

### Indices

	Last close	% Chg	% YTD
Sensex	17,489	(0.7)	13.2
Nifty	5,306	(0.7)	14.7
CNX Midcap	7,473	(0.3)	22.2
Nasdaq	2,888	(0.5)	10.5
DJIA	12,605	(0.4)	3.2

### Volumes

	US\$ m	% Chg
BSE	367	5.8
NSE	1,816	6.2
Total	2,183	6.1

### ADR/GDR (US\$)

	Latest	% Chg	% Prem
Dr Reddy's	29.9	0.5	1.1
HDFC Bank	33.7	0.0	6.3
ICICI Bank	33.8	0.4	0.3
ITC	4.7	0.9	3.2
Infosys	43.6	0.2	(1.8)
Ranbaxy	9.0	0.1	1.6
Reliance	26.2	(0.6)	0.6
Wipro	8.5	(0.1)	26.6
SBI	82.6	1.3	3.6
Tata Motors	21.7	(1.7)	0.0

### Net In/Outflows (US\$m)

	9-Jul	MTD	YTD
FII's	113.9	1,108	9,624
Dom MFs	(22.3)	(200)	(1,290)

### Currencies

	Closing	Chg
Rs/US\$	55.64	0.46
US\$/EUR	1.22	(0.00)
US\$/JPY	79.60	(0.16)

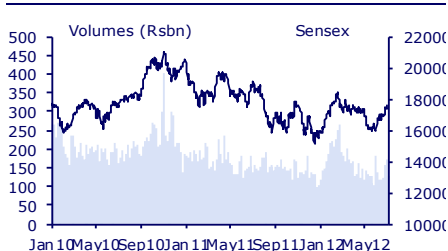
### Bond Markets

	Closing	Chg
10 yr bond	8.14	(0.01)
Interbank call	8.10	-

### Commodities

	Latest	% Chg	% Chg 1 m
Brent (US\$/bbl)	99.8	(0.6)	2.6
Gold (US\$/oz)	1,571	(0.4)	(2.4)
Cu (US\$/MT)	7,526	(0.4)	(0.8)
Al (US\$/MT)	1,901	(0.6)	(3.6)

### Sensex



## What's inside

	Main reason for writing	Rec.	Target price	±%
HDFC	1QFY13 results	BUY	830	+22
India Financials	Sector outlook	-	-	-
India Power	Sector outlook	-	-	-
Indian Cement	Sector outlook	-	-	-
TTK Prestige	1QFY13 results	BUY	3830	+16
Earnings calendar	-	-	-	-
Valuation Matrix	-	-	-	-

Reco/target price in brackets indicate previous reco and target price (only when changed).

## News headlines: Corporate

- ❑ **Reliance Power** has tied up loans of US\$1.1bn from three Chinese lenders for its upcoming 3960 MW Sasan ultra mega power project in Madhya Pradesh. (BS)
- ❑ **JSW Steel** has reported 27% YoY growth in production for the April-June quarter to 2.14mt. (BS)
- ❑ The oil ministry has forwarded the issue of pricing methane gas produced from coal seams by **Essar Oil** and **Reliance Industries** to an empowered panel of secretaries after raising objections and holding back approvals for nine months. (ET)

## News headlines: Economic and political

- ❑ The power ministry has decided to allow power project developers to pass on the entire fuel cost to consumers, marking a change in the current tariff-based bidding system. (ET)

### Turnover Highlights

	Price (Rs)	Chg (%)	Vol (\$m)	YTD chg (%)
L&T	1,436	1.3	50.9	44.4
Zee	144	0.9	6.0	22.2
Infosys	2,471	0.5	100.3	(10.3)
NTPC	160	0.2	6.1	(0.4)
TCS	1,258	(0.3)	25.6	9.1
HDFC Bank	587	(0.3)	33.5	37.5
Cairn	312	(0.3)	10.4	(0.8)
Grasim	2,635	(0.5)	3.3	5.9
SBI	2,219	(0.5)	117.5	37.0
Sun Pharma	624	(0.5)	8.6	25.4
SAIL	93	(0.5)	4.6	14.4
HDFC	679	(0.5)	34.1	4.1
ONGC	278	(0.6)	10.7	8.3
Ranbaxy	493	(0.6)	3.1	21.7
Tata Steel	436	(0.6)	28.5	30.0
ICICI Bank	937	(0.7)	68.3	36.8
RCOM	71	(0.7)	26.4	0.9
HUL	441	(1.1)	22.8	8.3
Hero Honda	2,036	(1.4)	10.6	2.4
Maruti	1,203	(1.4)	9.6	31.0
BHEL	232	(1.5)	11.7	(2.7)
Jaiprakash	76	(1.6)	19.9	45.6
Bharti	316	(1.8)	13.9	(8.1)
Sterlite	106	(1.9)	11.7	18.3
Reliance	726	(1.9)	40.7	4.7
DLF	210	(2.0)	17.0	14.9
ITC	253	(2.0)	23.1	25.8
Tata Motors	241	(2.0)	42.5	35.1
Rel. Infra.	556	(2.4)	21.7	63.0
Hindalco	124	(3.0)	15.0	6.9

### BSE 200 Movers and Shakers

	Price (Rs)	Chg (%)	YTD chg (%)
<b>Top Gainers</b>			
Sterling Biotech	10	5.0	(55.6)
HCL Infosystems	43	3.6	10.8
Kesoram Industr	151	3.6	79.8
TVS Motor	41	3.3	(21.0)
Financial Tech.	776	3.1	46.3
Triveni Engineeri	18	2.9	41.2
Thermax	503	2.8	27.9
Indiabulls Fin.	249	2.5	80.8
Chambal Fertiliz	80	2.5	5.9
SRF	222	2.3	(7.1)
GTL	37	1.9	1.9
EIH	86	1.9	2.5
Patel Engineerin	101	1.7	29.9
Castrol (India)	548	1.6	31.5
<b>Top Losers</b>			
Kirloskar Brothei	153	(4.3)	29.7
Moser Baer	9	(4.3)	(35.7)
Hindalco	124	(3.0)	6.9
Cummins India	437	(3.0)	24.7
NALCO	59	(2.7)	16.7
India Cements	82	(2.7)	25.0
Wipro	374	(2.7)	(6.1)
Nagarjuna Cons.	43	(2.2)	29.0
Tata Motors	241	(2.0)	35.1
Arvind Mills	77	(2.0)	14.8
ITC	253	(2.0)	25.8
Exide Industries	136	(2.0)	29.1
Reliance Industri	726	(1.9)	4.7
Sterlite Industrie	106	(1.9)	18.3

- ❑ In a letter to Prime Minister, States have said that the Centre's refusal to compensate them for revenue losses due to reduction in CST rate could derail introduction of Goods and Service Tax (GST). (BS)
- ❑ The telecom department has revised the timelines for the upcoming spectrum auctions yet again and has told that the information memorandum of the sale will only be released on August 22. (ET)
- ❑ GSM industry body COAI has written to the home minister, who is heading the EGoM on telecom, saying guidelines issued by the DoT for auction of airwaves are discriminatory and erroneous in nature. (ET)
- ❑ Ending his 11-month tenure, Sadananda Gowda has resigned as Karnataka Chief Minister, paving the way for Jagadish Shettar to take over. (BS)

## News headlines: Corporate

- ❑ The Department of Disinvestment will seek the Cabinet approval on Thursday to sell government's 10.82% stake in **SAIL** through auction route. (ET)
- ❑ **HDFC** has reported 1QFY13 net profit of Rs10bn – up 18.6% YoY. (BS)
- ❑ **General Motors India** plans to two new vehicles this year - a new Chevrolet during Sep-Oct and a new multi-purpose vehicle by end of the year. (BS)
- ❑ **Mahindra Satyam** is in discussions to acquire an aerospace engineering firm in Europe to expand capabilities in its engineering services business. (ET)
- ❑ **Strides Arcolab's** Canadian subsidiary has formed a joint venture with Jamp Pharma to introduce injectable generic drugs in Canada. (ET)
- ❑ **Alstom T&D India** has secured a Rs1.6bn contract from a JV firm of **NTPC** for setting up a sub-station in Meja, Uttar Pradesh. (BS)
- ❑ **Essar Ports** has received approval from Ministry of Environment and Forests for the coal berth at its Paradip Port. (BS)
- ❑ **Daimler India** plans to roll out six products across various ranges, under its 'Bharat Benz' truck brand this year. (BS)
- ❑ **SpiceJet** has said that it will start new flights to six countries by end of October as part of its plan to expand international operations.(BS)
- ❑ **Financial Technologies** and **MCX** plan to dilute their stakes in MCX Stock Exchange (MCX-SX) within the Sebi-stipulated 5% in the next 18 months. (BS)
- ❑ **Cox & Kings** has partnered with Singapore-based travel solutions and services provider Abacus International for distribution of services. (BS)
- ❑ PE firm **Carlyle** has bought a 9.96% holding in Hyderabad-based IT firm **Infotech Enterprises** in the open market for Rs2.1bn. (ET)
- ❑ South Africa-based drugmaker **Adcock Ingram** has acquired privately-held **Cosme Farma** for Rs4.8bn. (ET)
- ❑ **Amway India** is planning to set up a manufacturing facility in India at an investment of Rs4bn to produce nutrition and beauty brands. (BS)

**Key to CLSA investment rankings:** **BUY:** Total return expected to exceed market return AND provide 20% or greater absolute return; **O-PF:** Total return expected to be greater than market return but less than 20% absolute return; **U-PF:** Total return expected to be less than market return but expected to provide a positive absolute return; **SELL:** Total return expected to be less than market return AND to provide a negative absolute return. For relative performance, we benchmark the 12-month total return (including dividends) for the stock against the 12-month forecast return (including dividends) for the local market where the stock is traded.

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**Note: In the interests of timeliness, this document has not been edited.**

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11 July 2012

## India

### Financial services

Reuters HDFC.BO  
Bloomberg HDFC IB

#### Priced on 11 July 2012

India Sensex @ 17,489.1

**12M hi/lo** Rs725.70/600.85

**12M price target** Rs830.00  
**±% potential** +22%

**Shares in issue** 1,477.0m  
**Free float (est.)** 100.0%

**Market cap** US\$18,237m

**3M average daily volume**  
Rs1,609.9m (US\$29.6m)

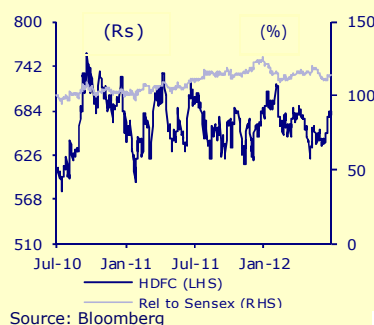
**Foreign s'holding** 70.6%

#### Major shareholders

FII 65.8%  
FDI 4.8%

#### Stock performance (%)

	1M	3M	12M
Absolute	3.3	0.8	(4.1)
Relative	(1.5)	(0.9)	2.6
Abs (US\$)	3.4	(6.3)	(23.2)



Source: Bloomberg

www.cls.com

## Steady growth

During 1QFY13, HDFC reported profit of Rs10bn, up 19% YoY, in line with expectations, despite a higher forex loss. Share of retail in total loans increased as HDFC didn't sell down any retail loan this quarter. Despite rising share of high cost retail deposits, HDFC has maintained its spreads suggesting benign competitive environment. Net worth rose by 8% QoQ supported by warrant conversion / stock options and lower adjustment through reserves. Dividend from subsidiaries accounted for 16% of PAT. Over FY12-15CL, we expect earnings to grow at 18% Cagr; Maintain BUY

#### Maintaining pricing power

HDFC's ability to maintain spreads at 2.3% with a 19% loan growth suggests a benign competitive environment in mortgages. Interestingly, spreads were stable despite a) rising share of high cost retail deposits in total funding, b) decline in share of corporate loans from 36% in 4Q to 34% in 1Q and c) a forex loss of ~Rs350m (on unhedged forex liabilities). Adjustment to reserve for premium on zero-coupon bonds (ZCB) has stabilised at Rs1.5bn / quarter (post tax); outstanding ZCBs of ~Rs80bn are in line with investment in group.

#### Net worth rises 8% in 1Q supported by warrants, stock options

In 1QFY13, HDFC's net-worth increased by 8% (highest in past 8 quarters) supported by a) conversion of 16% of outstanding warrants, b) exercise of stock options with employees for 3mn shares, c) lower one-time adjustments through reserves (see fig 8). In FY13, we expect net worth to grow by 27% v/s 12% p.a. over FY10-12 due to the above mentioned factors.

#### Profit growth also supported by non-core income

A healthy top line growth, higher dividend income (16% of PAT) helped HDFC to offset the impact of higher provisioning (provision on standard assets are now booked through the P&L, instead of reserves) and lower than expected profit on sale of investments. As a result, reported net profit was up 19% YoY to Rs10bn, in line with loan growth.

#### Shifting focus to consolidated profits

HDFC's profits are estimated to deliver a Cagr of 18% over FY12-15CL led by loan growth. Moreover, consolidated profits are likely to grow much faster as HDFC Bank and the insurance subsidiaries, continue to report +30% growth. HDFC also plans to declare consolidated numbers on a quarterly basis to increase focus on consolidated earnings. We maintain BUY with a price target of Rs830, including Rs242/share for value of subsidiaries.

#### Financials

Year to 31 March	11A	12A	13CL	14CL	15CL
Operating income (Rsm)	53,181	61,975	76,376	90,229	104,436
Net profit (Rsm)	35,350	41,226	50,098	59,193	68,429
EPS (Rs)	24.1	27.9	32.7	38.6	44.7
CL/consensus (37) (EPS%)	-	-	101	101	101
EPS growth (% YoY)	22.4	15.8	17.2	18.2	15.6
ROA (%)	2.8	2.7	2.8	2.8	2.7
Core ROE* (%)	28	27	29	27	27
Adjusted PB* (x)	7.4	6.1	4.1	3.5	2.7
Adjusted PE* (x)	18.6	15.2	12.5	10.4	8.4
CAR (%)	14.0	14.6	15.7	14.8	14.2
Dividend yield (%)	1.3	1.6	2.1	2.6	2.6

\* Adjusted for 100% NPL coverage and investment in subsidiaries. Source: CLSA Asia-Pacific Markets

Figure 1

**Summary of 1QFY13 results**

(Rsm)	1QFY12	4QFY12	1QFY13	(% YoY)	(% QoQ)
Interest Income	36,098	46,823	46,924	30%	0%
- on loans	33,298	44,594	44,012	32%	-1%
- Others	1,833	1,604	2,452	34%	53%
- Deployment of surplus funds in MF	966	626	460	-52%	-27%
Interest expenses	25,149	29,389	33,882	35%	15%
<b>Net Interest income</b>	<b>10,948</b>	<b>17,434</b>	<b>13,042</b>	<b>19%</b>	<b>-25%</b>
<b>Non-Interest income</b>	<b>2,118</b>	<b>2,087</b>	<b>2,499</b>	<b>18%</b>	<b>20%</b>
- Fees and Other Charges	573	600	618	8%	3%
- Dividend Income	1,322	615	1,596	21%	159%
- Profit on Sale of Investments	163	791	202	24%	-74%
- Others	60	81	83	38%	3%
<b>Total Income</b>	<b>13,067</b>	<b>19,521</b>	<b>15,541</b>	<b>19%</b>	<b>-20%</b>
Operating expenses	1,132	1,030	1,342	19%	30%
Operating profit	11,935	18,491	14,199	19%	-23%
Provisions and contingencies	180	250	400	122%	60%
PBT	11,755	18,241	13,799	17%	-24%
Provisions for tax	3,310	4,980	3,780	14%	-24%
<b>PAT</b>	<b>8,445</b>	<b>13,261</b>	<b>10,019</b>	<b>19%</b>	<b>-24%</b>
<b>Op profit (ex treasury &amp; dividend)</b>	<b>10,451</b>	<b>17,086</b>	<b>12,401</b>	<b>19%</b>	<b>-27%</b>
<b>Balance sheet</b>					
Loans (Rsbn)	1,242	1,409	1,483	19%	5%
Assets (Rsbn)	1,416	1,581	1,643	16%	4%
Deposits and borrowings (Rsbn)	1,235	1,391	1,438	16%	3%
<b>Spreads (cumulative)</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>		
Gross NPL (Rsm)	10,382	10,690	11,713		
Net NPL (Rsm)	(1,345)	(6,020)	(5,397)		
Coverage (%)	113.0%	156.3%	146.1%		
Gross NPL- on 90 days' basis (%)	0.8%	0.7%	0.8%		
CAR (%)	13.8%	14.6%	14.6%		
Tier 1 (%)	12.2%	11.7%	11.8%		

Source: Company, CLSA Asia-Pacific Markets

**NII growth was strong despite higher loss on forex liabilities**

**Higher dividend income offset lower profit on sale of investments**

**Provisions were higher on account of standard asset provisions**

**Healthy profit growth of 19% YoY**

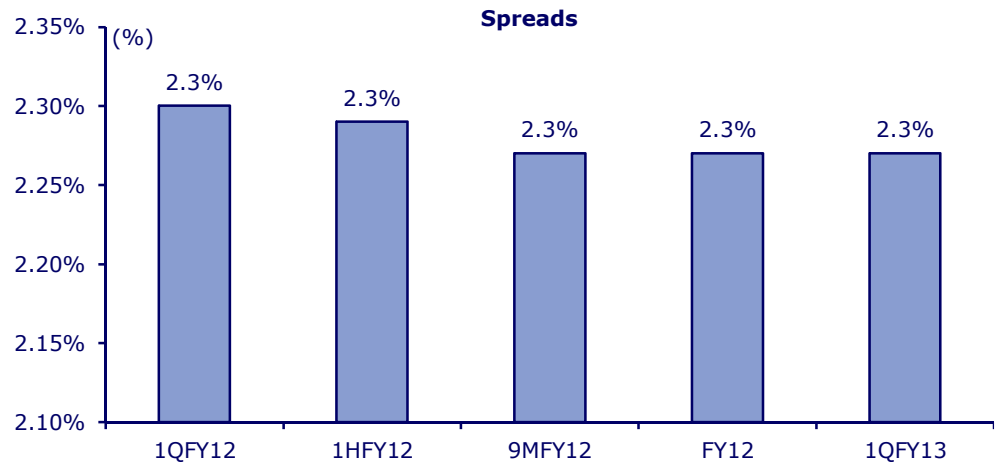
**Spreads were stable indicating benign competition**

**Asset quality remains strong**

**Well capitalized balance sheet**

**HDFC has maintained  
stable spreads...**

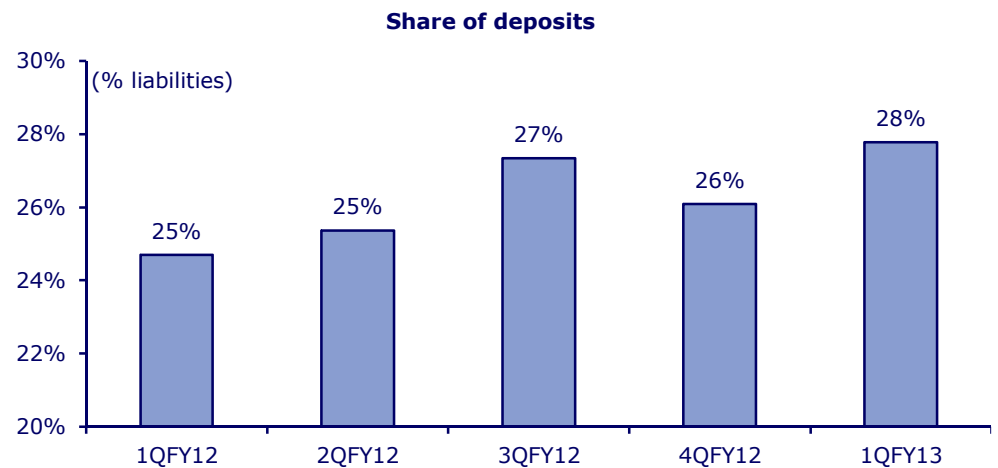
Figure 2

**Spreads have been stable**

Source: Company, CLSA Asia-Pacific Markets

**...despite rising share of  
high-cost retail deposits  
and...**

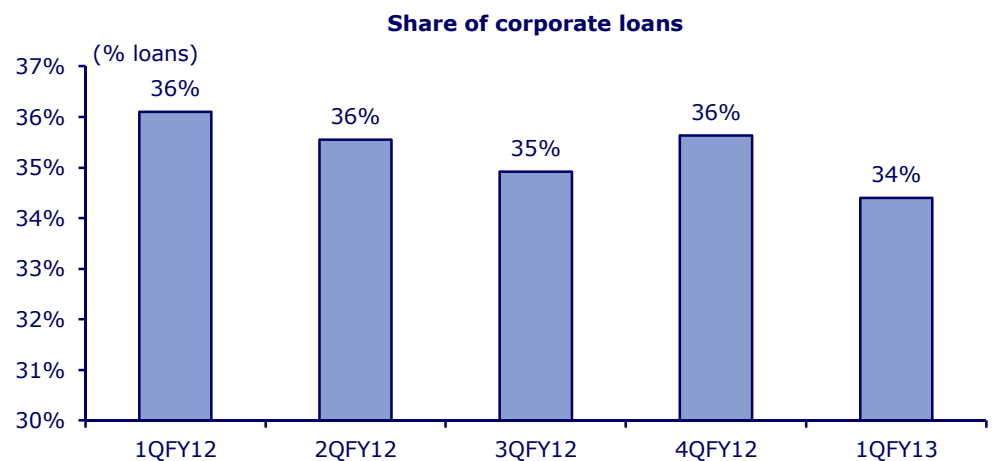
Figure 3

**Share of high cost retail deposits has increased**

Source: Company, CLSA Asia-Pacific Markets

**...decline in share of  
corporate loans**

Figure 4

**Share of corporate loans has declined**

Source: Company, CLSA Asia-Pacific Markets

About 3% of liabilities are in foreign currencies

HDFC booked forex loss of Rs350m during 1QFY13

Till 2QFY12, HDFC was charging loss (forex loss less gain on swaps), but it is now amortising forex loss over life of such loans- per new norms

2-year high increase in net worth was driven by...

...conversion of warrants and ESOPs

Figure 5

**Foreign currency borrowings, Mar-12**

(US\$m)	875
Foreign currency borrowings (Rsm)	46,297
Total borrowings (Rsm)	1,401,659
Share of foreign currency borrowings	3%
Net foreign currency exposure (US\$m)	245
Net exposure (% of foreign currency borrowings)	28%
Net exposure (% of total borrowings)	0.9%

Source: Company, CLSA Asia-Pacific Markets

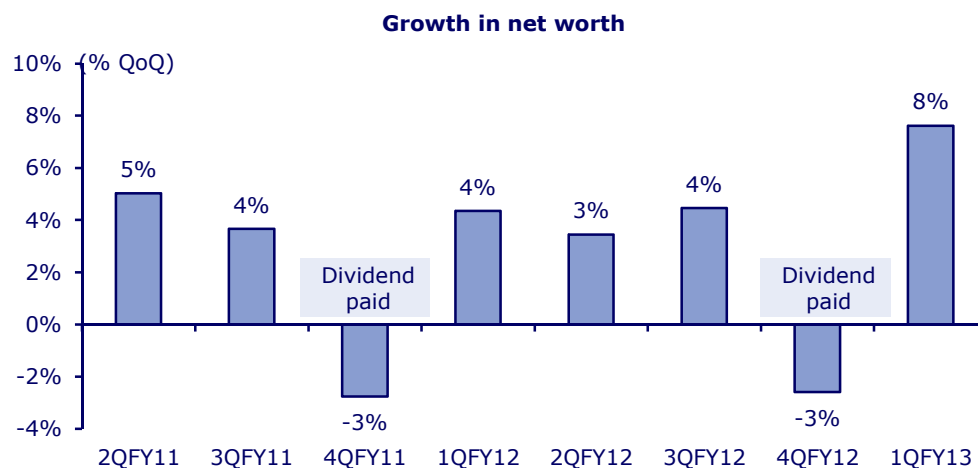
Figure 6

**Forex loss charged through P&L**

	3QFY12	4QFY12	1QFY13
Forex loss amortised over life of loan (Rsm)	4,146	2,062	4,452
Assumed average tenor of loan (years)	3.2	3.2	3.2
Quarterly run-rate of forex loss through P&L (Rsm)	324	161	348
% of NII	3%	1%	3%

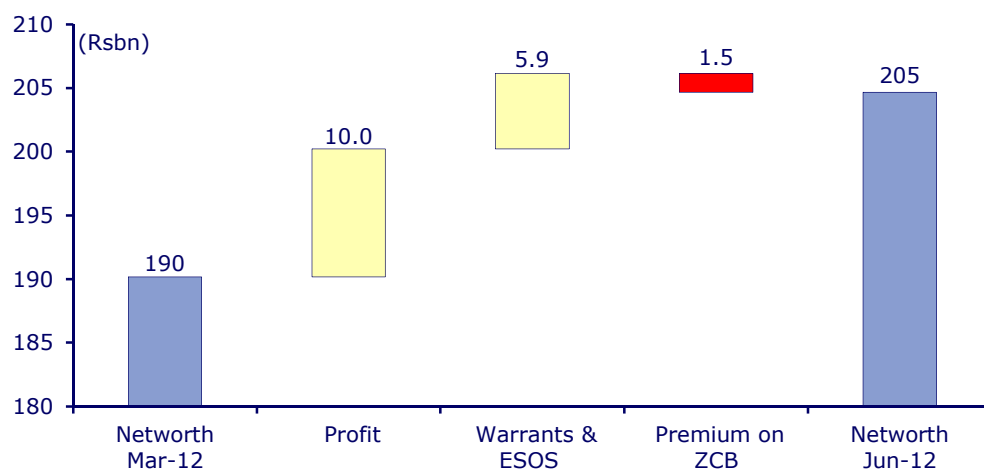
Source: Company, CLSA Asia-Pacific Markets

Figure 7

**Net worth grew by 8% QoQ- highest in last 8 quarters**

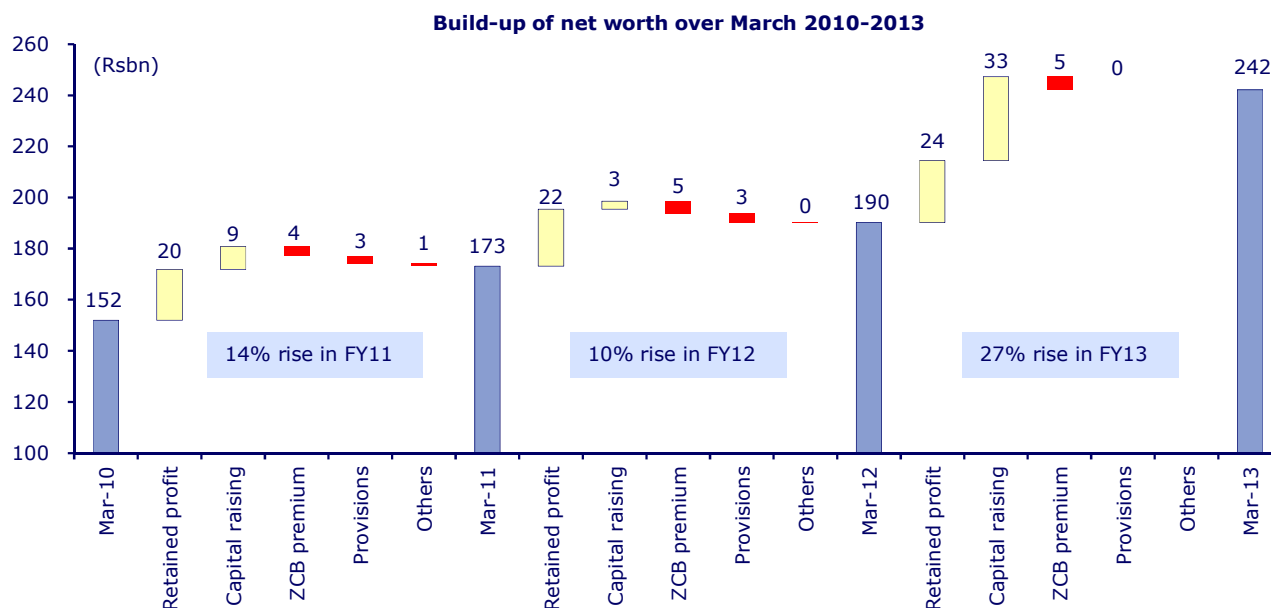
Source: Company, CLSA Asia-Pacific Markets

Figure 8

**Accretion in net worth during 1QFY13**

Source: Company, CLSA Asia-Pacific Markets

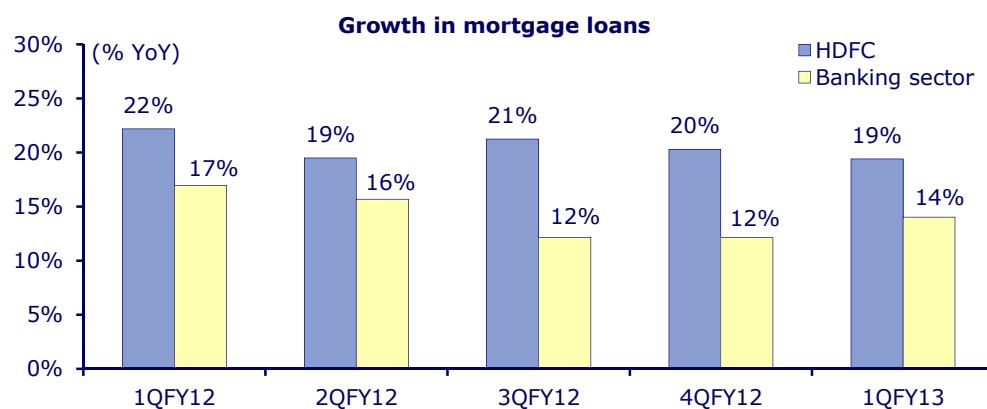
Figure 9

**We expect net worth to rise by 27% in FY13CL**

Source: Company, CLSA Asia-Pacific Markets

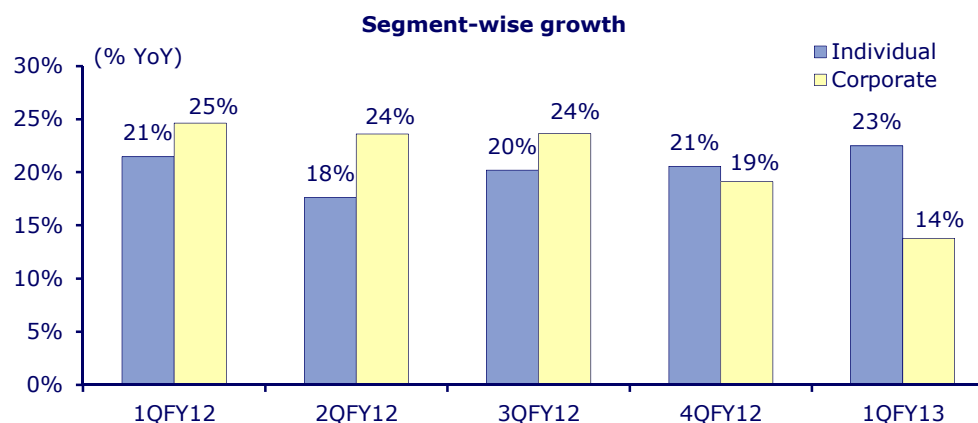
**Lending activity remains buoyant and HDFC gained market share**

Figure 10

**During 1QFY13, HDFC's loans grew by 19% YoY**

Source: Company, CLSA Asia-Pacific Markets

Figure 11

**Growth in fresh approvals moderated, but disbursements grew at a healthy pace**

Source: Company, CLSA Asia-Pacific Markets



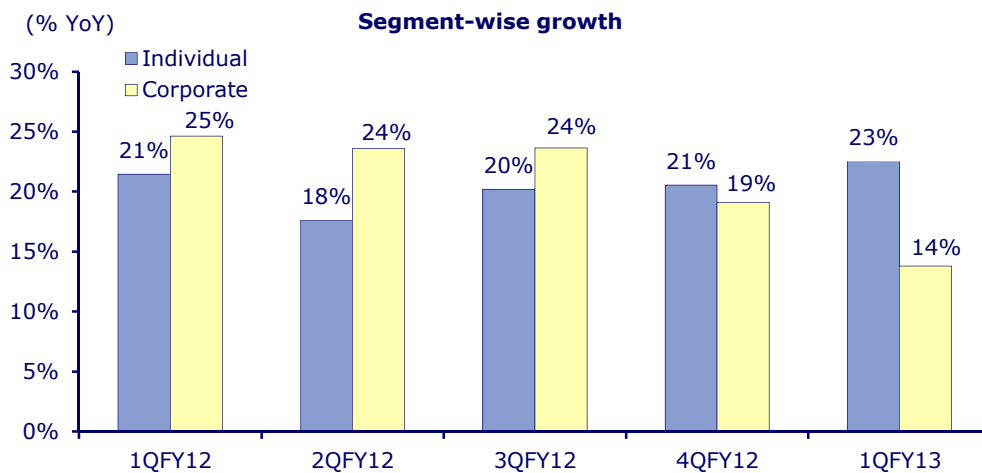
While retail loans grew at a healthy pace, corporate loan growth moderated

Gross NPL ratio continues to decline

Operating costs grew by 19% YoY

Figure 12

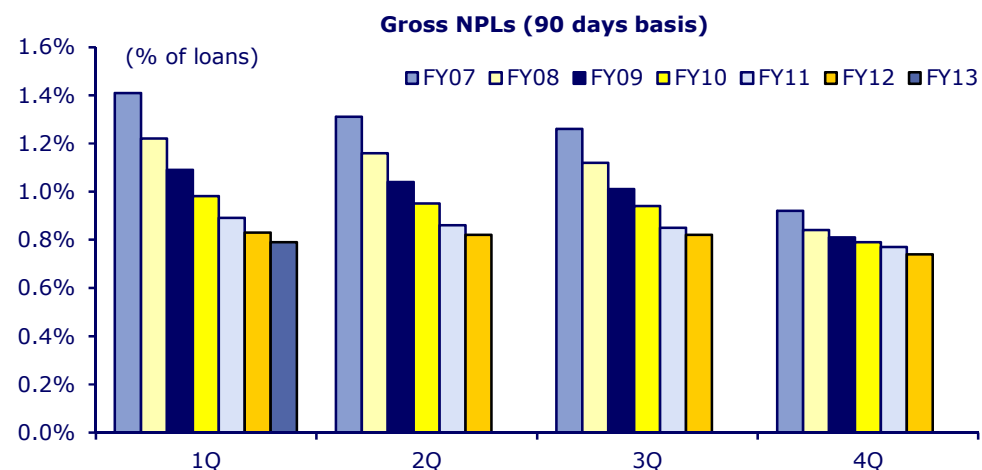
### Loan growth was led by growth in mortgages



Source: Company, CLSA Asia-Pacific Markets

Figure 13

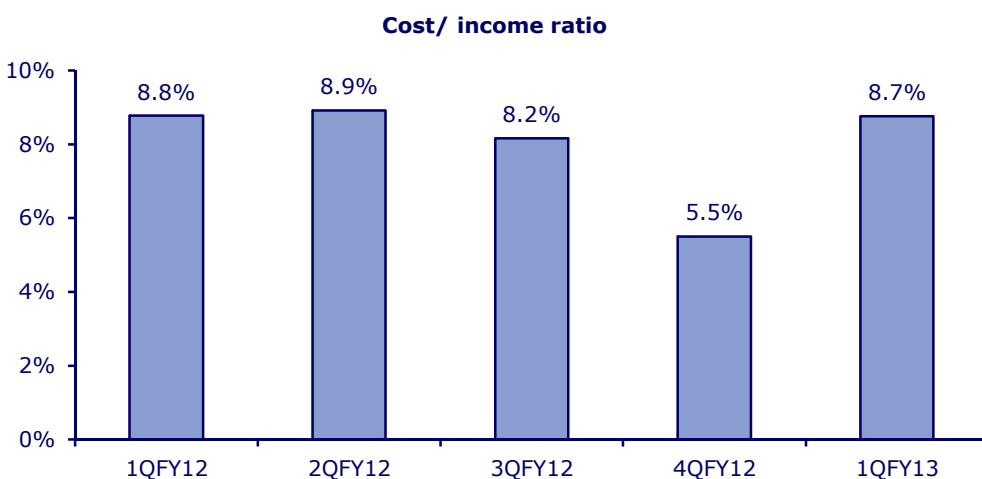
### Asset quality remains strong



Source: Company, CLSA Asia-Pacific Markets

Figure 14

### Cost/income ratio was flat YoY



Source: Company, CLSA Asia-Pacific Markets

NII to grow at 19% Cagr  
over FY12-15CL

Profits to grow at 18%  
Cagr over FY12-15CL

Loans to grow at 19%  
Cagr over FY12-15CL

Figure 15

**Summary income statement**

Year to March (Rs mn)	FY11	FY12	FY13CL	FY14CL	FY15CL
Interest income	120,476	164,749	200,447	237,121	280,898
Interest expense	75,599	111,568	134,239	158,721	190,245
<b>Net interest income</b>	<b>44,876</b>	<b>53,181</b>	<b>66,209</b>	<b>78,399</b>	<b>90,653</b>
Other income	8,305	8,794	10,167	11,830	13,783
- Fee income	2,204	2,684	3,167	3,800	4,560
- Profit on sale of investments	3,597	2,702	2,972	3,269	3,596
<b>Total income</b>	<b>53,181</b>	<b>61,975</b>	<b>76,376</b>	<b>90,229</b>	<b>104,436</b>
Operating expenses	3,812	4,519	5,667	6,574	7,625
Pre-provision profit	49,370	57,456	70,709	83,656	96,810
Provision - NPL	700	800	1,677	1,983	2,360
PBT	48,670	56,656	69,031	81,672	94,450
Tax	13,320	15,430	18,934	22,479	26,021
<b>Reported Net profit</b>	<b>35,350</b>	<b>41,226</b>	<b>50,098</b>	<b>59,193</b>	<b>68,429</b>

Source: Company, CLSA Asia-Pacific Markets

Figure 16

**Summary balance sheet**

As at March (Rs mn)	FY11	FY12	FY13CL	FY14CL	FY15CL
<b>Loans</b>	<b>1,171,266</b>	<b>1,408,746</b>	<b>1,672,358</b>	<b>1,990,106</b>	<b>2,368,226</b>
Investments	118,324	122,070	125,052	128,227	131,616
Current assets	34,558	81,048	89,153	98,068	107,875
Cash	64,053	54,729	60,613	68,320	82,829
Net fixed assets	2,340	2,325	2,241	2,119	1,954
Deferred tax asset	4,481	6,282	6,282	6,282	6,282
<b>Total assets</b>	<b>1,395,021</b>	<b>1,675,199</b>	<b>1,955,699</b>	<b>2,293,123</b>	<b>2,698,783</b>
Share Capital	2,934	2,954	3,063	3,063	3,063
Reserves & Surplus	170,231	187,222	239,102	261,983	294,099
<b>Shareholders' Funds</b>	<b>173,165</b>	<b>190,176</b>	<b>242,166</b>	<b>265,047</b>	<b>297,163</b>
Deposits	246,251	362,928	420,996	505,196	606,235
Borrowings	490,898	463,850	551,206	655,447	779,883
- Domestic	473,778	451,628	536,785	638,430	759,803
- International	17,121	12,221	14,421	17,017	20,080
FCCB	-	-	-	-	-
Other Loans	416,956	574,881	649,629	766,562	904,543
Current liabilities & prov.	67,751	83,365	91,701	100,872	110,959
<b>Total liabilities</b>	<b>1,395,021</b>	<b>1,675,199</b>	<b>1,955,699</b>	<b>2,293,123</b>	<b>2,698,783</b>

Source: Company, CLSA Asia-Pacific Markets

Figure 17

<b>Key ratios</b>					
<b>Year to March</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13CL</b>	<b>FY14CL</b>	<b>FY15CL</b>
EPS - Pre Exceptional (Rs)	24	28	33	39	45
EPS growth (Rs)	23%	15%	19%	16%	16%
CEPS (Rs)	25	29	34	40	46
PPP / Share (Rs)	34	39	46	55	63
BV/Share (reported) (Rs)	118	129	158	173	194
ABV/ share (for invest. in subs) (Rs)	61	70	101	116	136
<b>ROAA</b>	<b>2.8%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.7%</b>
<b>ROAE</b>	<b>22%</b>	<b>23%</b>	<b>23%</b>	<b>23%</b>	<b>24%</b>
Core ROAE	28%	27%	29%	27%	27%
Spreads	3.2%	3.1%	2.9%	2.8%	2.7%
NIM	3.9%	3.8%	4.1%	4.1%	4.0%
Gross NPLs	0.8%	0.8%	0.8%	0.8%	0.8%
Net NPLs	0.3%	0.3%	0.3%	0.3%	0.3%
Capital Adequacy Ratio	14%	15%	16%	15%	14%
- Tier I CAR	12.2%	11.6%	13.1%	12.3%	11.9%
Cost-Income ratio (Excl Treasury)	7.7%	7.6%	7.7%	7.6%	7.6%
Fee income growth	-5%	22%	18%	20%	20%
Fee (% total revenue)	4.1%	4.3%	4.1%	4.2%	4.4%
Cost Asset Ratio	0.3%	0.3%	0.3%	0.3%	0.3%
Loan Growth	20%	20%	19%	19%	19%
Equity / Assets	12%	11%	12%	12%	11%
Equity / Loans	15%	13%	14%	13%	13%
Provision/ Loans	0.1%	0.1%	0.1%	0.1%	0.1%
Tax rates	27%	27%	27%	28%	28%
Yield on Housing Loans	10.3%	11.7%	11.7%	11.7%	11.7%
Yield on investments	14.4%	10.4%	20.0%	20.0%	20.0%
Average cost of funds	7.1%	8.7%	8.8%	8.9%	9.0%
Dividend per share (Rs)	9	11	15	18	18
Dividend payout	37%	46%	44%	45%	39%
Dividend yield	1.3%	1.6%	2.1%	2.6%	2.6%
P/E (x)	27.8	24.2	20.4	17.6	15.2
<b>P/E (adj for subs) (x)</b>	<b>18.6</b>	<b>15.2</b>	<b>12.5</b>	<b>10.4</b>	<b>8.4</b>
P/ PPP (x)	20.2	17.4	14.7	12.4	10.7
P/ Reported Book value (x)	5.7	5.3	4.3	3.9	3.5
<b>P/ Adj. BV (adj for subs) (x)</b>	<b>7.4</b>	<b>6.1</b>	<b>4.1</b>	<b>3.5</b>	<b>2.7</b>

Source: Company, CLSA Asia-Pacific Markets

Figure 18

**Sum of the part valuations**

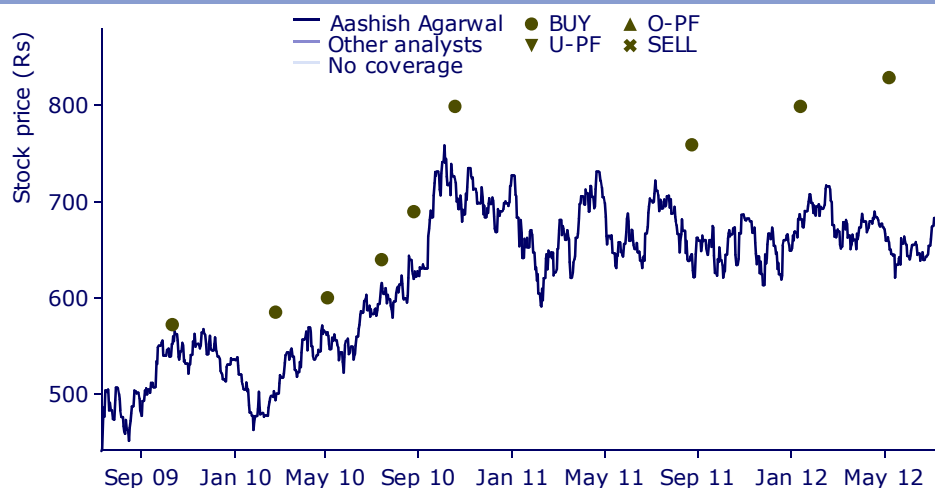
	<b>Rs bn</b>	<b>Rs / share</b>	<b>Valuation methodology</b>
HDFC Bank (23% stake)	310	202	Based on price of Rs500
HDFC Standard Life (72% stake)	107	70	10x FY14 NBAP
HDFC General Insurance (74% stake)	8	5	12x normalised earnings
HDFC Asset management (60% stake)	32	21	5% of equity AUM, 1.5% of Debt AUM and 8% of PMS AUM
HDFC Real Estate Fund (100% owned)	7	5	10% of AUM
<b>Total Value of Subsidiaries</b>	<b>463</b>	<b>302</b>	
Less: 20% Holding company discount	(93)	(60)	
Net Value of Subsidiaries	370	242	
<b>Value of the mortgage financing business</b>	<b>845</b>	<b>552</b>	<b>4.7x FY14CL adjusted PB</b>
Value of unrealized gain on listed investments + Dividend	25	30	As per management
<b>Target value for HDFC - Mortgage financing company</b>	<b>1,240</b>	<b>824</b>	

Source: CLSA Asia-Pacific Markets

## Companies mentioned

HDFC (HDFC - RS678.30 - BUY)

## Recommendation history of Housing Development Finance Corp Ltd HDFC IB



Date	Rec*	Target	Date	Rec*	Target
08 May 2012	BUY	830.00	14 July 2010	BUY	640.00
13 January 2012	BUY	800.00	04 May 2010	BUY	600.00
24 August 2011	BUY	760.00	25 February 2010	BUY	585.00
18 October 2010	BUY	800.00	13 October 2009	BUY	572.00
25 August 2010	BUY	690.00			

Source: CLSA Asia-Pacific Markets

**Key to CLSA investment rankings:** **BUY:** Total return expected to exceed market return AND provide 20% or greater absolute return; **O-PF:** Total return expected to be greater than market return but less than 20% absolute return; **U-PF:** Total return expected to be less than market return but expected to provide a positive absolute return; **SELL:** Total return expected to be less than market return AND to provide a negative absolute return. For relative performance, we benchmark the 12-month total return (including dividends) for the stock against the 12-month forecast return (including dividends) for the local market where the stock is traded.

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11 July 2012

**India****Financial services**

## Headwinds to continue

Our power sector analysts believes that after a sharp uptick in capacity addition in the generation segment during FY12, it is likely to be flat till FY15 and could fall sharply thereafter. Pick-up thereafter will depend on resolution on fuel availability and PPAs. Moreover, energy deficit is likely to narrow considerably from 9.5% in FY13 to 2.7% in FY16. We believe that slowdown in capex will pose risk to loan growth for financiers. In the near term, lenders may also face asset quality risks due to fuel supply issues. We are building NPLs only in the private sector, but financiers may also need to restructure loans to SEB. A slower growth outlook, lack of deposit franchise and asset quality concerns will pose risk to valuation re-rating of PFC and REC and we retain our underweight stance.

### Sharp fall in generation capex is an overhang on loan growth

- Our power sector analysts believes that after a sharp uptick in capacity addition in the generation segment during FY12, fresh capex is likely to be flat over FY13-15 and fall sharply thereafter. Click [here](#) for the report.
- While they expect a pick-up in capacity addition in the 13<sup>th</sup> Plan period, that would require reforms to address the issues of SEB losses, coal/gas shortages and clear policies regarding pass through of fuel cost for future projects.
- Moreover, energy deficit is likely to narrow considerably from 9.5% in FY13 to 2.7% in FY16. While energy deficit could rise thereafter, it will still be below FY12 levels.
- The healthy growth in loan book of power-sector lenders during FY12 was driven by uptick in capex, but as the cycle slows growth would also come under pressure.

### Asset quality pressures to intensify

- During FY12, PFC and REC reported a sharp rise in NPLs due to slippage in the private sector, mostly in the non-coal based power plants.
- Additionally, REC restructured as much as 11% of loans mostly to state government owned projects due to delay in commissioning of projects.
- We believe that FY13 will be tougher on asset quality as a large portion of coal-based generation projects are expected to get commissioned and may not have adequate fuel linkage.
- In case of PFC, we understand that 50% of generation projects (by value of loans) are expected to get commissioned in FY13 and over 80% of these are coal-based.
- Moreover, 70-80% of the coal based projects (by value of loans) do not have a fuel supply agreement. This could pose a risk to asset quality.
- However, as most of the loans (~90% of current loans) are to government owned entities, we expected some resolution/ restructuring.
- For PFC and REC, are building rise in NPAs and provisioning over FY12-14, largely due to slippages in the private sector.
- While a debt-restructuring package for SEBs is being considered, we believe that would largely relate working capital loans from banks.
- We are not building any credit losses on exposures to government projects.

### Limited scope for re-rating

- We believe that the longer-term headwinds to loan growth, lack of retail franchise and absence of a retail deposit franchise will cap the scope for re-rating versus PSU banks with similar ROEs.
- A leniency in underwriting standards can drive faster loan growth, but it will raise concerns on asset quality.
- For example, over the past few months PFC has begun to disburse loans based availability of either a fuel supply agreements or power purchase agreement- instead of past practice of demanding both.
- We also believe that reported profitability of PFC and REC is overstated in the context that the SEB borrowers are incurring losses and taking working capital loans to repay capex-related loans.
- We therefore retain under-weight stance on PFC and REC.

After sharp growth in FY12, capex to be flat till FY15 and fall thereafter

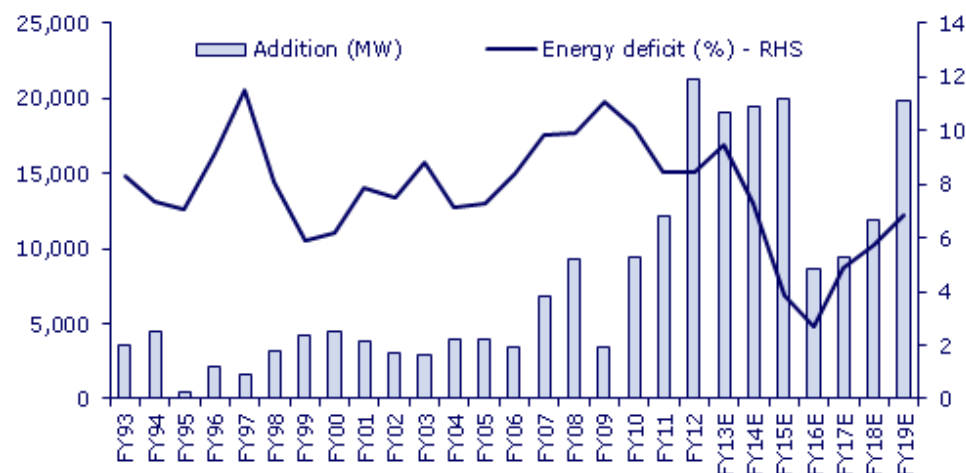
Also indicates that over FY12-15, a significant size of capacity will become operational

Energy demand growth forecasts are based on 7% growth in real GDP...

...but elasticity of demand to GDP is likely to decline as deficit declines

Figure 1

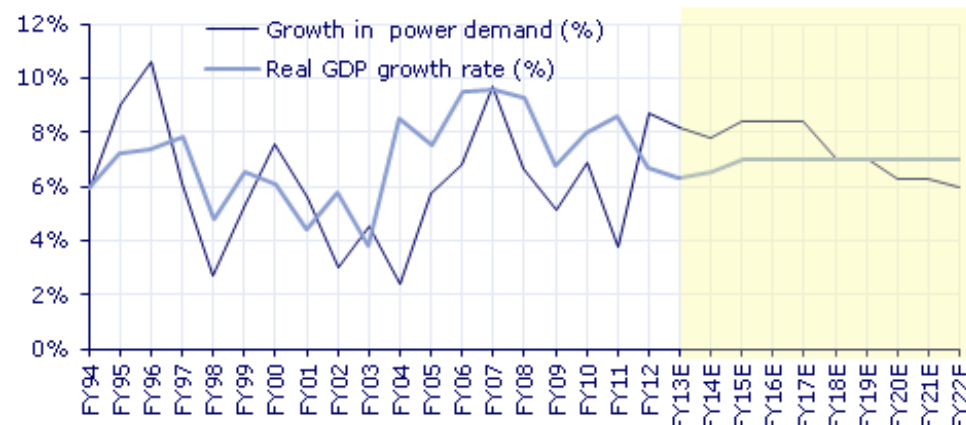
## Capacity addition and energy deficit



Source: CLSA Asia-Pacific Markets

Figure 2

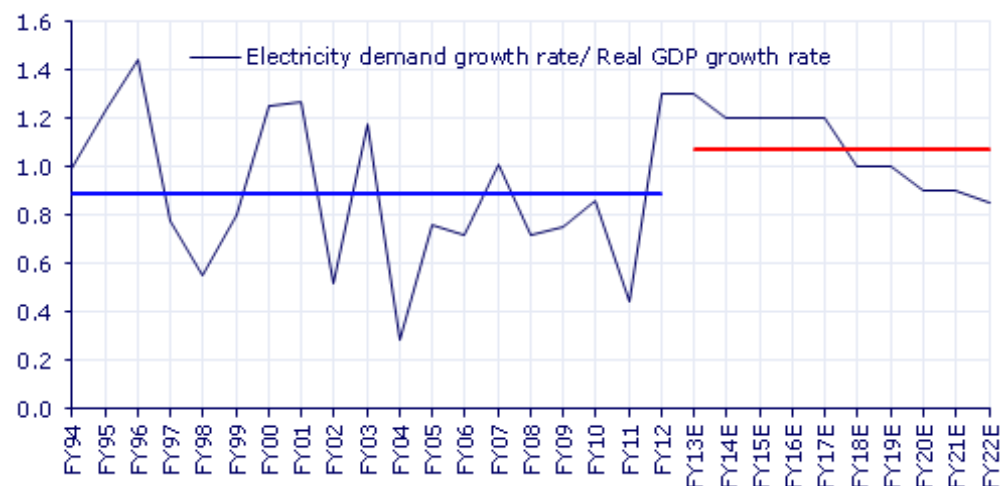
## Growth in power demand and Real GDP growth



Source: CLSA Asia-Pacific Markets

Figure 3

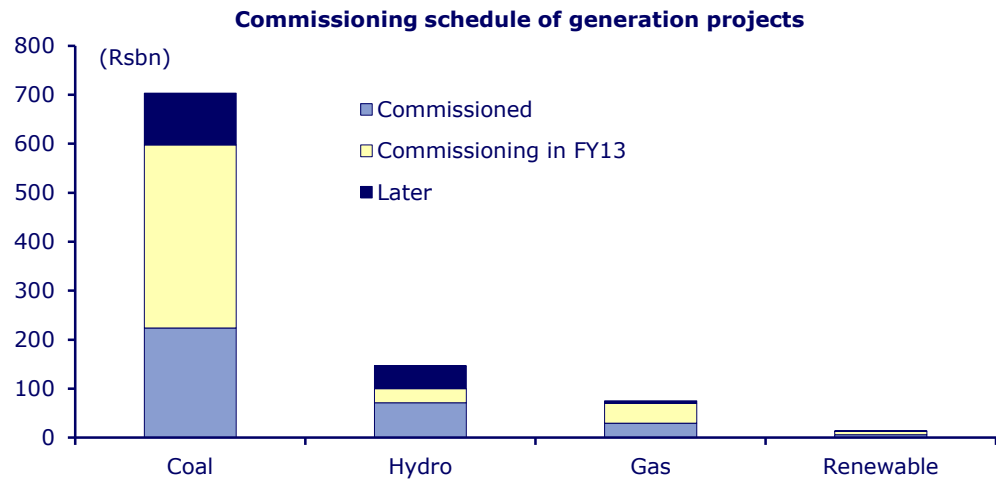
## Elasticity of power demand growth rate and Real GDP growth



Source: CLSA Asia-Pacific Markets

Figure 4

**In FY13, PFC will see commissioning of many coal-based generation projects**

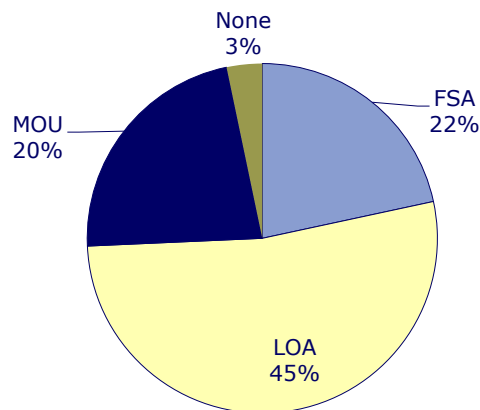


Source: PFC, CLSA Asia-Pacific Markets

Figure 5

**Most of PFC's coal-based projects do not have fuel supply agreement**

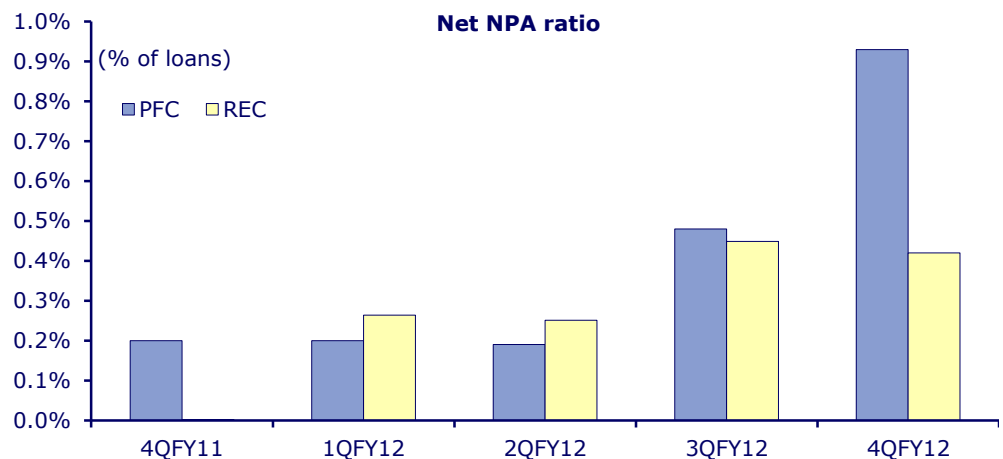
**Status of coal linkages for generation projects**



Source: PFC, CLSA Asia-Pacific Markets

Figure 6

**Asset quality pressure could intensify**



Source: Company, CLSA Asia-Pacific Markets

**While NPAs rose sharply for both, REC also restructured 11% of loans in 4QFY12**

The Shunglu Committee reported mentioned that losses were understated

Accumulated losses for the Discoms have increased by Rs880bn over FY05-10

Figure 7

**Aggregate losses of Discoms**

Rsbm	FY06	FY07	FY08	FY09	FY10	Total
Revenue	900	1,070	1,190	1,340	1,500	6,000
Subsidies	120	130	170	250	300	970
Other income	50	50	60	60	70	290
Total	1,070	1,250	1,420	1,650	1,870	7,260
% subsidy/revenue	13.30%	12.10%	14.30%	18.70%	20.00%	16.20%
Total expenditure	1,120	1,350	1,560	1,910	2,140	8,080
Net loss before subsidies	-170	-230	-310	-510	-570	-1,790
<b>Net loss after subsidies</b>	<b>-50</b>	<b>-100</b>	<b>-140</b>	<b>-260</b>	<b>-270</b>	<b>-820</b>

Source: Shunglu Committee, CLSA Asia-Pacific Markets

Figure 8

**Aggregate balance sheet of Discoms**

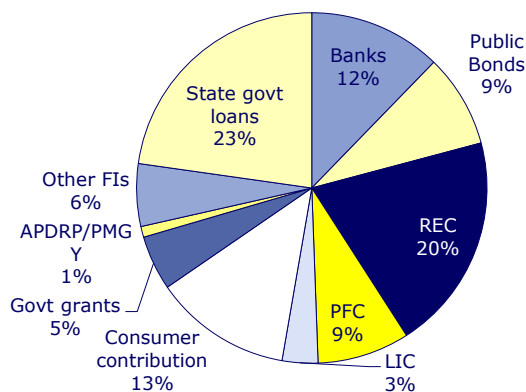
Rsbm	Mar 05	Mar 10	Change
<b>Liabilities</b>			
Own funds	250	580	330
Loan funds			
- State govt	150	240	90
- Others	560	1,610	1,050
Current liabilities/provisions	520	1,530	1,010
<b>Total liabilities</b>	<b>1,480</b>	<b>3,960</b>	<b>2,480</b>
<b>Assets/ accumulated losses</b>			
<b>Accumulated losses</b>	<b>190</b>	<b>1070</b>	<b>880</b>
Fixed assets (net)	670	1,280	610
Investments	10	60	50
Stocks	30	70	40
Debtors	310	560	250
Other current assets/advances	270	920	650
<b>Total</b>	<b>1,480</b>	<b>3,960</b>	<b>2,480</b>

Source: Shunglu Committee, CLSA Asia-Pacific Markets

Figure 9

**For Discoms, share of loans from banks has risen from 12% in FY05 to 39% in FY10: Mostly for working capital**

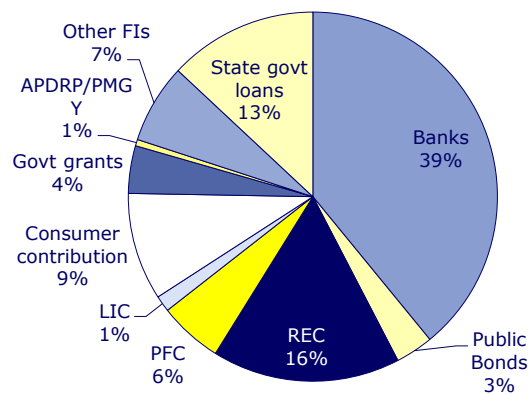
**Break-up of loans of Discoms as of Mar-05...**



Source: Shunglu Committee, CLSA Asia-Pacific Markets

Figure 10

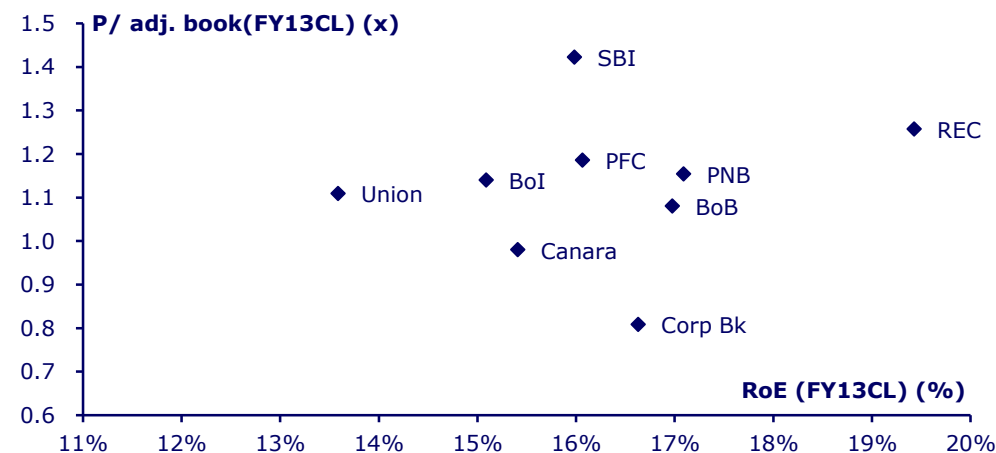
**... and Mar-10**





**Banks deserve premium valuations for their liability franchise**

Figure 11

**Risk-return trade-off**

Source: CLSA Asia-Pacific Markets

Figure 12

**Summary valuation matrix**

	Private banks					PSU banks										NBFCs			
	ICICI Bk	HDFC Bk	Axis Bank	IndusInd	Yes Bk	SBI Consol	PNB	BoB	BoI	Canara	Union	Corp Bk	OBC	J & K	HDFC	IDFC	PFC	REC	
BBG	ICICI Bk	HDFC Bk	AXSB Bk	IIB IS	YES Bk	SBIN IB	PNB IB	BOB IB	BOI IB	CBK IB	UNBK IB	CRPBK IB	OBC IB	JKBK IB	HDFC IB	IDFC IB	POWF IB	RECL IB	
Mkt Price	935	589	1,070	344	360	2,221	860	730	346	428	210	429	261	929	682	141	187	198	
Recommendation	BUY	BUY	BUY	BUY	O-PF	BUY	SELL	O-PF	SELL	U-PF	SELL	U-PF	SELL	BUY	BUY	BUY	U-PF	U-PF	
Price Target (Rs)	1,090	640	1,330	415	445	2,530	780	780	340	440	190	390	218	1,090	830	150	160	180	
Market Cap.(US\$m)	19,265	24,514	7,857	2,867	2,235	25,230	4,874	5,113	3,383	3,395	1,972	1,136	1,362	805	17,894	3,672	3,849	3,502	
Avg. trading (US\$m)	72	28	47	4	18	143	9	13	4	5	5	1	2	1	33	19	11	10	
Valuation ratios																			
Reported PB (x)																			
FY12	1.8	4.6	1.9	3.4	2.7	1.4	1.0	1.1	0.9	0.8	0.8	0.8	0.6	1.1	5.3	1.7	1.2	1.3	
FY13CL	1.6	4.0	1.6	2.9	2.3	1.2	0.9	1.0	0.8	0.7	0.7	0.7	0.6	0.9	4.3	1.6	1.1	1.2	
FY14CL	1.5	3.4	1.4	2.5	1.9	1.1	0.8	0.8	0.7	0.7	0.7	0.6	0.5	0.8	3.9	1.4	1.0	1.0	
Adjusted PB (x)																			
FY12	1.9	4.5	2.0	3.6	2.7	1.7	1.3	1.2	1.2	1.1	1.2	0.9	0.9	1.1	6.1	1.8	1.3	1.4	
FY13CL	1.6	3.9	1.7	3.1	2.3	1.4	1.2	1.1	1.1	1.0	1.1	0.8	1.0	1.0	4.1	1.6	1.2	1.3	
FY14CL	1.4	3.3	1.5	2.7	1.9	1.2	1.1	1.0	1.1	0.9	1.1	0.8	1.1	0.8	3.5	1.4	1.1	1.1	
Adjusted PE (x)																			
FY12	13.3	26.6	10.4	20.0	12.9	8.8	5.8	6.0	7.2	5.8	6.3	4.2	6.7	5.6	15.4	13.4	7.6	6.9	
FY13CL	10.5	21.3	9.0	16.2	11.5	8.1	5.7	6.0	5.9	5.1	5.6	4.3	6.3	5.1	12.6	12.1	7.0	6.4	
FY14CL	8.2	17.2	7.5	13.2	9.4	6.8	5.1	5.2	5.2	4.5	5.2	3.9	5.0	4.5	10.5	10.4	6.1	5.5	
Dividend Yield (%)																			
FY13CL	2.2%	0.9%	1.8%	1.1%	1.3%	1.9%	2.6%	2.7%	2.5%	2.9%	3.6%	4.6%	3.2%	3.9%	2.1%	1.8%	3.7%	4.7%	
Subsidiary and others (Rs/ share)																			
FY12	190					96									252	0			
FY13CL	228					111									263	0			
FY14CL	274					122									276	0			

Source: CLSA Asia-Pacific Markets

**Companies mentioned**

Power Finance (POWF - RS185.1 - UNDERPERFORM)

Rural Electrification (RECL - RS197.2 - UNDERPERFORM)

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Power**

## Relook at Power DD-SS

**12<sup>th</sup> plan power capacity addition is expected to be front loaded with the first three years contributing to c.70% of the addition. As a result, despite coal shortages, we expect India's power generation to grow at 10% cagr and power deficit to drop from 9.5% in FY13 to 2.7% in FY16. It would rise again from FY17 in response to poor capacity addition in FY16-17. Coal requirement for power sector would increase by 293mt in the 12<sup>th</sup> plan period whereas the domestic production would increase by ~174mt over the same period which would entail ~120mt imports by FY17. Our preferred picks in the sector are Power Grid, NTPC and CESC.**

### Front loaded capacity addition in the 12th plan

- ❑ Unlike last many five year plans, 12<sup>th</sup> plan would see front ended capacity addition. In next three years we expect 19GW capacity addition per annum. Taking India's total conventional power capacity from 175GW to 234GW by FY15 end.
- ❑ With a sharp fall in new order awards over last 12 months and little visibility on the improvement in coal/gas availability even now, the last two years of the 12<sup>th</sup> plan should see a sharp drop in capacity addition.
- ❑ We expect around 70% of the capacity addition in the 12<sup>th</sup> plan to be completed in the first three years given that ~58GW capacity is already under construction.

### 10% generation growth despite coal shortages; deficits to shrink

- ❑ As a result of the sharp growth in capacity addition, we expect power generation to grow at a 10% cagr over FY12-16.
- ❑ As a result we expect the power deficit to fall from 9.5% in FY13 to 2.7% in FY16 unless the base demand surprises on the upside. We are currently forecasting power demand growing at ~8.4% cagr for next 3-4 years which is 1.2 times GDP growth. (See Fig 4 and 5 for historical trend)
- ❑ The sharp fall in capacity addition in FY16-17 would lead to deficits again increasing in FY18-19.

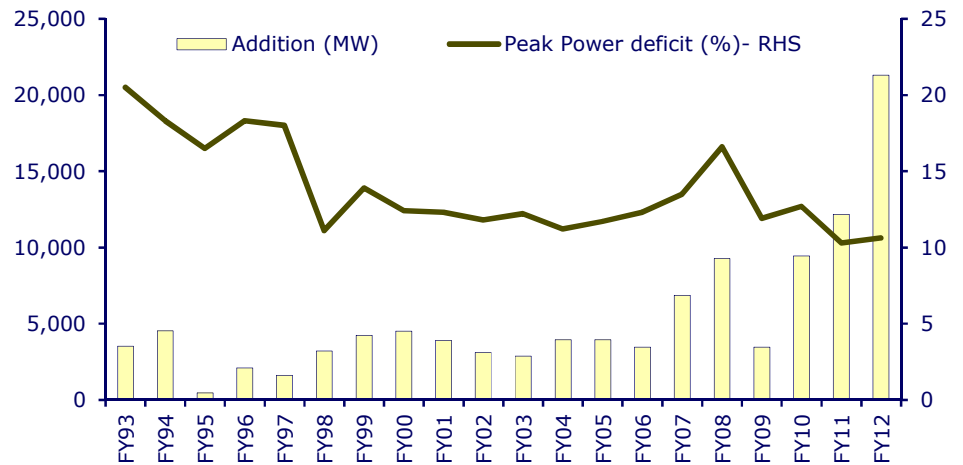
### Coal imports would rise from 45mt to 120mt by FY17

- ❑ India imported ~45mt of thermal coal in FY12 for the power sector requirements (see Figure 11).
- ❑ Indian coal based generation PLF fell to 68% in FY12 and we expect further decline in the near term as more new capacity comes on stream which will increase the coal shortage.
- ❑ We expect the coal requirement for power sector would increase by 293mt in the 12<sup>th</sup> plan period whereas the domestic production would increase by ~174mt over the same period – which is equivalent to 60% of the incremental requirements.
- ❑ We therefore expect the Indian coal imports to increase to 120mt (equivalent to 94mt of 6,400kcal/kg benchmark coal).

### Reforms needed to get capacity addition back on track

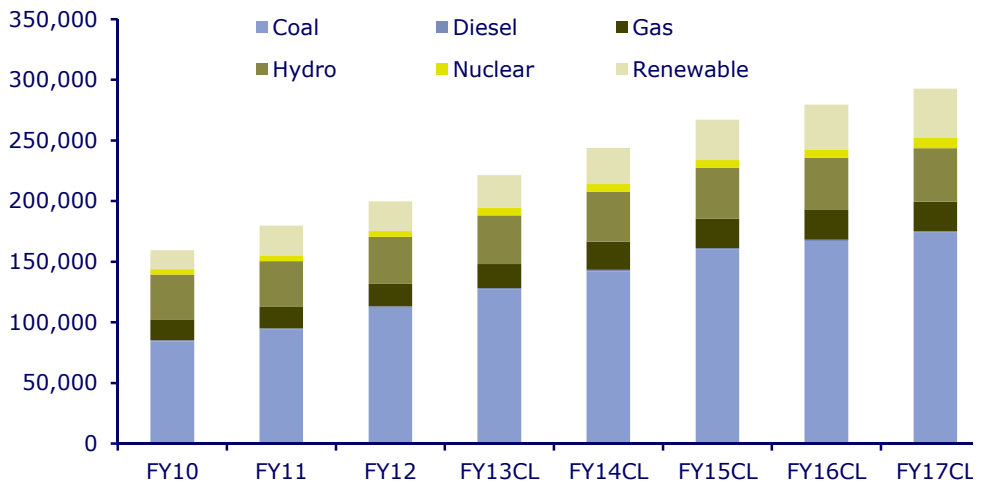
- ❑ We have modelled a pick-up in capacity addition in the 13<sup>th</sup> plan. This would require reforms to address the issues of SEB losses, coal/gas shortages and clear policies regarding pass through of fuel cost for future projects.
- ❑ Our recent Delhi visits has given us some hope that contentious issues of SEBs finances would be dealt with over the next 3-4 months and the standard bidding guidelines for the power projects are also likely to be finalized.
- ❑ Availability of coal and gas, however, remains a very contentious issue and India will have to rely more on the imported fuel in the future and clear policies encouraging that need to be spelled out as well.
- ❑ Our base case assumes a revival in capacity addition in 13th plan, which would require order awards to pick up in FY14 and this will be contingent upon positive steps on the issues discussed above.

Figure 1

**Year wise capacity addition; energy and peak power deficit**

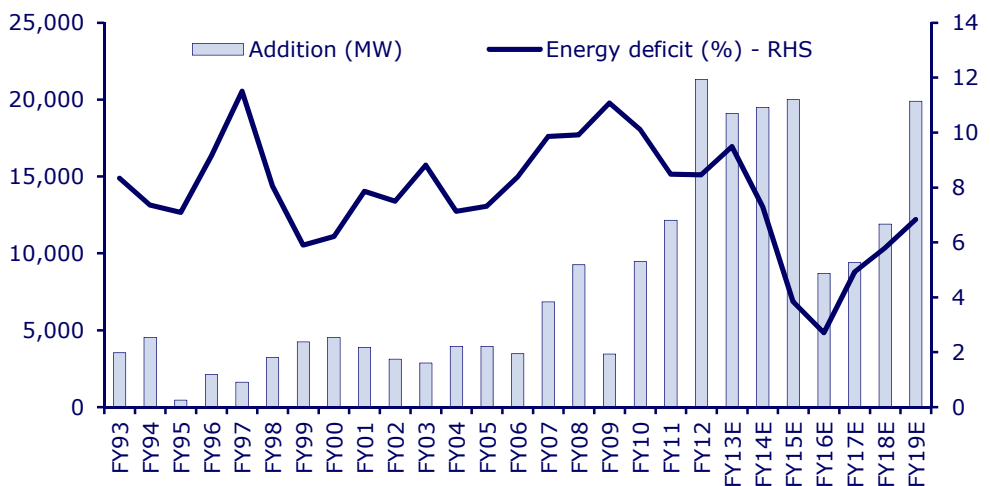
Source: CLSA Asia-Pacific Markets

Figure 2

**India's installed capacity by fuel type**

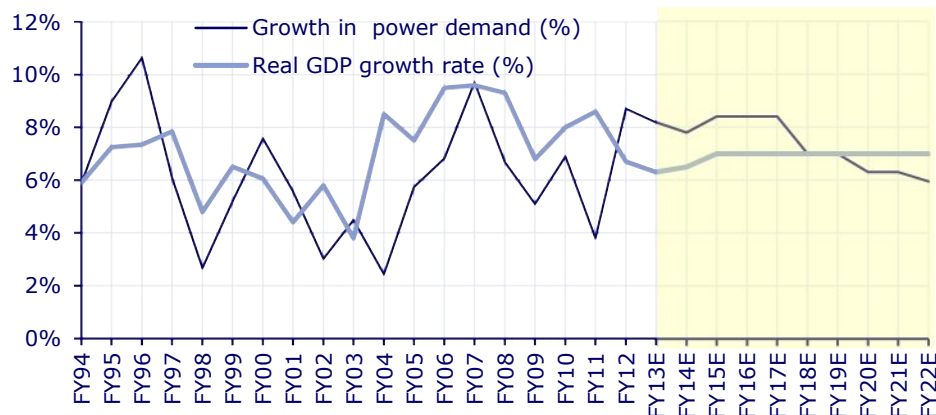
Source: CLSA Asia-Pacific Markets

Figure 3

**Energy deficit**

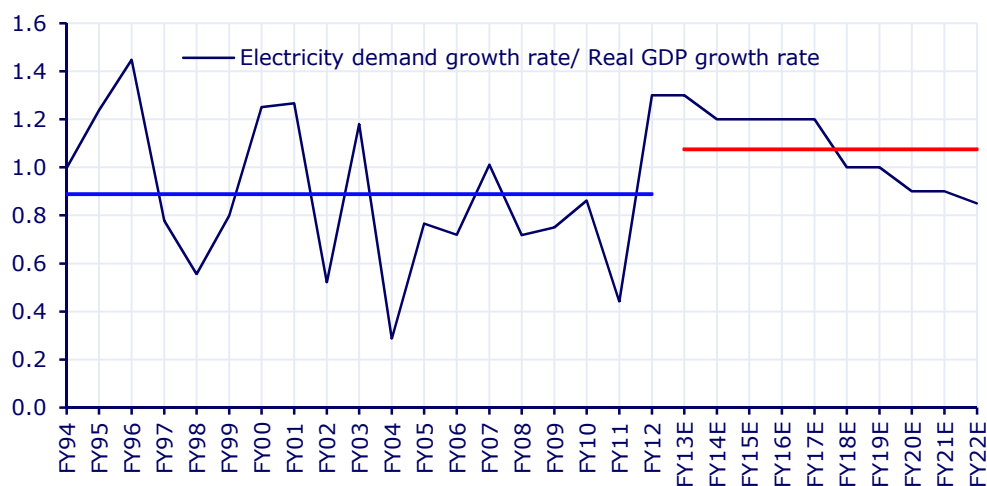
Source: CLSA Asia-Pacific Markets

Figure 4

**Growth in power demand and Real GDP growth**


Source: CLSA Asia-Pacific Markets

Figure 5

**Elasticity of power demand growth rate and Real GDP growth**


Source: CLSA Asia-Pacific Markets

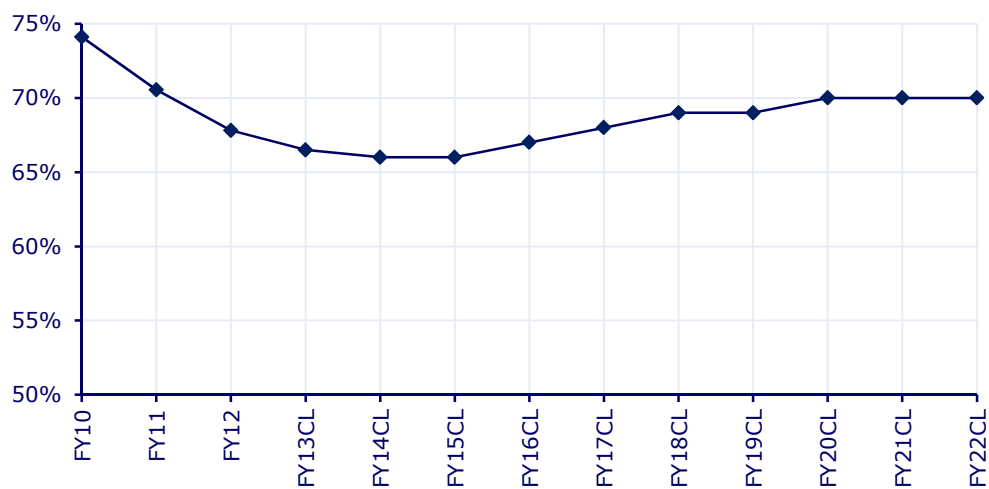
Figure 6

**Demand and Supply of coal for the power sector**

	FY12A	FY13CL	FY14CL	FY15CL	FY16CL	FY17CL
<b>Supply of coal</b>						
Coal India	312.2	331.1	348.4	366.6	385.7	405.7
SCCL	27.7	29.7	31.7	33.9	36.1	38.5
Captive mines	8.0	13.0	23.0	38.0	58.0	78.0
Total	347.9	373.7	403.1	438.5	479.8	522.3
<b>Demand for coal</b>	<b>408</b>	<b>470</b>	<b>527</b>	<b>590</b>	<b>662</b>	<b>701</b>
<b>Deficit</b>	<b>60</b>	<b>96</b>	<b>124</b>	<b>152</b>	<b>182</b>	<b>178</b>
Imports required	45.5	64	82	100	120	118

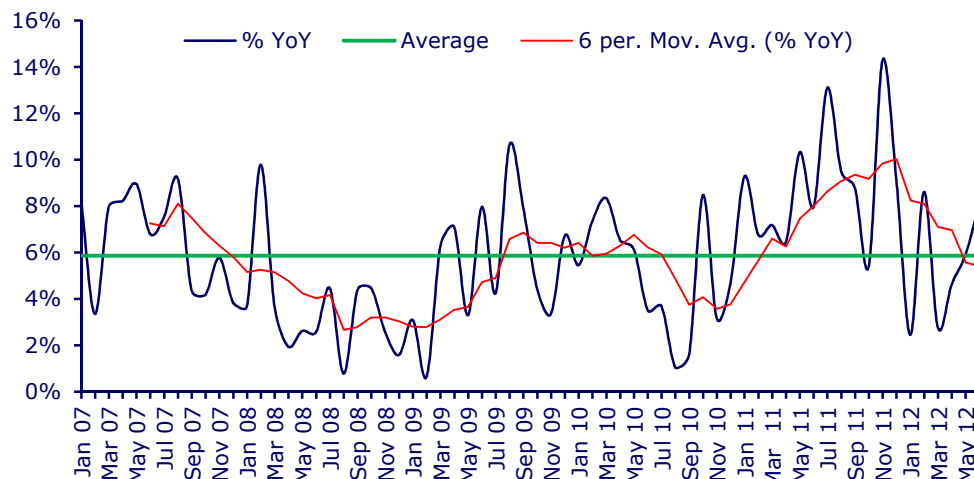
Source: CLSA Asia-Pacific Markets

Figure 7

**Assumption for utilizations of the coal based capacities**

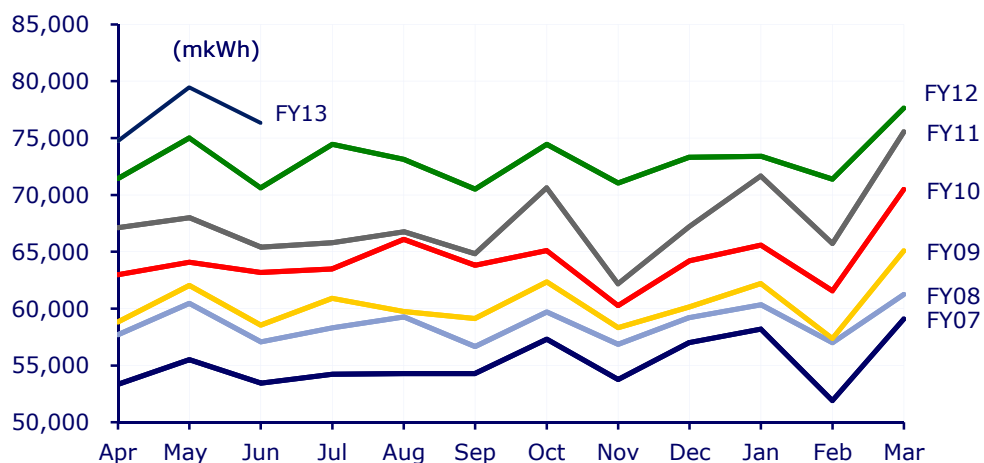
Source: CLSA Asia-Pacific Markets

Figure 8

**India's monthly power generation growth**

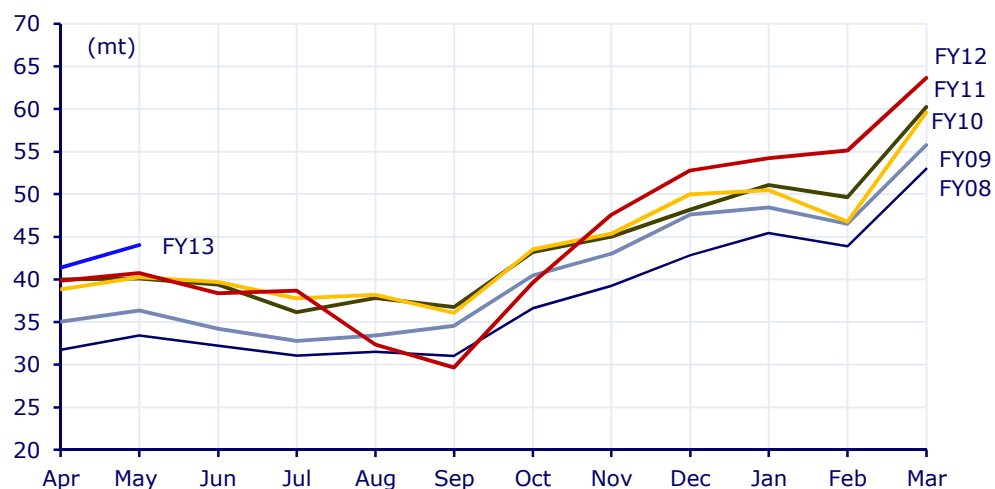
Source: CLSA Asia-Pacific Markets

Figure 9

**India's power generation over the years**

Source: CLSA Asia-Pacific Markets

Figure 10

**India's month-wise coal production**

Source: CLSA Asia-Pacific Markets

Figure 11

**FY12 coal imports for power sector**

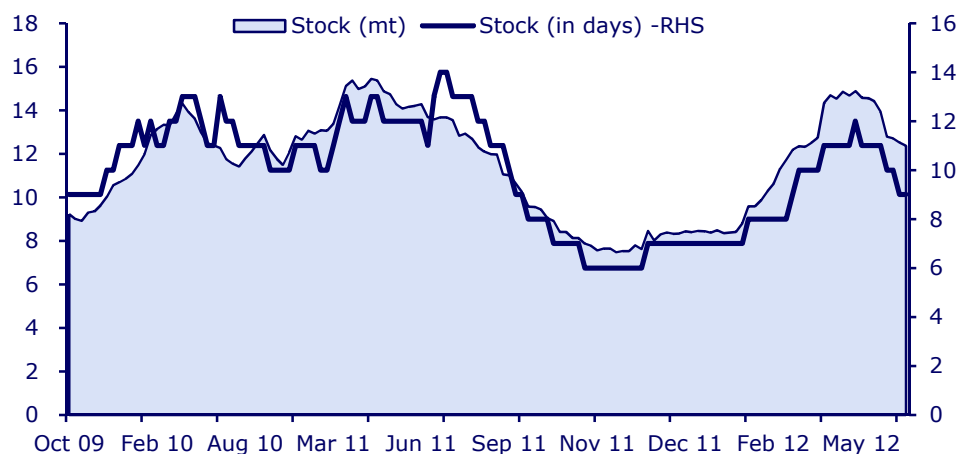
S. No.	Board/utility	Annual Target of Imported Coal	Import
<b>POWER PLANTS DESIGNED ON INDIGENEOUS COAL</b>			
1	HPGCL	1.45	1.22
2	RVUNL	1.45	0.97
3	UPRVUNL	1.08	0.00
4	MPGCL	0.80	0.40
5	Torrent AEC	0.50	0.27
6	GSECL	1.48	0.67
7	MAHA GENCO	3.35	2.50
8	Reliance	0.60	0.79
9	AP GENCO	1.60	1.69
10	TNEB	1.80	3.19
11	KPCL	0.90	1.27
12	DVC	1.73	0.00
13	CESC	0.50	0.32
14	WBPDCL	1.00	1.03
15	NTPC	15.45	12.23
16	NTPC(JV)IndGandhi	0.30	0.27
17	Reliance ROSA	0.30	0.88
18	NTPC SAIL POWER Co	0.30	0.18
19	TATA(MAITHONRB)	0.21	0.00
20	CSEB	0.20	0.00
<b>Sub Total</b>		<b>35.00</b>	<b>27.89</b>
<b>POWER PLANTS DESIGNED ON IMPORTED COAL</b>			
21	TROMBAY	2.80	2.57
22	JSW ENERGY	6.30	6.18
23	ADANI POWER	5.00	7.29
24	UDUPPI	4.20	1.62
25	MUNDRA UMPP	1.70	0.00
<b>Sub Total</b>		<b>20.00</b>	<b>17.66</b>
<b>Total</b>		<b>55.00</b>	<b>45.55</b>

Source: CLSA Asia-Pacific Markets

## Appendix: Coal stock at power projects

Figure 12

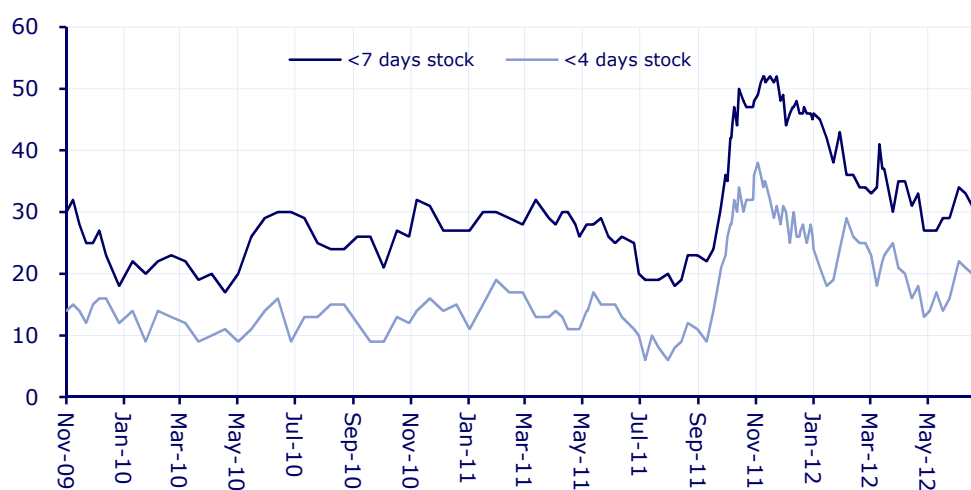
## Coal stock position at the power plants



Source: CLSA Asia-Pacific Markets

Figure 13

## Number of thermal power projects with less the 4 days and 7 days coal stock



Source: CLSA Asia-Pacific Markets

Figure 14

## Standard norms for coal stock at power stations

Location Stock	Norms (in Days)
Pit-head station	15
Upto 500 Kms. away from coal mine	20
Upto 1000 Kms. away from coal mine	25
Beyond 1000 Kms. Away from coal mine	30

Source: CLSA Asia-Pacific Markets



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27/04/2012

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11 July 2012

## India Materials

### 1QFY13 Ebitda growth

	% YoY
ACC	5
Ambuja	18
UltraTech	6
India	(4)
Shree	60
<b>Aggregate</b>	<b>12</b>

## 1QFY13 preview

Cement industry's 1Q volumes grew by ~7%, thanks to a low base helping YoY comps. Cement prices remained volatile during the quarter and declined in Apr/May but recovered smartly in June. The realisations for our universe should rise 3-5% QoQ as 1Q would capture the full impact of hikes in the earlier quarter. On the whole, we expect aggregate Ebitda for our coverage to rise 13% YoY. Despite the penalty imposed by Competition Commission of India (CCI), the stocks have been surprisingly outperforming and the majors now trade at 10.5-11x FY13CL EV/Ebitda, US\$120-160/t which is expensive in the context of ~77% utilisation rate and new capacities ramping up across regions. Retain U-WT.

### Moderate trend in demand growth; better QoQ realisations

- After reporting a strong 8% and 13% growth in despatches in Apr'12 and May'12, we estimate Jun-12 industry despatches to be moderate at sub-5%.
- For 1QFY12, we estimate a 2-7% YoY rise in cement volumes for our coverage while Shree Cement's volumes should be higher at ~24%.
- Cement prices remained volatile during the quarter with prices (national average) correcting during April/ May followed by hikes in June.
- For 1Q though, we expect realisations for our coverage to average 3-5% higher sequentially as 1Q captures the full impact of price hikes in the preceding quarter.

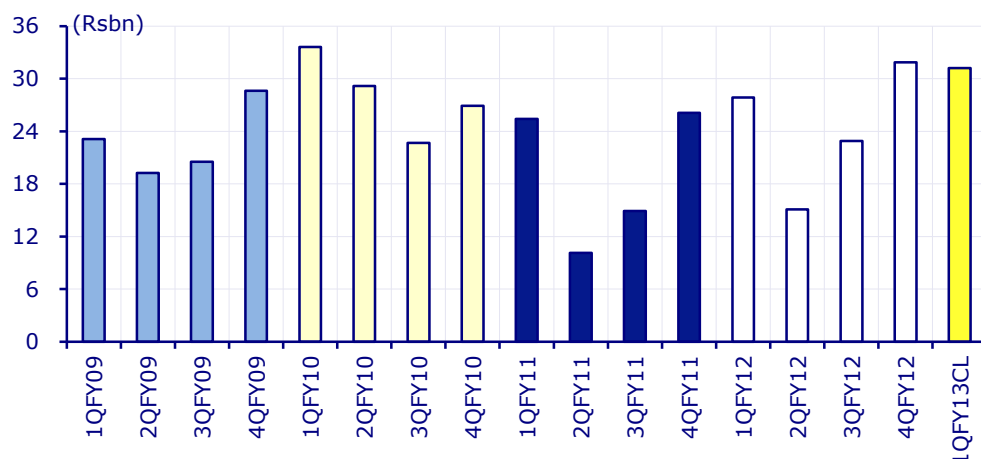
### Ebitda/t should rise on a sequential basis

- Driven by better realisations, we expect Ebitda/t for our coverage to rise at 3-13% QoQ even while the benefit is partially offset by higher costs (mainly freight).
- The correction in petcoke prices should help Shree Cement during the quarter while the benefit of decline in international coal prices (even in INR terms) should be delayed to subsequent quarter due to inventory carry-over.
- On the whole, we expect a 6-18% rise in cement Ebitda for ACC, Ambuja and UltraTech; Shree Cement should report a 60% rise while India Cements should see a marginal contraction in Ebitda.

### Retain U-WT given rich valuations; Sell ACC, Ambuja, UltraTech

- Cement stocks have outperformed the markets by 5-8ppt in the last one month and this is despite the hefty penalty levied by CCI, which is clearly surprising.
- Valuations for cement majors (10.5-11x FY13CL EV/Ebitda, US\$120-160/t) are clearly rich in the context of ~77% utilisation rate in FY13 and rising competition.
- We maintain our U-WT stance and continue to rate ACC, Ambuja and UltraTech as SELL; Grasim is our relative bet in the sector given the steep hold-co discount.

### Trend in quarterly cement Ebitda for our coverage



**We estimate industry volume growth of ~7% in 1Q**

**The quarter should capture the full impact of price hikes effected in 4QFY12**

**Shree Cement should report strong growth in earnings led by strong rise in despatches, better pricing, lower costs**

**Volumes for our coverage rose ~7% YoY aided by a low base**

Figure 1

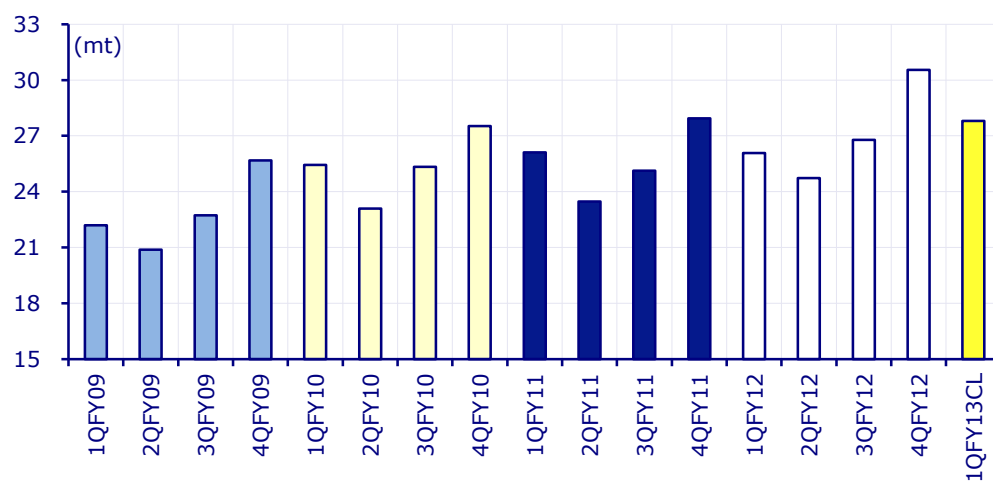
**1QFY13 expectations**

	ACC	Ambuja	UltraTech	India	Shree	Aggregate
<b>Volumes (mt)</b>	<b>6.1</b>	<b>5.4</b>	<b>10.5</b>	<b>2.4</b>	<b>3.3</b>	<b>27.8</b>
Growth YoY	2	7	5	5	24	7
Growth QoQ	(10)	(10)	(10)	(7)	(4)	(9)
<b>Net Revenues (Rsm)</b>	<b>27,007</b>	<b>24,855</b>	<b>49,982</b>	<b>10,540</b>	<b>11,616</b>	<b>124,001</b>
Growth YoY	12	14	14	10	27	15
Growth QoQ	(6)	(6)	(6)	(5)	(2)	(6)
<b>Domestic realisations (Rs/t)</b>	<b>4,456</b>	<b>4,460</b>	<b>4,262</b>	<b>4,251</b>	<b>3,633</b>	<b>4,267</b>
Growth YoY	10	4	9	2	1	7
Growth QoQ	5	5	5	2	4	4
<b>Net Realisations (Rs/t)</b>	<b>4,456</b>	<b>4,579</b>	<b>4,741</b>	<b>4,344</b>	<b>3,479</b>	<b>4,495</b>
Growth YoY	10	7	9	5	2	8
Growth QoQ	5	5	4	2	2	4
<b>Ebitda (Rs/t)</b>	<b>956</b>	<b>1,266</b>	<b>1,191</b>	<b>903</b>	<b>1,135</b>	<b>1,123</b>
Growth YoY	3	10	1	(8)	29	5
Growth QoQ	4	3	10	10	13	8
<b>Cement Ebitda (Rsm)</b>	<b>5,794</b>	<b>6,870</b>	<b>12,558</b>	<b>2,191</b>	<b>3,790</b>	<b>31,202</b>
Growth YoY	5	18	6	(4)	60	12
Growth QoQ	(6)	(8)	(1)	3	9	(2)
<b>Overall Ebitda (Rsm)</b>	<b>5,794</b>	<b>6,870</b>	<b>12,558</b>	<b>2,347</b>	<b>4,128</b>	<b>31,697</b>
Growth YoY	5	18	6	(5)	59	12
Growth QoQ	(6)	(8)	(1)	8	11	(1)
<b>PAT (Rsm)</b>	<b>3,531</b>	<b>4,266</b>	<b>7,763</b>	<b>838</b>	<b>1,148</b>	<b>17,546</b>
Growth YoY	5	23	14	(18)	81	14
Growth QoQ	(9)	(16)	(9)	29	(2)	(9)

Source: CLSA Asia-Pacific Markets

Figure 2

**Trend in aggregate volumes for our coverage**



Source: CLSA Asia-Pacific Markets

**Cement realisations should touch an all-time high driven by producer discipline and higher costs**

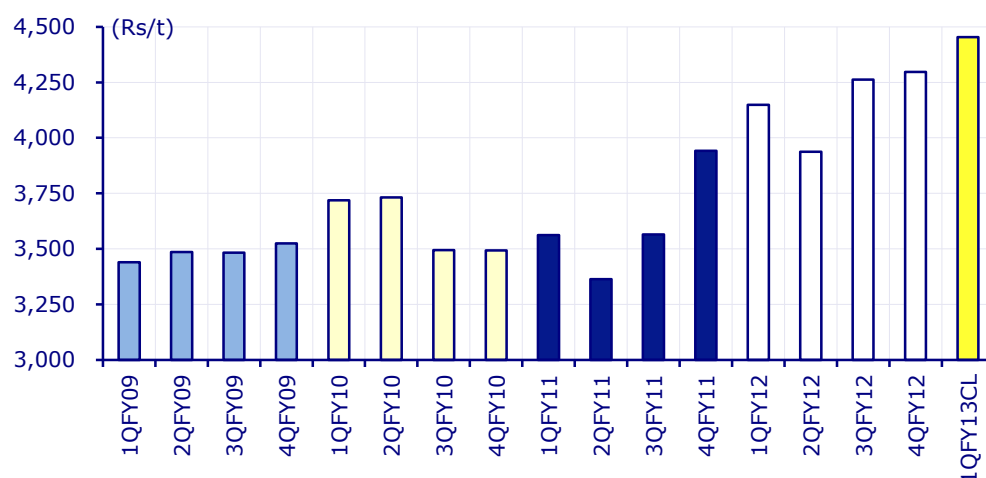
**The impact of lower coal prices should be felt from 2Q due to inventory effect**

**1Q would however capture the increase in rail freight**

**Cement Ebitda for our coverage should rise 5% YoY and 8% QoQ**

Figure 3

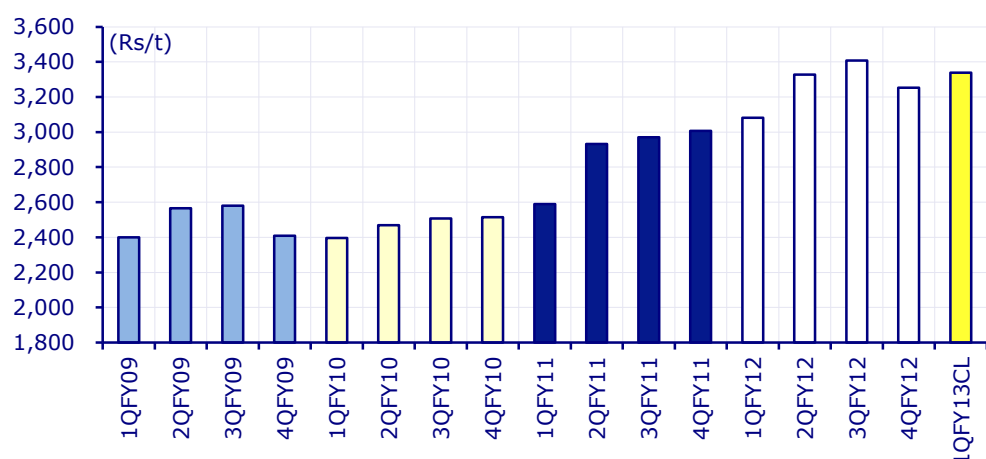
**Quarterly trend in realisations for our coverage universe**



Source: CLSA Asia-Pacific Markets

Figure 4

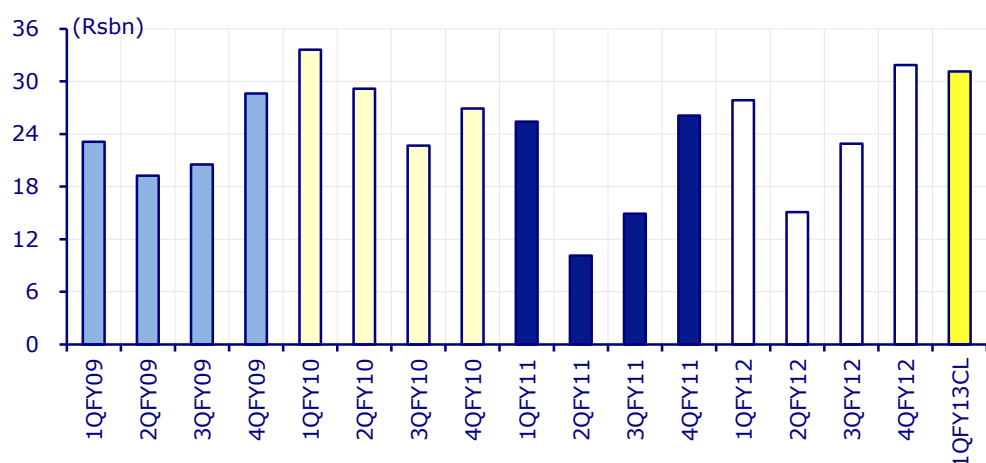
**Quarterly trend in costs for our coverage universe**



Source: CLSA Asia-Pacific Markets

Figure 5

**Quarterly trend in Ebitda/t for our coverage universe**



Source: CLSA Asia-Pacific Markets

**We have a negative rating on the large caps**

**Our relative bets in the sector are Grasim**

**We are also positive on India Cements due to the valuations**

**Despite a hefty penalty by Competition Commission of India, cement stocks have outperformed the markets in the last one month**

Figure 6

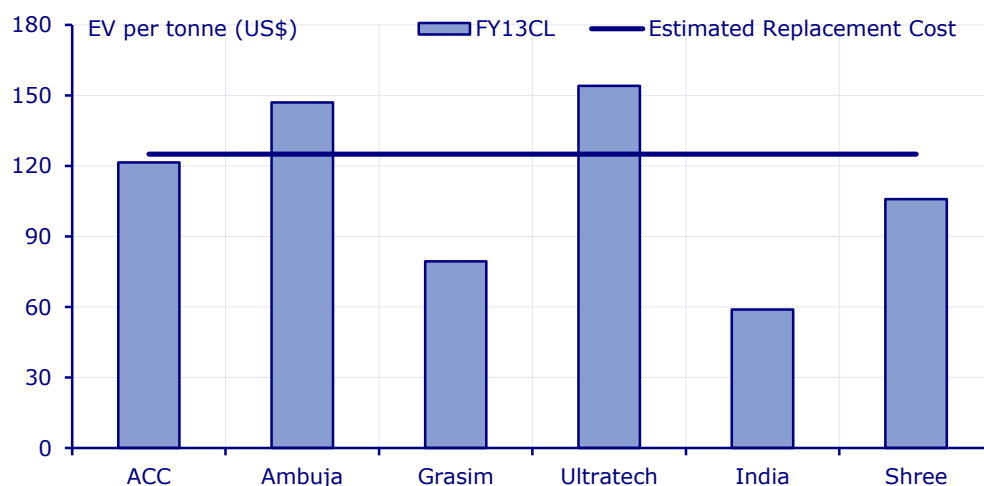
**Cement valuation matrix**

	Price (Rs/sh)	Mcap (\$bn)	Rec	EV/t (\$)		PE (x)		EV/Ebitda (x)			P/B(x)
				FY13	FY12	FY13	FY14	FY12	FY13	FY14	FY13
Grasim	2,635	4.3	O-PF	79	9.4	9.8	9.6	7.4	7.4	10.7	1.3
Ambuja	170	4.7	SELL	154	22.0	19.4	16.8	12.2	10.8	9.2	3.0
ACC	1,264	4.3	SELL	121	22.2	20.7	18.5	12.6	10.8	9.5	3.2
UltraTech	1,586	7.8	SELL	158	18.7	17.4	16.5	11.7	10.6	9.5	2.9
India	82	0.5	O-PF	59	8.8	7.6	6.4	7.2	6.5	5.2	0.6
Shree	2,905	1.8	U-PF	109	32.3	24.2	25.6	8.7	7.4	6.7	4.0
<b>Mean</b>		<b>23.4</b>		<b>113</b>	<b>16.2</b>	<b>15.0</b>	<b>13.6</b>	<b>10.0</b>	<b>8.9</b>	<b>8.5</b>	<b>2.5</b>
<b>Median</b>				<b>115</b>	<b>20.4</b>	<b>18.4</b>	<b>16.6</b>	<b>10.2</b>	<b>9.0</b>	<b>9.3</b>	<b>3.0</b>

Source: CLSA Asia-Pacific Markets

Figure 7

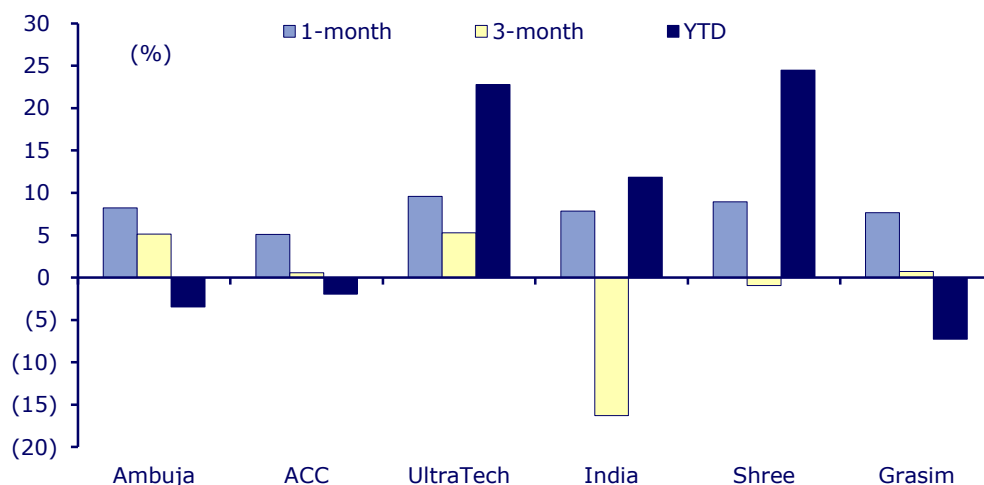
**EV per tonne for our coverage**



Source: CLSA Asia-Pacific Markets

Figure 8

**Cement stocks performance (relative to the Sensex)**



Source: Bloomberg, CLSA Asia-Pacific Markets

**Companies mentioned**

Ambuja Cements (ACEM - RS170.4 - SELL)  
Grasim (GRASIM - RS2,642.8 - OUTPERFORM)  
India Cements (ICEM - RS82.5 - OUTPERFORM)  
Shree Cement (SRCM - RS2,908.0 - UNDERPERFORM)  
UltraTech (UTCEM - RS1,586.0 - SELL)

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27/04/2012

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**11 July 2012**
**India**
**Consumer**

 Reuters TTKL.NS  
 Bloomberg TTKPT IN

**Priced on 11 July 2012**

India Sensex @ 17,618.4

**12M hi/lo** Rs3,658.90/2,161.00

**12M price target** Rs3,830.00  
**±% potential** +16%

**Shares in issue** 11.3m  
**Free float (est.)** 24.1%

**Market cap** US\$674m

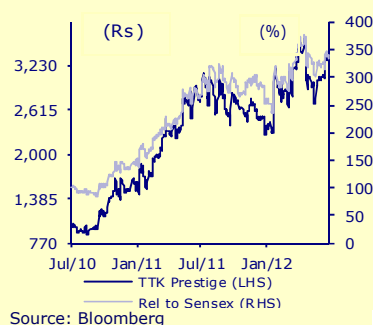
**3M average daily volume**  
 Rs399.1m (US\$7.3m)

**Major shareholders**

 Promoter 74.9%  
 FIIs 8.9%

**Stock performance (%)**

	1M	3M	12M
Absolute	8.6	2.4	20.2
Relative	2.7	(0.1)	27.7
Abs (US\$)	8.6	(4.9)	(3.7)


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## 1QFY13 results

TTK Prestige's operating performance was strong in 1QFY13 with top line growth of 30% YoY on a high base and Ebitda margins flat despite currency headwinds. Higher capital costs restricted profit growth to 21% YoY. Looking ahead, recent price hikes should offset currency headwinds and create upside risks to margins. While the underlying demand environment is soft, continuing progress on new product launches and distribution should support top line growth. Maintain BUY.

**Strong operating performance**

TTK saw revenue grow 30% YoY in 1QFY13 against a tough base of 60% YoY growth in 1QFY12. This was driven by volume growth of over 20% across segments with consumer appliances continuing to grow the fastest (cooktop volumes grew 69% YoY). Gross margins eroded 480bps YoY, driven by mix changes and currency pressures - particularly in the appliance business. However, strong cost discipline helped maintain Ebitda margins of 15.8% (down 10bps YoY, +210bps QoQ). Rising capital costs from the new manufacturing units restricted net profit growth to 21% YoY.

**Margin outlook improving**

TTK Prestige has taken price hikes to offset currency and other cost pressures with cooker prices being hiked 7-8%, cookware 2-3% and appliances 4-5%. For appliances, this was the second hike following a round in February. After this, TTK is confident of broadly maintaining or expanding product level gross margins. Even in appliances, which are heavily exposed to the currency, TTK should only see 50bps of margin erosion. The company does not anticipate further hikes unless the exchange rates gets to Rs60/\$. This implies that the margin pressure of recent quarters should reverse. If cost discipline continues to hold, this could create room for an expansion in operating margins.

**New segments to lend a helping hand**

Against the backdrop of slowing demand growth, TTK is relying on new products/segments and widening distribution to support growth. It has recently started selling the World Kitchen brands and retail sell through for this as well as Meyer products should pick up in late 2QFY13. In addition, traction on microwave pressure cookers has been strong in the export market with volumes of ~0.9-1m expected this year (~Rs0.9bn of implied revenue).

**No change to estimates, maintain BUY**

Given traction in new launches and easing margin headwinds, we continue to expect a strong performance in FY13 - particularly as the base is much less demanding in the second half of the year. Strong top line momentum should support a 34% earnings Cagr over FY12-14. Maintain BUY on TTK Prestige.

**Financials**

Year to 31 March	10A	11A	12A	13CL	14CL
Revenue (Rsm)	5,168	7,756	11,227	14,816	18,619
Net profit (Rsm)	524	838	1,134	1,528	2,037
EPS (Rs)	46.3	74.0	100.1	135.0	179.9
CL/consensus (11) (EPS%)	-	-	-	98	100
EPS growth (% YoY)	134.3	59.7	35.4	34.8	33.3
PE (x)	71.2	44.6	32.9	24.4	18.3
Dividend yield (%)	0.3	0.4	0.5	0.6	0.8
FCF yield (%)	1.5	1.1	(2.6)	0.2	4.3
PB (x)	30.1	19.5	13.1	9.1	6.4
ROE (%)	50.2	53.1	47.6	43.9	41.1
Net debt/equity (%)	(33.2)	(26.8)	13.1	10.6	(16.9)

Source: CLSA Asia-Pacific Markets

## Strong operating performance

Figure 1

### TTK Prestige – 1QFY13 results overview

	Jun11	Jun12	YoY	Mar12	QoQ
Gross sales	2,374	3,090		2,367	
Less: excise	43	65		42	
<b>Net sales</b>	<b>2,331</b>	<b>3,025</b>	<b>30%</b>	<b>2,325</b>	<b>30%</b>
COGS	1,220	1,729.3	42%	1,391	24%
<b>Gross profit</b>	<b>1,112</b>	<b>1,296</b>	<b>17%</b>	<b>934</b>	<b>39%</b>
<b>Gross margin</b>	<b>47.7%</b>	<b>42.8%</b>	<b>-4.8%</b>	<b>40.2%</b>	<b>2.7%</b>
Other opex	580	616	6%	447	38%
Staff	160	202	26%	171	18%
<b>Total opex</b>	<b>740</b>	<b>817.8</b>	<b>10%</b>	<b>618</b>	<b>32%</b>
<b>Opex/sales</b>	<b>31.8%</b>	<b>27.0%</b>	<b>-4.7%</b>	<b>26.6%</b>	<b>0.4%</b>
<b>Ebitda</b>	<b>371</b>	<b>478</b>	<b>29%</b>	<b>316</b>	<b>51%</b>
<b>Ebitda margin</b>	<b>15.9%</b>	<b>15.8%</b>	<b>-0.1%</b>	<b>13.6%</b>	<b>2.2%</b>
Depreciation	11	20	91%	20	5%
<b>Op. profit</b>	<b>361</b>	<b>458</b>	<b>27%</b>	<b>297</b>	<b>54%</b>
<b>Op. margin</b>	<b>15.2%</b>	<b>14.8%</b>	<b>-0.4%</b>	<b>12.5%</b>	<b>2.3%</b>
Other income	8	7	-8%	8	-12%
Interest	5	26	433%	14	93%
<b>PBT</b>	<b>363</b>	<b>439</b>	<b>21%</b>	<b>291</b>	<b>51%</b>
Less: tax	110	132	20%	93	41%
<b>PAT</b>	<b>253</b>	<b>307</b>	<b>21%</b>	<b>197</b>	<b>55%</b>

Source: CLSA Asia-Pacific Markets, Company

Figure 2

### TTK Prestige - segment revenues

Rs m	1Q12	1Q13	% YoY	4Q12	%QoQ
Cookers	980	1210	23	1150	(23)
Cookware	410	540	32	740	(41)
Appliances + stoves	900	1220	36	1420	(33)
Others	80	120	50	90	-
<b>% mix</b>					
Cookers	41.4	39.2	(2.2)	37.6	1.6
Cookware	17.3	17.5	0.2	18.6	(1.1)
Appliances + stoves	38.0	39.5	1.5	40.1	(0.6)
Others	3.4	3.9	0.5	3.8	0.1

Source: CLSA Asia-Pacific Markets

Sales growth was 30% YoY on a tough base of 60% growth in 1QFY12

Gross margin deterioration due to higher share of imports during the quarter

The latest round of price hikes in June should largely offset currency headwinds

Lower promotional spend kept costs under control and helped drive stable Ebitda margins

Growth was healthy across segments

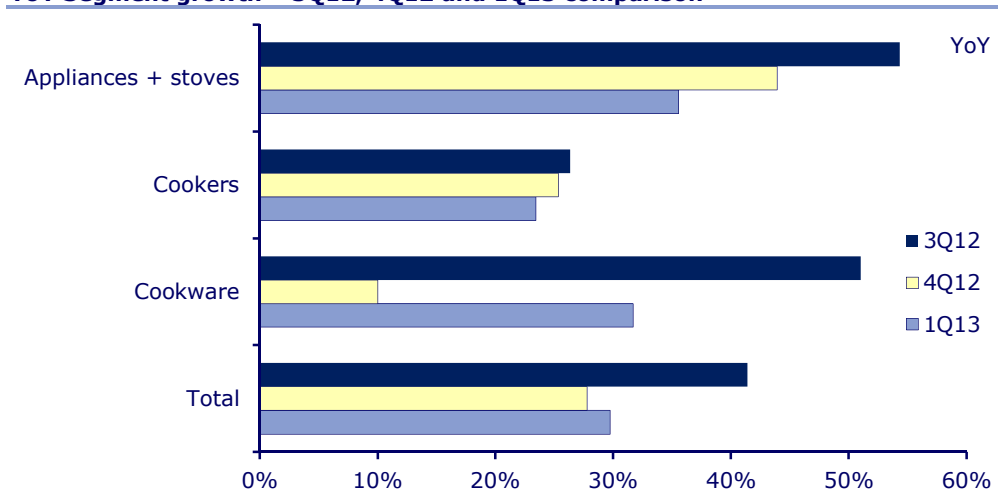


**Cookware growth rebound in 1Q13 while other segments saw some deceleration**

**Growth returned to over 30% in 1Q13**

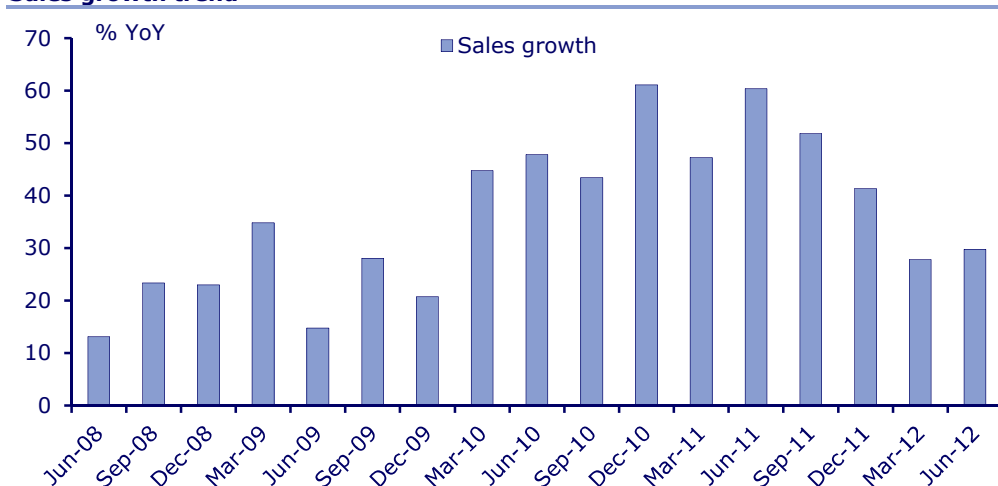
**Gross margins improved QoQ but down YoY, in part due to currency**

Figure 3

**YoY Segment growth – 3Q12, 4Q12 and 1Q13 comparison**

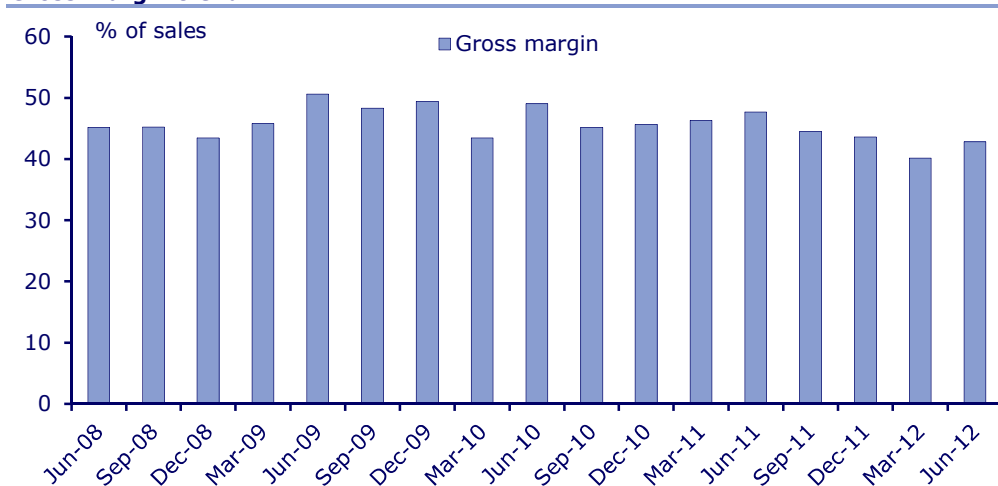
Source: CLSA Asia-Pacific Markets, Company

Figure 4

**Sales growth trend**

Source: CLSA Asia-Pacific Markets, Company

Figure 5

**Gross margin trend**

Source: CLSA Asia-Pacific Markets, Company

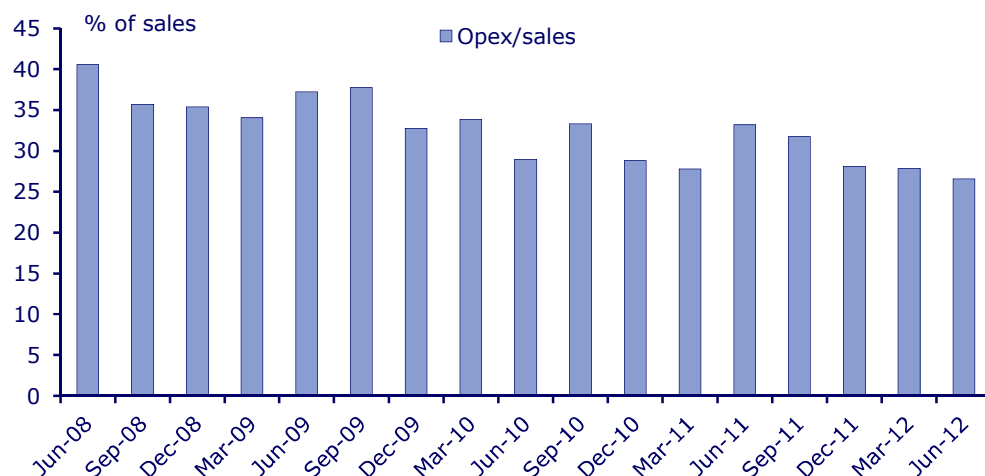
**Cost discipline remained high during 1Q ....**

**... helping drive stable YoY margins**

**Capital costs have risen as TTK has been investing in new facilities**

Figure 6

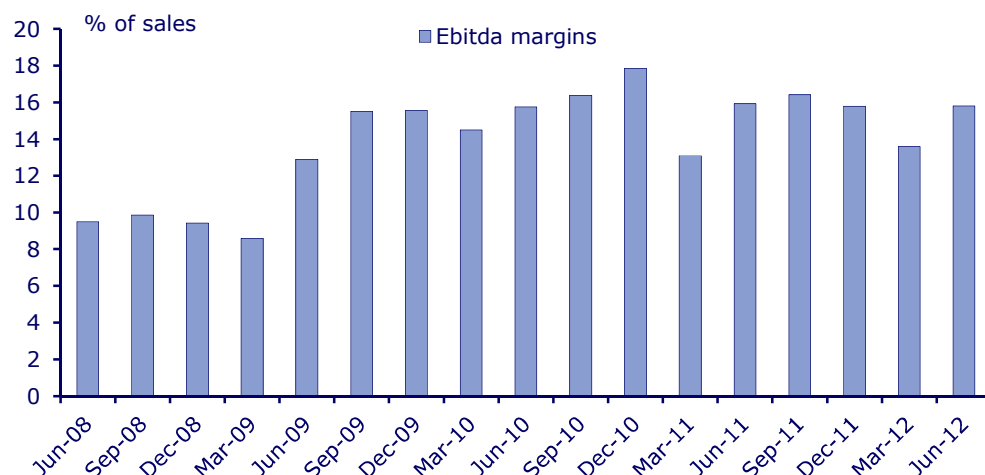
**Cost trends**



Source: CLSA Asia-Pacific Markets, Company

Figure 7

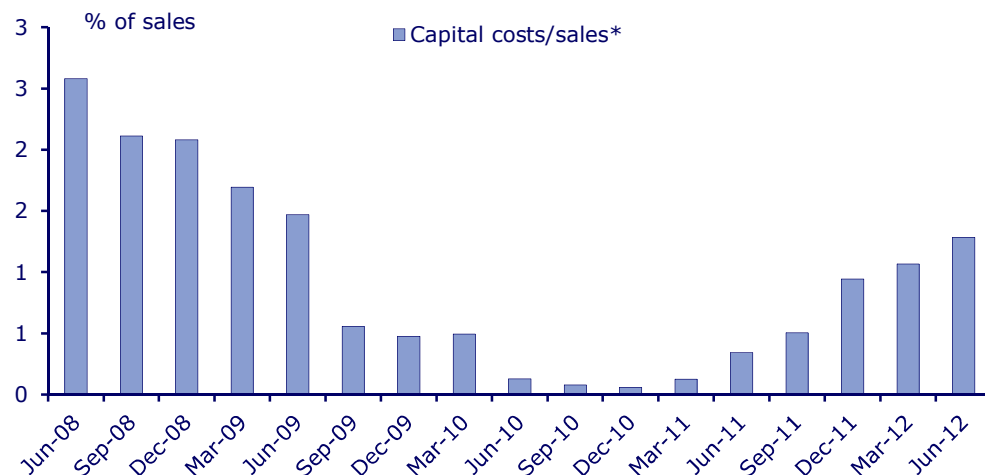
**Ebitda margin trends**



Source: CLSA Asia-Pacific Markets, Company

Figure 8

**Capital cost trend (capital cost=depreciation+interest-other income)**

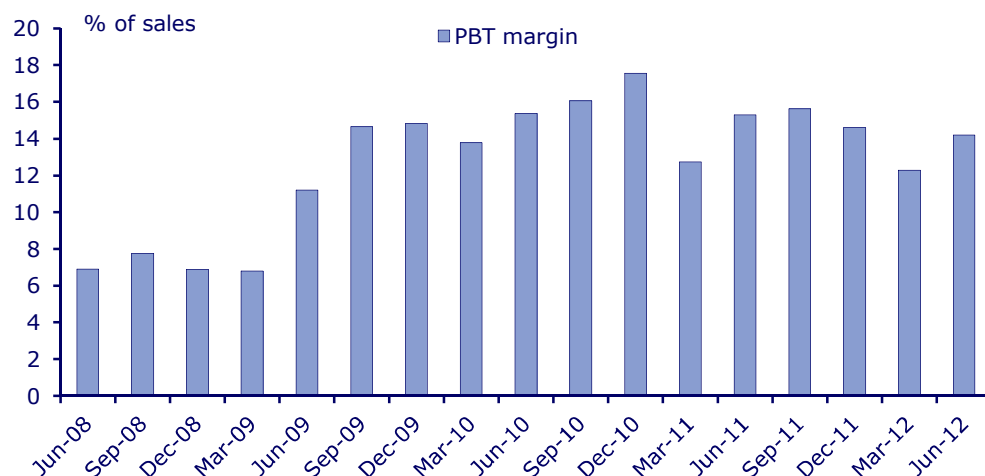


Source: CLSA Asia-Pacific Markets, Company;

**PBT margins dip driven by capital cost pressures even as operating margins were flat YoY**

**Appliances continues to be the fastest growing segment**

Figure 9

**PBT margin trend**

Source: CLSA Asia-Pacific Markets, Company

Figure 10

**TTK Prestige - product mix and growth**

Year to March (Rsmn)	FY09	FY10	FY11	FY12	13CL	14CL	15CL
<b>Sale (value YoY)</b>							
Pressure Cookers	18%	9%	32%	30%	25%	20%	15%
Non Stick Cookware	18%	37%	76%	46%	25%	25%	20%
Kitchen Electric Appliances	54%	43%	86%	81%	50%	35%	28%
Gas Stoves	13%	53%	32%	25%	21%	16%	16%
Others	14%	22%	28%	12%	12%	12%	12%
<b>Total</b>	<b>22%</b>	<b>24%</b>	<b>50%</b>	<b>45%</b>	<b>32%</b>	<b>26%</b>	<b>21%</b>
<b>Gross Sales</b>							
Pressure Cookers	2,203	2,407	3,169	4,132	5,163	6,195	7,124
Non Stick Cookware	636	873	1,540	2,247	2,810	3,513	4,215
Kitchen Electric Appliances	726	1,037	1,929	3,494	5,236	7,068	9,047
Gas Stoves	400	611	809	1,008	1,220	1,410	1,628
Others	197	241	309	345	387	433	485
<b>Total gross sales</b>	<b>4,162</b>	<b>5,168</b>	<b>7,756</b>	<b>11,227</b>	<b>14,816</b>	<b>18,619</b>	<b>22,500</b>

Source: CLSA Asia-Pacific Markets

**We build in flattish margins for FY13**

Figure 11

**TTK Prestige - P&L**

Year to March (Rsmn)	FY09	FY10	FY11	FY12	13CL	14CL	15CL
Gross sales	4,162	5,168	7,756	11,227	14,816	18,619	22,500
<b>Net sales</b>	<b>4,013</b>	<b>5,079</b>	<b>7,636</b>	<b>11,034</b>	<b>14,561</b>	<b>18,299</b>	<b>22,114</b>
Total material consumption	2,215	2,646	4,098	6,179	8,205	10,312	12,461
<b>Gross profit</b>	<b>1,798</b>	<b>2,433</b>	<b>3,538</b>	<b>4,855</b>	<b>6,356</b>	<b>7,988</b>	<b>9,653</b>
<b>Gross margin</b>	<b>43.2</b>	<b>47.1</b>	<b>45.6</b>	<b>43.2</b>	<b>42.9</b>	<b>42.9</b>	<b>42.9</b>
Total employee costs	314	393	530	730	985	1,133	1,303
Carriage Outwards:	170	202	270	394	505	635	767
Advertisement & Selling	329	354	528	714	892	1,116	1,394
Discount & Schemes	241	296	461	583	769	967	1,168
Other costs	367	437	532	715	907	1,126	1,366
<b>Total opex</b>	<b>1,422</b>	<b>1,683</b>	<b>2,321</b>	<b>3,135</b>	<b>4,059</b>	<b>4,975</b>	<b>5,998</b>
<b>Ebitda</b>	<b>376</b>	<b>750</b>	<b>1,217</b>	<b>1,720</b>	<b>2,297</b>	<b>3,012</b>	<b>3,654</b>
<b>Ebitda margin</b>	<b>9.0</b>	<b>14.5</b>	<b>15.7</b>	<b>15.3</b>	<b>15.5</b>	<b>16.2</b>	<b>16.2</b>
Depreciation	35	36	43	62	116	159	183
Other income	5	11	43	31	55	60	60
Finance costs	57	11	8	56	84	45	7
<b>PBT (norm)</b>	<b>290</b>	<b>714</b>	<b>1,209</b>	<b>1,632</b>	<b>2,152</b>	<b>2,868</b>	<b>3,524</b>
Exceptional costs	-	40	(6)	-	-	-	-
Tax	66	230	366	499	624	832	1,022
<b>Net profit</b>	<b>224</b>	<b>524</b>	<b>838</b>	<b>1,134</b>	<b>1,528</b>	<b>2,037</b>	<b>2,502</b>

Source: CLSA Asia-Pacific Markets

Figure 12

**TTK Prestige - Balance Sheet**

Year to March (Rsmn)	FY09	FY10	FY11	FY12	13CL	14CL	15CL
Capital	113	113	113	113	113	113	113
Reserves	733	1,128	1,801	2,738	4,003	5,684	7,831
<b>Total shareholder funds</b>	<b>846</b>	<b>1,242</b>	<b>1,915</b>	<b>2,851</b>	<b>4,116</b>	<b>5,797</b>	<b>7,944</b>
<b>Total debt</b>	<b>207</b>	<b>28</b>	<b>22</b>	<b>597</b>	<b>597</b>	<b>49</b>	<b>49</b>
Deferred tax liability	31	31	33	68	68	68	68
<b>Total</b>	<b>1,085</b>	<b>1,301</b>	<b>1,970</b>	<b>3,516</b>	<b>4,781</b>	<b>5,915</b>	<b>8,062</b>
Gross block	755	835	892	2,029	3,129	3,922	4,222
Less: depreciation	396	430	473	522	638	797	980
<b>Net block</b>	<b>359</b>	<b>405</b>	<b>419</b>	<b>1,507</b>	<b>2,491</b>	<b>3,126</b>	<b>3,242</b>
Add: CWIP	237	235	495	794	794	300	300
<b>Total Fixed Assets</b>	<b>596</b>	<b>640</b>	<b>914</b>	<b>2,300</b>	<b>3,284</b>	<b>3,426</b>	<b>3,542</b>
Investments	4	4	226	4	4	4	4
<b>Current Assets</b>							
Inventories	503	613	1,050	1,749	2,308	2,900	3,505
Sundry Debtors	489	603	747	1,060	1,399	1,759	2,125
Cash	109	440	535	223	159	1,030	2,887
Other Current Assets	0	2	3	5	5	5	5
Loans & Advances	213	424	779	1,495	1,609	1,508	1,361
<b>Total current assets</b>	<b>1,314</b>	<b>2,081</b>	<b>3,115</b>	<b>4,532</b>	<b>5,480</b>	<b>7,202</b>	<b>9,883</b>
<b>Less: current liabilities</b>							
Liabilities	592	902	1,422	1,881	2,483	3,120	3,771
Provisions	237	522	862	1,439	1,505	1,597	1,597
<b>Total current liabilities</b>	<b>829</b>	<b>1,424</b>	<b>2,285</b>	<b>3,320</b>	<b>3,987</b>	<b>4,717</b>	<b>5,367</b>
<b>Net Current Assets</b>	<b>485</b>	<b>657</b>	<b>830</b>	<b>1,212</b>	<b>1,493</b>	<b>2,485</b>	<b>4,516</b>
<b>Total</b>	<b>1,085</b>	<b>1,301</b>	<b>1,970</b>	<b>3,516</b>	<b>4,781</b>	<b>5,915</b>	<b>8,062</b>

Source: CLSA Asia-Pacific Markets

**We don't anticipate debt reduction before FY14**

**Our target price implies  
21x on FY14 PE**

Figure 13

**TTK Prestige - SOTP valuation**

<b>FY14</b>	<b>Rs m</b>		
EV/Ebitda multiple (x)	13.8		
<b>Implied EV</b>	<b>41,674</b>		
Add: value of property	700		
<b>EV (inc property)</b>	<b>42,374</b>		
Less: net debt	(985)		
<b>Implied equity value</b>	<b>43,359</b>		
Share count	11.3		
<b>Implied share price</b>	<b>3,830</b>		
Price/share - core business	3,768		
Price/share - property development	62		
	<b>FY12</b>	<b>13CL</b>	<b>14CL</b>
PE on core business	37.6	27.9	20.9
PE on overall valn	38.2	28.4	21.3

Source: CLSA Asia-Pacific Markets

## Summary financials

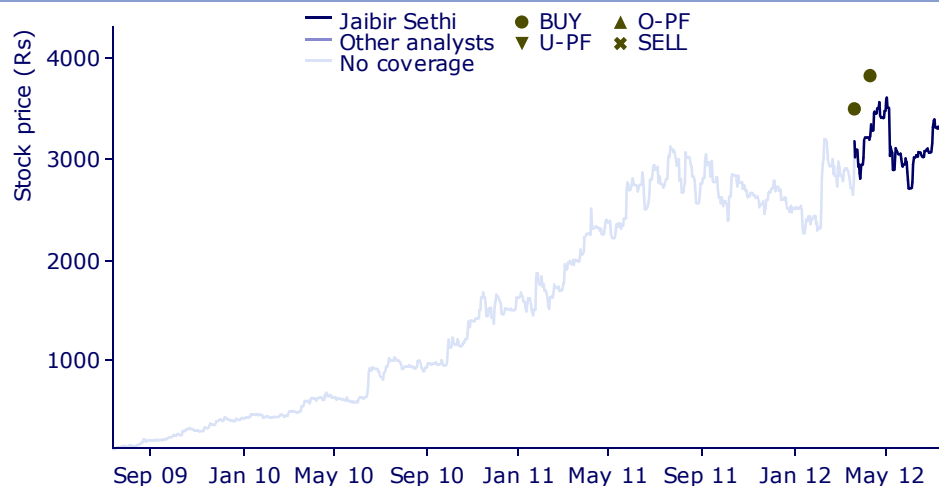
Year to 31 March	2010A	2011A	2012A	2013CL	2014CL
<b>Summary P&amp;L forecast (Rsm)</b>					
<b>Revenue</b>	<b>5,168</b>	<b>7,756</b>	<b>11,227</b>	<b>14,816</b>	<b>18,619</b>
Op Ebitda	750	1,217	1,720	2,297	3,012
Op Ebit	714	1,174	1,658	2,181	2,854
Interest income	11	43	31	55	60
Interest expense	(11)	(8)	(56)	(84)	(45)
Other items	40	(6)	-	0	0
<b>Profit before tax</b>	<b>754</b>	<b>1,204</b>	<b>1,632</b>	<b>2,152</b>	<b>2,868</b>
Taxation	(230)	(366)	(499)	(624)	(832)
Minorities/Pref divs	-	-	-	-	-
<b>Net profit</b>	<b>524</b>	<b>838</b>	<b>1,134</b>	<b>1,528</b>	<b>2,037</b>
<b>Summary cashflow forecast (Rsm)</b>					
<b>Operating profit</b>	<b>714</b>	<b>1,174</b>	<b>1,658</b>	<b>2,181</b>	<b>2,854</b>
Operating adjustments	(23)	1	6	0	0
Depreciation/amortisation	36	43	62	116	159
Working capital changes	97	(123)	(647)	(411)	(214)
Net interest/taxes/other	(219)	(359)	(525)	(708)	(877)
<b>Net operating cashflow</b>	<b>605</b>	<b>736</b>	<b>555</b>	<b>1,178</b>	<b>1,922</b>
Capital expenditure	(40)	(318)	(1,523)	(1,100)	(300)
<b>Free cashflow</b>	<b>565</b>	<b>418</b>	<b>(968)</b>	<b>78</b>	<b>1,622</b>
Acq/inv/disposals	-	(222)	222	-	-
Int, invt & associate div	11	37	24	55	60
<b>Net investing cashflow</b>	<b>(29)</b>	<b>(502)</b>	<b>(1,277)</b>	<b>(1,045)</b>	<b>(240)</b>
Increase in loans	(179)	-	575	-	(547)
Dividends	(66)	(132)	(164)	(197)	(263)
Net equity raised/other	0	(6)	(1)	0	-
<b>Net financing cashflow</b>	<b>(245)</b>	<b>(138)</b>	<b>410</b>	<b>(197)</b>	<b>(811)</b>
<b>Incr/(decr) in net cash</b>	<b>331</b>	<b>96</b>	<b>(312)</b>	<b>(64)</b>	<b>871</b>
Exch rate movements	-	-	-	-	-
<b>Opening cash</b>	<b>109</b>	<b>440</b>	<b>535</b>	<b>223</b>	<b>159</b>
<b>Closing cash</b>	<b>440</b>	<b>535</b>	<b>223</b>	<b>159</b>	<b>1,030</b>
<b>Summary balance sheet forecast (Rsm)</b>					
Cash & equivalents	440	535	223	159	1,030
Debtors	603	747	1,060	1,399	1,759
Inventories	613	1,050	1,749	2,308	2,900
Other current assets	2	3	5	5	5
Fixed assets	640	914	2,300	3,284	3,426
Intangible assets	-	-	-	-	-
Other term assets	424	779	1,495	1,609	1,508
<b>Total assets</b>	<b>2,725</b>	<b>4,255</b>	<b>6,836</b>	<b>8,768</b>	<b>10,631</b>
Short-term debt	28	22	49	49	49
Creditors	902	1,422	1,881	2,483	3,120
Other current liabs	522	862	1,439	1,505	1,597
Long-term debt/CBs	-	-	547	547	-
Provisions/other LT liabs	31	33	68	68	68
Minorities/other equity	0	0	0	0	0
Shareholder funds	1,242	1,915	2,851	4,116	5,797
<b>Total liabs &amp; equity</b>	<b>2,725</b>	<b>4,255</b>	<b>6,836</b>	<b>8,768</b>	<b>10,631</b>
<b>Ratio analysis</b>					
Revenue growth (% YoY)	24.2	50.1	44.8	32.0	25.7
Ebitda growth (% YoY)	99.3	62.2	41.4	33.5	31.1
Ebitda margin (%)	14.5	15.7	15.3	15.5	16.2
Net profit margin (%)	10.1	10.8	10.1	10.3	10.9
Dividend payout (%)	21.6	16.9	15.0	14.8	15.0
Effective tax rate (%)	30.5	30.4	30.6	29.0	29.0
Ebitda/net int exp (x)	125,031.3	-	67.2	80.5	-
Net debt/equity (%)	(33.2)	(26.8)	13.1	10.6	(16.9)
ROE (%)	50.2	53.1	47.6	43.9	41.1
ROIC (%)	54.3	79.1	51.2	39.2	42.7
EVA@/IC (%)	41.3	66.0	38.1	26.1	29.6

Source: CLSA Asia-Pacific Markets

## Companies mentioned

TTK Prestige (TTKPT - RS3,299.15 - BUY)

## Recommendation history of TTK Prestige Ltd TTKPT IN



Date	Rec*	Target	Date	Rec*	Target
11 April 2012	BUY	3,830.00	21 March 2012	BUY	3,500.00

Source: CLSA Asia-Pacific Markets

**Key to CLSA investment rankings:** **BUY:** Total return expected to exceed market return AND provide 20% or greater absolute return; **O-PF:** Total return expected to be greater than market return but less than 20% absolute return; **U-PF:** Total return expected to be less than market return but expected to provide a positive absolute return; **SELL:** Total return expected to be less than market return AND to provide a negative absolute return. For relative performance, we benchmark the 12-month total return (including dividends) for the stock against the 12-month forecast return (including dividends) for the local market where the stock is traded.

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27/04/2012

## India - July 2012 Earnings Announcement Calendar

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
<b>2</b> <u>JULY</u>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b> TTK Prestige
<b>9</b>	<b>10</b> Indusind Bank	<b>11</b> HDFC	<b>12</b> TCS Infosys	<b>13</b> HDFC Bank Sintex	<b>14</b>	<b>15</b> Mindtree
<b>16</b> Exide	<b>17</b> Axis Bank	<b>18</b> Bajaj Auto	<b>19</b> Kotak Bank DRL Dish TV Hero Moto	<b>20</b> Zee, HT Media Karnataka Bank Asian Paints	<b>21</b>	<b>22</b>
<b>23</b> L&T, Torrent Pharma Dabur, Colgate Cairn	<b>24</b> PFC Wipro	<b>25</b>	<b>26</b> Thermax Ambuja Cement BHEL	<b>27</b> CESC ICICI Bank	<b>28</b> Godrej Properties Maruti	<b>29</b>
<b>30</b>	<b>31</b> Shopper's Stop	<b>1</b> <u>AUGUST</u>	<b>2</b>	<b>3</b> Marico	<b>4</b> Godrej Consumer	<b>5</b>



## Coverage universe

Board Line : (9122)-66505050



Name	Price (Rs)	Mkt Cap (US\$m)	3m Avg T/O (US\$m)	Normalized EPS				P/E			EV/ Ebitda		P/B		RoAE			Div Yield		Perf			Rec	Target Price
				FY12	FY13	FY14	FY12-14 Cagr	FY12	FY13	FY14	FY12	FY13	FY12	FY13	FY12	FY13	FY14	FY13	FY14	1m	3m	1y		
<b>Autos</b>		<b>43,460</b>	<b>135</b>				<b>4.9</b>	<b>10.6</b>	<b>10.1</b>	<b>9.2</b>	<b>6.8</b>	<b>5.9</b>	<b>3.3</b>	<b>2.7</b>	<b>35.7</b>	<b>29.3</b>	<b>26.0</b>	<b>2.0</b>	<b>2.2</b>	<b>1.0</b>	<b>(7.2)</b>	<b>9.1</b>		
<b>Abhijeet Naik Dir-5060</b>																								
Tata Motors	241	12,741	64	39.9	40.2	44.4	5.4	6.0	6.0	5.4	3.8	3.4	2.5	1.8	50.3	34.6	28.8	1.7	1.7	(1)	(16)	18	BUY	330
M & M	731	8,062	18	42.7	43.4	47.9	5.9	17.1	16.8	15.3	11.0	10.7	3.3	2.9	23.1	20.1	19.3	1.7	1.7	5	5	4	O-PF	770
Bajaj Auto	1,512	7,862	14	106.9	115.8	123.3	7.4	14.1	13.1	12.3	12.5	9.9	7.2	5.7	56.5	48.7	41.6	3.3	3.6	(4)	(8)	6	U-PF	1,540
Maruti	1,203	6,249	17	56.6	74.5	92.3	27.7	21.3	16.2	13.0	16.6	11.1	2.3	2.0	11.2	13.3	14.6	0.9	1.1	5	(8)	5	U-PF	1,140
Hero Honda	2,036	7,309	18	119.1	134.3	124.2	2.1	17.1	15.2	16.4	13.9	11.8	9.5	7.0	65.7	53.2	38.5	2.5	2.5	2	0	9	U-PF	1,950
Ashok Leyland	26	1,236	4	2.1	2.2	2.9	16.0	12.2	11.8	9.1	8.0	7.6	1.6	1.5	13.8	13.4	16.2	3.9	4.6	(5)	(13)	1	U-PF	28
<b>Banks/Financials</b>		<b>136,742</b>	<b>412</b>				<b>15.7</b>	<b>11.6</b>	<b>10.2</b>	<b>8.7</b>			<b>1.8</b>	<b>1.5</b>	<b>16.5</b>	<b>16.1</b>	<b>16.7</b>	<b>2.0</b>	<b>2.4</b>	<b>4.6</b>	<b>0.4</b>	<b>(4.6)</b>		
<b>Aashish Agarwal Dir-5075</b>																								
State Bank	2,219	26,761	139	228.6	259.4	307.5	16.0	9.7	8.6	7.2			1.4	1.2	12.8	16.2	15.4	1.9	2.2	0.6	(0.4)	(7.6)	BUY	2,530
ICICI Bank	937	19,349	69	56.1	67.3	80.4	19.7	16.7	13.9	11.6			1.8	1.6	9.7	11.2	12.3	2.2	2.6	11.6	6.5	(10.5)	BUY	1,090
HDFC Bank	587	24,857	29	22.0	27.7	34.3	24.7	26.7	21.2	17.1			4.6	3.9	18.7	20.0	21.2	0.9	1.2	6.8	10.7	18.4	BUY	640
HDFC	679	18,170	29	27.9	32.7	38.6	17.7	24.3	20.8	17.6			5.3	4.1	21.7	22.7	23.2	2.1	2.6	3.1	(0.1)	(1.6)	BUY	830
Axis Bank	1,067	7,943	51	102.7	118.7	141.8	17.5	10.4	9.0	7.5			1.9	1.6	20.3	19.8	20.1	1.8	2.1	0.9	(10.8)	(15.8)	BUY	1,330
Indusind Bank	342	2,878	3	17.2	21.4	26.8	24.9	19.9	16.0	12.7			3.4	2.9	18.3	19.5	20.8	-	-	4.4	0.8	24.5	BUY	415
PNB	863	5,261	9	148.9	150.8	168.0	6.2	5.8	5.7	5.1			1.1	0.9	19.8	17.1	16.6	3.0	3.4	7.6	(5.4)	(22.9)	U-PF	780
Power Finance	185	4,388	9	24.6	26.7	31.0	12.2	7.5	6.9	6.0			1.2	1.1	16.9	16.1	16.6	3.8	4.4	14.2	(0.9)	(1.5)	U-PF	160
REC	197	3,501	8	28.5	31.0	36.3	12.8	6.9	6.4	5.4			1.3	1.2	20.5	19.4	20.0	4.7	5.5	12.6	(10.4)	(1.8)	U-PF	180
Bank of Baroda	736	5,177	12	121.4	121.9	140.6	7.6	6.1	6.0	5.2			1.1	1.0	20.7	17.0	17.1	2.7	3.1	1.0	(8.0)	(15.6)	O-PF	780
Canara Bank	430	3,423	5	74.1	83.7	95.6	13.6	5.8	5.1	4.5			0.8	0.7	15.4	15.3	15.5	2.9	3.3	(0.8)	(8.9)	(15.7)	U-PF	440
IDFC	140	3,808	17	10.5	11.6	13.5	13.5	13.4	12.1	10.4			1.7	1.6	13.7	13.5	14.2	1.8	2.1	5.3	3.5	7.2	BUY	155
Bank of India	345	3,558	4	47.8	52.0	59.7	11.8	7.2	6.6	5.8			0.9	0.9	14.0	13.5	13.9	2.3	2.6	(3.8)	(6.4)	(14.9)	SELL	340
Union Bank	213	2,106	4	33.0	36.7	40.2	10.4	6.4	5.8	5.3			0.8	0.7	13.1	13.3	13.3	3.5	3.8	0.2	(6.4)	(28.3)	SELL	190
OBC	260	1,366	2	39.1	51.2	59.2	23.0	6.7	5.1	4.4			0.5	0.5	9.9	12.0	12.6	3.9	4.5	7.4	(2.8)	(20.9)	SELL	218
Corp. Bank	427	1,138	1	101.7	99.4	110.7	4.3	4.2	4.3	3.9			0.8	0.7	19.5	16.6	16.3	4.6	5.2	(1.5)	1.4	(16.0)	U-PF	390
Yes Bank	353	2,248	20	26.2	30.2	37.3	19.3	13.5	11.7	9.5			2.7	2.3	21.7	20.8	21.4	1.1	1.4	1.5	(4.9)	12.3	O-PF	445
J&K Bank	929	809	0	165.7	181.2	205.0	11.3	5.6	5.1	Na			1.1	0.9	21.2	19.8	19.3	3.9	4.4	(0.0)	0.9	10.5	BUY	1,090
<b>Cement</b>		<b>23,410</b>	<b>30</b>				<b>7.0</b>	<b>16.7</b>	<b>15.7</b>	<b>14.6</b>	<b>8.7</b>	<b>8.1</b>	<b>2.5</b>	<b>2.3</b>	<b>16.2</b>	<b>15.3</b>	<b>14.7</b>	<b>1.1</b>	<b>1.4</b>	<b>9.8</b>	<b>3.3</b>	<b>42.1</b>		
<b>Vivek Maheshwari Dir-5053</b>																								
UltraTech Cement	1,586	7,813	5	84.8	91.3	95.9	6.3	18.7	17.4	16.5	11.7	10.6	3.4	2.9	19.8	18.0	16.2	0.5	0.5	12.5	7.5	62.2	SELL	1,200
Ambuja Cements	170	4,711	8	8.0	9.1	10.7	15.5	21.3	18.6	16.0	11.8	10.4	3.2	3.0	15.6	16.5	17.7	2.2	2.8	7.5	5.1	39.7	SELL	135
Grasim	2,635	4,344	3	280.1	267.8	275.9	(0.7)	9.4	9.8	9.6	4.8	4.8	1.4	1.3	16.4	13.8	12.8	0.9	0.9	10.7	1.8	20.9	O-PF	2,850
ACC	1,264	4,267	11	58.1	62.8	72.6	11.8	21.8	20.1	17.4	12.1	10.4	3.3	3.1	16.1	15.9	16.8	1.5	2.0	6.4	(1.2)	33.4	SELL	1,000
Shree Cement	2,905	1,819	1	89.9	120.1	113.4	12.4	32.3	24.2	25.6	7.0	7.4	4.6	4.0	14.9	17.5	14.6	0.7	0.8	10.5	1.8	66.4	U-PF	2,850
India Cement	82	455	3	9.3	10.9	12.8	17.0	8.8	7.6	6.4	7.2	6.5	0.6	0.6	7.0	7.8	8.6	2.4	2.4	8.7	(16.2)	14.0	O-PF	100
<b>Cap goods &amp; infra.</b>		<b>41,649</b>	<b>144</b>				<b>7.7</b>	<b>14.5</b>	<b>13.0</b>	<b>12.5</b>	<b>10.8</b>	<b>9.9</b>	<b>2.5</b>	<b>2.2</b>	<b>18.6</b>	<b>18.1</b>	<b>16.3</b>	<b>1.5</b>	<b>1.6</b>	<b>6.9</b>	<b>(1.2)</b>	<b>(27.2)</b>		
<b>Rajesh Panjwani Dir-852 26008271</b>																								
BHEL	232	10,220	23	28.8	29.3	25.2	(6.5)	8.1	7.9	9.2	5.4	5.4	2.2	1.9	30.9	25.6	18.8	3.0	3.0	5.9	(9.8)	(40.1)	O-PF	235
Crompton	133	1,536	5	5.9	8.9	10.3	32.6	22.7	14.9	12.9	11.3	9.1	2.4	2.1	10.9	14.9	15.1	1.2	1.4	11.6	(1.4)	(44.7)	SELL	104
Suzlon	20	631	9	0.9	2.4	3.3	NA	21.6	8.2	6.0	6.6	4.9	0.5	0.4	2.5	6.2	7.9	-	-	11.0	(19.4)	(59.9)	SELL	19
L&T	1,436	15,815	55	76.1	84.1	94.2	11.3	18.9	17.1	15.2	14.2	13.8	3.0	2.6	17.1	16.5	16.4	1.2	1.3	9.1	11.2	(19.3)	U-PF	1,325
Jaiprakash Associates	76	2,916	24	4.8	6.6	7.9	27.8	15.8	11.6	9.7	12.6	10.1	1.4	1.4	9.2	12.1	12.5	0.3	0.5	10.6	(4.1)	0.5	BUY	100
Adani Ports	121	4,341	2	5.9	6.7	8.0	16.6	20.5	18.1	15.1	17.7	15.1	4.6	3.8	24.8	23.2	22.8	0.9	1.0	(1.6)	(6.0)	(21.7)	O-PF	130
Jain Irrigation	87	618	4	6.5	6.9	9.1	18.6	13.5	12.6	9.6	8.0	7.8	1.9	1.7	15.8	14.8	17.0	1.1	1.1	14.9	(6.8)	(46.7)	BUY	150
IRB	135	805	15	14.6	14.4	13.7	(3.1)	9.2	9.4	9.8	7.1	7.4	1.6	1.2	18.8	14.8	11.6	1.1	1.1	10.1	(27.9)	(20.9)	O-PF	140
<b>Aditya Bhartia Dir-5077</b>																								
ABB India	792	3,017	1	10.2	16.2	21.6	45.2	77.5	48.9	36.7	49.1	30.3	6.5	5.8	8.6	12.5	14.8	0.3	0.3	2.6	(5.3)	(9.6)	SELL	600
Thermax	503	1,078	1	33.9	28.8	31.0	(4.4)	14.9	17.4	16.2	8.8	9.8	3.7	3.2	27.4	19.5	18.3	1.4	1.4	9.1	13.0	(17.5)	U-PF	450
Voltas	113	672	5	4.9	8.6	9.7	40.6	23.1	13.1	11.7	11.4	9.6	2.5	2.3	11.4	18.2	18.4	2.7	3.2	5.5	(4.5)	(28.2)	SELL	100

## Coverage universe

Board Line : (9122)-66505050



Name	Price (Rs)	Mkt Cap (US\$m)	3m Avg T/O (US\$m)	Normalized EPS				P/E			EV/ Ebitda		P/B		RoAE			Div Yield		Perf			Rec	Target Price
				FY12	FY13	FY14	FY12-14 Cagr	FY12	FY13	FY14	FY12	FY13	FY12	FY13	FY12	FY13	FY14	FY13	FY14	1m	3m	1y		
<b>Consumer</b>		<b>78,785</b>	<b>86</b>				<b>19.4</b>	<b>36.4</b>	<b>30.0</b>	<b>25.6</b>	<b>25.4</b>	<b>20.7</b>	<b>12.1</b>	<b>10.3</b>	<b>36.2</b>	<b>37.2</b>	<b>37.6</b>	<b>1.8</b>	<b>2.1</b>	<b>3.7</b>	<b>4.8</b>	<b>19.4</b>		
<b>Vivek Maheshwari Dir-5053</b>																								
ITC	253	35,617	28	7.9	9.1	10.6	15.9	32.1	27.9	23.9	22.5	19.2	10.5	9.4	35.5	35.6	37.0	2.1	2.5	4.2	7.9	25.6	O-PF	275
HUL	441	17,151	16	11.9	14.0	16.0	16.1	37.1	31.6	27.5	38.4	25.4	36.4	24.1	78.8	91.7	79.5	2.1	2.4	2.0	4.8	32.6	O-PF	465
Nestle India	4,497	7,793	3	108.3	120.6	141.1	14.1	41.5	37.3	31.9	27.5	23.9	30.8	22.0	88.2	69.0	59.0	1.1	1.3	0.7	(8.6)	4.2	SELL	4,000
United Spirits	721	1,696	25	18.3	24.7	34.8	38.1	39.5	29.2	20.7	15.1	12.6	2.0	1.9	5.4	6.7	8.8	0.4	0.4	13.2	2.6	(31.4)	U-PF	625
GSK Consumers	2,638	1,994	2	90.3	108.0	127.9	19.0	29.2	24.4	20.6	22.5	18.8	9.2	7.7	34.4	34.3	33.9	1.6	2.0	1.1	(5.6)	8.1	BUY	3,200
Godrej Consumer	569	3,480	5	16.7	20.9	25.5	23.7	34.2	27.3	22.3	23.9	19.4	6.9	6.0	25.0	23.5	24.8	1.3	1.5	0.6	15.3	29.0	O-PF	630
Colgate	1,142	2,792	2	33.4	37.7	42.1	12.2	34.2	30.3	27.1	29.0	25.2	35.7	31.9	111.0	111.2	110.4	2.5	2.8	0.8	2.2	13.8	SELL	1,000
Dabur	115	3,614	3	3.7	4.3	5.1	17.2	31.1	26.8	22.7	23.3	19.7	11.7	9.4	41.5	38.9	36.8	1.4	1.5	8.7	5.2	4.7	U-PF	120
Marico	181	2,097	1	5.2	6.4	7.4	19.0	34.6	28.4	24.5	24.3	20.0	9.7	7.5	31.2	29.9	27.3	0.4	0.6	7.4	4.9	8.3	U-PF	185
<b>Metals &amp; Mining</b>		<b>32,959</b>	<b>113</b>				<b>16.6</b>	<b>9.3</b>	<b>7.6</b>	<b>6.9</b>	<b>6.3</b>	<b>6.0</b>	<b>0.9</b>	<b>0.8</b>	<b>10.4</b>	<b>11.5</b>	<b>11.6</b>	<b>2.2</b>	<b>2.3</b>	<b>2.9</b>	<b>(0.1)</b>	<b>(26.6)</b>		
<b>Abhijeet Naik Dir-5060</b>																								
Coal India	354	40,134	13	23.3	24.8	26.8	7.3	15.2	14.2	13.2	10.5	9.1	5.7	4.9	40.4	36.7	34.2	3.0	3.2	5.2	6.1	Na	U-PF	340
SAIL	93	6,919	6	8.7	10.4	11.2	13.4	10.7	9.0	8.3	9.8	9.9	1.0	0.9	9.4	10.4	10.5	2.7	3.2	(1.6)	(1.1)	(28.2)	SELL	80
Sterlite	106	6,409	14	15.8	16.7	19.1	10.0	6.7	6.4	5.6	2.7	2.5	0.8	0.7	12.4	11.8	12.2	1.9	1.9	1.7	(0.2)	(34.8)	O-PF	108
Tata Steel	436	7,611	33	19.6	36.9	48.7	57.7	22.2	11.8	8.9	7.2	6.0	1.0	0.9	5.2	8.6	10.7	2.8	2.8	5.6	(3.8)	(23.8)	BUY	540
Hindalco	124	4,262	19	17.4	15.4	16.9	(1.4)	7.1	8.0	7.3	6.2	6.9	0.7	0.7	11.7	9.4	9.3	1.6	1.6	0.6	(3.2)	(29.6)	U-PF	110
Sesa Goa	197	3,084	9	35.4	47.3	41.7	8.5	5.6	4.2	4.7	5.7	5.7	1.1	0.9	22.0	24.2	17.8	2.5	2.5	4.4	6.8	(29.7)	SELL	180
JSW Steel	715	2,866	30	41.9	77.9	85.6	42.9	17.1	9.2	8.3	6.0	5.5	0.9	0.9	5.6	9.9	10.1	1.7	2.1	11.0	1.0	(14.6)	U-PF	675
Bhushan Steel	473	1,807	2	45.5	56.4	66.8	21.1	10.4	8.4	7.1	10.3	9.2	1.7	1.4	17.7	18.3	18.1	0.1	0.1	5.2	17.5	10.8	O-PF	470
<b>Oil &amp; Gas</b>		<b>131,227</b>	<b>125</b>				<b>4.0</b>	<b>10.3</b>	<b>10.0</b>	<b>9.5</b>	<b>5.0</b>	<b>5.5</b>	<b>1.5</b>	<b>1.4</b>	<b>15.3</b>	<b>14.1</b>	<b>13.6</b>	<b>2.1</b>	<b>2.2</b>	<b>3.7</b>	<b>1.7</b>	<b>(9.4)</b>		
<b>Vikash Jain Dir-5015</b>																								
Reliance Ind.	726	42,710	46	60.2	62.4	65.7	4.5	12.0	11.6	11.0	7.3	7.0	1.4	1.3	12.2	11.6	11.3	1.2	1.3	0.4	(2.4)	(14.4)	O-PF	790
ONGC	278	42,743	13	32.9	29.6	30.4	(3.9)	8.4	9.4	9.2	3.3	3.8	1.7	1.6	22.4	17.5	16.1	3.2	3.2	6.3	6.5	(1.3)	O-PF	285
IOC	267	11,667	3	17.4	27.2	32.0	35.6	15.4	9.8	8.4	5.2	7.1	1.1	1.0	7.2	10.5	11.5	2.6	3.0	8.2	5.8	(21.3)	U-PF	270
Gail	357	8,136	8	28.8	32.4	31.6	4.8	12.4	11.0	11.3	7.9	7.7	2.1	1.9	17.9	17.8	15.6	2.5	2.5	5.8	(0.6)	(22.0)	O-PF	370
Cairn India	312	10,689	27	41.7	54.6	52.4	12.1	7.5	5.7	6.0	4.9	3.3	1.2	1.0	17.9	19.5	15.7	-	-	(3.0)	(8.1)	(0.5)	BUY	420
Oil India	474	5,119	1	57.3	46.4	49.1	(7.5)	8.3	10.2	9.7	3.0	3.6	1.6	1.5	20.7	15.1	14.7	3.8	3.8	3.6	2.3	(7.6)	BUY	550
BPCL	777	5,048	8	21.6	27.3	54.2	58.4	36.0	28.4	14.3	6.8	8.8	1.8	1.7	5.0	6.1	11.3	0.9	1.4	6.1	14.3	16.3	BUY	900
HPCL	343	2,090	6	26.9	19.7	34.9	13.9	12.8	17.5	9.8	4.8	9.5	0.9	0.9	7.1	5.0	8.5	1.7	3.2	12.3	21.0	(14.1)	U-PF	300
Petronet LNG	146	1,969	6	14.1	13.9	13.5	(2.1)	10.4	10.5	10.8	7.0	6.8	3.1	2.5	34.1	26.7	21.7	2.1	2.1	9.9	(7.5)	3.0	BUY	190
Gujarat Petronet	72	726	2	9.3	4.5	4.6	(29.3)	7.7	15.9	15.5	4.7	7.9	1.6	1.5	23.3	9.9	9.5	1.4	1.4	10.8	1.1	(26.6)	U-PF	65
Aban Offshore	421	329	6	97.5	58.4	123.0	12.3	4.3	7.2	3.4	7.0	7.3	0.9	0.8	21.5	11.2	20.3	1.1	1.1	19.9	(2.0)	(19.4)	SELL	430
<b>Pharmaceuticals</b>		<b>40,503</b>	<b>50</b>				<b>38.7</b>	<b>29.7</b>	<b>18.7</b>	<b>17.0</b>	<b>16.9</b>	<b>13.9</b>	<b>5.1</b>	<b>4.2</b>	<b>16.3</b>	<b>24.7</b>	<b>22.8</b>	<b>1.2</b>	<b>1.3</b>	<b>6.1</b>	<b>4.0</b>	<b>5.5</b>		
<b>Hemant Bakhru Dir-5063</b>																								
Sun Pharma	624	11,550	8	25.0	26.8	31.9	13.0	25.0	23.3	19.6	18.5	14.9	5.3	4.5	23.9	21.0	21.2	0.9	1.0	7.6	8.9	24.8	O-PF	632
Dr Reddy's	1,645	5,016	9	84.3	104.3	110.4	14.4	19.5	15.8	14.9	14.8	12.3	4.8	3.8	27.5	27.1	23.2	1.1	1.1	4.0	(2.9)	6.6	BUY	1,978
Cipla	325	4,690	8	14.3	16.9	19.1	15.4	22.7	19.3	17.1	18.3	15.5	3.4	3.0	16.1	16.6	16.4	0.8	0.9	6.8	4.2	0.7	O-PF	371
Ranbaxy	493	3,740	9	(40.7)	40.0	31.1	NA	(12.1)	12.3	15.9	14.3	12.6	6.5	4.7	(35.5)	44.3	26.9	2.0	1.6	3.1	(2.5)	(9.9)	SELL	384
Glaxosmithkline	2,061	3,139	1	58.9	86.4	97.5	28.7	35.0	23.9	21.1	19.4	16.8	8.7	7.7	25.3	34.2	34.1	2.6	3.0	1.4	(5.1)	(11.5)	U-PF	2,115
Lupin Ltd	547	4,392	6	19.4	26.1	32.4	29.3	28.2	21.0	16.9	20.6	14.9	6.1	4.9	23.8	26.0	26.2	0.9	1.2	7.1	(0.6)	19.3	BUY	616
Cadila Healthcare	765	2,816	1	31.9	38.3	44.1	17.7	24.0	20.0	17.3	17.9	15.5	5.9	4.8	27.1	26.6	25.3	1.1	1.3	5.4	6.9	(17.9)	O-PF	845
Torrent Pharma	617	938	1	33.8	47.4	54.7	27.1	18.2	13.0	11.3	12.8	10.7	4.4	3.5	25.8	29.8	27.7	1.6	1.8	1.8	(2.2)	(5.8)	BUY	761
Divis Laboratories	1,049	2,503	4	40.2	49.7	59.0	21.1	26.1	21.1	17.8	19.6	15.7	6.5	5.3	27.1	27.7	26.6	1.1	1.1	12.4	31.5	29.6	N-R	Na
Biocon Ltd	242	870	2	16.9	19.1	21.0	11.5	14.3	12.7	11.5	8.9	7.9	2.1	1.9	15.7	16.0	15.9	2.5	3.1	10.6	1.1	(31.4)	U-PF	252
Ipca Laboratories	375	850	1	22.0	28.9	33.4	23.2	17.0	12.9	11.2	11.2	8.7	3.8	3.0	24.0	25.9	24.1	1.0	1.1	6.4	13.1	9.7	BUY	400

## Coverage universe

Board Line : (9122)-66505050



Name	Price (Rs)	Mkt Cap (US\$m)	3m Avg T/O (US\$m)	Normalized EPS				P/E			EV/ Ebitda		P/B		RoAE			Div Yield		Perf			Rec	Target Price
				FY12	FY13	FY14	FY12-14 Cagr	FY12	FY13	FY14	FY12	FY13	FY12	FY13	FY12	FY13	FY14	FY13	FY14	1m	3m	1y		
<b>Power</b>		<b>54,205</b>	<b>52</b>				<b>14.6</b>	<b>14.2</b>	<b>12.8</b>	<b>11.3</b>	<b>11.2</b>	<b>9.5</b>	<b>1.7</b>	<b>1.6</b>	<b>12.0</b>	<b>12.8</b>	<b>13.1</b>	<b>2.1</b>	<b>2.1</b>	<b>3.7</b>	<b>(5.0)</b>	<b>(18.0)</b>		
<b>Rajesh Panjwani Dir-852 26008271</b>																								
NTPC	160	23,735	6	11.2	11.7	13.1	8.1	14.3	13.6	12.2	11.7	10.9	1.8	1.7	13.1	12.5	12.9	2.7	2.7	1.6	(3.2)	(14.4)	O-PF	173
<b>Abhishek Tyagi Dir-5055</b>																								
Jindal Steel & Power Lt	452	7,603	18	42.6	48.9	50.2	8.5	10.6	9.2	9.0	8.1	7.6	2.3	1.9	24.4	22.1	18.7	0.4	0.4	4.7	(11.5)	(26.4)	O-PF	565
NHPC	19	4,123	1	1.5	1.6	1.9	13.0	12.6	11.5	9.9	9.3	8.6	0.9	0.8	7.0	7.5	8.3	3.5	3.5	0.8	(6.0)	(24.5)	SELL	19
PowerGrid	114	9,458	5	6.9	8.2	9.2	15.6	16.5	13.9	12.3	11.7	10.7	2.2	2.0	14.3	15.3	15.1	2.2	2.5	5.6	1.7	5.0	BUY	125
Lanco Infrass.	16	686	9	0.5	1.3	2.2	115.8	34.1	12.0	7.3	13.4	10.3	0.8	0.8	2.4	6.5	9.8	-	-	12.4	(14.1)	(31.1)	SELL	19
Tata Power	100	4,268	6	5.1	6.7	6.8	15.4	19.6	15.0	14.7	9.6	7.6	1.6	1.5	8.8	10.3	9.6	1.3	1.3	4.2	(3.1)	(22.4)	O-PF	108
Adani Power	51	2,012	3	(0.0)	2.9	5.6	NA	NA	17.4	9.2	30.6	10.6	1.9	1.7	(0.0)	10.2	16.8	-	-	6.9	(28.1)	(52.9)	O-PF	54
JSW Energy Ltd	56	1,640	3	2.0	4.0	5.4	62.7	27.5	13.9	10.4	12.7	7.4	1.6	1.5	5.8	11.1	13.6	2.1	3.4	17.0	(1.7)	(21.1)	SELL	42
CESC	303	680	1	43.4	43.1	46.5	3.5	7.0	7.0	6.5	5.9	5.5	0.9	0.8	13.7	12.1	11.8	1.6	1.7	7.9	13.3	(9.3)	BUY	348
<b>Software</b>		<b>134,609</b>	<b>362</b>				<b>7.4</b>	<b>19.2</b>	<b>16.6</b>	<b>15.1</b>	<b>13.0</b>	<b>10.9</b>	<b>5.0</b>	<b>4.1</b>	<b>28.9</b>	<b>26.9</b>	<b>24.8</b>	<b>1.6</b>	<b>2.4</b>	<b>(0.3)</b>	<b>(4.1)</b>	<b>(2.4)</b>		
<b>Nimish Joshi Dir-5054</b>																								
TCS	1,258	44,267	36	54.4	65.0	71.9	15.0	23.2	19.4	17.5	16.3	13.3	7.6	5.9	36.8	34.2	31.0	1.4	2.8	0.8	11.9	10.6	U-PF	1,160
Infosys	2,471	25,504	67	145.5	161.3	175.5	9.8	17.0	15.3	14.1	11.1	9.5	4.4	3.6	28.5	25.7	23.3	1.6	2.0	0.5	(9.8)	(11.1)	U-PF	2,630
Accenture Ltd (US\$)	57	39,842	230	3.3	3.7	4.1	10.8	17.2	15.5	14.0	8.4	7.3	8.4	6.3	60.1	49.0	40.9	2.0	2.2	(0.4)	(10.9)	(6.4)	O-PF	61
Wipro	374	16,553	10	22.7	25.5	28.4	11.9	16.5	14.7	13.2	11.6	9.9	3.2	2.8	21.8	20.4	19.5	2.1	2.1	(4.8)	(14.8)	(9.7)	U-PF	425
HCL Tech.	493	6,141	12	30.4	35.9	40.7	15.8	16.2	13.7	12.1	9.5	8.0	3.5	2.9	23.4	23.1	22.0	1.2	1.2	1.7	(0.3)	0.7	U-PF	529
eClerx	650	341	0	52.1	61.9	70.7	16.5	12.5	10.5	9.2	8.5	6.7	5.6	4.4	53.0	47.6	43.2	3.1	3.1	3.3	(11.2)	(22.4)	BUY	880
<b>Telecom</b>		<b>30,768</b>	<b>42</b>				<b>3.8</b>	<b>29.4</b>	<b>38.0</b>	<b>26.4</b>	<b>7.9</b>	<b>7.1</b>	<b>1.5</b>	<b>1.4</b>	<b>1.7</b>	<b>3.8</b>	<b>5.3</b>	<b>0.3</b>	<b>0.3</b>	<b>3.9</b>	<b>(5.7)</b>	<b>(15.0)</b>		
<b>Deepthi Chaturvedi Dir-5066</b>																								
Bharti	316	21,552	21	11.2	16.7	20.3	34.4	28.2	18.9	15.6	8.0	6.6	2.4	2.1	8.6	11.8	12.8	0.4	0.4	2.3	(2.5)	(18.4)	U-PF	340
Reliance Communicatic	71	2,621	14	3.9	5.4	7.3	36.0	18.0	13.1	9.7	6.5	5.4	0.4	0.3	2.0	2.7	3.5	-	-	5.7	(18.5)	(27.0)	U-PF	95
Idea Cellular	85	5,054	5	2.2	2.3	2.6	8.7	39.3	37.6	33.3	8.3	7.4	2.2	2.0	5.7	5.6	6.0	-	-	8.7	(12.9)	8.1	SELL	67
Tata Communications	245	1,257	1	6.0	6.8	7.4	11.0	40.8	35.9	33.2	9.7	8.9	0.9	0.9	2.3	2.5	2.6	1.0	-	10.3	7.4	21.8	O-PF	239
MTNL	25	284	1	(63.8)	(62.4)	(60.8)	(2.3)	(0.4)	(0.4)	(0.4)	(5.1)	(6.4)	0.2	(0.5)	(87.1)	(615.1)	118.2	-	-	8.7	(10.5)	(42.1)	SELL	21
<b>Media</b>		<b>7,473</b>	<b>14</b>				<b>20.6</b>	<b>19.7</b>	<b>19.9</b>	<b>16.5</b>	<b>11.2</b>	<b>9.5</b>	<b>4.6</b>	<b>4.0</b>	<b>19.9</b>	<b>21.5</b>	<b>22.9</b>	<b>2.1</b>	<b>2.4</b>	<b>10.1</b>	<b>4.0</b>	<b>(6.6)</b>		
<b>Deepthi Chaturvedi Dir-5066</b>																								
Sun TV	298	2,110	5	17.9	20.1	22.7	12.5	16.6	14.8	13.1	7.4	6.4	4.4	3.9	28.2	27.8	27.6	3.4	4.3	16.8	2.1	(2.9)	O-PF	363
Zee Entertainment	144	2,482	4	6.1	6.8	8.2	15.2	23.5	21.0	17.7	18.2	15.5	4.1	3.6	18.2	18.3	19.4	1.7	1.9	6.7	15.5	14.5	BUY	175
Dish TV	69	1,324	4	(1.3)	0.0	1.1	NA	(55.4)	1,952.5	65.3	16.7	12.9	(76.8)	(80.0)	450.3	(4.0)	(315.4)	-	-	16.2	13.8	(20.7)	O-PF	66
Jagran Prakashan	85	480	0	6.2	6.8	7.6	10.9	13.6	12.5	11.1	7.3	6.6	3.4	3.1	27.1	27.4	28.3	4.7	5.3	(3.4)	(14.6)	(28.4)	U-PF	94
HT Media	97	410	0	7.0	8.0	9.4	15.6	13.9	12.1	10.4	8.1	6.0	1.6	1.4	12.0	12.3	12.7	0.5	0.6	0.9	(26.0)	(37.4)	O-PF	135
DB Corp	202	666	0	11.0	12.0	14.1	13.1	18.3	16.8	14.3	10.4	9.3	4.0	3.5	23.1	22.5	23.2	2.5	2.5	9	(3)		O-PF	233
<b>Real estate</b>		<b>12,731</b>	<b>63</b>				<b>12.1</b>	<b>15.7</b>	<b>14.2</b>	<b>12.5</b>	<b>13.7</b>	<b>11.4</b>	<b>1.1</b>	<b>1.0</b>	<b>7.2</b>	<b>7.5</b>	<b>8.0</b>	<b>0.9</b>	<b>1.1</b>	<b>5.6</b>	<b>0.3</b>	<b>(10.7)</b>		
<b>Maresh Nandurkar, CFA Dir-5079</b>																								
DLF	210	6,422	21	7.1	8.6	10.1	19.3	29.6	24.3	20.8	15.6	13.7	1.4	1.3	4.8	5.7	6.4	1.0	1.2	6.2	5.4	(4.7)	SELL	180
Unitech	24	1,144	8	1.0	1.5	1.8	38.4	25.5	16.1	13.3	28.7	17.9	0.5	0.5	2.1	3.3	3.9	0.2	0.4	3.8	(17.5)	(26.5)	U-PF	23
Oberoi Realty	236	1,390	0	14.1	17.8	24.9	32.9	16.7	13.2	9.4	13.3	8.9	2.1	1.8	13.2	14.6	17.7	0.8	0.8	(10.0)	(13.8)	(0.2)	BUY	320
Godrej Properties	529	743	0	12.5	21.1	34.7	66.2	42.2	25.1	15.3	29.0	23.1	2.9	2.6	8.3	11.0	16.2	-	-	(12.1)	(13.3)	(34.8)	U-PF	608
JP Infratech	59	1,478	0	9.3	8.8	7.7	(9.0)	6.4	6.7	7.7	9.0	6.7	1.4	1.2	24.3	19.2	15.0	2.2	2.6	28.6	20.9	13.4	BUY	60
HDIL	89	670	32	19.4	16.4	17.3	(5.6)	4.6	5.4	5.1	7.9	8.5	0.4	0.3	8.2	6.4	6.4	-	-	17.5	7.1	(44.3)	SELL	66
Anant Raj	55	294	1	6.3	7.1	9.0	19.8	8.8	7.8	6.1	10.5	8.4	0.4	0.4	4.9	5.3	6.4	-	-	13.1	(6.3)	(34.6)	BUY	93
<b>Abhinav Sinha Dir-5069</b>																								
Sobha Developers	335	591	1	21.0	25.1	32.3	24.0	16.0	13.4	10.4	9.6	8.3	1.6	1.5	10.7	11.8	13.8	1.8	2.1	9.2	1.1	22.7	BUY	385

# Coverage universe

Board Line : (9122)-66505050



Name	Price (Rs)	Mkt Cap (US\$m)	3m Avg T/O (US\$m)	Normalized EPS				P/E			EV/ Ebitda		P/B		RoAE			Div Yield		Perf			Rec	Target Price
				FY12	FY13	FY14	FY12-14 Cagr	FY12	FY13	FY14	FY12	FY13	FY12	FY13	FY12	FY13	FY14	FY13	FY14	1m	3m	1y		
<b>Education</b>		<b>299</b>	<b>9</b>				<b>6.6</b>	<b>5.0</b>	<b>4.2</b>	<b>4.4</b>	<b>3.4</b>	<b>2.9</b>	<b>0.6</b>	<b>0.5</b>	<b>12.8</b>	<b>13.4</b>	<b>11.5</b>	<b>1.2</b>	<b>1.2</b>	<b>28.9</b>	<b>(11.6)</b>	<b>(55.3)</b>		
<b>Nimish Joshi Dir-5054</b>																								
Educomp	172	299	9	34.4	40.8	39.1	6.6	5.0	4.2	4.4	3.4	2.9	0.6	0.5	12.8	13.4	11.5	1.2	1.2	28.9	(11.6)	(55.3)	SELL	210
<b>Others</b>		<b>14,629</b>	<b>92</b>				<b>69.2</b>	<b>43.2</b>	<b>19.8</b>	<b>16.0</b>	<b>13.8</b>	<b>9.9</b>	<b>4.2</b>	<b>3.4</b>	<b>9.3</b>	<b>18.2</b>	<b>19.8</b>	<b>1.1</b>	<b>1.4</b>	<b>4.1</b>	<b>(0.2)</b>	<b>(6.0)</b>		
<b>Jaibir Sethi Dir-5037</b>																								
Titan	228	3,645	11	6.8	8.0	9.4	17.8	33.8	28.7	24.4	23.1	19.0	13.6	10.0	47.6	40.2	35.9	1.2	1.5	3.6	(4.3)	2.7	SELL	215
Page Industries	2,923	586	1	80.7	109.9	147.0	35.0	36.2	26.6	19.9	25.0	19.3	19.7	14.6	62.2	63.0	62.7	1.7	2.3	1.2	7.5	53.6	O-PF	3,300
Sintex	66	322	5	11.2	12.6	13.3	8.9	5.8	5.2	4.9	6.1	5.7	0.7	0.6	12.2	12.2	12.1	1.0	1.0	13.9	(22.2)	(61.7)	U-PF	60
Jet Airways	384	596	13	(143.2)	(2.4)	10.3	NA	(2.7)	(160.7)	37.3	70.4	9.4	(8.3)	(7.9)	NA	NA	NA	-	-	3.0	10.0	(20.6)	SELL	290
Havells	585	1,313	3	29.6	39.6	47.5	26.6	19.7	14.8	12.3	12.3	9.7	7.6	5.4	46.0	43.0	37.7	1.3	1.5	5.9	3.1	53.7	BUY	700
TTK Prestige	3,299	671	9	100.1	135.0	179.9	34.0	32.9	24.4	18.3	21.9	16.5	13.1	9.1	47.6	43.9	41.1	0.6	0.8	8.9	(1.4)	21.4	BUY	3,830
Bharat Forge	306	1,282	2	17.7	19.9	25.9	20.7	17.3	15.4	11.8	8.9	8.2	3.3	2.8	19.9	19.7	22.0	1.6	2.0	(1.7)	(3.3)	(5.2)	U-PF	340
Pantaloon Retail	185	753	18	4.5	4.4	7.1	26.0	41.4	41.8	26.1	9.3	8.4	1.4	1.3	3.5	3.3	4.9	0.5	0.5	8.0	11.1	(40.8)	U-PF	155
Apollo Tyres	82	742	5	8.7	11.4	13.6	24.8	9.4	7.2	6.0	5.9	4.6	1.5	1.2	15.6	18.5	18.6	0.8	1.0	(0.4)	(3.0)	5.3	BUY	110
Jubilant	1,240	1,453	17	16.3	24.9	34.7	45.8	76.1	49.9	35.8	41.9	28.3	26.7	17.9	43.0	43.4	41.2	0.2	0.2	(1.0)	10.7	48.3	BUY	1,380
Exide Industries	136	2,072	3	5.4	6.9	8.1	22.3	25.0	19.5	16.7	16.8	12.8	3.8	3.4	15.9	18.3	19.2	1.9	2.2	2.3	(2.7)	(17.4)	U-PF	132
Shopper's Stop	359	533	1	7.8	9.5	12.9	28.2	45.9	37.8	27.9	22.4	18.3	4.5	4.1	10.3	11.3	13.6	0.3	0.3	18.5	0.1	(23.5)	SELL	320
<b>Vikash Jain Dir-5015</b>																								
SR Sugars	34	407	4	0.0	1.7	4.2	1,088.0	1,129.3	19.6	8.0	7.1	6.2	2.0	1.0	0.2	6.6	11.6	3.0	3.0	20.8	1.8	(52.2)	BUY	45
Balrampur Chini	58	253	1	(1.3)	2.5	2.6	NA	(43.1)	22.8	21.8	12.2	10.8	1.2	1.2	(2.7)	5.3	5.4	1.3	1.7	17.9	(1.0)	(5.4)	O-PF	66
<b>CLSA Universe</b>		<b>803,516</b>	<b>1,736</b>				<b>12.8</b>	<b>15.8</b>	<b>14.0</b>	<b>12.4</b>	<b>9.4</b>	<b>8.5</b>	<b>2.4</b>	<b>2.1</b>	<b>16.1</b>	<b>16.0</b>	<b>16.2</b>	<b>1.6</b>	<b>1.7</b>	<b>3.5</b>	<b>(0.5)</b>	<b>(3.1)</b>		
<b>Sensex</b>		<b>17,489</b>		<b>1,104</b>	<b>1,230</b>	<b>1,374</b>	<b>11.6</b>	<b>15.8</b>	<b>14.2</b>	<b>12.7</b>	<b>9.5</b>	<b>8.6</b>	<b>2.6</b>	<b>2.3</b>	<b>17.8</b>	<b>17.3</b>	<b>17.2</b>	<b>1.7</b>	<b>2.0</b>	<b>3.7</b>	<b>0.9</b>	<b>(5.0)</b>		

**Key to CLSA investment rankings:** **BUY** = Expected to outperform the local market by >10%; **O-PF** = Expected to outperform the local market by 0-10%; **U-PF** = Expected to underperform the local market by 0-10%; **SELL** = Expected to underperform the local market by >10%. Performance is defined as 12-month total return (including dividends).

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