AXIS CAPITAL

INDIA 2020 STARS

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ANNUAL INDIA CONFERENCE 2013

Key Takeaways

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Axis Capital 2020 Stars Conference 2013…

- **The Axis Capital 2020 Stars Conference 2013 turned out to be one of the biggest congregations of the Who's who of India, from the Hon. Finance Minister and senior government officials, to India Inc. represented by some of the largest private and public sector corporates. We hosted 450+ delegates from 140+ funds to meet with 90+ corporates**
  - The Honorable Finance Minister **Mr P Chidambaram delivered the plenary address** underlining India's key economic imperatives. **Main track speakers** included an assortment of top leaders of India Inc. Moreover, we had the likes of **Rajdeep Sardesai** (Political Analyst, Editor-in-Chief, IBN News Network) and **Anil Swarup** – IAS, Additional Secretary, Cabinet Secretariat – Head of Project Monitoring Group (PMG) assisting the Cabinet Committee on Investment (CCI) to provide a well-rounded perspective
  - Continuing with our tradition of marquee personal interviews, **Shikha Sharma (MD & CEO, Axis Bank) explored N Chandrasekaran's (CEO and MD, TCS) perspectives on his remarkable personal and professional journey so far**
- Overall, while the mood of a vicious cycle of a few months back seems to be behind us, there's still time for a virtuous cycle to set in. Uncertainties remain, related to the elections, QE tapering, the fiscal deficit (though the FM was steadfast in his view of a controlled fisc)
- There are also apprehensions over a massive divestment program. The pickup in Consumption and Capex remains unclear, though the government has indeed moved forward in clearing a large number of projects.
- Good monsoons augur food inflation coming off over the next few months, so that the interest rate hike cycle can be stopped, after a possible 25 bps last repo hike. While the new faces of the finance ministry and RBI this year have obviously managed to yank back India's deteriorating fundamentals with a host of welcome measures and assurances, electoral prospects seem to take centre stage in corporate decision making

- On a more positive note, there are Companies (mainly consumer focused), with a robust business model which are still doing innovative things to increase efficiency and growth.
- In the short term, agri and exports related companies continue their steady growth.
- In time as demand improves, we expect the first movers to be companies with good operating leverage, as well as those which benefit the first from happier moods such as consumer discretionary and banking
- This report provides what we gleaned from the main track speakers and the corporate 1x1s. It also provides a section where our analysts have provided their outlook on key sectors, taking into account the current results, the operating environment, and the conference of course. We are providing some of our large cap buys and sells below. Other names are provided in that section
- BUYs: Dr. Reddy's Lab, HCL Tech, HDFC Bank, ICICI Bank, Idea, Infosys, NTPC, RIL, Tata Motors, United Spirits, Wipro
- SELLs: Asian Paints, BHEL, Hero MotoCorp, Sesa Sterlite, State Bank of India

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* Abstracted from our reports "**Key Takeaways** …" released on Nov 14 & 15

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P Chidambaram: Keynote speech...

- **Clarity of intent and confidence: The Finance Minister was steadfast on meeting his avowed fiscal deficit target. He also acknowledged the high twin deficits and inflation and said steps to address these were being taken.Though he appeared confident of containing the deficits, he did not see inflation coming off in a hurry**

- **FM's take on key concerns**
  - **Growth**: He mentioned that the government will take all steps to boost growth, create a friendly and efficient investment environment
  - **Fiscal deficit**: The FM reassured he will meet the 4.8% fiscal deficit target for FY14 despite the challenging environment. He made it clear that expenditure will be cut if revenue targets are not met for maintaining the red line on Fiscal deficit. He said, "Mark my words, we will ensure fiscal discipline. Every rupee lost in revenue will be met by one rupee cut in expenditure"
  - **CAD**: has been pegged at US$ 56 bn (or < 3% of GDP) now by the RBI, which is much lower than Finmin's own estimate. He expressed confidence that India would end the year with an even lower number. On the financing side, the FCNR (B) and Banking channel have netted in US$ 18 bn so far and India should get ~US$ 25 bn by Nov-end
  - **Inflation**: Inflation is unacceptably high and worrisome. Some of the inflation bit has become structural – Retail CPI esp. from fruits and vegetable segments has been difficult to contain as it's both a supply and demand side issue making it tricky to handle
  - **Infrastructure**: The government has "unlocked" 99 projects worth US$ 60-65 bn. Though results will not be immediate but a beginning has been made – large infra projects like airports in and around Mumbai and Pune have been cleared. However, he bemoaned the lack of execution capabilities in India
  - **Foreign Investments**: There are huge proposals in the pharma sector for FDI. There is also huge interest in Telecom FDI and maybe two more proposals in Aviation for FDI

…P Chidambaram: Keynote speech

- Other issues
  - **GST:** The government hopes to introduce the bill in the winter session if the parliamentary committee forwards it to the government. However, he hoped it is not stalled for "political reasons"
  - **Subsidy control and use of UID:** Steps have been taken on subsidy control on diesel and LPG. The government can save Rs 50 bn only in LPG if every beneficiary has Unique Identification Code (UID). However, the Supreme Court has cast a shadow on Direct Benefits Transfer (DBT). His belief is DBT will remove duplication and diversion and will go a long way in containing subsidies
  - **Expenditure cuts and its impact on growth:** He viewed expenditure cuts as "savings" as the Finmin will appropriate monies not being spent by various ministries. Two spells of election code of conduct will also come to the rescue this fiscal. The first one is on account of the current 5 state elections where expenditure has been frozen from Sep. And come Feb, there will be another round of expenditure freeze
  - **Bond index:** The government is actively pursuing the idea of India being a part of some global bond index but there are some unresolved issues which the RBI is looking at
  - **Divestments and dividends:** The FM has devised a "use it or lose it" formula for PSUs. If they fail to achieve 100% of their capex target, they will have to give the unallocated money to the government
  - The FM was open to selling Special Undertaking of UTI (SUUTI) stake if necessary but not at "bargain prices"

Rajdeep Sardesai: Take on elections

Mr. Rajdeep Sardesai highlighted the key trends that will decide the outcome of the 2014 elections. Despite the hazardous task of predicting an election outcome in India, he pointed out that India is undergoing a massive churn and momentum is shifting from an aggregate of state elections to a Presidential style election. And this change in momentum is in favor of BJP.

- **There seems to be a higher probability of the NDA forming the next government at the Centre with BJP getting to a tally of 200 (vs. Congress at ~100)**
- **X factors at play in elections 2014**
  - India is suffering from governance deficit and hence decisive leadership is the key. This explains the elections mirroring a Presidential style of elections as against the usual aggregate of state elections
  - Urban India and younger voters (120 mn new voters) will decide the outcome
  - India works on momentum and parties get about 20-30 seats as a result of momentum, which is pro-BJP and pro-Modi
  - Northern states will decide the outcome i.e. UP and Bihar, as against the southern states i.e. AP and Tamil Nadu that decided the outcome in 2009
  - Mamata (Trinamool Congress), Jaya (AIDMK), Jagan Mohan Reddy (YSR Congress) and possibly Mayawati (BSP) will be the kingmakers in 2014

Rajdeep Sardesai is a political analyst and Editor-in-Chief, IBN News Network

Anil Swarup: Spearheading 'fast track clearence' of large projects…

Anil Swarup is IAS, Additional Secretary, Cabinet Secretariat – Head of Project Monitoring Group (PMG) assisting the Cabinet Committee on Investment (CCI)

- **Profile:** The committee and its 12 Sub groups (one for each ministry such as coal, power, etc) facilitate co-ordination between various governmental bodies to resolve issues impacting implementation of projects over Rs 10 bn
- **Initial steps:** Created a web-based portal to do away with the bureaucracy of paperwork with issues directed to concerned ministries which are expected to respond online as well, making the entire process transparent and efficient
- **Progress so far:** Currently, it is appraising 384 projects with an investment value of ~US$ 275 bn involving 890 issues. Various sub groups have conducted 73 meetings where 313 projects have been considered and 114 projects with an investment value of ~USD 65 bn have been resolved
  - Maximum projects stuck are in the power sector, majority having been resolved with FSAs signed for 70 GW
  - Issues impacting project implementation mainly relate to various state governments (39%), coal (22%), environment clearances (16%) among others
- **Plans for making the Committee more effective in future:**
  - Follow up on investment-related decisions of the Cabinet and its Committees (e.g. post FSA, is power being generated?)
  - Ministries to bring before CCI such issues that do not get resolved in the Sub-group
  - Evolving an institutional framework for interface with industry

…Anil Swarup: Spearheading 'fast track clearence' of large projects

- **PMG here to stay:**
  - We need facilitators in India as various ministries/ government operate in silos and we need a facilitator to co-ordinate among them
  - Even ministries have realized the need for a co-ordinator; e.g. while the coal ministry is a recipient, it is also a sponsor of issues having forwarded 3 rail projects (coal linkage) to the PMG. If cleared, it could resolve India's coal availability issues entirely
- **States following suit:** All stakeholders have accepted the need and benefit of the PMG, with 4 states (Bihar, Rajasthan, Gujarat, Andhra Pradesh) even deciding to start their own PMG for the below Rs 10 bn projects
- **The all-important MoEF hurdle:** Key reasons for delay in clearances by the MoEF is that they themselves are inundated by courts, NGOs, green tribunals, etc. The CCI is working with them to streamline processes and instituting timeframes for decision making. Having started with easy decisions, they have been able to resolve several issues already (30-40% of projects cleared by the PMG have had MoEF issues)

Main track speakers…

Amit Jatia, MD of West Life Development: Innovation has helped McDonald's to crack the Indian consumer, i.e. taking taste profile of Indian consumer, incorporating it in a unique McDonald's way, and delivering it at a great value proposition. While urban discretionary demand has deteriorated due to tough economic conditions, the company intends to accelerate its rollout plan (from 30-40 p.a. to 70 restaurants p.a. by FY17) with greater emphasis on 'drive thru'. **The acceleration phase will be driven by** (a) **Broadening accessibility,** i.e. not only store expansion but also increase the value for consumers, and new offerings like McCafe which will drive footfalls, (b) **Strategic menu management,** i.e. menu innovation to drive margin and grow market share, and (c) **Modernizing the store experience** and convenience.

Balram Yadav, MD of Godrej Agrovet (GAVL): Rural India is prospering due to better monsoon and higher MSPs. 30- 40% of farmers' income is invested back towards getting better seeds, improving irrigation, agri inputs and mechanization. Since labor prices have increased consistently, farmer is increasingly focusing on using herbicides for weed removal and more automation in terms of farm implements.

Himanshu Kapania, MD of Idea Cellular: Wireless broadband opportunity is huge with wireless data revenue expected to grow 5x to Rs 500 bn–Rs 700 bn in the next 5 years. Towards this end, Idea Cellular intends to become a pan-India wireless broadband player either through intra circle roaming (currently under legal tangle) arrangements or through acquisition of data spectrum. Idea believes it is well placed to operate as a pure wireless player, as internationally pure wireless operators have ~10% higher margin than integrated wireless players.

…Main track speakers…

Kapil Mehan, MD of Coromandel Int: Indian fertilizer companies are well placed vis-à-vis global peers as they are able to customize fertilizers for domestic farmers. However, policy lacunae like urea not being part of the Nutrient Based Subsidy scheme is impacting complex fertilizers usage. This deteriorates soil quality. Significant growth ahead for seeds (rising demand for hybrid seeds) and insecticides (low penetration).

Punit Goenka, MD of Zee Entertainment: Phase I & II digitization is yielding benefits for broadcasters through higher subscription revenue. Phase III and IV implementation can prove to be a bigger opportunity given much larger addressable market. ARPU expected to double across phase I & II cities over next 3 years due to enhanced addressability. Such greater transparency to drive higher investments in niche content/ channels.

Ram Kumar Krishnamachary, CFO of Just Dial: Just Dial as an organization has always focused on user engagement (a case in point is transition to web-based platform, even though opening up the database was a point of concern, as it could be replicated). Going ahead, Just Dial intends to increase the user engagement by enabling transactions in a host of verticals, which will also open up new revenue streams for the company.

…Main track speakers…

Rupa Kudva, MD & CEO of CRISIL: expects corporate credit quality pressures to persist mainly due to demand slowdown, stretched liquidity and elevated interest rates. Higher stress is visible on large corporates mainly due to tight liquidity. Investment-linked sectors are more vulnerable to downgrades. CRISIL expects GDP growth at decadal low of 4.8% and economy to have a L-shaped recovery unlike V-shaped recovery seen post Lehman crisis. On a positive note, good monsoons is leading to agriculture bounty while weak currency and uptick in demand from advanced economies are boosting export sectors.

S S Mundra, Chairman and MD of Bank of Baroda: remains upbeat on India as it the second fastest growing large economy. He identified two themes for 2020 – concentration of population in Emerging Markets including India and rapid urbanization. This is driving the bank's push towards Retail and Financial Inclusion. He sees stress in large corporate segment which may result in higher restructuring in the near term.

Ullas Kamath, Joint MD of Jyothy Labs: Contribution from rural markets (35-50% of FMCG market) is growing at a fast pace aided by (a) higher remittances from migrants, (b) rising penetration of micro finance companies, (c) increased government spending, (b) growing brand awareness driven by television, (e) mini malls and walk in super markets coming up in rural areas, and (f) rising aspirations of rural youths. Jyothy Labs has always driven sales in rural markets through direct coverage of distribution, which is more effective. The company expects improved offtake helped by appointment of new and stronger distributors.

…Main track speakers…

Vellayan Subbiah, MD of Cholamandalam Investment and Finance (CIFC): highlighted the challenges being faced by vehicle financiers wherein repossession rates have gone up for the industry to 1.3% from 0.7% and for CIFC to 0.7% from 0.2%. Disbursement growth has slowed down as the Small Road Transport Operator segment witnesses pressure for the first time in several years. Excess capacity in Commercial Vehicle segment has resulted in stress in sales and collections. He is however optimistic about CIFC's prospects in the long term, and expects steady 15-20% growth in vehicle finance and home equity segments over the next decade.

V Srinivasan, ED of Axis Bank: He expects INR to be fairly stable near current levels with ~US$ 25 bn expected via FCNR deposits. Interest rates are expected to remain range-bound with capex not showing any signs of uptick. Axis Bank has been able to manage profitability in challenging times through dispersed and diversified funding and a balanced portfolio approach. The bank is emphasizing innovation designed around emerging consumer preferences. The bank has recently revised its guidance for stressed assets upwards by 10-15% and is focusing on high quality assets to buffer overall pain.

Company Meetings

Note: Prices as on Nov 18, 2013

Co. represented by: Haresh Mehta (AVP – Finance) and Vimal Dhami (Manager – IR)

- **Ports: Expected to be strong on account of industry capacity constraints and volume visibility at Mundra**
  - **Volumes:** Growth of 1.4x to ~114 MT by FY15 at Mundra driven by anchor clients; Smart ramp up expected at new ports (9 MT in Dahej and 4 MT at Hazira respectively expected in FY14)
  - **Strong balance sheet to aid inorganic growth in East Coast:** Post recent IPP of Rs 10 bn and divestment of Abbot Point, Adani Ports is poised to increase capacity on East Coast. Management is evaluating various options, including Dhamra
  - **Guarantee of USD 800 mn given by ADSEZ for Abbot Point to be eliminated post repayment of this loan by promoters**. Promoters plan to raise AUD 1.2 bn debt (AUD 0.5 bn already raised) for this purpose and expansion at Abbot Point

- **Power:** CERC hearing on compensatory tariff for Mundra is complete and the final order is awaited. However, SEBs can challenge the order in appellate tribunal and the Supreme court later

- **Coal mining (reserves of 13.7 bn T): Management intends to go slow on capex till it consolidates existing operations**
  - **Carmichael (Australia):** USD 800 mn spent till date. Land has been acquired, environment impact study in progress
  - **Mine Developer and Operator business:** Parsa Kente has commenced operations (0.7 MT in H1FY14)
  - **Bunyu (Indonesia):** FY14 production target of 4-5 MT. Ramp has been slow on account of uneven terrain and high rains

Financial summary (CMP: Rs 250)

Y/E March	Sales (Rs bn)	Adj.PAT (Rs bn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	393.6	18.4	-	16.7	(22.3)	-	9.9	5.8	-	1.2
FY13	464.6	10.7	-	9.7	(42.0)	-	5.2	4.8	-	1.6
FY14E	564.6	16.3	12.3	14.8	52.2	16.9	7.6	7.1	10.3	2.4
FY15E	701.1	28.5	23.5	25.9	75.5	9.7	12.7	9.6	7.0	3.5

Source: Company, Axis Capital; *Consensus broker estimates

Aditya Birla Nuvo

Co. represented by: Romi Talwar (AGM – Investor Relations), Saket Shah (Corp. Investor Relations, Aditya Birla Group)

- **Life insurance:** Environment remains challenging for new business growth due to continuous regulatory changes and FY14 growth may be impacted with new product approvals ending on January 2014
- **NBFC:** Further investments of Rs 2 bn likely depending on the traction in book size
- **Telecom:** Fund raising in Idea (board approval taken for Rs 37.5 bn QIP), if any, may be utilized towards acquisition of data spectrum, renewal of existing spectrum etc
- **Fashion and Lifestyle:** Decline in EBITDA margin is due to increase in overheads on account of investment in people, expansion of stores, increased marketing spends etc, the benefit of which will not reflect immediately. Management will continue to invest in Pantaloons format over the next 12-18 months which should improve EBITDA margin to the industry benchmark of 4-6%. Value unlocking is some time away with Pantaloons format being in investment phase for the next couple years and Madura in the process of attaining further scale

Financial summary (CMP: Rs 1223)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	218,403	9,940	-	87.6	7.3	-	14.0	5.1	-	6.0
FY13	254,902	10,589	-	88.1	0.6	-	12.5	5.7	-	6.5
FY14E	267,422	13,426	99.1	103.3	17.2	11.8	13.0	6.0	6.9	6.5
FY15E	297,711	14,959	125.5	115.1	11.4	10.6	12.5	6.2	6.8	6.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Kunal Shah (Executive Director) and Sanjay Majmudar (Director)

- **AIAE continues to witness strong traction in volumes** driven by the mining segment. Currently, the company is facing a capacity constraint since the plant is operating at 90% utilization
- **Capacity expansion from 200,000 MT to 300,000 MT** is on track. Total outlay envisaged at Rs ~3.7 bn over FY14-15. While brownfield expansion (60,000 MT) would be operational by Q4FY14, the greenfield capacity (40,000 MT) is expected to commission by end-FY15. The greenfield capacity is towards Mining liners which are more remunerative than the traditional grinding media
- Management has guided for volumes of ~ 1,80,000 MT and 2,00,000+ MT in FY14 and FY15 respectively
- AIAE's margin has been on an upward trend driven by better product mix, pricing and weaker INR. Margin is expected to sustain over 21%+ going forward mainly driven by better product mix and pricing

Financial summary (CMP: Rs 418)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	14,167	1,805	-	19.1	1.4	-	15.8	21.5	-	3.0
FY13	17,513	2,108	-	22.4	16.8	-	15.9	20.5	-	4.0
FY14E	19,498	2,717	26.1	28.8	28.9	14.5	17.7	22.9	9.3	4.0
FY15E	22,283	3,076	29.9	32.6	13.2	12.8	17.3	23.0	7.8	4.0

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: G Anantharam (Vice President –Treasury & IR) and Michelle Falcao (Investor Relations)

- **Restructuring update**
  - Ambuja is currently in the process of obtaining shareholder approval to acquire 50% stake in ACC. The company is holding shareholders' meeting on 23rd Nov
- **Expansions at both Ambuja and ACC; capacity to rise to 74 mnt from 58 mnt currently**
  - 15 mnt capacity expansion underway in both companies; expected to be complete over next 5 years
  - Expansions include a 6 mnt greenfield project in Rajasthan. The company does not expect any significant impact from the new Land Acquisition Act, as 82% of land acquisition has already been completed
- **Long term industry positives: (a) Increasingly difficult to set up greenfield projects and (b) Industry consolidation**
  - Capex cost has risen significantly to USD 140/ton (including captive power). Also, the company expects execution time to be > 5 years
  - Expects industry consolidation to intensify in the medium term

Financial summary (CMP: Rs 179)

Y/E Dec	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	RoE (x)	DPS (Rs)
CY09	70,407	19,587	11,706	7.7	4.5	19.3	2.4
CY10	73,424	18,898	12,136	8.0	3.6	17.6	2.6
CY11	84,768	20,411	12,307	8.0	0.6	16.0	3.2
CY12	96,840	25,184	15,499	10.1	26.1	18.4	3.6

Source: Company, Axis Capital

Co. represented by: K Ram Kumar (Special Director – Corp. Finance) and Gopal Mahadevan (CFO)

- **Demand outlook** remains unclear. Does not expect any recovery in volumes in H2
- **Discounts** continue to inch upwards (~Rs 175K/ unit in Q2 vs. ~Rs 150K in Q1) putting incremental pressure on margin
- **Debt:** The company is looking at various options to reduce current debt (~Rs 50 bn) – (1) reduce its breakeven levels by ~20%, (2) lower working capital, and (3) sale of non-core assets
- **Freights rates** have improved recently only for short distance routes (attributable to transport of agri-commodities and perishable items). This is more seasonal in nature
- **New launches:** (1) Recently introduced Boss in 7.5 to 12 ton category to complement existing offering Ecomet, (2) plans a new M&HCV (N – truck), and (3) expand the Dost platform with more pay load options as well as passenger version

Financial summary (CMP: Rs 15)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	127,034	6,267	-	2.4	(4.7)	-	22.6	13.6	-	1.0
FY13	122,031	1,442	-	0.5	(77.0)	-	4.8	6.5	-	0.6
FY14E	113,594	(829)	(0.7)	(0.3)	(157.5)	(49.5)	(2.7)	3.1	12.9	0.2
FY15E	124,733	2,318	0.9	0.9	(379.8)	17.7	7.6	6.7	8.1	0.4

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Sanjeev Gupta (President – F&A) and Suresh Warrier (SVP & Head Corporate communications & IR)

- **Growth outlook contingent on system growth** – adjusted for currency depreciation system growth was ~14% YoY in Q2. Axis guided for 16% loan growth for FY14 (17% YoY growth in Q2)

- **Improved capital efficiency**: Axis has taken a number of steps in FY12-13 to improve capital efficiency ratios. Recent dilution will be sufficient to fund next 3 years of growth for the bank (Tier I at 12.8%)

- **Asset quality guidance was revised upwards** in view of challenging macro - Fresh slippages/ restructuring/ credit costs guidance for FY14 was revised upwards by 10-15% at end of Q2. Management expects fresh stressed assets formation at ~Rs 60 bn and credit cost guidance at 100 bps in FY14. Incremental origination of assets is of superior quality which will help in curtailing fresh slippages

- Axis Bank has **diversified its funding mix** which helps it absorb any shocks due to tight liquidity situation and volatile markets (share of retail deposits has increased to ~73% including CASA ratio of ~43%). **NIM is expected to be ~3.5%+** for FY14 (current 3.8%)

Financial summary (CMP: Rs 1138)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	42,422	102.7	24.4	552	545	20.3	1.6	0.3
FY13	51,794	110.7	7.8	708	698	18.5	1.7	0.4

Source: Company

Co. represented by: Kevin D'SA (President – Finance)

- **Demand outlook:** YoY volume growth in the festive season was below expectation. Expect domestic motorcycle industry growth to be better in H2FY14 vs. H1
- **Exports:** YoY growth has resumed since last three months. Recovery is attributable to normalization in demand in Nigeria. Concerns on Egypt (shortage of USD) receding, which should aid volumes. H1 exports to Egypt is ~50% of normal billings
- **Cost pressures:** Margin in H2 will be under pressure (vs. 23% in Q2) due to (1) rising metal cost and (2) under-recovery of costs on new 3W (launched in August). The company has raised domestic motorcycle prices by 1.5% to 2% (adequate to cover cost). No price hikes taken in export markets due to favorable currency
- **New launches:** Series of launches from new Discover platform will be rolled out by end February/March 2014. Discover M has already been launched in October 2013

Financial summary (CMP: Rs 2029)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	188,803	31,041	-	107.3	10.9	-	56.7	62.4	-	45.0
FY13	194,890	30,749	-	106.3	(0.9)	-	44.1	50.1	-	45.0
FY14E	211,634	37,375	123.7	129.2	21.5	15.7	41.9	49.7	10.4	50.0
FY15E	233,073	42,763	142.3	147.8	14.4	13.7	38.3	45.9	8.6	55.0

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Rajeev Jain (CEO) and Devang Mody (President – Consumer Business)

- **Consumer durables sales witnessing slowdown** (<10% YoY growth in value terms for Diwali). Asset quality holding up in the consumer segment so far. Given lower size and inherent advantage vis-à-vis banks, BAF believes it will continue to maintain leadership in this segment with minimal slippages
- **SME segment will remain key growth driver**. Contribution from this segment will go up to ~55% in the medium term from ~50% of AUM in Q2FY14
- Salaried personal loans continue to see healthy collection rates (99.8% for Q2FY14) despite early signs of job losses in this segment. Accordingly, approval rates for this segment has been tightened to curtail future slippages
- **BAF is carrying surplus liquidity** to meet funding challenges in the tight liquidity environment. Although this protects the company from adverse volatility in interest rates, it is exposed to **marginal negative carry on excess borrowings**
- BAF is **targeting medium tenure retail deposits** to diversify its liability profile. It hopes to leverage on the Bajaj brand and strong distribution reach to enjoy competitive all-in costs from this funding avenue

Financial summary (CMP: Rs 1426)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	4,064	98.4	45.9	492	489	8.3	1.7	24.0	3.8	0.1
FY13	5,913	118.8	20.8	676	670	12.0	2.1	21.9	3.8	0.2
FY14E	6,915	138.9	17.0	798	790	10.3	1.8	18.8	3.5	0.3
FY15E	8,333	167.4	20.5	946	932	8.5	1.5	19.2	3.5	0.4

Source: Company, Axis Capital

Co. represented by: S. Sreenivasan (President – Finance) and Ajay Sathe (Head – Corporate Strategy)

- **Life insurance business had seen strong growth in October** although on a small base. Management is focused on improving persistency, growth and product mix of this business. Profitability in FY14 to be impacted due to cap on surrender charges and uncertainty on Q4FY14 growth which forms ~40% of annual business

- **Product approvals facing regulatory hurdles:** Ban on maximum NAV product (key product for few insurers) will not impact the life insurance company, as it has an insignificant share from such products. However, management is watchful on the new product approvals (in Jan 2014) and stated that this may impact new business growth

- **General insurance doing good:** Higher retail mix and retention ratios supported profitability. Management expects 20% RoE over next 5 years from this business. The company is able to retain ~70% of motor insurance and ~80% of health insurance customers

- **Optimistic on health insurance business:** The underwriting performance is amongst the best (claim ratio of ~90% vs. industry average of ~110%) due to (1) in-house health team and (2) premium pricing. Management believes health insurance is most underpenetrated segment and hence has highest growth potential

Financial summary (Consolidated) (CMP: Rs 694)

	Bajaj Allianz Life Ins.			Bajaj Allianz General Ins.			Bajaj Finance		
Y/E Mar	APE growth (%)	NBAP margin (%)	Embeeded value (Rs mn)	GWP (Rs mn)	Claim ratio (%)	Combined ratio (%)	ROE (%)	Net NPAs (%)	P/ABV (x)
FY12	(20)	12.5	67,758	32,866	77	107	24.0	0.1	-
FY13	7	11.6	76,529	40,014	72	102	21.9	0.2	-
FY14E	(0)	11.5	81,930	47,217	72	100	18.8	0.3	1.8
FY15E	5	11.5	87,850	55,716	71	98	19.2	0.4	1.5

Source: Company, Axis Capital

Co. represented by: S S Mundra (Chairman & MD) and Dr Ropa Rege Nitsure (Chief Economist)

- **Focus is on developing its retail business both on the assets and liabilities front**. In H1, BoB has shown this intent with improvement in CASA share (domestic CASA at ~31%), retail term deposit share (on liability side) and mortgage loans (on assets side) showing healthy growth
- Management has **guided for 3% domestic NIM** in FY14, which will be supported by improvement in CASA and higher share of retail advances
- Management expects **slippages to trend downwards** but indicated **restructuring would remain high** (restructuring pipeline of Rs 20 bn) for few more quarters. Improvement in asset quality and margin to support return ratios in H2
- Profitability to be protected as
  - bank has been proactive in making staff provisions (new mortality table and 15% wage hike already implemented)
  - margin improvement likely with better C-D ratio
  - relatively lower credit costs

Financial summary (CMP: Rs 620)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	50,070	121.4	12.4	638	613	5.1	1.0	21.7	1.2	0.5
FY13	44,807	106.0	(12.7)	731	665	5.9	0.9	15.7	0.9	1.3
FY14E	47,374	112.1	5.7	820	689	5.5	0.9	14.5	0.8	2.2
FY15E	54,575	129.2	15.2	924	744	4.8	0.8	14.8	0.8	2.7

Source: Company, Axis Capital

Co. represented by: Nitin Parekh (CFO) and Vishal Gor (Head IR)

- **Confident on US growth with 20+ approvals expected over next 12-15 months** including few nasal products and excluding transdermal (four ANDAs filed) and mesalamine (Pentasa, Lialda, Asacol etc) products
  - **US to grow 20%+** (USD terms in FY14/ FY15) – gDepakote ER to be a significant growth driver in FY14
  - **Transdermal facilities inspected**; expects two product approval by FY15-end/ FY16-beginning
  - Expects no impact on Cadila from Mylan litigation on transdermal technology
- **India formulation to resume 15% growth from Q2FY15** as full impact of pricing policy (Rs 800-900 mn) would have been absorbed by then (~Rs 200 mn per quarter)
- **Hospira JV:** Margin has bottomed out; however, sales growth will resume in FY16 with launch of 17 new products
- **EBITDA margin to improve to 20%** (from 17% in FY14) by FY16. This includes ramp-up in US (excludes transdermal/ meslamine launches), ramp-up in India formulation (Jun '14 onwards), and higher realization on exports (USD hedged at Rs 59 till Dec '13)

Financial summary (CMP: Rs 725)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	52,633	7,706	-	37.6	2.8	-	32.4	24.7	-	7.5
FY13	63,581	6,553	-	32.0	(15.0)	-	23.3	18.2	-	8.0
FY14E	71,941	7,518	36.3	36.7	14.7	19.8	22.6	17.4	13.6	8.0
FY15E	84,231	9,063	45.2	44.3	20.5	16.4	22.8	20.1	10.8	8.0

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: B. L. Chandak (Executive Director) and Pankaj Kedia (Chief Manager – Investor Relations)

- **Chandrapur TPP (600 MW):** First unit (300 MW) to be commissioned in Dec '13 and second unit by Mar '14. Coal required for 6 months is already at the site. Received LOI from Tamil Nadu for supply of 100 MW @ Rs 4.91/unit. Tata Power case-I bidding (300 MW) is also underway. In absence of other PPAs, the company is looking forward to tie-up in the interim with some open-access consumers and would supply power to them using e-auction coal. Supply to Noida Power (group distribution company) is also being explored, but this would require regulatory approval

- **Spencer's:** would achieve cash break-even in another 3-4 months time, as it is about to reach the critical size of ~1.2 mn sq ft. Focus is on adding stores in hypermarket category. 5 stores added so far and 7 more likely by Mar '14

- **Dividend policy and asset monetization:** After the commissioning and streamlining of Chandrapur operations, the Board may consider increasing dividend payout as major investment phase would be over. Also, the management is considering various ways of monetizing Spencer's after it achieves 'break-even at corporate level'

Financial summary (CMP: Rs 393)

Y/E Mar	Sales (Rs bn)	PAT (Rs bn)	EPS (Rs.)	P/E (x)	P/B (x)	RoE (%)	Net D/E (x)	BVPS (Rs)
FY11	40.9	4.9	38.9	10.1	1.2	12	0.6	341
FY12	46.1	5.5	44.1	8.9	1.0	12	0.6	386
FY13	52.4	6.2	49.3	8.0	0.9	12	0.7	433

Source: Company, Axis Capital

Co. represented by: S Vellayan (MD) and Arul Selvan D (Senior VP & CFO)

- **Challenging times for asset quality:** Repossession rates have gone up for industry to 1.3% from 0.7% and for Chola to 0.7% from 0.2%
- **Home equity segment** (primarily for financing construction activity) is disbursed at **50% LTV** with customers mainly from the unorganized sectors. Hence relatively high yielding segment with adequate security
- **65% of the vehicles financed qualify for priority sector** and hence company intends to use the securitization window aggressively in H2 for lowering the cost of funds
- **FY14 guidance:** Revenue and profit growth to slow down as Small Road Transport Operator (SRTO) segment seeing pressure. Excess capacity in CV segment has resulted in lower sales and collection; however excess supply seems to be reducing and **expect imbalances to correct over next 2 quarters**
- **Vision for next 10 years:** Vehicle Finance and Home Equity to deliver steady 15-20% growth in coming years. New businesses (SME, Housing, Rural and distribution) need to start contributing significantly FY16 onwards

Financial summary (CMP: Rs 236)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	1,725	13.0	115.1	107	105	14.2	1.8	13.9	1.5	0.3
FY13	3,065	21.4	37.8	137	136	11.0	1.7	18.1	2.0	0.2
FY14E	3,608	25.2	17.7	159	147	9.4	1.6	17.0	1.8	1.2
FY15E	4,945	34.5	37.1	188	170	6.8	1.4	19.9	2.0	1.5

Source: Company, Axis Capital

Co. represented by: Kapil Mehan (MD) and Sankar Subramanaim (CFO)

- **Government not intending to regulate complex fertilizer prices**
  - Government mandate to submit fertilizer cost data biannually has no linkage to subsidy payment, retail fertilizer prices
  - Government's focus is on average half yearly fertilizer prices, and does not intend to intervene in periodic price adjustments taken by fertilizer companies towards changes in raw material prices/ INR
- **Fertilizer conversion margin to benefit from lower inventories and change in product mix**
  - Margin would increase as (a) healthy Rabi demand (MSPs hiked by 2-12%), and (b) lower imports (closure of China export window) would push inventories to normal level of 1.5-2 mnte by Dec '13 (currently 4 mnte; 7 mnte in Mar '13)
  - Coromandel is switching to new fertilizer grades (e.g. 17-17-17, 24-24-0), which enjoys higher margin compared to traditional complex grades (e.g. 20-20-0)
- **Government policies to aid pick-up in SSP demand; positive for Coromandel**
  - Government policy aims conversion of 5% of DAP consumption to SSP every year to lower pollution and forex outgo
  - Coromandel, with SSP capacity of 2.3 mnte (including 1 mnte of Liberty), will benefit from higher utilization (~60% currently)

Financial summary (CMP: Rs 217)

Y/E March	Sales (Rs bn)	Adj.PAT (Rs bn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	99,016	6,743	-	23.8	1.9	-	31.0	23.6	-	7.0
FY13	90,337	4,320	-	15.3	(35.9)	-	18.8	14.2	-	4.5
FY14E	112,321	5,695	17	20.1	31.8	10.8	20.9	19.5	6.3	5.4
FY15E	168,833	7,986	22	28.2	40.2	7.7	22.6	23.6	4.6	7.6

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Madhav Acharya (CFO) and Mayura Kulkarni (Investor Relations)

- **Mega capex plans:** CG plans to set up a 50K MVA greenfield transformer factory at Baroda
- **International business (41% of revenue) to turn profitable in FY15:** USA and Canada will report loss of Eur 10 mn in H2 as well. Post restructuring, Hungary and Belgium transformer factories are at plant level break-even, but are still in red on marketing and other overheads. Management expects ZERO EBITDA in FY14. Given buoyant order inflow by ZIV, management expects positive PBIT margin of 3-4% in FY15
- **Exports to drive margins in domestic T&D (25% of revenue):** Management expects H1FY14 PBIT margin at ~9% to be sustainable. CG is trying to address technology gaps in GIS, automation etc through a tie-up with Toshiba
- **Industrial (12% of revenue):** Decline in volumes due to weak macro led to 400 bps fall in margin. New HT Motors plant has become operational, which can generate peak revenue of Rs 5 bn (1/3rd of current) driven by exports
- **Consumer (21% of revenue):** PBIT margin expanded 50 bps to 11.8% driven by better product mix and lower ad spends. Management expects current margin to be sustainable

Financial summary (CMP: Rs 108)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	EV/E (x)	DPS (Rs)
FY12	112,486	8,159	3,544	-	5.5	(59.4)	-	10.3	-	1.4
FY13	120,944	5,108	1,691	-	2.6	(52.3)	-	4.7	-	1.2
FY14E	128,380	7,067	3,061	7.1	4.8	81.0	22.7	8.4	12.2	1.2
FY15E	137,074	8,888	4,560	8.9	7.1	49.0	15.2	11.6	9.5	1.2

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Lalit Malik (CFO), Gagan Ahluwalia (GM – Corporate Affairs), Dhruv Sharma (Dy. Manager – Corporate Affairs)

- **Rural (47% of domestic revenue; ~33% of consolidated revenue) growing ahead of urban markets**
  - Rural distribution extension, share gain due to natural/ ayurvedic positioning, and brand investment has aided 7th successive quarter of 9+% volume growth in Q2FY14. Management remained optimistic of rural growth helped by good monsoon

- **Focusing on new launches in healthcare, hair care and foods**
  - Dabur has launched new 'Ratnaprash' at a price of 2x of regular Chywanprash to boost growth from premium end of the market. Further, the company has been test marketing milk shake under Real brand and packaged coconut water
  - The company had launched Vatika hibiscus hair oil in South and would roll out in other states on successful launch. It also plans to gradually launch several healthcare products

- **Improvement in International business (30% of consolidated revenue) to aid EBITDA margin gain**
  - Recovery in Namaste business (double digit growth in Q2) and over 20% growth in Hobbi business has aided strong 26% growth in international business in Q2FY14 (also helped by rupee depreciation)
  - Scale benefit driving operating leverage and lower commodity cost has aided improved margin for international business

Financial summary (CMP: Rs 162)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	52,836	6,463	-	3.7	13.9	-	41.6	29.0	-	1.4
FY13	61,467	7,675	-	4.4	18.7	-	40.0	31.1	-	1.5
FY14E	70,533	9,210	5.3	5.3	20.0	30.7	38.7	31.4	22.5	2.0
FY15E	82,121	11,042	6.3	6.3	19.9	25.6	37.6	31.4	18.8	2.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Jayesh Doshi (Executive director – Corporate Finance & Strategy) and Himmi Gupta (AGM – IR)

- **Increase in capacity to 22 mnt (including associates & subsidiaries) by FY15 vs. 17 mnt currently**
  - Capacity increasing in (a) South to 11.5 mnt (9 mnt currently), (b) OCL to 6.7 mnt (5.3 mnt currently), and (c) Calcom to 2.2 mnt (1.3 mnt currently)

- **Significant effort to cut costs, particularly energy and freight costs**
  - Proportion of petcoke is expected to rise from 30% currently to 45% in near term and 75% in long term, replacing imported coal being used currently, which is of lower calorific value as compared to petcoke
  - The company is also shifting its coal-based captive power plant in South to 100% lignite, which is more economical

- **Presence in lucrative East India and deep South market**
  - Half of Dalmia's capacity is in East India, which has traditionally been more profitable due to (a) better cement prices and (b) incentives received from government. Cement prices in East are ~20% higher than pan-India prices
  - One-third of capacity (6.5 mnt in Tamil Nadu) caters to lucrative Kerala, Tamil Nadu and other deep South regions
  - With the commissioning of capacity at Belgaum (Karnataka), Dalmia will be able to access Maharashtra – one of the biggest market

Financial summary (CMP: Rs 128)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	RoE (x)	DPS (Rs)
FY12	23,422	5,279	1,435	17.7	NA	5.1	1.3
FY13	27,906	6,342	1,971	24.3	37.4	6.6	1.7

Source: Company, Axis Capital

Co. represented by: Sanjay Mani (CGM – Sales) and Prasoon Kumar Pandey (Head – Investor Relations)

- Ad revenue continues to be encouraging with higher local ad spends, given healthy festive season spend; higher ad spend by state government/ political parties coupled with pick up in national ad spends to drive future growth
- Ad spends across auto, realty, lifestyle, FMCG have been encouraging; BFSI and education continue to be muted
- While newsprint prices have increased, the company plans to partially nullify the same through steady hike in cover prices, lower pagination and reducing surplus copies
- **Bihar launch:** The company has launched its initial subscription scheme in Patna with a marginally higher average monthly realization (Rs 73 vs. Rs 64 for Hindustan and Rs 69 for Jagran Prakashan). It has already received 80,000 bookings vs. target of 160,000 copies. It expects an investment of Rs 150-200 mn for its Patna launch
- Management targets ~20% share in Bihar ad market and expects its Bihar + Jharkhand presence to garner higher ad yields in the medium term

Financial summary (CMP: Rs 264)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	14,514	3,363	2,023	-	11	(23)	20	23	27	12	5
FY13	15,923	3,760	2,181	-	12	8	22	22	27	13	6
FY14E	18,095	4,232	2,463	15.5	13	13	20	23	28	11	6
FY15E	20,531	5,377	3,203	18.1	17	30	15	26	34	9	8

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Rajesh Sharma (VP, Finance and Accounts and IR)

- **Three pillars of growth to drive 15-17% revenue CAGR over next 3 years**
  - **Core focus on leveraging top 4 power brands** through greater investment and distribution extension
  - **Brand extensions in adjancies** such as Navratna Talc, Boroplus facewash and Boroplus body lotions
  - **Expand Zandu OTC range**: Will look at extending the range (e.g. launched aphrodisiac capsule) and expanding presence through pharma distribution chain

- **Growth to moderate (~14% YoY) in FY14**
  - Revenue growth in H1FY14 at 13% (6% volume) was muted due to early and extended monsoon season. Yet management expects marginal recovery in H2FY14 at 14% (10% volume growth) aided by summer offtake in Q4
  - **International business (15% of revenue, up 25% in H1FY14) to aid growth**: Bangladesh unit expected to clock Rs 600 mn revenue in FY14 and Rs 1 bn over next 2-3 years. Packaging issue in CIS market has been sorted, but growth is yet is kick in

- **Margin to expand on lower A&P spends and benign commodity costs**
  - A&P to sales likely to remain flat YoY at 16% (vs. earlier est. of 100-200 bps increase) due to weak demand environment
  - Benign commodity cost (Menthol prices down 30% in Q2FY14) will also aid EBITDA margin in FY14

Financial summary (CMP: Rs 471)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	14,535	2,725	-	12.0	26.1	-	39.0	35.9	-	5.3
FY13	16,991	3,158	-	13.9	15.9	-	42.6	41.6	-	5.3
FY14E	19,427	3,672	17.1	16.2	16.3	29.1	43.7	47.8	24.8	7.0
FY15E	22,592	4,279	20.0	18.9	16.5	25.0	42.6	50.8	20.5	8.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: K K Rathi (CEO) and Dipayan Baishya (GM - Strategy & Communication)

- **Primary focus on scaling up urban distribution business through convenience store formats - KB's Fairprice, Big Apple**
  - The company currently operates163 convenience stores and has plans to add 100 stores p.a over the next few years. Store expansion will be restricted to the top 3 metros – Mumbai, Delhi and Bangalore
  - The company is also exploring the franchisee route to accelerate expansion
  - Till date, 40% of the stores have achieved cash breakeven. Within 4-6 months, every store is expected to be profitable
  - Scale benefits in supply chain plus augmenting private label share (currently 6-7%) to 20% over time will enable significant cash generation

- **Over the last 7 years, the company has introduced various FMCG products. Some of these brands have achieved market leadership position in their respective category in Future Group retail formats**
  - **In processed food**: Cookies, jam, chips, corn flakes, namkeens & others. **In Home & Personal care:** Cleaning range, aluminum foil, tissues, diapers etc
  - Currently, 4-5% of FMCG revenue is from external parties (non-Future Group retail)

- **Integrated Food park is expected to commence operations by April 2014**
  - The concept is expected to improve efficiencies and reduce costs in the entire food supply chain
  - It will provide 'Plug & Play' infrastructure (on lease) for small and medium enterprises/corporates looking to set up processing units in the food space
  - Several MNC's have shown interest in establishing operations in the Food park

Glenmark Pharmaceuticals

Co. represented by: Jason D'Souza (GM – Corporate Communications)

- **Focus on niche ANDA filings for future growth:** Has ramped up ANDA filings (20+ every year); expects 25 ANDA filings in FY15 (skewed towards niche products); targeting USD 100-150 mn derma products in US
- **India market growth to resume as trade unrest settles; however, high teen growth challenging:** Glenmark would continue to grow faster than the market with focus on pure generics, OTC and cardio/ diabetes segment
- **Russia growth to pick-up with resumption in approvals:** Currently, the growth has tapered down due to slow approval process (change in regulations require clinical trials). However, growth shall return to normal 12-15% range with a lag of 12-15 months (i.e. in FY15)

Financial summary (CMP: Rs 519)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	40,206	7,015	-	25.9	116.9	-	31.6	22.0	-	2.0
FY13	50,123	7,136	-	26.3	1.6	-	27.6	21.8	-	2.0
FY14E	62,696	7,879	26.3	29.1	10.4	17.8	25.2	23.4	12.0	2.0
FY15E	75,025	10,480	33.2	38.7	33.0	13.4	26.3	26.6	9.4	2.0

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Jitendra Jain (CFO – Corporate Finance) and P R Sreenivasan (GM – IR)

- Of the total gross debt of Rs 430 bn, ~Rs 220 bn is employed in operational/ partly operational assets with remaining to be made operational by Dec '14; FY16 to be GMRI's best year yet in terms of cash generation
- Equity requirement seen at ~Rs 18 bn over next 18 months. The company shall continue to raise mezzanine debt until it can raise fresh equity via IPO of business verticals
- Focus on asset divestment at lucrative valuations to continue; to de-leverage its balance sheet (achieved net debt reduction of ~Rs 61 bn over the last 1 year via asset sales)
- Airports: Bulk of capex is complete; all three airports are now profitable
- Power: Most of GMR's capex in near term to be incurred in power vertical
  - Confident of ramping up capacity from 2 GW now to 5 GW in 1-1.5 years
  - Concerns over gas availability remain – reflected in low PLF in the last few quarters
  - PLF at coal-based plants expected to be healthy – EMCO has already clocked 65% PLF in Q2FY14

Financial summary (CMP: Rs 22)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	76,421	(4,012)	-	(1.0)	136.5	-	(6.0)	1.7	-	-
FY13	83,054	(1,799)	-	(0.5)	(55.2)	-	(3.8)	2.9	-	0.1
FY14E	94,542	(6,949)	(2.0)	(1.8)	286.3	(12.5)	(20.0)	3.4	13.7	-
FY15E	128,148	(8,351)	(0.8)	(2.1)	20.2	(10.4)	(27.7)	3.9	11.0	-

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Balram Yadav (MD – Godrej Agrovet) and Clement Pinto (CFO - GIL)

- **Rural India is prospering** due to better monsoon and higher MSPs. 30- 40% of farmers' income is invested back towards getting better seeds, improving irrigation, agri inputs and mechanization. Since labor prices have increased consistently, farmer is increasingly focusing on using herbicides for weed removal and more automation in terms of farm implements

- **Godrej Agrovet (GAVL) enjoys dominant positioning in animal feeds** due to high entry barriers like wide distribution, pan- India manufacturing plants, and trusted brand. 90% of the market is unorganized and there is a gradual shift to organized players like GAVL, as focus is on improving productivity. The business operates on negative working capital and high RoCE

- **GAVL owns ~25% of India's Palm oil plantation (a restricted monopoly)** and is set to benefit due to increasing acreage (annual addition of 7-8,000 hectares) and better maturity profile. The business is expected to grow at 20% p.a. over the next decade; the only risk is government resetting the pricing mechanism

Financial summary (CMP: Rs 279)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	56,121	2,916	-	9.2	(0.6)	-	13.6	2.3	-	1.8
FY13	69,643	3,912	-	11.7	27.1	-	14.3	2.7	-	1.8
FY14E	84,417	4,091	12.2	12.2	4.6	22.8	12.5	2.5	29.4	2.0
FY15E	102,296	6,096	18.2	18.2	49.0	15.3	16.5	4.3	17.4	2.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Pavan Jain (Executive President, Grasim), Swaminathan (President – Finance, UltraTech), Sharad Agarwal (AVP – Finance, Grasim) and Shirin Sancheti (Deputy manager – Finance, Grasim)

- **Jaypee Gujarat plant acquisition update**
  - The company is currently in process of obtaining regulatory approvals and expects to be complete by Q1FY15
  - UltraTech plans to improve profitability at this plant through (a) improving realizations by way of increasing volumes in trade segment (JP currently selling mostly under non-trade segment), and (b) logistic gains by way of realigning clinker movement to existing UltraTech plants

- **Cement demand to improve gradually**
  - According to the company, low demand in Q2 was the bottom and expects gradual recovery going forward. It also expects industry growth of 5% in FY14 and 6-7% in FY15

- **VSF and cement expansions**
  - **Cement:** Current capacity of 54 mnt to rise to 70 mnt by Jun-15 post the ongoing expansions and Jaypee plant acquisition
  - **VSF:** Capacity to rise 50% to 490 kt post the ongoing expansion

Financial summary (CMP: Rs 2621)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	EV/E (x)	DPS (Rs)
FY12	249,878	55,749	26,228	-	286.0	29.2	-	16.6	-	22.5
FY13	276,397	59,236	26,023	-	283.5	(0.9)	-	14.2	-	22.5
FY14E	297,343	54,136	21,194	273.6	230.9	(18.6)	9.2	10.5	4.9	22.5
FY15E	338,633	61,704	22,051	316.1	240.2	4.0	8.9	10.3	4.0	25.9

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Krishnan Chatterjee (SVP – Strategic Marketing), Gopalkrishnan Subramanian (VP – Finance), and Aniruddh Gaur (Investor Relations)

- **Management expects growth to be broad-based**, mainly led by Financial Services (26% of revenue) and Healthcare (12% of revenue); this provides visibility for FY14
- **Infrastructure Management Service (33% of revenue) is likely to continue on a strong footing** given its leadership position and low penetration (5%) in this space by peers
- **HCLT is driving its core Application services with integrated offerings like Alternate Application service management (ALT ASM)** that takes a proactive approach to traditional ASM services and reduces complexity in delivery. Management is seeing a healthy momentum with 13 wins since its launch earlier in the year
- **Management continues to chase integrated deals** which are a combination of enterprise services and Software services. However, discretionary spends continue to be subdued with traditional ERP implementations seeing softness in demand environment
- **On the US immigration bill, management highlighted ~45% are local recruits of the total workforce in US.** Also, management is looking to consolidate its facilities/ delivery centers across the world

Financial summary (CMP: Rs 1096)

Y/E Jun	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	210,312	25,260	-	36.1	47.7	-	26.4	28.0	-	12.0
FY13	257,474	40,594	-	57.5	59.5	-	32.4	34.8	-	12.0
FY14E	337,170	52,347	79.7	74.1	28.8	14.8	31.6	36.9	9.5	7.9
FY15E	397,706	59,315	88.8	83.9	13.3	13.1	27.6	33.1	7.9	7.9

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Sashi Jagdishan (CFO)

- **Business growth to remain stable (~15% in Q2):** HDFCB witnessed better festive demand in the car segment (post SBI raising its income criterion for car loans). Management guided for higher than industry growth in advances led by continued momentum in retail advances and increased focus on corporate loans (mainly WC/ trade finance). Management is currently focusing on improving its rural lending business

- **NIM to remain stable:** In Q2, the bank was carrying surplus T-bills which had negative carry post July. Large part of bills are expected to run down by February and post that margin to see gradual recovery from current levels (~4.3% in Q2). Management indicated NIM to remain stable in Q3

- **Asset quality may get impacted due to general economic** slowdown over next few quarters. Bank carried total floating provisions of Rs 18.7 bn which will help smoothen earnings over cycles

- **Better productivity to drive earnings growth:** ~50% of branches have been opened in last two years and will breakeven in near term (branches typically breakeven in 2-3 years) and this will support cost to income ratio

- **Fund raising plans:** HDFCB does not have any capital raising plans (CAR at 15.6% with Tier I at 10.9%)

Financial summary (CMP: Rs 669)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	51,671	22.0	31.2	127	126	24.4	4.3	18.7	1.7	0.2
FY13	67,263	28.3	28.5	152	151	23.6	4.4	20.3	1.8	0.2
FY14E	85,041	35.7	26.4	180	178	18.7	3.7	21.5	2.0	0.3
FY15E	104,271	43.8	22.6	215	213	15.3	3.1	22.2	2.0	0.3

Source: Company, Axis Capital

Co. represented by: Conrad D'Souza (Member of Executive Management)

- Despite aggressive entry of banks in the home loan segment, **HDFC continues to maintain leadership**. Customers perceive HDFC brand as a stamp of approval for a real estate project given its deep experience
- **Mumbai, NCR and Chennai continue to dominate** real estate with ~ 45% of incremental disbursement growth being contributed by these cities
- **Commercial segment is witnessing stress** with correction in rental cash flows, higher interest rates, higher property taxes and oversupply. HDFC is consciously cherry-picking borrowers in this segment
- **Residential prices have continued to hold up** with a clear premium on ready-for-sale property, given the execution delays being witnessed in the residential projects
- **HDFC prefers bank funding on a rising interest rate environment** and bond markets in a declining rate environment. Retail deposits growth (14% YoY for Q2FY14) has been strong with HDFC's strong niche in the 3-5 year bucket where the company believes its brand is at par with large banks

Financial summary (CMP: Rs 814)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	Adj. BV* (Rs)	P/E (x)	P/ABV * (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	41,226	27.9	15.8	68	14.2	8.0	22.7	2.7	0.0
FY13	48,483	31.4	12.3	109	17.2	5.0	22.0	2.7	0.0
FY14E	54,588	35.3	12.6	128	15.2	4.2	20.6	2.6	0.0
FY15E	63,734	41.2	16.8	150	13.1	3.6	21.5	2.6	0.0

Source: Company, Axis Capital Note: * HDFC valuations are calculated after deducting VOI from Price & COI from BV/ABV

Co. represented by: Drupad Upadhyaya (VP – IR) and Divya Dhawan (Deputy Manager)

- **Macro:** Management expects NHAI ordering to revive post sharp decline in FY13 (NHAI awarded 1,100 km vs. target of ~9,000 km) due to regulatory and financing issues. ITNL would like to be prepared when opportunity arises to bid for lucrative projects
- Overseas business of Yu He expressway and Elsamex have witnessed strong performance. They have also benefitted from INR depreciation
- Despite high leverage of ~4x, ITNL is not looking to divest its road assets as the management is convinced of the deep value in its portfolio
- Projects under execution have equity requirement of Rs 18 bn over the next 18 months (Rs 6 bn cash profits in FY13)

Financial summary (CMP: Rs 118)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	56,056	4,970	-	25.6	14.8	-	19.9	13.9	-	4.0
FY13	66,449	5,203	-	26.8	4.7	-	16.2	11.6	-	4.0
FY14E	60,222	4,336	27.8	18.4	(31.4)	6.4	10.7	10.3	9.2	5.0
FY15E	69,971	4,623	29.7	19.6	6.6	6.0	9.9	10.3	9.2	5.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Sudhir Bhargava (EVP – Corporate Finance)

- **Naukri.com's** performance has been strong with 60%+ traffic share. Naukri is constantly innovating and adding features, like launch of referral platform, recruiter profiling, salary benchmarking tool and refurbished mobile app (all of which have been soft launched)

- **LinkedIn's threat will not significantly impact Naukri's prospects.** LinkedIn's USP is that of a social networking site and its pricing model (pay per contact) will not render itself useful for mass hiring. LinkedIn does pose a threat – but only in the specialist/ niche/ senior management level

- **Matrimony (Jeevansaathi.com)** continues to be a distant No.3; management contends that it is a long term investment and that they will continue to invest in the business. Customer acquisition and servicing, conversion are the key focus areas going forward, which may help in gaining market share

- **Info Edge helps its investee companies** in building the "Sales team", a function to which they generally do not have prior exposure. Further investments may be required in some of the investee companies. Meritnation, Canvera and Policybazaar have been performing well

Financial summary (CMP: Rs 417)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	3,771	1,230	-	22.5	56.1	-	23.7	33.9	-	2.0
FY13	4,373	1,315	-	12.0	(46.5)	-	21.2	30.1	-	1.0
FY14E	5,097	1,254	10.1	11.5	(4.6)	36.3	17.4	26.3	24.6	1.0
FY15E	5,992	1,494	12.8	13.7	19.1	30.5	17.7	27.1	19.7	1.0

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Sandeep Mahindroo (Principal – Investor Relations) and Jayesh Sanghrajka (AVP – Finance)

- **Deal environment is better YoY. Expect Business IT services (61% of revenue) to drive growth in the short term.** However, from a medium to long term perspective, Consulting (33% of revenue) and PPS (Products, Platforms and Solutions; 6% of revenue) to drive growth

- **Q3 and Q4 are likely to be impacted by furloughs** which is reflected in guidance of 9-10% USD revenue growth

- **US and Europe continue to see improvement in demand environment.** Further, discretionary spends continue to be under pressure and deals are being broken up into smaller sizes with shorter durations. Pricing pressure seen in large deals and renewals

- **Margin is likely to be at 23.4% (tight band of 100 bps) in the next few quarters** as management focus is to drive revenue growth and the company is likely to re-invest currency benefits back into the business

- Management indicated despite the strong deal wins (TCV of USD 2bn) in the last four quarters, it needs to win a lot more deals in order to get back to industry growth

Financial summary (CMP: Rs 3400)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	337,340	83,130	-	145.5	21.8	-	29.0	40.4	-	37.2
FY13	403,520	94,210	-	164.9	13.3	-	27.2	36.4	-	42.2
FY14E	504,349	104,959	181.6	183.7	11.4	18.5	25.3	34.3	12.6	55.1
FY15E	600,251	122,511	211.3	214.4	16.7	15.9	25.1	34.0	10.5	64.3

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Shailendra Bhandari (MD and CEO) and Mahesh Dayani (Country Head – Retail Assets)

- **SME remains key growth driver** with the bank carving a strong niche for itself in this segment. Growth has been robust with incremental disbursements being driven by the bank's widening presence in the North
- **Bank focusing on Loan against Property** (LAP) product across customer segments as it builds on the significant experience it has gained in disbursing LAP loans to the SME segment
- **Key areas of stress** are (1) Commercial vehicles and Construction equipment segment – the bank's exposure to this segment is < 1% in Q2FY14 and (2) Certain accounts in the mid-large corporate segment (both blue chip large corporate and emerging corporate segment performing well) which may go into CDR
- Bank has had a **good experience in agri-lending** which it launched only in select locations over the past few quarters. Given the strong lending processes, it is confident of replicate this success in other locations
- **Overall business growth trends:** (1) Recent growth driven by elongated working capital cycles, (2) early positive signs from export-driven businesses, and (3) fee income growth linked to addition of individual relationships

Financial summary (CMP: Rs 611)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	4,563	30.1	16.0	256	253	11.8	1.4	14.3	1.1	0.2
FY13	6,130	39.4	30.9	291	290	15.5	2.1	14.6	1.2	0.0
FY14E	7,791	41.7	5.9	375	372	14.6	1.6	13.5	1.3	0.3
FY15E	8,881	47.6	14.0	415	409	12.8	1.5	12.0	1.3	0.4

Source: Company, Axis Capital

Co. represented by: Neel Kingston Jasper (Head – Corporate Planning)

- **Managing cigarettes price points to drive future growth**
  - Post successive 18+% of excise duty increase in FY14, ITC has increased cigarettes prices by 15-16%. However, the cigarette price increase has been calibrated to make its portfolio best positioned for future growth. FY10 budget-like scenario playing out in FY15 (due to election) could provide ITC with breathing space post successive years of sharp excise hike
  - **64 mm cigarettes** have grown to ~8% of ITC's cigarette portfolio. Priced attractively at Rs 2-3 per stick, the sub 65 mm cigarettes have gained market share from contraband cigarettes and grown in mid single digit in H1FY14 (vs. 8% decline in regular cigarettes volume in Q2). Margin in 64 mm cigarettes is equivalent to Regular cigarettes and hence growth hasn't been margin dilutive. Management expects 64 mm cigarettes growth rate to moderate
  - Kings segment continues to grow faster but pace has reduced over past few quarters
- **FMCG to break even in FY14:** Slowdown in FMCG industry reflected in ITC's 17% revenue growth in H1FY14 vs. 26% in FY13. While Snacks and Noodles maintained pace, Biscuits growth moderated. The company indicated it has no immediate plans to enter into oral care segment but could look at gums, dairy product markets etc
- **YC Deveshwar term extended till 2017:** Nomination committee looking at succession planning

Financial summary (CMP: Rs 326)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	RoE (x)	RoCE (%)	DPS (Rs)
FY10	181,532	40,081	5.2	22.5	28.8	40.7	10.0
FY11	214,590	49,666	6.4	22.3	33.1	46.0	4.5
FY12	251,475	62,186	8.0	23.9	35.8	49.1	4.5
FY13	299,013	74,137	9.4	18.0	36.1	49.5	5.3

Source: Company, Axis Capital

Co. represented by: Manoj Lodha (CFO) and Pradeep Tibrewala (SVP - Finance & Investor Relations)

- Management is targeting to reduce Micro Irrigation System (MIS) receivables (gross) from Rs 12 bn to Rs 5 bn by FY14-end, which will enable significant free cash flow generation and reduction in debt by Rs 5 bn p.a. from FY14
- Good monsoon and higher agricultural prices are expected to drive domestic MIS growth by 10-15% in H2FY14
- MIS exports are expected to become an important revenue driver over the next few years. Large tenders are planned in Uganda and Latin America
- **Incrementally, 70-80% of MIS sales in Maharashtra (40% revenue share) will be through its NBFC**
  - Current loan book of Rs 0.5 bn is expected to touch Rs 2 bn by FY14-end
  - NBFC is offering loans at attractive interest of 12% p.a (alongside 4% cash discount on MIS) to increase offtake
  - NBFC operations will gradually commence in other states that have sticky receivables

Financial summary (CMP: Rs 65)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	48,494	3,879	-	9.6	85.2	-	23.4	14.8	-	-
FY13	49,169	1,132	-	2.5	(74.0)	-	5.8	9.3	-	-
FY14E	58,281	1,446	4.2	3.1	25.6	20.8	6.4	9.3	8.7	-
FY15E	65,156	2,680	6.7	5.8	85.3	11.3	10.8	10.9	7.4	-

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Gaurav Jain (Executive VP) and Udayan Sharma (Corporate Finance & IR)

- **Cement: Capex has been completed; management expects strong volume growth with higher utilization**
  - Post divestment of 4.8 MT Gujarat capacity at an EV of Rs 38 bn, management is looking at other opportunities (especially the 5 MT South capacity) to divest assets at lucrative valuations
- **EPC: Vertical to be driven primarily by in-house orders in near term**
  - Management believes17-18% margin is maintainable in the medium term, post the in-house orders are completed as JPA has execution capabilities in hydro power which provides high margin
- **Realty: Will continue to look at land monetization and launch of projects. F1 race expected to be held in Mar '15**
- **Management reiterated its focus on deleveraging balance sheet (current consolidated gross debt of Rs 650 bn) via asset sales (Cement, Power and Realty) at lucrative valuations (debt reduction target of Rs 100-150 bn by FY15)**

Financial summary (CMP: Rs 48)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	148,735	5,871	-	3	(60)	31	5	7	13	1
FY13	189,708	4,030	-	2	(31)	26	3	7	11	1
FY14E	209,900	691	1.8	0	(83)	149	1	8	9	1
FY15E	285,105	11,508	2.9	5	1,564	9	8	11	6	1

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Gauav Jain (Executive Vice President) and Udayan Sharma (Manager – Investor Relations)

- **Karcham Wangtoo (1 GW hydro):** Delhi High Court judgment on PPA dispute with PTC is expected by Mar '14. Notably, conversion of 700 MW merchant capacity will result in increased realization from current Rs 2.9/kWh to ~Rs 3.5/kWh resulting in increased cash flows by Rs 2 bn pa. JPVL has securitized the project resulting in incremental cash flows of Rs 14 bn, which it plans towards equity infusion at Bara and Nigrie project. Of this, Rs 5.7 bn has already been received

- **Vishnuprayag (400 MW hydro):** Repair works has commenced and the management expects the project to be revived by Mar '14. JPVL has received first payment of Rs 250 mn for insurance claim. Meanwhile, revenue has been billed at 90% of fixed charge under 'force majeure' clause of PPA and 10% payment has been received

- **Bina (500 MW coal):** Q2FY14 generation was low (PLF 29%) as the buyer asked to back down due to low demand. However, the company continues to receive fixed charge for PPA part of capacity (65%)

Financial summary (CMP: Rs 18)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	15,757	4,007	-	1.5	128.6	-	7.5	6.1	-	-
FY13	24,148	4,179	-	1.4	(6.8)	-	7.0	6.2	-	-
FY14E	31,238	751	1.1	0.3	(82.0)	69.3	1.2	5.8	13.2	-
FY15E	85,660	11,170	2.7	3.8	1,387.6	4.7	15.7	12.9	5.9	-

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Gaurav Jain (Executive Manager – JAL) and Udayan Sharma (Investor Relations)

- **Demand continues to be muted in the Noida/ Greater Noida** area with the company selling only 0.5 msf totaling Rs 1.8 bn in Q2 (vs. ~1 msf totaling Rs 4 bn in Q1). Jaypee Infratech Ltd (JIL) was also able to launch only ~1 msf of new projects

- Commensurately, **collections from real estate (excl. land sale) also declined to Rs 5.7 bn in Q2** (vs. Rs 6.8 bn in Q1). Revenue recognition was also impacted; however, the same was offset due to recognition of ~Rs 2.5 bn from sale of land to Gaursons (for ~Rs 15 bn)

- **Sale of land to Gaursons is to be done in a staggered manner** and the entire ~300 acres (~20 msf at FAR of 1.5x) shall not be sold at once. So far, JIL has sold ~100 acres (~6.5 msf) totaling ~Rs 4.9 bn. **JIL intends to conclude the entire transaction by Mar '14**

- Management expects **toll revenue of Rs 1.5 bn in FY14** (Rs 592 mn achieved in H1FY14), **Rs 2 bn in FY15 and Rs 3.5 bn in FY16** driven by planned new connections and entries/exit points to toll road

Financial summary (CMP: Rs 45)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	148,735	5,871	-	3	(60)	31	5	7	13	1
FY13	189,708	4,030	-	2	(31)	24	3	7	10	1
FY14E	209,900	691	1.8	0	(83)	140	1	8	9	1
FY15E	285,105	11,508	2.9	5	1,564	8	8	11	6	1

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Amitav Chatterjee (Vice President – Investor Relations)

- **Merchant tariff:** guidance maintained at Rs 4.25 to Rs 4.5/ kWh for FY14; JSWE did better in H1FY14. Key merchant contracts in the south will be in force till mid-FY15

- **PPA proportion to increase significantly; super-normal returns likely:** New model PPA for case-1 bidding mandates fuel cost as pass through in PPA. To reduce the business volatility, JSWE is looking to sign ~90% of its 1,460 MW of merchant capacity under PPA. Under the new norms, the developer has to quote a fixed capacity charge (interest, depreciation, O&M, RoE). Since its plants have lower capital costs (Rs 45 mn/ MW) vs. recent plants (Rs 65 mn/ MW) and bulk of its debt on merchant plants is repaid, its fixed charge would be significantly lower than other bidders leading to super-normal returns

- **Tariff dispute:** The case about tariff determination of Barmer (RWPL) plant is underway. Recent APTEL judgment pertained to the first-year tariff (FY12) of Barmer, which is favorable for JSWE. Also, JSWE is working with MSEDCL (300 MW PPA) to get a fair compensatory tariff due to change in Indonesian coal pricing policy

- **Dividend payout:** Current dividend policy allows maximum payout of 20%. Decision to increase payout ratio depends on future investment plans

Financial summary (CMP: Rs 47)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	EV/E (x)	DPS (Rs)
FY12	59,809	14,478	3,319	-	2.0	(60.7)	-	5.8	-	0.5
FY13	87,822	27,932	11,090	-	6.8	234.1	-	18.6	-	2.0
FY14E	96,758	32,423	11,570	6.6	7.1	4.3	6.7	17.6	5.0	2.1
FY15E	94,962	26,470	8,146	6.3	5.0	(29.6)	9.5	11.3	5.5	1.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Sandep Agarwal (Deputy manager – Investor Relations)

- **Profitability at Dolvi (JSW Ispat) to improve due to ongoing initiatives**
  - JSW will commission 4 mnt pellet plant and 1 mnt coke oven plant in Q4. This will help the company reduce costs and it expects profitability at JSW Ispat plant to get close to its Vijayanagar plant in medium to long term
  - 90% of sales from this plant is sold within Maharashtra in order to utilize VAT benefit. This incentive will also help overall profitability
- **Recent steel price increase to help profitability Q3 onwards**
  - JSW has increased prices by Rs 2,000-3,000/ton in September and October. The full impact of this price increase will be seen in Q3 and should thus help profitability
- **Hedging of forex exposure to prevent restatement gain/ loss in P&L going forward**
  - The company has now begun hedging its forex exposure (acceptances and exports). Thus will not be reporting forex loss/gain Q3 onwards

Financial summary (CMP: Rs 872)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	EV/E (x)	DPS (Rs)
FY12	341,237	61,019	20,730	-	92.9	20.1	-	12.6	-	8.9
FY13	465,443	74,364	18,232	-	81.7	(12.1)	-	10.4	-	11.9
FY14E	469,301	83,810	19,019	71.4	79.0	(3.4)	11.0	9.8	7.1	11.9
FY15E	511,206	92,938	23,856	86.2	99.1	25.4	8.8	11.0	6.3	11.9

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Ram Kumar Krishnamachary (CFO)

- **Rising internet penetration** (currently, India's internet penetration is just 11% compared to world average of 34%) continues to be the key driver in increasing search volume. This assures business for Just Dial and its clients (SMEs)

- **Just Dial's focus remains on user engagement.** The business model has been evolved keeping in mind the requirements/ convenience of users. A case in point is the transition to online platform in 2007 from a pure voice search company, even as database being opened to general public was a point of concern as it could be replicated. Going forward, Just Dial intends to increase user engagement further by extending the platform's capability to enable transaction services

- **SME engagement also being ramped up:** Just Dial intends to work with SMEs in providing them technology support (as they don't embrace technology due to high capital requirements/ resource crunch) which will increase SME engagement. Besides being a source of revenue for Just Dial, it also has potential to increase SME stickiness, thus reducing churn and increasing revenue visibility

- **Strong growth in campaigns continues to be led by:** geography expansion (90%+ revenue is from top 11 cities), investments in sales force, educating SMEs about the benefits of Just Dial and introduction of flexi-payment contracts

Financial summary (CMP: Rs 1128)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	2,621	504	-	7.8	68.9	-	50.1	56.3	-	-
FY13	3,628	700	-	10.0	28.2	-	26.3	32.1	-	-
FY14E	4,696	1,176	16.4	16.7	67.9	67.5	24.3	26.9	49.3	-
FY15E	5,997	1,562	21.4	22.2	32.8	50.8	25.2	28.7	35.7	-

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Ullas Kamath (Joint MD), Raghunandan S (Director & CEO), Neetu Kashiramka (AVP)

- **Focus to increase salience of non-south markets (57% of revenue in H1FY14)**
  - **Non-south markets** grew by 42% and media investment up by 125% in Q2FY14. New distributors constitute ~80% of current distributor base; the company now has better retail reach which is expected to aid volume growth. Yet to re-launch Henko in compacts with new campaign, positioning and product upgradation

- **Mix improvement aided by faster growth in high margin Ujala whitener, Margo, Pril and Henko**

- **Creating cash buffer for increased brand spends**
  - Preferential allotment to promoter will bring down debt and interest cost payment (Rs ~275 mn saving per year)
  - Deferment of interest payments to Q3FY16 helped by NCD issue will aid in improved cash flow and provide management more cash buffer to invest behind brand
  - H2 to witness new campaign for Henko detergents and Maxo Mosquito repellants

- **Tax rate to remain zero for next 2-3 years:** While company pays MAT, the carry forward losses of Henkel India will result in zero taxes for next 2-3 years

Financial summary (CMP: Rs 178)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	9,126	435	-	2.7	(31.4)	-	7.0	6.3	-	1.6
FY13	11,041	617	-	3.8	41.8	-	9.9	6.6	-	1.6
FY14E	13,236	1,070	6.2	5.9	54.5	30.1	13.4	8.9	19.8	1.4
FY15E	15,642	1,658	9.4	9.2	55.0	19.4	16.6	10.7	15.9	1.9

Source: Company, Axis Capital; *Consensus broker estimates

L&T Finance Holdings

Co. represented by: N Sivaraman (President & Whole Time Director)

- **Wholesale Finance (loan book of Rs 159 bn; 45% share)**
  - No significant growth opportunity in the market in infrastructure segment. Management will focus on non-infrastructure growth and would also look at floating an Infrastructure Development Fund (recently got permission). Management expects growth to resume by CY15 as near term concerns prevail
  - **NPAs to remain elevated in near term** : In Q2, NPAs increased by ~Rs 1.4 bn due to one account in oil and exploration sector. This account is referred to CDR and is likely to be approved in Q3 post which it will move out of NPA. However, the management expects higher slippages and absolute GNPA to remain at current level

- **Retail and corporate finance (loan book of Rs 188 bn; 55% share; Retail finance has 58% share)**
  - No signs of improvement in construction equipment and CV segment. It will continue to de-grow in these segments
  - Management expects growth to pick up in rural segment. Asset quality is also holding up well here
  - In corporate loans, Rs 2.5 bn of loans (15-20 loans) are at risk where the promoters are unwilling to pay. Of this, ~Rs 1.5 bn are already NPAs. The company has fully provided where they see limited chances of recovery. Expect high teen growth in this segment

Financial summary (CMP: Rs 78)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	4,548	2.6	(5.8)	28	26	51.1	5.1	11.9	2.0	1.2
FY13	5,125	3.0	60.0	32	30	26.3	2.6	10.0	1.6	1.3
FY14E	6,611	3.8	(9.3)	35	32	20.4	2.5	11.6	1.6	1.7
FY15E	9,148	5.3	38.4	39	35	14.7	2.2	14.5	1.9	1.8

Source: Company, Axis Capital

Co. represented by: Sudipto Sil (Asst. GM)

- **Banking license:** All information sought by RBI has been provided. LIC can be the largest customer (LIC holds 7,000 bank accounts, has ~2/3rd market share in life insurance business and it provides advances that are collateralized against policies sold which potentially can be bundled into a banking product)

- Spreads to improve
  - Targeting to keep its incremental cost of funds (~9.7%) low by changing the mix of funding book. Recent increase in PLR by 10 bps will improve margin by 5 bps as 50% of the book is floating rate
  - Reducing the proportion of bank borrowings (every 1% decline in bank funding improves spreads by 3 bps). Repaid Rs 40 bn of bank loans by borrowing from bond market. Strategy will be to borrow in bond markets and reduce bank exposure
  - Increasing share of developer and LAP finance to support yields (current 10.9%)

- Expects loan growth at ~20% (similar to H1) with focus on developer loans and LAP

- **Developer finance/ LAP strategy:** Developer loans share to increase to ~6% (current ~3%) which will support its yields over next few years; In LAP, focus is primarily on existing customers, 60% LTV and only residential assets

Financial summary (CMP: Rs 227)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	9,142	18.1	(11.8)	113	111	14.5	2.4	18.6	1.6	0.1
FY13	10,232	20.3	11.9	128	125	11.2	1.8	16.8	1.4	0.4
FY14E	12,878	25.5	25.9	149	142	8.9	1.6	18.4	1.5	0.5
FY15E	15,243	30.2	18.4	172	163	7.5	1.4	18.8	1.5	0.6

Source: Company, Axis Capital

Co. represented by: Gaytri Udeshi (Manager – Investor Relations), Rajen Kavadia (Manager – Investor Relations)

- **Demand outlook:** Expect ~18% tractor growth in FY14, implying a low single digit growth in remaining 5 months. FY15 growth should be closer to long term average of ~8%. Uptick in infra projects critical for tractor demand. Demand for UVs is expected to decline in H2. However, the pace of decline will be much lower (singe digit) vs. double digit in H1
- **Cost pressures:** rising but price hike taken in October should cushion Q3 margin
- **New launches:** A new platform for tractors will be launched in Q1FY15. In UVs, the company has launched some refreshes like 9-seater Xylo and lower version of XUV 500. FY15 will see only variants/upgrades. Introduction of new platform will be in FY16 (from Q1)
- **Capex:** of ~Rs 75 bn over next three years. Of this, ~Rs 25 bn marked for capacity expansion and balance for product development. The company will also be investing ~Rs 25bn in various subsidiaries/ JVs over next three years

Financial summary (CMP: Rs 925)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	310,312	26,308	-	42.6	9.8	-	23.5	23.9	-	12.4
FY13	395,308	30,805	-	49.9	17.1	-	23.0	25.0	-	12.9
FY14E	381,754	36,124	59.1	58.5	17.3	13.2	22.5	24.7	10.6	14.6
FY15E	407,788	38,020	64.9	61.6	5.2	12.5	20.1	22.9	9.9	15.4

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: V. Lakshmi Narasimhan (CFO) and Ujjwal Das (Head – IR)

- **Asset quality worries are pronounced in the Commercial vehicle and Construction equipment segment.** The company has responded by tightening credit screens and has increased collection efforts. Credit growth to remain challenging as overall sales are sluggish. Magma expects the pain to persist for 4-6 quarters

- Volatility in the interest rate environment will have a marginal **negative impact on cost of funds** as bulk of the borrowings are long tenured. This impact will be seen over next 2 quarters. The company hopes to pass on the increase in funding costs to its borrowers with a lag

- Magma is **rethinking its strategy on the gold loan business** as management feels that the current regulations (lower LTVs for NBFCs, requirement of cheques) favor the banks

- **Banking license** will induce a structural shift in the business with some pain in the short term but beneficial in the long term. Key challenges would include (1) restructuring of foreign and individual shareholding pattern as per RBI requirements, (2) migration of existing staff and hiring of experienced personnel for banking platform , and (3) rejig of liability profile and treasury operations. Magma does not see SLR/CRR requirements as a key challenge

Financial summary (CMP: Rs 67)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	632	3.3	(61.7)	56	56	23.0	1.3	7.6	0.9	0.0
FY13	1,228	6.4	94.9	61	55	10.5	1.2	10.9	1.3	1.7
FY14E	1,798	7.9	24.0	74	64	8.5	1.1	12.6	1.4	2.9
FY15E	2,670	11.7	48.5	84	73	5.7	0.9	14.8	1.6	2.6

Source: Company, Axis Capital

Mahindra & Mahindra Financial Services

Co. represented by: Ramesh Iyer (Managing Director), Dinesh Prajapati (SGM - Treasury & Corp Affairs), Rakesh Bildani (Joint Manager, Treasury)

- **AUM growth remains strong** but witnessing a slowdown in incremental disbursements. Management has taken a conscious decision to remain cautious and has **moved out of heavy commercial vehicle segment**. Used CV (8% share) and tractors (~20% share) are key contributors to growth
- Management stated that **spread will be maintained above 9%** (current 9.7%) at all times. The company will pass on the incremental cost to the borrowers in order to maintain its spread
- Strategy is to **leverage the "Mahindra" ecosystem** while diversifying the product portfolio and broad basing the liability mix. Plans to leverage the existing customer base for cross selling of products
- MMFSL is looking to **enter the South African market for tractor and vehicle financing** business by leveraging the group's presence in the automotive sector
- The company has **not applied for banking license** as the current terms and conditions were not aligned to their business strategy. In case any opportunity arises in future, the company will explore the same

Financial summary (CMP: Rs 300)

Y/E Mar	PAT (Rs mn)	FDEPS (Rs)	EPS Chg (%)	P/E (x)	BV* (Rs)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (%)
2011	4,631	8.7	26	11.3	49	6.2	22.0	4.4	0.6
2012	6,201	11.6	34	8.9	57	5.3	22.8	4.1	0.7
2013	8,827	15.1	29	10.2	79	3.8	23.8	4.3	1.9

Source: Company, Axis Capital; *Note: Book value adjusted for stock split

Co. represented by: Prashant Tripathy (CFO) and Jatin Khanna (Dy. GM – Corporate Development)

- **Max Life continues to gain market share:** APE grew 13% YoY in H1FY14 led by strong performance from agency channel. Management expects ~15% YoY growth in FY14E (~8% for the industry). However, product changes in January 2014 may impact the overall growth assumptions
  - **Limited impact due to changes in product approval policies:** Max is currently not present in guaranteed NAV and index-linked design products. Policies which contribute ~80% of the sales are already approved by regulator. However, 3 ULIP products, 1 Non Par and 1 rider is under discussion with the regulator for approval. This **may impact FY14 NBAP margin by ~150 bps**
  - Key challenges: **High lapsation rate** (Rs 500 mn impact on embedded value) and excess capital (Rs 12 bn)

- **Max Healthcare:** Max plans to add over 1,200 beds over next few years and the capex can easily be met by the JV partner. There will not be any significant capital commitment by Max India
  - Plans to curtail excess expenditure (~Rs 1 bn) and for this, it has already moved to semi variable pay for Doctors. Management expects to shave off ~Rs 550 mn of excess expenditure by FY15 and improve EBITDA margin to 20% from current 12%

- **Max still open to sell BOPP business.** Last transaction failed due to significant drop in product prices by key competitors

Financial summary (CMP: Rs 202)

Y/E Mar	PAT (Rs mn)	FDEPS (Rs)	EPS Chg (%)	P/E (x)	BV (Rs)	P/BV (x)	RoE (%)	RoA (%)
2011	(14)	0.1	NA	NA	57	3.5	(0.1)	(0.0)
2012	5,214	5.8	4,717	35.0	95	2.1	24.7	3.2
2013	7,779	27.1	369	7.5	109	1.9	27.5	3.9

Source: Company, Axis Capital

Co. represented by: Prabhakar Sunder (VP - Finance)

- **Myntra is a market leader** with 30% share in the fast growing web-based fashion and lifestyle category. India's e-commerce market (of which fashion is a subset) is expected to post 61% CAGR over FY13-16 to USD 5 bn (USD 1.2 bn currently)

- **Physical retail challenges** (high real estate costs, non-availability of stock at all locations due to limited distribution reach etc) and the convenience of online shopping (extensive product catalogue, free home delivery, cash on delivery etc) are catalysts for driving demand for online fashion

- **Fashion is a globally successful category** in online retail. Further, India's attractive demographics and steady migration to branded products creates an attractive opportunity for online fashion retailers. Other drivers include investments in technology, systems and processes and content/ personalization

- **Road to profitability** includes increasing ASPs, gradual discount reduction (promotion of MRP purchases), better vendor margin, focus on high margin private labels and repeat users, and increased economies of scale (across inbound/ outbound logistics, technology and employee overheads)

Oil & Natural Gas Corp

Co. represented by: R. Vijayarangan (ED – Chief Corporate Planning), A K Srinivasan (GGM – Chief Corporate Finance), S. Ranganathan (Chief Manager – F & A)

- **Mumbai High: Enhanced Oil Recovery (EOR) 3rd phase under consideration; to increase recovery to 40% from 33%**
  - ONGC may invest Rs 100 bn in third phase of EOR/ IOR that could extend life of Mumbai High field by 10 years to 2040
  - Breakeven oil price of US$ 60+/bl (net realization to ONGC), **but not viable under current subsidy regime**
- **ONGC's KG block on track to produce first gas by FY17; peak production of 22 mmscmd**
  - Initial in-place reserves (4.85 tcf of gas and 700 mnboe of oil) likely to be revised upwards after appraisal activities
  - MoU with Reliance Industries to share KG infrastructure will save ONGC US$ 550 mn
- **Urea plant (project cost Rs 50 bn) and power plant (726 MW) to help ONGC in monetizing North-East gas reserves**
- **Oil production growth target maintained at 4.3%/ 5.5% for FY14/15**
  - Crude production for FY14 and FY15 guided at 27.2 mnte and 28.7 mnte (FY13 volume at 26.1 mnte) respectively
  - Gas production for FY14 and FY15 guided at 25.2 bcm and 26.5 bcm (FY13 at 25.3 bcm) respectively

Financial summary (CMP: Rs 279)

Y/E March	Sales (Rs bn)	Adj.PAT (Rs bn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	1,464	244	-	28	10	9	19	23	4	10
FY13	1,615	237	-	28	(3)	11	16	19	5	9
FY14E	1,911	292	29	34	23	8	18	22	3	12
FY15E	2,072	357	37	42	22	7	20	24	3	15

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Rajeev Piramal (MD and Vice Chairman), Pramod Akhramka (Group CFO), Shardul Joshi (Group Treasurer and Investor Relations)

- With its existing Mumbai projects now (near) complete, Peninsula Land Ltd (PLL) is focusing on launching its newly acquired Mumbai/ Bangalore/ Pune projects as well as monetizing some of its non-Mumbai land parcels
- Status of newly acquired projects
  - **Sewree, central Mumbai**: Sold 0.09 msf @ Rs 21,000 psf in pre-launch (Oct '13). Approvals received; formal launch in Jan '14
  - **JP Nagar, Bangalore**: Environmental approval received. To launch in H2FY14
  - **Carmichael road, south Mumbai**: Awaiting approval from High Rise Committee. Expecting to launch in Q4FY14
- **Acquisition of Byculla project in Mumbai**: PLL plans to bring in a PE partner to limit its equity infusion to Rs 3.55 bn for a ~55% stake. Project is to be launched in the next ~18 months
- **Land monetization**: PLL plans to unlock value from sale of land assets such as Nashik, Thane, Hyderabad, which could fetch ~Rs 3.5 bn. Also plans to partially liquidate its land in Mamurdi, Pune (~180 acres)

Financial summary (CMP: Rs 30)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	RoE (x)	RoCE (%)	DPS (Rs)
FY10	7,786	2,953	52.8	81.0	25.6	20.7	(7.5)
FY11	5,009	1,943	34.8	(34.2)	14.6	9.2	(8.5)
FY12	4,889	1,514	27.1	(22.1)	10.4	6.5	(5.4)
FY13	6,938	1,952	34.9	28.9	12.4	6.4	(7.0)

Source: Company, Axis Capital

Co. represented by: Sastha Gudalore (GM – Finance & Head, Investor Relations)

- Annuity income to grow at 15-20% p.a. over 2 years driven by rental renewals (0.13 msf at HSP in next 12 months) and improvement in operations (occupancies, rentals and consumption) at Market Cities and Palladium Hotel
  - **Pune, Bangalore and Chennai Market cities have reached trading densities where contribution from revenue share is almost equal to Minimum Guarantee (MG) → increase in consumption will translate into commensurate increase in revenue**
- Standalone debt has increased to Rs 5.2 bn (from Rs 2.8 bn in Q1) due to (1) ~Rs 400 mn paid in Q2 towards rights issue of Palladium Hotel, (2) Rs 350 mn advance paid in Q2 to Graceworks Realty (Phoenix Bazaar, Kurla) and (3) Rs 1.57 bn paid towards stake purchase of Market City Kurla in Q3. Gross debt across SPVs is steady at Rs 32 bn
- **The company has balance payment of ~Rs 1.3 bn towards stake purchases →** Rs 600 mn to be paid to Edelweiss (over next 2 years) and ~Rs 720 mn to be paid to IL&FS (over next 2 years)
- **New launches in FY14:** The company **plans 3 residential launches in FY14** which includes ~1 msf in **Bangalore (E)**, 0.35 msf in **Pune (Phase II)** and **second phase in One Bangalore West** (0.85 msf)
- **Plans to announce the new hotel operator by Dec' 13**

Financial summary (CMP: Rs 223)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	Net Debt (Rs mn)	Networth (Rs mn)	RoE (x)	RoCE (%)	PE (x)	PB (x)
FY12	3,945	1,056	7.3	25.4	15,685	17,105	6.2	6.0	-	1.8
FY13	4,699	848	5.9	(19.7)	21,273	17,687	4.9	6.4	-	1.7
FY14E	11,826	1,828	12.6	115.5	27,683	18,958	10.0	12.3	17.6	1.7
FY15E	21,318	4,356	30.1	138.3	23,932	22,007	21.3	19.7	7.4	1.5

Source: Company, Axis Capital

Co. represented by: R Nagarajan (Director – Finance)

- **All states (except Assam) have increased the tariff in FY13.** In FY14, so far 23 states (out of 29) have issued tariff order with a tariff increase (in some cases up to 31%) which augurs well for the health of the power sector as a whole

- **Financial restructuring plan** (FRP; notified in October 2012 to address the financial health of distribution utilities) has improved the ability to service financial obligations for certain states. **4 states (UP, Rajasthan, Haryana and Tamil Nadu) have approved the scheme,** of which Tamil Nadu, UP and Rajasthan have started issuing bonds

- **Government has approved the methodology for allocation of coal block** through competitive bidding, which is likely to enhance the coal supply. Domestic gas will be allocated to the power sector to boost gas-based power stations

- Overall **rescheduled/ restructured book stands at ~ Rs 110 bn** and the company expects additional restructuring in ~2 accounts

- Shifting of operational assets to lower cost funding avenues entail prepayment premium which will help protect margin. **Outstanding sanctions book (~1x of loan book) will provide cushion for growth**

Financial summary (CMP: Rs 152)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	30,317	23.0	0.6	148	142	8.0	1.3	18.0	2.5	0.9
FY13	45,520	34.5	49.9	169	164	4.4	0.9	21.7	3.0	0.6
FY14E	52,420	39.7	15.2	202	192	3.8	0.8	21.4	2.8	1.1
FY15E	62,675	47.5	19.6	244	225	3.2	0.7	21.3	2.8	1.6

Source: Company, Axis Capital

Co. represented by: Venkat K Narayana (ED, CFO)

- **Launch and delivery of ~10 msf p.a. with sales of ~7 msf p.a. is achievable. ~20% earnings CAGR for next 3 years not a challenge. All ~50 msf under development are on track** with a maximum delay of 6 months

- Launching new projects in Bangalore to beat competition in various micro markets. **Will continue to launch Bangalore projects in pockets not currently present in**. May fast track launches in Chennai, Hyderabad if Bangalore slows down
  - Recent launch of Lakeside Habitat (Disney themed township project) seen excellent sales already. Official launch planned in Jan '14 with 1/3rd of project targeted to be sold by Mar '14

- Will continue to pursue a JDA/ Own land strategy – expects **to spend a total of ~Rs 6 bn p.a. on land acquisition** (50% JDAs). To **increase its stake in lands where visibility on approvals and launch is high**

- **To improve collection run-rate from ~Rs 6 bn currently to ~Rs 7.5 bn Q4 onwards**. Expect surplus cash flows from development business of ~Rs 5 bn in FY15. Debt levels to remain steady

- **Annuity portfolio on track** with several new projects to commence rentals from FY15 such as Cessna B8, Technopolis, Exora B2, Technopark 3, Khoday Tower, Trinity Centre and Form malls in Mysore and Bangalore (Shantiniketan)

Financial summary (CMP: Rs 137)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	Net Debt (Rs mn)	Networth (Rs mn)	RoE (x)	RoCE (%)	PE (x)	PB (x)
FY12	10,523	826	2.5	(50.2)	16,368	21,273	3.9	6.7	-	1.5
FY13	19,476	2,860	8.2	224.5	19,057	27,423	11.7	11.9	-	2.1
FY14E	26,295	3,562	10.2	24.6	18,895	30,130	12.4	12.0	13.4	1.6
FY15E	34,040	4,588	13.1	28.8	14,719	33,617	14.4	13.8	10.4	1.4

Source: Company, Axis Capital

Co. represented by: Jackbastian Kaitan Nazareth (Group CEO) and Anil Kumar (CFO)

- At present, **volumes driven by new project launches** as seen in its recent launches of Skydale, Green Park and Coronation Square. **Diwali festive sales have not been as good as was expected**
- While H1 has seen more sales coming from Puravankara format (~60%), **H2 will see a higher contribution from the Provident format** (~2/3rd)
- **In advanced stages of entering new geographies (NCR, Mumbai, Hyderabad) with its Provident format**
- **Maintains guidance to reduce its non-promoter net debt levels** by Rs 2-2.5 bn by Mar '14; to be funded by clearance of ready (worth ~Rs 3.6 bn) and near ready inventory (worth ~Rs 10 bn)
    - However, **no price cuts planned to clear inventory**
- NRI sales at ~23% with the **company increasing sales focus in geographies such as Singapore and UK,** where there is presence of south Indian diaspora

Financial summary (CMP: Rs 80)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	Net Debt (Rs mn)	Networth (Rs mn)	RoE (x)	RoCE (%)	PE (x)	PB (x)
FY12	8,064	1,336	6.3	13.3	11,289	16,873	8.2	13.4	-	1.3
FY13	12,320	2,434	11.4	82.2	13,889	18,995	13.6	17.1	-	1.0
FY14E	13,220	2,478	10.4	(8.4)	10,561	22,476	11.9	16.3	7.9	0.9
FY15E	16,751	3,705	15.6	49.6	9,460	24,664	15.7	20.2	5.3	0.8

Source: Company, Axis Capital

Co. represented by: Nitin Sood (CFO) and Saurabh Gupta (VP Finance)

- PVR continues to be the market leader in Indian exhibition space with ~400 screens (~280 screens for INOX). Management reiterated its plans to add 90 screens in FY14 (~50 added in H1FY14) and 50-60 screens in FY15
- Given lower bargaining power for single-screen players, management expects multiplexes to continue their expansion spree. Smaller multiplex chains to consolidate in the medium term due to limited scale and capacity to invest
- Synergies with Cinemax have been playing out for PVR with higher F&B and ad revenue in H1; expects to convert ~40 Cinemax screens at prime locations to PVR screens (capex of Rs 250 mn) over next 12-18 months
- While Oct has not been too encouraging (given muted box office collections for most of the movies), management expects the same to pick up given heavy movie slate in the coming months
- Management expects monetization of higher footfalls to continue through innovative food pricing; targets F&B revenue contribution to increase to 1/3rd (~22% currently) in the medium term

Financial summary (CMP: Rs 584)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	RoE (x)	RoCE (%)	DPS (Rs)
FY10	3,341	344	10	0.4	-	0.3	3.2	1.0
FY11	4,593	887	4	0.1	(63.3)	0.1	5.6	1.1
FY12	5,177	761	251	9.7	6,599.5	8.0	9.3	6.0
FY13	8,053	1,169	443	11.2	15.6	9.6	7.6	1.0

Source: Company, Axis Capital

Co. represented by: Ranjan Chakravarti (Senior Vice President, Global Strategy) and Umang Khuran (Head – IR)

- **Management re-iterated its confidence on:** (a) ability to monetize all FTFs (Diovan, Valcyte and Nexium); capacities not expected to impact exclusivities, (b) successful resolution of USFDA issues progressing as per Consent Decree timeline; resolution of Import Alert at Mohali seems to be less complex than Dewas/ Poanta Sahib considering Mohali is a new plant, and (c) base EBITDA margin reviving to industry average (15-18%) once USDFDA issues are resolved

- **Multiple levers at play towards improvement in base business:** (a) **R&D focus** – Ranbaxy has renewed R&D focus, both internal and with 3rd parties; expects good value-add launches to aid US growth, (b) **ANDA filings** – has increased ANDA filings (7 in CY12; 7 in YTDCY13). However, Import Alert at Mohali would impact the rate of filings, (c) Ranbaxy **high fixed cost** due to large manufacturing base; continues to invest in **expanding manufacturing base** across the world (new facilities in Malaysia, Africa etc); however, with resumption in volume growth, EBITDA margin is expected to improve, and (d) various measures are being taken to **cut cost and increase efficiency**

- **Remediation cost** currently at 3-3.5% of revenue which is expected to start tapering-off from CY15

Financial summary (CMP: Rs 428)

Y/E Dec	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
CY12	99,700	11,579	-	27	(14)	15	27	17	11	-
CY13	122,529	14,066	-	33	21	15	40	23	11	3
CY14E	108,681	4,305	10.3	10	(69)	42	10	9	22	3
CY15E	164,356	29,302	32.6	69	581	6	51	45	5	3

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Raj Shankar (Joint MD) and S V Krishnan (CFO)

- **H2FY14 to be better than H1FY14** (Q4 is a seasonally strong quarter). Launch of Iphone 5s has seen strong response
- **In overseas business, while overall PC and peripherals market has de-grown, Redington has been able to grow its business YoY** driven by market share gains and focus on growing brands
- **Apple continues to be strong in India and Samsung continues to do well in Africa.** Management is in discussion with other vendors for potential tie-ups
- **Margin is likely to remain steady or improve from current levels of 2.4% in Q2FY14 driven by demand pick up** in H2FY14. Management expects improvement in margin driven by higher share of value added products in IT business
- **GST would be a big kicker** as the company would be able to consolidate its warehouses (currently 65)
- Tax notice: Management indicated there should be a favorable response by the end of Dec '13

Financial summary (CMP: Rs 63)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	211,930	2,928	-	7.3	28.6	-	22.7	17.9	-	0.4
FY13	241,647	3,231	-	8.1	10.2	-	21.8	17.6	-	0.4
FY14E	268,325	3,496	8.2	8.7	8.2	7.2	19.7	17.6	5.7	0.5
FY15E	299,488	3,982	9.6	10.0	13.9	6.3	19.0	17.6	5.2	0.6

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Sam Ghosh (CEO), Amit Bapna (CFO), Abhishek Nalwaya (Head – IR)

- **Life Insurance growth outlook improving:** Management plans to move towards Tier-1 cities and focus on increasing the ticket size per policy. This has led to higher growth (new business premium grew 55% YoY in H1FY14). Management has witnessed improvement in ticket size (~50%) and active agents (~50,000) over last couple of months
  - **Expects NBAP margin to decline by ~300 bps** due to recent change in life insurance guidelines

- **General insurance value unlocking likely in FY15:** Management plans to sell its 26% stake in general insurance by FY15. Currently, the business is well capitalized and does not need any further capital (Rs 17 bn infused till date). Management expects health insurance share to increase (current 23%) and profits to increase significantly as IMTPIP losses are absorbed

- **Commercial finance is in consolidation phase** with focus on secured loans (100% of loan book is secured). SME (29% share) and mortgage (47% share incl. home loans) to remain its key growth drivers. Management expects15% RoE in FY14E and 18% in FY15E led by stable NIM (5.3%) and NPAs

- In line with the banking sector norms, the **company follows 90 days NPA recognition** norms; hence no PAT risk with expected change in regulations. **Management is hopeful of getting a banking license**

Financial summary (CMP: Rs 372)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	RoE (%)	RoA (%)	Gross NPA (%)
FY11	2,290	9.3	(32.5)	286	3.3	1.0	1.3
FY12	5,190	21.1	126.6	449	5.7	1.8	1.7
FY13	6,620	26.9	27.6	468	5.9	2.1	2.1

Source: Company, Axis Capital

Co. represented by: Arvind Narang (Joint President)

- **Majority transformation** from being a CDMA player to GSM player is already through. ~70% of revenue now comes from GSM vs. 30% in 2008. Management believes the steady state GSM revenue contribution will settle at 80%
- **Voice RPM will harden going forward** as the inverse relationship between tariffs and inflation over the last 10 years has now been reversed
- **Strategy appropriate to different circles** is based on the spectrum available. Management re-iterated the strategy of being the disruptor in postpaid segment in 3G M (3G Metro) circles, pricing like an incumbent in 3G S (3G States) circles and being a low cost service provider in 3G D (3G Dark) circles. The company believes this strategy will lead to an incremental market share of 12-14% going forward
- **Capex will continue to be low as majority investments** in fibre (backhaul) is already through for RCOM. This will help the company remain FCF positive going forward
- **FCF and monetization of deals/ non-core assets** will reduce debt from 5.7x currently to <3x in next 3 years

Financial summary (CMP: Rs 138)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	203,424	9,274	-	4.5	(30.4)	-	2.7	3.4	-	0.5
FY13	217,784	6,727	-	3.3	(27.5)	-	2.2	4.8	-	0.5
FY14E	230,336	6,948	5.9	3.4	3.3	41.1	2.4	4.8	8.8	0.5
FY15E	247,266	10,399	6.9	5.0	49.7	27.4	3.5	5.6	7.9	0.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Hemen Modi (Head – IR) and Pradeep Mirchandani (VP – IR)

- ♦ **Exploration & Production (domestic)**
  - **KG-D6** production to stabilise from FY15 as work-over activities would support gas production from MA field; currently one rig is deployed to drill a development well (MA-8)
  - **R-Cluster fields:** All regulatory approvals in place; field peak production at 12 mmscmd (first gas by FY17-18)
  - **MJ-1**: Appraisal plan to drill two wells (1st already in progress) by deploying one drilling rig
  - **Cauvery basin discovery (CY-D5):** Appraisal plan under progress for the new liquid-rich discovery; additional exploration prospects also under consideration
- ♦ **Exploration & Production (US shale gas)**
  - **Shale gas:** Q2FY14 was affected by low Henry Hub (HH) gas prices and mid-stream issues impacting production
  - **HH gas prices:** to increase structurally in long-term due to (a) rising demand from coal-to-gas switches, and new petchem capacities expected beyond CY16 and (b) US government's approval to export natural gas

Financial summary (CMP: Rs 874)

Y/E March	Sales (Rs bn)	Adj.PAT (Rs bn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	3,585	200	-	61	(1)	12	12	11	8	8
FY13	3,971	209	-	65	6	12	12	11	8	8
FY14E	3,816	248	71.3	77	18	11	13	12	8	7
FY15E	4,086	309	80.1	95	24	9	15	14	7	7

Source: Company, Axis Capital; *Consensus broker estimates

…Reliance Industries

- Refining & Marketing
  - **Refining utilization:** reached all-time high of 114% in Q2FY14; utilization likely to remain high due to value-additive alterations made during shutdowns in H2FY13
  - **Refining margin:** Global refining market expected to remain balanced over next 3 years as refining capacity additions of ~3 mbpd would be offset by improvement in demand; hence margin likely to remain stable
  - **Petcoke gasification:** Project implementation underway (engineering work under progress, equipment purchase completed, construction started); start-up likely in FY16

- Petrochemicals
  - **RIL to benefit** from firm demand (especially from Asia-Pac) along with capacity addition (1.6x in next 3 years)
  - **Margins:** (1) High cracker utilization due to delayed capacity addition (e.g. current expectations of capacity additions in CY13/14 are 30%/ 20% lower than CY12 forecast) will prop polymer margins; (2) Polyester margins to remain muted given large capacity build-up and uncertain Chinese cotton policy. However, RIL's blended margin would be supported by its presence across entire petchem value chain

- Others
  - **Retail:** Revenue to reach Rs 400-500 bn (Rs 100 bn in FY13) in next 3-4 years (50% CAGR)
  - **Capex plan:** RIL to invest Rs 1,500 bn in next 3-4 years

Co. represented by: S Kasturi (Head – Investor Relations) and Amit Kumar Jha (Investor Relations)

- **Butobori (600 MW):** PPA for 100% of capacity signed with Reliance Infra on cost plus basis. This will pave way for signing of FSA and lower earnings volatility
- **Sasan UMPP:** All units will be commissioned by Jun '14. PPA tariff from FY14 is at Rs 1.3/kwh and the company has applied to CERC for a tariff hike of Rs 0.5/kWh due to INR depreciation and increase in taxes & duties
- **Sasan expansion:** Environmental Clearance (EC) is expected soon as 2-3 hearings on this matter have already taken place. If EC is received, construction can commence immediately as the project can use excess coal from Moher and Moher-Amroli mines
- **Samalkot gas-based plant:** Reliance Power has commissioned 4x 250 MW gas turbines, but the project is stranded due to lack of gas supplies. The company has incurred Rs 100 bn towards capex (50% debt, 100% Fx loan). The management is hoping for gas pooling and expects to run the plant on peaking load due to high tariff at Rs 6-7/kwh. Repayment of loan from US EXIM Bank would start from Mar '15. The debt moratorium can be extended if necessary

Financial summary (CMP: Rs 73)

Y/E Mar	Sales (Rs bn)	PAT (Rs bn)	EPS (Rs.)	P/E (x)	P/B (x)	RoE (%)	Net D/E (x)	BVPS (Rs)
FY11	10.2	7.2	2.6	28.4	1.2	5	0.3	60
FY12	19.6	8.7	3.1	23.6	1.2	5	1.0	63
FY13	49.2	10.1	3.6	20.2	1.1	6	1.3	66
FY14E	62.3	7.4	2.6	27.7	1.1	4	1.4	69

Source: Company, Axis Capital

Co. represented by: Shachindra Nath (Group CEO) and Kishore Belai (EVP & Head – IR)

- **NBFC: Marginal deterioration in asset quality** witnessed (GNPA at 2.1% on 90 dpd basis) though the company has adequate security cover for bad assets. The company has consciously increased direct sourcing and distribution and has tightened its credit management processes. Going forward, **SME segment will be the key driver for growth**

- **Securities broking:** Pressure being seen across asset classes. Regulatory changes (commodities transaction tax, higher margin requirement) have led to market-wide decline in commodity trading volumes (43% QoQ decline). Currency trading volumes were also lower on regulatory limits on exposures. The c**ompany is focusing on improving productivity and controlling cost in a difficult environment**

- **Asset management: Domestic AUMs decline in line with the industry.** However, this business continues to be operationally profitable. Wealth management AUMs remain stable but seeing an improvement in productivity

- **Insurance:** Minimal strain on capital from life insurance business following the structure with Aegon in insurance JV - this has created a **self-funding process for the insurance JV.** Premium growth in life insurance remained flat YoY. Health insurance business building out well with a wide network of ~ 2,400 hospitals

Financial summary - (CMP: Rs 327)

Y/E Mar	PAT (Rs mn)	FDEPS (Rs mn)	Change (%)	BV (Rs)	P/BV (x)
2012	(2,128)	(16)	-	228	1.4
2013 *	(5,541)	(38)	138	221	1.5

Source: Company, Axis CapitaL

Co. represented by: Sunil Pant (CGM – Financial Control) and A N Appiah (CGM), G Rita (GM – PPR)

- **Management sees large corporates under stress** and expect restructuring to continue as SBI is member of ~70% of the consortium lending. Currently, it has **~Rs 60 bn of restructuring pipeline** (only CDR)

- As stress remains high, management expect slippages to continue in SME and corporate segment. However, **asset quality in agriculture and retail segment to remain stable**

- **Growth opportunities are limited and current growth is mainly from earlier sanctioned loans.** SBI expects FY14 loan growth at ~16% for FY14E (current 18%)

- While cost of funds is increasing, **NIM to remain stable (with upward bias)** as SBI has recently hiked its base rate by ~20 bps and over 80% of its loans are linked to the base rate

- Key focus is on **cost control and enhancing operational efficiencies**
  - The bank intends to bring down the average age of employees (current ~44 years) by replacing ~10,000 employees (due for retirement by FY15), re-deploying existing work force to efficient areas and leveraging existing IT capabilities

Financial summary (CMP: Rs 1767)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	117,073	174.5	34.0	1,251	1,100	12.0	1.9	15.7	0.9	1.8
FY13	141,050	206.2	18.2	1,446	1,240	6.7	1.4	15.4	1.0	2.1
FY14E	125,889	184.0	(10.7)	1,581	1,249	7.6	1.4	12.2	0.7	2.8
FY15E	150,618	220.2	19.6	1,749	1,411	6.3	1.3	13.2	0.8	2.5

Source: Company, Axis Capital

Co. represented by: Jai Singh Ponde (VP)

- SCUF hopes to leverage its strengths in the SME/MSME segment as it **expects ~20% growth in non-gold loan portfolio and 15-20% growth in gold loan portfolio**
- **AP portfolio** which saw a de-growth in Q2FY14 is **showing early signs of recovery** as government and businesses are heading back towards normalcy
- **Housing finance subsidiary (Shriram Housing)** is targeting self employed borrowers with average ticket size of ~Rs 1 mn. The company is aggressively mining existing Shriram group customers for this product
- SCUF is maintaining a well-diversified liability profile with **~39% of borrowings through retail sources** (despite marginally higher cost) and ~ 15% though securitization so far. The company expects at least a quarter's lag in repricing assets in line with liabilities and is confident of passing on the increased cost of funds
- **SCUF is well capitalized** with recent warrant conversion by promoters in SCUF and in Shriram Housing. Consequently, Tier I has improved to 18.3% in Q2

Financial summary (CMP: Rs 1051)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	3,425	64.9	84.6	329	321	9.8	2.0	23.2	3.1	0.4
FY13	4,496	81.1	25.0	403	384	12.9	2.7	22.5	3.1	0.8
FY14E	5,876	99.1	22.2	499	465	10.6	2.3	22.6	3.4	1.2
FY15E	7,044	118.8	19.9	606	557	8.8	1.9	21.5	3.4	1.5

Source: Company, Axis Capital

Co. represented by: Sanjay Mundra (VP)

- **Rural centers (515 centers as of Q2FY14) to drive growth** as management expects good monsoons to improve freight availability leading to higher used CV sales. The company is aggressively expanding its rural reach by opening new centers and expects ~ 25% of matured centers to convert into branches. Management expects a steady increase in contribution from rural centers in the next few quarters

- Structurally, **management expects rising technological obsolescence** (especially better fuel efficiency of relatively newer models) **to drive CV sales** as average age of CVs is trending downwards for the country

- **Overall asset quality has been under stress** and the management expects the pain to continue for next few quarters

- Management expects **shortage of skilled personnel** for its field sales force to be a key operational challenge

- **STFC is carrying excess liquidity to meet funding challenges**. Post RBI regulations on private placement of retail NCDs, the company hopes to convert the existing base into public deposits. This will entail a marginally higher cost owing to SLR requirements but would provide stability

Financial summary (CMP: Rs 591)

Y/E March	PAT (Rs mn)	EPS (Rs)	EPS chg (%)	BV (Rs)	Adj. BV (Rs)	P/E (x)	P/BV (x)	RoE (%)	RoA (%)	Net NPA (Rs)
FY12	12,574	55.0	2.8	262	258	10.9	2.3	23.1	3.7	0.4
FY13	13,588	59.8	8.7	317	306	9.9	1.9	20.6	3.4	0.8
FY14E	13,679	60.2	0.7	368	344	9.8	1.7	17.6	2.7	1.3
FY15E	15,528	68.3	13.5	427	376	8.6	1.6	17.2	2.5	2.4

Source: Company, Axis Capital

Co. represented by: V Ganesh (CFO) and Balamurugan (Senior manager)

- Sobha plans **to double its new sales run-rate to 7.5 msf p.a. over the next 5 years** (from 3.75 msf in FY13)
- The company's management indicated **capex (of Rs 10 bn) on its APMC project may get delayed** as the company awaits approvals (Draft Plan Approval), which is likely to commence construction only by Q1/Q2FY15
- Of the 7.7 msf of inventory, ~4 msf comprises of super-luxury units with ticket size of >Rs 20 mn. Of this 4 msf, ~1.8 msf is in Gurgaon. **While management admitted that Gurgaon market is slow, it has entered into a JDA for an additional ~10 acres of land in Gurgaon**
  - Management expects Dwarka Expressway to be completed by Dec '13; demand to pick up once it is operational
- The company is **not contemplating any price hikes in its ongoing projects**. No discounts were offered during the festive seasons
- Sobha **does not expect property prices in Bangalore to decline** due to rising land prices and high construction cost

Financial summary (CMP: Rs 314)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	Net Debt (Rs mn)	Networth (Rs mn)	RoE (x)	RoCE (%)	PE (x)	PB (x)
FY12	14,054	2,060	21.0	13.0	11,820	19,998	10.7	13.4	-	1.6
FY13	18,602	2,172	22.1	5.4	13,116	21,366	10.5	14.4	-	1.6
FY14E	20,220	2,389	24.4	10.0	13,356	23,308	10.7	14.3	12.9	1.3
FY15E	27,088	3,943	40.2	65.0	13,716	26,512	15.8	18.2	7.8	1.2

Source: Company, Axis Capital

Co. represented by: Nimish Desai (GM – IR)

- **India formulation being impacted by trade unrest.** Trade channel is strong and can impact any company. However, with sustained agitation, trade channel may impact Sun's sales too. Hence, the company is hopeful of the issue getting resolved
- **Pressure in Doxycycline sales** led by: (a) entry of Mylan, and (b) possibility of demand shifting to other Tetracycline classes (currently no such clear trend visible)
- **Oral Contraceptives in US:** Sun Pharma has not filed for complete basket of 25-30 products; instead has filed for select products which qualify for high margin/ high return hurdle rates. Management is confident of getting good market share within the target market
- Q1FY14 had extremely good performance from Dusa which led to high gross margin. Dusa performance may not be tracked QoQ which explains lower gross margin (ex-Taro) in Q2FY14
- **Inorganic growth** would never be to chase growth; it will be to get access to new market, technology or brands

Financial summary (CMP: Rs 610)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	80,195	26,567	-	13	46	22	27	28	17	2
FY13	112,389	36,450	-	18	37	23	29	33	16	3
FY14E	152,166	52,884	22.3	26	45	24	35	38	18	3
FY15E	174,389	59,574	26.6	29	13	21	32	35	16	3

Source: Company, Axis Capital; *Consensus broker estimates

Sun TV Network

Co. represented by: V. C. Unnikrishnan (CFO)

- Ad revenue growth disappointed in Q2FY14 due to (a) cut in ad inventory given excess inventory utilization in some GEC/ movie channels and (b) inability to fully pass-through the corresponding sharp rate hike to advertisers

- Management expects it may take a couple of months for it to fully pass through such ad rate hike. This will result in lackluster ad revenue growth for the company in the near term

- Sun TV had cut its own ad inventory in Q2, while the producers' ad inventory remain intact. Management highlighted that it is in talks with content producers to adjust their ad inventory accordingly

- The company has witnessed traction from digital cable revenue especially from Bangalore, Mysore and rest of India; expects Hyderabad and Vizag to start contributing to its domestic subscription revenue Q3 onwards. Chennai and Coimbatore currently on a standstill, given lack of action by the ministry

- Expects investment in content (movies as well as fiction/ non-fiction shows) to continue going ahead, which will support its market share across languages in the medium term

Financial summary (CMP: Rs 383)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	18,471	14,143	6,928	-	17.6	(9.6)	-	29.1	39.9	-	9.5
FY13	19,230	14,091	7,096	-	18.0	2.4	-	26.8	37.0	-	9.5
FY14E	22,825	15,574	7,621	20.0	19.3	7.4	19.8	26.1	37.7	9.7	10.6
FY15E	26,525	18,262	8,952	23.9	22.7	17.5	16.9	27.8	40.4	8.2	12.5

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Sumesh Mishra (SVP – Finance) and Abhinav Srivastava (AGM – Finance and Investor Relation)

- **Sales at BKC projects remain slow** with run-rate of 2-3 units/ quarter in Signia Isles/ Pearl (combined inventory of 63 units) and ~1 units per quarter in Signature Island (inventory of 29 units). **Management expects sales tractions to improve at Signature Island post completion (Q4FY14)**
- **Sunteck intends to complete 3 projects in FY14** (Signature Island, Signia Oceans and Sunteck Kanaka), **where it has sold ~Rs 10 bn worth of stock (of which ~9.6 bn is in Signature Island alone)** which is expected to improve revenue recognition significantly
- **Collections were impacted in Q2 (0.9 bn vs. Rs 1.05 bn in Q1) and may continue to remain muted in Q3** as the company awaits Commencement Certificate (above plinth) for its Goregaon project, which is expected by Dec '13
- **Launched Avenue Phase 2 (Goregaon) on Nov 15th**, comprising smaller apartments (1.5 BHKs with area of 900-1,000 sq ft.) with ticket sizes of Rs 12-13 mn (selling price of Rs 12,750 psf). SRL plans to launch a new phase every 9 months in this project
  - **Avenue Phase 2**: A 40-storey tower with 100 units to be delivered over next 4-5 years (L&T is the contractor)

Financial summary (CMP: Rs 332)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	Net Debt (Rs mn)	Networth (Rs mn)	RoE (x)	RoCE (%)	PE (x)	PB (x)
FY12	0	31	0.5	14.0	4,686	4,018	0.8	1.4	-	6.0
FY13	135	63	1.0	101.2	4,670	4,898	1.4	2.2	-	5.2
FY14E	9,622	3,456	54.9	5,426.3	(2,179)	7,445	56.0	54.8	6.0	2.8
FY15E	12,568	4,057	64.4	17.4	(7,085)	11,487	42.9	48.3	5.1	1.8

Source: Company, Axis Capital

Co. represented by: MP Taparia (MD), P C Somani (CFO), R J Saboo (Sr GM, Corp affairs and Company Secretary)

- **By FY18, Supreme targets revenue of ~Rs 80 bn (20% CAGR)** and ~12% volume CAGR to 500K MT; it would maintain ~14% EBIDTA margin and sustain 25%+ RoCE each year

- **Moderate leverage and liberal dividend payout** – Debt:equity will be maintained at a maximum of 0.5-0.6x. At the same time, dividend payout will be 35-45% of annual profits

- **Capex of Rs 2-2.5 bn pa funded mainly from internal accruals and moderate debt** – while Supreme shall be setting up one greenfield capacity per year, it is also going to spend an equal amount to replace machines, which will be more energy-efficient and automated

- **Strengthen distribution network** – Aiming to double its distributor base over next 5-7 years from 2,100 currently

- Supreme wants to focus on diversifying its product portfolio further and increasing share of value added products. The 'Composites cylinder' segment is a key focus area for the company. Though, it is in nascent phase, the management is confident that post the testing process, this segment would make meaningful contribution

Financial summary (CMP: Rs 401)

Y/E June	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	29,274	2,417	-	19.0	26.5	-	38.9	35.5	-	5.5
FY13	34,040	2,901	-	22.8	20.1	-	36.9	36.2	-	6.8
FY14E	40,984	3,271	25.1	25.7	12.7	15.6	33.4	32.4	9.3	8.4
FY15E	48,522	3,834	30.6	30.2	17.2	13.3	31.9	33.1	7.8	9.6

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Vikram Raizada (Executive Director & CEO - Retail), Nalini Rajan (Director – Finance)

- **Strategy going forward: Limited allocation to retail (20% of rev.) and improving margin in exports (80% of rev.)**
  - With restriction on gold lease, the management is revaluating the nature of retail expansion. It intends to pursue a mix of shop in shop (SiS) and franchisee model to expand retail footprint. For instance, inventory in a regular company-owned outlet is Rs 25 mn vs. SiS model at 10-15 mn
  - In exports, the company intends to increase co-branding with global retailers to augment margin. 18%-20% of business is now co-branded compared to 5% in 2008
- **Management is envisaging 15% export growth in FY14 with EBITDA margin at 9% (similar to last year)**
- **Given that 80% of revenue is from exports, the company is impacted by the 20/80 regulation only for domestic retail**
  - To counter this threat, the management plans to reduce sale of plain gold jewellery and focus on higher margin diamond, Kundan and made-to-order jewellery
  - It will also close down gold-heavy stores

Financial summary (CMP: Rs 90)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	RoE (x)	RoCE (%)	DPS (Rs)
FY10	8,142	241	20.4	14.4	12.0	20.4
FY11	11,423	417	23.2	20.8	15.3	23.2
FY12	13,991	539	29.9	21.6	15.8	29.9
FY13	16,355	737	30.0	19.1	15.9	30.0

Source: Company, Axis Capital

Co. represented by: Nandakumar Tirumalai (Head – Corporate Finance & Treasury) and Anirudh Mani (Lead – Corporate Finance & Treasury)

- **Central Electricity Regulatory Commission (CERC) verdict on tariff hike expected shortly:** CERC hearing on Parekh Committee report for compensatory tariff is in ongoing and the outcome is expected shortly. So far, 4 out of 5 buyers have submitted their response; and Punjab has opposed it. Maharashtra has been asked by CERC to submit their response before the next hearing

- **Regulatory assets in discoms at ~Rs 60 bn:** The total regulatory assets stand at Rs 60 bn, of which Rs 46 bn is in Delhi discom while Rs 14 bn is in Mumbai discom. After the recent tariff hike of 25%, Mumbai regulatory assets should be recovered in next 2-3 years, while the Delhi regulatory assets would require longer for recovery

- **Major expansion plans on hold until favorable outcome of CERC tariff hike.** The Company has put on hold further expansion plans till there is an outcome of the Mundra case with CERC. The Company will evaluate its options then depending on what the outcome is

Financial summary (CMP: Rs 79)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	EV/E (x)	DPS (Rs)
FY12	260,014	59,847	14,515	-	6.1	(14.2)	-	11.9	-	1.3
FY13	327,487	63,556	9,013	-	3.8	(37.9)	-	8.2	-	1.2
FY14E	333,309	67,128	6,869	3.6	2.9	(23.8)	21.6	6.4	8.4	0.9
FY15E	356,645	70,129	8,518	5.0	3.6	24.0	17.4	7.7	7.8	1.1

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Nikhil Kumar (Managing Director), KG Prabhakar (CFO), M.N. Varalakshmi (Manager Finance)

- TDPS indicated while prospects of 'Manufacturing ' segment remain strong, 'EPC' and 'Projects (Turbine Generator Islands up to 52 MW)' divisions continue to demonstrate weakness
- The company is confident of gradual recovery in H2FY14 in the 'Manufacturing' segment. Key business drivers would be 'Hydro', 'Gas' and 'Diesel' engines. Outstanding order book for this segment stands at ~Rs 2.8 bn
- For FY14, the company has guided for ~Rs 3.8 bn revenue (40% exports) and ~16% operating margin in the 'manufacturing' segment. However, the revenue guidance for EPC segment remains weak with break- even margin
- The company is likely to reduce focus on 'EPC' and 'Projects' segments. While stiff competition is witnessed in 'EPC' segment, 'Projects' segment is waning as markets are shrinking for Japanese products (Turbines) given the impact of currency and competition in the Indian market from Triveni Turbines and Siemens
- New facility for making generators up to 200 MW is likely to be commissioned by Q4FY14. Total capital expenditure estimate for FY14 stands at Rs 1.2 bn. No further capex plans in the immediate future

Financial summary (CMP: Rs 193)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	EV/E (x)	DPS (Rs)
FY12	10,318	930	671	-	20.2	18.3	-	20.7	-	2.3
FY13	5,871	495	417	-	12.6	(37.8)	-	8.7	-	2.0
FY14E	4,672	401	329	11.9	9.9	(21.2)	19.5	6.5	9.9	2.0
FY15E	5,944	655	462	17.8	13.9	40.3	13.9	8.5	6.3	2.0

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Manoj Bhat (Deputy CFO) and Vikas Jadhav (Investor Relations)

- **Tech Mahindra (TechM) is seeing an improved demand environment. Europe performance is led by economic recovery. This has led to an improvement in business confidence in clients.** Vertical-wise, Manufacturing (19% of rev.) is seeing strong momentum in North America, BFSI (9% of rev.) is seeing selective spends and Retail (7% of rev.) continues to do well. Further, Telecom exposure (47% of rev.) could decline over the next few quarters

- BT account is likely to see a decline of 2-3% QoQ with renegotiations of contract in end of Dec '13. Management highlighted pricing is not a constraint and BT has outsourced a higher share of work compared to peers. Now they are making a conscious decision to keep the work captive as it doesn't want to lose control on the knowledge

- **Management's focus is to drive revenue growth and expects margin to follow.** Q4 margin is likely to face headwinds from wage increases (less than 200 bps) but management has levers in the form of utilization, operating efficiencies, and currency benefits

- On the acquisition front, there are few standalone BFSI companies and TechM would ideally look at a company with 50% BFSI and 30% healthcare revenue mix

Financial summary (CMP: Rs 1734)

Y/E Jun	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	117,024	18,063	-	85.1	72.4	-	44.3	33.4	-	2.4
FY13	143,320	21,154	-	99.1	16.4	-	36.3	34.4	-	2.2
FY14E	185,284	25,176	121.2	118.0	19.1	14.7	31.1	34.2	8.4	2.2
FY15E	221,848	28,242	134.8	132.4	12.2	13.1	26.4	30.7	6.9	2.2

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Subbu Subramaniam (CFO) and Vishwanath Hegde (Group Manager – Business Planning)

- **Demand and Supply side concerns persists**
  - Operationalization of gold imports under 80/20 scheme is likely to be under place in next 2-3 months. Despite management's optimism, we believe the quantum of supply under the new scheme will be constrained
  - Complete hedging of gold inventory either in domestic or international market, yet to be resolved with concerned authorities
  - Demand remains weak in Q3; similar to Q2. Festive demand has not met expectations

- **Under the new Companies Act, the Gold Harvest Scheme (GHS) could be impacted**
  - The new Companies Act has indicated no corporation (except banks) can take public deposits
  - This could have a sizable impact on working capital cycle as ~13% of revenue relate to advance deposits under GHS

- **Emerging agenda is de-risking revenue stream and pursue new businesses that meet 25% RoCE criteria**
  - Titan has entered the fragrance segment which it believes is severely underpenetrated
  - It is also contemplating retailing Helmets

Financial summary (CMP: Rs 236)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	88,384	6,021	-	6.8	40.1	-	48.6	69.3	-	-
FY13	101,127	7,225	-	8.1	20.0	-	42.3	61.6	-	-
FY14E	120,872	7,801	9.2	8.8	8.0	26.9	35.1	47.1	17.9	-
FY15E	139,318	9,336	10.9	10.5	19.7	22.5	34.1	40.9	15.1	-

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: S Varadarajan (ED – Finance) and Rajiv Balakrishnan (Company Secretary)

- **VA Tech's addressable market in India market is worth Rs 140 bn** and it has a share of 14%. Each operating segment has high competitive intensity. In the high technology market, Veolia and Suez are present. In the desalination market, there is Spanish competition along with Israel's IDE Technologies and Singapore's Hyflux. In the Industrial market, Thermax, Ion Exchange and Dosian exist

- **Margin dependent on geographical and revenue mix:** Margin in the domestic market is higher vs. international geographies. Margin on O&M is the highest at 18-20%. Management has guided for FY14 consol. margin of 9-9.5%

- **Market shifting to BOT projects:** both in India and international markets. New water policy in India mandates municipal corporations to act as a regulator. However, VA Tech would like to be an EPC contractor or a minority partner (up to 5%) and keep its balance sheet asset-light

- **Rising working capital cycle:** There has been a rise in working capital cycle to 83 days as of Sep '13 from 67 as of Mar'13 due to rise in receivable days (includes retention money) mainly in the Indian market. In the international markets, the working capital requirement is lower due to LC

Financial summary (CMP: Rs 506)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	EV/E (x)	DPS (Rs)
FY12	14,382	1,366	782	-	29.4	27.8	-	12.9	-	11.0
FY13	16,022	1,549	911	-	34.3	16.5	-	13.4	-	11.1
FY14E	19,013	1,747	1,003	40.0	37.8	10.1	10.9	13.4	7.3	12.0
FY15E	21,300	1,927	1,105	48.6	41.6	10.1	10.0	13.6	6.6	12.0

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: K S Patel (MD & CEO)

- **Challenging outlook for domestic transformer market; recovery unlikely before FY16:** In the last six months, ordering in the domestic market has come to a standstill, barring PGCIL. Expects the market to remain challenging even in FY15. Pricing has stabilized but unlikely to improve due to low industry-wide capacity utilization of 50-60%

- **Competition to intensify further with entry of TBEA (Chinese Co):** Chinese manufacturers are offering low pricing as an entry strategy and willing to take loss for 3-4 years

- **Market for distribution transformers can expand exponentially over next 5 years.** The market is currently dominated by unorganized players, as most of the larger companies have exited the distribution segment. There would be significant capacity constraints when the demand picks up

- **Export market too fraught** with challenges as the orders have service period liability clauses and intense competition. In Saudi Arabia, the demand outlook is strong and payments are secure, but pricing is not remunerative

- **Focus on conserving cash:** Voltamp is booking order to cover the fixed overheads. The company is focused on reducing the working capital which has led to increase in cash to Rs 650 mn (Sep '13) from Rs 434 mn (Mar '13)

Financial summary (CMP: Rs 353)

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	EPS (Rs.)	Change (YoY %)	RoE (%)	RoCE (%)	DPS (Rs)
2010	5,420	825	81.6	(26.1)	27.6	41.2	12.5
2011	5,263	518	51.2	(37.3)	14.7	22.0	9.0
2012	5,698	333	32.9	(35.7)	8.7	12.7	10.5
2013	5,155	329	32.5	(1.1)	8.2	11.6	11.6

Source: Company, Axis Capital

Co. represented by: Amit Jatia (Vice Chairman & MD) and Suresh Lakshminarayan (Director - Finance & Accounts and IT)

- **The company plans to add 70 stores p.a 2 years from now (current run rate of 30-40 stores p.a)**
  - Drive thru's will become a large and important part of store mix in FY14. While this requires greater investment and will drag margin profile in the short term, it will be a key competitive advantage in the long term
  - Supply chain has already been augmented for store expansion plans till 2017
- **Current store payback is 4.5-5 years**
  - Targets 22%-25% cash on cash return at the store level after 4 years of operations
  - Store payback will be improved through higher gross margins and brand extensions (McCafe). Company intends to reduce RM cost to less than 40% (currently 45%)
- **While Same-store-sales (SSS) growth is currently negative due to weakness in discretionary spend, it can average 10%-12% for mature stores in a normal environment. The company intends to maintain its rollout strategy**
  - 'Informal eating out' (IEO) has increased to 8 times a month from 3 times a month in a city like Mumbai. IEO industry is driven by young consumers, whose average visit per month is higher than the general average. Only 55% of people used Quick Service Restaurants (QSR) in 2007 vs. 82% in 2012

Financial summary (CMP: Rs 375)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	5,445	442	-	2.8	135.5	-	2,520.8	18.5	-	-
FY13	6,843	346	-	2.2	(21.9)	-	24.2	10.4	-	-
FY14E	8,095	243	1.6	1.6	(29.8)	240.3	5.5	3.2	94.5	-
FY15E	10,538	504	3.2	3.2	107.6	115.8	7.8	8.3	52.4	-

Source: Company, Axis Capital; *Consensus broker estimates

Co. represented by: Jatin Dalal (CFO) and Pavan Rao (Senior manager, Investor Relations)

- **Demand environment is healthy with demand across Healthcare, Retail Banking and Energy & Utilities.** Telecom, Insurance and Investment Banking continue to lag the overall demand curve
- **Deal pipeline is flat YoY but deal closures have seen an improvement.** Recent deal wins have been in Retail, Manufacturing, Healthcare and Retail Banking
- **IMS (24% of revenue) continues to see strong demand and the company has been able to win some marquee deals**
- **Pricing environment is stable and competitive environment is healthy.** Margin is expected to be stable and likely to be maintained in a narrow band over the medium to long term (Q2FY14: 22.5%)
- **Sales strategy has been strengthened over the last eight quarters with clear differentiation between hunting team and farming team.** Pricing decisions are well delegated (within a threshold) down the hierarchy in order to clinch deals
- On the immigration Bill, management remains in wait-and-watch mode but possibility of it being passed in current state is low

Financial summary (CMP: Rs 492)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	Adj.EPS (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	318,747	52,568	-	21	(1)	21	21	21	18	6
FY13	374,256	61,684	-	25	17	20	23	24	16	7
FY14E	439,477	74,519	30.8	30	20	16	26	28	13	8
FY15E	517,558	86,671	34.8	35	16	14	25	28	11	9

Source: Company, Axis Capital; *Consensus broker estimates

Zee Entertainment Enterprises

Co. represented by: Atul Das (Chief Corporate Development Officer) and Kanwaljeet Singh (AVP – Corporate Strategy & Business Development)

- ZEEL has implemented TRAI's 12 min hourly ad cap across its channels from Oct 2013. Such cut in inventory (from ~14 min earlier to 12 min now) will have an adverse impact on its ad revenue growth in the coming quarters
- While the management has undertaken a corresponding hike in its ad rates as well, it may take a couple of months for the complete pass through of the same
- ZEEL does not expect much impact on its subscription revenue from any possible adverse action by TRAI on content aggregators (like Media pro, Indiacast). Its strong market positioning and large channel bouquet will protect its turf
- Most of the benefits from phase I & II digitization already in place for ZEEL; expects much bigger growth potential from phase III & IV implementation given insignificant subscription revenue contribution from these markets currently
- Sports losses (given higher cricket inventory) to increase in H2FY14 and thus keep a tab on operating margin. Management remains focused on increasing its investment in content in the medium term

Financial summary (CMP: Rs 280)

Y/E March	Sales (Rs mn)	EBITDA (Rs mn)	Adj.PAT (Rs mn)	Consensus EPS* (Rs)	EPS^ (Rs)	Chg YoY (%)	PE (x)	RoE (x)	RoCE (%)	EV/E (x)	DPS (Rs)
FY12	30,405	7,392	5,888	-	6.1	(3.0)	-	18.1	25.9	-	1.5
FY13	36,994	9,255	6,907	-	7.2	18.2	-	18.8	27.9	-	2.0
FY14E	42,833	11,056	7,752	8.9	8.1	12.2	32.5	24.3	28.9	23.6	2.0
FY15E	49,634	13,670	8,587	10.7	9.0	10.8	29.3	29.9	30.7	18.9	-

Source: Company, Axis Capital; *Consensus broker estimates, ^ EPS estimates post pref dividend payout

Co. represented by: Anees Noorani (Vice- Chairman & Managing Director) and Aneel Saraf (Vice President – Finance)

- **Plans to add 30 stores p.a on a gross basis over next 2 years. Expansion will be solely on a company-owned company-operated (COCO) basis**
  - If a new store does not achieve cash breakeven within 2 years, it is closed down. Over the past 8 years, 30 stores have been closed (current store count stands at 109)
  - Back-end can comfortably support 200 stores
- **While same-store-sales (SSS) growth is currently 10%, the premium shirt market can grow at 25% p.a in a normal discretionary environment**
  - Management believes Zodiac can grow faster than the industry given that it has established strong competitive advantage in design, quality and store locations
  - Also the company upheld the brand value by not pursuing discounting like most peers
- **Zodiac is working on a loyalty program to augment footfalls and increase revenue**
  - Marketing expenditure is Rs 150-200 mn p.a, i.e. 5% of revenue

Financial summary (CMP: Rs 205)

Y/E March	Sales (Rs mn)	Adj.PAT (Rs mn)	EPS (Rs)	Chg YoY (%)	RoE (x)	RoCE (%)	DPS (Rs)
FY10	3,140	272	32.4	-	0.2	0.2	32.4
FY11	3,418	245	19.1	(0.4)	0.2	0.2	19.1
FY12	3,775	228	11.8	(0.4)	0.1	0.1	11.8
FY13	3,600	131	6.7	(0.4)	0.1	0.1	6.7

Source: Company, Axis Capital

Sector Outlook…

Sector	Outlook	Top Recommendation
Auto	**Demand**: Outlook remains unclear except for rural demand/ niche products. Tractor and scooter demand most robust, M&HCV demand most stressed. Cost pressures are rising due to INR depreciation and hike in steel prices	Buy: Tata Motors, Eicher Motor, Motherson Sumi Sell: Hero MotoCorp
Banking	• Business growth remains muted across segments with the exception of agriculture, SME and mortgages segments • Asset quality to remain challenging. Most managements indicated large corporates are facing significant stress that may lead to higher restructuring and slippages. In the retail segment, CV/CE space continues to face higher delinquencies • Cost of funds is facing upward pressure and likely to impact margins; however most lenders have raised their base/ lending rates to reduce the impact	Buy: ICICI Bank, HDFC Bank, LIC Housing Finance Sell: State Bank of India
Cement	**Demand**: Demand in H2 to benefit marginally from better rural demand (led by better agri output) but overall demand to remain subdued led by continued poor demand from industrial capex and infrastructure segments **Pricing & profitability:** Cement companies which had announced price hikes of Rs 20-50 per bag a month back have only been partially successful led by continued poor demand. Cost pressures are also expected to continue particularly freight and energy costs; thus we expect subdued industry profitability in near to medium term	

...Sector Outlook...

Sector	Outlook	Top Recommendation
Engineering	Domestic market for industrial products (transformers, motors, etc) is expected to be subdued in FY15 as well. Hence, pricing pressure to sustain. Companies like Crompton are focusing on exports to offset domestic slow down Unlike the past, getting technology is increasingly difficult, as most MNCs that have technology are now competing in India. Technology is changing rapidly, esp. in T&D, benefiting MNCs, but simultaneously it's a risk for Indian companies	Buy: Alstom T&D, Cummins Sell: BHEL, Crompton Greaves
FMCG	Expect demand moderation to continue and spread from discretionary categories to basic goods such as toothpastes Further, margin expansion that has benefitted benign commodity cost could see lagged imapact of higher input cost due to rupee depreciation and higher competitive intensity, as FMCG players chase volume amid slowing growth	Buy: United Spirits, Godrej Inds, Dabur, Marico, Jyothy Labs Sell: Nestle, Asian Paints, and Colgate Palmolive
Infrastructure	**Ports**: Players with spare capacity to benefit driven by steady industry volume growth and capacity constraints at most ports **Roads:** Ordering activity from NHAI expected to improve after a muted FY13. Players with strong balance sheet will be able to capitalize on the opportunity of new lucrative orders	Buy: Adani Ports
IT Services	While demand environement has improved compared to previous year, Q3 and Q4 could be impacted due to seasonality and furloughs. Strong economic recovery in US and Europe is leading to an improvement in client cofidence and better IT spends	Buy: Infosys, HCL Tech, Wipro

…Sector Outlook…

Sector	Outlook	Top Recommendation
Logistics	While container volumes across major ports may remain muted in the near term, a gradual pick up in export volumes will limit Export-Import mismatch and reduce empty running losses for both Concor and GDL in the medium term	Buy: Gateway Distriparks
Media	Digitization to continue to benefit Broadcasters through higher subscription revenue growth. Hike in subscription package prices coupled with lower freebies to drive ARPU growth for DTH players Higher ad spend by state government/ political parties coupled with healthy local ad spend to drive ad revenue growth for Print media players	Buy: Dish TV
Metals	**Non-ferrous**: LME prices to remain range-bound as excess Chinese capacity will prevent substantial recovery. At the same time, being below/ close to marginal cost of production will prevent any significant downside **Ferrous:** Domestic steel companies have increased prices by Rs 2,000-3000/ton in September/ October, which will benefit realizations Q3 onwards. Domestic iron ore prices have stabilized led by weak INR and exports becoming viable in Odisha	Buy: NMDC Sell: Sesa Sterlite
Oil & Gas	Refining margins to remain stable as new capacity additions would be offset by closures and improved demand from Asia, ME and Latin America Gas price hike implementation a key trigger for upstream companies. However, ONGC and OIL may remain under pressure due to uncertain subsidy sharing scheme	Buy: RIL

…Sector Outlook

Sector	Outlook	Top Recommendation
Power	Reforms have kick started through SEB debt restructuring, FSAs signed by Coal India, etc. Revision of fixed prices unviable PPAs holds the key Fall in power deficit, PLFs and consequently merchant tariffs in Q2 was due to seasonally low demand. Merchant tariffs are up 60% MoM to Rs 3.5/kWh	Buy: NTPC, NHPC JSW Energy
Pharma	US continues to offer good growth opportunity despite lower number of molecules going off-patent India growth to bounce back in mid-CY14	Buy: Dr. Reddy's Lab, Divi's Lab Sell: GSK Pharma
Real Estate	**Mumbai**: Volumes to remain sluggish given high capital values and approval bottlenecks; **NCR**: Muted sales in Noida and Gurgaon on account of low investor appetite and high capital values respectively; **Bangalore/ Chennai**: To see steady volumes driven by new launches in mid-income segment	Buy: Prestige Estates, Phoenix Mills, Puravankara
Retail	**Volume:** Discretionary spend remains weak. Diwali has been below expectations for most retailers. We believe high food prices and interest rates are squeezing disposable income **Margins:** New store breakeven has been extended for most retailers. Given that most retailers are on an expansion spree, margins are expected to remain subdued	Buy: Page Industries
Telecom	Recent TRAI recommendation of cut in spectrum reserve price addresses the key overhang of steep regulatory pay-outs. Industry consolidation playing out faster than expected, benefiting old operators	Buy: Idea

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