CORE PORTFOLIO BUYS

Select stocks to power your portfolio

VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

Kyon ki bhaiya, sabse bada rupaiya.

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VENTURA

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Core Portfolio Buys

Nifty 5,719 | Sensex 18,824 | FY13 PE 14.9x

Current depressed valuations of Sensex (14.9x FY13 EPS) coupled with its strong earnings potential (~13% CAGR 12-14) provides investors with an excellent opportunity to invest in the Indian markets. This when compared with the depressing global growth story makes India stand out as one of the most attractive destinations for global flows. This is further reiterated by the heavy fund infusion that we have witnessed in the recent past.

The economic reforms process is clearly an irreversible one given that our infrastructure requirements are more need based than aspirational in nature. However the political imbroglio and the obligations of coalition politics have temporarily reigned in the reform process leading to a slow down. With the UPA government realizing the need of the hour, has despite political compulsions undertaken a string of reforms which we believe should be followed up by a second round of announcements.

The math of the political crisis clearly seems to suggest that an alternative to the current government is not immediately available and the current government in all expectations should last its entire term till FY14. Even if the unlikely event of mid-term polls was to abound, looking at the reforms process carried out by other non UPA states of Bihar, Gujarat etc, we draw comfort from the fact that all political parties are pro reform and that reform process would only continue.

Further all the negatives impacting the market in terms of GAAR, poor rainfall and rocketing oil prices have turned out to be more of a whimper than the expected far cry. The sharp correction in oil prices and the late season rainfall clearly point to the fact that the inflation cycle should trend downwards and lead to a reversal in the interest rate cycle, which is already at its peak.

Given the turnaround in the macro environment, the Indian markets are at a ripened stage for investments and are ready to build on the consolidation that it has witnessed over the last two years. Keeping this in mind, we have handpicked a few stocks, which we believe should be a part of one's core portfolio, as they present growth stories with significant upside potential and limited down side risks.

Key Financials (₹ in Cr)

Company Name	CMP (₹)	Net Revenue			PAT			PE		
		FY12	FY13E	FY14E	FY12	FY13E	FY14E	FY12	FY13E	FY14E
Mahindra & Mahindra Ltd	863	31,849.6	37,101.9	42,085.9	2,874.0	3,059.0	3,529.9	18.4	17.3	15.0
Coal India Ltd	358	62,415.4	69,755.3	74,894.5	14,788.2	17,158.5	20,195.0	15.3	13.2	11.2
Godrej Consumer Products Ltd	677	4,866.2	6,458.0	8,091.5	726.7	770.8	962.3	31.7	29.9	23.9
Cipla Ltd	380	7,020.7	8,196.5	9,813.0	1,144.2	1,402.3	1,760.6	26.7	21.8	17.3
Zee Entertainment Enterprises Ltd	197	3,040.5	3396.0	3984.2	589.0	667.0	952.3	31.9	28.2	19.8
ICICI Bank Ltd **	1,051	10,734.2	12,198.5	14,008.4	6465.26	6696.4	7338.7	2.0	1.9	1.8

***P/B instead of PE*

Monday 1st Oct, 2012

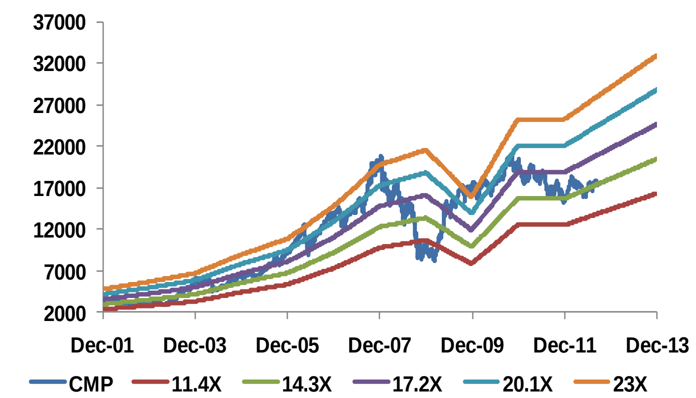
Kyon ki bhaiya, sabse bada rupaiya.

Key Investment Highlights

Indian markets currently trading at the bottom range of historical valuations

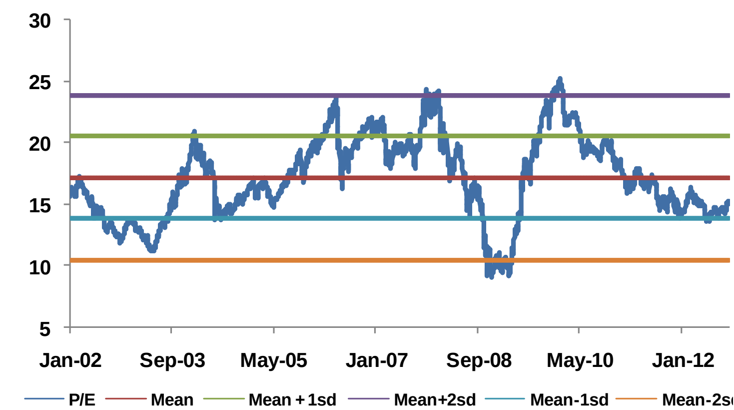
With the on-going global slowdown and series of negatives events (policy inaction, change in sovereign rating outlook, scams etc) that have rocked the markets, valuations have also de-rated in-sync and are currently, in our view, inexpensive. At present, Sensex is trading at 14.9x FY13 earnings which is substantially below its mean PE of 17.2x and at the bottom range of the valuation spectrum (barring the 2007-08 crisis).

Sensex at cheap valuations



Source: Ventura Research

One year forward PE



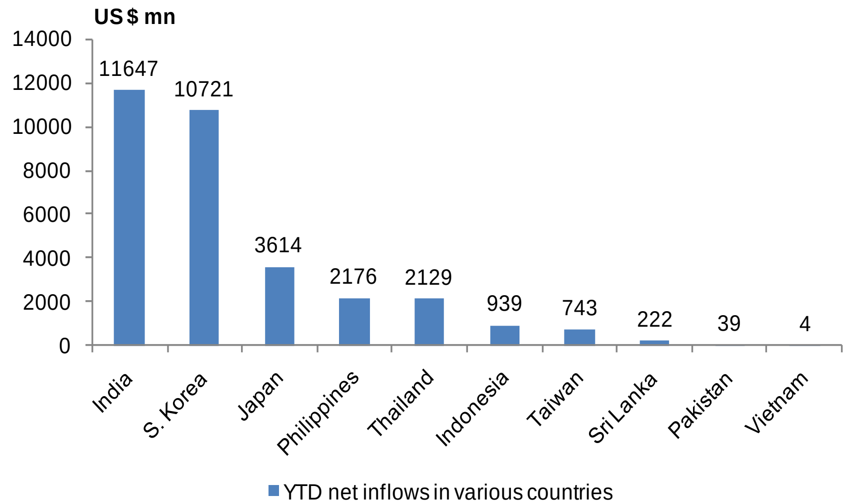
Source: Ventura Research

This coupled with Sensex's expected earnings growth of ~13% CAGR over the period FY12-14, provide the investors with an almost perfect opportunity to time the markets. Any positive development on policy reforms front would lead to an immediate re-rating of the Indian growth story.

Despite the negative news flow, India witnessing heavy fund infusion

Notwithstanding the almost daily negative news flow, foreign fund managers continue to be buyers of Indian equities. This year alone has seen ~$11.7 bn worth of net inflows to the Indian markets (which is the highest amongst developing countries) and clearly is a measure of lack of growth opportunities worldwide.

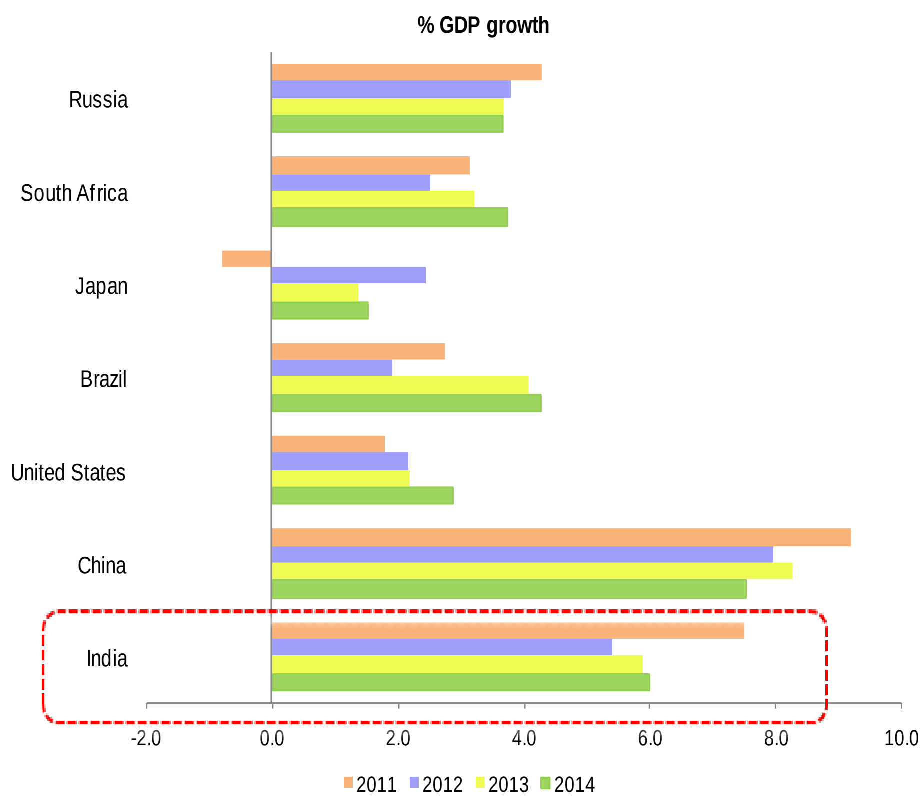
YTD Net FII flows in various countries



Source: Ventura Research

We believe that over time the fund flow will only increase given the fact that India is still one of the fastest growing global economies and the preference for Indian equities would only rise given the dire straits of the global economy.

Barring China, Indian economy expected to grow fastest

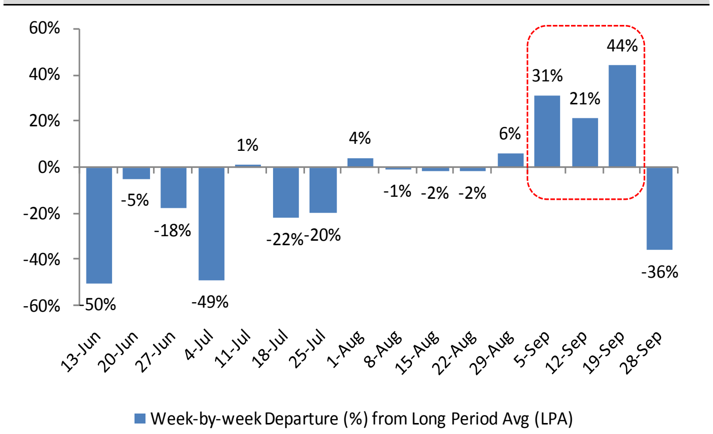


Source: Ventura Research

Pick up in rainfall activity clears the clouds of drought

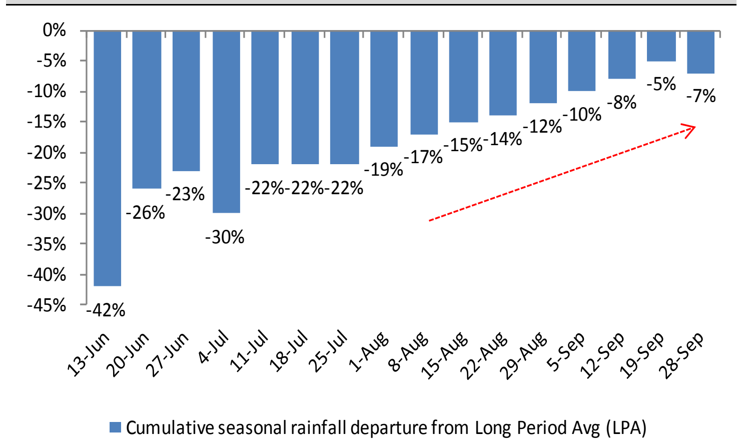
According to IMD, precipitation from the Monsoons (on a weekly all-India area-weighted basis) has off late not only been healthy (at 44% above normal for the week ended Sept 19) but also witnessed sharp improvements in cumulative rainfall to 5% below normal as of Sept 19. Given the fact that sowing for various crops such as rice (-3.7% YoY),coarse cereals (-13% YoY), pulses (-11.5% YoY), oilseeds (-3.3% YoY) and cotton (-5.2% YoY) has been lower on account of the erratic pattern of rainfall, improvement in rainfall trend has provided some respite and as a result crop sowing is expected to improve going ahead.

Weekly rainfall departure (%) from normal



Source: Ventura Research

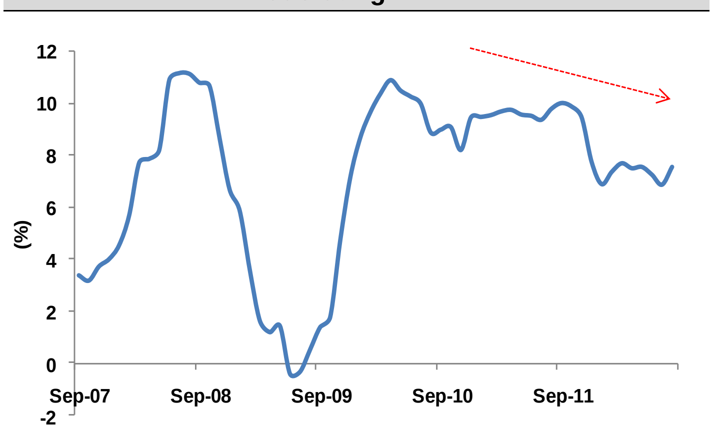
Reducing rainfall deficit…



Source: Ventura Research

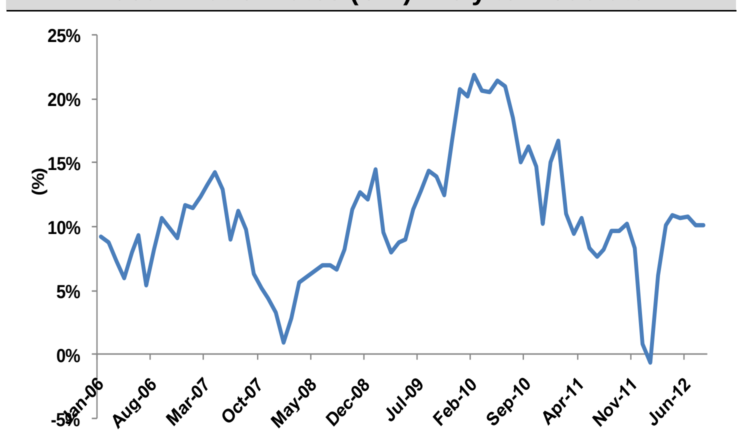
This in turn should lead to softening of the persistently high food inflation going forward.

Moderating WPI…



Source: Ventura Research

Food inflation rates (CPI) likely to moderate



Source: Ventura Research

GAAR Deferment and possible abolition of short term capital gains tax to re-ignite foreign investors' appetite for Indian equities

Back in March 2012, a punitive set of laws (GAAR) was proposed that targeted raising taxes on investments in the name of reducing tax avoidance which spooked overseas investors and as a result, global funds turned net sellers of Indian stocks in April and May.

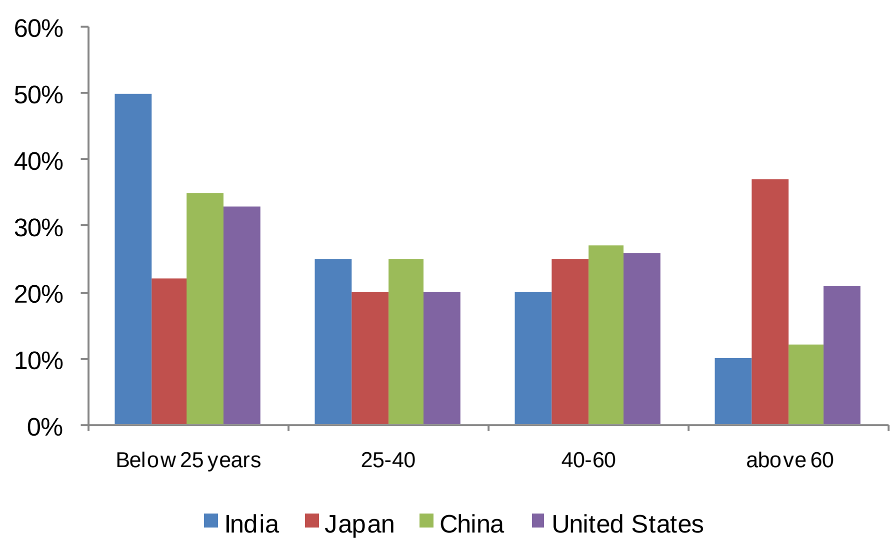
With the Shome Committee recommending deferment of GAAR for another three years to FY17 and other proposed investor-friendly measures (like abolishing capital gains tax and increasing securities transaction tax), we believe, should have a salutary effect on the foreign investors' sentiment towards Indian equities.

Long-term India growth story still intact

India still remains a promising long-term growth story given its demographic dividend as a result of which it is expected to become the 6th largest global economy by 2020 - a story that no global business would want to miss. Further, in our view, India's reforms policy is irreversible given the fact that India's current infrastructural deficit situation is at a need based stage more than being aspirational in nature.

Infrastructure reforms have been at the centre stage of all government policies, both at the centre and state levels, irrespective of the parties that are in power. This should ensure that infrastructure development would continue to be the focal point and provide an impetus to growth. Additionally with interest rate having peaked we expect revival in the investment cycle which should further propel growth.

As per IMF India's demographic dividend can add ~2% to the annual rate of economic growth if harnessed properly.



Source: Ventura Research

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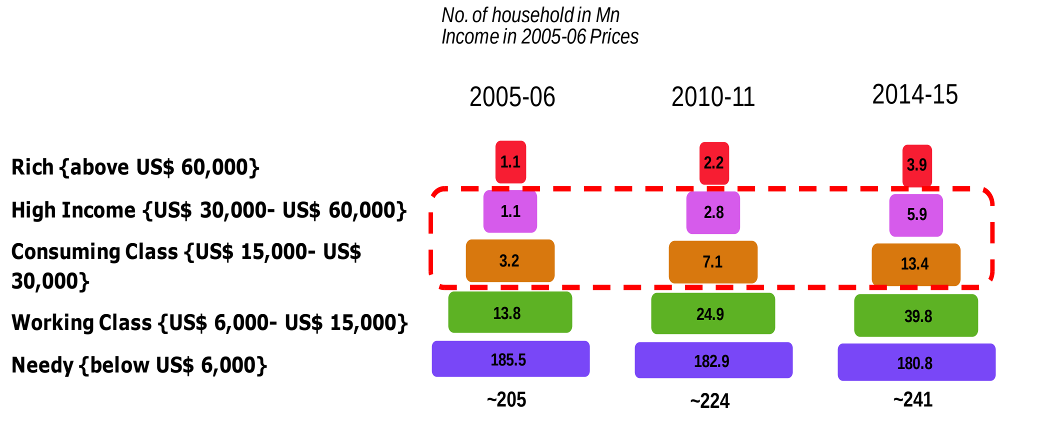
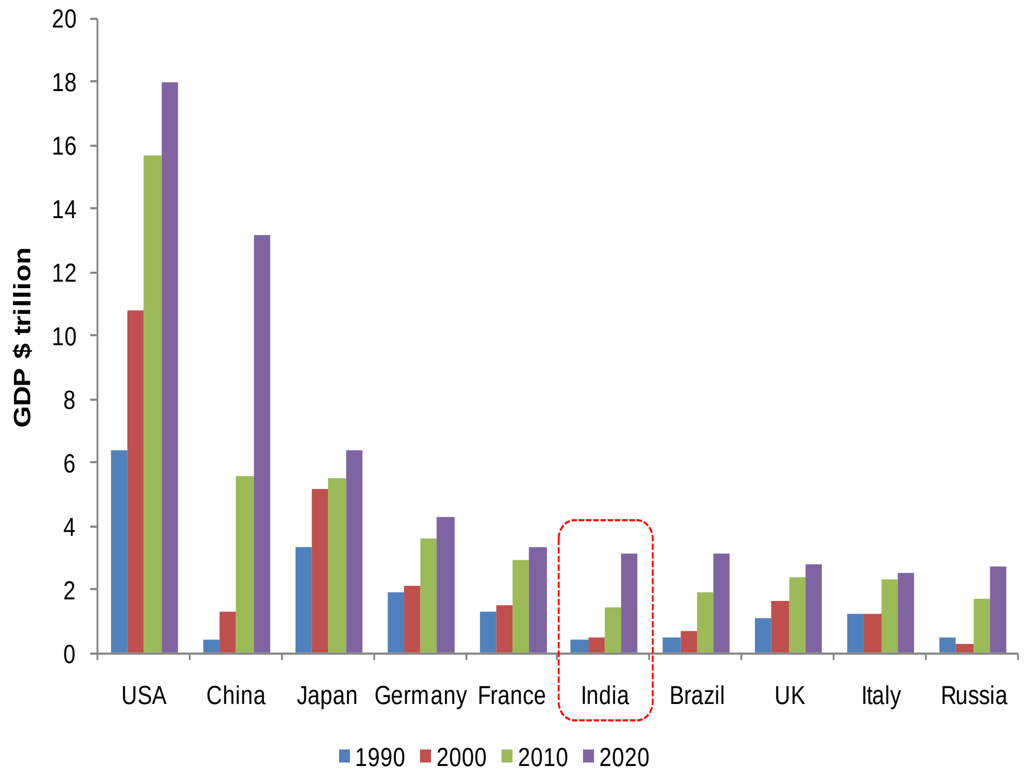


Source: Ventura Research

India to become a \$3.1 trillion economy (6th largest globally) by 2020



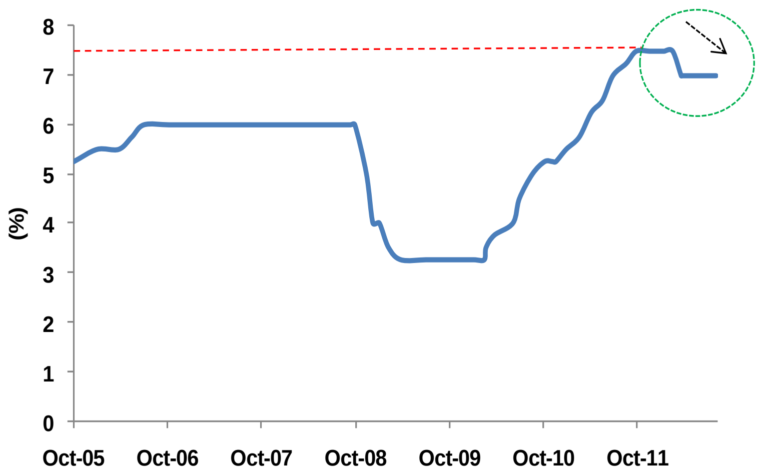
Source: Ventura Research

Infrastructure deficit makes Indian economy reform process irreversible

Sector	Infrastructure Deficit
Roads & Highways	65,590 km of NH comprise only 2% of network and carry 40% of traffic; 12% 4-laned, 50% 2-laned and 38% single-laned
Ports	Inadequate berths and rail/road connectivity
Airports	Inadequate runways, aircraft handling capacity, parking space and terminal buildings
Railways	Old technology; saturated routes; slow speeds (freight: 22 kmph; passengers: 50 kmph); low payload to tare ratio (2.5)
Power	10.9% peaking deficit; 8.0% energy shortage; 32% T&D losses

Source: Ventura Research

… and peaking out interest rates



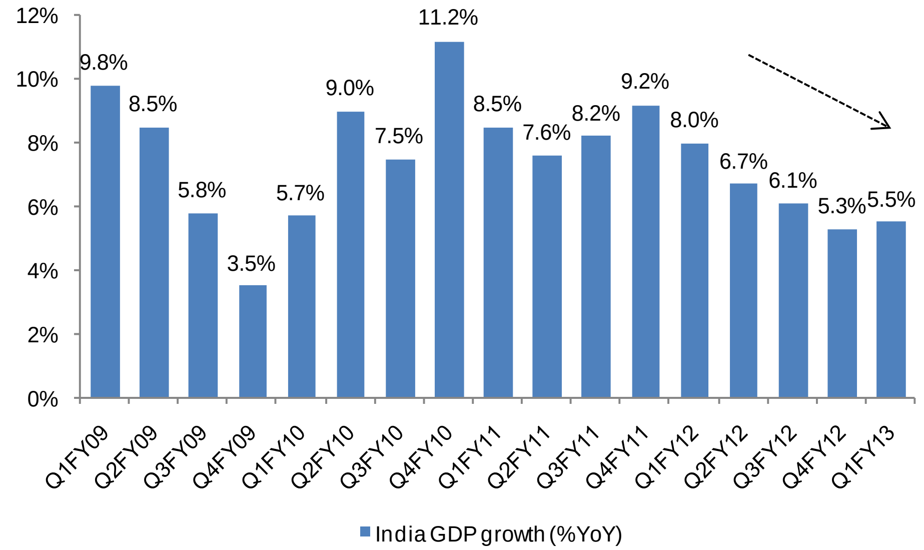
Source: Ventura Research

Risks

The current political imbroglio could act as a barrier to policy actions

The political imbroglio has resulted in an impasse with the opposition literally stalling the parliamentary proceedings. This has resulted in the policy making procedure coming to a grinding halt. This coupled with the persistently high inflation has sharply slowed down the growth rate of the country.

… Declining trend in GDP…likely to bottom out



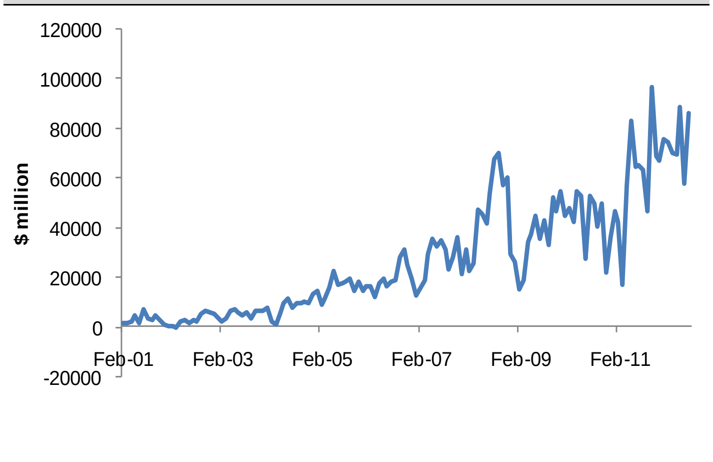
Source: Ventura Research

However, we believe that the opposition is purely stalling the proceedings keeping an eye on the state elections (in CY13) and once these are out of the way, the business of parliament should resume.

Widening trade deficit and spiraling oil prices are a key concern

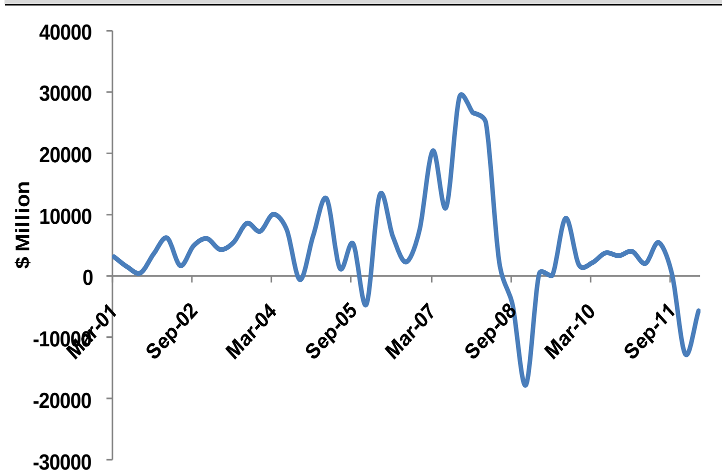
India has hit a record high trade deficit that widened to $15.6 bn in August from $15.3 bn in July which was primarily due to a sharp contraction in exports (-9.7% YoY) while imports too declined by 5.1% to $37.9 bn.

Trade deficit



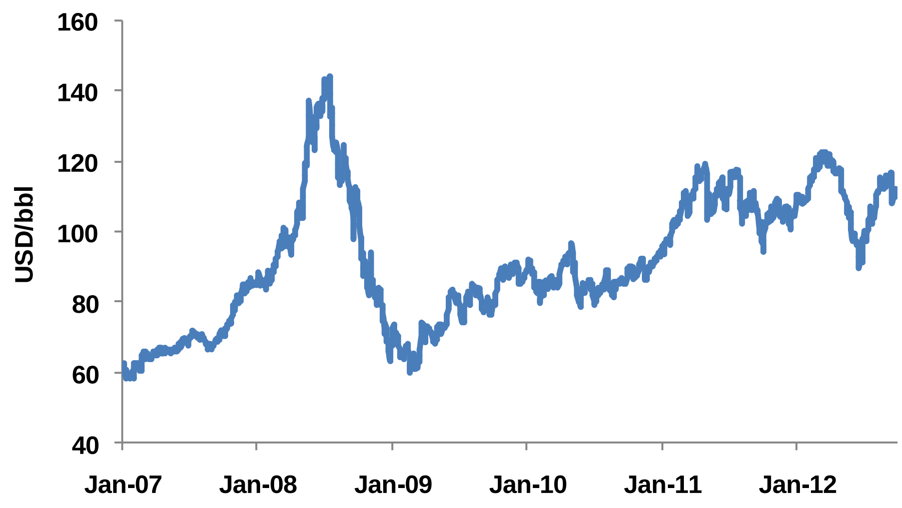
Source: Ventura Research

Balance of Payment situation



Source: Ventura Research

Crude oil prices at high levels



Source: Ventura Research

While the current trade deficit and rising oil prices is a concern, it has still not reached alarming proportions. In order to redress this, the government is resorting to several measures. The government announcing a $1.79-billion package in June, 2012 is encouraging exporters to tap new markets in South East Asia (to cushion the impact of slowdown in western markets). Further with gold imports slowing, this should also ameliorate the widening trade deficit situation over the next few months.

In addition the Shale gas policy, which is proposed to be announced by March, 2013, should open up new avenues for meeting India's energy requirements and this should provide visibility on the long term energy requirements of the country.

Keeping in mind our bullish outlook, we have selected a handful of large capitalization stocks which we believe should be an integral part of an equity based portfolio. After careful selection, we have added **Mahindra & Mahindra**, **Coal India**, **Godrej Consumer Products**, **Cipla**, **Zee Entertainment Enterprises** and **ICICI Bank** to this core portfolio and our rationale for these stocks is explained as under.

Mahindra & Mahindra Ltd

We expect Mahindra & Mahindra, the market leader in the SUV and tractor segments to sustain the growth momentum in its core UV portfolio aided by the strong performance of the existing products and continuous ramp up of its offerings. We do not expect the cyclical downturn in the tractor segment to be a dent on the company's profitability and expect it to be offset by the strong performance in the UV segment. Further, benefits from the SSangyong acquisition are expected to be witnessed in the medium term. Also, the other subsidiaries of M&M are expected to contribute fairly to the group given the opportunities in their respective fields. At CMP of ₹863, M&M is trading at 17.3x and 15.0x its estimated earnings for FY13 and FY14 respectively and we recommend a BUY with a target price of ₹1,000 over a period of 15 months.

Coal India Ltd

With the recent PMO directive set to resolve power sector woes, we expect CIL to increase its production at CAGR of 7.3%, leading to 11.7% growth in revenues to ₹77,923.3 crore over the forecast period. In our view, current headwinds like impending FSAs and price-pooling of imported coal are nearing consensus and likely to have no negative impact on the earnings of the stock.

At the CMP of ₹358, Coal India is trading at 8.8x and 7.9x its EV/EBITDA estimates for FY13 and FY14 respectively. The current valuations undermine the immense reserve potential of Coal India and its ability to ramp up production from its existing and new mines. We have valued CIL, at 9.0x its estimated EBITDA for FY14, and recommend a BUY with a Price Objective of ₹442, representing a potential upside of 23.5% over a the period of 12-18 months.

Godrej Consumer Products Ltd

GCPL's domestic business has consistently clocked double digit revenue growth (in its core product categories) over the past several quarters and we expect this growth to be maintained on the back of the high growth of the Household Insecticides and Soaps segment.

While the domestic business is the mainstay of GCPL operations, the growth over the next couple of years is expected to be driven by growth of its international businesses and from cross pollination of brands in its portfolio across markets. In the international business, integration of existing operations with recent acquisitions in Africa (Darling Group) and Argentina (Cosmetica Nacional) is expected to bring synergies and drive revenues over the next few quarters.

With all segments expected to display encouraging growth we expect revenues and earnings to grow at a CAGR of 29.0% & 22.4% to ₹8,091 crore and ₹962 crore respectively over the forecast period FY12-14. At the CMP of ₹677, GCPL is trading at 29.9x and 23.9x its estimated earnings for FY13 and FY14, respectively and we recommend a BUY with a target price of ₹764 over a period of 15-18 months.

Cipla Ltd

With a slew of new product launches, improved MR productivity and regained management focus, we expect Cipla to post strong growth in the domestic market, despite its higher base. Further, with robust product pipeline in inhaler space on the unveil, Cipla's exports are all set to get a major boost. In addition, the ramp up of volumes at the Indore SEZ would lead to better return ratios and margin growth improving profitability.

Given the strong business model in place and growth drivers in form of inhalers and production ramp up at Indore SEZ we expect sales and earnings to grow at a CAGR of 18.2% & 24.0% to ₹9813.0 crore and ₹1760.6 crore respectively. At the CMP of ₹380, Cipla is trading at 21.8x and 17.3x, its earnings and we recommend a BUY with a target price of ₹417 (target 19.0x FY14 P/E).

Zee Entertainment Enterprises Ltd

Expected surge in subscription revenues due to the new digitization reforms, higher than expected ad-revenue growth and enhanced reached from the Media Pro venture should help revenues grow at a CAGR of 15.7% to ₹4,711.3 crore by FY15 from the current FY12 revenues of ₹3,040.5 crore. Further, sharp decline in carriage costs going forward and curtailed losses on the sports business should help lift margins and improve earnings to ₹1,296.8 crore from the current ₹589.0 crore over the forecast period FY13-15 (CAGR of 30.2%). At CMP of ₹197, ZEEL trades at a PE multiple of 28.2x and 19.8x its estimated earnings for FY13 and FY14 and we recommend a BUY with a target price of ₹273 over a period of 24 months.

ICICI Bank Ltd

For the past few years ICICI Bank was in a consolidation phase and during this time it has managed to reduce NPA's and improve asset quality. Having achieved its objective the bank is now well placed to embark on the next phase of expansion. However the next phase of expansion would see emphasis being laid on asset quality and quality of earnings rather than balance sheet growth.

Led by improving asset quality, higher NIM's due to longer maturity of deposits and well diversified loan book, we expect the Net Interest Income and earnings to post a CAGR of 14.2% and 6.5% to ₹14,003.2 crore and ₹7,335 crore respectively over FY12-14. We value ICICI Bank based on a SOTP valuation based Price Objective of ₹1,270. At CMP of ₹1,051, the stock is trading at 1.9x and 1.8x its Adj B/V for FY13E & FY14E respectively, representing a potential upside of ~20.8% over a period of 15 months.

Company Section

VENTURA
Kyon ki bhaiya, sabse bada rupaiya.

Mahindra & Mahindra Ltd.

BUY

Target Price ₹1,000 | **CMP ₹863** | **FY14 PE 15.0x**

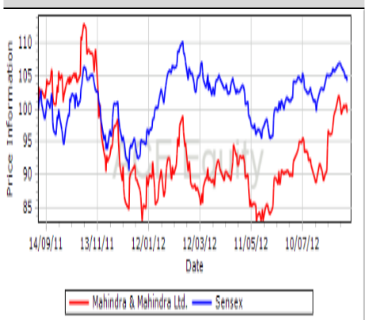
STOCK POINTER

Index Details	
Sensex	18,824
Nifty	5,719
BSE 100	5,724
Industry	Car & UV

Scrip Details	
Mkt Cap (₹ cr)	53,014
BVPS (₹)	208
O/s Shares (Cr)	61.4
Av Vol (Lacs)	1.0
52 Week H/L	875/622
Div Yield (%)	1.5
FVPS (₹)	5.0

Shareholding Pattern	
Shareholders	%
Promoters	25.5
DIIs	19.9
FIIs	27.6
Public	27
Total	100

M&M. vs. Sensex



The strong growth in the UV segment (+34% year to date) of M&M was miffed by the poor showing of the tractor segment (-4% year to date) given the prevailing less than normal rainfall. Going ahead we expect the UV segment to grow at a 2 year CAGR of 17.4% led by its core portfolio and plethora of new product launches. However the outlook for the tractor industry remains pessimistic and we forecast M&M's volumes to de-grow by 5% in the current fiscal before resuming the growth trajectory (5-8% growth) from next year onwards.

Tangible benefits from the Ssangyong acquisition are expected to materialize over the medium term as the joint R&D efforts and new product launches take place. Overall we forecast revenues and earnings to grow at a CAGR of 15.0% and 10.8% to ₹42,085.9 and ₹3,529.9 crore, respectively over FY12-14. We value Mahindra & Mahindra Ltd (M&M) based on a SOTP valuation based Price Objective of ₹1,000 offering a potential appreciation of ~15.9% from the CMP of ₹863 over a period of 15 months. Currently the stock is trading at 17.3x and 15.0x its estimated earnings for FY13 & FY14 respectively.

➢ XUV 500, refurbished Xylo and new product launches to sustain UV segment volume growth

After having witnessed a CAGR of 23% over FY09-12, M&M UV sales growth is expected to moderate to 17.4% CAGR to 2,80,000 units over the period FY12-14. Although the UV segment has not been impacted by the slowdown in the PV segment (and has registered a growth of 50%) till date, intensifying competition, rising fuel prices and the elevated interest rates are expected to arrest the sharp growth momentum that we have witnessed so far.

The recently launched XUV 500 continues to generate excellent response from motorists and M&M is completely booked for the next 4-5 months. To meet this excess demand the capacity of XUV 500 has been ramped up to 4,000 units per month from 2,000 units earlier. In order to further consolidate its position in the UV space, M&M recently launched a mini version of the Xylo – 'Quanto' which will be followed by the Reva NXR, premium SUV Ssangyong Rexton and a mini Verito. We believe the continuous ramping up of the product portfolio will help sustain volume momentum and M&Ms leadership position in its core UV segment.

Key Financials (₹ in Cr)

Y/E Mar	Net Revenue	EBITDA	PAT	EPS	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2011	23493.7	3460.9	2695.0	43.9	22.9	26.1	31.7	19.7	15.9
2012	31849.6	3748.2	2874.0	46.8	6.6	23.6	27.6	18.4	14.7
2013E	37101.9	4438.8	3059.0	49.8	6.4	21.2	26.0	17.3	12.4
2014E	42085.9	5209.8	3529.9	57.5	15.5	20.6	25.4	15.0	10.6

Weathering the cyclical downturn in tractor sales

The tractor industry being cyclical in nature has been witnessing a downturn since November 2011, having posted robust growth in the prior two years. The slow down has further been accentuated by the current drought scenario due to which there has been a de - growth of -1% year to date. We expect this negative growth to prevail until the end of this fiscal before the growth trajectory remains. Besides unfavourable monsoons, a host of new capacity additions (which will affect pricing power) and rising interest rates are expected to pressure tractor sales. However, favorable factors like increasing budgetary allocation towards the rural sector, rising non-farm usage, higher MSP among others are likely to partially offset the downturn.

While M&M has guided for 0-2% industry growth for the current year, we do not share their optimism and expect the tractor sales for M&M to de-grow by 5% before the uptrend resumes next fiscal. Most of incremental growth over the two year period is expected from the southern markets which are relatively under penetrated compared to the rest of the country. M&M with its new facility of 1,00,000 units p.a. being commissioned at Zaheerabad in Karnataka is expected to benefit from this.

We expect M&M (market leader with a share of ~40%) to reach ~2,52,000 units by FY14 and consequently revenues from this segment are expected to reach ~₹11,000 crore by FY14. Margins, however, are expected to contract sharply due to high RM costs and lack of pricing power given the large capacity expansions across the industry.

LCV growth momentum to continue

Despite being a late entrant in the commercial vehicles (CV) market, M&M has carved for itself an enviable market share of ~30% in a relatively short span of time. Although the growth in the LCV markets is expected to tone down to a CAGR of 14% (from a 3 year CAGR of 32.9% over FY09-11), we expect M&M to outperform the industry and clock a volume growth of CAGR 17% over the next two years. The key drivers of growth are the increasing demand for transportation of consumer goods within cities and migration from three wheelers to nouveau products. Accordingly, we expect volumes from this segment to reach ~2,10,000 units by FY14 on the back of strong showing from its portfolio brands – Maximmo, Genio and Gio.

Ssangyong on the growth path; but profitability still a while away

Post the acquisition of Ssangyong (₹2,100 crore) in 2011, M&M has emerged as a global SUV player with a presence across 98 countries with 1200 dealerships. The acquisition will give M&M access to Ssangyongs' technology and distribution network; whereas economies of scale resulting from combined sourcing will benefit both the firms. Currently, Ssangyong is experiencing losses and we believe, Ssangyong will not achieve a break even in the near term despite significant volume ramp up.

➢ Other business yet to prove their mettle

Other than its core business, M&M has ventured into an array of new business segments – Two Wheelers, Commercial Vehicles, Defense goods and Aerospace among others. We expect the commercial vehicle arm – Mahindra Navistar and the defence business to contribute fairly to the group led by the growing opportunities in these businesses. However, from the other businesses, like Two Wheelers and Aerospace, we expect the performance to be muted.

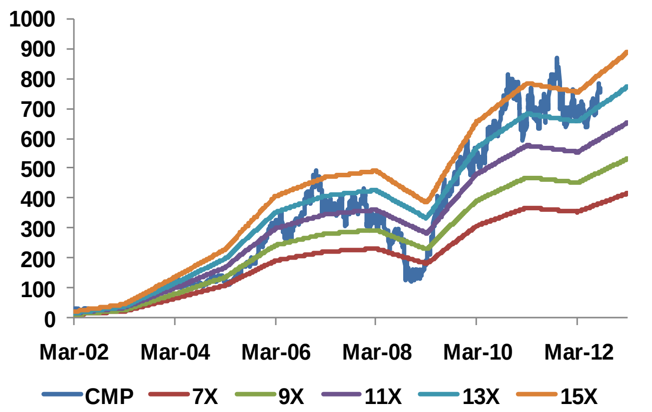
Valuation

We value Mahindra & Mahindra based on a sum of the parts (SOTP) valuation based price objective of ₹1,000 (from ₹970 earlier) representing a potential upside of ~15.9% from the CMP of ₹863. We have valued the standalone business at ₹680 based on 13x FY14 standalone EPS of ₹52. We believe that the strong performance of the UV segment, will limit the downside prevalent in the tractor segment which was also witnessed in the latest quarter results of the company. Further, we have valued the other investments of M&M bases on their respective P/E multiples.

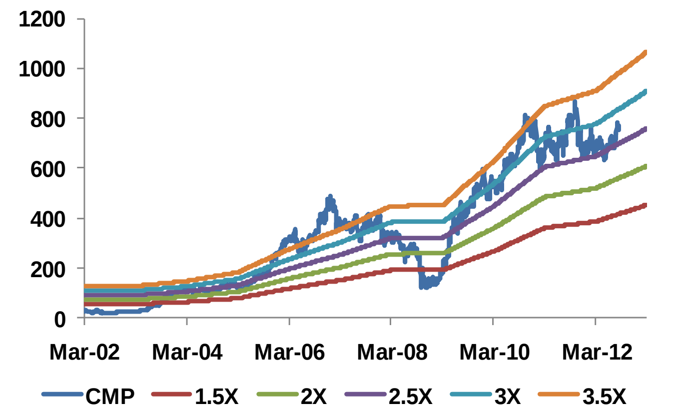
Company	FY14 EPS	Multiple	Measure	M&M's stake	Holding Co Disc	Value per share
Listed Entities						
Mahindra & Mahindra	52.3	13	P/E			679.3
Mahindra Financial Services Ltd	76.2*	2	P/B	56.0%	30%	59.8
Mahindra Lifespaces Ltd	2.5	5	P/E	51.0%	30%	4.4
Tech Mahindra	32.4	13	P/E	47.6%	30%	140.4
Mahindra Holidays	2.2	17	P/E	83.1%	30%	21.7
Mahindra Forgings	1.2	7	P/E	53.0%	30%	3.1
Mahindra Ugine	4.9**	2	EV/EBITDA	51.0%	30%	3.5
Unlisted Entitites						
MVML	7.7	10	P/E	100.0%	-	77.1
Mahindra Two Wheelers Ltd	-2.7			100.0%	-	-12.4***
Mahindra Navistar Ltd						0.0
Total Domestic Business						**976.9**
Company	**Market Cap (Rs in crore)**			**M&M's stake**	**Holding Co Disc**	**Value per share**
International Business						
Ssangyong Motor Company	3338.0			70.0%	60%	22.8
Total						**999.7**

Book Value, *Enterprise Value, * Accumulated Loss per share*

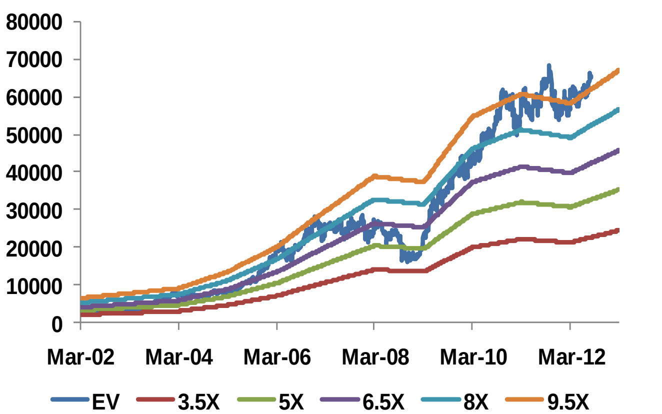
P/E



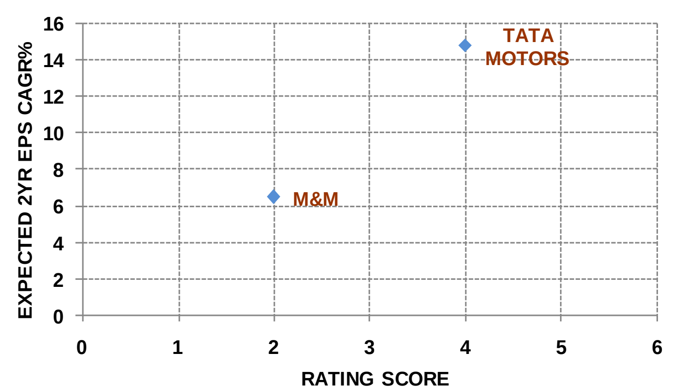
P/BV



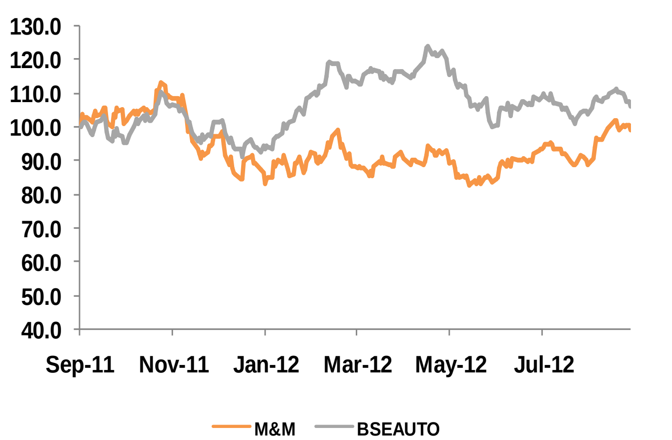
EV/EBITDA



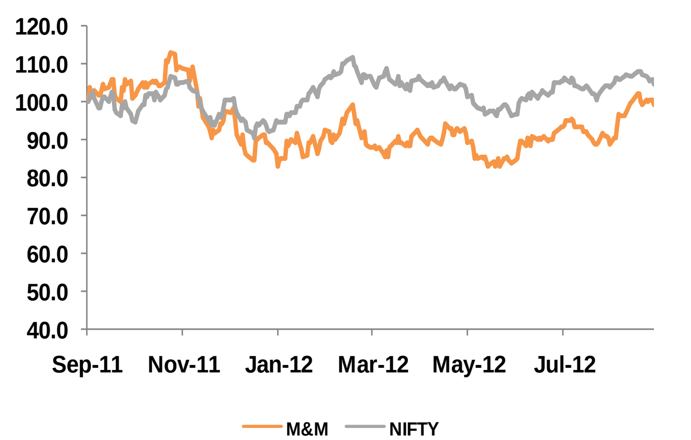
Rating Charts



BSE-Healthcare Comparison



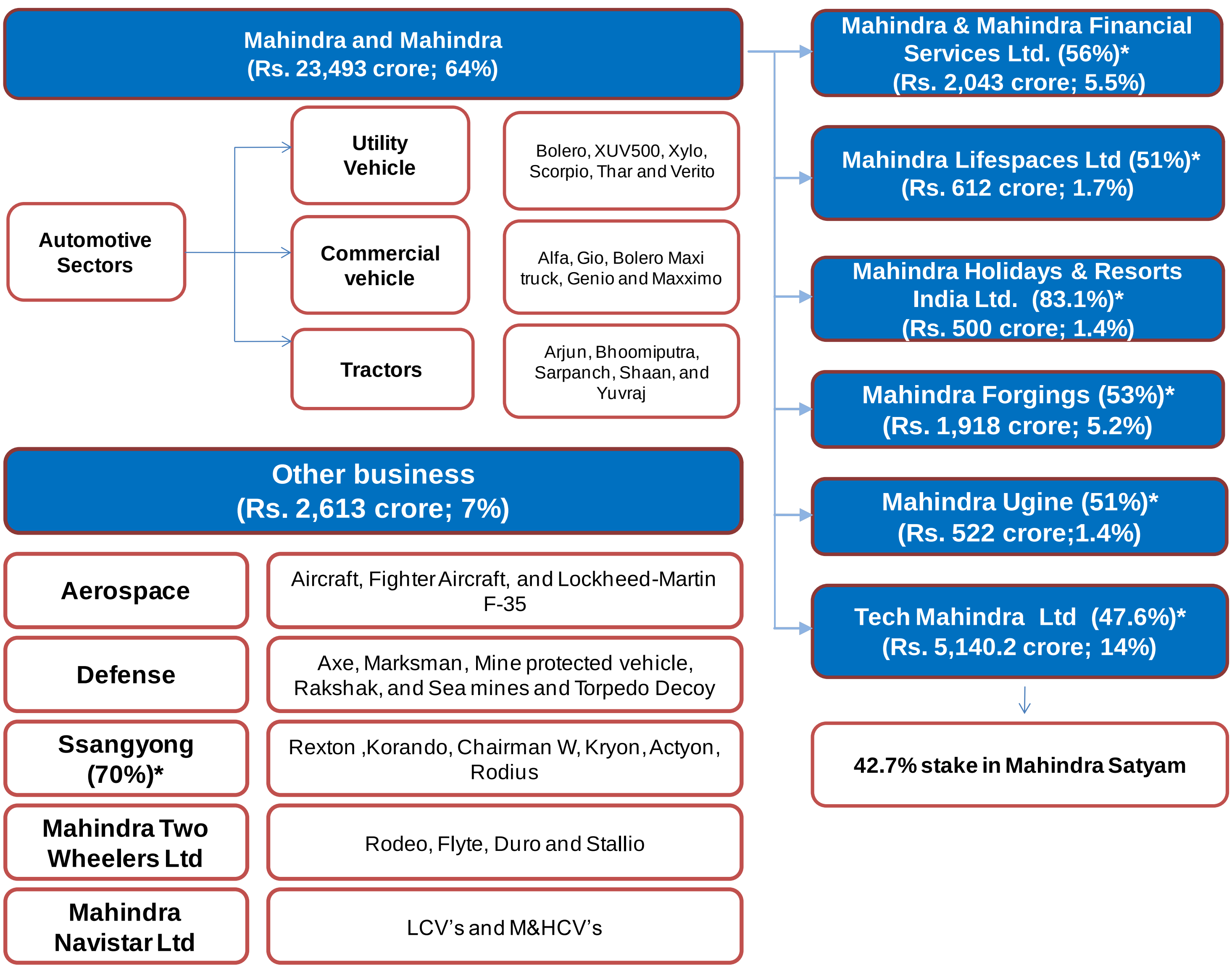
NIFTY Comparison



❖ Company Background

Established in 1945, Mahindra and Mahindra (M&M), the flagship company of Mahindra group, has emerged as a leading player in the farm equipment and utility vehicles segment. Additionally, it has a presence in agribusiness, aerospace, components, consulting services, defense, energy, financial services, industrial equipment, logistics, real estate, retail, steel, and two wheelers. With the recent acquisition of Ssangyong Motor Company it has marked its foray in the international SUV market.

Mahindra Group – Overview



**Figures in () indicate the parents holding in the subsidiary*

VENTURA

Kyon ki bhaiya, sabse bada rupaiya.

Financials & Projections

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Profit & Loss Statement				
Net Sales	**23493.7**	**31849.6**	**37101.9**	**42085.9**
% Chg.		35.6	16.5	13.4
Total Expenditure	**20032.9**	**28101.4**	**32663.2**	**36876.1**
% Chg.		40.3	16.2	12.9
EBDITA	**3460.8**	**3748.2**	**4438.8**	**5209.8**
EBDITA Margin %	14.7	11.8	12.0	12.4
Other Income	458.9	483.4	454.6	460.4
Exceptional items	117.48	108.27	0.0	0.0
PBDIT	4037.3	4339.9	4893.4	5670.2
Depreciation	413.9	576.1	604.4	714.9
Interest	70.9	162.8	210.3	248.7
PBT	**3552.5**	**3601.0**	**4078.7**	**4706.6**
Tax Provisions	857.5	727.0	1019.7	1176.6
Reported PAT	**2695.0**	**2874.0**	**3059.0**	**3529.9**
PAT Margin (%)	11.5	9.0	8.2	8.4
Manpower cost / Sales (%)	6.3	5.5	5.4	5.4
Other Exp / Sales (%)	1.5	0.8	0.9	0.9
Tax Rate (%)	24.1	20.2	25.0	25.0
Balance Sheet				
Share Capital	327.6	328.5	**328.5**	**328.5**
Reserves & Surplus	9985.8	11842.6	14099.0	16826.3
Minority Interest & Others	0.0	0.0	0.0	0.0
Total Loans	2405.3	3580.8	4380.8	5180.8
Deferred Tax liability	0.0	0.0	0.0	0.0
Total Liabilities	**12718.7**	**15751.9**	**18808.3**	**22335.5**
Goodwill	0.0	0.0	0.0	0.0
Gross Block	**5970.4**	**7838.4**	**9298.6**	**10998.6**
Less: Acc. Depreciation	2841.7	3552.4	4022.3	4737.2
Net Block	**3128.7**	**4286.0**	**5276.3**	**6261.4**
Capital Work in Progress	773.7	793.0	900.0	875.0
Investments	8925.6	10310.5	11010.5	11710.5
Net Current Assets	**245.1**	**835.7**	**2094.8**	**3962.0**
Deferred Tax Assets	-354.4	-473.3	-473.3	-473.3
Total Assets	**12718.7**	**15751.9**	**18808.3**	**22335.5**

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Per Share Data (Rs)				
EPS	43.9	46.8	49.8	57.5
Cash EPS	50.6	56.2	59.7	69.1
DPS	11.5	11.5	11.5	11.5
Book Value	168.0	198.2	235.0	279.4
Capital, Liquidity, Returns Ratio				
Debt / Equity (x)	0.2	0.3	0.3	0.3
Current Ratio (x)	1.0	1.1	1.2	1.4
ROE (%)	26.1	23.6	21.2	20.6
ROCE (%)	31.7	27.6	26.0	25.4
Dividend Yield (%)	1.3	1.3	1.3	1.3
Valuation Ratio (x)				
P/E	19.7	18.4	17.3	15.0
P/BV	5.1	4.4	3.7	3.1
EV/Sales	2.3	1.7	1.5	1.3
EV/EBIDTA	15.9	14.7	12.4	10.6
Efficiency Ratio (x)				
Inventory (days)	27.2	27.0	27.0	27.0
Debtors (days)	20.3	22.8	23.0	23.0
Creditors (days)	76.9	66.3	67.0	67.0
Cash Flow statement				
Profit After Tax	**2662.1**	**2874.0**	**3059.0**	**3529.9**
Depreciation	413.9	576.1	604.4	714.9
Working Capital Changes	-637.7	-175.3	15.9	51.9
Others	529.8	502.0	0.0	0.0
Operating Cash Flow	**2968.1**	**3776.8**	**3679.4**	**4296.8**
Capital Expenditure	-694.1	-1868.0	-1460.3	-1700.0
Change in Investment	-2337.1	-1404.2	-807.0	-675.0
Cash Flow from Investing	**-3031.2**	**-3272.1**	**-2267.3**	**-2375.0**
Proceeds from equity issue	36.6	0.0	0.0	0.0
Inc/ Dec in Debt	-478.3	1175.5	800.0	800.0
Dividend and DDT	-623.8	-802.6	-802.6	-802.6
Cash Flow from Financing	**-1065.4**	**372.8**	**-2.6**	**-2.6**
Net Change in Cash	**-1128.6**	**877.6**	**1409.5**	**1919.1**
Opening Cash Balance	**1743.2**	**614.6**	**1188.4**	**2477.7**
Closing Cash Balance	**614.7**	**1492.2**	**2597.9**	**4396.9**

Coal India Ltd.

BUY

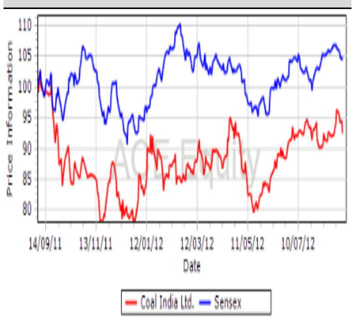
Target Price ₹442 | **CMP ₹358** | **FY14 EV/EBITDA 7.9x**

Index Details	
Sensex	18,824
Nifty	5,719
BSE 100	5,724
Industry	Coal

Scrip Details	
Mkt Cap (₹cr)	2,26,031
BVPS (₹)	67.2
O/s Shares (Cr)	632
Av Vol (Lacs)	1.5
52 Week H/L	386/294
Div Yield (%)	2.6
FVPS (₹)	10.0

Shareholding Pattern	
Shareholders	%
Promoters	90.0
DIIs	1.7
FIIs	5.6
Public	2.7
Total	100

Coal India vs. Sensex



Considering India's power deficit scenario and lack of domestic gas reserves, the demand for coal is expected to grow at a staggering pace thereby outpacing supply, leading to a deficit of 213.5 tones in FY15. As a result CIL, being the largest coal supplier producing ~82% of India's coal production, does not face any off take risk. Further, huge coal reserves and lower cost of mining lends CIL, a competitive advantage over its global and domestic peers.

With recent PMO directive set to resolve power sector woes, we expect CIL to increase its production at CAGR of 7.3%, leading to 11.7% growth in revenues to ₹77,923.3 crore over the forecast period. In our view, current headwinds like impending FSAs and price-pooling of imported coal are nearing consensus and likely to have no negative impact on the earnings of the stock.

At the CMP of ₹358, Coal India is trading at 8.8x and 7.9x its EV/EBITDA estimates for FY13 and FY14 respectively. The current valuations undermine the immense reserve potential (with the proven and extractable reserves of 64.8 and 21.8 billion tonnes) of Coal India and its ability to ramp up production from its existing and new mines. We have valued CIL, at 9.0x its estimated EBITDA for FY14, and recommend a BUY with a Price Objective of ₹442, representing a potential upside of 23.5% over a the period of 12-18 months.

➤ Production and off-take set to increase

Primarily constrained by various regulatory and systemic issues, CIL witnessed a production decline of 0.9% over FY11-12. However, with the recent initiatives taken by the government and burgeoning demand for coal, we expect CIL to enhance its production at a CAGR of 7.3% over the forecast period and meet its production target of 470mmt, 485 mmt and 517mmt for FY13, FY14 and FY15, respectively. The spurt in production for Q1FY13 by 6.4% yoy to 113 mmt bears testimony to the fact that CIL is working to enhance production and the period of lean production growth may well be behind us.

In recent times, initiatives undertaken by CIL to improve evacuation infrastructure and PMO directive have helped CIL witness significant improvement in rake availability, which has grown by 9% yoy to 180-185 rakes per day. But, it is still trifle short of CIL's requirement of 193 rakes per day for FY13. However, we remain optimistic on the rake availability. Accordingly CIL's revenues are expected to grow at a CAGR of 9.5% to ₹74,894.5 crore over the forecast period of FY13 to FY14.

Key Financials (₹ in Cr)

Y/E Mar	Net Revenue	EBITDA	PAT	EPS	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2011	52616.2	14057.0	10867.4	17.2	12.9	31.1	49.9	20.8	11.8
2012	62415.4	17137.7	14788.2	23.4	36.1	34.9	56.5	15.3	9.7
2013E	69755.3	18788.1	17158.5	27.2	16.0	30.9	47.8	13.2	8.8
2014E	74894.5	21010.7	20195.0	32.0	17.0	28.1	43.4	11.2	7.9

STOCK POINTER

➢ Nearing consensus on FSAs

As directed by the PMO, CIL has agreed to make changes in its FSA clause with the inclusion of higher penalty coupled with 80% committed supply to be met through domestic production and imports. To meet its 65% target of domestic production and avoid any meaningful penalty, CIL would have to raise the quantity supplied under FSAs to 347 mmt and 381 mmt for FY13 and FY14 respectively, from the current 306 mmt. Considering, CIL ability to ramp up production from the existing mines and accessible inventory of 70 mmt, we foresee no major difficulties in meeting the requirements.

Penalty Under the new FSAs

Coal Supply	Penalty Rate
65% to 80%	1.50%
60% to 65%	5.00%
50% to 60%	10-20%
Less than 50%	40%

As per the management, CIL would need to import 20 mmt of coal this year to meet the demand of power companies. Tough no clarity on the price pooling arrangement for the imported coal with domestic coal has been reached, we do not expect CIL to suffer any losses due this trading activity.

➢ Despite cost pressures, margins to be maintained

In the past, CIL has witnessed cost pressures on various accounts, such as wage hikes and GCV transition etc, forcing the company to register lower margins. In addition, the mining tax (26%) proposed in the MMDR Bill also threatens to compress margins further. However in our view the impact will not be significant and we expect CIL to maintain margins over the forecast period led by enhanced operational efficiencies and better production. On the margin front, CIL is favourably placed compared to its global peers as majority of its production is from lower cost open cast mining with a considerable lower strip ratio. We expect the earnings of CIL to grow at a CAGR of 16.9% to ₹20,195.0 crore over the forecast period FY12-14.

Global Peer Comparison

Region	Global Players	PAT Margin
India	Coal India Ltd	27.50%
China	Shenhua Energy Co.	21.94%
	Coal Energy	11.17%
US	Consol Engery	10.61%
	Peabody Energy Corp	12.01%

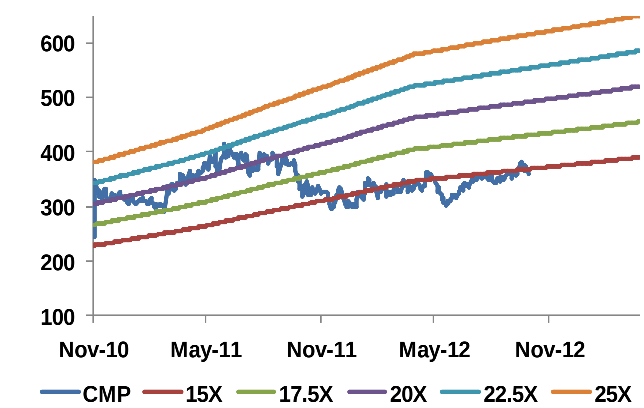
- **Any environmental and/or forest clearances would be a significant positive.**

Currently, CIL has 170 projects awaiting stage I (116) and Stage II (54) forest clearances. In addition, the company has 67 projects awaiting environmental clearances. These projects represent a potential ~400 million tonnes per annum of additional production. In case all these clearances are obtained within the stipulated time, CIL expects to more than double its output to 1,132mmt by FY17 from the current year's target of 464 mmt. However, eyeing the current scenario, we feel the event is unlikely and have not factored the same in our valuations. Any approval for the same would be revenue accretive and would lead to substantial re-rating of the stock.

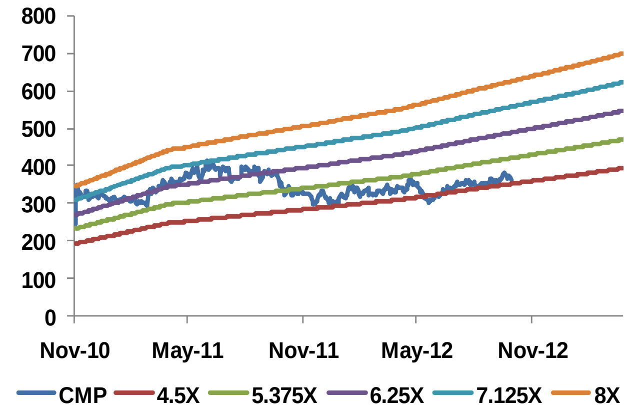
Valuation

At the CMP of ₹358, Coal India is trading at 8.8x and 7.9x its EV/EBITDA estimates for FY13 and FY14 respectively. We believe the current headwinds like impending FSAs and price-pooling of the imported coal to have no material negative impact on the stock. We remain optimistic on the growth and profitability of CIL and recommend a BUY with a Price Objective of ₹442 (9.0x its estimated EBITDA for FY14), representing a potential upside of 23.5% over a 12-18 month period.

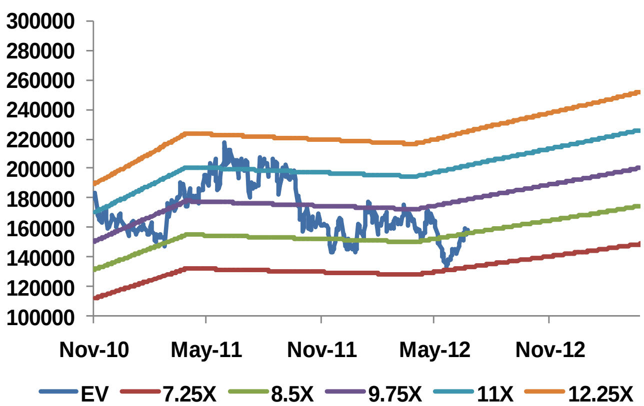
P/E



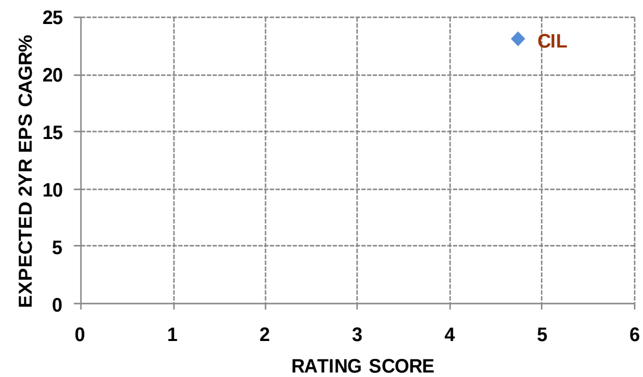
P/BV



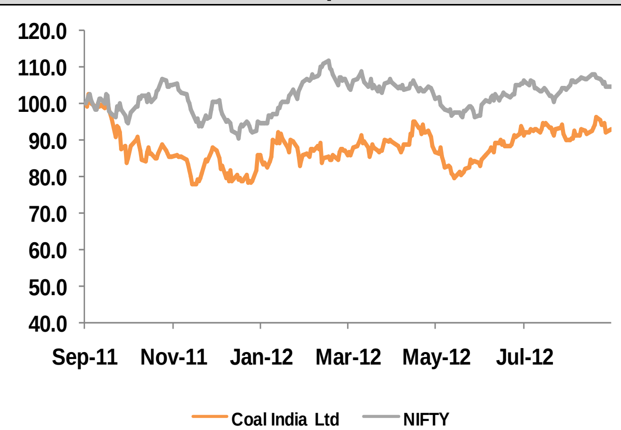
EV/EBITDA



Rating Charts



NIFTY Comparison

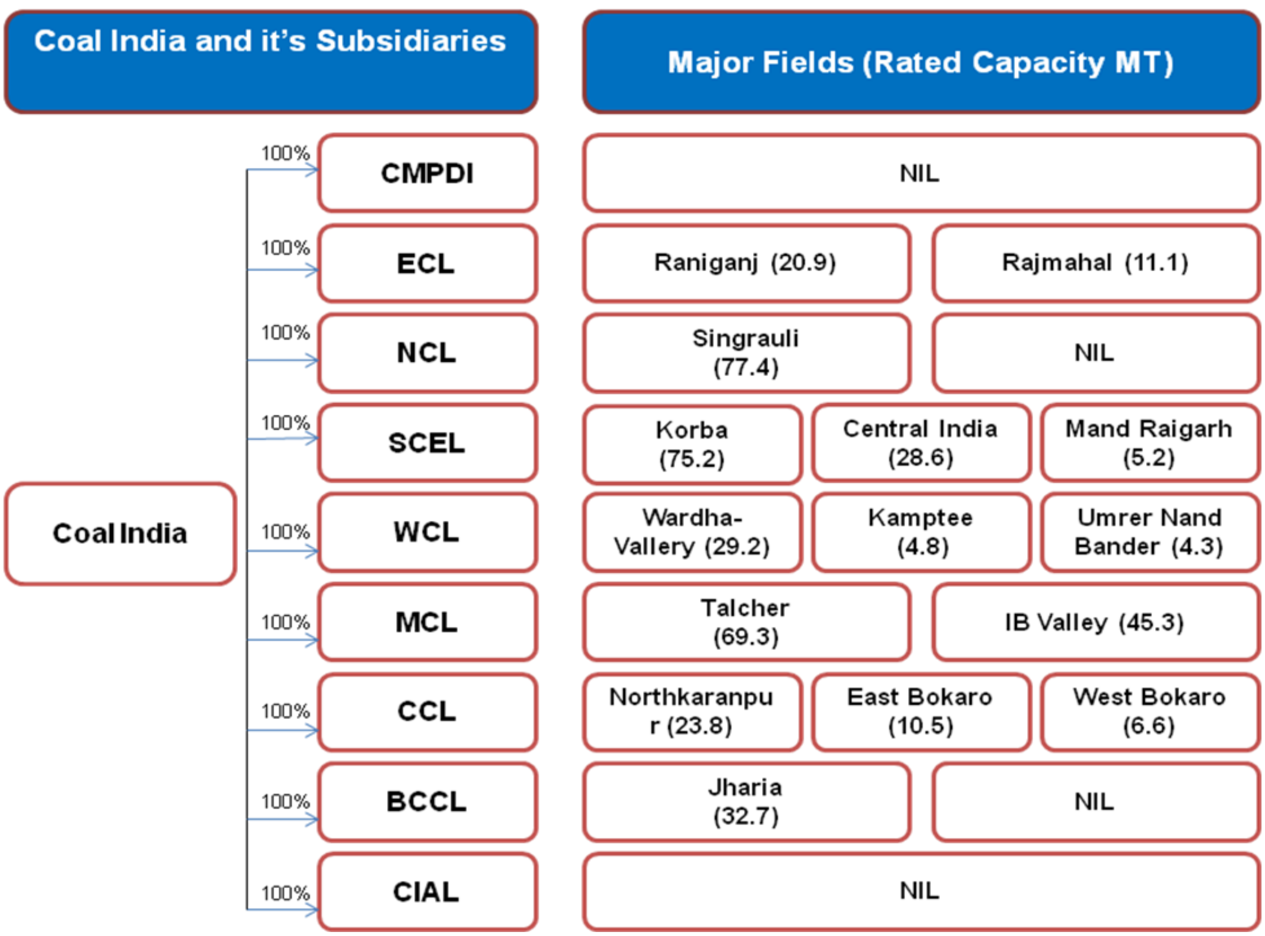


➢ Company background

CIL is the world's largest coal company based on raw coal production and coal reserves. The company operates through its 9 wholly owned subsidiaries with 471 mines, spread across 21 coalfields in India, including 163 open cast mines, 273 underground mines and 35 mixed mines (including both open cast and underground mines).

In addition, CIL has also acquired prospecting licenses for two coal blocks in Mozambique for further exploration and development. Presently, the company has more than 150 ongoing projects with the sanctioned capacity of 462 mtpa. Further, 90% of CIL's mines are open cast with low stripping ratio, which not only results in low extraction cost but also enables CIL to bring into operation large open cast mines within a relatively short time frame and low specific investment.

Organizational Structure



Source: Coal India, Ventura Research

Financials & Projections

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Profit & Loss Statement				
Net Sales	52616.2	62415.4	69755.3	74894.5
% Chg.		18.6	11.8	7.4
Total Expenditure	38559.2	45277.8	50967.2	53883.8
% Chg.		17.4	12.6	5.7
EBDITA	14057.0	17137.7	18788.1	21010.7
EBDITA Margin %	26.7	27.5	26.9	28.1
Other Income	4796.3	7536.9	7536.9	9932.7
Exceptional items	-638.1	91.2	0.0	0.0
PBDIT	18215.2	24765.7	26325.0	30943.4
Depreciation	1672.9	3439.1	2027.6	2261.8
Interest	79.1	54.0	56.9	59.6
PBT	16463.2	21272.7	24240.6	28621.9
Tax Provisions	5595.9	6484.5	7082.1	8426.9
Reported PAT	10867.4	14788.2	17158.5	20195.0
PAT Margin (%)	20.7	23.7	24.6	27.0
Manpower cost / Sales (%)	34.6	40.5	38.1	38.2
Other Exp / Sales (%)	4.2	3.5	3.9	3.8
Tax Rate (%)	34.0	30.5	29.2	29.4
Balance Sheet				
Share Capital	**6316.4**	**6316.4**	**6316.4**	**6316.4**
Reserves & Surplus	28622.2	36113.7	49290.5	65460.7
Minority Interest & Others	32.6	53.6	53.6	53.6
Total Loans	1553.6	1333.3	1466.6	1613.3
Deferred Tax liability	**0.0**	**0.0**	**0.0**	**0.0**
Total Liabilities	36524.7	**43816.9**	57127.1	73443.9
Goodwill	131.1	0.0	0.0	0.0
Gross Block	**36721.1**	**38096.4**	**42241.6**	**47121.2**
Less: Acc. Depreciation	23878.2	24656.1	26683.7	28945.5
Net Block	12842.9	13440.3	15557.9	18175.7
Capital Work in Progress	2086.9	1848.4	1898.2	2018.6
Investments	**1063.7**	**1981.4**	**1981.4**	**1981.4**
Net Current Assets	**19523.5**	**25352.8**	**34401.0**	**47979.7**
Deferred Tax Assets	**876.6**	**1194.1**	**1216.3**	**1216.3**
Total Assets	**36524.7**	**43816.9**	**55054.9**	**71371.7**

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Per Share Data (Rs)				
EPS	17.2	23.4	27.2	32.0
Cash EPS	19.9	28.9	30.4	35.6
DPS	3.9	9.5	3.5	3.5
Book Value	55.3	67.2	88.0	113.6
Capital, Liquidity, Returns Ratio				
Debt / Equity (x)	0.0	0.0	0.0	0.0
Current Ratio (x)	1.4	1.4	1.6	1.8
ROE (%)	31.1	34.9	30.9	28.1
ROCE (%)	49.9	56.5	47.8	43.4
Dividend Yield (%)	1.1	2.7	1.0	1.0
Valuation Ratio (x)				
P/E	20.8	15.3	13.2	11.2
P/BV	6.5	5.3	4.1	3.2
EV/Sales	3.2	2.7	2.4	2.2
EV/EBIDTA	11.8	9.7	8.8	7.9
Efficiency Ratio (x)				
Inventory (days)	40.6	40.0	35.0	35.0
Debtors (days)	22.0	22.0	22.0	22.0
Creditors (days)				
Cash Flow statement				
Profit After Tax	**10867.4**	**14770.4**	**15763.4**	**18756.7**
Depreciation	1672.9	1969.2	2027.6	2261.8
Working Capital Changes	-57.5	8262.6	-1194.4	2486.5
Others	-952.5	0.0	0.0	0.0
Operating Cash Flow	**11530.3**	**25002.2**	**16596.6**	**23505.1**
Capital Expenditure	-1775.8	-1375.3	-4145.2	-4879.6
Change in Investment	222.4	-679.2	-49.8	-120.4
Cash Flow from Investing	**-1553.4**	**-2054.5**	**-4195.0**	**-5000.0**
Proceeds from equity issue	0.0	0.0	0.0	0.0
Inc/ Dec in Debt	-409.6	-220.3	133.3	146.7
Dividend and DDT	-3361.1	-7020.6	-2586.6	-2586.6
Cash Flow from Financing	**-3770.7**	**-7240.9**	**-2453.2**	**-2439.9**
Net Change in Cash	**6206.2**	**15706.8**	**9948.4**	**16065.2**
Opening Cash Balance	**39078.2**	**45862.3**	**58202.8**	**68151.1**
Closing Cash Balance	**45284.4**	**61569.1**	**68151.1**	**84216.3**

Kyon ki bhaiya, sabse bada rupaiya.

Godrej Consumer Products Ltd.

BUY

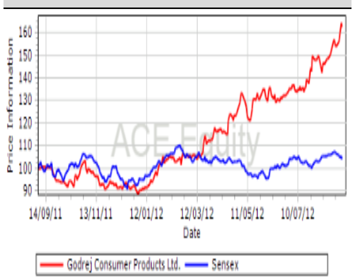
Target Price ₹764	CMP ₹677	FY14 PE 23.9x

Index Details	
Sensex	18,824
Nifty	5,719
BSE 100	5,724
Industry	FMCG

Scrip Details	
Mkt Cap (₹ cr)	23,040
BVPS (₹)	82.7
O/s Shares (Cr)	34.03
Av Vol (Lacs)	0.1
52 Week H/L	701/370
Div Yield (%)	0.7
FVPS (₹)	1

Shareholding Pattern	
Shareholders	%
Promoters	63.9
DIIs	1.0
FIIs	27.2
Public	7.8
Total	100

GCPL vs. Sensex



While the domestic business is the mainstay of Godrej Consumer Products Ltd (GCPL) operations, the growth over the next couple of years is expected to be driven from growth of its international businesses (where it is a dominant player) and from cross pollination of brands in its portfolio across markets.

In the international business, integration of existing operations with recent acquisitions in Africa (Darling Group) and Argentina (Cosmetica Nacional) is expected to bring synergies and drive revenues over the next few quarters. This is on top of the buoyant operations in Indonesia which is driven by the expansion of the distribution network and successful innovations

After the launch of "aer" an air freshener in the Indian markets, the disruptive innovation of HIT Magic paper (mosquito repellant) is also expected to be launched shortly. This is in line with GCPL's strategy of cross pollinating its brands across markets and we expect a number of products to be launched across geographies over the next couple of years.

The domestic business has consistently clocked double digit revenue growth (in its core product categories) over the past several quarters. We expect this growth to be maintained on the back of the high growth of the Household Insecticides segment and the Soaps business.

With all segments expected to display encouraging growth we expect revenues and earnings to grow at a CAGR of 29.0% & 22.4% to ₹8,091 crore and ₹962 crore respectively over the forecast period FY12-14. At CMP of ₹677, GCPL trades at a PE multiple of 29.9x and 23.9x its estimated earnings for FY13 and FY14.

❖ Segment leadership and strong growth prospects of geographies to boost revenue and profitability

In the domestic market, GCPL not only has presence in high growth category of Household Insecticides (2-yr CAGR of ~25%) but also (barring soaps) enjoys leadership status across all its segments. Additionally, GCPL's dominant presence in the high growth markets of Africa, Indonesia and LatAm further boosts the growth prospects.

Key Financials (₹ in Cr)

Y/E Mar	Net Revenue	EBITDA	PAT	EPS	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2011	3,646.1	643.8	514.7	15.1	35.0	29.8	19.1	44.8	37.2
2012	4,866.2	862.1	726.7	21.4	41.7	25.8	20.6	31.7	27.8
2013E	6,458.0	1,214.4	770.8	22.7	6.1	22.6	25.2	29.9	19.7
2014E	8,091.5	1,532.8	962.3	28.3	24.7	23.0	25.1	23.9	15.6

STOCK POINTER

We expect consolidated revenues for FY14 to reach ₹8,091.5 crore (CAGR of 29.0%) on the back of organic growth and acquisitions.

➢ *Domestic business to be the mainstay of operations*

With the acquisition of the household insecticides business, GCPL has not only diversified its revenues but also scaled up its domestic business. We expect revenues of household insecticides and soaps to grow at ~25% and ~20% CAGR respectively over the forecast period FY12-14 on the account of disruptive innovations, synergies arising from integration of both businesses and focused marketing initiatives. Also, GCPL with a ~29% market share is a dominant player in the hair colors segment. However this segment has been witnessing moderate growth on account of intense competition. We expect this business to grow at a CAGR of ~11.1% over the forecasted period. Overall the domestic business revenues are expected to grow at ~19.2% CAGR to ₹4,099.9 crore in FY14 from ₹2,884.7 crore in FY12.

➢ *International Business on strong growth path*

To hasten entry into international markets and enhance presence across the value chain, GCPL has undertaken a series of judicious acquisitions overseas in its existing lines of business. Through these acquisitions GCPL has not only inherited an impressive product portfolio but also has provided it with market dominance in the geographies of LatAm, Africa and Indonesia. Having consolidated all the overseas acquisitions, we expect GCPL, through its management expertise and cross pollination of products to significantly grow these businesses. Accordingly, we expect the international business revenues to grow at ~47.2% CAGR to ₹3,991.6 crore by FY14.

❖ Immense Product/Technology synergies amongst geographies backed by disruptive innovations to provide an edge against peers

We expect cross-pollination of a large number of products across the different markets in which the company has a presence (e.g. potential launch of HIT magic paper in India). This is a major leverage that GCPL can draw on from its wide global offering. In Q1FY13, GCPL launched ‘aer’ air fresheners in India – a product already enjoying presence in Indonesia which is in-line with its cross pollination strategy.

Country	Probable cross pollination strategies
India	To launch of paper format repellant - 'HIT Magic Paper' in Home Insecticide category. It burns for 3 minutes and has residual efficacy upto 8 hours. The product, which is a low cost solution mass product, could be a game changer in the category.
Indonesia	To introduce powder hair colors and insecticide coils
Argentina	To launch powder hair colors and insecticides
Africa	To launch ethnic hair colors, hair extensions and household insecticides across all geographies of Africa

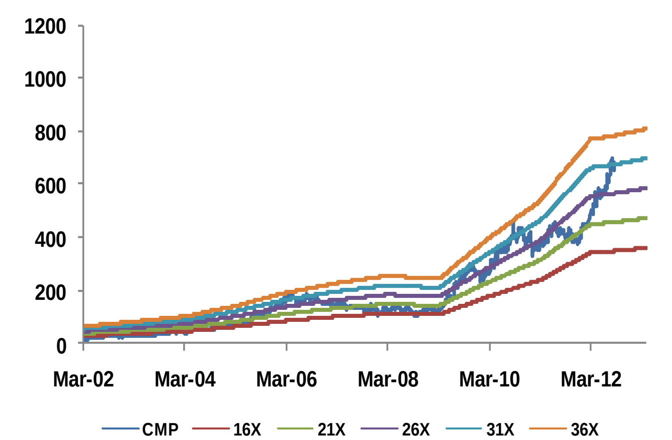
Source: GCPL, Ventura Research

Kyon ki bhaiya, sabse bada rupaiya.

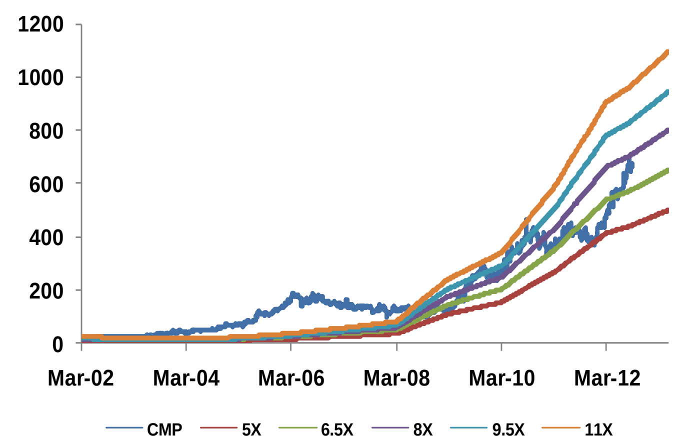
Valuation

Driven by global acquisitions of Darling Group in Africa and Cosmetica Nacional in Latin America and strong growth of the Indian household insecticides business, we expect GCPL's consolidated revenues to grow at ~29% CAGR over the forecasted period. At the CMP of ₹677, GCPL is trading at 29.9x and 23.9x its estimated earnings for FY13 and FY14, respectively and we recommend a BUY with a target price of ₹764 over a period of 15-18 months.

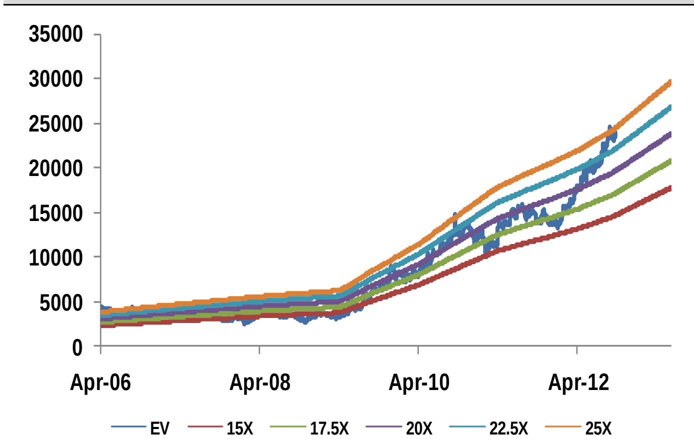
P/E



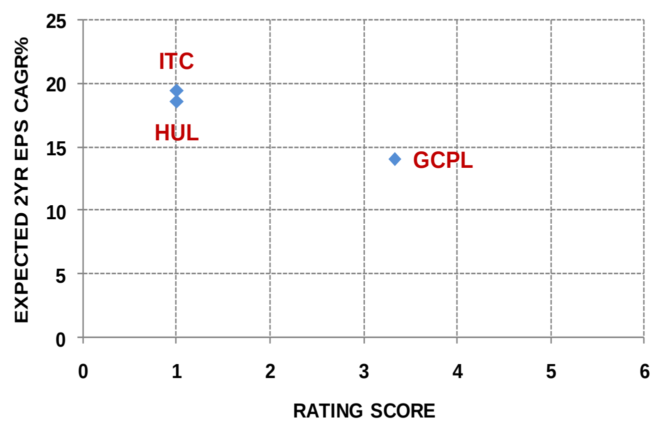
P/BV



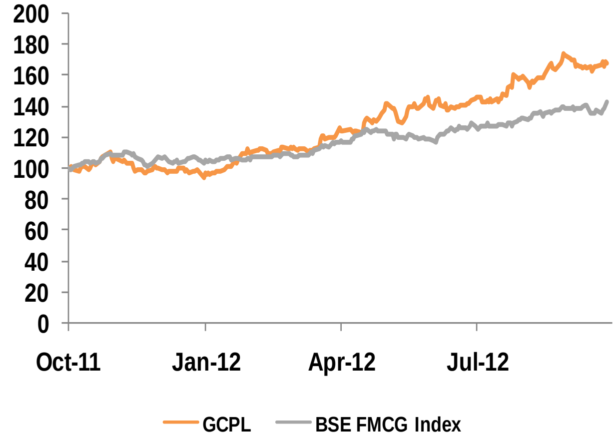
EV/EBITDA



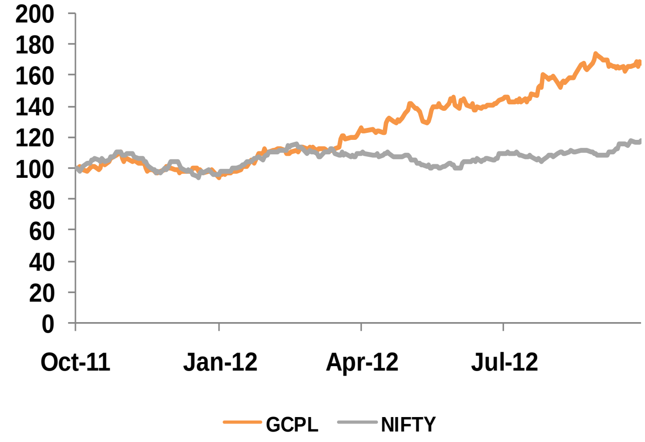
Rating Charts



BSE – FMCG Comparison



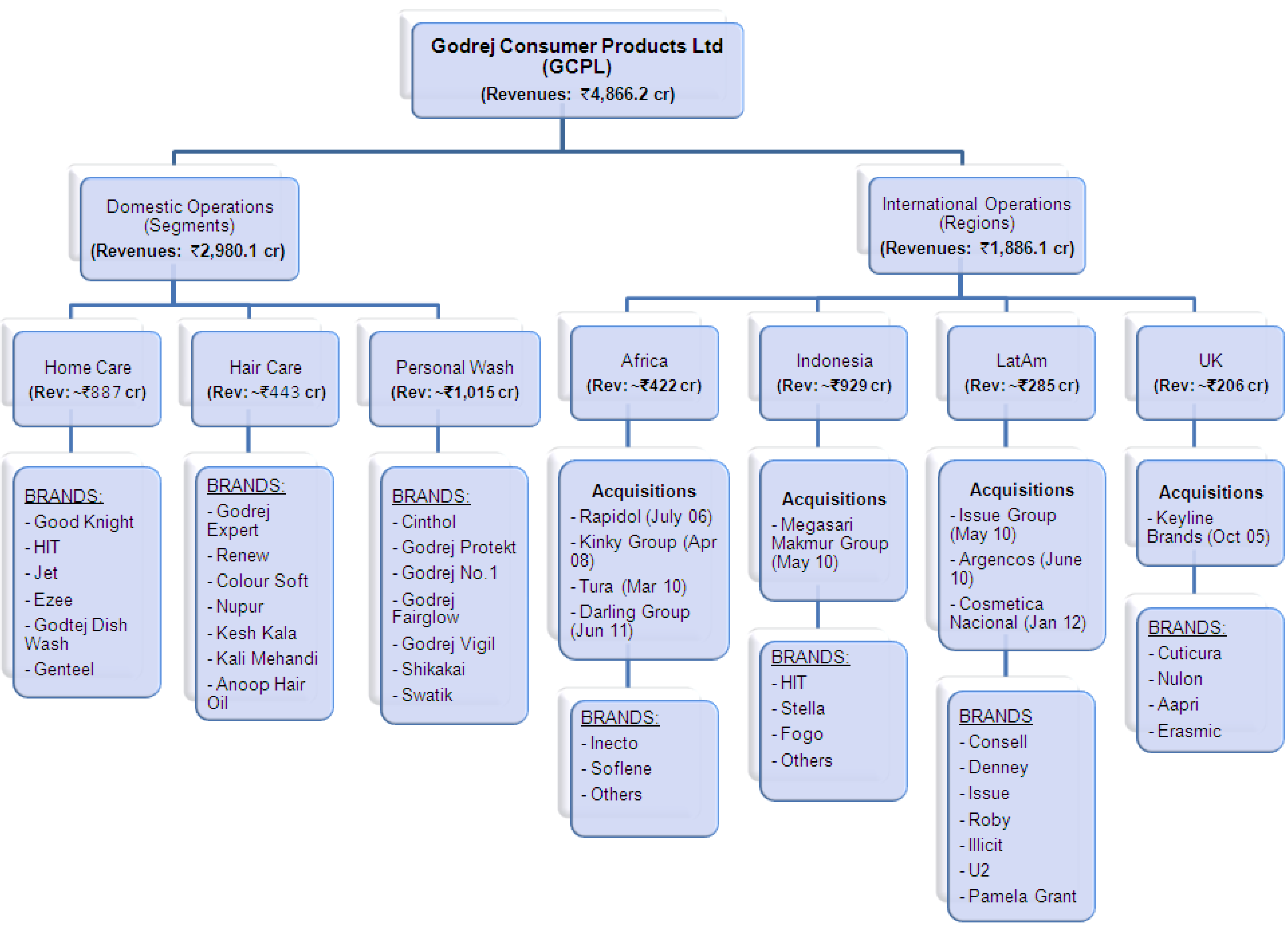
NIFTY Comparison



Company background

Godrej Consumer Products Limited (GCPL), the flagship company of Godrej Group earlier operated in two categories - soaps and hair colors till FY09. Post FY09, GCPL overhauled its business as per a new "3 X 3" strategy that involves having a presence in three categories across three continents. The household insecticides business (which was earlier a joint venture between another Godrej group company and Sara Lee) was merged into GCPL. GCPL manufactures and distributes personal wash, home care and hair care products in India and internationally (1/3rd of revenues come from international operations).

The company also has a strong emerging presence in markets outside India. With the acquisition of Keyline Brands in the United Kingdom, Rapidol, Kinky Group, Tura, Darling Group in Africa and Issue Group, Argencos, Cosmetica Nacional in Latin America, GCPL is best placed to benefit from presence across these emerging markets. As part of increasing its global footprint, the company has also acquired Megasari Group, a leading household care company in Indonesia.



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Financials & Projections

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Profit & Loss Statement				
Net Sales	**3646.1**	**4866.2**	**6458.0**	**8091.5**
% Chg.	*178.4*	*33.5*	*32.7*	*25.3*
Total Expenditure	3002.3	4004.1	5243.6	6558.8
% Chg.	*183.8*	*33.4*	*31.0*	*25.1*
EBDITA	**643.8**	**862.1**	**1214.4**	**1532.8**
EBDITA Margin %	*17.7*	*17.7*	*18.8*	*18.9*
Other Income	69.8	52.0	69.0	86.5
PBDIT	**713.6**	**914.1**	**1283.4**	**1619.2**
Depreciation	49.9	64.4	78.0	85.8
Interest	51.9	72.6	120.9	153.4
Exceptional items	33.1	200.2	0.0	0.0
PBT	**644.9**	**977.2**	**1084.4**	**1380.0**
Tax Provisions	130.2	226.1	250.9	319.2
Minority Interest	0.0	24.5	62.8	98.5
Reported PAT	**514.7**	**726.7**	**770.8**	**962.3**
PAT Margin (%)	*14.1*	*14.9*	*11.9*	*11.9*
Raw Materials / Sales (%)	*49.2*	*52.0*	*48.0*	*48.0*
Manpower cost / Sales (%)	*7.5*	*8.1*	*7.0*	*7.0*
Tax Rate (%)	*20.2*	*23.1*	*23.1*	*23.1*
Balance Sheet				
Share Capital	32.4	34.0	34.0	34.0
Reserves & Surplus	1692.8	2781.2	3373.2	4156.6
Minority Interest	0.0	88.2	151.0	249.5
Total Loans	2005.4	1535.3	1544.3	2014.4
Deferred Tax Liability	0.0	0.0	0.0	0.0
Total Liabilities	**3730.6**	**4438.6**	**5102.5**	**6454.5**
Gross Block	3455.2	4185.7	4388.4	4611.3
Less: Acc. Depreciation	377.5	494.0	572.0	657.9
Net Block	3077.7	3691.7	3816.3	3953.4
Capital Work in Progress	15.4	37.6	0.0	0.0
Investments	167.2	260.5	560.5	960.5
Net Current Assets	315.7	448.3	725.1	1540.1
Deferred Tax Assets	(1.4)	0.5	0.5	0.5
Misc Expenses	0.0	0.0	0.0	0.0
Total Assets	**3730.6**	**4438.6**	**5102.5**	**6454.5**

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Per Share Data (Rs)				
EPS	15.1	21.4	22.7	28.3
Cash EPS	16.6	23.2	24.9	30.8
DPS	4.5	4.8	4.5	4.5
Book Value	50.7	82.7	100.1	123.1
Capital, Liquidity, Returns Ratio				
Debt / Equity (x)	1.2	0.5	0.5	0.5
Current Ratio (x)	1.4	1.3	1.4	1.6
ROE (%)	29.8	25.8	22.6	23.0
ROCE (%)	19.1	20.6	25.2	25.1
Dividend Yield (%)	0.7	0.7	0.7	0.7
Valuation Ratio (x)				
P/E	44.8	31.7	29.9	23.9
P/BV	13.4	8.2	6.8	5.5
EV/Sales	6.6	4.9	3.7	3.0
EV/EBIDTA	37.2	27.8	19.7	15.6
Efficiency Ratio (x)				
Inventory (days)	44.0	58.8	58.8	58.8
Debtors (days)	38.4	35.4	35.4	35.4
Creditors (days)	84.6	112.8	110.0	110.0
Cash Flow statement				
Profit After Tax	**514.7**	**751.2**	**833.6**	**1060.8**
Depreciation	49.9	64.4	78.0	85.8
Working Capital Changes	(373.2)	224.1	32.4	72.0
Others	(116.8)	(177.3)	(129.9)	(165.9)
Operating Cash Flow	**206.1**	**1088.5**	**1064.9**	**1372.0**
Capital Expenditure	(2,415.1)	(156.5)	(202.7)	(222.9)
Change in Investment	0.0	(171.4)	0.0	0.0
Cash Flow from Investing	**-2364.3**	**-850.2**	**-202.7**	**-222.9**
Proceeds from equity issue	522.8	684.7	0.0	0.0
Increase/(Decrease) in Loans	1760.5	-139.3	9.0	470.1
Dividend and DDT	-163.1	-146.1	-153.1	-153.1
Cash Flow from Financing	**2237.5**	**-7.2**	**-790.7**	**-362.1**
Net Change in Cash	**79.3**	**231.1**	**71.6**	**786.9**
Opening Cash Balance	**51.0**	**16.8**	**81.3**	**149.5**
Closing Cash Balance	**226.9**	**447.5**	**519.1**	**1306.1**

Kyon ki bhaiya, sabse bada rupaiya.

Cipla Ltd.

BUY

Target Price ₹417 | **CMP ₹380** | **FY14 PE 17.3x**

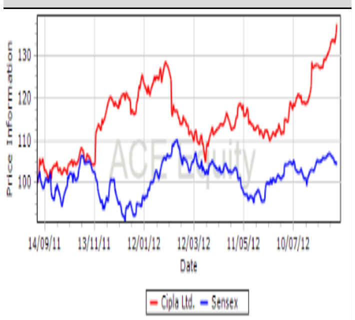
STOCK POINTER

Index Details	
Sensex	18,824
Nifty	5,719
BSE 100	5,724
Industry	Pharma

Scrip Details	
Mkt Cap (₹ cr)	30,527
BVPS (₹)	95.1
O/s Shares (Cr)	80.3
Av Vol (Lacs)	1.8
52 Week H/L	395/276
Div Yield (%)	0.6
FVPS (₹)	2.0

Shareholding Pattern	
Shareholders	%
Promoters	36.8
DIIs	16.2
FIIs	18.1
Public	28.9
Total	100.0

Cipla vs. Sensex



In the domestic market, Cipla with a 5.7% market share is one of the key players with significant brand presence and a strong product portfolio concentrated in the respiratory and gynecology segment. With a slew of new product launches, improved MR productivity and regained management focus, we expect Cipla to post strong growth in the domestic market, despite its higher base.

Cipla's presence in key international markets through low risk partnership model makes its export business a significant cash flow generator for the company. Further, with strong slew of products in the inhaler space, Cipla's exports are all set to get a major boost. In addition, the ramp up of volumes at the Indore SEZ would lead to better return ratios and margin growth improving profitability.

Given the strong business model in place and growth drivers in form of inhalers and production ramp up at Indore SEZ we expect sales and earnings to grow at a CAGR of 18.2% & 24.0% to ₹9813.0 crore and ₹1760.6 crore respectively. At the CMP of ₹380, Cipla is trading at 21.8x and 17.3x, its earnings and we recommend a BUY with a target price of ₹417 (target 19.0x FY14 P/E).

➢ Renewed vigor to propel the domestic growth

Cipla's domestic business (~47% of the total revenues & market share of ~5.7%) is expected to grow at a 2 year CAGR of 17.5%, albeit, of a higher base. Its strong field force of 7,000 MRs, improved MR productivity and exemplary reach in semi urban markets would help propel the growth of its new product portfolio and basket of acute products (59% to the domestic formulations business), which have been registering strong growth ahead of its competitors. It should be noted that Cipla's reach in Tier II to Tier IV towns is better than any other listed player and these semi urban markets contribute ~45%of Cipla's domestic revenues.

Cipla primarily operates in five therapeutic areas viz: Respiratory, Gynaecology, Anti Infective, Cardiac & GI that contribute to ~80% of the domestic revenues. Inhalers have been the driving force of Cipla's respiratory segment while launch of oral contraceptive products have propelled the Gynaecology space. Other products like Novamox and Ciplox from the anti infective stable continue to grow for the company. While the encouraging growth of the existing basket of products is expected to continue, going forward new product launches (15-20) are expected to catapult the growth trajectory of the domestic business.

Key Financials (₹ in Cr)

Y/E Mar	Net Revenue	EBITDA	PAT	EPS	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2011	6323.8	1369.2	989.7	12.3	-8.9	14.5	21.9	30.8	22.2
2012	7020.7	1658.9	1144.2	14.2	15.6	14.9	23.4	26.7	18.4
2013E	8196.5	2122.9	1402.3	17.5	22.6	15.8	24.9	21.8	14.3
2014E	9813.0	2590.6	1760.6	21.9	25.5	16.9	25.8	17.3	11.8

➢ Launch of inhalers in regulated markets is a long term positive

Cipla with its largest inhaler manufacturing capacity is in talks with several global players to access various markets. The company has developed 11 inhaler products for the European market, the second largest market for inhalers after the US. Out of these 11 products, the company, in 2011, had launched 4 non combination inhaler products in Germany, Italy, UK and Poland, the four major markets in Europe. The launch of these products in other European markets would provide further upside to its European revenues.

However, the real fillip to the revenues would come from the launch of combination inhalers Seretide (market size- $1.6 bn in EU) and Symbicort (market size- $1.4 bn in EU) in the European market in FY13 and FY14, respectively. Combination inhalers have better pricing power and limited competition on account of stringent norms. We are confident of Cipla's ability to monetize this opportunity effectively leading to significant upside to the revenues.

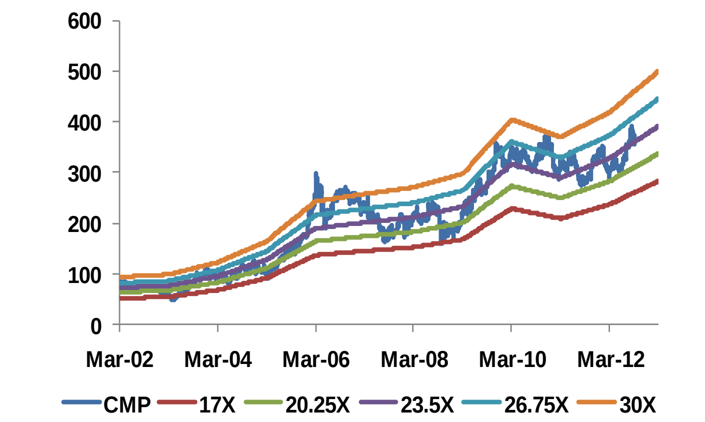
➢ Better utilizations at Indore SEZ to improve returns ratio and margins

Cipla had invested ₹900 crore at its Indore SEZ which houses facility for oral, topical injectables and others. However, delay in getting USFDA approval have led to lower utilizations of the SEZ leading to compression of return ratios and weak margins. Though the management has provided no time line for USFDA approval, we expect the utilizations at the SEZ to improve since the company has received approvals from all other major markets expect the US. Currently, the SEZ is operating at 45-50% utilizations levels contributing ₹190 crore per quarter. The management expects 10% of top-line contribution and 150 bps improvement in margins from the Indore SEZ by FY13 -14.

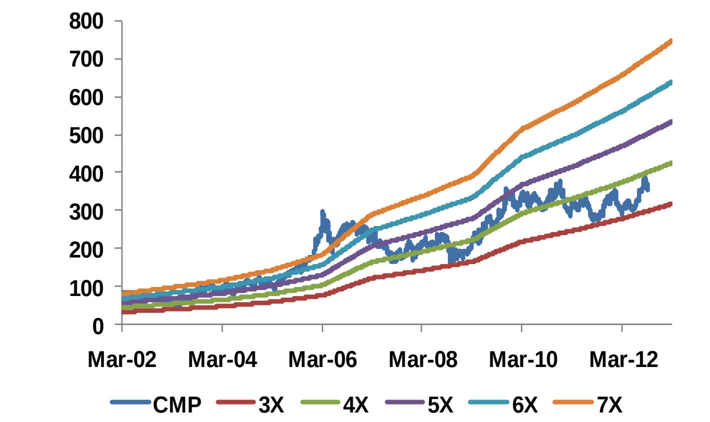
Valuation

Given the strong business model in place and growth drivers in form of inhalers and production ramp up at Indore SEZ we expect sales and earnings to grow at a CAGR of 18.2% & 24.0% to ₹9813.0 crore and ₹1760.6 crore respectively by FY14. At the CMP of ₹380, Cipla is trading at 21.8x and 17.3x, its earnings. We recommend a BUY with a target price of ₹417 (target 19.0x FY14 P/E) over an 18 month period.

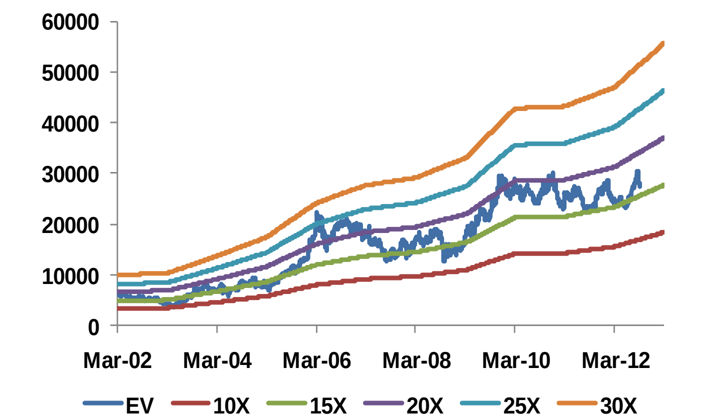
P/E



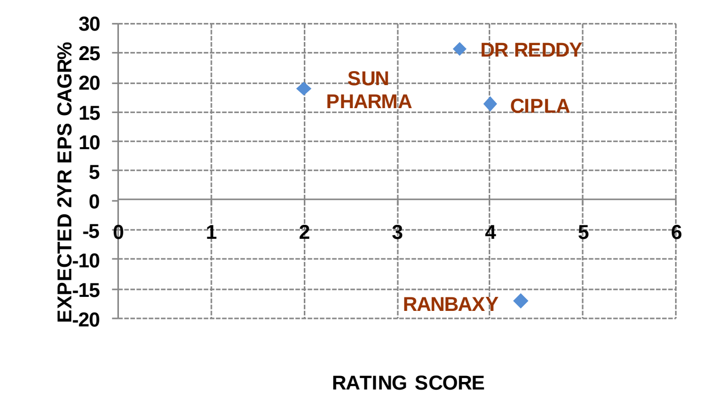
P/BV



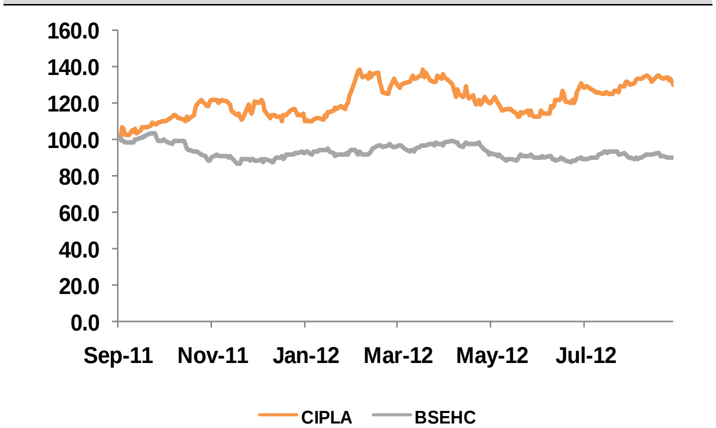
EV/EBITDA



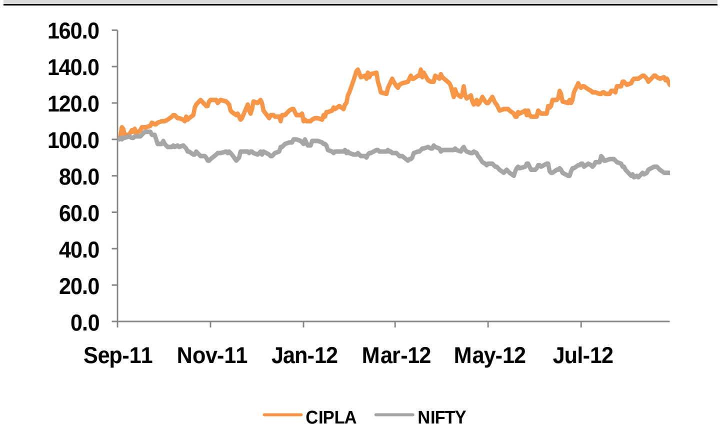
Rating Charts



BSE-Healthcare Comparison



NIFTY Comparison

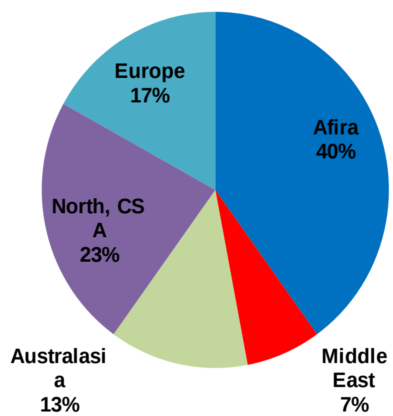


➢ Company background

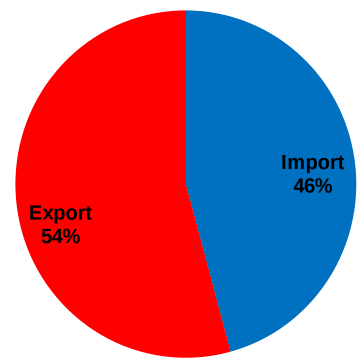
Founded in 1935, Cipla is the second largest pharmaceutical company in India with market share of 5.7% as on 2012. The company offers a various drugs and healthcare products with major share in many therapeutic categories & in most dosage forms. It has well diversified product portfolio that includes OTC products, prescription products, flavors and fragrances, pesticides, and animal products (with 6000 registered products) reaching over various countries.

In addition, the company has developed a strong presence in the 170 countries including both developed and developing countries and derives 53% of its FY12 revenues from exports to regions including US, Europe, Middle East, Africa and Australia.

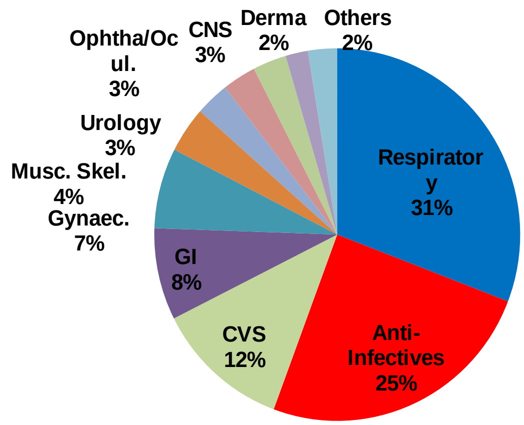
Exports Break-up



Import & Exports



Domestic Segment



Financials & Projections

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Profit & Loss Statement				
Net Sales	**6323.8**	**7020.7**	**8196.5**	**9813.0**
% Chg.		11.0	16.7	19.7
Total Expenditure	**4954.6**	**5361.9**	**6073.6**	**7222.4**
% Chg.		8.2	13.3	18.9
EBITDA	**1369.2**	**1658.9**	**2122.9**	**2590.6**
EBITDA Margin %	21.7	23.6	25.9	26.4
Other Income	91.7	139.5	85.9	106.3
Exceptional items	0.0	0.0	0.0	0.0
PBDIT	1460.9	1798.4	2208.8	2696.9
Depreciation	273.3	312.2	346.9	367.0
Interest	25.1	38.3	16.8	13.5
PBT	**1162.5**	**1447.8**	**1845.2**	**2316.5**
Tax Provisions	195.2	306.5	442.8	556.0
PAT	**967.3**	**1141.3**	**1402.3**	**1760.6**
Share of Associate	22.44	2.94	0.0	0.0
Reported PAT	**989.7**	**1144.2**	**1402.3**	**1760.6**
PAT Margin (%)	15.7	16.3	17.1	17.9
Manpower cost / Sales (%)	8.9	11.0	11.0	11.0
Tax Rate (%)	16.8	21.2	24.0	24.0
Balance Sheet				
Share Capital	**160.6**	**160.6**	**160.6**	**160.6**
Reserves & Surplus	6505.6	7478.4	8694.0	10268.0
Minority Interest & Others	0.0	0.0	0.0	0.0
Total Loans	18.9	33.7	33.7	33.7
Deferred Tax liability	0.0	0.0	0.0	0.0
Total Liabilities	**6685.0**	**7672.6**	**8888.3**	**10462.2**
Goodwill	0.0	0.0	0.0	0.0
Gross Block	**4240.6**	**4626.9**	**5176.9**	**5476.9**
Less: Acc. Depreciation	1146.4	1411.1	1758.0	2124.9
Net Block	**3094.2**	**3215.8**	**3418.9**	**3352.0**
Capital Work in Progress	285.3	371.2	222.7	256.1
Investments	997.6	1635.3	2125.8	2338.4
Net Current Assets	**2521.0**	**2683.6**	**3354.0**	**4748.9**
Deferred Tax Assets	-213.1	-233.2	-233.2	-233.2
Total Assets	**6685.0**	**7672.6**	**8888.3**	**10462.2**

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Per Share Data (Rs)				
EPS	12.3	14.2	17.5	21.9
Cash EPS	15.7	18.1	21.8	26.5
DPS	2.8	2.0	2.0	2.0
Book Value	83.0	95.1	110.3	129.9
Capital, Liquidity, Returns Ratio				
Debt / Equity (x)	0.0	0.0	0.0	0.0
Current Ratio (x)	2.9	3.3	3.5	3.9
ROE (%)	14.5	14.9	15.8	16.9
ROCE (%)	21.9	23.4	24.9	25.8
Dividend Yield (%)	0.7	0.5	0.5	0.5
Valuation Ratio (x)				
P/E	30.8	26.7	21.8	17.3
P/BV	4.6	4.0	3.4	2.9
EV/Sales	4.8	4.3	3.7	3.1
EV/EBIDTA	22.2	18.4	14.3	11.8
Efficiency Ratio (x)				
Inventory (days)	110.0	96.2	100.0	100.0
Debtors (days)	86.0	80.8	85.0	85.0
Creditors (days)	85.4	64.1	65.0	65.0
Cash Flow statement				
Profit After Tax	**989.7**	**1144.2**	**1402.3**	**1760.6**
Depreciation	273.3	312.2	346.9	367.0
Working Capital Changes	699.9	-148.0	-626.2	-634.9
Others	-60.0	42.6	0.0	0.0
Operating Cash Flow	**1902.9**	**1351.1**	**1123.0**	**1492.6**
Capital Expenditure	-944.4	-472.2	-401.5	-333.4
Change in Investment	-751.2	-637.7	-490.6	-212.6
Cash Flow from Investing	**-1695.6**	**-1109.8**	**-892.1**	**-546.0**
Proceeds from equity issue	0.0	0.0	0.0	0.0
Inc/ Dec in Debt	13.8	14.8	0.0	0.0
Dividend and DDT	-187.3	-261.5	-186.6	-186.6
Cash Flow from Financing	**-173.5**	**-246.7**	**-186.6**	**-186.6**
Net Change in Cash	**33.9**	**-5.5**	**44.3**	**760.0**
Opening Cash Balance	**62.1**	**96.0**	**90.5**	**134.7**
Closing Cash Balance	**96.0**	**90.5**	**134.7**	**894.7**

Zee Entertainment Enterprises Ltd

BUY

Kyon ki bhaiya, sabse bada rupaiya.

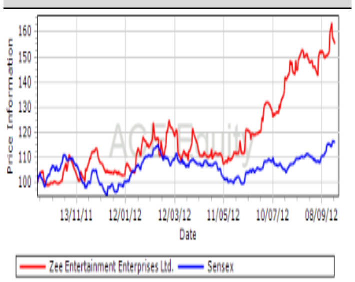
Target Price ₹273	CMP ₹197	FY15 PE 14.5x

Index Details	
Sensex	18,824
Nifty	5,719
BSE 100	5,724
Industry	Media

Scrip Details	
Mkt Cap (₹ cr)	18,736
BVPS (₹)	40.6
O/s Shares (Cr)	95.4
Av Vol (Lacs)	2.6
52 Week H/L	202/110
Div Yield (%)	0.8
FVPS (₹)	1

Shareholding Pattern	
Shareholders	%
Promoters	43.8
DIIs	13.1
FIIs	35.4
Public	7.7
Total	100

ZEEL vs. Sensex



Expected surge in subscription revenues due to the new digitization reforms, higher than expected ad-revenue growth and enhanced reached from the Media Pro venture should help revenues grow at a CAGR of 15.7% to ₹4,711.3 crore by FY15 from the current FY12 revenues of ₹3,040.5 crore. Further, sharp decline in carriage costs going forward and curtailed losses on the sports business should help lift margins and improve earnings to ₹1,296.8 crore from the current ₹589.0 crore over the forecast period FY13-15 (CAGR of 30.2%). At CMP of ₹197, ZEEL trades at a PE multiple of 28.2x and 19.8x its estimated earnings for FY13 and FY14.

❖ Digitisation to provide fillip to ZEEL's subscription revenues

As reported subscriber numbers increase post digitization, subscription revenues of the broadcasters are also expected to increase substantially. Given ZEEL's superior domestic subscription revenue share (as compared to peers), ZEEL is expected to be one of the biggest beneficiaries. We expect ZEEL's domestic subscription revenue to grow at a CAGR of 31.4% to ₹2090.5 crore in FY15 from ₹922.2 crore in FY12 on the back of better content quality and optimized content distribution through Zee Turner and MediaPro (its distribution ventures).

Moreover, we expect international subscription revenues to aid top line and grow steadily at a CAGR of 2.8% to Rs 437.4 crore from ₹402.2 crore over the period of FY12 to FY15 on the back of enhanced investments to improve the quality of content besides launching channels with local flavor.

Lastly, ZEEL's carriage fees is set to crash, albeit in a phased manner, to ₹108.9 crore (3.7% of total cost) over the period of 3 years till FY15 from the current ₹211.6 crore on the back of continued synergy from its distribution venture and elimination of demand-supply mismatch (increase in channel carrying capacity from ~90 to ~600 channels).

STOCK POINTER

Key Financials (₹ in Cr)

Y/E Mar	Net Revenue	EBITDA	PAT	EPS	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2012	3,040.5	739.5	589.0	6.2	- 4.6	17.1	25.4	31.9	25.0
2013E	3,396.0	896.3	667.0	7.0	13.2	17.2	25.6	28.2	20.7
2014E	3,984.2	1,297.4	952.3	10.0	42.8	21.2	31.2	19.8	14.3
2015E	4,711.3	1,782.2	1,296.8	13.6	36.2	24.3	35.5	14.5	10.4

❖ *ZEEL's strong portfolio of channels well placed across genre*

Recognizing the importance of content, ZEEL is making significant investments (from earlier strategy of content cost-rationalization) with the objective of delivering high quality content as well as strategically increasing number of original programming hours (from 25-26 hours to 32-34 hours by FY13 end). With this initiative, Zee TV is already witnessing traction in its relative market share.

ZEEL's advertising revenues has been able to outperform the industry growth with huge margin (18% YoY in Q1FY13 v/s ~7-9%) owing to the gain in market share across genres. While we believe that ZEEL would continue to outperform the industry ad revenue growth, we have assumed ZEEL's ad revenue to grow at CAGR of 9% to ₹2,051.5 crore from ₹1,584.1 crore over the period of FY13-FY15.

❖ Media Pro to facilitate ZEEL with enhanced negotiation power

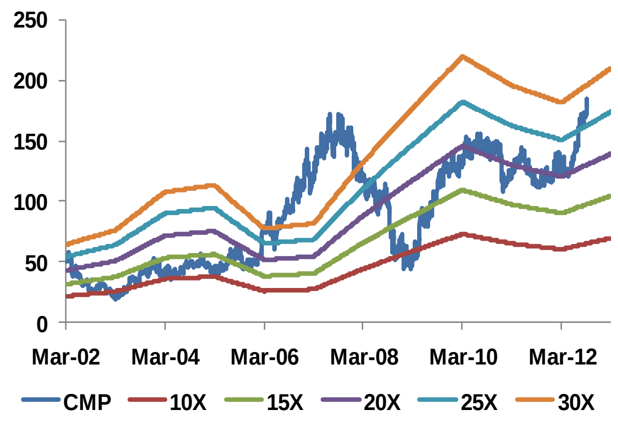
We believe that MediaPro, with a strong bouquet of 64 channels under its umbrella, is the key driver which will help ZEEL to substantially increase its subscription revenues. Within a short span of time (from Q3FY12), it has been successful in creating efficiencies in the entire value chain and has augmented ZEEL's subscription revenues (from ₹718.6 crore in FY11 to ₹922.2 crore in FY12). We believe this deal is expected to further consolidate ZEEL's position in the industry.

Valuation

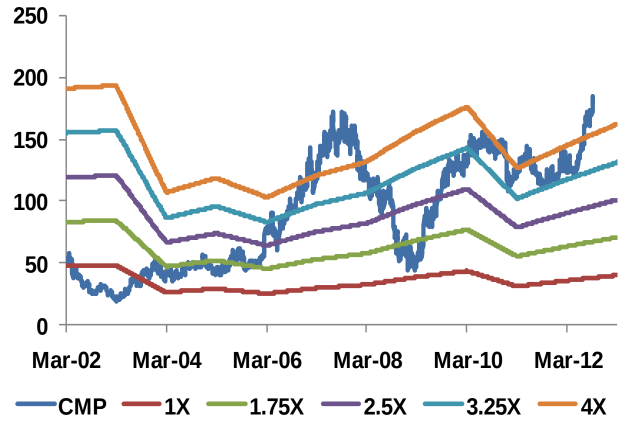
Expected surge in subscription revenues due to the new digitization reforms, higher than expected ad-revenue growth and enhanced reached from the Media Pro venture should help revenues grow at a CAGR of 15.7% to ₹4,711.3 crore by FY15 from the current FY12 revenues of ₹3,040.5 crore. Further, sharp decline in carriage costs going forward and curtailed losses on the sports business should help lift margins and improve earnings to ₹1,296.8 crore from the current ₹589.2 crore over the forecast period FY13-15 (CAGR of 30.2%).

At CMP of ₹197, ZEEL trades at a PE multiple of 28.2x and 19.8x its estimated earnings for FY13 and FY14 and we recommend a BUY with a target price of ₹273 over a period of 24 months.

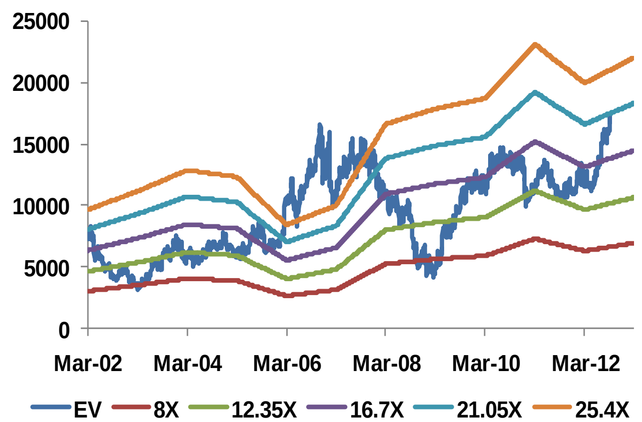
P/E



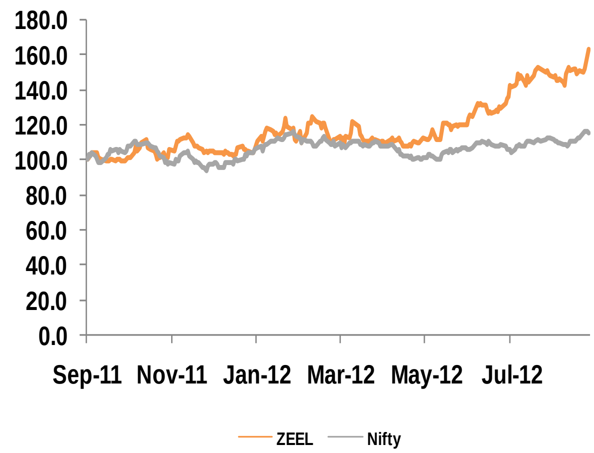
P/BV



EV/EBITDA

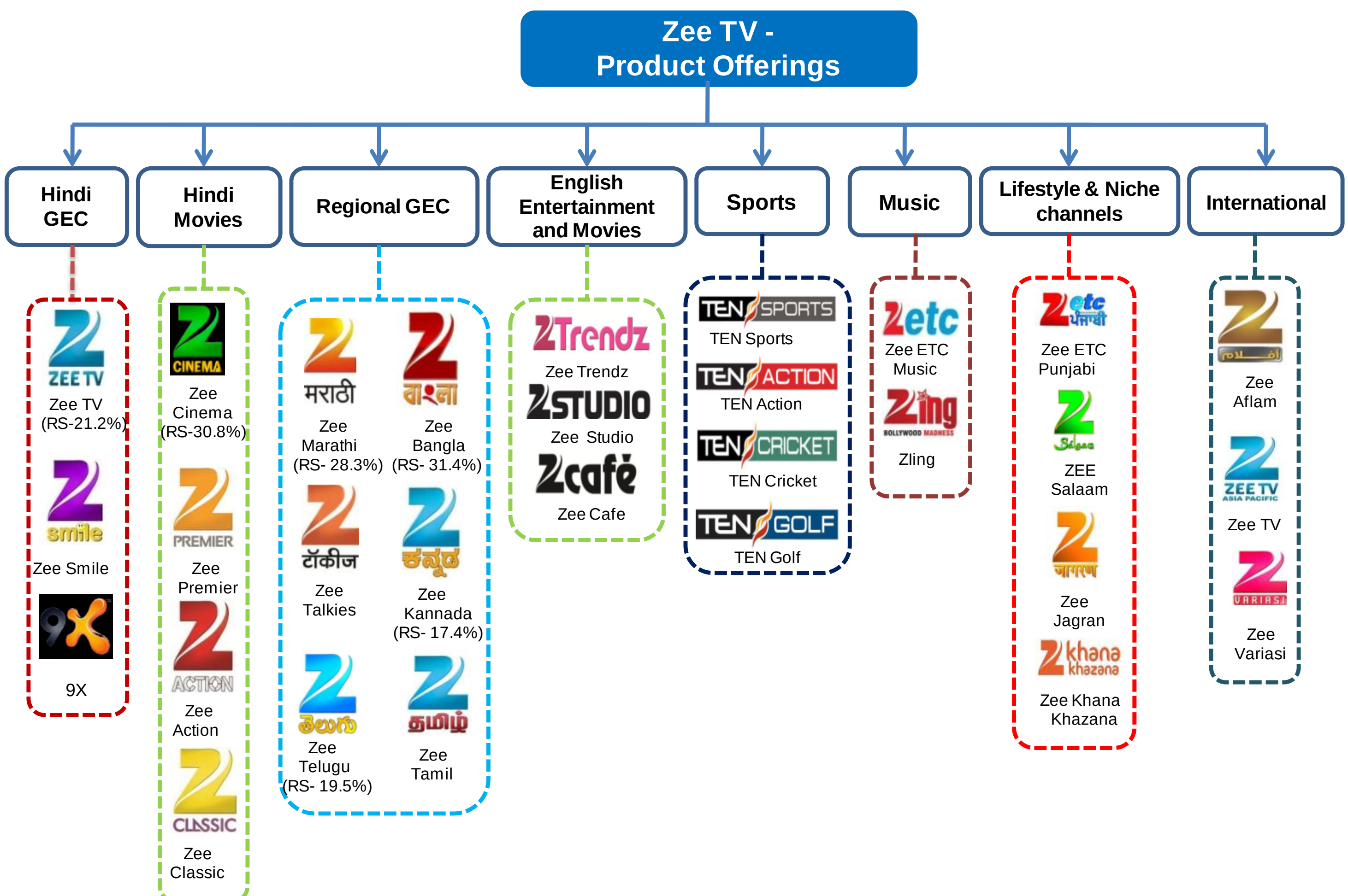


NIFTY Comparison



Company background

Being one of the largest vertically integrated media and entertainment company, Zee Entertainment Enterprise Limited (ZEEL) has presence spanning across 168 countries with over 650 million viewers. ZEEL houses 29 channels catering to the well diversified genre including Hindi GEC, Regional GEC, Hindi & English Movies, Sports, Music, Lifestyle, Niche and International channels. ZEEL is also amongst the largest producers and aggregators of Hindi programming in the world with an extensive library housing over 100,000 hours of television content and rights to more than 3,000 movie titles.
In addition to its diverse portfolio of assets in media, ZEEL has formed MediaPro (50:50 JV between Zee Turner and Star DEN) which distributes a strong bouquet of 68 channels along with 8 HD offerings across all the platforms, making it the biggest channel distributing agency in India.



RS- Relative Share

Kyon ki bhaiya, sabse bada rupaiya.

Financials & Projections

Y/E March, Fig in Rs. Cr	FY 2012	FY 2013e	FY 2014e	FY 2015e
Profit & Loss Statement				
Net Sales	**3040.5**	**3396.0**	**3984.2**	**4711.3**
% Chg.	*1.1*	*11.7*	*17.3*	*18.3*
Total Expenditure	2301.0	2499.7	2686.8	2929.1
% Chg.	*5.2*	*8.6*	*7.5*	*9.0*
EBDITA	**739.5**	**896.3**	**1297.4**	**1782.2**
EBDITA Margin %	*24.3*	*26.4*	*32.6*	*37.8*
Other Income	138.4	101.1	111.5	123.0
PBDIT	**877.9**	**997.4**	**1408.9**	**1905.2**
Depreciation	32.3	37.0	40.7	44.7
Interest	4.9	5.1	5.4	5.4
Exceptional items	0.0	0.0	0.0	0.0
PBT	**840.7**	**955.3**	**1362.8**	**1855.1**
Tax Provisions	250.0	286.6	408.8	556.5
Minority Interest	1.7	1.7	1.7	1.7
Reported PAT	**589.0**	**667.0**	**952.3**	**1296.8**
PAT Margin (%)	*19.4*	*19.6*	*23.9*	*27.5*
Program cost / Sales (%)	*37.5*	*37.2*	*36.0*	*34.6*
Manpower cost / Sales (%)	*9.6*	*9.3*	*8.6*	*7.8*
Balance Sheet				
Share Capital	95.9	95.4	95.4	95.4
Reserves & Surplus	3339.5	3775.3	4396.4	5241.6
Minority Interest	-3.2	-1.5	0.2	1.9
Total Loans	24.0	30.0	30.0	30.0
Deferred Tax Liability	0.0	0.0	0.0	0.0
Total Liabilities	**3456.2**	**3899.2**	**4522.0**	**5368.9**
Gross Block	1120.5	1232.6	1355.8	1491.4
Less: Acc. Depreciation	200.6	237.6	278.3	323.0
Net Block	919.9	995.0	1077.6	1168.4
Capital Work in Progress	20.1	26.1	34.0	34.0
Investments	917.2	1011.4	1115.2	1229.7
Net Current Assets	1565.3	1822.9	2251.5	2893.0
Deferred Tax Assets	33.7	43.8	43.8	43.8
Misc Expenses	0.0	0.0	0.0	0.0
Total Assets	**3456.2**	**3899.1**	**4522.0**	**5368.9**

Y/E March, Fig in Rs. Cr	FY 2012	FY 2013e	FY 2014e	FY 2015e
Per Share Data (Rs)				
EPS	6.2	7.0	10.0	13.6
Cash EPS	6.5	7.4	10.4	14.1
DPS	1.5	2.1	3.0	4.1
Book Value	36.0	40.6	47.1	55.9
Capital, Liquidity, Returns Ratio				
Debt / Equity (x)	0.0	0.0	0.0	0.0
Current Ratio (x)	2.8	2.9	3.0	3.3
ROE (%)	17.1	17.2	21.2	24.3
ROCE (%)	25.4	25.6	31.2	35.5
Dividend Yield (%)	0.8	1.1	1.5	2.1
Valuation Ratio (x)				
P/E	31.9	28.2	19.8	14.5
P/BV	5.5	4.9	4.2	3.5
EV/Sales	6.1	5.5	4.6	3.9
EV/EBIDTA	25.0	20.7	14.3	10.4
Efficiency Ratio (x)				
Inventory (days)	88.1	90.0	90.0	90.0
Debtors (days)	104.3	106.0	106.0	106.0
Creditors (days)	82.7	85.0	85.0	85.0
Cash Flow statement				
Profit After Tax	**590.7**	**668.7**	**954.0**	**1298.5**
Depreciation	32.3	37.0	40.7	44.7
Working Capital Changes	(118.8)	(176.1)	(274.3)	(339.1)
Others	(396.1)	(180.3)	(291.9)	(428.1)
Operating Cash Flow	**409.9**	**635.9**	**837.3**	**1132.6**
Capital Expenditure	(81.6)	(112.1)	(123.3)	(135.6)
Change in Investment	-98.3	-94.2	-103.8	-114.5
Cash Flow from Investing	**-18.3**	**-307.4**	**-338.6**	**-373.0**
Buyback of Equity Share Capital	-231.9	-60.4	0.0	0.0
Increase/(Decrease) in Loans	0.3	6.0	0.0	0.0
Dividend and DDT	-227.3	-201.1	-286.7	-390.1
Cash Flow from Financing	**-448.9**	**-260.7**	**-292.1**	**-395.5**
Net Change in Cash	**-57.3**	**67.9**	**206.6**	**364.1**
Opening Cash Balance	**385.6**	**328.3**	**396.2**	**602.7**
Closing Cash Balance	**328.3**	**396.2**	**602.7**	**966.8**

ICICI Bank Ltd.

BUY

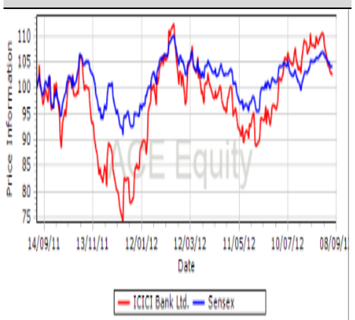
Target Price ₹1,270 | **CMP ₹1,051** | **FY14 PB 1.8x**

Index Details	
Sensex	18,824
Nifty	5,719
BSE 100	5,724
Industry	Banks

Scrip Details	
Mkt Cap (₹ cr)	1,21,132
BVPS (₹)	547
O/s Shares (Cr)	115
Av Vol (Lacs)	5.6
52 Week H/L	1087/641
Div Yield (%)	1.5
FVPS (₹)	10.0

Shareholding Pattern	
Shareholders	%
Promoters	-
DIIs	27.8
FIIs	34.9
Public	37.4
Total	100

ICICI vs. Sensex



For the past few years ICICI Bank was in a consolidation phase and during this time it has managed to reduce NPA's and improve asset quality. Having achieved its objective the Bank is now well placed to embark on the next phase of expansion. However the next phase of expansion would see emphasis being laid on asset quality and quality of earnings rather than balance sheet growth.

Led by improving asset quality, higher NIM's due to longer maturity of deposits and well diversified loan book, we expect the Net Interest Income and earnings to post a CAGR of 14.2% and 6.5% to ₹14,003.2 crore and ₹7,335 crore respectively over FY12-14. We value ICICI Bank based on a SOTP valuation based Price Objective of ₹1,270. At CMP of ₹1,051, the stock is trading at 1.9x and 1.8x its Adj B/V for FY13E & FY14E respectively, representing a potential upside of ~20.8% over a period of 15 months.

➢ Growth in advances to continue

After consciously de growing its balance sheet over FY09-10 (in order to improve the asset quality and reduce the exposure to its retail portfolio), ICICI has managed to rebalance the deposit profile, reduce NPA's and maintain margins at healthy levels. Post the loan book contraction phase (FY09-10), ICICI posted a CAGR of 18.2% over FY10-12 in advances. We expect the growth momentum in advances to continue, albeit at a slower pace, and post a CAGR of 13.8% over FY12-14 to reach ₹3,28,809 crore. Growth in advances is expected to be led by the retail portfolio, off take of past project sanctions, working capital demand in the corporate segment and a steady branch expansion policy.

➢ Stable NIM's to aid profitability

Since, the consolidation of business in FY09-10, ICICI has changed its strategy from aggressive loan book growth to focus on healthy profitable growth. The bank's loan book mix has changed favorably with retail loans constituting 36% of its loan book and domestic corporate and SME accounting for 28.3% share as compared to 43% and 22% in FY10 respectively. Further, the CASA has improved significantly from 30.4% in Q1FY10 to 40.6% in Q1FY13 which will also aid the NIM expansion.

STOCK POINTER

Key Financials (₹ in Cr)

Y/E Mar	Net Interest Income	Non Interest Income	PAT	EPS	EPS Growth (%)	P/E (x)	P/Adj.BV (x)	ROA (%)	ROE (%)
2011	9,016.9	6,647.9	5,151.4	44.7	23.8	23.5	2.2	1.3	9.7
2012	10,734.2	7,502.8	6,465.3	56.1	25.5	18.7	2.0	1.5	11.2
2013E	12,196.0	7,600.2	6,620.5	57.4	2.3	18.1	1.9	1.3	10.7
2014E	14,003.2	7,892.6	7,334.9	63.6	10.8	16.5	1.8	1.3	10.9

ICICI's NIM's over the past five quarters have improved substantially to 3.0% from the erstwhile 2.6% achieved in Q1FY12 to 3.0% in Q1FY13. And, led by the above mentioned factors, we expect the NIM's for the bank to stabilize in the range of 3% in the medium term.

➢ Asset Quality expected to improve going ahead

Despite the challenging macro - economic environment, ICICI has managed to contain its Loan Loss Provisions (LLP's) below 100 bps since Q3FY11. LLP's in Q1FY13 were at 0.71% and the management has guided LLP's to be in the range of 75 bps for FY13. The bank's strategy for a healthy profitable growth has led to a gradual improvement in GNPA's and NNPA's. GNPA and NNPA ratios have improved from 5.1% and 1.8% in Q1FY11 to 3.5% and 0.6% respectively in Q1FY13.

We do not expect a major rise in slippages, given that the interest cycle has peaked out and is expected to reverse in the near future. The management also does not expect any significant restructuring in the near term and remains confident on the asset quality. We believe, that the bank's NPA's would remain at manageable levels and do not expect them to be a dent to its profitability.

➢ Adequately capitalized

Given the high capital base, the bank is adequately capitalized with a CAR of 18.5% as on 31st March'12 and a Tier I capital of 13.4%. The bank is also well funded to meet the Basel III norms. Thus, we do not foresee any dilution in the return ratios for ICICI in the medium term. We expect the standalone ROA and ROE to stabilize at ~1.4% and 11% levels respectively.

➢ Subsidiaries unlocking Value

ICICI has emerged as a financial conglomerate through establishing its presence in various fields like life insurance, general insurance, asset management, broking, home finance etc. All these businesses are market leaders in their respective segments and portray the potential to add significant value to the group going ahead.

Valuation

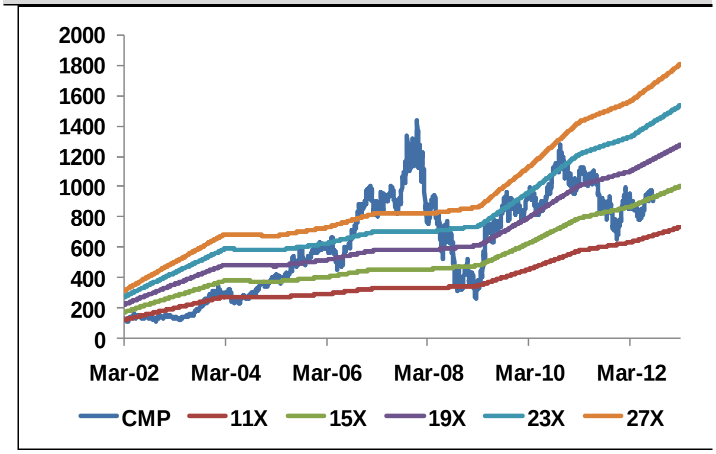
Led by improving asset quality and cost efficiency, well diversified loan book and a higher share of low cost deposits ICICI has emerged has a strong player in the private sector post its contraction phase. Focused strategies and multiple revenue streams coupled with a sustainable advances growth have placed the bank in a favorable position.

We value the standalone business at ₹1,070 per share led by the sustained momentum in advances growth, improving asset quality and a higher margin guidance. We value the life insurance subsidiary at ₹137 per share and the other subsidiaries at ₹114.2.

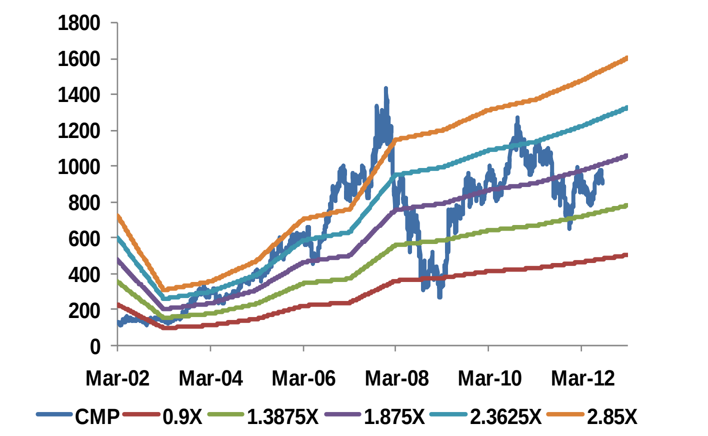
Thus, we have arrived at a value of ₹1,270 (after 20% holding company discount) representing an upside potential of ~20.8% from the current CMP of ₹1,051. At a CMP of ₹1,051, the stock is trading at 1.9x and 1.8x adj B/V for FY13E and FY14E respectively.

Particulars	Value (Rs crore)	Rs per share	Valuation Methodology
ICICI Bank	12337.6	1070.2	1.8x of FY14E BV
ICICI Bank UK Subsidiary	144	12.5	1.0x of FY14E BV
ICICI Bank Canada Subsidiary	264	22.9	1.0x of FY14E BV
Value of Banking Business	12746	1105.6	
ICICI Pru Life Insurance	2136	137	16x FY14E NBAP
ICICI Lombard General Insurance	229	15	10x FY14E Profits
ICICI Pru Asset Management	370	16	5% of AUM
ICICI Ventures	60	5.2	5% of AUM
ICICI Securities	164	14	10x FY13E profits
ICICI Securities PD	90	8.8	10x FY13E profits
ICICI Home Finance	228	19.8	1.0x of FY13E BV
Value of Non Banking Business	3277	215.8	
Less: Holding Company Discount (20%)		50.2	
Value of the bank	**16022.6**	**1271.2**	

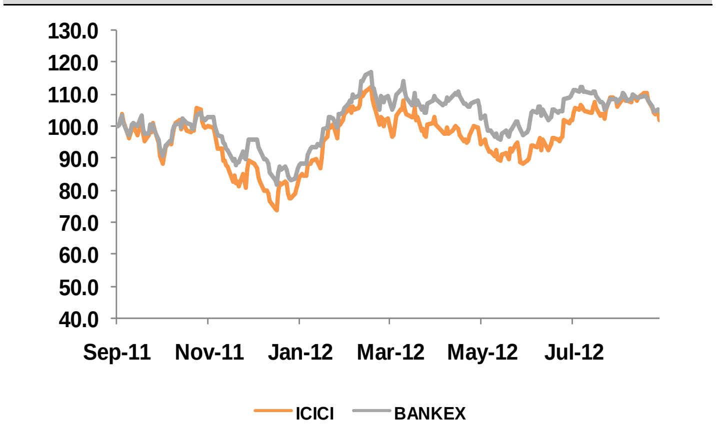
P/E



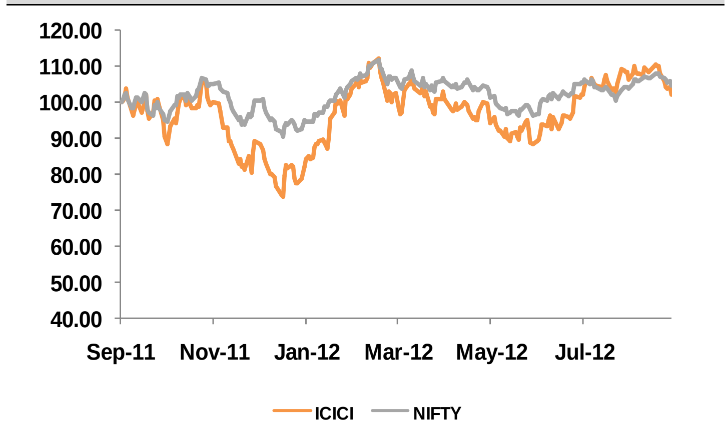
P/BV



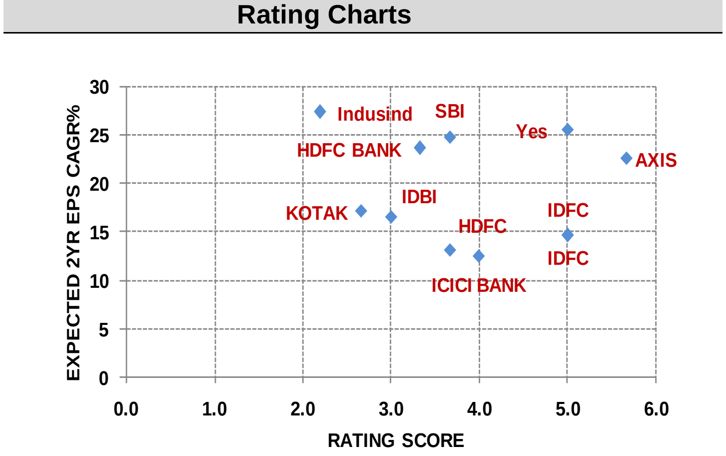
BSE-Bankex Comparison



Nifty Comparison

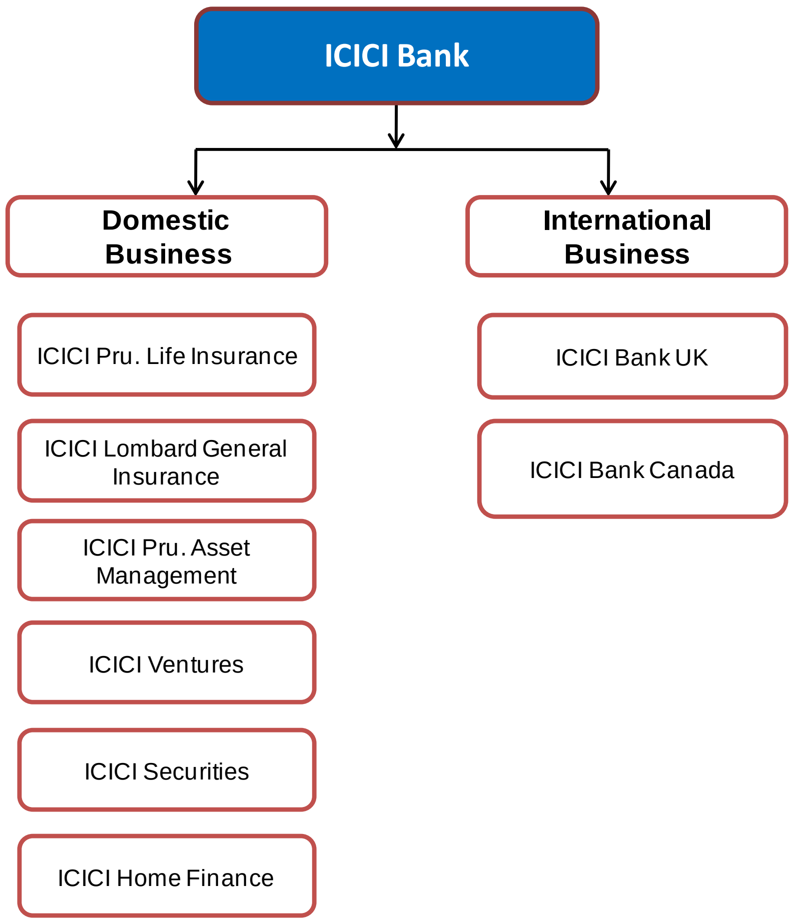


Rating Charts



Company background

ICICI Bank is India's second-largest bank with total assets of ₹4,736.47 billion (US$ 93 billion) at March 31, 2012 and a network of 2,766 branches and 9,363 ATMs. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management.



Financials & Projections

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Profit & Loss Statement				
Interest Income	**25,974.1**	**33,542.7**	**38,239.7**	**42,631.2**
Interest Expense	16,957.2	22,808.5	**26,041.2**	**28,622.8**
Net Interest Income	**9,016.9**	**10,734.2**	**12,198.5**	**14,008.4**
YoY change (%)	11.1%	19.0%	13.6%	14.8%
Non Interest Income	**6,647.9**	**7,502.8**	**7,600.2**	**7,892.6**
Total net Income	15,664.8	18,236.9	**19,798.8**	**21,901.0**
Total Operating Expenses	6,617.2	7,850.4	**8,646.6**	**9,477.5**
Pre Provision profit	9,047.5	10,386.5	**11,152.2**	**12,423.6**
YoY change (%)	-7.0%	14.8%	7.4%	11.4%
Provisions and contingencies	2,286.8	1,583.0	**2,103.0**	**2,506.4**
Profit Befor Tax	6,760.7	8,803.4	**9,049.2**	**9,917.2**
YoY change (%)	26.5%	30.2%	2.8%	9.6%
Taxes	1,609.3	2,338.2	**2,352.8**	**2,578.5**
Net profit	**5,151.4**	**6,465.3**	**6,696.4**	**7,338.7**
YoY change (%)	28.0%	25.5%	3.6%	9.6%
Balance Sheet				
Cash & Balances with RBI	20,907.0	20,461.3	**23,063.5**	**25,647.1**
Inter bank borrrowing	13,183.1	15,768.0	17,874.2	20,386.2
Investments	134,686.0	159,560.0	**168,374.8**	**177,160.2**
Loan and Advances	216,365.9	253,727.7	288,294.2	328,809.3
Other Assets	21,091.7	24,130.1	**23,702.8**	**22,557.5**
Total Assets	**406,233.7**	**473,647.1**	**521,309.6**	**574,560.2**
Deposits	**225,602.1**	**255,500.0**	**293,824.9**	**332,022.2**
Demand Deposit	34,777.5	34,973.1	38,256.0	43,229.3
Savings Deposit	66,868.9	76,046.3	85,150.5	96,220.0
Term Deposit	123,955.6	144,480.6	170,418.5	192,572.9
Borrowings	109,554.3	140,164.9	141,937.2	149,100.1
Other Liabilty	15,986.3	17,577.0	20,567.7	23,241.6
Equity	1,152.1	1,155.2	1,155.2	1,155.2
Reserves	53,938.8	59,250.1	63,824.5	69,041.3
Total Liabilities	**406,233.7**	**473,647.1**	**521,309.6**	**574,560.2**
Dupont Analysis				
% of Avg. Asstes.				
Net Interest Income	6.7%	7.6%	7.7%	7.8%
Net Income	4.1%	4.1%	4.0%	4.0%
Operating Expenses	1.7%	1.8%	1.7%	1.7%
Operating Profit	2.4%	2.4%	2.2%	2.3%
Provisions & Contingencies	0.6%	0.4%	0.4%	0.5%
Taxes	0.4%	0.5%	0.5%	0.5%
RoAA(%)	1.3%	1.5%	1.3%	1.3%
Avg.assets/Avg.equity(x)	7.21	7.62	7.94	8.11
RoAE(%)	9.7%	11.2%	10.7%	10.9%

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012	FY 2013e	FY 2014e
Ratio Analysis				
Efficiency Ratio (%)				
Int. Exp. / Int. Earned	65.3%	68.0%	**68.1%**	**67.1%**
Int. Income / Tot. Funds	6.4%	7.1%	7.3%	7.4%
NII/ Total Income (%)	27.6%	26.2%	26.6%	27.7%
Other Inc. / Tot. Inc.	20.4%	18.3%	16.6%	15.6%
Ope. Exp. / Tot. Income	20.3%	19.1%	**18.9%**	**18.8%**
Net Profit / Tot. funds	1.3%	1.4%	**1.3%**	**1.3%**
Credit-Deposit	95.9%	99.3%	**98.1%**	**99.0%**
Investment / Deposit	59.7%	62.5%	57.3%	53.4%
Cost to income	42.2%	43.0%	**43.7%**	**43.3%**
NIM	2.8%	2.8%	**2.8%**	**2.9%**
Solvency				
Gross NPA (Rs. Cr)	10,034.3	9,475.3	9,711.2	10,445.5
Net NPA (Rs. Cr)	7,626.9	7,614.5	7,560.8	7,919.1
Gross NPA (%)	4.6	3.7	3.7	3.7
Net NPA (%)	1.1	0.7	0.7	0.8
Capital Adequacy Ratio (%)	19.5	18.5	18.0	17.5
Tier I Capital (%)	13.1	12.6	12.5	12.4
Tier II Capital (%)	6.4	5.9	5.5	5.1
Per Share Data (Rs.)				
EPS	44.7	56.1	58.1	63.6
Dividend Per Share	14.0	16.5	16.5	16.5
Book Value	477.8	523.9	563.6	608.8
Adjusted Book Value of share	464.2	513.4	551.4	594.6
Valuation ratio				
Price/Earnings(x)	23.5	18.7	18.1	16.5
Price/Book Value(x)	2.2	2.0	1.9	1.7
Price/Adj.Book Value(x)	2.3	2.0	1.9	1.8
Return Ratio				
RoA(%)	1.3%	1.5%	1.3%	1.3%
RoE(%)	9.7%	11.2%	10.7%	10.9%
Growth Ratio (%)				
Interest Income	1.0%	29.1%	14.0%	11.5%
Interest Expenses	-3.6%	34.5%	14.2%	9.9%
Other Income	-11.1%	12.9%	1.3%	3.8%
Total Income	-1.7%	25.8%	11.7%	10.2%
Net profit	28.0%	25.5%	3.6%	9.6%
Deposits	11.7%	13.3%	15.0%	13.0%
Advances	19.4%	17.3%	13.6%	14.1%

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