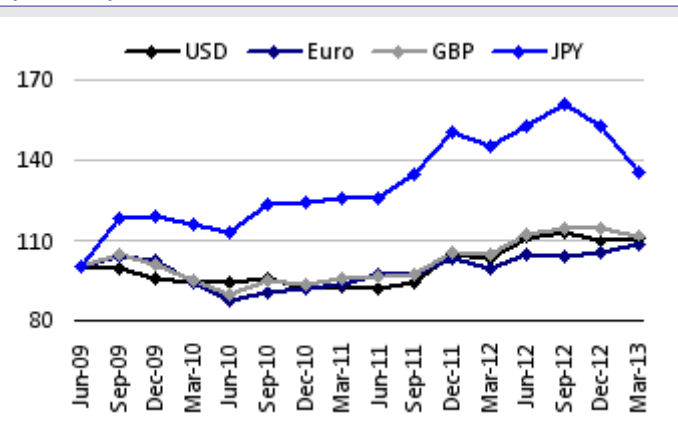
	FY13E			FY14E			FY15E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Bajaj Auto	104.1	104.7	-0.5	124.3	132.4	-6.1	143.6	149.8	-4.2
Hero MotoCorp	103.7	105.4	-1.6	104.4	115.9	-10.0	144.4	159.5	-9.4
Maruti *	73.3	73.6	-0.4	100.1	108.7	-7.8	130.4	139.4	-6.4
M&M *	61.3	61.4	-0.3	78.0	78.2	-0.2	97.3	97.5	-0.2
Tata Motors *	27.4	29.1	-5.8	34.3	36.8	-7.0	40.2	42.4	-5.2
Ashok Leyland	1.0	1.0	2.1	1.7	1.9	-10.0	2.5	2.7	-8.1
Eicher Motors *	120.2	120.2	0.0	114.3	118.1	-3.2	163.0	174.8	-6.7

\* Consolidated

Commodity cost (Index)

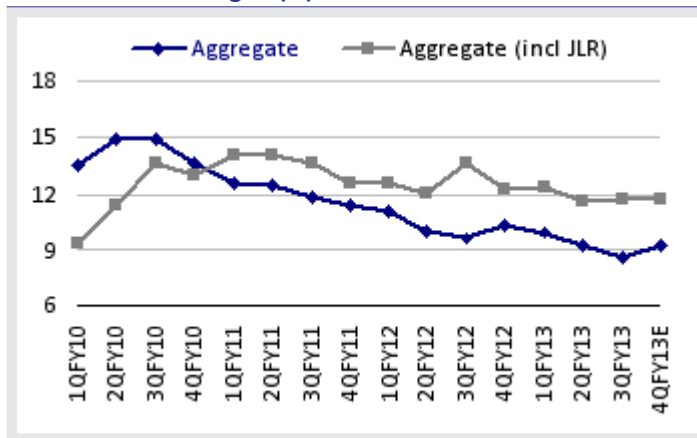


INR depreciates against USD but appreciates against JPY (Indexed)

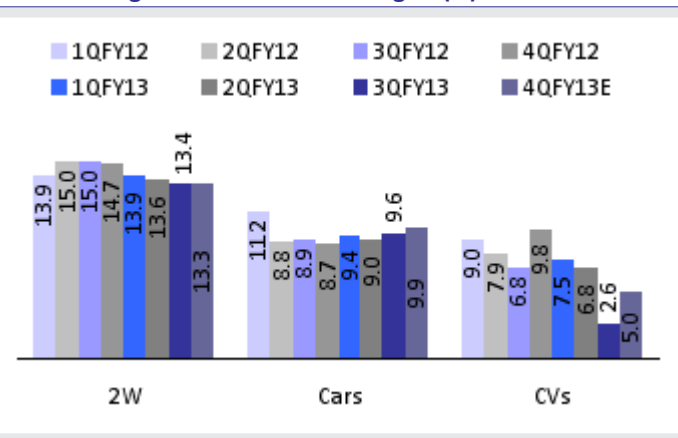


Source: Bloomberg, MOSL

Trend in EBITDA margins (%)

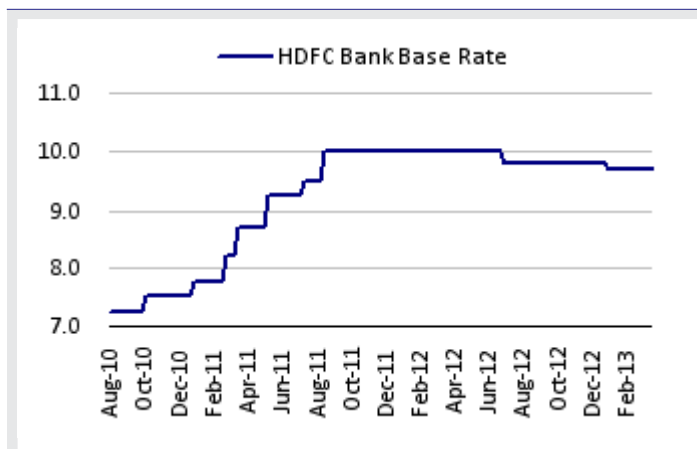


Trend in segment-wise EBITDA margins (%)



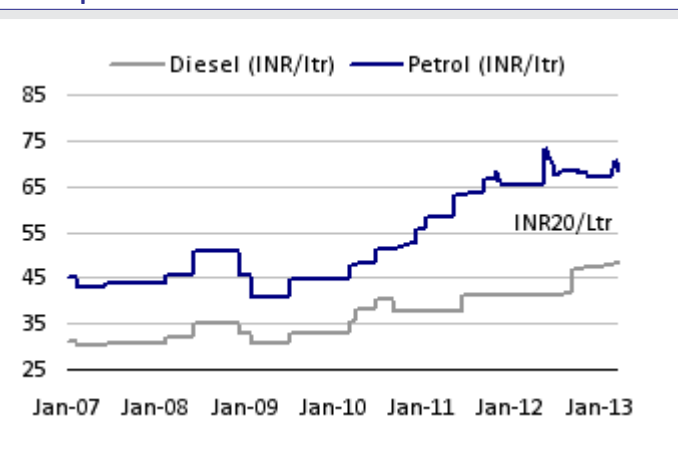
Source: Company, MOSL

HDFC Bank's Base rate trend



Source: HDFC Bank PLR

Differential though narrowed remains high between petrol & diesel prices



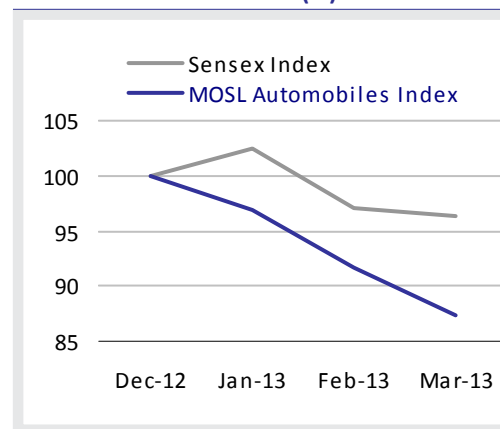
Source: Bloomberg, MOSL

## Trend in key financials

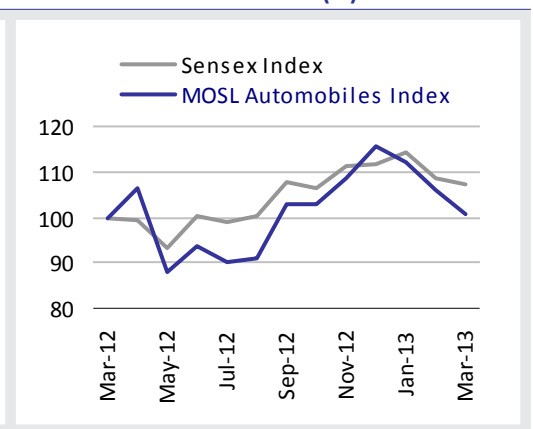
	Volumes ('000 units)			EBITDA Margins (%)			Adj PAT (INR M)		
	4Q FY13E	YoY (%)	QoQ (%)	4Q FY13E	YoY (bp)	QoQ (bp)	4Q FY13E	YoY (%)	QoQ (%)
BJAUT	1,049	3.1	-7.0	18.2	-160	-50	7,356	-3.1	-10.2
HMCL*	1,584	0.8	0.7	9.4	-140	80	5,266	-12.8	7.9
MSIL	339	-5.8	12.6	9.4	210	140	8,070	26.1	61.0
MM	194	-0.8	-7.3	10.5	20	-70	7,275	-5.5	-13.0
TTMT (S/A)	196	-31.5	-4.0	3.3	-620	110	-4,383	NA	-3.1
TTMT (Cons)				12.2	-110	-10	27,378	-38.3	57.9
Ashok Leyland	34	-4.2	52.1	9.8	-1	0	1,420	-44.9	NA
Eicher Motors				8.0	-3	1	875	-20.2	20.0
<b>Aggregate **</b>	<b>3,397</b>	<b>-2.0</b>	<b>-1.2</b>	<b>9.2</b>	<b>-110</b>	<b>70</b>	<b>25,878</b>	<b>-33.4</b>	<b>18.8</b>

\*Normalized; \*\*Aggregate includes Tata Motor's standalone performance only

## Relative Performance-3m (%)



## Relative Performance-1Yr (%)



## Comparative valuation

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Automobiles</b>														
Ashok Leyland	22	Buy	1.0	1.7	2.5	21.1	12.9	9.0	8.4	6.3	5.3	6.5	10.4	14.3
Bajaj Auto	1,795	Buy	104.1	124.3	143.6	17.2	14.4	12.5	11.9	9.4	7.8	44.9	44.1	41.9
Eicher Motors	2,561	Buy	120.2	114.3	163.0	21.3	22.4	15.7	11.3	11.5	6.6	20.3	17.1	21.4
Hero Motocorp	1,573	Buy	103.7	104.4	144.4	15.2	15.1	10.9	12.5	10.6	6.9	43.1	35.7	41.0
Mahindra & Mah.	863	Buy	61.3	78.0	97.3	14.1	11.1	8.9	5.5	4.4	3.6	22.0	20.5	20.0
Maruti Suzuki	1,293	Buy	73.3	100.1	130.4	17.7	12.9	9.9	7.8	5.4	3.9	11.4	13.7	15.6
Tata Motors	275	Buy	27.4	34.3	40.2	10.0	8.0	6.9	4.5	4.0	3.6	21.8	22.3	21.2
<b>Sector Aggregate</b>						<b>13.5</b>	<b>10.9</b>	<b>8.9</b>	<b>6.1</b>	<b>5.1</b>	<b>4.2</b>	<b>22.0</b>	<b>22.9</b>	<b>23.3</b>

# Ashok Leyland

Bloomberg	AL IN
Equity Shares (m)	2,660.7
M. Cap. (INR b)/(USD b)	59/1
52-Week Range (INR)	33/20
1,6,12 Rel Perf. (%)	-1/-9/-33

## CMP: INR22

Buy

- Expect volumes to decline 4.2% YoY (+52% QoQ), with MHCVs down 23% YoY but LCV (Dost) volumes up 121%.
- Margins are likely to drop 110bp YoY, but rise 550bp QoQ on the back of higher volumes, price increase, and cost management measures initiated in Dec-12.
- Expect PAT to decline 45% YoY to INR1.42b on lower volumes, weak margins and high interest cost (higher inventory & receivables).
- We have cut our FY14E/FY15E EPS by 10%/8.1% respectively.
- The stock trades at 12.9x/9x FY14E/FY15E EPS respectively. Maintain **Buy**.

### Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	128.4	123.6	141.2	166.6
EBITDA	12.6	10.5	14.2	16.9
NP	5.6	2.8	4.6	6.6
Adj. EPS (INR)	2.1	1.0	1.7	2.5
EPS Gr. (%)	(10.3)	(50.9)	64.2	43.9
BV/Sh. (INR)	15.8	16.0	16.5	17.3
RoE (%)	13.4	6.5	10.4	14.3
RoCE (%)	12.5	8.0	10.3	12.6
Payout (%)	47.0	67.0	64.1	56.7
<b>Valuations</b>				
P/E (x)	10.4	21.1	12.9	9.0
P/BV (x)	1.4	1.4	1.3	1.3
EV/EBITDA (x)	6.8	9.9	7.6	6.5
Div. Yield (%)	4.5	3.2	5.0	6.3

### Key issues to watch out

- Current demand environment and discounting trend; plant and channel inventory for MHCVs.
- Industry growth, market share guidance for MHCVs and Dost (LCVs) for FY14.
- Pantnagar volume guidance, RM cost outlook and margin guidance for FY14.
- Capex and investment guidance for FY14.

### Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Total Volumes (nos)</b>	<b>19,277</b>	<b>23,869</b>	<b>23,175</b>	<b>35,982</b>	<b>27,487</b>	<b>29,840</b>	<b>22,666</b>	<b>34,481</b>	<b>102,303</b>	<b>114,474</b>
Growth (%)	-9.9	-2.9	25.7	21.2	42.6	25.0	-2.2	-4.2	8.7	11.9
<b>Realizations ('000)</b>	<b>1,303</b>	<b>1,305</b>	<b>1,253</b>	<b>1,198</b>	<b>1,094</b>	<b>1,105</b>	<b>1,050</b>	<b>1,066</b>	<b>1,257</b>	<b>1,080</b>
Change (%)	18.8	18.2	3.7	-7.6	-16.1	-15.4	-16.2	-11.0	6.1	-14.1
<b>Net Sales</b>	<b>25,127</b>	<b>31,148</b>	<b>29,035</b>	<b>43,110</b>	<b>30,074</b>	<b>32,960</b>	<b>23,805</b>	<b>36,751</b>	<b>128,619</b>	<b>123,590</b>
Change (%)	7.0	14.8	30.4	12.0	19.7	5.8	-18.0	-14.8	15.3	-3.9
RM/Sales %	72.1	73.6	74.0	74.4	72.8	72.8	71.9	71.7	73.6	72.3
Staff / sales %	9.9	8.1	9.4	5.7	8.9	8.0	11.0	7.0	7.9	8.5
Oth. Exp./ Sales %	8.2	7.7	9.4	8.9	10.3	9.1	12.8	11.4	8.6	10.7
<b>EBITDA</b>	<b>2,446</b>	<b>3,312</b>	<b>2,104</b>	<b>4,699</b>	<b>2,407</b>	<b>3,341</b>	<b>1,023</b>	<b>3,609</b>	<b>12,760</b>	<b>10,466</b>
EBITDA Margins (%)	9.7	10.6	7.2	10.9	8.0	10.1	4.3	9.8	9.9	8.5
Other Income	74	135	86	109	129	239	141	142	404	650
Interest	567	658	603	724	834	1,036	1,071	1,227	2,553	4,169
Depreciation	847	859	866	956	893	984	931	980	3,528	3,788
<b>PBT before EO Exp</b>	<b>1,107</b>	<b>1,929</b>	<b>720</b>	<b>3,128</b>	<b>810</b>	<b>1,559</b>	<b>-838</b>	<b>1,542</b>	<b>7,083</b>	<b>3,159</b>
EO Exp/(Inc)	0	0	0	-16	0	0	-1,563	0	-16	0
<b>PBT</b>	<b>1,107</b>	<b>1,929</b>	<b>720</b>	<b>3,144</b>	<b>810</b>	<b>1,559</b>	<b>725</b>	<b>1,542</b>	<b>7,099</b>	<b>3,159</b>
Effective Tax Rate (%)	22.1	20.1	7.0	17.7	17.3	8.5	-2.3	8.0	17.5	12.0
<b>Rep. PAT</b>	<b>862</b>	<b>1,541</b>	<b>669</b>	<b>2,587</b>	<b>670</b>	<b>1,426</b>	<b>741</b>	<b>1,420</b>	<b>5,859</b>	<b>2,780</b>
Change (%)	-29.6	-7.8	54.3	-13.2	-22.3	-7.5	10.8	-45.1	-12.1	-52.5
<b>Adj. PAT</b>	<b>862</b>	<b>1,541</b>	<b>669</b>	<b>2,574</b>	<b>670</b>	<b>1,426</b>	<b>-858</b>	<b>1,420</b>	<b>5,846</b>	<b>2,780</b>
Change (%)	-29.6	-7.8	54.3	-13.7	-22.3	-7.5	-228.2	-44.9	-12.3	-52.4

E: MOSL Estimates

# Bajaj Auto

Bloomberg	BJAUT IN
Equity Shares (m)	289.4
M. Cap. (INR b)/(USD b)	519/10
52-Week Range (INR)	2,229/1,423
1,6,12 Rel Perf. (%)	-5/-1/-2

**CMP: INR1,795**
**Buy**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	195.3	202.4	229.9	265.6
EBITDA	37.2	37.0	44.8	51.3
NP	31.1	30.1	36.0	41.5
Adj. EPS (INR)	107.4	104.1	124.3	143.6
EPS Gr. (%)	18.8	(3.0)	19.4	15.5
BV/Sh. (INR)	208.8	254.8	308.9	377.0
RoE (%)	56.7	44.9	44.1	41.9
RoCE (%)	73.0	62.2	61.7	57.0
Payout (%)	48.7	55.8	56.5	52.6
<b>Valuations</b>				
P/E (x)	16.7	17.2	14.4	12.5
P/BV (x)	8.6	7.0	5.8	4.8
EV/EBITDA (x)	12.2	11.9	9.4	7.8
Div. Yield (%)	2.5	2.8	3.3	3.6

- Expect 4QFY13 volumes to rise 3% YoY (-7% QoQ) to 1.05m.
- EBITDA margins are likely to drop 50bp QoQ (-160bp YoY) to 18.2% led by weaker product mix (higher share of Platina, lower 3W volumes), partly offset by full benefit of price hike in exports effective Nov-12 to pass on impact of export incentive reduction.
- Expect PAT to decline 3% YoY (-11% QoQ). PAT decline is higher than that of EBITDA due to higher tax rate on partial expiry of tax incentives in Pantnagar plant.
- We cut FY14/FY15 EPS by 6.1%/4.2% as we lower our FY14 growth assumption on slower economic recovery.
- We have cut our FY14E/FY15E EPS by 6.1%/4.2% respectively.
- The stock trades at 14.4x/12.5x FY14E/FY15E EPS respectively. Maintain **Buy**.

**Key issues to watch out**

- Update on current retail demand environment and channel inventory.
- FY14 volume and margin guidance, new launches, update on forex hedges on exports for FY14.

**Quarterly Performance**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Volumes ('000 nos)</b>	<b>1,092.8</b>	<b>1,164.1</b>	<b>1,075.4</b>	<b>1,017.2</b>	<b>1,079.0</b>	<b>1,049.2</b>	<b>1,127.7</b>	<b>1,049.1</b>	<b>4,349.6</b>	<b>4,266.8</b>
Change (%)	17.7	16.3	13.6	7.3	-1.3	-9.9	4.9	3.1	13.7	(1.9)
<b>Realization</b>	<b>43,066</b>	<b>44,543</b>	<b>46,361</b>	<b>45,729</b>	<b>45,095</b>	<b>47,392</b>	<b>47,996</b>	<b>47,588</b>	<b>44,899</b>	<b>47,444</b>
Change (%)	2.8	2.6	5.1	4.6	4.7	6.4	3.5	4.1	4.7	5.7
<b>Net Sales</b>	<b>47,063</b>	<b>51,854</b>	<b>49,859</b>	<b>46,514</b>	<b>48,657</b>	<b>49,724</b>	<b>54,127</b>	<b>49,926</b>	<b>195,290</b>	<b>202,433</b>
Change (%)	21.0	19.4	19.4	12.2	3.4	-4.1	8.6	7.3	19.1	3.7
RM/Sales (%)	73.6	72.6	71.4	71.2	72.1	71.8	72.4	72.3	72.2	72.2
Staff cost/Sales (%)	3.0	2.7	2.8	2.6	3.3	3.1	2.9	3.1	2.8	3.1
Oth. Exp./Sales (%)	5.5	6.2	6.4	6.9	6.9	7.0	6.2	6.5	6.2	6.7
<b>EBITDA</b>	<b>8,398</b>	<b>9,755</b>	<b>9,841</b>	<b>9,206</b>	<b>8,717</b>	<b>9,152</b>	<b>10,118</b>	<b>9,063</b>	<b>37,200</b>	<b>37,049</b>
EBITDA Margins (%)	17.8	18.8	19.7	19.8	17.9	18.4	18.7	18.2	19.0	18.3
Other Income	1,441	1,564	1,681	1,395	1,820	1,667	2,032	1,846	6,080	7,365
Extraordinary Exp/(Inc)	0	954	589	-203	0	0	0	0	1,340	0
Interest	2	202	0	18	0	2	1	1	222	5
Depreciation	306	394	321	434	352	410	411	432	1,456	1,605
<b>PBT</b>	<b>9,531</b>	<b>9,768</b>	<b>10,612</b>	<b>10,351</b>	<b>10,184</b>	<b>10,407</b>	<b>11,738</b>	<b>10,475</b>	<b>40,262</b>	<b>42,804</b>
Effective Tax Rate (%)	25.4	25.7	25.1	25.4	29.5	28.8	30.2	29.8	25.4	29.6
<b>Rep. PAT</b>	<b>7,111</b>	<b>7,258</b>	<b>7,952</b>	<b>7,720</b>	<b>7,184</b>	<b>7,407</b>	<b>8,187</b>	<b>7,356</b>	<b>30,041</b>	<b>30,134</b>
<b>Adj. PAT</b>	<b>7,111</b>	<b>7,898</b>	<b>8,340</b>	<b>7,590</b>	<b>7,184</b>	<b>7,407</b>	<b>8,187</b>	<b>7,356</b>	<b>31,069</b>	<b>30,134</b>
Change (%)	20.5	15.8	25.0	12.3	1.0	(6.2)	(1.8)	(3.1)	-9.7	-3.0

E: MOSL Estimates



# Eicher Motors

Bloomberg	EIM IN
Equity Shares (m)	27.0
M. Cap. (INR b)/(USD b)	69/1
52-Week Range (INR)	3,240/1,620
1,6,12 Rel Perf. (%)	-5/14/26

## Financials & Valuation (INR b)

Y/E December	2012	2013E	2014E	2015E
Net Income	63.9	71.7	95.3	119.1
EBITDA	5.5	5.3	8.7	12.1
Net Profit	3.2	3.1	4.4	6.0
Adj. EPS (INR)	120.2	114.3	163.0	222.5
EPS Gr. (%)	5.1	(4.9)	42.6	36.5
BV/Sh. (INR)	632.3	706.2	814.2	967.1
RoE (%)	20.3	17.1	21.4	25.0
RoCE (%)	22.9	17.5	23.7	28.6
Payout (%)	0.7	0.7	1.1	1.5
<b>Valuations</b>				
P/E (x)	21.3	22.4	15.7	11.5
P/BV (x)	4.1	3.6	3.1	2.6
EV/EBITDA (x)	17.1	15.2	9.2	6.3
Div. Yield (%)	0.7	0.7	1.1	1.5

**CMP: INR2,561**

**Buy**

- Expect Royal Enfield volumes to improve 43% YoY (+6.4% QoQ) given continued demand momentum. Expect standalone margins at 12.8% (-110bp YoY, +130bp QoQ).
- Expect VECV's volumes to drop 14.3% YoY (+4.5% QoQ) due to economic weakness and consequent lower freight traffic. VECV's margins are likely to improve 90bp QoQ on higher volumes.
- Expect consolidated sales to grow 2.2% YoY (+6.5% QoQ), margin to improve 70bp QoQ to 8.0%, and PAT (after minority interest) to decline 20% YoY on lower profits from VECV.
- We have cut our CY13E/CY14E/CY15E EPS by 3.2%/6.7%/5.8% respectively.
- The stock trades at 22.4x/15.7x/11.5x CY13E/CY14E/CY15E EPS respectively. Maintain **Buy**.

### Key issues to watch out

- Update on key projects slated to commence operations in CY13, viz, a) new Royal Enfield plant, b) medium-duty engine project, c) bus body plant, and d) new HCV range.
- Update on CV demand trends, discount levels and channel inventory.

## Quarterly Performance

(INR Million)

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Royal Enfield (units)</b>	<b>23,899</b>	<b>27,519</b>	<b>30,046</b>	<b>31,968</b>	<b>34,097</b>	<b>27,519</b>	<b>48,250</b>	<b>58,835</b>	<b>113,432</b>	<b>180,432</b>
Growth (%)	40.8	48.1	49.7	68.2	42.7	0.0	60.6	84.0	52.0	655.0
EBITDA Margins (%)	13.9	15.3	15.1	11.5	12.8	13.1	13.8	15.7	13.9	14.1
<b>VECV Volumes (units)</b>	<b>14,289</b>	<b>12,016</b>	<b>10,791</b>	<b>11,727</b>	<b>12,252</b>	<b>10,275</b>	<b>9,832</b>	<b>263,184</b>	<b>48,823</b>	<b>83,357</b>
Growth (%)	12.5	8.9	-14.1	-8.0	-14.3	-14.5	-8.9	2,144.3	-0.4	483.4
EBITDA Margins (%)	10.1	7.6	5.8	6.0	6.9	5.9	5.4	6.2	38.1	17.4
<b>Net Op Income</b>	<b>16,950</b>	<b>15,850</b>	<b>14,831</b>	<b>16,268</b>	<b>17,331</b>	<b>16,053</b>	<b>17,333</b>	<b>21,031</b>	<b>63,899</b>	<b>71,748</b>
Growth (%)	21.7	22.1	2.2	3.0	2.2	1.3	16.9	29.3	11.6	323.3
RM Cost (%)	72.1	71.4	71.6	71.9	72.1	71.7	71.4	72.8	437.0	306.9
Staff Cost (%)	6.0	7.3	7.8	7.6	7.3	8.1	8.2	7.4	43.6	32.9
Other Exp (%)	11.3	12.5	13.1	13.2	12.5	12.6	12.7	13.5	76.1	54.9
<b>EBITDA</b>	<b>1,802</b>	<b>1,395</b>	<b>1,114</b>	<b>1,180</b>	<b>1,388</b>	<b>1,214</b>	<b>1,318</b>	<b>1,336</b>	<b>5,491</b>	<b>5,256</b>
EBITDA Margins (%)	10.6	8.8	7.5	7.3	8.0	7.6	7.6	6.4	52.3	31.2
Depreciation	177	187	213	245	268	288	458	350	822	1,364
Other income	543	306	246	271	480	250	280	290	1,366	1,300
Interest cost	9	9	12	9	11	11	11	4	38	37
<b>PBT</b>	<b>2,160</b>	<b>1,506</b>	<b>1,135</b>	<b>1,197</b>	<b>1,589</b>	<b>1,165</b>	<b>1,128</b>	<b>1,272</b>	<b>5,997</b>	<b>5,154</b>
Effective tax rate (%)	24.3	25.3	17.4	12.0	23.1	19.5	19.5	29.1	20.8	23.0
<b>PAT</b>	<b>1,634</b>	<b>1,125</b>	<b>937</b>	<b>1,054</b>	<b>1,222</b>	<b>938</b>	<b>909</b>	<b>902</b>	<b>4,750</b>	<b>3,971</b>
<b>Recurring PAT (after minority)</b>	<b>1,096</b>	<b>759</b>	<b>660</b>	<b>729</b>	<b>875</b>	<b>677</b>	<b>711</b>	<b>823</b>	<b>3,244</b>	<b>3,086</b>
Growth (%)	49.5	-0.6	-10.5	-14.6	-20.2	-10.8	7.7	12.8	5.1	181.6

E: MOSL Estimates

# Hero MotoCorp

Bloomberg	HMCL IN
Equity Shares (m)	199.7
M. Cap. (INR b)/(USD b)	314/6
52-Week Range (INR)	2,279/1,567
1,6,12 Rel Perf. (%)	-5/-19/-31

**CMP: INR1,573**
**Buy**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	233.7	237.3	258.3	298.0
EBITDA	34.1	31.0	33.3	38.0
NP	23.8	20.7	20.8	28.8
Adj. EPS (INR)	119.1	103.7	104.4	144.4
EPS Gr. (%)	18.4	(12.9)	0.7	38.4
BV/Sh. (INR)	214.8	266.2	317.8	386.7
RoE (%)	65.6	43.1	35.7	41.0
RoCE (%)	49.9	38.9	41.6	52.0
Payout (%)	43.5	49.9	49.6	51.7
<b>Valuations</b>				
P/E (x)	13.2	15.2	15.1	10.9
P/BV (x)	7.3	5.9	4.9	4.1
EV/EBITDA (x)	8.5	9.1	8.2	6.6
Div. Yield (%)	2.9	2.9	2.9	4.1

- Expect volumes to rise 1% YoY (1% QoQ) to 1.58m. Product mix is expected to remain stable sequentially.
- Adjusted margins is likely to improve 70bp QoQ to 9.4% (-140bp YoY) on favorable JPY/USD movement.
- Demand environment for two-wheelers has deteriorated over the last few months. The company has guided for mid-single digit industry growth for FY14.
- We cut FY14/FY15 EPS by 10%/9.4% as we lower our FY14 growth assumptions on slower economic recovery, partly offset by margin improvement on favorable forex movement.
- We have cut our FY14E/FY15E EPS by 10%/9.4% respectively.
- The stock trades at 15.1x/10.9x FY14E/FY15E EPS respectively. Maintain **Buy**.

**Key issues to watch out**

- Update on current retail demand environment and channel inventory.
- Guidance on FY14 volume growth and margins, update on export plans and new launches with timelines.

**Quarterly Performance**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Total Volumes ('000 nos)</b>	<b>1,529.6</b>	<b>1,544.3</b>	<b>1,589.3</b>	<b>1,572.0</b>	<b>1,642.3</b>	<b>1,332.8</b>	<b>1,573.1</b>	<b>1,584.1</b>	<b>6,235.2</b>	<b>6,132.3</b>
Change (%)	23.9	20.1	11.3	8.1	7.4	-13.7	-1.0	0.8	15.4	-1.7
<b>Net Realization</b>	<b>36,858</b>	<b>37,456</b>	<b>37,649</b>	<b>37,929</b>	<b>37,799</b>	<b>38,649</b>	<b>39,102</b>	<b>39,250</b>	<b>37,478</b>	<b>38,693</b>
Realizations (INR/unit)	6.7	6.8	5.0	3.1	2.6	3.2	3.9	3.5	5.2	3.2
<b>Net Sales</b>	<b>56,376</b>	<b>57,843</b>	<b>59,836</b>	<b>59,625</b>	<b>62,078</b>	<b>51,512</b>	<b>61,513</b>	<b>62,174</b>	<b>233,681</b>	<b>237,277</b>
Change (%)	32.2	28.2	16.9	11.4	10.1	-10.9	2.8	4.3	21.4	1.5
RM Cost (% sales)	75.3	73.0	73.4	74.1	74.1	73.2	74.5	74.3	74.0	74.1
Staff Cost (% sales)	2.9	3.1	3.3	3.2	3.3	3.7	3.2	3.3	3.1	3.4
Other Exp (% sales)	7.9	8.7	8.3	8.4	8.1	9.8	10.2	9.9	8.3	9.5
<b>Adj. EBITDA Margins (%)</b>	<b>10.7</b>	<b>11.5</b>	<b>11.1</b>	<b>10.8</b>	<b>10.7</b>	<b>9.0</b>	<b>8.7</b>	<b>9.4</b>	<b>11.0</b>	<b>9.5</b>
Other Income	1,379	1,306	1,352	1,774	1,439	1,356	1,264	1,382	5,756	5,442
Depreciation	2,398	2,785	2,987	2,804	3,035	2,895	2,832	2,790	10,973	11,552
<b>PBT</b>	<b>6,696</b>	<b>7,245</b>	<b>7,238</b>	<b>7,469</b>	<b>7,349</b>	<b>5,261</b>	<b>5,826</b>	<b>6,332</b>	<b>28,647</b>	<b>24,767</b>
Effective Tax Rate (%)	16.7	16.7	15.3	19.2	16.3	16.3	16.3	16.8	18.3	16.4
<b>Adj. PAT</b>	<b>5,579</b>	<b>6,036</b>	<b>6,130</b>	<b>6,036</b>	<b>6,155</b>	<b>4,406</b>	<b>4,879</b>	<b>5,266</b>	<b>23,396</b>	<b>20,705</b>
Change (%)	13.5	19.4	24.3	20.3	10.3	-27.0	-20.4	-12.8	17.5	-11.5

E: MOSL Estimates

# Mahindra & Mahindra

Bloomberg	MM IN
Equity Shares (m)	598.6
M. Cap. (INR b)/(USD b)	517/10
52-Week Range (INR)	975/622
1,6,12 Rel Perf. (%)	1/2/17

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	318.5	403.3	456.4	517.5
EBITDA	37.7	45.3	53.2	60.5
NP	27.9	31.9	35.0	40.5
Adj. EPS (INR)	48.3	58.0	64.3	74.3
EPS Gr. (%)	12.2	20.1	10.9	15.5
Cons. EPS (INR)	51.2	61.3	78.0	97.3
BV/Share (INR)	206	247	290	343
RoE (%)	23.0	22.0	20.5	20.0
RoCE (%)	23.1	24.1	24.5	24.1
Payout (%)	29.7	30.0	31.5	27.1
<b>Valuations</b>				
P/E (x)	17.9	14.9	13.4	11.6
Cons. P/E (x)	16.9	14.1	11.1	8.9
P/BV (x)	4.2	3.5	3.0	2.5
EV/EBITDA (x)	-	8.2	6.7	5.2
Div. Yield (%)	-	1.6	1.9	1.9

## CMP: INR863

**Buy**

- 4QFY13 performance is not strictly comparable YoY due to MADPL merger reflecting in 4QFY12.
- Tractor sales estimated to decline by 5.2% YoY, while UVs (incl. pickups) are estimated to grow by 14.3% YoY.
- Expect MM to report revenue growth of 10.7% YoY (-3.8% QoQ). Passenger UV revenue is expected to grow 24.4% YoY but tractor sales should remain weak, down 5.2% YoY despite low base.
- EBITDA margin (including MVML) is likely to decline 50bp QoQ (+90bp YoY) on the back of lower tractor volumes and higher discounting pressure/ad spends amidst weak demand.
- Adjusted PAT is estimated at INR8.4b (+4.7% YoY).
- The stock trades at 11.1x/8.9x FY14E/FY15E consolidated EPS respectively. Maintain **Buy**.

### Key issues to watch out

- Update on current retail demand environment for auto and tractor divisions; plant and channel inventory.
- FY14 guidance on auto volumes and margins, considering product launches by competition.
- Guidance for FY14 tractor volumes (current guidance of 4-6% for FY14 industry growth).
- Update on Ssangyong business and financial performance.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Total Volumes (nos)</b>	<b>159,197</b>	<b>170,701</b>	<b>183,228</b>	<b>195,478</b>	<b>182,149</b>	<b>188,412</b>	<b>209,266</b>	<b>193,985</b>	<b>704,935</b>	<b>773,812</b>
Change (%)	25.1	29.2	23.3	21.8	14.4	10.4	14.2	-0.8	24.2	9.8
<b>Net Realization</b>	<b>416,344</b>	<b>424,385</b>	<b>451,808</b>	<b>472,753</b>	<b>507,713</b>	<b>512,664</b>	<b>508,568</b>	<b>527,512</b>	<b>445,318</b>	<b>514,113</b>
Change (%)	3.4	5.6	10.5	14.4	21.9	20.8	12.6	11.6	9.7	15.4
<b>Net Sales</b>	<b>66,281</b>	<b>72,443</b>	<b>82,784</b>	<b>92,413</b>	<b>92,479</b>	<b>96,592</b>	<b>106,426</b>	<b>102,329</b>	<b>313,920</b>	<b>397,827</b>
Change (%)	29.3	36.4	36.3	39.3	39.5	33.3	28.6	10.7	36.2	26.7
Operating Other Income	990	1,121	1,045	1,459	1,195	1,538	1,317	1,451	4,615	5,500
RM Cost (% of sales)	71.9	72.6	74.4	75.5	75.1	74.9	75.9	75.2	73.8	75.3
Staff (% of sales)	6.0	5.8	5.4	4.6	4.9	4.9	4.7	4.8	5.4	4.8
Oth. Exp. (% of Sales)	8.9	9.6	8.1	9.6	8.2	8.8	8.2	9.5	9.0	8.7
<b>EBITDA</b>	<b>8,954</b>	<b>8,830</b>	<b>10,230</b>	<b>9,694</b>	<b>11,094</b>	<b>11,189</b>	<b>12,113</b>	<b>10,946</b>	<b>37,707</b>	<b>45,342</b>
EBITDA Margins (%)	13.3	12.0	12.2	10.3	11.8	11.4	11.2	10.5	11.8	11.2
EBITDA Margins (incl MVML)	14.2	13.3	13.3	12.1	13.9	13.8	13.5	13.0	13.3	13.5
<b>PBT</b>	<b>8,143</b>	<b>9,749</b>	<b>9,141</b>	<b>9,026</b>	<b>9,684</b>	<b>12,160</b>	<b>10,599</b>	<b>9,656</b>	<b>36,059</b>	<b>42,099</b>
Effective Tax Rate (%)	25.7	24.4	27.6	3.1	25.1	25.8	21.1	24.7	20.2	24.2
<b>Reported PAT</b>	<b>6,049</b>	<b>7,374</b>	<b>6,622</b>	<b>8,745</b>	<b>7,256</b>	<b>9,018</b>	<b>8,362</b>	<b>7,275</b>	<b>28,789</b>	<b>31,911</b>
Change (%)	7.6	-2.8	-9.9	44.2	20.0	22.3	26.3	-16.8	5.3	10.8
<b>Adj PAT</b>	<b>6,049</b>	<b>7,374</b>	<b>6,622</b>	<b>7,696</b>	<b>7,256</b>	<b>9,018</b>	<b>8,362</b>	<b>7,275</b>	<b>27,924</b>	<b>31,911</b>
Change (%)	7.6	1.4	7.3	26.9	20.0	22.3	26.3	-5.5	8.1	14.3
<b>PAT (incl MVML)</b>	<b>6,183</b>	<b>7,615</b>	<b>6,770</b>	<b>8,030</b>	<b>7,785</b>	<b>9,781</b>	<b>9,149</b>	<b>8,407</b>	<b>28,888</b>	<b>34,702</b>

E: MOSL Estimates

# Maruti Suzuki India

Bloomberg	MSIL IN
Equity Shares (m)	302.1
M. Cap. (INR b)/(USD b)	391/7
52-Week Range (INR)	1,638/1,052
1,6,12 Rel Perf. (%)	-6/-2/-10

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	355.9	429.8	475.4	549.1
EBITDA	25.1	40.4	54.4	67.2
Adj. PAT	16.4	21.8	29.8	39.4
Con.adj.EPS (INR) 58.2	73.3	100.1	130.4	
EPS Growth (%) (35.9)	25.9	36.7	30.2	
BV/Share (INR) 525.7	634.2	720.1	836.6	
RoE (%)	10.8	11.4	13.7	15.6
RoCE (%)	13.2	13.8	17.2	19.4
Payout (%)	13.3	13.8	11.1	9.2
<b>Valuations</b>				
P/E (x)	24.1	19.2	14.0	10.8
P/CE (x)	2.7	10.4	8.0	6.6
EV/EBITDA (x)	13.2	8.7	6.1	4.4
Div. Yield (%)	0.5	0.7	0.8	0.9

**CMP: INR1,293**

**Buy**

- Our quarterly estimates exclude SPIL (the merged Suzuki Powertrain India), as the company would be reporting its performance without SPIL. However, our full year estimates include SPIL.
- Expect volumes to decline 5.8% YoY (+12.6% QoQ), and realizations to improve 15% YoY (+1% QoQ) on mix improvement and price increase.
- Expect margins to improve 210bp YoY (+140bp QoQ) on higher volumes, better mix, and favorable JPY.
- MSIL has guided for 5-7% growth for the industry and for itself in FY14 owing to weak demand environment.
- We cut FY14/15 EPS by 4.7%/4.0% as we lower our FY14 volume growth assumption on slower economic recovery, partly offset by favorable JPY/USD movement.
- We have cut our FY14E/FY15E EPS by 7.8%/6.4% respectively.
- The stock trades at 14x/10.8x FY14E/FY15E EPS respectively. Maintain **Buy**.

### Key issues to watch out

- Update on retail demand scenario, channel inventory, discounting trends and new launches.
- Guidance on FY14 volume growth, margins, forex hedges, localization efforts.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13*				FY12	FY13E*
	1Q	2Q	3Q	4Q	1Q	2QE	3Q	4QE		
<b>Total Volumes (nos)</b>	<b>281,526</b>	<b>252,307</b>	<b>239,528</b>	<b>360,334</b>	<b>295,899</b>	<b>230,376</b>	<b>301,453</b>	<b>339,375</b>	<b>1,133,695</b>	<b>1,167,103</b>
Change (%)	-0.6	-19.6	-27.6	4.9	5.1	-8.7	25.9	-5.8	-10.8	2.9
<b>Realizations (INR/unit)</b>	<b>293,279</b>	<b>293,210</b>	<b>314,247</b>	<b>318,770</b>	<b>355,839</b>	<b>350,302</b>	<b>363,471</b>	<b>366,590</b>	<b>306,131</b>	<b>359,844</b>
Change (%)	3.2	2.9	12.0	11.7	21.3	19.5	15.7	15.0	7.7	17.5
<b>Net Op. Revenues</b>	<b>84,541</b>	<b>76,744</b>	<b>77,316</b>	<b>117,270</b>	<b>107,782</b>	<b>83,054</b>	<b>112,003</b>	<b>126,911</b>	<b>355,871</b>	<b>429,750</b>
Change (%)	1.7	-16.1	-18.6	17.2	27.5	8.2	44.9	8.2	-2.8	20.8
RM Cost (%)	78.0	78.5	79.1	79.6	77.8	79.6	78.4	77.7	78.9	78.3
Staff Cost (%)	2.1	2.6	2.7	2.2	2.2	2.8	2.2	2.0	2.4	2.3
Other exp. (%)	10.3	13.2	13.0	10.9	12.6	11.4	11.5	10.8	11.7	11.6
<b>EBITDA</b>	<b>8,104</b>	<b>4,406</b>	<b>4,032</b>	<b>8,585</b>	<b>7,863</b>	<b>5,085</b>	<b>8,913</b>	<b>11,920</b>	<b>25,129</b>	<b>33,781</b>
EBITDA Margins (%)	9.6	5.7	5.2	7.3	7.3	6.1	8.0	9.4	7.1	7.9
Non-Operating Income	1,841	1,713	1,746	2,969	1,123	1,563	1,886	2,550	8,269	7,123
Interest	58	109	176	208	332	380	459	429	552	1,600
Depreciation	2,425	2,664	2,989	3,306	3,399	3,470	3,583	3,647	11,384	14,100
<b>PBT</b>	<b>7,462</b>	<b>3,347</b>	<b>2,613</b>	<b>8,040</b>	<b>5,255</b>	<b>2,798</b>	<b>6,756</b>	<b>10,393</b>	<b>21,462</b>	<b>25,203</b>
Effective Tax Rate (%)	26.4	28.2	21.3	20.4	19.4	18.7	25.8	22.4	23.8	22.3
<b>PAT</b>	<b>5,492</b>	<b>2,404</b>	<b>2,056</b>	<b>6,398</b>	<b>4,238</b>	<b>2,274</b>	<b>5,013</b>	<b>8,070</b>	<b>16,351</b>	<b>19,596</b>
<b>Adjusted PAT</b>	<b>5,492</b>	<b>2,404</b>	<b>2,056</b>	<b>6,398</b>	<b>4,238</b>	<b>2,274</b>	<b>5,013</b>	<b>8,070</b>	<b>16,351</b>	<b>19,596</b>
Change (%)	7.2	-59.8	-63.6	1.4	-22.8	-5.4	143.8	26.1	-29.2	19.8

E:MOSL Estimates; \* Excluding SPIL Merger

# Tata Motors

Bloomberg	TTMT IN
Equity Shares (m)	3,323.8
M. Cap. (INR b)/(USD b)	915/17
52-Week Range (INR)	337/203
1,6,12 Rel Perf. (%)	-3/4/-7

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	1,657	1,877	2,112	2,380
EBITDA	237	250	293	333
NP	126	91	114	134
Adj. EPS (INR)	37.8	27.4	34.3	40.2
EPS Gr. (%)	38.5	(27.5)	25.1	17.2
BV/Sh. (INR)	103.0	127.2	156.1	189.4
RoE (%)	38.4	21.8	22.3	21.2
RoCE (%)	24.1	22.1	23.1	23.5
Payout (%)	11.7	18.8	16.8	15.9
<b>Valuation</b>				
P/E (x)	7.3	10.0	8.0	6.9
P/BV (x)	2.7	2.2	1.8	1.5
EV/EBITDA (x)	4.5	4.4	3.9	3.5
Div. Yield (%)	1.5	1.6	1.8	2.0

## CMP: INR275

Buy

- Expect JLR volumes to grow 16.8% YoY (+20.8% QoQ) led by (1) recent launch of Jaguar variants (smaller engines, AWD and XF sportsbrake), and (2) ramp-up of new Range Rover.
- JLR EBITDA margin should rise 80bp QoQ on higher volumes, better mix (new Range Rover) and lower discounts.
- Standalone volumes are likely to decline 31.5% YoY (-4% QoQ) led by 45.9%/63.4% YoY decline in MHCVs/PVs, but LCVs growing 11% YoY. Standalone margins should improve 110bp QoQ to 3.3% (-620bp YoY).
- Expect TTMT's consolidated revenue to rise 7.8% YoY (+19.0% QoQ), margin to decline 110bp YoY (-10bp QoQ), and PAT to decline 38.3% YoY (+58% QoQ) to INR27.4b.
  - We have cut our FY14E/FY15E EPS by 7%/5.2% respectively.
  - The stock trades at 8x/6.9x FY14E/FY15E EPS respectively. Maintain Buy.

### Key issues to watch out

- Current JLR demand trends and outlook for FY14, particularly China US.
- Order book for new Range Rover, ramp-up schedule, update on new RR Sport launch.
- FY14 volume guidance for MHCVs & PVs, channel inventory, discount trends.

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>JLR volumes</b>	<b>62,037</b>	<b>68,000</b>	<b>86,322</b>	<b>98,074</b>	<b>83,452</b>	<b>77,442</b>	<b>94,828</b>	<b>114,573</b>	<b>314,433</b>	<b>370,295</b>
Change YoY (%)	-6.2	9.6	26.9	13.6	34.5	13.9	9.9	16.8		17.8
<b>Realization (GBP/unit)</b>	<b>43,571</b>	<b>42,868</b>	<b>43,430</b>	<b>42,254</b>	<b>43,594</b>	<b>42,458</b>	<b>40,111</b>	<b>42,001</b>	<b>42,973</b>	<b>41,971</b>
Change YoY (%)	14.5	5.9	3.5	2.2	0.1	-1.0	-7.6	-0.6		-2.3
JLR EBITDA Margins (%)	13.4	14.4	17.0	14.6	14.5	14.8	14.0	14.8	15.0	14.5
<b>S/A volumes</b>	<b>197,606</b>	<b>211,400</b>	<b>231,328</b>	<b>286,019</b>	<b>190,783</b>	<b>223,665</b>	<b>203,852</b>	<b>195,787</b>	<b>922,867</b>	<b>809,503</b>
Change YoY (%)	3.8	1.8	19.2	16.7	-3.5	5.8	-11.9	-31.5	10.4	-12.3
<b>Realization (INR/unit)</b>	<b>585,076</b>	<b>609,564</b>	<b>573,327</b>	<b>569,792</b>	<b>550,921</b>	<b>554,238</b>	<b>516,485</b>	<b>535,919</b>	<b>585,192</b>	<b>542,657</b>
Change YoY (%)	7.6	13.1	-0.8	-2.2	-5.8	-9.1	-9.9	-5.9	4.4	-7.3
S/A EBITDA Margins (%)	8.8	7.2	6.7	9.5	7.3	5.9	2.2	3.3	8.1	4.7
<b>Total Op Income</b>	<b>332,888</b>	<b>361,975</b>	<b>452,603</b>	<b>509,079</b>	<b>433,236</b>	<b>434,029</b>	<b>460,895</b>	<b>548,591</b>	<b>1,656,545</b>	<b>1,876,751</b>
Growth (%)	23.0	26.9	44.0	44.3	30.1	19.9	1.8	7.8	35.6	13.3
<b>EBITDA</b>	<b>42,358</b>	<b>45,039</b>	<b>68,270</b>	<b>67,445</b>	<b>57,548</b>	<b>53,336</b>	<b>56,573</b>	<b>66,784</b>	<b>223,112</b>	<b>234,241</b>
EBITDA Margins (%)	12.7	12.4	15.1	13.2	13.3	12.3	12.3	12.2	13.5	12.5
<b>PBT after EO Exp</b>	<b>23,458</b>	<b>22,700</b>	<b>44,938</b>	<b>44,243</b>	<b>31,826</b>	<b>30,886</b>	<b>26,681</b>	<b>39,813</b>	<b>135,339</b>	<b>129,206</b>
Tax	3,519	3,630	10,711	-18,261	8,688	9,876	10,318	12,576	-400	41,459
Tax rate (%)	15.0	16.0	23.8	-41.3	27.3	32.0	38.7	31.6	-0.3	32.1
<b>PAT</b>	<b>19,939</b>	<b>19,069</b>	<b>34,227</b>	<b>62,504</b>	<b>23,138</b>	<b>21,010</b>	<b>16,362</b>	<b>27,236</b>	<b>135,739</b>	<b>87,746</b>
Minority Interest	-39	-335	-210	-239	-276	-230	-152	-112	-823	-770
Share in profit of Associate	96	40	38	75	-414	-32	67	253	249	-126
<b>Adj PAT</b>	<b>20,481</b>	<b>22,461</b>	<b>35,307</b>	<b>44,403</b>	<b>25,651</b>	<b>20,816</b>	<b>17,341</b>	<b>27,378</b>	<b>125,568</b>	<b>91,090</b>
Growth (%)	(3.5)	6.4	43.9	79.2	25.2	(7.3)	-50.9	-38.3	38.5	-27.5

E: MOSL Estimates



# Capital Goods

## Companies Covered

ABB  
BGR Energy  
BHEL  
Crompton Greaves  
Cummins India  
Havells India  
Larsen & Toubro  
Siemens  
Thermax

**Revenue moderates; Margins impacted by negative operating leverage:** We expect the moderating trend in revenue growth to continue in 4QFY13E, up 4.8% YoY (v/s 8% YoY in 9MFY13), impacted by depleting order book and execution constraints due to overall economic slowdown. Ordering activity continues to show a sluggish trend, particularly in the industrial/power generation segment. Ordering by Power Grid has also been showing a moderating trend, however ordering from SEBs is likely to show an improvement. BTB has been showing a declining trend, after peaking out in 2QFY11, and stands at 2.3x, the lowest since past 20 quarters. In 4QFY13E, we expect the EBITDA margin at 14.6%, down 290bp YoY, impacted by poor fixed cost absorption. While commodity prices have corrected meaningfully, a large part of the decline in negated by currency movements. Companies with high local manufacturing content, higher product sales v/s project sales and high export content will be a beneficiary of the initial round of increase in public sector capex.

**Ordering likely to show an improvement in certain specific pockets:** Our interactions with several companies suggest improved sentiments and order enquiries. However, their conversion into concrete ordering is yet to be seen. Structural issues like SEB finances (for power sector), land/water/environment and tight liquidity for project financing continue to remain challenges for capex upturn. While the government is attempting to address several of these issues, more needs to be done to kick start the investment cycle. Net banking credit to the infrastructure sector is declining since June 2011 and has reached FY09 levels, and the quarterly run rate of project sanctions have reached a mere INR250-270b v/s peak of INR1,250b during 1QFY11. This indicates accentuating slowdown in industrial and infrastructure spending. Trailing 12-month (TTM) net projects added per quarter have been declining since March 2009.

**Headwinds impact valuations:** MOSL's engineering coverage trades at FY14E P/E of 14.3x (a 21% discount to its long term average of 18x). The premium, relative to Sensex, enjoyed by engineering sector (MOSL coverage universe) has significantly eroded over the past two years and trades at par with Sensex v/s long term average premium of 17%. We expect flat earnings CAGR over FY12-15E in our coverage universe. Government's resolve to address the contentious issues in power sector, close monitoring of PSU capex, take-off of large public expenditure projects (like DFCC,

## Expected quarterly performance summary

(INR Million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
	26.03.13										
ABB	489	Neutral	18,440	3.0	-11.4	1,103	13.1	65.7	535	12.4	219.3
BGR Energy	184	Neutral	11,660	2.5	44.9	1,459	7.6	31.9	597	-11.1	44.1
BHEL	176	Neutral	186,304	-3.3	85.5	37,274	-24.5	128.1	25,071	-25.3	112.2
Crompton Greaves	92	Buy	35,085	14.0	18.1	1,287	-39.6	51.4	160	-84.0	7.8
Cummins India	485	Buy	11,237	8.0	3.1	2,168	11.3	3.9	1,646	13.9	-15.0
Havells India	611	Buy	12,021	14.7	13.6	1,577	7.5	15.8	1,123	9.9	15.1
Larsen & Toubro	1,337	Buy	211,307	14.5	37.0	27,401	7.0	71.3	18,276	-2.5	75.8
Siemens	527	Neutral	38,054	-1.2	53.1	2,954	-46.2	82.8	1,683	-50.9	130.4
Thermax	544	Buy	14,187	-15.9	35.5	1,475	-20.4	31.8	1,032	-20.5	35.1
<b>Sector Aggregate</b>			<b>538,295</b>	<b>4.8</b>	<b>45.4</b>	<b>76,699</b>	<b>-15.0</b>	<b>86.4</b>	<b>50,125</b>	<b>-18.7</b>	<b>83.3</b>

Satyam Agarwal (AgarwalS@MotilalOswal.com) / Deepak Narnolia (Deepak.Narnolia@MotilalOswal.com)

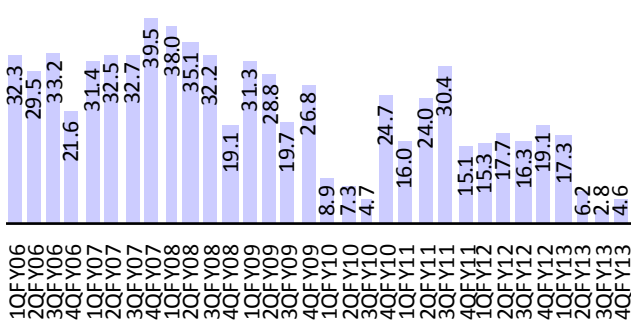
railways, urban transport etc) can possibly kick-start the investment cycle. Decline in commodity prices and RBI's recent rate cuts, on the back of easing inflation, provide another ray of hope. We are **Neutral** on the sector, and our top picks are **L&T, KKC** and **TMX**.

**Revenue growth impacted by declining orders**

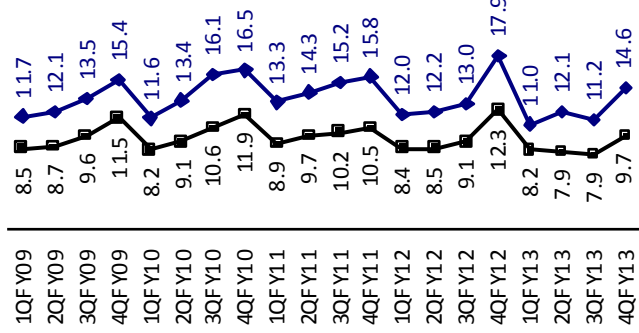
**Margins likely to be supported by softening commodity prices**

Moderating sales growth likely to impact margins, while stabilizing commodity prices should have a positive impact, going forward. Expect 4QFY13E industry margins at 14.6% (down 290p YoY)

Eng Sector (revenue growth %)



Net Profit Margin (%) EBITDA Margin (%)



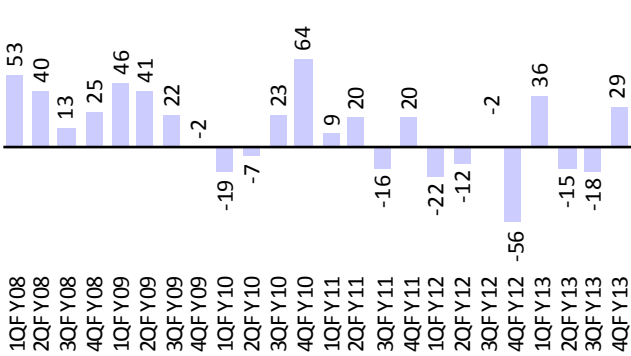
Source: Company, MOSL

**4QFY13E order inflow likely to remain constrained; ordering**

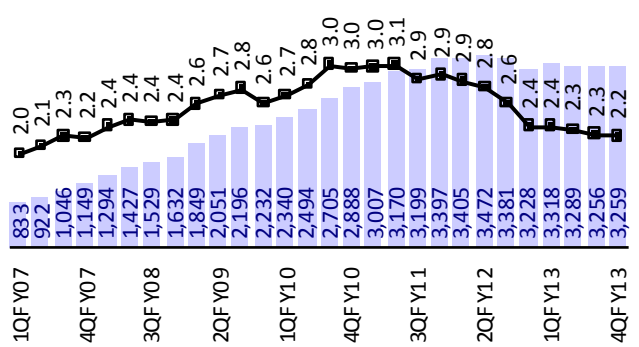
**BTB (x) declining on slowing order inflow**

Order intake remains sluggish impacted by slowdown in power generation sector and slowing industrial capex. SEB ordering is likely to pick up, while building & construction and roads segment continue to show healthy traction.

Order intake YoY %

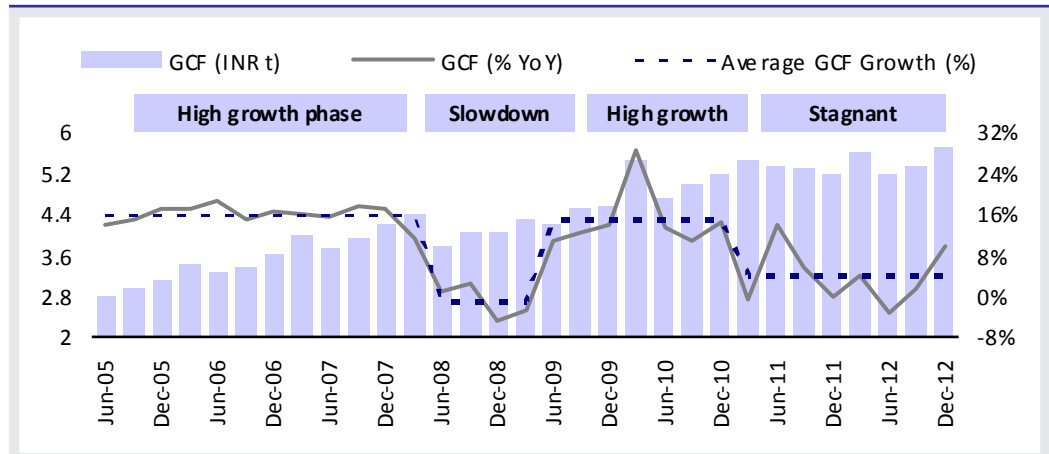


Order book (INR bn)



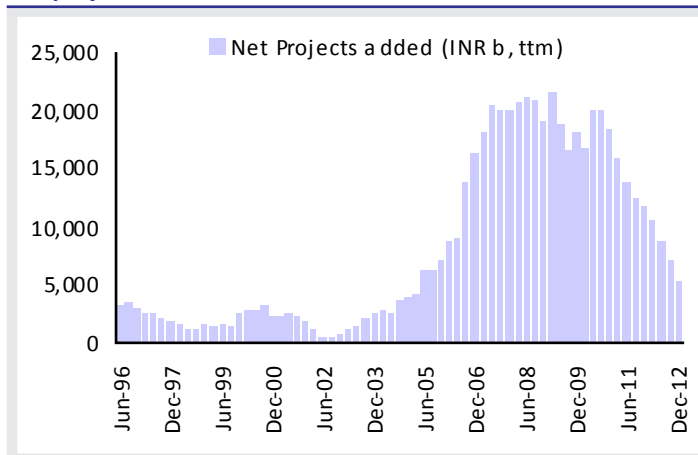
Source: Company, MOSL

**Gross capital formation remains stagnant**

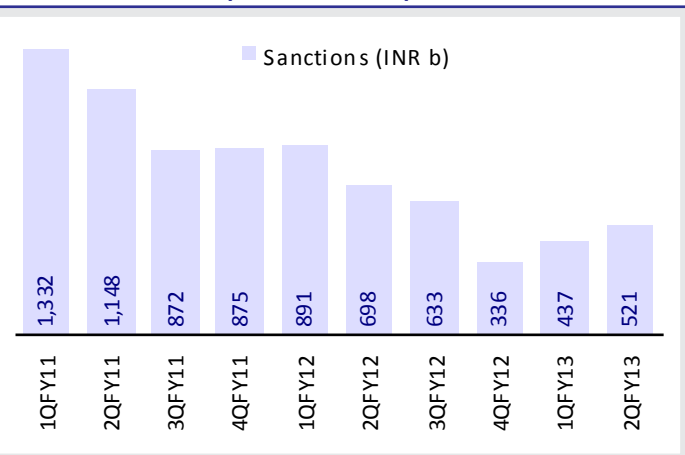


Source: Company, MOSL

**Net project additions at lowest levels since FY06**

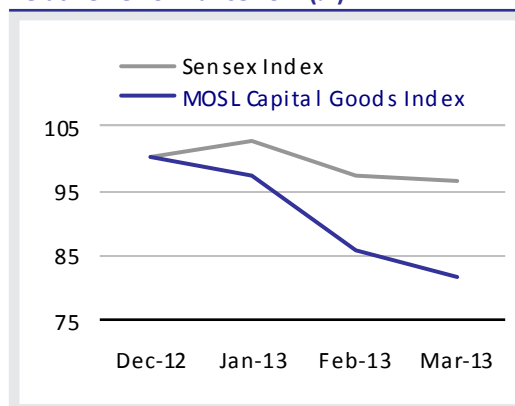


**Projects sanctioned by banks remain constrained, indicating a slower industrial capex in next 2-3 quarters**

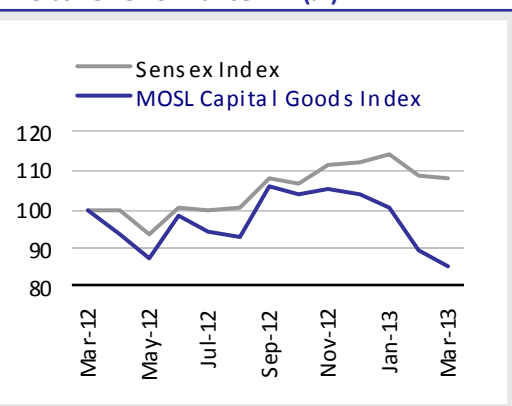


Source: Company, MOSL

**Relative Performance - 3m (%)**



**Relative Performance-1Yr (%)**



**Comparative valuation**

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Capital Goods</b>														
ABB	489	Neutral	6.5	11.0	16.3	75.7	44.3	29.9	29.2	25.1	18.0	5.4	8.8	12.1
BGR Energy	184	Neutral	23.1	19.4	19.1	8.0	9.5	9.6	5.6	5.3	5.8	14.2	11.1	10.4
BHEL	176	Neutral	24.0	18.5	13.3	7.3	9.6	13.3	4.5	5.2	6.2	21.5	14.7	9.7
Crompton Greaves	92	Buy	2.8	7.9	12.5	33.4	11.7	7.3	17.0	7.9	5.5	-1.4	13.0	18.6
Cummins India	485	Buy	25.3	28.4	33.0	19.2	17.1	14.7	14.6	12.3	10.4	31.7	31.0	31.9
Havells India	611	Buy	33.0	40.3	48.1	18.5	15.2	12.7	9.6	9.5	7.5	29.5	28.5	27.1
Larsen & Toubro	1,337	Buy	82.8	87.0	100.5	16.1	15.4	13.3	11.1	9.4	8.6	16.6	15.6	15.4
Siemens	527	Neutral	14.5	21.8	27.0	36.3	24.2	19.5	17.0	12.2	10.2	7.7	9.6	10.0
Thermax	544	Buy	25.6	27.3	37.8	21.2	19.9	14.4	12.8	9.9	6.7	17.6	16.8	20.7
<b>Sector Aggregate</b>						<b>14.0</b>	<b>14.3</b>	<b>13.8</b>	<b>9.0</b>	<b>8.5</b>	<b>8.2</b>	<b>17.7</b>	<b>15.7</b>	<b>14.7</b>



**ABB****Neutral**

Bloomberg	ABB IN
Equity Shares (m)	211.9
M. Cap. (INR b)/(USD b)	104/2
52-Week Range (INR)	862/485
1,6,12 Rel Perf. (%)	-12/-38/-50

**Financials & Valuation (INR b)**

Y/E December	2011	2012	2013E	2014E
Net Sales	73.7	74.7	76.8	83.9
EBITDA	2.8	3.6	4.2	5.7
Adj PAT	1.8	1.4	2.3	3.5
Adj EPS (INR)	8.7	6.5	11.0	16.3
EPS Gr (%)	191.9	-25.9	70.9	48.0
BV/Sh (INR)	119.6	120.6	129.1	141.6
RoE (%)	7.4	5.4	8.8	12.1
RoCE (%)	8.1	5.7	8.9	11.7
Payout (%)	40.1	25.0	20.0	20.0
<b>Valuations</b>				
P/E (x)	87.3	128.0	44.3	29.9
P/BV (x)	6.4	6.8	3.8	3.5
EV/EBITDA (x)	55.8	73.2	25.1	18.0
Div. Yield (%)	2.1	0.2	0.5	0.8

**CMP: INR489**

- We expect profitability would remain under pressure, particularly in project businesses impacted by higher competitive intensity, slower execution and execution of low margin fixed price contracts.
- Order book stands at INR81.8b, down 10% YoY, as the company has not received any meaningful large orders in the current year. We expect the order intake to grow by 16% YoY in CY13, over a low base.
- ABB is ramping up its manufacturing capacity in MCB and high voltage products. In process automation, company is making efforts to build a service portfolio that will provide stability to margins. We believe that correcting the manufacturing footprint will be the key driver for structural improvement in margins.
- 'Perform Achieve Trade' is likely to increase traction in drives (~10% of ABB's revenue). Exports (~15% of revenue) continue to grow at a healthy 20%+ growth rates. Maintain **Neutral**.

**Key issues to watch out**

- Profitability would remain under pressure, particularly in project businesses impacted by cost overruns and pricing pressure.
- Product business has been showing an improvement in profit margins; sustainability of the same would be closely watched.
- Execution of existing projects as company has been facing a delay in offtake by customers in some projects.
- Order intake during the quarter, as demand environment continues to remain tough.
- Profit margins are likely to be impacted by adverse currency movement, as imports constitute ~39% of material consumption.

**Quarterly Performance**

(INR Million)

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Sales</b>	<b>17,903</b>	<b>18,838</b>	<b>18,086</b>	<b>20,823</b>	<b>18,440</b>	<b>18,461</b>	<b>18,719</b>	<b>22,115</b>	<b>75,650</b>	<b>77,736</b>
Change (%)	(0.3)	10.0	3.7	(5.3)	3.0	(2.0)	3.5	6.2	1.2	2.8
<b>EBITDA</b>	<b>975</b>	<b>1,060</b>	<b>664</b>	<b>666</b>	<b>1,103</b>	<b>1,189</b>	<b>1,205</b>	<b>1,606</b>	<b>3,365</b>	<b>5,103</b>
Change (%)	-4.0	24.0	-0.4	-38.4	13.1	12.2	81.5	141.2	-7.0	51.7
As % of Sales	5.4	5.6	3.7	3.2	6.0	6.4	6.4	7.3	4.4	6.6
Adjusted EBITDA (%) *				5.2					5.1	
Depreciation	223	231	240	246	246	254	264	390	941	1,155
Interest	54	77	117	185	70	99	152	178	432	500
Other Income	19	14	10	28	18	14	9	26	71	68
<b>PBT</b>	<b>716</b>	<b>766</b>	<b>316</b>	<b>263</b>	<b>806</b>	<b>849</b>	<b>797</b>	<b>1,064</b>	<b>2,062</b>	<b>3,516</b>
Tax	240	250	102	96	270	285	267	357	688	1,179
Effective Tax Rate (%)	33.5	32.6	32.4	36.4	33.5	33.5	33.5	33.5	33.4	33.5
<b>Reputed PAT</b>	<b>476</b>	<b>516</b>	<b>214</b>	<b>168</b>	<b>535</b>	<b>564</b>	<b>530</b>	<b>707</b>	<b>1,374</b>	<b>2,337</b>
<b>Adj. PAT</b>	<b>476</b>	<b>516</b>	<b>214</b>	<b>168</b>	<b>535</b>	<b>564</b>	<b>530</b>	<b>707</b>	<b>1,374</b>	<b>2,337</b>
Change (%)	-20.0	33.2	-3.6	-73.8	12.4	9.3	148.2	321.8	-25.5	70.1
Order Intake	16,320	20,450	16,800	15,790	16,887	12,346	20,310	13,942	69,660	17,952
Order Book	90,280	91,892	90,606	85,573	79,907	81,426	81,360	78,511	86,720	78,511
<b>BTB (x)</b>	<b>1.2</b>	<b>1.2</b>	<b>1.5</b>	<b>1.5</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>

E: MOSL Estimates

# BGR Energy

Bloomberg	BGRL IN
Equity Shares (m)	72.0
M. Cap. (INR b)/(USD b)	13/0
52-Week Range (INR)	369/176
1,6,12 Rel Perf. (%)	-11/-33/-54

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	34.5	32.1	33.7	38.7
EBITDA	4.6	4.4	4.2	4.3
Adj PAT	2.2	1.7	1.4	1.4
EPS (INR)	30.9	23.1	19.4	19.1
EPS Gr. (%)	(28.6)	(25.4)	(15.9)	(1.9)
BV/Sh. (INR)	155.2	170.1	179.1	187.6
RoE (%)	21.6	14.2	11.1	10.4
RoCE (%)	13.1	11.1	9.8	10.0
Payout (%)	37.8	35.4	54.1	55.1
<b>Valuations</b>				
P/E (x)	11.4	8.0	9.5	9.7
P/BV (x)	2.3	1.1	1.0	1.0
EV/EBITDA (x)	5.3	2.8	2.9	2.9
Div Yield (%)	2.8	3.8	4.9	4.9

## CMP: INR184

Neutral

- We expect revenue to show a moderate growth of 2% during 4QFY13E over a lower base during last year. BGR has two major orders: one from Gayatri Project and second from TRN Energy (worth INR32b taken together), which would be the main drivers of revenue. Company is yet to start execution of NTPC orders.
- We expect EBITDA margin of 12.5%, up 60bp, impacted by negative operating leverage and higher share of EPC contracts. Management expects 11-12% EBITDA margin in FY13/14.
- Order book stands at INR120b as at end-December 2012 (excluding Darlipalli project of which bid validity period has expired), of which ~4% are product orders and remaining ~96% are projects. Projects include NTPC's bulk tenders of INR71b (58% of total order book), ~INR17-18b of EPC and remaining INR25-27b of BOP. We expect order intake to remain muted due to ongoing issues in the power generation sector.
- Land for the turbine factory has already been acquired and construction work is expected to commence shortly, and 70% of land for the boiler factory has been acquired.
- Maintain **Neutral**.

### Key issues to watch out

- Any development due to realization of retention money would be a key positive.
- EBITDA margins are likely to decline as share of EPC orders increases.
- Revenue growth would remain constrained due to lack of outstanding orders.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>7,329</b>	<b>7,715</b>	<b>8,037</b>	<b>11,377</b>	<b>6,109</b>	<b>6,273</b>	<b>8,049</b>	<b>11,660</b>	<b>34,471</b>	<b>32,091</b>
Change (%)	-19.2	-32.1	-36.1	-22.2	-16.6	-18.7	0.1	2.5	-27.6	-6.9
<b>EBITDA</b>	<b>948</b>	<b>1,102</b>	<b>1,313</b>	<b>1,356</b>	<b>880</b>	<b>953</b>	<b>1,106</b>	<b>1,459</b>	<b>4,731</b>	<b>4,398</b>
Change (%)	-8.7	-16.7	-10.8	-19.0	-7.2	-13.5	-15.8	7.6	-14.1	-7.0
As of % Sales	12.9	14.3	16.3	11.9	14.4	15.2	13.7	12.5	13.7	13.7
Depreciation	37	40	41	43	41	43	44	47	161	176
Interest	180	302	461	411	342	401	503	523	1,354	1,769
Other Income	13	0	0	51	0	5	55	1	53	60
<b>PBT</b>	<b>743</b>	<b>761</b>	<b>811</b>	<b>954</b>	<b>496</b>	<b>514</b>	<b>613</b>	<b>889</b>	<b>3,268</b>	<b>2,513</b>
Tax	241	247	263	282	162	167	199	292	1,033	820
Effective Tax Rate (%)	32.4	32.5	32.4	29.6	32.6	32.4	32.5	32.9	31.6	32.6
<b>Reported PAT</b>	<b>503</b>	<b>514</b>	<b>548</b>	<b>672</b>	<b>335</b>	<b>347</b>	<b>414</b>	<b>597</b>	<b>2,235</b>	<b>1,693</b>
<b>Adj PAT</b>	<b>503</b>	<b>514</b>	<b>548</b>	<b>672</b>	<b>335</b>	<b>347</b>	<b>414</b>	<b>597</b>	<b>2,235</b>	<b>1,693</b>
Change (%)	-17.0	-34.0	-37.4	-31.7	-33.4	-32.4	-24.4	-11.1	-31.1	-24.3

E: MOSL Estimates

**BHEL**

Bloomberg	BHEL IN
Equity Shares (m)	2,447.6
M. Cap. (INR b)/(USD b)	432/8
52-Week Range (INR)	274/176
1,6,12 Rel Perf. (%)	-11/-31/-41

**CMP: INR176****Neutral****Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	479.8	482.2	431.2	369.7
EBITDA	99.1	84.6	68.6	46.7
Adj PAT	68.9	58.8	45.2	32.4
EPS (INR)	28.2	24.0	18.5	13.3
EPS Gr. (%)	21.7	(14.6)	(23.2)	(28.2)
BV/Sh. (INR)	103.7	119.8	131.8	140.4
RoE (%)	30.3	21.5	14.7	9.7
RoCE (%)	33.0	23.0	15.6	10.4
Payout (%)	22.3	28.0	30.0	30.0
<b>Valuations</b>				
P/E (x)	11.5	7.3	9.5	13.3
P/BV (x)	3.1	1.5	1.3	1.3
EV/EBITDA (x)	7.3	4.5	5.2	6.2
Div Yield (%)	3.6	3.8	3.1	2.3

■ We expect revenue to decline by 3% YoY in 4QFY13E, impacted by a declining order book. Execution is likely to be constrained, particularly in private sector orders.

■ BHEL is expected to receive order awards of INR150-200b in 4QFY13, which is a significant improvement over INR107b in 9MFY13. During January 2013, it already received orders of ~INR45b. The bidding pipeline in power segment is showing signs of improvement, with 1,800MW projects under evaluation, 5,300MW bids to be submitted in 4QFY13 and 7,000MW for which bids will be submitted in 1HFY14.

■ We expect EBITDA margin would be impacted by negative operating leverage.

Net working capital, excluding cash, was at 36% of sales in 1HFY13, up from 28% of sales at end-March 2012 and 21% at end-March 2011. We believe BHEL is likely to face continued pressure on working capital due to falling customer advances and tightening liquidity conditions. Company has slowed down execution of some projects where customers are delaying payments.

**Key issues to watch out**

- Revenue growth moderates due to declining order book, compounded by execution constraints in private sector orders.
- EBITDA margin likely to shrink due to negative operating leverage.
- Working capital cycle has been showing a deteriorating trend due to decline in customer advances and tightening liquidity.
- Order intake muted, also reflected in industry segment.

**Quarterly Performance**

Y/E March	(INR Million)									
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales (Net)</b>	<b>71,234</b>	<b>102,991</b>	<b>105,410</b>	<b>192,595</b>	<b>83,262</b>	<b>103,996</b>	<b>100,417</b>	<b>186,304</b>	<b>472,279</b>	<b>473,979</b>
Change (%)	9.9	23.7	19.1	7.5	16.9	1.0	-4.7	-3.3	13.6	0.4
<b>EBITDA</b>	<b>10,184</b>	<b>18,616</b>	<b>20,373</b>	<b>49,372</b>	<b>12,022</b>	<b>18,995</b>	<b>16,341</b>	<b>37,274</b>	<b>98,880</b>	<b>84,631</b>
As a % Sales	14.3	18.1	19.3	25.6	14.4	18.3	16.3	20.0	20.2	17.6
<b>Adjusted EBITDA</b>	<b>8,524</b>	<b>16,956</b>	<b>20,373</b>	<b>49,372</b>	<b>12,022</b>	<b>18,995</b>	<b>16,341</b>	<b>37,274</b>	<b>97,076</b>	<b>84,631</b>
Change (%)	-17.1	-0.6	-5.1	68.5	41.0	12.0	-19.8	-24.5	20.6	-12.8
As a % Sales	14.1	16.0	19.1	25.2	14.2	18.0	16.0	19.6	20.3	17.6
Interest	88	96	145	183	55	259	509	186	513	1,009
Depreciation	1,709	1,888	1,861	2,541	2,284	2,163	2,200	2,081	8,000	8,728
Other Income	3,435	3,174	2,392	3,989	3,663	1,307	3,324	2,089	12,656	10,383
<b>PBT</b>	<b>11,822</b>	<b>19,806</b>	<b>20,758</b>	<b>50,637</b>	<b>13,346</b>	<b>17,880</b>	<b>16,955</b>	<b>37,096</b>	<b>103,023</b>	<b>85,277</b>
Tax	3,667	5,686	6,432	16,838	4,137	5,135	5,139	12,025	32,623	26,436
Effective Tax Rate (%)	31.0	28.7	31.0	33.3	31.0	28.7	30.3	32.4	31.7	31.0
<b>Reported PAT</b>	<b>8,155</b>	<b>14,120</b>	<b>14,326</b>	<b>33,798</b>	<b>9,209</b>	<b>12,745</b>	<b>11,816</b>	<b>25,071</b>	<b>70,400</b>	<b>58,841</b>
Change (%)	21.8	23.6	2.1	20.8	12.9	-9.7	-17.5	-25.8	17.1	-16.4
<b>Adj. PAT</b>	<b>8,155</b>	<b>12,858</b>	<b>14,326</b>	<b>33,580</b>	<b>9,209</b>	<b>12,745</b>	<b>11,816</b>	<b>25,071</b>	<b>68,919</b>	<b>58,841</b>
Change (%)	14.8	11.1	-0.2	73.6	12.9	-0.9	-17.5	-25.3	21.8	-14.6
Order intake	24,710	143,060	43,400	9,790	55,900	31,530	19,500	168,775	242,710	275,705
Order book (INRb)	1,596	1,610	1,465	1,347	1,330	1,223	1,137	1,129	1,347	1,129
<b>BTB (x)</b>	<b>3.8</b>	<b>3.6</b>	<b>3.2</b>	<b>2.9</b>	<b>2.7</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.9</b>	<b>2.4</b>

E: MOSL Estimates

# Crompton Greaves

Bloomberg	CRG IN
Equity Shares (m)	641.5
M. Cap. (INR b)/(USD b)	59/1
52-Week Range (INR)	149/88
1,6,12 Rel Perf. (%)	1/-29/-43

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	112.5	122.2	129.0	145.9
EBITDA	8.0	4.3	9.0	12.9
Adj PAT	3.7	1.8	5.0	8.0
EPS(INR)	5.7	2.8	7.9	12.5
EPS Gr. (%)	(60.0)	(51.8)	186.3	58.8
BV/Sh. (INR)	56.3	57.3	62.2	71.3
RoE (%)	10.7	(1.4)	13.0	18.6
RoCE (%)	9.6	2.8	10.2	14.6
Payout (%)	20.7	25.0	25.0	25.0
<b>Valuations</b>				
P/E (x)	16.1	33.3	11.6	7.3
P/BV (x)	4.1	1.9	1.7	1.5
EV/EBITDA (x)	14.8	9.2	8.0	6.8
Div Yield (%)	1.5	1.7	1.9	2.2
Consolidated				

## CMP: INR92

Buy

- We expect savings from restructuring of Belgium operations to start flowing from 4QFY13E. During 3QFY13, Crompton Greaves had guided for a savings of Euro 3.7m in 4QFY13.
- We expect increased rejection rates in Belgium would have a negative impact on margins, while EBITDA margin would continue to face ramp-up challenges in Hungary. De-tanking rate of 22.5% in 3QFY13 is expected to decline to ~10% by March 2013.
- Domestic power segment is likely to show robust power order intake, driven by pick-up in ordering from SEBs. Sustainability of the growth trend in consumer segment would be watched as Boston Consulting Group has been hired to suggest the rejuvenation plan.
- In the industry segment, drives factory in Manideep is likely to be inaugurated in March 2013. Any pick-up in ordering from key sectors like cement/railways would be closely watched. Exports should also see a ramp-up driven by weakening INR.

## Key issues to watch out

- Savings from restructuring in Belgium
- Impact of increased rejection rates in Belgium and the ramp-up challenges in Hungary on EBITDA margin.
- Domestic power segment is likely to show robust power order intake, driven by pick-up in ordering from SEBs.
- In the industry segment, drives factory in Manideep is likely to be inaugurated. Exports should also see a ramp up.

## Quarterly performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales (Net)</b>	<b>24,377</b>	<b>27,056</b>	<b>30,280</b>	<b>30,774</b>	<b>28,111</b>	<b>29,242</b>	<b>29,718</b>	<b>35,085</b>	<b>112,486</b>	<b>122,156</b>
Change (%)	5.9	12.8	26.3	5.8	15.3	8.1	-1.9	14.0	12.4	8.6
<b>EBITDA</b>	<b>1,819</b>	<b>2,260</b>	<b>1,826</b>	<b>2,132</b>	<b>1,668</b>	<b>1,365</b>	<b>20</b>	<b>1,287</b>	<b>8,037</b>	<b>4,340</b>
Change (%)	-38.8	-32.2	-46.3	-42.9	-8.3	-39.6	-98.9	-39.6	-40.2	-46.0
<b>Adjusted EBITDA</b>	<b>1,819</b>	<b>2,260</b>	<b>1,826</b>	<b>2,132</b>	<b>1,793</b>	<b>1,490</b>	<b>850</b>	<b>1,287</b>	<b>8,037</b>	<b>5,420</b>
As of % Sales (Adj)	7.5	8.4	6.0	6.9	6.4	5.1	2.9	3.7	7.1	4.4
Depreciation	608	726	627	639	466	544	566	656	2,600	2,232
Interest	110	102	112	139	99	190	213	263	463	764
Other Income	151	215	155	3	192	208	304	234	524	937
EO Income/(Exp)	0	0	0	0	0	0	1,207	0	0	-1,207
<b>PBT</b>	<b>1,253</b>	<b>1,647</b>	<b>1,242</b>	<b>1,357</b>	<b>1,294</b>	<b>838</b>	<b>-1,662</b>	<b>603</b>	<b>5,498</b>	<b>1,074</b>
Tax	475	463	487	396	445	414	228	505	1,821	1,592
Effective Tax Rate (%)	37.9	28.1	39.2	29.2	34.4	49.4	-13.7	83.9	33.1	148.3
Minority interest	-17.1	16.5	-16.4	-42.9	-9.6	4.2	-1.4	-63.0	-59.9	-69.8
<b>Reported PAT</b>	<b>795</b>	<b>1,167</b>	<b>771</b>	<b>1,003</b>	<b>859</b>	<b>420</b>	<b>-1,888</b>	<b>160</b>	<b>3,736</b>	<b>-448</b>
<b>Adjusted PAT</b>	<b>795</b>	<b>1,167</b>	<b>771</b>	<b>1,003</b>	<b>859</b>	<b>420</b>	<b>149</b>	<b>160</b>	<b>3,736</b>	<b>1,840</b>
Change (%)	(58.4)	(45.4)	(66.9)	(65.4)	8.1	(64.0)	(80.7)	(84.0)	(59.7)	(50.8)
Order book	70,880	71,200	81,830	83,664	91,720	94,000	92,320	115,066	83,664	115,066
Order Intake	17,040	22,600	34,010	28,961	27,170	25,750	22,570	42,433	102,611	117,923
<b>BTB (x)</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>	<b>1.0</b>	<b>0.8</b>	<b>1.2</b>	<b>0.7</b>	<b>0.9</b>

E: MOSL Estimates

# Cummins India

Bloomberg	KKC IN
Equity Shares (m)	277.2
M. Cap. (INR b)/(USD b)	134/2
52-Week Range (INR)	550/396
1,6,12 Rel Perf. (%)	2/-4/-5

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	41.2	45.6	52.7	61.8
EBITDA	7.0	8.6	10.2	12.0
Adj PAT	5.5	7.0	7.9	9.1
EPS (INR)	19.8	25.3	28.4	33.0
EPS Gr. (%)	(6.9)	27.2	12.3	16.4
BV/Sh. (INR)	73.5	86.1	96.9	110.0
RoE (%)	28.8	31.7	31.0	31.9
RoCE (%)	28.8	31.8	31.2	32.0
Payout (%)	64.2	55.6	61.9	60.3
<b>Valuations</b>				
P/E (x)	24.4	19.2	17.1	14.7
P/BV (x)	6.6	5.6	5.0	4.4
EV/EBITDA (x)	16.3	14.6	12.3	10.4
Div Yield (%)	2.5	2.5	3.1	3.5

## CMP: INR485

Buy

- On the back of buoyant demand environment, KKC announced a further price increase of 3% from January 2013. This is the second increase, with the earlier 3% made in June 2012. In our view, price increase and the twin trends of softening commodity prices and depreciation in INR have improved margin outlook in the near term.
- Since 2QFY13, exports have been showing a moderating/declining trend, impacted by the slowdown in global demand, particularly in HHP segment. However, despite the volatility, management expects 5-10% YoY growth in export sales backed by launch of 'Urja' (6BTA5.9) engines. Our estimates factor HHP exports to be down 65% in 4QFY13E,.
- New emission norms for the domestic market are yet to be notified and thus we expect the implementation to be pushed to end-CY13 (v/s initial expectations for July 2013). This will impact overseas competition as the price differential with KKC stands at ~16-20%.

### Key issues to watch out

- Domestic DG set demand growth is likely to be strong driven by power shortage, particularly in the Southern India.
- Exports to decline by 21% YoY, impacted by poor demand environment in HHP segment, while LHP exports are likely to post robust volumes. Company expects 20-35% decline in exports during 4QFY13.
- Margins are likely to show a strong performance at 19.3%, driven by positive operating leverage, benefit from cost savings measures and lower commodity prices.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>10,335</b>	<b>10,903</b>	<b>9,624</b>	<b>10,404</b>	<b>12,588</b>	<b>10,869</b>	<b>10,895</b>	<b>11,237</b>	<b>41,172</b>	<b>45,588</b>
Change (%)	11.4	-0.1	-3.0	-0.1	21.8	-0.3	13.2	8.0	1.8	10.7
<b>EBITDA</b>	<b>1,739</b>	<b>1,759</b>	<b>1,612</b>	<b>1,948</b>	<b>2,325</b>	<b>1,999</b>	<b>2,086</b>	<b>2,168</b>	<b>6,972</b>	<b>8,578</b>
Change (%)	-11.9	-19.0	-10.3	9.2	33.7	13.6	29.4	11.3	-8.7	23.0
As of % Sales	16.8	16.1	16.7	18.7	18.5	18.4	19.1	19.3	16.9	18.8
Depreciation	94	98	109	119	114	117	118	121	420	470
Interest	11	5	11	21	14	13	9	10	54	45
Other Income	283	163	454	242	385	338	661	277	1,233	1,661
Extra-ordinary Items	514	0	0	0	0	0	475	0	0	0
<b>PBT</b>	<b>2,432</b>	<b>1,819</b>	<b>1,945</b>	<b>2,049</b>	<b>2,583</b>	<b>2,207</b>	<b>3,096</b>	<b>1,839</b>	<b>7,732</b>	<b>9,725</b>
Tax	661	534	536	604	777	596	755	668	2,334	2,796
Effective Tax Rate (%)	27.2	29.3	27.5	29.5	30.1	27.0	24.4	36.3	30.2	28.8
<b>Reported PAT</b>	<b>1,772</b>	<b>1,286</b>	<b>1,410</b>	<b>1,446</b>	<b>1,806</b>	<b>1,611</b>	<b>2,341</b>	<b>1,646</b>	<b>5,913</b>	<b>7,404</b>
Change (%)	26.3	-23.4	1.5	0.4	1.9	25.3	66.1	13.9	0.0	25.2
<b>Adjusted PAT</b>	<b>1,360</b>	<b>1,286</b>	<b>1,410</b>	<b>1,446</b>	<b>1,806</b>	<b>1,611</b>	<b>1,937</b>	<b>1,646</b>	<b>5,501</b>	<b>7,000</b>
Change (%)	(3.0)	(23.4)	1.5	0.4	32.7	25.3	37.4	13.9	(6.9)	27.2
<b>Operational Details</b>										
<b>Domestic Sales</b>	<b>7,455</b>	<b>7,689</b>	<b>6,777</b>	<b>6,846</b>	<b>8,104</b>	<b>7,650</b>	<b>8,223</b>	<b>8,393</b>	<b>28,614</b>	<b>32,370</b>
Change (%)	10.3	0.2	(2.3)	(11.2)	8.7	(0.5)	21.3	22.6	(0.3)	12.3
<b>Exports</b>	<b>2,763</b>	<b>3,009</b>	<b>2,645</b>	<b>3,367</b>	<b>4,310</b>	<b>3,033</b>	<b>2,490</b>	<b>2,670</b>	<b>11,908</b>	<b>12,503</b>
Change (%)	27.9	9.0	(0.2)	24.7	56.0	0.8	(5.9)	(20.7)	12.3	5.0

E: MOSL Estimates



# Havells India

Bloomberg	HAVL IN
Equity Shares (m)	124.8
M. Cap. (INR b)/(USD b)	76/1
52-Week Range (INR)	705/516
1,6,12 Rel Perf. (%)	-3/-2/-1

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	65.2	70.4	77.6	87.2
EBITDA	6.6	8.3	8.1	9.7
Adj PAT	4.3	4.1	5.0	6.0
EPS (INR)	34.1	33.0	40.3	48.1
EPS Gr. (%)	64.6	(3.1)	22.1	19.3
BV/Share (INR)	76.6	99.2	141.5	177.8
RoE (%)	44.5	29.5	28.5	27.1
RoCE (%)	26.4	23.1	23.3	23.4
Payout (%)	25.5	19.9	26.2	24.4
<b>Valuations</b>				
P/E (x)	17.9	18.5	15.2	12.7
P/BV (x)	8.0	6.2	4.3	3.4
EV/EBITDA (x)	8.9	9.6	9.5	7.5
Div Yield (%)	1.1	1.2	1.5	1.6

## CMP: INR611

Buy

- We expect continued strong demand in domestic market, while price increase in fans and consumer appliances during 3QFY13 are likely to offset the cost pressures. Consumer appliances, including geysors, have been particularly impacted by the currency movements.
- We expect the price increase of 3-4% in Sylvania is likely to offset the pressure on margins. Margins in Europe have recovered to 5% during 3QFY13 after falling to 0.8% in 2QFY13, v/s 8.9% in FY12. Also, revenue growth in Europe continues to show a declining trend and we expect the trend to continue with a decline of 6% in 4QFY13E.

### Key issues to watch out

- Demand in domestic market continues to remain strong; any signs of slowing demand would be closely watched for.
- Profit margins in Sylvania business as the company continues to face declining demand and pricing pressure in European region.
- Growth in American region had shown signs of moderation during 3QFY13. Bounce back of sales growth in Americas would be keenly observed.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>8,235</b>	<b>8,504</b>	<b>8,982</b>	<b>10,485</b>	<b>10,328</b>	<b>9,642</b>	<b>10,584</b>	<b>12,021</b>	<b>36,220</b>	<b>42,575</b>
Change (%)	19.4	28.2	29.8	24.2	25.4	13.4	17.8	14.7	25.4	17.5
<b>EBITDA</b>	<b>973</b>	<b>1,022</b>	<b>1,144</b>	<b>1,468</b>	<b>1,197</b>	<b>1,293</b>	<b>1,362</b>	<b>1,577</b>	<b>4,621</b>	<b>5,429</b>
Change (%)	8.7	37.1	39.6	46.8	44.1	9.5	15.2	8.9	29.1	17.5
Adj EBITDA margin (%)	10.8	12.8	13.5	13.8	12.4	12.4	13.2	13.1	12.8	12.8
Depreciation	86	91	104	166	118	159	146	148	447	571
Interest	94	79	75	197	102	99	58	56	444	315
Other Income	2	16	1	3	28	20	15	13	8	75
<b>PBT</b>	<b>795</b>	<b>868</b>	<b>967</b>	<b>1,108</b>	<b>1,004</b>	<b>1,054</b>	<b>1,173</b>	<b>1,386</b>	<b>3,738</b>	<b>4,617</b>
Tax	146.6	165.7	178.4	192.2	203.5	184.7	226.8	262.3	682.6	877.3
Effective Tax Rate (%)	18.5	19.1	18.4	17.3	20.3	17.5	19.3	18.9	18.3	19.0
<b>Reported PAT</b>	<b>648</b>	<b>702</b>	<b>789</b>	<b>916</b>	<b>800</b>	<b>870</b>	<b>947</b>	<b>1,123</b>	<b>3,060</b>	<b>3,745</b>
Change (%)	21.5	21.0	29.1	34.4	23.5	23.8	20.0	22.7	26.4	22.4
<b>Adj PAT</b>	<b>566</b>	<b>741</b>	<b>830</b>	<b>1,022</b>	<b>880</b>	<b>789</b>	<b>976</b>	<b>1,123</b>	<b>3,056</b>	<b>3,740</b>
Change (%)	3.6	39.9	44.1	50.0	55.5	6.5	17.6	9.9	26.5	22.4

E: MOSL Estimates

# Larsen & Toubro

Bloomberg	LT IN
Equity Shares (m)	608.9
M. Cap. (INR b)/(USD b)	814/15
52-Week Range (INR)	1720/1106
1,6,12 Rel Perf. (%)	-1/-15/-5

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	537.4	623.7	696.8	765.6
EBITDA	62.6	67.1	78.4	85.6
Adj PAT *	47.7	50.7	53.2	61.5
EPS (INR)*	78.0	82.8	87.0	100.5
EPS Gr. (%)	11.9	6.2	5.1	15.5
BV/Sh (INR)	412.1	470.4	529.3	594.7
RoE (%)	17.8	16.6	15.6	15.4
RoCE (%)	14.1	13.5	12.9	13.0
Payout (%)	25.3	29.3	28.9	28.9
<b>Valuations</b>				
P/E (x)*	18.5	16.1	15.4	13.3
P/BV (x)	3.5	2.8	2.5	2.2
EV/EBITDA (x)	14.3	12.7	11.2	10.5
Div Yield (%)	1.1	1.5	1.5	1.7

\* Consolidated

**CMP: INR1,337**

**Buy**

- Company had given a guidance of 15-20% YoY (worth INR810-850b) growth in order intake over FY13, against which it has reported orders worth INR601b over 9MFY13 and has announced orders worth INR163b during 4QFY13. We believe L&T is likely to meet its intake guidance given 94% of the lower band is already achieved.
- Net working capital has been showing a rising trend since the beginning of FY13 due to increased vendor support in a tough market. Company had reported net working capital at 17% of sales during 3QFY13. We expect net working capital to peak ~17% by FY13-end.
- During 9MFY13, E&C EBITDA margin was at 9.8% (down 50bp YoY) v/s management guidance of +/-50bp in FY13. Margins in 4QFY13E would be supported by the decline in commodity prices, as 30-40% of the order book is on fixed price contract, including large part of the book comprising of international market.

## Key issues to watch out

- Order inflow, particularly from overseas markets, as the company had given a guidance of 15-20% YoY growth in FY13 order intake on the back of 35-40% YoY growth in overseas order intake.
- Net working capital continues to be under pressure due to tightening liquidity and increased vendor support in a tough market.
- EBITDA margin would benefit from softening commodity prices as large part of the order book (~40%) is on fixed price basis.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>94,826</b>	<b>112,442</b>	<b>139,836</b>	<b>184,609</b>	<b>119,554</b>	<b>131,952</b>	<b>154,294</b>	<b>211,307</b>	<b>531,705</b>	<b>617,107</b>
Change (%)	21.1	20.5	22.5	21.0	26.1	17.4	10.3	14.5	21.1	16.1
<b>EBITDA</b>	<b>11,265</b>	<b>12,165</b>	<b>13,677</b>	<b>25,608</b>	<b>10,870</b>	<b>14,054</b>	<b>14,751</b>	<b>27,401</b>	<b>62,826</b>	<b>67,076</b>
Change (%)	12.1	21.0	10.5	9.3	-3.5	15.5	7.9	7.0	11.4	6.8
Margin (%)	11.9	10.8	9.8	13.9	9.1	10.7	9.6	13.0	11.8	10.9
<b>Adjusted EBITDA</b>	<b>11,265</b>	<b>12,165</b>	<b>15,677</b>	<b>25,608</b>	<b>12,470</b>	<b>14,054</b>	<b>16,001</b>	<b>27,401</b>	<b>64,826</b>	<b>69,926</b>
Adjusted Margin (%)	11.9	10.8	11.2	13.9	10.4	10.7	10.4	13.0	12.2	11.3
Depreciation	1,679	1,709	1,803	1,804	1,919	2,040	2,004	2,234	6,995	8,196
Interest	1,613	1,970	1,907	1,211	2,284	2,350	2,380	2,186	6,661	9,200
Other Income	2,962	3,201	4,236	3,142	6,058	3,294	5,302	2,600	13,383	17,254
Extraordinary Inc/(Exp)	0	0	0	550	-383	2,672	0	0	550	2,289
<b>Reported PBT</b>	<b>10,935</b>	<b>11,687</b>	<b>14,202</b>	<b>26,285</b>	<b>12,341</b>	<b>15,630</b>	<b>15,669</b>	<b>25,582</b>	<b>63,103</b>	<b>69,222</b>
Tax	3,474	3,703	4,286	6,988	3,705	4,257	4,450	7,336	18,538	19,748
Effective Tax Rate (%)	31.8	31.7	30.2	26.6	30.0	27.2	28.4	28.7	29.4	28.5
<b>Reported PAT</b>	<b>7,461</b>	<b>7,984</b>	<b>9,916</b>	<b>19,297</b>	<b>8,636</b>	<b>11,373</b>	<b>11,219</b>	<b>18,245</b>	<b>44,565</b>	<b>49,474</b>
<b>Adjusted PAT</b>	<b>7,461</b>	<b>7,984</b>	<b>11,276</b>	<b>18,747</b>	<b>10,025</b>	<b>9,151</b>	<b>10,394</b>	<b>18,276</b>	<b>44,825</b>	<b>47,846</b>
Change (%)	12.0	15.0	40.0	22.7	34.4	14.6	-7.8	-2.5	23.7	6.7
Order Intake	162	161	171	212	196	210	195	219	706	820
Order book (INR b)	1,362	1,422	1,464	1,457	1,531	1,585	1,623	1,659	1,457	1,659
<b>BTB (x)</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.7</b>	<b>2.7</b>	<b>3.3</b>	<b>2.7</b>

E: MOSL Estimates; MTM Forex loss in 3QFY12 of INR2b

Siemens

Bloomberg	SIEM IN
Equity Shares (m)	337.0
M. Cap. (INR b)/(USD b)	178/3
52-Week Range (INR)	839/482
1,6,12 Rel Perf. (%)	1/-25/-41

**Financials & Valuation (INR b)**

Y/E September	2012	2013E	2014E	2015E
Net Sales	129.2	125.3	138.4	160.7
EBITDA	8.9	9.7	13.3	16.1
Adj PAT	5.0	5.1	7.7	9.5
Adj EPS (INR)	14.8	14.5	21.8	27.0
EPS Gr (%)	-40.5	-1.6	49.9	23.9
BV/Sh. (INR)	116.4	119.9	130.8	144.4
RoE (%)	12.9	12.5	17.4	19.6
RoCE (%)	14.3	14.0	19.1	21.4
Payout (%)	49.7	49.7	49.7	49.7
<b>Valuations</b>				
P/E (x)	35.6	36.2	24.2	19.5
P/BV (x)	4.5	4.4	4.0	3.6
EV/EBITDA (x)	18.5	16.8	12.0	10.0
Div. Yield (%)	1.3	1.3	1.2	1.0

**CMP: INR527****Neutral**

- We expect revenue growth rates to remain muted impacted by delays in offtake by customers, sluggish industrial capex and completion of Qatar/Torrent projects, which supported revenue during last year.
- We expect moderate recovery in orders driven by power/building technology and healthcare segment during CY13.
- Profit margins have been impacted by cost escalations throughout last year. We expect margins to remain under pressure due to pricing pressure in the power business and slower execution, though softening commodity prices should support margins. Weak INR would also have a negative impact on profit margins, particularly in healthcare division. Maintain **Neutral**.

**Key issues to watch out**

- Project execution would be a key monitor as revenue has been showing a moderating trend, impacted by execution constraints.
- EBITDA margin has significantly eroded over the last year, impacted by cost overruns and delay in project execution.
- Order intake remains sluggish across segments, declining by 30% YoY during 1QFY13. Any large order from the Middle East region would be a positive.
- Segmental working capital seems to be under pressure, which would be closely watched, as project cash flow continues to be under pressure due to tightening liquidity.
- Profit margins are also likely to be adversely impacted by unfavorable currency movement as ~45% of raw materials are imported.

**Quarterly Performance (Standalone)**

(INR Million)

Y/E September	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Total Revenues</b>	<b>25,004</b>	<b>38,524</b>	<b>30,186</b>	<b>33,752</b>	<b>24,856</b>	<b>38,054</b>	<b>29,936</b>	<b>32,455</b>	<b>129,199</b>	<b>125,302</b>
Change (%)	-3.1	23.4	8.5	-4.6	-0.6	-1.2	-0.8	-3.8	7.4	-3.0
<b>EBITDA</b>	<b>1,132</b>	<b>5,495</b>	<b>1,298</b>	<b>995</b>	<b>1,616</b>	<b>2,954</b>	<b>2,406</b>	<b>2,704</b>	<b>8,913</b>	<b>9,680</b>
Change (%)	-69.3	28.1	-48.2	-65.3	42.7	-46.2	85.3	171.7	-33.2	8.6
As % of Revenues	4.5	14.3	4.3	2.9	6.5	7.8	8.0	8.3	6.9	7.7
Depreciation	445	469	519	559	561	516	571	558	2,010	2,206
Interest Income	-30	41	-122	-66	-47	-70	-70	-63	-269	-250
Other Income	235		120	126	84	145	170	201	575	600
Extra-ordinary Items		-551	-240	-1,208	0	0	0	0	-1,999	0
<b>PBT</b>	<b>893</b>	<b>4,516</b>	<b>537</b>	<b>-711</b>	<b>1,091</b>	<b>2,513</b>	<b>1,935</b>	<b>2,286</b>	<b>5,210</b>	<b>7,824</b>
Tax	291	1,476	175	-154	361	829	638	877	1,777	2,705
Effective Tax Rate (%)	32.6	32.7	32.6	21.7	33.0	33.0	33.0	38.4	34.1	34.6
<b>Reported PAT</b>	<b>602</b>	<b>3,040</b>	<b>362</b>	<b>-557</b>	<b>731</b>	<b>1,683</b>	<b>1,296</b>	<b>1,409</b>	<b>3,433</b>	<b>5,119</b>
<b>Adjusted PAT</b>	<b>602</b>	<b>3,426</b>	<b>530</b>	<b>409</b>	<b>731</b>	<b>1,683</b>	<b>1,296</b>	<b>1,409</b>	<b>5,032</b>	<b>5,119</b>
Change (%)	-74.7	24.9	-65.7	-77.0	21.5	-50.9	144.5	244.3	-40.5	1.7
Order Intake (INR b)	28	18	27	29	20	27	31	32	102	111
Order book (INR b)	140	126	124	137	132	121	122	123	137	123
<b>BTB (x)</b>	<b>1.2</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.0</b>

E: MOSL Estimates



# Thermax

Bloomberg	TMX IN
Equity Shares (m)	119.2
M. Cap. (INR b)/(USD b)	65/1
52-Week Range (INR)	684/402
1,6,12 Rel Perf. (%)	-5/-4/3

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	60.3	52.1	56.5	69.0
EBITDA	5.9	4.4	5.1	6.7
Adj PAT	4.0	3.0	3.3	4.5
EPS (INR)	33.9	25.6	27.3	37.8
EPS Gr. (%)	5.7	(24.4)	6.7	38.6
BV/Sh. (INR)	139.9	157.4	174.2	197.0
RoE (%)	27.4	17.6	16.8	20.7
RoCE (%)	22.9	14.8	15.6	19.7
Payout (%)	20.7	27.4	33.0	34.4
<b>Valuations</b>				
P/E (X)	15.1	21.3	19.9	14.4
P/BV (X)	3.7	3.5	3.1	2.8
EV/EBITDA (X)	9.2	12.8	9.9	6.7
Div Yield (%)	1.4	1.3	1.7	2.4

## CMP: INR544

Buy

- EBITDA margin over 9MFY13 has declined by only 40bp despite a 11% decline in sales (partially benefiting from softening commodity prices) despite poor fixed cost absorption. We expect EBITDA margin of 10.4% (down 60bp) during 4QFY13E.
- Order intake has picked up from the lows and is sustaining at ~INR12-14b per quarter (consolidated). Over 9MFY13, order inflow is up 13% YoY. Management had mentioned an increase in order enquiries and improving signs of ordering activity.
- Consolidated PAT has been impacted by losses in subsidiaries (down 25% YoY over 9MFY13). However, losses in subsidiaries have been declining from the peak of INR147m in 1QFY13. Subsidiaries are making losses largely due to cost overruns in Meenakhshi project and losses in Chinese subsidiaries etc. We expect profitability in subsidiaries to further show an improvement given Meenakhshi project is largely over and Danstoker had reported profits during the last quarter.

### Key issues to watch out

- Order intake is back to trend level of INR10-12b per quarter largely driven by base business, while any uptick in large size orders would be an important positive.
- Consolidated profit had been impacted by losses in subsidiaries, particularly losses in Meenaxi project, Thermax-Babcock JV and Danstoker. Any improvement in this regard would be a positive.
- EBITDA margin has been showing strong resilience despite decline in sales, benefiting from softening commodity prices and cost control. Management has been expecting to maintain low double digit margin.

## Quarterly Performance (Standalone)

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>10,443</b>	<b>13,035</b>	<b>12,693</b>	<b>16,868</b>	<b>9,835</b>	<b>11,924</b>	<b>10,468</b>	<b>14,187</b>	<b>53,041</b>	<b>46,414</b>
Change (%)	32.2	19.4	2.3	-4.5	-5.8	-8.5	-17.5	-15.9	9.3	-12.5
<b>EBITDA</b>	<b>1,135</b>	<b>1,405</b>	<b>1,364</b>	<b>1,853</b>	<b>964</b>	<b>1,218</b>	<b>1,119</b>	<b>1,475</b>	<b>5,839</b>	<b>4,775</b>
As of % Sales	10.9	10.8	10.7	11.0	9.8	10.2	10.7	10.4	11.0	10.3
Depreciation	111	117	120	121	132	139	133	159	470	563
Interest	4	11	17	34	37	34	20	33	66	125
Other Income	149	208	157	272	187	274	124	190	705	774
<b>PBT</b>	<b>1,170</b>	<b>1,485</b>	<b>1,384</b>	<b>1,971</b>	<b>981</b>	<b>1,318</b>	<b>1,090</b>	<b>1,471</b>	<b>6,009</b>	<b>4,861</b>
Tax	371	468	429	673	309	407	326	440	1,940	1,483
Effective Tax Rate (%)	31.7	31.5	31.0	34.1	31.5	30.9	29.9	29.9	32.3	30.5
<b>Reported PAT</b>	<b>799</b>	<b>1,017</b>	<b>955</b>	<b>1,298</b>	<b>672</b>	<b>911</b>	<b>764</b>	<b>1,032</b>	<b>4,069</b>	<b>3,378</b>
Change (%)	20.7	13.6	-4.7	2.6	-15.9	-10.4	-20.1	-20.5	6.4	-17.0
<b>Adj PAT</b>	<b>799</b>	<b>1,017</b>	<b>955</b>	<b>1,298</b>	<b>672</b>	<b>911</b>	<b>764</b>	<b>1,032</b>	<b>4,069</b>	<b>3,378</b>
Change (%)	20.7	13.6	(4.7)	2.6	(15.9)	(10.4)	(20.1)	(20.5)	6.4	(17.0)
Order Book	58,890	57,700	51,000	42,300	44,740	44,120	46,490	47,549	42,300	47,549
Order Intake	14,440	11,890	5,900	8,090	12,580	11,620	12,840	13,960	40,320	51,000
<b>BTB (x)</b>	<b>1.1</b>	<b>1.1</b>	<b>0.9</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>1.0</b>	<b>0.8</b>	<b>1.0</b>

E: MOSL Estimates

# Cement

## Companies Covered

ACC  
Ambuja Cements  
Birla Corporation  
Grasim Industries  
India Cements  
Jaiprakash Associates  
Shree Cement  
UltraTech Cement

## Demand unusually weak in a seasonally strong 4Q, expect utilization to be down 3pp YoY

Cement demand growth is expected to be unusually sluggish in 4QFY13, given continued weakness in housing and infrastructure verticals. We estimate industry volumes to grow by ~3.7% YoY (+15% QoQ) resulting in FY13 demand growth estimate of 5.3% YoY. Capacity utilization is expected to decline 3pp YoY to 81% (+9pp QoQ). Our interaction with dealers across regions highlights limited visibility of near-term demand recovery. However, we expect multiple states elections and general elections in 2013-14 to favor demand recovery from 2HFY14 resulting in 7-8% volume growth.

## Seasonal pricing uptrend not strong enough due to weak demand

Negative demand surprise in seasonally strong quarter has led to lower resilience of prices in 4QFY13 - officially up INR13/bag QoQ (+INR14/bag YoY). This includes specific trends of (a) INR12-15/bag QoQ increase in North, West and Central and (b) INR20/bag QoQ increase in East and (c) INR0-5/bag increase in South. AP prices continue to remain volatile due to weak understanding; but recent trend suggests moderate increase in demand. We are factoring in INR10.5/INR12 per bag higher realizations in FY14/FY15.

## QoQ uptick in profitability reflects higher prices, easing cost inflation

QoQ growth in realizations (+INR196/ton) would largely translate to higher profitability on the back of sequential easing in cost inflation and positive operating leverage. We estimate EBITDA/ton at INR1,058 (+INR236 QoQ, +INR23/bag YoY). However, YoY profitability growth would get negated due to sharp rise in freight cost (19.5% YoY) and lower dispatch growth in FY13. For FY14/15, we estimate EBITDA/ton at INR1,090/1,193 on the back of lower cost push and potential demand recovery in 2HFY14.

## Valuation & view: Prefer UltraTech/Grasim, Shree, Madras, JK, Dalmia

We are lowering our price improvement assumption for 4QFY13/FY14/FY15 to INR10/10.5/12 per bag YoY (v/s earlier estimate of INR15/15/12.5) to factor in unusual volume and price weakness in 4QFY13. This has resulted in 5-15% downgrade in our EPS estimates for FY14/15. While demand recovery is expected to be gradual, slowing

## Expected quarterly performance summary

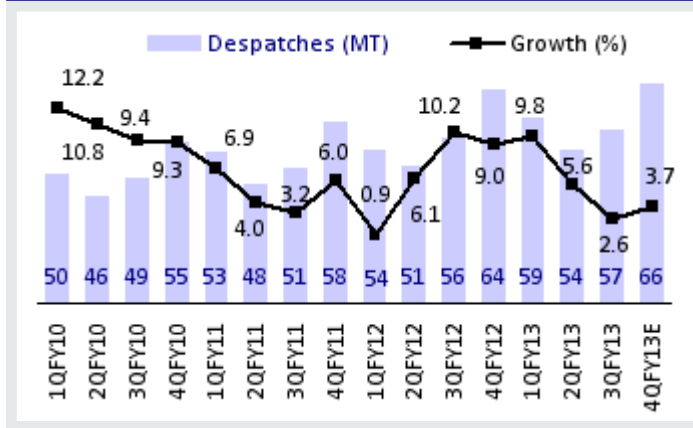
(INR Million)

	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
ACC	1,157	Neutral	30,540	6.8	-1.4	5,688	-7.7	79.4	3,563	-7.7	49.0
Ambuja Cements	169	Neutral	27,219	3.4	17.7	6,605	-11.3	54.2	4,250	-16.3	84.8
Birla Corporation	244	Buy	6,848	5.1	11.8	706	-9.7	37.5	433	-24.7	34.3
Grasim Industries	2,826	Buy	12,397	-10.7	3.0	2,553	17.8	18.6	2,922	20.0	47.6
India Cements	84	Buy	12,040	7.9	11.2	2,247	4.5	16.6	574	-11.6	119.7
Jaiprakash Associates	64	Buy	39,469	-2.8	16.1	8,849	-13.2	16.0	1,598	-42.7	45.1
Shree Cement	4,067	Buy	16,528	16.1	15.7	4,870	15.7	31.0	3,158	113.3	38.7
Ultratech Cement	1,851	Buy	57,934	8.6	19.3	13,542	7.1	32.2	8,523	-1.7	41.9
<b>Sector Aggregate</b>			<b>202,975</b>	<b>4.2</b>	<b>12.8</b>	<b>45,061</b>	<b>-1.5</b>	<b>34.0</b>	<b>25,021</b>	<b>-2.0</b>	<b>50.4</b>

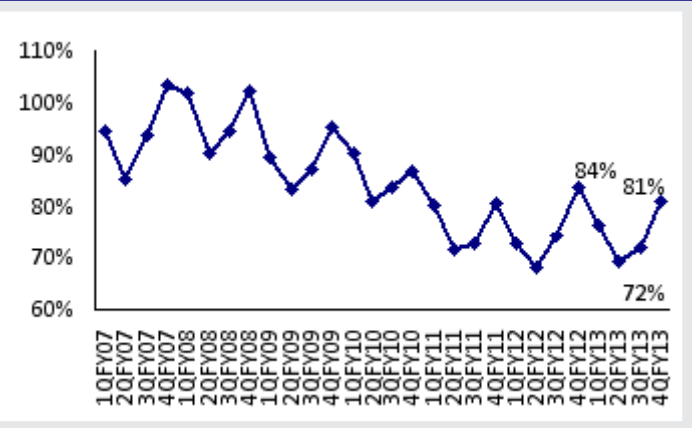
Jinesh K Gandhi (Jinesh@MotilalOswal.com) / Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

capacity addition coupled with higher capex and opex cost would support cement prices and profitability going forward. In large-caps, we prefer **UltraTech/Grasim** and **Shree Cement**, whereas in mid-caps we prefer **Madras Cement, JK Cement** and **Dalmia Bharat**.

**Demand growth flat YoY in a seasonally strong quarter**

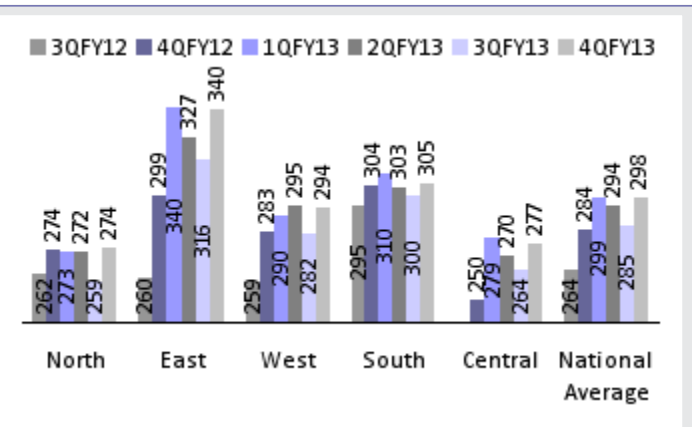
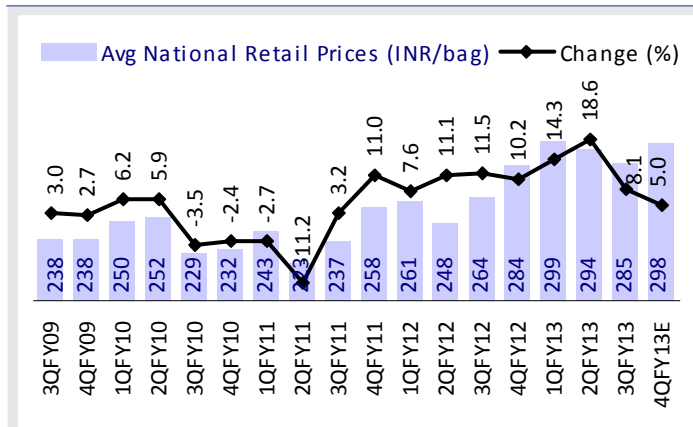


**... utilization to decline YoY due to unusually weak demand**



Source: CMA/MOSL

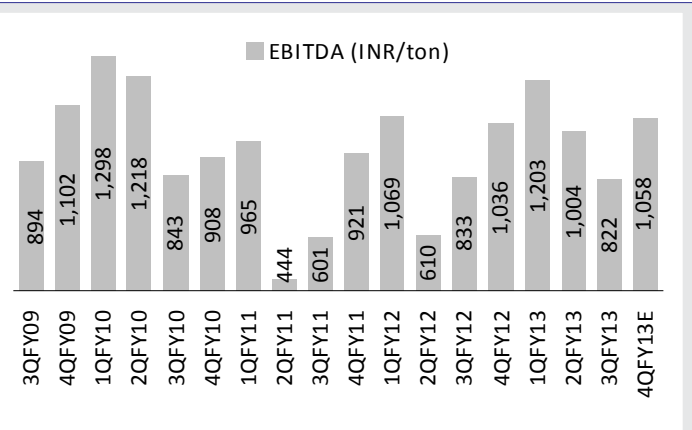
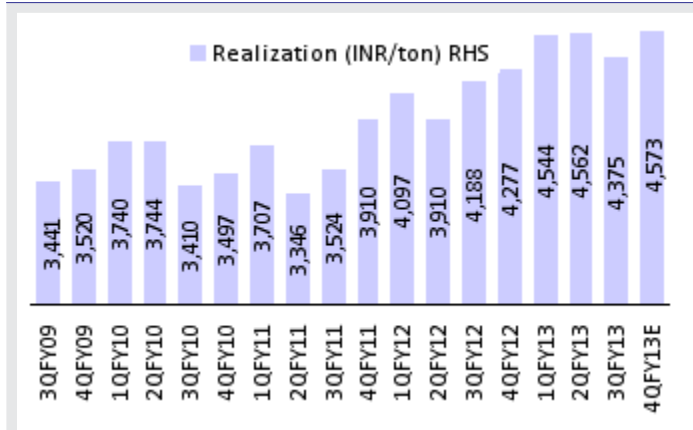
**4QFY13 average cement prices seasonally up QoQ, although lower than estimated and showing limited resilience on the back of weak demand**



4QFY13 retail prices inclusive of excise duty hike of INR10-15/bag

Source: CMA/MOSL

**Realization growth would be negated by operating leverage, while cost escalations moderate (INR/ton)**



Source: Company/MOSL

**Trend in key operating parameters**

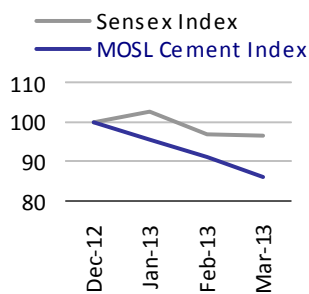
	Volume (m tons)			Realization (INR/ton)			EBITDA (INR/ton)		
	4QFY13E	YoY (%)	QoQ (%)	4QFY13E	YoY (INR)	QoQ (INR)	4QFY13E	YoY (INR)	QoQ (INR)
ACC	6.6	-2.0	10.9	4,366	109	200	864	-53	330
Ambuja Cement	6.1	-2.0	12.4	4,493	233	200	1,090	-114	296
UltraTech	11.5	-0.6	15.4	4,982	421	166	1,165	84	149
Birla Corp	1.6	-1.5	2.8	4,255	267	344	606	-72	159
India Cement	2.7	2.4	10.1	4,464	219	100	844	16	48
Shree Cement	3.7	7.0	24.0	4,024	463	300	1,373	233	356
<b>Sector Agg.</b>	<b>32.1</b>	<b>-0.2</b>	<b>13.6</b>	<b>4,573</b>	<b>296</b>	<b>198</b>	<b>1,058</b>	<b>23</b>	<b>236</b>

**Trend in key financial parameters**

	Net Sales (INR m)			EBITDA Margins (%)			Net Profit (INR m)		
	4QFY13	YoY (%)	QoQ (%)	4QFY13	YoY (BP)	QoQ (BP)	4QFY13	YoY (%)	QoQ (%)
ACC	30,540	6.8	-1.4	18.6	-290	840	3,563	-7.7	49.0
Ambuja Cement	27,219	3.4	17.7	24.3	-400	580	4,250	-16.3	84.8
UltraTech	57,934	8.6	19.3	23.4	-30	230	8,523	-1.7	41.9
Birla Corp	6,848	5.1	11.8	10.3	-170	190	433	-24.7	34.3
India Cement	12,040	7.9	11.2	18.7	-60	90	574	-11.6	119.7
Shree Cement	18,213	27.9	27.5	31.5	200	550	3,922	164.9	72.3
<b>Sector Agg.</b>	<b>152,794</b>	<b>9.0</b>	<b>14.1</b>	<b>22.6</b>	<b>-120</b>	<b>480</b>	<b>22,090</b>	<b>8.8</b>	<b>62.9</b>

Source: Company/MOSL

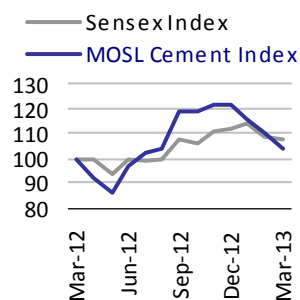
**Relative Performance - 3m (%)**



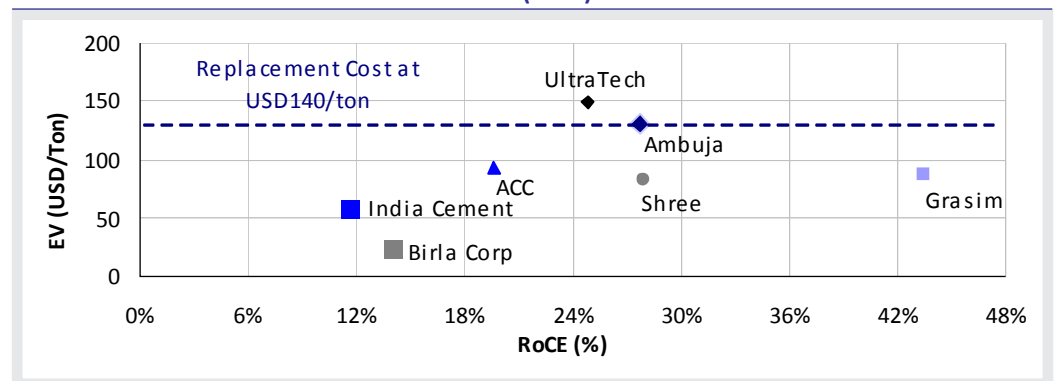
**Revised EPS estimates (INR)**

	FY13E			FY14E			FY15E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
ACC	64.7	73.2	-11.7	83.6	93.5	-10.6			
Ambuja Cement	10.1	11.0	-7.7	12.4	13.3	-7.1			
Grasim	311.9	320.6	-2.7	338.6	363.9	-7.0	429.3	440.1	-2.5
UltraTech	101.5	106.3	-4.5	116.1	126.6	-8.3	140.4	152.3	-7.9
Birla Corp	31.2	32.8	-4.8	35.6	40.7	-12.7	50.0	57.7	-13.4
India Cement	7.9	7.2	10.4	10.9	12.8	-14.4	16.4	19.2	-14.5
Shree Cement	327.4	306.6	6.8	366.2	385.9	-5.1	453.7	469.1	-3.3

**Relative Performance-1Yr (%)**



**Recent correction makes valuations attractive (FY12)**



**Comparative valuation**

	CMP (INR)	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
	<b>26.03.13</b>													
<b>Cement</b>														
ACC	1,157	Neutral	68.7	64.7	83.6	16.8	17.9	13.8	9.5	9.5	7.6	17.7	15.9	19.0
Ambuja Cements	169	Neutral	10.0	10.1	12.4	16.9	16.6	13.6	9.0	8.9	7.4	18.3	17.0	18.8
Birla Corporation	244	Buy	31.2	35.6	50.0	7.8	6.9	4.9	4.5	3.4	2.3	9.9	10.5	13.2
Grasim Industries	2,826	Buy	311.9	338.6	429.3	9.1	8.3	6.6	3.7	3.0	2.2	14.5	13.8	15.1
India Cements	84	Buy	7.9	10.9	16.4	10.6	7.7	5.1	6.5	5.3	4.1	5.0	6.8	9.6
J P Associates	64	Buy	2.8	4.4	5.2	23.2	14.7	12.4	17.7	6.8	6.2	5.0	7.7	8.6
Shree Cement	4,067	Buy	316.2	366.2	453.7	12.9	11.1	9.0	7.2	5.7	4.3	34.4	30.6	28.5
Ultratech Cement	1,851	Buy	101.5	116.1	140.4	18.2	15.9	13.2	11.3	9.2	7.5	19.8	19.2	19.7
<b>Sector Aggregate</b>						<b>14.7</b>	<b>13.0</b>	<b>10.3</b>	<b>8.8</b>	<b>6.4</b>	<b>5.2</b>	<b>13.7</b>	<b>13.9</b>	<b>15.6</b>

ACC

Neutral

Bloomberg	ACC IN
Equity Shares (m)	187.9
M. Cap. (INR b)/(USD b)	218/4
52-Week Range (INR)	1,515/1,105
1,6,12 Rel Perf. (%)	-9/-19/-23

## Financials &amp; Valuation (INR b)

Y/E December	2011	2012	2013E	2014E
Sales	94.3	111.3	119.4	136.8
EBITDA	16.9	19.7	18.8	23.3
NP	11.5	12.9	12.2	15.7
Adj. EPS (INR)	60.2	68.7	64.0	83.6
EPS Gr. (%)	-28.9	31.0	6.2	21.7
BV/Sh (INR)	383	393	419	462
RoE (%)	16.9	17.7	15.9	19.0
RoCE (%)	15.6	17.4	15.8	19.6
Payout (%)	46.0	61.8	58.8	48.7
<b>Valuations</b>				
P/E (x)	18.8	16.8	17.9	13.8
P/BV (x)	3.0	2.9	2.8	2.5
EV/EBITDA (x)	11.0	9.3	9.0	6.7
EV/Ton (x)	110	109	101	92

## CMP: INR1,157

- Dispatches in 1QCY13 are estimated to decline 2% YoY (+11% QoQ) to 6.59mt. Average realizations are expected to improve by 4.8% QoQ (up 2.6% YoY) to INR4,366/ton.
- EBITDA margin is expected to compress by 2.9pp YoY (+8.4pp QoQ due to consolidation of loss-making RMC business in 4QCY12) to 18.6%, impacted by lower realizations growth relative to cost push and negative operating leverage. EBITDA/ton is estimated to decline by ~INR53/ton YoY (+INR330/ton QoQ) to INR864/ton.
- PAT would decline 7.7% YoY (+49% QoQ) to INR3.6b.
- We downgrade EPS estimates by 12%/11% for CY13E/CY14E to INR65 and INR84 respectively to factor the reduction in volumes and realizations.
- The stock trades at 13.8x CY14E EPS, 6.7x EV/EBITDA and USD92/ton. Maintain **Neutral** with a target price of INR1,323 (9x CY14E EV/EBITDA).

## Key issues to watch out

- Volume growth recovery and outlook, given the weakness in 1QCY13.
- Cement pricing outlook, considering unusually weak demand in 1QCY13.
- Progress in ongoing capex for Jamul expansion of 5MT.

## Quarterly Performance (Standalone)

Y/E December	CY12				CY13E				(INR Million)	
	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4Q	CY12	CY13E
Cement Sales (m ton)	6.72	6.05	5.40	5.94	6.59	6.53	5.83	6.42	24.1	25.4
YoY Change (%)	9.1	2.0	-5.1	-0.2	-2.0	8.0	8.0	8.2	1.6	5.3
Cement Realization	4,256	4,591	4,502	4,166	4,366	4,506	4,306	4,506	4,358	4,424
YoY Change (%)	9.3	13.3	19.1	-0.8	2.6	-1.9	-4.4	8.2	9.7	1.5
QoQ Change (%)	1.4	7.9	-2.0	-7.5	4.8	3.2	-4.4	4.7		
<b>Net Sales</b>	<b>28,602</b>	<b>27,778</b>	<b>24,310</b>	<b>30,989</b>	<b>30,540</b>	<b>31,229</b>	<b>26,900</b>	<b>30,738</b>	<b>111,305</b>	<b>119,407</b>
YoY Change (%)	19.3	15.6	13.1	24.0	6.8	12.4	10.7	-0.8	18.0	7.3
Total Expenditure	22,442	21,270	20,095	27,817	24,852	25,749	23,837	26,153	91,624	100,590
<b>EBITDA</b>	<b>6,161</b>	<b>6,508</b>	<b>4,215</b>	<b>3,172</b>	<b>5,688</b>	<b>5,481</b>	<b>3,063</b>	<b>4,586</b>	<b>19,681</b>	<b>18,817</b>
Margins (%)	21.5	23.4	17.3	10.2	18.6	17.5	11.4	14.9	17.7	15.8
EBITDA (INR/ton)	917	1,076	781	534	864	839	525	714	816	742
Depreciation	1,305	1,356	1,352	1,575	1,375	810	875	2,709	5,589	5,769
Interest	316	301	257	273	270	260	240	230	1,147	1,000
Other Income	948	1,157	975	1,468	1,000	1,350	1,000	1,800	4,923	5,150
<b>PBT before EO Item</b>	<b>5,487</b>	<b>6,009</b>	<b>3,581</b>	<b>2,792</b>	<b>5,043</b>	<b>5,761</b>	<b>2,948</b>	<b>3,446</b>	<b>17,869</b>	<b>17,197</b>
EO Income/(Expense)	-3,354	0	0	0	0	0	0	0	-3,354	0
<b>PBT after EO Item</b>	<b>2,134</b>	<b>6,009</b>	<b>3,581</b>	<b>2,792</b>	<b>5,043</b>	<b>5,761</b>	<b>2,948</b>	<b>3,446</b>	<b>14,515</b>	<b>17,197</b>
Tax	580	1,829	1,094	400	1,480	1,690	865	1,011	3,903	5,046
Rate (%)	27.2	30.4	30.6	14.3	29.3	29.3	29.3	29.3	26.9	29.3
<b>Reported PAT</b>	<b>1,554</b>	<b>4,179</b>	<b>2,487</b>	<b>2,392</b>	<b>3,563</b>	<b>4,070</b>	<b>2,083</b>	<b>2,435</b>	<b>10,612</b>	<b>12,151</b>
<b>Adjusted PAT</b>	<b>3,859</b>	<b>4,179</b>	<b>2,487</b>	<b>2,392</b>	<b>3,563</b>	<b>4,070</b>	<b>2,083</b>	<b>2,435</b>	<b>12,918</b>	<b>12,151</b>
Margins (%)	13.5	15.0	10.2	7.7	11.7	13.0	7.7	7.9	11.6	10.2
YoY Change (%)	10.1	24.2	48.4	-15.2	-7.7	-2.6	-16.3	1.8	11.9	-5.9

E: MOSL Estimates; \* Merger of RMC business from 4QCY12

# Ambuja Cements

Bloomberg	ACEM IN
Equity Shares (m)	1,542.2
M. Cap. (INR b)/(USD b)	260/5
52-Week Range (INR)	221/136
1,6,12 Rel Perf. (%)	-13/-17/-9

## Financials & Valuation (INR b)

Y/E December	2011	2012	2013E	2014E
Sales	85.0	96.7	105.3	120.0
EBITDA	19.4	24.7	24.6	28.5
NP	12.5	15.4	15.6	19.1
Adj. EPS (INR)	8.2	10.0	10.1	12.4
EPS Gr. (%)	5.0	23.1	24.0	23.5
BV/Sh. (INR)	52.4	56.9	62.4	69.5
RoE (%)	16.3	18.3	17.0	18.8
RoCE (%)	23.2	27.6	25.8	27.7
Payout (%)	46.7	49.8	45.9	42.4
<b>Valuations</b>				
P/E (x)	20.7	16.9	16.7	13.7
P/BV (x)	3.2	3.0	2.7	2.4
EV/EBITDA (x)	11.6	8.8	8.5	6.9
EV/Ton (USD)	150	144	135	122

## CMP: INR169

Buy

- Dispatches in 1QCY13 are estimated to decline 2% YoY (+12% QoQ) to 6.1mt. Average realizations are expected to improve by 4.7% QoQ (up ~5.5% YoY) to INR4,493/ton.
- EBITDA margin is expected to increase by 5.8pp QoQ (-4pp YoY) to 24.3%, impacted by lower realizations, higher freight cost and negative operating leverage. EBITDA/ton is estimated to improve by ~INR296/ton QoQ (-INR114/ton YoY) to INR1,090/ton.
- PAT estimated to remain flat YoY (+121% QoQ) at INR5.1b.
- We downgrade EPS estimates by 7.7%/7.1% for CY13E/CY14E to INR10.1 and INR12.4 respectively to factor the reduction in volumes and realizations.
- The stock trades at 13.7x CY14E EPS, 6.9x EV/EBITDA and USD122/ton. Maintain **Buy** with a target price of INR190 (9x CY14E EV/EBITDA).

### Key issues to watch out

- Volume growth recovery and outlook, given the weakness in 1QCY13.
- Cement pricing outlook, considering unusually weak demand in 1QCY13.
- Progress in ongoing mining land acquisition and capex in Nagaur (Rajasthan) plant of 4.5MT.

## Quarterly Performance

(INR Million)

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales Volume (m ton)	6.18	5.63	4.79	5.39	6.06	6.08	5.17	5.83	21.99	23.14
YoY Change (%)	9.6	6.5	-0.4	-5.6	-2.0	8.0	8.0	8.2	2.5	5.3
Realization (INR/ton)	4,260	4,556	4,521	4,293	4,493	4,633	4,433	4,630	4,385	4,551
YoY Change (%)	8.6	10.7	20.3	5.2	5.5	1.7	-1.9	7.8	10.6	3.8
QoQ Change (%)	4.4	6.9	-0.8	-5.0	4.7	3.1	-4.3	4.4		
<b>Net Sales</b>	<b>26,333</b>	<b>25,660</b>	<b>21,645</b>	<b>23,133</b>	<b>27,219</b>	<b>28,183</b>	<b>22,926</b>	<b>27,007</b>	<b>96,749</b>	<b>105,334</b>
YoY Change (%)	19.0	17.9	19.8	-0.7	3.4	9.8	5.9	16.7	13.8	69.3
<b>EBITDA</b>	<b>7,445</b>	<b>7,223</b>	<b>5,673</b>	<b>4,282</b>	<b>6,605</b>	<b>6,992</b>	<b>4,351</b>	<b>6,663</b>	<b>24,675</b>	<b>24,611</b>
Margins (%)	28.3	28.2	26.2	18.5	24.3	24.8	19.0	24.7	25.5	23.4
EBITDA (INR/ton)	1,204	1,283	1,185	795	1,090	1,150	841	1,142	1,119	1,063
Depreciation	1,209	1,215	1,373	1,576	1,300	1,350	1,350	1,379	5,373	5,379
Interest	168	180	166	243	160	170	170	172	757	672
Other Income	1,147	908	939	1,100	1,150	1,150	1,150	1,150	4,042	4,600
<b>PBT before EO Item</b>	<b>7,215</b>	<b>6,736</b>	<b>5,074</b>	<b>3,563</b>	<b>6,295</b>	<b>6,622</b>	<b>3,981</b>	<b>6,262</b>	<b>22,588</b>	<b>23,161</b>
Extraordinary Inc/(Exp)	-2,791	0	-499	-279	0	0	0	0	-3,570	0
<b>PBT after EO Exp/(Inc)</b>	<b>4,424</b>	<b>6,736</b>	<b>4,575</b>	<b>3,284</b>	<b>6,295</b>	<b>6,622</b>	<b>3,981</b>	<b>6,262</b>	<b>19,018</b>	<b>23,161</b>
Tax	1,301	2,047	1,535	1,164	2,045	2,151	1,293	2,035	6,048	7,525
Rate (%)	29.4	30.4	33.6	35.5	32.5	32.5	32.5	32.5	31.8	32.5
<b>Reported Profit</b>	<b>3,122</b>	<b>4,689</b>	<b>3,040</b>	<b>2,120</b>	<b>4,250</b>	<b>4,471</b>	<b>2,688</b>	<b>4,228</b>	<b>12,971</b>	<b>15,636</b>
<b>Adj PAT</b>	<b>5,075</b>	<b>4,689</b>	<b>3,371</b>	<b>2,300</b>	<b>4,250</b>	<b>4,471</b>	<b>2,688</b>	<b>4,228</b>	<b>15,435</b>	<b>15,636</b>
YoY Change (%)	24.5	34.9	96.6	-28.8	-16.3	-4.7	-20.3	83.8	23.0	1.3

E: MOSL Estimates



# Birla Corporation

Bloomberg	BCORP IN
Equity Shares (m)	77.0
M. Cap. (INR b)/(USD b)	19/0
52-Week Range (INR)	342/202
1,6,12 Rel Perf. (%)	-5/8/-26

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	22.5	25.8	28.7	32.8
EBITDA	3.1	3.6	4.3	5.4
NP	2.4	2.4	2.7	3.8
Adj. EPS (INR)	31.1	31.2	35.6	50.0
EPS Gr. (%)	-25.2	0.5	13.9	40.5
BV/Sh. (INR)	291.3	313.8	340.0	379.5
RoE (%)	10.7	9.9	10.5	13.2
RoCE (%)	11.3	10.3	11.4	14.0
Payout (%)	22.6	27.9	26.3	20.9
<b>Valuations</b>				
P/E (x)	7.9	7.8	6.9	4.9
P/BV (x)	0.8	0.8	0.7	0.6
EV/EBITDA (x)	3.2	4.2	3.2	2.2
EV/Ton (x)	24	30	27	23

## CMP: INR244

**Buy**

- 4QFY13 volumes are estimated to fall 1.5% YoY (+3% QoQ) to 1.61mt, on the low base of last year when mining ban was imposed. Average realizations are expected to improve by 5.5% QoQ (up 9.6% YoY) to INR3,959/ton.
- EBITDA margin is expected to decline by 1.7pp YoY (+1.9pp QoQ) to 10.3%, impacted by lower realizations, higher freight cost and negative operating leverage. EBITDA/ton is estimated to decline by ~INR40/ton YoY (+INR111/ton QoQ) to INR439/ton.
- PAT estimated to decline 25% YoY (+34% QoQ) to INR433m.
- We downgrade EPS estimates by 4.8%/12.7%/13.4% for FY13E/FY14E/FY15E to INR31.2, INR35.6 and INR41.4 respectively to factor the lower realizations.
- The stock trades at 4.9x FY15E EPS, 2.2x EV/EBITDA and USD23/ton. Maintain **Buy** with a target price of INR374 (4x FY15E EV/EBITDA).

### Key issues to watch out

- Volume growth recovery and outlook, given the weakness in 4QFY13.
- Cement pricing outlook, considering unusually weak demand in 4QFY13.
- Status of mining ban at Rajasthan plant and any contingency plans.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Cement Sales (m ton)	1.52	1.41	1.39	1.63	1.63	1.57	1.57	1.61	5.96	6.38
YoY Change (%)	2.0	2.0	-6.7	7.2	7.1	11.4	12.9	-1.5	0.4	7.0
Cement Realization	3,413	3,143	3,500	3,612	4,021	3,946	3,750	3,959	3,415	3,920
YoY Change (%)	-2.8	0.8	18.5	5.7	17.8	25.6	7.1	9.6	6.3	14.8
QoQ Change (%)	-0.1	-7.9	11.4	3.2	11.3	-1.9	-5.0	5.6		
<b>Net Sales</b>	<b>5,570</b>	<b>5,053</b>	<b>5,341</b>	<b>6,514</b>	<b>6,580</b>	<b>6,274</b>	<b>6,126</b>	<b>6,848</b>	<b>22,469</b>	<b>25,828</b>
YoY Change (%)	-3.1	4.3	11.4	9.7	18.1	24.2	14.7	5.1	5.8	14.9
<b>EBITDA</b>	<b>1,487</b>	<b>202</b>	<b>664</b>	<b>782</b>	<b>1,258</b>	<b>1,102</b>	<b>514</b>	<b>706</b>	<b>3,124</b>	<b>3,580</b>
Margins (%)	26.7	4.0	12.4	12.0	19.1	17.6	8.4	10.3	13.9	13.9
EBITDA (INR/ton)	979	143	479	479	773	700	328	439	524	561
Depreciation	175	178	188	259	235	252	285	288	800	1,060
Interest	120	117	161	128	237	141	171	170	525	720
Other Income	346	389	341	575	346	347	270	320	1,662	1,283
<b>Profit before Tax</b>	<b>1,538</b>	<b>296</b>	<b>656</b>	<b>970</b>	<b>1,132</b>	<b>1,056</b>	<b>328</b>	<b>567</b>	<b>3,461</b>	<b>3,083</b>
Tax	420	34	219	396	284	254	6	135	1,068	678
Rate (%)	27.3	11.5	33.4	40.8	25.1	24.0	1.7	23.7	30.9	22.0
<b>PAT</b>	<b>1,119</b>	<b>262</b>	<b>437</b>	<b>575</b>	<b>847</b>	<b>802</b>	<b>322</b>	<b>433</b>	<b>2,392</b>	<b>2,405</b>
Margins (%)	20.1	5.2	8.2	8.8	12.9	12.8	5.3	6.3	10.6	9.3
YoY Change (%)	-5.4	-62.1	-37.2	-8.9	-24.3	206.8	-26.3	-24.7	-25.2	0.5

E: MOSL Estimates

# Grasim Industries

Bloomberg	GRASIM IN
Equity Shares (m)	91.7
M. Cap. (INR b)/(USD b)	259/5
52-Week Range (INR)	3,511/2,216
1,6,12 Rel Perf. (%)	-6/-13/-3

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	249.9	260.2	296.6	341.7
EBITDA	53.2	58.9	70.2	82.0
Adj. PAT	35.3	39.5	43.2	53.5
Adj. EPS (INR)	288.6	311.9	338.6	429.3
EPS Gr. (%)	16.2	8.1	8.5	26.8
BV/Sh. (INR)	1,861	2,154	2,452	2,837
RoE (%)	15.5	14.5	13.8	15.1
RoCE (%)	21.9	25.5	25.4	25.9
Payout (%)	9.0	11.2	12.1	10.2
<b>Valuations</b>				
P/E (x)	9.8	9.1	8.3	6.6
P/BV (x)	1.5	1.3	1.2	1.0
EV/EBITDA (x)	6.1	5.5	4.4	3.2
EV/Ton (x)	111	107	81	61

**CMP: INR2,826**

**Buy**

- VSF business volumes are estimated to be flat YoY (+21% QoQ) at 95,071 tons, impacted by uncertain global economic outlook. VSF realizations are estimated to decline by ~INR1/kg QoQ, YoY to INR121/kg, influenced by weak Chinese VSF pricing and soft cotton prices. We assume price/kg of INR124/124/126 for FY13E/14E/15E.
- Standalone EBITDA margin is estimated to improve by ~5pp YoY (+2.7pp QoQ) to 20.6% YoY.
- EBITDA is estimated to grow by 18% YoY (+18.6% QoQ) to INR2.6b, translating into PAT of INR2.9b - a growth of 20% YoY (48% QoQ). Reported PAT will increase by 86% YoY to INR4.5b led by INR2 profit from the sale of Alexandria Carbon Black Co and Thai Carbon Black.
- We downgrade FY13E/14E/15E consolidated EPS by 2.7%/7%/2.5% to INR312/INR339/INR429 respectively due to uncertain VSF outlook in the short term and downgrades in UltraTech.
- The stock trades at 6.6x FY15E consolidated EPS, 3.2x FY15E EV/EBITDA and USD61/ton. Maintain **Buy** with a target price of INR3,755 (FY15E SOTP-based).

### Key issues to watch out

- Outlook on VSF business and strategy to utilize upcoming capacities (~47% capacity growth).
- Cement business outlook on demand and pricing, and status of capacity addition.

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
VSF Volume (ton)	54,839	78,959	78,215	94,904	77,013	85,312	78,579	95,071	306,917	335,975
YoY Change (%)	-18.5	17.0	-7.6	10.8	40.4	8.0	0.5	0.2	0.6	9.5
VSF Realization (INR/ton)	152,409	124,689	128,499	121,293	128,024	126,656	121,668	120,507	129,563	124,063
YoY Change (%)	29.3	7.1	4.4	-16.3	-16.0	1.6	-5.3	-0.6	2.3	-4.2
QoQ Change (%)	5.1	-18.2	3.1	-5.6	5.5	-1.1	-3.9	-1.0		
<b>Net Sales</b>	<b>10,237</b>	<b>12,175</b>	<b>12,429</b>	<b>13,885</b>	<b>12,390</b>	<b>13,345</b>	<b>12,040</b>	<b>12,397</b>	<b>48,724</b>	<b>50,171</b>
YoY Change (%)	8.3	30.5	2.4	-2.6	21.0	9.6	-3.1	-10.7	7.3	3.0
Total Expenditure	6,707	9,115	9,575	11,717	9,438	10,447	9,886	9,844	37,114	39,614
<b>EBITDA</b>	<b>3,529</b>	<b>3,060</b>	<b>2,854</b>	<b>2,168</b>	<b>2,953</b>	<b>2,898</b>	<b>2,154</b>	<b>2,553</b>	<b>11,611</b>	<b>10,557</b>
Margins (%)	34.5	25.1	23.0	15.6	23.8	21.7	17.9	20.6	23.8	21.0
Depreciation	351	356	366	369	360	386	395	431	1,442	1,572
Interest	106	107	72	74	61	78	107	101	358	347
Other Income	1,010	2,002	1,093	1,503	844	2,106	951	1,599	5,607	5,500
<b>PBT before EO Items</b>	<b>4,082</b>	<b>4,599</b>	<b>3,509</b>	<b>3,228</b>	<b>3,376</b>	<b>4,540</b>	<b>2,603</b>	<b>3,620</b>	<b>15,418</b>	<b>14,138</b>
Extraordinary Inc/(Exp)	0	0	0	0	0	0	0	2,000	0	2,000
<b>PBT after EO Items</b>	<b>4,082</b>	<b>4,599</b>	<b>3,509</b>	<b>3,228</b>	<b>3,376</b>	<b>4,540</b>	<b>2,603</b>	<b>5,620</b>	<b>15,418</b>	<b>16,138</b>
Tax	941	1,150	765	792	647	712	623	1,084	3,648	3,066
Rate (%)	23.0	25.0	21.8	24.5	19.2	15.7	24.0	19.3	23.7	19.0
<b>Reported PAT</b>	<b>3,141</b>	<b>3,448</b>	<b>2,745</b>	<b>2,436</b>	<b>2,729</b>	<b>3,827</b>	<b>1,980</b>	<b>4,536</b>	<b>11,770</b>	<b>13,072</b>
<b>Adj. PAT</b>	<b>3,141</b>	<b>3,448</b>	<b>2,745</b>	<b>2,436</b>	<b>2,729</b>	<b>3,827</b>	<b>1,980</b>	<b>2,922</b>	<b>11,770</b>	<b>11,452</b>
Margins (%)	30.7	28.3	22.1	17.5	22.0	28.7	16.4	23.6	24.2	22.8
YoY Change (%)	40.3	23.3	-2.9	-38.4	-13.1	11.0	-27.9	20.0	-0.4	-2.7

E: MOSL Estimates



# India Cements

Bloomberg	ICEM IN
Equity Shares (m)	307.2
M. Cap. (INR b)/(USD b)	26/0
52-Week Range (INR)	119/71
1,6,12 Rel Perf. (%)	0/-10/-32

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	42.0	46.1	51.4	58.6
EBITDA	9.0	9.0	10.2	11.9
NP	3.0	2.1	2.9	4.3
Adj. EPS (INR)	9.6	7.9	10.9	16.4
EPS Gr. (%)	-15.4	243.8	14.0	106.5
BV/Sh (INR)	141.6	145.3	151.6	162.9
RoE (%)	7.3	5.0	6.8	9.6
RoCE (%)	10.1	8.7	9.5	11.7
Payout (%)	24.5	45.8	37.4	24.7
<b>Valuations</b>				
P/E (x)	8.8	10.6	7.7	5.1
P/BV (x)	0.6	0.6	0.6	0.5
EV/EBITDA (x)	5.5	5.9	4.8	3.7
EV/Ton (USD)	62	69	63	57

## CMP: INR84

Buy

- India Cements' volumes are expected to grow by 2.4% YoY (+10% QoQ) to 2.66mt. Volatile pricing environment (except Andhra Pradesh) to result in growth of 2.3% QoQ (+5.1% YoY) to INR4,464/ton. We estimate revenues of ~INR58m from IPL (v/s INR2m/INR90m in 4QFY12/3QFY13).
- EBITDA is estimated at INR2.2b (+17% QoQ and +4.5% YoY) and EBITDA margin would improve by 0.9pp QoQ (-0.6pp YoY) to 18.7%, translating into PAT decline of 12% YoY (+120% QoQ) to INR574m.
- Pure Cement's EBITDA/ton is estimated to increase by ~INR29/ton QoQ (flat YoY) to INR819/ton.
- We downgrade EPS estimates by 14.4%/14.5% for FY14E/15E at INR10.9/INR16.4, led by lower realizations and volume growth.
- Valuations are at 5.1x FY15E EPS, 3.7x FY15E EBITDA and USD57/ton. Maintain **Buy** with a target price of INR103 (4x FY15E EV/EBITDA).

## Key issues to watch out

- Demand and pricing outlook, especially in South India.
- Expected timeline for supplies and potential cost savings from captive coal blocks in Indonesia and AP power plant.
- Roadmap for increase in stake in Trinetra (Rajasthan plant).

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales Dispatches (m ton)	2.31	2.43	2.19	2.60	2.38	2.51	2.42	2.66	9.52	9.98
YoY Change (%)	-13.0	-10.6	7.1	2.0	2.9	3.5	10.8	2.4	-4.4	4.8
Realization (INR/ton)	4,148	4,223	4,242	4,245	4,464	4,355	4,364	4,464	4,216	4,411
YoY Change (%)	29.2	45.2	15.7	11.4	7.6	3.1	2.9	5.1	24.9	4.6
QoQ Change (%)	8.8	1.8	0.5	0.1	5.1	-2.4	0.2	2.3		
<b>Net Sales</b>	<b>10,568</b>	<b>10,891</b>	<b>9,415</b>	<b>11,160</b>	<b>12,014</b>	<b>11,227</b>	<b>10,824</b>	<b>12,040</b>	<b>42,034</b>	<b>46,104</b>
YoY Change (%)	20.0	29.5	20.6	11.8	13.7	3.1	15.0	7.9	20.1	9.7
<b>EBITDA</b>	<b>2,417</b>	<b>2,520</b>	<b>1,946</b>	<b>2,152</b>	<b>2,777</b>	<b>2,051</b>	<b>1,927</b>	<b>2,247</b>	<b>9,034</b>	<b>9,002</b>
Margins (%)	22.9	23.1	20.7	19.3	23.1	18.3	17.8	18.7	21.5	19.5
EBITDA (INR/ton)	1,045	1,038	890	828	1,166	816	796	844	948	902
Depreciation	619	626	622	646	692	699	708	749	2,513	2,847
Interest	619	895	750	640	949	667	822	694	2,867	3,133
Other Income	49	29	46	70	37	32	34	48	193	150
<b>PBT before EO expense</b>	<b>1,229</b>	<b>1,027</b>	<b>620</b>	<b>935</b>	<b>1,173</b>	<b>717</b>	<b>431</b>	<b>852</b>	<b>3,846</b>	<b>3,172</b>
<b>PBT</b>	<b>1,229</b>	<b>1,027</b>	<b>620</b>	<b>935</b>	<b>973</b>	<b>717</b>	<b>431</b>	<b>852</b>	<b>3,846</b>	<b>2,972</b>
Tax	208	330	57	286	353	226	169	278	880	1,025
Rate (%)	16.9	32.1	9.2	30.6	36.2	31.5	39.3	32.6	22.9	34.5
<b>Reported PAT</b>	<b>1,021</b>	<b>697</b>	<b>563</b>	<b>649</b>	<b>621</b>	<b>491</b>	<b>261</b>	<b>574</b>	<b>2,966</b>	<b>1,947</b>
<b>Adj PAT</b>	<b>1,021</b>	<b>697</b>	<b>563</b>	<b>649</b>	<b>748</b>	<b>491</b>	<b>261</b>	<b>574</b>	<b>2,966</b>	<b>2,078</b>
YoY Change (%)	749.5	-257.4	137.0	-9.5	-26.7	-29.6	-53.6	-11.6	347.1	-30.0
Margins (%)	9.7	6.4	6.0	5.8	6.2	4.4	2.4	4.8	7.1	4.5

E: MOSL Estimates

# Jaiprakash Associates

Bloomberg	JPA IN
Equity Shares (m)	2,190.7
M. Cap. (INR b)/(USD b)	141/3
52-Week Range (INR)	107/58
1,6,12 Rel Perf. (%)	-5/-22/-31

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	128.5	133.7	158.2	168.9
EBITDA	34.4	32.6	36.2	37.9
NP	10.2	6.1	9.6	11.4
Adj. EPS (INR)	4.8	2.8	4.4	5.2
EPS Gr. (%)	37.5	-42.3	57.8	18.9
BV/Sh. (INR)	57.9	55.3	58.6	62.6
RoE (%)	9.4	5.0	7.7	8.6
RoCE (%)	10.4	10.1	11.8	12.1
Payout (%)	22.7	22.8	22.8	22.8
<b>Valuations</b>				
P/E (x)	13.4	23.2	14.7	12.4
P/BV (x)	1.1	1.2	1.1	1.0
EV/ EBITDA (x)	8.4	7.7	6.8	6.2
Div. Yield (%)	1.5	0.9	1.4	1.6

## CMP: INR64

Buy

- In 4QFY13E, we expect Jaiprakash Associates (JPA) to post revenue of INR39.5b, EBITDA of INR8.8b and net profit of INR1.6b respectively; not comparable YoY due to cement demerger.
- In the cement business, we have assumed a realization of INR4,164/ton v/s INR3,971/ton sequentially. We have estimated a volume of 4.2mton v/s 3.7mton in the previous quarter.
- EPC division's revenue is expected at INR14.7b (down 16.7% YoY) and EBIT margin of 18.7% v/s 23.9% YoY.
- Company is in the process to disinvest cement units in Gujarat and Andhra Pradesh. Funds mobilized through monetization would be used to deleverage.
- We expect JPA to post standalone net profit of INR6b in FY13E (down 40.6% YoY) and INR9.6b in FY14E (up 58% YoY). The stock trades at a reported PER of 12.4x FY15E.

## Key issues to watch out

- Cement realizations and cost and update on disinvestment.
- EPC division's profitability and visibility on revenues/order book.
- Ramp-up in real estate division, revenue recognition.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>31,833</b>	<b>31,324</b>	<b>33,054</b>	<b>40,621</b>	<b>29,636</b>	<b>29,825</b>	<b>33,984</b>	<b>39,469</b>	<b>128,531</b>	<b>133,693</b>
Change (%)*	0.3	4.6	14.2	4.0				-2.8	-0.9	
<b>EBITDA</b>	<b>7,728</b>	<b>7,482</b>	<b>8,160</b>	<b>10,194</b>	<b>7,713</b>	<b>7,711</b>	<b>7,625</b>	<b>8,849</b>	<b>34,397</b>	<b>32,637</b>
Change (%)*	20.4	9.9	3.1	31.7				-13.2	19.1	
As of % Sales	24.3	23.9	24.7	25.1	26.0	25.9	22.4	22.4	26.8	24.4
Depreciation	1,721	1,761	2,022	1,638	1,763	1,778	1,813	1,909	6,142	7,263
Interest	4,284	4,049	4,485	5,800	4,653	4,544	5,327	5,236	17,817	19,759
Other Income	74	560	1,205	317	731	448	1,176	693	2,645	3,048
Extra-ordinary income	-2	-3	16	49	9	33	8	0	61	0
<b>PBT</b>	<b>1,796</b>	<b>2,228</b>	<b>2,873</b>	<b>3,123</b>	<b>2,037</b>	<b>1,870</b>	<b>1,670</b>	<b>2,398</b>	<b>13,143</b>	<b>8,664</b>
Tax	726	942	824	285	649	590	561	800	2,880	2,599
Effective Tax Rate (%)	40.4	42.3	28.7	9.1	31.8	31.6	33.6	33.4	21.9	30.0
<b>Reported PAT</b>	<b>1,070</b>	<b>1,287</b>	<b>2,050</b>	<b>2,838</b>	<b>1,388</b>	<b>1,280</b>	<b>1,109</b>	<b>1,598</b>	<b>10,264</b>	<b>6,065</b>
<b>Adj PAT</b>	<b>1,072</b>	<b>1,287</b>	<b>2,034</b>	<b>2,789</b>	<b>1,379</b>	<b>1,280</b>	<b>1,101</b>	<b>1,598</b>	<b>10,203</b>	<b>6,065</b>
Change (%)*	1.3	11.4	-12.9	-3.3					37.8	
<b>Cement Business</b>										
Volumes (m ton)	3.88	4.10	4.25	4.25	3.59	3.25	3.71	4.20	13.49	14.75
Realization (INR/t)	3,936	3,229	3,994	3,969	4,354	4,221	3,971	4,164	4,051	4,174
EBITDA (INR/t)	861	306	811	847	1,035	873	735	929	941	894

E: MOSL Estimates, \*Change (% YoY) is not comparable due to Jaypee Cement de-merger

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# Shree Cement

Bloomberg	SRCM IN
Equity Shares (m)	34.8
M. Cap. (INR b)/(USD b)	142/3
52-Week Range (INR)	4,800/2,270
1,6,12 Rel Perf. (%)	-4/10/29

## Financials & Valuation (INR b)

Y/E June	2012	2013E	2014E	2015E
Sales	48.8	59.6	68.3	79.6
EBITDA	13.9	17.4	20.6	23.9
NP	5.7	10.4	11.8	14.4
Adj EPS (INR)	274.4	316.2	366.2	453.7
EPS Growth (%)	37.1	15.2	15.8	23.9
BV/Share (Rs)	785	1,058	1,370	1,751
RoE (%)	40.5	34.4	30.6	28.5
RoCE (%)	19.6	29.6	28.0	27.9
Payout (%)	14.5	8.5	8.3	7.3
<b>Valuations</b>				
P/E (x)	14.8	12.9	11.1	9.0
P/BV (x)	5.2	3.8	3.0	2.3
EV/EBITDA (x)	9.3	7.2	5.7	4.3
EV/Ton (USD)	150	126	107	84

## CMP: INR4,067

Buy

- We expect cement volumes to decline 2.7% YoY (+12.9% QoQ) to 3.38mt (including clinker) and realizations are expected to increase by 5.4% QoQ (+10.2% YoY) to INR3,924/ton.
- Merchant power sale is estimated at 750m units (v/s 783m units YoY and 786m QoQ) at ~INR4.35/unit (v/s INR3.97 QoQ and INR2.39 YoY).
- Realizations growth will partially be negated by cost push, including negative operating leverage. Cement business' profitability is estimated at INR1,252/ton (+INR112/ton YoY and INR235/ton QoQ).
- However, higher power volumes will dilute impact on EBITDA, with power's EBITDA contribution estimated at INR638m (v/s INR670m QoQ/INR249m YoY). Adjusted PAT seen at INR3.2b (v/s INR1.5b YoY v/s INR2.3b QoQ).
- We downgrade adjusted EPS estimates for FY13E/FY14E/15E by 3.4%/5.1%/3.3% to INR316/INR366/INR454.
- Valuations are at 9x FY15E EPS, 4.3x FY15E EBITDA and USD84/ton. Maintain **Buy** with a target price of INR6,044 (FY15E SOTP-based).

### Key issues to watch out

- Volume and pricing outlook for North India.
- Pet coke price trend and update on any forward agreements for merchant power.
- Update on cement capacity addition and capex plans.

## Quarterly Performance

(INR Million)

Y/E June	FY12					FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	5Q *	1Q	2Q	3QE	4QE (15 Mon)		
Sales Dispat. (m ton)	2.69	2.49	2.85	3.47	3.37	3.04	3.00	3.38	3.66	14.87	13.08
YoY Change (%)	8.3	9.0	8.8	20.6	25.1	22.4	5.2	-2.7	8.6	15.9	-12.1
Realization (INR/Ton)	3,405	3,401	3,577	3,560	3,805	3,902	3,724	3,924	4,062	3,576	3,912
YoY Change (%)	4.0	13.0	25.5	7.9	11.8	14.7	4.1	10.2	6.8	14.8	9.4
QoQ Change (%)	3.2	-0.1	5.2	-0.5	6.9	2.6	-4.6	5.4	3.5		
<b>Net Sales</b>	<b>10,187</b>	<b>8,520</b>	<b>11,958</b>	<b>14,241</b>	<b>14,553</b>	<b>13,230</b>	<b>14,281</b>	<b>16,528</b>	<b>15,571</b>	<b>58,980</b>	<b>59,610</b>
YoY Change (%)	7.9	18.7	53.4	33.1	42.9	55.3	19.4	16.1	7.0	36.6	1.1
<b>EBITDA</b>	<b>2,591</b>	<b>2,003</b>	<b>3,320</b>	<b>4,210</b>	<b>4,812</b>	<b>3,930</b>	<b>3,717</b>	<b>4,870</b>	<b>4,979</b>	<b>16,456</b>	<b>17,374</b>
Margins (%)	25.4	23.5	27.8	29.6	33.1	29.7	26.0	29.5	32.0	27.9	29.1
EBITDA (INR/ton)	880	803	1,115	1,140	1,324	1,185	1,017	1,252	1,323	1,041	1,193
Depreciation	1,598	1,619	2,351	2,346	818	942	818	950	1,382	8,731	4,092
Interest	476	468	519	411	480	543	563	565	551	2,354	2,222
Other Income	158	204	172	774	322	300	323	450	428	1,630	1,500
<b>PBT before EO Exp</b>	<b>676</b>	<b>119</b>	<b>622</b>	<b>2,227</b>	<b>3,836</b>	<b>2,745</b>	<b>2,659</b>	<b>3,805</b>	<b>3,474</b>	<b>7,001</b>	<b>12,560</b>
Extra-Ord Expense	83	11	0	508	1	10	120	0	-129	123	0
<b>PBT</b>	<b>593</b>	<b>108</b>	<b>622</b>	<b>1,719</b>	<b>3,835</b>	<b>2,736</b>	<b>2,539</b>	<b>3,805</b>	<b>3,603</b>	<b>6,878</b>	<b>12,560</b>
Tax	43	-277	30	576	320	454	365	647	642	693	2,135
Rate (%)	7.3	-256.7	4.9	33.5	8.3	16.6	14.4	17.0	17.8	10.1	17.0
<b>Reported PAT</b>	<b>550</b>	<b>385</b>	<b>592</b>	<b>1,143</b>	<b>3,515</b>	<b>2,281</b>	<b>2,174</b>	<b>3,158</b>	<b>2,961</b>	<b>6,185</b>	<b>10,425</b>
<b>Adj PAT</b>	<b>627</b>	<b>426</b>	<b>592</b>	<b>1,481</b>	<b>3,516</b>	<b>2,289</b>	<b>2,277</b>	<b>3,158</b>	<b>2,855</b>	<b>6,296</b>	<b>10,425</b>
YoY Change (%)	-73.7	-13.7	304.8	NA	460.9	438.0	284.6	113.3	-18.8	66.9	65.6

E:MOSL Estimates; ^ Y/E March for FY11; \* volumes are estimated

# UltraTech Cement

Bloomberg	UTCEM IN
Equity Shares (m)	274.0
M. Cap. (INR b)/(USD b)	507/9
52-Week Range (INR)	2,075/1,255
1,6,12 Rel Perf. (%)	-1/-2/15

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	181.7	204.2	235.2	272.4
EBITDA	40.0	46.8	56.9	66.3
NP	24.0	27.8	31.8	38.5
Adj EPS (INR)	87.5	101.5	116.1	140.4
EPS Growth (%)	70.8	16.0	14.4	20.9
BV/Share (INR)	469.2	556.6	655.1	772.2
RoE (%)	20.4	19.8	19.2	19.7
RoCE (%)	23.7	23.3	23.8	24.9
Payout (%)	10.4	13.7	15.1	16.6
<b>Valuations</b>				
P/E (x)	21.2	18.2	15.9	13.2
P/BV (x)	3.9	3.3	2.8	2.4
EV/EBITDA (x)	12.2	10.2	8.7	7.4
EV/Ton (USD)	180	173	150	147

**CMP: INR1,851**

**Buy**

- Cement volumes are estimated to be flat YoY (+15% QoQ) at 11.5mt. Realizations are estimated to increase by 4.9% QoQ (+9.8% YoY) to INR4,274/ton. Its supplementary business of white cement and RMC are estimated to remain flat.
- Realizations to be partially offset by cost push, resulting in an impact on EBITDA/ton of INR1,165/ton (+INR149/ton QoQ, +INR84/ton YoY). EBITDA margin decline of 0.3pp YoY (+2.3pp QoQ) to 23.4%.
- EBITDA estimated to grow 7% YoY (+32% QoQ) to INR13.5b, translating into PAT decline of ~2% YoY (+42% QoQ) to INR8.5b.
- We downgrade EPS estimates for FY13E/FY14E/15E by 4.5%/8.3%/7.9% to INR101/INR116/INR140 respectively.
- The stock trades at 13.2x FY15E EPS, 7.4x FY15E EV/EBITDA and USD147/ton. Maintain **Buy** with a target price of INR2,242 (9x FY15E EV/EBITDA).

## Key issues to watch out

- Volume growth recovery and outlook, given the weakness in 4QFY13.
- Cement pricing outlook, considering unusually weak demand in 4QFY13.
- Update on capacity addition of 10.2mt, which is slated to commission in 1HFY14.
- Update on financial performance of Star Cement, UAE.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (m ton)	9.86	9.22	10.11	11.54	10.33	9.29	9.94	11.47	40.7	41.0
YoY Change (%)	-3.9	0.3	3.2	6.9	4.8	0.7	-1.7	-0.6	1.7	0.7
Grey Cement Realn.(INR/ton) *	3,749	3,504	3,756	3,894	4,121	4,219	4,075	4,274	3,738	4,175
YoY Change (%)	11.8	19.2	18.9	10.3	9.9	20.4	8.5	9.8	14.7	11.7
QoQ Change (%)	6.2	-6.5	7.2	3.7	5.8	2.4	-3.4	4.9		
<b>Net Sales</b>	<b>43,515</b>	<b>39,077</b>	<b>45,654</b>	<b>53,366</b>	<b>50,719</b>	<b>46,994</b>	<b>48,574</b>	<b>57,934</b>	<b>181,664</b>	<b>204,221</b>
YoY Change (%)	9.1	21.6	22.9	18.9	16.6	20.3	6.4	8.6	37.6	12.4
<b>EBITDA</b>	<b>11,882</b>	<b>5,836</b>	<b>9,563</b>	<b>12,641</b>	<b>12,918</b>	<b>10,052</b>	<b>10,243</b>	<b>13,542</b>	<b>40,007</b>	<b>46,754</b>
Margins (%)	27.3	14.9	20.9	23.7	25.5	21.4	21.1	23.4	22.0	22.9
EBITDA (INR/ton)	1,190	624	932	1,080	1,235	1,067	1,016	1,165	969	1,124
Depreciation	2,230	2,228	2,236	2,332	2,281	2,325	2,388	2,412	9,026	9,406
Interest	712	660	281	586	498	600	521	525	2,239	2,144
Other Income	641	1,003	960	2,000	849	706	1,212	1,484	4,520	4,250
<b>PBT before EO expense</b>	<b>9,583</b>	<b>3,951</b>	<b>8,006</b>	<b>11,723</b>	<b>10,987</b>	<b>7,834</b>	<b>8,545</b>	<b>12,088</b>	<b>33,262</b>	<b>39,454</b>
<b>PBT after EO Expense</b>	<b>9,583</b>	<b>3,951</b>	<b>8,672</b>	<b>11,723</b>	<b>10,987</b>	<b>7,834</b>	<b>8,545</b>	<b>12,088</b>	<b>33,929</b>	<b>39,454</b>
Tax	2,752	1,162	2,503	3,050	3,203	2,334	2,537	3,565	9,467	11,639
Rate (%)	28.7	29.4	28.9	26.0	29.2	29.8	29.7	29.5	27.9	29.5
<b>Reported PAT</b>	<b>6,831</b>	<b>2,789</b>	<b>6,169</b>	<b>8,673</b>	<b>7,784</b>	<b>5,500</b>	<b>6,008</b>	<b>8,523</b>	<b>24,462</b>	<b>27,815</b>
<b>Adj PAT</b>	<b>6,831</b>	<b>2,789</b>	<b>5,695</b>	<b>8,673</b>	<b>7,784</b>	<b>5,500</b>	<b>6,008</b>	<b>8,523</b>	<b>23,982</b>	<b>27,815</b>
YoY Change (%)	22.5	140.9	78.5	19.3	14.0	97.2	5.5	-1.7	70.8	16.0

E: MOSL Estimates; \* Grey cement realization is our estimate

# Consumer

## Companies Covered

Asian Paints  
 Britannia Industries  
 Colgate Palmolive  
 Dabur India  
 GSK Consumer  
 Godrej Consumer Products  
 Hindustan Unilever  
 ITC  
 Marico  
 Nestle India  
 Pidilite Industries  
 Radico Khaitan  
 United Spirits

**4QFY13 organic sales and PAT to grow 18%:** We estimate our coverage universe to post 14.4% revenue growth and 18% PAT growth during 4QFY13. EBITDA is likely to grow by 21% led by margin expansion in Hindustan Unilever (HUL), ITC, Asian Paints (APNT), Nestle (NEST), GSK Consumer and Marico (MRCO). We expect ITC to post 17.8% sales growth (2% cigarette volume growth) and 18% PAT growth. HUL's sales are likely to grow 10% (volume growth of 5.5%), with EBITDA margin expansion of 40bp to 14.9%. HUL will likely witness price deflation in Soaps.

**Moderation continues in 4Q; pace of premiumisation slowing:** Consumer demand in staples continues to remain soft in 4Q, a spillover from 3Q. We expect volume moderation trend to persist in HUL, Marico, Colgate whereas APNT, which was unaffected in 3Q due to festive demand, may post mid single digit volume growth (14% in 3Q13). Godrej Consumer's (GCPL) domestic business momentum, especially in home insecticide, shall continue, in our view. We expect another subdued quarter for Nestle. Dabur, Britannia, GSK Consumer should maintain their trend volume growth. Though premiumisation trend has remained intact in FMCG categories, the pace of the same has come down due to weak consumer confidence.

**RM environment remains benign; expect partial pass through to customers:** Input cost environment has remained largely benign for staples, with a 28% correction in palm oil and Tio2, while LAB, Milk, Packaging, Sugar and Wheat prices remain high on YoY basis. Given the risks to volume growths for Staples, we expect partial pass through of input cost benefits through price offers/grammage increase. We expect gross margin expansion for HUL, ITC, Dabur, GSK, GCPL, NEST.

**Sequential improvement in new launch activity:** New launch activity has seen sequential improvement with launches in Oral care, hair care and Food and Beverages. HUL launched products in the personal care category under Lakme brand, while GSK launched Paradontax. Dabur introduced Babool Salt.

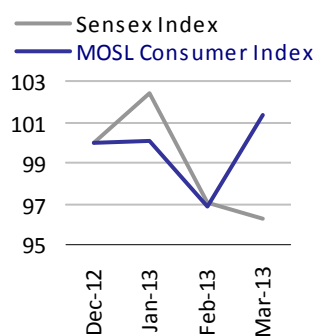
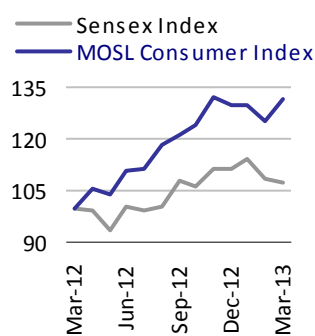
## Expected quarterly performance summary

(INR Million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
			% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ	
	<b>26.03.13</b>										
Asian Paints	4,896	Neutral	29,320	15.5	-3.5	4,793	27.7	-3.1	2,908	12.1	-13.2
Britannia	516	Sell	14,619	11.6	0.6	752	10.5	-3.8	591	11.4	3.7
Colgate	1,240	Neutral	7,881	14.9	3.3	1,821	7.2	21.5	1,370	4.8	23.4
Dabur	134	Buy	15,444	13.3	-5.3	2,577	19.7	-4.3	1,942	13.9	-8.0
Godrej Consumer	814	Neutral	16,394	23.9	-3.1	3,129	26.1	11.5	2,208	27.6	28.2
GSK Consumer	4,118	Neutral	9,583	17.9	35.2	2,012	24.5	294.8	1,539	16.6	120.9
Hind. Unilever	472	Neutral	63,396	10.0	-4.7	9,416	13.0	-13.5	7,277	9.7	-16.6
ITC	306	Buy	81,891	17.8	6.2	28,165	24.4	-1.4	19,398	20.2	-5.5
Marico	213	Neutral	10,281	12.0	-11.7	1,327	20.7	-18.1	913	27.8	-10.7
Nestle	4,589	Neutral	23,245	13.5	8.0	5,184	13.4	4.6	3,120	8.1	6.1
Pidilite Inds.	257	Buy	7,862	20.6	-6.1	1,187	23.9	-21.6	837	11.9	-19.2
Radico Khaitan	128	Buy	3,537	24.6	8.5	481	19.7	-3.9	208	22.3	-5.4
United Spirits	1,885	Buy	20,209	8.5	-7.0	2,335	32.6	-5.1	718	803.9	-10.9
<b>Sector Aggregate</b>			<b>303,376</b>	<b>14.4</b>	<b>0.1</b>	<b>63,178</b>	<b>21.2</b>	<b>-0.9</b>	<b>43,085</b>	<b>17.8</b>	<b>-3.9</b>

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**Relative Performance-3m (%)****Relative Performance-1Yr (%)**

**Budget was marginally negative for Consumer Staples:** Union Budget was marginally negative for FMCG sector. While excise duty on Cigarette was hiked by 18%, surcharge on income tax was doubled from 5% to 10% resulting in 1-2% earnings downgrade for the sector.

**Valuations at multi-year premium; prefer niche plays with pricing power:** Consumer Staples have selectively outperformed markets given the continued preference for defensives in a volatile and uncertain market. In an environment of moderating volume growth, we have bias for niche plays with strong pricing power and greater visibility on volume growth and profitability. **ITC** remains our **top pick** in the sector. We like **Dabur, Pidilite** and **Radico** in the mid-caps.

**Slight moderation in volume growth visible**

Quarter Ending	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Asian Paints	16.0	15.0	15.0	12.0	18.0	-2.0	5.0	13.0	8.0
Colgate (Toothpaste)	13.0	14.0	15.0	15.0	14.0	13.0	11.0	8.0	8.0
Dabur	9.3	8.6	10.0	10.8	12.4	12.0	10.5	9.5	8.0
<b>Godrej Consumer</b>									
Soaps	9.0	9.0	19.0	20.0	17.0	22.0	6.0	2.0	2.0
Hair Color	5.0	10.0	8.0	9.0	9.0	5.0	4.0	7.0	6.0
GSK Consumer	5.5	14.0	8.0	12.0	7.0	7.4	4.5	6.0	6.0
Hindustan Unilever	14.0	8.3	9.8	9.1	10.0	9.0	7.0	5.0	5.5
ITC (cigarette)	-2.0	8.0	7.5	5.0	5.5	1.5	0.5	1.5	2.0
<b>Marico</b>									
Parachute	5.0	10.0	10.0	13.0	11.1	18.0	9.0	6.0	7.0
Hair Oil	21.0	32.0	26.0	20.0	17.5	12.0	20.0	30.0	25.0
Saffola	14.0	15.0	11.0	15.0	3.3	25.0	6.0	4.0	4.0
Radico Khaitan		12.3	9.7	10.5	6.8	8.2	7.8	6.5	7.0
United Spirits	12.0	15.4	8.0	0.7	5.1	1.9	-1.0	7.0	4.0

Source: Company, MOSL

**Impact of input price changes**

Input	Price Trend (Y-o-Y)	Unit	CMP (INR)	12m change %	Impact	Companies
LAB	Up	INR/Kg	121	5.0	Negative	HUL
Soda Ash	Up	INR/50Kg	1065	2.4	Negative	HUL
Palm Fatty Acid	Down	US\$/MT	552	(37.7)	Positive	HUL, Godrej Consumer
Palm Oil	Down	MYR/MT	2389	(28.3)	Positive	Britannia, Nestle, HUL, ITC
HDPE	Up	INR/Kg	94	11.0	Negative	All Companies
Sugar	Up	INR/Qtl	3295	11.3	Negative	Britannia, Nestle, GSK Consumer
Wheat	Up	INR/Qtl	1583	22.5	Negative	Nestle, ITC and Britannia
Milk	Up	Index	211	5.0	Negative	Nestle, GSK Consumer
TiO2	Down	INR/Kg	218	(24.8)	Positive	APNT, BRGR,
Copra	Flat	INR/100kg	6683	(2.2)	Neutral	Marico

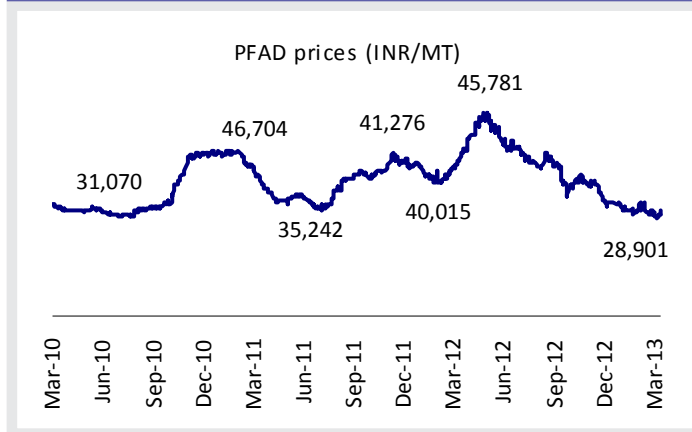
Source: Company, MOSL

**New launches during 4QFY13**

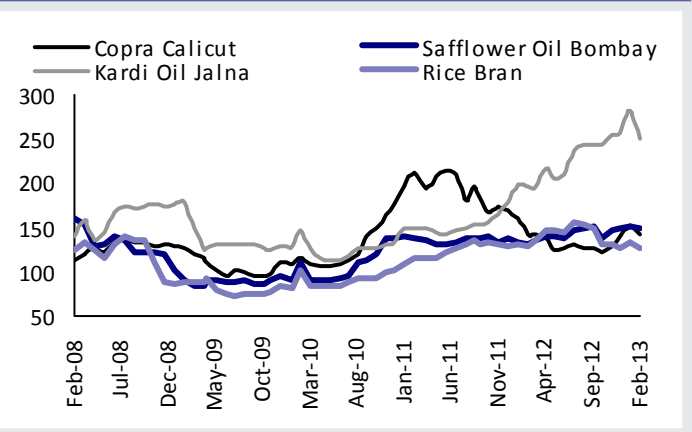
Company	Brand	Category
Colgate	Colgate Pro Gum Health	Premium Toothpaste
Dabur	Babool ( Babool+Salt)	Toothpaste
GSK Consumer	Paradontax	Premium Toothpaste
GCPL	HIT anti roach gel	Insecticide
Marico	Parachute (Tender Coconut hair oil)	Coconut Hair Oil
HUL	Kwality Walls (New Flavors)	Ice Creams
HUL	Lakme	Skin Care
HUL	Pond's	Anti Tan Wash Scrub
HUL	Axe Apollo	Deodarant

**Input costs: Mixed trends**

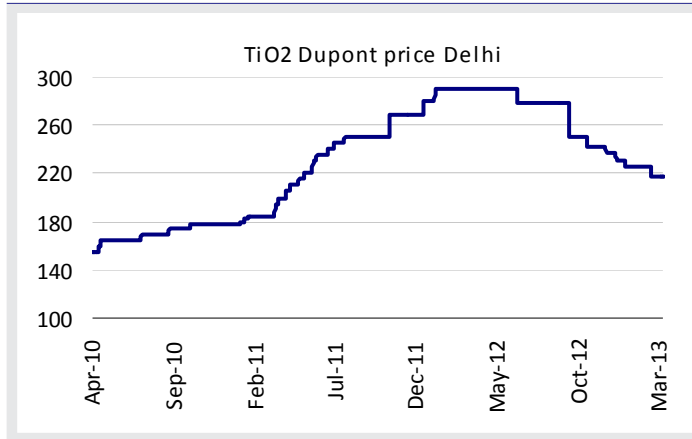
**Palm Fatty Acid (INR/ton)**



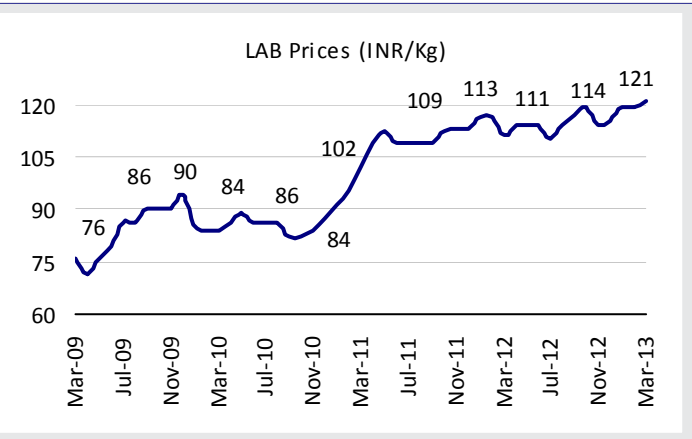
**Copra Prices (INR/Qtl)**



**Titanium Dioxide**



**Lab Prices (INR/kg)**



Source: Companies, MOSL

**Comparative valuation**

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Consumer</b>														
Asian Paints	4,896	Neutral	120.3	147.2	184.5	40.7	33.3	26.5	26.1	20.9	17.1	34.5	34.6	34.9
Britannia	516	Sell	17.2	20.3	24.1	30.1	25.4	21.4	21.3	16.9	14.0	33.5	34.0	34.5
Colgate	1,240	Neutral	37.5	44.1	51.8	33.0	28.1	23.9	24.2	19.9	17.0	108.4	104.7	101.6
Dabur	134	Buy	4.4	5.4	6.5	30.5	24.9	20.6	23.6	18.9	15.8	34.9	35.3	35.1
Godrej Consumer	814	Neutral	20.4	26.3	32.5	40.0	31.0	25.0	28.0	21.2	17.7	21.7	24.3	25.2
GSK Consumer	4,118	Neutral	103.9	120.3	142.3	39.7	34.2	28.9	34.7	25.8	20.8	32.2	31.4	31.2
Hind. Unilever	472	Neutral	15.1	16.1	17.6	31.3	29.4	26.8	24.4	20.9	17.9	70.5	61.0	57.8
ITC	306	Buy	9.5	10.8	12.8	32.2	28.4	23.9	21.0	17.9	15.3	36.1	37.3	40.0
Marico	213	Neutral	6.3	7.6	9.4	34.0	28.1	22.5	22.3	18.4	14.8	20.3	20.2	20.6
Nestle	4,589	Neutral	112.3	132.2	161.8	40.9	34.7	28.4	24.7	20.3	16.9	71.6	62.9	60.1
Pidilite Inds.	257	Buy	8.2	9.8	11.8	31.2	26.2	21.7	20.4	16.3	13.3	24.3	24.4	24.7
Radico Khaitan	128	Buy	6.6	8.6	11.8	19.4	14.8	10.9	11.4	9.6	8.0	12.0	14.0	16.8
United Spirits	1,885	Buy	29.6	56.0	80.4	63.8	33.6	23.5	24.8	18.3	14.3	4.3	7.5	9.8
<b>Sector Aggregate</b>						<b>34.2</b>	<b>29.4</b>	<b>24.6</b>	<b>23.1</b>	<b>19.1</b>	<b>16.1</b>	<b>32.9</b>	<b>33.5</b>	<b>34.8</b>

# Asian Paints

Bloomberg	APNT IN
Equity Shares (m)	95.9
M. Cap. (INR b)/(USD b)	470/9
52-Week Range (INR)	5,047/3,004
1,6,12 Rel Perf. (%)	13/26/50

**CMP: INR4,896**
**Neutral**

- We expect Asian Paints to post 15.5% revenue growth to INR29.3b in 4QFY13E, led by ~7-8% volume growth.
- Demand buoyancy of 3QFY13, which was led by the festive season, has not spilled over to 4QFY13.
- Expect margin expansion of 150bp (low base) to 16.3%, led by gross margin uptick, post correction in TiO2 prices.
- International business shall continue to report mixed performance, as in the past.
- APNT forayed into the modern kitchen space by acquiring a 51% stake in Sleek Group.
- The stock trades at 33.3x FY14E EPS and 26.5x FY15E EPS. **Neutral.**

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	96.3	111.2	130.8	155.0
EBITDA	15.1	17.7	22.1	26.8
Adj. PAT	9.9	11.5	14.1	17.7
Adj. EPS (INR)	103.1	120.3	147.2	184.5
EPS Gr. (%)	17.3	16.7	22.4	25.4
BV/Sh.(INR)	286.5	348.9	425.9	528.5
RoE (%)	36.0	34.5	34.6	34.9
RoCE (%)	47.8	46.6	47.2	46.3
Payout (%)	38.8	41.6	40.8	37.9
<b>Valuations</b>				
P/E (x)	47.5	40.7	33.3	26.5
P/BV (x)	17.1	14.0	11.5	9.3
EV/EBITDA (x)	30.5	26.1	20.9	17.1
Div. Yield (%)	0.9	1.2	1.4	1.7

**Key issues to watch out**

- Comments on volume growth trends and demand scenario.
- Outlook on raw material scenario.
- International business margins.
- Plans in kitchen equipment category.

**Quarterly Performance (Consolidated)**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth % *	15.0	15.0	12.0	18.0	-2.0	5.0	13.0	8.0	15.0	8.0
<b>Net Sales</b>	<b>22,571</b>	<b>22,447</b>	<b>25,589</b>	<b>25,387</b>	<b>25,393</b>	<b>26,160</b>	<b>30,371</b>	<b>29,320</b>	<b>95,993</b>	<b>111,243</b>
Change (%)	23.3	24.0	21.9	29.5	12.5	16.5	18.7	15.5	24.3	15.9
Raw Material/PM	13,537	13,507	15,514	15,213	14,838	15,714	18,133	17,142	57,770	65,828
<b>Gross Profit</b>	<b>9,035</b>	<b>8,940</b>	<b>10,075</b>	<b>10,174</b>	<b>10,554</b>	<b>10,445</b>	<b>12,238</b>	<b>12,178</b>	<b>38,223</b>	<b>45,415</b>
Gross Margin (%)	40.0	39.8	39.4	40.1	41.6	39.9	40.3	41.5	39.8	40.8
Operating Expenses	5,149	5,772	6,105	6,420	6,176	6,834	7,292	7,385	23,445	27,685
% of Sales	22.8	25.7	23.9	25.3	24.3	26.1	24.0	25.2	24.4	24.9
<b>EBITDA</b>	<b>3,886</b>	<b>3,168</b>	<b>3,970</b>	<b>3,754</b>	<b>4,379</b>	<b>3,612</b>	<b>4,947</b>	<b>4,793</b>	<b>14,778</b>	<b>17,730</b>
Margin (%)	17.2	14.1	15.5	14.8	17.2	13.8	16.3	16.3	15.4	15.9
Change (%)	11.9	-4.4	15.1	31.8	12.7	14.0	24.6	27.7	208.3	20.0
Interest	65	88	107	166	109	122	79	195	426	504
Depreciation	291	300	307	314	334	357	366	504	1,211	1,561
Other Income	338	353	242	470	326	422	467	432	1,403	1,647
<b>PBT</b>	<b>3,868</b>	<b>3,133</b>	<b>3,799</b>	<b>3,744</b>	<b>4,262</b>	<b>3,555</b>	<b>4,969</b>	<b>4,526</b>	<b>14,544</b>	<b>17,312</b>
Tax	1,155	955	1,135	1,097	1,273	1,041	1,466	1,501	4,341	5,280
Effective Tax Rate (%)	29.9	30.5	29.9	29.3	29.9	29.3	29.5	33.2	29.8	30.5
<b>PAT before Minority</b>	<b>2,713</b>	<b>2,179</b>	<b>2,664</b>	<b>2,647</b>	<b>2,989</b>	<b>2,514</b>	<b>3,503</b>	<b>3,025</b>	<b>10,203</b>	<b>12,032</b>
Minority Interest	79	91	96	52	106	122	151	117	319	496
<b>Adjusted PAT</b>	<b>2,634</b>	<b>2,087</b>	<b>2,569</b>	<b>2,595</b>	<b>2,884</b>	<b>2,392</b>	<b>3,352</b>	<b>2,908</b>	<b>9,884</b>	<b>11,536</b>
Change (%)	18.5	-2.8	16.6	39.5	9.5	14.6	30.5	12.1	17.2	16.7

E: MOSL Estimates



# Britannia Industries

Bloomberg	BRIT IN
Equity Shares (m)	119.5
M. Cap. (INR b)/(USD b)	62/1
52-Week Range (INR)	600/400
1,6,12 Rel Perf. (%)	7/7/-19

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	49.5	55.4	64.7	75.5
EBITDA	2.5	2.8	3.5	4.1
Adj. PAT	1.9	2.1	2.4	2.9
Adj. EPS (INR)	15.6	17.2	20.3	24.1
EPS Gr. (%)	28.5	9.8	18.5	18.4
BV/Sh.(INR)	44.8	51.3	59.8	69.9
RoE (%)	34.9	33.5	34.0	34.5
RoCE (%)	36.1	54.3	52.3	48.6
Payout (%)	54.4	45.6	50.0	50.0
<b>Valuations</b>				
P/E (x)	33.0	30.1	25.4	21.4
P/BV (x)	11.5	10.1	8.6	7.4
EV/EBITDA (x)	23.8	21.3	16.9	14.0
Div. Yield (%)	1.6	1.5	2.0	2.3

## CMP: INR516

Sell

- We estimate Britannia to post sales of INR14.6b, a growth of ~12% YoY. Volume growth is likely to remain in mid single digits as the discretionary processed foods category is facing moderation.
- We estimate flat EBITDA margin due to higher conversion costs and ad-spends.
- Among input costs, wheat prices are up ~26% YoY and sugar prices are higher by 12% YoY. Palm oil correction should provide a cushion to margins.
- We note that Parle has turned aggressive in the premium categories and has hired the celebrity Amitabh Bachchan as brand ambassador for its premium product Goldstar cookies.
- The stock trades at 25.4x FY14E EPS and 21.4x FY15E EPS. **Sell**.

### Key issues to watch out

- Volume growth in biscuits and product premiumization and innovations.
- Outlook on raw material scenario.
- Dairy and subsidiaries performance.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>11,030</b>	<b>12,905</b>	<b>12,440</b>	<b>13,096</b>	<b>12,216</b>	<b>14,028</b>	<b>14,533</b>	<b>14,619</b>	<b>49,470</b>	<b>55,396</b>
YoY Change (%)	21.0	17.8	15.1	16.8	10.8	8.7	16.8	11.6	17.8	12.0
COGS	7,257	8,408	7,910	8,223	7,575	9,042	9,192	9,208	31,798	35,017
<b>Gross Profit</b>	<b>3,773</b>	<b>4,496</b>	<b>4,530</b>	<b>4,873</b>	<b>4,642</b>	<b>4,986</b>	<b>5,341</b>	<b>5,411</b>	<b>17,673</b>	<b>20,379</b>
Margins (%)	34.2	34.8	36.4	37.2	38.0	35.5	36.8	37.0	35.7	36.8
Other Exp	3,300	3,761	3,749	4,192	3,991	4,379	4,559	4,659	15,003	17,589
% of Sales	29.9	29.1	30.1	32.0	32.7	31.2	31.4	31.9	30.3	31.8
Total Exp	7,073	12,169	11,659	12,415	11,566	13,422	13,752	13,867	46,800	52,606
<b>EBITDA</b>	<b>473</b>	<b>736</b>	<b>781</b>	<b>680</b>	<b>651</b>	<b>606</b>	<b>782</b>	<b>752</b>	<b>2,670</b>	<b>2,790</b>
Margins (%)	4.3	5.7	6.3	5.2	5.3	4.3	5.4	5.1	5.4	5.0
YoY Growth (%)	15.6	39.1	40.1	8.0	37.6	-17.6	0.1	10.5	29.4	4.5
Depreciation	111	116	122	125	130	143	149	125	473	547
Interest	93	97	95	95	95	88	91	92	381	366
Other Income	304	146	183	226	179	266	257	235	858	937
<b>PBT</b>	<b>573</b>	<b>670</b>	<b>747</b>	<b>685</b>	<b>605</b>	<b>642</b>	<b>797</b>	<b>770</b>	<b>2,674</b>	<b>2,814</b>
Tax	155	191	206	155	170	186	228	179	707	763
Rate (%)	27.0	28.5	27.6	22.6	28.1	29.0	28.6	23.3	26.4	27.1
<b>Adjusted PAT</b>	<b>418</b>	<b>479</b>	<b>540</b>	<b>530</b>	<b>435</b>	<b>456</b>	<b>570</b>	<b>591</b>	<b>1,967</b>	<b>2,051</b>
YoY Change (%)	27.2	45.9	42.7	22.6	4.0	-4.8	5.4	11.4	35.4	4.3

E: MOSL Estimates

# Colgate Palmolive

Bloomberg	CLGT IN
Equity Shares (m)	136.0
M. Cap. (INR b)/(USD b)	169/3
52-Week Range (INR)	1,580/1,030
1,6,12 Rel Perf. (%)	-3/3/4

**CMP: INR1,240**
**Neutral**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	26.2	30.6	35.4	41.0
EBITDA	5.8	6.7	8.1	9.4
Adj. PAT	4.5	5.1	6.0	7.0
Adj. EPS (INR)	32.8	37.5	44.1	51.8
EPS Gr. (%)	10.9	14.4	17.4	17.4
BV/Sh. (INR)	31.2	38.1	46.2	55.7
RoE (%)	109.4	108.4	104.7	101.6
RoCE (%)	110.1	108.5	104.7	101.7
Payout (%)	78.0	70.0	70.0	70.0
<b>Valuations</b>				
P/E (x)	37.8	33.0	28.1	23.9
P/BV (x)	39.8	32.5	26.8	22.3
EV/EBITDA (x)	28.3	24.2	19.9	17.0
Div. Yield (%)	2.0	2.1	2.5	2.9

- We expect sales growth of 15% YoY to INR7.88b; toothpaste volume growth is estimated at 8-9%.
- Convergence of urban and rural growth (rural was growing at higher rates earlier) indicates continued moderation in toothpaste volumes.
- During the quarter, Colgate launched its new offering in the gum-care segment - Colgate Pro Gum. Subsequently, GSK Consumer entered the specialty segment with its offering - Parodontax.
- We expect 180bp contraction in EBITDA margin at 22.4% on account of higher ad spends due to product launches, and sales promotion due to heightened competitive activity by other players.
- Higher tax rate at ~27% (up 240bp YoY) shall result in muted 5% increase in PAT to INR1.37b.
- The stock trades at 28.1x FY14E and 23.9x FY15E EPS. **Neutral.**

**Key issues to watch out**

- Volume growth in toothpaste and market share performance.
- Tax rate.

**Quarterly Performance**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Toothpaste Volume Gr %	14.0	15.0	15.0	14.0	11.0	11.0	8.0	8.0	14.0	10.0
<b>Net Sales</b>	<b>6,111</b>	<b>6,572</b>	<b>6,696</b>	<b>6,859</b>	<b>7,361</b>	<b>7,738</b>	<b>7,627</b>	<b>7,881</b>	<b>26,239</b>	<b>30,607</b>
YoY Change (%)	15.6	19.1	20.0	17.9	20.5	17.7	13.9	14.9	18.2	16.6
COGS	2,467	2,637	2,651	2,748	2,997	3,238	3,045	3,180	10,502	12,460
<b>Gross Profit</b>	<b>3,644</b>	<b>3,936</b>	<b>4,045</b>	<b>4,112</b>	<b>4,364</b>	<b>4,499</b>	<b>4,582</b>	<b>4,702</b>	<b>15,736</b>	<b>18,147</b>
Gross Margin (%)	59.6	59.9	60.4	59.9	59.3	58.1	60.1	59.7	60.0	59.3
Other operating Expenses	2,476	2,736	2,767	2,583	2,939	2,928	3,294	3,138	10,645	12,299
% to sales	40.5	41.6	41.3	37.7	39.9	37.8	43.2	39.8	40.6	40.2
Other operating Income	166	172	186	170	200	187	211	257	694	855
<b>EBITDA</b>	<b>1,335</b>	<b>1,371</b>	<b>1,464</b>	<b>1,699</b>	<b>1,625</b>	<b>1,758</b>	<b>1,499</b>	<b>1,821</b>	<b>5,785</b>	<b>6,703</b>
Margins (%)	21.3	20.3	21.3	24.2	21.5	22.2	19.1	22.4	21.5	21.3
Depreciation	88	106	99	100	105	106	113	93	393	417
Interest	4	6	4	2	0	0	0	5	15	5
Financial other Income	138	108	124	131	112	149	117	149	507	527
<b>PBT</b>	<b>1,381</b>	<b>1,368</b>	<b>1,485</b>	<b>1,728</b>	<b>1,632</b>	<b>1,801</b>	<b>1,504</b>	<b>1,872</b>	<b>5,884</b>	<b>6,808</b>
Tax	377	293	330	420	457	350	393	502	1,419	1,702
Rate (%)	27.3	21.4	22.2	24.3	28.0	19.4	26.1	26.8	24.1	25.0
<b>Adj PAT</b>	<b>1,004</b>	<b>1,076</b>	<b>1,156</b>	<b>1,308</b>	<b>1,174</b>	<b>1,451</b>	<b>1,111</b>	<b>1,370</b>	<b>4,465</b>	<b>5,106</b>
YoY Change (%)	-17.6	7.2	74.3	14.6	16.9	34.9	-3.9	4.8	10.9	14.4

E: MOSL Estimates

# Dabur India

Bloomberg	DABUR IN
Equity Shares (m)	1,740.7
M. Cap. (INR b)/(USD b)	234/4
52-Week Range (INR)	140/101
1,6,12 Rel Perf. (%)	6/8/19

## CMP: INR134

Buy

- We expect sales growth of 13.3% to INR15.4b led by 8% domestic organic volume growth.
- Benefits from recent distribution expansion should support volume growth, in our view.
- Dabur has stepped up activity in the oral care space and launched Babool Salt.
- We expect low teens growth in international division.
- Expect margin expansion of 90bp to 16.7% due to correction in input costs; in line with management guidance.
- We estimate 14% PAT growth to INR1.94b.
- The stock trades at 24.9x FY14E EPS and 20.6x FY15E EPS. **Buy.**

### Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	52.8	61.6	72.0	84.0
EBITDA	8.7	10.0	12.2	14.3
Adj. PAT	6.5	7.7	9.4	11.3
Adj. EPS (INR)	3.7	4.4	5.4	6.5
EPS Gr. (%)	14.6	17.6	22.7	20.6
BV/Sh.(INR)	9.9	12.6	15.3	18.6
RoE (%)	37.9	34.9	35.3	35.1
RoCE (%)	30.0	37.9	41.0	41.0
Payout (%)	37.1	40.3	42.7	42.7
<b>Valuations</b>				
P/E (x)	35.9	30.5	24.9	20.6
P/BV (x)	13.6	10.7	8.8	7.2
EV/EBITDA (x)	27.9	23.6	18.9	15.8
Div. Yield (%)	1.0	1.3	1.7	2.1

### Key issues to watch out

- Performance of hair oil and oral care business.
- Commentary on rural performance and input cost environment.
- Progress on distribution expansion initiative.

### Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	8.6	10.0	10.8	12.4	12.0	10.5	9.5	8.0	10.5	10.0
<b>Net Sales</b>	<b>12,046</b>	<b>12,623</b>	<b>14,527</b>	<b>13,636</b>	<b>14,620</b>	<b>15,226</b>	<b>16,307</b>	<b>15,444</b>	<b>52,832</b>	<b>61,597</b>
YoY Change (%)	31.4	29.8	34.5	23.0	21.4	20.6	12.3	13.3	29.6	16.6
Total Exp	10,267	10,204	12,263	11,483	12,559	12,582	13,615	12,867	44,152	51,622
<b>EBITDA</b>	<b>1,779</b>	<b>2,419</b>	<b>2,263</b>	<b>2,153</b>	<b>2,061</b>	<b>2,644</b>	<b>2,693</b>	<b>2,577</b>	<b>8,680</b>	<b>9,975</b>
Margins (%)	14.8	19.2	15.6	15.8	14.1	17.4	16.5	16.7	16.4	16.2
YoY Growth (%)	29.9	19.1	8.0	4.7	15.9	9.3	19.0	19.7	12.1	14.9
Depreciation	248	252	239	293	267	270	305	315	1,032	1,157
Interest	145	172	183	57	213	149	78	155	538	595
Other Income	216	171	213	280	342	275	273	312	797	1,201
<b>PBT</b>	<b>1,602</b>	<b>2,166</b>	<b>2,055</b>	<b>2,083</b>	<b>1,923</b>	<b>2,500</b>	<b>2,582</b>	<b>2,418</b>	<b>7,906</b>	<b>9,424</b>
Tax	323	427	337	377	378	464	478	474	1,464	1,753
Rate (%)	20.1	19.7	16.4	18.1	19.6	18.6	18.5	19.6	18.5	18.6
Minority Interest	2	0	-10	0	2	13	-6	2	3	8
<b>Adjusted PAT</b>	<b>1,277</b>	<b>1,739</b>	<b>1,728</b>	<b>1,705</b>	<b>1,543</b>	<b>2,023</b>	<b>2,111</b>	<b>1,942</b>	<b>6,439</b>	<b>7,663</b>
YoY Change (%)	19.6	8.4	11.9	16.0	20.8	16.4	22.2	13.9	13.2	19.0

E: MOSL Estimates

# GlaxoSmithKline Consumer

Bloomberg	SKB IN
Equity Shares (m)	42.1
M. Cap. (INR b)/(USD b)	173/3
52-Week Range (INR)	4,334/2,179
1,6,12 Rel Perf. (%)	7/40/51

**CMP: INR4,118**
**Neutral**

- We expect Glaxo Consumer to report net sales of INR9.5b, up 18% YoY, led by 7% volume growth. Expect CSD to show a sequential improvement on account of like-to-like base comparison.
- Company launched *Paradontax* and has also been aggressive in the MFD space, with increased ad spends.
- We estimate 70bp EBITDA margin expansion to 21% on account of mix improvement and staggered price hikes.
- Estimate ~17% growth in PAT led by margin expansion. We expect depreciation expenses to increase, beginning from the current quarter, due to the commencement of a new line at its Sonapat plant.
- The stock trades at 34.2x CY13E EPS and 28.9x CY14E EPS. **Neutral**.

**Financials & Valuation (INR b)**

Y/E December	2011	2012	2013E	2014E
Sales	26.9	30.8	36.9	43.0
EBITDA	4.2	4.6	6.2	7.5
Adj. PAT	3.6	4.4	5.1	6.0
Adj. EPS (INR)	84.5	103.9	120.3	142.3
EPS Gr. (%)	18.4	23.0	15.8	18.3
BV/Sh.(INR)	272.1	322.1	383.3	455.7
RoE (%)	31.0	32.2	31.4	31.2
RoCE (%)	47.5	48.1	47.8	46.9
Payout (%)	48.2	49.1	49.1	49.1
<b>Valuations</b>				
P/E (x)	48.8	39.4	34.2	28.9
P/BV (x)	15.1	12.8	10.7	9.0
EV/EBITDA (x)	31.3	26.7	25.8	20.8
Div. Yield (%)	0.8	1.1	1.2	1.5

**Key issues to watch out**

- MFD volume growth - processed foods have shown significant slowdown in the past few quarters.
- Traction in oral care products.
- Comments on CSD issues, noodles strategy.

**Quarterly Performance**
**(INR Million)**

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
MFD Volume Growth (%)	7.0	7.4	6.0	6.0	7.0	7.5	7.5	9.0	7.0	10.5
<b>Net Sales</b>	<b>8,130</b>	<b>7,297</b>	<b>8,275</b>	<b>7,091</b>	<b>9,583</b>	<b>8,735</b>	<b>9,883</b>	<b>8,657</b>	<b>30,794</b>	<b>36,858</b>
YoY Change (%)	14.5	11.7	14.9	17.8	17.9	19.7	19.4	22.1	14.7	19.7
Total Exp	6,514	6,191	6,871	6,581	7,571	7,364	8,005	7,715	26,156	30,655
<b>EBITDA</b>	<b>1,617</b>	<b>1,107</b>	<b>1,405</b>	<b>510</b>	<b>2,012</b>	<b>1,371</b>	<b>1,878</b>	<b>941</b>	<b>4,638</b>	<b>6,203</b>
Margins (%)	20.3	15.2	17.0	7.2	21.0	15.7	19.0	10.9	15.1	16.8
YoY Change (%)	11.3	12.3	19.1	-17.3	24.5	23.9	33.7	84.7	9.5	33.7
Depreciation	119	86	77	79	150	160	170	167	361	647
Interest	12	8	3	1	10	10	10	15	24	45
Other Income	479	572	578	606	479	611	593	469	2,234	2,153
<b>PBT</b>	<b>1,964</b>	<b>1,585</b>	<b>1,903</b>	<b>1,035</b>	<b>2,332</b>	<b>1,813</b>	<b>2,291</b>	<b>1,228</b>	<b>6,487</b>	<b>7,664</b>
Tax	645	519	617	338	793	616	779	417	2,119	2,605
Rate (%)	33.0	32.8	32.4	32.7	34.0	34.0	34.0	33.9	32.7	34.0
<b>Adj PAT</b>	<b>1,320</b>	<b>1,066</b>	<b>1,286</b>	<b>697</b>	<b>1,539</b>	<b>1,197</b>	<b>1,512</b>	<b>812</b>	<b>4,368</b>	<b>5,059</b>
YoY Change (%)	19.3	29.3	24.8	17.9	16.6	12.2	17.6	16.6	23.0	15.8

E: MOSL Estimates

# Godrej Consumer Products

Bloomberg	GCPL IN
Equity Shares (m)	340.3
M. Cap. (INR b)/(USD b)	277/5
52-Week Range (INR)	832/465
1,6,12 Rel Perf. (%)	15/23/61

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	48.5	63.1	78.3	90.9
EBITDA	8.6	10.4	13.6	16.1
Adj. PAT	5.3	6.9	8.9	11.1
Adj. EPS (INR)	15.5	20.4	26.3	32.5
EPS Gr. (%)	5.7	31.7	28.9	23.8
BV/Sh.(INR)	82.7	93.7	108.2	129.1
RoE (%)	18.7	21.7	24.3	25.2
RoCE (%)	20.7	25.5	30.1	31.5
Payout (%)	29.7	39.3	38.1	30.8
<b>Valuations</b>				
P/E (x)	45.8	34.8	27.0	21.8
P/BV (x)	8.6	7.6	6.5	5.5
EV/EBITDA (x)	29.5	24.5	18.5	15.5
Div. Yield (%)	0.7	1.1	1.4	1.4

**CMP: INR814**

**Neutral**

- We expect GCPL to post 24% revenue growth to INR16.3b in 4QFY13E, led by inorganic growth (Chile, Darling Phase II) and strong momentum in domestic household insecticide segment.
- During 3QFY13, GCPL had divested its non-core food business in Indonesia; extraordinary income from the same will be reflected in 4QFY13. Core Indonesian business is maintaining momentum, while LATAM (Argentina) and Africa (Kenya) is experiencing challenges due to political uncertainty and government caveats on pricing.
- Lower palm oil prices should drive our expected 30bp margin expansion to 19.1%. We expect ad-spends to revert to the normal trend, after spiking in 3Q, due to bunching up of new launches.
- Estimate 27.6% PAT growth.
- The stock trades at 27x FY14E EPS and 21.8x FY15E EPS. **Neutral**.

## Key issues to watch out

- Comments on volume growth trends in soaps and performance of new launches in hair colors and home insecticides.
- Outlook on raw material scenario.
- Darling integration update.

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>9,978</b>	<b>11,860</b>	<b>13,441</b>	<b>13,230</b>	<b>13,886</b>	<b>15,953</b>	<b>16,913</b>	<b>16,394</b>	<b>48,509</b>	<b>63,147</b>
YoY Change (%)	39.6	23.3	35.9	32.4	39.2	34.5	25.8	23.9	32.0	30.2
<b>EBITDA</b>	<b>1,427</b>	<b>2,068</b>	<b>2,653</b>	<b>2,481</b>	<b>1,988</b>	<b>2,440</b>	<b>2,806</b>	<b>3,129</b>	<b>8,607</b>	<b>10,362</b>
Margins (%)	14.3	17.4	19.7	18.8	14.3	15.3	16.6	19.1	17.7	16.4
YoY Growth (%)	11.5	23.8	60.1	39.6	39.3	18.0	5.8	26.1	35.4	20.4
Depreciation	159	159	171	155	199	206	205	184	644	794
Interest	111	154	287	194	164	200	189	124	658	676
Other Income	132	160	248	203	181	194	188	202	672	766
<b>PBT</b>	<b>1,314</b>	<b>1,741</b>	<b>2,388</b>	<b>2,327</b>	<b>1,630</b>	<b>2,151</b>	<b>2,574</b>	<b>3,302</b>	<b>7,771</b>	<b>9,657</b>
Tax	312	432	555	547	112	476	674	885	2,261	2,146
Rate (%)	23.8	24.8	23.2	23.5	6.9	22.1	26.2	26.8	29.1	22.2
Minority Int	0	33	162	50	213	83	178	105	245	579
<b>Adj PAT</b>	<b>1,002</b>	<b>1,277</b>	<b>1,671</b>	<b>1,730</b>	<b>1,305</b>	<b>1,593</b>	<b>1,722</b>	<b>2,208</b>	<b>5,266</b>	<b>6,932</b>
YoY Change (%)	10.3	-2.0	40.7	22.1	30.2	24.8	3.1	27.6	11.2	31.7

E: MOSL Estimates

# Hindustan Unilever

Bloomberg	HUVR IN
Equity Shares (m)	2,159.5
M. Cap. (INR b)/(USD b)	1,020/19
52-Week Range (INR)	580/397
1,6,12 Rel Perf. (%)	6/-11/8

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	217.4	250.7	285.0	324.8
EBITDA	32.9	39.7	45.7	52.7
Adj. PAT	25.7	32.6	34.7	38.1
Adj. EPS (INR)	11.9	15.1	16.1	17.6
EPS Gr. (%)	22.4	26.8	6.5	9.9
BV/Sh.(INR)	16.3	21.4	26.3	30.5
RoE (%)	73.2	70.5	61.0	57.8
RoCE (%)	95.4	93.9	83.7	83.0
Payout (%)	63.0	56.3	59.1	65.2
<b>Valuations</b>				
P/E (x)	39.7	31.3	29.4	26.8
P/BV (x)	29.1	22.1	17.9	15.5
EV/EBITDA (x)	30.0	24.4	21.0	17.9
Div. Yield (%)	1.6	1.8	2.0	2.4

## CMP: INR472

Neutral

- We expect HUL to post 5-5.5% volume growth and 10% revenue growth. Consumer demand continues to remain subdued in HPC for HUL, as per our channel checks.
- We note that soaps can likely have a price deflation due to fading impact of FY12 price hikes and aggressive promotions/grammage increase undertaken to drive volumes.
- Fair & Lovely has not yet recovered from the pricing transition and will likely drag personal care performance.
- Discretionary PP and foods continue to remain under pressure.
- Expect margin expansion of 40bp to 14.9% led by higher gross margin. 4QFY13 will be the first quarter factoring a higher royalty impact (~10bp).
- The stock trades at 29.4x FY14E EPS and 26.8x FY15E EPS. **Neutral.**

### Key issues to watch out

- Comments on volume growth and consumer demand environment.
- Competitive environment in HPC space.
- Pricing environment, given the correction in input costs.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	8.3	9.8	9.1	10.0	9.0	7.0	5.0	5.5	9.3	8.0
S&D EBIT Margin (%)	9.2	12.4	13.4	11.3	12.2	14.3	12.4	11.7	11.6	12.5
PP EBIT Margin (%)	25.3	24.4	26.8	26.3	25.8	24.2	28.3	26.5	25.5	25.3
<b>Net Sales (incl service inc)</b>	<b>55,889</b>	<b>56,101</b>	<b>59,555</b>	<b>57,659</b>	<b>63,788</b>	<b>63,108</b>	<b>66,548</b>	<b>63,396</b>	<b>221,164</b>	<b>256,840</b>
YoY Change (%)	14.6	17.7	16.1	16.1	14.1	12.5	11.7	10.0	12.1	16.1
COGS	30,798	30,088	30,799	31,223	33,677	32,695	34,191	33,712	117,378	134,275
<b>Gross Profit</b>	<b>25,091</b>	<b>26,014</b>	<b>28,756</b>	<b>26,437</b>	<b>30,110</b>	<b>30,414</b>	<b>32,357</b>	<b>29,684</b>	<b>103,786</b>	<b>122,565</b>
Margin (%)	44.9	46.4	48.3	45.8	47.2	48.2	48.6	46.8	46.9	47.7
<b>Operating Exp</b>	<b>17,548</b>	<b>17,747</b>	<b>19,051</b>	<b>18,103</b>	<b>20,446</b>	<b>20,646</b>	<b>21,470</b>	<b>20,269</b>	<b>70,873</b>	<b>82,830</b>
% to sales	31.4	31.6	32.0	31.4	32.1	32.7	32.3	32.0	32.0	32.2
<b>EBITDA</b>	<b>7,543</b>	<b>8,267</b>	<b>9,705</b>	<b>8,334</b>	<b>9,665</b>	<b>9,767</b>	<b>10,888</b>	<b>9,416</b>	<b>32,913</b>	<b>39,735</b>
YoY Change (%)	10.8	27.8	33.9	29.8	28.1	18.2	12.2	13.0	22.9	20.7
Margins (%)	13.5	14.7	16.3	14.5	15.2	15.5	16.4	14.9	14.9	15.5
Depreciation	562	571	568	571	576	577	593	587	2,183	2,333
Interest	0	5	5	2	53	63	75	44	12	235
Other Income	506	811	801	700	2,186	1,488	1,337	1,017	2,783	6,028
<b>PBT</b>	<b>7,487</b>	<b>8,502</b>	<b>9,933</b>	<b>8,461</b>	<b>11,222</b>	<b>10,615</b>	<b>11,557</b>	<b>9,802</b>	<b>33,502</b>	<b>43,195</b>
Tax	1,702	1,942	2,311	1,825	2,676	2,556	2,827	2,524	7,776	10,583
Rate (%)	22.7	22.8	23.3	21.6	23.8	24.1	24.5	25.8	23.2	24.5
<b>Adjusted PAT</b>	<b>5,784</b>	<b>6,559</b>	<b>7,622</b>	<b>6,636</b>	<b>8,546</b>	<b>8,059</b>	<b>8,730</b>	<b>7,277</b>	<b>25,725</b>	<b>32,612</b>
YoY Change (%)	11.0	22.9	29.9	29.0	47.7	22.9	14.5	9.7	22.6	26.8

E: MOSL Estimates



ITC

Buy

Bloomberg	ITC IN
Equity Shares (m)	7,738.1
M. Cap. (INR b)/(USD b)	2,369/44
52-Week Range (INR)	311/221
1,6,12 Rel Perf. (%)	7/16/28

**CMP: INR306**

- We expect ITC to post ~2% cigarette volume growth in 4QFY13E.
- Net sales to grow at 17.8% to INR81.9b led by robust performance of cigarette and FMCG portfolio.
- Expect margin expansion of 190bp to 34.4%.
- Cigarette margins should benefit from price hikes and mix improvement, in our view.
- We expect ITC to post breakeven in the FMCG business in 4QFY13E.
- Company is in the process of implementing ~15-16% price hikes, post the 18% increase in excise duty in the Union Budget.
- The stock trades at 28.4x FY14E EPS and 23.9x FY15E EPS. **Buy.**
- Two consecutive years of 15% plus price hikes can result in volume resistance and put the premium valuations at risk.

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	247.9	294.5	339.3	389.8
EBITDA	88.1	107.3	125.3	144.7
Adj. PAT	49.9	61.3	74.3	84.2
Adj. EPS (INR)	7.8	9.5	10.8	12.8
EPS Gr. (%)	21.6	21.3	13.3	18.7
BV/Sh.(INR)	24.0	26.3	28.9	32.0
RoE (%)	32.6	36.1	37.3	40.0
RoCE (%)	45.2	50.4	53.5	56.6
Payout (%)	66.7	76.1	76.1	76.1
<b>Valuations</b>				
P/E (x)	39.1	32.2	28.4	23.9
P/BV (x)	12.7	11.6	10.6	9.6
EV/EBITDA (x)	25.9	21.0	17.9	15.3
Div. Yield (%)	1.5	2.0	2.3	2.7

**Key issues to watch out**

- Performance of 64mm cigarettes.
- Signs of pick-up in hotels business.
- Volume growth performance in cigarettes and trends for FY14.

**Quarterly Performance**

Y/E March	INR Million									
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Cigarette Vol Gr (%)	8.0	7.5	5.0	5.0	1.5	0.5	1.5	2.0	6.4	2.0
Cigarette-net EBIT Margin (%)	54.9	58.2	57.0	54.1	57.5	61.4	61.1	56.0		
Non Cigarette FMCG Loss	-763	-559	-468	-167	-388	-303	-240	50		
<b>Net Sales</b>	<b>58,524</b>	<b>60,906</b>	<b>62,789</b>	<b>69,545</b>	<b>67,131</b>	<b>72,266</b>	<b>77,121</b>	<b>81,891</b>	<b>251,738</b>	<b>298,409</b>
YoY Change (%)	20.4	17.7	14.7	16.9	14.7	18.7	22.8	17.8	17.3	18.5
Total Exp	38,945	38,689	38,967	46,913	43,447	45,383	48,543	53,726	163,252	191,100
<b>EBITDA</b>	<b>19,579</b>	<b>22,217</b>	<b>23,823</b>	<b>22,633</b>	<b>23,683</b>	<b>26,883</b>	<b>28,578</b>	<b>28,165</b>	<b>88,486</b>	<b>107,309</b>
Growth (%)	19.1	18.2	18.1	18.8	21.0	21.0	20.0	24.4	19.4	21.3
Margins (%)	33.5	36.5	37.9	32.5	35.3	37.2	37.1	34.4	35.2	36.0
Depreciation	1,665	1,701	1,739	1,880	1,948	1,889	2,052	2,146	6,985	8,034
Interest	200	207	223	148	138	233	252	128	779	750
Other Income	1,656	1,847	2,906	2,079	1,768	1,850	3,298	1,855	8,253	8,770
<b>PBT</b>	<b>19,370</b>	<b>22,155</b>	<b>24,767</b>	<b>22,683</b>	<b>23,366</b>	<b>26,611</b>	<b>29,572</b>	<b>27,747</b>	<b>88,975</b>	<b>107,295</b>
Tax	6,043	7,012	7,757	6,540	7,344	8,247	9,053	8,349	27,352	32,993
Rate (%)	31.2	31.6	31.3	28.8	31.4	30.8	30.8	30.1	30.7	30.8
<b>Adj PAT</b>	<b>13,327</b>	<b>15,143</b>	<b>17,010</b>	<b>16,143</b>	<b>16,021</b>	<b>18,364</b>	<b>20,519</b>	<b>19,398</b>	<b>61,624</b>	<b>74,302</b>
YoY Change (%)	24.5	21.5	22.5	26.0	20.2	21.3	20.6	20.2	23.6	20.6

E: MOSL Estimates



## Marico

Buy

Bloomberg	MRCO IN
Equity Shares (m)	643.8
M. Cap. (INR b)/(USD b)	137/3
52-Week Range (INR)	250/163
1,6,12 Rel Perf. (%)	-1/5/19

## CMP: INR213

- We expect sales growth of 12% to INR12.2b led by 8-10% domestic organic volume growth.
- Marico has taken selective price promotions/cuts to drive volume growth in its core categories.
- We note that all raw materials, after remaining benign for a year, have shown a modest QoQ increase. Copra prices are up 14% QoQ (down 2% YoY), while kardi is up 35%, rice bran down 1% and safflower up 14%.
- We expect margin expansion of 90bp to 12.9% due to benefits from lower cost inventory and higher base of other expenses.
- Expect PAT growth of 28% due to lower base - base quarter PAT was flat.
- The stock trades at 28.1x FY14E EPS and 22.5x FY15E EPS. **Buy.**

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	40.0	46.2	53.9	63.1
EBITDA	4.7	6.3	7.4	8.8
Adj. PAT	3.2	4.0	4.9	6.1
Adj. EPS (INR)	5.2	6.3	7.6	9.4
EPS Gr. (%)	34.2	20.7	20.7	24.9
BV/Sh.(INR)	18.6	30.8	37.5	46.0
RoE (%)	28.0	20.3	20.2	20.6
RoCE (%)	30.5	30.0	30.3	30.4
Payout (%)	13.5	12.0	10.6	8.5
<b>Valuations</b>				
P/E (x)	41.0	34.0	28.1	22.5
P/BV (x)	11.5	6.9	5.7	4.6
EV/EBITDA (x)	28.2	22.3	18.4	14.8
Div. Yield (%)	0.3	0.4	0.4	0.4

## Key issues to watch out

- Volume growth in domestic portfolio after below-trend 3Q volumes.
- Bangladesh revenue growth.
- Improvement in Canteen Stores Department (CSD) performance.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Domestic organic vol gr (%)	14.0	14.0	13.0	17.0	14.0	10.0	9.0	10.0	14.0	12.0
<b>Net Sales</b>	<b>10,414</b>	<b>9,674</b>	<b>10,500</b>	<b>9,177</b>	<b>12,672</b>	<b>11,559</b>	<b>11,640</b>	<b>10,281</b>	<b>39,968</b>	<b>46,152</b>
YoY Change (%)	31.8	24.7	28.4	22.9	21.7	19.5	10.9	12.0	27.9	15.5
COGS	5,952	5,358	5,482	4,264	6,411	5,606	5,587	4,799	20,987	22,403
<b>Gross Profit</b>	<b>4,462</b>	<b>4,316</b>	<b>5,018</b>	<b>4,913</b>	<b>6,261</b>	<b>5,953</b>	<b>6,053</b>	<b>5,482</b>	<b>18,981</b>	<b>23,749</b>
Gross margin (%)	42.8	44.6	47.8	53.5	49.4	51.5	52.0	53.3	47.5	51.5
Other Expenditure	3,211	3,161	3,782	3,814	4,414	4,476	4,433	4,155	14,240	17,478
% to Sales	30.8	32.7	36.0	41.6	34.8	38.7	38.1	40.4	35.6	37.9
<b>EBITDA</b>	<b>1,251</b>	<b>1,155</b>	<b>1,236</b>	<b>1,100</b>	<b>1,848</b>	<b>1,477</b>	<b>1,620</b>	<b>1,327</b>	<b>4,741</b>	<b>6,271</b>
Margins (%)	12.0	11.9	11.8	12.0	14.6	12.8	13.9	12.9	11.9	13.6
YoY Change (%)	18.6	16.5	23.9	38.8	47.7	27.8	31.1	20.7	15.9	32.3
Depreciation	169	177	188	191	193	225	195	245	725	858
Interest	98	104	109	113	170	145	146	170	424	631
Other Income	92	131	101	105	176	75	127	234	429	613
<b>PBT</b>	<b>1,075</b>	<b>1,005</b>	<b>1,039</b>	<b>901</b>	<b>1,660</b>	<b>1,182</b>	<b>1,406</b>	<b>1,146</b>	<b>4,021</b>	<b>5,394</b>
Tax	210	205	178	189	403	293	360	238	782	1,295
Rate (%)	19.6	20.4	17.1	20.9	24.2	24.8	25.6	20.8	19.5	24.0
Minority Interest	15	17	20	-2	19	30	23	-6	50	66
<b>Adjusted PAT</b>	<b>850</b>	<b>783</b>	<b>841</b>	<b>714</b>	<b>1,238</b>	<b>859</b>	<b>1,023</b>	<b>913</b>	<b>3,189</b>	<b>4,033</b>
YoY Change (%)	15.3	9.4	21.0	-0.6	45.7	9.7	21.6	27.8	34.2	26.5

E: MOSL Estimates

## Nestle India

Bloomberg	NEST IN
Equity Shares (m)	96.4
M. Cap. (INR b)/(USD b)	442/8
52-Week Range (INR)	5,040/4,306
1,6,12 Rel Perf. (%)	1/5/-7

**CMP: INR4,589****Neutral**

- We expect Nestle India to report net sales of INR23.2b, up 13.5% YoY; we expect growth to be price-led. Volume recovery shall be gradual, in our view.
- Our recent channel checks suggest continued sluggishness in foods categories.
- We estimate flat gross and EBITDA margins at 54.3% and 22.3% respectively.
- Expect 8% growth in PAT impacted by higher capital and interest costs and 130bp increase in tax rate.
- We expect gradual pick-up in volume growth as base becomes favorable.
- The stock trades at 34.7x CY13E EPS and 28.4x CY14E EPS. **Neutral.**

**Financials & Valuation (INR b)**

Y/E December	2011	2012	2013E	2014E
Sales	74.9	83.2	98.9	117.6
EBITDA	15.5	18.1	21.9	25.7
Adj. PAT	10.2	10.8	12.7	15.6
Adj. EPS (INR)	105.7	112.3	132.2	161.8
EPS Gr. (%)	21.7	6.3	17.7	22.4
BV/Sh.(INR)	132.1	181.4	238.8	299.4
RoE (%)	95.7	71.6	62.9	60.1
RoCE (%)	89.6	59.8	59.1	62.0
Payout (%)	53.3	50.3	51.1	57.6
<b>Valuations</b>				
P/E (x)	43.4	40.9	34.7	28.4
P/BV (x)	34.7	25.3	19.2	15.3
EV/EBITDA (x)	28.9	24.7	20.3	16.9
Div. Yield (%)	1.1	1.1	1.3	1.7

**Key issues to watch out**

- Volume growth - processed foods have shown significant slowdown in the past few quarters.
- CSD performance.

**Quarterly Performance**

(INR Million)

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Net Sales</b>	<b>20,475</b>	<b>19,866</b>	<b>21,156</b>	<b>21,526</b>	<b>23,245</b>	<b>23,245</b>	<b>25,718</b>	<b>26,707</b>	<b>83,023</b>	<b>98,914</b>
YoY Change (%)	13.1	12.7	7.8	10.1	13.5	17.0	21.6	24.1	10.8	19.1
COGS	9,384	9,024	9,712	9,644	10,623	10,530	11,830	12,072	37,764	45,055
<b>Gross Profit</b>	<b>11,091</b>	<b>10,842</b>	<b>11,444</b>	<b>11,882</b>	<b>12,622</b>	<b>12,715</b>	<b>13,888</b>	<b>14,634</b>	<b>45,259</b>	<b>53,859</b>
Margin (%)	54.2	54.6	54.1	55.2	54.3	54.7	54.0	54.8	54.5	54.5
Operating Exp	6,519	6,547	7,010	6,926	7,438	7,661	8,522	8,367	27,001	31,988
<b>EBITDA</b>	<b>4,572</b>	<b>4,295</b>	<b>4,434</b>	<b>4,957</b>	<b>5,184</b>	<b>5,054</b>	<b>5,366</b>	<b>6,267</b>	<b>18,258</b>	<b>21,871</b>
Margins (%)	22.3	21.6	21.0	23.0	22.3	21.7	20.9	23.5	22.0	22.1
YoY Growth (%)	18.7	24.7	8.1	20.1	13.4	17.7	21.0	26.4	17.6	19.8
Depreciation	528	673	735	835	607	774	845	1,010	2,772	3,237
Interest	23	220	44	99	150	170	120	220	387	660
Other income	136	113	173	211	154	132	210	245	633	742
<b>PBT</b>	<b>4,158</b>	<b>3,514</b>	<b>3,827</b>	<b>4,233</b>	<b>4,581</b>	<b>4,242</b>	<b>4,611</b>	<b>5,282</b>	<b>15,733</b>	<b>18,715</b>
Tax	1,272	1,085	1,197	1,293	1,461	1,353	1,471	1,687	4,847	5,972
Rate (%)	30.6	30.9	31.3	30.5	31.9	31.9	31.9	31.9	30.8	31.9
<b>Adjusted PAT</b>	<b>2,886</b>	<b>2,429</b>	<b>2,630</b>	<b>2,940</b>	<b>3,120</b>	<b>2,889</b>	<b>3,140</b>	<b>3,595</b>	<b>10,886</b>	<b>12,743</b>
YoY Change (%)	9.9	10.6	-2.0	9.7	8.1	18.9	19.4	22.3	6.8	17.1

E: MOSL Estimates

# Pidilite Industries

Bloomberg	PIDI IN
Equity Shares (m)	506.1
M. Cap. (INR b)/(USD b)	130/2
52-Week Range (INR)	278/154
1,6,12 Rel Perf. (%)	7/25/51

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	28.2	33.6	40.1	47.9
EBITDA	4.9	6.1	7.5	8.9
Adj. PAT	3.6	4.3	5.2	6.2
Adj. EPS (INR)	7.0	8.2	9.8	11.8
EPS Gr. (%)	6.5	17.8	19.2	20.4
BV/Sh.(INR)	26.6	34.0	40.3	48.0
RoE (%)	26.3	24.3	24.4	24.7
RoCE (%)	29.0	31.2	32.8	32.9
Payout (%)	36.0	35.5	35.7	35.6
<b>Valuations</b>				
P/E (x)	36.7	31.2	26.2	21.7
P/BV (x)	9.7	7.6	6.4	5.4
EV/EBITDA (x)	25.7	21.1	16.9	13.8
Div. Yield (%)	0.8	1.0	1.2	1.4

## CMP: INR257

**Buy**

- We expect Pidilite to post ~21% revenue growth to INR7.86, led by 8-9% volume growth in consumer and bazaar segments, even as industrial chemicals remains under pressure.
- VAM prices have been declining for a while now; however, the benefit has been negated by INR depreciation.
- EBITDA margin is also expected to increase by 40bp YoY to 15.1% on account of higher gross margin and operating leverage.
- PAT is expected to register 12% YoY growth to INR837m.
- Uncertainty regarding the synthetic elastomer project continues and the company is yet to take a call on the project's implementation.
- The stock trades at 26.2x FY14E EPS and 21.7x FY15E EPS. Maintain **Buy**.

### Key issues to watch out

- Volume growth and price hike in Fevicol.
- Comments on industrial segment.
- Progress on Elastomer project.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>7,680</b>	<b>7,075</b>	<b>6,890</b>	<b>6,519</b>	<b>9,125</b>	<b>8,209</b>	<b>8,376</b>	<b>7,862</b>	<b>28,163</b>	<b>33,571</b>
Change (%)	21.5	20.0	16.1	15.6	18.8	16.0	21.6	20.6	18.3	19.2
<b>Gross Profit</b>	<b>3,439</b>	<b>3,064</b>	<b>2,961</b>	<b>3,045</b>	<b>4,087</b>	<b>3,680</b>	<b>3,770</b>	<b>3,682</b>	<b>12,509</b>	<b>15,218</b>
Gross Margin (%)	44.8	43.3	43.0	46.7	44.8	44.8	45.0	46.8	44.4	45.3
Operating Expenses	1,918	1,783	1,773	2,087	2,180	2,212	2,257	2,495	7,560	9,143
% of sales	25.0	25.2	25.7	32.0	23.9	26.9	26.9	31.7	26.8	27.2
<b>EBITDA</b>	<b>1,521</b>	<b>1,281</b>	<b>1,189</b>	<b>958</b>	<b>1,907</b>	<b>1,468</b>	<b>1,514</b>	<b>1,187</b>	<b>4,949</b>	<b>6,075</b>
EBITDA Margin (%)	19.8	18.1	17.3	14.7	20.9	17.9	18.1	15.1	17.6	18.1
Change (%)	-2.2	3.2	0.3	17.8	25.4	14.5	27.3	23.9	2.5	22.7
Depreciation	116	118	121	124	124	128	141	155	479	548
Interest	48	68	83	47	91	18	86	60	245	255
Other Income	70	57	148	152	139	121	164	188	428	612
<b>PBT</b>	<b>1,428</b>	<b>1,153</b>	<b>1,133</b>	<b>939</b>	<b>1,831</b>	<b>1,443</b>	<b>1,450</b>	<b>1,160</b>	<b>4,652</b>	<b>5,884</b>
Tax	350	289	268	190	498	325	413	323	1,096	1,559
Effective Tax Rate (%)	24.5	25.0	23.7	20.2	27.2	22.5	28.5	27.8	23.6	26.5
<b>Adj PAT</b>	<b>1,078</b>	<b>864</b>	<b>865</b>	<b>749</b>	<b>1,333</b>	<b>1,117</b>	<b>1,037</b>	<b>837</b>	<b>3,556</b>	<b>4,325</b>
Change (%)	0.1	2.2	2.4	41.6	23.6	29.3	19.9	11.9	6.8	21.6

E: MOSL Estimates

# Radico Khaitan

Bloomberg	RDCK IN
Equity Shares (m)	132.6
M. Cap. (INR b)/(USD b)	170
52-Week Range (INR)	156/92
1,6,12 Rel Perf. (%)	-6/7/-6

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	11.4	12.5	14.5	16.7
EBITDA	1.7	2.0	2.4	2.8
Adj. PAT	0.8	0.9	1.1	1.6
Adj. EPS (INR)	6.0	6.6	8.6	11.8
EPS Gr. (%)	10.9	9.9	30.6	36.1
BV/Sh.(INR)	52.4	58.1	65.2	74.9
RoE (%)	11.9	12.0	14.0	16.8
RoCE (%)	10.0	10.2	11.6	13.1
Payout (%)	15.4	17.6	17.6	17.6
<b>Valuations</b>				
P/E (x)	21.3	19.4	14.8	10.9
P/BV (x)	2.4	2.2	2.0	1.7
EV/EBITDA (x)	13.5	12.0	10.1	8.4
Div. Yield (%)	1.0	1.4	1.4	1.4

## CMP: INR128

Buy

- We expect Radico to post ~15% revenue growth to INR3.25b in 4QFY13E, led by 7% volume growth.
- We expect the premium segment to grow at a faster pace, aided by uptrading. Andhra Pradesh price hikes (10%) would fully reflect in 4QFY13E.
- Expect margin expansion of 60bp to 14.8%, leading to 55% PAT growth (low base).
- Maharashtra government recently hiked excise duty by 25% for IMFL. However, Radico has a negligible 2% revenue coming from the state.
- The stock trades at 14.8x FY14E and 10.9x FY15E EPS. **Buy.**

### Key issues to watch out

- Price hike in Karnataka.
- Trade issues in Tamil Nadu.
- ENA price trend and outlook.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net sales</b>	<b>2,976</b>	<b>2,607</b>	<b>3,017</b>	<b>2,838</b>	<b>3,038</b>	<b>2,970</b>	<b>3,260</b>	<b>3,537</b>	<b>11,445</b>	<b>12,521</b>
YoY Change (%)	24.8	14.6	10.5	14.7	2.1	13.9	8.1	24.6	20.9	9.4
Total Expenses	2,548	2,164	2,571	2,436	2,514	2,479	2,760	3,038	9,714	10,523
<b>EBITDA</b>	<b>428</b>	<b>444</b>	<b>446</b>	<b>402</b>	<b>524</b>	<b>491</b>	<b>501</b>	<b>499</b>	<b>1,731</b>	<b>1,997</b>
Margins (%)	14.4	17.0	14.8	14.2	17.3	16.5	15.4	14.1	15.1	16.0
YoY Change (%)	25.8	21.5	8.4	8.7	22.4	10.7	12.1	24.0	15.9	
Depreciation	73	75	78	103	90	85	90	111	328	376
Interest	109	196	119	187	210	159	216	95	611	757
Other Income	31	53	54	76	62	84	85	30	237	307
<b>PBT</b>	<b>277</b>	<b>226</b>	<b>304</b>	<b>188</b>	<b>286</b>	<b>331</b>	<b>279</b>	<b>322</b>	<b>1,028</b>	<b>1,172</b>
Tax	70	78	67	18	75	110	95	49	229	293
Rate (%)	25.2	34.4	22.1	9.6	26.2	33.3	34.1	4.7	22.3	25.0
<b>Adjusted PAT</b>	<b>207</b>	<b>202</b>	<b>206</b>	<b>170</b>	<b>253</b>	<b>208</b>	<b>220</b>	<b>208</b>	<b>637</b>	<b>879</b>

E: MOSL Estimates

# United Spirits

Bloomberg	UNSP IN
Equity Shares (m)	130.8
M. Cap. (INR b)/(USD b)	247/5
52-Week Range (INR)	2,149/540
1,6,12 Rel Perf. (%)	6/62/232

**CMP: INR1,885**
**Buy**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	82.1	92.9	107.1	124.4
EBITDA	11.9	12.6	16.0	20.0
Adj. PAT	2.4	3.6	6.9	9.8
Adj. EPS (INR)	19.5	29.6	56.0	80.4
EPS Gr. (%)	-30.9	51.4	89.5	43.4
BV/Sh.(INR)	397.9	693.3	626.5	689.0
RoE (%)	4.9	4.3	7.5	9.8
RoCE (%)	8.3	8.4	10.8	13.3
Payout (%)	15.4	13.5	8.0	6.2
<b>Valuations</b>				
P/E (x)	96.6	63.8	33.6	23.5
P/BV (x)	4.7	2.7	3.0	2.7
EV/EBITDA (x)	27.6	23.6	18.3	14.3
Div. Yield (%)	0.2	0.2	0.2	0.3

- We expect United Spirits (UNSP) to post 8.5% revenue growth to INR20.2b in 4QFY13E, led by 4-5% volume growth.
- Trade issues in Tamil Nadu will continue to impact underlying volume growth.
- The premium segment would grow at a faster pace aided by up-trading. Price hikes would also contribute to realization growth.
- Expect margin expansion of 200bp (poor base) to 11.6%.
- Expect UNSP to report ~INR600m PBT from operations, against a loss of INR77m in the base quarter.
- PAT is estimated at INR718m, against INR79m in 4QFY12.
- Andhra Pradesh has announced a price increase, which would provide support to margins in 4Q.
- Maharashtra, a key UNSP market, recently increased excise duty on IMFL by 25%.
- The stock trades at 33.6x FY14E EPS and 23.5x FY15E EPS. **Buy.**

## Key issues to watch out

- Any improvement in the ground situation in Tamil Nadu.
- ENA price trend and outlook.
- News flow on Diageo open offer.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth %	15.4	8.0	0.7	5.1	1.9	-1.0	7.0	4.0	10.0	2.0
ENA Price/Case	147	153	164	162	151	159	172	154	154	154
<b>Net Sales</b>	<b>19,354</b>	<b>17,906</b>	<b>19,539</b>	<b>18,627</b>	<b>20,573</b>	<b>22,207</b>	<b>21,740</b>	<b>20,209</b>	<b>75,427</b>	<b>84,729</b>
YoY Change (%)	32.3	32.2	-0.3	17.0	6.3	24.0	11.3	8.5	18.4	12.3
Total Exp	16,051	15,346	17,671	16,867	17,223	19,676	19,281	17,874	65,934	74,054
<b>EBITDA</b>	<b>3,303</b>	<b>2,560</b>	<b>1,869</b>	<b>1,760</b>	<b>3,350</b>	<b>2,531</b>	<b>2,459</b>	<b>2,335</b>	<b>9,492</b>	<b>10,675</b>
Margins (%)	17.1	14.3	9.6	9.5	16.3	11.4	11.3	11.6	12.6	12.6
Depreciation	127	152	155	175	162	188	173	225	609	748
Interest	1,302	1,442	1,537	1,663	1,656	1,700	1,636	1,516	5,944	6,507
<b>PBT from operations</b>	<b>1,874</b>	<b>966</b>	<b>177</b>	<b>-77</b>	<b>1,532</b>	<b>643</b>	<b>651</b>	<b>594</b>	<b>2,940</b>	<b>3,420</b>
Other income	165	1,352	549	132	262	-48	608	479	1,119	1,300
<b>PBT</b>	<b>2,039</b>	<b>2,318</b>	<b>726</b>	<b>55</b>	<b>1,794</b>	<b>595</b>	<b>1,258</b>	<b>1,073</b>	<b>4,059</b>	<b>4,720</b>
Tax	671	729	236	-24	689	202	453	355	1,288	1,699
Rate (%)	32.9	31.5	32.6	-43.8	38.4	34.0	36.0	33.1	31.7	36.0
<b>PAT</b>	<b>1,369</b>	<b>1,589</b>	<b>489</b>	<b>79</b>	<b>1,105</b>	<b>393</b>	<b>806</b>	<b>718</b>	<b>2,771</b>	<b>3,021</b>
YoY Change (%)	12.6	98.2	-57.1	-86.7	-19.3	-75.3	64.6	803.9	-20.5	9.0
Extraordinary Inc/(Exp)	8	-109	-20	21	345	0	0	0	657	
<b>Reported PAT</b>	<b>1,377</b>	<b>1,480</b>	<b>470</b>	<b>100</b>	<b>1,450</b>	<b>393</b>	<b>806</b>	<b>718</b>	<b>3,428</b>	<b>3,021</b>

E: MOSL Estimates

# Financials

## Companies Covered

Andhra Bank  
 Axis Bank  
 Bank of Baroda  
 Bank of India  
 Canara Bank  
 Dewan Housing  
 HDFC  
 HDFC Bank  
 Federal Bank  
 ICICI Bank  
 IDFC  
 Indian Bank  
 IndusInd Bank  
 ING Vysya  
 Kotak Mahindra Bank  
 LIC Housing  
 M&M Financial Services  
 Oriental Bank  
 Power Finance Corporation  
 Punjab National Bank  
 Rural Electrification  
 Shriram Transport  
 State Bank  
 Union Bank  
 Yes Bank

Government's concrete steps on reforms over the past year have improved business sentiments. Further, deteriorating macro-economic indicators and cooling headline inflation has paved some way for the Reserve Bank of India (RBI) to reduce policy rates (our house view is that RBI will cut rates further by 50bp in CY13). Focus to improve the economic growth mix (reduce twin deficits and improve capex cycle) remains a key. We expect reforms and monetary easing to continue, thereby growth is expected to revive gradually.

While we estimate moderate business growth of 14-15%, expected stabilization in asset quality and margins, higher trading gains will aid our banking universe to report 15%+ earnings CAGR over FY14E/15E. Incremental delinquency is expected to decline as growth bottoms out, interest rate eases and investment activity picks up. Return ratios are expected to be healthy, with RoA of ~0.9% and RoE of 15%+ for state-owned banks, while for private banks it is expected to be 1.7% and 18%+ respectively. We prefer banks with adequate capitalization, strong liability franchise and those who have recognized stress upfront. Top picks: State-owned banks are **State Bank of India (SBIN)**, **Punjab National Bank (PNB)**, **Canara Bank (CBK)** and **Oriental Bank (OBC)**, and among private banks are **ICICI Bank (ICICIBC)**, **Axis Bank (AXSB)** and **Yes Bank (YES)**.

## State-owned banks - stabilizing core operations; Private banks - strong earnings of 20%+ to continue

In 4QFY13E, state-owned banks are expected to report a better performance over last three quarters, led by stable NIMs (post decline of 30bp in the last three quarters) and asset quality performance (net slippages are expected to remain stable/decline for most banks). Higher trading gains could provide a cushion; however, an increase in employee expense (wage negotiation related provisions and standardization of actuarial assumption for pension) could spring a negative surprise. Overall, state-owned banks are expected to report an earnings decline of 16% YoY; but post three quarters of sequential decline, earnings are expected to improve by 4%. Private banks are expected to continue their trend on a strong path (stable NIMs, healthy fees and asset quality performance), and hence earnings growth is expected to be 4%+ QoQ and 22%+ YoY.

## Benefits of deposit rates decline to be compensated by fall in yield on assets - NIMs to remain stable

Average QTD 3M, 6M and 12M bulk deposits rates increased by 30-50bp. However, on a average YTD basis, it is lower by 50-60bp, the benefits of which will percolate in the form of lower cost of funds. However, this would be compensated by (a) fall in yield on loans as business growth continued to be moderate, (b) build-up of low yielding PSL and (c) higher flow of money has been channelized into low yielding investments. We expect margins to be stable QoQ for both state-owned and private banks. Banks with a higher proportion of bulk deposits are expected to report an improvement in margins. Banks with a positive bias on margins are CBK, YES and AXSB.

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### **State-owned banks: Change in actuarial assumption could lead to higher employee expenses; Trading gains could provide a cushion**

In 4QFY13E, we estimate employee related expenses to grow by 20%+ both on a YoY and QoQ basis for state-owned banks. During the quarter, banks are expected to provide for the new wage hike related provisions for the entire three months (for a few it would be for five months), compared to two months in 3QFY13. Further, at end-4QFY13, state-owned banks would go through actuarial valuations, where the discount rate is expected to be lower and thus the pension obligation could rise. Also, some banks are expected to increase the salary hike assumptions on pension liability, which will lead to higher pension obligations. During the quarter, 1-year and 10-year benchmark G-sec yields declined by 17bp and 10bp respectively, while MTM gains/loss would be limited in case of bond portfolio and some trading gains due to volatility could provide a cushion to profitability.

### **Lack of activity at the ground level leads to muted business growth**

For the fortnight ended March 22, 2013, loans and deposits grew 14.1% and 14.3% YoY respectively. On a sequential basis, while loans and deposits picked up, it is mostly back-ended. During the quarter, deposits grew by INR2.7t (4.2%), while loans grew by INR2.4t (4.7%). YTD loans and deposits growth remained low at 12% and 10% respectively.

### **Sanctions pipeline narrows down, reforms required to instill confidence**

Given that investment pick-up has direct correlation with other segments of the economy, it remains critical for the government to speed up the reforms process, faster implementation of reforms already announced and remove supply side constraints. Our interactions with bankers suggest that new project proposals are not yet picking up; however, business sentiments are showing an improvement. Further, even if the new sanctions were to take place, actual disbursements will take 6-9 months. Till then working capital, retail and agri are likely to be the key growth drivers. We expect a moderate growth of 14-15% over FY12-14E largely on the back of slowdown in corporate segment (46% of loans).

### **GNPA accretion expected to be contained**

Due to the challenging macro-environment, we expect slippages to remain at a high level (especially for state-owned banks) led by stress in mid-corporate and SME segment; however, recoveries and upgradations would provide a cushion. Overall, we expect net slippage ratio for state-owned banks to be contained at 1.2% (2% in 3QFY13) and ex-SBIN at 1.5%, compared to 1.7% in 3QFY13. Retail focused banks are likely to be better placed (most private sector banks). However, unlike the past, retail delinquency has started to increase and thus NPAs are expected to rise in this segment as well, but will remain manageable.

### **...but restructuring would continue; RBI notification could bring down restructured pool by 20%**

Pending restructuring applications of some large corporate, coupled with RBI's draft guidelines on restructured loans (which would make restructuring difficult from 1QFY14), could result in higher restructuring during the quarter. Another key factor to



watch out would be re-statement of restructured loans in accordance to RBI's notification wherein if an account has been performing satisfactorily for two years, could be removed from the restructured loan category. In our estimate, ~20% of the restructured loans could move out and hence despite additions to restructured loans, overall restructured loans could see a decline.

### **Sector strategy and view: Return ratios healthy; Valuation below LPA; Macroeconomic environment expected to improve**

State-owned banks' universe is expected to report 15%+ earnings CAGR over FY14E-15E led by stable margins and improvement in trading gains. Return ratios are expected to be healthy, with RoA of ~0.9% and RoE of 15-16%, despite factoring a moderate fee income and loan growth, higher opex and credit cost. Private banks' performance is expected to remain healthy, with RoA of 1.7%+ and RoE of 18%. Banks under our coverage are adequately capitalized and the government's commitment to keep Tier I ratio above 8% is positive. With the expected improvement in economic growth, fall in interest rate and better trends on asset quality ahead, valuations will evolve. We prefer banks with adequate capitalization, strong liability franchise and those who have recognized stress upfront. Our top picks among state-owned banks are **SBIN**, **PNB**, **CBK** and **OBC**, and among private banks are **ICICIB**, **AXSB** and **YES**.

### **NBFCs - Growth to moderate but remain healthy; Spreads outlook positive; Asset quality a key monitorable**

The performance of retail NBFCs (HFCs and AFCs) is expected to remain strong, led by healthy loan growth (20-25%), stable asset quality outlook (though incremental data points showing some weakness) and positive outlook on spreads (fixed rate assets and benefit of wholesale rates declining). While competition from banks in the retail financing space is intensifying, growth outlook remains healthy, led by the buoyancy in semi urban and rural economy, market share gain, loan mix change, unique customer base and expanding branch network. In 4QFY13, final guidelines for new banking licences were approved and licences are likely to be issued by end-2013. We believe that Shriram Transport Finance Company (SHTF) and Mahindra and Mahindra Financial Services (MMFS) are strong contenders for the same.

**Housing finance companies:** For housing finance companies (HFCs), 4QFY13 is likely to remain a steady quarter, as growth in individual loans remains buoyant and asset quality remain healthy. We expect overall loan growth for HDFC, LIC Housing Finance (LICHF) and Dewan Housing Finance (DEWH) to remain healthy. Margins are likely to remain stable/improve on a sequential basis. No major regulatory changes were announced during the quarter.

**Infrastructure finance companies:** Much-awaited SEB Debt Restructuring Plan got announced in the 3QFY13, now the key lies in execution. Most of the states (barring Madhya Pradesh and Punjab) have agreed to adhere with the terms of financial restructuring plan, which is positive for all power financiers. For the major infrastructure finance companies (IFCs) - IDFC, Power Finance Corp (POWF) and RECL, we expect growth to remain healthy. Margins are likely to get a cushion due to the

decline in wholesale rates and access to ECB money. Overall, we expect margins to be stable QoQ. While no large accounts are likely to fall into NPA category, asset quality will remain a key monitorable in the current environment.

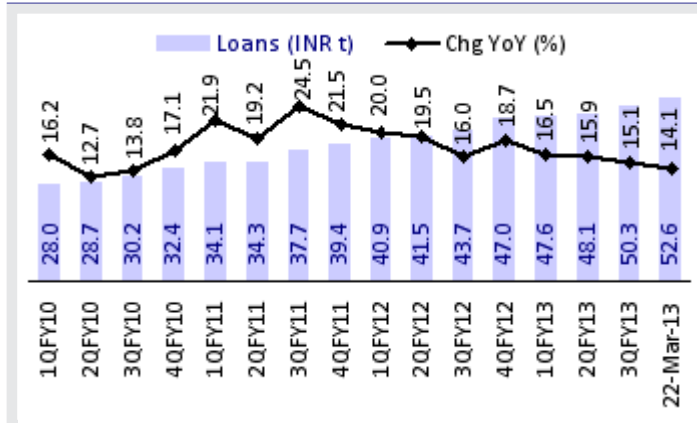
**Asset finance companies:** Retail asset finance companies (AFCs) delivered strong performance both in terms of growth and asset quality in the current cycle. Among AFCs under our coverage, we expect MMFS to report healthy growth in AUM on the back of its multi product strategy. SHTF delivered healthy growth in the previous two quarters after recording sluggish growth in FY12. We expect the trend to continue. Margins should remain stable/improve sequentially. However, with continued stress on CV/UV/tractors/car sales, asset quality will remain a key monitorable.

**Expected quarterly performance summary****(INR Million)**

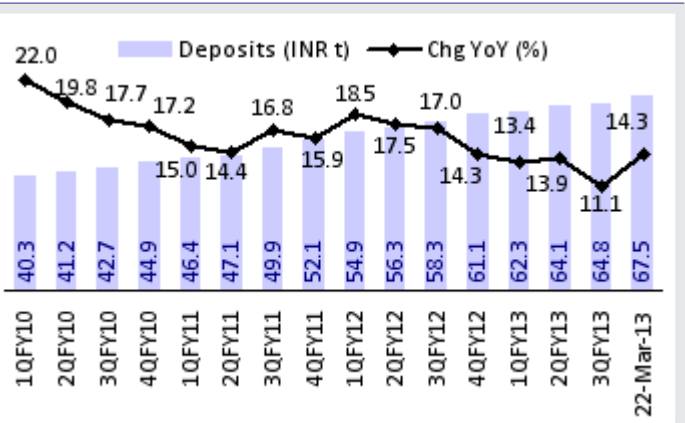
	CMP (INR) 26.03.13	Rating	Net Interest Income			Operating Profit			Net Profit		
			Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ
<b>Financials</b>											
<b>Private Banks</b>											
Axis Bank	1,294	Buy	26,306	22.6	5.4	26,901	32.0	13.9	15,520	21.5	15.2
Federal Bank	488	Buy	5,413	10.2	8.8	3,662	-1.7	-7.0	2,045	-13.9	-3.0
HDFC Bank	614	Neutral	38,673	14.1	1.8	30,837	27.8	2.0	18,896	30.0	1.6
ICICI Bank	1,021	Buy	36,827	18.6	5.2	35,397	13.8	2.5	22,598	18.8	0.4
IndusInd Bank	400	Buy	6,693	44.1	15.8	5,120	35.1	8.4	2,912	30.4	8.9
ING Vysya Bank	550	Buy	4,184	31.1	3.8	2,718	23.4	3.2	1,624	27.5	0.0
Kotak Mahindra Bank	640	Neutral	8,463	23.1	2.8	5,856	31.5	2.3	3,725	25.5	3.0
Yes Bank	426	Buy	6,204	38.4	6.2	5,915	37.4	5.0	3,619	33.2	5.7
<b>Pvt Bank Sector Aggregate</b>			<b>132,764</b>	<b>20.1</b>	<b>4.7</b>	<b>116,405</b>	<b>23.7</b>	<b>4.8</b>	<b>70,939</b>	<b>22.5</b>	<b>4.3</b>
<b>PSU Banks</b>											
Andhra Bank	94	Buy	10,186	11.5	4.9	7,228	9.4	1.5	3,090	-9.0	20.2
Bank of Baroda	663	Neutral	28,508	1.9	0.3	21,583	5.8	-3.8	10,046	-33.8	-0.7
Bank of India	290	Neutral	24,260	-3.0	5.1	17,164	-14.8	-7.5	7,484	-21.5	-6.9
Canara Bank	363	Buy	21,847	7.1	9.9	14,725	-1.2	-2.9	6,597	-20.4	-7.1
Indian Bank	164	Buy	11,910	10.0	4.2	7,671	-3.8	2.5	2,962	-14.2	-10.4
Oriental Bank	238	Buy	12,805	19.9	6.3	9,912	31.5	7.0	3,301	24.6	1.1
Punjab National Bank	713	Buy	38,778	17.2	3.9	28,195	-4.0	5.1	13,959	-2.0	6.9
State Bank	2,051	Buy	115,123	-0.7	3.2	82,711	-13.8	6.2	36,444	-10.0	7.3
Union Bank	210	Buy	19,732	5.1	4.3	13,635	-14.7	0.4	4,407	-43.0	45.7
<b>PSU Bank Sector Aggregate</b>			<b>282,541</b>	<b>3.9</b>	<b>3.7</b>	<b>202,438</b>	<b>-7.5</b>	<b>2.1</b>	<b>88,092</b>	<b>-16.1</b>	<b>4.3</b>
<b>NBFC</b>											
Dewan Housing	165	Buy	1,882	46.5	15.5	1,559	30.7	12.4	1,024	48.9	12.2
HDFC	823	Buy	20,253	16.2	31.6	21,219	14.8	33.9	15,315	15.5	34.3
IDFC	140	Buy	6,963	18.8	6.1	7,714	34.3	9.7	4,895	46.2	7.6
LIC Housing Fin	221	Buy	4,188	12.9	13.3	3,810	10.0	8.1	2,615	3.1	10.7
M & M Financial	198	Buy	6,457	26.9	15.0	4,303	20.8	13.5	2,546	11.8	27.2
Power Finance Corp	182	Buy	17,510	42.5	4.3	17,220	38.8	4.5	12,313	52.9	6.9
Rural Electric. Corp.	202	Buy	14,909	46.1	4.2	15,488	49.8	7.9	10,927	42.4	4.8
Shriram Transport Fin.	675	Buy	9,265	15.0	3.6	7,585	16.2	4.6	3,666	19.0	6.0
<b>NBFC Bank Sector Aggregate</b>			<b>81,426</b>	<b>27.4</b>	<b>11.7</b>	<b>78,898</b>	<b>27.8</b>	<b>13.2</b>	<b>53,301</b>	<b>30.3</b>	<b>14.3</b>
<b>Sector Aggregate</b>			<b>496,731</b>	<b>11.3</b>	<b>5.2</b>	<b>397,741</b>	<b>6.1</b>	<b>4.9</b>	<b>212,333</b>	<b>4.2</b>	<b>6.7</b>

\* Excluding forex impact; # Adjusted for 25% stake sale in AMC business of INR840m in 3QFY12

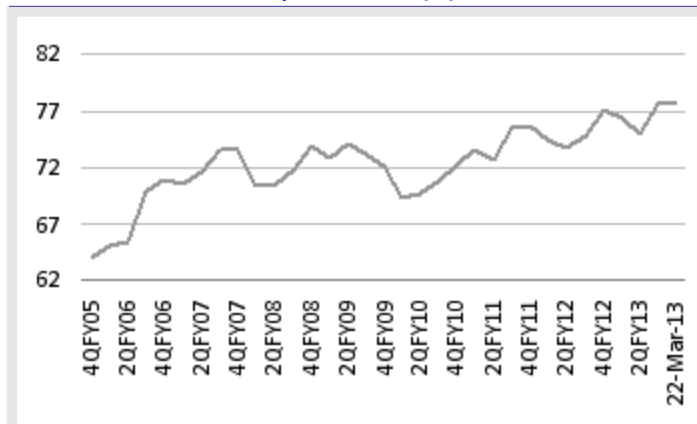
Loan growth remains moderate...



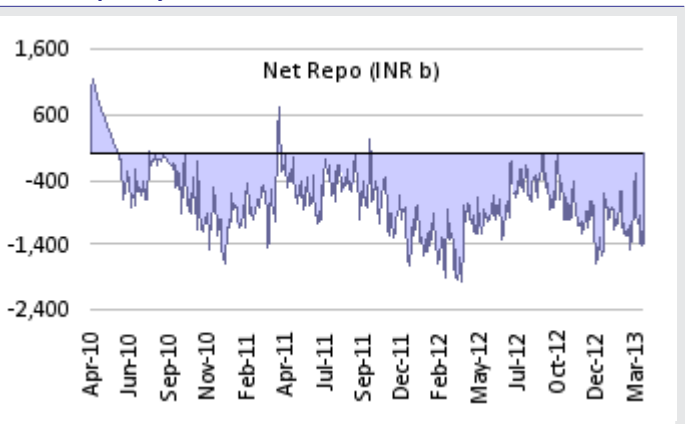
...so does deposit growth



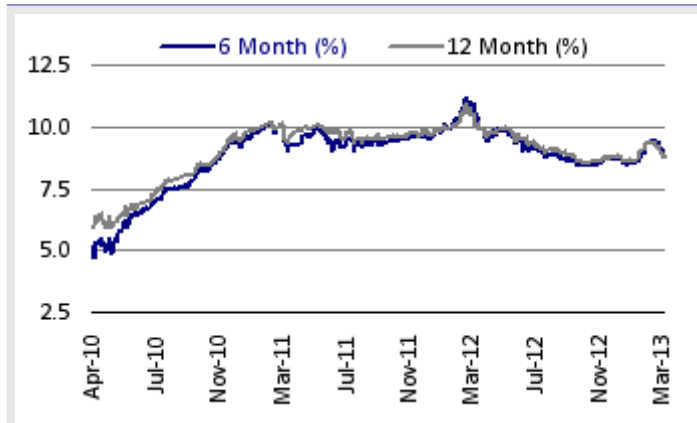
Hence, CD ratios have improved QoQ (%)...



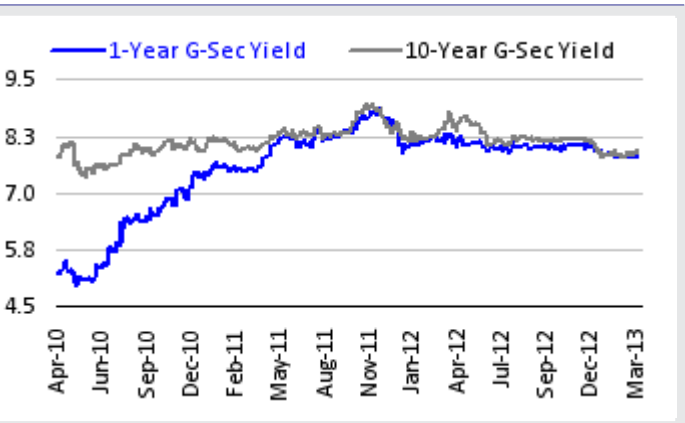
...and liquidity remains in a deficit mode



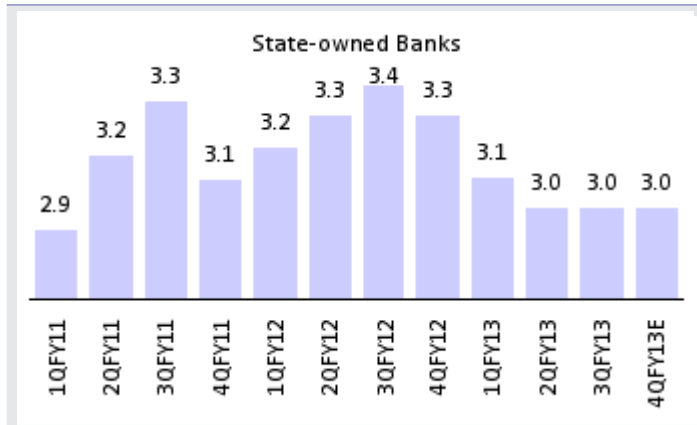
...however, bulk deposit rates largely stable



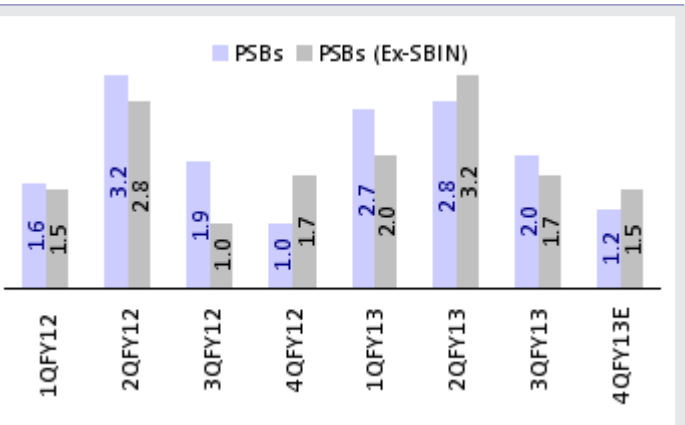
Yield curve remains flat



Margins for state-owned banks expected to stabilize

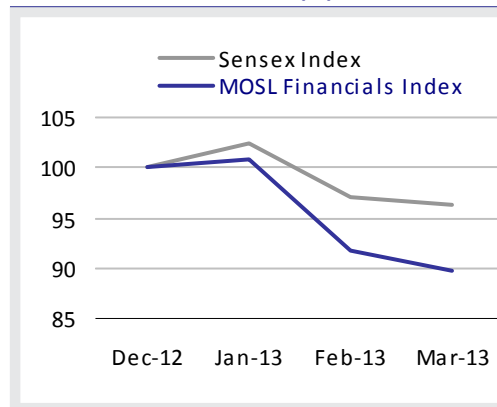


Also asset quality as net slippages expected to be under check

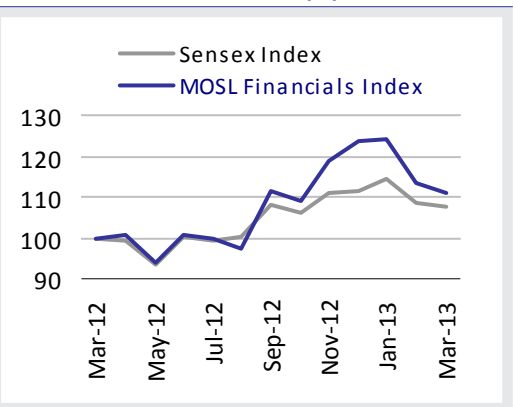


Source: Company, MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



## Comparative valuation

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			P/BV (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Private Banks</b>														
Axis Bank	1,294	Buy	111.3	136.5	160.8	11.6	9.5	8.0	1.9	1.6	1.4	18.6	17.9	18.1
Federal Bank	488	Buy	48.0	54.9	61.5	10.2	8.9	7.9	1.3	1.2	1.1	13.6	14.0	14.1
HDFC Bank	614	Neutral	28.5	36.9	46.3	21.6	16.6	13.3	4.1	3.5	2.9	20.7	22.7	23.8
ICICI Bank	1,021	Buy	71.8	85.3	102.4	11.5	9.4	8.3	1.8	1.6	1.4	15.0	15.9	17.0
IndusInd Bank	400	Buy	20.0	25.7	32.9	20.0	15.5	12.2	2.8	2.4	2.1	17.5	16.8	18.5
ING Vysya Bank	550	Buy	40.3	44.7	51.6	13.7	12.3	10.7	1.9	1.7	1.5	14.6	14.3	14.7
Kotak Mah. Bank	640	Neutral	28.9	34.3	40.8	22.1	18.6	15.7	3.2	2.7	2.3	15.4	15.7	16.0
Yes Bank	426	Buy	36.8	46.2	56.6	11.5	9.2	7.5	2.6	2.1	1.7	24.9	25.4	25.2
<b>Private Bank Aggregate</b>						<b>16.2</b>	<b>13.2</b>	<b>10.9</b>	<b>2.8</b>	<b>2.4</b>	<b>2.1</b>	<b>17.0</b>	<b>17.9</b>	<b>18.9</b>
<b>PSU Banks</b>														
Andhra Bank	94	Buy	22.4	25.6	30.3	4.2	3.7	3.1	0.6	0.6	0.5	15.8	16.0	16.7
Bank of Baroda	663	Neutral	105.5	116.2	139.1	6.3	5.7	4.8	0.9	0.8	0.7	16.0	15.2	15.9
Bank of India	290	Neutral	45.9	52.8	58.3	6.3	5.5	5.0	0.8	0.7	0.6	13.5	13.6	13.4
Canara Bank	363	Buy	62.9	76.0	91.1	5.8	4.8	4.0	0.7	0.6	0.6	12.8	13.9	14.7
Corporation Bank	385	Neutral	95.1	94.6	110.6	4.0	4.1	3.5	0.6	0.5	0.5	16.0	14.2	14.8
Dena Bank	89	Neutral	25.5	26.5	30.2	3.5	3.4	3.0	0.6	0.5	0.5	19.1	16.9	16.7
Indian Bank	164	Buy	36.9	40.7	46.9	4.5	4.0	3.5	0.7	0.6	0.5	15.6	15.3	15.7
Oriental Bank	238	Buy	46.3	56.0	69.2	5.2	4.3	3.4	0.6	0.5	0.5	11.6	12.8	14.3
Punjab Nat. Bank	713	Buy	141.8	170.1	208.0	5.0	4.2	3.4	0.8	0.7	0.6	17.2	17.6	18.5
State Bank	2,051	Buy	280.8	319.5	366.7	7.0	6.1	5.4	1.1	1.0	0.8	17.5	17.0	17.0
Union Bank	210	Buy	30.1	43.2	52.1	7.0	4.9	4.0	0.8	0.7	0.6	12.7	15.8	16.9
<b>PSU Bank Aggregate</b>						<b>6.2</b>	<b>5.3</b>	<b>4.6</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>	<b>15.6</b>	<b>15.7</b>	<b>16.1</b>
<b>NBFC</b>														
Dewan Housing	165	Buy	33.9	43.5	54.6	4.9	3.8	3.0	0.8	0.7	0.6	19.8	21.4	22.4
HDFC	823	Buy	31.5	36.2	43.3	26.1	22.8	19.0	5.2	4.6	4.1	28.7	28.6	29.1
IDFC	140	Buy	11.9	13.9	16.4	11.7	10.1	8.5	1.6	1.4	1.2	13.9	14.6	15.4
LIC Housing Fin	221	Buy	19.2	27.1	31.5	11.5	8.2	7.0	1.7	1.5	1.3	16.0	18.0	19.4
M & M Financial	198	Buy	14.3	18.2	22.9	13.8	10.9	8.6	2.5	2.1	1.8	21.7	21.1	22.6
Power Finance Corp	182	Buy	33.8	38.5	45.5	5.4	4.7	4.0	1.0	0.9	0.8	20.0	19.8	20.4
Rural Electric. Corp.	202	Buy	39.8	44.3	52.1	5.1	4.6	3.9	1.1	1.0	0.8	24.4	23.0	23.0
Shriram Trans. Fin.	675	Buy	65.5	80.1	92.7	10.3	8.4	7.3	2.1	1.8	1.5	20.8	21.1	20.2
<b>NBFC Aggregate</b>						<b>12.2</b>	<b>10.5</b>	<b>8.8</b>	<b>2.5</b>	<b>2.1</b>	<b>1.8</b>	<b>20.3</b>	<b>20.1</b>	<b>20.8</b>
<b>Sector Aggregate</b>						<b>10.4</b>	<b>8.9</b>	<b>7.5</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>	<b>16.9</b>	<b>17.2</b>	<b>17.8</b>

# Andhra Bank

Bloomberg	ANDB IN
Equity Shares (m)	559.6
M. Cap. (INR b)/(USD b)	52/1
52-Week Range (INR)	130/90
1,6,12 Rel Perf. (%)	1/-16/-32

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	37.6	38.2	43.8	50.9
OP	28.2	27.8	31.6	37.2
NP	13.4	12.5	14.3	17.0
NIM (%)	3.5	3.1	3.1	3.1
EPS (INR)	24.0	22.4	25.6	30.3
EPS Gr. (%)	6.1	-6.8	14.2	18.6
BV/Sh. (INR)	133.7	150.3	169.9	193.2
RoE (%)	19.2	15.8	16.0	16.7
RoA (%)	1.1	0.9	0.9	1.0
Payout (%)	26.6	25.5	23.2	23.2
<b>Valuations</b>				
P/E(X)	3.9	4.2	3.7	3.1
P/BV (X)	0.7	0.6	0.6	0.5
P/ABV (X)	0.8	0.8	0.7	0.6
Div. Yield (%)	5.9	5.3	5.5	6.5

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	26,342	27,825	29,230	29,990	31,215	31,982	32,311	33,234	113,387	128,742
Interest Expense	17,239	18,313	19,392	20,851	21,830	23,044	22,597	23,048	75,794	90,519
<b>Net Interest Income</b>	<b>9,104</b>	<b>9,512</b>	<b>9,839</b>	<b>9,139</b>	<b>9,385</b>	<b>8,938</b>	<b>9,714</b>	<b>10,186</b>	<b>37,593</b>	<b>38,223</b>
% Change (Y-o-Y)	23.7	21.4	17.1	6.1	3.1	-6.0	-1.3	11.5	16.7	1.7
Other Income	2,170	1,778	2,353	2,299	2,357	2,195	2,382	2,662	8,599	9,595
<b>Net Income</b>	<b>11,273</b>	<b>11,290</b>	<b>12,191</b>	<b>11,438</b>	<b>11,742</b>	<b>11,132</b>	<b>12,096</b>	<b>12,848</b>	<b>46,193</b>	<b>47,818</b>
Operating Expenses	4,277	4,423	4,515	4,828	4,708	4,751	4,975	5,620	18,042	20,054
<b>Operating Profit</b>	<b>6,997</b>	<b>6,868</b>	<b>7,676</b>	<b>6,610</b>	<b>7,034</b>	<b>6,381</b>	<b>7,121</b>	<b>7,228</b>	<b>28,150</b>	<b>27,764</b>
% Change (Y-o-Y)	37.1	21.7	22.5	-7.1	0.5	-7.1	-7.2	9.4	16.7	-1.4
Other Provisions	1,770	2,607	3,094	2,437	2,066	1,395	2,850	2,602	9,907	8,913
<b>Profit before Tax</b>	<b>5,227</b>	<b>4,261</b>	<b>4,582</b>	<b>4,173</b>	<b>4,968</b>	<b>4,986</b>	<b>4,271</b>	<b>4,626</b>	<b>18,243</b>	<b>18,851</b>
Tax Provisions	1,370	1,100	1,550	776	1,350	1,730	1,700	1,535	4,796	6,315
<b>Net Profit</b>	<b>3,857</b>	<b>3,161</b>	<b>3,032</b>	<b>3,397</b>	<b>3,618</b>	<b>3,256</b>	<b>2,571</b>	<b>3,090</b>	<b>13,447</b>	<b>12,536</b>
% Change (Y-o-Y)	20.4	4.3	-8.4	8.6	-6.2	3.0	-15.2	-9.0	6.1	-6.8
<b>Operating Parameters</b>										
NIM (Reported, %)	3.8	3.8	3.8	3.3	3.3	3.1	3.4		3.7	
NIM (Cal, %)	3.7	3.8	3.8	3.3	3.2	3.0	3.2	3.2	3.5	3.1
Deposit Growth (%)	21.7	20.2	20.2	14.9	18.5	15.0	14.0	15.0	14.9	15.0
Loan Growth (%)	32.0	21.5	20.3	17.1	14.3	15.9	13.8	14.0	17.1	14.0
CASA Ratio (%)	27.8	26.1	26.6	26.4	26.7	25.9	26.0		26.4	
Tax Rate (%)	26.2	25.8	33.8	18.6	27.2	34.7	39.8	33.2	26.3	33.5
<b>Asset Quality</b>										
OSRL (INR b)*	21.7	22.5	32.3	55.9	67.7	90.8	103.0		55.9	
OSRL (%)*	2.9	3.0	4.1	6.6	7.8	10.5	11.4		6.6	
Gross NPA (INR B)	11.8	19.9	18.8	18.0	23.6	30.1	33.0	35.8	18.0	35.8
Gross NPA (%)	1.6	2.7	2.4	2.1	2.7	3.5	3.7	3.7	2.1	3.7

E: MOSL Estimates \* 2QFY13 OSRL is on borrower-wise classification as against facility-wise reported earlier

## CMP: INR94

Buy

- On a sequential basis, business growth is expected to improve. However, on a YoY basis, loan and deposit growth is expected to be moderate at 14% and 15% respectively.
- NIMs are expected to be stable QoQ at 3.2% (calculated).
- Pressure on asset quality is expected to prevail led by stress in mid-corporate segments. We factor a slippage ratio of 3.5%, compared to 3.3% in 3QFY13.
- Restructuring is expected to continue, though the pace of addition may recede. In 3QFY13, net addition to restructured loans was INR12.2b, of which TN SEB was of INR5b.
- The stock trades at 0.6x FY14E and 0.5x FY15E BV, and 3.7x FY14E and 3.1x FY15E EPS with a dividend yield of 5%+. Maintain **Buy**.

### Key issues to watch for

- Movement in asset quality.
- Bulk deposit rates have hardened in 4QFY13, which may impact NIMs as proportion of bulk deposits remains high.
- Provision on wage hike and pension obligation.
- Tax rate was high at 40% in 3QFY13 which impacted PAT, but we expect it to normalize and hence build a tax rate of 33.2%.

## Axis Bank

Bloomberg	AXSB IN
Equity Shares (m)	465.1
M. Cap. (INR b)/(USD b)	602/11
52-Week Range (INR)	1,519/922
1,6,12 Rel Perf. (%)	-4/15/5

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	80.2	96.3	120.1	142.7
OP	74.3	91.9	114.7	134.9
NP	42.4	51.8	63.5	74.8
NIM (%)	3.3	3.3	3.6	3.6
EPS (INR)	102.7	111.3	136.5	160.8
EPS Gr. (%)	24.4	8.4	22.6	17.8
BV/Sh. (INR)	547.4	699.7	815.0	950.9
RoE (%)	20.3	18.6	17.9	18.1
RoA (%)	1.6	1.7	1.7	1.7
Payout (%)	18.2	18.1	18.1	18.1
<b>Valuations</b>				
P/E(X)	12.6	11.6	9.5	8.0
P/BV (X)	2.4	1.9	1.6	1.4
P/ABV (X)	2.4	1.9	1.6	1.4
Div. Yield (%)	1.2	1.3	1.6	1.9

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	48,814	52,760	57,770	60,603	64,829	66,872	69,649	71,392	219,946	272,743
Interest Expense	31,573	32,687	36,367	39,142	43,030	43,603	44,701	45,086	139,769	176,420
<b>Net Interest Income</b>	<b>17,241</b>	<b>20,073</b>	<b>21,403</b>	<b>21,461</b>	<b>21,799</b>	<b>23,269</b>	<b>24,948</b>	<b>26,306</b>	<b>80,177</b>	<b>96,322</b>
% Change (Y-o-Y)	13.9	24.3	23.5	26.2	26.4	15.9	16.6	22.6	22.2	20.1
Other Income	11,679	12,349	14,298	15,876	13,355	15,931	16,154	19,587	54,202	65,026
<b>Net Income</b>	<b>28,920</b>	<b>32,422</b>	<b>35,701</b>	<b>37,337</b>	<b>35,154</b>	<b>39,200</b>	<b>41,102</b>	<b>45,893</b>	<b>134,380</b>	<b>161,349</b>
Operating Expenses	13,335	14,665	15,109	16,962	15,517	17,417	17,487	18,993	60,071	69,414
<b>Operating Profit</b>	<b>15,585</b>	<b>17,756</b>	<b>20,592</b>	<b>20,376</b>	<b>19,637</b>	<b>21,783</b>	<b>23,615</b>	<b>26,901</b>	<b>74,309</b>	<b>91,935</b>
% Change (Y-o-Y)	7.5	19.5	24.2	11.9	26.0	22.7	14.7	32.0	15.8	23.7
Other Provisions	1,758	4,056	4,223	1,393	2,588	5,094	3,868	3,981	11,430	15,531
<b>Profit before Tax</b>	<b>13,826</b>	<b>13,701</b>	<b>16,369</b>	<b>18,983</b>	<b>17,048</b>	<b>16,688</b>	<b>19,747</b>	<b>22,920</b>	<b>62,878</b>	<b>76,404</b>
Tax Provisions	4,403	4,497	5,346	6,210	5,513	5,453	6,275	7,400	20,456	24,640
<b>Net Profit</b>	<b>9,424</b>	<b>9,203</b>	<b>11,023</b>	<b>12,773</b>	<b>11,535</b>	<b>11,235</b>	<b>13,472</b>	<b>15,520</b>	<b>42,422</b>	<b>51,764</b>
% Change (Y-o-Y)	27.0	25.2	23.7	25.2	22.4	22.1	22.2	21.5	25.2	22.0
<b>Operating Parameters</b>										
NIM (Reported,%)	3.3	3.8	3.8	3.6	3.4	3.5	3.6		3.6	
NIM (Cal, %)	3.2	3.7	3.7	3.4	3.3	3.5	3.6	3.5	3.4	3.6
Deposit Growth (%)	24.5	23.9	33.9	16.3	21.3	21.2	17.2	17.0	16.3	17.0
Loan Growth (%)	21.4	26.7	20.4	19.2	29.8	22.9	20.7	18.0	19.2	18.0
CASA Ratio (%)	40.5	42.2	41.6	41.5	39.1	40.5	40.0		41.5	
Tax Rate (%)	31.8	32.8	32.7	32.7	32.3	32.7	31.8	32.3	32.5	32.3
<b>Asset Quality</b>										
OSRL (INR b)	21.5	24.1	27.0	30.6	38.3	40.7	42.6		30.6	
OSRL (%)	1.6	1.7	1.8	1.8	2.2	2.4	2.4		1.8	
Gross NPA (INR b)	15.7	17.4	19.1	18.1	20.9	21.9	22.8	25.8	18.1	25.8
Gross NPA (on customer assets, %)	1.1	1.1	1.1	0.9	1.1	1.1	1.1	1.3	0.9	1.3

E: MOSL Estimates

## CMP: INR1,294

Buy

- Loan and deposit growth is expected to be near industry average at 18%+ YoY and 17% YoY respectively.
- While 4Q is a weak quarter for NIMs historically as the bank builds PSL, lag impact of deposit re-pricing at lower rates and benefit of capital raised of INR55.4b would help it maintain stable NIMs QoQ.
- Fee income growth is expected to be healthy at ~20%+ YoY led by strong growth in retail fees. However, ex-retail, fee income growth is expected to remain moderate.
- Even though slippages and restructured loan portfolio are expected to rise, asset quality would remain manageable.
- We conservatively factor credit cost of ~1%, compared to 0.8% in 9MFY13.
- The stock trades at 1.6x FY14E and 1.4x FY15E BV, and 9.5x FY14E and 8x FY15E EPS. Maintain **Buy**.

## Key issues to watch for

- Asset quality performance and outlook on the same.
- Fee income has been one of the key drivers and continuous traction in the same could help provide cushion if credit cost increases.
- Margin performance and traction in SA deposits.



# Bank of Baroda

Bloomberg	BOB IN
Equity Shares (m)	412.4
M. Cap. (INR b)/(USD b)	274/5
52-Week Range (INR)	900/606
1,6,12 Rel Perf. (%)	-7/-15/-26

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	103.2	113.5	129.9	152.1
OP	85.8	90.1	102.1	121.2
NP	50.1	44.6	49.1	58.8
NIM (%)	2.8	2.5	2.5	2.5
EPS (INR)	121.4	105.5	116.2	139.1
EPS Gr. (%)	12.4	-13.1	10.2	19.6
BV/Sh. (INR)	620.9	716.1	815.0	933.0
RoE (%)	22.1	16.0	15.2	15.9
RoA (%)	1.2	0.9	0.9	0.9
Payout (%)	16.2	16.2	16.2	16.2
<b>Valuations</b>				
P/E(X)	5.5	6.3	5.7	4.8
P/BV (X)	1.1	0.9	0.8	0.7
P/ABV (X)	1.1	1.0	0.9	0.8
Div. Yield (%)	2.6	2.2	2.5	2.9

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	66,318	72,514	76,720	81,185	85,576	87,226	88,449	89,925	296,737	351,176
Interest Expense	43,346	46,845	50,165	53,211	57,595	58,603	60,040	61,417	193,567	237,655
<b>Net Interest Income</b>	<b>22,972</b>	<b>25,669</b>	<b>26,555</b>	<b>27,974</b>	<b>27,981</b>	<b>28,623</b>	<b>28,409</b>	<b>28,508</b>	<b>103,170</b>	<b>113,521</b>
% Change (YoY)	23.6	25.9	15.8	7.0	21.8	11.5	7.0	1.9	17.2	10.0
Other Income	6,409	7,343	11,493	8,978	7,708	8,283	8,406	10,454	34,223	34,851
<b>Net Income</b>	<b>29,380</b>	<b>33,013</b>	<b>38,048</b>	<b>36,952</b>	<b>35,689</b>	<b>36,906</b>	<b>36,815</b>	<b>38,962</b>	<b>137,393</b>	<b>148,372</b>
Operating Expenses	11,198	11,743	12,097	16,550	13,281	13,205	14,380	17,379	51,587	58,245
<b>Operating Profit</b>	<b>18,183</b>	<b>21,270</b>	<b>25,952</b>	<b>20,402</b>	<b>22,407</b>	<b>23,701</b>	<b>22,435</b>	<b>21,583</b>	<b>85,806</b>	<b>90,127</b>
% Change (YoY)	19.0	28.4	40.2	4.9	23.2	11.4	-13.6	5.8	22.9	5.0
Other Provisions	3,911	4,834	8,367	8,437	8,938	6,464	10,293	8,021	25,548	33,716
<b>Profit before Tax</b>	<b>14,272</b>	<b>16,436</b>	<b>17,585</b>	<b>11,965</b>	<b>13,469</b>	<b>17,237</b>	<b>12,142</b>	<b>13,562</b>	<b>60,258</b>	<b>56,411</b>
Tax Provisions	3,944	4,775	4,686	-3,217	2,081	4,223	2,026	3,516	10,188	11,846
<b>Net Profit</b>	<b>10,328</b>	<b>11,661</b>	<b>12,899</b>	<b>15,182</b>	<b>11,389</b>	<b>13,014</b>	<b>10,116</b>	<b>10,046</b>	<b>50,070</b>	<b>44,565</b>
% Change (YoY)	20.2	14.4	20.7	17.3	10.3	11.6	-21.6	-33.8	18.0	-11.0
<b>Operating Parameters</b>										
NIM (Reported, %)	2.9	3.1	3.0	3.0	2.7	2.7	2.7		3.0	
NIM (Calculated, %)	2.7	2.9	2.9	2.8	2.6	2.6	2.5	2.4	2.8	2.5
Deposit Growth (%)	22.9	22.1	24.0	26.0	22.3	24.0	18.8	14.0	26.0	14.0
Loan Growth (%)	25.2	23.9	25.8	25.7	23.0	22.2	14.8	15.0	25.7	15.0
CASA Ratio (Domestic, %)	33.9	34.0	34.1	33.2	32.2	31.7	32.2		33.2	
Tax Rate (%)	27.6	29.1	26.6	-26.9	15.4	24.5	16.7	25.9	16.9	21.0
<b>Asset Quality</b>										
OSRL (INR b)	92.4	98.4	116.6	171.4	179.8	195.8	205.0		171.4	
OSRL (%)	4.0	4.1	4.5	6.0	6.3	6.7	6.8		6.0	
Gross NPA (INR B)	34.3	34.0	39.0	44.6	53.2	58.8	73.2	85.9	44.6	85.9
Gross NPA (%)	1.5	1.4	1.5	1.5	1.8	2.0	2.4	2.6	1.5	2.6

E: MOSL Estimates

## CMP: INR663

Neutral

- While domestic business growth is expected to remain moderate YoY, helped by international operations, overall loan and deposit growth are expected to be ~15% and ~14% respectively.
- NIMs are expected to moderate and blended NIMs to be ~2.6%.
- Fee income growth is expected to be less than 5%. However, overall non-interest income to grow 16%+ led by higher income from profit on sale of investments.
- Pressure on asset quality is likely to continue and slippages to remain at a high level. In 3QFY13, gross slippages stood at INR20b (3.1% annualized slippage ratio) and net addition to restructured loans was INR9.2b (30bp of overall loans).
- Hence, credit cost is expected to remain at a high level and we factor a credit cost of ~95bp.
- The stock trades at 0.8x FY14E and 0.7x FY15E BV, and 5.7x FY14E and 4.8x FY15E EPS. Maintain **Neutral**.

### Key issues to watch for

- With a new CMD in charge of operations since Jan-12, comments on bank's strategy in terms of business growth and asset quality.
- Changes in restructured loan pool, post RBI notification.



# Bank of India

Bloomberg	BOI IN
Equity Shares (m)	574.5
M. Cap. (INR b)/(USD b)	167/3
52-Week Range (INR)	392/254
1,6,12 Rel Perf. (%)	-10/-4/-27

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	83.1	89.7	106.7	123.3
OP	66.9	71.0	80.6	92.0
NP	26.8	27.4	31.5	34.8
NIM (%)	2.5	2.4	2.5	2.5
EPS (INR)	46.6	45.9	52.8	58.3
EPS Gr. (%)	2.5	-1.4	14.9	10.4
BV/Sh. (INR)	326.5	365.9	409.4	457.6
RoE (%)	15.6	13.5	13.6	13.4
RoA (%)	0.7	0.7	0.7	0.7
Payout (%)	17.4	17.4	17.4	17.4
<b>Valuations</b>				
P/E(X)	6.2	6.3	5.5	5.0
P/BV (X)	0.9	0.8	0.7	0.6
P/ABV (X)	1.0	0.9	0.8	0.8
Div. Yield (%)	2.4	2.4	2.7	3.0

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	66,336	68,864	71,501	78,106	77,092	80,055	80,227	81,918	284,807	319,292
Interest Expense	47,926	49,825	50,826	53,096	56,656	58,095	57,142	57,658	201,672	229,552
<b>Net Interest Income</b>	<b>18,410</b>	<b>19,039</b>	<b>20,676</b>	<b>25,010</b>	<b>20,436</b>	<b>21,960</b>	<b>23,085</b>	<b>24,260</b>	<b>83,134</b>	<b>89,740</b>
% Change (Y-o-Y)	5.8	7.2	4.1	8.4	11.0	15.3	11.7	-3.0	6.4	7.9
Other Income	6,601	8,418	8,522	9,671	8,409	8,941	9,371	9,789	33,212	36,510
<b>Net Income</b>	<b>25,011</b>	<b>27,457</b>	<b>29,197</b>	<b>34,681</b>	<b>28,844</b>	<b>30,901</b>	<b>32,456</b>	<b>34,049</b>	<b>116,346</b>	<b>126,250</b>
Operating Expenses	11,051	11,942	11,878	14,535	12,109	12,360	13,898	16,885	49,407	55,251
<b>Operating Profit</b>	<b>13,959</b>	<b>15,515</b>	<b>17,319</b>	<b>20,146</b>	<b>16,736</b>	<b>18,541</b>	<b>18,558</b>	<b>17,164</b>	<b>66,939</b>	<b>70,998</b>
% Change (Y-o-Y)	-1.0	12.5	24.7	67.1	19.9	19.5	7.2	-14.8	24.3	6.1
Other Provisions	5,672	11,544	6,931	7,018	4,722	15,521	9,158	6,899	31,164	36,301
<b>Profit before Tax</b>	<b>8,287</b>	<b>3,972</b>	<b>10,388</b>	<b>13,128</b>	<b>12,013</b>	<b>3,020</b>	<b>9,400</b>	<b>10,265</b>	<b>35,775</b>	<b>34,698</b>
Tax Provisions	3,112	-940	3,227	3,601	3,139	1	1,365	2,781	9,000	7,287
<b>Net Profit</b>	<b>5,175</b>	<b>4,911</b>	<b>7,162</b>	<b>9,527</b>	<b>8,875</b>	<b>3,019</b>	<b>8,035</b>	<b>7,484</b>	<b>26,775</b>	<b>27,411</b>
% Change (Y-o-Y)	-28.6	-20.4	9.7	93.0	71.5	-38.5	12.2	-21.5	7.6	2.4
<b>Operating Parameters</b>										
NIM (Reported, %)	2.2	2.4	2.6	2.9	2.3	2.4	2.4		2.5	
NIM (Cal, %)	2.3	2.4	2.5	2.9	2.2	2.4	2.5	2.5	2.5	2.4
Deposit Growth (%)	25.4	24.1	21.7	6.5	15.7	11.2	13.6	15.0	6.5	15.0
Loan Growth (%)	21.6	17.7	20.9	16.3	22.9	20.0	20.3	15.3	16.3	15.3
CASA Ratio (Reported, %)	30.5	31.6	32.4	34.3	32.0	32.8	33.8		34.3	
Tax Rate (%)	37.6	-23.7	31.1	27.4	26.1	0.0	14.5	27.1	25.2	21.0
<b>Asset Quality</b>										
OSRL (INR b)	87.6	84.5	104.5	134.8	175.7	178.5	181.4		134.8	
OSRL (%)	4.1	3.9	4.5	5.4	6.6	6.9	6.5		5.4	
Gross NPA (INR b)	57.9	65.5	63.9	58.9	67.5	89.0	86.3	91.4	58.9	91.4
Gross NPA (%)	2.7	3.0	2.7	2.3	2.6	3.4	3.1	3.2	2.3	3.2

E: MOSL Estimates

## CMP: INR290

Neutral

- On a YoY basis, business growth is expected to be in line with industry average at 15%. However, this would be driven by strong growth in international business.
- Core NIMs are expected to improve by 10bp QoQ. However, reported NIMs are likely to remain flat as in 3QFY13 the bank had a one-off income of INR1.2b from interest on IT refund.
- Slippages are expected to be at a high level and upgradations and recoveries would be a key for asset quality performance.
- In 3QFY13, bank reported a tax rate of 14% which is expected to normalize to 27%. Hence, even as PBT is expected to grow 9% QoQ (decline 22% YoY), PAT is expected to decline 7% QoQ (decline 21% YoY).
- The stock trades at 0.7x FY14E and 0.6x FY15E BV, and 5.5x FY14E and 5x FY15E EPS. Maintain **Neutral**.

### Key issues to watch for

- In the last few quarters, NIMs improved gradually but were lower than expected. Hence, NIMs performance and outlook are critical.
- Asset quality performance and outlook.
- Changes in restructured loan portfolio, post RBI notification.
- Wage hike provisions and pension obligation.

# Canara Bank

Bloomberg	CBK IN
Equity Shares (m)	443.0
M. Cap. (INR b)/(USD b)	161/3
52-Week Range (INR)	550/306
1,6,12 Rel Perf. (%)	-13/-18/-28

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	76.9	79.7	97.4	114.8
OP	59.4	56.6	69.3	81.7
NP	32.8	28.1	33.6	40.2
NIM (%)	2.4	2.2	2.4	2.5
EPS (INR)	74.1	63.4	75.7	90.6
EPS Gr. (%)	-18.5	-14.5	19.6	19.7
BV/Sh. (INR)	463.8	516.8	580.1	655.7
ABV/Sh. (INR)	414.1	432.4	473.0	530.0
RoE (%)	17.1	12.9	13.8	14.7
RoA (%)	0.9	0.7	0.8	0.8
Div. Payout (%)	17.2	17.4	17.4	17.4
<b>Valuations</b>				
P/E(X)	4.9	5.7	4.8	4.0
P/BV (X)	0.8	0.7	0.6	0.6
P/ABV (X)	0.9	0.8	0.8	0.7
Div. Yield (%)	3.0	2.6	3.1	3.7

## CMP: INR363

Buy

- On a sequential basis though loan growth is expected to be strong, it would be just 3% YoY. This would be driven by the strategy to consolidate and de-bulk its balance sheet.
- Margins are likely to improve by 15bp+ led by 1) re-pricing of deposits and 2) reduction in proportion of high cost bulk deposits. Further improvement in CD ratio, which is low at 67.4%, could provide a cushion.
- Fee income is expected to be sub 10%; however, higher trading gains YoY will drive overall non-interest income growth to ~12%.
- Slippages are likely to remain at a high level; however, an improvement in upgradation and recovery would provide a cushion.
- The stock trades at 0.6x FY14E and 0.6x FY15E BV, and 4.8x FY14E and 4x FY15E EPS. **Maintain Buy.**

### Key issues to watch for

- Business growth strategy.
- Margin performance.
- Asset quality performance and outlook.
- Outlook on SEB restructuring under the central government package and changes in restructured loan portfolio, post RBI notification.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	71,565	76,145	78,121	82,675	84,729	85,955	85,445	87,257	308,506	343,385
Interest Expense	53,877	56,528	58,935	62,273	66,293	66,387	65,565	65,409	231,613	263,654
<b>Net Interest Income</b>	<b>17,688</b>	<b>19,617</b>	<b>19,186</b>	<b>20,402</b>	<b>18,435</b>	<b>19,568</b>	<b>19,880</b>	<b>21,847</b>	<b>76,893</b>	<b>79,731</b>
% Change (Y-o-Y)	2.4	-2.1	-8.2	5.0	4.2	-0.2	3.6	7.1	-0.1	3.7
Other Income	5,510	8,228	7,624	7,693	6,926	6,081	8,458	9,329	29,276	30,794
<b>Net Income</b>	<b>23,198</b>	<b>27,845</b>	<b>26,809</b>	<b>28,094</b>	<b>25,362</b>	<b>25,649</b>	<b>28,338</b>	<b>31,176</b>	<b>106,169</b>	<b>110,525</b>
Operating Expenses	10,495	11,847	11,209	13,187	11,424	12,828	13,174	16,451	46,737	53,877
<b>Operating Profit</b>	<b>12,703</b>	<b>15,998</b>	<b>15,600</b>	<b>14,907</b>	<b>13,938</b>	<b>12,821</b>	<b>15,164</b>	<b>14,725</b>	<b>59,432</b>	<b>56,648</b>
% Change (Y-o-Y)	-14.4	13.0	3.1	-12.0	9.7	-19.9	-2.8	-1.2	-2.4	-4.7
Other Provisions	3,446	5,477	4,845	4,616	4,185	4,211	6,259	6,332	18,605	20,988
<b>Profit before Tax</b>	<b>9,258</b>	<b>10,522</b>	<b>10,756</b>	<b>10,291</b>	<b>9,752</b>	<b>8,610</b>	<b>8,905</b>	<b>8,393</b>	<b>40,827</b>	<b>35,660</b>
Tax Provisions	2,000	2,000	2,000	2,000	2,000	2,000	1,800	1,796	8,000	7,596
<b>Net Profit</b>	<b>7,258</b>	<b>8,522</b>	<b>8,756</b>	<b>8,291</b>	<b>7,752</b>	<b>6,610</b>	<b>7,105</b>	<b>6,597</b>	<b>32,827</b>	<b>28,065</b>
% Change (Y-o-Y)	-28.4	-15.4	-20.8	-7.8	6.8	-22.4	-18.9	-20.4	-18.5	-14.5
<b>Operating Parameters</b>										
NIM (Cumulative Rep, %)	2.4	2.6	2.6	2.6	2.4	2.5	2.2		2.5	
NIM (Cal, %)	2.3	2.5	2.4	2.4	2.1	2.2	2.3	2.4	2.4	2.3
Deposit Growth (%)	25.7	25.4	19.2	11.5	11.5	7.7	3.1	6.0	11.5	6.0
Loan Growth (%)	23.7	23.8	14.6	10.0	4.9	-1.0	0.3	3.0	10.0	3.0
CASA Ratio (%)	25.4	25.8	24.0	24.3	23.3	24.8	25.1		24.3	
Tax Rate (%)	21.6	19.0	18.6	19.4	20.5	23.2	20.2	21.4	19.6	21.3
<b>Asset Quality</b>										
OSRL (INR b)	78.1	77.2	85.1	75.1	129.6	137.7	133.8		75.1	
OSRL (%)	3.6	3.5	3.9	3.2	5.7	6.4	6.1		3.2	
Gross NPA (INR b)	36.1	37.9	40.0	40.3	45.0	56.1	60.9	67.7	40.3	67.7
Gross NPA (%)	1.7	1.7	1.8	1.7	2.0	2.6	2.8	2.8	1.7	2.8

E: MOSL Estimates

# Dewan Housing Finance

Bloomberg	DEWH IN
Equity Shares (m)	116.8
M. Cap. (INR b)/(USD b)	19/0
52-Week Range (INR)	259/142
1,6,12 Rel Perf. (%)	-3/-17/-39

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	5.1	8.9	11.1	13.7
PPP	5.1	7.0	8.9	11.0
Adj. PAT	3.3	4.3	5.5	6.9
EPS (INR)	25.6	33.9	43.5	54.6
EPS Gr. (%)	-9.1	32.5	28.5	25.5
BV/Share (INR)	173.0	202.8	241.1	289.2
RoAA (%)	1.3	1.4	1.4	1.4
RoE (%)	18.5	19.8	21.4	22.4
Payout (%)	13.3	12.0	12.0	12.0
<b>Valuations</b>				
P/E (x)	6.5	4.9	3.8	3.0
P/BV (x)	1.0	0.8	0.7	0.6
Div. Yield (%)	2.1	2.5	3.2	4.0

Consolidated.

## CMP: INR165

Buy

- DEWH's strong loan growth momentum is likely to continue given the buoyancy in housing market. We expect loan growth (on balance sheet) of 35%+ YoY and AUM growth of 45%+ YoY.
- Leverage will be a key factor as the reported debt-to-equity ratio stood at 10.6x as in December 2012.
- Margins are likely to remain largely stable and may witness some improvement in the coming quarters led by expected decline in the cost of funds. We expect NII to grow 46% YoY and 15% QoQ to INR1.82b.
- We expect asset quality to remain stable sequentially.
- We estimate PAT to grow 48% YoY and 12.2% QoQ to INR1.02b.
- The stock trades at 0.7x FY14E and 0.6x FY15E BV.

### Key issues to watch for

- Business growth and leverage (from capital perspective).
- Margin trends in the context of declining cost of funds and increasing share of builder portfolio.
- FBHFL performance; timeline for DEWH reporting the consolidated performance.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	4,652	5,404	6,000	6,498	6,924	7,658	7,831	8,192	22,554	30,605
Interest Expenses	3,599	4,321	4,788	5,213	5,521	6,100	6,202	6,310	17,921	24,133
<b>Net Interest Income</b>	<b>1,053</b>	<b>1,083</b>	<b>1,212</b>	<b>1,285</b>	<b>1,403</b>	<b>1,558</b>	<b>1,629</b>	<b>1,882</b>	<b>4,633</b>	<b>6,472</b>
YoY Growth (%)	48.2	33.6	40.3	34.7	33.2	43.9	34.4	46.5	38.7	39.7
Fees and other income	325	486	619	714	465	520	576	631	2,143	2,192
<b>Net Income</b>	<b>1,378</b>	<b>1,569</b>	<b>1,831</b>	<b>1,999</b>	<b>1,868</b>	<b>2,078</b>	<b>2,205</b>	<b>2,514</b>	<b>6,776</b>	<b>8,664</b>
YoY Growth (%)	36.0	1.9	47.2	40.3	35.5	32.5	20.4	25.8	29.8	27.9
<b>Operating Expenses</b>	<b>471</b>	<b>585</b>	<b>692</b>	<b>806</b>	<b>672</b>	<b>748</b>	<b>817</b>	<b>954</b>	<b>2,554</b>	<b>3,191</b>
YoY Growth (%)	35.9	42.0	59.9	46.5	42.7	28.0	17.9	18.4	46.6	25.0
<b>Operating Profits</b>	<b>907</b>	<b>984</b>	<b>1,138</b>	<b>1,193</b>	<b>1,196</b>	<b>1,330</b>	<b>1,388</b>	<b>1,559</b>	<b>4,222</b>	<b>5,473</b>
YoY Growth (%)	36.1	-12.8	40.4	36.4	31.9	35.2	21.9	30.7	21.3	29.6
Provisions	33	117	150	-62	150	150	150	196	238	646
<b>Profit before Tax</b>	<b>874</b>	<b>867</b>	<b>988</b>	<b>1,255</b>	<b>1,046</b>	<b>1,180</b>	<b>1,238</b>	<b>1,363</b>	<b>3,984</b>	<b>4,828</b>
Tax Provisions	216	148	238	317	268	322	326	340	920	1,255
<b>PAT including extraordinary item</b>	<b>658</b>	<b>719</b>	<b>750</b>	<b>938</b>	<b>778</b>	<b>858</b>	<b>912</b>	<b>1,024</b>	<b>3,064</b>	<b>3,572</b>
YoY Growth (%)	28.4	-23.1	21.4	59.9	18.2	19.4	21.7	9.2	15.6	16.6
Extraordinary Items	0	0	0	250	0	0	0	0	250	0
<b>PAT excluding extraordinary item</b>	<b>658</b>	<b>719</b>	<b>750</b>	<b>688</b>	<b>778</b>	<b>858</b>	<b>912</b>	<b>1,024</b>	<b>2,814</b>	<b>3,572</b>
YoY Growth (%)	28.4	23.9	21.4	17.2	18.2	19.4	21.7	48.9	22.5	26.9
Loan growth (%)	56.7	50.7	49.8	37.2	39.5	38.0	31.3	38.7	37.2	38.7
Borrowings growth (%)	55.9	61.7	50.8	28.9	38.6	35.2	32.5	41.6	28.9	41.6
Cost to Income Ratio (%)	34.2	37.3	37.8	40.3	36.0	36.0	37.0	38.0	37.7	36.8
Tax Rate (%)	24.7	17.1	24.1	25.3	25.6	27.3	26.3	24.9	23.1	26.0

E: MOSL Estimates

# Federal Bank

Bloomberg	FB IN
Equity Shares (m)	171.0
M. Cap. (INR b)/(USD b)	84/2
52-Week Range (INR)	551/335
1,6,12 Rel Perf. (%)	1/11/5

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	19.5	20.4	23.8	27.5
OP	15.1	14.6	16.8	19.4
NP	7.8	8.2	9.4	10.5
NIM (%)	3.8	3.4	3.4	3.4
EPS (INR)	45.4	48.0	54.9	61.5
EPS Gr. (%)	32.3	5.7	14.4	12.0
BV/Sh. (INR)	333.3	370.1	412.2	459.4
RoE (%)	14.4	13.6	14.0	14.1
RoA (%)	1.4	1.3	1.3	1.2
Payout (%)	23.0	23.2	23.2	23.2
<b>Valuations</b>				
P/E(X)	10.8	10.2	8.9	7.9
P/BV (X)	1.5	1.3	1.2	1.1
P/ABV (X)	1.5	1.4	1.2	1.1
Div. Yield (%)	1.8	2.0	2.2	2.5

## CMP: INR488

Buy

- On a sequential basis, loan and deposit growth are expected to remain strong at 9/10% each. However, on a YoY basis, they are expected to be moderate at 14% and 16% respectively.
- Margins are expected to be largely stable QoQ at 3.5%. Shedding of high cost deposits in 3QFY13 would provide cushion to NIMs.
- On a higher base, slippages are expected to decline QoQ. In 3QFY13, the bank recognized a large account of INR2.2b as NPA, which is unlikely to be repeated. We factor a slippage ratio of 2.9% and credit cost of 0.5%.
- Fee income growth is expected to remain healthy at 17%. However, a moderate increase in non-core income will lead to overall non-interest income growth of 9% YoY.
- The stock trades at 1.2x FY14E and 1.1x FY15E BV, and 8.9x FY14E and 7.9x FY15E EPS. Maintain **Buy**.

### Key issues to watch for

- **FB has been able to deliver strong performance in retail and SME segment; however, slippages in corporate segment are volatile. Outlook on mid-corporate segment remains critical.**
- **Business growth and strategy to increase fee income.**

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	12,447	13,678	14,668	14,790	15,367	15,256	15,218	16,118	55,584	61,960
Interest Expense	7,850	8,934	9,388	9,878	10,451	10,197	10,244	10,706	36,050	41,598
<b>Net Interest Income</b>	<b>4,598</b>	<b>4,744</b>	<b>5,280</b>	<b>4,912</b>	<b>4,916</b>	<b>5,059</b>	<b>4,974</b>	<b>5,413</b>	<b>19,534</b>	<b>20,362</b>
% Change (YoY)	11.2	8.2	18.1	9.7	6.9	6.6	-5.8	10.2	11.8	4.2
Other Income	1,169	1,170	1,379	1,606	1,243	1,394	2,039	1,755	5,323	6,431
<b>Net Income</b>	<b>5,767</b>	<b>5,914</b>	<b>6,660</b>	<b>6,518</b>	<b>6,160</b>	<b>6,453</b>	<b>7,012</b>	<b>7,168</b>	<b>24,857</b>	<b>26,793</b>
Operating Expenses	2,226	2,301	2,472	2,793	2,695	2,957	3,073	3,506	9,793	12,230
Operating Profit	3,541	3,613	4,187	3,724	3,465	3,496	3,939	3,662	15,065	14,563
% Change (YoY)	5.6	-6.2	17.4	6.3	-2.1	-3.2	-5.9	-1.7	5.6	-3.3
Other Provisions	1,340	722	1,153	155	628	305	744	637	3,370	2,313
<b>Profit before Tax</b>	<b>2,200</b>	<b>2,891</b>	<b>3,035</b>	<b>3,569</b>	<b>2,837</b>	<b>3,192</b>	<b>3,196</b>	<b>3,026</b>	<b>11,695</b>	<b>12,250</b>
Tax Provisions	739	979	1,016	1,193	934	1,041	1,088	980	3,927	4,043
<b>Net Profit</b>	<b>1,462</b>	<b>1,912</b>	<b>2,019</b>	<b>2,376</b>	<b>1,904</b>	<b>2,151</b>	<b>2,108</b>	<b>2,045</b>	<b>7,768</b>	<b>8,208</b>
% Change (YoY)	10.8	36.2	41.1	38.4	30.2	12.5	4.4	-13.9	32.3	5.7
<b>Operating Parameters</b>										
NIM (Reported,%)	3.9	3.8	3.9	3.6	3.4	3.6	3.5		3.8	
NIM (Cal, %)	3.9	3.8	4.0	3.6	3.4	3.6	3.4	3.5	3.8	3.4
Deposit Growth (%)	22.7	30.9	26.6	13.8	17.8	4.8	10.4	16.0	13.8	16.0
Loan Growth (%)	17.8	21.6	17.6	18.2	19.0	8.0	18.9	14.0	18.2	14.0
CASA Ratio (%)	27.2	26.4	28.7	27.5	28.7	29.0	29.5		27.5	
Tax Rate (%)	33.6	33.9	33.5	33.4	32.9	32.6	34.0	32.4	33.6	33.0
<b>Asset Quality</b>										
Gross NPA (INR b)	13.0	12.5	13.6	13.0	14.1	14.4	15.6	16.4	13.0	16.4
Gross NPA (%)	3.9	3.6	4.0	3.4	3.6	3.8	3.9	3.7	3.4	3.4

E: MOSL Estimates

**HDFC****Buy**

Bloomberg	HDFC IN
Equity Shares (m)	1,477.0
M. Cap. (INR b)/(USD b)	1215/22
52-Week Range (INR)	882/611
1,6,12 Rel Perf. (%)	8/8/17

**CMP: INR823**

- HDFC's loan growth (net of sell-downs) is likely to remain healthy at ~21% YoY. Spreads should largely be stable at ~2.3% levels.
- NII is likely to remain strong at INR20.25b, registering a growth of 16.2% YoY.
- Non-interest income is likely to grow strongly by ~6% YoY and 17% QoQ.
- Asset quality remained healthy over the past several quarters and the trend is likely to continue. In 3QFY13, GNPA's were 0.75% on 90-day overdue basis.
- We model provisions of INR400m, similar to the levels seen in 3QFY13.
- We expect profit to grow at 15% YoY.
- The stock trades at 4.6x FY14E AP/ABV and 3.6x FY15sE AP/ABV (price adjusted for value of other businesses and book value adjusted for investments made in those businesses).

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
NII	52.1	62.5	73.7	88.2
PPP	57.5	67.2	79.0	94.4
PAT	41.2	48.2	55.4	66.3
Adj. EPS (INR)	26.0	29.1	33.2	39.5
EPS Gr. (%)	15.1	12.0	13.8	19.2
BV/Share (INR)	128.8	159.5	178.9	199.7
RoA (%)	2.8	2.8	2.8	2.8
Core RoE (%)	27.3	28.7	28.6	29.1
Payout (%)	39.5	40.0	40.0	40.0
<b>Valuations</b>				
P/E (x)	24.3	21.0	17.3	13.4
P/BV (x)	6.4	5.2	4.6	4.1
Div. Yield (%)	1.3	1.5	1.8	2.1

**Key issues to watch for**

- Loan growth and movement in spreads (on individual loans).
- Asset quality trends.

**Quarterly Performance**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>10,948</b>	<b>12,435</b>	<b>12,364</b>	<b>17,434</b>	<b>13,042</b>	<b>13,859</b>	<b>15,389</b>	<b>20,253</b>	<b>52,121</b>	<b>62,544</b>
YoY Change (%)	17.1	14.7	15.1	27.2	19.1	11.5	24.5	16.2	16.3	20.0
Profit on Sale of Inv.	2,072	2,299	2,186	2,024	2,426	3,421	1,817	2,155	2,702	3,000
Other operating income	0	0	0	0	0	0	0	-30	6,939	6,788
<b>Net Operating Income</b>	<b>13,020</b>	<b>14,734</b>	<b>14,549</b>	<b>19,458</b>	<b>15,467</b>	<b>17,281</b>	<b>17,206</b>	<b>22,378</b>	<b>61,762</b>	<b>72,332</b>
YoY Change (%)	20.8	18.1	9.9	18.3	18.8	17.3	18.3	15.0	16.7	17.1
Other Income	47	52	52	63	74	78	84	90	213	325
<b>Total Income</b>	<b>13,067</b>	<b>14,786</b>	<b>14,601</b>	<b>19,520</b>	<b>15,541</b>	<b>17,358</b>	<b>17,290</b>	<b>22,468</b>	<b>61,975</b>	<b>72,657</b>
Operating Expenses	1,132	1,239	1,119	1,030	1,342	1,477	1,439	1,249	4,519	5,506
<b>Pre Provisioning Profit</b>	<b>11,935</b>	<b>13,547</b>	<b>13,483</b>	<b>18,491</b>	<b>14,199</b>	<b>15,881</b>	<b>15,851</b>	<b>21,219</b>	<b>57,456</b>	<b>67,151</b>
YoY Change (%)	21.6	17.9	9.8	17.1	19.0	17.2	17.6	14.8	16.4	16.9
Provisions	180	170	200	250	400	400	400	399	800	1,599
<b>PBT</b>	<b>11,755</b>	<b>13,377</b>	<b>13,283</b>	<b>18,241</b>	<b>13,799</b>	<b>15,481</b>	<b>15,451</b>	<b>20,820</b>	<b>56,656</b>	<b>65,552</b>
YoY Change (%)	21.6	18.0	9.5	17.4	17.4	15.7	16.3	14.1	16.4	15.7
<b>Provision for Tax</b>	<b>3,310</b>	<b>3,670</b>	<b>3,470</b>	<b>4,980</b>	<b>3,780</b>	<b>3,970</b>	<b>4,050</b>	<b>5,506</b>	<b>15,430</b>	<b>17,306</b>
<b>PAT</b>	<b>8,445</b>	<b>9,707</b>	<b>9,813</b>	<b>13,261</b>	<b>10,019</b>	<b>11,511</b>	<b>11,401</b>	<b>15,315</b>	<b>41,226</b>	<b>48,246</b>
YoY Change (%)	21.6	20.2	10.1	16.1	18.6	18.6	16.2	15.5	16.6	17.0

E: MOSL Estimates



## HDFC Bank

Bloomberg	HDFCB IN
Equity Shares (m)	2,346.7
M. Cap. (INR b)/(USD b)	1442/27
52-Week Range (INR)	705/482
1,6,12 Rel Perf. (%)	-4/-3/11

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	123.0	148.8	189.9	234.0
OP	89.5	112.6	149.4	189.5
NP	51.7	67.3	87.2	109.4
NIM (%)	4.6	4.6	4.8	4.8
EPS (INR)	22.0	28.5	36.9	46.3
EPS Gr. (%)	30.4	29.4	29.7	25.4
BV/Sh. (INR)	127.4	148.5	176.8	212.3
RoE (%)	18.7	20.7	22.7	23.8
RoA (%)	1.7	1.8	1.9	1.9
Payout (%)	19.5	20.0	20.0	20.0
<b>Valuations</b>				
P/E(X)	27.9	21.6	16.6	13.3
P/BV (X)	4.8	4.1	3.5	2.9
P/ABV (X)	4.9	4.2	3.5	3.0
Div. Yield (%)	0.7	0.9	1.2	1.5

## CMP: INR614

Neutral

- On the back of healthy retail demand, HDFCB is expected to deliver above industry average loan growth of ~25% YoY. Deposit growth is expected to be at 18% YoY.
- Margins are expected to moderate by ~10bp QoQ. Hence, NII growth is expected to be muted at 2% QoQ, and grow 14% YoY.
- Non-interest income is expected to be strong at 28% YoY led by healthy fee income growth of ~19%, helped by a lower base. Also, profit on sale of investments, against a MTM loss of INR715b in 4QFY12, would provide a cushion.
- Asset quality is expected to remain healthy. However, stress in few segments of retail loans has increased, which needs to be watched.
- The stock trades at 3.5x FY14E and 2.9x FY15E BV, and 16.6x FY14E and 13.3x FY15E EPS. Maintain **Neutral**.

## Key issues to watch for

- Traction in fee income.
- HDFCB, largely being into retail lending, has reported commendable performance in asset quality. Trend and outlook on retail portfolio remains a key factor to be watched.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	59,780	67,177	72,026	73,880	80,074	85,247	87,076	88,298	272,864	340,695
Interest Expense	31,300	37,732	40,867	39,997	45,234	47,930	49,088	49,625	149,896	191,876
<b>Net Interest Income</b>	<b>28,480</b>	<b>29,445</b>	<b>31,160</b>	<b>33,883</b>	<b>34,841</b>	<b>37,317</b>	<b>37,989</b>	<b>38,673</b>	<b>122,968</b>	<b>148,819</b>
% Change (Y-o-Y)	18.6	16.6	12.2	19.3	22.3	26.7	21.9	14.1	16.6	21.0
Other Income	11,200	12,117	14,200	14,920	15,295	13,451	17,989	19,153	52,437	65,888
<b>Net Income</b>	<b>39,680</b>	<b>41,562</b>	<b>45,360</b>	<b>48,803</b>	<b>50,135</b>	<b>50,768</b>	<b>55,978</b>	<b>57,826</b>	<b>175,405</b>	<b>214,707</b>
Operating Expenses	19,346	20,304	21,580	24,671	24,326	25,055	25,741	26,989	85,901	102,111
<b>Operating Profit</b>	<b>20,334</b>	<b>21,258</b>	<b>23,780</b>	<b>24,132</b>	<b>25,809</b>	<b>25,713</b>	<b>30,237</b>	<b>30,837</b>	<b>89,504</b>	<b>112,596</b>
% Change (Y-o-Y)	16.3	17.6	14.7	15.1	26.9	21.0	27.1	27.8	15.9	25.8
Other Provisions	4,437	3,661	3,292	2,983	4,873	2,929	3,072	3,171	14,373	14,046
<b>Profit before Tax</b>	<b>15,897</b>	<b>17,598</b>	<b>20,488</b>	<b>21,149</b>	<b>20,936</b>	<b>22,784</b>	<b>27,164</b>	<b>27,665</b>	<b>75,132</b>	<b>98,550</b>
Tax Provisions	5,047	5,604	6,191	6,618	6,762	7,184	8,573	8,770	23,461	31,290
<b>Net Profit</b>	<b>10,850</b>	<b>11,994</b>	<b>14,297</b>	<b>14,531</b>	<b>14,174</b>	<b>15,600</b>	<b>18,591</b>	<b>18,896</b>	<b>51,671</b>	<b>67,260</b>
% Change (Y-o-Y)	33.7	31.5	31.4	30.4	30.6	30.1	30.0	30.0	31.6	30.2
<b>Operating Parameters</b>										
NIM (Reported, %)*	4.2	4.1	4.1	4.2	4.3	4.2	4.1		4.2	
NIM (Cal, %)#	4.7	4.5	4.6	4.7	4.6	4.7	4.5	4.5	4.6	4.6
Deposit Growth (%)	15.4	18.1	21.0	18.3	22.0	18.8	22.2	18.0	18.3	18.0
Loan Growth (%)	20.0	20.0	22.1	22.2	21.5	22.9	24.3	25.0	22.2	25.0
CASA Ratio (%)	49.1	47.3	48.6	48.4	46.0	46.4	45.4		48.4	
Tax Rate (%)	31.7	31.8	30.2	31.3	32.3	31.5	31.6	31.7	31.2	31.8
<b>Asset Quality</b>										
GNPA (INR b)	18.3	18.9	20.2	20.0	20.9	21.3	24.3	27.8	20.0	27.8
Gross NPA (%)	1.0	1.0	1.0	1.0	1.0	0.9	1.0	1.1	1.0	1.1
OSRL (INR b)	3.5	1.9	1.9	2.0	2.1	2.3	2.4		2.0	
OSRL (%)	0.2	0.1	0.1	0.1	0.1	0.1	0.1		0.1	

E: MOSL Estimates; \* Reported on total assets; # Cal. on interest earning assets

# ICICI Bank

Bloomberg	ICICIBC IN
Equity Shares (m)	1,152.8
M. Cap. (INR b)/(USD b)	1177/22
52-Week Range (INR)	1231/767
1,6,12 Rel Perf. (%)	-2/-4/7

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	107.3	137.5	169.2	203.0
OP	103.9	131.4	162.6	195.6
NP	64.7	82.8	98.3	118.0
NIM (%)	2.7	3.0	3.2	3.2
EPS (INR)	56.1	71.8	85.3	102.4
EPS Gr. (%)	25.4	28.1	18.7	20.0
BV/Sh (INR)*	408.6	455.3	510.8	577.4
RoE (%)	12.8	15.0	15.9	17.0
RoA (%)	1.5	1.6	1.7	1.7
Payout (%)	29.4	30.0	30.0	30.0
<b>Valuations</b>				
Adj. P/E (x)	15.0	11.5	9.4	8.3
Adj. P/BV (x)	2.1	1.8	1.6	1.4
Adj P/ABV (x)	2.1	1.9	1.6	1.4

\* BV adjusted for investment in subsidiaries, Prices adj for sub value

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	76,185	81,576	85,919	91,746	95,457	100,263	101,383	103,629	335,427	400,731
Interest Expense	52,076	56,512	58,799	60,699	63,527	66,551	66,393	66,801	228,085	263,272
<b>Net Interest Income</b>	<b>24,109</b>	<b>25,064</b>	<b>27,120</b>	<b>31,048</b>	<b>31,929</b>	<b>33,712</b>	<b>34,990</b>	<b>36,827</b>	<b>107,342</b>	<b>137,459</b>
% Change (YoY)	21.1	13.7	17.3	23.7	32.4	34.5	29.0	18.6	19.0	28.1
Other Income	16,429	17,396	18,919	22,285	18,799	20,430	22,146	24,077	75,028	85,457
<b>Net Income</b>	<b>40,538</b>	<b>42,460</b>	<b>46,039</b>	<b>53,332</b>	<b>50,729</b>	<b>54,142</b>	<b>57,136</b>	<b>60,904</b>	<b>182,369</b>	<b>222,915</b>
Operating Expenses	18,200	18,922	19,168	22,216	21,235	22,209	22,612	25,507	78,504	91,563
<b>Operating Profit</b>	<b>22,338</b>	<b>23,537</b>	<b>26,871</b>	<b>31,116</b>	<b>29,493</b>	<b>31,933</b>	<b>34,525</b>	<b>35,397</b>	<b>103,865</b>	<b>131,353</b>
% Change (YoY)	2.1	6.4	14.7	35.0	32.0	35.7	28.5	13.8	14.8	26.5
Other Provisions	4,539	3,188	3,411	4,693	4,659	5,079	3,687	4,479	15,830	17,905
<b>Profit before Tax</b>	<b>17,800</b>	<b>20,350</b>	<b>23,460</b>	<b>26,423</b>	<b>24,835</b>	<b>26,854</b>	<b>30,838</b>	<b>30,917</b>	<b>88,034</b>	<b>113,448</b>
Tax Provisions	4,480	5,318	6,179	7,405	6,684	7,293	8,335	8,319	23,382	30,631
<b>Net Profit</b>	<b>13,320</b>	<b>15,032</b>	<b>17,281</b>	<b>19,018</b>	<b>18,151</b>	<b>19,561</b>	<b>22,502</b>	<b>22,598</b>	<b>64,653</b>	<b>82,817</b>
% Change (YoY)	29.8	21.6	20.3	31.0	36.3	30.1	30.2	18.8	25.5	28.1
<b>Operating Parameters</b>										
NIM (Reported,%)	2.6	2.6	2.7	3.0	3.0	3.0	3.1		2.7	
NIM (Cal, %)	2.5	2.5	2.5	2.8	2.8	2.9	2.9	3.0	2.7	3.0
Deposit Growth (%)	14.8	9.9	19.7	13.3	16.1	14.8	9.9	15.4	13.3	15.4
Loan Growth (%)	19.7	20.5	19.1	17.3	21.6	17.6	16.5	15.7	17.3	15.7
CASA Ratio (reported, %)	40.0	38.3	39.0	39.0	39.1	37.5	37.4		39.0	
Tax Rate (%)	25.2	26.1	26.3	28.0	26.9	27.2	27.0	26.9	26.6	27.0
<b>Asset Quality</b>										
OSRL (INR b)	19.7	25.0	30.7	42.6	41.7	41.6	41.7		42.6	
OSRL (%)	0.9	1.1	1.2	1.7	1.6	1.5	1.5		1.7	
Gross NPA (INR b)	99.8	100.2	97.2	94.8	98.2	100.4	97.6	101.5	94.8	101.5
Gross NPA (%)	4.4	4.1	3.8	3.6	3.5	3.5	3.3	3.4	3.6	3.4

E: MOSL Estimates

## CMP: INR1,021

Buy

- Loan and deposit is expected to grow 15-16% YoY led by healthy growth in domestic segment. On the asset side, pick-up in retail loans and working capital financing will be the key drivers.
- Fee income growth is likely to remain moderate at ~9%. However, it would be better than sub 5% growth reported in preceding 5 quarters.
- Bank's asset quality has been holding fairly well over the past few quarters and we expect it to continue, given the benign asset quality in retail segment, changing loan portfolio mix (unsecured retail now forms only 1.4%, v/s 9%+ in FY08) and better risk management practices.
- We have factored 65bp of credit cost for 4QFY13E, and better-than-expected asset quality performance could throw a positive surprise.
- Excluding subsidiaries, the stock trades at 1.4x FY15E ABV (BV adjusted for investment in subsidiaries) and 10x FY15E EPS. **Buy.**

### Key issues to watch for

- Margin performance and guidance on loan growth.
- Though performance on asset quality has been strong, increasing stress in large and mid-corporate may lead to higher restructuring.
- Change in restructured loan portfolio post RBI notification.



IDFC

Bloomberg	IDFC IN
Equity Shares (m)	1,512.4
M. Cap. (INR b)/(USD b)	211/4
52-Week Range (INR)	185/111
1,6,12 Rel Perf. (%)	-7/-11/-1

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
NII	20.3	26.2	30.8	36.9
PPP	24.6	28.6	33.7	39.7
Cons. PAT	15.5	18.0	21.0	24.8
EPS (INR)	10.3	11.9	13.9	16.4
EPS Gr. (%)	17.1	15.8	16.8	18.0
BV/Share (INR)	81.2	90.0	100.2	112.3
BV/Share (INR)	72.7	81.5	91.7	103.8
RoAA (%)	2.9	2.8	2.8	2.8
Core RoE (%)	16.2	16.0	16.5	17.2
Payout (%)	25.2	25.8	26.1	26.0
<b>Valuations</b>				
P/E (x)	13.6	11.7	10.1	8.5
P/BV (x)	1.7	1.6	1.4	1.2
P/ABV (x)	1.6	1.4	1.3	1.1
Div. Yield (%)	1.6	1.9	2.2	2.6

**CMP: INR140****Buy**

- Loan growth is expected to remain healthy - 6.6% QoQ and 18% YoY.
- We expect spreads to improve 8bp on a QoQ basis, translating into ~5.6% QoQ and 19% YoY growth in NII.
- Revenue from investment banking and broking business are expected to improve sequentially, given the increased activity levels in capital markets. We expect asset management revenue to improve marginally QoQ. Loan related and others are also likely to improve sequentially.
- Asset quality is expected to remain stable. However, we conservatively estimate provisions of INR678m, against INR518m in 3QFY13 and INR838m in 4QFY12.
- We expect PAT to grow by 47% YoY and 8% sequentially.
- The stock trades at 1.4x FY14E BV and 1.2x FY15E BV.

**Key issues to watch for**

- Growth trends and asset quality performance in the backdrop of challenging fuel linkage issues that hurt power generation companies.
- Movement in spreads and yield on assets.

**Quarterly Performance**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>NII</b>	<b>4,830</b>	<b>4,980</b>	<b>5,360</b>	<b>5,860</b>	<b>6,220</b>	<b>6,430</b>	<b>6,560</b>	<b>6,963</b>	<b>21,030</b>	<b>26,173</b>
% Change (YoY)	43	33	17	23	29	29	22	19	28	24
- Infra Loans	4,280	4,390	4,730	5,400	5,550	5,960	6,110	6,127	18,800	23,747
- Treasury	550	590	630	460	670	470	450	836	2,230	2,426
<b>Fees</b>	<b>1,165</b>	<b>1,590</b>	<b>1,315</b>	<b>1,037</b>	<b>1,462</b>	<b>1,568</b>	<b>1,676</b>	<b>1,847</b>	<b>5,107</b>	<b>6,552</b>
- Asset management	620	920	680	600	640	690	870	900	2,820	3,100
- IB and Broking	150	230	90	140	90	210	80	115	610	495
- Fixed Income			220		130	190	300	330	220	950
- Loan related/others	395	440	325	297	602	478	426	501	1,457	2,007
Principal investments	(20)	2,320	910	290	20	490	70	550	3,500	1,130
Other Income	76	11	7	63	14	16	59	61	157	150
<b>Net Income</b>	<b>6,051</b>	<b>8,901</b>	<b>7,592</b>	<b>7,251</b>	<b>7,716</b>	<b>8,504</b>	<b>8,365</b>	<b>9,420</b>	<b>29,794</b>	<b>34,005</b>
% Change (YoY)	(1)	37	15	3	28	(4)	10	30	14	14
Operating Expenses	1,142	1,314	1,261	1,505	1,160	1,241	1,333	1,707	5,222	5,441
<b>Operating profit</b>	<b>4,909</b>	<b>7,587</b>	<b>6,331</b>	<b>5,746</b>	<b>6,556</b>	<b>7,263</b>	<b>7,032</b>	<b>7,714</b>	<b>24,572</b>	<b>28,564</b>
% Change (YoY)	0	44	27	13	34	(4)	11	34	22	16
Provisions	399	631	978	838	1,026	305	518	678	2,846	2,527
<b>PBT</b>	<b>4,509</b>	<b>6,956</b>	<b>5,353</b>	<b>4,908</b>	<b>5,530</b>	<b>6,957</b>	<b>6,514</b>	<b>7,036</b>	<b>21,726</b>	<b>26,037</b>
Tax	1,378	1,715	1,537	1,590	1,713	2,188	1,965	2,141	6,219	8,006
<b>PAT</b>	<b>3,132</b>	<b>5,241</b>	<b>3,816</b>	<b>3,319</b>	<b>3,817</b>	<b>4,770</b>	<b>4,549</b>	<b>4,895</b>	<b>15,508</b>	<b>18,031</b>
Less: Consol Adjustments	(5)	(2)	4	(30)	19	13	(2)	(1)	(32)	30
<b>Consol PAT</b>	<b>3,136</b>	<b>5,243</b>	<b>3,812</b>	<b>3,348</b>	<b>3,798</b>	<b>4,757</b>	<b>4,551</b>	<b>4,895</b>	<b>15,540</b>	<b>18,001</b>
% Change (YoY)	(6)	55	19	17	21	(9)	19	46	21	16

E: MOSL Estimates

# Indian Bank

Bloomberg	INBK IN
Equity Shares (m)	429.8
M. Cap. (INR b)/(USD b)	71/1
52-Week Range (INR)	244/152
1,6,12 Rel Perf. (%)	-6/-13/-38

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	44.2	46.1	53.2	60.9
OP	34.6	32.6	37.7	43.4
NP	17.5	15.9	17.5	20.2
NIM (%)	3.6	3.2	3.2	3.2
EPS (INR)	40.6	36.9	40.7	46.9
EPS Gr. (%)	1.9	-9.3	10.5	15.2
BV/Sh. (INR)	214.9	243.1	274.3	310.4
RoE (%)	19.8	15.6	15.3	15.7
RoA (%)	1.3	1.0	1.0	1.0
Payout (%)	18.5	18.0	18.0	18.0
<b>Valuations</b>				
P/E (x)	4.0	4.5	4.0	3.5
P/ BV (x)	0.8	0.7	0.6	0.5
P/ABV (x)	0.8	0.8	0.7	0.6
Div Yield (%)	4.6	4.0	4.5	5.1

## CMP: INR164

Buy

- Loan growth is expected to be in line with the industry average at ~16% YoY, while deposit growth is expected to be better at 17% YoY.
- NIMs are expected to be stable QoQ at 3.2%, led by receding pressure on asset quality. However, pressure on lending yields would continue.
- Slippages are expected to be at a high level. However, upgradation and recovery (partially due to restructuring) in mid-corporate segment is expected to keep GNPA's under check. We expect GNPA percentage to fall to 3%, compared to 3.2% in 3QFY13.
- Restructuring is likely to increase, partially led by restructuring of state electricity boards. In 3QFY13, bank restructured loans of INR4b.
- PBT is expected to grow by 29% QoQ. However, PAT is expected to decline by 10%+, led by higher tax rate. In 3QFY13, tax rate was negligible, which we expect to normalize.
- The stock trades at 0.6x FY14E and 0.5x FY15E BV, and 4x FY14E and 3.5x FY15E EPS. Maintain **Buy**.

### Key issues to watch for

- Restructured loan portfolio, post RBI notification.
- Margin performance.
- Net slippages.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	27,814	30,348	32,240	31,911	33,738	34,104	35,465	36,019	122,313	139,325
Interest Expense	17,514	18,994	20,540	21,085	22,206	22,901	24,030	24,109	78,133	93,246
<b>Net Interest Income</b>	<b>10,300</b>	<b>11,354</b>	<b>11,700</b>	<b>10,826</b>	<b>11,532</b>	<b>11,203</b>	<b>11,434</b>	<b>11,910</b>	<b>44,180</b>	<b>46,079</b>
% Change (Y-o-Y)	11.2	15.5	12.8	-2.6	12.0	-1.3	-2.3	10.0	9.5	4.3
Other Income	2,493	3,423	2,812	3,070	2,227	3,645	2,402	2,906	12,322	11,181
<b>Net Income</b>	<b>12,793</b>	<b>14,777</b>	<b>14,513</b>	<b>13,896</b>	<b>13,759</b>	<b>14,848</b>	<b>13,837</b>	<b>14,816</b>	<b>56,502</b>	<b>57,260</b>
Operating Expenses	4,982	5,568	5,397	5,923	5,356	5,764	6,355	7,145	21,870	24,621
<b>Operating Profit</b>	<b>7,811</b>	<b>9,209</b>	<b>9,116</b>	<b>7,973</b>	<b>8,402</b>	<b>9,084</b>	<b>7,481</b>	<b>7,671</b>	<b>34,632</b>	<b>32,639</b>
% Change (Y-o-Y)	-6.8	24.6	12.3	-11.7	7.6	-1.4	-17.9	-3.8	8.3	1.3
Other Provisions	1,770	2,203	2,361	5,618	1,457	2,022	4,116	3,328	11,953	10,923
<b>Profit before Tax</b>	<b>6,042</b>	<b>7,005</b>	<b>6,754</b>	<b>2,354</b>	<b>6,945</b>	<b>7,063</b>	<b>3,365</b>	<b>4,343</b>	<b>22,679</b>	<b>21,716</b>
Tax Provisions	1,972	2,318	1,495	-1,100	2,328	2,096	59	1,381	5,209	5,863
<b>Net Profit</b>	<b>4,069</b>	<b>4,687</b>	<b>5,259</b>	<b>3,454</b>	<b>4,617</b>	<b>4,967</b>	<b>3,306</b>	<b>2,962</b>	<b>17,470</b>	<b>15,852</b>
% Change (Y-o-Y)	10.5	12.7	7.0	-21.3	13.5	6.0	-37.1	-14.2	1.9	-9.3
<b>Operating Parameters</b>										
NIM (Rep, %)	3.4	3.8	3.6	3.2	3.3	3.1	3.1		3.4	
NIM (Cal, %)	3.6	3.8	3.7	3.3	3.5	3.2	3.2	3.2	3.6	3.2
Deposit Growth (%)	21.3	18.6	17.8	14.2	15.0	12.9	13.5	17.0	14.2	17.0
Loan Growth (%)	21.3	23.4	19.1	20.4	13.8	10.8	13.6	16.2	20.4	16.2
CASA Ratio (%)	31.3	30.0	31.3	31.5	29.3	29.0	28.3		31.5	
Tax Rate (%)	32.6	33.1	22.1	-46.7	33.5	29.7	1.8	31.8	23.0	27.0
<b>Asset Quality</b>										
OSRL (INR b)	52.5	51.3	55.7	89.0	99.2	103.5	107.5		89.0	
OSRL (%)	6.4	5.9	6.3	9.8	10.6	10.8	10.7		9.8	
Gross NPA (INR b)	8.1	10.5	11.9	18.5	15.5	19.8	31.8	31.8	18.5	31.8
Gross NPA (%)	1.0	1.2	1.4	2.0	1.7	2.1	3.2	3.0	2.0	3.0

E: MOSL Estimates

# IndusInd Bank

Bloomberg	IIB IN
Equity Shares (m)	521.8
M. Cap. (INR b)/(USD b)	209/4
52-Week Range (INR)	449/288
1,6,12 Rel Perf. (%)	-4/16/21

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	17.0	22.4	28.7	36.0
OP	13.7	18.1	24.0	30.6
NP	8.0	10.4	13.4	17.2
NIM (%)	3.6	3.8	4.0	4.1
EPS (INR)	17.2	20.0	25.7	32.9
EPS Gr. (%)	38.5	16.7	28.5	27.8
BV/Sh. (INR)	96.7	142.2	164.2	192.3
RoE (%)	19.2	17.5	16.8	18.5
RoA (%)	1.6	1.6	1.7	1.8
Payout (%)	14.9	14.6	14.6	14.6
<b>Valuations</b>				
P/E(X)	23.3	20.0	15.5	12.2
P/BV (X)	4.1	2.8	2.4	2.1
P/ABV (X)	4.2	2.8	2.5	2.1
Div. Yield (%)	0.6	0.6	0.8	1.0

## CMP: INR400

**Buy**

- Growth in CV segment is expected to moderate. However, introduction and traction in new products - LAP and credit card - will drive growth in consumer finance portfolio. In corporate segment, growth is expected to be driven by working capital, and we expect overall loan growth of 25% for FY13E.
- IIB has raised INR20b of capital due to which margins are likely to improve by 25bp. Further, some benefit of lower bulk deposit rates would help NIMs.
- Fee income growth is expected to be strong at ~29% YoY.
- Stress in CV segment has increased in the recent months. However, we expect bank's asset quality to remain healthy and thereby credit cost would be contained. We factor credit cost of ~0.5%.
- The stock trades at 2.4x FY14E and 2.1x FY15E BV, and 15.5x FY14E and 12.2x FY15E EPS. Maintain **Buy**.

### Key issues to watch for

- Growth strategy, traction in new products and fee-based income.
- Traction in SA deposits.
- Outlook on asset quality, mainly CV portfolio.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	11,646	13,239	13,897	14,810	16,320	17,279	18,005	18,869	53,592	70,474
Interest Expense	7,746	9,047	9,591	10,166	11,479	12,182	12,227	12,176	36,549	48,064
<b>Net Interest Income</b>	<b>3,900</b>	<b>4,192</b>	<b>4,307</b>	<b>4,644</b>	<b>4,841</b>	<b>5,097</b>	<b>5,778</b>	<b>6,693</b>	<b>17,042</b>	<b>22,409</b>
% Change (YoY)	31.9	27.1	18.6	19.7	24.1	21.6	34.2	44.1	23.8	31.5
Other Income	2,154	2,392	2,651	2,921	3,188	3,205	3,558	3,560	10,118	13,511
<b>Net Income</b>	<b>6,054</b>	<b>6,584</b>	<b>6,958</b>	<b>7,565</b>	<b>8,029</b>	<b>8,302</b>	<b>9,336</b>	<b>10,253</b>	<b>27,160</b>	<b>35,920</b>
Operating Expenses	2,937	3,254	3,465	3,774	3,989	4,104	4,614	5,133	13,430	17,840
<b>Operating Profit</b>	<b>3,117</b>	<b>3,330</b>	<b>3,492</b>	<b>3,791</b>	<b>4,040</b>	<b>4,198</b>	<b>4,722</b>	<b>5,120</b>	<b>13,730</b>	<b>18,080</b>
% Change (YoY)	35.2	27.2	19.9	27.2	29.6	26.1	35.2	35.1	26.9	31.7
Other Provisions	446	470	428	460	535	491	787	787	1,804	2,599
<b>Profit before Tax</b>	<b>2,671</b>	<b>2,860</b>	<b>3,064</b>	<b>3,331</b>	<b>3,505</b>	<b>3,708</b>	<b>3,935</b>	<b>4,333</b>	<b>11,927</b>	<b>15,481</b>
Tax Provisions	870	929	1,005	1,097	1,143	1,205	1,262	1,422	3,900	5,031
<b>Net Profit</b>	<b>1,802</b>	<b>1,931</b>	<b>2,060</b>	<b>2,234</b>	<b>2,363</b>	<b>2,503</b>	<b>2,673</b>	<b>2,912</b>	<b>8,026</b>	<b>10,450</b>
% Change (YoY)	52.0	45.0	33.9	30.1	31.1	29.6	29.8	30.4	39.0	30.2
<b>Operating Parameters</b>										
NIM (Reported,%)	3.4	3.4	3.3	3.3	3.2	3.3	3.5		3.3	
NIM (Cal, %)	3.3	3.4	3.3	3.3	3.3	3.3	3.6	3.9	3.6	3.8
Deposit Growth (%)	28.8	22.6	32.3	23.3	27.8	24.5	26.0	23.0	23.3	23.0
Loan Growth (%)	31.4	28.5	29.7	34.0	31.2	30.8	30.8	25.0	34.0	25.0
CASA Ratio (%)	28.2	27.7	26.5	27.3	27.9	28.0	28.7		27.3	
Tax Rate (%)	32.5	32.5	32.8	32.9	32.6	32.5	32.1	32.8	32.7	32.5
<b>Asset Quality</b>										
Gross NPA (INR b)	3.1	3.3	3.3	3.5	3.7	4.1	4.2	4.4	3.5	4.4
Gross NPA (%)	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
OSRL (INR b)	1.1	0.9	0.7	0.9	0.9	0.7	1.1			
OSRL (%)	0.4	0.3	0.2	0.3	0.2	0.2	0.3		0.3	

E: MOSL Estimates; Quarterly calculated margins based on total assets, yearly on interest earning assets

# ING Vysya Bank

Bloomberg	VYSB IN
Equity Shares (m)	150.1
M. Cap. (INR b)/(USD b)	83/2
52-Week Range (INR)	627/311
1,6,12 Rel Perf. (%)	3/39/49

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	12.1	15.3	17.7	20.9
OP	7.7	9.8	11.7	14.3
NP	4.6	6.1	6.7	7.7
NIM (%)	3.0	3.2	3.1	3.0
EPS (INR)	30.4	40.3	44.7	51.6
EPS Gr. (%)	15.4	32.6	10.8	15.6
BV/Sh. (INR)	258.2	292.4	330.3	374.1
RoE (%)	14.3	14.6	14.3	14.7
RoA (%)	1.1	1.2	1.1	1.1
Payout (%)	13.2	13.0	13.0	13.0
<b>Valuations</b>				
P/E(X)	18.1	13.7	12.3	10.7
P/BV (X)	2.1	1.9	1.7	1.5
P/ABV (X)	2.2	1.9	1.7	1.5
Div. Yield (%)	0.7	1.0	1.1	1.2

## CMP: INR550

Buy

- On a YoY basis, loan growth is expected to be above industry average at ~20%. In line with loans, deposits are expected to grow at 22%.
- Margins are expected to moderate by ~10bp QoQ (though would be up 30bp YoY) to 3.5%, as bank builds its priority sector loan portfolio. Thus, NII is expected to grow 4% QoQ and 31% YoY.
- While VYSB's performance on asset quality front has been strong over the past few quarters, high exposure to SME segment could lead to some pressure on asset quality. Hence, on a conservative basis, we have built higher slippages and higher provisions.
- Non-interest income growth is expected to remain muted as fee income (ex-forex) is expected to be largely flat.
- The stock trades at 1.7x FY14E and 1.5x FY15E BV, and 12.3x FY14E and 10.7x FY15E EPS. Maintain **Buy**.

### Key issues to watch for

- Fee income growth continues to remain muted; traction in the same could help profitability, going forward.
- Lower credit cost has been one of the key drivers of RoA for VYSB, and performance and outlook on asset quality remains critical.
- Branch expansion strategy.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	8,708	9,331	9,915	10,615	11,714	11,976	12,389	12,549	38,568	48,628
Interest Expense	6,088	6,295	6,679	7,423	8,281	8,288	8,359	8,365	26,485	33,294
<b>Net Interest Income</b>	<b>2,620</b>	<b>3,036</b>	<b>3,236</b>	<b>3,192</b>	<b>3,433</b>	<b>3,688</b>	<b>4,029</b>	<b>4,184</b>	<b>12,084</b>	<b>15,334</b>
% Change (Y-o-Y)	10.1	19.4	31.6	18.9	31.0	21.5	24.5	31.1	20.1	26.9
Other Income	1,405	1,625	1,699	1,968	1,710	1,689	1,866	1,926	6,698	7,191
<b>Net Income</b>	<b>4,025</b>	<b>4,661</b>	<b>4,935</b>	<b>5,160</b>	<b>5,142</b>	<b>5,377</b>	<b>5,895</b>	<b>6,110</b>	<b>18,781</b>	<b>22,525</b>
Operating Expenses	2,557	2,767	2,822	2,957	2,967	3,100	3,263	3,393	11,102	12,723
<b>Operating Profit</b>	<b>1,468</b>	<b>1,894</b>	<b>2,113</b>	<b>2,203</b>	<b>2,175</b>	<b>2,276</b>	<b>2,633</b>	<b>2,718</b>	<b>7,679</b>	<b>9,802</b>
% Change (Y-o-Y)	-1.2	2.8	32.5	53.9	48.1	20.2	24.6	23.4	20.9	27.6
Other Provisions	62	175	334	566	267	64	246	328	1,138	905
<b>Profit before Tax</b>	<b>1,406</b>	<b>1,719</b>	<b>1,779</b>	<b>1,637</b>	<b>1,908</b>	<b>2,213</b>	<b>2,387</b>	<b>2,390</b>	<b>6,541</b>	<b>8,897</b>
Tax Provisions	466	566	584	363	607	710	764	766	1,978	2,847
<b>Net Profit</b>	<b>940</b>	<b>1,154</b>	<b>1,195</b>	<b>1,274</b>	<b>1,301</b>	<b>1,502</b>	<b>1,623</b>	<b>1,624</b>	<b>4,563</b>	<b>6,050</b>
% Change (Y-o-Y)	36.1	53.3	44.0	39.5	38.4	30.2	35.8	27.5	43.2	32.6
<b>Operating Parameters</b>										
NIM (Reported,%)	3.0	3.4	3.5	3.3	3.3	3.5	3.6		3.3	
NIM (Cal, %)	3.0	3.3	3.5	3.2	3.2	3.4	3.6	3.5	3.2	3.4
Deposit Growth (%)	29.4	17.8	16.1	16.6	14.6	17.8	19.1	22.0	16.6	22.0
Loan Growth (%)	25.5	22.8	22.6	21.8	22.9	20.8	20.2	20.0	21.8	20.0
CASA Ratio (%)	33.8	32.6	32.6	34.2	33.3	32.8	31.7		34.2	
Tax Rate (%)	33.1	32.9	32.8	22.2	31.8	32.1	32.0	32.1	30.2	32.0
<b>Asset Quality</b>										
Gross NPA (INR b)	5.2	5.1	5.4	5.6	5.9	5.8	5.7	5.9	5.6	5.9
Gross NPA (%)	2.2	2.0	2.0	1.9	2.0	1.9	1.8	1.7	1.9	1.7

E: MOSL Estimates

# Kotak Mahindra Bank

Bloomberg	KMB IN
Equity Shares (m)	740.7
M. Cap. (INR b)/(USD b)	474/9
52-Week Range (INR)	694/511
1,6,12 Rel Perf. (%)	-1/-1/11

**CMP: INR640**

**Neutral**

## Lending business

- Profit from the lending business is expected to grow by ~23% YoY and ~4% QoQ, led by the standalone bank.
- For the standalone bank, we expect loan and PAT growth of 25% and 3% YoY respectively. Margins likely to decline ~12bp sequentially. Meanwhile, for Kotak Prime, loans and PAT are expected to grow by 14% YoY and 5% sequentially.

## Capital Market and Asset Management business

- We expect PAT from capital market related businesses to grow by ~12% sequentially. Profit from securities business would grow 7% on a QoQ basis but decline 19% on YoY basis.
- In the Asset Management business, we expect a loss of INR76m v/s a profit of INR160m in 4QFY12 and INR220m in 3QFY13. The loss will be led by international subsidiaries and Kotak Investment Advisors.
- The stock trades at 15.7x FY15E EPS and 2.3x FY15E BV.

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	25.1	31.5	38.0	0.3
OP	16.6	20.9	25.7	31.5
NP	10.9	13.0	15.1	18.4
NIM (%)	4.6	4.6	4.5	4.5
EPS (INR)	24.7	28.9	34.3	40.8
EPS Gr. (%)	16.3	16.9	18.7	18.8
BV/Sh. (INR)	174.2	202.3	235.6	275.2
Cons. RoE (%)	15.4	15.4	15.7	16.0
RoA (%)	1.9	1.8	1.7	1.7
Payout (%)	4.8	4.8	4.9	4.8
<b>Valuations</b>				
P/E(X)	25.9	22.1	18.6	15.7
P/BV (X)	3.7	3.2	2.7	2.3
P/ABV (X)	3.7	3.2	2.8	2.4
Div. Yield (%)	0.1	0.1	0.1	0.2

## Key issues to watch for

- Business growth and CASA trends.
- Asset quality trends, especially in the CV segment.

## Kotak Mahindra Bank (SA) Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	13,298	14,646	16,410	17,448	18,158	19,237	20,946	20,978	61,802	79,319
Interest Expense	7,619	8,592	9,895	10,571	10,945	11,656	12,717	12,515	36,677	47,833
<b>Net Interest Income</b>	<b>5,678</b>	<b>6,055</b>	<b>6,515</b>	<b>6,877</b>	<b>7,213</b>	<b>7,581</b>	<b>8,229</b>	<b>8,463</b>	<b>25,125</b>	<b>31,486</b>
% Change (Y-o-Y)	17.1	11.3	14.0	21.7	27.0	25.2	26.3	23.1	19.8	25.3
Other Income	2,287	2,125	2,820	2,542	2,411	2,508	3,049	3,283	9,773	11,251
<b>Net Income</b>	<b>7,965</b>	<b>8,180</b>	<b>9,334</b>	<b>9,420</b>	<b>9,625</b>	<b>10,089</b>	<b>11,277</b>	<b>11,746</b>	<b>34,898</b>	<b>42,737</b>
% Change (Y-o-Y)	23.0	19.7	26.7	15.9	20.8	23.3	20.8	24.7	21.3	22.5
Operating Expenses	4,105	4,379	4,898	4,966	5,141	5,267	5,551	5,890	18,348	21,849
<b>Operating Profit</b>	<b>3,861</b>	<b>3,800</b>	<b>4,436</b>	<b>4,453</b>	<b>4,484</b>	<b>4,822</b>	<b>5,726</b>	<b>5,856</b>	<b>16,550</b>	<b>20,888</b>
% Change (Y-o-Y)	21.6	16.3	41.0	21.0	16.1	26.9	29.1	31.5	24.9	26.2
Other Provisions	221	-24	307	46	341	706	424	399	551	1,870
<b>Profit before Tax</b>	<b>3,640</b>	<b>3,824</b>	<b>4,129</b>	<b>4,407</b>	<b>4,142</b>	<b>4,116</b>	<b>5,303</b>	<b>5,457</b>	<b>15,999</b>	<b>19,018</b>
Tax Provisions	1,119	1,224	1,368	1,438	1,318	1,312	1,686	1,732	5,149	6,048
<b>Net Profit</b>	<b>2,520</b>	<b>2,600</b>	<b>2,761</b>	<b>2,969</b>	<b>2,824</b>	<b>2,804</b>	<b>3,617</b>	<b>3,725</b>	<b>10,850</b>	<b>12,970</b>
% Change (Y-o-Y)	33.3	33.5	47.0	19.4	12.1	7.8	31.0	25.5	32.6	19.5
Int Exp/Int Income Ratio (%)	57.3	58.7	60.3	60.6	60.3	60.6	60.7	59.7	59.3	60.3
Cost to Income Ratio (%)	51.5	53.5	52.5	52.7	53.4	52.2	49.2	50.1	52.6	51.1
Tax Rate (%)	30.8	32.0	33.1	32.6	31.8	31.9	31.8	31.7	32.2	31.8

E: MOSL Estimates, Quarterly numbers vary from full year number due to difference in reporting



# LIC Housing Finance

Bloomberg	LICHF IN
Equity Shares (m)	505.0
M. Cap. (INR b)/(USD b)	112/2
52-Week Range (INR)	300/209
1,6,12 Rel Perf. (%)	-6/-20/-24

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	13.9	14.9	19.2	23.9
PPP	13.9	14.2	18.5	23.0
Adj. PAT	10.0	9.7	12.5	15.7
Adj. EPS (INR)	19.8	19.2	24.8	31.0
EPS Gr. (%)	-8.4	-3.3	29.4	25.0
BV/Share (INR)	112.5	127.2	148.0	172.2
RoAA (%)	1.8	1.4	1.4	1.4
RoE (%)	20.3	16.0	18.0	19.4
Payout (%)	19.9	20.0	20.0	20.0
<b>Valuations</b>				
P/E (x)	12.2	11.5	8.2	7.0
P/BV (x)	2.0	1.7	1.5	1.3
Div. Yield (%)	1.6	1.7	2.5	2.8

## CMP: INR221

Buy

- LICHF's loan growth is likely to remain healthy on the back of buoyant demand in individual loans segment coupled with increased sanctions/disbursements in the developer loan portfolio. The builder loan portfolio too is expected to go up. We expect loan growth to remain healthy at ~24% YoY and ~8% QoQ.
- We expect margins to expand by ~10bp QoQ, led by some moderation in cost of funds, which should provide a cushion to margins.
- Asset quality is likely to remain stable. We model a provisioning expense of ~INR294m (v/s write-back of INR200m worth excess provisions in 4QFY12 on account of change in the standard asset provisioning requirement by NHB) for the quarter.
- We expect net profit to grow at 3.1% YoY to INR2.61b.
- The stock trades at 1.5x FY14E and 1.3x FY15E BV. Maintain **Buy**.

### Key issues to watch for

- Asset quality in the developer category; outlook on performance in the developer portfolio.
- Margin trends; LICHF has been disappointing on the margin front for the past few quarters.
- Overall asset quality trends.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>3,610</b>	<b>3,342</b>	<b>3,258</b>	<b>3,708</b>	<b>3,505</b>	<b>3,535</b>	<b>3,697</b>	<b>4,188</b>	<b>13,916</b>	<b>14,925</b>
YoY Growth (%)	22.6	9.5	-7.5	-11.8	-2.9	5.8	13.5	12.9	1.4	7.2
Fees and other income	601	574	538	610	494	537	500	644	2,324	2,175
<b>Net Income</b>	<b>4,211</b>	<b>3,916</b>	<b>3,795</b>	<b>4,318</b>	<b>3,999</b>	<b>4,073</b>	<b>4,196</b>	<b>4,832</b>	<b>16,240</b>	<b>17,100</b>
YoY Growth (%)	24.7	5.9	-30.4	-16.7	-5.0	4.0	10.6	11.9	-8.3	5.3
Operating Expenses	422	561	534	854	521	679	673	1,022	2,371	2,895
<b>Operating Profit</b>	<b>3,789</b>	<b>3,354</b>	<b>3,262</b>	<b>3,464</b>	<b>3,479</b>	<b>3,393</b>	<b>3,524</b>	<b>3,810</b>	<b>13,870</b>	<b>14,206</b>
YoY Growth (%)	27.0	5.1	-33.3	-22.7	-8.2	1.2	8.0	10.0	-10.8	2.4
Provisions and Cont.	334	2,047	-797	-24	436	69	319	294	1,561	1,118
<b>Profit before Tax</b>	<b>3,454</b>	<b>1,307</b>	<b>4,059</b>	<b>3,488</b>	<b>3,043</b>	<b>3,324</b>	<b>3,205</b>	<b>3,516</b>	<b>12,309</b>	<b>13,088</b>
Tax Provisions	889	323	1,003	952	766	894	843	901	3,167	3,403
<b>Net Profit</b>	<b>2,565</b>	<b>984</b>	<b>3,056</b>	<b>2,536</b>	<b>2,277</b>	<b>2,430</b>	<b>2,362</b>	<b>2,615</b>	<b>9,142</b>	<b>9,685</b>
YoY Growth (%)	21.0	-58.0	43.1	-19.4	-11.2	147.0	-22.7	3.1	-6.2	5.9
<b>Adj PAT (Post Tax)</b>	<b>2,565</b>	<b>2,527</b>	<b>2,258</b>	<b>2,536</b>	<b>2,277</b>	<b>2,430</b>	<b>2,362</b>	<b>2,615</b>	<b>10,011</b>	<b>9,685</b>
YoY Growth (%)	21.0	7.9	-23.5	-12.9	-11.2	-3.8	4.6	3.1	-2.7	-3.3
Loan Growth (%)	32.1	29.3	26.6	23.5	24.1	23.2	23.8	24.5	23.5	24.5
Borrowings Growth (%)	31.3	28.0	25.9	24.2	23.7	24.2	22.1	26.7	24.2	26.7
Cost to Income Ratio (%)	10.0	14.3	14.1	19.8	13.0	16.7	16.0	21.1	14.6	16.9
Tax Rate (%)	25.7	24.7	24.7	27.3	25.2	26.9	26.3	25.6	25.7	26.0

E: MOSL Estimates

# M & M Financial Services

Bloomberg	MMFS IN
Equity Shares (m)	562.2
M. Cap. (INR b)/(USD b)	111/2
52-Week Range (INR)	245/120
1,6,12 Rel Perf. (%)	4/12/40

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	16.2	22.2	28.5	35.8
PPP	10.8	15.0	19.5	24.4
PAT	6.2	8.0	10.2	12.9
EPS (INR)	12.1	14.3	18.2	22.9
EPS Gr. (%)	33.6	18.3	27.4	25.8
BV/Share (INR)	57.5	79.4	92.8	109.7
RoA on AUM (%)	3.5	3.5	3.5	3.6
RoE (%)	22.8	21.7	21.1	22.6
Payout (%)	23.2	22.5	22.5	22.5
<b>Valuations</b>				
P/E (x)	16.4	13.8	10.9	8.6
P/BV (x)	3.4	2.5	2.1	1.8
Div. Yield (%)	1.4	1.6	2.1	2.6

## CMP: INR198

Buy

- MMFS continues to ride high on its multi-product strategy and strong rural focus. Healthy growth momentum in the CV, used vehicle and car segments is likely to sustain on the back of the festive season gone by. AUMs expected to grow at a healthy pace at 30%+ levels.
- Margins are likely to improve in this quarter due to fund raising during the last quarter. In 3QFY13, calculated NIMs stood at 9.2%.
- We expect NII to grow at 26% YoY and 15% QoQ.
- Asset quality is expected to remain healthy. As in December 2012, GNPA's were 4% and NNPA's were 1.6%.
- We expect net profit to grow at ~12% YoY and ~27% QoQ to INR2.56b.
- The stock trades at 2.1x FY14E and 1.8x FY15E BV. Maintain Buy.

### Key issues to watch for

- Business growth momentum, as the company has been growing its AUMs at 30%+ rate for the past 10 quarters.
- Margin trends, as the wholesale cost of funds has started to cool off.
- Asset quality trends, given continued weakness in car sales.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Operating Income	5,538	6,410	7,378	8,393	8,351	9,157	9,956	11,497	27,425	38,961
Other Income	64	49	36	77	39	135	53	45	521	272
<b>Total income</b>	<b>5,603</b>	<b>6,459</b>	<b>7,414</b>	<b>8,470</b>	<b>8,390</b>	<b>9,292</b>	<b>10,009</b>	<b>11,542</b>	<b>27,946</b>	<b>39,234</b>
YoY Growth (%)	39.6	34.9	39.9	44.6	49.8	43.9	35.0	36.3	41.3	40.4
Interest Expenses	2,160	2,589	3,150	3,304	3,475	3,898	4,344	5,040	11,203	16,757
<b>Net Income</b>	<b>3,443</b>	<b>3,870</b>	<b>4,264</b>	<b>5,166</b>	<b>4,916</b>	<b>5,394</b>	<b>5,665</b>	<b>6,502</b>	<b>16,743</b>	<b>22,477</b>
Operating Expenses	1,369	1,480	1,467	1,603	1,667	1,768	1,872	2,199	5,920	7,507
<b>Operating Profit</b>	<b>2,074</b>	<b>2,389</b>	<b>2,797</b>	<b>3,563</b>	<b>3,248</b>	<b>3,626</b>	<b>3,793</b>	<b>4,303</b>	<b>10,823</b>	<b>14,970</b>
YoY Growth (%)	25.5	15.0	22.8	45.0	56.6	51.8	35.6	20.8	29.0	38.3
Provisions	561	373	494	142	854	836	815	561	1,536	3,037
<b>Profit before Tax</b>	<b>1,513</b>	<b>2,016</b>	<b>2,303</b>	<b>3,421</b>	<b>2,395</b>	<b>2,790</b>	<b>2,977</b>	<b>3,742</b>	<b>9,287</b>	<b>11,934</b>
Tax Provisions	491	661	756	1,144	784	914	975	1,196	3,051	3,869
<b>Net Profit</b>	<b>1,022</b>	<b>1,355</b>	<b>1,547</b>	<b>2,277</b>	<b>1,610</b>	<b>1,876</b>	<b>2,002</b>	<b>2,546</b>	<b>6,236</b>	<b>8,066</b>
YoY Growth (%)	37.7	16.3	33.5	45.4	57.6	38.4	29.4	11.8	33.6	29.3
<b>AUM growth (%)</b>	<b>38.9</b>	<b>40.7</b>	<b>40.1</b>	<b>36.2</b>	<b>37.9</b>	<b>34.3</b>	<b>31.8</b>	<b>31.3</b>	<b>36.2</b>	<b>31.3</b>
Borrowings growth (%)	49.2	51.1	49.5	44.3	44.8	38.9	34.5	28.6	44.3	28.6
Cost to Income Ratio (%)	39.8	38.3	34.4	31.0	33.9	32.8	33.1	33.8	35.4	33.4
Provisions/Operating Profits (%)	27.1	15.6	17.7	4.0	26.3	23.1	21.5	13.0	14.2	20.3
Tax Rate (%)	32.4	32.8	32.8	33.4	32.8	32.7	32.8	32.0	32.9	32.4

E: MOSL Estimates



# Oriental Bank of Commerce

Bloomberg	OBC IN
Equity Shares (m)	291.8
M. Cap. (INR b)/(USD b)	70/1
52-Week Range (INR)	368/208
1,6,12 Rel Perf. (%)	-12/-16/-18

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	42.2	47.7	55.8	64.7
OP	31.4	37.4	41.6	47.8
NP	11.4	13.5	16.3	20.2
NIM (%)	2.7	2.7	2.8	2.8
EPS (INR)	39.1	46.3	56.0	69.2
EPS Growth (%)	-24.0	18.3	21.0	23.6
BV/Sh. (INR)	379.9	415.4	458.4	511.4
RoE (%)	10.7	11.6	12.8	14.3
RoA (%)	0.7	0.7	0.8	0.8
Payout (%)	23.4	23.2	23.2	23.2
<b>Valuations</b>				
P/E (x)	6.1	5.2	4.3	3.4
P/BV (x)	0.6	0.6	0.5	0.5
P/ABV (x)	0.7	0.7	0.6	0.5
Div. Yield (%)	3.3	3.9	4.7	5.8

## CMP: INR238

Buy

- Management's strategy to de-bulk the balance sheet is expected to result in loan and deposit growth of 14% and 12% YoY respectively.
- Lag impact of reduction in high cost bulk deposits (19% as at end-3QFY13 v/s 30%+ in 3QFY12) would provide benefit to margins. Hence, it is likely to improve by ~10bp QoQ to 2.9%+.
- Net slippages are expected to be contained and we factor net slippage ratio of ~1.4%, compared to average of 1.6% in 9MFY13.
- Restructured loan portfolio is expected to increase. At end-3QFY13, management had guided for restructuring of ~INR32b, of which Punjab SEB was INR12b.
- Core fee income is expected to be flat YoY. However, higher share of non-core income and recoveries is expected to drive overall non-interest income growth of 29%+ YoY.
- The stock trades at 0.5x FY14E and 0.5x FY15E BV, and 4.3x FY14E and 3.4x FY15E EPS. Maintain **Buy**.

### Key issues to watch for

- Restructured loan pool, post RBI notification. Views on SEB restructuring.
- Guidance on: Balance sheet growth, margins and asset quality.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	35,965	38,011	41,965	42,208	42,872	44,146	44,687	45,017	158,149	176,722
Interest Expense	25,782	28,116	30,566	31,526	31,613	32,575	32,643	32,212	115,991	129,043
<b>Net Interest Income</b>	<b>10,183</b>	<b>9,895</b>	<b>11,399</b>	<b>10,682</b>	<b>11,258</b>	<b>11,571</b>	<b>12,044</b>	<b>12,805</b>	<b>42,158</b>	<b>47,679</b>
% Change (YoY)	-3.7	-8.1	10.7	5.4	10.6	16.9	5.7	19.9	0.9	13.1
Other Income	3,238	2,774	2,953	3,438	4,084	4,068	3,778	4,423	12,402	16,353
<b>Net Income</b>	<b>13,421</b>	<b>12,669</b>	<b>14,352</b>	<b>14,119</b>	<b>15,343</b>	<b>15,639</b>	<b>15,822</b>	<b>17,229</b>	<b>54,560</b>	<b>64,033</b>
Operating Expenses	5,408	5,087	6,081	6,580	6,377	6,427	6,559	7,317	23,155	26,679
<b>Operating Profit</b>	<b>8,014</b>	<b>7,582</b>	<b>8,271</b>	<b>7,539</b>	<b>8,965</b>	<b>9,212</b>	<b>9,264</b>	<b>9,912</b>	<b>31,406</b>	<b>37,353</b>
% Change (YoY)	-2.5	-5.9	6.9	-10.6	11.9	21.5	12.0	31.5	-3.2	18.9
Other Provisions	3,143	4,853	3,809	5,344	3,321	4,599	6,038	5,394	17,148	19,352
<b>Profit before Tax</b>	<b>4,871</b>	<b>2,729</b>	<b>4,462</b>	<b>2,196</b>	<b>5,644</b>	<b>4,614</b>	<b>3,226</b>	<b>4,518</b>	<b>14,258</b>	<b>18,001</b>
Tax Provisions	1,324	1,051	920	-453	1,730	1,592	-39	1,217	2,842	4,500
<b>Net Profit</b>	<b>3,547</b>	<b>1,677</b>	<b>3,542</b>	<b>2,649</b>	<b>3,914</b>	<b>3,022</b>	<b>3,264</b>	<b>3,301</b>	<b>11,416</b>	<b>13,501</b>
% Change (YoY)	-2.4	-57.8	-13.2	-20.6	10.4	80.2	-7.9	24.6	-24.0	18.3
<b>Operating Parameters</b>										
NIM (Rep, %)	2.9	2.6	2.9	2.7	2.8	2.8	2.8	2.8	2.8	
NIM (Cal,%)	2.7	2.6	2.9	2.7	2.7	2.7	2.7	2.8	2.7	2.7
Deposit Growth (%)	17.5	18.9	20.8	12.2	9.4	9.8	7.9	12.0	12.2	12.0
Loan Growth (%)	14.1	20.7	21.9	16.7	16.0	12.5	11.7	14.0	16.7	14.0
CASA Ratio (%)	23.4	22.9	22.3	24.1	24.0	24.1	23.9	24.1	24.1	
Tax Rate (%)	27.2	38.5	20.6	-20.6	30.7	34.5	-1.2	26.9	19.9	25.0
<b>Asset Quality</b>										
OSRL (INR b)	36.6	41.2	60.9	95.1	104.5	109.4	109.9	95.1		
OSRL (%)	3.7	3.9	5.5	8.4	9.2	9.2	8.9	8.4		
Gross NPA (INR b)	20.3	31.1	32.3	35.8	33.8	34.7	36.9	38.6	35.8	38.6
Gross NPA (%)	2.1	3.0	2.9	3.2	3.0	2.9	3.0	3.0	3.2	3.0

E: MOSL Estimates

# Power Finance Corporation

Bloomberg	POWF IN
Equity Shares (m)	1,319.9
M. Cap. (INR b)/(USD b)	241/4
52-Week Range (INR)	227/139
1,6,12 Rel Perf. (%)	-7/-4/-9

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	41.1	63.0	72.7	85.7
PPP	42.5	60.2	69.8	82.6
Adj. PAT	31.5	44.7	50.8	60.1
Adj. EPS (INR)	23.9	33.8	38.5	45.5
EPS Gr. (%)	3.9	41.6	13.8	18.2
BV/Share (INR)	157.5	180.8	207.4	238.9
RoAA (%)	2.6	3.0	2.9	3.0
RoE (%)	17.5	20.0	19.8	20.4
Payout (%)	26.1	25.0	25.0	25.0
<b>Valuations</b>				
P/E (x)	7.6	5.4	4.7	4.0
P/BV (x)	1.2	1.0	0.9	0.8
Div. Yield (%)	3.3	4.5	5.1	6.1

## CMP: INR182

Buy

- Loan growth is expected to remain healthy at ~20% YoY. On a sequential basis, loans and borrowings are expected to grow by ~5.5% and ~5.4% respectively.
- Margins are likely to remain stable QoQ as the wholesale cost of borrowings has come off. Thus, NII is expected to grow by ~42% YoY and 4.4% QoQ.
- We expect an MTM loss of INR330m during the quarter, compared to INR460m booked in 3QFY13 and a forex gain of INR200m in 4QFY12.
- We expect NIMs to remain stable at 4.60%, compared to 4.61% reported during 3QFY13.
- Asset quality to be a key monitor given issues related to fuel linkages.
- The stock trades at 0.9x FY14E and 0.8x FY15E BV. Maintain **Buy**.

### Key issues to watch for

- Growth trends and asset quality performance in the backdrop of challenging fuel linkage issues that hurt power generation companies.
- Movement in spreads and yield on assets.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>9,900</b>	<b>10,800</b>	<b>10,970</b>	<b>12,290</b>	<b>13,940</b>	<b>14,750</b>	<b>16,780</b>	<b>17,510</b>	<b>43,960</b>	<b>62,980</b>
YoY Gr %	15.4	20.5	18.5	45.8	40.8	36.6	53.0	42.5	24.5	53.3
Other Income	350	80	240	530	90	160	90	135	1,200	475
<b>Net Operational Income</b>	<b>10,250</b>	<b>10,880</b>	<b>11,210</b>	<b>12,820</b>	<b>14,030</b>	<b>14,910</b>	<b>16,870</b>	<b>17,645</b>	<b>45,160</b>	<b>63,455</b>
YoY Gr %	11.1	16.5	17.1	50.6	36.9	37.0	50.5	37.6	23.2	40.5
Exchange gain/(loss)	-750	-5,040	4,210	200	-770	-240	-460	-330	-1,380	-1,800
<b>Total Net Income</b>	<b>9,500</b>	<b>5,840</b>	<b>15,420</b>	<b>13,020</b>	<b>13,260</b>	<b>14,670</b>	<b>16,410</b>	<b>17,315</b>	<b>43,780</b>	<b>61,655</b>
YoY Gr %	10.3	-41.6	64.7	48.6	39.6	151.2	6.4	33.0	19.2	40.8
<b>Operating Expenses</b>	<b>270</b>	<b>330</b>	<b>290</b>	<b>409</b>	<b>286</b>	<b>351</b>	<b>389</b>	<b>424</b>	<b>1,294</b>	<b>1,449</b>
YoY Gr %	N.M.	-10.8	0.0	32.0	5.8	6.2	34.0	3.7	32.5	12.0
% to Income	2.8	5.7	1.9	3.1	2.2	2.4	2.4	2.5	3.0	2.4
<b>Operating Profit</b>	<b>9,230</b>	<b>5,510</b>	<b>15,130</b>	<b>12,611</b>	<b>12,974</b>	<b>14,320</b>	<b>16,022</b>	<b>16,890</b>	<b>42,486</b>	<b>60,206</b>
YoY Gr %	7.3	-42.8	66.8	49.2	40.6	159.9	5.9	33.9	18.8	41.7
Provisions	70	0	390	960	20	-30	900	350	1,420	1,240
<b>PBT</b>	<b>9,160</b>	<b>5,510</b>	<b>14,740</b>	<b>11,651</b>	<b>12,954</b>	<b>14,350</b>	<b>15,122</b>	<b>16,540</b>	<b>41,066</b>	<b>58,965</b>
Tax	2,298	1,320	3,660	3,455	3,240	3,978	3,940	4,468	10,733	15,626
Tax Rate %	25.1	24.0	24.8	29.7	25.0	27.7	26.1	27.0	26.1	26.5
<b>PAT</b>	<b>6,862</b>	<b>4,190</b>	<b>11,080</b>	<b>8,196</b>	<b>9,714</b>	<b>10,372</b>	<b>11,182</b>	<b>12,072</b>	<b>30,333</b>	<b>43,340</b>
YoY Gr %	5.1	-40.2	68.1	35.2	41.6	147.5	0.9	47.3	15.8	42.9
<b>Adjusted PAT (For Forex)</b>	<b>7,424</b>	<b>8,023</b>	<b>7,915</b>	<b>8,055</b>	<b>10,292</b>	<b>10,545</b>	<b>11,522</b>	<b>12,313</b>	<b>31,417</b>	<b>44,671</b>
YoY Gr %	6.0	22.9	17.4	37.1	38.6	31.4	45.6	52.9	20.1	42.2

E:MOSL Estimates; Quarterly and annual numbers would not match due to differences in classification

# Punjab National Bank

Bloomberg	PNB IN
Equity Shares (m)	339.2
M. Cap. (INR b)/(USD b)	242/4
52-Week Range (INR)	953/659
1,6,12 Rel Perf. (%)	-12/-15/-32

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	134.1	149.6	172.2	202.8
OP	106.1	108.8	125.4	151.0
NP	48.8	50.1	60.1	73.5
NIM (%)	3.5	3.3	3.4	3.5
EPS (INR)	144.0	141.8	170.1	208.0
EPS Gr. (%)	2.9	-1.5	20.0	22.2
BV/Sh. (INR)	777	898	1,039	1,210
RoE (%)	21.1	17.2	17.6	18.5
RoA (%)	1.2	1.0	1.1	1.2
Payout (%)	18.2	17.7	17.4	17.4
<b>Valuations</b>				
P/E(X)	4.9	5.0	4.2	3.4
P/BV (X)	0.9	0.8	0.7	0.6
P/ABV (X)	1.0	0.9	0.8	0.7
Div. Yield (%)	3.1	3.0	3.6	4.4

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	83,152	89,520	94,810	96,798	105,450	104,211	105,485	107,327	364,280	422,473
Interest Expense	52,000	54,994	59,444	63,698	68,498	67,717	68,151	68,549	230,131	272,916
<b>Net Interest Income</b>	<b>31,153</b>	<b>34,526</b>	<b>35,366</b>	<b>33,100</b>	<b>36,951</b>	<b>36,494</b>	<b>37,333</b>	<b>38,778</b>	<b>134,149</b>	<b>149,557</b>
% Change (YoY)	19.9	16.0	10.4	9.3	18.6	5.7	5.6	17.2	13.6	11.5
Other Income	10,837	8,889	9,541	12,760	11,660	9,054	9,705	10,817	42,026	41,235
<b>Net Income</b>	<b>41,990</b>	<b>43,414</b>	<b>44,907</b>	<b>45,859</b>	<b>48,611</b>	<b>45,548</b>	<b>47,038</b>	<b>49,595</b>	<b>176,175</b>	<b>190,792</b>
Operating Expenses	17,250	18,137	18,143	16,498	20,203	20,219	20,219	21,400	70,028	82,040
<b>Operating Profit</b>	<b>24,739</b>	<b>25,278</b>	<b>26,764</b>	<b>29,362</b>	<b>28,409</b>	<b>25,329</b>	<b>26,819</b>	<b>28,195</b>	<b>106,148</b>	<b>108,752</b>
% Change (YoY)	17.9	20.4	13.9	17.1	14.8	0.2	0.2	-4.0	17.2	2.5
Other Provisions	8,935	7,103	9,461	10,273	10,325	10,738	8,016	8,062	35,773	37,141
<b>Profit before Tax</b>	<b>15,804</b>	<b>18,175</b>	<b>17,303</b>	<b>19,089</b>	<b>18,084</b>	<b>14,590</b>	<b>18,803</b>	<b>20,133</b>	<b>70,375</b>	<b>71,611</b>
Tax Provisions	4,753	6,124	5,803	4,848	5,627	3,935	5,747	6,174	21,528	21,483
<b>Net Profit</b>	<b>11,051</b>	<b>12,050</b>	<b>11,501</b>	<b>14,241</b>	<b>12,457</b>	<b>10,656</b>	<b>13,056</b>	<b>13,959</b>	<b>48,847</b>	<b>50,128</b>
% Change (YoY)	3.4	12.1	5.5	18.6	12.7	-11.6	13.5	-2.0	10.2	2.6
<b>Operating Parameters</b>										
NIM (Rep, %)	3.8	4.0	3.9	3.5	3.6	3.5	3.5		3.8	
NIM (Cal, %)	3.6	3.9	3.8	3.3	3.5	3.4	3.4	3.4	3.5	3.3
Deposit Growth (%)	26.9	25.0	23.4	21.3	18.9	17.3	8.2	9.0	21.3	9.0
Loan Growth (%)	23.4	19.3	18.7	21.3	21.2	18.4	13.2	10.0	21.3	10.0
CASA Ratio (%)	38.1	37.1	36.2	36.2	35.6	37.0	38.4		36.2	
Tax Rate (%)	30.1	33.7	33.5	25.4	31.1	27.0	30.6	30.7	30.6	30.0
<b>Asset Quality</b>										
OSRL (INR b)	114.2	137.4	155.5	230.6	240.5	259.0	285.3		230.6	
OSRL (%)	4.7	5.5	5.9	7.9	8.2	8.8	9.6		7.9	
Gross NPA (INR b)	48.9	51.5	64.4	87.2	99.9	140.2	140.0	150.7	87.2	150.7
Gross NPA (%)	2.0	2.1	2.4	2.9	3.3	4.7	4.6	4.6	2.9	4.6

E: MOSL Estimates

## CMP: INR713

Buy

- With a shift in management's focus on consolidation, business growth is expected to be moderate, with a YoY loan growth of 10% and deposit growth of 9%. CASA ratio is expected to improve as well.
- NIMs are expected to be stable QoQ at ~3.5%. Pressure on lending yields would continue but its impact is expected to be neutralized by reduction in high cost bulk deposits and containment in cost of funds.
- Net slippage ratio is likely to increase QoQ (~1.5% v/s nil in 3QFY13); however, it would be significantly lower than the average of INR27b (4.3%) in 1HFY13, led by both containment of fresh slippages and improvement in upgradation and recovery.
- Restructured loan portfolio is expected to rise led by CDR cases and stress in large corporate segment.
- The stock trades at 0.7x FY14E and 0.6x FY15E BV, and 4.2x FY14E and 3.4x FY15E EPS. **Buy.**

### Key issues to watch for

- **Management strategy: (1) consolidation of balance sheet, (2) CASA ratio and (3) asset quality management.**
- **CDR pipeline and changes in restructured loan portfolio, post classification of loans in line with recent RBI notification.**

# Rural Electrification Corp

Bloomberg	RECL IN
Equity Shares (m)	987.5
M. Cap. (INR b)/(USD b)	200/4
52-Week Range (INR)	268/142
1,6,12 Rel Perf. (%)	-14/-7/-10

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	38.9	53.7	61.4	72.1
PPP	38.5	53.2	60.9	71.5
PAT	28.2	39.3	43.8	51.5
EPS (INR)	28.6	39.8	44.3	52.1
EPS Gr. (%)	10.1	39.4	11.4	17.6
BV/Share (INR)	149.2	177.0	208.0	244.4
RoAA (%)	3.0	3.4	3.2	3.2
RoE (%)	20.5	24.4	23.0	23.0
Payout (%)	26.3	26.0	26.0	26.0
<b>Valuations</b>				
P/E (x)	7.1	5.1	4.6	3.9
P/BV (x)	1.4	1.1	1.0	0.8
Div. Yield (%)	3.7	5.1	5.7	6.7

## CMP: INR202

Buy

- Loan growth is expected to remain healthy at 20%+ levels. We model a loan growth of ~23% YoY and ~5% QoQ.
- RECL's margins have expanded by more than 50bp (over the past two quarters), led by an improvement in yields, while it also maintained a tight leash on cost of funds. However, in the current quarter, we expect margins to moderate marginally by ~5bp QoQ to 4.9%.
- We factor a MTM loss of INR266m for 4QFY13 v/s INR220m in 3QFY13 and INR64m in 4QFY12.
- Barring a couple of accounts, asset quality at large remained healthy, though it will remain a key monitor, given the uncertain macro environment. We conservatively model provisions of INR150m during the quarter.
- We expect PAT to grow by ~40% YoY and ~4.5% QoQ.
- The stock trades at 1x FY14E and 0.8x FY15E BV.

### Key issues to watch for

- Growth trends and asset quality performance in the backdrop of challenging macro environment.
- Movement in spreads and yield on assets.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Interest Income</b>	<b>9,097</b>	<b>9,497</b>	<b>10,052</b>	<b>10,207</b>	<b>11,654</b>	<b>12,802</b>	<b>14,303</b>	<b>14,909</b>	<b>38,852</b>	<b>53,668</b>
YoY Gr (%)	17.3	21.7	18.5	19.5	28.1	34.8	42.3	46.1	19.3	38.1
Other Operational Income	393	288	322	595	717	514	322	277	736	1,831
<b>Net Operational Income</b>	<b>9,490</b>	<b>9,784</b>	<b>10,373</b>	<b>10,803</b>	<b>12,372</b>	<b>13,316</b>	<b>14,626</b>	<b>15,186</b>	<b>39,588</b>	<b>55,499</b>
YoY Gr (%)	18.9	19.4	14.7	22.2	30.4	36.1	41.0	40.6	16.2	40.2
Other Income	136	-988	1,035	145	-133	79	-34	89	1,189	0
<b>Total Net Income</b>	<b>9,625</b>	<b>8,796</b>	<b>11,408</b>	<b>10,948</b>	<b>12,239</b>	<b>13,394</b>	<b>14,591</b>	<b>15,274</b>	<b>40,777</b>	<b>55,499</b>
YoY Gr (%)	16.3	0.6	21.4	9.2	27.2	52.3	27.9	39.5	11.9	36.1
Operating Expenses	419	436	779	671	456	585	507	786	2,326	2,333
YoY Gr (%)	22.2	13.3	101.6	19.7	8.7	34.2	-34.9	17.3	38.7	0.3
% to Income	4.4	5.0	6.8	6.1	3.7	4.4	3.5	5.1	5.7	4.2
<b>Operating Profit</b>	<b>9,206</b>	<b>8,360</b>	<b>10,629</b>	<b>10,277</b>	<b>11,784</b>	<b>12,809</b>	<b>14,085</b>	<b>14,488</b>	<b>38,451</b>	<b>53,166</b>
YoY Gr %	16.1	0.0	17.9	8.6	28.0	53.2	32.5	41.0	10.6	38.3
Op. Profit adj. forex gain /loss	9,278	9,616	9,763	10,341	11,924	13,029	14,351	15,488	38,999	84,512
YoY Gr (%)	16.9	18.9	8.6	16.2	28.5	35.5	47.0	49.8	15.0	116.7
Provisions	250	0	241	32	0	0	250	150	523	400
<b>PBT</b>	<b>8,956</b>	<b>8,360</b>	<b>10,389</b>	<b>10,245</b>	<b>11,784</b>	<b>12,809</b>	<b>13,835</b>	<b>14,338</b>	<b>37,929</b>	<b>52,766</b>
YoY Gr (%)	12.9	0.0	15.2	8.3	31.6	53.2	33.2	39.9	9.1	39.1
Tax	2,338	2,118	2,693	2,618	3,016	3,270	3,568	3,610	9,758	13,455
Tax Rate (%)	26.1	25.3	25.9	25.6	25.6	25.5	25.8	25.2	25.7	25.5
<b>PAT</b>	<b>6,619</b>	<b>6,243</b>	<b>7,695</b>	<b>7,627</b>	<b>8,767</b>	<b>9,539</b>	<b>10,267</b>	<b>10,728</b>	<b>28,170</b>	<b>39,310</b>
YoY Gr (%)	12.7	1.0	15.9	8.9	32.5	52.8	33.4	40.7	9.6	39.5
<b>Adjusted PAT</b>	<b>6,672</b>	<b>7,180</b>	<b>7,054</b>	<b>7,675</b>	<b>9,046</b>	<b>9,643</b>	<b>10,430</b>	<b>10,927</b>	<b>28,580</b>	<b>40,045</b>
YoY Gr (%)	13.5	20.1	6.5	16.5	35.6	34.3	47.9	42.4	14.0	40.1

E:MOSL Estimates; Quarterly and annual numbers would not match due to differences in classification

# Shriram Transport Finance

Bloomberg	SHTF IN
Equity Shares (m)	226.3
M. Cap. (INR b)/(USD b)	153/3
52-Week Range (INR)	800/475
1,6,12 Rel Perf. (%)	-2/8/8

## CMP: INR675

Buy

- SHTF's asset growth moderated in FY12. However, some pick-up was witnessed since last two quarters. We expect AUMs to grow ~21% YoY and ~4.4% QoQ.
- Sequentially, disbursements may see some decline as they grew sharply by 13.4%/42% QoQ/YoY in 3QFY13. We model a 10% QoQ decline in AUMs at INR63.1b.
- Margins expected to remain stable sequentially. Hence, NII (incl. securitization income) should grow 4% QoQ.
- Given the uncertain macro environment and slowdown in CV sales, asset quality continues to be a key item to monitor.
- Securitization pace likely to be increased. We expect PAT to grow ~19% YoY and 6% QoQ.
- The stock trades at 1.8x FY14E and 1.5x FY15E BV. Maintain **Buy**.

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	31.7	34.9	41.9	48.3
PPP	26.5	28.7	34.5	39.6
PAT	12.6	13.7	16.6	19.0
EPS (INR)	57.0	65.5	80.1	92.7
EPS Gr. (%)	8.3	14.9	22.2	15.7
BV/Share (INR)	264.8	316.9	380.1	452.4
RoA on AUM (%)	2.8	2.7	2.8	2.7
RoE (%)	23.1	20.8	21.1	20.2
Payout (%)	11.7	12.0	12.0	12.0
<b>Valuations</b>				
P/E (x)	11.8	10.3	8.4	7.3
P/BV (x)	2.5	2.1	1.8	1.5
Div. Yield (%)	1.0	1.1	1.3	1.5

## Key issues to watch for

- Business growth, pick-up in growth was observed during last two quarters and management commentary on the same.
- Asset securitization, as no major deal has happened post the revised securitization guidelines.
- Asset quality trends, given the sluggish CV sales.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	8,368	9,675	9,458	9,158	8,876	10,946	12,046	12,154	35,581	44,021
Interest expenses	5,714	6,153	6,347	6,259	6,173	6,859	7,350	7,346	23,950	27,728
<b>Net Interest Income</b>	<b>2,654</b>	<b>3,522</b>	<b>3,110</b>	<b>2,899</b>	<b>2,702</b>	<b>4,087</b>	<b>4,696</b>	<b>4,808</b>	<b>11,632</b>	<b>16,293</b>
YoY Growth (%)	-15.1	-4.4	-23.2	-10.6	1.8	16.0	51.0	65.8	-17.0	40.1
Securitisation income	5,167	4,825	4,927	5,157	5,323	4,590	4,252	4,457	20,075	18,622
<b>Net Income (Incl. Securitization)</b>	<b>7,821</b>	<b>8,347</b>	<b>8,038</b>	<b>8,056</b>	<b>8,025</b>	<b>8,678</b>	<b>8,947</b>	<b>9,265</b>	<b>31,707</b>	<b>34,915</b>
YoY Growth (%)	16.0	19.3	4.5	5.4	2.6	4.0	11.3	15.0	9.5	10.1
Fees and Other Income	477	258	294	255	702	314	300	320	2,423	1,636
<b>Net Operating Income</b>	<b>8,297</b>	<b>8,605</b>	<b>8,331</b>	<b>8,311</b>	<b>8,727</b>	<b>8,991</b>	<b>9,247</b>	<b>9,585</b>	<b>34,130</b>	<b>36,551</b>
YoY Growth (%)	16.8	19.0	5.7	6.3	5.2	4.5	11.0	15.3	11.2	7.1
Operating Expenses	1,678	1,788	1,867	1,782	1,940	1,872	1,999	2,000	7,638	7,811
<b>Operating Profit</b>	<b>6,620</b>	<b>6,818</b>	<b>6,465</b>	<b>6,529</b>	<b>6,787</b>	<b>7,119</b>	<b>7,248</b>	<b>7,585</b>	<b>26,492</b>	<b>28,739</b>
YoY Growth (%)	18.3	20.4	5.5	4.1	2.5	4.4	12.1	16.2	13.0	8.5
Provisions	1,420	2,363	1,920	1,918	2,026	2,106	2,126	2,155	7,683	8,413
<b>Profit before Tax</b>	<b>5,200</b>	<b>4,454</b>	<b>4,545</b>	<b>4,610</b>	<b>4,761</b>	<b>5,013</b>	<b>5,122</b>	<b>5,430</b>	<b>18,809</b>	<b>20,326</b>
Tax Provisions	1,727	1,460	1,518	1,530	1,543	1,638	1,662	1,764	6,235	6,606
<b>Net Profit</b>	<b>3,473</b>	<b>2,994</b>	<b>3,027</b>	<b>3,081</b>	<b>3,219</b>	<b>3,376</b>	<b>3,460</b>	<b>3,666</b>	<b>12,574</b>	<b>13,720</b>
YoY Growth (%)	20.2	0.2	0.4	-9.6	-7.3	12.7	14.3	19.0	4.5	9.1
<b>AUM Growth (%)</b>	<b>22.3</b>	<b>19.9</b>	<b>16.2</b>	<b>11.1</b>	<b>13.3</b>	<b>15.8</b>	<b>18.6</b>	<b>20.8</b>	<b>11.1</b>	<b>20.8</b>
Disbursement Growth (%)	20.4	5.0	-4.2	-19.7	12.2	28.6	42.0	26.7	-2.0	27.5
Securitization Inc. / Net Inc. (%)	62.3	56.1	59.1	62.0	61.0	51.1	46.0	46.5	58.8	50.9
Cost to Income Ratio (%)	20.2	20.8	22.4	21.4	22.2	20.8	21.6	20.9	22.4	21.4
Tax Rate (%)	33.2	32.8	33.4	33.2	32.4	32.7	32.5	32.5	33.1	32.5

E: MOSL Estimates; \* Quarterly nos and full year nos will not tally due to different way of reporting financial nos



# State Bank of India

Bloomberg	SBIN IN
Equity Shares (m)	671.0
M. Cap. (INR b)/(USD b)	1377/25
52-Week Range (INR)	2,550/1,805
1,6,12 Rel Perf. (%)	-5/-8/-13

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	432.9	447.6	516.1	579.9
OP	315.7	315.9	355.8	403.8
NP	117.1	144.5	166.2	190.7
NIM (%)	3.8	3.4	3.3	3.3
Cons EPS (INR)	228.6	280.8	319.5	366.7
EPS Gr. (%)	35.9	22.8	13.8	14.8
Cons. BV (INR)	1,541	1,786	2,048	2,349
RoE (%)	17.2	17.5	17.0	17.0
RoA (%)	0.9	1.0	1.0	1.0
Payout (%)	17.8	17.9	17.9	17.9
<b>Valuations</b>				
Cons. P/E (x)	8.6	7.0	6.1	5.4
Cons. P/BV (x)	1.3	1.1	1.0	0.8
Cons P/ABV (x)	1.5	1.3	1.2	1.0
Div. Yield (%)	1.7	2.1	2.4	2.7

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	241,974	260,269	277,144	285,828	289,167	296,068	303,436	311,872	1,065,215	1,200,543
Interest Expense	144,979	155,452	161,956	169,918	177,979	186,330	191,892	196,748	632,304	752,949
<b>Net Interest Income</b>	<b>96,995</b>	<b>104,817</b>	<b>115,188</b>	<b>115,911</b>	<b>111,189</b>	<b>109,738</b>	<b>111,545</b>	<b>115,123</b>	<b>432,911</b>	<b>447,594</b>
% Change (YoY)	32.8	29.2	27.3	43.8	14.6	4.7	-3.2	-0.7	33.1	3.4
Other Income	35,342	33,674	20,730	53,768	34,988	33,466	36,485	58,569	143,514	163,508
<b>Net Income</b>	<b>132,338</b>	<b>138,492</b>	<b>135,918</b>	<b>169,678</b>	<b>146,177</b>	<b>143,205</b>	<b>148,030</b>	<b>173,692</b>	<b>576,425</b>	<b>611,102</b>
Operating Expenses	59,913	63,749	63,318	73,710	64,410	69,668	70,122	90,981	260,690	295,181
<b>Operating Profit</b>	<b>72,424</b>	<b>74,743</b>	<b>72,600</b>	<b>95,968</b>	<b>81,767</b>	<b>73,536</b>	<b>77,908</b>	<b>82,711</b>	<b>315,735</b>	<b>315,922</b>
% Change (YoY)	18.1	17.6	7.3	57.8	12.9	-1.6	7.3	-13.8	24.6	0.1
Other Provisions	41,569	33,855	24,074	31,404	24,563	18,256	26,679	27,481	130,902	96,980
<b>Profit before Tax</b>	<b>30,855</b>	<b>40,888</b>	<b>48,526</b>	<b>64,564</b>	<b>57,204</b>	<b>55,280</b>	<b>51,229</b>	<b>55,230</b>	<b>184,833</b>	<b>218,942</b>
Tax Provisions	15,020	12,784	15,895	24,061	19,688	18,699	17,268	18,786	67,760	74,440
<b>Net Profit</b>	<b>15,835</b>	<b>28,104</b>	<b>32,630</b>	<b>40,503</b>	<b>37,516</b>	<b>36,581</b>	<b>33,961</b>	<b>36,444</b>	<b>117,073</b>	<b>144,502</b>
% Change (YoY)	-45.7	12.4	15.4	N.A.	136.9	30.2	4.1	-10.0	41.7	23.4
<b>Operating Parameters</b>										
NIM (Reported, %)	3.6	3.8	4.1	3.9	3.6	3.3	3.3		3.9	
NIM (Cal, %)	3.7	3.9	4.1	4.0	3.7	3.5	3.4	3.4	3.8	3.4
Deposit Growth (%)	16.5	13.8	13.9	11.7	16.1	16.5	15.6	17.0	11.7	17.0
Loan Growth (%)	18.0	16.1	16.5	14.7	18.9	17.2	15.6	20.0	14.7	20.0
CASA Ratio (%)	47.8	47.4	47.5	46.6	46.1	45.0	45.5		46.6	
Tax Rate (%)	48.7	31.3	32.8	37.3	34.4	33.8	33.7	34.0	36.7	34.0
<b>Asset Quality</b>										
Gross NPA (INR b)	278	339	401	397	472	492	535	537	397	537
Gross NPA (%)	3.5	4.2	4.6	4.4	5.0	5.2	5.3	5.0	4.4	5.0
OSRL (INR b)	139	162	141	163	164	219	238		163	
OSRL (%)	1.8	2.0	1.7	1.9	1.8	2.4	2.4		1.9	

E: MOSL Estimates

## CMP: INR2,051

Buy

- Business growth is expected to be above industry average, with loan growth at 20% YoY and deposit growth at 17% YoY.
- Fee income growth is expected to be flat. However, higher trading gains of INR4.3b, compared to a loss of INR263m, would translate into overall non-interest income growth of 9%+ YoY.
- While core income is expected to be flat YoY, increase in employee expense (factored INR9b on account of wage revision) will lead to 20% YoY decline in core operating profits.
- Net slippages are expected to decline, as gross slippages are expected to be contained and upgradation/recoveries improve.
- Overall PAT is expected to decline 10% YoY, led by decline in core profitability, even though lower provisions would provide a cushion.
- Excluding subsidiaries, the stock trades at 0.8x FY15E consolidated BV and 5.4x FY15E EPS. **Buy**.

### Key issues to watch for

- Margin performance, outlook on loan growth in FY14.
- Stress in mid-corporate segment and SME was high till 3QFY13. Performance and outlook on the same remains a critical aspect of future asset quality performance.

# Union Bank of India

Bloomberg	UNBK IN
Equity Shares (m)	550.5
M. Cap. (INR b)/(USD b)	116/2
52-Week Range (INR)	288/150
1,6,12 Rel Perf. (%)	-1/3/-11

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	92.4	99.6	115.7	134.1
OP	27.1	27.0	38.6	46.6
NP	17.9	18.1	25.9	31.2
NIM (%)	3.0	2.9	2.9	3.0
EPS (INR)	32	30	43	52
EPS Gr. (%)	-18.5	-6.6	43.2	20.8
BV/Sh. (INR)	235.9	258.0	289.1	326.7
RoE (%)	14.8	12.7	15.8	16.9
RoA (%)	0.7	0.6	0.8	0.8
Div. Payout (%)	28.8	27.8	27.8	27.8
<b>Valuations</b>				
P/E(X)	6.5	7.0	4.9	4.0
P/BV (X)	0.9	0.8	0.7	0.6
P/ABV (X)	1.1	0.9	0.8	0.7
Div. Yield (%)	3.8	3.4	4.9	6.0

## CMP: INR210

Buy

- On a YoY basis, loan and deposit are expected to grow by 15% each, while on a sequential basis, loan growth is expected to be strong at 10% (partially seasonal in nature).
- NIMs are expected to remain largely stable QoQ at 2.9% (calculated).
- Over last two quarters, performance in asset quality has been better than peers. We expect the healthy trend to continue and have factored a net slippage ratio of 0.6%. Hence, GNPA (%) is expected to decline to ~3% v/s 3.4% in 3QFY13.
- Restructured loan portfolio is expected to rise led by CDR cases and stress in large and mid-corporate segment.
- The stock trades at 0.7x FY14E and 0.6x FY15E BV, and 4.9x FY14E and 4x FY15E EPS. **Buy.**

### Key issues to watch for

- Reporting of restructured loans in line with RBI notification: UNBK reports loan on facility-wise, which may be reported in accordance with borrower-wise classification and there would be some outflow from the existing pool as well.
- Guidance on margins and asset quality.

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	49,157	51,104	53,148	57,434	60,699	61,098	63,199	65,679	210,284	250,675
Interest Expense	33,255	34,492	35,939	38,668	42,482	42,597	44,284	45,947	142,354	175,309
<b>Net Interest Income</b>	<b>15,902</b>	<b>16,611</b>	<b>17,209</b>	<b>18,766</b>	<b>18,217</b>	<b>18,502</b>	<b>18,915</b>	<b>19,732</b>	<b>67,931</b>	<b>75,365</b>
% Change (YoY)	18.0	8.2	6.5	9.3	14.6	11.4	9.9	5.1	9.3	10.9
Other Income	4,840	5,009	6,521	7,554	4,912	5,458	6,395	7,429	24,482	24,195
<b>Net Income</b>	<b>20,742</b>	<b>21,621</b>	<b>23,730</b>	<b>26,320</b>	<b>23,129</b>	<b>23,960</b>	<b>25,310</b>	<b>27,161</b>	<b>92,413</b>	<b>99,560</b>
Operating Expenses	9,084	9,571	10,889	10,332	10,459	11,234	11,726	13,526	39,875	46,945
<b>Operating Profit</b>	<b>11,658</b>	<b>12,050</b>	<b>12,841</b>	<b>15,988</b>	<b>12,671</b>	<b>12,727</b>	<b>13,584</b>	<b>13,635</b>	<b>52,538</b>	<b>52,616</b>
% Change (YoY)	11.7	6.6	1.8	83.9	8.7	5.6	5.8	-14.7	22.0	0.1
Other Provisions	4,284	6,228	9,727	5,172	5,185	4,871	8,573	6,983	25,410	25,611
<b>Profit before Tax</b>	<b>7,374</b>	<b>5,822</b>	<b>3,114</b>	<b>10,816</b>	<b>7,486</b>	<b>7,856</b>	<b>5,010</b>	<b>6,652</b>	<b>27,128</b>	<b>27,004</b>
Tax Provisions	2,730	2,297	1,144	3,085	2,370	2,310	1,986	2,245	9,256	8,911
<b>Net Profit</b>	<b>4,644</b>	<b>3,524</b>	<b>1,970</b>	<b>7,732</b>	<b>5,116</b>	<b>5,546</b>	<b>3,024</b>	<b>4,407</b>	<b>17,871</b>	<b>18,093</b>
% Change (YoY)	-22.8	16.2	-66.0	29.4	10.2	57.3	53.5	-43.0	-14.2	1.2
<b>Operating Parameters</b>										
NIM (Reported,%)	3.1	3.2	3.2	3.3	3.0	3.0	3.0		3.3	
NIM (Cal, %)	3.0	3.2	3.2	3.2	3.0	3.0	2.9	2.9	3.0	2.9
Deposit Growth (%)	16.4	10.0	10.0	10.1	11.5	15.6	16.6	15.0	10.1	15.0
Loan Growth (%)	16.7	16.5	16.8	18.3	19.5	20.0	21.6	14.7	18.3	14.7
CASA Ratio (%)	31.5	32.1	32.5	31.3	30.9	30.5	31.3		31.3	
Tax Rate (%)	37.0	39.5	36.7	28.5	31.7	29.4	39.6	33.7	34.1	33.0
<b>Asset Quality</b>										
OSRL - Facilitywise (INR b)	24.1	23.2	39.3	74.7	84.2	83.2	81.7		74.7	
OSRL (%)	1.7	1.6	2.5	4.1	4.8	4.7	4.3		4.1	
Gross NPA (INR b)	37.5	51.4	52.1	54.5	65.4	64.7	63.8	63.3	54.5	63.3
Gross NPA (%)	2.6	3.5	3.3	3.0	3.8	3.7	3.4	3.0	3.0	3.0

E: MOSL Estimates



## Yes Bank

Bloomberg	YES IN
Equity Shares (m)	353.0
M. Cap. (INR b)/(USD b)	150/3
52-Week Range (INR)	539/294
1,6,12 Rel Perf. (%)	-8/13/9

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
NII	16.2	22.0	28.1	34.6
OP	15.4	21.0	26.7	33.0
NP	9.8	13.0	16.3	20.0
NIM (%)	2.6	2.8	3.0	3.0
EPS (INR)	28	37	46	57
EPS Gr. (%)	32.1	33.1	25.3	22.5
BV/Sh. (INR)	132.5	162.9	201.0	247.7
RoE (%)	23.1	24.9	25.4	25.2
RoA (%)	1.5	1.6	1.6	1.6
Div. Payout (%)	16.8	17.4	17.4	17.4
<b>Valuations</b>				
P/E(X)	15.4	11.5	9.2	7.5
P/BV (X)	3.2	2.6	2.1	1.7
P/ABV (X)	3.2	2.6	2.1	1.7
Div. Yield (%)	0.9	1.3	1.6	2.0

## CMP: INR426

Buy

- Loans and deposits are expected to grow at 22% YoY and 18% YoY respectively.
- Margins are expected to improve 5bp+ led by lag impact of deposit repricing and improvement in CASA ratio. While yield on funds will continue to remain under pressure, resumption of loan growth rather than just investment substitutes would help margins.
- Growth in fee income, ex-financial markets, is expected to remain strong at 33%+ YoY led by healthy YoY growth of 20%+ in financial advisory (though on a QoQ basis it is expected to decline), transaction banking income and strong growth in fees from third party distribution.
- YES Bank continues to demonstrate strong asset quality performance even as the economic environment continues to pose challenges. We expect the healthy trend to continue.
- The stock trades at 2.1x FY14E and 1.7x FY15E BV, and 9.2x FY14E and 7.5x FY15E EPS. Maintain Buy.

## Key issues to watch for

- Margin movement and cost of funds.
- Bank has been aggressive to roll out branch network and its continuation would be vital to build the retail strategy.
- Capital raising plans.

## Quarterly Performance

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Interest Income	13,995	14,387	16,841	17,851	18,863	19,864	21,336	22,112	63,074	82,176
Interest Expense	10,454	10,530	12,565	13,369	14,142	14,622	15,493	15,908	46,917	60,165
<b>Net Interest Income</b>	<b>3,542</b>	<b>3,856</b>	<b>4,276</b>	<b>4,482</b>	<b>4,722</b>	<b>5,242</b>	<b>5,843</b>	<b>6,204</b>	<b>16,156</b>	<b>22,011</b>
% Change (Y-o-Y)	35.1	23.1	32.3	28.6	33.3	35.9	36.7	38.4	29.6	36.2
Other Income	1,653	2,141	2,114	2,664	2,881	2,768	3,132	3,178	8,571	11,960
<b>Net Income</b>	<b>5,195</b>	<b>5,997</b>	<b>6,390</b>	<b>7,146</b>	<b>7,603</b>	<b>8,009</b>	<b>8,975</b>	<b>9,382</b>	<b>24,728</b>	<b>33,971</b>
Operating Expenses	1,944	2,138	2,402	2,842	3,007	3,162	3,341	3,468	9,325	12,977
Operating Profit	3,251	3,859	3,988	4,304	4,596	4,847	5,635	5,915	15,402	20,994
% Change (Y-o-Y)	30.6	37.1	28.1	23.4	41.4	25.6	41.3	37.4	29.4	36.3
Other Provisions	15	379	224	285	300	317	567	542	902	1,726
<b>Profit before Tax</b>	<b>3,236</b>	<b>3,481</b>	<b>3,765</b>	<b>4,019</b>	<b>4,296</b>	<b>4,530</b>	<b>5,068</b>	<b>5,373</b>	<b>14,500</b>	<b>19,268</b>
Tax Provisions	1,075	1,130	1,224	1,301	1,395	1,469	1,645	1,754	4,730	6,262
<b>Net Profit</b>	<b>2,161</b>	<b>2,350</b>	<b>2,541</b>	<b>2,718</b>	<b>2,901</b>	<b>3,061</b>	<b>3,423</b>	<b>3,619</b>	<b>9,770</b>	<b>13,006</b>
% Change (Y-o-Y)	38.2	33.3	32.9	33.6	34.3	30.2	34.7	33.2	34.4	33.1
<b>Operating Parameters</b>										
NIM (Reported,%)	2.8	2.9	2.8	2.8	2.8	2.9	3.0		2.8	
NIM (Cal, %)	2.7	2.9	2.9	2.8	2.8	2.9	3.1	3.1	2.6	2.8
Deposit Growth (%)	44.1	10.2	18.9	7.0	15.2	18.6	20.2	18.0	7.0	18.0
Loan Growth (%)	26.1	12.7	15.3	10.5	16.4	22.9	22.3	22.0	10.5	22.0
CASA Ratio (%)	10.9	11.0	12.6	15.0	16.3	17.3	18.3		15.0	
Tax Rate (%)	33.2	32.5	32.5	32.4	32.5	32.4	32.5	32.6	32.6	32.5
<b>Asset Quality</b>										
Gross NPA (INR b)	0.6	0.7	0.7	0.8	1.1	1.0	0.8	1.0	0.8	1.0
Gross NPA (%)	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2

E: MOSL Estimates

# Healthcare

## Companies Covered

Biocon  
 Cadila Healthcare  
 Cipla  
 Dishman Pharma  
 Divi's Laboratories  
 Dr Reddy's Labs.  
 GSK Pharma  
 Glenmark Pharma  
 IPCA Laboratories  
 Jubilant Life Sciences  
 Lupin  
 Opto Circuits  
 Ranbaxy Labs.  
 Sanofi India  
 Sun Pharmaceuticals  
 Torrent Pharma

## Top line to grow by 17.4%, EBITDA by 21.3% on the back of strong operational performance by Sun Pharma, Lupin, Glenmark and IPCA Labs

For 4QFY13E, we expect a top line growth of 17.4% YoY and EBITDA growth of 21.3% YoY for our pharma universe (excluding one-offs). Adjusted PAT is likely to grow 10.7% YoY.

EBITDA growth would be mainly led by a strong performance by Sun Pharma, Cipla, Lupin and Glenmark, which would witness high growth over a low base in 4QFY12, driven by new launches, better sales mix and acquisitions (only in case of Sun). Dr. Reddy's, Ranbaxy and Cadila are expected to report subdued operational performance on the back of deteriorating profitability in the base business and other cost pressures. At the macro level, we expect the operating performance for the sector to benefit from the favorable currency.

Adjusted PAT growth at 10.7% would be lower than EBITDA growth, mainly due to lower MTM gains on forex loans and derivatives compared to 4QFY12.

### 4QFY13 aggregates excluding one-offs

Healthcare Universe Aggregates	YoY Growth (%)			EBITDA Margin			Net Profit Margin		
	Sales	EBITDA	Adj PAT	Mar-13	Mar-12	Chg.(bp)	Mar-13	Mar-12	Chg.(bp)
MNC Pharma	16.3	18.7	10.6	26.4	25.9	53	22.7	23.9	-117
Big 4 Generics	18.4	25.3	12.8	24.1	22.8	134	15.9	16.7	-79
CRAMS	12.0	6.0	10.6	23.2	24.5	-132	13.0	13.2	-16
Second Tier generics	20.7	26.7	30.9	18.2	17.4	86	10.6	9.8	82
<b>Sector Aggregate</b>	<b>17.4</b>	<b>21.3</b>	<b>10.7</b>	<b>22.1</b>	<b>21.4</b>	<b>71</b>	<b>14.0</b>	<b>14.9</b>	<b>-90</b>

Note: Above numbers exclude one-offs to facilitate comparison of core operations. Big 4 generics include Ranbaxy, Cipla, Dr Reddy's and Sun.

## Expected quarterly performance summary

(INR million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
			% YoY	% QoQ	% YoY	% QoQ	% YoY	% QoQ			
	<b>26.03.13</b>										
Biocon	271	Neutral	6,459	5.8	1.8	1,348	-12.8	-4.9	855	-12.5	-6.7
Cadila Health	731	Buy	16,253	16.3	2.1	2,748	-2.8	13.0	1,341	-21.5	30.3
Cipla	380	Neutral	20,790	14.8	0.4	4,891	23.9	-0.8	3,297	27.9	-2.7
Dishman Pharma	67	Neutral	3,609	3.0	13.6	649	-21.3	14.4	162	-48.3	-1.2
Divis Labs	998	Buy	8,080	14.1	51.5	2,889	2.1	59.4	2,173	1.2	50.6
Dr Reddy's Labs	1,754	Buy	25,763	12.7	-4.5	4,907	7.1	0.2	2,331	13.4	-25.0
Glenmark Pharma	472	Buy	12,245	18.9	-5.8	2,352	44.2	-6.2	1,397	5.0	-11.3
GSK Pharma	2,172	Buy	7,027	12.8	7.0	2,282	16.6	19.3	2,056	10.7	29.9
IPCA Labs.	510	Buy	6,674	18.9	-4.8	1,317	17.9	-16.9	787	2.7	-10.5
Jubilant Life	165	Neutral	13,278	13.4	2.0	2,255	24.4	-11.7	915	91.9	242.7
Lupin	622	Buy	22,733	33.6	-4.3	4,434	83.9	-14.8	2,600	421.1	-13.1
Opto Circuits	53	Neutral	6,334	-4.4	2.4	1,372	-6.3	-13.4	749	-64.2	-34.2
Ranbaxy Labs	445	Neutral	24,981	18.1	2.5	2,246	6.0	551.4	1,370	-26.4	LP
Sanofi India	2,480	Neutral	3,963	22.9	-1.1	624	26.8	23.1	441	9.9	-1.6
Sun Pharma	822	Neutral	27,093	27.7	0.6	11,740	40.8	-0.5	8,709	19.6	5.6
Torrent Pharma	693	Buy	7,784	15.4	-2.4	962	13.1	-40.3	669	19.3	-40.5
<b>Sector Aggregate</b>			<b>213,066</b>	<b>17.4</b>	<b>0.8</b>	<b>47,017</b>	<b>21.3</b>	<b>3.0</b>	<b>29,965</b>	<b>10.7</b>	<b>6.6</b>

Note: Historic numbers exclude upside from one-off opportunities

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### Core 4QFY13 performance: Key highlights

- **Sun Pharma, Cipla, Lupin and Glenmark** to record strong operational improvement: We expect Sun Pharma, Cipla, Lupin and Glenmark to record strong EBITDA growth for 4QFY13E due to:
  1. **Sun Pharma:** We expect strong growth of 40% in core EBITDA driven mainly by (1) strong performance at Taro Pharma, (2) consolidation of recent acquisitions of URL Pharma & DUSA Pharma and (3) favorable currency.
  2. **Cipla:** Operational performance will be led by improved sales mix in the export formulations division, with strong growth in high value segments of anti-depressants and anti-allergics. We expect 24% EBITDA growth driven mainly by higher gross margin.
  3. **Lupin:** We expect Lupin to report a EBITDA growth of more than 80% on a low base of 4QFY12, which was impacted by Irom acquisition, litigation expenses, translation losses on Yen and higher employee cost. Core EBITDA margins will expand to 19.5% from 14.2% in 4QFY12 driven by high gross margin and lower other expenses (on account of operating leverage).
  4. **Glenmark:** Performance would be driven by strong top line growth in US generics, SRM branded formulations and favorable currency. EBITDA growth would be faster than top line growth on a low base in 4QFY12 when the company witnessed subdued operational performance due to adverse sales mix.
  5. Our MNC pharma universe (**GSK Pharma** and **Sanofi India**) is expected to witness an improvement in EBITDA margins, with increased revenue contribution from the recently launched products.
  6. We expect **Ranbaxy Labs, Dr. Reddy's** and **Cadila** to report subdued operational performance due to deteriorating profitability in the base business and rising costs pressure.
- **CRAMS companies to report strong operational performance:** We expect Divi's and Dishman to report a decline in EBITDA margins YoY due to increased cost pressures, which were not present in 4QFY12.

### Sector view

#### Generics

- Emerging markets to help improve profitability gradually from 2013.
- New launches imperative for driving growth in core US business.
- Differentiation becoming imperative - low competition/patent challenge products, brands, NCE research will be key differentiators.
- Increasing MNC interest in generics space may lead to large acquisitions/supply arrangements with Indian companies.
- Top picks: **Dr Reddy's, Cadila Healthcare** and **IPCA Labs**.

#### CRAMS (Contract Research & Manufacturing Services)

- **Favorable macro trends:** India is at the threshold of significant opportunity, given the optimum combination of strong chemistry and regulatory skills and low costs. Inventory de-stocking impacted performance over the last couple of years. Expect healthy performance from FY13-14.
- Top picks: **Divi's Laboratories**.

### MNC pharma

- Portfolio realignment in favor of lifestyle products to drive growth in medium-to-long term.
- Branded generics, patented products and in-licensing to drive long term growth.
- Parent's commitment to listed entity is imperative.
- Short term adverse impact likely from the proposed new pharma policy.
- Top picks: **GSK Pharma**.

### M&A activity continues...

There were two important developments during the quarter pertaining to M&A activities. While Cipla increased its bid for Cipla Medpro South Africa (CMSA) by 25% for a 100% buy-out, Strides Arcolab announced the much-awaited divestment of its specialty arm. Below is a summary of these acquisitions:

1. **Cipla raises bid for 100% acquisition of Cipla Medpro South Africa (CMSA)** for USD512m, valuing Cipla-Medpro at an EV of 9.8x CY12 EBITDA and 8.7x CY13E EBITDA based on Bloomberg consensus estimates for CMSA. For CY12, it had reported a revenue of USD237m, EBITDA of USD56m (EBITDA margin of 23.7%) and PAT of USD33m. The proposed acquisition will require various government and other approvals.

Earlier, Cipla (India) had proposed to acquire a 51% stake in the company at ZAR8/share. This bid has been raised to ZAR10/share to acquire 100% stake. While the successful completion of this transaction will not lead to the recognition of any minority interest (as expected earlier), we believe the interest outgo on the debt raised to fund this transaction will more or less offset this benefit.

Thus, we do not expect more than 3.5%/4.5% upgrade to FY14E/15E EPS estimates for Cipla if the proposed acquisition goes through. However, we note that intangibles of USD170m-180m account for almost 50% of CMSA's balance sheet, which will reflect on Cipla's balance sheet.

2. **Strides Arcolab announced the sale of injectable arm, Agila Specialties, to Mylan for USD1.6b** with the potential payment for another USD250m to Strides, subject to certain conditions. The transaction values Agila at 18.7x EBITDA of USD85m (INR4.6b) for CY12.

The deal is expected to conclude by September 2013 and the company would receive the upfront USD1.6b payment by then. Management expects to receive the potential USD250m in 1QCY14, against which Strides would spend USD125m to complete certain conditions as per the agreement.

Management indicated that it will [1] incur tax expenses of USD275m-300m (INR14.85b-INR16.2b), [2] repay debt of USD250m (INR13.5b), [3] pay USD150m for minority interests, employee related costs (mainly ESOPs) and other contingencies and [4] set aside USD100m for biotechnology business' expansion.

We estimate dividend distribution of USD800m (pre-dividend tax; 17% assumed), which results in INR610/share in value. The balance proceeds of ~USD169m available to shareholders cumulate to INR155/share in value. Assuming the guided INR2b of EBITDA, we value the base business at INR238/share (7x CY13E EBITDA). These factors give us a fair value of INR1,003 for Strides Arcolab.

#### Strides fair value computation

Particulars	USD m*	INR b	Remarks
Sale Proceed	1,600	86.4	Expected in 6 months
Potential future payment	250	13.5	4-5 months after receiving USD1600m.
Expected contingent expenses	125	6.8	Will be netted off from USD250m
<b>Net Proceeds</b>	<b>1,725</b>	<b>93</b>	
Tax	287	15.5	We have taken an average of management's guidance
Implied Tax Rate (%)	18	18	
<b>Net Proceeds</b>	<b>1,438</b>	<b>77.7</b>	
Other expenses	150	8.1	Other future payments to minority interest, employees, etc.
Debt repayment	250	13.5	Residual to be debt free by CY13 end
Capex for residual business	100	5.4	Required for Biotech only; Pharma generating healthy cash
Existing cash on books	31	1.7	From CY12 balance sheet
<b>Cash Surplus available to shareholders</b>	<b>969</b>	<b>52.3</b>	
Dividend payment (USD800m)	800	43.2	Assumed higher end of guidance
<b>Divd per share (A)**</b>		<b>610</b>	<b>This is excluding dividend tax</b>
Residual Cash	169	9.1	
<b>Residual Cash per share (B)**</b>		<b>155</b>	
CY13 EBITDA guided at USD37m	37	2.0	As per management's guidance
<b>Value per share at 7x EV/EBITDA (C) **</b>		<b>238</b>	
<b>Fair value of Strides (INR/share) (A+B+C)</b>		<b>1,003</b>	

\* USD/INR=54; \*\* O/s shares are 58.8m

Our annual estimates for CY13E/14E are under review, pending clarity on the accounting impact of Agila Specialties' divestment.

#### Key launches in US - Hits and Misses

4QFY13 saw some significant generic launches in the US. While Lupin and Dr. Reddy's were able to capitalize on key product launches, Ranbaxy's exclusive copies of generic Diovan and Valcyte continue to remain out of sight.

#### Hits and Misses

	Generic name	Brand equivalent	Indication	US sales (USD m)	Competition
Hits	Valsartan HCT	Diovan HCT	Anti-hypertensive	1,700	Mylan, Sandoz (AG), Watson, Aurobindo, Apotex, Alembic
	Finasteride 1MG	Propecia	Hair Loss	136	None
Miss	Valsartan	Diovan	Anti-hypertensive	1,900	NA
	Valgancyclovir	Valcyte	Cytomegalovirus Infections	400	NA

Source: MOSL Research

## ■ Hits

### **Lupin launches generic Diovan HCT**

Lupin launched its generic version of Diovan HCT<sup>®</sup>. The product generates annual US sales of ~USD1.7b for its innovator, Novartis.

Other players with final approval include Watson Pharma, Aurobindo Pharma, Apotex and Alembic. Mylan was the FTF for this product and launched its exclusive copy on September 21, 2012, while Sandoz was selling the authorized generic (AG) version during Mylan's exclusivity period.

This may not be a significant opportunity for Lupin as (1) it is launching after Mylan's and Sandoz's exclusivity period and (2) there are at least 4 other generic players expected to enter the market. We believe that the high competitive intensity will limit the upside for Lupin.

We estimate this product will contribute ~USD17m in sales, with 2% contribution to EPS in FY14E/15E. This upside was already built into our core US sales estimate.

### **Dr. Reddy's monetizes on generic Propecia**

Dr. Reddy's launched its generic version of Merck's Propecia (Finasteride 1mg tablet). Propecia generates USD136m in sales annually for Merck. The launch was as per the settlement with Merck, with regards to Dr. Reddy's challenge on Propecia's patent, which expired on November 19, 2012.

Dr. Reddy's will be the only player in the market for the first 6 months from the date of launch. Management expects that competition will be limited for another three months after the exclusivity period, with only 2-3 players entering the market. We note that there are 6 other players who have tentative FDA approval for this product and will launch subsequently. Of them, Hetero Labs has also settled with Merck to launch in July 2013.

We estimate one-off sales of USD34m, with a PAT of USD20m from this opportunity to be realized over the 6-month exclusivity period. The financial upside from this launch was already factored into our DCF estimate of INR5 per share for such one-off opportunities.

## ■ Misses

### **Ranbaxy's generic Diovan still out of sight...**

While the street was hopeful after the dismissal of Mylan's plea for revoking Ranbaxy's exclusivity and allowing another generic player in the market, Ranbaxy's exclusive copy is already late by six months. Management continues to maintain that RBXY still holds the exclusive marketing rights for 180 days and is confident of monetizing it.

Diovan generates USD1.9b in sales from the US for Novartis. If successfully launched, we expect this opportunity to generate one-off sales of ~USD190m for Ranbaxy over the exclusivity period. We also expect Novartis to introduce an authorized generic version through its generic unit, Sandoz.

### ...generic Valcyte also seems to be delayed

Another FTF opportunity for Ranbaxy, generic Valcyte, also seems to face some delay in launch. Company received a tentative approval from the US FDA on June 24, 2008, while the litigation with Roche was ongoing. Subsequent to a win in the lower court, Ranbaxy settled with Roche to launch the authorized generic (AG) version of Valcyte sometime in March 2013.

Valcyte generates ~USD300m in US sales for Roche. On a successful launch, we expect this opportunity to generate one-off sales of ~USD38m for Ranbaxy over the exclusivity period. As Ranbaxy is the AG, it will be the only generic player in the market.

### Depreciated INR to aid operational performance, while MTM forex gains will be lower

INR appreciated by ~1% against the USD since December 31, 2012, compared to a ~4% appreciation in 4QFY12. We expect companies with large forex debt and derivative exposures to report lower MTM gains, compared to the corresponding quarter last year. Hence, some companies that will witness a decline in other income include (1) Ranbaxy, (2) IPCA, (3) Glenmark and (4) Dishman.

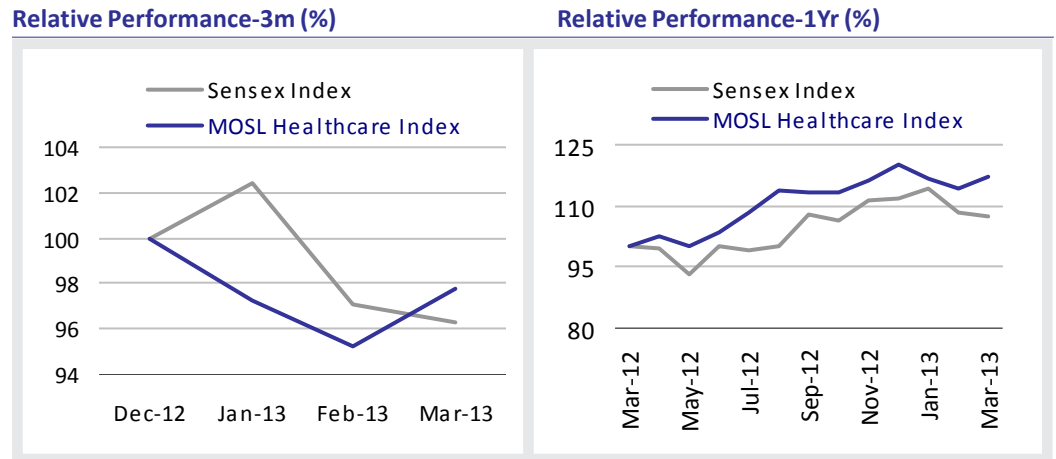
Similarly, the average USD/INR rate for 4QFY13 till March 22, 2013 is 54.2, which is an ~8% depreciation over the average rate of 4QFY12. Thus, we expect companies with largely un-hedged net exports to realize the benefit of favorable currency at EBITDA level — Biocon, Cadila, Cipla, Divi's Labs and Glenmark.

#### Currency movement (INR/USD)



Source: Bloomberg





**Comparative valuation**

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Healthcare</b>														
Biocon	271	Neutral	17.3	18.3	21.0	15.7	14.8	12.9	8.5	7.5	6.4	13.3	12.9	13.5
Cadila Health	731	Buy	25.7	39.7	49.7	28.4	18.4	14.7	14.6	11.3	9.4	18.9	24.5	25.3
Cipla	380	Neutral	17.0	19.2	22.4	22.3	19.8	17.0	13.3	12.8	11.1	15.4	15.3	15.8
Dishman Pharma	67	Neutral	12.0	14.9	17.9	5.6	4.5	3.7	5.1	4.0	3.2	10.0	11.3	12.2
Divis Labs	998	Buy	48.7	57.4	72.4	20.5	17.4	13.8	15.2	12.1	9.5	27.8	27.7	29.3
Dr Reddy's Labs	1,754	Buy	83.7	97.8	112.9	21.0	17.9	15.5	13.7	12.9	11.1	20.9	21.1	21.1
Glenmark Pharma	472	Buy	17.7	26.7	32.0	26.6	17.7	14.7	13.9	11.6	9.6	16.9	20.4	19.7
GSK Pharma	2,172	Buy	80.0	90.1	101.6	27.2	24.1	21.4	20.6	17.8	15.5	33.7	34.9	36.4
IPCA Labs.	510	Buy	26.5	38.4	45.0	19.2	13.3	11.3	11.6	9.5	7.9	24.1	28.3	26.6
Jubilant Life	165	Neutral	17.3	32.5	37.9	9.6	5.1	4.4	5.7	4.8	3.9	11.2	18.6	18.5
Lupin	622	Buy	23.1	30.9	37.3	26.9	20.1	16.7	15.4	13.4	11.3	23.4	26.0	26.1
Opto Circuits	53	Neutral	18.3	18.4	22.0	2.9	2.9	2.4	3.2	2.8	2.3	23.3	19.3	19.4
Ranbaxy Labs	445	Neutral	14.1	15.2	19.2	31.6	29.2	23.2	9.8	16.9	14.2	24.9	11.4	12.8
Sanofi India	2,480	Neutral	76.7	85.1	100.7	32.3	29.1	24.6	22.7	19.9	16.9	14.8	15.3	16.6
Sun Pharma	822	Neutral	31.4	29.9	33.4	26.2	27.5	24.6	16.1	17.9	15.9	24.6	20.0	19.4
Torrent Pharma	693	Buy	45.9	54.3	64.1	15.1	12.8	10.8	9.8	7.8	6.6	28.9	27.4	26.3
<b>Sector Aggregate</b>						<b>23.1</b>	<b>19.9</b>	<b>17.0</b>	<b>13.4</b>	<b>12.9</b>	<b>11.0</b>	<b>19.2</b>	<b>19.3</b>	<b>19.5</b>

## Biocon

Bloomberg	BIOS IN
Equity Shares (m)	200.0
M. Cap. (INR b)/(USD b)	54/1
52-Week Range (INR)	322/208
1,6,12 Rel Perf. (%)	-1/-3/7

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	20.9	24.5	27.7	31.4
EBITDA	5.2	5.2	6.1	7.0
Net Profit	3.4	3.5	3.7	4.2
Adj. EPS (INR)	16.9	17.3	18.3	21.0
EPS Gr. (%)	-7.6	2.1	6.2	14.5
BV/Sh. (INR)	113.6	129.8	141.7	155.3
RoE (%)	14.9	13.3	12.9	13.5
RoCE (%)	13.0	12.9	13.4	14.3
Payout (%)	34.3	35.4	36.0	36.1
<b>Valuations</b>				
P/E (x)	16.0	15.7	14.8	12.9
P/BV (x)	2.4	2.1	1.9	1.7
EV/EBITDA (x)	8.9	8.5	7.5	6.4
Div. Yield (%)	1.8	1.9	2.0	2.3

## CMP: INR271

Neutral

- We expect Biocon's 4QFY13E top line to grow by a modest 6% YoY to INR6.46b on a high base of 4QFY12. Growth will be driven by (1) 10% growth in biopharma revenue and (2) 22% growth in contract research revenue. Licensing income is likely to decline to INR155m (4QFY12: INR463m).
- EBITDA would decline 13% YoY to INR1.35b as EBITDA margin could shrink 440bp to 21% due to lower licensing income and increased R&D spending on the biogenerics pipeline.
- We expect adjusted PAT to decline 12.5% YoY to INR855m due to base effect and lower operational performance.

The key growth drivers for FY13E/14E will be: 1) traction in company's insulin initiative in emerging markets, 2) ramp-up in contract research business and 3) incremental contribution from immuno-suppressants API supplies. However, given the high cost for developing biogeneric products, we believe cost pressures are likely to continue in FY13E/14E, thus impacting earnings and return ratios. Option values for future include separate listing of CR business and a potential out-licensing of the oral insulin NCE by BMS. The stock is valued at 14.8x FY14E and 12.9x FY15E earnings. Maintain **Neutral**.

## Key issues to watch out

- Update on initiatives to out-license Anti-CD6.
- Progress on product registration for Rh-Insulin in Europe.
- Timeline for commencement of Atorvastatin bulk supplies to the US.

## Consolidated Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>4,417</b>	<b>5,084</b>	<b>5,172</b>	<b>6,102</b>	<b>5,767</b>	<b>5,924</b>	<b>6,342</b>	<b>6,459</b>	<b>20,865</b>	<b>24,492</b>
YoY Change (%)	-33.3	-25.1	-29.0	-13.0	30.6	16.5	22.6	5.8	-24.7	17.4
Total Expenditure	3,213	3,750	3,898	4,556	4,540	4,759	4,925	5,111	15,691	19,335
<b>EBITDA</b>	<b>1,204</b>	<b>1,334</b>	<b>1,274</b>	<b>1,546</b>	<b>1,227</b>	<b>1,165</b>	<b>1,417</b>	<b>1,348</b>	<b>5,174</b>	<b>5,157</b>
Margins (%)	27.2	26.2	24.6	25.3	21.3	19.7	22.3	20.9	24.8	21.1
Depreciation	451	429	434	431	427	446	461	471	1,744	1,806
Interest	57	20	29	30	32	11	29	34	122	106
Other Income	123	160	150	13	159	495	253	199	618	1,106
<b>PBT</b>	<b>820</b>	<b>1,045</b>	<b>961</b>	<b>1,099</b>	<b>927</b>	<b>1,203</b>	<b>1,180</b>	<b>1,042</b>	<b>3,926</b>	<b>4,352</b>
Tax	119	188	113	121	137	304	253	176	541	870
Rate (%)	14.6	18.0	11.8	11.0	14.8	25.3	21.4	16.9	13.8	20.0
Minority Interest	0	0	0	0	2	3	10	10	0	25
<b>PAT</b>	<b>701</b>	<b>857</b>	<b>848</b>	<b>978</b>	<b>788</b>	<b>896</b>	<b>917</b>	<b>855</b>	<b>3,384</b>	<b>3,456</b>
YoY Change (%)	-8.7	-3.9	-15.8	-3.0	12.5	4.6	8.2	-12.5	-7.6	2.1
Margins (%)	15.9	16.9	16.4	16.0	13.7	15.1	14.5	13.2	16.2	14.1
<b>Licensing income</b>	<b>140</b>	<b>365</b>	<b>292</b>	<b>463</b>	<b>139</b>	<b>0</b>	<b>88</b>	<b>155</b>	<b>1,253</b>	<b>382</b>
YoY Change (%)	-33.3	58.7	-62.0	35.4	-0.7	-100.0	-69.9	-66.6	-19.2	-69.6
<b>Contract research</b>	<b>880</b>	<b>928</b>	<b>1,120</b>	<b>1,180</b>	<b>1,224</b>	<b>1,291</b>	<b>1,397</b>	<b>1,419</b>	<b>4,101</b>	<b>5,331</b>
YoY Change (%)	22.2	19.0	42.1	32.3	39.1	39.1	24.7	20.3	29.0	30.0

E: MOSL Estimates; Note - Quarterly nos will not add up to full-year nos due to restatements

# Cadila Healthcare

Bloomberg	CDH IN
Equity Shares (m)	204.7
M. Cap. (INR b)/(USD b)	150/3
52-Week Range (INR)	964/695
1,6,12 Rel Perf. (%)	-3/-14/-10

**CMP: INR731**

**Buy**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	52.6	63.1	73.2	83.7
EBITDA	11.2	11.5	15.0	17.6
Net Profit	5.7	5.3	8.1	10.2
Adj. EPS (INR)	27.6	25.7	39.7	49.7
EPS Gr. (%)	-10.6	-6.9	54.2	25.2
BV/Sh. (INR)	125.9	146.6	177.5	216.1
RoE (%)	27.5	18.9	24.5	25.3
RoCE (%)	22.8	18.4	22.9	24.9
Payout (%)	21.6	23.8	25.4	25.4
<b>Valuations</b>				
P/E (x)	26.4	28.4	18.4	14.7
P/BV (x)	5.8	5.0	4.1	3.4
EV/EBITDA (x)	14.7	14.6	11.3	9.4
Div. Yield (%)	0.8	0.8	1.2	1.5

- We expect Cadila Healthcare's (CDH) 4QFY13E top line to grow 16.3% YoY to INR16.25b, led by 18% YoY growth in domestic formulations business. Export formulations will grow 15% YoY dented by a likely slowdown in JV sales.
- We estimate EBITDA would decline 3% YoY to INR2.75b, with margin likely to shrink by 330bp YoY to 16.9%.
- Adjusted PAT would decline 22% YoY to INR1.34b, impacted by higher depreciation, interest costs and taxes.

We estimate a strong 22% EPS CAGR for FY12-15E for the core operations, excluding one-offs. RoCE and RoE will decline to ~18-19% in FY13E and recover to 25-26% in FY14E/15E. Most of the cost pressures witnessed in 2Q/3QFY13 will be absorbed with new launches in the US (20-22 guided for CY13), normalization of operations in Brazil and stable growth in domestic formulations. Though we estimate a 290bp YoY decline in EBITDA margin for FY13E, we believe they will be close to FY12 level of 21.4% by FY15E. Stock trades at 18.4x FY14E and 14.7x FY15E consolidated EPS. Maintain **Buy**.

## Key issues to watch out

- Update on US launches from Moraiya facility.
- Growth in domestic formulations, excluding Biochem acquisition.
- Progress on Brazilian operations' revival.

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Revenues</b>	<b>12,457</b>	<b>12,450</b>	<b>13,832</b>	<b>13,980</b>	<b>15,486</b>	<b>15,459</b>	<b>15,924</b>	<b>16,253</b>	<b>52,633</b>	<b>63,123</b>
YoY Change (%)	9.9	11.5	18.6	15.3	24.3	24.2	15.1	16.3	13.7	19.9
Total Expenditure	9,433	9,693	11,193	11,152	12,067	12,529	13,491	13,505	41,385	51,592
<b>EBITDA</b>	<b>3,024</b>	<b>2,757</b>	<b>2,640</b>	<b>2,828</b>	<b>3,419</b>	<b>2,930</b>	<b>2,433</b>	<b>2,748</b>	<b>11,248</b>	<b>11,531</b>
Margins (%)	24.3	22.1	19.1	20.2	22.1	19.0	15.3	16.9	21.4	18.3
Depreciation	347	375	465	391	434	432	496	476	1,579	1,839
Interest	189	255	276	350	301	272	446	431	1,069	1,450
Other Income	140	-790	-160	151	-21	-692	255	174	-658	-285
<b>PBT after EO Income</b>	<b>2,628</b>	<b>1,337</b>	<b>1,739</b>	<b>2,238</b>	<b>2,663</b>	<b>1,534</b>	<b>1,746</b>	<b>2,015</b>	<b>7,942</b>	<b>7,958</b>
Tax	285	235	174	436	654	494	630	609	1,130	2,387
Rate (%)	10.9	17.6	10.0	19.5	24.5	32.2	36.1	30.2	14.2	30.0
Min. Int/Adj on Consol	45	75	74	93	61	88	86	64	286	300
<b>Reported PAT</b>	<b>2,298</b>	<b>1,027</b>	<b>1,492</b>	<b>1,709</b>	<b>1,948</b>	<b>951</b>	<b>1,029</b>	<b>1,341</b>	<b>6,526</b>	<b>5,270</b>
<b>Adj PAT</b>	<b>1,433</b>	<b>1,027</b>	<b>1,492</b>	<b>1,709</b>	<b>1,948</b>	<b>951</b>	<b>1,029</b>	<b>1,341</b>	<b>5,660</b>	<b>5,270</b>
YoY Change (%)	-11.9	-39.9	-7.9	23.9	36.0	-7.3	-31.0	-21.5	-10.6	-6.9
Margins (%)	11.5	8.2	10.8	12.2	12.6	6.2	6.5	8.3	10.8	8.3
<b>Adj PAT incl one-offs</b>	<b>2,298</b>	<b>1,027</b>	<b>1,492</b>	<b>1,709</b>	<b>1,948</b>	<b>951</b>	<b>1,029</b>	<b>1,341</b>	<b>6,526</b>	<b>5,270</b>

E: MOSL Estimates

Cipla

Neutral

Bloomberg	CIPLA IN
Equity Shares (m)	802.9
M. Cap. (INR b)/(USD b)	3056
52-Week Range (INR)	435/287
1,6,12 Rel Perf. (%)	7/2/22

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	70.2	83.0	89.7	102.6
EBITDA	16.6	21.9	22.4	25.6
Net Profit	11.3	13.7	15.4	18.0
Adj. EPS (INR)	14.0	17.0	19.2	22.4
EPS Gr. (%)	16.3	21.6	12.6	16.7
BV/Sh. (INR)	95.0	110.6	125.0	141.8
RoE (%)	14.7	15.4	15.3	15.8
RoCE (%)	18.8	22.8	20.6	21.2
Payout (%)	14.3	20.0	25.0	25.0
<b>Valuations</b>				
P/E (x)	27.1	22.3	19.8	17.0
P/BV (x)	4.0	3.4	3.0	2.7
EV/EBITDA (x)	18.3	13.9	13.6	11.9
Div. Yield (%)	0.5	0.9	1.1	1.3

## CMP: INR380

- Cipla's top line for 4QFY13E is likely to grow 15% YoY to INR20.8b. Domestic formulations business would grow 17% YoY to INR8.4b, while exports would grow 14% YoY to INR11.88b, driven by 21% YoY growth in formulation exports to INR9.8b.
- EBITDA to grow 24% YoY to INR4.89. EBITDA margin is likely to expand 170bp YoY to 23.5%, led by lower other expenses on the back of improving capacity utilization at Indore SEZ.
- Thus, we expect adjusted PAT to grow 28% YoY to INR3.25b.

While export formulations grew 38% YoY in 3QFY13, Cipla's core quarterly performance has not been encouraging in the past many quarters. Its muted export performance had raised uncertainty on the timelines of ramp-up at Indore SEZ. While this facility recently got approved by the US FDA, Cipla expects to generate sales of INR6b from this facility in FY13 (same as in FY12). Though the large capex (for past few years) is a long term positive, we believe it is imperative for the company to improve asset utilization at Indore to drive future growth and derive benefits of operating leverage (overhead expenses continue to adversely impact performance). Based on our estimates, the stock trades at 19.8x FY14E and 17x FY15E EPS. **Neutral**.

## Key issues to watch out

- Update on inhalers launch in Europe.
- Timeline for completion of Cipla Medpro acquisition.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Revenues</b>	<b>15,914</b>	<b>17,780</b>	<b>17,580</b>	<b>18,530</b>	<b>19,582</b>	<b>21,875</b>	<b>20,705</b>	<b>20,790</b>	<b>70,207</b>	<b>82,953</b>
YoY Change (%)	7.5	10.1	13.2	11.2	23.0	23.0	17.8	12.2	11.2	18.2
Total Expenditure	12,219	13,404	13,666	14,330	14,183	15,149	15,776	15,899	53,619	61,007
<b>EBITDA</b>	<b>3,695</b>	<b>4,376</b>	<b>3,915</b>	<b>4,200</b>	<b>5,399</b>	<b>6,727</b>	<b>4,929</b>	<b>4,891</b>	<b>16,589</b>	<b>21,945</b>
Margins (%)	23.2	24.6	22.3	22.7	27.6	30.7	23.8	23.5	23.6	26.5
Depreciation	703	656	757	1,006	728	740	780	877	3,122	3,125
Interest	43	24	32	22	11	54	93	17	383	175
Other Income	249	243	302	390	531	641	535	239	1,395	1,946
<b>Profit before Tax</b>	<b>3,199</b>	<b>3,939</b>	<b>3,426</b>	<b>3,561</b>	<b>5,190</b>	<b>6,575</b>	<b>4,591</b>	<b>4,236</b>	<b>14,478</b>	<b>20,592</b>
Tax	666	850	727	794	1,182	1,618	1,203	939	3,036	4,942
Rate (%)	20.8	21.6	21.2	22.3	22.8	24.6	26.2	22.2	21.0	24.0
<b>Reported PAT</b>	<b>2,533</b>	<b>3,090</b>	<b>2,699</b>	<b>2,767</b>	<b>4,008</b>	<b>4,957</b>	<b>3,388</b>	<b>3,297</b>	<b>11,442</b>	<b>15,650</b>
<b>Adj PAT</b>	<b>2,533</b>	<b>3,090</b>	<b>2,699</b>	<b>2,577</b>	<b>3,057</b>	<b>3,944</b>	<b>3,388</b>	<b>3,297</b>	<b>11,252</b>	<b>13,685</b>
YoY Change (%)	-1.6	17.5	16.0	20.3	20.7	27.6	25.5	27.9	16.3	21.6
Margins (%)	15.9	17.4	15.4	13.9	15.6	18.0	16.4	15.9	16.0	16.5
<b>Domestic formulation sales</b>	<b>7,202</b>	<b>8,208</b>	<b>8,457</b>	<b>7,182</b>	<b>9,388</b>	<b>9,289</b>	<b>9,240</b>	<b>8,403</b>	<b>31,048</b>	<b>36,320</b>
YoY Change (%)	8.9	9.8	17.5	12.3	30.4	13.2	9.3	17.0	12.2	17.0
<b>Other operating income</b>	<b>411</b>	<b>462</b>	<b>465</b>	<b>498</b>	<b>408</b>	<b>460</b>	<b>398</b>	<b>500</b>	<b>1,730</b>	<b>1,765</b>
YoY Change (%)	-21.6	30.2	-11.0	13.2	-0.7	-0.5	-14.5	0.3	-6.1	2.0

E: MOSL Estimates

# Dishman Pharma

Bloomberg	DISH IN
Equity Shares (m)	81.3
M. Cap. (INR b)/(USD b)	50
52-Week Range (INR)	125/41
1,6,12 Rel Perf. (%)	-4/-31/41

**CMP: INR67**
**Neutral**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	11.2	12.8	14.2	15.6
EBITDA	2.2	2.6	3.1	3.4
Net Profit	0.6	1.0	1.2	1.5
Adj. EPS (INR)	7.0	12.0	14.9	17.9
EPS Gr. (%)	-30.2	72.2	23.8	20.2
BV/Sh. (INR)	115.5	126.4	139.9	156.2
RoE (%)	6.3	10.0	11.3	12.2
RoCE (%)	8.9	10.9	12.7	13.6
Payout (%)	0.0	10.0	10.0	10.0
<b>Valuations</b>				
P/E (x)	9.6	5.6	4.5	3.7
P/BV (x)	0.6	0.5	0.5	0.4
EV/EBITDA (x)	6.5	5.1	4.0	3.2
Div. Yield (%)	1.8	1.5	1.9	2.3

- We expect Dishman Pharmaceuticals' (DISH) revenue to grow by mere 3% YoY to INR3.6b in 4QFY13E on a high base. CRAMS business is likely to report flat sales growth, while marketable molecules will grow by 8.5% YoY.
- EBITDA is likely to decline 21% YoY to INR649m, with EBITDA margin contracting to 18% from a high base of 23.5% last year. Operational performance will be impacted by production disruption at the Netherlands facility.
- Company is likely to report a net profit of INR162m, down 48% YoY, impacted by higher depreciation costs and lower other income.

We believe DISH's domestic operations will benefit from increased outsourcing from India, given its strengthening MNC relations and expansion of some existing customer relationships. However, the company needs to ramp up contracts with innovators to take advantage of the macro opportunity. The stock trades at 4.5x FY14E and 3.7x FY15E earnings. RoCE will continue to be subdued till new facilities and CRAMS contracts ramp up. Maintain **Neutral**.

**Key issues to watch out**

- Ramp-up at High Potency (HIPO) facility commissioned in FY13.
- Update on Gemcitabine supplies to Abbott; current order size.

**Quarterly Performance (Consolidated)**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>2,372</b>	<b>2,692</b>	<b>2,655</b>	<b>3,502</b>	<b>3,153</b>	<b>2,893</b>	<b>3,176</b>	<b>3,609</b>	<b>11,221</b>	<b>12,830</b>
YoY Change (%)	17.5	26.5	14.5	1.7	32.9	7.4	19.6	3.0	13.2	14.3
Total Expenditure	1,935	2,222	2,128	2,677	2,317	2,310	2,609	2,960	8,996	10,196
<b>EBITDA</b>	<b>437</b>	<b>471</b>	<b>526</b>	<b>825</b>	<b>836</b>	<b>582</b>	<b>567</b>	<b>649</b>	<b>2,225</b>	<b>2,633</b>
Margins (%)	18.4	17.5	19.8	23.5	26.5	20.1	17.8	18.0	19.8	20.5
Depreciation	187	207	191	180	193	204	207	208	765	813
Interest	137	150	164	218	231	132	183	188	729	734
Other Income	56	-183	89	95	26	91	47	20	150	185
<b>PBT after EO Income</b>	<b>169</b>	<b>-70</b>	<b>260</b>	<b>522</b>	<b>438</b>	<b>337</b>	<b>225</b>	<b>272</b>	<b>880</b>	<b>1,271</b>
Tax	17	-7	93	208	50	71	61	110	312	292
Rate (%)	10.4	9.3	35.7	39.9	11.5	21.1	27.0	40.5	35.4	23.0
<b>Reported PAT</b>	<b>151</b>	<b>-64</b>	<b>167</b>	<b>313</b>	<b>387</b>	<b>266</b>	<b>164</b>	<b>162</b>	<b>568</b>	<b>979</b>
<b>Adj PAT</b>	<b>151</b>	<b>-64</b>	<b>167</b>	<b>313</b>	<b>387</b>	<b>266</b>	<b>164</b>	<b>162</b>	<b>568</b>	<b>979</b>
YoY Change (%)	-44.3	-121.6	859.7	36.4	156.1	-2.0	-48.3	-30.1	72.2	
Margins (%)	6.4	-2.4	6.3	8.9	12.3	9.2	5.2	4.5	5.1	7.6
<b>CRAMS - India Sales</b>	<b>840</b>	<b>626</b>	<b>667</b>	<b>1,044</b>	<b>640</b>	<b>770</b>	<b>737</b>	<b>952</b>	<b>3,179</b>	<b>3,100</b>
YoY Change (%)	56.9	-10.0	-15.3	19.6	-23.7	23.0	10.6	-8.8	10.0	-2.5
<b>Carbogen AMCIS Sales</b>	<b>748</b>	<b>1,062</b>	<b>1,022</b>	<b>1,154</b>	<b>1,330</b>	<b>1,114</b>	<b>1,353</b>	<b>1,243</b>	<b>3,985</b>	<b>5,040</b>
YoY Change (%)	-16.1	16.4	28.5	9.1	77.8	4.9	32.5	7.7	9.0	26.5

E: MOSL Estimates

# Divi's Laboratories

Bloomberg	DIVI IN
Equity Shares (m)	132.7
M. Cap. (INR b)/(USD b)	132/2
52-Week Range (INR)	1,233/735
1,6,12 Rel Perf. (%)	-1/-7/25

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	18.6	22.8	28.3	34.0
EBITDA	6.8	8.5	10.4	12.9
Net Profit	5.3	6.5	7.6	9.6
Adj. EPS (INR)	40.2	48.7	57.4	72.4
EPS Gr. (%)	24.1	21.3	17.8	26.1
BV/Sh. (INR)	160.6	190.1	225.0	268.9
RoE (%)	27.1	27.8	27.7	29.3
RoCE (%)	34.1	35.1	35.9	37.5
Payout (%)	37.6	39.4	39.3	39.3
<b>Valuations</b>				
P/E (x)	24.8	20.5	17.4	13.8
P/BV (x)	6.2	5.2	4.4	3.7
EV/EBITDA (x)	19.4	15.7	12.7	10.3
Div. Yield (%)	1.3	1.6	1.9	2.4

## CMP: INR998

**Buy**

- Divi's Laboratories (DIVI) is likely to post 14% YoY increase in 4QFY13E revenue to INR8.1b on increased capacity utilization at the new SEZ unit. CCS business would grow 5% YoY, while API business is likely to grow 26% YoY. Carotenoids revenue would stand flat YoY.
- EBITDA is likely to grow by a mere 2% YoY to INR2.89b, impacted by higher other expenses due to high power cost. EBITDA margin would contract 420bp YoY, but increase 180bp QoQ.
- We expect adjusted PAT to remain flat YoY at INR2.17b, mainly impacted by subdued operational performance.

We expect DIVI to be a key beneficiary of increased pharmaceutical outsourcing from India, given its strong relationships with global innovators and strong chemistry skills. We estimate 35-37% RoCE and 28-29% RoE over FY13E-15E, led by traction in high margin CRAMS business, sustained profitability in generics business and increased contribution from the new SEZ. The stock trades at 17.4x FY14E and 13.8x FY15E earnings. **Maintain Buy.**

### Key issues to watch out

- Ramp-up at Vizag SEZ and timeline for its US FDA inspection.
- Revival in gross margin aided by improving sales mix in APIs division.
- Impact of increased power cost (in Andhra Pradesh) on profitability.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Op Revenue</b>	<b>3,586</b>	<b>3,541</b>	<b>4,147</b>	<b>7,080</b>	<b>4,684</b>	<b>4,726</b>	<b>5,333</b>	<b>8,080</b>	<b>18,586</b>	<b>22,824</b>
YoY Change (%)	36.1	38.7	33.9	47.9	30.6	33.5	28.6	14.1	42.2	22.8
Total Expenditure	2,308	2,279	2,663	4,251	2,780	2,880	3,521	5,191	11,736	14,371
<b>EBITDA</b>	<b>1,277</b>	<b>1,262</b>	<b>1,484</b>	<b>2,829</b>	<b>1,904</b>	<b>1,846</b>	<b>1,813</b>	<b>2,889</b>	<b>6,850</b>	<b>8,453</b>
Margins (%)	35.6	35.6	35.8	40.0	40.7	39.1	34.0	35.8	36.9	37.0
Depreciation	140	152	162	166	175	188	204	216	621	782
Interest	2	6	2	27	4	3	4	22	37	34
Other Income	164	227	284	78	418	-112	234	170	615	709
<b>PBT</b>	<b>1,299</b>	<b>1,332</b>	<b>1,604</b>	<b>2,714</b>	<b>2,143</b>	<b>1,544</b>	<b>1,838</b>	<b>2,821</b>	<b>6,806</b>	<b>8,346</b>
Tax	273	257	341	566	469	364	396	649	1,474	1,878
Deferred Tax	1	14	38	0	0	0	0	0	0	0
Rate (%)	21.0	20.4	23.6	20.9	21.9	23.6	21.5	23.0	21.7	22.5
<b>Reported PAT</b>	<b>1,026</b>	<b>1,061</b>	<b>1,226</b>	<b>2,148</b>	<b>1,674</b>	<b>1,180</b>	<b>1,442</b>	<b>2,173</b>	<b>5,333</b>	<b>6,468</b>
<b>Adj PAT</b>	<b>1,026</b>	<b>1,061</b>	<b>1,226</b>	<b>2,148</b>	<b>1,674</b>	<b>1,180</b>	<b>1,442</b>	<b>2,173</b>	<b>5,333</b>	<b>6,468</b>
YoY Change (%)	22.5	47.4	24.5	22.9	63.2	11.2	17.7	1.2	24.2	21.3
Margins (%)	28.6	30.0	29.6	30.3	35.7	25.0	27.0	26.9	28.7	28.3
<b>CCS Revenues</b>	<b>1,757</b>	<b>1,650</b>	<b>1,831</b>	<b>3,682</b>	<b>2,148</b>	<b>2,268</b>	<b>2,507</b>	<b>3,872</b>	<b>8,921</b>	<b>10,795</b>
YoY Change (%)	42.6	49.3	26.8	58.9	22.2	37.5	36.9	5.2	46.3	21.0
<b>Carotenoid Revenues</b>	<b>140</b>	<b>240</b>	<b>200</b>	<b>230</b>	<b>210</b>	<b>250</b>	<b>185</b>	<b>227</b>	<b>810</b>	<b>872</b>
YoY Change (%)	-17.6	100.0	33.3	27.1	50.0	4.2	-7.5	-1.3	30.4	7.7

E: MOSL Estimates; Quarterly financials from 1QFY12 are on stand-alone basis while annual financials are on consolidated basis



# Dr Reddy's Laboratories

Bloomberg	DRRD IN
Equity Shares (m)	169.6
M. Cap. (INR b)/(USD b)	298/5
52-Week Range (INR)	1,969/1,528
1,6,12 Rel Perf. (%)	1/7/-4

**CMP: INR1,754**

**Buy**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	96.7	108.6	116.3	132.2
EBITDA	23.7	22.5	23.4	26.4
Net Profit	12.1	14.2	16.6	19.1
Adj. EPS (INR)	71.4	83.7	97.8	112.9
EPS Gr. (%)	8.8	17.3	16.8	15.4
BV/Sh. (INR)	338.7	401.0	462.9	534.6
RoE (%)	21.1	20.9	21.1	21.1
RoCE (%)	20.3	16.6	15.9	17.5
Payout (%)	19.0	20.0	20.0	20.0
<b>Valuations</b>				
P/E (x)	24.6	21.0	17.9	15.5
P/BV (x)	5.2	4.4	3.8	3.3
EV/EBITDA (x)	13.1	13.7	12.9	11.1
Div. Yield (%)	0.8	0.8	1.0	1.1

■ We expect Dr Reddy's Laboratories (DRRD) to post 12% YoY growth in core revenue (excluding one-off sales) for 4QFY13E at INR25.76b. This would be led by 37.5% YoY growth in core US revenue and 23.4% YoY growth in international branded formulations. PSAI business revenue is likely to decline 5% YoY on a high base.

■ Core EBITDA would grow just 7% YoY to INR4.9b impacted by declining profitability in the base business in the US. We expect core EBITDA margin to decline by 100bp YoY.

■ Adjusted PAT would be INR2.33b, up 13% YoY -- higher than the growth in EBITDA due to lower depreciation and amortization expenses. Including the contribution from one-off opportunities, we expect PAT to grow 3% YoY to INR3.52b.

Traction in the US, branded formulations and PSAI businesses would be the key growth drivers for DRRD for FY13E. Significant gap between guidance and consensus implies some product opportunities in the US but not visible to investors now. Management indicated that it is on track to launch these products in the near term, subject to regulatory approvals. The stock trades at 17.9x FY14E and 15.5x FY15E core earnings. Maintain **Buy**.

## Key issues to watch out

- Market share in generic versions of Lipitor and Toprol-XL along with timeline for Actos launch.
- Outlook on growth drivers in FY14, for both generics and PSAI businesses.

## Quarterly Performance - IFRS

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
<b>Gross Sales</b>	<b>19,783</b>	<b>22,679</b>	<b>27,692</b>	<b>26,583</b>	<b>25,406</b>	<b>28,809</b>	<b>28,652</b>	<b>25,763</b>	<b>96,737</b>	<b>108,629</b>
YoY Change (%)	17.5	21.3	45.9	31.8	28.4	27.0	3.5	-3.1	29.5	12.3
Total Expenditure	15,948	17,880	19,003	20,167	20,410	21,900	22,978	20,856	72,997	86,143
<b>EBITDA</b>	<b>3,835</b>	<b>4,799</b>	<b>8,689</b>	<b>6,416</b>	<b>4,996</b>	<b>6,909</b>	<b>5,674</b>	<b>4,907</b>	<b>23,740</b>	<b>22,486</b>
Margins (%)	19.4	21.2	31.4	24.1	19.7	24.0	19.8	19.0	24.5	20.7
Amortization	1,233	1,268	1,307	2,444	1,296	2,064	1,382	1,643	6,254	6,385
Other Income	144	178	365	292	25	796	168	86	979	1,075
<b>Profit before Tax</b>	<b>2,746</b>	<b>3,709</b>	<b>7,747</b>	<b>4,264</b>	<b>3,725</b>	<b>5,641</b>	<b>4,460</b>	<b>3,351</b>	<b>18,465</b>	<b>17,176</b>
Tax	120	631	2,616	837	365	1,567	827	1,020	4,204	3,779
Rate (%)	4.4	17.0	33.8	19.6	9.8	27.8	18.5	30.4	22.8	22.0
<b>Net Profit</b>	<b>2,626</b>	<b>3,078</b>	<b>5,131</b>	<b>3,427</b>	<b>3,360</b>	<b>4,074</b>	<b>3,633</b>	<b>3,520</b>	<b>14,261</b>	<b>15,197</b>
One-off/low-competition PAT in US	363	393	2,726	1,372	1,031	720	526	1,190	4,854	3,551
<b>Adjusted PAT</b>	<b>2,263</b>	<b>2,685</b>	<b>2,405</b>	<b>2,055</b>	<b>2,329</b>	<b>3,354</b>	<b>3,107</b>	<b>2,331</b>	<b>9,408</b>	<b>11,647</b>
YoY Change (%)	47.6	9.3	0.8	-3.5	2.9	24.9	29.2	13.4	10.6	23.8
Margins (%)	11.4	11.8	8.7	7.7	9.2	11.6	10.8	9.0	9.7	10.7
<b>US Sales</b>	<b>5,756</b>	<b>6,287</b>	<b>11,114</b>	<b>8,732</b>	<b>7,920</b>	<b>9,270</b>	<b>9,243</b>	<b>6,875</b>	<b>31,889</b>	<b>33,308</b>
YoY Change (%)	47.7	42.4	133.2	47.5	37.6	47.4	-16.8	-21.3	67.9	4.4
<b>Branded formulation sales</b>	<b>6,751</b>	<b>7,732</b>	<b>7,747</b>	<b>7,865</b>	<b>8,968</b>	<b>9,056</b>	<b>9,654</b>	<b>9,352</b>	<b>30,095</b>	<b>37,030</b>
YoY Change (%)	11.0	12.3	15.6	26.0	32.8	17.1	24.6	18.9	16.1	23.0

E: MOSL Estimates; Note-Estimates do not include one-off upsides.



# GlaxoSmithKline Pharmaceuticals

Bloomberg	GLXO IN
Equity Shares (m)	84.7
M. Cap. (INR b)/(USD b)	184/3
52-Week Range (INR)	2,520/1,916
1,6,12 Rel Perf. (%)	5/8/-10

**CMP: INR2,172**
**Buy**

## Financials & Valuation (INR b)

Y/E December	2011	2012	2013E	2014E
Sales	23.4	26.0	29.3	33.1
EBITDA	7.4	7.9	9.2	10.5
Net Profit	6.3	6.8	7.6	8.6
Adj. EPS (INR)	74.5	80.0	90.1	101.6
EPS Gr. (%)	8.6	7.3	12.8	12.7
BV/Sh. (INR)	226.7	237.3	258.1	278.7
RoE (%)	32.9	33.7	34.9	36.4
RoCE (%)	47.9	49.4	51.6	53.1
Payout (%)	68.8	71.3	75.9	78.6
<b>Valuations</b>				
P/E (x)	29.1	27.2	24.1	21.4
P/BV (x)	9.6	9.2	8.4	7.8
EV/EBITDA (x)	21.8	20.6	17.8	15.5
Div. Yield (%)	2.1	2.3	2.8	3.2

- We expect GlaxoSmithKline Pharmaceuticals (GLXO) to post 13% YoY growth in 1QCY13E top line at INR7.03b.
- EBITDA is likely to grow 16.6% YoY to INR2.28b. EBITDA margin would decline 110bp to 32.5%, mainly due to lower raw material costs and other expenses.
- We expect adjusted PAT to record 10.7% YoY growth at INR2.05b in 1QCY13E, and slower EBITDA growth due to lower other income.

We believe GLXO is one of the best plays on the IPR regime in India, with aggressive plans to launch new products in the high growth lifestyle segments. Given the high profitability of operations, we expect this growth to lead to sustainable double digit earnings growth and RoE of ~30%. This growth is likely to be funded through miniscule capex and negative net working capital. Company deserves premium valuation due to strong parentage (giving access to large product pipeline), brand building ability and likely positioning in the post patent era. It is one of the few companies with the ability to drive reasonable growth without any major capital requirement, leading to high RoCE of 45-50%. We expect GLXO to record an EPS of INR90.1 (up 13%) for CY13E and INR101.6 (up 13%) for CY14E. Our estimates exclude potential adverse impact of the proposed new pharma policy, which is pending implementation. Based on our current estimates, the stock is valued at 24.1x CY13E and 21.4x CY14E earnings. Maintain **Buy**.

### Key issues to watch out

- Update on product launches from the parent's portfolio.
- Impact from the implementation of the National Pharmaceutical Pricing Policy (NPPP), 2012.

## Quarterly Performance

Y/E December	(INR Million)									
	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Net Sales</b>	<b>6,228</b>	<b>6,520</b>	<b>6,685</b>	<b>6,567</b>	<b>7,027</b>	<b>7,320</b>	<b>7,467</b>	<b>7,459</b>	<b>25,999</b>	<b>29,273</b>
YoY Change (%)	3.3	16.1	10.0	16.0	12.8	12.3	11.7	13.6	11.2	12.6
Total Expenditure	4,271	4,492	4,696	4,653	4,745	5,030	5,099	5,161	18,112	20,035
<b>EBITDA</b>	<b>1,957</b>	<b>2,028</b>	<b>1,989</b>	<b>1,914</b>	<b>2,282</b>	<b>2,290</b>	<b>2,369</b>	<b>2,297</b>	<b>7,888</b>	<b>9,238</b>
Margins (%)	31.4	31.1	29.8	29.1	32.5	31.3	31.7	30.8	30.3	31.6
Depreciation	41	43	48	46	46	46	46	48	178	186
Interest	0	0	0	0	0	0	0	0	0	0
Other Income	804	479	479	477	787	483	483	494	2,239	2,247
<b>PBT before EO Expense</b>	<b>2,720</b>	<b>2,464</b>	<b>2,419</b>	<b>2,344</b>	<b>3,023</b>	<b>2,726</b>	<b>2,806</b>	<b>2,743</b>	<b>9,948</b>	<b>11,299</b>
Tax	863	768	783	762	967	900	905	892	3,176	3,664
Rate (%)	31.7	31.2	32.4	32.5	32.0	33.0	32.3	32.5	31.9	32.4
<b>Adjusted PAT</b>	<b>1,857</b>	<b>1,696</b>	<b>1,636</b>	<b>1,583</b>	<b>2,056</b>	<b>1,827</b>	<b>1,901</b>	<b>1,852</b>	<b>6,772</b>	<b>7,635</b>
YoY Change (%)	-0.3	11.8	12.1	7.4	10.7	7.7	16.2	17.0	7.3	12.8
Margins (%)	29.8	26.0	24.5	24.1	29.3	25.0	25.5	24.8	26.0	26.1
Extra-Ord Expense	628	61	113	198	0	0	0	0	999	0
<b>Reported PAT</b>	<b>1,229</b>	<b>1,635</b>	<b>1,523</b>	<b>1,385</b>	<b>2,056</b>	<b>1,827</b>	<b>1,901</b>	<b>1,852</b>	<b>5,773</b>	<b>7,635</b>

E: MOSL Estimates

# Glenmark Pharmaceuticals

Bloomberg	GNP IN
Equity Shares (m)	269.8
M. Cap. (INR b)/(USD b)	127/2
52-Week Range (INR)	551/298
1,6,12 Rel Perf. (%)	-6/12/47

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	40.2	49.3	57.5	66.9
EBITDA	9.9	10.5	12.3	14.3
Net Profit	3.2	5.0	7.6	9.1
Adj. EPS (INR)	11.4	17.7	26.7	32.0
EPS Gr. (%)	-8.6	55.3	50.6	19.8
BV/Sh. (INR)	88.8	110.2	137.7	170.4
RoE (%)	13.5	16.9	20.4	19.7
RoCE (%)	12.1	17.4	20.8	21.7
Payout (%)	13.6	5.1	4.6	5.0
<b>Valuations</b>				
P/E (x)	41.3	26.6	17.7	14.7
P/BV (x)	5.3	4.3	3.4	2.8
EV/EBITDA (x)	14.7	13.9	11.6	9.6
Div. Yield (%)	0.4	0.2	0.2	0.3

## CMP: INR472

Buy

- We expect Glenmark Pharmaceuticals (GNP) to post 19% YoY growth in core revenue (excluding one-offs and R&D income) for 4QFY13E at INR12.24b, led mainly by like-to-like growth of 28% in the US generics business. Branded business is likely to grow 15% YoY. We expect R&D licensing income of INR243m (nil recorded in 4QFY12).
- Core EBITDA is likely to grow 44% YoY to INR2.35b, while core EBITDA margin will increase by 340bp YoY, mainly due to the low base of 4QFY12, which saw adverse sales mix.
- GNP is likely to report adjusted PAT of INR1.4b, up 5% YoY, impacted by higher taxes and lower other income. GNP will report lower forex gain due to change in reporting currency for its foreign subsidiary.

Company is likely to start reporting the NCE clinical data for various NCEs commencing with the asthma trial data for Revamilast in April 2013 and three other NCEs in 1HFY14. This will be an important news flow to track as favorable data can facilitate potential out-licensing deals for some NCEs. However, our estimates exclude these upsides. The stock trades at 17.7x FY14E and 14.7x FY15E EPS. Maintain **Buy**.

### Key issues to watch out

- Recognition of income from Forest Labs for mPGES-I inhibitors.
- Timeline for reporting clinical data for NCE pipeline.

## Quarterly performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Revenues (Core)</b>	<b>8,683</b>	<b>10,554</b>	<b>10,311</b>	<b>10,659</b>	<b>10,404</b>	<b>12,552</b>	<b>13,813</b>	<b>12,245</b>	<b>40,206</b>	<b>49,257</b>
YoY Change (%)	27.4	45.7	37.3	34.5	19.8	18.9	34.0	14.9	40.6	22.5
<b>EBITDA</b>	<b>2,966</b>	<b>2,983</b>	<b>2,046</b>	<b>1,864</b>	<b>2,198</b>	<b>2,560</b>	<b>3,158</b>	<b>2,352</b>	<b>9,860</b>	<b>10,511</b>
Margins (%)	34.2	28.3	19.8	17.5	21.1	20.4	22.9	19.2	24.5	21.3
Depreciation	264	247	231	236	275	321	356	337	979	1,289
Interest	408	291	357	410	380	384	400	355	1,466	1,519
Other Income	125	-808	-912	377	-521	219	95	-7	-1,218	-214
<b>PBT before EO Expense</b>	<b>2,420</b>	<b>1,637</b>	<b>545</b>	<b>1,595</b>	<b>1,022</b>	<b>2,074</b>	<b>2,497</b>	<b>1,653</b>	<b>6,198</b>	<b>7,489</b>
Extra-Ord Expense	0	1,317	0	0	0	0	0	0	1,317	0
<b>PBT after EO Expense</b>	<b>2,420</b>	<b>321</b>	<b>545</b>	<b>1,595</b>	<b>1,022</b>	<b>2,074</b>	<b>2,497</b>	<b>1,653</b>	<b>4,881</b>	<b>7,489</b>
Tax	319	-238	84	73	218	477	366	228	238	1,289
Rate (%)	13.2	-74.2	15.4	4.6	21.3	23.0	14.7	13.8	4.9	17.2
<b>Reported PAT (incl one-offs)</b>	<b>2,101</b>	<b>559</b>	<b>461</b>	<b>1,522</b>	<b>804</b>	<b>1,597</b>	<b>2,130</b>	<b>1,825</b>	<b>4,643</b>	<b>7,154</b>
Minority Interest	8	11	10	11	21	30	1	28	40	80
<b>Adj PAT (excl one-offs)</b>	<b>1,092</b>	<b>745</b>	<b>76</b>	<b>1,331</b>	<b>506</b>	<b>1,424</b>	<b>1,575</b>	<b>1,397</b>	<b>3,244</b>	<b>5,038</b>
YoY Change (%)	17.8	-24.6	-92.2	101.4	-53.6	91.3	1,972.1	5.0	-8.6	55.3
Margins (%)	12.6	7.1	0.7	12.5	4.9	11.3	11.4	11.4	8.1	10.2
<b>US Sales</b>	<b>2,512</b>	<b>3,001</b>	<b>3,190</b>	<b>3,435</b>	<b>3,924</b>	<b>4,307</b>	<b>4,365</b>	<b>3,941</b>	<b>12,137</b>	<b>16,537</b>
YoY Change (%)	37.2	34.1	56.3	53.1	56.2	43.5	36.8	14.7	45.3	36.3
<b>R&amp;D licensing income</b>	<b>1,112</b>	<b>1,185</b>	<b>238</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>493</b>	<b>243</b>	<b>2,535</b>	<b>736</b>
YoY Change (%)	24.3	0.0	0.0	0.0	0.0	0.0	106.9	0.0	183.2	-71.0

Note: 2Q, 3Q, 4Q numbers are not comparable due to shift to IFRS accounting. 1Q numbers are comparable as per IFRS; Estimates do not include one-off upsides.

# IPCA Laboratories

Bloomberg	IPCA IN
Equity Shares (m)	126.2
M. Cap. (INR b)/(USD b)	64/1
52-Week Range (INR)	567/320
1,6,12 Rel Perf. (%)	5/10/42

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	23.6	27.7	32.3	37.4
EBITDA	5.1	6.0	7.3	8.6
Net Profit	2.8	3.3	4.8	5.7
Adj. EPS (INR)	21.9	26.5	38.4	45.0
EPS Gr. (%)	4.7	21.1	44.8	17.2
BV/Sh. (INR)	99.4	120.6	151.4	187.4
RoE (%)	24.0	24.1	28.3	26.6
RoCE (%)	24.1	24.7	29.9	29.4
Payout (%)	17.0	20.0	20.0	20.0
<b>Valuations</b>				
P/E (x)	23.3	19.2	13.3	11.3
P/BV (x)	5.1	4.2	3.4	2.7
EV/EBITDA (x)	13.5	11.5	9.4	7.9
Div. Yield (%)	0.7	1.0	1.5	1.8

## CMP: INR510

Buy

- We expect Ipca Laboratories' (IPCA) 4QFY13E top line to grow 19% YoY at INR6.67b, led mainly by 30% growth in exports formulations. Domestic formulations would grow 18% YoY, while total API sales would grow 3% YoY on a high base in 4QFY12.
- EBITDA is likely to grow 18% YoY to INR1.32b, with a minor 20bp decline in EBITDA margin to 19.7%.
- We expect adjusted PAT to grow just 3% YoY to INR787m impacted by higher depreciation, lower other income and higher taxes.

We expect significant ramp-up in IPCA's international formulations revenue led by 25% CAGR for both branded formulations and the US business over FY12-15E. Domestic formulations growth is likely to recover to 16%, while the institutional business is likely to record 19% sales CAGR for FY12-15E. We expect IPCA to clock FY12-15E EPS CAGR of 28% on the back of 17% revenue CAGR coupled with 180bp EBITDA margin expansion and reversal of MTM forex losses. Return ratios continue to be strong, with RoCE of ~28% and RoE of 27%, which reflect conservative management strategy and efficient capital allocation. The stock is valued at 13.3x FY14E EPS and 11.3x FY15E EPS. Reiterate **Buy**.

### Key issues to watch out

- Update on resolution of manufacturing issues at Indore SEZ; timeline for commencement of supplies to the US.
- Outlook on operational performance for FY14.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Revenues</b>	<b>5,299</b>	<b>6,235</b>	<b>6,148</b>	<b>5,611</b>	<b>6,344</b>	<b>7,713</b>	<b>7,010</b>	<b>6,674</b>	<b>23,587</b>	<b>27,741</b>
YoY Change (%)	26.8	20.3	31.8	13.5	19.7	23.7	14.0	18.9	24.3	17.6
<b>EBITDA</b>	<b>952</b>	<b>1,580</b>	<b>1,513</b>	<b>1,117</b>	<b>1,329</b>	<b>1,788</b>	<b>1,584</b>	<b>1,317</b>	<b>5,135</b>	<b>6,018</b>
Margins (%)	18.0	25.3	24.6	19.9	21.0	23.2	22.6	19.7	21.8	21.7
Depreciation	154	176	181	142	199	209	216	220	671	844
Interest	83	118	108	111	95	89	74	88	413	346
Other Income	118	-245	-359	88	-470	155	-146	36	-408	-425
<b>PBT</b>	<b>832</b>	<b>1,042</b>	<b>864</b>	<b>952</b>	<b>565</b>	<b>1,646</b>	<b>1,148</b>	<b>1,044</b>	<b>3,643</b>	<b>4,403</b>
Tax	215	262	225	186	135	395	269	258	881	1,057
Rate (%)	25.9	25.2	26.0	19.5	23.9	24.0	23.4	24.7	24.2	24.0
<b>Reported PAT</b>	<b>617</b>	<b>780</b>	<b>639</b>	<b>766</b>	<b>430</b>	<b>1,251</b>	<b>879</b>	<b>787</b>	<b>2,762</b>	<b>3,346</b>
<b>Adj PAT</b>	<b>617</b>	<b>780</b>	<b>639</b>	<b>766</b>	<b>430</b>	<b>1,251</b>	<b>879</b>	<b>787</b>	<b>2,762</b>	<b>3,346</b>
YoY Change (%)	58.8	-17.1	0.0	16.9	-30.3	60.5	37.5	2.7	5.3	21.1
Margins (%)	11.6	12.5	10.4	13.7	6.8	16.2	12.5	11.8	11.7	12.1
<b>Domestic formulation</b>	<b>1,890</b>	<b>2,292</b>	<b>1,876</b>	<b>1,477</b>	<b>2,242</b>	<b>2,628</b>	<b>2,127</b>	<b>1,743</b>	<b>7,534</b>	<b>8,740</b>
YoY Change (%)	12.3	3.3	5.7	14.7	18.6	14.6	13.4	18.0	8.2	16.0
<b>Export formulations</b>	<b>2,066</b>	<b>2,605</b>	<b>2,898</b>	<b>2,393</b>	<b>2,245</b>	<b>3,392</b>	<b>3,175</b>	<b>3,102</b>	<b>9,961</b>	<b>11,913</b>
YoY Change (%)	69.3	48.8	73.4	5.2	8.7	30.2	9.5	29.7	44.0	19.6

E: MOSL Estimates

# Jubilant Life Sciences

Bloomberg	JOL IN
Equity Shares (m)	159.3
M. Cap. (INR b)/(USD b)	260
52-Week Range (INR)	248/154
1,6,12 Rel Perf. (%)	-9/-25/-15

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	42.5	50.9	59.0	68.5
EBITDA	8.0	10.1	11.8	13.8
Net Profit	2.2	2.8	5.2	6.0
Adj. EPS (INR)	13.6	17.3	32.5	37.9
EPS Gr. (%)	-5.4	26.6	88.4	16.5
BV/Sh. (INR)	146.3	160.9	188.6	220.8
RoE (%)	0.6	11.2	18.6	18.5
RoCE (%)	8.1	10.9	15.4	16.4
Payout (%)	381.6	15.0	15.0	15.0
<b>Valuations</b>				
P/E (x)	12.1	9.6	5.1	4.4
P/BV (x)	1.8	1.6	1.4	1.2
EV/EBITDA (x)	7.5	5.7	4.8	3.9
Div. Yield (%)	1.8	1.3	2.5	2.9

## CMP: INR165

Neutral

- We expect healthy 13.4% YoY growth in Jubilant Organosys' (JOL) top line to INR13.28b in 4QFY13E, mainly driven by both life sciences and pharma division.
- EBITDA would grow 24% YoY to INR2.25b; EBITDA margin is likely to expand 150bp YoY on a low base to 17%.
- Adjusted PAT would be INR915m, compared to INR476m in 4QFY12. We estimate high PAT growth to be driven by higher other income (due to amortization related forex loss of INR400m in 4QFY12) and lower taxes.

We expect JOL to record 17% top line CAGR, 20% EBITDA CAGR and 41% EPS CAGR (on a low base) over FY12-15E. EPS CAGR will be much higher than EBITDA CAGR as the company had reported a large forex loss of INR1.6b in FY12. High debt (net debt was INR35.5b as at end-December 2012) continues to be our main concern area. We believe JOL needs to restructure its balance sheet significantly for its stock to get re-rated. We also believe that some of its past acquisitions (like Draxis) have been made at expensive valuations, resulting in extended payback periods and lower return ratios. High debt and low RoCE (12-16%) remain the overhangs. The stock trades at 5.1x FY14E and 4.4x FY15E EPS. **Neutral**.

### Key issues to watch out

- Update on ramp-up in Symtet facility.
- Update on new product launches in APIs, generics and specialty pharma businesses.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>9,443</b>	<b>10,481</b>	<b>10,872</b>	<b>11,711</b>	<b>12,359</b>	<b>12,197</b>	<b>13,018</b>	<b>13,278</b>	<b>42,539</b>	<b>50,852</b>
YoY Change (%)	-3.8	6.1	25.5	31.5	30.9	16.4	19.7	13.4	23.9	19.5
Total Expenditure	7,623	8,120	8,801	9,899	9,666	9,647	10,466	11,023	34,547	40,802
<b>EBITDA</b>	<b>1,820</b>	<b>2,361</b>	<b>2,071</b>	<b>1,812</b>	<b>2,693</b>	<b>2,550</b>	<b>2,552</b>	<b>2,255</b>	<b>7,992</b>	<b>10,050</b>
Margins (%)	19.3	22.5	19.0	15.5	21.8	20.9	19.6	17.0	18.8	19.8
Depreciation	498	508	539	662	591	620	632	732	2,207	2,575
Interest	434	497	566	586	593	574	544	594	2,096	2,305
Other Income	37	-372	-1,507	29	-968	581	-628	142	-929	-873
<b>PBT before EO Expense</b>	<b>925</b>	<b>984</b>	<b>-541</b>	<b>593</b>	<b>541</b>	<b>1,938</b>	<b>749</b>	<b>1,070</b>	<b>2,760</b>	<b>4,297</b>
Extra-Ord Expense	0	0	0	820	0	0	0	0	1,620	0
<b>PBT after EO Expense</b>	<b>925</b>	<b>984</b>	<b>-541</b>	<b>-227</b>	<b>541</b>	<b>1,938</b>	<b>749</b>	<b>1,070</b>	<b>1,141</b>	<b>4,297</b>
Tax	152	93	89	351	389	353	354	108	519	1,203
Rate (%)	16.4	9.5	-16.4	-154.5	71.8	18.2	47.2	10.1	45.4	28.0
<b>PAT before minority interest</b>	<b>774</b>	<b>891</b>	<b>-630</b>	<b>-578</b>	<b>152</b>	<b>1,585</b>	<b>395</b>	<b>962</b>	<b>622</b>	<b>3,094</b>
Minority Interest	3	97	154	57	102	65	128	47	311	342
<b>Reported PAT</b>	<b>771</b>	<b>794</b>	<b>-784</b>	<b>-635</b>	<b>50</b>	<b>1,520</b>	<b>267</b>	<b>915</b>	<b>311</b>	<b>2,752</b>
<b>Adjusted PAT</b>	<b>771</b>	<b>794</b>	<b>-784</b>	<b>476</b>	<b>50</b>	<b>1,520</b>	<b>267</b>	<b>915</b>	<b>2,173</b>	<b>2,752</b>
YoY Change (%)	22.9	-3.3	-277.7	-22.8	-93.5	91.5	0.0	91.9	-5.4	26.6
Margins (%)	8.2	7.6	-7.2	4.1	0.4	12.5	2.1	6.9	5.1	5.4

E: MOSL Estimates

Lupin

Buy

Bloomberg	LPC IN
Equity Shares (m)	446.2
M. Cap. (INR b)/(USD b)	278/5
52-Week Range (INR)	639/485
1,6,12 Rel Perf. (%)	6/6/13

CMP: INR622

- We expect Lupin's (LPC) 4QFY13E core top line to grow 34% YoY to INR22.73b, driven mainly by 48% YoY growth in advance market formulations (excl. one-off US sales). Domestic formulations are expected to grow 29% YoY.
- Core EBITDA would grow 84% YoY to INR4.43b, higher than the top line growth, over a low base of 4QFY12 and improved core operational performance in FY13. Core EBITDA margin is likely to increase 530bp YoY to 19.5%.
- We expect adjusted PAT at INR2.6b, against INR499m last year (which was impacted by significantly higher tax rate and subdued operational performance).

Significant internationalization without dilution of return ratios has been LPC's key achievement over the last five years. We expect this to sustain in the future. LPC aspires to reach the USD3b revenue mark by FY15. Achieving this target organically could be challenging (as implied top line CAGR for FY12-15E will be 30%); however, this can be achieved through potential acquisitions. We expect 24.3% EPS CAGR over FY12-15E. The stock trades at 20.1x FY14E and 16.7x FY15E EPS. Maintain **Buy**.

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	69.6	91.8	105.3	121.1
EBITDA	13.2	18.8	21.4	25.3
Net Profit	8.7	10.3	13.8	16.7
Adj. EPS (INR)	19.4	23.1	30.9	37.3
EPS Gr. (%)	0.7	19.1	33.8	20.5
BV/Sh. (INR)	89.8	108.1	129.6	155.9
RoE (%)	23.8	23.4	26.0	26.1
RoCE (%)	24.6	30.6	29.8	31.0
Payout (%)	17.3	28.6	30.0	28.7
<b>Valuations</b>				
P/E (x)	32.0	26.9	20.1	16.7
P/BV (x)	32.0	26.9	20.1	16.7
EV/EBITDA (x)	21.9	15.4	13.4	11.3
Div. Yield (%)	0.5	1.0	1.3	1.5

## Key issues to watch out

- Upside from launch of generic Tricor and Diovan HCT; outlook on future launches in the US.
- Improvement in profitability at I'rom.

## Quarterly Performance (Consolidated)

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
<b>Net Sales</b>	<b>15,432</b>	<b>16,448</b>	<b>17,917</b>	<b>18,832</b>	<b>22,192</b>	<b>22,393</b>	<b>24,659</b>	<b>22,733</b>	<b>69,597</b>	<b>91,837</b>
YoY Change (%)	17.6	17.1	22.1	23.7	43.8	36.1	37.6	20.7	22.0	32.0
Total Expenditure	12,734	13,684	14,134	15,511	17,961	17,848	18,961	18,299	56,382	73,069
<b>EBITDA</b>	<b>2,698</b>	<b>2,764</b>	<b>3,783</b>	<b>3,321</b>	<b>4,230</b>	<b>4,545</b>	<b>5,698</b>	<b>4,434</b>	<b>13,215</b>	<b>18,769</b>
Margins (%)	17.5	16.8	21.1	17.6	19.1	20.3	23.1	19.5	19.0	20.4
Depreciation	471	522	576	706	654	690	688	760	2,275	2,791
Interest	58	66	86	145	101	101	77	173	355	451
Other Income	257	324	-15	489	582	657	617	455	1,376	2,311
<b>PBT</b>	<b>2,426</b>	<b>2,499</b>	<b>3,106</b>	<b>2,960</b>	<b>4,058</b>	<b>4,412</b>	<b>5,550</b>	<b>3,956</b>	<b>11,961</b>	<b>17,838</b>
Tax	286	441	701	1,677	1,208	1,438	2,116	1,303	3,086	6,065
Rate (%)	11.8	17.6	22.6	56.7	29.8	32.6	38.1	32.9	25.8	34.0
<b>Reported PAT</b>	<b>2,140</b>	<b>2,718</b>	<b>2,406</b>	<b>1,283</b>	<b>2,850</b>	<b>2,974</b>	<b>3,434</b>	<b>3,375</b>	<b>10,295</b>	<b>12,854</b>
Extra-Ordinary Exp/(Inc)	0	-659	0	0	0	0	0	0	659	0
Minority Interest	39	49	55	56	46	69	82	53	199	250
<b>Recurring PAT</b>	<b>2,101</b>	<b>2,010</b>	<b>2,498</b>	<b>499</b>	<b>2,098</b>	<b>2,779</b>	<b>2,992</b>	<b>2,600</b>	<b>8,677</b>	<b>10,691</b>
YoY Change (%)	7.0	-6.5	11.5	-77.6	-0.1	38.3	19.7	421.1	1.1	23.2
Margins (%)	13.6	12.2	13.9	2.6	9.5	12.4	12.1	11.4	12.5	11.6
<b>Advanced mkt formulations</b>	<b>7,013</b>	<b>8,727</b>	<b>9,300</b>	<b>10,845</b>	<b>11,826</b>	<b>11,745</b>	<b>14,646</b>	<b>13,338</b>	<b>35,885</b>	<b>51,555</b>
YoY Change (%)	11.9	29.7	26.0	38.1	68.6	34.6	57.5	23.0	27.1	43.7
<b>Emerging mkt formulations</b>	<b>6,317</b>	<b>6,714</b>	<b>6,637</b>	<b>5,973</b>	<b>8,049</b>	<b>8,256</b>	<b>7,660</b>	<b>7,544</b>	<b>25,641</b>	<b>31,509</b>
YoY Change (%)	24.4	28.8	32.3	20.8	27.4	23.0	15.4	26.3	26.6	22.9

E: MOSL Estimates; Quarterly nos will not add up to full year nos due to restatement of past quarters

Note-Estimates do not include one-off upsides.



# Opto Circuits

Bloomberg	OPTC IN
Equity Shares (m)	242.3
M. Cap. (INR b)/(USD b)	13/0
52-Week Range (INR)	217/43
1,6,12 Rel Perf. (%)	6/-58/-82

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	23.6	25.7	28.7	32.9
EBITDA	6.2	6.5	7.1	8.2
Net Profit	5.7	4.4	4.5	5.3
Adj. EPS (INR)	23.6	18.3	18.4	22.0
EPS Gr. (%)	56.2	-22.6	0.5	19.8
BV/Sh. (INR)	70.1	86.7	103.3	123.3
RoE (%)	37.3	23.3	19.3	19.4
RoCE (%)	22.9	19.6	19.1	19.8
Payout (%)	14.8	9.2	9.2	9.2
<b>Valuations</b>				
P/E (x)	2.3	2.9	2.9	2.4
P/BV (x)	0.8	0.6	0.5	0.4
EV/EBITDA (x)	3.5	3.2	2.8	2.3
Div. Yield (%)	5.6	2.7	2.8	3.6

## CMP: INR53

Neutral

- We expect Opto Circuits (OPTC) to post 4.4% YoY decline in 4QFY13E revenue to INR6.33b, led by 15.5% YoY decline in invasive business and 1.5% decline in non-invasive space. We estimate a sequentially tepid quarter, given the absence of clarity over future growth outlook.
- EBITDA would decline 6.3% YoY to INR1.37b and EBITDA margin would contract by 40bp, mainly due to higher employee expenses.
- We expect OPTC to report PAT of INR749m, compared to INR2.1b in 4QFY13. This decline would be mainly on account of (1) higher depreciation and interest costs, (2) higher tax outgo, compared to a tax credit reported last year and (3) lower other income (forex gain in 4QFY12; amount not disclosed).

We remain cautious on OPTC given the (1) uncertainty over the business environment, which led to withdrawal of top line growth guidance, (2) increased working capital stress, which will take some time to normalize and (3) low return ratios impacted by restrained asset turnover. The stock trades at 2.9x FY14E and 2.4x FY15E EPS. Maintain **Neutral**.

### Key issues to watch out

- Outlook on growth drivers for FY14.
- Update on receivables issue highlighted in 2QFY13.
- Update on ongoing litigation pertaining to OPTC's income tax liability.

## Quarterly Performance (Consolidated)

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
<b>Net Revenues</b>	<b>5,208</b>	<b>5,620</b>	<b>6,113</b>	<b>6,627</b>	<b>7,151</b>	<b>6,070</b>	<b>6,188</b>	<b>6,334</b>	<b>23,569</b>	<b>25,743</b>
YoY Change (%)	78.4	69.6	46.4	21.7	37.3	8.0	1.2	-4.4	48.6	9.2
Total Expenditure	3,776	4,074	4,403	5,163	5,251	4,418	4,603	4,962	17,404	19,234
<b>EBITDA</b>	<b>1,432</b>	<b>1,547</b>	<b>1,710</b>	<b>1,464</b>	<b>1,899</b>	<b>1,653</b>	<b>1,584</b>	<b>1,372</b>	<b>6,165</b>	<b>6,509</b>
Margins (%)	27.5	27.5	28.0	22.1	26.6	27.2	25.6	21.7	26.2	25.3
Depreciation	150	109	141	146	196	196	259	253	546	904
Interest	109	138	168	177	187	186	203	219	592	795
Other Income	49	-51	-42	186	27	-35	43	35	136	70
<b>PBT before EO Income</b>	<b>1,222</b>	<b>1,248</b>	<b>1,359</b>	<b>1,328</b>	<b>1,544</b>	<b>1,235</b>	<b>1,166</b>	<b>934</b>	<b>5,162</b>	<b>4,879</b>
EO Exp/(Inc)	0	0	-5	0	0	0	5	0	0	0
<b>PBT after EO Income</b>	<b>1,222</b>	<b>1,248</b>	<b>1,364</b>	<b>1,328</b>	<b>1,544</b>	<b>1,235</b>	<b>1,161</b>	<b>934</b>	<b>5,162</b>	<b>4,879</b>
Tax	57	33	109	-772	150	63	16	162	-572	390
Rate (%)	4.7	2.7	8.0	-58.1	9.7	5.1	1.4	17.3	-11.1	8.0
Min. Int/Adj on Consol	1	5	3	6	15	9	13	24	15	60
<b>Reported PAT</b>	<b>1,164</b>	<b>1,210</b>	<b>1,251</b>	<b>2,093</b>	<b>1,380</b>	<b>1,162</b>	<b>1,133</b>	<b>749</b>	<b>5,719</b>	<b>4,429</b>
<b>Adj PAT</b>	<b>1,164</b>	<b>1,210</b>	<b>1,253</b>	<b>2,093</b>	<b>1,380</b>	<b>1,162</b>	<b>1,138</b>	<b>749</b>	<b>5,719</b>	<b>4,429</b>
YoY Change (%)	40.6	56.3	30.4	90.9	18.6	-4.0	-9.2	-64.2	56.2	-22.6
Margins (%)	22.4	21.5	20.5	31.6	19.3	19.1	18.4	11.8	24.3	17.2
<b>Non Invasive sales</b>	<b>4,220</b>	<b>4,640</b>	<b>4,770</b>	<b>5,090</b>	<b>5,828</b>	<b>4,860</b>	<b>4,917</b>	<b>5,013</b>	<b>18,720</b>	<b>20,618</b>
YoY Change (%)	99.4	100.9	56.2	23.8	38.1	4.7	3.1	-1.5	61.5	10.1
<b>Invasive sales</b>	<b>940</b>	<b>940</b>	<b>1,300</b>	<b>1,490</b>	<b>1,251</b>	<b>1,170</b>	<b>1,266</b>	<b>1,258</b>	<b>4,670</b>	<b>4,945</b>
YoY Change (%)	25.3	4.3	24.5	19.8	33.1	24.5	-2.6	-15.6	18.6	5.9

E: MOSL Estimates

# Ranbaxy Laboratories

Bloomberg	RBXY IN
Equity Shares (m)	420.4
M. Cap. (INR b)/(USD b)	187/3
52-Week Range (INR)	578/371
1,6,12 Rel Perf. (%)	8/-17/-1

## Financials & Valuation (INR b)

Y/E December	2011	2012	2013E	2014E
Sales	99.6	122.5	101.4	110.1
EBITDA	16.2	19.4	11.2	13.3
Net Profit	6.0	6.0	6.4	8.1
Adj. EPS (INR)	14.1	14.1	15.2	19.2
EPS Gr. (%)	-45.3	-0.2	8.2	26.0
BV/Sh. (INR)	106.0	121.3	134.0	149.5
RoE (%)	-64.1	24.9	11.4	12.8
RoCE (%)	19.4	18.8	10.5	12.4
Payout (%)	0.0	20.0	25.0	25.0
<b>Valuations</b>				
P/E (x)	28.1	28.2	26.1	20.7
P/BV (x)	4.2	3.3	3.0	2.7
EV/EBITDA (x)	12.1	9.8	16.9	14.2
Div. Yield (%)	0.0	1.0	0.9	1.1

## CMP: INR445

Neutral

- We expect Ranbaxy Laboratories (RBXY) to post 18% YoY growth in core top line for 1QCY13E at INR24.98b driven by strong 40% growth in core US sales over a low base of 1QCY12.
- Core EBITDA is expected to grow just 6% YoY to INR2.24b, mainly due to declining profitability in the base business, higher R&D and other expenses. Core EBITDA margin would expand by 100bp YoY to 9%.
- We expect adjusted PAT to decline 32% YoY to INR1.37b, mainly led by subdued operational performance and lower other income. RBXY had reported a forex gain of INR940m in 1QCY12, against which we expect a forex gain of INR159m for this quarter.

RBXY is valued at 26.1x CY13E and 20.7x CY14E core EPS. Our current DCF value for all potential Para-IV upsides is INR48/share. Management has not given any further update on the timeline for resolution of US FDA issues. We believe the outlook for RBXY remains challenging as quality/compliance issues have impacted operations and will weigh on investor confidence. It is imperative for the company to improve core business margins as one-offs wane in the coming quarters. Maintain **Neutral**.

### Key issues to watch out

- Timeline for resolving the US FDA issues under the consent decree.
- Timeline for launch of generic Diovan and re-launch of generic Lipitor.
- Improvement in core EBITDA margin.

## Quarterly performance

Y/E December									(INR Million)	
	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Net Income</b>	<b>37,868</b>	<b>32,285</b>	<b>26,910</b>	<b>27,112</b>	<b>24,981</b>	<b>26,339</b>	<b>26,141</b>	<b>26,177</b>	<b>124,597</b>	<b>103,638</b>
YoY Change (%)	73.6	54.2	28.4	-28.5	-34.0	-18.4	-2.9	-3.4	22.6	-16.8
<b>EBITDA</b>	<b>9,552</b>	<b>5,113</b>	<b>3,495</b>	<b>810</b>	<b>2,246</b>	<b>3,137</b>	<b>3,373</b>	<b>2,484</b>	<b>19,379</b>	<b>11,240</b>
Margins (%)	25.2	15.8	13.0	3.0	9.0	11.9	12.9	9.5	15.6	10.8
Depreciation	799	783	816	805	831	814	831	847	3,202	3,323
Interest	377	483	399	537	372	413	421	413	1,796	1,618
Other Income	1,556	-2,972	1,900	-335	642	370	573	458	340	2,042
<b>PBT before EO Expense</b>	<b>9,933</b>	<b>875</b>	<b>4,179</b>	<b>-867</b>	<b>1,685</b>	<b>2,279</b>	<b>2,694</b>	<b>1,683</b>	<b>14,721</b>	<b>8,341</b>
Extra-Ord Expense	-4,047	5,994	-3,933	3,658	-482	-268	0	0	2,272	-749
<b>PBT after EO Expense</b>	<b>13,980</b>	<b>-5,119</b>	<b>8,112</b>	<b>-4,525</b>	<b>2,167</b>	<b>2,547</b>	<b>2,694</b>	<b>1,683</b>	<b>12,449</b>	<b>9,090</b>
Tax	1,374	683	542	340	455	535	566	349	2,939	1,905
Rate (%)	9.8	-13.3	6.7	-7.5	21.0	21.0	21.0	20.7	23.6	21.0
<b>Reported PAT</b>	<b>12,606</b>	<b>-5,801</b>	<b>7,571</b>	<b>-4,866</b>	<b>1,712</b>	<b>2,012</b>	<b>2,128</b>	<b>1,334</b>	<b>9,510</b>	<b>7,186</b>
Minority Interest	139	56	29	59	88	88	88	88	282	350
<b>Reported PAT (incl one-offs)</b>	<b>12,468</b>	<b>-5,857</b>	<b>7,542</b>	<b>-4,924</b>	<b>1,624</b>	<b>1,925</b>	<b>2,041</b>	<b>1,246</b>	<b>9,228</b>	<b>6,945</b>
<b>Adj PAT</b>	<b>2,017</b>	<b>1,722</b>	<b>2,411</b>	<b>-197</b>	<b>1,370</b>	<b>1,783</b>	<b>2,041</b>	<b>1,246</b>	<b>5,953</b>	<b>6,440</b>
YoY Change (%)	17.0	63.2	48.8	-112.7	-32.1	3.5	-15.4	-732.7	0.0	8.2
Margins (%)	5.3	5.3	9.0	-0.7	5.5	6.8	7.8	4.8	4.8	6.2
<b>US Sales (USD m)</b>	<b>400</b>	<b>255</b>	<b>152</b>	<b>139</b>	<b>92</b>	<b>98</b>	<b>98</b>	<b>96</b>	<b>946</b>	<b>385</b>
YoY Change (%)	157.5	168.4	81.0	-64.2	-76.9	-61.5	-35.4	-30.6	31.4	-59.3
<b>India formulation sales</b>	<b>5,002</b>	<b>5,540</b>	<b>5,829</b>	<b>5,702</b>	<b>5,738</b>	<b>6,394</b>	<b>6,332</b>	<b>6,368</b>	<b>22,073</b>	<b>24,832</b>
YoY Change (%)	14.8	14.9	13.0	4.8	14.7	15.4	8.6	11.7	11.6	12.5

E: MOSL Estimates; Note-Estimates do not include one-off upsides.



## Sanofi India

Bloomberg	SANL IN
Equity Shares (m)	23.0
M. Cap. (INR b)/(USD b)	57/1
52-Week Range (INR)	2,640/2,002
1,6,12 Rel Perf. (%)	9/9/4

**CMP: INR2,480****Neutral****Financials & Valuation (INR b)**

Y/E December	2011	2012E	2013E	2014E
Sales	12.3	14.9	17.2	19.7
EBITDA	1.8	2.3	2.7	3.0
Net Profit	1.9	1.8	2.0	2.3
Adj. EPS (INR)	83.0	76.7	85.1	100.7
EPS Gr. (%)	23.3	-7.6	11.0	18.3
BV/Sh. (INR)	479.7	518.0	556.8	605.2
RoE (%)	17.3	14.8	15.3	16.6
RoCE (%)	25.3	21.5	22.5	24.2
Payout (%)	46.0	49.9	54.5	51.8
<b>Valuations</b>				
P/E (x)	29.9	32.3	29.1	24.6
P/BV (x)	5.2	4.8	4.5	4.1
EV/EBITDA (x)	31.1	22.7	19.9	16.9
Div. Yield (%)	1.3	1.3	1.6	1.8

- We expect Sanofi India's (SANL) top line to grow 23% YoY in 1QCY13E to INR3.96b, led by the domestic formulations business.
- EBITDA is likely to grow 27% YoY to INR624m, driven mainly by top line growth. EBITDA margin would expand 40bp YoY to 15.7% on lower other expenses.
- We expect PAT to grow 10% YoY to INR441m, despite better operational performance. This will be due to high depreciation expenses on account of a change in accounting policy for intangibles.

We believe SANL will be one of the key beneficiaries of the patent regime in the long term. The parent has a strong R&D pipeline, with 64 products undergoing clinical trials. Of these, 17 are in phase-III or pending approvals. Some of these are likely to be launched in India. However, SANL's profitability has declined significantly in the last five years. EBITDA margin has shrunk from 25% in CY06 to 15.6% in CY12, mainly impacted by discontinuation of Rabipur sales in the domestic market, lower export growth, and higher staff and promotional expenses. RoE has declined from 28.6% to 14.8%. The stock trades at 29.1x CY13E and 24.6x CY14E EPS. Our estimates do not factor the impact of proposed new pharma policy. We believe the stock's performance will remain muted until clarity emerges on future growth drivers. Maintain **Neutral**.

**Key issues to watch out**

- Amortization of goodwill and brands acquired from Universal Medicare.

**Quarterly Performance**

(INR Million)

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Net Sales</b>	<b>3,225</b>	<b>3,741</b>	<b>3,966</b>	<b>4,007</b>	<b>3,963</b>	<b>4,308</b>	<b>4,394</b>	<b>4,566</b>	<b>14,939</b>	<b>17,231</b>
YoY Change (%)	16.7	23.5	26.8	18.6	22.9	15.2	10.8	14.0	21.5	15.3
Total Expenditure	2,733	3,219	3,161	3,500	3,339	3,660	3,679	3,891	12,613	14,568
<b>EBITDA</b>	<b>492</b>	<b>522</b>	<b>805</b>	<b>507</b>	<b>624</b>	<b>648</b>	<b>715</b>	<b>676</b>	<b>2,326</b>	<b>2,663</b>
Margins (%)	15.3	14.0	20.3	12.7	15.7	15.0	16.3	14.8	15.6	15.5
Depreciation	183	186	307	223	229	235	233	236	899	933
Interest	4	4	3	3	3	3	3	3	14	10
Other Income	289	267	266	382	270	294	319	343	1,204	1,226
<b>PBT</b>	<b>594</b>	<b>599</b>	<b>761</b>	<b>663</b>	<b>663</b>	<b>705</b>	<b>799</b>	<b>781</b>	<b>2,617</b>	<b>2,947</b>
Tax	193	194	248	215	222	229	268	267	850	986
Effective tax Rate (%)	32.5	32.4	32.6	32.4	33.5	32.5	33.5	34.2	32.5	33.5
<b>Reported PAT</b>	<b>401</b>	<b>405</b>	<b>513</b>	<b>448</b>	<b>441</b>	<b>476</b>	<b>531</b>	<b>513</b>	<b>1,767</b>	<b>1,961</b>
<b>Adj PAT</b>	<b>401</b>	<b>405</b>	<b>513</b>	<b>448</b>	<b>441</b>	<b>476</b>	<b>531</b>	<b>513</b>	<b>1,767</b>	<b>1,961</b>
YoY Change (%)	-20.8	-18.5	-6.4	24.3	9.9	17.5	3.5	14.6	-7.5	11.0
Margins (%)	12.4	10.8	12.9	11.2	11.1	11.0	12.1	11.2	11.8	11.4
<b>Domestic sales</b>	<b>2,765</b>	<b>3,029</b>	<b>3,276</b>	<b>3,293</b>	<b>3,503</b>	<b>3,483</b>	<b>3,768</b>	<b>3,464</b>	<b>12,364</b>	<b>14,218</b>
YoY Change (%)	24.5	24.1	27.2	18.1	26.7	15.0	15.0	5.2	23.3	15.0

E: MOSL Estimates

# Sun Pharmaceuticals Industries

Bloomberg	SUNP IN
Equity Shares (m)	1,035.6
M. Cap. (INR b)/(USD b)	851/16
52-Week Range (INR)	848/554
1,6,12 Rel Perf. (%)	4/21/33

**CMP: INR822**
**Neutral**
**Financials & Valuation (INR b)**

Y/E March	2012*	2012	2013E	2014E
Sales	80.1	108.8	126.1	142.0
EBITDA	32.5	48.2	42.9	46.9
Net Profit	25.9	32.6	31.0	34.6
Adj. EPS (INR)	25.0	31.4	29.9	33.4
EPS Gr. (%)	42.5	40.2	-4.9	11.9
BV/Sh. (INR)	117.5	138.2	160.1	184.5
RoE (%)	21.5	24.6	20.0	19.4
RoCE (%)	30.3	31.7	28.0	26.9
Payout (%)	17.2	21.2	23.5	24.1
<b>Valuations</b>				
P/E (x)	32.9	26.1	27.5	24.6
P/BV (x)	7.0	5.9	5.1	4.5
EV/EBITDA (x)	24.5	15.3	15.3	15.3
Div. Yield (%)	0.5	0.7	0.7	0.7

\*Including Para-IV/one-off upsides

- We expect Sun Pharmaceuticals (SUNP) to post 28% YoY growth in core sales to INR27.09b, mainly driven by consolidation of URL and DUSA Pharma. Core US sales (excl. DUSA and URL Pharma) will grow 45% led by Caraco, while RoW markets are expected to grow 27%.
- Core EBITDA is likely to grow 41% YoY to INR11.74b with core EBITDA margin expanding to 43.3%, driven by high profitability from Taro.
- We expect adjusted PAT to grow 20% YoY to INR8.71b. PAT growth will be lower than EBITDA growth mainly due to assumed lower other income over a high base, higher tax outgo and minority interest.

Product price increases by Taro, favorable currency and Doxil US supplies were the key growth drivers in 9MFY13. Of these, Taro's high profitability is not sustainable in the long term and will diminish with increasing competition. While recent acquisitions will add to sales growth, their low profitability will drag overall profit margins, until turnaround is achieved. Though we are positive on the business outlook, rich valuations have tempered our bullishness. The stock trades at 27.5x FY14E and 24.6x FY15E core EPS; **Neutral**. Inorganic initiatives are a key risk to our rating.

**Key issues to watch out**

- Outlook on URL Pharma acquisition.
- Sustainability of Taro's profitability and competitive landscape.

**Quarterly Performance (Consolidated)**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Revenues</b>	<b>16,357</b>	<b>18,946</b>	<b>21,451</b>	<b>23,299</b>	<b>26,581</b>	<b>26,572</b>	<b>28,520</b>	<b>27,093</b>	<b>80,057</b>	<b>108,767</b>
YoY Change (%)	16.9	38.3	34.0	59.2	62.5	40.3	33.0	16.3	39.9	35.9
Total Expenditure	10,883	11,106	11,814	13,728	14,413	14,888	15,910	15,353	47,530	60,563
<b>EBITDA</b>	<b>5,474</b>	<b>7,840</b>	<b>9,638</b>	<b>9,571</b>	<b>12,169</b>	<b>11,685</b>	<b>12,611</b>	<b>11,740</b>	<b>32,527</b>	<b>48,204</b>
Margins (%)	33.5	41.4	44.9	41.1	45.8	44.0	44.2	43.3	40.6	44.3
Depreciation	647	668	774	823	801	829	844	860	2,912	3,335
Net Other Income	969	1,183	-272	2,062	-231	1,476	936	1,380	3,941	3,562
<b>PBT before EO Exp</b>	<b>5,796</b>	<b>8,355</b>	<b>8,591</b>	<b>10,811</b>	<b>11,136</b>	<b>12,332</b>	<b>12,703</b>	<b>12,260</b>	<b>33,556</b>	<b>48,431</b>
EO Exp/(Inc)	0	0	0	0	0	5,836	0	0	0	5,836
<b>PBT</b>	<b>5,796</b>	<b>8,355</b>	<b>8,591</b>	<b>10,811</b>	<b>11,136</b>	<b>6,496</b>	<b>12,703</b>	<b>12,260</b>	<b>33,556</b>	<b>42,595</b>
Tax	143	1,281	634	1,768	1,925	2,139	2,369	2,285	3,826	8,718
Rate (%)	2.5	15.3	7.4	16.4	17.3	32.9	18.6	18.6	11.4	20.5
<b>Profit after Tax</b>	<b>5,653</b>	<b>7,074</b>	<b>7,957</b>	<b>9,043</b>	<b>9,211</b>	<b>4,357</b>	<b>10,334</b>	<b>9,975</b>	<b>29,730</b>	<b>33,878</b>
Share of Minority Partner	643	1,097	1,274	841	1,256	1,161	1,521	1,266	3,855	5,204
<b>Reported PAT</b>	<b>5,010</b>	<b>5,977</b>	<b>6,683</b>	<b>8,202</b>	<b>7,956</b>	<b>3,196</b>	<b>8,813</b>	<b>9,329</b>	<b>25,875</b>	<b>29,863</b>
One-off upsides	624	523	573	923	1,240	712	570	620	2,644	3,141
<b>Adj Net Profit</b>	<b>4,386</b>	<b>5,454</b>	<b>6,110</b>	<b>7,279</b>	<b>6,716</b>	<b>8,320</b>	<b>8,243</b>	<b>8,709</b>	<b>23,231</b>	<b>32,558</b>
YoY Change (%)	30.4	32.8	99.2	39.5	53.1	52.6	34.9	19.6	65.4	40.1
Margins (%)	26.8	28.8	28.5	31.2	25.3	31.3	28.9	32.1	29.0	29.9
<b>US Sales</b>	<b>6,220</b>	<b>7,991</b>	<b>10,400</b>	<b>10,106</b>	<b>15,411</b>	<b>13,301</b>	<b>14,946</b>	<b>11,673</b>	<b>34,716</b>	<b>55,331</b>
YoY Change (%)	4.9	61.2	61.0	78.4	147.8	66.5	43.7	15.5	50.9	59.4
<b>Taro Sales</b>	<b>3,931</b>	<b>5,337</b>	<b>6,294</b>	<b>6,565</b>	<b>7,737</b>	<b>7,897</b>	<b>8,605</b>	<b>7,950</b>	<b>22,128</b>	<b>32,189</b>
YoY Change (%)	-	-	36.0	34.5	96.8	48.0	36.7	21.1	122.1	45.5

E: MOSL Estimates; \* Quarterly no. don't match with annual no. because of reinstatement of financials  
Estimates do not include one-off upsides.

# Torrent Pharma

Bloomberg	TRP IN
Equity Shares (m)	84.6
M. Cap. (INR b)/(USD b)	59/1
52-Week Range (INR)	767/581
1,6,12 Rel Perf. (%)	1/0/1

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	27.0	31.2	35.8	41.4
EBITDA	5.0	5.7	6.9	7.9
Net Profit	3.3	3.9	4.6	5.4
Adj. EPS (INR)	38.6	45.9	54.3	64.1
EPS Gr. (%)	20.8	19.0	18.2	18.2
BV/Sh. (INR)	141.1	176.9	218.7	268.0
RoE (%)	29.4	28.9	27.4	26.3
RoCE (%)	28.5	30.4	32.0	32.0
Payout (%)	21.8	21.8	22.8	22.8
<b>Valuations</b>				
P/E (x)	18.0	15.1	12.8	10.8
P/BV (x)	4.9	3.9	3.2	2.6
EV/EBITDA (x)	-0.4	-0.5	-0.7	-0.8
Div. Yield (%)	1.1	1.5	1.8	2.1

## CMP: INR693

Buy

■ We expect Torrent Pharmaceuticals (TRP) to post 15.4% YoY growth in 4QFY13E top line to INR7.78b, led by strong growth in the US and Europe (excl. Germany). We expect domestic formulations to grow 13% YoY to INR2.28b, while Brazil is expected to continue to show a slowdown this quarter.

■ EBITDA is likely to grow 13% YoY to INR962m (impacted mainly by a slowdown in Brazil). EBITDA margin will contract 20bp due to higher other expenses and employee costs.

■ Adjusted PAT would be INR669m, up 19% YoY.

Over the last 6 years, TRP delivered 33% EPS CAGR, even as capital employed CAGR was just 17%. It has consistently improved profitability, with RoCE increasing from 14.5% in FY05 to 28.5% in FY12. We believe current valuations do not reflect the improvement in business profitability, the turnaround of international operations and its strong positioning in domestic formulations, particularly in chronic therapeutic segments. We believe that TRP should trade at a premium to most mid-cap pharma companies, and that its valuation gap vis-à-vis frontline pharma companies should reduce. The stock trades at 12.8x FY14E and 10.8x FY15E EPS. **Maintain Buy.**

### Key issues to watch out

- Outlook on Brazilian operations for FY14.
- Sustained recovery in domestic formulations.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Revenues</b>	<b>6,475</b>	<b>6,833</b>	<b>6,966</b>	<b>6,743</b>	<b>7,669</b>	<b>7,772</b>	<b>7,975</b>	<b>7,784</b>	<b>26,959</b>	<b>31,200</b>
YoY Change (%)	19.7	17.5	20.6	33.6	18.4	13.7	14.5	15.4	22.3	15.7
<b>EBITDA</b>	<b>1,531</b>	<b>1,406</b>	<b>1,215</b>	<b>850</b>	<b>1,560</b>	<b>1,553</b>	<b>1,612</b>	<b>962</b>	<b>5,006</b>	<b>5,687</b>
Margins (%)	23.6	20.6	17.4	12.6	20.3	20.0	20.2	12.4	18.6	18.2
Depreciation	202	201	197	218	201	203	204	224	817	832
Interest	41	28	2	89	94	80	67	90	395	331
Other Income	24	43	23	124	140	123	89	148	445	500
<b>PBT before EO Expense</b>	<b>1,313</b>	<b>1,219</b>	<b>1,040</b>	<b>668</b>	<b>1,404</b>	<b>1,394</b>	<b>1,429</b>	<b>796</b>	<b>4,240</b>	<b>5,023</b>
Extra-Ord Expense	0	0	0	654	0	0	0	0	654	0
<b>PBT after EO Expense</b>	<b>1,313</b>	<b>1,219</b>	<b>1,040</b>	<b>14</b>	<b>1,404</b>	<b>1,394</b>	<b>1,429</b>	<b>796</b>	<b>3,586</b>	<b>5,023</b>
Tax	287	212	201	24	374	309	309	114	723	1,105
Rate (%)	21.9	17.3	19.3	3.6	26.6	22.2	21.6	14.3	17.1	22.0
<b>Reported PAT</b>	<b>1,026</b>	<b>1,008</b>	<b>839</b>	<b>-10</b>	<b>1,030</b>	<b>1,085</b>	<b>1,121</b>	<b>682</b>	<b>2,863</b>	<b>3,918</b>
Minority Interest	1	8	7	7	12	12	-3	14	23	35
<b>Adj PAT</b>	<b>893</b>	<b>1,000</b>	<b>832</b>	<b>561</b>	<b>1,019</b>	<b>1,073</b>	<b>1,123</b>	<b>669</b>	<b>3,285</b>	<b>3,883</b>
YoY Change (%)	20.3	31.2	8.1	30.9	14.1	7.3	35.1	19.3	21.6	18.2
Margins (%)	13.8	14.6	11.9	8.3	13.3	13.8	14.1	8.6	12.2	12.4
<b>Dom. formulations sales</b>	<b>2,460</b>	<b>2,385</b>	<b>2,294</b>	<b>2,016</b>	<b>2,802</b>	<b>2,743</b>	<b>2,580</b>	<b>2,280</b>	<b>9,167</b>	<b>10,405</b>
YoY Change (%)	10.1	8.4	8.4	9.6	13.9	15.0	12.5	13.1	9.3	13.5
<b>Intl. formulations sales</b>	<b>3,061</b>	<b>3,762</b>	<b>3,930</b>	<b>3,854</b>	<b>4,071</b>	<b>4,173</b>	<b>4,490</b>	<b>4,346</b>	<b>14,332</b>	<b>17,079</b>
YoY Change (%)	19.3	36.7	38.7	51.1	33.0	10.9	14.2	12.8	33.9	19.2

E: MOSL Estimates

# Media

## Companies Covered

D B Corp  
Dish TV  
H T Media  
Jagran Prakashan  
Sun TV Network  
Zee Entertainment

## Ad growth: Broadcasting to continue outperformance; DB Corp to lead in print

Expect broadcasting companies to report double-digit YoY advertising growth given higher exposure to consumer sector and a low base. We expect Zee/Sun TV to clock 12% YoY ad growth. Print universe ad growth is expected at 6% YoY, similar to 3QFY13 and significant improvement from 0% in 1HFY13.

## Strong growth for Zee, Sun TV, DB Corp; HT Media earnings to improve significantly on a low base; Jagran to decline YoY on forex impact

Zee's Adj PAT is expected to grow 21% YoY led by 39% EBITDA growth on a low base. Sun TV's earnings growth is expected to remain strong at 17%. Dish TV's net loss is expected to increase QoQ largely due to higher content cost (including one-offs). We expect strong YoY PAT performance for HT Media (+60% YoY) and DB Corp (+15% YoY) led by advertising recovery and tight cost control including newsprint costs. Jagran's PAT is expected to decline 6% YoY due to lower other income (forex impact).

## DTH: Subscriber additions to decline QoQ on weak seasonality

We expect DTH subscriber additions to decline QoQ due to lack of factors like festive and digitization demand that contributed in 3QFY13. We have downgraded our 4Q gross addition estimates for Dish TV from 0.7m to 0.5m.

## Hiccups in phase I; government reiterates phase II digitization timeline of March 2013

The government has reiterated March 2013 timeline for digitization in 38 phase II cities. However, there have been hiccups in phase I implementation as cable subscribers are yet to fully transition to "addressable" systems. The regulator TRAI has given directions to MSOs/LCOs operating in phase I to implement "Subscriber Management System" to maintain subscriber details and their choice of services.

## Digitization remains a strong theme for broadcasting; expect earnings revival for print

Ad revenue trends seem to be improving. We believe that print media sector offers an excellent play on economic rebound given the ad-heavy business model and higher dependence on cyclical categories. Digitization remains a strong theme for broadcasting and distribution stocks as government remains committed to future timelines.

## Abbreviations and acronyms

GEC: General entertainment channel  
DTH: direct to home

## Expected quarterly performance summary

(INR million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ	% YoY	% QoQ	% YoY	% QoQ		
D B Corp	238	Buy	3,912	8.5	-10.9	924	22.1	-22.4	520	14.7	-26.3
Dish TV	65	Neutral	5,811	10.7	4.2	1,400	-2.9	1.7	-473	Loss	Loss
HT Media	102	Neutral	5,174	4.7	-5.4	649	35.1	-25.7	353	60.5	-33.2
Jagran Prakashan	95	Buy	3,310	6.6	-5.1	743	12.8	-18.4	401	-6.3	-12.9
Sun TV	379	Neutral	4,780	11.9	-1.6	3,675	12.0	-2.4	1,855	16.7	-2.3
Zee Entertainment	209	Neutral	9,117	4.9	-2.9	2,224	39.0	-14.9	1,715	20.6	-11.6
<b>Sector Aggregate</b>			<b>32,104</b>	<b>7.5</b>	<b>-3.2</b>	<b>9,616</b>	<b>17.0</b>	<b>-10.4</b>	<b>4,371</b>	<b>20.6</b>	<b>-14.1</b>

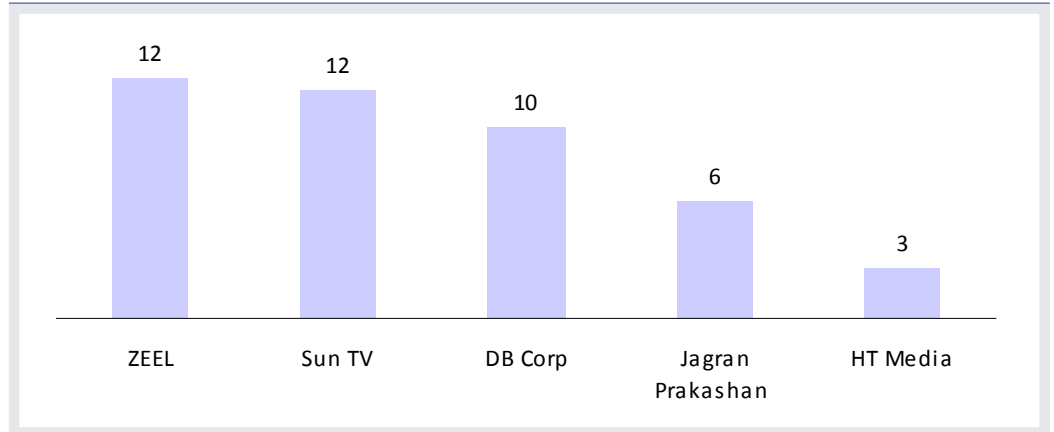
**Shobhit Khare** (Shobhit.Khare@MotilalOswal.com)

**Media coverage - Quarterly**

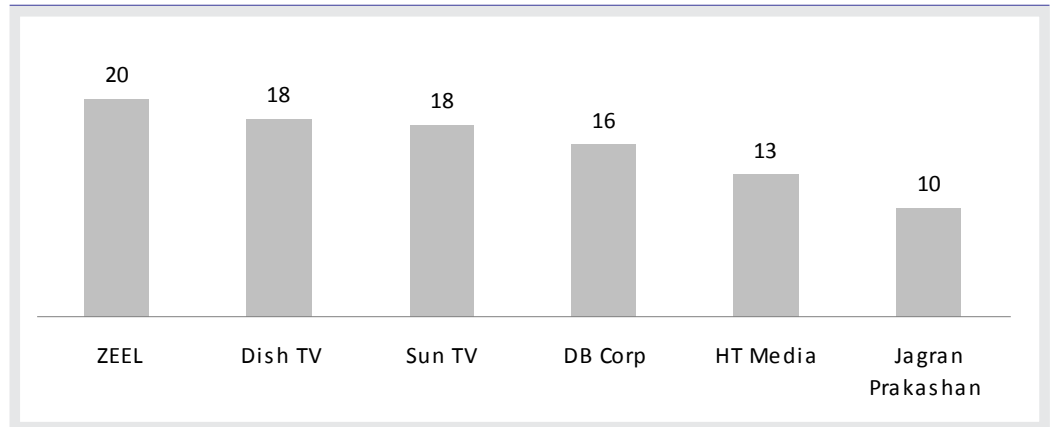
	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13	4QFY13E	YoY (%)	QoQ (%)
<b>Advertisement Revenue (INR b)</b>										
ZEEL	3.8	3.9	4.0	4.2	4.5	5.3	5.1	4.7	12	-9
Sun TV	2.7	2.7	2.9	2.8	2.8	2.8	3.3	3.1	12	-4
Dish TV	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
DB Corp	2.7	2.6	2.9	2.5	2.7	2.6	3.2	2.7	10	-15
Jagran Prakashan	2.0	2.1	2.2	2.1	2.2	2.2	2.4	2.2	6	-7
HT Media	3.8	3.7	4.1	3.7	3.7	3.6	4.1	3.8	3	-8
HMVL	1.1	1.1	1.0	1.1	1.2	1.1	1.2	1.2	4	0
<b>Subscription Revenue (INR b)</b>										
ZEEL	3.1	2.9	3.3	4.0	3.6	3.9	4.1	4.3	6	4
Sun TV	1.6	1.4	1.4	1.4	1.5	1.5	1.6	1.6	18	4
Dish TV	3.9	4.1	4.3	4.3	4.6	4.7	4.9	5.2	19	5
DB Corp	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	16	-1
Jagran Prakashan	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	10	-1
HT Media	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	13	-3
HMVL	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	15	2
<b>Total Revenue (INR b)</b>										
ZEEL	7.0	7.2	7.5	8.7	8.4	9.5	9.4	9.1	5	-3
Sun TV	4.5	4.5	4.3	4.3	4.3	4.3	4.9	4.8	12	-2
Dish TV	4.6	4.8	4.9	5.2	5.2	5.3	5.6	5.8	11	4
DB Corp	3.5	3.5	4.0	3.6	3.8	3.8	4.4	3.9	8	-11
Jagran Prakashan	3.0	3.1	3.2	3.1	3.2	3.2	3.5	3.3	7	-5
HT Media	5.0	4.9	5.3	4.9	4.9	5.1	5.5	5.2	5	-5
HMVL	1.5	1.5	1.4	1.6	1.6	1.6	1.6	1.7	6	2
<b>EBITDA (INR b)</b>										
ZEEL	1.6	2.1	2.2	1.6	2.3	2.2	2.6	2.2	39	-15
Sun TV	3.7	3.7	3.4	3.3	3.2	3.3	3.8	3.7	12	-2
Dish TV	1.1	1.2	1.2	1.4	1.6	1.6	1.4	1.4	-3	2
DB Corp	1.00	0.77	1.02	0.76	0.76	0.86	1.19	0.92	22	-22
Jagran Prakashan	0.82	0.79	0.85	0.66	0.79	0.78	0.91	0.74	13	-18
HT Media	0.90	0.71	0.78	0.48	0.67	0.57	0.87	0.65	35	-26
HMVL	0.27	0.31	0.17	0.21	0.28	0.29	0.29	0.32	52	13
<b>EBITDA Margin (%)</b>										
ZEEL	22.3	28.9	28.6	18.4	27.7	22.8	27.8	24.4	598bps	-343bps
Sun TV	80.6	81.0	80.2	76.9	75.9	75.9	77.5	76.9	2bps	-58bps
Dish TV	24.4	25.2	24.5	27.5	29.9	29.2	24.7	24.1	-338bps	-59bps
DB Corp	28.4	21.8	25.7	21.0	20.3	22.7	27.2	23.6	263bps	-352bps
Jagran Prakashan	26.9	25.9	26.3	21.2	24.8	24.3	26.1	22.5	123bps	-365bps
HT Media	18.2	14.4	14.8	9.7	13.7	11.1	16.0	12.6	282bps	-344bps
HMVL	18.1	20.3	11.7	13.7	17.7	18.0	17.6	19.6	591bps	195bps
<b>Adj. PAT (INR b)</b>										
ZEEL	1.34	1.56	1.39	1.42	1.58	1.88	1.94	1.71	21	-12
Sun TV	1.88	1.80	1.68	1.59	1.64	1.52	1.90	1.86	17	-2
Dish TV	-0.18	-0.49	-0.43	-0.49	-0.32	-0.21	-0.45	-0.47	NM	NM
DB Corp	0.61	0.40	0.55	0.45	0.44	0.49	0.71	0.52	15	-26
Jagran Prakashan	0.50	0.46	0.41	0.43	0.39	0.49	0.46	0.40	-6	-13
HT Media	0.52	0.44	0.48	0.22	0.38	0.31	0.53	0.35	60	-33
HMVL	0.19	0.22	0.11	0.14	0.21	0.22	0.21	0.23	69	11

Source: Company, MOSL

4QFY13 ad revenue growth (YoY, %)

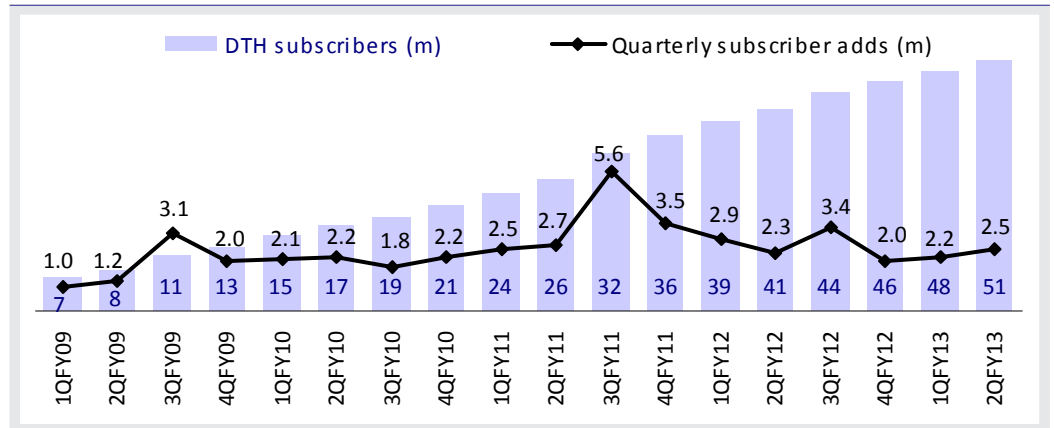


4QFY13 subscription/circulation revenue growth (YoY, %)



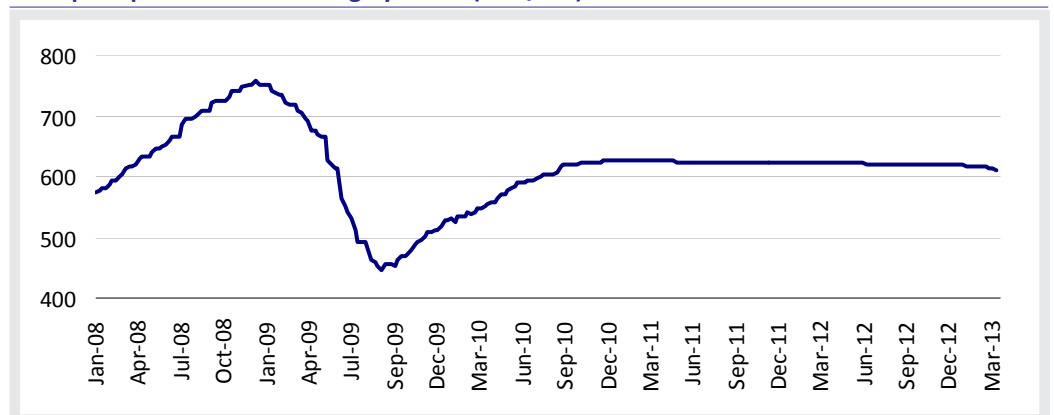
Industry DTH subscriber base and additions trend

Industry DTH additions remain sluggish



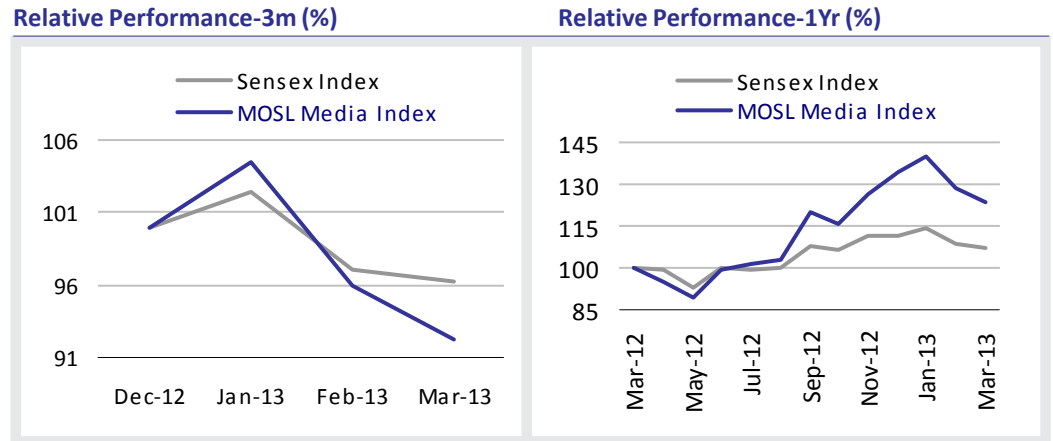
Newsprint prices have been largely stable (USD/MT)

Newsprint prices (USD/ton) exhibiting slight moderation



Source: Company, MOSL





### Comparative valuation

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Media</b>														
Dish TV	65	Neutral	-1.4	-1.1	-0.1	-47.6	-59.8	-502.7	13.6	10.7	8.3	NA	NA	NA
D B Corp	238	Buy	11.7	13.7	16.2	20.3	17.4	14.7	11.2	9.5	8.0	21.1	21.7	22.7
Hindustan Media	140	Buy	11.8	14.8	17.4	11.9	9.5	8.1	6.0	4.1	3.0	18.2	18.8	18.4
HT Media	102	Neutral	6.7	7.6	8.4	15.3	13.5	12.2	7.0	5.3	4.6	9.5	9.7	9.7
Jagran Prakashan	95	Buy	5.0	6.0	7.2	19.0	15.8	13.2	10.1	8.7	7.5	18.6	19.4	21.7
Sun TV	379	Neutral	17.5	19.4	23.7	21.6	19.5	16.0	10.2	8.8	7.3	24.0	24.7	27.5
Zee Entertainment	209	Neutral	7.4	8.3	10.5	28.1	25.2	19.8	20.9	17.9	14.3	19.3	18.8	20.8
<b>Sector Aggregate</b>						<b>28.1</b>	<b>24.3</b>	<b>18.9</b>	<b>12.9</b>	<b>10.9</b>	<b>8.9</b>	<b>17.4</b>	<b>18.2</b>	<b>20.6</b>

## D B Corp

Buy

Bloomberg	DBCL IN
Equity Shares (m)	181.5
M. Cap. (INR b)/(USD b)	43/1
52-Week Range (INR)	261/181
1,6,12 Rel Perf. (%)	3/20/2

## CMP: INR238

- We expect print advertising revenue to grow 10% YoY to INR2.7b.
- We expect circulation revenue to grow 16% YoY to INR0.72b.
- DB's aggregate revenue is likely to grow 8% YoY to INR3.9b.
- We estimate EBITDA of INR924m, up 22% YoY. We expect EBITDA margin to improve 260bp YoY to 23.6%.
- PAT is expected at INR0.52b, up 15% YoY.
- The stock trades at a P/E of 17.4x FY14E and 14.7x FY15E. **Buy.**

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	14.6	15.9	17.6	19.6
EBITDA	3.55	3.74	4.30	4.84
Adj. Net Profit	2.02	2.15	2.50	2.97
Adj. EPS (INR)	11.0	11.7	13.7	16.2
Adj. EPS Gr. (%)	-12.3	6.4	16.5	18.8
BV/Sh (INR)	52.4	58.9	66.8	76.3
RoE (%)	22.6	21.1	21.7	22.7
RoCE (%)	17.8	17.0	18.1	19.3
Div. Payout (%)	42	41	41	42
<b>Valuations</b>				
P/E (x)	21.6	20.3	17.4	14.7
P/BV (x)	4.5	4.0	3.6	3.1
EV/EBITDA (x)	12.3	11.4	9.5	8.1
Div. Yield (%)	1.7	1.7	2.0	2.4

## Key issues to watch out

- YoY ad growth (we expect 10%), EBITDA margin (we expect 23.6%).

## Quarterly performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>3,537</b>	<b>3,539</b>	<b>3,956</b>	<b>3,606</b>	<b>3,770</b>	<b>3,784</b>	<b>4,389</b>	<b>3,912</b>	<b>14,638</b>	<b>15,855</b>
YoY (%)	18.4	17.6	13.6	13.6	6.6	6.9	11.0	8.5	15.7	8.3
Operating expenses	2,534	2,768	2,938	2,849	3,005	2,923	3,197	2,988	11,088	12,113
<b>EBITDA</b>	<b>1,003</b>	<b>771</b>	<b>1,018</b>	<b>757</b>	<b>765</b>	<b>861</b>	<b>1,192</b>	<b>924</b>	<b>3,550</b>	<b>3,741</b>
YoY (%)	-11.7	-18.9	-11.3	-4.9	-23.8	11.6	17.1	22.1	-11.9	5.4
EBITDA margin (%)	28.4	21.8	25.7	21.0	20.3	22.7	27.2	23.6	24.3	23.6
Depreciation	117	124	134	130	135	143	151	154	506	584
Interest	27	67	81	-19	17	19	19	18	155	73
Other Income	37	20	25	34	46	38	38	37	115	159
<b>PBT</b>	<b>896</b>	<b>600</b>	<b>828</b>	<b>681</b>	<b>658</b>	<b>736</b>	<b>1,060</b>	<b>789</b>	<b>3,004</b>	<b>3,244</b>
Tax	284	197	271	229	222	251	352	268	982	1,093
Effective Tax Rate (%)	31.7	32.9	32.8	33.6	33.7	34.0	33.2	34.0	32.7	33.7
<b>PAT</b>	<b>612</b>	<b>403</b>	<b>556</b>	<b>452</b>	<b>436</b>	<b>486</b>	<b>708</b>	<b>521</b>	<b>2,022</b>	<b>2,151</b>
Minority Interest	1	0	3	-2	0	0	2	1	2	2
<b>Adj PAT after minority</b>	<b>611</b>	<b>403</b>	<b>554</b>	<b>454</b>	<b>437</b>	<b>486</b>	<b>706</b>	<b>520</b>	<b>2,021</b>	<b>2,150</b>
YoY (%)	-12.1	-26.9	-16.1	0.8	-28.5	20.7	27.6	14.7	-11.9	6.4
<b>Revenue break-up (INR m)</b>										
Ad revenue (print)	2,707	2,610	2,872	2,465	2,701	2,636	3,184	2,707	10,703	11,228
Circulation revenue	568	601	630	620	656	698	729	722	2,421	2,805
Radio	125	127	157	146	140	153	191	182	555	665
Event management	36	62	48	48	46	40	9	30	195	125
Others	101	139	248	326	227	257	276	272	764	1,032
<b>Total revenue</b>	<b>3,537</b>	<b>3,539</b>	<b>3,956</b>	<b>3,606</b>	<b>3,770</b>	<b>3,784</b>	<b>4,389</b>	<b>3,912</b>	<b>14,638</b>	<b>15,855</b>

E: MOSL Estimates

## Dish TV

Bloomberg	DITV IN
Equity Shares (m)	1,063.6
M. Cap. (INR b)/(USD b)	69/1
52-Week Range (INR)	85/53
1,6,12 Rel Perf. (%)	5/-18/1

## CMP: INR65

Neutral

- We expect DITV's revenue to grow 11% YoY and 4% QoQ to INR5.8b.
- Subscription revenue is expected to grow 5% QoQ to INR5.18b.
- We expect gross additions of 0.49m (v/s 0.83m in 3QFY13) and net additions of 0.2m in (v/s 0.5m in 3QFY13).
- EBITDA margin is expected to decline 60bp QoQ to 24.1% largely due to higher content costs (including one-time provision).
- Net loss is expected to decline 3% YoY but increase 6% QoQ to INR473m. We have not modeled any forex gain/loss.
- The stock trades at EV/EBITDA of 10.5x FY14E and 8.1x FY15E. **Neutral.**

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	19.6	21.9	25.7	30.4
EBITDA	5.0	5.9	7.5	9.5
Adj. Net Profit	-1.6	-1.5	-1.2	-0.1
Adj. EPS (INR)	-1.5	-1.4	-1.1	-0.1
Adj. EPS Gr. (%)	NA	NA	NA	NA
BV/Sh (INR)	-0.9	-1.5	-2.6	-2.8
RoE (%)	NA	NA	NA	NA
RoCE (%)	NA	1.3	-0.9	6.9
Div. Payout (%)	NA	NA	NA	NA
<b>Valuations</b>				
P/E (x)	NA	NA	NA	NA
P/BV (x)	NA	NA	NA	NA
EV/EBITDA (x)	15.3	13.4	10.5	8.1
Div. Yield (%)	0	0	0	0

## Key issues to watch out

- Quarterly gross adds (we expect 0.49m), ARPU (we expect INR163), and EBITDA margin (we expect 24.1%).

## Quarterly performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>4,604</b>	<b>4,822</b>	<b>4,905</b>	<b>5,247</b>	<b>5,200</b>	<b>5,336</b>	<b>5,578</b>	<b>5,811</b>	<b>19,578</b>	<b>21,925</b>
YoY Change (%)	51.3	47.8	31.4	21.2	12.9	10.7	13.7	10.7	36.3	12.0
Operating expenses	3,482	3,605	3,703	3,805	3,644	3,779	4,201	4,410	14,594	16,034
<b>EBITDA</b>	<b>1,122</b>	<b>1,217</b>	<b>1,202</b>	<b>1,442</b>	<b>1,556</b>	<b>1,557</b>	<b>1,377</b>	<b>1,400</b>	<b>4,984</b>	<b>5,890</b>
YoY Change (%)	248.5	144.5	80.2	59.9	38.7	27.9	14.6	-2.9	108.7	18.2
EBITDA margin (%)	24.4	25.2	24.5	27.5	29.9	29.2	24.7	24.1	25.5	26.9
Depreciation	1,107	1,162	1,232	1,678	1,512	1,533	1,713	1,735	5,180	6,492
Interest	334	634	477	348	473	317	288	260	1,778	1,338
Other Income	137	92	78	94	106	80	175	120	386	481
<b>PBT</b>	<b>-183</b>	<b>-487</b>	<b>-430</b>	<b>-490</b>	<b>-324</b>	<b>-213</b>	<b>-449</b>	<b>-473</b>	<b>-1,588</b>	<b>-1,458</b>
<b>Adjusted net profit</b>	<b>-183</b>	<b>-487</b>	<b>-430</b>	<b>-490</b>	<b>-324</b>	<b>-213</b>	<b>-449</b>	<b>-473</b>	<b>-1,588</b>	<b>-1,458</b>
YoY Change (%)	-71.0	7.7	-3.0	32.4	76.8	-56.3	4.4	-3.5	-16.3	-8.2
<b>Net Subs (m)</b>	<b>8.9</b>	<b>9.2</b>	<b>9.5</b>	<b>9.6</b>	<b>9.8</b>	<b>10.0</b>	<b>10.5</b>	<b>10.7</b>	<b>9.6</b>	<b>10.7</b>
<b>ARPU (INR/month)</b>	<b>150</b>	<b>152</b>	<b>152</b>	<b>151</b>	<b>156</b>	<b>159</b>	<b>160</b>	<b>163</b>	<b>153</b>	<b>159</b>
<b>Revenue break-up (INR m)</b>										
Subscription revenue	3,923	4,133	4,258	4,338	4,556	4,729	4,943	5,177	16,650	19,406
Lease rentals	550	550	449	660	460	430	380	391	2,209	1,661
Others	131	140	198	249	184	177	255	242	719	858
<b>Total revenue</b>	<b>4,604</b>	<b>4,822</b>	<b>4,905</b>	<b>5,247</b>	<b>5,200</b>	<b>5,336</b>	<b>5,578</b>	<b>5,810</b>	<b>19,578</b>	<b>21,925</b>

E: MOSL Estimates

# HT Media

Bloomberg	HTML IN
Equity Shares (m)	235.0
M. Cap. (INR b)/(USD b)	24/0
52-Week Range (INR)	146/82
1,6,12 Rel Perf. (%)	1/10/-31

## CMP: INR102

Neutral

- We expect HT Media to post revenue of INR5.17b, up 5% YoY.
- We expect ad revenue to grow 3% YoY to INR3.83b.
- We expect circulation revenue to grow 13% YoY to INR0.55b.
- EBITDA margin is expected to improve 280bp YoY to 12.6%.
- PAT is expected to grow 60% YoY to INR0.35b.
- The stock trades at a P/E of 13.5x FY14E and 12.2x FY15E. **Neutral.**

### Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	20.0	20.7	22.9	25.0
EBITDA	2.8	2.8	3.3	3.4
Adj. Net Profit	1.6	1.6	1.8	2.0
Adj. EPS (INR)	7.0	6.7	7.6	8.4
Adj. EPS Gr. (%)	-9.5	-4.1	13.3	10.5
BV/Sh (INR)	67.4	73.8	81.6	90.3
RoE (%)	10.9	9.5	9.7	9.7
RoCE (%)	10.4	9.8	10.6	11.2
Div. Payout (%)	6.7	10.2	8.3	8.3
<b>Valuations</b>				
P/E (x)	14.7	15.3	13.5	12.2
P/BV (x)	1.5	1.4	1.3	1.1
EV/EBITDA (x)	7.2	7.0	5.3	4.6
Div. Yield (%)	0.4	0.6	0.6	0.7

### Key issues to watch out

- English ad growth (we expect 2% YoY), Hindi ad growth (we expect 4% YoY), EBITDA margin (we expect 12.6%).

### Quarterly performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenue</b>	<b>4,969</b>	<b>4,931</b>	<b>5,266</b>	<b>4,941</b>	<b>4,899</b>	<b>5,107</b>	<b>5,470</b>	<b>5,174</b>	<b>20,107</b>	<b>20,651</b>
YoY (%)	22.9	10.7	13.2	5.0	-1.4	3.6	3.9	4.7	12.6	2.7
Operating expenses	4,066	4,219	4,489	4,460	4,230	4,542	4,596	4,525	17,234	17,893
<b>EBITDA</b>	<b>903</b>	<b>713</b>	<b>777</b>	<b>481</b>	<b>669</b>	<b>565</b>	<b>875</b>	<b>649</b>	<b>2,873</b>	<b>2,758</b>
YoY (%)	13.0	-9.9	-12.0	-45.1	-25.9	-20.7	12.6	35.1	-14.2	-4.0
EBITDA margin (%)	18.2	14.4	14.8	9.7	13.7	11.1	16.0	12.6	14.3	13.4
Depreciation	214	233	220	249	220	242	220	248	916	930
Interest	53	74	83	104	103	98	110	113	315	423
Other Income	146	204	168	179	209	244	238	238	697	929
<b>PBT</b>	<b>782</b>	<b>610</b>	<b>642</b>	<b>307</b>	<b>555</b>	<b>469</b>	<b>783</b>	<b>527</b>	<b>2,340</b>	<b>2,334</b>
Tax	242	141	161	81	129	107	222	149	625	607
Effective Tax Rate (%)	30.9	23.1	25.1	26.4	23.2	22.8	28.3	28.3	26.7	26.0
<b>PAT</b>	<b>540</b>	<b>469</b>	<b>481</b>	<b>226</b>	<b>426</b>	<b>362</b>	<b>562</b>	<b>378</b>	<b>1,715</b>	<b>1,727</b>
Minority Interest	25	31	-1	6	19	29	34	25	61	107
<b>Reported PAT</b>	<b>515</b>	<b>438</b>	<b>482</b>	<b>220</b>	<b>407</b>	<b>333</b>	<b>528</b>	<b>353</b>	<b>1,655</b>	<b>1,620</b>
YoY (%)	24.4	13.0	0.8	-58.5	-21.0	-24.0	9.5	60.5	-9	-2
<b>Ad revenue growth (%)</b>	<b>17</b>	<b>12</b>	<b>10</b>	<b>3</b>	<b>-3</b>	<b>-2</b>	<b>2</b>	<b>3</b>	<b>10</b>	<b>0</b>
-English	18	8	11	-4	-6	-3	-3	2	8	-3
-Hindi	15	24	8	21	5	1	15	4	16	7
<b>Circulation revenue growth (%)</b>	<b>3</b>	<b>21</b>	<b>7</b>	<b>3</b>	<b>8</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>8</b>	<b>11</b>
-English	4	34	0	-15	-3	1	6	9	4	3
-Hindi	3	16	10	13	13	16	15	15	10	15

E: MOSL Estimates

# Jagran Prakashan

Bloomberg	JAGP IN
Equity Shares (m)	316.3
M. Cap. (INR b)/(USD b)	30/1
52-Week Range (INR)	118/78
1,6,12 Rel Perf. (%)	-4/4/-14

**CMP: INR95**
**Buy**

- We expect advertising revenue to grow 6% YoY to INR2.23b on a standalone basis.
- We expect circulation revenue to grow 10% YoY to INR0.69b.
- Jagran's aggregate revenue is likely to grow 7% YoY to INR3.31b.
- We estimate EBITDA of INR0.74b, up 13% YoY. We expect EBITDA margin to improve 120bp YoY to 22.5%.
- Adjusted PAT is expected at INR0.4b, down 6% YoY due to high base given forex gain in 4QFY12.
- The stock trades at a P/E of 15.8x FY14E and 13.2x FY15E. **Buy.**

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	13.6	15.5	17.3	19.3
EBITDA	3.17	3.20	3.66	4.14
Adj. Net Profit	1.78	1.58	1.89	2.27
Adj. EPS (INR)	5.6	5.0	6.0	7.2
Adj. EPS Gr. (%)	-18.3	-11.6	20.2	19.9
BV/Sh (INR)	23.8	30.0	31.9	34.4
RoE (%)	24.5	18.6	19.4	21.7
RoCE (%)	15.6	16.6	14.1	15.8
Div. Payout (%)	72.6	82.1	58.4	55.7
<b>Valuations</b>				
P/E (x)	16.8	19.0	15.8	13.2
P/BV (x)	4.0	3.2	3.0	2.8
EV/EBITDA (x)	10.6	10.1	8.7	7.5
Div. Yield (%)	3.7	3.7	3.7	4.2

**Key issues to watch out**

- YoY ad growth (we expect 6%), EBITDA margin (we expect 22.5%).

**Quarterly Performance (Standalone)**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>3,046</b>	<b>3,054</b>	<b>3,240</b>	<b>3,104</b>	<b>3,175</b>	<b>3,221</b>	<b>3,489</b>	<b>3,310</b>	<b>12,445</b>	<b>13,195</b>
YoY (%)	12.9	10.3	13.3	9.8	4.2	5.5	7.7	6.6	11.6	6.0
Operating expenses	2,226	2,263	2,389	2,445	2,387	2,439	2,578	2,567	9,324	9,971
<b>EBITDA</b>	<b>820</b>	<b>791</b>	<b>851</b>	<b>659</b>	<b>788</b>	<b>782</b>	<b>911</b>	<b>743</b>	<b>3,121</b>	<b>3,224</b>
YoY (%)	-9.0	-13.0	-5.2	-7.7	-3.9	-1.1	7.0	12.8	-8.8	3.3
EBITDA margin (%)	26.9	25.9	26.3	21.2	24.8	24.3	26.1	22.5	25.1	24.4
Depreciation	150	160	165	181	148	161	166	150	657	625
Interest	28	29	44	45	76	59	77	80	146	292
Other Income	78	40	-42	183	-7	133	-9	60	259	176
<b>PBT</b>	<b>720</b>	<b>642</b>	<b>600</b>	<b>615</b>	<b>557</b>	<b>694</b>	<b>659</b>	<b>573</b>	<b>2,577</b>	<b>2,484</b>
Tax	223	184	187	187	0	0	0	0	781	0
Effective Tax Rate (%)	31.0	28.6	31.2	30.4	0.0	0.0	0.0	0.0	30.3	0.0
<b>Reported net profit</b>	<b>497</b>	<b>458</b>	<b>413</b>	<b>428</b>	<b>557</b>	<b>694</b>	<b>659</b>	<b>573</b>	<b>1,796</b>	<b>2,484</b>
Extra-ordinary item	0	0	0	0	167	208	198	172	0	745
<b>Adjusted net profit</b>	<b>497</b>	<b>458</b>	<b>413</b>	<b>428</b>	<b>390</b>	<b>486</b>	<b>461</b>	<b>401</b>	<b>1,796</b>	<b>1,739</b>
YoY (%)	-10.6	-17.5	-21.5	1.8	-21.5	6.2	11.6	-6.3	-12.7	-3.2
<b>Key Metrics</b>										
Ad revenue growth (YoY, %)	8	10	15	11	8	4	7	6	11	6
Circulation revenue growth (YoY,%)	5	12	9	12	10	9	12	10	10	10
RM/Sales (%)	32	35	35	35	36	34	34	33	34	34

E: MOSL Estimates

# Sun TV Network

Bloomberg	SUNTV IN
Equity Shares (m)	394.1
M. Cap. (INR b)/(USD b)	149/3
52-Week Range (INR)	494/177
1,6,12 Rel Perf. (%)	-9/15/15

**CMP: INR379**
**Neutral**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	17.6	18.2	20.4	23.5
EBITDA	14.0	14.0	15.6	18.1
Adj. Net Profit	6.9	6.9	7.6	9.3
Adj. EPS (INR)	17.6	17.5	19.4	23.7
Adj. EPS Gr. (%)	-10.0	-0.5	10.5	22.1
BV/Sh (INR)	67.1	73.1	78.6	86.2
RoE (%)	26.3	24.0	24.7	27.5
RoCE (%)	51.2	45.6	48.3	52.3
Div. Payout (%)	53.9	57.0	61.9	59.1
<b>Valuations</b>				
P/E (x)	21.5	21.6	19.5	16.0
P/BV (x)	5.6	5.2	4.8	4.4
EV/EBITDA (x)	10.5	10.2	8.8	7.3
Div. Yield (%)	2.5	2.6	3.2	3.7

- We expect Sun TV's revenue to grow 12% YoY to INR4.8b.
- Advertising and broadcasting revenue is expected to grow 12% YoY to INR3.1b.
- We expect total subscription revenue (domestic + international) to grow 18% YoY to INR1.64b.
- Sun TV's EBITDA is estimated to grow 12% YoY to INR3.68b.
- PAT is expected to increase 17% YoY to INR1.86b.
- The stock trades at a P/E of 19.5x FY14E and 16x FY15E. **Neutral**.

**Key issues to watch out**

- YoY ad growth (we expect 12%), QoQ subscription growth (we expect 4%).

**Quarterly Performance**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q*	4Q	1Q	2Q	3Q	4QE		
<b>Revenue</b>	<b>4,540</b>	<b>4,513</b>	<b>4,251</b>	<b>4,270</b>	<b>4,258</b>	<b>4,333</b>	<b>4,859</b>	<b>4,780</b>	<b>17,574</b>	<b>18,230</b>
YoY (%)	3.1	6.2	-4.9	-7.3	-6.2	-4.0	14.3	11.9	-8.6	3.7
<b>EBITDA</b>	<b>3,659</b>	<b>3,654</b>	<b>3,411</b>	<b>3,282</b>	<b>3,230</b>	<b>3,290</b>	<b>3,763</b>	<b>3,675</b>	<b>14,007</b>	<b>13,958</b>
YoY (%)	1.7	10.0	-2.8	-9.8	-11.7	-10.0	10.3	12.0	-10.1	-0.3
As of % Sales	80.6	81.0	80.2	76.9	75.9	75.9	77.5	76.9	79.7	76.6
Depreciation and Amortization	1,061	1,176	1,125	1,068	933	1,138	1,044	1,033	4,430	4,148
Interest	2	8	36	9	2	5	17	2	56	26
Other Income	173	186	232	151	132	96	106	95	742	429
<b>PBT</b>	<b>2,769</b>	<b>2,657</b>	<b>2,483</b>	<b>2,355</b>	<b>2,427</b>	<b>2,243</b>	<b>2,808</b>	<b>2,734</b>	<b>10,263</b>	<b>10,213</b>
Tax	892	856	804	765	784	726	910	879	3,317	3,299
Effective Tax Rate (%)	32.2	32.2	32.4	32.5	32.3	32.4	32.4	32.1	32.3	32.3
<b>Reported PAT</b>	<b>1,876</b>	<b>1,801</b>	<b>1,679</b>	<b>1,590</b>	<b>1,643</b>	<b>1,517</b>	<b>1,899</b>	<b>1,855</b>	<b>6,946</b>	<b>6,914</b>
<b>Adj PAT</b>	<b>1,876</b>	<b>1,801</b>	<b>1,679</b>	<b>1,590</b>	<b>1,643</b>	<b>1,517</b>	<b>1,899</b>	<b>1,855</b>	<b>6,946</b>	<b>6,914</b>
YoY (%)	9.8	7.6	-14.4	-23.7	-12.4	-15.8	13.1	16.7	-10.0	-0.5
<b>Revenue Breakup (INR m)</b>										
Advertising and Broadcast	2,700	2,740	2,850	2,800	2,800	2,810	3,270	3,126	11,090	12,006
International	200	180	240	220	260	260	260	270	840	1,050
DTH	840	790	840	860	890	900	945	991	3,330	3,726
Domestic Cable	560	470	290	310	300	340	370	380	1,630	1,390
Films and Others	240	333	31	80	8	23	14	14	684	58
<b>Total</b>	<b>4,540</b>	<b>4,513</b>	<b>4,251</b>	<b>4,270</b>	<b>4,258</b>	<b>4,333</b>	<b>4,859</b>	<b>4,780</b>	<b>17,574</b>	<b>18,230</b>

E: MOSL Estimates \* YoY growth for 3QFY12 adjusted for one-time revenue/cost related to 'Enthiran' in 3QFY11



# Zee Entertainment Enterprises

Bloomberg	Z IN
Equity Shares (m)	958.8
M. Cap. (INR b)/(USD b)	200/4
52-Week Range (INR)	247/119
1,6,12 Rel Perf. (%)	-2/16/58

**CMP: INR209**
**Neutral**

- We expect advertising revenue to grow 12% YoY to INR 5.1b.
- We expect subscription revenue to grow 6% YoY to INR4.26b (4QFY12 subscription revenue included a one-time impact of accounting change related to Media Pro).
- EBITDA margin is expected to improve 600bp YoY but decline 340bp QoQ to 24.4%. QoQ margin would be impacted by higher programming costs, launch expenses for new channels, and higher sports loss.
- Adj PAT is expected to increase 21% YoY to INR1.72b.
- The stock trades at a P/E of 25.2x FY14E and 19.8x FY15E. **Neutral**.

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	30.4	36.5	41.6	47.9
EBITDA	7.4	9.3	10.7	13.2
Adj. Net Profit	5.7	7.1	7.9	10.1
Adj. EPS (INR)	5.9	7.4	8.3	10.5
Adj. EPS Gr. (%)	-1.4	25.8	11.5	27.5
BV/Sh (INR)	35.8	41.1	46.9	54.4
RoE (%)	17.5	19.3	18.8	20.8
RoCE (%)	25.5	27.9	27.7	30.0
Div. Payout (%)	24.3	25.0	25.0	25.0
<b>Valuations</b>				
P/E (x)	35.4	28.1	25.2	19.8
P/BV (x)	6.0	5.2	4.5	3.9
EV/EBITDA (x)	25.5	20.0	17.2	13.6
Div. Yield (%)	0.7	0.9	1.0	1.3

**Key issues to watch out**

- YoY ad growth (we expect 12%), sports loss (we expect INR300m).

**Quarterly Performance**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Advertising Revenue	3,787	3,949	3,955	4,150	4,472	5,281	5,094	4,657	15,841	19,504
Subscription Revenue	3,051	2,910	3,262	4,022	3,641	3,950	4,098	4,255	13,245	15,944
Other Sales and Services	145	324	332	519	317	305	197	204	1,320	1,023
<b>Net Sales</b>	<b>6,983</b>	<b>7,184</b>	<b>7,548</b>	<b>8,691</b>	<b>8,430</b>	<b>9,536</b>	<b>9,388</b>	<b>9,117</b>	<b>30,406</b>	<b>36,471</b>
Change (%)	3.2	1.0	0.0	8.9	20.7	32.7	24.4	4.9	3.4	19.9
Prog, Transmission & Direct Exp	3,423	3,224	3,422	4,242	3,757	4,791	4,185	4,289	14,311	17,022
Staff Cost	747	688	731	759	888	873	895	907	2,925	3,563
Selling and Other Exp	1,253	1,197	1,236	2,090	1,453	1,695	1,697	1,697	5,775	6,541
<b>EBITDA</b>	<b>1,560</b>	<b>2,076</b>	<b>2,160</b>	<b>1,600</b>	<b>2,332</b>	<b>2,177</b>	<b>2,611</b>	<b>2,224</b>	<b>7,395</b>	<b>9,344</b>
As of % Sales	22.3	28.9	28.6	18.4	27.7	22.8	27.8	24.4	24.3	25.6
Depreciation	89	78	74	81	99	96	90	100	323	385
Finance cost	30	56	182	-219	18	23	16	16	50	73
Other Income	255	279	340	330	301	260	360	308	1,204	1,229
Extraordinary items	0	0	0	180	0	0	0	0	180	0
<b>PBT</b>	<b>1,696</b>	<b>2,221</b>	<b>2,243</b>	<b>2,248</b>	<b>2,517</b>	<b>2,318</b>	<b>2,865</b>	<b>2,415</b>	<b>8,407</b>	<b>10,116</b>
Tax	394	621	867	618	947	444	933	711	2,500	3,035
Effective Tax Rate (%)	23.2	28.0	38.6	28.2	37.6	19.2	32.6	29.5	29.7	30.0
<b>PAT</b>	<b>1,302</b>	<b>1,600</b>	<b>1,376</b>	<b>1,630</b>	<b>1,570</b>	<b>1,874</b>	<b>1,933</b>	<b>1,705</b>	<b>5,907</b>	<b>7,081</b>
Minority Interest	-35	40	-17	28	-12	-2	-8	-10	15	-32
<b>Adj PAT after Minority Interest</b>	<b>1,337</b>	<b>1,560</b>	<b>1,393</b>	<b>1,422</b>	<b>1,582</b>	<b>1,876</b>	<b>1,941</b>	<b>1,715</b>	<b>5,712</b>	<b>7,113</b>
Change (%)	10.4	23.6	22.1	-31.8	18.3	20.3	39.3	20.6	-2.4	24.5
<b>Subscription revenue (INR m)</b>										
Domestic	2,075	1,951	2,224	2,973	2,504	2,808	2,962	3,126	9,223	11,399
International	976	959	1,038	1,049	1,137	1,141	1,136	1,131	4,022	4,545
<b>Total Subscription revenue</b>	<b>3,051</b>	<b>2,910</b>	<b>3,262</b>	<b>4,022</b>	<b>3,641</b>	<b>3,949</b>	<b>4,098</b>	<b>4,256</b>	<b>13,245</b>	<b>15,944</b>

E: MOSL Estimates

# Metals

## Companies Covered

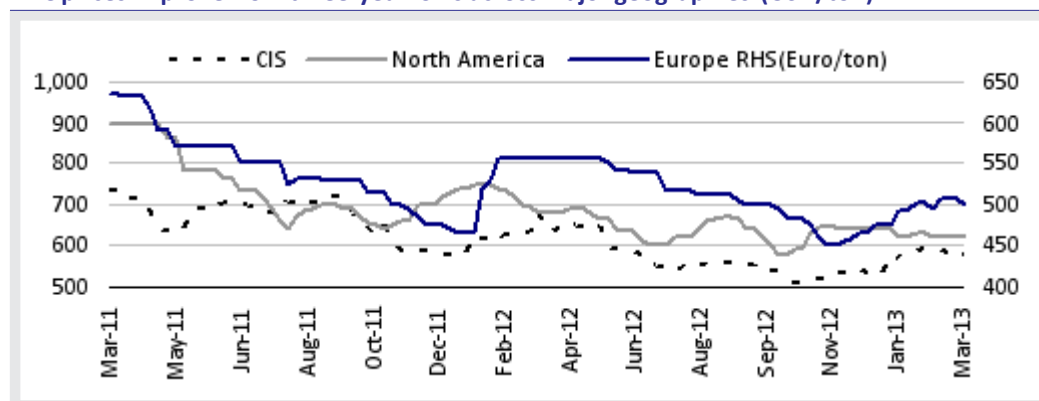
Hindalco  
Hindustan Zinc  
Jindal Steel & Power  
JSW Steel  
Nalco  
NMDC  
Sesa Goa  
SAIL  
Sterlite Industries  
Tata Steel

## Ferrous

### Global steel prices recover from three-year lows; Chinese steel prices again show weakness post restocking

Steel prices recovered in 4QFY13 from their three-year lows in 3QFY13. Average 4QFY13 HRC prices improved in CIS, North America, Europe and China by 10%, 1%, 6% and 6% QoQ respectively. However, prices in China again started to weaken as restocking demands seem to be fading away amid high levels of inventories. Steel inventories (traders) in China are already at yearly high levels. Any further push in demand can now come from actual consumption for which outlook remains subdued. Bao Steel, one of the largest Chinese steel producers is forecasting demand growth of only 3% in 2013. Pertinently, the new Chinese leadership appears to be focusing away from property construction to rural development and social welfare as its strategy for the next 10 years. There is only a moderate increase in 2013 budget for infrastructure, with greater focus on building dams, rural grid and social welfare projects. This is likely to moderate steel consumption growth further.

### HRC prices improve from three-year lows across major geographies (USD/ton)



Source: Bloomberg, MOSL

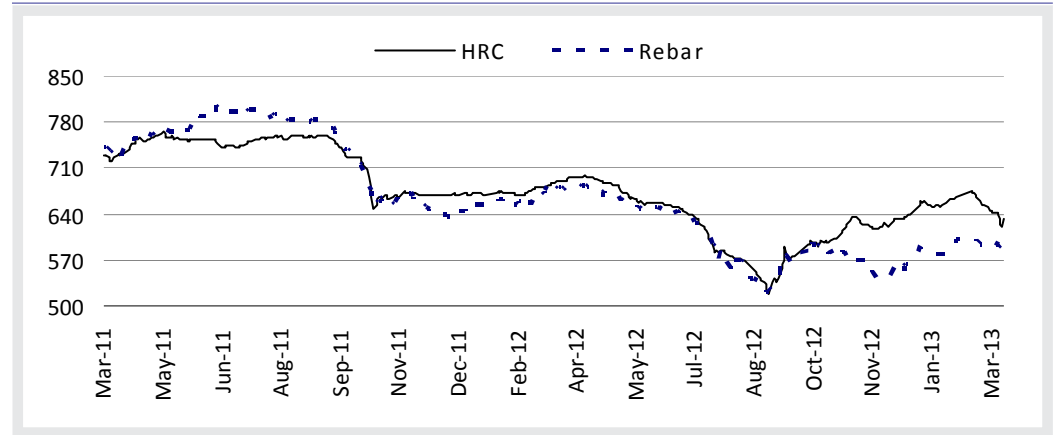
## Expected quarterly performance summary

(INR Million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ	Mar.13	Var. % YoY	Var. % QoQ
	<b>26.03.13</b>										
Hindalco	88	Buy	209,142	0.9	7.6	21,601	0.0	26.1	7,988	-21.2	35.1
Hindustan Zinc	116	Buy	34,526	10.1	8.6	18,387	10.8	23.1	17,122	20.6	6.2
JSPL	353	Sell	54,358	-0.8	13.2	15,900	-16.9	-11.2	7,935	-32.0	-8.5
JSW Steel	599	Sell	84,477	-11.5	1.9	14,482	-12.3	10.2	3,101	-44.5	-17.2
Nalco	34	Neutral	17,753	-0.5	4.9	2,455	-19.9	34.4	1,579	-35.2	32.8
NMDC	134	Buy	30,582	17.9	49.4	22,275	12.6	60.1	19,132	14.1	48.0
SAIL	61	Sell	128,160	-6.4	20.1	22,206	18.7	95.1	11,692	37.2	130.1
Sesa Goa	151	Buy	2,729	-90.2	15.4	-631	PL	Loss	4,713	-59.2	-8.4
Sterlite Inds.	91	Buy	111,657	3.2	4.0	27,955	3.3	20.1	15,556	12.9	24.1
Tata Steel	306	Sell	362,701	6.7	13.0	30,978	-2.5	38.4	-401	PL	Loss
<b>Sector Aggregate</b>			<b>1,036,085</b>	<b>-0.9</b>	<b>11.2</b>	<b>175,607</b>	<b>-5.5</b>	<b>30.2</b>	<b>88,416</b>	<b>-10.7</b>	<b>38.4</b>

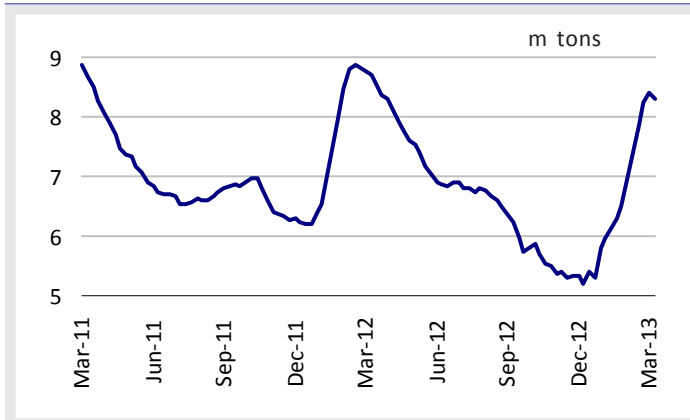
Sanjay Jain (SanjayJain@MotilalOswal.com) / Pavas Pethia (Pavas.Pethia@MotilalOswal.com)

**Chinese steel prices recovered till February but show signs of weakness (USD/ton)**

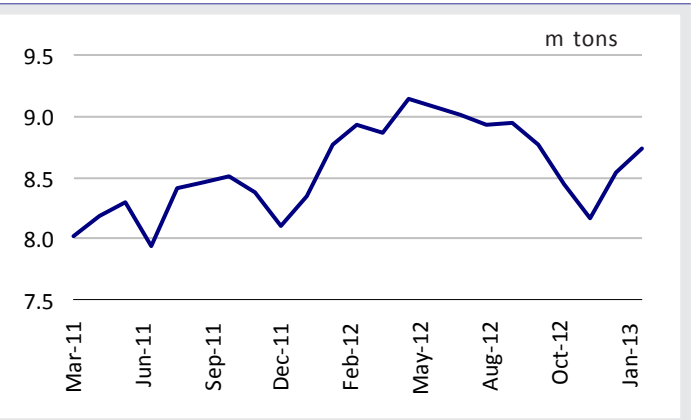


Source: Bloomberg, MOSL

**Chinese steel inventories (traders)**



**US steel inventories too soared in January**

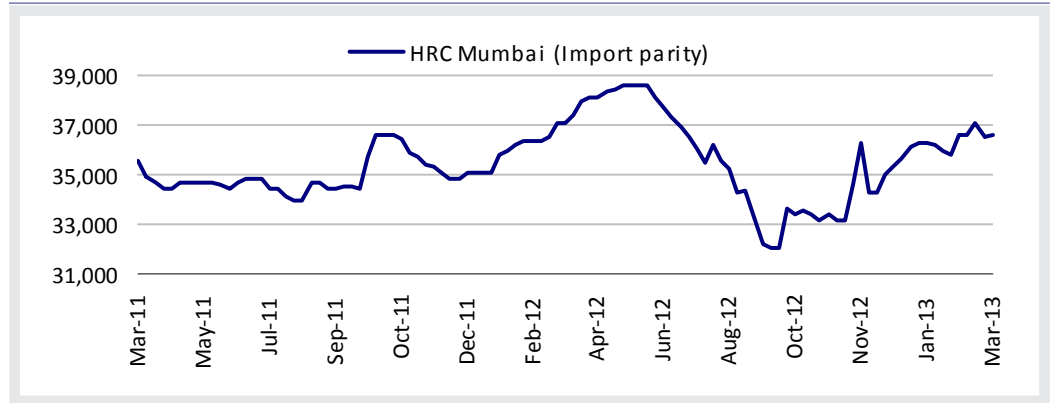


Source: Bloomberg, MOSL

**Indian prices fail to catch up with international trend; Steel intermediaries' prices decline on low demand**

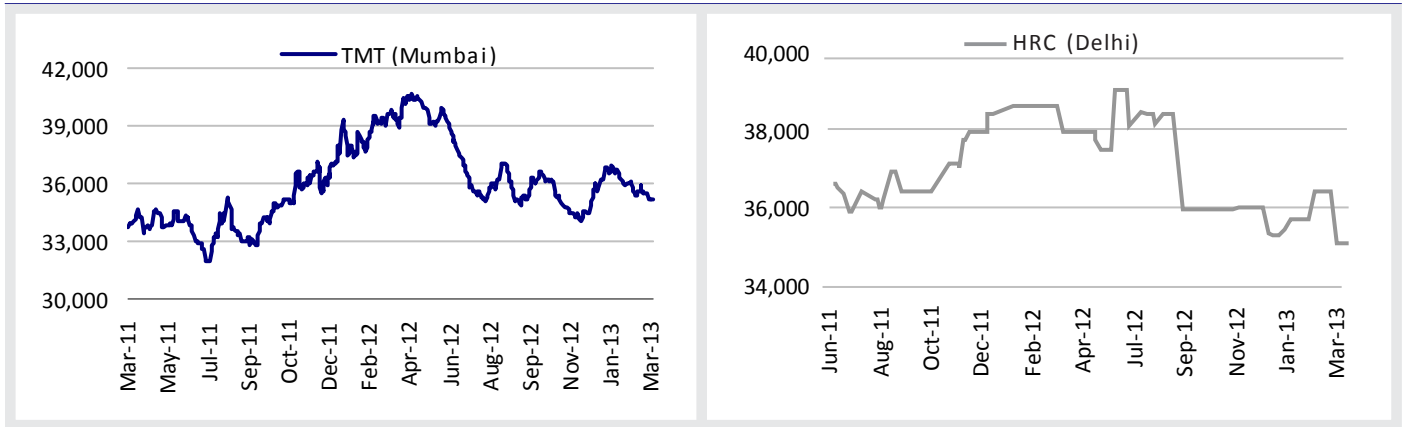
Import parity prices for India also moved up in tandem with international prices, allowing room for Indian producers to raise prices. However, Indian prices have so far failed to follow international prices as domestic demand is not supporting. Price hikes announced by Indian producers in the past few months have not materialized into realization. On an average, flat product prices remained flat QoQ, while long product prices increased by just 2% QoQ. Several secondary producers have curtailed/shut productions due to lower realizations and higher raw material cost. This has affected demand of steel intermediaries and iron ore, leading to lower realizations. Sponge and pellet prices declined 5% and 6% QoQ respectively. NMDC has cut iron ore lumps prices by ~10% QoQ, while its fines prices remained flat QoQ.

Indian HRC prices (import parity) also mirrored global trends (INR/t)



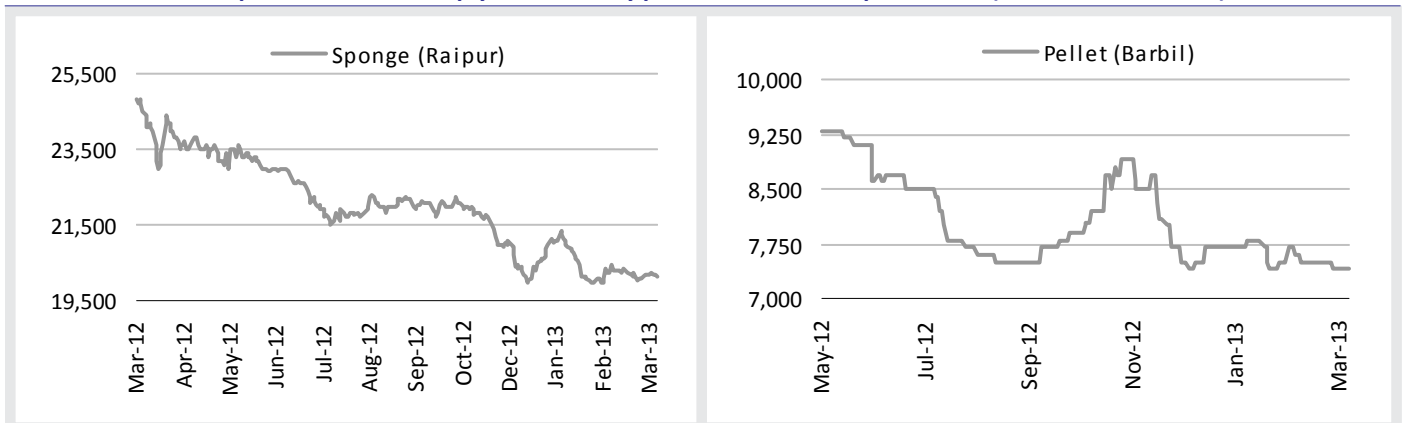
Source: Bloomberg, MOSL

Despite higher import offers, domestic prices fail to catch up (INR/t)



Source: Bloomberg, MOSL

Steel intermediaries' prices declined sharply as secondary producers curtailed production (INR/T, excl. ED & VAT)

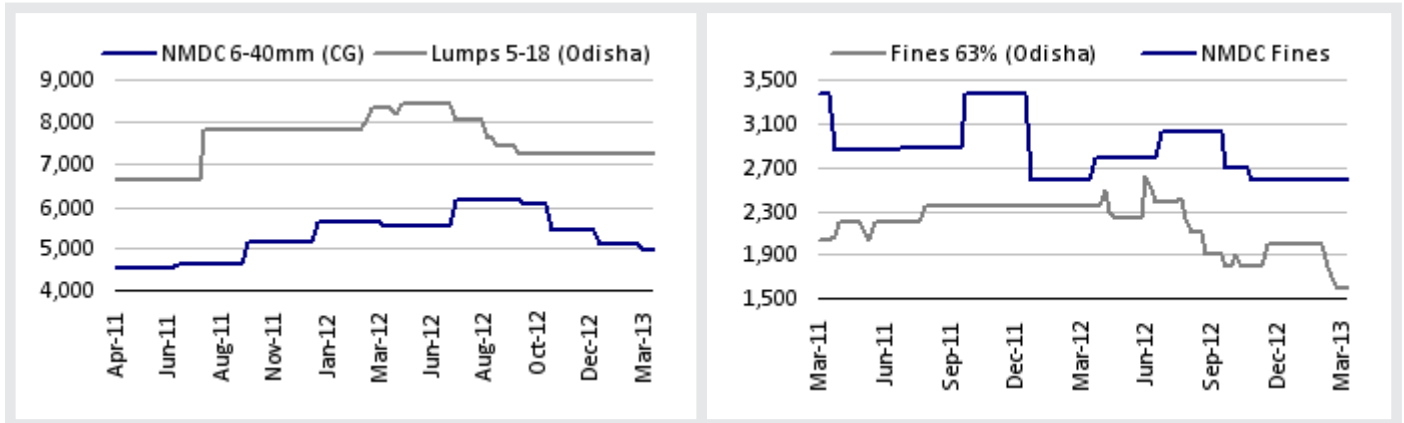


Source: Bloomberg, MOSL

**NMDC reduced lumps prices ~10% QoQ, while fines prices remained flat QoQ**

Iron ore lumps (INR/t)

Iron ore fines (INR/t)



Note: NMDC prices ex Royalty

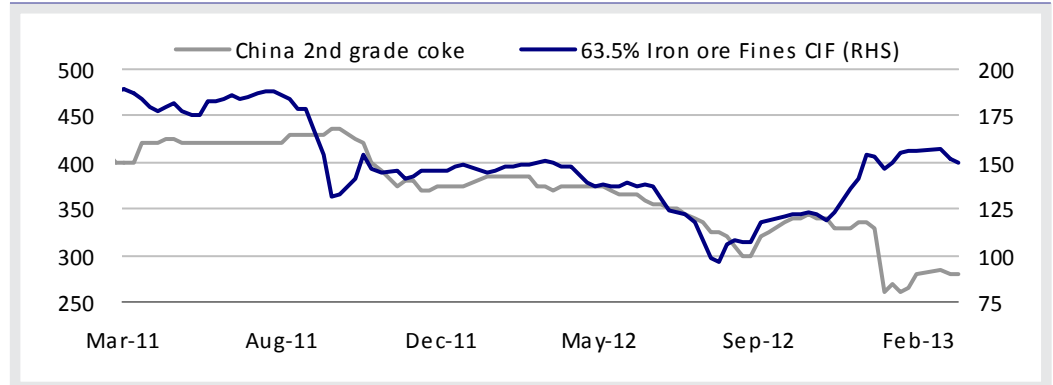
Source: Bloomberg, MOSL

**Raw materials**

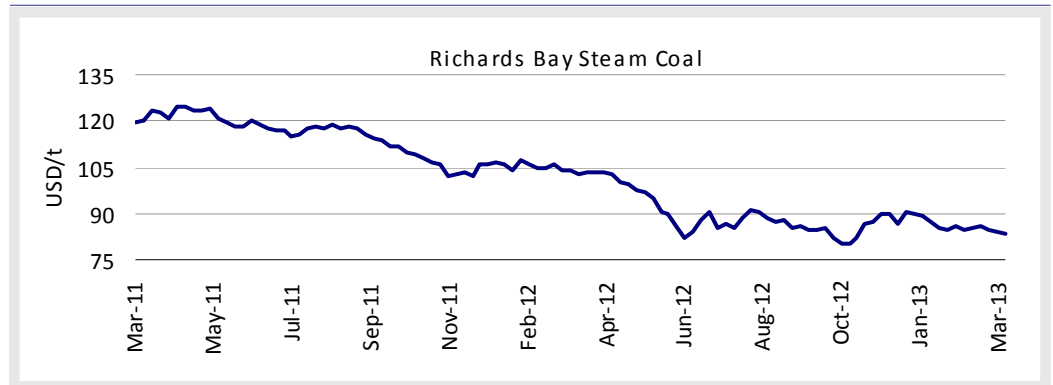
**Iron ore and coking coal show weakness despite improvement over 3QFY13 lows**

Quarterly average iron ore prices (63.5% Fe fines CFR, China) and average coking coal prices (low vol. HCC Spot fob, Australia) prices increased 23% and 8% QoQ respectively in 4QFY13. Thermal coal prices (Richard Bay, 6,000kcal fob) were flat QoQ. Raw material prices recovery was led by a partial improvement in demand, as steel prices improved QoQ and due to seasonal supply issues. However, iron ore and coking coal prices are again trending downwards and are now 13% and 8% lower from their February high levels.

**Iron ore prices improved QoQ but show weakness**

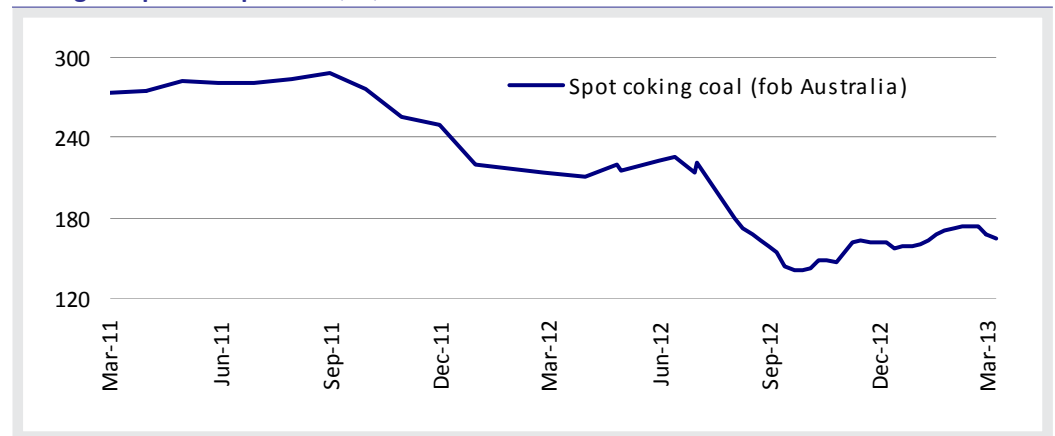


**Thermal coal prices remained flat QoQ**



Source: Bloomberg, MOSL

**Coking coal prices improved QoQ but show weakness**



Source: Bloomberg, MOSL

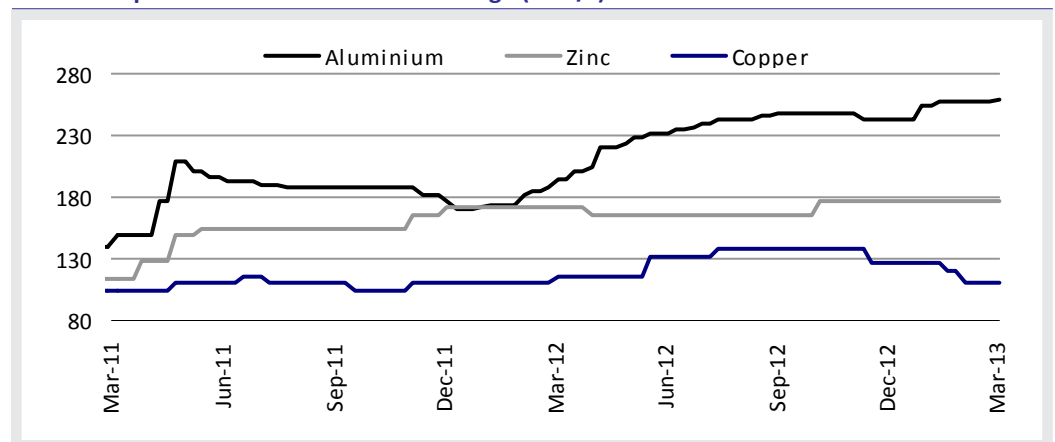
**Steel outlook: Margins and prices to remain under pressure**

We believe that steel prices will continue to remain weak on account of subdued global and domestic demand. Iron ore markets showed some uptrend due to temporary tightness in global supply-demand scenario but long term outlook remains negative. Both iron ore and coking coal prices have again started to correct, which will weigh negatively on steel prices. Indian steel producers are also facing additional pressure due to increased capacity. We believe that both steel prices and margins will continue to remain under pressure.

**Non-ferrous - Base metals prices recover 1-5% QoQ**

Average 4QFY13 non-ferrous metal prices showed a QoQ improvement. Aluminium, copper, lead and zinc prices increased 1%, 1%, 5% and 5% QoQ respectively. Alumina prices also increased 5% QoQ. Spot premiums for aluminum continue to remain high and increased 4% QoQ. We factor aluminum, zinc and lead prices of USD2,100/t, USD2,000/t and USD2,100/t in FY14E.

**Aluminum premium continues to remain high (USD/t)**



Source: Bloomberg, MOSL



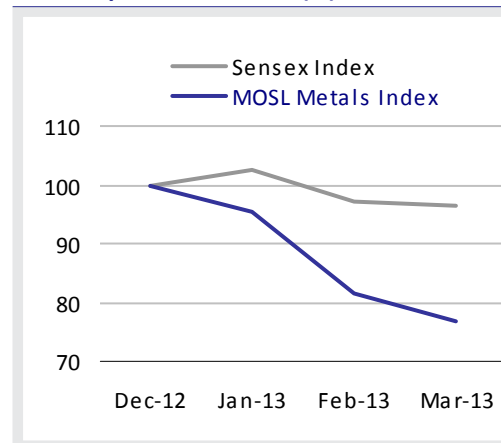
## Base metal prices recover 1-5% QoQ

Quarter	Zinc			Aluminium			Copper			Lead			Alumina			Silver (INR/kg)		
	Avg.	QoQ (%)	YoY (%)	Avg.	QoQ (%)	YoY (%)	Avg.	QoQ (%)	YoY (%)	Avg.	QoQ (%)	YoY (%)	Avg.	QoQ (%)	YoY (%)	Avg.	QoQ (%)	YoY (%)

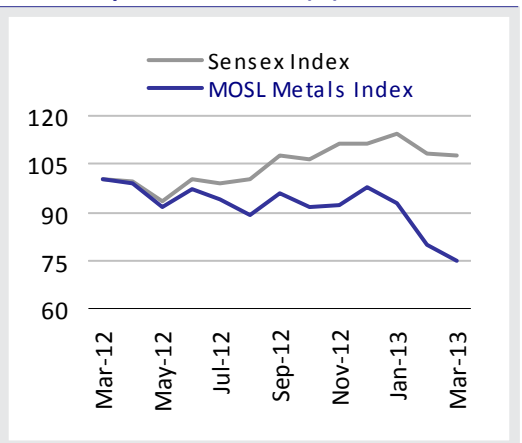
## Quarterly average of base metal prices on LME (USD/ton)

Quarter	Zinc Avg.	Zinc QoQ (%)	Zinc YoY (%)	Aluminium Avg.	Aluminium QoQ (%)	Aluminium YoY (%)	Copper Avg.	Copper QoQ (%)	Copper YoY (%)	Lead Avg.	Lead QoQ (%)	Lead YoY (%)	Alumina Avg.	Alumina QoQ (%)	Alumina YoY (%)	Silver Avg.	Silver QoQ (%)	Silver YoY (%)
4QFY13	2,043	5	1	2,008	1	-8	7,954	1	-4	2,311	5	10	343	5	8	56,057	-6	1
3QFY13	1,946	3	3	1,997	4	-4	7,908	3	6	2,198	11	11	326	3	-1	59,949	8	11
2QFY13	1,885	-2	-15	1,918	-3	-20	7,705	-2	-14	1,974	0	-20	316	0	-15	55,755	2	-5
1QFY13	1,927	-5	-14	1,978	-9	-24	7,869	-5	-14	1,973	-6	-23	317	0	-22	54,406	-2	-5
4QFY12	2,024	7	-15	2,175	4	-13	8,308	11	-14	2,093	6	-20	317	-4	-19	55,256	3	15
3QFY12	1,897	-15	-18	2,090	-13	-11	7,488	-17	-13	1,982	-19	-17	329	-12	-10	53,770	-9	35
2QFY12	2,223	-1	10	2,398	-8	15	8,982	-2	24	2,458	-4	21	372	-8	17	58,791	2	96
1QFY12	2,249	-6	12	2,598	4	24	9,137	-5	30	2,550	-2	31	404	4	21	57,430	20	101
4QFY11	2,393	3	5	2,502	7	16	9,644	12	33	2,603	9	17	391	7	20	48,008	20	82
3QFY11	2,315	15	5	2,343	12	17	8,633	19	30	2,389	18	4	366	15	20	39,929	33	46
2QFY11	2,012	0	15	2,089	0	16	7,242	3	24	2,031	5	6	317	-5	18	29,948	5	28
1QFY11	2,017	-12	37	2,092	-3	41	7,013	-3	50	1,943	-12	29	335	3	61	28,557	8	30

Relative performance-3m (%)



Relative performance-1Yr (%)



## Comparative valuation

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Metals</b>														
Hindalco	88	Buy	16.5	21.0	19.9	5.3	4.2	4.4	7.3	5.8	5.3	18.0	19.5	15.8
Hindustan Zinc	116	Buy	15.3	15.7	15.6	7.6	7.4	7.5	4.3	3.3	2.6	21.9	19.1	16.5
JSPL	353	Sell	37.6	38.2	42.0	9.4	9.2	8.4	8.7	8.1	6.4	18.7	17.0	16.1
JSW Steel	599	Sell	39.0	23.0	64.5	15.4	26.0	9.3	7.1	7.3	6.0	6.4	3.8	10.1
Nalco	34	Neutral	2.0	3.2	3.5	17.5	10.7	9.8	6.6	4.2	3.1	4.3	6.8	7.1
NMDC	134	Buy	17.1	19.1	22.9	7.8	7.0	5.8	3.9	3.3	2.5	26.6	23.2	23.1
SAIL	61	Sell	7.6	7.5	6.9	8.1	8.1	8.8	6.2	6.0	5.9	7.6	7.2	6.3
Sesa Goa	151	Buy	29.3	24.5	26.7	5.2	6.2	5.7	33.0	30.0	14.8	17.0	14.5	16.1
Sterlite Inds.	91	Buy	17.1	17.0	16.3	5.3	5.4	5.6	2.7	2.1	1.8	12.9	11.6	10.3
Tata Steel	306	Sell	-6.8	31.8	28.0	-45.3	9.6	10.9	8.1	6.1	6.3	-2.7	12.8	10.6
<b>Sector Aggregate</b>						<b>8.5</b>	<b>7.4</b>	<b>7.0</b>	<b>6.2</b>	<b>5.3</b>	<b>4.8</b>	<b>11.1</b>	<b>11.8</b>	<b>11.5</b>

## Hindalco

Buy

Bloomberg	HNDL IN
Equity Shares (m)	1,990.0
M. Cap. (INR b)/(USD b)	175/3
52-Week Range (INR)	137/87
1,6,12 Rel Perf. (%)	-12/-25/-41

## CMP: INR88

- **Net sales to grow 5% QoQ:** We expect net sales to grow 5% QoQ (down 5% YoY) to INR72.3b due to higher volumes in both aluminum and copper segment. Aluminum sales volume is expected to increase 8% QoQ, while copper sales volume is likely to grow 3% QoQ. HNDL's blended realization for aluminum is likely to increase 1% QoQ to INR165,778/ton due to similar increase in LME prices. We expect Novelis shipments to increase 16% QoQ to 750kt, while operating margins to improve 21% QoQ to USD345/ton. In 3QFY13, Novelis margins and shipments were affected due operational hiccups in ERP implementation.
- **Standalone EBITDA to grow 8% QoQ:** We expect standalone EBITDA to grow 8% QoQ to INR6.3b on a lower base of 3QFY13.
- **Maintain Buy:** We expect cons PAT to post a CAGR of 5% over FY12-15E to INR39.6b, driven by 13% CAGR growth in aluminum sales (India) to 800kt due to Mahan coal block commissioning and 5% CAGR volume growth at Novelis. The stock trades at 4.4x FY15E EPS and at an EV of 5.3x FY15E EBITDA. **Maintain Buy.**

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	808.2	798.2	855.6	915.3
EBITDA	81.9	80.4	102.4	108.1
NP	34.0	32.8	41.7	39.7
Adj. EPS (INR)	17.1	16.5	21.0	19.9
EPS Gr(%)	-3.0	-3.5	27.3	-4.9
BV/Sh. (INR)	84.9	97.7	116.9	135.0
RoE (%)	20.3	18.0	19.5	15.8
RoCE (%)	7.5	6.7	8.3	8.0
Payout (%)	10.3	10.7	8.4	8.8
<b>Valuations</b>				
P/E (x)	5.2	5.4	4.2	4.4
P/BV	1.0	0.9	0.8	0.7
EV/EBITDA (x)	6.2	7.3	5.8	5.3
Div. Yield (%)	1.7	1.7	1.7	1.7

## Key issues to watch out

- Mahan coal block is critical to drive profitability of its 359ktpa Mahan smelter. The coal block has received stage I forest clearance so far.
- Novelis adj. EBITDA should rebound from 3QFY13, where operations were affected due to the ERP implementation in North America.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Alumina (Production, kt)	335	332	343	345	335	328	326	345	1,355	1,334
Aluminium (sales, kt)	131	129	147	149	124	127	135	145	556	530
Copper (sales, kt)	73	75	84	94	71	73	82	84	325	310
<b>Net Sales</b>	<b>60,309</b>	<b>62,719</b>	<b>66,470</b>	<b>76,471</b>	<b>60,279</b>	<b>61,635</b>	<b>68,717</b>	<b>72,286</b>	<b>265,968</b>	<b>262,917</b>
Change (YoY %)	16.5	7.0	11.3	11.7	0.0	-1.7	3.4	-5.5	11.5	-1.1
Total Expenditure	51,638	56,026	59,321	67,823	55,648	56,482	62,897	65,998	234,808	241,025
<b>EBITDA</b>	<b>8,671</b>	<b>6,692</b>	<b>7,149</b>	<b>8,648</b>	<b>4,631</b>	<b>5,153</b>	<b>5,821</b>	<b>6,288</b>	<b>31,160</b>	<b>21,893</b>
Change (YoY %)	4.2	-7.1	-3.4	-1.0	-46.6	-23.0	-18.6	-27.3	-1.6	-29.7
As % of Net Sales	14.4	10.7	10.8	11.3	7.7	8.4	8.5	8.7	11.7	8.3
Interest	667	675	793	801	815	279	1,690	1,500	2,936	4,283
Depreciation	1,754	1,741	1,747	1,658	1,705	1,728	1,884	1,824	6,900	7,139
Other Income	1,779	1,761	901	1,605	3,014	1,324	3,181	1,637	6,046	9,156
<b>PBT (after EO item)</b>	<b>8,029</b>	<b>6,037</b>	<b>5,509</b>	<b>7,794</b>	<b>5,126</b>	<b>4,471</b>	<b>5,428</b>	<b>4,601</b>	<b>27,370</b>	<b>19,626</b>
Total Tax	1,589	1,012	1,002	1,395	878	882	1,093	966	4,998	3,819
% Tax	19.8	16.8	18.2	17.9	17.1	19.7	20.1	21.0	18.3	19.5
<b>Adjusted PAT</b>	<b>6,440</b>	<b>5,025</b>	<b>4,507</b>	<b>6,400</b>	<b>4,248</b>	<b>3,589</b>	<b>4,335</b>	<b>3,635</b>	<b>22,372</b>	<b>15,807</b>
Novelis Shipments (kt)	767	720	648	703	722	719	647	750	2,838	2,838
Novelis adj. EBITDA (USDm)	306	301	213	233	259	277	185	259	1,053	980
<b>Consolidated Financials</b>										
<b>Net Sales</b>	<b>199,487</b>	<b>193,373</b>	<b>191,934</b>	<b>207,190</b>	<b>198,392</b>	<b>196,281</b>	<b>194,418</b>	<b>209,142</b>	<b>808,214</b>	<b>798,248</b>
<b>EBITDA</b>	<b>23,637</b>	<b>21,634</b>	<b>19,288</b>	<b>21,611</b>	<b>19,945</b>	<b>21,720</b>	<b>17,124</b>	<b>21,601</b>	<b>81,897</b>	<b>80,356</b>
<b>Consolidated adj. PAT</b>	<b>11,772</b>	<b>10,784</b>	<b>7,519</b>	<b>10,141</b>	<b>8,718</b>	<b>8,950</b>	<b>5,913</b>	<b>7,988</b>	<b>33,970</b>	<b>32,764</b>

E: MOSL Estimates

# Hindustan Zinc

Bloomberg	HZ IN
Equity Shares (m)	4,225.3
M. Cap. (INR b)/(USD b)	492/9
52-Week Range (INR)	147/111
1,6,12 Rel Perf. (%)	1/-13/-15

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	114.1	122.4	129.5	132.6
EBITDA	60.7	62.0	68.3	69.5
NP	55.6	64.5	66.2	65.7
Adj. EPS (INR)	13.2	15.3	15.7	15.6
EPS Gr(%)	13.1	15.9	2.8	-0.7
BV/Sh. (INR)	63.6	75.8	88.2	100.5
RoE (%)	22.5	21.9	19.1	16.5
RoCE (%)	27.2	24.8	22.4	19.5
Payout (%)	21.5	19.9	20.9	21.1
<b>Valuations</b>				
P/E (x)	8.8	7.6	7.4	7.5
P/BV	1.8	1.5	1.3	1.2
EV/EBITDA (x)	5.1	4.3	3.2	2.5
Div. Yield (%)	2.1	2.2	2.4	2.4

## CMP: INR116

Buy

- **Net sales to increase 9% QoQ on higher LME prices and volumes:** We expect net sales to increase 9% QoQ (grow 10% YoY) to INR34.5b on higher sales volume and realization. LME zinc and lead prices have increased 5% QoQ each. We expect mine metal production to remain flat QoQ at 233kt, while integrated lead/zinc production is likely to increase 18% QoQ to 225kt.
- **EBITDA to increase 23% QoQ:** We estimate EBITDA to increase 23% QoQ to INR18.4b (+11% YoY) on higher sales volume and realization. Integrated silver production is expected to increase 39% QoQ to 86 tons.
- **Maintain Buy:** HZL has guided for 1mt of MIC production in FY14 along with 380-400 tons of silver. We model 889kt of MIC production and 392tons of integrated silver production. We expect EBITDA to increase 10% YoY to INR68.2b on increased volumes. The stock trades at 7.5x FY15E EPS and at an EV of 2.5x FY15E EBITDA. Maintain **Buy**.

## Key issues to watch out

- Silver volumes have so far disappointed and guidance has been lowered in the last few quarters due to lower ppm at SK mine. However, ppm levels have improved in 4QFY13 and are likely to result in higher production.
- Three mines at Zawar are still awaiting SC approval to restart. On restarting, they will add ~0.8mtpa ore production capacity.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Zn (000 tons)	189	185	191	190	153	153	168	195	755	669
Pb (000 tons)	16	16	23	31	27	24	22	31	86	104
Silver (tons)	47	49	58	83	79	80	62	86	237	307
<b>Net Sales</b>	<b>28,471</b>	<b>26,368</b>	<b>27,868</b>	<b>31,350</b>	<b>27,477</b>	<b>28,655</b>	<b>31,780</b>	<b>34,526</b>	<b>114,053</b>	<b>122,438</b>
Change (YoY %)	44.3	19.8	6.0	-3.2	-3.5	8.7	14.0	10.1	15.1	7.4
Total Expenditure	12,548	11,720	13,845	14,760	13,192	14,224	16,840	16,139	53,359	60,394
<b>EBITDA</b>	<b>15,923</b>	<b>14,648</b>	<b>14,023</b>	<b>16,590</b>	<b>14,286</b>	<b>14,431</b>	<b>14,940</b>	<b>18,387</b>	<b>60,695</b>	<b>62,043</b>
As % of Net Sales	55.9	55.6	50.3	52.9	52.0	50.4	47.0	53.3	53.2	50.7
Interest	65	120	87	24	129	-21	75	75	140	258
Depreciation	1,345	1,455	1,591	1,671	1,734	1,746	1,772	1,731	6,107	6,982
Other Income	3,554	3,868	3,819	3,811	5,743	5,398	5,063	4,821	15,428	21,024
<b>PBT (before EO item)</b>	<b>18,066</b>	<b>16,940</b>	<b>16,164</b>	<b>18,706</b>	<b>18,166</b>	<b>18,104</b>	<b>18,156</b>	<b>21,402</b>	<b>69,877</b>	<b>75,828</b>
Extra-ordinary Income	-44	-239	-64	-84	0	0	0	0	-431	0
<b>PBT (after EO item)</b>	<b>18,022</b>	<b>16,702</b>	<b>16,099</b>	<b>18,622</b>	<b>18,166</b>	<b>18,104</b>	<b>18,156</b>	<b>21,402</b>	<b>69,445</b>	<b>75,828</b>
Total Tax	3,073	3,255	3,363	4,494	2,353	2,706	2,031	4,280	14,185	11,369
% Tax	17.1	19.5	20.9	24.1	13.0	14.9	11.2	20.0	20.4	15.0
<b>Reported PAT</b>	<b>14,949</b>	<b>13,447</b>	<b>12,736</b>	<b>14,128</b>	<b>15,813</b>	<b>15,398</b>	<b>16,125</b>	<b>17,122</b>	<b>55,260</b>	<b>64,458</b>
<b>Adjusted PAT</b>	<b>14,986</b>	<b>13,639</b>	<b>12,787</b>	<b>14,192</b>	<b>15,813</b>	<b>15,398</b>	<b>16,125</b>	<b>17,122</b>	<b>55,604</b>	<b>64,458</b>
Change (YoY %)	68.2	41.2	-0.8	-19.9	5.5	12.9	26.1	20.6	13.1	15.9
Avg LME Zinc (USD/T)	2,249	2,223	1,897	2,024	1,927	1,885	1,946	2,043	2,098	1,950
Avg LME Lead (USD/T)	2,550	2,458	2,009	1,982	1,973	1,974	2,198	2,311	2,250	2,114
Silver (USD/oz)	35	36	29	31	28	28	31	29	33	29

E: MOSL Estimates

# Jindal Steel & Power

Bloomberg	JSP IN
Equity Shares (m)	934.8
M. Cap. (INR b)/(USD b)	330/6
52-Week Range (INR)	557/321
1,6,12 Rel Perf. (%)	1/-17/-43

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	182.1	195.9	214.6	265.4
EBITDA	67.9	66.7	75.0	94.6
Adj. PAT	39.6	35.2	35.7	39.3
Adj. EPS (INR)	42.4	37.6	38.2	42.0
EPS Gr(%)	5.6	-11.3	1.6	10.0
BV/Sh. (INR)	193.7	207.7	242.2	280.5
RoE (%)	24.6	18.7	17.0	16.1
RoCE (%)	16.9	13.0	11.5	11.9
Payout (%)	3.9	5.5	5.4	4.9
<b>Valuations</b>				
P/E (x)	8.3	9.4	9.2	8.4
P/BV	1.8	1.7	1.5	1.3
EV/EBITDA (x)	7.4	8.7	8.1	6.4
Div. Yield (%)	0.5	0.6	0.6	0.6

**CMP: INR353**

**Sell**

- Net sales to decrease 5% YoY on lower realization:** We expect standalone net sales to decline 5% YoY (up 4% QoQ) to INR39.8b on lower steel realizations, compared to 4QFY12. Steel sales volume would increase 1% YoY (1% QoQ) to 741k tons. We expect pellet sales volume to decline 25% YoY (down 17% QoQ). Power sales are likely to grow 27% YoY (up 18% QoQ) to 709m units. We expect standalone EBITDA to decline 16% QoQ to INR10.7b due lower high margin pellet sales.
- Jindal Power's sales volume to improve 9% QoQ after partial easing of evacuation problems:** Power sales volumes at Jindal Power are likely to increase 9% QoQ (down 9% YoY) to 1.8b units, while the average rate is likely to increase 4% QoQ to INR3.5/unit. PAT would grow 14% QoQ to INR2.9b.
- Earnings have peaked; Maintain Sell:** JSP's existing operating assets continue to deliver superior results, but future projects are likely to have lower return ratios. We believe that earnings have already peaked and expect them to remain flat over FY12-15E. The stock trades at 8.4x FY15E EPS, and an EV of 6.4x FY15E EBITDA. **Maintain Sell.**

### Key issues to watch out

- JSP has benefited from the use of zero cost iron ore inventory. Thus, actual margin compression in the steel business is not apparent.
- JPL's PLF should improve due to easing of evacuation problems arising from the new transmission line. However, PLF at ~88% is still below the levels of 100% it was operating in FY12.
- Status of Utkal B1 coal block, which is critical for Angul 1.6mtpa project's profitability.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales volume</b>										
Steel (000 tons)	457	598	591	737	561	639	734	741	2,385	2,675
Pellets (000 tons)	347	526	464	691	395	436	623	516	2,028	1,971
<b>Net Sales</b>	<b>25,265</b>	<b>33,338</b>	<b>32,983</b>	<b>41,740</b>	<b>33,311</b>	<b>35,890</b>	<b>38,209</b>	<b>39,787</b>	<b>133,326</b>	<b>147,197</b>
<b>EBITDA</b>	<b>9,634</b>	<b>11,867</b>	<b>10,454</b>	<b>13,093</b>	<b>10,377</b>	<b>12,607</b>	<b>12,781</b>	<b>10,716</b>	<b>45,048</b>	<b>46,480</b>
As % of Net Sales	38.1	35.6	31.7	31.4	31.2	35.1	33.4	26.9	33.8	31.6
Interest	1,325	1,459	1,553	2,490	2,186	1,779	2,876	1,870	6,827	8,710
Depreciation	2,066	2,139	2,103	2,364	2,372	2,489	2,543	2,342	8,672	9,746
Other Income	167	77	202	1,412	122	74	39	1,515	1,857	1,750
<b>PBT (before EO item)</b>	<b>6,410</b>	<b>8,346</b>	<b>7,001</b>	<b>9,650</b>	<b>5,942</b>	<b>8,413</b>	<b>7,401</b>	<b>8,019</b>	<b>31,407</b>	<b>29,774</b>
Extra-ordinary Income	0	-2,478	-500	0	-5,741	0	0	0	-2,978	-5,741
<b>PBT (after EO item)</b>	<b>6,410</b>	<b>5,869</b>	<b>6,501</b>	<b>9,650</b>	<b>201</b>	<b>8,413</b>	<b>7,401</b>	<b>8,019</b>	<b>28,430</b>	<b>24,033</b>
Total Tax	1,709	1,911	1,890	1,814	76	2,591	2,196	2,245	7,324	7,109
% Tax	26.7	32.6	29.1	18.8	38.1	30.8	29.7	28.0	25.8	29.6
<b>Reported PAT</b>	<b>4,702</b>	<b>3,958</b>	<b>4,610</b>	<b>7,836</b>	<b>124</b>	<b>5,822</b>	<b>5,205</b>	<b>5,773</b>	<b>21,106</b>	<b>16,924</b>
<b>Adjusted PAT</b>	<b>4,702</b>	<b>6,435</b>	<b>5,110</b>	<b>7,836</b>	<b>4,602</b>	<b>5,822</b>	<b>5,205</b>	<b>5,773</b>	<b>24,083</b>	<b>21,403</b>
JPL Power Sales (MU)	1,906	1,839	2,030	1,976	2,015	1,746	1,651	1,792	7,750	7,204
JPL PAT	4,528	4,098	4,813	4,214	3,144	2,603	2,558	2,921	17,650	11,225
<b>Consolidated PAT</b>	<b>9,188</b>	<b>10,495</b>	<b>10,210</b>	<b>11,670</b>	<b>9,594</b>	<b>8,973</b>	<b>8,673</b>	<b>7,935</b>	<b>41,563</b>	<b>35,175</b>

E: MOSL Estimates

# JSW Steel

Bloomberg	JSTL IN
Equity Shares (m)	241.7
M. Cap. (INR b)/(USD b)	145/3
52-Week Range (INR)	894/566
1,6,12 Rel Perf. (%)	-20/-19/-28

**CMP: INR599**

**Sell**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	343.7	483.5	485.4	490.8
EBITDA	61.0	70.1	71.2	85.8
Adj. PAT	14.8	9.4	5.6	15.6
Adj. EPS (INR)	66.5	39.0	23.0	64.5
EPS Gr(%)	-11.6	-41.4	-41.0	180.0
BV/Sh. (INR)	750.7	613.4	611.9	665.2
RoE (%)	8.9	6.4	3.8	10.1
RoCE (%)	9.2	8.7	8.3	10.4
Payout (%)	27.1	22.5	38.1	13.6
<b>Valuations</b>				
P/E (x)	9.0	15.4	26.0	9.3
P/BV	0.8	1.0	1.0	0.9
EV/EBITDA (x)	6.2	7.1	7.3	6.0
Div. Yield (%)	1.3	1.3	1.3	1.3

- **Revenue to decline 11% YoY:** We expect standalone net sales to decline 11% YoY (up 2% QoQ) to INR84.5b due to lower steel realization and volumes. Average steel realization would fall 6% YoY (up 2% QoQ) to INR38,923/ton. Steel sales volume will decline 6% YoY (flat QoQ) due to iron ore availability constraint.
- **EBITDA to increase 10% QoQ:** We expect JSTL's EBITDA to increase 10% QoQ to INR14.5b on marginally higher realization and lower coking coal cost. We expect EBITDA/ton to increase 10% QoQ to USD123.
- **Low cost iron ore benefit fades permanently in Karnataka; Maintain Sell:** Lower caps on output from Karnataka mines coupled with increased costs such as FBT would result in higher iron ore prices for JSW. We believe that the benefit of low cost iron ore for steel mills in Karnataka has faded permanently. We also expect domestic steel market to remain challenging on increased supply and subdued steel demand. Many large players' capacity expansion projects are now close to completion, while there is a dearth of new projects and construction activities, thus leading to lower demand. In this scenario, we expect pressure on steel prices to continue, offering little hope for margin expansion for JSW. The stock trades at an expensive 9.3x FY15E EPS and an EV of 6x FY15E EBITDA. Maintain **Sell**.

## Key issues to watch out

- **Production guidance for FY14 and FY15, given availability of iron ore remains critical in Karnataka.**

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales ('000 tons)	1,714	1,882	1,908	2,310	2,109	2,170	2,170	2,170	7,814	8,619
Realization (INR per ton)	41,245	40,553	41,281	41,319	42,853	40,880	38,214	38,923	41,109	40,199
<b>Net Sales</b>	<b>70,694</b>	<b>76,321</b>	<b>78,765</b>	<b>95,447</b>	<b>90,376</b>	<b>88,709</b>	<b>82,924</b>	<b>84,477</b>	<b>321,227</b>	<b>346,486</b>
Change (YoY %)	51.0	32.1	35.6	34.3	27.8	16.2	5.3	-11.5	37.5	7.9
<b>EBITDA</b>	<b>14,082</b>	<b>13,104</b>	<b>12,534</b>	<b>16,518</b>	<b>17,728</b>	<b>15,252</b>	<b>13,136</b>	<b>14,482</b>	<b>56,238</b>	<b>60,597</b>
As % of Net Sales	19.9	17.2	15.9	17.3	19.6	17.2	15.8	17.1	17.5	17.5
<b>EBITDA (USD per ton)</b>	<b>184</b>	<b>152</b>	<b>129</b>	<b>143</b>	<b>155</b>	<b>127</b>	<b>112</b>	<b>123</b>	<b>150</b>	<b>129</b>
Interest	2,268	2,645	3,274	3,677	4,067	4,208	4,546	4,522	11,864	17,342
Depreciation	3,879	4,039	4,444	4,720	4,678	4,812	4,975	5,721	17,082	20,185
Other Income	327	527	456	483	723	783	566	493	1,793	2,564
EO Items	0	-5,130	-3,188	1,992	-5,921	4,224	-3,274	0	-6,326	-4,971
<b>PBT (after EO Item)</b>	<b>8,263</b>	<b>1,817</b>	<b>2,083</b>	<b>10,596</b>	<b>3,786</b>	<b>11,239</b>	<b>907</b>	<b>4,732</b>	<b>22,759</b>	<b>20,664</b>
Total Tax	2,480	546	-4,600	3,074	1,096	3,016	-460	1,562	1,499	5,213
% Tax	30.0	30.0	-220.8	29.0	28.9	26.8	-50.7	33.0	6.6	25.2
<b>Reported PAT</b>	<b>5,783</b>	<b>1,271</b>	<b>6,684</b>	<b>7,522</b>	<b>2,690</b>	<b>8,223</b>	<b>1,367</b>	<b>3,171</b>	<b>21,260</b>	<b>15,450</b>
Preference Dividend	70	70	70	70	70	70	70	70	279	279
<b>Adjusted PAT</b>	<b>5,713</b>	<b>5,993</b>	<b>9,592</b>	<b>5,592</b>	<b>7,047</b>	<b>4,995</b>	<b>3,745</b>	<b>3,101</b>	<b>26,890</b>	<b>18,888</b>
Change (YoY %)	66.6	82.6	155.7	-32.3	23.3	-16.7	-61.0	-44.5	36.5	-29.8

E: MOSL Estimates; Note: we are treating acceptances as debt instead of payable thereby forex loss EO



**Nalco****Neutral**

Bloomberg	NACL IN
Equity Shares (m)	2,577.2
M. Cap. (INR b)/(USD b)	88/2
52-Week Range (INR)	64/34
1,6,12 Rel Perf. (%)	-22/-34/-46

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	66.1	68.2	75.6	80.0
EBITDA	11.4	7.3	12.8	14.2
NP	8.7	5.0	8.2	9.0
Adj. EPS (INR)	3.4	2.0	3.2	3.5
EPS Gr(%)	-19.2	-41.7	63.1	8.9
BV/Sh. (INR)	45.5	45.8	47.7	49.9
RoE (%)	7.6	4.3	6.8	7.1
RoCE (%)	10.0	5.9	9.4	9.8
Payout (%)	48.9	83.6	40.3	37.0
<b>Valuations</b>				
P/E (x)	10.1	17.4	10.6	9.8
P/BV	0.7	0.7	0.7	0.7
EV/EBITDA (x)	4.0	6.6	4.2	3.1
Div. Yield (%)	4.1	4.1	3.2	3.2

**CMP: INR34**

- **Net sales to increase 5% QoQ on higher alumina sales:** We expect net sales to increase 5% QoQ (down 1% YoY) to INR17.8b on higher alumina volumes. Alumina production was affected in 3QFY13 due to lower bauxite availability. Its Panchpatmal bauxite mining operations were temporarily shut down due to expiry of mining lease, which now has received one-year temporary permit to operate. Alumina sales volume would increase 28% QoQ to 281k tons, while metal volumes would increase 2% QoQ to 102k tons.
- **EBITDA to increase 34% QoQ:** We expect EBITDA to improve 34% QoQ to INR2.5b. Operating performance will improve due to higher volumes and marginally higher realization.
- **Power cost to remain high till Utkal coal block is commissioned; Maintain Neutral:** NACL's smelters are not producing at full capacity due to lower margins in aluminum business. Weak LME coupled with high power cost has been affecting margins so far. Linkage coal supply has been infrequent and unreliable, adding to volatility in operating performance. Till the commissioning of Utkal coal block (~2mtpa), NACL will not be able to reap the full benefits of its increased refining and power capacity. The stock trades at 9.8x FY15E EPS, and an EV of 3.1x FY15E EBITDA. Maintain **Neutral**.

**Key issues to watch out**

- **Utkal coal block remains the key to company's future profitability. It has received stage I forest clearance so far.**
- **Progress on Panchpatmali bauxite mining lease renewal. Currently, it is operating through a temporary one-year permit.**
- **Status of investment in NPCIL JV. It will be investing INR8.95b for a 26% stake in the venture.**

**Quarterly performance (Consolidated)**

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Aluminium Sales ('000 tons)	109	101	98	107	102	101	102	102	415	407
Alumina Sales ('000 tons)	197	180	163	285	253	190	220	281	826	944
Avg LME Aluminium (USD/ton)	2,598	2,398	2,090	2,175	1,978	1,918	1,997	2,008	2,315	1,975
<b>Net Sales</b>	<b>17,625</b>	<b>16,139</b>	<b>14,509</b>	<b>17,845</b>	<b>17,481</b>	<b>16,083</b>	<b>16,928</b>	<b>17,753</b>	<b>66,118</b>	<b>68,245</b>
<b>EBITDA</b>	<b>5,298</b>	<b>1,526</b>	<b>684</b>	<b>3,067</b>	<b>3,042</b>	<b>-16</b>	<b>1,827</b>	<b>2,455</b>	<b>10,575</b>	<b>7,307</b>
As % of Net Sales	30.1	9.5	4.7	17.2	17.4	-0.1	10.8	13.8	16.0	10.7
Interest	0	0	1	8	32	41	2	0	9	75
Depreciation	1,019	1,179	1,235	1,232	1,224	1,239	1,231	1,237	4,666	4,931
Other Income	1,266	1,321	1,262	1,594	1,403	1,391	1,127	1,104	5,442	5,025
<b>PBT (before EO Item)</b>	<b>5,545</b>	<b>1,667</b>	<b>710</b>	<b>3,421</b>	<b>3,190</b>	<b>95</b>	<b>1,720</b>	<b>2,322</b>	<b>11,343</b>	<b>7,327</b>
Extra-ordinary Income	0	0	0	539	0	0	0	0	539	0
<b>PBT (after EO Item)</b>	<b>5,545</b>	<b>1,667</b>	<b>710</b>	<b>3,960</b>	<b>3,190</b>	<b>95</b>	<b>1,720</b>	<b>2,322</b>	<b>11,882</b>	<b>7,327</b>
Total Tax	1,776	274	198	1,139	959	47	531	743	3,387	2,280
% Tax	32.0	16.4	27.9	28.8	30.1	49.5	30.9	32.0	28.5	31.1
<b>Reported PAT</b>	<b>3,768</b>	<b>1,393</b>	<b>512</b>	<b>2,821</b>	<b>2,231</b>	<b>48</b>	<b>1,189</b>	<b>1,579</b>	<b>8,495</b>	<b>5,047</b>
<b>Adjusted PAT</b>	<b>3,768</b>	<b>1,393</b>	<b>512</b>	<b>2,437</b>	<b>2,231</b>	<b>48</b>	<b>1,189</b>	<b>1,579</b>	<b>8,109</b>	<b>5,047</b>
Change (YoY %)	32.7	-37.8	-80.0	-20.2	-40.8	-96.6	132.2	-35.2	-24.2	-37.8

E: MOSL Esitmates

**NMDC**

Bloomberg	NMDC IN
Equity Shares (m)	3,964.7
M. Cap. (INR b)/(USD b)	532/10
52-Week Range (INR)	203/128
1,6,12 Rel Perf. (%)	-2/-29/-26

**CMP: INR134****Buy****Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	112.6	105.6	118.4	142.1
EBITDA	89.3	78.6	87.2	107.2
Adj. PAT	73.2	67.9	75.6	91.0
Adj. EPS (INR)	18.5	17.1	19.1	22.9
EPS Gr(%)	12.6	-7.2	11.4	20.3
BV/Sh. (INR)	61.6	72.3	83.7	97.9
RoE (%)	31.7	26.6	23.2	23.1
RoCE (%)	31.5	26.5	23.1	23.1
Payout (%)	26.1	37.6	39.9	38.3
<b>Valuations</b>				
P/E (x)	7.3	7.8	7.0	5.8
P/BV	2.2	1.9	1.6	1.4
EV/EBITDA (x)	3.7	3.9	3.3	2.5
Div. Yield (%)	3.4	4.1	4.9	5.6

■ **Iron ore sales to improve 40% QoQ:** We expect standalone net sales to increase 18% YoY (up 49% QoQ) to INR30.6b due to higher iron ore sales and improved realization on better product mix. We expect iron ores sales volume to increase 41% QoQ to 7.5m tons. Iron ore realization is likely to increase 6% QoQ to INR4,078/ton due to higher percentage of lumps in the mix. Lumps percentage should improve from 27% to 36% in 4QFY13E.

■ **EBITDA to increase 60% QoQ:** We expect EBITDA to increase 60% QoQ to INR22.3b on higher iron ore volume and realization.

■ **Sales volume to clock CAGR of 5% over FY12-15E; Maintain Buy:** We expect NMDC to deliver 32mt of iron ore sales in FY15E due to incremental capacity from Deposit 11b and Kumarswamy mine. Declining grades and availability of iron ore, increased regulatory vigil and increasing steel capacity have shifted the domestic iron ore demand-supply dynamics in favor of NMDC. The stock trades at 5.8x FY15E EPS, 1.4x FY15E BV and an EV of 2.5x FY15E EBITDA. Maintain **Buy**.

**Key issues to watch out**

- NMDC has guided for 8-8.5mt of iron ore sales volume for 4QFY13. We model 7.5mt of iron ore sales in 4QFY13E.
- Company is looking to sell its stake in the 3mtpa steel plant. The project has been progressing at a slower pace. It is unlikely to spend its budgeted capex for the project for FY13. Stake sale to an established steel player could be a positive step as it could step up the execution speed and provide additional capital for the project.

**Quarterly performance (Consolidated)****(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Production (m tons)	6.2	7.6	7.1	7.0	6.9	5.4	5.4	7.5	27.8	25.1
Sales (m tons)	6.9	7.6	6.4	6.5	6.9	5.9	5.3	7.5	27.3	25.5
Avg Iron ore realisation (USD/t)	90	88	86	79	76	80	70	75	86	76
<b>Net Sales</b>	<b>27,826</b>	<b>30,623</b>	<b>28,220</b>	<b>25,946</b>	<b>28,404</b>	<b>26,120</b>	<b>20,477</b>	<b>30,582</b>	<b>112,615</b>	<b>105,583</b>
Change (YoY %)	10.5	24.5	7.7	-31.2	2.1	-14.7	-27.4	17.9	-0.9	-6.2
Total Expenditure	5,280	6,270	5,612	6,172	5,383	6,771	6,564	8,307	23,334	27,026
<b>EBITDA</b>	<b>22,547</b>	<b>24,354</b>	<b>22,607</b>	<b>19,774</b>	<b>23,020</b>	<b>19,349</b>	<b>13,913</b>	<b>22,275</b>	<b>89,281</b>	<b>78,557</b>
Change (YoY %)	9.9	32.3	12.1	-27.8	2.1	-20.6	-38.5	12.6	3.3	-12.0
As % of Net Sales	81.0	79.5	80.1	76.2	81.0	74.1	67.9	72.8	79.3	74.4
<b>EBITDA per ton (USD)</b>	<b>73</b>	<b>70</b>	<b>69</b>	<b>61</b>	<b>62</b>	<b>60</b>	<b>48</b>	<b>55</b>	<b>68</b>	<b>56</b>
Interest	0	0	0	15	0	0	0	0	15	0
Depreciation	338	324	345	321	328	332	339	347	1,328	1,346
Other Income	4,418	5,029	5,254	5,468	5,521	5,831	5,563	6,208	20,169	23,123
<b>PBT (after EO Item)</b>	<b>26,627</b>	<b>29,059</b>	<b>27,516</b>	<b>24,392</b>	<b>28,214</b>	<b>24,848</b>	<b>19,137</b>	<b>28,136</b>	<b>107,595</b>	<b>100,334</b>
Total Tax	8,615	9,428	8,928	7,970	9,154	8,062	6,209	9,003	34,941	32,427
% Tax	32.4	32.4	32.4	32.7	32.4	32.4	32.4	32.0	32.5	32.3
<b>Reported PAT</b>	<b>18,012</b>	<b>19,632</b>	<b>18,588</b>	<b>16,423</b>	<b>19,060</b>	<b>16,786</b>	<b>12,928</b>	<b>19,132</b>	<b>72,654</b>	<b>67,906</b>
<b>Adjusted PAT</b>	<b>18,012</b>	<b>19,632</b>	<b>18,588</b>	<b>16,768</b>	<b>19,060</b>	<b>16,786</b>	<b>12,928</b>	<b>19,132</b>	<b>73,000</b>	<b>67,906</b>

E: MOSL Esitmates



## Sesa Goa

Bloomberg	SESA IN
Equity Shares (m)	869.1
M. Cap. (INR b)/(USD b)	131/2
52-Week Range (INR)	208/148
1,6,12 Rel Perf. (%)	-3/-14/-30

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	83.1	25.4	24.9	46.1
EBITDA	35.0	5.1	5.9	11.9
Adj. PAT	27.6	25.4	21.3	23.2
Adj. EPS (INR)	31.8	29.3	24.5	26.7
EPS Gr(%)	-34.6	-7.9	-16.4	9.3
BV/Sh. (INR)	174.0	171.1	166.5	166.7
RoE (%)	19.8	17.0	14.5	16.1
RoCE (%)	25.7	15.4	13.6	15.6
Payout (%)	7.4	8.0	19.8	17.5
<b>Valuations</b>				
P/E (x)	4.8	5.2	6.2	5.6
P/BV	0.9	0.9	0.9	0.9
EV/EBITDA (x) *	1.4	10.9	10.7	5.2
Div. Yield (%)	1.3	1.3	2.6	2.6

\* ex Cairn

## CMP: INR151

Buy

- **Mining operations remain shut:** We do not expect any iron ore sales volume from Goa due to mining suspension in the state. We expect SESA's revenue to decline 90% YoY to INR2.7b, from pig iron and met coke sales.
- **EBITDA to remain negative:** In the absence of revenue from the mining business, we expect EBITDA to remain negative at INR631m. Certain cost reduction measures would lower the EBITDA level losses, which were at INR1.1b in 3QFY13. Adj. PAT is likely to decrease by 8% QoQ to INR4.7b due to lower QoQ PAT from associate Cairn Energy.
- **FY14E volumes of 5.5mt at risk; Maintain Buy:** We believe that our volume assumption of 5.5m tons is also at risk due to the delay in restarting mining in Goa. We are assuming 3.7m tons and 1.8m tons of iron ore sales from Goa and Karnataka respectively in FY14E. The stock trades at 5.6x FY15E EPS, and an EV of 5.2x FY15E EBITDA. We maintain a **Buy** based on fundamentals of the merged (not complete yet) entity, Sesa-Sterlite.

## Key issues to watch out

- Sesa Goa's Western Cluster project is on track and is expected to deliver the first shipment in FY14. It has also acquired the remaining 49% stake in Liberia's Western Cluster project for USD33.5m.
- Mining in Karnataka and Goa is expected to start in FY14 and will contribute to FY14 sales volumes. A delay to start mining will result in further cuts in sales volume assumption. Also, it has to depend on the dividend from Cairn India and external financing to fund Liberia capex.

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Realization (USD/dmt)	102	84	93	102	100	84	127	0	99	99
Sales Qty ('000 dmt)	4,247	1,540	5,040	5,100	2,900	200	30	0	15,927	3,130
<b>Net Sales</b>	<b>21,089</b>	<b>7,897</b>	<b>26,171</b>	<b>27,944</b>	<b>17,326</b>	<b>2,944</b>	<b>2,365</b>	<b>2,729</b>	<b>83,101</b>	<b>25,364</b>
<b>EBITDA</b>	<b>11,474</b>	<b>2,600</b>	<b>10,852</b>	<b>11,579</b>	<b>6,762</b>	<b>58</b>	<b>-1,054</b>	<b>-631</b>	<b>36,505</b>	<b>5,135</b>
As % of Net Sales	54.4	32.9	41.5	41.4	39.0	2.0	-44.5	-23.1	43.9	20.2
Interest	493	516	730	702	1,178	817	1,020	1,068	2,441	4,084
Depreciation	269	243	263	286	303	334	354	323	1,061	1,314
Other Income	1,521	504	180	141	151	142	154	154	2,346	601
<b>PBT (before XO item)</b>	<b>12,232</b>	<b>2,345</b>	<b>10,039</b>	<b>10,732</b>	<b>5,432</b>	<b>-951</b>	<b>-2,273</b>	<b>-1,868</b>	<b>35,348</b>	<b>339</b>
EO	-15	-2,341	-1,779	79	-2,522	1,878	-257	0	-4,056	-900
<b>PBT (after XO item)</b>	<b>12,217</b>	<b>4</b>	<b>8,260</b>	<b>10,811</b>	<b>2,910</b>	<b>927</b>	<b>-2,530</b>	<b>-1,868</b>	<b>31,292</b>	<b>-561</b>
Tax	3,811	-9	2,564	3,848	922	351	-807	-560	10,214	-95
% Tax	31.2	-245.9	31.0	35.6	31.7	37.9	31.9	30.0	32.6	16.9
<b>Reported PAT before MI</b>	<b>8,406</b>	<b>13</b>	<b>5,696</b>	<b>6,963</b>	<b>1,988</b>	<b>576</b>	<b>-1,723</b>	<b>-1,308</b>	<b>21,078</b>	<b>-466</b>
Profit from associates	0	0	1,219	4,658	7,652	4,644	6,690	6,020	5,877	25,006
<b>Adjusted PAT</b>	<b>8,421</b>	<b>2,354</b>	<b>8,695</b>	<b>11,542</b>	<b>11,362</b>	<b>4,053</b>	<b>5,142</b>	<b>4,713</b>	<b>31,012</b>	<b>25,288</b>
Change (YoY %)	-39.7	-33.0	-18.4	-20.9	34.9	72.2	-40.9	-59.2	-27.2	-18.5

E: MOSL Estimates

# Steel Authority of India

Bloomberg	SAIL IN
Equity Shares (m)	4,130.4
M. Cap. (INR b)/(USD b)	252/5
52-Week Range (INR)	102/60
1,6,12 Rel Perf. (%)	-15/-32/-44

**CMP: INR61**

**Sell**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	466.6	454.2	472.1	535.2
EBITDA	64.0	63.7	78.9	88.8
NP	37.7	31.2	31.0	28.5
Adj. EPS (INR)	9.1	7.6	7.5	6.9
EPS Gr(%)	-23.5	-17.2	-0.8	-7.9
BV/Sh. (INR)	97.5	102.3	107.5	112.1
RoE (%)	9.7	7.6	7.2	6.3
RoCE (%)	10.6	8.7	8.3	8.0
Payout (%)	26.9	32.7	31.2	33.9
<b>Valuations</b>				
P/E (x)	6.7	8.1	8.1	8.8
P/BV	0.6	0.6	0.6	0.5
EV/EBITDA (x)	5.6	6.2	6.0	5.9
Div. Yield (%)	3.3	3.3	3.3	3.3

- Net sales to decrease 6% YoY on lower realizations despite higher volumes:** We expect net sales to decline 6% YoY (up 20% QoQ) to INR128b due to lower realizations, despite higher volumes. Sales volumes are likely to increase 3% YoY to 3.3m tons. Realization is expected to decline 9% YoY (flat QoQ) to INR38,836/ton. Despite repeated efforts by domestic steel mills to increase prices, weak demand prevented the price hike to materialize.
- Margins to improve 62% QoQ to USD124/ton:** We expect EBITDA/ton to increase 62% QoQ to USD124/ton on improving operating leverage due to higher volumes and lower coking coal cost. Other income would fall by 31% QoQ to INR1.5b as cash is being used to support capex.
- INR720b capex benefits to accrue slowly; Maintain Sell:** We expect earnings to decline at 9% per annum over FY12-15E, despite 10% CAGR in volumes, due to SAIL's uncompetitive cost structure, execution delays, decline in steel realization and poor operating efficiencies. Full benefits of the INR720b capex will accrue gradually due to poor execution. The stock still appears expensive at 8.8x FY15E EPS and at an EV of 5.9x FY15E EBITDA. Maintain **Sell**.

## Key issues to watch out

- Quantum of hike in the wage bill after non-executive pay negotiation, which has been due for a revision since January 2012.
- BOF commissioning at ISP and RSP will be critical for volume ramp-up in FY14 and FY15.

## Quarterly Performance (Standalone)

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Production (m tons)	3.0	3.1	3.0	3.3	3.0	3.2	3.1	3.3	12.4	12.6
Sales (m tons)	2.8	2.9	2.6	3.2	2.5	2.6	2.8	3.3	11.4	11.2
Realization (INR per ton)	40,689	39,289	42,476	42,787	43,110	41,616	38,800	38,836	41,336	40,434
<b>Net Sales</b>	<b>111,896</b>	<b>111,973</b>	<b>110,437</b>	<b>136,920</b>	<b>107,775</b>	<b>108,202</b>	<b>106,701</b>	<b>128,160</b>	<b>471,226</b>	<b>450,838</b>
Change (%)	22.5	3.6	-2.4	12.9	-3.7	-3.4	-3.4	-6.4	8.6	-4.3
<b>EBITDA</b>	<b>13,114</b>	<b>13,271</b>	<b>15,811</b>	<b>18,713</b>	<b>15,153</b>	<b>11,093</b>	<b>11,384</b>	<b>22,206</b>	<b>60,909</b>	<b>59,836</b>
Change (YoY %)	-28.8	-21.7	-12.0	-15.4	15.5	-16.4	-28.0	18.7	-19.3	-1.8
As % of Net Sales	11.7	11.9	14.3	13.7	14.1	10.3	10.7	17.3	12.9	13.3
<b>EBITDA per ton (USD)</b>	<b>107</b>	<b>102</b>	<b>119</b>	<b>117</b>	<b>112</b>	<b>77</b>	<b>76</b>	<b>124</b>	<b>111</b>	<b>99</b>
Interest	1,710	2,000	1,855	1,210	1,249	1,862	2,220	2,487	6,774	7,818
Depreciation	3,742	3,938	4,093	3,891	4,018	4,026	4,049	4,382	15,664	16,476
Other Income	4,630	4,903	3,837	2,156	2,785	2,255	2,209	1,515	15,526	8,763
<b>PBT (before EO Inc.)</b>	<b>12,293</b>	<b>12,236</b>	<b>13,700</b>	<b>15,767</b>	<b>12,670</b>	<b>7,460</b>	<b>7,323</b>	<b>16,851</b>	<b>53,997</b>	<b>44,305</b>
EO Income(exp)		-5,087	-4,663	7,246	-2,569	418	-307		-2,504	-2,458
<b>PBT (after EO Inc.)</b>	<b>12,293</b>	<b>7,149</b>	<b>9,037</b>	<b>23,014</b>	<b>10,101</b>	<b>7,879</b>	<b>7,016</b>	<b>16,851</b>	<b>51,493</b>	<b>41,847</b>
Total Tax	3,913	2,203	2,716	7,244	3,137	2,448	2,173	5,055	16,076	12,813
% Tax	31.8	30.8	30.1	31.5	31.1	31.1	31.0	30.0	31.2	30.6
<b>Reported PAT</b>	<b>8,381</b>	<b>4,946</b>	<b>6,321</b>	<b>15,770</b>	<b>6,964</b>	<b>5,431</b>	<b>4,843</b>	<b>11,796</b>	<b>35,418</b>	<b>29,034</b>
<b>Adjusted PAT</b>	<b>8,381</b>	<b>10,034</b>	<b>10,984</b>	<b>8,524</b>	<b>8,791</b>	<b>5,176</b>	<b>5,081</b>	<b>11,692</b>	<b>37,140</b>	<b>30,740</b>
Change (YoY %)	-28.8	-7.9	-0.8	-38.1	4.9	-48.4	-53.7	37.2	-22.5	-17.2

E: MOSL Estimates

## Sterlite Industries

Bloomberg	STLT IN
Equity Shares (m)	3,361.2
M. Cap. (INR b)/(USD b)	306/6
52-Week Range (INR)	123/89
1,6,12 Rel Perf. (%)	-2/-10/-25

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	411.8	436.5	454.4	470.0
EBITDA*	76.3	77.2	79.2	82.3
NP	56.1	57.5	57.2	54.9
Adj. EPS (INR)	16.7	17.1	17.0	16.3
EPS Gr(%)	9.9	2.6	-0.6	-3.9
BV/Sh. (INR)	124.9	139.8	152.9	165.4
RoE (%)	14.1	12.9	11.6	10.3
RoCE (%)	15.1	13.4	13.8	12.4
Payout (%)	14.0	15.0	16.5	15.9
<b>Valuations</b>				
P/E (x)	5.5	5.3	5.4	5.6
P/BV	0.7	0.7	0.6	0.6
EV/EBITDA (x)*	3.7	3.4	3.1	2.6
Div. Yield (%)	2.2	2.4	2.6	2.9

\* (attrib.)

## CMP: INR91

Buy

- **Net sales to increase 4% QoQ:** We expect consolidated net sales to increase 4% QoQ (up 3% YoY) to INR112b. Zinc/lead is expected to report higher sales due to higher sales volume and realization. Although evacuation constraints remain at SEL, it will partially benefit from the new transmission line. Aluminum production from Balco is likely to remain flat QoQ at 62k tons, while copper cathode production is likely to decrease 11% QoQ to 82k tons.
- **EBITDA to grow 6% QoQ:** We expect EBITDA to grow 20% QoQ (up 3% YoY) to INR28b mainly on account of improved performance from HZL. Copper EBIT is likely to increase 15% QoQ to INR1.8b. Aluminum (Balco) EBIT would increase 9% QoQ to INR97m. EBIT from the power segment should improve to INR1.4b but will still be below 1HFY13 levels.
- **Maintain Buy:** We expect earnings to remain flat over FY12-15E at INR55b due to project commissioning delays, higher raw material costs (coal and bauxite), and despite lead/zinc production growth. The stock trades at 5.6x FY15E EPS and an EV of 2.6x FY15E EBITDA. Maintain **Buy**.

## Key issues to watch out

- SEL's 600x3MW continues to operate at ~50% PLF due to evacuation problems. It has 1,800mw of evacuation capacity but power grid has restricted the evacuation due to power outage in the region. There is partial relief due to commissioning of a new transmission line.
- VAL has shut its Lanjigarh refinery and it is not expected to restart operations till secured supply of bauxite is established.

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Copper cathode ('000 tons)	74	87	84	80	88	87	92	82	325	349
Aluminum (BALCO, '000 tons)	61	60	63	62	60	63	62	62	246	260
Aluminum (VAL, '000 tons)	112	89	107	115	124	134	135	130	423	500
<b>Net Sales</b>	<b>98,630</b>	<b>101,968</b>	<b>103,037</b>	<b>108,189</b>	<b>106,484</b>	<b>111,026</b>	<b>107,375</b>	<b>111,657</b>	<b>411,823</b>	<b>436,542</b>
<b>EBITDA</b>	<b>27,512</b>	<b>24,065</b>	<b>23,312</b>	<b>27,054</b>	<b>23,083</b>	<b>25,270</b>	<b>23,269</b>	<b>27,955</b>	<b>101,943</b>	<b>99,577</b>
As % of Net Sales	27.9	23.6	22.6	25.0	21.7	22.8	21.7	25.0	24.8	22.8
Interest	1,643	2,372	1,790	3,280	2,419	1,777	2,269	2,553	9,085	9,018
Depreciation	4,200	4,459	4,575	5,072	5,182	5,221	5,382	5,537	18,306	21,322
Other Income	8,391	8,010	8,768	7,035	9,484	8,476	8,590	8,744	32,205	35,293
<b>PBT (before XO item)</b>	<b>30,059</b>	<b>25,244</b>	<b>25,715</b>	<b>25,737</b>	<b>24,966</b>	<b>26,748</b>	<b>24,208</b>	<b>28,608</b>	<b>106,756</b>	<b>104,530</b>
Extra-ordinary gain (loss)	-44	-2,760	-4,231	-1,005	-2,174	2,188	-625	0	-8,039	-610
<b>PBT (after XO item)</b>	<b>30,015</b>	<b>22,485</b>	<b>21,484</b>	<b>24,733</b>	<b>22,792</b>	<b>28,936</b>	<b>23,583</b>	<b>28,608</b>	<b>98,717</b>	<b>103,920</b>
Total Tax	6,137	5,049	5,053	4,867	3,339	5,109	3,555	5,436	21,106	17,439
% Tax	20.4	22.5	23.5	19.7	14.7	17.7	15.1	19.0	21.4	16.8
<b>Reported PAT</b>	<b>23,878</b>	<b>17,436</b>	<b>16,431</b>	<b>19,866</b>	<b>19,453</b>	<b>23,827</b>	<b>20,028</b>	<b>23,173</b>	<b>77,611</b>	<b>86,480</b>
- Minority int.	6,420	5,030	4,660	5,499	5,771	5,793	5,853	6,341	21,609	23,758
+ share in associates profit	-1,061	-2,428	-2,636	-1,598	-1,666	-607	-2,261	-1,276	-7,723	-5,810
<b>Adjusted PAT</b>	<b>16,442</b>	<b>12,738</b>	<b>13,366</b>	<b>13,774</b>	<b>14,190</b>	<b>15,239</b>	<b>12,539</b>	<b>15,556</b>	<b>56,318</b>	<b>57,523</b>
Avg LME Aluminium (USD/T)	2,598	2,398	2,090	2,175	1,978	1,918	1,997	2,008	2,315	1,975
Avg LME Copper (USD/T)	9,137	8,982	7,488	8,308	7,869	7,705	7,908	7,954	8,479	7,859
Avg LME Zinc (USD/T)	2,249	2,223	1,897	2,024	1,927	1,885	1,946	2,043	2,098	1,950

E: MOSL Estimates

## Tata Steel

Bloomberg	TATA IN
Equity Shares (m)	971.4
M. Cap. (INR b)/(USD b)	297/5
52-Week Range (INR)	482/305
1,6,12 Rel Perf. (%)	-11/-23/-40

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	1,329	1,363	1,439	1,380
EBITDA	124.2	112.5	157.9	154.9
Adj. PAT	18.1	-6.6	30.9	27.2
Adj. EPS (INR)	18.6	-6.8	31.8	28.0
EPS Gr(%)	-70.1	-136.4	-570.9	-12.1
BV/Sh. (INR)	264.4	240.4	257.7	271.2
RoE (%)	7.8	-2.7	12.8	10.6
RoCE (%)	9.1	5.8	9.4	8.8
Payout (%)	27.6	-177.4	41.8	47.3
<b>Valuations</b>				
P/E (x)	16.5	-45.3	9.6	10.9
P/BV	1.2	1.3	1.2	1.1
EV/EBITDA (x)	6.6	8.1	6.1	6.3
Div. Yield (%)	3.9	3.9	3.9	3.9

## CMP: INR306

Sell

- **Tata Steel India (TSI):** We expect net revenue to increase 11% YoY (up 12% QoQ) to INR105b due to higher sales volume. Steel volumes are expected to increase 22% YoY (up 14% QoQ) to 2.2mt. Realization is expected to decline 8% YoY (flat QoQ). We expect EBITDA to increase 16% QoQ to INR29.3b and EBITDA/ton to increase 2% QoQ to USD237/ton.
- **TSE and others:** We expect Tata Steel Europe (TSE) and other subsidiaries to report positive EBITDA due to QoQ increase in prices. Prices in most geographies, including Europe, were at 2-3 year low levels in 3QFY13, which improved in 4QFY13. Steel prices increased 6% QoQ in Europe in 4QFY13. We expect EBITDA/ton for TSE and subsidiaries to be USD7/ton in 4QFY13E. We also estimate steel shipments to remain flat YoY (up 13% QoQ) to 4.5m tons.
- **Steel environment challenging, price outlook negative; Maintain Sell:** We expect steel demand to remain challenging in most geographies. TSI margins are expected to remain suppressed due to lower steel prices and lower level of raw material integration in the expanded capacity. TSE's capex program, despite insufficient cash flows, will be an additional overhang on the stock. The stock trades at 10.9x FY15E EPS and an EV of 6.3x FY15E EBITDA. Maintain **Sell**.

## Key issues to watch out

- **Funding of TSE modernization and upgradation program, as TSE's cash flows are insufficient to support its capex.**

## Quarterly Performance (Standalone)

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
Sales ('000 tons)	1,593	1,648	1,622	1,768	1,590	1,730	1,890	2,150	6,631	7,360
Avg Seg.Realization (INR/tss)	45,832	46,402	47,340	49,103	51,530	48,459	45,314	45,190	47,214	47,360
<b>Net Sales</b>	<b>78,603</b>	<b>82,119</b>	<b>83,819</b>	<b>94,794</b>	<b>89,080</b>	<b>91,506</b>	<b>93,703</b>	<b>104,960</b>	<b>339,335</b>	<b>379,249</b>
<b>EBITDA</b>	<b>31,148</b>	<b>27,862</b>	<b>26,441</b>	<b>29,916</b>	<b>29,768</b>	<b>25,162</b>	<b>25,262</b>	<b>29,349</b>	<b>115,368</b>	<b>109,541</b>
(% of Net Sales)	39.6	33.9	31.5	31.6	33.4	27.5	27.0	28.0	34.0	28.9
Steel EBITDA(USD/tss)	419	359	305	324	326	246	232	237	347	255
Interest	4,537	4,767	4,811	5,140	4,544	4,539	5,090	5,657	19,254	19,831
Depreciation	2,853	2,871	2,891	2,900	3,544	3,913	4,339	4,379	11,514	16,175
Other Income	2,564	2,495	1,976	1,829	1,519	2,397	357	800	8,864	5,073
<b>PBT (after EO Inc.)</b>	<b>30,482</b>	<b>22,720</b>	<b>20,716</b>	<b>23,706</b>	<b>21,229</b>	<b>19,203</b>	<b>16,190</b>	<b>20,112</b>	<b>97,624</b>	<b>76,734</b>
Total Tax	8,288	7,767	6,503	8,101	7,663	5,695	5,726	6,838	30,659	25,922
% Tax	27.2	34.2	31.4	34.2	36.1	29.7	35.4	34.0	31.4	33.8
<b>Reported PAT</b>	<b>22,194</b>	<b>14,952</b>	<b>14,213</b>	<b>15,605</b>	<b>13,566</b>	<b>13,508</b>	<b>10,464</b>	<b>13,274</b>	<b>66,964</b>	<b>50,812</b>
<b>Adjusted PAT</b>	<b>18,034</b>	<b>14,952</b>	<b>14,213</b>	<b>15,605</b>	<b>15,536</b>	<b>13,412</b>	<b>10,464</b>	<b>13,274</b>	<b>62,804</b>	<b>52,686</b>
<b>Consolidated Financials</b>										
<b>Net Sales</b>	<b>330,002</b>	<b>327,979</b>	<b>331,031</b>	<b>339,986</b>	<b>338,212</b>	<b>341,327</b>	<b>321,071</b>	<b>362,701</b>	<b>1,328,997</b>	<b>1,363,312</b>
<b>EBITDA</b>	<b>44,572</b>	<b>28,674</b>	<b>19,133</b>	<b>31,788</b>	<b>36,003</b>	<b>23,101</b>	<b>22,389</b>	<b>30,978</b>	<b>124,168</b>	<b>112,471</b>
<b>Rep. PAT (before MI &amp; asso.)</b>	<b>52,937</b>	<b>1,390</b>	<b>-6,874</b>	<b>2,032</b>	<b>5,170</b>	<b>-4,133</b>	<b>-7,886</b>	<b>-704</b>	<b>49,485</b>	<b>-7,686</b>
<b>Adj. PAT (after MI &amp; asso)</b>	<b>19,846</b>	<b>2,124</b>	<b>-6,027</b>	<b>4,335</b>	<b>7,949</b>	<b>-4,066</b>	<b>-7,433</b>	<b>-401</b>	<b>20,279</b>	<b>-3,951</b>

E: MOSL Estimates; tss=ton of steel sales; 1HFY12 numbers don't reconcile with FY12 due to revised format under Schedule 6

# Oil & Gas

## Companies Covered

BPCL  
Cairn India  
Chennai Petroleum  
GAIL  
Gujarat State Petronet  
HPCL  
IOC  
Indraprastha Gas  
MRPL  
Oil India  
ONGC  
Petronet LNG  
Reliance Industries

**GRM up 36% QoQ, Brent increases QoQ:** Brent average crude price for 4QFY13 was higher QoQ at USD113/bbl (averaged ~USD110/bbl for 9MFY13), mainly due to supply cuts by Opec (~1 mmbbl/d) and returning positive sentiments on the demand front. Reuters Singapore GRM jumped 37% QoQ to an average USD8.7/bbl in 4QFY13 v/s USD6.5/bbl in 3QFY13. This was primarily driven by higher auto fuel cracks and maintenance shutdowns in the US.

**Petchem spreads recover QoQ:** In 4QFY13, polymer spreads over naphtha and integrated polyester spreads are up QoQ by 4-11% range. Similarly, YoY, PE spreads are up 29% and PP spreads 41%. Domestic price premium to polymer reduced during the quarter probably due to higher imports.

**Diesel reforms and lower LPG losses lead to QoQ decline in under-recovery:** We estimate 4QFY13E under-recovery at INR372b, down 5% QoQ, primarily led by diesel reforms and lower LPG subsidies (lower international prices at USD946/mt, down 4% QoQ). Diesel reforms - a) market pricing for bulk consumers and b) monthly price hike of INR0.45/lit led to lower diesel under-recovery at INR186b during 4QFY13, as against INR196b in 3QFY13. Recent correction in crude prices resulted in diesel under-recovery reaching INR8.2/lit (lowest in last 18 months). We model upstream sharing at 40% and downstream sharing at nil for FY13E/FY14E/FY15E, with the balance being the government's share.

**Valuation and view:** On the back of ongoing reforms, we continue our positive stance on ONGC and OIL in upstream. BPCL is our top pick among OMCs for its E&P upside potential. RIL's new refining/petchem projects are likely to add to earnings from end-FY15E/FY16E, but medium term outlook on core business remains weak, with RoE reaching sub-13%; Neutral. Neutral on GAIL/GSPL due to headwinds on incremental gas. Maintain Buy on Petronet LNG as domestic gas scarcity augurs well for the company.

## Expected quarterly performance summary

(INR Million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
	<b>26.03.13</b>										
BPCL	375	Buy	612,076	-5.3	-1.8	71,910	42.2	218.4	51,460	29.9	212.3
Cairn India	277	Buy	45,132	23.6	5.5	35,589	19.4	8.3	30,206	38.2	-4.3
Chennai Petroleum	118	Buy	120,434	16.6	3.9	5,898	163.4	LP	4,581	327.4	LP
GAIL	304	Neutral	115,361	10.3	-7.5	12,764	73.9	-35.3	8,030	122.4	-37.5
Gujarat State Petronet	66	Neutral	2,492	-9.8	-4.4	2,262	-10.2	-3.3	1,146	-11.3	-3.7
HPCL	281	Buy	544,403	3.9	3.2	71,076	30.0	1733.1	72,261	56.0	4811.4
IOC	274	Buy	1,221,811	-4.3	6.0	189,171	34.7	268.7	155,348	9.3	366.2
Indraprastha Gas	267	UR	9,041	25.5	4.0	1,916	13.7	2.4	913	13.1	5.8
MRPL	49	Neutral	185,503	17.1	3.1	6,825	-12.7	LP	7,099	17.9	LP
Oil India	509	Buy	19,814	15.2	-17.9	6,567	36.2	-41.6	5,602	25.9	-40.4
ONGC	303	Buy	177,518	-5.7	-15.4	85,000	-23.1	-24.3	36,987	-34.5	-33.5
Petronet LNG	133	Buy	90,662	42.2	7.6	4,869	33.2	-7.9	2,883	17.6	-9.5
Reliance Inds.	783	Neutral	959,887	12.7	2.2	80,679	22.9	-3.6	54,730	29.2	-0.5
<b>Sector Aggregate</b>			<b>4,104,134</b>	<b>3.1</b>	<b>1.7</b>	<b>574,528</b>	<b>19.3</b>	<b>67.1</b>	<b>431,245</b>	<b>17.1</b>	<b>102.7</b>
<b>Oil &amp; Gas Excl. RMs</b>			<b>1,725,844</b>	<b>12.5</b>	<b>-0.3</b>	<b>242,370</b>	<b>2.7</b>	<b>-8.9</b>	<b>152,177</b>	<b>8.4</b>	<b>-5.7</b>

UR: Under Review

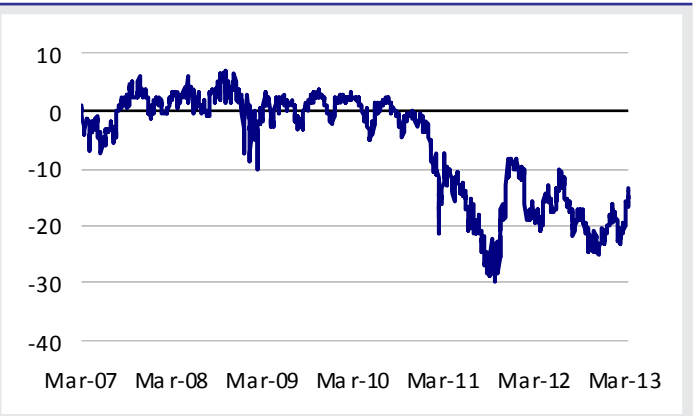
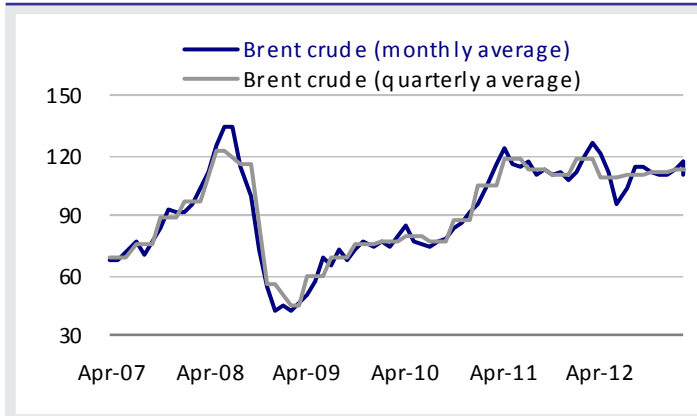
**Harshad Borawake** (HarshadBorawake@MotilalOswal.com)/**Kunal Gupta**(Kunal.Gupta@MotilalOswal.com)



**GRM up QoQ; Crude average higher by 2% QoQ; Arab L-H spread increases QoQ**

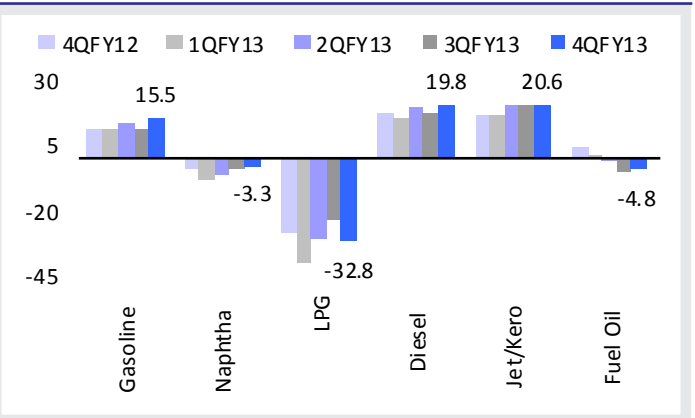
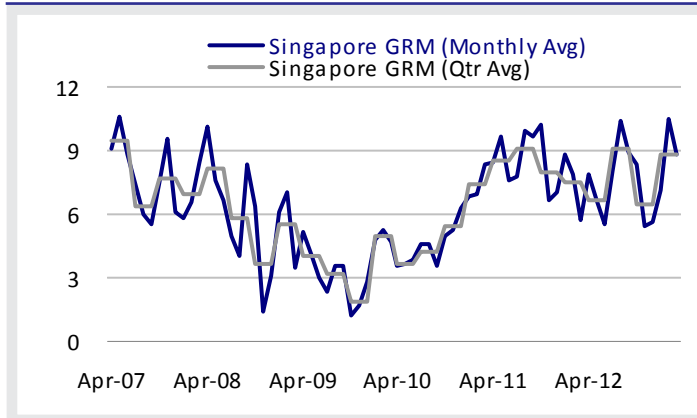
**Crude price was up 2% QoQ at USD113/bbl (USD/bbl)**

**Brent-WTI spread reduced by USD4/bbl in 4QFY13 (USD/bbl)**

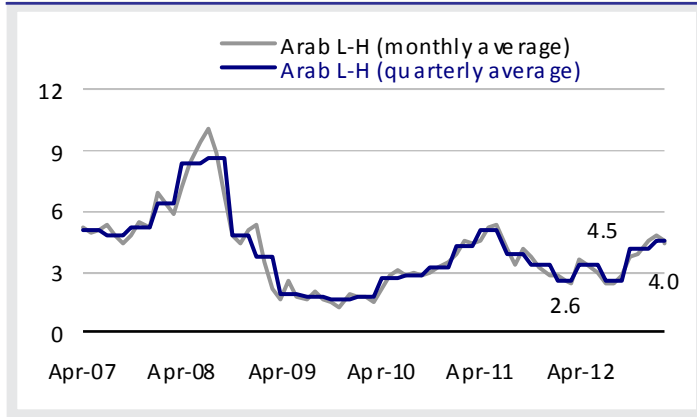


**Singapore GRM was up 37% QoQ to USD8.7/bbl in 4QFY13 (USD/bbl)**

**Auto fuel cracks meaningfully up QoQ (USD/bbl)**



**Arab L-H differential higher by USD0.5/bbl in 4QFY13 (USD/bbl)**



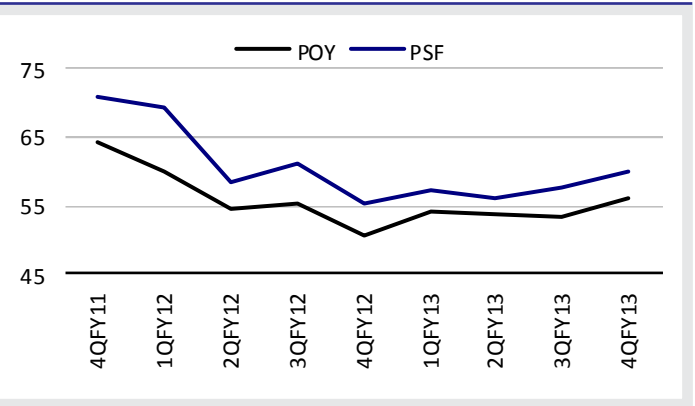
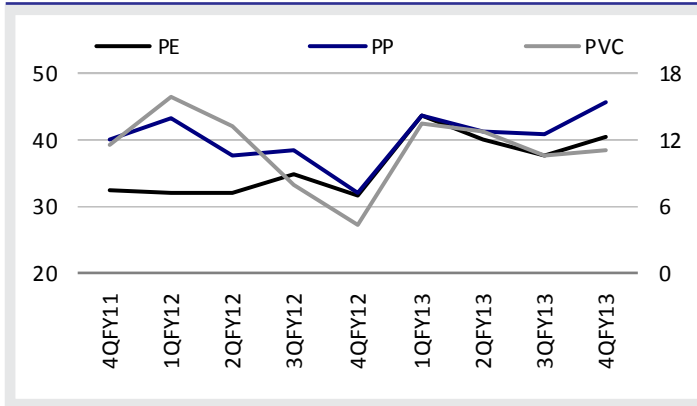
**Our key assumptions**

- Our crude price assumption for FY13E/14E/15E is USD110/bbl and USD95/bbl over the long term.
- We expect regional benchmark Singapore Reuters GRM to remain in the USD7-9/bbl range for the near term.
- We model Singapore GRM at USD7.5/bbl in FY14E-15E.

Source: Reuters, Bloomberg, MOSL

**Polymer spreads improve QoQ in 4QFY13 (INR/kg)**

**POY/PSF spreads improved QoQ (INR/kg)**



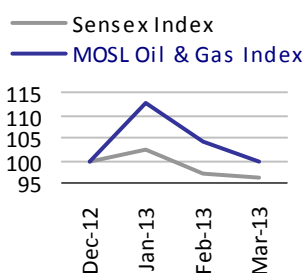


**Petchem margins recovery QoQ in 4QFY13 (INR/kg)**

	(RIL Basic prices - INR/kg)					Simple Spreads			Int.Spreads	
	PE	PP	PVC	POY	PSF	PE	PP	PVC	POY	PSF
3QFY11	73.4	76.1	53.3	79.8	80.8	37.0	39.7	16.9	51.0	52.0
4QFY11	74.3	81.9	53.5	97.1	103.8	32.4	40.0	11.6	64.2	70.9
1QFY12	76.6	87.9	60.7	95.1	104.4	31.8	43.0	15.8	59.8	69.1
2QFY12	76.3	81.9	57.3	89.3	93.4	32.1	37.8	13.2	54.4	58.5
3QFY12	80.3	84.0	53.5	91.2	97.1	34.7	38.5	7.9	55.2	61.1
4QFY12	83.4	84.1	56.2	91.7	96.4	31.4	32.1	4.2	50.5	55.2
1QFY13	91.9	92.1	61.8	92.4	95.8	43.3	43.5	13.3	54.0	57.4
2QFY13	91.2	91.9	63.5	93.8	96.2	40.3	41.0	12.6	53.3	55.7
3QFY13	89.4	92.2	62.0	94.0	98.3	37.9	40.7	10.6	53.2	57.5
4QFY13	93.0	97.9	63.5	97.3	101.4	40.6	45.4	11.1	55.8	59.9
<b>QoQ (%)</b>	<b>4.1</b>	<b>6.2</b>	<b>2.4</b>	<b>3.6</b>	<b>3.2</b>	<b>7.0</b>	<b>11.5</b>	<b>4.6</b>	<b>5.0</b>	<b>4.3</b>
<b>YoY (%)</b>	<b>11.6</b>	<b>16.4</b>	<b>13.1</b>	<b>6.1</b>	<b>5.2</b>	<b>29.1</b>	<b>41.3</b>	<b>160.5</b>	<b>10.5</b>	<b>8.6</b>

Source: Bloomberg/MOSL

**Relative Performance-3m (%)**

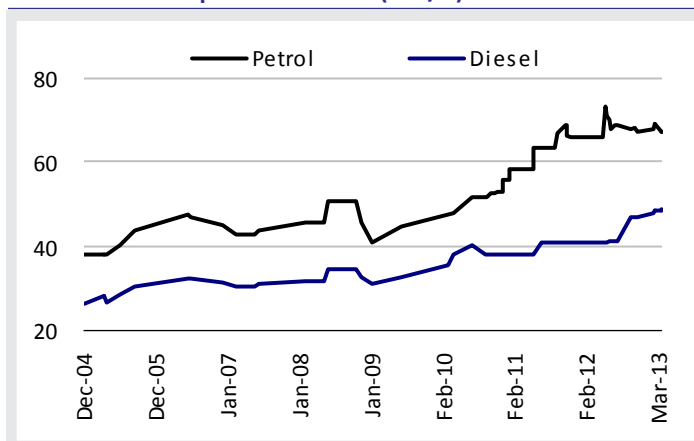


**4QFY13 under-recovery down 5% QoQ to INR372b; Model upstream share at 40% in FY13-15**

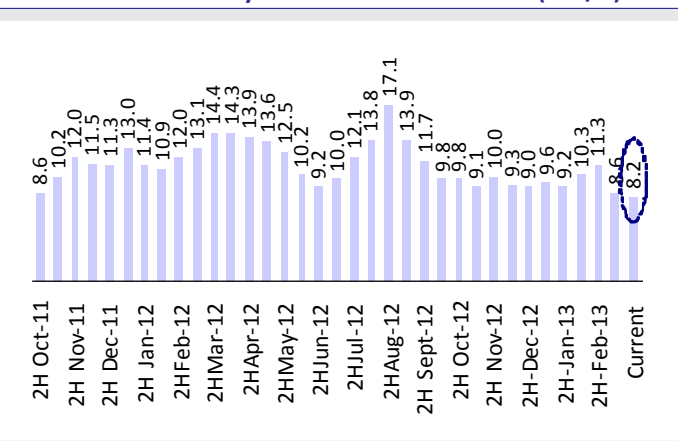
(INR b)	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Fx Rate (INR/USD)	40.3	46.0	47.5	45.6	47.9	54.5	54.0	53.0
Brent (USD/bbl)	82	85	70	86	114	111	110	110
<b>Gross Under recoveries (INR b)</b>								
Petrol	73	52	52	27	0	0	0	0
Diesel	353	523	93	348	819	909	516	153
Kerosene	191	282	174	200	278	305	296	277
LPG	156	176	143	205	284	407	406	441
<b>Total</b>	<b>773</b>	<b>1,033</b>	<b>461</b>	<b>780</b>	<b>1,385</b>	<b>1,620</b>	<b>1,218</b>	<b>870</b>
<b>Sharing (INR b)</b>								
Government	353	713	260	410	829	972	731	522
Upstream	257	329	145	303	552	648	487	348
OMC's	163	(9)	56	67	0	0	0	0
<b>Total</b>	<b>773</b>	<b>1,033</b>	<b>461</b>	<b>780</b>	<b>1,385</b>	<b>1,620</b>	<b>1,218</b>	<b>870</b>
<b>Sharing (%)</b>								
Government	46	69	56	53	60	60	60	60
Upstream	33	32	31	39	40	40	40	40
OMC's	21	(1)	12	9	0	0	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Bloomberg, MOSL

**Petrol and diesel price difference (INR/lt)**

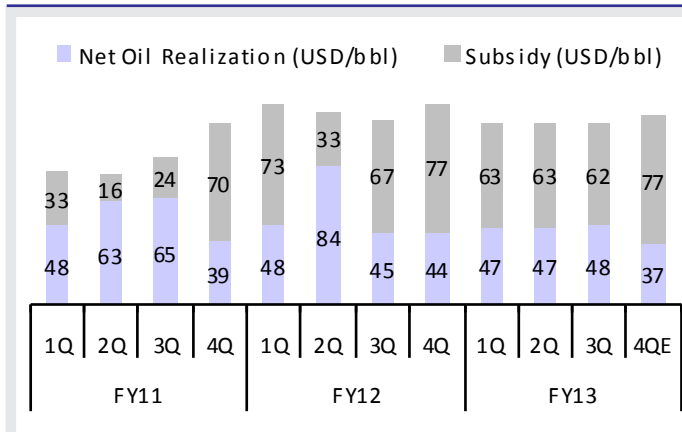


**Diesel under-recovery lowest in last 18 months (INR/lt)**

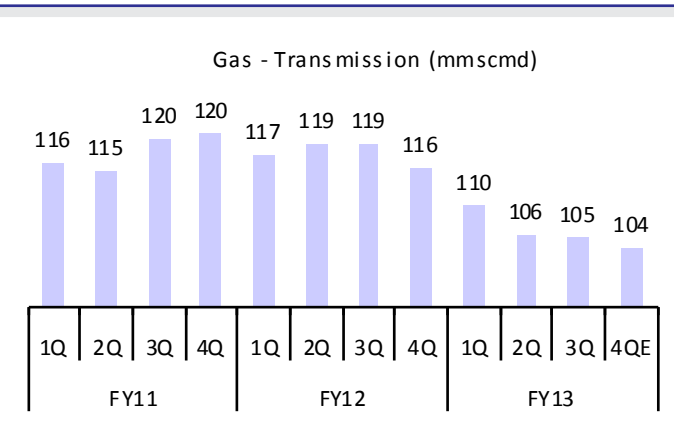


Source: Company, MOSL

**ONGC's net realization estimated at USD37/bbl**

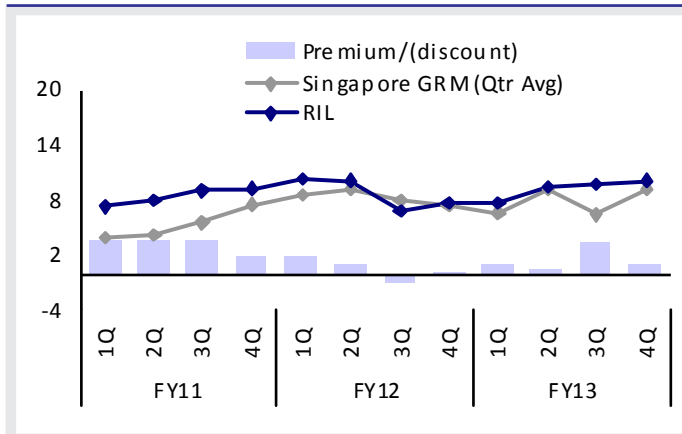


**GAIL transmission volumes under pressure (mmscmd)**

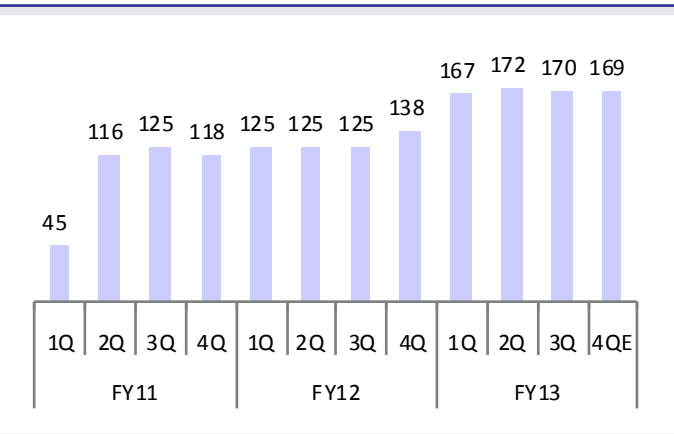


Source: Company/MOSL

**Expect RIL GRM at USD10/bbl v/s USD9.6/bbl in 3Q (USD/bbl)**



**Cairn's Rajasthan production likely to average 169kbpd**



Source: Company/MOSL

**Comparative valuation**

	CMP (INR)	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
	26.03.13													
<b>Oil &amp; Gas</b>														
BPCL	375	Buy	39.0	32.4	36.9	9.6	11.6	10.2	8.2	7.2	6.4	16.8	12.7	13.2
Cairn India	277	Buy	65.6	55.3	49.8	4.2	5.0	5.6	2.9	2.6	2.5	25.7	20.4	16.0
Chennai Petroleum	118	Buy	-61.5	29.1	28.6	-1.9	4.1	4.1	-25.0	4.8	4.8	-27.5	14.4	13.0
GAIL	304	Neutral	33.2	33.9	32.7	9.2	9.0	9.3	7.3	6.9	6.5	17.1	15.6	13.6
Guj. State Petronet	66	Neutral	8.7	8.9	9.4	7.5	7.3	7.0	4.3	3.8	3.8	18.3	16.2	14.8
HPCL	281	Buy	13.3	26.3	32.0	21.1	10.7	8.8	49.1	10.4	8.5	3.4	6.5	7.5
Indraprastha Gas	267	UR	25.9	29.5	33.0	10.3	9.0	8.1	5.4	4.6	3.9	26.9	26.0	24.6
IOC	274	Buy	22.9	29.0	38.1	11.9	9.5	7.2	11.8	8.0	6.2	9.0	10.6	12.9
MRPL	49	Neutral	0.1	7.9	8.7	NM	6.3	5.7	10.6	4.4	3.7	0.2	17.8	17.2
Oil India	509	Buy	56.3	72.7	99.5	9.0	7.0	5.1	5.0	3.3	2.2	18.3	21.0	24.7
ONGC	303	Buy	29.6	36.6	52.9	10.2	8.3	5.7	4.3	3.3	2.3	17.6	19.4	24.4
Petronet LNG	133	Buy	15.9	13.6	15.3	8.4	9.8	8.7	6.0	5.6	5.0	29.8	20.8	20.0
Reliance Inds.	783	Neutral	71.3	74.2	78.7	11.0	10.6	10.0	8.3	8.3	7.8	12.2	11.6	11.2
<b>Sector Aggregate</b>						<b>10.1</b>	<b>8.9</b>	<b>7.3</b>	<b>6.6</b>	<b>5.3</b>	<b>4.3</b>	<b>14.1</b>	<b>14.4</b>	<b>15.6</b>
<b>Oil &amp; Gas Ex RMS</b>						<b>9.8</b>	<b>8.7</b>	<b>7.2</b>	<b>5.6</b>	<b>4.7</b>	<b>3.8</b>	<b>15.2</b>	<b>15.3</b>	<b>16.4</b>

UR: Under Review

**BPCL****Buy**

Bloomberg	BPCL IN
Equity Shares (m)	723.0
M. Cap. (INR b)/(USD b)	271/5
52-Week Range (INR)	449/316
1,6,12 Rel Perf. (%)	1/7/3

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	2,121	2452	2581	2690
EBITDA	48.1	65.2	69.8	70.1
Adj. PAT	7.8	28.2	23.4	26.7
Adj. EPS (INR)	10.8	39.0	32.4	36.9
EPS Gr. (%)	-52.2	261.4	-17.0	13.8
BV/Sh.(INR)	220	245	266	292
RoE (%)	5.0	16.8	12.7	13.2
RoCE (%)	5.2	8.5	9.0	9.1
Payout (%)	83.3	36.0	32.5	31.7
<b>Valuations</b>				
P/E (x)	34.7	9.6	11.6	10.2
P/BV (x)	1.7	1.5	1.4	1.3
EV/EBITDA (x)	12.0	8.2	7.2	6.4
Div. Yield (%)	1.5	3.2	2.4	2.7

**CMP: INR375**

- Similar to prior quarters, profitability of OMCs (BPCL, HPCL, IOC) would depend more on subsidy sharing, which is ad-hoc, than on business fundamentals. Government's subsidy compensation typically comes with a delay.
- 4QFY13 gross under-recovery is down 5% QoQ due to the impact of diesel reforms and lower LPG subsidies.
- In 9MFY13, BPCL's PAT loss stood at INR21.5b as it had to bear a net under-recovery of INR59b. Similar to FY12, we model OMCs' subsidy sharing at nil for FY13 and hence estimate INR59b over-recovery for 4QFY13E.
- For subsidy sharing, on an annual basis, we model OMCs' sharing at nil, upstream sharing at 40% and government sharing at balance 60% in FY13E/FY14E/FY15E.
- We peg the refinery throughput at 5.8 mmt for 4QFY13E v/s 6mmt in 4QFY12 and 5.6mmt in 3QFY13.
- We expect BPCL to report a profit of INR51.5b in 4QFY13E, thereby taking full year PAT to INR30b v/s INR13b in FY12.
- BPCL trades at 10.2x FY15E EPS and 1.3x FY15E BV. E&P upsides from Mozambique and Brazil are the key medium term triggers for the company. **Buy.**

**Key issues to watch out**

- (a) Subsidy sharing and (b) GRM.

**Quarterly Performance (Standalone)****(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>461,177</b>	<b>422,819</b>	<b>588,245</b>	<b>646,422</b>	<b>545,227</b>	<b>568,595</b>	<b>623,398</b>	<b>612,076</b>	<b>2,118,662</b>	<b>2,349,297</b>
Change (%)	34.7	19.7	60.4	42.9	18.2	34.5	6.0	-5.3	39.9	10.9
<b>EBITDA</b>	<b>-21,861</b>	<b>-27,148</b>	<b>36,874</b>	<b>50,571</b>	<b>-81,757</b>	<b>41,932</b>	<b>22,584</b>	<b>71,910</b>	<b>38,436</b>	<b>54,670</b>
Change (%)	nm	nm	406.3	207.6	nm	nm	-38.8	42.2	12.6	42.2
% of Sales	-4.7	-6.4	6.3	7.8	-15.0	7.4	3.6	11.7	1.8	2.3
Depreciation	4,901	4,600	4,667	4,681	4,801	3,983	4,657	4,802	18,849	18,243
Interest	3,349	4,532	5,174	4,941	5,205	4,117	5,758	5,795	17,996	20,876
Other Income	4,492	3,987	4,389	4,382	3,395	16,516	4,307	4,882	17,250	29,099
<b>PBT</b>	<b>-25,619</b>	<b>-32,293</b>	<b>31,422</b>	<b>45,331</b>	<b>-88,368</b>	<b>50,348</b>	<b>16,476</b>	<b>66,195</b>	<b>18,842</b>	<b>44,651</b>
Tax	0	0	26	5,703	0	0	0	14,735	5,729	14,735
Tax rate (%)	0.0	0.0	0.1	12.6	0.0	0.0	0.0	22.3	30.4	33.0
<b>PAT</b>	<b>-25,619</b>	<b>-32,293</b>	<b>31,396</b>	<b>39,628</b>	<b>-88,368</b>	<b>50,348</b>	<b>16,476</b>	<b>51,460</b>	<b>13,113</b>	<b>29,916</b>
Change (%)	nm	nm	1,575.5	323.8	nm	nm	-47.5	29.9	-15.2	128.1
<b>Adj. PAT</b>	<b>-25,619</b>	<b>-32,293</b>	<b>31,396</b>	<b>39,628</b>	<b>-88,368</b>	<b>50,348</b>	<b>16,476</b>	<b>51,460</b>	<b>13,113</b>	<b>29,916</b>
<b>Adj. EPS (INR)</b>	<b>-35.4</b>	<b>-44.7</b>	<b>43.4</b>	<b>54.8</b>	<b>-122.2</b>	<b>69.6</b>	<b>22.8</b>	<b>71.2</b>	<b>18.1</b>	<b>41.4</b>
<b>Key Assumption (INR b)</b>										
Gross under recovery	103	49	76	98	116	90	94	90	326	390
Upstream sharing	34	16	36	43	37	36	36	49	130	157
Govt. sharing	35	0	70	92	0	72	60	100	197	233
<b>Net Under/(Over) recovery</b>	<b>34</b>	<b>32</b>	<b>-29</b>	<b>-36</b>	<b>80</b>	<b>-18</b>	<b>-2</b>	<b>-59</b>	<b>0</b>	<b>0</b>
<b>As a % of Gross</b>	<b>32.6</b>	<b>66.3</b>	<b>nm</b>	<b>nm</b>	<b>68.5</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>0.0</b>	<b>nm</b>

E: MOSL Estimates

## Cairn India

Bloomberg	CAIR IN
Equity Shares (m)	1,907.4
M. Cap. (INR b)/(USD b)	529/10
52-Week Range (INR)	366/276
1,6,12 Rel Perf. (%)	-8/-17/-30

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	131.1	176.7	177.0	163.5
EBITDA	108.1	137.9	131.1	115.3
Adj. PAT	92.9	123.2	105.6	95.1
Adj. EPS (INR)	41.6	65.6	55.3	49.8
EPS Gr. (%)	46.7	57.6	-15.6	-9.9
BV/Sh. (INR)	253	250	293	332
RoE (%)	21.0	25.7	20.4	16.0
RoCE (%)	20.3	25.9	22.3	17.7
Payout (%)	0.0	23.2	22.9	22.9
<b>Valuations</b>				
P/E (x)	6.7	4.2	5.0	5.6
P/BV (x)	1.1	1.1	0.9	0.8
EV/EBITDA (x)	4.3	2.9	2.6	2.5
Div. Yield (%)	0.0	4.7	4.0	3.6

## CMP: INR277

Buy

- Cairn India's 4QFY13E operational performance to be largely similar to 3QFY13, with gross Rajasthan oil sales of 169kbpd and net sales of 127kboepd (v/s 107kboepd in 4QFY12 and 128kboepd in 3QFY13).
- We expect the company to report net sales of INR45b (v/s INR43b in 3QFY13), led by stable production at its Rajasthan block. We estimate EBITDA at INR35.6b v/s INR30b in 4QFY12 and INR33b in 3QFY13.
- We estimate other income to increase led by higher cash balance. We assume a forex loss of INR1.5b v/s profit of INR2.4b in 3QFY13 due to ~2% rupee appreciation as on March 31, 2013 v/s December 31, 2012.
- We model Brent crude price of USD110/bbl in FY13E/14E/15E and long term price of USD95/bbl, and take a quality discount for Cairn India of 10.8% in FY13E and 13% long term.
- Cairn has begun production from its Aishwariya block on March 23, 2013 and is expected to ramp up to 10kbpd soon. Key operational factors to watch in the medium term would be (a) production ramp-up and (b) reserve updates, with ongoing 100-well exploration program at Rajasthan. With increasing cash on the balance sheet, clarity on utilization will be a positive.
- The stock trades at 5.6x FY15E EPS of INR49.8. Maintain **Buy**.

## Key issues to watch out

- Net realization
- Forex fluctuations

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>37,127</b>	<b>26,522</b>	<b>30,968</b>	<b>36,513</b>	<b>44,400</b>	<b>44,431</b>	<b>42,776</b>	<b>45,132</b>	<b>131,130</b>	<b>176,740</b>
Change (%)	341.7	-1.3	0.0	-0.1	19.6	67.5	38.1	23.6	27.6	34.8
<b>EBITDA</b>	<b>31,748</b>	<b>21,040</b>	<b>25,456</b>	<b>29,812</b>	<b>34,921</b>	<b>34,516</b>	<b>32,862</b>	<b>35,589</b>	<b>108,056</b>	<b>137,888</b>
D,D & A (inc. w/off)	3,647	3,531	5,550	4,663	4,726	4,778	5,101	4,486	17,391	19,090
Interest	446	1,228	240	305	295	188	52	50	2,220	585
Other Income (Net)	528	620	1,124	923	964	2,226	1,819	2,175	3,194	7,184
Forex Fluctuations	-8	5,310	3,015	-2,170	8,663	-7,858	2,357	-1,500	6,148	1,662
Exceptional items		13,552							13,552	0
<b>PBT</b>	<b>28,175</b>	<b>22,211</b>	<b>23,803</b>	<b>23,598</b>	<b>39,528</b>	<b>23,918</b>	<b>31,884</b>	<b>31,729</b>	<b>97,787</b>	<b>127,059</b>
Tax	909	1,029	1,184	1,735	1,271	697	323	1,523	4,857	3,813
Tax rate* (%)	3.2	6.1	5.7	6.7	4.1	2.2	1.1	4.6	5.3	3.0
<b>Adj. PAT</b>	<b>27,266</b>	<b>7,630</b>	<b>22,619</b>	<b>21,862</b>	<b>38,257</b>	<b>23,222</b>	<b>31,561</b>	<b>30,206</b>	<b>79,378</b>	<b>123,246</b>
YoY Change (%)	868.9	-51.9	12.5	-11.0	40.3	204.3	39.5	38.2	25.3	55.3
Merger arrangement gain							1,888			1,888
<b>PAT</b>	<b>27,266</b>	<b>21,182</b>	<b>22,619</b>	<b>21,862</b>	<b>38,257</b>	<b>23,222</b>	<b>33,449</b>	<b>30,206</b>	<b>92,929</b>	<b>125,134</b>
<b>Adj. EPS (INR)</b>	<b>14.3</b>	<b>4.0</b>	<b>11.9</b>	<b>11.5</b>	<b>20.1</b>	<b>12.2</b>	<b>16.5</b>	<b>15.8</b>	<b>41.6</b>	<b>64.6</b>
<b>Key Assumptions and Cain's share in production (kboepd)</b>										
Exchange rate (INR/USD)	44.7	45.8	51.0	50.2	54.2	55.5	54.2	54.2	47.9	54.5
Brent Price (USD/bbl)	116.8	112.9	109.3	118.8	108.7	110.0	110.0	113.7	114.5	110.6
Ravva and Cambay Prodn.	12.1	11.5	11.4	10.9	10.2	9.2	9.1	9.0	11.5	9.4
Rajasthan Production	87.6	87.7	87.6	96.3	117.0	120.3	119.0	118.4	89.8	118.7
<b>Total</b>	<b>99.6</b>	<b>99.2</b>	<b>99.0</b>	<b>107.3</b>	<b>127.2</b>	<b>129.4</b>	<b>128.1</b>	<b>127.4</b>	<b>101.3</b>	<b>128.0</b>

E: MOSL Estimates; \* Excluding forex fluctuations, includes MAT credit.

# Chennai Petroleum Corporation

Bloomberg	MRL IN
Equity Shares (m)	149.0
M. Cap. (INR b)/(USD b)	18/0
52-Week Range (INR)	162/107
1,6,12 Rel Perf. (%)	-6/-8/-33

**CMP: INR118**
**Buy**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	408.0	424.6	527.6	478.4
EBITDA	1.4	-3.1	15.3	15.2
Adj. PAT	0.6	-9.2	4.3	4.3
Adj. EPS (INR)	4.2	-61.5	29.1	28.6
EPS Gr. (%)	-88	-1,582	-147	-2
BV/Sh.(INR)	255	193	212	230
RoE (%)	1.6	-27.5	14.4	13.0
RoCE (%)	1.1	-5.2	13.3	12.9
Payout (%)	56.4	0.0	36.2	36.8
<b>Valuations</b>				
P/E (x)	28.5	-1.9	4.1	4.1
P/BV (x)	0.5	0.6	0.6	0.5
EV/EBITDA (x)	41.4	-25.0	4.8	4.8
Div. Yield (%)	1.3	0.0	7.6	7.6

- We expect CPCL to report 4QFY13E PAT of INR4.6b v/s INR1.1b in 4QFY12 and loss of INR4.6b in 3QFY13.
- EBITDA is expected to be INR5.9b, against a loss of INR2.5b in 3QFY13 mainly due to higher throughput at 3.1 mmt, against 2.6 during 3QFY13. Regional benchmark Reuters Singapore GRM is up 37% QoQ to USD8.7/ bbl, from USD6.5/bbl.
- Medium term GRM outlook continues to be subdued due to over capacity and sluggish global demand. Expect GRM to be volatile (in spurts) due to occasional bunching up of shutdowns.
- For CPCL, we model a GRM of USD2.7/bbl for FY13E and USD6/bbl for FY14E. The stock trades at FY14E P/E of 4.1x and EV/EBITDA of 4.8x. Maintain **Buy**.

**Key issues to watch out**

- GRM
- Inventory changes

**Quarterly Performance**

Y/E March									(INR Million)	
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>98,953</b>	<b>94,231</b>	<b>111,509</b>	<b>103,270</b>	<b>110,379</b>	<b>77,828</b>	<b>115,930</b>	<b>120,434</b>	<b>407,962</b>	<b>424,571</b>
Change (%)	55.6	16.0	33.6	0.2	11.5	-17.4	4.0	16.6	23.1	4.1
<b>EBITDA</b>	<b>642</b>	<b>-2,102</b>	<b>619</b>	<b>2,239</b>	<b>-7,848</b>	<b>1,314</b>	<b>-2,469</b>	<b>5,898</b>	<b>1,398</b>	<b>-3,105</b>
% of Sales	0.6	-2.2	0.6	2.2	-7.1	1.7	-2.1	4.9	0.3	-0.7
Change (%)	255.6	nm	-82.2	-61.5	nm	nm	nm	163.4	-88.4	nm
Depreciation	913	918	910	913	894	866	932	926	3,654	3,618
Interest	587	93	956	858	1,093	1,318	1,176	1,169	2,494	4,756
Other Income	42	110	309	2,707	60	1,421	48	778	3,168	2,307
<b>PBT</b>	<b>-816</b>	<b>-3,002</b>	<b>-939</b>	<b>3,175</b>	<b>-9,774</b>	<b>551</b>	<b>-4,529</b>	<b>4,581</b>	<b>-1,582</b>	<b>-9,172</b>
Tax	-265	-3,734	-305	2,103	-85	-40	119	0	-2,201	-6
Rate (%)	nm	nm	32.5	66.2	0.9	-7.3	-2.6	0.0	139.1	0.1
<b>PAT</b>	<b>-551</b>	<b>732</b>	<b>-634</b>	<b>1,072</b>	<b>-9,690</b>	<b>591</b>	<b>-4,648</b>	<b>4,581</b>	<b>619</b>	<b>-9,166</b>
Change (%)	nm	-25.1	nm	-65.9	nm	-19.2	nm	327.4	-87.9	nm
<b>Adj PAT</b>	<b>-551</b>	<b>732</b>	<b>-634</b>	<b>1,072</b>	<b>-9,690</b>	<b>591</b>	<b>-4,648</b>	<b>4,581</b>	<b>619</b>	<b>-9,166</b>
<b>EPS (INR)</b>	<b>-3.7</b>	<b>4.9</b>	<b>-4.3</b>	<b>7.2</b>	<b>-65.0</b>	<b>4.0</b>	<b>-31.2</b>	<b>30.7</b>	<b>4.2</b>	<b>-61.5</b>
<b>Key Assumptions</b>										
GRM (USD/bbl)	2.4	0.3	3.4	4.5	-2.2	4.6	1.6	6.6	2.6	2.7
Throughput (mmt)	2.5	2.6	2.7	2.7	2.5	1.9	2.6	3.1	10.6	10.1

E: MOSL Estimates

# GAIL (India)

Bloomberg	GAIL IN
Equity Shares (m)	1,268.5
M. Cap. (INR b)/(USD b)	385/7
52-Week Range (INR)	396/300
1,6,12 Rel Perf. (%)	-9/-22/-26

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	402.8	464.2	504.3	548.3
EBITDA	57.0	65.3	74.2	78.0
Adj. PAT	36.5	42.1	42.9	41.4
Adj. EPS (INR)	28.8	33.2	33.9	32.7
EPS Gr. (%)	2.6	15.1	2.1	-3.5
BV/Sh.(INR)	170	194	217	240
RoE (%)	16.9	17.1	15.6	13.6
RoCE (%)	19.0	18.3	16.3	15.0
Payout (%)	35.1	30.5	29.9	31.0
<b>Valuations</b>				
P/E (x)	7.9	6.8	6.7	6.9
P/BV (x)	1.3	1.2	1.0	0.9
EV/EBITDA (x)	7.2	6.6	6.5	6.1
Div. Yield (%)	3.0	3.0	3.0	3.0

## CMP: INR304

Neutral

- We expect GAIL to report adjusted PAT of INR8b (up 66%YoY, but down 38% QoQ). GAIL's PAT is down QoQ due to higher subsidy sharing at INR13b in 4QFY13 v/s INR6b in 3QFY13 (9MFY13 quarterly average of INR7b). Its subsidy sharing has averaged at INR7b for 9MFY13 till date. However, due to our full year FY13E upstream sharing assumption at 40%, we model higher share of upstream in 4QFY13E. If the sharing is maintained at INR7b for 4QFY13, our quarterly PAT will get upgraded by 79% to INR14b.
- **Subsidy sharing assumption:** For FY13E/FY14E/FY15E, we model upstream sharing at 40%, similar to FY11/FY12.
- We model gas transmission volumes at 104mmscmd v/s 116 in 4QFY12 and 105 in 3QFY13. Segmental EBIT (pre-subsidy) is expected to be up 3% QoQ, primarily due to higher profits from petrochemicals segment.
- Adjusted for investments, the stock trades at 6.9x FY15E EPS of INR32.7.

### Key issues to watch out

- a) Subsidy sharing and b) Transmission volumes.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>88,674</b>	<b>96,990</b>	<b>112,598</b>	<b>104,546</b>	<b>110,886</b>	<b>113,612</b>	<b>124,743</b>	<b>115,361</b>	<b>402,807</b>	<b>464,602</b>
Change (%)	25.0	19.7	34.6	17.6	25.0	17.1	10.8	10.3	24.1	15.3
<b>EBITDA</b>	<b>15,556</b>	<b>16,482</b>	<b>17,605</b>	<b>7,338</b>	<b>18,991</b>	<b>13,803</b>	<b>19,722</b>	<b>12,764</b>	<b>56,981</b>	<b>65,280</b>
% of Net Sales	17.5	17.0	15.6	7.0	17.1	12.1	15.8	11.1	14.1	14.1
Depreciation	1,782	2,008	1,975	2,143	2,169	2,491	2,424	2,388	7,907	9,472
Interest	208	226	207	523	588	261	552	585	1,165	1,986
Other Income	863	1,434	557	2,637	612	2,685	1,841	2,010	5,491	7,147
<b>PBT</b>	<b>14,429</b>	<b>15,682</b>	<b>15,980</b>	<b>7,309</b>	<b>16,846</b>	<b>13,736</b>	<b>18,587</b>	<b>11,800</b>	<b>53,400</b>	<b>60,970</b>
Tax	4,582	4,738	5,066	2,476	5,508	3,882	5,738	3,770	16,862	18,899
Rate (%)	31.8	30.2	31.7	33.9	32.7	28.3	30.9	32.0	31.6	31.0
<b>PAT</b>	<b>9,847</b>	<b>10,944</b>	<b>10,914</b>	<b>4,833</b>	<b>11,338</b>	<b>9,854</b>	<b>12,849</b>	<b>8,030</b>	<b>36,538</b>	<b>42,070</b>
Change (%)	11.0	18.5	12.8	-38.3	15.1	-10.0	17.7	66.1	2.6	15.1
<b>Adj PAT</b>	<b>9,847</b>	<b>10,944</b>	<b>9,691</b>	<b>3,610</b>	<b>11,338</b>	<b>9,854</b>	<b>12,849</b>	<b>8,030</b>	<b>34,092</b>	<b>42,070</b>
<b>EPS (INR)</b>	<b>7.8</b>	<b>8.6</b>	<b>7.6</b>	<b>2.8</b>	<b>8.9</b>	<b>7.8</b>	<b>10.1</b>	<b>6.3</b>	<b>26.9</b>	<b>33.2</b>
<b>Key Assumptions</b>										
Gas Trans. volume (mmsmd)	117	119	119	116	110	106	105	104	118	106
Petchem sales ('000MT)	88	129	113	118	66	101	128	130	448	425
<b>Segmental EBIT Breakup (INR m)</b>										
<b>Transmission</b>										
Natural Gas	6,520	5,562	6,208	3,248	5,673	6,049	6,195	6,068	21,539	23,985
LPG	690	722	775	533	709	-489	133	850	2,720	1,203
Natural Gas Trading	3,131	2,866	3,230	1,659	4,956	2,447	2,986	2,880	10,886	13,270
Petrochemicals	2,434	4,041	3,875	4,309	1,958	4,182	4,395	5,563	14,658	16,097
LPG & Liq.HC (pre-subsidy)	9,104	9,187	8,416	10,663	11,373	8,521	12,063	10,343	37,371	42,300
Unallocated; GAILTEL	-335	-818	-436	-375	81	69	-834	0	-1,964	-684
<b>Total</b>	<b>21,544</b>	<b>21,560</b>	<b>22,068</b>	<b>20,037</b>	<b>24,751</b>	<b>20,779</b>	<b>24,939</b>	<b>25,703</b>	<b>85,209</b>	<b>96,171</b>
Less: Subsidy	-6,819	-5,666	-5,361	-13,980	-7,000	-7,857	-6,143	-13,317	-31,826	-34,317
<b>Total</b>	<b>14,725</b>	<b>15,894</b>	<b>16,707</b>	<b>6,057</b>	<b>17,751</b>	<b>12,922</b>	<b>18,796</b>	<b>12,386</b>	<b>53,383</b>	<b>61,854</b>

E: MOSL Estimates



# Gujarat State Petronet

Bloomberg	GUJS IN
Equity Shares (m)	562.7
M. Cap. (INR b)/(USD b)	37/1
52-Week Range (INR)	84/61
1,6,12 Rel Perf. (%)	0/-18/-24

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	11.2	10.5	10.5	10.5
EBITDA	10.2	9.6	9.6	9.5
Adj. PAT	5.2	4.9	5.0	5.3
Adj. EPS (INR)	9.3	8.7	8.9	9.4
EPS Gr. (%)	3.1	-5.9	2.3	4.7
BV/Sh. (INR)	44	51	59	67
RoE (%)	23.3	18.3	16.2	14.8
RoCE (%)	23.6	20.2	18.2	17.1
Payout (%)	13.0	12.6	13.4	13.1
<b>Valuations</b>				
P/E (x)	7.1	7.5	7.3	7.0
P/BV (x)	1.5	1.3	1.1	1.0
EV/EBITDA (x)	4.5	4.3	3.8	3.8
Div. Yield (%)	1.5	1.5	1.5	1.5

## CMP: INR66

**Neutral**

- We expect GSPL to report net sales of INR2.5b and PAT of INR1.1b (down 11% YoY and 4% QoQ).
- We build lower gas transmission volumes at 26.3mmscmd in 4QFY13E (v/s 31.1mmscmd in 4QFY12 and 27.3mmscmd in 3QFY13) led by a decline in KG-D6 production.
- GSPL has won all the 3 bids for cross-country pipelines conducted by PNGRB last year. We await clarity on the timelines and other details regarding these pipelines.
- We build gas transmission volumes of 28.3mmscmd in FY13E and 29mmscmd in FY14E. We model average tariff at INR980/mscm in FY13E and INR950/mscm in FY14E. The stock trades at 7x FY15E EPS of INR9.4. Maintain **Neutral**.

### Key issues to watch out

- Transmission volumes
- Tariff

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>2,843</b>	<b>2,808</b>	<b>2,739</b>	<b>2,763</b>	<b>2,676</b>	<b>2,732</b>	<b>2,606</b>	<b>2,492</b>	<b>11,153</b>	<b>10,505</b>
Change (%)	12.9	11.0	-1.9	8.3	-5.9	-2.7	-4.9	-9.8	7.3	-5.8
<b>EBITDA</b>	<b>2,619</b>	<b>2,584</b>	<b>2,518</b>	<b>2,520</b>	<b>2,465</b>	<b>2,520</b>	<b>2,338</b>	<b>2,262</b>	<b>10,241</b>	<b>9,586</b>
% of Net Sales	92.1	92.0	91.9	91.2	92.1	92.2	89.7	90.8	91.8	91.2
Change (%)	10.0	11.3	-3.9	9.7	-5.9	-2.5	-7.1	-10.2	6.5	-6.4
Depreciation	453	440	460	466	439	464	478	481	1,819	1,862
Interest	324	337	325	316	317	316	314	316	1,302	1,263
Other Income	112	143	175	165	176	226	230	240	593	872
<b>PBT</b>	<b>1,954</b>	<b>1,949</b>	<b>1,907</b>	<b>1,902</b>	<b>1,884</b>	<b>1,966</b>	<b>1,776</b>	<b>1,706</b>	<b>7,714</b>	<b>7,333</b>
Tax	581	656	646	610	636	638	586	559	2,493	2,420
Rate (%)	29.7	33.7	33.9	32.0	33.7	32.5	33.0	32.8	32.3	33.0
<b>PAT</b>	<b>1,374</b>	<b>1,293</b>	<b>1,261</b>	<b>1,293</b>	<b>1,248</b>	<b>1,328</b>	<b>1,190</b>	<b>1,146</b>	<b>5,221</b>	<b>4,913</b>
Change (%)	31	41	-21	-14	-9	3	-6	-11	3	-6
<b>EPS (INR)</b>	<b>2.4</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	<b>2.2</b>	<b>2.4</b>	<b>2.1</b>	<b>2.0</b>	<b>9.3</b>	<b>8.7</b>
Transmission Vol. (mmscmd)	36.8	35.2	32.8	31.1	31.1	28.6	27.3	26.3	34.0	28.3
Implied tariff (INR/mscm)	850	835	899	956	903	993	1,043	990	872	982

E: MOSL Estimates

**HPCL****Buy**

Bloomberg	HPCL IN
Equity Shares (m)	339.0
M. Cap. (INR b)/(USD b)	95/2
52-Week Range (INR)	381/275
1,6,12 Rel Perf. (%)	-5/-10/-11

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	1,781	1,997	2,185	2,178
EBITDA	34.1	8.7	39.3	43.1
Adj. PAT	9.1	4.5	8.9	10.8
Adj. EPS (INR)	26.9	13.3	26.3	32.0
EPS Gr. (%)	-40.8	-50.5	97.8	21.4
BV/Sh. (INR)	387	396	415	438
RoE (%)	7.1	3.4	6.5	7.5
RoCE (%)	6.7	5.3	6.7	7.3
Payout (%)	60.4	29.9	29.3	29.3
<b>Valuations</b>				
P/E (x)	10.4	21.1	10.7	8.8
P/BV (x)	0.7	0.7	0.7	0.6
EV/EBITDA (x)	9.3	37.2	7.8	6.0
Div. Yield (%)	3.0	1.2	2.3	2.8

**CMP: INR281**

- Similar to prior quarters, profitability of OMCs (BPCL, HPCL, IOC) would depend more on subsidy sharing, which is ad-hoc, than on business fundamentals. Government's subsidy compensation typically comes with a delay.
- 4QFY13 gross under-recovery is down 5% QoQ due to the impact of diesel reforms and lower LPG subsidies.
- In 9MFY13, HPCL's PAT loss stood at INR67.7b as it had to bear a net under-recovery of INR55b. Similar to FY12, we model OMCs' subsidy sharing at nil for FY13E and hence model INR55b over-recovery for 4QFY13E.
- For subsidy sharing on annual basis, we model OMCs' sharing at nil, upstream sharing at 40% and government sharing at balance 60% in FY13E/FY14E/FY15E.
- We peg the refinery throughput at 4.3mmt for 4QFY13E v/s 4mmt in 4QFY12 and 4.2mmt in 3QFY13.
- We expect HPCL to report a profit of INR72.3b in 4QFY13E, thereby taking full year PAT to INR5b v/s INR9b in FY12.
- HPCL trades at 8.8x FY15E EPS and 0.6x FY15E BV. We have a **Buy** rating due to our positive stance on diesel reforms and attractive valuations.

**Key issues to watch out**

- (a) Subsidy sharing and (b) GRM.

**Quarterly Performance (Standalone)****(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>407,980</b>	<b>370,302</b>	<b>479,174</b>	<b>523,936</b>	<b>440,765</b>	<b>484,639</b>	<b>527,510</b>	<b>544,403</b>	<b>1,781,392</b>	<b>1,997,317</b>
Change (%)	39.6	31.6	41.3	32.1	8.0	30.9	10.1	3.9	36.1	12.1
<b>EBITDA</b>	<b>-26,873</b>	<b>-29,437</b>	<b>35,725</b>	<b>54,667</b>	<b>-88,759</b>	<b>22,480</b>	<b>3,877</b>	<b>71,076</b>	<b>34,082</b>	<b>8,674</b>
% of Net Sales	-6.6	-7.9	7.5	10.4	-20.1	4.6	0.7	13.1	1.9	0
Change (%)	66.3	nm	470.1	176.8	nm	nm	-89.1	30.0	3.0	-132.3
Depreciation	3,886	4,150	4,368	4,726	4,544	4,910	4,947	4,543	17,129	18,944
Interest	2,641	3,028	6,982	4,326	5,492	3,899	6,135	3,684	16,977	19,210
Other income	2,585	2,971	2,876	3,790	6,337	9,600	8,675	10,542	12,222	35,153
Exceptional Item	12	0		-17	-29	0	0	0	-5	-29
<b>PBT</b>	<b>-30,803</b>	<b>-33,644</b>	<b>27,252</b>	<b>49,387</b>	<b>-92,488</b>	<b>23,271</b>	<b>1,471</b>	<b>73,390</b>	<b>12,193</b>	<b>5,644</b>
Tax	0	0	0	3,077	0	0	0	1,129	3,077	1,129
Rate (%)	0.0	0.0	0.0	6.2	0.0	0.0	0.0	1.5	25.2	20.0
<b>PAT</b>	<b>-30,803</b>	<b>-33,644</b>	<b>27,252</b>	<b>46,310</b>	<b>-92,488</b>	<b>23,271</b>	<b>1,471</b>	<b>72,261</b>	<b>9,115</b>	<b>4,515</b>
Change (%)	63.5	nm	1,191.6	312.5	nm	nm	-94.6	56.0	-40.8	-50.5
<b>Adj. EPS (INR)</b>	<b>-90.9</b>	<b>-99.2</b>	<b>80.4</b>	<b>136.6</b>	<b>-272.8</b>	<b>68.6</b>	<b>4.3</b>	<b>213.2</b>	<b>26.9</b>	<b>13.3</b>
<b>Key Assumptions (INR b)</b>										
Gross under recovery	95	47	71	91	107	83	87	85	304	362
Upstream sharing	32	16	34	40	34	33	33	46	121	146
Govt. subsidy	33	0	66	85	0	67	55	94	183	216
<b>Net Under recovery</b>	<b>31</b>	<b>31</b>	<b>-28</b>	<b>-34</b>	<b>73</b>	<b>-17</b>	<b>-2</b>	<b>-55</b>	<b>0</b>	<b>0</b>
Net Sharing (%)	32	67	nm	nm	69	nm	nm	nm	nm	nm

E: MOSL Estimates

# Indian Oil Corporation

Bloomberg	IOCL IN
Equity Shares (m)	2,428.0
M. Cap. (INR b)/(USD b)	665/12
52-Week Range (INR)	375/239
1,6,12 Rel Perf. (%)	-5/7/-6

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	4,072	4,059	4,450	4,305
EBITDA	180.3	128.4	192.7	232.4
Adj. PAT	119.3	55.7	70.3	92.5
Adj. EPS (INR)	49.2	22.9	29.0	38.1
EPS Gr. (%)	52.4	-53.3	26.2	31.6
BV/Sh.(INR)	249	263	283	308
RoE (%)	20.2	9.0	10.6	12.9
RoCE (%)	12.9	9.0	10.8	12.4
Payout (%)	10.2	30.5	27.6	28.9
<b>Valuations</b>				
P/E (x)	5.6	11.9	9.5	7.2
P/BV (x)	1.1	1.0	1.0	0.9
EV/EBITDA (x)	7.6	10.7	7.2	5.6
Div. Yield (%)	1.8	2.6	2.9	4.0

**CMP: INR274**

**Buy**

- Similar to prior quarters, profitability of OMCs (BPCL, HPCL, IOC) would depend more on subsidy sharing, which is ad-hoc, than on business fundamentals. Government's subsidy compensation typically comes with a delay.
  - 4QFY13 gross under-recovery is down 5% QoQ due to the impact of diesel reforms and lower LPG subsidies.
  - In 9MFY13, IOCL's PAT loss stood at INR95.1b as it had to bear a net under-recovery of INR132b. Similar to FY12, we model OMCs' subsidy sharing at nil for FY13E and hence model INR132b over-recovery for 4QFY13E.
  - For subsidy sharing on annual basis, we model OMCs' sharing at nil, upstream sharing at 40% and government sharing at balance 60% in FY13E/FY14E/FY15E.
  - We peg the refinery throughput at 14.2mmt for 4QFY13E v/s 14.1mmt in 4QFY12 and 14.2mmt in 3QFY13.
  - We expect IOCL to report a profit of INR155b in 4QFY13E, thereby taking full year PAT to INR60b v/s INR40b in FY12.
  - IOCL trades attractively at 0.9x FY15E book value and 7.2x FY15E EPS.
- Buy.**

## Key issues to watch out

- (a) Subsidy sharing, and (b) GRM.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>1,007,239</b>	<b>891,456</b>	<b>1,152,084</b>	<b>1,277,355</b>	<b>966,028</b>	<b>1,057,913</b>	<b>1,152,767</b>	<b>1,221,811</b>	<b>4,328,133</b>	<b>4,398,518</b>
Change (%)	40.5	16.1	43.4	30.0	-4.1	18.7	0.1	-4.3	32.3	1.6
Raw Material Consumed	489,204	460,680	514,679	529,747	583,006	433,753	571,328	439,084	1,994,310	2,027,171
Staff Cost	11,650	11,800	11,705	14,646	13,316	12,074	15,858	13,500	49,801	54,748
Finished Goods Purchase	490,643	403,738	451,758	562,105	490,231	460,076	451,893	562,267	1,908,244	1,964,466
Other Exp	39,967	68,855	66,694	30,455	81,835	61,384	62,377	17,789	205,972	223,384
<b>EBITDA</b>	<b>-24,225</b>	<b>-53,618</b>	<b>107,247</b>	<b>140,402</b>	<b>-202,360</b>	<b>90,627</b>	<b>51,310</b>	<b>189,171</b>	<b>169,807</b>	<b>128,748</b>
Depreciation	12,235	12,638	12,839	10,966	12,775	12,865	13,243	13,381	48,678	52,263
Interest	10,376	14,840	15,652	15,038	18,491	15,108	16,726	15,742	55,905	66,067
Other Income	9,649	6,241	7,810	25,699	9,117	33,460	11,978	9,933	49,398	64,487
<b>PBT</b>	<b>-37,187</b>	<b>-74,855</b>	<b>86,566</b>	<b>140,098</b>	<b>-224,510</b>	<b>96,113</b>	<b>33,320</b>	<b>169,981</b>	<b>114,621</b>	<b>74,905</b>
Tax	0	0	0	-2,003	0	0	0	14,634	-2,003	14,634
Rate (%)	nm	nm	nm	-1.4	nm	0.0	0.0	8.6	-1.7	19.5
<b>Adj. PAT</b>	<b>-37,187</b>	<b>-74,856</b>	<b>86,566</b>	<b>142,101</b>	<b>-224,510</b>	<b>96,113</b>	<b>33,320</b>	<b>155,348</b>	<b>116,624</b>	<b>60,272</b>
Change (%)	nm	nm	429.5	263.9	nm	nm	-61.5	9.3	56.6	-48.3
Extraordinary Items			-61,682	-15,396	0	0	0	0	-77,078	0
<b>PAT</b>	<b>-37,187</b>	<b>-74,856</b>	<b>24,884</b>	<b>126,704</b>	<b>-224,510</b>	<b>96,113</b>	<b>33,320</b>	<b>155,348</b>	<b>39,546</b>	<b>60,272</b>
<b>Adj. EPS (INR)</b>	<b>-15.3</b>	<b>-30.8</b>	<b>35.7</b>	<b>58.5</b>	<b>-92.5</b>	<b>39.6</b>	<b>13.7</b>	<b>64.0</b>	<b>48.0</b>	<b>24.8</b>
<b>Gross under recovery (INR b)</b>	<b>238</b>	<b>118</b>	<b>178</b>	<b>222</b>	<b>255</b>	<b>204</b>	<b>212</b>	<b>197</b>	<b>755</b>	<b>868</b>
Upstream sharing	79	39	83	98	80	81	81	109	300	352
Govt. sharing	82	0	164	209	0	161	135	220	455	516
<b>Net Under recovery</b>	<b>77</b>	<b>78</b>	<b>-70</b>	<b>-85</b>	<b>175</b>	<b>-38</b>	<b>-4</b>	<b>-132</b>	<b>0</b>	<b>0</b>
As a % of Gross	32.2	66.7	nm	nm	68.5	nm	nm	nm	0.0	0.0

E: MOSL Estimates

# Indraprastha Gas

Bloomberg	IGL IN
Equity Shares (m)	140.0
M. Cap. (INR b)/(USD b)	37/1
52-Week Range (INR)	392/170
1,6,12 Rel Perf. (%)	3/2/-37

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	25.2	33.9	40.3	47.4
EBITDA	6.3	7.6	8.6	9.5
Adj. PAT	3.1	3.6	4.1	4.6
Adj. EPS (INR)	21.9	25.9	29.5	33.0
EPS Gr. (%)	18.4	17.8	14.2	11.7
BV/Sh.(INR)	88	104	123	145
RoE (%)	27.5	26.9	26.0	24.6
RoCE (%)	33.2	32.6	31.5	30.2
Payout (%)	22.8	30.9	30.5	30.3
<b>Valuations</b>				
P/E (x)	12.2	10.3	9.0	8.1
P/BV (x)	3.0	2.6	2.2	1.8
EV/EBITDA (x)	6.5	5.4	4.6	3.9
Div. Yield (%)	1.9	3.0	3.4	3.7

## CMP: INR267

## Under Review

- We expect IGL to report 4QFY13E volume of 3.8mmscmd and PAT of INR913m (up 13% YoY and 6% QoQ).
- Historically, due to favorable economics vis-à-vis alternative fuels, IGL has been able to pass on any hike in its gas cost, thereby insulating any impact on its EBITDA margin. But with the absence of KG-D6 gas supply, there is pressure on company's margin as it is sourcing more expensive RLNG to meet demand.
- We expect 4QFY13E CNG volumes to grow 6% YoY to 2.9mmscmd and PNG volumes to grow 8% YoY to 0.9mmscmd.
- We model total volumes of 3.7/4.1/4.6mmscmd in FY13E/FY14E/FY15E. The stock trades at 8.1x FY15E EPS of INR33.
- Post the high court quashing PNGRB's tariff cut order, PNGRB has now approached the Supreme Court and the hearing is still on. Given the uncertainty in likely judgment and impact on the company's profitability, we keep our rating **Under Review**.

### Key issues to watch out

- EBITDA margin
- Sales volume

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>5,364</b>	<b>5,969</b>	<b>6,615</b>	<b>7,203</b>	<b>7,602</b>	<b>8,546</b>	<b>8,694</b>	<b>9,041</b>	<b>25,151</b>	<b>33,884</b>
Change (%)	60.1	34.1	45.5	41.4	41.7	43.2	31.4	25.5	44.2	34.7
<b>EBITDA</b>	<b>1,573</b>	<b>1,574</b>	<b>1,488</b>	<b>1,685</b>	<b>1,793</b>	<b>2,060</b>	<b>1,871</b>	<b>1,916</b>	<b>6,320</b>	<b>7,640</b>
EBITDA (INR/scm)	5.6	5.1	4.7	5.3	5.6	6.1	5.5	5.6	5.2	5.7
% of Net Sales	29.3	26.4	22.5	23.4	23.6	24.1	21.5	21.2	25.1	22.5
Change (%)	47.4	27.9	17.3	24.2	13.9	30.9	25.7	13.7	28.4	20.9
Depreciation	322	344	368	397	427	477	474	449	1,432	1,827
Interest	90	118	135	136	155	140	141	143	479	580
Other Income	24	21	31	27	36	39	26	41	103	141
<b>PBT</b>	<b>1,185</b>	<b>1,132</b>	<b>1,016</b>	<b>1,179</b>	<b>1,247</b>	<b>1,482</b>	<b>1,282</b>	<b>1,365</b>	<b>4,512</b>	<b>5,375</b>
Tax	384	360	324	372	396	489	418	452	1,440	1,756
Rate (%)	32.4	31.8	31.9	31.5	31.8	33.0	32.6	33.1	31.9	32.7
<b>PAT</b>	<b>801</b>	<b>772</b>	<b>692</b>	<b>808</b>	<b>850</b>	<b>992</b>	<b>863</b>	<b>913</b>	<b>3,072</b>	<b>3,619</b>
PAT (INR/scm)	2.8	2.5	2.2	2.5	2.6	2.9	2.5	2.7	2.5	2.7
Change (%)	40.1	16.5	2.9	16.8	6.2	28.5	24.9	13.1	18.3	17.8
<b>EPS (INR)</b>	<b>5.7</b>	<b>5.5</b>	<b>4.9</b>	<b>5.8</b>	<b>6.1</b>	<b>7.1</b>	<b>6.2</b>	<b>6.5</b>	<b>21.9</b>	<b>25.9</b>
<b>Gas Volumes (mmscmd)</b>										
CNG	2.38	2.60	2.64	2.66	2.67	2.80	2.80	2.86	2.57	2.78
PNG	0.71	0.74	0.77	0.86	0.88	0.88	0.91	0.93	0.77	0.90
<b>Total</b>	<b>3.10</b>	<b>3.34</b>	<b>3.41</b>	<b>3.52</b>	<b>3.55</b>	<b>3.69</b>	<b>3.71</b>	<b>3.80</b>	<b>3.34</b>	<b>3.69</b>

E: MOSL Estimates

## MRPL

Bloomberg	MRPL IN
Equity Shares (m)	1,752.6
M. Cap. (INR b)/(USD b)	86/2
52-Week Range (INR)	71/49
1,6,12 Rel Perf. (%)	-12/-17/-29

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	537.7	656.6	689.1	687.3
EBITDA	22.6	13.7	33.6	35.1
Adj. PAT	9.1	0.1	13.8	15.3
Adj. EPS (INR)	5.2	0.1	7.9	8.7
EPS Gr. (%)	-22.8	-98.49	194.5	10.6
BV/Sh. (INR)	41.1	41.2	47.2	54.0
RoE (%)	13.2	0.2	17.8	17.2
RoCE (%)	13.1	2.8	16.8	20.8
Payout (%)	22.4	0.0	23.7	22.8
<b>Valuations</b>				
P/E (x)	9.5	581.0	6.3	5.7
P/BV (x)	1.2	1.2	1.0	0.9
EV/EBITDA (x)	5.4	10.3	4.2	3.4
Div. Yield (%)	2.0	0.0	3.2	3.4

## CMP: INR49

Neutral

- We expect MRPL to report 4QFY13E PAT of INR7.1b (v/s INR6b in 4QFY12 and loss of INR3.6b in 3QFY13).
- EBITDA is expected at INR6.8b (v/s INR7.8b in 4QFY12 and a loss of INR0.8b in 3QFY13). Regional benchmark Reuters Singapore GRM is up 37% QoQ to USD8.7/bbl from USD6.5/bbl due to a decline in fuel oil cracks.
- On the operational front, we expect refinery throughput at 3.8mmt.
- Medium term GRM outlook continues to be subdued due to over capacity and sluggish global demand. Expect GRM to be volatile (in spurts) due to occasional bunching up of shutdowns.
- For MRPL, we model in GRM of USD3.1/bbl for FY13E and USD7/bbl for FY14E. The stock trades at FY15E P/E of 5.7x and EV/EBITDA of 3.4x. Maintain **Neutral**.

## Key issues to watch out

- GRM
- Forex fluctuations
- Inventory changes

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>133,691</b>	<b>116,657</b>	<b>129,308</b>	<b>158,384</b>	<b>128,099</b>	<b>163,101</b>	<b>179,921</b>	<b>185,503</b>	<b>538,040</b>	<b>656,623</b>
Change (%)	69.9	39.6	25.3	27.6	-4.2	39.8	39.1	17.1	38.1	22.0
Raw Material (incl. inv chg)	130,039	110,967	120,688	149,181	133,106	150,154	177,051	177,272	510,876	637,583
Staff Cost	343	369	373	521	421	568	459	447	1,606	1,896
Other Expenditure	1,084	4,567	5,235	861	7,538	809	3,208	959	11,747	12,513
<b>EBITDA</b>	<b>2,225</b>	<b>754</b>	<b>3,011</b>	<b>7,821</b>	<b>-12,966</b>	<b>11,569</b>	<b>-797</b>	<b>6,825</b>	<b>13,811</b>	<b>4,631</b>
% of Net Sales	1.7	0.6	2.3	4.9	n/m	7.1	-0.4	3.7	2.6	0.7
Change (%)	67	-80	-45	-8	n/m	1,435	-126	-13	-27.2	-66.5
Depreciation	-952	-965	-1,174	-1,248	-1,375	-1,456	-1,550	-1,552	-4,339	-5,933
Interest	-270	-999	-423	-375	-1,102	-701	-777	-794	-2,067	-3,374
Other Income	1,352	1,522	248	2,697	495	3,205	192	970	5,819	4,861
<b>PBT b/f forex/exceptional</b>	<b>2,355</b>	<b>312</b>	<b>1,662</b>	<b>8,895</b>	<b>-14,948</b>	<b>12,617</b>	<b>-2,932</b>	<b>5,449</b>	<b>13,224</b>	<b>185</b>
Exceptional items	-11	8	47	-22	0	-30	0	0	22	-30
<b>PBT</b>	<b>2,366</b>	<b>304</b>	<b>1,615</b>	<b>8,918</b>	<b>-14,948</b>	<b>12,647</b>	<b>-2,932</b>	<b>5,449</b>	<b>13,203</b>	<b>216</b>
Tax	-639	-63	-518	-2,897	-257	-796	-664	1,650	-4,116	-67
Rate (%)	n/m	20.6	32.0	32.5	n/m	6.3	n/m	-30.3	31.2	31.0
<b>PAT</b>	<b>1,727</b>	<b>241</b>	<b>1,098</b>	<b>6,021</b>	<b>-15,206</b>	<b>11,851</b>	<b>-3,596</b>	<b>7,099</b>	<b>9,086</b>	<b>149</b>
Change (%)	506.8	-91.5	-65.0	8.9	n/m	4,811.4	n/m	17.9	-22.9	-98.4
<b>EPS (INR)</b>	<b>1.0</b>	<b>0.1</b>	<b>0.6</b>	<b>3.4</b>	<b>-8.7</b>	<b>6.8</b>	<b>-2.1</b>	<b>4.1</b>	<b>5.2</b>	<b>0.1</b>
GRM (USD/bbl)	3.0	1.7	3.8	7.1	-4.2	9.2	1.9	5.3	3.9	3.1
Throughput (mmt)	3.3	3.1	3.0	3.4	2.9	3.6	3.8	3.9	12.8	14.2

E: MOSL Estimates

## Oil India

Bloomberg	OINL IN
Equity Shares (m)	601.1
M. Cap. (INR b)/(USD b)	306/6
52-Week Range (INR)	617/431
1,6,12 Rel Perf. (%)	-1/7/-8

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	97.7	91.3	117.0	144.2
EBITDA	46.9	40.2	59.4	80.0
Adj. PAT	33.7	33.8	43.7	59.8
Adj. EPS (INR)	56.1	56.3	72.7	99.5
EPS Gr. (%)	16.9	0.3	29.1	36.9
BV/Sh.(INR)	295	322	369	437
RoE (%)	20.3	18.3	21.0	24.7
RoCE (%)	27.7	25.2	29.7	34.5
Payout (%)	39.3	51.2	36.1	31.4
<b>Valuations</b>				
P/E (x)	9.1	9.0	7.0	5.1
P/BV (x)	1.7	1.6	1.4	1.2
EV/EBITDA (x)	4.2	5.0	3.3	2.2
Div. Yield (%)	3.7	4.9	4.5	5.3

## CMP: INR509

Buy

- We expect Oil India to report adjusted PAT of INR5.6b (v/s INR4.4b in 4QFY12 and INR9.4b in 3QFY13). OINL's PAT is down QoQ due to higher subsidy sharing at INR26b in 4QFY13 v/s INR19b in 3QFY13 (9MFY13 quarterly average of INR20b). OINL's subsidy sharing has been ad-hoc at USD56/bbl for 9MFY13. However, due to our full year FY13E upstream sharing assumption at 40%, we model higher share of upstream in 4QFY13E. If sharing is maintained at USD56/bbl for 4QFY13, our quarterly PAT will get upgraded by 79% to INR10b.
- We estimate EBITDA at INR6.6b (up 36% YoY and down 42% QoQ). We estimate gross realization at USD113.7/bbl v/s USD119.7 in 4QFY12 and USD108.6 in 3QFY13 and net realization at USD42/bbl v/s USD38.9/bbl in 4QFY12 and USD52.6/bbl in 3QFY13.
- Subsidy sharing: For FY13E/14E/15E, Model upstream sharing at 40% (similar to FY11/FY12), and OINL's share at 13.4% of upstream. We model the company to share INR26.4b (USD71.7/bbl) in 4QFY13E.
- Our Brent price assumption is USD110/bbl for FY13E/14E/15E and at USD95/bbl for long term. Model upstream sharing at 40% in FY13E-15E.
- The stock trades at 5.1x FY15E EPS of INR99.5. We remain positive on OINL due to the recently-announced diesel reforms. **Buy.**

## Key issues to watch out

- (a) Subsidy sharing, (b) Gas price hike (c) DD&A charges and (d) Oil & Gas production volumes.

## Quarterly Performance (Standalone)

(INR Billion)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>22.9</b>	<b>32.7</b>	<b>25.0</b>	<b>17.2</b>	<b>23.3</b>	<b>24.0</b>	<b>24.1</b>	<b>19.8</b>	<b>97.7</b>	<b>91.3</b>
Change (%)	50.2	37.8	4.5	-14.8	2.0	-26.6	-3.3	15.2	0.0	-6.6
<b>EBITDA</b>	<b>12.5</b>	<b>16.2</b>	<b>13.3</b>	<b>4.8</b>	<b>11.0</b>	<b>11.5</b>	<b>11.2</b>	<b>6.6</b>	<b>46.9</b>	<b>40.2</b>
% of Net Sales	54.5	49.5	53.5	28.0	47.0	47.8	46.6	33.1	47.9	44.1
Change (%)	67.8	19.9	-3.4	-50.0	-12.2	-29.2	-15.7	36.2	5.5	267.2
D,D&A	3.6	5.9	2.9	2.8	2.0	2.6	2.2	2.9	15.3	9.7
Interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
OI (incl. Oper. other inc)	3.8	6.8	4.7	4.2	4.8	5.2	4.9	4.7	19.5	19.6
<b>PBT</b>	<b>12.6</b>	<b>17.1</b>	<b>15.1</b>	<b>6.2</b>	<b>13.8</b>	<b>14.1</b>	<b>13.9</b>	<b>8.3</b>	<b>51.0</b>	<b>50.1</b>
Tax	4.1	5.7	5.0	1.7	4.5	4.6	4.5	2.7	16.5	16.3
Rate (%)	32.4	33.5	33.0	28.2	32.5	32.4	32.4	32.6	32.4	32.4
<b>PAT</b>	<b>8.5</b>	<b>11.4</b>	<b>10.1</b>	<b>4.4</b>	<b>9.3</b>	<b>9.5</b>	<b>9.4</b>	<b>5.6</b>	<b>34.5</b>	<b>33.9</b>
Change (%)	69.5	24.3	1.2	-20.9	9.5	-16.2	-7.3	25.9	15.6	-1.8
<b>Adj. PAT</b>	<b>8.5</b>	<b>11.4</b>	<b>10.1</b>	<b>4.4</b>	<b>9.3</b>	<b>9.5</b>	<b>9.4</b>	<b>5.6</b>	<b>34.5</b>	<b>33.9</b>
<b>Adj. EPS (INR)</b>	<b>14.1</b>	<b>18.9</b>	<b>16.9</b>	<b>7.4</b>	<b>15.5</b>	<b>15.9</b>	<b>15.6</b>	<b>9.3</b>	<b>57.3</b>	<b>56.3</b>
<b>Key Assumptions (USD/bbl)</b>										
Exchange rate (INR/USD)	44.7	45.8	51.0	50.2	54.1	55.5	54.2	54.2	47.9	54.5
Gross Oil Realization	116.3	112.5	110.1	119.7	109.8	108.6	108.6	113.7	114.7	110.2
Subsidy	56.8	26.2	53.1	80.8	55.9	56.1	56.0	71.7	54.2	59.9
<b>Net Oil Realization</b>	<b>59.6</b>	<b>86.3</b>	<b>57.0</b>	<b>38.9</b>	<b>53.9</b>	<b>52.5</b>	<b>52.6</b>	<b>42.0</b>	<b>60.4</b>	<b>50.2</b>
<b>Subsidy (INR b)</b>	<b>17.8</b>	<b>8.4</b>	<b>18.5</b>	<b>28.7</b>	<b>20.2</b>	<b>20.8</b>	<b>19.5</b>	<b>26.4</b>	<b>73.5</b>	<b>86.9</b>

E: MOSL Estimates



ONGC

Bloomberg	ONGC IN
Equity Shares (m)	8,555.5
M. Cap. (INR b)/(USD b)	2590/48
52-Week Range (INR)	354/240
1,6,12 Rel Perf. (%)	0/7/6

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	1,464	1,585	1,767	2,008
EBITDA	577.7	538.3	673.6	891.4
Adj. PAT	263.1	255.3	317.8	457.2
Adj. EPS (INR)	30.4	29.6	36.6	52.9
EPS Gr. (%)	23.3	(3.0)	24.5	43.9
BV/Sh. (INR)	159	177	200	233
RoE (%)	20.7	17.6	19.4	24.4
RoCE (%)	19.4	16.5	18.5	23.1
Payout (%)	32.8	39.4	38.3	37.6
<b>Valuations</b>				
P/E (x)	10.0	10.2	8.3	5.7
P/BV (x)	1.9	1.7	1.5	1.3
EV/EBITDA (x)	4.0	4.3	3.3	2.3
Div. Yield (%)	3.2	3.3	4.0	5.6

**CMP: INR303****Buy**

- We expect ONGC to report adjusted PAT of INR37b (v/s INR56.5b in 4QFY12 and INR55.6b in 3QFY13). ONGC's PAT is down QoQ due to higher subsidy sharing at INR26b in 4QFY13 v/s INR19b in 3QFY13 (9MFY13 quarterly average of INR20b). ONGC's subsidy sharing has been ad-hoc at USD56/bbl (implied discount at ~USD62/bbl as volumes of condensate plus crude are used) for 9MFY13. However, due to our full year FY13 upstream sharing assumption at 40%, we model a higher share of upstream in 4QFY13E. If sharing is maintained at USD56/bbl, our quarterly PAT will get upgraded by 49% to INR55b.
- We expect ONGC to report 4QFY13E PAT of INR37b (v/s INR55.6b in 3QFY13). We estimate EBITDA at INR85b (down 23% YoY and 24% QoQ).
- We estimate gross realization at USD113.7/bbl v/s USD121.6 in 4QFY12 and USD110.2 in 3QFY13, and net realization at USD36.6/bbl v/s USD44.3/bbl in 4QFY12 and USD48/bbl in 3QFY13.
- **Subsidy sharing assumption:** For FY13E/14E/15E, we model upstream sharing at 40% (similar to FY11/12), and ONGC's share at ~81.8% of upstream. We expect ONGC to share INR156.5b (USD77/bbl) in 4QFY13E.
- Our brent price assumption is USD110/bbl for FY13E/14E/15E and at USD95/bbl for long term. We model upstream sharing at 40% in FY13E/14E/15E. The stock trades at 5.7x FY15E EPS of INR52.9. **Buy**.

**Key issues to watch out**

- (a) Subsidy sharing, (b) Gas price hike (c) DD&A charges, (d) Oil & gas production volumes and (e) addition to FY13 consolidated numbers led by Azerbaijan acquisition closure.

**Quarterly performance (Standalone)****(INR Billion)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>162.0</b>	<b>226.2</b>	<b>181.2</b>	<b>188.2</b>	<b>200.8</b>	<b>197.9</b>	<b>209.9</b>	<b>177.5</b>	<b>757.6</b>	<b>786.1</b>
Change (%)	18.5	24.3	-2.5	22.2	24.0	-12.5	15.8	-5.7	15.1	3.8
<b>EBITDA</b>	<b>92.7</b>	<b>141.6</b>	<b>106.6</b>	<b>110.6</b>	<b>110.4</b>	<b>102.7</b>	<b>112.4</b>	<b>85.0</b>	<b>451.4</b>	<b>410.4</b>
% of Net Sales	57.2	62.6	58.8	58.8	55.0	51.9	53.5	47.9	59.6	52.2
D,D & A	41.2	32.8	45.3	49.1	32.0	37.3	44.1	49.4	168.4	162.7
Interest	0.0	0.1	0.0	0.2	0.3	0.0	0.0	0.0	0.3	0.3
Other Income	9.3	14.4	44.9	15.1	11.3	20.0	13.9	16.1	83.8	61.3
<b>PBT</b>	<b>60.7</b>	<b>123.2</b>	<b>106.2</b>	<b>76.4</b>	<b>89.4</b>	<b>85.4</b>	<b>82.1</b>	<b>51.8</b>	<b>366.5</b>	<b>308.7</b>
Tax	19.8	36.7	38.7	20.0	28.6	26.4	26.5	14.8	115.2	96.3
Rate (%)	32.5	29.8	36.5	26.1	32.0	30.9	32.2	28.6	31.4	31.2
<b>PAT</b>	<b>40.9</b>	<b>86.4</b>	<b>67.4</b>	<b>56.5</b>	<b>60.8</b>	<b>59.0</b>	<b>55.6</b>	<b>37.0</b>	<b>251.3</b>	<b>212.4</b>
<b>Adjusted PAT</b>	<b>40.9</b>	<b>86.4</b>	<b>46.4</b>	<b>56.4</b>	<b>60.8</b>	<b>59.0</b>	<b>55.6</b>	<b>37.0</b>	<b>230.2</b>	<b>212.4</b>
Change (%)	11.8	60.4	-20.2	119.4	48.4	-31.8	20.0	-34.5	32.0	-7.7
<b>Adj. EPS (INR)</b>	<b>4.8</b>	<b>10.1</b>	<b>5.4</b>	<b>6.6</b>	<b>7.1</b>	<b>6.9</b>	<b>6.5</b>	<b>4.3</b>	<b>26.9</b>	<b>24.8</b>
<b>Key Assumptions (USD/bbl)</b>										
Fx rate (INR/USD)	44.7	45.8	51.0	50.2	54.2	55.2	54.2	54.4	47.9	54.5
Gross Oil Realization	121.3	116.8	111.7	121.6	109.9	109.9	110.2	113.7	117.9	110.9
Subsidy	73.2	33.2	66.8	77.3	63.3	63.1	62.2	77.0	62.6	66.4
<b>Net Oil Realization</b>	<b>48.1</b>	<b>83.6</b>	<b>45.0</b>	<b>44.3</b>	<b>46.6</b>	<b>46.8</b>	<b>48.0</b>	<b>36.6</b>	<b>55.2</b>	<b>44.5</b>
<b>Subsidy (INR b)</b>	<b>120.5</b>	<b>57.1</b>	<b>125.4</b>	<b>141.7</b>	<b>123.5</b>	<b>123.3</b>	<b>124.3</b>	<b>156.5</b>	<b>444.7</b>	<b>527.6</b>

E: MOSL Estimates

# Petronet LNG

Bloomberg	PLNG IN
Equity Shares (m)	750.0
M. Cap. (INR b)/(USD b)	100/2
52-Week Range (INR)	175/122
1,6,12 Rel Perf. (%)	-4/-17/-27

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	227.0	320.7	379.2	457.0
EBITDA	18.3	19.9	20.6	23.2
Adj. PAT	10.6	11.9	10.2	11.5
Adj. EPS (INR)	14.1	15.9	13.6	15.3
EPS Gr. (%)	70.7	12.7	-14.7	12.9
BV/Sh.(INR)	47	60	71	83
RoE (%)	34.1	29.8	20.8	20.0
RoCE (%)	26.6	25.7	31.3	31.7
Payout (%)	20.7	18.4	21.1	19.9
<b>Valuations</b>				
P/E (x)	9.5	8.4	9.8	8.7
P/BV (x)	2.8	2.2	1.9	1.6
EV/EBITDA (x)	6.8	6.2	5.8	5.1
Div. Yield (%)	1.9	1.9	1.8	2.0

## CMP: INR133

Buy

- We expect Petronet to report 4QFY13E PAT of INR2.9b (up 18% YoY and down 9% QoQ). We estimate EBITDA at INR4.9b (up 33% YoY and down 8% QoQ).
- We have built LNG volumes at 2.76mmt in 4QFY13E, marginally lower QoQ. We model 11.1mmtpa volume in FY14E at Dahej, of which 7.5mmtpa would be on long term contract and 3.6mmtpa on short term. We now model 0.2mmt volumes from Kochi in FY14E.
- We estimate 5% hike in re-gasification tariff till FY15E and flat thereafter at Dahej.
- The stock trades at 8.7x FY15E consolidated EPS of INR15.3. Lower spot LNG prices, commissioning of Kochi terminal and sale of ADB's stake are key near term positives for the stock. **Buy**.

### Key issues to watch out

- Commissioning of Kochi terminal
- Spot volumes
- Marketing margin on spot volumes.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>46,233</b>	<b>53,669</b>	<b>63,303</b>	<b>63,754</b>	<b>70,304</b>	<b>75,484</b>	<b>84,228</b>	<b>90,662</b>	<b>226,959</b>	<b>320,678</b>
Change (%)	83.0	75.5	74.5	59.9	52.1	40.6	33.1	42.2	72.0	41.3
Raw Material (incl. inv chg)	41,331	48,138	57,006	59,393	64,328	70,647	78,089	84,880	205,867	297,944
Staff Cost	64	62	64	108	71	87	76	124	298	357
Other Expenditure	457	986	1,153	599	1,335	-431	774	789	3,194	2,467
<b>EBITDA</b>	<b>4,381</b>	<b>4,483</b>	<b>5,080</b>	<b>3,655</b>	<b>4,571</b>	<b>5,182</b>	<b>5,289</b>	<b>4,869</b>	<b>17,600</b>	<b>19,910</b>
% of Net Sales	9.5	8.4	8.0	5.7	6.5	6.9	6.3	5.4	7.8	6.2
Change (%)	76.9	65.1	47.0	4.0	4.3	15.6	4.1	33.2	44.7	13.1
Depreciation	458	463	463	458	459	467	472	478	1,842	1,876
Interest	464	458	393	342	329	317	291	292	1,657	1,229
Other Income	263	201	164	796	266	248	149	194	1,424	857
<b>PBT</b>	<b>3,722</b>	<b>3,763</b>	<b>4,389</b>	<b>3,651</b>	<b>4,048</b>	<b>4,646</b>	<b>4,675</b>	<b>4,293</b>	<b>15,525</b>	<b>17,662</b>
Tax	1,155	1,160	1,435	1,200	1,340	1,500	1,490	1,410	4,950	5,740
Rate (%)	31.0	30.8	32.7	32.9	33.1	32.3	31.9	32.8	31.9	32.5
<b>PAT</b>	<b>2,567</b>	<b>2,603</b>	<b>2,954</b>	<b>2,451</b>	<b>2,708</b>	<b>3,146</b>	<b>3,185</b>	<b>2,883</b>	<b>10,575</b>	<b>11,922</b>
Change (%)	130.5	98.5	72.8	18.8	5.5	20.8	7.8	17.6	70.7	12.7
<b>EPS (INR)</b>	<b>3.4</b>	<b>3.5</b>	<b>3.9</b>	<b>3.3</b>	<b>3.6</b>	<b>4.2</b>	<b>4.2</b>	<b>3.8</b>	<b>14.1</b>	<b>15.9</b>
Dahej Gas Volume (TBTU)	133.4	135.1	144.9	135.0	127.2	135.0	140.6	139.0	548.4	541.8
Dahej Gas Volumes (mmt)	2.7	2.7	2.9	2.7	2.5	2.7	2.8	2.8	10.9	10.8
Kochi Gas Volumes (mmt)								0.0	0.0	0.0
<b>Avg. Dahej Regas (INR/mmbtu)</b>	<b>42.2</b>	<b>41.7</b>	<b>45.2</b>	<b>41.7</b>	<b>45.3</b>	<b>49.2</b>	<b>47.8</b>	<b>45.7</b>	<b>42.7</b>	<b>47.0</b>

E: MOSL Estimates

# Reliance Industries

Bloomberg	RIL IN
Equity Shares (m)	3,228.0
M. Cap. (INR b)/(USD b)	2529/47
52-Week Range (INR)	955/671
1,6,12 Rel Perf. (%)	-3/-8/-2

**CMP: INR783**
**Neutral**

- We estimate RIL to report 4QFY13E GRM at USD10/bbl v/s USD9.6/bbl in 3QFY13. Singapore GRM increased 36% QoQ due to strong auto fuel cracks. We also expect some recovery in petchem profits.
- We expect average 4QFY13E KG-D6 volume of 20mmscmd v/s 24mmscmd in 3QFY13.
- We estimate the company to report PAT of INR54.7b (v/s INR42.4b in 4QFY12 and INR55b in 3QFY13).
- RIL trades at 11x FY15E adjusted EPS of INR78.7. Its new refining/petchem projects are likely to add to earnings from end-FY15E/FY16E, but medium term outlook on core business remains weak, with RoE reaching sub-13%; maintain **Neutral**.

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	3,299	3,721	3,663	3,616
EBITDA	336.2	308.9	305.3	324.1
Adj. PAT	200.4	208.2	216.9	230.6
Adj. EPS (INR)	67.7	71.3	74.2	78.7
EPS Gr. (%)	-1.2	3.9	4.1	6.3
BV/Sh.(INR)	561	619	680	744
RoE (%)	13.0	12.2	11.6	11.2
RoCE (%)	12.1	11.4	11.2	11.2
Payout (%)	14.7	17.7	17.0	16.3
<b>Valuations</b>				
P/E (x)	12.8	12.2	11.7	11.0
P/BV (x)	1.4	1.3	1.2	1.1
EV/EBITDA (x)	7.6	8.3	8.3	7.9
Div. Yield (%)	1.1	1.3	1.3	1.3

**Key issues to watch out**

- GRM
- Petchem margin
- KG-D6 production

**Quarterly Performance (Standalone)**
**(INR Billion)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>810.2</b>	<b>785.7</b>	<b>851.4</b>	<b>851.8</b>	<b>918.8</b>	<b>903.4</b>	<b>938.9</b>	<b>959.9</b>	<b>3,299.0</b>	<b>3,720.8</b>
Change (%)	39.1	36.7	42.4	17.2	13.4	15.0	10.3	12.7	32.9	12.8
<b>EBITDA</b>	<b>99.3</b>	<b>98.4</b>	<b>72.9</b>	<b>65.6</b>	<b>67.5</b>	<b>77.1</b>	<b>83.7</b>	<b>80.7</b>	<b>336.2</b>	<b>308.9</b>
% of Net Sales	12.3	12.5	8.6	7.7	7.3	8.5	8.9	8.4	10.2	8.3
Change (%)	6.3	4.8	-23.7	-33.3	-32.0	-21.7	14.9	22.9	-11.8	-8.1
Depreciation	32.0	29.7	25.7	26.6	24.3	22.8	24.6	23.4	113.9	95.1
Interest	5.5	6.6	6.9	7.7	7.8	7.4	8.1	7.5	26.7	30.8
Other Income	10.8	11.0	17.2	23.0	19.0	21.1	17.4	18.8	61.9	76.4
<b>PBT</b>	<b>72.6</b>	<b>73.2</b>	<b>57.4</b>	<b>54.3</b>	<b>54.3</b>	<b>68.0</b>	<b>68.5</b>	<b>68.5</b>	<b>257.5</b>	<b>259.4</b>
Tax	16.0	16.1	13.0	12.0	9.6	14.3	13.5	13.8	57.1	51.2
Rate (%)	22.1	22.1	22.6	22.0	17.7	21.0	19.7	20.1	22.2	19.7
<b>PAT</b>	<b>56.6</b>	<b>57.0</b>	<b>44.4</b>	<b>42.4</b>	<b>44.7</b>	<b>53.8</b>	<b>55.0</b>	<b>54.7</b>	<b>200.4</b>	<b>208.2</b>
Change (%)	16.7	15.8	-13.6	-21.2	-21.0	-5.7	23.9	29.2	-1.2	267.9
<b>Adj. EPS (INR)</b>	<b>19.4</b>	<b>19.5</b>	<b>15.2</b>	<b>14.5</b>	<b>15.3</b>	<b>18.4</b>	<b>18.8</b>	<b>18.7</b>	<b>68.6</b>	<b>71.2</b>
<b>Key Assumptions (USD/bbl)</b>										
Fx Rate (INR/USD)	44.7	45.8	51.0	50.2	54.2	55.5	54.2	54.2	47.9	54.5
KG-D6 Gas Price (USD/mmbtu)	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Brent Price (USD/bbl)	116.8	112.9	109.3	118.8	108.7	110.2	110.0	113.5	114.5	110.6
RIL GRM	10.3	10.1	6.8	7.6	7.6	9.5	9.6	10.0	8.7	9.2
Singapore GRM	8.6	9.1	7.9	7.5	6.7	9.1	6.5	8.7	8.3	7.9
Premium/(disc) to Singapore	1.7	1.0	-1.1	0.1	0.9	0.4	3.1	1.3	0.4	1.3
KG-D6 Gas Prodn (mmscmd)	48.6	45.3	41.0	35.5	33.0	28.5	24.0	20.5	42.6	26.5
<b>Segmental EBIT Breakup</b>										
Refining	32.0	30.8	16.9	17.0	21.5	35.4	36.2	37.7	96.6	130.8
Petrochemicals	22.2	24.2	21.6	21.7	17.6	17.4	19.4	23.4	89.7	77.7
E&P, others	14.8	15.4	12.9	9.5	9.7	8.7	5.9	4.7	52.7	29.0
<b>Total</b>	<b>69.0</b>	<b>70.4</b>	<b>51.4</b>	<b>48.2</b>	<b>48.8</b>	<b>61.5</b>	<b>61.4</b>	<b>65.8</b>	<b>238.9</b>	<b>237.5</b>

E: MOSL Estimates; EPS adjusted for treasury shares

# Real Estate

## Companies Covered

Anant Raj Industries  
DLF  
Jaypee Infratech  
Mahindra Lifespaces  
Oberoi Realty  
Phoenix Mills  
Prestige Estate Projects  
Unitech

## Macro impetus mixed bag, restrained business focus to pay off during recovery

- Easing of operational constraints and better liquidity outlook (led by interest rate down cycle and developers' focus on cash management) should improve the cash flow position/ leverage levels of developers.
- Concerns like high promoters' pledging, potential default/delay in debt servicing, various non-core overhangs (Unitech's Telco issues, etc) have impacted select stocks that have steadily declined in 4QFY13.
- Fundamentally, we see the situation improving slowly. The pace of approvals has increased, new launches have arrived in the Mumbai and Gurgaon markets in numbers, and some projects have shown encouraging offtake. This augurs well for the near-term operational outlook of companies with smarter operating strategy.
- Developers have demonstrated a focused and rational approach in their business strategy by prioritizing select verticals and performing assets.
- Greater focus on (1) execution and delivery (to clear backlogs faster), (2) faster cash generation from core operations (strategic launches in preferred markets and product segments), (3) selective capex and land banking, (4) smarter, phase-wise sales strategy to combat inflation and cost escalation through the project lifecycle, etc are some approaches gaining popularity among developers.
- We expect these measures to bear fruits from FY14. While it is taking 2-3 years for the overhangs emerging from older strategies to settle, we expect a steady (albeit slow) uptick hereon. We should see a reflection in the P&L over FY14-15.
- We prefer (1) Prestige, Jaypee Infratech and IndiaBulls, followed by (2) Phoenix, DLF and Oberoi. Unitech offers potential (based on blue sky scenario).

## Demand picking up at moderate pace

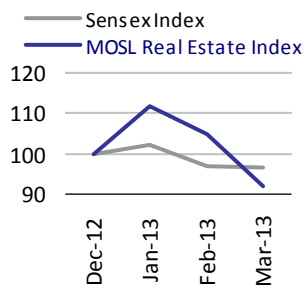
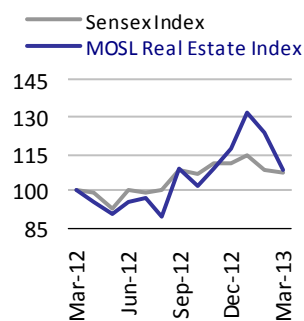
- The southern markets (Bangalore and Chennai) are likely to continue deriving benefits of better affordability, availability and end user demand. Most recent launches of Sobha (Rajaji Nagar), Prestige (Rajaji Nagar and Banashankari), and Puravankara have done well.

## Expected quarterly performance summary

(INR Million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
	<b>26.03.13</b>										
Anant Raj Inds	63	Buy	1,228	173.2	-32.4	499	150.4	-34.4	326	167.4	-40.5
DLF	236	Buy	17,062	-34.8	30.2	7,492	-6.1	760.9	1,361	-35.7	-52.2
Jaypee Infratech	37	Buy	9,652	4.9	3.4	4,817	10.5	14.0	1,837	-47.4	18.5
Mahindra Lifespace	382	Buy	981	-29.9	59.7	227	-28.6	151.1	290	-9.7	114.0
Oberoi Realty	251	Buy	2,605	2.3	-8.9	1,552	-5.5	-9.1	1,279	-10.9	-4.9
Phoenix Mills	262	Buy	706	17.7	1.8	469	29.1	-1.1	333	22.0	-2.4
Prestige Estates	163	Buy	4,804	137.7	-2.4	1,478	115.5	3.8	914	138.9	-0.6
Unitech	22	Buy	6,810	1.4	5.6	1,254	LP	13.2	918	3963.9	9.1
<b>Sector Aggregate</b>			<b>43,848</b>	<b>-10.7</b>	<b>10.2</b>	<b>17,787</b>	<b>14.8</b>	<b>66.9</b>	<b>7,260</b>	<b>-11.1</b>	<b>-14.9</b>

**Sandipan Pal** (Sandipan.Pal@MotilalOswal.com)

**Relative Performance-3m (%)****Relative Performance-1Yr (%)**

- Gurgaon and Mumbai have been witnessing new launches in a seasonally stronger quarter. Absorption of select projects like Sky Court, Ultima (DLF, New Gurgaon), Blue Moon (Lodha, Worli), Godrej Platinum (Vikhroli), etc is encouraging. While prices have been strong in Gurgaon, there is weakness in Mumbai and 80:20 schemes have surged.
- We expect the presales momentum of developers to reflect their individual markets' strengths. Sobha/Prestige should breach their FY13 guidance, DLF/JPIN should catch up partially (with a better 4QFY13 after a subdued 9MFY13), and Oberoi should continue to post similar QoQ run rate.

**Key expectations**

- In 4QFY13, we expect our Real Estate universe to post revenue degrowth of 10.7% YoY (+10.2% QoQ), EBITDA growth of 14.8% YoY (+66.9% QoQ) and PAT degrowth of 11% YoY (-14.9% QoQ).
- We expect FCFE to improve for (a) DLF, IndiaBulls (higher focus on execution), Unitech (uptick in execution post refinancing), Jaypee Infratech and Phoenix (completion of capex projects), and (b) remain stable for Oberoi, Prestige and Sobha.

**Key issues to watch for**

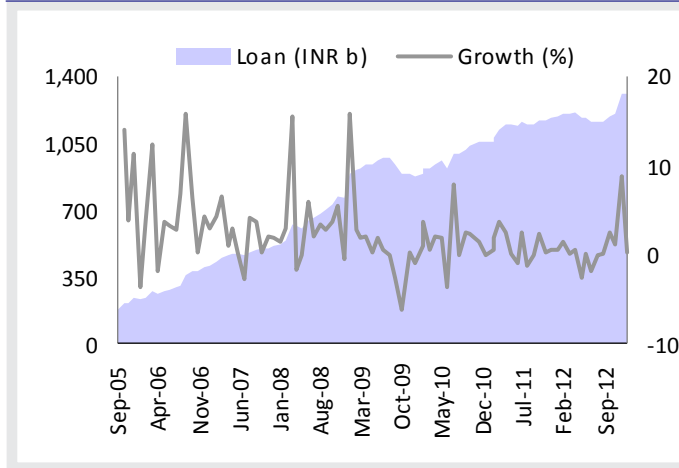
- Status of planned launches and pace of approvals (DLF, IndiaBulls, Godrej)
- Offtake of / demand for recent launches in Mumbai/NCR and FY14 outlook for Bangalore market, which has seen strong pre-sales over the last two years.
- Scale-up in execution, which could be reflected in improvement in revenue booking or cash collections. Unitech's guided ramp-up in construction would be a factor to watch for.
- Leasing velocity and managements' outlook for the commercial vertical.
- New project acquisitions by developers with better liquidity (Oberoi, Mahindra LifeSpaces).
- Any revival in retail development plan post approval of FDI in Retail.

**Quarterly sales trends (INR b)**

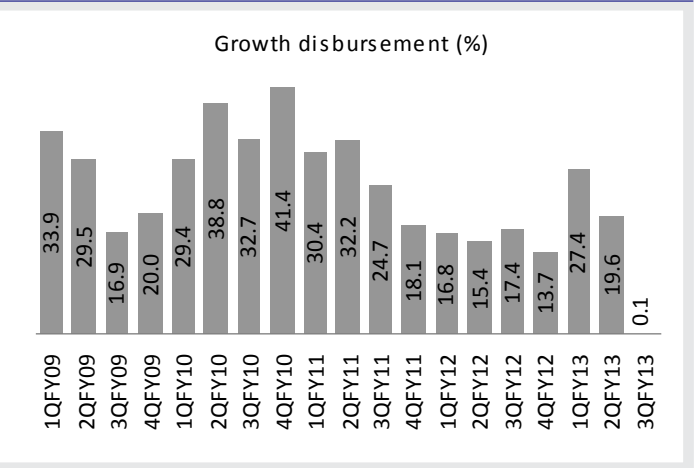
	FY11				FY11	FY12				FY12	FY13			9M FY13
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		1Q	2Q	3Q	
DLF	12.9	12.6	15.0	18.9	59.4	11.1	6.3	11.1	24.3	52.8	6.0	6.3	12.5	24.8
Unitech	13.0	10.1	10.4	9.8	43.2	10.2	10.7	9.4	7.8	38.1	7.0	8.4	6.8	22.2
Anantraj	2.1	0.9	2.3	0.1	5.4	1.0	1.6	0.9	0.9	4.4	1.6	0.7	0.5	2.8
IBREL	3.1	31.0	8.7	5.6	48.4	3.8	4.9	4.5	6.3	19.5	6.0	6.1	12.0	24.1
HDIL	6.4	5.2	7.7	1.5	20.7	1.9	7.7	0.6	0.5	10.6	1.5	2.5	NA	4.0
ORL	1.8	1.4	3.3	3.5	10.1	2.6	2.3	1.8	2.8	9.5	2.1	2.2	2.2	6.5
PEPL	0.8	7.4	3.2	2.5	13.8	2.1	7.8	4.7	6.0	20.6	10.0	8.2	7.5	25.7
MAHLIFE	0.9	2.6	2.3	1.2	7.0	1.7	0.8	3.0	0.6	6.0	0.5	0.9	1.5	2.9
GPL	1.4	0.6	3.3	4.6	10.0	2.3	2.1	3.5	3.5	11.4	5.0	7.2	6.5	18.7
Sobha	2.7	2.7	2.8	2.7	10.9	3.0	4.9	4.5	5.0	17.4	4.8	5.3	5.3	15.4
JPIN	13.9	10.8	6.3	10.0	41.0	5.7	5.8	16.4	11.0	38.9	9.3	13.4	4.0	26.7
Purva	0.7	2.7	2.1	2.1	7.6	2.7	2.0	1.6	2.5	8.8	2.0	2.3	3.6	7.9

Source: Company, MOSL

**Bank loan to developers stood at INR1,311b as on Jan-13**

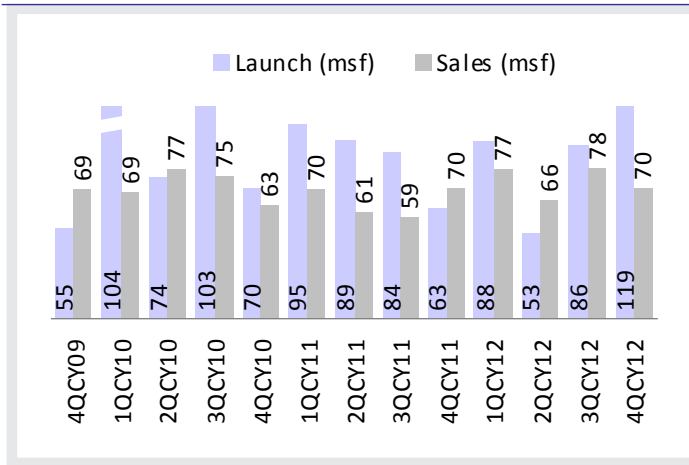


**Home loan disbursement growth flattish in 3QFY13**

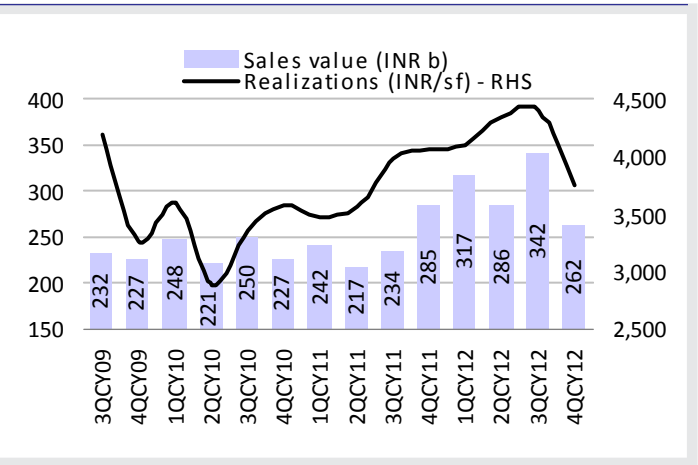


Source: RBI, MOSL

**Top 6 cities launch and sales trend (msf)**

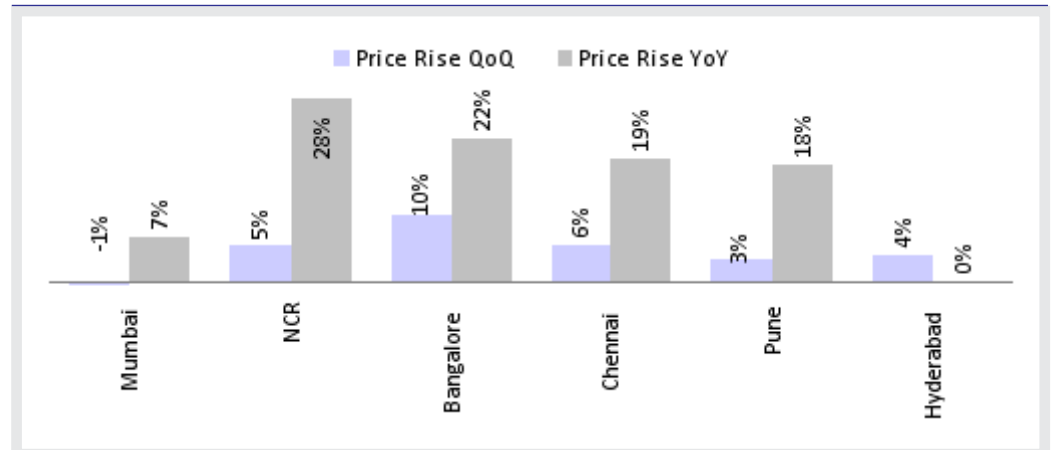


**Sales value (INR b)**



Source: Liases Foras, MOSL

**Price growth (%)**

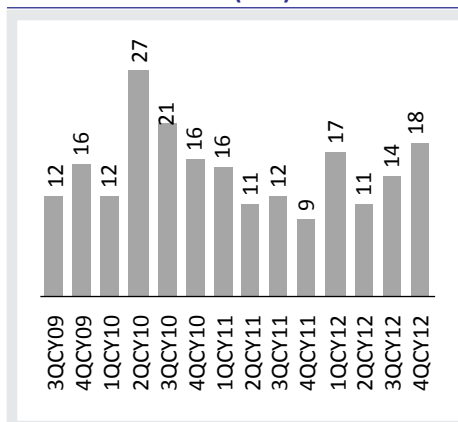


Source: Liases Foras, MOSL

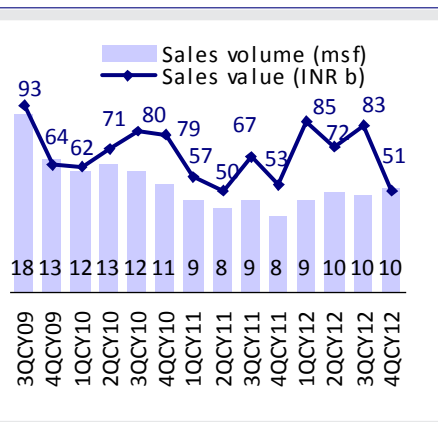


**Mumbai: Uptick in launches; increase in news paper ads; response encouraging for select projects**

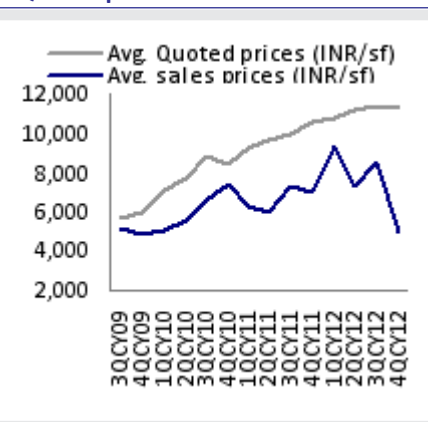
**New launches trend (msf)**



**Sales trend**

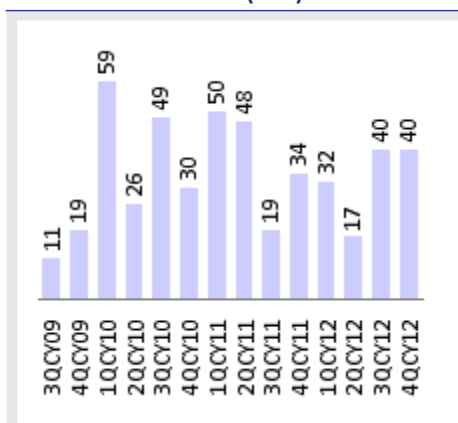


**Quoted prices refuse to fall**

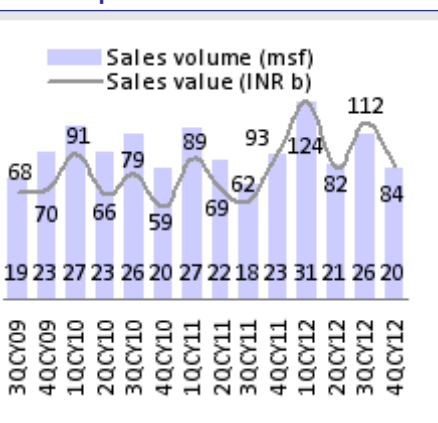


**NCR : Sales uptick led by pick-up in new launches; pricings firm; inventory up QoQ; expressway projects seeing demand improvement**

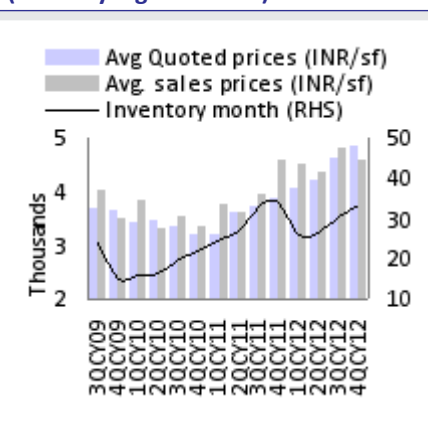
**Launch volume trend (msf)**



**Sales performance trend**

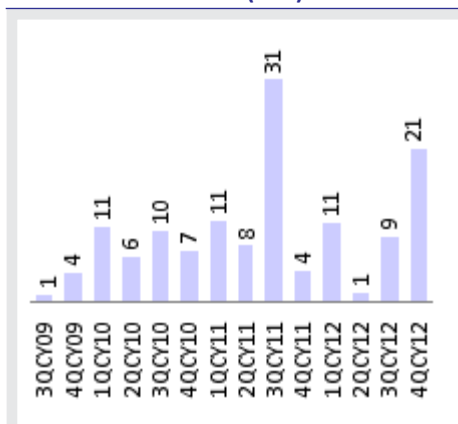


**Pricing firm, inventory level up (still very high at Noida)**

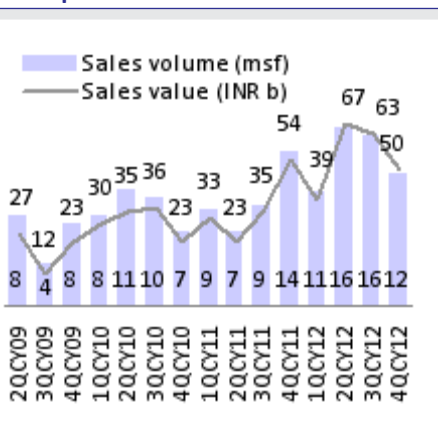


**Bangalore: Outperformance prevails; inventory comfortable; pricing strengthened for advanced projects**

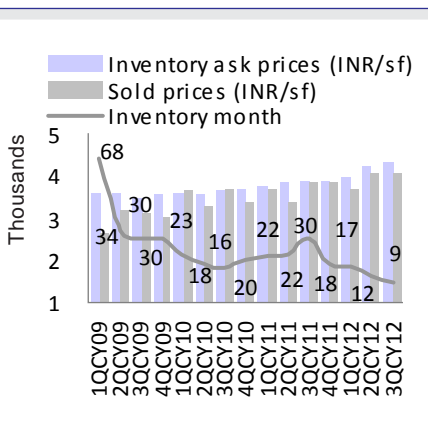
**Launch volume trend (msf)**



**Sales performance trend**



**Pricings movement controlled; Unsold stock low**



Source: Liases Foras/MOSL

**Commercial outlook: Bangalore again the best poised market**

	FY10				FY11				FY12			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Supply (msf)</b>												
NCR	0.2	1.8	0.7	2.8	2.1	2.0	1.6	2.0	1.0	0.7	1.7	1.1
Mumbai	3.9	3.6	2.6	1.2	3.1	3.4	2.4	1.0	2.7	0.5	2.7	1.6
Bangalore	1.7	1.7	0.1	0.8	0.2	1.7	1.6	0.8	1.7	0.7	2.3	0.7
Chennai	2.2	1.0	1.0	-	0.5	2.2	0.8	-	0.3	0.6	0.6	1.2
Pune			0.4	1.0	1.5	2.6	0.6	0.6	0.3	0.2	0.6	0.5
Hyderabad			0.9	0.7	-	1.8	-	-	-	0.3	1.0	0.1
Kolkata			0.1	0.5	1.9	0.4	-	0.3	-	0.2	0.2	0.5
<b>India</b>			<b>5.9</b>	<b>7.0</b>	<b>9.3</b>	<b>14.1</b>	<b>7.0</b>	<b>4.7</b>	<b>6.0</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>
<b>Absorption (msf)</b>												
NCR	1.0	1.0	1.4	1.9	1.2	2.0	1.0	1.6	0.9	1.7	1.2	1.1
Mumbai	2.1	1.9	1.9	2.1	1.3	2.1	1.0	1.2	1.1	0.4	0.9	1.2
Bangalore	1.6	1.9	2.2	2.4	1.7	3.3	2.4	3.0	3.6	1.8	3.0	1.6
Chennai	0.4	0.4	0.8	2.2	1.3	1.1	0.6	1.2	0.7	0.7	0.8	1.4
Pune			0.7	0.9	0.5	1.0	0.4	0.5	0.5	0.3	0.4	0.4
Hyderabad			0.6	1.8	1.9	1.3	0.6	0.4	0.5	0.5	0.8	0.9
Kolkata			0.1	0.1	0.5	0.3	1.4	0.5	0.2	0.5	0.5	0.3
<b>India</b>			<b>7.7</b>	<b>11.4</b>	<b>8.4</b>	<b>11.0</b>	<b>7.4</b>	<b>8.4</b>	<b>7.5</b>	<b>5.9</b>	<b>7.6</b>	<b>6.8</b>
<b>Vacancy (%)</b>												
NCR	32	32	32	33	34	32	32	31	31	30	30	31
Mumbai	21	22	22	20	22	23	24	23	23	23	23	23
Bangalore	26	26	23	21	20	18	18	16	15	14	13	14
Chennai	35	35	34	29	26	26	27	25	24	24	23	20
Pune			24	24	26	28	28	26	26	25	25	25
Hyderabad			16	11	9	10	10	11	10	10	10	8
Kolkata			21	23	28	28	21	19	18	15	14	17
<b>India</b>			<b>25</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>21</b>	<b>20</b>

Source: DTZ

**Comparative valuation**

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Real Estate</b>														
Anant Raj Inds	63	Buy	5.9	8.1	9.9	10.8	7.8	6.4	12.8	8.7	6.8	4.5	5.8	6.6
DLF	236	Buy	5.0	6.1	11.8	47.0	38.6	20.0	22.8	16.3	12.0	3.1	3.7	6.6
Godrej Properties	532	Neutral	16.2	25.5	33.5	32.8	20.8	15.9	21.7	15.5	12.4	8.5	12.2	14.3
HDIL	45	UR	11.4	14.1	18.0	4.0	3.2	2.5	6.8	5.5	4.2	4.5	5.3	6.3
Indiabulls Real Est.	53	Buy	4.3	10.5	13.0	12.3	5.0	4.0	7.6	4.1	3.4	2.5	5.9	6.5
Jaypee Infratech	37	Buy	5.3	7.5	9.4	7.1	5.0	4.0	7.8	5.5	4.5	12.0	15.4	17.1
Mahindra Lifespace	382	Buy	22.8	33.6	41.1	16.8	11.4	9.3	14.6	9.3	7.3	7.6	10.1	11.1
Oberoi Realty	251	Buy	14.9	21.3	30.3	16.9	11.8	8.3	12.1	7.8	5.1	12.4	15.7	19.1
Phoenix Mills	262	Buy	7.4	12.7	21.3	35.3	20.6	12.3	20.7	13.2	8.9	6.0	9.5	14.1
Prestige Estates	163	Buy	6.5	11.0	16.1	25.1	14.8	10.1	12.9	9.2	6.8	9.8	13.3	17.1
Unitech	22	Buy	1.0	1.5	2.0	22.5	14.8	11.2	29.1	18.6	14.1	2.1	3.1	4.0
<b>Sector Aggregate</b>						<b>21.6</b>	<b>15.0</b>	<b>10.4</b>	<b>15.6</b>	<b>10.8</b>	<b>8.2</b>	<b>4.2</b>	<b>5.6</b>	<b>7.7</b>

UR: Under Review

# Anant Raj Industries

Bloomberg	ARCP IN
Equity Shares (m)	294.6
M. Cap. (INR b)/(USD b)	19/0
52-Week Range (INR)	104/43
1,6,12 Rel Perf. (%)	4/-6/0

**CMP: INR63**
**Buy**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	3.1	5.4	7.0	9.3
EBITDA	1.7	2.5	3.5	4.5
Adj PAT	1.1	1.7	2.4	2.9
Adj EPS (INR)	3.8	5.9	8.1	9.9
EPS Growth (%)	-32.5	52.7	38.2	22.3
BV/Share (INR)	129.9	134.6	141.5	150.3
RoE (%)	3.1	4.5	5.8	6.6
RoCE (%)	3.7	4.8	6.5	7.9
Payout (%)	11.7	19.7	14.3	11.7
<b>Valuations</b>				
P/E (x)	16.4	10.8	7.8	6.4
P/BV (x)	0.5	0.5	0.4	0.4
EV/EBITDA (x)	16.6	12.8	8.8	6.8
Div. Yield (%)	0.6	1.6	1.6	1.6

- Revenue to decline QoQ with lower contribution from Golf Course Road Project:** We expect revenue to grow by 173% YoY to INR1.2b, EBITDA by 150% YoY to INR499m and PAT by 167% YoY to INR326m. We estimate EBITDA margin at 41%. The project level contribution would be broadly stable QoQ, barring contribution from the Golf Course Road Project, which we expect to be muted in 4QFY13 due to lower incremental sales.
- Sales at Golf Course Road Project likely to remain subdued:** Sales velocity remains below par at Golf Course Road Project (Sector 63A). ARIL plans to launch the Villa phase (ticket size: INR60m-90m) by April 2013, followed by commercial plots. It sold ~100 additional units in Neemrana (ticket size up at INR1.1m) and 10-15 units in Sector-91 (BSP at INR5.2k/sf).
- Rental income to moderate:** We expect the rental run rate to be lower at INR218m (stable QoQ, down from the run rate of INR250m-260m till 2QFY13), despite ramp-up in Kirti Nagar Mall. This is due to (1) cancellations at Manesar IT Park, and (2) termination of lease agreements by Park Land in Hotel Retreat and Exotica. The Exotica contract has been renewed with Mapple (28% of turnover for initial six months, followed by attached minimum guarantee of INR6m/month). It has tied up with Sagar Ratna for Retreat, where rentals will commence in July 2013 after renovation (minimum guarantee of INR4.5m/month). New leasing remains muted.
- Valuation and view:** ARIL trades at ~43% discount to our one-year forward NAV of INR110/share. It is available at 6.4x FY15E EPS of INR9.9 and 0.4x FY15E BV. Maintain **Buy**.

**Key issues to watch for**

- Cash collections have been disappointing so far. Any improvement would be a key factor to watch.
- Progress in execution and visibility of new leasing.

**Quarterly Performance**

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
<b>Total Sales</b>	<b>838</b>	<b>913</b>	<b>922</b>	<b>449</b>	<b>989</b>	<b>1,373</b>	<b>1,818</b>	<b>1,228</b>	<b>3,115</b>	<b>5,408</b>
Change (%)	-19.0	-31.3	-25.9	-29.1	18.0	50.5	97.3	173.2	-26.5	73.6
<b>EBITDA</b>	<b>493</b>	<b>509</b>	<b>490</b>	<b>199</b>	<b>501</b>	<b>717</b>	<b>760</b>	<b>499</b>	<b>1,699</b>	<b>2,476</b>
Change (%)	-13.3	-18.8	-36.5	-56.2	1.5	40.8	55.0	150	-27.9	45.8
As of % Sales	59	56	53	44	51	52	42	41	55	46
Depreciation	27	30	36	17	32	33	34	35	110	134
Interest	45	57	69	36	37	41	41	58	206	177
Other Income	45	76	51	25	44	41	42	60	195	187
<b>PBT</b>	<b>466</b>	<b>498</b>	<b>437</b>	<b>174</b>	<b>475</b>	<b>683</b>	<b>727</b>	<b>467</b>	<b>1,578</b>	<b>2,353</b>
Tax	115	135	97	48	110	185	178	127	396	600
Effective Tax Rate (%)	24.7	27.2	22.2	27.8	23.3	27.0	26.0	27.2	25.1	25.5
<b>Reported PAT</b>	<b>351</b>	<b>347</b>	<b>315</b>	<b>122</b>	<b>355</b>	<b>502</b>	<b>548</b>	<b>326</b>	<b>1,135</b>	<b>1,733</b>
Change (%)	-23.5	-27.7	-37.4	-60.1	1.2	44.6	74.1	167.4	-32.4	52.7

E MOSL Estimates

**DLF****Buy**

Bloomberg	DLFU IN
Equity Shares (m)	1697.2
M. Cap. (INR b)/(USD b)	401/7
52-Week Range (INR)	289/170
1,6,12 Rel Perf. (%)	-11/1/15

**CMP: INR236****Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	96.3	72.5	87.9	106.3
EBITDA	39.0	26.5	35.7	47.3
Adj PAT	12.0	8.5	10.6	20.5
EPS (INR)	7.1	5.0	6.1	11.8
EPS Gr. (%)	-26.8	-29.0	21.9	93.1
BV/Sh. (INR)	150.9	153.6	165.4	166.9
RoE (%)	4.5	3.1	3.7	6.6
RoCE (%)	7.4	6.3	6.6	8.8
Payout (%)	33.1	46.6	38.2	19.8
<b>Valuations</b>				
P/E (x)	32.7	46.0	37.7	19.5
P/BV (x)	1.5	1.5	1.4	1.4
EV/EBITDA (x)	15.8	22.1	15.8	11.9
Div. Yield (%)	0.9	0.9	0.9	0.9

- **P&L to remain weak:** We estimate revenue at INR17.1b (down 35% YoY), EBITDA at INR7.5b (down 6% YoY) and PAT at INR1.4b (down 36% YoY). We account for no major contribution from the recently concluded asset divestments in other income, as (1) DLF has already booked INR0.65b loss provision for Aman Resort transaction in 3QFY13, and (2) the Wind Mills transaction happened almost at book value.
- **Annual sales to weaken due to delay in luxury launches:** DLF launched three projects in 4QFY13, including (1) Ultima (1.2msf, New Gurgaon Sector-81 at INR9-10k/sf), (2) super luxury project (plots and villas with ticket size of INR17m-85m) at Samavana, Kasauli, and (3) Prime Tower Okhla, New Delhi (at INR15k/sf). However, delay in the launch of its super luxury projects, Crest and Camellia to 1HFY14, would impact annual sales run rate meaningfully (we estimate INR40b v/s INR53b in FY12 and INR24.8b in 9MFY13).
- **Leverage to remain largely unaltered:** After INR18.7b QoQ reduction in 3QFY13, we expect DLF's net debt to remain largely unaltered. Further debt reduction hinges on receipt of payment related to Aman and Wind Mills divestment. We expect operating cash flow to improve.
- **Valuation and view:** DLF trades at 19.5x FY15E EPS of INR11.8, 1.4x FY15E BV, and at ~21% discount to our NAV estimate of INR300/share. Maintain **Buy**.

**Key issues to watch for**

- Launch timeline for Camellia and Crest.
- Progress in execution and improvement in operating cash flows.
- Leasing momentum and outlook.

**Quarterly Performance**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>24,458</b>	<b>25,324</b>	<b>20,344</b>	<b>26,168</b>	<b>21,977</b>	<b>20,395</b>	<b>13,100</b>	<b>17,062</b>	<b>96,294</b>	<b>72,535</b>
Change (%)	20.6	6.9	-18.0	-2.5	(10.1)	-19.5	-35.6	-34.8	0.7	-24.7
<b>EBITDA</b>	<b>11,110</b>	<b>11,730</b>	<b>8,227</b>	<b>7,976</b>	<b>10,670</b>	<b>7,464</b>	<b>870</b>	<b>7,492</b>	<b>39,043</b>	<b>26,496</b>
Change (%)	13.4	26.3	-30.2	19.7	-4.0	-36.4	-89.4	-6.1	4.0	-32.1
As % of Sales	45.4	46.3	40.4	30.5	48.6	36.6	6.6	43.9	40.5	36.5
Depreciation	1,702	1,753	1,797	1,636	1,786	1,837	2,479	1,766	6,888	7,868
Interest	4,964	5,263	6,199	6,039	6,226	5,224	5,809	5,307	22,465	22,565
Other Income	574	448	3,617	1,307	1,311	1,173	9,812	1,463	5,945	13,760
<b>PBT</b>	<b>5,018</b>	<b>5,161</b>	<b>3,848</b>	<b>1,448</b>	<b>3,970</b>	<b>1,575</b>	<b>2,395</b>	<b>1,882</b>	<b>15,635</b>	<b>9,823</b>
Tax	1,278	1,475	1,353	-413	1,137	394	-84	468	3,694	1,915
Effective Tax Rate (%)	25	28.6	35	-28.5	29	25.0	-3	25	23.6	19.5
<b>Reported PAT</b>	<b>3,584</b>	<b>3,724</b>	<b>2,584</b>	<b>2,117</b>	<b>2,928</b>	<b>1,385</b>	<b>2,848</b>	<b>1,361</b>	<b>12,008</b>	<b>8,522</b>
<b>Adj. PAT</b>	<b>3,584</b>	<b>3,724</b>	<b>2,584</b>	<b>2,117</b>	<b>2,928</b>	<b>1,385</b>	<b>2,848</b>	<b>1,361</b>	<b>12,008</b>	<b>8,522</b>
Change (%)	(12.8)	(11.0)	(44.5)	(38.6)	(18.3)	(62.8)	10.2	-35.7	(26.8)	(29.0)

E: MOSL Estimates

# Jaypee Infratech

Bloomberg	JPIN IN
Equity Shares (m)	1388.9
M. Cap. (INR b)/(USD b)	52/1
52-Week Range (INR)	62/35
1,6,12 Rel Perf. (%)	-10/-29/-31

**CMP: INR37**
**Buy**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	31.6	32.8	45.2	51.2
EBITDA	16.5	15.3	21.7	25.3
Adj PAT	12.9	7.3	10.4	13.0
Adj EPS (INR)	9.3	5.3	7.5	9.4
EPS Gr. (%)	-10.1	-43.4	42.7	25.1
BV/Sh. (INR)	41.6	45.7	51.4	58.5
RoE (%)	24.5	12.0	15.4	17.1
RoCE (%)	13.8	11.7	15.4	16.7
Payout (%)	12.6	22.3	23.4	25.0
<b>Valuations</b>				
P/E (x)	4.0	7.1	5.0	4.0
P/BV (x)	0.9	0.8	0.7	0.6
EV/EBITDA (x)	7.1	7.8	5.5	4.5
Div. Yield (%)	2.7	2.7	4.0	5.4

- **Revenue, EBITDA to remain stable sequentially:** We estimate revenue at INR9.7b (+5% YoY), EBITDA at INR4.8b (+11% YoY) and PAT at INR1.9b (-47% YoY). The PAT decline is attributable to higher interest and depreciation accruing from the expressway project.
- **Operations to improve QoQ:** We expect JPIN's sales momentum to improve after a weak 3QFY13, as there has been encouraging response in the Agra parcel in 4QFY13. We model annual sales of INR39b (v/s 9MFY13 sales of INR27b). We expect customer collections of INR8b-9b in 3QFY13.
- **Re-financing to moderate CoD:** JPIN has raised ~INR66b debt from IDBI Bank at favorable interest rate (12-12.75%) to repay existing high cost debt (average CoD: 14.5%) pertaining to the execution of Yamuna Expressway. The refinancing will moderate CoD by ~200bp on repaid debt i.e. ~INR60b (v/s new loan of INR66b). The overall repayment period gets extended by six years to FY31 (v/s FY25 earlier).
- **Valuation and view:** JPIN trades at 4x FY15E EPS of INR9.4, 0.6x FY15E BV, and at ~57% discount to our NAV estimate of INR84/share. Maintain **Buy**.

**Key issues to watch for**

- Progress in projects, for which delivery was scheduled in FY13.
- Traffic growth and toll revenue trend in Expressway.
- Response to Agra launch.
- Any progress in deleveraging, led by healthy operating cash flow.

**Quarterly Performance**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	Cons.	Cons.
<b>Sales</b>	<b>6,170</b>	<b>7,158</b>	<b>9,027</b>	<b>9,205</b>	<b>6,783</b>	<b>7,047</b>	<b>9,331</b>	<b>9,652</b>	<b>31,559</b>	<b>32,813</b>
Change (%)	3.4	0.6	19.5	28.8	9.9	-1.5	3.4	4.9	13.6	4.0
Total Expenditure	3,196	3,225	4,055	4,848	4,062	3,462	5,107	4,836	15,067	17,467
<b>EBITDA</b>	<b>2,974</b>	<b>3,933</b>	<b>4,972</b>	<b>4,357</b>	<b>2,721</b>	<b>3,584</b>	<b>4,224</b>	<b>4,817</b>	<b>16,492</b>	<b>15,346</b>
Change (%)	-39.8	-23.1	4.4	30.6	-8.5	-8.9	-15.0	10.5	-9.1	-6.9
As of % Sales	48.2	54.9	55.1	47.3	40.1	50.9	45.3	49.9	52.3	46.8
Depreciation	4	4	4	4	6	35	54	78	16	172
Interest	64	65	99	147	98	1,323	2,259	2,533	632	6,213
Other Income	67	20	33	11	8	35	27	90	130	160
<b>PBT</b>	<b>2,973</b>	<b>3,883</b>	<b>4,902</b>	<b>4,217</b>	<b>2,625</b>	<b>2,262</b>	<b>1,939</b>	<b>2,295</b>	<b>15,974</b>	<b>9,121</b>
Tax	595	777	981	724	525	453	388	459	3,077	1,824
Effective Tax Rate (%)	20.0	20.0	20.0	17.2	20.0	20.0	20.0	20.0	19.3	20.0
<b>Reported PAT</b>	<b>2,378</b>	<b>3,106</b>	<b>3,921</b>	<b>3,493</b>	<b>2,099</b>	<b>1,810</b>	<b>1,551</b>	<b>1,837</b>	<b>12,897</b>	<b>7,296</b>
Change (%)	-39.8	-24.6	3.0	51.2	-11.7	-41.7	-60.5	-47.4	-10.1	-43.4
<b>Adj PAT</b>	<b>2,378</b>	<b>3,106</b>	<b>3,921</b>	<b>3,493</b>	<b>2,099</b>	<b>1,810</b>	<b>1,551</b>	<b>1,837</b>	<b>12,897</b>	<b>7,296</b>
Change (%)	-39.8	-24.6	3.0	39.7	-11.7	-41.7	-60.5	-47.4	-10.1	-43.4

E: MOSL Estimates

# Mahindra Lifespaces

Bloomberg	MLIFE IN
Equity Shares (m)	40.8
M. Cap. (INR b)/(USD b)	16/0
52-Week Range (INR)	452/284
1,6,12 Rel Perf. (%)	-5/1/11

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	7.0	6.1	8.7	8.9
EBITDA	1.9	1.5	2.3	2.8
Adj PAT	1.2	0.9	1.4	1.7
Adj EPS (INR)	29.2	22.8	33.6	41.1
EPS Growth (%)	10.1	-22.0	47.6	22.1
BV/Share (INR)	283	301	331	371
RoE (%)	10.3	7.6	10.1	11.1
RoCE (%)	10.9	7.9	11.3	12.4
Payout (%)	22.8	28.6	18.8	15.2
<b>Valuations</b>				
P/E (x)	13.1	16.8	11.4	9.3
P/BV (x)	1.3	1.3	1.2	1.0
EV/EBITDA (x)	10.9	14.6	9.3	7.3
Div. Yield (%)	1.3	1.3	1.3	1.3

**CMP: INR382**

**Buy**

- **Standalone numbers to decline YoY:** We expect standalone revenue to decline 30% YoY to ~INR1b, EBITDA to decline 29% YoY to INR227m and PAT to decline 10% YoY to INR290m.
- **No new launches in 4Q:** MLIFE did not launch any project in 4QFY13. In 3QFY13, it made an entry into the Hyderabad market, with the launch of a premium residential project, Ashvita at Kukatpally at INR3,900/sf.
- **Pre-sales to remain stable QoQ:** We expect pre-sales momentum to remain stable QoQ. We estimate annual pre-sales of INR4.5b (v/s INR2.9b in 9MFY13 and INR5.9b in FY12).
- **Bought back stake in MRDL from Arch Capital:** In March 2013, MLIFE bought back the 49% stake of Arch Capital in MRDL (holding company of Aqualily Projects) at an indicative price of ~INR700m (media sources).
- **Valuation and view:** The stock trades at ~30% discount to our one-year forward SOTP value of INR538/share, 9.3x FY15E EPS of INR41.1, and 1x FY15E BV. Maintain **Buy**.

### Key issues to watch for

- Progress in approvals for stated launches at Chennai (Avadi) and Pune.
- Leasing progress in Jaipur DTA.
- Progress of land acquisition in North Chennai SEZ.

## Quarterly Performance (Standalone)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>815</b>	<b>938</b>	<b>1,538</b>	<b>1,400</b>	<b>1,041</b>	<b>838</b>	<b>614</b>	<b>981</b>	<b>4,690</b>	<b>3,474</b>
Change (%)	19.9	5.4	-1.3	-14.6	27.8	-10.6	-60.1	-29.9	-1.6	-25.9
Total Expenditure	642	679	1,076	1,082	723	688	524	753	3,479	2,687
<b>EBITDA</b>	<b>172</b>	<b>258</b>	<b>462</b>	<b>318</b>	<b>319</b>	<b>151</b>	<b>91</b>	<b>227</b>	<b>1,210</b>	<b>787</b>
As % of Sales	21.2	27.5	30.0	22.7	30.6	18.0	14.7	23.2	25.8	22.7
Change (%)	6.1	10.6	7.9	-21.2	84.8	-41.7	-80.4	-28.6	-1.4	-35.0
Depreciation	7	7	7	7	4	4	4	16	27	29
Interest	2	5	2	20	14	14	19	39	30	86
Other Income	91	182	87	162	134	301	133	236	522	803
<b>PBT</b>	<b>255</b>	<b>428</b>	<b>539</b>	<b>453</b>	<b>434</b>	<b>433</b>	<b>200</b>	<b>409</b>	<b>1,676</b>	<b>1,476</b>
Tax	84	114	144	132	141	119	64	119	474	443
Effective Tax Rate (%)	32.9	26.6	31.0	29.1	32.5	27.5	31.0	29.0	28.3	30.0
<b>Adj. PAT</b>	<b>171</b>	<b>314</b>	<b>395</b>	<b>321</b>	<b>293</b>	<b>314</b>	<b>136</b>	<b>290</b>	<b>1,202</b>	<b>1,033</b>
Change (%)	18.0	27.4	18.1	5.3	71.5	-0.1	-65.7	-9.7	16.6	-14.0

E: MOSL Estimates; \*Revenue outside Standalone is largely contributed by Mahindra World City (MWC) Chennai and Jaipur



# Oberoi Realty

Bloomberg	OBER IN
Equity Shares (m)	328.2
M. Cap. (INR b)/(USD b)	82/2
52-Week Range (INR)	328/225
1,6,12 Rel Perf. (%)	-10/-5/-12

**CMP: INR251**

**Buy**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	8.2	10.0	14.4	21.6
EBITDA	4.8	5.9	8.7	13.2
Adj PAT	4.6	4.9	7.0	9.9
Adj EPS (INR)	14.1	14.9	21.3	30.3
EPS Growth (%)	-10.5	5.4	43.0	42.4
BV/Share (INR)	113.8	126.3	145.2	171.9
RoE (%)	13.1	12.4	15.7	19.1
RoCE (%)	17.1	16.9	21.7	27.2
Payout (%)	16.6	15.7	11.0	11.6
<b>Valuations</b>				
P/E (x)	19.7	18.7	13.1	9.2
P/BV (x)	2.4	2.2	1.9	1.6
EV/EBITDA (x)	16.2	13.6	8.8	5.8
Div. Yield (%)	0.7	0.7	0.7	1.1

■ **EBITDA, PAT to decline YoY:** We expect revenue to grow 2% YoY to INR2.6b, EBITDA to decline 6% YoY to INR1.6b, and PAT to decline ~11% YoY to INR1.3b. EBITDA margin would be 60%. Revenue recognition from Esquire has already been delayed to FY14 due to prolonged construction stagnancy owing to absence of layout approval under new DCR.

■ **Sales run rate to remain flat QoQ:** 4QFY13 sales run rate is likely to remain largely flat QoQ. Oberoi has increased prices across projects - by INR1,000/sf to INR16,500/sf / INR13,500/sf for Exquisite/Esquire and by INR500/sf to INR15,000/sf for Splendor/Grande. We expect delivery for Exquisite by March 2014. The handover process is underway for Grande.

■ **Valuation and view:** The stock trades at 9.2x FY15E EPS of INR30.3, 1.6x FY15E BV and at ~28% discount to our NAV estimate of INR350/share. Maintain **Buy**.

## Key issues to watch for

- Sales momentum in Esquire (Goregaon) and Grande (Andheri).
- Visibility on new launches (Mulund/Phase III of Exquisite).
- Visibility on new project acquisition.
- Leasing visibility in Commerz II Phase I.
- Visibility on change in usage at JVLR project from commercial to residential.

## Consolidated Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Total Revenue</b>	<b>1,609</b>	<b>2,226</b>	<b>1,873</b>	<b>2,548</b>	<b>1,999</b>	<b>2,577</b>	<b>2,861</b>	<b>2,605</b>	<b>8,247</b>	<b>10,042</b>
Change (%)	0.5	30.9	-53.0	-4.5	24.2	15.7	52.8	2.3	-17.2	21.8
Total Expenditure	706	1,071	739	906	860	1,081	1,155	1,053	3,412	4,149
<b>EBITDA</b>	<b>903</b>	<b>1,156</b>	<b>1,134</b>	<b>1,642</b>	<b>1,139</b>	<b>1,496</b>	<b>1,707</b>	<b>1,552</b>	<b>4,835</b>	<b>5,894</b>
Change (%)	6.6	14.8	-54.1	13.3	26.1	29.5	50.5	-5.5	-16.2	21.9
As of % Sales	56	52	60.5	64.5	57	58	59.7	60	58.6	58.7
Depreciation	65	66	68	70	70	71	71	70	269	283
Interest	1	0	1	1	1	1	1	0	3	0
Other Income	542	343	310	307	309	250	219	292	1,501	1,071
<b>PBT</b>	<b>1,374</b>	<b>1,432</b>	<b>1,375</b>	<b>1,879</b>	<b>1,376</b>	<b>1,674</b>	<b>1,854</b>	<b>1,775</b>	<b>6,059</b>	<b>6,677</b>
Tax	316	317	354	443	368	430	509	497	1,430	1,804
Effective Tax Rate (%)	20.0	22.2	25.8	23.6	26.8	25.7	27.5	28.0	23.6	27.0
<b>Reported PAT</b>	<b>1,058</b>	<b>1,114</b>	<b>1,021</b>	<b>1,436</b>	<b>1,008</b>	<b>1,244</b>	<b>1,345</b>	<b>1,279</b>	<b>4,629</b>	<b>4,873</b>
Change (%)	32.5	16.7	-50.3	5.1	-4.7	11.6	31.7	-10.9	-10.5	5.4

E: MOSL Estimates

# Phoenix Mills

Bloomberg	PHNX IN
Equity Shares (m)	144.8
M. Cap. (INR b)/(USD b)	38/1
52-Week Range (INR)	286/155
1,6,12 Rel Perf. (%)	3/34/19

## CMP: INR262

Buy

### Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	3.7	4.5	8.2	12.2
EBITDA	2.1	2.6	4.6	6.6
Adj PAT	1.1	1.1	1.8	3.1
EPS (INR)	7.3	7.4	12.7	21.3
EPS Growth (%)	25.5	1.9	70.8	67.9
BV/Share (INR)	118.1	123.2	133.5	151.3
RoE (%)	6.2	6.0	9.5	14.1
RoCE (%)	6.1	6.4	9.0	12.3
Payout (%)	32.1	31.5	18.4	16.5
<b>Valuations</b>				
P/E (x)	35.9	35.3	20.6	12.3
P/BV (x)	2.2	2.1	2.0	1.7
EV/EBITDA (x)	25.4	20.7	13.2	8.9
Div. Yield (%)	0.8	0.8	0.8	1.1

- **HSP's rentals to be largely stable QoQ:** We estimate High Street Phoenix's (HSP) 4QFY13 rentals at INR706m (largely stable QoQ), EBITDA at INR469m and PAT at INR333m, up 22%. The revenue sharing component at HSP has been rising and currently stands at ~15%.
- **ARR for Shangri La Hotel at INR11k/day:** Shangri La Hotel operated at ~85% occupancy on 135 rooms initially opened. With additional rooms opening up (taking the total to 190 rooms), occupancy declined to 60-65%. The management plans to open the remaining rooms by April 2013, taking the total count to 390 rooms. ARR stood at INR11k/day.
- **Chennai Mall ramping up steadily:** Chennai Mall has been ramping up steadily, with 170 stores currently yielding rentals (v/s 125 stores in January 2013 inauguration) of ~INR50m/month.
- **Volume slowdown post price increase:** After increase in prices, sales volumes at Bangalore and Chennai residential projects slowed. This is also the case for the commercial phase in Kurla, Mumbai.
- **Net debt to increase marginally:** We expect net debt to increase by INR200m-250m, led by construction funding in commercial and residential projects at Phase II of Market City SPVs.
- **Valuation and view:** The stock trades at 12.3x FY15E EPS of INR21.3, 1.7x FY15E BV, and at 21% discount to its one-year forward NAV of INR331/share. **Buy.**

### Key issues to watch for

- Sales momentum in commercial and residential projects in Market City.
- Progress on ramp-up in recently-commenced malls.
- Improvement in operating cash flow, which can lead to deleveraging.

### Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	Cons.	Cons.
<b>Sales</b>	<b>535</b>	<b>539</b>	<b>577</b>	<b>600</b>	<b>626</b>	<b>665</b>	<b>693</b>	<b>706</b>	<b>3,666</b>	<b>4,522</b>
Change (%)	32.4	21.5	28.1	28.3	17.0	23.4	20.1	17.7	74.4	23.4
Total Expenditure	205	205	204	237	232	226	219	237	1,552	1,918
<b>EBITDA</b>	<b>331</b>	<b>333</b>	<b>373</b>	<b>363</b>	<b>394</b>	<b>438</b>	<b>474</b>	<b>469</b>	<b>2,114</b>	<b>2,605</b>
Change (%)	12.6	5.1	14.0	13.2	19.3	31.4	27.0	29.1	50.4	23.2
As % of Sales	62	62	65	61	63	66	68	66	57.7	57.6
Depreciation	67	69	74	73	67	69	69	70	563	685
Interest	10	31	57	68	58	72	70	76	944	1,281
Other Income	110	89	113	146	143	156	126	145	446	508
<b>PBT</b>	<b>363</b>	<b>323</b>	<b>355</b>	<b>368</b>	<b>413</b>	<b>454</b>	<b>461</b>	<b>468</b>	<b>1,053</b>	<b>1,146</b>
Tax	91	84	86	95	107	123	120	135	189	286
Effective Tax Rate (%)	25	26	24	26	26	27	26	29	18.0	25.0
<b>Adj. PAT</b>	<b>272</b>	<b>239</b>	<b>269</b>	<b>273</b>	<b>306</b>	<b>330</b>	<b>341</b>	<b>333</b>	<b>1,056</b>	<b>1,076</b>
Change (%)	49.1	8.0	13.1	0.6	12.4	38.2	26.9	22.0	25.5	1.9

E: MOSL Estimates

# Prestige Estate Projects

Bloomberg	PEPL IN
Equity Shares (m)	350.0
M. Cap. (INR b)/(USD b)	57/1
52-Week Range (INR)	195/96
1,6,12 Rel Perf. (%)	-2/14/53

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	10.5	16.0	21.8	29.3
EBITDA	3.0	5.5	7.6	10.5
Adj PAT	0.8	2.3	3.6	5.3
Adj EPS (INR)	2.4	6.5	11.0	16.1
EPS Growth (%)	-51.7	174.8	70.0	46.1
BV/Share (INR)	65.6	81.7	90.9	104.7
RoE (%)	4.1	9.8	13.3	17.1
RoCE (%)	6.6	11.0	14.2	17.8
Payout (%)	55.8	20.4	15.9	14.3
<b>Valuations</b>				
P/E (x)	69.0	25.1	14.8	10.1
P/BV (x)	2.5	2.0	1.8	1.6
EV/EBITDA (x)	23.7	12.3	8.7	6.5
Div. Yield (%)	0.7	0.7	0.9	1.2

## CMP: INR163

Buy

- P&L to remain strong:** We expect PEPL to maintain its scaled-up run rate, with steady execution and likely commencement of revenue from projects with high pre-sales (like Bell Vista and Royal Woods). We estimate standalone revenue at INR4.8b (+138% YoY), EBITDA at INR1.5b (+116% YoY) and PAT at INR914m (+139% YoY).
- Pre-sales to surpass our earlier estimate:** During 4QFY13, PEPL launched (1) Brooklyn Heights (0.27msf, at INR7k-7.5k/sf) in Banashankari (Bangalore) and sold ~60%, and (2) West Wood at Rajaji Nagar (1.02msf, at INR7.5k/sf) and sold ~75%. These coupled with steady run rate from ongoing projects would help take annual sales to ~INR33b (v/s our earlier estimate of INR30b). PEPL plans to launch ~12msf along with two Chennai projects, and plans a phased launch of Lakeside Habitat and Electronic City in FY14.
- Minor delay in Cessna, Vijaya Mall completion:** We see moderate delay in overall completion of Cessna Block-7 (would generate rent from July 2013) and Vijaya Mall (expected inauguration in April 2013), while Exora Block-3 would commence rentals from April/May 2013. The management expects 50-60% occupancy for Vijaya Mall (Chennai) during inauguration. We estimate actual rentals of INR2.05b in FY13 and annualized rentals of INR2.8b (delayed to 2QFY14 onwards).
- Valuation and view:** The stock trades at a ~26% discount to our one-year forward SOTP value of INR220/share, 10.1x FY15E EPS of INR16.1 and 1.6x FY15E BV. Maintain **Buy**.

### Key issues to watch for

- Execution progress in ongoing projects and cash collection.
- Leasing outlook for FY14.
- Guidance for new launches and FY14 pre-sales.
- Reduction in debtors.

## Consolidated Quarterly Performance

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	Cons.	Cons.
<b>Total Revenue</b>	<b>2,484</b>	<b>1,281</b>	<b>1,669</b>	<b>2,021</b>	<b>2,192</b>	<b>2,414</b>	<b>4,921</b>	<b>4,804</b>	<b>10,523</b>	<b>16,030</b>
Change (%)	-4	-57	-54	-56.6	-12	88.5	195	137.7	(31.8)	52.3
Total Expenditure	1,795	788	1,167	1,335	1,488	1,689	3,497	3,325	7,475	10,479
<b>EBITDA</b>	<b>689</b>	<b>493</b>	<b>501</b>	<b>686</b>	<b>704</b>	<b>725</b>	<b>1,424</b>	<b>1,478</b>	<b>2,966</b>	<b>5,465</b>
Change (%)	38.1	-47.5	-46.4	-20.7	2.1	47.2	184.1	115.5	-20.7	84.2
As of % Sales	27.7	38.4	30.0	34.0	32.1	30.0	28.9	30.8	28	34
Depreciation	80	80	82	83	77	83	83	84	605	908
Interest	232	193	159	181	240	191	209	220	1,193	1,515
Other Income	126	127	129	156	272	195	195	180	342	604
<b>PBT</b>	<b>503</b>	<b>347</b>	<b>389</b>	<b>579</b>	<b>659</b>	<b>647</b>	<b>1,328</b>	<b>1,354</b>	<b>1,510</b>	<b>3,645</b>
Tax	139	84	108	196	166	190	407	440	626	1,276
Effective Tax Rate (%)	27.5	24.2	27.8	33.8	25.2	29.3	30.7	32.5	41.5	35.0
<b>Reported PAT</b>	<b>364</b>	<b>263</b>	<b>281</b>	<b>383</b>	<b>493</b>	<b>457</b>	<b>920</b>	<b>914</b>	<b>884</b>	<b>2,369</b>
<b>Adj PAT</b>	<b>364</b>	<b>263</b>	<b>281</b>	<b>383</b>	<b>493</b>	<b>457</b>	<b>920</b>	<b>914</b>	<b>826</b>	<b>2,269</b>
Change (%)	46.2	-51.4	-48.4	-45.4	35.3	73.9	227.9	138.9	-51.7	174.8

E: MOSL Estimates

# Unitech

Bloomberg	UT IN
Equity Shares (m)	2438.8
M. Cap. (INR b)/(USD b)	54/1
52-Week Range (INR)	41/18
1,6,12 Rel Perf. (%)	-21/-11/-32

## CMP: INR22

Buy

### Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	24.2	22.7	27.7	31.6
EBITDA	3.3	3.7	5.8	7.5
Adj PAT	2.4	2.6	3.9	5.2
Adj. EPS (INR)	0.9	1.0	1.5	2.0
EPS Growth (%)	-58.2	8.2	51.8	32.4
BV/Share (INR)	37.8	38.6	39.8	49.5
RoE (%)	2.0	2.1	3.1	4.0
RoCE (%)	2.8	2.6	3.5	4.5
Payout (%)	0.0	8.9	9.8	10.0
<b>Valuations</b>				
P/E (x)	24.4	22.5	14.8	11.2
P/BV (x)	0.6	0.6	0.6	0.4
EV/EBITDA (x)	33.9	30.2	19.3	14.7
Div. Yield (%)	0.0	0.5	0.7	0.9

- **Expect revenue booking to improve:** We estimate revenue at INR6.8b (up 1.4% YoY), EBITDA at INR1.25b and PAT at INR918m. EBITDA margin would expand 1.2pp QoQ to 18.4%.
- **New launches subdued:** Focus on new launches has been low (as guided by the management earlier) to prioritize execution of ongoing projects. We expect sales run rate to remain stable, led by Noida projects. The company plans to resume new launches in Gurgaon from 1QFY14.
- **Execution run rate contingent on liquidity improvement:** Major portion of the FY13 repayment obligation has been re-financed. We expect steady uptick in execution in each quarter. Unitech plans to increase on-field workforce from the current 21k to 25k by March 2013 and to 30k by December 2013.
- **Valuation and view:** Unitech trades at 58% discount to its one-year forward NAV of INR58/share, and at 11.2x FY15E EPS of INR2 and 0.4x FY15E BV of INR49.5. Maintain **Buy**.

### Key issues to watch for

- Sales momentum on the back of lesser new launches (estimate INR29b for FY13).
- Progress in construction and delivery (company aims at quarterly run rate of INR4b-4.5b v/s INR3b currently), along with improvement in debtor days. Unitech targets to increase total worker strength from 20,000 currently to 25,000 by March 2013.
- Clarity on divestment of maturing UCP assets.
- Clarity on Telco provisioning.

### Quarterly Performance

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>6,155</b>	<b>6,261</b>	<b>5,086</b>	<b>6,717</b>	<b>4,077</b>	<b>5,398</b>	<b>6,447</b>	<b>6,810</b>	<b>24,219</b>	<b>22,733</b>
Change (%)	-25.7	-2.9	-22.9	-46.8	-33.8	-13.8	26.8	1.4	-28.7	-6.1
Total Expenditure	4,957	4,880	4,057	6,772	3,530	4,580	5,340	5,557	20,938	19,007
<b>EBITDA</b>	<b>1,198</b>	<b>1,381</b>	<b>1,029</b>	<b>-54</b>	<b>547</b>	<b>818</b>	<b>1,107</b>	<b>1,254</b>	<b>3,281</b>	<b>3,726</b>
Change (%)	-59.2	-45.4	-50.7	-102.8	-54.3	-40.8	7.6	-2,406	-65.3	13.6
As of % Sales	19.5	22.1	20.2	-0.8	13.4	15.2	17.2	18.4	13.5	16.4
Depreciation	84	85	93	172	99	98	98	99	434	394
Interest	337	338	279	252	117	87	84	118	563	406
Other Income	714	403	387	576	345	340	346	343	2,080	1,374
<b>PBT</b>	<b>1,490</b>	<b>1,362</b>	<b>1,044</b>	<b>97</b>	<b>677</b>	<b>973</b>	<b>1,272</b>	<b>1,379</b>	<b>4,365</b>	<b>4,301</b>
Tax	468	424	469	475	261	240	415	461	1,896	1,376
Effective Tax Rate (%)	31.4	31.1	44.9	491.0	38.5	24.7	32.6	33	43.4	32.0
<b>Adjusted PAT</b>	<b>984</b>	<b>924</b>	<b>552</b>	<b>23</b>	<b>373</b>	<b>439</b>	<b>842</b>	<b>918</b>	<b>2,373</b>	<b>2,567</b>
Change (%)	-45.4	-46.8	-50.4	-97.9	-62.1	-52.6	52.5	3,964	-58.2	8.2

E: MOSL Estimates

# Retail

## Companies Covered

Jubilant Foodworks  
Pantaloon Retail  
Shoppers Stop  
Titan Industries

We expect our Retail universe to post 13.5% YoY growth in sales. EBITDA is likely to increase by 12% YoY. PAT should grow 13% YoY, led by Titan Industries (TTAN) and Jubilant Foodworks (JUBI). We expect subdued profitability for traditional retailers, though we believe footfalls have not deteriorated sequentially.

## Tepid consumer sentiment

Consumer sentiment deteriorated during 4Q, led by weak macroeconomic scenario and sustained high consumer price inflation (CPI). Retailers witnessed a strong 3Q on the back of festive season spending, but the buoyancy evaporated in 4Q. However, footfalls have not deteriorated, as 4Q had a major discount season sale (Republic Day). While January began on a strong note, performance in February was weak. We expect mid single digit same store sales (SSS) growth for Pantaloon Retail (PF) and Shoppers Stop (SHOP). Stable gold prices and low base should drive 4Q volumes for jewelers. We expect 14-15% SSS growth for JUBI, given the pressure on discretionary consumer spending.

## Space expansion selective; might hurt near term profits

Retail space expansion has been lackluster, given the pressure on balance sheets and the subdued macroeconomic environment. While expansion still continues, it is very selective and we note an increasing trend in closure of unviable stores. Given the weak SSS growth dynamics, expansion plans will adversely impact near term profits for most retailers.

## Negative news flow overshadowed jewelry retailers

The jewelry segment witnessed intermittent adverse news flow, with the government attempting to contain the current account deficit (CAD) issue. The RBI Working Group recommendation of linking the gold lease rate to the base rate and likely introduction of jewelry trade in the Prevention of Money Laundering Act (PMLA) were the two key uncertainties. No decision has yet been taken by relevant authorities on these issues, which remain an overhang for the sector. Gold prices have remained stable sequentially, stoking jewelry demand. However, we believe recovery in jewelry volumes will be a function of improving consumer sentiment and turnaround in macroeconomic fundamentals.

## Expected quarterly performance summary

(INR Million)

	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
Jubilant Foodworks	1,220	Neutral	3,863	36.4	0.3	658	29.2	-2.1	363	23.8	-3.7
Pantaloon Retail	140	Neutral	32,400	7.1	2.2	2,810	1.2	1.1	74	-38.2	58.3
Shopper's Stop	399	Neutral	6,218	15.0	3.0	283	-22.1	-37.5	116	-15.8	-32.3
Titan Industries	252	Buy	27,117	18.9	-9.1	2,666	28.7	7.6	1,699	17.7	-16.6
<b>Sector Aggregate</b>			<b>69,598</b>	<b>13.5</b>	<b>-2.6</b>	<b>6,417</b>	<b>12.2</b>	<b>0.5</b>	<b>2,252</b>	<b>12.9</b>	<b>-14.4</b>

Gautam Duggad (Gautam.Duggad@MotilalOswal.com) / Sreekanth P.V.S. (Sreekanth.P@MotilalOswal.com)

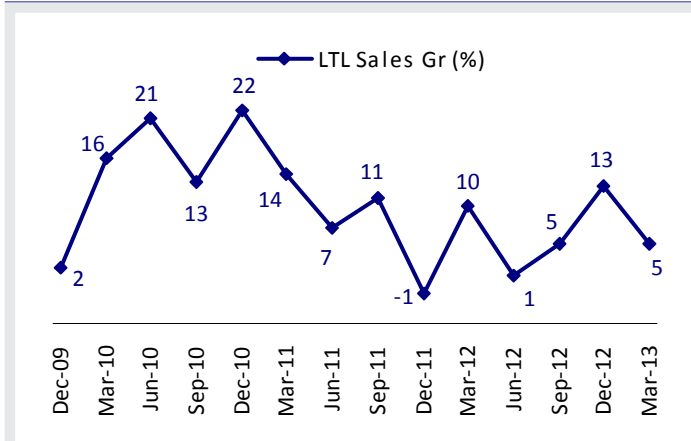
### Union Budget: A marginal positive for apparel retailers

In the Union Budget, excise duty on branded apparel has been reduced to zero. This could have positive repercussions for PF and SHOP, as price cuts to pass on the benefits of excise duty reduction could boost volumes.

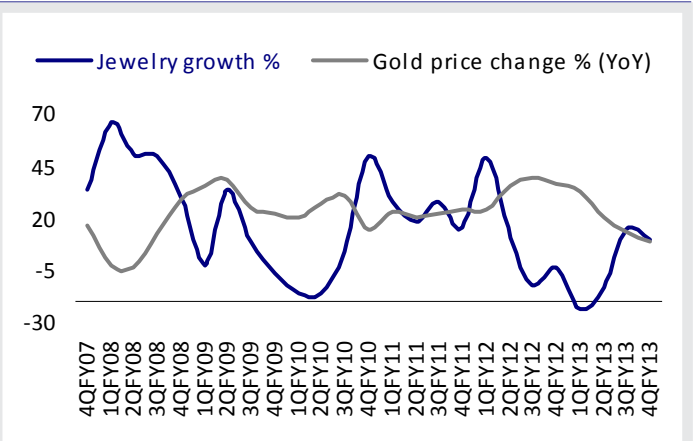
### Reiterate Buy on TTAN

Subdued consumer sentiment coupled with sustained high inflation is impacting the Retail business. Quarterly sales have become a function of discount season sales during the quarter. We expect profitability of PF and SHOP to be adversely impacted by lower SSS growth and expansion related costs. We expect specialty retailers like TTAN and JUBI to continue outperforming PF and SHOP. We maintain our **Neutral** rating on JUBI, PF and SHOP. After the recent 20% correction, TTAN remains our top pick, despite the near-term negative news flow around potential regulatory actions to curtail gold consumption.

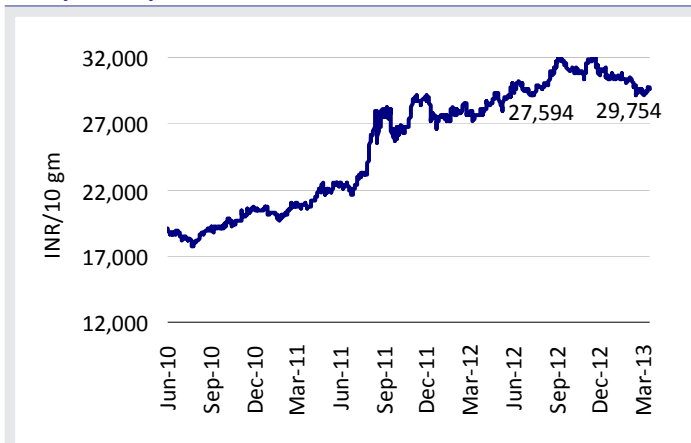
Shoppers Stop: SSS growth remains flat



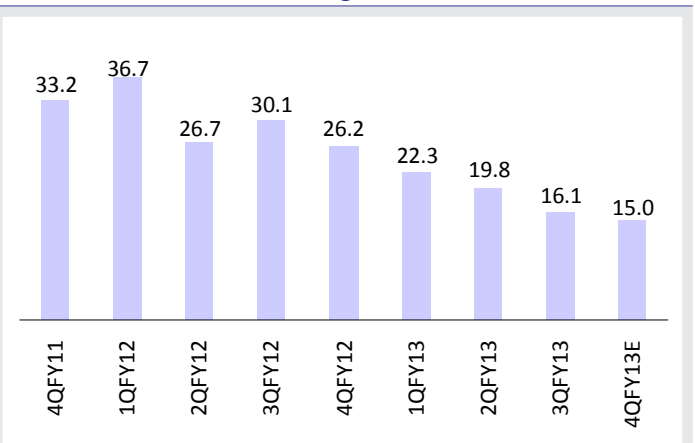
Titan's Jewelry SBU: Watch for gold prices, volume mix



Gold prices up 12% YoY and 3% QoQ



Jubilant Foodworks: LTL sales growth

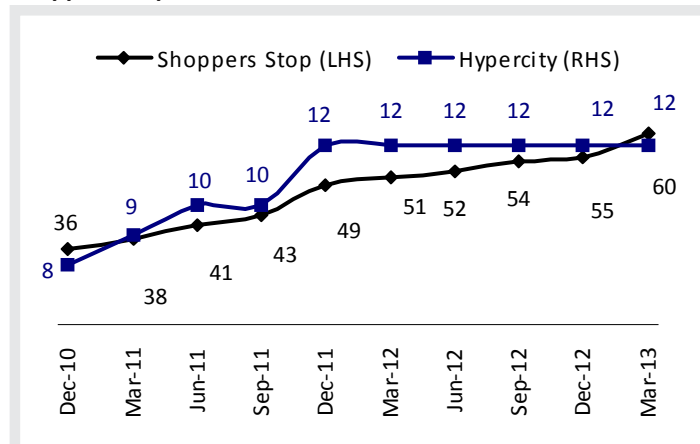


Source: Company, MOSL

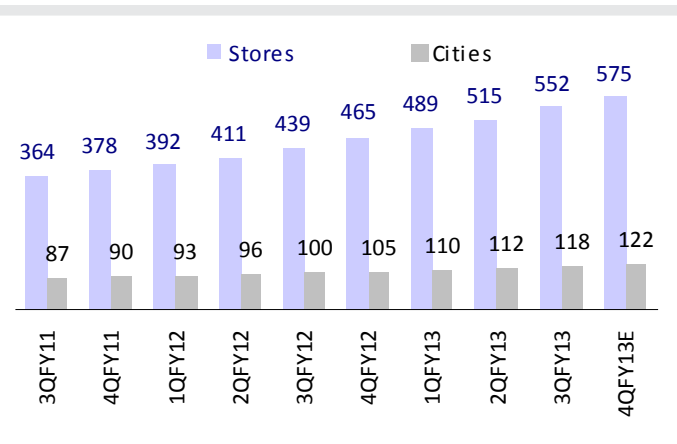


Area addition plans on track

Shoppers Stop

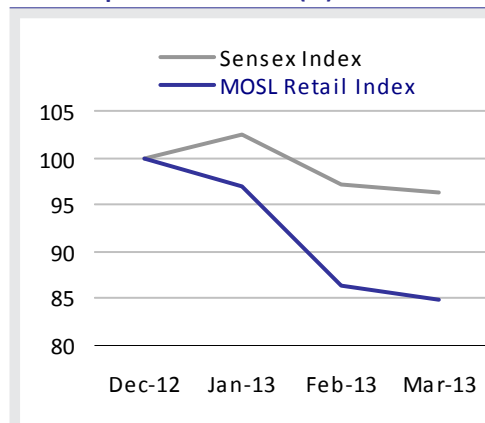


Jubilant Foodworks

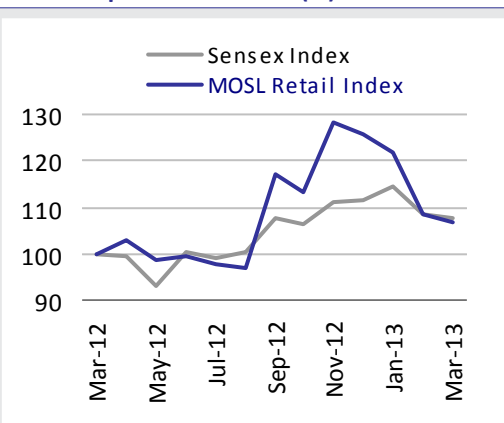


Source: Company, MOSL

Relative performance-3m (%)



Relative performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)					
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E			
<b>Retail</b>																	
Jubi. Foodworks	1,220	Neutral	21.5	29.0	43.5	56.8	42.1	28.1	30.3	21.5	14.6	35.7	35.5	37.9			
Shopper's Stop	399	Neutral	4.4	8.0	11.6	90.4	50.2	34.3	27.7	19.7	15.2	5.4	8.9	11.8			
Titan Industries	252	Buy	8.0	10.0	12.5	31.5	25.1	20.2	21.6	16.6	12.9	41.7	34.7	33.1			
<b>Sector Aggregate</b>									<b>37.7</b>	<b>29.2</b>	<b>22.5</b>	<b>23.7</b>	<b>17.9</b>	<b>13.5</b>	<b>29.3</b>	<b>29.9</b>	<b>30.3</b>

# Jubilant Foodworks

Bloomberg	JUBI IN
Equity Shares (m)	63.5
M. Cap. (INR b)/(USD b)	77/1
52-Week Range (INR)	1,397/1,020
1,6,12 Rel Perf. (%)	15/-8/-1

**CMP: INR1,220**

**Neutral**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	10.2	14.3	20.1	27.8
EBITDA	1.9	2.5	3.4	4.9
Adj. PAT	1.1	1.4	1.9	2.8
Adj. EPS (INR)	16.5	21.5	29.0	43.5
EPS Gr. (%)	48.0	30.2	34.8	50.0
BV/Sh.(INR)	43.3	60.2	81.7	114.9
RoE (%)	38.1	35.7	35.5	37.9
RoCE (%)	51.7	48.9	51.0	53.8
Payout (%)	12.1	18.6	22.4	20.7
<b>Valuations</b>				
P/E (x)	73.9	56.8	42.1	28.1
P/BV (x)	28.2	20.3	14.9	10.6
EV/EBITDA (x)	41.3	30.8	21.8	14.8
Div. Yield (%)	0.2	0.3	0.5	0.7

- We expect JUBI to report 36.4% sales growth to INR3.86b. LTL sales growth is likely to be ~15%.
- While consumer demand has moderated, we believe JUBI's recent weak SSS performance is also a function of aggressive new store rollouts.
- We expect the company to post 100bp contraction in EBITDA margin to 17% due to Dunkin Donuts expansion costs and lower SSS growth. A 46% increase in depreciation and 130bp increase in tax rate would reduce PAT growth to 24%. We estimate PAT at INR363m.
- We expect JUBI to add ~23 stores during 4QFY13.
- The stock trades at 42.1x FY14E EPS and 28.1x FY15E EPS and adequately discounts the positives in our view. **Neutral**.

## Key issues to watch out

- Performance of Dunkin Donuts.
- Management comments on consumer spending in QSR.
- Changes in expansion strategy, if any.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
No of Stores	392	411	439	465	489	515	552	575	465	575
LTL Growth (%)	36.7	26.7	30.1	26.2	22.3	19.8	16.1	15.0	30.0	18.0
<b>Net Sales</b>	<b>2,169</b>	<b>2,404</b>	<b>2,770</b>	<b>2,832</b>	<b>3,145</b>	<b>3,421</b>	<b>3,851</b>	<b>3,863</b>	<b>10,175</b>	<b>14,280</b>
YoY Change (%)	60.0	47.1	49.2	46.2	45.0	42.3	39.0	36.4	50.0	40.3
<b>Gross Profit</b>	<b>1,617</b>	<b>1,769</b>	<b>2,066</b>	<b>2,113</b>	<b>2,309</b>	<b>2,530</b>	<b>2,863</b>	<b>2,867</b>	<b>7,564</b>	<b>10,569</b>
Gross Margin (%)	74.5	73.6	74.6	74.6	73.4	74.0	74.3	74.2	74.3	74.0
Other Expenses	1,196	1,333	1,551	1,604	1,736	1,943	2,192	2,209	5,689	8,080
% of Sales	55.2	55.4	56.0	56.6	55.2	56.8	56.9	57.2	55.9	56.6
<b>EBITDA</b>	<b>420</b>	<b>436</b>	<b>516</b>	<b>509</b>	<b>573</b>	<b>587</b>	<b>672</b>	<b>658</b>	<b>1,875</b>	<b>2,489</b>
EBITDA Growth (%)	67.2	46.7	59.9	54.0	36.3	34.5	30.3	29.2	56.0	32.8
Margins (%)	19.4	18.1	18.6	18.0	18.2	17.2	17.4	17.0	18.4	17.4
Depreciation	87	93	96	100	117	138	140	146	376	541
Interest	0	0	0	0	0	0	1	0	0	1
Other Income	12	14	14	17	19	20	20	26	57	84
<b>PBT</b>	<b>346</b>	<b>357</b>	<b>434</b>	<b>425</b>	<b>475</b>	<b>468</b>	<b>551</b>	<b>537</b>	<b>1,556</b>	<b>2,031</b>
YoY Change (%)	84.9	55.6	72.9	65.7	11.7	477.9	64.4	26.2	68.3	30.6
Tax	108	111	139	132	152	145	174	174	490	644
Rate (%)	31.1	31.1	32.1	31.1	31.9	30.9	31.6	32.4	31.5	31.7
<b>Adjusted PAT</b>	<b>232</b>	<b>237</b>	<b>295</b>	<b>293</b>	<b>323</b>	<b>323</b>	<b>377</b>	<b>363</b>	<b>1,066</b>	<b>1,387</b>
YoY Change (%)	52.0	28.5	55.4	51.8	39.3	36.5	28.0	23.8	48.0	30.2

E: MOSL Estimates

# Pantaloon Retail

Bloomberg	PF IN
Equity Shares (m)	217.1
M. Cap. (INR b)/(USD b)	30/1
52-Week Range (INR)	276/127
1,6,12 Rel Perf. (%)	-28/-35/-13

## Financials & Valuation (INR b)

Y/E June	2009	2010	2011	2012*
Sales	63.4	89.3	110.1	122.5
EBITDA	6.5	8.2	9.6	11.0
Adj. PAT	1.2	1.7	1.9	1.1
Adj. EPS (INR)	6.5	8.2	8.7	4.8
EPS Gr. (%)	-18.0	25.8	7.1	-45.2
BV/Sh.(INR)	119.4	136.1	140.1	139.5
RoE (%)	5.4	6.0	6.2	3.4
RoCE (%)	12.5	14.2	12.1	12.0
Payout (%)	10.2	9.8	10.3	25.0
<b>Valuations</b>				
P/E (x)	21.6	17.2	16.1	29.3
P/BV (x)	1.2	1.0	1.0	1.0
EV/EBITDA (x)	7.4	5.8	6.8	6.7
Div. Yield (%)	0.5	0.6	0.6	0.9

\* 18 months

## CMP: INR140

Neutral

- We expect PF's core retail sales to grow 7% to INR32.4b in 1QCY13. PF saw ~20% YoY revenue growth during the *Sabse Sasta Din* sale period around Republic Day.
- Festive demand did not spill over to 4Q though footfalls have not deteriorated much. We expect mid single digit (5-6%) SSS growth in the Value and Lifestyle divisions.
- We estimate EBITDA at INR2.8b, up 1.2%, as operating margin contracts 50bp to 8.7%.
- Adjusted PAT is likely to decline 38% to INR74m, as interest cost remains high.
- Recent deals (AB Nuvo - Pantaloon transaction, restructuring of fashion business) would help alleviate debt strain by nearly 50%. Core retail debt stands at ~INR62b.
- PF has partially sold its stake in Life and General Insurance JV with Generali to IITL and L&T during the quarter. It should receive INR7b of cash once approvals are received.
- The stock trades at 29.3x FY12 EPS. Maintain **Neutral**.

### Key issues to watch out

- Same store sales (SSS) performance, especially in the Value and Lifestyle segments.
- Update on deal closure timelines.
- Updates on eZone and Home Town strategy.

## Quarterly Performance: Core Retailing

(INR Million)

Y/E June	FY11				FY12						FY13
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	5Q	6Q	1QE
<b>Net Sales</b>	<b>25,814</b>	<b>27,586</b>	<b>28,119</b>	<b>28,604</b>	<b>29,106</b>	<b>28,933</b>	<b>30,264</b>	<b>29,627</b>	<b>30,600</b>	<b>31,710</b>	<b>32,400</b>
YoY Change (%)	32.1	31.2	17.6	15.4	12.8	4.9	7.6	3.6	5.1	9.6	7.1
Total Exp	23,687	25,202	25,641	26,019	26,583	26,321	27,488	26,864	27,953	28,930	29,590
<b>EBITDA</b>	<b>2,127</b>	<b>2,383</b>	<b>2,479</b>	<b>2,585</b>	<b>2,523</b>	<b>2,612</b>	<b>2,776</b>	<b>2,763</b>	<b>2,647</b>	<b>2,780</b>	<b>2,810</b>
Growth (%)	15.3	12.1	14.0	26.2	18.6	9.6	12.0	6.9	4.9	6.4	1.2
Margins (%)	8.2	8.6	8.8	9.0	8.7	9.0	9.2	9.3	8.7	8.8	8.7
Depreciation	630	650	660	737	828	877	887	929	975	1,210	1,246
Interest	933	1,078	1,096	1,177	1,305	1,582	1,725	1,804	1,761	1,570	1,523
Other Income	81	52	34	63	79	40	16	28	132	70	70
<b>PBT</b>	<b>645</b>	<b>708</b>	<b>757</b>	<b>735</b>	<b>468</b>	<b>193</b>	<b>180</b>	<b>58</b>	<b>44</b>	<b>70</b>	<b>111</b>
Tax	218	235	252	242	138	58	60	19	14	23	37
Rate (%)	33.7	33.2	33.2	33.0	29.5	30.1	33.3	33.0	33.0	33.0	33.0
<b>Adjusted PAT</b>	<b>428</b>	<b>472</b>	<b>505</b>	<b>492</b>	<b>330</b>	<b>135</b>	<b>120</b>	<b>39</b>	<b>29</b>	<b>47</b>	<b>74</b>
YoY Change (%)	62.4	5.5	34.8	-17.1	-22.8	-71.4	-76.2	-92.1	-90.6	-65.2	-38.2

E: MOSL Estimates

# Shoppers Stop

Bloomberg	SHOP IN
Equity Shares (m)	82.2
M. Cap. (INR b)/(USD b)	33/1
52-Week Range (INR)	494/288
1,6,12 Rel Perf. (%)	-3/0/-10

**CMP: INR399**

**Neutral**

- We expect SHOP to report 15% increase in sales to INR6.2b. SSS growth should be ~5%.
- We estimate EBITDA margin at 4.6%, still below the usual trend of 7-8%, as new stores continue to see weak traction. PAT is likely to decline 16% due to weak traction in new stores and consequent lack of operating leverage.
- Hypercity would continue to be a drag on consolidated profitability.
- SHOP has added one Shoppers Stop department store during 4QFY13.
- The stock trades at 50.2x FY14E EPS and 34.3x FY15E EPS. Maintain **Neutral**.

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	19.0	22.5	26.8	31.2
EBITDA	1.4	1.2	1.7	2.2
Adj. PAT	0.6	0.4	0.7	1.0
Adj. EPS (INR)	7.8	4.4	8.0	11.6
EPS Gr. (%)	-14.5	-43.5	80.1	46.3
BV/Sh.(INR)	78.9	82.5	89.1	98.7
RoE (%)	9.9	5.4	8.9	11.8
RoCE (%)	11.0	6.8	10.6	13.6
Payout (%)	14.6	15.0	15.0	15.0
<b>Valuations</b>				
P/E (x)	51.1	90.4	50.2	34.3
P/BV (x)	5.1	4.8	4.5	4.0
EV/EBITDA (x)	23.2	28.8	19.7	15.2
Div. Yield (%)	0.3	0.2	0.3	0.4

## Key issues to watch out

- Same store sales growth and profitability in Hypercity.
- Margin outlook.
- Changes in expansion strategy, if any.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
LTL Sales Gr (%)	7.0	11.0	-1.3	10.0	1.0	2.0	12.5	5.0	7.0	4.0
Deptt Stores	41	43	49	51	52	55	55	60	51	60
<b>Net Sales</b>	<b>3,930</b>	<b>4,973</b>	<b>5,016</b>	<b>5,406</b>	<b>4,467</b>	<b>5,796</b>	<b>6,037</b>	<b>6,218</b>	<b>19,300</b>	<b>22,518</b>
YoY Change (%)	14.4	14.9	9.9	18.5	13.6	16.5	20.4	15.0	16.3	16.7
Total Exp	3,667	4,586	4,603	5,042	4,329	5,505	5,584	5,935	17,873	21,353
<b>EBITDA</b>	<b>263</b>	<b>387</b>	<b>413</b>	<b>363</b>	<b>138</b>	<b>291</b>	<b>453</b>	<b>283</b>	<b>1,427</b>	<b>1,164</b>
Growth (%)	5.2	1.4	-19.8	-2.8	-47.7	-24.9	9.6	-22.1	-6.2	-18.4
Margins (%)	6.7	7.8	8.2	6.7	3.1	5.0	7.5	4.6	7.4	5.2
Depreciation	81	88	94	115	120	142	120	71	377	453
Interest	44	57	76	74	77	77	86	102	250	343
Other Income	37	52	46	44	74	31	32	36	178	173
<b>PBT</b>	<b>176</b>	<b>294</b>	<b>290</b>	<b>218</b>	<b>15</b>	<b>102</b>	<b>279</b>	<b>146</b>	<b>978</b>	<b>542</b>
Tax	59	98	97	81	3	38	108	30	335	179
Rate (%)	33.5	33.5	33.5	37.1	17.9	37.1	38.8	20.7	34.3	33.0
<b>Adjusted PAT</b>	<b>117</b>	<b>195</b>	<b>193</b>	<b>137</b>	<b>12</b>	<b>64</b>	<b>171</b>	<b>116</b>	<b>643</b>	<b>363</b>
YoY Change (%)	17.2	12.5	-30.8	-31.0	-89.4	-67.3	-11.4	-15.8	-14.5	-43.5

E: MOSL Estimates

# Titan Industries

Bloomberg	TTAN IN
Equity Shares (m)	887.8
M. Cap. (INR b)/(USD b)	223/4
52-Week Range (INR)	314/204
1,6,12 Rel Perf. (%)	2/2/0

**CMP: INR252**

**Buy**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	88.4	101.8	125.7	152.8
EBITDA	8.3	9.8	12.3	15.2
Adj. PAT	6.0	7.1	8.9	11.1
Adj. EPS (INR)	6.8	8.0	10.0	12.5
EPS Gr. (%)	39.4	18.3	25.6	24.0
BV/Sh.(INR)	16.3	22.0	29.0	37.6
RoE (%)	48.5	41.7	34.7	33.1
RoCE (%)	66.7	57.4	53.4	50.3
Payout (%)	30.0	30.0	30.0	30.0
<b>Valuations</b>				
P/E (x)	37.2	31.5	25.1	20.2
P/BV (x)	15.4	11.4	8.7	6.7
EV/EBITDA (x)	25.7	21.6	16.6	12.9
Div. Yield (%)	0.8	1.0	1.2	1.5

- We expect TTAN to post sales of INR27.1b, up 19% YoY. Recent expansion in the jewelry segment will aid revenue growth, in our view.
- We estimate 29% increase in EBITDA, with margin expansion of 70bp YoY. PAT should grow 18% YoY to INR1.7b.
- We note that the gold pricing impact for the quarter is the lowest in three years. Stable pricing can stoke volumes, going forward; expect wedding season demand to pick up in April-May.
- The watch segment should post another subdued quarter, though sequential improvement is not ruled out.
- We note that competitive intensity in the organized jewelry segment is building up, with the recent opening of three showrooms by Kalyan Jewellers, a new entrant in Mumbai.
- The stock trades at 25.1x FY14E EPS and 20.2x FY15E EPS. **Buy.**

### Key issues to watch out

- Macro developments pertaining to Prevention of Money Laundering Act (PMLA), implementation of RBI Working Group's base rate recommendations, etc.
- Changes in expansion strategy, if any.
- Comments on changing competitive environment.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>20,205</b>	<b>20,963</b>	<b>24,217</b>	<b>22,814</b>	<b>22,057</b>	<b>22,760</b>	<b>29,829</b>	<b>27,117</b>	<b>88,384</b>	<b>101,763</b>
YoY Change (%)	61.3	36.5	23.9	28.3	9.2	8.6	23.2	18.9	35.5	15.1
Total Exp	18,284	18,874	22,152	20,744	19,937	20,266	27,351	24,452	80,054	92,005
<b>EBITDA</b>	<b>1,921</b>	<b>2,089</b>	<b>2,064</b>	<b>2,071</b>	<b>2,120</b>	<b>2,494</b>	<b>2,478</b>	<b>2,666</b>	<b>8,330</b>	<b>9,758</b>
EBITDA Growth (%)	73	20	5.9	95.7	10.3	19.4	20.1	28.7	42	17
Margins (%)	9.5	10.0	8.5	9.1	9.6	11.0	8.3	9.8	9.4	9.6
Depreciation	99	106	119	125	123	130	142	169	450	565
Interest	88	89	129	131	126	121	117	196	437	560
Other Income	233	205	432	255	252	238	569	31	943	1,091
<b>PBT</b>	<b>1,968</b>	<b>2,100</b>	<b>2,247</b>	<b>2,070</b>	<b>2,122</b>	<b>2,481</b>	<b>2,789</b>	<b>2,332</b>	<b>8,385</b>	<b>9,724</b>
Tax	532	615	608	627	561	679	752	633	2,383	2,625
Rate (%)	27.0	29.3	28.5	30.3	26.4	27.4	26.9	27.2	28.4	27.0
<b>Adjusted PAT</b>	<b>1,436</b>	<b>1,485</b>	<b>1,639</b>	<b>1,443</b>	<b>1,561</b>	<b>1,801</b>	<b>2,037</b>	<b>1,699</b>	<b>6,002</b>	<b>7,098</b>
YoY Change (%)	76.9	16.2	16.4	72.0	8.7	21.3	24.3	17.7	38.4	18.3

E: MOSL Estimates

# Technology

## Companies Covered

Cognizant Technology  
HCL Technologies  
Hexaware Technologies  
Infosys  
KPIT Cummins  
MindTree  
MphasiS  
TCS  
Tech Mahindra  
Wipro

**Expect moderate growth in constant currency, dented by GBP:** We expect organic growth rate of 1.2-3.1% across the top-tier IT companies, including Cognizant. While Infosys (INFY) is expected to grow its USD revenues by 3.6% QoQ and Cognizant by 3.3%, each will have some contribution from acquisitions (~1pp for both companies). Organically, HCL Tech and TCS are expected to grow faster, at 3% QoQ. Wipro, which had guided for 0.5-3% QoQ growth in USD revenues, is expected to grow at 1.2%. Among Tier-II, 4Q is a seasonally strong one for NIIT Technologies (NITEC) and Persistent Systems (PSYS), both of which should grow 4%+, while growth at Tech Mahindra (TECHM) and Mphasis will be driven from acquisitions.

**GBP depreciation - marginal impact this quarter, but weak exit will impact FY14E USD revenue growth:** On an average basis, GBP has depreciated by 3.3% QoQ during the quarter. Thus, cross currency movements are likely to dent USD revenue growth by 0-40bp QoQ at the top-tier, with negligible impact at INFY, and greater impact at TCS, Wipro and HCLT (~15% revenue bookings in GBP). On a closing basis, GBP has depreciated 7%, which will hit USD revenue growth in FY14 even harder. GBP depreciation is a key risk at TECHM, which books ~40% of revenues in the currency, followed by NITEC (20-22% revenue bookings in GBP).

**Margins to stay in a narrow range, to decline at INFY on onsite wage hikes:** Margins at the top-tier are expected to remain within a narrow range, with the exception of INFY. We model EBIT margin decline of 80bp QoQ (to 24.9%), primarily on account of wage hikes at onsite becoming effective from January 1, 2013. Among Tier-II, margin is expected to expand at Hexaware on the back of a low base of the last quarter marred by client-specific issues.

**All eyes on FY14 outlook:** INFY's guidance for FY14 will be keenly anticipated. We expect the company to guide for at least 10% growth in USD revenues in FY14E. We expect Wipro to guide for at least some acceleration in growth, ~1.5-3.5% QoQ in USD revenue. At HCL Tech, the quantum of deal signings will be crucial. Outside the guidance, key things to watch out would be: [1] outlook on growth in BFSI vertical, [2] trends in budget allocation between discretionary and non-discretionary services, [3] hiring outlook across the board and [4] margins commentary.

## Expected quarterly performance summary

(INR Million)

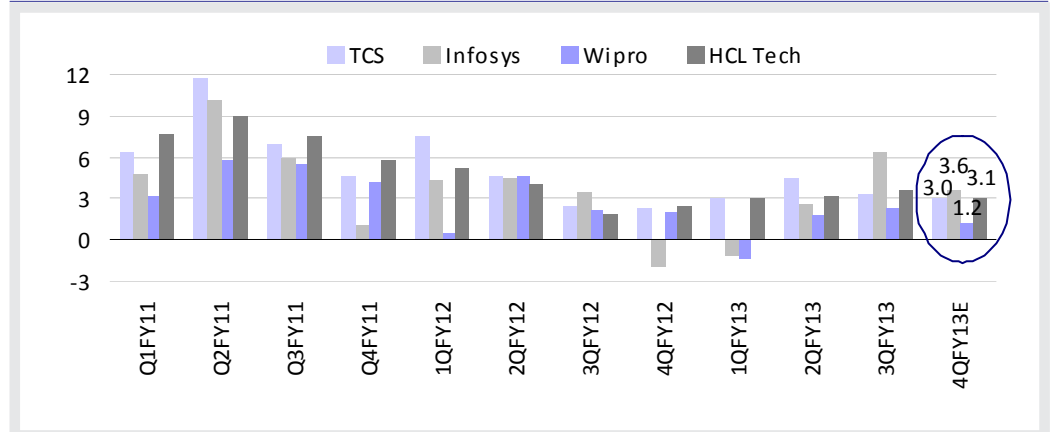
	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
			% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ	
HCL Technologies	775	Buy	64,574	23.8	2.9	14,217	51.8	2.0	9,849	69.3	4.3
Hexaware Tech.	84	Buy	5,121	16.8	2.0	918	-6.5	8.4	758	-14.2	19.1
Infosys	2,854	Buy	107,435	21.4	3.1	29,872	3.4	0.6	22,334	-3.6	-5.7
KPIT Cummins	96	Buy	5,733	22.0	1.8	892	35.7	1.2	570	143.5	-4.9
Mindtree	911	Buy	6,110	16.2	3.5	1,170	18.8	-2.8	856	24.3	-13.3
MphasiS	400	Sell	14,487	9.0	15.2	2,598	-0.6	11.6	1,809	-4.5	-1.9
TCS	1,557	Neutral	164,767	24.3	2.5	47,045	20.3	1.1	36,266	23.7	2.1
Tech Mahindra	1,041	Buy	18,218	28.4	1.7	3,495	46.2	-7.1	3,272	8.2	18.6
Wipro	436	Buy	111,942	13.4	2.2	22,171	13.1	3.5	16,848	13.8	-1.8
<b>Sector Aggregate</b>			<b>499,386</b>	<b>20.3</b>	<b>2.9</b>	<b>122,898</b>	<b>16.7</b>	<b>1.3</b>	<b>93,006</b>	<b>12.5</b>	<b>-0.6</b>

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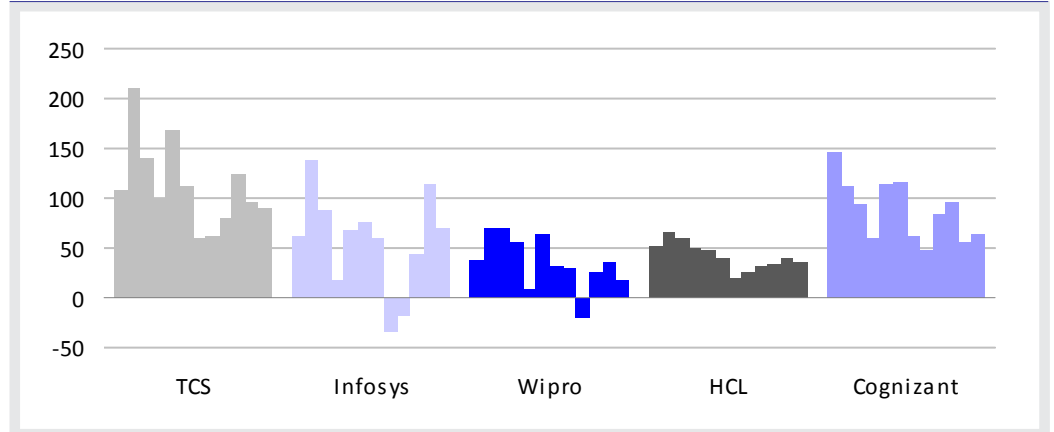


**Prefer INFY among the large cap, KPIT attractive despite weak outlook, TECHM solid amid GBP risks:** Given our expectation of bridging the growth gap between INFY and peers and the former's multiple margin levers, we continue to prefer INFY among the top-tier. Strong execution at TCS may continue but remains priced in the valuations. Among Tier-II, while KPIT faces challenges to growth, outlook remains strong and valuation attractive. We continue to prefer the improving fundamentals at TECHM, despite risks posed to USD revenue growth from depreciation of GBP and a weak 4Q outlook. Large deals remain elusive at HEXW, but implementation of PeopleSoft's new version could be a trigger for revenue growth.

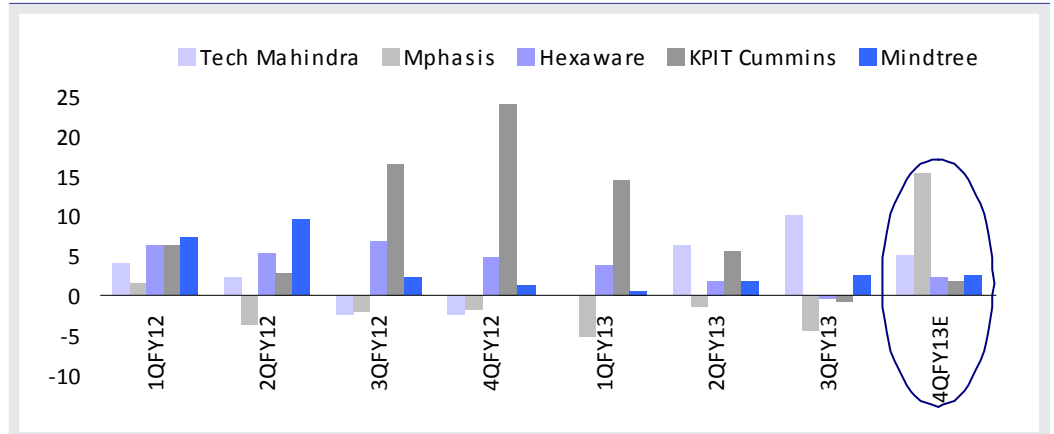
**Despite expectations of growth acceleration going forward, revenue growth in 4Q will be weaker**



**Incremental revenues continue to trend lower, expect to pick up going forward**

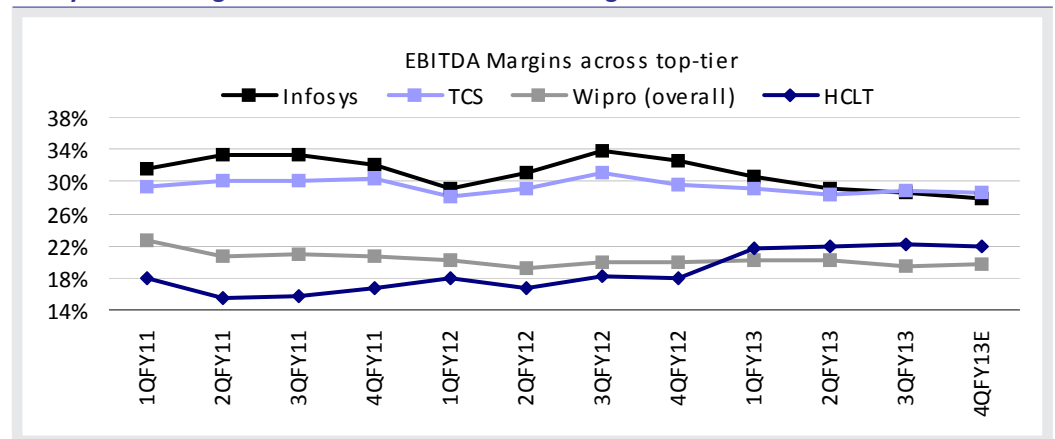


**High growth at tier-II driven by inorganic elements (TECHM and MPHL)**



Source: Company, MOSL

Infosys to see margin decline on the back of onsite wage hikes



Source: Company, MOSL

Aggregate top-tier USD revenue growth is estimated to be 2.6% QoQ

Company	Revenues (USD m)					Revenues (INR b)				
	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)
TCS	3,037	2,648	14.7	2,948	3.0	165	133	24.3	161	2.5
Infosys	1,980	1,771	11.8	1,911	3.6	107	89	21.4	104	3.1
Wipro	1,596	1,536	3.9	1,577	1.2	112	99	13.4	109	2.2
HCLT	1,190	1,048	13.6	1,154	3.1	65	52	23.8	63	2.9
<b>Aggregate</b>	<b>7,804</b>	<b>7,003</b>	<b>11.4</b>	<b>7,590</b>	<b>2.8</b>	<b>449</b>	<b>372</b>	<b>20.6</b>	<b>437</b>	<b>2.6</b>

Company	EBIT Margin(%)					PAT (INR b)				
	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)
TCS	28.6	29.5	-90	29.0	-40	36	29	23.7	36	2.1
Infosys	27.8	32.6	-480	28.5	-70	22	23	-3.6	24	-5.7
Wipro	19.8	19.9	-10	19.6	20	17	15	13.8	17	-1.8
HCLT	22.0	18.0	410	22.2	-20	10	6	69.3	9	4.3
<b>Aggregate</b>	<b>25.3</b>	<b>26.1</b>	<b>-82</b>	<b>25.5</b>	<b>(28)</b>	<b>85</b>	<b>73</b>	<b>16.7</b>	<b>86</b>	<b>-0.6</b>

Across tier-II margins are expected to remain flattish on aggregate and growth is likely to be driven by inorganic revenues

Company	Revenues (USD m)					Revenues (INR b)				
	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)
Tech Mahindra	346	282	22.9	329	5.1	18.4	14.2	29.9	17.9	2.9
Mahindra Satyam	363	332	9.4	356	2.1	19.7	16.7	18.3	19.4	1.6
Mphasis	273	266	2.6	237	15.2	14.5	13.3	9.0	12.6	15.2
Hexaware	94	88	7.3	92	2.2	5.1	4.4	16.8	5.0	2.0
KPIT Cummins	106	93	13.2	103	2.1	5.7	4.7	22.0	5.6	1.8
Mindtree	113	105	7.2	110	2.5	6.1	5.3	16.2	5.9	3.5
<b>Aggregate</b>	<b>1,295</b>	<b>1,166</b>	<b>11.1</b>	<b>1,228</b>	<b>5.5</b>	<b>69.6</b>	<b>58.5</b>	<b>19.0</b>	<b>66.4</b>	<b>4.7</b>

Company	EBIT Margin(%)					PAT (INR b)				
	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)	4QFY13E	4QFY12	YoY (%)	3QFY13	QoQ (%)
Tech Mahindra	21.0	16.8	413	21.0	-3	3.7	3.0	21.3	2.8	33.0
Mahindra Satyam	21.9	17.5	441	21.6	34	3.3	4.2	-22.2	3.7	-11.7
Mphasis	17.9	19.7	-173	18.5	-58	1.8	1.9	-4.5	1.8	-1.9
Hexaware	17.9	22.4	-448	16.9	106	0.8	0.9	-14.2	0.6	19.1
KPIT Cummins	15.6	14.0	157	15.7	-9	0.6	0.3	124.1	0.6	-4.9
Mindtree	19.2	18.7	42	20.4	-125	0.9	0.7	24.3	1.0	-13.3
<b>Aggregate</b>	<b>19.8</b>	<b>18.0</b>	<b>175</b>	<b>19.9</b>	<b>(10)</b>	<b>11.0</b>	<b>11.0</b>	<b>-0.3</b>	<b>10.6</b>	<b>3.8</b>

Source: Company, MOSL

**4QFY13 Currency highlights (INR)**

	Rates (INR)				Change (QoQ, %)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	54.3	61.6	84.4	56.2	0.1	-12.4	-3.0	-0.1
Closing	54.0	69.9	81.5	56.0	-1.9	-3.6	-8.4	-1.8

Source: Company, MOSL

**4QFY13 Currency highlights (USD)**

	Rates (USD)			Change (QoQ, %)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.32	1.56	1.04	2.1	-3.0	0.0
Closing	1.30	1.51	1.04	-1.8	-7.1	-0.1

Source: Company, MOSL

**Cross currencies: Assumed rates v/s actuals**

Guided at	EUR	GBP	AUD	INR/USD
Infosys	1.32	1.62	1.04	54.50
Wipro	1.31	1.61	1.04	54.65
Actual (Average)	1.32	1.56	1.04	54.25

Change (%)	EUR	GBP	AUD	INR/USD	Impact on USD revenue
Infosys	0.4	-3.9	-0.1	-0.5	-0.22
Wipro	1.1	-3.3	-0.1	-0.7	-0.41

**Revenue booking in currency (%)**

	EUR	GBP	AUD	INR
TCS	6.3	14.9	7.0	7.6
Infosys	9.6	6.2	8.3	2.2
Wipro	8.0	15.0	5.0	9.0
HCL Tech	10.0	16.0	8.0	5.0
Tech Mahindra	5.0	40.0	10.0	NA
Mindtree	12.0	5.0	NA	5.0
NIIT Technologies	10.0	20.0	NA	10.0

Impact on revenues from	EUR	GBP	AUD	INR	Total
TCS	0.13	(0.45)	-	(0.14)	(0.46)
Infosys	0.20	(0.19)	-	(0.04)	(0.03)
Wipro	0.17	(0.45)	-	(0.17)	(0.45)
HCL Tech	0.21	(0.48)	-	(0.10)	(0.37)
Tech Mahindra	0.11	(1.20)	-		(1.10)
Mindtree	0.25	(0.15)		(0.10)	0.01
NIIT Technologies	0.21	(0.60)		(0.19)	(0.58)

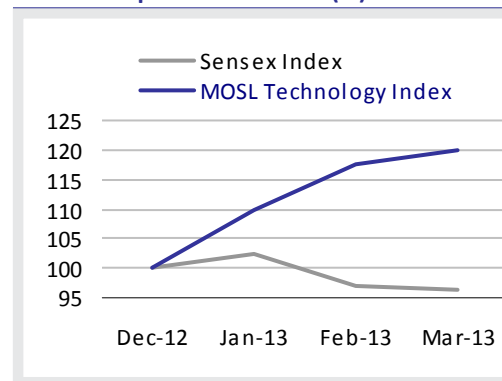
Source: Company, MOSL

## EPS Estimates (INR) - MOSL v/s Consensus

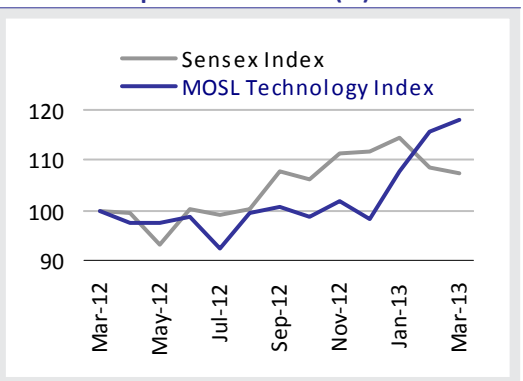
	4QFY13		FY14		FY15		Upside/Downside to Consensus (%)		
	MOSL	Consensus	MOSL	Consensus	MOSL	Consensus	3QFY13	FY13	FY14
Infosys	39.1	41.6	176.2	177.9	202.2	197.5	-6.0	-1.0	2.4
TCS	18.5	18.6	78.8	79.3	86.6	89.5	-0.3	-0.7	-3.2
Wipro	6.9	6.9	28.0	29.0	31.0	32.5	-1.3	-3.6	-4.6
HCL Tech	14.1	12.4	57.8	56.8	61.0	63.2	13.4	1.7	-3.5
Mphasis	8.6	9.0	36.7	37.3	40.8	39.9	-4.3	-1.5	2.3
Tech Mahindra	27.6	24.8	103.0	100.3	119.9	111.1	11.6	2.7	7.9
Cognizant	0.95	0.92	4.0	4.0	4.5	4.5	2.8	-0.3	0.4
Hexaware	2.5	2.4	10.0	10.8	11.5	12.0	3.7	-7.3	-4.2
KPIT Cummins	2.9	2.6	13.1	13.4	14.4	14.8	11.8	-2.2	-3.3
Mindtree	20.6	20.0	94.1	84.1	98.9	91.6	3.1	11.9	8.0

Source: Company, MOSL

Relative to performance-3m (%)



Relative to performance-1Yr (%)



## Comparative valuation

	CMP (INR)	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
	<b>26.03.13</b>													
<b>Technology</b>														
HCL Technologies	775	Buy	54.1	57.8	61.0	14.3	13.4	12.7	9.3	8.6	7.9	31.4	29.9	25.8
Hexaware Tech.	84	Buy	10.8	10.0	11.5	7.8	8.4	7.3	5.0	5.3	4.3	29.9	24.7	26.1
Infosys	2,854	Buy	162.1	176.2	202.2	17.6	16.2	14.1	11.9	10.3	8.8	26.3	25.1	26.6
KPIT Cummins	96	Buy	10.9	13.1	14.4	8.8	7.3	6.7	4.3	3.5	3.2	23.4	22.8	23.0
Mindtree	911	Buy	83.5	94.1	98.9	10.9	9.7	9.2	7.4	6.3	5.5	26.5	26.4	22.0
Mphasis	400	Sell	37.5	36.7	40.8	10.7	10.9	9.8	8.3	8.1	6.7	19.1	17.3	18.1
TCS	1,557	Neutral	71.4	78.8	86.6	21.8	19.8	18.0	16.2	14.1	12.7	39.0	35.6	32.0
Tech Mahindra	1,041	Buy	91.7	99.3	115.3	11.4	10.5	9.0	6.9	6.7	6.2	22.7	21.8	20.6
Wipro	436	Buy	26.8	28.0	31.0	16.2	15.6	14.1	11.5	10.5	9.4	21.8	20.0	19.3
<b>Sector Aggregate</b>						<b>18.0</b>	<b>16.7</b>	<b>15.0</b>	<b>12.8</b>	<b>11.3</b>	<b>10.1</b>	<b>26.7</b>	<b>24.4</b>	<b>23.1</b>

# Cognizant Technology

Bloomberg	CTSH US
Equity Shares (m)	303.8
M.Cap. (USD b)	22.7
52-Week Range (USD)	81/54

**CMP: USD75**
**Not Rated**
**Financials & Valuation (USD b)**

Y/E December	2011	2012	2013E	2014E
Sales	6.1	7.3	8.6	10.0
EBITDA	1.3	1.5	1.7	2.0
PAT	0.9	1.1	1.2	1.4
EPS (INR)	2.9	3.5	4.0	4.5
EPS Gr. (%)	20.0	21.0	14.6	14.0
BV/Sh. (INR)	12.8	16.0	19.9	24.5
RoE (%)	23.4	23.9	22.1	20.3
RoCE (%)	28.6	28.9	26.9	24.8
Payout (%)	0.0	0.0	0.0	0.0
<b>Valuation</b>				
P/E (x)	23.5	21.6	18.9	16.6
P/BV (x)	5.3	4.7	3.8	3.1
EV/EBITDA (x)	14.9	13.3	11.1	9.2
Div. Yield (%)	0.0	0.0	0.0	0.0

- For 1QCY13, CTSH guided for at least USD1,940m in revenue, which implies QoQ growth of 2.6%. We expect revenue at USD1,948m, a growth of 3% QoQ.
- For the full year, CTSH expects some revenue from the inorganic route, which we expect will contribute ~1pp to overall growth in 1QCY13.
- With ~79% of revenue from North America, company is expected to remain relatively unscathed from the depreciation of GBP during the quarter.
- We expect EBITDA margin of 20.5% during the quarter, +20bp QoQ. Our SGA estimate is 20.5%, similar to 20.6% in 4QCY12.
- We expect net income of USD289m, +3.5% QoQ, and net margin of 14.3%, flat QoQ.
- The stock trades at 18.9x CY13E and 16.6x CY14E earnings. **Not Rated.**

**Key issues to watch out**

- Guidance for 2Q and CY13 revenue growth.
- Outlook on BFSI sector.

**Quarterly Performance (US GAAP)**
**(USD Million)**

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Revenues</b>	<b>1,711</b>	<b>1,795</b>	<b>1,892</b>	<b>1,948</b>	<b>2,013</b>	<b>2,114</b>	<b>2,214</b>	<b>2,294</b>	<b>7,346</b>	<b>8,635</b>
Q-o-Q Change (%)	2.9	4.9	5.4	3.0	6.4	5.0	4.8	3.6	20.0	17.5
Direct Expenses	985	1,031	1,112	1,151	1,187	1,268	1,321	1,362	4,278	5,139
SG&A	374	397	385	402	413	433	454	470	1,558	1,770
SG&A as % of Sales	21.9	22.1	20.3	20.6	20.5	20.5	20.5	20.5	21.2	20.5
<b>EBITDA</b>	<b>353</b>	<b>368</b>	<b>395</b>	<b>396</b>	<b>413</b>	<b>412</b>	<b>439</b>	<b>462</b>	<b>1,511</b>	<b>1,726</b>
Margins (%)	20.6	20.5	20.9	20.3	20.5	19.5	19.8	20.2	20.6	20.0
Other Income	4	3	9	10	12	13	13	14	26	52
Depreciation	35	36	39	39	40	42	44	46	149	173
<b>PBT bef. Extra-ordinary</b>	<b>322</b>	<b>335</b>	<b>364</b>	<b>366</b>	<b>385</b>	<b>383</b>	<b>408</b>	<b>430</b>	<b>1,388</b>	<b>1,606</b>
Provision for Tax	79	83	87	87	96	96	102	108	336	401
Rate (%)	24.4	24.8	24.0	23.8	25.0	25.0	25.0	25.0	24.2	25.0
<b>PAT before EO</b>	<b>244</b>	<b>252</b>	<b>277</b>	<b>279</b>	<b>289</b>	<b>287</b>	<b>306</b>	<b>323</b>	<b>1,051</b>	<b>1,204</b>
Q-o-Q Change (%)	7.3	3.4	9.9	0.7	14.5	-0.6	6.7	5.4	19.0	14.6
Headcount addition	2,800	4,500	5,400	6,300	3,752	7,500	6,428	5,358	19,000	23,100
Closing Headcount	140,500	145,000	150,400	156,700	160,600	168,000	174,400	179,800	156,700	179,800
Utilization (%)	67	68	70	68	69	71	71	71	68	70

E: MOSL Estimates

# HCL Technologies

Bloomberg	HCLT IN
Equity Shares (m)	699.2
M. Cap. (INR b)/(USD b)	542/10
52-Week Range (INR)	805/454
1,6,12 Rel Perf. (%)	8/36/53

## Financials & Valuation (INR b)

Y/E June	2012	2013E	2014E	2015E
Sales	210.3	254.2	283.3	313.1
EBITDA	39.4	56.0	58.5	61.2
PAT	24.6	38.0	40.8	43.4
EPS (INR)	35.1	54.1	57.8	61.0
EPS Gr. (%)	52.0	54.3	6.7	5.6
BV/Sh. (INR)	151.0	199.0	242.1	284.7
RoE (%)	26.0	31.4	29.9	25.8
RoCE (%)	21.4	27.7	25.1	23.1
Payout (%)	34.2	20.3	22.5	27.2
<b>Valuations</b>				
P/E (x)	22.1	14.3	13.4	12.7
P/BV (x)	5.1	3.9	3.2	2.7
EV/EBITDA (x)	13.4	9.2	8.5	7.8
Div Yield (%)	1.5	1.4	1.7	1.7

## CMP: INR775

Buy

- We expect revenue growth of 3.1% QoQ at HCL Technologies to USD1,190m. We expect traction in IMS to remain strong, with our estimate of 5% QoQ to USD344m. We expect software services revenue of USD794m, implying a growth of 2.4% QoQ.
- Cross currency movements are expected to have a negative impact of 30bp. Our volume growth estimate in software services stands at 3.4% QoQ.
- In Rupee terms, we expect revenue growth of 2.9% QoQ to INR64.6b.
- HCL Tech's operating margins are expected to remain stable during the quarter; our estimate is 19.3% (down 20bp QoQ). Our estimate of SGA is 13.3% v/s 13.2% in 2QFY13.
- PAT estimate for the quarter is INR9,849m, +4.3% QoQ. Our PAT margin estimate is 15.3% v/s 15.1% in 2QFY13.
- HCL Tech announced deal signings TCV of USD1b in 2QFY13, which was flat YoY. TCV of deal signings in 3QFY13 is the most crucial data for the quarter. Company had signed USD1.5b deals in 3QFY13. A case for growth acceleration would require materially higher deals TCV in 3QFY13.
- The stock trades at 13.4x FY14E and 12.7x FY15E earnings. **Buy.**

### Key issues to watch out

- Deal signings, outlook for growth in software services, margin outlook in the near term, commentary on discretionary spending.

## Quarterly Performance (US GAAP)

Y/E June	(INR Million)									
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
<b>Revenues</b>	<b>46,513</b>	<b>52,452</b>	<b>52,156</b>	<b>59,191</b>	<b>60,910</b>	<b>62,738</b>	<b>64,574</b>	<b>66,026</b>	<b>210,312</b>	<b>254,248</b>
Q-o-Q Change (%)	8.2	12.8	-0.6	13.5	2.9	3.0	2.9	2.2	32.2	20.9
<b>EBITDA</b>	<b>7,764</b>	<b>9,487</b>	<b>9,363</b>	<b>12,782</b>	<b>13,288</b>	<b>13,945</b>	<b>14,217</b>	<b>14,521</b>	<b>39,396</b>	<b>55,972</b>
Margins (%)	16.7	18.1	18.0	21.6	21.8	22.2	22.0	22.0	18.7	22.0
Other Income	59	-670	-136	-423	-253	154	341	334	-1,170	576
<b>PAT</b>	<b>4,800</b>	<b>5,526</b>	<b>5,818</b>	<b>8,409</b>	<b>8,642</b>	<b>9,444</b>	<b>9,849</b>	<b>10,044</b>	<b>24,553</b>	<b>37,979</b>
Q-o-Q Change (%)	-2.3	15.1	5.3	44.5	2.8	9.3	4.3	2.0		
Y-o-Y Change (%)	59.8	48.5	30.6	71.2	80.0	70.9	69.3	19.4	43.6	54.7
<b>Diluted EPS (INR)</b>	<b>6.9</b>	<b>7.9</b>	<b>8.3</b>	<b>12.0</b>	<b>12.3</b>	<b>13.5</b>	<b>14.1</b>	<b>14.3</b>	<b>35.1</b>	<b>54.1</b>
<b>USD Revenues</b>	<b>1,002</b>	<b>1,022</b>	<b>1,048</b>	<b>1,080</b>	<b>1,114</b>	<b>1,154</b>	<b>1,190</b>	<b>1,223</b>	<b>4,152</b>	<b>4,681</b>
Q-o-Q Change (%)	4.1	2.0	2.5	3.0	3.2	3.6	3.1	2.7	17.1	12.8
<b>Operating Metrics</b>										
Gross Margin (%)	31.1	32.6	32.1	34.8	34.9	35.5	35.3	35.1	31.3	35.2
SGA (%)	14.4	14.5	14.2	13.2	13.0	13.2	13.3	13.1	14.7	13.2
Tax rate (%)	26.3	25.5	25.5	22.4	23.8	23.7	23.0	23.0	24.5	24.1
Net Employee additions	3,474	2,556	-612	1,855	1,016	-141	2,600	2,600	19,100	6,075
Util. - incl. trainees (%)	69.7	69.6	72.2	72.4	74.2	75.6	76.0	75.0	75.7	77.5
Q-o-Q Vol Gr in s/w serv. (%)	4.0	4.9	2.9	1.8	2.5	0.4	3.4	2.1	22.7	13.9
Q-o-Q Realization change (%)	1.1	-1.2	-1.0	0.0	-1.9	0.5	-1.0	-0.4	0.4	-2.7
Offshore revenues (%)	42.3	42.1	43.8	42.8	44.3	44.9	45.5	45.6	42.8	45.1

E: MOSL Estimates; After adjusting for ESOP charges; Axon is consolidated since December 2008



# Hexaware Technologies

Bloomberg	HEXW IN
Equity Shares (m)	296.7
M. Cap. (INR b)/(USD b)	250
52-Week Range (INR)	142/73
1,6,12 Rel Perf. (%)	0/-30/-36

**CMP: INR84**
**Buy**
**Financials & Valuation (INR b)**

Y/E December	2011	2012A	2013E	2014E
Sales	14.5	19.5	21.4	23.6
EBITDA	2.6	4.1	3.8	4.5
PAT	2.7	3.3	3.0	3.5
EPS (INR)	8.9	10.8	10.0	11.5
EPS Gr. (%)	319.3	21.2	-7.3	14.9
BV/Sh. (INR)	34.4	40.3	41.3	47.0
RoE (%)	26.3	27.5	24.3	24.5
RoCE (%)	23.6	31.2	27.8	28.8
Payout (%)	43.9	49.1	46.6	44.0
<b>Valuations</b>				
P/E (x)	9.4	7.8	8.4	7.3
P/BV (x)	2.5	2.1	2.0	1.8
EV/EBITDA (x)	7.8	5.1	5.4	4.3
Div Yield (%)	4.8	6.4	5.7	6.2

- For 1QCY13, HEXW had guided for USD revenue in the range of USD94.7-96.5m, implying QoQ growth of 2.5-4.4%. We estimate revenue growth of 2.2% QoQ to USD94.4m. In Rupee terms, we expect revenue growth of 2% QoQ to INR5.12b.
- Client specific issues drove weak revenue in 4QCY12 and a sharp decline of 470bp QoQ in EBITDA margin to 16.9%. Company guided for a gradual pick-up in margins hereon for rest of the year. We model EBITDA margin uptick of 100bp QoQ to 17.9% in 1QCY13.
- We expect SGA to come off by 40bp QoQ to 18.8%, and gross margin expansion of 60bp QoQ to 36.7%.
- Our PAT estimate for the quarter is INR758m, a growth of 14.6% QoQ, driven primarily by an uptick in margins. Our implied PAT margin estimate is 14.8%, +210bp QoQ.
- HEXW's commentary following outlook of double digit growth in CY13 will be among the key things to watch out. Assuming a mid-point of guidance for 1Q, company requires a CQGR of 3.15% over 2Q-4QCY13 to meet its target of double digit growth.
- The stock trades at 8.4x CY13E and 7.3x CY14E earnings. Maintain **Buy**.

**Key issues to watch out**

- Revenue growth guidance for CY13 on the back of a weak exit.
- Commentary on any pick-up in large deals.
- Update on the roll-out of new version of PeopleSoft.

**Quarterly Performance (Indian GAAP)**
**(USD Million)**

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Revenues</b>	<b>4,383</b>	<b>5,001</b>	<b>5,075</b>	<b>5,023</b>	<b>5,121</b>	<b>5,265</b>	<b>5,410</b>	<b>5,583</b>	<b>19,482</b>	<b>21,379</b>
Q-o-Q Change (%)	31.2	14.1	1.5	-1.0	16.8	2.8	2.7	3.2	34.3	9.7
Direct Cost	2,574	2,995	3,067	3,210	3,240	3,379	3,464	3,507	11,846	13,590
Other Operating Exps	827	859	910	966	963	979	1,001	1,022	3,562	3,965
<b>Operating Profit</b>	<b>982</b>	<b>1,147</b>	<b>1,098</b>	<b>847</b>	<b>918</b>	<b>907</b>	<b>945</b>	<b>1,054</b>	<b>4,074</b>	<b>3,824</b>
Margins (%)	22.4	22.9	21.6	16.9	17.9	17.2	17.5	18.9	20.9	17.9
Other Income	138	49	55	48	143	111	97	97	290	447
Depreciation	71	76	88	89	89	92	90	93	324	364
<b>PBT bef. Extra-ordinary</b>	<b>1,049</b>	<b>1,120</b>	<b>1,065</b>	<b>806</b>	<b>972</b>	<b>926</b>	<b>951</b>	<b>1,058</b>	<b>4,040</b>	<b>3,907</b>
Provision for Tax	165	230	225	169	214	213	219	244	789	890
Rate (%)	15.7	20.5	21.1	21.0	22.0	23.0	23.0	23.0	19.5	22.8
<b>Net Income bef. Extra-ordinary</b>	<b>884</b>	<b>890</b>	<b>840</b>	<b>637</b>	<b>758</b>	<b>712</b>	<b>732</b>	<b>814</b>	<b>3,251</b>	<b>3,017</b>
Q-o-Q Change (%)	0.2	0.7	-5.6	-24.2	19.1	-6.0	2.7	11.3	21.8	-7.2
Extra-ordinary items	0	0	0	25	0	0	0	0	25	0
<b>Net Income aft. Extra-ordinary</b>	<b>884</b>	<b>890</b>	<b>840</b>	<b>662</b>	<b>758</b>	<b>712</b>	<b>732</b>	<b>814</b>	<b>3,276</b>	<b>3,017</b>
Q-o-Q Change (%)	0.2	0.7	-5.6	-21.2	14.6	-6.0	2.7	11.3	22.8	-7.9
<b>USD Revenues</b>	<b>88.0</b>	<b>91.2</b>	<b>92.8</b>	<b>92.4</b>	<b>94.4</b>	<b>97.5</b>	<b>100.2</b>	<b>103.4</b>	<b>364</b>	<b>395</b>
Q-o-Q Change (%)	4.6	3.6	1.8	-0.4	2.2	3.3	2.7	3.2	18.3	8.5
<b>Diluted EPS - Before EOI (INR)</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>	<b>2.1</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.7</b>	<b>7.1</b>	<b>8.1</b>
<b>Diluted EPS - After EOI (INR)</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>	<b>2.2</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.7</b>	<b>10.9</b>	<b>10.0</b>

E: MOSL Estimates

Bloomberg	INFO IN
Equity Shares (m)	571.4
M. Cap. (INR b)/(USD b)	1631/30
52-Week Range (INR)	3,010/2,102
1,6,12 Rel Perf. (%)	-2/10/-9

**CMP: INR2,854****Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	337.3	406.4	452.2	498.3
EBITDA	107.2	117.8	130.4	145.0
PAT	83.2	92.6	100.7	115.5
EPS (INR)	145.5	162.1	176.2	202.2
EPS Gr. (%)	21.9	11.4	8.7	14.7
BV/Sh. (INR)	585.0	647.4	753.3	880.5
RoE (%)	28.0	26.3	25.1	26.6
RoCE (%)	32.9	30.2	29.4	28.3
Payout (%)	32.3	33.9	34.0	31.6
<b>Valuations</b>				
P/E (x)	19.6	17.6	16.2	14.1
P/BV (x)	4.9	4.4	3.8	3.2
EV/EBITDA (x)	13.3	11.9	10.3	8.8
Div Yield (%)	1.6	1.9	2.1	2.2

- Infosys (INFY) guided for organic revenue growth of 2.8% QoQ to USD1,925m, and including Lodestone, 4Q revenue at USD1,990m.
- However, considering the cross currency assumptions modelled into its guidance, USD revenue is impacted by -22bp, largely driven by depreciation of GBP.
- We expect overall revenue at USD1,980m, a growth of 3.6% QoQ. In Rupee terms, we expect a revenue growth of 3.1% QoQ to INR107.4b
- INFY guided for a margin decline of 100bp QoQ on account of wage hikes at onsite becoming effective from January 2013. We model 70bp QoQ decline in EBITDA margin at INFY to 27.8%. We expect SGA spend to remain range-bound at 11.5% v/s 11.3% in 3Q.
- We estimate PAT to decline 5.7% QoQ to INR22.3b on account of higher taxation (28.5% v/s 25.5% in 3Q), lower operating margin and lower other income QoQ.
- INFY's guidance and outlook for FY14 will be a key feature of the results. Having changed the language of its guidance, we expect it to guide for at least 10% YoY growth in FY14E revenue.
- INFY trades at 16.2x FY14E and 14.1x FY15E earnings. Maintain **Buy**, with a target price of INR3,260.

**Key issues to watch out**

- Revenue guidance for FY14.
- Outlook on margins .
- Plans on hiring and wage hikes.

**Quarterly Performance (IFRS)**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenues</b>	<b>74,850</b>	<b>80,990</b>	<b>92,980</b>	<b>88,520</b>	<b>96,160</b>	<b>98,580</b>	<b>104,240</b>	<b>107,435</b>	<b>337,340</b>	<b>406,415</b>
Q-o-Q Change (%)	3.2	8.2	14.8	-4.8	8.6	2.5	5.7	3.1	22.7	20.5
<b>EBITDA</b>	<b>21,750</b>	<b>25,160</b>	<b>31,350</b>	<b>28,900</b>	<b>29,460</b>	<b>28,720</b>	<b>29,700</b>	<b>29,872</b>	<b>107,160</b>	<b>117,752</b>
Margins (%)	29.1	31.1	33.7	32.6	30.6	29.1	28.5	27.8	31.8	29.0
Other Income	4,430	3,870	4,220	6,520	4,760	7,060	5,030	4,533	19,040	21,383
<b>PAT</b>	<b>17,220</b>	<b>19,060</b>	<b>23,720</b>	<b>23,160</b>	<b>22,890</b>	<b>23,690</b>	<b>23,690</b>	<b>22,334</b>	<b>83,160</b>	<b>92,604</b>
Q-o-Q Change (%)	-5.3	10.7	24.4	-2.4	-1.2	3.5	0.0	-5.7	21.9	11.4
<b>Diluted EPS (INR)</b>	<b>30.1</b>	<b>33.4</b>	<b>41.5</b>	<b>40.5</b>	<b>40.1</b>	<b>41.5</b>	<b>41.5</b>	<b>39.1</b>	<b>145.5</b>	<b>162.1</b>
<b>USD Revenues</b>	<b>1,671</b>	<b>1,746</b>	<b>1,806</b>	<b>1,771</b>	<b>1,752</b>	<b>1,797</b>	<b>1,911</b>	<b>1,980</b>	<b>6,994</b>	<b>7,440</b>
Q-o-Q Change (%)	4.3	4.5	3.4	-1.9	-1.1	2.6	6.3	3.6	15.8	6.4
<b>Operating Metrics</b>										
Gross Margin (%)	41.8	44.3	45.7	44.0	42.2	40.9	39.8	39.3	44.1	40.5
SGA (%)	12.8	13.3	11.9	11.4	11.6	11.8	11.3	11.5	12.3	11.5
Tax rate (%)	28.1	28.6	28.6	29.8	27.8	28.3	25.5	28.5	28.8	27.5
Net Employee additions	2,740	8,262	3,266	4,906	1,157	2,610	1,508	1,566	19,174	6,841
Utiliz. - excl. trainees (%)	74.9	77.3	77.4	73	71.6	73.3	73.2	76.7	75.6	74.3
Q-o-Q Volume Growth (%)	3.2	4.4	3.0	-0.6	2.8	3.8	2.7	1.5	10.8	11.8
Q-o-Q Realization chg (%)	1.2	0.5	(0.1)	(1.1)	(3.7)	(0.2)	3.6	2.1	4.7	-4.8

E: MOSL Estimates

# KPIT Cummins

Bloomberg	KPIT IN
Equity Shares (m)	189.6
M. Cap. (INR b)/(USD b)	18/0
52-Week Range (INR)	142/74
1,6,12 Rel Perf. (%)	-7/-23/12

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	14.9	22.4	25.7	29.0
EBITDA	2.1	3.5	4.1	4.4
PAT	1.2	2.0	2.6	2.8
EPS (INR)	8.0	10.9	13.1	14.4
EPS Gr. (%)	41.4	35.6	20.4	9.6
BV/Sh. (INR)	39.0	53.8	61.0	64.0
RoE (%)	22.4	24.2	23.5	23.7
RoCE (%)	20.6	28.6	26.2	25.7
Payout (%)	8.7	9.2	7.6	10.5
<b>Valuations</b>				
P/E (x)	12.0	8.8	7.3	6.7
P/BV (x)	2.5	1.8	1.6	1.5
EV/EBITDA (x)	8.5	4.3	3.5	3.2
Div Yield (%)	0.7	1.0	1.0	1.6

## CMP: INR96

**Buy**

- KPIT Cummins expects moderate growth in 4QFY13 unlike the spectacular 4Q in FY12. We model revenue growth of 2.1% QoQ to USD105.7m. This takes full year revenue to USD410.6m, above the lower end of its revenue guidance of USD408m. In Rupee terms, we expect revenue at INR5.73b, +1.8% QoQ.
- Margins are expected to remain stable in 4Q. Our estimate for EBITDA stands at INR892m, implying EBITDA margin of 15.6% (-10bp QoQ). Our SGA estimate for the quarter stands at 18.8%, +30bp QoQ.
- Our PAT estimate for the quarter is INR570m, down 5% QoQ, if we exclude the extraordinary item of INR94.5m in 3QFY13. PAT margin estimate is 9.9%, -70bp QoQ. Lower PAT QoQ is on account a higher tax rate, at 26%, v/s effective tax rate of 22.8% in the previous quarter. Also, our estimate for other income stands at INR50m, v/s INR77m in the previous quarter.
- The stock trades at 7.3x FY14E and 6.7x FY15E earnings. Maintain **Buy**.

### Key issues to watch out

- Organic revenue growth guidance in FY14.
- Commentary on wage hikes and outlook on margins.
- Growth traction in top account (Cummins) and SAP.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenues</b>	<b>3,161</b>	<b>3,250</b>	<b>3,789</b>	<b>4,697</b>	<b>5,383</b>	<b>5,672</b>	<b>5,633</b>	<b>5,733</b>	<b>14,897</b>	<b>22,420</b>
QoQ Change (%)	6.4	2.8	19.8	24.0	42.1	5.4	4.7	1.8	47.2	50.5
Direct Expenses	2,124	2,132	2,493	3,186	3,506	3,703	3,706	3,762	9,934	14,677
SG&A	640	674	716	854	1,065	1,024	1,045	1,078	2,885	4,211
<b>EBITDA</b>	<b>397</b>	<b>444</b>	<b>580</b>	<b>658</b>	<b>812</b>	<b>945</b>	<b>882</b>	<b>892</b>	<b>2,078</b>	<b>3,532</b>
Margins (%)	12.6	13.6	15.3	14.0	15.1	16.7	15.7	15.6	13.9	15.8
Other Income	22	110	108	-113	30	-191	77	50	128	-34
Depreciation	94	116	133	102	113	114	118	122	445	467
Interest	10	13	16	39	35	34	42	51	78	163
<b>PBT bef. Extra-ordinary items</b>	<b>315</b>	<b>425</b>	<b>539</b>	<b>404</b>	<b>694</b>	<b>605</b>	<b>800</b>	<b>770</b>	<b>1,683</b>	<b>2,868</b>
Provision for Tax	71	88	128	150	185	191	183	200	437	759
Rate (%)	22.5	20.6	23.8	37.1	26.6	31.6	22.8	26.0	25.9	26.5
<b>PAT after MI</b>	<b>241</b>	<b>365</b>	<b>411</b>	<b>234</b>	<b>486</b>	<b>407</b>	<b>599</b>	<b>570</b>	<b>1,215</b>	<b>2,061</b>
Minority Interest	-3	-1	-5	-22	-12	-12	-18	0	-31	-43
<b>PAT before EO</b>	<b>238</b>	<b>364</b>	<b>405</b>	<b>212</b>	<b>474</b>	<b>394</b>	<b>581</b>	<b>570</b>	<b>1,184</b>	<b>2,018</b>
QoQ Change (%)	(9.8)	52.8	11.5	(47.7)	16.9	(16.8)	47.2	(1.9)	24.9	70.5
Extra-ordinary Items	0	0	0	100	27	55	-94	0	0	-13
<b>PAT aft. Minority and EO</b>	<b>241</b>	<b>365</b>	<b>411</b>	<b>334</b>	<b>513</b>	<b>461</b>	<b>504</b>	<b>570</b>	<b>1,215</b>	<b>2,048</b>
QoQ Change (%)	(8.7)	51.4	70.5	(18.6)	24.9	(10.0)	(1.6)	12.9	28.2	68.6
<b>Diluted EPS (INR)</b>	<b>1.3</b>	<b>2.0</b>	<b>2.3</b>	<b>2.4</b>	<b>2.8</b>	<b>2.5</b>	<b>2.7</b>	<b>2.9</b>	<b>8.0</b>	<b>10.9</b>
<b>USD Revenues</b>	<b>70</b>	<b>70</b>	<b>73</b>	<b>93</b>	<b>98</b>	<b>103</b>	<b>103</b>	<b>106</b>	<b>307</b>	<b>411</b>
QoQ Change (%)	7.0	0.4	4.3	27.2	33.5	5.5	0.0	2.1	38.6	33.6
Offshore util. (%)	71.2	72.8	71.9	74.3	74.1	74.7	72.9	73.0	72.6	73.7
Onsite util. (%)	90.7	91.3	90.6	94.5	94.7	94.5	92.8	93.5	91.9	93.9

E: MOSL Estimates

## MindTree

Bloomberg	MTCL IN
Equity Shares (m)	41.0
M. Cap. (INR b)/(USD b)	37/1
52-Week Range (INR)	923/464
1,6,12 Rel Perf. (%)	8/36/79

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	19.2	23.6	26.4	29.2
EBITDA	2.9	4.9	5.4	5.6
PAT	2.2	3.5	3.9	4.1
EPS (INR)	53.7	83.5	94.1	98.9
EPS Gr. (%)	116.5	55.4	12.7	5.2
BV/Sh. (INR)	233.5	314.5	399.4	498.3
RoE (%)	25.2	26.5	26.4	22.0
RoCE (%)	25.6	37.2	31.3	25.5
Payout (%)	7.4	5.4	5.3	5.1
<b>Valuations</b>				
P/E (x)	17.0	10.9	9.7	9.2
P/BV (x)	1.8	2.9	2.3	1.8
EV/EBITDA (x)	11.3	6.6	5.5	4.8
Div Yield (%)	0.4	0.5	0.5	0.5

## CMP: INR911

Buy

- MTCL, which grew its USD revenue by 2.5% QoQ in 3QFY13, expects its growth in 4QFY13 to be very similar to that in 3Q. We expect revenue at USD112.6m in 4Q, implying a growth of 2.5%.
- In Rupee terms, our growth estimate stands at INR6.1b, +3.5% QoQ. Revenue growth in INR is greater than that in USD, unlike peers, for 4Q due to MTCL's accounting practice of taking prevailing dollar rate at the beginning of the month for the whole month.
- Company cited investments in resources across the board, including intake of recruits from campus. Due to these investments, margins are expected to decline sequentially. Our estimate for EBITDA margin is 19.2%, down 120bp QoQ. Our SGA estimate is up 50bp QoQ to 20.5%.
- Our PAT estimate for the quarter is INR856m, which implies a PAT margin of 14%, down 270bp QoQ. Apart from lower operating margins sequentially, forex gains of INR142m in 3QFY13 also feed into the weaker PAT QoQ in 4Q.
- MTCL had guided for a significant recovery in growth in FY14, driven by improving demand in its top 50 clients and also improving outlook on growth in the PES segment. Following Nasscom's growth outlook of 12-14% for the industry, company's growth guidance relative to the same will be keenly watched. To grow at the mid-point of the same, MTCL needs to post a CQGR of 3.6% in FY14E.
- The stock trades at 9.7x FY14E and 9.2x FY15E earnings. Maintain **Buy**.

## Key issues to watch out

- Growth outlook v/s Nasscom, anticipated growth split between IT services and PES; and outlook on margins, hiring.

## Quarterly Performance

Y/E March	(INR Million)								FY12	FY13E
	FY12				FY13					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenues</b>	<b>4,131</b>	<b>4,567</b>	<b>5,197</b>	<b>5,257</b>	<b>5,630</b>	<b>5,963</b>	<b>5,901</b>	<b>6,110</b>	<b>19,152</b>	<b>23,604</b>
Q-o-Q Change (%)	7.4	10.6	13.8	1.2	23.3	5.9	-1.0	3.5	26.9	23.2
Direct Expenses	2,793	3,047	3,242	3,179	3,442	3,570	3,517	3,687	12,261	14,216
SGA	878	932	1,058	1,093	1,014	1,074	1,180	1,252	3,961	4,520
<b>Operating Profit</b>	<b>460</b>	<b>588</b>	<b>897</b>	<b>985</b>	<b>1,174</b>	<b>1,319</b>	<b>1,204</b>	<b>1,170</b>	<b>2,930</b>	<b>4,867</b>
Margins (%)	11.1	12.9	17.3	18.7	20.9	22.1	20.4	19.2	15.3	20.6
Other Income	31	70	36	51	52	74	70	78	188	274
Forex Gain / (Loss)	91	171	-25	-40	86	-415	142	0	197	-187
Depreciation & Amort.	180	174	173	168	159	159	151	156	695	625
Interest	0	1	1	3	3	4	2	2	5	11
<b>PBT bef. Extra-ordinary</b>	<b>402</b>	<b>654</b>	<b>734</b>	<b>825</b>	<b>1,150</b>	<b>815</b>	<b>1,263</b>	<b>1,091</b>	<b>2,615</b>	<b>4,319</b>
Provision for Tax	57	109	128	136	260	93	275	235	430	863
Rate (%)	14.2	16.7	17.4	16.5	22.6	11.4	21.8	21.5	16.4	20.0
<b>Reported PAT</b>	<b>345</b>	<b>545</b>	<b>606</b>	<b>689</b>	<b>890</b>	<b>722</b>	<b>988</b>	<b>856</b>	<b>2,185</b>	<b>3,456</b>
Q-o-Q Change (%)	13.2	58.0	11.2	13.7	63.3	-18.9	36.8	-13.3	101.4	58.1
<b>USD Revenue</b>	<b>92.5</b>	<b>101.3</b>	<b>103.7</b>	<b>105.0</b>	<b>105.5</b>	<b>107.3</b>	<b>109.9</b>	<b>112.6</b>	<b>402.6</b>	<b>435.3</b>
Q-o-Q Change (%)	7.3	9.5	2.3	1.3	4.1	1.7	2.5	2.5	21.7	8.1
Util including trainees (%)	72.5	71.3	68.3	67.8	68.9	71.7	71.4	72.0	69.9	71.0

E: MOSL Estimates

# Mphasis

**Sell**

Bloomberg	MPHL IN
Equity Shares (m)	210.0
M. Cap. (INR b)/(USD b)	84/2
52-Week Range (INR)	437/317
1,6,12 Rel Perf. (%)	8/1/-16

**CMP: INR400**

- For Mphasis, integration of Digital Risk acquisition will reflect in this quarter, as a result of which, sequential revenue growth should see a spike. We model revenue at USD272.6m, which implies QoQ growth of 15.2%.
- We expect almost all the incremental revenue during the quarter to emanate from acquisition of Digital Risk LLC, as on the organic front, we expect growth in the direct channel to be offset by continued decline in HP channel.
- In rupee terms, we expect revenue at INR14.5b, +15% QoQ. We expect forex losses of INR304m in the top line during the quarter.
- EBITDA margin is expected to decline 60bp QoQ to 17.9%, primarily on account of integration with the lower margin acquisition. In absolute terms, we expect EBITDA to grow 11.6% QoQ to INR2.6b.
- However, we expect PAT to decline by 1.9% QoQ to INR1.81b, as we model lower other income from the reduced cash kitty, post the payout for Digital Risk's acquisition. Our PAT margin estimate is 12.5%, down 220bp QoQ.
- The stock trades at 10.9x FY13E and 9.8x FY14E EPS. Maintain **Sell**.

**Financials & Valuation (INR b)**

Y/E October	2011	2012	2013E	2014E
Sales	51.0	53.6	57.7	64.4
EBITDA	9.9	10.5	10.8	12.8
PAT	8.3	7.9	7.7	8.6
EPS (INR)	39.3	37.5	36.7	40.8
EPS Gr. (%)	-19.1	-4.6	-2.2	11.3
BV/Sh. (INR)	185.7	209.6	217.9	235.6
RoE (%)	23.1	19.1	17.3	18.1
RoCE (%)	22.2	19.6	18.8	21.6
Payout (%)	16.5	45.3	49.0	49.0
<b>Valuations</b>				
P/E (x)	10.2	10.7	10.9	9.8
P/BV (x)	2.2	1.9	1.8	1.7
EV/EBITDA (x)	6.7	5.5	5.6	4.4
Div Yield (%)	1.6	4.2	4.5	5.0

**Key issues to watch out**

- Growth outlook for Digital Risk, outlook for HP channel and Direct channel. Also, guidance on margin trajectory post acquisition will be crucial.

**Mphasis - Quarterly Performance**

(INR Million)

Y/E October	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Revenues</b>	<b>13,672</b>	<b>13,289</b>	<b>13,551</b>	<b>13,062</b>	<b>12,571</b>	<b>14,487</b>	<b>15,159</b>	<b>15,519</b>	<b>53,574</b>	<b>57,736</b>
Q-o-Q Change (%)	5.7	-2.8	2.0	-3.6	-5.4	15.2	4.6	2.4	5.1	7.8
Direct Expenses	9,995	9,454	9,596	9,088	9,052	10,520	10,984	10,998	38,133	41,554
Sales, Gen. & Admin. Exp.	1,155	1,221	1,280	1,274	1,191	1,368	1,375	1,408	4,930	5,342
<b>Operating Profit</b>	<b>2,522</b>	<b>2,614</b>	<b>2,675</b>	<b>2,700</b>	<b>2,328</b>	<b>2,598</b>	<b>2,801</b>	<b>3,114</b>	<b>10,511</b>	<b>10,841</b>
Margins (%)	18.4	19.7	19.7	20.7	18.5	17.9	18.5	20.1	19.6	18.8
Other Income	338	340	441	394	423	272	229	254	1,513	1,179
Depreciation	468	455	415	407	378	459	463	474	1,745	1,774
<b>PBT bef. Extra-ordinary</b>	<b>2,392</b>	<b>2,499</b>	<b>2,701</b>	<b>2,687</b>	<b>2,373</b>	<b>2,412</b>	<b>2,567</b>	<b>2,894</b>	<b>10,279</b>	<b>10,246</b>
Provision for Tax	544	605	614	594	529	603	642	723	2,357	2,497
Rate (%)	22.7	24.2	22.7	22.1	22.3	25.0	25.0	25.0	22.9	24.4
<b>PAT bef. Extra-ordinary</b>	<b>1,848</b>	<b>1,894</b>	<b>2,087</b>	<b>2,093</b>	<b>1,844</b>	<b>1,809</b>	<b>1,925</b>	<b>2,170</b>	<b>7,922</b>	<b>7,748</b>
Q-o-Q Change (%)	-5.1	2.5	10.2	0.3	-2.6	-1.9	6.4	12.7	-4.6	-2.2
<b>Diluted EPS (INR)</b>	<b>8.8</b>	<b>9.0</b>	<b>9.9</b>	<b>9.9</b>	<b>8.8</b>	<b>8.6</b>	<b>9.1</b>	<b>10.3</b>	<b>37.5</b>	<b>36.7</b>
<b>USD Revs</b>	<b>271</b>	<b>266</b>	<b>252</b>	<b>248</b>	<b>237</b>	<b>273</b>	<b>277</b>	<b>283</b>	<b>1,036</b>	<b>1,002</b>
Q-o-Q Change (%)	-2.0	-1.8	-5.2	-1.6	-6.0	15.2	1.5	2.4	-7.4	-3.3

E: MOSL Estimates



# Tata Consultancy Services

Bloomberg	TCS IN
Equity Shares (m)	1,957.2
M. Cap. (INR b)/(USD b)	3048/56
52-Week Range (INR)	1,598/1,047
1,6,12 Rel Perf. (%)	6/21/24

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	488.9	630.4	715.2	797.0
EBITDA	144.2	181.3	203.7	220.8
PAT	106.4	139.7	154.2	169.6
EPS (INR)	54.4	71.4	78.8	86.6
EPS Gr. (%)	22.5	31.3	10.4	9.9
BV/Sh. (INR)	166.7	199.1	244.2	297.4
RoE (%)	36.7	39.0	35.6	32.0
RoCE (%)	44.1	45.3	42.2	37.5
Payout (%)	46.0	37.8	36.8	33.5
<b>Valuations</b>				
P/E (x)	28.7	21.8	19.8	18.0
P/BV (x)	9.3	7.8	6.4	5.2
EV/EBITDA (x)	21.0	16.2	14.1	37.5
Div Yield (%)	1.6	1.7	1.9	1.9

**CMP: INR1,557**

**Neutral**

- We expect TCS to grow its revenue in 4QFY13E by 3% QoQ to USD3,037m. While our volume growth estimate is higher at 3.6% QoQ, lower growth in revenue is a function of ~30bp negative impact from cross currency movements. In Rupee terms, we expect revenue growth of 2.5% QoQ to INR164.8b.
- Company expressed confidence in meeting its full year EBIT margin target of 27%. We model 40bp QoQ decline in EBIT margin to 26.9%, which implies full year EBIT margin of 27.1%. Our SGA assumption for the quarter is 18.2% (v/s 18.4% in 3QFY13).
- Our PAT estimate stands at INR36.3b, up 2.1% QoQ, and implies PAT margin of 22%. Effective tax rate assumption is 22% (v/s 21.8% in 3QFY13). We expect other income of INR2.7b (v/s INR2.1b in 3QFY13).
- The stock trades at 19.8x FY14E and 18x FY15E. Maintain **Neutral**, with a target price of INR1,500.

## Key issues to watch out

- Commentary on growth outlook in FY14.
- Gross hiring additions guidance.
- Outlook on margins and wage hikes.
- BFSI growth v/s company average.

## Quarterly Performance (IFRS)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenues</b>	<b>107,970</b>	<b>116,335</b>	<b>132,040</b>	<b>132,593</b>	<b>148,687</b>	<b>156,208</b>	<b>160,699</b>	<b>164,767</b>	<b>488,938</b>	<b>630,360</b>
Q-o-Q Change (%)	6.3	7.7	13.5	0.4	12.1	5.1	2.9	2.5	31.0	28.9
<b>EBITDA</b>	<b>30,310</b>	<b>33,829</b>	<b>40,921</b>	<b>39,117</b>	<b>43,328</b>	<b>44,403</b>	<b>46,540</b>	<b>47,045</b>	<b>144,177</b>	<b>181,316</b>
Margins (%)	28.1	29.1	31.0	29.5	29.1	28.4	29.0	28.6	29.5	28.8
Other Income	2,887	997	-920	1,077	1,754	3,103	2,133	2,710	4,041	9,700
<b>PAT</b>	<b>23,804</b>	<b>24,390</b>	<b>28,866</b>	<b>29,324</b>	<b>32,806</b>	<b>35,121</b>	<b>35,518</b>	<b>36,266</b>	<b>106,384</b>	<b>139,711</b>
Q-o-Q Change (%)	-0.9	2.5	18.3	1.6	11.9	7.1	1.1	2.1	22.5	31.3
<b>Diluted EPS (INR)</b>	<b>12.2</b>	<b>12.5</b>	<b>14.7</b>	<b>15.0</b>	<b>16.8</b>	<b>17.9</b>	<b>18.1</b>	<b>18.5</b>	<b>54.4</b>	<b>71.4</b>
<b>USD Revenues</b>	<b>2,412</b>	<b>2,525</b>	<b>2,586</b>	<b>2,648</b>	<b>2,728</b>	<b>2,853</b>	<b>2,948</b>	<b>3,037</b>	<b>10,171</b>	<b>11,566</b>
Q-o-Q Change (%)	7.5	4.7	2.4	2.4	3.0	4.6	3.3	3.0	24.2	13.7
<b>Operating Metrics</b>										
Gross Margin (%)	45.5	46.6	48.0	47.8	47.2	46.4	47.4	46.7	47.1	46.9
SGA (%)	17.5	17.5	17.1	18.3	18.1	18.0	18.4	18.2	17.6	18.2
Tax rate (%)	22.7	24.3	22.6	21.6	22.2	21.0	21.8	22.0	22.8	21.8
Net Empl additions	3,576	12,580	11,981	11,832	4,962	10,531	9,561	7,091	39,969	32,145
Util - excl. trainees (%)	83.2	83.1	82.0	80.6	81.3	81.6	81.7	82.4	82.2	81.8
Q-o-Q Volume Gr (%)	7.5	6.3	3.2	3.3	5.3	5.0	1.2	3.6	23.0	15.0
Q-o-Q Realiz Chg (%)	-0.5	-1.0	2.0	-1.0	-1.0	-0.5	2.3	-0.6	1.1	-0.6
Offshore revenues (%)	55.2	54.8	55.0	54.8	55.3	54.2	54.4	54.8	54.9	54.7

E: MOSL Estimates



# Tech Mahindra

Bloomberg	TECHM IN
Equity Shares (m)	127.8
M. Cap. (INR b)/(USD b)	133/2
52-Week Range (INR)	1,124/591
1,6,12 Rel Perf. (%)	3/11/35

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	54.9	68.1	76.3	79.8
EBITDA	9.2	14.3	14.8	14.2
Adj. PAT	9.3	12.5	13.6	15.8
Adj. EPS (INR)	70.4	94.7	103.0	119.9
EPS Gr. (%)	29.8	34.5	8.8	16.4
BV/Sh.(INR)	339.7	420.5	529.7	645.6
RoE (%)	26.0	23.3	22.4	21.1
RoCE (%)	21.4	22.3	20.2	19.8
Payout (%)	5.7	5.3	5.8	6.7
<b>Valuations</b>				
P/E (x)	14.8	11.0	10.1	8.7
P/BV (x)	3.1	2.5	2.0	1.6
EV/EBITDA (x)	14.7	8.8	8.5	8.0
Div Yield (%)	0.4	0.5	0.6	0.8

## CMP: INR1,041

Buy

- Tech Mahindra expects revenue from BT to take a double hit - coming from some restructuring compounded by depreciation of GBP. While organic revenue outside BT will grow marginally, an incremental USD15-17m QoQ will come from full quarter revenue from Comviva.
- We model 2% QoQ growth, including Comviva, taking USD revenue to USD336m. In rupee terms, our revenue estimate is INR18.2b, 1.8% QoQ.
- We expect EBITDA margin to decline 180bp QoQ on account of ~100bp from integration with Comviva and ~80bp from depreciation of GBP.
- Our PAT estimate before factoring profits from Satyam is INR2b, -19.6% QoQ, largely driven by forex losses on translation of GBP assets, as closing rate is much weaker than the average rate for the quarter.
- At Satyam revenue growth is likely to be weak, we expect USD356.7m revenues, flat QoQ and EBITDA margin decline of 100bp QoQ to 20.6%
- TECHM trades at 10.1x FY14E and 8.7x FY15E. Maintain **Buy**.

### Key issues to watch out

- Expectation on BT, organic growth outside BT and margin levers.
- Outlook on revenue growth and large deals at Mahindra Satyam.

## Quarterly Performance (Indian GAAP) - SA

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenues</b>	<b>12,925</b>	<b>13,333</b>	<b>14,449</b>	<b>14,190</b>	<b>15,434</b>	<b>16,314</b>	<b>17,911</b>	<b>18,426</b>	<b>54,897</b>	<b>68,085</b>
Q-o-Q Change (%)	2.5	3.2	8.4	-1.8	8.8	5.7	9.8	2.9	13.4	24.0
Direct Cost	8,540	9,069	9,861	9,312	9,684	10,336	11,246	11,574	36,782	42,840
Other Operating Exps	1,967	2,222	2,245	2,487	2,448	2,601	2,902	2,985	8,921	10,936
<b>Operating Profit</b>	<b>2,418</b>	<b>2,042</b>	<b>2,343</b>	<b>2,391</b>	<b>3,302</b>	<b>3,377</b>	<b>3,763</b>	<b>3,866</b>	<b>9,194</b>	<b>14,308</b>
Margins (%)	18.7	15.3	16.2	16.8	21.4	20.7	21.0	21.0	16.7	21.0
Other Income	460	972	147	-211	-174	-640	301	-5	1,368	-518
Interest	223	721	338	131	240	228	263	329	1,413	1,060
Depreciation	334	507	390	383	421	481	505	510	1,614	1,917
<b>PBT bef. Extra-ordinary</b>	<b>2,321</b>	<b>1,786</b>	<b>1,762</b>	<b>1,666</b>	<b>2,467</b>	<b>2,028</b>	<b>3,296</b>	<b>3,021</b>	<b>7,535</b>	<b>10,812</b>
Provision for Tax	509	393	294	242	585	251	808	725	1,438	2,369
Rate (%)	21.9	22.0	16.7	14.5	23.7	12.4	24.5	24.0	19.1	21.9
Minority Interest	7	5	23	0	0	0	71	54	35	0
<b>Net Income bef. Extra-ordinary</b>	<b>1,805</b>	<b>1,388</b>	<b>1,445</b>	<b>1,424</b>	<b>1,882</b>	<b>1,777</b>	<b>2,417</b>	<b>2,242</b>	<b>6,062</b>	<b>8,443</b>
Q-o-Q Change (%)	-12.6	-23.1	4.1	-1.4	32.2	-5.6	36.0	-7.2	-16.9	39.3
Extra-ordinary items	0	0	0	-679	0	0	0	0	-679	-679
<b>Net Income aft. Extra-ordinary</b>	<b>1,805</b>	<b>1,388</b>	<b>1,445</b>	<b>745</b>	<b>1,882</b>	<b>1,777</b>	<b>2,417</b>	<b>2,242</b>	<b>5,383</b>	<b>7,765</b>
Q-o-Q Change (%)	96.0	-23.1	4.1	-48.4	152.5	-5.6	36.0	-7.2	-19.3	44.2
Effect of restructuring fees	390	390	417	427	381	438	377	380	1,279	1,267
<b>Net Inc. after sh of profits fr. asso.</b>	<b>2,768</b>	<b>2,407</b>	<b>2,763</b>	<b>3,023</b>	<b>3,384</b>	<b>2,962</b>	<b>2,758</b>	<b>3,667</b>	<b>4,104</b>	<b>6,497</b>
Q-o-Q Change (%)	200.5	-13.0	14.8	9.4	11.9	-12.5	-6.9	33.0	-17.5	58.3
<b>Diluted EPS (INR)</b>	<b>18.2</b>	<b>15.3</b>	<b>17.8</b>	<b>19.7</b>	<b>22.6</b>	<b>19.0</b>	<b>17.9</b>	<b>24.8</b>	<b>70.9</b>	<b>84.4</b>
<b>USD Revenues - TECHM</b>	<b>290</b>	<b>296</b>	<b>289</b>	<b>282</b>	<b>281</b>	<b>299</b>	<b>329</b>	<b>346</b>	<b>1,156</b>	<b>1,256</b>
Q-o-Q Change (%)	4.1	2.2	-2.5	-2.5	-0.1	6.4	10.1	5.1	8.8	8.6
<b>USD Revenues - SCS</b>	<b>320</b>	<b>330</b>	<b>325</b>	<b>332</b>	<b>342</b>	<b>354</b>	<b>356</b>	<b>363</b>	<b>1,307</b>	<b>1,415</b>
Q-o-Q Change (%)	5.3	3.2	-1.6	2.2	3.0	3.5	0.4	2.1	15.9	8.2

E: MOSL Estimates

Wipro

Buy

Bloomberg	WPRO IN
Equity Shares (m)	2,457.3
M. Cap. (INR b)/(USD b)	1071/20
52-Week Range (INR)	456/326
1,6,12 Rel Perf. (%)	6/14/-6

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	375.2	434.5	473.1	516.5
EBITDA	74.1	86.4	92.0	100.0
PAT	55.7	65.9	68.7	76.1
EPS (INR)	22.7	26.8	28.0	31.0
EPS Gr. (%)	5.1	18.3	4.2	10.7
BV/Sh. (INR)	116.5	130.7	150.0	171.6
RoE (%)	21.2	21.8	20.0	19.3
RoCE (%)	19.4	20.1	19.2	18.6
Payout (%)	26.4	24.2	26.8	25.8
<b>Valuations</b>				
P/E (x)	19.2	16.2	15.6	14.1
P/BV (x)	3.7	3.3	2.9	2.5
EV/EBITDA (x)	13.6	11.4	10.5	9.4
Div Yield (%)	1.4	1.5	1.7	1.8

**CMP: INR436**

- Wipro had guided for 4Q revenue growth band of 0.5-3% QoQ, implying USD revenue of USD1,585m-1,625m. The guidance, however, assumed average cross currency rates of 3Q, but due to depreciation in GBP, we expect a negative impact of 30bp on USD revenue growth. We model revenue growth of 1.2% QoQ to USD1,596m. We expect 2.2% QoQ growth in revenue for the overall company to INR111.9b.
- We expect overall company SGA to be 14.2% (v/s 13.9% in 3Q) and IT Services SGA at 13.1% (v/s 13% in 3QFY13). Our EBIT margin estimate for the overall company is 17.3%, up 20bp QoQ. We expect IT services EBIT margin to expand 50bp QoQ to 20.7%.
- Our PAT estimate for the quarter is INR16.8b, a decline of 1.8% QoQ. QoQ decline in PAT is largely on account of lower other income (estimate of INR2.7b v/s INR3.5b in 3QFY13).
- We expect the company to guide for 1QFY14E USD revenue growth band of 1.5-3.5% on the back of anticipated ramp-ups in deals closed.
- The stock trades at 15.6x FY14E and 14.1x FY15E EPS. Maintain **Buy**.

**Key issues to watch out**

- Revenue growth guidance, commentary on deal signing performance and outlook on growth vis-a-vis the industry in FY14.

**Wipro Quarterly Performance (IFRS)**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenues</b>	<b>85,640</b>	<b>90,945</b>	<b>99,972</b>	<b>98,691</b>	<b>106,530</b>	<b>106,566</b>	<b>109,487</b>	<b>111,942</b>	<b>375,248</b>	<b>434,525</b>
Q-o-Q Change (%)	3.2	6.2	9.9	-1.3	7.9	0.0	2.7	2.2	20.7	15.8
<b>EBITDA</b>	<b>17,290</b>	<b>17,397</b>	<b>19,843</b>	<b>19,611</b>	<b>21,426</b>	<b>21,382</b>	<b>21,422</b>	<b>22,171</b>	<b>74,141</b>	<b>86,401</b>
Margins (%)	20.2	19.1	19.8	19.9	20.1	20.1	19.6	19.8	19.8	19.9
Margins after taking hedges on top-line (%)	17.5	16.4	17.2	17.2	17.6	17.4	17.7	17.3		
Other Income	1,542	962	1,249	1,984	1,223	2,662	3,402	2,629	5,737	9,916
<b>PAT</b>	<b>13,349</b>	<b>13,009</b>	<b>14,564</b>	<b>14,809</b>	<b>15,802</b>	<b>16,106</b>	<b>17,164</b>	<b>16,848</b>	<b>55,731</b>	<b>65,920</b>
Q-o-Q Change (%)	-2.9	-2.5	12.0	1.7	6.7	1.9	6.6	-1.8		
Y-o-Y Change (%)	1.2	1.2	10.4	7.7	18.4	23.8	17.9	13.8	5.2	18.3
<b>Diluted EPS (INR)</b>	<b>5.4</b>	<b>5.3</b>	<b>5.9</b>	<b>6.0</b>	<b>6.4</b>	<b>6.6</b>	<b>7.0</b>	<b>6.9</b>	<b>22.7</b>	<b>26.8</b>
<b>USD Revenues</b>	<b>1,408</b>	<b>1,473</b>	<b>1,506</b>	<b>1,536</b>	<b>1,515</b>	<b>1,541</b>	<b>1,577</b>	<b>1,596</b>	<b>5,921</b>	<b>6,229</b>
Q-o-Q Change (%)	0.5	4.6	2.2	2.0	-1.4	1.7	2.4	1.2	13.4	5.2
<b>Operating Metrics</b>										
Gross Margin (%)	29.9	28.6	30.3	30.6	31.3	31.0	31.5	31.0	29.9	31.4
SGA (%)	12.5	12.2	13.0	13.5	14.0	13.9	13.9	14.2	12.8	14.0
IT Services EBIT (%)	22.0	20.0	20.8	20.7	21.0	20.7	20.2	20.7	20.8	20.6
Tax rate (%)	18.9	18.0	20.7	21.2	20.2	23.9	21.9	23.0	19.8	22.3
Net Employee additions	4,105	5,240	5,004	-814	2,632	2,017	2,336	2,465	13,535	9,450
Utilization-incl.trainees (%)	71.2	70.1	67.0	67.8	69.5	67.5	65.0	65.6	69.0	66.9
Q-o-Q Volume Growth(%)	1.8	6.0	1.8	0.8	0.8	0.2	-1.0	1.0	11.5	4.0
Q-o-Q Realization Chg. (%)	-2.1	-0.5	2.7	0.5	-2.2	1.5	3.3	1.0	3.2	2.3
Offshore revenues (%)	47.6	45.7	45.6	46.1	45.6	46.1	46.2	46.6	46.2	46.3
Rev Guidance (USDm)	1,394- 1,422	1,436- 1,464	1,500- 1,530	1,520- 1,540	1,520- 1,550	1,520- 1,550	1,560- 1,590	1,585- 1,625		

E: MOSL Estimates

# Telecom

## Companies Covered

Bharti Airtel

Idea Cellular

Reliance Communication

**Wireless traffic to grow ~3% QoQ; blended RPM to increase ~1% QoQ:** During 4QFY13, we expect average wireless traffic for the top-4 operators to grow by ~3% QoQ, led by seasonal strength, despite fewer days in the quarter. Wireless RPM is likely to increase by ~1% QoQ on a blended basis, led by lower discounting.

**EBITDA margin to improve QoQ for Bharti/Idea:** We expect EBITDA margin to expand by 50-70bp for Bharti/Idea, led by operating leverage and cost control. Our estimates imply 4/7% QoQ growth in domestic wireless EBITDA for Bharti/Idea, implying strong operating performance.

**Bharti Africa - 4QFY13 to be a sluggish quarter:** We expect 1/1% QoQ growth in USD denominated revenue/EBITDA for Bharti Africa. Sluggish revenue/EBITDA growth would be led by seasonal weakness and continued challenges in the industry environment.

**Seventh consecutive month of decline in wireless subscribers:** Industry wireless subscriber base declined to 862m in January 2013 v/s the peak of 934m in June 2012. Wireless subscriber additions have been in the negative territory for seven consecutive months due to (1) industry-wide measures undertaken to rationalize channel commissions and control "rotational churn", (2) "clean-up" of dormant subscriber base by some operators, (3) implementation of stringent subscriber verification and acquisition process mandated by the government, effective from November 2012, and (4) exit of certain operators from specific circles.

## Abbreviations and acronyms

RPM: revenue per minute

MNP: mobile number portability

VLR: visitor location register

TRAI: Telecom Regulatory

Authority of India

ARPU: average revenue per user

MOU: minutes of use

**Profitability focus increasing; pricing bottomed out:** Our industry interactions indicate increased focus on RPM and profitability improvement across operators. We expect incumbents' pricing power to increase, as the process of industry consolidation gains ground.

**Regulatory environment remains tough:** The regulatory environment remains tough, given the high reserve price for spectrum and issues related to re-farming and license renewal. We believe there is a risk of prolonged litigation between the industry and the government on these issues.

## Expected quarterly performance summary

(INR Million)

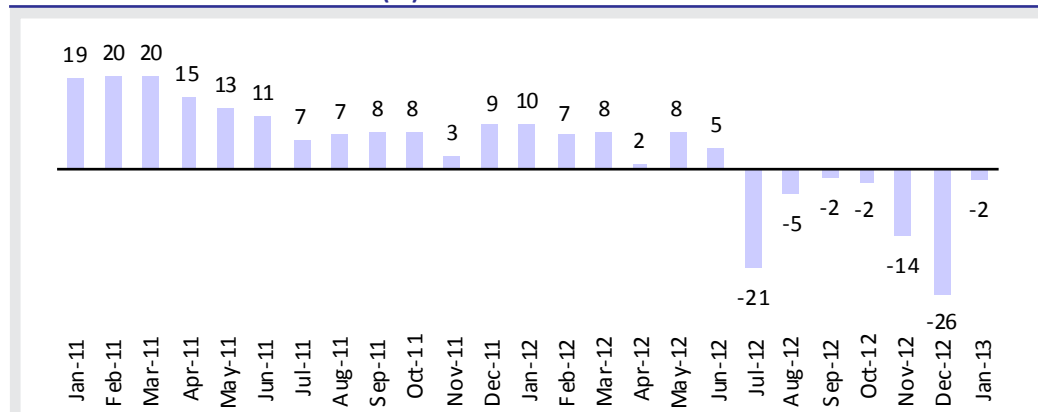
	CMP (INR) 26.03.13	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
Bharti Airtel	297	Buy	206,732	10.4	2.1	64,210	3.0	3.8	7,226	-28.2	154.8
Idea Cellular	109	Buy	58,295	8.6	4.5	15,769	4.6	7.0	2,656	-22.5	16.2
Reliance Comm	51	Neutral	54,826	3.3	3.4	16,661	2.1	0.8	1,080	-46.5	-5.5
<b>Sector Aggregate</b>			<b>319,853</b>	<b>8.8</b>	<b>2.8</b>	<b>96,640</b>	<b>3.1</b>	<b>3.8</b>	<b>10,962</b>	<b>-29.3</b>	<b>75.0</b>

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

**Valuation and view:** During FY13-15, we expect 11/18/14% EBITDA CAGR for Bharti/Idea/RCom, led by 6/11/5% traffic CAGR in the India wireless business. We reiterate **Buy** on Bharti (trades at ~6.7x prop FY14 EV/EBITDA) and Idea (trades at 6.6x FY14 EV/EBITDA), and **Neutral** on RCom (trades at 5.9x FY14 EV/EBITDA).

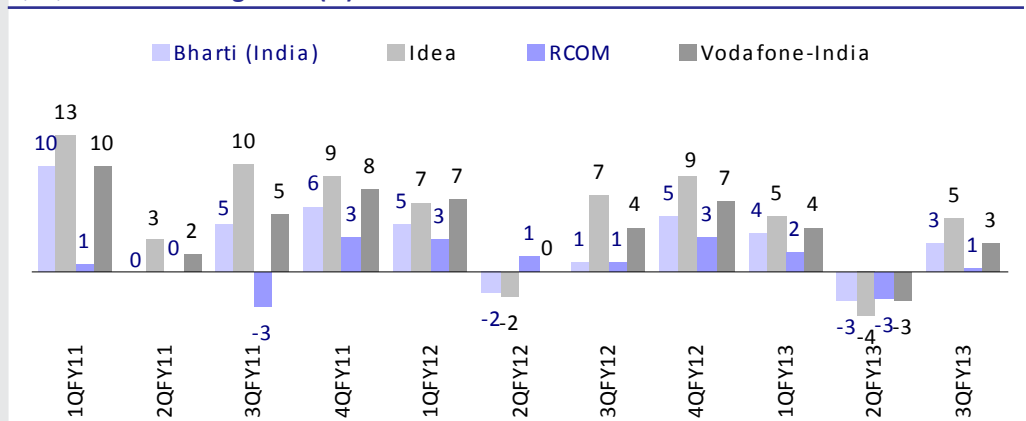
**Wireless subscriber net additions (m)**

Industry subscriber base declined for seven consecutive months



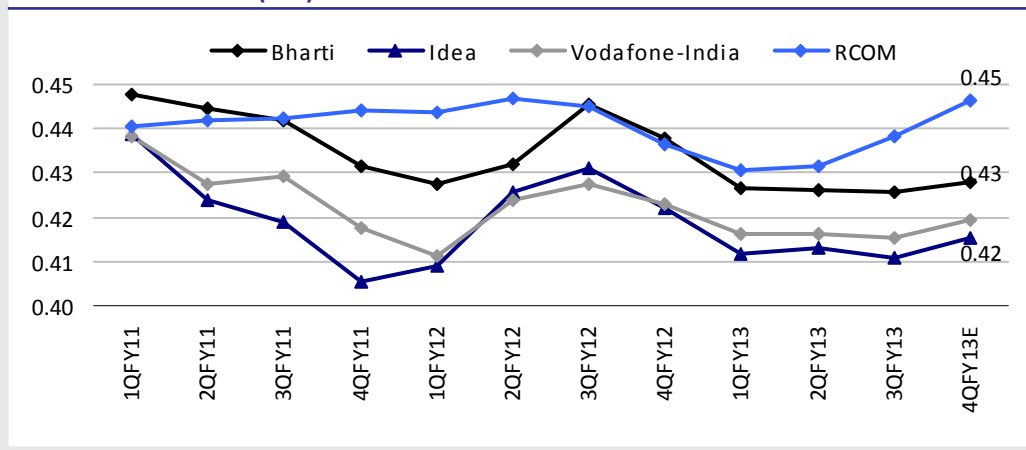
**QoQ wireless traffic growth (%)**

We expect wireless traffic for the majors to increase by ~3% QoQ and 7% YoY in 4QFY13



**Trend in wireless RPM (INR)**

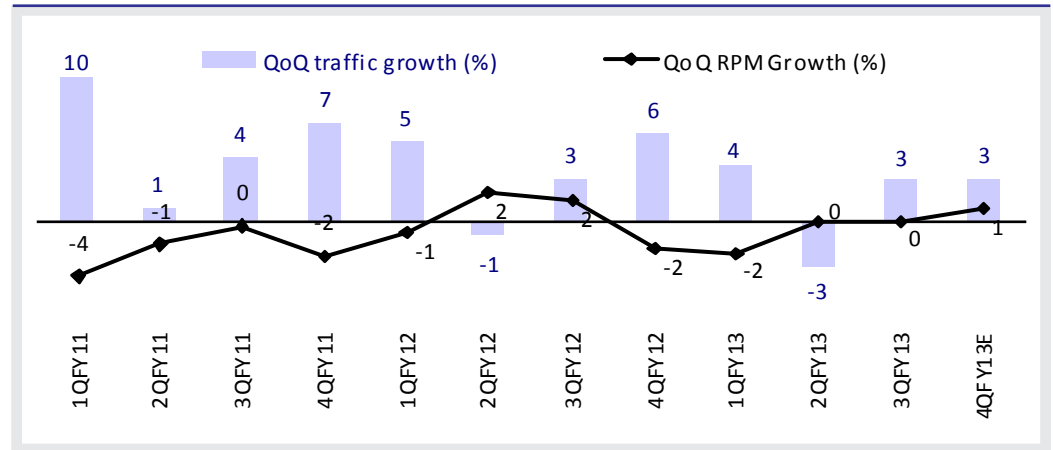
We expect RPM to improve QoQ



Source: TRAI, MOSL

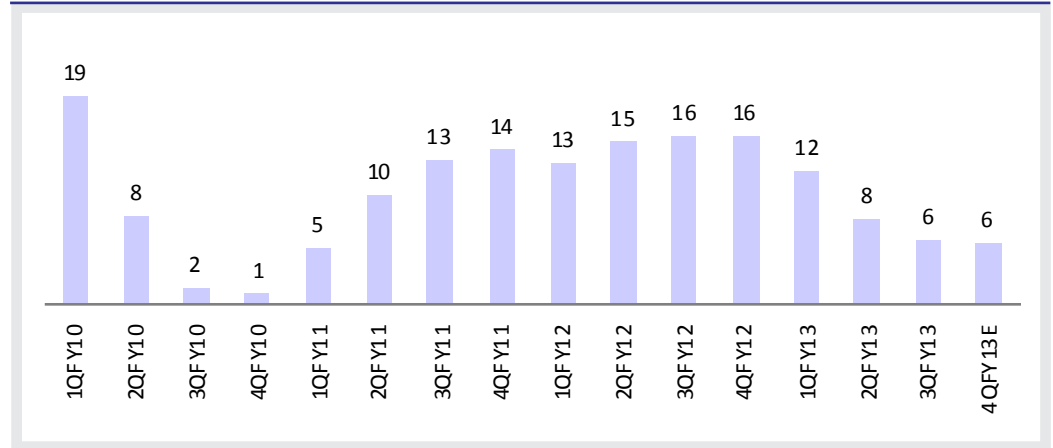
**Aggregate traffic growth and RPM trend for wireless majors**

Traffic momentum to sustain; RPM to inch up



Source: Company, MOSL

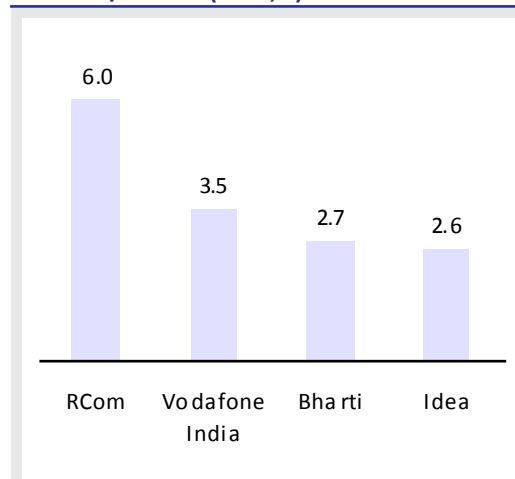
**Aggregate India wireless revenue growth of top-4 operators (YoY, %)**



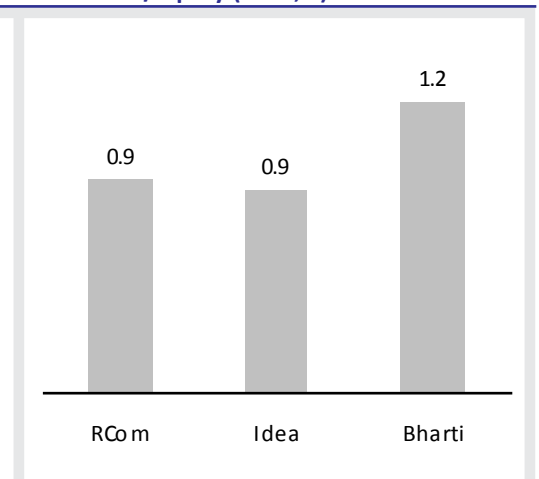
Source: TRAI

**Net Debt/EBITDA (FY12, x)**

Leverage remains reasonable for Bharti/Idea, but alarming for RCom



**Net Debt/Equity (FY12, x)**



Source: Company, MOSL

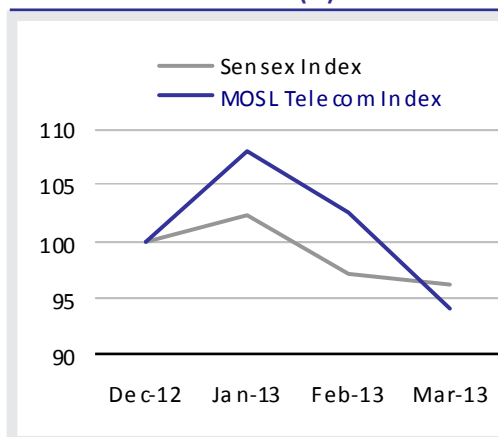
## 4QFY13: Summary Expectations

## Wireless KPIs

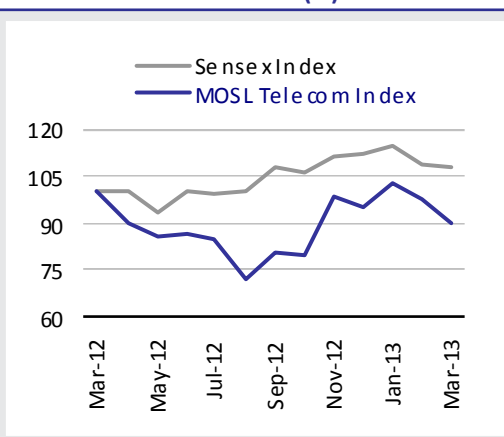
	FY11				FY12				FY13				YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>EOP Wireless Subs (m)</b>														
Bharti (India)	137	143	152	162	169	173	176	181	187	186	182	188	3.7	3.3
Idea	69	74	82	90	95	100	106	113	117	115	114	120	6.8	5.7
RCOM	111	117	126	136	143	147	150	153	155	135	119	120	-21.6	1.3
Vodafone - India	109	116	124	135	142	145	148	150	154	153	147	151	0.4	2.4
<b>AV. Wireless Subs (m)</b>														
Bharti (India)	132	140	148	157	166	171	174	178	184	187	184	185	3.6	0.5
Idea	66	72	78	86	92	98	103	110	115	116	115	117	7.0	2.2
RCOM	107	114	121	131	139	145	149	152	154	145	127	119	-21.3	-5.8
Vodafone - India	105	112	120	129	138	143	146	149	152	153	150	149	0.1	-0.6
<b>ARPU (INR/month)</b>														
Bharti (India)	215	202	198	194	190	183	187	189	185	177	185	191	0.9	3.0
Idea	182	167	168	161	160	155	159	160	156	149	158	162	1.5	2.7
RCOM	130	122	111	107	103	101	100	99	98	102	119	129	30.4	8.7
Vodafone - India	191	177	176	171	169	168	173	179	180	174	182	191	6.8	5.1
<b>MOU/Sub</b>														
Bharti (India)	480	454	449	449	445	423	419	431	433	417	435	445	3.2	2.4
Idea	415	394	401	397	391	364	369	379	379	360	384	391	3.2	1.8
RCOM	295	276	251	241	233	227	224	227	228	236	271	289	27.5	6.8
Vodafone India (reported)	328	311	308	307	308	297	303	318	324	313	329	342	7.7	4.1
Vodafone India (adj)	437	415	410	410	411	396	405	424	433	418	438	456	7.7	4.1
<b>Revenue per min (INR)</b>														
Bharti (India)	0.45	0.44	0.44	0.43	0.43	0.43	0.45	0.44	0.43	0.43	0.43	0.43	-2.3	0.6
Idea	0.44	0.42	0.42	0.41	0.41	0.43	0.43	0.42	0.41	0.41	0.41	0.42	-1.7	1.0
RCOM	0.44	0.44	0.44	0.44	0.44	0.45	0.45	0.44	0.43	0.43	0.44	0.45	2.2	1.8
Vodafone India (reported)	0.58	0.57	0.57	0.56	0.55	0.57	0.57	0.56	0.55	0.56	0.55	0.56	-0.8	1.0
Vodafone India (adj)	0.44	0.43	0.43	0.42	0.41	0.42	0.43	0.42	0.42	0.42	0.42	0.42	-0.8	1.0
<b>Wireless traffic (B min)</b>														
Bharti (India)	190	191	199	212	221	217	219	231	239	233	240	247	7.0	3.0
Idea	82	85	94	102	109	106	114	124	131	126	132	137	10.6	4.0
RCOM	94	94	91	94	98	99	100	103	105	102	103	104	0.3	0.6
Vodafone India (reported)	103	105	111	119	128	128	133	142	148	144	148	153	7.7	3.5
Vodafone India (adj)	138	140	147	159	170	170	178	190	197	192	197	204	7.7	3.5

Source: Company/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)





## Quarterly Financials

	FY11				FY12				FY13				YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenue (INR b)</b>														
Bharti (ex Africa)*	112.7	113.3	117.2	121.2	126.3	126.8	131.6	134.2	137.2	138.3	142.7	146.9	9.5	3.0
Bharti (consolidated)*	122.3	152.2	157.6	162.7	169.7	172.7	184.8	187.3	193.5	196.6	202.4	206.7	10.4	2.1
Idea**	36.5	36.6	39.6	42.0	45.2	46.2	50.3	53.7	55.0	53.1	55.8	58.3	8.6	4.5
RCOM#	51.1	51.2	50.0	53.3	52.0	50.4	50.5	53.1	53.2	52.0	53.0	54.8	3.3	3.4
<b>EBITDA (INR b)</b>														
Bharti (ex Africa)*	42.4	42.2	43.7*	44.3	46.0	45.7	45.2	47.4	43.6	44.7	45.5	47.8	1.0	5.2
Bharti (consolidated)*	44.1	51.2	53.2*	54.5	57.1	58.2	59.6	62.3	58.5	61.1	61.8	64.2	3.0	3.8
Idea**	8.9	8.8	9.5	10.0	12.0	11.9	13.4	15.1	14.4	14.2	14.7	15.8	4.6	7.0
RCOM#	16.3	16.6	16.7	15.9	16.0	16.1	16.1	16.3	16.5	16.4	16.5	16.7	2.1	0.8
<b>EBITDA Margin (%)</b>														
Bharti (ex Africa)*	37.6	37.3	37.3*	36.6	36.4	36.1	34.4	35.3	31.8	32.3	31.9	32.6	-272bp	71bp
Bharti (consolidated)*	36.1	33.7	33.8*	33.5	33.6	33.7	32.2	33.3	30.2	31.1	30.6	31.1	-222bp	51bp
Idea	24.3	24.0	24.0	23.9	26.6	25.7	26.7	28.1	26.1	26.8	26.4	27.1	-102bp	64bp
RCOM#	31.9	32.4	33.3	29.9	30.8	31.8	31.9	30.7	31.0	31.5	31.2	30.4	-35bp	80bp
<b>PAT (INR b)</b>														
Bharti (ex Africa)	19.0	20.4	18.3	18.2	15.2	14.5	12.7	13.5	14.3	12.6	8.0	12.7	-5.9	57.7
Bharti (consolidated)	16.8	16.6	13.0	14.0	12.2	10.3	10.1	10.1	7.6	7.3	2.8	7.2	-28.2	154.8
Idea**	2.0	1.8	2.4	2.0	1.8	1.1	2.0	3.4	2.3	2.4	2.3	2.7	-22.5	16.2
RCOM#	3.0	4.9	5.3	1.8	2.2	3.2	2.4	2.0	1.9	1.3	1.1	1.1	-46.5	-5.5
<b>EPS (INR)</b>														
Bharti	4.4	4.4	3.4	3.7	3.2	2.7	2.7	2.7	2.0	1.9	0.7	1.9	-28.2	154.7
Idea**	0.6	0.5	0.7	0.8	0.5	0.3	0.6	0.7	0.7	0.7	0.7	0.8	11.1	16.2
RCOM#	1.5	2.4	2.5	0.9	1.1	1.6	1.2	1.0	0.9	0.6	0.6	0.5	-46.5	-5.5
<b>Capex (INR b)</b>														
Bharti (ex Africa)	17.4	29.3	29.3	31.1	24.7	20.6	7.8	11.0	29.3	29.0	15.2	23.9	117.0	57.5
Idea**	3.6	3.0	9.5	14.6	10.4	11.0	9.0	8.4	4.1	9.7	6.5	10.0	18.8	52.5
RCOM#	7.9	9.3	19.1	6.6	3.6	3.5	3.6	4.3	3.7	4.2	4.2	3.9	-9.5	-5.8

\* Before re-branding expenses in 3QFY11; 2QFY13 adjusted for one-time interconnect revenue of ~INR5.9b and one-time EBITDA of ~INR2.4b; \*\* Spice merger from 1QFY11; Adj for one-off revenue of ~INR340m and costs reversal of ~INR380m in 4QFY11; # Adj for change in accounting for IRU sales in 4QFY11

## Comparative valuation

	CMP (INR) 26.03.13	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Telecommunication</b>														
Bharti Airtel	297	Buy	6.6	10.4	14.9	45.1	28.6	20.0	7.1	6.1	5.2	4.6	6.8	8.9
Idea Cellular	109	Buy	2.9	4.3	7.4	37.2	25.2	14.7	8.4	6.7	5.3	7.1	9.5	14.3
Reliance Comm	51	Neutral	3.5	7.9	13.2	14.7	6.5	3.9	7.2	5.8	4.6	2.2	5.1	7.9
<b>Sector Aggregate</b>						<b>38.1</b>	<b>22.7</b>	<b>14.7</b>	<b>7.3</b>	<b>6.2</b>	<b>5.1</b>	<b>4.3</b>	<b>6.8</b>	<b>9.5</b>

# Bharti Airtel

Bloomberg	BHARTI IN
Equity Shares (m)	3,793.9
M. Cap. (INR b)/(USD b)	1,127/21
52-Week Range (INR)	370/239
1,6,12 Rel Perf. (%)	-3/12/-19

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	714.5	805.0	877.3	951.2
EBITDA	237.1	248.0	274.0	304.0
Adj. Net Profit	42.6	25.0	39.4	56.4
Adj. EPS (INR)	11.2	6.6	10.4	14.9
Adj. EPS Gr. (%)	-29.6	-41.3	57.6	43.2
BV/Sh (INR)	140.7	148.0	159.0	175.2
RoE (%)	8.1	4.6	6.8	8.9
RoCE (%)	6.2	4.4	5.2	5.8
Div. Payout (%)	10	10	10	10
<b>Valuations</b>				
P/E (x)	26.5	45.1	28.6	20.0
P/BV (x)	2.1	2.0	1.9	1.7
EV/EBITDA (x)	7.5	7.1	6.1	5.2
Div. Yield (%)	0.4	0.2	0.3	0.5

## CMP: INR297

Buy

- We expect consolidated revenue to grow 10% YoY to INR206.7b. We expect India and South Asia (SA) revenue to grow 7% YoY to INR146.9b while Africa business revenue is likely to grow 1% QoQ at USD1.14b.
- Consolidated EBITDA margin is likely to expand ~50bp QoQ. For the India and SA business, we expect 70bp QoQ EBITDA margin expansion, largely led by non-mobile. We expect flat EBITDA margin for Africa.
- We expect India & SA mobile revenue to grow 8% YoY to INR113.2b, driven by 7% YoY (3% QoQ) traffic growth. RPM is likely to improve 0.6% QoQ. We estimate 30.4% EBITDA margin for mobile business.
- Africa business performance is likely to be sluggish, with an expected 1% revenue/EBITDA growth on a QoQ basis. We estimate ARPU of USD6 and subscriber base of 63.2m.
- Consolidated net profit is likely to decline 28% YoY to INR7.2b. We expect PAT for India and SA to decline 6% YoY. We have not assumed any forex gain/loss for Bharti in our 4QFY13 estimates.
- Bharti trades at proportionate EV/EBITDA of 5.5x FY15E. **Buy**.

## Key issues to watch out

- QoQ mobile traffic in India business (we expect 3% growth), forex loss (we have not modeled any forex loss/gain), Africa business financials (we expect 1% revenue/EBITDA growth in USD terms).

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Revenue</b>	<b>169,749</b>	<b>172,698</b>	<b>184,767</b>	<b>187,294</b>	<b>193,501</b>	<b>202,420</b>	<b>202,395</b>	<b>206,732</b>	<b>714,507</b>	<b>805,049</b>
YoY Growth (%)	38.8	13.5	17.3	15.1	14.0	17.2	9.5	10.4	20.2	12.7
<b>EBITDA</b>	<b>57,058</b>	<b>58,151</b>	<b>59,584</b>	<b>62,329</b>	<b>58,487</b>	<b>63,508</b>	<b>61,839</b>	<b>64,210</b>	<b>237,122</b>	<b>248,044</b>
YoY Growth (%)	29.3	13.5	19.6	14.4	2.5	9.2	3.8	3.0	18.8	4.6
QoQ Growth (%)	4.7	1.9	2.5	4.6	-6.2	8.6	-2.6	3.8		
Margin (%)	33.6	33.7	32.2	33.3	30.2	31.4	30.6	31.1	33.2	30.8
Net Finance Costs	8,551	11,186	7,877	10,572	8,211	10,219	13,319	11,055	38,185	42,804
Depreciation & Amortization	31,314	31,839	35,845	34,683	37,571	38,560	39,005	39,759	133,680	154,896
<b>Profit before Tax</b>	<b>17,195</b>	<b>15,126</b>	<b>15,807</b>	<b>17,056</b>	<b>12,629</b>	<b>14,729</b>	<b>9,515</b>	<b>13,396</b>	<b>65,184</b>	<b>50,268</b>
Income Tax Expense / (Income)	5,141	4,900	5,585	6,976	4,878	7,714	6,675	6,065	22,602	25,331
<b>Profit after Tax</b>	<b>12,054</b>	<b>10,226</b>	<b>10,222</b>	<b>10,080</b>	<b>7,751</b>	<b>7,015</b>	<b>2,840</b>	<b>7,331</b>	<b>42,582</b>	<b>24,937</b>
<b>Reported Net Profit / (Loss)</b>	<b>12,152</b>	<b>10,270</b>	<b>10,113</b>	<b>10,059</b>	<b>7,622</b>	<b>7,314</b>	<b>2,836</b>	<b>7,226</b>	<b>42,595</b>	<b>24,999</b>
YoY Growth (%)	-27.7	-38.2	-22.4	-28.2	-37.3	-28.8	-72.0	-28.2	-29.6	-41.3
<b>India - Mobile ARPU (INR/month)</b>	<b>190</b>	<b>183</b>	<b>187</b>	<b>189</b>	<b>185</b>	<b>177</b>	<b>185</b>	<b>191</b>	<b>188</b>	<b>185</b>
QoQ Growth (%)	-1.6	-4.0	2.2	1.1	-2.2	-3.9	4.3	3.0		
<b>India - Mobile MOU/sub/month</b>	<b>445</b>	<b>423</b>	<b>419</b>	<b>431</b>	<b>433</b>	<b>417</b>	<b>435</b>	<b>445</b>	<b>431</b>	<b>433</b>
QoQ Growth (%)	-0.7	-5.0	-1.0	2.8	0.4	-3.8	4.4	2.4		
<b>India - Mobile Traffic (B Min)</b>	<b>221</b>	<b>217</b>	<b>219</b>	<b>231</b>	<b>239</b>	<b>233</b>	<b>240</b>	<b>247</b>	<b>889</b>	<b>959</b>
QoQ Growth (%)	4.6	-1.9	0.9	5.4	3.7	-2.6	2.9	3.0		
<b>India - Mobile RPM (p/min)</b>	<b>42.8</b>	<b>43.2</b>	<b>44.6</b>	<b>43.8</b>	<b>42.7</b>	<b>42.6</b>	<b>42.6</b>	<b>42.8</b>	<b>43.6</b>	<b>42.7</b>
QoQ Growth (%)	-0.9	1.0	3.2	-1.7	-2.6	-0.2	-0.1	0.6		
<b>Africa - Subscribers (m)</b>	<b>46</b>	<b>48</b>	<b>51</b>	<b>53</b>	<b>56</b>	<b>59</b>	<b>62</b>	<b>65</b>	<b>53</b>	<b>65</b>
<b>Africa - ARPU (USD/month)</b>	<b>7.2</b>	<b>7.3</b>	<b>7.1</b>	<b>6.8</b>	<b>6.5</b>	<b>6.4</b>	<b>6.2</b>	<b>6.0</b>	<b>7.1</b>	<b>6.3</b>
<b>Africa - EBITDA margin (%)</b>	<b>25.2</b>	<b>26.2</b>	<b>26.7</b>	<b>27.8</b>	<b>25.8</b>	<b>27.1</b>	<b>26.5</b>	<b>26.5</b>	<b>26.5</b>	<b>26.5</b>

E: MOSL Estimates

## Idea Cellular

Bloomberg	IDEA IN
Equity Shares (m)	3,308.8
M. Cap. (INR b)/(USD b)	360/7
52-Week Range (INR)	124/71
1,6,12 Rel Perf. (%)	-6/26/0

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Net Sales	195.4	222.3	253.0	286.3
EBITDA	50.9	59.1	70.7	82.8
Adj. Net Profit	7.2	9.7	14.3	24.4
Adj. EPS (INR)	2.2	2.9	4.3	7.4
Adj. EPS Gr. (%)	-19.6	33.8	47.4	71.1
BV/Sh (INR)	39.5	43.5	47.8	55.2
RoE (%)	5.7	7.1	9.5	14.3
RoCE (%)	5.4	5.5	7.0	10.0
Div. Payout (%)	0.0	0.0	0.0	0.0
<b>Valuations</b>				
P/E (x)	49.7	37.2	25.2	14.7
P/BV (x)	2.8	2.5	2.3	2.0
EV/EBITDA (x)	9.6	8.4	6.7	5.3
Div. Yield (%)	0.0	0.0	0.0	0.0

## CMP: INR109

Buy

- We expect Idea to report mobile traffic growth of 4% QoQ (11% YoY). We expect RPM to improve 0.7% QoQ (decline 2% YoY).
- ARPU is likely to increase 2.4% QoQ to INR162 (v/s 6.8% increase in 3QFY13).
- EBITDA margin should expand 70bp QoQ to 27.1%. EBITDA loss in new circles is estimated at INR1.75b.
- We expect net profit to grow 16% QoQ to INR2.66b.
- Idea trades at an EV/EBITDA of 6.7x FY14E and 5.3x FY15E. Maintain **Buy**.

## Key issues to watch out

- QoQ RPM trend (we expect 0.7% growth), mobile traffic (we expect 4% QoQ growth) and EBITDA loss in new circles (we expect INR1.66b).

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q#	1Q	2Q	3Q	4QE		
<b>Gross Revenue</b>	<b>45,207</b>	<b>46,199</b>	<b>50,308</b>	<b>53,697</b>	<b>55,037</b>	<b>53,140</b>	<b>55,786</b>	<b>58,295</b>	<b>195,411</b>	<b>222,258</b>
YoY Growth (%)	23.7	26.3	27.2	27.8	21.7	15.0	10.9	8.6	26.0	13.7
QoQ Growth (%)	7.6	2.2	8.9	6.7	2.5	-3.4	5.0	4.5		
<b>EBITDA</b>	<b>12,040</b>	<b>11,866</b>	<b>13,446</b>	<b>15,071</b>	<b>14,355</b>	<b>14,225</b>	<b>14,734</b>	<b>15,769</b>	<b>50,924</b>	<b>59,084</b>
YoY Growth (%)	35.5	35.0	41.8	50.2	19.2	19.9	9.6	4.6	34.3	16.0
QoQ Growth (%)	20.0	-1.4	13.3	12.1	-4.8	-0.9	3.6	7.0		
Margin (%)	26.6	25.7	26.7	28.1	26.1	26.8	26.4	27.1	26.1	26.6
Net Finance Costs	2,463	2,939	2,880	2,275	2,670	2,164	2,416	2,461	10,557	9,711
Depreciation & Amortization	7,026	7,369	7,575	7,844	8,324	8,526	8,836	9,402	29,814	35,088
<b>Profit before Tax</b>	<b>2,551</b>	<b>1,559</b>	<b>2,991</b>	<b>4,952</b>	<b>3,361</b>	<b>3,536</b>	<b>3,482</b>	<b>3,906</b>	<b>10,553</b>	<b>14,285</b>
Income Tax Exp. / (Income)	778	501	981	1,523	1,019	1,136	1,196	1,250	3,322	4,601
<b>Adj Net Profit / (Loss)</b>	<b>1,773</b>	<b>1,058</b>	<b>2,010</b>	<b>3,429</b>	<b>2,342</b>	<b>2,400</b>	<b>2,286</b>	<b>2,656</b>	<b>7,231</b>	<b>9,684</b>
YoY Growth (%)	-12.0	-41.1	-17.3	69.4	32.1	126.9	13.7	-22.5	-19.5	33.9
Margin (%)	3.9	2.3	4.0	6.4	4.3	4.5	4.1	4.6	3.7	4.4
<b>Mobile Traffic (B Min)</b>	<b>109</b>	<b>106</b>	<b>114</b>	<b>124</b>	<b>131</b>	<b>126</b>	<b>132</b>	<b>137</b>	<b>453</b>	<b>526</b>
QoQ Growth (%)	6.5	-2.2	7.3	9.1	5.3	-4.0	5.2	4.0		16.1
<b>Mobile RPM (INR)</b>	<b>0.41</b>	<b>0.43</b>	<b>0.43</b>	<b>0.42</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>	<b>0.42</b>	<b>0.42</b>	<b>0.41</b>
QoQ Growth (%)	0.9	4.1	1.2	-2.0	-2.5	0.4	-0.5	1.0		

E: MOSL Estimates; # Adjusted for INR1.5b one-off provision for licence and WPC charges

# Reliance Communications

Bloomberg	RCOM IN
Equity Shares (m)	2,063.0
M. Cap. (INR b)/(USD b)	105/2
52-Week Range (INR)	92/47
1,6,12 Rel Perf. (%)	-23/-20/-50

**CMP: INR51**
**Neutral**

- We expect revenue to grow 3.4% QoQ to INR54.8b.
- During the quarter, we expect RPM to increase 1.8% QoQ to INR0.45. RCom's RPM has remained largely flat over the last several quarters.
- Wireless traffic is likely to remain largely flat YoY/QoQ at 104b minutes.
- Consolidated EBITDA should grow 2% YoY to INR16.7b.
- We expect RCom to report proforma PAT of INR1.08b.
- RCom trades at an EV/EBITDA of 5.8x FY14E and 4.6x FY15E. **Neutral.**

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Net Sales	203.4	209.9	225.9	243.6
EBITDA	64.5	66.1	76.2	85.8
Adj. Net Profit	9.9	7.1	16.3	27.3
Adj. EPS (INR)	4.8	3.5	7.9	13.2
Adj. EPS Gr. (%)	-33.8	-27.7	128.6	67.0
BV/Sh (INR)	157.9	152.7	160.3	173.2
RoE (%)	2.9	2.2	5.1	7.9
RoCE (%)	2.7	2.9	4.2	5.7
Div. Payout (%)	6.5	9.7	4.0	2.4
<b>Valuations</b>				
P/E (x)	10.7	14.7	6.5	3.9
P/BV (x)	0.3	0.3	0.3	0.3
EV/EBITDA (x)	7.2	7.2	5.8	4.6
Div. Yield (%)	0.6	0.6	0.6	0.6

**Key issues to watch out**

- Margin trajectory in wireless business (we expect 10bp QoQ decline), RPM trend (we expect 1.8% QoQ increase).

**Quarterly Performance (Consolidated)**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Gross Revenue</b>	<b>49,401</b>	<b>50,402</b>	<b>50,521</b>	<b>53,100</b>	<b>53,192</b>	<b>52,020</b>	<b>53,013</b>	<b>54,826</b>	<b>203,424</b>	<b>209,932</b>
YoY Growth (%)	-3.3	-1.5	1.0	-0.4	7.7	3.2	4.9	3.3	-1.1	3.2
QoQ Growth (%)	-7.3	2.0	0.2	5.1	0.2	-2.2	1.9	3.4		
<b>EBITDA</b>	<b>16,021</b>	<b>16,051</b>	<b>16,111</b>	<b>16,322</b>	<b>16,502</b>	<b>16,382</b>	<b>16,533</b>	<b>16,661</b>	<b>64,506</b>	<b>66,078</b>
YoY Growth (%)	-1.8	-3.3	-3.4	2.5	3.0	2.1	2.6	2.1	-1.5	2.4
QoQ Growth (%)	0.6	0.2	0.4	1.3	1.1	-0.7	0.9	0.8		
Margin (%)	32.4	31.8	31.9	30.7	31.0	31.5	31.2	30.4	31.7	31.5
Net Finance Costs	4,050	2,274	3,782	5,795	5,534	5,929	6,054	6,096	15,901	21,923
Depreciation & Amortization	9,760	10,540	9,780	9,703	9,093	9,130	9,337	9,485	39,783	37,045
Profit before Tax	2,211	3,237	2,549	824	1,875	1,323	1,142	1,080	8,822	7,110
Income Tax Expense / (Income)	-24	14	141	-1,193	-39	0	0	0	-1,062	-39
<b>Adjusted Net Profit / (Loss)</b>	<b>2,235</b>	<b>3,223</b>	<b>2,408</b>	<b>2,017</b>	<b>1,914</b>	<b>1,323</b>	<b>1,142</b>	<b>1,080</b>	<b>9,884</b>	<b>7,149</b>
YoY Growth (%)	-25.4	-34.3	-54.2	13.6	-14.4	-59.0	-52.6	-46.5	-33.8	-27.7
Margin (%)	4.5	6.4	4.8	3.8	3.6	2.5	2.2	2.0	4.9	3.4
EO Exp/Minority Interest	661	702	546	-1,299	290	302	87	229	610	908
<b>Reported Net Profit / (Loss)</b>	<b>1,574</b>	<b>2,521</b>	<b>1,862</b>	<b>3,316</b>	<b>1,624</b>	<b>1,021</b>	<b>1,055</b>	<b>851</b>	<b>9,274</b>	<b>6,241</b>
<b>Wireless ARPU (INR/month)</b>	<b>103</b>	<b>101</b>	<b>100</b>	<b>99</b>	<b>98</b>	<b>102</b>	<b>119</b>	<b>129</b>	<b>102</b>	<b>110</b>
QoQ Growth (%)	-3.4	-1.9	-1.6	-0.6	-1.0	3.8	16.6	8.7		
<b>Wireless MOU/sub/month</b>	<b>233</b>	<b>227</b>	<b>224</b>	<b>227</b>	<b>228</b>	<b>236</b>	<b>271</b>	<b>289</b>	<b>231</b>	<b>253</b>
QoQ Growth (%)	-3.3	-2.6	-1.3	1.3	0.4	3.6	14.8	6.8		
<b>Wireless Traffic (B Min)</b>	<b>98</b>	<b>99</b>	<b>100</b>	<b>103</b>	<b>105</b>	<b>102</b>	<b>103</b>	<b>104</b>	<b>399</b>	<b>414</b>
QoQ Growth (%)	3.2	1.4	1.0	3.4	1.8	-2.5	0.5	0.6		
<b>Wireless RPM (INR)</b>	<b>0.44</b>	<b>0.45</b>	<b>0.45</b>	<b>0.44</b>	<b>0.43</b>	<b>0.43</b>	<b>0.44</b>	<b>0.45</b>	<b>0.44</b>	<b>0.44</b>
QoQ Growth (%)	-0.1	0.7	-0.3	-2.0	-1.3	0.2	1.6	1.8		

E: MOSL Estimates

# Utilities

## Companies Covered

CESC  
 Coal India  
 Jaiprakash Power Ventures  
 JSW Energy  
 NHPC  
 NTPC  
 Power Grid  
 PTC India  
 Reliance Infrastructure  
 Tata Power

We expect utility companies in our coverage to report aggregate 4QFY13 revenue growth of 6.7% YoY and PAT growth of 5.7% YoY. Muted PAT growth is due to a decline in IPPs' PAT (except JSW Energy); however, CPSUs led by NTPC (higher capacity addition), PGCIL (better capitalization) would show a PAT growth of 11.7% and 14.3% YoY respectively. Among IPPs, JSW Energy is expected to report strong PAT growth (115% YoY) led by favorable macros.

## Jan/Feb 2013 generation growth muted at 146.8BU up (1.7% YoY), FY13 YTD generation up 4%

In Jan/Feb-13, all India generation grew by only 1.7% YoY due to a decline in generation by 3.6% YoY in Feb-13. All India generation YTD FY13 was up by 4% YoY but overall PLFs are down to 69% v/s 75% YoY. Coal-based generation is up 13% YoY but PLFs are down to 70% v/s 73% YoY, while gas-based generation has substantially declined by 28% YoY to 62.4BU. Continued decline in gas availability would mean bleak growth for existing gas-based capacity, while new capacity remains stranded. YTD FY13 generation is also impacted by lower generation from hydro projects; which is down 14% YoY to 105BU due to poor monsoon.

## Power deficit range bound at ~9%; Western region deficit declines but Southern increases

For YTD FY13, power demand increased by 6.2% YoY while supply was up by 5.6% YoY, thus leading to a deficit of 8.8% v/s 8.3% last year. Southern region continues to face a higher deficit due to grid constraints, lower PLFs from gas-based capacities (major concentration in Southern region) and delays in major under construction projects. SEBs' poor financial health has also constrained them to buy power in merchant markets. The deficit in western region has substantially lowered to 3.5% from 11.6% and is expected to further reduce by the addition of Sasan UMPP (MP would be the major beneficiary).

## Expected quarterly performance summary

(INR Million)

	CMP (INR)	Rating	Sales			EBITDA			Net Profit		
			Mar.13	Var.	Var.	Mar.13	Var.	Var.	Mar.13	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
	26.03.13										
CESC	265	Buy	12,790	-7.3	23.0	3,979	-7.9	49.6	2,074	-17.4	105.4
Coal India	301	Neutral	206,324	6.2	19.1	73,501	19.4	71.4	64,044	5.9	36.8
Jaiprakash Power	25	Buy	4,542	54.6	6.4	2,969	21.7	10.8	-663	Loss	Loss
JSW Energy	52	Neutral	24,209	16.3	2.4	8,778	49.6	4.9	3,611	114.6	-2.8
NHPC	20	Neutral	10,197	-29.4	0.9	5,475	-44.9	-10.7	2,526	19.7	4.5
NTPC	143	Buy	166,186	2.2	5.3	42,866	4.2	7.3	25,645	11.7	11.2
Power Grid Corp.	105	Buy	39,783	28.3	18.3	34,307	31.8	17.4	12,376	14.3	11.8
PTC India	57	Buy	20,568	42.5	9.5	608	88.5	102.9	442	47.8	102.6
Reliance Infrastructure	324	Buy	41,787	-27.1	20.9	5,750	-6.8	17.4	3,883	-40.1	3.6
Tata Power	95	Neutral	96,887	33.9	7.2	22,588	54.7	21.8	2,281	-35.2	-17.3
<b>Sector Aggregate</b>			<b>623,272</b>	<b>6.7</b>	<b>11.9</b>	<b>200,821</b>	<b>16.5</b>	<b>29.0</b>	<b>117,179</b>	<b>5.7</b>	<b>24.9</b>

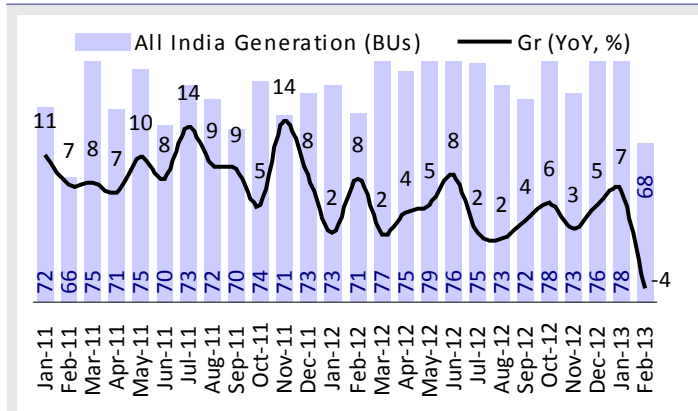
Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Aditya Bahety (Aditya.Bahety@MotilalOswal.com)

**Imported coal prices remain weak, ST (IEX) prices fall below INR3/unit in Feb-13**

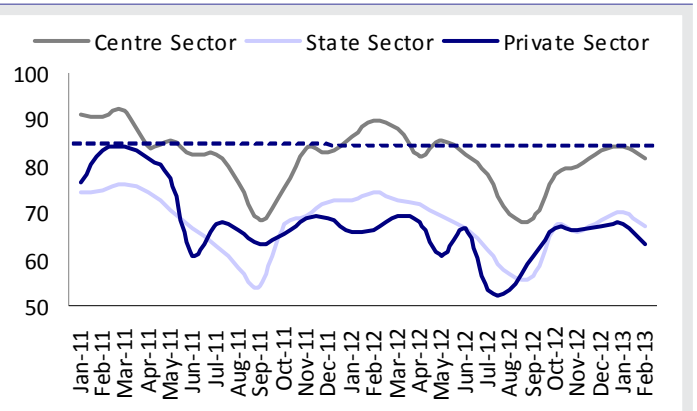
Imported coal prices during the quarter stood at USD85.8/t v/s USD105.3/t YoY. In YTD FY13, average imported coal prices stood at USD88.5/t v/s USD112.5/t YoY. However, the benefit to generators has been limited as the decline in prices was offset by INR depreciation (9% to USD54.3/INR, v/s USD49.8/INR YoY). Short term prices in IEX remained muted in Mar-13 at INR3.2/unit, while the average price in Feb-13 was INR2.8/unit; however, short term forward contract prices remained stable ~INR4.7/unit. We also note that due to grid constraints, merchant volume has shifted to day ahead market.

**Valuation and view:** Power sector has begun to witness several initiatives by authorities to address concerns on SEBs, fuel supply pacts and PPAs. However, it would take a while before clarity emerges on issues. Hence, we continue to prefer CPSUs which are relatively better-positioned on these fronts. Top picks are NTPC and JPVL.

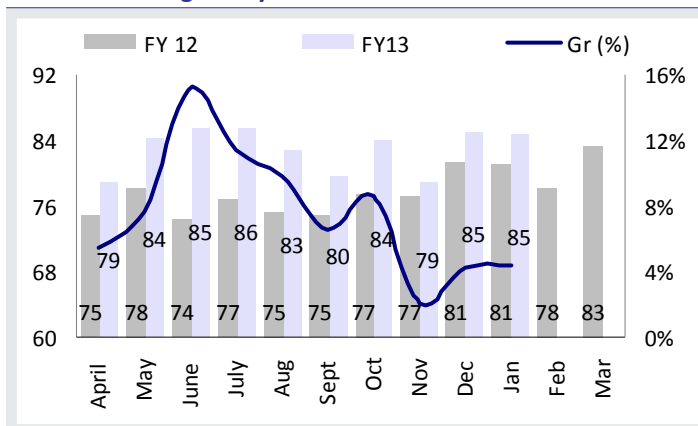
**Jan-Feb 2013: All-India generation grew 1.7% YoY...**



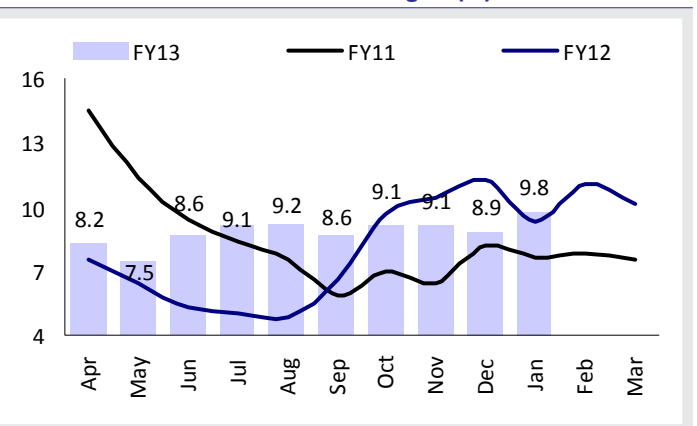
**Coal plant PLF fell by 5ps YoY**



**Power demand grew by 7.5% YTD FY13**

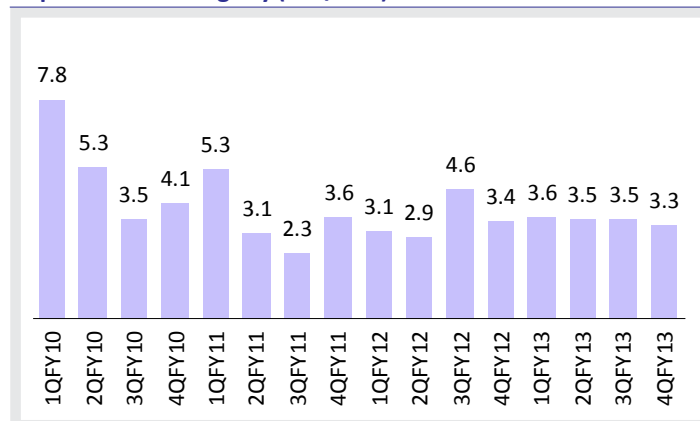


**Base deficit remains in a narrow range... (%)**

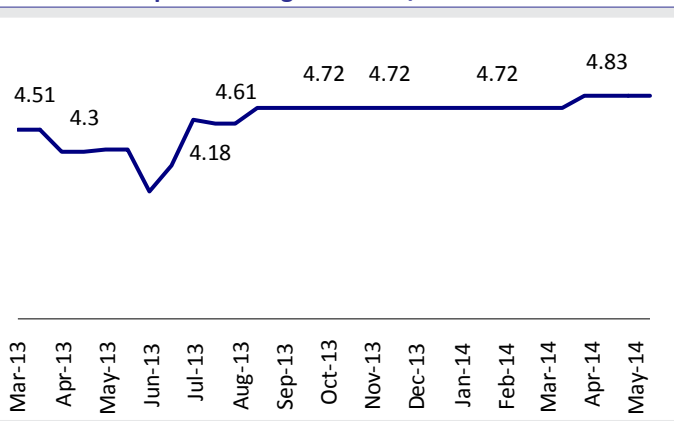




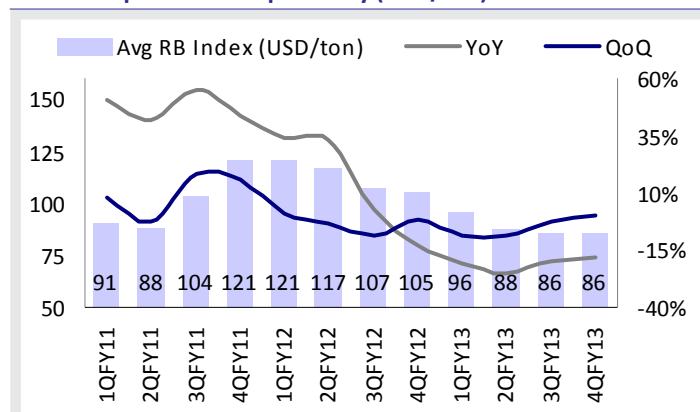
ST prices decline slightly (INR/unit)...



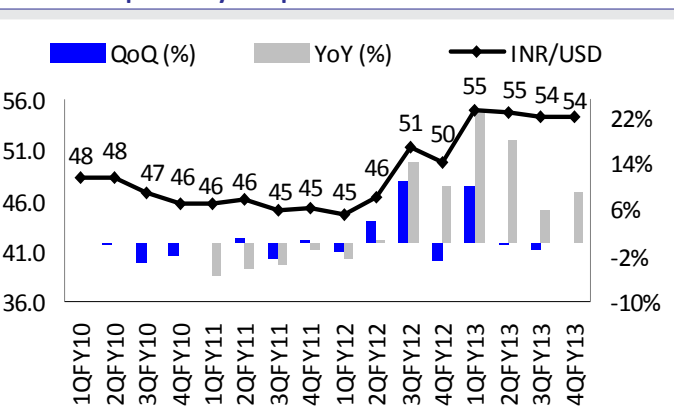
...Forward ST price trading at ~INR4.7/unit



RB Index\* prices flat sequentially (USD/ton)



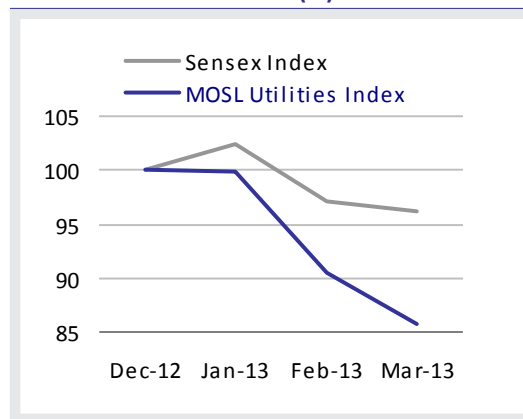
INR flat sequentially compared to USD



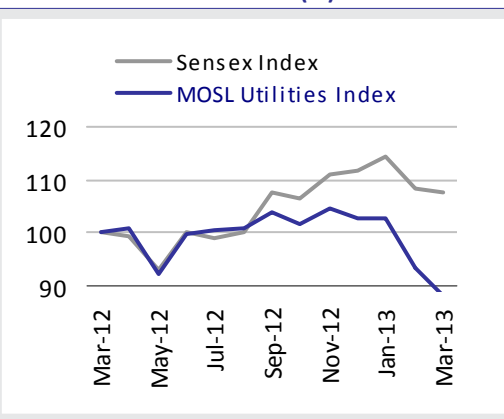
\* 6000Kcal, FoB South Africa

Source: CEA, CERC and Bloomberg

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR)	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E	FY13E	FY14E	FY15E
<b>Utilities</b>														
CESC	265	Buy	45.3	51.7	56.5	5.8	5.1	4.7	4.5	3.9	3.6	11.2	11.5	11.4
Coal India	301	Neutral	30.2	29.8	31.2	10.0	10.1	9.6	6.7	6.1	5.4	30.1	24.9	22.4
Jaiprakash Power	25	Buy	1.4	2.7	4.2	17.3	9.3	5.9	12.8	11.0	6.3	6.8	10.9	15.8
JSW Energy	52	Neutral	6.6	6.5	6.3	7.8	7.9	8.2	6.4	5.5	5.3	18.0	15.8	13.7
NHPC	20	Neutral	1.9	2.0	2.1	10.7	10.1	9.4	7.3	7.8	6.7	7.3	7.4	7.7
NTPC	143	Buy	11.1	13.7	15.8	12.8	10.4	9.0	8.9	8.4	7.3	12.0	13.6	14.5
Power Grid Corp.	105	Buy	9.2	11.3	13.7	11.4	9.3	7.7	9.2	8.4	7.5	17.1	18.7	19.9
PTC India	57	Buy	7.2	9.0	10.8	8.0	6.4	5.3	6.1	6.2	1.7	5.9	6.9	8.2
Reliance Infra.	324	Buy	57.2	53.2	60.0	5.7	6.1	5.4	0.4	0.2	-0.2	7.6	7.1	7.5
Tata Power	95	Neutral	4.7	3.7	4.7	20.2	25.7	20.1	16.4	14.2	13.2	9.1	7.7	8.0
<b>Sector Aggregate</b>						<b>11.0</b>	<b>10.1</b>	<b>9.1</b>	<b>8.0</b>	<b>7.5</b>	<b>6.6</b>	<b>16.4</b>	<b>16.2</b>	<b>16.3</b>

## Generation and PLFs of various plants

	Capacity (MW)*	Feb-13		Feb-12		YTDFY13		YTDFY12	
		Generation	PLF (%)	Generation	PLF (%)	Generation	PLF (%)	Generation	PLF (%)
<b>Adani Power</b>									
- Mundra	4,620	1,822.3	58.7	1,245.2	54.2	20,020.3	55.1	12,677.7	59.0
- Tirora	660	0.0	0.0	0.0	0.0	781.8	28.4	0.0	0.0
<b>GVK</b>									
- JP 1 & 2	455	72.7	21.9	183.2	55.1	1,603.0	43.8	2,616.9	71.6
- Gautami	464	14.2	4.2	157.1	46.4	964.6	25.9	2,731.4	73.3
<b>GMR</b>									
- Barge Mounted	220	0.0	0.0	78.9	49.1	388.4	22.0	1,126.6	63.8
- Chennai	200	52.1	35.7	57.3	39.2	549.8	34.2	787.0	49.0
- Vemagiri	370	9.8	3.6	118.4	43.8	921.7	31.0	1,941.3	65.3
<b>JPL</b>									
- Chattisgarh	1,000	625.5	93.1	715.4	102.8	7,181.0	89.6	7,833.1	97.4
<b>Rel Infra</b>									
- Dahanu	500	334.3	99.5	360.6	103.6	3,990.4	99.6	4,063.1	101.1
- Samalkot (AP)	220	37.5	23.3	70.6	44.0	671.5	38.0	1,206.8	68.3
- Goa	48	19.6	55.9	3.4	9.7	230.4	59.8	253.8	65.8
- Kochi	174	0.0	0.0	0.0	0.0	23.2	1.8	48.7	3.8
<b>Rel Power</b>									
- Rosa	1,200	514.7	63.8	396.8	63.3	7,362.5	76.5	3,932.4	78.1
<b>Tata Power</b>									
- Trombay	1,580	580.1	48.4	608.0	49.4	8,619.8	63.9	8,388.0	61.8
- TISCO (Jamshedpur)	441	82.8	34.2	236.2	80.5	2,437.4	81.6	2,339.2	75.9
- Mundra UMPP	3,200	1,981.9	92.2	0.0	0.0	10,091.8	75.2	141.0	0.0
- Maithon	1,050	452.5	64.1	0.0	0.0	4,250.8	58.4	998.5	41.6
<b>Torrent Power</b>									
- Existing	500	185.1	68.5	232.3	74.4	2,767.5	82.4	3,113.4	83.4
- Sugan	1,148	169.1	20.2	442.9	52.9	3,985.6	43.2	7,093.1	76.9
<b>JSW Energy</b>									
- Rajwest	675	330.5	72.5	323.9	86.2	3,282.4	74.1	1,349.5	44.6
- Karnataka/Ratnagiri	2,060	1,188.0	85.8	1,318.8	92.0	15,493.6	93.8	11,756.8	80.0
<b>CESC</b>									
	1,285	515.4	59.7	637.9	71.3	7,977.9	77.5	8,166.4	79.0
<b>Lanco Infratech</b>									
- Kondapali	716	115.2	22.0	301.7	57.7	2,251.8	39.2	3,929.6	68.3
- Amarkantak	600	220.0	54.6	346.8	83.1	2,901.5	60.3	3,634.3	75.3
- UPCL	1,200	605.3	75.1	295.2	70.7	5,738.8	74.8	3,014.7	56.4
- Anpara	1,200	230.5	28.6	340.4	38.9	3,858.8	40.1	1,028.7	0.0
<b>KSK</b>									
- Wardha	540	263.4	72.6	249.8	61.8	3,129.4	72.3	270,202.0	70.2
<b>Sterlite</b>									
- Jharsuguda	2,400	694.4	43.1	306.0	24.4	7,493.9	39.6	5,581.8	42.5

\*Monitored capacity by CEA

Source: CEA

**CESC****Buy**

Bloomberg	CESC IN
Equity Shares (m)	125.6
M. Cap. (INR b)/(USD b)	33/1
52-Week Range (INR)	346/243
1,6,12 Rel Perf. (%)	-6/-21/-17

**CMP: INR265**

- We expect CESC to report PAT of INR2b as we factor tariff hike to be booked in the current quarter. Earlier, company was to account for a tariff hike (INR0.06/unit from April 2012) in 3Q but deferred it to 4Q due to delay in an order.
- For Jan-Feb 2012, CESC's 1,225MW generation projects operated at 59% PLF and generation stood at 1BU. The decline was due to lower demand arising from a prolonged winter season.
- CESC entered into an agreement with the Jharkhand Electricity State Board (JSEB) for Ranchi's distribution franchise for 15 years. This is the first distribution franchisee and we expect the company to do well due to the distribution business' experience in KLA.
- CESC completed First Source Ltd's (FSL) open offer, which saw tendering of ~7.4% stake by shareholders, which took the total stake in FSL to 56.8% and total investment commitment at INR4.5b. In 9MFY13, FSL's reported revenue, EBITDA and PAT stood at INR21b (up 29%), INR2b (up 49%) and INR1b (up 173%) respectively.
- We expect CESC to post standalone PAT (ex Spencer) of INR5.7b in FY13E (up 2.7% YoY) and INR6.5b in FY14E (up 14% YoY).

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	46.0	50.0	57.7	63.6
EBITDA	10.8	11.8	13.2	13.8
Net Profit	5.5	5.7	6.5	7.1
Adj. EPS (INR)	44.1	45.3	51.7	56.5
EPS Gr. (%)	13.5	2.7	14.1	9.3
BV/Sh (INR)	386.6	426.3	472.3	523.1
RoE (%)	12.1	11.2	11.5	11.4
RoCE (%)	10.6	10.0	10.1	10.1
Payout (%)	11.3	13.2	13.5	14.2
<b>Valuations</b>				
P/E (x)	6.0	5.8	5.1	4.7
P/BV (x)	0.7	0.6	0.6	0.5
EV/EBITDA (x)	4.6	4.8	4.2	3.8
Div. Yield (%)	1.9	2.3	2.6	3.0

**Key issues to watch out**

- Performance of Spencer - Same stores revenue growth, stores EBITDA.
- Details on Ranchi distribution circle.
- Impact of FSL acquisition on balance sheet.

**Quarterly Performance (Standalone Numbers - excl Spencers Retail)****(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>11,830</b>	<b>12,410</b>	<b>10,320</b>	<b>13,790</b>	<b>14,200</b>	<b>13,440</b>	<b>10,400</b>	<b>12,790</b>	<b>45,930</b>	<b>49,955</b>
Change (%)	7.9	12.3	9.9	57.6	20.0	8.3	0.8	-7.3	12.2	8.8
<b>EBITDA</b>	<b>2,671</b>	<b>2,600</b>	<b>2,130</b>	<b>4,320</b>	<b>2,900</b>	<b>3,110</b>	<b>2,660</b>	<b>3,979</b>	<b>11,570</b>	<b>12,649</b>
Change (%)	4.3	-18.2	-15.8	75.6	8.6	19.6	24.9	-7.9	7.8	9.3
As of % Sales	22.6	21.0	20.6	31.3	20.4	23.1	25.6	31.1	25.2	25.3
Depreciation	710	720	750	720	770	760	770	760	2,900	3,060
Interest	700	750	660	650	780	890	860	897	2,760	3,427
Other Income	130	290	200	380	210	240	240	270	1,000	960
<b>PBT</b>	<b>1,391</b>	<b>1,420</b>	<b>920</b>	<b>3,330</b>	<b>1,560</b>	<b>1,700</b>	<b>1,270</b>	<b>2,592</b>	<b>6,910</b>	<b>7,122</b>
Tax	280	280	180	670	310	340	260	518	1,410	1,428
Effective Tax Rate (%)	20.1	19.7	19.6	20.1	19.9	20.0	20.5	20.0	20.4	20.0
<b>Reported PAT</b>	<b>1,111</b>	<b>1,140</b>	<b>740</b>	<b>2,660</b>	<b>1,250</b>	<b>1,360</b>	<b>1,010</b>	<b>2,074</b>	<b>5,500</b>	<b>5,694</b>
<b>Adjusted PAT</b>	<b>1,111</b>	<b>1,140</b>	<b>740</b>	<b>2,510</b>	<b>1,250</b>	<b>1,360</b>	<b>1,010</b>	<b>2,074</b>	<b>5,500</b>	<b>5,694</b>
Change (%)	1.0	-15.6	-32.7	124.1	12.5	19.3	36.5	-17.4	17.8	3.5
<b>Operating Parameters</b>										
Generation	2,395	2,356	2,197	1,997	2,430	2,426	2,067	1,756	8,945	8,672
Sales	2,937	3,062	2,422	2,129	3,388	3,173	2,383	2,025	10,551	10,962
Realisation (INR/unit)	4.0	4.1	4.3	6.5	4.2	4.2	4.4	6.3	4.4	4.6
Overall PLF (Derived) (%)	89.3	87.8	81.9	74.4	90.6	90.4	77.0	65.4	83.3	80.8

E: MOSL Estimates

# Coal India

Bloomberg	COAL IN
Equity Shares (m)	6,316.4
M. Cap. (INR b)/(USD b)	1,903/35
52-Week Range (INR)	386/291
1,6,12 Rel Perf. (%)	-3/-16/-19

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	624.2	690.3	738.9	784.4
EBITDA	165.5	197.6	202.3	208.8
NP*	160.7	191.0	188.4	197.2
EPS (INR)*	25.4	30.2	29.8	31.2
EPS Gr. (%)	47.0	18.8	-1.4	4.7
BV/Sh. (INR)	64.0	79.8	95.3	111.5
RoE (%)**	31.9	30.1	24.9	22.4
RoCE (%)	57.2	58.9	50.3	44.4
Payout (%)	48.0	48.0	48.0	48.0
<b>Valuations</b>				
P/E (x)	11.8	10.0	10.1	9.6
P/BV (x)	4.7	3.8	3.2	2.7
EV/EBITDA (x)	8.1	6.7	6.1	5.4
Div. Yield (%)	3.9	4.8	4.8	5.0

\*Adj. EPS, \*\*RoE is adj. for OB reserves accounts, as applicable under IFRS

## Quarterly Performance (Consolidated)

Y/E March									(INR Million)	
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>144,991</b>	<b>131,481</b>	<b>153,493</b>	<b>194,190</b>	<b>165,006</b>	<b>145,725</b>	<b>173,250</b>	<b>206,324</b>	<b>624,154</b>	<b>690,306</b>
Change (%)	26.8	18.2	20.9	29.7	13.8	10.8	12.9	6.2	24.3	10.6
<b>EBITDA</b>	<b>48,197</b>	<b>24,773</b>	<b>45,421</b>	<b>37,856</b>	<b>48,146</b>	<b>28,617</b>	<b>42,883</b>	<b>73,501</b>	<b>156,388</b>	<b>197,592</b>
Change (%)	55.5	39.8	34.5	-27.2	-0.1	15.5	-5.6	94.2	16.6	26.3
As of % Sales	33.2	18.8	29.6	19.5	29.2	19.6	24.8	35.6	25.1	28.6
Depreciation	4,308	5,734	5,257	4,103	5,356	3,872	4,204	5,437	19,402	18,869
Interest	55	83	76	326	126	102	96	290	540	614
Other Income	15,589	17,942	18,559	23,280	20,714	20,929	23,605	26,306	75,369	91,553
EO Income/(Expense)	132	165	52	458	-103	-107	-2,849	0	734	0
<b>PBT</b>	<b>59,555</b>	<b>37,064</b>	<b>58,699</b>	<b>57,164</b>	<b>63,275</b>	<b>45,464</b>	<b>59,338</b>	<b>94,080</b>	<b>212,549</b>	<b>269,662</b>
Tax	18,115	11,132	18,322	17,221	18,582	14,703	18,387	30,036	64,790	81,708
Effective Tax Rate (%)	30.4	30.0	31.2	30.4	29.4	32.3	31.0	31.9	30.5	30.3
<b>Reported PAT</b>	<b>41,439</b>	<b>25,931</b>	<b>40,378</b>	<b>39,943</b>	<b>44,693</b>	<b>30,761</b>	<b>40,951</b>	<b>64,044</b>	<b>147,759</b>	<b>187,955</b>
<b>Adjusted PAT*</b>	<b>41,308</b>	<b>22,341</b>	<b>36,901</b>	<b>60,493</b>	<b>44,796</b>	<b>30,781</b>	<b>46,801</b>	<b>64,044</b>	<b>160,725</b>	<b>191,015</b>
Change (%)	62.8	46.8	39.7	43.6	8.4	37.8	26.8	5.9	47.1	18.8
<b>Key Operational metrics</b>										
Production	96.3	80.3	114.6	144.6	102.5	89.1	117.4	145.1	435.8	454.0
Sales/Offtake	106.3	93.2	110.3	122.9	113.0	101.7	120.5	130.8	433.1	466.0
<b>Blended Realization (INR/ton)</b>										
- Regulated	1,188	1,225	1,174	1,339	1,267	1,281	1,232	1,346	1,235	1,283
- E-auction	2,246	2,435	2,852	2,852	2,562	2,460	2,941	2,901	2,599	2,723
- Washed Coal	2,180	2,261	1,794	2,479	2,315	2,092	2,491	2,465	2,228	2,370
- Own Consumption	1,556	2,762	3,463	2,389	3,023	2,626	2,703	-	2,643	2,837

E: MOSL Estimates

## CMP: INR301

Neutral

- Expect Coal India (COAL) to report 4QFY13E PAT of INR64b (up 6% YoY).
- RB Index is almost flat QoQ at USD85.8/ton, v/s USD85.6/ton in 3Q. For 4QFY13, currency also remained flat on a sequential basis from 54.4/USD to 54.2/USD.
- Hike in diesel prices (September 2012 by INR5/litre and ~INR11/litre in Jan-13) could have sizable impact in 4QFY13E and FY14E.
- We also expect the employee cost to increase QoQ led by a hike in DA (revised from January 3, 2013) and we estimate 2.2% hike in staff cost QoQ. Contractual expenses are also set to increase as CIL board's approved an increase in contractual workers' pay on Feb-13.
- ACQ realization is expected to be higher in 4Q (QoQ) as COAL books bonus on FSA quantity while we remain cautious on possible negative surprise arising on account of a higher grade coal price revision.
- We expect COAL to report consolidated PAT of INR191b in FY13E (up 19% YoY) and INR188b in FY14E (down 1% YoY). Stock trades at reported P/E of 9.6x FY15E.

### Key issues to watch out

- Volume, realization trend for 4Q and guidance for FY14. E-auction and ACQ mix guidance for FY14.
- Modalities of coal price pooling.
- Higher grade coal contractual revision and impact on revenues.

# Jaiprakash Power Ventures

Bloomberg	JPVL IN
Equity Shares (m)	2,938.0
M. Cap. (INR b)/(USD b)	73/1
52-Week Range (INR)	47/25
1,6,12 Rel Perf. (%)	-18/-29/-47

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	16.2	24.7	36.4	75.5
EBITDA	14.6	20.0	28.9	50.1
NP	4.0	4.2	7.9	12.4
EPS (INR)	1.4	1.4	2.7	4.2
EPS Gr. (%)	129.4	5.0	86.6	58.1
BV/Sh. (INR)	18.6	23.3	25.6	27.7
RoE (%)	7.5	6.8	10.9	15.8
RoCE (%)	6.1	6.7	7.9	11.7
Payout (%)	-	-	-	-
<b>Valuations</b>				
P/E (x)	18.1	17.3	9.3	5.9
P/BV (x)	1.3	1.1	1.0	0.9
EV/EBITDA (x)	16.3	12.8	11.0	6.3
Div. Yield (%)	-	-	-	-

## CMP: INR25

Buy

- In 4QFY13E, we expect Jaiprakash Power Venture (JPVL) to post revenue of INR4.5b, up 54.6% YoY, EBITDA of INR3b, up 21.7% YoY and net loss of INR663m.
- Karcham Wangtoo's generation was 60.2MU in Jan/Feb-13, compared to 214MU for the same period last year. The decline was due to plant's maintenance shutdown. Generation from Baspa and Vishnuprayag was 133MU for Jan/Feb-13 v/s 172MU in Jan/Feb-12, a decline due to poor monsoon. Bina generated 204MU in Jan/Feb-13.
- During the quarter, JPVL raised INR9.5b by diluting 12% of its equity through a QIP issue of 313m shares.
- Nigrie (1.3GW) is expected to be commissioned during FY14 and Bara I (2GW) in FY15, providing delta in FY14/15 earnings.
- We expect JPVL to post net profit of INR4.2b in FY13E (up 5% YoY) and INR7.9b in FY14E (up 86.6% YoY). The stock trades at a reported PER of 5.9x FY15E.

### Key issues to watch out

- Coal availability for Bina TPS (500MW).
- Update on Dongri Tal II coal mine's clearance.
- Update on commissioning of Nigrie (1.3GW) and Bara I (2GW).

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>2,753</b>	<b>6,497</b>	<b>3,967</b>	<b>2,938</b>	<b>5,454</b>	<b>9,058</b>	<b>4,270</b>	<b>4,542</b>	<b>16,156</b>	<b>23,324</b>
Change (%)	44.7	163.1	161.7	98.4	98.1	39.4	7.6	54.6	119.2	44.4
<b>EBITDA</b>	<b>2,467</b>	<b>6,083</b>	<b>3,571</b>	<b>2,439</b>	<b>4,900</b>	<b>8,115</b>	<b>2,679</b>	<b>2,969</b>	<b>14,560</b>	<b>18,663</b>
Change (%)	53.0	191.4	182.0	98.2	98.6	33.4	-25.0	21.7	121.9	28.2
As of % Sales	89.6	93.6	90.0	83.0	89.9	89.6	62.7	65.4	90.1	80.0
Depreciation	355	584	656	706	674	774	960	865	2,312	3,274
Interest	1,330	2,201	2,380	2,426	2,278	2,885	2,874	3,048	8,337	11,086
Other Income	87	211	210	200	91	73	113	333	707	610
<b>PBT</b>	<b>869</b>	<b>3,509</b>	<b>744</b>	<b>-492</b>	<b>2,039</b>	<b>4,528</b>	<b>-1,043</b>	<b>-612</b>	<b>4,619</b>	<b>4,913</b>
Tax	173	703	149	-425	210	868	-67	51	608	1,062
Effective Tax Rate (%)	19.9	20.0	20.0	86.3	10.3	19.2	6.4	-8.3	13.2	21.6
<b>Reported PAT</b>	<b>696</b>	<b>2,807</b>	<b>595</b>	<b>-68</b>	<b>1,830</b>	<b>3,660</b>	<b>-976</b>	<b>-663</b>	<b>4,010</b>	<b>3,851</b>
<b>Adjusted PAT (Pre Exceptional)</b>	<b>696</b>	<b>2,807</b>	<b>595</b>	<b>-68</b>	<b>1,830</b>	<b>3,660</b>	<b>-976</b>	<b>-663</b>	<b>4,010</b>	<b>3,851</b>
Change (%)	43.6	222.7	161.3	-139.9	162.9	30.4	-263.9	880.7	129.0	-4.0
<b>Operational Details</b>										
Baspa	446	682	183	91	343	660	151	108	1,401	1,261
Vishnuprayag	664	944	388	169	574	937	261	121	2,165	1,892
Karcham Wangtoo	252	1,086	612	330	1,191	2,154	467	262	2,280	4,073
Bina	0	0	0	0	0	11	171	392	0	575

E: MOSL Estimates

# JSW Energy

**CMP: INR52**
**Neutral**

Bloomberg	JSW IN
Equity Shares (m)	1,640.1
M. Cap. (INR b)/(USD b)	84/2
52-Week Range (INR)	75/40
1,6,12 Rel Perf. (%)	-9/-14/-23

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	61.2	90.5	103.5	90.8
EBITDA	14.5	28.8	31.5	29.3
NP	3.3	10.9	10.7	10.3
Adj. EPS (INR)	2.0	6.6	6.5	6.3
EPS Gr. (%)	-60.6	228.6	-1.7	-3.6
BV/Sh. (INR)	34.8	38.8	43.5	48.0
RoE (%)	5.8	18.0	15.8	13.7
RoCE (%)	6.4	13.7	14.1	13.1
Payout (%)	24.7	21.3	25.0	25.0
<b>Valuations</b>				
P/E (x)	25.5	7.8	7.9	8.2
P/BV (x)	1.5	1.3	1.2	1.1
EV/EBITDA (x)	11.6	6.5	5.6	5.5
Div. yield (%)	1.0	2.7	3.2	3.1

- We expect JSW Energy (JSWEL) to report consolidated PAT of INR3.6b (up 114.6% YoY) in 4QFY13E.
- Company generated 3.3BUs during Jan/Feb-13, including coal and lignite capacity. We expect a 3% decline in standalone generation in 4QFY13E led by lower PLF in Vijaynagar (on relative basis). We expect overall generation (including Rajwest) to grow by 22% at 5BU.
- We have assumed short term realization of INR4.6/unit, flat QoQ. We expect fuel cost to be ~INR2.5/unit (coal based) as international coal prices were muted during the quarter at USD85.8/t (till March 20, 2013) v/s USD85.5/t QoQ.
- Rajwest has commissioned all the remaining 4 units, thus taking its total capacity to 1,080MW. The clearance to enhance Kaprudi lignite mine's capacity is still pending.
- We expect JSWEL to report consolidated PAT of INR10.9b in FY13E (up 228% YoY) and INR10.7b in FY14E (down 1.7% YoY). Stock trades at reported P/E of 8.2x FY15E.

**Key issues to watch out**

- ST realization, fuel mix and fuel cost for 4QFY13 and FY13.
- Rajwest project's lignite mine clearance and tariff approval.
- Capacity additions in 12th Plan as no projects are under construction.

**Quarterly Performance (Consolidated)**

Y/E March	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY12	FY13E
<b>Total Operating Income</b>	<b>12,724</b>	<b>9,965</b>	<b>17,687</b>	<b>20,812</b>	<b>21,915</b>	<b>20,765</b>	<b>23,652</b>	<b>24,209</b>	<b>61,187</b>	<b>90,542</b>
Change (%)	36.5	17.8	64.3	44.6	72.2	108.4	33.7	16.3	42.5	48.0
<b>EBITDA</b>	<b>3,932</b>	<b>1,182</b>	<b>3,495</b>	<b>5,869</b>	<b>5,834</b>	<b>5,769</b>	<b>8,370</b>	<b>8,778</b>	<b>14,477</b>	<b>28,750</b>
Change (%)	-13.1	-63.6	-1.2	35.5	48.4	388.2	139.5	49.6	-7.4	98.6
Depreciation	1,048	1,098	1,379	1,509	1,697	1,605	1,572	1,810	5,033	6,684
Interest	1,338	1,510	1,995	2,329	2,426	2,281	2,364	2,485	7,172	9,556
Other Income	220	708	288	259	764	453	300	320	1,466	1,837
Extraordinary items	0	868	1,375	-621	2,325	-925	610	0	1,613	2,009
<b>PBT</b>	<b>1,766</b>	<b>-1,586</b>	<b>-965</b>	<b>2,910</b>	<b>150</b>	<b>3,261</b>	<b>4,125</b>	<b>4,803</b>	<b>2,125</b>	<b>12,339</b>
Tax	441	-481	-148	607	160	721	1,005	1,173	419	3,058
Effective Tax Rate (%)	25.0	30.3	15.3	20.9	106.4	22.1	24.4	24.4	19.7	24.8
<b>Reported PAT</b>	<b>1,326</b>	<b>-1,105</b>	<b>-817</b>	<b>2,303</b>	<b>-10</b>	<b>2,540</b>	<b>3,120</b>	<b>3,630</b>	<b>1,706</b>	<b>9,280</b>
Minority interest	-2	-16	9	0	-44	-1	15	19	6	-10
Exceptional Income/ (Expense)	0	868	1,375	-621	1,915	-925	610	0	1,613	1,599
<b>Reported PAT (Post MI)</b>	<b>1,363</b>	<b>-1,089</b>	<b>-827</b>	<b>2,303</b>	<b>34</b>	<b>2,541</b>	<b>3,105</b>	<b>3,611</b>	<b>1,700</b>	<b>9,291</b>
<b>Adjusted PAT</b>	<b>1,363</b>	<b>-221</b>	<b>549</b>	<b>1,683</b>	<b>1,949</b>	<b>1,615</b>	<b>3,715</b>	<b>3,611</b>	<b>3,313</b>	<b>10,890</b>
Change (%)	-54.4	-114.3	-60.2	-18.3	43.0	n.a.	n.a.	114.6	-60.6	228.7
<b>Operational Details</b>										
<b>Sales Mix (MUs)</b>										
- Long Term	672	646	1,441	2,157	2,233	2,036	2,264	2,309	4,902	8,846
- Merchant	1,750	1,947	2,524	2,460	2,498	2,561	2,506	2,388	8,692	9,949
<b>Realization (INR/unit)</b>	<b>4.51</b>	<b>3.15</b>	<b>3.99</b>	<b>4.18</b>	<b>4.56</b>	<b>4.81</b>	<b>4.77</b>	<b>4.92</b>	<b>4.37</b>	<b>4.76</b>
- PPA	3.32	3.17	3.16	2.55	3.64	3.65	3.48	3.47	2.65	3.49
- Merchant	5.27	3.86	4.26	4.33	4.40	4.60	4.60	4.60	4.40	4.55
E: MOSL Estimates										



**NHPC****Neutral**

Bloomberg	NHPC IN
Equity Shares (m)	12,300.7
M. Cap. (INR b)/(USD b)	245/5
52-Week Range (INR)	29/15
1,6,12 Rel Perf. (%)	-28/2/-9

**CMP: INR20**

■ We expect NHPC to report 4QFY13E revenue of INR10.2b (down 29.4% YoY) and PAT of INR2.5b (up 19.7% YoY). During Jan/Feb-13, NHPC's generation stood at 1.3BUs (up 5% YoY). We expect 4QFY13E generation at 2.4BUs, up 1.7% YoY.

■ In FY13, NHPC commissioned Chamera-III 231MW and 44MW of Chutak HEP. TLDP unit-2 and unit-3 were commissioned on 1 April 2013.

■ Company guided for no capacity additions during FY15/16. However, led by substantial delays in FY13, capacity addition estimate of ~552MW in FY14, we expect slippages to pass on to FY15E.

■ We expect NHPC to report consolidated PAT of INR23b in FY13E (down 8.6% YoY) and INR24.3b in FY14E (up 5.5% YoY). Stock trades at reported P/E of 9.4x FY15E.

**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	69.2	62.4	67.8	72.3
EBITDA	48.1	40.8	44.1	47.1
NP	25.2	23.0	24.3	26.2
Adj. EPS (INR)	2.0	1.9	2.0	2.1
EPS Gr. (%)	28.4	-8.6	5.5	7.9
BV/Sh. (INR)	23.3	24.3	25.3	26.3
RoE (%)	8.6	7.3	7.4	7.7
RoCE (%)	10.3	7.9	8.1	8.1
Payout (%)	29.4	43.0	43.1	43.7
<b>Valuations</b>				
P/E (X)	9.7	10.7	10.1	9.4
P/BV (X)	0.9	0.8	0.8	0.8
EV/EBITDA (X)	7.2	7.3	7.8	6.7
Div. Yield (%)	3.5	3.7	3.7	4.0

**Key issues to watch out**

- Impact of 1% increase in the regulated RoE.
- Status on Parbati II and Subhanshri lower projects.

**Quarterly Performance (Standalone)****(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>14,708</b>	<b>18,585</b>	<b>8,820</b>	<b>14,437</b>	<b>14,218</b>	<b>17,725</b>	<b>10,104</b>	<b>10,197</b>	<b>56,550</b>	<b>52,244</b>
Change (%)	44.2	45.1	17.5	23.0	-3.3	-4.6	14.6	-29.4	33.8	-7.6
<b>EBITDA</b>	<b>9,565</b>	<b>13,283</b>	<b>3,788</b>	<b>9,942</b>	<b>9,040</b>	<b>12,036</b>	<b>6,132</b>	<b>5,475</b>	<b>36,579</b>	<b>32,683</b>
Change (%)	17.4	25.4	-17.7	94.6	-5.5	-9.4	61.9	-44.9	28.6	-10.7
As of % Sales	65.0	71.5	43.0	68.9	63.6	67.9	60.7	53.7	64.7	62.6
Depreciation	2,258	2,234	2,237	2,199	2,218	2,532	2,390	2,609	8,927	9,748
Interest	865	883	876	799	798	1,047	989	980	3,422	3,814
Other Income	3,275	3,042	2,032	2,255	2,451	2,406	1,890	1,840	10,604	8,586
EO Income/(Expense)	0	-352	0	689	0	0	0	0	337	0
<b>PBT</b>	<b>9,717</b>	<b>12,856</b>	<b>2,707</b>	<b>9,889</b>	<b>8,475</b>	<b>10,863</b>	<b>4,644</b>	<b>3,725</b>	<b>35,169</b>	<b>27,707</b>
Tax	1,807	3,191	586	1,868	1,777	3,028	1,526	1,200	7,452	7,531
Effective Tax Rate (%)	18.6	24.8	21.6	18.9	21.0	27.9	32.9	32.2	21.2	27.2
<b>Reported PAT</b>	<b>7,910</b>	<b>9,665</b>	<b>2,122</b>	<b>8,021</b>	<b>6,698</b>	<b>7,834</b>	<b>3,118</b>	<b>2,526</b>	<b>27,717</b>	<b>20,176</b>
<b>Adjusted PAT</b>	<b>6,050</b>	<b>7,769</b>	<b>2,976</b>	<b>2,109</b>	<b>6,450</b>	<b>7,272</b>	<b>2,416</b>	<b>2,526</b>	<b>18,884</b>	<b>18,910</b>
Change (%)	18.4	13.3	63.9	-18.3	6.6	-6.4	-18.8	19.7	15.1	0.1
<b>Operational Details</b>										
<b>Generation (MUs)</b>	<b>6,284</b>	<b>6,939</b>	<b>3,119</b>	<b>2,386</b>	<b>6,148</b>	<b>7,634</b>	<b>2,563</b>	<b>2,426</b>	<b>18,683</b>	<b>18,771</b>
Increase/ (Decrease) (%)	11.0	-2.6	1.6	-9.7	-2.2	10.0	-17.8	1.7	1.0	0.5
<b>Installed Capacity (MW)</b>	<b>5,287</b>	<b>5,287</b>	<b>5,287</b>	<b>5,287</b>	<b>5,287</b>	<b>5,518</b>	<b>5,551</b>	<b>5,562</b>	<b>5,287</b>	<b>5,562</b>
- Owned	3,767	3,767	3,767	3,767	3,767	3,998	4,031	4,042	3,767	4,042
- JV's	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520

E: MOSL Estimates

**NTPC**

Bloomberg	NTPC IN
Equity Shares (m)	8,245.5
M. Cap. (INR b)/(USD b)	1,175/22
52-Week Range (INR)	175/136
1,6,12 Rel Perf. (%)	-4/-14/-24

**CMP: INR143****Buy****Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	611.5	644.7	720.1	815.0
EBITDA	140.5	167.9	188.1	219.7
NP	79.7	91.7	112.9	130.6
Adj EPS (INR)	9.7	11.1	13.7	15.8
EPS Gr. (%)	0.2	15.0	23.1	15.7
BV/Sh. (INR)	88.9	96.6	104.5	113.8
RoE (%)	11.3	12.0	13.6	14.5
RoCE (%)	12.0	12.9	12.4	13.1
Payout (%)	41.5	41.7	42.2	41.2
<b>Valuations</b>				
P/E (x)	14.7	12.8	10.4	9.0
P/BV (x)	1.6	1.5	1.4	1.3
EV/EBITDA (x)	10.1	8.9	8.4	7.3
Div. Yield (%)	2.8	3.4	3.5	4.0

- We expect NTPC to report PAT of INR25.6b (up 12% YoY), led by strong capacity commercialization, despite generation being muted YoY.
- Generation for Jan/Feb-2013 stood at 39.5BUs, flat YoY, due to a decline in generation in Feb-13. In Feb-13, NTPC saw a 5.4% generation decline due to substantial fall in gas-based generation by 47% YoY and 1% decline in coal-based generation. Coal-based PLFs for Jan/Feb-13 declined to 87.6%, v/s 91.9% YoY.
- In YTD FY13, NTPC's capacity addition stood at 4.1GW and it commercialized 4.8GW capacity. During the current quarter, it has already commercialized Mauda (500MW) and Vindhychal (500MW).
- We estimate NTPC to report PAT of INR91.6b in FY13E (up 15% YoY) and INR112.8b in FY14E (up 23% YoY). Stock trades at reported P/E of 9x FY15E. Maintain **Buy**.

**Key issues to watch out**

- Plant availability factor (PAF) for coal-based projects and generation loss.
- Clarity on new FSA signing and captive coal block development.

**Quarterly Performance (Standalone)**

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>141,715</b>	<b>153,775</b>	<b>153,333</b>	<b>162,639</b>	<b>159,600</b>	<b>161,197</b>	<b>157,749</b>	<b>166,186</b>	<b>611,462</b>	<b>644,731</b>
Change (%)	9.5	4.2	13.6	4.8	12.6	4.8	2.9	2.2	7.8	5.4
<b>EBITDA</b>	<b>28,662</b>	<b>32,387</b>	<b>28,564</b>	<b>41,127</b>	<b>36,306</b>	<b>42,243</b>	<b>39,952</b>	<b>42,866</b>	<b>131,437</b>	<b>161,367</b>
Change (%)	2.2	-2.2	-22.1	12.9	26.7	30.4	39.9	4.2	-2.1	22.8
As of % Sales	20.2	21.1	18.6	25.3	22.7	26.2	25.3	25.8	21.5	25.0
Depreciation	6,411	6,583	7,560	7,363	7,602	7,865	8,288	8,872	27,917	32,627
Interest	3,744	3,312	4,496	4,870	4,994	3,035	5,304	5,483	17,116	18,815
Other Income	9,964	10,093	9,121	7,679	8,849	10,482	7,546	7,942	36,858	34,819
<b>PBT</b>	<b>28,472</b>	<b>32,586</b>	<b>25,629</b>	<b>36,574</b>	<b>32,559</b>	<b>41,825</b>	<b>33,907</b>	<b>36,452</b>	<b>123,262</b>	<b>144,744</b>
Tax	7,714	8,346	4,324	10,640	7,573	10,402	7,940	9,421	31,024	35,335
Effective Tax Rate (%)	27.1	25.6	16.9	29.1	23.3	24.9	23.4	25.8	25.2	24.4
<b>Reported PAT</b>	<b>20,758</b>	<b>24,240</b>	<b>21,304</b>	<b>25,934</b>	<b>24,987</b>	<b>31,424</b>	<b>25,968</b>	<b>27,031</b>	<b>92,238</b>	<b>109,409</b>
<b>Adjusted PAT</b>	<b>19,015</b>	<b>14,797</b>	<b>20,692</b>	<b>22,958</b>	<b>24,093</b>	<b>18,869</b>	<b>23,069</b>	<b>25,645</b>	<b>79,720</b>	<b>91,675</b>
Change (%)	13.0	-8.4	-1.1	-10.6	26.7	27.5	11.5	11.7	0.2	15.0
<b>Capacity</b>										
- NTPC	31,490	31,490	32,150	32,650	34,810	34,810	34,810	35,810	32,650	35,810
- JVs	3,364	3,364	3,864	4,364	4,364	4,364	4,864	5,364	4,364	5,364
<b>Total</b>	<b>34,854</b>	<b>34,854</b>	<b>36,014</b>	<b>37,014</b>	<b>39,174</b>	<b>39,174</b>	<b>39,674</b>	<b>41,174</b>	<b>37,014</b>	<b>41,174</b>
<b>Addition</b>	<b>660</b>	<b>-</b>	<b>1,160</b>	<b>1,000</b>	<b>2,160</b>	<b>-</b>	<b>500</b>	<b>1,500</b>	<b>2,820</b>	<b>4,160</b>

E: MOSL Estimates; Adj profit based on the calculations provided by the management

# Power Grid Corporation

Bloomberg	PWGR IN
Equity Shares (m)	4,629.7
M. Cap. (INR b)/(USD b)	486/9
52-Week Range (INR)	124/100
1,6,12 Rel Perf. (%)	-4/-10/-11

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	100.4	133.1	161.0	196.1
EBITDA	83.8	114.9	140.0	171.9
NP	33.2	42.7	52.5	63.3
EPS (INR)	7.2	9.2	11.3	13.7
EPS Gr. (%)	30.6	28.7	22.9	20.5
BV/Sh. (INR )	50.7	56.9	64.3	73.2
RoE (%)	14.8	17.1	18.7	19.9
RoCE (%)	9.2	10.0	10.1	10.6
Payout (%)	35.6	34.2	35.0	35.0
<b>Valuations</b>				
P/E (x)	14.6	11.4	9.3	7.7
P/BV (x)	2.1	1.8	1.6	1.4
EV/EBITDA (x)	11.6	9.2	8.4	7.5
Div. Yield (%)	2.0	2.6	3.2	3.9

## CMP: INR105

Buy

- We expect Power Grid to report 4QFY13E PAT of INR12.4b (up 14% YoY) led by higher capitalization in the last quarter. In 4QFY13, we expect PWGR to capitalize INR65b, lower than INR78b in 4QFY12. Higher capitalization in 4QFY12 was driven by back-ended commissioning for 11th Plan projects.
- PWGR has planned a capex of INR1t in the 12th Plan. For FY13E, we estimate a capex of INR190b - entailing capex of INR63.6b in 4QFY13E (v/s INR91b in 4QFY12).
- Company had indicated issues on climatic situations which impact capitalization (wiring - being the last lag of commissioning), and thus commentary on the pace of execution holds key to future trend.
- We expect PWGR to report PAT of INR42.7b in FY13E (up 28.7% YoY) and INR52.5b in FY14E (up 22% YoY). Stock trades at reported P/E of 7.7x FY15E.

### Key issues to watch out

- Capitalization/capex for FY13 and guidance for FY14E.
- 12th Plan capex target and possibility of dilution.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>22,025</b>	<b>22,644</b>	<b>24,666</b>	<b>31,019</b>	<b>28,883</b>	<b>30,858</b>	<b>33,617</b>	<b>39,783</b>	<b>100,353</b>	<b>133,139</b>
Change (%)	10.2	6.5	20.2	40.3	31.1	36.3	36.3	28.3	19.6	32.7
<b>EBITDA</b>	<b>18,455</b>	<b>18,978</b>	<b>21,027</b>	<b>26,038</b>	<b>24,646</b>	<b>26,693</b>	<b>29,231</b>	<b>34,307</b>	<b>83,824</b>	<b>114,876</b>
Change (%)	9.8	6.3	21.7	40.2	33.6	40.6	39.0	31.8	18.9	37.0
As of % Sales	83.8	83.8	85.2	83.9	85.3	86.5	87.0	86.2	83.5	86.3
Depreciation	5,790	5,966	6,792	7,177	7,565	8,252	8,653	9,070	25,725	33,540
Interest	4,446	5,556	4,735	5,413	6,461	5,295	6,848	7,573	19,432	26,178
Other Income	1,432	1,942	1,096	3,069	920	1,570	1,286	1,798	7,497	5,573
Extraordinary Inc / (Exp)	13	-21	31	164	0	-140	6	0	187	-134
<b>PBT</b>	<b>9,638</b>	<b>9,419</b>	<b>10,565</b>	<b>16,354</b>	<b>11,540</b>	<b>14,856</b>	<b>15,009</b>	<b>19,461</b>	<b>45,976</b>	<b>60,866</b>
Tax	2,586	2,331	2,472	6,037	2,836	3,597	3,717	7,085	13,427	17,234
Effective Tax Rate (%)	26.8	24.8	23.4	36.9	24.6	24.2	24.8	36.4	29.2	28.3
<b>Reported PAT</b>	<b>7,053</b>	<b>7,087</b>	<b>8,092</b>	<b>10,317</b>	<b>8,705</b>	<b>11,259</b>	<b>11,291</b>	<b>12,376</b>	<b>32,550</b>	<b>43,631</b>
<b>Adjusted PAT (Pre Exceptional)</b>	<b>7,022</b>	<b>7,601</b>	<b>7,743</b>	<b>10,832</b>	<b>9,065</b>	<b>10,211</b>	<b>11,066</b>	<b>12,376</b>	<b>33,199</b>	<b>42,718</b>
Change (%)	18.9	27.1	28.1	44.7	29.1	34.3	42.9	14.3	30.7	28.7
<b>Operational Details</b>										
Capitalization (INR m)	8,020	32,550	22,280	78,150	41,000	26,600	25,860	65,040	141,000	158,500
Regulated Equity (INR m)	137,918	147,683	154,367	177,812	190,112	198,092	205,850	225,362	177,812	225,362

E: MOSL Estimates

## PTC India

Bloomberg	PTCIN IN
Equity Shares (m)	294.5
M. Cap. (INR b)/(USD b)	170
52-Week Range (INR)	81/49
1,6,12 Rel Perf. (%)	-13/-17/-13

## Financials &amp; Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	76.5	87.1	112.2	135.5
EBITDA	1.5	1.8	2.3	2.7
NP	2.0	2.1	2.7	3.2
Adj. EPS (INR)	6.9	7.2	9.0	10.8
EPS Gr. (%)	22.9	4.0	25.1	20.1
BV/Sh. (INR)	76.3	78.8	81.9	85.6
RoE (%)	5.4	5.9	6.9	8.2
RoCE (%)	8.6	4.6	5.6	6.9
Payout (%)	45.0	45.0	45.0	45.0
<b>Valuations</b>				
P/E (x)	8.3	8.0	6.4	5.3
P/BV (x)	0.8	0.7	0.7	0.7
EV/EBITDA (x)	11.3	6.1	6.2	1.7
Div. Yield (%)	3.2	3.6	4.4	5.4

## CMP: INR57

Buy

- We expect PTC India (PTCIN) to report 4QFY13E revenue of INR20.6b (up 42.5% YoY) and PAT of INR442m (up 47.8% YoY), led by contribution from tolling projects.
- Over Jan/Feb-13, company's volume stood at ~3.8BUs (up 63% YoY). In 4QFY13E, we expect PTCIN's traded volume to be 6BUs (up 38.2% YoY). For FY13E, we expect PTC to trade 27.9BUs (up 15% YoY).
- We expect 4QFY13E average trading margin (adjusted for surcharge and rebates) of 3.9 paise per unit (v/s paise 4.7/unit YoY).
- In the tolling business, we expect PTC to post sales volume of 316MUs and PBT spread of INR0.81/unit, compared to INR0.62/unit in 3QFY13.
- We expect PTC to report consolidated PAT of INR2.1b in FY13E (4% YoY) and INR2.7b in FY14E (up 25% YoY). Stock trades at reported P/E of 5.3x FY15E.

## Key issues to watch out

- Trading margins for FY13 and FY14E.
- Tolling business volumes and PBT contribution.
- Receipt of outstanding dues from Tamil Nadu and Uttar Pradesh Discoms.

## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Power Traded (MUs)	6,726	8,655	4,564	4,380	6,566	9,428	5,871	6,055	24,325	27,920
Sales	24,874	23,890	13,300	14,436	19,869	27,928	18,778	20,568	76,502	87,143
Change (%)	-9.8	-3.3	-24.3	-30.6	-20.1	16.9	41.2	42.5	-15.6	
EBITDA	476	444	210	323	313	569	300	608	1,453	1,790
Change (%)	77.1	16.5	-48.5	-5.9	-34.4	28.3	42.9	88.5	3.7	23.2
As of % Sales	1.9	1.9	1.6	2.2	1.6	2.0	1.6	3.0	1.9	2.1
Depreciation	11	11	11	11	10	10	11	14	45	44
Interest	14	79	103	64	1	4	4	1	260	10
Other Income	174	140	43	150	26	63	12	43	505	145
PBT	626	493	138	394	304	619	297	637	1,656	1,904
Tax	173	138	43	98	98	173	79	195	452	545
Effective Tax Rate (%)	27.7	27.9	31.0	25.0	32.3	28.0	26.7	30.6	27.3	28.6
Reported PAT	453	356	95	302	206	446	218	442	1,204	1,359
Adjusted PAT	453	356	95	299	229	446	218	442	1,201	1,335
Change (%)	59.4	-0.5	-74.9	-10.5	-49.4	25.4	129.2	47.8	-11.1	
<b>Operational Details</b>										
Power Traded (MUs)	6,726	8,655	4,564	4,380	6,566	9,428	5,871	6,055	24,325	27,920
Adj Margins (Ps/Unit)	4.91	4.16	3.78	4.68	3.98	3.06	3.74	3.88	4.39	3.60

E: MOSL Estimates; % Change for FY13E not comparable given inclusion of tolling profits from 1QFY13 onwards

# Reliance Infrastructure

Bloomberg	RELI IN
Equity Shares (m)	263.0
M. Cap. (INR b)/(USD b)	85/2
52-Week Range (INR)	622/320
1,6,12 Rel Perf. (%)	-28/-42/-54

**CMP: INR324**
**Buy**
**Financials & Valuation (INR b)**

Y/E March	2012	2013E	2014E	2015E
Sales	178.5	145.8	143.0	163.8
EBITDA	25.7	19.8	17.4	19.2
NP	20.0	10.9	14.0	15.8
Adj. EPS(INR)	76.0	52.1	53.2	60.0
EPS Gr. (%)	88.2	-31.5	2.2	12.6
BV/Sh. (INR)	685.7	730.5	776.2	827.7
RoE (%)	11.4	7.4	7.1	7.5
RoCE (%)	13.3	10.3	8.5	8.9
Payout (%)	8.9	17.7	14.2	14.1
<b>Valuations</b>				
P/E (X)	4.3	6.2	6.1	5.4
P/BV (X)	0.5	0.4	0.4	0.4
EV/EBITDA (X)	-0.2	0.4	0.2	-0.2
Div. Yield (%)	1.9	2.0	2.1	2.3

- We expect Reliance Infrastructure (RELI) to report 4QFY13E revenue of INR41.8b (down 27% YoY) and PAT of INR3.8b (down 40% YoY). During the quarter, we expect RELI to post EPC revenue of INR21.7b (v/s INR43.8b YoY).
- In the cement business, total capacity under development is 5m ton in MP and Maharashtra. The grinding unit at Butibori has been commissioned.
- In Metro 1 project in Mumbai, 100% civil work is completed. Station work and line work are in process and it is expected to be operational in the next financial year.
- EPC revenue in FY14E/15E may get impacted due to prolonged delay in large capacity projects of Chittrangi, Krishnapattnam and Tilaiya.
- We expect RELI to report standalone PAT of INR10.8b in FY13E (down 45% YoY) and INR14b in FY14E (up 28% YoY). Stock trades at reported P/E of 5.4x FY15E.

**Key issues to watch out**

- Performance of EPC division and order book position.
- Performance of infrastructure business and developments in projects under construction.
- Contribution from cement business.

**Quarterly Performance (Standalone)**
**(INR Million)**

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>36,607</b>	<b>39,505</b>	<b>44,777</b>	<b>57,316</b>	<b>34,473</b>	<b>35,002</b>	<b>34,552</b>	<b>41,787</b>	<b>178,205</b>	<b>145,814</b>
Change (%)	64.3	62.0	69.8	148.1	-5.8	-11.4	-22.8	-27.1	85.3	-18.2
<b>EBITDA</b>	<b>6,961</b>	<b>7,096</b>	<b>6,518</b>	<b>6,173</b>	<b>4,598</b>	<b>4,535</b>	<b>4,898</b>	<b>5,750</b>	<b>26,748</b>	<b>19,782</b>
Change (%)	174.7	70.5	144.1	156.1	-33.9	-36.1	-24.9	-6.8	127.1	-26.0
As of % Sales	19.0	18.0	14.6	10.8	13.3	13.0	14.2	13.8	15.0	13.6
Depreciation	689	638	615	736	1,130	922	980	1,015	2,678	4,047
Interest	570	833	1,231	1,832	1,902	1,980	2,055	2,116	4,466	8,053
Other Income	1,093	1,126	1,468	1,685	2,586	3,457	2,433	2,420	5,372	10,896
<b>PBT</b>	<b>6,795</b>	<b>6,752</b>	<b>6,140</b>	<b>5,290</b>	<b>4,152</b>	<b>5,090</b>	<b>8,480</b>	<b>5,039</b>	<b>24,977</b>	<b>18,578</b>
Tax (incl contingencies)	2,490	1,794	1,982	-1,292	882	949	1,887	1,156	4,975	4,873
Effective Tax Rate (%)	36.6	26.6	32.3	-24.4	21.2	18.6	22.2	22.9	19.9	26.2
<b>Reported PAT</b>	<b>4,305</b>	<b>4,957</b>	<b>4,158</b>	<b>6,581</b>	<b>3,270</b>	<b>4,141</b>	<b>6,594</b>	<b>3,883</b>	<b>20,002</b>	<b>13,705</b>
<b>PAT (Pre Exceptionals)</b>	<b>2,874</b>	<b>4,903</b>	<b>4,057</b>	<b>6,478</b>	<b>3,270</b>	<b>4,141</b>	<b>3,749</b>	<b>3,883</b>	<b>19,621</b>	<b>10,860</b>
Change (%)	16.7	122.4	118.6	56.6	13.8	-15.5	-7.6	-40.1	84.1	-44.6
<b>Operational Details</b>										
EPC Revenues	18,849	24,309	29,801	43,823	17,749	19,184	19,260	21,667	116,781	77,860

E: MOSL Estimates; Quarterly nos. are on standalone basis

# Tata Power

Bloomberg	TPWR IN
Equity Shares (m)	2,373.3
M. Cap. (INR b)/(USD b)	225/4
52-Week Range (INR)	113/83
1,6,12 Rel Perf. (%)	-1/-8/-11

## CMP: INR95

Neutral

### Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	85.0	97.7	105.6	115.3
EBITDA	17.8	17.9	21.0	21.6
NP	17.6	11.1	8.8	11.2
Adj. EPS (INR)	7.4	4.7	3.7	4.7
EPS Gr. (%)	0.6	(36.9)	(21.3)	28.2
BV/Sh. (INR)	47.9	51.0	53.8	56.9
RoE (%)	9.8	9.1	7.7	8.0
RoCE (%)	6.2	5.7	6.8	6.9
Payout (%)	39.9	27.6	29.0	32.2
<b>Valuations</b>				
P/E (x)	12.8	20.2	25.7	20.1
P/BV (x)	2.0	1.9	1.8	1.7
EV/EBITDA (x)	16.3	16.4	14.2	13.2
Div. Yield (%)	1.3	1.4	1.4	1.4

- We expect Tata Power (TPWR) to report standalone PAT of INR1.4b (down 38% YoY) and consolidated PAT of INR2.3b (down 35% YoY).
- Generation from TPWR's 2,021MW (Mumbai region) capacity in Jan-Feb 2013 stood at 1.4BUs, down 15% YoY. Mundra UMPP generation for the period stood at 3.7BUs and PLF stood at 91% and Maithon generated 1BU at a PLF of 68.6%.
- Company has filed a petition with CERC seeking a tariff hike of around paise67/unit for its Mundra project. Hearing for the same has been completed and result is expected soon.
- Global coal prices remained flat sequentially ~USD85.5 and currency too was muted at INR54.25/USD in 4QFY13, compared to INR54.4/USD in 3QFY13. Hence, contribution from KPC/Arutmin mines may remain muted.
- We expect TPWR to report consolidated PAT of INR10.1b in FY13E (down 42% YoY) and INR9.4b in FY14E (down 7% YoY). Stock trades at a reported P/E of 20.1x FY15E.

### Key issues to watch out

- Contribution/loss of Maithon/Mundra UMPP project and any impairment to equity for Mundra UMPP.
- CERC's order on Mundra UMPP tariff revision.
- Sales/realization for KPC/Arutmin mines and any downward revision in volume growth/realization.

### Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Units Generated</b>	<b>3,889</b>	<b>3,772</b>	<b>3,970</b>	<b>3,599</b>	<b>4,259</b>	<b>4,272</b>	<b>3,873</b>	<b>3,880</b>	<b>15,230</b>	<b>16,284</b>
<b>Total Operating Income</b>	<b>19,212</b>	<b>19,481</b>	<b>22,519</b>	<b>23,747</b>	<b>22,841</b>	<b>25,198</b>	<b>25,491</b>	<b>24,121</b>	<b>84,958</b>	<b>97,651</b>
Change (%)	2.9	19.1	36.3	34.7	18.9	29.3	13.2	1.6	22.8	14.9
<b>EBITDA</b>	<b>4,279</b>	<b>4,189</b>	<b>4,751</b>	<b>4,443</b>	<b>3,759</b>	<b>5,279</b>	<b>5,685</b>	<b>4,963</b>	<b>17,662</b>	<b>19,686</b>
Change (%)	-5.1	19.3	43.2	7.8	-12.1	26.0	19.7	11.7	14.3	11.5
As of % Sales	22.3	21.5	21.1	18.7	16.5	21.0	22.3	20.6	20.8	20.2
Depreciation	1,331	1,353	1,512	1,508	1,548	1,556	1,281	1,508	5,704	5,893
Interest	1,124	1,165	1,280	1,388	1,386	1,643	1,788	1,746	4,957	6,564
Other Income	2,476	3,323	4,105	-69	3,456	1,963	318	282	9,835	6,019
<b>PBT</b>	<b>4,299</b>	<b>4,995</b>	<b>6,065</b>	<b>1,478</b>	<b>4,281</b>	<b>4,043</b>	<b>2,934</b>	<b>1,991</b>	<b>16,837</b>	<b>13,248</b>
Tax	1,484	1,865	1,483	308	1,158	1,083	770	566	5,140	3,577
Effective Tax Rate (%)	34.5	37.3	24.5	20.9	27.1	26.8	26.2	28.4	30.5	27.0
<b>Reported PAT</b>	<b>2,816</b>	<b>3,130</b>	<b>4,582</b>	<b>1,170</b>	<b>3,123</b>	<b>2,960</b>	<b>2,164</b>	<b>1,425</b>	<b>11,696</b>	<b>9,671</b>
<b>Adjusted PAT</b>	<b>2,940</b>	<b>3,658</b>	<b>1,844</b>	<b>2,295</b>	<b>4,140</b>	<b>2,969</b>	<b>1,285</b>	<b>1,425</b>	<b>10,736</b>	<b>9,819</b>
Change (%)	33.9	68.3	23.9	43.1	40.8	-18.8	-30.3	-37.9	38.7	-8.5
<b>Consolidated Adjusted PAT</b>	<b>4,158</b>	<b>4,425</b>	<b>5,523</b>	<b>3,522</b>	<b>3,059</b>	<b>2,062</b>	<b>2,759</b>	<b>2,281</b>	<b>17,628</b>	<b>10,161</b>
Change (%)	-1.0	12.8	34.9	-36.3	-26.4	-53.4	-50.0	-35.2	-0.7	-42.4

E: MOSL Estimates



# Castrol India

Bloomberg	CSTR IN
Equity Shares (m)	494.6
M. Cap. (INR b)/(USD b)	150/3
52-Week Range (INR)	338/237
1,6,12 Rel Perf. (%)	-2,0/9

**CMP: INR304**
**Neutral**

- We expect revenues to grow 5.7% YoY to INR8.3b. We have assumed volume growth of -1% YoY and realization growth of 6.8% YoY.
- For CY13, we have assumed volume growth of 2.4% YoY and realization growth of 4.2% YoY.
- EBITDA margin is likely to expand 159bp YoY to 21.6%, primarily driven by lower raw material cost and recent price hikes.
- We model 1.9% YoY increase in net profit to INR1.25b.
- CSTR trades at 28.7x/26.3x CY13E/CY14E earnings. Our DCF-based target price is INR316. Though we remain positive on the company's long-term prospects, we maintain **Neutral**, given rich valuations.

**Financials & Valuation (INR b)**

Y/E December	2011	2012	2013E	2014E
Sales	29.8	31.2	33.2	36.0
EBITDA	6.6	6.2	7.5	8.2
Adj NP	4.8	4.5	5.2	5.7
EPS (INR)	9.8	9.0	10.6	11.6
EPS Gr. (%)	-2	-7	17	9
BV/Sh (INR)	12.2	13.1	13.8	14.3
RoE (%)	93.7	83.8	71.5	78.8
RoCE (%)	133.6	109.1	94.3	107.7
Payout (%)	89.7	90.2	93.7	95.8
<b>Valuations</b>				
P/E (x)	31.0	33.6	28.7	26.3
P/BV (x)	24.9	23.2	22.1	21.3
EV/EBITDA (x)	22.1	23.4	19.2	17.5
Div Yield (%)	2.5	2.3	2.8	3.1

**Quarterly Performance**
**(INR Million)**

Y/E December	CY12				CY13E				CY12	CY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Volumes (mt)	52.6	56.7	46.1	48.5	52.1	57.5	48.2	51.0	203.9	208.8
Realizations (INR/ Kl)	149	150	156	157	159	159	162	157	152.9	164.7
<b>Net Sales</b>	<b>7,817</b>	<b>8,513</b>	<b>7,213</b>	<b>7,609</b>	<b>8,265</b>	<b>9,160</b>	<b>7,794</b>	<b>8,031</b>	<b>31,191</b>	<b>33,250</b>
YoY Change (%)	4.1	7.8	7.4	-1.1	5.7	7.6	8.1	5.5	4.6	6.6
Net Raw Material	4,590	4,974	4,334	4,345	4,805	5,163	4,503	4,371	18,192	18,841
Employee Expenses	265	339	310	370	296	299	302	300	1,123	1,197
Other Operating Expenses	1,394	1,506	1,354	1,200	1,376	1,571	1,330	1,456	5,408	5,732
Total Expenditure	6,249	6,819	5,998	5,915	6,476	7,032	6,135	6,128	24,723	25,771
<b>EBITDA</b>	<b>1,568</b>	<b>1,694</b>	<b>1,215</b>	<b>1,694</b>	<b>1,789</b>	<b>2,128</b>	<b>1,659</b>	<b>1,903</b>	<b>6,171</b>	<b>7,479</b>
YoY Change (%)	-12.6	-13.4	-6.8	10.7	14.1	25.6	36.6	12.4	-6.3	21.2
Margins (%)	20.1	19.9	16.8	22.3	21.6	23.2	21.3	23.7	19.8	22.5
Depreciation	60	60	66	80	80	81	81	81	266	322
Interest	7	3	1	10	2	4	4	10	21	20
Other Income	335	162	130	152	180	188	192	207	779	768
<b>PBT</b>	<b>1,836</b>	<b>1,793</b>	<b>1,278</b>	<b>1,756</b>	<b>1,888</b>	<b>2,231</b>	<b>1,767</b>	<b>2,019</b>	<b>6,663</b>	<b>7,905</b>
Tax	607	584	421	577	636	754	597	684	2,189	2,672
Rate (%)	33.1	32.6	32.9	32.9	33.7	33.8	33.8	33.9	32.9	33.8
<b>Adj PAT</b>	<b>1,229</b>	<b>1,209</b>	<b>857</b>	<b>1,179</b>	<b>1,252</b>	<b>1,477</b>	<b>1,170</b>	<b>1,335</b>	<b>4,474</b>	<b>5,233</b>
YoY Change (%)	-10.0	-15.2	-9.9	10.4	1.9	22.2	36.5	13.2	-6.9	17.0
Margins (%)	15.7	14.2	11.9	15.5	15.1	16.1	15.0	16.6	14.3	15.7

E: MOSL Estimates

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# Container Corporation of India

Bloomberg	CCRI IN
Equity Shares (m)	130.0
M. Cap. (INR b)/(USD b)	133/2
52-Week Range (INR)	1,097/830
1,6,12 Rel Perf. (%)	3/8/6

**CMP: INR1,026**

**Buy**

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	41.0	43.6	50.7	57.0
EBITDA	10.2	10.5	12.0	14.3
Adj NP	8.7	9.3	9.6	10.6
EPS (INR)	66.6	71.6	73.7	81.9
EPS Gr. (%)	-1.2	7.5	2.9	11.1
BV/Sh. (INR)	427.4	477.5	528.0	583.8
RoE (%)	16.5	15.8	14.7	14.7
RoCE (%)	22.3	20.1	18.8	19.4
Payout (%)	28.8	30.0	31.5	31.9
<b>Valuations</b>				
P/E (x)	15.4	14.3	13.9	12.5
P/BV (x)	2.4	2.1	1.9	1.8
EV/EBITDA (x)	10.4	10.5	9.3	7.9
Div. Yield	1.9	2.1	2.3	2.5

- We estimate revenue growth of 10.4% YoY, driven by overall volume growth of 2.5% and realization growth of 7.8% YoY. We expect EXIM volumes to decline by 0.8% to 0.53m TEU and domestic volumes to grow by 17% YoY to 0.15m TEU.
- EBITDA margin is likely to shrink 221bp QoQ (expand 119bp YoY). Till FY12, CCRI used to account its entire cash discount to its bulk customers in 4Q. Due to this, its 4Q results in FY12 were adversely impacted. However, from FY13, CCRI has started to account for cash discount on a quarter-wise basis. Hence, the one-time 4Q hit witnessed in FY12 is unlikely in FY13.
- We expect net profit to decline by 4.9% YoY to INR2.1b.
- During 2HFY13, Indian Railways increased haulage charges by as much as 22-31% across segments in two phases (December 2012 and February 2013). The management mentioned that CCRI has absorbed ~6% of the price hike and full impact of the increase in haulage charges for empties. Nonetheless, gains across the non-freight segment are likely to partially offset losses from higher haulage charges. We expect the negative EBITDA margin impact to be limited to ~2%.
- CCRI trades at 13.9x/12.5x FY14/FY15E earnings. We have a **Buy** rating on the stock, with a price target of INR1,322.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>9,490</b>	<b>9,946</b>	<b>10,463</b>	<b>10,711</b>	<b>10,370</b>	<b>10,549</b>	<b>10,828</b>	<b>11,820</b>	<b>40,609</b>	<b>43,566</b>
YoY Change (%)	3.6	5.3	7.7	6.9	9.3	6.1	3.5	10.4	5.9	7.3
Terminal & Other Service Charges	5,390	5,630	5,985	6,161	5,920	6,124	6,255	7,208	23,166	25,506
Employee Expenses	229	230	247	293	275	279	299	236	999	1,089
Other Operating Expenses	1,275	1,458	1,457	2,018	1,503	1,570	1,642	1,763	6,207	6,479
Total Expenditure	6,894	7,318	7,689	8,471	7,698	7,973	8,195	9,208	30,372	33,074
<b>EBITDA</b>	<b>2,597</b>	<b>2,628</b>	<b>2,773</b>	<b>2,240</b>	<b>2,672</b>	<b>2,576</b>	<b>2,632</b>	<b>2,612</b>	<b>10,237</b>	<b>10,492</b>
Margins (%)	27.4	26.4	26.5	20.9	25.8	24.4	24.3	22.1	25.2	24.1
Depreciation	402	373	413	397	407	423	442	531	1,585	1,802
Interest	0	0	0	0	0	0	0	29	0	29
Other Income	588	753	698	1,126	823	810	840	720	3,166	3,193
<b>PBT before EO Item</b>	<b>2,783</b>	<b>3,008</b>	<b>3,059</b>	<b>2,968</b>	<b>3,088</b>	<b>2,962</b>	<b>3,031</b>	<b>2,772</b>	<b>11,818</b>	<b>11,853</b>
<b>PBT after EO Exp/(Inc)</b>	<b>2,783</b>	<b>3,008</b>	<b>3,059</b>	<b>2,968</b>	<b>3,088</b>	<b>2,962</b>	<b>3,031</b>	<b>2,772</b>	<b>11,818</b>	<b>11,853</b>
Tax	441	1,254	647	697	636	638	663	612	3,039	2,548
Rate (%)	15.9	41.7	21.1	23.5	20.6	21.5	21.9	22.1	25.7	21.5
<b>Reported Profit</b>	<b>2,342</b>	<b>1,754</b>	<b>2,412</b>	<b>2,271</b>	<b>2,451</b>	<b>2,325</b>	<b>2,368</b>	<b>2,161</b>	<b>8,779</b>	<b>9,305</b>
<b>Adj PAT</b>	<b>2,342</b>	<b>2,222</b>	<b>2,412</b>	<b>2,271</b>	<b>2,451</b>	<b>2,325</b>	<b>2,368</b>	<b>2,161</b>	<b>8,779</b>	<b>9,305</b>
YoY Change (%)	21.0	7.5	5.6	-8.1	4.7	4.6	-1.8	-4.9	0.2	6.0
Margins (%)	24.7	22.3	23.1	21.2	23.6	22.0	21.9	18.3	21.6	21.4

E: MOSL Estimates

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# Multi Commodity Exchange

Bloomberg	MCX IN
Equity Shares (m)	51.0
M. Cap. (INR b)/(USD b)	44/1
52-Week Range (INR)	1,617/838
1,6,12 Rel Perf. (%)	-21/-34/-41

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	5.3	4.9	4.8	5.6
EBITDA	3.3	2.9	2.8	3.4
PAT	2.9	2.9	2.7	3.2
EPS (INR)	56.1	56.8	53.7	63.2
EPS Gr. (%)	65.6	1.2	-5.5	17.7
BV/Sh. (INR)	195.5	222.9	244.0	267.5
RoE (%)	31.0	27.2	23.0	24.7
RoCE (%)	24.8	26.1	22.2	23.9
Payout (%)	50.0	51.5	61.0	62.9
<b>Valuations</b>				
P/E (x)	15.4	15.2	16.1	13.7
P/BV (x)	4.4	3.9	3.5	3.2
EV/ EBITDA (x)	9.6	10.9	10.9	8.5
Div. Yield (%)	3.2	3.4	3.8	4.6

## CMP: INR866

Buy

- While the Finance Minister introduced 1bp Commodities Transaction Tax (CTT) in the Union Budget, it is yet to be implemented and hence will not have an impact on volumes in 4QFY13E.
- Value of the total volumes transacted during the quarter at MCX is INR35t, down 2.1% YoY and 4.4% QoQ. Hence, our revenue estimate for the exchange stands at INR1,113m, down 5% YoY and 4.4% QoQ.
- Our EBITDA margin estimate for the quarter is 56.3%, down 170bp QoQ, primarily due to lower volumes and revenue in a highly operating leveraged model. In absolute terms, our EBITDA estimate for the quarter is INR635m, down 12% QoQ and 14% YoY. Our EBIT estimate for the quarter is INR548m.
- Our PAT estimate stands at INR671m, down 11.6% QoQ .
- The stock trades at 16.1x FY14E and 13.7x FY15E EPS, Maintain **Buy**.

### Key issues to watch for

- Revenue growth and transaction yield in 4QFY13.
- Addition of new terminals and members in the full year for the exchange.

## Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Sales</b>	<b>1,169</b>	<b>1,558</b>	<b>1,296</b>	<b>1,239</b>	<b>1,230</b>	<b>1,310</b>	<b>1,246</b>	<b>1,113</b>	<b>5,262</b>	<b>4,898</b>
Q-o-Q Gr. (%)	10.4	33.3	-16.8	-4.4	-0.7	6.5	-4.9	-10.7	42.6	-6.9
Staff Costs	69	67	65	79	78	78	68	69	280	340
Admin and other expenses	382	421	411	420	396	415	455	422	1,635	1,689
Depreciation	64	71	70	67	67	71	85	85	272	309
<b>EBIT</b>	<b>654</b>	<b>999</b>	<b>750</b>	<b>672</b>	<b>689</b>	<b>746</b>	<b>638</b>	<b>536</b>	<b>3,075</b>	<b>2,561</b>
Margins (%)	55.9	64.1	57.9	54.3	56.0	57.0	51.2	48.2	58.4	52.3
Interest Costs	0	0	0	0	0	0	0	0	0	0
Other Income	215	224	280	308	233	338	372	358	1,027	1,355
<b>PBT</b>	<b>869</b>	<b>1,223</b>	<b>1,030</b>	<b>981</b>	<b>921</b>	<b>1,084</b>	<b>1,010</b>	<b>894</b>	<b>4,102</b>	<b>3,916</b>
Tax	248	327	342	181	274	270	252	223	1,098	1,018
Rate (%)	28.6	26.7	33.2	18.4	29.7	24.9	24.9	24.9	26.8	26.0
<b>PAT</b>	<b>620</b>	<b>896</b>	<b>688</b>	<b>800</b>	<b>647</b>	<b>814</b>	<b>759</b>	<b>671</b>	<b>2,862</b>	<b>2,897</b>
Q-o-Q Gr. (%)	12.9	44.5	-23.2	16.3	-19.1	25.7	-6.8	-11.6	62.8	1.2
<b>EPS (INR)</b>	<b>12.2</b>	<b>17.5</b>	<b>13.5</b>	<b>12.9</b>	<b>12.7</b>	<b>16.0</b>	<b>14.9</b>	<b>13.2</b>	<b>56.1</b>	<b>56.8</b>
<b>Total volumes (INR t)</b>	<b>33.6</b>	<b>47.8</b>	<b>38.4</b>	<b>36.2</b>	<b>36.4</b>	<b>39.3</b>	<b>37.0</b>	<b>35.0</b>	<b>156.0</b>	<b>152.9</b>
Q-o-Q Gr. (%)	13.8	42.4	-19.6	-5.9	0.6	8.0	-5.8	-5.6		
Y-o-Y Gr. (%)	63.0	110.3	50.4	22.5	8.4	-17.8	-3.6	-3.3	58.5	-2.0

E: MOSL Estimates

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# Sintex Industries

Bloomberg	SINT IN
Equity Shares (m)	324.4
M. Cap. (INR b)/(USD b)	14/0
52-Week Range (INR)	90/42
1,6,12 Rel Perf. (%)	-21/-33/-55

## CMP: INR44

Buy

### Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Oper. Income	44.5	49.5	55.7	63.0
EBITDA	7.2	7.8	9.1	10.7
Adj. PAT	3.5	3.5	4.3	5.4
Adj EPS (INR)	13.0	11.1	13.2	15.4
EPS Gr. (%)	-22.4	-14.5	18.4	16.9
BV/share (INR)	97.7	102.1	111.2	126.3
RoE (%)	14.0	11.9	12.6	13.0
RoCE (%)	11.0	10.5	11.8	12.3
Payout (%)	6.7	8.7	5.6	4.5
<b>Valuations</b>				
P/E (x)	3.4	3.9	3.3	2.9
P/BV (x)	0.5	0.4	0.4	0.3
EV/EBITDA (x)	4.8	4.2	3.5	2.7
Div. Yield (%)	1.5	1.5	1.5	1.5

- We expect Sintex Industries' 4QFY13 revenues to grow 23% YoY to INR12.6b, EBITDA 24% to INR2b and Adjusted PAT to 7% to INR970m. We believe the growth is broadly attributable to the weaker base in 4QFY12.
- Monolithic segment to post flattish YoY growth, with overall FY13 revenue of INR10.9b and margins of 16% (4QFY13) and 17.5% (FY13). It is likely to complete two more challenging sites by 4QFY13, taking the number of delayed sites to two (from seven at the beginning of the year). The process would steadily improve monolithic business' margins.
- Prefab is estimated to post 12% YoY growth in 4QFY13E (25% in FY13).
- Overseas, the automobile vertical is yet to show signs of an improvement; but management expects 10-11% full year sales growth for overseas composites business on the back of electrical and medical imaging segment. Domestic custom molding is estimated to grow by 19.5% in FY13E (full year) and 33% YoY in 4QFY13E on a low base.
- The stock trades at FY15E P/E of 2.9x and EV/EBITDA of 2.7x. We value Sintex at INR79 (post dilution).

### Key issues to watch out

- Outlook on monolithic business and order flow.
- Outlook on overseas composites business.
- Working capital trend

### Quarterly Performance

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Operating Income</b>	<b>11,120</b>	<b>11,571</b>	<b>11,608</b>	<b>10,236</b>	<b>10,806</b>	<b>11,985</b>	<b>14,272</b>	<b>12,620</b>	<b>44,535</b>	<b>49,450</b>
YoY Growth (%)	22.1	25.4	-2.1	-30.1	-2.8	3.6	22.9	23.3	-0.7	11.0
<b>EBITDA</b>	<b>1,892</b>	<b>2,044</b>	<b>1,631</b>	<b>1,600</b>	<b>1,776</b>	<b>1,828</b>	<b>2,198</b>	<b>1,980</b>	<b>7,177</b>	<b>7,829</b>
EBITDA Margin (%)	17.0	17.7	14.1	15.6	16.4	15.3	15.4	15.7	16.1	15.8
Depreciation	439	437	467	335	483	505	520	441	1,678	1,948
Interest	350	416	354	238	354	361	312	354	1,358	1,381
Other Income	168	67	154	115	42	64	36	88	505	231
Extraordinary items	-9	-596	135	4	-289	-49	-450	28	-466	-759
<b>Profit before Tax</b>	<b>1,271</b>	<b>662</b>	<b>1,099</b>	<b>1,147</b>	<b>692</b>	<b>978</b>	<b>953</b>	<b>1,302</b>	<b>4,179</b>	<b>3,972</b>
Tax Provisions	338	275	283	263	241	258	420	311	1,160	1,230
Tax / PBT	26	22	29	23	25	25	30	24	25.0	26.0
<b>PAT before MI &amp; Income from Assoc</b>	<b>933</b>	<b>387</b>	<b>816</b>	<b>884</b>	<b>451</b>	<b>721</b>	<b>533</b>	<b>991</b>	<b>3,019</b>	<b>2,742</b>
<b>Consolidated PAT</b>	<b>946</b>	<b>389</b>	<b>824</b>	<b>913</b>	<b>468</b>	<b>723</b>	<b>536</b>	<b>998</b>	<b>3,068</b>	<b>2,712</b>
<b>Adj. Consolidated PAT</b>	<b>946</b>	<b>985</b>	<b>689</b>	<b>909</b>	<b>757</b>	<b>772</b>	<b>986</b>	<b>970</b>	<b>3,535</b>	<b>3,471</b>
YoY Growth (%)	20.0	-61.1	-27.8	-45.3	-20.0	-21.6	43.2	6.8	-22.4	-1.8

E: MOSL Estimates

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# United Phosphorus

Bloomberg	UNTP IN
Equity Shares (m)	442.6
M. Cap. (INR b)/(USD b)	52/1
52-Week Range (INR)	144/105
1,6,12 Rel Perf. (%)	-2/-7/-20

## Financials & Valuation (INR b)

Y/E March	2012	2013E	2014E	2015E
Sales	76.7	87.8	99.9	111.1
EBITDA	13.8	15.6	18.3	20.9
NP	5.9	7.3	8.9	11.2
Adj EPS (INR)	12.8	16.4	20.0	25.3
EPS Growth (%)	3.3	28.9	21.8	26.5
BV/Share (Rs)	90.4	102.2	118.1	139.3
RoE (%)	14.9	16.7	18.2	19.7
RoCE (%)	17.3	17.3	18.8	20.5
Payout (%)	22.5	21.8	20.5	16.5
<b>Valuations</b>				
P/E (x)	9.1	7.1	5.8	4.6
P/BV (x)	1.3	1.1	1.0	0.8
EV/EBITDA (x)	5.6	4.7	3.7	2.9
Div. Yield (%)	2.1	2.6	3.0	3.0

## CMP: INR117

Buy

- We estimate United Phosphorus (UNTP) will report 13% YoY growth in consolidated revenue to INR24b, 10% growth in domestic revenue and 13.3% growth in international revenue.
- EBITDA margin is expected to decline by 10bp YoY to 18.1% due to higher fixed cost, translating into EBITDA growth of 12.7% to INR4.36b.
- Higher tax and losses from associate to reduce PAT growth to 2.6% YoY to INR2.3b.
- Current valuations of 5.9x FY14E EPS and 3.8x EV/EBITDA are very attractive. Maintain **Buy** with a target price of INR180 (9x FY14E EPS).

### Key issues to watch for

- Outlook for FY14.
- Price trend in key raw materials.
- Status of integration of DVA Agro, Brazil and turnaround of Sipcarn Isagro, Brazil.

## Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Revenues</b>	<b>18,542</b>	<b>17,716</b>	<b>19,098</b>	<b>21,269</b>	<b>22,222</b>	<b>18,560</b>	<b>22,956</b>	<b>24,037</b>	<b>78,088</b>	<b>87,775</b>
YoY Change (%)	26.3	40.9	56.3	15.9	19.8	4.8	20.2	13.0	35.6	12.4
Total Expenditure	15,173	14,511	15,798	17,402	18,278	15,299	18,914	19,677	62,873	72,168
<b>EBITDA</b>	<b>3,370</b>	<b>3,205</b>	<b>3,300</b>	<b>3,867</b>	<b>3,944</b>	<b>3,261</b>	<b>4,042</b>	<b>4,360</b>	<b>15,215</b>	<b>15,607</b>
Margins (%)	18.2	18.1	17.3	18.2	17.7	17.6	17.6	18.1	19.5	17.8
Depreciation	628	719	785	792	734	820	961	920	2,924	3,435
Interest	714	1,918	826	688	1,109	869	1,013	853	4,146	3,844
Other Income	305	246	288	173	275	262	280	190	1,011	1,007
<b>PBT before EO Expense</b>	<b>2,332</b>	<b>814</b>	<b>1,977</b>	<b>2,560</b>	<b>2,375</b>	<b>1,834</b>	<b>2,348</b>	<b>2,777</b>	<b>9,156</b>	<b>9,335</b>
Extra-Ord Expense	0	144	11	242	0	0	0	0	396	0
<b>PBT after EO Expense</b>	<b>2,332</b>	<b>670</b>	<b>1,966</b>	<b>2,319</b>	<b>2,375</b>	<b>1,834</b>	<b>2,348</b>	<b>2,777</b>	<b>8,760</b>	<b>9,335</b>
Tax	466	151	626	37	703	457	685	348	1,280	2,194
Rate (%)	20.0	22.5	31.8	1.6	29.6	24.9	29.2	12.5	14.6	23.5
<b>Reported PAT</b>	<b>1,866</b>	<b>519</b>	<b>1,340</b>	<b>2,282</b>	<b>1,672</b>	<b>1,377</b>	<b>1,663</b>	<b>2,429</b>	<b>7,480</b>	<b>7,141</b>
Income from Associate Co	-23	51	-216	-263	357	-179	72	-115	-451	135
<b>Adjusted PAT</b>	<b>1,843</b>	<b>713</b>	<b>1,135</b>	<b>2,256</b>	<b>2,029</b>	<b>1,198</b>	<b>1,735</b>	<b>2,314</b>	<b>7,367</b>	<b>7,276</b>
YoY Change (%)	29.5	-37.8	35.2	-3.4	10.1	68.0	52.9	2.6	26.3	-1.2
Margins (%)	9.9	4.0	5.9	10.6	9.1	6.5	7.6	9.6	9.4	8.3
<b>Market-mix</b>										
<b>Domestic</b>	<b>5,360</b>	<b>5,690</b>	<b>3,810</b>	<b>2,330</b>	<b>6,220</b>	<b>4,910</b>	<b>4,010</b>	<b>2,566</b>	<b>17,190</b>	<b>17,706</b>
YoY Change (%)	32.3	25.3	14.8	-23.1	16.0	-13.7	5.2	10.1	15.1	3.0
% of sales	28.4	31.7	19.6	10.9	27.6	26.1	17.3	10.6	22.1	19.9
<b>Exports</b>	<b>13,490</b>	<b>12,260</b>	<b>15,580</b>	<b>19,120</b>	<b>16,280</b>	<b>13,910</b>	<b>19,230</b>	<b>21,657</b>	<b>60,450</b>	<b>71,077</b>
YoY Change (%)	24.7	48.2	70.1	21.1	20.7	13.5	23.4	13.3	37.2	17.6
% of sales	71.6	68.3	80.4	89.1	72.4	73.9	82.7	89.4	77.9	80.1
<b>Total Sales (incl OI)</b>	<b>18,850</b>	<b>17,950</b>	<b>19,390</b>	<b>21,450</b>	<b>22,500</b>	<b>18,820</b>	<b>23,240</b>	<b>24,222</b>	<b>77,640</b>	<b>88,782</b>

E: MOSL Estimates

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**N O T E S**



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