

INDIA: Small and Mid-cap World 2015

We have met over 200 managements over the last few months. We believe that expectations for corporate profit growth for 2HFY15 will not come through and revival is expected only in 1HFY16. Having said that, we do not expect markets to sell off as confidence levels have only continued to improve.

Falling commodity prices provide a benign setting for inflation, greatly increasing chances of a rate cut by the end of this fiscal. We expect a US\$ 18-20 bn and US\$ 35-40 bn savings for FY15 and FY16, respectively. This has come as a great shot in the arm for the Modi government in its pursuit to control inflation and boost economic growth.

We expect growth to pick up sharply in 1HFY16. Our CY15 and FY16 Nifty targets stand at 9,700 and 10,100, respectively. We expect small and mid-cap stocks to outperform over the next 12 to 15 months just like they have over the past 12 months.

The only risk to our outlook is onset of a full blown global deflation which could set of a downward chain reaction.

Our top picks for CY15 in the Small and Mid-cap world are:

Mid caps: NCC, Gateway Distriparks, Info Edge, Voltas, Britannia, Arvind, Amara Raja Batteries, Jubilant FoodWorks and KPR Mill.

Small caps: HeidelbergCement India, Atul, Himatsingka Seide and Prism Cement.

Index	Page No.	Index	Page No.
Valuation summary	4-11	DB Corp	84
Companies	14-305	Deepak Fertilisers & Petrochemicals Corp	86
Aban Offshore	14	EID Parry	88
AIA Engineering	16	EIH	90
Akzo Nobel India	18	Engineers India	92
Allahabad Bank	20	Entertainment Network	94
Allcargo Logistics	22	FAG Bearings	96
Alstom India	24	Federal Bank	98
Alstom T&D India	26	Fortis Healthcare	100
Amara Raja Batteries	28	Future Retail	102
Andhra Bank	30	Gateway Distriparks	104
Apollo Tyres	32	GMDC	106
Arvind	34	GMR Infrastructure	108
Ashok Leyland	36	Godrej Properties	110
Atul	38	Great Eastern Shipping Co.	112
Bajaj Corporation	40	Greaves Cotton	114
Bajaj Electricals	42	Grindwell Norton	116
Balkrishna Industries	44	Gujarat Gas	118
Balrampur Chini Mills	46	Gujarat Pipavav Port	120
BASF India	48	Gujarat State Fertilizers & Chemicals	122
Bayer CropScience	50	Gujarat State Petronet	124
BEML	52	GVK Power & Infrastructure	126
Biocon	54	HDIL	128
Birla Corp	56	HeidelbergCement India	130
Blue Star	58	Himatsingka Seide	132
Bombay Dyeing	60	Hindustan Construction	134
Brigade Enterprises	62	Honeywell Automation	136
Carborundum Universal	64	HT Media	138
CARE	66	ICRA	140
CEAT	68	India Cements	142
Century Textiles	70	Indian Bank	144
CESC	72	Indian Hotels	146
Chambal Fertilisers	74	Indian Overseas Bank	148
Chennai Petroleum	76	Indraprastha Gas	150
Coromandel International	78	Info Edge	152
Corporation Bank	80	IRB Infrastructure	154
Cox & Kings	82	Jagran Prakashan	156

Index	Page No.	Index	Page No.
Jaiprakash Power Ventures	158	Rallis India	232
Jammu & Kashmir Bank	160	Rashtriya Chemicals & Fertilizers	234
Jet Airways	162	Raymond	236
Jindal SAW	164	Sadbhav Engineering	238
JK Tyre and Industries	166	Sanofi India	240
Jubilant FoodWorks	168	Shipping Corporation of India	242
Kalpataru Power	170	Shoppers Stop	244
Kansai Nerolac Paints	172	Shriram City Union Finance	246
Karnataka Bank	174	Simplex Infrastructures	248
Kaveri Seed Company	176	Sintex Industries	250
Kewal Kiran Clothing	178	SJVN	252
Kirloskar Brothers	180	SKF India	254
Kirloskar Oil Engines	182	Sobha	256
KPIT Technologies	184	South Indian Bank	258
KPR Mill	186	SRF	260
KSB Pumps	188	Sundram Fasteners	262
Lakshmi Machine Works	190	Suzlon Energy	264
Lanco Infratech	192	Swaraj Engines	266
Maharashtra Seamless	194	Tata Chemicals	268
Mahindra Lifespace	196	Tata Communications	270
McLeod Russel	198	Tata Global Beverages	272
Mindtree	200	The Phoenix Mills	274
Monsanto India	202	The Ramco Cements	276
Mphasis	204	Thermax	278
MRPL	206	TTK Prestige	280
NCC	208	Tube Investments of India	282
NIIT Technologies	210	TVS Motor	284
Oriental Bank of Commerce	212	UCO Bank	286
Page Industries	214	Unichem Laboratories	288
Pfizer	216	Unitech	290
Prestige Estates Projects	218	Vardhman Textiles	292
Prism Cement	220	Vijaya Bank	294
PTC India	222	Voltas	296
Punj Lloyd	224	WABCO India	298
Puravankara Projects	226	Welspun Corp	300
PVR	228	Westlife Development	302
Radico Khaitan	230	Wyeth	304

Valuation summary (Companies under B&K Coverage)

Company	BB code	CMP (Rs) 02-Jan-15	Mkt Cap (US\$mn)	Avg daily T/O-6m (US\$000)	Adjusted EPS (Rs)			EPS CAGR (%) (FY14- FY16E)
					FY14	FY15E	FY16E	
Aban Offshore	ABAN IN	511	459	18,831	90.4	96.5	118.7	14.6
AIA Engineering	AIAE IN	1,107	1,649	2,013	36.8	43.0	49.0	15.5
Akzo Nobel India	AKZO IN	1,416	1,073	709	32.2	36.7	42.7	15.2
Allahabad Bank	ALBK IN	132	1,136	7,720	22.4	9.5	27.4	10.4
Allcargo Logistics	AGLL IN	335	668	744	14.0	17.4	22.6	27.0
Alstom India	ALST IN	647	687	934	20.4	21.3	29.0	19.3
Alstom T&D India	ATD IN	469	1,896	947	4.8	7.6	10.4	47.6
Amara Raja Batteries	AMRJ IN	807	2,177	3,401	21.5	24.8	32.2	22.3
Andhra Bank	ANDB IN	96	896	5,785	7.6	14.4	18.3	55.5
Apollo Tyres	APTY IN	224	1,798	16,699	19.9	20.6	23.3	8.1
Arvind	ARVND IN	282	1,150	16,433	14.4	16.1	20.3	19.0
Ashok Leyland	AL IN	53	2,401	11,994	(1.8)	0.4	1.8	–
Atul	ATLP IN	1,356	635	1,958	73.9	82.2	101.3	17.1
Bajaj Corp	BJCOR IN	398	927	1,260	11.7	13.3	15.4	14.4
Bajaj Electricals	BJE IN	238	379	1,806	(0.5)	2.5	11.2	–
Balkrishna Industries	BIL IN	618	944	1,756	49.1	44.6	55.5	6.4
Balrampur Chini Mills	BRCM IN	60	233	886	0.1	4.5	5.3	496.8
BASF India	BASF IN	1,273	870	845	31.2	15.0	34.6	5.4
Bayer CropScience	BYRCS IN	3,490	2,019	1,027	67.0	105.3	123.0	35.5
BEML	BEMLIN IN	786	517	4,590	(2.7)	6.1	38.3	–
Biocon	BIOS IN	429	1,355	8,178	20.7	21.5	25.5	11.0
Birla Corp	BCORP IN	459	558	840	20.6	37.3	48.4	53.3
Blue Star	BLSTR IN	331	470	524	8.4	12.8	17.0	41.9
Bombay Dyeing	BD IN	68	221	2,090	1.2	2.1	2.2	37.3
Brigade Enterprises	BRGD IN	149	265	316	7.6	8.3	11.2	21.9
Carborundum Universal	CU IN	182	541	594	4.9	4.5	9.2	37.6
CARE	CARE IN	1,570	719	1,716	45.6	52.5	63.3	17.9
CEAT	CEAT IN	880	562	11,484	70.6	79.0	96.4	16.9
Century Textiles	CENT IN	533	784	9,267	0.1	14.2	22.9	1,175.7
CESC	CESC IN	675	1,413	6,204	52.1	56.1	58.7	6.1
Chambal Fertilisers	CHMB IN	62	407	782	4.4	6.4	6.7	23.0
Chennai Petroleum	MRLIN	73	172	1,234	0.1	(16.1)	10.4	877.8
Coromandel International	CRIN IN	302	1,362	1,272	13.3	15.8	21.8	28.1
Corporation Bank	CRPBK IN	338	895	625	35.1	44.4	54.0	24.1
Cox & Kings	COXK IN	306	818	3,466	20.1	18.9	28.4	18.9
DB Corp	DBCLIN	402	1,166	314	16.7	19.4	24.0	19.9
Deepak Fertilisers & Petrochemicals	DFPC IN	143	199	626	30.1	13.2	30.6	0.9
EID Parry	EID IN	200	554	762	1.5	4.5	5.8	95.6

Valuation summary (Companies under B&K Coverage)

Absolute price performance (%)			EBITDA Margin (%)			PER (%)			NetDebt/ Eq. (x)	RoE (%)	RoCE (%)	EV/ EBITDA(x)	Price/ BV	Yield (%)
3M	6M	12M	FY14	FY15E	FY16E	FY14	FY15E	FY16E						
(11.3)	(36.2)	37.6	56.0	55.8	55.5	5.9	5.3	4.3	2.4	11.0	10.1	6.5	0.5	0.6
17.1	41.1	138.8	24.1	25.7	26.0	15.2	25.9	22.7	(0.3)	21.2	28.2	16.6	5.0	0.5
10.7	37.9	72.9	8.1	9.1	9.8	26.5	38.8	33.3	(0.3)	19.5	24.9	26.7	7.3	1.4
35.5	(6.3)	38.9	—	—	—	4.1	9.6	3.3	—	4.3	—	0.0	0.7	4.4
43.5	25.9	167.2	8.1	8.1	8.4	11.0	19.0	14.7	0.1	11.6	12.9	9.6	2.1	0.5
36.8	24.5	78.1	6.8	9.1	10.6	20.5	30.3	22.2	(0.2)	14.8	21.5	18.9	4.3	1.6
36.0	39.2	131.9	8.5	10.8	11.7	52.1	61.8	45.2	0.3	14.8	20.1	28.2	8.7	0.4
32.3	66.0	141.0	16.5	17.0	16.8	18.3	32.7	25.2	(0.2)	27.4	37.2	18.8	8.0	0.3
49.1	(5.2)	52.4	—	—	—	8.4	4.4	3.5	—	8.6	—	0.0	0.6	3.9
13.7	9.4	117.7	14.1	14.6	14.4	8.0	11.1	9.9	0.1	21.1	24.3	6.4	2.2	(0.4)
(4.5)	20.0	95.1	13.6	13.4	14.0	12.1	17.5	13.8	1.0	16.5	15.2	9.5	2.7	1.0
26.7	47.1	200.8	1.7	7.2	9.0	(12.9)	141.7	31.5	0.7	3.1	5.8	22.0	4.0	0.0
(1.8)	47.1	205.2	15.2	15.6	16.1	5.9	16.1	13.1	0.2	25.8	26.9	9.7	3.7	0.8
49.8	65.3	85.1	27.8	27.5	27.5	18.5	29.9	25.9	(0.6)	39.3	49.3	26.2	12.3	2.9
(12.8)	(32.0)	9.0	2.0	3.6	5.9	(546.0)	96.3	22.0	0.7	3.6	12.9	17.4	3.5	1.6
(21.5)	(16.6)	87.9	23.6	23.2	23.2	9.7	14.5	11.6	0.9	20.5	13.1	8.8	2.7	0.3
10.8	(27.2)	31.2	8.0	11.4	10.2	374.9	13.5	11.4	1.0	8.5	8.6	8.6	1.1	3.3
(2.9)	43.0	98.3	6.4	5.7	7.5	27.6	86.5	37.5	0.9	5.2	6.0	24.1	4.4	0.3
44.5	90.8	99.9	13.3	14.0	14.5	22.5	31.7	27.2	(0.3)	20.3	29.6	22.7	5.9	0.4
28.9	(0.5)	245.9	3.9	3.4	6.8	(108.5)	126.5	20.2	0.3	1.2	3.3	37.2	1.5	0.3
(14.1)	(18.1)	(6.8)	24.2	25.0	25.3	20.5	20.0	16.8	(0.2)	13.5	12.1	10.6	2.6	1.2
(4.4)	7.4	78.8	9.1	14.5	15.8	14.1	12.3	9.5	0.0	11.4	11.0	7.4	1.4	1.7
(9.1)	11.9	107.3	3.8	5.8	7.1	23.8	25.7	19.3	0.5	20.6	19.1	17.7	5.1	1.8
0.7	(16.2)	(3.2)	9.2	10.7	9.5	47.0	31.9	30.1	1.1	9.0	10.0	9.4	2.8	1.2
5.9	20.7	144.4	34.9	33.3	31.3	8.1	17.6	13.0	0.7	7.2	10.2	7.8	1.2	1.4
(7.2)	7.5	27.5	12.0	12.3	15.7	30.1	39.8	19.4	0.2	7.4	10.0	14.0	2.9	0.6
3.3	51.8	127.6	63.3	64.3	65.8	16.4	30.8	25.5	(0.4)	36.5	50.0	24.5	13.4	5.1
15.2	30.7	149.9	11.5	11.2	10.8	6.3	11.1	9.1	0.9	25.0	25.7	6.7	2.5	0.2
0.2	(13.8)	81.6	10.8	10.7	11.3	2580.3	37.8	23.4	2.4	8.5	6.3	12.7	3.0	1.2
(10.0)	(6.3)	50.3	26.7	24.5	28.7	9.6	12.1	11.6	0.3	10.9	8.7	6.6	1.3	1.3
5.8	5.9	55.7	7.6	7.9	7.9	9.0	9.6	9.2	1.6	12.4	8.8	8.3	1.1	3.3
(26.9)	(22.8)	9.2	1.2	0.6	1.9	626.5	(4.6)	7.1	2.8	(12.6)	1.0	23.8	0.5	0.0
(0.9)	18.3	32.0	8.1	8.7	9.4	16.9	19.2	13.9	0.5	18.5	22.5	10.3	3.4	1.6
6.8	(15.5)	28.3	—	—	—	7.9	6.2	5.1	—	6.6	—	0.0	0.6	2.9
0.4	35.2	150.8	38.6	39.4	42.5	8.0	16.5	11.0	1.3	15.7	9.3	8.5	2.7	0.3
13.7	21.8	38.5	27.1	29.2	31.5	18.5	20.3	16.4	(0.1)	29.1	36.4	11.9	5.5	2.3
(9.6)	(13.8)	40.4	13.1	8.8	12.4	4.0	11.1	4.8	0.4	7.7	11.0	5.6	0.8	4.1
(11.3)	(4.9)	45.8	9.3	12.7	13.2	88.8	44.0	34.4	0.9	7.8	0.0	20.5	2.6	2.0

Valuation summary (Companies under B&K Coverage)

Company	BB code	CMP (Rs) 02-Jan-15	Mkt Cap (US\$mn)	Avg daily T/O-6m (US\$000)	Adjusted EPS (Rs)			EPS CAGR (%) (FY14- FY16E)
					FY14	FY15E	FY16E	
EIH	EIH IN	120	1,082	440	1.8	2.3	3.3	36.0
Engineers India	ENGR IN	232	1,232	2,854	14.4	9.0	10.7	(13.7)
Entertainment Network	ENIL IN	518	390	110	17.5	21.9	25.4	20.3
FAG Bearings	FAG IN	3,600	945	374	73.3	95.3	123.3	29.7
Federal Bank	FB IN	149	2,014	9,280	9.8	11.5	14.0	19.5
Fortis Healthcare	FORH IN	112	815	913	2.9	(0.8)	3.4	8.3
Future Retail	FRL IN	107	659	2,193	(0.6)	0.4	2.9	–
Gateway Distriparks	GDPL IN	350	602	1,886	12.5	15.0	17.6	18.5
GMDC	GMDC IN	132	665	621	13.8	17.6	20.7	22.4
GMR Infrastructure	GMRI IN	18	1,244	10,753	(4.7)	(5.1)	(4.2)	(4.6)
Godrej Properties	GPL IN	257	808	1,067	8.0	9.6	12.2	23.3
Great Eastern Shipping Co.	GESCO IN	375	893	1,080	30.8	33.5	41.9	16.7
Greaves Cotton	GRV IN	145	559	836	4.8	5.7	7.4	24.4
Grindwell Norton	GWN IN	613	536	230	14.9	18.6	25.2	30.3
Gujarat Gas	GGAS IN	751	1,522	4,515	26.1	25.4	23.6	(4.9)
Gujarat Pipavav Port	GPPV IN	224	1,708	3,172	3.6	6.4	8.6	53.7
Gujarat State Fertilizers & Chemicals	GSFC IN	106	667	NA	8.6	12.3	14.1	28.3
Gujarat State Petronet	GUJS IN	113	1,006	2,478	7.4	6.9	7.1	(2.3)
GVK Power & Infrastructure	GVKP IN	9	232	1,027	(2.3)	(5.6)	(4.8)	44.1
HDIL	HDIL IN	70	463	23,599	3.8	7.4	8.9	53.5
HeidelbergCement India	HEIM IN	84	300	848	(1.8)	1.5	6.4	–
Himatsingka Seide	HSS IN	94	147	631	6.9	10.3	12.4	34.4
Hindustan Construction	HCC IN	31	319	2,748	1.3	1.0	0.6	(34.7)
Honeywell Automation	HWA IN	6,840	955	141	97.4	135.3	173.7	33.5
HT Media	HTML IN	129	473	457	6.9	9.0	10.9	26.0
ICRA	ICRA IN	3,250	513	269	70.2	85.3	104.4	21.9
India Cements	ICEM IN	86	419	4,630	(3.8)	2.1	7.8	–
Indian Bank	INBK IN	215	1,581	1,019	25.9	24.2	28.8	5.5
Indian Hotels	IH IN	121	1,542	1,833	0.0	0.9	1.9	1,153.4
Indian Overseas Bank	IOB IN	64	1,246	2,507	6.0	2.5	3.7	(21.5)
Indraprastha Gas	IGL IN	452	1,000	3,752	25.7	31.5	32.3	12.1
Info Edge	INFOE IN	854	1,622	2,384	11.8	15.3	19.1	27.6
IRB Infrastructure	IRB IN	267	1,403	19,431	13.8	16.4	17.9	13.9
Jagran Prakashan	JAGP IN	135	696	622	6.7	7.8	9.2	17.4
Jaiprakash Power Ventures	JPVL IN	13	585	3,417	0.1	1.2	1.4	256.9
Jammu & Kashmir Bank	JKBK IN	153	1,174	2,361	24.4	16.3	24.0	(0.8)
Jet Airways	JETIN IN	440	790	10,821	(350.6)	(36.4)	71.3	–
Jindal SAW	JSAW IN	95	415	4,286	(0.6)	7.0	12.6	–

Valuation summary (Companies under B&K Coverage)

Absolute price performance (%)			EBITDA Margin (%)			PER (%)			Net Debt/ Eq. (x)	RoE (%)	RoCE (%)	EV/ EBITDA(x)	Price/ BV	Yield (%)
3M	6M	12M	FY14	FY15E	FY16E	FY14	FY15E	FY16E						
20.8	29.5	108.4	21.2	21.7	23.2	41.0	51.2	36.0	0.1	5.0	7.6	19.8	2.6	1.1
(4.8)	(28.8)	42.6	20.9	10.8	14.9	15.7	26.1	21.9	(0.8)	11.7	16.8	32.0	3.0	1.7
18.7	15.1	55.8	31.7	32.4	34.0	21.3	23.9	20.6	(0.7)	16.7	22.7	14.4	3.7	0.4
21.3	39.4	130.1	12.3	14.1	14.9	22.3	37.6	28.9	(0.4)	14.9	21.8	23.8	5.2	0.2
20.5	13.9	80.2	—	—	—	9.8	8.3	6.8	—	13.0	—	0.0	1.1	2.6
(4.3)	(10.6)	9.7	1.3	3.8	5.9	33.2	(136.6)	32.0	0.3	(0.9)	1.0	39.8	1.2	0.0
(7.5)	(20.9)	43.6	9.0	9.2	9.3	(131.2)	268.0	36.7	2.0	0.3	6.8	9.2	0.8	0.8
31.8	44.2	153.5	25.4	26.3	25.9	13.3	23.4	20.0	0.1	17.4	14.4	13.7	3.7	0.9
(7.0)	(22.5)	15.1	47.2	45.4	44.5	9.6	7.5	6.4	(0.0)	18.2	20.9	5.3	1.3	2.9
1.4	(46.5)	(23.5)	25.8	22.4	30.8	(4.7)	(3.5)	(4.2)	5.6	(37.0)	1.7	19.9	1.4	0.0
9.1	4.5	53.8	26.3	21.1	25.4	26.7	27.5	21.7	1.1	10.3	7.2	26.1	2.7	0.8
(14.9)	2.5	18.2	46.4	45.4	47.2	11.1	11.3	9.0	0.4	7.3	7.3	6.2	0.8	2.1
10.8	17.5	123.6	10.9	12.3	14.0	16.9	25.4	19.5	(0.2)	15.9	21.6	15.2	3.8	1.1
22.8	45.1	130.9	9.9	11.0	13.3	19.0	33.8	25.0	(0.1)	17.6	23.2	28.5	5.6	1.0
51.5	39.7	176.2	16.0	17.3	15.3	10.1	29.7	32.0	(0.5)	24.1	27.2	19.5	6.6	1.0
36.8	86.6	259.5	49.6	57.5	58.7	17.4	32.3	25.7	(0.0)	19.9	19.3	26.8	5.8	0.0
(7.1)	24.3	96.8	9.8	11.3	11.5	6.6	8.5	7.4	(0.0)	11.2	13.0	6.1	0.9	1.9
22.2	19.8	91.1	88.4	87.1	87.0	9.3	17.7	17.2	0.1	11.2	15.1	8.4	1.9	0.8
(8.4)	(50.8)	2.2	35.7	23.6	44.3	(4.7)	(1.6)	(1.9)	4.9	(35.6)	0.2	37.1	0.7	0.0
(13.9)	(30.9)	33.5	32.2	37.1	38.7	15.2	9.7	8.1	0.3	2.9	3.7	12.7	0.3	0.0
(4.9)	28.7	113.0	8.4	15.9	20.8	(20.8)	55.5	12.9	1.0	4.0	7.5	10.4	2.2	0.0
1.3	26.6	71.4	9.9	10.8	11.3	8.4	8.8	7.3	0.9	13.0	12.7	6.7	1.1	2.0
(2.9)	(32.2)	108.7	15.6	19.1	18.5	12.7	31.9	55.0	3.6	4.8	11.6	9.1	1.5	0.0
28.4	32.8	146.7	6.9	9.4	9.8	28.5	51.5	39.7	(0.4)	14.3	21.5	33.0	6.9	0.1
15.4	5.9	61.4	14.2	15.1	16.0	13.6	14.1	11.7	(0.3)	11.4	15.2	6.4	1.5	0.3
25.5	23.6	107.8	30.7	32.3	34.1	27.0	38.4	31.4	(0.2)	20.8	28.4	30.2	7.6	0.8
(23.7)	(27.6)	47.7	11.6	14.5	16.9	(16.0)	42.2	11.1	0.9	1.7	6.9	7.2	0.7	0.6
41.5	18.1	84.0	—	—	—	4.4	4.8	4.0	—	8.8	—	0.0	0.5	6.5
25.9	14.5	104.6	13.8	15.1	16.8	5,929.6	138.7	62.6	1.1	2.6	4.6	20.8	3.6	0.0
12.7	(21.2)	25.3	—	—	—	8.4	19.9	13.7	—	2.0	—	0.0	0.7	1.6
8.4	22.3	69.4	20.0	21.8	21.6	11.6	14.6	14.2	(0.0)	22.9	29.7	7.8	3.1	1.5
(1.0)	29.1	90.8	33.0	32.1	32.7	52.7	55.5	44.4	(0.8)	14.7	21.3	45.0	5.9	0.1
17.3	7.9	182.2	47.0	55.0	53.5	7.5	14.9	13.7	2.9	15.1	6.2	8.7	2.1	1.6
7.9	4.9	57.8	22.5	24.8	25.6	15.4	17.2	14.6	0.1	24.3	25.1	9.4	4.0	3.3
3.7	(46.6)	(31.5)	70.8	68.9	53.2	126.5	10.2	8.8	3.8	5.5	6.9	9.8	0.6	0.0
10.1	(5.0)	5.8	—	—	—	6.3	9.4	6.4	—	12.6	—	0.0	1.3	2.0
107.7	68.6	55.1	(10.6)	4.7	10.4	(0.7)	(11.8)	6.0	(2.2)	9.3	5.7	15.3	(1.1)	0.0
20.8	12.9	90.2	9.6	11.4	12.5	(87.7)	13.4	7.4	1.6	5.4	6.9	9.3	0.7	1.1

Valuation summary (Companies under B&K Coverage)

Company	BB code	CMP (Rs) 02-Jan-15	Mkt Cap (US\$mn)	Avg daily T/O-6m (US\$000)	Adjusted EPS (Rs)			EPS CAGR (%) (FY14- FY16E)
					FY14	FY15E	FY16E	
JK Tyre and Industries	JKIIN	131	425	9,586	62.4	74.0	86.6	17.8
Jubilant FoodWorks	JUBIIN	1,372	1,420	5,461	18.1	20.1	31.0	31.0
Kalpataru Power	KPPIN	235	570	1,188	9.5	12.5	17.8	36.5
Kansai Nerolac Paints	KNPLIN	2,044	1,740	525	40.4	50.0	62.0	24.0
Karnataka Bank	KBLIN	148	440	5,443	16.5	18.3	21.4	13.9
Kaveri Seed Company	KSCLIN	776	845	2,853	30.7	41.2	53.2	31.6
Kewal Kiran Clothing	KEKCIN	1,950	380	116	54.4	63.2	80.5	21.6
Kirloskar Brothers	KKBIN	236	296	191	8.1	4.3	11.8	20.9
Kirloskar Oil Engines	KOELIN	270	616	154	12.3	12.1	13.6	5.1
KPIT Technologies	KPITIN	215	664	2,858	14.0	12.8	16.4	8.5
KPR Mill	KPRIN	377	225	674	37.2	48.1	66.9	34.2
KSB Pumps	KSBIN	642	353	205	19.2	20.6	23.7	11.2
Lakshmi Machine Works	LMWIN	3,905	695	572	170.2	195.4	242.3	19.3
Lanco Infratech	LANCIN	6	234	1,023	(8.8)	(6.4)	(6.0)	(17.0)
Maharashtra Seamless	MHSIN	245	259	569	14.2	16.5	17.9	12.3
Mahindra Lifespace	MLIFEIN	474	307	332	24.6	64.6	35.9	20.8
McLeod Russel	MCLRIN	234	405	1,599	31.2	26.4	35.5	6.6
Mindtree	MTCLIN	1,299	1,718	3,500	53.9	64.6	75.4	18.2
Monsanto India	MCHMIN	2,926	798	2,578	75.2	85.7	109.9	20.9
Mphasis	MPHLIN	390	1,295	1,053	34.8	32.0	36.6	2.6
MRPL	MRPLIN	48	1,341	769	2.8	(1.0)	7.4	62.2
NCC	NJCCIN	82	720	4,626	1.6	1.1	1.8	6.4
NIIT Technologies	NITECIN	380	366	920	38.2	34.3	46.8	10.6
Oriental Bank of Commerce	OBCIN	335	1,586	9,258	38.0	40.9	48.0	12.4
Page Industries	PAGIN	12,420	2,188	1,916	137.9	180.0	233.9	30.3
Pfizer	PFIZIN	2,220	1,047	790	77.2	56.9	73.9	(2.2)
Prestige Estates Projects	PEPLIN	231	1,371	1,393	9.0	11.1	14.1	25.5
Prism Cement	PRSCIN	80	636	648	(1.7)	—	—	—
PTC India	PTCININ	96	449	3,581	8.4	7.7	6.8	(10.0)
Punj Lloyd	PUNJIN	38	200	1,159	(16.5)	(41.6)	(26.2)	26.0
Puravankara Projects	PVKPIN	84	313	441	6.7	5.7	11.0	28.6
PVR	PVRLIN	705	461	1,131	12.9	11.0	26.6	43.8
Radico Khaitan	RDCKIN	89	186	686	6.9	5.4	6.0	(7.2)
Rallis India	RALIN	221	679	1,387	8.1	8.7	10.8	15.3
Rashtriya Chemicals & Fertilizers	RCFIN	68	597	2,263	4.5	6.8	7.5	29.1
Raymond	RWIN	516	500	2,972	23.3	23.8	34.5	21.7
Sadbhav Engineering	SADEIN	261	707	1,077	7.8	6.0	8.1	2.0
Sanofi India	SANLIN	3,593	1,307	802	104.1	102.7	127.4	10.6

Valuation summary (Companies under B&K Coverage)

Absolute price performance (%)			EBITDA Margin (%)			PER (%)			NetDebt/ Eq. (x)	RoE (%)	RoCE (%)	EV/ EBITDA(x)	Price/ BV	Yield (%)
3M	6M	12M	FY14	FY15E	FY16E	FY14	FY15E	FY16E						
36.4	99.1	286.4	11.3	11.6	11.6	0.6	1.8	1.6	1.9	30.8	16.4	3.3	0.5	2.3
7.3	5.0	7.2	14.4	12.4	14.1	58.8	68.6	44.5	(0.1)	21.5	27.7	33.5	13.3	0.0
51.6	21.7	159.2	9.6	10.2	11.3	10.0	18.6	13.1	0.4	9.5	15.1	9.2	1.7	1.1
8.8	37.2	80.6	11.9	12.3	12.6	29.3	40.7	32.8	(0.0)	17.7	23.9	24.1	6.7	0.5
33.1	2.2	36.3	—	—	—	7.1	6.4	5.5	—	10.2	—	0.0	0.8	3.8
(7.0)	(0.4)	113.6	22.0	23.2	24.3	20.8	18.6	14.4	(0.7)	44.7	45.2	16.5	7.1	0.9
6.7	14.4	69.3	25.4	24.0	24.8	21.2	30.0	23.5	(0.5)	25.0	34.5	20.2	7.0	1.3
(9.9)	(15.6)	50.5	8.0	5.4	7.5	20.4	55.5	20.2	0.2	3.5	7.0	14.9	2.0	1.0
5.8	2.9	77.9	13.1	11.0	11.5	16.5	22.3	19.8	(0.5)	13.3	17.5	11.0	2.9	1.9
33.0	24.0	24.3	15.7	13.7	15.9	11.5	16.1	12.3	(0.2)	18.7	21.2	8.9	3.0	0.4
20.2	43.5	149.9	17.8	18.4	19.3	3.3	7.4	5.3	0.8	20.5	17.7	4.5	1.4	2.5
18.3	16.2	145.5	13.9	14.6	15.3	14.1	32.1	26.5	(0.4)	13.4	18.0	18.6	4.1	0.8
(2.4)	1.4	47.4	11.8	13.4	13.8	17.9	20.5	16.5	(0.8)	18.5	22.2	9.9	3.5	1.0
(8.9)	(52.0)	(21.7)	14.4	24.6	24.2	(0.8)	(0.9)	(1.0)	55.2	(216.3)	3.1	16.9	(43.6)	0.0
(24.5)	(23.3)	48.5	7.3	7.1	7.7	13.6	15.1	13.9	(0.1)	5.0	4.8	14.2	0.8	2.2
(9.0)	(14.5)	21.9	24.1	41.1	26.6	14.7	7.6	13.6	0.7	19.1	15.7	7.4	1.3	1.2
(20.1)	(26.9)	(26.4)	18.1	17.2	20.3	9.8	8.8	6.5	0.1	13.1	13.0	7.0	1.1	4.0
13.6	51.5	67.1	20.1	19.9	20.3	12.2	19.7	16.9	(0.5)	28.3	36.2	13.3	5.0	0.8
(2.1)	32.3	251.1	25.2	26.0	28.7	19.9	34.0	26.5	(0.6)	39.1	43.9	28.5	12.2	1.4
(7.7)	(10.3)	(9.1)	17.0	15.1	18.3	11.6	12.2	10.7	(0.6)	13.4	17.6	5.5	1.6	4.1
(20.4)	(35.2)	13.3	1.4	(0.1)	5.1	17.0	(46.9)	6.6	1.4	(2.7)	(0.2)	(276.9)	1.3	0.0
114.5	69.7	325.7	6.6	7.8	8.0	13.8	72.8	45.2	0.7	2.2	11.1	12.5	1.4	0.1
(7.6)	(18.1)	3.6	15.3	15.8	18.1	10.5	10.9	8.0	(0.4)	15.7	21.5	4.5	1.6	2.7
46.0	2.8	51.8	—	—	—	5.9	5.5	4.6	—	8.7	—	0.0	0.6	3.6
55.6	72.7	140.5	21.2	21.0	21.0	47.1	67.1	51.6	0.4	59.5	54.2	42.4	35.0	0.7
33.7	57.1	91.7	24.7	21.1	23.7	16.5	39.4	30.3	(0.6)	24.5	36.5	27.9	9.2	0.7
6.2	(3.5)	48.0	28.9	29.5	30.1	19.0	20.6	16.2	0.7	12.1	12.6	11.7	2.2	0.9
9.1	6.2	187.6	3.6	—	—	(22.4)	—	—	—	0.0	0.0	—	—	—
18.3	(2.5)	56.0	2.7	1.7	1.3	8.1	12.4	14.2	(0.2)	8.9	12.7	9.4	1.1	2.8
5.1	(27.0)	26.3	5.4	(5.1)	4.9	(1.7)	(0.9)	(1.4)	8.9	(89.8)	(8.8)	(23.3)	1.5	0.0
(18.2)	(27.3)	8.3	36.6	26.8	32.8	10.2	14.9	7.6	0.7	6.1	10.8	8.5	0.9	1.8
1.5	6.1	12.2	15.7	16.3	18.1	36.5	64.6	26.8	1.2	10.9	11.2	13.9	6.8	0.4
10.7	(21.6)	(37.2)	14.8	12.5	12.2	21.0	16.4	14.7	1.0	8.5	10.5	10.5	1.3	0.9
(2.2)	(2.3)	25.8	15.6	15.4	16.4	21.3	25.5	20.4	0.1	21.6	28.7	14.7	5.1	1.1
31.6	5.6	97.0	8.6	9.7	9.9	7.3	9.9	8.9	0.3	14.3	14.3	5.9	1.4	2.2
19.8	24.2	80.2	10.6	10.5	11.6	13.0	21.5	14.9	0.9	9.6	11.7	8.5	2.0	0.6
18.8	26.9	197.3	10.6	10.7	11.0	12.5	42.9	32.0	0.8	9.9	10.5	17.1	3.5	0.3
8.8	15.1	28.3	23.3	20.6	22.0	26.4	35.0	28.2	(0.3)	17.1	24.3	20.0	5.8	1.5

Valuation summary (Companies under B&K Coverage)

Company	BB code	CMP (Rs) 02-Jan-15	Mkt Cap (US\$mn)	Avg daily T/O-6m (US\$000)	Adjusted EPS (Rs)			EPS CAGR (%) (FY14- FY16E)
					FY14	FY15E	FY16E	
Shipping Corporation of India	SCI IN	60	440	1,171	(5.9)	2.1	2.6	–
Shoppers Stop	SHOP IN	487	641	521	(4.1)	(0.5)	6.6	–
Shriram City Union Finance	SCUF IN	1,995	2,077	815	87.9	88.8	116.0	14.9
Simplex Infrastructures	SINF IN	365	285	514	12.2	13.1	20.9	30.9
Sintex Industries	SINT IN	97	573	8,265	12.3	10.1	11.8	(2.2)
SJVN	SJVN IN	25	1,637	486	2.7	2.8	3.2	8.9
SKF India	SKF IN	1,361	1,134	1,518	35.8	42.0	49.3	17.3
Sobha	SOBHA IN	476	738	1,671	24.0	24.9	36.2	22.9
South Indian Bank	SIB IN	31	659	2,425	3.8	3.0	3.7	(1.7)
SRF	SRF IN	922	836	4,922	28.9	52.1	73.8	59.9
Sundram Fasteners	SF IN	195	647	880	5.7	10.0	13.0	50.1
Suzlon Energy	SUEL IN	15	754	4,072	(13.2)	(6.6)	(3.6)	(47.7)
Swaraj Engines	SWE IN	892	175	244	53.9	61.2	75.1	18.0
Tata Chemicals	TTCH IN	438	1,763	4,816	18.0	33.7	40.3	49.5
Tata Communications	TCOM IN	435	1,960	4,204	1.2	3.1	7.3	142.3
Tata Global Beverages	TGBL IN	153	1,490	7,325	6.0	7.1	8.0	15.3
The Phoenix Mills	PHNX IN	361	825	425	8.9	7.3	13.7	24.2
The Ramco Cements	TRCL IN	345	1,297	1,224	5.8	14.4	21.5	92.8
Thermax	TMX IN	1,050	1,976	1,044	20.6	22.7	29.6	19.7
TTK Prestige	TTKPT IN	3,636	669	1,278	89.9	106.4	138.4	24.0
Tube Investments of India	TI IN	345	1,020	805	5.0	6.6	7.8	24.5
TVS Motor	TVSL IN	267	2,007	12,455	5.6	7.7	11.3	42.4
UCO Bank	UCO IN	85	1,369	5,840	17.1	10.7	12.5	(14.4)
Unichem Laboratories	ULIN	242	347	584	12.2	13.7	17.1	18.4
Unitech	UT IN	17	719	24,678	0.6	4.2	0.5	(1.4)
Vardhman Textiles	VTX IN	461	464	817	114.9	74.4	86.4	(13.3)
Vijaya Bank	VJYBK IN	52	704	808	6.1	6.1	6.9	5.9
Voltas	VOLT IN	246	1,284	12,004	6.8	9.3	13.3	40.4
WABCO India	WIL IN	4,661	1,397	547	61.9	69.7	115.1	36.3
Welspun Corp	WLCO IN	71	293	397	2.8	2.1	7.2	60.1
Westlife Development	WLDL IN	309	759	75	0.1	0.3	0.9	283.7
Wyeth	WYH IN	1,334	479	276	38.8	53.2	64.4	28.9

Valuation summary (Companies under B&K Coverage)

Absolute price performance (%)			EBITDA Margin (%)			PER (%)			NetDebt/ Eq. (x)	RoE (%)	RoCE (%)	EV/ EBITDA(x)	Price/ BV	Yield (%)
3M	6M	12M	FY14	FY15E	FY16E	FY14	FY15E	FY16E						
7.0	(12.9)	43.2	14.2	16.0	16.0	(7.0)	28.6	23.3	0.8	1.5	2.7	11.8	0.4	0.0
(10.5)	23.4	20.4	2.8	4.1	5.6	(94.2)	(910.6)	74.0	1.3	(0.9)	6.2	26.0	8.6	0.2
18.8	32.6	88.0	—	—	—	22.7	22.5	17.2	—	—	—	0.0	0.0	0.0
70.0	3.5	296.6	9.4	10.3	10.6	9.5	27.4	17.1	2.1	4.6	10.0	8.5	1.2	0.1
34.7	(5.1)	171.9	16.1	16.6	17.2	3.5	9.7	8.3	0.7	10.7	10.4	7.2	0.9	0.7
11.1	1.4	20.7	85.6	86.2	86.8	7.8	9.0	7.9	0.0	12.3	12.8	5.4	1.1	3.8
23.3	24.8	103.7	12.0	12.2	12.5	18.6	32.2	27.4	(0.4)	16.0	24.2	21.8	4.8	0.7
21.7	(2.5)	47.9	27.8	25.5	27.3	15.6	19.2	13.2	0.6	10.3	15.1	9.2	1.9	1.5
21.2	(3.1)	49.6	—	—	—	5.9	7.5	6.1	—	11.0	—	0.0	0.9	4.1
22.5	58.3	319.0	13.0	17.0	18.0	12.5	17.4	12.3	0.9	14.0	11.3	9.4	2.3	2.1
26.4	93.2	321.5	10.6	13.0	13.3	10.9	19.5	15.0	0.6	23.7	20.1	10.7	4.2	0.9
10.0	(47.2)	40.8	(1.6)	3.8	5.7	(0.8)	(2.3)	(4.1)	(5.8)	126.3	2.5	18.7	(1.8)	0.0
(10.2)	(5.7)	43.3	14.9	15.1	15.9	12.5	14.8	12.1	(0.1)	27.6	38.4	10.9	3.7	0.9
10.8	24.3	63.0	11.4	13.5	14.2	15.9	12.9	10.8	0.9	14.7	12.1	7.6	1.8	2.3
21.0	9.3	45.3	15.7	15.8	15.9	248.6	142.3	60.3	9.6	10.3	8.0	6.3	13.8	1.0
(4.0)	(12.5)	(1.6)	8.3	8.6	8.8	24.8	21.6	19.0	0.1	7.4	9.0	14.1	1.6	1.6
7.7	8.5	56.7	46.8	48.7	46.8	28.0	50.2	26.7	1.2	6.1	11.3	10.2	3.0	0.6
9.9	16.4	89.8	15.3	21.5	23.4	37.2	23.2	15.5	0.9	13.1	10.4	11.3	2.9	0.9
16.2	7.1	49.6	8.7	8.2	9.1	36.2	45.8	35.1	(0.1)	12.7	13.0	26.8	5.6	0.7
(10.2)	(3.7)	6.1	12.4	12.7	13.4	33.8	33.9	26.1	(0.1)	19.7	26.5	21.6	6.2	0.7
5.5	18.5	124.4	9.0	8.9	8.9	35.7	52.9	44.8	0.7	9.7	13.5	20.5	5.0	0.7
16.8	59.2	242.4	6.1	6.2	7.4	17.4	35.4	23.9	0.3	26.1	23.5	20.9	8.6	0.6
6.0	(19.5)	12.7	—	—	—	4.3	6.8	5.8	—	9.1	—	0.0	1.2	4.1
9.6	5.8	24.8	15.9	14.9	16.2	18.8	17.8	14.3	(0.0)	14.5	17.1	11.7	2.5	1.8
(9.4)	(49.2)	14.1	5.7	35.0	8.5	24.8	4.3	32.9	0.5	9.0	6.4	9.4	0.4	0.0
5.5	(5.4)	24.4	23.7	18.2	19.3	3.0	6.2	5.4	0.6	14.0	11.2	4.3	0.8	2.8
8.4	(7.0)	29.8	—	—	—	6.5	6.4	5.8	—	8.2	—	0.0	0.7	3.0
0.9	10.6	111.3	5.1	7.2	9.0	23.8	26.3	18.4	(0.4)	16.0	19.7	18.7	4.0	0.8
19.6	34.4	134.6	15.0	15.9	19.0	32.8	67.4	40.8	(0.2)	16.2	21.4	42.3	10.2	0.1
(8.4)	(25.2)	25.7	8.7	8.1	9.3	24.6	33.3	9.9	0.8	2.0	5.6	6.2	0.6	0.7
(4.4)	(11.8)	(16.6)	5.7	5.9	6.8	5,841.9	1,135.6	332.5	(0.1)	0.7	1.7	97.8	8.3	0.0
22.9	38.5	73.4	15.3	20.9	21.8	22.9	25.1	20.7	(0.8)	39.4	53.9	16.7	8.8	1.4

Notes

This page is left blank intentionally

Companies

MID CAP

Share Data

Price (Rs)	506
BSE Sensex	27,797
Reuters code	ABAN.BO
Bloomberg code	ABAN IN
Market cap. (US\$ mn)	465
6M avg. daily turnover (US\$ mn)	18.7
Issued shares (mn)	57

Performance (%)	1M	3M	12M
Absolute	(20)	(33)	37
Relative	(20)	(34)	5

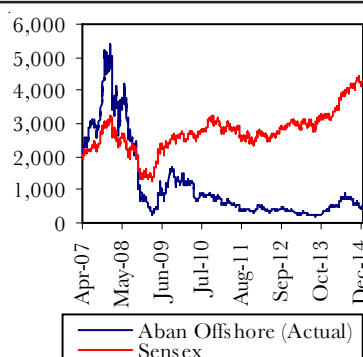
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	96.5	118.7
+/- (%)	6.8	23.0
PER (x)	5.2	4.3
PBV (x)	0.5	0.5
Dividend/Yield (%)	0.6	0.6
EV/Sales (x)	3.6	3.4
EV/EBITDA (x)	6.4	6.2

Major shareholders (%)

Promoters	46
FII's	16
MF's	9
BFSI's	3
Public & Others	27

Relative performance



Aban Offshore

Maintain Underperformer

Repricing concerns persist

Recent performance

Aban Offshore has reported flattish EBITDA CAGR over FY11-14 to Rs 22 bn; however, its net profit has declined significantly to Rs 3.9 bn over the same period due to higher depreciation and interest cost. In the 1H FY15, Aban reported 17.9% YoY increase in its EBITDA to Rs 11,913 mn and 94.7% increase in its net profit to Rs 2,971 mn, respectively.

Key sensitivities to growth/Key risks – Next 12 months

- 3 out of the 18 assets owned by Aban are currently under marketing of which Tahara has not been able to get a contract for ~two years and Aban VII has been out of contract since March 2014.
- 9 of the existing 18 assets owned by Aban are 20-30 year old assets of which 3 are under marketing. Of the remaining 6 rigs, 3 rigs are coming up for renewals in FY15, 1 in FY16 and 2 in FY17, respectively. We believe if these older rigs get repriced at lower day rates (Aban III and IV got repriced at 33% higher rates) they would entail higher maintenance costs which could dent future earnings.

Strategic initiatives/Capex plans

- Aban Offshore has raised Rs 7.5 bn via QIP in July 2014 and the money raised would be utilised for two loan repayments of US\$ 250 mn and US\$ 150 mn scheduled in March 2015 and December 2015, respectively. These loans carry 13.5% interest rate due to which post their repayment the company expects their average interest cost to reduce from the current 7.7% to 6.5%. The balance debt of US\$ 2 bn carried interest rate of LIBOR + 550 bps.

Balance sheet position

- Aban has been able to bring down D/E ratio from 4.2x in FY13 to ~2.4x currently and has Rs 133.6 bn of debt on its book as of now. Its RoE we believe would remain in the range of 10.5-11.5% over the coming years.

Outlook and valuation

With the influx of 80 new rigs in the next 18 months and 9 jack up renewal coming up over the same time we remain concerned on Aban's fleet utilisation. We believe the ability of the company to generate free cash flows to repay its debt and contract renewals would drive the stock performance going forward. The stock is currently trading at 5.3x and 4.3x its FY15E and FY16E EPS and, 6.4x and 6.2x its FY15E and FY16E EV/EBITDA, respectively.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Jinit Mehta
jinit.mehta@bksec.com

Aban Offshore

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	36,727	39,363	44,225	43,466
<i>Growth (%)</i>	<i>16.1</i>	<i>7.2</i>	<i>12.4</i>	<i>(1.7)</i>
Operating expenses	(16,868)	(17,324)	(19,541)	(19,355)
Operating profit	19,859	22,039	24,684	24,112
EBITDA	19,859	22,039	24,684	24,112
<i>Growth (%)</i>	<i>7.9</i>	<i>11.0</i>	<i>12.0</i>	<i>(2.3)</i>
Depreciation	(4,909)	(5,484)	(5,800)	(5,900)
Other income	267	309	250	250
EBIT	15,216	16,864	19,134	18,462
Finance cost	(11,884)	(11,406)	(11,197)	(8,702)
Profit before tax	3,332	5,458	7,937	9,760
Tax (current + deferred)	(1,418)	(1,545)	(2,699)	(3,318)
P/(L) for the period	1,914	3,912	5,238	6,441
P/L of Associates,	25	18	0	0
Min Int, Pref Div				
Reported Profit/(Loss)	1,939	3,931	5,238	6,441
Adjusted net profit	1,939	3,931	5,238	6,441
<i>Growth (%)</i>	<i>(39.7)</i>	<i>102.7</i>	<i>33.3</i>	<i>23.0</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	2,897	2,897	2,919	2,919
Reserves & surplus	29,940	38,374	51,113	57,554
Shareholders' funds	32,837	41,271	54,031	60,473
Minority int. and others	0.07	391	391	391
Non-current liab.	114,017	111,153	95,613	89,133
Long-term borrowings	113,614	110,508	94,968	88,488
Other non-current liabilities	403	644	644	644
Current liabilities	35,031	47,659	48,822	48,723
ST borrowings, curr maturity	22,854	37,459	37,459	37,459
Other current liabilities	12,177	10,200	11,362	11,264
Total (equity and liab.)	181,885	200,474	198,857	198,720
Non-current assets	164,547	180,695	177,210	173,726
Fixed assets (net block)	164,294	178,658	175,174	171,690
Non-current investments	62	83	83	83
Long-term loans and adv.	86	1,884	1,884	1,884
Other non-current assets	105	70	70	70
Current assets	17,338	19,779	21,646	24,994
Cash & current investment	1,386	1,410	1,040	4,678
Other current assets	15,952	18,369	20,606	20,316
Total (assets)	181,885	200,474	198,857	198,720
Total debt	136,467	147,967	132,427	125,947
Capital employed	169,708	190,274	187,494	187,456

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,332	5,458	7,937	9,760
Depreciation	4,909	5,484	5,800	5,900
Change in working capital	1,457	(4,859)	(1,074)	192
Total tax paid	(1,624)	(859)	(2,699)	(3,318)
Others	11,618	11,098	10,947	8,452
Cash flow from oper. (a)	19,692	16,321	20,911	20,985
Capital expenditure	(11,536)	(21,646)	(2,316)	(2,416)
Change in investments	(28)	(21)	0	0
Others	661	344	250	250
Cash flow from inv. (b)	(10,903)	(21,323)	(2,066)	(2,166)
Free cash flow (a+b)	8,789	(5,002)	18,845	18,819
Equity raised/(repaid)	4,221	8,825	12,760	6,441
Debt raised/(repaid)	1,333	11,500	(15,540)	(6,480)
Dividend (incl. tax)	(203)	(231)	(231)	(231)
Others	(13,598)	(15,068)	(16,204)	(14,912)
Cash flow from fin. (c)	(8,248)	5,026	(19,215)	(15,182)
Net chg in cash (a+b+c)	542	24	(370)	3,638

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	44.6	90.4	96.5	118.7
Growth	(39.7)	102.7	6.8	23.0
CEPS (Rs)	157.5	216.5	203.4	227.4
Book NAV/share (Rs)	755.3	949.3	995.8	1,114.5
Dividend/share (Rs)	3.6	3.6	2.9	2.9
Dividend payout ratio	10.5	5.9	4.4	3.6
EBITDA margin	54.1	56.0	55.8	55.5
EBIT margin	41.4	42.8	43.3	42.5
Tax rate	42.6	28.3	34.0	34.0
RoCE	9.1	9.4	10.1	9.8
Total debt/Equity (x)	4.2	3.6	2.4	2.1
Net debt/Equity (x)	4.1	3.5	2.4	2.0
Du Pont Analysis - ROE				
Net margin	5.3	10.0	11.8	14.8
Asset turnover (x)	0.2	0.2	0.2	0.2
Leverage factor (x)	5.8	5.2	4.2	3.5
Return on equity	6.3	10.6	11.0	11.3

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	5.9	5.9	5.3	4.3
PCE	1.7	2.5	2.5	2.2
Price/Book	0.3	0.6	0.5	0.5
Yield (%)	1.4	0.7	0.6	0.6
EV/EBITDA	7.4	7.7	6.4	6.2

MID CAP

Share Data

Price (Rs)	1,107
BSE Sensex	27,888
Reuters code	AIAE BO
Bloomberg code	AIAE IN
Market cap. (US\$ mn)	1,650
6M avg. daily turnover (US\$ mn)	1.9
Issued shares (mn)	94

Performance (%)	1M	3M	12M
Absolute	(6)	17	139
Relative	(4)	12	79

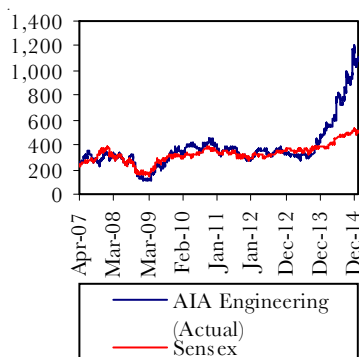
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	43.0	49.0	54.4
+/- (%)	16.8	14.2	10.8
PER (x)	25.8	22.6	20.4
PBV (x)	5.0	4.2	3.6
Dividend/Yield (%)	0.5	0.5	0.5
EV/Sales (x)	4.2	3.7	3.2
EV/EBITDA (x)	16.6	14.2	12.3

Major shareholders (%)

Promoters	62
FIIIs	25
MFs	7
Public & Others	6

Relative performance



AIA Engineering

Upgrade to Outperformer

Volumes and margins expected to sustain

Recent performance/Outlook

FY14 – strong sales due to rupee depreciation effect along with moderate volume growth: Net sales grew by 19% YoY to Rs 20.8 bn. EBITDA margins improved by 640 bps YoY to 24.1%. Adjusted PAT grew by 69% YoY to Rs 3.6 bn. Sales volume grew by 10% YoY to 177,000 in FY14. In mining, volumes grew by 33% YoY to 96,000T. In cement and utilities, volumes declined by 9% YoY to 81,000T.

In 1H FY15, sales volumes grew at 8% to 93,200T. Mining volumes grew at 24% YoY to 55,000T. EBITDA margins stayed at robust levels of 25.8% (+380 bps YoY). Adjusted PAT grew by 46% YoY to Rs 2 bn due to better margins.

Key sensitivities to growth/Key risk – Next 12 months

- **Softening commodity prices may affect** end user production activities, hence in turn may affect mining grinding volumes.

Strategic initiatives/Capex plans

- Greenfield expansion of 180,000T is planned in the next two years. ~Rs 6.5 bn capex is expected for the capacity addition. Phase 1 of 80,000T is expected to become operational by FY15E end and Phase 2 of 100,000T by FY16E.

Balance sheet position

- Return ratios improved significantly due to optimal utilisations i.e. RoCEs improved from 20% to 28% and RoEs improved from 15% to 22%.
- Cash conversion cycle improved from 126 days to 107 days led by decline in inventory days from 84 to 62 days.

Outlook and valuation

In mining, with increasing market penetration, volumes are expected to grow by ~29% YoY (~124,000T versus 96,000T in FY14) for FY15E. In cement and utilities, volumes have continued to remain under pressure in 1H FY15E. We continue to expect cement and utilities volumes to stay flattish for FY15E with marginal revival expectation in 2H FY15E. We expect cement and utilities volumes to show gradual improvement to ~10% YoY in FY16E. In mining, volume are expected to sustain growth of ~15,000-20,000T in FY16E and FY17E due to ongoing production activities in user industries. **Softening commodity prices are major risk to volume growth expectation.**

AIAE is comparatively smaller player in mining grinding media to get affected due to commodities slowdown, hence healthy volume growth and earnings growth are expected to sustain in FY16E. Therefore, we upgrade AIAE to Outperformer.

Bhalchandra Shinde
bhalchandra.shinde@bksec.com

Renu Baid
renu.baid@bksec.com

AIA Engineering

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	20,801	22,914	26,063	29,614
Growth (%)	18.8	10.2	13.7	13.6
Operating expenses	(15,779)	(17,035)	(19,284)	(21,927)
Operating profit	5,022	5,879	6,779	7,687
EBITDA	5,022	5,879	6,779	7,687
Growth (%)	61.9	17.1	15.3	13.4
Depreciation	(381)	(688)	(837)	(1,077)
Other income	334	626	709	780
EBIT	4,975	5,817	6,651	7,389
Finance cost	(64)	(86)	(108)	(138)
Exceptional & extraordinary	(311)	0	0	0
Profit before tax	4,600	5,731	6,544	7,252
Tax (current + deferred)	(1,342)	(1,679)	(1,917)	(2,125)
P/(L) for the period	3,258	4,052	4,626	5,127
P/L of Associates, Min Int, Pref Div	(7)	0	0	0
Reported Profit/(Loss)	3,250	4,052	4,626	5,127
Adjusted net profit	3,468	4,052	4,626	5,127
Growth (%)	64.5	16.8	14.2	10.8

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	189	189	189	189
Reserves & surplus	17,200	20,591	24,551	29,013
Shareholders' funds	17,388	20,779	24,740	29,202
Minority interests and others	78	78	78	78
Non-current liabilities	1,131	1,137	1,147	1,158
Long-term borrowings	867	867	867	867
Other non-current liabilities	264	270	280	291
Current liabilities	3,731	4,185	4,676	5,285
ST borrowings, curr maturity	339	339	339	339
Other current liabilities	3,392	3,846	4,337	4,946
Total (equity and liab.)	22,329	26,179	30,641	35,723
Non-current assets	5,106	7,019	7,765	8,275
Fixed assets (net block)	4,884	6,750	7,463	7,936
Long-term loans and advances	212	234	267	304
Other non-current assets	10	35	35	35
Current assets	17,223	19,160	22,876	27,448
Cash & current investment	7,489	8,239	9,198	11,351
Other current assets	9,734	10,921	13,678	16,097
Total (assets)	22,329	26,179	30,641	35,723
Total debt	1,206	1,206	1,206	1,206
Capital employed	18,937	22,333	26,304	30,777

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	4,600	5,731	6,544	7,252
Depreciation	381	688	837	1,077
Change in working capital	387	(811)	(2,401)	(1,963)
Total tax paid	(1,181)	(1,660)	(1,884)	(2,087)
Others	(45)	66	87	117
Cash flow from oper. (a)	4,143	4,014	3,183	4,396
Capital expenditure	(1,227)	(2,570)	(1,574)	(1,577)
Change in investments	(3,245)	(17)	(189)	(579)
Others	31	(25)	0	0
Cash flow from inv. (b)	(4,441)	(2,612)	(1,763)	(2,156)
Free cash flow (a+b)	(298)	1,402	1,420	2,240
Debt raised/(repaid)	(403)	0	0	0
Dividend (incl. tax)	(445)	(607)	(563)	(550)
Others	552	(81)	(108)	(138)
Cash flow from fin. (c)	(296)	(688)	(671)	(688)
Net chg in cash (a+b+c)	(594)	713	749	1,552

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	36.8	43.0	49.0	54.4
Growth	64.5	16.8	14.2	10.8
CEPS (Rs)	40.8	50.3	57.9	65.8
Book NAV/share (Rs)	184.3	220.3	262.3	309.6
Dividend/share (Rs)	6.0	6.0	6.0	6.0
Dividend payout ratio	20.5	16.4	14.4	13.0
EBITDA margin	24.1	25.7	26.0	26.0
EBIT margin	23.9	25.4	25.5	25.0
Tax rate	29.2	29.3	29.3	29.3
RoCE	28.4	28.2	27.4	25.9
Total debt/Equity (x)	0.1	0.1	0.0	0.0
Net debt/Equity (x)	(0.4)	(0.3)	(0.3)	(0.3)
Du Pont Analysis - ROE (Consolidated)				
Net margin	16.7	17.7	17.8	17.3
Asset turnover (x)	1.0	0.9	0.9	0.9
Leverage factor (x)	1.3	1.3	1.2	1.2
Return on equity	22.0	21.2	20.3	19.0

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	15.2	25.8	22.6	20.4
PCE	13.7	22.0	19.1	16.8
Price/Book	3.0	5.0	4.2	3.6
Yield (%)	1.1	0.5	0.5	0.5
EV/EBITDA	9.2	16.6	14.2	12.3

MID CAP

Share Data

Price (Rs)	1,416
BSE Sensex	27,888
Reuters code	ICLBO
Bloomberg code	AKZO IN
Market cap. (US\$ mn)	1,073
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	48

Performance (%) 1M 3M 12M

Absolute	3	11	73
Relative	5	5	29

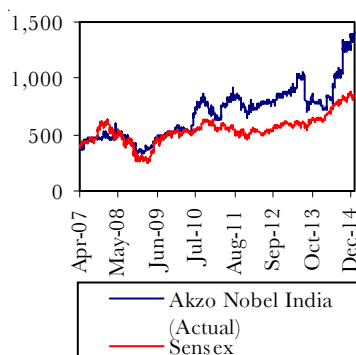
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs)	42.7	51.8
+/- (%)	16.4	21.3
PER (x)	33.2	27.3
PBV (x)	6.7	5.9
Dividend/Yield (%)	1.5	1.5
EV/Sales (x)	2.1	1.9
EV/EBITDA (x)	21.7	17.7

Major shareholders (%)

Promoters	73
FII's	2
MF's	4
BFSI's	5
Public & Others	16

Relative performance



Akzo Nobel India

Upgrade to Outperformer

Benign raw material costs to lead margin expansion...

Recent performance/Outlook

Akzo Nobel (Akzo) registered three-year revenue CAGR of 30% whereas PAT declined by 5% during the same period owing to lower other income. In 1HFY15, Akzo witnessed improvement in performance with revenue, EBITDA and PAT growth of 8.4%, 38.0% and 28.8% to Rs 12.2 bn, Rs 1.9 bn and Rs 883 mn, respectively. Despite lower gross margins, the company has controlled its other expenditure resulting into healthy operating margins. However, sales have witnessed headwinds as the numbers indicate below industry growth.

Key sensitivities to growth/Key risks – Next 12 months

- Akzo's profitability has been the lowest among established players in the industry owing to lack of operating leverage and size. The company is taking initiatives to fire up its growth engine and is expected to reap the benefits once these initiatives gain momentum.

Strategic initiatives/Capex plans

- The company is a clear no.2 in premium decorative segment with a market share of ~20%. The company intends to capture market share in mid end segment and has introduced products like ICI Magik distemper that caters to the entry level segment. Though the move is expected to provide the required size to business, it would result in margin dilution.

Balance sheet position

- RoCE/RoE to trend upward (from 19.2%/15.4% in FY14) as lower raw material cost would translate into higher profitability. Increased utilisation at Gwalior facility is also expected to drive return ratios.
- Akzo Nobel remains a debt free company and has utilised cash surplus by doling out special dividend of Rs 60 per share in the past two years.

Valuation and view

Akzo's dilemma in the last couple of years has been growth versus profitability. Since it was catering mainly to the premium segment, it was losing out on growth emanating in lower end products that would have helped it to gain scale. However, catering to this segment was margin dilutive as the products yielded lower margins. During 2Q'15, the company cautiously toned down its aggressiveness in lower end products and emphasised on its premium products. This has led to lower than industry growth. We remain optimistic on paint industry prospects and expect Akzo to derive benefits of benign raw material cost in the ensuing quarters.

Ranjit Cirumalla

ranjit.cirumalla@bksec.com

Akzo Nobel India

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	23,717	26,125	29,490	33,359
<i>Growth (%)</i>	<i>8.8</i>	<i>10.2</i>	<i>12.9</i>	<i>13.1</i>
Operating expenses	(22,260)	(24,310)	(27,214)	(30,518)
Operating profit	1,457	1,815	2,276	2,841
Other operating income	462	560	613	664
EBITDA	1,919	2,375	2,889	3,505
<i>Growth (%)</i>	<i>1.8</i>	<i>23.8</i>	<i>21.7</i>	<i>21.3</i>
Depreciation	(437)	(520)	(549)	(588)
Other income	567	570	500	550
EBIT	2,049	2,424	2,840	3,467
Finance cost	(15)	(15)	(15)	(15)
Profit before tax	2,034	2,409	2,825	3,452
Tax (current + deferred)	(532)	(699)	(833)	(1,036)
P/(L) for the period	1,502	1,711	1,992	2,416
Reported Profit/(Loss)	1,502	1,711	1,992	2,416
Adjusted net profit	1,502	1,711	1,992	2,416
<i>Growth (%)</i>	<i>(31.4)</i>	<i>13.9</i>	<i>16.4</i>	<i>21.3</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	467	467	467	467
Reserves & surplus	8,011	8,607	9,484	10,785
Shareholders' funds	8,478	9,073	9,950	11,252
Non-current liabilities	938	998	1,058	1,118
Other non-current liabilities	938	998	1,058	1,118
Current liabilities	10,973	8,624	9,519	10,533
Other current liabilities	10,973	8,624	9,519	10,533
Total (Equity and Liab.)	20,389	18,695	20,527	22,902
Non-current assets	6,881	7,401	7,892	8,350
Fixed assets (Net block)	5,331	5,851	6,342	6,800
Non-current Investments	500	500	500	500
Long-term loans & advances	1,032	1,032	1,032	1,032
Other non-current assets	18	18	18	18
Current assets	13,508	11,295	12,635	14,553
Cash & current investment	6,508	3,045	3,345	4,065
Other current assets	7,000	8,250	9,291	10,487
Total (Assets)	20,389	18,695	20,527	22,902
Total debt	9,416	10,071	11,008	12,370

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	2,034	2,409	2,825	3,452
Depreciation	437	520	549	588
Change in working capital	379	(620)	(146)	(183)
Total tax paid	(648)	(649)	(783)	(986)
Others	(528)	(555)	(485)	(535)
Cash flow from oper. (a)	1,674	1,106	1,960	2,337
Capital expenditure	(1,124)	(1,040)	(1,040)	(1,046)
Change in investments	3,690	3,500	430	0
Others	37	70	50	50
Cash flow from inv. (b)	2,603	2,530	(560)	(996)
Free cash flow (a+b)	4,277	3,636	1,400	1,341
Dividend (incl. tax)	(4,367)	(4,094)	(1,115)	(1,115)
Others	(45)	(5)	(5)	(5)
Cash flow from fin. (c)	(4,412)	(4,099)	(1,120)	(1,120)
Net chg in cash (a+b+c)	(135)	(463)	280	221

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	32.2	36.7	42.7	51.8
Growth	(31.4)	13.9	16.4	21.3
CEPS (Rs)	41.6	47.8	54.5	64.4
Book NAV/share (Rs)	181.4	194.1	212.9	240.8
Dividend/share (Rs)	75.0	20.6	20.6	20.6
Dividend payout ratio	272.6	65.2	56.0	46.1
EBITDA margin	7.9	8.9	9.6	10.5
EBIT margin	8.6	9.3	9.6	10.4
Tax rate	26.2	29.0	29.5	30.0
RoCE	19.2	24.9	26.9	29.7
Net debt/Equity (x)	(0.8)	(0.3)	(0.3)	(0.4)
Du Pont Analysis - ROE				
Net margin	6.3	6.5	6.8	7.2
Asset turnover (x)	1.1	1.3	1.5	1.5
Leverage factor (x)	2.2	2.2	2.1	2.1
Return on equity	15.4	19.5	21.0	22.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	26.5	38.6	33.2	27.3
PCE	20.5	29.6	26.0	22.0
Price/Book	4.7	7.3	6.7	5.9
Yield (%)	8.8	1.5	1.5	1.5
EV/EBITDA	17.4	26.5	21.7	17.7

MID CAP

Share Data

Price (Rs)	132
BSE Sensex	27,888
Reuters code	ALBK.BO
Bloomberg code	ALBK IN
Market cap. (US\$ mn)	1,136
6M avg. daily turnover (US\$ mn)	7.7
Issued shares (mn)	545

Performance (%)	1M	3M	12M
Absolute	4	36	39
Relative	6	29	4

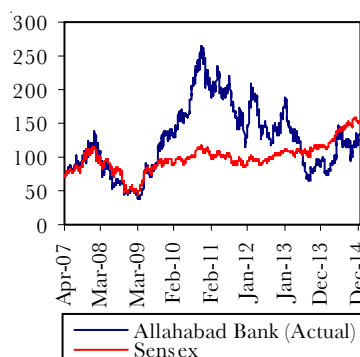
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	9.5	27.4	30.6
+/- (%)	(57.6)	187.7	12.0
ABV (Rs.)	134.3	149.7	166.2
+/- (%)	1.8	11.5	11.0
PER (x)	13.9	4.8	4.3
PABV (x)	1.0	0.9	0.8
Dividend/Yield(%)	3.0	3.8	3.8

Major shareholders (%)

Promoters	59
FII's	9
MF's	4
BFSI's	13
Public & Others	14

Relative performance



Allahabad Bank

Maintain Underperformer

Asset quality pain to persist for now

Recent performance

Aggressive lending to stressed sectors (infra/metal) and exposure to large corporates more than banks' appetite, took a toll on asset quality (GNPA 1.7% in FY10 to 5.7% in FY14) and in-turn earnings, as GDP growth nosedived impacting repayment capacity of borrowers. However, bank's stable liability franchise, with one of the best CASA ratio (Avg 32%) amongst mid-size PSU banks, held up NIMs relative to peers. FY14 was a year of consolidation (credit growth of 7%) and is likely to continue till FY15 (YTD 2%), as bank looks to prune exposure to sensitive sectors and focus on retail/SME.

Key triggers/Risks

- Asset quality has been a pain point, and the risk remains elevated given the high exposure to sensitive sectors – particularly metals and power.

Strategic initiatives/Key highlights

- Prune corporate book (reducing concentration risk) and building on Retail/SME book.
- Only mid-size bank to largely maintain its CASA ratio. Focus will be to improve its CASA ratio further by leveraging on its strong presence in East/North India.
- The lower growth is expected to enable bank to de-bulk on wholesale deposit and thus protect NIMs.

Balance sheet position

- Bank has gradually reduced its exposure to corporate now at 35% (Sep'15) from the highs of 45% in FY11.
- Having added enough branches in RURBAN, bank has been concentrating more in Urban and Metro India for branch expansion.

Valuation and view

We believe bank's strategy to avoid lumpy corporate exposures, management longevity and healthy CASA ratio are key positives, however, get largely negated by continued weakness in asset quality, volatile/weak earnings and lower capital adequacy raising risk of dilution further depressing return ratios. Maintain Underperformer.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Allahabad Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14E	FY15E	FY16E	FY17E
Interest income	187,467	201,243	220,431	252,567
Interest expense	(134,354)	(141,753)	(152,474)	(174,256)
Net interest income	53,113	59,490	(67,957)	(78,311)
<i>Growth (%)</i>	<i>9.1</i>	<i>12.0</i>	<i>14.2</i>	<i>15.2</i>
Non-interest income	21,658	21,168	23,064	26,000
Operating income	74,771	80,658	91,020	104,311
Operating expenses	(34,566)	(38,890)	(45,621)	(53,393)
- Staff expenses	(22,450)	(24,829)	(28,369)	(32,401)
Pre-provisions profit	40,204	41,768	45,399	50,917
Core operating profit	37,327	38,604	42,076	47,362
<i>Growth (%)</i>	<i>19.2</i>	<i>3.4</i>	<i>9.0</i>	<i>12.6</i>
Provisions & Contingencies	(23,839)	(30,261)	(23,164)	(26,019)
Pre-tax profit	16,365	11,508	(23,164)	(26,019)
(before non-recurring items)				
Pre-tax profit	16,365	11,508	22,236	24,899
(after non-recurring items)				
Tax (current + deferred)	(4,645)	(6,329)	(7,338)	(8,217)
Net profit	11,720	5,179	14,898	16,682
Adjusted net profit	11,720	5,179	14,898	16,682
<i>Growth (%)</i>	<i>(1.1)</i>	<i>(55.8)</i>	<i>187.7</i>	<i>12.0</i>
Net income	11,720	5,179	14,898	16,682

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14E	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	142,951	152,497	169,449	197,061
Investments	639,605	709,734	819,470	946,744
Advances	1,380,066	1,513,616	1,739,597	2,035,844
Interest earning assets	2,162,622	2,375,848	2,728,517	3,179,649
Fixed assets (Net block)	13,097	13,646	14,566	15,830
Other assets	28,624	31,225	34,753	38,741
Total assets	2,204,343	2,420,719	2,777,837	3,234,219
Deposits	1,908,428	2,106,984	2,451,594	2,852,751
Other int. bearing liab.	121,308	135,620	155,320	178,960
Total Int. bearing liab.	2,086,335	2,300,082	2,645,488	3,088,374
Other liabilities and prov.	56,600	57,478	38,573	56,663
Share capital	5,446	5,446	5,446	5,446
Reserves & surplus	112,561	115,191	126,903	140,399
Shareholders' funds	118,007	120,637	132,349	145,845
Total equity & liab.	2,204,343	2,420,719	2,777,837	3,234,219

Key Ratios

Yr end 31 Mar	FY14E	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	22.4	9.5	27.4	30.6
BVPS	201.0	205.9	227.4	252.2
Adjusted Book NAV/share	131.9	134.3	149.7	166.2
PER (x)	5.9	13.9	4.8	5.3
Price/Book (x)	0.7	0.6	0.6	0.6
Price/Adjusted book (x)	1.0	1.0	0.9	0.8
Dividend Yield (%)	2.0	3.0	3.8	3.8
Du-Pont ratios				
NII/Avg. Assets (%)	2.5	2.6	2.6	2.6
Non-interest income/Avg Assets	1.0	0.9	0.9	0.9
- Fee income/Avg Assets	0.9	0.7	0.7	0.7
- Trading gains/Avg Assets	0.1	0.1	0.1	0.1
Cost/Avg Assets	1.6	1.7	1.8	1.8
Non-tax Provisions/Avg Assets	1.1	1.3	0.9	0.9
Tax Provisions/Avg Assets	0.2	0.3	0.3	0.3
RoA (%)	0.6	0.2	0.6	0.6
Leverage	19.8	20.9	22.0	23.0
RoE (%)	10.9	4.7	12.6	12.8
Balance Sheet ratios (%)				
Loan growth	6.6	9.7	14.9	17.0
Deposit growth	6.8	10.4	16.4	16.4
Loans/Deposits	72.3	71.8	71.0	71.4
Investments/Deposits	33.5	33.7	33.4	33.2
CASA ratio	31.3	32.2	31.8	31.5
Profitability ratios (%)				
NIMs	2.6	2.7	2.7	2.7
Interest spread	2.3	2.5	2.6	2.6
Yield on advances)	10.8	10.7	10.3	10.2
Cost of deposits)	7.0	6.7	6.4	6.3
Efficiency/other P/L ratios (%)				
Non-interest income/Net income	29.0	26.2	25.3	24.9
Trading income/Net income	3.8	3.9	3.7	3.4
Cost/Income	46.2	48.2	50.1	51.2
Asset quality ratios (%)				
Gross NPLs	5.7	5.8	5.6	5.4
Net NPLs	4.1	3.9	3.7	3.5
Net NPLs/Net worth	48.5	48.7	47.7	47.4
Loan provisions/Avg loans	1.6	2.2	1.3	1.3
Provisions cover (%)	29.3	34.0	36.0	37.0
Capitalisation ratios (%)				
Tier I cap.adequacy	7.5	7.0	6.7	6.4
Total cap.adequacy	10.0	9.2	8.6	8.1

MID CAP

Share Data

Price (Rs)	335
BSE Sensex	27,888
Reuters code	ALGLBO
Bloomberg code	AGLLIN
Market cap. (US\$ mn)	668
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	161

Performance (%)	1M	3M	12M
Absolute	8	43	167
Relative	10	37	100

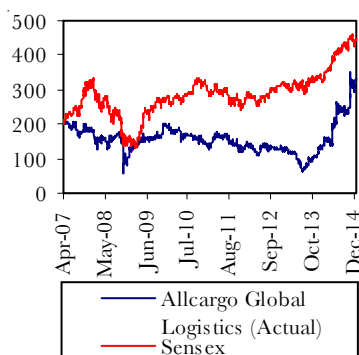
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	17.4	22.6	29.0
+/- (%)	24.2	29.8	28.4
PER (x)	19.2	14.8	11.5
PBV (x)	2.1	1.9	1.6
Dividend/Yield (%)	0.4	0.4	0.4
EV/Sales (x)	0.8	0.7	0.5
EV/EBITDA (x)	9.7	7.8	6.1

Major shareholders (%)

Promoters	70
FII's	13
Public & Others	17

Relative performance



Allcargo Logistics

Maintain Outperformer

CFS and P&E business to drive profitability

Recent performance

Allcargo Logistics (AGLL) has witnessed 13.6% CAGR decline in its EBITDA and 27.6% CAGR decline in net profit over FY12-14 primarily due to slowdown in its CFS and P&E business. In 1HFY15, Allcargo's EBITDA has increased by 29.0% YoY and its net profit has increased by 39.4% YoY on the back of robust performance in its MTO business.

Key sensitivities to growth/Key risks – Next 12 months

- We believe the recent acquisitions of Econocaribe and Rotterdam-based FCL marine to aid volume and earnings growth going forward. These acquisitions will establish the company's offering in the US market (Econocaribe) and will give fillip to the FCL volumes (FCL Marine) in the coming years.
- Growth in profitability and volumes in the CFS business has been subdued due to the company's Mumbai CFS facility facing competitive intensity and incremental volumes at JNPT shifting to Gujarat-based private ports.

Strategic initiatives/Capex plans

- The company has guided for Rs 600-700 mn of capex in FY15 barring any acquisitions, however, it may look at certain tactical acquisitions or strategic alliances in regions where Allcargo does not have significant presence. Allcargo may even consolidate its stake in Ecu Line subsidiary by buying out stake of the local partners or the operating companies.

Balance sheet position

- Allcargo's debt has reduced from Rs 6.1 bn in March 2014 to Rs 5.8 bn currently and is very comfortably leveraged with net D/E of 0.1x. The company's RoE is expected to improve by ~300 bps over FY14-16 to 13.4% whereas RoCE would improve by 450 bps to 15% over the same period.

Outlook and valuation

The stock is currently trading at 18.3x FY15E and 14.1x FY16E earnings. We continue to remain Outperformer on the stock given the recent acquisitions in the MTO business segment which would aid volume growth and a probable increase in world trade which could give further fillip to volumes.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Jinit Mehta
jinit.mehta@bksec.com

Allcargo Logistics

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	48,512	57,110	62,873	69,238
<i>Growth (%)</i>	23.6	17.7	10.1	10.1
Operating expenses	(44,599)	(52,504)	(57,581)	(63,169)
Operating profit	3,913	4,607	5,292	6,070
EBITDA	3,913	4,607	5,292	6,070
<i>Growth (%)</i>	9.9	17.7	14.9	14.7
Depreciation	(1,755)	(1,605)	(1,661)	(1,699)
Other income	365	500	700	1,000
EBIT	2,524	3,502	4,331	5,371
Finance cost	(563)	(598)	(567)	(550)
Profit before tax	1,961	2,904	3,764	4,821
Tax (current + deferred)	(416)	(610)	(790)	(1,012)
P/(L) for the period	1,545	2,294	2,974	3,809
P/L of Associates, Min Int, Pref Div	(51)	(100)	(125)	(150)
Reported Profit/(Loss)	1,494	2,194	2,849	3,659
Adjusted net profit	1,766	2,194	2,849	3,659
<i>Growth (%)</i>	4.1	24.2	29.8	28.4

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	252	252	252	252
Reserves & surplus	17,679	19,652	22,279	25,717
Shareholders' funds	17,931	19,904	22,532	25,969
Minority Interests and others	463	351	351	351
Non-current liabilities	6,985	6,321	6,250	6,250
Long-term borrowings	5,208	4,571	4,500	4,500
Other non-current liabilities	1,778	1,750	1,750	1,750
Current liabilities	10,901	12,427	12,630	13,365
ST borrowings, Curr maturity	920	1,265	1,000	1,000
Other current liabilities	9,982	11,163	11,630	12,365
Total (Equity and Liab.)	36,281	39,003	41,763	45,936
Non-current assets	25,719	25,332	24,171	22,972
Fixed assets (Net block)	13,852	13,247	12,086	10,887
Non-current Investments	556	564	564	564
Long-term loans and adv.	2,572	3,000	3,000	3,000
Other non-current assets	8,739	8,521	8,521	8,521
Current assets	10,562	13,671	17,592	22,963
Cash & current investment	2,994	3,369	6,437	10,867
Other current assets	7,569	10,302	11,155	12,097
Total (Assets)	36,281	39,003	41,763	45,936
Total debt	6,127	5,836	5,500	5,500
Capital employed	26,300	27,841	30,133	33,570

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,961	2,904	3,764	4,821
Depreciation	1,755	1,605	1,661	1,699
Change in working capital	338	(1,981)	(385)	(207)
Total tax paid	(314)	(638)	(790)	(1,012)
Others	198	98	(133)	(450)
Cash flow from oper. (a)	3,937	1,988	4,117	4,850
Capital expenditure	(1,780)	(1,000)	(500)	(500)
Change in investments	(43)	817	0	0
Others	364	500	700	1,000
Cash flow from inv. (b)	(1,459)	317	200	500
Free cash flow (a+b)	2,478	2,305	4,317	5,350
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	1,576	(292)	(336)	0
Dividend (incl. tax)	(221)	(221)	(221)	(221)
Others	(3,568)	(592)	(692)	(700)
Cash flow from fin. (c)	(2,213)	(1,104)	(1,248)	(921)
Net chg in cash (a+b+c)	265	1,201	3,068	4,429

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	14.0	17.4	22.6	29.0
Growth	4.3	24.2	29.8	28.4
CEPS (Rs)	27.9	30.1	35.8	42.5
Book NAV/share (Rs)	142.3	157.9	178.8	206.0
Dividend/share (Rs)	1.5	1.5	1.5	1.5
Dividend payout ratio	14.8	10.1	7.8	6.0
EBITDA margin	8.1	8.1	8.4	8.8
EBIT margin	5.2	6.1	6.9	7.8
Tax rate	18.6	21.0	21.0	21.0
RoCE	10.4	12.9	14.9	16.9
Total debt/Equity (x)	0.3	0.3	0.2	0.2
Net debt/Equity (x)	0.2	0.1	(0.0)	(0.2)
Du Pont Analysis - ROE				
Net margin	3.6	3.8	4.5	5.3
Asset turnover (x)	1.5	1.5	1.6	1.6
Leverage factor (x)	2.0	2.0	1.9	1.8
Return on equity	10.5	11.6	13.4	15.1

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	11.0	19.2	14.8	11.5
PCE	5.5	11.1	9.4	7.9
Price/Book	1.1	2.1	1.9	1.6
Yield (%)	1.0	0.4	0.4	0.4
EV/EBITDA	5.8	9.7	7.8	6.1

MID CAP

Share Data

Price (Rs)	647
BSE Sensex	27,888
Reuters code	ABBPBO
Bloomberg code	ALST IN
Market cap. (US\$ mn)	687
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	67

Performance (%)	1M	3M	12M
Absolute	11	37	78
Relative	13	30	33

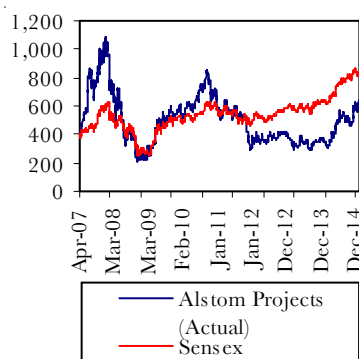
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	21.3	29.0	34.4
+/- (%)	4.5	36.1	18.5
PER (x)	30.4	22.3	18.8
PBV (x)	4.3	3.8	3.3
Dividend/Yield(%)	1.5	1.5	1.5
EV/EBITDA (x)	18.9	13.3	10.9

Major shareholders (%)

Promoters	69
FII's	2
MF's	10
BFSI's	5
Public & Others	15

Relative performance



Alstom India

Maintain Outperformer

Healthy order book, margins to expand on super-critical order execution

Recent performance/Outlook

Alstom India has an order backlog of Rs 53.1 bn (2.3x FY14 sales) lends growth visibility, hence though the new order pick traction is expected to attain momentum by 15-18 months, healthy order book provides revenue visibility.

Rs 40 bn of the current orders were booked in FY14 carrying health margins, as 37% of FY14 order intake is pertaining to boiler components for super-critical projects which carry relatively higher margin, hence, the overall margin profile is expected to improve going forward.

Key triggers/Risks – Next 12 months

- Resolution of coal block auctioning will fast track delayed projects and improve visibility of new orders.
- Hydro and steam related project delay due to environmental related clearances.

Strategic initiatives

- Alstom India has been the forefront in terms of identifying new technological areas to produce electricity. They have been leaders in super-critical steam technologies, combined cycle gas plants and pumped storage hydro plant.
- The company is currently focusing to exploit renewable power technologies like concentrated solar power, solar thermal, etc.

Balance sheet position

- The company used to enjoy negative working capital (ex-cash), however, in the last couple of years the working capital has turned positive, which we believe is largely due to delay in certain projects and slower growth in sales.
- The company has a strong balance sheet with no debt and net cash of Rs 2.8 bn; due to this the company has relatively healthy return on equity of 16%.

Outlook and valuation

Though near term headwinds in terms of power segment macro challenges, execution delays and order intake pressure persist, we believe, Alstom India is comparatively better placed with respect to peers. We believe, though in the near term ordering and execution pressure persist, given the expectation of margin improvement, we factor in 27% EBITDA CAGR FY14-17E, resulting in 19% FY14-16E earnings CAGR. We expect revival of execution pace for the power sector from FY16E onwards to support earnings growth and RoE, hence maintain our positive view on the stock.

Renjith Sivaram

renjith.sivaram@bksec.com

Renu Baid

renu.baid@bksec.com

Alstom India

Income Statement

Period end (Rs mn)	Mar14	Mar15E	Mar16E	Mar17E
Net sales	26,053	24,046	28,850	33,184
<i>Growth (%)</i>	<i>(6.5)</i>	<i>(7.7)</i>	<i>20.0</i>	<i>15.0</i>
Operating expenses	(24,280)	(21,855)	(25,782)	(29,535)
Operating profit	1,773	2,191	3,068	3,649
EBITDA	1,773	2,191	3,068	3,649
<i>Growth (%)</i>	<i>(26.5)</i>	<i>23.6</i>	<i>40.0</i>	<i>18.9</i>
Depreciation	(611)	(761)	(769)	(843)
Other income	907	802	660	694
EBIT	2,070	2,232	2,959	3,500
Finance cost	(40)	(30)	(30)	(30)
Exceptional & extraordinary	1,169	486	0	0
Profit before tax	3,199	2,688	2,929	3,470
Tax (current + deferred)	(893)	(866)	(980)	(1,160)
Profit/(Loss) for the period	2,307	1,821	1,950	2,310
Reported Profit/(Loss)	2,307	1,821	1,950	2,310
Adjusted net profit	1,372	1,432	1,950	2,310
<i>Growth (%)</i>	<i>(11.2)</i>	<i>4.4</i>	<i>36.1</i>	<i>18.5</i>

Balance Sheet

Period end (Rs mn)	Mar14	Mar15E	Mar16E	Mar17E
Share capital	672	672	672	672
Reserves & surplus	8,631	9,491	10,735	12,384
Shareholders' funds	9,304	10,164	11,407	13,057
Non-current liabilities	655	670	675	680
Other non-current liabilities	655	670	675	680
Current liabilities	21,194	20,749	24,674	28,038
Other current liabilities	21,194	20,749	24,674	28,038
Total (Equity and Liab.)	31,153	31,583	36,756	41,775
Non-current assets	5,475	6,038	5,923	5,778
Fixed assets (Net block)	4,684	4,928	4,814	4,668
Long-term loans and advances	413	690	690	690
Other non-current assets	378	420	420	420
Current assets	25,678	25,545	30,833	35,997
Cash & current investment	2,794	2,001	2,723	3,681
Other current assets	22,884	23,544	28,110	32,316
Total (Assets)	31,153	31,583	36,756	41,775
Capital employed	9,959	10,834	12,082	13,737

Cash Flow Statement

Period end (Rs mn)	Mar14	Mar15E	Mar16E	Mar17E
Profit before tax	3,199	2,688	2,929	3,470
Depreciation	611	761	769	843
Change in working capital	147	(1,051)	(636)	(837)
Total tax paid	(1,124)	(866)	(980)	(1,160)
Others	(220)	(270)	(253)	(338)
Cash flow from oper. (a)	2,612	1,262	1,829	1,977
Capital expenditure	(479)	(997)	(654)	(697)
Others	300	258	283	368
Cash flow from inv. (b)	(179)	(739)	(371)	(329)
Free cash flow (a+b)	2,433	523	1,458	1,648
Dividend (incl. tax)	(781)	(1,107)	(781)	(781)
Others	42	(209)	45	91
Cash flow from fin. (c)	(739)	(1,315)	(736)	(690)
Net chg in cash (a+b+c)	1,694	(793)	722	958

Key Ratios

Period end (%)	Mar14	Mar15E	Mar16E	Mar17E
Adjusted EPS (Rs)	20.4	21.3	29.0	34.4
Growth	(11.2)	4.5	36.1	18.5
CEPS (Rs)	29.5	32.6	40.5	46.9
Book NAV/share (Rs)	137.5	150.2	168.7	193.3
Dividend/share (Rs)	14.0	10.0	10.0	10.0
Dividend payout ratio	48.0	42.9	40.1	33.8
EBITDA margin	6.8	9.1	10.6	11.0
EBIT margin	7.9	9.3	10.3	10.5
Tax rate	32.4	34.9	33.4	33.4
RoCE	22.3	21.5	25.8	27.1
Net debt/Equity (x)	(0.3)	(0.2)	(0.2)	(0.3)
Du Pont Analysis - ROE				
Net margin	5.3	6.0	6.8	7.0
Asset turnover (x)	0.9	0.8	0.8	0.8
Leverage factor (x)	3.4	3.2	3.2	3.2
Return on equity	15.9	14.8	18.2	19.0

Valuations

Period end (x)	Mar14	Mar15E	Mar16E	Mar17E
PER	20.5	30.4	22.3	18.8
PCE	14.2	19.8	16.0	13.8
Price/Book	3.0	4.3	3.8	3.3
Yield (%)	3.4	1.5	1.5	1.5
EV/EBITDA	14.3	18.9	13.3	10.9

MID CAP

Share Data

Price (Rs)	469
BSE Sensex	27,888
Reuters code	ALST.BO
Bloomberg code	ATD IN
Market cap. (US\$ mn)	1,896
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	256

Performance (%) 1M 3M 12M

Absolute	(2)	36	132
Relative	0	30	74

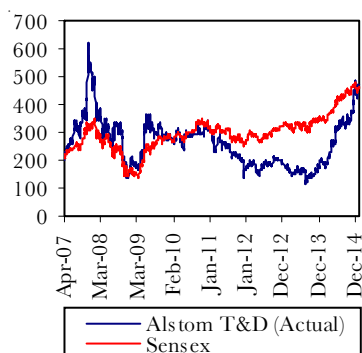
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	7.6	10.4	14.3
+/- (%)	59.1	36.8	37.7
PER (x)	61.6	45.0	32.7
PBV (x)	8.7	7.6	6.4
Dividend/Yield (%)	0.4	0.5	0.6
EV/Sales (x)	3.0	2.6	2.1
EV/EBITDA (x)	28.0	21.9	17.2

Major shareholders (%)

Promoters	75
FII's	1
MF's	9
BFSI's	6
Public & Others	9

Relative performance



Alstom T&D India

Maintain BUY

Best positioned to lead the recovery in T&D investments

Recent performance/Outlook

Selective order bookings, better mix of orders and focus on cost optimisation and localisation has helped Alstom T&D India to consistently deliver superior performance over peers in the Indian T&D space. With 13% sales growth in 1H FY15 and healthy mix OPMs were at 10.7%, +100 bps YoY. 13% YoY lower interest expenses post reduction in ST debt helped +67% earnings growth. Order book at Rs 79 bn, +22% YoY, provide strong visibility at 2.1x TTM sales. Good and prudent management with a strong leadership has been able to react to the changing market dynamics.

Key sensitivities to growth/Key risks – Next 12 months

- Supportive policy actions and faster clearances for power sector projects, SEB FRP and pick up in T&D investments. Softening of interest rates and ease in working capital cycles will aid faster execution.
- Intense competition and pricing pressures are key risks to margins. Monetisation of Bengaluru land will help achieve debt free books (0.1x net DER).

Strategic initiatives/Capex plans

- "Pro-localisation" approach for new technologies for long-term growth has enabled Alstom T&D to be cost competitive and maintain market leadership - in EHV GIS substations, 765 kV AC substations, SVCs, FACTS and now HVDC.
- Closure of acquisition process by GE for Alstom power business to bring in additional growth drivers - from O&G and industrial sectors.

Balance sheet position

- 6.6% equity dilution in FY14 to bring down parent (promoter) holding from 80% to 75% levels, helped Alstom to repay short-term working capital related debt by ~Rs 2.5 bn while sales/capital employed remained healthy at 1.9x.
- While execution pick up and increased readiness from customers, helped to cut inventories, cash collection scenario remained challenging amidst liquidity constrained market. NWC increased to 25.5% of sales from 19% in FY13. However, RoEs improved to 11% from 8% in FY13 due better profitability despite lower leverage factor and similar asset turns.

Valuation and view

Supported by operating leverage and better order book mix expect margins to improve to 12% levels by FY17E. As earnings grow 2x in two years and 44% CAGR over FY14-17E, we believe Alstom T&D will continue to trade at premium valuations well supported by resurgence in T&D investments and reforms.

Renu Baid

renu.baid@bksec.com

Alstom T&D India

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	35,235	40,900	48,262	58,639
<i>Growth (%)</i>	<i>11.8</i>	<i>16.1</i>	<i>18.0</i>	<i>21.5</i>
Operating expenses	(32,238)	(36,470)	(42,609)	(51,469)
Operating profit	2,997	4,431	5,653	7,170
EBITDA	2,997	4,431	5,653	7,170
<i>Growth (%)</i>	<i>21.0</i>	<i>47.8</i>	<i>27.6</i>	<i>26.8</i>
Depreciation	(870)	(806)	(896)	(1,018)
Other income	435	165	185	211
EBIT	2,562	3,790	4,942	6,362
Finance cost	(788)	(838)	(903)	(801)
Profit before tax	1,774	2,951	4,038	5,561
Tax (current + deferred)	(604)	(1,003)	(1,373)	(1,891)
P/(L) for the period	1,170	1,948	2,665	3,670
Reported Profit/(Loss)	1,170	1,948	2,665	3,670
Adjusted net profit	1,170	1,948	2,665	3,670
<i>Growth (%)</i>	<i>65.8</i>	<i>66.5</i>	<i>36.8</i>	<i>37.7</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	512	512	512	512
Reserves & surplus	11,976	13,325	15,303	18,147
Shareholders' funds	12,488	13,837	15,815	18,659
Non-current liabilities	722	728	794	870
Other non-current liabilities	722	728	794	870
Current liabilities	34,086	36,582	39,481	44,605
ST borrowings, Curr maturity	4,935	5,033	4,278	3,423
Other current liabilities	29,152	31,548	35,203	41,183
Total (Equity and Liab.)	47,295	51,147	56,090	64,134
Non-current assets	8,000	7,527	8,096	8,570
Fixed assets (Net block)	7,495	6,945	7,506	7,995
Long-term loans & advances	207	224	231	216
Other non-current assets	299	359	359	359
Current assets	39,295	43,620	47,994	55,565
Cash & current investment	364	755	404	399
Other current assets	38,931	42,865	47,590	55,166
Total (Assets)	47,295	51,147	56,090	64,134
Total debt	4,935	5,033	4,278	3,423
Capital employed	18,144	19,599	20,887	22,952

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,774	2,951	4,038	5,561
Depreciation	870	806	896	1,018
Change in working capital	(3,898)	(1,397)	(1,109)	(1,650)
Total tax paid	(563)	(1,271)	(1,373)	(1,891)
Others	755	823	891	789
Cash flow from oper. (a)	(1,062)	1,913	3,344	3,827
Capital expenditure	(1,607)	(259)	(1,450)	(1,500)
Others	32	15	12	12
Cash flow from inv. (b)	(1,575)	(244)	(1,438)	(1,488)
Free cash flow (a+b)	(2,637)	1,669	1,906	2,339
Equity raised/(repaid)	2,752	(0)	0	0
Debt raised/(repaid)	758	99	(755)	(856)
Dividend (incl. tax)	(504)	(539)	(598)	(688)
Others	(786)	(838)	(903)	(801)
Cash flow from fin. (c)	2,220	(1,279)	(2,256)	(2,345)
Net chg in cash (a+b+c)	(416)	390	(350)	(6)

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	4.8	7.6	10.4	14.3
Growth	62.0	59.1	36.8	37.7
CEPS (Rs)	8.3	10.8	13.9	18.3
Book NAV/share (Rs)	51.0	54.0	61.8	72.9
Dividend/share (Rs)	1.9	2.0	2.3	2.7
Dividend payout ratio	46.1	30.7	25.8	22.5
EBITDA margin	8.5	10.8	11.7	12.2
EBIT margin	7.3	9.3	10.2	10.8
Tax rate	34.1	34.0	34.0	34.0
RoCE	15.9	20.1	24.4	29.0
Total debt/Equity (x)	0.4	0.4	0.3	0.2
Net debt/Equity (x)	0.4	0.3	0.2	0.2
Du Pont Analysis - ROE				
Net margin	3.3	4.8	5.5	6.3
Asset turnover (x)	0.8	0.8	0.9	1.0
Leverage factor (x)	4.1	3.7	3.6	3.5
Return on equity	10.8	14.8	18.0	21.3

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	52.1	61.6	45.0	32.7
PCE	29.9	43.6	33.7	25.6
Price/Book	4.9	8.7	7.6	6.4
Yield (%)	0.8	0.4	0.5	0.6
EV/EBITDA	21.9	28.0	21.9	17.2

MID CAP

Share Data

Price (Rs)	804
BSE Sensex	27,888
Reuters code	AMAR.BO
Bloomberg code	AMRJ IN
Market cap. (US\$ mn)	2,177
6M avg. daily turnover (US\$ mn)	3.4
Issued shares (mn)	171

Performance (%) 1M 3M 12M

Absolute	11	32	141
Relative	13	26	81

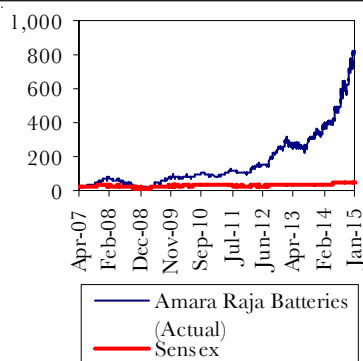
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs)	32.2	41.7
+/- (%)	29.7	29.7
PER (x)	25.0	19.3
PBV (x)	5.4	4.1
Dividend/Yield (%)	0.4	0.4
EV/Sales (x)	2.1	1.6
EV/EBITDA (x)	12.6	9.5

Major shareholders (%)

Promoters	52
FIIIs	18
MFs	9
Public & Others	21

Relative performance



Amara Raja Batteries

Maintain BUY

Focusing more OEMs to grab market share

Recent performance/Outlook

Though the domestic auto OEM and UPS segment is under pressure, Amara Raja Batteries (AMRJ) has increased its market share in the automotive replacement and industrial batteries. Management expects lower double digit OEM volume growth in FY16 and ~18-20% volume growth in both 4W and 2W replacement segment. Ongoing softening of lead prices (drop of 9% YoY) is likely to further improve the margins of the AMRJ in the replacement segment due to strong pricing power.

Key sensitivities to growth/Key risks

- Industrial segment to see stronger traction driven by growth in telecom and UPS.
- Currency fluctuation – AMRJ imports significant portion of raw material.

Strategic initiatives/Capex plans

- AMRJ has expanded the capacity in all segments. The MVRLA capacity has been expanded from 1.8 mn to 3.6 mn in January 2014, large VRLA from 760 mn AH to 10,000 mn AH in February 2014 and the two-wheeler capacity has been increased from 4.8 mn to 8.4 mn. In four-wheeler, the capacity has been increased from 5.6 mn to 6.0 mn and further expansion to 8.25 mn is under progress and expected to be commissioned by December 2014.
- With Exide dominating the Home UPS (inverter) business with 40% market share, AMRJ plans to enter manufacturing of Home UPS segment, which could be the next big growth driver (Currently, ARBL trades in Home inverter batteries and contributes negligible revenue).

Balance sheet position

- Despite significant capex in recent times, the company has been able to maintain strong operational performance due to better demand, scale and better operational efficiency. AMRJ's currently a debt free company as against debt-equity ratio of 0.95x in FY08. It has also managed its working capital needs well as its receivables days reduced from 76 days in FY08 to 49 days in FY14. AMRJ has consistently generated RoE in excess of 25%.

Outlook and valuation

With intact automotive replacement market demand, good brand image and strong technology partner, the company is progressive well in the domestic battery segment. Despite recent run up, we continue to maintain our long-term positive outlook on the stock. At the current market price of Rs 804, the stock is trading at 25.0x FY16E earnings of Rs 32.2 and 19.3x FY17E earnings of Rs 41.7. We maintain Buy.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

Amara Raja Batteries

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	34,036	42,460	54,752	69,936
<i>Growth (%)</i>	14.9	24.8	28.9	27.7
Operating expenses	(28,761)	(35,499)	(45,858)	(58,511)
Operating profit	5,275	6,962	8,893	11,425
Other operating income	330	264	317	358
EBITDA	5,605	7,226	9,210	11,783
<i>Growth (%)</i>	24.2	28.9	27.5	27.9
Depreciation	(648)	(1,288)	(1,449)	(1,662)
Other income	455	300	327	366
EBIT	5,413	6,238	8,089	10,487
Finance cost	(7)	0	0	0
Exceptional & extraordinary	(39)	0	0	0
Profit before tax	5,367	6,238	8,089	10,487
Tax (current + deferred)	(1,692)	(1,996)	(2,588)	(3,356)
P/(L) for the period	3,674	4,242	5,500	7,131
Reported Profit/(Loss)	3,674	4,242	5,500	7,131
Adjusted net profit	3,674	4,242	5,500	7,131
<i>Growth (%)</i>	28.2	15.4	29.7	29.7

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	171	171	171	171
Reserves & surplus	13,456	17,198	22,198	28,829
Shareholders' funds	13,626	17,369	22,369	29,000
Non-current liabilities	1,430	992	924	861
Long-term borrowings	759	862	794	731
Other non-current liabilities	671	130	130	130
Current liabilities	6,336	8,099	10,302	13,068
ST borrowings, Curr maturity	84	0	0	0
Other current liabilities	6,252	8,099	10,302	13,068
Total (Equity and Liab.)	21,393	26,459	33,595	42,929
Non-current assets	7,839	9,982	12,017	12,839
Fixed assets (Net block)	7,679	9,821	11,856	12,678
Non-current Investments	161	161	161	161
Current assets	13,554	16,477	21,577	30,090
Cash & current investment	2,946	3,555	4,915	8,807
Other current assets	10,608	12,922	16,663	21,283
Total (Assets)	21,393	26,459	33,595	42,929
Total debt	843	862	794	731
Capital employed	15,141	18,360	23,293	29,861

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	5,367	6,238	8,089	10,487
Depreciation	648	1,288	1,449	1,662
Change in working capital	(1,210)	(837)	(1,537)	(1,855)
Total tax paid	(1,586)	(2,168)	(2,588)	(3,356)
Others	7	0	0	0
Cash flow from oper. (a)	3,226	4,522	5,412	6,938
Capital expenditure	(3,708)	(3,430)	(3,484)	(2,484)
Change in investments	(0)	0	0	0
Cash flow from inv. (b)	(3,708)	(3,430)	(3,484)	(2,484)
Free cash flow (a+b)	(482)	1,092	1,928	4,454
Debt raised/(repaid)	(28)	18	(68)	(63)
Dividend (incl. tax)	(645)	(500)	(500)	(500)
Others	(7)	0	0	0
Cash flow from fin. (c)	(681)	(481)	(568)	(562)
Net chg in cash (a+b+c)	(1,163)	610	1,360	3,892

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	21.5	24.8	32.2	41.7
Growth	28.2	15.4	29.7	29.7
CEPS (Rs)	25.3	32.4	40.7	51.5
Book NAV/share (Rs)	79.8	101.7	131.0	169.8
Dividend/share (Rs)	3.2	2.5	2.5	2.5
Dividend payout ratio	17.6	11.8	9.1	7.0
EBITDA margin	16.5	17.0	16.8	16.8
EBIT margin	15.9	14.7	14.8	15.0
Tax rate	31.5	32.0	32.0	32.0
RoCE	39.8	37.2	38.8	39.5
Total debt/Equity (x)	0.1	0.0	0.0	0.0
Net debt/Equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Du Pont Analysis - ROE				
Net margin	10.8	10.0	10.0	10.2
Asset turnover (x)	1.7	1.8	1.8	1.8
Leverage factor (x)	1.6	1.5	1.5	1.5
Return on equity	30.3	27.4	27.7	27.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	37.5	32.5	25.0	19.3
PCE	31.9	24.9	19.8	15.7
Price/Book	8.8	6.9	5.4	4.1
Yield (%)	0.5	0.4	0.4	0.4
EV/EBITDA	21.1	16.3	12.6	9.5

MID CAP

Share Data

Price (Rs)	96
BSE Sensex	27,888
Reuters code	ADBK.BO
Bloomberg code	ANDB IN
Market cap. (US\$ mn)	897
6M avg. daily turnover (US\$ mn)	5.8
Issued shares (mn)	590

Performance (%)	1M	3M	12M
Absolute	9	49	52
Relative	11	42	14

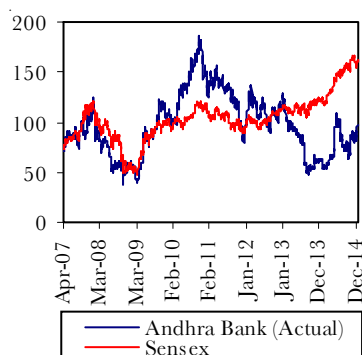
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	14.4	18.3	24.5
+/- (%)	90.1	27.2	33.5
ABV (Rs)	109.9	121.8	138.2
+/- (%)	(0.8)	10.8	13.5
PER (x)	6.7	5.2	3.9
PABV (x)	0.9	0.8	0.7
Dividend/Yield(%)	2.6	3.6	4.7

Major shareholders (%)

Promoters	60
FII's	7
MF's	4
BFSI's	11
Public & Others	18

Relative performance



Andhra Bank

Maintain Underperformer

Structurally weak!

Recent performance

High concentration risks from large borrowers/area of operation (AP) and weak liability franchise (CASA ratio 25%) have largely been the underlying issues with the bank. Like peers, aggressive pre-recession lending (FY08-12 CAGR of 28%), largely to the power/Steel/Textiles, and the recent natural calamities in A.P impacting Agri book, took GNPA up to 6% for 2QFY15 vs. 0.86% in FY10. Bank has seen recovery from Agri book in Telangana, after the disbursements by the state govt; Seemandhra is expected in 2HFY15. However, bank expects asset quality pain to continue in 2HFY15.

Key risks

- Exposure to few big corporate where the scope for improvement looks dismal
- High exposure to Power sector; mostly into Thermal and Gas based projects could lead to further pain as no near term improvement in the sector is expected
- The farm loan waiver could vitiate the credit behavior in Agri loans in the future.
- CMD retirement in May 2015

Strategic initiatives

- Post state separation, bank has become the lead banker in Seemandhra and is likely to garner a lot of government a/cs to improve its otherwise weak CASA, which could help NIMs
- ANDB being lead banker will certainly benefit from creation of new capital and thus ensuing infra growth.

Balance sheet position

- Bank expects its retail book to pick up, on the back of incremental home loan disbursement to government employees, thus gradually reducing its corporate exposure.

Valuation and view

Management is excited about Agri NPA recovery from state as well as some corporate NPAs leading to lower GNPA ratio, however, moral hazard of the Agri waiver and continued stress in corporate book including surge in slippages from restructured book across banks as well as ANDB makes us wary. We maintain our Underperformer rating on the stock given weak earnings profile, asset quality, lower capital adequacy and short tenure of CMD (retiring in May 2015).

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Andhra Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	142,973	166,700	187,200	213,467
Interest expense	(105,600)	(123,136)	(136,653)	(152,887)
Net interest income	37,373	43,563	50,547	60,580
Growth (%)	(0.5)	16.6	16.0	19.8
Non-interest income	13,328	14,530	15,946	16,774
Operating income	50,702	58,093	66,493	77,354
Operating expenses	(23,099)	(25,762)	(29,638)	(34,667)
- Staff expenses	(13,829)	(15,146)	(17,477)	(20,336)
Pre-provisions profit	27,602	32,331	36,855	42,687
Core operating profit	23,565	27,688	32,212	38,972
Growth (%)	(9.0)	17.5	16.3	21.0
Provisions & Contingencies (20,265)	(18,629)	(21,417)	(21,474)	(21,474)
Pre-tax profit	7,337	13,702	15,439	21,212
(before non-recurring items)				
Pre-tax profit	7,337	13,702	15,439	21,212
(after non-recurring items)				
Tax (current + deferred)	(2,982)	(5,207)	(4,632)	(6,788)
Net profit	4,356	8,495	10,807	14,424
Adjusted net profit	4,356	8,495	10,807	14,424
Growth (%)	(66.2)	95.0	27.2	33.5
Net income	4,356	8,495	10,807	14,424

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	94,406	102,327	112,352	118,967
Investments	453,566	506,865	584,427	678,088
Advances	1,076,442	1,240,707	1,435,796	1,693,906
Int. earning assets	1,624,414	1,849,899	2,132,575	2,490,960
Fixed assets (Net block)	4,339	4,688	5,064	5,537
Other assets	44,656	45,385	52,733	53,303
Total assets	1,673,409	1,899,972	2,190,372	2,549,800
Deposits	1,418,451	1,620,435	1,879,597	2,187,691
Other int. bearing liab.	131,851	143,828	163,161	191,645
Total Int. bearing liab.	1,586,035	1,805,827	2,087,834	2,435,942
Other liab. and provisions	35,733	41,563	45,076	56,606
Share capital	5,896	5,896	5,896	5,896
Reserves & surplus	81,478	88,249	96,642	107,962
Shareholders' funds	87,375	94,145	102,538	113,858
Total equity & liab.	1,673,409	1,899,972	2,190,372	2,549,800

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	7.6	14.4	18.3	24.5
BVPS	148.2	159.7	173.9	193.1
Adjusted Book NAV/share	110.8	109.9	121.8	138.2
PER (x)	12.7	6.7	5.2	3.9
Price/Book (x)	0.6	0.6	0.6	0.5
Price/Adjusted book (x)	0.9	0.9	0.8	0.7
Dividend Yield (%)	1.2	2.6	3.6	4.7
Du-Pont ratios				
NII/Avg. Assets (%)	2.4	2.4	2.5	2.6
Non-int. income/Avg Assets	0.8	0.8	0.8	0.7
- Fee income/Avg Assets	0.6	0.5	0.5	0.5
- Trading gains/Avg Assets	0.3	0.3	0.2	0.2
Cost/Avg Assets	1.5	1.4	1.4	1.5
Non-tax Provisions/Avg Assets	1.3	1.0	1.0	0.9
Tax Provisions/Avg Assets	0.2	0.3	0.2	0.3
RoA (%)	0.3	0.5	0.5	0.6
Leverage	18.3	19.7	20.8	21.9
RoE (%)	5.1	9.4	11.0	13.3
Balance Sheet ratios (%)				
Loan growth	9.4	15.3	15.7	18.0
Deposit growth	14.6	14.2	16.0	16.4
Loans/Deposits	75.9	76.6	76.4	77.4
Investments/Deposits	32.0	31.3	31.1	31.0
CASA ratio	24.8	24.3	24.3	24.6
Profitability ratios (%)				
NIMs	2.5	2.6	2.6	2.7
Interest spread	2.3	2.4	2.4	2.5
Yield on advances	11.1	11.5	11.1	10.8
Cost of deposits	7.4	7.3	7.1	6.9
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	26.3	25.0	24.0	21.7
Trading income/Net income	8.0	8.0	7.0	4.8
Cost/Income	45.6	44.3	44.6	44.8
Asset quality ratios (%)				
Gross NPLs	5.3	5.6	5.5	5.1
Net NPLs	3.1	3.6	3.2	2.9
Net NPLs/Net worth	35.1	43.3	41.4	39.0
Loan provisions/Avg loans	1.6	1.7	1.6	1.3
Provisions cover	42.9	37.0	42.0	45.0
Capitalisation ratios (%)				
Tier I cap.adequacy	7.9	7.6	7.3	7.0
Total cap.adequacy	10.7	10.1	9.8	9.3

MID CAP

Share Data

Price (Rs)	224
BSE Sensex	27,888
Reuters code	APLO.BO
Bloomberg code	APTY IN
Market cap. (US\$ mn)	1,799
6M avg. daily turnover (US\$ mn)	16.6
Issued shares (mn)	509

Performance (%) 1M 3M 12M

Absolute	(5)	14	118
Relative	(3)	8	63

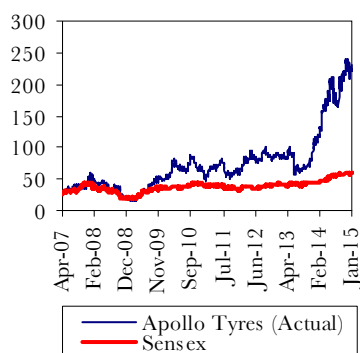
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	20.6	23.3
+/- (%)	3.4	12.9
PER (x)	11.0	9.7
PBV (x)	2.1	1.8
Dividend/Yield (%)	0.4	0.5
EV/Sales (x)	0.4	0.4
EV/EBITDA (x)	3.0	2.9

Major shareholders (%)

Promoters	44
GOI	2
FIIIs	34
MFs	4
Public & Others	15

Relative performance



Apollo Tyres

Maintain Outperformer

Benefitting from lower natural rubber and crude derivatives

Recent performance/Outlook

Focus on improving product and customer mix across geographies has enabled the company to post incremental performance in recent times. Low rubber prices and crude derivatives should continue help the company improving margins, as both these product prices are on a downtrend due to subdued demand and oversupply fears. The contribution from replacement market increased by 300 bps YoY to 78% in 2QFY15.

Key sensitivities to growth/Key risks – Next 12 months

- Improvement in Europe subsidiary.
- Volatility in input prices – Natural rubber and crude derivatives.
- Competition from Michelin, Bridgestone.

Strategic initiatives/Capex plans

- Current total capacity utilisation at 70%. However, the radial tyre capacity in Chennai plant is running at 80% capacity utilisation. Capacity in Chennai plant is being expanded with capex of Rs 15 bn.
- In addition, Apollo Tyres (APTY) will be investing to the tune of Euro 500 mn in a greenfield facility in northern area of Hungary. The facility will have a capacity of 5.5 mn passenger cars tyres and 0.7 mn truck tyres. Production from the facility is expected to start in early CY17 and project completion in CY19.

Balance sheet position

- APTY armed with low debt/equity (Current D/E: 0.1x from 1.0x in FY11) profile, decent recent ratios and strong operating cash flows visibility remains better placed in a cyclical business due to its largely diversified and global scale of business. APTY is planning to invest in its Chennai and Kerala facilities. To fund this capex, the company plans to raise debt. We believe, net debt/equity ratio increase to 0.2x in FY16.

Valuation and view

The performance of the company is expected to improve on expected economic recovery in India, supported by soft natural rubber price and crude derivatives. Improvement in Europe will be added advantage to the company. At the current market price of Rs 224, the stock is trading at 11.0x FY15E earnings of Rs 20.6 and 9.7x FY16E earnings of Rs 23.3. We maintain our Outperformer rating on the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

Apollo Tyres

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	127,946	133,103	134,463	151,367
Growth (%)	5.3	4.0	1.0	12.6
Operating expenses	(113,380)	(114,344)	(114,892)	(129,609)
Operating profit	14,566	18,759	19,570	21,758
EBITDA	14,566	18,759	19,570	21,758
Growth (%)	24.9	28.8	4.3	11.2
Depreciation	(3,966)	(4,113)	(4,228)	(4,464)
Other income	945	978	1,050	1,145
EBIT	11,545	15,624	16,392	18,438
Finance cost	(3,128)	(2,838)	(2,133)	(2,378)
Exceptional & extraordinary	169	(468)	0	0
Profit before tax	8,586	12,318	14,259	16,061
Tax (current + deferred)	(2,448)	(2,269)	(3,750)	(4,191)
P/(L) for the period	6,138	10,050	10,509	11,869
P/L of Associates,	(12)	0	0	0
Min Int, Pref Div				
Reported Profit/(Loss)	6,126	10,050	10,509	11,869
Adjusted net profit	6,126	10,050	10,509	11,869
Growth (%)	48.6	64.1	4.6	12.9

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	504	504	510	510
Reserves & surplus	33,452	45,097	53,619	64,779
Shareholders' funds	33,956	45,601	54,129	65,289
Minority Intersts and others	1	0	0	0
Non-current liabilities	22,836	13,931	13,801	13,149
Long-term borrowings	16,531	7,137	9,291	9,564
Other non-current liab.	6,304	6,794	4,511	3,585
Current liabilities	28,421	30,778	29,644	17,149
ST borrowings, Curr maturity	6,285	2,751	4,495	4,934
Other current liabilities	22,136	28,027	25,149	12,215
Total (Equity and Liab.)	85,214	90,309	97,574	95,586
Non-current assets	48,690	50,139	53,963	56,817
Fixed assets (Net block)	44,889	46,638	49,417	51,966
Non-current Investments	546	637	637	637
Long-term loans & advances	1,809	1,372	2,384	2,689
Other non-current assets	1,446	1,493	1,525	1,525
Current assets	36,524	40,171	43,611	38,770
Cash & current investment	3,348	5,357	6,101	1,398
Other current assets	33,176	34,814	37,511	37,371
Total (Assets)	85,214	90,309	97,574	95,586
Total debt	22,816	9,888	13,785	14,498
Capital employed	63,078	62,282	72,425	83,371

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	8,586	12,318	14,259	16,061
Depreciation	3,966	4,113	4,228	4,464
Change in working capital	(214)	4,872	(6,868)	(14,093)
Total tax paid	(1,546)	(1,955)	(6,015)	(4,190)
Others	3,128	2,838	2,133	2,378
Cash flow from oper. (a)	13,919	22,186	7,737	4,619
Capital expenditure	(5,311)	(5,862)	(7,007)	(7,013)
Change in investments	(388)	(91)	0	0
Cash flow from inv. (b)	(5,699)	(5,954)	(7,007)	(7,013)
Free cash flow (a+b)	8,220	16,233	730	(2,394)
Equity raised/(repaid)	0	0	432	0
Debt raised/(repaid)	(2,681)	(12,929)	3,898	713
Dividend (incl. tax)	261	476	580	655
Others	(4,184)	(1,770)	(4,896)	(3,676)
Cash flow from fin. (c)	(6,603)	(14,224)	14	(2,308)
Net chg in cash (a+b+c)	1,617	2,009	744	(4,702)

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	12.2	19.9	20.6	23.3
Growth	48.6	64.1	3.4	12.9
CEPS (Rs)	20.0	28.1	28.9	32.0
Book NAV/share (Rs)	67.4	90.5	106.2	128.0
Dividend/share (Rs)	0.5	0.8	1.0	1.1
Dividend payout ratio	4.3	4.7	5.5	5.5
EBITDA margin	11.4	14.1	14.6	14.4
EBIT margin	9.0	11.7	12.2	12.2
Tax rate	28.5	18.4	26.3	26.1
RoCE	18.9	24.9	24.3	23.7
Total debt/Equity (x)	0.7	0.2	0.3	0.2
Net debt/Equity (x)	0.6	0.1	0.1	0.2
Du Pont Analysis - ROE				
Net margin	4.8	7.6	7.8	7.8
Asset turnover (x)	1.5	1.5	1.4	1.6
Leverage factor (x)	2.7	2.2	1.9	1.6
Return on equity	19.7	25.3	21.1	19.9

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	18.6	11.3	11.0	9.7
PCE	11.3	8.0	7.8	7.1
Price/Book	3.4	2.5	2.1	1.8
Yield (%)	0.2	0.4	0.4	0.5
EV/EBITDA	4.8	2.9	3.0	2.9

MID CAP

Share Data

Price (Rs)	282
BSE Sensex	27,888
Reuters code	ARML.BO
Bloomberg code	ARVND IN
Market cap. (US\$ mn)	1,150
6M avg. daily turnover (US\$ mn)	16.4
Issued shares (mn)	258

Performance (%) 1M 3M 12M

Absolute	(1)	(5)	95
Relative	1	(9)	46

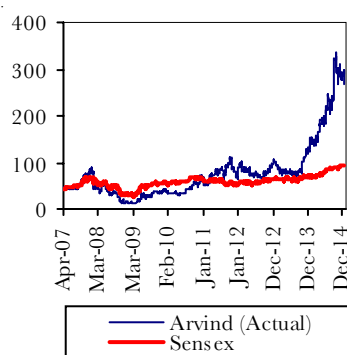
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	16.1	20.3
+/- (%)	11.9	26.5
PER (x)	17.5	13.9
PBV (x)	2.7	2.3
Dividend/Yield (%)	1.0	1.2
EV/EBITDA (x)	9.5	7.9

Major shareholders (%)

Promoters	43
FII's	24
MF's	8
BFSI's	6
Public & Others	19

Relative performance



Arvind

Maintain BUY

Waiting to move into top gear...

Recent performance

Arvind's 1HFY15 revenue, EBITDA and adjusted PAT grew by 17%, 8% and 8% YoY, respectively, mainly supported by better product mix in textile segment and branded segment (up 10% and 27%, respectively). The EBIT margin improvement was more pronounced in textile business (up 130 bps YoY) while BA business (up 30 bps YoY) witnessed marginal improvement. The profitability was muted mainly because of high cost cotton inventory and subdued consumer demand.

Revenue, EBITDA and adjusted PAT between FY12-14 grew at a CAGR of 18%, 24% and 23%, respectively. Branded garment business (excluding Megamart) posted CAGR of 30% during the period with constant improvement in margins.

Key sensitivities to growth/Key risks

- Improvement in the margin of branded garment segment (through increase in the number of matured brands, economies of scale and better consumer sentiments).
- Higher focus on garmenting exports (to improve integration and return ratios).

Strategic initiatives/Capex plans

- Arvind plans to invest into the asset light garmenting business and fast growing woven capacity within the textile segment while in the branded garment segment it plans to allocate higher capital towards retail ventures.
- Technical textile and E-tailing are nurtured to become the next growth engine.

Balance sheet position

- Working capital cycle has remained stable over the years at 55-60 days.
- Net debt/EBITDA (x) reduced from 5.2x (FY10) to 3.2x (FY14). RoE improved from 4.5% (FY10) to 17.3% (FY14).
- Net debt/equity (x) improved from 1.7x (FY10) to 1.2x (FY14).

Valuation and view

The company's strategy to grow selectively in high value-added segments within textiles, for maximum capital efficiency as well as de-risked business model through steadily increasing verticalised set-up of fabrics along with garmenting, will make the business model sustainable. Branded garment business is expected to see healthy growth on the back of increasing distribution reach, category expansion and faster growth in newly acquired brands/retail operations. E-commerce venture will further boost the sales. Operating leverage and improving profitability of new brands will positively impact margins. At Rs 282, it trades at 13.9x FY16E EPS and 11.9x FY17E EPS.

Resham Jain, CFA
resham.jain@bksec.com

Nishant Agrawal
nishant.agrawal@bksec.com

Arvind

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Revenue	68,621	80,522	95,280	114,147
Growth (%)	29.7	17.3	18.3	19.8
Operating expenses	(59,281)	(69,708)	(81,933)	(98,279)
Operating profit	9,340	10,814	13,348	15,868
EBITDA	9,340	10,814	13,348	15,868
Growth (%)	35.9	15.8	23.4	18.9
Depreciation	(2,252)	(2,213)	(2,693)	(3,184)
Other income	694	748	648	648
EBIT	7,782	9,349	11,303	13,332
Finance Cost	(3,545)	(4,019)	(4,135)	(4,454)
Exceptional & Extraordinary	(164)	(35)	0	0
Profit before tax	4,073	5,295	7,169	8,878
Tax (current + deferred)	(548)	(1,218)	(1,828)	(2,619)
Profit/(Loss) for the period	3,526	4,077	5,341	6,259
P/L of Associates,	13	30	(100)	(150)
Min Int, Pref Div				
Reported Profit / (Loss)	3,539	4,107	5,241	6,109
Adjusted Net profit	3,703	4,142	5,241	6,109
Growth (%)	49.1	11.9	26.5	16.6

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	2,582	2,582	2,582	2,582
Reserves & surplus	23,248	27,283	31,250	35,951
Shareholders' funds	25,830	29,865	33,832	38,533
Minority Int,	242	242	242	242
Share Appl, Pref Capital				
Non-Current Liabilities	14,373	14,789	15,787	16,630
Long-term borrowings	13,455	13,999	14,899	15,624
Other Long term liab,	918	790	888	1,006
Prov, DTL				
Current liabilities	33,188	36,102	39,977	46,023
Short-term borrowings,	18,215	19,410	20,419	22,786
Curr Maturity				
Other Current Liab + Provi	14,972	16,692	19,559	23,237
Total (Equity and Liab.)	73,632	80,998	89,839	101,428
Non-current assets	37,207	37,969	40,863	44,267
Fixed assets (Net block)	30,273	33,529	36,441	39,398
Non-current Investments	1,280	471	471	471
Long-term loans and advances	5,600	3,916	3,897	4,344
Other non-current assets,	54	54	54	54
DTA, Goodwill				
Current assets	36,425	43,029	48,976	57,161
Cash & Current Investment	1,676	3,119	2,642	2,543
Other current assets	34,749	39,909	46,334	54,618
Total (Assets)	73,632	80,998	89,839	101,428
Total Debt	31,670	33,408	35,317	38,410
Capital Employed	58,660	64,306	70,280	78,191

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	4,073	5,295	7,169	8,878
Depreciation	2,252	2,213	2,693	3,184
Change in working capital	(8,011)	(1,937)	(3,671)	(5,211)
Total tax paid	(171)	(1,353)	(1,828)	(2,619)
Others	3,545	3,446	3,662	3,981
Cash flow from oper. (a)	1,689	7,666	8,025	8,213
Capital expenditure	(3,537)	(5,036)	(5,205)	(5,742)
Change in investments	(615)	909	0	0
Others	(39)	73	73	73
Cash flow from inv. (b)	(4,190)	(4,055)	(5,132)	(5,669)
Free cash flow (a+b)	(2,502)	3,611	2,892	2,544
Equity raised/(repaid)	10	(9)	0	0
Debt raised/(repaid)	5,562	1,738	1,909	3,093
Dividend (incl. tax)	(498)	(710)	(846)	(1,015)
Others	(2,764)	(3,189)	(4,432)	(4,721)
Cash flow from fin. (c)	2,310	(2,168)	(3,369)	(2,643)
Net chg. in cash (a+b+c)	(192)	1,443	(477)	(99)

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	14.4	16.1	20.3	23.7
Growth	49.1	11.9	26.5	16.6
CEPS (Rs)	23.1	24.6	30.8	36.0
Book NAV/share (Rs)	89.5	105.0	120.4	138.6
Dividend/share (Rs)	2.4	2.8	3.4	4.1
Dividend payout ratio	20.1	20.6	19.4	19.9
EBITDA margin	13.6	13.4	14.0	13.9
EBIT margin	11.3	11.6	11.9	11.7
Tax Rate	12.9	22.8	25.5	29.5
RoCE	14.4	15.2	16.8	18.0
Net debt/Equity (x)	1.2	1.0	1.0	0.9
Net Debt/EBITDA (x)	3.2	2.8	2.4	2.3
Du Pont Analysis - ROE				
Net margin	5.4	5.1	5.5	5.4
Asset turnover (x)	1.0	1.0	1.1	1.2
Leverage factor (x)	3.2	3.1	2.9	2.9
Return on equity	17.3	16.5	18.0	18.3

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	12.1	17.5	13.9	11.9
PCE	7.5	11.4	9.2	7.8
Price/Book	1.9	2.7	2.3	2.0
Yield (%)	1.4	1.0	1.2	1.4
EV/EBITDA	8.0	9.5	7.9	6.8

LARGE CAP**Share Data**

Price (Rs)	53
BSE Sensex	27,888
Reuters code	ASOK.BO
Bloomberg code	ALIN
Market cap. (US\$ mn)	2,401
6M avg. daily turnover (US\$ mn)	12.1
Issued shares (mn)	2,846

Performance (%) 1M 3M 12M

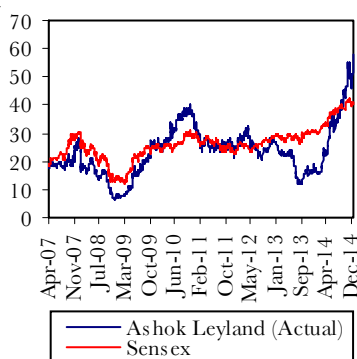
Absolute	(2)	27	201
Relative	(1)	21	125

Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	0.4	1.8
+/- (%)	(122.3)	365.0
PER (x)	133.5	29.7
PBV (x)	3.7	3.5
Dividend/Yield (%)	0.0	0.9
EV/Sales (x)	1.5	1.2
EV/EBITDA (x)	20.5	13.0

Major shareholders (%)

Promoters	39
FII's	34
MF's	3
BFSI's	10
Public & Others	14

Relative performance**Ashok Leyland****Maintain Outperformer****Visible signs of MHCV recovery****Recent performance/Outlook**

Focused efforts of management leading to increase of market share by ~210 bps in MHCV segment in YTD April-November 2014. Reducing debt by issuing QIP of Rs 6.7 bn and sale of non-core asset of Rs 2 bn with a target to bring debt-equity ratio to 1:1 to around Rs 40 bn to reduce interest costs. With the expected recovery of the economy and recovery in CV segment Ashok Leyland (AL) would be major beneficiary.

Key sensitivities to growth/Key risks

- Revival of MHCV due to economic recovery and fleet ownership viability.
- Margin improvement due to capacity improvement and discount reduction.
- New public transport spends under JNNURM and state transport corporation.

Strategic initiatives/Capex plans

- Management has export target of 25-30% of sales from current levels of 12% with a focus on Africa and South Asia.
- Debt reduction through management initiatives and sale of non-core assets.
- For FY15, AL plans around Rs 1.5 bn for capex for product development and Rs 2.5 bn in other subsidiaries such as LCV venture with Nissan.

Balance sheet position

- Due to significant investment in its Pantnagar greenfield plant, LCV joint venture with Nissan and R&D investment for revamping its vehicle and engine platform combined with weak commercial vehicle demand has increased the debt burden. AL has undertaken sale of non-current assets (Land, IndusInd Bank share and subsidiaries), QIP issue of ~Rs 6.7 bn and inventory reduction to reduce debt from ~Rs 61.5 bn in December 2013 Rs 39 bn in 1HFY15. Due to better demand scenario and margin improvement due to scale and lesser discounts, significant improvement in RoE and RoCE is expected from current levels.

Valuation and view

MHCV volumes are expected to revive due to economic recovery and improvement in profitability due to better capacity utilisation, improved realisation and reduced interest burden. Ashok Leyland is expected to report improved performance, going forward. However, the stock has run up in recent times, on expected MHCV recovery. At the current market price of Rs 53, the stock is trading at 13.0x EV/EBITDA for FY16E. We have an Outperformer rating on the stock.

Annamalai Jayaraj

annamalai.jayaraj@bksec.com

Ashok Leyland

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	99,434	122,605	157,354	190,760
<i>Growth (%)</i>	<i>(20.3)</i>	<i>23.3</i>	<i>28.3</i>	<i>21.2</i>
Operating expenses	(97,768)	(113,720)	(143,268)	(172,116)
Operating profit	1,666	8,885	14,087	18,645
EBITDA	1,666	8,885	14,087	18,645
<i>Growth (%)</i>	<i>(81.0)</i>	<i>433.2</i>	<i>58.5</i>	<i>32.4</i>
Depreciation	(3,877)	(4,153)	(4,354)	(4,497)
Other income	665	671	680	817
EBIT	(1,546)	5,402	10,413	14,965
Finance cost	(4,529)	(3,880)	(3,454)	(3,118)
Exceptional & extraordinary	5,057	1,090	—	—
Profit before tax	(1,019)	2,613	6,959	11,847
Tax (current + deferred)	1,206	(400)	(1,740)	(2,962)
P/(L) for the period	187	2,213	5,219	8,885
Reported Profit/(Loss)	187	2,213	5,219	8,885
Adjusted net profit	(4,869)	1,124	5,219	8,885
<i>Growth (%)</i>	<i>(438.5)</i>	<i>123.1</i>	<i>365.0</i>	<i>70.2</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	2,661	2,846	2,846	2,846
Reserves & surplus	41,818	48,592	52,162	59,067
Shareholders' funds	44,479	51,438	55,008	61,913
Non-current liabilities	37,735	35,105	33,362	34,341
Long-term borrowings	32,965	29,872	26,387	24,404
Other non-current liab.	4,770	5,234	6,975	9,937
Current liabilities	45,866	45,460	49,736	49,817
ST borrowings, Curr maturity	5,874	11,000	9,500	6,000
Other current liabilities	39,992	34,460	40,236	43,817
Total (Equity and Liab.)	128,080	132,004	138,105	146,071
Non-current assets	89,525	93,019	92,092	91,019
Fixed assets (Net block)	58,414	56,460	54,533	52,460
Non-current Investments	24,053	28,000	29,000	30,000
Long-term loans and adv.	6,728	8,559	8,560	8,560
Other non-current assets	331	—	—	—
Current assets	38,554	38,984	46,012	55,051
Cash & current investment	3,961	2,983	1,346	1,751
Other current assets	34,593	36,002	44,666	53,300
Total (Assets)	128,079	132,003	138,104	146,071
Total debt	38,839	40,872	35,887	30,404
Capital employed	88,088	97,544	97,869	102,255

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	(1,019)	2,613	6,959	11,847
Depreciation	3,877	4,153	4,354	4,497
Change in working capital	2,751	(8,684)	(4,540)	(5,383)
Total tax paid	—	0	0	(0)
Others	4,215	3,325	3,128	2,491
Cash flow from oper. (a)	9,825	1,406	9,901	13,452
Capital expenditure	(3,716)	(2,031)	(2,332)	(2,329)
Change in investments	(4,521)	(1,603)	(1,000)	(1,000)
Others	10	780	485	532
Cash flow from inv. (b)	(8,226)	(2,854)	(2,846)	(2,797)
Free cash flow (a+b)	1,598	(1,448)	7,055	10,655
Equity raised/(repaid)	(0)	6,519	—	—
Debt raised/(repaid)	3,791	2,033	(4,985)	(5,483)
Dividend (incl. tax)	(1,855)	0	—	(1,650)
Others	(4,529)	(3,685)	(3,389)	(3,117)
Cash flow from fin. (c)	(2,594)	(1,652)	(8,374)	(10,250)
Net chg in cash (a+b+c)	(995)	(3,100)	(1,319)	405

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	(1.8)	0.4	1.8	3.1
Growth	(212.3)	(122.3)	365.0	70.2
CEPS (Rs)	(0.4)	1.9	3.4	4.7
Book NAV/share (Rs)	12.3	14.4	15.2	17.6
Dividend/share (Rs)	—	—	0.5	0.6
Dividend payout ratio	—	—	31.6	22.3
EBITDA margin	1.7	7.2	9.0	9.8
EBIT margin	(1.6)	4.4	6.6	7.8
Tax rate	19.9	26.2	25.0	25.0
RoCE	(1.8)	6.6	12.3	15.0
Total debt/Equity (x)	0.9	0.8	0.7	0.5
Net debt/Equity (x)	0.8	0.7	0.6	0.5
Du Pont Analysis - ROE				
Net margin	(4.9)	0.9	3.3	4.7
Asset turnover (x)	0.8	0.9	1.2	1.3
Leverage factor (x)	4.0	3.6	3.3	3.0
Return on equity	(20.7)	3.7	17.8	19.0

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	(29.0)	133.5	29.7	17.0
PCE	(142.3)	27.7	15.8	11.3
Price/Book	4.3	3.7	3.5	3.0
Yield (%)	—	—	0.9	1.1
EV/EBITDA	105.6	20.5	13.0	9.5

MID CAP

Share Data

Price (Rs)	1,356
BSE Sensex	27,888
Reuters code	ATLPBO
Bloomberg code	ATLPIN
Market cap. (US\$ mn)	636
6M avg. daily turnover (US\$ mn)	2.0
Issued shares (mn)	30

Performance (%) 1M 3M 12M

Absolute	7	(2)	205
Relative	10	(6)	129

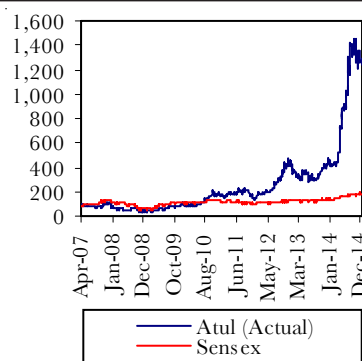
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	16.5	13.4
+/- (%)	11.2	23.3
PER (x)	16.5	13.4
PBV (x)	3.8	3.1
Dividend/Yield (%)	0.7	0.8
EV/Sales (x)	1.5	1.3
EV/EBITDA (x)	9.9	8.1

Major shareholders (%)

Promoters	51
FII's	5
MF's	9
BFSI's	2
Public & Others	34

Relative performance



Atul

Maintain BUY

Enters into the big league...

Recent performance/Outlook

Atul Ltd. (ATLP) has hit the accelerator button in the recent years by registering 5-year revenue CAGR of 15%, PBT CAGR of 26% and PAT CAGR of 19%. ATLP continued this strong performance in 1H FY15 with revenue and PAT growth of 18.9% and 23.8%, respectively, led by robust growth in performance chemical division which witnessed market share gains and new product launches. With base kicking in, we expect ATLP to report normalised growth.

Key sensitivities to growth/Key risks – Next 12 months

- Apart from being net exporter, ATLP depends on crude linked raw materials thereby exposing financials to both crude oil as well as forex fluctuations. Further, the industry it operates in requires constant upgradation of effluent treatment to safeguard environment.

Strategic initiatives/Capex plans

- Over the past several years through R&D, JVs with multinational companies and acquisitions, ATLP has successfully diversified its business model from traditional dyestuffs into the segments of aromatic, crop protection, polymers and API.
- It was able to identify key products which had growth potential and augmented capacities for such products. Capacity expansion took place in products like Anisole, PARA-Cresol, Sulphones, 2-4D, etc.
- ATLP is in the process of implementing 33 projects with an outlay of about Rs 4.8 bn, these projects are expected to be commissioned during 2014-15 and 2015-16. Bulk of the Rs 4.8 bn capex is expected to be funded through internal accruals.

Balance sheet position

- Working capital days declined from 80 days in FY10 to 51 days in FY14 owing to the conservative approach of the management.
- ATLP has repaid Rs 1.8 bn of its debt during 1H FY15 thus lowering its overall debt from Rs 3.5 bn in March 2014 to Rs 1.7 bn.

Valuation and view

We remain upbeat on ATLP's prospect and expect it to deliver consistent performance over the next few years. The growth momentum is on the right track and is expected to take the company into a bigger league. We maintain our Buy rating with a target price of Rs 1,600. At the current market price of Rs 1,356, ATLP is trading at 13.4x FY16E EPS of Rs 101.

Ranjit Cirumalla
ranjit.cirumalla@bksec.com

Miloni Bagadia
miloni.bagadia@bksec.com

Atul

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	20,064	23,983	27,885	32,651
<i>Growth (%)</i>	<i>13.8</i>	<i>19.5</i>	<i>16.3</i>	<i>17.1</i>
Operating expenses	(17,876)	(20,940)	(24,175)	(28,092)
Operating profit	2,188	3,043	3,710	4,560
Other operating income	365	594	641	692
EBITDA	2,553	3,637	4,351	5,252
<i>Growth (%)</i>	<i>14.4</i>	<i>42.5</i>	<i>19.6</i>	<i>20.7</i>
Depreciation	(514)	(583)	(735)	(829)
Other income	148	363	190	205
EBIT	2,187	3,417	3,806	4,628
Finance cost	(349)	(334)	(310)	(320)
Exceptional & extraordinary	87	0	0	0
Profit before tax	1,925	3,083	3,496	4,308
Tax (current + deferred)	(583)	(881)	(1,048)	(1,292)
P/(L) for the period	1,342	2,202	2,448	3,016
P/L of Associates, Min Int, Pref Div	(83)	(10)	(10)	(10)
Reported Profit/(Loss)	1,259	2,192	2,438	3,006
Adjusted net profit	1,259	2,192	2,438	3,006
<i>Growth (%)</i>	<i>30.5</i>	<i>74.1</i>	<i>11.2</i>	<i>23.3</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	297	297	297	297
Reserves & surplus	7,246	9,189	11,262	13,863
Shareholders' funds	7,542	9,486	11,559	14,160
Minority Interests and others	58	59	59	59
Non-current liabilities	1,968	1,629	1,630	1,631
Long-term borrowings	1,644	1,195	1,196	1,197
Other non-current liabilities	324	434	434	434
Current liabilities	6,069	6,982	7,584	8,255
ST borrowings, Curr maturity	2,057	1,929	1,930	1,931
Other current liabilities	4,013	5,053	5,654	6,324
Total (Equity and Liab.)	15,638	18,156	20,832	24,105
Non-current assets	7,089	7,830	8,973	10,125
Fixed assets (Net block)	5,721	6,294	7,394	8,494
Non-current Investments	667	628	628	628
Long-term loans & advances	289	262	305	357
Other non-current assets	413	646	646	646
Current assets	8,549	10,326	11,859	13,980
Cash & current investment	149	211	403	835
Other current assets	8,400	10,116	11,456	13,145
Total (Assets)	15,638	18,156	20,832	24,105
Total debt	3,700	3,124	3,126	3,128
Capital employed	11,625	13,103	15,178	17,781

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,925	3,083	3,496	4,308
Depreciation	514	583	735	829
Change in working capital	(272)	(637)	(782)	(1,071)
Total tax paid	(538)	(783)	(1,048)	(1,292)
Others	303	(28)	120	115
Cash flow from oper. (a)	1,932	2,218	2,521	2,889
Capital expenditure	(1,154)	(1,182)	(1,862)	(1,955)
Change in investments	82	39	0	0
Others	(26)	129	190	205
Cash flow from inv. (b)	(1,098)	(1,014)	(1,672)	(1,750)
Free cash flow (a+b)	834	1,204	850	1,138
Debt raised/(repaid)	(224)	(577)	2	2
Dividend (incl. tax)	(208)	(263)	(347)	(382)
Others	(441)	(303)	(312)	(327)
Cash flow from fin. (c)	(872)	(1,142)	(657)	(707)
Net chg in cash (a+b+c)	(38)	62	193	431

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	42.4	73.9	82.2	101.3
Growth	30.5	74.1	11.2	23.3
CEPS (Rs)	59.7	93.5	106.9	129.2
Book NAV/share (Rs)	216.5	282.9	353.6	442.1
Dividend/share (Rs)	6.0	7.5	10.0	11.0
Dividend payout ratio	16.5	11.5	14.2	12.7
EBITDA margin	12.5	14.8	15.3	15.8
EBIT margin	10.9	14.2	13.6	14.2
Tax rate	30.3	28.6	30.0	30.0
RoCE	19.5	27.6	26.9	28.1
Total debt/Equity (x)	0.5	0.3	0.3	0.2
Net debt/Equity (x)	0.5	0.3	0.2	0.2
Du Pont Analysis - ROE				
Net margin	6.3	9.1	8.7	9.2
Asset turnover (x)	1.3	1.4	1.4	1.5
Leverage factor (x)	2.6	2.3	2.1	1.9
Return on equity	21.3	29.6	25.8	25.5

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	7.1	5.9	16.5	13.4
PCE	5.0	4.6	12.7	10.5
Price/Book	1.4	1.5	3.8	3.1
Yield (%)	2.0	1.7	0.7	0.8
EV/EBITDA	4.9	4.3	9.9	8.1

MID CAP

Share Data

Price (Rs)	398
BSE Sensex	27,888
Reuters code	BJCORP.BO
Bloomberg code	BJCOR IN
Market cap. (US\$ mn)	927
6M avg. daily turnover (US\$ mn)	1.3
Issued shares (mn)	148

Performance (%) 1M 3M 12M

Absolute	13	50	85
Relative	15	43	39

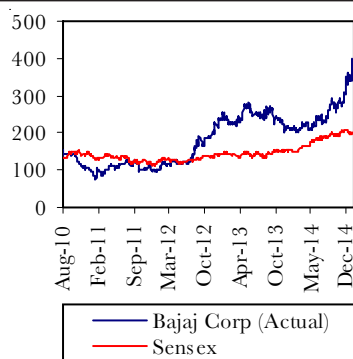
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	13.3	15.4	18.0
+/- (%)	13.4	15.4	17.2
PER (x)	29.9	25.9	22.1
PBV (x)	12.3	11.1	9.5
Dividend/Yield (%)	2.9	2.0	2.3
EV/Sales (x)	7.2	6.0	5.1
EV/EBITDA (x)	26.1	22.0	18.3

Major shareholders (%)

Promoters	75
FII's	15
MF's	2
Public & Others	8

Relative performance



Bajaj Corp

Maintain Underperformer

Volume recovery priced in

Recent performance

Bajaj Corp sales and PAT grew by ~19% CAGR over FY12-14. Topline growth decelerated in the last one year impacted by moderation in its core Almond drop volumes, however, operational performance has been strong, with margin expansion of ~300 bps led by price hikes and benign raw material prices. For 1H FY15, sales grew by 15% led by recovery in Almond drops volume and continued traction in Nomarks performance. EBITDA margins remained stable at ~28%, led by ~5% price hike in Almond drops and improvement in Nomarks margins.

Key triggers/Risks – Next 12 months

- Increased competitive intensity and deficient rainfall in key markets remains key risk to volume recovery.

Strategic initiatives

- Over the past few years, growth for Bajaj Corp has largely been organic in nature driven by its mainstay Almond drops hair oil (16% CAGR over FY10-14) and it has not been able to leverage the same in other hair oil categories. The company forayed into face wash category with acquisition of Nomarks (~7% of sales) in FY14 and also entered other geographies (Middle East) to drive overall growth.
- The company expects Nomarks sales momentum to continue with improvement in overall reach and launch in international markets. Focus to remain on face wash and creams category and A&P spends to be in the range of 40-50% of Nomarks sales.
- International business growth to improve with stabilisation in Bangladesh market and commencement of UAE facility.
- It expects raw material prices to remain benign and holding very low inventory. This coupled with price hike in 1QFY15 Almond drops would aid gross margins.

Balance sheet position

- Healthy balance sheet with zero debt and cash & cash equivalents of ~Rs 3.7 bn.

Valuation and view

Despite sluggishness in light hair oil category, pick up in secondary sales for Almond drops were indicative of initial signs of recovery. Moreover, with Nomarks maintaining its sales momentum, volume growth is likely to improve in the coming quarters. Management expects LLP prices to remain soft, on the back of fall in crude prices, but believes margin benefit will be lower as A&P are likely to remain high due to increased competitive intensity and investment behind brands. We have an Underperformer rating on the stock.

Ashit Desai
ashit.desai@bksec.com

Mehul Desai
mehul.desai@bksec.com

Bajaj Corp

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	6,707	7,746	9,058	10,600
<i>Growth (%)</i>	<i>10.7</i>	<i>15.5</i>	<i>16.9</i>	<i>17.0</i>
Operating expenses	(4,851)	(5,612)	(6,571)	(7,670)
Operating profit	1,856	2,133	2,487	2,929
Other operating income	10	0	0	0
EBITDA	1,867	2,133	2,487	2,929
<i>Growth (%)</i>	<i>8.0</i>	<i>14.3</i>	<i>16.6</i>	<i>17.8</i>
Depreciation	(37)	(42)	(46)	(49)
Other income	401	377	409	463
EBIT	2,231	2,469	2,851	3,343
Finance cost	(59)	0	0	0
Exceptional & extraordinary	(286)	(470)	(470)	(184)
Profit before tax	1,886	1,999	2,381	3,160
Tax (current + deferred)	(382)	(410)	(488)	(648)
P/(L) for the period	1,505	1,589	1,893	2,512
Reported Profit/(Loss)	1,505	1,589	1,893	2,512
Adjusted net profit	1,733	1,965	2,269	2,659
<i>Growth (%)</i>	<i>3.5</i>	<i>13.4</i>	<i>15.4</i>	<i>17.2</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	148	148	148	148
Reserves & surplus	5,073	4,640	5,125	6,054
Shareholders' funds	5,221	4,787	5,273	6,202
Current liabilities	596	659	764	896
Other current liabilities	596	659	764	896
Total (Equity and Liab.)	5,817	5,446	6,037	7,098
Non-current assets	2,410	1,891	1,427	1,244
Fixed assets (Net block)	1,609	1,090	624	441
Non-current Investments	539	539	539	539
Long-term loans and advances	262	263	263	264
Current assets	3,407	3,555	4,610	5,853
Cash & current investment	2,858	2,931	3,890	5,019
Other current assets	549	624	720	834
Total (Assets)	5,817	5,446	6,037	7,098
Capital employed	5,221	4,787	5,273	6,202

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,886	1,999	2,381	3,160
Depreciation	37	42	46	49
Change in working capital	(67)	(13)	8	17
Total tax paid	(394)	(410)	(488)	(648)
Others	(342)	(377)	(409)	(463)
Cash flow from oper. (a)	1,119	1,241	1,537	2,115
Capital expenditure	(1,187)	477	420	134
Change in investments	319	(129)	71	71
Others	330	306	338	392
Cash flow from inv. (b)	(538)	654	829	597
Free cash flow (a+b)	581	1,896	2,366	2,712
Dividend (incl. tax)	(1,122)	(2,023)	(1,407)	(1,583)
Others	(59)	0	0	0
Cash flow from fin. (c)	(1,180)	(2,023)	(1,407)	(1,583)
Net chg in cash (a+b+c)	(600)	(127)	959	1,129

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	11.7	13.3	15.4	18.0
Growth	3.5	13.4	15.4	17.2
CEPS (Rs)	12.0	13.6	15.7	18.4
Book NAV/share (Rs)	35.4	32.5	35.7	42.0
Dividend/share (Rs)	6.5	11.5	8.0	9.0
Dividend payout ratio	74.6	127.3	74.3	63.0
EBITDA margin	27.8	27.5	27.5	27.6
EBIT margin	33.3	31.9	31.5	31.5
Tax rate	20.2	20.4	20.4	20.5
RoCE	44.3	49.3	56.7	58.3
Net debt/Equity (x)	(0.5)	(0.6)	(0.7)	(0.8)
Du Pont Analysis - ROE				
Net margin	25.8	25.4	25.0	25.1
Asset turnover (x)	1.2	1.4	1.6	1.6
Leverage factor (x)	1.1	1.1	1.1	1.1
Return on equity	34.5	39.3	45.1	46.3

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	18.5	29.9	25.9	22.1
PCE	18.1	29.2	25.3	21.7
Price/Book	6.1	12.3	11.1	9.5
Yield (%)	3.0	2.9	2.0	2.3
EV/EBITDA	15.6	26.1	22.0	18.3

MID CAP

Share Data

Price (Rs)	238
BSE Sensex	27,888
Reuters code	BJEL.BO
Bloomberg code	BJE IN
Market cap. (US\$ mn)	379
6M avg. daily turnover (US\$ mn)	1.6
Issued shares (mn)	101

Performance (%)	1M	3M	12M
Absolute	14	(13)	9
Relative	16	(17)	(18)

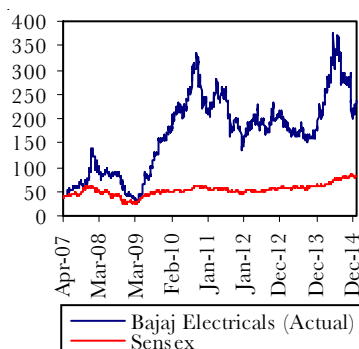
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	2.5	11.2	17.7
+/- (%)	NA	338.1	58.5
PER (x)	93.5	21.4	13.5
PBV (x)	3.4	3.2	2.7
Dividend/Yield (%)	1.7	2.1	2.1
EV/Sales (x)	0.6	0.5	0.5
EV/EBITDA (x)	17.0	9.3	6.9

Major shareholders (%)

Promoters	66
FII's	14
MF's	6

Relative Performance



Bajaj Electricals

Maintain Underperformer

Volatile E&P performance, lighting segment under stress

Recent performance/Outlook

While consumer business has witnessed margin pressures amidst volume pressures, project business has been a key drag for Bajaj Electricals's (BJE) performance. 2QFY15 was disappointing due to lower volumes and weak margins in lighting business. The confidence of consumer profitability reverting back to normalcy in FY15 was turned down as it continued to see headwinds to pass on higher costs to customers in order to secure volumes in a weak market, thereby affecting margins in consumer businesses. Further, cannibalisation by LEDs on CFL volume growth in the consumer lighting is concerning with limited presence of BJE in this market.

Key sensitivities to growth/Key risks – Next 12 months

- Pick up in housing and consumer spending, hence demand for consumer electricals.
- Diminishing pricing power given increased competition in consumer business.
- Timely execution and closure of the new T&D projects to sustain margins in E&P.

Strategic initiatives/Capex plans

- Focus on enhancing distribution, product range and product reach and increased spending for ad and publicity (Rs 600 mn in FY15E).
- Capex of Rs 900 mn in FY15 – Rs 500 mn for R&D and rest others.

Balance sheet position

- Led by heavy losses in E&P segment, net loss for FY14 and increased leverage factor to 3.4x from 2.9x earlier despite higher asset turns led to -0.7% RoE. RoCE was mere 7%, -500 bps YoY with 11% increase in debt, NDER increased to 0.4x from 0.2x.

Valuation and view

Management is confident that consumer durables margins will revert back by FY15 end and E&P to report 6-8% EBIT over FY15-16E. We, however, remain skeptical given weak demand sentiments and increased competitive pressures. While the E&P segment is likely to turn positive in FY15, the skewness of the Rs 31 bn order book (2.5x TTM sales) towards distribution (RE) projects increases the risk profile of the new orders. Weak operating performance on consumer segments with increased working capital for E&P will add pressures on earnings and RoCE. With ~50% of FY16 EBIT derived from E&P, the valuations re-rating is unlikely to map that of other consumer electrical peers.

Renu Baid
renu.baid@bksec.com

Bajaj Electricals

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	40,240	46,288	52,870	59,775
<i>Growth (%)</i>	<i>19.0</i>	<i>15.0</i>	<i>14.2</i>	<i>13.1</i>
Operating expenses	(39,480)	(44,669)	(49,809)	(55,618)
Operating profit	760	1,618	3,061	4,156
Other operating income	58	63	67	74
EBITDA	818	1,681	3,128	4,230
<i>Growth (%)</i>	<i>(26.6)</i>	<i>105.5</i>	<i>86.1</i>	<i>35.2</i>
Depreciation	(248)	(337)	(393)	(450)
Other income	153	168	185	205
EBIT	723	1,512	2,921	3,985
Finance cost	(783)	(1,158)	(1,280)	(1,383)
Profit before tax	(60)	354	1,641	2,602
Tax (current + deferred)	7	(99)	(525)	(833)
P/(L) for the period	(53)	255	1,116	1,769
Reported Profit/(Loss)	(53)	255	1,116	1,769
Adjusted net profit	(53)	255	1,116	1,769
<i>Growth (%)</i>	<i>—</i>	<i>—</i>	<i>338.1</i>	<i>58.5</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	200	201	201	201
Reserves & surplus	6,891	6,886	7,413	8,593
Shareholders' funds	7,091	7,088	7,615	8,795
Minority Interests and others	5	0	0	0
Non-current liabilities	1,585	2,299	2,341	2,419
Long-term borrowings	1,306	1,829	1,829	1,829
Other non-current liabilities	279	470	512	590
Current liabilities	18,246	21,583	24,132	26,721
Short-term borrowings	2,187	3,256	3,737	4,106
Other current liabilities	16,058	18,327	20,395	22,615
Total (Equity and Liab.)	26,926	30,969	34,088	37,934
Non-current assets	8,101	9,529	10,234	11,164
Fixed assets (Net block)	2,518	2,708	2,872	2,949
Non-current Investments	673	773	923	1,073
Long-term loans & advances	828	926	1,005	1,136
Other non-current assets	4,083	5,123	5,434	6,006
Current assets	18,825	21,440	23,854	26,770
Cash & current investment	544	413	375	526
Other current assets	18,281	21,027	23,479	26,244
Total (Assets)	26,926	30,969	34,088	37,934
Total debt	3,494	5,085	5,566	5,934
Capital employed	10,868	12,642	13,693	15,319

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	(60)	354	1,641	2,602
Depreciation	248	337	393	450
Change in working capital	204	(561)	(538)	(599)
Total tax paid	(168)	(150)	(586)	(906)
Others	682	1,047	1,158	1,249
Cash flow from oper. (a)	907	1,028	2,068	2,796
Capital expenditure	(442)	(527)	(557)	(527)
Change in investments	(376)	(100)	(150)	(150)
Others	(1,080)	(879)	(129)	(365)
Cash flow from inv. (b)	(1,898)	(1,506)	(836)	(1,042)
Free cash flow (a+b)	(991)	(478)	1,232	1,754
Equity raised/(repaid)	5	417	0	0
Debt raised/(repaid)	1,835	1,591	481	369
Dividend (incl. tax)	(233)	(351)	(471)	(589)
Others	(572)	(1,309)	(1,280)	(1,383)
Cash flow from fin. (c)	1,034	347	(1,270)	(1,603)
Net chg in cash (a+b+c)	43	(131)	(38)	151

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	(0.5)	2.5	11.2	17.7
Growth	—	—	338.1	58.5
CEPS (Rs)	1.9	5.9	15.1	22.2
Book NAV/share (Rs)	70.1	70.1	75.3	87.1
Dividend/share (Rs)	3.0	4.0	5.0	5.0
Dividend payout ratio	(659.5)	185.0	52.8	33.3
EBITDA margin	2.0	3.6	5.9	7.1
EBIT margin	1.8	3.3	5.5	6.7
Tax rate	10.9	28.0	32.0	32.0
RoCE	7.1	12.9	22.2	27.5
Total debt/Equity (x)	0.5	0.7	0.7	0.7
Net debt/Equity (x)	0.4	0.7	0.7	0.6
Du Pont Analysis - ROE				
Net margin	(0.1)	0.6	2.1	3.0
Asset turnover (x)	1.7	1.6	1.6	1.7
Leverage factor (x)	3.4	4.1	4.5	4.4
Return on equity	(0.7)	3.6	15.4	21.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	(546.0)	93.5	21.4	13.5
PCE	149.5	40.2	15.8	10.7
Price/Book	4.1	3.4	3.2	2.7
Yield (%)	1.0	1.7	2.1	2.1
EV/EBITDA	39.1	17.0	9.3	6.9

MID CAP

Share Data

Price (Rs)	618
BSE Sensex	27,888
Reuters code	BLKLBO
Bloomberg code	BILIN
Market cap. (US\$ mn)	943
6M avg. daily turnover (US\$ mn)	1.8
Issued shares (mn)	97

Performance (%) 1M 3M 12M

Absolute	(2)	(22)	88
Relative	0	(25)	41

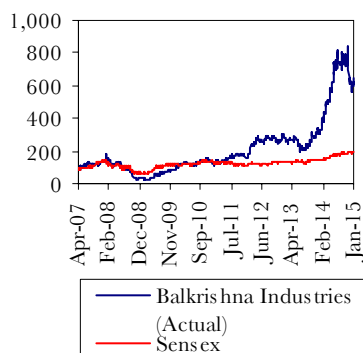
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	44.6	55.5
+/- (%)	(9.1)	24.5
PER (x)	13.9	11.1
PBV (x)	2.6	2.1
Dividend/Yield (%)	0.3	0.3
EV/Sales (x)	2.3	1.9
EV/EBITDA (x)	9.8	8.3

Major shareholders (%)

Promoters	58
FII's	13
MF's	17
Public & Others	12

Relative performance



Balkrishna Industries

Maintain Outperformer

Margins to improve on better currency realisation

Recent performance/Outlook

The management indicated that the demand is improving in both domestic and US market due to improvement in heavy truck and off-road vehicle tyres. However, the Europe market and rest of the world continues to be stable/weak. Despite price reductions (5-6% in 1H FY15), Balkrishna Industries (BKT) believes that margin profile can be maintained at current level of 23-24.0% at least for the next two years due to better currency realisation and subdued raw material price. BKT primarily caters to replacement market (90% of sales) and has over 200 distributors in 130 countries. The company expands its market reach by increasing penetration of existing distribution and adding new distributors.

Key sensitivities to growth/Key risks – Next 12 months

- Any slowdown in European and US market.
- Increase in debt due to Bhuj plant expansion.
- Price of natural rubber, crude derivative and currency.

Strategic initiatives/Capex plans

- The total capacity in Bhuj will be 140,000 MT, with 60% of capacity for agriculture and other application and 40% for OTR/Mining tyres. It is expected to be fully commissioned by March 2015 and ramping up in two years.
- The company is expanding its presence across new geographies and is now exploring Canada, Russia and CIS countries where at present the company has negligible presence.

Balance sheet position

- BKT's gross debt stands at Rs 2.4 bn and cash stands at Rs 5 bn. The debt-equity ratio increased from 0.7x FY11 to 1.0x FY14 due to incremental capacity in Bhuj plant. With natural rubber price have fallen more than 40% YTD FY15, we have seen aggressive discounts trends emerging in markets. This may hit the returns and also drop in RoE for the short-term. However, with increase in margin, we expect RoE to improve (excess of ~22%) for medium to long-term perspective.

Valuation and view

We expect the order book to improve with improvement at the dealer level inventory in the export market, introduction of new products, exploring new markets and increasing supplies to OEM. At the current market price of Rs 618, the stock is trading at 11.1x FY16E earnings of Rs 55.5 and 8.7x FY17E earnings of Rs 71.2. We have an Outperformer rating on the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

Balkrishna Industries

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	37,719	40,807	49,126	58,730
<i>Growth (%)</i>	<i>11.1</i>	<i>8.2</i>	<i>20.4</i>	<i>19.5</i>
Operating expenses	(28,823)	(31,323)	(37,741)	(44,991)
Operating profit	8,896	9,483	11,385	13,739
EBITDA	8,896	9,483	11,385	13,739
<i>Growth (%)</i>	<i>33.0</i>	<i>6.6</i>	<i>20.1</i>	<i>20.7</i>
Depreciation	(1,703)	(2,580)	(2,846)	(2,896)
Other income	141	106	115	124
EBIT	7,334	7,009	8,654	10,968
Finance cost	(273)	(572)	(641)	(689)
Profit before tax	7,061	6,437	8,013	10,279
Tax (current + deferred)	(2,316)	(2,124)	(2,644)	(3,395)
P/(L) for the period	4,746	4,312	5,369	6,884
Reported Profit/(Loss)	4,746	4,312	5,369	6,884
Adjusted net profit	4,746	4,312	5,369	6,884
<i>Growth (%)</i>	<i>35.6</i>	<i>(9.1)</i>	<i>24.5</i>	<i>28.2</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	193	193	193	193
Reserves & surplus	18,762	22,855	27,949	34,367
Shareholders' funds	18,956	23,048	28,142	34,561
Non-current liabilities	19,134	20,410	21,462	22,446
Long-term borrowings	16,716	17,766	18,816	19,866
Other non-current liab.	2,417	2,644	2,646	2,580
Current liabilities	13,904	18,677	23,649	28,979
ST borrowings, curr maturity	10,300	14,800	19,300	23,800
Other current liabilities	3,605	3,877	4,350	5,180
Total (equity and liab.)	51,993	62,135	73,254	85,986
Non-current assets	24,057	27,879	31,439	34,946
Fixed assets (net block)	24,056	27,879	31,438	34,946
Non-current investments	0	0	1	0
Current assets	27,936	34,255	41,814	51,040
Cash & current investment	7,073	11,527	15,741	20,974
Other current assets	20,863	22,728	26,074	30,066
Total (assets)	51,993	62,135	73,254	85,986
Total debt	27,016	32,566	38,116	43,666
Capital employed	48,389	58,258	68,904	80,806

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	7,061	6,437	8,013	10,279
Depreciation	1,703	2,580	2,846	2,896
Chg in working capital	(4,731)	(1,386)	(2,872)	(3,228)
Total tax paid	(2,825)	(2,104)	(2,643)	(3,395)
Others	273	572	641	689
Cash flow from oper. (a)	1,482	6,099	5,985	7,240
Capital expenditure	(2,281)	(6,403)	(6,404)	(6,404)
Change in investments	33	0	(1)	1
Cash flow from inv. (b)	(2,248)	(6,403)	(6,405)	(6,403)
Free cash flow (a+b)	(767)	(304)	(420)	837
Debt raised/(repaid)	5,550	5,550	5,550	5,550
Dividend (incl. tax)	(220)	(220)	(275)	(290)
Others	(273)	(572)	(641)	(864)
Cash flow from fin. (c)	5,057	4,758	4,634	4,396
Net chg in cash (a+b+c)	4,291	4,454	4,214	5,233

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	49.1	44.6	55.5	71.2
Growth	35.6	(9.1)	24.5	28.2
CEPS (Rs)	66.7	71.3	85.0	101.2
Book NAV/share (Rs)	196.1	238.4	291.1	357.6
Dividend/share (Rs)	2.0	2.0	2.5	2.7
Dividend payout ratio	4.6	5.1	5.1	4.2
EBITDA margin	23.6	23.2	23.2	23.4
EBIT margin	19.4	17.2	17.6	18.7
Tax rate	32.8	33.0	33.0	33.0
RoCE	17.2	13.1	13.6	14.7
Total debt/Equity (x)	1.4	1.4	1.4	1.3
Net debt/Equity (x)	1.1	0.9	0.8	0.7
Du Pont Analysis - ROE				
Net margin	12.6	10.6	10.9	11.7
Asset turnover (x)	0.8	0.7	0.7	0.7
Leverage factor (x)	2.8	2.7	2.6	2.5
Return on equity	28.4	20.5	21.0	22.0

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	12.6	13.9	11.1	8.7
PCE	9.3	8.7	7.3	6.1
Price/Book	3.2	2.6	2.1	1.7
Yield (%)	0.4	0.3	0.3	0.4
EV/EBITDA	7.4	9.8	8.3	6.9

MID CAP

Share Data

Price (Rs)	60
BSE Sensex	27,888
Reuters code	BACH.BO
Bloomberg code	BRCMIN
Market cap. (US\$ mn)	233
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	245

Performance (%)	1M	3M	12M
Absolute	6	11	31
Relative	8	6	(2)

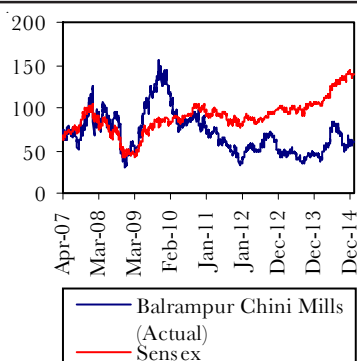
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	4.5	5.3
+/- (%)	2903.1	18.6
PER (x)	13.4	11.3
PBV (x)	1.1	0.9
Dividend/Yield (%)	3.3	3.3
EV/Sales (x)	1.0	0.8
EV/EBITDA (x)	8.6	8.3

Major shareholders (%)

Promoters	41
FII's	18
MF's	5
BFSI's	9
Public & Others	27

Relative performance



Balrampur Chini Mills

Maintain Outperformer

Sugar segment performance to remain under pressure!

Recent performance/Outlook

Balrampur Chini Mills (BRCM) reported subdued performance over the last three-year period with de-growth of 3.6% in topline and de-growth of 72% in PAT on account of higher cost of production and lower sales realisation in the sugar division. Besides, inventory write-down impacted operational performance. For 2QFY15, revenue stood at Rs 6.8 bn, up 20.1% YoY, driven by 18.2% growth in sugar segment revenues and 35.8% growth in distillery segment revenues. EBITDA stood at Rs 1 mn.

Key triggers/Risks – Next 12 months

- Sugar prices remain under pressure which will impact operational performance.
- Risks include delay in introduction of legislature by Uttar Pradesh (UP) state government to link sugarcane procurement price to sugar price.

Strategic initiatives

- Over the years, increasing contribution of distillery segment has reduced overall losses.
- No major capex planned; to incur maintenance capex of Rs 600-800 mn for FY15E.

Balance sheet position

- Volatility in sugar prices led to significant changes in RoE (low-0.3%, high-12.8%) and RoCE (low-4.2%, high-10.5%) over the last 3-year period.
- Reduction in debt led to debt-equity reducing from 1.6x in FY12 to current level of 0.5x.

Valuation and view

Going forward, margins in sugar segment will remain under pressure on account of higher cane cost and subdued realisation. Distillery segment will show improvement driven by increase in sales volumes, increase in realisation and improvement in recovery rate from molasses to alcohol while co-generation segment will benefit from volumes growth and tariff hike of 70 paise effective 1st April 2015.

With integrated business model and healthy balance sheet (long-term net debt-equity ratio of 0.46x), we expect BRCM to benefit from improvement in performance for sugar segment post resolution to sugarcane pricing issue. We maintain Outperformer rating.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

Balrampur Chini Mills

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	32,748	26,649	29,080	31,776
<i>Growth (%)</i>	<i>41.8</i>	<i>(18.6)</i>	<i>9.1</i>	<i>9.3</i>
Operating expenses	(28,547)	(24,509)	(25,756)	(28,546)
Operating profit	4,202	2,140	3,323	3,230
EBITDA	4,202	2,140	3,323	3,230
<i>Growth (%)</i>	<i>76.4</i>	<i>(49.1)</i>	<i>55.3</i>	<i>(2.8)</i>
Depreciation	(1,083)	(1,095)	(1,076)	(1,005)
Other income	428	259	363	461
EBIT	3,547	1,305	2,610	2,685
Finance cost	(1,439)	(1,178)	(1,200)	(1,013)
Profit before tax	2,108	127	1,410	1,673
Tax (current + deferred)	(485)	(90)	(317)	(376)
P/(L) for the period	1,623	36	1,093	1,297
Reported Profit/(Loss)	1,623	36	1,093	1,297
Adjusted net profit	1,623	36	1,093	1,297
<i>Growth (%)</i>	<i>2343.1</i>	<i>(97.8)</i>	<i>2903.1</i>	<i>18.6</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	244	244	244	244
Reserves & surplus	12,986	11,940	13,389	15,562
Shareholders' funds	13,230	12,185	13,633	15,806
Non-current liabilities	4,708	7,630	7,456	6,496
Long-term borrowings	2,264	4,911	5,000	4,000
Other non-current liabilities	2,444	2,719	2,456	2,496
Current liabilities	24,324	21,757	24,161	22,020
ST borrowings, Curr maturity	15,334	8,569	11,000	9,500
Other current liabilities	8,990	13,188	13,161	12,520
Total (Equity and Liab.)	42,262	41,571	45,250	44,323
Non-current assets	18,068	18,057	17,898	17,231
Fixed assets (Net block)	15,263	15,227	14,716	13,991
Non-current Investments	432	409	432	450
Long-term loans and adv.	662	711	1,000	1,025
Other non-current assets	1,711	1,711	1,750	1,765
Current assets	24,195	23,515	27,353	27,092
Cash & current investment	1,912	1,435	2,196	1,418
Other current assets	22,283	22,080	25,158	25,675
Total (Assets)	42,263	41,572	45,251	44,324
Total debt	17,598	13,480	16,000	13,500
Capital employed	33,272	28,384	32,089	31,802

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	2,108	127	1,410	1,673
Depreciation	1,083	1,095	1,076	1,005
Change in working capital	3,177	4,849	(3,938)	(1,168)
Total tax paid	(424)	249	(656)	(376)
Others	1,439	919	1,200	1,013
Cash flow from oper. (a)	7,382	7,238	(907)	2,146
Capital expenditure	(217)	(1,058)	(566)	(280)
Change in investments	10	24	(23)	(18)
Others	(1,702)	259	(39)	(15)
Cash flow from inv. (b)	(1,909)	(775)	(629)	(313)
Free cash flow (a+b)	5,473	6,463	(1,536)	1,833
Debt raised/(repaid)	(2,246)	(4,118)	2,520	(2,500)
Dividend (incl. tax)	0	(572)	0	(572)
Others	(1,430)	(2,250)	(223)	461
Cash flow from fin. (c)	(3,677)	(6,940)	2,297	(2,611)
Net chg in cash (a+b+c)	1,796	(477)	761	(778)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	6.6	0.1	4.5	5.3
Growth	2,343.1	(97.8)	2,903.1	18.6
CEPS (Rs)	11.1	4.6	8.9	9.4
Book NAV/share (Rs)	54.2	49.9	55.8	64.7
Dividend/share (Rs)	2.0	0.0	2.0	2.0
Dividend payout ratio	35.2	0.0	52.3	44.1
EBITDA margin	12.8	8.0	11.4	10.2
EBIT margin	10.8	4.9	9.0	8.5
Tax rate	23.0	71.3	22.5	22.5
RoCE	10.5	4.2	8.6	8.4
Total debt/Equity (x)	1.3	1.1	1.2	0.9
Net debt/Equity (x)	1.2	1.0	1.0	0.8
Du Pont Analysis - ROE				
Net margin	5.0	0.1	3.8	4.1
Asset turnover (x)	0.8	0.6	0.7	0.7
Leverage factor (x)	3.3	3.3	3.4	3.0
Return on equity	12.8	0.3	8.5	8.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	6.6	374.9	13.4	11.3
PCE	3.9	12.1	6.8	6.4
Price/Book	0.8	1.1	1.1	0.9
Yield (%)	4.6	0.0	3.3	3.3
EV/EBITDA	6.3	12.0	8.6	8.3

MID CAP

Share Data

Price (Rs)	1,273
BSE Sensex	27,888
Reuters code	BASE.BO
Bloomberg code	BASF IN
Market cap. (US\$ mn)	870
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	43

Performance (%)	1M	3M	12M
Absolute	(1)	(3)	98
Relative	1	(8)	49

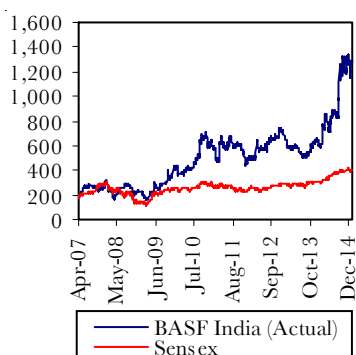
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs)	34.6	55.6
+/- (%)	130.4	60.9
PER (x)	36.8	22.9
PBV (x)	3.9	3.4
Dividend/Yield (%)	0.3	0.3
EV/Sales (x)	0.3	0.3
EV/EBITDA (x)	15.6	11.9

Major shareholders (%)

Promoters	73
FII's	1
MF's	2
BFSI's	4
Public & Others	20

Relative performance



BASF India

Maintain Outperformer

Short-term pain but long-term gains intact...

Recent performance/Outlook

BASF India over the years has been dependent on its agrochemical business which contributed ~23% to topline and ~48% to PAT. While other segments like functional solutions, coatings and construction chemicals lagged with respect to profitability in spite of having sizeable revenues.

During 1HFY15, BASF India reported revenue growth of 10.0% whereas EBITDA and PAT declined by 42.8% and 73%, respectively. The decline was primarily on account of poor performance of the agrochemical business due to delayed arrival of monsoon which dragged overall profitability.

Key sensitivities to growth/Key risks – Next 12 months

- BASF India is dependent on its parent company for most of its raw materials and stock and sale products (overall imports @ ~60% of sales). Since, the company follows strict hedging policy, the margins of stock and sales are prone to forex volatility and yield low margins.

Strategic initiatives/Capex plans

- The company had undertaken capex of Rs 10 bn to set-up a greenfield plant at Dahej in Gujarat and has recently commenced operations from this facility. The new site is an integrated hub for polyurethane manufacturing and also houses production facilities for care chemicals, polymer dispersions for coatings and paper.

Balance sheet position

- BASF India raised Rs 6.9 bn debt in FY14 primarily to fund its Rs 10 bn capex in Dahej. The company's liquidity is expected to remain stable by the additional debt as the same is raised from the parent, and the company enjoys adequate flexibility in repayment terms.

Valuation and view

Key investment argument for BASF India, along with increasing demand environment is the shift towards local production that would result into margin expansion. Current EBITDA margins at 6.4% are depressed owing to mergers and higher imports and trading business. We expect the scenario to improve gradually after the commencement of Dahej project. Assuming 1x turnover (base case scenario) for Dahej, Rs 6.0-7.0 bn turnover is possible with incremental EBITDA of Rs 660-770 mn. Though, depreciation and interest is expected to drag the overall profits in the next couple of years, RoCE upwards of 14% seems possible from FY17E onwards.

Ranjit Cirumalla
ranjit.cirumalla@bksec.com

Miloni Bagadia
miloni.bagadia@bksec.com

BASF India

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	44,187	49,432	56,260	64,020
Growth (%)	12.4	11.9	13.8	13.8
Operating expenses	(41,457)	(46,729)	(52,155)	(58,735)
Operating profit	2,730	2,703	4,105	5,285
Other operating income	112	115	120	125
EBITDA	2,842	2,818	4,225	5,410
Growth (%)	12.8	(0.8)	49.9	28.1
Depreciation	(711)	(1,313)	(1,403)	(1,494)
Other income	78	110	120	130
EBIT	2,209	1,616	2,942	4,047
Finance Cost	(161)	(890)	(945)	(701)
Exceptional & Extraordinary	(104)	0	0	0
Profit before tax	1,944	726	1,996	3,345
Tax (current + deferred)	(665)	(76)	(499)	(937)
P/(L) for the period	1,279	650	1,497	2,409
Reported Profit/(Loss)	1,279	650	1,497	2,409
Adjusted Net profit	1,349	650	1,497	2,409
Growth (%)	11.9	(51.8)	130.4	60.9

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	433	433	433	433
Reserves & surplus	12,069	12,631	13,926	16,133
Shareholders' funds	12,502	13,064	14,359	16,566
Non-Current Liabilities	10,016	11,421	10,340	9,830
Long-term borrowings	7,418	8,662	7,333	6,669
Other Long term liab,	2,598	2,759	3,007	3,161
Prov, DTL				
Current liabilities	17,827	19,729	21,903	23,728
Short-term borrowings,	3,255	3,255	3,755	3,255
Curr Maturity				
Other Current Liab + Provi	14,572	16,474	18,147	20,473
Total (Equity and Liab.)	40,344	44,214	46,602	50,124
Non-current assets	16,371	17,773	17,903	18,029
Fixed assets (Net block)	13,182	14,169	14,019	13,831
Long-term loans & advances	1,791	2,042	2,106	2,178
Other non-current assets,	1,398	1,562	1,777	2,021
DTA, Goodwill				
Current assets	23,974	26,441	28,699	32,095
Cash & Current Investment	151	266	164	408
Other current assets	23,823	26,175	28,536	31,687
Total (Assets)	40,344	44,214	46,602	50,124
Total Debt	10,673	11,917	11,089	9,924
Capital Employed	25,773	27,741	28,454	29,651

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	1,944	726	1,996	3,345
Depreciation	711	1,313	1,403	1,494
Change in working capital	(3,619)	(577)	(751)	(897)
Total tax paid	(685)	(76)	(499)	(937)
Others	(3,440)	1,550	1,099	361
Cash flow from oper. (a)	(1,496)	2,276	3,095	3,706
Capital expenditure	(6,168)	(2,399)	(1,254)	(1,305)
Change in investments	(33)	0	0	0
Others	(675)	(165)	(214)	(244)
Cash flow from inv. (b)	(6,875)	(2,564)	(1,468)	(1,549)
Free cash flow (a+b)	(8,371)	(288)	1,627	2,157
Debt raised/(repaid)	6,969	1,244	(828)	(1,164)
Dividend (incl. tax)	(203)	(203)	(203)	(203)
Others	1,600	(639)	(698)	(546)
Cash flow from fin. (c)	8,366	403	(1,729)	(1,913)
Net chg in cash (a+b+c)	(5)	115	(102)	244

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	31.2	15.0	34.6	55.6
Growth	11.9	(51.8)	130.4	60.9
CEPS (Rs)	47.6	45.3	67.0	90.1
Book NAV/share (Rs)	280.2	293.2	323.1	374.1
Dividend/share (Rs)	4.0	4.0	4.0	4.0
Dividend payout ratio	15.8	31.2	13.5	8.4
EBITDA margin	6.4	5.7	7.5	8.5
EBIT margin	5.0	3.3	5.2	6.3
Tax Rate	29.4	10.4	25.0	28.0
RoCE	10.6	6.0	10.5	13.9
Total debt/Equity (x)	0.9	0.9	0.8	0.6
Net debt/Equity (x)	0.8	0.9	0.8	0.6
Du Pont Analysis - ROE				
Net margin	3.1	1.3	2.7	3.8
Asset turnover (x)	1.3	1.2	1.2	1.3
Leverage factor (x)	3.0	3.4	3.4	3.2
Return on equity	11.6	5.2	11.2	16.0

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	27.6	84.8	36.8	22.9
PCE	18.1	28.1	19.0	14.1
Price/Book	3.1	4.3	3.9	3.4
Yield (%)	0.5	0.3	0.3	0.3
EV/EBITDA	16.8	23.7	15.6	11.9

MID CAP

Share Data

Price (Rs)	3,490
BSE Sensex	27,888
Reuters code	BAYE.BO
Bloomberg code	BYRCS IN
Market cap. (US\$ mn)	2,019
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	37

Performance (%)	1M	3M	12M
Absolute	23	44	100
Relative	26	38	50

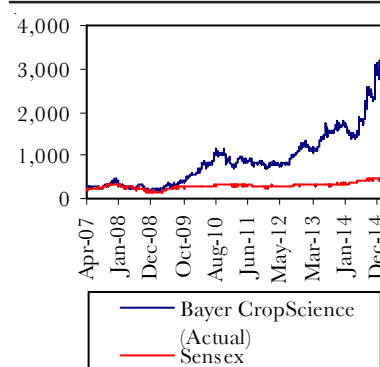
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	105.3	123.0
+/- (%)	57.3	16.8
PER (x)	33.1	28.4
PBV (x)	6.2	5.2
Dividend/Yield (%)	0.4	0.4
EV/Sales (x)	3.3	2.8
EV/EBITDA (x)	23.7	19.1

Major shareholders (%)

Promoters	69
FII's	8
MF's	9
BFSI's	2
Public & Others	12

Relative performance



Bayer CropScience

Maintain Outperformer

New product launches to drive growth!

Recent performance/Outlook

Bayer CropScience has reported strong performance over the last 3-year period with 16% CAGR in sales and 23% CAGR in net profit driven by new product launches in the domestic market and robust exports performance. For 2QFY15, Bayer reported outstanding performance with topline growth of 18% YoY coupled with margin improvement of 190 bps YoY. For 1H, topline growth stood at 19% YoY with margin improvement of 120 bps YoY. In 1H, Bayer outperformed its domestic peers by a wide margin who reported tepid sales growth with pressure on margins. We believe Bayer's outperformance clearly reflects its superior market positioning, widest distribution reach, farmer loyalty and undisputed branding capabilities.

Key triggers/Risks – Next 12 months

- Bayer is likely to launch 12+ new products by CY16 which will sustain growth momentum.
- Traction in sales from new products - Lessanta and Solomon.
- Key risks include increasing competition in key revenue contributing products (Confidor and Fame) and delay in product registration.

Strategic initiatives

- Bayer is currently strong in insecticides and fungicides. Through the new product launches, it plans to strengthen its herbicides offerings.
- Bayer continues to strengthen its marketing and distribution (which is one of the key for success in agrochemicals business). It is increasingly outsourcing formulations, where there is not much value addition.

Balance sheet position

- Cash level increased from Rs 3.6 bn in FY11 to Rs 9.7 bn in FY14. Bayer utilised Rs 4 bn to buyback 7.3% of equity in FY14. Debt remained nil in the last three years.

Valuation and view

From a long-term perspective, Bayer, with access to parent company's product portfolio, will benefit from the shift in the consumption pattern in Indian crop protection market, favouring products with new chemistry due to pests developing resistance against old products and changing regulatory environment. New product launches should help to drive growth in near-medium term. It plans to launch 12+ new products by 2016; few of these launches could be in the herbicides category which would strengthen its positioning going forward in herbicides.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

Bayer CropScience

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	26,260	31,462	36,593	43,179
Growth (%)	19.1	19.8	16.3	18.0
Operating expenses	(23,654)	(28,259)	(32,477)	(37,918)
Operating profit	2,606	3,203	4,115	5,262
Other operating income	993	990	990	990
EBITDA	3,599	4,193	5,105	6,252
Growth (%)	42.4	16.5	21.8	22.4
Depreciation	(366)	(368)	(280)	(300)
Other income	689	259	954	793
EBIT	3,922	4,084	5,779	6,745
Finance cost	(37)	(48)	(25)	(25)
Exceptional & extraordinary	11,747	372	0	0
Profit before tax	15,632	4,408	5,754	6,720
Tax (current + deferred)	(4,015)	(1,513)	(1,899)	(2,217)
P/(L) for the period	11,617	2,895	3,856	4,502
Reported Profit/(Loss)	11,617	2,895	3,856	4,502
Adjusted net profit	2,543	2,646	3,856	4,502
Growth (%)	40.3	4.0	45.7	16.8

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	395	366	366	366
Reserves & surplus	18,918	17,057	20,245	24,109
Shareholders' funds	19,313	17,423	20,611	24,475
Non-current liabilities	459	500	570	642
Other non-current liabilities	459	500	570	642
Current liabilities	4,360	5,946	5,970	6,574
Other current liabilities	4,360	5,946	5,970	6,574
Total (Equity and Liab.)	24,132	23,869	27,151	31,691
Non-current assets	4,210	5,340	5,999	6,404
Fixed assets (Net block)	3,457	4,446	4,925	5,240
Long-term loans and advances	734	721	934	1,024
Other non-current assets	19	173	140	140
Current assets	19,922	18,529	21,152	25,287
Cash & current investment	9,741	4,865	6,669	8,551
Other current assets	10,181	13,664	14,483	16,736
Total (Assets)	24,132	23,869	27,151	31,691
Capital employed	19,772	17,923	21,181	25,117

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	15,632	4,408	5,754	6,720
Depreciation	366	368	280	300
Change in working capital	(5,304)	(1,851)	(1,229)	(1,667)
Total tax paid	(3,800)	(1,620)	(2,007)	(2,217)
Others	37	48	25	25
Cash flow from oper. (a)	6,931	1,353	2,824	3,160
Capital expenditure	(1,258)	(1,403)	(729)	(615)
Change in investments	0	(3)	(4,507)	0
Others	(1)	3	(2)	0
Cash flow from inv. (b)	(1,259)	(1,403)	(5,238)	(615)
Free cash flow (a+b)	5,672	(50)	(2,414)	2,545
Equity raised/(repaid)	0	(29)	0	0
Dividend (incl. tax)	(193)	(231)	(235)	(638)
Others	(37)	(4,569)	(54)	(25)
Cash flow from fin. (c)	(230)	(4,829)	(289)	(663)
Net chg in cash (a+b+c)	5,442	(4,879)	(2,703)	1,882

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	64.4	67.0	105.3	123.0
Growth	40.3	4.0	57.3	16.8
CEPS (Rs)	73.6	76.3	113.0	131.2
Book NAV/share (Rs)	489.0	441.1	563.1	668.7
Dividend/share (Rs)	5.0	5.1	15.0	15.0
Dividend payout ratio	2.0	8.1	16.6	14.2
EBITDA margin	13.2	12.9	13.6	14.5
EBIT margin	14.9	13.0	15.8	15.6
Tax rate	25.7	36.4	33.0	33.0
RoCE	28.0	21.7	29.6	29.1
Net debt/Equity (x)	(0.5)	(0.3)	(0.3)	(0.3)
Du Pont Analysis - ROE				
Net margin	9.7	8.4	10.5	10.4
Asset turnover (x)	1.2	1.3	1.4	1.5
Leverage factor (x)	1.6	1.3	1.3	1.3
Return on equity	18.7	14.4	20.3	20.0

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	18.7	22.5	33.1	28.4
PCE	16.4	19.7	30.9	26.6
Price/Book	2.5	3.4	6.2	5.2
Yield (%)	0.4	0.3	0.4	0.4
EV/EBITDA	10.5	13.0	23.7	19.1

MID CAP

Share Data

Price (Rs)	786
BSE Sensex	27,888
Reuters code	BEML.BO
Bloomberg code	BEMLIN
Market cap. (US\$ mn)	517
6M avg. daily turnover (US\$ mn)	5.7
Issued shares (mn)	42

Performance (%) 1M 3M 12M

Absolute	6	29	246
Relative	8	23	159

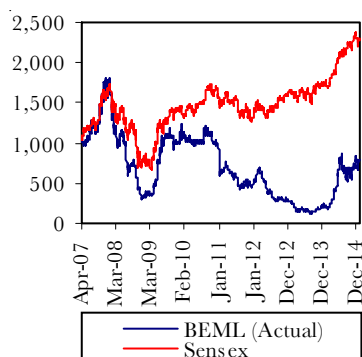
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	6.1	38.3	47.3
+/- (%)	(327.6)	525.7	23.4
PER (x)	128.3	20.5	16.6
PBV (x)	1.6	1.5	1.4
Dividend/Yield (%)	0.3	0.6	0.6
EV/EBITDA (x)	37.7	15.6	12.9

Major shareholders (%)

Promoters	54
FII's	4
MF's	10
BFSI's	13
Public & Others	19

Relative performance



BEML

Maintain Outperformer

Resolution of Tatra and liquidation of inventory to support earnings

Recent performance

Earth moving segment which had been a drag in profitability witnessed turnaround supported by higher mix of high margin spares & services, rail & metro was stable, while defence segment continue to be in loss impacting the overall performance.

Cash flows which have been under pressure for couple of years have witnessed improvement in FY14 with reduction in working capital.

Key triggers/Risks – Next 12 months

- Favourable resolution of Tatra issue.
- Competition from global MNC with localised facilities.
- Metro margins are expected to improve with higher indigenous design, high margin orders in terms of stainless steel EMU and coaches from Indian Railways.

Strategic initiatives

- BEML had ventured into metro manufacturing five years before and was able to break-even only during FY13, going forward; they expect to grow this business and have plans to increase the railway coach manufacturing capacity also.
- In planning stages with DRDO regarding a project to develop armoured recovery vehicle for the Arjun tanks.

Balance sheet position

- Working capital continue to be high though the inventory days have reduced, still it continue to remain above normalised levels. Debtor days also continue to be at high.
- Due to high working capital the debt of BEML is high at Rs 9 bn; this is impacting the overall profitability and returns of the company.

Outlook and valuation

Resolution of Tatra will be the key re-rating trigger for the company, given the acceptability of Tatra in terms of technology and considering its inclusion during design of most of the missile platforms, the issue is expected to be resolved in favour of BEML. The company will be a key beneficiary to exploit the prospective improvement in demand of coal mining, metro & rail investments. Though near term earning stress will limit upside from current valuation, medium to long-term growth is promising given demand drivers with the new government's focus towards improvement in coal production, urban development (metro & rail) and defence investment, hence we maintain Outperformer. The stock is currently trading at 18x FY16E and 15x FY17E earnings.

Renjith Sivaram
renjith.sivaram@bksec.com

Renu Baid
renu.baid@bksec.com

BEML

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	29,115	30,492	36,205	41,767
Growth (%)	3.7	4.7	18.7	15.4
Operating expenses	(27,984)	(29,459)	(33,737)	(38,855)
Operating profit	1,131	1,033	2,468	2,912
EBITDA	1,131	1,033	2,468	2,912
Growth (%)	(343.1)	(8.7)	138.8	18.0
Depreciation	(536)	(479)	(515)	(552)
Other income	634	580	685	710
EBIT	1,230	1,134	2,638	3,070
Finance cost	(1,105)	(806)	(584)	(536)
Exceptional & extraordinary	159	0	0	0
Profit before tax	284	328	2,054	2,534
Tax (current + deferred)	(44)	(72)	(452)	(557)
Profit/(Loss) for the period	240	256	1,602	1,976
P/L of Associates,	(193)	0	0	0
Min Int, Pref Div				
Reported Profit / (Loss)	47	256	1,602	1,976
Adjusted net profit	(112)	256	1,602	1,976
Growth (%)	(87.5)	(327.7)	525.7	23.4

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	418	418	418	418
Reserves & surplus	20,380	20,514	21,872	23,603
Shareholders' funds	20,798	20,932	22,289	24,021
Non-current liabilities	9,805	9,388	9,217	9,211
Long-term borrowings	4,652	3,888	3,417	3,211
Other non-current liabilities	5,153	5,500	5,800	6,000
Current liabilities	17,005	16,330	18,084	19,273
ST borrowings, Curr maturity	4,394	3,000	2,400	2,200
Other current liabilities	12,611	13,330	15,684	17,073
Total (Equity and Liab.)	47,608	46,649	49,590	52,506
Non-current assets	10,731	10,627	10,701	10,844
Fixed assets (Net block)	6,716	6,591	6,565	6,608
Non-current Investments	39	36	36	36
Long-term loans and advances	2,976	3,000	3,100	3,200
Other non-current assets	1,001	1,001	1,001	1,001
Current assets	36,877	36,022	38,888	41,662
Cash & current investment	162	803	225	665
Other current assets	36,715	35,219	38,663	40,997
Total (Assets)	47,608	46,649	49,590	52,506
Total debt	9,046	6,888	5,817	5,411
Capital employed	34,997	33,320	33,906	35,432

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	284	328	2,054	2,534
Depreciation	536	479	515	552
Change in working capital	2,608	2,341	(1,674)	(1,048)
Total tax paid	52	(44)	(72)	(452)
Others	899	556	299	226
Cash flow from oper. (a)	4,378	3,661	1,121	1,812
Capital expenditure	(525)	(354)	(489)	(595)
Change in investments	3	3	0	0
Others	205	250	285	310
Cash flow from inv. (b)	(317)	(101)	(204)	(285)
Free cash flow (a+b)	4,061	3,559	917	1,527
Debt raised/(repaid)	(3,097)	(2,158)	(1,071)	(406)
Dividend (incl. tax)	(7)	(60)	(140)	(245)
Others	(1,564)	(700)	(284)	(436)
Cash flow from fin. (c)	(4,668)	(2,918)	(1,495)	(1,087)
Net chg in cash (a+b+c)	(607)	641	(578)	440

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	(2.7)	6.1	38.3	47.3
Growth	(87.5)	(327.6)	525.7	23.4
CEPS (Rs)	10.1	17.6	50.6	60.5
Book NAV/share (Rs)	497.9	500.8	533.2	574.7
Dividend/share (Rs)	1.0	2.5	5.0	5.0
Dividend payout ratio	105.0	47.8	15.3	12.4
EBITDA margin	3.9	3.4	6.8	7.0
EBIT margin	4.2	3.7	7.3	7.4
Tax rate	35.2	22.0	22.0	22.0
RoCE	3.3	3.3	7.8	8.9
Total debt/Equity (x)	0.4	0.3	0.3	0.2
Net debt/Equity (x)	0.4	0.3	0.3	0.2
Du Pont Analysis - ROE				
Net margin	(0.4)	0.8	4.4	4.7
Asset turnover (x)	0.6	0.6	0.8	0.8
Leverage factor (x)	2.4	2.3	2.2	2.2
Return on equity	(0.5)	1.2	7.4	8.5

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	(108.5)	128.3	20.5	16.6
PCE	28.8	44.7	15.5	13.0
Price/Book	0.6	1.6	1.5	1.4
Yield (%)	0.3	0.3	0.6	0.6
EV/EBITDA	18.6	37.7	15.6	12.9

MID CAP

Share Data

Price (Rs)	429
BSE Sensex	27,888
Reuters code	BION.BO
Bloomberg code	BIOS IN
Market cap. (US\$ mn)	1,355
6M avg. daily turnover (US\$ mn)	8.2
Issued shares (mn)	200

Performance (%)	1M	3M	12M
Absolute	(8)	(14)	(7)
Relative	(6)	(18)	(30)

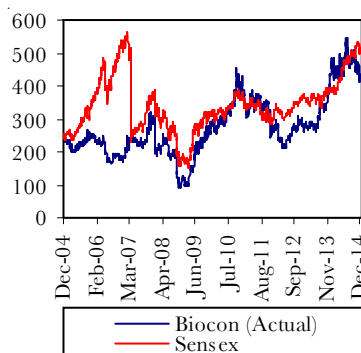
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	21.9	25.5
+/- (%)	5.8	16.5
PER (x)	19.6	16.8
PBV (x)	2.6	2.3
Dividend/Yield (%)	1.2	1.3
EV/Sales (x)	2.6	2.1
EV/EBITDA (x)	10.5	8.3

Major shareholders (%)

Promoters	61
FII's	13
MF's	4
BFSI's	3
Public & Others	19

Relative performance



Biocon

Maintain BUY

Investments to pay off well in future

Recent performance/Outlook

For Biocon, major growth drivers in the short to midterm continue to be insulin, biosimilar MABs and the domestic formulation business. Biocon also has a pipeline of NCEs and has entered into partnerships. Syngene is expected to come up with an IPO which will unlock value for Biocon's shareholders. Biocon reported weak numbers for 2QFY15 with sales growing by 1% YoY to Rs 7 bn and PAT was flat at Rs 1 bn.

Key sensitivities to growth/Key risks – Next 12 months

- Insulin and insulin analogs remain the key focus area. Currently, it has 3 generic insulins (rh-Insulin, Glargine, Lispro and Aspart) under global trials. Globally, insulin is US\$ 21 bn opportunity and Biocon is planning to address 90% of the opportunity.
- Biocon's portfolio of 3 MABs (Trastuzumab, Bevacizumab, Adalimumab) and 2 biologics (Etanercept and Peg-filgrastim), addresses total opportunity of US\$ 37 bn.
- Biocon has a strong pipeline of 7 novel molecules with a focus on niche TAs like oncology, diabetes, ophthalmology and autoimmune diseases.
- Oral insulin development, challenging regulatory pathway for biosimilars in US/EU.

Strategic initiatives/Capex plans

- Biocon has been trying to reduce its dependence on statins by increasing its exposure to specialty products as well as the domestic formulation business. It is also trying to scale up its revenue from insulin and similar products where it has got a advantage of economies of scale and first entry.

Balance sheet position

- Biocon had managed its balance sheet well since the DE ratio was declining from 0.3x in FY09 to 0.1x in FY13. However, on account of the loan taken for establishing biopharma facility in Malaysia, it has increased to 0.3x again in FY14. Biocon has reduced the cash conversion cycle in the last three years from 108 days to 89 days. RoCE and RoE though remained at 10-15% in the last three years which is lower than the average of +20% for pharma companies in India.

Valuation and view

Biocon's profitability has been under pressure due to higher R&D cost as well as capex especially for the Malaysian facility. Traction on the small molecules business, possible out-licencing deal for novel molecules and Syngene's IPO would be the positive triggers to watch for. The stock currently trades 20x FY15E EPS of Rs 22 and 17x FY16E EPS of Rs 26. We maintain our Buy rating.

Rohit Bhat
rohit.bhat@bksec.com

Amit Hiremath
amit.hiremath@bksec.com

Dhaval Sangoi
dhaval.sangoi@bksec.com

Biocon

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	24,029	28,379	30,456	36,378
<i>Growth (%)</i>	<i>25.0</i>	<i>18.1</i>	<i>7.3</i>	<i>19.4</i>
Operating expenses	(19,422)	(21,902)	(23,492)	(27,768)
Operating profit	4,607	6,477	6,964	8,610
Other operating income	836	394	649	609
EBITDA	5,443	6,871	7,613	9,219
<i>Growth (%)</i>	<i>5.2</i>	<i>26.2</i>	<i>10.8</i>	<i>21.1</i>
Depreciation	(1,793)	(2,036)	(2,336)	(2,959)
Other income	527	559	686	827
EBIT	4,177	5,394	5,963	7,087
Finance cost	(95)	(17)	(186)	(221)
Exceptional & extraordinary	2,019	0	0	0
Profit before tax	6,101	5,377	5,777	6,866
Tax (current + deferred)	(975)	(1,069)	(1,300)	(1,648)
Profit/(Loss) for the period	5,126	4,308	4,477	5,218
P/L of Associates,	(38)	(170)	(100)	(120)
Min Int, Pref Div				
Reported Profit/(Loss)	5,088	4,138	4,377	5,098
Adjusted net profit	3,432	4,138	4,377	5,098
<i>Growth (%)</i>	<i>1.4</i>	<i>20.6</i>	<i>5.8</i>	<i>16.5</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	1,000	1,000	1,000	1,000
Reserves & surplus	25,946	29,267	32,474	36,285
Shareholders' funds	26,946	30,267	33,474	37,285
Minority Interests and others	653	823	823	823
Non-current liabilities	6,329	12,620	15,074	18,103
Long-term borrowings	1,640	6,062	7,862	9,662
Other non-current liabilities	4,689	6,558	7,212	8,441
Current liabilities	10,233	13,796	11,582	13,110
ST borrowings, Curr maturity	1,033	2,575	2,775	2,975
Other current liabilities	9,200	11,221	8,807	10,135
Total (Equity and Liab.)	44,161	57,506	60,952	69,321
Non-current assets	21,761	31,118	31,753	31,930
Fixed assets (Net block)	18,228	27,308	27,641	27,182
Non-current Investments	645	645	700	750
Long-term loans and advances	2,483	2,693	2,912	3,448
Other non-current assets	405	472	500	550
Current assets	22,400	26,388	29,199	37,391
Cash & current investment	11,950	15,048	16,155	22,177
Other current assets	10,450	11,340	13,044	15,214
Total (Assets)	44,161	57,506	60,952	69,321
Total debt	2,673	8,637	10,637	12,637
Capital employed	34,961	46,285	52,146	59,186

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	6,101	5,377	5,777	6,866
Depreciation	1,793	2,036	2,336	2,959
Change in working capital	(309)	1,117	(1,760)	(959)
Total tax paid	(485)	(1,031)	(1,300)	(1,648)
Others	95	17	186	221
Cash flow from oper. (a)	7,195	7,516	5,239	7,439
Capital expenditure	(3,857)	(10,689)	(5,246)	(3,036)
Change in investments	(303)	(1,783)	(55)	(50)
Others	(118)	(67)	(28)	(50)
Cash flow from inv. (b)	(4,278)	(12,539)	(5,329)	(3,136)
Free cash flow (a+b)	2,917	(5,023)	(90)	4,303
Debt raised/(repaid)	(35)	5,964	2,000	2,000
Dividend (incl. tax)	(1,162)	(1,755)	(1,170)	(1,170)
Others	(224)	2,129	367	888
Cash flow from fin. (c)	(1,421)	6,338	1,197	1,718
Net chg in cash (a+b+c)	1,496	1,315	1,107	6,021

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	17.2	20.7	21.9	25.5
Growth	1.4	20.6	5.8	16.5
CEPS (Rs)	26.1	30.9	33.6	40.3
Book NAV/share (Rs)	134.7	151.3	167.3	186.4
Dividend/share (Rs)	7.5	5.0	5.0	5.5
Dividend payout ratio	34.5	28.3	26.7	25.2
EBITDA margin	21.9	23.9	24.5	24.9
EBIT margin	17.4	19.0	19.6	19.5
Tax rate	15.0	19.9	22.5	24.0
RoCE	12.6	13.3	12.1	12.7
Total debt/Equity (x)	0.1	0.3	0.3	0.3
Net debt/Equity (x)	(0.3)	(0.2)	(0.2)	(0.3)
Du Pont Analysis - ROE				
Net margin	14.3	14.6	14.4	14.0
Asset turnover (x)	0.6	0.6	0.5	0.6
Leverage factor (x)	1.7	1.8	1.9	1.8
Return on equity	13.8	14.5	13.7	14.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	15.8	20.5	19.6	16.8
PCE	10.4	13.7	12.8	10.6
Price/Book	2.0	2.8	2.6	2.3
Yield (%)	2.8	1.2	1.2	1.3
EV/EBITDA	8.3	11.4	10.5	8.3

MID CAP

Share Data

Price (Rs)	459
BSE Sensex	27,888
Reuters code	BRLC.BO
Bloomberg code	BCORPIN
Market cap. (US\$ mn)	558
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	77

Performance (%) 1M 3M 12M

Absolute	(1)	(4)	79
Relative	1	(9)	34

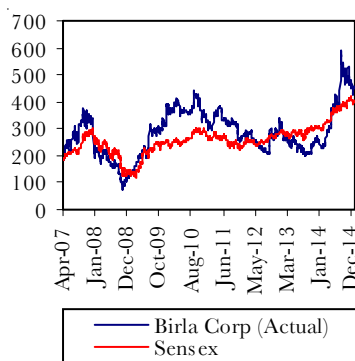
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	37.3	48.4
+/- (%)	81.3	29.7
PER (x)	12.3	9.5
Dividend/Yield (%)	1.7	1.7
EV/Sales (x)	1.1	0.9
EV/EBITDA (x)	7.4	5.7

Major shareholders (%)

Promoters	63
FII's	4
MF's	12
BFSI's	5
Public & Others	16

Relative performance



Birla Corporation

Maintain Outperformer

Attractive valuation...

Recent performance

Birla Corporation (BCorp) witnessed a slump in performance during FY14 due to negative market sentiments and weak economic conditions. The company reported de-growth in EBITDA at a CAGR of 9% for the period of FY12-14. Adverse pricing scenario and higher manufacturing cost have led to a dismal operating performance for its cement segment with decline in EBITDA/tonne by 43% YoY to Rs 348 for FY14. BCorp's operating performance for 2QFY15 was below our estimates with EBITDA of Rs 720 mn (up 30.8% YoY) and EBITDA/tonne of Rs 303 (up 25.5% YoY) primarily due to higher cost inflation and lower sales volume.

Key triggers/Risks – Next 12 months

- The company is focused to increase its capacity and has announced several expansion plans. These activities will improve the market share for the company and it will be well positioned to tap the new opportunities.
- Adverse pricing scenario in the company's prime market and all round cost inflation may impact the operating performance.

Strategic initiatives/Capex plans

- The company is in the process to complete 0.5 mt of grinding unit at Raebareli (Uttar Pradesh) by 1QFY16, received environmental clearance for incremental 1.5 mt of capacity at Chittorgarh (Rajasthan) and proposed to set up of six grinding units at various locations.
- The company has completed land acquisition for grinding unit in Barnagar (Madhya Pradesh) and project is expected to start after obtaining environmental clearance.

Balance sheet position

- Gross debt increased to Rs 14 bn in FY14 from Rs 12.2 bn in FY13. Gross debt-equity and net debt-equity ratio stood at 0.6x and (0.03x), respectively, during FY14.

Valuation and view

BCorp has strong balance sheet to fund its strong pipeline of capex through internal accruals. Presence in favourable region (north, central and east) in terms of demand-supply matrix, efforts to control cost inflation and recent improvement in economic indicators has given optimism that the company may improve its performance in the coming quarter. Hence, we have maintained our Outperformer rating on the stock. The stock is currently trading at EV/EBITDA of 5.7 and EV/tonne of US\$ 62 on FY16E which is at significant discount to mid-cap valuation and replacement cost.

Amit Srivastava
amit.srivastava@bksec.com

Saurabh Mitra
saurabh.mitra@bksec.com

Birla Corporation

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	26,030	30,164	33,756	38,152
<i>Growth (%)</i>	<i>13.8</i>	<i>15.9</i>	<i>11.9</i>	<i>13.0</i>
Operating expenses	(22,064)	(27,420)	(28,857)	(32,114)
Operating profit	3,965	2,743	4,899	6,038
EBITDA	3,965	2,743	4,899	6,038
<i>Growth (%)</i>	<i>9.3</i>	<i>(30.8)</i>	<i>78.6</i>	<i>23.3</i>
Depreciation	(1,044)	(1,326)	(1,287)	(1,376)
Other income	1,271	1,249	1,284	1,355
EBIT	4,193	2,666	4,895	6,018
Finance cost	(649)	(856)	(958)	(913)
Exceptional & extraordinary	(38)	(287)	0	0
Profit before tax	3,506	1,523	3,937	5,105
Tax (current + deferred)	(809)	(225)	(1,063)	(1,378)
P/(L) for the period	2,698	1,298	2,874	3,727
Reported Profit/(Loss)	2,698	1,298	2,874	3,727
Adjusted net profit	2,735	1,585	2,874	3,727
<i>Growth (%)</i>	<i>9.6</i>	<i>(42.0)</i>	<i>81.3</i>	<i>29.7</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	770	770	770	770
Reserves & surplus	23,731	24,491	24,605	27,447
Shareholders' funds	24,501	25,261	25,375	28,217
Non-current liabilities	13,958	14,543	14,013	13,563
Long-term borrowings	8,974	9,163	8,663	8,163
Other non-current liab.	4,984	5,380	5,350	5,400
Current liabilities	6,796	8,867	9,297	9,547
ST borrowings, Curr maturity	3,287	4,850	4,700	4,550
Other current liabilities	3,510	4,017	4,597	4,997
Total (Equity and Liab.)	45,255	48,671	48,686	51,327
Non-current assets	30,238	25,800	27,388	27,534
Fixed assets (Net block)	19,614	20,065	21,553	21,599
Non-current Investments	8,979	3,520	3,520	3,520
Long-term loans and adv.	1,350	1,914	1,964	2,014
Other non-current assets	294	301	351	401
Current assets	15,017	22,871	21,297	23,793
Cash & current investment	6,514	14,830	12,472	13,883
Other current assets	8,503	8,040	8,825	9,910
Total (Assets)	45,255	48,671	48,686	51,327
Total debt	12,260	14,013	13,363	12,713
Capital employed	41,745	44,654	44,088	46,329

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,506	1,523	3,937	5,105
Depreciation	1,044	1,326	1,287	1,376
Change in working capital	(2,122)	287	(515)	(735)
Total tax paid	(257)	(0)	(1,063)	(1,378)
Others	(129)	109	161	65
Cash flow from oper. (a)	2,043	3,245	3,807	4,432
Capital expenditure	(2,045)	(1,884)	(2,776)	(1,421)
Change in investments	(2,259)	(633)	0	0
Others	771	741	747	798
Cash flow from inv. (b)	(3,533)	(1,776)	(2,029)	(623)
Free cash flow (a+b)	(1,490)	1,469	1,778	3,809
Debt raised/(repaid)	906	1,753	(650)	(650)
Dividend (incl. tax)	(539)	(405)	(541)	(721)
Others	(356)	(591)	(2,947)	(1,027)
Cash flow from fin. (c)	12	756	(4,137)	(2,398)
Net chg in cash (a+b+c)	(1,478)	2,225	(2,359)	1,411

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	35.5	20.6	37.3	48.4
Growth	9.6	(42.0)	81.3	29.7
CEPS (Rs)	49.1	37.8	54.0	66.3
Book NAV/share (Rs)	317.2	327.1	328.6	365.5
Dividend/share (Rs)	7.0	6.0	8.0	8.0
Dividend payout ratio	23.4	41.7	25.1	19.3
EBITDA margin	15.2	9.1	14.5	15.8
EBIT margin	16.1	8.8	14.5	15.8
Tax rate	22.8	12.4	27.0	27.0
RoCE	10.5	6.2	11.0	13.3
Total debt/Equity (x)	0.5	0.6	0.5	0.5
Net debt/Equity (x)	0.2	(0.032)	0.0	(0.0)
Du Pont Analysis - ROE				
Net margin	10.5	5.3	8.5	9.8
Asset turnover (x)	0.6	0.6	0.7	0.8
Leverage factor (x)	1.8	1.9	1.9	1.9
Return on equity	11.7	6.4	11.4	13.9

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	6.9	14.1	12.3	9.5
PCE	5.0	7.7	8.5	6.9
Price/Book	0.8	0.9	1.4	1.3
Yield (%)	2.9	2.1	1.7	1.7
EV/EBITDA	6.2	7.9	7.4	5.7

MID CAP

Share Data

Price (Rs)	331
BSE Sensex	27,888
Reuters code	BLUS.BO
Bloomberg code	BLSTR IN
Market cap. (US\$ mn)	470
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	90

Performance (%) 1M 3M 12M

Absolute	(5)	(9)	107
Relative	(3)	(13)	55

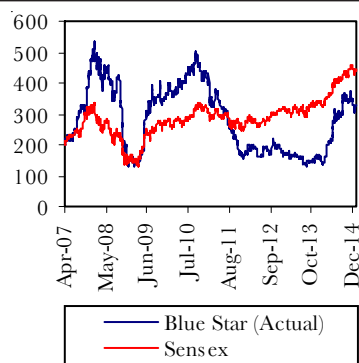
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	12.8	17.0	23.6
+/- (%)	51.2	33.1	38.7
PER (x)	25.9	19.5	14.0
PBV (x)	5.1	4.5	3.7
Dividend/Yield(%)	1.8	2.1	2.1
EV/EBITDA (x)	17.8	12.0	9.1

Major shareholders (%)

Promoters	39
FII's	6
MF's	18
BFSI's	2
Public & Others	35

Relative performance



Blue Star

Maintain BUY

A play on domestic investment revival and room AC demand

Recent performance

Incremental execution of high margin orders under electromechanical projects have aided in margin improvement.

Healthy growth under the room AC segment with foray into retail AC market.

Current order book at Rs 15 bn (1x TTM project sales) provides visibility.

Witnessed increase in enquiry levels from integrated commercial complexes, IT, metro rail and healthcare. Blue Star is able to successfully penetrate into retail room AC segment and is able to grow the room AC volumes at healthy pace.

Key triggers/Risks – Next 12 months

- Completion of delayed legacy orders will free up resources that are tied up and also lighten working capital resulting in lower debt.
- Higher competition in the domestic room AC market from MNCs.
- Improvement in the overall macro investment outlook leading to traction in order intake under the project segment.

Strategic initiatives

- Blue Star was previously a pure HVAC contractor, however, over the period of last two years have transformed itself into a full MEP contractor with acquisition of DS Gupta and Naseer electrical.
- The company has plans to double the room AC capacity to 500,000 units with a new facility in south India.

Balance sheet position

- Owing to certain legacy projects and overall delay in execution the working capital had increased from FY11 onwards. The company currently has a net debt of Rs 3.8 bn.
- Given the weak margins and increase in leverage has impacted the return on equity, however, RoEs have gradually improved to 15% in FY14.

Valuation and view

We expect execution traction to gain momentum; new orders have adequate risk mitigating mechanism to protect margins thus prevent addition of legacy orders. Blue Star has weeded out risky customers and uncertain segments like residential, transmission/substation jobs, etc., hence margins are poised to improve going forward with better collections given the improved terms of trade. The stock is currently trading at 18.3x FY16E and 13x FY17E earnings.

Renjith Sivaram
renjith.sivaram@bksec.com

Renu Baid
renu.baid@bksec.com

Blue Star

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	27,704	31,520	36,949	43,516
<i>Growth (%)</i>	<i>0.1</i>	<i>13.8</i>	<i>17.2</i>	<i>17.8</i>
Operating expenses	(26,647)	(29,698)	(34,312)	(40,089)
Operating profit	1,057	1,822	2,637	3,427
EBITDA	1,057	1,822	2,637	3,427
<i>Growth (%)</i>	<i>7.0</i>	<i>72.4</i>	<i>44.7</i>	<i>29.9</i>
Depreciation	(347)	(405)	(446)	(487)
Other income	545	392	382	436
EBIT	1,255	1,809	2,573	3,376
Finance cost	(496)	(471)	(381)	(339)
Profit before tax	759	1,338	2,192	3,037
Tax (current + deferred)	0	(190)	(664)	(917)
P/(L) for the period	759	1,148	1,529	2,120
Reported Profit/(Loss)	759	1,148	1,529	2,120
Adjusted net profit	759	1,148	1,529	2,120
<i>Growth (%)</i>	<i>46.7</i>	<i>51.3</i>	<i>33.1</i>	<i>38.7</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	180	180	180	181
Reserves & surplus	5,116	5,656	6,470	7,877
Shareholders' funds	5,296	5,836	6,650	8,058
Non-current liabilities	28	30	30	30
Other non-current liabilities	28	30	30	30
Current liabilities	17,027	17,633	18,918	21,186
ST borrowings, Curr maturity	4,309	3,400	2,300	1,800
Other current liabilities	12,718	14,233	16,618	19,386
Total (Equity and Liab.)	22,351	23,498	25,598	29,274
Non-current assets	4,665	4,693	4,715	4,701
Fixed assets (Net block)	2,308	2,327	2,349	2,336
Non-current Investments	1,214	1,216	1,216	1,216
Long-term loans & advances	1,143	1,150	1,150	1,150
Current assets	17,686	18,805	20,883	24,573
Cash & current investment	473	718	309	355
Other current assets	17,213	18,087	20,574	24,218
Total (Assets)	22,351	23,498	25,598	29,274
Total debt	4,309	3,400	2,300	1,800
Capital employed	9,633	9,266	8,980	9,888

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	759	1,338	2,192	3,037
Depreciation	347	405	446	487
Change in working capital	(661)	414	(207)	(875)
Total tax paid	0	(190)	(664)	(917)
Others	285	371	271	224
Cash flow from oper. (a)	730	2,338	2,039	1,956
Capital expenditure	(338)	(424)	(468)	(473)
Change in investments	(0)	(2)	0	0
Others	201	100	110	115
Cash flow from inv. (b)	(137)	(326)	(358)	(358)
Free cash flow (a+b)	593	2,012	1,681	1,598
Equity raised/(repaid)	0	—	0	1
Debt raised/(repaid)	582	(909)	(1,100)	(500)
Dividend (incl. tax)	(316)	(407)	(629)	(734)
Others	(496)	(451)	(361)	(319)
Cash flow from fin. (c)	(230)	(1,766)	(2,090)	(1,552)
Net chg in cash (a+b+c)	363	246	(409)	46

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	8.4	12.8	17.0	23.6
Growth	46.7	51.2	33.1	38.7
CEPS (Rs)	12.3	17.3	21.9	29.0
Book NAV/share (Rs)	58.9	64.8	73.9	89.5
Dividend/share (Rs)	4.0	6.0	7.0	7.0
Dividend payout ratio	53.6	54.8	48.0	34.6
EBITDA margin	3.8	5.8	7.1	7.9
EBIT margin	4.5	5.7	7.0	7.8
Tax rate	0.0	14.2	30.3	30.2
RoCE	13.7	19.1	28.2	35.8
Total debt/Equity (x)	0.8	0.6	0.3	0.2
Net debt/Equity (x)	0.7	0.5	0.3	0.2
Du Pont Analysis - ROE				
Net margin	2.7	3.6	4.1	4.9
Asset turnover (x)	1.3	1.4	1.5	1.6
Leverage factor (x)	4.2	4.1	3.9	3.7
Return on equity	14.8	20.6	24.5	28.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	23.8	25.9	19.5	14.0
PCE	16.4	19.2	15.1	11.4
Price/Book	3.4	5.1	4.5	3.7
Yield (%)	2.0	1.8	2.1	2.1
EV/EBITDA	20.7	17.8	12.0	9.1

MID CAP

Share Data

Price (Rs)	68
BSE Sensex	27,888
Reuters code	BDYN.BO
Bloomberg code	BD IN
Market cap. (US\$ mn)	221
6M avg. daily turnover (US\$ mn)	2.4
Issued shares (mn)	207

Performance (%) 1M 3M 12M

Absolute	(3)	1	(3)
Relative	(1)	(4)	(28)

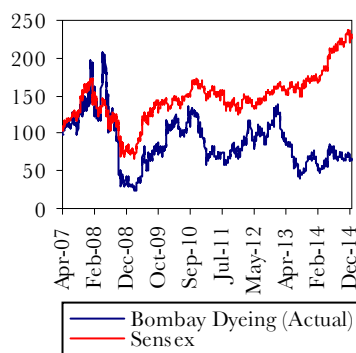
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	2.1	2.2
+/- (%)	78.1	5.9
PER (x)	32.4	30.6
PBV (x)	2.8	2.7
Div./Yield (%)	1.2	1.2
EV/Sales (x)	1.0	0.9
EV/EBITDA (x)	9.5	9.6

Major shareholders (%)

Promoters	52
FII's	7
MFs/FIs	11
Bodies corporate	5
Public & Others	25

Relative performance



Bombay Dyeing

Maintain Outperformer

Construction commencement awaited

Recent performance

Among three segments the company operates in, Textile segment is fast emerging as a new star as for constant improvement in scale of operations. Real Estate segment, as has been the case in the past, continues to rely on fresh agreements with the associate company to sell apartments; as third party sales continue to remain weak. As for the third segment, Polyester, the profitability continues to be adversely impacted by elevated rupee dollar equation, benign cotton prices and the general economic slowdown.

Key sensitivities to growth/Key risks – Next 12 months

- Commencement of construction work at the Wadala project would ensure cash flow starts trickling in from area pre-sold and earnings profile find strength.
- In Polyester segment, any respite on elevated rupee dollar equation and cotton prices would hold good.

Strategic initiatives/Capex plans

- Recently awarded construction order for two residential towers at Wadala.

Balance sheet position

- Improved business traction in the manufacturing businesses coupled with receipt of milestone payments from customers for real estate helped the company generate positive cash free cash flows over 1HFY15. The same is clearly evident from a reduction of ~Rs 0.5 bn in net debt to ~Rs 13.6 bn.
- Over 1HFY15, steepest of reduction in capital employed was registered by Real Estate segment (~Rs 1.6 bn) followed by Polyester segment (~Rs 0.8 bn). Textile segment registered a decline of ~Rs 0.01 bn. Unallocable expenses and interest cost contained overall reduction in capital employed at ~Rs 0.5 bn.

Valuation and view

With a favourable court ruling in place for surrender of land parcel at a single location, we believe, commencement of construction work is expected soon. Commencement of construction activity at the Wadala residential development would ensure milestone linked payments start flowing in and fresh bookings see an uptick as for subsided execution risk. As for core manufacturing businesses, operations are likely to find strength but the businesses lack size and scale to be able to meet obligations on their own. Maintain Outperformer rating on the stock for the company's deep value quality real estate assets and impending uptick in cash flows.

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

Bombay Dyeing

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	23,308	26,562	28,098	29,979
<i>Growth (%)</i>	<i>4.5</i>	<i>14.0</i>	<i>5.8</i>	<i>6.7</i>
Operating expenses	(20,399)	(24,118)	(25,097)	(27,123)
Operating profit	2,909	2,444	3,000	2,856
EBITDA	2,909	2,444	3,000	2,856
<i>Growth (%)</i>	<i>10.9</i>	<i>(16.0)</i>	<i>22.8</i>	<i>(4.8)</i>
Depreciation	(620)	(600)	(520)	(520)
Other income	436	397	382	424
EBIT	2,724	2,241	2,862	2,760
Finance cost	(1,747)	(1,910)	(2,273)	(2,136)
Profit before tax	977	331	589	624
Tax (current + deferred)	(221)	(88)	(156)	(166)
P/(L) for the period	756	243	433	458
Reported Profit/(Loss)	756	243	433	458
Adjusted net profit	756	243	433	458
<i>Growth (%)</i>	<i>27.4</i>	<i>(67.8)</i>	<i>78.1</i>	<i>5.9</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	413	413	413	413
Reserves & surplus	16,458	14,223	12,514	11,090
Shareholders' funds	16,871	14,636	12,927	11,503
Non-current liabilities	5,798	5,769	5,793	3,287
Long-term borrowings	5,596	5,540	5,568	3,054
Other non-current liab.	202	229	225	233
Current liabilities	15,177	17,232	19,250	19,920
ST borrowings, Curr maturity	6,882	8,813	9,403	10,452
Other current liabilities	8,295	8,419	9,847	9,468
Total (Equity and Liab.)	37,846	37,636	37,970	34,710
Non-current assets	19,431	21,919	24,176	25,307
Fixed assets (Net block)	10,349	10,111	10,192	10,222
Non-current Investments	560	560	560	560
Long-term loans and adv.	471	378	509	508
Other non-current assets	8,052	10,870	12,916	14,018
Current assets	18,415	15,717	13,794	9,402
Cash & current investment	426	282	487	73
Other current assets	17,990	15,435	13,307	9,330
Total (Assets)	37,846	37,636	37,970	34,710
Total debt	12,479	14,353	14,971	13,506
Capital employed	29,551	29,217	28,123	25,241

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	977	331	589	624
Depreciation	620	600	520	520
Change in working capital	9,613	2,769	3,496	3,596
Total tax paid	(221)	(88)	(156)	(166)
Others	1,652	1,845	2,214	2,077
Cash flow from oper. (a)	12,642	5,458	6,663	6,651
Capital expenditure	(2,257)	(2,577)	(2,616)	(2,232)
Others	(7,915)	(2,753)	(1,987)	(1,044)
Cash flow from inv. (b)	(10,171)	(5,330)	(4,603)	(3,276)
Free cash flow (a+b)	2,471	128	2,060	3,375
Debt raised/(repaid)	(474)	1,874	618	(1,465)
Dividend (incl. tax)	(240)	(242)	(193)	(193)
Others	(1,665)	(1,903)	(2,280)	(2,131)
Cash flow from fin. (c)	(2,379)	(271)	(1,855)	(3,790)
Net chg in cash (a+b+c)	93	(143)	205	(415)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	3.7	1.2	2.1	2.2
Growth	27.4	(67.8)	78.1	5.9
CEPS (Rs)	6.7	4.1	4.6	4.7
Book NAV/share (Rs)	22.6	22.8	23.9	25.2
Dividend/share (Rs)	1.0	0.8	0.8	0.8
Dividend payout ratio	32.0	79.5	44.7	42.2
EBITDA margin	12.5	9.2	10.7	9.5
EBIT margin	11.7	8.4	10.2	9.2
Tax rate	22.6	26.6	26.6	26.6
RoCE	9.0	7.6	10.0	10.3
Total debt/Equity (x)	0.7	1.0	1.2	1.2
Net debt/Equity (x)	0.7	1.0	1.1	1.2
Du Pont Analysis - ROE				
Net margin	3.2	0.9	1.5	1.5
Asset turnover (x)	0.6	0.7	0.7	0.8
Leverage factor (x)	8.4	8.1	7.8	7.2
Return on equity	17.2	5.2	9.0	9.0

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	24.0	47.0	32.4	30.6
PCE	13.2	13.6	14.7	14.3
Price/Book	3.9	2.4	2.8	2.7
Yield (%)	1.1	1.4	1.2	1.2
EV/EBITDA	10.4	10.4	9.5	9.6

MID CAP

Share Data

Price (Rs)	149
BSE Sensex	27,888
Reuters code	BRIG.BO
Bloomberg code	BRGD IN
Market cap. (US\$ mn)	264
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	112

Performance (%)	1M	3M	12M
Absolute	4	6	144
Relative	6	1	83

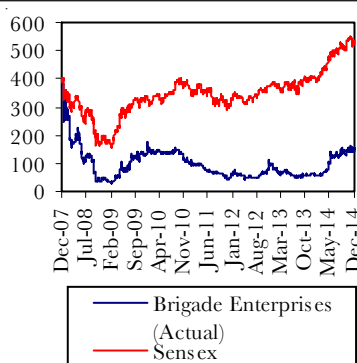
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	8.3	11.2
+/- (%)	10.3	34.7
PER (x)	17.9	13.3
PBV (x)	1.2	1.2
Dividend/Yield (%)	1.3	1.3
EV/Sales (x)	2.6	2.1
EV/EBITDA	7.9	6.8

Major shareholders (%)

Promoters	58
FII's	5
MFs/FIs	3
Bodies corporate	2
Public & Others	32

Relative performance



Brigade Enterprises

Maintain BUY

Concerted efforts yielding fruits

Recent performance

12-15 months that passed by saw Brigade Enterprises (BRGD) stabilise its operations in Office, Retail and Hospitality business segments. In Residential segment too, scale of operations saw a further leg up as for strategic launches and continued focus on pushing volumes. Continued momentum in bookings, improved run-rate of customer collections, heightened pace of project execution and optimum occupancy levels at office/retail/hospitality come as the results of concerted efforts of the past. Growth strategy for the next three-five years circumvent three driving principles, namely, geographic diversification across major cities in South India, strengthening the revenue contribution from lease assets and measured expansion in hospitality vertical.

Key sensitivities to growth/Key risks – Next 12 months

- Backed by residential launches of ~7.0 mn sq ft (BRGD's share ~5.0 mn sq ft) in FY15, the management guides for 30-40% improvement in volumes over FY14.
- Around 1.0 mn sq ft of rental assets, slated to come into operations over the next two years, would bring with it incremental rental income of ~Rs 0.5 bn per annum.

Strategic initiatives/Capex plans

- Formed a ~Rs 15 bn JV with GIC Singapore to explore growth opportunities.
- Of the total committed capex of ~Rs 8 bn, BRGD has already spent ~Rs 3 bn with remaining ~Rs 5 bn expected to be spent over the next two years.

Balance sheet position

- Over 1HFY15, despite a capex of ~Rs 0.9 bn, standalone net debt for the company could increase only by ~Rs 0.7 bn. This clearly comes to suggest that the company's development projects vertical is able to generate free cash flows as for healthy traction in incremental bookings and continued focus on project execution.
- Among the three verticals, Hospitality registered a drop of ~Rs 0.1 bn in gross debt over 1HFY15; whereas the other two verticals witnessed an increase as for draw down of construction facilities. Gross debt stood increased by ~Rs 0.4 bn and ~Rs 0.2 bn for Development projects and Rental assets, respectively.

Valuation and view

As a host of residential launches take shape, prospective buyers come back to the markets and execution continues/gains traction at existing projects/planned launches, we expect performance to see a meaningful improvement. Maintain Buy for significant scale up seen in operations over the last few years, resultant anticipated growth, well placed balance sheet and gradually improving portfolio of investment properties.

Prem Khurana
prem.khurana@bksec.com

Dhaval Patel
dhaval.patel@bksec.com

Brigade Enterprises

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	7,039	7,712	9,934	12,247
Growth (%)	29.9	9.6	28.8	23.3
Operating expenses	(6,138)	(6,712)	(8,502)	(10,330)
Operating profit	901	1,000	1,432	1,917
Other operating income	1,188	1,690	1,878	1,920
EBITDA	2,089	2,690	3,310	3,838
Growth (%)	46.2	28.8	23.1	15.9
Depreciation	(773)	(827)	(880)	(810)
Other income	119	225	179	160
EBIT	1,435	2,087	2,609	3,187
Finance cost	(898)	(882)	(1,202)	(1,286)
Exceptional & extraordinary	1	(29)		
Profit before tax	537	1,176	1,406	1,901
Tax (current + deferred)	64	(345)	(433)	(550)
P/(L) for the period	602	831	973	1,351
P/(L) of Asso.,	12	(10)	(36)	(88)
Min Int, Pref Div				
Reported Profit/(Loss)	614	820	937	1,263
Adjusted net profit	613	850	937	1,263
Growth (%)	7.8	38.4	10.3	34.7

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	1,123	1,123	1,123	1,123
Reserves & surplus	10,998	11,587	12,329	13,412
Shareholders' funds	12,121	12,709	13,452	14,535
Minority interests and others	55	13	64	152
Non-current liabilities	10,565	9,869	10,023	10,314
Long-term borrowings	8,427	7,176	7,626	7,859
Other non-current liab.	2,138	2,693	2,397	2,455
Current liabilities	6,825	10,404	11,500	12,210
ST borrowings, curr maturity	2,121	2,146	2,761	2,838
Other current liabilities	4,704	8,257	8,739	9,372
Total (equity and liab.)	29,566	32,996	35,039	37,211
Non-current assets	16,701	16,455	17,333	18,386
Fixed assets (net block)	14,381	14,742	15,419	16,273
Non-current investments	34	331	331	331
Long-term loans and adv.	1,901	957	1,157	1,357
Other non-current assets	385	425	425	425
Current assets	12,865	16,540	17,707	18,824
Cash & current investment	511	1,000	1,090	1,190
Other current assets	12,354	15,540	16,616	17,634
Total (assets)	29,566	32,996	35,039	37,211
Total debt	10,549	9,322	10,387	10,697
Capital employed	24,862	24,738	26,300	27,839

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	537	1,176	1,406	1,901
Depreciation	773	827	880	810
Change in working capital	(2,288)	1,158	(792)	(584)
Total tax paid	165	(139)	(433)	(550)
Others	855	769	1,052	1,161
Cash flow from oper. (a)	43	3,791	2,114	2,738
Capital expenditure	(842)	(1,109)	(1,558)	(1,664)
Change in investments	(56)	(750)	493	—
Others	24	(6)	150	125
Cash flow from inv. (b)	(875)	(1,865)	(915)	(1,539)
Free cash flow (a+b)	(831)	1,926	1,199	1,199
Equity raised/(repaid)	47	(90)	—	—
Debt raised/(repaid)	2,038	(1,226)	1,064	310
Dividend (incl. tax)	(166)	(160)	(225)	(225)
Others	(1,107)	(414)	(1,455)	(1,185)
Cash flow from fin. (c)	812	(1,889)	(616)	(1,099)
Net chg in cash (a+b+c)	(19)	36	583	100

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	5.5	7.6	8.3	11.2
Growth	7.8	38.4	10.3	34.7
CEPS (Rs)	12.4	14.9	16.2	18.5
Book NAV/share (Rs)	108.0	113.2	119.8	129.5
Dividend/share (Rs)	1.5	2.0	2.0	2.0
Dividend payout ratio	27.4	27.4	24.0	17.8
EBITDA margin	25.4	28.6	28.0	27.1
EBIT margin	20.4	27.1	26.3	26.0
Tax rate	(12.0)	28.6	30.8	29.0
RoCE	6.1	8.4	10.2	11.8
Total debt/Equity (x)	0.9	0.7	0.8	0.7
Net debt/Equity (x)	0.8	0.7	0.7	0.6
Du Pont Analysis - ROE				
Net margin	8.7	11.0	9.4	10.3
Asset turnover (x)	0.2	0.2	0.3	0.3
Leverage factor (x)	2.4	2.5	2.6	2.6
Return on equity	5.2	6.8	7.2	9.0

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	10.4	8.1	17.9	13.3
PCE	4.6	4.1	9.2	8.1
Price/Book	0.5	0.5	1.2	1.2
Yield (%)	2.6	3.3	1.3	1.3
EV/EBITDA	7.9	5.6	7.9	6.8

MID CAP

Share Data

Price (Rs)	182
BSE Sensex	27,888
Reuters code	CRBR.BO
Bloomberg code	CU IN
Market cap. (US\$ mn)	541
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	188

Performance (%)	1M	3M	12M
Absolute	8	(7)	28
Relative	10	(12)	(4)

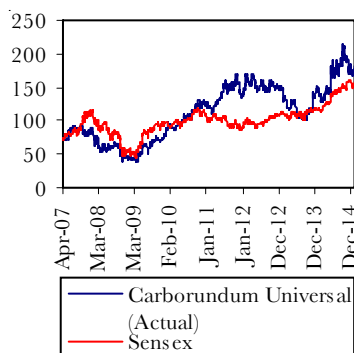
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	4.5	9.2	14.6
+/- (%)	(7.8)	105.2	58.1
PER (x)	38.6	18.8	11.9
PBV (x)	2.8	2.5	2.1
Dividend/Yield (%)	0.6	1.2	1.8
EV/Sales (x)	1.7	1.4	1.2
EV/EBITDA (x)	13.6	9.0	6.4

Major shareholders (%)

Promoters	42
FII's	20
MF's	11
BFSI's	4
Public & Others	23

Relative performance



Carborundum Universal Downgrade to Outperformer

Ruble depreciation may adversely affect consolidated sales due to translation loss

Recent performance/Outlook

FY14 – Consolidated: Net sales grew by 8% YoY to Rs 21.3 bn. Subsidiaries sales grew by 13% YoY. EBITDA margins stayed flat at 12%. Adjusted PAT grew by 2% YoY to Rs 915 mn due to slight better margins.

In 1H FY15, domestic sales were healthy with improved order inflows whereas margins have also shown improvement. The company has taken some key strategic decisions in international subsidiaries w.r.t. shutting down operations in Thukela and relocating bubble Zirconia facility to cut recurring losses in these entities. Though performance will be volatile in near term, these initiatives will improve profitability over long-term in international subsidiaries.

Key sensitivities to growth/Key risks

- **Adverse Ruble depreciation for Volzhsky (30% of sales)** will lead to translation loss, hence in turn will affect consolidated sales. However, improved profitability most likely will lead to stable margins.
- Volatile industrial growth in key end-user industries will affect abrasives and ceramics industry.

Strategic initiatives/Capex plans

- No major capex plans. Sufficient capacity available to fulfill almost double demand from current levels.

Balance sheet position

- Net margins declined by 7 pps in the last two years due to sluggish growth, thereby resulting 15 pps deterioration in return ratios to ~11% levels (bottomed out levels).
- Despite challenging conditions, cash conversion cycle stayed flat at 109 days.

Outlook and valuation

At the current market price of Rs 182, CUMI is trading at 19x FY16E and 12x FY17E. Revival in domestic industrial activities will support strong standalone sales whereas current efforts to address uncertainties attached with subsidiaries will improve consolidated profitability. **Significant Ruble/US\$ depreciation of ~70-80%, will give advantage to Volzhsky (50% exporter in dollar terms) and may show robust improvement in profitability. But, translation loss in rupee terms, will most likely dampen the consolidated sales and affect the growth in 2H FY15E and FY16E.** Hence, downgrade to Outperformer.

Bhalchandra Shinde
bhalchandra.shinde@bksec.com

Renu Baid
renu.baid@bksec.com

Carborundum Universal

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	20,939	21,212	24,326	29,301
<i>Growth (%)</i>	<i>7.8</i>	<i>1.3</i>	<i>14.7</i>	<i>20.5</i>
Operating expenses	(18,738)	(18,940)	(20,846)	(24,387)
Operating profit	2,201	2,272	3,480	4,914
Other operating income	315	330	347	364
EBITDA	2,515	2,603	3,827	5,278
<i>Growth (%)</i>	<i>6.0</i>	<i>3.5</i>	<i>47.0</i>	<i>37.9</i>
Depreciation	(911)	(1,140)	(1,212)	(1,319)
Other income	220	242	266	293
EBIT	1,825	1,704	2,881	4,252
Finance Cost	(282)	(229)	(226)	(205)
Profit before tax	1,543	1,475	2,656	4,047
Tax (current + deferred)	(592)	(590)	(876)	(1,255)
P/(L) for the period	951	885	1,779	2,793
P/L of Associates, Min Int, Pref Div	(36)	(41)	(48)	(55)
Reported Profit/(Loss)	915	844	1,732	2,738
Adjusted Net profit	915	844	1,732	2,738
<i>Growth (%)</i>	<i>1.9</i>	<i>(7.8)</i>	<i>105.2</i>	<i>58.1</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	188	188	188	188
Reserves & surplus	10,872	11,544	13,052	15,156
Shareholders' funds	11,060	11,732	13,240	15,344
Minority Int, Share Appl, Pref Capital	699	699	699	699
Non-Current Liabilities	2,463	2,463	2,463	2,463
Long-term borrowings	1,873	1,873	1,873	1,873
Other Long term liab, Prov, DTL	591	591	591	591
Current liabilities	5,725	5,308	5,300	5,402
Short-term borrowings, Curr Maturity	2,690	2,142	1,971	1,671
Other Current Liab + Provi	3,035	3,166	3,328	3,731
Total (Equity and Liab.)	19,947	20,202	21,702	23,908
Non-current assets	9,784	9,585	8,985	8,313
Fixed assets (Net block)	8,260	7,994	7,353	6,605
Non-current Investments	81	81	81	81
Long-term loans and advances	248	310	346	417
Other non-current assets, DTA, Goodwill	1,195	1,200	1,205	1,210
Current assets	10,163	10,617	12,717	15,595
Cash & Current Investment	1,046	1,235	1,850	2,206
Other current assets	9,117	9,382	10,867	13,389
Total (Assets)	19,947	20,202	21,702	23,908
Total Debt	4,563	4,015	3,844	3,544
Capital Employed	16,912	17,037	18,374	20,178

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	1,543	1,475	2,656	4,047
Depreciation	911	(1,140)	(1,212)	(1,319)
Change in working capital	(522)	(241)	(1,374)	(2,216)
Total tax paid	(595)	(595)	(881)	(1,260)
Others	(36)	411	(953)	(2,100)
Cash flow from oper. (a)	1,507	1,886	1,703	1,947
Capital expenditure	(794)	(762)	(495)	(487)
Change in investments	(115)	3	4	4
Others	46	50	55	61
Cash flow from inv. (b)	(863)	(709)	(436)	(423)
Free cash flow (a+b)	644	1,178	1,267	1,524
Equity raised/(repaid)	0	0	164	0
Debt raised/(repaid)	213	(548)	(171)	(300)
Dividend (incl. tax)	(321)	(211)	(419)	(663)
Others	(638)	(230)	(226)	(205)
Cash flow from fin. (c)	(746)	(988)	(652)	(1,167)
Net chg in cash (a+b+c)	(102)	189	615	357

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	4.9	4.5	9.2	14.6
Growth	1.7	(7.8)	105.2	58.1
CEPS (Rs)	9.7	10.6	15.7	21.6
Book NAV/share (Rs)	57.9	61.5	70.4	81.6
Dividend/share (Rs)	1.3	1.0	2.0	3.2
Dividend payout ratio	29.3	25.1	25.1	25.1
EBITDA margin	11.8	12.1	15.5	18.0
EBIT margin	8.7	8.0	11.8	14.5
Tax Rate	38.4	40.0	33.0	31.0
RoCE	11.0	10.0	16.3	22.1
Total debt/Equity (x)	0.4	0.3	0.3	0.2
Net debt/Equity (x)	0.3	0.2	0.1	0.1
Du Pont Analysis - ROE (Consolidated)				
Net margin	4.4	4.0	7.1	9.3
Asset turnover (x)	1.1	1.1	1.2	1.3
Leverage factor (x)	1.8	1.8	1.7	1.6
Return on equity	8.5	7.4	13.9	19.2

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER (x)	30.1	40.5	19.7	12.5
PCE (x)	15.1	17.2	11.6	8.4
Price/Book (x)	2.5	3.0	2.6	2.2
Yield (%)	0.9	0.5	1.1	1.8
EV/EBITDA (x)	12.3	14.2	9.5	6.7

MID CAP

Share Data

Price (Rs)	1,570
BSE Sensex	27,888
Reuters code	CRELBO
Bloomberg code	CARE IN
Market cap. (US\$ mn)	719
6M avg. daily turnover (US\$ mn)	1.7
Issued shares (mn)	29

Performance (%)	1M	3M	12M
Absolute	10	3	128
Relative	13	(2)	70

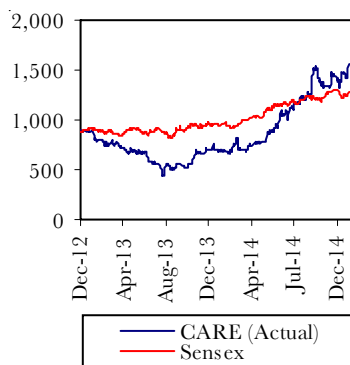
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	52.5	63.3	77.5
+/- (%)	15.3	20.6	22.3
PER (x)	29.9	24.8	20.3
PBV (x)	13.0	10.4	8.1
Dividend/Yield(%)	5.3	1.8	1.8
EV/Sales (x)	15.3	12.3	9.8
EV/EBITDA (x)	23.8	18.7	14.6

Major shareholders (%)

FII's	27
MF's	12
BFSI's	36
Public & Others	25

Relative performance



CARE

Maintain BUY

Major beneficiary of economy improvement...

Recent performance/Outlook

Credit Analysis and Research Ltd. (CARE) reports ~50% of revenue from the initial fee with new assignments and 50% from surveillance fee from existing rating assignments. The company has seen robust growth in topline with the improvement in ticket size, enhancement in credit facility and client additions. CARE has reported EBITDA margin of 63% comparatively higher than peers and is expected to continue with its low cost model. CARE's client base has been increased to 8,692 (up 29% YoY) at the end of 1HFY15 and has completed 33,885 cumulative rating assignments at the end of 1HFY15.

Key triggers/risks

- Implementation of the IRB model by banks will adversely impact the rating business.
- CARE's business is concentrated on rating, which exposes it to revenue concentration risk.

Strategic initiatives

- The company expected to benefit from traction in debt market, as debt issuances and volume of debt rated tends to increase when the investment cycle recovers.
- CARE is continuously identifying and introducing new rating products (IDFs rating, etc.) and expanding deep in the country to acquire new clients and capitalise on new opportunities.
- CARE along with four international rating agencies entered European market with European Securities Markets Authority licence and started operation as ARC rating in FY14. CARE having 20% holding in ARC rating.

Balance sheet position

- The company's return ratios have been quite impressive, particularly as it has negligible debt on its books. Moreover, judicious deployment of surplus cash in terms of inorganic growth, could lead to improvement in our estimates of return ratios going forward.

Outlook and valuation

CARE expected to sustain its strong revenue growth/margin with the improvement in macroeconomic environment and is also trading at a significant discount to peers. At the current market price of Rs 1,570, the stock is trading at 25x FY16E EPS of Rs 63 and 20x FY17E EPS of Rs 80. Maintain Buy.

Praveen Sahay
praveen.sahay@bksec.com

CARE

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	2,356	2,890	3,560	4,395
Growth (%)	16.0	22.7	23.2	23.5
Operating expenses	(865)	(1,031)	(1,218)	(1,460)
Operating profit	1,491	1,859	2,342	2,935
EBITDA	1,491	1,859	2,342	2,935
Growth (%)	10.8	24.7	25.9	25.3
Depreciation	(29)	(65)	(67)	(70)
Other income	358	358	348	344
EBIT	1,820	2,152	2,623	3,209
Finance cost	0	(5)	0	0
Exceptional & extraordinary	(14)	(43)	0	0
Profit before tax	1,806	2,104	2,623	3,209
Tax (current + deferred)	(507)	(624)	(787)	(963)
P/(L) for the period	1,299	1,480	1,836	2,246
P/L of Associates,	(2)	0	0	0
Min Int, Pref Div				
Reported Profit/(Loss)	1,297	1,480	1,836	2,246
Adjusted net profit	1,311	1,523	1,836	2,246
Growth (%)	11.4	16.2	20.6	22.3

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	290	290	290	290
Reserves & surplus	4,549	3,213	4,086	5,360
Shareholders' funds	4,839	3,503	4,376	5,650
Minority Interests and others	23	0	0	0
Non-current liabilities	80	98	121	149
Other non-current liabilities	80	98	121	149
Current liabilities	868	1,177	1,257	1,406
ST borrowings, Curr maturity	0	61	0	0
Other current liabilities	868	1,116	1,257	1,406
Total (Equity and Liab.)	5,811	4,777	5,753	7,206
Non-current assets	2,623	3,073	3,571	4,193
Fixed assets (Net block)	516	556	560	588
Non-current Investments	1,911	2,294	2,752	3,303
Long-term loans and adv.	123	151	186	230
Other non-current assets	72	72	72	72
Current assets	3,188	1,704	2,182	3,013
Cash & current investment	2,963	1,417	1,829	2,577
Other current assets	225	287	353	436
Total (Assets)	5,811	4,777	5,753	7,206
Total debt	0	61	0	0
Capital employed	4,943	3,662	4,497	5,799

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,806	2,104	2,623	3,209
Depreciation	29	65	67	70
Change in working capital	158	167	51	38
Total tax paid	(507)	(624)	(787)	(963)
Others	0	5	0	0
Cash flow from oper. (a)	1,486	1,717	1,954	2,354
Capital expenditure	(33)	(105)	(71)	(98)
Change in investments	(776)	1,618	(459)	(550)
Cash flow from inv. (b)	(809)	1,513	(529)	(649)
Free cash flow (a+b)	677	3,230	1,425	1,705
Equity raised/(repaid)	264	(14)	0	0
Debt raised/(repaid)	0	61	(61)	0
Dividend (incl. tax)	(947)	(2,797)	(944)	(952)
Others	(2)	(25)	(9)	(6)
Cash flow from fin. (c)	(685)	(2,776)	(1,013)	(958)
Net chg in cash (a+b+c)	(8)	455	412	748

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	45.6	52.5	63.3	77.5
Growth	10.5	15.3	20.6	22.3
CEPS (Rs)	46.6	54.8	65.6	79.9
Book NAV/share (Rs)	168.2	120.8	150.9	194.8
Dividend/share (Rs)	28.1	83.0	28.0	28.0
Dividend payout ratio	73.0	189.0	51.4	42.4
EBITDA margin	63.3	64.3	65.8	66.8
EBIT margin	77.3	74.5	73.7	73.0
Tax rate	27.8	29.1	30.0	30.0
RoCE	39.2	50.0	64.3	62.3
Net debt/Equity (x)	(0.6)	(0.4)	(0.4)	(0.5)
Du Pont Analysis - ROE				
Net margin	55.6	52.7	51.6	51.1
Asset turnover (x)	0.4	0.5	0.7	0.7
Leverage factor (x)	1.2	1.3	1.3	1.3
Return on equity	28.9	36.5	46.6	44.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	16.4	29.9	24.8	20.3
PCE	16.0	28.7	23.9	19.7
Price/Book	4.4	13.0	10.4	8.1
Yield (%)	3.8	5.3	1.8	1.8
EV/EBITDA	12.4	23.8	18.7	14.6

MID CAP

Share Data

Price (Rs)	880
BSE Sensex	27,888
Reuters code	CRELBO
Bloomberg code	CARE IN
Market cap. (US\$ mn)	562
6M avg. daily turnover (US\$ mn)	11.4
Issued shares (mn)	40

Performance (%)	1M	3M	12M
Absolute	(2)	15	150
Relative	(0)	10	87

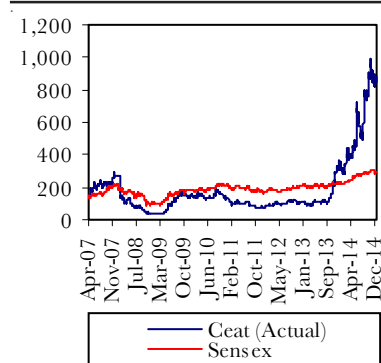
Valuation ratios

Yr to 31 Mar	FY15E	F16E
EPS (Rs)	79.0	96.4
+/- (%)	11.9	22.1
PER (x)	11.1	9.1
PBV (x)	2.5	2.0
Dividend/Yield (%)	0.2	0.2
EV/Sales (x)	0.3	0.2
EV/EBITDA (x)	2.5	2.3

Major shareholders (%)

Promoters	51
FII's	25
MF's	4
BFSI's	2
Public & Others	18

Relative performance



CEAT

Maintain Outperformer

Sustaining margin on soft natural rubber

Recent performance/Outlook

CEAT reported a revenue growth of 7.9% YoY to Rs 13.8 bn in 2QFY15 due to better volume growth from passenger car segments. However, truck segment reported de-growth. The company has increased its current market share in two-wheeler tyres to 20% from 12% (two years before) in the replacement market and 17% from 9% in the OEM segment. There is no pricing action during the quarter. However, average realisation dropped by 1% due to unfavorable product mix. The management expects the natural rubber price to be stable for the next six months.

Key sensitivities to growth/Key risks – Next 12 months

- Volatility in raw material prices could impact profitability.
- Foreign exchange fluctuations as exports make up ~25% of total revenues.

Strategic initiatives/Capex plans

- CEAT has plans to increase the two-wheeler capacity from 12 lakh tyres/day to 24.5 lakh tyres/day with an investment of Rs 4.2 bn in Nagpur. Management expects the newer capacity to be operational in about year and a half.
- Plans to expand the capacity in Bangladesh plant to 65 tonnes per day.

Balance sheet position

- With drop in raw material prices, repayment of working capital loans and inventory control has helped the company in improving in returns ratios (RoE and RoCE) compared to last year. The current debt-to-equity stands at 0.7 x from 1.1 x on YoY basis. The company's focus on two-wheeler segment, reductions in debt through QIP and also increase in utilisation on economy recovery would help further improvement in return ratios, going forward.

Valuation and view

Considering the current scenario of lower rubber cost and favourable product mix due to exports, we believe, CEAT can improve its margins, going forward. At the current market price of Rs 880, the stock is trading at 11.1x FY15E earnings of Rs 79.0 and 9.1x FY16E earnings of Rs 94.3 We maintain our Outperformer rating on the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

CEAT

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	48,816	53,548	58,266	68,118
<i>Growth (%)</i>	9.2	9.7	8.8	16.9
Operating expenses	(44,570)	(47,364)	(51,762)	(60,747)
Operating profit	4,247	6,184	6,504	7,371
EBITDA	4,247	6,184	6,504	7,371
<i>Growth (%)</i>	66.2	45.6	5.2	13.3
Depreciation	(782)	(825)	(858)	(919)
Other income	215	205	263	353
EBIT	3,679	5,564	5,909	6,804
Finance cost	(1,945)	(1,692)	(1,703)	(1,669)
Exceptional & extraordinary	(277)	(100)	0	0
Profit before tax	1,457	3,872	4,206	5,135
Tax (current + deferred)	(394)	(1,234)	(1,367)	(1,669)
P/(L) for the period	1,063	2,639	2,839	3,466
Reported Profit/(Loss)	1,063	2,639	2,839	3,466
Adjusted net profit	763	2,538	2,839	3,466
<i>Growth (%)</i>	917.2	232.5	11.9	22.1

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	342	360	360	360
Reserves & surplus	7,181	9,639	12,398	15,783
Shareholders' funds	7,524	9,999	12,757	16,143
Non-current liabilities	6,924	5,983	5,631	5,604
Long-term borrowings	6,250	5,250	4,850	4,750
Other non-current liabilities	674	733	781	854
Current liabilities	17,823	19,095	19,287	20,200
ST borrowings, Curr maturity	5,278	5,778	5,778	5,200
Other current liabilities	12,544	13,317	13,509	15,000
Total (Equity and Liab.)	32,270	35,076	37,675	41,947
Non-current assets	16,731	17,865	19,593	21,263
Fixed assets (Net block)	15,864	16,998	18,726	20,395
Non-current Investments	867	867	867	867
Current assets	15,539	17,211	18,082	20,685
Cash & current investment	878	260	(1,490)	(2,785)
Other current assets	14,661	16,951	19,572	23,470
Total (Assets)	32,270	35,076	37,675	41,947
Total debt	11,528	11,028	10,628	9,950
Capital employed	19,726	21,759	24,166	26,948

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,457	3,872	4,206	5,135
Depreciation	782	825	858	919
Change in working capital	(698)	(1,468)	(2,389)	(2,351)
Total tax paid	(394)	(1,234)	(1,367)	(1,669)
Others	1,850	1,597	1,575	1,453
Cash flow from oper. (a)	2,997	3,592	2,883	3,488
Capital expenditure	(1,270)	(1,958)	(2,585)	(2,588)
Change in investments	(122)	0	0	0
Others	95	95	126	215
Cash flow from inv. (b)	(1,298)	(1,864)	(2,459)	(2,373)
Free cash flow (a+b)	1,699	1,729	425	1,115
Equity raised/(repaid)	0	17	0	0
Debt raised/(repaid)	820	(500)	(400)	(678)
Dividend (incl. tax)	(80)	(81)	(81)	(81)
Others	(1,896)	(1,783)	(1,694)	(1,651)
Cash flow from fin. (c)	(1,155)	(2,347)	(2,175)	(2,410)
Net chg in cash (a+b+c)	544	(618)	(1,750)	(1,295)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	22.3	70.6	79.0	96.4
Growth	917.2	216.7	11.9	22.1
CEPS (Rs)	45.1	93.5	102.8	122.0
Book NAV/share (Rs)	219.7	278.1	354.8	449.0
Dividend/share (Rs)	2.0	1.9	1.9	1.9
Dividend payout ratio	7.5	3.1	2.8	2.3
EBITDA margin	8.7	11.5	11.2	10.8
EBIT margin	7.5	10.4	10.1	10.0
Tax rate	47.6	34.4	32.5	32.5
RoCE	19.7	26.8	25.7	26.6
Total debt/Equity (x)	1.5	1.1	0.8	0.6
Net debt/Equity (x)	1.4	1.1	0.9	0.8
Du Pont Analysis - ROE				
Net margin	1.6	4.7	4.9	5.1
Asset turnover (x)	1.6	1.6	1.6	1.7
Leverage factor (x)	4.4	3.8	3.2	2.8
Return on equity	10.8	29.0	25.0	24.0

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	39.5	12.5	11.1	9.1
PCE	19.5	9.4	8.6	7.2
Price/Book	4.0	3.2	2.5	2.0
Yield (%)	0.2	0.2	0.2	0.2
EV/EBITDA	3.5	2.4	2.5	2.3

MID CAP

Share Data

Price (Rs)	533
BSE Sensex	27,888
Reuters code	CNTY.BO
Bloomberg code	CENT IN
Market cap. (US\$ mn)	784
6M avg. daily turnover (US\$ mn)	9.3
Issued shares (mn)	93

Performance (%)	1M	3M	12M
Absolute	(3)	0	82
Relative	(1)	(5)	36

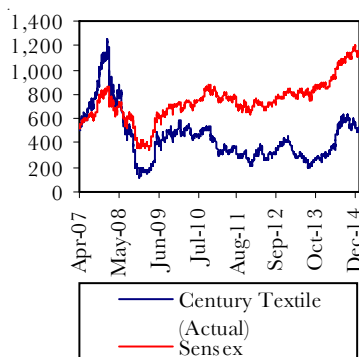
Valuation ratios (Standalone)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	14.2	22.9
+/- (%)	9,975.5	61.5
PER (x)	37.6	23.3
PBV (x)	3.0	2.2
Dividend/Yield (%)	1.2	1.4
EV/Sales (x)	1.4	1.3
EV/EBITDA (x)	12.6	11.2

Major shareholders (%)

Promoters	40
FII's	11
MFs	7
BFSI's	6
Public & Others	37

Relative performance



Century Textiles

Maintain Outperformer

Getting back on its feet!

Recent performance

Century Textiles & Industries Ltd. (CENT) endured a rough FY14 in the midst of the tough macroeconomic scenario in India. Revenue grew ~12.0% to Rs 67 bn led by strong growth in Pulp & Paper while Cement and Textiles businesses slowed down. EBITDA margin improved ~100 bps to 10.8% as the paper business swung back to profit while the textiles business profitability improved. CENT's net income too came back in the black in FY14, although high interest expense ate into the company's bottomline. 1H FY15 performance has been mixed YoY as revenue grew ~13.1% while EBITDA margin compressed ~150 bps to ~10.0%. Lower depreciation expense and tax write-back increased net profit 10x YoY to ~Rs 673 mn.

Key triggers/Risks – Next 12 months

- Cement demand turnaround through infrastructure and realty projects.
- Real estate monetisation can be a high value unlocking driver for CENT.
- Reduction in interest rates (CENT is highly levered).
- Volatile Paper/Pulp business is a key risk to CENT's net income.

Strategic initiatives

- The Manikgarh cement plant expansion (total cement capacity at 12.8 mmtpa) has been completed just when the demand for cement is reviving.
- No major capex planned in the near to mid-term. Positive for CENT's FCF.
- Monetisation of land/building in Prabhadevi and Worli in Mumbai.

Balance sheet position

- CENT's debt position continues to remain high. Its FY14 net debt/EBITDA ratio stands at 7.8x while FY14 net debt/equity stands at 3.2x.
- Volatile profitability of its business segments has kept RoE depressed at 0.1% in FY14.

Outlook and valuation

CENT's cement expansion timing cannot be more perfect as its new plant has started operations just in time as cement demand has turned around. With infrastructure projects expected to pick up post the festive season, CENT's cement business is in a sweet spot to capitalise on increasing demand. The company's real estate in Worli can also drive cash flows as the project is complete and many tenant agreements have been signed. Capacity utilisation improvement in CENT's paper business will improve its profitability. Maintain Outperformer.

Resham Jain, CFA

resham.jain@bksec.com

Amit Srivastava

amit.srivastava@bksec.com

Aasim Bharde

aasim.bharde@bksec.com

Century Textiles

Income Statement (Standalone)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	59,495	66,659	78,503	88,807
Growth (%)	22.1	12.0	17.8	13.1
Operating expenses	(53,690)	(59,488)	(70,086)	(78,808)
Operating profit	5,805	7,172	8,417	9,998
EBITDA	5,805	7,172	8,417	9,998
Growth (%)	35.9	23.5	17.4	18.8
Depreciation	(3,560)	(3,546)	(3,366)	(3,758)
Other income	242	283	306	347
EBIT	2,487	3,908	5,357	6,587
Finance cost	(3,200)	(3,628)	(3,426)	(3,468)
Exceptional & extraordinary	169	(14)	0	0
Profit before tax	(543)	266	1,931	3,120
Tax (Current + Deferred)	198	(239)	(348)	(562)
P/(L) for the period	(345)	27	1,584	2,558
Reported profit/(loss)	(345)	27	1,584	2,558
Adjusted net profit	(176)	13	1,584	2,558
Growth (%)	—	—	11,990	62

Balance Sheet (Standalone)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	930	930	1,116	1,116
Reserves & surplus	17,119	16,544	18,514	25,784
Shareholders' funds	18,050	17,474	19,631	26,900
Non-current liab.	39,456	37,183	49,649	39,168
Long-term borrowings	31,482	28,104	30,482	31,000
Other non-current liab.	7,974	9,079	19,168	8,168
Current liabilities	25,111	38,258	30,515	38,821
ST Borrowings, current maturity	17,020	28,674	18,742	24,897
Other current liab.	8,092	9,584	11,773	13,924
Total (equity and liab.)	82,617	92,916	99,795	104,889
Non-current assets	63,288	70,302	70,424	71,642
Fixed assets (net block)	59,437	66,083	66,069	66,796
Non-current investments	738	936	936	936
Long-term loans and adv.	2,917	2,623	3,278	3,770
Other non-current assets	196	660	140	140
Current assets	19,329	22,614	29,372	33,247
Cash & current investments	535	734	2,336	3,330
Other current assets	18,794	21,880	27,036	29,917
Total (assets)	82,617	92,916	99,795	104,889
Total debt	48,501	56,779	49,224	55,897
Capital employed	74,525	83,332	88,022	90,965

Cash Flow Statement (Standalone)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(543)	266	1,931	3,120
Depreciation	3,560	3,546	3,366	3,758
Change in working capital	(2,847)	(1,341)	(3,022)	(1,238)
Total tax paid	(0)	0	(348)	(562)
Others	3,085	3,477	3,426	3,468
Operating cash flow (a)	3,255	5,948	5,353	8,546
Capital expenditure	(10,426)	(9,721)	(3,503)	(4,598)
Change in investments	(25)	(204)	6	0
Others	(21)	(323)	520	0
Investing cash flow (b)	(10,472)	(10,248)	(2,978)	(4,598)
Free cash flow (a+b)	(7,217)	(4,300)	2,376	3,948
Equity Raised/(Repaid)	0	0	1,421	5,684
Debt Raised/(Repaid)	9,326	8,278	(7,555)	6,673
Dividend (incl. tax)	(595)	(599)	(599)	(843)
Others	(1,480)	(3,184)	5,964	(14,468)
Financing cash flow (c)	7,251	4,494	(769)	(2,954)
Net Chg in Cash (a+b+c)	34	194	1,607	994

Key Ratios (Standalone)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(1.9)	0.1	14.2	22.9
Growth			9,975.5	61.5
CEPS (Rs)	36.4	38.3	44.3	56.6
Book Value/Share (Rs)	194.0	187.8	175.8	241.0
Dividend/Share (Rs)	5.5	5.5	6.5	7.5
Dividend Payout Ratio	(172.5)	2,215.8	53.2	38.0
EBITDA Margin	9.8	10.8	10.7	11.3
EBIT Margin	4.2	5.9	6.8	7.4
Tax Rate	67.6	95.1	18.0	18.0
RoCE	3.6	5.0	6.3	7.4
Net Debt / Equity (x)	2.7	3.2	2.4	2.0
Net Debt / EBITDA (x)	8.3	7.8	5.6	5.3
Du Pont Analysis - ROE				
Net Profit Margin	(0.3)	0.0	2.0	2.9
Asset Turnover (x)	0.8	0.8	0.8	0.9
Leverage Factor (x)	4.2	4.9	5.2	4.4
Return on Equity	(0.9)	0.1	8.5	11.0

Valuations (Standalone)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	(151.8)	2,580.3	37.6	23.3
PCE	7.9	9.5	12.0	9.4
Price/Book	1.5	1.9	3.0	2.2
Yield (%)	1.9	1.5	1.2	1.4
EV/EBITDA	12.9	12.5	12.6	11.2

MID CAP

Share Data

Price (Rs)	675
BSE Sensex	27,888
Reuters code	CESC. BO
Bloomberg code	CESC IN
Market cap. (US\$ mn)	1,414
6M avg. daily turnover (US\$ mn)	6.2
Issued shares (mn)	133

Performance (%)	1M	3M	12M
Absolute	(5)	(10)	50
Relative	(3)	(14)	13

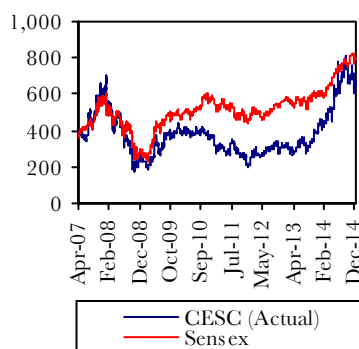
Valuation ratios

Yr to 31 Mar	FY14	FY15E	FY16E
EPS (Rs)	52.1	56.1	58.7
+/- (%)	5.9	7.6	4.7
PER (x)	9.6	11.8	11.3
PBV (x)	1.2	1.1	1.0
Dividend/Yield (%)	1.6	1.3	1.4
EV/Sales (x)	1.6	1.6	1.8
EV/EBITDA (x)	6.0	6.5	6.3

Major shareholders (%)

Promoters	52
FII's	24
MF's	15
BFSI's	1
Public & Others	8

Relative performance



CESC

Maintain Underperformer

Like the business, not the price

Recent performance

CESC's operational performance in FY14 was led by steady capex in Kolkata distribution, improvement in profitability at First Source Ltd. and reduction in losses at Spencers' retail. In 1HFY15, CESC has commercialised 600 MW Chandrapur plant and plans to commission 600 MW Haldia in FY16. Average sales at Spencer has marginally increased YoY to Rs 1,340/sq ft and store level EBITDA loss stood lower at Rs 18/sq ft.

Key triggers/Risks – Next 12 months

- The 600 MW Chandrapur TPS remains a key risk for CESC as in absence of PPA, it would have to bear fixed charges of ~Rs 4.5 bn. Further logistical constraints; imply operating plant on imported fuel would be uncompetitive. Chandrapur plant is in Maharashtra where power deficit is low (YTD FY15 at 2.4%) and thus need to watch out for signing up of Power Purchase Agreement.
- No automatic transfer of linkage in asset sale pose risk to Chandrapur fuel supply.
- Spencer (Big Box Retailer) is a play on improving discretionary spending in India. And thus need to watch Same Store Sale growth for targeted EBITDA break-even in FY15.
- The company operates under regulated mechanism in Kolkata but leadership (Mamta Banerjee) in West Bengal could impact functioning of the businesses.

Strategic initiatives

- Over FY15-17E CESC plans to undertake capex of ~Rs 27 bn leading to 6% growth in regulated equity.
- Operational efficiencies and higher utilisation will drive margin expansion at FSL.

Balance sheet position

- CESC has consolidated debt equity ratio of 1.6x. Internal accruals from regulated business and cash in books comfortable to take on growth plans.

Outlook and valuation

Regulated equity of Rs 30 bn (distribution and generation) provides steady earnings for CESC. On a standalone basis, the stock is trading at 12x FY16 EPS (earning CAGR 10% FY14-16).

Vishal Periwal
vishal.periwal@bksec.com

Rahul Murkya
rahul.murkya@bksec.com

CESC

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net Sales	53,031	55,099	64,990	57,331
Growth (%)	13.3	3.9	18.0	(11.8)
Operating expenses	(39,926)	(40,394)	(49,086)	(40,904)
Operating profit	13,105	14,705	15,904	16,427
EBITDA	13,105	14,705	15,904	16,427
Growth (%)	13.2	12.2	8.2	3.3
Depreciation	(3,062)	(3,386)	(3,670)	(3,978)
Other income	1,067	997	710	958
EBIT	11,110	12,315	12,944	13,407
Finance Cost	(3,375)	(3,687)	(4,026)	(4,131)
Profit before tax	7,735	8,629	8,918	9,276
Tax (current + deferred)	(1,550)	(1,730)	(1,870)	(1,855)
Profit/(Loss) for the period	6,185	6,899	7,048	7,421
Reported Profit / (Loss)	6,185	6,899	7,048	7,421
Adjusted Net profit	6,185	6,549	7,048	7,421
Growth (%)	11.6	5.9	7.6	5.3

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	1,256	1,256	1,256	1,264
Reserves & surplus	63,693	69,130	76,006	80,586
Shareholders' funds	64,949	70,386	77,262	81,850
Non-Current Liabilities	61,866	66,420	72,172	72,985
Long-term borrowings	27,212	28,035	30,009	36,310
Other Long term liab, Prov, DTL	34,655	38,385	42,163	36,674
Current liabilities	22,178	26,488	30,325	33,215
Short-term borrowings, Curr Maturity	4,922	5,756	5,000	5,000
Other Current Liab + Provi	17,256	20,732	25,325	28,215
Total (Equity and Liab.)	148,993	163,294	179,759	188,049
Non-current assets	121,856	135,947	139,504	144,816
Fixed assets (Net block)	85,681	90,294	95,550	100,862
Non-current Investments	20,929	31,911	31,911	31,911
Long-term loans and adv.	12,675	12,519	12,000	12,000
Other non-current assets, DTA, Goodwill	2,571	1,223	43	43
Current assets	27,138	27,347	40,255	43,233
Cash & Current Investment	8,564	7,814	14,946	20,990
Other current assets	18,574	19,533	25,309	22,244
Total (Assets)	148,994	163,294	179,759	188,049
Total Debt	32,133	33,791	35,009	41,310
Capital Employed	131,737	142,562	154,434	159,835

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before Tax	7,735	8,629	8,918	9,276
Depreciation	3,062	3,386	3,670	3,978
Change in working capital	(2,678)	2,849	(1,246)	5,824
Total tax paid	(1,550)	(1,730)	(1,870)	(1,855)
Others	2,308	2,690	3,316	3,173
Cash flow from oper. (a)	8,877	15,824	12,787	20,396
Capital expenditure	(9,651)	(8,821)	(8,781)	(9,664)
Change in investments	(10,448)	(10,132)	0	0
Others	(1,454)	2,344	1,891	958
Cash flow from inv. (b)	(21,553)	(16,608)	(6,890)	(8,706)
Free cash flow (a+b)	(12,676)	(784)	5,897	11,689
Equity raised/(repaid)	0	0	0	8
Debt raised/(repaid)	6,135	1,658	1,218	6,301
Dividend (incl. tax)	(1,023)	(1,169)	(1,264)	(1,331)
Others	6,679	396	1,281	(10,624)
Cash flow from fin. (c)	11,791	884	1,236	(5,646)
Net chg. in cash (a+b+c)	(885)	100	7,132	6,043

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	49.2	52.1	56.1	58.7
Growth	11.6	5.9	7.6	4.7
CEPS (Rs)	73.6	79.1	85.3	90.2
BVPS	517.1	560.4	615.2	647.8
Dividend/share (Rs)	7.0	8.0	8.6	9.0
Dividend payout ratio	16.5	17.0	17.9	17.9
EBITDA margin	24.7	26.7	24.5	28.7
EBIT margin	20.9	22.4	19.9	23.4
Tax Rate	20.0	20.9	21.0	20.0
RoCE	9.1	9.0	8.7	8.5
Total debt/Equity (x)	0.5	0.5	0.5	0.5
Net debt/Equity (x)	0.4	0.4	0.3	0.2
Du Pont Analysis - ROE (%)				
Net margin	11.7	11.9	10.8	12.9
Asset turnover (x)	0.4	0.4	0.4	0.3
Leverage factor (x)	2.7	2.7	2.7	2.6
Return on equity	12.0	11.4	10.9	10.5

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	5.4	9.6	11.8	11.3
PCE	3.6	6.3	7.8	7.4
Price/Book	1.3	1.2	1.1	1.0
Yield (%)	2.6	1.6	1.3	1.4
EV/EBITDA	4.3	6.0	6.5	6.3

MID CAP

Share Data

Price (Rs)	62
BSE Sensex	27,888
Reuters code	CHMB.BO
Bloomberg code	CHMB IN
Market cap. (US\$ mn)	407
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	416

Performance (%) 1M 3M 12M

Absolute	(6)	6	56
Relative	(5)	1	17

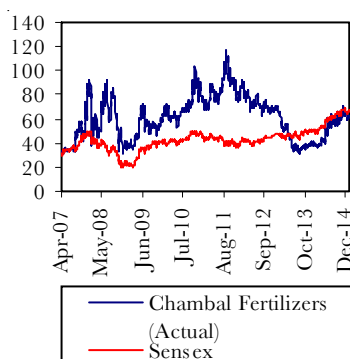
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	6.4	6.7
+/- (%)	44.7	4.6
PER (x)	9.7	9.2
PBV (x)	1.2	1.1
Dividend/Yield (%)	3.2	3.6
EV/Sales (x)	0.7	0.6
EV/EBITDA (x)	8.3	8.0

Major shareholders (%)

Promoters	57
FII's	6
MF's	4
BFSI's	9
Public & Others	24

Relative performance



Chambal Fertilisers

Maintain Outperformer

Policy announcements and decision on divestment of non-core businesses remains primary trigger!

Recent performance/Outlook

Chambal Fertilisers reported 16% CAGR in topline during FY11-14; however, operational profitability came under pressure with EBITDA margin declining from 12.4% in FY11 to 7.9% in FY14. Margin decline was due to higher trading, weak shipping and textiles performance. For 2QFY15, it reported good performance. Chambal reported revenues of Rs 25.1 bn, flat YoY. EBITDA stood at Rs 2.5 bn, 27% YoY with margins at 9.9%.

Key sensitivities/Risks – Next 12 months

- Key growth drivers are pick up in trading activity, improvement in shipping and textiles business. Decline in gas prices due to recent decline in crude prices can lead to significant reduction in interest costs going forward.
- Risks include increase in outstanding subsidy, IT business losses and continued delay in urea price hikes. Frequent investments in group entities remains a risk.

Strategic initiatives

- Chambal plans to go ahead with capacity expansion project for its urea business.
- Trading of complex fertilisers has emerged as an attractive revenue stream.
- Committee has been constituted to evaluate non-core businesses of the company.

Balance sheet position

- Debt increased significantly from Rs 24.1 bn in FY11 to Rs 44.5 bn in FY14 due to increase in subsidy outstanding.

Valuation and view

On the regulatory front, urea reforms continue to be delayed. Recent increase in gas prices from US\$ 4.2/mmmbtu to US\$ 5.61/mmmbtu will lead to further increase in subsidy element. Current subsidy due is Rs 18 bn. Government is still to announce IPP related policy amendments which implies that industry is likely to produce lower volumes as there is no clarity on production beyond cut-off.

On trading side, normalisation of inventory in the channel should lead to increase in trading activities going forward. Shipping environment continues to remain challenging. In IT business, Chambal is likely to post PAT losses of US\$ 8-9 mn in CY14 (CY13 loss of US\$ 4-5 mn). We maintain Outperformer due to reasonable valuations. However, for any re-rating to happen policy announcements remain the primary trigger. Any decision to divest low RoCE/loss making non-core businesses will also be taken positively by investors.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

Chambal Fertilisers

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	82,020	89,106	97,353	98,883
<i>Growth (%)</i>	<i>8.8</i>	<i>8.6</i>	<i>9.3</i>	<i>1.6</i>
Operating expenses	(75,178)	(82,367)	(89,685)	(91,023)
Operating profit	6,842	6,739	7,668	7,860
EBITDA	6,842	6,739	7,668	7,860
<i>Growth (%)</i>	<i>(16.7)</i>	<i>(1.5)</i>	<i>13.8</i>	<i>2.5</i>
Depreciation	(2,671)	(2,824)	(2,310)	(2,310)
Other income	810	1,050	850	850
EBIT	4,982	4,965	6,208	6,400
Finance cost	(1,383)	(2,074)	(1,971)	(1,971)
Profit before tax	3,599	2,891	4,237	4,429
Tax (current + deferred)	(1,597)	(546)	(1,652)	(1,692)
P/L form discontinuing oper.	120	0	0	0
P/(L) for the period	2,121	2,345	2,584	2,737
P/L of Associates,	264	96	80	50
Min Int, Pref Div				
Reported Profit/(Loss)	2,385	2,441	2,664	2,787
Adjusted net profit	2,266	1,842	2,664	2,787
<i>Growth (%)</i>	<i>43.1</i>	<i>(18.7)</i>	<i>44.7</i>	<i>4.6</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	4,162	4,140	4,140	4,140
Reserves & surplus	14,360	16,424	18,120	19,843
Shareholders' funds	18,522	20,563	22,260	23,982
Minority Interests and others	566	715	715	715
Non-current liabilities	15,861	14,676	14,676	14,676
Long-term borrowings	11,277	10,194	10,194	10,194
Other non-current liab.	4,584	4,482	4,482	4,482
Current liabilities	51,983	44,473	41,747	41,081
ST borrowings, Curr maturity	38,764	34,370	32,370	31,370
Other current liabilities	13,219	10,104	9,378	9,712
Total (Equity and Liab.)	86,932	80,428	79,399	80,455
Non-current assets	30,833	32,877	34,134	34,734
Fixed assets (Net block)	30,274	30,846	31,446	32,046
Non-current Investments	1	1	1	1
Long-term loans and adv.	396	1,844	2,500	2,500
Other non-current assets	163	187	187	187
Current assets	56,099	47,551	45,265	45,721
Cash & current investment	3,991	1,975	4,758	4,648
Other current assets	52,108	45,576	40,507	41,073
Total (Assets)	86,932	80,428	79,399	80,455
Total debt	50,041	44,564	42,564	41,564
Capital employed	73,713	70,324	70,021	70,744

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,599	2,891	4,237	4,429
Depreciation	2,671	2,824	2,310	2,310
Change in working capital	(18,926)	1,840	3,686	(232)
Total tax paid	(1,303)	(518)	(1,652)	(1,692)
Others	572	1,025	1,121	1,121
Cash flow from oper. (a)	(13,387)	8,061	9,701	5,935
Capital expenditure	(2,117)	(3,396)	(2,910)	(2,910)
Change in investments	(0)	(0)	0	0
Others	1,368	1,025	850	850
Cash flow from inv. (b)	(749)	(2,371)	(2,060)	(2,060)
Free cash flow (a+b)	(14,136)	5,690	7,641	3,875
Equity raised/(repaid)	0	(23)	0	0
Debt raised/(repaid)	15,297	(5,477)	(2,000)	(1,000)
Dividend (incl. tax)	(919)	(919)	(968)	(1,064)
Others	(1,047)	(1,287)	(1,891)	(1,921)
Cash flow from fin. (c)	13,330	(7,705)	(4,858)	(3,985)
Net chg in cash (a+b+c)	(805)	(2,016)	2,783	(110)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	5.4	4.4	6.4	6.7
Growth	43.1	(18.7)	44.7	4.6
CEPS (Rs)	11.9	11.2	12.0	12.2
Book NAV/share (Rs)	44.5	49.4	53.5	57.6
Dividend/share (Rs)	1.9	1.9	2.0	2.2
Dividend payout ratio	38.5	37.7	36.3	38.2
EBITDA margin	8.3	7.6	7.9	7.9
EBIT margin	6.1	5.6	6.4	6.5
Tax rate	45.9	23.8	39.0	38.2
RoCE	7.6	6.9	8.8	9.1
Total debt/Equity (x)	2.6	2.1	1.9	1.7
Net debt/Equity (x)	2.4	2.0	1.6	1.5
Du Pont Analysis - ROE				
Net margin	2.8	2.1	2.7	2.8
Asset turnover (x)	1.1	1.1	1.2	1.2
Leverage factor (x)	4.4	4.3	3.7	3.5
Return on equity	12.8	9.4	12.4	12.1

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	9.1	9.0	9.7	9.2
PCE	4.2	3.6	5.2	5.1
Price/Book	1.1	0.8	1.2	1.1
Yield (%)	3.8	4.8	3.2	3.6
EV/EBITDA	9.8	8.8	8.3	8.0

MID CAP

Share Data

Price (Rs)	73
BSE Sensex	27,888
Reuters code	MRLBO
Bloomberg code	MRLIN
Market cap. (US\$ mn)	172
6M avg. daily turnover (US\$ mn)	1.2
Issued shares (mn)	149

Performance (%) 1M 3M 12M

Absolute	(15)	(27)	9
Relative	(13)	(30)	(18)

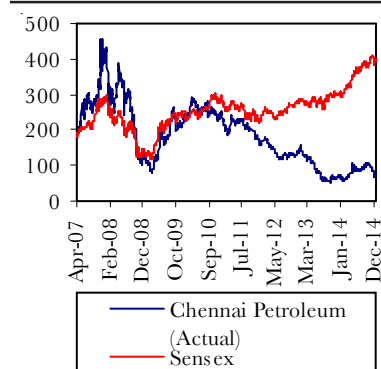
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	(16.1)	10.4
PER (x)	—	7.0
PBV (x)	0.5	0.5
EV/Sales (x)	0.2	0.2
EV/EBITDA (x)	23.8	9.4

Major shareholders (%)

Promoters	67
FII's	1
MF's	1
BFSI's	13
Public & Others	17

Relative performance



Chennai Petroleum

Maintain Underperformer

Persistent pressure on profitability

Recent performance/Outlook

Chennai Petroleum (CPCL) continues to post weak performance for a while now, where volatile GRMs and forex/crude price variations have impacted the company significantly. The company posted huge losses for the past two years marred by inventory losses and high interest cost. GRMs in FY14 stood at a decent US\$ 4/bbl, however, poor operational performance led to significant losses. In 1HFY15, the dismal operational performance continued with PBT loss of Rs 4 bn, however, huge tax reversal in 1QFY15 helped positive PAT.

Key sensitivities to growth/Key risks

- The company has initiated work on the Resid Upgradation project which will help increase GRMs. Expect incremental GRMs of US\$ 1.5-2/bbl.
- The financials are hugely impacted by inventory variations and currency movement, volatility of macros poses huge risk to CPCL's profitability.
- The Resid Upgradation project would keep the debt levels elevated.

Strategic initiatives/Capex plans

- The company plans to spend Rs 31 bn Resid Upgradation project which is scheduled to be completed by December 2015. The project comprises installation of Delayed Coker Unit (2.2 mtpa), revamp of existing Hydro Cracker Unit from 1.85 mtpa to 2.25 mtpa and other associated facilities.
 - The company is also planning a crude pipeline at a total cost of Rs 2.6 bn.
- Balance sheet position**
- With huge capex lined-up in the next two years and poor operating cash flows we expect the debt to increase to Rs 73 bn from current ~Rs 47 bn. This will further increase the poor net debt/equity ratio to 3.2x.
 - The RoEs are expected to remain suppressed at sub 10% in the near term, which would remain under pressure till the upgradation project kicks in.
 - Falling crude prices may provide some respite with lower working capital requirements.

Outlook and valuation

High capital costs along with highly volatile GRMs would keep the profitability under pressure; hence we continue to maintain our Underperformer rating on the stock.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Sujit Lodha, CFA
sujit.lodha@bksec.com

Chennai Petroleum

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	428,664	493,116	445,639	475,787
<i>Growth (%)</i>	<i>5.1</i>	<i>15.0</i>	<i>(9.6)</i>	<i>6.8</i>
Operating expenses	(437,615)	(487,626)	(442,902)	(467,065)
Operating profit	(8,951)	5,490	2,737	8,721
Other operating income	168	310	150	158
EBITDA	(8,783)	5,800	2,887	8,879
<i>Growth (%)</i>	<i>(709.3)</i>	<i>(166.0)</i>	<i>(50.2)</i>	<i>207.5</i>
Depreciation	(3,745)	(3,896)	(2,393)	(2,467)
Other income	238	274	329	345
EBIT	(12,291)	2,178	823	6,757
Finance cost	(4,688)	(5,487)	(4,228)	(4,434)
Profit before tax	(16,978)	(3,309)	(3,405)	2,323
Tax (current + deferred)	(692)	271	7,034	(767)
P/(L) for the period	(17,670)	(3,038)	3,629	1,556
Reported Profit/(Loss)	(17,670)	(3,038)	3,629	1,556
Adjusted net profit	(15,385)	16	(2,392)	1,556
<i>Growth (%)</i>	<i>(586.9)</i>	<i>(100.1)</i>	<i>(14,794.3)</i>	<i>(165.1)</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	1,490	1,490	1,490	1,490
Reserves & surplus	18,773	15,735	19,363	20,920
Shareholders' funds	20,263	17,225	20,854	22,410
Non-current liabilities	18,838	27,445	31,410	46,410
Long-term borrowings	11,428	20,000	23,600	38,600
Other non-current liab.	7,410	7,445	7,810	7,810
Current liabilities	101,911	94,753	88,938	92,619
ST borrowings, Curr maturity	45,643	34,522	34,522	34,522
Other current liabilities	56,267	60,231	54,416	58,097
Total (Equity and Liab.)	141,011	139,423	141,202	161,439
Non-current assets	48,511	47,541	58,038	72,682
Fixed assets (Net block)	47,413	46,360	56,947	71,533
Non-current Investments	243	248	248	248
Long-term loans and adv.	856	933	843	900
Current assets	92,500	91,881	83,164	88,757
Cash & current investment	409	460	355	497
Other current assets	92,091	91,421	82,809	88,260
Total (Assets)	141,011	139,423	141,202	161,439
Total debt	57,071	54,522	58,122	73,122
Capital employed	84,744	79,191	86,786	103,342

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(16,978)	(3,309)	(3,405)	2,323
Depreciation	3,745	3,896	2,393	2,467
Change in working capital	(5,663)	4,647	2,768	(1,828)
Total tax paid	0	234	7,500	(767)
Others	4,688	5,487	4,228	4,434
Cash flow from oper. (a)	(14,208)	10,955	13,483	6,630
Capital expenditure	(3,870)	(2,843)	(12,979)	(17,054)
Change in investments	(6)	(6)	0	0
Cash flow from inv. (b)	(3,877)	(2,849)	(12,979)	(17,054)
Free cash flow (a+b)	(18,085)	8,106	504	(10,424)
Debt raised/(repaid)	22,794	(2,549)	3,600	15,000
Others	(4,686)	(5,506)	(4,209)	(4,434)
Cash flow from fin. (c)	18,108	(8,055)	(609)	10,566
Net chg in cash (a+b+c)	23	51	(105)	142

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(103.3)	0.1	(16.1)	10.4
Growth	(586.9)	(100.1)	(14,794.3)	(165.1)
CEPS (Rs)	(78.1)	26.3	0.0	27.0
Book NAV/share (Rs)	136.0	115.6	140.0	150.4
EBITDA margin	(2.0)	1.2	0.6	1.9
EBIT margin	(2.9)	0.4	0.2	1.4
Tax rate	(4.7)	106.4	74.6	33.0
RoCE	(15.0)	2.7	1.0	7.1
Total debt/Equity (x)	2.8	3.2	2.8	3.3
Net debt/Equity (x)	2.8	3.1	2.8	3.2
Du Pont Analysis - ROE				
Net margin	(3.6)	0.0	(0.5)	0.3
Asset turnover (x)	2.9	3.5	3.2	3.1
Leverage factor (x)	5.0	7.5	7.4	7.0
Return on equity	(52.9)	0.1	(12.6)	7.2

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	(1.2)	626.5	(4.6)	7.0
PCE	(1.6)	2.6	40,153.3	2.7
Price/Book	0.9	0.6	0.5	0.5
EV/EBITDA	(8.5)	11.1	23.8	9.4

MID CAP

Share Data

Price (Rs)	302
BSE Sensex	27,888
Reuters code	COREBO
Bloomberg code	CRIN IN
Market cap. (US\$ mn)	1,362
6M avg. daily turnover (US\$ mn)	1.3
Issued shares (mn)	286

Performance (%) 1M 3M 12M

Absolute	(2)	(1)	32
Relative	(0)	(6)	(1)

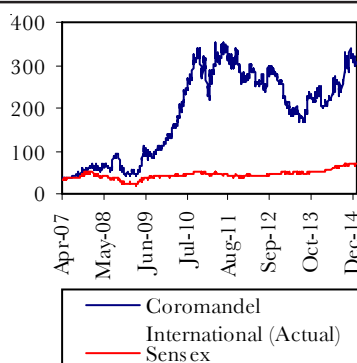
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	15.8	21.8
+/- (%)	19.1	37.8
PER (x)	19.1	13.9
PBV (x)	3.3	2.9
Dividend/Yield (%)	1.7	1.8
EV/Sales (x)	0.9	0.8
EV/EBITDA (x)	10.2	8.0

Major shareholders (%)

Promoters	63
FII's	7
MF's	4
BFSI's	1
Public & Others	25

Relative performance



Coromandel International Maintain Outperformer

Best play in fertiliser space; valuations tad higher!

Recent performance/Outlook

Coromandel International reported 16% CAGR in topline during FY11-14, however, PAT declined by 9% CAGR during the same period due to high inventory in system and consequent pressure on margins. For 2QFY15, topline growth was lower due to lower manufactured volumes while margins benefitted due to normalisation of inventory in system. Revenue stood at Rs 34.7 bn, up 8.0% YoY. EBITDA stood at Rs 3.5 bn, up 17% YoY. Contribution of subsidised fertiliser business and non-subsidy business to EBITDA stands at 60% and 40%, respectively.

Key triggers/Risks – Next 12 months

- Turnaround in Sabero and Liberty Phosphate are key triggers coupled with pick-up in complex fertiliser demand due to normalised inventory.
- Key risks include stress on farmer's profitability, resumption of imports which will increase competition.

Strategic initiatives

- Focusing on NPK fertiliser manufacturing which is a high margin offering.
- Positioned retail business as a complete "Farming solution" platform and increased share of non-fertiliser business in retail.
- Used inorganic route to expand SSP capacity – acquired Liberty group (0.96 mn t – capacity) giving it incremental capacity and leveraged marketing synergies to provide better value proposition.
- Rs 800-1,000 mn of maintenance capex planned for FY15.

Balance sheet position

- RoE and RoCE declined over a 3-year period – RoE from 40.3% in FY11 to 16.8% in FY14 and RoCE from 22.5% in FY11 to 16.5% in FY14. Working capital requirements increased due to delayed receivables as well as subsidy.

Valuation and view

Coromandel is likely to be a key beneficiary of the huge potential opportunity in India's agri-inputs sector. Coromandel ranks amongst one of the most efficient players in complex fertilisers. We remain positive on Coromandel's medium to long-term prospects driven by increasing NPK consumption, ramp-up in capacity utilisation, increasing share of non-subsidy business, turnaround of acquired entities (Sabero Organics and Liberty Phosphate). However, near-term stock performance is likely to remain muted due to sharp run-up in stock price in the last six months. We maintain

Outperformer rating.

Balwinder Singh

balwinder.singh@bksec.com

Sukhwinder Singh

sukhwinder.singh@bksec.com

Coromandel International

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	89,249	100,183	109,726	126,680
Growth (%)	(8.8)	12.3	9.5	15.5
Operating expenses	(82,658)	(92,054)	(100,147)	(114,737)
Operating profit	6,591	8,129	9,578	11,943
EBITDA	6,591	8,129	9,578	11,943
Growth (%)	(33.9)	23.3	17.8	24.7
Depreciation	(711)	(961)	(1,049)	(1,056)
Other income	701	608	605	600
EBIT	6,581	7,776	9,134	11,487
Finance cost	(2,102)	(2,403)	(2,310)	(2,200)
Profit before tax	4,479	5,373	6,824	9,287
Tax (current + deferred)	(994)	(1,539)	(2,220)	(2,972)
P/(L) for the period	3,485	3,834	4,603	6,315
P/L of Associates, Min Int, Pref Div	(17)	(275)	(135)	(160)
Reported Profit/(Loss)	3,469	3,559	4,468	6,155
Adjusted net profit	3,469	3,750	4,468	6,155
Growth (%)	(44.3)	8.1	19.1	37.8

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	283	283	283	283
Reserves & surplus	21,683	22,529	25,291	29,625
Shareholders' funds	21,965	22,812	25,574	29,908
Minority Interests and others	1,063	254	254	254
Non-current liabilities	8,226	3,142	3,142	3,142
Long-term borrowings	5,863	2,669	2,669	2,669
Other non-current liab.	2,364	473	473	473
Current liabilities	52,854	47,950	47,428	50,147
ST borrowings, Curr maturity	22,797	14,043	12,043	11,043
Other current liabilities	30,057	33,907	35,385	39,104
Total (Equity and Liab.)	84,108	74,158	76,398	83,451
Non-current assets	25,373	22,278	22,985	22,929
Fixed assets (Net block)	17,896	14,444	15,151	15,095
Non-current Investments	1,597	3,416	3,416	3,416
Long-term loans and adv.	1,013	777	777	777
Other non-current assets	4,867	3,641	3,641	3,641
Current assets	58,735	51,880	53,413	60,522
Cash & current investment	5,336	2,975	2,083	3,568
Other current assets	53,399	48,905	51,331	56,954
Total (Assets)	84,108	74,158	76,398	83,451
Total debt	28,660	16,711	14,711	13,711
Capital employed	54,051	40,251	41,013	44,347

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	4,479	5,373	6,824	9,287
Depreciation	711	961	1,049	1,056
Change in working capital	196	8,569	(948)	(1,905)
Total tax paid	209	(3,416)	(2,220)	(2,972)
Others	1,401	1,795	1,706	1,600
Cash flow from oper. (a)	6,995	13,282	6,411	7,067
Capital expenditure	(3,852)	2,491	(1,756)	(1,000)
Change in investments	(103)	(1,817)	0	0
Others	701	608	605	600
Cash flow from inv. (b)	(3,254)	1,282	(1,151)	(400)
Free cash flow (a+b)	3,741	14,564	5,259	6,667
Equity raised/(repaid)	0	1	(0)	0
Debt raised/(repaid)	(100)	(11,948)	(2,000)	(1,000)
Dividend (incl. tax)	(1,490)	(1,490)	(1,656)	(1,821)
Others	(6,664)	(3,485)	(2,496)	(2,360)
Cash flow from fin. (c)	(8,254)	(16,923)	(6,152)	(5,181)
Net chg in cash (a+b+c)	(4,513)	(2,359)	(892)	1,485

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	12.3	13.3	15.8	21.8
Growth	(44.8)	8.1	19.1	37.8
CEPS (Rs)	14.8	16.6	19.5	25.5
Book NAV/share (Rs)	77.6	80.6	90.4	105.7
Dividend/share (Rs)	4.5	4.5	5.0	5.5
Dividend payout ratio	43.0	41.9	37.1	29.6
EBITDA margin	7.4	8.1	8.7	9.4
EBIT margin	7.4	7.8	8.3	9.1
Tax rate	22.2	27.7	32.5	32.0
RoCE	12.2	16.5	22.5	26.9
Total debt/Equity (x)	1.2	0.7	0.6	0.5
Net debt/Equity (x)	1.0	0.6	0.5	0.3
Du Pont Analysis - ROE				
Net margin	3.9	3.7	4.1	4.9
Asset turnover (x)	1.1	1.3	1.5	1.6
Leverage factor (x)	3.6	3.5	3.1	2.9
Return on equity	15.1	16.8	18.5	22.2

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	15.1	16.9	19.1	13.9
PCE	12.5	13.5	15.5	11.8
Price/Book	2.4	2.8	3.3	2.9
Yield (%)	2.4	2.0	1.7	1.8
EV/EBITDA	11.5	9.5	10.2	8.0

MID CAP

Share Data

Price (Rs)	338
BSE Sensex	27,888
Reuters code	CRBK.BO
Bloomberg code	CRPBKIN
Market cap. (US\$ mn)	895
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	148

Performance (%) 1M 3M 12M

Absolute	4	7	28
Relative	6	2	(4)

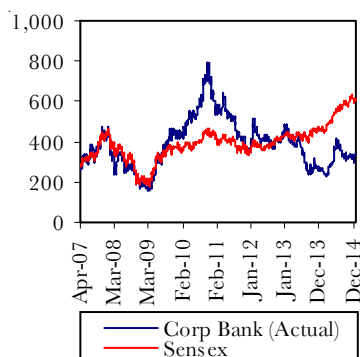
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	44.4	54.0	67.6
+/- (%)	(53.4)	21.7	25.2
ABV (Rs)	466.9	484.3	524.2
+/- (%)	(17.3)	3.7	8.2
PER (x)	7.6	6.3	5.0
PABV (x)	0.7	0.7	0.6
Dividend/Yield (%)	2.4	2.7	3.4

Major shareholders (%)

Promoters	29
FII's	51
MFs	5
BFSI's	6
Public & Others	9

Relative performance



Corporation Bank

Maintain Underperformer

Concerns at all levels

Recent performance

Loan growth in 2Q was in-line with industry at 13% YoY, but a consistent growth in risky Agri portfolio (YTD up 11%, vs. a 1% decline in total book) is concerning; though this has aided yields as bank replaces lower yielding RIDE. Slippages though elevated, were lower QoQ at Rs 7.8 bn (2.6% ann.), but lower reductions led to 12% QoQ increase in GNPA's, which coupled with lower loan growth led to 49 bps QoQ jump in GNPA ratio to 4.45%.

Key risks

- Bank guides for a NIM of 2.1% for FY15 on the back of lower slippage/ bulk deposit; but unless CASA picks up which looks difficult in FY15, achieving such NIMs too would not be possible.
- Asset quality deterioration is likely to continue mainly from stressed corporate loans.

Strategic initiatives/Key highlights

- Like peers, bank is now focusing on Retail/SME and gradually sees its share increasing in loan book. For FY15 bank sees loan growth to remain subdued at 12%.
- Bank has sought capital from GOI and looking to raise Basel III compliant Tier 1 bonds.

Balance sheet position

- For FY15, as bank is focusing on SME, have opened 16 exclusive SME centers.
- Also, bank has improved its digital footprint by facilitating online opening of deposit a/cs, premium current a/cs, etc. to improve its otherwise low CASA ratio.

Valuation and view

Worsening asset quality is concerning, which should keep credit cost high and check on growth. Lower CASA ratio and continued elevated interest scenario could keep core NIM depressed. Bank's constrained capital position would imply regular infusion, thus further depressing return ratios. Maintain Underperformer rating on the stock, given weak funding profile, return ratios and constrained capital position.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Corporation Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	179,586	197,267	211,619	232,414
Interest expense	(141,749)	(157,524)	(165,954)	(178,429)
Net interest income	37,837	39,743	45,665	53,985
<i>Growth (%)</i>	<i>10.4</i>	<i>5.0</i>	<i>14.9</i>	<i>18.2</i>
Non-interest income	16,477	13,370	15,106	16,237
Operating income	54,314	53,113	60,771	70,222
Operating expenses	(23,920)	(25,738)	(29,228)	(33,733)
- Staff expenses	(11,902)	(12,355)	(13,968)	(16,191)
Pre-provisions profit	30,394	27,375	31,543	36,489
Core operating profit	27,007	26,020	29,714	34,751
<i>Growth (%)</i>	<i>(2.0)</i>	<i>(3.7)</i>	<i>14.2</i>	<i>17.0</i>
Provisions & Contingencies	(27,977)	(20,361)	(21,260)	(22,670)
Pre-tax profit	2,417	7,014	10,282	13,819
(before non-recurring items)				
Pre-tax profit	2,417	7,014	10,282	13,819
(after non-recurring items)				
Tax (current + deferred)	3,200	421	(1,234)	(2,487)
Net profit	5,618	7,435	9,049	11,332
Adjusted net profit	5,618	7,435	9,049	11,332
<i>Growth (%)</i>	<i>(60.8)</i>	<i>32.3</i>	<i>21.7</i>	<i>25.2</i>
Net income	5,618	7,435	9,049	11,332

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	142,390	129,441	133,455	141,233
Investments	661,912	710,463	775,286	866,668
Advances	1,370,863	1,514,308	1,692,586	1,945,958
Int. earning assets	2,175,165	2,354,213	2,601,327	2,953,859
Fixed assets (Net block)	4,653	5,391	5,979	6,818
Other assets	40,667	43,477	46,510	49,279
Total assets	2,220,485	2,403,081	2,653,816	3,009,956
Deposits	1,933,930	2,101,530	2,333,499	2,678,314
Other int. bearing liab.	130,214	130,214	137,898	146,351
Total Int. bearing liab.	2,119,634	2,296,363	2,539,814	2,886,877
Other liabilities and prov.	55,489	64,619	68,417	62,212
Share capital	1,675	1,675	1,675	1,675
Reserves & surplus	99,176	105,042	112,327	121,404
Shareholders' funds	100,851	106,718	114,002	123,079
Total equity & liab.	2,220,485	2,403,081	2,653,816	3,009,956

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	35.1	44.4	54.0	67.6
BVPS	602.0	637.0	680.4	734.6
Adjusted Book NAV/share	479.3	466.9	484.3	524.2
PER (x)	9.6	7.6	6.3	5.0
Price/Book (x)	0.6	0.5	0.5	0.5
Price/Adjusted book (x)	0.7	0.7	0.7	0.6
Dividend Yield (%)	2.1	2.4	2.7	3.4
Du-Pont ratios				
NII/Avg. Assets (%)	1.8	1.7	1.8	1.9
Non-int. income/Avg Assets	0.8	0.6	0.6	0.6
- Fee income/Avg Assets	0.6	0.5	0.5	0.5
- Trading gains/Avg Assets	0.2	0.1	0.1	0.1
Cost/Avg Assets	1.2	1.1	1.2	1.2
Non-tax Provisions/Avg Assets	1.3	0.9	0.8	0.8
Tax Provisions/Avg Assets	(0.2)	0.0	0.0	0.1
RoA (%)	0.3	0.3	0.4	0.4
Leverage	21.1	22.3	22.9	23.9
RoE (%)	5.7	7.2	8.2	9.6
Balance Sheet ratios (%)				
Loan growth	15.5	10.5	11.8	15.0
Deposit growth	16.5	8.7	11.0	14.8
Loans/Deposits	70.9	72.1	72.5	72.7
Investments/Deposits	34.2	33.8	33.2	32.4
CASA ratio	20.3	20.1	20.1	20.0
Profitability ratios (%)				
NIMs	1.9	1.8	1.9	2.0
Interest spread	1.6	1.5	1.6	1.8
Yield on advances	10.5	10.6	10.3	10.0
Cost of deposits	7.4	7.4	7.1	6.8
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	30.3	25.2	24.9	23.1
Trading income/Net income	6.2	2.6	3.0	2.5
Cost/Income	44.0	48.5	48.1	48.0
Asset quality ratios (%)				
Gross NPLs	3.4	4.5	4.7	4.6
Net NPLs	2.3	2.9	2.9	2.7
Net NPLs/Net worth	28.5	37.1	39.6	38.7
Loan provisions/Avg loans	1.7	1.5	1.3	1.2
Provisions cover	34.3	37.0	39.0	41.0
Capitalisation ratios (%)				
Tier I cap.adequacy	8.1	8.0	7.7	7.3
Total cap.adequacy	11.6	11.4	10.8	10.1

MID CAP

Share Data

Price (Rs)	306
BSE Sensex	27,888
Reuters code	COKLBO
Bloomberg code	COXK IN
Market cap. (US\$ mn)	818
6M avg. daily turnover (US\$ mn)	3.5
Issued shares (mn)	169

Performance (%) 1M 3M 12M

Absolute	9	0	151
Relative	12	(4)	88

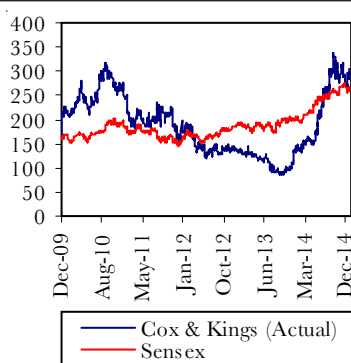
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	18.9	28.4	34.6
+/- (%)	(5.7)	50.1	21.9
PER (x)	16.2	10.8	8.8
PBV (x)	2.7	2.7	2.2
Dividend/Yield(%)	0.3	0.3	0.3
EV/Sales (x)	3.3	3.2	2.7
EV/EBITDA (x)	8.4	7.6	6.3

Major shareholders (%)

Promoters	48
FII's	34
MF's	2
BFSI's	3
Public & Others	13

Relative performance



Cox and Kings

Upgrade to BUY

Focusing on de-leveraging...

Recent performance/Outlook

Cox & Kings (COXK) has diversified its business with acquisition of Holiday break and its revenue grew by 18% CAGR over last three years. COXK has also efficiently trimmed down its consolidated debt to comfortable level in the last two years. COXK has reported 15% revenue growth in 1H FY15 was aided by strong performance from education division with 27% growth and 10% YoY growth in leisure business. COXK's reported healthy consolidated EBITDA margin of 50% and excluding Camping EBITDA margin expanded by 40 bps YoY to 49% on account of strong season and healthy occupancy in education business and restricted expenses in India business with the healthy pick up in holiday season. With exit from Camping business, COXK expected to reduce its debt by Rs 8.5 bn and further Rs 2.5 bn from internal accrual and Rs 12 bn from QIP in FY15 which will improve its profitability.

Key triggers/Risks

- Improvement in global economy and fast turnaround in Australia's business.
- Challenging economic environment in Europe and any increase in working capital from any of its business, will negatively impact its strategy of de-leveraging.
- Currency fluctuation.

Strategic initiatives

- Exiting from lower RoCE business and focus on education business including Meininger with increase in occupancy and healthy forward bookings (PGL booked 100% for FY15 and 60% for FY16).
- Reducing net debt of the company from sale of non-core business and from free cash flow, which will ultimately reduce interest expense (company expected to reduce its debt by ~Rs 2.5 bn in FY15E and Rs 4 bn in FY16E using free cash flows).

Balance sheet position

COXK is scaling down its debt (expected net debt to equity to ~0.8x) and also expected to reduce its capex with the sale of camping business. The return ratios are expected to improve with the operational efficiency in the existing business.

Outlook and valuation

We believe that the management's various steps to reduce its borrowings would act as catalysts for the improvement in its profitability coupled with operational efficiency with the improvement in global travel business. Thus, we are upgrading our rating on the stock from Outperformer to Buy with a revised target price to Rs 380 using the SOTP approach.

Praveen Sahay
praveen.sahay@bksec.com

Cox and Kings

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	23,076	22,013	24,830	27,979
Growth (%)	27.6	(4.6)	12.8	12.7
Operating expenses	(14,175)	(13,348)	(14,283)	(16,024)
Operating profit	8,901	8,664	10,547	11,955
EBITDA	8,901	8,664	10,547	11,955
Growth (%)	23.2	(2.7)	21.7	13.3
Depreciation	(1,711)	(2,025)	(1,335)	(1,333)
Other income	431	427	427	427
EBIT	7,621	7,066	9,639	11,049
Finance cost	(3,236)	(3,070)	(2,171)	(1,923)
Exceptional & extraordinary	1,748	(3,641)	0	0
Profit before tax	6,133	355	7,468	9,126
Tax (current + deferred)	(1,643)	(1,411)	(2,471)	(3,035)
P/(L) for the period	4,491	(1,056)	4,997	6,091
P/L of Associates,	(659)	(723)	(794)	(872)
Min Int, Pref Div				
Reported Profit/(Loss)	3,832	(1,780)	4,203	5,219
Adjusted net profit	2,742	2,585	4,997	6,091
Growth (%)	29.8	(5.7)	93.3	21.9

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	683	683	879	879
Reserves & surplus	16,866	14,928	18,973	24,034
Shareholders' funds	17,549	15,611	19,852	24,913
Minority Interests and others	8,205	8,139	8,564	9,420
Non-current liabilities	48,339	39,842	23,872	19,629
Long-term borrowings	47,395	38,909	22,909	18,632
Other non-current liab.	945	933	963	997
Current liabilities	30,714	27,891	28,141	28,874
ST borrowings, Curr maturity	8,442	5,942	5,942	5,942
Other current liabilities	22,272	21,950	22,200	22,932
Total (Equity and Liab.)	104,807	91,484	80,430	82,837
Non-current assets	67,127	54,488	54,001	53,967
Fixed assets (Net block)	26,122	16,490	15,984	15,930
Non-current Investments	321	321	321	321
Long-term loans and adv.	151	144	162	183
Other non-current assets	40,533	37,533	37,533	37,533
Current assets	37,680	36,996	26,429	28,869
Cash & current investment	14,067	13,884	2,402	3,331
Other current assets	23,613	23,111	24,027	25,538
Total (Assets)	104,807	91,484	80,430	82,837
Total debt	55,836	44,851	28,851	24,574
Capital employed	82,535	69,534	58,230	59,904

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	6,133	355	7,468	9,126
Depreciation	1,711	2,025	1,335	1,333
Change in working capital	(863)	175	(654)	(766)
Total tax paid	(1,624)	(1,411)	(2,471)	(3,035)
Others	2,864	2,794	1,894	1,646
Cash flow from oper. (a)	8,222	3,937	7,572	8,304
Capital expenditure	(6,632)	7,607	(829)	(1,279)
Change in investments	4,062	0	0	0
Others	277	277	277	277
Cash flow from inv. (b)	(2,293)	7,883	(553)	(1,003)
Free cash flow (a+b)	5,929	11,820	7,020	7,302
Equity raised/(repaid)	(57)	0	197	0
Debt raised/(repaid)	9,073	(10,985)	(16,000)	(4,277)
Dividend (incl. tax)	(160)	(158)	(158)	(158)
Others	(13,692)	(859)	(2,540)	(1,938)
Cash flow from fin. (c)	(4,835)	(12,003)	(18,502)	(6,373)
Net chg in cash (a+b+c)	1,094	(183)	(11,482)	929

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	20.1	18.9	28.4	34.6
Growth	29.8	(5.7)	50.1	21.9
CEPS (Rs)	32.6	33.8	36.0	42.2
Book NAV/share (Rs)	127.9	113.7	112.4	141.2
Dividend/share (Rs)	1.0	1.0	0.8	0.8
Dividend payout ratio	4.2	(8.9)	3.8	3.0
EBITDA margin	38.6	39.4	42.5	42.7
EBIT margin	33.0	32.1	38.8	39.5
Tax rate	32.6	29.9	29.9	30.4
RoCE	10.2	9.3	15.1	18.7
Total debt/Equity (x)	2.2	1.9	0.3	0.3
Net debt/Equity (x)	1.6	1.3	1.0	0.7
Du Pont Analysis - ROE				
Net margin	11.9	11.7	20.1	21.8
Asset turnover (x)	0.2	0.2	0.3	0.3
Leverage factor (x)	6.1	6.0	4.9	3.7
Return on equity	17.9	15.7	28.3	27.3

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	8.0	16.2	10.8	8.8
PCE	4.9	9.1	8.5	7.2
Price/Book	1.3	2.7	2.7	2.2
Yield (%)	0.6	0.3	0.3	0.3
EV/EBITDA	7.1	8.4	7.6	6.3

MID CAP

Share Data

Price (Rs)	402
BSE Sensex	27,888
Reuters code	DBCL.BO
Bloomberg code	DBCL IN
Market cap. (US\$ mn)	1,166
6M avg. daily turnover (US\$ mn)	0.3
Issued shares (mn)	184

Performance (%) 1M 3M 12M

Absolute	5	14	39
Relative	7	8	4

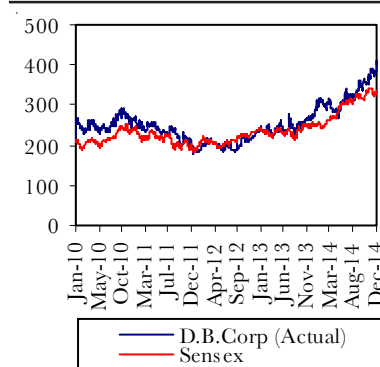
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	19.4	24.0	28.2
+/- (%)	16.4	23.6	17.3
PER (x)	20.7	16.7	14.3
PBV (x)	5.7	5.0	4.4
Dividend/Yield (%)	2.3	3.0	3.8
EV/Sales (x)	3.6	3.1	2.7
EV/EBITDA (x)	12.2	9.9	8.3

Major shareholders (%)

Promoters	70
FII's	18
MFs	8
Public & Others	4

Relative performance



DB Corp

Upgrade to BUY

Attractive long-term play on regional print markets

Recent performance

In the last two-three years, the company reported a strong operating performance on the back of steady revenue growth and strong margin improvement. Strong revenue was driven by new market expansion, economic buoyancy in core tier II/III markets, strong circulation revenue growth and key elections in the last 12-15 months. Margin expansion was driven by revenue buoyancy, decline in losses in new markets and strong cost control, which more than made up for increase in newsprint prices. In the recent quarters though, the performance has been a rather mixed – revenue growth has been subdued, however, margins have been strong in 2QFY15.

Key triggers/Risks

- Pick up in government advertising is important for overall revenue growth ahead.
- Newsprint prices have been soft and are expected to remain so.

Strategic initiatives/Capex plans

- Apart from Patna entry, DB Corp has no major expansion plans on the cards. In market expansion in relatively newer markets could continue.
- The company's annual capex requirement would be in Rs 400-600 mn range, mostly towards maintenance and upgradation of existing facilities.

Balance sheet position

- DB Corp has a strong balance sheet with a zero net debt on the books. We expect healthy free cash flows of Rs 3.5-4 bn in the coming years. The company's working capital cycle stands at ~70 days of revenues, with receivables, inventory and trade payable days of around 65, 100 and 30, respectively. The company's RoE stood at 28.2% in FY14 and we expect to be in 29-32% range in the coming years.

Outlook and valuation

We are positive on regional print media, as we believe consumption demand and advertisers focus is on a structural rise in tier II/III towns. Softening of newsprint prices and turnaround at gestating businesses would provide a boost to near term earnings. We like the company for its (i) attractive foot print of middle income, high growth states in India, which are ripe for rising spends on consumption and advertisement; (2) diversified business model – largest state and largest advertiser category accounts for less than 33% and 11% of revenues; (3) strong execution track record. Valuations stands at 17.4x one-year forward P/E, which seems attractive in the light of high RoEs (~30%), earnings CAGR of 20.4% over FY15-17 and high dividend payout (in excess of 50%).

Yogesh Kirve

yogesh.kirve@bksec.com

DB Corp

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	18,598	20,462	22,944	25,441
Growth (%)	16.8	10.0	12.1	10.9
Operating expenses	(13,562)	(14,485)	(15,725)	(17,124)
Operating profit	5,036	5,977	7,220	8,317
EBITDA	5,036	5,977	7,220	8,317
Growth (%)	31.8	18.7	20.8	15.2
Depreciation	(642)	(815)	(860)	(907)
Other income	184	273	339	433
EBIT	4,577	5,435	6,699	7,843
Finance Cost	(54)	(50)	(45)	(40)
Profit before tax	4,524	5,385	6,654	7,804
Tax (current + deferred)	(1,457)	(1,815)	(2,242)	(2,630)
P/(L) for the period	3,066	3,570	4,412	5,174
Reported Profit/(Loss)	3,066	3,570	4,412	5,174
Adjusted Net profit	3,066	3,570	4,412	5,174
Growth (%)	40.6	16.4	23.6	17.3

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	1,835	1,834	1,834	1,834
Reserves & surplus	9,633	11,227	13,022	14,939
Shareholders' funds	11,467	13,061	14,856	16,772
Non-Current Liabilities	1,958	1,819	1,682	1,548
Long-term borrowings	727	577	427	277
Other Long term liab,	1,232	1,242	1,256	1,271
Prov, DTL				
Current liabilities	4,270	4,391	4,570	4,908
Short-term borrowings,	779	779	779	779
Curr Maturity				
Other Current Liab + Provi	3,490	3,611	3,791	4,129
Total (Equity and Liab.)	17,695	19,270	21,109	23,228
Non-current assets	11,153	11,002	10,781	10,590
Fixed assets (Net block)	8,526	8,374	8,153	7,962
Non-current Investments	724	724	724	724
Long-term loans and adv.	1,855	1,855	1,855	1,855
Other non-current assets,	49	49	49	49
DTA, Goodwill				
Current assets	6,542	8,268	10,328	12,638
Cash & Current Investment	1,094	2,434	3,879	5,563
Other current assets	5,448	5,834	6,449	7,075
Total (Assets)	17,695	19,270	21,109	23,228
Total Debt	1,506	1,356	1,206	1,056
Capital Employed	14,205	15,659	17,317	19,100

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	4,524	5,385	6,654	7,804
Depreciation	(642)	(815)	(860)	(907)
Change in working capital	(1,289)	(265)	(435)	(289)
Total tax paid	(1,406)	(1,804)	(2,229)	(2,614)
Others	(2,084)	(1,327)	(1,948)	(2,240)
Cash flow from oper. (a)	2,440	4,057	4,706	5,564
Capital expenditure	(785)	(664)	(639)	(716)
Change in investments	83			
Others	100	123	189	283
Cash flow from inv. (b)	(601)	(540)	(449)	(433)
Free cash flow (a+b)	1,838	3,517	4,257	5,131
Equity raised/(repaid)	1	(1)		
Debt raised/(repaid)	(87)	(150)	(150)	(150)
Dividend (incl. tax)	(1,549)	(1,976)	(2,617)	(3,257)
Others	(386)	(50)	(45)	(40)
Cash flow from fin. (c)	(2,021)	(2,177)	(2,811)	(3,447)
Net chg in cash (a+b+c)	(182)	1,340	1,445	1,684

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	16.7	19.4	24.0	28.2
Growth	40.6	16.4	23.6	17.3
CEPS (Rs)	20.2	23.9	28.7	33.1
Book NAV/share (Rs)	62.4	71.1	80.9	91.3
Dividend/share (Rs)	7.2	9.2	12.2	15.2
Dividend payout ratio	50.5	55.3	59.3	63.0
EBITDA margin	27.1	29.2	31.5	32.7
EBIT margin	24.6	26.6	29.2	30.8
Tax Rate	32.2	33.7	33.7	33.7
RoCE	33.6	36.4	40.6	43.1
Total debt/Equity (x)	0.1	0.1	0.1	0.1
Net debt/Equity (x)	0.0	(0.1)	(0.2)	(0.3)
Du Pont Analysis - ROE				
Net margin	16.5	17.4	19.2	20.3
Asset turnover (x)	1.1	1.1	1.1	1.1
Leverage factor (x)	1.6	1.5	1.4	1.4
Return on equity	28.2	29.1	31.6	32.7

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	18.5	20.7	16.7	14.3
PCE	15.3	16.8	14.0	12.1
Price/Book	5.0	5.7	5.0	4.4
Yield (%)	2.3	2.3	3.0	3.8
EV/EBITDA	11.4	12.2	9.9	8.3

MID CAP

Share Data

Price (Rs)	143
BSE Sensex	27,888
Reuters code	DPFE.BO
Bloomberg code	DFPC IN
Market cap. (US\$ mn)	199
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	88

Performance (%)	1M	3M	12M
Absolute	8	(10)	40
Relative	10	(14)	5

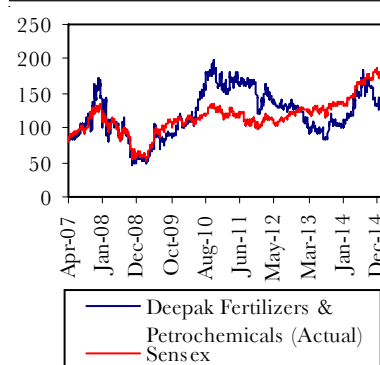
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	13.2	30.6
+/- (%)	(56.0)	131.4
PER (x)	10.8	4.7
PBV (x)	0.8	0.7
Dividend/Yield (%)	4.2	4.4
EV/Sales (x)	0.5	0.5
EV/EBITDA (x)	5.5	3.3

Major shareholders (%)

Promoters	45
FII's	14
MF's	1
BFSI's	1
Public & Others	39

Relative performance



Deepak Fertilisers and Petrochemicals Maintain Underperformer

Operational performance impacted due to stoppage of gas supply!

Recent performance/Outlook

Deepak Fertilisers (DFPC) reported CAGR of 35% in sales during FY11-14, however, PAT increased by only 12% CAGR during the same period. 2QFY15 performance was impacted due to stoppage of cheap administered price mechanism (APM) gas supply. Though the company has offset part of the manufacturing losses through increase in trading activities, however, margins have been lower in trading. In 2Q, Deepak reported dismal performance due to stoppage of gas supply.

Key triggers/Risks – Next 12 months

- Effective from 15th May 2014 the domestic gas supply to the company has been stopped, pursuant to an order passed by the Ministry of Petroleum and Natural Gas. As a consequence, the company's ammonia, CO₂ and nitro phosphate plants have been under shut-down. The Government of India has constituted an inter Ministerial Committee to review its decision. Decision on gas supply will determine earnings going forward.
- Deepak continuously undertakes organic/inorganic expansion activities which results in low FCFF generation and period of low RoE/RoCE. Hence, investor expectations related to dividend/buyback take a backseat.

Strategic initiatives

- NPK expansion remains on track.
- On account of stoppage of gas supply, DFPC has temporarily shifted its strategy towards higher trading operations; however, this would lead to lower profitability.
- DFPC is evaluating its next step in acquisition of Mangalore Chemicals & Fertilisers.

Balance sheet position

- Fluctuation in performance led to volatility in RoE (low – 12.0% and high – 21.2%) and RoCE (low – 12.3% and high – 18.9%) in the last 3-year period.
- Debt remained stable over 3-year period.

Valuation and view

We expect operational performance to remain subdued until resumption of gas supply. Deepak has approached the concerned authorities and expects decision on it soon. Going forward, lower gas supply will lead to higher trading operations (lower margin than manufactured fertilisers) leading to lower profitability in fertiliser business. Chemicals margins are also likely to remain under pressure since it is an integrated plant. As of now, we expect earnings to bounce back in FY16E, however, if gas supply does not resume, earnings remain at risk. We maintain Underperformer rating.

Balwinder Singh

balwinder.singh@bksec.com

Sukhwinder Singh

sukhwinder.singh@bksec.com

Deepak Fertilisers and Petrochemicals

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	26,101	38,157	39,767	45,054
<i>Growth (%)</i>	<i>11.4</i>	<i>46.2</i>	<i>4.2</i>	<i>13.3</i>
Operating expenses	(22,880)	(33,147)	(36,279)	(39,490)
Operating profit	3,221	5,010	3,488	5,564
EBITDA	3,221	5,010	3,488	5,564
<i>Growth (%)</i>	<i>(24.0)</i>	<i>55.6</i>	<i>(30.4)</i>	<i>59.5</i>
Depreciation	(975)	(1,026)	(1,135)	(1,120)
Other income	582	477	343	360
EBIT	2,828	4,460	2,696	4,804
Finance cost	(772)	(846)	(1,117)	(1,000)
Exceptional & extraordinary	0	(250)	0	0
Profit before tax	2,056	3,364	1,579	3,804
Tax (current + deferred)	(537)	(961)	(411)	(1,103)
P/(L) for the period	1,519	2,403	1,167	2,701
Reported Profit/(Loss)	1,519	2,403	1,167	2,701
Adjusted net profit	1,519	2,653	1,167	2,701
<i>Growth (%)</i>	<i>(37.5)</i>	<i>74.6</i>	<i>(56.0)</i>	<i>131.4</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	882	882	882	882
Reserves & surplus	12,260	14,029	14,592	16,658
Shareholders' funds	13,142	14,911	15,474	17,540
Non-current liabilities	8,570	7,334	6,834	6,334
Long-term borrowings	7,142	5,921	5,421	4,921
Other non-current liabilities	1,428	1,413	1,413	1,413
Current liabilities	7,886	9,347	9,334	9,551
ST borrowings, Curr maturity	3,044	2,297	2,297	2,297
Other current liabilities	4,841	7,050	7,038	7,255
Total (Equity and Liab.)	29,598	31,592	31,642	33,426
Non-current assets	15,931	18,074	17,451	17,631
Fixed assets (Net block)	14,392	14,820	14,985	15,165
Non-current Investments	957	2,788	2,000	2,000
Long-term loans and advances	582	465	465	465
Current assets	13,667	13,518	14,192	15,795
Cash & current investment	3,503	1,187	1,170	1,549
Other current assets	10,164	12,331	13,022	14,247
Total (Assets)	29,598	31,592	31,643	33,426
Total debt	10,186	8,217	7,717	7,217
Capital employed	24,757	24,542	24,605	26,171

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	2,056	3,364	1,579	3,804
Depreciation	975	1,026	1,135	1,120
Change in working capital	(1,585)	194	(704)	(1,008)
Total tax paid	(326)	(1,006)	(411)	(1,103)
Others	190	370	774	640
Cash flow from oper. (a)	1,309	3,948	2,373	3,453
Capital expenditure	(1,093)	(1,454)	(1,300)	(1,300)
Change in investments	(2,252)	390	788	0
Others	582	477	343	360
Cash flow from inv. (b)	(2,763)	(588)	(169)	(940)
Free cash flow (a+b)	(1,455)	3,360	2,204	2,513
Debt raised/(repaid)	2,393	(1,969)	(500)	(500)
Dividend (incl. tax)	(554)	(655)	(604)	(635)
Others	(822)	(831)	(1,117)	(1,000)
Cash flow from fin. (c)	1,018	(3,455)	(2,221)	(2,135)
Net chg in cash (a+b+c)	(437)	(95)	(17)	379

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	17.2	30.1	13.2	30.6
Growth	(37.5)	74.6	(56.0)	131.4
CEPS (Rs)	28.3	41.7	26.1	43.3
Book NAV/share (Rs)	149.0	169.1	175.4	198.9
Dividend/share (Rs)	5.5	6.5	6.0	6.3
Dividend payout ratio	36.5	27.3	51.8	23.5
EBITDA margin	12.3	13.1	8.8	12.4
EBIT margin	10.8	11.7	6.8	10.7
Tax rate	26.1	26.6	26.1	29.0
RoCE	12.3	18.1	11.0	18.9
Total debt/Equity (x)	0.8	0.6	0.5	0.4
Net debt/Equity (x)	0.5	0.5	0.4	0.3
Du Pont Analysis - ROE				
Net margin	5.8	7.0	2.9	6.0
Asset turnover (x)	0.9	1.2	1.3	1.4
Leverage factor (x)	2.2	2.2	2.1	2.0
Return on equity	12.0	18.9	7.7	16.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	5.8	4.0	10.8	4.7
PCE	3.5	2.9	5.5	3.3
Price/Book	0.7	0.7	0.8	0.7
Yield (%)	5.5	5.4	4.2	4.4
EV/EBITDA	4.8	3.5	5.5	3.3

MID CAP

Share Data

Price (Rs)	200
BSE Sensex	27,888
Reuters code	EIDPBO
Bloomberg code	EID IN
Market cap. (US\$ mn)	554
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	176

Performance (%) 1M 3M 12M

Absolute	(6)	(11)	46
Relative	(4)	(16)	9

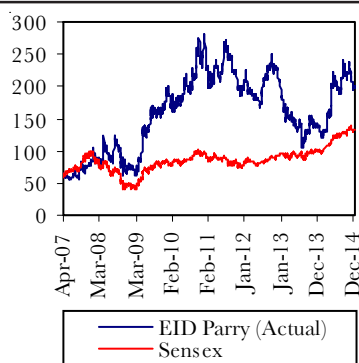
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	4.5	5.8
+/- (%)	199.0	28.0
PER (x)	44.2	34.5
PBV (x)	2.6	2.5
Dividend/Yield (%)	2.0	2.0
EV/Sales (x)	2.2	2.1
EV/EBITDA (x)	20.6	18.8

Major shareholders (%)

Promoters	45
FII's	11
MF's	6
BFSI's	7
Public & Others	31

Relative performance



EID Parry

Maintain Outperformer

Play the SoTP game!

Recent performance/Outlook

On a standalone basis, EID Parry (EID) reported sales CAGR of 12% and EBITDA CAGR of 148% during FY11-14, while on a consolidated basis, it reported sales CAGR of 9% and EBITDA CAGR of -6%. Standalone business includes the company's sugar and bio-products business while company's 62.9% holding in Coromandel International is consolidated in EID's books. 2Q standalone business reported improvement in performance driven by increase in recovery rate in sugar business. Distillery business remained stable. Bio-products reported improvement in margins.

Key triggers/Risks – Next 12 months

- Standalone sugar business is likely to remain under pressure due to lower realisations.
- Subsidiary Coromandel should benefit from the normalisation of complex fertiliser inventory in system.

Strategic initiatives

- Increasing contribution of distillery business has improved overall profitability.
- Subsidiary Coromandel continues to strengthen its product offerings and position itself as a one-stop shop.

Balance sheet position

- Volatility in sugar prices led to significant changes in RoE (low – 2.0%, high – 12.2%) and RoCE (low – 4.9%, high – 9.7%) over the last 3-year period. Consolidated RoE has low – 3.0%, high – 15.0% and RoCE has low – 10.07%, high – 17.64% in same period.
- Standalone debt increased significantly from Rs 8 bn in FY12 to Rs 21 bn in FY14, thereby increasing debt-equity from 0.7 to 1.6 in FY14.

Valuation and view

We believe EID is one of the best companies to play the sugar space given its diversified location, low cane costs, proximity to ports, rising dividend from Coromandel, etc. Parent company EID's 62.9% holding in subsidiary Coromandel is the most-prized asset of EID. At the current market price of Rs 200, EID is trading at 40% discount to Coromandel's stock price, which in our view would narrow down going forward. EID's stock price has been under pressure lately due to lower sugar realisations, however, we expect EID's stock price to eventually track Coromandel's stock price. We value EID on sum-of-the-parts (SoTP) basis by valuing standalone company at 7x EV/EBITDA and listed investments at 20% holding company discount.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

EID Parry

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Revenue from Oper.	19,738	17,674	24,511	26,088
<i>Growth (%)</i>	<i>29.3</i>	<i>(10.5)</i>	<i>38.7</i>	<i>6.4</i>
Operating expenses	(17,472)	(16,808)	(22,028)	(23,320)
Operating profit	2,265	866	2,483	2,767
Other operating income	0	146	145	135
EBITDA	2,265	1,012	2,628	2,902
<i>Growth (%)</i>	<i>155.1</i>	<i>(61.8)</i>	<i>186.7</i>	<i>11.5</i>
Depreciation	(1,077)	(973)	(1,094)	(1,162)
Other income	1,260	1,612	1,584	1,714
EBIT	2,448	1,651	3,118	3,455
Finance Cost	(1,242)	(1,962)	(1,985)	(2,004)
Exceptional & Extraordinary	2,657	0	0	0
Profit before tax	3,864	(311)	1,133	1,451
Tax (current + deferred)	(294)	576	(340)	(435)
P/(L) for the period	3,570	265	793	1,015
Reported Profit/(Loss)	3,570	265	793	1,015
Adjusted Net profit	913	265	793	1,015
<i>Growth (%)</i>	<i>(36.9)</i>	<i>(70.9)</i>	<i>199.0</i>	<i>28.0</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	176	176	176	176
Reserves & surplus	13,294	12,618	13,339	13,651
Shareholders' funds	13,470	12,794	13,514	13,827
Non-Current Liabilities	8,930	9,986	8,800	8,400
Long-term borrowings	7,592	9,285	8,050	7,600
Other Long term liab,	1,338	702	750	800
Prov, DTL				
Current liabilities	13,947	15,512	16,519	17,583
Short-term borrowings,	10,744	11,763	11,800	12,450
Curr Maturity				
Other Current Liab + Provi	3,203	3,748	4,719	5,133
Total (Equity and Liab.)	36,347	38,292	38,834	39,810
Non-current assets	22,900	23,501	23,329	23,601
Fixed assets (Net block)	12,918	15,303	15,729	15,816
Non-current Investments	8,711	5,447	5,485	5,535
Long-term loans and adv.	1,271	2,388	1,716	1,826
Other non-current assets,	0	363	400	425
DTA, Goodwill				
Current assets	13,446	14,791	15,504	16,208
Cash & Current Investment	169	632	865	524
Other current assets	13,277	14,158	14,639	15,684
Total (Assets)	36,346	38,292	38,833	39,809
Total Debt	18,336	21,048	19,850	20,050
Capital Employed	33,144	34,544	34,114	34,677

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before Tax	3,864	(311)	1,133	1,451
Depreciation	1,077	973	1,094	1,162
Change in working capital	(4,375)	(1,454)	1,163	(742)
Total tax paid	(212)	(60)	(292)	(385)
Others	328	602	625	515
Cash flow from oper. (a)	682	(250)	3,724	2,000
Capital expenditure	(5,837)	(3,410)	(1,469)	(1,249)
Change in investments	(1,883)	3,264	(37)	(50)
Others	896	997	1,323	1,464
Cash flow from inv. (b)	(6,825)	850	(183)	166
Free cash flow (a+b)	(6,143)	601	3,541	2,166
Equity raised/(repaid)	21	(502)	502	0
Debt raised/(repaid)	9,484	2,712	(1,198)	200
Dividend (incl. tax)	(1,043)	0	(703)	(703)
Others	(2,494)	(2,349)	(1,909)	(2,004)
Cash flow from fin. (c)	5,967	(138)	(3,308)	(2,507)
Net chg in cash (a+b+c)	(176)	462	233	(341)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	5.2	1.5	4.5	5.8
Growth	(36.9)	(70.9)	199.0	28.0
CEPS (Rs)	11.3	7.0	10.7	12.4
Book NAV/share (Rs)	76.3	72.8	76.6	78.4
Dividend/share (Rs)	5.9	0.0	4.0	4.0
Dividend payout ratio	29.2	0.0	88.6	69.3
EBITDA margin	11.5	5.7	10.7	11.1
EBIT margin	12.4	9.3	12.7	13.2
Tax Rate	24.3	185.4	30.0	30.0
RoCE	8.8	4.9	9.1	10.0
Total debt/Equity (x)	1.4	1.6	1.5	1.5
Net debt/Equity (x)	1.3	1.6	1.4	1.4
Du Pont Analysis - ROE				
Net margin	4.6	1.5	3.2	3.9
Asset turnover (x)	0.6	0.5	0.6	0.7
Leverage factor (x)	2.4	2.8	2.9	2.9
Return on equity	7.1	2.0	6.0	7.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	28.7	88.8	44.2	34.5
PCE	13.2	19.0	18.6	16.1
Price/Book	2.0	1.8	2.6	2.5
Yield (%)	4.0	0.0	2.0	2.0
EV/EBITDA	19.6	43.5	20.6	18.8

MID CAP

Share Data

Price (Rs)	120
BSE Sensex	27,888
Reuters code	EIHO.BO
Bloomberg code	EIH IN
Market cap. (US\$ mn)	1,082
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	572

Performance (%) 1M 3M 12M

Absolute	(4)	21	108
Relative	(2)	15	56

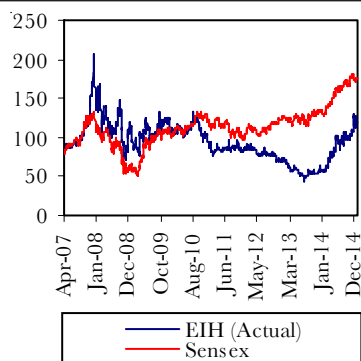
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	2.3	3.3
+/- (%)	30.0	42.2
PER (x)	51.8	36.4
PBV (x)	2.6	2.5
Dividend/Yield (%)	1.1	1.1
EV/Sales (x)	4.3	3.8
EV/EBITDA (x)	20.0	16.3

Major shareholders (%)

Promoters	35
FII's	2
MF's	1
BFSI's	12
Public & Others	50

Relative performance



EIH

Maintain Underperformer

Better placed amongst peers

Recent performance/Outlook

EIH's performance for the last two years has been sluggish with the revenue CAGR (FY12-14) of just 5%, respectively, due to the weak domestic demand and slow growth in several key emerging market economies. Occupancy and ARR's in domestic market remain under pressure with supply surpassing demand levels. For IHFY15 net sales grew by 6.2% led by improvement in RevPAR's whereas EBITDA margin decreased by 190bps on account of higher overhead expenses and PAT decreased by 71% due to higher depreciation and lower other income.

Key triggers/Risks

- TVoA enabled Electronic Travel Authorisation (ETA) for 43 nations latest in a series of measures introduced by Modi regime to ease visa regime and encourage foreigners to visit India. Increase in the supply of hotel rooms across key cities and shift in business demand from South Mumbai, which contributes more than 1/3rd of its revenues, may continue to limit RevPAR growth and profitability.

Strategic initiatives

- Overall capex will be Rs 500-600 mn in FY15, mainly on a new flight kitchen in Kolkata. Expansions will be through asset light model in future except for two properties in Bengaluru and Goa where land is owned by EIH and planning is being currently finalised. New properties in Chandigarh, Navi Mumbai and Pune expected in the future are under management contracts.
- Reduction in investments in non-core activities and focus on core business with improved cash flows has led to debt reduction from internal accruals and improvement in profitability.

Balance sheet position

- The company has reduced its debt drastically from Rs 10.80 bn in 2011 to Rs 4.48 bn in 2014 resulting from improved cash flows.

Outlook and valuation

We expect RevPAR's to improve in 2HFY15 but believe the higher room supply and lower city occupancies to limit overall growth resulting in a gradual recovery. Despite factoring a steep earnings recovery during FY15-16 period with 30%+ earnings CAGR, valuations at 37x FY16 earnings and 16x FY16 EBITDA look expensive. We have an Underperformer rating on the stock.

Ashit Desai
ashit.desai@bksec.com

Shobit Singhal
shobit.singhal@bksec.com

EIH

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	14,688	15,391	16,306	18,451
<i>Growth (%)</i>	<i>4.4</i>	<i>4.8</i>	<i>5.9</i>	<i>13.2</i>
Operating expenses	(11,910)	(12,131)	(12,775)	(14,165)
Operating profit	2,777	3,260	3,531	4,286
EBITDA	2,777	3,260	3,531	4,286
<i>Growth (%)</i>	<i>(12.1)</i>	<i>17.4</i>	<i>8.3</i>	<i>21.4</i>
Depreciation	(1,411)	(1,349)	(1,400)	(1,407)
Other income	361	388	423	465
EBIT	1,727	2,298	2,554	3,345
Finance cost	(716)	(527)	(378)	(327)
Exceptional & extraordinary	(268)	53	0	0
Profit before tax	743	1,825	2,176	3,018
Tax (current + deferred)	(271)	(715)	(762)	(1,032)
P/(L) for the period	472	1,110	1,414	1,986
P/L of Associates,	(52)	(39)	(92)	(105)
Min Int, Pref Div				
Reported Profit/(Loss)	420	1,071	1,323	1,881
Adjusted net profit	688	1,018	1,323	1,881
<i>Growth (%)</i>	<i>(38.1)</i>	<i>47.9</i>	<i>30.0</i>	<i>42.2</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	1,143	1,143	1,143	1,143
Reserves & surplus	24,810	24,947	25,439	26,489
Shareholders' funds	25,953	26,090	26,582	27,632
Minority Interests and others	548	587	587	587
Non-current liabilities	6,127	5,082	4,512	4,169
Long-term borrowings	3,819	2,531	1,908	1,508
Other non-current liabilities	2,308	2,552	2,604	2,660
Current liabilities	6,640	5,283	4,828	5,079
Short-term borrowings	3,535	1,958	1,482	1,482
Other current liabilities	3,106	3,325	3,346	3,598
Total (Equity and Liab.)	39,268	37,042	36,509	37,467
Non-current assets	34,538	32,406	32,089	32,484
Fixed assets (Net block)	27,058	24,353	24,453	24,546
Non-current Investments	1,909	2,454	2,046	2,046
Long-term loans and adv.	2,307	2,334	2,324	2,626
Other non-current assets	3,264	3,265	3,265	3,265
Current assets	4,729	4,636	4,420	4,983
Cash & current investment	1,633	1,641	1,383	1,547
Other current assets	3,097	2,994	3,037	3,435
Total (Assets)	39,268	37,042	36,509	37,467
Total debt	7,353	4,488	3,390	2,990
Capital employed	36,163	33,717	33,162	33,869

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	743	1,825	2,176	3,018
Depreciation	1,411	1,349	1,400	1,407
Change in working capital	(660)	194	(83)	(429)
Total tax paid	(258)	(476)	(762)	(1,032)
Others	602	460	306	249
Cash flow from oper. (a)	1,838	3,352	3,037	3,213
Capital expenditure	(1,553)	1,395	(1,502)	(1,502)
Change in investments	(666)	(438)	408	0
Others	115	67	72	78
Cash flow from inv. (b)	(2,105)	1,023	(1,022)	(1,424)
Free cash flow (a+b)	(267)	4,375	2,014	1,789
Equity raised/(repaid)	30	(1)	0	0
Debt raised/(repaid)	1,860	(2,865)	(1,098)	(400)
Dividend (incl. tax)	(754)	(710)	(761)	(851)
Others	(606)	(685)	(413)	(373)
Cash flow from fin. (c)	530	(4,260)	(2,273)	(1,624)
Net chg in cash (a+b+c)	263	115	(259)	165

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	1.2	1.8	2.3	3.3
Growth	(38.1)	47.9	30.0	42.2
CEPS (Rs)	3.7	4.1	4.8	5.8
Book NAV/share (Rs)	45.4	45.6	46.5	48.3
Dividend/share (Rs)	1.0	1.2	1.3	1.3
Dividend payout ratio	156.4	73.7	64.3	45.2
EBITDA margin	18.9	21.2	21.7	23.2
EBIT margin	11.8	14.9	15.7	18.1
Tax rate	26.8	40.3	35.0	34.2
RoCE	4.9	6.6	7.6	10.0
Total debt/Equity (x)	0.3	0.2	0.1	0.1
Net debt/Equity (x)	0.2	0.1	0.1	0.1
Du Pont Analysis - ROE				
Net margin	4.7	6.6	8.1	10.2
Asset turnover (x)	0.4	0.4	0.4	0.5
Leverage factor (x)	1.5	1.5	1.4	1.4
Return on equity	2.7	3.9	5.0	6.9

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	45.8	41.0	51.8	36.4
PCE	15.0	17.6	25.2	20.8
Price/Book	1.2	1.6	2.6	2.5
Yield (%)	1.8	1.6	1.1	1.1
EV/EBITDA	13.4	13.7	20.0	16.3

MID CAP

Share Data

Price (Rs)	232
BSE Sensex	27,888
Reuters code	ENGLBO
Bloomberg code	ENGR IN
Market cap. (US\$ mn)	1,232
6M avg. daily turnover (US\$ mn)	3.1
Issued shares (mn)	337

Performance (%)	1M	3M	12M
Absolute	1	(5)	43
Relative	3	(9)	7

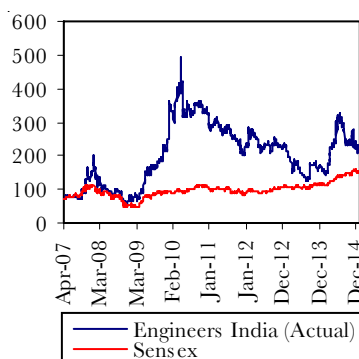
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	9.0	10.7	12.6
+/- (%)	(37.2)	18.8	16.9
PER (x)	25.6	21.5	18.4
PBV (x)	2.9	2.7	2.5
Dividend/Yield (%)	1.7	1.9	2.2
EV/EBITDA (x)	31.3	21.3	15.8

Major shareholders (%)

Promoters	69
FII's	9
MF's	3
BFSI's	8
Public & Others	11

Relative performance



Engineers India

Maintain SELL

Postponement of potential large orders to impact growth and margins

Recent performance

Engineers India Limited (EIL) has an order backlog of Rs 37 bn (73% from consultancy), supported by overseas orders (Rs 8.5 bn from Nigeria and Rs 2.5 bn from Oman).

The segmental margins were below normalised levels for both consultancy (competitive overseas order execution) and LSTK (pricing pressure).

Key triggers/Risks – Next 12 months

- Though in LSTK, the company face competition from L&T and Punj Lloyd, EIL continues to hold its ground in the consultancy space, especially in the PSU refinery segment.
- Most of the diversification initiatives of EIL are still in the planning stages.

Strategic initiatives

- EIL will maintain its normal maintenance capex, additionally the diversification capex towards fertiliser is been stalled due to policy uncertainty, the tie-up with GSPC for city gas distribution is impacted due to gas availability.
- As a de-risking strategy the company has been focusing towards export markets and was able to win couple of large overseas orders. Successful execution of this will lead to further export orders.

Balance sheet position

- Given the open book estimate model of execution for most of the LSTK projects the working capital (ex-cash) continue to be negative, hence the balance sheet is strong with a net cash of Rs 18 bn.
- Impacted by muted growth and lower margins the return on equity has reduced from 40% in FY11 to 20% in FY14.

Outlook and valuation

HPCL Barmer project is likely to get delayed or relocated due to dispute regarding concessional terms of agreement (~Rs 13 bn of consultancy order) and BAPCO Bahrain (US\$ 127 mn) also to get shelved as the client will not be employing full consultancy for phase I. Though the company is pursuing other overseas orders from Africa, Middle East, Algeria, Angola, we believe the finalisation will take time and impact the near to medium term growth of the company. Margin pressures to further impact earnings, hence maintain Sell. The stock is currently trading at 25x FY16E and 21x FY17E earnings.

Renjith Sivaram

renjith.sivaram@bksec.com

Renu Baid

renu.baid@bksec.com

Engineers India

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	18,465	17,095	18,454	21,599
<i>Growth (%)</i>	<i>(27.0)</i>	<i>(7.4)</i>	<i>8.0</i>	<i>17.0</i>
Operating expenses	(14,606)	(15,244)	(15,708)	(17,953)
Operating profit	3,859	1,851	2,747	3,646
EBITDA	3,859	1,851	2,747	3,646
<i>Growth (%)</i>	<i>(35.4)</i>	<i>(52.0)</i>	<i>48.4</i>	<i>32.7</i>
Depreciation	(148)	(186)	(239)	(271)
Other income	3,359	2,751	2,739	2,760
EBIT	7,070	4,416	5,247	6,134
Profit before tax	7,070	4,416	5,247	6,134
Tax (current + deferred)	(2,214)	(1,369)	(1,627)	(1,902)
P/(L) for the period	4,856	3,047	3,621	4,233
Reported Profit/(Loss)	4,856	3,047	3,621	4,233
Adjusted net profit	4,856	3,047	3,621	4,233
<i>Growth (%)</i>	<i>(23.7)</i>	<i>(37.2)</i>	<i>18.8</i>	<i>16.9</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	1,685	1,685	1,685	1,685
Reserves & surplus	23,532	25,009	26,863	29,133
Shareholders' funds	25,217	26,694	28,548	30,818
Non-current liabilities	244	305	305	305
Other non-current liabilities	244	305	305	305
Current liabilities	12,707	12,931	12,293	12,887
ST borrowings, Curr maturity	2	0	0	0
Other current liabilities	12,705	12,931	12,293	12,887
Total (Equity and Liab.)	38,168	39,931	41,146	44,010
Non-current assets	12,181	12,761	13,700	14,223
Fixed assets (Net block)	2,526	2,923	3,683	4,026
Non-current Investments	7,317	7,317	7,317	7,317
Other non-current assets	2,338	2,520	2,700	2,880
Current assets	25,986	27,170	27,446	29,786
Cash & current investment	18,125	20,120	19,423	20,571
Other current assets	7,862	7,050	8,023	9,215
Total (Assets)	38,168	39,931	41,146	44,010
Total debt	2	0	0	0
Capital employed	25,463	26,999	28,853	31,123

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	7,070	4,416	5,247	6,134
Depreciation	148	186	239	271
Change in working capital	(1,673)	1,328	(1,780)	(628)
Total tax paid	(2,095)	(1,477)	(1,807)	(2,052)
Others	(2,219)	(2,021)	(2,109)	(2,130)
Cash flow from oper. (a)	1,231	2,432	(210)	1,597
Capital expenditure	(783)	(583)	(998)	(615)
Change in investments	(513)	180	180	180
Others	1,891	1,839	1,929	1,950
Cash flow from inv. (b)	595	1,436	1,111	1,515
Free cash flow (a+b)	1,826	3,867	901	3,112
Debt raised/(repaid)	2	(2)	0	0
Dividend (incl. tax)	(2,562)	(1,907)	(1,598)	(1,963)
Others	(49)	36	0	0
Cash flow from fin. (c)	(2,610)	(1,873)	(1,598)	(1,963)
Net chg in cash (a+b+c)	(784)	1,995	(697)	1,149

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	14.4	9.0	10.7	12.6
Growth	(23.7)	(37.2)	18.8	16.9
CEPS (Rs)	14.8	9.6	11.5	13.4
Book NAV/share (Rs)	74.8	79.2	84.7	91.4
Dividend/share (Rs)	6.5	4.0	4.5	5.0
Dividend payout ratio	52.8	51.5	48.8	46.4
EBITDA margin	20.9	10.8	14.9	16.9
EBIT margin	38.3	25.8	28.4	28.4
Tax rate	31.3	31.0	31.0	31.0
RoCE	29.0	16.8	18.8	20.5
Net debt/Equity (x)	(0.7)	(0.8)	(0.7)	(0.7)
Du Pont Analysis - ROE				
Net margin	26.3	17.8	19.6	19.6
Asset turnover (x)	0.5	0.4	0.5	0.5
Leverage factor (x)	1.6	1.5	1.5	1.4
Return on equity	20.2	11.7	13.1	14.3

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	15.7	25.6	21.5	18.4
PCE	15.2	24.1	20.2	17.3
Price/Book	3.0	2.9	2.7	2.5
Yield (%)	2.9	1.7	1.9	2.2
EV/EBITDA	15.0	31.3	21.3	15.8

MID CAP**Share Data**

Price (Rs)	518
BSE Sensex	27,888
Reuters code	ENIL.BO
Bloomberg code	ENILIN
Market cap. (US\$ mn)	390
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	48

Performance (%) 1M 3M 12M

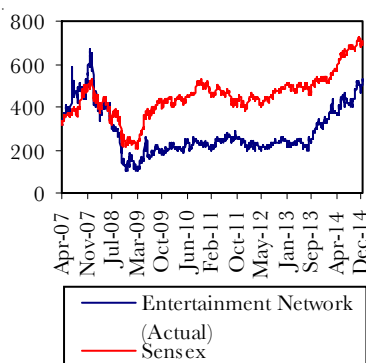
Absolute	0	19	56
Relative	2	13	17

Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	21.9	25.3	28.9
+/- (%)	24.5	15.6	14.4
PER (x)	23.6	20.4	17.8
PBV (x)	3.7	3.2	2.8
Dividend/Yield (%)	0.4	0.6	0.8
EV/Sales (x)	4.6	4.2	3.6
EV/EBITDA (x)	14.2	12.3	10.2

Major shareholders (%)

Promoters	71
FII's	16
MF's	2
Public & Others	11

Relative performance**Entertainment Network (India) Upgrade to Outperformer****A leading, well managed FM radio player****Recent performance**

Entertainment Network (ENIL) has reported strong performance over the last two-three years. The company's revenue growth has been rather steady at ~12%. However, the earnings growth has been pretty strong at 16% over FY12-14, aided by high operating leverage and strong free cash flows (resulting in rising treasury income). The company's performance in the last six months has improved further on back of pick up in revenue growth to 15% and cost control.

Key triggers/Risks

- With ad capacity utilisation reaching high levels, ad rates would be key driver of growth ahead; improvement in economic conditions would support rate hikes.
- Phase III auctions would have significant implications for growth and profitability of business, based upon how auctions shape up.

Strategic initiatives/Capex plans

- Post auctions, number of radio stations of ENIL could potentially increase from 32 presently to over 100. The management expects outlay towards fresh acquisition of licences could be ~Rs 3 bn. Furthermore, the company anticipates costs of renewing existing licences to be ~Rs 3.5 bn.

Balance sheet position

- ENIL has a strong balance sheet with a cash balance of Rs 4.8 bn as at end September 2014. This, along with free cash flows, would allow the company to participate in auctions without adding putting any material strain on the balance sheet. The company working capital cycle stands at 40 days of revenues, with receivables and trade payable days of around 100 and 75, respectively. The company's RoE has improved significantly from 6.4% in FY11 to 15.4% in FY14. However, with its licences set for renewals, RoE are not expected improve much in the coming years.

Outlook and valuation

ENIL is a leading FM radio network in the country and is well managed. The company's has a strong enough balance sheet to fund the licence renewal and acquisition, without causing much stress. The licence payouts may impact the near term earnings and RoEs, but valuations would be supported by radio's rising importance in media plans, ENIL's leadership position and execution skills, and growth opportunities to be presented by Phase III of radio FM licencing. The stock currently trades at 22x one-year forward P/E.

Yogesh Kirve

yogesh.kirve@bksec.com

Entertainment Network (India)

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	3,805	4,409	4,975	5,528
<i>Growth (%)</i>	<i>13.9</i>	<i>15.9</i>	<i>12.8</i>	<i>11.1</i>
Operating expenses	(2,599)	(2,981)	(3,283)	(3,598)
Operating profit	1,206	1,428	1,692	1,930
EBITDA	1,206	1,428	1,692	1,930
<i>Growth (%)</i>	<i>21.7</i>	<i>18.4</i>	<i>18.5</i>	<i>14.0</i>
Depreciation	(318)	(324)	(358)	(359)
Other income	268	334	346	365
EBIT	1,157	1,437	1,680	1,936
Finance cost	(0)	(0)	(0)	(0)
Profit before tax	1,156	1,437	1,680	1,935
Tax (current + deferred)	(320)	(390)	(470)	(551)
P/(L) for the period	836	1,046	1,210	1,384
Reported Profit/(Loss)	836	1,046	1,210	1,384
Adjusted net profit	836	1,046	1,210	1,384
<i>Growth (%)</i>	<i>22.4</i>	<i>25.1</i>	<i>15.6</i>	<i>14.4</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	477	477	477	477
Reserves & surplus	5,326	6,261	7,303	8,465
Shareholders' funds	5,803	6,737	7,780	8,941
Non-current liabilities	50	50	50	50
Other non-current liabilities	50	50	50	50
Current liabilities	848	944	1,018	1,096
Other current liabilities	848	944	1,018	1,096
Total (Equity and Liab.)	6,701	7,731	8,849	10,087
Non-current assets	2,168	1,981	3,588	3,459
Fixed assets (Net block)	916	683	2,249	2,087
Non-current Investments	1,019	1,019	1,019	1,019
Long-term loans and adv.	125	125	125	125
Other non-current assets	108	154	195	228
Current assets	4,576	5,750	5,260	6,628
Cash & current investment	3,452	4,452	3,797	5,002
Other current assets	1,124	1,298	1,464	1,626
Total (Assets)	6,744	7,731	8,849	10,087
Capital employed	5,853	6,788	7,830	8,991

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,156	1,437	1,680	1,935
Depreciation	318	324	358	359
Change in working capital	206	(79)	(91)	(85)
Total tax paid	(357)	(390)	(470)	(551)
Others	(225)	(288)	(298)	(314)
Cash flow from oper. (a)	1,098	1,003	1,179	1,344
Capital expenditure	(31)	(91)	(1,924)	(197)
Change in investments	(1,184)	(25)	492	(904)
Others	184	242	257	282
Cash flow from inv. (b)	(1,031)	126	(1,176)	(819)
Free cash flow (a+b)	67	1,130	4	525
Dividend (incl. tax)	(56)	(112)	(167)	(223)
Others	(0)	(0)	(0)	(0)
Cash flow from fin. (c)	(56)	(112)	(168)	(224)
Net chg in cash (a+b+c)	10	1,018	(164)	301

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	17.5	21.9	25.4	29.0
Growth	22.4	25.1	15.6	14.4
CEPS (Rs)	24.2	28.8	32.9	36.6
Book NAV/share (Rs)	121.7	141.3	163.2	187.6
Dividend/share (Rs)	1.0	2.0	3.0	4.0
Dividend payout ratio	6.7	10.7	13.8	16.1
EBITDA margin	31.7	32.4	34.0	34.9
EBIT margin	30.4	32.6	33.8	35.0
Tax rate	27.7	27.2	28.0	28.5
RoCE	21.1	22.7	23.0	23.0
Net debt/Equity (x)	(0.6)	(0.7)	(0.5)	(0.6)
Du Pont Analysis - ROE				
Net margin	22.0	23.7	24.3	25.0
Asset turnover (x)	0.6	0.6	0.6	0.6
Leverage factor (x)	1.2	1.2	1.1	1.1
Return on equity	15.4	16.7	16.7	16.6

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	21.3	23.6	20.4	17.8
PCE	15.4	18.0	15.7	14.2
Price/Book	3.1	3.7	3.2	2.8
Yield (%)	0.3	0.4	0.6	0.8
EV/EBITDA	11.9	14.2	12.3	10.2

MID CAP

Share Data

Price (Rs)	3,590
BSE Sensex	27,888
Reuters code	FAGB.BO
Bloomberg code	FAG IN
Market cap. (US\$ mn)	942
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	17

Performance (%) 1M 3M 12M

Absolute	9	21	129
Relative	12	15	72

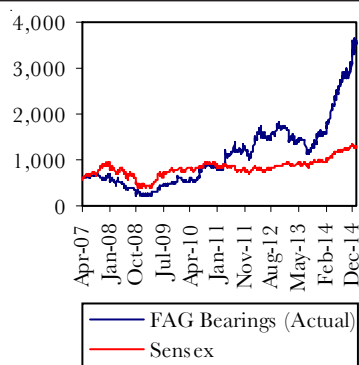
Valuation ratios

Yr to 31 Dec	CY14E	CY15E
EPS (Rs)	95.3	123.3
+/- (%)	30.0	29.3
PER (x)	37.8	29.1
PBV (x)	4.1	3.5
Dividend/Yield (%)	0.2	0.2
EV/Sales (x)	2.6	2.0
EV/EBITDA (x)	18.4	13.6

Major shareholders (%)

Promoters	51
FII's	13
MF's	17
BFSI's	1
Public & Others	17

Relative performance



FAG Bearings

Maintain Outperformer

Economic recovery to drive growth

Recent performance/Outlook

Despite slowdown in automotive segment, the company has registered a growth in both after-market and exports in 3QCY14 on new product introduction and customer focus. We believe, strategic product mix, stable after-market growth and new product development would drive the growth momentum going forward.

Key sensitivities to growth/Key risks – Next 12 months

- **Prone to foreign currency fluctuations:** The company derives 35% of its revenues from traded goods, which are imported from the parent company. In addition, the company imports ~30% of its raw material requirements. Any fluctuations in the currency exchange rate shall affect the company.
- **Economic recovery:** The break-up between auto and non-automotive is 40:60. The company would benefit from demand uptick in both these segment.

Strategic initiatives/Capex plans

- Capex plan for CY14 is Rs 600 mn as compared to Rs 657 mn in CY13. No major capex for the next two years.
- The company is continuously improving operational efficiency in its older plant at Maneja which we believe could lead to margin improvement.

Balance sheet position

- FAG was able to maintain its cash conversion cycle at 36 days (48 days in CY12) led by improvement in receivables days to 40. As a result, operating cash flow grew 18% to Rs 1.6 bn. The cash and bank balance jumped to 12% to Rs 2.7 bn from 2.4 bn in CY13. FAG improved the capacity utilisation with better product mix at Maneja (Vadodara) and commissioned a new plant at Savli (Vadodara) which is expected to drive growth. The company is continuously improving efficiency in its older plant at Maneja which we believe could lead to return ratios improvement going forward.

Valuation and view

With adequate capacity there is plenty of head room for the utilisation to improve. We also expect margins to sustain/improve with value-added products, localisation and partial pass-on currency to customers. At the current market price of Rs 3,586, the stock is trading at 37.6x CY14E earnings of Rs 95.3 and 29.1x CY15E earnings of Rs 123.3. We maintain our Outperformer rating on the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

FAG Bearings

Income Statement

Period end (Rs mn)	Dec 12	Dec 13	Dec 14E	Dec 15E
Net Sales	14,358	14,202	16,397	20,084
<i>Growth (%)</i>	10.5	(1.1)	15.4	22.5
Operating expenses	(12,261)	(12,464)	(14,093)	(17,095)
Operating profit	2,097	1,738	2,303	2,989
Other operating income	5	7	9	9
EBITDA	2,102	1,746	2,312	2,998
<i>Growth (%)</i>	(14.2)	(17.0)	32.5	29.7
Depreciation	(303)	(433)	(495)	(536)
Other income	548	549	570	620
EBIT	2,348	1,862	2,387	3,082
Finance Cost	(13)	(8)	0	0
Profit before tax	2,335	1,854	2,387	3,082
Tax (current + deferred)	(743)	(636)	(803)	(1,033)
P/(L) for the period	1,592	1,218	1,584	2,049
Reported Profit/(Loss)	1,592	1,218	1,584	2,049
Adjusted Net profit	1,592	1,218	1,584	2,049
<i>Growth (%)</i>	(9.5)	(23.5)	30.0	29.3

Balance Sheet

Period end (Rs mn)	Dec 12	Dec 13	Dec 14E	Dec 15E
Share Capital	166	166	166	166
Reserves & surplus	8,629	9,729	11,288	13,366
Shareholders' funds	8,796	9,895	11,454	13,533
Non-Current Liabilities	143	246	255	257
Other Long term liab,	143	246	255	257
Prov, DTL				
Current liabilities	2,467	3,217	3,340	4,074
Other Current Liab + Provi	2,467	3,217	3,340	4,074
Total (Equity and Liab.)	11,406	13,358	15,048	17,863
Non-current assets	3,945	4,196	5,628	5,785
Fixed assets (Net block)	3,821	4,113	5,242	5,398
Non-current Investments	32	33	33	33
Long-term loans & advances	13	4	300	300
Other non-current assets,	79	47	54	54
DTA, Goodwill				
Current assets	7,461	9,161	9,420	12,079
Cash & Current Investment	1,948	2,377	4,414	6,063
Other current assets	5,513	6,785	5,005	6,016
Total (Assets)	11,406	13,358	15,048	17,863
Capital Employed	8,939	10,141	11,708	13,789

Cash Flow Statement

Period end (Rs mn)	Dec 12	Dec 13	Dec 14E	Dec 15E
Profit before Tax	2,335	1,854	2,387	3,082
Depreciation	303	433	495	536
Change in working capital	(1,154)	(451)	1,746	(391)
Total tax paid	(361)	(594)	(663)	(916)
Others	(448)	(451)	(450)	(500)
Cash flow from oper. (a)	675	791	3,515	1,812
Capital expenditure	(1,284)	(717)	(1,920)	(693)
Change in investments	(32)	(0)	0	0
Others	461	459	450	500
Cash flow from inv. (b)	(855)	(259)	(1,470)	(193)
Free cash flow (a+b)	(180)	533	2,045	1,619
Dividend (incl. tax)	(213)	(96)	(117)	(136)
Others	7	(8)	110	166
Cash flow from fin. (c)	(206)	(104)	(7)	30
Net chg in cash (a+b+c)	(386)	428	2,038	1,649

Key Ratios

Period end (%)	Dec 12	Dec 13	Dec 14E	Dec 15E
Adjusted EPS (Rs)	95.8	73.3	95.3	123.3
Growth	(9.5)	(23.5)	30.0	29.3
CEPS (Rs)	114.0	99.3	125.1	155.5
Book NAV/share (Rs)	527.9	594.2	687.9	813.0
Dividend/share (Rs)	6.0	6.0	7.0	7.0
Dividend payout ratio	7.3	9.6	8.6	6.6
EBITDA margin	14.6	12.3	14.1	14.9
EBIT margin	16.4	13.1	14.6	15.3
Tax Rate	31.8	34.3	33.6	33.5
RoCE	28.8	19.5	21.8	24.2
Net debt/Equity (x)	(0.2)	(0.2)	(0.4)	(0.4)
Du Pont Analysis - ROE				
Net margin	11.1	8.6	9.7	10.2
Asset turnover (x)	1.3	1.1	1.2	1.2
Leverage factor (x)	1.3	1.3	1.3	1.3
Return on equity	19.8	13.1	14.9	16.4

Valuations

Period end (x)	Dec 12	Dec 13	Dec 14E	Dec 15E
PER (x)	37.5	49.0	37.7	29.1
PCE (x)	31.5	36.1	28.7	23.1
Price/Book (x)	5.3	4.7	4.1	3.5
Yield (%)	0.2	0.2	0.2	0.2
EV/EBITDA (x)	21.4	25.5	18.4	13.6

MID CAP

Share Data

Price (Rs)	149
BSE Sensex	27,888
Reuters code	FED.BO
Bloomberg code	FB IN
Market cap. (US\$ mn)	2,014
6M avg. daily turnover (US\$ mn)	4.7
Issued shares (mn)	171

Performance (%) 1M 3M 12M

Absolute	2	20	80
Relative	4	15	35

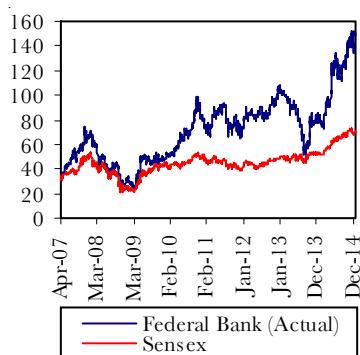
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	11.5	14.0	17.1
+/- (%)	17.6	21.5	21.8
ABV (Rs)	87.8	98.8	112.5
+/- (%)	11.5	12.5	13.8
PER (x)	12.9	10.6	8.7
PABV (x)	1.7	1.5	1.3
Dividend/Yield(%)	1.6	1.9	2.3

Major shareholders (%)

Promoters	40
FII's	16
BFSI's	1
Public & Others	42

Relative performance



Federal Bank

Maintain Outperformer

Turning around!

Recent performance

Banks overall earning/asset quality performance has improved since past few quarters signifying turnaround. The loan growth reading in 2QFY15 was strong at 14% YoY/ 8% QoQ in line with bank's stated stance to accelerate growth. NIM has nearly bottomed-out and should strengthen aided by better growth momentum and funding profile. NPA formation is likely to remain moderate in FY15, which coupled with higher PCR (70%) should contain credit cost.

Key risks

- Manage profitable growth and asset quality without risking margins. Also recent fall in oil prices and thus a ripple effect could in its home state - Kerala could be a concern.
- Manage high employee Union activism.

Strategic initiatives/Key highlights

- Focus will be to improve income and not cut cost to improve its RoA. Of particular interest would be management guidance on delivering on fee income growth.
- With investments on building infrastructure largely done for now, the focus would be on squeezing productivity.
- Bank has recently moved to risk based pricing and amongst the first banks to do so. Though, bank did lose some customers as their rates were revised upwards in-line with risk, but would be an efficient strategy from long term perspective.

Balance sheet position

- To improve its underwriting standards, credit processing has been centralized and the focus is more on cash flow/business analysis to grant a loan instead of earlier practice of dependence on collaterals, which could be used only as a last resort.
- Post asset quality clean-up, bank should clock better growth now onwards on the back of healthy growth in retail/SME as well as corporate book.

Valuation and view

Most preferred stock in mid-cap private banking space given better funding profile, healthy CAR, improving asset quality, return ratios and experienced top management, but still available at attractive valuations.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Federal Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	69,461	75,581	83,643	98,348
Interest expense	(47,175)	(50,724)	(53,544)	(61,905)
Net interest income	22,286	24,857	30,099	36,443
<i>Growth (%)</i>	<i>12.9</i>	<i>11.5</i>	<i>21.1</i>	<i>21.1</i>
Non-interest income	6,938	7,401	8,530	9,810
Operating income	29,225	32,258	38,629	46,253
Operating expenses	(14,421)	(15,661)	(18,023)	(21,208)
- Staff expenses	(7,715)	(8,380)	(9,481)	(11,101)
Pre-provisions profit	14,804	16,597	20,606	25,045
Core operating profit	13,242	14,957	18,883	23,323
<i>Growth (%)</i>	<i>5.6</i>	<i>13.0</i>	<i>26.3</i>	<i>23.5</i>
Provisions & Contingencies	(2,684)	(2,084)	(2,975)	(3,570)
Pre-tax profit	12,120	14,514	17,630	21,475
(before non-recurring items)				
Pre-tax profit	12,120	14,514	17,630	21,475
(after non-recurring items)				
Tax (current + deferred)	(3,731)	(4,644)	(5,642)	(6,872)
Net profit	8,389	9,869	11,989	14,603
Adjusted net profit	8,389	9,869	11,989	14,603
<i>Growth (%)</i>	<i>0.1</i>	<i>17.6</i>	<i>21.5</i>	<i>21.8</i>
Net income	8,389	9,869	11,989	14,603

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	45,294	48,866	54,131	54,666
Investments	241,179	276,509	322,038	380,779
Advances	434,361	518,513	623,139	761,164
Interest earning assets	720,833	843,889	999,309	1,196,608
Fixed assets (Net block)	4,250	4,878	5,714	6,725
Other assets	20,859	22,164	23,814	25,817
Total assets	745,941	870,930	1,028,837	1,229,150
Deposits	597,313	701,201	830,848	1,008,165
Other int. bearing liab.	56,880	62,338	71,343	85,152
Total Int. bearing liab.	676,436	793,657	941,977	1,130,589
Other liabilities and prov.	22,243	30,118	39,785	37,271
Share capital	1,711	1,711	1,711	1,711
Reserves & surplus	67,795	75,563	85,150	96,851
Shareholders' funds	69,506	77,274	86,861	98,562
Total equity & liab.	745,941	870,930	1,028,837	1,229,150

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	9.8	11.5	14.0	17.1
BVPS	81.2	90.3	101.5	115.2
Adjusted Book NAV/share	78.7	87.8	98.8	112.5
PER (x)	15.2	12.9	10.6	8.7
Price/Book (x)	1.8	1.7	1.5	1.3
Price/Adjusted book (x)	1.9	1.7	1.5	1.3
Dividend Yield (%)	1.6	1.6	1.9	2.3
Du-Pont ratios				
NII/Avg. Assets (%)	3.1	3.1	3.2	3.2
Non-interest income/Avg Assets	1.0	0.9	0.9	0.9
- Fee income/Avg Assets	0.7	0.7	0.7	0.7
- Trading gains/Avg Assets	0.2	0.2	0.2	0.2
Cost/Avg Assets	2.0	1.9	1.9	1.9
Non-tax Provisions/Avg Assets	0.4	0.3	0.3	0.3
Tax Provisions/Avg Assets	0.5	0.6	0.6	0.6
RoA (%)	1.2	1.2	1.3	1.3
Leverage	10.9	11.0	11.6	12.2
RoE (%)	12.2	13.0	14.1	15.2
Balance Sheet ratios (%)				
Loan growth	(1.5)	19.4	20.2	22.1
Deposit growth	3.7	17.4	18.5	21.3
Loans/Deposits	72.7	73.9	75.0	75.5
Investments/Deposits	40.4	39.4	38.8	37.8
CASA ratio	31.2	32.1	32.9	32.6
Profitability ratios (%)				
NIMs	3.2	3.2	3.3	3.3
Interest spread	2.5	2.5	2.7	2.8
Yield on advances	11.5	11.7	10.7	10.4
Cost of deposits	7.2	7.0	6.4	6.3
Efficiency/other P/L ratios (%)				
Non-interest income/Net income	23.7	22.9	22.1	21.2
Trading income/Net income	5.3	5.1	4.5	3.7
Cost/Income	49.3	48.5	46.7	45.9
Asset quality ratios (%)				
Gross NPLs	2.5	2.0	1.8	1.6
Net NPLs	0.7	0.6	0.6	0.5
Net NPLs/Net worth	4.5	4.0	3.8	3.4
Loan provisions/Avg loans	0.4	0.6	0.6	0.6
Provisions cover	70.4	70.0	70.0	72.0
Capitalisation ratios (%)				
Tier I cap.adequacy	14.6	14.2	14.0	13.4
Total cap.adequacy	15.3	14.8	14.5	13.8

MID CAP

Share Data

Price (Rs)	112
BSE Sensex	27,888
Reuters code	FOHE.BO
Bloomberg code	FORH IN
Market cap. (US\$ mn)	816
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	463

Performance (%) 1M 3M 12M

Absolute	4	(4)	10
Relative	6	(9)	(18)

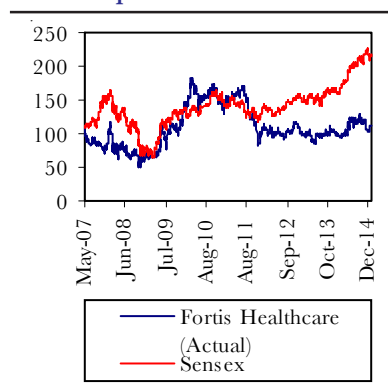
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	(0.8)	3.4	8.3
PER (x)	(138.0)	32.4	13.5
PBV (x)	1.2	1.2	1.1
EV/Sales (x)	1.5	1.3	1.0
EV/EBITDA (x)	40.1	22.0	11.4

Major shareholders (%)

Promoters	71
FII's	9
Public & Others	19

Relative performance



Fortis Healthcare

Maintain Outperformer

India healthcare business driving growth...

Recent performance/Outlook

Fortis Healthcare (FORH) has concentrated its focus on domestic healthcare market in last two year with the exiting from international businesses and efficiently worked on asset light model with RHT listing. FORH has also trimmed down its net debt to Rs 12 bn from Rs ~56 bn in last two years. FORH has reported 16%/8% revenue growth in hospital/diagnostics business respectively in 1H FY15 driven by ~14% YoY growth in ARPOB, healthy growth in revenue from international patients and encouraging initial response from FMRI and Fortis Ludhiana. The consolidated EBITDA stood at Rs 614 mn and EBITDA margin contracted by 280 bps YoY to 3% due to higher material costs, start-up costs of new facilities and higher BT service fee.

Key triggers/Risks

- FORH expected to receive Rs 800-840 mn yearly dividend from RHT, which will improve its earning going forward.
- The operating margins would be under pressure mainly due to service fee payment to RHT and the start-up costs from new facilities. However, the expenses related to RHT is not expected to increase significantly from current level as facilities under RHT will see restricted expansion.

Strategic initiatives

- Strategically well placed through the asset light model to potentially transfer new facilities to the RHT in future.
- Strengthening presence & services in high end medical specialties like oncology and ensure early break-even of new facilities.
- De-leveraging continue with planned exit from RadLink Asia and also expected exit from Fortis Surgical Hospital in Singapore.

Balance sheet position

- FORH has brought down its net debt-to-equity to 0.2x and with the controlled expansion plan; FORH is expected to continue at same comfortable level. The return ratios are expected to improve with the operational efficiency at new facilities and rationalisation in existing facilities along with improvement in case-mix.

Outlook and valuation

The increasing ARPOB in its existing facilities and the planned expansion of hospital beds augurs well for the company. At the current market price of Rs 112, the stock is trading at 22x FY16E EV/EBITDA and 1.3x FY16E EV/Sales. Maintain Outperformer.

Praveen Sahay

praveen.sahay@bksec.com

Fortis Healthcare

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	36,166	42,865	48,386	57,824
<i>Growth (%)</i>	<i>21.0</i>	<i>18.5</i>	<i>12.9</i>	<i>19.5</i>
Operating expenses	(36,178)	(41,772)	(46,103)	(53,236)
Operating profit	(12)	1,093	2,283	4,587
Other operating income	491	515	552	579
EBITDA	479	1,608	2,834	5,166
<i>Growth (%)</i>	<i>(78.5)</i>	<i>235.8</i>	<i>76.3</i>	<i>82.3</i>
Depreciation	(2,125)	(2,317)	(2,352)	(2,265)
Other income	1,697	1,453	1,640	1,960
EBIT	51	744	2,122	4,861
Finance cost	(2,544)	(1,583)	(1,092)	(1,374)
Exceptional & extraordinary	(51)	(227)	0	0
Profit before tax	(2,544)	(1,066)	1,030	3,487
Tax (current + deferred)	(166)	0	(154)	(523)
P/(L) for the period	(2,711)	(1,066)	875	2,964
P/L of Associates,	3,936	465	720	864
Min Int, Pref Div				
Reported Profit/(Loss)	1,225	(601)	1,595	3,828
Adjusted net profit	1,277	(374)	1,595	3,828
<i>Growth (%)</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>139.9</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	4,628	4,628	4,628	4,628
Reserves & surplus	38,196	37,595	39,191	43,019
Shareholders' funds	42,824	42,223	43,818	47,647
Minority Interests and others	8,093	7,850	7,850	7,850
Non-current liabilities	18,176	18,068	12,195	15,344
Long-term borrowings	16,587	16,379	10,373	13,293
Other non-current liab.	1,589	1,689	1,822	2,051
Current liabilities	9,761	9,111	10,116	11,808
ST borrowings, Curr maturity	2,320	2,249	2,478	2,868
Other current liabilities	7,442	6,861	7,639	8,940
Total (Equity and Liab.)	78,854	77,251	73,980	82,649
Non-current assets	58,404	62,170	61,402	61,184
Fixed assets (Net block)	19,950	24,310	23,125	21,941
Non-current Investments	8,240	8,240	8,240	7,890
Long-term loans and adv.	6,835	6,224	6,628	7,921
Other non-current assets	23,379	23,395	23,409	23,432
Current assets	20,450	15,081	12,578	21,465
Cash & current investment	12,520	5,688	1,977	8,802
Other current assets	7,930	9,394	10,601	12,663
Total (Assets)	78,853	77,251	73,980	82,649
Total debt	18,907	18,628	12,851	16,161
Capital employed	71,412	70,390	66,342	73,709

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	(2,544)	(1,066)	1,030	3,487
Depreciation	2,125	2,317	2,352	2,265
Change in working capital	(10)	(1,351)	(767)	(1,938)
Total tax paid	(77)	0	(154)	(523)
Others	1,461	747	1,092	1,374
Cash flow from oper. (a)	954	646	3,553	4,665
Capital expenditure	(2,222)	(8,677)	(3,167)	(3,081)
Change in investments	(6,113)	100	(10)	355
Others	3,487	2,720	1,986	1,977
Cash flow from inv. (b)	(4,848)	(5,857)	(1,191)	(749)
Free cash flow (a+b)	(3,894)	(5,211)	2,362	3,916
Equity raised/(repaid)	4,820	0	0	0
Debt raised/(repaid)	(45,805)	(278)	(5,778)	3,310
Others	42,348	(1,343)	(306)	(396)
Cash flow from fin. (c)	1,362	(1,621)	(6,084)	2,914
Net chg in cash (a+b+c)	(2,531)	(6,832)	(3,721)	6,830

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	2.9	(0.8)	3.4	8.3
Growth	—	—	—	139.9
CEPS (Rs)	7.8	4.2	8.5	13.2
Book NAV/share (Rs)	98.5	91.1	94.5	102.8
EBITDA margin	1.3	3.8	5.9	8.9
EBIT margin	0.1	1.7	4.4	8.4
Tax rate	(6.7)	0.0	15.0	15.0
RoCE	0.1	1.0	3.1	6.9
Total debt/Equity (x)	0.4	0.4	0.3	0.3
Net debt/Equity (x)	0.1	0.3	0.2	0.2
Du Pont Analysis - ROE				
Net margin	3.5	(0.9)	3.3	6.6
Asset turnover (x)	0.3	0.5	0.6	0.7
Leverage factor (x)	2.7	1.8	1.8	1.7
Return on equity	3.2	(0.9)	3.7	8.4

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	33.2	(138.0)	32.4	13.5
PCE	12.5	26.6	13.1	8.5
Price/Book	1.0	1.2	1.2	1.1
EV/EBITDA	101.9	40.1	22.0	11.4

MID CAP

Share Data

Price (Rs)	107
BSE Sensex	27,888
Reuters code	PFAS.BO
Bloomberg code	FRLIN
Market cap. (US\$ mn)	659
6M avg. daily turnover (US\$ mn)	2.2
Issued shares (mn)	388

Performance (%) 1M 3M 12M

Absolute	26	(7)	43
Relative	28	(12)	7

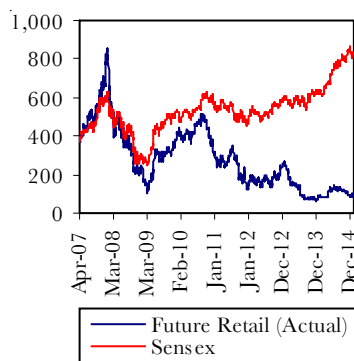
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	0.4	2.9
+/- (%)	(164.6)	629.6
PER (x)	267.1	36.6
PBV (x)	0.8	0.8
Dividend/Yield (%)	0.8	1.0
EV/Sales (x)	0.8	0.8
EV/EBITDA (x)	9.2	8.3

Major shareholders (%)

Promoters	47
FII's	20
BFSI's	3
Public & Others	29

Relative performance



Future Retail

Downgrade to SELL

Looking to deleverage

Recent performance

Despite cost reduction and rightsizing improving overall operational performance, Future Retail's profitability over the past few years has been impacted by high interest costs. For the 1HFY15 comparable revenue grew by weak 7.5%. EBITDA margins expanded by 170 bps; however, interest cost and depreciation expense grew by 22% and 59%, respectively, resulting in further increase in losses to Rs 420 mn versus Rs 138 mn in 1HFY14.

Key triggers/Risks – Next 12 months

- Weak cash flows and high debt on books continue to be key concerns.

Strategic initiatives

- Future Retail's plans to raise Rs 20 bn, to reduce debt, through issue of warrants to promoters of Rs 2 bn, preferential allotment to Brand Equity Treaties of Rs 2 bn and rights issue of Rs 16 bn. It has received board approval to raise up to Rs 4 bn by 2QFY15.
- Future Retail has expanded retail space by 0.67 mn sq ft across Big Bazaar, fashion at big bazaar and eZone stores and has total area of 10.93 mn sq ft as on September 2014.

Balance sheet position

- Overall debt on books remains high at ~Rs 60 bn with D/E of ~2.0x.

Valuation and view

Margins have improved in recent quarters on account of better product mix and cost reduction from rightsizing of large stores. While fund raising, if successful, may help reduce debt and meet near term capex and working capital requirements we are yet not seeing any cash flow improvement. Concerns of high working capital and weak cash flows remain whereas high competition from online retailers could further affect performance in future. We hence downgrade the stock to Sell (from Underperformer).

Ashit Desai
ashit.desai@bksec.com

Future Retail

Income Statement (Standalone)

Period end (Rs mn)	Dec 12	Mar 14	Mar 15E	Mar 16E
Net sales	180,240	115,774	104,897	117,095
Growth (%)	9.0	0.3	13.3	11.6
Operating expenses	(164,138)	(105,377)	(95,224)	(106,172)
Operating profit	16,102	10,398	9,672	10,922
EBITDA	16,102	10,398	9,672	10,922
Growth (%)	14.5	4.1	16.3	12.9
Depreciation	(5,711)	(4,043)	(3,281)	(3,339)
Other income	364	277	228	256
EBIT	10,754	6,632	6,619	7,839
Finance cost	(9,745)	(6,925)	(6,480)	(6,820)
Exceptional & extraordinary	0	307	0	0
Profit before tax	1,010	13	140	1,019
Tax (current + deferred)	(612)	15	(47)	(339)
P/(L) for the period	398	28	93	680
Reported Profit/(Loss)	398	28	93	680
Adjusted net profit	398	(180)	93	680
Growth (%)	(86.0)	(26.6)	(164.6)	629.6

Balance Sheet (Standalone)

Period end (Rs mn)	Dec 12	Mar 14	Mar 15E	Mar 16E
Share capital	463	463	464	464
Reserves & surplus	35,297	32,053	31,919	32,317
Shareholders' funds	35,760	32,517	32,383	32,781
Non-current liabilities	56,387	43,514	44,030	45,548
Long-term borrowings	50,040	41,552	42,052	43,552
Other non-current liabilities	6,347	1,962	1,978	1,996
Current liabilities	48,024	37,465	40,372	42,684
ST borrowings,	22,119	21,128	22,069	22,107
Curr maturity				
Other current liabilities	25,905	16,338	18,303	20,577
Total (Equity and Liab.)	140,171	113,496	116,785	121,012
Non-current assets	77,113	64,246	63,017	61,817
Fixed assets (Net block)	49,586	47,041	45,521	44,008
Non-current Investments	13,140	13,495	13,495	13,495
Long-term loans and advances	14,388	3,710	4,000	4,313
Current assets	63,058	49,250	53,768	59,195
Cash & current investment	1,367	1,025	348	39
Other current assets	61,691	48,225	53,420	59,156
Total (Assets)	140,171	113,496	116,785	121,012
Total debt	72,160	62,680	64,121	65,659
Capital employed	114,266	97,158	98,482	100,435

Cash Flow Statement (Standalone)

Period end (Rs mn)	Dec 12	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,010	13	140	1,019
Depreciation	5,711	4,043	3,281	3,339
Change in working capital	(16,753)	(5,665)	(3,557)	(3,800)
Total tax paid	(188)	21	(47)	(339)
Others	9,745	6,925	6,480	6,820
Cash flow from oper. (a)	(476)	5,337	6,297	7,038
Capital expenditure	(21,831)	(4,195)	(1,773)	(1,837)
Change in investments	(315)	(169)	(0)	0
Cash flow from inv. (b)	(22,145)	(4,364)	(1,773)	(1,837)
Free cash flow (a+b)	(22,621)	973	4,524	5,201
Equity raised/(repaid)	1,635	0	1	0
Debt raised/(repaid)	24,856	5,624	1,442	1,538
Dividend (incl. tax)	(236)	(163)	(163)	(228)
Others	(3,536)	(6,885)	(6,480)	(6,820)
Cash flow from fin. (c)	22,719	(1,424)	(5,201)	(5,510)
Net chg in cash (a+b+c)	98	(451)	(677)	(309)

Key Ratios (Standalone)

Period end (%)	Dec 12	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	1.1	(0.6)	0.4	2.9
Growth	(86.9)	(26.6)	(164.6)	629.6
CEPS (Rs)	17.6	13.3	14.6	17.4
Book NAV/share (Rs)	154.4	140.4	139.8	141.5
Dividend/share (Rs)	0.7	0.5	0.8	1.0
Dividend payout ratio	74.6	581.5	244.2	41.4
EBITDA margin	8.9	9.0	9.2	9.3
EBIT margin	6.0	5.7	6.3	6.7
Tax rate	60.6	1,518.7	33.3	33.3
RoCE	7.3	5.6	6.8	7.9
Total debt/Equity (x)	2.0	1.9	2.0	2.0
Net debt/Equity (x)	2.0	1.9	2.0	2.0
Du Pont Analysis - ROE				
Net margin	0.2	(0.2)	0.1	0.6
Asset turnover (x)	1.0	0.8	0.9	1.0
Leverage factor (x)	3.8	2.8	3.5	3.6
Return on equity	0.8	(0.4)	0.3	2.1

Valuations (Standalone)

Period end (x)	Dec 12	Mar 14	Mar 15E	Mar 16E
PER	119.1	(168.7)	267.1	36.6
PCE	7.8	7.9	7.4	6.2
Price/Book	0.9	0.7	0.8	0.8
Yield (%)	0.5	0.5	0.8	1.0
EV/EBITDA	6.4	8.3	9.2	8.3

Note: Mar 14 and Dec 2012 financials includes financials of lifestyle business and Pantaloons Retail business and are for period of 15 months and 18 months. Hence are not comparable. Growth and EPS is annualised.

MID CAP

Share Data

Price (Rs)	350
BSE Sensex	27,888
Reuters code	GATE.BO
Bloomberg code	GDPLIN
Market cap. (US\$ mn)	602
6M avg. daily turnover (US\$ mn)	1.9
Issued shares (mn)	109

Performance (%) 1M 3M 12M

Absolute	10	32	154
Relative	12	26	90

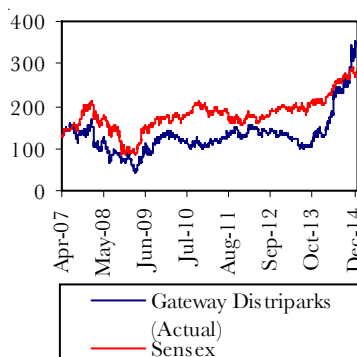
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	15.0	17.6	20.3
+/- (%)	20.0	17.0	15.6
PER (x)	23.3	19.9	17.3
PBV (x)	3.7	4.3	3.4
Dividend/Yield (%)	0.9	0.9	0.9
EV/Sales (x)	3.6	3.1	2.5
EV/EBITDA (x)	13.6	12.0	9.8

Major shareholders (%)

Promoters	37
FII's	22
MF's	22
BFSI's	4
Public & Others	16

Relative performance



Gateway Distriparks

Maintain BUY

On the cusp of growth

Recent performance/Outlook

Gateway Distriparks (GDPL) has achieved 15.9% EBITDA CAGR and 12% net profits CAGR over FY11-14, respectively, primarily driven by its rail and cold chain business. Rail business EBITDA achieved 34.4% CAGR whereas Snowman achieved 61.2% EBITDA CAGR over the same period. In 1HFY15, GDPL's EBITDA increased by 27.0% YoY to Rs 1,706 mn and its net profit increased by 32.9% YoY to Rs 847 mn primarily driven by robust rail performance whose EBITDA and net profits grew by 60.2% and 164%, respectively.

Key sensitivities of growth/Key risks – Next 12 months

- The flagship Mumbai CFS facility would witness turnaround in its profitability with the expected commissioning of 0.8 mn TEU facility at JNPT in CY15.
- The rail business is direct play on the Dedicated Freight Corridor (DFC) where the container rail volumes could possibly increase five fold from current levels which quantum jump in rail capacity due to longer, faster and heavier trains.
- Cold chain business, in which GDPL now hold 40%, stake remains attractive play on the temperature controlled logistics industry which is expected to grow 15-20% based on the attractive growth prospects of end-user industry.

Strategic growth initiatives

- GDPL has recently commenced its Faridabad terminal which is expected to add 2,500 TEUs per month to existing volumes. GDPL is also looking at setting up a new terminal in Ahmedabad which would enable it to carry double stack volumes from JNPT.

Balance sheet position

- GDPL is comfortably leveraged with net D/E at 0.1x. The company is generating healthy free cash flows and has current debt of Rs 1,402 mn (excluding Snowman) and cash & current investments of Rs 998 mn. We believe the company would be able to increase its RoE from 16.7% in FY14 to ~20% in FY16 primarily on the back of improved profitability in the rail business.

Outlook and valuation

We believe the rail business will continue its robust growth on the back of volume ramp-up at its Faridabad terminal in FY16 and continuing benefits of double stacking operations. JNPT port expansion in CY15 would aid volume growth. Cold chain remains attractive opportunity. We prefer GDPL over CONCOR, as the stock is currently trading at 20x FY16 versus CONCOR which is trading at 25x FY16.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Jinit Mehta
jinit.mehta@bksec.com

Gateway Distriparks

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	10,128	10,865	12,921	14,951
Growth (%)	6.2	7.3	18.9	15.7
Operating expenses	(7,556)	(8,011)	(9,577)	(11,128)
Operating profit	2,572	2,854	3,344	3,822
EBITDA	2,572	2,854	3,344	3,822
Growth (%)	5.4	11.0	17.2	14.3
Depreciation	(801)	(774)	(821)	(848)
Other income	171	179	159	159
EBIT	1,941	2,258	2,682	3,133
Finance cost	(279)	(229)	(412)	(583)
Profit before tax	1,662	2,029	2,270	2,550
Tax (current + deferred)	(190)	(399)	(362)	(345)
P/(L) for the period	1,473	1,630	1,908	2,206
P/L of Associates,	(114)	—	—	0
Min Int, Pref Div				
Reported Profit/(Loss)	1,358	1,630	1,908	2,206
Adjusted net profit	1,358	1,630	1,908	2,206
Growth (%)	7.2	20.0	17.0	15.6

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	1,086	1,086	1,086	1,086
Reserves & surplus	7,280	9,265	7,783	9,973
Shareholders' funds	8,366	10,351	8,869	11,059
Minority Interests and others	1,257	221	235	250
Non-current liabilities	5,284	5,339	6,306	6,268
Long-term borrowings	5,180	5,187	6,154	6,116
Other non-current liab.	103	152	152	152
Current liabilities	2,255	1,650	1,861	1,800
ST borrowings, Curr maturity	539	0	0	0
Other current liabilities	1,716	1,650	1,861	1,800
Total (Equity and Liab.)	17,162	17,560	17,270	19,377
Non-current assets	14,304	12,161	11,915	11,644
Fixed assets (Net block)	13,345	11,266	11,020	10,238
Long-term loans and adv.	823	287	287	287
Other non-current assets	136	608	608	1,118
Current assets	2,858	5,400	5,355	7,733
Cash & current investment	1,488	4,347	4,096	6,646
Other current assets	1,370	1,053	1,260	1,087
Total (Assets)	17,162	17,560	17,270	19,376
Total debt	5,719	5,187	6,154	6,116
Capital employed	15,446	15,910	15,409	17,577

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,662	2,029	2,270	2,550
Depreciation	801	774	821	848
Change in working capital	484	787	4	111
Total tax paid	(238)	(355)	(362)	(345)
Others	108	50	253	424
Cash flow from oper. (a)	2,818	3,285	2,986	3,589
Capital expenditure	(1,833)	1,262	(575)	(577)
Change in investments	(340)	340	0	0
Others	198	(288)	159	159
Cash flow from inv. (b)	(1,975)	1,314	(416)	(418)
Free cash flow (a+b)	843	4,599	2,570	3,172
Equity raised/(repaid)	1	0	0	0
Debt raised/(repaid)	241	(533)	967	(38)
Dividend (incl. tax)	(883)	(379)	(379)	(379)
Others	18	(490)	(3,409)	(205)
Cash flow from fin. (c)	(622)	(1,401)	(2,821)	(621)
Net chg in cash (a+b+c)	221	3,198	(251)	2,551

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	12.5	15.0	17.6	20.3
Growth	7.0	20.0	17.0	15.6
CEPS (Rs)	19.9	22.1	25.1	28.1
Book NAV/share (Rs)	77.0	95.3	81.7	101.8
Dividend/share (Rs)	7.0	3.0	3.0	3.0
Dividend payout ratio	65.0	23.2	19.8	17.2
EBITDA margin	25.4	26.3	25.9	25.6
EBIT margin	19.2	20.8	20.8	21.0
Tax rate	11.4	19.7	16.0	13.5
RoCE	13.0	14.4	17.1	19.0
Total debt/Equity (x)	0.6	0.5	0.7	0.5
Net debt/Equity (x)	0.4	0.1	0.2	(0.0)
Du Pont Analysis - ROE				
Net margin	13.4	15.0	14.8	14.8
Asset turnover (x)	0.6	0.6	0.7	0.8
Leverage factor (x)	2.0	1.9	1.8	1.8
Return on equity	16.7	17.4	19.9	22.1

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	13.3	21.5	19.9	17.3
PCE	8.3	14.6	13.9	12.5
Price/Book	2.2	3.4	4.3	3.4
Yield (%)	4.2	0.9	0.9	0.9
EV/EBITDA	8.6	12.6	12.0	9.8

MID CAP

Share Data

Price (Rs)	132
BSE Sensex	27,888
Reuters code	GMDC.BO
Bloomberg code	GMDC IN
Market cap. (US\$ mn)	665
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	318

Performance (%)	1M	3M	12M
Absolute	3	(7)	15
Relative	5	(11)	(14)

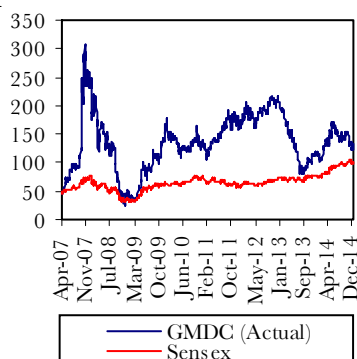
Valuation ratios

Yr to 31 Mar	FY14	FY15E	FY16E
EPS (Rs)	13.8	17.6	20.7
+/- (%)	(28.5)	27.4	17.6
PER (x)	9.6	7.5	6.4
PBV (x)	1.5	1.3	1.1
Dividend/Yield (%)	2.3	2.9	3.4
EV/Sales (x)	3.2	2.4	2.0
EV/EBITDA (x)	6.8	5.4	4.6

Major shareholders (%)

Promoters	74
FII's	6
MF's	7
BFSI's	5
Public & Others	7

Relative performance



GMDC

Maintain BUY

Production growth picking up

Recent performance

Post registering de-growth in lignite production for FY13 and FY14, GMDC's production growth has inched up with growth of 22% YoY in 1H FY15. Production growth will further improve with commissioning of Umarsar mine in 2H FY15. For FY15, we expect GMDC to mine 10.7 mn tonne registering growth of 27% YoY. The company is awaiting approval for environment clearances and land acquisition for its expansion projects at Mata-no-Madh and Bhavnagar and accordingly we have factored in production of 12.2 mn tonne up 15% YoY for FY16.

Key triggers/Risks – Next 12 months

- Acquisition of land at Bhavnagar and Tadkeshwar lignite mines is crucial for GMDC to achieve FY16 lignite production target.
- Need to watch out, price hike at Bhavnagar mine (plan is to supply washed coal) and Tadkeshwar mine (contract is coming for renewal in 3Q FY15).

Strategic initiatives

- GMDC plans to incur capex of Rs 3 bn on developing 50 MW wind power (current capacity 150 MW) and ~Rs 3 bn on land acquisition for its own lignite mines and also for the 3 mines of Bhavnagar Energy where GMDC has a 26% stake.
- GMDC JV with NALCO to set up a 1 mn tonne alumina refinery and a 5 mn tonne aluminum smelter in Kutch, Gujarat is moving on slow pace.

Balance sheet position

- GMDC a debt free company has cash and equivalent of Rs 10 bn to take care of its growth plan.
- The company has consistently reported RoE of 16%+ supported by margins of 45%+.

Outlook and valuation

We expect GMDC to post EPS CAGR of 22% over FY14-16 (versus decline of 5% over FY11-14). Maintain Buy rating on the stock with SOTP based target price of Rs 195. In our base case we have valued lignite business at 6x FY16 EV /EBITDA, power vertically at 1.5x regulated equity and 1x FY14 cash and ICD. Additionally, the stock offers dividend yield of ~3%.

Vishal Periwal
vishal.periwal@bksec.com

Rahul Murkya
rahul.murkya@bksec.com

GMDC

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	16,747	12,897	17,078	20,399
<i>Growth (%)</i>	2.7	(23.0)	32.4	19.4
Operating expenses	(7,887)	(6,809)	(9,325)	(11,312)
Operating profit	8,860	6,087	7,753	9,088
EBITDA	8,860	6,087	7,753	9,088
<i>Growth (%)</i>	16.5	(31.3)	27.4	17.2
Depreciation	(1,174)	(1,246)	(1,303)	(1,405)
Other income	1,555	1,454	1,569	1,748
EBIT	9,241	6,296	8,020	9,431
Exceptional & extraordinary	(204)	0	0	0
Profit before tax	9,037	6,296	8,020	9,431
Tax (current + deferred)	(3,028)	(1,905)	(2,426)	(2,853)
P/(L) for the period	6,008	4,391	5,594	6,578
Reported Profit/(Loss)	6,008	4,391	5,594	6,578
Adjusted net profit	6,144	4,391	5,594	6,578
<i>Growth (%)</i>	26.2	(28.5)	27.4	17.6

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	636	636	636	636
Reserves & surplus	24,714	27,989	32,161	37,067
Shareholders' funds	25,350	28,625	32,797	37,703
Non-current liabilities	7,174	7,306	7,946	9,010
Other non-current liabilities	7,174	7,306	7,946	9,010
Current liabilities	4,521	3,519	4,586	4,350
Other current liabilities	4,521	3,519	4,586	4,350
Total (Equity and Liab.)	37,045	39,450	45,328	51,064
Non-current assets	25,106	26,472	28,054	31,471
Fixed assets (Net block)	18,043	18,736	18,433	20,528
Non-current Investments	1,828	2,603	2,823	2,823
Other non-current assets	5,235	5,133	6,797	8,119
Current assets	11,939	12,978	17,274	19,593
Cash & current investment	568	418	433	404
Other current assets	11,370	12,559	16,842	19,189
Total (Assets)	37,045	39,450	45,328	51,064
Capital employed	32,524	35,931	40,743	46,713

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	9,037	6,296	8,020	9,431
Depreciation	1,174	1,246	1,303	1,405
Change in working capital	(2,153)	(1,744)	(3,055)	(2,018)
Total tax paid	(2,840)	(2,152)	(2,426)	(2,853)
Cash flow from oper. (a)	5,218	3,646	3,841	5,965
Capital expenditure	(1,569)	(1,938)	(1,000)	(3,500)
Change in investments	(501)	(776)	(220)	0
Others	(2,112)	102	(1,664)	(1,322)
Cash flow from inv. (b)	(4,182)	(2,612)	(2,884)	(4,822)
Free cash flow (a+b)	1,036	1,034	957	1,143
Dividend (incl. tax)	(1,109)	(1,116)	(1,422)	(1,672)
Others	77	(68)	479	500
Cash flow from fin. (c)	(1,032)	(1,184)	(942)	(1,172)
Net chg in cash (a+b+c)	4	(150)	14	(28)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	19.3	13.8	17.6	20.7
Growth	26.2	(28.5)	27.4	17.6
CEPS (Rs)	23.0	17.7	21.7	25.1
Book NAV/share (Rs)	79.7	90.0	103.1	118.6
Dividend/share (Rs)	3.0	3.0	3.8	4.5
Dividend payout ratio	18.6	25.4	25.4	25.4
EBITDA margin	52.9	47.2	45.4	44.5
EBIT margin	55.2	48.8	47.0	46.2
Tax rate	33.0	30.3	30.3	30.3
RoCE	30.9	18.4	20.9	21.6
Net debt/Equity (x)	(0.0)	(0.0)	(0.0)	(0.0)
Du Pont Analysis - ROE				
Net margin	36.7	34.0	32.8	32.2
Asset turnover (x)	0.5	0.3	0.4	0.4
Leverage factor (x)	1.5	1.4	1.4	1.4
Return on equity	26.8	16.3	18.2	18.7

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	8.6	9.6	7.5	6.4
PCE	7.3	7.4	6.1	5.3
Price/Book	2.1	1.5	1.3	1.1
Yield (%)	1.8	2.3	2.9	3.4
EV/EBITDA	5.9	6.8	5.4	4.6

MID CAP

Share Data

Price (Rs)	18
BSE Sensex	27,888
Reuters code	GMRLBO
Bloomberg code	GMRIIN
Market cap. (US\$ mn)	1,244
6M avg. daily turnover (US\$ mn)	12.4
Issued shares (mn)	4,361

Performance (%) 1M 3M 12M

Absolute	(2)	1	(24)
Relative	0	(3)	(43)

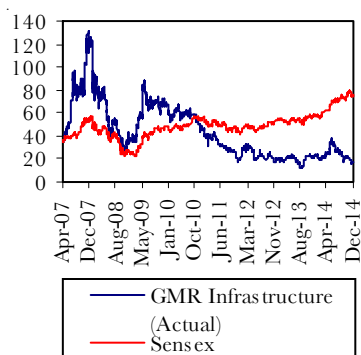
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	(5.1)	(4.2)
+/- (%)	NA	NA
PER (x)	NA	NA
PBV (x)	1.4	1.9
EV/Sales (X)	4.5	4.2
EV/EBITDA	19.9	13.6

Major shareholders (%)

Promoters	64
FII's	16
DII	8
Public & Others	12

Relative performance



GMR Infrastructure

Maintain Outperformer

Assets coming on board

Recent performance

Top-line performance has remained more or less constant as the impact of commissioning of new power projects gets negated by monetisation of assets and decline in EPC segment. 1HFY15 has seen margins slipping below the 25% levels. Profit from sale of assets made the company report a positive bottom-line for FY14. Excluding the impact of the same, bottom-line performance continues to remain under pressure as for losses in the newly commissioned projects and gas based power plants. The pressure on bottom-line has continued in 1HFY15.

Key sensitivities to growth/Key risks – Next 12 months

- Stabilisation of PLFs for EMCO and Kamalanga project along with the commissioning of the Chhattisgarh power plant would remain the major growth drivers for FY15/16.
- Further, the company has recently taken over the management and operations of the Mactan Cebu airport (Philippines), growth for the airport segment would be driven by this project.

Strategic initiatives/Capex plans

- The management has already taken various steps viz. asset monetisation and QIP to improve its liquidity position. Further, the management continues to look for measures to improve liquidity further.

Balance sheet position

- Despite realising QIP proceeds of ~Rs 15 bn in 1QFY15, debt continues to trend upwards led primarily by the debt drawdown on the under-construction Chhattisgarh project.
- Returns ratios continue to remain damp as for shut down of the gas based plants, reduction in UDF to zero for Hyderabad airports and losses on the newly commissioned EMCO and Kamalanga power projects

Valuation and view

The steps taken to improve the liquidity position of the company seem like steps in the right direction given the governments impetus to push on infrastructure development. As for operational performance, commissioning of assets and stabilisation of the newly commissioned power plants would be the key to watch out for. Currently, the stock trades at 1.4x FY15E PBV.

Prem Khurana
prem.khurana@bksec.com

Dhaval Patel
dhaval.patel@bksec.com

GMR Infrastructure

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	99,749	106,532	111,996	124,608
<i>Growth (%)</i>	17.7	6.8	5.1	11.3
Operating expenses	(73,668)	(79,016)	(86,863)	(86,219)
Operating profit	26,081	27,516	25,133	38,390
EBITDA	26,081	27,516	25,133	38,390
<i>Growth (%)</i>	48.3	5.5	(8.7)	52.7
Depreciation	(11,707)	(16,412)	(18,511)	(20,734)
Other income	2,772	3,159	3,118	3,029
EBIT	17,146	14,263	9,740	20,685
Finance cost	(20,990)	(29,719)	(33,066)	(39,548)
Exceptional & extraordinary	7,773	18,203	(181)	0
Profit before tax	3,929	2,747	(23,506)	(18,863)
Tax (current + deferred)	(2,574)	(1,663)	(1,611)	(1,806)
P/(L) for the period	1,354	1,085	(25,117)	(20,668)
P/(L) of Associates,	(473)	(984)	2,519	1,451
Min Int, Pref Div				
Reported Profit/(Loss)	881	101	(22,598)	(19,218)
Adjusted net profit	(6,891)	(18,102)	(22,417)	(19,218)
<i>Growth (%)</i>	NA	NA	NA	NA

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	3,892	3,892	4,361	4,541
Reserves & surplus	68,889	60,952	52,099	38,371
Shareholders' funds	72,782	64,844	56,460	42,912
Minority Interest and others	36,911	43,009	41,908	39,039
Non-current liabilities	347,642	361,707	383,931	396,118
Long-term borrowings	316,332	335,993	361,345	374,891
Other non-current liab.	31,310	25,714	22,587	21,227
Current liabilities	180,835	181,858	177,480	182,451
ST borrowings, Curr maturity	107,161	114,415	105,682	108,240
Other current liabilities	73,674	67,444	71,798	74,211
Total (Equity and Liab.)	638,170	651,419	659,779	660,521
Non-current assets	541,729	559,377	578,352	576,332
Fixed assets (Net block)	465,135	493,731	517,533	513,950
Non-current Investments	1,042	1,042	2,542	2,542
Long-term loans and adv.	34,778	24,411	21,269	20,356
Other non-current assets	40,773	40,193	37,008	39,484
Current assets	96,441	92,042	81,427	84,189
Cash & current investment	53,135	40,965	45,102	44,062
Other current assets	43,307	51,077	36,325	40,126
Total (Assets)	638,170	651,419	659,779	660,521
Total debt	423,493	450,407	467,027	483,132
Capital employed	564,496	583,975	587,981	586,310

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,929	2,747	(23,506)	(18,863)
Depreciation	11,707	16,412	18,511	20,734
Change in working capital	9,443	(13,884)	19,852	(2,367)
Total tax paid	(1,619)	(1,348)	(1,635)	(1,806)
Others	18,218	26,560	29,947	36,519
Cash flow from oper. (a)	41,677	30,487	43,168	34,217
Capital expenditure	(58,699)	(35,460)	(39,993)	(15,295)
Change in investments	4,388	(5,968)	(4,601)	(543)
Others	(19,920)	3,604	6,336	554
Cash flow from inv. (b)	(74,231)	(37,823)	(38,258)	(15,284)
Free cash flow (a+b)	(32,555)	(7,337)	4,909	18,933
Equity raised/(repaid)	0	0	—	4,253
Debt raised/(repaid)	62,723	26,914	16,619	16,105
Dividend (incl. tax)	(444)	(444)	0	0
Others	(20,938)	(37,270)	(20,494)	(40,873)
Cash flow from fin. (c)	41,342	(10,800)	(3,874)	(20,515)
Net chg in cash (a+b+c)	8,787	(18,136)	1,035	(1,582)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(1.8)	(4.7)	(5.1)	(4.2)
Growth	NA	NA	NA	NA
CEPS (Rs)	1.2	(0.4)	(0.9)	0.3
Book NAV/share (Rs)	18.7	16.7	12.9	9.4
Dividend/share (Rs)	0.1	0.1	0.0	0.0
Dividend payout ratio	50.4	441.2	0.0	0.0
EBITDA margin	26.1	25.8	22.4	30.8
EBIT margin	17.2	13.4	8.7	16.6
Tax rate	(67.0)	(10.8)	(6.9)	(9.6)
RoCE	3.2	2.5	1.7	3.5
Total debt/Equity (x)	4.7	5.3	6.2	8.2
Net debt/Equity (x)	4.1	4.8	5.6	7.4
Du Pont Analysis - ROE				
Net margin	(6.9)	(17.0)	(20.0)	(15.4)
Asset turnover (x)	0.2	0.2	0.2	0.2
Leverage factor (x)	8.1	9.4	10.8	13.3
Return on equity	(9.3)	(26.3)	(37.0)	(38.7)

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	NA	NA	NA	NA
PCE	17.5	NA	NA	54.1
Price/Book	1.2	1.3	1.4	1.9
Yield (%)	0.5	0.5	—	—
EV/EBITDA	17.4	18.0	19.9	13.6

MID CAP

Share Data

Price (Rs)	257
BSE Sensex	27,888
Reuters code	GPL.BO
Bloomberg code	GPL IN
Market cap. (US\$ mn)	808
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	199

Performance (%)	1M	3M	12M
Absolute	2	9	54
Relative	4	4	15

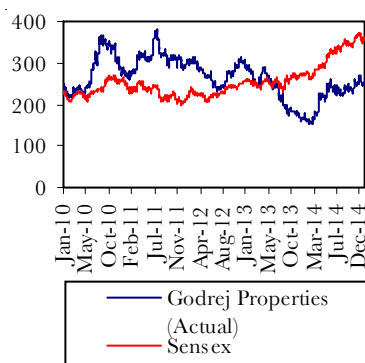
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	9.6	12.2
+/- (%)	20.1	26.6
PER (x)	26.7	21.1
PBV (x)	2.6	2.4
Dividend/Yield (%)	0.8	0.8
EV/Sales (x)	5.4	4.8
EV/EBITDA (x)	25.6	18.9

Major shareholders (%)

Promoters	75
FII's	11
MFs/FIs	1
Bodies corporate	3
Public & Others	10

Relative performance



Godrej Properties

Maintain Underperformer

A brand to reckon

Recent performance

As for its well trusted brand, product acceptability has always been one of the strongest points with the company. Recent past was not so different as the company could garner more than healthy response for its launches that it could bring on offer for its customers. This apart, the company also stands out for the management's ability to source new deals. However, what weighs down this healthy performance is failure to provide any respite on capital intensity. Free cash flow generation has long been elusive and the recent past was not so different. To address the issue, efforts remain underway. These include moving from area/revenue share to PAT share/DM fee, acquisition of capital intensive projects in a capital efficient manner and providing exit to PE partners to hasten decision making process in case of sore assets. The management guides for turnaround in cash flow situation sooner than later.

Key sensitivities to growth/Key risks – Next 12 months

- In addition to customer response for five new launches and incremental phases in six existing projects, uptick in bookings at Jet-BKC development remain critical.

Strategic initiatives/Capex plans

- Conscious decision to provide exits to partners of sore assets (to hasten decision making) and not being shy of effecting volumes in commercial assets at marginal cost (or if need be at a loss) seem aimed at addressing the cash flow situation.

Balance sheet position

- Capital intensity continues to remain elevated as for presence of cash drag/slow moving commercial real estate developments. Incremental spend towards commercial developments with limited inflows, especially towards Godrej BKC, made net debt increase by ~Rs 7.7 bn over 1HFY15.
- Of the total net debt of ~Rs 24.7 bn as at 30 September 2014, ~Rs 19 bn is attributable to a single project, Godrej BKC.

Valuation and view

Continued traction in core operations, gradual uptick in construction activity at recent launches (hence better milestone collections) and bookings at planned launches (idle capital to turn yielding) shall come to provide some respite but meaningful free cash flow generation appears difficult in medium term as there still remain some FSI/land payments. Additionally, GPL also needs to find a way to make cash drag commercial developments cash neutral (at the least).

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

Godrej Properties

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	9,400	10,749	14,100	16,548
Growth (%)	25.8	14.4	31.2	17.4
Operating expenses	(7,513)	(8,966)	(11,969)	(13,380)
Operating profit	1,886	1,783	2,131	3,168
Other operating income	972	1,043	850	1,043
EBITDA	2,858	2,826	2,980	4,210
Growth (%)	80.9	(1.1)	5.5	41.3
Depreciation	(44)	(58)	(75)	(65)
Other income	104	750	624	282
EBIT	2,918	3,519	3,529	4,428
Finance cost	(30)	(45)	(60)	(90)
Profit before tax	2,888	3,474	3,469	4,338
Tax (current + deferred)	(916)	(1,111)	(1,013)	(1,474)
P/(L) for the period	1,973	2,363	2,456	2,863
P/(L) of associates,	(589)	(768)	(541)	(439)
Min Int, Pref Div				
Reported Profit/(Loss)	1,384	1,594	1,915	2,425
Adjusted net profit	1,384	1,594	1,915	2,425
Growth (%)	41.4	15.2	20.1	26.6

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	780	991	992	992
Reserves & surplus	13,509	16,943	18,400	20,361
Shareholders' funds	14,289	17,934	19,392	21,353
Minority interest and others	1,059	2,031	2,572	3,010
Non-current liabilities	3,787	2,901	3,047	3,221
Long-term borrowings	3,757	2,861	2,981	3,121
Other non-current liab.	31	40	66	100
Current liabilities	27,652	38,602	38,128	39,352
ST borrowings, curr maturity	13,023	22,878	26,829	28,087
Other current liabilities	14,629	15,723	11,298	11,265
Total (equity and liab.)	46,788	61,467	63,139	66,935
Non-current assets	2,569	2,583	3,063	3,466
Fixed assets (net block)	861	1,255	1,416	1,588
Long-term loans and adv.	1,556	1,273	1,591	1,823
Other non-current assets	151	55	55	55
Current assets	44,220	58,884	60,076	63,469
Cash & current investment	1,707	8,710	4,705	2,553
Other current assets	42,513	50,174	55,371	60,916
Total (assets)	46,788	61,467	63,139	66,935
Total debt	16,780	25,739	29,811	31,207
Capital employed	32,159	45,744	51,840	55,670

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	2,888	3,474	3,469	4,338
Depreciation	44	58	75	65
Change in working capital	295	(6,383)	(9,923)	(5,789)
Total tax paid	(927)	(1,090)	(1,013)	(1,474)
Others	(60)	(685)	(557)	(185)
Cash flow from oper. (a)	2,240	(4,626)	(7,949)	(3,046)
Capital expenditure	(255)	(452)	(236)	(236)
Change in investments	—	590	—	—
Others	12	214	617	275
Cash flow from inv. (b) (243)	352	381	381	39
Free cash flow (a+b)	1,997	(4,274)	(7,568)	(3,007)
Equity raised/(repaid)	5	6,926	6	—
Debt raised/(repaid)	(4,148)	8,959	4,071	1,397
Dividend (incl. tax)	(272)	(365)	(466)	(464)
Others	(1,197)	(4,243)	(48)	(78)
Cash flow from fin. (c) (5,613)	11,277	3,563	855	—
Net chg in cash (a+b+c) (3,616)	7,003	(4,005)	(2,152)	—

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	8.9	8.0	9.6	12.2
Growth	41.4	(9.8)	20.1	26.6
CEPS (Rs)	9.2	8.3	10.0	12.5
Book NAV/share (Rs)	91.6	90.0	97.3	107.2
Dividend/share (Rs)	2.0	2.0	2.0	2.0
Dividend payout ratio	26.4	29.3	24.2	19.1
EBITDA margin	27.6	24.0	19.9	23.9
EBIT margin	28.1	29.8	25.0	26.8
Tax rate	31.7	32.0	29.2	34.0
RoCE	8.6	9.0	7.2	8.2
Total debt/Equity (x)	1.1	1.3	1.4	1.3
Net debt/Equity (x)	1.0	0.9	1.1	1.2
Du Pont Analysis - ROE				
Net margin	14.7	14.8	13.6	14.7
Asset turnover (x)	0.2	0.2	0.2	0.3
Leverage factor (x)	3.3	3.4	3.3	3.2
Return on equity	9.6	9.9	10.3	11.9

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	27.7	26.7	26.7	21.1
PCE	26.8	25.8	25.7	20.5
Price/Book	2.7	2.4	2.6	2.4
Yield (%)	0.8	0.9	0.8	0.8
EV/EBITDA	18.7	21.1	25.6	18.9

MID CAP

Share Data

Price (Rs)	375
BSE Sensex	27,888
Reuters code	GESC.BO
Bloomberg code	GESCO IN
Market cap. (US\$ mn)	893
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	151

Performance (%) 1M 3M 12M

Absolute	(5)	(15)	18
Relative	(3)	(19)	(11)

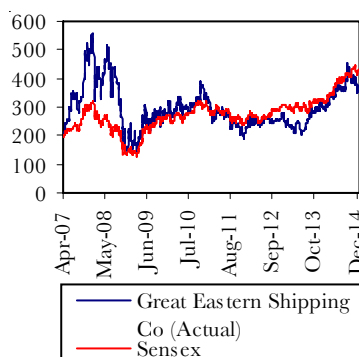
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs.)	33.5	41.9	42.4
+/- (%)	9.0	24.8	1.2
PER (x)	11.2	9.0	8.9
PBV (x)	0.8	0.7	0.7
Dividend/Yield (%)	2.1	2.1	2.4
EV/Sales (x)	2.8	2.6	2.4
EV/EBITDA (x)	6.1	5.6	5.0

Major shareholders (%)

Promoters	31
FII's	24
MF's	13
BFSI's	5
Public & Others	28

Relative performance



Great Eastern Shipping

Maintain BUY

Cheapest global shipping stock??

Recent performance

Great Eastern Shipping (GESCO) has achieved 14.2% EBITDA CAGR and 6.6% net profit CAGR over FY11-14 primarily driven by robust offshore performance. Offshore achieved 30.9% EBITDA CAGR and 29.1% net profit CAGR over the same period. GESCO's 2QFY15 consolidated EBITDA was down 6.3% YoY primarily due to 12.4% YoY decline in offshore EBITDA which was partly offset by 9.1% increase in shipping EBITDA. GESCO standalone NAV/share since FY13 has increased from Rs 248 to Rs 321 and consolidated NAV/share has increased from Rs 433 to Rs 558.

Key sensitivities of growth/Key risks – Next 12 months

- Dry-bulk market is fairly balanced demand growth (driven by displacement of domestic ore by imported ore by China) of 5% and similar net fleet growth. Product market is expected to witness demand growth 4-5% and similar demand growth. Crude market has negligible supply growth and positive demand growth resulting in better utilisation.
- E&P spend is expected to grow at 2-3% vis-à-vis 30% fleet growth in jack-up market up to 2017 end, 50% of which are speculative in nature. Shallow water AHTSV and PSV market has 7% and 1% of the fleet on order.

Strategic growth initiatives

- The company has lined capex of ~US\$ 180 mn in the shipping business which includes 6 NB-1 MR product tanker and 5 Kamsarmax dry-bulk carriers.
- In the offshore segment, the company has on order one Jack up rig 350 ft to be delivered in CY15 which has already been put on a five-year charter.

Balance sheet position

- GESCO is comfortably leveraged with net D/E of 0.4x and is generating healthy free cash flows. The company current debt position is Rs 60,366 mn and has cash of Rs 33,467 mn on its book which GESCO has indicated could be utilised for distressed buying opportunity of assets. GESCO's RoE is 7.3% primarily due to very low single digit RoE achieved in the shipping business.

Outlook and valuation

GESCO is possibly one of the cheapest shipping stocks globally (after stripping out the offshore value) trading at significant discount in EV/EBITDA terms. The healthy cash profits offer attractive yield of 18% versus B&K coverage universe of 9.5%. Our target price of Rs 510/share only values offshore business and cash in the shipping business.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Jinit Mehta
jinit.mehta@bksec.com

Great Eastern Shipping

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	30,919	29,666	32,632	33,565
Growth (%)	2.8	(4.1)	10.0	2.9
Operating expenses	(16,562)	(16,203)	(17,243)	(17,675)
EBITDA	14,357	13,463	15,389	15,890
Growth (%)	23.8	(6.2)	14.3	3.3
Depreciation	(6,653)	(6,001)	(6,608)	(7,094)
Other income	2,308	2,048	2,048	2,048
EBIT	10,012	9,510	10,829	10,845
Finance cost	(3,788)	(3,532)	(3,443)	(3,316)
Exceptional & extraordinary	108	0	0	0
Profit before tax	6,332	5,978	7,386	7,529
Tax (current + deferred)	(592)	(923)	(1,076)	(1,143)
P/(L) for the period	5,740	5,055	6,311	6,386
Reported Profit/(Loss)	5,740	5,055	6,311	6,386
Adjusted net profit	4,637	5,055	6,311	6,386
Growth (%)	26.8	9.0	24.8	1.2

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	1,508	1,508	1,508	1,508
Reserves & surplus	66,221	69,564	74,402	79,137
Shareholders' funds	67,729	71,072	75,910	80,645
Non-current liabilities	50,052	57,340	58,938	52,883
Long-term borrowings	49,760	57,048	58,646	52,591
Other non-current liab.	292	292	292	292
Current liabilities	25,987	12,459	12,965	12,976
ST borrowings, Curr maturity	13,132	0	0	0
Other current liabilities	12,855	12,459	12,965	12,976
Total (Equity and Liab.)	143,767	140,870	147,813	146,504
Non-current assets	103,678	103,866	111,697	110,028
Fixed assets (Net block)	102,004	102,191	110,023	108,354
Non-current Investments	1,674	1,675	1,675	1,675
Current assets	40,089	37,004	36,116	36,476
Cash & current investment	34,348	30,953	29,642	29,962
Other current assets	5,741	6,051	6,474	6,515
Total (Assets)	143,767	140,870	147,813	146,504
Total debt	62,892	57,048	58,646	52,591
Capital employed	130,913	128,411	134,848	133,528

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	6,332	5,978	7,386	7,529
Depreciation	6,653	6,001	6,608	7,094
Change in working capital	1,971	(706)	84	(30)
Others	1,480	1,483	1,395	1,267
Cash flow from oper. (a)	15,844	11,834	14,397	14,717
Capital expenditure	(11,618)	(6,188)	(14,439)	(5,425)
Change in investments	8,619	(852)	0	0
Others	2,308	2,048	2,048	2,048
Cash flow from inv. (b)	(692)	(4,992)	(12,391)	(3,376)
Free cash flow (a+b)	15,152	6,842	2,006	11,341
Equity raised/(repaid)	(15)	0	0	0
Debt raised/(repaid)	(6,573)	(5,844)	1,598	(6,055)
Dividend (incl. tax)	(1,588)	(1,435)	(1,435)	(1,615)
Others	(3,613)	(3,808)	(3,479)	(3,352)
Cash flow from fin. (c)	(11,789)	(11,088)	(3,317)	(11,022)
Net chg in cash (a+b+c)	3,363	(4,247)	(1,311)	319

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	30.8	33.5	41.9	42.4
Growth	28.0	9.0	24.8	1.2
CEPS (Rs)	74.9	73.3	85.7	89.4
Book NAV/share (Rs)	449.2	471.4	503.5	534.9
Dividend/share (Rs)	9.0	8.0	8.0	9.0
Dividend payout ratio	27.7	28.4	22.7	25.3
EBITDA margin	46.4	45.4	47.2	47.3
EBIT margin	32.4	32.1	33.2	32.3
Tax rate	11.3	15.4	14.6	15.2
RoCE	7.6	7.3	8.2	8.1
Total debt/Equity (x)	0.9	0.8	0.8	0.7
Net debt/Equity (x)	0.4	0.4	0.4	0.3
Du Pont Analysis - ROE				
Net margin	15.0	17.0	19.3	19.0
Asset turnover (x)	0.2	0.2	0.2	0.2
Leverage factor (x)	2.2	2.1	2.0	1.9
Return on equity	7.1	7.3	8.6	8.2

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	11.1	11.2	9.0	8.9
PCE	4.5	5.1	4.4	4.2
Price/Book	0.8	0.8	0.7	0.7
Yield (%)	2.6	2.1	2.1	2.4
EV/EBITDA	5.6	6.1	5.6	5.0

MID CAP

Share Data

Price (Rs)	145
BSE Sensex	27,888
Reuters code	GRVL.BO
Bloomberg code	GRV IN
Market cap. (US\$ mn)	559
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	244

Performance (%)	1M	3M	12M
Absolute	5	11	124
Relative	7	6	67

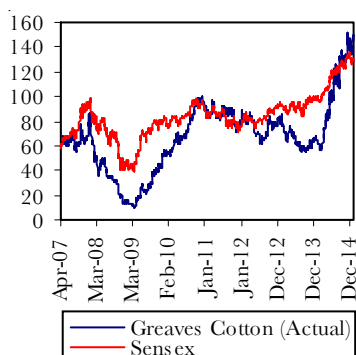
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	5.7	7.4	9.9
+/- (%)	19.0	30.0	34.2
PER (x)	25.5	19.6	14.6
PBV (x)	3.8	3.3	2.8
Dividend/Yield (%)	1.1	1.4	1.9
EV/Sales (x)	1.9	1.7	1.3
EV/EBITDA (x)	15.3	11.8	8.8

Major shareholders (%)

Promoters	52
FII's	4
MF's	22
BFSI's	11
Public & Others	12

Relative performance



Greaves Cotton

Upgrade to BUY

3W's volume growth to pick up due to financing ease

Recent performance/Outlook

FY14: Net sales declined by 9% YoY to Rs 17.4 bn. EBITDA margins declined by 180 bps YoY to 10.8% due to unfavorable sales mix. Adjusted PAT declined by 13% YoY to Rs 1.3 bn. 3W's volumes declined by 6% YoY to 300,000, SCV's declined by 15% YoY to 55,000 and agri & gensets volumes declined by 9% YoY to 100,000.

Despite 16% YoY growth in 3W's engines in 2QFY15, engine segment grew by 2% YoY to Rs 4.2 bn due to decline of 21% YoY in SCV's engines, flat tiller sales and decline in agri equipments. EBITDA margins improved by 140 bps YoY to 12.7% due to 6% YoY reduction in employee cost. Adjusted PAT grew by 31% YoY to Rs 421 mn due to better margins.

Key sensitivities to growth/Key risks

- Any slowdown in user industries may affect the growth prospects of the company.

Strategic initiatives/Capex plans

- Capex plans will be dependent on SCV's growth. Current capacity will be able to cater ~80-90,000 engines. Any additional demand than capacity will require brownfield expansion.

Balance sheet position

- Despite challenging conditions, the company maintained negligible debt.
- Low operating leverage due to sluggish demand kept return ratios at bottom levels i.e. RoEs at 15% and RoCE at 20%.

Outlook and valuation

3W's engines segment has shown robust growth of ~21% YoY in 2QFY15E due to pickup in rural demand. With ease in financing and festive season, we believe that ~15-20% growth will continue in 2HFY15E and FY16E. In SCV's, higher initial investment cost is affecting volume growth. SCV's will continue to show sluggish growth in FY15E. However, with improving economy, SCV's are expected to grow at least ~10-12% in FY16E.

At the current market price of Rs 145, it is trading at 20x FY16E and 15x FY17E earnings. Improving rural economy will most likely show demand spurt in 3W's in FY16 and FY17 to cover up pent up demand in the last two-three years. Further, emission norm change in 3W's will add impetus to sales growth. Hence, there is upside potential in earnings in addition to earnings improvement due to exit from infra equipment business. We upgrade to Buy

Bhalchandra Shinde
bhalchandra.shinde@bksec.com

Renu Baid
renu.baid@bksec.com

Greaves Cotton

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	17,265	17,555	19,496	23,255
<i>Growth (%)</i>	<i>(9.2)</i>	<i>1.7</i>	<i>11.1</i>	<i>19.3</i>
Operating expenses	(15,482)	(15,393)	(16,760)	(19,736)
Operating profit	1,783	2,162	2,736	3,519
Other operating income	95	0	0	0
EBITDA	1,877	2,162	2,736	3,519
<i>Growth (%)</i>	<i>(22.0)</i>	<i>15.1</i>	<i>26.6</i>	<i>28.6</i>
Depreciation	(446)	(469)	(508)	(548)
Other income	290	287	345	481
EBIT	1,721	1,980	2,573	3,452
Finance Cost	(49)	(5)	(5)	(5)
Exceptional & Extraordinary	80	0	0	0
Profit before tax	1,751	1,975	2,568	3,447
Tax (current + deferred)	(517)	(589)	(765)	(1,027)
P/(L) for the period	1,234	1,387	1,803	2,420
Reported Profit/(Loss)	1,234	1,387	1,803	2,420
Adjusted Net profit	1,165	1,387	1,803	2,420
<i>Growth (%)</i>	<i>(22.5)</i>	<i>19.0</i>	<i>30.0</i>	<i>34.2</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	488	488	488	488
Reserves & surplus	7,707	8,886	10,344	12,215
Shareholders' funds	8,196	9,375	10,832	12,704
Non-Current Liabilities	588	166	160	190
Other Long term liab,	588	166	159	190
Prov, DTL				
Current liabilities	3,333	3,198	3,204	3,821
Other Current Liab + Provi	3,333	3,198	3,204	3,821
Total (Equity and Liab.)	12,117	12,740	14,196	16,715
Non-current assets	4,130	4,265	4,356	4,412
Fixed assets (Net block)	3,758	3,946	3,997	4,009
Long-term loans and advances	270	305	345	389
Other non-current assets,	102	14	14	14
DTA, Goodwill				
Current assets	7,987	8,474	9,840	12,303
Cash & Current Investment	2,149	2,270	3,036	4,362
Other current assets	5,838	6,204	6,804	7,941
Total (Assets)	12,117	12,740	14,196	16,715
Capital Employed	8,784	9,541	10,992	12,894

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	1,751	1,975	2,568	3,447
Depreciation	446	469	(508)	(548)
Change in working capital	207	(511)	(580)	(630)
Total tax paid	(649)	(925)	(793)	(941)
Others	(94)	(1,250)	(1,205)	(1,500)
Cash flow from oper. (a)	1,657	725	1,363	1,947
Capital expenditure	(409)	(391)	(239)	(106)
Change in investments	(862)	0	0	0
Others	84	3	0	0
Cash flow from inv. (b)	(1,188)	(388)	(239)	(106)
Free cash flow (a+b)	469	337	1,124	1,841
Debt raised/(repaid)	(160)	0	0	(0)
Dividend (incl. tax)	(411)	(459)	(605)	(768)
Others	21	243	246	252
Cash flow from fin. (c)	(550)	(216)	(359)	(515)
Net chg in cash (a+b+c)	(81)	121	765	1,326

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	4.8	5.7	7.4	9.9
Growth	(22.5)	19.0	30.0	34.2
CEPS (Rs)	6.6	7.6	9.5	12.2
Book NAV/share (Rs)	33.4	38.2	44.2	51.9
Dividend/share (Rs)	1.4	1.6	2.1	2.8
Dividend payout ratio	35.6	33.0	33.0	33.0
EBITDA margin	10.8	12.3	14.0	15.1
EBIT margin	10.0	11.3	13.2	14.8
Tax Rate	30.3	29.8	29.8	29.8
RoCE	20.4	21.6	25.1	28.9
Net debt/Equity (x)	(0.3)	(0.2)	(0.3)	(0.3)
Du Pont Analysis - ROE (Consolidated)				
Net margin	6.7	7.9	9.2	10.4
Asset turnover (x)	1.4	1.4	1.4	1.5
Leverage factor (x)	1.6	1.4	1.3	1.3
Return on equity	15.1	15.9	17.9	20.6

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	16.9	25.5	19.6	14.6
PCE	12.2	19.1	15.3	11.9
Price/Book	2.4	3.8	3.3	2.8
Yield (%)	1.8	1.1	1.4	1.9
EV/EBITDA	9.4	15.3	11.8	8.8

MID CAP

Share Data

Price (Rs)	613
BSE Sensex	27,888
Reuters code	GRNN.BO
Bloomberg code	GWN IN
Market cap. (US\$ mn)	536
6M avg. daily turnover (US\$ mn)	0.2
Issued shares (mn)	55

Performance (%) 1M 3M 12M

Absolute	9	23	131
Relative	11	17	73

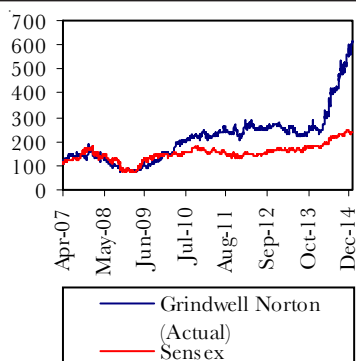
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	18.6	25.2	31.7
+/- (%)	25.4	35.4	25.5
PER (x)	32.9	24.3	19.3
PBV (x)	5.5	4.8	4.1
Dividend/Yield (%)	1.1	1.3	1.3
EV/Sales (x)	3.1	2.6	2.2
EV/EBITDA (x)	27.7	19.7	15.0

Major shareholders (%)

Promoters	59
FII's	3
MF's	8
Public & Others	30

Relative performance



Grindwell Norton

Upgrade to BUY

Strong IIP should lead to robust growth in Abrasives

Recent performance/Outlook

In the last two years, sales have stayed flat due to sluggish production activities. Margins deteriorated by 580 bps due to unfavourable sales mix. Lower margins led to Rs 14.9 EPS in FY14 versus Rs 18.7 in FY12.

In 1HFY15, sales grew by 19% YoY to Rs 5.2 bn due to healthy volume growth in auto and auto ancillaries. EBITDA margins improved by 40 bps to 11% due to favourable mix i.e. higher abrasive sales. Adjusted PAT grew by 16% YoY to Rs 489 mn.

Key sensitivities to growth/Key risks

- **Volatile industrial growth in key end-user industries** will affect abrasives and ceramics industry.
- **In ceramics and SiC**, aggressive pricing by global competitors is major risk.

Strategic initiatives/Capex plans

- In abrasives, the company will continue to focus on increasing prices, growing volumes especially in exports and identified domestic markets.

Balance sheet position

- Despite challenging conditions in FY14, it has maintained debt free status.
- Cash conversion cycle stayed flat at 74 days with receivables at 35 days, inventory at 72 days and payable at 33 days.
- Lower margins due to sluggish volumes in FY14 led to lower RoEs at 15% from 20% levels.

Outlook and valuation

Abrasives will most likely show healthy growth for FY15E led by strong auto volumes and revival in production activities across all manufacturing industries should help GWN to continue with robust growth in FY16E. In ceramics and plastic products, plastic products are mostly utilized in auto industry, hence plastic products sales almost doubled due to strong growth in auto industry. Plastic products will continue to show robust growth in 2HFY15E, however ceramics will continue with moderate growth due to sluggish investment cycle. With gradual improvement expectation in ceramics and stable sales in plastic products, healthy growth is expected in ceramics and plastic products.

At the current market price of Rs 557, GWN is trading at 24x FY16E and 19x FY17E earnings. There is upside potential from current valuations due to healthy auto production and IIP improvement expectation. WE upgrade to Buy.

Bhalchandra Shinde
bhalchandra.shinde@bksec.com

Renu Baid
renu.baid@bksec.com

Grindwell Norton

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	8,994	10,822	12,509	14,747
<i>Growth (%)</i>	<i>(1.6)</i>	<i>20.3</i>	<i>15.6</i>	<i>17.9</i>
Operating expenses	(8,101)	(9,629)	(10,842)	(12,597)
Operating profit	892	1,192	1,667	2,150
EBITDA	892	1,192	1,667	2,150
<i>Growth (%)</i>	<i>(20.5)</i>	<i>33.6</i>	<i>39.9</i>	<i>28.9</i>
Depreciation	(259)	(313)	(342)	(359)
Other income	570	600	676	719
EBIT	1,203	1,479	2,001	2,510
Finance cost	(4)	(4)	(4)	(4)
Profit before tax	1,199	1,475	1,997	2,505
Tax (current + deferred)	(376)	(442)	(599)	(752)
P/(L) for the period	823	1,032	1,398	1,754
Reported Profit/(Loss)	823	1,032	1,398	1,754
Adjusted net profit	823	1,032	1,398	1,754
<i>Growth (%)</i>	<i>(15.7)</i>	<i>25.4</i>	<i>35.4</i>	<i>25.5</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	277	277	277	277
Reserves & surplus	5,336	5,948	6,827	8,063
Shareholders' funds	5,613	6,225	7,104	8,340
Non-current liabilities	432	476	514	567
Other non-current liabilities	432	476	514	567
Current liabilities	2,039	2,035	2,272	2,578
Other current liabilities	2,039	2,035	2,272	2,578
Total (Equity and Liab.)	8,084	8,735	9,890	11,484
Non-current assets	4,122	4,212	4,270	4,340
Fixed assets (Net block)	3,418	3,468	3,464	3,445
Non-current Investments	555	555	555	555
Long-term loans and advances	149	189	251	340
Current assets	3,962	4,524	5,620	7,145
Cash & current investment	844	899	1,149	1,725
Other current assets	3,118	3,625	4,471	5,420
Total (Assets)	8,084	8,736	9,890	11,485
Capital employed	6,046	6,701	7,618	8,907

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,199	1,475	1,997	2,505
Depreciation	259	313	342	359
Change in working capital	(178)	(515)	(642)	(692)
Total tax paid	(310)	(442)	(599)	(752)
Others	(32)	(93)	(103)	(129)
Cash flow from oper. (a)	939	737	995	1,291
Capital expenditure	(219)	(365)	(339)	(341)
Change in investments	(29)	14	14	14
Others	22	83	93	120
Cash flow from inv. (b)	(226)	(267)	(232)	(207)
Free cash flow (a+b)	713	470	763	1,084
Dividend (incl. tax)	(421)	(421)	(518)	(518)
Others	(4)	6	5	9
Cash flow from fin. (c)	(425)	(415)	(513)	(509)
Net chg in cash (a+b+c)	289	55	250	576

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	14.9	18.6	25.2	31.7
Growth	(15.7)	25.4	35.4	25.5
CEPS (Rs)	19.6	24.3	31.4	38.2
Book NAV/share (Rs)	100.6	111.7	127.6	149.9
Dividend/share (Rs)	6.5	6.5	8.0	8.0
Dividend payout ratio	51.1	40.8	37.1	29.5
EBITDA margin	9.9	11.0	13.3	14.6
EBIT margin	13.4	13.7	16.0	17.0
Tax rate	31.3	30.0	30.0	30.0
RoCE	20.7	23.2	27.9	30.4
Net debt/Equity (x)	(0.2)	(0.1)	(0.2)	(0.2)
Du Pont Analysis - ROE				
Net margin	9.2	9.5	11.2	11.9
Asset turnover (x)	1.2	1.3	1.3	1.4
Leverage factor (x)	1.5	1.4	1.4	1.4
Return on equity	15.3	17.6	21.1	22.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	19.0	32.9	24.3	19.3
PCE	14.5	25.2	19.5	16.1
Price/Book	2.8	5.5	4.8	4.1
Yield (%)	2.3	1.1	1.3	1.3
EV/EBITDA	16.6	27.7	19.7	15.0

MID CAP

Share Data

Price (Rs)	751
BSE Sensex	27,888
Reuters code	GGAS.BO
Bloomberg code	GGAS IN
Market cap. (US\$ mn)	1,522
6M avg. daily turnover (US\$ mn)	4.5
Issued shares (mn)	128

Performance (%) 1M 3M 12M

Absolute	27	52	176
Relative	29	44	107

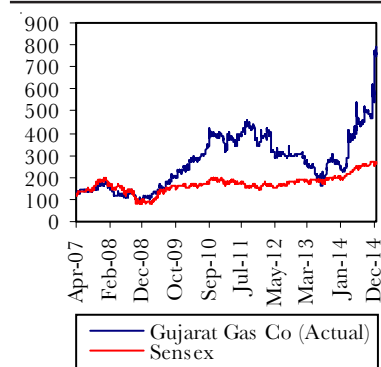
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	26.3	27.1
+/- (%)	0.7	3.1
PER (x)	28.6	27.7
PBV (x)	6.6	5.7
Dividend/Yield (%)	1.1	1.1
EV/Sales (x)	3.4	3.1
EV/EBITDA (x)	18.7	17.6

Major shareholders (%)

Promoters	74
FII's	16
MF's	1
BFSI's	1
Public & Others	8

Relative performance



Gujarat Gas

Maintain Outperformer

Synergies to play out

Recent performance/Outlook

Gujarat Gas (GGAS) has witnessed sharp volume decline in the past two-three years, led by higher R-LNG prices, from highs of 3.9 mmcmd in 2011 to current 2.2 mmcmd. However, contrary to the volumes the margins have expanded sharply resulting in increase in profits despite falling volumes. In FY15, the volume decline has slowed while the margins continue to remain in the high trajectory (EBITDA/scm of Rs 6.1 in 1HFY15), despite falling domestic gas allocation to the non-priority sector led by effective pass through of increasing gas cost.

Key triggers/Risks

- Expect sea change in profitability for GSPC gas led by volume and margin expansion. Expect EBITDA for GDNL to increase to Rs 9 bn by FY16.
- Falling spot prices (Currently <US\$ 10/mmbtu) works well for both GGAS and GSPC Gas with high exposure to spot gas.
- The recent 100% domestic gas allocation for CNG/Domestic PNG augurs well for CGD players, especially GSPC Gas which had NIL domestic supply, the same would aid margins in the CNG/PNG business

Strategic initiatives/Capex plans

- GGAS being merged with GSPC gas into GDNL would bring synergies (primarily sourcing) for GGAS with GDNL being the largest CGD player in the country.
- GSPC plans to invest Rs 8 bn (over FY15-20) in the recently awarded cities of Jamnagar and Dwarka, where GGAS sees sizeable volume opportunity going ahead.
- GGAS has been recently authorised to operate CGD business in the area of Bhavnagar which has a potential demand of ~1 mmcmd.

Balance sheet position

- GDNL is expected to have a combined net debt of ~Rs 24 bn (primarily debt for purchase of GGAS stake), as against current NIL debt of GGAS books. However, incremental earnings from GSPC would more than negate the higher interest cost.
- Historically, RoEs for GSPC has have remained suppressed, however, we expect the same to significantly improve going forward. RoEs for GGAS have been very strong and stable at around >25%.

Valuation and view

We continue to remain positive on GGAS as the merged entity GDNL, wherein GGAS shareholders would have an almost similar exposure in the much larger merged entity.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Sujit Lodha, CFA
sujit.lodha@bksec.com

Gujarat Gas

Income Statement

Period end (Rs mn)	Dec 13	Mar 14	Mar 15E	Mar 16E
Net sales	30,669	38,793	26,582	28,401
Growth (%)	28.8	1.2	(14.3)	6.8
Operating expenses	(26,878)	(32,815)	(22,002)	(23,591)
Operating profit	3,791	5,978	4,580	4,810
Other operating income	291	241	199	200
EBITDA	4,082	6,219	4,779	5,010
Growth (%)	2.8	21.9	(3.9)	4.8
Depreciation	(658)	(968)	(710)	(800)
Other income	672	897	906	1,000
EBIT	4,096	6,147	4,975	5,210
Finance cost	(2)	(5)	(1)	0
Profit before tax	4,094	6,142	4,974	5,210
Tax (current + deferred)	(1,209)	(1,941)	(1,588)	(1,719)
P/(L) for the period	2,885	4,201	3,386	3,491
P/L of Associates,	(19)	(15)	(15)	(15)
Min Int, Pref Div				
Reported Profit/(Loss)	2,866	4,186	3,371	3,476
Adjusted net profit	2,866	4,186	3,371	3,476
Growth (%)	4.8	16.8	0.7	3.1

Balance Sheet

Period end (Rs mn)	Dec 13	Mar 14	Mar 15E	Mar 16E
Share capital	257	257	257	257
Reserves & surplus	9,398	12,222	14,408	16,661
Shareholders' funds	9,655	12,478	14,664	16,918
Minority Interests and others	92	107	122	137
Non-current liabilities	3,566	4,220	3,780	3,960
Other non-current liabilities	3,566	4,220	3,780	3,960
Current liabilities	2,488	2,436	2,095	2,251
Other current liabilities	2,488	2,436	2,095	2,251
Total (Equity and Liab.)	15,800	19,241	20,660	23,265
Non-current assets	9,238	9,797	11,808	13,026
Fixed assets (Net block)	9,014	9,624	11,685	12,895
Non-current Investments	10	10	10	10
Long-term loans and adv.	214	163	113	121
Current assets	6,562	9,444	8,852	10,240
Cash & current investment	4,275	7,203	6,932	8,187
Other current assets	2,286	2,241	1,919	2,053
Total (Assets)	15,800	19,241	20,660	23,265
Capital employed	13,312	16,805	18,565	21,014

Cash Flow Statement

Period end (Rs mn)	Dec 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	4,094	6,142	4,974	5,210
Depreciation	658	968	710	800
Change in working capital	(1,526)	426	(410)	195
Total tax paid	(1,071)	(1,667)	(1,588)	(1,719)
Others	(670)	(892)	(905)	(1,000)
Cash flow from oper. (a)	1,486	4,977	2,781	3,486
Capital expenditure	(1,779)	(1,579)	(2,771)	(2,010)
Change in investments	1,147	(2,933)	0	0
Others	672	897	906	1,000
Cash flow from inv. (b)	39	(3,615)	(1,865)	(1,010)
Free cash flow (a+b)	1,525	1,362	916	2,476
Equity raised/(repaid)	(144)	0	0	0
Dividend (incl. tax)	(1,047)	(1,342)	(1,185)	(1,222)
Others	(56)	(26)	(1)	0
Cash flow from fin. (c)	(1,247)	(1,368)	(1,186)	(1,222)
Net chg in cash (a+b+c)	278	(6)	(270)	1,255

Key Ratios

Period end (%)	Dec 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	22.4	26.1	26.3	27.1
Growth	4.8	16.8	0.7	3.1
CEPS (Rs)	27.5	32.2	31.8	33.4
Book NAV/share (Rs)	75.3	97.3	114.4	132.0
Dividend/share (Rs)	7.0	7.2	7.9	8.2
Dividend payout ratio	36.5	32.1	35.2	35.2
EBITDA margin	13.3	16.0	18.0	17.6
EBIT margin	13.4	15.8	18.7	18.3
Tax rate	29.5	31.6	31.9	33.0
RoCE	33.1	32.7	28.1	26.3
Net debt/Equity (x)	(0.4)	(0.6)	(0.5)	(0.5)
Du Pont Analysis - ROE				
Net margin	9.3	10.8	12.7	12.2
Asset turnover (x)	1.9	1.8	1.3	1.3
Leverage factor (x)	1.8	1.3	1.5	1.4
Return on equity	32.4	24.2	24.8	22.0

Valuations

Period end (x)	Dec 13	Mar 14	Mar 15E	Mar 16E
PER	12.0	29.1	28.6	27.7
PCE	9.8	23.6	23.6	22.5
Price/Book	3.6	7.8	6.6	5.7
Yield (%)	2.6	0.9	1.1	1.1
EV/EBITDA	7.4	14.5	18.7	17.6

MID CAP

Share Data

Price (Rs)	224
BSE Sensex	27,888
Reuters code	GPPL.BO
Bloomberg code	GPPV IN
Market cap. (US\$ mn)	1,708
6M avg. daily turnover (US\$ mn)	3.2
Issued shares (mn)	483

Performance (%) 1M 3M 12M

Absolute	32	37	259
Relative	34	30	169

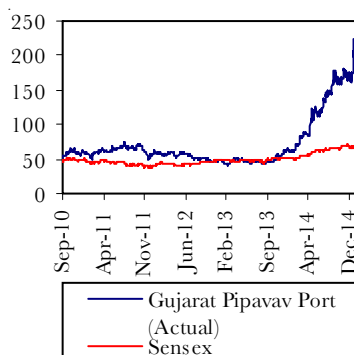
Valuation ratios

Yr to 31 Dec	CY14E	CY15E	CY16E
EPS (Rs)	6.4	8.6	8.7
+/- (%)	76.7	33.6	2.0
PER (x)	32.3	26.1	25.6
PBV (x)	5.8	5.1	4.2
EV/Sales (x)	15.4	14.0	10.7
EV/EBITDA (x)	26.8	23.8	17.8

Major shareholders (%)

Promoters	43
FII's	34
MF's	13
BFSI's	1
Public & Others	9

Relative performance



Gujarat Pipavav Port

Upgrade to BUY

Best play on container growth

Recent performance

Gujarat Pipavav Port (GPPL) has achieved 19% EBITDA CAGR and 83% net profit CAGR over CY11-13, respectively, on the back of growth in container volumes and realisations. In 9MCY14 GPPL has delivered robust numbers with EBITDA growing by 65.5% YoY to Rs 2,868 mn and net profits doubling to Rs 2,311 mn primarily due to robust container growth, improved realisations and superior operating margins.

Key sensitivities to growth/Key risks – Next 12 months

- Indian GDP is currently at an inflection point and robust growth in container volumes is expected on the back of revival in Indian economy. We believe 'container growth to GDP' multiple has bottomed out in FY13 at 0.2x and would revert to ~1.3x in the next couple of years; it has already bounced back to ~1.1x in FY14 (2.0x – 10-year average). Rail freight differentials have affected the bulk volumes at Pipavav Port due to a combination of upward revision of rail freight and realigning of freight distance slabs rates by Indian Railways.

Strategic initiatives/Capex plans

- GPPL is incurring capex of Rs 4,600 mn over CY14-15 to expand its container capacity (yard side) from the present 0.85 mn TEU to 1.35 mn TEU. GPPL has recently downsized its bulk expansion plans from 10 mn tonnes to the current 4-5 mn tonnes as there was no assurance of volumes. The company has also leased out land for liquid tankages where it earns marine revenues and has recently sub leased land to NYK Logistics for RoRo business where the revenue model is similar to liquid business.

Balance sheet position

- GPPL has repaid all of its outstanding debt in 3QCY14 and is currently debt-free; however, it might drawdown on part of its US\$ 60 mn ECB loan for its capex requirements. The company has been able to improve its RoE significantly from 7.5% in CY12 to ~20% in CY14E. GPPL is generating healthy free cash flows and is trading at ~20x (1-year forward) price to free cash flow per share.

Outlook and valuation

GPPL's near term volume outlook is muted given the weak cotton exports and high base; however, it would continue to witness strong volume growth albeit lower than the previous years which coupled with realisation growth would result in 20%+ EBITDA/PBT growth over CY14-16. The stock is currently trading at 22.3x and 21.9x its CY15E and CY16E EPS.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Jinit Mehta
jinit.mehta@bksec.com

Gujarat Pipavav Port

Income Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Net sales	5,179	6,438	7,620	9,457
Growth (%)	24.5	24.3	18.4	24.1
Operating expenses	(2,611)	(2,739)	(3,146)	(3,753)
Operating profit	2,568	3,700	4,475	5,703
EBITDA	2,568	3,700	4,475	5,703
Growth (%)	41.2	44.1	20.9	27.5
Depreciation	(608)	(682)	(709)	(892)
Other income	168	359	376	469
EBIT	2,128	3,377	4,141	5,280
Finance cost	(374)	(278)	0	0
Exceptional & extraordinary	164	0	0	0
Profit before tax	1,918	3,099	4,141	5,280
Tax (current + deferred)	0	0	0	(1,056)
P/(L) for the period	1,918	3,099	4,141	4,224
Reported Profit/(Loss)	1,918	3,099	4,141	4,224
Adjusted net profit	1,754	3,099	4,141	4,224
Growth (%)	137.1	76.7	33.6	2.0

Balance Sheet

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Share capital	4,834	4,834	4,834	4,834
Reserves & surplus	9,201	12,300	16,441	20,665
Shareholders' funds	14,035	17,134	21,276	25,499
Non-current liabilities	3,176	370	1,810	3,970
Long-term borrowings	2,819	0	1,440	3,600
Other non-current liabilities	357	370	370	370
Current liabilities	1,455	1,220	1,377	1,610
ST borrowings, Curr maturity	219	0	0	0
Other current liabilities	1,236	1,220	1,377	1,610
Total (equity and liab.)	18,666	18,725	24,462	31,079
Non-current assets	16,042	16,554	19,594	19,519
Fixed assets (net block)	14,639	15,213	18,253	18,178
Non-current investments	830	830	830	830
Long-term loans and adv.	562	500	500	500
Other non-current assets	11	11	11	11
Current assets	2,624	2,171	4,868	11,560
Cash & current investment	2,023	756	3,129	10,467
Other current assets	601	1,415	1,739	1,094
Total (assets)	18,666	18,725	24,462	31,079
Total debt	3,039	0	1,440	3,600
Capital employed	17,431	17,504	23,086	29,469

Cash Flow Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Profit before tax	1,918	3,099	4,141	5,280
Depreciation	608	682	709	892
Change in working capital	323	(817)	(169)	879
Total tax paid	0	0	0	(1,056)
Others	207	(82)	(376)	(469)
Cash flow from oper. (a)	3,055	2,883	4,306	5,526
Capital expenditure	(1,338)	(1,194)	(3,750)	(817)
Others	326	359	376	469
Cash flow from inv. (b)	(1,013)	(835)	(3,374)	(348)
Free cash flow (a+b)	2,042	2,048	932	5,178
Debt raised/(repaid)	(168)	(3,039)	1,440	2,160
Others	(362)	(276)	0	0
Cash flow from fin. (c)	(530)	(3,315)	1,440	2,160
Net chg in cash (a+b+c)	1,512	(1,267)	2,372	7,338

Key Ratios

Period end (%)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Adjusted EPS (Rs)	3.6	6.4	8.6	8.7
Growth	121.8	76.7	33.6	2.0
CEPS (Rs)	4.9	7.8	10.0	10.6
Book NAV/share (Rs)	29.0	35.4	44.0	52.7
EBITDA margin	49.6	57.5	58.7	60.3
EBIT margin	41.1	52.5	54.3	55.8
Tax rate	0.0	0.0	0.0	20.0
RoCE	12.9	19.3	20.4	20.1
Total debt/Equity (x)	0.2	0.0	0.1	0.1
Net debt/Equity (x)	0.1	(0.0)	(0.1)	(0.3)
Du Pont Analysis - ROE				
Net margin	33.9	48.1	54.3	44.7
Asset turnover (x)	0.3	0.3	0.4	0.3
Leverage factor (x)	1.3	1.2	1.1	1.2
Return on equity	13.4	19.9	21.6	18.1

Valuations

Period end (x)	Dec 13	Dec 14E	Dec 15E	Dec 16E
PER	17.4	32.3	26.1	25.6
PCE	12.9	26.4	22.3	21.1
Price/Book	2.2	5.8	5.1	4.2
EV/EBITDA	12.3	26.8	23.8	17.8

MID CAP

Share Data

Price (Rs)	106
BSE Sensex	27,888
Reuters code	GSFC.BO
Bloomberg code	GSFC IN
Market cap. (US\$ mn)	667
6M avg. daily turnover (US\$ mn)	3.1
Issued shares (mn)	398

Performance (%) 1M 3M 12M

Absolute	1	(7)	97
Relative	3	(11)	47

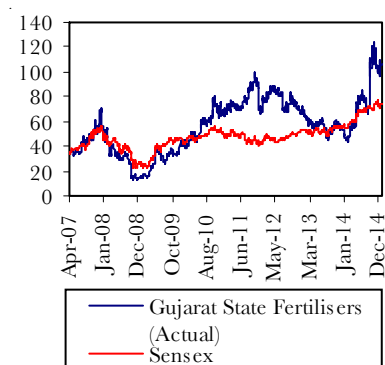
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	12.3	14.1
+/- (%)	43.6	14.7
PER (x)	8.6	7.5
PBV (x)	0.9	0.8
Dividend/Yield (%)	1.9	1.9
EV/Sales (x)	0.7	0.6
EV/EBITDA (x)	6.2	5.6

Major shareholders (%)

Promoters	38
FII's	19
MF's	5
BFSI's	11
Public & Others	27

Relative performance



Gujarat State Fertilizers and Chemicals Maintain BUY

Performance likely to improve; valuations remains attractive!

Recent performance/Outlook

Gujarat State Fertilizers & Chemicals (GSFC) reported subdued performance over a 3-year period with CAGR of 4% in sales and de-growth of 23% in profit due to decline in caprolactam-benzene spreads from their peak. EBITDA margin declined from 24.8% in FY11 to 9.8% in FY14. For 2QFY15, GSFC reported decent results. Revenues stood at Rs 14.8 bn, +5% YoY with EBITDA of Rs 1.6 bn, -10% YoY. PAT stood at Rs 1.24 bn, -4% YoY.

Key triggers/Risks – Next 12 months

- Recent decline in crude prices is beneficial as raw material benzene is a crude derivative. This along with forward integration of caprolactam into Nylon-6 should result in improvement in caprolactam-benzene spreads.
- Fertiliser business should benefit from normalisation of inventory.
- Volatility in crude prices over the next one year can lead to volatile caprolactam-benzene spreads which is a risk.

Strategic initiatives

- Plans to set-up an integrated chemicals complex at Dahej.
- GSFC might set-up urea plant under the New Urea Investment Policy at Dahej.

Balance sheet position

- Decline in profit led to decline in RoE from 30.1% in FY11 to 8.4% in FY14 and RoCE from 33.1% in FY11 to 9.5% in FY14.
- Delay in subsidy reimbursement led to spike in debt level in FY13 to Rs 15 bn from Rs 6.2 bn in FY12. Currently, debt stands at Rs 3.6 bn.

Valuation and view

Capro-benzene spreads have been under pressure from last several quarters. However, GSFC expects improvement in spreads from here on driven by revival of demand from user industries. Also, spreads should benefit from decline in crude prices. On fertiliser side, with inventory overhang behind, we expect fertiliser business to improve going forward. We expect GSFC's valuation gap to narrow when compared to other fertiliser players. With improving spreads, better complex fertiliser scenario, strong balance sheet, clean management and attractive valuations GSFC is bound to get re-rated.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

Gujarat State Fertilizers and Chemicals

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	62,533	54,125	59,515	65,494
<i>Growth (%)</i>	<i>17.9</i>	<i>(13.4)</i>	<i>10.0</i>	<i>10.0</i>
Operating expenses	(54,552)	(48,837)	(52,795)	(57,946)
Operating profit	7,981	5,288	6,720	7,548
EBITDA	7,981	5,288	6,720	7,548
<i>Growth (%)</i>	<i>(29.7)</i>	<i>(33.7)</i>	<i>27.1</i>	<i>12.3</i>
Depreciation	(1,321)	(1,453)	(1,021)	(1,000)
Other income	1,381	1,571	1,326	1,440
EBIT	8,040	5,405	7,025	7,988
Finance cost	(363)	(451)	(155)	(160)
Profit before tax	7,678	4,954	6,870	7,828
Tax (current + deferred)	(2,497)	(1,532)	(1,956)	(2,192)
P/(L) for the period	5,181	3,422	4,914	5,636
Reported Profit/(Loss)	5,181	3,422	4,914	5,636
Adjusted net profit	5,181	3,422	4,914	5,636
<i>Growth (%)</i>	<i>(31.6)</i>	<i>(34.0)</i>	<i>43.6</i>	<i>14.7</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	797	797	797	797
Reserves & surplus	38,619	41,108	44,847	49,238
Shareholders' funds	39,416	41,905	45,644	50,035
Non-current liabilities	7,841	7,073	6,557	6,599
Long-term borrowings	2,393	2,244	2,244	2,244
Other non-current liabilities	5,448	4,830	4,313	4,355
Current liabilities	23,065	16,701	12,686	13,977
ST borrowings, Curr maturity	12,658	5,245	1,745	1,745
Other current liabilities	10,407	11,456	10,940	12,232
Total (Equity and Liab.)	70,322	65,680	64,887	70,611
Non-current assets	30,791	33,838	36,119	40,119
Fixed assets (Net block)	20,521	22,013	25,991	29,991
Non-current Investments	6,724	8,724	8,274	8,274
Long-term loans and advances	2,080	2,165	1,500	1,500
Other non-current assets	1,466	936	353	353
Current assets	39,531	31,842	28,768	30,492
Cash & current investment	1,632	3,414	4,457	3,798
Other current assets	37,898	28,428	24,311	26,694
Total (Assets)	70,322	65,680	64,887	70,611
Total debt	15,051	7,489	3,989	3,989
Capital employed	59,915	54,224	53,947	58,379

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	7,678	4,954	6,870	7,828
Depreciation	1,321	1,453	1,021	1,000
Change in working capital	(16,050)	10,336	3,482	(1,092)
Total tax paid	(2,499)	(1,405)	(722)	(2,192)
Others	363	451	155	160
Cash flow from oper. (a)	(9,188)	15,789	10,805	5,704
Capital expenditure	(3,669)	(3,030)	(4,515)	(5,000)
Change in investments	(2,397)	(2,000)	450	0
Others	86	(32)	0	0
Cash flow from inv. (b)	(5,979)	(5,062)	(4,065)	(5,000)
Free cash flow (a+b)	(15,167)	10,727	6,740	704
Debt raised/(repaid)	8,881	(7,562)	(3,500)	0
Dividend (incl. tax)	(695)	(932)	(1,865)	(932)
Others	(363)	(451)	(332)	(431)
Cash flow from fin. (c)	7,824	(8,945)	(5,697)	(1,363)
Net chg in cash (a+b+c)	(7,343)	1,782	1,043	(659)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	13.0	8.6	12.3	14.1
Growth	(31.6)	(34.0)	43.6	14.7
CEPS (Rs)	16.3	12.2	14.9	16.7
Book NAV/share (Rs)	98.9	105.2	114.5	125.6
Dividend/share (Rs)	2.0	2.0	2.0	2.0
Dividend payout ratio	18.0	27.3	19.0	16.5
EBITDA margin	12.8	9.8	11.3	11.5
EBIT margin	12.9	10.0	11.8	12.2
Tax rate	32.5	30.9	28.5	28.0
RoCE	15.1	9.5	13.0	14.2
Total debt/Equity (x)	0.4	0.2	0.1	0.1
Net debt/Equity (x)	0.3	0.1	(0.0)	0.0
Du Pont Analysis - ROE				
Net margin	8.3	6.3	8.3	8.6
Asset turnover (x)	1.0	0.8	0.9	1.0
Leverage factor (x)	1.7	1.7	1.5	1.4
Return on equity	13.9	8.4	11.2	11.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	4.5	6.6	8.6	7.5
PCE	3.6	4.6	7.1	6.4
Price/Book	0.6	0.5	0.9	0.8
Yield (%)	3.4	3.5	1.9	1.9
EV/EBITDA	4.6	5.0	6.2	5.6

MID CAP

Share Data

Price (Rs)	113
BSE Sensex	27,888
Reuters code	GSPT.BO
Bloomberg code	GUJS IN
Market cap. (US\$ mn)	1,007
6M avg. daily turnover (US\$ mn)	2.5
Issued shares (mn)	563

Performance (%)	1M	3M	12M
Absolute	5	22	91
Relative	7	16	43

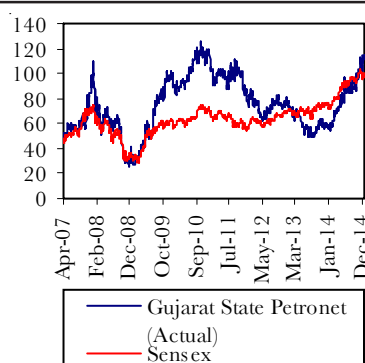
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	6.9	7.1
+/- (%)	(7.1)	2.8
PER (x)	16.4	15.9
PBV (x)	1.7	1.6
Dividend/Yield (%)	0.9	0.9
EV/Sales (x)	6.8	6.6
EV/EBITDA (x)	7.8	7.6

Major shareholders (%)

Promoters	38
GOI	11
FII's	8
MF's	15
BFSI's	7
Public & Others	21

Relative performance



Gujarat State Petronet

Under Review

Revised tariffs to drive earnings

Recent performance/Outlook

Gujarat State Petronet (GSPL) reported above expected numbers for 2QFY15, which however led by higher revenues on account of retrospective impact of revised tariffs post the recent APTEL order. The one off impact in revenue was Rs 870 mn. On the operational front, the volumes improved on a sequential basis to 24.2 mmscmd from 22.2 mmscmd in 1QFY15, which was in line with expectations. From 2QFY15, the company implemented the revised zonal tariff which stood at Rs 1,135/tscm.

Key sensitivities to growth/Key risks

- The tariffs are expected to be revised upwards after the APTEL order was ruled in favour of GSPL (against PNGRB). Our channel checks indicate a possible 10-15% upside in tariffs.
- Volume trend have reversed and started witnessing growth with revival in offtake. Falling spot prices also augurs well for GSPL.

Strategic initiatives/Capex plans

- GSPL's stake in GDNL would unlock great value for GSPL. The merged entity would be the largest CGD player in Asia. GDNL would contribute Rs 23/share.
- GSPL is awarded three cross country pipelines which will help the company focus on pan-India level. The commissioning of pipelines is delayed due to slowdown in domestic gas production.

Balance sheet position

- The company incurred capex of Rs 2.4 bn towards new pipeline and invested Rs 3.5 bn in GSPC Distribution network towards acquisition of Gujarat Gas in FY14. The company is guiding Rs 5-5.5 bn p.a. capex.
- The RoEs are expected to improve by 300 bps if the company receives 10% hike in the tariff with the revival in volumes.

Valuation and view

The APTEL recently passed a judgement in the GSPL and PNGRB case where the order has been ruled in favour of GSPL. The APTEL has asked PNGRB to reconsider the assumption and revised data for re-working the tariffs; this comes as a positive for GSPL as we expect the tariffs to be revised upwards post the order. The revision could be to the tune of 10-15%, which would be the second revision recently after the change in date of authorisation. A 10% change in tariffs increases the earnings by Rs1.2/share (17% of FY16E EPS). We are positive on the stock, given the possible uptick in earnings and value unlocking from GDNL.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Sujit Lodha, CFA
sujit.lodha@bksec.com

Gujarat State Petronet

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	11,732	10,507	10,185	10,577
<i>Growth (%)</i>	<i>4.4</i>	<i>(10.4)</i>	<i>(3.1)</i>	<i>3.8</i>
Operating expenses	(1,012)	(1,219)	(1,309)	(1,370)
Operating profit	10,720	9,288	8,876	9,207
EBITDA	10,720	9,288	8,876	9,207
<i>Growth (%)</i>	<i>3.8</i>	<i>(13.4)</i>	<i>(4.4)</i>	<i>3.7</i>
Depreciation	(1,861)	(1,839)	(1,908)	(2,045)
Other income	661	552	524	498
EBIT	9,520	8,001	7,492	7,659
Finance cost	(1,263)	(1,418)	(1,373)	(1,373)
Exceptional & extraordinary	0	0	870	0
Profit before tax	8,257	6,583	6,990	6,287
Tax (current + deferred)	(2,883)	(2,391)	(2,539)	(2,284)
P/(L) for the period	5,374	4,191	4,450	4,003
Reported Profit/(Loss)	5,374	4,191	4,450	4,003
Adjusted net profit	5,374	4,191	3,894	4,003
<i>Growth (%)</i>	<i>3.5</i>	<i>(22.0)</i>	<i>(7.1)</i>	<i>2.8</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	5,627	5,627	5,627	5,627
Reserves & surplus	23,779	27,321	31,113	34,457
Shareholders' funds	29,406	32,948	36,740	40,085
Non-current liabilities	17,476	14,849	14,840	14,851
Long-term borrowings	13,389	10,365	10,365	10,365
Other non-current liab.	4,087	4,484	4,475	4,486
Current liabilities	5,653	6,231	6,057	6,291
Other current liabilities	5,653	6,231	6,057	6,291
Total (Equity and Liab.)	52,534	54,028	57,637	61,226
Non-current assets	40,332	45,366	49,218	53,025
Fixed assets (Net block)	37,775	38,154	42,048	45,804
Non-current Investments	1,740	5,850	5,850	5,850
Long-term loans and adv.	727	1,355	1,313	1,364
Other non-current assets	89	7	7	7
Current assets	12,202	8,661	8,420	8,202
Cash & current investment	8,531	4,992	4,863	4,508
Other current assets	3,672	3,669	3,557	3,694
Total (Assets)	52,534	54,028	57,638	61,227
Total debt	13,389	10,365	10,365	10,365
Capital employed	46,882	47,797	51,580	54,935

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	8,257	6,583	6,990	6,287
Depreciation	1,861	1,839	1,908	2,045
Change in working capital	(1,751)	14	(29)	57
Total tax paid	(2,259)	(2,056)	(2,539)	(2,284)
Others	602	867	848	875
Cash flow from oper. (a)	6,710	7,246	7,178	6,980
Capital expenditure	(3,807)	(2,218)	(5,801)	(5,802)
Change in investments	(35)	(4,109)	0	0
Others	650	634	524	498
Cash flow from inv. (b)	(3,192)	(5,693)	(5,277)	(5,304)
Free cash flow (a+b)	3,518	1,553	1,902	1,676
Debt raised/(repaid)	2,438	(3,024)	0	0
Dividend (incl. tax)	(629)	(658)	(658)	(658)
Others	(2,212)	(1,409)	(1,373)	(1,373)
Cash flow from fin. (c)	(403)	(5,091)	(2,031)	(2,031)
Net chg in cash (a+b+c)	3,115	(3,538)	(129)	(355)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	9.6	7.4	6.9	7.1
Growth	3.5	(22.0)	(7.1)	2.8
CEPS (Rs)	12.9	10.7	10.3	10.7
Book NAV/share (Rs)	52.3	58.5	65.3	71.2
Dividend/share (Rs)	1.0	1.0	1.0	1.0
Dividend payout ratio	11.7	15.7	14.8	16.4
EBITDA margin	91.4	88.4	87.1	87.0
EBIT margin	81.1	76.2	73.6	72.4
Tax rate	34.9	36.3	39.5	36.3
RoCE	21.9	16.9	15.1	14.4
Total debt/Equity (x)	0.5	0.3	0.3	0.3
Net debt/Equity (x)	0.2	0.2	0.1	0.1
Du Pont Analysis - ROE				
Net margin	45.8	39.9	38.2	37.8
Asset turnover (x)	0.2	0.2	0.2	0.2
Leverage factor (x)	1.8	1.7	1.6	1.5
Return on equity	19.5	13.4	11.2	10.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	7.0	9.3	16.4	15.9
PCE	5.2	6.5	11.0	10.5
Price/Book	1.3	1.2	1.7	1.6
Yield (%)	1.4	1.4	0.9	0.9
EV/EBITDA	4.0	4.8	7.8	7.6

MID CAP

Share Data

Price (Rs)	9
BSE Sensex	27,888
Reuters code	GVKPBO
Bloomberg code	GVKPIN
Market cap. (US\$ mn)	232
6M avg. daily turnover (US\$ mn)	1.3
Issued shares (mn)	1,579

Performance (%) 1M 3M 12M

Absolute	(10)	(8)	2
Relative	(8)	(13)	(23)

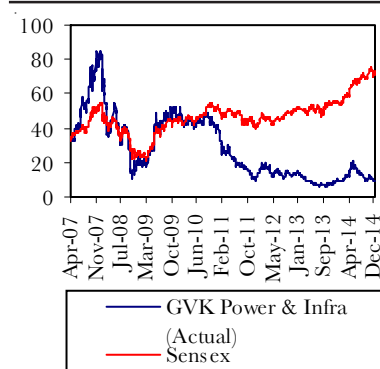
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	(5.6)	(4.8)
+/- (%)	NA	NA
PER (x)	NA	NA
PBV (x)	0.7	1.1
EV/Sales (x)	8.8	5.8
EV/EBITDA (x)	37.1	13.0

Major shareholders (%)

Promoters	54
FII's	14
MF's	1
BFSI's	1
Public & Others	30

Relative performance



GVK Power and Infrastructure Maintain Outperformer

Time to sweat the assets

Recent performance

Despite improvement in traffic on the road and airport projects, top-line growth been capped owing to the dismal performance of the power segment. EBITDA margins have also witnessed a decline as for increased costs owing to capitalisation on the Mumbai Airport. Higher interest and depreciation costs owing to capitalisation at the airport along with poor operational performance kept the bottom-line performance under pressure.

Key sensitivities to growth/Key risks – Next 12 months

- Commissioning of the Goindwal Sahib (Coal) and Alaknanda (Hydro) power plant would be the key growth drivers in FY15/16.
- The tariff order for the second control period for Mumbai airport has been delayed. Mumbai airport is likely to get a tariff hike for the next control period. The tariff order, as and when comes through, could aid in growth for the project.

Strategic initiatives/Capex plans

- The management is actively looking at stake sale in the airports Holdco and Jaipur-Kishangarh road project and QIP at parent level to bring down the debt on its books. Any progress on this front would be a key positive and a re-rating trigger.

Balance sheet position

- Draw down on debt on the under construction projects has made sure debt continues to rise. This trend is expected to continue as even after commissioning of Goindwal Sahib and Alaknanda power plant, draw down on Rattle would continue.
- Return ratios continue to remain weak as a significant portion of capital remains invested in the under construction projects (yet to turn yielding) and for losses on the operational gas based power projects.

Valuation and view

Delay in tariff approval remains a sore point for the company. Current tariff not being cost effective for capitalisation remains a key reason for losses on the project. The performance of the project is expected to see a significant improvement once tariff order is approved. The power segment is also likely to see an improvement once the two new projects are commissioned and operations on these stabilise. At the current market price, the stock trades at 0.7x FY15E PBV.

Dhaval Patel
dhaval.patel@bksec.com

Prem Khurana
prem.khurana@bksec.com

GVK Power and Infrastructure

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	26,077	28,209	28,518	47,005
Growth (%)	4.6	8.2	1.1	64.8
Operating expenses	(19,244)	(18,150)	(21,782)	(26,162)
Operating profit	6,833	10,060	6,736	20,843
EBITDA	6,833	10,060	6,736	20,843
Growth (%)	(1.6)	47.2	(33.0)	209.4
Depreciation	(3,512)	(4,377)	(7,382)	(9,975)
Other income	1,361	1,207	1,159	1,034
EBIT	4,682	6,889	513	11,903
Finance cost	(7,461)	(9,645)	(14,222)	(23,146)
Profit before tax	(2,779)	(2,756)	(13,710)	(11,243)
Tax (current + deferred)	(1,287)	(1,446)	1,699	1,251
P/(L) for the period	(4,066)	(4,202)	(12,011)	(9,993)
P/L of Associates, Min Int, Pref Div	706	515	3,171	2,334
Reported Profit/(Loss)	(3,360)	(3,687)	(8,840)	(7,659)
Adjusted net profit	(3,360)	(3,687)	(8,840)	(7,659)
Growth (%)	NA	NA	NA	NA

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	1,579	1,579	1,579	1,579
Reserves & surplus	31,447	27,693	18,853	11,194
Shareholders' funds	33,026	29,272	20,432	12,773
Minority interests and others	33,188	30,732	27,504	25,343
Non-current liabilities	156,678	209,060	233,034	253,898
Long-term borrowings	150,236	193,416	219,607	240,063
Other non-current liab.	6,442	15,644	13,427	13,835
Current liabilities	55,973	51,241	56,233	59,785
ST borrowings, cur maturity	35,404	31,221	36,993	38,591
Other current liabilities	20,569	20,020	19,240	21,193
Total (equity and liab.)	278,865	320,305	337,203	351,800
Non-current assets	247,569	289,861	304,934	317,437
Fixed assets (net block)	210,462	223,664	242,133	252,870
Non-current investments	19,489	19,807	19,696	19,841
Long-term loans and adv.	15,050	16,491	16,768	17,073
Other non-current assets	2,570	29,900	26,337	27,654
Current assets	31,296	30,443	32,269	34,363
Cash & current investment	20,801	18,657	20,788	21,511
Other current assets	10,494	11,787	11,481	12,852
Total (assets)	278,865	320,305	337,203	351,800
Total debt	185,640	224,637	256,600	278,654
Capital employed	258,297	300,285	317,963	330,606

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(2,779)	(2,756)	(13,710)	(11,243)
Depreciation	3,512	4,377	7,382	9,975
Change in working capital	8,075	(3,695)	(2,306)	311
Total tax paid	(988)	(592)	52	1,251
Others	6,100	8,439	13,063	22,112
Cash flow from oper. (a)	13,919	5,773	4,482	22,404
Capital expenditure	(47,283)	(18,433)	(25,852)	(20,711)
Change in investments	(1,225)	602	1,747	(145)
Others	8	(26,126)	4,722	(282)
Cash flow from inv. (b)	(48,500)	(43,957)	(19,383)	(21,139)
Free cash flow (a+b)	(34,581)	(38,183)	(14,901)	1,266
Equity raised/(repaid)	(0)	(0)	0	0
Debt raised/(repaid)	43,066	38,996	31,963	22,054
Others	(4,946)	(2,958)	(14,930)	(22,597)
Cash flow from fin. (c)	38,120	36,039	17,033	(543)
Net chg in cash (a+b+c)	3,539	(2,145)	2,131	723

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(2.1)	(2.3)	(5.6)	(4.8)
Growth	NA	NA	NA	NA
CEPS (Rs)	0.1	0.4	(0.9)	1.5
Book NAV/share (Rs)	20.9	18.5	12.9	8.1
EBITDA margin	26.2	35.7	23.6	44.3
EBIT margin	18.0	24.4	1.8	25.3
Tax rate	(46.3)	(52.5)	12.4	11.1
RoCE	2.0	2.5	0.2	3.7
Total debt/Equity (x)	2.8	3.7	5.4	7.3
Net debt/Equity (x)	2.4	3.4	4.9	6.7
Du Pont Analysis - ROE				
Net margin	(12.9)	(13.1)	(31.0)	(16.3)
Asset turnover (x)	0.1	0.1	0.1	0.1
Leverage factor (x)	7.3	9.6	13.2	20.7
Return on equity	(9.7)	(11.8)	(35.6)	(46.1)

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	NA	NA	NA	NA
PCE	95.0	25.3	NA	6.3
Price/Book	0.4	0.6	0.7	1.1
EV/EBITDA	25.8	22.0	37.1	13.0

MID CAP

Share Data

Price (Rs)	70
BSE Sensex	27,888
Reuters code	HDIL.BO
Bloomberg code	HDILIN
Market cap. (US\$ mn)	463
6M avg. daily turnover (US\$ mn)	27.6
Issued shares (mn)	419

Performance (%) 1M 3M 12M

Absolute	(14)	(14)	34
Relative	(12)	(18)	0

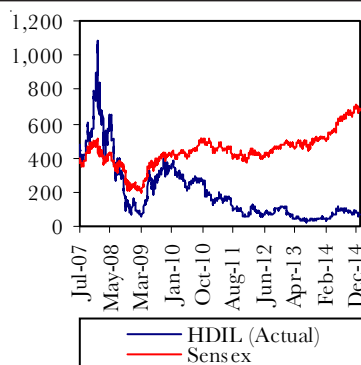
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	7.4	8.9
+/- (%)	96.7	19.8
PER (x)	9.4	7.8
PBV (x)	0.3	0.3
EV/Sales (x)	4.6	3.6
EV/EBITDA (x)	12.5	9.3

Major shareholders (%)

Promoters	36
FII's	43
Bodies corporate	7
Public & Others	14

Relative performance



HDIL

Maintain Outperformer

On the comeback trail

Recent performance

For HDIL, last 12-15 months seemed all about de-leveraging balance sheet. However, until 4QFY14, a large part of de-leveraging had come true as for the management's efforts to realise pending receivables from consummated FSI sales, receipt of possession linked payments from customers for residential developments and sale of non-core assets. Fresh bookings/collections from fresh bookings were missing. Not undermining the importance of the above mentioned efforts, fresh bookings remain critical for positive cash flows on a sustainable basis. Here, with early signs of revival in fresh bookings, 1H FY15 came to raise hopes.

Key sensitivities to growth/Key risks – Next 12 months

- Response for planned launches in Virar (mega township project) and Ghatkopar (residential development) remain critical for future growth.
- Any signs of revival in real estate activity would not only augur well for the B2C business vertical (read as end-user sales) but also for B2B business vertical (read as FSI sales).

Strategic initiatives/Capex plans

- The management hopes to continue with its strategy to monetise assets. On immediate radar remains commercial real estate development in Kurla.

Balance sheet position

- Carried forward from FY14, de-leveraging efforts, during 1H FY15, found support from renewed marketing efforts (hence better traction in fresh bookings) and incremental spend on construction of old projects (hence improved milestone receipts). However, despite improved cash flows, net debt stood flat as for approval related costs/mobilisation advances for planned launches (~Rs 4.0 bn).
- Operationally, during 1H FY15, receipts stood at ~Rs 10 bn (including of ~Rs 1.0 bn for FSI transaction) and construction outlay for ongoing developments stood at ~Rs 6 bn (including interest).

Valuation and view

As the management strives to launch new projects, we remain hopeful of existing efforts to de-lever balance sheet finding support from core operations. Considerably de-leveraged balance sheet would also mean that the management bandwidth remains relatively less occupied with de-leveraging efforts and focuses more on core operations. Improving demand scenario for FSI sales also augurs well for the company.

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

HDIL

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	10,252	8,723	12,984	15,623
Growth (%)	(49.0)	(14.9)	48.9	20.3
Operating expenses	(3,530)	(5,912)	(8,170)	(9,574)
Operating profit	6,723	2,811	4,814	6,049
EBITDA	6,723	2,811	4,814	6,049
Growth (%)	(30.0)	(58.2)	71.3	25.6
Depreciation	(845)	(786)	(177)	(105)
Other income	400	800	572	354
EBIT	6,277	2,825	5,210	6,297
Finance cost	(916)	(1,126)	(709)	(635)
Exceptional & extraordinary	(4,420)	—	—	—
Profit before tax	941	1,699	4,500	5,662
Tax (current + deferred)	(205)	(114)	(1,382)	(1,925)
P/(L) for the period	736	1,586	3,119	3,738
P/L of Associates,	(2)	(1)	(2)	(3)
Min Int, Pref Div				
Reported Profit/(Loss)	733	1,584	3,117	3,735
Adjusted net profit	5,153	1,584	3,117	3,735
Growth (%)	(37.0)	(69.3)	96.7	19.8

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	4,190	4,190	4,190	4,190
Reserves & surplus	99,637	101,400	104,796	108,531
Shareholders' funds	103,827	105,590	108,986	112,721
Minority interests and others	73	74	74	74
Non-current liabilities	12,823	11,474	11,636	10,308
Long-term borrowings	12,643	11,271	11,431	10,099
Other non-current liab.	180	203	206	209
Current liabilities	56,434	51,731	51,294	48,352
ST borrowings, cur maturity	27,545	23,843	21,892	20,388
Other current liabilities	28,889	27,888	29,402	27,963
Total (equity and liab.)	173,156	168,869	171,991	171,455
Non-current assets	4,491	3,716	3,103	3,047
Fixed assets (net block)	2,256	2,286	1,190	1,129
Non-current investments	520	501	1,047	1,047
Long-term loans and adv.	973	857	866	871
Other non-current assets	742	71		
Current assets	168,665	165,153	168,887	168,408
Cash & current investment	2,228	2,414	2,415	3,258
Other current assets	166,437	162,739	166,472	165,151
Total (assets)	173,156	168,869	171,991	171,455
Total debt	40,188	35,115	33,322	30,488
Capital employed	144,268	140,982	142,588	143,492

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	941	1,699	4,500	5,662
Depreciation	845	786	177	105
Change in working capital	(400)	2,645	(2,715)	(365)
Total tax paid	(736)	87	(882)	(1,675)
Others	545	326	137	281
Cash flow from oper. (a)	1,196	5,543	1,218	4,009
Capital expenditure	(747)	(824)	910	(49)
Change in investments	(194)	572	(216)	—
Others	371	354	242	354
Cash flow from inv. (b)	(570)	101	936	305
Free cash flow (a+b)	626	5,644	2,154	4,314
Equity raised/(repaid)	(26)	—	—	—
Debt raised/(repaid)	(775)	(5,074)	(1,792)	(2,835)
Others	(173)	(277)	(360)	(637)
Cash flow from fin. (c)	(974)	(5,350)	(2,153)	(3,472)
Net chg in cash (a+b+c)	(348)	294	1	842

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	12.3	3.8	7.4	8.9
Growth	(37.0)	(69.3)	96.7	19.8
CEPS (Rs)	14.3	5.7	7.9	9.2
Book NAV/share (Rs)	247.8	252.0	260.1	269.0
EBITDA margin	65.6	32.2	37.1	38.7
EBIT margin	61.2	32.4	40.1	40.3
Tax rate	(448.0)	6.7	30.7	34.0
RoCE	4.4	2.0	3.7	4.4
Total debt/Equity (x)	0.4	0.3	0.3	0.3
Net debt/Equity (x)	0.4	0.3	0.3	0.2
Du Pont Analysis - ROE				
Net margin	50.3	18.2	24.0	23.9
Asset turnover (x)	0.1	0.1	0.1	0.1
Leverage factor (x)	1.7	1.6	1.6	1.5
Return on equity	5.0	1.5	2.9	3.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	3.8	15.2	9.4	7.8
PCE	3.2	10.2	8.9	7.6
Price/Book	0.2	0.2	0.3	0.3
EV/EBITDA	8.5	20.2	12.5	9.3

MID CAP

Share Data

Price (Rs)	84
BSE Sensex	27,888
Reuters code	HEID.BO
Bloomberg code	HEIM IN
Market cap. (US\$ mn)	300
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	227

Performance (%) 1M 3M 12M

Absolute	1	(5)	113
Relative	3	(9)	60

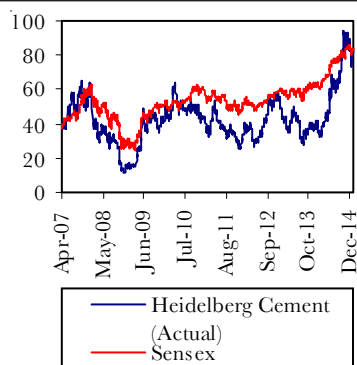
Valuation ratios

Yr to 31 Dec	CY14E	CY15E	CY16E
EPS (Rs.)	1.5	6.4	10.6
+/- (%)	—	336.5	65.3
PER (x)	55.5	13.1	7.9
Dividend/Yield (%)	0.0	0.6	0.6
EV/Sales (x)	1.7	1.3	1.1
EV/EBITDA (x)	10.4	6.3	4.6

Major shareholders (%)

Promoters	69
FII's	5
MF's	1
BFSI's	7
Public & Others	18

Relative performance



HeidelbergCement India

Maintain BUY

Improving operating performance...

Recent performance

After robust performance during CY11-12, HeidelbergCement India (HCL) tumbled in CY13. HCL improved its operating performance during CY13 and reported EBITDA of Rs. 1.1 bn (up 47% YoY) led by completion of Damoh and Jhansi plants. However, same was nullified due to higher depreciation and finance cost and it reported net loss of Rs 407 mn. Capacity utilisation and realisation were impacted due to sluggish demand and higher input costs. HCL's 3QCY14 operating performance was in line with our estimates. It reported EBITDA at Rs 564 mn (up 370% YoY) primarily driven by higher sales volume growth of 32% YoY to 1.04 mt and EBITDA/tonne at Rs 483 (up 716% YoY) led by decline in operating cost by 7.7% YoY to Rs 3,363/tonne (economy of scale at new plant).

Key triggers/Risks – Next 12 months

- Any slowdown in demand in Central India which is its primary market could restrict the volume growth and thus hamper the improvement in margins.

Strategic initiatives

- HCL is expected to further improve its operational efficiencies by increase in capacity utilisation and through operational capex (installing waste heat recovery plant, extending railway siding and modifying the packaging plants).
- HCL is trying to establish itself into tier I brand in its prime market and has exited from its inefficient plant of Raigad unit. This would lead to improvement in operating margin.

Balance sheet position

- The company has generated negative cash flow of Rs 2.0 bn in CY13 against a negative cash flow of Rs 7.6 bn in CY11 due to sharp decline in capex of Rs 1.7 bn in CY13 against Rs 9.0 bn in CY11.

Outlook and valuation

HCL is expected to continue to report improvement in operating performance in the coming quarter based on higher economies of scale, premium pricing, full benefit of operational capex and rising capacity utilisation. We expect sharp improvement in EBITDA/tonne by Rs 722 over the next two years (Rs 961 for CY16E versus 239 in CY13). Hence, we maintain our Buy rating on the stock. HCL is currently trading at EV/tonne of US\$ 80/tonne and EV/EBITDA of 4.6x on CY16E.

Amit Srivastava
 amit.srivastava@bksec.com

Saurabh Mitra
 saurabh.mitra@bksec.com

HeidelbergCement India

Income Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Net sales	13,648	16,651	20,298	23,022
<i>Growth (%)</i>	<i>24.1</i>	<i>22.0</i>	<i>21.9</i>	<i>13.4</i>
Operating expenses	(12,784)	(14,307)	(16,404)	(18,016)
Operating profit	864	2,344	3,894	5,006
Other operating income	285	300	320	320
EBITDA	1,148	2,644	4,214	5,326
<i>Growth (%)</i>	<i>47.6</i>	<i>130.3</i>	<i>59.4</i>	<i>26.4</i>
Depreciation	(970)	(1,100)	(1,200)	(1,100)
Other income	74	80	100	100
EBIT	252	1,624	3,114	4,326
Finance cost	(1,059)	(1,128)	(1,106)	(903)
Profit before tax	(807)	496	2,008	3,423
Tax (current + deferred)	399	(164)	(557)	(1,024)
P/L form discontinuing oper.	0	603	0	0
P/(L) for the period	(407)	936	1,451	2,399
Reported Profit/(Loss)	(407)	936	1,451	2,399
Adjusted net profit	(407)	332	1,451	2,399
<i>Growth (%)</i>	—	—	<i>336.5</i>	<i>65.3</i>

Balance Sheet

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Share capital	2,266	2,266	2,266	2,266
Reserves & surplus	6,067	6,400	7,531	9,478
Shareholders' funds	8,334	8,666	9,798	11,744
Non-current liabilities	13,174	12,222	10,237	8,252
Long-term borrowings	12,926	11,926	9,926	7,926
Other non-current liabilities	247	296	311	326
Current liabilities	6,079	6,456	7,392	8,257
ST borrowings, Curr maturity	642	142	117	92
Other current liabilities	5,437	6,314	7,275	8,165
Total (Equity and Liab.)	27,586	27,344	27,427	28,253
Non-current assets	21,839	19,010	18,875	18,799
Fixed assets (Net block)	19,543	16,724	16,514	16,404
Long-term loans and adv.	302	242	267	250
Other non-current assets	1,994	2,044	2,094	2,144
Current assets	5,747	8,333	8,551	9,454
Cash & current investment	1,141	2,986	2,294	2,404
Other current assets	4,606	5,348	6,258	7,050
Total (Assets)	27,586	27,344	27,427	28,253
Total debt	13,568	12,068	10,043	8,018
Capital employed	22,149	21,030	20,151	20,088

Cash Flow Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Profit before tax	(807)	496	2,008	3,423
Depreciation	970	1,100	1,200	1,100
Change in working capital	(521)	168	27	114
Total tax paid	71	(164)	(557)	(1,024)
Others	1,059	1,128	1,106	903
Cash flow from oper. (a)	773	2,728	3,783	4,516
Capital expenditure	(1,706)	1,779	(990)	(990)
Others	(1,156)	(50)	(50)	(50)
Cash flow from inv. (b)	(2,862)	1,729	(1,040)	(1,040)
Free cash flow (a+b)	(2,089)	4,457	2,743	3,476
Debt raised/(repaid)	3,260	(1,500)	(2,025)	(2,025)
Dividend (incl. tax)	0	0	(133)	(133)
Others	(761)	(1,113)	(1,278)	(1,208)
Cash flow from fin. (c)	2,499	(2,613)	(3,436)	(3,366)
Net chg in cash (a+b+c)	410	1,844	(692)	111

Key Ratios

Period end (%)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Adjusted EPS (Rs)	(1.8)	1.5	6.4	10.6
Growth	—	—	336.5	65.3
CEPS (Rs)	2.5	6.3	11.7	15.4
Book NAV/share (Rs)	36.2	37.7	42.6	51.2
Dividend/share (Rs)	0.0	0.0	0.5	0.5
Dividend payout ratio	0.0	0.0	9.1	5.5
EBITDA margin	8.4	15.9	20.8	23.1
EBIT margin	1.8	9.8	15.3	18.8
Tax rate	49.5	(153.2)	27.7	29.9
RoCE	1.2	7.5	15.1	21.5
Total debt/Equity (x)	1.6	1.4	1.0	0.7
Net debt/Equity (x)	1.5	1.0	0.8	0.5
Du Pont Analysis - ROE				
Net margin	(3.0)	2.0	7.1	10.4
Asset turnover (x)	0.5	0.6	0.7	0.8
Leverage factor (x)	3.2	3.3	3.0	2.6
Return on equity	(4.9)	4.0	15.9	22.6

Valuations

Period end (x)	Dec 13	Dec 14E	Dec 15E	Dec 16E
PER	—	55.5	13.1	7.9
PCE	15.1	12.9	7.2	5.4
Price/Book	1.0	2.2	2.0	1.6
Yield (%)	0.0	0.0	0.6	0.6
EV/EBITDA	18.2	10.4	6.3	4.6

SMALL CAP**Share Data**

Price (Rs)	94
BSE Sensex	27,888
Reuters code	HMSD.BO
Bloomberg code	HSS IN
Market cap. (US\$ mn)	145
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	98

Performance (%) 1M 3M 12M

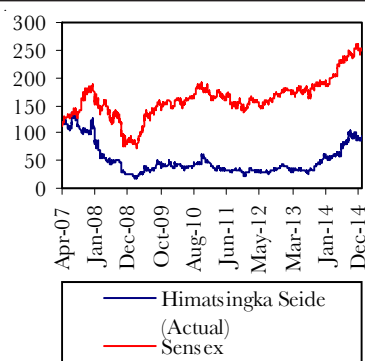
Absolute	2	0	65
Relative	5	(4)	23

Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	10.3	12.4
+/- (%)	49.9	20.4
PER (x)	9.2	7.6
PBV (x)	1.1	1.0
Dividend/Yield (%)	1.9	2.3
EV/Sales (x)	0.7	0.6
EV/EBITDA (x)	6.8	5.7

Major shareholders (%)

Promoters	57
FII's	7
MF's	8
Public & Others	28

Relative performance**Himatsingka Seide****Maintain BUY****Readying itself for next leap...****Recent performance**

Himatsingka Seide (HSS) reported flat revenue and EBITDA growth during 1HFY15 due to capacity constraints in its manufacturing operations and rationalisation measure undertaken in its distribution business. Fall in depreciation and lower taxes helped the company in showing 30% PAT growth. Interesting to note that during 1H, the company's manufacturing operations improved its operating margin by ~350 bps mainly because of improved efficiency.

Between FY12-14, revenue, EBITDA and adjusted PAT grew at a CAGR of ~19%, ~18% and ~57%, respectively. Increase in capacity utilisation, better product mix, improved efficiency and reduction in relative debt contributed to improved performance.

Key sensitivities to growth/Key risks

- USA retail demand environment (which constitutes nearly 80% of its revenue).

Strategic initiatives/Capex plans

- HSS has contemplated a capex to double its current bed linen capacity from 21 mn meters to 42 mn meters by investing ~Rs 800 mn.
- Recently acquired rights to distribute 6 new brands (total 12 brands portfolio).

Balance sheet position

- Working capital cycle has remained stable at ~55 days.
- Net debt/EBITDA (x) reduced from 8.4x (FY11) to 3.9x (FY14). RoE improved from 5.1% (FY12) to 9.8% (FY14).
- Net debt/equity (x) improved from 1.4x (FY11) to 1.1x (FY14).

Valuation and view

The current year has remained muted for HSS from revenue perspective while profitability will grow at a healthy rate due to efficiency at manufacturing units and cost rationalisation initiatives in distribution business. Now, with improved demand conditions in USA coupled with internal efficiencies, we expect the company to report healthy revenue and profit growth in the coming years. The favourable cotton yarn market and leveraging of its distribution platform through new brand acquisition will help HSS in improving its operating margins. The strong distribution business (much larger than the manufacturing business) will also help the company to quickly ramp-up its manufacturing expansion whenever it decided to carry out the same. Improving profitability along with lower capex and working capital requirement will result in healthy free cash flow going forward. This will in turn lead to improved leverage and serviceability ratios. At the current market price of Rs 94, the stock is trading at 5.7x FY16E EV/EBITDA.

Resham Jain, CFA
resham.jain@bksec.com

Nishant Agrawal
nishant.agrawal@bksec.com

Himatsingka Seide

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Revenue	20,282	22,171	24,842	27,841
Growth (%)	20.1	9.3	12.0	12.1
Operating expenses	(18,281)	(19,777)	(22,035)	(24,751)
Operating profit	2,001	2,395	2,807	3,090
EBITDA	2,001	2,395	2,807	3,090
Growth (%)	26.8	19.7	17.2	10.1
Depreciation	(544)	(479)	(516)	(537)
Other income	47	60	60	60
EBIT	1,504	1,975	2,351	2,613
Finance cost	(828)	(799)	(769)	(760)
Exceptional & extraordinary	(41)	0	0	0
Profit before tax	634	1,176	1,583	1,853
Tax (current + deferred)	(89)	(165)	(364)	(426)
P/(L) for the period	545	1,012	1,219	1,426
P/L of Associates, Min Int, Pref Div	88	0	0	0
Reported Profit/(Loss)	634	1,012	1,219	1,426
Adjusted net profit	675	1,012	1,219	1,426
Growth (%)	69.7	49.9	20.4	17.1

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	492	492	492	492
Reserves & surplus	6,958	7,609	8,579	9,707
Shareholders' funds	7,450	8,101	9,071	10,199
Minority Interests and others	(332)	0	0	0
Non-current liabilities	3,860	2,943	2,246	1,550
Long-term borrowings	3,607	2,907	2,207	1,507
Other non-current liabilities	254	36	39	43
Current liabilities	8,175	7,960	8,650	9,542
ST borrowings, Curr maturity	4,529	4,465	4,728	5,148
Other current liabilities	3,646	3,495	3,922	4,394
Total (Equity and Liab.)	19,153	19,004	19,967	21,291
Non-current assets	11,147	10,803	10,899	10,978
Fixed assets (Net block)	4,536	4,299	4,382	4,445
Non-current Investments	2	2	2	2
Long-term loans and advances	600	495	507	523
Other non-current assets	6,008	6,008	6,008	6,008
Current assets	8,007	8,200	9,068	10,312
Cash & current investment	266	309	305	353
Other current assets	7,741	7,892	8,763	9,960
Total (Assets)	19,153	19,004	19,967	21,291
Total debt	8,136	7,372	6,935	6,655
Capital employed	15,507	15,509	16,045	16,897

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	634	1,176	1,583	1,853
Depreciation	544	479	516	537
Change in working capital	(1,691)	(297)	(497)	(791)
Total tax paid	1	(320)	(364)	(426)
Others	828	799	769	760
Cash flow from oper. (a)	317	1,838	2,006	1,933
Capital expenditure	(452)	(241)	(600)	(600)
Change in investments	31	0	0	0
Cash flow from inv. (b)	(422)	(241)	(600)	(600)
Free cash flow (a+b)	(105)	1,596	1,406	1,333
Equity raised/(repaid)	0	0	0	0
Debt raised/(repaid)	1,106	(764)	(437)	(280)
Dividend (incl. tax)	(115)	(173)	(207)	(249)
Others	(910)	(617)	(765)	(756)
Cash flow from fin. (c)	81	(1,554)	(1,409)	(1,285)
Net chg in cash (a+b+c)	(24)	43	(4)	47

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	6.9	10.3	12.4	14.5
Growth	69.7	49.9	20.4	17.1
CEPS (Rs)	12.4	15.1	17.6	19.9
Book NAV/share (Rs)	75.7	82.3	92.1	103.6
Dividend/share (Rs)	1.5	1.8	2.2	2.6
Dividend payout ratio	27.3	20.5	20.4	20.9
EBITDA margin	9.9	10.8	11.3	11.1
EBIT margin	7.4	8.9	9.5	9.4
Tax rate	13.2	14.0	23.0	23.0
RoCE	10.4	12.7	14.9	15.9
Net debt/Equity (x)	1.1	0.9	0.7	0.6
Net debt/EBITDA (x)	3.9	2.9	2.4	2.0
Du Pont Analysis - ROE				
Net margin	3.3	4.6	4.9	5.1
Asset turnover (x)	1.2	1.2	1.3	1.3
Leverage factor (x)	2.5	2.5	2.3	2.1
Return on equity	9.8	13.0	14.2	14.8

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	8.4	9.2	7.6	6.5
PCE	4.6	6.2	5.3	4.7
Price/Book	0.8	1.1	1.0	0.9
Yield (%)	2.6	1.9	2.3	2.8
EV/EBITDA	6.8	6.8	5.7	5.0

MID CAP

Share Data

Price (Rs)	31
BSE Sensex	27,888
Reuters code	HCNS.BO
Bloomberg code	HCC IN
Market cap. (US\$ mn)	319
6M avg. daily turnover (US\$ mn)	3.3
Issued shares (mn)	607

Performance (%) 1M 3M 12M

Absolute	(7)	(19)	119
Relative	(7)	(21)	68

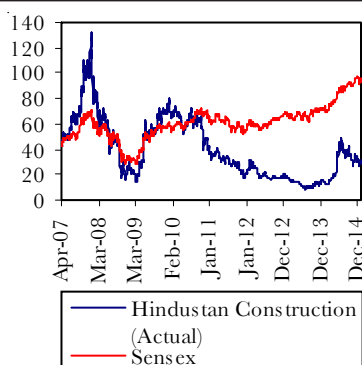
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	1.0	0.6
+/- (%)	NA	(41.9)
PER (x)	32.1	55.3
PBV (x)	1.5	1.4
EV/Sales (x)	1.7	1.7
EV/EBITDA (x)	9.1	9.0

Major shareholders (%)

Promoters	44
FII's	12
DII's	4
Public & Others	40

Relative performance



Hindustan Construction Maintain Underperformer

Plans in place...implementation remains the key

Recent performance

P&L performance of the company has seen a significant improvement as the company continues to book claims awarded. Despite ordinary performance at the top-line, booking of claims with relatively higher margins have made the company report EBITDA margins of over ~15% for FY14 and 1H FY15. The sharp improvement in margin profile has trickled to the bottom-line making the company report a positive bottom-line for six quarters in a row.

Key sensitivities to growth/Key risks – Next 12 months

- Recovery of claims remains a key to the company's plans to reduce debt significantly.
- With the new government's thrust on infrastructure development, new order awarding is likely to see an improvement in the future. HCC would stand to be one of the beneficiaries of any improvement in awarding activity.

Strategic initiatives/Capex plans

- Plans remain underway to raise ~Rs 7.5 bn through an IPO for Lavasa Corporation.
- The company also plans to raise ~Rs 7.5 bn at the parent level through issue of equity shares by the Qualified Institutional Placement route to reduce debt.
- Also, monetisation of assets remains on the cards. The company has already divested its stake in one annuity road project.

Balance sheet position

- Over 1H, debt has remained more or less constant as for the management's efforts to recover the money stuck as claims and manage working capital levels. However, even at these levels debt continues to remain above comfort levels.
- The return ratios have turned positive but the same is largely owing to booking of claims through the P&L statement.
- Recovery of monies has lagged bookings made by the company leading to continued strain on the working capital situation.

Valuation and view

The management is simultaneously working on various options to bring down debt at the parent level. However, little progress has been witnessed so far on this front. Even though the management has been taking steps in the right direction, we would like to wait until we see a meaningful reduction in debt levels to have a positive stance on the company. Currently, the stock trades at 1.5x FY15E PBV.

Dhaval Patel
dhaval.patel@bksec.com

Prem Khurana
prem.khurana@bksec.com

Hindustan Construction

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	38,323	40,425	39,656	42,007
Growth (%)	(3.9)	5.5	(1.9)	5.9
Operating expenses	(34,683)	(34,126)	(32,065)	(34,252)
Operating profit	3,640	6,299	7,591	7,755
EBITDA	3,640	6,299	7,591	7,755
Growth (%)	37.9	73.1	20.5	2.2
Depreciation	(1,634)	(1,446)	(1,426)	(1,296)
Other income	1,343	2,136	1,250	1,200
EBIT	3,349	6,989	7,414	7,660
Finance cost	(5,441)	(6,079)	(6,474)	(7,114)
Exceptional & extraordinary	156	–	–	–
Profit before tax	(1,936)	909	940	546
Tax (current + deferred)	559	(103)	(310)	(180)
Profit/(Loss) for the period	(1,376)	806	630	366
Reported Profit/(Loss)	(1,376)	806	630	366
Adjusted net profit	(1,532)	806	630	366
Growth (%)	NA	NA	(21.9)	(41.9)

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	607	607	646	646
Reserves & surplus	11,021	11,867	13,098	13,464
Shareholders' funds	11,628	12,474	13,744	14,110
Minority Interest and others	–	160	–	–
Non-current liabilities	33,979	31,646	25,735	21,703
Long-term borrowings	32,570	30,052	24,428	20,356
Other non-current liabilities	1,408	1,595	1,307	1,347
Current liabilities	39,684	41,678	50,484	55,688
ST borrowings, Curr maturity	13,709	18,119	26,093	30,871
Other current liabilities	25,975	23,560	24,390	24,817
Total (Equity and Liab.)	85,291	85,959	89,962	91,501
Non-current assets	35,042	39,092	41,108	44,152
Fixed assets (Net block)	10,227	9,204	8,451	7,843
Non-current Investments	6,012	6,900	6,331	6,295
Long-term loans and advances	12,133	12,118	12,445	12,475
Other non-current assets	6,670	10,871	13,881	17,539
Current assets	50,249	46,867	48,854	47,349
Cash & current investment	991	1,470	1,606	1,747
Other current assets	49,258	45,397	47,248	45,602
Total (Assets)	85,291	85,959	89,962	91,501
Total debt	46,280	48,170	50,521	51,228
Capital employed	59,316	62,399	65,572	66,684

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(1,936)	909	940	546
Depreciation	1,634	1,446	1,426	1,296
Change in working capital	(2,106)	1,438	(1,331)	2,060
Total tax paid	(0)	(9)	(155)	(180)
Others	4,110	4,781	5,224	5,914
Cash flow from oper. (a)	1,701	8,566	6,105	9,636
Capital expenditure	(85)	(356)	(674)	(688)
Change in investments	(165)	(887)	(457)	(148)
Others	1,471	(2,970)	(1,760)	(2,459)
Cash flow from inv. (b)	1,221	(4,213)	(2,891)	(3,294)
Free cash flow (a+b)	2,922	4,353	3,214	6,342
Equity raised/(repaid)	–	160	480	–
Debt raised/(repaid)	1,711	1,891	2,351	707
Others	(5,242)	(5,925)	(6,934)	(7,092)
Cash flow from fin. (c)	(3,531)	(3,874)	(4,103)	(6,385)
Net chg in cash (a+b+c)	(609)	479	(889)	(43)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(2.5)	1.3	1.0	0.6
Growth	NA	NA	(26.6)	(41.9)
CEPS (Rs)	0.2	3.7	3.2	2.6
Book NAV/share (Rs)	19.2	20.6	21.3	21.8
EBITDA margin	9.5	15.6	19.1	18.5
EBIT margin	8.7	17.3	18.7	18.2
Tax rate	26.7	11.3	33.0	33.0
RoCE	5.6	11.5	11.6	11.6
Total debt/Equity (x)	4.0	3.8	3.7	3.6
Net debt/Equity (x)	3.9	3.7	3.6	3.5
Du Pont Analysis - ROE				
Net margin	(4.0)	2.0	1.6	0.9
Asset turnover (x)	0.4	0.5	0.5	0.5
Leverage factor (x)	7.1	7.1	6.7	6.5
Return on equity	(12.5)	6.7	4.8	2.6

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	NA	12.7	32.1	55.3
PCE	81.4	4.6	9.8	12.2
Price/Book	0.7	0.8	1.5	1.4
EV/EBITDA	14.7	9.0	9.1	9.0

MID CAP

Share Data

Price (Rs)	6,840
BSE Sensex	27,888
Reuters code	HWA.BO
Bloomberg code	HWA IN
Market cap. (US\$ mn)	956
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	9

Performance (%) 1M 3M 12M

Absolute	1	28	147
Relative	3	22	85

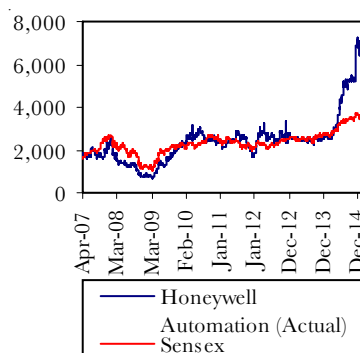
Valuation ratios

Yr to 31 Dec	CY14E	CY15E	CY16E
EPS (Rs.)	135.3	173.7	226.0
+/- (%)	38.8	28.4	30.1
PER (x)	51.5	39.4	30.3
PBV (x)	6.9	5.9	4.9
Dividend/Yield (%)	0.1	0.1	0.1
EV/Sales (x)	3.1	2.6	2.1
EV/EBITDA (x)	33.0	26.7	20.1

Major shareholders (%)

Promoters	75
MFs	15
Public & Others	10

Relative performance



Honeywell Automation

Maintain Outperformer

Healthy margins expected to sustain

Recent performance/Outlook

In the last two years, despite challenging condition, sales have grown by 7% CAGR due to healthy order book. Margins improved by 200 bps due to lower provisioning and better execution. Margin expansion will lead to robust 19% CAGR in earnings to Rs 135 in CY12-14E.

In 3QCY14, net sales grew by 18% YoY to Rs 5.1 bn driven by healthy order book. EBITDA margins improved by 630 bps to 9.5% due to better execution and lower provisioning. Adjusted PAT grew by 114% YoY to Rs 299 mn.

Key sensitivities to growth/Key risks

- Lower crude prices may lead to sluggish capex in oil & gas industry; hence we may see subdued order inflow in oil & gas industry.

Strategic initiatives/Capex plans

- It will focus on multi-brand and multi-channel approach for broad coverage.

Balance sheet position

- The company has always maintained debt free status.
- Lower margins due to lower utilisations kept RoEs at 14% at bottomed out levels.
- Cash conversion cycle stayed flat at 15 days with receivables at 78 days, inventory at 24 days and payable at 87 days.

Valuation and view

Despite prevailing challenging economic conditions, the company sustained healthy margins due to better quality of order book. Overall, sales growth is expected to stay moderate and margins are expected to sustain in CY14E. With improving sentiments and favourable investment scenario, we believe that industrial capex will show revival supporting growth in CY15-16E. Process solutions are expected to show strong growth on back of pick up in manufacturing capex, upgrade/expansion projects of oil terminals/storage, etc. Building solutions will most likely show robust growth with improving construction activities. With recovery in North America, Middle East markets and cost competitiveness due to rupee levels, exports are also likely to show robust growth in CY15-16E.

At the current market price of Rs 7,063, it is trading at 39x CY15E and 30x CY16E earnings. With revival in industrial capex, we believe that order inflow will be robust for the company. Hence, we believe there is more upside to valuations from current levels. We maintain Outperformer.

Bhalchandra Shinde

bhalchandra.shinde@bksec.com

Renu Baid

renu.baid@bksec.com

Honeywell Automation

Income Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Net sales	17,070	18,878	21,755	26,121
<i>Growth (%)</i>	2.8	10.6	15.2	20.1
Operating expenses	(15,886)	(17,108)	(19,623)	(23,353)
Operating profit	1,184	1,770	2,132	2,769
EBITDA	1,184	1,770	2,132	2,769
<i>Growth (%)</i>	(3.3)	49.5	20.5	29.9
Depreciation	(139)	(128)	(171)	(196)
Other income	186	201	242	290
EBIT	1,231	1,843	2,202	2,863
Finance cost	(4)	(3)	(3)	(3)
Profit before tax	1,227	1,840	2,199	2,860
Tax (current + deferred)	(366)	(644)	(664)	(862)
P/(L) for the period	862	1,196	1,536	1,998
Reported Profit/(Loss)	862	1,196	1,536	1,998
Adjusted net profit	862	1,196	1,536	1,998
<i>Growth (%)</i>	1.2	38.8	28.4	30.1

Balance Sheet

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Share capital	88	88	88	88
Reserves & surplus	7,721	8,811	10,244	12,140
Shareholders' funds	7,810	8,899	10,333	12,229
Non-current liabilities	202	224	258	309
Other non-current liabilities	202	224	258	309
Current liabilities	5,302	5,727	6,347	7,525
Other current liabilities	5,302	5,727	6,347	7,525
Total (Equity and Liab.)	13,314	14,850	16,938	20,063
Non-current assets	2,918	3,300	3,713	4,166
Fixed assets (Net block)	680	833	871	886
Long-term loans and advances	1,405	1,337	1,578	1,862
Other non-current assets	833	1,130	1,264	1,418
Current assets	10,396	11,550	13,224	15,897
Cash & current investment	3,108	3,134	3,644	4,692
Other current assets	7,288	8,416	9,580	11,205
Total (Assets)	13,314	14,850	16,938	20,063
Capital employed	8,012	9,123	10,591	12,538

Cash Flow Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Profit before tax	1,227	1,840	2,199	2,860
Depreciation	139	128	171	196
Change in working capital	1,321	(578)	(509)	(396)
Total tax paid	(539)	(942)	(798)	(1,016)
Others	(91)	3	3	3
Cash flow from oper. (a)	2,059	451	1,066	1,647
Capital expenditure	(324)	(213)	(451)	(494)
Others	(8)	0	0	0
Cash flow from inv. (b)	(332)	(213)	(451)	(494)
Free cash flow (a+b)	1,727	239	616	1,153
Dividend (incl. tax)	(103)	(209)	(106)	(106)
Others	(4)	(3)	1	1
Cash flow from fin. (c)	(107)	(213)	(105)	(105)
Net chg in cash (a+b+c)	1,620	26	511	1,048

Key Ratios

Period end (%)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Adjusted EPS (Rs)	97.4	135.3	173.7	226.0
Growth	1.2	38.8	28.4	30.1
CEPS (Rs)	113.2	149.8	193.0	248.1
Book NAV/share (Rs)	883.3	1,006.5	1,168.7	1,383.1
Dividend/share (Rs)	10.0	10.0	10.0	10.0
Dividend payout ratio	12.0	8.9	6.9	5.3
EBITDA margin	6.9	9.4	9.8	10.6
EBIT margin	7.2	9.8	10.1	11.0
Tax rate	29.8	35.0	30.2	30.1
RoCE	16.1	21.5	22.3	24.8
Net debt/Equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Du Pont Analysis - ROE				
Net margin	5.0	6.3	7.1	7.6
Asset turnover (x)	1.3	1.3	1.4	1.4
Leverage factor (x)	1.7	1.7	1.7	1.6
Return on equity	11.6	14.3	16.0	17.7

Valuations

Period end (x)	Dec 13	Dec 14E	Dec 15E	Dec 16E
PER	28.5	51.5	39.4	30.3
PCE	24.5	46.5	35.4	27.6
Price/Book	3.1	6.9	5.9	4.9
Yield (%)	0.4	0.1	0.1	0.1
EV/EBITDA	18.1	33.0	26.7	20.1

MID CAP

Share Data

Price (Rs)	129
BSE Sensex	27,888
Reuters code	HTML.BO
Bloomberg code	HTML IN
Market cap. (US\$ mn)	473
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	233

Performance (%) 1M 3M 12M

Absolute	14	15	61
Relative	16	10	21

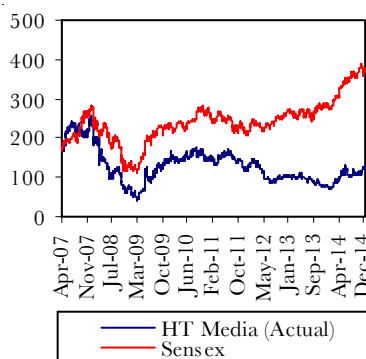
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	9.0	10.9	12.1
+/- (%)	31.4	20.7	10.8
PER (x)	14.2	11.8	10.7
PBV (x)	1.5	1.4	1.2
Dividend/Yield (%)	0.3	0.3	0.3
EV/Sales (x)	1.0	0.8	0.6
EV/EBITDA (x)	6.5	5.0	3.8

Major shareholders (%)

Promoters	70
FII's	14
MFs	8
Public & Others	8

Relative performance



HT Media

Maintain Outperformer

Several earnings drivers despite subdued revenue outlook

Recent performance

HT Media has reported subdued operating performance over the last two-three years, with EBITDA rising at 4% CAGR over FY12-14 and earnings being flat over the period. This is largely due to structural weakness in English print media (mature market, loss of share to digital media), high exposure to metro markets (impacted most by weak economic environment), increase in raw material costs and losses from new businesses (esp. digital media). This has been partly compensated by strong growth in Hindi business. HT Media performance in 1HFY15 has been weak with revenues rising by a mere 3% and EBITDA declining by 6%, dragged by weakness in English print market (decline in government advertising).

Key triggers/Risks

- Pick up in government advertising is important for overall revenue growth ahead.
- Turnaround at newer businesses (UP, Mumbai, Mint, digital) could aid in robust earnings growth despite subdued revenue outlook.

Strategic initiatives/Capex plans

- HT Media would continue to focus on growing new businesses, especially digital. The investments are unlikely to rise from FY14 levels.
- It plans to selectively acquire licences (8-10) at the upcoming FM radio auctions.
- The company has been scouting for opportunities for inorganic expansion.

Balance sheet position

- HT Media has a strong balance sheet with a net cash balance of Rs 4.2 bn as at end September 2014. In fact low dividend payout and accumulation of cash balance on balance sheet has been an area of unease for the investors. The company's working capital cycle stands at 30 days of revenues, with receivables, inventory and trade payable days of around 45, 40 and 75, respectively. The company's RoE has been weak (10-12%) in the last three years, owing to high cash balance and investment book (under ad-for-equity deals).

Outlook and valuation

While HT Media faces a weaker revenue growth outlook than its peers in regional print, there are several levers for earnings growth in the coming years – turnaround in UP/Mumbai operations, decline in digital losses and softer newsprint prices. In light of this, we find the current valuations (12.3x one-year forward EPS) undemanding. Articulation of expansion plans and dividend payout policy by the management, would go a long way in bridging the valuation gaps vis-à-vis peers, in our view.

Yogesh Kirve

yogesh.kirve@bksec.com

HT Media

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	22,007	23,189	25,269	27,293
<i>Growth (%)</i>	7.4	5.4	9.0	8.0
Operating expenses	(18,882)	(19,683)	(21,231)	(22,901)
Operating profit	3,125	3,506	4,038	4,392
EBITDA	3,125	3,506	4,038	4,392
<i>Growth (%)</i>	10.6	12.2	15.2	8.7
Depreciation	(858)	(1,025)	(1,066)	(1,109)
Other income	1,155	1,385	1,496	1,615
EBIT	3,422	3,866	4,468	4,899
Finance Cost	(649)	(545)	(500)	(500)
Exceptional & Extraordinary	468			
Profit before tax	3,241	3,321	3,968	4,399
Tax (current + deferred)	(917)	(839)	(1,002)	(1,111)
P/(L) for the period	2,324	2,482	2,966	3,288
P/L of Associates,	(248)	(381)	(429)	(478)
Min Int, Pref Div				
Reported Profit/(Loss)	2,075	2,102	2,537	2,810
Adjusted Net profit	1,607	2,102	2,537	2,810
<i>Growth (%)</i>	(4.2)	30.8	20.7	10.8

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	461	465	465	465
Reserves & surplus	16,992	18,981	21,406	24,105
Shareholders' funds	17,453	19,447	21,872	24,570
Minority Int, Share Appl, Pref Capital	1,590	1,971	2,400	2,878
Non-Current Liabilities	1,210	1,010	810	742
Long-term borrowings	468	268	68	
Other Long term liab, Prov, DTL	742	742	742	742
Current liabilities	11,384	11,356	11,634	11,932
Short-term borrowings, Curr Maturity	4,234	3,884	3,534	3,184
Other Current Liab + Provi	7,150	7,472	8,100	8,748
Total (Equity and Liab.)	31,637	33,783	36,715	40,121
Non-current assets	14,085	14,137	14,178	14,147
Fixed assets (Net block)	7,847	7,822	7,723	7,552
Non-current Investments	4,693	4,693	4,693	4,693
Long-term loans and adv.	1,217	1,271	1,385	1,496
Other non-current assets, DTA, Goodwill	327	352	378	406
Current assets	17,552	19,646	22,537	25,974
Cash & Current Investment	9,359	11,203	13,481	16,317
Other current assets	8,193	8,443	9,057	9,658
Total (Assets)	31,637	33,783	36,715	40,121
Total Debt	4,702	4,152	3,602	3,184
Capital Employed	24,487	26,312	28,616	31,374

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	3,241	3,321	3,968	4,399
Depreciation	858	1,025	1,066	1,109
Change in working capital	(353)	19	(100)	(64)
Total tax paid	(397)	(839)	(1,002)	(1,111)
Others	(506)	(840)	(996)	(1,115)
Cash flow from oper. (a)	2,843	2,686	2,937	3,217
Capital expenditure	(244)	(1,000)	(967)	(938)
Change in investments	(3,135)	(500)	(500)	(500)
Others	1,132	1,360	1,469	1,587
Cash flow from inv. (b)	(2,247)	(140)	3	149
Free cash flow (a+b)	596	2,547	2,940	3,366
Equity raised/(repaid)	(9)	5		
Debt raised/(repaid)	361	(550)	(550)	(418)
Dividend (incl. tax)	(109)	(112)	(112)	(112)
Others	(1,172)	(545)	(500)	(500)
Cash flow from fin. (c)	(929)	(1,202)	(1,162)	(1,030)
Net chg in cash (a+b+c)	(333)	1,344	1,778	2,336

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	6.9	9.0	10.9	12.1
Growth	(3.7)	31.4	20.7	10.8
CEPS (Rs)	10.5	13.4	15.5	16.8
Book NAV/share (Rs)	74.6	83.6	94.0	105.6
Dividend/share (Rs)	0.4	0.4	0.4	0.4
Dividend payout ratio	5.2	5.3	4.4	4.0
EBITDA margin	14.2	15.1	16.0	16.1
EBIT margin	15.5	16.7	17.7	17.9
Tax Rate	42.7	25.3	25.3	25.3
RoCE	14.6	15.2	16.3	16.3
Total debt/Equity (x)	0.2	0.2	0.1	1.0
Net debt/Equity (x)	(0.2)	(0.3)	(0.4)	0.1
Du Pont Analysis - ROE				
Net margin	7.3	9.1	10.0	10.3
Asset turnover (x)	0.7	0.7	0.7	0.7
Leverage factor (x)	1.8	1.8	1.7	1.7
Return on equity	9.6	11.4	12.3	12.1

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	13.6	14.2	11.8	10.7
PCE	8.9	9.6	8.3	7.6
Price/Book	1.3	1.5	1.4	1.2
Yield (%)	0.4	0.3	0.3	0.3
EV/EBITDA	5.5	6.5	5.0	3.8

MID CAP

Share Data

Price (Rs)	3,250
BSE Sensex	27,888
Reuters code	ICRA.BO
Bloomberg code	ICRA IN
Market cap. (US\$ mn)	513
6M avg. daily turnover (US\$ mn)	0.3
Issued shares (mn)	10

Performance (%) 1M 3M 12M

Absolute	20	25	108
Relative	22	20	56

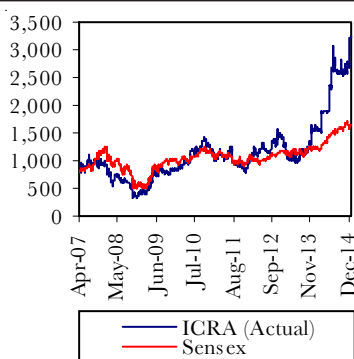
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	85.3	104.4	121.6
+/- (%)	21.4	22.3	16.5
PER (x)	38.1	31.1	26.7
PBV (x)	7.5	6.4	5.5
Dividend/Yield (%)	0.8	0.8	0.8
EV/Sales (x)	9.7	8.1	6.9
EV/EBITDA (x)	30.0	23.9	19.9

Major shareholders (%)

Promoters	50
FII's	11
MF's	8
BFSP's	17
Public & Others	14

Relative performance



ICRA

Maintain Underperformer

Benefit from improved in rating business...

Recent performance/Outlook

ICRA Ltd. (ICRA) has delivered 14% CAGR over FY11-14 driven from some traction in rating business from bonds and BLRs segments and improvement in non-rating business of ICRA with acquisition of clients in BPA tech business. ICRA has reported 13% revenue growth in 1H FY15 led by 14% YoY growth in rating business (~56% of consolidated revenue) and 12% YoY growth in non-rating segment. The EBITDA margin expanded by 50 bps YoY to 25% majorly on account of restricted employee expenses as percentage of sales to 50%. Further, significantly increase in other income on account of maturity of FMPs and lower tax rate, resulted 11% adjusted PAT growth.

Key triggers/Risks

- Improvement in debt market and bank credit growth.
- Implementation of the IRB model by banks will adversely impact the rating business.

Strategic initiatives

- ICRA derives 57% of rating revenue from debt rating and with the debt market expansion from new RBI guideline related to infra bond and several GoI initiatives, would benefit ICRA.
- ICRA has diversified its business over the years, which de-risk its business profile and provide potential for further growth.

Balance sheet position

- The business is not capital intensive and return ratios have been reasonably impressive. The company has significant cash reserves, healthy dividend payout ratio and asset light model.

Outlook and valuation

We expect that ICRA's rating business to deliver 17% CAGR in revenue over FY14-16E with a gradual revival of the investment cycle. The non-rating business expected to deliver 14% CAGR in revenue over FY14-16E with the addition of clients and increase in business from Moodys', with the increase of stake in the company. At the current market price of Rs 3,250, the stock is trading at 31x FY16E EPS of Rs 104 and 27x FY17E EPS of Rs 122. Maintain Underperformer.

Praveen Sahay
praveen.sahay@bksec.com

ICRA

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	2,830	3,271	3,855	4,518
<i>Growth (%)</i>	<i>12.5</i>	<i>15.6</i>	<i>17.9</i>	<i>17.2</i>
Operating expenses	(1,960)	(2,214)	(2,542)	(2,945)
Operating profit	870	1,057	1,314	1,573
EBITDA	870	1,057	1,314	1,573
<i>Growth (%)</i>	<i>34.5</i>	<i>21.5</i>	<i>24.3</i>	<i>19.8</i>
Depreciation	(60)	(74)	(66)	(79)
Other income	191	255	255	255
EBIT	1,000	1,238	1,503	1,750
Finance cost	(8)	(20)	(12)	(12)
Exceptional & extraordinary	(15)	(122)	0	0
Profit before tax	978	1,096	1,491	1,738
Tax (current + deferred)	(290)	(366)	(447)	(521)
P/(L) for the period	688	731	1,044	1,216
Reported Profit/(Loss)	688	731	1,044	1,216
Adjusted net profit	702	853	1,044	1,216
<i>Growth (%)</i>	<i>8.3</i>	<i>21.4</i>	<i>22.3</i>	<i>16.5</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	100	100	100	100
Reserves & surplus	3,779	4,206	4,945	5,858
Shareholders' funds	3,879	4,306	5,045	5,958
Minority Interests and others	5	1	1	1
Non-current liabilities	259	256	265	150
Long-term borrowings	158	150	150	150
Other non-current liabilities	101	106	115	0
Current liabilities	996	1,052	1,118	601
ST borrowings, Curr maturity	7	0	0	0
Other current liabilities	989	1,052	1,118	601
Total (Equity and Liab.)	5,139	5,614	6,430	6,710
Non-current assets	3,743	3,816	4,110	4,227
Fixed assets (Net block)	540	543	567	569
Non-current Investments	2,644	2,697	2,751	2,806
Long-term loans and adv.	114	132	349	408
Other non-current assets	444	444	444	444
Current assets	1,396	1,798	2,319	2,483
Cash & current investment	657	943	1,314	1,305
Other current assets	740	855	1,005	1,178
Total (Assets)	5,139	5,614	6,430	6,710
Total debt	165	150	150	150
Capital employed	4,150	4,562	5,311	6,109

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	978	1,096	1,491	1,738
Depreciation	60	74	66	79
Change in working capital	227	(67)	(291)	(860)
Total tax paid	(289)	(366)	(447)	(521)
Others	8	20	12	12
Cash flow from oper. (a)	984	757	831	448
Capital expenditure	(367)	(76)	(90)	(81)
Change in investments	(475)	(53)	(54)	(55)
Cash flow from inv. (b)	(842)	(129)	(144)	(136)
Free cash flow (a+b)	142	628	687	312
Equity raised/(repaid)	78	0	0	0
Debt raised/(repaid)	165	(15)	0	0
Dividend (incl. tax)	(269)	(302)	(302)	(302)
Others	(55)	(25)	(13)	(19)
Cash flow from fin. (c)	(82)	(342)	(315)	(321)
Net chg in cash (a+b+c)	60	286	371	(9)

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	70.2	85.3	104.4	121.6
Growth	8.3	21.4	22.3	16.5
CEPS (Rs)	76.3	92.7	111.0	129.5
Book NAV/share (Rs)	387.9	430.6	504.5	595.8
Dividend/share (Rs)	23.0	26.0	26.0	26.0
Dividend payout ratio	39.1	41.4	28.9	24.8
EBITDA margin	30.7	32.3	34.1	34.8
EBIT margin	35.4	37.8	39.0	38.7
Tax rate	29.2	30.0	30.0	30.0
RoCE	26.1	28.4	30.4	30.6
Total debt/Equity (x)	0.0	0.0	0.0	3.0
Net debt/Equity (x)	(0.1)	(0.2)	(0.2)	0.0
Du Pont Analysis - ROE				
Net margin	24.8	26.1	27.1	26.9
Asset turnover (x)	0.6	0.6	0.6	0.7
Leverage factor (x)	1.3	1.3	1.3	1.2
Return on equity	19.3	20.8	22.3	22.1

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	27.0	38.1	31.1	26.7
PCE	24.9	35.1	29.3	25.1
Price/Book	4.9	7.5	6.4	5.5
Yield (%)	1.2	0.8	0.8	0.8
EV/EBITDA	21.3	30.0	23.9	19.9

MID CAP

Share Data

Price (Rs)	86
BSE Sensex	27,888
Reuters code	ICMN BO
Bloomberg code	ICEM IN
Market cap. (US\$ mn)	419
6M avg. daily turnover (US\$ mn)	5.6
Issued shares (mn)	307

Performance (%) 1M 3M 12M

Absolute	(8)	(24)	48
Relative	(6)	(27)	11

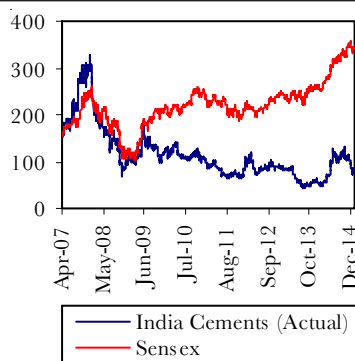
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	2.1	7.8
+/- (%)	—	279.6
PER (x)	41.8	11.0
Dividend/Yield (%)	0.6	0.8
EV/Sales (x)	1.0	0.9
EV/EBITDA (x)	7.2	5.4

Major shareholders (%)

Promoters	28
FII's	36
MF's	6
BFSI's	8
Public & Others	22

Relative performance



India Cements

Maintain Outperformer

Valuation re-rating on card

Recent performance

India Cements (ICL)'s operating performance has declined significantly during the period of FY12-14 due to muted performance of its cement segment and investments in non-core businesses. EBITDA declined at a CAGR of 14% during the last three years due to subdued demand & excess capacity in its prime market (Andhra Pradesh and Tamil Nadu), higher power & fuel cost and freight rates. ICL's 2QFY15 performance was below our estimates. EBITDA of Rs 1.8 bn (up 35% YoY) and EBITDA/tonne at Rs 653 (up 60% YoY) were below our estimates due to lower sales volume and higher cost inflation.

Key triggers/Risks – Next 12 months

- The company is geographically placed in a cement oversupply region and prices are primarily driven by production discipline. Hence, we expect weakening of production discipline could be a key risk to our earnings estimates.
- Negative news-flow regarding “Chennai Super Kings” IPL team.
- The company has made huge investments in its non-core businesses resulting in higher debt and lower profitability.

Strategic initiatives

- ICL would be key beneficiary of traction in cement demand in southern region being one of the largest players and having strong brand in the region.
- The board has decided to transfer “Chennai Super Kings” to its proposed wholly-owned subsidiary with effect from 01 January 2015 and planning to monetise the land parcel to reduce debt.

Balance sheet position

- Despite lower capex, gross debt was at Rs 32 bn for FY14 due to higher investments in non-core businesses.

Outlook and valuation

ICL's performance would be subdued in near term due to weak demand and lower price in its prime market. Apart from that, concern on equity dilution would limit the upside in stock price in near term. However, there would be likely traction in southern region demand considering formation of new state, end of political turmoil and pro-development government at center. This would lead to further rise in cement price and robust operating performance in the coming quarters. We believe improvement in operating performance, proposed restructuring and attractive valuation is providing strong probability of re-rating in valuation. Hence, we retain our Outperformer rating.

Amit Srivastava
amit.srivastava@bksec.com

Saurabh Mitra
saurabh.mitra@bksec.com

India Cements

Income Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Net sales	51,595	50,848	56,679	62,976
<i>Growth (%)</i>	<i>11.4</i>	<i>(1.4)</i>	<i>11.5</i>	<i>11.1</i>
Operating expenses	(42,232)	(44,933)	(48,483)	(52,350)
Operating profit	9,363	5,914	8,196	10,626
EBITDA	9,363	5,914	8,196	10,626
<i>Growth (%)</i>	<i>(0.6)</i>	<i>(36.8)</i>	<i>38.6</i>	<i>29.6</i>
Depreciation	(3,240)	(3,197)	(3,262)	(3,293)
Other income	238	243	259	282
EBIT	6,361	2,961	5,193	7,615
Finance cost	(3,691)	(4,107)	(4,288)	(4,069)
Profit before tax	2,671	(1,147)	905	3,546
Tax (current + deferred)	(884)	(12)	(311)	(1,180)
P/(L) for the period	1,786	(1,159)	594	2,367
P/L of Associates,	94	(9)	41	43
Min Int, Pref Div				
Reported Profit/(Loss)	1,880	(1,168)	635	2,409
Adjusted net profit	1,880	(1,168)	635	2,409
<i>Growth (%)</i>	<i>(31.7)</i>	<i>—</i>	<i>—</i>	<i>279.6</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Share capital	3,072	3,072	3,072	3,072
Reserves & surplus	36,839	33,638	34,272	36,682
Shareholders' funds	39,911	36,709	37,344	39,753
Minority Interests and others	214	251	271	291
Non-current liabilities	26,960	28,168	28,278	28,388
Long-term borrowings	21,321	22,407	22,407	22,407
Other non-current liab.	5,639	5,761	5,871	5,981
Current liabilities	25,133	26,188	27,055	28,341
ST borrowings, Curr maturity	11,836	9,968	9,918	9,868
Other current liabilities	13,297	16,220	17,137	18,473
Total (Equity and Liab.)	92,218	91,317	92,949	96,774
Non-current assets	76,461	74,640	74,590	75,290
Fixed assets (Net block)	55,551	53,221	52,221	51,221
Non-current Investments	4,362	4,401	4,601	4,801
Long-term loans and adv.	16,547	17,018	17,768	19,268
Current assets	15,757	16,678	18,359	21,484
Cash & current investment	200	92	166	1,397
Other current assets	15,558	16,585	18,193	20,087
Total (Assets)	92,218	91,317	92,949	96,774
Total debt	33,157	32,375	32,325	32,275
Capital employed	78,921	75,097	75,812	78,301

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Profit before tax	2,671	(1,147)	905	3,546
Depreciation	3,240	3,197	3,262	3,293
Change in working capital	(1,256)	2,174	(1,401)	(2,018)
Total tax paid	(836)	(4)	(311)	(1,180)
Others	3,691	4,107	4,288	4,069
Cash flow from oper. (a)	7,508	8,327	6,743	7,710
Capital expenditure	(5,019)	(866)	(2,262)	(2,293)
Change in investments	(236)	38	(200)	(200)
Cash flow from inv. (b)	(5,256)	(827)	(2,462)	(2,493)
Free cash flow (a+b)	2,253	7,500	4,281	5,217
Equity raised/(repaid)	(0)	0	0	0
Debt raised/(repaid)	2,811	(782)	(50)	(50)
Dividend (incl. tax)	(680)	(754)	(134)	(195)
Others	(4,404)	(5,994)	(4,023)	(3,741)
Cash flow from fin. (c)	(2,272)	(7,530)	(4,207)	(3,986)
Net chg in cash (a+b+c)	(20)	(30)	74	1,231

Key Ratios

Period end (%)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Adjusted EPS (Rs)	6.1	(3.8)	2.1	7.8
Growth	(31.7)	—	—	279.6
CEPS (Rs)	16.7	6.6	12.7	18.6
Book NAV/share (Rs)	129.9	119.5	121.6	129.4
Dividend/share (Rs)	2.3	0.0	0.5	0.7
Dividend payout ratio	38.2	0.0	24.2	8.9
EBITDA margin	18.1	11.6	14.5	16.9
EBIT margin	12.3	5.8	9.2	12.1
Tax rate	33.1	(1.1)	34.4	33.3
RoCE	8.2	3.8	6.9	9.9
Total debt/Equity (x)	0.8	0.9	0.9	0.8
Net debt/Equity (x)	0.8	0.9	0.9	0.8
Du Pont Analysis - ROE				
Net margin	3.6	(2.3)	1.1	3.8
Asset turnover (x)	0.6	0.6	0.6	0.7
Leverage factor (x)	2.3	2.4	2.5	2.5
Return on equity	4.7	(3.0)	1.7	6.2

Valuations

Period end (x)	Mar 13	Mar 14E	Mar 15E	Mar 16E
PER	13.7	(16.0)	41.8	11.0
PCE	5.0	9.2	6.8	4.7
Price/Book	0.6	0.5	0.7	0.7
Yield (%)	2.8	0.0	0.6	0.8
EV/EBITDA	6.3	8.6	7.2	5.4

MID CAP

Share Data

Price (Rs)	215
BSE Sensex	27,888
Reuters code	INBA.BO
Bloomberg code	INBK IN
Market cap. (US\$ mn)	1,582
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	430

Performance (%)	1M	3M	12M
Absolute	10	42	84
Relative	12	35	38

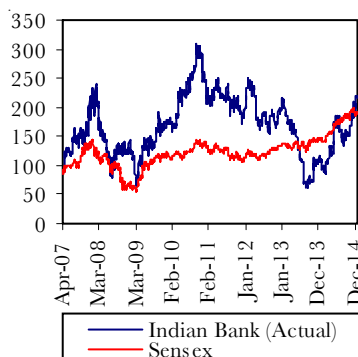
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	24.2	28.8	37.7
+/- (%)	(6.7)	19.3	30.6
ABV (Rs)	218.6	234.9	260.5
+/- (%)	4.6	7.5	10.9
PER (x)	8.9	7.5	5.7
PABV (x)	1.0	0.9	0.8
Dividend/Yield(%)	3.5	4.0	4.0

Major shareholders (%)

Promoters	22
FII's	46
MFs	7
BFSI's	12
Public & Others	12

Relative performance



Indian Bank

Maintain Outperformer

A good bank available at attractive valuations...

Recent performance

As guided, FY14 strategy of consolidation continues in FY15, with the loan book declining on an YTD basis (-5% YTD). However, bank showed a 23 bps QoQ improvement in NIMs in 2Q, aided by lower interest reversal and lower COFs. Fresh slippages were down again QoQ but coupled with anemic growth, led to 20 bps QoQ jump in GNPA to 4.2%. Fresh restructuring too came in lower at Rs 4 bn vs. Rs 14 bn mn 1Q (incl AP SEB).

Key risks

- Bank has shown lower impairment for the past two quarters, but given still elevated systemic risk, impairments could remain high.
- Hit on pension liability due to liberal assumptions.

Strategic initiatives/Key highlights

- Calibrated loan growth strategy and improving CASA through branch expansion. Shed bulk deposits given lower loan growth and in the process support otherwise depressed NIMs.
- Containing headline asset quality through aggressive organic recovery/upgrade and NPA sale to ARC.

Balance sheet position

- Banks strategy is to prune corporate exposure and selectively build Retail/SME portfolio.
- Bank has utilised the weak economic scenario to build its PSL portfolio and thus tried making its NIM stable by reducing dependence on RIDF.

Valuation and view

Asset quality has been a concern for most PSU banks including INBK; however, bank expects asset impairment to moderate going forward, but we remain conservative in our asset quality assumption, given systemic stress. We draw comfort from relatively better CAR (Tier I > 10.7%), management longevity and reasonable valuations. Maintain Outperformer from long term perspective.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Indian Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	152,492	161,227	176,988	204,517
Interest expense	(108,888)	(115,425)	(124,900)	(141,398)
Net interest income	43,604	45,802	52,088	63,119
<i>Growth (%)</i>	<i>(3.6)</i>	<i>5.0</i>	<i>13.7</i>	<i>21.2</i>
Non-interest income	13,717	12,498	13,645	14,564
Operating income	57,321	58,300	65,733	77,684
Operating expenses	(28,315)	(29,927)	(33,585)	(38,473)
- Staff expenses	(19,268)	(19,836)	(21,839)	(24,241)
Pre-provisions profit	29,006	28,373	32,148	39,210
Core operating profit	25,232	24,977	28,582	36,357
<i>Growth (%)</i>	<i>(11.4)</i>	<i>(1.0)</i>	<i>14.4</i>	<i>27.2</i>
Provisions & Contingencies	(14,249)	(13,391)	(14,276)	(15,870)
Pre-tax profit	14,757	14,983	17,872	23,340
(before non-recurring items)				
Pre-tax profit	14,757	14,983	17,872	23,340
(after non-recurring items)				
Tax (current + deferred)	(3,167)	(3,746)	(4,468)	(5,835)
Net profit	11,589	11,237	13,404	17,505
Adjusted net profit	11,589	11,237	13,404	17,505
<i>Growth (%)</i>	<i>(26.7)</i>	<i>(3.0)</i>	<i>19.3</i>	<i>30.6</i>
Net income	11,589	11,237	13,404	17,505

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	104,905	112,193	117,941	125,937
Investments	469,104	526,552	596,593	694,405
Advances	1,222,090	1,342,056	1,557,057	1,838,517
Int. earning assets	1,796,099	1,980,801	2,271,591	2,658,859
Fixed assets (Net block)	29,322	31,105	32,891	34,840
Other assets	47,846	49,425	55,987	63,726
Total assets	1,873,267	2,061,331	2,360,470	2,757,425
Deposits	1,622,748	1,824,968	2,094,374	2,461,226
Other int. bearing liab.	49,639	44,918	50,010	57,511
Total Int. bearing liab.	1,734,557	1,928,128	2,218,612	2,602,685
Other liab. and provisions	62,170	58,241	74,229	83,948
Share capital	4,648	4,648	4,648	4,648
Reserves & surplus	134,062	128,555	137,209	150,091
Shareholders' funds	138,710	133,203	141,857	154,740
Total equity & liab.	1,873,267	2,061,331	2,360,470	2,757,425

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	25.9	24.2	28.8	37.7
BVPS	248.2	263.6	282.4	310.2
Adjusted Book NAV/share	208.9	218.6	234.9	260.5
PER (x)	8.3	8.9	7.5	5.7
Price/Book (x)	0.9	0.8	0.8	0.7
Price/Adjusted book (x)	1.0	1.0	0.9	0.8
Dividend Yield (%)	2.2	3.5	4.0	4.0
Du-Pont ratios				
NII/Avg. Assets (%)	2.5	2.3	2.4	2.5
Non-interest income/Avg Assets	0.8	0.6	0.6	0.6
- Fee income/Avg Assets	0.6	0.5	0.4	0.4
- Trading gains/Avg Assets	0.2	0.2	0.2	0.1
Cost/Avg Assets	1.6	1.5	1.5	1.5
Non-tax Provisions/Avg Assets	0.8	0.7	0.6	0.6
Tax Provisions/Avg Assets	0.2	0.2	0.2	0.2
RoA (%)	0.7	0.6	0.6	0.7
Leverage	15.6	16.5	17.4	18.6
RoE (%)	10.4	9.4	10.6	12.7
Balance Sheet ratios (%)				
Loan growth	15.7	9.8	16.0	18.1
Deposit growth	14.3	12.5	14.8	17.5
Loans/Deposits	75.3	73.5	74.3	74.7
Investments/Deposits	28.9	28.9	28.5	28.2
CASA ratio	27.2	27.5	27.9	28.2
Profitability ratios (%)				
NIMs	2.6	2.5	2.5	2.6
Interest spread	2.2	2.2	2.2	2.3
Yield on advances	10.3	9.8	9.5	9.4
Cost of deposits	7.0	6.5	6.2	6.1
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	23.9	21.4	20.8	18.7
Trading income/Net income	6.6	5.8	5.4	3.7
Cost/Income	49.4	51.3	51.1	49.5
Asset quality ratios (%)				
Gross NPLs	3.7	3.9	3.7	3.4
Net NPLs	2.3	2.4	2.2	1.9
Net NPLs/Net worth	22.5	24.2	23.7	22.4
Loan provisions/Avg loans	1.2	1.1	1.0	0.9
Provisions cover	39.4	41.0	43.0	45.0
Capitalisation ratios (%)				
Tier I cap.adequacy	10.2	10.2	9.9	9.3
Total cap.adequacy	12.6	12.6	12.1	11.3

MID CAP

Share Data

Price (Rs)	121
BSE Sensex	27,888
Reuters code	IHTL.BO
Bloomberg code	IH IN
Market cap. (US\$ mn)	1,542
6M avg. daily turnover (US\$ mn)	1.8
Issued shares (mn)	807

Performance (%) 1M 3M 12M

Absolute	3	26	105
Relative	5	20	53

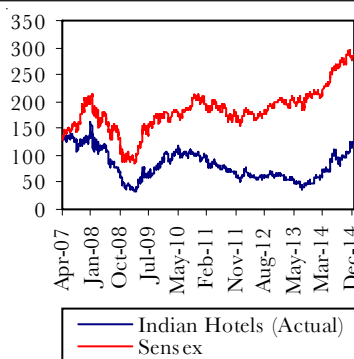
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	0.9	1.9
+/- (%)	—	121.4
PER (x)	139.0	62.8
PBV (x)	3.6	3.1
EV/Sales (x)	3.1	3.1
EV/EBITDA (x)	20.79	18.17

Major shareholders (%)

Promoters	38
FII's	17
MF's	6
BFSI's	18
Public & Others	21

Relative performance



Indian Hotels

Maintain SELL

RevPAR's may remain under pressure

Recent performance/Outlook

Indian Hotels (IHCL) standalone and consolidated performance for the last two years has been weak with revenue CAGR of just 3% and 9%. Operational performance has been weak due to the sluggish domestic demand suppressing average room rates (ARR) and reducing occupancy. However, on international front there has been an improvement in occupancy/ARR across hotels. Overall profitability has been impacted due to the write-off in investment of Taj International hotel (HK) which holds Orient express hotel (OEH) stake and hotels in few overseas markets.

Key triggers/Risks

TVoA enabled Electronic Travel Authorisation (ETA) for 43 nations latest in a series of measures introduced by Modi regime to ease visa regime and encourage foreigners to visit India. Risks remain from any liability from the delay in development of Sea Rock property (overall repayment obligation of Rs 14 bn) and higher interest payments on debt redemption in future.

Strategic initiatives

- IHCL's capex post FY15 is likely to trend downwards as its key assets are near completion (Delhi/Guwahati) and incrementally most of the growth is now captured via management contracts.
- The company through its rights issue has raised Rs 10 bn, which will be largely utilised to repay debt, besides meeting near term capex requirements and also completed sale of its Australian property – The Blue Hotel for A\$ 32 mn.

Balance sheet position

- High debt on books a concern Rs 42.5 bn with D/E of 1.3x in FY14 but the company has taken steps to reduce its debt by raising money through right issue and selling its asset in strategically unimportant geographies.
- Free cash flow and return ratios to improve going forward once economic revival kicks in.

Outlook and valuation

Domestic room demand will likely improve in 2HFY15 but RevPAR improvement is likely to be muted as most city occupancies are still below 60% which we believe will limit hotels pricing power. Despite optimistic assumptions valuation at 18x FY16 consolidated EBITDA and 63x FY16 earnings look expensive given earnings downsides from a slower recovery. We have a Sell rating on the stock.

Ashit Desai
ashit.desai@bksec.com

Shobit Singhal
shobit.singhal@bksec.com

Indian Hotels

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	37,434	40,662	43,779	47,995
Growth (%)	9.0	8.6	7.7	9.6
Operating expenses	(32,086)	(35,066)	(37,186)	(39,929)
Operating profit	5,348	5,596	6,594	8,066
EBITDA	5,348	5,596	6,594	8,066
Growth (%)	(2.0)	4.6	17.8	22.3
Depreciation	(2,884)	(3,081)	(3,209)	(3,332)
Other income	602	598	639	676
EBIT	3,065	3,112	4,024	5,409
Finance cost	(1,707)	(1,685)	(1,436)	(1,147)
Exceptional & extraordinary	(4,304)	(5,548)	0	0
Profit before tax	(2,947)	(4,122)	2,588	4,263
Tax (current + deferred)	(990)	(1,110)	(1,469)	(1,919)
P/(L) for the period	(3,936)	(5,231)	1,119	2,344
P/L of Associates,	(395)	(307)	(417)	(438)
Min Int, Pref Div				
Reported Profit/(Loss)	(4,331)	(5,538)	703	1,905
Adjusted net profit	(27)	10	703	1,905
Growth (%)	(176.4)	(136.8)	6,996.2	171.2

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	807	807	807	989
Reserves & surplus	28,985	25,557	26,260	37,982
Shareholders' funds	29,793	26,365	27,067	38,971
Minority Interests and others	7,077	7,359	7,359	7,359
Non-current liabilities	43,322	38,717	43,816	39,918
Long-term borrowings	34,312	30,239	35,239	31,239
Other non-current liab.	9,010	8,478	8,577	8,679
Current liabilities	12,766	22,746	20,829	11,639
Short-term borrowings	3,865	12,281	10,458	458
Other current liabilities	8,901	10,465	10,371	11,181
Total (Equity and Liab.)	92,957	95,186	99,070	97,886
Non-current assets	83,472	85,811	86,168	85,976
Fixed assets (Net block)	58,044	61,889	61,882	61,250
Non-current Investments	15,226	13,193	13,193	13,193
Long-term loans and adv.	4,764	4,599	4,961	5,402
Other non-current assets	5,438	6,131	6,131	6,131
Current assets	9,485	9,374	12,903	11,910
Cash & current investment	2,508	2,915	6,155	4,693
Other current assets	6,977	6,459	6,748	7,217
Total (Assets)	92,957	95,185	99,070	97,886
Total debt	38,176	42,520	45,697	31,697
Capital employed	84,056	84,721	88,699	86,705

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(2,947)	(4,122)	2,588	4,263
Depreciation	2,884	3,081	3,209	3,332
Change in working capital	375	1,847	(684)	(39)
Total tax paid	(1,023)	(738)	(1,469)	(1,919)
Others	1,364	1,304	1,029	711
Cash flow from oper. (a)	653	1,374	4,673	6,348
Capital expenditure	(5,555)	(6,750)	(3,203)	(2,700)
Change in investments	3,413	1,362	0	0
Others	454	356	407	435
Cash flow from inv. (b)	(1,688)	(5,033)	(2,796)	(2,264)
Free cash flow (a+b)	(1,035)	(3,660)	1,877	4,083
Equity raised/(repaid)	3,088	(1)	0	9,993
Debt raised/(repaid)	122	4,344	3,177	(14,000)
Dividend (incl. tax)	(894)	(765)	0	0
Others	(906)	(182)	(1,814)	(1,538)
Cash flow from fin. (c)	1,410	3,395	1,363	(5,546)
Net chg in cash (a+b+c)	375	(265)	3,240	(1,462)

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(0.0)	0.0	0.9	1.9
Growth	—	—	—	121.4
CEPS (Rs)	3.5	3.8	4.8	5.3
Book NAV/share (Rs)	36.9	32.7	33.5	39.4
Dividend/share (Rs)	0.8	0.0	0.0	0.0
Dividend payout ratio	(17.6)	(1.3)	0.0	0.0
EBITDA margin	14.3	13.8	15.1	16.8
EBIT margin	8.2	7.7	9.2	11.3
Tax rate	72.9	77.8	56.8	45.0
RoCE	3.7	3.7	4.6	6.2
Total debt/Equity (x)	1.0	1.3	1.3	0.7
Net debt/Equity (x)	1.0	1.2	1.1	0.6
Du Pont Analysis - ROE				
Net margin	(0.1)	0.0	1.6	4.0
Asset turnover (x)	0.4	0.4	0.5	0.5
Leverage factor (x)	3.1	3.4	3.6	3.0
Return on equity	(0.1)	0.0	2.6	5.8

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	(1,607.4)	5,929.6	139.0	62.8
PCE	15.1	19.0	25.0	22.8
Price/Book	1.5	2.2	3.6	3.1
Yield (%)	1.5	0.0	0.0	0.0
EV/EBITDA	14.8	17.6	20.8	18.2

MID CAP

Share Data

Price (Rs)	64
BSE Sensex	27,888
Reuters code	IOBK.BO
Bloomberg code	IOBIN
Market cap. (US\$ mn)	1,246
6M avg. daily turnover (US\$ mn)	2.5
Issued shares (mn)	1,235

Performance (%) 1M 3M 12M

Absolute	10	13	25
Relative	12	7	(6)

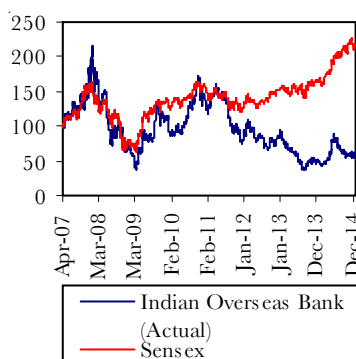
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	2.4	3.7	5.6
+/- (%)	(59.4)	51.5	50.5
ABV (Rs)	71.1	70.0	70.5
+/- (%)	(17.3)	(1.7)	0.7
PER (x)	26.2	17.3	11.5
PABV (x)	0.9	0.91	0.91
Dividend/Yield (%)	1.3	1.9	2.4

Major shareholders (%)

Promoters	74
FIIIs	2
MFs	15
Public & Others	9

Relative performance



Indian Overseas Bank

Maintain SELL

Issues galore!

Recent performance

Already weak asset quality which coupled with absence of top management continues to take toll on banks business and earnings. Anemic loan growth in 2Q (down QoQ/ up just 2% YoY), continued CASA deceleration and higher reversals, impacted NIMs, down 17 bps QoQ to 2.07%. Fresh slippages see no abatement, taking GNPA ratio up 151 bps QoQ to 7.35%. Banks CAR remains low at 7.3% and the absence of CMD has led to cancellation of its QIP plans.

Key risks

- Weak capital position (Tier-I 7.3%) and asset quality (GNPA 7.35%) would restrict ability to grow and thus miss benefit of macro recovery.
- Weak capital position would imply high capital infusion for meeting regulatory requirement. Also, bank has dropped plans for QIP; thus further depressing return ratios.
- High exposure to Power and Steel sectors, makes it vulnerable to any delay or adverse implications in coal block allocations.

Strategic initiatives/Key highlights

- Bank has shown some prudence in consolidating growth in FY15.

Balance sheet position

- Given recent stricter regulations overseas, especially in Singapore and Hong Kong, bank is pruning its exposure there, which should further slowdown growth.
- Despite asset quality woes, bank has further increased its exposure to stressed sectors (road, power, textile, steel, mining and CRE) to 30% versus 29% in FY13.

Valuation and view

Though bank was targeting higher growth in FY15 and thus NIMs, we believe, absence of top management (CMD/one ED/ and few senior GMs) will paralyse growth plans, which coupled with weak liability profile/continued interest reversals on NPAs could keep margins under pressure. Also NPA sale (to manage headline GNPA) would take back-seat. We maintain our Sell rating given weak liability franchise/asset quality/ earnings profile, lower capital (Tier I - 7.3%) and absence of top management.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Indian Overseas Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	226,838	242,033	257,821	285,030
Interest expense	(170,586)	(185,454)	(194,911)	(212,324)
Net interest income	56,252	56,579	62,911	72,706
<i>Growth (%)</i>	<i>7.1</i>	<i>0.6</i>	<i>11.2</i>	<i>15.6</i>
Non-interest income	21,693	17,352	19,600	20,714
Operating income	77,945	73,930	82,510	93,420
Operating expenses	(37,489)	(42,108)	(46,922)	(52,902)
- Staff expenses	(23,626)	(27,747)	(30,902)	(34,725)
Pre-provisions profit	40,456	31,822	35,589	40,518
Core operating profit	36,613	29,132	32,092	36,846
<i>Growth (%)</i>	<i>2.4</i>	<i>(20.4)</i>	<i>10.2</i>	<i>14.8</i>
Provisions & Contingencies	(31,542)	(27,623)	(29,481)	(31,076)
Pre-tax profit	8,914	4,199	6,108	9,442
(before non-recurring items)				
Pre-tax profit	8,914	4,199	6,108	9,442
(after non-recurring items)				
Tax (current + deferred)	(2,413)	(1,050)	(1,527)	(2,549)
Net profit	6,501	3,149	4,581	6,893
Adjusted net profit	6,501	3,149	4,581	6,893
<i>Growth (%)</i>	<i>14.6</i>	<i>(51.6)</i>	<i>45.5</i>	<i>50.5</i>
Net income	6,501	3,149	4,581	6,893

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	190,088	223,997	233,631	243,567
Investments	702,368	769,813	846,951	957,419
Advances	1,758,878	1,859,026	2,077,599	2,407,291
Interest earning assets	2,651,333	2,852,835	3,158,182	3,608,277
Fixed assets (Net block)	26,044	28,410	31,350	34,703
Other assets	71,671	74,533	80,036	82,164
Total assets	2,749,048	2,955,778	3,269,567	3,725,143
Deposits	2,279,761	2,465,281	2,739,816	3,163,562
Other int. bearing liab.	244,560	266,391	294,358	315,961
Total Int. bearing liab.	2,587,347	2,799,403	3,110,345	3,561,196
Other liabilities and prov.	63,025	67,730	76,171	81,672
Share capital	12,353	12,353	12,353	12,353
Reserves & surplus	149,348	144,022	146,869	151,594
Shareholders' funds	161,702	156,375	159,222	163,947
Total equity & liab.	2,749,048	2,955,778	3,269,567	3,725,143

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	6.0	2.4	3.7	5.6
BVPS	116.2	117.7	120.0	123.9
Adjusted Book NAV/share	86.0	71.1	70.0	70.5
PER (x)	10.6	26.2	17.3	11.5
Price/Book (x)	0.6	0.5	0.5	0.5
Price/Adjusted book (x)	0.7	0.9	0.9	0.9
Dividend Yield (%)	2.2	1.3	1.9	2.4
Du-Pont ratios				
NII/Avg. Assets (%)	2.2	2.0	2.0	2.1
Non-interest income/Avg Assets	0.8	0.6	0.6	0.6
- Fee income/Avg Assets	0.7	0.5	0.5	0.5
- Trading gains/Avg Assets	0.1	0.1	0.1	0.1
Cost/Avg Assets	1.4	1.5	1.5	1.5
Non-tax Provisions/Avg Assets	1.2	1.0	0.9	0.9
Tax Provisions / Avg Assets	0.1	0.0	0.0	0.1
RoA (%)	0.3	0.1	0.1	0.2
Leverage	19.5	19.7	21.2	23.2
RoE (%)	4.9	2.2	3.1	4.6
Balance Sheet ratios (%)				
Loan growth	9.7	5.7	11.8	15.9
Deposit growth	12.8	8.1	11.1	15.5
Loans/Deposits	77.2	75.4	75.8	76.1
Investments/Deposits	30.8	31.2	30.9	30.3
CASA ratio	25.3	25.4	25.5	25.2
Profitability ratios (%)				
NIMs	2.3	2.1	2.2	2.2
Interest spread	2.1	2.0	2.1	2.2
Yield on advances	10.6	10.5	10.4	10.1
Cost of deposits	7.1	7.3	7.0	6.7
Efficiency/other P/L ratios (%)				
Non-interest income/Net income	27.8	23.5	23.8	22.2
Trading income/Net income	4.9	3.6	4.2	3.9
Cost/Income (%)	48.1	57.0	56.9	56.6
Asset quality ratios (%)				
Gross NPLs	5.0	6.7	6.8	6.5
Net NPLs	3.2	4.7	4.5	4.2
Net NPLs/Net worth	36.9	55.6	58.4	59.6
Loan provisions/Avg loans	1.6	1.8	1.6	1.4
Provisions cover	37.3	32.0	35.0	38.0
Capitalisation ratios (%)				
Tier I cap.adequacy	7.5	7.1	7.3	6.6
Total cap.adequacy	10.8	10.4	10.0	10.0

MID CAP

Share Data

Price (Rs)	452
BSE Sensex	27,888
Reuters code	IGAS.BO
Bloomberg code	IGLIN
Market cap. (US\$ mn)	1,000
6M avg. daily turnover (US\$ mn)	3.8
Issued shares (mn)	140

Performance (%)	1M	3M	12M
Absolute	3	8	69
Relative	5	3	27

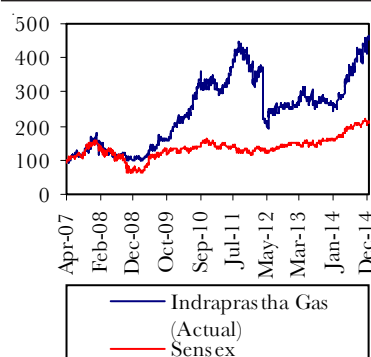
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs)	32.3	33.8
+/- (%)	2.6	4.6
PER (x)	14.0	13.4
PBV (x)	2.6	2.3
Dividend/Yield (%)	1.6	1.7
EV/Sales (x)	1.6	1.5
EV/EBITDA (x)	7.4	6.9

Major shareholders (%)

Promoters	45
GOI	5
FII's	14
MF's	8
BFSI's	11
Public & Others	18

Relative performance



Indraprastha Gas

Maintain Outperformer

Not as bright as expected

Recent performance/Outlook

Indraprastha Gas (IGL) posted in line numbers for 2QFY15 where the profits stood at Rs 1.2 bn (B&K estimate – Rs1.1 bn). The strong profitability was driven by high gross spreads at Rs 9.5/scm. The higher margins were led by full impact of the Rs 3/ kg price hike taken in previous quarter in the CNG segment to counter rupee depreciation and lagged availability of domestic gas.

Key sensitivities to growth/Key risks

- DTC bus addition would be lower than earlier envisaged due to delay in the tendering process. DMITS bus additions are also slower with 500-600 bus additions/year versus 2,500 planned over two-three years.
- The private vehicle conversion has increased to 3,800/month versus 2,500/month previously. The rickshaw additions could receive impetus as Delhi government has sought approval to add 200,000 rickshaws to the current fleet of 100,000.
- The company recently acquired 50% stake in MNGL which along with CUGL stake buy would boost earnings for IGL. Expect incremental earnings of Rs 4/ share from these acquisitions by FY17E.
- The company would look forward to more such acquisitions as it's the nodal agency for GAIL and BPCL for their exposure in CGD segment.

Balance sheet position

- The company's gearing remains comfortable as at 0.1x as of September 2014.
- Given the limited capex the cash on books as of 30 September 2014 has increased meaningfully from Rs 2.6 bn to Rs 4.5 bn making IGL net cash company.

Valuation and view

We believe the growth prospects for IGL are a little gloomy as against what was expected. In the standalone business, expect margins to be suppressed and normalise at Rs 5.5/scm on EBITDA level, while volume growth would continue to remain benign. The bumper performance expected from subsidiaries (CUGL/MNGL) could be overstated. We value IGL's FY17 standalone earnings at 13x, while high growth MNGL and CUGL are valued at 15x FY17E earnings. The stock offers limited upside from the current levels.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Sujit Lodha, CFA
sujit.lodha@bksec.com

Indraprastha Gas

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	39,174	37,249	38,536	40,854
<i>Growth (%)</i>	16.4	(4.9)	3.5	6.0
Operating expenses	(31,398)	(29,195)	(30,257)	(32,154)
Operating profit	7,776	8,053	8,278	8,700
Other operating income	48	75	48	48
EBITDA	7,824	8,128	8,326	8,748
<i>Growth (%)</i>	3.1	3.9	2.4	5.1
Depreciation	(2,195)	(1,477)	(1,501)	(1,669)
Other income	211	334	384	442
EBIT	5,840	6,985	7,210	7,521
Finance cost	(441)	(403)	(427)	(427)
Profit before tax	5,398	6,582	6,782	7,093
Tax (current + deferred)	(1,795)	(2,168)	(2,256)	(2,359)
P/(L) for the period	3,603	4,414	4,527	4,734
Reported Profit/(Loss)	3,603	4,414	4,527	4,734
Adjusted net profit	3,603	4,414	4,527	4,734
<i>Growth (%)</i>	1.7	22.5	2.6	4.6

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	1,400	1,400	1,400	1,400
Reserves & surplus	16,232	19,542	22,892	26,395
Shareholders' funds	17,632	20,942	24,292	27,795
Non-current liabilities	3,919	3,915	3,918	3,923
Long-term borrowings	2,875	2,875	2,875	2,875
Other non-current liabilities	1,044	1,040	1,043	1,047
Current liabilities	6,969	6,937	7,208	7,568
ST borrowings, curr maturity	337	337	337	337
Other current liabilities	6,632	6,599	6,870	7,231
Total (equity and liab.)	28,520	31,794	35,417	39,286
Non-current assets	22,377	24,791	27,290	29,622
Fixed assets (net block)	21,576	23,989	26,489	28,820
Non-current investments	692	692	692	692
Long-term loans and adv.	110	110	110	110
Current assets	6,143	7,002	8,127	9,664
Cash & current investment	2,996	4,010	5,031	6,382
Other current assets	3,147	2,993	3,096	3,282
Total (assets)	28,520	31,793	35,417	39,286
Total debt	3,212	3,212	3,212	3,212
Capital employed	21,888	25,194	28,547	32,055

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	5,398	6,582	6,782	7,093
Depreciation	2,195	1,477	1,501	1,669
Change in working capital	(601)	118	170	179
Total tax paid	(1,676)	(2,168)	(2,256)	(2,359)
Others	230	69	43	(15)
Cash flow from oper. (a)	5,547	6,078	6,241	6,568
Capital expenditure	(2,385)	(3,891)	(4,000)	(4,000)
Change in investments	252	0	0	0
Others	211	334	384	442
Cash flow from inv. (b)	(1,922)	(3,556)	(3,616)	(3,558)
Free cash flow (a+b)	3,625	2,521	2,625	3,010
Debt raised/(repaid)	(279)	0	0	0
Dividend (incl. tax)	(901)	(1,103)	(1,177)	(1,231)
Others	(442)	(403)	(427)	(427)
Cash flow from fin. (c)	(1,621)	(1,506)	(1,604)	(1,658)
Net chg in cash (a+b+c)	2,004	1,015	1,021	1,351

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	25.7	31.5	32.3	33.8
Growth	1.7	22.5	2.6	4.6
CEPS (Rs)	41.4	42.1	43.1	45.7
Book NAV/share (Rs)	125.9	149.6	173.5	198.5
Dividend/share (Rs)	5.5	6.7	7.2	7.5
Dividend payout ratio	25.0	25.0	26.0	26.0
EBITDA margin	20.0	21.8	21.6	21.4
EBIT margin	14.9	18.8	18.7	18.4
Tax rate	33.3	32.9	33.3	33.3
RoCE	28.3	29.7	26.8	24.8
Total debt/Equity (x)	0.2	0.2	0.1	0.1
Net debt/Equity (x)	0.0	(0.0)	(0.1)	(0.1)
Du Pont Analysis - ROE				
Net margin	9.2	11.8	11.7	11.6
Asset turnover (x)	1.4	1.2	1.1	1.1
Leverage factor (x)	1.7	1.6	1.5	1.4
Return on equity	22.1	22.9	20.0	18.2

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	11.6	14.3	14.0	13.4
PCE	7.2	10.7	10.5	9.9
Price/Book	2.4	3.0	2.6	2.3
Yield (%)	1.8	1.5	1.6	1.7
EV/EBITDA	5.4	7.7	7.4	6.9

MID CAP

Share Data

Price (Rs)	854
BSE Sensex	27,888
Reuters code	INED.BO
Bloomberg code	INFOE IN
Market cap. (US\$ mn)	1,622
6M avg. daily turnover (US\$ mn)	2.4
Issued shares (mn)	120

Performance (%) 1M 3M 12M

Absolute	(9)	(1)	91
Relative	(7)	(6)	43

Valuation ratios

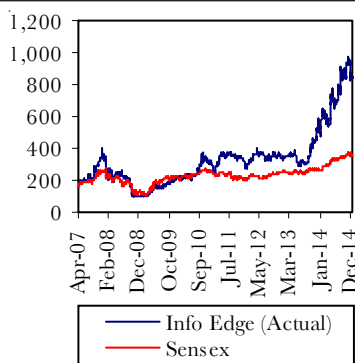
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs)	15.3	19.1	25.0
+/- (%)	30.1	25.2	30.7
PER (x)	55.9	44.6	34.1
PBV (x)	6.0	5.3	4.6
Dividend/Yield(%)	0.1	0.1	0.1
EV/Sales (x)	14.5	11.3	8.7
EV/EBITDA (x)	45.3	34.5	24.8

Major shareholders (%)

Promoters	44
FII's	30
MFs	14
Public & Others	11

Relative performance



Info Edge

Maintain BUY

Better play on India internet

Recent performance

Info Edge (INFOE) reported revenue growth of 19% YoY to Rs 1.48 bn for 2QFY15 due to continued improvement in recruitment business and sustained momentum in 99acres. Earnings remained stagnant YoY to Rs 332 mn, owing to 60% YoY higher promotional expenses mainly in 99acres. Revenue and earnings grew at CAGR (FY10-14) of 21.5% and 23.2% primarily driven by recruitment (17.5%) and matrimonial and real estate segment (38.0%). We maintain positive outlook on the stock as recruitment growth revival is on track with improving traction in other businesses, though margins will not expand due to continued investments.

Key triggers/risks – Next 12 months

- **Job segment – growth recovery in core business:** INFOE is expected sales CAGR of 18% over FY14-17E based on 1) recruitment growth recovery, 2) traction in FastForward services, 3) pricing power, 4) broader economic recovery. INFOE is best positioned to benefit from secular growth in online advertisement due to its dominant presence.

Strategic initiatives

- **99acres.com – Investing to increase lead:** INFOE raised Rs 7.5 bn through dilution of equity mainly to invest in growth of 99acres, in anticipation of heightened competition in the online real estate space.
- **Hyper-growth phase in investee companies:** Zomato.com and Meritnation.com high growth will sustain from investments in sales team, geographic expansion and mobile apps.

Balance sheet position

- **Negative working capital:** INFOE has negative working capital as it gets advance payments for the database and FastForward services.
- **Asset turnover in an upswing:** Asset turnover ratio will increase due to improvement in core business and high growth in other businesses.

Valuation and view

We believe recruitment business growth will sustain based on improving hiring activity from better economic outlook. Also, real estate business will sustain ~49% growth from launch of map-based services, verifications and sustained sales effort though margins will remain under pressure. Maintain Buy.

Sushil Sharma
sushil.sharma@bksec.com

Manav Patel
manav.patel@bksec.com

Info Edge

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	5,059	6,087	7,695	9,726
<i>Growth (%)</i>	<i>15.7</i>	<i>20.3</i>	<i>26.4</i>	<i>26.4</i>
Operating expenses	(3,391)	(4,133)	(5,176)	(6,315)
Operating profit	1,668	1,954	2,519	3,411
EBITDA	1,668	1,954	2,519	3,411
<i>Growth (%)</i>	<i>11.3</i>	<i>17.1</i>	<i>28.9</i>	<i>35.4</i>
Depreciation	(174)	(190)	(208)	(229)
Other income	432	899	1,034	1,189
EBIT	1,927	2,663	3,344	4,370
Finance cost	(25)	(14)	(14)	(14)
Exceptional & extraordinary	(26)	0	0	0
Profit before tax	1,876	2,649	3,330	4,356
Tax (current + deferred)	(591)	(815)	(1,032)	(1,350)
P/(L) for the period	1,285	1,834	2,297	3,006
Reported Profit/(Loss)	1,285	1,834	2,297	3,006
Adjusted net profit	1,285	1,834	2,297	3,006
<i>Growth (%)</i>	<i>(2.3)</i>	<i>42.7</i>	<i>25.3</i>	<i>30.8</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	1,093	1,199	1,200	1,202
Reserves & surplus	6,752	15,921	18,085	20,958
Shareholders' funds	7,845	17,120	19,286	22,160
Non-current liabilities	9	5	5	5
Long-term borrowings	9	5	5	5
Current liabilities	2,089	2,187	2,487	2,828
Other current liabilities	2,089	2,187	2,487	2,828
Total (Equity and Liab.)	9,943	19,312	21,777	24,992
Non-current assets	6,101	5,093	5,875	6,647
Fixed assets (Net block)	1,132	1,143	1,200	1,246
Non-current Investments	3,654	3,531	4,231	4,931
Long-term loans & advances	167	158	166	174
Other non-current assets	1,149	262	278	296
Current assets	3,842	14,219	15,902	18,345
Cash & current investment	3,611	13,962	15,632	18,062
Other current assets	230	257	270	283
Total (Assets)	9,943	19,312	21,777	24,992
Total debt	9	5	5	5
Capital employed	7,854	17,125	19,290	22,165

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,876	2,649	3,330	4,356
Depreciation	174	190	208	229
Change in working capital	228	81	278	319
Total tax paid	(595)	(834)	(1,039)	(1,358)
Others	(408)	(885)	(1,020)	(1,175)
Cash flow from oper. (a)	1,274	1,201	1,758	2,372
Capital expenditure	(300)	(200)	(266)	(275)
Change in investments	(959)	(8,499)	(2,735)	(3,142)
Others	380	1,805	1,024	1,179
Cash flow from inv. (b)	(879)	(6,894)	(1,977)	(2,238)
Free cash flow (a+b)	395	(5,693)	(219)	134
Equity raised/(repaid)	1	7,575	1	1
Debt raised/(repaid)	0	(5)	0	0
Dividend (incl. tax)	(127)	(139)	(140)	(140)
Others	7	(8)	(8)	(7)
Cash flow from fin. (c)	(119)	7,422	(146)	(145)
Net chg in cash (a+b+c)	276	1,729	(365)	(11)

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	11.8	15.3	19.1	25.0
Growth	(2.4)	30.1	25.2	30.7
CEPS (Rs)	13.3	16.9	20.9	26.9
Book NAV/share (Rs)	71.8	142.8	160.7	184.4
Dividend/share (Rs)	1.0	1.0	1.0	1.0
Dividend payout ratio	9.9	7.6	6.1	4.6
EBITDA margin	33.0	32.1	32.7	35.1
EBIT margin	38.1	43.7	43.5	44.9
Tax rate	31.5	30.8	31.0	31.0
RoCE	26.5	21.3	18.4	21.1
Net debt/Equity (x)	(0.5)	(0.8)	(0.8)	(0.8)
Du Pont Analysis - ROE				
Net margin	25.4	30.1	29.9	30.9
Asset turnover (x)	0.5	0.4	0.4	0.4
Leverage factor (x)	1.3	1.2	1.1	1.1
Return on equity	17.7	14.7	12.6	14.5

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	52.7	55.9	44.6	34.1
PCE	46.4	50.6	40.9	31.7
Price/Book	8.6	6.0	5.3	4.6
Yield (%)	0.2	0.1	0.1	0.1
EV/EBITDA	38.4	45.3	34.5	24.8

MID CAP

Share Data

Price (Rs)	267
BSE Sensex	27,888
Reuters code	IRBLBO
Bloomberg code	IRB IN
Market cap. (US\$ mn)	1,403
6M avg. daily turnover (US\$ mn)	21.7
Issued shares (mn)	332

Performance (%) 1M 3M 12M

Absolute	(1)	17	182
Relative	1	12	111

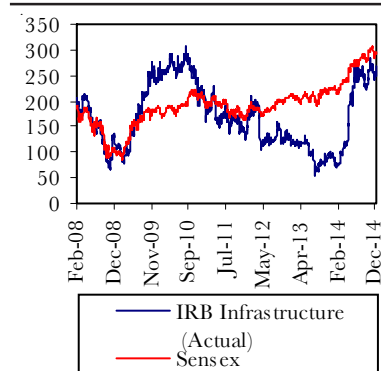
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	16.4	17.9
+/- (%)	19.0	9.0
PER (x)	16.3	14.9
PBV (x)	2.3	2.1
Dividend/Yield (%)	1.5	1.5
EV/Sales (x)	5.0	4.6
EV/EBITDA (x)	9.0	8.6

Major shareholders (%)

Promoters	61
FII's	24
MFs/FIs	6
Bodies corporate	3
Public & Others	6

Relative performance



IRB Infrastructure

Maintain BUY

Visibility galore

Recent performance

Commencement of construction activity at Goa-Kundapur project has been a key positive during recent past as it helped to reduce dependence on one single project (Ahmedabad-Vadodara) for growth in construction revenues. The company started the new fiscal with yet another positive in terms of receipt of approval for deferment of premium payable to NHAI for two of its projects. Three new projects commenced toll collection in FY14 and one more commenced provisional tolling from December 2014.

Key sensitivities to growth/Key risks – Next 12 months

- Appointed dates for additional three recently bagged projects are envisaged in FY15 which would help provide a fillip to construction revenues.

Strategic initiatives/Capex plans

- Pending equity requirement of ~Rs 34 bn (including Mumbai-Pune highway phase II) to be funded over the next two-three years.
- Four new project wins in the recent past appear to be strategic in nature as two of the road stretches are contiguous in nature (Solapur-Yedeshi-Aurangabad); one project (Kaithal-Rajasthan border) is sort of an extension to an existing road project and the fourth is an augmentation project (Mumbai-Pune) where the company already has understanding of the traffic movement.

Balance sheet position

- Net debt to equity ratio at ~2.8x remains within targeted number of ~3.0x, despite increase of ~Rs 10 bn in net debt over 1H FY15 to ~Rs 106 bn.
- Better profitability as for increased skewness towards BOT income and for deferment of premium payments to NHAI has translated into improved RoE of ~14% (annualised for 1H) from 13% in the previous year.
- In terms of RoCE, annualised number stood stable at 10%. Despite commencement of tolling on three projects in FY14 and one more in FY15, ongoing spend on under construction projects is keeping growth in improvement in RoCE under check.

Valuation and view

With visibility concern already put to rest with the receipt of four new BOT orders, revival in traffic growth is the only thing awaited. Sustained revival in traffic would come to drive valuation multiples. At the current market price, the stock trades at price to book multiple of 2.3x FY15E and 2.1x FY16E.

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

IRB Infrastructure

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	36,872	37,319	41,088	50,225
Growth (%)	17.7	1.2	10.1	22.2
Operating expenses	(20,540)	(19,782)	(18,499)	(23,365)
Operating profit	16,333	17,537	22,589	26,859
EBITDA	16,333	17,537	22,589	26,859
Growth (%)	19.3	7.4	28.8	18.9
Depreciation	(4,415)	(4,771)	(7,192)	(8,080)
Other income	1,348	1,214	1,308	1,358
EBIT	13,265	13,980	16,705	20,138
Finance cost	(6,200)	(7,562)	(9,516)	(11,386)
Profit before tax	7,066	6,419	7,189	8,752
Tax (current + deferred)	(1,530)	(1,823)	(1,717)	(2,782)
P/(L) for the period	5,536	4,596	5,472	5,970
P/L of Associates, Min Int, 31		(5)	(9)	(18)
Pref Div				
Reported Profit/(Loss)	5,567	4,591	5,463	5,953
Adjusted net profit	5,567	4,591	5,463	5,953
Growth (%)	12.2	(17.5)	19.0	9.0

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	3,324	3,324	3,324	3,324
Reserves & surplus	29,232	32,283	36,201	40,458
Shareholders' funds	32,556	35,607	39,525	43,782
Minority Interest and others	1,092	356	365	383
Non-current liabilities	69,716	97,290	324,839	345,745
Long-term borrowings	66,349	93,980	107,879	129,576
Other non-current liabilities	3,368	3,311	216,960	216,169
Current liabilities	27,297	23,784	31,328	34,326
ST borrowings, Curr maturity	21,412	16,861	24,052	25,705
Other current liabilities	5,885	6,923	7,277	8,621
Total (Equity and Liab.)	130,661	157,038	396,058	424,235
Non-current assets	107,303	133,428	370,264	401,881
Fixed assets (Net block)	104,248	130,411	366,754	397,805
Non-current Investments	14	14	14	14
Long-term loans and advances	3,042	3,003	3,496	4,062
Current assets	23,358	23,609	25,794	22,354
Cash & current investment	15,317	15,143	16,803	12,272
Other current assets	8,042	8,466	8,992	10,082
Total (Assets)	130,661	157,038	396,058	424,235
Total debt	87,761	110,841	131,931	155,281
Capital employed	124,776	150,115	388,781	415,614

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	7,066	6,419	7,189	8,752
Depreciation	4,415	4,771	7,192	8,080
Change in working capital	1,303	642	(684)	(296)
Total tax paid	(1,530)	(1,938)	(1,717)	(2,782)
Others	4,895	6,366	8,208	10,027
Cash flow from oper. (a)	16,149	16,259	20,189	23,781
Capital expenditure	(28,636)	(30,909)	(243,558)	(39,137)
Change in investments	(481)	478	—	—
Others	1,304	1,191	1,308	1,358
Cash flow from inv. (b)	(27,813)	(29,239)	(242,250)	(37,779)
Free cash flow (a+b)	(11,665)	(12,980)	(222,061)	(13,998)
Debt raised/(repaid)	17,039	23,080	21,090	23,350
Dividend (incl. tax)	(1,577)	(1,555)	(1,545)	(1,545)
Others	(7,295)	(8,244)	204,176	(12,338)
Cash flow from fin. (c)	8,167	13,281	223,721	9,467
Net chg in cash (a+b+c)	(3,498)	302	1,659	(4,531)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	16.7	13.8	16.4	17.9
Growth	12.2	(17.5)	19.0	9.0
CEPS (Rs)	30.0	28.2	38.1	42.2
Book NAV/share (Rs)	94.1	103.3	115.1	127.9
Dividend/share (Rs)	4.0	4.0	4.0	4.0
Dividend payout ratio	28.3	33.9	28.3	26.0
EBITDA margin	44.3	47.0	55.0	53.5
EBIT margin	36.0	37.5	40.7	40.1
Tax rate	21.7	28.4	23.9	31.8
RoCE	11.6	10.2	6.2	5.0
Total debt/Equity (x)	2.6	3.1	3.3	3.5
Net debt/Equity (x)	2.2	2.7	2.9	3.2
Du Pont Analysis - ROE				
Net margin	15.1	12.3	13.3	11.9
Asset turnover (x)	0.3	0.3	0.1	0.1
Leverage factor (x)	4.1	4.4	7.6	10.2
Return on equity	19.0	14.0	15.1	14.7

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	6.8	7.5	16.3	14.9
PCE	3.8	3.7	7.0	6.3
Price/Book	1.2	1.0	2.3	2.1
Yield (%)	3.5	3.9	1.5	1.5
EV/EBITDA	6.7	7.4	9.0	8.6

MID CAP

Share Data

Price (Rs)	135
BSE Sensex	27,888
Reuters code	JAGPBO
Bloomberg code	JAGPIN
Market cap. (US\$ mn)	696
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	327

Performance (%)	1M	3M	12M
Absolute	1	8	58
Relative	3	3	18

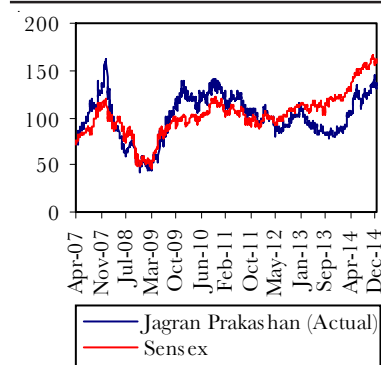
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	7.8	9.2	10.6
+/- (%)	17.2	17.7	15.4
PER (x)	17.2	14.6	12.7
PBV (x)	4.0	3.7	3.4
Dividend/Yield(%)	3.3	4.1	4.8
EV/Sales (x)	2.3	2.1	1.9
EV/EBITDA (x)	9.4	8.1	7.0

Major shareholders (%)

Promoters	63
FII's	14
MF's	11
BFSI's	1
Public & Others	11

Relative performance



Jagran Prakashan

Maintain Outperformer

Riding the buoyancy in regional print

Recent performance

Jagran Prakashan has seen a rather mixed performance in the last two-three years. Except for FY14, the advertisement revenue growth has been soft, while margins were impacted by higher raw material costs (precipitated by currency depreciation) and acquisition of Nai Dunia. On the other hand, the circulation growth has been robust and the company has achieved credible improvement in the financials of Nai Dunia. In 1HFY15, the ad growth continued to be subdued, however things have improved on raw material and operating costs front. In December, the company has acquired India's second largest FM radio network, *Radio City*.

Key triggers/Risks

- Pick up in government advertising is important for overall revenue growth ahead.
- Newsprint prices have been soft and are expected to remain so.

Strategic initiatives/Capex plans

- Major expansion plans in print business are behind and focus ahead will be on turning around operations in newer/acquired businesses.
- Capex would be mainly towards in-market expansion and maintenance, and likely to be under Rs 750 mn per year.
- In radio business, Jagran would look to renew its licences at the upcoming auctions, as well as to acquire new licences (on a limited scale).

Balance sheet position

- Jagran had a net cash balance of Rs 640 mn as at September 2014. Even post *Radio City* acquisition, we believe Jagran's net debt/EBITDA is unlikely to rise much over 1.15x in FY16 (versus -0.15 ex-acquisition) after taking into account licence renewal cost (Rs 2 bn) and fresh licence acquisition (assuming to be Rs 750 mn). The company's overall/core working capital cycle stands at ~60/90 days of revenues, with receivables, inventory and trade payable days of around 60, 75 and 30, respectively.

Outlook and valuation

We are positive on regional print media, as we believe consumption demand and advertisers focus is on a structural rise in tier II/III towns. Softening of newsprint prices and turnaround at gestating businesses would provide a boost to near term earnings. We find the valuations (15.2 one-year forward P/E, 3.3% dividend yield) attractive considering 21% EPS CAGR over FY14-16), consistent >20% RoEs and over 60% payout ratio.

Yogesh Kirve

yogesh.kirve@bksec.com

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	17,027	18,383	20,164	21,921
Growth (%)	11.9	8.0	9.7	8.7
Operating expenses	(13,201)	(13,824)	(15,008)	(16,122)
Operating profit	3,826	4,559	5,155	5,799
EBITDA	3,826	4,559	5,155	5,799
Growth (%)	29.6	19.1	13.1	12.5
Depreciation	(789)	(980)	(1,068)	(1,161)
Other income	117	298	368	438
EBIT	3,155	3,876	4,456	5,076
Finance cost	(345)	(293)	(240)	(213)
Exceptional & extraordinary	248	—	—	—
Profit before tax	3,057	3,583	4,216	4,863
Tax (current + deferred)	(795)	(1,146)	(1,349)	(1,556)
P/(L) for the period	2,263	2,436	2,867	3,307
P/L of Associates,	(1)	—	—	—
Min Int, Pref Div				
Reported Profit/(Loss)	2,262	2,436	2,867	3,307
Adjusted net profit	2,078	2,436	2,867	3,307
Growth (%)	(0.8)	17.2	17.7	15.4

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	623	623	623	623
Reserves & surplus	8,994	9,798	10,671	11,621
Shareholders' funds	9,616	10,421	11,293	12,243
Minority Interests and others	9	9	9	9
Non-current liabilities	4,009	3,892	3,792	3,705
Long-term borrowings	2,927	2,727	2,527	2,327
Other non-current liabilities	1,081	1,165	1,265	1,378
Current liabilities	5,619	4,787	4,912	5,017
ST borrowings, Curr maturity	1,969	1,000	800	600
Other current liabilities	3,649	3,787	4,112	4,417
Total (Equity and Liab.)	19,253	19,109	20,006	20,974
Non-current assets	10,951	9,763	9,401	9,007
Fixed assets (Net block)	9,048	8,642	8,280	7,886
Non-current Investments	1,282	500	500	500
Long-term loans and adv.	501	501	501	501
Other non-current assets	120	120	120	120
Current assets	8,301	9,346	10,605	11,967
Cash & current investment	2,363	2,763	3,445	4,239
Other current assets	5,938	6,584	7,161	7,728
Total (Assets)	19,253	19,109	20,006	20,974
Total debt	4,897	3,727	3,327	2,927
Capital employed	15,603	15,322	15,894	16,557

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,057	3,583	4,216	4,863
Depreciation	789	980	1,068	1,161
Change in working capital	(166)	(507)	(253)	(262)
Total tax paid	(645)	(1,075)	(1,265)	(1,459)
Others	174	96	(3)	(100)
Cash flow from oper. (a)	3,209	3,077	3,763	4,203
Capital expenditure	(743)	(574)	(706)	(767)
Change in investments	(1,096)	782		
Others	673	198	243	313
Cash flow from inv. (b)	(1,167)	405	(463)	(454)
Free cash flow (a+b)	2,042	3,482	3,301	3,748
Equity raised/(repaid)	(10)	(0)		
Debt raised/(repaid)	56	(1,169)	(400)	(400)
Dividend (incl. tax)	(1,541)	(1,632)	(1,994)	(2,357)
Others	(745)	(281)	(224)	(197)
Cash flow from fin. (c)	(2,240)	(3,082)	(2,619)	(2,954)
Net chg in cash (a+b+c)	(197)	400	682	794

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	6.7	7.8	9.2	10.6
Growth	0.8	17.2	17.7	15.4
CEPS (Rs)	9.2	11.0	12.6	14.4
Book NAV/share (Rs)	30.9	33.5	36.3	39.3
Dividend/share (Rs)	4.2	4.5	5.5	6.5
Dividend payout ratio	68.1	67.0	69.6	71.3
EBITDA margin	22.5	24.8	25.6	26.5
EBIT margin	18.5	21.1	22.1	23.2
Tax rate	27.6	32.0	32.0	32.0
RoCE	20.6	25.1	28.5	31.3
Total debt/Equity (x)	0.5	0.4	0.3	0.2
Net debt/Equity (x)	0.3	0.1	(0.0)	(0.1)
Du Pont Analysis - ROE				
Net margin	12.2	13.3	14.2	15.1
Asset turnover (x)	0.9	1.0	1.0	1.1
Leverage factor (x)	2.0	1.9	1.8	1.7
Return on equity	21.9	24.3	26.4	28.1

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	15.4	17.2	14.6	12.7
PCE	11.2	12.3	10.7	9.4
Price/Book	3.3	4.0	3.7	3.4
Yield (%)	4.1	3.3	4.1	4.8
EV/EBITDA	9.0	9.4	8.1	7.0

MID CAP

Share Data

Price (Rs)	13
BSE Sensex	27,888
Reuters code	JAPR.BO
Bloomberg code	JPVL IN
Market cap. (US\$ mn)	585
6M avg. daily turnover (US\$ mn)	3.4
Issued shares (mn)	2,938

Performance (%) 1M 3M 12M

Absolute	(3)	4	(32)
Relative	(1)	(1)	(49)

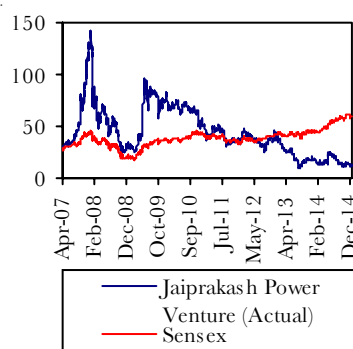
Valuation ratios

Yr to 31 Mar	FY14	FY15E	FY16E
EPS (Rs)	0.1	1.2	1.4
+/- (%)	(90.6)	1000.4	15.7
PER (x)	126.5	10.2	8.8
PBV (x)	0.7	0.6	0.5
EV/Sales (x)	10.8	6.8	3.0
EV/EBITDA (x)	15.3	9.8	5.6

Major shareholders (%)

Promoters	64
FII's	7
MFs	4
BFSI's	1
Public & Others	25

Relative performance



Jaiprakash Power Ventures Maintain Outperformer

Awaiting conclusion of the deal

Recent performance

Jaiprakash Power Ventures (JPVL) has signed agreement with JSW Energy to sell 1,091 MW of assets comprising 300 MW Baspa, 1,091 MW Karcham to repay corporate debt and equity commitment for its assets. Deal is expected to conclude in FY16.

Key triggers/Risks – Next 12 months

- Need to watch for conclusion of the deal with JSW Energy.
- Nigrie and Bara project cost has increased to Rs 105 bn and Rs 136 bn, respectively, and thus it has to seek regulatory approval for appraising of project costs.

Strategic initiatives

- JPVL has an operational capacity of 2.9 GW (incl. asset to be sold) and is expected to add 2.6 GW in phases over the next two years. The company has 1.7 GW of operational hydroelectric power plants and fuel supply for Bina and Bara is secured with a fuel-supply agreement (FSA) and Bara project has LOA from Coal India. The 1.3 GW Nigrie plant fired on captive coal block is caught in uncertainties post Supreme Court order on coal block de-allocation and Dongri Tal block is part of Cement auctioning as per Technical Committee report of MoC.
- JPVL has signed agreement with JSW Energy to sell its two assets (1,091 MW Hydro) at an EV of Rs 97 bn, valued at P/B of 1.4x regulated equity.

Balance sheet position

- JPVL has corporate debt of Rs 50 bn (including FCCB, due in February 2015) and equity commitment for its under construction plant at ~Rs 12 bn. Conclusion of the deal will avert dilution and bring DER ratio to 2.7x in FY16 versus 4x+ currently.

Outlook and valuation

Post the deal, JPVL will be left with a transmission line, one hydro and two coal assets (excl. Bina) with total project cost of Rs 267 bn. The stock is currently trading at 0.5x FY16 BV and we have Outperformer rating on the valuation.

Vishal Periwal
vishal.periwal@bksec.com

Rahul Murkya
rahul.murkya@bksec.com

Jaiprakash Power Ventures

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	24,586	28,744	45,762	76,431
<i>Growth (%)</i>	<i>52.2</i>	<i>16.9</i>	<i>59.2</i>	<i>67.0</i>
Operating expenses	(5,002)	(8,396)	(14,218)	(35,755)
Operating profit	19,584	20,348	31,544	40,676
EBITDA	19,584	20,348	31,544	40,676
<i>Growth (%)</i>	<i>32.2</i>	<i>3.9</i>	<i>55.0</i>	<i>29.0</i>
Depreciation	(3,765)	(4,991)	(7,561)	(13,690)
Other income	384	391	219	543
EBIT	16,203	15,749	24,202	27,529
Finance cost	(12,126)	(15,238)	(19,483)	(21,992)
Exceptional & extraordinary	0	(1)	0	0
Profit before tax	4,078	511	4,719	5,537
Tax (current + deferred)	(501)	(42)	(951)	(1,167)
Profit/(Loss) for the period	3,577	468	3,768	4,370
P/L of Associates,	(64)	(140)	(152)	(185)
Min Int, Pref Div				
Reported Profit/(Loss)	3,512	329	3,616	4,185
Adjusted net profit	3,512	329	3,616	4,185
<i>Growth (%)</i>	<i>(12.4)</i>	<i>(90.6)</i>	<i>1,000.4</i>	<i>15.7</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	29,380	29,380	29,380	29,380
Reserves & surplus	35,222	34,071	37,686	41,871
Shareholders' funds	64,602	63,451	67,066	71,251
Minority Int. and others	1,844	4,243	4,395	4,580
Non-current liabilities	236,763	282,391	282,618	219,371
Long-term borrowings	230,149	274,979	275,207	211,960
Other non-current liab.	6,614	7,412	7,412	7,412
Current liabilities	28,218	32,149	23,147	20,845
Other current liabilities	28,218	32,149	23,147	20,845
Total (Equity and Liab.)	331,428	382,233	377,226	316,047
Non-current assets	304,102	357,429	354,296	274,488
Fixed assets (Net block)	284,242	337,568	334,437	254,628
Non-current Investments	19,859	19,860	19,859	19,859
Current assets	27,326	24,804	22,930	41,559
Cash & current investment	9,002	6,218	3,200	20,201
Other current assets	18,325	18,585	19,730	21,359
Total (Assets)	331,428	382,232	377,226	316,047
Total debt	230,149	274,979	275,207	211,960
Capital employed	303,210	350,084	354,080	295,202

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	4,078	511	4,719	5,537
Depreciation	3,765	2,684	7,561	13,690
Change in working capital	13,706	10,662	(10,147)	(3,931)
Total tax paid	(1,020)	(203)	(951)	(1,167)
Others	12,695	7,381	19,264	21,449
Cash flow from oper. (a)	33,223	21,035	20,446	35,578
Capital expenditure	(84,158)	(56,196)	0	0
Change in investments	22	(1)	1	66,118
Others	582	5,622	(4,211)	543
Cash flow from inv. (b)	(83,555)	(50,575)	(4,210)	66,661
Free cash flow (a+b)	(50,332)	(29,539)	16,237	102,240
Equity raised/(repaid)	9,501	0	0	0
Debt raised/(repaid)	51,927	43,015	227	(63,247)
Others	(11,286)	(16,259)	(19,483)	(21,992)
Cash flow from fin. (c)	50,142	26,756	(19,256)	(85,239)
Net chg in cash (a+b+c)	(191)	(2,783)	(3,019)	17,000

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	1.2	0.1	1.2	1.4
Growth	(21.7)	(90.6)	1,000.4	15.7
CEPS (Rs)	2.5	1.8	3.8	6.1
Book NAV/share (Rs)	22.0	21.6	22.8	24.3
EBITDA margin	79.7	70.8	68.9	53.2
EBIT margin	65.9	54.8	52.9	36.0
Tax rate	12.3	8.3	20.2	21.1
RoCE	6.0	4.8	6.9	8.5
Total debt/Equity (x)	3.5	4.1	3.9	2.8
Net debt/Equity (x)	3.3	4.0	3.8	2.5
Du Pont Analysis - ROE				
Net margin	14.3	1.1	7.9	5.5
Asset turnover (x)	0.1	0.1	0.1	0.2
Leverage factor (x)	4.9	5.6	5.8	5.0
Return on equity	5.9	0.5	5.5	6.1

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	21.8	126.5	10.2	8.8
PCE	10.5	7.8	3.3	2.1
Price/Book	1.2	0.7	0.6	0.5
EV/EBITDA	15.2	15.3	9.8	5.6

MID CAP

Share Data

Price (Rs)	153
BSE Sensex	27,888
Reuters code	JKBK.BO
Bloomberg code	J&KBK IN
Market cap. (US\$ mn)	1,174
6M avg. daily turnover (US\$ mn)	1.7
Issued shares (mn)	48

Performance (%) 1M 3M 12M

Absolute	8	10	6
Relative	10	5	(21)

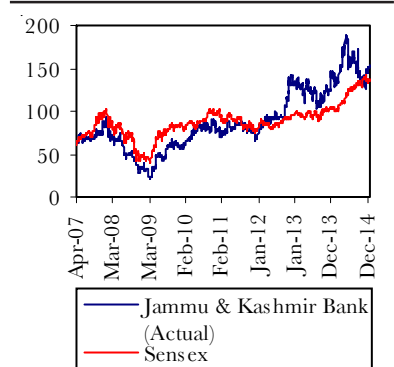
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	16.3	24.0	30.7
+/- (%)	(33.1)	46.9	27.9
ABV (Rs)	115.9	134.8	160.1
+/- (%)	(0.3)	16.3	18.8
PER (x)	9.4	6.4	5.0
PABV (x)	1.3	1.1	1.0
Dividend/Yield (%)	2.0	2.9	3.3

Major shareholders (%)

Promoters	53
FII's	30
MF's	2
BFSI's	1
Public & Others	14

Relative performance



Jammu and Kashmir Bank Maintain Outperformer

Good fundamentally; though near term performance under pressure

Recent performance

Impact from natural calamity was minimal in 2Q, as growth within J&K was strong at 19% YoY/5% QoQ; though likely to be impacted in 3Q as the calamity took place in lag-end of 2Q. NIMs held up strongly, 4.01% for 2Q, aided by higher LDR and lower COE. However, asset quality remained under pressure, as higher slippages and lower recovery took GNPA ratio further up at 4.7%.

Key risks

- Growth and asset quality are likely to remain under pressure as the full impact from floods would creep in. As for recognition of pain, RBI's dispensation will allow bank to restructure and thus reduce provisioning cost. Bank estimates Rs 12/15 bn of restructuring in the coming quarters (~3% of book).
- Change in political leadership might bring change in management at the bank.

Strategic initiatives/Key highlights

- With hit from lumpy slippage from exposure outside J&K, the bank intends to go cautious on the disbursement outside J&K and gradually de-bulk balance sheet.
- The bank is expected to off-load PNB Met-life stake to accelerate earnings in 4QFY15.

Balance sheet position

- Bank has reduced its exposure to iron/steel (3% vs. 3.4% in FY13) and mining, but that of power has increased marginally (3.9% vs. 3.7% in FY13). Yet the overall exposure to stress sectors remains under control at 13% for FY14.

Valuation and view

Factoring likely asset quality and growth concerns arising from devastating floods, we have reduced our earnings for FY15/16, though we haven't factored profit from sale of stake in PNB-MetLife. Taking comfort from some fundamental strength like higher CASA ratio, CAR and undemanding valuations, we maintain Outperformer. However, we believe that uncertainty around asset quality/political risk could keep stock under pressure.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Jammu and Kashmir Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	67,670	73,019	81,674	95,321
Interest expense	(40,825)	(45,308)	(50,315)	(57,707)
Net interest income	26,845	27,711	31,358	37,614
<i>Growth (%)</i>	<i>15.9</i>	<i>3.2</i>	<i>13.2</i>	<i>20.0</i>
Non-interest income	3,903	4,431	5,121	5,551
Operating income	30,747	32,142	36,479	43,165
Operating expenses	(11,750)	(13,465)	(15,456)	(17,907)
- Staff expenses	(7,439)	(8,660)	(10,007)	(11,642)
Pre-provisions profit	18,998	18,678	21,023	25,258
Core operating profit	18,361	17,914	20,107	24,296
<i>Growth (%)</i>	<i>10.5</i>	<i>(2.4)</i>	<i>12.2</i>	<i>20.8</i>
Provisions & Contingencies	(1,479)	(7,123)	(3,793)	(3,219)
Pre-tax profit	17,519	11,555	17,230	22,039
(before non-recurring items)				
Pre-tax profit	17,519	11,555	17,230	22,039
(after non-recurring items)				
Tax (current + deferred)	(5,694)	(3,640)	(5,600)	(7,163)
Net profit	11,825	7,915	11,630	14,876
Adjusted net profit	11,825	7,915	11,630	14,876
<i>Growth (%)</i>	<i>12.1</i>	<i>(33.1)</i>	<i>46.9</i>	<i>27.9</i>
Net income	11,825	7,915	11,630	14,876

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	42,139	42,823	48,593	57,827
Investments	261,951	279,468	323,157	378,019
Advances	463,846	519,141	612,247	735,607
Int. earning assets	767,936	841,431	983,997	1,171,453
Fixed assets (Net block)	5,338	5,913	6,678	7,555
Other assets	12,924	15,665	18,300	20,753
Total assets	786,197	863,009	1,008,975	1,199,760
Deposits	693,359	757,101	891,011	1,059,578
Other int. bearing liab.	17,650	21,495	25,844	31,497
Total Int. bearing liab.	728,961	799,560	936,449	1,115,195
Other liab. and prov.	17,953	20,963	19,594	24,121
Share capital	485	485	485	485
Reserves & surplus	56,751	62,964	72,041	84,080
Shareholders' funds	57,236	63,449	72,526	84,565
Total equity & liab.	786,197	863,009	1,008,975	1,199,760

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	24.4	16.3	24.0	30.7
BVPS	118.0	130.8	149.5	174.4
Adjusted Book NAV/share	116.3	115.9	134.8	160.1
PER (x)	6.3	9.4	6.4	5.0
Price/Book (x)	1.3	1.2	1.0	0.9
Price/Adjusted book (x)	1.3	1.3	1.1	1.0
Dividend Yield (%)	3.3	2.0	2.9	3.3
Du-Pont ratios				
NII/Avg. Assets (%)	3.6	3.4	3.4	3.4
Non-int. income/Avg Assets	0.5	0.5	0.5	0.5
- Fee income/Avg Assets	0.4	0.4	0.4	0.4
- Trading gains/Avg Assets	0.1	0.1	0.1	0.1
Cost/Avg Assets	1.6	1.6	1.7	1.6
Non-tax Provisions/Avg Assets	0.2	0.9	0.4	0.3
Tax Provisions/Avg Assets	0.8	0.4	0.6	0.6
RoA (%)	1.6	1.0	1.2	1.3
Leverage	14.2	13.7	13.8	14.1
RoE (%)	21.4	12.6	16.4	18.1
Balance Sheet ratios (%)				
Loan growth	18.3	11.9	17.9	20.1
Deposit growth	8.0	9.2	17.7	18.9
Loans/Deposits	66.9	68.6	68.7	69.4
Investments/Deposits	37.8	36.9	36.3	35.7
CASA ratio	39.1	39.2	39.5	39.5
Profitability ratios (%)				
NIMs	3.7	3.5	3.5	3.5
Interest spread	3.2	3.1	3.1	3.2
Yield on advances	11.8	11.0	10.8	10.6
Cost of deposits	6.0	6.0	5.9	5.7
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	12.7	13.8	14.0	12.9
Trading income/Net income	2.1	2.4	2.5	2.2
Cost/Income	38.2	41.9	42.4	41.5
Asset quality ratios (%)				
Gross NPLs	1.7	4.4	4.1	3.7
Net NPLs	0.3	2.1	1.8	1.4
Net NPLs/Net worth	2.2	16.6	14.3	11.8
Loan provisions/Avg loans	0.3	1.5	0.7	0.5
Provisions cover	83.4	53.0	58.0	62.0
Capitalisation ratios (%)				
Tier I cap.adequacy	11.2	10.8	10.4	10.2
Total cap.adequacy	12.7	12.2	11.6	11.2

MID CAP

Share Data

Price (Rs)	440
BSE Sensex	27,888
Reuters code	JETBO
Bloomberg code	JETIN IN
Market cap. (US\$ mn)	790
6M avg. daily turnover (US\$ mn)	10.8
Issued shares (mn)	114

Performance (%) 1M 3M 12M

Absolute	17	108	55
Relative	19	98	16

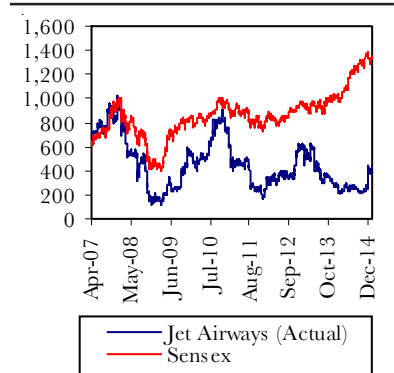
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	(36.4)	71.3	167.4
PER (x)	(12.1)	6.2	2.6
PBV (x)	(1.1)	(1.4)	(2.9)
EV/Sales (x)	0.7	0.6	0.6
EV/EBITDA (x)	15.5	6.1	3.8

Major shareholders (%)

Promoters	51
FII's	3
MF's	3
BFSI's	3
Public & Others	40

Relative performance



Jet Airways

Maintain BUY

Benefit from improving operating performance...

Recent performance/Outlook

Jet Airways (JET) has reported profit in 2QFY15 after consecutive eight quarter of losses with the efficient route rationalisation, healthy operating parameters and some one-off incomes. JET reported 15% revenue growth in 1HFY15 on account of 6% YoY growth in passenger number with 9% YoY increase in ASKM and 10% YoY increase in yield to Rs 8,965 with healthy passenger load factors of 80%. JET has reported EBITDAR margin of 10% on account of restricted fuel cost as percentage of sales to 39% and lower overhead expenses related to aircraft maintenance and airport charges with the improvement in aircraft utilisation. Further, restricted interest expenses with the reduction and restructuring of debt and increase in ancillary revenue, minimised losses.

Key triggers/Risks

- Sustained lower ATF prices and shrink in competitors operation.
- High depends on fuel costs, since fuel expenses accounts for ~40% of its total expenses.
- Rupee depreciation.

Strategic initiatives

- JET's emphasis on international business with the consistent PLFs of more than 80% and posted passengers CAGR of 39% over FY06-14.
- The comprehensive strategic alliance between Etihad-JET would bring cost synergy opportunities for JET and soft loan to replace its high costing debt, would improve its financials.

Balance sheet position

- JET has reduced its debt to Rs 98 bn from Rs 114 bn in last two year and also cheaper ECBs of US\$ 300 mn, expected to reduce interest cost. The company has moved to lease model through sale & leaseback of its narrow body aircrafts, to reduce its foreign currency debt.

Outlook and valuation

We expect improvement in JET's operating margins with the improvement in passenger volume growth in coming strong season (3Q) coupled with steep correction in crude price. JET has restricted its domestic capacity and deployed over international routes or leased aircrafts to other carriers to increase its ancillary revenue, would benefit the carrier. At the current market price of Rs 440, the stock is trading at 6.0x FY16E EV/EBITDAR. Maintain Buy.

Praveen Sahay
praveen.sahay@bksec.com

Jet Airways

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	176,166	196,247	215,705	231,105
Growth (%)	(1.1)	11.4	9.9	7.1
Operating expenses	(208,953)	(202,622)	(208,005)	(212,334)
Operating profit	(32,787)	(6,376)	7,700	18,771
Other operating income	14,192	15,516	14,723	15,972
EBITDA	(18,595)	9,140	22,423	34,743
Growth (%)	—	—	145.3	54.9
Depreciation	(8,778)	(8,024)	(7,695)	(7,602)
Other income	3,170	2,735	2,735	2,857
EBIT	(24,203)	3,851	17,464	29,998
Finance cost	(10,836)	(7,989)	(7,939)	(7,628)
Exceptional & extraordinary	(6,249)	4,325	0	0
Profit before tax	(41,288)	187	9,525	22,370
Tax (current + deferred)	1	0	(1,429)	(3,356)
P/(L) for the period	(41,287)	187	8,096	19,015
P/L of Associates,	(11)	0	0	0
Min Int, Pref Div				
Reported Profit/(Loss)	(41,298)	187	8,096	19,015
Adjusted net profit	(35,049)	(4,138)	8,096	19,015
Growth (%)	—	—	—	134.9

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	1,136	1,136	1,136	1,136
Reserves & surplus	(42,885)	(42,267)	(33,859)	(14,502)
Shareholders' funds	(41,749)	(41,131)	(32,723)	(13,366)
Non-current liabilities	71,610	71,515	71,218	69,449
Long-term borrowings	65,461	64,461	64,461	62,461
Other non-current liab.	6,150	7,054	6,757	6,988
Current liabilities	141,239	144,207	142,517	142,322
ST borrowings, Curr maturity	40,305	33,954	32,954	31,954
Other current liabilities	100,934	110,253	109,563	110,368
Total (Equity and Liab.)	171,101	174,591	181,012	198,405
Non-current assets	127,084	134,631	134,129	142,920
Fixed assets (Net block)	96,446	95,808	93,973	91,710
Non-current Investments	6,657	6,657	6,657	16,657
Long-term loans and adv.	12,256	13,442	14,774	15,829
Other non-current assets	11,724	18,724	18,724	18,724
Current assets	44,017	39,960	46,883	55,485
Cash & current investment	12,065	6,801	11,241	12,623
Other current assets	31,952	33,159	35,642	42,862
Total (Assets)	171,101	174,591	181,012	198,405
Total debt	105,765	98,415	97,415	94,415
Capital employed	70,166	64,338	71,449	88,037

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	(41,288)	187	9,525	22,370
Depreciation	8,778	8,024	7,695	7,602
Change in working capital	26,242	2,407	(4,506)	(7,470)
Total tax paid	1	0	(1,429)	(3,356)
Others	10,097	7,254	7,203	6,771
Cash flow from oper. (a)	3,830	17,872	18,489	25,917
Capital expenditure	(3,823)	(1,882)	(5,549)	(4,995)
Change in investments	(6,633)	0	0	(10,000)
Others	735	735	735	857
Cash flow from inv. (b)	(9,720)	(1,147)	(4,814)	(14,138)
Free cash flow (a+b)	(5,890)	16,725	13,675	11,779
Equity raised/(repaid)	21,052	469	0	0
Debt raised/(repaid)	(8,506)	(7,351)	(1,000)	(3,000)
Others	(3,847)	(15,107)	(8,236)	(7,397)
Cash flow from fin. (c)	8,699	(21,988)	(9,236)	(10,397)
Net chg in cash (a+b+c)	2,808	(5,263)	4,440	1,382

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	(350.6)	(36.4)	71.3	167.4
Growth	—	—	—	134.9
CEPS (Rs)	(262.8)	34.2	139.0	234.3
Book NAV/share (Rs)	(453.9)	(389.5)	(318.2)	(150.8)
EBITDA margin	(10.6)	4.7	10.4	15.0
EBIT margin	(13.7)	2.0	8.1	13.0
Tax rate	0.0	0.0	15.0	15.0
RoCE	(28.3)	5.7	25.7	37.6
Total debt/Equity (x)	(2.5)	(2.4)	(3.0)	(7.1)
Net debt/Equity (x)	(2.2)	(2.2)	(2.6)	(6.1)
Du Pont Analysis - ROE				
Net margin	(19.9)	(2.1)	3.8	8.2
Asset turnover (x)	1.0	1.1	1.2	1.2
Leverage factor (x)	(5.1)	(3.9)	(4.4)	(7.1)
Return on equity	100.8	9.3	(20.1)	(71.4)

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	(0.7)	(12.1)	6.2	2.6
PCE	(0.9)	12.9	3.2	1.9
Price/Book	(0.5)	(1.1)	(1.4)	(2.9)
EV/EBITDA	(6.4)	15.5	6.1	3.8

MID CAP

Share Data

Price (Rs)	95
BSE Sensex	27,888
Reuters code	JIND.BO
Bloomberg code	JSAW IN
Market cap. (US\$ mn)	415
6M avg. daily turnover (US\$ mn)	4.3
Issued shares (mn)	276

Performance (%) 1M 3M 12M

Absolute	(11)	21	90
Relative	(9)	15	42

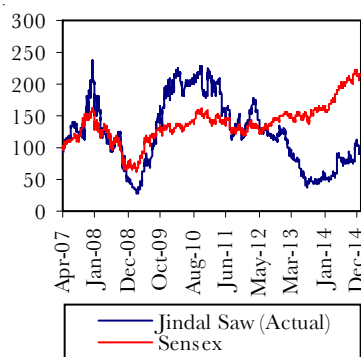
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	7.0	12.6
+/- (%)	—	81.7
PER (x)	13.7	7.5
PBV (x)	0.7	0.7
Dividend/Yield (%)	1.1	2.1
EV/Sales (x)	1.1	0.9
EV/EBITDA (x)	9.3	7.3

Major shareholders (%)

Promoters	46
FII's	18
MFs	9
BFSI's	3
Public & Others	24

Relative performance



Jindal SAW

Maintain Outperformer

Volumes to drive growth...

Recent performance

Jindal SAW's (JSAW) revenue CAGR between FY12-14 stood at 5% however EBITDA CAGR witnessed a decline of ~2% on account of poor performance of standalone SAW pipe segment (lower volumes) and losses in subsidiaries (JITF and Italy). 1H FY15 standalone operating performance witnessed meaningful improvement YoY. Better SAW pipe volumes and strong performance from pellet division (fully ramped up) is driving the performance. We expect 2H to be much better.

Key sensitivities to growth/Key risks – Next 12 months

- Faster ramp-up of new DI plants (Mundra as well as Abu Dhabi) and improvement in SAW pipe demand (domestic as well as globally). Current order book position of ~US\$ 1 bn, gives us a strong topline visibility of 9-12 months.
- Maintaining net debt/equity under a desired level despite the pending steel plant capex would be crucial for the company.

Strategic initiatives/Capex plans

- JSAW has bought a 0.3 mn tpa HSAW plant in the US from PSL at a non-cash consideration of US\$ 100 mn (repayable by 2032) to tap water pipeline demand.
- Management is trying to restructure the businesses of JITF to revive its fortunes.
- Spending Rs 15-20 bn over the next 24 months to set-up a steel plant in Rajasthan.

Balance sheet position (Standalone)

- Net debt has increased to Rs 38 bn in 1H FY15 from Rs 34 bn in FY14. Given the steel mill capex, we do not expect any reduction in debt in near to medium term.
- Working capital situation has deteriorated in the last six months as inventories and debtors have soared up.
- RoCE and RoE (annualised) witnessed some improvement on account of higher pipe and pellet contribution.

Valuation and view

Given the strong order book, we expect JSAW to deliver volume growth across pipes segments. 2H FY15 would be much better than 1H driven by higher SAW pipe volumes (~65% of the current order book) and ramping up of DI pipe facility in Abu Dhabi and Mundra. Losses from its 100% subsidiary, JITF should reduce going forward, thus aiding the overall performance. Though increase in net debt is a concern (steel mill capex), better volumes are expected to outweigh the same. Maintain Outperformer with a target price of Rs 118 (7.8x FY16E EV/EBITDA).

Vikash Singh
vikash.singh@bksec.com

Parin Tanna
parin.tanna@bksec.com

Jindal SAW

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	67,647	66,558	87,388	104,360
Growth (%)	12.1	(1.6)	31.3	19.4
Operating expenses	(61,610)	(60,158)	(77,392)	(91,275)
Operating profit	6,037	6,401	9,996	13,085
EBITDA	6,037	6,401	9,996	13,085
Growth (%)	(9.7)	6.0	56.2	30.9
Depreciation	(2,190)	(3,213)	(3,672)	(3,975)
Other income	828	953	972	992
EBIT	4,675	4,141	7,296	10,102
Finance cost	(2,356)	(3,920)	(4,302)	(4,759)
Exceptional & extraordinary	(2,005)	(677)	56	0
Profit before tax	314	(456)	3,050	5,343
Tax (current + deferred)	(513)	(547)	(992)	(1,513)
P/(L) for the period	(199)	(1,002)	2,058	3,829
P/L of Associates,	11	147	14	17
Min Int, Pref Div				
Reported Profit/(Loss)	(189)	(855)	2,073	3,847
Adjusted net profit	1,816	(178)	2,017	3,847
Growth (%)	(45.0)	—	—	90.7

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	552	552	580	609
Reserves & surplus	36,122	35,131	37,957	42,230
Shareholders' funds	36,675	35,684	38,537	42,839
Minority interests and others	1,980	1,578	1,657	1,740
Non-current liabilities	30,450	38,331	44,322	39,924
Long-term borrowings	28,438	34,927	40,227	35,227
Other non-current liabilities	2,012	3,404	4,095	4,697
Current liabilities	38,025	38,565	47,922	56,882
ST borrowings, curr maturity	23,177	24,963	27,822	32,822
Other current liabilities	14,848	13,602	20,100	24,059
Total (equity and liab.)	107,129	114,158	132,438	141,384
Non-current assets	58,808	64,041	71,209	72,156
Fixed assets (net block)	55,031	60,322	67,175	67,658
Non-current investments	103	103	103	103
Long-term loans and advances	2,137	2,080	2,394	2,859
Other non-current assets	1,536	1,536	1,536	1,536
Current assets	48,321	50,117	61,230	69,228
Cash & current investment	4,329	2,063	2,466	1,911
Other current assets	43,992	48,054	58,764	67,317
Total (assets)	107,129	114,158	132,438	141,384
Total debt	51,615	59,890	68,049	68,049
Capital employed	92,281	100,556	112,338	117,325

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	314	(456)	3,050	5,343
Depreciation	2,190	3,213	3,672	3,975
Change in working capital	(3,302)	(5,547)	(4,699)	(5,400)
Total tax paid	3	27	(1,188)	(1,386)
Others	2,102	3,375	4,302	4,759
Cash flow from oper. (a)	1,307	612	5,138	7,291
Capital expenditure	(15,222)	(8,238)	(10,020)	(4,458)
Change in investments	(1,065)	804	(64)	(71)
Others	229	518	0	0
Cash flow from inv. (b)	(16,058)	(6,916)	(10,084)	(4,528)
Free cash flow (a+b)	(14,751)	(6,304)	(4,947)	2,762
Equity raised/(repaid)	(314)	(123)	1,120	1,176
Debt raised/(repaid)	15,750	8,275	8,159	(0)
Dividend (incl. tax)	(321)	(323)	(323)	(339)
Others	(416)	(3,002)	(3,670)	(4,225)
Cash flow from fin. (c)	14,698	4,827	5,286	(3,389)
Net chg in cash (a+b+c)	(53)	(1,477)	340	(626)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	6.6	(0.6)	7.0	12.6
Growth	(45.0)	—	—	81.7
CEPS (Rs)	14.5	11.0	19.6	25.7
Book NAV/share (Rs)	132.6	129.0	132.7	140.5
Dividend/share (Rs)	1.0	1.0	1.0	2.0
Dividend payout ratio	(171.3)	(37.8)	16.4	18.7
EBITDA margin	8.9	9.6	11.4	12.5
EBIT margin	6.9	6.2	8.3	9.7
Tax rate	22.1	246.5	33.1	28.3
RoCE	5.6	4.3	6.9	8.8
Total debt/Equity (x)	1.3	1.6	1.7	1.5
Net debt/Equity (x)	1.2	1.6	1.6	1.5
Du Pont Analysis - ROE				
Net margin	2.7	(0.3)	2.3	3.7
Asset turnover (x)	0.7	0.6	0.7	0.8
Leverage factor (x)	2.7	3.1	3.3	3.4
Return on equity	4.9	(0.5)	5.4	9.5

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	12.5	(87.7)	13.7	7.5
PCE	5.7	5.1	4.8	3.7
Price/Book	0.6	0.4	0.7	0.7
Yield (%)	1.2	1.8	1.1	2.1
EV/EBITDA	11.6	11.5	9.3	7.3

MID CAP

Share Data

Price (Rs)	131
BSE Sensex	27,888
Reuters code	JKIN.BO
Bloomberg code	JKIIN
Market cap. (US\$ mn)	425
6M avg. daily turnover (US\$ mn)	9.6
Issued shares (mn)	205

Performance (%) 1M 3M 12M

Absolute	3	36	286
Relative	5	30	189

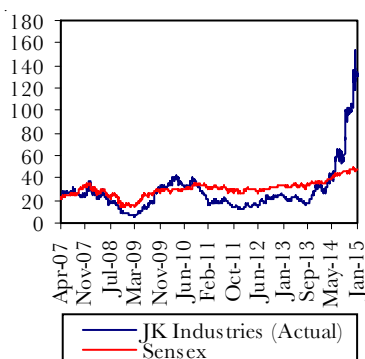
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	14.8	17.3
+/- (%)	18.6	17.1
PER (x)	8.9	7.6
PBV (x)	0.8	0.8
Dividend/Yield (%)	2.5	2.5
EV/Sales (x)	1.4	1.2
EV/EBITDA (x)	4.2	4.2

Major shareholders (%)

Promoters	47
GOI	1
FII's	12
MF's	5
BFSP's	2
Public & Others	33

Relative performance



JK Tyre and Industries

Maintain Outperformer

Improvement in margin on soft rubber and crude

Recent performance/Outlook

Despite slowdown, the company reported 6.4% YoY growth in 2QFY15 due to volume growth with major contribution from Chennai plant. The demand for Truck & Bus radial tyre continues to be positive. The company is the largest TBR manufacturers with 36% market share in the Indian tyre market.

Key sensitivities to growth/Key risks

- Huge debt in the books.
- Volatility in crude derivatives is the key concern.

Strategic initiatives/Capex plans

- Further expansion of 0.8 mn TBR and 1.5 mn PCR at Chennai plant with an investment of Rs 14.3 bn in phases, which will take up the total capacity to 1.2 mn TBR and 4.0 mn PCR is under progress. We expect the demand from OEM to be under pressure for a short-term. However, with expanding distribution network and improvement in the economy we expect the replacement tyre volumes to improve.
- The current capacity utilisation at Chennai plant is more than 100% for both PCR and TBR.
- In JK Tornel, capex for FY15 to be ~US\$ 22 mn (~Rs 1.3 bn).

Balance sheet position

- The company's net debt levels appearing to have hit a peak with debt of Rs 28 bn (D/E currently at 2.6x) and we expect debt to increase further due to increase in capex. We believe, better operational efficiency, scale and increase in utilisation levels will help in maintain the RoCE levels above 17%, going forward.

Valuation and view

Going forward, we expect the performance of the company to improve on expected economic recovery leading to improvement in demand, supported by soft natural rubber price and crude derivative. However, high debt in the book of accounts remains a concern. At the current market price of Rs 131, the stock is trading at 8.9x FY15E consolidated earnings of Rs 14.8 and 7.6x FY16E consolidated earnings of Rs 17.3. We maintain our Outperformer rating for the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

JK Tyre and Industries

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	69,852	76,880	78,549	88,576
<i>Growth (%)</i>	<i>0.5</i>	<i>10.1</i>	<i>2.2</i>	<i>12.8</i>
Operating expenses	(63,672)	(68,161)	(69,407)	(78,301)
Operating profit	6,180	8,719	9,142	10,275
EBITDA	6,180	8,719	9,142	10,275
<i>Growth (%)</i>	<i>87.9</i>	<i>41.1</i>	<i>4.9</i>	<i>12.4</i>
Depreciation	(1,328)	(1,794)	(2,013)	(2,130)
Other income	137	183	200	200
EBIT	4,989	7,107	7,329	8,345
Finance cost	(2,328)	(2,762)	(2,882)	(3,030)
Exceptional & extraordinary	(19)	(595)	0	0
Profit before tax	2,643	3,750	4,448	5,315
Tax (current + deferred)	(675)	(1,188)	(1,410)	(1,759)
Profit/(Loss) for the period	1,968	2,562	3,038	3,556
P/L of Associates,	65	0	0	0
Min Int, Pref Div				
Reported Profit / (Loss)	2,033	2,562	3,038	3,556
Adjusted net profit	2,033	2,562	3,038	3,556
<i>Growth (%)</i>	<i>(736.1)</i>	<i>26.0</i>	<i>18.6</i>	<i>17.1</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	411	411	411	411
Reserves & surplus	8,654	10,440	12,570	15,193
Shareholders' funds	9,064	10,850	12,980	15,604
Non-current liabilities	16,558	18,426	20,573	23,411
Long-term borrowings	12,418	13,418	15,418	17,418
Other non-current liabilities	4,140	5,008	5,155	5,993
Current liabilities	28,083	32,247	33,205	36,973
ST borrowings,	12,929	13,080	13,581	14,082
Curr maturity				
Other current liabilities	15,154	19,167	19,624	22,891
Total (Equity and Liab.)	53,705	61,523	66,758	75,987
Non-current assets	28,891	32,463	35,806	39,037
Fixed assets (Net block)	27,908	33,212	36,556	39,787
Non-current Investments	1,039	1,039	1,039	1,039
Long-term loans and advances	1,866	0	0	0
Other non-current assets	(1,921)	(1,788)	(1,789)	(1,789)
Current assets	24,814	29,060	30,952	36,951
Cash & current investment	1,400	3,651	4,308	6,084
Other current assets	23,414	25,409	26,644	30,867
Total (Assets)	53,705	61,523	66,758	75,987
Total debt	25,347	26,498	28,999	31,500
Capital employed	38,551	42,356	47,134	53,096

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	2,643	3,750	4,448	5,315
Depreciation	1,328	1,794	2,013	2,130
Change in working capital	(5,128)	3,723	(728)	(956)
Total tax paid	(230)	(1,321)	(1,409)	(1,759)
Others	2,328	2,762	2,882	3,030
Cash flow from oper. (a)	941	10,709	7,205	7,761
Capital expenditure	(2,469)	(7,099)	(5,357)	(5,361)
Change in investments	(32)	0	0	0
Cash flow from inv. (b)	(2,501)	(7,099)	(5,357)	(5,361)
Free cash flow (a+b)	(1,560)	3,610	1,848	2,400
Equity raised/(repaid)	(36)	36	0	0
Debt raised/(repaid)	5,125	1,151	2,501	2,501
Dividend (incl. tax)	(168)	(145)	(145)	(145)
Others	(3,011)	(2,401)	(3,548)	(2,979)
Cash flow from fin. (c)	1,911	(1,359)	(1,192)	(623)
Net chg. in cash (a+b+c)	351	2,251	657	1,776

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	9.9	12.5	14.8	17.3
Growth	(736.1)	26.0	18.6	17.1
CEPS (Rs)	16.4	21.2	24.6	27.7
Book NAV/share (Rs)	34.2	42.9	53.2	66.0
Dividend/share (Rs)	0.7	0.6	0.6	0.6
Dividend payout ratio	8.3	5.7	4.8	4.1
EBITDA margin	8.8	11.3	11.6	11.6
EBIT margin	7.1	9.2	9.3	9.4
Tax rate	25.5	31.7	31.7	33.1
RoCE	14.2	17.6	16.4	16.7
Total debt/Equity (x)	2.8	2.4	2.2	2.0
Net debt/Equity (x)	2.6	2.1	1.9	1.6
Du Pont Analysis - ROE				
Net margin	2.9	3.3	3.9	4.0
Asset turnover (x)	1.3	1.3	1.2	1.2
Leverage factor (x)	8.0	7.3	6.5	5.8
Return on equity	31.4	32.4	30.8	29.1

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	13.2	10.5	8.9	7.6
PCE	8.0	6.2	5.3	4.7
Price/Book	0.5	0.4	0.8	0.8
Yield (%)	3.8	3.3	2.5	2.5
EV/EBITDA	4.5	3.1	4.2	4.2

MID CAP

Share Data

Price (Rs)	1,372
BSE Sensex	27,888
Reuters code	JUBLBO
Bloomberg code	JUBIIN
Market cap. (US\$ mn)	1,421
6M avg. daily turnover (US\$ mn)	5.5
Issued shares (mn)	66

Performance (%) 1M 3M 12M

Absolute	(6)	7	7
Relative	(4)	2	(20)

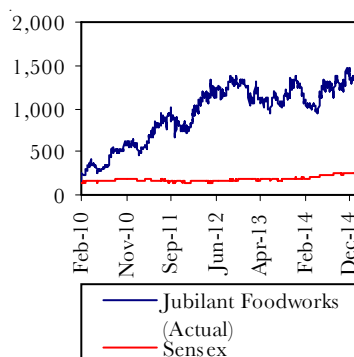
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	20.1	31.0	42.9
+/- (%)	11.2	54.2	38.4
PER (x)	68.2	44.2	31.9
PBV (x)	13.2	10.2	7.7
EV/Sales (x)	4.1	3.2	2.5
EV/EBITDA (x)	33.3	22.6	16.2

Major shareholders (%)

Promoters	50
FII's	45
MF's	2
Public & Others	4

Relative performance



Jubilant FoodWorks

Maintain Outperformer

Gearing up for a turnaround in discretionary consumption!

Recent performance

Jubilant FoodWorks Ltd. (JUBI) endured a difficult FY14. System sales growth of ~22.8% was boosted by new restaurants (150 Domino's/16 Dunkin' Donuts & More (DD)) while same store sales growth (SSSG) slowed to a multi-year low of 1.6%. While gross margins remained steady at ~69.8%, EBITDA margins declined ~270 bps to 14.4% as new restaurant operating expenses, and DD roll out charges piled up. 1H FY15 continues to remain tough with system sales of ~17% (SSSG -3.9% in 1H versus 6.5% YoY). Continued restaurant roll-out (95 Domino's as of December 2014; target 150 for FY15E) is eating into EBITDA margins (12.3% in 1H versus 15.8% YoY).

Key triggers/Risks – Next 12 months

- Consumer sentiment and discretionary spending revival is key to SSSG and margin.
- New launches, premiumisation and supply chain efficiencies can support margins.
- Increasing competitive intensity may hit sales and margins in the near-term.

Strategic initiatives

- Given its strong back end, JUBI continues to spread its network across the country. It is focusing more on Tier I/II markets (away from its Top 10 metro markets).
- The same back end can also be used to launch new QSR brands or build its own brand, both of these being realistic propositions in the future.
- Internet-based ordering (through web and smartphones) will be the next growth lever for companies like JUBI. The company has built a strong online ordering platform and this point of sales is contributing well to the company's overall sales.

Balance sheet position

- Zero debt and negative working capital company.
- Generates enough operating cash flow to fund its capital expenditure.
- Return ratios to be aided by operating leverage once sentiment revival kicks in.

Outlook and valuation

JUBI has continued expanding its network as well as strengthened its back-end supply chain during the slowdown period. These investments will help JUBI consolidate its leadership grip in the quick service restaurant industry and make it a dominant player going forward. Given the nascent but fast growing organised eating out market, and the strong competitive position of JUBI, the company will be one of the top beneficiaries of a revival in consumer sentiment. We maintain our Outperformer rating and remain bullish on JUBI's future prospects.

Resham Jain, CFA

resham.jain@bksec.com

Ami Javeri

ami.javeri@bksec.com

Aasim Bharde

aasim.bharde@bksec.com

Jubilant FoodWorks

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	17,363	21,736	27,884	35,707
Growth (%)	22.8	25.2	28.3	28.1
Operating Expenses	(14,867)	(19,048)	(23,950)	(30,268)
Operating Profit	2,496	2,688	3,934	5,439
EBITDA	2,496	2,688	3,934	5,439
Growth (%)	3.3	7.7	46.4	38.2
Depreciation	(787)	(920)	(1,088)	(1,300)
Other Income	94	69	68	93
EBIT	1,803	1,837	2,914	4,232
Profit Before Tax	1,803	1,837	2,914	4,232
Tax (Current + Deferred)	(620)	(514)	(874)	(1,409)
P/(L) For The Period	1,182	1,323	2,040	2,822
Reported Profit/(Loss)	1,182	1,323	2,040	2,822
Adjusted Net Profit	1,182	1,323	2,040	2,822
Growth (%)	(9.8)	11.9	54.2	38.4

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	654	657	657	657
Reserves & Surplus	4,846	6,167	8,207	11,029
Shareholders' Funds	5,500	6,824	8,864	11,686
Non-Current Liabilities	464	464	486	516
Other Non-Current Liab.	464	464	486	516
Current Liabilities	2,656	3,078	3,886	4,761
Other Current Liabilities	2,656	3,078	3,886	4,761
Total (Equity and Liab.)	8,620	10,366	13,236	16,964
Non-Current Assets	6,741	9,006	10,952	13,271
Fixed Assets (Net Block)	5,660	7,600	9,188	10,948
Long-Term Loans and Adv.	1,077	1,402	1,761	2,319
Other Non-Current Assets	4	4	4	4
Current Assets	1,878	1,360	2,284	3,693
Cash & Current Investments	1,180	686	1,414	2,217
Other Current Assets	699	674	870	1,475
Total (Assets)	8,620	10,366	13,236	16,964
Capital Employed	5,964	7,288	9,351	12,203

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit Before Tax	1,803	1,837	2,914	4,232
Depreciation	787	920	1,088	1,300
Change in Working Capital	151	124	237	(273)
Total Tax Paid	(446)	(514)	(874)	(1,409)
Others	(85)	(67)	(65)	(89)
Operating Cash Flow (a)	2,209	2,300	3,299	3,761
Capital Expenditure	(2,478)	(2,861)	(2,660)	(3,076)
Change in Investments	3	700	0	0
Others	84	67	65	89
Investing Cash Flow (b)	(2,391)	(2,094)	(2,595)	(2,986)
Free Cash Flow (a+b)	(182)	205	705	774
Equity Raised / (Repaid)	15	3	0	0
Others	35	(2)	23	29
Financing Cash Flow (c)	49	1	23	29
Net Chg in Cash (a+b+c)	(133)	206	728	804

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	18.1	20.1	31.0	42.9
Growth	(10.1)	11.2	54.2	38.4
CEPS (Rs)	30.1	34.1	47.6	62.7
Book Value/Share (Rs)	84.1	103.8	134.9	177.8
EBITDA Margin	14.4	12.4	14.1	15.2
EBIT Margin	10.4	8.5	10.5	11.9
Tax Rate	34.4	28.0	30.0	33.3
RoCE	34.3	27.7	35.0	39.3
Net Debt/Equity (x)	(0.2)	(0.1)	(0.2)	(0.2)
Du Pont Analysis - ROE				
Net Profit Margin	6.8	6.1	7.3	7.9
Asset Turnover (x)	2.3	2.3	2.4	2.4
Leverage Factor (x)	1.5	1.5	1.5	1.5
Return on Equity	24.1	21.5	26.0	27.5

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	58.8	68.2	44.2	31.9
PCE	35.3	40.2	28.8	21.9
Price/Book	12.6	13.2	10.2	7.7
EV/EBITDA	27.4	33.3	22.6	16.2

MID CAP

Share Data

Price (Rs)	235
BSE Sensex	27,888
Reuters code	KAPTBO
Bloomberg code	KPPIN
Market cap. (US\$ mn)	570
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	153

Performance (%) 1M 3M 12M

Absolute	33	52	159
Relative	36	44	94

Valuation ratios

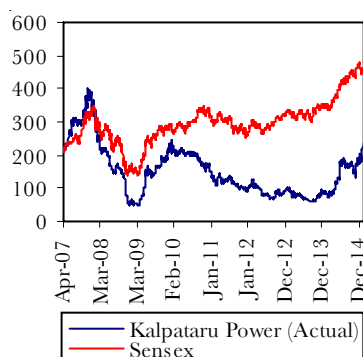
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs.)	12.5	17.8	21.1
+/- (%)	30.9	42.2	18.6
PER (x)	18.8	13.2	11.2
PBV (x)	1.7	1.6	1.4
Dividend/Yield(%)	1.1	1.3	1.3
EV/EBITDA (x)	9.3	7.3	6.5

Major shareholders (%)

Promoters	59
FII's	9
MF's	13
BFSI's	5
Public & Others	14

Relative performance



Kalpataru Power

Maintain BUY

Healthy order pipeline, Shubham IPO – a valuation catalyst

Recent performance

During the last two years, traction in the orders from overseas market compensated for the slowdown in the domestic market.

Loss in infrastructure segment has impacted the overall profitability of the company.

Due to higher competition and lower demand the margins were lower and working capital requirement had increased with change in terms of trade of power grid orders.

Current order book of Rs 55 bn (1.2x TTM sales) lend growth visibility.

Key triggers/Risks – Next 12 months

- Sharp variability in steel prices can impact margins, with higher exposure to overseas business having fixed price contracts. Though, Kalpataru Power Transmission (KPTL) freeze price and exchange risk by back-to-back ordering, the business is not completely immune to price volatility of commodity prices and exchange rates.
- Delay in infrastructure projects to impact margins.
- Initial public offer (IPO) of subsidiary Shubham to aid value unlocking.

Strategic initiatives

- KPTL will bid for transmission BOOT projects with and equity target of Rs 0.5-1 bn per annum from state electricity boards.
- The company have plans to increase the capacity utilisation of Shubham and increase the capacity given healthy growth visibility for the logistics business.

Balance sheet position

- The working capital of the company is stretched due to new terms of trade of power grid orders and delay in execution of infrastructure orders. This has resulted in debt of Rs 7 bn.
- Increase in debt and investment into subsidiaries and BOOT projects has resulted in reduction in return on equity at 8% in FY14 from 15% in FY11.

Outlook and valuation

Order intake is expected to grow by 15% in FY15E supported by both domestic and overseas market. Improved T&D execution traction and infrastructure growth to fuel 15% revenue growth. Reduction in infrastructure loss and execution of healthy T&D order execution will support margins. Cash flows to improve with better collection and liquidation of Indore/Thane real estate. Overall, the earnings are expected to grow supporting valuation re-rating, hence, we maintain Buy. The stock is currently trading at 12x FY16E and 10x FY17E earnings.

Renjith Sivaram

renjith.sivaram@bksec.com

Renu Baid

renu.baid@bksec.com

Kalpataru Power

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	40,034	46,069	54,437	64,311
<i>Growth (%)</i>	<i>21.5</i>	<i>15.1</i>	<i>18.2</i>	<i>18.1</i>
Operating expenses	(36,690)	(42,062)	(48,992)	(57,800)
Operating profit	3,344	4,007	5,445	6,511
Other operating income	519	672	682	692
EBITDA	3,862	4,679	6,127	7,203
<i>Growth (%)</i>	<i>19.9</i>	<i>21.1</i>	<i>31.0</i>	<i>17.6</i>
Depreciation	(695)	(841)	(960)	(1,086)
Other income	484	521	571	627
EBIT	3,651	4,358	5,738	6,744
Finance cost	(1,460)	(1,561)	(1,760)	(2,025)
Profit before tax	2,191	2,797	3,978	4,719
Tax (current + deferred)	(727)	(881)	(1,253)	(1,487)
Profit/(Loss) for the period	1,464	1,916	2,725	3,233
Reported Profit / (Loss)	1,464	1,916	2,725	3,233
Adjusted net profit	1,464	1,916	2,725	3,233
<i>Growth (%)</i>	<i>6.3</i>	<i>30.9</i>	<i>42.2</i>	<i>18.6</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	307	307	307	307
Reserves & surplus	19,235	20,703	22,889	25,583
Shareholders' funds	19,542	21,010	23,196	25,890
Non-current liabilities	1,717	2,267	2,767	3,268
Long-term borrowings	677	1,500	2,000	2,500
Other non-current liabilities	1,040	767	767	768
Current liabilities	24,912	28,386	33,326	38,674
ST borrowings, Curr maturity	6,310	6,941	7,635	8,781
Other current liabilities	18,602	21,445	25,690	29,893
Total (Equity and Liab.)	46,171	51,662	59,289	67,833
Non-current assets	14,876	15,878	17,255	18,731
Fixed assets (Net block)	5,918	6,172	6,438	6,729
Non-current Investments	3,834	4,098	4,203	4,203
Long-term loans and advances	5,123	5,609	6,614	7,800
Current assets	31,296	35,784	42,034	49,100
Cash & current investment	649	979	955	594
Other current assets	30,647	34,805	41,079	48,506
Total (Assets)	46,171	51,662	59,289	67,832
Total debt	6,987	8,441	9,635	11,281
Capital employed	27,569	30,218	33,598	37,939

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	2,191	2,797	3,978	4,719
Depreciation	695	841	960	1,086
Change in working capital	(1,676)	(2,256)	(3,123)	(4,410)
Total tax paid	(708)	(881)	(1,253)	(1,487)
Others	1,004	1,060	1,209	1,418
Cash flow from oper. (a)	1,507	1,561	1,770	1,327
Capital expenditure	(1,228)	(1,093)	(1,226)	(1,377)
Change in investments	(485)	(265)	(105)	0
Others	456	501	552	607
Cash flow from inv. (b)	(1,257)	(857)	(779)	(770)
Free cash flow (a+b)	250	704	991	557
Debt raised/(repaid)	1,664	1,454	1,194	1,645
Dividend (incl. tax)	(356)	(265)	(449)	(539)
Others	(1,481)	(1,563)	(1,760)	(2,025)
Cash flow from fin. (c)	(173)	(374)	(1,015)	(918)
Net chg. in cash (a+b+c)	78	330	(24)	(361)

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	9.5	12.5	17.8	21.1
Growth	6.3	30.9	42.2	18.6
CEPS (Rs)	14.1	18.0	24.0	28.1
Book NAV/share (Rs)	127.3	136.9	151.1	168.7
Dividend/share (Rs)	2.0	2.5	3.0	3.0
Dividend payout ratio	24.5	23.4	19.8	16.7
EBITDA margin	9.5	10.0	11.1	11.2
EBIT margin	9.1	9.5	10.5	10.5
Tax rate	33.2	31.5	31.5	31.5
RoCE	14.0	15.1	18.0	18.9
Total debt/Equity (x)	0.4	0.4	0.4	0.4
Net debt/Equity (x)	0.3	0.4	0.4	0.4
Du Pont Analysis - ROE				
Net margin	3.7	4.2	5.0	5.0
Asset turnover (x)	0.9	0.9	1.0	1.0
Leverage factor (x)	2.3	2.4	2.5	2.6
Return on equity	7.7	9.5	12.3	13.2

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	10.0	18.8	13.2	11.2
PCE	6.8	13.1	9.8	8.3
Price/Book	0.7	1.7	1.6	1.4
Yield (%)	2.1	1.1	1.3	1.3
EV/EBITDA	5.4	9.3	7.3	6.5

MID CAP

Share Data

Price (Rs)	1,995
BSE Sensex	27,797
Reuters code	KDLA.BO
Bloomberg code	KNPL IN
Market cap. (US\$ mn)	1,737
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	54

Performance (%) 1M 3M 12M

Absolute	5	6	81
Relative	5	4	39

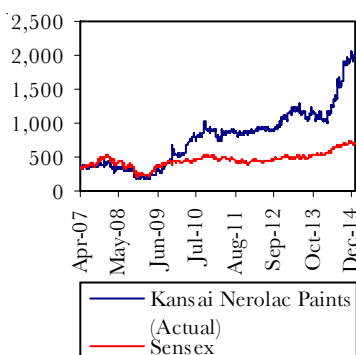
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	50.0	62.0
+/- (%)	23.8	24.2
PER (x)	39.9	32.2
PBV (x)	6.6	5.7
Dividend/Yield (%)	0.6	0.6
EV/Sales (x)	2.9	2.4
EV/EBITDA (x)	23.7	19.4

Major shareholders (%)

Promoters	69
FII's	12
MF's	2
BFSI's	3
Public & Others	14

Relative performance



Kansai Nerolac Paints

Maintain Outperformer

To benefit from improved industrial activity!!!

Recent performance/Outlook

Kansai Nerolac Paints (KNPL) had posted subdued performance for the past three years with revenue CAGR of 13.6% and flat PAT. The company's performance had lagged its peers owing to its exposure to industrial segment which was under cyclical slowdown. In 1H FY15 KNPL witnessed improvement in performance with revenue, EBITDA and PAT growth of 16.9%, 22.9% and 29.3% to Rs 18.3 bn, Rs 2.3 bn and Rs 1.4 bn, respectively. The revenue growth indicates overall volume growth of 12-13% led by both industrial and decorative segment.

Key sensitivities to growth/Key risks – Next 12 months

- Cooling crude oil prices would provide tail winds as 65-70% of raw materials are crude oil derivatives for KNPL.

Strategic initiatives/Capex plans

- Strong support from its parent "Kansai Paints" helps the company in providing high performance coating solutions to its OEM customers. The company has been able to protect its market share (~65%), in spite of higher competitive intensity in industrial paints.
- The revenue mix, which currently stands at 55:45 for decorative and industrial segment, is expected to change in favour of decorative segment further which ensures stable margins as the company enjoys pricing power in decorative paints.
- The company offers high quality products ranging from Electro Deposition Primer to Top Coats that are approved by most of the global auto majors. In addition to its product offering the company also provides unmatched technical service to its customers which give it a clear advantage over competition.

Balance sheet position

- KNPL remains a debt free company and is among the very few companies that has annual interest outgo of less than Rs 5 mn. This signifies the efficient working capital management and ability to control cash flows.

Valuation and view

We continue to maintain our positive view and expect KNPL to be key beneficiary of revival in auto industry as it remains leader with ~65% market share. The company has been gradually ramping up its efforts in decorative segment by improving its product quality, product portfolio and dealer efficiencies. We expect these initiatives to start yielding results and reflect in better growth for decorative segment over the next couple of years.

Ranjit Cirumalla

ranjit.cirumalla@bksec.com

Kansai Nerolac Paints

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	31,361	36,686	43,291	50,905
<i>Growth (%)</i>	<i>10.4</i>	<i>17.0</i>	<i>18.0</i>	<i>17.6</i>
Operating expenses	(27,813)	(32,368)	(38,035)	(44,432)
Operating profit	3,548	4,318	5,256	6,472
Other operating income	182	200	220	230
EBITDA	3,731	4,518	5,476	6,702
<i>Growth (%)</i>	<i>11.0</i>	<i>21.1</i>	<i>21.2</i>	<i>22.4</i>
Depreciation	(650)	(718)	(733)	(805)
Other income	103	199	224	239
EBIT	3,185	3,999	4,966	6,136
Finance cost	(5)	(4)	(6)	(6)
Profit before tax	3,180	3,995	4,960	6,130
Tax (current + deferred)	(1,004)	(1,302)	(1,617)	(1,998)
P/(L) for the period	2,176	2,693	3,343	4,132
Reported Profit/(Loss)	2,176	2,693	3,343	4,132
Adjusted net profit	2,176	2,693	3,343	4,132
<i>Growth (%)</i>	<i>9.1</i>	<i>23.8</i>	<i>24.2</i>	<i>23.6</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	539	539	539	539
Reserves & surplus	13,693	15,692	18,342	21,625
Shareholders' funds	14,232	16,231	18,881	22,164
Non-current liabilities	1,463	1,468	1,473	1,478
Long-term borrowings	517	517	517	517
Other non-current liabilities	946	951	956	961
Current liabilities	6,856	7,776	8,963	10,299
ST borrowings, Curr maturity	51	51	51	51
Other current liabilities	6,805	7,725	8,913	10,248
Total (Equity and Liab.)	22,551	25,475	29,318	33,941
Non-current assets	10,315	10,903	11,473	11,998
Fixed assets (Net block)	9,582	10,103	10,588	11,015
Non-current Investments	331	331	331	331
Long-term loans and advances	401	470	554	652
Current assets	12,242	14,572	17,845	21,285
Cash & current investment	783	1,211	2,124	2,844
Other current assets	11,459	13,361	15,721	18,441
Total (Assets)	22,556	25,475	29,318	33,283
Total debt	568	568	568	568
Capital employed	15,746	17,751	20,405	23,694

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,180	3,995	4,960	6,130
Depreciation	650	718	733	805
Change in working capital	(1,041)	(977)	(1,167)	(1,380)
Total tax paid	(750)	(1,302)	(1,617)	(1,998)
Others	(97)	(156)	(179)	(194)
Cash flow from oper. (a)	1,942	2,277	2,731	3,363
Capital expenditure	(1,212)	(1,306)	(1,303)	(1,330)
Change in investments	41	(200)	(200)	(200)
Others	102	160	185	200
Cash flow from inv. (b)	(1,068)	(1,346)	(1,318)	(1,330)
Free cash flow (a+b)	873	931	1,412	2,033
Debt raised/(repaid)	(122)	0	0	0
Dividend (incl. tax)	(694)	(694)	(694)	(694)
Others	(115)	(4)	(6)	(161)
Cash flow from fin. (c)	(930)	(698)	(700)	(855)
Net chg in cash (a+b+c)	(57)	233	713	1,179

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	40.4	50.0	62.0	76.7
Growth	9.1	23.8	24.2	23.6
CEPS (Rs)	52.4	63.3	75.6	91.6
Book NAV/share (Rs)	264.1	301.2	350.3	411.3
Dividend/share (Rs)	11.0	11.0	11.0	11.0
Dividend payout ratio	31.9	25.8	20.7	16.8
EBITDA margin	11.8	12.2	12.6	13.2
EBIT margin	10.2	10.9	11.5	12.1
Tax rate	31.6	32.6	32.6	32.6
RoCE	21.2	23.9	26.0	27.8
Net debt/Equity (x)	(0.0)	(0.0)	(0.1)	(0.1)
Du Pont Analysis - ROE				
Net margin	6.9	7.3	7.7	8.1
Asset turnover (x)	1.5	1.5	1.6	1.6
Leverage factor (x)	1.6	1.6	1.6	1.5
Return on equity	16.1	17.7	19.0	20.1

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	29.3	40.9	33.0	26.7
PCE	22.6	32.3	27.0	22.3
Price/Book	4.5	6.8	5.8	5.0
Yield (%)	0.9	0.5	0.5	0.5
EV/EBITDA	17.0	24.2	19.8	16.1

MID CAP

Share Data

Price (Rs)	148
BSE Sensex	27,888
Reuters code	KBNK.BO
Bloomberg code	KBLIN
Market cap. (US\$ mn)	440
6M avg. daily turnover (US\$ mn)	5.6
Issued shares (mn)	188

Performance (%) 1M 3M 12M

Absolute	(4)	33	36
Relative	(2)	27	2

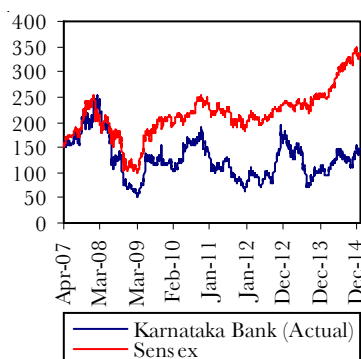
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	18.3	21.4	25.1
+/- (%)	11.0	16.9	17.0
ABV (Rs)	154.3	166.0	180.4
+/- (%)	6.8	7.6	8.7
PER (x)	8.0	6.9	5.9
PABV (x)	1.0	0.89	0.81
Dividend/Yield(%)	3.1	3.4	3.7

Major shareholders (%)

FII's	21
MF's	2
BFSI's	7
Public & Others	71

Relative performance



Karnataka Bank

Maintain SELL

Optimistic guidance; but delivery questionable!

Recent performance

Growth for 2Q came subdued at 12% YoY/2% QoQ, thus raising questions regarding meeting its full year target of 23% (implying 17% YTD in 2HFY15) for FY15. Growth has been coming from risky Agri as bank is building PSL, which enabled NIM improvement, up 4bps QoQ to 2.4%, as RIDF book runs-down. Fresh slippage remain high (3.5% of book), but aided by higher w/off's and ARC sale, kept GNPA ratio stable at 3.5%.

Key risks

- Bank guidance for GNPA at 2.5% for FY15 on the back of higher growth and NPA sale, seems optimistic given subdued YTD growth and the new norms making asset sale a difficult proposition.
- Improving its low CASA ratio from 16% to targeted 26% seems a tall order. This will in-turn also, impact banks NIM target of 2.5% for FY15.

Strategic initiatives/Key highlights

- Bank optimistically guides for ROA to reach ~1% on the back of NIMs at 2.5%, C/I at 45% and maintaining a PCR of 50-55%.
- Reduction in RIDF book by ~Rs 4 bn in FY15 to aid margins.

Balance sheet position

- Bank guides for growth at ~23% for FY15, with wholesale/retail share at 50:50.
- Bank has reduced exposure to stress sectors (road, power, steel, mining, CRE, textile) to 20% of book vs. 22% in FY13.

Valuation and view

Bank is targeting NIMs at 2.5% for FY15 on the back of higher CD ratio (FY15 loan/Deposit 23/18% resp), lower dependence on RIDF investments to meet PSL and aggressive growth in high yielding gold loans, which given the YTD performance and weak liability franchise looks difficult. Bank may strive to manage headline asset quality by sale to ARCs, otherwise the stress pipeline, implies no improvement in inherent asset quality. We maintain our Sell rating given continued asset quality issues, weak liability franchise and better opportunities in other old generation private sector banks like Federal Bank.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Karnataka Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	41,888	46,970	53,842	63,005
Interest expense	(31,328)	(35,023)	(40,013)	(46,383)
Net interest income	10,561	11,947	13,829	16,621
<i>Growth (%)</i>	<i>16.9</i>	<i>13.1</i>	<i>15.8</i>	<i>20.2</i>
Non-interest income	5,056	5,078	5,648	6,135
Operating income	15,616	17,025	19,478	22,756
Operating expenses	(8,746)	(9,764)	(11,087)	(12,780)
- Staff expenses	(5,254)	(5,648)	(6,226)	(7,034)
Pre-provisions profit	6,870	7,261	8,391	9,976
Core operating profit	5,854	6,223	7,354	9,043
<i>Growth (%)</i>	<i>0.5</i>	<i>6.3</i>	<i>18.2</i>	<i>23.0</i>
Provisions & Contingencies	(2,784)	(2,946)	(3,079)	(3,591)
Pre-tax profit	4,087	4,315	5,312	6,385
(before non-recurring items)				
Non-recurring items	0	331	0	0
Pre-tax profit	4,087	4,646	5,312	6,385
(after non-recurring items)				
Tax (current + deferred)	(976)	(863)	(1,275)	(1,660)
Net profit	3,110	3,783	4,037	4,725
Adjusted net profit	3,110	3,452	4,037	4,725
<i>Growth (%)</i>	<i>(10.6)</i>	<i>11.0</i>	<i>16.9</i>	<i>17.0</i>
Net income	3,110	3,783	4,037	4,725

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	23,374	25,914	29,581	35,126
Investments	152,268	174,202	200,154	228,238
Advances	283,455	332,723	399,158	479,346
Int. earning assets	459,097	532,839	628,893	742,710
Fixed assets (Net block)	1,975	2,031	2,154	2,335
Other assets	9,216	10,717	11,717	12,797
Total assets	470,288	545,587	642,764	757,842
Deposits	405,828	475,988	565,446	671,835
Other int. bearing liab.	19,152	22,365	26,178	30,688
Total Int. bearing liab.	439,767	512,274	606,516	718,081
Other liabilities and prov.	14,787	13,921	14,892	15,558
Share capital	1,884	1,884	1,884	1,884
Reserves & surplus	28,638	31,429	34,364	37,877
Shareholders' funds	30,521	33,313	36,248	39,761
Total equity & liab.	470,288	545,587	642,764	757,842

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	16.5	18.3	21.4	25.1
BVPS	162.0	176.9	192.4	211.1
Adjusted Book NAV/share	144.4	154.3	166.0	180.4
PER (x)	8.9	8.0	6.9	5.9
Price/Book (x)	0.9	0.8	0.8	0.7
Price/Adjusted book (x)	1.0	1.0	0.9	0.8
Dividend Yield (%)	2.7	3.1	3.4	3.7
Du-Pont ratios				
NII/Avg. Assets (%)	2.4	2.4	2.3	2.4
Non-int. income/Avg Assets	1.1	1.0	1.0	0.9
- Fee income/Avg Assets	0.9	0.8	0.8	0.7
- Trading gains/Avg Assets	0.2	0.2	0.2	0.1
Cost/Avg Assets	2.0	1.9	1.9	1.8
Non-tax Provisions/Avg Assets	0.6	0.6	0.5	0.5
Tax Provisions/Avg Assets	0.2	0.2	0.2	0.2
RoA (%)	0.7	0.7	0.7	0.7
Leverage	15.0	15.9	17.1	18.4
RoE (%)	10.0	10.2	10.9	11.6
Balance Sheet ratios (%)				
Loan growth	12.4	17.4	20.0	20.1
Deposit growth	12.6	17.3	18.8	18.8
Loans/Deposits	69.8	69.9	70.6	71.3
Investments/Deposits	37.5	36.6	35.4	34.0
CASA ratio	25.4	25.3	25.1	25.0
Profitability ratios (%)				
NIMs	2.5	2.4	2.4	2.5
Interest spread	2.0	2.0	2.0	2.1
Yield on advances	12.0	11.6	11.2	11.0
Cost of deposits	7.8	7.5	7.3	7.2
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	32.4	29.8	29.0	27.0
Trading income/Net income	6.5	6.1	5.3	4.1
Cost/Income	56.0	57.4	56.9	56.2
Asset quality ratios (%)				
Gross NPLs	2.9	3.2	3.2	3.0
Net NPLs	1.8	1.9	1.9	1.8
Net NPLs/Net worth	15.6	18.3	19.6	20.6
Loan provisions/Avg loans	0.9	1.0	0.9	0.8
Provisions cover	39.7	39.6	40.7	40.1
Capitalisation ratios (%)				
Tier I cap.adequacy	10.7	10.3	9.7	9.0
Total cap.adequacy	13.2	12.6	11.9	11.0

MID CAP

Share Data

Price (Rs)	776
BSE Sensex	27,888
Reuters code	KVRLBO
Bloomberg code	KSCLIN
Market cap. (US\$ mn)	845
6M avg. daily turnover (US\$ mn)	2.9
Issued shares (mn)	69

Performance (%) 1M 3M 12M

Absolute	(8)	(7)	114
Relative	(6)	(11)	60

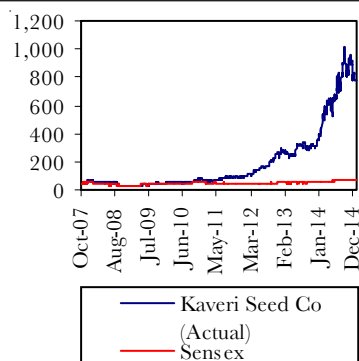
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	41.2	53.2
+/- (%)	33.9	29.3
PER (x)	18.9	14.6
PBV (x)	7.2	5.2
Dividend/Yield (%)	0.9	1.4
EV/Sales (x)	3.9	3.1
EV/EBITDA (x)	16.8	12.6

Major shareholders (%)

Promoters	58
FIIIs	19
MFs	9
Public & Others	14

Relative performance



Kaveri Seed

Maintain Outperformer

Market share gains to continue!

Recent performance/Outlook

Kaveri Seed Company (KSCL) reported strong performance over a 3-year period with CAGR of 63% in sales and 71% in profit driven by rapid market share gains in cotton. For 2QFY15, KSCL reported earnings lower than expectation (2Q is a seasonally weak quarter).

Key triggers/Risks – Next 12 months

- Market share gains are likely to continue driven by ATM and Jadoo.
- Lower cotton crop prices this year can result in decline in cotton acreages next kharif.
- Currently, income from seed business is treated as agricultural income and is exempted from tax. If the new Central government decides to impose tax on seed income, it will pose significant risk to current earnings.

Strategic initiatives

- To incur capex of Rs 400 mn in FY15E and FY16E, each year.
- KSCL expects to improve market share in the states of Maharashtra and Gujarat.
- Strengthening R&D capabilities and developing improved products like cotton seed suiting mechanised harvesting and introduction of new GM cotton seed variety.

Balance sheet position

- Strong earnings growth led to increase in RoE (from 25.0% in FY11 to 48.7% in FY14) and RoCE (from 22.5% in FY11 to 49.2% in FY14). Balance sheet remains strong with negligible debt.

Valuation and view

Despite maturing BT cotton seed market and increasing competition, KSCL has been able to grow impressively through introduction of better performing hybrid seeds. We expect KSCL's cotton market share improvement to continue next year. Overall, KSCL expects its market share to improve from 19% in FY15 to 25% in near term. KSCL has only 8-9% market share in Maharashtra, which is the largest market in terms of BT cotton seed (annual requirement of 15 mn packets). KSCL targets to improve its market share to 18-20% over the next three-four years in Maharashtra.

We maintain Outperformer rating. However, there are chances that promoters might sell part of their holding to raise money and invest in other businesses in their personal capacity. Such news will be sentimentally negative for the stock in short term.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

Kaveri Seed

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	7,108	10,024	12,404	15,017
<i>Growth (%)</i>	<i>90.9</i>	<i>41.0</i>	<i>23.7</i>	<i>21.1</i>
Operating expenses	(5,714)	(7,822)	(9,526)	(11,368)
Operating profit	1,394	2,202	2,878	3,649
EBITDA	1,394	2,202	2,878	3,649
<i>Growth (%)</i>	<i>81.2</i>	<i>58.0</i>	<i>30.7</i>	<i>26.8</i>
Depreciation	(106)	(144)	(152)	(165)
Other income	50	97	153	237
EBIT	1,338	2,155	2,878	3,721
Finance cost	(15)	(2)	(2)	(2)
Exceptional & extraordinary	13	0	0	0
Profit before tax	1,337	2,154	2,877	3,719
Tax (current + deferred)	(38)	(48)	(58)	(74)
P/(L) for the period	1,299	2,106	2,819	3,645
Reported Profit/(Loss)	1,299	2,106	2,819	3,645
Adjusted net profit	1,285	2,106	2,819	3,645
<i>Growth (%)</i>	<i>102.8</i>	<i>63.8</i>	<i>33.9</i>	<i>29.3</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	137	137	137	137
Reserves & surplus	3,321	5,048	7,290	10,070
Shareholders' funds	3,458	5,186	7,427	10,207
Minority Interests and others	8	5	8	8
Non-current liabilities	45	54	55	66
Long-term borrowings	8	8	0	0
Other non-current liabilities	37	46	55	66
Current liabilities	5,073	4,972	5,756	6,489
Other current liabilities	5,073	4,972	5,756	6,489
Total (Equity and Liab.)	8,584	10,217	13,246	16,769
Non-current assets	1,508	1,699	2,213	2,312
Fixed assets (Net block)	1,367	1,470	1,941	1,999
Non-current Investments	92	80	92	92
Long-term loans and adv.	48	146	180	221
Other non-current assets	0	2	0	0
Current assets	7,077	8,518	11,034	14,458
Cash & current investment	1,424	2,752	4,847	7,263
Other current assets	5,653	5,766	6,187	7,195
Total (Assets)	8,584	10,217	13,246	16,770
Total debt	8	8	0	0
Capital employed	3,511	5,245	7,490	10,280

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,337	2,154	2,877	3,719
Depreciation	106	144	152	165
Change in working capital	(317)	(312)	329	(317)
Total tax paid	(36)	(50)	(55)	(74)
Others	15	2	2	2
Cash flow from oper. (a)	1,105	1,937	3,304	3,495
Capital expenditure	(400)	(247)	(622)	(223)
Change in investments	(207)	(1,401)	(1,809)	(2,500)
Cash flow from inv. (b)	(607)	(1,648)	(2,431)	(2,723)
Free cash flow (a+b)	499	289	873	772
Equity raised/(repaid)	8	(3)	3	0
Debt raised/(repaid)	(208)	0	(8)	0
Dividend (incl. tax)	(257)	(385)	(577)	(866)
Others	(5)	13	7	9
Cash flow from fin. (c)	(461)	(374)	(576)	(857)
Net chg in cash (a+b+c)	38	(85)	297	(84)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	18.8	30.7	41.2	53.2
Growth	102.8	63.8	33.9	29.3
CEPS (Rs)	20.3	32.8	43.4	55.6
Book NAV/share (Rs)	50.5	75.7	108.4	149.0
Dividend/share (Rs)	3.2	4.8	7.2	10.8
Dividend payout ratio	19.8	18.3	20.5	23.8
EBITDA margin	19.6	22.0	23.2	24.3
EBIT margin	18.8	21.5	23.2	24.8
Tax rate	2.9	2.2	2.0	2.0
RoCE	43.4	49.2	45.2	41.9
Net debt/Equity (x)	(0.4)	(0.5)	(0.7)	(0.7)
Du Pont Analysis - ROE				
Net margin	18.1	21.0	22.7	24.3
Asset turnover (x)	1.0	1.1	1.1	1.0
Leverage factor (x)	2.5	2.2	1.9	1.7
Return on equity	43.8	48.7	44.7	41.3

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	12.8	20.8	18.9	14.6
PCE	11.8	19.5	17.9	14.0
Price/Book	4.8	8.5	7.2	5.2
Yield (%)	1.3	0.8	0.9	1.4
EV/EBITDA	10.8	18.7	16.8	12.6

MID CAP

Share Data

Price (Rs)	1,950
BSE Sensex	27,888
Reuters code	KKCL.BO
Bloomberg code	KEKC.IN
Market cap. (US\$ mn)	380
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	12

Performance (%) 1M 3M 12M

Absolute	7	7	69
Relative	9	2	27

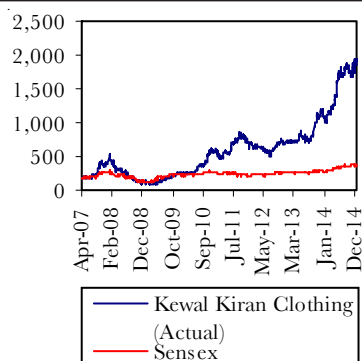
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	63.2	80.5
+/- (%)	16.1	27.4
PER (x)	30.9	24.2
PBV (x)	7.2	6.2
Dividend/Yield (%)	1.3	1.7
EV/EBITDA (x)	20.8	16.2

Major shareholders (%)

Promoters	74
FII's	11
MF's	9
Public & Others	6

Relative performance



Kewal Kiran Clothing

Maintain Underperformer

Continue to grow steadily...

Recent performance

Kewal Kiran Clothing (KKCL) revenue for 1HFY15 grew by 13% led by 7% volume growth and 6% realisation growth. EBITDA margin and adjusted PAT margin impacted by 380 bps and 270 bps, respectively, due to poor volume growth and higher operating expenses. Slower opening of stores and higher closure in 2QFY15 resulted in net stores remaining flat (319 stores).

Revenue, EBITDA and adjusted PAT between FY12-14 grew at a moderate CAGR of 10%, 13% and 13%, respectively, primarily because of muted volume growth (3% CAGR) and subdued consumer sentiments. The company, however, maintained the operating margin during this period at ~25%.

Key sensitivities to growth/Key risks

- Lower presence in fast growing departmental stores format (National Chain Stores).
- Concentration risk because of dominance of 'Killer' as a brand and 'Jeans' as a product category.
- The company's strategy to tap e-commerce channel.

Strategic initiatives/Capex plans

- KKCL is building infrastructure to support next level of growth and also planning to spend on improving the supply chain with a capex of ~Rs 250 mn.
- KKCL plans to open ~50 franchise stores each year.
- The company is continuously increasing its presence in lifestyle accessories business. Revenue contribution increased from 2.2% (FY11) to 15.6% (FY14).

Balance sheet position

- Working capital cycle has remained stable over the years at ~60 days.
- The company's cash balance as on 30th September stood at Rs 2.1 bn. Cash as a % of capital employed increased from 53% (FY12) to 65% (1HFY15).

Valuation and view

KKCL is a well positioned branded apparel company to benefit from increasing presence through its retail chains and distribution reach especially in tier 2/3/4 towns. Stable raw material prices, better in-house and outsource mix (for finished product) and diversified product mix will help the company to maintain its margins going forward. We like the company given its consistent operating performance coupled with efficient return on business capital employed but is available at slightly expensive valuation. At Rs 1,950, it is trading at 16.2x FY16E EV/EBITDA.

Resham Jain, CFA
resham.jain@bksec.com

Nishant Agrawal
nishant.agrawal@bksec.com

Kewal Kiran Clothing

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	3,030	3,672	4,453	5,448
<i>Growth (%)</i>	<i>0.3</i>	<i>21.2</i>	<i>21.3</i>	<i>22.3</i>
Operating expenses	(2,293)	(2,738)	(3,386)	(4,097)
Operating profit	737	934	1,066	1,351
Other operating income	26	34	0	0
EBITDA	737	934	1,066	1,351
<i>Growth (%)</i>	<i>0.4</i>	<i>26.8</i>	<i>14.2</i>	<i>26.7</i>
Depreciation	(59)	(51)	(80)	(90)
Other income	122	118	178	218
EBIT	799	1,001	1,165	1,479
Finance cost	(26)	(30)	(32)	(36)
Profit before tax	773	971	1,133	1,444
Tax (current + deferred)	(239)	(301)	(355)	(452)
P/(L) for the period	534	670	778	992
Reported Profit/(Loss)	534	670	778	992
Adjusted net profit	534	670	778	992
<i>Growth (%)</i>	<i>2.3</i>	<i>25.5</i>	<i>16.1</i>	<i>27.4</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	123	123	123	123
Reserves & surplus	2,415	2,783	3,199	3,730
Shareholders' funds	2,539	2,906	3,323	3,853
Non-current liabilities	60	79	79	79
Other non-current liabilities	60	79	79	79
Current liabilities	646	721	844	977
ST borrowings, Curr maturity	141	119	243	297
Other current liabilities	505	602	601	679
Total (Equity and Liab.)	3,244	3,705	4,246	4,909
Non-current assets	604	569	834	874
Fixed assets (Net block)	442	427	624	664
Non-current Investments	35	35	35	35
Long-term loans and adv.	97	82	150	150
Other non-current assets	30	25	25	25
Current assets	2,640	3,137	3,412	4,035
Cash & current investment	1,789	1,974	2,064	2,398
Other current assets	851	1,163	1,348	1,637
Total (Assets)	3,244	3,705	4,246	4,909
Total debt	141	119	243	297
Capital employed	2,739	3,104	3,644	4,229

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	773	971	1,133	1,444
Depreciation	59	51	80	90
Change in working capital	200	(215)	(185)	(211)
Total tax paid	(242)	(299)	(355)	(452)
Others	(96)	(89)	(147)	(182)
Cash flow from oper. (a)	695	421	527	688
Capital expenditure	(53)	(21)	(345)	(130)
Change in investments	(900)	(451)	(139)	(151)
Others	121	121	178	218
Cash flow from inv. (b)	(832)	(351)	(306)	(63)
Free cash flow (a+b)	(137)	70	221	625
Debt raised/(repaid)	(8)	(22)	124	54
Dividend (incl. tax)	(251)	(303)	(362)	(461)
Others	(12)	(11)	(32)	(36)
Cash flow from fin. (c)	(271)	(336)	(269)	(442)
Net chg in cash (a+b+c)	(408)	(266)	(48)	183

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	43.3	54.4	63.2	80.5
Growth	2.3	25.5	16.1	27.4
CEPS (Rs)	48.2	58.6	69.6	87.7
Book NAV/share (Rs)	206.0	235.8	269.6	312.6
Dividend/share (Rs)	17.5	21.0	25.3	32.2
Dividend payout ratio	47.0	45.2	46.5	46.5
EBITDA margin	24.3	25.4	24.0	24.8
EBIT margin	26.4	27.3	26.2	27.2
Tax rate	30.9	31.0	31.3	31.3
RoCE	30.8	34.3	34.5	37.6
Total debt/Equity (x)	0.1	0.0	0.1	0.1
Net debt/Equity (x)	(0.6)	(0.6)	(0.5)	(0.5)
Du Pont Analysis - ROE				
Net margin	17.6	18.3	17.5	18.2
Asset turnover (x)	1.0	1.1	1.1	1.2
Leverage factor (x)	1.3	1.3	1.3	1.3
Return on equity	22.3	24.6	25.0	27.6

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	16.7	21.2	30.9	24.2
PCE	15.1	19.7	28.0	22.2
Price/Book	3.5	4.9	7.2	6.2
Yield (%)	2.4	1.8	1.3	1.7
EV/EBITDA	9.9	13.3	20.8	16.2

MID CAP

Share Data

Price (Rs)	236
BSE Sensex	27,888
Reuters code	KRBR.BO
Bloomberg code	KKBIN
Market cap. (US\$ mn)	296
6M avg. daily turnover (US\$ mn)	0.2
Issued shares (mn)	79

Performance (%)	1M	3M	12M
Absolute	8	(10)	51
Relative	10	(14)	13

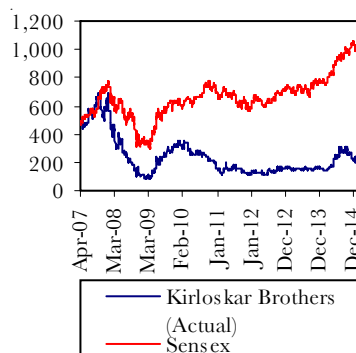
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	4.3	11.8	15.0
+/- (%)	(46.7)	174.2	27.1
PER (x)	54.8	20.0	15.7
PBV (x)	1.9	1.8	1.6
Dividend/Yield(%)	1.1	1.1	1.1
EV/Sales (x)	0.8	0.7	0.6
EV/EBITDA (x)	14.7	9.0	7.7

Major shareholders (%)

Promoters	63
FII's	8
MF's	5
BFSI's	5
Public & Others	20

Relative performance



Kirloskar Brothers

Maintain SELL

Legacy orders will affect profitability

Recent performance/Outlook

Sales stayed flat due to sluggish investment cycle. Higher product sales and slower project execution led to 300 bps improvement in margins. Adjusted PAT grew by 49% CAGR in FY12-14 due to higher product sales.

In 2QFY15, product segment sales grew by 11% YoY to Rs 2.6 bn whereas in 1HFY15 it declined by 1% YoY to Rs 4.9 bn. Project sales declined by 42% YoY to Rs 840 mn in 2QFY15 and by 45% YoY in 1HFY15 (Rs 1.8 bn). EBITDA declined by 490 bps YoY to 5.5% due to cost overruns of ~Rs 280 mn in old projects of power and irrigation segments.

Key sensitivities to growth/Key risks

- Old projects from FY08-09 are expected to experience 20-25% cost overruns during execution. Hence, it will be very difficult to sustain margins.

Strategic initiatives/Capex plans

- Expects to improve working capital through better payment terms for future project orders and recovery of retention money on old projects.

Balance sheet position

- With control on working capital, Kirloskar Brothers (KKB) has managed to lower its debt to Rs 3 bn from Rs 4.5 bn levels in FY10.
- Inventory were at 37 days versus 50 days. Hence despite increase in receivables to 92 days from 79 days, cash conversion cycle stayed flat at 45 days.

Outlook and valuation

As per management interactions, order inflow quality is comparatively better in project business for the last one year. The company has initiated process of foreclosing in some projects of Seemandhra/Telangana (~Rs 7.5 bn worth orders) and expects to see more cost overruns in the coming quarters of FY15E and FY16E. Sales will show decline of 3% YoY in FY15E due to sluggish order book at the start of FY15E, but healthy order inflow will lead to healthy execution i.e. ~14% YoY in FY16E.

We believe that healthy order inflow will provide good revenue visibility to the company, but cost overruns and provisioning due to legacy order execution will affect profitability and hence there is more downside risk to earnings than upside potential in FY15E and FY16E. Considering downside risk of at least 30-40% in earnings for FY16E/FY17E due to cost overruns in legacy orders and sluggish performance in SPP pumps, KKB looks expensive at current valuation. Hence, we maintain Sell.

Bhalchandra Shinde
bhalchandra.shinde@bksec.com

Renu Baid
renu.baid@bksec.com

Kirloskar Brothers

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	26,823	25,917	29,695	34,101
<i>Growth (%)</i>	2.7	(3.4)	14.6	14.8
Operating expenses	(24,665)	(24,528)	(27,463)	(31,511)
Operating profit	2,158	1,389	2,232	2,589
EBITDA	2,158	1,389	2,232	2,589
<i>Growth (%)</i>	8.1	(35.6)	60.6	16.0
Depreciation	(548)	(567)	(612)	(657)
Other income	121	146	160	176
EBIT	1,731	969	1,780	2,108
Finance Cost	(514)	(480)	(439)	(404)
Exceptional & Extraordinary	(164)	0	0	0
Profit before tax	1,053	489	1,341	1,704
Tax (current + deferred)	(399)	(147)	(404)	(513)
P/(L) for the period	654	342	937	1,191
P/L of Associates,	(13)	0	0	0
Min Int, Pref Div				
Reported Profit/(Loss)	641	342	937	1,191
Adjusted Net profit	641	342	937	1,191
<i>Growth (%)</i>	(20.9)	(46.7)	174.2	27.1

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	159	159	159	159
Reserves & surplus	9,799	9,537	10,243	11,204
Shareholders' funds	9,957	9,695	10,402	11,363
Minority Int, Share Appl, Pref Capital	38	38	38	38
Non-Current Liabilities	1,574	1,303	1,446	1,613
Long-term borrowings	324	324	324	324
Other Long term liab, Prov, DTL	1,250	979	1,122	1,289
Current liabilities	12,792	12,144	13,350	15,019
Short-term borrowings, Curr Maturity	2,642	2,325	2,100	2,100
Other Current Liab + Provi	10,150	9,819	11,250	12,919
Total (Equity and Liab.)	24,361	23,181	25,236	28,033
Non-current assets	8,144	7,523	7,720	7,876
Fixed assets (Net block)	5,530	5,778	5,790	5,758
Non-current Investments	11	11	11	11
Long-term loans & advances	1,689	1,084	1,269	1,457
Other non-current assets, DTA, Goodwill	914	650	650	650
Current assets	16,217	15,658	17,516	20,157
Cash & Current Investment	821	935	1,127	1,334
Other current assets	15,396	14,723	16,389	18,823
Total (Assets)	24,361	23,181	25,236	28,033
Total Debt	2,966	2,649	2,424	2,424
Capital Employed	14,212	13,362	13,986	15,113

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	1,053	489	1,341	1,704
Depreciation	548	567	612	(657)
Change in working capital	(214)	834	(422)	(958)
Total tax paid	(400)	(125)	(404)	(513)
Others	411	1,710	175	(466)
Cash flow from oper. (a)	1,464	2,199	1,515	1,239
Capital expenditure	(682)	(701)	(647)	(648)
Change in investments	(77)	0	0	0
Others	142	46	50	55
Cash flow from inv. (b)	(618)	(656)	(597)	(593)
Free cash flow (a+b)	846	1,543	918	646
Debt raised/(repaid)	(374)	(317)	(225)	0
Dividend (incl. tax)	(165)	(230)	(181)	(173)
Others	(283)	(884)	(320)	(265)
Cash flow from fin. (c)	(822)	(1,431)	(726)	(438)
Net chg in cash (a+b+c)	24	112	192	208

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	8.1	4.3	11.8	15.0
Growth	(20.9)	(46.7)	174.2	27.1
CEPS (Rs)	15.0	11.4	19.5	23.3
Book NAV/share (Rs)	125.5	122.2	131.1	143.2
Dividend/share (Rs)	2.5	2.5	2.5	2.5
Dividend payout ratio	36.0	67.5	24.6	19.3
EBITDA margin	8.0	5.4	7.5	7.6
EBIT margin	6.5	3.7	6.0	6.2
Tax Rate	37.9	30.1	30.1	30.1
RoCE	12.3	7.0	13.0	14.5
Total debt/Equity (x)	0.3	0.3	0.2	0.2
Net debt/Equity (x)	0.2	0.2	0.1	0.1
Du Pont Analysis - ROE (Consolidated)				
Net margin	2.4	1.3	3.2	3.5
Asset turnover (x)	1.1	1.1	1.2	1.3
Leverage factor (x)	2.5	2.4	2.4	2.4
Return on equity	6.7	3.5	9.3	10.9

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	20.4	54.8	20.0	15.7
PCE	11.0	20.6	12.1	10.1
Price/Book	1.3	1.9	1.8	1.6
Yield (%)	1.5	1.1	1.1	1.1
EV/EBITDA	7.1	14.7	9.0	7.7

MID CAP

Share Data

Price (Rs)	270
BSE Sensex	27,888
Reuters code	KROL.BO
Bloomberg code	KOELIN
Market cap. (US\$ mn)	616
6M avg. daily turnover (US\$ mn)	0.2
Issued shares (mn)	145

Performance (%) 1M 3M 12M

Absolute	(6)	6	78
Relative	(4)	1	33

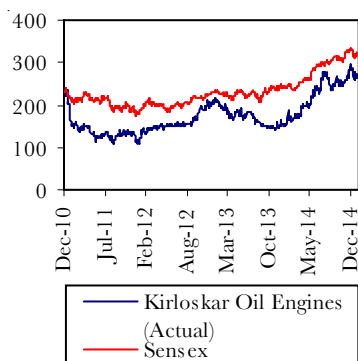
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	12.1	13.6	17.1
+/- (%)	(1.9)	12.7	25.2
PER (x)	22.3	19.8	15.8
PBV (x)	2.9	2.7	2.4
Dividend/Yield(%)	1.9	1.9	1.9
EV/Sales (x)	1.2	1.1	0.9
EV/EBITDA (x)	11.0	9.7	7.6

Major shareholders (%)

Promoters	73
FII's	10
MF's	1
BFSI's	5
Public & Others	11

Relative performance



Kirloskar Oil Engines

Maintain Underperformer

Traded components will affect profitability

Recent performance/Outlook

Post improvement in power situations in 2QFY13, power generation segment has declined by ~10% till 1QFY15 end in each quarter due to lower power needs. However, sales stayed flat due to execution of NPCIL order for 16 engines. Margins stayed flat due to low utilisations.

In 2QFY15, net sales grew by 21% YoY to Rs 6.3 bn. Power generation sales grew by 17% YoY to Rs 2.1 bn due to higher realisation of 10-15%. Agri equipments declined by 4% YoY due to delay in subsidy disbursement. Large engines grew by 97% YoY due to 2 NPCIL engines execution. EBITDA margins declined by 140 bps YoY to 10.2%. Adjusted PAT grew by 15% YoY to Rs 353 mn.

Key sensitivities to growth/Key risks

- Lower power needs due to lower consumption may affect lower kVA gensets sales, which are dependent on industrial operating cycle.

Strategic initiatives/Capex plans

- It will shift operations for higher kVA genset engines to Kagal to reduce cost.

Balance sheet position

- The company has maintained debt free status for the last two years. Net cash position is at Rs 6.5 bn.
- Due to lower utilisations, RoEs are at bottomed out levels of ~15%.

Outlook and valuation

At the start of 2QFY15, the company maintained low inventory in CPCB-I engines and it helped them to gain robust growth of ~17% YoY in 2QFY15. In 2HFY15, robust 27% YoY growth is expected on back of ~10% volume growth and price increase of ~15% due to new implemented norms. Overall, we believe power generation will show ~18% YoY growth in FY15E and moderate growth of ~10% in FY16E largely led by standby requirements. In agri, industrial and customer support, we expect moderate growth of ~10% YoY with gradual improvement expectation in investment cycle. In large engines, post NPCIL order execution there is no large order available for FY16E; hence it may lead to significant drop in sales.

At the current market price of Rs 270, the stock is trading at 20x FY16E and 16x FY17E earnings. We believe that traded components will affect profitability and absence of large engine orders will keep earnings under pressure. Hence, we maintain Underperformer.

Bhalchandra Shinde

bhalchandra.shinde@bksec.com

Renu Baid

renu.baid@bksec.com

Kirloskar Oil Engines

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	23,200	26,701	28,255	31,646
<i>Growth (%)</i>	<i>(1.6)</i>	<i>15.1</i>	<i>5.8</i>	<i>12.0</i>
Operating expenses	(20,156)	(23,759)	(25,018)	(27,739)
Operating profit	3,044	2,942	3,237	3,906
EBITDA	3,044	2,942	3,237	3,906
<i>Growth (%)</i>	<i>(11.7)</i>	<i>(3.3)</i>	<i>10.0</i>	<i>20.7</i>
Depreciation	(983)	(1,003)	(1,067)	(1,107)
Other income	378	530	612	681
EBIT	2,439	2,470	2,782	3,481
Finance cost	(4)	(4)	(4)	(4)
Profit before tax	2,434	2,465	2,778	3,477
Tax (current + deferred)	(650)	(715)	(806)	(1,008)
P/(L) for the period	1,785	1,750	1,972	2,469
Reported Profit/(Loss)	1,785	1,750	1,972	2,469
Adjusted net profit	1,785	1,750	1,972	2,469
<i>Growth (%)</i>	<i>(15.9)</i>	<i>(1.9)</i>	<i>12.7</i>	<i>25.2</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	289	289	289	289
Reserves & surplus	12,384	13,289	14,415	16,038
Shareholders' funds	12,674	13,578	14,704	16,327
Non-current liabilities	889	1,152	1,190	1,271
Other non-current liabilities	889	1,152	1,190	1,271
Current liabilities	5,158	4,575	4,863	5,429
Other current liabilities	5,158	4,575	4,863	5,429
Total (Equity and Liab.)	18,720	19,306	20,757	23,026
Non-current assets	7,407	7,519	6,675	6,241
Fixed assets (Net block)	5,850	5,628	5,060	4,454
Non-current Investments	100	100	100	100
Long-term loans and advances	957	1,136	770	650
Other non-current assets	500	655	745	1,037
Current assets	11,313	11,787	14,081	16,786
Cash & current investment	6,501	6,558	7,621	9,212
Other current assets	4,812	5,229	6,460	7,574
Total (Assets)	18,720	19,306	20,757	23,027
Capital employed	13,562	14,730	15,894	17,598

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	2,434	2,465	2,778	3,477
Depreciation	983	1,003	1,067	1,107
Change in working capital	941	(946)	(661)	(446)
Total tax paid	(675)	(711)	(803)	(1,007)
Others	(350)	(526)	(608)	(677)
Cash flow from oper. (a)	3,334	1,285	1,773	2,453
Capital expenditure	(646)	(784)	(493)	(498)
Change in investments	(1,901)	0	(915)	0
Others	317	375	522	389
Cash flow from inv. (b)	(2,230)	(409)	(886)	(109)
Free cash flow (a+b)	1,104	876	887	2,345
Dividend (incl. tax)	(846)	(1,031)	(755)	(795)
Others	19	212	16	40
Cash flow from fin. (c)	(827)	(819)	(739)	(755)
Net chg in cash (a+b+c)	277	57	148	1,590

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	12.3	12.1	13.6	17.1
Growth	(15.8)	(1.9)	12.7	25.2
CEPS (Rs)	19.1	19.0	21.0	24.7
Book NAV/share (Rs)	87.6	93.9	101.7	112.9
Dividend/share (Rs)	5.0	5.0	5.0	5.0
Dividend payout ratio	47.4	48.3	42.9	34.3
EBITDA margin	13.1	11.0	11.5	12.3
EBIT margin	10.5	9.2	9.8	11.0
Tax rate	26.7	29.0	29.0	29.0
RoCE	18.6	17.5	18.2	20.8
Net debt/Equity (x)	(0.5)	(0.5)	(0.5)	(0.6)
Du Pont Analysis - ROE				
Net margin	7.7	6.6	7.0	7.8
Asset turnover (x)	1.3	1.4	1.4	1.4
Leverage factor (x)	1.5	1.4	1.4	1.4
Return on equity	14.7	13.3	13.9	15.9

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	16.5	22.3	19.8	15.8
PCE	10.6	14.2	12.8	10.9
Price/Book	2.3	2.9	2.7	2.4
Yield (%)	2.5	1.9	1.9	1.9
EV/EBITDA	7.5	11.0	9.7	7.6

MID CAP

Share Data

Price (Rs)	215
BSE Sensex	27,888
Reuters code	KPITBO
Bloomberg code	KPIT IN
Market cap. (US\$ mn)	664
6M avg. daily turnover (US\$ mn)	2.9
Issued shares (mn)	196

Performance (%)	1M	3M	12M
Absolute	28	33	24
Relative	30	27	(7)

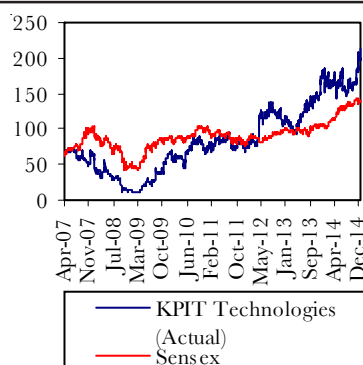
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	12.8	16.4	21.0
+/- (%)	(8.7)	28.9	27.6
PER (x)	16.8	13.0	10.2
PBV (x)	3.1	2.5	2.0
Dividend/Yield (%)	0.4	0.4	0.5
EV/Sales (x)	1.3	1.0	0.8
EV/EBITDA (x)	9.3	6.5	4.5

Major shareholders (%)

Promoters	22
FII's	46
MF's	7
BFSI's	1
Public & Others	24

Relative performance



KPIT Technologies

Maintain Outperformer

Addressing internal challenges

Recent performance

KPIT Technologies (KPIT) delivered strong 2QFY15 revenue growth of 8.5% QoQ to US\$ 125 mn mainly driven by hardware revenue realisations. Revenue and earnings grew CAGR (FY10-14) by 30.4% and 25.2%, respectively, on account of automotive, manufacturing and energy vertical. Factoring in 2Q outperformance and management commentary of stagnant 3Q, we believe KPIT will achieve at least lower end of US\$ revenue guidance (implied 3Q-4Q CQGR of only 2.1% required).

Key triggers/risks – Next 12 months

- **Will miss upper end of FY15 sales and PAT guidance:** KPIT maintains US\$ sales growth guidance of 12-14% YoY on back of revival in SAP vertical, deal closure, execution capabilities and completion of organisational restructuring. However, it will be a daunting task to attain upper end of guidance due to weakness in SAP segment and slower deal ramp ups. Incremental business is of lower margins and so FY15 PAT growth of ~18- 21% is unlikely.

Strategic initiatives

- **Addressing concern areas:** Cummins and SAP for KPIT are key concerns areas. Cummins (largest client – ~17% of sales) is witnessing improvement in demand environment and could increase their IT budget which will benefit KPIT. For SAP, management has articulated the strategy of profitable growth and will have concerted effort towards increases margins rather than volume.
- **Adding new services:** KPIT have added two services IMS 2.0 and e-PLM. IMS 2.0 will address cloud related implementations and e-PLM will broaden the services available for manufacturing clients.

Balance sheet position

- **Cash flow concerns re-ushers:** Cash flow concerns have re-ignited due to weakening receivable day on account of renegotiation of creditor days and negative cash flow and will remain an overhang in the near term.

Valuation and view

We believe, SAP business is on improving trajectory and will return to growth path with positive operating margins in FY15E. Also, changes in the automotive segment business model whereby KPIT is positioning itself as the aggregator/integrator of tier-1/2 suppliers for OEM's will help it achieve FY15 sales guidance. We believe the valuations at 10x FY16E earnings are reasonable. Maintain Outperformer.

Sushil Sharma
sushil.sharma@bksec.com

Manav Patel
manav.patel@bksec.com

KPIT Technologies

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	26,940	29,926	34,107	38,882
Growth (%)	20.3	11.1	14.0	14.0
Operating expenses	(22,708)	(25,833)	(28,695)	(32,324)
Operating profit	4,233	4,093	5,412	6,558
EBITDA	4,233	4,093	5,412	6,558
Growth (%)	16.0	(3.3)	32.2	21.2
Depreciation	(540)	(871)	(865)	(817)
Other income	(74)	227	168	193
EBIT	3,619	3,450	4,715	5,935
Finance cost	(287)	(172)	(186)	(158)
Exceptional & extraordinary	98	0	0	0
Profit before tax	3,430	3,278	4,529	5,777
Tax (current + deferred)	(941)	(826)	(1,359)	(1,733)
P/(L) for the period	2,489	2,452	3,170	4,044
Reported Profit/(Loss)	2,489	2,452	3,170	4,044
Adjusted net profit	2,489	2,452	3,170	4,044
Growth (%)	25.1	(1.5)	29.3	27.6

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	386	386	386	386
Reserves & surplus	12,359	13,108	16,084	19,891
Shareholders' funds	12,744	13,493	16,470	20,277
Minority Interests and others	272	272	262	252
Non-current liabilities	1,410	914	684	710
Long-term borrowings	1,301	709	459	459
Other non-current liabilities	109	205	225	251
Current liabilities	7,093	7,503	8,348	9,232
ST borrowings, Curr maturity	1,753	1,753	1,753	1,753
Other current liabilities	5,339	5,749	6,595	7,478
Total (Equity and Liab.)	21,519	22,182	25,764	30,471
Non-current assets	9,405	8,089	7,837	7,903
Fixed assets (Net block)	1,958	1,628	1,303	1,286
Non-current Investments	149	149	149	149
Long-term loans & advances	1,234	1,286	1,358	1,441
Other non-current assets	6,063	5,026	5,026	5,026
Current assets	12,114	14,093	17,928	22,568
Cash & current investment	3,734	5,690	8,384	14,013
Other current assets	8,380	8,403	9,544	8,555
Total (Assets)	21,519	22,182	25,764	30,471
Total debt	3,054	2,463	2,213	2,213
Capital employed	16,179	16,433	19,169	22,992

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,430	3,278	4,529	5,777
Depreciation	540	871	865	817
Change in working capital	(924)	431	(348)	1,815
Total tax paid	(941)	(826)	(1,359)	(1,733)
Others	287	172	186	158
Cash flow from oper. (a)	2,392	3,926	3,873	6,834
Capital expenditure	(493)	(540)	(540)	(800)
Change in investments	(102)	(107)	(112)	(118)
Cash flow from inv. (b)	(595)	(647)	(652)	(918)
Free cash flow (a+b)	1,797	3,279	3,221	5,916
Debt raised/(repaid)	(159)	(591)	(250)	0
Dividend (incl. tax)	(204)	(203)	(204)	(227)
Others	(1,759)	(635)	(186)	(178)
Cash flow from fin. (c)	(2,122)	(1,430)	(640)	(405)
Net chg in cash (a+b+c)	(325)	1,849	2,581	5,511

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	14.0	12.8	16.4	21.0
Growth	25.1	(8.7)	28.9	27.6
CEPS (Rs)	17.0	17.3	20.9	25.2
Book NAV/share (Rs)	71.6	70.2	85.4	105.2
Dividend/share (Rs)	1.0	0.9	0.9	1.0
Dividend payout ratio	8.2	8.3	6.4	5.6
EBITDA margin	15.7	13.7	15.9	16.9
EBIT margin	13.4	11.5	13.8	15.3
Tax rate	27.4	25.2	30.0	30.0
RoCE	24.0	21.2	26.5	28.2
Total debt/Equity (x)	0.2	0.2	0.1	0.1
Net debt/Equity (x)	(0.1)	(0.2)	(0.4)	(0.6)
Du Pont Analysis - ROE				
Net margin	9.2	8.2	9.3	10.4
Asset turnover (x)	1.4	1.4	1.4	1.4
Leverage factor (x)	1.7	1.7	1.6	1.5
Return on equity	21.5	18.7	21.2	22.0

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	11.5	16.8	13.0	10.2
PCE	9.5	12.4	10.3	8.5
Price/Book	2.2	3.1	2.5	2.0
Yield (%)	0.6	0.4	0.4	0.5
EV/EBITDA	6.6	9.3	6.5	4.5

MID CAP

Share Data

Price (Rs)	377
BSE Sensex	27,888
Reuters code	KPRM.BO
Bloomberg code	KPR IN
Market cap. (US\$ mn)	223
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	38

Performance (%) 1M 3M 12M

Absolute	1	20	155
Relative	3	14	91

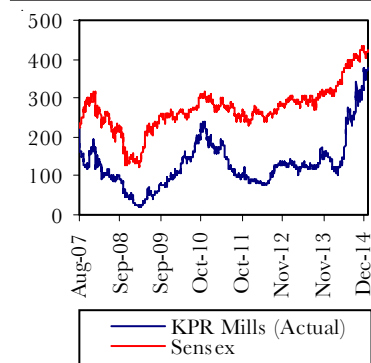
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	48.1	66.9
+/- (%)	29.5	39.0
PER (x)	7.8	5.6
PBV (x)	1.5	1.2
Dividend/Yield (%)	2.3	3.2
EV/Sales (x)	0.9	0.7
EV/EBITDA (x)	4.7	3.6

Major shareholders (%)

Promoters	75
FII's	5
MF's	5
Public & Others	15

Relative performance



KPR Mill

Maintain BUY

Garmenting business looks promising...

Recent performance

KPR Mill reported strong improvement in profitability during the 1H FY15 (adjusted PAT up 29% YoY) despite slow yarn market and fall in cotton prices (The company booked inventory MTM loss of Rs 190 mn during 2Q FY15 due to fall in cotton prices). The improvement in the performance is primarily because of its integrated business model and increased focus on garment export business.

Between FY12-14, revenue, EBITDA and adjusted PAT grew at a CAGR of ~37%, ~53% and ~108%, respectively, on the back of increase in capacity, better export demand and reduced relative debt levels.

Key sensitivities to growth/Key risks

- Cotton price volatility (50% of revenue from cotton yarn).

Strategic initiatives/Capex plans

- Higher focus on less capital intensive garment business (50% increase in capacity). Will help to increase the integration and return ratios.
- Contemplating to increase its yarn capacity (value-added yarn).

Balance sheet position

- Working capital cycle has reduced to ~62 days from ~110 days during FY12-14, mainly due to lower inventory days.
- Net debt/EBITDA (x) reduced from 5.0x (FY12) to 1.9x (FY14). RoE improved from 5.1% (FY12) to 18.4% (FY14).

Valuation and view

KPR Mill increased its focus towards garmenting business on the back of strong export demand because of increasing labour cost in China, non-compliance and labour strikes in Bangladesh and India's inherent strength of being present across the entire value chain of textile industry. The company is planning to almost double the existing garmenting capacity in two phases during FY15. Garmenting segment which currently enjoys highest operating margins requires relatively lower capex and hence will help to improve the return ratios further. We are positive on the sector and on KPR Mill specifically because of its competitive advantages (power, labour, close to buyer's market, etc.), integrated operations, diversified product mix, growing exports and strong balance sheet. At the current market price of Rs 377, the stock is trading at 5.6x FY16E EPS.

Resham Jain, CFA
resham.jain@bksec.com

Nishant Agrawal
nishant.agrawal@bksec.com

KPR Mill

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Revenue	23,710	24,936	29,953	34,550
Growth (%)	42.4	5.2	20.1	15.3
Operating expenses	(19,488)	(20,341)	(24,185)	(27,813)
Operating profit	4,222	4,595	5,768	6,737
EBITDA	4,222	4,595	5,768	6,737
Growth (%)	9.0	8.8	25.5	16.8
Depreciation	(1,567)	(1,656)	(1,795)	(1,939)
Other income	310	341	376	413
EBIT	2,966	3,280	4,348	5,212
Finance Cost	(1,045)	(744)	(829)	(845)
Profit before tax	1,921	2,536	3,520	4,367
Tax (current + deferred)	(504)	(710)	(986)	(1,223)
P/(L) for the period	1,417	1,826	2,534	3,144
P/L of Associates,	(16)	(12)	(12)	(12)
Min Int, Pref Div				
Reported Profit/(Loss)	1,401	1,814	2,522	3,132
Adjusted Net profit	1,401	1,814	2,522	3,132
Growth (%)	37.8	29.5	39.0	24.2

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	527	527	527	527
Reserves & surplus	7,619	9,048	11,036	13,506
Shareholders' funds	8,145	9,575	11,563	14,033
Non-Current Liabilities	5,345	4,665	5,299	5,444
Long-term borrowings	4,744	4,064	4,698	4,843
Other Long term liab,	601	601	601	601
Prov, DTL				
Current liabilities	8,154	7,499	8,502	8,770
Short-term borrowings,	4,855	4,389	4,827	4,869
Curr Maturity				
Other Current Liab + Prov.	3,299	3,110	3,676	3,900
Total (Equity and Liab.)	21,645	21,739	25,365	28,247
Non-current assets	12,725	12,309	12,615	12,676
Fixed assets (Net block)	12,611	12,195	12,500	12,562
Long-term loans and adv.	107	107	107	107
Other non-current assets,	7	7	7	7
DTA, Goodwill				
Current assets	8,919	9,430	12,750	15,571
Cash & Current Investment	1,619	1,105	2,855	4,154
Other current assets	7,301	8,324	9,895	11,417
Total (Assets)	21,645	21,739	25,365	28,247
Total Debt	9,599	8,453	9,525	9,712
Capital Employed	18,345	18,630	21,689	24,346

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	1,921	2,536	3,520	4,367
Depreciation	1,567	1,656	1,795	(1,939)
Change in working capital	264	(1,253)	(1,071)	(1,355)
Total tax paid	(533)	(705)	(986)	(1,223)
Others	735	402	192	(207)
Cash flow from oper. (a)	3,954	2,637	3,712	4,160
Capital expenditure	(794)	(1,240)	(2,100)	(2,000)
Change in investments	38	627	0	0
Others	333	341	376	413
Cash flow from inv. (b)	(423)	(272)	(1,724)	(1,587)
Free cash flow (a+b)	3,531	2,365	1,987	2,573
Debt raised/(repaid)	(1,924)	(1,145)	1,071	188
Dividend (incl. tax)	(305)	(350)	(467)	(605)
Others	(1,071)	(756)	(841)	(857)
Cash flow from fin. (c)	(3,300)	(2,252)	(237)	(1,275)
Net chg in cash (a+b+c)	231	114	1,750	1,299

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	37.2	48.1	66.9	83.1
Growth	37.8	29.5	39.0	24.2
CEPS (Rs)	78.8	92.1	114.6	134.6
Book NAV/share (Rs)	216.2	254.1	306.9	372.4
Dividend/share (Rs)	7.0	8.7	12.1	15.0
Dividend payout ratio	22.0	21.2	21.2	21.1
EBITDA margin	17.8	18.4	19.3	19.5
EBIT margin	12.5	13.2	14.5	15.1
Tax Rate	26.2	28.0	28.0	28.0
RoCE	15.8	17.7	21.6	22.6
Net debt/Equity (x)	1.0	0.8	0.6	0.4
Net Debt/EBITDA (x)	1.9	1.6	1.2	0.8
Du Pont Analysis - ROE				
Net margin	5.9	7.3	8.4	9.1
Asset turnover (x)	1.1	1.1	1.3	1.3
Leverage factor (x)	2.8	2.4	2.2	2.1
Return on equity	18.4	20.5	23.9	24.5

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	3.3	7.8	5.6	4.5
PCE	1.5	4.1	3.3	2.8
Price/Book	0.6	1.5	1.2	1.0
Yield (%)	5.7	2.3	3.2	4.0
EV/EBITDA	3.0	4.7	3.6	2.9

MID CAP

Share Data

Price (Rs)	642
BSE Sensex	27,888
Reuters code	KSBPBO
Bloomberg code	KSB IN
Market cap. (US\$ mn)	353
6M avg. daily turnover (US\$ mn)	0.2
Issued shares (mn)	35

Performance (%) 1M 3M 12M

Absolute	17	18	146
Relative	19	13	84

Valuation ratios (Consolidated)

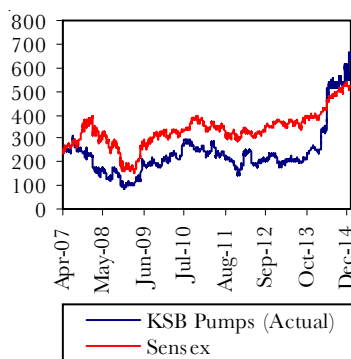
Yr to 31 Dec CY14E CY15E CY16E

EPS (Rs.)	20.6	23.7	31.0
+/- (%)	7.6	14.9	30.9
PER (x)	32.1	27.1	20.7
PBV (x)	4.1	3.6	3.2
Dividend/Yield (%)	0.8	0.9	0.9
EV/Sales (x)	2.7	2.4	1.9
EV/EBITDA (x)	18.6	15.7	11.9

Major shareholders (%)

Promoters	66
FII's	3
MF's	12
BFSI's	2
Public & Others	17

Relative performance



KSB Pumps

Maintain Underperformer

Sluggish order inflow expected in the next one year

Recent performance/Outlook

In the last three years, sales have stayed flat at ~Rs 7.6 bn due to sluggish investment cycle. Despite receivable deferment issues in pump industry, the company maintained its working capital under control. EBITDA margins improved by 430 bps due to improved order book quality. Due to improved profitability, adjusted PAT grew by 18% CAGR in CY11-13.

In 9MCY14, net sales grew by 4% YoY to Rs 5.7 bn. Pumps segment grew by 7% whereas valves segment declined by 12% YoY. EBITDA margins stayed flat at 14.3%. Adjusted PAT grew by 13% YoY to Rs 555 mn.

Key sensitivities to growth/Key risks

- Slower capex investment will affect order inflow and hence in turn sales.
- Pricing pressure due to intense competition will affect profitability.

Strategic initiatives/Capex plans

- Parent and Indian entity is currently focusing on increasing the exports due to competitive edge of lower production cost.

Balance sheet position

- Debt is at Rs 30 mn. Net cash is at Rs 2.1 bn.
- Improved margins have led to improvement in RoEs from 12% to ~14% levels.
- Cash conversion cycle stayed flat at 84 days with receivables at 63 days, inventory at 92 days and payable at 70 days.

Outlook and valuation

In exports, lower utilisation in European subsidiaries will keep exports stable at current levels (15%). Parent is expected to continue with current strategy of uniform production across all facilities at least till next 12-18 months, to address lower utilisations in subsidiaries. In domestic, the company expects order inflow to show robust growth only after 12 months. Considering current order book (~1x TTM sales), the company is expected to show moderate growth in CY15. KSB has always maintained order book quality; hence margins are expected to show gradual improvement in CY15. Due to low presence in irrigation, Ganga purification project is expected to provide low advantage to the company as compared to peers.

At the current market price of Rs 642, the stock is trading at 27x CY15E and 21x CY16E. Considering sluggish order inflow for the next one year and limited upside potential due to subdued order book, we maintain Underperformer.

Bhalchandra Shinde

bhalchandra.shinde@bksec.com

Renu Baid

renu.baid@bksec.com

KSB Pumps

Income Statement (Consolidated)

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Net sales	7,327	7,689	8,271	10,404
<i>Growth (%)</i>	<i>2.4</i>	<i>5.0</i>	<i>7.6</i>	<i>25.8</i>
Operating expenses	(6,308)	(6,566)	(7,005)	(8,754)
Operating profit	1,019	1,123	1,267	1,650
EBITDA	1,019	1,123	1,267	1,650
<i>Growth (%)</i>	<i>9.9</i>	<i>10.3</i>	<i>12.8</i>	<i>30.3</i>
Depreciation	(265)	(288)	(302)	(324)
Other income	127	206	251	264
EBIT	881	1,041	1,215	1,590
Finance cost	(26)	(16)	(20)	(25)
Profit before tax	855	1,025	1,195	1,565
Tax (current + deferred)	(285)	(308)	(371)	(485)
P/(L) for the period	570	718	825	1,080
P/L of Associates, Min Int,	96	0	0	0
Pref Div				
Reported Profit/(Loss)	667	718	825	1,080
Adjusted net profit	667	718	825	1,080
<i>Growth (%)</i>	<i>5.1</i>	<i>7.6</i>	<i>14.9</i>	<i>30.9</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Share capital	348	348	348	348
Reserves & surplus	4,770	5,265	5,867	6,724
Shareholders' funds	5,118	5,613	6,215	7,072
Non-current liabilities	396	407	420	486
Other non-current liabilities	396	407	420	486
Current liabilities	2,579	2,680	2,752	3,207
ST borrowings, Curr maturity	32	32	32	32
Other current liabilities	2,547	2,648	2,721	3,175
Total (Equity and Liab.)	8,092	8,699	9,388	10,765
Non-current assets	3,126	3,036	3,141	3,544
Fixed assets (Net block)	1,894	1,834	1,830	1,964
Non-current Investments	485	428	428	428
Long-term loans and advances	566	592	701	970
Other non-current assets	181	182	182	182
Current assets	4,966	5,663	6,247	7,220
Cash & current investment	1,601	2,140	2,506	2,681
Other current assets	3,365	3,523	3,741	4,539
Total (Assets)	8,092	8,699	9,388	10,765
Total debt	32	32	32	32
Capital employed	5,546	6,051	6,667	7,590

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Profit before tax	855	1,025	1,195	1,565
Depreciation	265	288	302	324
Change in working capital	420	(46)	(132)	(278)
Total tax paid	(288)	(308)	(371)	(485)
Others	(82)	(159)	(200)	(208)
Cash flow from oper. (a)	1,170	801	795	918
Capital expenditure	(387)	(254)	(407)	(728)
Change in investments	(57)	57	0	0
Others	117	175	220	233
Cash flow from inv. (b)	(327)	(22)	(187)	(495)
Free cash flow (a+b)	843	779	608	423
Equity raised/(repaid)	(0)	0	0	0
Debt raised/(repaid)	(137)	0	0	0
Dividend (incl. tax)	(224)	(223)	(223)	(223)
Others	75	(16)	(20)	(25)
Cash flow from fin. (c)	(286)	(239)	(243)	(248)
Net chg in cash (a+b+c)	557	540	366	175

Key Ratios (Consolidated)

Period end (%)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Adjusted EPS (Rs)	19.2	20.6	23.7	31.0
Growth	5.1	7.6	14.9	30.9
CEPS (Rs)	26.8	28.9	32.4	40.3
Book NAV/share (Rs)	147.0	161.3	178.5	203.2
Dividend/share (Rs)	5.5	5.5	5.5	5.5
Dividend payout ratio	33.6	31.0	27.0	20.6
EBITDA margin	13.9	14.6	15.3	15.9
EBIT margin	12.0	13.5	14.7	15.3
Tax rate	33.3	30.0	31.0	31.0
RoCE	16.4	18.0	19.1	22.3
Net debt/Equity (x)	(0.3)	(0.4)	(0.4)	(0.4)
Du Pont Analysis - ROE				
Net margin	9.1	9.3	10.0	10.4
Asset turnover (x)	0.9	0.9	0.9	1.0
Leverage factor (x)	1.6	1.6	1.5	1.5
Return on equity	13.6	13.4	13.9	16.3

Valuations (Consolidated)

Period end (x)	Dec 13	Dec 14E	Dec 15E	Dec 16E
PER	14.1	32.1	27.1	20.7
PCE	10.1	22.9	19.8	15.9
Price/Book	1.8	4.1	3.6	3.2
Yield (%)	2.0	0.8	0.9	0.9
EV/EBITDA	7.7	18.6	15.7	11.9

MID CAP

Share Data

Price (Rs)	3,905
BSE Sensex	27,888
Reuters code	LKMC.BO
Bloomberg code	LMW IN
Market cap. (US\$ mn)	695
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	11

Performance (%) 1M 3M 12M

Absolute	(6)	(2)	47
Relative	(4)	(7)	10

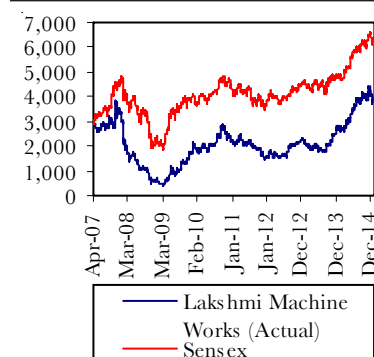
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	195.4	242.3	270.0
+/- (%)	14.8	24.0	11.4
PER (x)	20.0	16.1	14.5
PBV (x)	3.5	3.0	2.6
Dividend/Yield (%)	1.0	1.3	1.4
EV/EBITDA (x)	9.6	7.5	6.2

Major shareholders (%)

Promoters	28
FII's	2
MF's	13
BFSI's	12
Public & Others	45

Relative performance



Lakshmi Machine Works Maintain Outperformer

Well placed to exploit domestic/export demand, limited valuation upside

Recent performance

The order intake and execution were strong in the previous two years due to healthy yarn demand from China despite challenging environment from Tamil Nadu.

Government subsidy scheme technology upgradation fund (TUFs) has further supported traction in execution.

Chinese subsidiary profits continue, albeit at muted pace, margins are poised to improve given the improved outlook of the Chinese market.

Key triggers/Risks – Next 12 months

- Lakshmi Machine Works (LMW) had to give up certain market share to competition, however, was able to maintain the volume market share. Focus on new offerings like compact spinning and auto doffer to support higher margins.

Strategic initiatives

- LMW plans to focus on the advance technology centre having required pre-qualification from major defence customers like Pratt & Whitney eyeing the defence offset opportunity with plans to steadily grow this business.
- Technology transfer agreement with Veejay Lakshmi Engineering to enter post spinning auto coner segment.
- Export outlook is promising and is poised to double in three-four years with strategy to increase market share in certain select geographies.

Balance sheet position

- Strong balance sheet with negative working capital (ex-cash), net cash of Rs 9 bn.
- Due to improvement in margins higher other income and with limited capex, the return on equity has increased to 19% in FY14 from 13% in FY13.

Outlook and valuation

Order intake is expected to improve going forward with increase in the domestic capex due to investment friendly policy from the new government. Tamil Nadu power scenario has improved leading to growth in order execution and intake. Loss making advance technology centre is expected to turn around and machine tool growth outlook looks promising. Export market is promising, hence we maintain Outperformer. The stock is currently trading at 17x FY16E and 15x FY17E earnings.

Renjith Sivaram
renjith.sivaram@bksec.com

Renu Baid
renu.baid@bksec.com

Lakshmi Machine Works

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	21,651	25,843	30,151	33,134
<i>Growth (%)</i>	<i>16.1</i>	<i>19.4</i>	<i>16.7</i>	<i>9.9</i>
Operating expenses	(19,853)	(23,266)	(27,033)	(29,598)
Operating profit	1,798	2,577	3,118	3,535
Other operating income	764	881	1,037	1,050
EBITDA	2,563	3,459	4,155	4,585
<i>Growth (%)</i>	<i>22.0</i>	<i>34.9</i>	<i>20.1</i>	<i>10.4</i>
Depreciation	(1,025)	(1,234)	(1,313)	(1,392)
Other income	1,155	979	1,130	1,232
EBIT	2,693	3,203	3,972	4,426
Finance cost	(6)	(6)	(6)	(6)
Exceptional & extraordinary	81	100	0	0
Profit before tax	2,605	3,097	3,966	4,420
Tax (current + deferred)	(769)	(997)	(1,238)	(1,380)
P/(L) for the period	1,836	2,100	2,729	3,040
Reported Profit/(Loss)	1,836	2,100	2,729	3,040
Adjusted net profit	1,917	2,200	2,729	3,040
<i>Growth (%)</i>	<i>63.2</i>	<i>14.8</i>	<i>24.0</i>	<i>11.4</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	113	113	113	113
Reserves & surplus	10,929	12,592	14,650	16,954
Shareholders' funds	11,042	12,704	14,763	17,067
Non-current liabilities	2,258	2,826	2,826	2,826
Other non-current liabilities	2,258	2,826	2,826	2,826
Current liabilities	6,924	7,618	8,569	9,620
Other current liabilities	6,924	7,618	8,569	9,620
Total (Equity and Liab.)	20,224	23,149	26,158	29,513
Non-current assets	5,325	5,551	5,235	4,940
Fixed assets (Net block)	3,859	3,912	3,596	3,301
Non-current Investments	1,289	1,289	1,289	1,289
Long-term loans & advances	177	350	350	350
Current assets	14,900	17,598	20,924	24,573
Cash & current investment	8,789	10,790	12,860	15,690
Other current assets	6,111	6,808	8,064	8,883
Total (Assets)	20,224	23,149	26,158	29,513
Capital employed	13,300	15,531	17,589	19,893

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	2,605	3,097	3,966	4,420
Depreciation	1,025	1,234	1,313	1,392
Change in working capital	(456)	(307)	(437)	166
Total tax paid	(872)	(997)	(1,238)	(1,380)
Others	(970)	(906)	(1,057)	(1,159)
Cash flow from oper. (a)	1,332	2,121	2,548	3,439
Capital expenditure	(204)	(1,283)	(992)	(1,092)
Change in investments	(250)	0	0	0
Others	794	907	1,058	1,160
Cash flow from inv. (b)	340	(376)	66	68
Free cash flow (a+b)	1,672	1,745	2,614	3,507
Dividend (incl. tax)	(263)	(395)	(527)	(658)
Others	(116)	651	(18)	(18)
Cash flow from fin. (c)	(380)	256	(545)	(676)
Net chg in cash (a+b+c)	1,293	2,001	2,069	2,831

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	170.2	195.4	242.3	270.0
Growth	63.2	14.8	24.0	11.4
CEPS (Rs)	261.3	305.0	358.9	393.6
Book NAV/share (Rs)	980.6	1,128.3	1,311.1	1,515.7
Dividend/share (Rs)	30.0	40.1	50.2	55.2
Dividend payout ratio	21.5	25.1	24.1	23.8
EBITDA margin	11.4	12.9	13.3	13.8
EBIT margin	12.4	12.4	13.2	13.4
Tax rate	28.6	31.2	31.2	31.2
RoCE	21.2	22.2	24.0	23.6
Net debt/Equity (x)	(0.8)	(0.8)	(0.9)	(0.9)
Du Pont Analysis - ROE				
Net margin	8.9	8.5	9.0	9.2
Asset turnover (x)	1.1	1.2	1.2	1.2
Leverage factor (x)	1.8	1.8	1.8	1.7
Return on equity	18.6	18.5	19.9	19.1

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	17.9	20.0	16.1	14.5
PCE	11.6	12.8	10.9	9.9
Price/Book	3.1	3.5	3.0	2.6
Yield (%)	1.0	1.0	1.3	1.4
EV/EBITDA	9.9	9.6	7.5	6.2

MID CAP

Share Data

Price (Rs)	6
BSE Sensex	27,888
Reuters code	LAIN.BO
Bloomberg code	LANCI IN
Market cap. (US\$ mn)	232
6M avg. daily turnover (US\$ mn)	1.2
Issued shares (mn)	2,392

Performance (%) 1M 3M 12M

Absolute	(2)	(9)	(22)
Relative	0	(13)	(41)

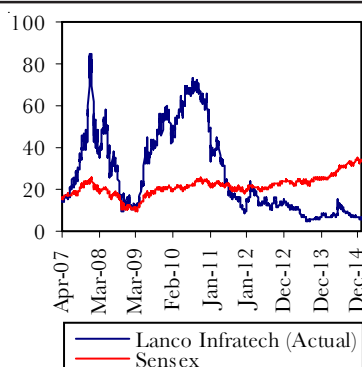
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	(6.4)	(6.0)
+/- (%)	NA	NA
PER (x)	NA	NA
PBV (x)	NA	NA
EV/Sales (x)	4.2	4.2
EV/EBITDA (x)	16.9	17.2

Major shareholders (%)

Promoters	70
FII's	4
DII's	2
Public & Others	24

Relative performance



Lanco Infratech

Downgrade to SELL

Still a long way to go

Recent performance

Liquidity issues based decline in EPC segment performance along with lower PLFs for the gas based power plants and shutdown of Amarkantaka II have capped growth at the top-line. Barring 1QFY15, EBITDA margins have remained under pressure for the last six quarters. High interest and depreciation costs continue keep the bottom-line performance under pressure.

Key sensitivities to growth/Key risks – Next 12 months

- Approval of CDR along with divestment of Udupi power plant should help ease some pressure on the liquidity front. This is expected to help improve the performance of the EPC segment.
- Plans remain underway to increase the capacity of Griffin mines to 5 mntpa first and then to 15 mntpa. As and when this happens, performance of the project is expected to improve significantly.

Strategic initiatives/Capex plans

- The management has already announced the first big ticket asset sale in the form of Udupi power plant. Further plans remain underway to monetise a few more assets. Money realised from the deal would be used to fund the equity requirement of the under construction projects and partly to trim down the debt.

Balance sheet position

- As on 30 September 2014, gross debt stood at ~Rs 374 bn (excluding debt for Griffin acquisition and working capital loans of power companies, up by ~Rs 8 bn in 1H FY15).
- Outstanding receivables from SEBs have declined to ~Rs 25 bn (~Rs 28 bn in 4QFY14).

Valuation and view

We believe, the huge equity requirement would continue to put pressure on the liquidity situation of the company. Even though some improvement in performance could be expected as money starts flowing in as per the terms of the CDR package, the same would prove to be insufficient. Most of the segments continue to remain under pressure for some or the other reason. We do not foresee the situation to change meaningfully and thus downgrade our rating to Sell.

Prem Khurana
prem.khurana@bksec.com

Lanco Infratech

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	137,388	104,300	99,866	112,200
Growth (%)	35.1	(24.1)	(4.3)	12.4
Operating expenses	(112,343)	(89,260)	(75,298)	(85,088)
Operating profit	25,045	15,041	24,567	27,113
EBITDA	25,045	15,041	24,567	27,113
Growth (%)	44.7	(39.9)	63.3	10.4
Depreciation	(11,258)	(11,719)	(11,744)	(11,836)
Other income	1,489	1,678	1,105	1,012
EBIT	15,275	5,000	13,929	16,288
Finance cost	(24,214)	(27,621)	(29,299)	(31,151)
Exceptional & extraordinary	0	(1,793)	499	0
Profit before tax	(8,939)	(24,414)	(14,871)	(14,863)
Tax (current + deferred)	(1,796)	1,294	(1,047)	(645)
P/L form discontinuing oper.	(207)	(2)	0	0
P/(L) for the period	(10,943)	(23,121)	(15,918)	(15,508)
P/(L) of Associates,	210	383	1,012	1,088
Min Int, Pref Div				
Reported Profit/(Loss)	(10,733)	(22,739)	(14,906)	(14,420)
Adjusted net profit	(10,733)	(20,946)	(15,405)	(14,420)
Growth (%)	NA	NA	NA	NA

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	2,392	2,392	2,392	2,392
Reserves & surplus	34,332	12,183	(2,723)	(17,144)
Shareholders' funds	36,725	14,575	(331)	(14,751)
Minority Interest and others	9,342	8,375	7,606	6,717
Non-current liabilities	309,716	343,542	377,489	428,871
Long-term borrowings	260,043	301,202	335,049	385,703
Other non-current liabilities	49,672	42,340	42,440	43,169
Current liabilities	152,430	141,949	146,295	149,304
ST borrowings, Curr maturity	79,645	65,852	72,013	71,842
Other current liabilities	72,786	76,098	74,282	77,462
Total (Equity and Liab.)	508,212	508,441	531,059	570,141
Non-current assets	393,340	402,530	431,175	472,071
Fixed assets (Net block)	347,548	357,893	385,176	424,837
Non-current Investments	28,960	30,055	30,076	30,099
Long-term loans and adv.	9,091	5,739	6,629	7,476
Other non-current assets	7,740	8,843	9,294	9,658
Current assets	114,873	105,911	99,884	98,070
Cash & current investment	5,784	5,799	5,746	6,314
Other current assets	109,089	100,112	94,138	91,756
Total (Assets)	508,212	508,441	531,059	570,141
Total debt	339,688	367,053	407,062	457,545
Capital employed	435,427	432,344	456,777	492,679

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(8,939)	(24,414)	(14,871)	(14,863)
Depreciation	11,258	11,719	11,744	11,836
Change in working capital	2,990	14,587	4,459	6,074
Total tax paid	(2,544)	(555)	(922)	(645)
Others	22,726	25,943	28,194	30,140
Cash flow from oper. (a)	25,491	27,280	28,603	32,541
Capital expenditure	(33,615)	(21,200)	(39,064)	(51,498)
Change in investments	(1,373)	(1,045)	(21)	(23)
Others	(617)	628	653	648
Cash flow from inv. (b)	(35,605)	(21,616)	(38,432)	(50,873)
Free cash flow (a+b)	(10,114)	5,663	(9,829)	(18,332)
Equity raised/(repaid)	318	428	0	0
Debt raised/(repaid)	27,389	27,365	40,009	50,483
Others	(25,987)	(33,391)	(30,233)	(31,583)
Cash flow from fin. (c)	1,721	(5,598)	9,775	18,900
Net chg in cash (a+b+c)	(8,393)	65	(53)	569

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(4.5)	(8.8)	(6.4)	(6.0)
Growth	NA	NA	NA	NA
CEPS (Rs)	0.2	(3.9)	(1.5)	(1.1)
Book NAV/share (Rs)	15.4	6.1	(0.1)	(6.2)
EBITDA margin	18.2	14.4	24.6	24.2
EBIT margin	11.1	4.8	13.9	14.5
Tax rate	(20.1)	5.7	(6.8)	(4.3)
RoCE	3.6	1.2	3.1	3.4
Total debt/Equity (x)	7.4	16.0	56.0	(56.9)
Net debt/Equity (x)	7.2	15.7	55.2	(56.2)
Du Pont Analysis - ROE				
Net margin	(7.8)	(20.1)	(15.4)	(12.9)
Asset turnover (x)	0.3	0.2	0.2	0.2
Leverage factor (x)	11.8	19.8	73.0	(73.0)
Return on equity	(25.6)	(81.7)	(216.3)	NA

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	NA	NA	NA	NA
PCE	46.9	NA	NA	NA
Price/Book	0.7	1.2	NA	NA
EV/EBITDA	14.3	25.1	16.9	17.2

Note: Pending approvals Sale of Udipi Power plant has not been considered in our estimates

MID CAP

Share Data

Price (Rs)	245
BSE Sensex	27,888
Reuters code	MSHS.BO
Bloomberg code	MHS IN
Market cap. (US\$ mn)	259
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	67

Performance (%)	1M	3M	12M
Absolute	(14)	(24)	49
Relative	(12)	(28)	11

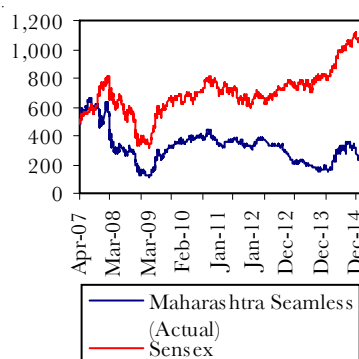
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	16.5	17.9
+/- (%)	15.9	8.8
PER (x)	14.9	13.7
PBV (x)	0.7	0.7
Dividend/Yield (%)	2.2	2.0
EV/Sales (x)	1.0	0.8
EV/EBITDA (x)	13.9	10.3

Major shareholders (%)

Promoters	58
FII's	12
MF's	8
BFSI's	1
Public & Others	21

Relative performance



Maharashtra Seamless

Maintain Outperformer

Safeguard duty to aid near term volume growth...

Recent performance

Subdued domestic demand and higher Chinese imports have taken a toll on the operating performance of the company over the last two-three years. EBITDA degrew at a CAGR of ~53% over FY12-14 (lower volumes). 1H FY15 volumes have improved by ~11% YoY (safeguard duty implemented on August 2014), however; operating performance remained subdued primarily due to the overcapacity situation.

Key sensitivities to growth/ Key risks

- DGS has imposed a 'Safeguard Duty' on seamless pipes from China @ of 20% (1st year), 10% (2nd year) and 5% (last six months) applicable from August 2014. Thus, order book has improved to ~Rs 4 bn from ~Rs 2.5 bn in FY14 end.
- US imposed an anti-dumping duty on seamless products from 8-9 countries ranging from 10-118%. Lower duty on MHS (~6%) gives it an edge over other players.
- Further investment in iron ore mine would lead to substantial decline in net cash.

Strategic initiatives/Capex plans

- Acquired 20% stake in an operational iron ore mine in Amapa, Brazil for US\$ 70 mn (reserves of around 250 mn tonnes). It may increase its stake to 40-45%.

Balance sheet position

- Net cash/share as on 1H FY15 end stood at Rs 62 versus Rs 90 in FY14 owing to 20% stake purchase of iron ore mine. We believe that the outstanding payment would be done in 2H therefore net cash would come down further by FY15 end.
- 1H FY15 working capital (ex cash) has deteriorated a bit primarily on account of increase in inventory. We expect some improvement in 2H.
- RoCE and RoE (annualised) witnessed marginal improvement on account of higher other income during 1H.

Valuation and view

We expect MHS to benefit the most from the safeguard duty. Better domestic order inflows and lower anti-dumping duties versus other players in the US market are also expected to aid the performance. We expect EBITDA CAGR of ~28% over FY14-16E aided by better volumes. Recent crash in crude prices makes us cautious as rig counts tends to follow the trend. Investment in non-core business (iron ore mine) would lead to substantial decline in net cash position. We have valued pipe business at 10.1x EV/EBITDA and arrived at a fair value of Rs 241. We are giving 30% discount to investments in iron ore business which gives per share value of Rs 44. We thus are maintaining our Outperformer rating with a target price of Rs 285.

Vikash Singh
vikash.singh@bksec.com

Parin Tanna
parin.tanna@bksec.com

Maharashtra Seamless

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net Sales	17,220	12,052	14,131	18,591
<i>Growth (%)</i>	<i>(24.9)</i>	<i>(30.0)</i>	<i>17.3</i>	<i>31.6</i>
Operating expenses	(15,512)	(11,173)	(13,125)	(17,154)
Operating profit	1,708	878	1,005	1,436
EBITDA	1,708	878	1,005	1,436
<i>Growth (%)</i>	<i>(56.3)</i>	<i>(48.6)</i>	<i>14.5</i>	<i>42.9</i>
Depreciation	(365)	(369)	(279)	(310)
Other income	696	632	664	398
EBIT	2,039	1,141	1,390	1,525
Finance Cost	(61)	(27)	(35)	(50)
Profit before tax	1,977	1,114	1,355	1,475
Tax (current + deferred)	(444)	(142)	(251)	(273)
P/(L) for the period	1,533	971	1,104	1,202
Reported Profit/(Loss)	1,533	971	1,104	1,202
Adjusted Net profit	1,533	971	1,104	1,202
<i>Growth (%)</i>	<i>(50.7)</i>	<i>(36.7)</i>	<i>13.7</i>	<i>8.8</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	353	341	335	335
Reserves & surplus	27,875	27,570	27,275	27,379
Shareholders' funds	28,227	27,911	27,610	27,714
Non-Current Liabilities	1,287	1,231	1,225	1,272
Long-term borrowings	8	5	5	5
Other Long term liab,	1,279	1,226	1,219	1,266
Prov, DTL				
Current liabilities	1,538	2,465	1,902	2,274
Short-term borrowings,	100	145	120	120
Curr Maturity				
Other Current Liab + Provi	1,438	2,320	1,783	2,155
Total (Equity and Liab.)	31,052	31,608	30,737	31,260
Non-current assets	15,266	14,453	17,666	17,123
Fixed assets (Net block)	13,067	12,481	11,953	11,391
Non-current Investments	1,310	1,098	5,298	5,298
Long-term loans and advances	888	875	414	434
Current assets	15,786	17,155	13,071	14,137
Cash & Current Investment	5,740	6,174	2,544	1,766
Other current assets	10,047	10,981	10,527	12,372
Total (Assets)	31,052	31,608	30,737	31,260
Total Debt	108	151	125	125
Capital Employed	29,614	29,287	28,954	29,105

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before Tax	1,977	1,114	1,355	1,475
Depreciation	365	369	279	310
Change in working capital	1,584	27	197	(1,582)
Total tax paid	(301)	(190)	27	(115)
Others	(499)	(538)	(480)	(259)
Cash flow from oper. (a)	3,127	783	1,378	(171)
Capital expenditure	(707)	250	(160)	(156)
Change in investments	(1,852)	11	379	119
Others	176	137	316	190
Cash flow from inv. (b)	(2,382)	397	535	153
Free cash flow (a+b)	745	1,180	1,912	(18)
Equity raised/(repaid)	0	(415)	(277)	0
Debt raised/(repaid)	(264)	42	(25)	0
Dividend (incl. tax)	(489)	(501)	(499)	(420)
Others	(115)	(92)	(360)	(342)
Cash flow from fin. (c)	(868)	(965)	(1,161)	(761)
Net chg in cash (a+b+c)	(123)	214	752	(780)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	21.7	14.2	16.5	17.9
Growth	(50.7)	(34.6)	15.9	8.8
CEPS (Rs)	26.9	19.6	20.6	22.6
Book NAV/share (Rs)	312.3	324.0	331.8	339.5
Dividend/share (Rs)	6.0	6.0	5.4	5.0
Dividend payout ratio	32.3	49.2	38.0	32.3
EBITDA margin	9.9	7.3	7.1	7.7
EBIT margin	11.8	9.5	9.8	8.2
Tax Rate	22.5	12.8	18.5	18.5
RoCE	6.9	3.9	4.8	5.3
Net debt/Equity (x)	(0.2)	(0.2)	(0.1)	(0.1)
Du Pont Analysis - ROE				
Net margin	8.9	8.1	7.8	6.5
Asset turnover (x)	0.5	0.4	0.5	0.6
Leverage factor (x)	1.5	1.4	1.4	1.4
Return on equity	7.1	4.4	5.0	5.3

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	10.2	13.6	14.9	13.7
PCE	8.2	9.8	11.9	10.9
Price/Book	0.7	0.6	0.7	0.7
Yield (%)	2.7	3.1	2.2	2.0
EV/EBITDA	5.9	8.2	13.9	10.3

MID CAP

Share Data

Price (Rs)	474
BSE Sensex	27,888
Reuters code	MALD.BO
Bloomberg code	MLIFE IN
Market cap. (US\$ mn)	306
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	41

Performance (%)	1M	3M	12M
Absolute	(5)	(9)	22
Relative	(3)	(13)	(9)

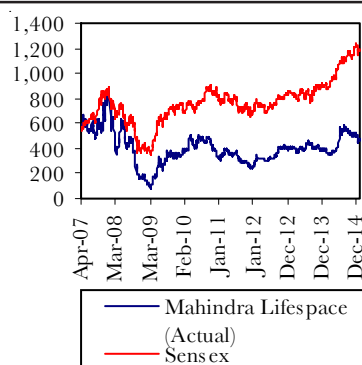
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	64.6	35.9
+/- (%)	161.9	(44.3)
PER (x)	7.3	13.2
PBV (x)	1.3	1.2
Dividend/Yield (%)	1.3	1.3
EV/Sales (x)	3.0	2.9
EV/EBITDA (x)	7.3	10.9

Major shareholders (%)

Promoters	51
FII's	29
MFs/FIs	1
Bodies corporate	6
Public & Others	13

Relative performance



Mahindra Lifespace

Maintain Outperformer

Launch pipeline taking shape

Recent performance

Having accumulated a healthy pipeline for future growth and addressed capital intensity to a great extent (through roping in partner/sale of Byculia land parcel) over the last 12-15 months, we expect management efforts to largely revolve around ensuring project launches materialise at the earliest possible. In fact, with launch of two pilot projects in affordable housing segment and a residential launch each in Gurgaon and Alibaug, the same has already started materialising. In the SEZ segment, even as the SEZ demand remained subdued, there was improvement in demand from businesses aimed at domestic market which translated into closure of several lease agreements in the Domestic Tariff Area (DTA).

Key sensitivities to growth/Key risks – Next 12 months

- Ability to convert recently added land bank into yielding development projects holds the key for future growth.
- Success of large integrated infrastructure developments (IIDs) heavily dependent on sustained global economic growth.

Strategic initiatives/Capex plans

- Sensing better demand profile for DTA, the company plans to redo business plan for Jaipur SEZ to include more of DTA area (as it appears to be relatively better moving) and optimise area reserved for residential/social development.

Balance sheet position

- As for consummation of Byculia Land transaction for a consideration of ~Rs 3.3 bn, the company could de-lever balance sheet by ~Rs 1.7 bn over 1HFY15.
- Adjusted for land sale transaction, the company seems to have done negative cash flows of ~Rs 0.8 bn over 1HFY15. A part of it could be attributed to dividend payout of ~Rs 0.3 bn.

Valuation and view

Converting recently acquired projects/development potential into yielding development projects remain the key monitorable for the company. Here, with host of projects at various stages of design/approval stage, the concern, we believe, would get addressed sooner than later. Meaningful de-leveraging (up on land sale) also comes to provide comfort. At CMP, the stock trades at PBV of 1.3x FY15E and 1.2x FY16E.

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

Mahindra Lifespace

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	7,383	7,053	10,150	10,470
<i>Growth (%)</i>	<i>5.3</i>	<i>(4.5)</i>	<i>43.9</i>	<i>3.2</i>
Operating expenses	(4,965)	(5,350)	(5,980)	(7,689)
Operating profit	2,419	1,702	4,170	2,780
EBITDA	2,419	1,702	4,170	2,780
<i>Growth (%)</i>	<i>26.4</i>	<i>(29.6)</i>	<i>144.9</i>	<i>(33.3)</i>
Depreciation	(87)	(101)	(99)	(100)
Other income	341	509	627	590
EBIT	2,673	2,111	4,698	3,270
Finance cost	(312)	(502)	(480)	(588)
Profit before tax	2,361	1,609	4,218	2,682
Tax (current + deferred)	(799)	(509)	(1,458)	(1,084)
P/(L) for the period	1,562	1,100	2,760	1,598
P/L of Associates,	(148)	(94)	(124)	(130)
Min Int, Pref Div				
Reported Profit/(Loss)	1,414	1,006	2,636	1,468
Adjusted net profit	1,414	1,006	2,636	1,468
<i>Growth (%)</i>	<i>18.7</i>	<i>(28.8)</i>	<i>161.9</i>	<i>(44.3)</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	408	408	410	410
Reserves & surplus	12,522	12,208	14,602	15,771
Shareholders' funds	12,931	12,617	15,012	16,180
Minority Interest and others	856	835	959	1,090
Non-current liabilities	6,255	13,631	13,067	10,744
Long-term borrowings	5,749	11,972	11,337	8,942
Other non-current liabilities	506	1,659	1,730	1,802
Current liabilities	8,538	7,184	7,196	8,100
ST borrowings, Curr maturity	3,907	2,038	1,682	3,176
Other current liabilities	4,631	5,146	5,514	4,924
Total (Equity and Liab.)	28,580	34,267	36,234	36,113
Non-current assets	3,348	5,343	5,454	5,425
Fixed assets (Net block)	3,112	3,379	3,349	3,320
Non-current Investments	184	1,785	1,629	1,629
Long-term loans and adv.	53	179	475	475
Current assets	25,232	28,924	30,780	30,688
Cash & current investment	2,591	1,896	1,959	1,149
Other current assets	22,641	27,027	28,821	29,539
Total (Assets)	28,580	34,267	36,234	36,113
Total debt	9,656	14,010	13,019	12,117
Capital employed	23,949	29,121	30,720	31,189

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	2,361	1,609	4,218	2,682
Depreciation	87	101	99	100
Change in working capital	(4,106)	(2,899)	(1,651)	(1,237)
Total tax paid	(642)	(448)	(1,458)	(1,084)
Others	(2)	63	(147)	(2)
Cash flow from oper. (a)	(2,303)	(1,574)	1,061	460
Capital expenditure	(791)	(368)	(69)	(71)
Change in investments	420	(1,654)	884	500
Others	223	411	627	590
Cash flow from inv. (b)	(148)	(1,611)	1,443	1,019
Free cash flow (a+b)	(2,451)	(3,185)	2,503	1,478
Equity raised/(repaid)	278	(1,014)	58	
Debt raised/(repaid)	2,990	4,354	(991)	(902)
Dividend (incl. tax)	(285)	(287)	(287)	(288)
Others	(592)	(644)	(491)	(599)
Cash flow from fin. (c)	2,392	2,409	(1,711)	(1,788)
Net chg in cash (a+b+c)	(59)	(776)	792	(310)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	34.6	24.6	64.6	35.9
Growth	18.7	(28.8)	161.9	(44.3)
CEPS (Rs)	36.8	27.1	67.0	38.4
Book NAV/share (Rs)	316.7	309.0	367.6	396.2
Dividend/share (Rs)	6.0	6.0	6.0	6.0
Dividend payout ratio	20.3	28.5	10.9	19.6
EBITDA margin	32.8	24.1	41.1	26.6
EBIT margin	36.2	29.9	46.3	31.2
Tax rate	33.9	31.6	34.6	40.4
RoCE	12.3	8.0	15.7	10.6
Total debt/Equity (x)	0.7	1.0	0.8	0.7
Net debt/Equity (x)	0.5	0.9	0.7	0.6
Du Pont Analysis - ROE				
Net margin	19.1	14.3	26.0	14.0
Asset turnover (x)	0.3	0.2	0.3	0.3
Leverage factor (x)	2.1	2.5	2.6	2.3
Return on equity	11.5	7.9	19.1	9.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	10.8	14.7	7.3	13.2
PCE	10.2	13.4	7.1	12.3
Price/Book	1.2	1.2	1.3	1.2
Yield (%)	1.6	1.7	1.3	1.3
EV/EBITDA	9.2	15.8	7.3	10.9

MID CAP

Share Data

Price (Rs)	234
BSE Sensex	27,888
Reuters code	MCLE.BO
Bloomberg code	MCLR IN
Market cap. (US\$ mn)	405
6M avg. daily turnover (US\$ mn)	1.6
Issued shares (mn)	109

Performance (%) 1M 3M 12M

Absolute	(1)	(20)	(26)
Relative	1	(24)	(45)

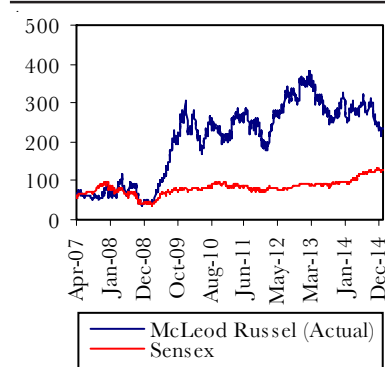
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	26.4	35.5
+/- (%)	(15.3)	34.3
PER (x)	8.9	6.6
PBV (x)	1.1	1.0
Dividend/Yield (%)	4.0	5.1
EV/Sales (x)	1.2	1.1
EV/EBITDA (x)	7.1	5.4

Major shareholders (%)

Promoters	46
FII's	29
MFs	11
BFSI's	2
Public & Others	12

Relative performance



McLeod Russel

Maintain Outperformer

FY16E likely to be better!

Recent performance/Outlook

McLeod Russel posted decent performance on the sales front in the last 3-year period with CAGR growth of 12%. However, PAT increased by only 1% CAGR during the period on account of higher cost of power & fuel and loss in own crop. For 2QFY15, McLeod reported revenues of Rs 4.8 bn, flat YoY. Realisation improved from Rs 174/kg in 2QFY14 to Rs 186/kg in 2QFY15 thereby limiting the impact of decline in sales volumes. EBITDA stood at Rs 2.5 bn, flat YoY.

Key triggers/Risks – Next 12 months

- Key growth drivers are increase in sales volumes and higher realisation due to lower inventory in system.
- Risks include adverse weather condition impacting tea production and currency fluctuation. Revision in wages for tea industry in Assam is due effective on 1st January 2015 which would lead to higher costs.

Strategic initiatives

- McLeod has been very active in expanding through the inorganic route since 2007 – acquired two tea-processing units in Vietnam and bought stakes in overseas company in Rwanda.
- To incur Rs 1 bn capex for FY15E, largely for increasing bought-out-leaf processing capacity and tea garden irrigation facilities.

Balance sheet position

- Subdued tea prices led to a fall in RoE from 26.9% in FY12 to 17.2% in FY14 and fall in RoCE from 19.0% in FY12 to 14.5% in FY14.
- Debt remained stable in the past two-three years.

Valuation and view

Domestic production is lower on account of dry weather conditions while production in African region has been normal. Domestic tea prices are expected to increase with the fall in production and lower inventory. Performance should start improving from FY16E, with the normalisation of production and improvement in realisation. However, cost per kg is expected to be higher due to increase in input costs and wages. In the long-term, with the growth in tea production (1-1.5% CAGR) lagging the increase in consumption (2-2.5% CAGR) in India and lower stock to use, we expect structurally prices to remain firm.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

McLeod Russel

Income Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Net Sales	16,295	17,542	17,663	18,861
<i>Growth (%)</i>	<i>15.4</i>	<i>7.7</i>	<i>0.7</i>	<i>6.8</i>
Operating expenses	(12,836)	(14,362)	(14,633)	(15,026)
Operating profit	3,459	3,181	3,030	3,835
EBITDA	3,459	3,181	3,030	3,835
<i>Growth (%)</i>	<i>(4.8)</i>	<i>(8.0)</i>	<i>(4.7)</i>	<i>26.6</i>
Depreciation	(392)	(377)	(397)	(424)
Other income	698	789	760	835
EBIT	3,764	3,592	3,392	4,245
Finance Cost	(510)	(598)	(533)	(454)
Exceptional & Extraordinary	58	(18)	0	0
Profit before tax	3,312	2,976	2,859	3,792
Tax (current + deferred)	(491)	(352)	(572)	(758)
P/(L) for the period	2,821	2,624	2,287	3,033
P/L of Associates,	(82)	(53)	(110)	(110)
Min Int, Pref Div				
Reported Profit/(Loss)	2,739	2,571	2,177	2,923
Adjusted Net profit	2,739	2,571	2,177	2,923
<i>Growth (%)</i>	<i>(4.9)</i>	<i>(6.1)</i>	<i>(15.3)</i>	<i>34.3</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Share Capital	547	547	547	547
Reserves & surplus	18,962	21,020	22,301	24,072
Shareholders' funds	19,509	21,567	22,848	24,619
Minority Int, Share Appl, Pref Capital	153	184	184	184
Non-Current Liabilities	1,807	1,877	1,455	1,129
Long-term borrowings	258	826	386	0
Other Long term liab, Prov, DTL	1,549	1,051	1,069	1,129
Current liabilities	5,301	5,247	5,371	6,148
Short-term borrowings, Curr Maturity	2,228	2,120	2,000	2,150
Other Current Liab + Provi	3,072	3,127	3,371	3,998
Total (Equity and Liab.)	26,770	28,876	29,859	32,080
Non-current assets	22,225	23,850	24,714	25,844
Fixed assets (Net block)	19,680	21,251	21,500	22,300
Non-current Investments	167	132	132	132
Long-term loans and advances	2,001	2,316	2,932	3,262
Other non-current assets, DTA, Goodwill	378	150	150	150
Current assets	4,545	5,026	5,145	6,236
Cash & Current Investment	463	483	251	791
Other current assets	4,081	4,543	4,894	5,445
Total (Assets)	26,770	28,876	29,859	32,080
Total Debt	2,487	2,947	2,386	2,150
Capital Employed	23,698	25,749	26,487	28,082

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Profit before Tax	3,312	2,976	2,859	3,792
Depreciation	392	377	(397)	(424)
Change in working capital	(1,461)	(1,191)	(639)	(502)
Total tax paid	(395)	(398)	(522)	(708)
Others	260	154	(520)	(662)
Cash flow from oper. (a)	2,109	1,918	2,339	3,130
Capital expenditure	(998)	(1,874)	(631)	(1,209)
Change in investments	23	34	0	0
Others	213	671	275	315
Cash flow from inv. (b)	(762)	(1,168)	(356)	(894)
Free cash flow (a+b)	1,346	750	1,983	2,236
Debt raised/(repaid)	(144)	460	(561)	(236)
Dividend (incl. tax)	(733)	(953)	(1,011)	(896)
Others	(339)	(237)	(643)	(564)
Cash flow from fin. (c)	(1,217)	(730)	(2,215)	(1,696)
Net chg in cash (a+b+c)	129	20	(232)	540

Key Ratios

Period end (%)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Adjusted EPS (Rs)	33.2	31.2	26.4	35.5
Growth	(4.9)	(6.1)	(15.3)	34.3
CEPS (Rs)	38.0	35.8	31.3	40.6
Book NAV/share (Rs)	169.0	194.0	209.5	231.0
Dividend/share (Rs)	9.3	9.3	9.3	12.0
Dividend payout ratio	32.7	34.9	41.2	39.4
EBITDA margin	21.2	18.1	17.2	20.3
EBIT margin	23.1	20.5	19.2	22.5
Tax Rate	14.8	11.8	20.0	20.0
RoCE	16.6	14.5	13.0	15.6
Total debt/Equity (x)	0.1	0.1	0.1	0.1
Net debt/Equity (x)	0.1	0.1	0.1	0.1
Du Pont Analysis - ROE				
Net margin	16.8	14.7	12.3	15.5
Asset turnover (x)	0.6	0.6	0.6	0.6
Leverage factor (x)	2.0	1.9	1.8	1.7
Return on equity	21.2	17.2	13.1	16.1

Valuations

Period end (x)	Mar 13	Mar 14E	Mar 15E	Mar 16E
PER	10.5	9.8	8.9	6.6
PCE	9.2	8.5	7.5	5.8
Price/Book	2.1	1.6	1.1	1.0
Yield (%)	2.7	3.0	4.0	5.1
EV/EBITDA	8.9	8.7	7.1	5.4

MID CAP

Share Data

Price (Rs)	1,299
BSE Sensex	27,888
Reuters code	MINTBO
Bloomberg code	MTCLIN
Market cap. (US\$ mn)	1,718
6M avg. daily turnover (US\$ mn)	3.5
Issued shares (mn)	84

Performance (%) 1M 3M 12M

Absolute	5	14	67
Relative	7	8	25

Valuation ratios

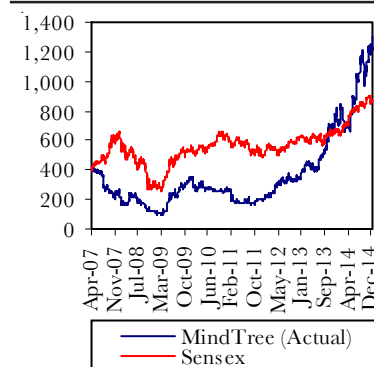
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs)	63.4	75.7	90.3
+/- (%)	16.8	19.3	19.3
PER (x)	20.6	17.2	14.5
PBV (x)	5.1	4.1	3.3
Dividend/Yield (%)	0.7	0.9	1.0
EV/Sales (x)	2.7	2.2	1.8
EV/EBITDA (x)	13.9	10.7	8.5

Major shareholders (%)

Promoters	16
FII's	39
MFs	8
Public & Others	37

Relative performance



Mindtree

Upgrade to BUY

Best mid cap play

Recent performance

Mindtree (MTCL) reported strong 2QFY15 results with 4.1% and 6.2% QoQ sales and earnings growth, driven by better operational performance and higher other income. US\$ revenue and earnings grew at CAGR (FY10-14) of 16.5% and 20.4% due to strong growth seen in IMS, consulting service line and manufacturing, BFSI and travel vertical. Growth revival in Hi-Tech business and strengthening deal signing momentum is along expected line and lays strong foundation to surpass NASSCOM growth target for FY15 (13-15%).

Key triggers/risks – Next 12 months

- **Turnaround in Hi-tech business** – Hi-tech vertical is seeing initial signs of revival with spending returning to normalised levels. Management had re-aligned it as a vertical rather than service offering to cross sell IT expertise to hi-tech clients.
- **Growth momentum to continue for IT services** – With strong deal signings in FY14 (US\$ 509 mn) and 1H FY15 (US\$ 330 mn), we expect IT services (~73% of revenue) to deliver better growth and revenue visibility for FY15-17.

Strategic initiatives

- **Focused client approach** – Mindtree has made several changes to its sales force. Hunting teams have been strengthened in the US and Europe, and a few more hires expected in FY15 in Europe. It is investing to improve the lead generation process and recognition among third-party advisors.
- **Investing for US\$ 1 bn vision** – MTCL has made investment in new technology (SMAC) by expanding its offerings in cloud engineering and analytics. They have further increased their focus on IMS and have entered into engagements to manage the distribution platform of a large CPG company.

Balance sheet position

- **Strong cash flow generation, however, some pressure on RoE:** MTCL will continue to generate strong cash flows over the next couple of years as we expect MTCL to generate earnings CAGR (FY10-14) of 20.4%, however, there will be some pressure on RoE due to build-up of cash on the books.

Valuation and view

We stay positive on the stock based on growth acceleration from successful operational turnaround (reflected in improving growth rate and order bookings), stable margins and turnaround in Hi-Tech practice. We have factored earnings CAGR of 19% over FY14-17E. Upgrade to Buy.

Sushil Sharma
sushil.sharma@bksec.com

Manav Patel
manav.patel@bksec.com

Mindtree

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	30,316	36,005	42,608	51,129
<i>Growth (%)</i>	<i>28.4</i>	<i>18.8</i>	<i>18.3</i>	<i>20.0</i>
Operating expenses	(24,216)	(28,932)	(33,814)	(40,546)
Operating profit	6,100	7,072	8,794	10,584
EBITDA	6,100	7,072	8,794	10,584
<i>Growth (%)</i>	<i>25.5</i>	<i>15.9</i>	<i>24.3</i>	<i>20.4</i>
Depreciation	(809)	(957)	(1,127)	(1,352)
Other income	496	732	620	655
EBIT	5,787	6,847	8,287	9,887
Finance cost	(4)	0	0	0
Profit before tax	5,783	6,847	8,287	9,887
Tax (current + deferred)	(1,275)	(1,581)	(1,989)	(2,373)
P/(L) for the period	4,508	5,267	6,298	7,514
Reported Profit/(Loss)	4,508	5,267	6,298	7,514
Adjusted net profit	4,508	5,267	6,298	7,514
<i>Growth (%)</i>	<i>33.0</i>	<i>16.8</i>	<i>19.6</i>	<i>19.3</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	417	417	417	417
Reserves & surplus	16,431	20,769	25,937	32,102
Shareholders' funds	16,848	21,186	26,354	32,519
Non-current liabilities	195	195	195	195
Long-term borrowings	66	66	66	66
Other non-current liabilities	129	129	129	129
Current liabilities	4,394	6,597	7,851	9,368
Other current liabilities	4,394	6,597	7,851	9,368
Total (equity and liab.)	21,437	27,978	34,400	42,082
Non-current assets	5,360	5,605	6,102	6,732
Fixed assets (net block)	2,986	3,229	3,303	3,450
Non-current investments	175	175	175	175
Long-term loans and adv.	758	1,008	1,193	1,432
Other non-current assets	1,441	1,192	1,431	1,675
Current assets	15,131	22,374	28,298	35,349
Cash & current investment	6,787	10,589	14,254	18,602
Other current assets	8,344	11,785	14,045	16,747
Total (assets)	20,490	27,978	34,400	42,082
Total debt	66	66	66	66
Capital employed	17,043	21,381	26,549	32,714

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	5,783	6,847	8,287	9,887
Depreciation	809	957	1,127	1,352
Chg in working capital	(1,340)	(1,488)	(1,191)	(1,424)
Total tax paid	(1,317)	(1,611)	(2,040)	(2,440)
Others	(372)	(393)	(520)	(535)
Cash flow from oper. (a)	3,563	4,312	5,664	6,839
Capital expenditure	(635)	(1,201)	(1,200)	(1,500)
Change in investments	(1,064)	1,133	0	0
Others	383	672	332	359
Cash flow from inv. (b)	(1,316)	604	(868)	(1,141)
Free cash flow (a+b)	2,247	4,917	4,796	5,698
Equity raised/(repaid)	2	0	0	0
Debt raised/(repaid)	(183)	0	0	0
Dividend (incl. tax)	(799)	(928)	(1,131)	(1,349)
Others	68	0	(0)	0
Cash flow from fin. (c)	(912)	(928)	(1,131)	(1,349)
Net chg in cash (a+b+c)	1,335	3,989	3,665	4,349

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	54.3	63.4	75.7	90.3
Growth	33.0	16.8	19.3	19.3
CEPS (Rs)	64.0	74.9	89.2	106.5
Book NAV/share (Rs)	202.8	255.0	316.6	390.6
Dividend/share (Rs)	8.2	9.6	11.4	13.6
Dividend payout ratio	17.7	17.6	18.0	18.0
EBITDA margin	20.1	19.6	20.6	20.7
EBIT margin	19.1	19.0	19.4	19.3
Tax rate	22.0	23.1	24.0	24.0
RoCE	38.0	35.6	34.6	33.4
Net debt/Equity (x)	(0.4)	(0.5)	(0.5)	(0.6)
Du Pont Analysis - ROE				
Net margin	14.9	14.6	14.8	14.7
Asset turnover (x)	1.6	1.5	1.4	1.3
Leverage factor (x)	1.2	1.3	1.3	1.3
Return on equity	30.1	27.7	26.5	25.5

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	12.2	20.6	17.2	14.5
PCE	10.4	17.4	14.6	12.2
Price/Book	3.3	5.1	4.1	3.3
Yield (%)	1.2	0.7	0.9	1.0
EV/EBITDA	7.9	13.9	10.7	8.5

MID CAP

Share Data

Price (Rs)	2,926
BSE Sensex	27,888
Reuters code	MNSN.BO
Bloomberg code	MCHM IN
Market cap. (US\$ mn)	798
6M avg. daily turnover (US\$ mn)	2.6
Issued shares (mn)	17

Performance (%) 1M 3M 12M

Absolute	(3)	(2)	251
Relative	(1)	(7)	163

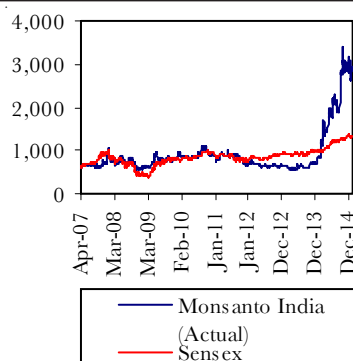
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	85.7	109.9
+/- (%)	14.0	28.3
PER (x)	34.1	26.6
PBV (x)	12.3	10.1
Dividend/Yield (%)	1.4	1.7
EV/Sales (x)	7.4	6.4
EV/EBITDA (x)	28.6	22.3

Major shareholders (%)

Promoters	72
FII's	2
MF's	3
Public & Others	23

Relative performance



Monsanto India

Maintain Outperformer

Increasing hybridisation in corn and higher herbicide usage to drive growth!

Recent performance/Outlook

Monsanto reported strong performance over a 3-year period with topline CAGR of 17% in sales and 45% in profit. EBITDA margin increased from 18.2% in FY11 to 25.2% in FY14. 2QFY15 results were weak (2Q is a seasonally weak quarter). Revenues stood at Rs 846 mn, -13% YoY due to lower corn acreages which impacted hybrid seed sales. EBITDA stood at loss of Rs 21 mn.

Key sensitivities/Risks – Next 12 months

- Key growth drivers include increasing hybridisation in corn, new product launches, increasing demand of corn, higher herbicide usage and reduced availability of labour.
- Currently, income from seed business is treated as agricultural income and is exempted from tax. If the new Central government decides to impose tax on seed income, it will pose significant risk to current earnings.
- Other risks include erratic monsoons, slower increase in hybridisation of corn. Focus on single crop (corn) in seeds and glyphosate remains a key concern.

Strategic initiatives

- Monsanto continues to launch new hybrids of corn to leverage increase in hybridisation.
- No major capex planned.
- Focus on GM crops.

Balance sheet position

- Strong performance has led to improvement in RoE (from 11.8% in FY11 to 34.5% in FY14) and RoCE from 16.9% in FY11 to 37.0% in FY14). It has nil debt.

Valuation and view

Monsanto continues to aggressively launch new hybrid seeds – while in the last two years it launched 7-8 new hybrids; it has further launched 3 new hybrids in 1HFY15 (mostly single-cross which carries higher margins). Rabi season this year should benefit from the new product launches and improving age profile of corn portfolio. Monsanto gained market share in 1HY15 and it remains on track to further increase its market share to 30% over the next few years (25% in FY14). Over the longer-term, introduction of GM crops remains a major trigger. Over the medium-term, glyphosate demand can benefit from increasing usage of herbicides in India. We believe Monsanto will continue to trade at premium valuations given its MNC status and the tag of being the only publicly listed Monsanto entity outside USA. We maintain Outperformer rating.

Balwinder Singh

balwinder.singh@bksec.com

Sukhwinder Singh

sukhwinder.singh@bksec.com

Monsanto India

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	4,365	5,752	6,447	7,355
<i>Growth (%)</i>	<i>18.6</i>	<i>31.8</i>	<i>12.1</i>	<i>14.1</i>
Operating expenses	(3,722)	(4,367)	(4,937)	(5,416)
Operating profit	643	1,385	1,509	1,939
Other operating income	59	66	166	174
EBITDA	702	1,451	1,675	2,113
<i>Growth (%)</i>	<i>27.6</i>	<i>106.8</i>	<i>15.4</i>	<i>26.2</i>
Depreciation	(109)	(119)	(118)	(118)
Other income	169	129	179	179
EBIT	762	1,462	1,735	2,174
Finance cost	(7)	(5)	(5)	(5)
Exceptional & extraordinary	0	(69)	0	0
Profit before tax	755	1,388	1,730	2,169
Tax (current + deferred)	(76)	(159)	(251)	(271)
P/(L) for the period	679	1,229	1,479	1,898
Reported Profit/(Loss)	679	1,229	1,479	1,898
Adjusted net profit	679	1,298	1,479	1,898
<i>Growth (%)</i>	<i>35.2</i>	<i>91.3</i>	<i>14.0</i>	<i>28.3</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	173	173	173	173
Reserves & surplus	3,902	3,272	3,949	4,842
Shareholders' funds	4,074	3,445	4,121	5,015
Non-current liabilities	177	195	141	151
Other non-current liabilities	177	195	141	151
Current liabilities	1,627	2,473	2,864	3,279
Other current liabilities	1,627	2,473	2,864	3,279
Total (Equity and Liab.)	5,878	6,113	7,126	8,446
Non-current assets	1,011	1,020	1,090	1,155
Fixed assets (Net block)	892	885	955	1,020
Long-term loans and adv.	84	97	108	108
Other non-current assets	36	37	27	27
Current assets	4,867	5,093	6,036	7,290
Cash & current investment	2,713	2,753	2,565	3,372
Other current assets	2,155	2,341	3,471	3,918
Total (Assets)	5,878	6,113	7,126	8,446
Capital employed	4,251	3,640	4,262	5,166

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	755	1,388	1,730	2,169
Depreciation	109	119	118	118
Change in working capital	230	282	(969)	(246)
Total tax paid	(90)	(161)	(216)	(248)
Others	(162)	(124)	(174)	(174)
Cash flow from oper. (a)	842	1,504	490	1,619
Capital expenditure	(81)	(112)	(188)	(183)
Change in investments	(552)	(158)	667	0
Others	169	129	179	179
Cash flow from inv. (b)	(463)	(141)	658	(4)
Free cash flow (a+b)	379	1,363	1,148	1,615
Dividend (incl. tax)	(401)	(1,495)	(606)	(803)
Others	35	14	(62)	(5)
Cash flow from fin. (c)	(366)	(1,481)	(668)	(808)
Net chg in cash (a+b+c)	13	(118)	480	807

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	39.3	75.2	85.7	109.9
Growth	35.2	91.3	14.0	28.3
CEPS (Rs)	45.6	82.1	92.6	116.8
Book NAV/share (Rs)	236.0	199.6	238.7	290.5
Dividend/share (Rs)	22.0	92.0	40.0	50.0
Dividend payout ratio	65.3	151.2	54.3	52.9
EBITDA margin	16.1	25.2	26.0	28.7
EBIT margin	17.5	25.4	26.9	29.6
Tax rate	10.1	10.9	14.5	12.5
RoCE	18.6	37.0	43.9	46.1
Net debt/Equity (x)	(0.7)	(0.8)	(0.6)	(0.7)
Du Pont Analysis - ROE				
Net margin	15.5	22.6	22.9	25.8
Asset turnover (x)	0.8	1.0	1.0	0.9
Leverage factor (x)	1.4	1.6	1.7	1.7
Return on equity	17.1	34.5	39.1	41.5

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	13.5	19.9	34.1	26.6
PCE	11.7	18.3	31.6	25.1
Price/Book	2.3	7.5	12.3	10.1
Yield (%)	4.1	6.1	1.4	1.7
EV/EBITDA	9.2	15.9	28.6	22.3

MID CAP

Share Data

Price (Rs)	390
BSE Sensex	27,888
Reuters code	MBFL.BO
Bloomberg code	MPHL IN
Market cap. (US\$ mn)	1,295
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	210

Performance (%)	1M	3M	12M
Absolute	(3)	(8)	(9)
Relative	(1)	(12)	(32)

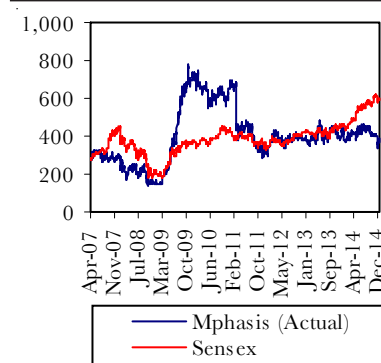
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	35.1	40.2	42.9
+/- (%)	0.8	14.5	6.7
PER (x)	11.4	10.0	9.4
PBV (x)	1.6	1.5	1.4
Dividend/Yield (%)	4.4	5.0	5.3
EV/Sales (x)	0.8	0.7	0.6
EV/EBITDA (x)	4.7	3.9	3.3

Major shareholders (%)

Promoters	60
FII's	26
MF's	1
BFSI's	3
Public & Others	8

Relative performance



Mphasis

Maintain Underperformer

Business momentum remains weak

Recent performance

Mphasis (MPHL) reported weak results with revenue at US\$ 240 mn (-4.1% QoQ) and margins at 13.0% lower than our expectations. Weakness persisted in HP Channel and Direct Channel (DC) once considered the growth engine also remains negative. Management commentary maintains weakness in growth for FY15 and in spite of TCV win of US\$ 110 mn in 1HFY15 we do not see revival in growth in 2H. Since FY10, MPHL has faced issues in generating revenues due to HP Channel weakness and lower than expected growth in DC and DR business.

Key triggers/risks – Next 12 months

- **HP Channel weakness to continue:** HP Channel (~36% of revenues) weakness to continue as its losing share in deals coming up for renewal.
- **Direct Channel mature markets to be anaemic:** Direct Channel (DC) business in mature markets will be subdued.
- **Digital Risk (DR) to face short-term growth challenges:** DR has been impacted by slowdown in mortgage market in USA and we do not expect material revival in FY15.

Strategic initiatives

- **Margins to remain stable at 14-15% –** MPHL are working on factors like facility consolidation and productivity improvement in near-term to negate the effect of wage hike. Also, MPHL working on long-term margin sustenance factors like increasing proportion of non-T&M deals, focusing on selling integrated portfolio of services.

Balance sheet position

- **100 bps RoE expansion:** We expect RoE to expand by 100 bps due to high single digit revenue growth in FY16 and FY17 and increase in efficiency.

Valuation and view

We expect HP Channel to continue to underperform in near term as HP is losing its market share in the renewal market. DC business continues to report below industry level growth since past few quarters which is alarming. We do not anticipate any acceleration in growth in Direct Channel segment and weakness in digital risk to further impact margins. Maintain Underperformer.

Sushil Sharma
sushil.sharma@bksec.com

Manav Patel
manav.patel@bksec.com

Mphasis

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	25,939	62,600	67,608	72,341
Growth (%)	7.4	0.6	8.0	7.0
Operating expenses	(21,542)	(51,770)	(55,236)	(59,102)
Operating profit	4,397	10,830	12,372	13,238
EBITDA	4,397	10,830	12,372	13,238
Growth (%)	2.1	2.6	14.2	7.0
Depreciation	(504)	(1,565)	(1,690)	(1,809)
Other income	389	500	500	500
EBIT	4,282	9,765	11,182	11,930
Exceptional & extraordinary	(64)	0	0	0
Profit before tax	4,282	9,765	11,182	11,930
Tax (current + deferred)	(1,191)	(2,441)	(2,796)	(2,982)
P/(L) for the period	3,091	7,324	8,387	8,947
Reported Profit/(Loss)	3,091	7,324	8,387	8,947
Adjusted net profit	3,027	7,324	8,387	8,947
Growth (%)	(2.3)	0.8	14.5	6.7

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	2,101	2,101	2,101	2,101
Reserves & surplus	46,315	49,353	52,833	56,546
Shareholders' funds	48,416	51,455	54,934	58,647
Non-current liabilities	269	269	269	269
Other non-current liabilities	269	269	269	269
Current liabilities	18,867	20,376	22,006	23,745
ST borrowings, curr maturity	2,911	3,143	3,395	3,633
Other current liabilities	15,956	17,233	18,611	20,112
Total (equity and liab.)	67,552	72,100	77,210	82,661
Non-current assets	17,002	17,002	17,002	17,002
Fixed assets (net block)	2,480	2,480	2,480	2,480
Non-current investments	172	172	172	172
Long-term loans and adv.	3,724	3,724	3,724	3,724
Other non-current assets	10,627	10,627	10,627	10,627
Current assets	50,549	55,097	60,207	65,658
Cash & current investment	36,918	36,061	39,416	43,029
Other current assets	13,631	19,036	20,791	22,630
Total (assets)	67,552	72,100	77,210	82,661
Total debt	2,911	3,143	3,395	3,633
Capital employed	51,595	54,867	58,598	62,549

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	4,282	9,765	11,182	11,930
Depreciation	504	1,565	1,690	1,809
Change in working capital	2,841	(4,129)	(376)	(337)
Total tax paid	(1,191)	(2,441)	(2,796)	(2,982)
Others	(389)	(500)	(500)	(500)
Cash flow from oper. (a)	6,047	4,259	9,200	9,918
Capital expenditure	(504)	(1,565)	(1,690)	(1,809)
Others	389	500	500	500
Cash flow from inv. (b)	(115)	(1,065)	(1,190)	(1,309)
Free cash flow (a+b)	5,932	3,194	8,010	8,610
Debt raised/(repaid)	0	233	251	238
Dividend (incl. tax)	(1,808)	(4,285)	(4,907)	(5,235)
Others	0	0	(0)	0
Cash flow from fin. (c)	(1,808)	(4,052)	(4,655)	(4,997)
Net chg in cash (a+b+c)	4,123	(858)	3,355	3,613

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	34.8	35.1	40.2	42.9
Growth	(2.3)	0.8	14.5	6.7
CEPS (Rs)	40.6	42.6	48.3	51.5
Book NAV/share (Rs)	232.0	246.5	263.2	281.0
Dividend/share (Rs)	17.8	17.5	20.1	21.4
Dividend payout ratio	58.5	58.5	58.5	58.5
EBITDA margin	17.0	17.3	18.3	18.3
EBIT margin	16.5	15.6	16.5	16.5
Tax rate	28.2	25.0	25.0	25.0
RoCE	20.2	18.3	19.7	19.7
Total debt/Equity (x)	0.1	0.1	0.1	0.1
Net debt/Equity (x)	(0.7)	(0.6)	(0.7)	(0.7)
Du Pont Analysis - ROE				
Net margin	11.7	11.7	12.4	12.4
Asset turnover (x)	0.9	0.9	0.9	0.9
Leverage factor (x)	3.4	1.4	1.4	1.4
Return on equity	36.5	14.7	15.8	15.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	11.5	11.4	10.0	9.4
PCE	9.9	9.4	8.3	7.8
Price/Book	1.7	1.6	1.5	1.4
Yield (%)	4.4	4.4	5.0	5.3
EV/EBITDA	11.3	4.7	3.9	3.3

MID CAP

Share Data

Price (Rs)	48
BSE Sensex	27,888
Reuters code	MRPL.BO
Bloomberg code	MRPLIN
Market cap. (US\$ mn)	1,342
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	1,753

Performance (%) 1M 3M 12M

Absolute	(11)	(20)	13
Relative	(9)	(24)	(15)

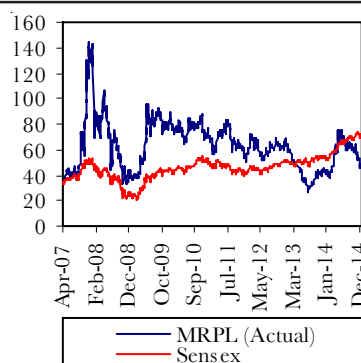
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	(1.0)	7.4
PER (x)	—	6.6
PBV (x)	1.3	1.2
Dividend/Yield (%)	—	3.8
EV/Sales (x)	0.3	0.3
EV/EBITDA (x)	—	5.1

Major shareholders (%)

Promoters	89
FII's	1
MF's	1
BFSI's	2
Public & Others	8

Relative performance



MRPL

Maintain Outperformer

Valuation below replacement cost, discounting near term concerns

Recent performance

MRPL like other standalone refiners witnessed huge volatility in profits in the past two-three years on the back of high fluctuations in crude prices and exchange rate. After reporting huge losses in FY13, the company managed to post decent earnings in FY14. However, in FY15, the 1H was marred by stabilisation issues (on account of Phase-III expansion) where in the company has posted a cumulative loss of Rs 10 bn. The throughput has improved to 13.5 mt (post the Phase-III expansion) while the GRMs were in the negative territory at (US\$ 2.0)/bbl.

Key sensitivities to growth/Key risks

- PFCC unit would alone add ~US\$ 1.5-2/bbl to GRMs. Expect MRPL to report GRMs at par with benchmark Singapore GRMs.
- Polypropylene unit (expected commissioning by end-FY15) would add ~US\$ 1/bbl to GRMs.

Strategic initiatives

- The Phase-III expansion (increasing the capacity, augmentation of secondary units, PP unit and SPM) now stands complete. Ramp-up of the Phase-III is the key growth driver in near future.
- Post Phase-III expansion, MRPL is planning a low cost revamp (Rs 15-20 bn) which would take the nameplate capacity to 18 mt.

Balance sheet position

- The company currently has ~Rs 110 bn of cash on books (payable to Iran) which should be paid by FY16 which would increase the debt (and resulting interest cost) for MRPL.
- Expect debt at ~Rs 98-100 bn by FY16 post which we don't expect incremental debt. Net debt/equity to remain comfortable at ~1.1x.
- With commissioning of the Phase-III expansion, we expect stable operations from FY16 and expect RoEs to improve to >15%.

Outlook and valuation

Completion of Phase-III expansion is expected to drive GRMs of MRPL which are expected to be at least at par with Singapore GRMs post stabilisation by FY16. FY15 profitability is expected to be marred by huge inventory losses (on falling crude prices), however, low crude prices is a positive for MRPL in long run with lower working capital requirements. Maintain Outperformer rating on the stock.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Sujit Lodha, CFA
sujit.lodha@bksec.com

MRPL

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	656,915	718,105	630,577	640,040
<i>Growth (%)</i>	22.2	9.3	(12.2)	1.5
Operating expenses	(648,594)	(708,073)	(631,367)	(607,660)
Operating profit	8,321	10,032	(791)	32,380
Other operating income	255	159	159	159
EBITDA	8,576	10,191	(632)	32,539
<i>Growth (%)</i>	(62.4)	18.8	—	—
Depreciation	(6,044)	(7,064)	(7,735)	(8,005)
Other income	906	3,086	8,000	1,176
EBIT	3,437	6,213	(366)	25,709
Finance cost	(3,286)	(3,214)	(4,856)	(6,405)
Exceptional & extrordinary	(4,920)	1,099	(5,084)	0
Profit before tax	(4,769)	4,097	(10,307)	19,305
Tax (current + deferred)	(2,801)	1,915	3,401	(6,371)
P/(L) for the period	(7,569)	6,012	(6,905)	12,934
Reported Profit/(Loss)	(7,569)	6,012	(6,905)	12,934
Adjusted net profit	(2,649)	4,913	(1,821)	12,934

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	17,527	17,527	17,527	17,527
Reserves & surplus	47,150	53,162	46,257	55,408
Shareholders' funds	64,677	70,689	63,783	72,934
Non-current liabilities	65,603	93,724	103,724	103,724
Long-term borrowings	57,808	88,536	98,536	98,536
Other non-current liab.	7,795	5,189	5,189	5,189
Current liabilities	136,732	235,765	120,655	116,529
ST borrowings, Curr maturity	11,990	0	0	0
Other current liabilities	124,742	240,766	120,655	116,529
Total (Equity and Liab.)	267,012	395,177	288,163	293,187
Non-current assets	139,177	151,011	156,184	155,914
Fixed assets (Net block)	133,353	145,430	150,603	150,332
Non-current Investments	150	150	150	150
Long-term loans and adv.	5,674	5,431	5,431	5,431
Current assets	127,836	244,166	131,978	137,274
Cash & current investment	16,059	106,723	9,078	16,991
Other current assets	111,777	137,442	122,900	120,283
Total (Assets)	267,012	395,177	288,162	293,187
Total debt	69,798	88,536	98,536	98,536
Capital employed	142,270	164,413	167,508	176,659

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(4,769)	4,097	(10,307)	19,305
Depreciation	6,044	7,064	7,735	8,005
Change in working capital	8,797	82,334	(95,566)	(1,509)
Total tax paid	11	(726)	3,401	(6,371)
Others	2,380	129	(3,144)	5,229
Cash flow from oper. (a)	12,463	92,898	(97,881)	24,659
Capital expenditure	(28,860)	(20,861)	(12,908)	(7,735)
Change in investments	273	0	0	0
Others	906	3,086	8,000	1,176
Cash flow from inv. (b)	(27,682)	(17,776)	(4,908)	(6,559)
Free cash flow (a+b)	(15,218)	75,123	(102,789)	18,100
Equity raised/(repaid)	(46)	0	0	0
Debt raised/(repaid)	12,281	18,738	10,000	0
Dividend (incl. tax)	0	0	0	(3,783)
Others	(3,306)	(3,195)	(4,856)	(6,405)
Cash flow from fin. (c)	8,929	15,542	5,144	(10,188)
Net chg in cash (a+b+c)	(6,289)	90,665	(97,645)	7,912

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(1.5)	2.8	(1.0)	7.4
CEPS (Rs)	1.9	6.8	3.4	11.9
Book NAV/share (Rs)	36.9	40.3	36.4	41.6
Dividend/share (Rs)	0.0	0.0	0.0	1.8
Dividend payout ratio	0.0	0.0	0.0	29.3
EBITDA margin	1.3	1.4	(0.1)	5.1
EBIT margin	0.5	0.9	(0.1)	4.0
Tax rate	1,843.7	(63.9)	65.1	33.0
RoCE	2.5	4.1	(0.2)	14.9
Total debt/Equity (x)	1.1	1.3	1.5	1.4
Net debt/Equity (x)	0.8	(0.3)	1.4	1.1
Du Pont Analysis - ROE				
Net margin	(0.4)	0.7	(0.3)	2.0
Asset turnover (x)	2.5	2.2	1.8	2.2
Leverage factor (x)	3.9	4.9	5.1	4.3
Return on equity	(3.9)	7.3	(2.7)	18.9

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	(32.8)	17.0	(46.6)	6.6
PCE	25.6	7.0	14.4	4.1
Price/Book	1.3	1.2	1.3	1.2
Yield (%)	0.0	0.0	0.0	3.8
EV/EBITDA	16.4	6.4	(276.0)	5.1

MID CAP

Share Data

Price (Rs)	82
BSE Sensex	27,888
Reuters code	NGCN.BO
Bloomberg code	NJCC IN
Market cap. (US\$ mn)	720
6M avg. daily turnover (US\$ mn)	3.7
Issued shares (mn)	556

Performance (%) 1M 3M 12M

Absolute	28	115	326
Relative	30	104	219

Valuation ratios

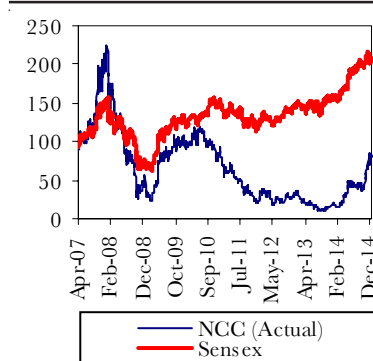
Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	1.1	1.8
+/- (%)	(29.7)	61.0
PER (x)	73.8	45.9
PBV (x)	1.4	1.4
Dividend/Yield (%)	0.1	0.1
EV/Sales (x)	1.0	0.9
EV/EBITDA (x)	12.6	11.2

Major shareholders* (%)

Promoters	20
FII's	29
MF's	11
Bodies Corporate	12
Public & Others	28

*Pre rights issue.

Relative performance



NCC

Maintain BUY

Post rights, core operations set to gain focus

Recent performance

At a time when most of its peers were struggling just to maintain numbers, the company could deliver ~8% top-line growth for past two consecutive years. The same, we believe, provides ample insight into business acumen the management possesses and the quality of order backlog the company is working with. Despite healthy top-line, bottom-line has remained under pressure owing to high interest burden. In terms of visibility, the company has a healthy order backlog of ~Rs 194 bn (excluding international orders) which translates into book-to-bill ratio of 2.7x as on 30 September 2014.

Key sensitivities to growth/Key risks – Next 12 months

- Management pegs top-line growth at ~10-15% for FY15. EBITDA margin is also likely to improve going forward (management guidance of ~8% for FY15) as the new orders bagged are with relatively better margin profile.

Strategic initiatives/Capex plans

- During the current fiscal, the company plans to sell stake in Western UP Tollway and recover ~Rs 1 bn from loans extended to real estate subsidiary.
- Rights issue to raise ~Rs 6.0 bn has been successfully completed. The funds would largely be utilised to repay debt which in turn shall translate into annual interest saving of ~Rs 0.7 bn.

Balance sheet position

- During 1H FY15, debt increased by ~Rs 3.3 bn to ~Rs 28 bn largely on account of higher working capital requirement. However, subsequent to the quarter, the debt has come down by ~Rs 6 bn as for utilisation of proceeds from rights issue for de-leveraging.
- Successful allotment of shares post completion of rights issue (7 equity shares for every 6 equity shares held) has resulted in increase in share capital to ~Rs 1.1 bn from ~Rs 0.5 bn earlier.

Valuation and view

Execution and order addition continue to remain healthy with this diversified company. Additionally reduction in debt post completion of the rights issue should aid earnings performance. Monetisation of road BOT assets, receipt of equity invested in NCC Power and recovery of loans extended to real estate subsidiary, if and when materialises should further help to improve cash flow situation.

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

NCC

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	56,594	61,102	69,574	77,231
<i>Growth (%)</i>	<i>7.8</i>	<i>8.0</i>	<i>13.9</i>	<i>11.0</i>
Operating expenses	(52,540)	(57,124)	(64,248)	(71,125)
Operating profit	4,054	3,978	5,326	6,106
Other operating income	655	71	100	100
EBITDA	4,709	4,049	5,426	6,206
<i>Growth (%)</i>	<i>17.9</i>	<i>(14.0)</i>	<i>34.0</i>	<i>14.4</i>
Depreciation	(920)	(895)	(1,154)	(1,161)
Other income	1,259	1,535	1,669	1,643
EBIT	5,048	4,689	5,940	6,688
Finance cost	(4,070)	(4,660)	(5,077)	(5,183)
Profit before tax	977	29	863	1,505
Tax (current + deferred)	(351)	376	(246)	(512)
P/(L) for the period	627	405	617	994
Reported Profit/(Loss)	627	405	617	994
Adjusted net profit	627	405	617	994
<i>Growth (%)</i>	<i>74.2</i>	<i>(35.3)</i>	<i>52.3</i>	<i>61.0</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	513	513	1,112	1,112
Reserves & surplus	24,167	24,690	30,493	31,426
Shareholders' funds	24,680	25,203	31,605	32,538
Non-current liabilities	2,667	1,686	1,780	1,882
Long-term borrowings	1,716	732	873	953
Other non-current liabilities	951	954	907	929
Current liabilities	53,926	64,386	65,967	68,600
ST borrowings, Curr maturity	20,534	24,014	22,992	24,064
Other current liabilities	33,392	40,372	42,975	44,536
Total (Equity and Liab.)	81,274	91,275	99,352	103,020
Non-current assets	24,491	22,415	22,648	22,508
Fixed assets (Net block)	7,247	7,020	6,466	6,055
Non-current Investments	12,536	11,643	11,642	11,642
Long-term loans and advances	3,202	2,564	2,764	2,964
Other non-current assets	1,506	1,187	1,775	1,846
Current assets	56,783	68,860	76,704	80,512
Cash & current investment	800	688	875	896
Other current assets	55,983	68,172	75,829	79,616
Total (Assets)	81,274	91,275	99,352	103,020
Total debt	22,250	24,746	23,865	25,017
Capital employed	47,882	50,903	56,377	58,484

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	977	29	863	1,505
Depreciation	920	895	1,154	1,161
Change in working capital	(784)	(4,276)	(5,474)	(2,907)
Total tax paid	(159)	24	(164)	0
Others	2,921	3,105	5,077	5,183
Cash flow from oper. (a)	3,875	(222)	1,457	4,942
Capital expenditure	(393)	(668)	(600)	(750)
Change in investments	(134)	1,055	1	–
Others	874	1,712	(549)	(72)
Cash flow from inv. (b)	347	2,098	(1,148)	(822)
Free cash flow (a+b)	4,222	1,876	309	4,120
Equity raised/(repaid)	–	–	5,845	–
Debt raised/(repaid)	(91)	2,496	(881)	1,152
Dividend (incl. tax)	(89)	(90)	(60)	(60)
Others	(3,887)	(4,394)	(5,025)	(5,192)
Cash flow from fin. (c)	(4,068)	(1,988)	(121)	(4,100)
Net chg in cash (a+b+c)	154	(112)	187	21

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	2.4	1.6	1.1	1.8
Growth	74.2	(35.3)	(29.7)	61.0
CEPS (Rs)	6.0	5.1	3.2	3.9
Book NAV/share (Rs)	96.2	98.2	56.8	58.5
Dividend/share (Rs)	0.3	0.2	0.1	0.1
Dividend payout ratio	14.4	14.8	9.7	6.0
EBITDA margin	8.2	6.6	7.8	8.0
EBIT margin	8.9	7.7	8.5	8.7
Tax rate	35.9	NA	28.5	34.0
RoCE	10.6	9.5	11.1	11.6
Total debt/Equity (x)	0.9	1.0	0.8	0.8
Net debt/Equity (x)	0.9	1.0	0.7	0.7
Du Pont Analysis - ROE				
Net margin	1.1	0.7	0.9	1.3
Asset turnover (x)	0.7	0.7	0.7	0.8
Leverage factor (x)	3.3	3.5	3.4	3.2
Return on equity	2.6	1.6	2.2	3.1

Valuations*

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	8.3	13.8	73.8	45.9
PCE	3.4	4.3	25.7	21.1
Price/Book	0.2	0.2	1.4	1.4
Yield (%)	1.5	0.9	0.1	0.1
EV/EBITDA	5.7	7.3	12.6	11.2

Note: We have not assumed impact of cash inflows on account of complete exit from NCC Power Project.

MID CAP

Share Data

Price (Rs)	380
BSE Sensex	27,888
Reuters code	NITEBO
Bloomberg code	NITEC IN
Market cap. (US\$ mn)	366
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	61

Performance (%) 1M 3M 12M

Absolute	2	(8)	4
Relative	5	(12)	(22)

Valuation ratios

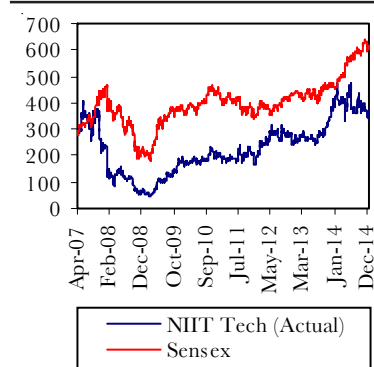
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs)	34.9	42.4	49.4
+/- (%)	(8.6)	21.6	16.4
PER (x)	11.1	8.1	7.4
PBV (x)	1.7	1.4	1.3
Dividend/Yield(%)	2.6	2.6	3.2
EV/Sales (x)	0.7	0.5	0.3
EV/EBITDA (x)	4.5	3.1	2.0

Major shareholders (%)

Promoters	31
FII's	36
MF's	14
BFSI's	1
Public & Others	18

Relative performance



NIIT Technologies

Maintain Underperformer

FY15 zero growth year, modest margin expansion in FY15

Recent performance

NIIT Technologies (NITEC) 2QFY15 results were better than estimates on the back of higher than anticipated services revenue growth. Client specific issues in FY14 and FY15 has resulted in lower single digit US\$ revenue growth. Management commentary indicates stronger 2H FY15 over 1H FY15; however, we await clear signs of transformation translating into sustainable growth. We expect pain from restructuring to limit revenue and earnings growth in FY15.

Key triggers/risks – Next 12 months

- **Clients specific issues reducing revenue visibility** – Delay in ramp-up of projects, reducing proportion of capital intensive government projects, unplanned ramp downs at two major US-based clients has impacted revenues of NITEC in FY14 and FY15.
- **Margin expansion at risk** – Weak revenues from US market put at risk our earlier thesis of strong margin expansion from reduction in government business and turnaround in GIS business.

Strategic initiatives

- **Making inroads in US geography** – Emerging technologies is driving new in the areas of legacy modernisation, testing and support in USA. The company's strategy to expand its presence in the US in BFSI and TTL segment has started to yield results.
- **IMS focus ramped-up:** NITEC is allocating more and more management bandwidth towards IMS with the objective of cross selling and referral led client hunting.
- **Attaining leadership in transport segment** – Transport segment is witnessing increase in discretionary spending and NITEC being one of the stronger players in the segment will benefit from it.

Balance sheet position

- **RoE to improve post FY15:** After zero FY15 growth year, we expect revenue growth to pick up in FY16 and 17, resulting in improvement in RoE metric from current levels.

Valuation and view

The company is going through restructuring to gradually change focus from government led business to export oriented business. The company has limited margin levers though recent rupee depreciation will help sustain margins at current level. We maintain our target price of Rs 360 with unchanged target multiple of 8x FY16E. Maintain Underperformer.

Sushil Sharma
sushil.sharma@bksec.com

Manav Patel
manav.patel@bksec.com

NIIT Technologies

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	23,050	23,598	26,054	28,920
<i>Growth (%)</i>	<i>14.0</i>	<i>2.4</i>	<i>10.4</i>	<i>11.0</i>
Operating expenses	(19,534)	(19,777)	(21,589)	(23,859)
Operating profit	3,516	3,822	4,465	5,061
EBITDA	3,516	3,822	4,465	5,061
<i>Growth (%)</i>	<i>6.7</i>	<i>8.7</i>	<i>16.8</i>	<i>13.4</i>
Depreciation	(619)	(861)	(912)	(897)
Other income	288	80	176	152
EBIT	3,185	3,041	3,729	4,316
Profit before tax	3,185	3,041	3,729	4,316
Tax (current + deferred)	(803)	(817)	(1,007)	(1,165)
P/(L) for the period	2,382	2,224	2,722	3,151
P/L of Associates, Min Int, (75)		(116)	(160)	(168)
Pref Div				
Reported Profit/(Loss)	2,307	2,108	2,562	2,983
Adjusted net profit	2,307	2,108	2,562	2,983
<i>Growth (%)</i>	<i>8.2</i>	<i>(8.6)</i>	<i>21.6</i>	<i>16.4</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	602	602	602	602
Reserves & surplus	11,936	13,334	15,187	17,318
Shareholders' funds	12,538	13,936	15,789	17,920
Minority int. and others	248	364	524	692
Non-current liabilities	339	339	339	339
Long-term borrowings	60	60	60	60
Other non-current liabilities	279	279	279	279
Current liabilities	4,879	4,977	5,400	6,046
Other current liabilities	4,879	4,977	5,400	6,046
Total (equity and liab.)	18,004	19,617	22,052	24,998
Non-current assets	5,954	6,203	5,933	5,685
Fixed assets (net block)	5,264	5,503	5,191	4,895
Long-term loans and adv.	138	142	156	174
Other non-current assets	552	558	585	616
Current assets	12,050	13,414	16,119	19,313
Cash & current investment	4,757	5,948	7,867	12,338
Other current assets	7,293	7,465	8,252	6,975
Total (assets)	18,004	19,617	22,052	24,998
Total debt	60	60	60	60
Capital employed	13,125	14,639	16,652	18,951

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,185	3,041	3,729	4,316
Depreciation	619	861	912	897
Change in working capital	792	(77)	(379)	1,906
Total tax paid	(803)	(817)	(1,007)	(1,165)
Cash flow from oper. (a)	3,793	3,008	3,255	5,954
Capital expenditure	(1,223)	(1,100)	(600)	(600)
Change in investments	0	0	0	(41)
Others	(254)	(6)	(27)	(32)
Cash flow from inv. (b)	(1,476)	(1,106)	(627)	(673)
Free cash flow (a+b)	2,317	1,901	2,628	5,281
Dividend (incl. tax)	(710)	(710)	(710)	(852)
Others	0	(0)	0	0
Cash flow from fin. (c)	(710)	(710)	(710)	(852)
Net chg in cash (a+b+c)	1,607	1,192	1,919	4,430

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	38.2	34.9	42.4	49.4
Growth	6.8	(8.6)	21.6	16.4
CEPS (Rs)	48.4	49.1	57.5	64.2
Book NAV/share (Rs)	207.6	230.7	261.4	296.7
Dividend/share (Rs)	10.0	10.0	10.0	12.0
Dividend payout ratio	30.8	33.7	27.7	28.5
EBITDA margin	15.3	16.2	17.1	17.5
EBIT margin	13.8	12.9	14.3	14.9
Tax rate	25.2	26.9	27.0	27.0
RoCE	25.9	21.9	23.8	24.2
Net debt/Equity (x)	(0.4)	(0.4)	(0.5)	(0.7)
Du Pont Analysis - ROE				
Net margin	10.0	8.9	9.8	10.3
Asset turnover (x)	1.4	1.3	1.3	1.2
Leverage factor (x)	1.4	1.4	1.4	1.4
Return on equity	19.7	15.9	17.2	17.7

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	10.5	11.1	8.1	7.4
PCE	8.3	7.8	6.1	5.7
Price/Book	1.9	1.7	1.4	1.3
Yield (%)	2.5	2.6	2.6	3.2
EV/EBITDA	5.6	4.5	3.1	2.0

MID CAP

Share Data

Price (Rs)	335
BSE Sensex	27,888
Reuters code	ORBC.BO
Bloomberg code	OBC IN
Market cap. (US\$ mn)	1,586
6M avg. daily turnover (US\$ mn)	3.8
Issued shares (mn)	292

Performance (%)	1M	3M	12M
Absolute	8	46	52
Relative	10	39	14

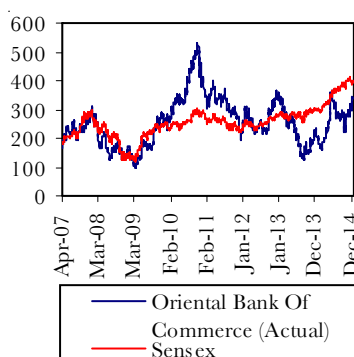
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	40.9	48.0	60.8
+/- (%)	7.5	17.6	26.6
ABV (Rs)	349.3	377.9	420.9
+/- (%)	2.6	8.2	11.4
PER (x)	8.2	7.0	5.5
PABV (x)	1.0	0.9	0.8
Dividend/Yield (%)	2.4	2.4	3.0

Major shareholders (%)

Promoters	59
FII's	9
MF's	4
BFSI's	13
Public & Others	14

Relative performance



Oriental Bank of Commerce Maintain Outperformer

Could be early beneficiary of any rate cut!

Recent performance

Bank continues with its calibrated approach, with growth remaining muted at 8% YoY/ up just 1% QoQ and equally muted target of 10% for FY15. Bank managed to report marginally better NIMs, aided by better loan/investment yields and lower COE. Given its high dependence on bulk deposit, bank could be a beneficiary of a rate cut. Fresh slippages moderated QoQ, but lower reductions/growth took GNPA up 11% QoQ/ratio up 41 bps QoQ to 4.7%, respectively.

Key risks

- Bank is without CMD for a quarter, which could have impacted business in 3Q.
- The new ARC norms could make NPA sale difficult and in-turn banks ability to manage headline NPA.
- A delay in rate cut, would impact margins as bank's relatively weak liability franchise would again increase dependence on bulk deposits.

Strategic initiatives/Key highlights

- Improve otherwise low CASA ratio and thus reduce dependence on high cost bulk deposits. Management guided for continued de-bulking of wholesale deposits.
- Calibrated loan growth strategy, to preserve capital and supporting margins.

Balance sheet position

- Banks bulk deposits share is down to 14% as of Sep'15, vs. its peak of 30% in FY11.
- For FY14-15, bank had envisaged a 14-15% growth earlier which it had scaled down to 10%. This too looks difficult as on an YTD basis both advances/deposits have de-grown.

Valuation and view

We like bank's calibrated growth strategy, while any policy rate easing in the later part of FY15/early FY16 could be beneficial for NIMs given its still relatively higher dependence on wholesale deposits. We maintain our Outperformer rating given reasonable valuations (0.7x FY16 ABV) and better CAR (Tier I ~ 8.8%), though absence of CMD and asset quality weakness prevalent across PSU banks could be an overhang on the stock in the near term.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Oriental Bank of Commerce

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	190,175	201,519	217,880	249,213
Interest expense	(138,904)	(150,145)	(159,970)	(181,821)
Net interest income	51,271	51,373	57,910	67,393
<i>Growth (%)</i>	<i>9.1</i>	<i>0.2</i>	<i>12.7</i>	<i>16.4</i>
Non-interest income	19,453	20,392	23,226	25,060
Operating income	70,724	71,765	81,137	92,452
Operating expenses	(29,169)	(31,061)	(35,287)	(40,786)
- Staff expenses	(16,767)	(16,966)	(19,593)	(23,192)
Pre-provisions profit	41,555	40,704	45,850	51,666
Core operating profit	39,077	38,088	42,711	48,526
<i>Growth (%)</i>	<i>10.9</i>	<i>(2.5)</i>	<i>12.1</i>	<i>13.6</i>
Provisions & Contingencies	(25,751)	(24,368)	(26,384)	(26,331)
Pre-tax profit	15,804	16,336	19,467	25,335
(before non-recurring items)				
Pre-tax profit	15,804	16,336	19,467	25,335
(after non-recurring items)				
Tax (current + deferred)	(4,410)	(4,084)	(5,061)	(7,094)
Net profit	11,394	12,252	14,405	18,242
Adjusted net profit	11,394	12,252	14,405	18,242
<i>Growth (%)</i>	<i>(14.2)</i>	<i>7.5</i>	<i>17.6</i>	<i>26.6</i>
Net income	11,394	12,252	14,405	18,242

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	142,689	134,849	141,968	148,075
Investments	614,722	675,105	755,852	869,811
Advances	1,390,798	1,525,545	1,768,802	2,077,654
Int. earning assets	2,148,210	2,335,499	2,666,622	3,095,540
Fixed assets (Net block)	12,556	13,435	14,727	16,219
Other assets	42,259	48,879	56,090	64,639
Total assets	2,203,025	2,397,813	2,737,438	3,176,398
Deposits	1,934,890	2,127,142	2,443,819	2,860,816
Other int. bearing liab.	78,636	83,492	91,316	100,684
Total Int. bearing liab.	2,068,718	2,254,007	2,582,034	3,006,260
Other liab. and provisions	55,193	43,374	46,899	44,761
Share capital	2,998	2,998	2,998	2,998
Reserves & surplus	131,308	140,807	152,406	167,139
Shareholders' funds	134,307	143,805	155,404	170,138
Total equity & liab.	2,203,025	2,397,813	2,737,438	3,176,398

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios				
Adjusted EPS	38.0	40.9	48.0	60.8
BVPS	426.2	457.7	496.4	545.5
Adjusted Book NAV/share	340.3	349.3	377.9	420.9
PER (x)	8.8	8.2	7.0	5.5
Price/Book (x)	0.8	0.7	0.7	0.6
Price/Adjusted book (x)	1.0	1.0	0.9	0.8
Dividend Yield (%)	2.3	2.4	2.4	3.0
Du-Pont ratios				
NII/Avg. Assets (%)	2.4	2.2	2.3	2.3
Non-int. income/Avg Assets	0.9	0.9	0.9	0.8
- Fee income/Avg Assets	0.8	0.7	0.7	0.7
- Trading gains/Avg Assets	0.1	0.1	0.1	0.1
Cost / Avg Assets	1.4	1.4	1.4	1.4
Non-tax Provisions/Avg Assets	1.2	1.1	1.0	0.9
Tax Provisions/Avg Assets	0.2	0.2	0.2	0.2
RoA (%)	0.5	0.5	0.6	0.6
Leverage	16.9	17.4	18.0	18.9
RoE (%)	9.2	9.2	10.1	11.7
Balance Sheet ratios (%)				
Loan growth	7.9	10.0	16.0	17.5
Deposit growth	10.0	9.9	14.9	17.1
Loans/Deposits	71.9	71.7	72.4	72.6
Investments/Deposits	31.8	31.7	30.9	30.4
CASA ratio	24.3	24.3	24.2	24.6
Profitability ratios (%)				
NIMs	2.5	2.3	2.4	2.4
Interest spread	2.2	2.1	2.2	2.2
Yield on advances	11.2	10.9	10.5	10.3
Cost of deposits	7.2	7.1	6.8	6.6
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	27.5	28.4	28.6	27.1
Trading income/Net income	3.5	3.6	3.9	3.4
Cost/Income	41.2	43.3	43.5	44.1
Asset quality ratios (%)				
Gross NPLs	4.0	4.7	4.5	4.3
Net NPLs	2.8	3.2	3.0	2.7
Net NPLs/Net worth	28.6	33.6	33.8	32.2
Loan provisions/Avg loans	1.4	1.6	1.5	1.2
Provisions cover	30.5	32.0	34.0	37.0
Capitalisation ratios (%)				
Tier I cap.adequacy	8.9	8.9	8.6	8.2
Total cap.adequacy	11.5	11.5	11.2	10.5

MID CAP

Share Data

Price (Rs)	12,420
BSE Sensex	27,888
Reuters code	PAGE.BO
Bloomberg code	PAG IN
Market cap. (US\$ mn)	2,189
6M avg. daily turnover (US\$ mn)	1.9
Issued shares (mn)	11

Performance (%) 1M 3M 12M

Absolute	28	56	140
Relative	31	48	80

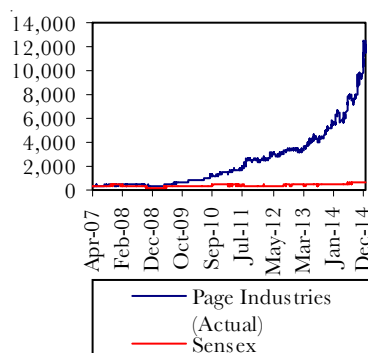
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	180.0	233.9
+/- (%)	30.6	30.0
PER (x)	69.0	53.1
PBV (x)	35.9	26.9
Dividend/Yield (%)	0.6	0.8
EV/EBITDA (x)	43.6	33.6

Major shareholders (%)

Promoters	52
FII's	32
MF's	6
Public & Others	9

Relative performance



Page Industries

Maintain Outperformer

Expensive but maintains leadership position...

Recent performance

Page Industries' 1HFY15 revenue, EBITDA and adjusted PAT grew by 30%, 22% and 24%, respectively, supported equally by volume growth (up ~15% YoY) and realisation growth (up ~13% YoY). Operating margin was lower by 150 bps on YoY basis due to lower gross margins (higher discount to retailer) and higher employee cost. PAT grew at moderate 24% during 1HFY15 as compared to 30%+ growth in the previous years.

Revenue, EBITDA and adjusted PAT between FY12-14 grew at a CAGR of 30.6%, 31.1% and 30.7%, respectively. Volume and realisation grew by 16.8% and 12.2%, respectively, supported by higher growth from women's wear and leisure wear segment.

Key sensitivities to growth/Key risks

- Increasing competition from domestic and international brands.
- Implementation of GST to bring down operational modalities and improve business environment.

Strategic initiatives/Capex plans

- To expand its distribution network in other geographies like Bangladesh, UAE, Sri Lanka and Nepal.
- Increasing the garmenting capacity from 160 mn pieces to 235 mn pieces by FY17 with a capex of ~Rs 600 mn each year will keep the volume growth intact.

Balance sheet position

- Working capital cycle has remained stable at ~135 days.
- RoE improved from 51.9% (FY11) to 61.2% (FY14).
- Net debt/equity (x) improved from 0.9x (FY11) to 0.6x (FY14).

Valuation and view

The men's segment is expected to grow at ~10% on a higher base whereas other categories are expected to grow at ~25%+ for the next few years. Higher growth in other segments will also aid the company to diversify its product mix. The company is also continuously increasing its distribution reach through own stores and distributors in India and intends to increase its reach in UAE in the current year and may plan to expand its reach in Bangladesh, Nepal and Sri Lanka, which will continue to provide growth momentum. Changes in consumer behaviour and increasing competition from domestic and international brands provide mild concerns to our estimates. Moreover, maintaining brand leadership position will remain a key element to sustain and grow market share. At Rs 12,420, it trades at 53.1x FY16E EPS and 40.6x FY17E EPS.

Resham Jain, CFA
resham.jain@bksec.com

Nishant Agrawal
nishant.agrawal@bksec.com

Page Industries

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Revenue	11,876	15,299	19,862	25,948
Growth (%)	35.5	28.8	29.8	30.6
Operating expenses	(9,364)	(12,086)	(15,691)	(20,499)
Operating profit	2,512	3,213	4,171	5,449
EBITDA	2,512	3,213	4,171	5,449
Growth (%)	41.9	27.9	29.8	30.6
Depreciation	(139)	(183)	(239)	(307)
Other income	66	120	150	170
EBIT	2,438	3,150	4,082	5,312
Finance Cost	(104)	(153)	(187)	(223)
Profit before tax	2,335	2,997	3,894	5,089
Tax (current + deferred)	(797)	(989)	(1,285)	(1,679)
P/(L) for the period	1,538	2,008	2,609	3,410
Reported Profit/(Loss)	1,538	2,008	2,609	3,410
Adjusted Net profit	1,538	2,008	2,609	3,410
Growth (%)	36.7	30.6	30.0	30.7

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	112	112	112	112
Reserves & surplus	2,778	3,742	5,046	6,747
Shareholders' funds	2,890	3,854	5,158	6,858
Non-Current Liabilities	923	1,216	1,518	1,842
Long-term borrowings	333	533	723	913
Other Long term liab,	589	683	794	929
Prov, DTL				
Current liabilities	2,883	3,519	4,158	5,002
Short-term borrowings,	1,299	1,439	1,639	1,839
Curr Maturity				
Other Current Liab + Provi	1,584	2,080	2,519	3,163
Total (Equity and Liab.)	6,696	8,588	10,834	13,702
Non-current assets	2,133	2,662	3,157	3,887
Fixed assets (Net block)	1,764	2,295	2,756	3,449
Long-term loans and adv.	320	350	382	418
Other non-current assets,	49	17	19	20
DTA, Goodwill				
Current assets	4,563	5,926	7,677	9,814
Cash & Current Investment	35	456	593	591
Other current assets	4,528	5,470	7,084	9,224
Total (Assets)	6,696	8,588	10,834	13,702
Total Debt	1,632	1,972	2,362	2,752
Capital Employed	5,112	6,508	8,314	10,539

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before Tax	2,335	2,997	3,894	5,089
Depreciation	139	183	239	(307)
Change in working capital	(1,243)	(512)	(1,250)	(1,584)
Total tax paid	(760)	(989)	(1,285)	(1,679)
Others	38	33	37	(2,903)
Cash flow from oper. (a)	509	1,712	1,636	2,186
Capital expenditure	(481)	(714)	(700)	(1,000)
Change in investments	10	0	0	0
Others	41	152	149	168
Cash flow from inv. (b) (430)	(562)	(551)	(832)	
Free cash flow (a+b)	80	1,150	1,084	1,355
Debt raised/(repaid)	625	340	390	390
Dividend (incl. tax)	(756)	(1,008)	(1,262)	(1,658)
Others	40	(60)	(76)	(88)
Cash flow from fin. (c)	(90)	(728)	(948)	(1,357)
Net chg in cash (a+b+c)	(11)	422	137	(2)

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	137.9	180.0	233.9	305.7
Growth	36.7	30.6	30.0	30.7
CEPS (Rs)	150.4	196.4	255.4	333.2
Book NAV/share (Rs)	259.1	345.5	462.4	614.9
Dividend/share (Rs)	60.0	80.0	100.0	131.0
Dividend payout ratio	50.9	52.0	50.0	50.1
EBITDA margin	21.2	21.0	21.0	21.0
EBIT margin	20.5	20.6	20.6	20.5
Tax Rate	34.1	33.0	33.0	33.0
RoCE	56.3	54.2	55.1	56.3
Net debt/Equity (x)	0.6	0.4	0.3	0.3
Net Debt/EBITDA (x)	0.6	0.5	0.4	0.4
Du Pont Analysis - ROE				
Net margin	12.9	13.1	13.1	13.1
Asset turnover (x)	2.1	2.0	2.0	2.1
Leverage factor (x)	2.3	2.3	2.2	2.0
Return on equity	61.2	59.5	57.9	56.8

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	47.1	69.0	53.1	40.6
PCE	43.2	63.2	48.6	37.3
Price/Book	25.0	35.9	26.9	20.2
Yield (%)	0.9	0.6	0.8	1.1
EV/EBITDA	29.5	43.6	33.6	25.8

MID CAP

Share Data

Price (Rs)	2,220
BSE Sensex	27,888
Reuters code	PFIZ.BO
Bloomberg code	PFIZ IN
Market cap. (US\$ mn)	1,047
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	30

Performance (%)	1M	3M	12M
Absolute	22	34	92
Relative	24	27	44

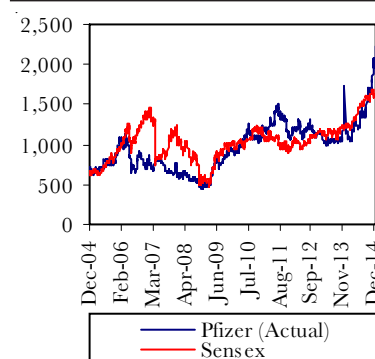
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs)	73.9	87.5
+/- (%)	29.9	18.4
PER (x)	30.0	25.4
PBV (x)	7.4	6.0
Dividend/Yield (%)	0.7	0.7
EV/Sales (x)	5.0	4.1
EV/EBITDA (x)	20.9	17.2

Major shareholders (%)

Promoters	71
FII's	4
MF's	4
BFSI's	1
Public & Others	21

Relative performance



Pfizer

Maintain BUY

One of the better pharma MNC play

Recent performance/Outlook

The latest announcement from NPPA to cover 50 additional drugs belonging to CVS and diabetic segment has resulted in Pfizer taking a hit of Rs 100-150 mn on its sales and PAT. Key brands affected are Minipress XL & Amlogard. Pfizer's sales grew by 7% YoY on adjusted basis to Rs 2.4 bn in 2QFY15, EBITDA decreased by 33% YoY to Rs 501 mn (800 bps decline in EBITDA margin). Pfizer reported loss of Rs 118 mn due to Thane plant closure. On adjusted basis, PAT declined by 45% YoY to Rs 385 mn.

Key sensitivities to growth/Key risks – Next 12 months

- Pfizer enjoys excellent brand equity amongst physicians and patients through its marquee brands like Becosules, Corex, Gelusil, Dolonex and Magnex.
- Post Wyeth's the combined entity will be in the Top 10 players of IPM. With very little overlap of product portfolio, Pfizer may see accelerated growth going forward.
- Gradual improvement in the quality of life is leading to increased demand for drugs in acute therapy areas which bodes well for Pfizer.
- NPPA expanding its coverage for price control, aggressive pricing by competitors.

Strategic initiatives/Capex plans

- Pfizer has been consciously shifting its promotional activities for leading brands to trade channel which has been generating good volumes. Following its policy to have single manufacturing facility in one country, it has closed its Thane plant.

Balance sheet position

- Pfizer represents a typical pharma MNC balance sheet with zero debt and low capex. RoCE (29% in FY14) and RoE (20% in FY14) ratios had been stronger traditionally on account of strong cash flows generated from operations though it had been under pressure due to lower profitability in FY12 and FY13. Cash conversion cycle has been reduced to three months (FY14) from more than four months in FY13.

Valuation and view

Pfizer is presently comfortably placed to reap the strategic initiatives it had taken which include merger of Wyeth's India operations as well as various initiatives taken on account of acceleration of sales for key brands. It is also one of the companies which haven't seen adverse effect due to DPCO 2013 since only 2 brands coming under NLEM 2011. The combined entity currently trades at 26x FY16E EPS of Rs 80 and 22x FY17E EPS of Rs 96. We maintain Buy on the combined entity.

Rohit Bhat
rohit.bhat@bksec.com

Amit Hiremath
amit.hiremath@bksec.com

Dhaval Sangoi
dhaval.sangoi@bksec.com

Pfizer

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	10,043	10,645	12,136	13,956
Growth (%)	5.9	6.0	14.0	15.0
Operating expenses	(8,636)	(9,435)	(10,428)	(11,913)
Operating profit	1,406	1,210	1,708	2,043
Other operating income	1,075	1,033	1,167	1,323
EBITDA	2,482	2,243	2,875	3,366
Growth (%)	32.6	(9.6)	28.2	17.1
Depreciation	(80)	(72)	(74)	(77)
Other income	1,094	410	548	676
EBIT	3,496	2,581	3,349	3,964
Finance cost	(4)	(8)	(8)	(8)
Exceptional & extraordinary	(96)	(760)	0	0
Profit before tax	3,396	1,812	3,341	3,956
Tax (current + deferred)	(1,187)	(616)	(1,136)	(1,345)
P/(L) for the period	2,209	1,196	2,205	2,611
Reported Profit/(Loss)	2,209	1,196	2,205	2,611
Adjusted net profit	2,305	1,698	2,205	2,611
Growth (%)	25.5	(26.3)	29.9	18.4

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	298	298	298	298
Reserves & surplus	6,286	6,958	8,640	10,727
Shareholders' funds	6,584	7,257	8,938	11,025
Non-current liabilities	157	157	157	157
Other non-current liabilities	157	157	157	157
Current liabilities	2,503	3,264	3,877	4,693
Other current liabilities	2,503	3,264	3,877	4,693
Total (equity and liab.)	9,244	10,677	12,971	15,875
Non-current assets	2,391	2,514	2,499	2,446
Fixed assets (net block)	239	196	145	97
Non-current investments	445	445	445	445
Long-term loans and adv.	1,365	1,531	1,566	1,562
Other non-current assets	342	342	342	342
Current assets	6,852	8,164	10,473	13,429
Cash & current investment	3,078	4,246	6,089	8,401
Other current assets	3,774	3,917	4,384	5,028
Total (assets)	9,244	10,677	12,971	15,875
Capital employed	6,741	7,413	9,095	11,182

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,396	1,812	3,341	3,956
Depreciation	80	72	74	77
Change in working capital	151	(71)	111	176
Total tax paid	(1,130)	(616)	(1,136)	(1,345)
Others	(1,090)	(226)	(358)	(479)
Cash flow from oper. (a)	1,406	971	2,032	2,385
Capital expenditure	(59)	(30)	(23)	(29)
Change in investments	15	0	0	0
Others	1,094	234	366	487
Cash flow from inv. (b)	1,049	205	343	458
Free cash flow (a+b)	2,456	1,176	2,375	2,843
Dividend (incl. tax)	(13,703)	0	(524)	(524)
Others	(4)	(8)	(8)	(8)
Cash flow from fin. (c)	(13,707)	(8)	(532)	(532)
Net chg in cash (a+b+c)	(11,251)	1,168	1,843	2,311

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	77.2	56.9	73.9	87.5
Growth	25.5	(26.3)	29.9	18.4
CEPS (Rs)	79.9	59.3	76.4	90.1
Book NAV/share (Rs)	220.6	243.1	299.5	369.4
Dividend/share (Rs)	360.0	15.0	15.0	15.0
Dividend payout ratio	569.1	43.8	23.8	20.1
EBITDA margin	22.3	19.2	21.6	24.1
EBIT margin	34.8	24.2	27.6	28.4
Tax rate	34.0	34.0	34.0	34.0
RoCE	29.3	36.5	40.6	39.1
Net debt/Equity (x)	(0.5)	(0.6)	(0.7)	(0.8)
Du Pont Analysis - ROE				
Net margin	23.0	16.0	18.2	18.7
Asset turnover (x)	0.7	1.1	1.0	1.0
Leverage factor (x)	1.3	1.4	1.5	1.4
Return on equity	19.6	24.5	27.2	26.2

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	16.5	39.0	30.0	25.4
PCE	15.9	37.4	29.1	24.6
Price/Book	5.8	9.1	7.4	6.0
Yield (%)	28.3	0.7	0.7	0.7
EV/EBITDA	14.1	27.6	20.9	17.2

MID CAP

Share Data

Price (Rs)	231
BSE Sensex	27,888
Reuters code	PREG.BO
Bloomberg code	PEPL IN
Market cap. (US\$ mn)	1,371
6M avg. daily turnover (US\$ mn)	1.6
Issued shares (mn)	375

Performance (%) 1M 3M 12M

Absolute	(9)	6	48
Relative	(7)	1	11

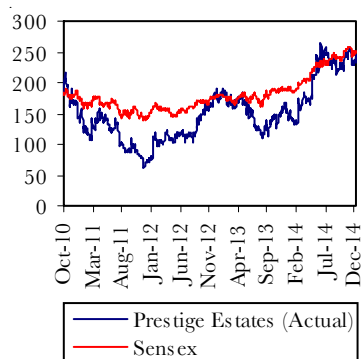
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	11.1	14.1
+/- (%)	23.9	27.2
PER (x)	20.8	16.4
PBV (x)	2.2	2.0
Dividend/Yield (%)	0.9	0.9
EV/Sales (x)	3.5	2.6
EV/EBITDA (x)	11.8	8.8

Major shareholders (%)

Promoters	70
FII's	22
MF's	6
Public & Others	2

Relative performance



Prestige Estates Projects

Maintain BUY

Ready to play on the front foot

Recent performance

Prestige Estates Projects (PEPL) comes as the only name which continues to deliver across almost all operational parameters on a consistent basis. A stellar performance in FY14, where PEPL managed to clock highest ever annual incremental bookings and highest ever yearly collections, has been followed by an inspiring 1H FY15 with highest ever half yearly bookings and collections. The same can be easily attributed to continued focus on launching the right product at the right price point. The performance finds further support from the gradually improving relatively stable revenue stream (read as rentals+ hospitality) from the investment properties. Continued focus on execution along with healthy sales mean P&L performance remains healthy.

Key sensitivities to growth/Key risks – Next 12 months

- As against cumulative deliveries of ~60 mn sq ft over the last 28 years, the company envisages to deliver ~60 mn sq ft of area over the next three-four years. Targeted deliveries would require PEPL to ramp-up execution capabilities in a meaningful manner. Any failure to do so could come to weigh heavy on the performance.

Strategic initiatives/Capex plans

- Under construction portfolio of investment properties (retail and office) is likely to entail a capex of ~Rs 10 bn (PEPL's share at ~Rs 8 bn) over the next three-four years. The same would come to augment stable revenue stream (rental+hospitality).

Balance sheet position

- Despite payment of ~Rs 3.5 bn for acquisition of Siemens' land parcel in Bengaluru and heightened construction activity, recently concluded QIP (~Rs 6 bn) and healthy collections made sure consolidated net debt declines by ~Rs 1.6 bn over 1H FY15 to ~Rs 23.6 bn.
- With continued traction in incremental bookings, revenue visibility stood improved over 1H FY15. As against ~Rs 68 bn of pending revenue recognition as on 31 March 2014, the number as at 30 September 2014 stood at ~Rs 81 bn (identifying healthy revenue/earnings visibility). The same shall come to augment net worth/shareholders' wealth.

Valuation and view

Ability to push volumes and managing launches continue to remain strong points with the company. Signs of ramp-up in pace of project execution are also becoming evident. We believe, continued focus on pushing volumes by ensuring right launches along with a further uptick in pace of project execution would help the company to continue to deliver industry leading performance. Maintain Buy.

Prem Khurana
prem.khurana@bksec.com

Dhaval Patel
dhaval.patel@bksec.com

Prestige Estates Projects

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	19,305	24,929	33,886	45,190
<i>Growth (%)</i>	<i>88.0</i>	<i>29.1</i>	<i>35.9</i>	<i>33.4</i>
Operating expenses	(13,685)	(18,289)	(24,207)	(32,015)
Operating profit	5,620	6,641	9,679	13,175
Other operating income	171	563	307	410
EBITDA	5,791	7,203	9,986	13,585
<i>Growth (%)</i>	<i>95.2</i>	<i>24.4</i>	<i>38.6</i>	<i>36.0</i>
Depreciation	(682)	(893)	(1,363)	(1,790)
Other income	636	973	521	521
EBIT	5,745	7,284	9,144	12,316
Finance cost	(1,489)	(2,290)	(2,811)	(3,849)
Profit before tax	4,256	4,993	6,333	8,467
Tax (current + deferred)	(1,314)	(1,750)	(2,153)	(2,889)
P/(L) for the period	2,941	3,243	4,180	5,578
P/(L) of Associates,	(82)	(102)	(9)	(274)
Min Int, Pref Div				
Reported Profit/(Loss)	2,860	3,141	4,171	5,303
Adjusted net profit	2,860	3,141	4,171	5,303
<i>Growth (%)</i>	<i>246.2</i>	<i>9.8</i>	<i>32.8</i>	<i>27.2</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	3,500	3,500	3,750	3,750
Reserves & surplus	23,923	26,292	35,322	39,781
Shareholders' funds	27,423	29,792	39,072	43,531
Minority Interest and others	2,620	2,990	3,343	3,977
Non-current liabilities	11,604	13,684	15,604	16,132
Long-term borrowings	10,427	12,159	14,072	14,593
Other non-current liabilities	1,176	1,526	1,532	1,539
Current liabilities	34,921	46,958	56,806	51,964
ST borrowings, Curr maturity	14,962	19,486	21,107	21,889
Other current liabilities	19,959	27,472	35,699	30,075
Total (Equity and Liab.)	76,567	93,424	114,825	115,603
Non-current assets	40,011	46,805	54,256	50,984
Fixed assets (Net block)	24,930	29,205	35,488	34,853
Non-current Investments	892	1,007	1,350	1,709
Long-term loans and advances	9,308	11,788	12,409	9,452
Other non-current assets	4,882	4,805	5,009	4,969
Current assets	36,555	46,619	60,569	64,619
Cash & current investment	5,738	5,276	4,536	4,221
Other current assets	30,817	41,344	56,033	60,398
Total (Assets)	76,567	93,424	114,825	115,603
Total debt	25,389	31,644	35,179	36,482
Capital employed	56,607	65,952	79,127	85,528

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	4,256	4,993	6,333	8,467
Depreciation	682	893	1,363	1,790
Change in working capital	(1,058)	(5,954)	(7,341)	(7,026)
Total tax paid	(1,100)	(1,447)	(2,153)	(2,889)
Others	1,080	1,726	2,290	3,328
Cash flow from oper. (a)	3,859	210	493	3,670
Capital expenditure	(6,533)	(5,161)	(7,646)	(1,154)
Change in investments	(9)	(1,109)	(343)	(359)
Others	415	636	318	560
Cash flow from inv. (b)	(6,127)	(5,634)	(7,672)	(953)
Free cash flow (a+b)	(2,268)	(5,423)	(7,179)	2,717
Equity raised/(repaid)	3,544	—	5,987	—
Debt raised/(repaid)	6,608	6,256	3,535	1,303
Dividend (incl. tax)	(458)	(491)	(614)	(878)
Others	(4,560)	(1,826)	(2,468)	(3,457)
Cash flow from fin. (c)	5,135	3,939	6,440	(3,032)
Net chg. in cash (a+b+c)	2,867	(1,485)	(739)	(316)

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	8.2	9.0	11.1	14.1
Growth	224.5	9.8	23.9	27.2
CEPS (Rs)	10.1	11.5	14.8	18.9
Book NAV/share (Rs)	78.4	85.1	104.2	116.1
Dividend/share (Rs)	1.2	1.5	2.0	2.0
Dividend payout ratio	17.2	19.6	21.0	16.5
EBITDA margin	29.7	28.3	29.2	30.1
EBIT margin	29.5	28.6	26.7	27.3
Tax rate	30.9	35.1	34.0	34.1
RoCE	11.4	11.9	12.6	15.0
Total debt/Equity (x)	0.8	1.0	0.8	0.8
Net debt/Equity (x)	0.7	0.8	0.7	0.7
Du Pont Analysis - ROE				
Net margin	14.8	12.6	12.3	11.7
Asset turnover (x)	0.3	0.3	0.3	0.4
Leverage factor (x)	2.8	3.0	3.0	2.8
Return on equity	11.7	11.0	12.1	12.8

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	20.0	19.0	20.8	16.4
PCE	16.2	14.8	15.7	12.2
Price/Book	2.1	2.0	2.2	2.0
Yield (%)	0.7	0.9	0.9	0.9
EV/EBITDA	13.3	11.9	11.8	8.8

MID CAP

Share Data

Price (Rs)	80
BSE Sensex	27,888
Reuters code	PGRD.BO
Bloomberg code	PRSC IN
Market cap. (US\$ mn)	636
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	503

Performance (%) 1M 3M 12M

Absolute	3	9	188
Relative	5	4	115

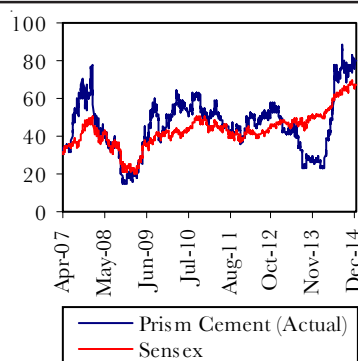
Valuation ratios

Yr to 31 Mar	FY13	FY14
EPS (Rs)	(1.2)	(1.7)
PER (x)	(33.9)	(22.4)
EV/Sales (x)	0.8	0.8
EV/EBITDA (x)	12.7	21.3

Major shareholders (%)

Promoters	75
FII's	4
MF's	8
Public & Others	13

Relative performance



Prism Cement

Not Rated

Good management...will be able to turnaround

Recent performance

Prism Cement Ltd. (PCL) has reported weak set of operating numbers during FY12-14 primarily due to lower cement capacity utilisation (breakdown of blending silo of second plant), sluggish demand, higher power & fuel costs and freight rates. PCL's EBITDA and EBITDA/tonne declined at a CAGR of 16.5% and 10.6%, respectively, during the last three years. Its muted performance remained a concern in recent quarters as well and result for 2QFY15 was below the street estimates due to lower margins from all segments like Cement, TBK and RMC. EBITDA of Rs 462 mn (down 60% QoQ) and EBITDA margin of 3.5% (down 500 bps QoQ) were below street estimates. Net sales at Rs 13.3 bn (up by 15.7% YoY) were broadly in line with street estimates driven by 20% and 15.6% growth in cement and TBK segment, respectively.

Key triggers/Risks – Next 12 months

- We expect the company would report EBITDA of ~Rs 6 bn in FY16 and ~Rs 11 bn in FY17 against Rs 1.8 bn in FY14 led by improved performance of cement and TBK segment.
- Sharp increase in power & fuel expenses (for both Cement and TBK) could be a negative factor for the profitability of the company.

Strategic initiatives

- Commissioning of coal gassifiers in Andhra Pradesh plants is expected to help the company to improve its margins by reducing higher energy cost and also lead to better utilisation in the region of TBK segment.
- The company is strengthening its brand in its prime market by launching a premium product and more aggressive market strategies.

Balance sheet position

- Gross debt for FY14 was at Rs 21 bn with average interest rate of 12%. The company expects to be debt free by FY17 considering sharp improvement in profits.

Outlook and view

We believe that all the three segments are in sweet spot considering better demand supply scenario in the prime market, higher capacity utilisation, cost saving measures and improving operating performance. With installed capacities of 7 mt in cement business and being 2nd largest player in TBK and RMC segment, the company would report improvement in profitability in the coming quarters. Currently, we don't have rating on the stock.

Amit Srivastava
amit.srivastava@bksec.com

Saurabh Mitra
saurabh.mitra@bksec.com

Prism Cement

Income Statement

Period end (Rs mn)	Mar 11	Mar 12	Mar 13	Mar 14
Net sales	34,474	45,962	48,711	50,397
Growth (%)	19.9	33.3	6.0	3.5
Operating expenses	(30,710)	(42,879)	(45,657)	(48,605)
Operating profit	3,764	3,083	3,054	1,793
EBITDA	3,764	3,083	3,054	1,793
Growth (%)	(30.1)	(18.1)	(1.0)	(41.3)
Depreciation	(1,260)	(1,622)	(1,799)	(2,004)
Other income	86	136	161	1,573
EBIT	2,590	1,597	1,416	1,362
Finance cost	(1,131)	(1,838)	(2,280)	(2,746)
Exceptional & extraordinary	10	(40)	17	94
Profit before tax	1,469	(281)	(847)	(1,290)
Tax (current + deferred)	(433)	112	242	440
P/(L) for the period	1,036	(169)	(605)	(850)
P/L of Associates,	14	(16)	(20)	(12)
Min Int, Pref Div				
Reported Profit/(Loss)	1,049	(184)	(625)	(862)
Adjusted net profit	1,049	(184)	(625)	(862)
Growth (%)	(59.6)	—	—	—

Balance Sheet

Period end (Rs mn)	Mar 11	Mar 12	Mar 13	Mar 14
Share capital	5,034	5,034	5,034	5,034
Reserves & surplus	7,473	7,072	6,453	5,555
Shareholders' funds	12,506	12,106	11,487	10,588
Minority Interests and others	500	513	533	545
Non-current liabilities	11,021	13,146	15,014	16,723
Long-term borrowings	8,415	10,631	12,480	14,478
Other non-current liab.	2,606	2,516	2,533	2,245
Current liabilities	11,774	14,674	18,698	18,483
ST borrowings, Curr maturity	5,220	5,323	7,301	6,566
Other current liabilities	6,554	9,350	11,397	11,917
Total (Equity and Liab.)	35,801	40,439	45,731	46,339
Non-current assets	24,848	27,027	28,950	28,906
Fixed assets (Net block)	21,120	22,589	23,941	24,919
Non-current Investments	2,081	2,342	2,400	1,112
Long-term loans and adv.	1,235	1,542	1,903	1,526
Other non-current assets	412	555	707	1,348
Current assets	10,954	13,412	16,781	17,434
Cash & current investment	2,043	2,130	2,052	2,253
Other current assets	8,910	11,283	14,729	15,180
Total (Assets)	35,801	40,439	45,731	46,339
Total debt	13,635	15,954	19,781	21,044
Capital employed	29,247	31,089	34,335	34,422

Cash Flow Statement

Period end (Rs mn)	Mar 11	Mar 12	Mar 13	Mar 14
Profit before tax	1,469	(281)	(847)	(1,290)
Depreciation	1,260	1,622	1,799	2,004
Change in working capital	(1,375)	(100)	(1,222)	126
Total tax paid	(89)	(45)	(67)	(38)
Others	1,045	1,702	2,119	1,173
Cash flow from oper. (a)	2,310	2,899	1,782	1,974
Capital expenditure	(5,055)	(3,320)	(3,342)	(2,573)
Change in investments	(466)	(331)	82	1,204
Others	388	61	90	950
Cash flow from inv. (b)	(5,132)	(3,590)	(3,169)	(419)
Free cash flow (a+b)	(2,822)	(691)	(1,387)	1,555
Debt raised/(repaid)	4,508	2,319	3,828	1,262
Dividend (incl. tax)	(601)	0	(293)	0
Others	(1,484)	(1,611)	(2,085)	(2,700)
Cash flow from fin. (c)	2,423	708	1,450	(1,437)
Net chg in cash (a+b+c)	(399)	17	63	118

Key Ratios

Period end (%)	Mar 11	Mar 12	Mar 13	Mar 14
Adjusted EPS (Rs)	2.1	(0.4)	(1.2)	(1.7)
Growth	(67.8)	—	—	—
CEPS (Rs)	4.6	2.9	2.3	2.3
Book NAV/share (Rs)	24.8	24.1	22.8	21.0
Dividend/share (Rs)	1.0	0.5	0.0	0.0
Dividend payout ratio	57.3	—	(0.0)	0.0
EBITDA margin	10.9	6.7	6.3	3.6
EBIT margin	7.5	3.5	2.9	2.7
Tax rate	29.5	40.0	28.6	34.1
RoCE	9.8	5.3	4.3	4.0
Total debt/Equity (x)	1.0	1.3	1.6	1.9
Net debt/Equity (x)	0.9	1.1	1.5	1.7
Du Pont Analysis - ROE				
Net margin	3.0	(0.4)	(1.3)	(1.7)
Asset turnover (x)	1.1	1.2	1.1	1.1
Leverage factor (x)	2.6	3.1	3.7	4.2
Return on equity	8.6	(1.5)	(5.3)	(7.8)

Valuations

Period end (x)	Mar 11	Mar 12	Mar 13	Mar 14
PER	25.3	—	(33.9)	(22.4)
PCE	11.5	17.8	18.0	16.9
Price/Book	2.1	2.1	1.8	1.8
Yield (%)	1.9	1.0	0.0	0.0
EV/EBITDA	10.1	12.8	12.7	21.3

MID CAP

Share Data

Price (Rs)	96
BSE Sensex	27,888
Reuters code	PTCLBO
Bloomberg code	PTCIN IN
Market cap. (US\$ mn)	449
6M avg. daily turnover (US\$ mn)	3.6
Issued shares (mn)	296

Performance (%)	1M	3M	12M
Absolute	(3)	18	56
Relative	(1)	13	17

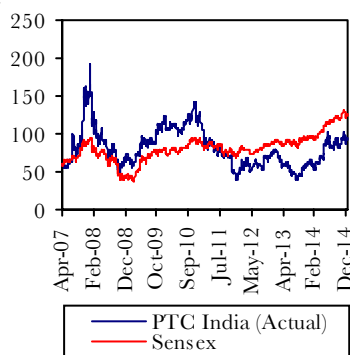
Valuation ratios

Yr to 31 Mar	FY14	FY15E	FY16E
EPS (Rs)	8.4	7.7	6.8
+/- (%)	94.7	(7.4)	(12.5)
PER (x)	11.5	12.4	14.2
PBV (x)	1.1	1.1	1.0
Dividend/Yield (%)	2.9	2.8	2.5
EV/Sales (x)	0.1	0.2	0.1
EV/EBITDA (x)	4.7	9.3	10.3

Major shareholders (%)

Promoters	16
FII's	24
MF's	15
BFSI's	23
Public & Others	22

Relative performance



PTC India

Maintain Outperformer

Trading volume picking up

Recent performance

PTC India trades under Short Term (ST is less than 1 year) and Long Term (LT is 1 years +) category in India. Short term volume comprises of ~11% all India generation and the proportion of power trading volume in ST has grown to 11% from 5-6% a few years back. With under construction capacity of ~75 GW in India and PTC's dominant position in trading market, will lead to steady growth in its short term volume trade. Under LT, the company has signed Power Purchase Agreement with developers and Power Sale Agreement with State Electricity Board with tally commissioning 1.4 GW and 3.5 GW in FY15 and FY16. And thus we expect PTC volume to grow at CAGR of 18% over FY14-16 to 49 BUs.

Key triggers/Risks – Next 12 months

- Deviation in project commissioning for capacity under PPA.
- Short-term power contributes 60% to total volume and thus need to watch for slowdown in the power demand.

Strategic initiatives

- Status quo remains on Tamil Nadu dues of Rs 2.5 bn (pending since FY11). The matter has gone into litigations and PTC expects resolution by FY15.
- The company has signed Power Sale Agreement of 7.1 GW and Power Purchase Agreements at ~11 GW. And is awaiting regulatory approval, for traders to participate in the long-term bids issued by SEBs.

Balance sheet position

- PTC India, debt free company has cash of Rs 5.5 bn to take care of future growth.
- Its working capital days have come down to 30 days versus 60 days in previous years.

Outlook and valuation

Post commissioning of plants selling power under LT category the proportion of high margins LT trade (margins of ~6paise/unit+, versus ST trades of 4paise/unit) is expected to increase from 40% in FY14 to 50% in FY16. Additionally, recent power sector M&A at 1x+ book value augurs well for its investments. Its SOTP (~40%) is contributed by cash, investments and subsidiaries value. At CMP, PTC trading business (excl. Cash and Investments) is valued at ~8x FY16 EPS. We have Outperformer rating with a target price of Rs 110 (20% upside). In our target price we have valued PTC India stake in PTC financials at book value of Rs 4.5 bn (Rs 15/share) and based on current market price the stake will be valued at Rs 21 bn (Rs 72/share).

Vishal Periwal
vishal.periwal@bksec.com

Rahul Murkya
rahul.murkya@bksec.com

PTC India

Income Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Net sales	88,562	115,107	147,884	172,603
<i>Growth (%)</i>	<i>15.8</i>	<i>30.0</i>	<i>28.5</i>	<i>16.7</i>
Operating expenses	(86,869)	(111,978)	(145,352)	(170,351)
Operating profit	1,694	3,129	2,532	2,252
EBITDA	1,694	3,129	2,532	2,252
<i>Growth (%)</i>	<i>16.5</i>	<i>84.8</i>	<i>(19.1)</i>	<i>(11.1)</i>
Depreciation	(42)	(42)	(43)	(44)
Other income	125	543	784	656
EBIT	1,777	3,631	3,273	2,863
Finance cost	(9)	(28)	0	0
Exceptional & extraordinary	17	(48)	0	0
Profit before tax	1,785	3,556	3,273	2,863
Tax (current + deferred)	(497)	(1,130)	(982)	(859)
Profit/(Loss) for the period	1,287	2,426	2,291	2,004
Reported Profit/(Loss)	1,287	2,426	2,291	2,004
Adjusted net profit	1,270	2,473	2,291	2,004
<i>Growth (%)</i>	<i>5.7</i>	<i>94.7</i>	<i>(7.4)</i>	<i>(12.5)</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Share capital	2,960	2,960	2,960	2,960
Reserves & surplus	20,297	22,124	23,477	24,660
Shareholders' funds	23,257	25,084	26,437	27,621
Non-current liabilities	(42)	(63)	(63)	(63)
Other non-current liabilities	(42)	(63)	(63)	(63)
Current liabilities	11,957	12,064	15,302	16,731
Other current liabilities	11,957	12,064	15,302	16,731
Total (Equity and Liab).	35,171	37,085	41,676	44,289
Non-current assets	9,571	9,898	9,875	9,851
Fixed assets (Net block)	327	300	277	253
Non-current Investments	9,244	9,598	9,598	9,598
Current assets	25,416	27,187	31,801	34,438
Cash & current investment	3,535	5,447	4,740	5,274
Other current assets	21,882	21,741	27,062	29,164
Total (Assets)	34,988	37,085	41,676	44,289
Capital employed	23,214	25,021	26,374	27,557

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Profit before tax	1,785	3,556	3,273	2,863
Depreciation	42	42	43	44
Change in working capital	3,482	322	(2,083)	(673)
Total tax paid	(687)	(1,213)	(982)	(859)
Others	(103)	(368)	(784)	(656)
Cash flow from oper. (a)	4,519	2,340	(533)	720
Capital expenditure	1	(17)	(20)	(20)
Change in investments	(1,008)	(344)	0	0
Others	70	(2,976)	784	656
Cash flow from inv. (b)	(937)	(3,337)	764	636
Free cash flow (a+b)	3,582	(998)	231	1,356
Equity raised/(repaid)	19	0	0	0
Dividend (incl. tax)	(515)	(531)	(938)	(821)
Others	(9)	(11)	0	0
Cash flow from fin. (c)	(505)	(542)	(938)	(821)
Net chg in cash (a+b+c)	3,076	(1,539)	(707)	535

Key Ratios

Period end (%)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Adjusted EPS (Rs)	4.3	8.4	7.7	6.8
Growth	5.3	94.7	(7.4)	(12.5)
CEPS (Rs)	4.4	8.5	7.9	6.9
Book NAV/share (Rs)	78.6	84.7	89.3	93.3
Dividend/share (Rs)	1.6	2.0	2.7	2.4
Dividend payout ratio	43.0	27.6	41.0	41.0
EBITDA margin	1.9	2.7	1.7	1.3
EBIT margin	2.0	3.2	2.2	1.7
Tax rate	28.1	31.4	30.0	30.0
RoCE	7.8	15.1	12.7	10.6
Net debt/Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Du Pont Analysis - ROE				
Net margin	1.4	2.1	1.5	1.2
Asset turnover (x)	2.5	3.2	3.8	4.0
Leverage factor (x)	1.5	1.5	1.5	1.6
Return on equity	5.6	10.2	8.9	7.4

Valuations

Period end (x)	Mar 13	Mar 14E	Mar 15E	Mar 16E
PER	22.4	11.5	12.4	14.2
PCE	13.5	8.0	12.2	13.9
Price/Book	1.2	1.1	1.1	1.0
Yield (%)	2.7	2.9	2.8	2.5
EV/EBITDA	8.4	4.7	9.3	10.3

MID CAP

Share Data

Price (Rs)	38
BSE Sensex	27,888
Reuters code	PUJL.BO
Bloomberg code	PUNJIN
Market cap. (US\$ mn)	200
6M avg. daily turnover (US\$ mn)	2.8
Issued shares (mn)	332

Performance (%) 1M 3M 12M

Absolute	4	5	26
Relative	6	0	(5)

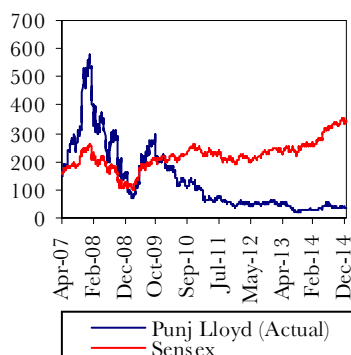
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs.)	(41.6)	(26.2)
+/- (%)	NA	NA
PER (x)	NA	NA
PBV (x)	1.5	NA
EV/Sales (x)	1.2	1.2
EV/EBITDA (x)	NA	23.5

Major shareholders (%)

Promoters	37
FII's	7
DII's	7
Public & Others	49

Relative performance



Punj Lloyd

Downgrade to SELL

Order inflows/debt reduction the key

Recent performance

Recent performance for the company has been marred by a declining executable order backlog, provisions for cost over runs and revenue reversal/loss on projects. Not only has the top-line performance been impacted due to lower executable order backlog and revenue reversal/loss, the company has suffered an EBITDA loss for three consecutive quarters as for the reasons mentioned above. The poor operating performance has flown down to the bottom-line.

Key sensitivities to growth/Key risks – Next 12 months

- Lower executable order backlog remains one of the key reasons for the pressure on top-line performance. Any improvement in the order inflows remains the key.
- Recovery of monies from claims remains a key to the company's plans to reduce debt significantly. Any progress on this front could help the company lower its debt and hence interest outgo. This could help improve the bottom-line performance.

Strategic initiatives/Capex plans

- The management has been taking efforts to remove inefficiencies from the system by taking steps like having segment wise heads instead of the earlier system of geography-wise heads, centralisation of procurement process, etc.
- Efforts to reduce debt through divestment of 50% stake in Medanta Hospitals and monetisation of barges lying idle remain underway.

Balance sheet position

- Pressures on execution along with revenue reversals/loss of revenues have made the company report a cash loss over 1H FY15. This is likely to have led to a sharp increase in the debt levels.
- Despite efforts by the management, little progress has been made in recovery of claims. This makes us believe that the working capital situation also continues to remain strained to say the least.

Valuation and view

The performance of the company continues to remain under pressure led by liquidity pressures and issues on legacy portfolio. The issues are expected to persist at least in the short to medium terms. Moreover, with a slowdown in the pace of execution, risks of cost escalations and liquidated damages have also started to emerge. These would keep any meaningful improvement in the performance at bay. Hence, we downgrade our rating to Sell.

Dhaval Patel

dhaval.patel@bksec.com

Prem Khurana

prem.khurana@bksec.com

Punj Lloyd

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	112,556	108,549	70,979	78,910
Growth (%)	9.1	(3.6)	(34.6)	11.2
Operating expenses	(104,147)	(105,360)	(75,770)	(76,266)
Operating profit	8,410	3,188	(4,791)	2,643
Other operating income	3,092	2,685	1,200	1,260
EBITDA	11,502	5,873	(3,591)	3,903
Growth (%)	28.2	(48.9)	(161.1)	NA
Depreciation	(3,535)	(3,925)	(5,117)	(5,410)
Other income	253	510	800	800
EBIT	8,220	2,458	(7,908)	(706)
Finance cost	(7,808)	(8,820)	(10,437)	(10,923)
Profit before tax	412	(6,361)	(18,346)	(11,629)
Tax (current + deferred)	(703)	(77)	4,403	2,791
P/(L) for the period	(291)	(6,439)	(13,943)	(8,838)
P/(L) of Associates, Min	219	956	125	133
Int, Pref Div				
Reported Profit/(Loss)	(72)	(5,482)	(13,818)	(8,705)
Adjusted net profit	(72)	(5,482)	(13,818)	(8,705)
Growth (%)	(107.8)	NA	NA	NA

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	664	664	664	664
Reserves & surplus	27,688	21,658	7,840	(865)
Shareholders' funds	28,353	22,322	8,505	(201)
Minority int. and others	730	(208)	(283)	(363)
Non-current liab.	20,657	25,327	25,454	25,947
Long-term borrowings	18,937	23,414	23,549	24,049
Other non-current liab.	1,720	1,913	1,905	1,898
Current liabilities	113,714	111,077	122,505	131,211
ST borrowings, curr maturity	48,285	45,205	53,485	60,089
Other current liabilities	65,429	65,872	69,020	71,122
Total (equity and liab.)	163,453	158,517	156,180	156,594
Non-current assets	47,910	45,804	45,150	45,136
Fixed assets (net block)	34,119	34,779	34,662	34,252
Non-current investments	3,641	2,439	2,489	2,541
Long-term loans and adv.	8,943	7,004	6,863	7,207
Other non-current assets	1,207	1,582	1,137	1,137
Current assets	115,544	112,714	111,030	111,458
Cash & current inv.	8,334	6,133	5,637	4,990
Other current assets	107,209	106,581	105,392	106,467
Total (assets)	163,453	158,517	156,180	156,594
Total debt	67,222	68,619	77,034	84,138
Capital employed	98,024	92,645	87,160	85,472

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	412	(6,361)	(18,346)	(11,629)
Depreciation	3,535	3,925	5,117	5,410
Chg in working capital	(6,995)	(279)	4,471	678
Total tax paid	(740)	(147)	4,403	2,791
Others	7,555	8,309	9,637	10,123
Cash flow from oper. (a)	3,767	5,447	5,283	7,373
Capital expenditure	(8,142)	(1,253)	(5,001)	(5,001)
Change in investments	65	1,203	(50)	(53)
Others	219	67	1,245	800
Cash flow from inv. (b)	(7,857)	17	(3,806)	(4,254)
Free cash flow (a+b)	(4,090)	5,464	1,477	3,119
Debt raised/(repaid)	11,194	1,397	8,415	7,104
Others	(8,501)	(9,063)	(10,387)	(10,870)
Cash flow from fin. (c)	2,694	(7,666)	(1,972)	(3,766)
Net chg in cash (a+b+c)	(1,397)	(2,202)	(495)	(647)

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(0.2)	(16.5)	(41.6)	(26.2)
Growth	(107.8)	NA	NA	NA
CEPS (Rs)	10.4	(4.7)	(26.2)	(9.9)
Book NAV/share (Rs)	85.3	67.1	25.5	(0.7)
EBITDA margin	9.9	5.3	(5.0)	4.9
EBIT margin	7.3	2.3	(11.1)	(0.9)
Tax rate	170.5	(1.2)	24.0	24.0
RoCE	8.8	2.6	(8.8)	(0.8)
Total debt/Equity (x)	2.3	3.1	9.6	(110.1)
Net debt/Equity (x)	2.0	2.9	8.9	(103.6)
Du Pont Analysis - ROE				
Net margin	(0.1)	(5.1)	(19.5)	(11.0)
Asset turnover (x)	0.7	0.7	0.5	0.5
Leverage factor (x)	5.4	6.4	10.2	38.0
Return on equity	(0.3)	(21.7)	(89.8)	NA

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	NA	NA	NA	NA
PCE	5.3	NA	NA	NA
Price/Book	0.7	0.4	1.5	NA
EV/EBITDA	6.7	12.2	NA	23.5

MID CAP

Share Data

Price (Rs)	84
BSE Sensex	27,888
Reuters code	PVKPBO
Bloomberg code	PVKPIN
Market cap. (US\$ mn)	313
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	237

Performance (%) 1M 3M 12M

Absolute	(7)	(18)	8
Relative	(6)	(22)	(19)

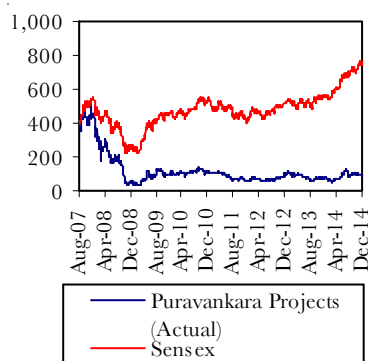
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	5.7	11.0
+/- (%)	(15.2)	94.9
PER (x)	14.7	7.6
PBV (x)	0.9	0.8
Dividend/Yield (%)	1.9	3.6
EV/Sales (x)	2.3	1.9
EV/EBITDA (x)	8.5	5.8

Major shareholders (%)

Promoters	75
FII's	12
DII's	9
Public & Others	4

Relative performance



Puravankara Projects

Maintain Outperformer

Inventory liquidation holds the key

Recent performance

Management efforts in recent past largely revolved around finding ways to contain elevated capital intensity in the business. Measures to achieve the same included inventory liquidation in complete/near complete residential developments, official project launch only if initial response for the project is good enough to cover for costs and divestiture of non-core assets. Although efforts did yield some results but failed to meet expectations as for holding costs for completed developments/elevated finance expenses. Consequently, cash flows continue to trend in negative territory except in 1HFY15 where in a big ticket land sale came to aid free cash flow generation. Going forward, the management focus is unlikely to shift from finding ways to accelerate cash flow generation so as to de-lever balance sheet.

Key sensitivities to growth/Key risks – Next 12 months

- Unsold inventory worth ~Rs 11 bn across completed/near complete projects holds potential to translate into significant amount of free cash flow generation.

Strategic initiatives/Capex plans

- For new launches, the company invites EOIs from prospective buyers. Actual launch takes place if response is good enough to cover for the project costs.

Balance sheet position

- Receipt of part monies from divestiture of 50% stake in Kochi land parcel to Sobha yielded gross cash flows of ~Rs 1.6 bn over 1HFY15. The receipts came in handy to contain increase in net debt at ~Rs 0.3 bn.
- Receipt from land sale made the company see positive quarterly operating surplus after a year's gap but ~Rs 0.2 bn of capex and dividend payout of ~Rs 0.5 bn made overall cash flows turn negative.

Valuation and view

Enthusied with the response for its recent launches and healthy momentum in bookings, the management intends to continue to bring new projects to augment cash flow situation. Inventory liquidation across ongoing projects also remains a focal area as it holds potential to accelerate cash flow generation. Additionally, the management also intends to continue with non-core efforts to turn the tide (read as reduce capital intensity). Asset monetisation, surrender of land parcel and divestiture of associates come as some of the measures already underway to achieve the target de-leveraging.

Prem Khurana
prem.khurana@bksec.com

Dhaval Patel
dhaval.patel@bksec.com

Puravankara Projects

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	12,320	12,981	15,651	18,072
Growth (%)	52.2	5.4	20.6	15.5
Operating expenses	(6,690)	(8,345)	(11,599)	(12,289)
Operating profit	5,629	4,635	4,053	5,783
Other operating income	139	121	143	150
EBITDA	5,768	4,757	4,196	5,933
Growth (%)	48.3	(17.5)	(11.8)	41.4
Depreciation	(70)	(85)	(97)	(109)
Other income	26	31	135	34
EBIT	5,724	4,703	4,234	5,858
Finance cost	(2,318)	(2,276)	(2,193)	(2,106)
Exceptional & extraordinary	–	15	–	–
Profit before tax	3,406	2,442	2,041	3,752
Tax (current + deferred)	(1,124)	(843)	(651)	(1,132)
P/(L) for the period	2,282	1,598	1,390	2,620
P/(L) of Associates, Min Int, Pref Div	152	1	(45)	–
Reported Profit/(Loss)	2,434	1,600	1,345	2,620
Adjusted net profit	2,434	1,585	1,345	2,620
Growth (%)	82.2	(34.9)	(15.2)	94.9

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	1,067	1,186	1,186	1,186
Reserves & surplus	17,928	20,547	21,448	23,204
Shareholders' funds	18,995	21,733	22,634	24,389
Non-current liabilities	9,049	7,130	8,397	7,696
Long-term borrowings	8,978	7,030	8,290	7,580
Other non-current liabilities	71	99	107	116
Current liabilities	12,656	18,516	17,872	17,337
ST borrowings, curr maturity	8,881	9,921	8,250	7,913
Other current liabilities	3,775	8,595	9,622	9,424
Total (equity and liab.)	40,700	47,379	48,903	49,422
Non-current assets	12,500	11,746	11,510	11,139
Fixed assets (net block)	869	923	950	965
Non-current investments	1,385	706	660	660
Long-term loans and advances	2,053	2,592	2,810	2,860
Other non-current assets	8,194	7,524	7,089	6,654
Current assets	28,199	35,633	37,393	38,282
Cash & current investment	2,391	1,940	813	869
Other current assets	25,809	33,693	36,580	37,414
Total (assets)	40,700	47,379	48,903	49,422
Total debt	17,859	16,952	16,540	15,493
Capital employed	36,925	38,784	39,281	39,998

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,406	2,442	2,041	3,752
Depreciation	70	85	97	109
Chg in working capital	(4,752)	(3,835)	(1,977)	(1,494)
Total tax paid	(1,078)	(870)	(651)	(1,132)
Others	2,318	2,276	2,193	2,106
Cash flow from oper. (a)	(36)	98	1,703	3,342
Capital expenditure	(213)	(139)	(124)	(124)
Change in investments	(209)	533	248	–
Others	161	670	435	435
Cash flow from inv. (b)	(261)	1,063	559	311
Free cash flow (a+b)	(297)	1,161	2,262	3,653
Equity raised/(repaid)	–	1,768	–	–
Debt raised/(repaid)	4,369	(908)	(411)	(1,047)
Dividend (incl. tax)	(248)	(250)	(533)	(444)
Others	(2,221)	(2,368)	(2,242)	(2,106)
Cash flow from fin. (c)	1,900	(1,757)	(3,186)	(3,597)
Net chg in cash (a+b+c)	1,603	(596)	(924)	56

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	11.4	6.7	5.7	11.0
Growth	102.5	(41.4)	(15.2)	94.9
CEPS (Rs)	11.7	7.0	6.1	11.5
Book NAV/share (Rs)	89.0	91.6	95.4	102.8
Dividend/share (Rs)	1.0	1.9	1.6	3.0
Dividend payout ratio	10.3	33.3	33.0	33.0
EBITDA margin	46.3	36.3	26.6	32.6
EBIT margin	46.5	36.2	27.1	32.4
Tax rate	33.0	34.7	31.9	30.2
RoCE	17.0	12.4	10.8	14.8
Total debt/Equity (x)	0.9	0.8	0.7	0.6
Net debt/Equity (x)	0.8	0.7	0.7	0.6
Du Pont Analysis - ROE				
Net margin	19.8	12.2	8.6	14.5
Asset turnover (x)	0.3	0.3	0.3	0.4
Leverage factor (x)	2.1	2.2	2.2	2.1
Return on equity	13.6	7.8	6.1	11.1

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	7.9	10.2	14.7	7.6
PCE	7.7	9.7	13.8	7.3
Price/Book	1.0	0.7	0.9	0.8
Yield (%)	1.1	2.8	1.9	3.6
EV/EBITDA	6.0	6.6	8.5	5.8

MID CAP

Share Data

Price (Rs)	705
BSE Sensex	27,888
Reuters code	PVRL.BO
Bloomberg code	PVRLIN
Market cap. (US\$ mn)	461
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	41

Performance (%) 1M 3M 12M

Absolute	1	2	12
Relative	3	(3)	(16)

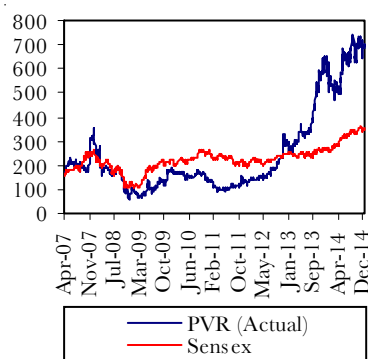
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	11.0	26.6	33.7
+/- (%)	(14.4)	141.4	26.8
PER (x)	64.1	26.5	20.9
PBV (x)	6.7	5.5	4.4
Dividend/Yield (%)	0.4	0.4	0.4
EV/Sales (x)	2.3	1.8	1.5
EV/EBITDA (x)	13.8	9.9	8.0

Major shareholders (%)

Promoters	29
FII's	28
MF's	3
Public & Others	40

Relative performance



PVR

Maintain Underperformer

Strong player, but too expensive

Recent performance

PVR is the largest multiplex chain in India with 445 screens, which accounts for ~25% share of total multiplex screens in the country. The company has grown aggressively in recent years with number of screens rising by more than 2.5x between March 2012 and September 2014, on back of organic expansion and Cinemax acquisition. The organic expansion continues, however, PVR's performance in recent quarters is impacted by weak content flow – net profit declined by ~60% in 1HFY15.

Key triggers/Risks

- Considering the weak content flow in recent quarters, any uptick could provide much needed support to occupancy and profitability.
- Potential change in terms of revenue sharing with film distributors could result in risks/benefits to the company.
- GST implementation could significantly benefit PVR, considering high and varied rates of entertainment tax across states (e.g. over 40% in Maharashtra, UP).

Strategic initiatives/Capex plans

- PVR plans to add 60-70 screens annually in the coming years, entailing capex of Rs 1.5- 1.75 bn/year. The company has signed up in all 300 screens, which would provide growth visibility over the coming three-five years.

Balance sheet position

- PVR's net debt stood at Rs 5.9 bn as at end September 2014; this marks a net debt-to-equity of 1.4x and net debt-to-EBITDA (railing 12 months) of 3x. We find the leverage high considering high business risk and ongoing expansion plans. The company's working capital cycle is fairly efficient at ~30 revenue days, due to low trade receivables. Current assets mainly comprises of loans and advances (80 days), a bulk of which pertains to deposits with mall owners. Trade payable days (of operating expenses) stand at ~100 days.

Outlook and valuation

We are positive on the long-term outlook for Indian multiplex market, due to rising investments in film production/marketing, screen penetration, consumer aspirations and entertainment spends. However, the weakness in the box office collections from 3QFY14 onwards highlights the revenue volatility inherent in the film business. This, coupled with high operating and financial leverage, translates in to risky (albeit growing) earnings profile for PVR. In light of this, we believe valuations are stretched at 31x one year forward P/E. Re-iterate Underperformer.

Yogesh Kirve

yogesh.kirve@bksec.com

PVR

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	13,475	15,545	19,134	22,218
Growth (%)	67.1	15.4	23.1	16.1
Operating expenses	(11,358)	(13,014)	(15,666)	(18,100)
Operating profit	2,117	2,531	3,468	4,117
EBITDA	2,117	2,531	3,468	4,117
Growth (%)	81.1	19.6	37.0	18.7
Depreciation	(944)	(1,308)	(1,474)	(1,657)
Other income	113	48	61	99
EBIT	1,286	1,271	2,055	2,560
Finance cost	(795)	(797)	(773)	(719)
Exceptional & extraordinary	32	—	—	—
Profit before tax	523	474	1,282	1,842
Tax (current + deferred)	(19)	(57)	(205)	(442)
P/(L) for the period	504	417	1,077	1,400
P/L of Associates,	57	35	15	(15)
Min Int, Pref Div				
Reported Profit/(Loss)	560	452	1,092	1,385
Adjusted net profit	528	452	1,092	1,385
Growth (%)	15.5	(14.4)	141.4	26.8

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	411	411	411	411
Reserves & surplus	3,582	3,908	4,866	6,110
Shareholders' funds	3,993	4,319	5,277	6,521
Minority Interests and others	771	736	721	736
Non-current liabilities	4,891	4,921	4,798	4,512
Long-term borrowings	4,790	4,790	4,590	4,190
Other non-current liabilities	101	130	207	322
Current liabilities	3,878	4,556	4,815	5,038
ST borrowings, Curr maturity	1,343	1,823	1,673	1,523
Other current liabilities	2,534	2,733	3,142	3,515
Total (Equity and Liab.)	13,533	14,531	15,611	16,807
Non-current assets	12,146	12,996	13,631	13,917
Fixed assets (Net block)	9,231	9,754	10,016	9,989
Non-current Investments	12	12	12	12
Long-term loans and adv.	2,663	2,958	3,276	3,541
Other non-current assets	240	272	327	375
Current assets	1,387	1,535	1,979	2,890
Cash & current investment	495	540	838	1,624
Other current assets	892	994	1,141	1,265
Total (Assets)	13,533	14,531	15,611	16,807
Total debt	6,134	6,613	6,263	5,713
Capital employed	10,999	11,798	12,469	13,292

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	523	474	1,282	1,842
Depreciation	944	1,308	1,474	1,657
Change in working capital	197	(190)	(37)	(1)
Total tax paid	(5)	(43)	(154)	(350)
Others	682	749	712	619
Cash flow from oper. (a)	2,340	2,299	3,277	3,766
Capital expenditure	(2,372)	(1,831)	(1,737)	(1,629)
Change in investments	145	(47)	(149)	(393)
Others	45	16	5	52
Cash flow from inv. (b)	(2,182)	(1,862)	(1,880)	(1,971)
Free cash flow (a+b)	158	437	1,397	1,796
Equity raised/(repaid)	15			
Debt raised/(repaid)	(432)	480	(350)	(550)
Dividend (incl. tax)	(119)	(127)	(134)	(141)
Others	284	(792)	(764)	(712)
Cash flow from fin. (c)	(253)	(439)	(1,248)	(1,403)
Net chg in cash (a+b+c)	(95)	(2)	149	393

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	12.9	11.0	26.6	33.7
Growth	11.3	(14.4)	141.4	26.8
CEPS (Rs)	35.8	42.8	62.4	74.0
Book NAV/share (Rs)	97.1	105.1	128.4	158.6
Dividend/share (Rs)	2.5	2.7	2.8	3.0
Dividend payout ratio	21.3	28.0	12.2	10.2
EBITDA margin	15.7	16.3	18.1	18.5
EBIT margin	9.5	8.2	10.7	11.5
Tax rate	3.9	12.0	16.0	24.0
RoCE	10.3	11.2	16.9	19.9
Total debt/Equity (x)	1.3	1.3	1.0	0.8
Net debt/Equity (x)	1.2	1.2	0.9	0.6
Du Pont Analysis - ROE				
Net margin	3.9	2.9	5.7	6.2
Asset turnover (x)	0.9	1.1	1.3	1.4
Leverage factor (x)	2.8	3.4	3.1	2.7
Return on equity	10.1	10.9	22.8	23.5

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	36.5	64.1	26.5	20.9
PCE	13.1	16.5	11.3	9.5
Price/Book	4.8	6.7	5.5	4.4
Yield (%)	0.5	0.4	0.4	0.4
EV/EBITDA	11.8	13.8	9.9	8.0

MID CAP

Share Data

Price (Rs)	89
BSE Sensex	27,888
Reuters code	RADC.BO
Bloomberg code	RDCKIN
Market cap. (US\$ mn)	186
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	133

Performance (%) 1M 3M 12M

Absolute	7	11	(37)
Relative	9	5	(53)

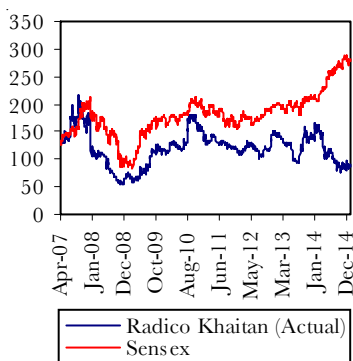
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	5.4	6.0
+/- (%)	(22.8)	11.5
PER (x)	16.6	14.9
PBV (x)	1.4	1.3
Dividend/Yield (%)	0.9	0.9
EV/Sales (x)	1.3	1.2
EV/EBITDA (x)	10.6	9.7

Major shareholders (%)

Promoters	40
FII's	20
MF's	9
Public & Others	31

Relative performance



Radico Khaitan

Downgrade to SELL

Growth outlook remains weak

Recent performance/Outlook

Radico Khaitan sales and PAT grew by 13% and 6% CAGR over FY12-14 driven by a performance of prestige & above brands which grew by 21% CAGR. Whereas regular and other brands grew by just 5% CAGR during the same period. Net profit margins decline by 66 bps due to higher ENA and interest cost. For 1H FY15, net sales grew by just 3.3% led by 11.5% growth in prestige & above brands whereas regular and others brands decline by 7%. EBITDA margins decline by 260 bps due to higher overheads and other expenses.

Key triggers/Risks

- Risks remain from 1) significant increase in raw material prices such as extra neutral alcohol (ENA), 2) step-up in competition post Diageo's acquisition of United Spirits and Suntory's acquisition of Beam Global, 3) Low cash flows and high debt on books.

Strategic initiatives

- Radico Khaitan has continued to defocus on the low profitable regular segment and focus on its strategy of premiumisation with consistently increasing the contribution of prestige & above brands.
- The company continues to make investment in developing new products and variants. During the year, the company launched Morpheus blue, an upgraded version of the super premium Morpheus brandy and also expanded its premium vodka portfolio with the launch of two additional flavours of verve magic moments vodka.
- Going forward, the company expects to increase profitability in exports business through focus on premium brands and newer geographies.

Balance sheet position

- The company's debt has increased from Rs 6.50 bn in FY12 to Rs 9 bn in FY14 due to higher working capital requirement and weak cash flow which has impacted the overall profitability and return ratios.

Outlook and valuation

Radico's strategy of improving profitability by focusing on premium volumes is yet to deliver as its margins and earnings continue to remain under pressure. Post the dismal performance in 1H FY15, likely step up in competitive activity in the category provide further downside risk to our earnings. We hence downgrade the stock to Sell (from Underperformer).

Ashit Desai
ashit.desai@bksec.com

Shobit Singhal
shobit.singhal@bksec.com

Radico Khaitan

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	12,584	14,517	15,381	17,416
<i>Growth (%)</i>	<i>10.0</i>	<i>15.4</i>	<i>6.0</i>	<i>13.2</i>
Operating expenses	(10,632)	(12,373)	(13,465)	(15,287)
Operating profit	1,952	2,144	1,916	2,129
EBITDA	1,952	2,144	1,916	2,129
<i>Growth (%)</i>	<i>13.5</i>	<i>9.8</i>	<i>(10.6)</i>	<i>11.1</i>
Depreciation	(353)	(388)	(422)	(458)
Other income	304	365	401	401
EBIT	1,903	2,122	1,895	2,072
Finance cost	(701)	(848)	(878)	(904)
Exceptional & extraordinary	(110)	(209)	0	0
Profit before tax	1,093	1,064	1,017	1,168
Tax (current + deferred)	(320)	(352)	(305)	(374)
P/(L) for the period	773	713	712	794
Reported Profit/(Loss)	773	713	712	794
Adjusted net profit	883	922	712	794
<i>Growth (%)</i>	<i>11.6</i>	<i>4.4</i>	<i>(22.8)</i>	<i>11.5</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	266	266	266	266
Reserves & surplus	7,350	7,950	8,534	9,203
Shareholders' funds	7,616	8,216	8,800	9,469
Non-current liabilities	4,772	4,996	4,982	4,988
Long-term borrowings	4,140	4,236	4,324	4,324
Other non-current liabilities	632	760	658	664
Current liabilities	5,977	7,351	6,977	7,466
ST borrowings, Curr maturity	3,543	4,802	4,356	4,656
Other current liabilities	2,433	2,549	2,621	2,811
Total (Equity and Liab.)	18,365	20,563	20,759	21,923
Non-current assets	7,170	8,161	8,286	8,478
Fixed assets (Net block)	5,348	5,786	5,775	5,817
Non-current Investments	584	584	584	584
Long-term loans and adv.	890	1,365	1,502	1,652
Other non-current assets	349	426	426	426
Current assets	11,194	12,402	12,472	13,445
Cash & current investment	662	653	197	129
Other current assets	10,532	11,749	12,276	13,316
Total (Assets)	18,365	20,562	20,759	21,923
Total debt	7,683	9,038	8,680	8,980
Capital employed	15,931	18,014	18,138	19,112

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,093	1,064	1,017	1,168
Depreciation	353	388	422	458
Change in working capital	(1,640)	(1,501)	(586)	(995)
Total tax paid	(235)	(312)	(412)	(374)
Others	701	848	878	904
Cash flow from oper. (a)	272	487	1,320	1,161
Capital expenditure	(631)	(827)	(412)	(500)
Change in investments	27	2	0	0
Others	(73)	(77)	0	0
Cash flow from inv. (b)	(677)	(901)	(412)	(500)
Free cash flow (a+b)	(405)	(414)	907	661
Equity raised/(repaid)	17	14	0	0
Debt raised/(repaid)	1,181	1,355	(358)	300
Dividend (incl. tax)	(123)	(124)	(125)	(125)
Others	(719)	(838)	(881)	(904)
Cash flow from fin. (c)	355	407	(1,364)	(729)
Net chg in cash (a+b+c)	(50)	(7)	(456)	(68)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	6.6	6.9	5.4	6.0
Growth	11.4	4.3	(22.8)	11.5
CEPS (Rs)	9.3	9.8	8.5	9.4
Book NAV/share (Rs)	56.6	61.1	65.5	70.5
Dividend/share (Rs)	0.8	0.8	0.8	0.8
Dividend payout ratio	16.1	17.5	17.5	15.7
EBITDA margin	15.5	14.8	12.5	12.2
EBIT margin	15.1	14.6	12.3	11.9
Tax rate	26.6	27.6	30.0	32.0
RoCE	12.7	12.5	10.5	11.1
Total debt/Equity (x)	1.0	1.1	1.0	0.9
Net debt/Equity (x)	0.9	1.0	1.0	0.9
Du Pont Analysis - ROE				
Net margin	7.0	6.4	4.6	4.6
Asset turnover (x)	0.7	0.7	0.7	0.8
Leverage factor (x)	2.4	2.5	2.5	2.4
Return on equity	12.3	11.8	8.5	8.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	19.6	21.0	16.6	14.9
PCE	14.0	14.8	10.4	9.4
Price/Book	2.3	2.4	1.4	1.3
Yield (%)	0.6	0.5	0.9	0.9
EV/EBITDA	12.4	12.9	10.6	9.7

MID CAP

Share Data

Price (Rs)	221
BSE Sensex	27,888
Reuters code	RALL.BO
Bloomberg code	RALIIN
Market cap. (US\$ mn)	679
6M avg. daily turnover (US\$ mn)	1.4
Issued shares (mn)	194

Performance (%)	1M	3M	12M
Absolute	3	(2)	26
Relative	5	(7)	(6)

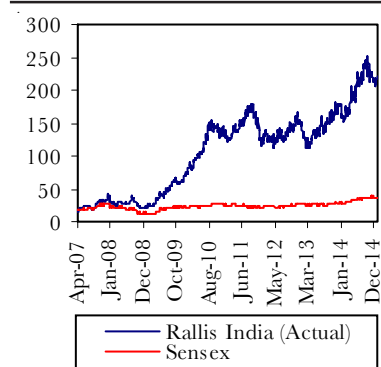
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	8.7	10.8
+/- (%)	6.3	25.1
PER (x)	25.5	20.4
PBV (x)	5.1	4.4
Dividend/Yield (%)	1.1	1.2
EV/Sales (x)	2.3	2.0
EV/EBITDA (x)	14.7	12.0

Major shareholders (%)

Promoters	50
FII's	16
MF's	5
BFSI's	1
Public & Others	28

Relative performance



Rallis India

Maintain Underperformer

Valuations run ahead of fundamentals!

Recent performance/Outlook

Rallis India reported weak performance over a 3-year period with topline CAGR of 18% but PAT increased by only 8.0% CAGR due to pressure on margins. Rallis reported disappointing numbers for 2QFY15 due to lower topline growth and consequent pressure on margins.

Key triggers/Risks – Next 12 months

- Key growth drivers include introduction of new molecules in domestic business, signing up of new exports contract for Dahej facility and introduction of new hybrids including own BT cotton hybrids during FY15.
- Key risks include delay in launching new products and erratic monsoons, stress on farmers' profitability.
- Launch of new molecules remains the key for domestic business.

Strategic initiatives

- Increased its focus on growing its non-pesticides products portfolio – nutrients, seeds, contract manufacturing – which increased to 31% of revenue in FY14. Evaluating inorganic opportunities in seeds business.
- No major capex planned, to incur recurring capex of Rs 600-800 mn for FY15E.
- Rallis received an order for one new product for contract manufacturing and trials were conducted for more than five new contract manufacturing projects at the pilot plant in Dahej in FY14.

Balance sheet position

- RoE and RoCE declined marginally over a 3-year period – RoE from 27.1% in FY11 to 23.7% in FY14 and RoCE from 35.0% in FY11 to 31.0% in FY14.

Valuation and view

Rallis disappointed in 2Q due to lower topline growth and consequent pressure on margins. Though we remain positive on Rallis's medium-term business prospects (driven by huge growth opportunity in the domestic agrochemicals market, ramp-up in seeds, growth in non-pesticides portfolio, CRAMS opportunity), we believe current valuations discount most of the positives. Launch of new molecules remains the key for sustained growth in the domestic business. In FY15, they have launched new three new molecules – Origin, Duton and Hunk. While market feedback for Origin and Hunk has been encouraging, Duton has not been able to make a mark. We maintain Underperformer rating.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

Rallis India

Income Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Net sales	14,582	17,466	19,304	22,205
<i>Growth (%)</i>	<i>14.1</i>	<i>19.8</i>	<i>10.5</i>	<i>15.0</i>
Operating expenses	(12,451)	(14,743)	(16,339)	(18,572)
Operating profit	2,131	2,722	2,964	3,634
EBITDA	2,131	2,722	2,964	3,634
<i>Growth (%)</i>	<i>2.1</i>	<i>27.8</i>	<i>8.9</i>	<i>22.6</i>
Depreciation	(315)	(407)	(492)	(516)
Other income	60	64	54	40
EBIT	1,875	2,380	2,526	3,158
Finance cost	(185)	(126)	(100)	(100)
Profit before tax	1,690	2,254	2,426	3,058
Tax (current + deferred)	(502)	(727)	(708)	(866)
P/(L) for the period	1,188	1,527	1,718	2,191
P/L of Associates, Min Int, Pref Div	2	(8)	(34)	(84)
Reported Profit/(Loss)	1,190	1,519	1,684	2,107
Adjusted net profit	1,157	1,585	1,684	2,107
<i>Growth (%)</i>	<i>16.6</i>	<i>37.0</i>	<i>6.3</i>	<i>25.1</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Share capital	194	194	194	194
Reserves & surplus	6,013	6,986	8,192	9,687
Shareholders' funds	6,207	7,180	8,386	9,881
Minority Interests and others	47	105	105	105
Non-current liabilities	472	441	441	441
Long-term borrowings	107	261	261	261
Other non-current liabilities	364	180	180	180
Current liabilities	4,889	4,930	5,171	5,119
ST borrowings, Curr maturity	433	484	484	484
Other current liabilities	4,457	4,447	4,687	4,635
Total (Equity and Liab.)	11,615	12,656	14,103	15,546
Non-current assets	6,723	7,101	7,932	8,616
Fixed assets (Net block)	4,223	4,393	4,901	4,885
Non-current Investments	187	187	187	187
Long-term loans and advances	918	977	1,300	2,000
Other non-current assets	1,395	1,544	1,544	1,544
Current assets	4,868	5,555	6,056	6,815
Cash & current investment	244	153	181	303
Other current assets	4,624	5,402	5,875	6,512
Total (Assets)	11,591	12,656	13,988	15,431
Total debt	540	745	745	745
Capital employed	7,159	8,210	9,416	10,911

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Profit before tax	1,690	2,254	2,426	3,058
Depreciation	315	407	492	516
Change in working capital	291	(1,008)	(555)	(1,388)
Total tax paid	(352)	(692)	(708)	(866)
Others	125	62	46	60
Cash flow from oper. (a)	2,070	1,022	1,701	1,379
Capital expenditure	(302)	(577)	(1,000)	(500)
Change in investments	30	(54)	0	0
Others	62	64	54	40
Cash flow from inv. (b)	(211)	(567)	(946)	(460)
Free cash flow (a+b)	1,859	456	754	919
Debt raised/(repaid)	(966)	205	0	0
Dividend (incl. tax)	(522)	(546)	(544)	(612)
Others	(226)	(284)	(67)	(184)
Cash flow from fin. (c)	(1,713)	(625)	(612)	(796)
Net chg in cash (a+b+c)	146	(170)	143	123

Key Ratios

Period end (%)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Adjusted EPS (Rs)	5.9	8.1	8.7	10.8
Growth	16.6	37.0	6.3	25.1
CEPS (Rs)	7.6	10.2	11.2	13.5
Book NAV/share (Rs)	31.9	36.9	43.1	50.8
Dividend/share (Rs)	2.3	2.4	2.4	2.7
Dividend payout ratio	43.8	35.9	32.3	29.0
EBITDA margin	14.6	15.6	15.4	16.4
EBIT margin	12.9	13.6	13.1	14.2
Tax rate	33.0	31.3	29.2	28.3
RoCE	26.1	31.0	28.7	31.1
Total debt/Equity (x)	0.1	0.1	0.1	0.1
Net debt/Equity (x)	0.0	0.1	0.1	0.0
Du Pont Analysis - ROE				
Net margin	7.9	9.1	8.7	9.5
Asset turnover (x)	1.3	1.4	1.4	1.5
Leverage factor (x)	1.9	1.8	1.7	1.6
Return on equity	19.7	23.7	21.6	23.1

Valuations

Period end (x)	Mar 13	Mar 14E	Mar 15E	Mar 16E
PER	19.4	21.3	25.5	20.4
PCE	15.2	16.9	19.8	16.4
Price/Book	3.6	4.7	5.1	4.4
Yield (%)	2.0	1.4	1.1	1.2
EV/EBITDA	10.7	12.6	14.7	12.0

MID CAP

Share Data

Price (Rs)	68
BSE Sensex	27,888
Reuters code	RCF.BO
Bloomberg code	RCF IN
Market cap. (US\$ mn)	597
6M avg. daily turnover (US\$ mn)	2.3
Issued shares (mn)	552

Performance (%) 1M 3M 12M

Absolute	4	32	97
Relative	6	25	48

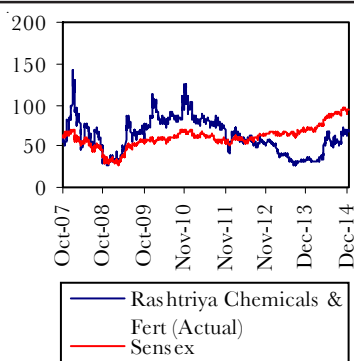
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	6.8	7.5
+/- (%)	49.4	11.5
PER (x)	10.1	9.1
PBV (x)	1.4	1.3
Dividend/Yield (%)	2.2	2.2
EV/Sales (x)	0.6	0.6
EV/EBITDA (x)	6.0	5.6

Major shareholders (%)

Promoters	80
FII's	2
BFSI's	8
Public & Others	10

Relative performance



Rashtriya Chemicals and Fertilizers Maintain Outperformer

Increase in urea fixed cost reimbursement to support near-term profitability!

Recent performance/Outlook

Rashtriya Chemicals and Fertilisers (RCF) reported topline CAGR of 6% in sales and 14% in EBITDA during FY11-14. For 2QFY15, RCF reported better than expected performance due to increase in manufactured fertiliser and urea volumes. Revenue for the quarter stood at Rs 22.0 bn, up 21.5% YoY. Manufactured fertiliser volumes grew by 5.3% YoY while urea volumes grew by 4.4% YoY. Traded fertiliser volumes increased by 127% YoY during the quarter. EBITDA stood at Rs 2.6 bn, up 168% YoY. Increase in fixed cost reimbursement under urea subsidy led to expansion in EBITDA margins.

Key triggers/Risks – Next 12 months

- Key growth drivers are pick up in fertiliser demand, pick up in trading activity and improvement in volumes in chemical segment.
- Risks include higher cost in fertiliser business on stoppage of indigenous gas supply and prolonged period of subdued demand for its key chemical products.

Strategic initiatives

- To incur Rs 2.8 bn capex for FY15E and cumulative Rs 40-50 bn capex for various projects - Thal expansion, fertiliser project at Ghana, coal gasification based fertiliser and chemical complex project at Talcher and single super phosphate project at Thal.

Balance sheet position

- Delay in subsidy reimbursement led to increase in debt level from Rs 4.2 bn in FY11 to Rs 16.6 bn in FY14. This also led to increase in interest cost, thereby a decline in RoE and RoCE during this period.

Valuation and view

Going forward, fertiliser business will see improvement on back of steady demand due to normalisation of inventory and benefit of increase in fixed cost reimbursement (Rs 350/t) in the urea business. Trading activity is expected to pick up. In the long-term, urea expansion project, Ghana project with assured supply of gas and steady demand for its chemical business products will sustain performance. Monetisation of land will be a big trigger. We maintain Outperformer rating.

Balwinder Singh
balwinder.singh@bksec.com

Sukhwinder Singh
sukhwinder.singh@bksec.com

Rashtriya Chemicals and Fertilizers

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	68,756	65,675	76,979	81,960
Growth (%)	7.4	(4.5)	17.2	6.5
Operating expenses	(63,460)	(60,213)	(69,523)	(73,821)
Operating profit	5,297	5,462	7,456	8,139
Other operating income	189	201	0	0
EBITDA	5,485	5,663	7,456	8,139
Growth (%)	49.7	3.2	31.7	9.2
Depreciation	(1,732)	(1,418)	(1,697)	(1,787)
Other income	930	740	600	650
EBIT	4,684	4,986	6,359	7,001
Finance cost	(883)	(1,313)	(1,179)	(1,179)
Profit before tax	3,801	3,673	5,180	5,822
Tax (current + deferred)	(992)	(1,174)	(1,445)	(1,657)
P/(L) for the period	2,809	2,499	3,734	4,165
Reported Profit/(Loss)	2,809	2,499	3,734	4,165
Adjusted net profit	2,809	2,499	3,734	4,165
Growth (%)	12.7	(11.0)	49.4	11.5

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	5,517	5,517	5,517	5,517
Reserves & surplus	18,043	19,567	21,540	23,943
Shareholders' funds	23,559	25,084	27,057	29,460
Non-current liabilities	7,071	7,475	8,800	8,800
Long-term borrowings	2,164	3,321	3,000	3,000
Other non-current liabilities	4,907	4,154	5,800	5,800
Current liabilities	28,619	23,589	26,866	27,079
ST borrowings, Curr maturity	14,568	13,350	7,252	7,252
Other current liabilities	14,051	10,240	19,614	19,827
Total (Equity and Liab.)	59,250	56,148	62,722	65,338
Non-current assets	18,627	18,772	21,519	22,327
Fixed assets (Net block)	16,010	16,969	18,064	18,872
Non-current Investments	180	179	228	228
Long-term loans and adv.	1,248	1,315	1,536	1,536
Other non-current assets	1,190	310	1,692	1,692
Current assets	40,623	37,376	41,203	43,011
Cash & current investment	1,764	709	2,964	2,608
Other current assets	38,859	36,667	38,239	40,404
Total (Assets)	59,250	56,148	62,722	65,338
Total debt	16,732	16,671	10,252	10,252
Capital employed	45,199	45,909	43,108	45,512

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,801	3,673	5,180	5,822
Depreciation	1,732	1,418	1,697	1,787
Change in working capital	(11,445)	(1,462)	7,294	(2,165)
Total tax paid	83	(1,266)	(1,285)	(1,444)
Others	(47)	573	579	529
Cash flow from oper. (a)	(5,876)	2,936	13,465	4,529
Capital expenditure	(1,997)	(2,377)	(2,793)	(2,596)
Change in investments	0	2	(49)	0
Others	901	620	718	650
Cash flow from inv. (b)	(1,097)	(1,755)	(2,124)	(1,946)
Free cash flow (a+b)	(6,973)	1,180	11,342	2,584
Debt raised/(repaid)	4,880	(61)	(6,419)	0
Dividend (incl. tax)	(898)	(962)	(962)	(962)
Others	(1,169)	(1,212)	(1,706)	(1,979)
Cash flow from fin. (c)	2,814	(2,235)	(9,087)	(2,941)
Net chg in cash (a+b+c)	(4,159)	(1,055)	2,255	(357)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	5.1	4.5	6.8	7.5
Growth	12.7	(11.0)	49.4	11.5
CEPS (Rs)	8.2	7.1	9.8	10.8
Book NAV/share (Rs)	42.7	45.5	49.0	53.4
Dividend/share (Rs)	1.5	1.5	1.5	1.5
Dividend payout ratio	34.2	38.5	25.7	23.1
EBITDA margin	8.0	8.6	9.7	9.9
EBIT margin	6.8	7.6	8.3	8.5
Tax rate	26.1	32.0	27.9	28.5
RoCE	11.2	10.9	14.3	15.8
Total debt/Equity (x)	0.7	0.7	0.4	0.3
Net debt/Equity (x)	0.6	0.6	0.3	0.3
Du Pont Analysis - ROE				
Net margin	4.1	3.8	4.9	5.1
Asset turnover (x)	1.2	1.1	1.3	1.3
Leverage factor (x)	2.6	2.4	2.3	2.3
Return on equity	12.4	10.3	14.3	14.7

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	7.1	7.3	10.1	9.1
PCE	4.4	4.7	7.0	6.3
Price/Book	0.9	0.7	1.4	1.3
Yield (%)	4.1	4.5	2.2	2.2
EV/EBITDA	6.4	6.0	6.0	5.6

MID CAP

Share Data

Price (Rs)	516
BSE Sensex	27,888
Reuters code	RYMD.BO
Bloomberg code	RWIN
Market cap. (US\$ mn)	500
6M avg. daily turnover (US\$ mn)	3.0
Issued shares (mn)	61

Performance (%) 1M 3M 12M

Absolute	(3)	20	80
Relative	(1)	14	35

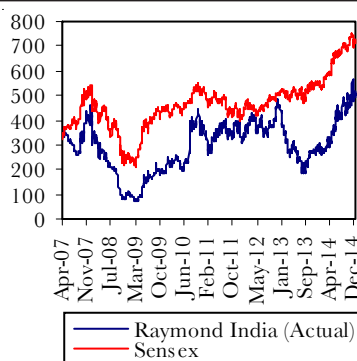
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	23.8	34.5
+/- (%)	2.3	44.7
PER (x)	21.7	15.0
PBV (x)	2.0	1.8
Dividend/Yield (%)	0.6	0.8
EV/EBITDA (x)	8.5	7.0

Major shareholders (%)

Promoters	40
FII's	10
MF's	3
BFSI's	10
Public & Others	37

Relative performance



Raymond

Maintain BUY

Focus on revenue growth...

Recent performance

Raymond's 1HFY15 revenue grew by 22% YoY supported by branded textile (up ~25% YoY), garmenting (up ~37% YoY) and denim & shirting division (up ~33% YoY). EBITDA and PAT margin, however, fell by 220 bps and 100 bps, respectively, on account of lower profitability in branded textile and engineering business.

Between FY12-14, revenue grew at a CAGR of 12% supported by garments and denim & shirting division while EBITDA grew marginally by 3% mainly due to the high cost inventory in the branded apparel segment. During this period, the company repaid final tranche of outstanding VRS amount (Thane relocation) of Rs 1.1 bn.

Key sensitivities to growth/Key risks

- Margin improvement in branded apparel segment.
- Effective monetisation of Thane land.

Strategic initiatives/Capex plans

- Strengthening brands visibility to increase market share through higher ad spends, modernise and aggressively expand retail presence (renovating ~60 stores and open ~150 new stores) and expanding capacities in export driven business.
- The company has increased its capex guidance from ~Rs 2 bn to ~Rs 3 bn to pursue its growth plans (~Rs 1 bn on maintenance and remaining towards growth).
- Recently launched Raymondnext.com to cater the fast growing e-tailing market.

Balance sheet position

- Working capital cycle has remained stable at ~90 days.
- Net debt/EBITDA (x) reduced from 4.4x (FY10) to 2.9x (FY14). RoE improved from 3.2% (FY10) to 10.1% (FY14).
- Net debt increased from Rs 11 bn (FY10) to Rs 14 bn (FY14).

Valuation and view

The recent shift in the strategy of the company to focus on revenue growth will impact the operating performance of the company in the short-term because of the higher operating cost. Some of the benefits of these costs will accrue going forward. Raymond is a well positioned integrated textile company having powerful brand equity in worsted fabric business with a combination of strong apparel branded portfolio and extensive retail presence through various sales channels across the cities/towns. At Rs 516, it is trading at a 7.0x FY16E EV/EBITDA. Monetisation of Thane land could provide further upside to the stock price.

Resham Jain, CFA
resham.jain@bksec.com

Nishant Agrawal
nishant.agrawal@bksec.com

Raymond

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Revenue	40,692	45,480	52,696	59,721
Growth (%)	11.7	11.8	15.9	13.3
Operating expenses	(36,978)	(40,680)	(47,174)	(52,778)
Operating profit	3,714	4,800	5,523	6,943
EBITDA	3,714	4,800	5,523	6,943
Growth (%)	(18.1)	29.2	15.1	25.7
Depreciation	(1,890)	(1,958)	(1,826)	(2,180)
Other income	739	727	631	600
EBIT	2,562	3,568	4,328	5,363
Finance Cost	(1,906)	(1,968)	(2,324)	(2,451)
Exceptional & Extraordinary	(290)	(354)	0	0
Profit before tax	367	1,246	2,004	2,912
Tax (current + deferred)	(249)	(298)	(621)	(970)
P/(L) for the period	117	949	1,383	1,942
P/L of Associates,	170	128	80	175
Min Int, Pref Div				
Reported Profit/(Loss)	287	1,076	1,463	2,117
Adjusted Net profit	577	1,430	1,463	2,117
Growth (%)	(62.9)	147.9	2.3	44.7

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	614	614	614	614
Reserves & surplus	13,175	14,047	15,139	17,243
Shareholders' funds	13,789	14,661	15,753	17,856
Minority Int, Share	123	705	695	735
Appl, Pref Capital				
Non-Current Liabilities	9,472	12,566	11,868	12,728
Long-term borrowings	8,165	11,178	10,436	11,236
Other Long term liab,	1,307	1,388	1,431	1,492
Prov, DTL				
Current liabilities	18,446	16,491	19,214	20,675
Short-term borrowings,	9,367	7,828	9,877	10,264
Curr Maturity				
Other Current Liab + Provi	9,079	8,663	9,336	10,411
Total (Equity and Liab.)	41,830	44,423	47,530	51,995
Non-current assets	18,858	18,447	19,518	20,561
Fixed assets (Net block)	14,810	14,303	15,086	15,856
Non-current Investments	1,114	1,106	1,145	1,145
Long-term loans and advances	2,436	2,482	2,731	3,004
Other non-current assets, 498		555	555	555
DTA, Goodwill				
Current assets	22,972	25,977	28,012	31,434
Cash & Current Investment	4,508	4,851	4,821	4,890
Other current assets	18,464	21,126	23,191	26,544
Total (Assets)	41,830	44,423	47,530	51,995
Total Debt	17,532	19,006	20,314	21,500
Capital Employed	32,751	35,761	38,194	41,584

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before Tax	367	1,246	2,004	2,912
Depreciation	1,890	1,958	1,826	2,180
Change in working capital	(68)	(3,249)	(1,711)	(2,622)
Total tax paid	(257)	(285)	(621)	(970)
Others	1,167	1,242	1,693	1,851
Cash flow from oper. (a)	3,099	912	3,190	3,351
Capital expenditure	(1,959)	(1,451)	(2,609)	(2,950)
Change in investments	(126)	94	(40)	0
Others	850	718	631	600
Cash flow from inv. (b)	(1,234)	(639)	(2,017)	(2,350)
Free cash flow (a+b)	1,865	274	1,173	1,001
Equity raised/(repaid)	(18)	(39)	0	0
Debt raised/(repaid)	62	1,474	1,308	1,186
Dividend (incl. tax)	(178)	(71)	(144)	(214)
Others	(1,663)	(1,208)	(2,367)	(1,904)
Cash flow from fin. (c)	(1,797)	155	(1,203)	(932)
Net chg in cash (a+b+c)	68	429	(30)	69

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	9.4	23.3	23.8	34.5
Growth	(62.9)	147.9	2.3	44.7
CEPS (Rs)	40.2	55.2	53.6	70.0
Book NAV/share (Rs)	224.6	238.9	256.6	290.9
Dividend/share (Rs)	1.0	2.0	3.0	4.0
Dividend payout ratio	24.8	13.3	14.6	13.5
EBITDA margin	9.1	10.6	10.5	11.6
EBIT margin	6.3	7.8	8.2	9.0
Tax Rate	38.0	18.6	31.0	33.3
RoCE	7.9	10.4	11.7	13.4
Net debt/Equity (x)	0.9	0.9	0.9	0.9
Net Debt/EBITDA (x)	3.5	2.9	2.8	2.4
Du Pont Analysis - ROE				
Net margin	1.4	3.1	2.8	3.5
Asset turnover (x)	1.0	1.1	1.1	1.2
Leverage factor (x)	3.0	3.0	3.0	3.0
Return on equity	4.2	10.1	9.6	12.6

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	30.4	13.0	21.7	15.0
PCE	7.1	5.5	9.6	7.4
Price/Book	1.3	1.3	2.0	1.8
Yield (%)	0.3	0.7	0.6	0.8
EV/EBITDA	8.2	6.8	8.5	7.0

MID CAP

Share Data

Price (Rs)	261
BSE Sensex	27,888
Reuters code	SADE.BO
Bloomberg code	SADE IN
Market cap. (US\$ mn)	707
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	171

Performance (%)	1M	3M	12M
Absolute	6	19	197
Relative	8	13	123

Valuation ratios

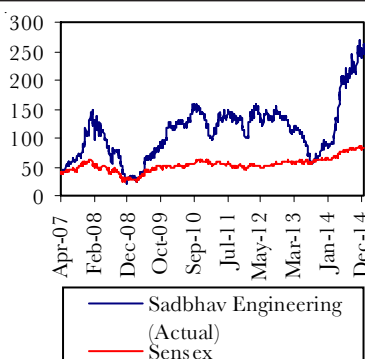
Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	6.0	8.1
+/- (%)	(22.5)	34.2
PER (x)	43.2	32.2
PBV (x)	3.5	3.2
Dividend/Yield (%)	0.3	0.3
EV/Sales (x)	1.8	1.7
EV/EBITDA (x)	17.2	15.1

Major shareholders* (%)

Promoters	48
FII's	16
MF's	26
Bodies Corporate	7
Public & Others	3

*Pre-QIP and warrants conversion

Relative performance



Sadbhav Engineering

Maintain BUY

BOT HoldCo IPO holds the key

Recent performance

Commencement of revenue recognition at recently bagged road BOT projects and ramp-up in mining projects seem to have reignited growth engines for the company which led to a revenue decline of ~32% in FY13 owing to lack of executable orders. In terms of consolidated performance, toll revenues witnessed an increase of ~43% YoY during FY14 owing to stabilising operations and introduction of new projects.

Key sensitivities to growth/Key risks – Next 12 months

- Gradual up-tick in traffic along with increasing number of operational projects (three under construction projects expected to commence tolling in FY16) would come to strengthen stable revenue stream for the company.
- Ramp-up in construction activity at Mysore –Bellary road project (appointed date received on 12 Dec 2014) holds potential to improve construction revenues.

Strategic initiatives/Capex plans

- With an intent to unlock value in BOT holco, Sadbhav Infrastructure Projects Ltd. (77% subsidiary of Sadbhav Engg.) has filed a DRHP with SEBI to issue fresh equity shares of face value of Rs 10 each to raise ~Rs 6 bn and also includes offer for sale up to 16 mn shares each by Xander and Norwest (PE partners).

Balance sheet position

- The company has allotted 8.0 mn shares to promoters on exercise of option for conversion of warrants. The promoters infused ~Rs 926 mn in the company by converting warrants into equity shares at a price of Rs 115.75 per share. Additionally, the company successfully completed QIP issue to raise ~Rs 2.5 bn.
- Equity receipts of ~Rs 0.7 bn upon conversion of warrants by the promoters and ~Rs 2.5 bn from recently concluded QIP have helped the company to de-lever balance sheet by ~Rs 1.4 bn to ~Rs 10.6 bn, subsequent to 2QFY15.
- Cash conversion cycle deteriorated to ~93 days from ~74 days as on 31 March 2014 owing to increase in trade receivables and short term loans & advances.

Valuation and view

Improvement in construction revenues is along expectation the only thing now awaited is a meaningful uptick in traffic numbers at road BOTs. While there exist early signs of revival, a further traction remains crucial for the SPVs to turn self sufficient. Anticipating uptick in economic activity, we remain hopeful of early signs of revival in traffic growth to more than sustain. At the current market price, the stock is trading at price to book multiple of 3.5x FY15E and 3.2x FY16E.

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

Sadbhav Engineering

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	18,110	23,581	29,941	32,905
Growth (%)	(32.3)	30.2	27.0	9.9
Operating expenses	(16,552)	(21,088)	(26,749)	(29,297)
Operating profit	1,558	2,494	3,193	3,609
EBITDA	1,558	2,494	3,193	3,609
Growth (%)	(46.1)	60.1	28.0	13.0
Depreciation	(318)	(474)	(883)	(667)
Other income	97	114	80	92
EBIT	1,336	2,134	2,389	3,033
Finance cost	(837)	(795)	(958)	(941)
Exceptional & extraordinary	609	(383)	–	–
Profit before tax	1,109	955	1,431	2,093
Tax (current + deferred)	(368)	(24)	(394)	(701)
P/(L) for the period	741	931	1,037	1,392
Reported Profit/(Loss)	741	931	1,037	1,392
Adjusted net profit	334	1,184	1,037	1,392
Growth (%)	(76.1)	254.7	(12.4)	34.2

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	151	152	171	171
Reserves & surplus	8,175	9,189	13,159	14,406
Shareholders' funds	8,326	9,341	13,330	14,578
Minority interests and others	–	232	2	2
Non-current liabilities	4,243	5,089	6,135	4,627
Long-term borrowings	3,122	4,215	5,288	3,780
Other non-current liabilities	1,122	874	846	847
Current liabilities	12,340	15,618	15,931	16,788
ST borrowings, curr maturity	4,508	6,042	5,431	6,494
Other current liabilities	7,832	9,577	10,500	10,294
Total (equity and liab.)	24,909	30,279	35,397	35,995
Non-current assets	10,624	15,207	16,841	16,580
Fixed assets (net block)	3,303	4,982	4,799	4,881
Non-current investments	5,385	5,210	5,215	5,215
Long-term loans and advances	1,520	4,817	6,389	5,927
Other non-current assets	417	199	439	557
Current assets	14,285	15,072	18,555	19,414
Cash & current investment	218	762	630	499
Other current assets	14,067	14,310	17,926	18,916
Total (assets)	24,909	30,279	35,397	35,995
Total debt	7,630	10,257	10,719	10,274
Capital employed	17,077	20,703	24,897	25,701

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,109	955	1,431	2,093
Depreciation	318	474	883	667
Chg in working capital	(1,836)	(1,812)	(4,274)	(731)
Total tax paid	(285)	16	(509)	(701)
Others	751	699	878	849
Cash flow from oper. (a)	57	331	(1,590)	2,177
Capital expenditure	(657)	(2,052)	(927)	(750)
Change in investments	(2,062)	175	(5)	–
Others	97	314	(161)	(26)
Cash flow from inv. (b)	(2,622)	(1,563)	(1,093)	(776)
Free cash flow (a+b)	(2,566)	(1,232)	(2,683)	1,401
Equity raised/(repaid)	70	318	3,094	–
Debt raised/(repaid)	3,142	2,627	462	(445)
Dividend (incl. tax)	(105)	(106)	(124)	(144)
Others	(887)	(1,063)	(881)	(943)
Cash flow from fin. (c)	2,220	1,777	2,551	(1,532)
Net chg in cash (a+b+c)	(346)	545	(132)	(131)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	2.2	7.8	6.0	8.1
Growth	(76.2)	253.0	(22.5)	34.2
CEPS (Rs)	4.3	10.9	11.2	12.0
Book NAV/share (Rs)	49.5	55.3	73.5	80.8
Dividend/share (Rs)	0.6	0.7	0.7	0.7
Dividend payout ratio	14.2	13.5	13.9	10.3
EBITDA margin	8.6	10.6	10.7	11.0
EBIT margin	7.4	9.0	8.0	9.2
Tax rate	74.5	(43.6)	27.6	33.5
RoCE	8.9	11.3	10.5	12.0
Total debt/Equity (x)	0.9	1.1	0.8	0.7
Net debt/Equity (x)	0.9	1.0	0.8	0.7
Du Pont Analysis - ROE				
Net margin	1.8	5.0	3.5	4.2
Asset turnover (x)	0.8	0.9	0.9	0.9
Leverage factor (x)	3.2	3.5	3.1	2.7
Return on equity	4.7	14.9	9.9	10.5

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	54.1	12.5	43.2	32.2
PCE	27.7	8.9	23.3	21.7
Price/Book	2.4	1.8	3.5	3.2
Yield (%)	0.5	0.7	0.3	0.3
EV/EBITDA	16.3	9.7	17.2	15.1

Note: Tax on non-recurring item adjusted at a rate of ~34%

MID CAP

Share Data

Price (Rs)	3,593
BSE Sensex	27,888
Reuters code	AVPH.BO
Bloomberg code	SANL IN
Market cap. (US\$ mn)	1,308
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	23

Performance (%) 1M 3M 12M

Absolute	1	9	28
Relative	3	4	(4)

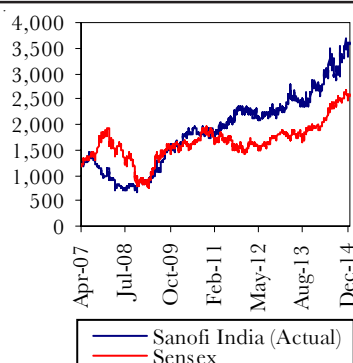
Valuation ratios

Yr to 31 Dec	CY15E	CY16E
EPS (Rs)	127.2	157.4
+/- (%)	23.2	23.7
PER (x)	28.2	22.8
PBV (x)	5.3	4.7
Dividend/Yield (%)	1.6	1.6
EV/Sales (x)	3.5	3.0
EV/EBITDA (x)	16.2	12.8

Major shareholders (%)

Promoters	60
FII's	15
MF's	11
BFSI's	2
Public & Others	11

Relative performance



Sanofi India

Maintain BUY

NPPA order pending but long term growth story intact

Recent performance/Outlook

Sanofi reported weak numbers for 3QCY14 on account of inclusion of its leading brands (Cardace and Amaryl) under price control (July 2014 NPPA order). Revenues increased by 3% to Rs 4.9 bn while PAT has declined by 19% to Rs 620 mn. Cardace and Amaryl have faced downward price revisions (20-46%) for various dosage forms. As a result, EBITDA declined by 17% with margins contracting by 490 bps to 20.2%. While guidelines for including new drugs under price control have been withdrawn by NPPA, we expect the July 2014 notification to be withdrawn in due course (time-line not certain). In the long-term, we expect Sanofi to benefit from volume share gains and annual price hikes for NLEM (up to 6.2% p.a.) and non-NLEM brands (up to 10% p.a.).

Key sensitivities to growth/Key risks

- 1) Price hikes for NLEM/non-NLEM brands to flow directly to the bottom line. 2) Universal Medicare business recovering and likely to contribute meaningfully going ahead. 3) Exports are growing well and account for 26% of revenues (lower dependence on domestic market). 4) Withdrawal of NPPA July 2014 order to see reversal of 14-15% EPS hit assumed due to addition of drugs.

Key challenges: 1) Addition of more drugs under price control. 2) Delay in incremental price hikes. 3) Sharp appreciation of INR against other currencies.

Strategic initiatives/Capex plans

- Sanofi incurred capex of Rs 1.9 bn in CY13. For CY14E we expect it to incur ~Rs 1 bn which is likely to be funded from internal accruals.
- New products launches would continue in India, however, focus is likely to remain more on export markets.

Balance sheet position

- Sanofi has been a debt free company. Majority of the capex incurred in the past has been funded through internal accruals and the same trend is expected to continue in future as well. Cash on books remains healthy at Rs 2.6 bn as of CY13. Return ratios (RoCE and RoE) in CY14E are likely to get impacted due to July 2014 order, however, improvement is expected in the medium to long-term driven by price hikes and volume share gains for its portfolio and continued launches.

Valuation and view

At the current market price of Rs 3,593, Sanofi trades at 28x CY15E EPS of Rs 127 and 23x CY16E EPS of Rs 157. Though near term earnings would get impacted, long-term growth story for Sanofi remains intact. Maintain Buy.

Rohit Bhat
rohit.bhat@bksec.com

Amit Hiremath
amit.hiremath@bksec.com

Dhaval Sangoi
dhaval.sangoi@bksec.com

Sanofi India

Income Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Net sales	17,065	18,962	21,596	24,572
<i>Growth (%)</i>	<i>14.2</i>	<i>11.1</i>	<i>13.9</i>	<i>13.8</i>
Operating expenses	(14,110)	(15,935)	(17,970)	(20,007)
Operating profit	2,955	3,026	3,626	4,565
Other operating income	1,021	891	1,115	1,283
EBITDA	3,976	3,917	4,741	5,848
<i>Growth (%)</i>	<i>27.6</i>	<i>(1.5)</i>	<i>21.0</i>	<i>23.4</i>
Depreciation	(923)	(1,003)	(1,116)	(1,201)
Other income	582	643	757	814
EBIT	3,635	3,557	4,381	5,460
Finance cost	(4)	(8)	(8)	(8)
Exceptional & extraordinary	254	0	0	0
Profit before tax	3,885	3,549	4,373	5,452
Tax (current + deferred)	(1,233)	(1,171)	(1,443)	(1,827)
P/(L) for the period	2,652	2,378	2,930	3,626
Reported Profit/(Loss)	2,652	2,378	2,930	3,626
Adjusted net profit	2,398	2,378	2,930	3,626
<i>Growth (%)</i>	<i>35.7</i>	<i>(0.8)</i>	<i>23.2</i>	<i>23.7</i>

Balance Sheet

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Share capital	230	230	230	230
Reserves & surplus	13,237	14,171	15,522	17,570
Shareholders' funds	13,467	14,401	15,753	17,800
Non-current liabilities	627	644	679	719
Other non-current liabilities	627	644	679	719
Current liabilities	4,354	5,157	5,826	6,361
Other current liabilities	4,354	5,157	5,826	6,361
Total (Equity and Liab.)	18,448	20,202	22,257	24,880
Non-current assets	8,976	8,710	8,419	8,306
Fixed assets (Net block)	8,347	8,095	7,729	7,527
Non-current Investments	2	2	2	2
Long-term loans and advances	616	602	676	763
Other non-current assets	11	11	12	14
Current assets	9,471	11,492	13,838	16,574
Cash & current investment	2,644	4,621	6,146	7,911
Other current assets	6,827	6,871	7,692	8,663
Total (Assets)	18,448	20,202	22,257	24,880
Capital employed	14,094	15,045	16,432	18,519

Cash Flow Statement

Period end (Rs mn)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Profit before tax	3,885	3,549	4,373	5,452
Depreciation	923	1,003	1,116	1,201
Change in working capital	(2,581)	270	(326)	(482)
Total tax paid	(1,079)	(1,171)	(1,443)	(1,827)
Others	4	8	8	8
Cash flow from oper. (a)	1,151	3,659	3,729	4,353
Capital expenditure	(1,765)	(724)	(750)	(1,000)
Change in investments	1	0	0	0
Others	16	(0)	(1)	(2)
Cash flow from inv. (b)	(1,748)	(724)	(751)	(1,002)
Free cash flow (a+b)	(597)	2,935	2,977	3,352
Dividend (incl. tax)	(980)	(943)	(1,444)	(1,578)
Others	(68)	(15)	(8)	(8)
Cash flow from fin. (c)	(1,047)	(959)	(1,452)	(1,586)
Net chg in cash (a+b+c)	(1,644)	1,977	1,525	1,765

Key Ratios

Period end (%)	Dec 13	Dec 14E	Dec 15E	Dec 16E
Adjusted EPS (Rs)	104.1	103.3	127.2	157.4
Growth	35.7	(0.8)	23.2	23.7
CEPS (Rs)	144.2	146.8	175.7	209.6
Book NAV/share (Rs)	580.3	620.8	679.5	768.4
Dividend/share (Rs)	43.8	53.8	58.8	58.8
Dividend payout ratio	43.2	60.7	53.9	43.5
EBITDA margin	22.0	19.7	20.9	22.6
EBIT margin	21.3	18.8	20.3	22.2
Tax rate	34.0	33.0	33.0	33.5
RoCE	27.4	24.4	27.8	31.2
Net debt/Equity (x)	(0.2)	(0.3)	(0.4)	(0.4)
Du Pont Analysis - ROE				
Net margin	14.1	12.5	13.6	14.8
Asset turnover (x)	1.0	1.0	1.0	1.0
Leverage factor (x)	1.4	1.4	1.4	1.4
Return on equity	19.0	17.2	19.6	21.7

Valuations

Period end (x)	Dec 13	Dec 14E	Dec 15E	Dec 16E
PER	26.4	34.8	28.2	22.8
PCE	19.1	24.5	20.4	17.1
Price/Book	4.7	5.8	5.3	4.7
Yield (%)	1.6	1.5	1.6	1.6
EV/EBITDA	15.3	20.0	16.2	12.8

MID CAP

Share Data

Price (Rs)	60
BSE Sensex	27,888
Reuters code	SCI.BO
Bloomberg code	SCI IN
Market cap. (US\$ mn)	440
6M avg. daily turnover (US\$ mn)	1.2
Issued shares (mn)	466

Performance (%) 1M 3M 12M

Absolute	(8)	7	43
Relative	(6)	2	7

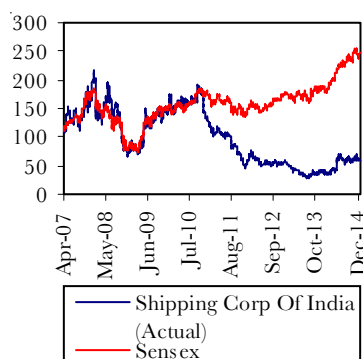
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs.)	2.1	2.6
+/- (%)	(135.6)	23.0
PER (x)	28.5	23.2
PBV (x)	0.4	0.4
EV/Sales (x)	1.9	1.6
EV/EBITDA (x)	11.8	10.3

Major shareholders (%)

Promoters	64
FII's	2
BFSI's	19
Public & Others	16

Relative performance



Shipping Corporation of India Maintain Underperformer

Bulk business continues to bleed

Recent performance

Shipping Corporation of India's (SCI) EBITDA has achieved negative CAGR of 8.4% over FY11-14 to Rs 6,097 mn whereas its net profit of Rs 5,674 mn in FY11 has turned to net loss of Rs 2,747 mn in FY14 primarily due to significant losses in its liner and bulk business. In 1H FY15, EBITDA has shown robust growth of 37.5% YoY to Rs 3,566 mn primarily due to liner business coming back in the black and reduction of operating losses in the bulk business. SCI made net profit of Rs 681 mn in 1H FY15 versus loss of Rs 2,222 mn YoY.

Key sensitivities to growth/Key risks – Next 12 months

- SCI has a few tankers which are up for renewal during FY15; if these vessels get renewed at a lower rate it may put pressure on the company's profitability and earnings. Except for the offshore division, SCI's liner and bulk division have been continuously incurring losses at the operating level. If the charter rates for these asset classes don't improve significantly, SCI may continue to lose money in these segments which may put further pressure on earnings.

Strategic initiatives/Capex plans

- SCI has rescinded shipbuilding contracts for a total of 7 vessels which were on order since December 2013 due to non-delivery of vessels within the contractual period. It currently has only one VLCC on order which the company has indicated wouldn't be delivered on schedule and hence the shipbuilding contract for the same would have to be subsequently rescinded.

Balance sheet position

- SCI is reducing its debt and currently has Rs 62 bn on its books versus Rs 71.6 bn in March 2014. As the company has limited capex, we believe it would be able to pare down its debt further. SCI had negative RoCE and RoE in FY13 and FY14 due to losses both at the operating and net profit level, however, we believe with an improvement in charter rates the company would be able to generate profits both at the operating and net level.

Outlook and valuation

The company has indicated that there are small signs of recovery in the global economy; however, in the short term challenges in terms of demand-supply mismatch continue to persist. SCI is planning to increase its focus in the LPG and offshore segment going forward. The stock is currently trading at 28.1x and 22.8x its FY15E and FY16E EPS and 11.8x and 10.2x its FY15E and FY16E EV/EBITDA, respectively.

Bhavin Gandhi, CFA
bhavin.gandhi@bksec.com

Jinit Mehta
jinit.mehta@bksec.com

Shipping Corporation of India

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	42,396	43,059	43,111	45,267
<i>Growth (%)</i>	<i>9.6</i>	<i>1.6</i>	<i>0.1</i>	<i>5.0</i>
Operating expenses	(39,413)	(36,962)	(36,215)	(38,026)
Operating profit	2,983	6,097	6,896	7,241
EBITDA	2,983	6,097	6,896	7,241
<i>Growth (%)</i>	<i>429.2</i>	<i>104.4</i>	<i>13.1</i>	<i>5.0</i>
Depreciation	(7,605)	(8,565)	(7,850)	(8,282)
Other income	2,558	2,331	4,500	4,725
EBIT	(2,064)	(137)	3,546	3,684
Finance cost	(1,618)	(2,077)	(1,870)	(1,683)
Profit before tax	(3,682)	(2,214)	1,677	2,001
Tax (current + deferred)	(459)	(533)	(700)	(800)
P/(L) for the period	(4,141)	(2,747)	977	1,201
Reported Profit/(Loss)	(4,141)	(2,747)	977	1,201
Adjusted net profit	(1,143)	(2,747)	977	1,201
<i>Growth (%)</i>	<i>(73.3)</i>	<i>140.3</i>	<i>(135.6)</i>	<i>23.0</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	4,658	4,658	4,658	4,658
Reserves & surplus	61,504	58,740	59,717	60,918
Shareholders' funds	66,162	63,398	64,375	65,576
Non-current liabilities	69,400	67,033	60,462	54,548
Long-term borrowings	68,226	65,707	59,137	53,223
Other non-current liabilities	1,174	1,325	1,325	1,325
Current liabilities	25,400	32,117	32,372	32,718
ST borrowings, Curr maturity	13,418	5,845	5,261	4,735
Other current liabilities	11,982	26,272	27,111	27,983
Total (Equity and Liab.)	160,962	162,548	157,208	152,842
Non-current assets	134,068	130,031	124,181	117,899
Fixed assets (Net block)	117,297	119,976	114,126	107,844
Non-current Investments	2	131	131	131
Long-term loans and adv.	16,719	9,879	9,879	9,879
Other non-current assets	51	45	45	45
Current assets	26,894	32,517	33,028	34,943
Cash & current investment	13,825	11,194	10,638	11,434
Other current assets	13,069	21,324	22,390	23,509
Total (Assets)	160,962	162,548	157,209	152,842
Total debt	81,644	71,553	64,398	57,958
Capital employed	148,980	136,276	130,098	124,859

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	(3,682)	(2,214)	1,677	2,001
Depreciation	7,605	8,565	7,850	8,282
Change in working capital	3,989	13,027	(227)	(247)
Total tax paid	(475)	(535)	(700)	(800)
Others	(940)	(254)	(2,630)	(3,042)
Cash flow from oper. (a)	6,498	18,590	5,969	6,194
Capital expenditure	(32,155)	(11,244)	(2,000)	(2,000)
Change in investments	(356)	44	0	0
Others	4,481	2,337	4,500	4,725
Cash flow from inv. (b)	(28,030)	(8,863)	2,500	2,725
Free cash flow (a+b)	(21,532)	9,727	8,469	8,919
Debt raised/(repaid)	18,415	(10,092)	(7,155)	(6,440)
Others	1,341	(2,094)	(1,870)	(1,683)
Cash flow from fin. (c)	19,756	(12,186)	(9,025)	(8,122)
Net chg in cash (a+b+c)	(1,776)	(2,459)	(555)	796

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(2.5)	(5.9)	2.1	2.6
Growth	(73.3)	140.3	(135.6)	23.0
CEPS (Rs)	13.9	12.5	18.9	20.4
Book NAV/share (Rs)	142.0	136.1	138.2	140.8
EBITDA margin	7.0	14.2	16.0	16.0
EBIT margin	(4.9)	(0.3)	8.2	8.1
Tax rate	(67.0)	(24.1)	41.7	40.0
RoCE	(1.5)	(0.1)	2.7	2.9
Total debt/Equity (x)	1.2	1.1	1.0	0.9
Net debt/Equity (x)	1.0	1.0	0.8	0.7
Du Pont Analysis - ROE				
Net margin	(2.7)	(6.4)	2.3	2.7
Asset turnover (x)	0.3	0.3	0.3	0.3
Leverage factor (x)	2.3	2.5	2.5	2.4
Return on equity	(1.7)	(4.2)	1.5	1.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	(16.4)	(7.0)	28.5	23.2
PCE	2.9	3.3	3.2	2.9
Price/Book	0.3	0.3	0.4	0.4
EV/EBITDA	29.0	13.1	11.8	10.3

MID CAP

Share Data

Price (Rs)	487
BSE Sensex	27,888
Reuters code	SHOP.BO
Bloomberg code	SHOP IN
Market cap. (US\$ mn)	641
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	83

Performance (%) 1M 3M 12M

Absolute	(3)	(11)	20
Relative	(1)	(15)	(10)

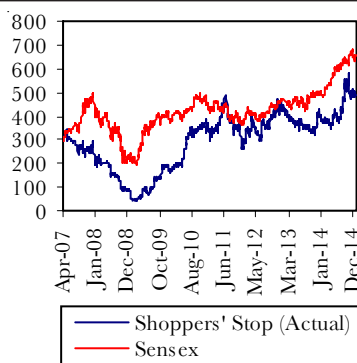
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	(0.5)	6.6	15.0
+/- (%)	—	—	125.3
PER (x)	(902.4)	73.3	32.5
PBV (x)	8.5	7.7	6.3
Dividend/Yield(%)	0.2	0.2	0.2
EV/Sales (x)	1.1	0.9	0.8
EV/EBITDA (x)	25.8	16.4	11.4

Major shareholders (%)

Promoters	67
FII's	3
MF's	14
Public & Others	15

Relative performance



Shoppers Stop

Maintain Underperformer

Established retail formats...exploring omni-channel presence

Recent performance

Shoppers Stop sales grew by 16% CAGR over FY12-14 led by improvement in SSG from 7% to ~10% in FY14. However, operational performance remained weak (3% CAGR), with margins declining by 80 bps on the back of increase in costs due to store additions. This coupled with high interest and depreciation impacted the overall profitability. For 1H FY15, Shoppers Stop results were ahead of expectations led by strong operational performance as Hypercity achieved break-even. Management has guided standalone SSG to be 7-8% in 2H FY15.

Key triggers/Risks – Next 12 months

- Recovery in margins to ~8% levels while expanding retail space continues to be a challenge given the slow ramp-up and high costs of new stores.
- Rising competition from international branded and e-retailing players.

Strategic initiatives

- The company to focus on right sizing of stores, improve mix and control operating expenses. It plans to further right size Hypercity with reduction of 50k sq ft in 2H FY15 and another 50k sq ft in FY16. Future store openings will be smaller in size of 30-50k sq ft, which have been more successful. It expects fashion share to increase from ~14% to 19% in FY16 which would add 50-60 bps to margins. Management continues to maintain its Hypercity break-even target of the company's EBITDA in FY15 and net profit in FY16.
- Management plans to have an omni-channel presence with its own retailing website providing consumers with additional shopping and delivery options.

Balance sheet position

- Overall debt on books remains high at Rs 6.7 bn and is expected to increase by ~Rs 300-400 mn by year end.

Valuation and view

Shopper's margin improvement in 1H FY15 has been on track led by better LTL growth during discount season and control on costs. However, despite factoring in optimistic assumptions current valuations look expensive at 16x FY16 consolidated EBITDA and 74x FY16 earnings. Sequential moderation in LTL growth and new store additions to Hypercity may restrict margin expansion in 2H FY15 we believe. We maintain Underperformer rating on the stock.

Ashit Desai
ashit.desai@bksec.com

Shoppers Stop

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	38,499	44,236	50,973	58,679
<i>Growth (%)</i>	<i>17.1</i>	<i>14.9</i>	<i>15.2</i>	<i>15.1</i>
Operating expenses	(38,257)	(43,382)	(49,209)	(55,878)
Operating profit	241	854	1,764	2,801
Other operating income	852	962	1,067	1,205
EBITDA	1,093	1,816	2,831	4,006
<i>Growth (%)</i>	<i>13.7</i>	<i>66.1</i>	<i>55.9</i>	<i>41.5</i>
Depreciation	(981)	(1,159)	(1,250)	(1,346)
Other income	61	58	65	73
EBIT	174	714	1,645	2,732
Finance cost	(653)	(715)	(685)	(680)
Exceptional & extraordinary	233	0	0	0
Profit before tax	(246)	(0)	960	2,053
Tax (current + deferred)	(257)	(358)	(607)	(873)
P/(L) for the period	(503)	(359)	354	1,179
P/L of Associates,	420	314	199	66
Min Int, Pref Div				
Reported Profit/(Loss)	(83)	(45)	553	1,245
Adjusted net profit	(340)	(45)	553	1,245
<i>Growth (%)</i>	—	—	—	<i>125.3</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	416	416	416	416
Reserves & surplus	4,489	4,359	4,827	5,988
Shareholders' funds	4,905	4,775	5,243	6,405
Minority Intersts and others	15	93	286	0
Non-current liabilities	3,326	3,427	3,428	3,429
Long-term borrowings	3,220	3,320	3,320	3,320
Other non-current liabilities	106	107	108	109
Current liabilities	9,542	10,047	10,912	11,913
ST borrowings, Curr maturity	3,229	3,229	3,179	3,129
Other current liabilities	6,313	6,818	7,733	8,784
Total (Equity and Liab.)	17,788	18,341	19,869	21,747
Non-current assets	11,678	12,409	12,770	12,825
Fixed assets (Net block)	7,944	8,374	8,396	8,071
Long-term loans and advances	2,564	2,843	3,155	3,505
Other non-current assets	1,170	1,193	1,219	1,249
Current assets	6,110	5,932	7,099	8,922
Cash & current investment	279	245	581	1,457
Other current assets	5,831	5,687	6,518	7,465
Total (Assets)	17,788	18,341	19,869	21,747
Total debt	6,449	6,549	6,499	6,449
Capital employed	11,474	11,524	12,136	12,963

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	(246)	(0)	960	2,053
Depreciation	981	1,159	1,250	1,346
Change in working capital	(60)	363	(210)	(227)
Total tax paid	(220)	(358)	(607)	(873)
Others	644	715	685	680
Cash flow from oper. (a)	1,098	1,878	2,078	2,978
Capital expenditure	(2,192)	(1,604)	(1,290)	(1,040)
Change in investments	(0)	0	0	0
Others	(50)	(23)	(26)	(30)
Cash flow from inv. (b)	(2,242)	(1,627)	(1,316)	(1,070)
Free cash flow (a+b)	(1,144)	251	762	1,908
Equity raised/(repaid)	51	0	0	0
Debt raised/(repaid)	1,467	100	(50)	(50)
Dividend (incl. tax)	(73)	(73)	(96)	(96)
Others	(291)	(311)	(280)	(886)
Cash flow from fin. (c)	1,155	(284)	(426)	(1,032)
Net chg in cash (a+b+c)	11	(33)	336	876

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	(4.1)	(0.5)	6.6	15.0
Growth	—	—	—	125.3
CEPS (Rs)	7.7	13.4	21.7	31.1
Book NAV/share (Rs)	58.9	57.4	63.0	77.0
Dividend/share (Rs)	0.8	1.0	1.0	1.0
Dividend payout ratio	—	—	17.4	7.7
EBITDA margin	2.8	4.1	5.6	6.8
EBIT margin	0.5	1.6	3.2	4.7
Tax rate	—	—	63.2	42.5
RoCE	1.6	6.2	13.9	21.8
Total debt/Equity (x)	1.3	1.3	1.2	1.0
Net debt/Equity (x)	1.3	1.3	1.1	0.8
Du Pont Analysis - ROE				
Net margin	(0.9)	(0.1)	1.1	2.1
Asset turnover (x)	2.3	2.4	2.7	2.8
Leverage factor (x)	3.3	3.7	3.8	3.6
Return on equity	(6.9)	(0.9)	11.0	21.4

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	(94.2)	(902.4)	73.3	32.5
PCE	49.9	36.4	22.5	15.6
Price/Book	6.5	8.5	7.7	6.3
Yield (%)	0.2	0.2	0.2	0.2
EV/EBITDA	34.9	25.8	16.4	11.4

MID CAP

Share Data

Price (Rs)	1,995
BSE Sensex	27,888
Reuters code	SHCU.BO
Bloomberg code	SCUF IN
Market cap. (US\$ mn)	2,077
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	66

Performance (%) 1M 3M 12M

Absolute	16	19	88
Relative	18	13	41

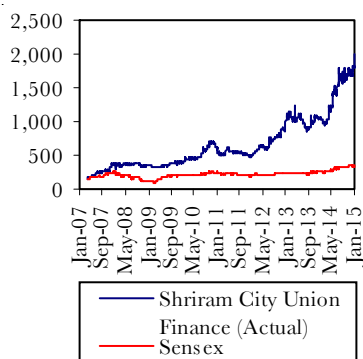
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	88.8	116.0
+/- (%)	1.1	30.5
ABV (Rs)	614.7	713.9
+/- (%)	28.0	16.1
PER (x)	22.5	17.2
P/ABV (x)	3.2	2.8
Dividend/Yield (%)	0.6	0.7

Major shareholders (%)

Promoters	34
FII's	25
MF's	2
Public & Others	39

Relative performance



Shriram City Union Finance Maintain Outperformer

Smart niche player

Recent performance/Outlook

Disbursements are likely to grow at a CAGR of 20%+ over FY15-17E, AUM expected to grow at CAGR of 18%+ over FY15-17E. MSME and two-wheelers loans to be the key growth drivers; expect 20% YoY growth in both the segments over FY15-17E on the back of improving market conditions and product maturity; MSME loans to increase to 65% of AUM by FY17E.

NIM is likely to remain stable at 13%+ levels supported by higher yields (portfolio growth led by higher yielding MSME and two-wheeler loans) and easing borrowing costs (50% borrowings linked to banks' base rate). NIM of 13.4% in 1HFY15.

Recoveries have improved across product categories; expect asset quality to remain stable with GNPA of <3% over FY15-17E. Transition to NPA recognition on 90 dpd basis by FY18E could increase NPA by ~100-150 bps; nonetheless, credit costs will remain <3% as the high PCR at 80% is likely to be reduced.

Key sensitivities to growth/Key risks

- Steep decline in gold prices may result in higher NPAs; slippages in MSME loans.

Strategic initiatives

- Focused on expanding MSME loan portfolio beyond Shriram Chits' customers.
- Business picking up in non-south geographies; roll out in under-banked regions of Central and Eastern India.
- Build-up in mortgage loans through Shriram Home Finance; the strong capital base (CAR of 30%, tier I at 25%) to be used for acquisition in housing finance or portfolio buy outs in other asset segments.

Balance sheet position

- The management intends to grow the balance sheet in tandem with the disbursements, expect 17-20% YoY growth over FY15-17E.
- Funding mix remains largely skewed towards bank (53%); 51% of the borrowings are on floating rate basis which will help lower borrowing costs over FY15-17E.

Valuation and view

We expect earnings CAGR of 20%+ with RoA of 3.5%+ over FY15-17E; RoE will bounce back to 20%+ levels over FY15-18E as business growth gains traction and leverage increases. Currently, it is trading at 2.3x FY16E P/ABV and 14.8x FY16E PER. We have an Outperformer rating on the stock.

Vishal Sheth
vishal.sheth@bksec.com

Shweta Daptardar
shweta.daptardar@bksec.com

Shriram City Union Finance

Income Statement				
Yr end 31 Mar (Rs mn)	FY13	FY14	FY15E	FY16E
Interest Income	30,472	31,519	33,649	38,262
Interest Expended	14,105	13,507	12,620	13,181
Net Interest Income	16,367	18,012	21,029	25,081
Growth %	46.6	10.1	16.7	19.3
Other Income	75	487	650	900
Total net income	16,442	18,500	21,679	25,981
Growth %	46.3	12.5	17.2	19.8
Operating expenses	6,227	7,239	8,483	9,892
- Staff Expenses	2,239	2,708	3,212	3,820
- Other Expenses	3,987	4,531	5,271	6,072
Pre-Provision Profit	10,215	11,261	13,195	16,089
Provisions & Contingencies	3,559	3,462	4,498	4,737
Profit before tax	6,657	7,799	8,697	11,352
Provision for tax	2,160	2,587	2,844	3,712
Tax Rate (%)	32.5	33.2	32.7	32.7
Net profit	4,496	5,211	5,853	7,640
Growth %	31.3	15.9	12.3	30.5

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY13	FY14	FY15E	FY16E
Capital	554	593	659	659
Reserves & Surplus	21,495	28,356	40,365	47,003
Networth	22,528	28,983	41,048	47,680
Borrowings	117,229	108,040	100,267	119,066
Sub-ordinated debt	10,058	12,451	12,513	12,576
Other Liabilities & Provisions	13,915	14,348	15,564	17,152
Total Liabilities	163,730	163,822	169,393	196,473
Cash	22,705	24,891	4,221	3,524
Investments	730	6,276	18,000	13,000
Advances	134,865	127,948	142,460	174,994
Fixed assets	884	1,014	1,014	996
Other Current Assets	4,546	3,693	3,698	3,959
Total Assets	163,730	163,822	169,393	196,473

Key Ratios				
Yr end 31 Mar	FY13	FY14	FY15E	FY16E
Operational & financial ratios (Rs)				
EPS	81.1	87.9	88.8	116.0
Book Value	406.5	488.9	623.0	723.7
Adjusted Book Value	393.5	480.2	614.7	713.9
DPS	8.6	10.7	12.1	13.0
Spread Analysis (%)				
Yield on Advances	21.9	21.8	22.5	21.8
Yield on Assets	21.2	19.5	20.5	21.2
Cost of funds	12.4	10.7	10.7	10.6
Interest Spread	8.7	8.8	9.8	10.6
NIM (on AUM)	11.2	11.8	13.5	13.6
Profitability Ratios (%)				
RoAA	3.1	3.2	3.5	4.2
RoAE	22.5	20.2	16.7	17.2
Asset quality ratios (%)				
GNPA	2.2	2.6	2.8	2.7
NNPA	0.8	0.6	0.6	0.6
NNPA/Total Assets	0.7	0.5	0.5	0.5
NNPA/Net worth	4.8	2.6	2.0	2.0
Provision coverage	63.4	77.6	80.0	80.0
Capitalisation ratios (%)				
Tier I cap.adequacy	14.9	20.2	23.2	21.6
Total cap.adequacy	19.0	26.1	29.1	27.3
Total Assets/Equity	7.3	5.7	4.1	4.1
Loans/Assets	82.4	78.1	84.1	89.1
Investments/Assets	0.4	3.8	10.6	6.6
Efficiency ratios (%)				
Cost/Income	37.9	39.1	39.1	38.1
Cost/Assets	4.3	4.4	5.1	5.4
Productivity ratios (Rs mn)				
Operating cost per employee	0.3	0.5	0.5	0.5
Assets per employee	8.8	10.4	9.7	9.8
Adjusted net profit per employee	0.2	0.3	0.3	0.4
Valuation ratios (x)				
PER	24.6	22.7	22.5	17.2
Price/ Book value	4.9	4.1	3.2	2.8
Price/Adjusted book	5.1	4.2	3.2	2.8
Yield (%)	0.4	0.5	0.6	0.7

MID CAP

Share Data

Price (Rs)	365
BSE Sensex	27,888
Reuters code	SMCPBO
Bloomberg code	SINF IN
Market cap. (US\$ mn)	286
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	49

Performance (%)	1M	3M	12M
Absolute	2	70	297
Relative	4	62	197

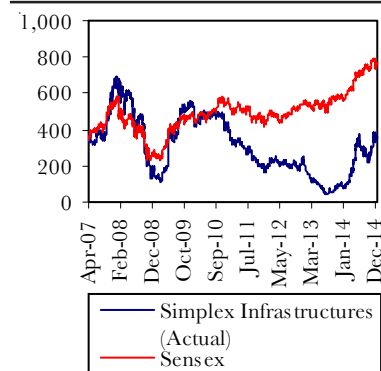
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	13.1	20.9
+/- (%)	7.0	60.1
PER (x)	28.0	17.5
PBV (x)	1.3	1.2
Dividend/Yield (%)	0.1	0.1
EV/Sales (x)	0.9	0.8
EV/EBITDA (x)	8.5	7.9

Major shareholders (%)

Promoters	56
FII's	12
MFs/Fis	18
DII's	6
Public & Others	8

Relative performance



Simplex Infrastructures Maintain Underperformer

Improvement in working capital - the key

Recent performance

Elevated working capital intensity constrained project execution made the company register a decline of ~5.3% in net sales in FY14 to ~Rs 55 bn. The same along with seasonality in business meant performance dropped further by ~3% in 1HFY15. Despite improved EBITDA margins YoY, higher finance costs kept bottom-line flat. Current order backlog of ~Rs 164 bn (as at 30 September 2014) reflects true picture of executable orders as the management took a prudent decision to exclude stuck BOT projects from the order book in 4QFY14. Strong order additions in the recent past made sure the company maintains revenue visibility even post order removal.

Key sensitivities to growth/Key risks – Next 12 months

- L1 position on orders worth ~Rs 12 bn as and when bagged would further help to improve visibility (3.0x on an order backlog of Rs 164 bn as at 30 September 2014).
- The management remains hopeful of improvement in the payment cycle by 2HFY15 and hence has pegged revenue growth at 5-10% for FY15.

Strategic initiatives/Capex plans

- The management is constantly in negotiation with clients for recovery of receivables however the same seems to have seen delays on account of challenging macro-economic environment.

Balance sheet position

- Cash conversion cycle has deteriorated from ~69 days as on 31 March 2014 to ~79 days as at 30 Sept 2014 on account of deterioration of working capital situation. Continued increase in receivables as recovery of dues stand pushed back and inventory built-up as for new projects coming under execution remains a concern.
- Hence, the company had to resort to increased leverage to fund business operations. Gross debt has increased to ~Rs 31 bn in the past six months from ~Rs 29 bn as on 31 March 2014.

Valuation and view

Until we witness meaningful improvement in recovery of receivables, we maintain our cautious stance on the company. Any failure to achieve the guided reduction in debtors would mean working capital requirement remains elevated. At the current market price, the stock is trading at price to book multiple of 1.3x FY15E and 1.2x FY16E.

Ankita Bora
ankita.bora@bksec.com

Prem Khurana
prem.khurana@bksec.com

Simplex Infrastructures

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	58,075	54,993	55,330	60,376
Growth (%)	(1.1)	(5.3)	0.6	9.1
Operating expenses	(53,527)	(49,971)	(49,883)	(54,246)
Operating profit	4,548	5,022	5,447	6,130
Other operating income	133	137	225	250
EBITDA	4,681	5,159	5,672	6,380
Growth (%)	2.0	10.2	9.9	12.5
Depreciation	(1,304)	(1,356)	(1,403)	(1,452)
Other income	420	394	421	451
EBIT	3,797	4,198	4,690	5,379
Finance cost	(2,894)	(3,342)	(3,677)	(3,830)
Profit before tax	903	856	1,013	1,549
Tax (current + deferred)	(305)	(250)	(365)	(511)
P/(L) for the period	598	606	648	1,038
Reported Profit/(Loss)	598	606	648	1,038
Adjusted net profit	598	606	648	1,038
Growth (%)	(32.9)	1.3	7.0	60.1

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	99	99	99	99
Reserves & surplus	12,741	13,879	14,383	15,392
Shareholders' funds	12,840	13,978	14,482	15,491
Non-current liabilities	4,998	6,024	6,552	6,635
Long-term borrowings	2,768	3,770	4,201	4,248
Other non-current liabilities	2,229	2,254	2,351	2,387
Current liabilities	52,894	52,865	53,526	55,664
ST borrowings, cur maturity	24,009	25,527	26,776	28,615
Other current liabilities	28,885	27,338	26,750	27,049
Total (equity and liab.)	70,732	72,867	74,560	77,790
Non-current assets	15,222	14,776	13,994	13,246
Fixed assets (net block)	12,385	12,169	11,266	10,514
Non-current investments	1,086	1,146	1,176	1,176
Long-term loans and advances	304	363	453	457
Other non-current assets	1,448	1,098	1,098	1,098
Current assets	55,510	58,090	60,566	64,544
Cash & current investment	903	1,001	728	588
Other current assets	54,607	57,089	59,839	63,956
Total (assets)	70,732	72,867	74,560	77,790
Total debt	26,778	29,296	30,976	32,863
Capital employed	41,847	45,528	47,810	50,741

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	903	856	1,013	1,549
Depreciation	1,304	1,356	1,403	1,452
Change in working capital	(6,180)	(4,054)	(3,430)	(3,815)
Total tax paid	(200)	(226)	(266)	(483)
Others	2,698	3,109	3,393	3,516
Cash flow from oper. (a)	(1,474)	1,041	2,114	2,219
Capital expenditure	(630)	(1,140)	(500)	(700)
Change in investments	(430)	(70)	95	150
Others	82	581	158	164
Cash flow from inv. (b)	(979)	(629)	(247)	(386)
Free cash flow (a+b)	(2,453)	412	1,868	1,833
Equity raised/(repaid)	(50)	(39)	—	—
Debt raised/(repaid)	5,460	2,519	1,680	1,886
Dividend (incl. tax)	(115)	(58)	(29)	(29)
Others	(2,550)	(2,746)	(3,792)	(3,830)
Cash flow from fin. (c)	2,745	(325)	(2,141)	(1,973)
Net chg in cash (a+b+c)	292	87	(273)	(140)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	12.0	12.2	13.1	20.9
Growth	(32.9)	1.3	7.0	60.1
CEPS (Rs)	38.3	39.5	41.3	50.1
Book NAV/share (Rs)	254.3	277.2	287.3	307.7
Dividend/share (Rs)	1.0	0.5	0.5	0.5
Dividend payout ratio	9.7	4.8	4.4	2.8
EBITDA margin	8.0	9.4	10.2	10.5
EBIT margin	6.5	7.6	8.5	8.9
Tax rate	33.8	29.2	36.0	33.0
RoCE	9.8	9.6	10.0	10.9
Total debt/Equity (x)	2.1	2.1	2.1	2.1
Net debt/Equity (x)	2.0	2.0	2.1	2.1
Du Pont Analysis - ROE				
Net margin	1.0	1.1	1.2	1.7
Asset turnover (x)	0.9	0.8	0.8	0.8
Leverage factor (x)	5.4	5.4	5.3	5.2
Return on equity	4.9	4.6	4.6	7.0

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	9.5	9.5	28.0	17.5
PCE	3.0	2.9	8.8	7.3
Price/Book	0.4	0.4	1.3	1.2
Yield (%)	0.9	0.4	0.1	0.1
EV/EBITDA	6.7	6.6	8.5	7.9

MID CAP

Share Data

Price (Rs)	97
BSE Sensex	27,888
Reuters code	SNTX.BO
Bloomberg code	SINT IN
Market cap. (US\$ mn)	573
6M avg. daily turnover (US\$ mn)	8.3
Issued shares (mn)	375

Performance (%) 1M 3M 12M

Absolute	4	35	172
Relative	6	28	104

Valuation ratios (Consolidated)

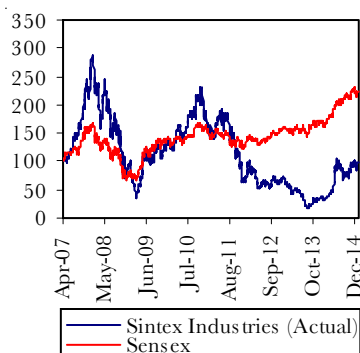
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs)	10.1	11.8	14.3
+/- (%)	(17.8)	16.5	21.0
PER (x)	9.6	8.2	6.8
PBV (x)	0.9	0.8	0.7
Dividend/Yield (%)	0.7	0.8	0.9
EV/Sales (x)	1.2	1.0	0.9
EV/EBITDA (x)	7.1	6.0	5.1

Major shareholders (%)

Promoters	39
FII's	20
MF's	3
BFSI's	2
Public & Others	36

Relative performance



Sintex Industries

Maintain Outperformer

Geared up for interesting times ahead!

Recent performance

Sintex Industries Ltd. (SINT) posted revenue growth of ~15% in FY14 led by strong growth in prefab and textiles. Monolithic revenue was boosted by EPC revenue from the Shirpur Power project while domestic custom moulding (CM) was flat. However, high margins in the textiles and prefab space pushed consolidated EBITDA margin ~220 bps to ~17.7% in FY14. SINT has continued this strong performance in 1HFY15 while maintaining margins. Net margins remain under stress due to high debt.

Key triggers/Risks – Next 12 months

- Macroeconomic improvement in India, Europe, and the US are key to sustain growth going forward, especially in the prefab and CM businesses.
- Reduction in interest rates could speed up budget allocations of government projects. This would also boost SINT's monolithic business.
- Additional debt-fueled capex in low return businesses is a concern.

Strategic initiatives

- Through its new spinning plant in Pipavav (~320,000 spindles in Phase 1; capex ~Rs 1.8 bn; Fully operational by October 2015), SINT wants to add high quality yarn to its clothing material (shirting) product portfolio.
- Increasing focus on high margin prefab business where SINT has a competitive advantage. It is also building its B2C business in this segment.
- Partnering with realty players to develop low cost housing in urban areas.

Balance sheet position

- High debt on books a concern (~Rs 40 bn in FY14/15E). However, high reserves and equity base keep net D/E at ~0.7x in FY15E (assuming full FCCB conversion).
- Expect cash conversion cycle to steadily drop (from ~100 days in FY14 to ~90 days in FY17E) as lower ticket/larger size prefab orders are executed.
- RoE/RoCE to trend upwards (from ~10.7%/~10.4% in FY14) as low cost textile debt becomes a larger portion of SINT's total debt.

Outlook and valuation

Improving macroeconomic conditions (India and abroad), increasing focus on social projects, sanitation, etc. are positive for SINT's prefab and CM businesses. Reducing focus on the monolithic business is also positive as this will reduce stress on its balance sheet. However, spinning margins may be subdued in the initial operating years. Maintain Outperformer.

Resham Jain, CFA
resham.jain@bksec.com

Aasim Bharde
aasim.bharde@bksec.com

Sintex Industries

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net Sales	58,426	67,036	78,345	89,594
Growth (%)	15.0	14.7	16.9	14.4
Operating Expenses	(49,003)	(55,939)	(64,851)	(74,225)
Operating Profit	9,423	11,097	13,495	15,369
EBITDA	9,423	11,097	13,495	15,369
Growth (%)	27.2	17.8	21.6	13.9
Depreciation	(2,548)	(2,586)	(4,243)	(4,689)
Other Income	993	550	650	900
EBIT	7,869	9,061	9,902	11,579
Finance Cost	(2,894)	(2,677)	(2,150)	(2,178)
Exceptional & Extraordinary	(209)	0	0	0
Profit Before Tax	4,766	6,384	7,752	9,402
Tax (Current + Deferred)	(1,132)	(1,915)	(2,558)	(3,103)
P/(L) for the period	3,634	4,469	5,194	6,299
P / L of Associates,	13	50	70	70
Min Int, Pref Div				
Reported Profit/(Loss)	3,647	4,519	5,264	6,369
Adjusted Net Profit	3,856	4,519	5,264	6,369
Growth (%)	(7.1)	17.2	16.5	21.0

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share Capital	311	445	445	445
Reserves & Surplus	35,127	48,332	53,181	59,083
Shareholders' Funds	35,439	48,777	53,626	59,528
Non-Current Liabilities	36,236	37,813	36,213	37,463
Long-Term Borrowings	32,104	32,280	30,680	31,930
Other Long Term Liab.,	4,132	5,533	5,533	5,533
Provisions, DTL				
Current Liabilities	19,281	19,460	22,038	24,311
Short-Term Borrowings,	7,961	7,272	7,951	8,626
Current Maturity				
Other Current Liab. + Prov.	11,320	12,188	14,087	15,686
Total (Equity and Liab.)	90,955	106,051	111,877	121,302
Non-Current Assets	59,211	59,760	63,147	63,458
Fixed Assets (Net Block)	37,403	50,062	52,319	52,630
Non-Current Investments	2,487	2,487	2,487	2,487
Long-Term Loans and Adv.	16,920	4,530	5,660	5,660
Other Non-Current Assets,	2,401	2,681	2,681	2,681
DTA, Goodwill				
Current Assets	31,745	46,291	48,729	57,844
Cash & Current Inv.	3,292	3,650	1,184	6,029
Other Current Assets	28,453	42,641	47,546	51,815
Total (Assets)	90,955	106,051	111,877	121,302
Total Debt	40,065	39,552	38,631	40,555
Capital Employed	79,635	93,862	97,789	105,616

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit Before Tax	4,766	6,384	7,752	9,402
Depreciation	2,548	2,586	4,243	(4,689)
Chg in Working Capital	(6,956)	(1,012)	(4,188)	(2,722)
Total Tax Paid	(722)	(1,915)	(2,558)	(3,103)
Others	2,894	2,127	1,800	542
Cash Flow from Oper. (a)	2,530	8,170	7,049	9,944
Capital Expenditure	(7,360)	(15,245)	(6,500)	(5,000)
Change in Investments	(1,755)	0	0	0
Others	(232)	270	350	500
Cash Flow from Inv. (b)	(9,346)	(14,975)	(6,150)	(4,500)
Free Cash Flow (a+b)	(6,817)	(6,805)	899	5,444
Equity Raised/(Repaid)	0	8,826	0	0
Debt Raised/(Repaid)	3,525	(513)	(921)	1,925
Dividend (incl. Tax)	(253)	(256)	(363)	(415)
Others	(2,636)	(894)	(2,080)	(2,108)
Cash Flow from Fin. (c)	635	7,164	(3,365)	(598)
Net Chg in Cash (a+b+c)	(6,182)	358	(2,466)	4,846

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	12.3	10.1	11.8	14.3
Growth	(7.1)	(17.8)	16.5	21.0
CEPS (Rs)	20.5	15.9	21.3	24.8
Book NAV/Share (Rs)	113.2	109.2	120.1	133.3
Dividend/Share (Rs)	0.7	0.7	0.8	0.9
Dividend Payout Ratio	7.0	8.0	7.9	7.3
EBITDA Margin	16.1	16.6	17.2	17.2
EBIT Margin	13.5	13.5	12.6	12.9
Tax Rate	22.8	30.0	33.0	33.0
RoCE	10.4	10.4	10.3	11.4
Net Debt / Equity (x)	1.0	0.7	0.7	0.6
Net Debt / EBITDA (x)	3.9	3.2	2.8	2.2
Du Pont Analysis - ROE				
Net Margin	6.6	6.7	6.7	7.1
Asset Turnover (x)	0.7	0.7	0.7	0.8
Leverage Factor (x)	2.6	2.3	2.1	2.1
Return on Equity	11.6	10.7	10.3	11.3

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	3.5	9.6	8.2	6.8
PCE	2.1	6.1	4.5	3.9
Price/Book	0.4	0.9	0.8	0.7
Yield (%)	1.6	0.7	0.8	0.9
EV/EBITDA	5.3	7.1	6.0	5.1

MID CAP

Share Data

Price (Rs)	25
BSE Sensex	27,888
Reuters code	SJVN.BO
Bloomberg code	SJVN IN
Market cap. (US\$ mn)	1,637
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	4,137

Performance (%)	1M	3M	12M
Absolute	5	11	21
Relative	7	6	(10)

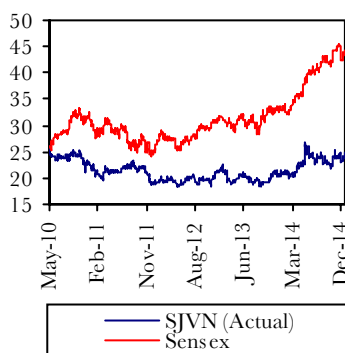
Valuation ratios

Yr to 31 Mar	FY14	FY15E	FY16E
EPS (Rs)	2.7	2.8	3.2
+/- (%)	5.9	4.2	13.9
PER (x)	7.8	8.9	7.8
PBV (x)	1.0	1.1	1.0
Dividend/Yield (%)	3.8	3.9	4.4
EV/Sales (x)	4.8	4.6	3.9
EV/EBITDA (x)	5.6	5.4	4.5

Major shareholders (%)

Promoters	90
FII's	2
MF's	1
BFSI's	4
Public & Others	3

Relative performance



SJVN

Maintain Outperformer

Great long term value stock, dividend yield and at below book

Recent performance

SJVN, led by commissioning of 5 units of 412 MW Rampur plant (total units 6) has reported generation growth of 12% YoY in 1H FY15. Its flagship plant 1,500 MW Naptha Jhakri has consistently reported a core RoE of ~18-20%. Additionally, SJVN's foray into wind assets (target IRR of 13%), fully funded by equity, will generate returns better than present cash yields.

Key triggers/Risks – Next 12 months

- Seeking regulatory approval for appraising 412 MW Rampur final project cost of Rs 34 bn. Currently approved cost is ~Rs 20 bn. We do not see regulatory impediments, as first year tariff works out at Rs 5.5-6/unit.
- Start of construction at its planned projects Arun, Luhri, Dhaulasidh, Tipaimukh, etc.

Strategic initiatives

- For FY15, SJVN has planned capex of Rs 12 bn largely on preliminary activities for next round of addition (expected in FY19).
- GoI (incl. HP government) owns 90% in SJVN and in order to suffice SEBI rule on 75% promoter holding, company is awaiting HP government's approval.

Balance sheet position

- In 2QFY15, the company receivable has increased led by delay in payment from J&K and thus need to watch out.
- SJVN, a net debt company has consistently reported RoE of 12%+.

Outlook and valuation

SJVN has commercialised (all 6 units) Rampur plant and post its commissioning its regulated has increased by 24% YoY. For next round of addition, SJVN is seeking preliminary clearances. The stock trades at 0.9x FY16 BV (RoE of 13%) and PER of 8x FY16 (EPS CAGR of ~12% over FY14-16). Additionally, the stock offers dividend yield of 5%. We have an Outperformer rating.

Vishal Periwal
vishal.periwal@bksec.com

Rahul Murkya
rahul.murkya@bksec.com

SJVN

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	16,816	18,736	22,853	26,136
<i>Growth (%)</i>	<i>(12.2)</i>	<i>11.4</i>	<i>22.0</i>	<i>14.4</i>
Operating expenses	(2,308)	(2,691)	(3,154)	(3,439)
Operating profit	14,508	16,045	19,699	22,696
EBITDA	14,508	16,045	19,699	22,696
<i>Growth (%)</i>	<i>(13.6)</i>	<i>10.6</i>	<i>22.8</i>	<i>15.2</i>
Depreciation	(4,467)	(4,752)	(5,640)	(6,803)
Other income	2,345	2,371	2,676	3,254
EBIT	12,386	13,664	16,735	19,147
Finance cost	(541)	(289)	(2,220)	(2,616)
Profit before tax	11,846	13,375	14,515	16,532
Tax (current + deferred)	(1,322)	(2,238)	(2,903)	(3,306)
Profit/(Loss) for the period	10,523	11,137	11,612	13,226
Reported Profit / (Loss)	10,523	11,137	11,612	13,226
Adjusted net profit	10,523	11,147	11,612	13,226
<i>Growth (%)</i>	<i>(1.1)</i>	<i>5.9</i>	<i>4.2</i>	<i>13.9</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	41,366	41,366	41,366	41,366
Reserves & surplus	42,764	49,287	56,213	64,183
Shareholders' funds	84,131	90,653	97,579	105,550
Non-current liabilities	30,129	33,003	39,492	42,891
Long-term borrowings	21,636	24,510	30,999	34,398
Other non-current liabilities	8,494	8,494	8,494	8,494
Current liabilities	10,664	12,069	9,497	10,460
Other current liabilities	10,664	12,069	9,497	10,460
Total (Equity and Liab.)	124,924	135,725	146,569	158,900
Non-current assets	90,285	100,106	107,757	112,896
Fixed assets (Net block)	90,285	100,106	107,757	112,896
Current assets	34,639	35,619	38,812	46,004
Cash & current investment	23,095	21,301	29,023	35,237
Other current assets	11,544	14,318	9,789	10,768
Total (Assets)	124,924	135,725	146,569	158,900
Total debt	21,636	24,510	30,999	34,398
Capital employed	114,260	123,656	137,071	148,441

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	11,846	13,375	14,515	16,532
Depreciation	4,467	4,752	5,640	6,803
Change in working capital	2,206	(800)	1,958	(16)
Total tax paid	(2,383)	(2,238)	(2,903)	(3,306)
Others	27	(2,083)	(456)	(638)
Cash flow from oper. (a)	16,162	13,006	18,754	19,374
Capital expenditure	(8,705)	(14,600)	(13,291)	(11,942)
Others	(49)	2,371	2,676	3,254
Cash flow from inv. (b)	(8,754)	(12,229)	(10,615)	(8,688)
Free cash flow (a+b)	7,408	778	8,139	10,686
Debt raised/(repaid)	5,682	2,874	6,489	3,399
Dividend (incl. tax)	(3,888)	(4,615)	(4,686)	(5,255)
Others	(4,275)	(10,229)	(2,220)	(2,616)
Cash flow from fin. (c)	(2,481)	(11,969)	(417)	(4,472)
Net chg in cash (a+b+c)	4,927	(11,192)	7,722	6,214

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	2.5	2.7	2.8	3.2
Growth	(1.1)	5.9	4.2	13.9
CEPS (Rs)	3.6	3.8	4.2	4.8
Book NAV/share (Rs)	20.3	21.9	23.6	25.5
Dividend/share (Rs)	1.0	1.0	1.0	1.1
Dividend payout ratio	43.9	41.4	40.4	39.7
EBITDA margin	86.3	85.6	86.2	86.8
EBIT margin	73.7	72.9	73.2	73.3
Tax rate	11.2	16.7	20.0	20.0
RoCE	11.3	11.5	12.8	13.4
Total debt/Equity (x)	0.3	0.3	0.3	0.3
Net debt/Equity (x)	(0.0)	0.0	0.0	(0.0)
Du Pont Analysis - ROE				
Net margin	62.6	59.5	50.8	50.6
Asset turnover (x)	0.1	0.1	0.2	0.2
Leverage factor (x)	1.5	1.5	1.5	1.5
Return on equity	13.0	12.8	12.3	13.0

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	7.4	7.8	8.9	7.8
PCE	5.2	5.5	6.0	5.2
Price/Book	0.9	1.0	1.1	1.0
Yield (%)	3.8	3.8	3.9	4.4
EV/EBITDA	5.3	5.6	5.4	4.5

MID CAP

Share Data

Price (Rs)	1,349
BSE Sensex	27,888
Reuters code	SKFB.BO
Bloomberg code	SKFIN
Market cap. (US\$ mn)	1,134
6M avg. daily turnover (US\$ mn)	1.5
Issued shares (mn)	53

Performance (%) 1M 3M 12M

Absolute	0	23	104
Relative	2	17	53

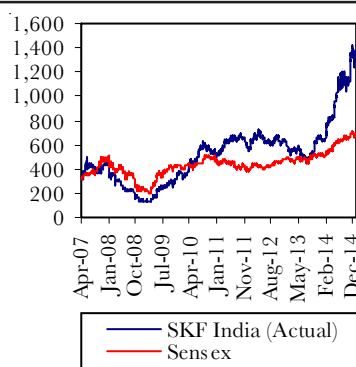
Valuation ratios

Yr to 31 Dec	CY14E	CY15E
EPS (Rs.)	42.0	49.3
+/- (%)	17.2	17.3
PER (x)	32.1	27.4
PBV (x)	4.8	4.1
Dividend/Yield (%)	0.7	0.7
EV/Sales (x)	2.7	2.2
EV/EBITDA (x)	21.8	17.7

Major shareholders (%)

Promoters	54
FII's	10
MF's	19
BFSI's	3
Public & Others	15

Relative performance



SKF India

Maintain Outperformer

Continuous improvement in margin on cost reduction initiatives

Recent performance/Outlook

Despite slowdown in automotive industry, SKF India reported 6.7% YoY growth in 3QCY14 due to improvement in two-wheeler segment, exports and also pick up in some industrial segments. Management indicated that customer sentiment is positive in both automotive and industrial segment. As of now, two-wheeler and exports contributing more to the topline improvement.

Key sensitivities to growth/Key risks

- The performance of SKF depends largely on the domestic auto and non-auto segments, as the company derives 47% revenue from the after-market segment, which reduces revenue cyclicity during economic downturns.
- Japanese players have established manufacturing facilities in India.

Strategic initiatives/Capex plans

- Management guided for a capex to the tune of Rs 500 mn in CY15. No major capex for the next two years.
- In order to improve market share, the company has been increasing its focus on segments other than auto.

Balance sheet position

- SKF's cash and bank balance improved by 24% YoY from Rs 2.7 bn in 4QCY13 to Rs 4.7 bn in 2QCY14. Having invested more than Rs 2.1 bn over CY11-13 to increase capacity at existing plants, the investment cycle is now behind. SKF's debtors' days improved from 57 days in CY12 to 49 days in 2HCY14. At current utilisation of 60%, the company has enough capacity to leverage on the cyclical uptick in auto and industrial sales. The company is continuously improving operational efficiency by introducing new products and also improving market share. We expect, better operating efficiency, increase in market share, scale and industrial demand pick up will improve the return ratios, going forward.

Valuation and view

The stock has run up sharply in recent times. However, SKF can be considered as a play on economic recovery. We maintain our long-term positive outlook on the technology intensive zero debt MNC company. At the current market price of Rs 1,356, the stock is trading at 32.3x CY14E earnings of Rs 42.0 and 27.5x CY15E earnings of Rs 49.3. We have an Outperformer rating for the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

SKF India

Income Statement

Period end (Rs mn)	Dec 12	Dec 13	Dec 14E	Dec 15E
Net Sales	22,041	22,464	24,387	28,614
<i>Growth (%)</i>	<i>(8.8)</i>	<i>1.9</i>	<i>8.6</i>	<i>17.3</i>
Operating expenses	(19,496)	(19,898)	(21,603)	(25,237)
Operating profit	2,546	2,566	2,784	3,377
Other operating income	158	133	190	200
EBITDA	2,703	2,699	2,974	3,577
<i>Growth (%)</i>	<i>(8.8)</i>	<i>(0.2)</i>	<i>10.2</i>	<i>20.3</i>
Depreciation	(436)	(495)	(506)	(539)
Other income	564	547	890	910
EBIT	2,831	2,751	3,358	3,948
Exceptional & Extraordinary	0	(221)	0	0
Profit before tax	2,831	2,530	3,358	3,948
Tax (current + deferred)	(931)	(863)	(1,144)	(1,351)
P/(L) for the period	1,901	1,667	2,214	2,597
Reported Profit/(Loss)	1,901	1,667	2,214	2,597
Adjusted Net profit	1,901	1,888	2,214	2,597
<i>Growth (%)</i>	<i>(8.8)</i>	<i>(0.7)</i>	<i>17.2</i>	<i>17.3</i>

Balance Sheet

Period end (Rs mn)	Dec 12	Dec 13	Dec 14E	Dec 15E
Share Capital	527	527	527	527
Reserves & surplus	11,026	12,228	14,377	16,724
Shareholders' funds	11,554	12,755	14,904	17,251
Non-Current Liabilities	84	40	40	40
Other Long term liab,	84	40	40	40
Prov, DTL				
Current liabilities	4,448	3,985	4,994	5,727
Other Current Liab + Provi	4,448	3,985	4,994	5,727
Total (Equity and Liab.)	16,085	16,780	19,938	23,018
Non-current assets	4,072	4,011	4,337	4,821
Fixed assets (Net block)	4,072	4,011	4,337	4,821
Current assets	12,014	12,770	15,601	18,197
Cash & Current Investment	3,070	3,758	6,311	7,851
Other current assets	8,944	9,012	9,290	10,347
Total (Assets)	16,085	16,780	19,938	23,018
Capital Employed	11,638	12,795	14,944	17,292

Cash Flow Statement

Period end (Rs mn)	Dec 12	Dec 13	Dec 14E	Dec 15E
Profit before Tax	2,831	2,530	3,358	3,948
Depreciation	436	495	506	539
Change in working capital	(231)	(534)	638	(385)
Total tax paid	(862)	(907)	(1,144)	(1,351)
Others	(1,161)	(1,416)	(750)	(1,967)
Cash flow from oper. (a)	1,670	1,115	2,608	1,981
Capital expenditure	(831)	(432)	(833)	(1,023)
Others	445	468	750	770
Cash flow from inv. (b)	(386)	36	(83)	(253)
Free cash flow (a+b)	1,285	1,151	2,525	1,728
Dividend (incl. tax)	(460)	(460)	(463)	(555)
Others	0	(2)	490	367
Cash flow from fin. (c)	(459)	(463)	28	(188)
Net chg in cash (a+b+c)	825	688	2,553	1,540

Key Ratios

Period end (%)	Dec 12	Dec 13	Dec 14E	Dec 15E
Adjusted EPS (Rs)	36.0	35.8	42.0	49.3
Growth	(8.8)	(0.7)	17.2	17.3
CEPS (Rs)	44.3	45.2	51.6	59.5
Book NAV/share (Rs)	219.1	241.9	282.6	327.2
Dividend/share (Rs)	7.5	7.5	9.0	10.0
Dividend payout ratio	24.2	27.8	25.1	23.8
EBITDA margin	12.3	12.0	12.2	12.5
EBIT margin	12.8	12.2	13.8	13.8
Tax Rate	32.9	31.4	34.1	34.2
RoCE	26.0	22.5	24.2	24.5
Net debt/Equity (x)	(0.3)	(0.3)	(0.4)	(0.5)
Du Pont Analysis - ROE				
Net margin	8.6	8.4	9.1	9.1
Asset turnover (x)	1.4	1.4	1.3	1.3
Leverage factor (x)	1.4	1.4	1.3	1.3
Return on equity	17.5	15.5	16.0	16.2

Valuations

Period end (x)	Dec 12	Dec 13	Dec 14E	Dec 15E
PER (x)	37.6	37.9	32.3	27.5
PCE (x)	30.4	29.9	26.2	22.7
Price/Book (x)	6.2	5.6	4.8	4.1
Yield (%)	0.6	0.6	0.7	0.7
EV/EBITDA (x)	25.2	25.0	21.8	17.7

MID CAP

Share Data

Price (Rs)	476
BSE Sensex	27,888
Reuters code	SOBHA.BO
Bloomberg code	SOBHA IN
Market cap. (US\$ mn)	738
6M avg. daily turnover (US\$ mn)	1.8
Issued shares (mn)	98

Performance (%)	1M	3M	12M
Absolute	(4)	22	48
Relative	(2)	16	11

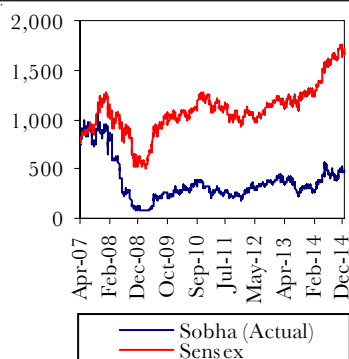
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs.)	24.9	36.2
+/- (%)	4.0	45.3
PER (x)	19.1	13.2
PBV (x)	1.9	1.7
Dividend/Yield (%)	1.5	1.5
EV/Sales (x)	2.4	1.9
EV/EBITDA (x)	9.2	7.0

Major shareholders (%)

Promoters	61
FII's	31
MFs/Fis	3
Bodies Corporate	1
Public & Others	4

Relative performance



Sobha

Maintain Outperformer

Operations set to gain traction

Recent performance/Outlook

In addition to sluggish demand environment, limited inventory to offer in relatively faster moving category, i.e., units with ticket size sub Rs 10 mn, made the company miss its booking guidance in FY14. Beginning to FY15 was ordinary but operational performance for 2QFY15 raises hopes (new launches taking shape; bookings gaining traction and construction continues unabated). In Contracts and Manufacturing businesses, revenues touched new high. Healthy performance across parameters (despite a miss in bookings) augurs well but nothing comes better than improvement witnessed in customer collections.

Key sensitivities to growth/Key risks – Next 12 months

- In five years, the company hopes to achieve steady state bookings run-rate of ~7.5 mn sq ft per annum (against a peak of ~3.8 mn sq ft in FY13). Ability to achieve the intended scale-up remains a key sensitivity to growth.

Strategic initiatives/Capex plans

- Sensing the need of the hour, the company plans to bring a new category of offering, namely, Aspirational Homes for its customers. To be executed in five phases, first launch in the segment (comprising 6,000 units of 1 and 2 BHKs with sizes ranging between 650-1,200 sq ft) is targeted by 4QFY15.
- Predominantly a residential real estate developer, the company is all set to take a measured plunge into commercial real estate with planned capex of ~Rs 10 bn.

Balance sheet position

- Land payments of ~Rs 3.5 bn (largely for Kochi and Pune acquisitions) along with dividend payment of ~Rs 0.8 bn made the company see an increase of ~Rs 4.5 bn in net debt over 1H FY15 to ~Rs 16.8 bn.
- On a YoY basis, collections improved by ~Rs 0.7 bn over 1H FY15 to stand at ~Rs 13.2 bn. A large part of the improvement (~Rs 0.6 bn) is attributable to Contractual businesses.

Valuation and view

Progressively, performance is likely to find strength as planned launches coincide with improving consumer sentiment, execution is further emphasised upon and cash flows keep trickling in. Maintain Outperformer.

Prem Khurana
prem.khurana@bksec.com

Dhaval Patel
dhaval.patel@bksec.com

Sobha

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	18,602	21,693	26,062	31,630
Growth (%)	32.4	16.6	20.1	21.4
Operating expenses	(13,163)	(15,708)	(19,451)	(23,035)
Operating profit	5,439	5,985	6,611	8,595
Other operating income	43	41	41	41
EBITDA	5,483	6,026	6,652	8,636
Growth (%)	17.5	9.9	10.4	29.8
Depreciation	(594)	(690)	(736)	(787)
Other income	55	103	155	163
EBIT	4,944	5,439	6,071	8,012
Finance cost	(1,705)	(1,734)	(2,223)	(2,421)
Profit before tax	3,239	3,705	3,848	5,590
Tax (current + deferred)	(1,068)	(1,368)	(1,405)	(2,041)
P/(L) for the period	2,171	2,337	2,444	3,550
P/(L) of Associates, Min Int, Pref Div	1	14	—	—
Reported Profit/(Loss)	2,172	2,350	2,444	3,550
Adjusted net profit	2,172	2,350	2,444	3,550
Growth (%)	5.4	8.2	4.0	45.3

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	981	981	981	981
Reserves & surplus	20,386	21,933	23,574	26,320
Shareholders' funds	21,366	22,914	24,554	27,301
Minority int. and others	102	88	88	88
Non-current liabilities	1,356	1,996	2,531	3,858
Long-term borrowings	526	789	1,319	2,643
Other non-current liabilities	830	1,207	1,213	1,215
Current liabilities	25,773	30,097	33,500	35,525
ST borrowings, curr maturity	13,261	13,255	14,858	14,102
Other current liabilities	12,511	16,841	18,642	21,422
Total (equity and liab.)	48,597	55,095	60,674	66,772
Non-current assets	7,787	8,349	9,656	11,171
Fixed assets (net block)	3,169	3,660	4,064	5,614
Long-term loans and adv.	4,314	4,361	5,298	5,298
Other non-current assets	305	328	294	260
Current assets	40,809	46,745	51,018	55,601
Cash & current investment	672	1,055	1,506	3,413
Other current assets	40,138	45,691	49,512	52,188
Total (assets)	48,597	55,095	60,674	66,772
Total debt	13,787	14,044	16,177	16,745
Capital employed	36,086	38,253	42,032	45,349

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,239	3,705	3,848	5,590
Depreciation	594	690	736	787
Chg in working capital	(2,498)	(1,264)	(2,952)	107
Total tax paid	(761)	(996)	(1,405)	(2,041)
Others	1,676	1,701	2,172	2,421
Cash flow from oper. (a)	2,251	3,835	2,400	6,865
Capital expenditure	(952)	(1,179)	(1,136)	(2,336)
Change in investments	(2)	2	—	0
Others	22	(26)	47	—
Cash flow from inv. (b) (932)	(1,204)	(1,089)	(2,336)	
Free cash flow (a+b)	1,319	2,632	1,311	4,529
Debt raised/(repaid)	1,380	257	2,133	569
Dividend (incl. tax)	(570)	(803)	(803)	(803)
Others	(2,047)	(1,700)	(2,189)	(2,387)
Cash flow from fin. (c) (1,237)	(2,247)	(859)	(2,622)	
Net chg in cash (a+b+c)	82	385	452	1,907

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	22.1	24.0	24.9	36.2
Growth	5.4	8.2	4.0	45.3
CEPS (Rs)	28.2	31.0	32.4	44.2
Book NAV/share (Rs)	217.9	233.7	250.4	278.4
Dividend/share (Rs)	7.0	7.0	7.0	7.0
Dividend payout ratio	37.0	34.2	32.9	22.6
EBITDA margin	29.4	27.7	25.5	27.3
EBIT margin	26.6	25.1	23.3	25.3
Tax rate	33.0	36.9	36.5	36.5
RoCE	14.3	14.6	15.1	18.3
Total debt/Equity (x)	0.6	0.6	0.7	0.6
Net debt/Equity (x)	0.6	0.6	0.6	0.5
Du Pont Analysis - ROE				
Net margin	11.7	10.8	9.4	11.2
Asset turnover (x)	0.4	0.4	0.5	0.5
Leverage factor (x)	2.2	2.3	2.4	2.5
Return on equity	10.5	10.6	10.3	13.7

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	15.7	15.6	19.1	13.2
PCE	12.3	12.1	14.7	10.8
Price/Book	1.6	1.6	1.9	1.7
Yield (%)	2.0	1.9	1.5	1.5
EV/EBITDA	8.6	8.3	9.2	7.0

MID CAP

Share Data

Price (Rs)	31
BSE Sensex	27,888
Reuters code	SIBK.BO
Bloomberg code	SIB IN
Market cap. (US\$ mn)	659
6M avg. daily turnover (US\$ mn)	1.6
Issued shares (mn)	1,336

Performance (%)	1M	3M	12M
Absolute	13	21	50
Relative	15	15	12

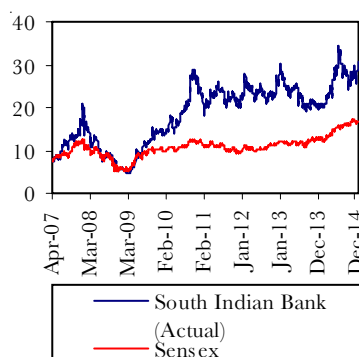
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	3.0	3.7	4.6
+/- (%)	(21.6)	23.2	25.0
ABV (Rs)	25.6	27.9	31.0
+/- (%)	12.8	9.1	11.0
PER (x)	10.4	8.5	6.8
PABV (x)	1.2	1.1	1.0
Dividend/Yield (%)	2.9	3.1	3.5

Major shareholders (%)

Promoters	67
FII's	8
MF's	1
BFSI's	11
Public & Others	13

Relative performance



South Indian Bank

Maintain Underperformer

Changing colour...avoid the volatility of transition!

Recent performance

SIB's 2QFY15 earnings performance was impacted by higher provisions, incl higher restructuring and FITL reversal on restructured book post RBI clarification (Rs 0.25 bn provided in 2Q; Rs 0.5 bn still left to be provided). Growth was strong at 3.3% QoQ, though, higher growth in infra/Metal is concerning. Headline NPA ratio remained stable at 1.55%

Key risks

- A continued fall in crude oil prices could impact NRI business, in terms of fee income from remittance, NRI deposit outflows and a prolonged weakness in Middle East could eventually impact asset quality in retail business.
- Higher asset impairment given still elevated systemic risk; management expects restructuring to remain high for 2-3 quarters

Strategic initiatives/Key highlights

- Notwithstanding the new CEO coming from SBI Corporate banking background, the bank intends to prune the corporate book in favor of retail/MSME, with its share already at 61% vs. 48% in 4QFY14.
- In FY14, the bank's gold portfolio has seen inch-down led by planned pruning on Bulky/Aggregator gold loan business/ regulatory uncertainty. However, bank remains keen on the small ticket size gold loans, which should support margins.

Balance sheet position

- Bank has been able to improve the share of NRI deposits to 21% as of Sep'15 vs. 13% in FY12. CASA share remains low at 22%, given still high reliance on bulk deposits at 17%.
- Banks branch expansion strategy has not changed at all with Kerala still being dominant at 55%, like it was in FY12.

Valuation and view

We believe asset quality could remain stressed for a while given continued economic stress, which could keep growth in check. We maintain our Underperformer rating on the stock given, lower CAR (recently failed to raise money through QIP), new top management and weak asset quality; however, these issues are somewhat reflecting in the valuation as well – 1x FY16 ABV versus its peers at 1.4-1.8x.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

South Indian Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	50,151	55,487	62,060	72,133
Interest expense	(36,159)	(39,994)	(43,734)	(50,238)
Net interest income	13,992	15,493	18,326	21,895
<i>Growth (%)</i>	<i>9.2</i>	<i>10.7</i>	<i>18.3</i>	<i>19.5</i>
Non-interest income	3,685	4,121	4,654	5,209
Operating income	17,676	19,615	22,980	27,104
Operating expenses	(8,829)	(10,038)	(11,701)	(13,657)
- Staff expenses	(5,290)	(5,959)	(6,976)	(8,162)
Pre-provisions profit	8,847	9,577	11,279	13,447
Core operating profit	8,148	8,738	10,398	12,522
<i>Growth (%)</i>	<i>3.0</i>	<i>7.2</i>	<i>19.0</i>	<i>20.4</i>
Provisions & Contingencies	(1,554)	(3,270)	(2,969)	(3,063)
Pre-tax profit	7,293	6,307	8,310	10,384
(before non-recurring items)				
Non-recurring items	0	434	0	0
Pre-tax profit	7,293	6,741	8,310	10,384
(after non-recurring items)				
Tax (current + deferred)	(2,214)	(2,018)	(2,659)	(3,323)
Net profit	5,079	4,723	5,650	7,061
Adjusted net profit- for non-recurrent items	5,079	4,289	5,650	7,061
<i>Growth (%)</i>	<i>1.1</i>	<i>(15.6)</i>	<i>31.8</i>	<i>25.0</i>
Net income	5,079	4,723	5,650	7,061

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	32,179	38,377	43,797	49,797
Investments	143,518	165,591	193,007	227,455
Advances	362,299	415,930	486,480	579,119
Interest earning assets	537,996	619,898	723,284	856,370
Fixed assets (Net block)	4,122	4,679	5,424	6,411
Other assets	7,742	8,132	10,482	12,381
Total assets	549,860	632,709	739,191	875,162
Deposits	474,911	536,813	628,734	746,285
Other int. bearing liab.	27,308	35,971	45,067	56,892
Total Int. bearing liab.	516,179	589,441	691,988	822,886
Other liabilities and prov.	13,960	16,657	18,187	19,709
Share capital	1,344	1,544	1,544	1,544
Reserves & surplus	32,337	41,724	45,658	50,732
Shareholders' funds	33,680	43,268	47,202	52,276
Total equity & liab.	549,860	632,709	739,191	875,162

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios				
Adjusted EPS	3.8	3.0	3.7	4.6
BVPS	24.1	27.2	29.7	33.0
Adjusted Book NAV/share	22.7	25.6	27.9	31.0
PER (x)	8.2	10.4	8.5	6.8
Price/Book (x)	1.3	1.1	1.0	0.9
Price/Adjusted book (x)	1.4	1.2	1.1	1.0
Dividend Yield (%)	2.6	2.9	3.1	3.5
Du-Pont ratios				
NII/Avg. Assets (%)	2.7	2.6	2.7	2.7
Non-int. income/Avg Assets	0.7	0.7	0.7	0.6
- Fee income/Avg Assets	0.6	0.6	0.5	0.5
- Trading gains/Avg Assets	0.1	0.1	0.1	0.1
Cost/Avg Assets	1.7	1.7	1.7	1.7
Non-tax Provisions/Avg Assets	0.3	0.6	0.4	0.4
Tax Provisions/Avg Assets	0.4	0.3	0.4	0.4
RoA (%)	1.0	0.7	0.8	0.9
Leverage	17.2	15.9	15.6	16.7
RoE (%)	16.6	11.5	12.9	14.6
Balance Sheet ratios (%)				
Loan growth	13.9	14.8	17.0	19.0
Deposit growth	7.3	13.0	17.1	18.7
Loans/Deposits	76.3	77.5	77.4	77.6
Investments/Deposits	30.2	30.8	30.7	30.5
CASA ratio	20.7	21.4	21.5	21.3
Profitability ratios (%)				
NIMs	2.7	2.7	2.7	2.8
Interest spread	2.3	2.2	2.3	2.4
Yield on advances	11.7	11.2	10.8	10.7
Cost of deposits	7.5	7.4	7.0	6.8
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	20.8	21.0	20.3	19.2
Trading income/Net income	4.0	4.3	3.8	3.4
Cost/Income	49.9	51.2	50.9	50.4
Asset quality ratios (%)				
Gross NPLs	1.2	1.5	1.5	1.4
Net NPLs	0.8	0.9	0.9	0.8
Net NPLs/Net worth	8.2	8.4	8.7	8.7
Loan provisions/Avg loans	0.5	0.8	0.7	0.6
Provisions cover	34.9	40.0	42.0	42.0
Capitalisation ratios (%)				
Tier I cap.adequacy	10.8	13.7	13.3	12.8
Total cap.adequacy	12.4	15.6	15.0	14.3

MID CAP

Share Data

Price (Rs)	922
BSE Sensex	27,888
Reuters code	SRFL.BO
Bloomberg code	SRF IN
Market cap. (US\$ mn)	836
6M avg. daily turnover (US\$ mn)	4.9
Issued shares (mn)	57

Performance (%) 1M 3M 12M

Absolute	4	22	319
Relative	6	17	214

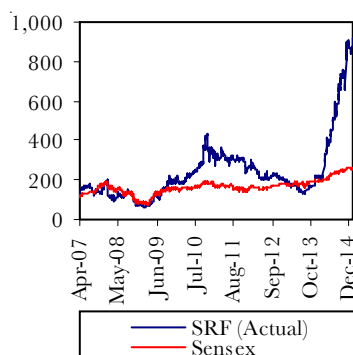
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	52.1	73.8
+/- (%)	80.3	41.8
PER (x)	12.4	8.8
PBV (x)	1.7	1.5
Dividend/Yield (%)	2.9	3.2
EV/Sales (x)	1.3	1.1
EV/EBITDA (x)	7.5	5.9

Major shareholders (%)

Promoters	52
FII's	12
MF's	12
BFSI's	1
Public & Others	23

Relative performance



SRF

Maintain BUY

Fluoro speciality play!

Recent performance/Outlook

During FY14, SRF reported subdued performance with consolidated revenue growth of 6.2% to Rs 40.1 bn whereas EBITDA declined by 17.8% to Rs 5.05 bn on account of higher raw material cost and other expenditure resulting in decline in PAT by 35.8% to Rs 1.62 bn. However, SRF posted robust performance in 1HFY15 with revenue, EBITDA and PAT growth of 11.4%, 36.9%, and 92.5% to Rs 18.5 bn, Rs 3.5 bn and Rs 1.76 bn, respectively. The strong performance was on account of ramp-up in fluoro speciality chemical segment.

Key sensitivities to growth/Key risks – Next 12 months

- SRF has three business units namely technical textiles, chemicals (refrigerants+speciality) and polyfilms. All these three businesses have different dynamics and managing them and achieving a balanced growth remains a key challenge for SRF.

Strategic initiatives/Capex plans

- SRF has reaped huge dividends (income) from carbon credits and has wisely invested them into core chemical business. It undertook huge capex of Rs 14 bn at Dahej (greenfield plant) and is now expecting it to change the business mix towards chemicals.
- The restrictions imposed in China for chemical products and its effluent treatment has led many MNC's to seek for an alternative source which is likely to benefit Indian players. SRF is the largest player in India and is likely to be a major beneficiary.

Balance sheet position

- SRF has debt of Rs 25.3 bn as on September 2014. However, we are comfortable with this as cash flow generation is comfortable to service these loans.
- RoCE/RoE is expected to improve significantly from current 7.4%/8.2% in FY14 to 13.7%/17.4% in FY16E as the company would start reaping gains from the Rs 14 bn capex in Dahej.

Valuation and view

The key investment argument for SRF has been the ramp-up in fluoro speciality segment driving margin expansion over the next two years. We expect SRF to post PAT of Rs 2.98 bn in FY15E and Rs 4.23 bn in FY16E. Despite estimating PAT CAGR of 61% over the next two years, we believe SRF has the potential to outperform our expectations as it expected to further benefit from the revival in the global packaging film industry and ramp-up of recently commenced operations.

Ranjit Cirumalla
ranjit.cirumalla@bksec.com

Miloni Bagadia
miloni.bagadia@bksec.com

SRF

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net Sales	37,829	40,181	45,792	52,529
Growth (%)	(5.5)	6.2	14.0	14.7
Operating expenses	(31,686)	(34,956)	(37,996)	(43,053)
Operating profit	6,143	5,225	7,796	9,476
EBITDA	6,143	5,225	7,796	9,476
Growth (%)	(26.4)	(15.0)	49.2	21.5
Depreciation	(2,089)	(2,248)	(2,822)	(2,937)
Other income	420	236	430	350
EBIT	4,475	3,213	5,404	6,889
Finance Cost	(805)	(1,100)	(1,572)	(1,455)
Profit before tax	3,669	2,113	3,832	5,434
Tax (current + deferred)	(946)	(455)	(843)	(1,195)
P/(L) for the period	2,723	1,658	2,989	4,239
Reported Profit/(Loss)	2,723	1,658	2,989	4,239
Adjusted Net profit	2,723	1,658	2,989	4,239
Growth (%)	(32.9)	(39.1)	80.3	41.8

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	584	584	584	584
Reserves & surplus	19,580	20,082	21,946	24,930
Shareholders' funds	20,164	20,667	22,530	25,515
Non-Current Liabilities	13,780	20,548	19,752	17,890
Long-term borrowings	10,961	17,126	16,330	14,468
Other Long term liab,	2,818	3,422	3,422	3,422
Prov, DTL				
Current liabilities	12,421	13,971	12,624	13,293
Short-term borrowings,	6,079	6,022	6,504	6,319
Curr Maturity				
Other Current Liab + Provi	6,343	7,949	6,120	6,975
Total (Equity and Liab.)	46,365	55,185	54,906	56,698
Non-current assets	30,878	38,034	37,477	36,805
Fixed assets (Net block)	29,022	36,599	36,042	35,370
Non-current Investments	98	101	101	101
Long-term loans & advances	1,501	720	720	720
Other non-current assets,	258	614	614	614
DTA, Goodwill				
Current assets	15,488	17,151	17,429	19,893
Cash & Current Investment	3,800	1,089	1,764	2,249
Other current assets	11,687	16,062	15,666	17,644
Total (Assets)	46,366	55,185	54,906	56,698
Total Debt	17,040	23,148	22,834	20,787
Capital Employed	40,022	47,236	48,786	49,723

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before Tax	3,669	2,113	3,832	5,434
Depreciation	2,089	2,248	2,822	2,937
Change in working capital	(1,285)	(2,766)	(1,433)	(1,124)
Total tax paid	(571)	(206)	(843)	(1,195)
Others	385	864	1,142	1,723
Cash flow from oper. (a)	4,288	2,252	5,520	7,157
Capital expenditure	(7,163)	(9,044)	(2,265)	(2,265)
Change in investments	(302)	1,622	0	0
Others	369	233	430	350
Cash flow from inv. (b)	(7,096)	(7,190)	(1,835)	(1,915)
Free cash flow (a+b)	(2,809)	(4,938)	3,685	5,242
Debt raised/(repaid)	4,756	6,108	(314)	(2,047)
Dividend (incl. tax)	(667)	(713)	(1,250)	(1,379)
Others	(772)	(1,542)	(1,447)	(1,330)
Cash flow from fin. (c)	3,316	3,853	(3,011)	(4,757)
Net chg in cash (a+b+c)	508	(1,085)	674	486

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	47.4	28.9	52.1	73.8
Growth	(32.9)	(39.1)	80.3	41.8
CEPS (Rs)	83.8	68.0	101.2	125.0
Book NAV/share (Rs)	346.0	354.8	387.2	439.2
Dividend/share (Rs)	10.0	10.7	18.7	20.7
Dividend payout ratio	24.5	43.0	41.8	32.5
EBITDA margin	16.2	13.0	17.0	18.0
EBIT margin	11.8	8.0	11.8	13.1
Tax Rate	25.8	21.5	22.0	22.0
RoCE	12.2	7.4	11.3	14.0
Total debt/Equity (x)	0.8	1.1	1.0	0.8
Net debt/Equity (x)	0.7	1.1	0.9	0.7
Du Pont Analysis - ROE				
Net margin	7.2	4.1	6.5	8.1
Asset turnover (x)	0.9	0.8	0.8	0.9
Leverage factor (x)	2.3	2.5	2.6	2.4
Return on equity	14.5	8.2	14.0	17.9

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	3.6	12.5	12.4	8.8
PCE	2.0	5.3	6.4	5.2
Price/Book	0.5	1.0	1.7	1.5
Yield (%)	5.9	3.0	2.9	3.2
EV/EBITDA	3.7	8.2	7.5	5.9

MID CAP

Share Data

Price (Rs)	194
BSE Sensex	27,888
Reuters code	SNFS.BO
Bloomberg code	SF IN
Market cap. (US\$ mn)	647
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	210

Performance (%) 1M 3M 12M

Absolute	4	26	322
Relative	6	20	216

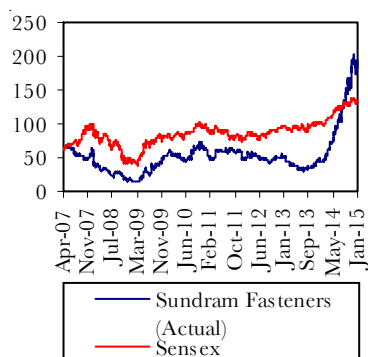
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs)	13.0	15.3
+/- (%)	30.0	18.1
PER (x)	15.0	12.7
PBV (x)	0.7	0.6
Dividend/Yield (%)	4.9	5.8
EV/Sales (x)	0.4	0.3
EV/EBITDA (x)	2.5	2.0

Major shareholders (%)

Promoters	50
FII's	2
MF's	13
BFSI's	7
Public & Others	29

Relative performance



Sundram Fasteners

Maintain BUY

More focus on export and new product launches to drive growth

Recent performance/Outlook

Despite slowdown, Sundram Fasteners (SF) outpaced the domestic industry growth due to new products, improvement in domestic MHCV and truck demand in the US market. With revival in the economy, we expect demand from auto segment to improve in the OEM and replacement market. Margin improvement in recent times due to exports, cost reduction initiatives and improvement in power cost.

Key sensitivities to growth/Key risks

- Volatility in steel prices and currency.
- Foreign debt in the book of accounts.

Strategic initiatives/Capex plans

- The company expects to improve its overall performance through development of new products for existing customers and by winning new customers.
- During FY14, the company set-up a new plant (SEZ 2) at Mahindra World City for manufacture of new variants of shafts, which commenced operations in the last quarter of the FY14. The existing SEZ unit has been expanded further.
- The total capex estimate for FY15 is ~ Rs 1.5 bn and Rs 1 bn in FY16

Balance sheet position

- SF's consolidated net debt stands at 0.8x, which is reduced from 1.4x in FY11 due to lower capex in the CV down cycle, better operational efficiency and new product launches. SF's biggest strength has been strong brand image and large scale compared to its peers. The company's 40% of revenue comes from CV segment, with bleak CV demand and slowdown in economy, the return ratios of the company remained muted. However, with expected MHCV recovery, improving positive customer sentiment and also introduction of new products will help in improving RoCE in excess of 20%, going forward.

Valuation and view

Considering the growth prospects in exports, operational improvement due to scale and cost reduction initiatives, revival of domestic MHCV market and improvement in overseas market, we maintain our positive outlook on the stock. At the current market price of Rs 194, the stock is trading at 14.9x FY16E consolidated earnings of Rs 13.0 and 12.7x FY17E consolidated earnings of Rs 15.3. We maintain our Buy rating on the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

Sundram Fasteners

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	27,362	33,476	39,337	44,885
<i>Growth (%)</i>	3.2	22.3	17.5	14.1
Operating expenses	(24,468)	(29,120)	(34,101)	(38,821)
Operating profit	2,894	4,355	5,236	6,064
EBITDA	2,894	4,355	5,236	6,064
<i>Growth (%)</i>	3.3	50.5	20.2	15.8
Depreciation	(1,021)	(1,131)	(1,243)	(1,402)
Other income	488	251	273	300
EBIT	2,361	3,475	4,266	4,962
Finance cost	(676)	(647)	(589)	(562)
Exceptional & extraordinary	1	0	0	0
Profit before tax	1,685	2,828	3,677	4,401
Tax (current + deferred)	(478)	(734)	(955)	(1,187)
P/(L) for the period	1,208	2,094	2,722	3,214
Reported Profit/(Loss)	1,208	2,094	2,722	3,214
Adjusted net profit	1,208	2,094	2,722	3,214
<i>Growth (%)</i>	30.0	73.4	30.0	18.1

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	210	210	210	210
Reserves & surplus	7,804	9,430	11,636	14,235
Shareholders' funds	8,014	9,641	11,846	14,445
Non-current liabilities	4,347	4,504	4,694	5,671
Long-term borrowings	2,466	2,096	1,781	2,750
Other non-current liabilities	1,881	2,408	2,913	2,921
Current liabilities	9,630	9,296	9,063	7,736
ST borrowings, Curr maturity	4,320	3,708	3,108	1,000
Other current liabilities	5,309	5,588	5,955	6,736
Total (Equity and Liab.)	21,991	23,441	25,603	27,852
Non-current assets	11,447	13,145	13,928	14,051
Fixed assets (Net block)	9,675	11,357	12,110	12,193
Non-current Investments	1,320	1,320	1,320	1,320
Long-term loans & advances	404	420	450	490
Other non-current assets	48	48	48	48
Current assets	10,543	10,296	11,675	13,802
Cash & current investment	256	162	394	509
Other current assets	10,287	10,134	11,281	13,293
Total (Assets)	21,991	23,441	25,603	27,852
Total debt	6,786	5,804	4,889	3,750
Capital employed	16,682	17,852	19,648	21,117

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,685	2,828	3,677	4,401
Depreciation	1,021	1,131	1,243	1,402
Change in working capital	1,163	959	(276)	(1,223)
Total tax paid	(473)	(734)	(955)	(1,187)
Others	308	396	316	261
Cash flow from oper. (a)	3,704	4,580	4,005	3,655
Capital expenditure	(2,175)	(2,829)	(2,025)	(1,525)
Change in investments	8	1	0	0
Others	357	251	273	300
Cash flow from inv. (b)	(1,809)	(2,577)	(1,752)	(1,225)
Free cash flow (a+b)	1,896	2,003	2,253	2,430
Debt raised/(repaid)	(927)	(982)	(914)	(1,139)
Dividend (incl. tax)	(391)	(464)	(512)	(610)
Others	(539)	(650)	(593)	(566)
Cash flow from fin. (c)	(1,857)	(2,096)	(2,020)	(2,316)
Net chg in cash (a+b+c)	38	(94)	233	114

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	5.7	10.0	13.0	15.3
Growth	30.0	73.4	30.0	18.1
CEPS (Rs)	10.6	15.3	18.9	22.0
Book NAV/share (Rs)	38.1	45.9	56.4	68.7
Dividend/share (Rs)	1.6	1.8	2.0	2.4
Dividend payout ratio	32.4	22.1	18.8	19.0
EBITDA margin	10.6	13.0	13.3	13.5
EBIT margin	8.6	10.4	10.8	11.1
Tax rate	28.3	26.0	26.0	27.0
RoCE	14.2	20.1	22.8	24.3
Total debt/Equity (x)	0.8	0.6	0.4	0.3
Net debt/Equity (x)	0.8	0.6	0.4	0.2
Du Pont Analysis - ROE				
Net margin	4.4	6.3	6.9	7.2
Asset turnover (x)	1.3	1.5	1.6	1.7
Leverage factor (x)	2.9	2.6	2.3	2.0
Return on equity	16.0	23.7	25.3	24.4

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	33.8	19.5	15.0	12.7
PCE	18.3	12.6	10.3	8.8
Price/Book	1.1	0.9	0.7	0.6
Yield (%)	3.9	4.4	4.9	5.8
EV/EBITDA	5.2	3.3	2.5	2.0

MID CAP

Share Data

Price (Rs)	15
BSE Sensex	27,888
Reuters code	SUEL.BO
Bloomberg code	SUELIN
Market cap. (US\$ mn)	754
6M avg. daily turnover (US\$ mn)	7.1
Issued shares (mn)	3,055

Performance (%) 1M 3M 12M

Absolute	13	10	41
Relative	15	5	5

Valuation ratios (Consolidated)

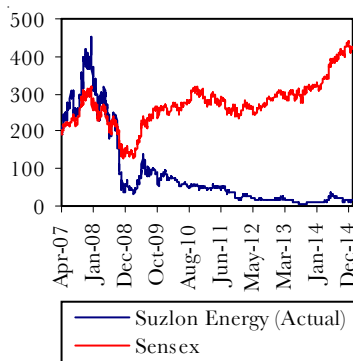
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs)	(6.6)	(3.6)	(0.9)
+/- (%)	NA	NA	NA
PER (x)	NA	NA	NA
PBV (x)	NA	NA	NA
EV/Sales (x)	0.7	0.5	0.4
EV/EBITDA (x)	18.7	9.4	6.3

Major shareholders (%)

Promoters	34
FII's	13
MF's	1
BFSI's	23
Public & Others	28

Relative performance



Suzlon Energy

Maintain Outperformer

Dilution a boon and a cap to performance

Recent performance/Outlook

In the last two years, sluggish execution and investment led to increase in debt burden. Further, need of debt restructuring and working capital kept execution under pressure in FY13, hence Suzlon reported EBITDA loss for consecutively seven quarters till 3QFY14 end. However, with restructured debt and improved utilisations, Suzlon has shown significant improvement in operations in the last three quarters.

In 2QFY15, despite weak seasonal trend, net sales grew by 12% YoY to Rs 53.8 bn due to better execution and low base effect. Consecutively third quarter, the company has shown EBITDA profit of Rs 1.1 bn versus loss of Rs 3.3 bn in 2QFY14.

Key sensitivities to growth/Key risks

- Slower capex investment will affect order inflow and hence in turn sales.
- Pricing pressure due to intense competition will affect profitability.

Strategic initiatives/Capex plans

- The company will focus on cost reduction and debt reduction initiatives.

Balance sheet position

- Cash conversion cycle improved from 72 days to 27 days with improvement in inventory to 73 days from 103 days.
- Total debt is at ~Rs 171 bn. (15x debt-to-equity in FY13).
- Negative net worth at Rs 5.5 bn in FY14.

Valuation and view

On back of strong order book, Senvion is expected to show healthy growth in FY15/16E. In India, GoI has reinstated Accelerated Depreciation in Sept-14E. With restoration of Accelerated Depreciation, order inflow is expected to stay robust in 2HFY15 and FY16E and execution is expected to show strong growth in 4QFY15E and 1QFY16E.

FCCB's conversion process into equity at conversion price of Rs 15.46 has initiated from August 2014. If total FCCB gets converted into equity, equity shares will go up to ~5.2 bn (3.0 bn). But, total FCCB's conversion will also lower down total debt from Rs 173 bn to Rs 130-135 bn.

We believe that Suzlon's stock price will remain capped in near to mid term due to equity conversion in FCCB's at Rs 15.46. However, improving profitability because of execution and fund raising plans will allow the company to reduce its debt burden. Hence, maintain Outperformer.

Bhalchandra Shinde

bhalchandra.shinde@bksec.com

Renu Baid

renu.baid@bksec.com

Suzlon Energy

Income Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	202,116	253,831	318,544	353,434
Growth (%)	7.8	25.6	25.5	11.0
Operating expenses	(205,440)	(244,312)	(300,387)	(328,694)
Operating profit	(3,324)	9,519	18,157	24,740
EBITDA	(3,324)	9,519	18,157	24,740
Growth (%)			90.8	36.3
Depreciation	(7,769)	(8,390)	(9,062)	(9,786)
Other income	2,628	3,153	3,626	4,170
EBIT	(8,465)	4,281	12,722	19,124
Finance cost	(20,700)	(20,664)	(21,073)	(18,593)
Exceptional & extraordinary	(4,873)	0	0	0
Profit before tax	(34,038)	(16,382)	(8,351)	531
Tax (current + deferred)	(1,444)	(2,575)	(3,036)	(3,460)
P/(L) for the period	(35,482)	(18,958)	(11,387)	(2,929)
P/L of associates, Min Int,	282	300	300	300
Pref Div				
Reported Profit/(Loss)	(35,200)	(18,658)	(11,087)	(2,629)
Adjusted net profit	(30,327)	(18,658)	(11,087)	(2,629)
Growth (%)	—	—	—	—

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	4,976	4,976	4,976	4,976
Reserves & surplus	(10,415)	(29,073)	(40,160)	(42,789)
Shareholders' funds	(5,439)	(24,096)	(35,184)	(37,812)
Minority int. and others	2,263	643	643	643
Non-current liabilities	127,880	133,604	113,314	95,910
Long-term borrowings	116,409	119,709	99,709	79,709
Other non-current liab.	11,470	13,895	13,604	16,200
Current liabilities	178,444	207,120	271,346	291,175
ST borrowings, curr maturity	54,124	46,934	70,234	70,234
Other current liabilities	124,320	160,186	201,113	220,941
Total (equity and liab.)	303,148	317,271	350,119	349,915
Non-current assets	148,446	152,130	160,786	169,024
Fixed assets (net block)	139,479	141,903	148,998	156,447
Non-current investments	37	37	37	37
Long-term loans and adv.	5,181	6,441	8,001	8,790
Other non-current assets	3,749	3,749	3,749	3,750
Current assets	154,702	165,141	189,332	180,891
Cash & current inv.	31,510	31,040	44,736	38,286
Other current assets	123,192	13,101	144,596	142,605
Total (assets)	303,148	317,271	350,118	349,915
Total debt	170,533	166,643	169,943	149,943
Capital employed	178,828	157,085	149,006	128,974

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	(34,038)	(16,382)	(8,351)	531
Depreciation	7,769	8,390	9,062	9,786
Chg in working capital	11,047	25,513	28,456	23,304
Total tax paid	451	(2,575)	(3,036)	(3,460)
Others	20,700	20,664	21,073	18,593
Cash flow from oper. (a)	5,928	35,610	47,203	48,755
Capital expenditure	(23,570)	(10,637)	(16,157)	(17,236)
Change in investments	(6,710)	0	0	0
Others	9,156	0	0	0
Cash flow from inv. (b)	(21,124)	(10,637)	(16,157)	(17,236)
Free cash flow (a+b)	(15,196)	24,973	31,046	31,519
Equity raised/(repaid)	6,462	(1,620)	0	0
Debt raised/(repaid)	18,626	(3,891)	3,300	(20,000)
Others	(5,002)	(19,932)	(20,649)	(17,969)
Cash flow from fin. (c)	20,085	(25,443)	(17,349)	(37,969)
Net chg in cash (a+b+c)	4,889	(470)	13,697	(6,451)

Key Ratios (Consolidated)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	(13.2)	(6.6)	(3.6)	(0.9)
Growth	—	—	—	—
CEPS (Rs)	(9.9)	(3.6)	(0.7)	2.3
Book NAV/share (Rs)	(2.4)	(8.5)	(11.5)	(12.4)
EBITDA margin	(1.6)	3.8	5.7	7.0
EBIT margin	(4.2)	1.7	4.0	5.4
Tax rate	(5.0)	(15.7)	(36.4)	651.5
RoCE	(4.8)	2.5	8.3	13.8
Total debt/Equity (x)	NA	NA	NA	NA
Net debt/Equity (x)	NA	NA	NA	NA
Du Pont Analysis - ROE				
Net margin	NA	NA	NA	NA
Asset turnover (x)	0.7	0.8	1.0	1.0
Leverage factor (x)	NA	NA	NA	NA
Return on equity	NA	NA	NA	NA

Valuations (Consolidated)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	NA	NA	NA	NA
PCE	NA	NA	NA	6.3
Price/Book	NA	NA	NA	NA
EV/EBITDA	NA	18.7	9.4	6.3

MID CAP

Share Data

Price (Rs)	893
BSE Sensex	27,888
Reuters code	SWAR.BO
Bloomberg code	SWE IN
Market cap. (US\$ mn)	175
6M avg. daily turnover (US\$ mn)	0.2
Issued shares (mn)	12

Performance (%) 1M 3M 12M

Absolute	(5)	(10)	43
Relative	(3)	(14)	7

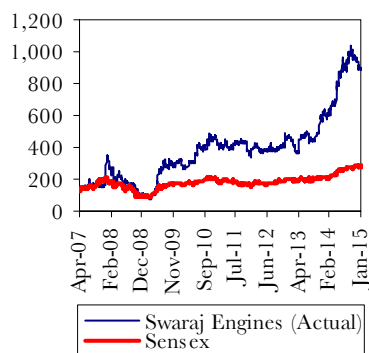
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	61.2	75.1
+/- (%)	13.5	22.7
PER (x)	14.6	11.9
PBV (x)	3.7	2.9
Dividend/Yield (%)	0.9	0.9
EV/Sales (x)	1.6	1.4
EV/EBITDA (x)	10.9	8.5

Major shareholders (%)

Promoters	51
FII's	5
MFs	10
Public & Others	34

Relative performance



Swaraj Engines

Maintain Outperformer

Engine sales on growth path

Recent performance/Outlook

Swaraj Engines Limited (SEL), revenue for the quarter increased by 10.3% YoY in 2QFY15 to Rs 1.7 bn, on account of better sales of 20,054 engines (up by 8.5%) to Swaraj division of Mahindra & Mahindra Ltd. with flat YoY realisation. We expect the company to sustain EBITDA margin of ~15-16% as the company has pass-through clause with the customer for key raw materials and also increase in scale.

Key sensitivities to growth/Key risks

- Dependence on a single customer i.e. Swaraj brand of Mahindra & Mahindra.
- Monsoon uncertainty.

Strategic initiatives/Capex plans

- The capacity expansion from 60,000 units to 75,000 units is completed. Further, expansion to 105,000 units/annum with a total capex of Rs 380 mn, is under progress and it is expected to be completed by 1QFY16.
- We expect the volume growth to moderate for FY15 in line with tractor industry demand and capacity bottleneck.

Balance sheet position

- SEL has been reporting RoCE, averaging 24% over the past 10 years, and a debt free status, with healthy operating margins. SEL generated loads of FCF which enables it to undertake the capex programme without resorting to debt. Since SEL has instant payment terms with M&M, it has very small debtor days (15 days) and inventory days (27 days). We expect the company to maintain its healthy financials on increasing demand from its key customer – M&M and also increasing scale. The cash per share works out to Rs 150.

Valuation and view

We believe SEL to report better performance on increased engines demand from its key customers – Swaraj division of M&M. We continue to maintain our long-term positive outlook on the stock with cash per share of Rs 150. At the current market price of Rs 893, the stock is trading at 14.6x FY15E earnings of Rs 61.2 and 11.9x FY16E earnings of Rs 75.1. We maintain our Outperformer rating on the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

Swaraj Engines

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	4,790	6,083	6,596	7,709
<i>Growth (%)</i>	<i>6.8</i>	<i>27.0</i>	<i>8.4</i>	<i>16.9</i>
Operating expenses	(4,075)	(5,177)	(5,598)	(6,482)
Operating profit	715	906	998	1,226
EBITDA	715	906	998	1,226
<i>Growth (%)</i>	<i>3.1</i>	<i>26.7</i>	<i>10.1</i>	<i>22.9</i>
Depreciation	(72)	(92)	(126)	(145)
Other income	153	175	200	250
EBIT	797	990	1,072	1,331
Finance cost	(2)	(0)	30	20
Exceptional & extraordinary	0	(12)	0	0
Profit before tax	795	978	1,102	1,351
Tax (current + deferred)	(241)	(308)	(342)	(419)
P/(L) for the period	554	670	760	932
Reported Profit/(Loss)	554	670	760	932
Adjusted net profit	554	670	760	932
<i>Growth (%)</i>	<i>4.9</i>	<i>20.9</i>	<i>13.5</i>	<i>22.7</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	124	124	124	124
Reserves & surplus	1,738	2,304	2,949	3,767
Shareholders' funds	1,862	2,428	3,073	3,891
Non-current liabilities	76	40	41	42
Other non-current liabilities	76	40	41	42
Current liabilities	996	312	312	313
Other current liabilities	996	312	312	313
Total (Equity and Liab.)	2,934	2,780	3,426	4,246
Non-current assets	1,613	1,965	2,312	2,645
Fixed assets (Net block)	831	1,265	1,612	1,944
Non-current Investments	742	600	600	600
Long-term loans and adv.	40	100	100	101
Current assets	1,320	815	1,115	1,601
Cash & current investment	732	174	420	792
Other current assets	588	641	695	809
Total (Assets)	2,934	2,780	3,426	4,246
Capital employed	1,938	2,468	3,114	3,933

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	795	978	1,102	1,351
Depreciation	72	92	126	145
Change in working capital	261	(809)	(54)	(115)
Total tax paid	(210)	(331)	(341)	(418)
Others	(152)	(175)	(230)	(270)
Cash flow from oper. (a)	766	(245)	604	694
Capital expenditure	(398)	(525)	(473)	(477)
Change in investments	70	142	0	0
Others	153	175	200	250
Cash flow from inv. (b)	(175)	(209)	(273)	(227)
Free cash flow (a+b)	592	(454)	331	467
Dividend (incl. tax)	(480)	(115)	(115)	(115)
Others	(2)	11	30	20
Cash flow from fin. (c)	(481)	(104)	(85)	(95)
Net chg in cash (a+b+c)	111	(558)	246	372

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	44.6	53.9	61.2	75.1
Growth	4.9	20.9	13.5	22.7
CEPS (Rs)	50.4	61.3	71.4	86.7
Book NAV/share (Rs)	149.9	195.5	247.5	313.3
Dividend/share (Rs)	33.0	8.0	8.0	8.0
Dividend payout ratio	86.5	17.2	15.1	12.3
EBITDA margin	14.9	14.9	15.1	15.9
EBIT margin	16.6	16.3	16.2	17.3
Tax rate	30.4	31.5	31.0	31.0
RoCE	42.3	44.9	38.4	37.8
Net debt/Equity (x)	(0.4)	(0.1)	(0.1)	(0.2)
Du Pont Analysis - ROE				
Net margin	11.6	11.0	11.5	12.1
Asset turnover (x)	1.7	2.1	2.1	2.0
Leverage factor (x)	1.5	1.3	1.1	1.1
Return on equity	30.4	31.2	27.6	26.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	20.0	16.6	14.6	11.9
PCE	17.7	14.6	12.5	10.3
Price/Book	6.0	4.6	3.7	2.9
Yield (%)	3.6	0.9	0.9	0.9
EV/EBITDA	14.7	12.2	10.9	8.5

MID CAP

Share Data

Price (Rs)	438
BSE Sensex	27,888
Reuters code	TTCH.BO
Bloomberg code	TTCH IN
Market cap. (US\$ mn)	1,764
6M avg. daily turnover (US\$ mn)	4.8
Issued shares (mn)	255

Performance (%) 1M 3M 12M

Absolute	0	11	63
Relative	2	6	22

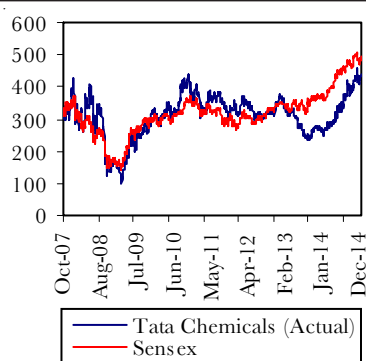
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	33.7	40.3
+/- (%)	86.8	19.7
PER (x)	13.0	10.9
PBV (x)	1.8	1.6
Dividend/Yield (%)	2.3	2.3
EV/Sales (x)	1.0	0.9
EV/EBITDA (x)	7.6	6.5

Major shareholders (%)

Promoters	31
FII's	22
MF's	8
BFSI's	17
Public & Others	22

Relative performance



Tata Chemicals

Maintain BUY

Restructuring over; core profitability set to improve!

Recent performance/Outlook

Tata Chemicals (TTCH) reported sales CAGR of 13% during FY11-14. However, PAT declined by 24% during the same period due to poor performance in Europe and Kenya. For 2QFY14, TTCH witnessed improved performance driven by standalone business and reduction of losses in overseas subsidiaries. Tata Chemicals reported consolidated revenues of Rs 48 bn, 11% YoY. EBITDA stood at Rs 653 mn, 14% YoY with margins of 13.6%. PAT stood at Rs 2.6 bn, 64% YoY.

Key sensitivities/Risks – Next 12 months

- Key growth drivers include robust global soda ash demand, pick-up in domestic NPK fertiliser consumption, continued growth in Rallis and ramp-up in Metahelix.
- In line with other commodity prices, soda ash prices have also come under pressure in the last couple of months. European soda ash prices have corrected by 9% since June 2014. While core profitability is set to improve post restructuring, global commodity deflation remains a risk.

Strategic initiatives

- Increasing focus on consumer business which is a low capex/high RoCE business.
- While standalone unit and North American soda ash business has been doing well in the last couple of years, Europe and Kenya were a drag on profitability. The company has restructured its operations in Europe/Kenya which would improve profitability going forward.

Balance sheet position

- Gross debt increased from Rs 51 bn in FY11 to Rs 84 bn in FY14, thereby increasing gross debt-to-equity from 0.9x to 1.3x.
- Decline in profit impacted RoE (from 20.8% in FY11 to 7.7% in FY14) and RoCE (from 13.2% in FY11 to 8.6% in FY14).

Valuation and view

Domestic soda ash demand continues to be robust. With no meaningful capacity addition in domestic market over the next three-four years, prices are likely to strengthen. For TCNA, global soda ash demand remains robust. Kenya restructuring is now over and initial signs of improvement are visible. With the restructuring now over, core profitability should improve going forward. However, global commodity deflation remains a risk and can play a spoilsport. TTCH has also shared its intention of reducing gross debt from Rs 80 bn currently to Rs 40 bn over the next five years. By FY17E, it plans to reduce gross debt to Rs 52-55 bn. We maintain Buy rating.

Balwinder Singh

balwinder.singh@bksec.com

Sukhwinder Singh

sukhwinder.singh@bksec.com

Tata Chemicals

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	148,061	159,311	170,130	182,882
<i>Growth (%)</i>	7.3	7.6	6.8	7.5
Operating expenses	(126,881)	(141,216)	(147,193)	(156,886)
Operating profit	21,180	18,094	22,937	25,996
EBITDA	21,180	18,094	22,937	25,996
<i>Growth (%)</i>	(7.8)	(14.6)	26.8	13.3
Depreciation	(5,339)	(4,712)	(4,692)	(4,749)
Other income	1,726	992	1,363	1,300
EBIT	17,568	14,374	19,608	22,547
Finance cost	(4,639)	(4,803)	(4,590)	(4,200)
Profit before tax	12,929	9,571	15,017	18,347
Tax (current + deferred)	(3,154)	(2,731)	(4,173)	(5,232)
P/(L) for the period	9,774	6,841	10,844	13,115
P/L of Associates,	(2,101)	(2,243)	(2,258)	(2,837)
Min Int, Pref Div				
Reported Profit/(Loss)	7,673	4,597	8,586	10,278
Adjusted net profit	7,758	4,597	8,586	10,278
<i>Growth (%)</i>	(42.0)	(40.7)	86.8	19.7

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	2,548	2,548	2,548	2,548
Reserves & surplus	61,587	53,107	58,732	66,049
Shareholders' funds	64,136	55,655	61,280	68,598
Minority Interests and others	5,361	6,552	6,552	6,552
Non-current liabilities	87,012	85,422	80,422	75,422
Long-term borrowings	69,609	69,098	64,098	59,098
Other non-current liabilities	17,403	16,325	16,325	16,325
Current liabilities	45,847	51,649	53,030	54,951
ST borrowings, Curr maturity	14,897	14,599	14,599	14,599
Other current liabilities	30,950	37,051	38,431	40,353
Total (Equity and Liab.)	202,356	199,279	201,285	205,523
Non-current assets	127,358	126,617	126,925	127,176
Fixed assets (Net block)	46,703	47,520	47,827	48,079
Non-current Investments	5,984	4,342	4,342	4,342
Long-term loans and advances	4,716	4,908	4,908	4,908
Other non-current assets	69,955	69,848	69,848	69,848
Current assets	74,998	72,662	74,360	78,348
Cash & current investment	18,426	15,631	16,042	15,746
Other current assets	56,572	57,031	58,319	62,602
Total (Assets)	202,356	199,279	201,285	205,523
Total debt	84,506	83,696	78,696	73,696
Capital employed	171,406	162,228	162,854	165,171

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	12,929	9,571	15,017	18,347
Depreciation	5,339	4,712	4,692	4,749
Change in working capital	(24,378)	6,462	93	(2,362)
Total tax paid	(2,885)	(2,731)	(4,173)	(5,232)
Others	2,913	3,811	3,228	2,900
Cash flow from oper. (a)	(6,083)	21,826	18,858	18,402
Capital expenditure	(3,052)	(5,529)	(5,000)	(5,000)
Change in investments	100	1,588	0	0
Others	1,639	465	1,363	1,300
Cash flow from inv. (b)	(1,314)	(3,476)	(3,637)	(3,700)
Free cash flow (a+b)	(7,397)	18,350	15,220	14,702
Debt raised/(repaid)	25,044	(810)	(5,000)	(5,000)
Dividend (incl. tax)	(2,961)	(2,961)	(2,961)	(2,961)
Others	(13,054)	(17,429)	(6,849)	(7,037)
Cash flow from fin. (c)	9,030	(21,199)	(14,810)	(14,998)
Net chg in cash (a+b+c)	1,633	(2,849)	411	(296)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	30.4	18.0	33.7	40.3
Growth	(42.0)	(40.7)	86.8	19.7
CEPS (Rs)	51.4	36.5	52.1	59.0
Book NAV/share (Rs)	251.7	218.4	240.5	269.2
Dividend/share (Rs)	10.0	10.0	10.0	10.0
Dividend payout ratio	38.6	64.4	34.5	28.8
EBITDA margin	14.3	11.4	13.5	14.2
EBIT margin	11.9	9.0	11.5	12.3
Tax rate	24.2	28.5	27.8	28.5
RoCE	11.2	8.6	12.1	13.7
Total debt/Equity (x)	1.2	1.3	1.2	1.0
Net debt/Equity (x)	1.0	1.1	0.9	0.8
Du Pont Analysis - ROE				
Net margin	5.2	2.9	5.0	5.6
Asset turnover (x)	0.8	0.8	0.8	0.9
Leverage factor (x)	3.1	3.4	3.4	3.1
Return on equity	12.1	7.7	14.7	15.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	10.6	15.9	13.0	10.9
PCE	6.3	7.9	8.4	7.4
Price/Book	1.3	1.3	1.8	1.6
Yield (%)	3.1	3.5	2.3	2.3
EV/EBITDA	7.0	7.8	7.6	6.5

MID CAP

Share Data

Price (Rs)	435
BSE Sensex	27,888
Reuters code	TATA.BO
Bloomberg code	TCOM IN
Market cap. (US\$ mn)	1,961
6M avg. daily turnover (US\$ mn)	4.2
Issued shares (mn)	285

Performance (%) 1M 3M 12M

Absolute	(7)	21	45
Relative	(5)	15	9

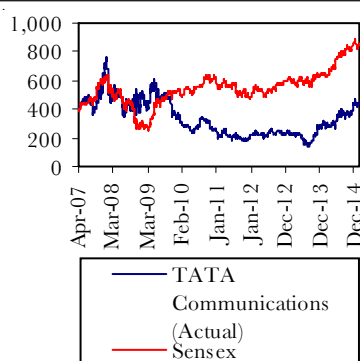
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	3.1	7.3
+/- (%)	148.6	136.1
PER (x)	141.8	60.0
PBV (x)	13.8	12.1
Dividend/Yield (%)	1.0	0.8
EV/Sales (x)	1.0	0.9
EV/EBITDA (x)	6.3	5.8

Major shareholders (%)

Promoters	75
FII's	7
MFs	3
BFSI's	9
Public & Others	6

Relative performance



Tata Communications

Maintain Outperformer

Data to see sustainable growth, valuations reasonable ex-Neotel...

Recent performance/Outlook

Consolidated revenue for Tata Communications (TCOM) grew at a CAGR of 18.1% from FY11 to FY14, primarily driven by 18.5% CAGR growth from data business while voice business grew by CAGR of 13% in the same period. We expect consolidated revenue growth of ~7.9% in FY15E, led by data business revenue growth of ~13%. TCOM expects data margins of ~20% while voice margins in the range of 6.5% to 8% in FY15E.

Key sensitivities to growth/Key risks

- The data business revenue and EBITDA contribution to core business revenue and EBITDA has grown to 49% and 79%, respectively, from 44% and 67% in FY13. This has resulted into consolidated EBITDA margin improvement of over 300 bps, data being a high margin business.
- ~51% of core revenue still comes from volatile and low margin voice business which is the key risk.

Strategic initiatives/Capex plans

- TCOM is planning to build greenfield data centres in Mumbai and Bengaluru in FY16 to benefit from data consumption surge seen in India, also planning an expansion of existing data centre in Singapore.
- Capex guidance of US\$ 250-300 mn (majority towards data business).

Balance sheet position

- TCOM has gross debt of US\$ 1.6 bn as on 2QFY14 (core business profile), cCash and cash equivalent of US\$ 285 mn. The net debt stands at US\$ 1.3 bn.
- RoE is expected to improve further on account of profitability growth led by data business.

Valuation and view

After its deal with Vodacom SA to sell Neotel, the entire focus is now on core business growth. TCOM's peak capex cycle is behind it and benefits of its investments in data business have started seeing on its financials. Continued strong growth in EBITDA and falling capex will help in strong FCF generation. We value TCOM at 5.0x EV/EBITDA FY16E. We maintain Outperformer with a target price of Rs 450.

Sushil Sharma
sushil.sharma@bksec.com

Sameer Pardikar
sameer.pardikar@bksec.com

Tata Communications

Income Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Net sales	172,130	196,659	211,287	223,908
<i>Growth (%)</i>	<i>21.3</i>	<i>14.3</i>	<i>7.4</i>	<i>6.0</i>
Operating expenses	(151,532)	(165,779)	(177,904)	(188,307)
Operating profit	20,597	30,880	33,383	35,601
EBITDA	20,597	30,880	33,383	35,601
<i>Growth (%)</i>	<i>15.0</i>	<i>49.9</i>	<i>8.1</i>	<i>6.6</i>
Depreciation	(20,271)	(20,914)	(21,142)	(21,202)
Other income	2,266	1,433	1,479	1,567
EBIT	2,593	11,399	13,721	15,966
Finance cost	(7,941)	(7,617)	(7,527)	(7,250)
Exceptional & extraordinary	0	662	0	0
Profit before tax	(5,349)	4,444	6,194	8,717
Tax (current + deferred)	(2,202)	(3,433)	(5,321)	(6,651)
P/(L) for the period	(7,551)	1,011	873	2,066
P/L of Associates,	276	3	2	1
Min Int, Pref Div				
Reported Profit/(Loss)	(7,275)	1,014	875	2,067
Adjusted net profit	(7,275)	352	875	2,067
<i>Growth (%)</i>	<i>(8.5)</i>	<i>(104.8)</i>	<i>148.6</i>	<i>136.1</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Share capital	2,850	2,850	2,850	2,850
Reserves & surplus	11,399	5,145	6,174	7,409
Shareholders' funds	14,249	7,995	9,024	10,259
Minority Interests and others	79	62	66	71
Non-current liabilities	133,917	142,093	137,916	137,227
Long-term borrowings	91,946	97,506	90,960	87,771
Other non-current liabilities	41,972	44,588	46,956	49,457
Current liabilities	90,146	98,619	107,955	118,181
ST borrowings,	10,804	22,257	24,483	26,931
Curr maturity				
Other current liabilities	79,342	76,362	83,472	91,249
Total (Equity and Liab.)	238,391	248,769	254,961	265,738
Non-current assets	185,452	187,242	189,237	193,585
Fixed assets (Net block)	146,091	149,487	151,145	155,143
Non-current Investments	7,532	7,538	7,538	7,538
Long-term loans & advances	22,908	22,825	23,053	23,283
Other non-current assets	8,921	7,393	7,501	7,620
Current assets	52,939	61,527	65,724	72,153
Cash & current investment	14,917	26,739	28,408	32,081
Other current assets	38,022	34,788	37,316	40,072
Total (Assets)	238,391	248,769	254,962	265,738
Total debt	102,750	119,763	115,442	114,702
Capital employed	159,049	172,408	171,489	174,489

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Profit before tax	(5,349)	4,444	6,194	8,717
Depreciation	20,271	20,914	21,142	21,202
Change in working capital	19,588	621	4,619	5,081
Total tax paid	(2,479)	(4,336)	(5,404)	(6,744)
Others	7,941	7,617	7,527	7,250
Cash flow from oper. (a)	39,973	29,259	34,077	35,506
Capital expenditure	(20,604)	(24,309)	(22,800)	(25,200)
Change in investments	(5,689)	(4,366)	0	0
Others	0	(42)	0	0
Cash flow from inv. (b)	(26,293)	(28,718)	(22,800)	(25,200)
Free cash flow (a+b)	13,680	541	11,277	10,306
Debt raised/(repaid)	(3,008)	17,013	(4,320)	(741)
Dividend (incl. tax)	(1,000)	(1,501)	(1,501)	(1,167)
Others	(3,499)	(8,592)	(3,787)	(4,724)
Cash flow from fin. (c)	(7,508)	6,920	(9,608)	(6,632)
Net chg in cash (a+b+c)	6,172	7,462	1,669	3,674

Key Ratios

Period end (%)	Mar 13	Mar 14E	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(25.5)	1.2	3.1	7.3
Growth	(8.5)	(104.8)	148.6	136.1
CEPS (Rs)	45.6	74.6	77.3	81.6
Book NAV/share (Rs)	50.0	28.1	31.7	36.0
Dividend/share (Rs)	3.0	4.5	4.5	3.5
Dividend payout ratio	(13.8)	148.0	171.4	56.5
EBITDA margin	12.0	15.7	15.8	15.9
EBIT margin	1.5	5.8	6.5	7.1
Tax rate	(41.2)	90.8	85.9	76.3
RoCE	1.6	6.9	8.0	9.2
Total debt/Equity (x)	7.2	14.9	12.7	11.1
Net debt/Equity (x)	6.1	11.5	9.6	8.0
Du Pont Analysis - ROE				
Net margin	(4.2)	0.2	0.4	0.9
Asset turnover (x)	0.7	0.8	0.8	0.9
Leverage factor (x)	12.5	21.9	29.6	27.0
Return on equity	(39.2)	3.2	10.3	21.4

Valuations

Period end (x)	Mar 13	Mar 14E	Mar 15E	Mar 16E
PER	(9.2)	248.6	141.8	60.0
PCE	5.1	4.1	5.6	5.3
Price/Book	4.7	10.9	13.8	12.1
Yield (%)	1.3	1.5	1.0	0.8
EV/EBITDA	7.5	5.8	6.3	5.8

MID CAP

Share Data

Price (Rs)	153
BSE Sensex	27,888
Reuters code	TT TE.BO
Bloomberg code	TGBLIN
Market cap. (US\$ mn)	1,490
6M avg. daily turnover (US\$ mn)	7.3
Issued shares (mn)	618

Performance (%) 1M 3M 12M

Absolute	(7)	(4)	(2)
Relative	(5)	(9)	(26)

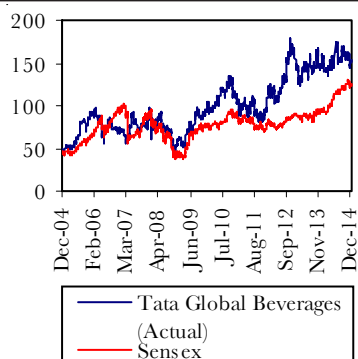
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	7.1	8.0	9.0
+/- (%)	17.1	13.6	12.5
PER (x)	21.6	19.0	16.9
PBV (x)	1.6	1.5	1.4
Dividend/Yield (%)	1.6	1.8	2.0
EV/Sales (x)	1.2	1.1	1.0
EV/EBITDA (x)	14.1	12.5	11.2

Major shareholders (%)

Promoters	35
FII's	26
MFs	2
BFSI's	9
Public & Others	28

Relative performance



Tata Global Beverages

Maintain Underperformer

Transition to faster growing beverage categories will take time

Recent performance

Tata Global Beverages (TGBL) consolidated performance remained weak with revenue CAGR of 7.5% over FY12-14 impacted by deceleration in the domestic tea business, continued slowdown in black tea category in international markets and steep decline in US coffee business. This coupled with high raw material prices and rise in A&P spends, resulted in weak earnings CAGR of ~2% over the last two years. Earnings growth continues to be below expectations declining by 12% for 1HFY15, impacted weak revenue growth of 3% and high input costs.

Key triggers/Risks – Next 12 months

- Margin pressure to continue considering high competitive intensity in international markets and weak pricing power across most markets.

Strategic initiatives

- Over the past few years, TGBL has expanded into new geographies and newer beverage segments like specialty tea, vitamin enriched waters, coffee pods, etc. through acquisitions. However, transformation to global beverage company has been slower considering high competitive intensity across different markets.
- TGBL expects consolidation in eastern Europe to save costs, while change in distribution model in Canada to drive sales in FY15. With shift to coffee pods impacting Eight O' clock sales, it may re-look into its arrangement with GMCR.
- Starbucks network has been expanded to 58 stores across six cities. It plans to expand in tier-2/3 cities with global formats like smaller express stores and drive through outlets.

Balance sheet position

- RoE/RoCE's declined by ~130 bps over FY12-14, as profitability remained weak due to continued deceleration in sales, decline in margins and high working capital.
- Total debt stands at ~Rs 19 bn and cash position of Rs 6.5 bn as of September 2014.

Valuation and view

Overall performance remains below expectations with domestic and key international market yet to see any meaningful recovery. Margin outlook remains weak due to low pricing power, high competition and losses from subscale markets and new category entries. With low growth profile and weak earnings visibility current valuations at 21x FY15E and 19x FY16E earnings, do not look attractive. We have an Underperformer rating on the stock.

Ashit Desai
ashit.desai@bksec.com

Mehul Desai
mehul.desai@bksec.com

Tata Global Beverages

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	76,220	82,576	89,387	97,212
<i>Growth (%)</i>	<i>4.8</i>	<i>8.3</i>	<i>8.2</i>	<i>8.8</i>
Operating expenses	(69,857)	(75,464)	(81,557)	(88,645)
Operating profit	6,363	7,112	7,830	8,567
EBITDA	6,363	7,112	7,830	8,567
<i>Growth (%)</i>	<i>(7.5)</i>	<i>11.8</i>	<i>10.1</i>	<i>9.4</i>
Depreciation	(1,291)	(1,452)	(1,496)	(1,540)
Other income	1,974	2,124	2,302	2,500
EBIT	7,046	7,785	8,636	9,528
Finance cost	(865)	(804)	(769)	(761)
Exceptional & extraordinary	888	0	0	0
Profit before tax	7,069	6,981	7,867	8,767
Tax (current + deferred)	(1,845)	(1,955)	(2,203)	(2,455)
P/(L) for the period	5,224	5,026	5,664	6,312
P/L of Associates,	(419)	(653)	(696)	(723)
Min Int, Pref Div				
Reported Profit/(Loss)	4,805	4,373	4,968	5,589
Adjusted net profit	3,736	4,373	4,968	5,589
<i>Growth (%)</i>	<i>(4.8)</i>	<i>17.1</i>	<i>13.6</i>	<i>12.5</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	618	618	618	618
Reserves & surplus	57,870	59,965	63,118	66,718
Shareholders' funds	58,488	60,583	63,737	67,336
Minority Interests and others	9,241	10,073	10,970	11,912
Non-current liabilities	13,991	13,795	13,590	13,374
Long-term borrowings	10,537	10,388	10,238	10,088
Other non-current liabilities	3,453	3,407	3,352	3,286
Current liabilities	17,395	17,174	18,084	19,117
ST borrowings, Curr maturity	3,844	2,868	2,868	2,868
Other current liabilities	13,551	14,307	15,216	16,250
Total (Equity and Liab.)	99,115	101,626	106,380	111,740
Non-current assets	60,547	61,061	61,632	62,167
Fixed assets (Net block)	52,406	52,858	53,363	53,823
Non-current Investments	6,079	6,079	6,079	6,079
Long-term loans & advances	1,358	1,419	1,486	1,559
Other non-current assets	705	705	705	705
Current assets	38,567	40,565	44,747	49,574
Cash & current investment	7,283	7,270	9,293	11,653
Other current assets	31,284	33,294	35,454	37,921
Total (Assets)	99,115	101,626	106,380	111,740
Total debt	14,381	13,255	13,106	12,956
Capital employed	85,563	87,319	91,164	95,491

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	7,069	6,981	7,867	8,767
Depreciation	1,291	1,452	1,496	1,540
Change in working capital	(2,976)	(1,472)	(1,533)	(1,744)
Total tax paid	(2,222)	(1,954)	(2,207)	(2,464)
Others	59	(111)	(270)	(421)
Cash flow from oper. (a)	3,221	4,896	5,352	5,678
Capital expenditure	(8,463)	(1,904)	(2,000)	(2,000)
Change in investments	(329)	2	2	2
Others	99	913	1,038	1,180
Cash flow from inv. (b)	(8,693)	(990)	(961)	(819)
Free cash flow (a+b)	(5,472)	3,907	4,392	4,859
Equity raised/(repaid)	(482)	0	0	0
Debt raised/(repaid)	494	(1,126)	(150)	(150)
Dividend (incl. tax)	(1,539)	(1,535)	(1,644)	(1,808)
Others	7,275	(1,259)	(576)	(541)
Cash flow from fin. (c)	5,748	(3,919)	(2,369)	(2,499)
Net chg in cash (a+b+c)	275	(13)	2,022	2,360

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	6.0	7.1	8.0	9.0
Growth	(4.8)	17.1	13.6	12.5
CEPS (Rs)	8.1	9.4	10.5	11.5
Book NAV/share (Rs)	93.9	97.3	102.4	108.2
Dividend/share (Rs)	2.2	2.5	2.7	3.0
Dividend payout ratio	31.1	37.6	36.4	35.6
EBITDA margin	8.3	8.6	8.8	8.8
EBIT margin	9.2	9.4	9.7	9.8
Tax rate	32.8	28.0	28.0	28.0
RoCE	8.9	9.0	9.7	10.2
Total debt/Equity (x)	0.2	0.2	0.2	0.2
Net debt/Equity (x)	0.1	0.1	0.1	0.0
Du Pont Analysis - ROE				
Net margin	4.9	5.3	5.6	5.7
Asset turnover (x)	0.8	0.8	0.9	0.9
Leverage factor (x)	1.8	1.7	1.7	1.7
Return on equity	7.1	7.4	8.0	8.6

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	24.8	21.6	19.0	16.9
PCE	18.5	16.2	14.6	13.2
Price/Book	1.6	1.6	1.5	1.4
Yield (%)	1.5	1.6	1.8	2.0
EV/EBITDA	15.7	14.1	12.5	11.2

MID CAP

Share Data

Price (Rs)	361
BSE Sensex	27,888
Reuters code	PHOE.BO
Bloomberg code	PHNX IN
Market cap. (US\$ mn)	825
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	145

Performance (%)	1M	3M	12M
Absolute	(4)	8	57
Relative	(2)	3	17

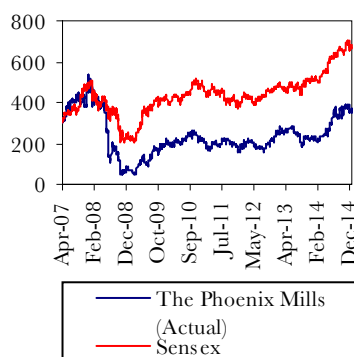
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	7.3	13.7
+/- (%)	(18.0)	88.0
PER (x)	49.6	26.4
PBV (x)	3.0	2.7
Dividend/Yield (%)	0.6	0.6
EV/Sales (x)	4.9	3.6
EV/EBITDA (x)	10.1	7.6

Major shareholders (%)

Promoters	66
FII's	23
MF's	3
Bodies Corporate	3
Public & Others	5

Relative performance



The Phoenix Mills

Downgrade to Outperformer

Assets created...Time to sweat

Recent performance

Over the last seven-eight years, the company has graduated from being a holder / operator of a single mall to own 11 malls, 2 commercial centres and a marquee hospitality development. However, FY14 holds a special distinction as for being first full year of operations for entire portfolio of Marketcity projects. Operationally, High Street Phoenix (HSP) continues to register new highs in terms of consumption levels/trading density with each passing quarter. At other operational Marketcities, consumption/trading density continues to improve amidst improving occupancy levels. Last year was also noteworthy since construction and incremental bookings at various DevCo projects continued to progress with good success.

Key sensitivities to growth/Key risks – Next 12 months

- Renegotiations for ~0.9 mn sq ft of area across five key operational retail assets by FY16 end is set to augment rental income further. Management remains confident of rental renegotiations taking place at higher rates.
- Timely launch of new projects in DevCo vertical and roping in operator for Palladium hotel (erstwhile Shangri-La) also remain key sensitivities to the growth.

Strategic initiatives/Capex plans

- With limited scope to accommodate incremental footfalls at HSP, intent remains to ensure up-trading through induction of high value brands and store recalibration.

Balance sheet position

- Limited incremental capex, stabilising operations at operational Marketcities and development project portfolio gaining traction meant consolidated net debt sees a decline of ~Rs 1.2 bn over 1H FY15. Reduction is despite an increase of ~Rs 1.4 bn in standalone net debt to fund stake consolidation drive.
- Of the total consolidated gross debt of ~Rs 32.9 bn, ~83% of the exposure is in the form of LRDs.

Valuation and view

Stabilising operations at Marketcities seem all set to find support from DevCo vertical. In addition to providing support to earnings, DevCo, for its ability to generate cash flows, also remain critical for de-leveraging. With the management well determined to move swiftly on project execution/new launches, we believe, the stock would soon turn out to be a play on cash flows rather than being an asset play. Although cash flows are likely to see an improvement, rich valuations, we believe, restrict any significant upside from the current levels. We, therefore, downgrade the stock to Outperformer.

Prem Khurana
prem.khurana@bksec.com

Ankita Bora
ankita.bora@bksec.com

The Phoenix Mills

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	4,699	14,485	16,849	22,037
Growth (%)	19.1	208.3	16.3	30.8
Operating expenses	(2,068)	(7,701)	(8,639)	(11,715)
Operating profit	2,631	6,784	8,211	10,321
EBITDA	2,631	6,784	8,211	10,321
Growth (%)	24.4	157.9	21.0	25.7
Depreciation	(474)	(1,055)	(1,619)	(1,551)
Other income	521	391	339	407
EBIT	2,677	6,120	6,930	9,178
Finance cost	(1,430)	(3,451)	(4,021)	(3,775)
Exceptional & extraordinary	(7)	84	—	—
Profit before tax	1,241	2,754	2,909	5,403
Tax (current + deferred)	(427)	(909)	(1,045)	(1,619)
P/(L) for the period	813	1,844	1,864	3,784
P/L of Associates,	28	(560)	(811)	(1,804)
Min Int, Pref Div				
Reported Profit/(Loss)	842	1,285	1,053	1,980
Adjusted net profit	842	1,285	1,053	1,980
Growth (%)	(20.3)	52.7	(18.0)	88.0

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	290	290	290	290
Reserves & surplus	17,397	16,948	17,357	18,963
Shareholders' funds	17,687	17,237	17,646	19,253
Minority interest and others	4,252	7,200	7,851	9,627
Non-current liabilities	18,302	31,220	29,584	26,781
Long-term borrowings	16,741	28,328	26,278	23,260
Other non-current liabilities	1,561	2,892	3,306	3,521
Current liabilities	9,867	11,928	12,788	13,184
ST borrowings, curr maturity	5,215	5,733	5,972	5,762
Other current liabilities	4,651	6,195	6,816	7,422
Total (equity and liab.)	50,108	67,586	67,869	68,845
Non-current assets	37,186	50,425	49,563	49,028
Fixed assets (net block)	29,507	44,047	42,972	42,465
Non-current investments	3,481	2,260	2,449	2,421
Long-term loans and adv.	3,667	3,195	3,195	3,195
Other non-current assets	532	923	947	947
Current assets	12,921	17,161	18,307	19,818
Cash & current investment	2,756	2,120	1,762	2,482
Other current assets	10,165	15,041	16,545	17,336
Total (assets)	50,108	67,586	67,869	68,845
Total debt	21,956	34,061	32,251	29,022
Capital employed	45,457	61,391	61,054	61,423

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,241	2,754	2,909	5,403
Depreciation	474	1,055	1,619	1,551
Change in working capital	(1,847)	(1,905)	(869)	(170)
Total tax paid	(590)	(1,376)	(1,057)	(1,619)
Others	919	3,111	3,683	3,367
Cash flow from oper. (a)	198	3,638	6,286	8,533
Capital expenditure	(5,324)	(16,389)	(545)	(1,045)
Change in investments	(641)	2,115	(189)	28
Others	631	241	327	407
Cash flow from inv. (b)	(5,335)	(14,033)	(407)	(609)
Free cash flow (a+b)	(5,137)	(10,396)	5,878	7,924
Debt raised/(repaid)	5,272	12,105	(1,811)	(3,228)
Dividend (incl. tax)	(337)	(373)	(373)	(373)
Others	(115)	(1,169)	(4,052)	(3,603)
Cash flow from fin. (c)	4,821	10,563	(6,236)	(7,204)
Net chg in cash (a+b+c)	(316)	167	(357)	720

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	5.8	8.9	7.3	13.7
Growth	(20.3)	52.7	(18.0)	88.0
CEPS (Rs)	9.1	16.2	18.5	24.4
Book NAV/share (Rs)	121.4	118.3	121.1	132.2
Dividend/share (Rs)	2.2	2.2	2.2	2.2
Dividend payout ratio	44.3	29.0	35.4	18.8
EBITDA margin	56.0	46.8	48.7	46.8
EBIT margin	57.0	42.3	41.1	41.6
Tax rate	34.4	33.0	35.9	30.0
RoCE	6.4	11.5	11.3	15.0
Total debt/Equity (x)	1.0	1.4	1.3	1.0
Net debt/Equity (x)	0.9	1.3	1.2	0.9
Du Pont Analysis - ROE				
Net margin	17.9	8.9	6.3	9.0
Asset turnover (x)	0.1	0.2	0.2	0.3
Leverage factor (x)	2.6	3.4	3.9	3.7
Return on equity	4.9	7.4	6.1	10.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	47.3	28.0	49.6	26.4
PCE	30.2	15.4	19.5	14.8
Price/Book	2.3	2.1	3.0	2.7
Yield (%)	0.8	0.9	0.6	0.6
EV/EBITDA	22.4	10.0	10.1	7.6

MID CAP

Share Data

Price (Rs)	345
BSE Sensex	27,888
Reuters code	MSCM.BO
Bloomberg code	TRCLIN
Market cap. (US\$ mn)	1,297
6M avg. daily turnover (US\$ mn)	1.4
Issued shares (mn)	238

Performance (%) 1M 3M 12M

Absolute	3	10	90
Relative	5	5	42

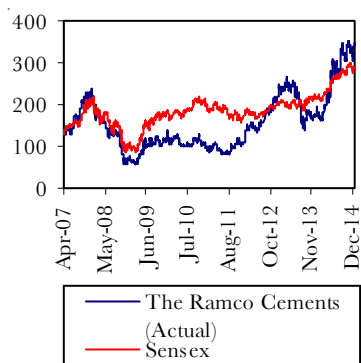
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	14.4	21.5
+/- (%)	148.4	49.6
PER (x)	24.0	16.0
Dividend/Yield (%)	0.9	0.9
EV/Sales (x)	2.5	2.1
EV/EBITDA (x)	11.6	9.0

Major shareholders (%)

Promoters	42
GOI	3
FII's	19
MF's	10
BFSI's	5
Public & Others	21

Relative performance



The Ramco Cements

Maintain BUY

Well placed to play on recovery in southern India

Recent performance

Operating performance of The Ramco Cements (TRCL) has been affected in the last two years due to political disturbances in Andhra Pradesh which is one of the main markets for the company. FY14 was a dismal year and profitability declined by 65% to Rs 1.3 bn. Its muted performance was due to a) slackness in demand in the prime market of the company b) scarcity of raw materials like sand and blue metal and c) higher input costs. EBITDA and EBITDA/tonne de-grew at a CAGR of 15% and 19%, respectively, during FY12-14. However, TRCL's 2QFY15 operating performance was in line with our estimates primarily led by higher realisation and moderate cost inflation. TRCL reported EBITDA/tonne at Rs 961 (up 78% YoY) primarily led by 14.8% YoY increase in realisation.

Key triggers/Risks – Next 12 months

- Weak production discipline could be a risk to our earnings estimates.

Strategic initiatives

- TRCL will add 1 mtpa split grinding unit at Vizag (Andhra Pradesh), at a cost of Rs 4.7 bn by March 2015, taking the cement capacity to 15.5 mt. This would increase its market share in Andhra Pradesh and eastern region.
- Despite lower capacity utilisation in the southern region, TRCL is among the lowest-cost cement producers in India led by higher usage of captive power, strategic location of plants, investment in operating capex and a low fixed-cost base.

Balance sheet position

- Gross debt has increased to Rs 29.2 bn in FY14 against Rs 26.6 bn in FY13 due to ongoing capex plans.
- RoE has declined to 5.7% in FY14 against 18.3% in FY13 due to steep fall in profitability.

Outlook and valuation

During the last three months, cement demand was subdued due to seasonal factors and ban on sand mining which led to correction in prices. However, we expect robust demand in southern region from 2H FY16 primarily led by state bifurcation which would significantly improve realisation and operating profit in the coming year. TRCL is well placed with surplus capacity, grinding units at various locations, stand-by power back up facilities and railway sidings to take the full advantage of demand recovery in its primary markets. Hence, we retain our Buy rating. TRCL is currently trading at EV/EBITDA of 9.0x and EV/tonne of US\$ 116 on FY16 estimates.

Amit Srivastava
 amit.srivastava@bksec.com

Saurabh Mitra
 saurabh.mitra@bksec.com

The Ramco Cements

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	38,308	36,835	43,284	50,051
<i>Growth (%)</i>	17.6	(3.8)	17.5	15.6
Operating expenses	(28,249)	(31,205)	(33,992)	(38,345)
Operating profit	10,059	5,630	9,293	11,706
EBITDA	10,059	5,630	9,293	11,706
<i>Growth (%)</i>	7.1	(44.0)	65.0	26.0
Depreciation	(2,806)	(3,063)	(2,872)	(2,897)
Other income	419	857	460	472
EBIT	7,672	3,425	6,880	9,281
Finance cost	(1,785)	(1,881)	(1,994)	(1,865)
Exceptional & extraordinary	(9)	0	0	0
Profit before tax	5,877	1,543	4,886	7,416
Tax (current + deferred)	(1,846)	(166)	(1,466)	(2,299)
P/(L) for the period	4,032	1,377	3,420	5,117
Reported Profit/(Loss)	4,032	1,377	3,420	5,117
Adjusted net profit	4,037	1,377	3,420	5,117
<i>Growth (%)</i>	4.7	(65.9)	148.4	49.6

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	238	238	238	238
Reserves & surplus	23,470	24,583	27,098	31,380
Shareholders' funds	23,708	24,821	27,336	31,618
Non-current liabilities	24,882	26,818	26,388	25,458
Long-term borrowings	13,931	15,204	14,604	13,504
Other non-current liab.	10,952	11,615	11,785	11,955
Current liabilities	16,124	17,047	17,768	17,901
ST borrowings, Curr maturity	12,740	14,085	13,085	12,085
Other current liabilities	3,385	2,962	4,683	5,817
Total (Equity and Liab.)	64,714	68,686	71,492	74,977
Non-current assets	52,195	56,190	55,873	56,976
Fixed assets (Net block)	47,505	49,953	48,935	49,338
Non-current Investments	2,658	2,834	2,859	2,884
Long-term loans and adv.	2,017	3,387	4,062	4,737
Other non-current assets	15	16	16	16
Current assets	12,519	12,495	15,619	18,001
Cash & current investment	540	446	1,870	2,552
Other current assets	11,979	12,049	13,749	15,449
Total (Assets)	64,714	68,686	71,492	74,977
Total debt	26,670	29,288	27,688	25,588
Capital employed	61,330	65,723	66,808	69,160

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	5,877	1,543	4,886	7,416
Depreciation	2,806	3,063	2,872	2,897
Change in working capital	(2,520)	(1,002)	(1,430)	(1,430)
Total tax paid	(1,111)	(807)	(323)	(1,466)
Others	1,785	1,881	1,994	1,865
Cash flow from oper. (a)	6,838	4,678	8,000	9,282
Capital expenditure	(4,077)	(5,517)	(2,430)	(3,875)
Change in investments	7	(176)	(25)	(25)
Others	17	(1)	0	0
Cash flow from inv. (b)	(4,053)	(5,695)	(2,455)	(3,900)
Free cash flow (a+b)	2,785	(1,017)	5,545	5,382
Debt raised/(repaid)	(434)	2,618	(1,600)	(2,100)
Dividend (incl. tax)	(692)	(334)	(557)	(835)
Others	(1,594)	(1,360)	(1,964)	(1,765)
Cash flow from fin. (c)	(2,720)	923	(4,121)	(4,700)
Net chg in cash (a+b+c)	65	(94)	1,424	682

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	17.0	5.8	14.4	21.5
Growth	4.7	(65.9)	148.4	49.6
CEPS (Rs)	28.7	18.7	26.4	33.7
Book NAV/share (Rs)	99.6	104.3	114.9	132.8
Dividend/share (Rs)	3.0	1.2	3.0	3.0
Dividend payout ratio	20.7	24.3	24.4	16.3
EBITDA margin	26.3	15.3	21.5	23.4
EBIT margin	20.0	9.3	15.9	18.5
Tax rate	31.4	10.8	30.0	31.0
RoCE	12.9	5.4	10.4	13.7
Total debt/Equity (x)	1.1	1.2	1.0	0.8
Net debt/Equity (x)	1.1	1.2	0.9	0.7
Du Pont Analysis - ROE				
Net margin	10.5	3.7	7.9	10.2
Asset turnover (x)	0.6	0.6	0.6	0.7
Leverage factor (x)	2.8	2.7	2.7	2.5
Return on equity	18.3	5.7	13.1	17.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	15.0	37.2	24.0	16.0
PCE	8.8	11.5	13.0	10.2
Price/Book	2.5	2.1	3.0	2.6
Yield (%)	1.2	0.6	0.9	0.9
EV/EBITDA	8.6	14.2	11.6	9.0

MID CAP

Share Data

Price (Rs)	1,050
BSE Sensex	27,888
Reuters code	TMX.BO
Bloomberg code	TMX IN
Market cap. (US\$ mn)	1,976
6M avg. daily turnover (US\$ mn)	1.2
Issued shares (mn)	119

Performance (%) 1M 3M 12M

Absolute	4	16	50
Relative	6	11	12

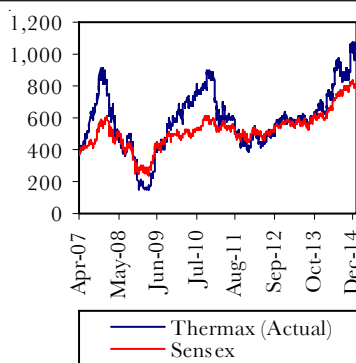
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	22.7	29.6	42.2
+/- (%)	9.8	30.5	42.8
PER (x)	46.3	35.5	24.9
PBV (x)	5.7	5.1	4.5
Dividend/Yield (%)	0.7	0.8	1.0
EV/Sales (x)	2.2	1.9	1.5
EV/EBITDA (x)	27.2	20.8	14.5

Major shareholders (%)

Promoters	62
FII's	15
MF's	6
BFSI's	2
Public & Others	15

Relative performance



Thermax

Maintain Outperformer

Mid-late cycle recovery play...will take time to show traction

Recent performance/Outlook

Weak domestic capex scenario forced Thermax to ramp up presence in export market over FY13-15E and diversify its geographic presence for long term stability. Recent exit from loss making step down subsidiary Omnical Kessel in Germany will cap further drag on consolidated margins of Thermax. Healthy inflow growth (Standalone) in 2QY15 (+42% YoY) led by demand for standard products in the domestic market and receipt of international project, supported order book of Rs 50 bn (-6% YoY, 1.1x TTM sales). With TBWJV (super-critical boilers) receiving its first breakthrough export orders of Rs 3.4 bn from B&W PGG, consolidated intake was Rs 22.9 bn with consolidated order book of Rs 61 bn (-1% YoY).

Key sensitivities to growth/Key risks – Next 12 months

- Order finalisation and pick up in corporate capex and CPP (supported by ease in interest rates).
- Increased competitive pressures to strain the margins in new orders.

Strategic initiatives/Capex plans

- With no super-critical boiler orders in pipeline for TBWJV, likely loss of Rs 1.2 bn pa will be reduced based on recent export order success - Rs 3.4 bn order win from B&W PCG offers scope to cut losses.
- For long-term stability, Thermax (Singapore Holding Company), will slowly ramp-up overseas branch offices as entities catering to local demand in SE Asia and MEA markets.

Balance sheet position

- NWC worsened from 52 days in FY13 to 82 days in FY14 with continued delays from customers to pick deliveries. Lower profitability in standalone business and loss on commercialisation of TBWJV pulled net margins lower by 100 bps, at 4.9% RoEs and RoCEs were thus lower at 12.6% and 14.4% levels with lower asset turns. Consolidated debt increased by 80% YoY, at Rs 7.6 bn, though it remained net cash.

Valuation and view

Thermax is a good quality play on the captive power market and industrial capex upturn which are mid-late cycle recovery play. With visible signs of improvement we factor in 37% FY15-17E consolidated earnings CAGR.

Renu Baid

renu.baid@bksec.com

Thermax

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	50,283	54,903	63,896	78,971
Growth (%)	(7.4)	9.2	16.4	23.6
Operating expenses	(46,626)	(51,008)	(58,730)	(71,496)
Operating profit	3,657	3,895	5,166	7,475
Other operating income	716	584	648	742
EBITDA	4,373	4,479	5,814	8,216
Growth (%)	(10.8)	2.4	29.8	41.3
Depreciation	(922)	(1,114)	(1,309)	(1,524)
Other income	716	907	947	1,060
EBIT	4,167	4,272	5,452	7,752
Finance cost	(274)	(300)	(270)	(240)
Exceptional & extraordinary	0	(364)		0
Profit before tax	3,893	3,608	5,182	7,512
Tax (current + deferred)	(1,696)	(1,271)	(1,658)	(2,479)
Profit/(Loss) for the period	2,197	2,337	3,524	5,033
P/L of Associates,	262	0	0	0
Min Int, Pref Div				
Reported Profit / (Loss)	2,460	2,337	3,524	5,033
Adjusted net profit	2,460	2,701	3,524	5,033
Growth (%)	(23.2)	9.8	30.5	42.8

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	238	238	238	238
Reserves & surplus	20,145	21,752	24,160	27,798
Shareholders' funds	20,383	21,991	24,398	28,037
Minority Interests and others	1,397	1,320	1,254	1,129
Non-current liabilities	8,191	7,710	7,084	6,512
Long-term borrowings	5,167	5,012	4,009	2,806
Other non-current liabilities	3,024	2,699	3,075	3,705
Current liabilities	29,977	30,072	32,043	34,616
ST borrowings, Curr maturity	2,447	2,332	1,865	1,119
Other current liabilities	27,529	27,740	30,177	33,497
Total (Equity and Liab.)	59,947	61,093	64,779	70,294
Non-current assets	18,709	19,974	21,140	22,055
Fixed assets (Net block)	15,802	16,544	17,536	18,612
Long-term loans and advances	213	333	323	399
Other non-current assets	2,693	3,096	3,281	3,045
Current assets	41,238	41,119	43,638	48,239
Cash & current investment	11,587	10,716	10,306	10,021
Other current assets	29,651	30,404	33,333	38,218
Total (Assets)	59,947	61,093	64,779	70,294
Total debt	7,614	7,343	5,875	3,926
Capital employed	32,418	33,353	34,602	36,796

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,893	3,608	5,182	7,512
Depreciation	922	1,114	1,309	1,524
Change in working capital	(1,391)	(810)	(621)	(1,920)
Total tax paid	(1,761)	(1,229)	(1,653)	(2,474)
Others	(402)	(487)	(606)	(742)
Cash flow from oper. (a)	1,260	2,196	3,610	3,900
Capital expenditure	(2,481)	(1,645)	(2,110)	(2,420)
Change in investments	(2,647)	708	(637)	(701)
Others	802	132	485	1,014
Cash flow from inv. (b)	(4,326)	(806)	(2,262)	(2,107)
Free cash flow (a+b)	(3,065)	1,390	1,349	1,793
Debt raised/(repaid)	3,383	(271)	(1,469)	(1,949)
Dividend (incl. tax)	(976)	(839)	(976)	(1,116)
Others	1,956	(444)	50	285
Cash flow from fin. (c)	4,363	(1,554)	(2,395)	(2,780)
Net chg in cash (a+b+c)	1,297	(164)	(1,046)	(987)

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	20.6	22.7	29.6	42.2
Growth	(23.2)	9.8	30.5	42.8
CEPS (Rs)	28.4	32.0	40.6	55.0
Book NAV/share (Rs)	171.1	184.6	204.8	235.3
Dividend/share (Rs)	6.0	7.0	8.0	10.0
Dividend payout ratio	34.1	41.8	31.7	27.7
EBITDA margin	8.6	8.1	9.0	10.3
EBIT margin	8.3	7.8	8.5	9.8
Tax rate	43.6	32.0	32.0	33.0
RoCE	14.4	13.0	16.0	21.7
Total debt/Equity (x)	0.3	0.3	0.2	0.1
Net debt/Equity (x)	(0.2)	(0.1)	(0.2)	(0.2)
Du Pont Analysis - ROE				
Net margin	4.9	4.9	5.5	6.4
Asset turnover (x)	0.9	0.9	1.0	1.2
Leverage factor (x)	2.8	2.9	2.7	2.6
Return on equity	12.6	12.7	15.2	19.2

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	36.2	46.3	35.5	24.9
PCE	26.4	32.8	25.9	19.1
Price/Book	4.4	5.7	5.1	4.5
Yield (%)	0.8	0.7	0.8	1.0
EV/EBITDA	19.5	27.2	20.8	14.5

MID CAP

Share Data

Price (Rs)	3,636
BSE Sensex	27,888
Reuters code	TTKL.BO
Bloomberg code	TTKPT IN
Market cap. (US\$ mn)	669
6M avg. daily turnover (US\$ mn)	1.3
Issued shares (mn)	12

Performance (%) 1M 3M 12M

Absolute	(5)	(10)	6
Relative	(4)	(14)	(21)

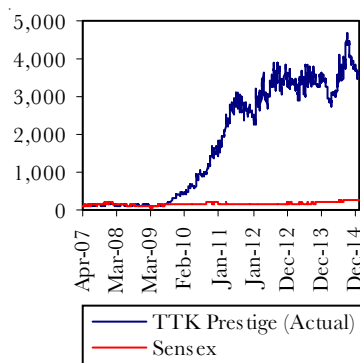
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs.)	106.4	138.4	166.3
+/- (%)	18.3	30.1	20.2
PER (x)	34.2	26.3	21.9
PBV (x)	6.3	5.3	4.5
Dividend/Yield(%)	0.7	0.8	1.0
EV/Sales (x)	2.8	2.3	1.9
EV/EBITDA (x)	21.8	16.8	13.9

Major shareholders (%)

Promoters	70
FII's	20
MFs	3
Public & Others	6

Relative performance



TTK Prestige

Maintain Underperformer

Leading player in kitchenware

Recent performance

After strong growth in FY12 and FY13, TTK Prestige profitability over the last one year declined significantly on the back of weakness in southern markets, change in government policy on subsidised cylinders. Sales grew by ~8% CAGR whereas earnings declined by ~4% CAGR as margins declined by ~300 bps over FY12-14. Growth in 1HFY15 too was below expectations with management lowering its guidance to ~12-15% from 15-20% earlier.

Key triggers/Risks – Next 12 months

- Rising competitive intensity and weak monsoons may affect the volume recovery.

Strategic initiatives

- With operation of its Gujarat plant in FY14, the company plans to further reduce its imports (non-stick cookware and appliances) to 20% in FY15-16. Imports have reduced from 38% in FY12 and 25% in FY14 thereby benefitting its margins.
- The company expects higher innovations (40-45 SKUs in FY15) this year with launch of high end gas stoves and new microwave pressure cooker. It has already soft launched water purifier and expects to clock Rs 300 mn revenue in FY15.
- In order to improve growth in appliances TTK plans to improve its service network, which currently stands at 150 centres, and is also looking at tie-up with design centres.

Balance sheet position

- Return ratios have declined by 50% led by sharp deceleration in overall earnings growth over FY12-14 and expect improvement to be sluggish over FY14-16E.
- D/E remains comfortable at 0.1x and cash & cash equivalents of ~Rs 426 mn.

Valuation and view

Low base 2HFY14, recovery in export markets post relaunch of microwave pressure cooker and gradual improvement domestic demand we believe will drive higher sales growth in the coming quarters. Despite factoring a sharp recovery in 2HFY15, current valuations at 33x FY15 and 25x FY16 still look expensive and low response to new products, higher competition in appliances and slower demand recovery from a weak monsoon we believe may continue to pose downside risks to our estimates. We maintain Underperformer rating on the stock.

Ashit Desai

ashit.desai@bksec.com

TTK Prestige

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	12,938	15,009	18,078	21,374
<i>Growth (%)</i>	<i>(4.8)</i>	<i>16.0</i>	<i>20.4</i>	<i>18.2</i>
Operating expenses	(11,336)	(13,108)	(15,660)	(18,515)
Operating profit	1,602	1,900	2,418	2,859
EBITDA	1,602	1,900	2,418	2,859
<i>Growth (%)</i>	<i>(21.4)</i>	<i>18.6</i>	<i>27.2</i>	<i>18.2</i>
Depreciation	(148)	(202)	(210)	(214)
Other income	79	87	104	125
EBIT	1,533	1,784	2,312	2,770
Finance cost	(85)	(50)	(40)	0
Exceptional & extraordinary	70	0	0	0
Profit before tax	1,517	1,734	2,272	2,770
Tax (current + deferred)	(400)	(494)	(659)	(831)
P/(L) for the period	1,118	1,240	1,613	1,939
Reported Profit/(Loss)	1,118	1,240	1,613	1,939
Adjusted net profit	1,048	1,240	1,613	1,939
<i>Growth (%)</i>	<i>(21.2)</i>	<i>18.3</i>	<i>30.1</i>	<i>20.2</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	117	117	117	117
Reserves & surplus	5,737	6,636	7,839	9,301
Shareholders' funds	5,853	6,752	7,956	9,418
Non-current liabilities	301	300	303	307
Long-term borrowings	4	0	0	0
Other non-current liabilities	296	300	303	307
Current liabilities	2,564	2,618	2,949	3,465
ST borrowings, Curr maturity	254	0	0	0
Other current liabilities	2,310	2,618	2,949	3,465
Total (Equity and Liab.)	8,718	9,670	11,208	13,190
Non-current assets	3,730	3,938	4,053	4,164
Fixed assets (Net block)	3,639	3,860	4,003	4,142
Long-term loans and advances	90	78	50	22
Current assets	4,988	5,732	7,155	9,026
Cash & current investment	386	1,008	1,696	2,615
Other current assets	4,602	4,724	5,459	6,410
Total (Assets)	8,718	9,670	11,208	13,190
Total debt	258	0	0	0
Capital employed	6,408	7,052	8,259	9,725

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,517	1,734	2,272	2,770
Depreciation	148	202	210	214
Change in working capital	(518)	118	(471)	(502)
Total tax paid	(449)	(492)	(656)	(828)
Others	7	(37)	(64)	(125)
Cash flow from oper. (a)	704	1,527	1,290	1,528
Capital expenditure	(571)	(411)	(325)	(325)
Change in investments	(90)	90	0	0
Others	79	87	104	125
Cash flow from inv. (b)	(582)	(234)	(221)	(200)
Free cash flow (a+b)	122	1,292	1,069	1,328
Equity raised/(repaid)	1,053	0	0	0
Debt raised/(repaid)	(887)	(258)	0	0
Dividend (incl. tax)	(232)	(272)	(341)	(409)
Others	(85)	(50)	(40)	0
Cash flow from fin. (c)	(151)	(580)	(381)	(409)
Net chg in cash (a+b+c)	(29)	712	688	919

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	89.9	106.4	138.4	166.3
Growth	(23.4)	18.3	30.1	20.2
CEPS (Rs)	102.6	123.8	156.4	184.7
Book NAV/share (Rs)	502.2	579.4	682.6	808.0
Dividend/share (Rs)	20.0	25.0	30.0	35.0
Dividend payout ratio	24.4	27.5	25.4	24.6
EBITDA margin	12.4	12.7	13.4	13.4
EBIT margin	11.8	11.9	12.8	13.0
Tax rate	30.9	28.5	29.0	30.0
RoCE	26.1	26.5	30.2	30.8
Net debt/Equity (x)	(0.0)	(0.1)	(0.2)	(0.3)
Du Pont Analysis - ROE				
Net margin	8.1	8.3	8.9	9.1
Asset turnover (x)	1.6	1.6	1.7	1.8
Leverage factor (x)	1.7	1.5	1.4	1.4
Return on equity	21.4	19.7	21.9	22.3

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	33.8	34.2	26.3	21.9
PCE	29.7	29.4	23.2	19.7
Price/Book	6.1	6.3	5.3	4.5
Yield (%)	0.7	0.7	0.8	1.0
EV/EBITDA	22.1	21.8	16.8	13.9

MID CAP

Share Data

Price (Rs)	351
BSE Sensex	27,888
Reuters code	TUBE.BO
Bloomberg code	TIIN
Market cap. (US\$ mn)	1,020
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	187

Performance (%) 1M 3M 12M

Absolute	2	5	124
Relative	4	0	68

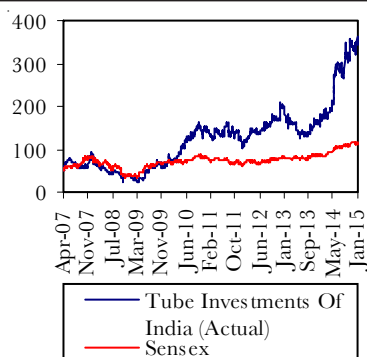
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	6.6	7.8
+/- (%)	31.3	18.0
PER (x)	27.7	23.5
PBV (x)	2.0	1.9
Dividend/Yield (%)	1.8	2.1
EV/Sales (x)	0.9	0.8
EV/EBITDA (x)	9.7	8.5

Major shareholders (%)

Promoters	48
FII's	17
MF's	8
BFSI's	4
Public & Others	23

Relative performance



Tube Investments of India Maintain Outperformer

Major beneficiary of auto recovery

Recent performance/Outlook

Despite slowdown in automotive industry, Tube Investments of India (TII) core business of engineering and metal forming segment has reported better performance led by improvement in all divisions and new order execution.

On margin front, management believes, it will improve from current level due to various cost reduction initiatives taken by the company.

Key sensitivities to growth/Key risks

- TII has 45% market leadership across its engineering and metal forming division. With expected recovery in passenger car and continuous growth in two-wheeler segment, TII has ability to improve market share and growth across its product portfolio.
- Expected demand pick up in the cycle division as the company is launching new special division bicycles. Improvement in Cholamandalam Finance and Shanthi Gears (Subsidiary) performance.

Strategic initiatives/Capex plans

- Capex in FY15 is Rs 1.6 bn and FY16 capex to be ~Rs 2 bn.
- Recently commissioned large diameter tube (new product line) is expected to fetch around ~Rs 4 bn revenue in FY17.

Balance sheet position

- With the, heavy investments in the acquisition of Shanthi Gears and also greenfield plant in Tamil Nadu for large diameter tube now behind, we believe, there will be no major capex for the next couple of years. TII's standalone debt-to-equity stands at 1.0x in FY14. We expect strong volume growth, margin improvement due to scale and pick up in auto demand likely to improve the return ratios, going forward.

Valuation and view

We continue to maintain our positive outlook on the stock based on technical prowess, market leadership of TII across segment it caters to and expectation of improvement in auto industry. At the current market price of Rs 351, the stock is trading at 27.7x FY15E earnings of Rs 6.6 and 23.5x FY16E earnings of Rs 7.8, after considering investment valuation. We have Outperformer rating for the stock.

Annamalai Jayaraj
annamalai.jayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

Tube Investments of India

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net Sales	33,904	33,517	40,919	47,777
<i>Growth (%)</i>	<i>(2.0)</i>	<i>(1.1)</i>	<i>22.1</i>	<i>16.8</i>
Operating expenses	(31,183)	(30,772)	(37,618)	(43,909)
Operating profit	2,720	2,745	3,301	3,868
Other operating income	227	270	338	388
EBITDA	2,947	3,015	3,638	4,256
<i>Growth (%)</i>	<i>(19.6)</i>	<i>2.3</i>	<i>20.7</i>	<i>17.0</i>
Depreciation	(798)	(842)	(965)	(1,039)
Other income	403	472	510	520
EBIT	2,552	2,644	3,183	3,736
Finance Cost	(1,042)	(1,233)	(1,367)	(1,511)
Exceptional & Extraordinary	(38)	1	0	0
Profit before tax	1,472	1,412	1,816	2,226
Tax (current + deferred)	(433)	(472)	(581)	(768)
P/(L) for the period	1,040	940	1,235	1,458
Reported Profit/(Loss)	1,040	940	1,235	1,458
Adjusted Net profit	1,078	940	1,235	1,458
<i>Growth (%)</i>	<i>(40.2)</i>	<i>(12.7)</i>	<i>31.3</i>	<i>18.0</i>

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	373	373	373	373
Reserves & surplus	11,440	12,014	12,723	13,549
Shareholders' funds	11,813	12,387	13,095	13,921
Non-Current Liabilities	6,827	6,901	6,340	6,670
Long-term borrowings	6,304	6,380	5,840	6,170
Other Long term liab,	523	520	500	500
Prov, DTL				
Current liabilities	12,729	13,498	15,297	17,207
Short-term borrowings,	4,206	4,204	4,175	4,375
Curr Maturity				
Other Current Liab + Provi	8,522	9,294	11,123	12,832
Total (Equity and Liab.)	31,368	32,786	34,733	37,798
Non-current assets	23,329	24,005	25,954	27,987
Fixed assets (Net block)	7,913	7,518	7,125	6,658
Non-current Investments	14,441	15,057	17,057	19,557
Long-term loans and adv.	861	1,315	1,658	1,658
Other non-current assets,	114	114	114	114
DTA, Goodwill				
Current assets	8,039	8,781	8,778	9,811
Cash & Current Investment	574	388	916	671
Other current assets	7,465	8,393	7,862	9,140
Total (Assets)	31,368	32,786	34,733	37,798
Total Debt	10,510	10,584	10,015	10,545
Capital Employed	22,846	23,492	23,610	24,966

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before Tax	1,472	1,412	1,816	2,226
Depreciation	798	842	965	1,039
Change in working capital	1,270	(649)	1,507	(363)
Total tax paid	1,091	(330)	(197)	(79)
Others	4,201	1,096	3,641	2,108
Cash flow from oper. (a)	5,673	2,508	5,458	4,334
Capital expenditure	(1,896)	(447)	(572)	(572)
Change in investments	(5,139)	(617)	(2,000)	(2,500)
Cash flow from inv. (b)	(7,035)	(1,064)	(2,572)	(3,072)
Free cash flow (a+b)	(1,363)	1,444	2,886	1,262
Equity raised/(repaid)	(1,902)	1,934	0	0
Debt raised/(repaid)	2,186	74	(570)	530
Dividend (incl. tax)	(217)	(527)	(421)	(527)
Others	1,010	(3,112)	(1,367)	(1,511)
Cash flow from fin. (c)	1,078	(1,630)	(2,358)	(1,507)
Net chg in cash (a+b+c)	(285)	(186)	528	(245)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	5.8	5.0	6.6	7.8
Growth	(40.4)	(12.7)	31.3	18.0
CEPS (Rs)	10.1	9.6	11.8	13.4
Book NAV/share (Rs)	63.4	66.5	70.3	74.7
Dividend/share (Rs)	2.5	2.0	2.5	3.0
Dividend payout ratio	50.7	44.8	42.6	43.3
EBITDA margin	8.7	9.0	8.9	8.9
EBIT margin	7.5	7.9	7.8	7.8
Tax Rate	28.6	33.4	32.0	34.5
RoCE	11.9	11.4	13.5	15.4
Total debt/Equity (x)	0.9	0.9	0.8	0.8
Net debt/Equity (x)	0.8	0.8	0.7	0.7
Du Pont Analysis - ROE				
Net margin	3.2	2.8	3.0	3.1
Asset turnover (x)	1.2	1.0	1.2	1.3
Leverage factor (x)	2.5	2.7	2.6	2.7
Return on equity	9.4	7.8	9.7	10.8

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	31.6	36.6	27.7	23.5
PCE	18.2	19.1	15.5	13.7
Price/Book	2.2	2.1	2.0	1.9
Yield (%)	1.8	1.4	1.8	2.1
EV/EBITDA	12.2	12.0	9.7	8.5

MID CAP

Share Data

Price (Rs)	271
BSE Sensex	27,888
Reuters code	TVSM.BO
Bloomberg code	TVSL IN
Market cap. (US\$ mn)	2,032
6M avg. daily turnover (US\$ mn)	12.6
Issued shares (mn)	475

Performance (%) 1M 3M 12M

Absolute	7	18	243
Relative	9	13	157

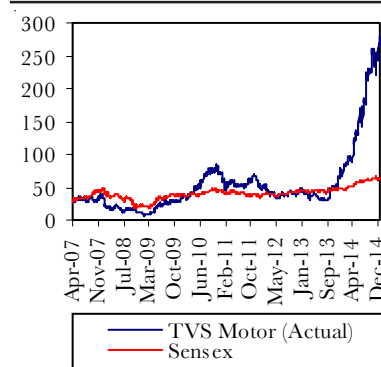
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	7.7	11.3
+/- (%)	36.9	48.1
PER (x)	35.4	23.9
PBV (x)	8.6	6.7
Dividend/Yield (%)	0.6	0.7
EV/Sales (x)	1.3	1.1
EV/EBITDA (x)	20.9	14.7

Major shareholders (%)

Promoters	57
FII's	12
MF's	9
BFSI's	3
Public & Others	19

Relative performance



TVS Motor

Maintain Outperformer

Increase in market share on new launches

Recent performance/Outlook

TVS Motor had reported a 28.3% growth in volumes in FYTD-November 2014 and is targeting 15% domestic market share by 4Q of FY15 supported by recent and proposed new launches and it is now no.3 in the domestic two-wheeler market share. Management has target of achieving 10% EBITDA margin over three years. Scooter segment is growing at 30% and TVS has increased its market share by 350 bps YoY.

Key risks

- Competitive intensity in two-wheeler segment.
- Indonesian subsidiary is making losses every year.

Strategic initiatives/Capex plans

- Agreement with BMW on design and development of motorcycles between 200 cc and 500 cc for the global market and launching expected in end CY15.
- TVS plans to invest Rs 3 bn and Rs 4 bn towards capex in FY15 and FY16.
- Capacity stands at 3 mn units per annum and plans to expand to 4.2 mn by FY16.

Balance sheet position

- Due to strong demand supported by divestment of non-core assets, TVS has been able to maintain healthy balance sheet position. TVS has reduced its net debt/equity ratio from 0.8x to 0.3x in FY15E. TVS is maintaining its inventory and receivables at a 1 month and 15 days of sales, respectively. Due to better utilisation of assets (capacity utilisation ~>80%), TVS is able to maintain high RoE and RoCE of 21.2% and 18.6%, respectively. Due to strong cash flow from operations, TVS is expected to fund its ~Rs 7 bn capex through internal accruals.

Valuation and view

On the back of new launches – Jupiter, Star City + along with recent launch of Scooty Zest and proposed newer versions of Victor and Apache motorbikes, coupled with wide distribution network, going forward, we expect TVS Motor to report volume growth better than industry. Considering the growth potential in the export market and potential improvement in market share on new launches, cost control initiatives and future benefits of BMW association, we maintain our positive outlook on the company. At the current market price of Rs 271, the stock is trading at 23.9x FY16E standalone earnings estimate of Rs 11.3 and 17.6x FY17E standalone earnings of 15.4. We maintain our Outperformer rating for the stock, with a revised target price of Rs 277 (18x FY17E earnings).

Annamalai Jayaraj

annamalai.jayaraj@bksec.com

TVS Motor

Income Statement (Standalone)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	79,673	102,473	122,415	145,990
<i>Growth (%)</i>	<i>12.8</i>	<i>28.6</i>	<i>19.5</i>	<i>19.3</i>
Operating expenses	(74,815)	(96,102)	(113,361)	(134,126)
Operating profit	4,858	6,371	9,054	11,864
EBITDA	4,858	6,371	9,054	11,864
<i>Growth (%)</i>	<i>18.8</i>	<i>31.2</i>	<i>42.1</i>	<i>31.0</i>
Depreciation	(1,318)	(1,488)	(1,854)	(2,076)
Other income	280	332	365	402
EBIT	3,820	5,215	7,565	10,190
Finance cost	(254)	(180)	(150)	(100)
Exceptional & extraordinary	(41)	—	—	—
Profit before tax	3,525	5,035	7,415	10,090
Tax (current + deferred)	(909)	(1,398)	(2,029)	(2,758)
P/(L) for the period	2,616	3,637	5,386	7,333
Reported Profit/(Loss)	2,616	3,637	5,386	7,333
Adjusted net profit	2,657	3,637	5,386	7,333
<i>Growth (%)</i>	<i>28.5</i>	<i>36.9</i>	<i>48.1</i>	<i>36.1</i>

Balance Sheet (Standalone)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	475	475	475	475
Reserves & surplus	12,512	14,445	18,821	25,613
Shareholders' funds	12,987	14,920	19,296	26,088
Non-current liabilities	6,510	7,248	7,271	6,059
Long-term borrowings	4,732	4,765	4,065	2,852
Other non-current liab.	1,779	2,484	3,207	3,207
Current liabilities	14,326	15,545	17,623	20,296
ST borrowings, Curr maturity	1,606	1,150	900	900
Other current liabilities	12,720	14,395	16,723	19,396
Total (Equity and Liab.)	33,823	37,713	44,190	52,443
Non-current assets	20,552	25,618	28,948	30,385
Fixed assets (Net block)	10,731	12,577	14,945	14,964
Non-current Investments	8,959	12,120	12,970	14,320
Long-term loans and adv.	863	921	1,033	1,101
Current assets	13,270	12,096	15,242	22,058
Cash & current investment	826	1,216	842	1,698
Other current assets	12,445	10,879	14,400	20,360
Total (Assets)	33,823	37,713	44,190	52,443
Total debt	6,338	5,915	4,965	3,752
Capital employed	21,103	23,318	27,468	33,047

Cash Flow Statement (Standalone)

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,525	5,035	7,415	10,090
Depreciation	1,318	1,488	1,854	2,076
Change in working capital	122	2,917	(1,451)	(3,544)
Total tax paid	(593)	(696)	(1,303)	(2,758)
Others	(47)	(152)	(215)	(302)
Cash flow from oper. (a)	4,325	8,592	6,300	5,562
Capital expenditure	(1,802)	(3,334)	(4,223)	(2,095)
Change in investments	(271)	(3,161)	(850)	(1,350)
Others	302	332	365	402
Cash flow from inv. (b)	(1,771)	(6,163)	(4,707)	(3,043)
Free cash flow (a+b)	2,554	2,430	1,593	2,520
Debt raised/(repaid)	(7)	(423)	(950)	(1,213)
Dividend (incl. tax)	(576)	(566)	(858)	(1,033)
Others	(1,320)	(1,050)	(159)	582
Cash flow from fin. (c)	(1,903)	(2,040)	(1,967)	(1,663)
Net chg in cash (a+b+c)	651	390	(374)	856

Key Ratios (Standalone)

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	5.6	7.7	11.3	15.4
Growth	28.5	36.9	48.1	36.1
CEPS (Rs)	8.4	10.8	15.2	19.8
Book NAV/share (Rs)	27.3	31.4	40.6	54.9
Dividend/share (Rs)	1.3	1.5	1.8	2.2
Dividend payout ratio	26.6	22.9	18.6	16.7
EBITDA margin	6.1	6.2	7.4	8.1
EBIT margin	4.8	5.1	6.2	7.0
Tax rate	25.5	27.8	27.4	27.3
RoCE	18.6	23.5	29.8	33.7
Total debt/Equity (x)	0.5	0.4	0.3	0.1
Net debt/Equity (x)	0.4	0.3	0.2	0.1
Du Pont Analysis - ROE				
Net margin	3.3	3.5	4.4	5.0
Asset turnover (x)	2.5	2.9	3.0	3.0
Leverage factor (x)	2.6	2.6	2.4	2.1
Return on equity	21.2	26.1	31.5	32.3

Valuations (Standalone)

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	17.4	35.4	23.9	17.6
PCE	11.6	25.1	17.8	13.7
Price/Book	3.6	8.6	6.7	4.9
Yield (%)	1.3	0.6	0.7	0.8
EV/EBITDA	10.6	20.9	14.7	11.0

MID CAP

Share Data

Price (Rs)	85
BSE Sensex	27,888
Reuters code	UCBK.BO
Bloomberg code	UCO IN
Market cap. (US\$ mn)	1,369
6M avg. daily turnover (US\$ mn)	2.5
Issued shares (mn)	665

Performance (%)	1M	3M	12M
Absolute	(6)	6	13
Relative	(4)	1	(16)

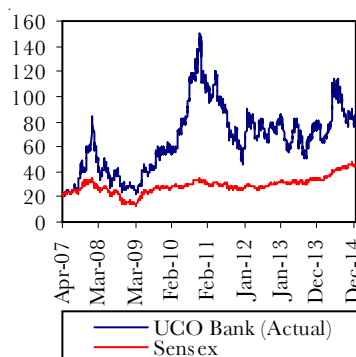
Valuation ratios

Yr to 31 Mar	FY15E	FY16E	FY17E
EPS (Rs)	10.7	12.5	17.2
+/- (%)	(37.7)	17.2	37.0
ABV (Rs)	85.5	91.5	101.5
+/- (%)	(15.8)	7.0	11.0
PER (x)	7.9	6.8	4.9
PABV (x)	1.0	0.9	0.84
Dividend/Yield (%)	2.0	4.1	3.5

Major shareholders (%)

Promoters	69
FII's	11
MF's	5
BFSI's	8
Public & Others	7

Relative performance



UCO Bank

Maintain SELL

Asset quality issue back on fore; CASA story fading

Recent performance

The asset quality issues weighed again on banks performance, with fresh impairments at ~9% of book. Loan growth fell to 3% YoY/down 5% QOQ, which coupled with higher reversals took loan yields down, though some aid from lower COF, arrested NIM fall to just 14bps QoQ to 2.45%.

Key risks

- High slippages in 2Q raise the concern the good show in 1Q was momentary. Also, given higher exposure to Power/steel, pain is expected to stay given still elevated systemic risk.
- Iran float adds materially to CASA, and media reports suggest the deal is under ED scanner.
- Bank actively needs to fill the gap in its 35-45 age bucket (mid-mngt level).
- Transition out of MAT credit and thus higher tax rate could impact bank's profitability.

Strategic initiatives/Key highlights

- Branch expansion to improve organic CASA accretion.
- The current management noted that they have executed on pruning corporate book, and would continue to focus on building non-corporate book.

Balance sheet position

- Bank has been adding branches to build core CASA, however, has not been so successful.

Valuation and view

Systemic asset quality risk remains elevated and thus we believe UCO Bank with relatively higher exposure to sensitive sectors including Infra/metals will keep asset quality under pressure. Lower growth as well as asset quality is taking toll on NIM as well. Tax rate as guided by the management due to migration out of MAT credit too will have bearing on profitability. Bank is sitting on strong MTM gains on treasury, which could support near-term profitability; however, core earnings are likely to remain weak. We maintain our long term Sell rating on the stock given weak asset quality, low return ratios (FY15 ROA 0.4%/ROE 10.0%) and expensive valuations.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

UCO Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	182,299	201,736	226,070	262,581
Interest expense	(121,708)	(143,617)	(160,537)	(183,832)
Net interest income	60,590	58,119	65,533	78,749
<i>Growth (%)</i>	<i>32.2</i>	<i>(4.1)</i>	<i>12.8</i>	<i>20.2</i>
Non-interest income	13,205	14,295	15,449	16,992
Operating income	73,796	72,414	80,981	95,741
Operating expenses	(24,392)	(26,948)	(31,135)	(36,565)
- Staff expenses	(15,475)	(16,907)	(18,967)	(21,432)
Pre-provisions profit	49,404	45,466	49,846	59,176
Core operating profit	46,463	41,643	45,640	54,970
<i>Growth (%)</i>	<i>44.5</i>	<i>(10.4)</i>	<i>9.6</i>	<i>20.4</i>
Provisions & Contingencies	(32,163)	(31,556)	(32,891)	(35,306)
Pre-tax profit	17,241	13,910	16,955	23,870
(before non-recurring items)				
Pre-tax profit	17,241	13,910	16,955	23,870
(after non-recurring items)				
Tax (current + deferred)	(2,136)	(3,060)	(4,239)	(6,445)
Net profit	15,105	10,850	12,716	17,425
Adjusted net profit	15,105	10,850	12,716	17,425
<i>Growth (%)</i>	<i>144.3</i>	<i>(28.2)</i>	<i>17.2</i>	<i>37.0</i>
Net income	15,105	10,850	12,716	17,425

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	150,120	164,783	189,121	222,788
Investments	674,517	740,862	839,443	975,220
Advances	1,495,842	1,656,727	1,903,959	2,246,938
Interest earning assets	2,320,479	2,562,371	2,932,523	3,444,946
Fixed assets (net block)	10,618	11,789	12,699	14,934
Other assets	60,151	65,526	80,942	88,422
Total assets	2,391,248	2,639,686	3,026,164	3,548,302
Deposits	1,995,335	2,231,382	2,564,935	3,018,944
Other int. bearing liab.	207,182	229,826	261,996	311,245
Total Int. bearing liab.	2,278,985	2,520,017	2,897,814	3,407,154
Other liabilities and prov.	76,467	58,810	70,882	76,965
Share capital	10,147	10,147	10,147	10,147
Reserves & surplus	102,116	109,522	118,203	131,001
Shareholders' funds	106,389	113,677	122,238	134,914
Total equity & liab.	2,391,248	2,639,686	3,026,164	3,548,302

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios				
Adjusted EPS	17.1	10.7	12.5	17.2
BVPS	120.4	112.0	120.5	133.0
Adjusted Book NAV/share	81.7	85.5	91.5	101.5
PER (x)	5.0	7.9	6.8	4.9
Price/Book (x)	0.7	0.8	0.7	0.6
Price/Adjusted book (x)	1.0	1.0	0.9	0.8
Dividend Yield (%)	4.1	3.5	4.1	4.7
Du-Pont ratios				
NII/Avg. Assets (%)	2.8	2.3	2.3	2.4
Non-int. income/Avg Assets	0.6	0.6	0.5	0.5
- Fee income/Avg Assets	0.5	0.4	0.4	0.4
- Trading gains/Avg Assets	0.1	0.2	0.1	0.1
Cost/Avg Assets	1.1	1.1	1.1	1.1
Non-tax Provisions/Avg Assets	1.5	1.3	1.2	1.1
Tax Provisions/Avg Assets	0.1	0.1	0.1	0.2
RoA (%)	0.7	0.4	0.4	0.5
Leverage	24.4	22.9	24.0	25.6
RoE (%)	16.8	9.9	10.8	13.6
Balance Sheet ratios (%)				
Loan growth	16.6	10.8	14.9	18.0
Deposit growth	15.1	11.8	14.9	17.7
Loans/Deposits	75.0	74.2	74.2	74.4
Investments/Deposits	33.8	33.2	32.7	32.3
CASA ratio	29.5	28.8	28.1	27.3
Profitability ratios (%)				
NIMs	2.9	2.4	2.4	2.5
Interest spread	2.7	2.2	2.3	2.4
Yield on advances	10.1	9.5	9.4	9.4
Cost of deposits	6.0	6.4	6.3	6.2
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	17.9	19.7	19.1	17.7
Trading income/Net income	4.0	5.3	5.2	4.4
Cost/Income	33.1	37.2	38.4	38.2
Asset quality ratios (%)				
Gross NPLs	4.3	4.6	4.6	4.4
Net NPLs	2.4	2.5	2.3	2.2
Net NPLs/Net worth	30.7	33.1	33.4	32.6
Loan provisions/Avg loans	1.6	1.5	1.3	1.2
Provisions cover	46.3	48.0	50.0	52.0
Capitalisation ratios (%)				
Tier I cap.adequacy	9.1	8.6	8.3	7.8
Total cap.adequacy	13.2	12.7	12.2	11.4

MID CAP

Share Data

Price (Rs)	242
BSE Sensex	27,888
Reuters code	UNLB.BO
Bloomberg code	ULIN
Market cap. (US\$ mn)	347
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	91

Performance (%)	1M	3M	12M
Absolute	4	10	25
Relative	6	4	(7)

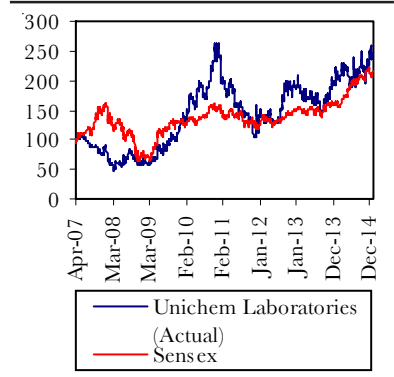
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	13.7	17.1
+/- (%)	12.1	25.1
PER (x)	17.6	14.1
PBV (x)	2.5	2.2
Dividend/Yield (%)	1.9	2.1
EV/Sales (x)	1.7	1.5
EV/EBITDA (x)	11.5	9.2

Major shareholders (%)

Promoters	50
FII's	4
MF's	9
BFSI's	3
Public & Others	34

Relative performance



Unichem Laboratories Downgrade to Outperformer

Revival in domestic business to be key growth catalyst

Recent performance/Outlook

During 2QFY15, Unichem Laboratories reported 3% growth in revenues to Rs 2.8 bn. Lower growth has been due to weak performance in domestic formulation business (decline of 4% to Rs 1.7 bn) due to transition in its distribution structure (from 4 layer to 3 layer). Adjusted PAT declined by 36% to Rs 212 mn. EBITDA declined by 34% to Rs 334 mn with margins contracting by 660 bps to 12% (new low). While the domestic business continued to drag, overall growth has been supported by exports formulations (up 25% to Rs 789 mn). It has taken price increases and for its key brands (Losar, Trika, etc.) and has also applied for price increases on non-NLEM products (~2.5-3%) which is positive. Going ahead, we expect it to benefit from volume share gains, price increases for its domestic portfolio, scaling up of US business and RoW markets.

Key sensitivities to growth/Key risks

- 1) US business gaining traction. Filed 33 ANDAs with USFDA so far (17 approved).
- 2) Price hikes for NLEM/non-NLEM brands to flow directly to its bottom line.
- 3) To benefit from backward integration and improvement in API segment – in process of acquiring an API unit in Maharashtra for Rs 188 mn to bolster its capacities.

Key challenges: 1) Addition of more drugs under price control. 2) Ongoing litigation with European commission for Perindopril (Euro 14 mn fine imposed)-No provisions made yet. 4) Delay in approvals and launches in the US.

Strategic initiatives/Capex plans

- It has guided for ~Rs 800 mn capex for FY15E for maintenance and augmenting capacities. Unichem is in process of acquiring an API unit in Maharashtra for strengthening its backward integrated capacity (awaits MIDC approval).

Balance sheet position

- Unichem's debt position has remained stable over the last three-four years (Debt-Equity of 0.1x). Return ratios (RoCE – 20% and RoE – 14%) are expected to see some contraction in FY15E due to weak business performance before resuming upward trajectory in the coming years.

Valuation and view

Unichem currently trades at 18x FY15E EPS of Rs 14 and 14x FY16E EPS of Rs 17. Factoring in the recent run up in price (up 23% since November 2014) and weak performance of 1HFY15, we downgrade it to Outperformer. However, from a long-term perspective, we remain positive on the stock considering benefits from price hikes, revival in domestic business and traction in international markets.

Rohit Bhat
rohit.bhat@bksec.com

Amit Hiremath
amit.hiremath@bksec.com

Dhaval Sangoi
dhaval.sangoi@bksec.com

Unichem Laboratories

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	10,724	11,182	12,580	14,304
<i>Growth (%)</i>	23.8	4.3	12.5	13.7
Operating expenses	(9,065)	(9,556)	(10,867)	(12,175)
Operating profit	1,659	1,626	1,713	2,129
Other operating income	84	153	155	193
EBITDA	1,743	1,778	1,868	2,323
<i>Growth (%)</i>	47.3	2.0	5.1	24.3
Depreciation	(383)	(457)	(435)	(473)
Other income	134	423	192	195
EBIT	1,494	1,744	1,625	2,044
Finance cost	(33)	(32)	(30)	(33)
Exceptional & extraordinary	0	411	0	0
Profit before tax	1,461	2,123	1,595	2,011
Tax (current + deferred)	(328)	(430)	(359)	(463)
P/(L) for the period	1,132	1,693	1,236	1,549
Reported Profit/(Loss)	1,132	1,693	1,236	1,549
Adjusted net profit	1,132	1,108	1,236	1,549
<i>Growth (%)</i>	58.9	(2.2)	11.6	25.3

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	181	181	181	181
Reserves & surplus	7,090	7,985	8,745	9,765
Shareholders' funds	7,271	8,166	8,926	9,946
Non-current liabilities	943	977	1,027	1,077
Long-term borrowings	461	483	533	583
Other non-current liabilities	482	494	494	494
Current liabilities	2,511	2,303	2,568	2,820
ST borrowings, Curr maturity	62	10	10	10
Other current liabilities	2,449	2,293	2,557	2,810
Total (Equity and Liab.)	10,725	11,447	12,521	13,843
Non-current assets	5,941	5,640	5,964	6,266
Fixed assets (Net block)	5,800	5,098	5,363	5,590
Non-current Investments	57	57	57	57
Long-term loans and advances	84	484	544	618
Current assets	4,784	5,807	6,557	7,578
Cash & current investment	577	578	813	1,185
Other current assets	4,207	5,229	5,744	6,393
Total (Assets)	10,725	11,447	12,521	13,843
Total debt	523	494	544	594
Capital employed	8,276	9,154	9,964	11,033

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	1,461	2,123	1,595	2,011
Depreciation	383	457	435	473
Change in working capital	8	(1,142)	(303)	(449)
Total tax paid	(323)	(402)	(359)	(463)
Others	(101)	(391)	(162)	(162)
Cash flow from oper. (a)	1,428	646	1,207	1,411
Capital expenditure	(795)	(156)	(760)	(775)
Change in investments	(243)	274	0	0
Others	134	423	192	195
Cash flow from inv. (b)	(904)	540	(568)	(580)
Free cash flow (a+b)	524	1,186	639	831
Equity raised/(repaid)	6	14	0	0
Debt raised/(repaid)	(171)	(30)	50	50
Dividend (incl. tax)	(315)	(900)	(425)	(476)
Others	(30)	4	(30)	(33)
Cash flow from fin. (c)	(510)	(911)	(404)	(459)
Net chg in cash (a+b+c)	14	275	235	372

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	12.5	12.2	13.6	17.1
Growth	58.7	(2.4)	11.6	25.3
CEPS (Rs)	16.8	17.3	18.4	22.3
Book NAV/share (Rs)	80.4	90.1	98.5	109.7
Dividend/share (Rs)	4.5	8.0	4.5	5.0
Dividend payout ratio	42.1	50.1	38.5	34.2
EBITDA margin	16.1	15.7	14.7	16.2
EBIT margin	13.9	15.6	12.9	14.3
Tax rate	22.5	28.0	22.5	23.0
RoCE	18.6	20.0	17.0	19.5
Total debt/Equity (x)	0.1	0.1	0.1	0.1
Net debt/Equity (x)	(0.0)	(0.0)	(0.0)	(0.1)
Du Pont Analysis - ROE				
Net margin	10.6	9.9	9.8	10.8
Asset turnover (x)	1.0	1.0	1.0	1.1
Leverage factor (x)	1.5	1.4	1.4	1.4
Return on equity	16.3	14.3	14.5	16.4

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	13.9	18.8	17.6	14.1
PCE	10.4	13.3	13.1	10.8
Price/Book	2.2	2.5	2.5	2.2
Yield (%)	2.6	3.5	1.9	2.1
EV/EBITDA	9.0	11.6	11.5	9.2

MID CAP

Share Data

Price (Rs)	17
BSE Sensex	27,888
Reuters code	UNTE.BO
Bloomberg code	UTIN
Market cap. (US\$ mn)	719
6M avg. daily turnover (US\$ mn)	25.1
Issued shares (mn)	2,615

Performance (%)	1M	3M	12M
Absolute	(6)	(9)	14
Relative	(5)	(14)	(15)

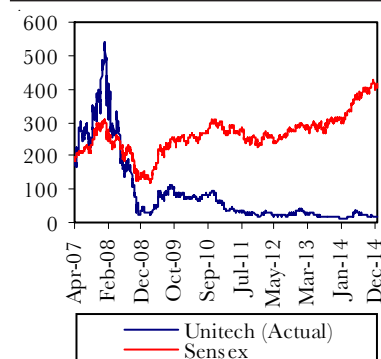
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	4.2	0.5
+/- (%)	650.6	(87.0)
PER (x)	4.1	31.7
PBV (x)	0.4	0.4
EV/Sales (x)	3.3	4.8
EV/EBITDA (x)	9.3	56.6

Major shareholders (%)

Promoters	48
FII's	26
MFs/Fis	2
Public & Others	24

Relative performance



Unitech

Downgrade to SELL

Legacy remains a drag

Recent performance

Financial performance continues to be bogged down by legacy portfolio. Having seen significant cost over-runs over the years of delays and limited pending receipts from these projects, costs to completion are proving to be a drag on cash flows even from the new projects. Sluggish demand environment is making matters worse for the company. Overall, sluggish operations continue to keep free cash flow generation evasive and de-leveraging at bay. Asset sales have started taking shape but first tranche from monetisation of IT assets to Brookfield Asset Management (received in 1QFY15) proved to be just good enough to meet obligations for telecom venture. Second tranche from the said transaction is expected soon but is unlikely to make any significant change in cash flow situation (as lacks magnitude). Some more asset sales remain on the radar but nothing would come better than a sustained revival in core operations.

Key sensitivities to growth/Key risks – Next 12 months

- Handing over of legacy projects remains a key sensitivity to growth as deliveries would make sure pressure on cash flow/earnings subside.
- Judiciously priced project launches would also act as a key sensitivity to growth as the same (if manage healthy response) would come to aid cash flow situation.

Strategic initiatives/Capex plans

- The management is looking at asset/land monetisation to de-lever balance sheet.

Balance sheet position

- Over FY13-14, a large part of negative cash flows from operations was met through increase in current liabilities (payables). Expenses payable increased from ~Rs 3 bn in FY13 to ~Rs 14 bn in FY14.
- Stake sale in/sale of four IT SEZs/Parks to an affiliate of Brookfield Property Partners and deconsolidation of debt thereon made certain net debt remains largely flat over 1HFY15. Had it not been for this transaction, net debt would have seen an increase. Monies received from stake sale transaction were largely utilised to repay Telecom debt.

Valuation and view

Asset monetisation and settlement of dispute with telecom partner hold good but nothing would come better than sustained revival in core operations. The same is unlikely until the company does with a significant portion of legacy portfolio and manage new launches/bookings. Incessant failure to deliver on either of the two make us downgrade our rating on the stock to Sell.

Prem Khurana
prem.khurana@bksec.com

Dhaval Patel
dhaval.patel@bksec.com

Unitech

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	24,405	29,333	33,607	23,059
Growth (%)	0.9	20.2	14.6	(31.4)
Operating expenses	(21,138)	(27,673)	(21,843)	(21,109)
Operating profit	3,267	1,660	11,764	1,950
EBITDA	3,267	1,660	11,764	1,950
Growth (%)	0.9	(49.2)	608.8	(83.4)
Depreciation	(398)	(504)	(485)	(510)
Other income	1,891	1,421	833	750
EBIT	4,760	2,577	12,112	2,190
Finance cost	(305)	(765)	(210)	(294)
Exceptional & extraordinary	(1,035)	(1,030)	(9,908)	–
Profit before tax	3,419	782	1,994	1,897
Tax (current + deferred)	(1,378)	(571)	(993)	(645)
P/(L) for the period	2,042	211	1,001	1,252
P/L of Associates,	54	236	181	186
Min Int, Pref Div				
Reported Profit/(Loss)	2,096	447	1,183	1,438
Adjusted net profit	3,131	1,478	11,091	1,438
Growth (%)	31.9	(52.8)	650.6	(87.0)

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	5,233	5,233	5,233	5,233
Reserves & surplus	108,673	110,369	111,552	112,989
Shareholders' funds	113,906	115,602	116,784	118,222
Minority Interest and others	593	392	213	28
Non-current liabilities	45,373	37,711	36,309	39,094
Long-term borrowings	28,786	25,884	30,059	35,851
Other non-current liabilities	16,587	11,827	6,251	3,243
Current liabilities	85,140	120,059	110,130	108,105
ST borrowings, curr maturity	31,479	38,991	35,385	30,545
Other current liabilities	53,661	81,069	74,744	77,560
Total (equity and liab.)	245,012	273,764	263,436	265,450
Non-current assets	64,533	73,652	63,461	63,418
Fixed assets (net block)	27,405	29,952	20,527	20,276
Non-current investments	12,370	13,455	13,348	13,349
Long-term loans and adv.	2,206	2,430	1,772	1,978
Other non-current assets	22,553	27,814	27,814	27,814
Current assets	180,479	200,113	199,974	202,032
Cash & current investment	4,682	2,741	1,726	1,570
Other current assets	175,797	197,372	198,248	200,462
Total (assets)	245,012	273,764	263,436	265,450
Total debt	60,265	64,875	65,444	66,396
Capital employed	191,351	192,696	188,692	187,889

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	3,419	782	1,994	1,897
Depreciation	398	504	485	510
Change in working capital	9,270	5,932	(6,443)	204
Total tax paid	(2,466)	(1,192)	(993)	(645)
Others	(783)	(10)	(623)	(456)
Cash flow from oper. (a)	9,839	6,016	(5,580)	1,510
Capital expenditure	(11,315)	(3,049)	8,863	(21)
Change in investments	4,456	(510)	107	(1)
Others	804	611	833	750
Cash flow from inv. (b)	(6,055)	(2,948)	9,803	728
Free cash flow (a+b)	3,784	3,068	4,224	2,237
Equity raised/(repaid)	(249)	–	–	–
Debt raised/(repaid)	4,379	4,610	569	952
Others	(7,035)	(9,043)	(5,807)	(3,346)
Cash flow from fin. (c)	(2,905)	(4,433)	(5,238)	(2,394)
Net chg in cash (a+b+c)	879	(1,366)	(1,014)	(156)

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	1.2	0.6	4.2	0.5
Growth	31.9	(52.8)	650.6	(87.0)
CEPS (Rs)	1.3	0.8	4.4	0.7
Book NAV/share (Rs)	46.2	46.9	47.3	47.9
EBITDA margin	13.4	5.7	35.0	8.5
EBIT margin	19.5	8.8	36.0	9.5
Tax rate	10.0	(58.8)	(447.0)	34.0
RoCE	2.4	1.3	6.4	1.2
Total debt/Equity (x)	0.5	0.6	0.6	0.6
Net debt/Equity (x)	0.5	0.5	0.5	0.5
Du Pont Analysis - ROE				
Net margin	12.8	5.0	33.0	6.2
Asset turnover (x)	0.1	0.1	0.1	0.1
Leverage factor (x)	2.0	2.1	2.2	2.1
Return on equity	2.6	1.2	9.0	1.2

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	19.7	24.8	4.1	31.7
PCE	17.5	18.5	3.9	23.4
Price/Book	0.5	0.3	0.4	0.4
EV/EBITDA	35.9	59.5	9.3	56.6

MID CAP

Share Data

Price (Rs)	461
BSE Sensex	27,888
Reuters code	VART.BO
Bloomberg code	VTEX IN
Market cap. (US\$ mn)	464
6M avg. daily turnover (US\$ mn)	0.8
Issued shares (mn)	64

Performance (%) 1M 3M 12M

Absolute	10	5	24
Relative	12	0	(7)

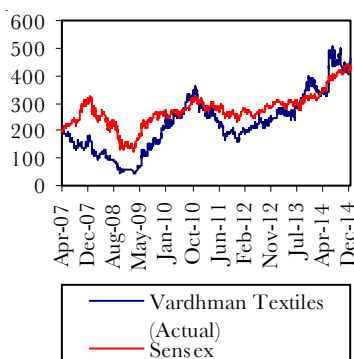
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	74.4	86.4
+/- (%)	(35.2)	16.1
PER (x)	6.2	5.3
PBV (x)	0.8	0.7
Dividend/Yield (%)	2.8	3.0
EV/EBITDA (x)	4.3	3.6

Major shareholders (%)

Promoters	62
FII's	11
MF's	10
BFSI's	1
Public & Others	16

Relative performance



Vardhman Textiles

Maintain Outperformer

Normalise operations expected from 4QFY15...

Recent performance

Vardhman's standalone revenue for 1HFY15 grew by 19% YoY supported volume growth in yarn (up ~22% YoY) and fabric segment (up ~16% YoY). EBITDA and adjusted PAT margin fell by 700 bps and 620 bps on YoY basis, respectively, mainly because of high cost cotton inventory. (cotton prices fell by ~25% YoY).

Between FY12-14, revenue, EBITDA and adjusted PAT grew at a CAGR of 15%, 54% and 126%, respectively. The improvement in performance was mainly because of healthy cotton-yarn spread and higher export demand (from China).

Key sensitivities to growth/Key risks

- Export demand of cotton yarn (from China) and movement of cotton prices.

Strategic initiatives/Capex plans

- Increased forward integration resulted in reduced earning volatility [Fabric revenue: 22% (FY10) to 30% (FY14)].
- Incurring a capex of ~Rs. 4 bn to set up 50 mn meters fabric processing capacity in Baddi. This capacity is expected to be commissioned in 2QFY16.

Balance sheet position

- Working capital cycle has remained stable at ~255 days.
- Net debt/EBITDA (x) reduced from 3.2x (FY10) to 2.0x (FY14).
- RoE improved from 16.4% (FY10) to 25.5% (FY14).
- Net debt/equity (x) improved from 1.2x (FY10) to 0.8x (FY14).

Valuation and view

Correction in cotton prices globally by ~25% due to change in the Chinese cotton policy has impacted yarn realisation which in turn is impacting the Indian cotton yarn players holding last season's high cost cotton. The Chinese cotton prices fell much before the Indian cotton prices and has impacted the export of cotton yarn from India (expected to have fallen by ~25% YoY over the last few months), creating excess inventory (yarn) in the domestic market. With Indian cotton prices also now in line with global prices, the yarn-cotton spread (the procurement of new cotton at reduced prices) is expected to normalise from December onwards. We expect Vardhman's operating profitability to fall in 2Q and 3Q and will start recovering from 4Q onwards. We are positive on the sector and on Vardhman specifically because of its increasing forward integration, diversified product mix, growing exports, strong balance sheet and superior management. At Rs 461, it trades at 5.3x FY16E EPS.

Resham Jain, CFA
resham.jain@bksec.com

Nishant Agrawal
nishant.agrawal@bksec.com

Vardhman Textiles

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Revenue	49,721	61,664	67,475	70,510
<i>Growth (%)</i>	<i>7.1</i>	<i>24.0</i>	<i>9.4</i>	<i>4.5</i>
Operating expenses	(39,974)	(47,032)	(55,165)	(56,923)
Operating profit	9,746	14,633	12,311	13,587
EBITDA	9,746	14,633	12,311	13,587
<i>Growth (%)</i>	<i>58.3</i>	<i>50.1</i>	<i>(15.9)</i>	<i>10.4</i>
Depreciation	(2,953)	(3,355)	(4,912)	(5,052)
Other income	490	739	550	650
EBIT	7,283	12,017	7,949	9,185
Finance Cost	(1,771)	(1,511)	(1,206)	(1,116)
Profit before tax	5,512	10,506	6,743	8,069
Tax (current + deferred)	(1,682)	(2,821)	(1,686)	(2,259)
P/(L) for the period	3,830	7,685	5,057	5,810
P/L of Associates,	(266)	(501)	(405)	(407)
Min Int, Pref Div				
Reported Profit/(Loss)	3,564	7,183	4,653	5,403
Adjusted Net profit	3,564	7,183	4,653	5,403
<i>Growth (%)</i>	<i>152.5</i>	<i>101.6</i>	<i>(35.2)</i>	<i>16.1</i>

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	625	625	625	625
Reserves & surplus	24,440	30,695	34,371	38,722
Shareholders' funds	25,065	31,320	34,996	39,347
Minority Int,	3,555	3,963	4,368	4,775
Share Appl, Pref Capital				
Non-Current Liabilities	23,713	23,661	18,893	16,624
Long-term borrowings	20,996	20,552	15,783	13,515
Other Long term liab,	2,718	3,110	3,110	3,110
Prov, DTL				
Current liabilities	15,554	19,703	17,857	18,457
Short-term borrowings,	10,741	13,176	11,019	11,292
Curr Maturity				
Other Current Liab + Provi	4,813	6,527	6,837	7,164
Total (Equity and Liab.)	67,887	78,648	76,113	79,202
Non-current assets	32,284	37,374	36,552	38,010
Fixed assets (Net block)	29,145	32,350	31,528	32,986
Non-current Investments	1,095	3,714	3,714	3,714
Long-term loans and advances	1,470	874	874	874
Other non-current assets,	574	435	435	435
DTA, Goodwill				
Current assets	35,603	41,274	39,561	41,192
Cash & Current Investment	5,361	4,929	3,246	4,234
Other current assets	30,242	36,345	36,316	36,958
Total (Assets)	67,887	78,648	76,113	79,202
Total Debt	31,737	33,727	26,802	24,807
Capital Employed	63,074	72,121	69,276	72,038

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before Tax	5,512	10,506	6,743	8,069
Depreciation	2,953	3,355	4,912	5,052
Change in working capital	(5,032)	(3,794)	340	(316)
Total tax paid	(1,452)	(2,449)	(1,686)	(2,259)
Others	1,281	772	656	466
Cash flow from oper. (a)	3,263	8,389	10,965	11,012
Capital expenditure	(4,496)	(6,559)	(4,090)	(6,510)
Change in investments	(691)	(2,029)	0	0
Others	(48)	981	550	650
Cash flow from inv. (b)	(5,235)	(7,607)	(3,540)	(5,860)
Free cash flow (a+b)	(1,972)	782	7,425	5,152
Debt raised/(repaid)	4,166	1,991	(6,925)	(1,995)
Dividend (incl. tax)	(562)	(942)	(977)	(1,052)
Others	(1,821)	(1,674)	(1,206)	(1,116)
Cash flow from fin. (c)	1,783	(625)	(9,108)	(4,164)
Net chg in cash (a+b+c)	(189)	158	(1,683)	989

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	57.0	114.9	74.4	86.4
Growth	152.5	101.6	(35.2)	16.1
CEPS (Rs)	104.2	168.6	153.0	167.2
Book NAV/share (Rs)	400.9	501.0	559.8	629.4
Dividend/share (Rs)	7.4	12.5	13.0	14.0
Dividend payout ratio	15.8	13.1	21.0	19.5
EBITDA margin	19.6	23.7	18.2	19.3
EBIT margin	14.6	19.5	11.8	13.0
Tax Rate	30.5	26.9	25.0	28.0
RoCE	12.3	17.8	11.2	13.0
Net debt/Equity (x)	0.9	0.8	0.6	0.5
Net Debt/EBITDA (x)	2.7	2.0	1.9	1.5
Du Pont Analysis - ROE				
Net margin	7.2	11.6	6.9	7.7
Asset turnover (x)	0.8	0.8	0.9	0.9
Leverage factor (x)	2.7	2.6	2.3	2.1
Return on equity	15.1	25.5	14.0	14.5

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	4.6	3.0	6.2	5.3
PCE	2.5	2.1	3.0	2.8
Price/Book	0.6	0.7	0.8	0.7
Yield (%)	2.9	3.6	2.8	3.0
EV/EBITDA	4.4	3.5	4.3	3.6

MID CAP

Share Data

Price (Rs)	52
BSE Sensex	27,888
Reuters code	VJBK.BO
Bloomberg code	VJYBK IN
Market cap. (US\$ mn)	704
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	859

Performance (%) 1M 3M 12M

Absolute	3	8	30
Relative	5	3	(3)

Valuation ratios

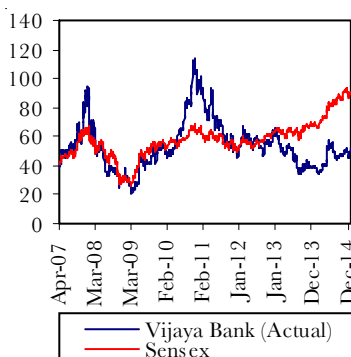
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs)	6.3	6.9	8.1
+/- (%)	1.8	10.1	17.9
ABV (Rs)	58.8	63.0	67.6
+/- (%)	5.3	7.1	7.3
PER (x)	8.3	7.6	6.4
PABV (x)	0.88	0.83	0.77
Dividend/Yield(%)	2.3	2.9	3.5

Major shareholders (%)

Promoters	74
FII's	3
BFSI's	7
Public & Others	16

Relative performance



Vijaya Bank

Maintain Underperformer

Pruning guidance closer to reality

Recent performance

Lack of demand and high competition have led to subdued growth in 2Q of 10% YoY/2% QoQ, despite banks aggressive guidance a quarter back. As expected, NIMs were up, as full impact of shedding on bulk deposit and base rate came –in and lower COF, largely led by high growth in CA. Fresh slippages remain high (4% annl.), though coupled with higher reductions contained GNPA formation; ratio up 17bps QoQ to 2.85%.

Key risks

- Protecting margins in a falling interest scenario given lower CASA ratio.
- Systemic risk and inherent weak asset quality.

Strategic initiatives/Key highlights

- Bank aspires to add 1% CASA ratio every quarter to reach 22% by FY15 aiding CODs, which coupled with higher CD ratio could help bank achieve exit NIM of 2.25% by end of FY15.
- Bank is likely to do a QIP of Rs 6 bn in coming 2-3 quarters and Tier 2 bonds of Rs 5 bn.
- Bank is guiding for a GNPA of Rs 21 bn, down 6% YTD, which will be largely on the back of ARC sale, which looks difficult given the recent stringent norms (15/85).

Balance sheet position

- Bank had estimated a 17% YoY growth at the beginning of FY15, but stiff competition and lack of demand have led to scaling down the assumption to a more reasonable 13-14% for FY15.

Valuation and view

We believe margin improvement seen in 2Q is unsustainable given lower growth, weak liability profile and likely interest reversal on NPAs. Asset quality sees no abatement though management is guiding for a GNPA of Rs 21 bn (down 6% YTD), which will largely be on the back of ARC sale, which too looks difficult given the recent change in norms (15/85). Bank is looking at a QIP of Rs 6 bn, which will be still inadequate to accommodate growth and meet regulatory requirement (Tier 1- 8.14%). We maintain our Underperformer rating, given weak earnings profile, liability franchise, lower CAR, weak asset quality and CMD retirement in December 2014.

Anand Dama
anand.dama@bksec.com

Ritika Dua
ritika.dua@bksec.com

Vijaya Bank

Income Statement

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Interest income	107,066	122,982	135,086	154,304
Interest expense	(86,231)	(99,915)	(108,907)	(123,611)
Net interest income	20,834	23,067	26,179	30,693
<i>Growth (%)</i>	<i>10.9</i>	<i>10.7</i>	<i>13.5</i>	<i>17.2</i>
Non-interest income	7,099	7,148	7,732	8,038
Operating income	27,933	30,215	33,911	38,731
Operating expenses	(16,896)	(18,217)	(20,493)	(23,245)
- Staff expenses	(10,398)	(10,990)	(12,500)	(14,575)
Pre-provisions profit	11,037	11,998	13,419	15,486
Core operating profit	9,135	10,001	11,221	13,398
<i>Growth (%)</i>	<i>(9.5)</i>	<i>9.5</i>	<i>12.2</i>	<i>19.4</i>
Provisions & Contingencies	(6,558)	(5,942)	(6,380)	(6,774)
Pre-tax profit	4,480	6,056	7,039	8,712
(before non-recurring items)				
Pre-tax profit	4,480	6,056	7,039	8,712
(after non-recurring items)				
Tax (current + deferred)	(320)	(848)	(1,126)	(1,742)
Net profit	4,159	5,208	5,913	6,969
Adjusted net profit	4,159	5,208	5,913	6,969
<i>Growth (%)</i>	<i>(29.0)</i>	<i>25.2</i>	<i>13.5</i>	<i>17.9</i>
Net income	4,159	5,208	5,913	6,969

Balance Sheet

Yr end 31 Mar (Rs mn)	FY14	FY15E	FY16E	FY17E
Cash and balance with RBI/Banks	94,577	98,939	108,673	127,691
Investments	425,854	481,209	545,885	627,071
Advances	815,040	919,770	1,066,769	1,259,540
Int. earning assets	1,335,471	1,499,918	1,721,326	2,014,302
Fixed assets (Net block)	5,289	5,632	5,915	6,368
Other assets	32,826	35,635	40,643	45,519
Total assets	1,373,586	1,541,185	1,767,884	2,066,189
Deposits	1,242,962	1,404,547	1,612,644	1,894,079
Other int. bearing liab.	47,448	50,443	59,244	70,395
Total Int. bearing liab.	1,314,707	1,478,367	1,700,662	1,993,806
Other liab. and prov.	24,297	23,378	28,775	29,332
Share capital	8,591	8,591	8,591	8,591
Reserves & surplus	50,288	54,226	58,631	63,791
Shareholders' funds	58,879	62,817	67,222	72,382
Total equity & liab.	1,373,586	1,541,185	1,767,884	2,066,189

Key Ratios

Yr end 31 Mar	FY14	FY15E	FY16E	FY17E
Valuation ratios (Rs)				
Adjusted EPS	6.1	6.3	6.9	8.1
BVPS	65.6	70.5	75.6	81.6
Adjusted Book NAV/share	55.9	58.8	63.0	67.6
PER (x)	8.5	8.3	7.6	6.4
Price/Book (x)	0.8	0.7	0.7	0.6
Price/Adjusted book (x)	0.9	0.9	0.8	0.8
Dividend Yield (%)	4.2	2.3	2.9	3.5
Du-Pont ratios				
NII/Avg. Assets (%)	1.7	1.6	1.6	1.6
Non-int. income/Avg Assets	0.6	0.5	0.5	0.4
- Fee income/Avg Assets	0.4	0.3	0.3	0.3
- Trading gains/Avg Assets	0.2	0.1	0.1	0.1
Cost/Avg Assets	1.4	1.2	1.2	1.2
Non-tax Provisions/Avg Assets	0.5	0.4	0.4	0.4
Tax Provisions/Avg Assets	0.0	0.1	0.1	0.1
RoA (%)	0.3	0.4	0.4	0.4
Leverage	25.5	25.0	26.4	28.5
RoE (%)	8.5	8.9	9.4	10.3
Balance Sheet ratios (%)				
Loan growth	16.8	12.8	16.0	0.0
Deposit growth	28.1	13.0	14.8	17.5
Loans/Deposits	65.6	65.5	66.2	66.5
Investments/Deposits	34.3	34.3	33.9	33.1
CASA ratio	18.4	18.4	18.3	17.9
Profitability ratios (%)				
NIMs	1.7	1.6	1.6	1.7
Interest spread	1.5	1.5	1.5	1.5
Yield on advances	10.3	10.0	9.6	9.5
Cost of deposits	7.6	7.3	7.0	6.9
Efficiency/other P/L ratios (%)				
Non-int. income/Net income	25.4	23.7	22.8	20.8
Trading income/Net income	6.8	6.6	6.5	5.4
Cost/Income	60.5	60.3	60.4	60.0
Asset quality ratios (%)				
Gross NPLs	2.4	2.6	2.5	2.4
Net NPLs	1.6	1.7	1.5	1.5
Net NPLs/Net worth	21.0	23.1	23.1	23.5
Loan provisions/Avg loans	0.7	0.8	0.8	0.6
Provisions cover	36.0	38.0	40.0	40.0
Capitalisation ratios (%)				
Tier I cap.adequacy (%)	8.1	8.1	7.8	7.3
Total cap.adequacy (%)	10.6	10.8	10.2	9.3

MID CAP

Share Data

Price (Rs)	246
BSE Sensex	27,888
Reuters code	VOLTBO
Bloomberg code	VOLT IN
Market cap. (US\$ mn)	1,284
6M avg. daily turnover (US\$ mn)	12.5
Issued shares (mn)	331

Performance (%) 1M 3M 12M

Absolute	(9)	1	111
Relative	(7)	(4)	58

Valuation ratios

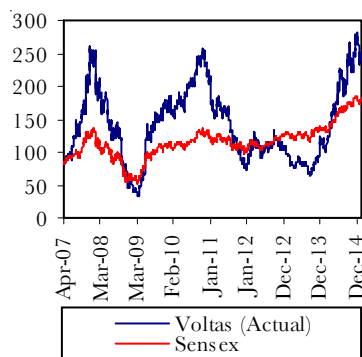
Yr to 31 Mar FY15E FY16E FY17E

EPS (Rs)	9.3	13.3	17.4
+/- (%)	38.1	42.8	30.8
PER (x)	26.3	18.4	14.1
PBV (x)	4.0	3.4	2.8
Dividend/Yield(%)	0.8	1.0	1.0
EV/EBITDA (x)	18.7	12.3	9.1

Major shareholders (%)

Promoters	30
FII's	20
MFs	13
BFSI's	15
Public & Others	22

Relative performance



Voltas

Maintain BUY

Domestic revival to fuel growth, offsetting Middle East weakness

Recent performance

Project segment margins were under pressure due to loss provisioning in Sidra project (Rs 3.7 bn) in addition to muted domestic demand environment. Current order book at Rs 37 bn (1.5x TTM project sales) provides growth visibility. Order intake outlook is promising given expected revival in domestic investment. With favourable brand positioning and marketing initiatives, the company has become the domestic leader in the room AC business.

Key triggers/Risks – Next 12 months

- Improvement in the overall investment environment will drive the domestic order intake of Voltas.
- Slackness in the Middle East market due to reduction in crude price to impact the overseas order outlook.
- Domestic and overseas competition in the domestic room AC market can impact the product segment growth.

Strategic initiatives

- Being a leading MEP contractor in domestic market, Voltas was able to successfully establish itself in the Middle East market. Given the loss booked in the first design and build job Sidra, the company is cautious in bidding for new jobs.

Balance sheet position

- Despite delay in projects and loss in Sidra the company was able to manage its working capital resulting in strong balance sheet with a net cash of Rs 3 bn.
- Due to muted growth and lower margins under project segment the overall return on equity has reduced to 13% in FY14 versus 22% in FY12.

Outlook and valuation

Post revamping project management systems and progressive execution of high margin orders (taken at +5-7% EBIT margins), EMP profitability is likely to turnaround to 5-7% levels (-1.5% in FY14) with 16% sales CAGR over FY15-17E. Likely provision write-back on Sidra (of ~Rs 4 bn cost overruns) and better than expected order intake will provide upsides to our earnings estimate. Smart branding and increased penetration to support the leadership in room AC (MS of 21.7%) to support 20% sales CAGR with healthy OPMs. Addition of new principals in the agency business and revival in spinning sector to support growth in engineering products. Given domestic macro revival and Middle East ordering traction led by FIFA 2022 in Qatar, EXPO 2020 in Dubai, we maintain Buy. The stock is currently trading at 18x FY16E and 13x FY17E earnings.

Renjith Sivaram

renjith.sivaram@bksec.com

Renu Baid

renu.baid@bksec.com

Voltas

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	52,437	54,647	65,085	81,193
<i>Growth (%)</i>	<i>(4.9)</i>	<i>4.2</i>	<i>19.1</i>	<i>24.7</i>
Operating expenses	(50,004)	(51,022)	(59,533)	(73,653)
Operating profit	2,433	3,625	5,552	7,539
Other operating income	224	300	310	320
EBITDA	2,657	3,925	5,862	7,859
<i>Growth (%)</i>	<i>11.6</i>	<i>47.8</i>	<i>49.3</i>	<i>34.1</i>
Depreciation	(248)	(322)	(350)	(372)
Other income	1,002	981	990	1,042
EBIT	3,410	4,585	6,502	8,530
Finance cost	(225)	(228)	(192)	(160)
Exceptional & extraordinary	215	0	0	0
Profit before tax	3,400	4,357	6,310	8,370
Tax (current + deferred)	(941)	(1,264)	(1,893)	(2,595)
Profit/(Loss) for the period	2,459	3,094	4,417	5,775
P/L of Associates,	(5)	0	0	0
Min Int, Pref Div				
Reported Profit / (Loss)	2,454	3,094	4,417	5,775
Adjusted net profit	2,239	3,094	4,417	5,775
<i>Growth (%)</i>	<i>14.4</i>	<i>38.2</i>	<i>42.8</i>	<i>30.8</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	331	331	331	331
Reserves & surplus	17,864	20,186	23,639	28,450
Shareholders' funds	18,194	20,517	23,970	28,781
Minority Interests and others	138	138	138	138
Non-current liabilities	1,275	1,236	1,398	1,656
Long-term borrowings	54	40	30	30
Other non-current liabilities	1,221	1,196	1,368	1,626
Current liabilities	27,850	28,210	31,843	37,866
ST borrowings, Curr maturity	2,575	2,500	2,000	1,800
Other current liabilities	25,275	25,710	29,843	36,066
Total (Equity and Liab.)	47,457	50,101	57,350	68,441
Non-current assets	5,273	5,358	5,349	5,326
Fixed assets (Net block)	2,104	2,121	2,113	2,090
Non-current Investments	879	879	879	879
Long-term loans and advances	1,233	1,300	1,300	1,300
Other non-current assets	1,057	1,057	1,057	1,057
Current assets	42,184	44,744	52,001	63,116
Cash & current investment	9,259	10,589	11,129	11,878
Other current assets	32,925	34,155	40,872	51,238
Total (Assets)	47,457	50,101	57,350	68,441
Total debt	2,629	2,540	2,030	1,830
Capital employed	22,182	24,391	27,507	32,375

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	3,400	4,357	6,310	8,370
Depreciation	248	322	350	372
Change in working capital	379	(968)	(2,417)	(3,885)
Total tax paid	(922)	(1,186)	(1,893)	(2,595)
Others	(169)	(274)	(317)	(382)
Cash flow from oper. (a)	2,936	2,251	2,033	1,880
Capital expenditure	(243)	(338)	(341)	(348)
Change in investments	(3,244)	(159)	(600)	0
Others	392	501	510	542
Cash flow from inv. (b)	(3,095)	4	(432)	194
Free cash flow (a+b)	(159)	2,255	1,601	2,073
Debt raised/(repaid)	17	(89)	(510)	(200)
Dividend (incl. tax)	(633)	(771)	(964)	(964)
Others	96	(225)	(187)	(161)
Cash flow from fin. (c)	(521)	(1,084)	(1,661)	(1,324)
Net chg. in cash (a+b+c)	(679)	1,171	(60)	749

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	6.8	9.3	13.3	17.4
Growth	14.4	38.1	42.8	30.8
CEPS (Rs)	7.5	10.3	14.4	18.6
Book NAV/share (Rs)	55.0	62.0	72.4	87.0
Dividend/share (Rs)	1.8	2.0	2.5	2.5
Dividend payout ratio	29.0	24.9	21.8	16.7
EBITDA margin	5.0	7.1	9.0	9.7
EBIT margin	6.5	8.4	10.0	10.5
Tax rate	34.0	29.0	30.0	31.0
RoCE	16.1	19.7	25.1	28.5
Total debt/Equity (x)	0.1	0.1	0.1	0.1
Net debt/Equity (x)	(0.4)	(0.4)	(0.4)	(0.3)
Du Pont Analysis - ROE				
Net margin	4.3	5.7	6.8	7.1
Asset turnover (x)	1.1	1.1	1.2	1.3
Leverage factor (x)	2.7	2.5	2.4	2.4
Return on equity	13.0	16.0	19.9	21.9

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	23.8	26.3	18.4	14.1
PCE	21.4	23.8	17.1	13.2
Price/Book	2.9	4.0	3.4	2.8
Yield (%)	1.1	0.8	1.0	1.0
EV/EBITDA	17.5	18.7	12.3	9.1

MID CAP

Share Data

Price (Rs)	4,661
BSE Sensex	27,888
Reuters code	WABC.BO
Bloomberg code	WIL IN
Market cap. (US\$ mn)	1,397
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	19

Performance (%) 1M 3M 12M

Absolute	5	20	135
Relative	8	14	76

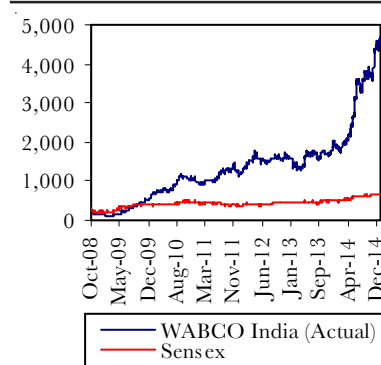
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs)	115.1	154.3
+/- (%)	65.1	34.1
PER (x)	40.5	30.2
PBV (x)	8.2	6.5
Dividend/Yield (%)	0.1	0.1
EV/Sales (x)	2.0	1.5
EV/EBITDA (x)	12.0	7.3

Major shareholders (%)

Promoters	75
FHs	2
MFs	9
Public & Others	14

Relative performance



WABCO India

Maintain BUY

Major beneficiary of MHCV recovery

Recent performance/Outlook

Despite slowdown in CV segment, WABCO India (WIL) has reported YoY growth of 18.5% in 2QFY15 due to exports, increase in content per vehicle and supply to new players like Daimler, Volvo. WIL will be a major beneficiary of MHCV recovery, with 85-90% market share in the domestic air brake systems market. Introduction of new products like automated manual transmission, Dummy Axle Actuator, etc. will further drive the growth going forward.

Key sensitivities to growth/Key risks

- The company is primarily dependent on the **commercial vehicle sector** and any significant drop in the domestic commercial vehicle can impact the company.
- Compulsory ABS implementation for buses more than 5 tonnes and trucks more than 12 tonnes from 01 October 2015, as the content per vehicle will improve more than 50%.

Strategic initiatives/Capex plans

- With support from Wabco Global, WIL has introduced few new products – Clutch Servo System, Electronically controlled air suspension (ECAS), automated manual transmission (AMT), Automatic Slack Adjuster and working on products like Dummy axel actuator, Tyre pressure monitor, and cruise control for the Indian market.
- Growth prospect in exports to parent company.
- To facilitate outsourcing, WIL has established a 100% EOU in Mahindra City, Chennai EPZ and the unit is expected to grow substantially.

Balance sheet position

- Despite weak MHCV cycle, WIL was consistently able to maintain strong return ratios. WIL has very strong balance with zero debt and Rs 2 bn cash in the books. WIL has recently commissioned its Lucknow plant and is likely to be in a low capex mode over the next two-three years. Supported by revival in MHCV sales and mandatory ABS, strong free cash flow generation is expected for the next two-three years.

Valuation and view

Despite rich valuation, we continue to maintain our long-term positive outlook on the stock on compulsory ABS implementation, domestic MHCV recovery, growth in export and launch of new products. At the current market price of Rs 4,639, the stock is trading at 40.3x FY15E earnings of Rs 115.0 and 30.1x FY17E earnings of Rs 154.3. We maintain our Buy rating on the stock.

Annamalai Jayaraj
annamalai.j_ayaraj@bksec.com

Sailesh Raja
sailesh.raja@bksec.com

WABCO India

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	11,107	13,011	16,942	22,016
<i>Growth (%)</i>	<i>15.0</i>	<i>17.1</i>	<i>30.2</i>	<i>30.0</i>
Operating expenses	(9,446)	(11,239)	(14,018)	(18,030)
Operating profit	1,662	1,772	2,923	3,986
Other operating income	0	300	300	300
EBITDA	1,662	2,072	3,223	4,286
<i>Growth (%)</i>	<i>(14.4)</i>	<i>24.7</i>	<i>55.6</i>	<i>33.0</i>
Depreciation	(322)	(453)	(474)	(509)
Other income	272	190	220	238
EBIT	1,612	1,809	2,969	4,014
Finance cost	(1)	2	1	1
Profit before tax	1,611	1,811	2,970	4,015
Tax (current + deferred)	(436)	(489)	(787)	(1,088)
P/(L) for the period	1,175	1,322	2,183	2,927
Reported Profit/(Loss)	1,175	1,322	2,183	2,927
Adjusted net profit	1,175	1,322	2,183	2,927
<i>Growth (%)</i>	<i>(10.2)</i>	<i>12.5</i>	<i>65.1</i>	<i>34.1</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	95	95	95	95
Reserves & surplus	7,457	8,654	10,712	13,514
Shareholders' funds	7,552	8,749	10,807	13,609
Non-current liabilities	411	234	234	234
Other non-current liabilities	411	234	234	234
Current liabilities	1,598	726	727	727
Other current liabilities	1,598	726	727	727
Total (Equity and Liab.)	9,561	9,709	11,768	14,570
Non-current assets	5,113	4,737	4,882	4,992
Fixed assets (Net block)	3,165	3,329	3,474	3,584
Non-current Investments	502	160	160	160
Long-term loans & advances	1,364	1,228	1,229	1,229
Other non-current assets	83	20	20	20
Current assets	4,448	4,973	6,886	9,579
Cash & current investment	439	1,604	2,676	4,282
Other current assets	4,009	3,370	4,211	5,296
Total (Assets)	9,561	9,709	11,768	14,570
Capital employed	7,963	8,983	11,041	13,843

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,611	1,811	2,970	4,015
Depreciation	322	453	474	509
Change in working capital	(1,138)	(88)	(841)	(1,086)
Total tax paid	(392)	(610)	(787)	(1,088)
Others	1	(2)	(1)	(1)
Cash flow from oper. (a)	404	1,563	1,815	2,349
Capital expenditure	(597)	(617)	(619)	(619)
Change in investments	(248)	342	0	0
Cash flow from inv. (b)	(844)	(275)	(619)	(619)
Free cash flow (a+b)	(440)	1,288	1,196	1,730
Dividend (incl. tax)	(111)	(125)	(125)	(125)
Others	(1)	2	1	1
Cash flow from fin. (c)	(112)	(123)	(124)	(124)
Net chg in cash (a+b+c)	(553)	1,165	1,072	1,606

Key Ratios

Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	61.9	69.7	115.1	154.3
Growth	(10.2)	12.5	65.1	34.1
CEPS (Rs)	78.9	93.6	140.1	181.2
Book NAV/share (Rs)	398.2	461.3	569.8	717.5
Dividend/share (Rs)	5.0	5.5	5.5	5.5
Dividend payout ratio	9.4	9.5	5.7	4.3
EBITDA margin	15.0	15.9	19.0	19.5
EBIT margin	14.5	13.9	17.5	18.2
Tax rate	27.1	27.0	26.5	27.1
RoCE	21.8	21.4	29.7	32.3
Net debt/Equity (x)	(0.1)	(0.2)	(0.2)	(0.3)
Du Pont Analysis - ROE				
Net margin	10.6	10.2	12.9	13.3
Asset turnover (x)	1.3	1.4	1.6	1.7
Leverage factor (x)	1.3	1.2	1.1	1.1
Return on equity	16.7	16.2	22.3	24.0

Valuations

Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	75.3	66.9	40.5	30.2
PCE	59.1	49.8	33.3	25.7
Price/Book	11.7	10.1	8.2	6.5
Yield (%)	0.1	0.1	0.1	0.1
EV/EBITDA	15.6	12.0	7.3	5.2

MID CAP

Share Data

Price (Rs)	71
BSE Sensex	27,888
Reuters code	WGSR.BO
Bloomberg code	WLCO IN
Market cap. (US\$ mn)	293
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	263

Performance (%)	1M	3M	12M
Absolute	(6)	(8)	18
Relative	(4)	(13)	(12)

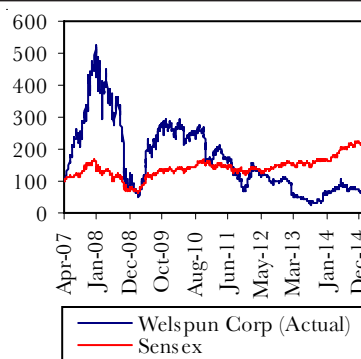
Valuation ratios

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	2.1	7.2
+/- (%)	(23.4)	234.6
PER (x)	33.0	9.9
PBV (x)	0.6	0.6
Dividend/Yield (%)	0.7	0.7
EV/Sales (x)	0.5	0.4
EV/EBITDA (x)	6.2	4.5

Major shareholders (%)

Promoters	38
FII's	15
MF's	1
BFSI's	8
Public & Others	38

Relative performance



Welspun Corp

Upgrade to BUY

Strong order book visibility to support earnings...

Recent performance

In pipe business, Welspun executed over a million tonnes of volumes for each of the last two years. However, owing to stiff competition (overcapacity and subdued demand), operating performance remained under pressure (blended EBITDA/tonne came down to ~Rs 6,200 in FY14 from ~Rs 7,400 in FY12). Welspun has also de-merged its non-core business (Max Steel, Infra, E&P, etc.) into a separate company to remain focused on its core pipe business. 1HFY15 YoY operating performance deteriorated owing to lower volumes (US mill was shut for a little over one quarter due to want of orders). Execution of low margin water pipeline orders has also put pressure on margins.

Key sensitivities to growth/Key risks – Next 12 months

- Improving demand, India and abroad (US and Saudi) aided in building a strong order book of ~US\$ 1 bn (topline visibility of 9-12 months). Further, Welspun has also bid for 4-5 mn tonnes of orders globally (largely from US and Canada).
- Plate mill continue to be remain a drag on its overall profitability.
- Meaningful cash inflows to aid in debt reduction (no capex planned) going forward.

Strategic initiatives/Capex plans

- Given the underutilised capacities, management has decided not to indulge in further expansions and focusing more on improving return ratios.

Balance sheet position

- Net debt has come off marginally to ~Rs 24 bn versus Rs 24.8 bn in FY14 end.
- Inventory and debtors positions deteriorated in the last six months. However, significant increase in creditors has nullified the effect to a large extent.
- Both, RoE and RoCE witnessed some decline on an annualise 1H performance. However, we expect 2H performance to be better than 1H.

Valuation and view

Welspun continues to enjoy one of the best order book among domestic pipe players. Also it has bid for 4-5 mn tonnes worth of orders (5-10% conversion ratio), improving future visibility. Improving SAW pipe business outlook in the international (MENA, US, Latin America and Canada) as well as domestic market (Indian government's thrust on infrastructure development gas grid; interconnecting of rivers, etc.) would also augur well for the company. With no major capex planned, we expect net debt to come down from FY16. Given the recent correction in stock price we are upgrading Welspun to Buy keeping the target price unchanged at Rs 91 (5.1x FY16E EV/EBITDA).

Vikash Singh
vikash.singh@bksec.com

Parin Tanna
parin.tanna@bksec.com

Welspun Corp

Income Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net sales	90,832	77,047	84,084	93,220
Growth (%)	6.4	(15.2)	9.1	10.9
Operating expenses	(83,520)	(70,352)	(77,282)	(84,520)
Operating profit	7,312	6,696	6,802	8,700
EBITDA	7,312	6,696	6,802	8,700
Growth (%)	(24.4)	(8.4)	1.6	27.9
Depreciation	(3,531)	(4,063)	(4,142)	(4,276)
Other income	1,879	1,744	1,442	1,485
EBIT	5,659	4,376	4,102	5,909
Finance cost	(3,583)	(2,964)	(2,858)	(2,712)
Profit before tax	2,076	1,412	1,244	3,198
Tax (current + deferred)	(493)	(432)	(386)	(991)
P/L from discontinuing oper.	(2,108)	0	0	0
P/(L) for the period	(524)	981	858	2,206
P/L of Associates,	(179)	(247)	(296)	(326)
Min Int, Pref Div				
Reported Profit/(Loss)	(703)	734	562	1,881
Adjusted net profit	(703)	734	562	1,881
Growth (%)	(122.5)	(204.4)	(23.4)	234.6

Balance Sheet

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share capital	1,315	1,315	1,315	1,315
Reserves & surplus	55,263	27,178	27,589	29,315
Shareholders' funds	56,577	28,492	28,903	30,630
Minority interest and others	3,546	2,088	2,189	2,301
Non-current liabilities	57,652	34,923	31,073	29,435
Long-term borrowings	49,531	28,035	23,840	21,840
Other non-current liabilities	8,122	6,888	7,233	7,595
Current liabilities	51,138	22,793	24,047	25,359
ST borrowings, curr maturity	6,242	9,377	9,397	9,126
Other current liabilities	44,896	13,417	14,650	16,233
Total (equity and liab.)	168,913	88,297	86,213	87,724
Non-current assets	91,636	51,577	48,738	46,284
Fixed assets (net block)	75,023	50,372	47,355	44,081
Non-current investments	1,178	256	383	1,150
Long-term loans and advances	4,452	885	930	976
Other non-current assets	10,983	64	70	77
Current assets	77,278	36,719	37,475	41,440
Cash & current investment	24,537	12,590	9,769	10,724
Other current assets	52,741	24,130	27,706	30,717
Total (assets)	168,913	88,297	86,213	87,724
Total debt	55,772	37,411	33,238	30,966
Capital employed	124,018	74,880	71,563	71,491

Cash Flow Statement

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit before tax	2,076	1,412	1,244	3,198
Depreciation	3,531	4,063	4,142	4,276
Change in working capital	(1,694)	(1,160)	(2,414)	(1,504)
Total tax paid	(51)	(397)	(87)	(677)
Others	3,583	2,964	2,858	2,712
Cash flow from oper. (a)	7,446	6,882	5,743	8,005
Capital expenditure	(14,671)	22,262	(1,127)	(1,005)
Change in investments	1,114	7,273	2,101	(1,212)
Others	30	267	(6)	(7)
Cash flow from inv. (b)	(13,527)	29,802	968	(2,224)
Free cash flow (a+b)	(6,081)	36,685	6,711	5,781
Equity raised/(repaid)	8,188	(17,616)	0	0
Debt raised/(repaid)	(5,519)	(18,361)	(4,173)	(2,272)
Dividend (incl. tax)	(132)	(154)	(136)	(137)
Others	332	(6,150)	(2,994)	(2,864)
Cash flow from fin. (c)	2,869	(42,281)	(7,303)	(5,272)
Net chg in cash (a+b+c)	(3,212)	(5,597)	(592)	509

Key Ratios

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	(2.7)	2.8	2.1	7.2
Growth	(119.5)	(204.4)	(23.4)	234.6
CEPS (Rs)	10.8	18.2	17.9	23.4
Book NAV/share (Rs)	215.2	108.4	109.9	116.5
Dividend/share (Rs)	0.5	0.5	0.5	0.5
Dividend payout ratio	(21.9)	21.0	26.9	8.2
EBITDA margin	8.1	8.7	8.1	9.3
EBIT margin	6.2	5.7	4.9	6.3
Tax rate	23.7	30.6	31.0	31.0
RoCE	4.7	4.4	5.6	8.3
Total debt/Equity (x)	0.9	1.3	1.1	1.0
Net debt/Equity (x)	0.5	0.8	0.8	0.6
Du Pont Analysis - ROE				
Net margin	(0.8)	1.0	0.7	2.0
Asset turnover (x)	0.6	0.6	1.0	1.1
Leverage factor (x)	3.3	3.0	3.0	2.9
Return on equity	(1.4)	1.7	2.0	6.3

Valuations

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	(17.7)	24.6	33.0	9.9
PCE	4.4	3.8	3.9	3.0
Price/Book	0.2	0.6	0.6	0.6
Yield (%)	1.1	0.7	0.7	0.7
EV/EBITDA	6.0	6.4	6.2	4.5

Note: FY14E onwards numbers are only for pipe & plate business, therefore not comparable from FY13.

MID CAP

Share Data

Price (Rs)	309
BSE Sensex	27,888
Reuters code	WESTBO
Bloomberg code	WLDLIN
Market cap. (US\$ mn)	759
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	156

Performance (%) 1M 3M 12M

Absolute	(3)	(4)	(17)
Relative	(2)	(9)	(37)

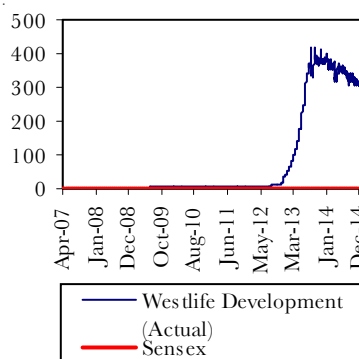
Valuation ratios (Consolidated)

Yr to 31 Mar	FY15E	FY16E
EPS (Rs)	0.3	0.9
+/- (%)	331.0	241.5
PER (x)	1169.1	342.3
PBV (x)	8.5	8.3
EV/Sales (x)	6.0	5.0
EV/EBITDA (x)	100.7	73.0

Major shareholders (%)

Promoters	62
FII's	19
MF's	2
Public & Others	16

Relative performance



Westlife Development

Maintain Underperformer

Structural story yet to play out...

Recent performance

Westlife Development Ltd.'s (WLDL) FY14 total revenue growth slowed down to 8.1% YoY supported by new restaurants (23 new units added; SSSG -6.4% in FY14). Price hikes (~5% in FY14) and product mix boosted gross profit margin to ~56.8% (~200 bps improvement). However, the inflationary environment and SSSG decline compressed EBITDA margin to ~6.6% during the year, the lowest in four years. WLDL continues to reel under pressure with 1H FY15 sales flat YoY, EBITDA down ~48.1% YoY and net income dipping into the red.

Key triggers/Risks – Next 12 months

- Revival in discretionary spending revival remains key to reverse the downtrend.
- Increase in average ticket sizes (through price hikes and premium product mix) and supply chain efficiencies are near-term support pillars for gross/EBITDA margin.
- Competition from local and global QSR players is heating up in the Indian market. Players will be aggressive to snatch market share in the current downbeat scenario.

Strategic initiatives

- 250 new restaurants to be added to the network by 2019. 75-100 McCafés in three-five years. Total restaurant count of 250 by the end of 2015.
- Actively adding brand extensions (McCafés, McDelivery, etc.) to restaurants as they are an inexpensive way to boost sales and return on investment of restaurants.
- Supply chain partners (e.g. Vista and Cremica) setting up their industrial units near WLDL's distribution centers is cutting RM delivery costs for the company.

Balance sheet position

- Negative working capital position.
- Total debt at Rs 570 mn in FY14 (double from the levels in FY13). WLDL continues to remain a net cash company.
- Return ratios to remain depressed in the near term.

Outlook and valuation

With a strong backend in place, WLDL has the capacity to roll-out stores at its desired pace comfortably. However, the increasing competitive intensity in the Indian market along with WLDL's own royalty uptick clause (~1% increase every year till FY18) means that a meaningful improvement in margins is not expected in the near-term. Given this backdrop, we are of the view that the stock is currently expensive relative to its peers. Maintain Underperformer.

Resham Jain, CFA

resham.jain@bksec.com

Ami Javeri

ami.javeri@bksec.com

Aasim Bharde

aasim.bharde@bksec.com

Westlife Development

Income Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Net Sales	6,786	7,348	7,950	9,524
Growth (%)	24.8	8.3	8.2	19.8
Operating Expenses	(6,262)	(6,972)	(7,526)	(8,929)
Operating Profit	523	376	423	594
Other Operating Income	43	45	48	57
EBITDA	567	421	471	651
Growth (%)	(9.2)	(25.7)	11.8	38.3
Depreciation	(313)	(435)	(498)	(575)
Other Income	86	67	136	172
EBIT	339	53	109	249
Finance Cost	(6)	(46)	(68)	(69)
Profit Before Tax	333	7	41	180
Tax (Current + Deferred)	(1)	3	0	(40)
P/(L) For The Period	333	10	41	140
P / L of Associates,	(133)	0	0	0
Min Int, Pref Div				
Reported Profit/(Loss)	199	10	41	140
Adjusted Net Profit	199	10	41	140
Growth (%)	(36.2)	(95.2)	331.0	241.5

Balance Sheet (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Share Capital	183	311	311	311
Reserves & Surplus	2,440	5,295	5,336	5,477
Shareholders' Funds	2,623	5,606	5,647	5,788
Minority Interest and Others	1,431	0	0	0
Non-Current Liabilities	8	115	119	120
Long-Term Borrowings	0	0	0	0
Other Non-Current Liabilities	8	115	119	120
Current Liabilities	1,251	1,651	1,560	1,817
ST Borrowings,	201	570	517	570
Current Maturity				
Other Current Liabilities	1,050	1,081	1,042	1,247
Total (Equity and Liab.)	5,313	7,373	7,326	7,724
Non-Current Assets	4,476	5,332	5,670	6,066
Fixed Assets (Net Block)	3,418	3,949	4,274	4,750
Non-Current Investments	2	200	200	0
Long-Term Loans & Advances	590	712	726	847
Other Non-Current Assets	467	470	469	469
Current Assets	837	2,045	1,661	1,662
Cash & Current Investments	255	1,508	1,121	1,045
Other Current Assets	582	537	540	617
Total (Assets)	5,313	7,377	7,330	7,728
Total Debt	201	570	517	570
Capital Employed	4,263	6,292	6,284	6,477

Cash Flow Statement (Consolidated)

Period end (Rs mn)	Mar 13	Mar 14	Mar 15E	Mar 16E
Profit Before Tax	333	7	41	180
Depreciation	313	435	498	575
Change in Working Capital	108	(56)	(54)	9
Total Tax Paid	(2)	0	0	(40)
Others	(8)	34	(44)	(74)
Operating Cash Flow (a)	745	419	441	649
Capital Expenditure	(1,460)	(961)	(820)	(1,052)
Change in Investments	66	(1,577)	500	700
Others	15	12	113	144
Investing Cash Flow (b)	(1,379)	(2,526)	(208)	(208)
Free Cash Flow (a+b)	(633)	(2,107)	233	441
Equity Raised/(Repaid)	343	1,885	0	0
Debt Raised/(Repaid)	97	369	(53)	52
Dividend (incl. Tax)	0	(0)	0	0
Others	100	(277)	(67)	(69)
Financing Cash Flow (c)	540	1,977	(120)	(17)
Net Chg in Cash (a+b+c)	(93)	(129)	113	424

Key Ratios (Consolidated)

Period end (%)	Mar 13	Mar 14	Mar 15E	Mar 16E
Adjusted EPS (Rs)	1.3	0.1	0.3	0.9
Growth	(36.2)	(95.2)	331.0	241.5
CEPS (Rs)	3.3	2.9	3.5	4.6
Book Value / Share (Rs)	16.9	36.0	36.3	37.2
EBITDA Margin	8.3	5.7	5.9	6.8
EBIT Margin	5.0	0.7	1.4	2.6
Tax Rate	0.3	(45.7)	0.0	22.0
RoCE	9.4	1.0	1.7	3.9
Total Debt / Equity (x)	0.0	0.1	0.1	0.1
Net Debt / Equity (x)	(0.0)	(0.2)	(0.1)	(0.1)
Du Pont Analysis - ROE				
Net Profit Margin	2.9	0.1	0.5	1.5
Asset Turnover (x)	1.5	1.2	1.1	1.3
Leverage Factor (x)	1.9	1.5	1.3	1.3
Return on Equity	8.5	0.2	0.7	2.5

Valuations (Consolidated)

Period end (x)	Mar 13	Mar 14	Mar 15E	Mar 16E
PER	86.1	5,841.9	1,169.1	342.3
PCE	33.5	125.2	89.1	67.2
Price/Book	6.5	9.9	8.5	8.3
EV/EBITDA	30.2	130.0	100.7	73.0

MID CAP

Share Data

Price (Rs)	1,334
BSE Sensex	27,888
Reuters code	WLED.BO
Bloomberg code	WYH IN
Market cap. (US\$ mn)	490
6M avg. daily turnover (US\$ mn)	0.3
Issued shares (mn)	23

Performance (%)	1M	3M	12M
Absolute	17	35	69
Relative	18	32	30

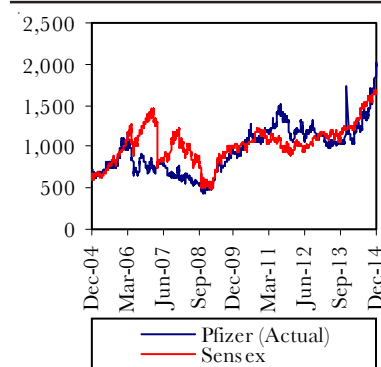
Valuation ratios

Yr to 31 Mar	FY16E	FY17E
EPS (Rs.)	64.4	77.2
+/- (%)	21.0	19.8
PER (x)	20.7	17.3
PBV (x)	6.9	5.4
Dividend/Yield (%)	1.4	1.6
EV/Sales (x)	2.9	2.4
EV/EBITDA (x)	13.5	10.9

Major shareholders (%)

Promoters	51
FII's	6
MF's	8
BFSI's	4
Public & Others	31

Relative performance



Wyeth

Maintain BUY

Geared up for better growth ahead

Recent performance/Outlook

Wyeth was one of the most affected pharma companies due to the implementation of DPCO 2013. Total impact on sales and profits was Rs 600 mn. Its key brands like Folvite, Pacitane came under price control. In 2QFY15, sales grew by 22% YoY to Rs 2 bn, EBITDA margin improved by 11.7 percentage points to 22.7% and PAT grew by 83% YoY to Rs 336 mn. In November 2013, Pfizer announced merger of Wyeth India's operations with it and the process is expected to be concluded in 3QFY15.

Key sensitivities to growth/Key risks – Next 12 months

- All the brands which were affected due to negative price revision under DPCO 2013 were able to take price hike of 6.3% linked to WPI since April 2014.
- Wyeth has a strong brand portfolio, some of which are leaders in their respective segments like Prevenar vaccine, Folvite, Ovril, Mucaïne, Wymox and Wysolone.
- The pharma sector has been experiencing volume uptick across the segments and Wyeth would be a key beneficiary.
- NPPA expanding its coverage for price control, aggressive pricing by competitors.

Strategic initiatives/Capex plans

- Wyeth's focus has been capturing market share for its leading brands like Prevenar and Fovite. Post the DPCO 2013 impact (Rs 600 mn in FY14), Wyeth has been in a recovery mode getting benefitted from the volume uptick and the permitted price hikes for most of the products. It has also changed billing of all imported products to INR eliminating forex uncertainty.

Balance sheet position

- Wyeth has a healthy balance sheet with net cash and minimal capex requirement. The return ratios have been consistently strong (+35% RoCE and +25% RoE) with the exception of FY14 where the profitability was dented due to DPCO 2013. Wyeth had one of the lowest cash conversion cycle of 60 days (FY09) which has now gradually increased to 133 days (FY14).

Valuation and view

Wyeth has been affected adversely due to DPCO 2013 with an impact of Rs 600 mn. In 1QFY15, Wyeth has demonstrated an impressive recovery in the business. Growth in 1H FY15 has been very encouraging along with improvement in profitability for Wyeth. From 3QFY15 onwards, it will be merged with Pfizer. The combined entity currently trades at 26x FY16E EPS of Rs 80 and 22x FY17E EPS of Rs 96. We maintain Buy on the combined entity.

Rohit Bhat
rohit.bhat@bksec.com

Amit Hiremath
amit.hiremath@bksec.com

Dhaval Sangoi
dhaval.sangoi@bksec.com

Wyeth

Income Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Net sales	6,704	7,897	9,069	10,415
<i>Growth (%)</i>	<i>1.4</i>	<i>17.8</i>	<i>14.8</i>	<i>14.8</i>
Operating expenses	(5,766)	(6,356)	(7,211)	(8,208)
Operating profit	938	1,541	1,858	2,207
Other operating income	89	108	118	130
EBITDA	1,027	1,648	1,976	2,337
<i>Growth (%)</i>	<i>(36.3)</i>	<i>60.5</i>	<i>19.9</i>	<i>18.3</i>
Depreciation	(27)	(28)	(29)	(30)
Other income	341	185	238	311
EBIT	1,341	1,806	2,185	2,618
Finance cost	(1)	(1)	(1)	(1)
Profit before tax	1,340	1,805	2,184	2,618
Tax (current + deferred)	(460)	(596)	(721)	(864)
P/(L) for the period	881	1,209	1,463	1,754
Reported Profit/(Loss)	881	1,209	1,463	1,754
Adjusted net profit	881	1,209	1,463	1,754
<i>Growth (%)</i>	<i>(32.3)</i>	<i>37.3</i>	<i>21.0</i>	<i>19.8</i>

Balance Sheet

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Share capital	227	227	227	227
Reserves & surplus	2,466	3,214	4,176	5,349
Shareholders' funds	2,693	3,441	4,403	5,576
Non-current liabilities	263	305	347	395
Long-term borrowings	25	25	25	25
Other non-current liabilities	238	280	322	370
Current liabilities	2,081	2,896	3,317	3,798
Other current liabilities	2,081	2,896	3,317	3,798
Total (equity and liab.)	5,037	6,643	8,067	9,769
Non-current assets	1,073	1,203	1,280	1,389
Fixed assets (net block)	246	248	249	244
Long-term loans and adv.	632	745	855	982
Other non-current assets	195	211	176	163
Current assets	3,964	5,440	6,787	8,380
Cash & current investment	1,572	2,756	3,693	4,839
Other current assets	2,392	2,684	3,094	3,541
Total (assets)	5,037	6,643	8,067	9,769
Total debt	25	25	25	25
Capital employed	2,956	3,747	4,750	5,971

Cash Flow Statement

Period end (Rs mn)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Profit before tax	1,340	1,805	2,184	2,618
Depreciation	27	28	29	30
Change in working capital	764	57	46	(5)
Total tax paid	(526)	(611)	(686)	(851)
Others	(340)	(173)	(225)	(298)
Cash flow from oper. (a)	1,266	1,106	1,348	1,494
Capital expenditure	(117)	(142)	(141)	(152)
Others	341	173	226	299
Cash flow from inv. (b)	224	31	85	147
Free cash flow (a+b)	1,490	1,137	1,433	1,640
Dividend (incl. tax)	(4,280)	0	(502)	(502)
Others	(31)	47	6	7
Cash flow from fin. (c)	(4,311)	47	(496)	(495)
Net chg in cash (a+b+c)	(2,821)	1,184	937	1,146

Key Ratios

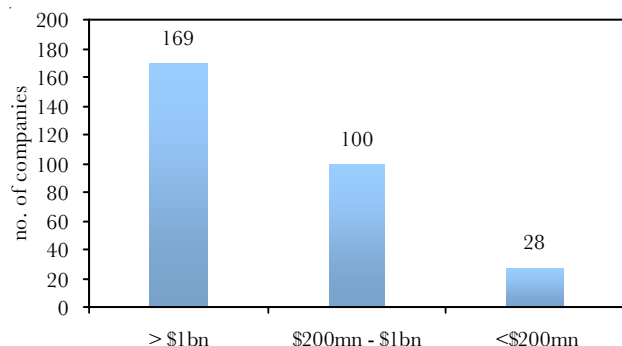
Period end (%)	Mar 14	Mar 15E	Mar 16E	Mar 17E
Adjusted EPS (Rs)	38.8	53.2	64.4	77.2
Growth	(32.3)	37.3	21.0	19.8
CEPS (Rs)	40.0	54.5	65.7	78.5
Book NAV/share (Rs)	118.5	151.5	193.8	245.4
Dividend/share (Rs)	145.0	19.0	19.0	22.0
Dividend payout ratio	434.8	41.5	34.3	33.1
EBITDA margin	15.1	20.9	21.8	22.4
EBIT margin	20.0	22.9	24.1	25.1
Tax rate	34.3	33.0	33.0	33.0
RoCE	30.5	53.9	51.4	48.8
Net debt/Equity (x)	(0.6)	(0.8)	(0.8)	(0.9)
Du Pont Analysis - ROE				
Net margin	13.1	15.3	16.1	16.8
Asset turnover (x)	1.0	1.4	1.2	1.2
Leverage factor (x)	1.5	1.9	1.9	1.8
Return on equity	21.1	39.4	37.3	35.2

Valuations

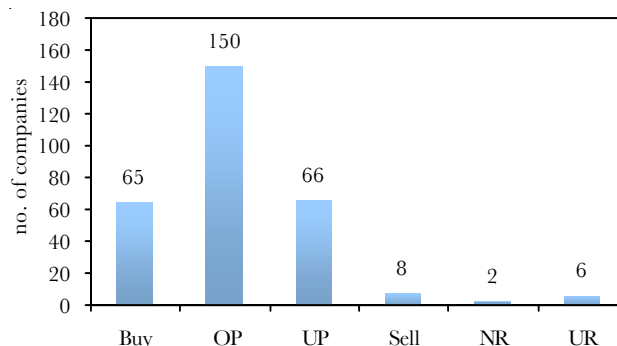
Period end (x)	Mar 14	Mar 15E	Mar 16E	Mar 17E
PER	22.9	25.1	20.7	17.3
PCE	22.2	24.5	20.3	17.0
Price/Book	7.5	8.8	6.9	5.4
Yield (%)	16.3	1.4	1.4	1.6
EV/EBITDA	18.1	16.7	13.5	10.9

B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

Our Rating System is in Migration Mode till Jan 15, 2015, to the structure given below. We regret the inconvenience.

	LARGE CAP (Market Cap > USD 2 bn)	MID CAP (Market Cap of USD 200 mn to USD 2 bn)	SMALL CAP (Market Cap < USD 200 mn)
BUY	>+20% (absolute returns)	>+25% (absolute returns)	>+30% (absolute returns)
OUTPERFORMER	+10% to +20%	+15% to +25%	+20% to +30%
UNDERPERFORMER	+10% to -10%	+15% to -15%	+20% to -20%
SELL	<-10% (absolute returns)	<-15% (absolute returns)	<-20% (absolute returns)

Disclaimer: This report was prepared, approved, published and distributed by Batlivala & Karani Securities India Private Limited ("B&K") located outside of the United States (a "non-US Group Company"), which accepts responsibility for its contents. It is distributed in the U.S. by Enclave Capital, a U.S. registered broker dealer, on behalf of B&K, only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6. Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization. Outside the United States, this report is distributed by B&K or an authorized affiliate of B&K.

The report has been compiled or arrived from sources believed to be reliable and in good faith, but no representation or warranty, express or implied is made as to their accuracy, completeness or correctness. B&K has not verified the factual accuracy, assumptions, calculations or completeness of the information. Accordingly, B&K accepts no liability whatsoever for any direct or consequential loss or damage arising from (i) the use of this communication (ii) reliance on any information contained herein, (iii) any error, omission or inaccuracy in any such Information or (iv) any action resulting therefrom. B&K provides the information for the purpose of the intended recipient's analysis and review and recipients are advised to verify the factual accuracy, assumptions, calculations and completeness of the information.

This report was produced by B&K solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions. This document does not constitute an offer of, or an invitation by or on behalf of B&K or its affiliates or any other company to any person, to buy or sell any security.

Analyst Certification: Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Important US Regulatory Disclosures on Subject Companies

1. B&K or its Affiliates have not recently been the beneficial owners of 1% or more of the securities mentioned in this report.
2. B&K or its Affiliates have not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. B&K or its Affiliates have not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more person of B&K or its affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon either on their own account or on behalf of their clients.
5. B&K or its Affiliates may, to the extent permitted by law, act upon or use the above material or the conclusions stated above or the research or analysis on which they are based before the material is published to recipients and from time to time provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.
6. As of the publication of this report, Enclave Capital does not make a market in the subject securities.

Enclave Capital is the distributor of this document in the United States of America. Any US customer wishing to effect transactions in any securities referred to herein or options thereon should do so only by contacting a representative of Enclave Capital and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital (19 West 44th Street, suite 1700, New York, NY 10036).

B & K SECURITIES INDIA PRIVATE LTD.

Equity Research Division: City Ice Bldg, 298, Ground/1st Floor, Perin Nariman Street, Behind RBI, Fort, Mumbai - 400 001, India. Tel.: 91-22-4031 7000, Fax: 91-22-2263 5020/30.

Registered Office: Room No. 3/4, 7 Lyons Range, Kolkata - 700 001. Tel.: 91-33-2243 7902.

B&K Research is also available on Bloomberg <BNKI>, Thomson First Call & Investext.