MOTILAL OSWAL

10th Annual Global Investor Conference

A Decade of Insights

25-29 August 2014, The Grand Hyatt, Mumbai

Re-shaping India

Post Conference Report

CEO Track

- ☑ 9 CEO presentations
- ☑ 10 Thematic presentations

InSites: Intriguing site visit

- ☑ Macro Drive - Delhi
- ☑ Mining & Metals Dig - Chhattisgarh & Odisha
- ☑ Financials Deep Dive - Mumbai

Company Connect

- ☑ Takeaways from company interactions

CEO Track

Thematic/Special Presentations

InSites: Intriguing site visit

Company Connect

Investors are advised to refer through disclosures made at the end of the Research Report.

Indian economy has started showing signs of improvement! On the macro, inflationary pressure is receding, IIP and GDP growth rebounding, and the twin deficits remains under control. On the corporate performance, earnings growth is showing signs of acceleration with FY15 growth estimated at 15% and FY16 at 20%. On the politics, the Modi-led NDA government has completed their 100 days and have infused a new ray of hope and confidence in the system.

Amidst this encouraging backdrop, we hosted our **10th Motilal Oswal Annual Global Investor Conference** – "A Decade of Insights" during August 25-29 at the Grand Hyatt in Mumbai.

Motilal Oswal Annual Global Investor Conferences are arguably the biggest in India, a trend which continued in 2014 as well. During the conference top management of over 100 leading Indian companies interacted with more than 700 investors from all over the world, translating into 3,600+ company-investor meetings. During the last three days (Aug 27-29), we also had insightful visits to the power corridors in Delhi, a deep dive into the Financials sector and site visits to Chhattisgarh and Odisha.

Conference Highlights

- **CEO Track:** During the first two days of the conference, 19 of India's leading CEOs shared their vision, strategies and success stories.
- **Thematic presentations:** by eminent experts covering a range of topics — from politics to society to economics … even spirituality!
  - **Shri Nitin Gadkari,** Union Minister for Road Transport & Shipping, shared his views on **India – Winds of change**
  - **Mr. Kunal Jeswani, Chief Digital Officer, O&M, provided insights into The making of Modi campaign**
  - **Mr. K R Lakshminarayana, Chief Endowment Officer, Azim Premji Foundation, spoke on Towards a sustainable society**
  - **Mr. Rajan Anandan, MD, Google India, presented on E-commerce in India – At an inflection point**
  - **Swami Sukhabodhananda, Corporate & Spiritual Guru, threw light on Transformation – life & work**
  - **Mr. SS Mundra, Deputy Governor, RBI, shared his views on Roadmap of Indian financial Sector**
- **Insites:** During Aug 27-29, we had organized two itineraries i) Macro Drive – Delhi where investors met policy makers including politicians and senior bureaucrats and ii) site visits to Chattisgarh and Odisha to see the processes, scope and operations at some of the largest aluminum & steel plants and coal mines.
- **Financials Deep Dive:** On Aug 28, we took a deep dive into the business fundamentals for the granular understanding of the financial sectors and emerging themes.

We also set up a unique evening on the opening day (Aug 25) - **Breathless! – A dance-dinner extravaganza** – a Bollywood musical by India's hottest dancing sensations combined with an opportunity to network over dinner.

We received extremely positive feedback which makes us believe that the conference indeed lived up to its theme of **Re-shaping India**, leaving global investors with several incisive insights, winning themes, high conviction on sectors and the best investment ideas.

We thank you for the active participation at the event. We will host the **11th Motilal Oswal Annual Global Investor Conference** in August-September 2014 and look forward to your participation.

Navin Agarwal	**Rajat Rajgarhia**
CEO – Institutional Equities	Managing Director – Institutional Equities

CEO Track takeaways

10 CEOs, 9 Thematics, InSites - Intriguing site visit

Hero MotoCorp

Mr Pawan Munjal
Vice Chairman & Managing Director
Hero MotoCorp

Mr Pawan Munjal is a key architect of India's two-wheeler (2W) revolution. He is MD & CEO of Hero MotoCorp, which produces nearly half of India's motorcycles and scooters and a ninth of global output. Under his stewardship, the company has once again retained its distinction as the world's largest 2W company in volume terms, now for the 13th consecutive year. During his time at the helm (since 2002), the company's turnover has gone up from ~USD1b to ~USD4b.

Mr Munjal believes in India's manufacturing prowess. He has chaired various committees of the apex body of India's automobile sector, SIAM, has headed groups on technology & innovation at CII, and sits on government bodies that chalk out policies on automobiles and trade. A World Economic Forum regular, he has also co-chaired forum meetings. He is also a sports aficionado, and his passion in this area has seen Hero MotoCorp at the forefront of promoting talent in Hockey, Cricket, and Golf.

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Takeaways from CEO Track presentation

Significant opportunity for 2Ws still exists in India, with ~1/3 penetration of comparable peers like Indonesia or Thailand. Penetrations can be 2x or 3x, driven by strong rural growth and increasing spend on commuting as disposable income increases.

- **EXPORT FOCUS:** Currently #1 globally based on India volumes. Focus to scale-up exports for being truly #1 globally. Target of 10% of FY20 volumes to be exports or ~1.2m units.
- Historically, period of low growths followed by strong spurt in demand. After FY13-14 muted volumes, FY15-16 can be strong growth period for 2Ws.
- Focus on expanding product portfolio to address new segments likes premium motorcycle, 125/150cc scooters etc.
- Four pronged strategy to achieve Vision 2020 (12m units, $10b revenues and 10% exports):
  - Expand the core: Increase domestic share, sell 9m units. Expand product portfolio by entering new segments, new tecchnology and innovative marketing.
  - Improve margins by 300-400bps to 18% by FY18: Very confident of achieving target, as entire roadmap in place and target is conservative!
  - Grow exports to 10% of exports: Currently in 20 countries, expand it to over 40 countries. Think global, but act local approach with offering customized localized products.
  - Technology leadership: Have strategic alliances and in-house R&D to attain technology leadership. Hiring top talent...appointed Mr Markus Braunsperger as CTO (ex BMW for 25 years).
- Other highlights
  - 15 new launches in Oct-14
  - 35 products over next 3 years

Sesa Sterlite

Mr Tom Albanese
Chief Executive Officer
Sesa Sterlite

Mr Thomas Albanese is the Chief Executive Officer of Vedanta Resources Plc and its subsidiary Sesa Sterlite Limited. He is also the Chairman of the Board of Vedanta Resources Holdings Limited and Director of Vedanta Resources Plc. Mr Albanese is also on the Board of Directors of Franco Nevada Corporation, a Toronto-based gold-focused royalty and metal streaming company with assets around the world.

Previously, Mr Albanese served as the Chief Executive of Rio Tinto Group and as its Head of Exploration. He also served as the Director of Group Resources at Rio Tinto and as the Managing Director of North Limited. In 2009, he joined the Board of Visitors for the Fuqua School of Business at Duke University in North Carolina.

Mr Albanese received the 'Mining Foundation of the Southwest' 2009 American Mining Hall of Fame Award for his dedication, knowledge, leadership, and inspiration to his peers in the Mining industry.

Capital allocation gaining focus; India resource potential untapped

- Resource companies globally are focusing on initiatives to reduce their cost base and improve productivity given the volatility in commodity prices
- Capital discipline, cash flow generation, divestments, and portfolio simplification have become the focus area of investors
- Shareholders are giving preference for return on capital through dividends, buybacks etc
- Gaining license to operate would be the key differentiator for companies amidst the evolving regulatory framework and their entry into new frontiers
- India's per capita consumption of commodities remains well below world average and about 1/10th that of China
- Favorable demographics in terms of increase in urbanization and expanding labor forces would drive resource requirement
- While infrastructure in India is a major roadblock, recent policy actions around increasing spending on infrastructure are positive trends forward
- India's resource potential remains largely unexplored despite it being amongst the top 5 to 8 countries globally in term of reserves of iron ore, bauxite, zinc and coal.
- India's share of global non-ferrous exploration spending at 0.2% was the lowest amongst the BRIC nations.
- Mining sector in India has high employment elasticity to GDP of 0.52x higher than even manufacturing and services. Thus pickup in resource exploration activity would be a key growth enabler.
- Recent policies initiatives – like revenue share based incentive regime and uniform licensing policy for hydrocarbons, formulation of mining policies, roadmap for coal linkages to nearest plants – indicates a more investor friendly approach for resource exploration and utilization
- Sesa Sterlite being the largest resource explorer in India is likely to benefit from both improvement in demand and easing regulatory environment
- Outlook and potential by sectors (a) Oil & Gas – in-place potential reserves of about 10bnboe in Rajasthan. Targets 100mmscfd of gas production from Rajasthan by FY17 (b) Zinc-Lead-Silver – lowest quartile cost-positioning, development of Rampura Agucha mine progressing well (c) Iron Ore – Expect mining operations to resume in 2HFY15; government formulating policy on mining; Karnataka iron ore operations have resumed (d) Aluminum – Korba/Jharsuguda smelter expansion on track; coal availability major concern (e) Power – Coal availability remains an issue.

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Lupin

Mr Nilesh Gupta
Managing Director
Lupin

Mr Nilesh D Gupta has been Managing Director of Lupin since September 2013. Before this, he served as its Group President since July 2006, and was responsible for driving the Advanced Markets business.

In his present profile, he is driving all research initiatives of Lupin, comprising of Drug Discovery, Process Research, Formulation Research, and the IP Group. He is also in charge of Lupin`s supply chain, comprising of all API and finished product manufacturing locations, and heads the Regulatory, Quality, and Projects functions.

Mr Gupta graduated from the Wharton School, USA, where he specialized in Healthcare, Strategic Management, and Finance.

Increased focus on specialty business; plan to enter key emerging markets

- In less than a decade, Lupin has transformed itself from a largely India-focused, anti-tuberculosis company to a leading pharma player diversified across geographies as well as therapies.
- Lupin now aspires to be the 5thlargest company globally in terms of revenue as well as market capitalization. This is in line with their long term revenue guidance of USD5b by FY19E.
- During his presentation, Mr. Gupta laid out the roadmap the company plans to follow to realize their aspiration: building a global generics company with a strong focus on specialty business.
- Key ingredients to create as global generic company are (1) strong presence in significant geographies, (2) excellent R&D and regulatory capabilities, (3) world class manufacturing setup and (4) proven execution track record. Lupin has already shown strong progress in all of these areas.
- The company is now working towards increasing its focus on specialty business. These opportunities are step-up after the plain-vanilla generic business in terms of (1) limited competition, (2) high revenue visibility as well as sustainability in earnings and (3) better profitability. Global competitors like Watson (now Actavis) and Mylan have already seen success by transforming into a specialty-focused business model.
- As such, an established specialty business is a stepping stone into the Big Pharma game. However, entry into these areas entails high investments in R&D with long gestation period to realize the benefits.
- What make these benefits sustainable are the significant barriers to entry: (1) Difficult to identify such niche therapies, with most of them being the domain of Big Pharma; (2) Targeted products need to have a clear medical advantage over existing substitutes; (3) High development costs due to the clinical trials involved; and (4) Short product lifecycle which can render the opportunity economically unviable.
- To this end, Lupin will continue to develop, build and acquire capabilities for complex generics and specialty areas (e.g. long-acting injectables, inhalation, derm and biosimilars). It may also acquire a specialty product portfolio.
- While US will remain their biggest market, the company will leverage its position in India to capitalize on the long-term opportunity. Japan business is expected to grow by leveraging the existing base and channel relationships. In Europe, the company will focus on select markets through direct & partnership model. Lupin also indicated its interest to enter the key emerging markets of LatAm and Russia.

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Bharti Airtel

Mr Gopal Vittal
MD and CEO (India & South Asia)
Bharti Airtel

Mr Gopal Vittal is the MD & CEO of Bharti Airtel for India and South Asia. He is responsible for defining and delivering the business strategy and providing overall leadership for Airtel's India and South Asia operations. He moved into this role from Bharti Enterprises, where he was the Group Director - Special Projects (April 2012 - February 2013). In this capacity, he worked towards formulating and supporting Airtel's International strategy and data expansion.

Prior to this, he was at Hindustan Unilever, where he was heading the Home and Personal Care Division. During the various global and national responsibilities he held during his 20-year stint at Unilever, Mr Vittal gathered a wealth of experience in assimilating the consumer mindset, managing operations efficiently, winning with the customer, building brands, and innovating to secure market leadership.

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'Multiple Games' on; Bharti well-placed in all

- Industry has transformed from 'Start-up' (1995-2000) and 'Land grab' (2001-2010) to 'Multiple Games' 2011 onwards.
- Growth potential exists at customers 20% 'under-served' customers for voice, 80% for data, and 99.5% for services like mobile money transfer

Key opportunities

1) Underpenetrated geographies,
2) Market share improvement in specific circles,
3) Voice pricing to improve on secular basis (significant gap between realized rate of 38p/min and headline rate of 65-70p, both including incoming),
4) Customer mix improvement,
5) Enterprise market (USD 8b market of which Bharti currently more focused on top USD4b),
6) Data (10% smart phone penetration in India vs Asia Pac average of 39%).

Airtel strategy based on five pillars

- **Go to market excellence:** Measures like improving quality of subscriber acquisitions using scientific approach resulting in churn coming down to 2.7% and driving INR10b savings in subscriber acquisition costs.
- **Winning with Data:** Sharing 60-70% of data revenue with content providers vs 30% earlier, positioning Airtel as the 'smartphone' network, and 'technology leadership' by launching India's first 4G network.
- **Focus on valuable customers:** Rolled out 'My Plan' for post-paid so that subscribers can customize their billing pans – same concept is now being extended to pre-paid through 'myPack'. Focus on own retail stores, home broadband, DTH, and Enterprise segment to increase engagement with high value customers.
- **War on waste:** Increasing operating and capital productivity by improving cost efficiencies.
- **Winning with people:** Empowered circle level teams.

Key considerations/challenges

- **Low spectrum allocation on overall industry basis and per operator basis:** Total spectrum allocated to industry in India is 280MHz vs global standard of 750MHz. Average spectrum per operator is 15-17MHz in India vs global norm of ~46MHz. Further, significant amount of spectrum is not contiguous, which is not a big issue for 2G but is a key requirement for 3G/4G.

- **Taxation:** Industry pays 22-26% of revenue as taxes in the form of service tax, licence fee, spectrum usage charges etc.

Preparing for upcoming competition from new entrant by

- Understanding 4G technology well and gaining first-hand experience/leadership in 4G
- Focusing on re-shaping customer experience by restructuring the legacy processes
- Continued efforts to improve cost efficiencies

Jindal Steel & Power

Mr Ravi Uppal
MD and CEO
Jindal Steel & Power

Mr Ravi Uppal is the MD & Group CEO of Jindal Steel & Power. He brings with him 36+ years of work experience in the Engineering and Infrastructure segments. He has successfully set up several new businesses and turned around low performing units. Previously, he has served as the Country Head – India for ABB, where he led a seven-fold increase in business. He was Founding Managing Director of Volvo India. He was CEO of L&T's Power Division.

He is a member of the CII's National Council and heads CII's National Committee on Industrial Policy. He has been conferred the Royal Order of the Polar Star and named a Knight of Order by the King of Sweden. He serves as the Non-Executive Director on the Board of BAE Systems, plc, UK, and is Chairman of the India Advisory Board of Schindler, Switzerland.

Distribution reforms hold key, focus on meeting latent demand

- The last few years have been very challenging for three sectors - Mines and minerals, steel and manufacturing.
- Continues to grow at 15-20GW every 5 years. Emergence of private sector in power changed thing.
- Transmission is a bigger problem – Chhattisgarh, Orrissa and Gujarat have excess generation but have transmission problems
- Almost 35% of the power generated is with Private sector. This has increased from 11%, 10 years back. Generation was the key focus area, while lack of integrated thinking meant that transmission was never covered well.
- T&D losses should never exceed 10%, however there are huge amount of losses.
- Lack of co-ordination between Centre and State persists.
- New government has started to bring the various ministries together to get everyone on board, put the policy framework in place.
- Low-hanging fruits that can be addressed fast are: 1) Eliminate cross-subsidisation of power; 2) Higher distribution reforms through privatization to lower T&D losses.
- Merchant power rates have raised to INR6.50 because of shut down in North India
- Reported power deficit shortage does not include large load shedding; actual deficit very high

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HDFC Bank

Mr Aditya Puri has been the MD of HDFC Bank since September 1994. He has nearly 40 years of experience in the banking sector in India and abroad. Prior to joining HDFC Bank, he was the CEO of Citibank, Malaysia.

Mr Puri has contributed significantly to enable HDFC Bank scale phenomenal heights. During his tenure, he has led the Bank through two major mergers – the merger of Times Bank and Centurion Bank of Punjab with itself. Under his stewardship, HDFC Bank's growth, profitability, and rankings have been amongst the best in India.

The numerous awards won by Mr Puri and the Bank are testimonies to the tremendous credibility that Mr Puri has built for himself and the Bank over the years.

- Top Achiever, Sunday Standard Best Banker Awards
- Banker of the Year 2013, Business Standard
- Best Executive in India, Asia Money 2013
- Best Banker, FE Best Bank Awards
- Best CEO, Institutional Investor

HDFC BANK

Mr Aditya Puri
MD & CEO
HDFC Bank

- **Economy to pickup over the medium term:** While the overall demand environment has been weak over the last couple of years, a few greenshoots are visible in the manufacturing sector. The reduction in fiscal deficit, key reforms, widespread rainfall and improvement in government functioning and accountability hold the key for medium term growth improvement.
- **Interest rate to be stable over next 9-12months:** Over the last 4-5 years, RBI maintained an anti-inflationary monetary policy stand. Central bank has been successful in softening the WPI inflation to ~6% from 9-10% in 2011. As the economy embarks upon the next phase of growth, interest rates are likely to witness a gradual reduction once RBI achieves its CPI target of 8% by Jan 2015.
- **Banking industry poised for better days ahead:** An expected improvement in economic activity has revived the growth prospects for the Indian Banking Industry – which had been going through a lean phase over the last couple of years. While the higher proportion of stress loans in the system is an issue, banks are better equipped to handle them. Although, the stress is expected to ease over the next few quarters, the upgrade cycle is still some time away. Government and regulator are working together towards structurally strengthening Indian Banks. Consolidation in the PSU banks is the need of the hour.
- **Customer centric HDFC Bank model:** The bank undertook several structural and cultural initiatives over the last 3-4 years to transform the organization from a product centric bank to a customer centric one. The growth mantra of the bank is based on 3Ps: a) Purpose – Single point of contact for a client b) Product – customizable product structure with fastest turnaround time c) Price – Offer most competitive price after considering the risk/return tradeoff
- **Improved growth prospects:** Retail segment would continue to remain the key growth driver for the bank in near term. However, working capital loans shall pickup over the next 18-24 months as the economic demand picks up. On a steady state basis, bank will maintain equal proportion of retail and wholesale assets, with a +/-5% shift based on the economic scenario. The digital medium to become an important sourcing channel and its share will increase multifold over the next decade.
- The boards of HDFC Bank and HDFC limited both have not yet considered/discussed merger proposal as yet. In the current form it does not look lucrative for HDFC bank.

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Infosys

Mr UB Pravin Rao
Member of Board
Infosys

Mr UB Pravin Rao is the COO and Board Member of Infosys. He is responsible for driving growth and differentiation across a portfolio that includes – Retail, Consumer Goods, Logistics, Life Sciences, Resources & Utilities, Cloud and Mobility, Quality and Productivity, Services, Growth Markets, and Infosys Labs. In addition, he is responsible for Global Delivery and Service Innovation.

Mr Rao is also Director of the Infosys Leadership Institute, which is responsible for the selection, development, research, and succession of senior and high-potential leaders. Since joining Infosys in 1986, he has held a number of senior leadership roles such as Head of Infrastructure Management Services, Delivery Head for Europe, and Head of Retail, Consumer Packaged Goods, Logistics and Life Sciences.

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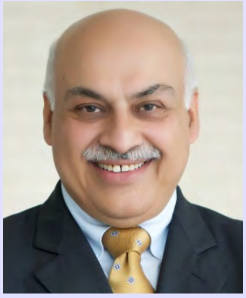
To invest in technology innovations; few segments incrementally better

- **Demand from few segments incrementally better:** While the overall demand environment remains stable, there is some uptick incrementally in Financial Services, Manufacturing and Communication & Energy. Retail and Life Sciences remain a little challenged. The company remains comfortable with its current guidance of 7-9% YoY growth in USD revenues.
- **USD100m allocated towards new technologies will see priority:** Dr. Sikka has called out his intention to utilize the USD100m funds allocated towards new technologies. Infosys is looking at acquiring or funding the start-ups, with a clear aim to gain an edge in technology innovation.
- **India advantage intact:** While countries like China have been building capabilities, there is very little visible presence in the international market. Barring voice BPO in Philippines, there is very limited pressure from outside. Where there have been sporadic instances of in-sourcing, there continue to be mature captives that are up for sale.
- **Any strategy change will be clearer by October:** While the leadership has changed, it is still early to suggest if there would be any big shift in strategy. Any changes can only be better articulated by October 2014.
- **Crucial to adapt to the changing role of Enterprise IT:** The role of IT in Enterprises is undergoing significant shift – they owned assets earlier, which is changing with the emergence of cloud. Applications too, are moving to cloud with software-as-a-service slowing becoming mainstream, and Bring-your-own-device (BYOD) is the potential future. As clients consume infrastructure around technology not owned by them, the opportunity in IT services is around integrating multiple hybrid systems (SI), and making the shift a seamless experience.
- **Attrition should start coming down:** Attrition of ~19% in the previous quarter remains on the higher side. Infosys has been taking measures to improve the predictability of rewards to people. Attrition should start coming down with the softer aspects like distraction around CEO succession now behind the company. However, it will be a few quarters before it recedes to 13-15%.
- **Growth remains the priority over margins:** Outlook for margins in the near term is 24-26%. As improvement in growth remains the priority, the company would be willing to be aggressive in traditional commoditized business and invest further in improving growth. Expansion in margins will be difficult unless growth improves.

Motherson Sumi System



Motherson Sumi Systems Limited

Mr V C Sehgal
Chairman
Motherson Sumi System

Mr Sehgal established Motherson in 1975 and has been the Chairman of Motherson Sumi Systems Limited since 2012. The group, which has a partnership with Japan's Sumitomo Wiring Systems, is one of India's largest exporters of auto parts.

It now has revenues of USD4.6 billion and employs 60,000 people across 25 countries. Under his leadership, the company is expanding internationally in Europe, South America and South East Asia. Post the Lehamn crisis, when the world was looking inwards, Mr Sehgal initiated a string of overseas acquisitions to expand and establish his business. In just five years, his company has grown more than 10 times and it is today India's largest auto component maker.

Stoneridge acquisition to be one of the key growth drivers

- Motherson Sumi's progress can be explained in 3 phases:
  - ✓ # Phase 1 (Upto 1997): Learning of manufacturing and focus only on India and OEMs.
  - ✓ # Phase 2 (1997-2003): Going global based on existing OEM relations
  - ✓ # Phase 3 (2003 onwards): Acquisition as route came with its restrictions. Acquisitions helped to own intellectual property.
- MSSL has always focused and never diverted on its vision i.e to be globally preferred solution provider. Due to its focus on QCDDMSES (Quality, Cost, Delivery, MANAGEMENT, Safety, Environment and Sustainability), the company scores very highly on it with all customers.
- At promoter level, there is clear distinction between ownership and management. There is complete decentralization of decision making, as there is complete authority at plant level based on deliverables decided by the corporate office.
- As a strategy, there is complete derisking as it follows strategy of 3Cx15 i.e no customer, country and component will contribute over 15% of revenues.
- It has over 42,000 employees in India. Interestingly, there are no labor unions at any of its plant in India.
- It follows BYBY philosophy i.e By Yourself, Better Yourself. They are focused on internal benchmarking and doesn't benchmark with any of its competitors.

- It is setting-up very aggressive target for 2020, which it would be disclosed with FY15 annual report.
- Stoneridge acquisition to open US market for non-PV wiring harness business. This acquisition can be one of the key drivers of growth and profitability.

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IDFC

Dr Rajiv Lall
Chairman
IDFC

Dr Rajiv Lall, Chairman of IDFC, has had an international career spanning the World Bank, the Asian Development Bank, and Wall Street institutions. He became CEO of IDFC in 2005 and embarked on the task of successfully listing the company and transforming it into India's premier infrastructure-focused financial conglomerate. He is now working on converting it into a commercial bank.

Dr Lall straddles the policy making and finance worlds. He chairs the Global Agenda Council on Infrastructure of the World Economic Forum, chairs the Infrastructure Council, and is a member of the Economic Policy Council of CII. He was India's representative to the G20 Workgroup on Infrastructure and a member of the City of London's Advisory Council on India. He has also been a member of several government advisory panels on Infrastructure Finance, Transport Sector Development, Modernization of Indian Railways, and the Reserve Bank of India's Committee on NBFCs.

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Reforms picking up; IDFC's bank to leverage technology for rapid growth

- Post elections, Expectations were running ahead of reality from the new government. The government has done a good job in attacking the structural issues in the system. The fact that various departments of the government are working together to resolve systemic issues is encouraging.
- The coordinated efforts on some of the important reforms like pricing of agriculture produce, GST, Infrastructure and capitalization of banks are encouraging. However, results in the form of pickup in aggregate demand, investments and exports will come with a lag over the next few quarters.
- The new government is doing good balancing act by being "Pro-Business" without being "Anti-poor". It is determined to smoothen the centre-state relations with lesser confrontations. Bureaucrats have been given higher autonomy and are working with renewed vigor and zeal.
- While there has been a lot of chatter relating to banking sector reforms, but it is still work in progress. This year's Union Budget also was disappointing for the banking sector.
- Indian Public Sector Banks are currently starved of capital. Considering the asset quality and capitalization, PSU banks will require at least INR2.4-3.0tn of capital over next 4 years to meet the Basel III regulations. Additionally, reforms to improve governance practices of PSU banks are the need of the hour.

IDFC Bank – plans ahead

- New bank will be listed from day one. IDFC will become the holding company of the bank. IDFC Bank will invest heavily in state of the art technology platform, which will be instrumental in gaining market share from other banks
- The recent RBI guideline on the issuance of long tenure bonds for Infrastructure and affordable housing are positive for IDFC.
- Clarification on treatment of current Infra book of IDFC is awaited by management. If the current loan book is treated as it is and shifting of loans is not treated as new loans then 30% of existing loans will get benefit in CRR/SLR and PSL at the time of becoming a bank. It would take around 24-36 months for the entire book to become eligible.

Idea Cellular

Mr Himanshu Kapania
Managing Director
Idea Cellular

Mr Himanshu Kapania is the Managing Director of Idea Cellular, a pan-India mobile operator. He has been responsible for strengthening Idea's dominance in established service areas, while launching services in new service areas and expanding brand presence in other major markets in India.

Mr Kapania is a Telecom industry veteran. He was the Chairman of the Cellular Operators Association of India (COAI), the body representing the interest of GSM operators in India.

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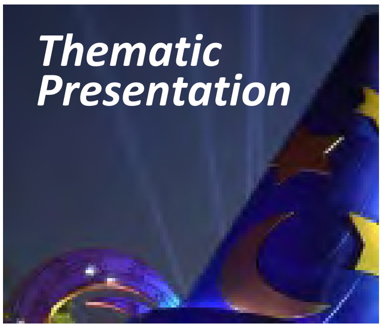
From 'No 3' to 'one among the three'

- **Industry revenue growth can accelerate to from ~10% to ~15% led by**
  - **Continued subscriber growth:** While industry has reached ~800m active subscribers, it can continue to add 70-80m subscribers per year given significant penetration gap between India and developed markets.
  - **Voice price increases led by declining competitive intensity:** Significant gap exists between headline tariffs and realized rates. Voice RPM to continue improving given declining competitive intensity.
  - **Data opportunity:** Mobile internet is the biggest growth story with ~230m of the ~250m internet connections in India on mobile. The industry has potential to add another ~500m mobile internet users.
  - **New revenue streams like M2M/Mobile banking/commerce:** These revenue streams are currently small but expected to ram up significantly over next 2-3 years.

- **Significant spectrum investments in-place; well-funded for upcoming renewal**
  - **Significant spectrum investments already in-place:** Idea has already invested ~INR210b during last three spectrum auctions to secure ~158MHz spectrum across bands/geographies.
  - **Well-funded for renewal:** The company is well-placed and funded for its upcoming spectrum renewals.

- **Confident of market share gains & operating leverage led margin improvement**
  - **Market share gains to continue:** Idea has gained 400bp revenue market share over past four years to reach 17%. Idea's incremental revenue market share during FY14 was ~30%, almost similar to other two incumbents.
  - **Operating leverage benefit can continue:** Idea's market share gains have driven operating leverage led margin improvement of 700bp+ over past three years. Margin expansion to continue as Idea is growing at 1.6-1.8x industry growth rate.

India Investment Insights & Frameworks

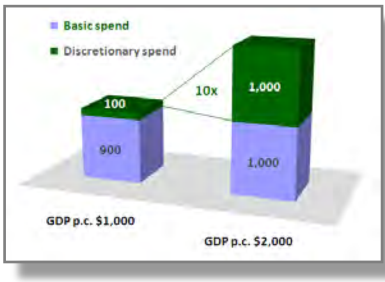


Mr Raamdeo Agrawal
Co-founder
Motilal Oswal Financial Services

Mr Raamdeo Agrawal is the Jt Managing Director of Motilal Oswal Financial Services Limited (MOFSL). MOFSL is a well-diversified financial services firm offering a range of products and services in securities, commodities, investment banking, asset management and venture capital. A subsidiary of MOFSL, MOSL is engaged in stock broking and retail wealth management. It has been consistently rated by Asia Money Broker's Poll as one of the leading equity research houses in India. Mr Agrawal is the key driving force behind MOSL's strong research capability. Stock picking is his passion.

Mr Agrawal is an Associate of the Institute of Chartered Accountants of India. He is a member of the National Committee on Capital Markets of the Confederation of Indian Industry. He has been authoring the annual Motilal Oswal Wealth Creation Study since its inception in 1996. He has featured on 'Wizards of Dalal Street on CNBC TV 18'. He wrote '*Corporate Numbers Game*' along with co-author Mr Ram K Piparia.

When per capita GDP doubles, discretionary spend likely to expand 10-fold



Many businesses will continue to grow exponentially in Modi-fied India; disciplined investing should lead to superior portfolio performance

World continues to prosper; China, India big winners

- Mr Raamdeo Agrawal stated that World GDP has gone up 2.3x in past 13 years growing at 6.5% CAGR. The world has continued to prosper in the past despite various global cycles and the coming years will not be any different.
- Of all the countries, China has been the biggest growth story. During this same period, China has almost jumped 7.7x growing at 17% CAGR.
- India has been the second biggest success story with GDP growth at 3.9x at a CAGR of 11%.
- Despite lower GDP growth, India's stock market returns are much higher than that of China. BSE Sensex return CAGR is 14% in the past 13 years, while Shanghai Composite is almost flat.
- In past 35 years of Sensex's existence, there are 23 years where Sensex has delivered positive returns and 12 years of negative returns. Further, all big years of negative returns, i.e., 1987-1988, 1993, 2001 and 2009 are preceded by consecutive years of huge positive returns.

India's linear NTD journey spells exponential opportunity

- India took 58 years to clock its first trillion dollar GDP in FY08. However, the Next Trillion Dollar (NTD) economy should take only 7 years (USD2t GDP in current year FY15), the NTD only 5 years (USD3t GDP in FY20), and the following NTD in 4 years (USD4t GDP in FY24).
- Even as GDP and per capita GDP grows linearly, discretionary spend expands exponentially, spelling massive opportunity for several sectors.
- Apart from domestic demographic advantage, India also enjoys global competitive advantage in certain sectors like IT/ITeS and Healthcare. Thus, Indian IT has grown 20x in 14 years (from USD5b in 2000 to USD100b in 2014), even as global IT is up just 2x (from USD500b to USD960b). Going forward too, Indian IT's global share is expected to double from 10% in 2014 to 20% in 2020.

Tested Investment Frameworks facilitate stock-picking

Mr Agrawal presented certain tested investment frameworks which enable confident stock-picking and superior portfolio performance:

1) Winner categories

- This framework states that sectors where high growth is coupled with consolidated competition will definitely do well in the long-run.
- From this perspective, Alcoholic beverages, 2-Wheelers, Credit rating and Telecom are among the best placed sectors.

2) Great, good, gruesome companies

There are three kinds of companies which can be equated with three types of "savings accounts" –

- The 'Great' one pays an extraordinarily high interest rate that will rise as the years pass.
- The 'Good' one pays an attractive rate of interest that will be earned also on deposits that are added.
- The 'Gruesome' account both pays an inadequate interest rate and requires you to keep adding money at those disappointing returns.
- Even as investors continue searching for Great and Good companies, key to successful investing is completely avoiding Gruesome companies.

3) Uncommon Profit: Emergence & Endurance

- Uncommon Profit means profit in excess of cost of capital.
- Economic theory suggests that in the normal course, competition should level off all profits to cost of capital. So, companies which earn Uncommon Profit over a sustained period of time clearly enjoy certain competitive advantages.
- Such companies are worth investing, especially in the early stage i.e. when they "emerge" into the Uncommon Profit zone.
- In the Indian context, cost of equity is 15%; so any company which hits 15% RoE for the first time signals potential "Emergence" of the company. The next challenge is "Endurance" i.e. sustaining RoEs above 15% for several years.
- Some key criteria help decide whether a company is likely to successfully emerge or not. Industry-level criteria include large profit pool and high bargaining power, whereas company-level criteria include strong corporate-parent and consumer advantage (rather than production advantage, which is more easily replicable).

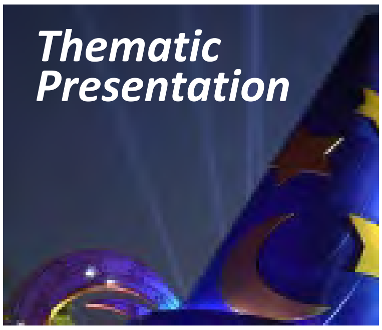
4) QGLP: "Quality-Growth-Longevity-Price"

Mr Agrawal said he personally followed the QGLP approach derived from Warren Buffett's four basic tenets of stock-picking – (1) Business we understand, (2) Favorable long-term economics, (3) Able management, and (4) Sensible price tag.

Indian stock market outlook

Indian markets are trading at new highs, but valuations are nowhere close to bubble. Typically, markets have peaked at P/E levels of 24-25x, whereas currently Indian markets are at 16x, slightly above the long-term average of 15x. Market Cap to GDP is also at LPA of 72%, which in the past has hit as high as 180%. Corporate profit to GDP stood at 4.3% in FY14; estimates suggest reversion to mean of 5.5%. Thus, there is enough room for markets to rise, led by steady earnings growth and valuation re-rating.

India - Winds of Change



Mr Nitin Gadkari
Union Minister for Road Transport & Shipping

Mr Nitin Gadkari is currently the Transport, Drinking Water & Sanitation, and Shipping Minister. Mr Gadkari has a multi-faceted personality – a young activist, an able administrator, a successful entrepreneur, and an astute politician.

As Public Works Minister of Maharashtra (1995-99) he swiftly completed mega projects like the Mumbai-Pune Expressway and the network of 55 flyovers in Mumbai at costs way below the estimated expenditure. He pioneered the concept of Public-Private partnership in infrastructure development. Establishment of Maharashtra State Road Development Corporation was one of his innovative initiatives, through which funds were raised from the open market for the first time in India.

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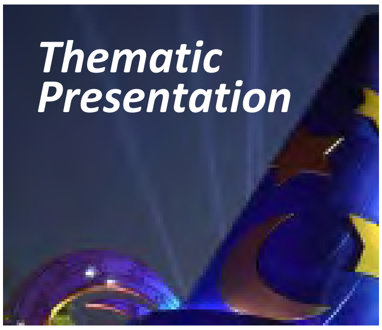
Road sector bottlenecks being addressed; inland waterways next focus areas

- **Infra's contribution to GDP growth to be 200bp in two years**: India's GDP is currently at 4.8%. The Ministry of Road and Surface Transport aims to contribute 200bp to GDP growth within two years.
- **Reasons for stuck projects**: Three reasons held up projects earlier including i) projects were awarded even with merely 10% of the land acquisition, ii) the detailed project reports (DPRs) document were highly imbalanced with rigid clauses resulting in cost overruns in turn leading to low interest among developers, iii) railway permissions for projects over its tracks.
- **Quick resolution**: In merely 90 days, the government has solved most of the problems. Fresh tenders of INR1t are expected to be floated. Of the total projects of INR1.8t stuck at various stages, ~INR1.4t have been resolved. The Ministry had 350 cases stuck on account of railway clearences. Of these, 50 have been cleared. Even on account of forest clearences, more than 100 projects have been cleared.
- **The current approach:** The government has now taken two decisions.
  - **To move from PPP to EPC.**
  - **Concrete roads at reasonable rates:** The government has decided to shift to concrete road from Bitumen earlier. While some cement players attempted to take advantage of the announcement by raising cement price by INR25 per bag, the Minister has negotiated a price of INR160/bag (which is substantially below market price). This would help many cement players to utilize their capacity to nearly 90% from current 40-50%.
- **INR1.25t can be raised by NHAI securitization:** The Ministry has no problem in raising funds; however, it is making efforts to raise funds as cheaply as possible. NHAI has revenue through toll collection of INR60b in FY14; the ministry expects revenues of INR100b by FY16 and later a target of INR150b. If the Ministry securitizes this toll collection, INR1.24t can be raised.
- **Major thrust to waterways:** The transport cost for one km of travel varies under three different mode as follows: i) by road INR1.5, by railways INR1 and waterways INR0.5. Thus, waterways is the most economical and environmentally friendly mode of transport. The government is contemplating the following for enabling this.
  - Barrage at every 100km in Ganges (with terminals)
  - Dry ports at Surat, Augrangabad and Wardha (near Nagpur)

- Promoting amphibious vehicles (like seaplanes, buses that ply on both road and water)
- Busports and sea ports
- Focus on ship building, ship breaking, etc.
- Promoting tourism cruise ships and light weight high speed boats

- **Vision for the road sector:** The Government has a comprehensive vision of development of roads in the country with many associated facilities including the following:
  - **Tunnel technology**: India's capacity to build tunnels has increased with 30-40 contractors now. Hence the government is considering of making undersea tunnels in place of sea links, viaducts, etc.
  - **Truckers' club for drivers**: Facilities for drivers to be created after every 50km with restaurants, resting areas and other amenities.
  - **E-toll collections:** In the next two months, government intends to have 350 tolls as e-tolls. ICICI Bank has been roped as the partner for this project.
  - **Satellite monitoring of traffic systems:** Traffic violations are to be monitored by satellite with penalties levied and reached at the offender's address directly.
  - **Green initiative:** Wants private sector manufacturers to come up with ethanol based vehicles. The Ministry has urged for incentives for green vehicles with Finance Ministry.
  - **Global practices:** All international standards will be adopted for Indian roads with comprehensive planning to avoid accidents, repair, etc.
  - **Gas, telecom, electricity grid through roads:** Along the highways the government plans to put gas, telecom, electricity and even iron ore slurry pipeline.
  - **Mumbai vision:** Plans to connect Vadodara-Mumbai expressway all the way to Bombay Port Trust (BPT) and then to JNPT by forming a ring road. Have plans to convert BPT into a major tourist attraction.
  - **Strategic road:** Government plans to undertake major road constructions in border and hilly states. The current alignment along the banks of the river would be altered to make more durable roads.

Investment Cycle: At the Cusp of a Revival



Mr SN Subrahmanyan
Member of Board
Larsen & Toubro

Mr SN Subrahmanyan heads the Infrastructure & construction verticals at L&T, India's largest infrastructure company. He has been a Whole-time Director of L&T since 2011 and serves as Board Member of several L&T group companies.

Within India, he secured several prestigious EPC contracts including four international airports and four metro rail projects. Outside India, he spearheaded the company's transformation from a civil contractor to a significant EPC player and bagged several prestigious orders including the Riyadh Metro and the Salalah Airport at Oman.

He is a member of the Board of Governors of Construction Industry Development Council and a member of the Working Committee, Projects Exports Promotion Council.

L&T: 'Design and Build' key differentiation; Buildings, Railways, Water witnessing traction

- The key differentiation and success mantra has been the focus on 'Design and Build' jobs. The Infrastructure business has a team of 3500 in-house designers, which is by far the largest for any internal function in the industry. This has enabled the business to be far ahead in terms of competition, with focus on 'single point' responsibility in most segments.
- Buildings and Factories continue to witness strong traction, particularly airports, elite residential, ITES, Hospitals, etc. L&T is working on 350 elite towers currently and has revenues of ~INR70b from this segment. Also, hospitals are fairly large contributor with revenues of ~INR30b.
- Key segments showing good promise includes: i) Railways (over last two years has been an important driver and target is USD1b revenues in next 2 years), Water and Effluent Treatment (revenues ~USD1b), etc.
- Overseas infrastructure projects as part of the order book are likely to be executed at margins in the target corridor range, and risk mitigation procedures have been fairly stringent.

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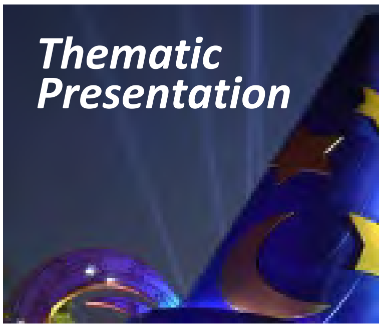
The Making of Modi Campaign



Ogilvy & Mather

Mr Kunal Jeswani
Chief Digital Officer
O&M

Mr Kunal Jeswani is the Chief Digital Officer for Ogilvy India. Most recently, he has been running OgilvyOne Worldwide, India, which is the leading digital agency in the country. Under his leadership, OgilvyOne has won a host of businesses and its reputation has been bolstered by winning the Yahoo Big Idea Chair, being named Digital Agency of the Year 2011 at Campaign Magazine's Asia Pacific Agency of the Year Awards, and winning the Digital Grand Prix at the 2012 Goafest.

Mr Jeswani has spent the last 18 years in the communications business working across categories with a range of clients that include Unilever, Cadbury, Vodafone and BCCI. He joined Ogilvy India in 2005. In 2009, he moved to the digital advertising space as Head, Planning, New Media, OgilvyAction and OgilvyOne.

He also leads special projects that require his expertise. In 2014, he led one such project - The National Election Campaign for the BJP.

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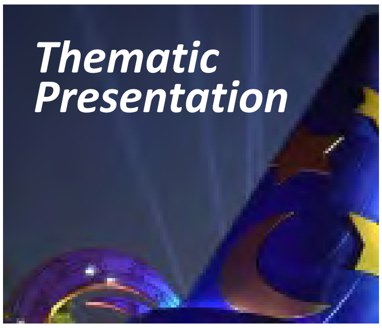
Making of the Modi Campaign: Keep it simple; keep it clear

- **Biggest learning experience:** In the words of Mr Piyush Pandey, Director, O&M, the Modi campaign has been the biggest learning experience and also the most challenging for him.
- **Initial poll results not encouraging:** The first poll tracker by CNN-IBN in July 2013 stated NDA to be 20 seats ahead of Congress with the result as a hung parliament. In Sept 2013, Modi was declared as the PM candidate and the next polls in Oct 2013 said NDA ahead by 50 seats still 80 seats short of majority. The prospect of another era of coalition politics was looming large.
- **Mission 272+:** To take up the mission to take the NDA tally to 272+ several strategies were worked out. So in December 2013, O&M worked out ways to position Modi and swing public sentiment.
- **Targeting the consumer sentiment graph:** When Ogilvy studied the prevailing sentiments, they found that there was discontent amongst the people for several issues (viz., inflation, corruption and unemployment, etc.) which they needed to change to faith and thus votes for Modi. This moved in phases as follows: i) discontent, ii) mistrust, iii) possibilities, iv) hope, v) confidence and vi) faith.
- **Ab ki baar Modi Sarkar (Next time Modi Government):** To capture the discontent and mistrust of the people they run a series of campaign focusing on the basic issues with a tagline "Ab ki baar Modi Sarkar" implying one needs to change the incumbent government and elect Modi as the Prime Minister of the country.
- **Achche din aane wale hai (good days are coming):** To focus on the next phase of consumer sentiments, viz., possibilities and hope, they run a series of campaign that hinted at what change would be possible under Modi government. These series made sure to end with prodding the viewer to vote for Mr Modi, implicitly suggesting that to bring good days, one needs to come out and vote for Mr Modi.
- **Highlight Modi's track record:** A set of positive campaigning was done based on the track records of positive sides of Modi to take the consumer sentiment to the final levels, viz., confidence and faith. In this series, they highlighted positive traits like decisiveness, development agenda, governance, etc.
- **Unique features of the campaign:** The campaign involved many a unique aspects including the following.
  - Provide clarity on leadership (Presidential style campaigning)

- Portray the best of the Man and the Party
- Use both personal outreach (rallies, 3D rallies, Chai pe Charcha) as well as mass media outreach (television, radio, press, etc.) extensively
- At every stage continuously follow the “Plan, Create and Deploy” strategy
- The campaign need not be creative but must be clear
- Bring real people to the forefront (i.e., using the consumer/voter directly in the campaigning rather than showing leader asking for vote)
- Bring regional elements (films have been reshot in 10 different languages)
- Bring humor when required (light hearted campaigning when T-20 world cup was going on)
- Focus on local, region, state specific issues (law and order in UP, natural calamity in Himachal Pradesh, cleaning of Ganga in Varanasi, etc.)
- Soften the pitch at the height of shrill personal attack (e.g., Modi’s contention of being in Varanasi for the call of ‘Maa Ganga’ herself)

Towards a Sustainable Society



Azim Premji University

Mr KR Lakshminarayana
Chief Endowment Officer
Azim Premji Foundation

Mr KR Lakshminarayana is the Chief Endowment Officer at Azim Premji Foundation, the largest non-profit organization in the field of education in India. Prior to his current role, he served as Head of Strategy and Mergers & Acquisition at Wipro Technologies Limited until January 2010.

Mr Lakshminarayana has experience in various functions including Quality, Resource Management, and Management Assurance, and has an in-depth understanding of various business issues. He also served as Chief Financial Officer of the IT businesses. He has been the Chief Endowment Officer at Azim Premji Foundation since January 2011, mostly focusing on funds and financials. He is a certified Six Sigma Black Belt.

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Improving the reach of education system to create a just and equitable society

Azim Premji Foundation – A background

- Azim Premji Foundation has been scaling up since 2012 with 1,100 education professionals and an endowment fund of about INR300b. All activities of the foundation are entirely in collaboration with and for state government schools.

Importance of education in society

- There are five ways in which education impacts society including, 1) a key enabler to society (e.g., educated mother taking better care of health of family), 2) highest multiplier effect (opens up other avenues), 3) better informed citizens, 4) builds citizens with desired value systems and 5) promotes skill, attitude as well as rule of law.

Highlights of Indian public education system

Scale

- 1.5m schools: India has the highest number of primary schools in the world (China has half of India)
- ~230m school children: ~10m out of school (perspective: Indonesia population is ~240m)
- 76% of schools are government schools with 4.6m teachers (ecosystem of 7m people along with administrators and support stuff)

Spread

- 644 districts; 2000 schools per district
- 356 living languages (780 languages if we relax the criteria of at least 10,000 people speaking) out of which 55 languages spoken by >1m people. However, content and context are far more important than language. Hence curriculum and pedagogy needs to be evolved accordingly.
- 98% rural population has a school in 1km radius

Success

- 63% schools have toilets – up 16% since 2006
- School enrolment at 97% - up 18% since 2001

- Overall literacy 74%; up 22% in 2 decades; women literacy has increased from 35% to 65% in the same period.

Spend

- Govt budget on school education is INR2.5t
- This represents 68% of HRD Ministry spending
- This is 3% of GDP (vs. 6% in OECD)

Challenges

- **Uniformity:** 9% of the population are visually impaired; most schools don't have provisions for such differently abled people. Besides there are different kind of minorities with unique characteristics (eg. a tribal village where the number '8' is a taboo).
- **Universal education:** Female literacy is lagging behind (82% male and 65% females, overall literacy 74%).
- **Retention:** Only 39% children reach 10th grade; only 40% of these pass; and only 20% reach the 12th grade.
- **Quality:** 47% of children in Grade I cannot recognize letters; 74% of grade 2 children cannot do two-digit subtraction; 53% children in grade 5 cannot read a grade 2 level text.
- **Equity:** 9 states have over 10% out of school-girls
- **Growth of private schools:** Proliferation of private school is a problem. They have grown by 29% but around 58% there are boys. People opt for private schools more due to their status symbol, teachers come regularly, etc. However, private schools rely on rote learning and research studies have found that there is no significant difference in learning outcomes vis-à-vis government school.

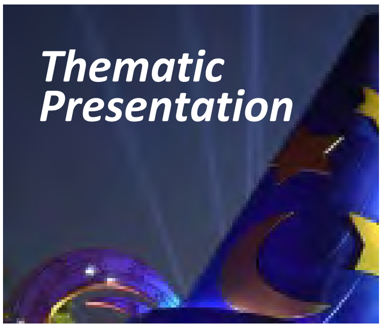
Strategies

- Capacity creation
- Create knowledge based system and bring best research in India
- Build social pressure for teaching

Priorities

- Strengthen teacher education system
- Improve Direct Institutes of Education & Training and promote research
- Build a cadre of education profession
- Others (e.g. anganwadi/exam reforms)

E-Commerce in India: at an Inflection Point



Mr Rajan Anandan
Managing Director
Google India

Mr Rajan Anandan is the Managing Director of Google India. He is also …the co-founder of Blue Ocean Ventures and serves as its Founding General Partner and Chairman. He is an active angel investor in India and focuses on investing in internet, mobile, and SaaS companies.

Mr Anandan's career includes global leadership roles at Microsoft, Dell, and McKinsey & Company. Prior to Google, he was Managing Director of Microsoft India, responsible for all aspects of Microsoft's software, OEM, and services business in India. Under his leadership, Microsoft India was recognized as the Number-1 subsidiary among the emerging markets worldwide.

Mr Anandan is keen to work with NASSCOM to dramatically accelerate Internet penetration and usage in India. This will require many initiatives including, expanding the domestic market for Internet-based businesses and promoting cloud computing to further improve the globally recognized strengths of the Indian IT industry.

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Product commerce to grow by 10x from 2014 to 2020

Era of connectivity explosion

- It took 110 years for number of land-line consumers to reach 1b, 14 years for 1b cellular users and 8 years for internet 1b internet users. The next disruption is coming from smartphones. One needs to watch out for the future for devices like Google glass and Google watch
- In 2014, there will be ~2.8b people on the internet, with ~1.75b smartphone users. By 2020, this number will increase to 5b people, and there will be 40-50b connected devices.

Disruption in India to be brought about by Mobile Internet

- India had ~200m internet users in 2013. It is currently adding ~5m internet users every month.
- In the next one year, India will be the second largest population on the internet, greater than the US, and only behind China. China today has 580m internet users. By 2018, India should have 500m users on the internet.
- ~50% of the mobile users use internet on their phones. This number will increase to ~65% by 2015.

India e-tailing to grow 10x by 2020 to USD45b

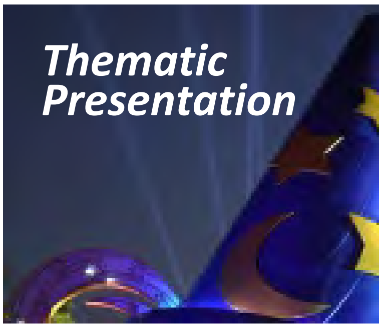
- By the end of 2014, product commerce will be a USD4.5b market in India (excludes travel). This number is set to increase to USD45b by 2020. If we include travel, that will add another USD25b. The total size of Indian Retail is estimated at USD450b.
- GMV at Flipkart is ~USD1.5-2b. The company is seeing 100,000+ transactions daily. Total number of transactions of electronic goods at Flipkart exceeds the cumulative transactions across the top-3 offline electronics retailers in the country.
- India has 47m small businesses with <2% of them having web presence. Today, 50% of the car buyers research online before going to dealers. 70% of urban teenagers by online and 69% of users decide which mobile to purchase in advance.
- Classifieds is a USD350m industry today, set to grow to USD850m in the next 3-4 years. Today, ~100% of the jobs are online, ~50% of matrimony, 10% of the Real Estate is online, and 10-15% of Education.

- Internet is also a USD8b opportunity for Telcos – split across USD6.2b in media content and services, USD1.2b in mobile applications and USD0.4b in e-stores and e-cares.

Capital intensity will be higher for Indian e-commerce players

- ~USD2.5b has been invested in the e-commerce companies in the country across 54 companies. There will be further USD4-5b worth of capital needed to achieve the scale anticipated. However, regulatory measures like FDI in e-commerce is essential to sustain the inflow and fuel growth
- Amazon, the global leader in e-commerce, made no money for the first 10 years and has been making very little money ever since. In India, even for marketplace models, the capital intensity is likely to be higher, mainly due to the limited infrastructure requiring them to invest into the ecosystem like logistics. ~25-30% of the orders have to be rejected today due to no reach in the respective pin codes.

India Consumer 360 Degrees – 2020



nielsen

Mr Prashant Singh
Managing Director
Nielsen India

Mr Prashant Singh is the Managing Director of Media business at Nielsen India, which spans television, print, online and telecom. He also leads the Indian Readership Survey (IRS), which measures readership of newspapers and magazines, as well as the consumption of other media.

In his long career with Nielsen, Mr Singh has led multiple businesses across measurement, insights, client service, and consumer profiles. He has expertise ranging from rural Indian consumer insights to social media and smart phone analytics.

Distribution reforms hold key; focus on meeting latent demand

- Consumer sentiments are improving and it will reflect in the numbers of FMCG companies with a lag of two quarters.
- Four drivers of consumption: 1) Acceptability of new categories (Toilet Cleaner etc) 2) Indulgence to regular (indulgence of past is a regular of today) 3) Commodity to brands (Edible Oils) 4) Premiumization (Biscuits).
- Urban India accounts for 65% of FMCG sector. Despite higher growth in Rural, salience of rural has not changed meaningfully as urban India adopts new categories.
- Premiumization trend is well underway in FMCG industry and premium segment is growing at 1.5x average category growth. Super premium segment currently constitute 10% of the USD40b FMCG industry and is expected to cross USD10b by 2020.
- Within premium segment, Food, Personal Care and Beauty are key growth drivers while Modern Trade and Chemist are preferred channels.
- MNC's perform better vs. local players in super premium segments due to better quality of innovations.
- Rural FMCG market accounts for 5m of total 8.4m outlets universe and should touch USD35b in size by 2020; as much as of total FMCG today.
- Within Rural India, local FMCG companies have snatched a higher share of the pie. Growth was led by distribution expansion and better throughput with local FMCG companies growing at 1.2x of MNCs.

Uncovering the next billion dollar opportunity – Additional USD4-5b sales in FMCG by 2020

Low Income Value Explorer (LIVE) and First Time Modern Trade Shopper (FTMTS). These two segments are expected to add USD2b in sales each by 2020.

- **LIVE:** Earns INR72k/annum with total 10m+ urban households. Every 6th household in India is a LIVE household and is currently spending USD2.4b on FMCG. This is expected to grow to USD3.5b by 2020. This shopper is more confident that middle India shopper, indulges in impulse purchase and is currently spending USD120m in Modern Trade.
- **FTMTS:** 35% of FMCG spends of this segment happens at MT outlets. Every 4th Modern Trade shopper is a FTMTS and this segment is currently spending USD280m at Modern Trade. Unlike popular perception, 1 in 2 buyers switch brands and 40% end up buying more than planned budget.

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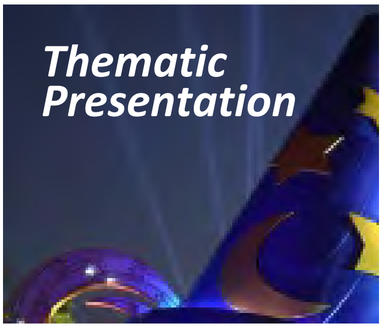
Transformation – Life & Work



Swami Sukhabodhananda
Corporate & Spiritual Guru

Swami Sukhabodhananda is the Founder Chairman of Prasanna Trust. He is one of the most respected spiritual leaders of the country and is often called Corporate Guru. His expertise lies in synthesizing ancient wisdom of the East and modern vision of West.

His books "Oh, Mind Relax Please!", "Oh, Life Relax Please!" and "Manase Relax Please" are best sellers.

He was invited as a dignitary on five different panels at the World Economic Forum in Davos, Switzerland and was a special invitee to the United Nations World Millennium Summit of Spiritual Leaders. He is the 2nd Indian to be honored at the prestigious Lotus Millionaires Intellectual Club at Manhattan, New York. He was awarded 'Karnataka's Best Social Service Award' by Essel Group & Zee Network.

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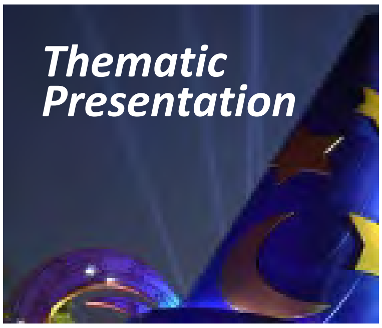
Moving from success to satisfaction; success is the outer winner, while satisfaction is inner winner

- Swami Sukhabodhananda explained that people need to distinguish their actions from reactions.
- While responsibility is the ability to respond, people should attempt to respond and not react.
- He mentioned that one should not take anything for granted but validate what one has (e.g., 'Namaste' stands for oneness between the two persons greeting). People need to create a sense of wonderment (Wows) about things that they have got.
- In the reaction mode people tend to become mechanical (as if an autopilot has taken control).
- More reaction means more tension and then everything tends to get messed up. As predicted by WHO, depression would be the second biggest killer by 2020.
- In reaction mode one does not experience the present (as our perceptions are colored by the past experience). Listening is affected as everyone only listens to his own 'mess up'.
- Swami Sukhabodhananda also informed that another name of Lord Buddha was Tathagatha (meaning "Experience whatever it is"). Thus, Lord Buddha has always preached to experience fully whatever one has.
- Swami Sukhabodhananda then explained the difference between 'success' and 'satisfaction'. He said that one can be successful but fulfillment is more important because ultimately that brings satisfaction. Success is outer winner, while satisfaction is inner winner. Getting what you like is success and liking what you get is satisfaction.
- Swamiji then mentioned the following five elements for success, i) Vision, ii) Power, iii) Speed, iv) Skill and v) Strategy.

Roadmap of Indian Financial Sector



Mr S S Mundra
Deputy Governor, Reserve Bank of India

Mr SS Mundra is the Deputy Governor of Reserve Bank of India. Prior to this, he was the Chairman and Managing Director of Bank of Baroda.

Mr Mundra brings with him diverse experience in Treasury, International Operations and Credit. He held a range of responsibilities in domestic as well as international operations of Union Bank of India, and was elevated as its Executive Director in 2010. He was also the Chief Executive of Bank of Baroda's UK Operations for three years.

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Indian Banking: Stage is set- time for action

- With the new government at the centre and improving sentiments in the market a key positive.
- Recovery in growth would essentially come from an improvement in the investment climate through better governance, transparent, effective and efficient regulatory and legal regimes, gains in technical efficiency, institutional improvements, improved labor mobility and other reforms.
- Indian banking sector capitalization remains healthy as of FY14 with overall CRAR at 12.9% of which PSU banks are at 11.4% and Private and foreign banks at 16%+ which would help drive future growth.
- RBI has taken various steps to contain asset quality performance by implementation of Joint Lenders Forum, monitoring SMA I & II accounts, prudency in sale to ARC transaction.

Roadblocks on the way to growth

- Corporate governance: Recent events in the PSU banking space have spurred concerns of corporate governance. However, one event cannot be generalized for the entire banking system.
- Risk management: Lack of prudence in risk management has led to increasing stress asset creation which constraints capital creation.
- Consumer protection: Curtailing wrong cross selling of products by financial institutions in turn prevent moral hazard.
- Human relation issues: Union labor issues, pensions, poor training facilities, etc.
- Operational Risk: Concern on fairness of the process of restructuring

Structural reforms to fuel the growth in the banking system

- Much discussed structural reforms (mentioned below) will help fuel qualitative growth in future
  - Bifurcation of Chairman and MD position
  - Holding company structure for PSU banks
  - Longer tenure for head of PSU banks and
  - Addressing PSU bank governance challenges
- RBI is considering the P.J. Nayak Committee recommendation regarding private banks chief age limit but no decision is taken as yet.

InSites: Takeaways from the Delhi trip

We rounded up AGIC 2014 Conference with a tour of Delhi to gauge the mood of the policy makers including politicians and senior bureaucrats. We indeed came back convinced that the new government has already made significant headways in many areas of critical importance. Here is a brief.

BJP, National General Secretary, Ram Madhav

- The priorities of the government include retaining investor confidence, making India a manufacturing hub, employ economic diplomacy to the fullest and provide a push to inclusive growth.
- The government is attempting consensus building and so far the opposition has cooperated in key economic legislations.
- Politically, the bye poll results were a mixed bag but BJP is confident of winning all the four upcoming state elections, including Jammu & Kashmir.

Ministry of Finance, Disinvestment Secretary

- The FY15 disinvestment target of INR634b consists of three components (INR450b for minority stake sale, INR150b for residual stake sale and INR50b other miscellaneous sale). It does not include SUUTI or public sector banks' disinvestment.
- Disinvestment would start from Sep-Oct 2014. There would be retail participation of at least 10% with 5-10% discount.
- The potential pipeline of disinvestment aggregates INR3t. Further the government would have to fulfill the SEBI norm of minimum 25% public holding within 3 years. More PSUs are being listed too to expand the investible universe.

Ministry of Finance, Advisor

- The leadership has infused an urge to change within the bureaucracy. In its approach, the government would be relying on executive actions first, before enacting legislative change and would also sequence the difficult reforms for later period.
- The current level of growth is unacceptably low. On the other hand, fiscal deficit targets would be met.
- The second budget would see more big bang reforms including Indian Financial Code, repeal of outdated laws, DBT, GST, decontrol of urea, etc.

Ministry of Road Transport and Highways

- The new government has placed a lot of emphasis on road building with Prime Minister himself reviewing the Ministry thrice in three months. A lot of procedural simplification and facilitating measures are underway to speed up projects.
- The Ministry has set a target of 8,500 km (3,500 km PPP) for FY15. While there is no shortage of funds for EPC, PPP remains the preferred mode of contracting wherever traffic exceeds 10,000 PCU. However, there is relatively low interest in PPP at present as the developers are equity constrained due to their exposure in other sectors that have turned NPAs (notably power and airports).

- The dispute resolution is progressing apace with INR100b out of the total dispute of INR260b taken up and settled amicably with 10% settlement ratio. Also 9 out of 23 cases of aggressive bids were salvaged with relaxed payment terms. ARC mechanism is also being evolved.

Ministry of Railways, Railway Board

- Railways is encouraging privatization in a big way through five modes, particularly in the areas of freight stations, logistics terminals, amenities, etc. An unique incentive offered by railways for BoT projects is to provide a revenue guarantee to private developers upto 80-120%.
- The Dedicated Freight Corridor (DFC) has taken off in a big way with 1,100 km out of total 2,800 km contracted out already in FY14. FY15 target is another 1,000 km with the balance to be awarded in FY16. These contracts involve few players and have a construction period of 4 years from the time of award of contract. DFC would allow even faster passenger traffic on the existing network by de-clogging it that would allow quadrupling of the frequency of passenger train service in the busy corridors.
- Railway tariff board would raise traffic gradually as the cross subsidization between the freight and passenger traffic is now around INR200b. Unlocking potential of railway land however, is a slow process.

Metals Itinerary: Odisha and Chhattisgarh site visits (Aug 27-29)

Company visited:
Jindal Steel & Power
Sesa-Sterlite, Jharsuguda site

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Key takeaways

We visited Chhattisgarh and Odisha to see the sites of Jindal Steel and Power (JSP) and Sesa-Sterlite (SSLT). We visited all the assets of JSP at Raigarh, Tamnar and Angul comprising of 5.5mtpa steel capacity, 12mtpa coal mining and 5,090MW power plants. We covered SSLT's Jharsuguda site on the way from Raigarh to Angul. SSLT has 3,615MW power plants and world's largest single location 1.75mtpa aluminum smelter at Jharsuguda. Key takeaways: -

DAY1 (27th Aug): Jindal Steel and Power, Raigarh

- Steel capacity has expanded from ~3mtpa to 3.5mtpa with the expansion of old blast furnace and slab caster. 3.2mtpa of saleable steel can be produced.
- Hot metal capacity has increased from 1.7mtpa to 2.16mtpa. However, the coke oven capacity is unchanged at 0.8mtpa. Blast furnaces have achieved high rates of 150-180kg/thm PCI injection in blast furnace. The coke rate has fallen to 350kg/thm. Therefore, the existing coke ovens will be able to feed the increased hot metal capacity. At worst, there will be small mismatch.
- Caster capacities are surplus (1mtpa Billet + 1.25mtpa slab + 1mtpa Beam blank/Round + etc.) to accommodate varied product mix. Slab caster is under modification (17th July to Sep 12) to increase width from 2600 to 3000mm. This will allow rolling of wider plates. The plate mill through put will increase.
- Rolling mills have capacity of 2.15mtpa (0.75mtpa RUBM + 0.6mtpa MSLM + 1mtpa Plate mill). Nearly 1mtpa of billets are sent to Patratu, Jharkhand for re-rolling into long products.

Jindal Steel & Power, Raigarh: 100t EAF

DAY1 (27th Aug): Jindal Power and its coal mines, Tamnar

- We visited Jindal Power's captive coal blocks Gare Palma IV/2&3 at Tamnar. There is simultaneous mining from 3 coal seams. The ash contents in one of the coal seam are high, which is washed in coal washing plant. The washed and unwashed coal is blended together and fed by pipe conveyor to 1000MW power project. Cost of production of coal ranges from INR750-850/ton. This is inclusive of INR90/t royalty.
- The 1000MW power plants are running at 100% PLF.
- 3 units of 600MW each are commissioned. The fourth unit is still under construction. One unit was operating at ~450MW rate.

Jindal Power's captive coal mines: Gare Palma IV/2&3

Jindal power's Tamnar-2: 3 units of 600MW each and ultra modern control room

DAY2 (&3): Jindal steel and power, Angul

- Coal gasification plant (CGP) is now running at 40% capacity utilization. Cost of production is around USD13/mmbtu, while average cost of coal is around INR2000/t.
- Gas based DRI, SMS, and plate mills are fully commissioned and were operational. DRI unit has facility to supply hot DRI to SMS. This helps in energy savings and effective increase in steel melting shop's capacity from 1.8mtpa to 2.0mtpa.

Jindal Steel & Power, Angul: Coal gasification plant

Jindal Steel & Power, Angul: 250ton EAF can produce 1.8-2mtpa steel

- Plate mill is producing API grade plates at 15kt per month rate. The steel/plate production run rate is at ~40kt per month. The plate mill has capacity of 1.2mtpa or 100kt per month.
- Construction at 1mtpa Billet caster is in full swing. Although site staff is guiding that billet caster will be ready in next 3-4months. However, we believe it will take minimum of 6 months. The Billet caster will help in faster ramp up of steel capacity utilization due to enhanced flexibility in product mix. Plate demand growth is generally more gradual.
- 2 units of 135MW CPP were under operation. 4 units of 135MW each were idle. Once the steel production ramps up fully, total internal consumption of power will be met by 3 units.

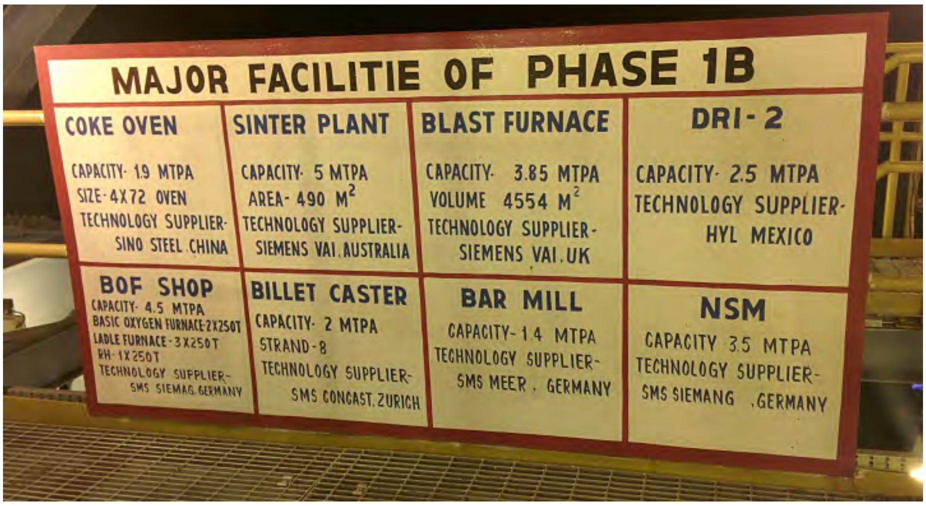
Jindal Steel & Power, Angul: Arial view of CPP (left) and Steel melt shop and plate mill (right)

- The civil work for next phase (1B) of expansion has commenced. 1.6mtpa of coke-oven, 3mtpa (4500m3) blast furnace, 3.8mtpa BoF, 1.4mtpa bar mill and 2.5mtpa

Naveen Strip Mill are part of phase 1B. The project is expected to be completed over next 2 years.

DRI-2 is now on hold

Jindal Steel & Power, Angul: Phase 1B expansion plan



DAY2 (28th Aug): Sesa-Sterlite, Jharsuguda

- 1215MW CPP is running at full steam. It is getting 42.5% (i.e. 50% at 85% PLF) linkage i.e. 2.7mtpa.
- 2400MW IPP is running at 35-40% PLF. It is getting linkage coal of ~5.7mtpa; one of the turbines was down for maintenance. There are issues with turbine blade failure. The Chinese supplier was replacing the blades under guarantee. Unit 2 is dedicated to state and hence gets 80% (calculated at 85% PLF) of its coal requirement through Coal India linkage. Unit 1 and 3 get 50% linkage (calculated at 85% PLF).
- 500ktpa smelter is running at 110% PLF.
- 1.25mtpa new expansion: testing of pots is underway; pots are yet to be charged. USD1.3b capex is outstanding (USD400m at Lanjigarh and USD900m Jharsuguda)
- Balco is now left with only 20% linkage i.e. 900ktpa. This will taper as well to nil in FY16.
- TSPL: There are issues in coal supply chain. However, it is Punjab state's responsibility to secure coal. Import of coal too has been permitted by state to bridge the gap. USD380m capex is outstanding.

Financial Deep Dive

Participating companies:
HDFC Bank
ICICI Prudential Life Insurance
IDFC
Indusind Bank
Mahindra Finance
Pheonix ARC
Shriram Housing
Yes Bank

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Key takeaways

Eminent speakers from various financial institutions shared views on their businesses and industry trends. Around 15 business heads from Banks, NBFCs, Insurance Companies and ARCs participated in the event. We present key takeaways from these discussions:

Greenshoots visible in the economy; corporate book to pickup by FY15-end

- Economy is showing signs of pickup. Sentiments have improved post-elections; huge comfort that all departments within the government are working together to revive demand
- However, corporate banking still under pressure with low credit growth; next couple of quarters to be challenging post which the loan growth should pickup.
- Corporate banking has become a commoditized product; focus is on providing innovative service and solutions in addition to usual product offerings
- Power sector is facing three major issues: Construction completion, Power purchase agreements, Fuel supply. PPA issues expected to be resolved in next 3-4 months; but fuel supply is a bigger concern

Retail growth to continue

- Over the last decade, retail banking has widened its scope and secured a prominent portion of the loan portfolio of banks. Poor credit demand and adverse asset quality experience in the corporate segment has further led to a higher focus on this segment.
- Growth in the mortgages continues to remain strong. Auto financing market to pick up towards the end of this fiscal. CV segment - No replacement demand for the past one and half years; pain to continue in the near term with recovery expec ted in 1HCY15. Asset quality of ex-CV retail portfolio remains impeccable.
- Technological platform a key for the next leg of growth. Sourcing through online platforms currently forms around 10-15% of incremental customer additions. Focused business model, strong liability franchise and customer friendly service to be the key determinants of a successful retail banking model
- Currently, most banks are focusing on acquiring the 'right' retail clients, especially professionals starting their careers-life cycle and wealthy customers. Increasing savings account float, cross-selling (minimum 3-4 products per customer) and other fee based business would be the key focus areas over the next 5 years
- GoI target of 'Housing by 2022' to ensure growth in the affordable housing space; Regulators/govt need to facilitate long term sources of funds for the development of real estate and HFC sectors

Company Connect

Note: All stock prices as on 2 September 2014.

Mahindra & Mahindra

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Bloomberg	MM IN
Equity Shares (m)	615.9
M.Cap. (INR b)/(USD b)	859.9 /
52-Week Range (INR)	1421/749
1, 6, 12 Rel. Per (%)	13/20/39

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	440.7	519.8	614.8
EBITDA	52.5	62.8	74.5
NP (incl.	38.0	44.4	52.5
Adj. EPS (INR)	63.6	74.2	87.7
EPS Gr. (%)	(2.6)	16.7	18.3
Cons. EPS.INR	77.1	99.4	121.7
BV/Sh (INR)	331	389	460
RoE (%)	18.6	18.8	18.7
RoCE (%)	19.7	20.4	20.8
Payout (%)	28.4	23.8	20.3
Valuations			
P/E (x)	22.2	19.0	16.1
Cons. P/E (x)	18.3	14.2	11.6
P/BV (x)	4.3	3.6	3.1
EV/EBITDA (x)	15.8	12.9	10.6
Div. Yield (%)	1.1	1.1	1.1

UV launches on track for FY16; new tractor platform launched in Aug-14

Consumer sentiments have improved, hopeful of demand recovery during festive

- Demand for passenger vehicles (PVs) is recovering and expect PV industry to grow 4-6% in FY15. UV industry expected to continue to outperform PV industry led by compact SUVs.
- Management highlighted that UV as a category has potential to further rise marginally as a share of PV industry. Currently it stands at 22-23% of PV volumes.
- While M&M's auto sales have remained weak, management is hopeful of demand recovery festive season onwards led by positive consumer sentiments and product action.

Product lifecycle turning favorable in UVs with 5 new products over 15 months

- M&M plans to launch 5 new products, including 1 refresh over the next 15 months. Of the 4 new products, 2 would be compact SUVs and other two would be LCVs.
- Considering general industry practice of adopting aggressive launch prifing, margins could be lower for newer products, but would improve as the product matures and volume ramp-ups.
- With relatively lower development cost vis-à-vis peers, its new launches (except Quanto) in the past have been profitable meeting management's IRR target.

Tractor demand growth to moderate to 5% in FY14 due to delayed monsoon

- Tractor industry grew strongly at 20% in FY14 driven by higher crop prices (minimum support prices), good monsoon, labour shortage and healthy availability of finance.
- Expects tractor industry to grow at ~5% for FY15 (v/s 20% in FY14) due to delayed monsoon and high base. While tractor demand would see uptick during festive season, it would remain stable till rabi crop season.

Other highlights

- 2W business plans to launch 7-8 new products over next 2-3 years. It expects to break-even at 1m annual volumes.
- It recently launched new tractor platform 'Arjun Novo', its second new tractor launch in 14 years (launched Arjun in 2000). The new tractor is expected to be game changer for M&M with superior value proposition for farmers. Unlike any existing tractors, Arjun Novo can effectively do 40 key farming applications and has high lift capacity of 2,200 kgs.
- Any farm loan waiver in Andhra Pradesh will benefit tractor demand. M&M, with its strong presence in AP, will be the biggest beneficiary of the same.
- Ssangyong has lowered its volume guidance from 160k units in CY14 to 150.5k units due to geo-political concerns in Russia. Ssangyong would launch X100 in 1QCY15 and expects strong volumes from this product.

Tata Motors

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Bloomberg	TTMT IN
Equity Shares (m)	2,736.7
M.Cap. (INR b)/(USD b)	1413.2 /
52-Week Range (INR)	531/301
1, 6, 12 Rel. Per (%)	11/-1/29

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	2,733	3,289	3,749
EBITDA	470.5	585.6	676.2
NP	206.5	269.7	316.3
Adj. EPS (INR)	64.2	83.8	98.3
EPS Gr. (%)	40.2	30.6	17.3
BV/Sh. (INR)	267.2	350.3	446.6
RoE (%)	27.2	27.1	24.7
RoCE (%)	26.5	28.2	27.3
Payout (%)	3.8	2.9	3.7
Valuations			
P/E (x)	8.1	6.2	5.3
P/BV (x)	2.0	1.5	1.2
EV/EBITDA (x)	3.7	2.8	2.1
Div. Yield (%)	0.4	0.4	0.6

Key takeaways

New XE to watch out for; JLR margin to normalize but would remain strong

Recent pricing cuts in China on top-end models have been post 12-18m of discussion with regulatory authorities. With local production commencing by CY14-end of major selling models and consequent ~15% price reduction, concerns on excessive pricing in China should abate. JLR's 1Q margins of ~20% were supported by robust product/geographical mix considering capacity constraints. Guides margins of 14-16% (ex Fx impact) over next 3-5 years, factoring Jaguar XE contribution. India business seems past the worst and showing recovery signs.

Local production to abate concerns on excessive JLR pricing in China

- China price cut of 7-8% on top end models were done post 12-18m of discussion with regulators. No major financial impact seen due to this.
- With local production commencing by CY14-end of major selling models and consequent ~15% price reduction, concerns on excessive pricing in China should abate.

JLR margins to normalize v/s 20% levels of 1Q; guides 14-16% range over 3-5 years

- 1Q margins of ~20% were driven by robust product/geographical mix considering capacity constraints. Both product/geo mix to normalize going forward (we estimate EBITDA margins for JLR to moderate to 19%/18.2%/16.5% in 2Q/3Q/4QFY15). Capacity concerns to ease 4Q onwards.
- Over 3-5 years, ex Fx margin guidance of 14-16%, factoring impact of Jag XE. There could be benefit of ~150bp by FY18-19 due to modular platform strategy.

XE could be game change for Jaguar brand; potential for 3x jump in volumes

- Jaguar portfolio has potential to go up 3x in volumes led by Jaguar XE (launch in 4QFY15; market size of over 1.5m units annually) and crossover (launch in FY16).

China JV to start operations by 4QFY15; capacity concerns to ease

- China JV to start manufacturing operations by 4QFY15, starting with 3 models (XF, Evoque & FL2/Discovery Sport).
- These 3 models currently contribute 45-50% of China volumes, and can potentially to go up 2.5x by FY17 on local production and consequent price reduction of ~15%.

India business past the worst; recovery signs visible in truck demand

- India business witnessing signs of recovery, with some uptick in over 25ton category. Truck demand has shown marginal uptick in recent months.
- Expect recovery in M&HCV from 4QFY15 and LCVs from 2QFY16.

Other highlights

- Modular platform strategy is on track, with target of 4:1 car per platform (v/s 2:1 currently) by FY18-19.
- Reliance on Euro imports will reduce upon commissioning of engine plant.

TVS Motor

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Bloomberg	TVSL IN
Equity Shares (m)	475.1
M.Cap. (INR b)/(USD b)	95.6 / 1.6
52-Week Range (INR)	242/29
1, 6, 12 Rel. Per (%)	26/104/505

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	104.9	130.6	149.4
EBITDA	7.1	10.3	12.3
Adj. PAT	4.2	6.5	8.0
EPS (INR)	8.8	13.7	16.8
EPS Gr. (%)	60.3	55.8	22.6
BV/Sh (INR)	36.5	47.5	61.4
RoE (%)	26.5	32.6	30.8
RoCE (%)	29.8	38.0	37.7
Payout (%)	23.9	19.2	17.4
Valuations			
P/E (x)	23.3	14.9	12.2
P/BV (x)	5.6	4.3	3.3
EV/EBITDA (x)	13.9	9.3	7.3
Div. Yield (%)	0.9	1.1	1.2

Key takeaways

Aims 18% market share, double digit margins by FY18

TVS Motor (TVS) targets 18% market share and double digit EBITDA margins by FY18. Launch of Victor 110cc executive motorcycle in 4QFY15 (~40% of 2W market) together with ramp-up in scooter volumes would be key drivers. TVS has invested heavily in building product brands over last few years; expect to continue in FY15 as well considering major launches. However, FY16 onwards expect margins to improve on operating leverage particularly on marketing spends. BMW project is on track and expects to launch their first joint product in 1QCY16.

Strong scooter growth to continue, Scooty Zest launch completes scooter portfolio

- TVS expects strong scooter growth to continue driven by a) continued outperformance of scooters over motorcycles led by convenience and universal appeal and b) complete product portfolio vis-à-vis competition.
- With monthly volumes of 30k units, Jupiter is a successful product. TVS expects recent launch of Scooty Zest (110cc variant) and refreshed Wego to further provide boost to the scooter sales performance.

Launch of Victor 110cc motorcycle to fill critical gaps in product portfolio

- With complete product portfolio in scooters, TVS has been able to register over 30% average growth in scooter sales over last few quarters.
- TVS plans to repeat such strong performance in motorcycles as well with launch of Victor 110cc motorcycle in 4QFY15 (~40% of 2W market).
- With around 20% share in entry-level motorcycles (*Star Sports* and *City*) and 10% in premium segment (*Apache*), TVS is confident of achieving 10% share in executive segment with Victor.

Operating leverage, normalization of ad spends to drive double digit margins

- TVS has invested heavily in building product brands over last few years. With major launches, marketing spends expected to remain high in FY15 as well.
- However, FY16 onwards as major brands stabilize expect margins to improve on operating leverage particularly on marketing spends (currently over 6% v/s 2% for Hero, 1.3% for Bajaj).
- With improving volumes and scale, possibility of gross margin expansion also exist through better negotiation with vendors.

Expect to be debt-free by FY15-end; Indonesia break-even expected in FY16

- Despite high capex plan of INR2b (also towards BMW project) for FY15, TVS plans to be debt-free by FY15-end (excl. interest free sales tax loan of INR3b).
- Indonesia operations are improving with higher sales from the recently launched Dazz Skubek. Focus remains to improve volumes, particularly through exports and significantly reduce losses. TVS expects break-even by FY16.

BHEL

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Bloomberg	BHEL IN
Equity Shares (m)	2,447.6
M.Cap. (INR b)/(USD b)	587.1 / 9.7
52-Week Range (INR)	292/119
1, 6, 12 Rel. Per (%)	1/17/55

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	333.4	368.1	411.6
EBITDA	35.7	49.4	62.6
Adj PAT	24.7	37.4	48.6
EPS (INR)	10.1	15.3	19.8
EPS Gr. (%)		51.3	29.8
BV/Sh. (INR)	141.6	151.5	164.4
RoE (%)	7.3	10.4	12.6
RoCE (%)	10.6	14.9	17.9
Payout (%)	30.0	30.0	30.0
Valuations			
P/E (x)	20.5	13.5	10.4
P/BV (x)	1.5	1.4	1.3
EV/EBITDA (x)	9.9	5.7	3.9
Div Yield (%)	1.5	2.2	2.9

Key takeaways

- Project awards are expected to accelerate, largely led by central / state sector. While pricing remain aggressive, there are various initiatives taken to lower the material costs. Few of the stuck projects are seeing a pick-up in execution.

Expect project awards to pick-up in FY15, led by State / Central sector

- During FY15, expect industry project awards (excluding the UMPP / Andhra projects) at 15GW, of which BHEL is targeting intake at 10GW. This compares with industry awards of ~6GW YoY in FY14. The targeted FY15 project award pipeline of 15GW excludes the UMPP projects.
- BHEL is L1 in ~4GW of projects including: i) 1320MW Ennore SEZ (EPC) ii) 6X196MW Pranhita Lift Irrigation iii) 500MW Tuticorin (BTG) iv) 1GW of Pakal DUL Hydro power with Patel Engineering v) 4X111MW Vishnugad Pipalkoti Hydro project, etc.
- Another 5-6GW project bids on EPC have already been submitted (including 2.6GW NTPC, 1.3GW TN, 660MW Mahagenco) and are expected to be finalized in next two quarters.

Gross margin & Staff costs

- Pricing continues to remain aggressive, but the costs are also declining given increased indigenization various initiatives (like design to cost), etc.
- During FY15, expect retirements at 2,200 employees (current strength ~47,525) and for Twelfth Plan, retirements are expected at ~10,000+ employees.

Execution picking up for few stuck projects

- Execution is likely to improve, with few projects even in the private sector seeing some pick up.
- Also, for new intake, the company is offering a lower execution period of 42 months (vs earlier 48 months)

New Boiler launch is an important differentiation

- BHEL has launched a new super critical boiler based on own design, which can switch between 100% indigenous and imported coal. This could be an important differentiation and the company is way ahead of competition.

Crompton Greaves

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Bloomberg	CRG IN
Equity Shares (m)	626.7
M.Cap. (INR b)/(USD b)	126.9 / 2.1
52-Week Range (INR)	219/82
1, 6, 12 Rel. Per (%)	0/23/90

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	145.8	165.4	190.7
EBITDA	9.0	12.7	16.4
Adj PAT	3.9	7.4	10.5
EPS(INR)	6.3	11.9	16.9
EPS Gr. (%)	62.1	87.8	42.2
BV/Sh. (INR)	63.0	72.7	86.6
RoE (%)	10.3	17.3	21.0
RoCE (%)	7.6	12.7	16.2
Payout (%)	20.0	20.0	20.0
Valuations			
P/E (x)	32.1	17.1	12.0
P/BV (x)	3.2	2.8	2.3
EV/EBITDA (x)	15.4	10.5	7.6
Div Yield (%)	0.7	0.9	1.2

Key takeaways

- The standalone business is showing signs of improvement, with FY15 performance to be a reflection of acceleration in industrial and consumer business. Overseas business has stabilized, with US Systems / Canada / Belgium reporting EBIDTA breakeven; and should witness improvement in 2HFY15 as contribution of high margin projects increase.

Standalone business showing signs of improvement

- In Power, the key focus is margin expansion (given higher exports, increased contribution of switchgears, etc).
- Industry business has been impacted given the constrained investment climate. Margins have been impacted by negative operating leverage, given the commissioning of the HT Motors / Drives manufacturing facilities in July 2013. For HT motors, the factory has received approvals from 10 global OEMs apart from four large end users. These new factories should increasingly contribute to revenues, as the process of obtaining pre-qualifications has been underway.
- Consumer business margins in 1QFY15 stood at 12.6% (up 94bps YoY) largely led by improved product mix towards fans and lighting. In the recent concall, management stated that medium term targets for margins stands at 15%.
- FY15 performance will largely be a reflection of the acceleration in industrial and consumer business with improved economic activity.

Overseas business has stabilized, expect pick up in 2HFY15

- Canada / US Systems business have nearly achieved EBIDTA breakeven in end 1QFY15. The initial phase of restructuring in Canada has been completed and the strategy revolves around improvement in shop floor operations, cost rationalization, improving labour productivity, focus on niche products etc.
- Going forward, the execution of: i) transfer projects at Hungary, ii) recent order wins in automation (INR3.7b) and systems (INR3.2b) business, which have high margins becomes important monitorables. Given these factors, 2HFY15 could witness margin expansion in the overseas business.
- For FY15, the overseas business should maintain a double digit revenue growth. Margins should also witness improvement in 2H as the recent order wins in automation and systems business are executed.

Automation business witnessing strong projects pipeline

- Automation business is witnessing good pipeline of projects globally, and CRG has been bidding for several of these projects.
- Increased order intake in automation business is driven by commencement of ordering by Iberdrola in Spain, and also orders in Poland, Portugal, etc.

Havells

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Bloomberg	HAVL IN
Equity Shares (m)	124.8
M.Cap. (INR b)/(USD b)	34.4 / 0.6
52-Week Range (INR)	300/119
1, 6, 12 Rel. Per (%)	12/52/81

Financial Snapshot (INR Billion)

Y/E Dec	2014E	2015E	2016E
Net Sales	90.2	98.8	110.0
EBITDA	9.6	11.4	13.7
Adj PAT	5.7	6.9	8.7
Adj EPS (INR)	45.7	55.7	70.1
EPS Gr. (%)	5.5	21.7	25.9
BV/Sh(INR)	160.0	192.2	233.0
RoE (%)	28.6	29.0	30.1
RoCE (%)	22.4	23.9	25.9
Payout (%)	41.4	42.1	41.8
Valuations			
P/E (x)	30.6	25.1	20.0
P/BV (x)	8.7	7.3	6.0
EV/EBITDA (x)	18.1	15.0	12.1
Div Yield (%)	1.1	1.4	1.8

Consolidated

Key takeaways

- The standalone business is showing signs of improvement, with FY15 revenue growth likely at 17 - 20% and EBIDTA margins of 13 - 13.5%. In Sylvania, the management has guided for revenue growth of 2 - 3% with EBITDA margins of 5-6%.

Standalone business expect to maintain strong growth momentum

- Expect revenue growth of 17 - 20% in the standalone business and EBIDTA margins at 13 - 13.5%. 1QFY15 revenue growth stood at 21%.
- Industrial cables business has started showing strong growth rates, and is generally a lead indicator of a pick-up for other business segments.
- Distribution network is being expanded to Tier 2 / 3 cities in most product categories.
- The management expects an uptick in the margins in most of the product categories also, led by strong revenue growth and cost rationalization initiatives. However, aggregate margins are likely to get impacted given the increased contribution of cables.

Overseas business has stabilized

- For FY15, management has guided for revenue growth of 2 - 3% with EBITDA margins of 5 - 6%.
- Europe has stabilized (with revenue growth of 6% YoY in 1QFY15); LEDs contribute ~30% of the fixtures in Europe. In select countries like France (Luminance) and UK (Concorde), HAVL has a dominating position.
- LatAm operations witnessed revenue decline of 9% YoY (~4% in USD terms) in 1QFY15 and were impacted by the volatility in Argentina and Columbia. Management expects to recoup the sales decline by end FY15.

Larsen and Toubro

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Bloomberg	LT IN
Equity Shares (m)	927.7
M.Cap. (INR b)/(USD b)	1462.8 /
52-Week Range (INR)	1775/688
1, 6, 12 Rel. Per (%)	1/13/74

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	625.6	775.1	951.7
EBITDA	69.2	81.0	99.1
Adj PAT *	37.8	54.2	74.7
EPS (INR)*	40.8	58.5	80.6
EPS Gr. (%)	-6.0	43.4	37.7
BV/Sh (INR)	403.6	453.1	515.4
RoE (%)	13.7	14.9	16.5
RoCE (%)	12.0	13.1	14.5
Payout (%)	26.9	26.9	26.9
Valuations			
P/E (x)*	36.5	25.4	18.5
P/BV (x)	3.7	3.3	2.9
EV/EBITDA (x)	19.8	16.4	12.6
Div Yield (%)	0.9	1.1	1.4
Sales	625.6	775.1	951.7

*Consolidated

Key takeaways

- While the investment cycle in terms of new project awards continues to remain constrained, there has been a new found optimism on the ground level. Improving consolidated ROEs/ ROCEs is an important priority, and a key focus area. Hydrocarbon losses have been led by the initial learning curve and expect performance to stabilize.

Investment cycle remains constrained, new found optimism at the ground level

- While the investment cycle in terms of new project awards continues to remain constrained, there has been a new found optimism on the ground level. The initial round of highway project awards is likely to be on EPC basis. Most of the initial project awards are likely to be by the public sector, while private capex will take time to recover.
- Key segments that can provide the initial round of project awards includes: Multilateral Funded projects (DFCC, Water, etc), Cash Rich PSUs (including NHAI, ONGC, PGCIL, etc), Cash rich private sector (in Real Estate, etc).

L&T Hydrocarbons: 1QFY15 losses a function of the initial learning curve; expect performance to stabilize

- L&T Hydrocarbons reported EBIDTA loss of INR8.9b in 1QFY15 and are pertaining to 5 overseas customers (~INR100b). The unexecuted part of these projects remains at ~INR50b to be completed by end FY15.
- The management reiterated that the new orders factor in the initial learning in the project bids and hence the business should move up to a more normalized profit levels going forward.

Attempting to correct the capital structure; NWC also a key focus area

- L&T IDPL has successfully raised funds: i) FDI Investment (Canada Pension Fund, INR20b in two tranches) ii) Asset sale (Dhamra Port at EV of INR55b - 50% stake, etc). Also, the management stated that the intent is to unlock value in L&T Infotech and L&T Technology through a listing by July 2016.
- Net Working Capital has deteriorated to 23% of revenues (vs 17.3% YoY) and is largely driven by vendor support, lower customer advances, etc. Management highlighted several process improvements to keep this number under check.

Real Estate business an important driver

- During FY14, consolidated real estate business revenues increased to INR13b (vs INR3.9b YoY), with EBIDTA margins of 63% in FY14, vs 56% YoY. Recent media interview had highlighted that L&T Realty has a land bank of ~30-35msf to be developed over the next 5-7 years.

Thermax

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Bloomberg	TMX IN
Equity Shares (m)	119.2
M.Cap. (INR b)/(USD b)	103.4 / 1.7
52-Week Range (INR)	990/526
1, 6, 12 Rel. Per (%)	-6/-11/16

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	56.1	65.5	80.6
EBITDA	4.2	6.1	8.5
Adj PAT	2.5	3.9	6.0
EPS (INR)	20.8	33.1	50.2
EPS Gr. (%)	-10.0	59.0	51.7
BV/Sh. (INR)	185.2	205.5	242.8
RoE (%)	11.8	17.2	22.7
RoCE (%)	9.7	14.7	19.9
Payout (%)	44.9	38.9	25.6
Valuations			
P/E (X)	41.7	26.2	17.3
P/BV (X)	4.7	4.2	3.6
EV/EBITDA	23.3	15.3	10.2
Div Yield (%)	0.9	1.3	1.3

Key takeaways

Thermax expects growth across its core business to be supported by its competitive pricing and servicing capabilities and be supported by the brand name, which it has established over a period of time. Exports is seen to provide major thrust to its growth plans, before ordering activity picks up in India. Globally, several players have stooped investing in R&D for small boilers, as they have reached its peak heating capacity and the small boiler market is expected to grow in the range of 8% - 10%.

Business drivers & growth opportunities

- Brand loyalty, competitive pricing & servicing capabilities are the key strengths of Thermax driving repeat business. Customers prefer vendors with localized service capabilities as it leads to lower down time.
- Growth opportunities are now expected to come from India, China, Middle East and African nations. Consultant has already been hired for the same and investment is expected to happen in a phased manner, once the plans are finalized.
- Indonesia is high on growth opportunity, but logistics is a major problem. Dubai is planning to construct ~1000 hotels, which would drive demand for small boilers. However, Indian boiler manufacturers cannot enter that market, as the major decisions are taken by consultants. However, repeat orders from sectors like paper mills, textiles can come to TMX.

Technology & Inorganic growth opportunities

- In India, Thermax has 25% - 28% market share, in small boiler segment.
- Inorganic growth opportunities are limited, as boiler is regulated equipment and have to comply with strict emission norms. Typically, there are several litigations going on because of emission norms in American / European companies. Hence, acquisition can be very risky.
- Boilers have reached their peak in terms of heating capacity and further scope of improvement is very limited.

Competitive scenario

- Market for small boilers has become stagnant in North America & Europe. Considering the same, several boiler manufacturers have stopped investing in R&D.
- Indian boiler market is expected to report 5 year CAGR of 8% - 10%, while global boiler market is growing by ~7.5%.

VA Tech Wabag

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Bloomberg	VATW IN
Equity Shares (m)	26.7
M.Cap. (INR b)/(USD b)	37.9 / 0.6
52-Week Range (INR)	1550/445
1, 6, 12 Rel. Per (%)	-5/82/177

Key takeaways

VA Tech Wabag maintained its guidance of reporting revenue in the range of INR26-27b, with an annual order intake of INR32-34b. Incremental growth opportunities expected in India would include second stage ordering of Nemmeli desalination plant along with ordering from multiple states of India facing acute water shortage. Other growth triggers in sight would be expected ordering from project Ganga. Globally, Al Gubra project's commissioning could get delayed by a few months.

Guidance maintained/cleaning of river Ganga to provide multiple opportunities

- Management maintained its guidance of achieving revenue in the range of INR26-27b, aided by order intakes of INR32-34b.
- Initial allocation by the Government for cleaning river Ganga is worth INR20.4b, which can increase multifold in the coming years as the project progresses.
- An agency is expected to be appointed to oversee the project execution and concrete decisions are expected to be taken in this regard in the next 10-12 months.

Second stage of Nemmeli desalination project on avail/desalination opportunity in India to increase multifold

- Ordering activity for the second stage of Nemmeli desalination plant is expected to enter the tendering stage in 2HFY14.
- Other desalination plants in Tamil Nadu on the drawing board stage would be located at Tuticorin and Ramanathpuram. Incremental desalination opportunities are expected to come from the states of Andhra Pradesh, Maharashtra, Uttar Pradesh, Rajasthan, Karnataka, Delhi and Orissa.

Al Gubra project may get delayed/SAARC nations to report promising opportunities

- The 191 MLD Al Gubra project being executed in Oman may get delayed by a few months. Management had earlier kept an aggressive target of executing this project in 22 months.
- Globally, orders are expected to come from countries like Sri Lanka, Philippines, Qatar, Latin America and European countries.

Voltas

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Bloomberg	VOLT IN
Equity Shares (m)	330.9
M.Cap. (INR b)/(USD b)	81.7 / 1.3
52-Week Range (INR)	253/63
1, 6, 12 Rel. Per (%)	23/51/215

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	56.9	66.9	78.3
EBITDA	2.7	4.9	6.2
Adj PAT	2.5	4.1	5.1
EPS (INR)	9.7	12.3	15.4
EPS Gr. (%)	30.4	26.7	25.4
BV/Sh. (INR)	61.8	70.4	81.2
RoE (%)	15.7	17.4	19.0
RoCE (%)	15.3	17.8	20.0
Payout (%)	30.0	30.0	30.0
Valuations			
P/E (x)	33.1	24.7	19.4
P/BV (x)	4.0	3.6	3.1
EV/EBITDA (x)	21.1	15.9	12.1
Div Yield (%)	1.0	1.3	1.6

Key takeaways

Room AC business is expected to remain in high growth trajectory for Voltas, considering its strong brand recall, competitive pricing to capture mass market and focus on making it affordable, in order to support volume growth. Incremental orders in the project business are expected to come from midsized projects which can be executed in twenty four months with minimum threshold margins of 5%.

Room AC business to remain in high growth trajectory

- Improved power availability, competitive pricing to capture mass market, improved product quality and strong focus on brand development and maintenance are the key growth triggers for Voltas's room AC business, in which it has market share in excess of 20%.
- Improvement in margins is a function of improved scale of volumes, favorable product mix between split & windows AC's and improved product quality, which has resulted in lower warranty costs.
- The next focus is on making air conditioner affordable by lowering its usage cost and increasing its usage across non summer seasons. Hence, Voltas has started advertising "All weather AC" is its advertisement campaigns.
- Maintenance of margins in Rooms AC business (EBIT in the range of 10% - 11%) is also subject to rational pricing strategy being adopted by its peers. Effectively resulting in maintaining pricing levels, which can be remunerative for all players, operating in market.

Project business shifts focus to midsized projects

- In project business, focus is now on midsized projects, which can be executed in maximum of 24 months, unlike the previous strategy of chasing iconic projects, where the execution period is much higher.
- Competition continues to be intense in project business and incremental orders are expected to be bagged only with threshold margins in excess of 5%.
- Improvement in EBIT margins across project business is a function of closure of its legacy projects and increase pace of project execution, across its new orders bagged with higher margins.

PE business to focus on O&M contracts

- Focus of professional electronics division is now on bagging O&M contracts, across Mozambique and other mineral rich nations, where Voltas had sold its products earlier.
- O&M aspect would also include, cost of spares and Voltas has to support its operations.

ACC

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Bloomberg	ACC IN
Equity Shares (m)	187.7
M.Cap. (INR b)/(USD b)	291.4 / 4.8
52-Week Range (INR)	1,565/914
1, 6, 12 Rel. Per (%)	7/6/20

Financial Snapshot (INR Billion)

Y/E Dec	2014E	2015E	2016E
Sales	116.7	137.3	163.4
EBITDA	13.4	22.4	33.3
NP	9.3	14.9	22.6
Adj. EPS (INR)	49.4	79.3	120.4
EPS Gr. (%)	1.8	60.4	51.8
BV/Sh (INR)	430	461	527
RoE (%)	11.7	17.8	24.4
RoCE (%)	15.3	23.5	32.0
Payout (%)	75.6	60.8	45.1
Valuations			
P/E (x)	31.2	19.5	12.8
P/BV (x)	3.6	3.4	2.9
EV/EBITDA (x)	18.3	11.5	7.2
EV/Ton (x)	133	135	126

Key takeaways

ACC management indicated internal cost measures witnessing gradual progress, which would drive INR150-200/ton savings by CY16. Jamul clinker plant will commence operations by CY15. Going ahead, South and West (Maharashtra) are key regions to aid volume lever are North and East plants of ACC are operating at close to optimum utilizations.

Internal cost measures witnessing gradual progress

- Cost savings measures in energy and freight front are witnessing gradual progress. It maintains guidance of INR150-200/ton savings by CY16 driven by rise in pet coke/AFR/WHR mix, coal block, RFID/GPS, direct dispatch to dealers etc.
- Plans to raise pet coke proportion to 20% by FY16% (10-14% currently)
- While it awaits clarity on coal block allotted in MP, it doesn't expect any meaningful impact as it had won it through auction at market pricing. Also, at current linkage coal pricing, coal from captive block would be expensive on landed cost basis.

Volume growth hinges on south & west, Jamul clinker to commence by CY15

- North and East plants of ACC are operating at close to optimum utilizations (~90%). Therefore, South and West (Maharashtra) are key regions to aid volume levers with plants operating ~65% utilizations.
- Jamul clinker unit of 2.8mt is on track to commence by mid-CY15, followed by 1mt (gross 2.5mt and net of closure of 1.5mt of existing plant) grinding in CY15 and 2.5mt in CY16. Of INR30b of capex, it spent INR12b by June-2014.
- Clarity on further expansion is limited and required Holcim board approval. ACC had planned expansion of 5mt in UP/MP (Tikaria, and Ametha)

Focus to remain on profitable growth

- Primary focus remains on improving profitability driven by internal cost saving measures and synergies led by ACC-Ambuja restructuring.
- Realizing synergy benefits may get delayed and requires re-evaluation with Lafarge facilities. However there is not much clarity with the management on implication of global Holcim-Lafarge merger on Indian operations.
- Royalty revision due in October -2014, albeit expects no major revision

Valuation and views

- Pan-India presence and a very strong brand make ACC one of the best proxies on the Indian Cement industry. Considering its very high operating leverage, ACC's EPS is very sensitive to change in cement prices.
- ACC is better vehicle to play cost synergies without issues of cash outflow (for acquisition) or hold-co discount. ACC has the strongest B/S among large caps.
- Multiple cost savings triggers are likely to narrow profitability discount to peers.
- We maintain **Buy** with target price of INR1,713 (CY15E EV/ton of US$150)

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Bloomberg	ACEM IN
Equity Shares (m)	1,547.2
M.Cap. (INR b)/(USD b)	333.9 / 5.5
52-Week Range (INR)	244/151
1, 6, 12 Rel. Per (%)	0/0/-16

Financial Snapshot (INR Billion)

Y/E Dec	2014E	2015E	2016E
Sales	219.6	258.2	304.6
EBITDA	33.3	50.1	69.8
NP	17.2	24.4	34.9
Adj.EPS(INR)	8.7	12.3	17.7
EPS Gr. (%)	-5.1	42.0	43.0
BV/Sh. (INR)	95.5	102.8	114.9
RoE (%)	9.3	12.4	16.2
RoCE (%)	17.1	23.4	30.6
Payout (%)	65.0	52.6	43.2
Valuations			
P/E (x)	24.7	17.4	12.1
P/BV (x)	2.2	2.1	1.9
EV/EBITDA (x)	13.0	8.7	5.9
EV/Ton (USD)	128	124	113

Key takeaways

Ambuja management expects volume growth to bolster hereon with 6% and 8-9% growth expectation in CY14 and CY15 respectively. Synergy benefits may get delayed and expansion plan remains contingent due to global merger of Lafarge and Holcim. Focus remains on profitable growth with cost saving measures underway.

Expects 6% volume growth in CY14, and 8-9% in CY15

- Witnessed ~10% volume growth in July-14 in west and north, and mild negative in east. Due to stronger YDTCY14, it expects 6% growth in CY14 and 8-9% for CY15.
- Company's focus remains on profitability followed by market share. However management expects market share not to deteriorate hereon.

Synergy benefits could be delayed

- Synergistic benefits of ACC-Ambuja restructuring is expected to percolate completely in CY16, (delayed from earlier expectations). This was due to global merger between Holcim and Lafarge which is likely to conclude by 1QCY15.
- While the implication of global restructuring on Indian operations of ACC/Amubja and Lafarge still lacks clarity, management is expected to re-evaluate operations synergies including Lafarge now, thus aiding some delayed in realizing benefits.

Expansion plan slowed down on global development

- Expansion plan in Marwah-Mundra (Rajasthan) of 4.5mt is running slow (land acquisition not completed yet) and hinges on outcome of Holcim-Lafarge merger.
- However grinding unit expansion is on track with Bhatapara (0.8mt) done, Rabriyawas (0.8mt) likely by CY15 and Sankrail (0.8mt) in CY16. It expects 0.5mt of de-bottlenecking in clinker capacity. It guides for INR8.25b and INR10.6b of capex in CY14 and CY15 respectively.

Focused on individual cost saving measures

- Ambuja is likely to witness adverse cost pressure in 3QCY15 due to rise in prices of fly ash, slag and packing materials.
- Increasing alternate fuel mix is major cost saving measures (aims to raise mix to 10% by CY16 v/s 4.4% now). ATF gives ~60% savings v/s current pet coke prices.
- While bulk terminus, rise in sea route usage would likely to reduce lead distance in select logistics, higher penetration plan into rural market will offset the same.

Valuation and views

- Ambuja offers favorable market mix (negligible exposure to southern market), diversified fuel mix and efficient operations, translating into superior profitability.
- Management expects to derive upto INR9b of synergy benefits (8-10% cost savings) over the next 2-3 years. We are yet to factor in resultant synergies in our estimates, which in our view may lead to 10-16% EPS accretion over CY14-15.
- We value ACEM with target price of INR235 (at ~USD160/ton). Maintain Neutral.

Grasim/Ultratech

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Bloomberg	GRASIM IN
Equity Shares (m)	91.8
M.Cap.(INR b)/(USD b)	331.9 / 5.5
52-Week Range (INR)	3,755/2,121
1, 6, 12 Rel. Per (%)	6/10/15

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	338.0	403.3	470.5
EBITDA	54.3	79.5	107.9
Adj. PAT	28.5	44.5	72.7
Adj. EPS (INR)	241.8	360.8	582.9
EPS Gr. (%)	12.4	49.2	61.6
BV/Sh. (INR)	2,571	2,906	3,460
RoE (%)	9.4	12.4	16.8
RoCE (%)	12.7	17.6	22.3
Payout (%)	10.0	7.1	5.0
Valuations			
P/E (x)	14.9	10.0	6.2
P/BV (x)	1.4	1.2	1.0
EV/EBITDA (x)	8.9	5.9	3.9
EV/Ton (x)	128.0	113.0	96.0

Key takeaways

Grasim management expects strong recovery in cement demand in 2HFY15 onwards, along with gradual recovery in VSF segment. In cement vertical, strengthening market share remains primary focus and would be addressed by ongoing expansion plan. In VSF the weaker dynamics have largely bottomed out, albeit recovery timeline could be still a years' ahead.

Cement outlook strong with double digit growth expectation in 2HFY15

- Management believes strong demand recovery 2HFY15 onwards with double digit industry volume growth expectations. Capacity addition is seen at 45-50mt over FY15-17 (in line).
- Recently acquired Jaypee plant in Gujarat offers synergistic opportunity in terms of better branding (higher prices), pick in utilizations, cost efficiencies etc.
- INR165/bag quoted by Mr. Gadkari is similar to ex factory realizations (pre taxes). Therefore in case of correct interpretation of INR165/bag as ex factory realizations, the downside risk is limited.

VSF dynamics worst out, but recovery timeline for realizations elusive

- VSF realizations bottomed out but may remain subdued over near term (FY15) due to over capacity in China, before anticipated improvement in FY16 (guidance lower than est)
- New cotton policy in China is likely to dent cotton prices which could remain overhang for immediate uptick in VSF prices. However downside risk is limited too. VSF prices have been stagnant in past 3-4 months.

VSF capacity addition decelerating; lower cotton price to moderate demand

- No major capacity addition expected over next 2-3 years after ongoing expansion of Grasim itself and Sateri (HK) in FY15. This aids gradual uptick in utilizations FY16 onwards.
- VSF industry volume growth may moderate from past trend of double digit due to lower cotton prices. Long tetm growth expected at 6-7%. However, on the back of ongoing expansion, Grasim is expected to post strong growth.
- VSF cost has went up in 1QFY15 led by higher pulp prices, however pulp prices have started moderated in 2Q, which should improve profitability.

Well placed on benefits from upcycle dynamics

- Both the key businesses are bottom of the cycle operating performances. With significant capacity addition in both business and being low cost producer, Grasim is well placed to benefit from any recovery in these businesses, resulting in strong earnings growth and balance sheet de-leveraging.
- Maintain Buy with target price of INR4,142 (SoTP based, valuing economic interest in cement business at USD200/ton & 40% hold-co discount and VSF at 4x EV/EBITDA).

Asian Paints

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Bloomberg	APNT IN
Equity Shares (m)	959.2
M.Cap. (INR b)/(USD b)	598.8 / 9.9
52-Week Range (INR)	650/400
1, 6, 12 Rel. Per (%)	-6/5/4

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	147.7	174.4	206.1
EBITDA	22.8	27.1	33.1
Adj. PAT	14.9	18.0	22.0
Adj. EPS (INR)	15.6	18.7	22.9
EPS Gr. (%)	21.4	20.3	22.4
BV/Sh.(INR)	49.0	57.8	69.0
RoE (%)	31.8	32.4	33.2
RoCE (%)	42.6	43.6	44.5
Payout (%)	45.0	45.4	43.6
Valuation			
P/E (x)	40.2	33.4	27.3
P/BV (x)	12.8	10.8	9.1
EV/EBITDA (x)	25.9	21.4	17.3
Div. Yield (%)	1.3	1.6	18.7

Key takeaways

Industry Dynamics

- Organized sector now forms ~65% of the Indian paints Industry (up 1500bp from FY05), with industry growth typically pegged at 1.5x-2x GDP growth.
- Average per capita consumption is 2.5kgs/person in India as compared to 25kgs/person in US/Europe and 6-8kgs/person in some emerging regions.

Domestic economy exhibits mixed signals

- Strong election mandate has resulted in improved consumer sentiments, though inflation continues to be sticky and remains at higher end of comfort zone. Domestic demand environment is expected to be better given the renewed optimism in the economy though poor monsoon is a risk.
- APNT is growing ahead of the industry with market share gains in North and East India while shares in West and South India being stable. The management believes competitive intensity has amplified given Berger and Kansai's increased focus on the Decorative segment.
- Industrials segment is expected to benefit given the initial pickup in demand. APNT has passed out some price increases in the Auto refinish segment.

Home Improvement: Synergies to drive growth

- APNT will leverage existing paint dealers who want to expand their business with Home improvement (Sleek and Ess Ess) offerings. The company initially plans to streamline operations and expand existing network to grow the business.

International: Balanced performance; Egypt impacted by political disturbances

- The company is looking for a Greenfield acquisition in Indonesia (fragmented market with Nippon being the largest player) and Africa.

Outlook

- **Volume/Price**: APNT witnessed double digit growth though not comparable to the volume performance (12%-14%) during FY14. The company witnessed uptick in demand environment in some metros with strong performance across tier II and tier III regions. APNT generally does not initiate prices increases during Sept-Nov period as it is a key for decorative demand. During FY15 the company has taken cumulative price hike of 2.2% in decorative paints business.
- APNT expect margins to be stable in the 15%-16% band.
- **Dealer Count:** APNT has 35000 dealers of which 28000 dealers have tinting machines. The company plans to expand its dealer base by 1500 annually.

Valuation and View

- Consistent double digit decorative paints volume growth is a key positive for APNT. At 33.4x FY16E EPS, valuation is expensive given historical comparison, in our view. We maintain Neutral with a target price of INR560, valuing the stock at 30x FY16E.

Dabur India

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Bloomberg	DABUR IN
Equity Shares (m)	1,756.2
M.Cap. (INR b)/(USD b)	398.6 / 6.6
52-Week Range (INR)	235/154
1, 6, 12 Rel. Per (%)	6/5/-8

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	81.9	94.7	109.7
EBITDA	13.6	15.7	18.5
Adj. PAT	10.8	12.7	15.1
Adj. EPS (INR)	6.2	7.3	8.7
EPS Gr. (%)	17.8	17.7	19.1
BV/Sh.(INR)	18.4	22.0	26.4
RoE (%)	33.8	33.2	33.0
RoCE (%)	37.8	39.4	40.3
Payout (%)	42.7	42.7	42.7
Valuation			
P/E (x)	31.8	27.0	22.7
P/BV (x)	10.7	8.9	7.5
EV/EBITDA (x)	24.9	21.2	17.7
Div. Yield (%)	1.3	1.6	1.9

Key takeaways

Dabur management stated that sentiments are still subdued but the company is expecting demand improvement in 2HFY15. Rural growth has slowed down and urban has seen marginal uptick sequentially.

Category Performance: Mixed

- Hair Oil: Hair Oil growth has come off with slowdown especially in the coconut segment (15% of Hair Oil), incremental growth coming from VAHO portfolio.
- Oral Care: Competitive intensity has reduced a bit but Dabur Red & Meswak are growing ahead of the category.
- Health Care: This is the key area for the company with focus being on general well being and pain management. The company plans to launch OTC products and leverage the chemist channel (Project CORE) to boost its performance.
- Juices: Segment continues to grow at 20% in value terms, though raw material inflation (tetra pack) is impacting margin expansion.
- International operations: The segment would witness mid teens constant currency revenue growth for the next three years with slight margin expansion. Namaste business has now stabilized and Dabur is now focusing on its wet hair portfolio in Africa.
- New products performance (Hajmola anardana, Odonil gels) has been modest and Dabur intends to maintain its product mix the near term at a healthy level to sustain its existing operating margins.
- Project CORE: First phase of the project is complete with direct chemist distribution reach being 53,000, which it will scale up to ~70,000 (overall focus is on the urban and semi urban areas). Overall distribution is 5.3m outlets with 1m direct outlets.

Outlook

- Volume growth guidance of 8-10% remains intact with margins to remain stable. Currently some pressure is there due to raw material inflation which Dabur is trying to mitigate through improving operational efficiencies.
- Effective tax rate will remain at MAT levels for the next two years and Dabur will start moving out to full tax regime by FY18.

Valuation and View

- Consistent healthy volume growth in a weak macro backdrop is driven by investments in distribution infrastructure and is noteworthy in our view. Dabur is also attempting to partake in urban growth revival via distribution expansion through specific channels. Dabur trades at a rich P/E multiple of 31.8x FY15 EPS and 27.0x FY16 EPS, leaving little room for disappointment. We maintain our Neutral rating with a target price of INR200.

Emami

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Bloomberg	HMN IN
Equity Shares (m)	227.0
M.Cap. (INR b)/(USD b)	153.3 / 2.5
52-Week Range (INR)	704/420
1, 6, 12 Rel. Per (%)	20/21/16

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	21.7	25.5	30.1
EBITDA	5.2	6.0	7.1
NP	4.5	5.2	6.2
EPS (INR)	19.8	23.0	27.4
EPS Gr. (%)	11.1	16.1	19.0
BV/Sh. (INR)	45.9	53.9	64.9
RoE (%)	46.4	46.1	46.1
RoCE (%)	51.1	51.6	52.5
Payout (%)	45.4	45.8	43.6
Valuations			
P/E (x)	34.7	29.9	25.1
P/BV (x)	15.0	12.8	10.6
EV/EBITDA (x)	29.0	24.6	20.4
Div. Yld (%)	1.1	1.3	1.5

Key takeaways

Emami's business has been reorganized from four strategic business units (Boroplus, F&H, Zandu and Boroplus) to three different business verticals (HealthCare, Consumer Care and International)

Building capability-Three SBU now have their own CEOs

- HMN has roped in senior management personnel from MNCs with their KPI being revenue growth and product innovations.

Foray into mainstream categories: Distribution reach + ad push to spur growth

- Hitherto a niche player, with presence in categories characterized by low MNC competition and high gross margins, Emami is now entering mainstream categories where there is no need for change in distribution approach and gross margins are more than 50% so as to sustain the required brand investment and still earn 20% operating margins (incremental return from existing brands would be mere 10-12%, as per management)
- As per management F&H brand equity was limited to body wash and face gels categories, so the company launched HE range of deodorants. HMN will now extend the brand into male grooming segment such as hair care, body care.
- She Comfort to be launched in September with company planning to garner 4-5% market share over the next 3-4 years by leveraging its existing chemist channel.

HealthCare to Philip growth

- Management alluded that Zandu is going to be the key for the next leg of growth with HMN launching few products under the Healthcare platform in 2HFY15.

International

- The company plans to grow revenues at 25% with operating margin similar to the domestic business. It is also keen to acquire brands in Africa and Sri Lanka and invest in distribution.

Outlook

- HMN has guided for 17-18% revenue growth over the next three years with A&P spends largely to be in the 18-19% band. Most of the gross margin benefits have come in and the management expects no major GM expansion for FY15.
- HMN plans to spend INR2b over the next three years to streamline IT operations which include updating of distributor systems and handheld devices for salespersons.
- The company will pay MAT tax rates for the next 5-6 years as it continues to benefit from units located in tax exempt locations.
- Barring acquisition HMN will maintain payout ratio at 40-50%.
- The company will expand its total reach (currently 0.63m outlets) to 0.7m and 0.8m outlets by FY15 and FY16 respectively.

Valuation and View

- Near-term expected margin disruption notwithstanding (due to aggressive new launch pipeline), the runway for growth in the medium term looks attractive as it scales up new products. Maintain Buy, with a target price of INR750.

Godrej Consumer

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Bloomberg	GCPL IN
Equity Shares (m)	340.4
M.Cap. (INR b)/(USD b)	341.7 / 5.6
52-Week Range (INR)	1,095/672
1, 6, 12 Rel. Per (%)	14/4/-20

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	87.6	102.5	118.9
EBITDA	13.6	16.2	19.0
Adj. PAT	9.0	11.0	13.4
Adj. EPS (INR)	26.4	32.4	39.2
EPS Gr. (%)	18.7	22.5	21.3
BV/Sh.(INR)	118.3	139.0	166.5
RoE (%)	22.3	23.3	23.6
RoCE (%)	27.8	29.4	30.0
Payout (%)	37.8	30.9	25.5
Valuations			
P/E (x)	40.9	33.4	27.5
P/BV (x)	9.1	7.8	6.5
EV/EBITDA (x)	27.9	23.3	19.6
Div. Yield (%)	0.9	0.9	0.9

Key takeaways

India business

- Management alluded that there has been sentiment improvement post election results but it is yet to reflect in consumer spending (Demand is bottoming out and gradual recovery is expected). With an improvement in actual income levels there is the expectation that it will lead to actual spending.
- **Soaps**: Premium end of the category has been growing well while mass market is facing challenges.
- **Household Insecticide**: Coil category is de-growing but it contributes 35% for GCPL vs. 45% salience for industry. Overall market share in the category bordering on 50% for the company. As of now, HI penetration is 30% in rural and 75% in urban. Future growth drivers in HI: 1) Target insects other than mosquitoes 2) Full day usage instead of just evening time and 3) Not just at home but even outdoor solutions.
- **Hair Colors**: Expert Creme is performing well with company witnessing significant up-trade into crème category from powders. New formats for hair color within the creme space will be launched next year.
- GCPL has partnered with 'B:Blunt' salon chain (had acquired 30% stake about a year ago) to develop a new premium hair care range (INR 400-600 price point). These products will be available in B:Blunt salons as well as retail market along with higher end chain stores like Westside and Shoppers Stop. The entire range is produced in India with in-house designing.

International

- **Indonesia (Megasari):** Operating margin pressure has come off and the margins in FY15 will be relatively better than last year along with a strong revenue growth momentum. (In the next two years Godrej Consumer can return to historic levels)
- **Latin America:** The Company had undertaken operational improvement project in the region which will bear fruit with margin improvement this year.
- **Africa (Darling):** Management alluded that quarterly volatility will remain but annual performance should be stable. GCPL will foray into new geographies like Angola, Uganda and Ghana through royalty based agreements.

Outlook

- Godrej Consumer will launch new products (in mid premium to premium space) and explore different avenues to cross polinate their products and learning's across countries. The company intends to keep A&P spends in the 14-16% band.

Valuation and view

- The stock trades at rich valuations of 40.9x FY15E and 33.4x FY16E EPS respectively. Maintain Neutral with a target price of INR800 (25x FY16E EPS). Recovery in domestic volume growth is a key monitorable.

Hindustan Unilever

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Bloomberg	HUVR IN
Equity Shares (m)	2,163.1
M.Cap. (INR b)/(USD b)	1587.5 /
52-Week Range (INR)	746/536
1, 6, 12 Rel. Per (%)	0/6/-28

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	308.8	348.7	400.9
EBITDA	52.3	59.4	68.5
Adj. PAT	40.1	44.7	49.8
Adj. EPS (INR)	18.5	20.7	23.0
EPS Gr. (%)	10.2	11.5	11.4
BV/Sh.(INR)	17.3	19.3	21.2
RoE (%)	114.3	113.1	113.8
RoCE (%)	148.0	149.3	155.6
Payout (%)	75.5	77.4	78.2
Valuations			
P/E (x)	39.6	35.5	31.9
P/BV (x)	42.4	38.1	34.6
EV/EBITDA (x)	29.2	25.6	22.1
Div. Yield (%)	1.9	2.2	2.5
Sales	308.8	348.7	400.9
EBITDA	52.3	59.4	68.5
Div. Yield (%)	1.9	2.2	2.5

Key takeaways

HUVR management alluded about continued softness in overall market with growth in premium sub-segments remaining subdued. Inflation trends, GDP growth and consumer sentiment drive sales. Sentiment is starting to change but has not yet converted to sales.

Soaps and Detergents

- Price led growth coming back in the Soaps category.
- In Detergents, premium portfolio is doing well with strong performance by Surf and Rin. Wheel's performance is improving post its relaunch in FY14.

Personal Care

- Skin: FAL is gaining momentum sequentially and HUVR is trying to regain the penetration of the brand lost during packaging change.
- Hair: Broad based growth since last 7-8 quarters except for 'Clear' brand which is not performing well.
- Oral: Category growth has slowed down due to curtailment of promotions. For HUVR, Close Up is growing well while Pepsodent performance has been soft.
- Color Cosmetics: HUVR plans to reposition Lakme as a premium color cosmetic brand along with some new launches in the skin care segment.

Food and Beverages: Building categories of future

- Food: Portfolio has been growing well with strong performance of Knorr instant soups (doubled volumes in last few quarters) along with positive response for Magnum launch
- Beverages: For HUVR, tea portfolio is witnessing more challenges than coffee given the raw material inflation.

Outlook

- Management believes premiumization as a trend has seen a pause but on a mid-term basis it remains a strong trend. Prior to 2012, premium segment (25% of HUVR portfolio) was growing at 2x of regular segment.
- Media intensity is coming off a bit due to raw material inflation. HUVR is looking to leverage alternate media such as Radio, Print and Outdoor.
- Separation of HPC in two divisions will aid in brand building and go to market efforts without altering innovations.
- HUVR has increased its distribution reach by 3x in the last three years and is now looking at consolidating and reaping benefits for better performance. Current total reach is ~7m outlets of which direct reach stands at 3.2m outlets. (1m+ stores under the perfect stores programme).

Valuation and View

- Given the premium valuations HUVR trades at, (39.6x FY15 and 35.5x FY16 EPS) we see little room, if any, for upside. Maintain Sell with a target price of INR620 (30x FY16 EPS).

Marico

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Bloomberg	MRCO IN
Equity Shares (m)	644.9
M.Cap. (INR b)/(USD b)	175.4 / 2.9
52-Week Range (INR)	294/197
1, 6, 12 Rel. Per (%)	-2/3/-15

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	56.0	65.3	75.4
EBITDA	8.5	9.9	11.4
Adj. PAT	5.7	6.6	7.7
Adj. EPS (INR)	8.8	10.3	11.9
EPS Gr. (%)	9.1	16.3	15.9
BV/Sh.(INR)	33.9	41.6	50.4
RoE (%)	26.0	24.7	23.6
RoCE (%)	36.8	35.8	35.0
Payout (%)	9.1	21.5	21.9
Valuations			
P/E (x)	31.5	27.0	23.3
P/BV (x)	8.2	6.7	5.5
EV/EBITDA (x)	20.3	17.1	14.4
Div. Yield (%)	0.3	0.8	0.9

Key takeaways

RM Inflation

- Management alluded to gross margin pressures primarily led by RM inflation in copra (up 131% YoY). MRCO has witnessed sequential hardening of copra prices, given bad monsoon in Kerala.
- The company has taken 19% price hike in Parachute in Q1FY15 with cumulative price hike totaling 33% YoY. The company however plans to take price cuts in certain recruiter packs if copra prices cuts.

Hair Oils:

- The Hair Oil category is growing in low single digits with the company seeing 6-8% volume growth for Parachute rigid packs while flexible pack volumes are declining.
- MRCO has four brands in the Hair Oils category with each contributing INR2b in revenues. Incremental growth under the Hair oil portfolio is primarily driven by Shanti Amla (INR2.5b brand, sells at 40% discount to Dabur Amla price point). VAHO volume growth guidance at 13-15%, as per management.

Saffola: 10-12% volume growth in the medium term

- Rice bran variant of Saffola is doing well.
- Under Saffola foods MRCO will stick to Oats category and introduce new variants.

Youth Brands

- Set Wet gels (INR2.5b category; category growth has come down) and Livon serums gained market share while Deodorants portfolio maintained shares at 5%. Initial response for Livon hair color has been weak, as per management.

International Business

- MRCO international performance has been solid with the company guiding for 15-20% constant currency organic revenue growth with operating margins in the range of 14-15% in the medium term.
- MRCO has rolled out the VAHO and Hair dye portfolio in Bangladesh and plans to launch its entire portfolio in Bangladesh.
- The company is also looking for inorganic acquisition opportunities in Indonesia and East Africa region to penetrate further in these regions.

Outlook: Gradual pick-up in growth in 2HFY15 led by urban revival

- MRCO has guided for 19% revenue growth with 8-10% domestic volume growth in the medium term along with operating margins in the 14-15% band.
- The company plans to keep A&P as a percent of sales at 11% with half of it spend towards future growing categories (body lotions, oats etc).
- Effective tax rate to be 28-29% for FY15 and FY16.
- Rural India forms 30% of the revenues and is expected to increase to 35% with expansion of reach. Current total reach stands at 4mn

Valuation and View

- Notwithstanding near term margin challenges due to Copra inflation, we believe Marico is well placed to capitalize on the potential urban recovery post elections. We maintain Buy rating on the stock with a target price of INR300.

Pidilite Industries

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Bloomberg	PIDI IN
Equity Shares (m)	512.6
M.Cap. (INR b)/(USD b)	205.8 / 3.4
52-Week Range (INR)	422/220
1, 6, 12 Rel. Per (%)	4/12/31

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	46.1	55.0	64.9
EBITDA	7.9	9.7	11.6
Adj. PAT	5.5	6.7	8.0
Adj. EPS (INR)	10.5	12.8	15.4
EPS Gr. (%)	14.8	21.6	20.2
BV/Sh.(INR)	46.1	54.7	65.8
RoE (%)	22.8	23.4	23.3
RoCE (%)	30.0	31.4	31.5
Payout (%)	40.1	33.0	27.4
Valuations			
P/E (x)	37.9	31.1	25.9
P/BV (x)	8.6	7.3	6.0
EV/EBITDA (x)	25.0	20.0	16.4
Div. Yield (%)	0.9	0.9	0.9

Key takeaways

Domestic demand environment remains subdued

- Management alluded that the demand environment continued to remain soft and improved sentiments are yet to make any meaningful difference.
- Construction chemicals portfolio is performing well with strong performance of Dr Fixit and LW+ brands.
- PIDI has set up a dedicated sales force team ‘Rurban’ focusing on increasing its reach to villages with population greater than 50,000. Overall the company has a strong distribution network with 4500+ dealers.
- The Company has forayed into the waterproofing business under ‘Percept Waterproofing’ with a focus on the B2B segment.

Elastomer Project: Search for strategic partner is still on

- PIDI is scouting for a strategic partner for the Elastomer facility and does not intend to run the plant on its own. It has invested INR 3.6b for the project.

VAM Prices (15-16% of RM cost): Another round of price hike likely in November

- VAM prices continued to pose challenge with recent spike in prices to $1600. PIDI has initiated multiple price hikes in the month of May and August to the tune of 5-6%. The company plans to roll out another price hike in the month of November to offset the RM inflation.
- PIDI typically enters into a three month contract for VAM supply and keeps inventory of 45 days.

Outlook

- The adhesive and sealants category could grow at 20% CAGR over the next five years with Industrial and construction chemicals segment (Dr Fixit brand) performing better given economy revival.
- Currently PIDI does not intend to foray into any new category.

Valuation and View

- While volume growth remains strong, current valuations at 39x FY15E and 32.1x FY16E EPS are rich (3-year average P/E of 24.7x) and discount the positives adequately, in our view. Maintain Neutral with a target price of INR325. Sharp correction in VAM prices constitutes key upside risk.

Axis Bank

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Bloomberg	AXSB IN
Equity Shares (m)	471.4
M.Cap. (INR b)/(USD b)	192.7 / 3.2
52-Week Range (INR)	418/153
1, 6, 12 Rel. Per (%)	-1/29/94

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	134.1	155.2	185.8
OP	125.1	144.7	173.7
NP	70.9	83.4	99.2
NIM (%)	3.5	3.4	3.4
EPS (INR)	30.2	35.5	42.2
EPS Gr. (%)	14.0	17.6	19.0
BV/Sh. (INR)	187.4	217.6	253.5
ABV/Sh. (INR)	184.2	213.8	249.6
RoE (%)	17.2	17.4	17.9
RoA (%)	1.7	1.7	1.7
Payout (%)	17.6	17.6	17.6
Valuations			
P/E(X)	13.6	11.5	9.7
P/BV (X)	2.2	1.9	1.6
P/ABV (X)	2.2	1.9	1.6
Div. Yield (%)	1.1	1.3	1.5

Key takeaways

Loan growth is expected to be 1.3x of the industry with focus on Retail. Asset quality outlook is improving however, guidance remains unchanged. Margins are expected to be stable in the near term.

Green shoots visible; Retail to drive ~18% growth in balance sheet

- Management expects to grow loans by ~18% in FY15, led by retail loans. Within retail, apart from home loans the focus would be on LAP and higher yielding products. On a higher base, home loan growth to moderate.
- Large and mid-corporate segment growth is expected to be high single or low double digits.
- Over the past few years, AXSB has successfully diversified its loan book with higher focus on housing, auto and retail agri loans. Going forward, the management intends to reach a 45:55 mix between Retail: Corporate.

Asset quality guidance unchanged however, outlook is improving

- The turnover and cash flows levels of its mid-corporate and SME clients have improved over the past few quarters. Bank's focus on lowering its exposure to highly leveraged corporate and Government's urgency in resolving infrastructure bottlenecks augur well for the bank's asset quality.
- Asset quality guidance of gross stress addition of INR65b and credit cost of 75-80bp for FY15 is maintained.

Largely stable NIMs; Contingency provision provides comfort

- Management expects near term NIM to be stable. However, higher growth in CASA and focus on higher yielding retail segments may provide upside.
- Contingency provisions of INR7.8b to limit P&L impact of any unexpected stress.

Other highlights

- Bank targets to open 250 branches in FY15. Large part of the branch expansion in the last two to three years happened in unbanked centers. Thus, incremental branch expansion is likely to take place in urban and semi urban areas.
- AXSB believes it has significant room for cross-selling as it has ~15m retail customers on the liability side, while 2.5m retail customers are on the asset side.
- AXSB is comfortably placed on capital for next 2-3years with CET1 of 12.5%+

Valuation and view

- Bank is geared to ride the next growth cycle, with strong capitalization (12.6% Tier I), healthy RoA (1.7%) and expanding liability franchise (2,421 branches).
- AXSB has prudently utilized the higher share on non-core income to create contingency provisions of INR7.8b (34bp of loans). Further, high PCR of 77% and 70/60bp of credit cost factored in estimates over FY15E/17E would provide cushion to earnings. We factor PAT CAGR of ~17% over FY14/17E. **Buy.**

Bajaj Finance

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Bloomberg	BAF IN
Equity Shares (m)	50.1
M.Cap. (INR b)/(USD b)	121.6 / 2
52-Week Range (INR)	2,503/976
1, 6, 12 Rel. Per (%)	5/29/97

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	27.8	33.9	41.9
PPP	17.0	20.6	24.6
PAT	8.7	10.0	11.7
EPS (INR)	173.1	198.9	234.2
EPS Gr. (%)	20.7	14.9	17.8
BV/Sh(INR)	941	1,107	1,303
RoA on AUM)	3.1	2.9	2.7
RoE (%)	19.9	19.4	19.4
Payout (%)	14.0	14.0	14.0
Valuations			
P/E (x)	14.0	12.2	10.4
P/BV (x)	2.6	2.2	1.9
Div. Yield (%)	1.0	1.1	1.4

Key takeaways

Growth expected to remain healthy at +25%; SME segment to be growth driver

- The management continues to target +25% AUM growth with AUM to reach INR330b by FY15. While 2-Wheeler is de-growing, digital products financing and lifestyle financing are growing at +100%; both products are likely to become standalone business line in next 2years. Digital market is 3x of consumer durable market moreover the replacement cycle is very small (less than years); both the businesses have promising future and can be the growth driver in the coming years.
- Loan against property which has been the fastest growing segment for industry as well as for the BAF. Management believes the asset class is in for tough times; due to excessive competition (to impact yields) and poor underwriting standards (to impact asset quality) LAP as an assets may undergo pain in ensuring quarters. Incrementally BAF is going cautious on the asset class and will reduce exposure.
- The company's rural foray has kicked off well with operations in Maharashtra, Punjab & Gujarat. The target segment is rural affluent and products offered are Gold loan, consumer durable loans and loans against free assets. BAF has disbursed ~INR1b in rural segment.

Asset quality remains healthy; 95% of the assets provided for 90dpd

- Asset quality of BAF continues to remain healthy with GNPA/NNPA (1.13/0.27%) running at historic lows. Both the consumer and SME segments continue to hold up well.
- While the overall asset quality will remain the management remains cautious about the asset quality in the commercial businesses such as infra and equipment financing. The company has already stopped but asset quality remains a key monitorable.

Other highlights

- BAF is exploring opportunity in e-commerce space and is in talks with Flipcart and snapdeal.
- Incremental yields on LAP for the industry have come down by 50bp from 12.75% to 12.25%.

Valuation and view

- BAF continues to reap the benefits of healthy consumer demand and is among the few companies doing well in this space. Superior margins, focused fee income strategy, lower credit cost and control over cost ratio will keep core operating profitability strong. BAF continues to increase its market share in consumer business, however higher share of incremental growth will be driven by low yielding mortgage business which will exert pressure on margins, however strong AUM growth and lower credit cost will mitigate the impact. We expect RoA/RoE of over 2.8%/19% over FY15-17E.

Bank of India

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Bloomberg	BOI IN
Equity Shares (m)	642.3
M.Cap. (INR b)/(USD b)	185.6 / 3.1
52-Week Range (INR)	357/132
1, 6, 12 Rel. Per (%)	0/31/57

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	118.0	142.4	169.0
OP	90.0	108.6	128.6
NP	31.4	38.7	48.8
NIM (%)	2.1	2.2	2.2
EPS (INR)	48.9	60.1	76.0
EPS Gr. (%)	15.3	22.9	26.4
ROE (%)	12.1	13.3	14.8
ROA (%)	0.5	0.5	0.6
BV/Sh. (INR)	425.2	478.3	544.9
ABV/Sh. (INR)	326	380	453
Div. Payout	14.5	14.5	14.5
Valuations			
P/E(X)	5.9	4.8	3.8
P/BV (X)	0.7	0.6	0.5
P/ABV (X)	0.9	0.8	0.6
Div. Yield (%)	2.1	2.6	3.3

Key takeaways

Loan growth is expected to remain healthy at 16-18% however, lower CET1 and return ratios remain a concern. Asset quality stress is expected to continue in the near term. Expected QIP and already raised AT1 capital of INR25b will help to take care of the above industry growth in the near term.

Yet to witness major pickup in economic activity; loan growth to be ~16-18% in FY15

- As per the management, although market sentiments have improved over the last few months, the economic activity and investment demand would pick up but only by 1HCY15.
- Management has guided for 3-4% higher than system growth of 13-14% for FY15.

Capital constrained currently; AT1 & QIP to provide relief

- Over the past few quarters, bank's loan growth was constrained by lower capital availability (T1 at 7.5%). However, it raised alternate Tier 1 capital of INR25b in August 2014, providing headroom for future growth.
- Management believes the proposed holding company structure for state-owned banks would facilitate capital raising in future and is a positive step towards meeting Basel III requirements by 2019.

Quarterly slippages trend to continue; asset quality under pressure

- Management expects the current slippage run rate to continue over the next two to three quarters. Uncertainty on account of the farm loan waiver scheme leading to higher Agri slippages in Telangana and Andhra Pradesh.
- Sale to ARCs of INR5.8b during 1QFY15 – sold one large hotel account a/c in which the bank received 29% cash (proceeds received INR6.3b). O/S security receipts at INR40b.
- Restructured loans of INR250b – of which INR110b is in moratorium, while INR140b is servicing well.

Other highlights

- BOI has ~54,000 employees (incl. ex-employees) on the defined benefits pension plan. Pension expenses are likely to reduce going forward as the average age has declined significantly and new employees are on the defined contribution plan.
- The bank is still following 1994-96 tables for pension expense calculations.

Valuation and view

- Stress addition remains significantly higher and headline numbers are contained by one-off sale to ARCs and higher write-offs, which does not provide comfort. Further, aggressive loan growth, with lower CET 1 (6.8%) and at the cost of profitability is concerning.
- Return ratios are expected to remain weak at 0.5/0.6% for FY15E/16E/17E and this coupled with low CET1 will necessitate frequent dilution.
- We expect BOI to report an EPS of ~INR49/60/76 in FY15E/16E/17E. BV is expected to be INR425/478/545 in FY15E/16E/17E. Maintain **Neutral.**

Canara Bank

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Bloomberg	CBK IN
Equity Shares (m)	461.3
M.Cap. (INR b)/(USD b)	179.8 / 3
52-Week Range (INR)	498/190
1, 6, 12 Rel. Per (%)	-7/44/46

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	103.8	123.5	151.7
OP	74.3	92.0	117.1
NP	29.0	37.4	49.4
NIM (%)	2.1	2.2	2.2
EPS (INR)	62.8	81.2	107.2
EPS Gr. (%)	18.8	29.3	32.0
BV/Sh. (INR)	564.0	626.3	708.5
ABV/Sh. (INR)	457.3	525.9	628.2
ROE (%)	11.6	13.6	16.1
ROA (%)	0.5	0.6	0.7
Payout (%)	23.2	23.2	23.2
Valuations			
P/E(X)	6.2	4.8	3.6
P/BV (X)	0.7	0.6	0.6
P/ABV (X)	0.9	0.7	0.6
Div. Yield (%)	3.2	4.2	5.5

Key takeaways

Management's focus is on moderate growth, NIMs and asset quality improvement. CET1 of 7.1% as of FY14 is a concern however, CBK is actively looking at raising capital through QIP.

Pipeline of slippages and restructuring narrowing down

- Outlook on asset quality is improving with the sharp decline in incremental slippages in 2Q and fall in restructuring pipeline to INR5-6b.
- Management aims to reach 60%+ PCR (including technical write offs) by FY15.

Loan growth to remain moderate; focus on retail

- Management expects loan growth to be 13/15% for FY15 which is adequate considering its low CET1.
- Retail to remain key for growth with the focus on mortgages.
- CBK plans to expand its branch network to 6,000 and ATMs to 10,000 (currently branch network at 5,010 and ATMs at 6,509).

Other highlights

- CET1 at 7.1%; plans to raise INR30b through QIP.
- Target NIM for FY15 at 2.5/2.6%, for FY16 at 3%.
- Adopted the new mortality table for calculating pension costs.

Valuation and view

- Over FY11-14, CBK's profitability declined significantly (RoA of 0.5% in FY14 v/s 1.3% in FY11), led by 100bp compression in Risk-Adjusted Margins (RAM). With improvement in growth and likelihood of reforms, pressure on asset quality and earnings should ease. Further, CD ratio at 71% would help improve NIM.
- Sensitivity of earnings to risk-adjusted NIM has increased significantly. With every (1) 10bp NIM expansion, earnings could see an upgrade of ~15% and (2) 10bp decline in credit cost, earnings could see an upside of ~10%.
- CET1 at 7.1% is a concern. However, reforms in Infra space (Infra exposure at ~19%) and economic growth could ease fears of BV-dilutive capital raising. Maintain **Buy**

Federal Bank

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Bloomberg	FB IN
Equity Shares (m)	855.3
M.Cap. (INR b)/(USD b)	105.6 / 1.7
52-Week Range (INR)	136/44
1, 6, 12 Rel. Per (%)	-1/26/105

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	24.1	28.4	34.3
OP	16.3	19.4	24.0
NP	9.3	10.9	13.4
NIM (%)	3.2	3.2	3.2
EPS (INR)	10.8	12.7	15.7
EPS Gr. (%)	10.4	17.4	23.6
BV/Sh. (INR)	89.6	99.3	111.4
ABV/Sh. (INR)	87.3	96.0	107.6
ROE (%)	12.7	13.5	14.9
ROA (%)	1.1	1.1	1.2
Payout (%)	23.2	23.2	23.2
Valuations			
P/E(X)	11.4	9.7	7.9
P/BV (X)	1.4	1.2	1.1
P/ABV (X)	1.4	1.3	1.2
Div. Yield (%)	1.7	2.1	2.5

Key takeaways

Post the consolidation phase last year, loan growth is expected to pick up to ~20-22% in FY15. Management expects the investments in back-end processes and risk management systems to limit slippages, going forward. Profitability to improve in FY15 led by ~25bp expansion in NIM and higher fee income growth.

Embarking on high growth phase post consolidation last year

- In FY14, FB focused on de-bulking its balance sheet by reducing exposure to higher ticket loans and shedding wholesale deposits (CDs down INR68b in FY14).
- Management expects a steady pickup in growth over the next few quarters, with a growth guidance of ~20-22% for FY15. Mortgages, gold loans and SME will be the key drivers, going forward.

Asset quality improvement to continue; slippages have stabilized

- Slippages in SME and retail segments to stabilize near INR1.5b on account of improved back-end processes and risk management systems.
- Corporate slippages have been volatile in the past. However, the expected improvement in economic activity and consolidation in corporate loan book reduce the risk of significant increase in slippages from this segment.

NIM to expand by ~25bp; fee income growth at 17-18%

- NIM to expand by ~25bp on account of the de-bulking exercise: a) consolidation in corporate book and growth in SME to push up yields and b) shedding wholesale deposits to lower cost of funds.
- Management expects to clock a fee income growth of ~17-18% in FY15. Lower non-funded exposure -- peers limits FB's ability to generate fee income.

Other highlights

- Average employee age improved to ~38 years from ~51 years in 2011.
- The bank would add ~100 branches during this year. Breakeven period for a typical branch is ~2-2.5 years.

Valuation and view

- Structural improvement in liability profile (reduction in bulk deposits – 1.5% of deposits v/s 14.7% in FY13), traction in CASA and improvement in loan growth will provide cushion to NIM/NII growth.
- RoA is expected to remain healthy at 1.1%+. RoE is likely to improve to ~14%, despite capitalization remaining strong at 11%+ by FY17.
- The stock trades at 1.2x/1.1x FY16E/FY17E BV and 9.7x/7.9x FY16E/FY17E EPS. Maintain **Buy**

HDFC

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Bloomberg	HDFC IN
Equity Shares (m)	1,566.9
M.Cap. (INR b)/(USD b)	1672.4 /
52-Week Range (INR)	1150/687
1, 6, 12 Rel. Per (%)	-3/2/2

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	80.9	96.9	115.3
PAT	60.5	72.2	85.6
Adj. EPS (INR)	32.9	39.5	47.0
BV/Sh (INR)	197.2	219.4	246.3
ABV /Sh (INR)	144.1	166.4	193.2
RoAA (%)	2.5	2.5	2.5
Core RoE (%)	25.6	24.4	25.5
Payout (%)	47.6	46.4	46.4
Valuation			
AP/E (x)	22.5	17.1	14.4
P/BV (x)	5.4	4.9	4.3
AP/ABV (x)	5.1	4.1	3.5
Div. Yield (%)	1.5	1.7	2.1

Key takeaways

No impact of regulatory forbiddance given to banks on Housing bonds

- The management believe that exemptions given by RBI to banks affordable housing bonds is not likely to impact HDFC as a) Banks are not allowed to cross hold these bonds which reduced the absorption capability b) These bonds are unsecured so these bonds will have limited appetite from large investors like pensions funds, insurance companies and mutual funds c) These bonds are unsecured hence its likely to be priced at G-Sec +100-120bp; HDFC (due to its AAA rating) raises money at very similar/lower rates.

Growth rates to pick up +20% led by uptick in corporate loans

- The management is fairly confident of achieving 18-20% loan growth in the current fiscal. Retail loan growth remains healthy and expects year to end at ~22%. While currently the growth is being mainly driven by tier II and tier III centers, any correction in property prices will help boost further growth.
- Corporate loans have started picking up; expect to see recovery in 2H; the pickup in corporate loans has not got reflected in last quarter's numbers because of large repayments.

Spreads expected to remain steady; asset quality remains healthy

- Spreads are expected to remain steady at 2.2-2.3% levels, In 2HFY15 management expects to increase share of corporate loans thus, spreads will be managed. HDFC has raised leading rates over last 2 quarters (35bp in retail and 85bp in non-retail segment) which helped improvement in spreads.
- Asset quality in the individual segment continues to remain healthy. While the lumpy corporate NPL of INR4.6b recovered during the quarter; additional slippage in corporate segment limited the fall to just INR6.4b from INR7.2b.

Valuation and view

- Stock trades at 3.8x/3x FY14/15E Adj Price/ABV. We believe valuations are reasonable, considering HDFC's growth potential (FY13-15E EPS CAGR of ~20%), sound business fundamentals, and substantially improved subsidiaries' performance. Maintain **Buy**.

HDFC Bank

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Bloomberg	HDFCB IN
Equity Shares (m)	2,407.7
M.Cap. (INR b)/(USD b)	2067 / 34.1
52-Week Range (INR)	864/560
1, 6, 12 Rel. Per (%)	-1/1/3

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	223.7	274.9	347.2
OP	180.8	223.8	282.6
NP	105.8	132.6	166.1
NIM (%)	4.6	4.5	4.6
EPS (INR)	44.1	55.3	69.2
EPS Gr. (%)	24.7	25.3	25.3
BV/Sh. (INR)	215.1	257.5	310.6
ABV/Sh. (INR)	211.5	252.4	303.6
RoE (%)	22.3	23.4	24.4
RoA (%)	2.0	2.0	2.0
Payout (%)	23.4	23.4	23.4
Valuations			
P/E(X)	19.5	15.5	12.4
P/BV (X)	4.0	3.3	2.8
P/ABV (X)	4.1	3.4	2.8
Div. Yield (%)	1.0	1.3	1.6

Key takeaways

Management expects growth to pick up with support from corporate segment on improving macro environment. Margins to remain in the current range of ~4.4/4.5%. Large part of the fees from retail business which is under pressure. C/I ratio will continue to improve. Merger with HDFC is not on lucrative right now.

Above industry loan growth; retail growth to remain healthy; corporate to pick up

- Loan growth for FY15 to be 4/6% above industry levels led by both retail and corporate segments.
- CV segment growth to be flattish (no signs of growth yet). However, management believes growth will pick up in the next couple of quarters.
- Growth from infrastructure segment to remain subdued over the next 9-12 months, post which the bank expects growth to resume from project finance (mainly brownfield projects).

Cost efficiencies and fee income growth to boost profitability

- Target cost to income ratio of 45-46% by FY16. As per management, opex growth to be in line with revenue growth for FY15, while revenue growth is expected to outpace opex growth in FY16.
- ~90% of the fee income is retail fee income, of which annual maintenance fees forms ~30%, third party forms ~40%, transaction fee forms ~10%, processing fee forms ~10% and credit card forms ~10%. Wholesale fees form 10% of total fees, mainly debt syndication.
- Management expects pressure on fee income in the near term however, in the medium to long term it should grow inline with balance sheet growth

Other highlights

- HDFC Bank and HDFC Ltd's merger currently is not a lucrative option as per the management.
- NIM to remain stable at 4.4/4.5% in FY15.
- Focus to continue on improving technological platform. Also, the bank believes analytics is useful for marketing and sales.

Valuation and view

- Attractive valuations for strong liability franchise: Over the last 12 years, HDFCB's market share has increased significantly in (1) retail loans, (2) low cost deposits and (3) higher share in profitability, indicating the strength of its franchisee.
- Strong fundamentals and near nil stress loans would enable the bank to gain further market share. While FII restriction and reduction in weights in MSCI index remains an overhang, we believe valuations are at an attractive level, with FY16E/FY17E P/BV of 3.3x/2.8x. Comfort on earnings (+25% CAGR) remains high and RoE is expected to be at decadal best of 22%+. Maintain **Buy**.

ICICI Bank

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Bloomberg	ICICIBC IN
Equity Shares (m)	1,156.0
M.Cap. (INR b)/(USD b)	1839.1 /
52-Week Range (INR)	1618/780
1, 6, 12 Rel. Per (%)	2/18/49

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	186.6	223.1	270.3
OP	188.5	225.6	274.2
NP	112.3	136.0	165.8
NIM (%)	3.3	3.4	3.5
EPS (INR)	97	118	144
EPS Gr (%)	14.5	21.1	21.9
BV/Sh. INR*	579	665	770
ABV/Sh. INR*	557.7	640.5	741.6
RoE (%)	15.4	16.2	17.1
RoA (%)	1.8	1.9	1.9
Div. Payout	31.3	31.3	31.3
Valuations			
AP/E (x)	13.8	11.2	8.9
AP/BV (x)	2.3	2.0	1.7
AP/ABV (x)	2.4	2.1	1.7
Div. Yield (%)	1.6	2.0	2.4

* BV adj for invt in susbdiaries, Prices adj for sub value

Key takeaways

Management expects stress additions to decline in FY15. ICICIBC's loan growth to be a few percentage points higher than the industry growth. Cautious approach in lending towards corporate and SME; retail segment to remain key driver of growth.

Loan growth ~2-4% higher than industry; strong retail growth

- As per the management, bank's FY15 loan growth would be 2-4% higher than the industry average. ICICIBC is aggressively focusing on leveraging its distribution network, technology platform and liability customer base to grow granular retail business and improve fee income.
- Loan growth to be driven by 20%+ growth in retail loans, especially mortgages, personal loans, rural and credit cards. CV segment still not out of the woods.
- Bank continues to adopt a cautious approach in corporate and SME segment. Overseas loan growth would be opportunistic.

Stress additions to decline in FY15

- As per the management, stress additions have peaked. FY15 stress additions to be lower than ~INR110b in FY14. The pipeline for restructuring stood at INR15b, though restructuring requests have declined significantly.
- Bank has a small exposure towards Bhushan Steel Ltd. However, this account has a strong asset backing and banks are working together to resolve the stress in this account.

NIM to expand by ~15bp

- Over the past few quarters, structural improvement in liability profile helped ICICIBC to report a gradual improvement in margins.
- As the contribution of domestic business continues to increase, management expects NIM to expand by ~15bp in FY15.
- Recent infrastructure bond issuance to improve margins slightly.

Valuation and view

- ICICIBC is well placed for the next growth cycle, with Tier I of 12.6%+ and largest branch network in the private financials.
- Key catalysts are (a) improvement in growth environment and clarity on interest rate and macro environment, (b) resolution of issues in key infrastructure sectors and (c) value unlocking in the insurance business. Maintain **Buy**.

IDFC

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Bloomberg	IDFC IN
Equity Shares (m)	1,516.8
M.Cap. (INR b)/(USD b)	222.5 / 3.7
52-Week Range (INR)	167/79
1, 6, 12 Rel. Per (%)	-8/16/33

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	27.7	29.8	33.4
PPP	32.9	34.9	39.1
Cons. PAT	19.1	20.7	23.7
EPS (INR)	12.6	13.7	15.6
EPS Gr. (%)	6.1	8.4	14.1
BV/Sh (INR)	108.6	118.7	130.3
ABV/Sh (INR)	98.8	109.0	120.6
RoAA (%)	2.5	2.5	2.5
Core RoE (%)	12.7	12.5	13.0
Payout (%)	25.6	25.6	25.6
Valuations			
P/E (x)	11.7	10.7	9.4
P/BV (x)	1.4	1.2	1.1
P/ABV (x)	1.2	1.1	1.0
Div. Yield (%)	1.9	2.0	2.3

* Adj for value of subs

Key takeaways

New bank will be listed from day one and IDFC will become a Holding company

- The new bank is likely to be operational from October 2015 and will be a listed entity from day one and IDFC will become a Holding company.
- IDFC is still awaiting approval regarding treatment of Infra bonds, If the existing loan book does not get forbiddance and then also ~30% of existing loans will get exemption from CRR/SLR and PSL at the time of becoming a bank and over a period of 24-36 months the entire book will become eligible.

Regulatory forbiddance has reduced the regulatory pain; expect 14% RoE in 2 years

- Regulatory forbiddance given by RBI will reduce the translation pain significantly. The management expects that IDFC will get minimum forbiddance on INR100b of liabilities and this exemption can increase to INR350b if RBI allows treating the transfer of assets from IDFC to IDFC bank as prospective.
- Moreover with these exemption will help IDFC scale the book and management expects the new bank to generate ~14% RoEs within two years of operations.

Other Highlights

- IDFC will do a preferential allotment to bring down its FII holding; shareholding of FII +FDI+ NRI has to be brought down below 50% which currently stands at ~53%
- Outstanding restructured loans stood at INR26 (4.5% of loans); 74% of restructured assets come from energy sector; half of which are gas based power projects.
- NOFHC will float a Infrastructure debt fund NBFC (IDF); IDFC will transfer all eligible assets (~INR20b) from IDFC to IDF NBFC.

Valuation and View

- Over a longer period, the universal banking platform will provide much-needed stability to growth, earnings and asset quality. Regulatory forbiddance for infrastructure and housing bonds will reduce the transition pain; moreover management's execution capabilities are well-tested in infrastructure financing business, building a retail franchise will be a daunting task. Maintain **Neutral**.

Indiabulls Housing Finance

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Bloomberg	IHFL IN
Equity Shares (m)	187.7
M.Cap. (INR b)/(USD b)	132.6 / 2.2
52-Week Range (INR)	429/126
1, 6, 12 Rel. Per (%)	12/43/-

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Net Fin inc	20.7	26.2	31.9
PPP	25.5	31.8	38.5
PAT - Post MI	18.6	22.4	27.1
EPS (INR)	53.5	62.0	75.0
EPS Gr. (%)	14.4	15.7	21.0
BV/Sh. (INR)	194.2	219.9	249.5
RoA on AUM	3.6	3.5	3.5
RoE (%)	29.9	30.5	31.9
Payout (%)	60.4	60.4	60.4
Valuations			
P/E (x)	7.3	6.3	5.2
P/BV (x)	2.0	1.8	1.6
P/BV (x)	2.0	1.8	1.6
Div. Yield (%)	7.1	8.3	10.0

Key takeaways

AUM growth expected to remain healthy at +25%

- Management expects AUM growth to remain healthy at +25% growth will be predominantly driven by healthy traction in the tier II and tier III centers.
- Of the overall mortgage loan (74% of AUM), 48% is towards housing loan whereas 26% is LAP (mainly self-employed customers). Further within housing segment 70% of the loan is towards salaried customers, whereas 30% is to self-employed customers.

Ratings upgrade to reduce cost of funds by 30-40bps; spreads to be maintained

- Indiabulls Housing Finance’s (IHFL) long-term credit rating has been upgraded to AAA by the rating agency CARE Ratings. CRISIL had earlier upgraded IHFL to AA+ with this IBHFL enjoys a AA+ rating from all four major Indian rating agencies and joins a group of select few HFCs and NBFCs to be rated AA+ by CRISIL.
- Management expects rating upgrade to AAA will reduce the cost of funds by 30-40bp; this will make it more competitive and help protect spreads. Spread guidance of 350bp for the current book and 300-320bp on incremental lending
- Management indicated that they will continue with the policy of keeping 20% cash balance at any given point of time it will maintain core liquidity of INR45b. Although maintaining surplus liquidity has a negative carry but it very useful during tight liquidity environments.

Asset quality remains healthy; no stress on developer loans

- GNPA/NNPA stand at 0.84%/0.34% have remained stable since last six quarters; with increased proportion of housing loans management expects credit cost to decline further.
- NPL on Home loan stood at 24bps, 28bps on LAP, however CV has seen increased levels of delinquency with 90dpd stands at 258bps on CV. Provisioning coverage ratio stands at comfortable +140%.
- Developer portfolio continues to remain healthy and company does not see any stress in this portfolio; 70% of developer portfolio is lease rent discounting, of which almost 70% of the LRD is tenanted to AAA tenants

Other highlights

- Dividend payout will remain at 60%; will translated to a dividend of INR31 for FY15 (+8% dividend yield)
- Group restructuring and revamp of board underway will management expects to get AAA rating from other rating agencies in due course.

Valuation and View:

IHFL trades at 1.8x FY16E P/B and 6.3x FY16E P/E. Though the stock has got rerated over the last few months, we believe a strong positioning in mortgage segment, potential for market share gains, healthy margins and return ratios, good asset quality and healthy dividend yield would drive further re-rating. Maintain **Buy**.

IndusInd Bank

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Bloomberg	IIB IN
Equity Shares (m)	526.2
M.Cap. (INR b)/(USD b)	322.8 / 5.3
52-Week Range (INR)	623/344
1, 6, 12 Rel. Per (%)	5/21/18

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	34.8	42.8	53.8
OP	31.7	39.3	49.1
NP	17.9	22.6	28.3
NIM (%)	3.9	3.9	3.9
EPS (INR)	34.0	42.9	53.9
EPS Gr. (%)	26.9	26.3	25.6
BV/Sh. (INR)	192.5	228.0	272.5
ABV/Sh. (INR)	190.1	224.7	268.6
RoE (%)	19.0	20.4	21.6
RoA (%)	1.9	1.9	1.9
Payout (%)	17.5	17.5	17.5
Valuations			
P/E (X)	18.1	14.3	11.4
P/BV (X)	3.2	2.7	2.3
P/ABV (X)	3.2	2.7	2.3
Div. Yield (%)	0.8	1.0	1.3

Key takeaways

Balance sheet is expected to grow by ~25% in FY15, led by a strong momentum in corporate segment and some retail products (ex CV). Management expect revival in the CV growth in 2HFY15. Portfolio to get the optimal mix of Retail: Corporate of 50:50 vs 43:57 (as of 1QFY15) will take atleast 4-5 quarters. NIM to improve, led by pickup in retail book and softening of interest rate. Fee income growth is expected to outpace the loan growth.

Continue to gain market share; Retail growth to pick up gradually

- Management expects FY15 growth to be in the range of 23-25%, led by a strong growth in corporate business and some retail products like gold loans, LAP, Car and 2W loans.
- CV portfolio which had witnessed a contraction over the last four to five quarters is likely to bounce back in 2HFY15 as replacement demand picks up, infrastructure construction improves and clarity on mining segment emerges.

NIM to improve going forward; Fees momentum continues

- With an expected gradual pickup in a higher yielding retail portfolio, management expects NIM to improve towards the end of this fiscal. With a 1% increase in the proportion of retail portfolio, NIM/RoA to improve by 4bp/2.5bp respectively.
- Also, IIB's asset-liability mix is poised in a such a way that in a falling interest rate scenario, while cost of funds decline, higher proportion of fixed rate loans aids NIM improvement.
- As per the management, IIB's core fee income per branch is higher than some of its larger peers. Fee income is expected to grow by above loan growth in FY15 led by strong foreign exchange and processing fees.

Asset quality remain manageable

- Debt servicing matrices of the mid-corporate segment have improved significantly.
- A few accounts with consortium lending may get restructured. However, restructured advances to remain below 40bp.
- Credit cost is expected to be contained at ~60bp.

Valuation and view

- Superior margins, focused fee income strategy and control over C/I ratio will keep earnings momentum healthy (26%+ CAGR). Capitalization remains healthy, with Tier I at 12.1%.
- The stock trades at 2.7x/2.3x FY16E/17E BV of INR228/INR272.5 and 14.3x/ 11.4x FY16E/17E EPS of INR42.9/INR53.9. Maintain **Buy**.

ING Vysya Bank

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Bloomberg	VYSB IN
Equity Shares (m)	189.7
M.Cap. (INR b)/(USD b)	120.3 / 2
52-Week Range (INR)	723/411
1, 6, 12 Rel. Per (%)	-2/-13/5

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	19.5	22.5	27.0
OP	13.8	16.0	19.8
NP	7.3	8.6	10.6
NIM (%)	3.3	3.3	3.2
EPS (INR)	38.9	45.4	55.9
EPS Gr. (%)	11.6	16.7	23.2
BV/Sh. (INR)	400.4	436.6	481.1
ABV/Sh. (INR)	391.0	430.0	472.9
RoE (%)	10.1	10.8	12.2
RoA (%)	1.1	1.2	1.2
Payout (%)	20.3	20.3	20.3
Valuations			
P/E(X)	16.3	14.0	11.3
P/BV (X)	1.6	1.5	1.3
P/ABV (X)	1.6	1.5	1.3
Div. Yield (%)	1.1	1.3	1.5

Key takeaways

ING Vysya Bank is likely to grow faster than industry growth with the focus on Self employed, SME, LAP and International client group. Worst of the asset quality is behind and do not see much stress ahead. For growth focus will continue on mid corporate segment.

Worst case net stress loans may rise by 30-40bp

- In SME and mid corporate space, Strong underwriting standards, expertise in self employed segment, lower ticket size per account, hard collaterals, largely a sole banker etc helped to maintain superior asset quality despite moderation in economic growth.
- Lumpy accounts from the large corporate segment slipped into NPA in 1QFY15. Net stressed loans in 1QFY15 were at 2.3% and management believes that even in the worst case scenario, net stress will not exceed 30-40bp from current level.

Focused branch expansion strategy; C/I ratio will continue to improve

- Branch expansion has resumed and management is planning to add 40-50 branches in FY15. For incremental branches focus remains on cash rich northern and western belt. Increasing the productivity from existing branches remains a key focus area.
- Cost to income ratio from ~65% in FY09 to 55% in 1QFY15 is expected to trend down further with the focus on cost containment and increasing the share of core revenues.

Other highlights

- CASA ratio to reach 32% by FY15, with 16% CA and 16% SA. To improve SA balances management is focusing on becoming primary bank for customers. Focus has also increased on acquiring the salary accounts.

Valuation and view

- Asset quality remains a critical factor for sustenance of RoA. While slippages surprised negatively in 1QFY15, management remains confident of the better trends, going forward.
- Continued operating leverage will lead to better profitability, though unlikely to be a significant cushion in case of higher asset quality stress.
- RoA is expected to be 1.1/1.2% and RoE to be ~10/12% for FY16/17E. Maintain **Buy**.

Kotak Mahindra Bank

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Bloomberg	KMB IN
Equity Shares (m)	770.5
M.Cap. (INR b)/(USD b)	815.1 /
52-Week Range (INR)	1067/591
1, 6, 12 Rel. Per (%)	8/28/26

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	41.4	50.5	62.5
OP	27.8	33.7	41.9
NP	17.3	21.3	26.4
NIM (%)	4.7	4.7	4.7
EPS (INR)	38.5	47.0	57.3
EPS Gr. (%)	16.6	22.0	22.0
Cons.BV. INR	273.7	319.3	374.9
Cons. RoE (%)	15.1	15.8	16.5
RoA (%)	1.8	1.8	1.9
Payout (%)	2.9	2.9	2.9
Valuations			
P/E(X) (Cons.)	27.5	22.5	18.5
P/BV (X)	3.9	3.3	2.8
P/ABV (X)	3.9	3.4	2.9
Div. Yield (%)	0.1	0.1	0.1

Key takeaways

KMB has maintained its loan growth guidance of ~15-20% for FY15, before embarking on a 20%+ growth trajectory next year onwards. Corporate banking, SME and housing loans will be the key drivers of growth. Aggressive branch expansion to continue.

Economy showing signs of pickup; loan growth at ~15-20%

- Management believes the GDP growth will pick up going forward, green shoots already visible in the manufacturing sector. The revival of investment cycle would require speedy acquisition of land and faster environment clearances. The Government also has intent on clearing the investment pipeline quickly.
- During the last few quarters, KMB followed a conservative lending policy, resulting in a slower loan book growth. However, the management is confident of growing the book by ~15-20% during FY15. From the next year, the bank would resume a faster growth trajectory of 20%+ balance sheet growth.
- Management expects corporate banking, SME and housing loans to remain the key drivers of future growth. Growth in the commercial vehicles segment, which de-grew 30% YoY, would remain muted.

Branch expansion to drive growth in retail segment

- KMB intends to continue with its branch expansion plan by adding ~150 branches during the rest of this fiscal. The bank's focus on top 10 cities will continue.
- Urban branches would be liability focused, while the semi-urban/rural branches would add to the asset growth. A semi-urban branch takes three to four years to break even, against 1.5-2 years for an urban branch.
- Branch expansion to aid growth in mortgages, car loans and agriculture. The traction on CASA growth continues, led by differential SA interest rates; further improvement expected from 4QFY15.

Other highlights

- Stressed asset book is ~INR3b. The bank aims to recover ~60-70% over the next three to four years.
- Retail NBFC spreads under pressure on account of higher cost of funds and pressure of yields. Kotak Mahindra Prime's profits have remained flat on account of lower DCM activity. Management has a cost-to-income ratio of 50-51%.

Valuation and view

- As the economy is bottoming out, management is shifting its focus back to above industry loan growth. With the healthy capitalization (CET1 – 18%), improved liability profile, robust risk management system (net stress loans at 1.3%), strong presence across loan products, KMB is well placed for the growth cycle.
- While earnings CAGR over FY14-17E is expected to be ~20%, rich valuations of 3.3x/2.8x FY16E/FY17E consolidated BV and 22.5x/19.5x FY16E/FY17E consolidated EPS limit the upside. Maintain **Neutral.**

LIC Housing

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Bloomberg	LICHF IN
Equity Shares (m)	504.7
M.Cap. (INR b)/(USD b)	157.3 / 2.6
52-Week Range (INR)	352/152
1, 6, 12 Rel. Per (%)	3/19/42

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	22.8	27.0	32.7
PPP	21.6	25.6	30.8
Adj. PAT	13.9	16.4	19.8
Adj. EPS (INR)	27.4	32.5	39.2
EPS Gr. (%)	15.3	18.3	20.8
BV/Sh (INR)	171.7	197.8	229.4
RoAA (%)	1.4	1.4	1.4
RoE (%)	17.1	17.6	18.4
Payout (%)	20.3	20.3	20.3
Valuations			
P/E (x)	11.4	9.6	8.0
P/BV (x)	1.8	1.6	1.4
Div. Yield (%)	1.6	1.8	2.2

Key takeaways

Loan growth expected to remain healthy at +20%

- LICHF management expects loan growth to remain healthy at +20%; Growth will be predominantly driven by healthy traction in the tier II and tier III centers.
- In current fiscal LICHF will increase focus on high yielding products like LAP and developer loan; management is targeting to increase LAP from existing 3.4% of loan book to 5% in FY15.
- Margins decline (1Q) was led by increased proportion of high cost bank borrowings; LICHF reduced bond issuance due to uncertainty over debenture redemption reserve as a result Cost of funds increased 30bp QoQ. LICHF Has resumed bond issuance and raised INR20b through bonds in July, this is expected to reduce the cost of funds.
- Fixed rate loan book forms 60% of retail loan book i.e. INR561b (Blended yield of 10.5% on fixed rate pool); Loan reprising of INR60b in FY15 and INR300b in FY16.

Margins to improve by 20bp to 2.4% in FY15; No significant competitive pressures

- LICHF has guided 20bp expansion in margins to 2.4% in FY15. The margin improvement will be led by focusing on high yields products (like LAP & developer loans) and by reducing high cost bank borrowings to ~ 20% of overall borrowings.
- Banks are already lending at base rates; so no significant competition in short run; Management believe that concession offered to home loan borrowers will significantly increase the interest and demand for sector

Asset quality remains healthy

- Asset quality in the individual segment continues to remain healthy.
- GNPAs in developer Loans segment include three major accounts and 3 minor accounts amounting to INR2.5b; although the accounts are backed by adequate collaterals, an action under SARFAESI Act has been initiated.
- Provisioning linked to teaser worth INR 0.44b released during the quarter; O/S provisions to be released stands at INR0.54b

Others

- INR7.95b of Networth deducted for DTL impact
- Raised INR6b from deposits during the quarter (highest in a single quarter)
- Asset duration 7 years and Liability 6 years
- Builder portfolio yield 14.5%
- No immediate plan for capital raising

Valuation and view

Despite high interest rates and property prices, volume growth in the individual loan segment remains fairly strong. Pick up in the project loan segment is a key from NIMs and growth perspective. We largely maintain the earnings estimates and expect LICHF to report loan CAGR of ~15%, spread improvement of 15bp in FY15 and further 10bp in FY16. Earning CAGR is expected to be 15% over FY15-17E. Maintain **Buy**.

Mahindra Finance

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Bloomberg	MMFS IN
Equity Shares (m)	568.8
M.Cap. (INR b)/(USD b)	158.9 / 2.6
52-Week Range (INR)	356/230
1, 6, 12 Rel. Per (%)	10/-15/-40

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
NII	30.1	35.3	41.1
PPP	20.5	24.2	28.2
PAT	8.9	10.9	12.8
EPS (INR)	15.7	19.4	22.6
EPS Gr. (%)	0.0	23.1	16.8
BV/Sh (INR)	101.7	115.7	132.0
ABV/Sh (INR)	90.6	104.0	119.8
RoA on AUM	2.6	2.7	2.7
RoE (%)	16.4	17.8	18.3
Payout (%)	28.1	28.1	28.1
Valuations			
P/E (x)	17.7	14.4	12.3
P/BV (x)	2.7	2.4	2.1
P/ABV (x)	3.1	2.7	2.3
Div. Yield (%)	1.4	1.7	1.9

Key takeaways

Asset quality pressures to persists; focus on recovery

- The asset quality pressures which began in 3QFY14 are likely to persist this calendar year. Management does not expect any material improvement in GNPAs until 4QFY15. Ground level things have not improved hence NPAs will not improve materially.
- Expect NPLs to drop below 6% by 1QFY16. NPLs are more concentrated in states which have freebies culture (Like TN & Telangana).
- MMFS is focusing to improve collection efficiencies and prepare for future business growth.

Tie up with manufacturers bodes well for the future growth

- Deeper rural penetration and diversified product portfolio coupled with increasing tie ups with the OEMs like Hyundai, Toyata etc. bodes well for future growth.
- Cars, tractors & utility vehicles continue to remain major growth drivers for the company. Management has maintaining stance of adopting a cautious approach in commercial vehicle space and will continue to focus on LCV segment.

Margins & spreads ex of interest reversal are stable

- While the reported yields and margins have contracted, the actual margins and spreads have marginally improved; the decline is largely due to interest reversals. The company does not see any pressure on spreads going ahead.

Valuation and view

- Over last two quarters MMFS faced several challenges in terms of asset quality which has led to GNPA and NNPA percentage rising to 6.2% and 3% respectively. Further with weak monsoon and continued challenges in collection from south, asset quality risk remains high.
- The stock trades at 2.8x/2.4x FY15/16E BV of INR102/116 and PE of 17.8x/14.5x FY15/16E EPS of INR15.7/19.4. Return on AUM is likely to be at ~2.6% and RoE of ~16%. Maintain **Neutral**.

Punjab National Bank

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Bloomberg	PNB IN
Equity Shares (m)	362.1
M.Cap. (INR b)/(USD b)	351 / 5.8
52-Week Range (INR)	1,068/402
1, 6, 12 Rel. Per (%)	-4/37/78

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	181	208	244
OP	128	152	184
NP	55	67	83
NIM (%)	3.3	3.3	3.3
EPS (INR)	153	184	229
EPS Gr. (%)	65.7	20.3	24.6
BV/Sh. (INR)	1,086	1,249	1,451
ABV/Sh. (INR)	901	1,086	1,295
ROE (%)	15.0	15.8	17.0
ROA (%)	1.0	1.0	1.1
Div. Payout	11.6	11.6	11.6
Valuations			
P/E(X)	6.3	5.3	4.2
P/BV (X)	0.9	0.8	0.7
P/ABV (X)	1.1	0.9	0.7
Div. Yield (%)	1.6	1.9	2.4

Key takeaways

Post the consolidation phase growth is likely to be marginally above industry growth. Margins are likely to be stable and fee income growth to improve. Incremental trend on net slippages and restructuring is positive and new stress addition is likely to be lower than FY14. Targeting ROAs of ~1% by FY15/16.

Asset quality performance key; no lumpiness in pipeline

- Outlook on slippages/restructured book positive as there are not many lumpy accounts in the pipeline. Further, Improved responses from defaulters on the notices issued and increasing OTS is encouraging. Even bigger corporate are looking at de-leveraging actively.
- Focused recovery/mapping of accounts – top 200 accounts by CMD and EDs on a regular basis. SMA I and II accounts dealt with on a fortnightly basis to keep a check on asset quality.
- Management expects net slippages to come down gradually. Net slippage ratio had improved to 2.6% in 1QFY15 v/s 3.1% in 4QFY14.
- Cautious towards corporate lending with internal cap. Also, no lending to non-investment grade companies.

Marginally above industry loan growth for FY15; CRE and Housing - key drivers

- Management expects loan growth for FY15 to be 16/18%, with focus on agri and housing segments.
- Infrastructure segment is witnessing some pickup in activity, with some stalled projects kick starting, which are positive signs. However, management remains cautiously optimistic on this segment.

Capital at comfortable levels for FY15

- With a growth target of 16/18% for FY15 and Tier 1 at 8.8%, management remains fairly comfortable with the capital position.
- Infusion of INR50/60b from the Government is expected.

Other highlights

- Guidance for FY15: NIM at 3.4/3.5%, RoA near 1%.
- If interest rate falls by 1%, management expects INR3/3.5b of MTM writeback.

Valuation and view

- Loan portfolio is highly levered to resolution of policy bottlenecks and improvement in economic growth. 57% of restructured loans belong to Infrastructure and Iron and Steel, and a kickstart in these segments could allay concerns.
- Balance sheet consolidation helped PNB to structurally improve the liability profile and maintain NIM, despite high asset quality strain – which is a positive. With a focus on profitable growth, healthy core parameters, CET1 of ~8.8%, PNB remains one of our top picks. Maintain **Buy**.

Reliance Capital

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Bloomberg	RCAPT IN
Equity Shares (m)	245.6
M.Cap. (INR b)/(USD b)	136 / 2.2
52-Week Range (INR)	668/301
1, 6, 12 Rel. Per (%)	-10/51/28

Key takeaways

Sale of Non-Investment to deleverage balance sheet

- As part of strategy to exit all non- core investments management has decided to sell down all non-core investments over next 12-24 months. The exit will make the corporate structure leaner and will free up capital to fund future growth requirements of core businesses of lending and insurance.

Improving agent productivity helping increase profitability in life insurance business

- Improvement in profitability in life insurance business was led by shift in product mix, shedding of inactive agents, incremental focus on Tier I locations not only led to rapid increase in market share gains (6.6% in FY14 v/s 4.5% in FY13), and also led to better profitability. Agent productivity has improved, average ticket size per policy has gone up, moreover numbers of active agents have also increased.
- Management expects WNRP to grow over 15% over next 3 years NBAP of 23.8% reported in FY14 was high due to higher mix of traditional products under the old regime. NBAP margin to decline to 15% over the next three years though will remain better with industry.
- RCAP has also stated intent to divest stake in life insurance business once the bill is passed in parliament. Moreover RCAP is also looking to divest stake in general insurance arm; RCAP hold 100% stake in general insurance arm.

Lending business to grow at +15%; RoE to inch upward to 18%

- Given the rising challenges in Indian economy, RCF adopted a calibrated approach across segments and overall loan book remained largely flat since FY12. This was driven by run-down of unsecured portfolio and focus on quality rather than growth by maintaining high margin of 5%+ and focus on asset quality (GNPA of less than 2%).
- However with revival in economic growth, strong presence over 37 locations and growing customer base, the company expects growth momentum of 15%+ CAGR for next three years.

Shriram Transport

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Bloomberg	SHTF IN
Equity Shares (m)	226.9
M.Cap. (INR b)/(USD b)	217.7 / 3.6
52-Week Range (INR)	1021/491
1, 6, 12 Rel. Per (%)	2/35/43

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Inc.	40.9	49.1	57.9
PPP	31.7	38.2	45.1
PAT	14.7	19.2	23.7
Cons.PAT	15.9	20.5	23.8
EPS (INR)	65.0	84.5	104.5
EPS Gr. (%)	16.6	30.1	23.7
Cons. EPS	70.1	90.4	105.3
Cons. EPS Gr.	16.6	29.1	16.5
BV/Share	420.1	492.2	581.4
Cons. BV	435.5	513.5	603.5
RoA on AUM	2.3	2.6	2.8
RoE (%)	16.6	18.5	19.5
Payout (%)	14.5	14.5	14.5
Valuations			
P/Cons. EPS	13.7	10.6	9.1
P/Cons. BV (x)	2.2	1.9	1.6
Div. Yield (%)	0.8	1.1	1.4

Key takeaways

Asset quality pains over; to gradually improve from hereon

- The management indicated that the asset quality pain is almost over; on back on improvement in collection efficiencies the management expects NPLs to stabilize at these levels and show gradual improvement from 2HFY15.
- On the provisioning front, the management expects the existing level of loan loss provisioning of +2% to gradually decline going forward, moreover healthy PCR of 80% is an indication that the pain has been absorbed.

Growth guidance maintained at 15% for FY15

- SHTF expects AUM growth of 15% for FY15, however while HCVs may take some time to recover bulk of incremental growth will be driven by the non- CV segment.
- Management does not expect the monsoon be a dampener; while agriculture related freight carriage may witness some moderation, its impact will be negated by uptick in industrial activities.

Margins bottomed increase from hereon

- Margins have been under pressure since few years and now stand at 6.5% lowest in last 5 years. However with improving collection efficiencies and declining NPLs will led the margins recovery; management expects margins to improve 8-10bp every quarter from here on.

Valuation and view

- Sharp decline in economic growth resultant impact on asset quality (cyclical high credit cost and bottom margins) and regulatory changes led to risk adjustment margins falling to five-year low and sharp decline in return ratios (RoE down to 16% from 30% in FY09).
- Growth to remain moderate in near term and to be driven by non-CV segment. While yields in passenger vehicle portfolio are near to CV segment, operating cost is relatively high which will lead to some pressure on profitability in the near term. While SHTF's return ratios have moderated compared to its historical trends, we expect ROA's of ~2% and ROE of ~15% over FY14/16E.
- SHTF trades at 2.2x/1.9x FY15/16E consolidated BV and 13.7x/10.6x FY15/16E consolidated EPS. Maintain **Buy**.

State Bank of India

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Bloomberg	SBIN IN
Equity Shares (m)	746.6
M.Cap. (INR b)/(USD b)	1882.9 / 31
52-Week Range (INR)	2834/1455
1, 6, 12 Rel. Per (%)	-3/33/23

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	553.9	656.9	800.8
OP	376.3	463.2	589.2
NP	148.7	201.0	260.5
NIM (%)	3.1	3.2	3.3
EPS (INR)	251.8	341.4	446.8
EPS Gr. (%)	32.6	35.6	30.9
BV (INR)	2,089	2,368	2,733
ABV (INR)	1,706	2,012	2,473
RoE (%)	12.6	15.3	17.5
RoA (%)	0.8	0.9	1.0
Div. Payout	18.4	18.3	18.3
Valuations			
Cons. P/E (x)	9.6	7.1	5.4
Cons. P/BV (x)	1.2	1.0	0.9
Cons P/ABV	1.4	1.2	1.0
Div. Yield (%)	1.6	2.1	2.8

Key takeaways

Management's focus is to improve efficiencies, cost control, early recognition/control of stress and fee income growth. Growth is expected to remain moderate in the near term and asset quality to improve in 2HFY15.

Asset quality to improve; restructured pipeline lower at INR35b

- Slippages from agriculture segment to improve, going forward. Trend in overall slippages to remain stable/decline QoQ; stress from mid-corporate segment still remains an area of concern.
- Agri segment witnessed stress during 1QFY15, with INR5.4b slippages, of which INR1.8b was contributed by Andhra Pradesh and Telangana. SBIN is optimistic on recoveries from these accounts. Pipeline of restructured book stands lower at INR35b. Target credit cost of 0.7% by FY16.

Opex control and fee income growth to drive core profitability

- Opex control has been the key focus area for the management, with pension provisions not required during FY15. Employee expenses growth is likely to be a single digit and overhead costs' growth is expected to be less than 10%.
- Target cost to income ratio to be below 50% (in line with the industry average of 47-48%) by FY15-17.
- Fee income growth is a key focus area (10%+ growth since the new management joined).

Other highlights

- Merger with associate banks, a detailed plan is expected to be announced in 3QFY15.
- Over the next decade, business originations from the digital platform is expected to increase multifold, in turn transforming physical branches, especially in urban/metro region, into document collection centers. The bank will be judicious while adding staff to such retail focused branches in future. Most of the branches are rented (operating leverage), so not a major concern.
- Loan growth over the next couple years to be driven by retail segment, primarily housing and opportunistic corporate lending.

Valuation and view

- SBIN is highly levered to macro-economic conditions. An improvement in investment climate and interest rate would assuage asset quality fears.
- The bank remains our preferred pick to play a recovery in Indian economy with a) least NSL of 6.2%, b) strong CET1 of 9.8% and c) improving return ratios. New management at the helm of affairs has initiated a structural transformation exercise and benefit of which will be realized in the coming quarters.
- The stock trades at 1/0.9x FY16E/17E consolidated BV of INR2,368/INR2,733 and 7x/ 5.4x FY16E/17E consolidated EPS of INR341/INR447. Maintain **Buy**.

Union Bank of India

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Bloomberg	UNBK IN
Equity Shares (m)	630.3
M.Cap. (INR b)/(USD b)	136.3 / 2.2
52-Week Range (INR)	260/100
1, 6, 12 Rel. Per (%)	4/71/58

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	90.1	102.5	119.0
OP	58.9	65.6	74.6
NP	23.3	27.3	33.0
NIM (%)	2.6	2.7	2.7
EPS (INR)	36.8	43.2	52.1
EPS Gr. (%)	37.6	17.3	20.8
BV/Sh. (INR)	298	333	376
ABV/Sh. (INR)	234	267	309
RoE (%)	13.0	13.7	14.7
RoA (%)	0.6	0.7	0.7
Div. Payout	17.4	17.4	17.4
Valuations			
P/E(X)	5.9	5.0	4.1
P/BV (X)	0.7	0.6	0.6
P/ABV (X)	0.9	0.8	0.7
Div. Yield (%)	2.6	3.0	3.6

Key takeaways

Focus remains on moderate growth with RAM (Retail, Agri and MSME) to be the key growth driver. Focus on core deposits, high yielding loans and improvement in asset quality to drive margin improvement. Fees remain a key focus area. Stress addition is expected to subside by end-FY15 or 1QFY16. UNBK has received approvals for raising capital from RBI and shareholders through a QIP, which will help to improve CAR.

Retail, Agri and MSME to drive loan growth

- Overall loan growth to remain muted (near industry average). However, strong growth expected from retail, agri and MSME segment.
- Consolidation of balance sheet to continue in the near term led by large corporate loans.

Slippages and restructuring to remain at current levels in near term

- In the near term slippages and restructuring is expected to be remain stable at 1QFY15 levels however, expected subside by end-FY15 or by 1QFY16.
- Management is confident of containing the GNPA at sub 4% by 4QFY15 and ~3.75% by 1QFY16 (from 4.26% in June 2014).
- SMA II account pool stands at INR30b. UNBK to continue selling SMA II and NPA assets to ARCs during the year. Bank books cash component as a part of the P&L.

Capital raising plans in place; QIP of INR13.9b

- Received approvals from shareholders and RBI for a QIP of INR13.9b. Management is not in favor to dilute below BV and would wait for comfortable valuations. Management wants to maintain capital of 100-150bp above minimum requirement of CAR.

Valuation and view

- Over FY09-14, UNBK's core performance weakened (earnings flat over last five years but balance sheet size doubled) and asset quality deteriorated due to a weak macro-economic environment, strong growth in SME, Agri segment (in a bad economic environment) and higher exposure in consortium lending.
- The new management's key focus areas are a) to consolidate loan book (+10% YoY), b) focus on profitability, c) focus on HR issues and d) conserve capital. Focus remains on improving margins by reducing share of bulk business in the balance sheet. Moderate balance sheet growth will also keep the CASA ratio in tact, which in turn will cushion margins.
- Key drivers: a) very strong presence in SME segment, especially west and central regions of the country, b) low hanging fruits like operating leverage, fees improvement and c) improvement in CA balances with strong SME business. Maintain **Buy**.

Vijaya Bank

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Bloomberg	VJYBK IN
Equity Shares (m)	859.1
M.Cap. (INR b)/(USD b)	39.6 / 0.7
52-Week Range (INR)	59/34
1, 6, 12 Rel. Per (%)	-11/1/-14

Key takeaways

Management's focus is on de-bulking balance sheet, improve CASA ratio, containing net slippages and improve PCR. Performance of SEBs is key for asset quality performance as it constitutes 57% of OSRL.

Pipeline of restructuring at INR4b; target net slippage ratio at 1.5% for FY15

- Currently, OSRL stands at INR53b (6.9% of loans), of which INR30b is constituted of SEBs. Pipeline is lower at INR4b for FY15.
- Trends in GNPA to improve with a) fresh additions to be ~INR12b (v/s INR21.7b in FY14), b) cash recovery/up-gradation expected to be ~INR8b. Management targets net slippage ratio to be at 1.5% for FY15.
- Agri slippages in Andhra Pradesh, which is an area of concern, are expected to be resolved by end-2QFY15. Focus on improving PCR from 64% in 1QFY15 to 70% by end-FY15.

Loan growth expected to be ~17%; improve CD ratio to 68% by FY15

- Retail forms 20% of the book, plan to grow its retail book with a focus on housing and LAP. Targets loan growth of 17% in FY15.
- To improve yields, bank would focus on investment grade traders and MSME.
- Currently CD ratio stands at 63%, management's focus is to reach 68% by end-FY15.

Tier 1 at 8.1%; QIP approval of INR6b

- Management plans a QIP of INR6b during the year and also to raise tier 2 bonds worth INR5b by end-2QFY15 (government holding is currently at 74%).

Other highlights

- Guidance for FY15: NIM ~2.25%; RoA ~0.75-0.80% and CASA ratio ~22-24%.
- Bank aims to increase its base rate in the near term and reduce dependence on bulk deposits (down to 9% in 1QFY15 v/s 14% in 1QFY14).
- Mr Kannan current CMD of the bank will retire at the end of December 2014.

Yes Bank

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Bloomberg	YES IN
Equity Shares (m)	414.7
M.Cap. (INR b)/(USD b)	252.6 / 4.2
52-Week Range (INR)	630/224
1, 6, 12 Rel. Per (%)	8/57/98

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
NII	33.5	41.4	52.5
OP	30.6	38.1	49.8
NP	19.5	24.4	31.4
NIM (%)	3.1	3.1	3.1
EPS (INR)	46.9	58.9	75.8
EPS Gr. (%)	4.7	25.5	28.7
BV/Sh. (INR)	280.8	327.7	388.1
ABV/Sh. (INR)	279.9	326.2	384.9
RoE (%)	20.7	19.4	21.2
RoA (%)	1.6	1.7	1.7
Div. Payout	20.3	20.3	20.3
Valuations			
P/E(X)	13.0	10.3	8.0
P/BV (X)	2.2	1.9	1.6
P/ABV (X)	2.2	1.9	1.6
Div. Yield (%)	1.3	1.7	2.2

Key takeaways

With the improving economy and capital in place, management is comfortable growing balance sheet by 20%+. Improving CASA, higher share of Retail business will drive NIM improvement in medium term. Focus remain on best in class ROA (1.5%+) and ROEs (20%+).

Market share gain to continue; retail growth to pick up gradually

- Yes Bank to grow its loan book by 15-20% in FY15 and by 20-25% in FY16. Focus on improving the share of retail deposits in overall deposits continue.
- Traction in the SME segment is building up and growth is expected to accelerate in this segment. This should also help the bank to build its PSL loans.
- Home loans are expected to grow as the bank has attained critical size in terms of branches. Further, it targets to grow home loans in the affordable segment in Tier I and II cities. YES will raise affordable housing bonds to fund this segment.
- Management would be opportunistic and risk return management would be the key determinant for incremental loan growth.

NIM expansion to continue led by CASA improvement

- Post savings account interest rate deregulation, YES' CASA ratio improved from 10% in 2011 to 22% in 2014. Bank aims to increase the CASA ratio by 3-5% per year. With a sustained improvement in the CASA ratio, bank's management believes the expansion in NIM will continue.

Asset quality continues to remain best in class

- Asset quality continues to be healthy and corporate watch list has not changed materially. YES has sufficient excess provisions, which should provide a cushion to earnings, even if any asset quality hiccups emerge.

Other highlights

- Average savings account balance is significantly higher than peers.
- Cost to income ratio to decline to 42-43% over the next two years.
- While fees from financial advisory income are likely to moderate sequentially, healthy traction in retail and transaction banking fees would drive fee income.

Valuation and view

- YES navigated well even during the toughest period of economic environment. With economic indicators turning positive, the bank is well positioned to leverage on the opportunity that the Indian economy presents with a) strong capitalization (Tier I of 12.6%), b) rapid branch expansion (572 v/s 214 in FY11) and c) best-in-class asset quality.
- Fall in interest rate could further boost earnings as easing bulk deposit rate will be significant positive from NIM and bond gains perspective (20%+ share of corporate bonds in customer assets). Return ratios are expected to remain strong, with RoA of 1.6%+ and RoE of 20%+ (post capital infusion). Maintain **Buy**.

Alembic Pharmaceuticals

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Bloomberg	ALPM IN
Equity Shares (m)	188.5
M.Cap. (INR b)/(USD b)	71.8 / 1.2
52-Week Range (INR)	419/131
1, 6, 12 Rel. Per (%)	7/3/134

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	21.8	27.0	32.5
EBITDA	4.4	5.9	7.3
NP	3.1	4.2	5.2
EPS (INR)	16.2	22.1	27.5
EPS Gro. (%)	30.0	36.2	24.5
BV/Sh. (INR)	48.0	65.4	87.1
RoE (%)	38.7	39.0	36.1
RoCE (%)	42.0	43.4	41.5
Valuations			
P/E (x)	24.7	18.2	14.6
P/BV (x)	8.4	6.1	4.6
EV/EBITDA (x)	17.5	12.8	10.1
EV/Sales (x)	3.5	2.8	2.3

Key takeaways

Alembic Pharma is undergoing a phase of transformation. Specialty therapies in India and the US generics segment are expected to drive growth and profitability for the company over the next three years. This is likely to shift the margin profile upward and add sustainability to profits. The current capex plan will amply prepare them for this next phase of growth.

Spending for the future

- Underlying momentum in the business remains robust across market segments. This led the company to prepone its capex plans.
- The current planned capex of INR2.5b will add new facility for Indian markets and capacity expansion for APIs and international formulations. This will amply prepare the company for next phase of growth.

Improving US pipeline

- Given the improving quality of filings, the management is confident of introducing certain products on “Day 1” of market formation.

Front-end in US

- Alembic is working to create its own front-end in the US markets. This will aid in realizing better gross margins in the US business, with limited increment in operating costs.
- Thus, the profitability from existing and new launches is expected to improve significantly. Maintained guidance of six to eight launches in the US every year.

India business to outperform industry

- Within India, the company is gradually moving towards specialty therapies. This shift has been resulting in improving product mix which has superior profitability than the legacy business.
- Further, management expects their business to grow 3-4% faster than the industry.
- Current field force is 3,500 MRs.

APIs

- APIs are incrementally being used for captive consumption. Hence, their proportion to total sales is reducing.

Valuation and view

- With improving business mix and strong growth momentum, Alembic is expected to witness 30%+ earnings CAGR over the next three years. We continue to remain bullish on ALPM business as we believe it is well positioned to capitalize on opportunities in India and the US.

Cadila Healthcare

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Bloomberg	CDH IN
Equity Shares (m)	204.7
M.Cap. (INR b)/(USD b)	246.7 / 4.1
52-Week Range (INR)	1,285/635
1, 6, 12 Rel. Per (%)	4/-9/43

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	85.3	101.5	116.6
EBITDA	15.5	20.2	24.1
Net Profit	10.2	12.0	14.0
Adj. EPS (INR)	49.9	58.8	68.3
EPS Gr. (%)	24.5	17.7	16.2
BV/Sh. (INR)	203.0	251.5	306.8
RoE (%)	26.9	30.5	28.3
RoCE (%)	21.7	26.3	27.8
Payout (%)	29.2	29.3	29.3
Valuations			
P/E (x)	24.1	20.5	17.6
P/BV (x)	5.9	4.8	3.9
EV/EBITDA (x)	17.1	12.8	10.7
Div. Yield (%)	1.0	1.4	1.6

Key takeaways

Cadila Healthcare (CDH) aims to achieve sales of INR100b by FY16. The US and India will remain the key growth drivers; other businesses are also likely to deliver strong growth. CDH remains confident of expanding EBITDA margin from 18% to 20%, aided largely by growth in US sales. In the medium term, complex technology platforms like transdermals are likely to play an important role in driving the US business while CDH moves strongly into development of biosimilars and vaccines.

Aims at INR100b sales by FY16, investing in complex generics for growth beyond FY16

- CDH aims to achieve sales of INR100b in FY16. US and India will continue to be the key growth drivers while other businesses should also deliver strong growth.
- Growth drivers over the longer run will be biosimilars and vaccines, apart from launch of complex generics in the US. CDH has a pipeline of 17 biosimilars and 10 vaccines under development. CDH expects critical technology platforms like transdermals to play an important role in driving the US business over the next few years.

US generics hold the key for operating margin revival

- CDH expects the US to continue growing at 20-25% over the next few years. This will be achieved through its own products and AG launches. The management indicated that it would not discontinue the AG business in case the pace of CDH's own ANDA approval picks up. Besides, CDH has launched 6-7 products YTD CY2014 and expects to launch 10-15 products during the next nine months, subject to US FDA's approval.
- Nesher is also expected to launch one more product this year (4QFY15). The company filed 26 ANDAs in 1Q. There are 249 ANDAs filed cumulatively till date of which 91 are approved and 64 are being marketed actively.
- The management is confident of expanding EBITDA margin from 18% to 20%, aided by growth in US sales

Valuation and view

- CDH has undergone a consolidation phase over the last three years. We believe FY15 is likely to be a year of turnaround for the company.
- CDH has made investments in the right areas and should unlock value from them over the next few years. Investor interest will be particularly on the US business, which is gaining momentum. With few big-ticket launches seen over the next two years, the US business is likely to lead earnings growth momentum.
- We see a strong 20% earnings CAGR over FY14-16, which does not adequately reflect in current valuations.

Dr Reddy's Laboratories

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Bloomberg	DRRD IN
Equity Shares (m)	170.3
M.Cap. (INR b)/(USD b)	510.3 / 8.4
52-Week Range (INR)	3007/2161
1, 6, 12 Rel. Per (%)	3/-20/-12

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	146.1	163.7	184.7
EBITDA	35.1	38.8	44.7
Net Profit	22.9	25.3	29.3
Adj. EPS (INR)	134.5	148.5	172.2
EPS Gr. (%)	8.1	10.4	15.9
BV/Sh. (INR)	647.3	772.2	918.3
RoE (%)	20.8	19.2	18.7
RoCE (%)	18.6	18.0	18.2
Payout (%)	17.6	17.6	17.6
Valuations			
P/E (x)	22.3	20.2	17.4
P/BV (x)	4.6	3.9	3.3
EV/EBITDA (x)	14.5	12.9	10.9
Div. Yield (%)	0.7	0.7	0.9

Key takeaways

Dr Reddy's (DRRD) is undergoing a period of short term investment phase in R&D and infrastructure for profitable growth in the longer run. For FY15, capex spend is seen at INR10b, while R&D spend is seen at 10-11% of sales. The near term will be driven by stronger execution in the US and new launches in Russia and India, while the long term drivers include portfolio of complex products like biologics and proprietary products to power growth beyond FY20.

Undergoing an investment phase in the short term for profitable growth opportunities in the future

- DRRD is undergoing a period of short term investment phase in R&D and infrastructure for profitable growth in the longer run. For FY15, capex spend is seen at INR10b, while R&D spend is seen at 10-11% of sales.
- Focus is on filing complex injectables and topical in the US. Company is investing in biologics (USD150m) and proprietary products (USD300m, developing 15+ products) to power growth beyond FY20.
- It aims to create an reliable and flexible supply chain, capable of meeting demand surges and ensuring on-the-shelf medicine availability always.

US generics delivered strong growth but few key products may see competition soon

- US generics reported a strong 42% growth to USD275m YoY in 1QFY15. Growth was driven by increasing market share in gGeodon and gToprol XL. Competition remains limited in the complex injections launched in FY14, although DRRD cautioned of gradual price erosion as competition increases in FY15.
- Although channel consolidation is impacting pricing and profitability, the US market holds a promising future outlook. Management expects mid-teens growth rate over the medium-to-long term.

Biosimilars - a long term opportunity, piggybacking on India experience

- Biosimilars account for ~10% of DRRD India sales. The key product, Rituximab, is gaining strong traction.
- Tie-up with Merck Serono for biosimilars in the US and Europe. Growth driver beyond 2016.
- Biosimilars opportunity in regulated markets collectively pegged at USD20-30b.

Valuation and view

- Traction in the US generics and sustained growth momentum in international branded formulations segment will be key growth drivers for DRRD, going forward.
- We build core EPS growth of ~10% over FY14-16E, largely due to a weak pipeline in the US in the near term and ongoing investment phase.
- Delay in incremental competition for key limited competition products launched in FY14 may lead to a positive surprise to our estimates.

Glenmark Pharmaceuticals

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Bloomberg	GNP IN
Equity Shares (m)	271.2
M.Cap. (INR b)/(USD b)	198 / 3.3
52-Week Range (INR)	775/489
1, 6, 12 Rel. Per (%)	2/0/-2

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	68.8	80.6	95.0
EBITDA	15.5	18.2	22.4
Net Profit	7.8	9.6	11.5
Adj. EPS (INR)	28.8	35.5	42.4
EPS Gr. (%)	16.1	23.4	19.4
BV/Sh. (INR)	137.7	171.8	217.1
RoE (%)	20.9	20.7	19.5
RoCE (%)	19.3	20.5	22.2
Payout (%)	11.2	9.3	7.1
Valuations			
P/E (x)	25.3	20.5	17.2
P/BV (x)	5.3	4.2	3.4
EV/EBITDA (x)	14.5	12.3	9.8
Div. Yield (%)	0.4	0.4	0.4

Key takeaways

Glenmark Pharma is about to realize the potential of its investments in the Latin American as well as European markets. With increasing scale, these divisions are likely to benefit from operating leverage. These markets, along with India, will drive growth over the next 2-3 years. In the meantime, Glenmark is developing its portfolio of niche products for the US market, which will drive growth in the longer run. Company remains comfortable with its FY15 sales growth guidance of 16-18%; with core EBITDA expected to be in the range of INR15-15.2b.

Latin America and Europe benefiting from operating leverage

- Unlike its peers, the company entered the Latin American and European markets with a strategy focusing on select therapies.
- The front-ended investments made to establish a strong marketing presence have so far impacted profitability in these segments.
- However, with increasing scale, the management expects operating margins to reach closer to consolidated level from close to breakeven level, currently.

India business will continue to outperform the industry

- Glenmark is one of the least impacted companies by the price control implemented in India. This is largely owing to its limited presence in therapies/products that are considered essential.
- As such, the company expects this division to grow 18-20% in FY15 and is likely to grow ahead of the industry over the next few years.

Developing a niche portfolio for the US

- Glenmark currently has ~72 ANDAs pending US FDA approval. It has already launched 12-15 oral contraceptives (OCs) in the US over the last few years.
- The company is developing complex injectables and targets to file 4-5 ANDAs in this space in FY15. It is also working on immunosuppressant, dermatology, oncology and oral contraceptives.
- This niche portfolio is expected to drive growth from FY16 onwards.

NCE/NBE development

- There are 3 NCEs and 3 NBEs currently under development. Important candidates to monitor from news flow perspective are GRC17536, GBR830 and GBR500.

Valuation and view

- FY15 is likely to be a slow year for Glenmark mainly due to mid-teen growth in US.
- We do not expect any debt reduction in FY15, which could have been a potential trigger for a re-rating of the stock.
- With uptick in US business in FY16, Glenmark is slated to witness 20% earnings CAGR over FY14-16. However, current valuations adequately reflect this growth momentum, tempering our bullishness on the stock.

IPCA Laboratories

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Bloomberg	IPCA IN
Equity Shares (m)	126.2
M.Cap. (INR b)/(USD b)	96.5 / 1.6
52-Week Range (INR)	907/643
1, 6, 12 Rel. Per (%)	-1/-40/-24

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	35.8	41.8	50.9
EBITDA	8.1	9.7	12.3
Net Profit	5.0	6.0	7.7
Adj. EPS (INR)	39.6	47.2	61.1
EPS Gr. (%)	4.5	19.2	29.5
BV/Sh. (INR)	188.9	229.0	280.9
RoE (%)	23.0	22.6	24.0
RoCE (%)	26.2	26.4	28.5
Payout (%)	15.0	15.0	15.0
Valuation			
P/E (x)	19.3	16.2	12.5
P/BV (x)	4.0	3.3	2.7
EV/EBITDA (x)	12.3	10.4	8.1
Div. Yield (%)	0.8	0.9	1.2
Sales	35.8	41.8	50.9
EBITDA	8.1	9.7	12.3
Div. Yield (%)	0.8	0.9	1.2

Key takeaways

IPCA Labs is heading for a subdued FY15 performance due to discontinuation of US operations triggered by the recent USFDA inspection. However, the management is confident of timely resolution of the issue. They are also planning to resume US supplies aided by certain alternative manufacturing arrangements. Hence, the current operational bottleneck is a temporary disruption in the long term growth story.

Confident of timely resolution

- IPCA Labs remains confident of resolving the FDA issues by end-FY15, which is six to eight months from the date of issuance of the observation on the Ratlam unit. They have already started the remediation measures, as suspected by consultants.
-

Confident of regaining lost ground

- IPCA has filed a CBE-30 certificate with the USFDA, allowing it to shift its API source for important products to third party manufacturers.
- Supplies for these products will likely resume by November 2014 and will enable the company to recoup majority of impacted sales in the US over a period of time.
- Management believes that regaining the lost market share in the US would not be difficult as the competitive intensity in these products is less and no player can match IPCA's scale.

Marginal reduction in FY15 guidance

- Management marginally lowered its revenue guidance to 11% (12% guided earlier) and EBITDA margin guidance to 23-23.5% (24% guided earlier).
- Growth in FY15 will be driven by India (guided 16-17%) and branded export formulations business (guided 25-30%).
- They reiterated the long term revenue guidance of INR100b in the next five years.

No speed bumps so far in tender business

- Business in the institutional tender segment is as per expectation. So far, management has not seen any major financial impact for itself from the change in procurement policy of the AMFM program.
- Recent decline in raw material prices will also aid to absorb any potential decline in contract prices.
- IPCA will file for WHO pre-qualification of Artemether-Lumefantrine injectable version in FY15 and expects it to be launched by 3QFY16. The product is expected to generate USD50m in annual revenue for the company.
-

Valuation and view

- IPCA has had a great execution track record. In our view, it is undergoing a temporary disruption in its growth story. We believe the recent price correction factors the worst, presenting a favorable risk-reward situation.

Sun Pharmaceuticals

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Bloomberg	SUNP IN
Equity Shares (m)	2,071.2
M.Cap. (INR b)/(USD b)	1,788/29.5
52-Week Range (INR)	877/500
1, 6, 12 Rel. Per (%)	6/12/21

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	175.8	199.4	224.9
EBITDA	77.5	86.7	94.0
Rep. PAT	61.7	70.6	79.5
Rep.EPS (INR)	29.8	34.1	38.4
Adj. PAT	54.3	64.5	74.5
Core EPS	26.2	31.1	36.0
EPS Gr. (%)	11.9	18.6	15.6
BV/Sh. (INR)	116.5	145.9	178.4
RoE (%)	25.3	23.7	22.2
RoCE (%)	33.0	30.9	28.4
Payout (%)	12.4	12.5	14.0
Valuations			
P/E (x)	32.9	27.7	24.0
P/BV (x)	7.4	5.9	4.8

Key takeaways

Sun Pharma's (SUNP) performance in important geographies of the US and India continues to remain strong. Price increases at Taro and limited competition launches in US continue to drive growth momentum and margin expansion. SUNP remains comfortable with its FY15 guidance. Focus will be on the closure of Ranbaxy acquisition and synergy benefits of USD250m by the third year of closure.

SUNP maintains its FY15 sales growth guidance of 13-15% in constant currency

- Company remains comfortable with its FY15 sales growth guidance of 13-15%; it achieved a constant currency sales growth of 7% in 1QFY15.
- SUNP maintained that some of the price increases for products at Taro will not be sustainable.
- Small M&As, like the acquisition of Pharmalucence made in July 2014, will continue to be explored by the company.

US sales continue its growth momentum despite moderation in growth from Taro

- US sales for 1QFY15 grew 14% YoY due to moderation in growth from Taro. SUNP's recent acquisitions like Dusa Pharma and URL Pharma are doing better than expectations, while its own pipeline in the US is showing a meaningful growth.
- SUNP continues to maintain that some of the price increases at Taro may not be sustainable in the future.
- Overall, 140 ANDAs are pending approval. SUNP filed 14 ANDAs in 1QFY15.

Ranbaxy acquisition process on track, SUNP expects closure by Dec 2014

- Ranbaxy's acquisition process is on track. So far approvals from the NSE, BSE and anti-competitive regulatory bodies of various countries, except the US and India, have been received. The companies are now seeking approvals from their respective shareholders, Competition Commission of India (CCI), Federal Trade Commission (FTC) and Indian courts.
- SUNP reiterated its confidence in achieving USD250m in synergies benefit at EBITDA level, aided by both growth and operational efficiency.

Valuation and view

- SUNP's US sales in FY15 will continue to be driven by recent price increase in Taro, limited competition products like gDoxil and mid-teens growth in its own pipeline.
- We however expect a slow FY15 for SUNP's base business, which we believe is expected to bounce back to mid-teens growth in FY16. But prospects of consolidating Ranbaxy's business and potential turnaround continue to remain appealing. Maintain **Buy**.

DB Corp

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Bloomberg	DBCL IN
Equity Shares (m)	183.6
M.Cap. (INR b)/(USD b)	61.1 / 1
52-Week Range (INR)	345/211
1, 6, 12 Rel. Per (%)	-2/-16/-5

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	21.10	23.97	26.91
EBITDA	6.10	7.00	7.91
Adj. NP	3.52	4.16	4.84
Adj. EPS (INR)	19.2	22.7	26.4
Adj.EPSGr.(%)	*20.6*	*18.3*	*16.2*
BV/Sh (INR)	71.5	82.2	94.6
RoE (%)	28.6	29.5	29.8
RoCE (%)	24.4	25.6	26.3
Payout (%)	53.0	53.0	53.0
Valuations			
P/E (x)	17.4	14.7	12.6
P/BV (x)	4.7	4.1	3.5
EV/EBITDA (x)	9.8	8.3	7.0
Div. Yield (%)	2.5	3.0	3.5

Key takeaways

Ad growth to recover in 2H; volume uptick would be key

Ad environment for the upcoming festive season is looking optimistic. While the entire 1QFY15 print ad growth was pricing led, volume growth is expected to return in the festive season given positive economic sentiments. Newsprint cost per ton is expected to decline over next 1-2 quarters, providing tailwind to margins.

Ad recovery in sight

- While July month was impacted by uncertainties surrounded by union budget, ad growth seems to be returning back to double digits.
- Indications for upcoming festive season ad spends appear to be optimistic with volume growth likely to return. This should drive a high single-digit ad growth performance in 2QFY14 and double-digit growth in 2HFY14.
- DB Corp had already taken a double digit ad rate hike for current fiscal and hence volume recovery will be accompanied by strong operating leverage for the company.

Subscription revenue growth to remain strong

- Subscription revenue has been growing at 14-15% YoY during the last few quarters
- Subscription growth is likely to remain strong at current levels given the price hikes undertaken

Newsprint prices – favorable base in 2HFY14

- Newsprint prices had declined ~2% QoQ in 1QFY15 after increasing for four consecutive quarters
- Newsprint prices are expected to correct further by 2-3% in near-term, implying YoY decline in 2HFY15 given high base.

Valuation and View

- The stock trades at P/E of 17.4x FY15 and 14.7x FY16. Maintain **Buy**.

PVR

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Bloomberg	PVRL IN
Equity Shares (m)	41.2
M.Cap. (INR b)/(USD b)	28 / 0.5
52-Week Range (INR)	735/380
1, 6, 12 Rel. Per (%)	5/4/29

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	16.1	20.3	24.2
EBITDA	2.6	3.5	4.5
NP	0.7	1.2	1.8
EPS (INR)	16.9	29.3	44.0
EPS Gr (%)	81.2	73.3	50.3
BV/Sh (INR)	111.1	136.3	176.3
RoE (%)	16.2	23.7	28.2
RoCE (%)	15.0	22.3	27.7
Payout (%)	17.2	13.9	9.2
Valuations			
P/E (x)	42.3	24.4	16.2
P/BV (x)	6.4	5.2	4.1
EV/EBITDA (x)	12.9	9.4	7.0
Div Yield (%)	0.6	0.8	0.8

Key takeaways

PVR (PVRL) will maintain its leadership position in the film exhibition business, with 421 screens in 97 properties across 41 cities in India. It is among the top 10 multiplex chains across the globe in terms of footfalls and expansion of screens in Tier 2 and 3 cities, which will drive footfall growth. We believe PVRL is a strong structural play in India which is highly underpenetrated (8 screens/m population) and where movie watching is the prime entertainment option. PVRL is expected to be the biggest beneficiary of the shift from single screen to multiplexes in India.

Strong pipeline of films and robust expansion to drive growth

- PVRL opened 23 screens during 1QFY15 and expects to open 65-70 screens in FY15.
- Management expects the content to be significantly strong for 3QFY15, compared to 3QFY14, which will lead to strong revenue growth.
- Mature screens (>2 years old) form 2/3rd of total number of screens, while 1/3 screens are less than 2 years of age. Refurbishment of a screen happens in 6.5-7 years and refurbishment capex amount to 1.5-2% of revenue annually.
- GST is expected to be a major game changer for the industry. Currently, the blended entertainment tax rate is 24-25%, which is expected to decline to 17-18%, post the implementation of GST. Also, company will be able to take the service tax credit to adjust with the entertainment tax as per the guidelines issued under GST.
- On Inox-Satyam deal, management commented that the deal was priced higher (~INR60m/screen), compared to organic growth benchmark of INR25m/screen. Also, management believes that most of Satyam screens are present in North where Inox already has a presence and it did not make geographical sense to expand in the same region.
- Management believes that the expansion in East has slowed down due to the political situation and weak retail infrastructure. However, it is open for organic expansion in the Eastern region.

Key performance matrices look strong

- Management expects ATP growth of 5-6% and advertisement growth of ~18-19% for FY15.
- PVRL has changed the look and feel of the “candy bar” and has done addition of new offerings at better pricing in the menu bar. This will lead to SPH growth of 15%, going forward.
- Management indicated that innovation in the mobile app also assisted in the growth of SPH.

SITI Cable Networks

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Bloomberg	SCNL IN
Equity Shares (m)	614.2
M.Cap. (INR b)/(USD b)	15.9 / 0.3
52-Week Range (INR)	30/15
1, 6, 12 Rel. Per (%)	-17/10/23

Financial Snapshot (INR Billion)

Y/E March	2012	2013	2014
Net Sales	3.4	4.7	7.0
EBITDA	-0.3	0.7	1.1
EBITDA(ex-act	-0.3	-0.5	0.3
Adj. NP	-0.9	-0.6	-0.9
Adj. EPS (INR)	-2.0	-1.4	-1.8
Adj. EPS Gr.		NA	NA
BV/Sh (INR)	-1.6	-1.2	2.7
RoE (%)	NA	NA	NA
RoCE (%)	-50.2	-1.1	-0.7
Valuations			
P/E (x)			-14.4
EV/EBITDA			23.8
EV/ recurring EBITDA			84.5
EV/Sub (INR)*			2,688

* Based on attributable EBITDA and subs post 17% minority stake

Key takeaways

Expected delay in phase III/IV digitization to arrest digitization momentum

The government is likely to come up with a notification extending the deadline for implementing Digital Addressable Systems (DAS) in phase III/IV to December 2015. This would require MSOs like SITI Cable (SCNL) to realign their targets for digital subscribers.

Delay in phase III/IV to arrest near-term momentum

- The government is likely to extend the deadline for phase III/IV digitization from September/December 2014 to December 2015.
- This will arrest the digitization momentum, given that the new deadline is 16 months away and gives LCOs a window to continue in the current analog structure, with low declaration levels.

Focus on voluntary digitization

- SCNL currently has a subscriber universe of 10m and digital subscriber base of 4.3m, of which 3.7m are in the phase I/II markets.
- Given expected extension of the digitization deadline, focus is likely to shift to voluntary digitization, which also entails lower subsidy outgo.
- The company already has inventory of 800k boxes and is likely to continue with the current run-rate of adding ~0.3m digital subscribers per quarter in the absence of near-term digitization push.

Gross billing implemented in Delhi, Kolkata, and several phase II towns

- Gross billing has been implemented in Delhi/Kolkata and also in some phase II towns in Central India.
- Most of SCNL's phase II cities except Hyderabad are likely to come under gross billing in FY15.
- Almost 60% of the subscriber base is on entry-level pack, while the balance 20% each are on mid and high packs.

Zee Entertainment

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Bloomberg	Z IN
Equity Shares (m)	960.4
M.Cap. (INR b)/(USD b)	272 / 4.5
52-Week Range (INR)	311/214
1, 6, 12 Rel. Per (%)	-8/-23/-22

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	47.2	56.8	66.7
EBITDA	13.9	18.6	23.3
Adj. NP	9.8	13.3	16.9
Adj. EPS (INR)	10.2	13.9	17.6
Adj.EPSGr.(%)	9.8	35.8	26.8
BV/Sh (INR)	34.9	45.2	59.1
RoE (%)	32.2	34.6	33.7
RoCE (%)	29.4	34.4	36.3
Payout (%)	19.7	14.5	11.4
Valuations			
P/E (x)	27.9	20.6	16.2
P/BV (x)	8.4	6.5	4.9
EV/EBITDA (x)	18.2	13.3	10.3
Div. Yield (%)	0.7	0.7	0.7

Key takeaways

Ad environment improving; subscription lacks near-term triggers

The ad environment is exhibiting signs of optimism, with industry growth expected to be 13-14% in current year. With phase I/II cable monetization already at ~85% and expected delay in phase III/IV digitization, there are no near-term triggers for domestic subscription. Sports loss guidance for FY15 remains unchanged at ~INR1b while non-sports margins could be volatile based on new channel initiatives.

Ad environment getting better

- TV ad revenue for the industry is likely to grow 13-14% in the current year. Zee has been outperforming industry growth, led by 300bp increase in network viewership share from ~12% to ~15% over the past 2.5 years.
- The FMCG sector got crowded out in 1QFY15 due to election advertising, etc, and could see better spends due to pent-up demand in the balance year.
- Auto and e-commerce sectors have been exhibiting good growth. Sectors like BFSI and durables are yet to pick up but are likely to perform better, going forward, given expected economic recovery.

No near-term triggers in subscription revenue

- Phase I/II cable base is now fairly well-monetized, with per subscriber yield estimated at ~85% versus DTH.
- Expected extension of phase III/IV digitization deadline will push digitization-led monetization from these geographies to FY17.
- International subscription is likely to remain largely stable, given high penetration and market share for Zee.

Sports loss guidance of INR1b maintained

- Sports EBITDA loss guidance maintained at INR1b despite an EBITDA profit reported in 1QFY15. Key properties recently broadcasted include Commonwealth Games and US Open.
- Zee has renewed rights for UEFA and WWE, and has won rights for upcoming two series from Pakistan Cricket Board.

Non-sports margin to be impacted by new channel launches

- Original programming hours on flagship Zee TV currently stand at 30 hours.
- Zee has couple of big channel launches in the pipeline, which might have a near-term impact of 400-500bp on the non-sports margins.
- We expect these launches to take place in FY16.

Valuation and view

- The stock trades at 27.9x FY15E and 20.6x FY16E EPS. Maintain **Neutral**.

Hindalco

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Bloomberg	HNDL IN
Equity Shares (m)	2,064.6
M.Cap. (INR b)/(USD b)	360.2 / 5.9
52-Week Range (INR)	199/97
1, 6, 12 Rel. Per (%)	-11/24/17

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	995.9	1,097.1	1,146.0
EBITDA	107.2	120.7	127.0
NP	25.9	28.6	36.4
Adj. EPS (INR)	12.5	13.8	17.7
EPS Gr(%)	0.7	10.3	27.7
BV/Sh. (INR)	124.0	136.2	152.2
RoE (%)	10.6	10.6	12.2
RoCE (%)	6.0	6.8	7.4
Payout (%)	13.1	11.8	9.3
Valuations			
P/E (x)	13.9	12.6	9.9
P/BV	1.4	1.3	1.1
EV/EBITDA (x)	8.1	7.1	6.4
Div. Yield (%)	0.8	0.8	0.8

Key takeaways

Hindalco (HNDL) is likely to benefit from strong production growth in primary metal, alumina, increased share of value added product in India and higher share of high margin auto volumes in Novelis' product mix. Balance sheet is likely to get deleveraged with growth in EBITDA (15% CAGR).

Primary metal and alumina production ramping up rapidly

- Primary aluminum production is expected to ramp up with the help of Mahan and Aditya smelter. 180pots (50%) at Mahan smelter and 30 pots (8%) at Aditya are now up and running.
- Mahan smelter is expected to produce 240kt and 320kt metal in FY15 and FY16 respectively. Aditya smelter is expected to produce 80kt and 240kt meta in FY15 and FY16 respectively. Hirakud too is now ramping up to 200kt rate.
- Utkal alumina is expected to produce 1mt and 1.5mt alumina in FY15 and FY16 respectively

Product mix improvement will drive up margins

- Share of value added products in the mix has increased from 40% to 47%. Rexam and Can-pack have set up can manufacturing facilities in India. Hirakud FRP unit is likely to leverage its recently relocated facilities from Rogerstone, UK. Hindalco expects 5-6% demand growth in Indian packing industry.
- Novelis' margins are likely to driven by rapid volume growth in high margin auto products. Volumes will increase 20%, share of auto segment in product mix will grow from 9% in FY14 to 20% on larger base by FY17.

Balance sheet de-leverage ahead

- Net debt to EBITDA ratio is expected to decline. There are no large debt repayment commitments in near to medium term. Only 25% of total debt is due for repayment in next 5 years.
- Depreciation has reduced on implementation of Companies Act 2013 because the expected life of assets has increased by 15years to 40years. Full interest and depreciation will hit P&L in 1QFY16 as Mahan and Aditya smelters get fully operational by that time.

EBITDA CAGR of 15% over FY14-17; Maintain BUY

- We value the stock at INR212/share based on FY16 SOTP. We expect Novelis' EBITDA to post a CAGR of 8% to USD1.12b over FY14-17E. HNDL has now placed all of its projects (Mahan, Aditya and Utkal) in operations. The production ramp-up and strong TcRc will drive earnings in India.
- We expect consolidated EBITDA to post 15% CAGR over FY14-17E to INR127b. We are expecting LME to average at USD2000/t. We are not factoring benefits from Mahan coal blocks. Stock trades at FY16E EV/EBITDA of 7.1x. Maintain Buy.

Jindal Steel and Power

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Bloomberg	JSP IN
Equity Shares (m)	914.9
M.Cap. (INR b)/(USD b)	219.5 / 3.6
52-Week Range (INR)	350/217
1, 6, 12 Rel. Per (%)	-16/-30/-38

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	240.1	289.8	327.0
EBITDA	76.1	88.8	96.2
Adj. PAT	21.8	28.0	30.5
Adj. EPS (INR)	23.8	30.5	33.3
EPS Gr(%)	14.1	28.2	8.9
BV/Sh. (INR)	269.1	297.3	328.3
RoE (%)	9.2	10.8	10.6
RoCE (%)	7.9	9.0	9.6
Payout (%)	7.9	6.1	5.6
Valuations			
P/E (x)	9.6	7.5	6.9
P/BV	0.9	0.8	0.7
EV/EBITDA (x)	7.8	6.9	6.5
Div. Yield (%)	0.7	0.7	0.7

Key takeaways

JSPL remains well positioned to benefit from capacity expansion in both steel and power. While Angul Phase 1A is largely complete, civil work for Phase 1B has commenced taking its domestic steel capacity to 8.2mtpa. In power while all the units are close to completion, profitability improvement will be driven by captive steel capacity completion, better grid evacuation and improving economic activity.

Steel: Capacity optimization at Raigarh; Angul Phase 1A done, 1B commenced

- Raigarh steel capacity is expanded to 3.2mtpa (vs. 3.0mtpa) through optimization of old blast furnace. Increase in PCI rate (at 150-180kg/thm) drove fuel consumption savings at Raigarh in terms of lower coke requirement
- At Angul, 1.6mtpa DRI based steel-making capacity commenced under Phase 1A. Coal gasification plant running at 40% utilization, producing gas at a cost of US$13/mmbtu. Potential to improve output at DRI through hot DRI transfer to SMS which would increase output to 2.0-2.5mtpa
- Plate mill at Angul operating at a rate of 15kt/month (capacity 100kt/month). Billet caster of 1mtpa is guided to be complete in the 3-4months. This could help improve utilizations at Patratu to 90-95% (currently 60%).
- With Angul Phase 1A largely done, civil activity for Phase 1B has commenced. This would increase the steel making capacity at Angul to 5mtpa with the addition of 3.8mtpa BoF facility. Completion of Phase 1B is targeted in 18-24months.

Power: Improving grid evacuation; PPA availability likely to improve

- Tamnar-2 1st unit is now generating at 480MW (vs. 150MW in 1QFY15) driven by improvement in grid evacuation and use of imported coal. Imported coal fuel cost at Rs1.75-2/unit sustainable.
- Upside potential from recent increase in spot power rates - around Rs 5-6/unit
- At Angul, 2 of the 6 units of 135MW CPP operational. Generation to improve with completion of Phase 1B. Captive requirement to be met by 3 units.

Steel EBITDA margin guided 30%+/capex to remain high

- Steel EBITDA margin guidance of more than 30% on back of fuel consumption optimization and backward integration
- Capex is guided to remain high at Rs60bn/Rs70bn in FY16E/FY17E on account of Angul Phase 1B.

Capacity expansion to drive profitability; maintain BUY

- We expect JSP's consolidated EBITDA to grow at CAGR of 14% over FY14-17 driven primarily by capacity addition in both steel & Power. Iron ore availability in Odisha, e-auction coal pricing, bottlenecks in power evacuation, availability of coal for CPPs, coal gasification, and Tamnar-2 are key variables which need to be monitored.
- We value the stock at INR399/share based on FY16 SOTP. However, INR159/share is at risk if coal blocks get de-allocated. Maintain Buy.

JSW Steel

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Bloomberg	JSTL IN
Equity Shares (m)	241.7
M.Cap. (INR b)/(USD b)	319 / 5.3
52-Week Range (INR)	1,365/525
1, 6, 12 Rel. Per (%)	6/21/94

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	570.9	602.4	644.4
EBITDA	111.4	112.4	122.6
Adj. PAT	33.8	33.3	39.0
Adj. EPS (INR)	139.7	137.8	161.2
EPS Gr(%)	306.4	-1.4	17.0
BV/Sh. (INR)	1,029	1,153	1,300
RoE (%)	14.4	12.6	13.1
RoCE (%)	11.8	11.2	11.8
Payout (%)	9.1	9.2	8.6
Valuation			
P/E (x)	9.4	9.6	8.2
P/BV	1.3	1.1	1.0
EV/EBITDA (x)	6.6	6.4	5.7
Div. Yield (%)	0.8	0.8	0.9

Key takeaways

JSW Steel (JSTL) has been able to deliver volume growth and improve margins despite challenges. Margins are likely to be driven by product mix improvement and improvement in operating efficiencies. Low cost expansions will drive volume growth.

Volumes to increase 6% in FY15; capacity to increase 26% by FY16

- JSTL is targeting crude steel production of 12.9mt and saleable steel production of 12.4mt in FY15. Despite challenges in iron ore supply, the sales volumes are expected to increase 6%.
- Steel capacity will increase from 14.3mt to 18mt at low specific capex by end of FY16. This will give further flip to volumes over next 2-3 years.
- Indian steel demand is expected to improve in 2HFY15.

Iron ore supply to improve in Karnataka

- Iron ore production in Karnataka is still running at 19mtpa. JSTL has been able to source nearly 10.5mt iron ore within state. Balance requirement is met through imports and other states.
- Higher cost of imports is unlikely to hit margins because of superior grade and lower impurities.
- Supreme Court (SC) may allow 2-3 mines to ramp up production so that total iron ore production rate will rise to 25mtpa in Karnataka.

Lowest OpEx, CapEx, proximity to markets, ports, and raw material drive margins

- JSTL has lowest conversion cost at USD115 because of technological advantage and economy of scale.
- Proximity to iron ore mines in Karnataka and ports in Dolvi, markets in south and west of India drive its margins.
- Cost of setting up project is lower due to in-house project team.

Product mix to improve

- 2.3mtpa PLTCM line & CAPL at Vijaynagar and expansion of downstream at Vasind & Tarapore are helping to improve the product mix.
- Share of value added products will increase to 50%. Value added products will bring additional contribution of INR2000/t.

Well positioned with leadership position; Maintain BUY

- We believe JSTL is well positioned with market leadership in flat products, timely investment in value addition and operating efficiencies. It is the strongest contender for closed "C" category iron ore mines in Karnataka whenever they come for sale.
- Stock trades at EV/EBITDA of 6.4x. We value the stock at INR1647 based on SOTP, 25% upside. Maintain Buy.

Sesa Sterlite

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Bloomberg	SSLT IN
Equity Shares (m)	2,964.7
M.Cap. (INR b)/(USD b)	823 / 13.6
52-Week Range (INR)	318/168
1, 6, 12 Rel. Per (%)	-8/25/4

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	771.2	866.8	901.3
EBITDA	183.6	194.9	192.6
NP	69.8	71.4	56.9
Adj. EPS (INR)	23.5	24.1	19.2
EPS Gr(%)	-7.6	40.2	-18.5
BV/Sh. (INR)	143.2	170.8	193.1
RoE (%)	9.2	8.7	6.5
RoCE (%)	11.3	11.0	10.3
Payout (%)	17.4	21.8	33.5
Valuations			
P/E (x)	11.9	11.6	14.6
P/BV	1.0	1.0	0.9
EV/EBITDA (x)	6.9	6.3	5.9
Div. Yield (%)	1.2	1.6	2.0

Note: Sesa-Sterlite merged entity basis

Key takeaways

While near term volume guidance in Iron ore, zinc and oil and gas remains muted, long term outlook remains bullish. SSLT would a key beneficiary of improving policy clarity over Iron ore mining in Goa, which we expect likely over the near term, and Karnataka operations gaining momentum. Oil & gas, which contributed more than 50% of its FY14 EBITDA, is likely to see good volume expansion over the medium term (7-10% volume over CAGR over FY14-17E).

Zinc-Lead-Silver:

- Domestic mined metal production in FY15 is guided to be only marginally higher than that in FY14 (880 kt)
- Rampura Agucha (RA) and SK shaft mines development is progressing well with RA transitioning from open pit to underground mining. Domestic Zinc production capacity will increase to 1.2mtpa post completion of development

Iron Ore:

- Karnataka iron ore production is excepted to ramp-up to 2.29mt annual capacity by 2HFY15 (was 0.01mt in 1QFY15) as e-auction activity picks up
- Goa iron ore production is likely to resume in 2HFY15 as the state government formulates its mining policy and after it receives the necessary approvals

Copper:

- Post the planned maintenance in 1Q, the smelter has resumed operations running at 90% utilization. Spot Tc/Rc rate is expected to improve with the Indonesia government resuming exports of copper concentrates.

Aluminum:

- Production cost at Korba-1 is likely to remain high due to tapering coal linkage and decline in e-auction coal volumes resulting in reliance on imports. Korba-2 remains on track for full ramp-up in FY15 while Jharsuguda-2 is likely to be partially commissioned in FY15.

Power:

- PLFs at Jharsuguda are likely to remain low amid coal availability and transmission constraints. The plant was operating at less than 25% utilization in Aug 2014. Three units at Talwandi Sabo (660MW each) are likely to be commissioned by FY15 end with reliability runs of first 660MW completed in 2Q

Recovery in base metals prices remains key catalyst; maintain BUY

- We believe that SSLT has the tailwind of strong price outlook for base metal business (zinc, lead, aluminum and copper TcRc) over next few years. Power business too is expected to start improving towards end-FY15 as the evacuation facilities from oversupplied W3 regions get de-bottlenecked.
- We value the stock at INR320/share based on SOTP. Maintain Buy.

BPCL

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Bloomberg	BPCL IN
Equity Shares (m)	723.1
M.Cap. (INR b)/(USD b)	508 / 8.4
52-Week Range (INR)	722/265
1, 6, 12 Rel. Per (%)	16/55/110

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	2,653	2,761	2,701
EBITDA	68.7	75.8	87.3
Adj. PAT	31.5	35.0	41.1
Adj. EPS (INR)	43.5	48.3	56.8
EPS Gr. (%)	-19.5	11.1	17.5
BV/Sh.(INR)	294	326	364
RoE (%)	15.6	15.6	16.5
RoCE (%)	11.8	12.6	13.9
Payout* (%)	35.2	33.9	33.0
Valuations			
P/E (x)	16.1	14.5	12.3
P/BV (x)	2.4	2.2	1.9
EV/EBITDA (x)	10.9	9.8	8.6
Div. Yield (%)	2.0	2.0	2.3

Key takeaways

BPCL is at its strongest position in the last decade led by (a) expected diesel de-regulation, (b) comfortable balance sheet, (c) well-diversified capital employment and (d) on-track core capex projects to boost profitability. To watchout for Mozambique E&P project Final Investment Decision (FID).

Confident to compete in deregulated markets

- Post the last deregulated era, BPCL now has 12,500 retail outlets, of which 3,500 are automated, and the management is confident about BPCL's preparedness for competition from private players in auto-fuel retail.
- Current diesel marketing margins are ~INR1.5/ltr (margins after costs at INR0.7-0.8/ltr) which were fixed long back in 2006.

Core capex to boost profitability

- Kochi expansion expected to commission in May-2016. Management indicated that BPCL is interested to expand into specialty petchem (and not commodity petchem products).
- Planned capex for FY15/16 stands at INR85-100b per year, Kochi expansion accounting for the most.

Positive newflow from Mozambique continues

- Mozambique's parliament authorized the government to create a special regime for the Liquefied Natural Gas (LNG) processing chain in Rovuma Basin where Anadarko and ENI are operating.
- BPCL JV partners have drilled 31 wells at Mozambique of which 9 were discoveries and 17 appraisal wells.
- While, development of a 2 train 5mmtpa each LNG plant is under progress, planning for LNG Park of 10 trains is on-going. Also, operators of Area-1 and Area-4 are working towards agreement for co-ordinated development of common reservoirs. First gas is expected in 2018-19.
- BPCL's 100% subsidiary BPRL's acreage is diversified into 19 blocks across 6 countries. Of the total acreages of 24,700sqkm, 88% are offshore and 76% are abroad. BPRL's acreage consists of total 18 discoveries. Till date BPRL has invested USD1.3b (USD261m in FY14 v/s USD345m in FY13), with 5-yr outlay of USD2.5b (till 2015-16).

Valuation and view

- Our positive stance is led by comfort from E&P value, net D/E of 0.8, RoE moving up to 22% and strong earnings growth led by lower interest and potentially higher marketing margin.
- The stock trades at 14.5x FY16E EPS of INR48.3 and 1.1x FY16E BV (adjusted for investments). BPCL is our top pick among OMCs for its E&P potential. Buy.

Cairn India

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Bloomberg	CAIR IN
Equity Shares (m)	1,874.2
M.Cap. (INR b)/(USD b)	625.9 / [illegible]
52-Week Range (INR)	385/304
1, 6, 12 Rel. Per (%)	1/-24/-39

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	183.7	184.4	179.3
EBITDA	134.4	123.9	111.3
NP	105.8	94.8	74.0
EPS (INR)	56.4	50.6	39.5
EPS Gr. (%)	-13.4	-10.4	-21.9
RoE (%)	17.4	13.9	10.0
RoCE (%)	18.2	14.6	12.5
Valuations			
P/E (x)	5.9	6.6	8.4
P/BV (x)	1.0	0.9	0.8
EV/EBITDA (x)	3.0	2.9	2.8
EV / Sales (x)	2.2	2.0	1.7

Key takeaways

Cairn India is on track in its exploration and development program at Rajasthan and other blocks. With 10bboe of in-place resource potential at Rajasthan, management expects 7-10% production CAGR (incl. gas) in the next 3 years. Management expects largely smooth Rajasthan PSC extension.

Rajasthan exploration on track

- Of the planned gross capex of USD3b in FY15-17 period, Cairn will spend ~16% purely on exploration in Rajasthan and other blocks.
- Current exploration program targets 3bboe of un-risked resource prospects and also it targets to achieve 3 year reserve replacement of 150% (subject to PSC extension).
- Of the 24 exploratory wells drilled in the current exploration phase, Cairn has reported 8 discoveries in Rajasthan.

Rajasthan IOR/EOR by 4QFY15; Production ramp-up in the medium term

- 84% of the planned gross USD3b capex will be towards development and 81% of it will be spent in FY15 and FY16.
- MBA EOR polymer injection will commence in 4QFY15 (to drill ~100 EOR wells) and despite likely flat production in FY15, Cairn expects to achieve 3 years production CAGR of 7-10%.

To develop gas discoveries; potential of 3-4mmscmd plateau

- Rajasthan field has 1-2tcf of in-place gas reserves and management indicated that the recovery rate could be >50% and production could reach to 3-4mmscmd.
- Company has sought approval to build the gas pipeline and based on the increase in the recent gas realization we estimate that the Rajasthan gas price realization is significantly higher.

Other key highlights

- Cairn management does not expect major hindrances in the Rajasthan PSC extension.
- Royalties from DA1 field production stands at 40% in FY15 (v/s 40% in FY14), and from DA2 at 30% in FY15 (v/s 20% in FY14). Production hasn't yet started from DA3 field.

Valuation and view

- After Mar-14 exit of 200kbpd, Rajasthan production is down to ~183kbpd and hence long-term guidance 7-10% CAGR now looks challenging. We model FY15/FY16 Rajasthan gross production at 181/204 kbpd.
- The stock trades at 6.6x FY16E EPS of INR50.6 and has dividend yield of ~3%. Our SOTP based fair value stands at INR358, Maintain **Neutral.**

GAIL (India)

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Bloomberg	GAIL IN
Equity Shares (m)	1,268.5
M.Cap. (INR b)/(USD b)	588.9 / 9.7
52-Week Range (INR)	475/291
1, 6, 12 Rel. Per (%)	4/-3/11

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	593.7	662.6	737.4
EBITDA	61.5	77.7	83.4
Adj. PAT	35.8	40.6	45.5
Adj. EPS (INR)	28.2	32.0	35.8
EPS Gr. (%)	-11.2	13.4	12.0
BV/Sh.(INR)	233	253	277
RoE (%)	12.6	13.2	13.5
RoCE (%)	13.9	15.4	16.2
Payout (%)	35.0	35.0	35.0
Valuations			
P/E (x)	13.1	11.5	10.3
P/BV (x)	1.6	1.5	1.3
EV/EBITDA (x)	9.9	8.2	7.3
Div. Yield (%)	2.0	2.2	2.4

Key takeaways

GAIL being a dominant gas transmission player expects to benefit from higher gas volume availability in the long term. GAIL management remains optimistic about rationalization/elimination of subsidy sharing for GAIL. Some regulated pipelines have been operated at 10-15% utilization, as the gas supply remains a constraint.

Expects transmission volumes and tariffs to increase

- GAIL expects increase in the gas transmission volume led by domestic (~10%) as well as from increased LNG imports (5.8mmt tie-up in US from Cheniere & Dominion facilities).
- While, PNGRB has cut transmission tariffs (except Gujarat, which is due in coming months) for GAIL's pipelines, management expects the tariffs to improve as they expect PNGRB to factor in the underutilization in new pipelines.

Await guidelines/policies for pipeline network expansion

- Expect biddings for new pipelines to be announced soon. Government is currently reviewing bidding/allocating mechanisms (so as to cover the pipelines that are unviable). Management indicated that the possible mechanisms can be:
  - **Viability gap funding:** in which even if the pipelines are perceived as unviable, and GoI considers the project important, GoI will find a nominee and shall provide subsidy, or
  - **Capital subsidy schemes:** in which, GoI shall chose the lowest bids for capex and opex subsidy.

Expects subsidy likely to rationalize / eliminate for GAIL

- Increased PNG (piped gas) penetration should help in reducing LPG subsidy.
- Likely domestic gas price increase will increase the input cost for GAIL and there will be no rationale for subsidy sharing by GAIL.
- Company expects rationalization on the subsidy for GAIL and hopes that eventually GAIL will be exempted from subsidy sharing.

Other key highlights

- Management indicated that there are execution challenges in the implementing of gas pooling pricing.
- Its LPG business will continue to receive APM gas, while there could be a cut in APM gas availability for its petchem production.
- GAIL's share in Myanmar gas sales revenues in FY14 stood at INR1.7b and expects to increase to INR3.5b in FY15.

Valuation and view

- Key events to watch out for: 1) Impact of likely domestic gas price hike as and when implemented; 2) Likelihood of transmission volume increase, and 3) Clarity on subsidy sharing.
- The stock trades at 11.5x FY16E EPS of INR32. Our SOTP based fair value stands at INR410/sh, maintain **Neutral.**

Indraprastha Gas

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Bloomberg	IGL IN
Equity Shares (m)	140.0
M.Cap. (INR b)/(USD b)	55.7 / 0.9
52-Week Range (INR)	406/239
1, 6, 12 Rel. Per (%)	-1/31/10

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	37.3	42.4	45.1
EBITDA	8.4	9.0	9.4
Adj. PAT	4.6	4.9	5.1
Adj. EPS (INR)	32.7	35.2	36.3
EPS Gr. (%)	26.7	7.5	3.2
BV/Sh.(INR)	150	178	204
RoE (%)	23.7	21.5	19.0
RoCE (%)	30.6	28.2	25.4
Payout (%)	21.4	19.9	22.0
Valuations			
P/E (x)	12.1	11.2	10.9
P/BV (x)	2.6	2.2	1.9
EV/EBITDA (x)	6.4	5.6	5.0
Div. Yield (%)	1.8	1.8	2.0

Key takeaways

- IGL management indicated that government has allocated 100% APM gas to City Gas Distribution (CGD) companies. Impact of likely higher gas price is expected to be passed on completely and management expects to maintain current margins. Management expects government guidelines on CGD on highways within 1 month.

Growth strategy shift to inorganic route

- With moderating volume growth in Delhi NCR, IGL management has shifted its focus to acquire stakes in new high growth CGD networks.
- It has recently acquired 50% stake in Kanpur based Central UP Gas and Pune based Maharashtra Natural Gas Ltd (MNGL) and is also evaluating further acquisitions.
- IGL acquired 50% stake in MNGL for INR1.9b which has 30 CNG stations (~0.3mmscmd CNG sales accounting for 75% share). As per management, expected CAGR in CNG volumes in Pune is 20% and major competition in Pune is from industrial LPG.

Bus addition critical for Delhi CNG volume growth

- CNG volumes grew at 2% in FY14, and by 1% in 1QFY15. Expected growth rates for FY15/FY16 are 2%/5%. Current private car conversion rate in NCR at ~3,000/month.
- Currently, CNG prices are 35% cheaper to diesel and 50-60% cheaper to petrol. Management expects CNG rates to increase by INR2.8/kg for every USD1/mmbtu increase in domestic gas price.
- Buses accounts for 30% of the CNG demand. Of the total 18,000 buses in NCR, existing DTC fleet size is 4,500 (~3,800 operational) and funds for 1,800 additional new buses have been allocated. Current rate of total bus additions is ~35-40/month (v/s earlier target of >300/month).
- In FY15, total 12-15 gas stations have been added. Current growth in the 3rd party volumes is 15-20% (get 5% of selling price).

PNG business

- Management expects overall PNG (incl. industrial) volumes at 11% in FY15.
- Management finds current infrastructure sufficient, and plans to increase utilizations. Expect to add 1 lakh connections/year.

Valuation and view

- While the near term volume growth is a concern, we expect growth to revive in the medium to long term led by (a) stable CNG price outlook for five years, post the likely domestic gas price hike leading to higher private car conversions, and (b) city buses additions. We model 3yr CNG volumes growth at 3.2%/4.5%/5%.
- The stock trades at 11.2x FY16E EPS of INR35.2/share. Maintain Neutral.

ONGC

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Bloomberg	ONGC IN
Equity Shares (m)	8,555.5
M.Cap. (INR b)/(USD b)	3804 / 63
52-Week Range (INR)	472/246
1, 6, 12 Rel. Per (%)	9/21/34

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	1,886	2,027	2,100
EBITDA	643	767	804
Adj. PAT	296	369	387
Adj. EPS (INR)	34.3	42.7	44.8
EPS Gr. (%)	12.4	24.5	5.0
BV/Sh.(INR)	221	249	277
RoE (%)	16.3	18.2	17.0
RoCE (%)	14.0	15.7	15.0
Payout (%)	34.1	35.6	36.5
Valuations			
P/E (x)	12.8	10.3	9.8
P/BV (x)	2.0	1.8	1.6
EV/EBITDA	5.6	4.7	4.5
Div. Yield (%)	2.3	3.0	3.2

Key takeaways

ONGC is upbeat on ongoing oil sector reforms and expects to retain USD60-65/bbl as net oil price realization. ONGC expects decision on domestic gas price soon and indicated that the new fields would have a breakeven gas price of atleast USD6/mmbtu. Standalone ONGC production uptick is expected in 2HFY15.

Expects standalone production to increase

- ONGC guides FY15 standalone production for oil at 23.5mmt (v/s 22.3 in FY14) and for gas at 24bcm (v/s 23.3 in FY14). While including JV production it expects FY15 oil production at 27.14mmt (v/s 25.99mmt in FY14) and gas production to be flat at 25.3bcm.
- It expects to add ~10mmscmd of new gas production in FY16-17, and with KG-98/2 production in FY19, expects overall production to rise to ~100mmscmd.

Subsidy set to reduce and rationalize; expects net realization of USD60-65/bbl

- Ongoing diesel reforms to cut gross under recoveries by ~50% and ONGC expects its subsidy share to reduce meaningfully.
- ONGC expects to retain net oil price realization of USD60-65/bbl v/s USD41/bbl in FY14 and USD47/bbl in 1QFY15.

Update on key projects and E&P Blocks

- **KG-DWN-98/2 block:** Recoverable reserves stand at 3tcf of gas and 100mmt of oil. Expects FDP in 2HFY15 and production start of oil in Dec 2018 (est. at 2.75mmt/yr) and gas in 2019 (est. at 22mmscmd).
- **WO-16:** Expect production from FY16 (recoverable oil: 4.6mmt, and gas: 6.8bcm).
- **Daman C-series:** Expects peak production of 8mmscmd in 2017 (v/s ~2 now).
- **KG offshore (nomination) discoveries:** Production from Vashista is expected from 2015 (est. production at 5mmscmd). Contract has been awarded to Technip.
- **Mahanadi discoveries:** Has completed appraisal and submitted Declaration of Commerciality. Break even gas price to be significantly higher.

Other highlights

- ONGC's (excl. OVL) overall capex for FY15 planned at INR360b, of which INR120b is allocated for IOR/infill drilling in older fields to sustain production.
- ONGC is partnering with Mitsui to set-up 5mmt LNG terminal at Mangalore.

Valuation and view

- We remain positive on ONGC due to (1) likely increase in net realization due to lower subsidy driven by continued diesel price hikes, (2) significant upside potential of decision on gas price, and (3) attractive valuations.
- The stock trades at 10.3x FY16E EPS of INR42.7 with an implied dividend yield of ~3%. Our SOTP-based target price for ONGC is INR485. Buy.

Reliance Industries

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Bloomberg	RIL IN
Equity Shares (m)	3,232.7
M.Cap. (INR b)/(USD b)	3,310/54.5
52-Week Range (INR)	1,143/794
1, 6, 12 Rel. Per (%)	-1/0/-27

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	3,888	3,783	3,688
EBITDA	323.2	361.6	489.4
Adj. PAT	239.0	263.4	334.7
Adj. EPS (INR)	81.6	89.9	112.8
EPS Gr. (%)	8.7	10.2	27.1
BV/Sh.(INR)	741.9	818.5	906.7
RoE (%)	11.5	11.5	13.2
RoCE (%)	10.6	10.9	13.4
Payout (%)	16.3	16.4	16.4
Valuations			
P/E (x)	13.9	12.6	10.0
P/BV (x)	1.4	1.3	1.1
EV/EBITDA (x)	10.9	9.8	7.0
Div. Yield (%)	1.0	1.1	1.4

Key takeaways

RIL is currently implementing one of its largest capex program of ~INR1.8t (v/s INR2.4t in the last four decades). While the core business is largely on a stable footing, clarity on domestic gas pricing will be critical for future domestic E&P capex, in our view. Of the new businesses, shale gas volume growth remains strong, while organized retail has turned PAT positive.

Ethane sourcing to improve petchem profitability

- RIL has signed 1.5mmt ethane sourcing agreement (supply in 2H2016) with US firm and has ordered 6 ships for the transportation.
- Ethane sourcing is in view of (a) competitive economics v/s naphtha cracker and (b) lowering availability of domestic gas to its gas crackers.
- This ethane will be used at its Nagothane and Dahej crackers.

Organized retail businesses growth strong, telecom launch in coming quarters

- RIL's organized retail reported 15% revenue growth in 1QFY15 (annualized revenue of ~INR160b) while EBITDA growth stood at 144% YoY. Profitability increase is driven by RIL's cost control efforts as well higher share on in-house brand sales.
- Telecom business (INR700b investment target, >10,000 full time employees) is expected to be launched in early 2015 and given its scale could be disruptive for the Indian telecom sector, in our view. RIL is working on various initiatives ranging from infrastructure, technology, marketing and content development among others.

Gas pricing clarity critical for Domestic E&P development

- RIL awaits clarity on domestic gas pricing soon.
- CBM gas pipeline work has commenced and first commercial production is expected in FY16.

New project execution on track

- Petcoke gasification modules are likely to be commissioned from 4QFY16, while off-gases cracker expected to synchronize with gasification ramp-up.
- Polyester chain expansion is on track for full commissioning by 4QFY16. RIL expects >USD2/bbl GRM improvement from petcoke gasification.

Valuation and view

- Large non-core investments even if accretive over long-term, gains will be backended, diluting overall return ratio in interim.
- We increase our FY15/FY16 estimates by ~3% to factor in marginally lower depreciation and interest cost. On FY16E basis, it trades at 12.6x adj. EPS of INR89.9 and EV/EBITDA of 9.8x. Our SOTP-based target price stands at INR1,027/share. Neutral.

Jones Lang LaSalle

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Key takeaways

Office space: SDBs attracting occupiers; PBDs lack infra support; rentals at discount

- Office space demand witnessing a shift from CDBs (Central Business District) to SBDs (Secondary Business District) due to attractive price points, improving infrastructure, access to residential destinations etc. Infrastructure starved PBDs (Peripheral Business District) are lacking attraction.
- Pan India Vacancy rate is ~18%, albeit in CBD/SDBs it is <10%, while PBDs are >20%. Therefore relevant supplies are expected to command premium.
- Strong locations are BKC, Andheri, LP/Worli (Mumbai), ORR (Bangalore), OMR (Chennai), Hitech City (Hyderabad) etc. Underperforming micro-markets are Thane, Navi Mumbai, Noida, post OMR Chennai, Sohna Road Gurgaon etc.
- Barring Bangalore, all regions are 5-40% discount in rental values compared to peak of 2008. Bangalore rentals have merely reached peak level after 6 years. Ongoing cap rate in CBD/SBDs are 9.5-10.5%, while 12% in PBDs.

Retail: High vacancy in poor grade supply; improvement likely CY16 onwards

- MMR and NCR accounts for 2/3rd of supply. High vacancy is led by poor grade irrelevant supply which hit market in recent years. Un-thoughtful designing by new developers, weak locations etc are key reasons. Consumers & retailers increasingly prefer malls that are managed well and are superior grade.
- Weakness in vacancy to prevail in near-term with expectations of improvement CY16 onwards to increasingly better planned mall coming in.

Residential: Prices crossed previous peak, immediate growth capped

- Piling up of unsold inventory remains concern. All market prices have crossed previous peak barring Hyderabad. But prices are unlikely to correct as it hurts the security covers the developers have with banks and doesn't really bolster demand due to expectation of further cut.
- However, secondary markets of NCR and MMR could crack soon putting pressure on price growth in primary markets. Southern cities, Pune and Kolkata are be better placed in inventories.
- Launches in <65Lac may pick up again with RBI's priority lending directive. Overall 31 Lac- 1 Crore category will see maximum traction in next few quarters

REIT: Right step with concerns to be addressed

- Steps taken by SEBI and Government in right direction with potential market size of US$8-10b in 2-3 years time post introduction.
- However the framework is not attractive in current forms with issues like taxations at almost all level, stamp duties etc which would dent yields to a level not attractive enough to inventors.
- Scope of capital appreciation in commercial assets (trading at huge discount to residential) is a silver lining, which may negate lower yield concerns.

Prestige Estate Projects

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Bloomberg	PEPL IN
Equity Shares (m)	350.0
M.Cap. (INR b)/(USD b)	82.7 / 1.4
52-Week Range (INR)	270/112
1, 6, 12 Rel. Per (%)	-9/35/62

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	31.3	36.5	44.4
EBITDA	9.3	12.2	15.9
Adj PAT	4.3	6.0	8.2
Adj EPS (INR)	11.3	16.1	21.8
EPS Gr (%)	26.2	42.2	35.1
BV/Sh(INR)	105.4	119.8	139.8
RoE (%)	10.8	13.5	15.6
RoCE (%)	13.1	14.9	18.0
Payout (%)	15.5	10.7	7.9
Valuations			
P/E (x)	21.1	14.8	11.0
P/BV (x)	2.3	2.0	1.7
EV/EBITDA (x)	12.9	9.6	7.2
Div. Yield (%)	0.6	0.6	0.6

Key takeaways

Prestige management aims at INR7b of annuity run-rate over next 2-3 years. Smart product mix skewed towards mid-segment offers conviction to overcome any slowdown in broader market. The company is on track to meet guidance of 16-17% growth in key operational parameters.

Aims for ~INR7b annuity run-rate over next 2-3 years

- On track in execution to achieve INR5b of annuity income run-rate by FY16 and INR6.5-7.5b by FY17-18, as against exit rentals of INR3.9b in FY15E.
- Demand has been strong in ex-CDB micro-markets especially in Outer Ring Road due to shift in tenants led by lower rentals. There have been a few large transactions of 0.2-0.7msf sizes (Oracle etc) concluded in recent times.
- Believes REIT to be positive development with areas of concerns needs to be addressed. Prestige is likely to follow wait and watch strategy before entering inot the structure.

Dev Co business product mix strong to overcome moderation in Bangalore presales

- There has been little moderation in demand in Bangalore market, albeit Prestige's operations are on track to achieve 16-17% of growth guidance.
- Product mix is largely skewed towards mid-income segments (almost 90% project are below INR5-6K/sf), which are performing better. The company's focus remains on volume strategy with scale, and therefore, expects realizations to witness a rather controlled growth.
- Presales volume growth will continue to be driven by (1) gain in market share in core geography (12% market share in Bangalore) and (2) diversification into other southern states.

On track to meet guided growth, positive on Hyderabad and Pune market

- It has launched 5msf in 1QFY15 and one track to achieve 15 mst of launch guidance in FY15. In 2QFY15, it launched Temple Bell with 980 units (Prestige share of 670 units with ~55% sold out) in Mysore Road, and plans to launch High fields (6msf, 2400 units) in Hyderabad in October-2014, followed by Kew garden and Lela Residency in Bangalore.
- Management is getting positive on opportunity of Hyderabad and Pune market. While it is already present in Hyderabad, foray into Pune would be immediate diversification plan.

Valuation and views

- We prefer PEPL as one of the most resilient bet in realty universe due to (a) strong business model with robust annuity support, (b) strategic project locations, execution ability and smart product proportions which keep it ahead of competition to maintain steady pre-sales and (c) visibility of growing cash flow. Maintain Buy with target price of INR284.

Sobha Developers

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Bloomberg	SOBHA IN
Equity Shares (m)	98.1
M.Cap. (INR b)/(USD b)	43.5 / 0.7
52-Week Range (INR)	581/214
1, 6, 12 Rel. Per (%)	-5/14/41

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	24.3	28.1	32.3
EBITDA	6.4	7.9	9.3
Adj PAT	2.5	3.4	4.0
EPS (INR)	25.0	34.8	40.3
EPS Gr. (%)	4.3	39.1	16.0
BV/Sh (INR)	249.3	274.7	304.5
RoE (%)	10.4	13.3	13.9
RoCE (%)	14.7	17.0	18.1
Payout (%)	32.0	23.0	22.3
Valuations			
P/E (x)	18.3	13.2	11.4
P/BV (x)	1.8	1.7	1.5
EV/EBITDA (x)	9.4	7.6	6.5
Div. Yield (%)	1.7	1.7	2.0

Key takeaways

Sobha management articulated focus on cash flows, non-compromising product quality and pricing premium. Market dynamics is a bit subdued, while delayed approvals have dent launches. Future land buying would be aimed at quick churn only. It is working on technologies to foray into INR6-8m product segment in FY16.

Market momentum a little weak; foray into INR6-8m segment to drive growth

- Operational momentum in Bangalore has been subdued for a few quarters, albeit it maintained 4msf (INR26b) of presales guidance intact for FY15.
- Delay in approval in Chennai and Cochin has deferred a few launches. ~2msf of launch in Chennai (Sholinghanallur and Velacherry property) and 1.6msf of Merine Drive property in Cochin are expected in 3/4QFY15.
- Sobha is targeting to foray into INR6-8m of ticket size projects in FY16 (current mix is INR8-12m or higher). Currently company is working of Prefab technology along with import of equipments etc. It expects 20-25% reduction in construction cost and ~40% savings in execution timeline (2.5 years v/s 4 years typically).
- In current market dynamics, ability to pass on cost escalations to buyers is limited, which could obstruct any major margin improvement immediately.
- It expects to deliver 5-6msf of projects (including contact business) annually.

Land buying aimed at quick churn only; Focus on quality, brand premium

- Land acquisition need has moderated and likely mostly in JV/JDA route. Going ahead, acquisition will be done only if there is high conviction on start churning the land within short period.
- Focus on quality product and in turn, enjoying pricing premium remains the central business strategy. Its diversification plan, too, hinges on the ability of the target market to offer better pricing for quality products.
- Even in contractual business, management is keen to maintain 15%+ margins for its projects. While it realizes growth would shoot up if it accepts low margins contracts, its focus remains on better margin and negative working capital.

Commercial capex a bit deferred, cash flow focus intact

- Execution of APMC project is delayed due to design approval and expected to scale up in FY16 onwards.
- Cash flow generations to remain priority. While debt has increase on the back of land payment in 1QFY15, it expects to bring down neat gearing to 0.6x by FY15.

Valuation and views

- Delay in launches and weaker pre-sales impacted operational momentum in recent times. However, management's efforts to introduce the right product position in upcoming launches are likely to drive pre-sales in 2HFY15.
- Maintain Buy with target price of INR570.

Titan Company

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Bloomberg	TTAN IN
Equity Shares (m)	887.8
M.Cap. (INR b)/(USD b)	342.1 / 5.6
52-Week Range (INR)	392/203
1, 6, 12 Rel. Per (%)	12/30/24

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	126.0	148.6	176.5
EBITDA	12.4	15.1	17.8
Adj. PAT	8.8	10.6	12.7
Adj. EPS (INR)	9.9	11.9	14.3
EPS Gr. (%)	29.4	20.6	19.9
BV/Sh.(INR)	34.2	42.5	52.5
RoE (%)	28.9	28.0	27.2
RoCE (%)	37.9	37.5	36.9
Payout (%)	30.0	30.0	30.0
Valuations			
P/E (x)	38.9	32.3	26.9
P/BV (x)	11.2	9.0	7.3
EV/EBITDA (x)	27.7	22.4	18.6
Div. Yield (%)	0.8	0.9	1.1

Key takeaways

The management alluded that consumer sentiment has improved post the strong election mandate but it is yet to make any material difference to sales.

Jewellery Segment

- Jewellery consumer can be classified into three segments – a) Savings b) Status and c) Adornment Titan is largely focused on adornment segment.
- Like to like growth was a challenge for the company in the last two years.
- Though consumer sentiment was muted for the last three years, the company did not change its expansion plans. It added 100k sqft of space in Jewellery per annum for the last 3 years and is planning to add similar quantum in FY15.
- Gold on lease is contributing to 30% of procurement as only few banks are allowed to offer Gold on lease due to 80:20 restrictions. Cost of gold lease has moved up to 3.5% now vs. 2.5% in the past. International hedging is relatively cheaper vs. Gold on lease but involves administrative hassles.
- Competition is rising and can potentially lead to pressure on making charges.
- Expansion in Jewellery will be centered in new cities and won't be though L1 stores.
- The Industry is focused towards increasing its share of studded jewellery with all major players advertising their diamond collection.

Wathces Segment

- The watches segment is showing major improvement in demand and footfalls. Helios growth has been good, though profitability a concern.

Outlook

- Company expects 2QFY15 sales to be lumpy due to closure of Golden Harvest scheme. Most of the customers are redeeming through Jewellery route as compared to cash, as per management. Given preponement of sales in Q2, there should be slump in sales for Q3FY15 and Q4FY15, though on a full year basis revenue growth seems to be better than FY14.
- New customer advance scheme will be rolled out in Q3FY15 which will be compliant with new laws (restricted to 25% of net worth).
- Management reiterated the guidance a) Jewellery: 100ksf addition (currently present in 120 towns and it can easily extend its reach to 200 towns) b) Watches: 100ksf addition.
- The company does not expect any major change on the regulation front (No relief on import duty as well as on 80:20 scheme).

Valuation and View

- Improvement in consumer sentiments coupled with the onset of festive season should drive the operating leverage (Jewellery space up 2.2x since three years), in our view. TTAN offers the best play on revival of urban consumer sentiments with dominant market positioning in core segments, wider distribution footprint and high quality management. Maintain Buy with a target price of INR400.

HCL Technologies

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Bloomberg	HCLT IN
Equity Shares (m)	700.0
M.Cap. (INR b)/(USD b)	1150.7 / 19
52-Week Range (INR)	1673/977
1, 6, 12 Rel. Per (%)	2/-15/15

Financial Snapshot (INR Billion)

Y/E June	2015E	2016E	2017E
Sales	363.2	412.7	461.7
EBITDA	91.4	101.4	109.1
PAT	71.5	81.7	88.8
EPS (INR)	100.5	114.1	123.8
EPS Gr. (%)	11.5	13.5	8.5
BV/Sh. (INR)	370.1	458.2	556.1
RoE (%)	35.6	31.4	27.5
RoCE (%)	30.2	27.6	24.6
Payout (%)	16.5	21.2	19.6
Valuation			
P/E (x)	16.5	14.5	13.4
P/BV (x)	4.5	3.6	3.0
EV/EBITDA (x)	11.2	9.6	8.3
Div yld (%)	1.0	1.5	1.5

Key takeaways

With ~USD200b worth of deals up for rebid over next 4 years, expect HCLT to continue leading growth in IMS. HCLT's leadership in underpenetrated IMS and Engineering Services segments lends it a competitive edge. It will invest going forward in building capabilities in its 5 umbrella themes it is focused on in order to stay relevant to its clients

Expect continued leadership in IMS growth

- With USD200b TCV worth of deals up for renewal over the next 4 years, growth in IMS will remain strong, given HCLT's win ratios of 40-45%+ in pure IMS deals.
- Some deceleration in recent quarters in IMS was a function of slightly longer transition periods in large transformational deals, which involved greater complexity of work.

HCLT leads Engineering services outsourcing, low penetration in which implies healthy opportunity

- Total estimated spend on Engineering Services & R&D is USD1.4t, out of which exports from India are pegged at merely USD12.5b. ~50% of this is serviced out of captives, while the remainder is outsourced to third party vendors like HCLT.
- As per NASSCOM, ER&D exports will grow to ~USD50b by 2020. HCLT leads the market with USD884m revenues in FY14, pegging its share among the third-party vendors at 14%+. This lends HCLT a strong competitive edge over peers, as in the case of IMS.

Investments underway to build capabilities in the umbrella themes

- HCLT has already started investing in scaling up its capabilities and building differentiation in the five umbrella themes that it is focused on. While these investments are likely to show up on the margins with a lag, there are also tailwinds to offset the impact. The company continues endeavors towards automating offshore work, industrializing delivery and bringing greater efficiencies being the tailwinds.

Focus on five themes to stay relevant, open to inorganic foray to build capabilities

- HCLT has channelized it focus on five umbrella themes: [1] Enterprise of the Future, [2] Engineering outsourcing, [3] ALT ASM, [4] Enterprise Function as a Service, [5] DSI. While the company is investing organically, it is also open to exploring inorganic options that will lend strong capabilities in these areas.
- Deal sizes in ALT ASM are bigger while DSI deals are small upfront. But in DSI, deal keep coming in smaller chunks from same clients. For instance, clients have had a billing of USD1.5b over a period of 2 years, starting with a small deal and following with multiple such orders. Such spending towards DSI is definitely a trend for the future.

Infosys

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Bloomberg	INFO IN
Equity Shares (m)	574.2
M.Cap. (INR b)/(USD b)	2073.9 /
52-Week Range (INR)	3847/2894
1, 6, 12 Rel. Per (%)	2/-32/-26

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	528.1	579.3	654.8
EBITDA	146.8	161.8	184.9
PAT	118.9	129.6	145.9
EPS (INR)	208.1	226.7	255.3
EPS Gr. (%)	11.7	8.9	12.6
BV/Sh. (INR)	908	1,041	1,203
RoE (%)	25.5	24.6	24.4
RoCE (%)	27.4	26.6	26.3
Payout (%)	33.6	35.3	31.3
Valuations			
P/E (x)	17.9	16.5	14.6
P/BV (x)	4.1	3.6	3.1
EV/EBITDA (x)	12.2	10.7	9.0
Div Yield (%)	1.9	2.1	2.1
Sales	528.1	579.3	654.8
EBITDA	146.8	161.8	184.9
Div Yield (%)	1.9	2.1	2.1

Key takeaways

INFO will be able to better articulate strategy shifts under the new leadership, if any, only by October. The demand environment is stable, with Financial Services, Manufacturing, and Communications & Energy appearing marginally better incrementally.

Rethinking strategy, too early to comment on changes; no change in FY15 outlook

- Dr Sikka is credited as being the father of HANA, a technology that is shaping the growth at SAP. Now is too early to call out whether there is any change in INFO's strategic direction. It will only be clearer by October.
- While growth in 1Q increased the ask rate to meet the guidance of 7-9% USD revenue growth in FY15, the company is comfortable with the band at present, given the demand environment and visibility.

Stable demand environment with some segments marginally better

- The demand environment remains stable for now. Incrementally, Financial Services, Manufacturing, and Communications & Energy are looking better.
- However, Retail, CPG & Logistics, and Life Sciences still remain a bit challenged, with client-specific issues also the cause for some pressure.

More about execution than changing the core

- Infosys 3.0 is still a relevant outline that shapes the company's philosophy. As a result, it does not see the need to change the core.
- However, there is always a case for doing things differently – for example, extreme automation in traditional offerings. Dr Sikka carries a reputation of building business from technology prowess, which could be key in improving ways of delivering the core, than changing it.

Confident that INFO is one of the top players in SMAC

- SMAC is the next disruptive thing in Technology. INFO has been one of the earliest to start investing in SMAC and has built capabilities over the last three years. INFO believes that it is extremely competitive against the likes of Accenture and is confident that it is one of the top players in this space.

Few more quarters before attrition stems, OPM in tight band till growth revives

- Among several measures to stem attrition, INFO has been trying to bring in more predictability to people in terms of compensation, promotion, and so on. Also, softer aspects like distraction of CEO succession are behind. However, it will take a few more quarters before attrition returns to 13-15%.
- INFO expects margins to be in a tight 24-26% band unless growth returns. Uptick in margins will be a function of uptick in growth to at least industry levels.

Tata Consultancy Services

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Bloomberg	TCS IN
Equity Shares (m)	1,958.7
M.Cap. (INR b)/(USD b)	4973.4 / 82
52-Week Range (INR)	2627/1866
1, 6, 12 Rel. Per (%)	-5/-14/-19

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	955	1,099	1,234
EBITDA	278.1	315.8	342.6
PAT	216.4	249.8	275.4
EPS (INR)	110.5	127.5	140.6
EPS Gr. (%)	13.2	15.4	10.3
BV/Sh. (INR)	357.9	436.2	527.7
RoE (%)	34.5	32.1	29.2
RoCE (%)	40.1	37.3	33.4
Payout (%)	33.5	32.9	29.9
Valuations			
P/E (x)	23.5	20.4	18.5
P/BV (x)	7.3	6.0	4.9
EV/EBITDA (x)	17.3	14.9	13.4
Div. yield (%)	1.4	1.6	1.6

Key takeaways

The demand environment remains strong, with growth acceleration in FY15 coming from discretionary pickup in the US. Foray into Japan's USD100b IT Services market could be a game changer, though the market has peculiar challenges. Over the longer term, players with scale will have an advantage in Digital.

Not separating revenues from Digital due to ambiguity in classification

- TCS has thus far refrained from separating out and disclosing revenues from SMAC/Digital, mainly due to the ambiguities around what classifies as Digital. There has been work around analytics performed even historically, whether to classify that as Digital is questionable. Large scale data analytics requires cleaning of data – which need not necessarily be high end Digital revenue.

Windfall profits invested towards building sustainable competitive advantage

- TCS has enough investments in the business, which, if cut, will drive up margins. TCS took the opportunity to invest the windfall gains in profits towards IPs, new geographies, so as to build sustainable competitive growth advantage.
- Healthy profitability allows the company to react to any disruptive developments in the industry, and still operate at decent profitability.

Japanese venture a potential game changer, though the market is challenging

- TCS' foray into the Japanese region is a potential game changer for the company, with the IT Services opportunity pegged at USD100b. While the power of introduction is strong in the Japanese market, it also takes feet on the ground to facilitate a bottom up approach. TCS now has 2,400 full-time employees and another 1,600 subcontractors, giving it the capacity to build scale. However, the market is challenging and decision-making is slower.

Over the longer term, companies with scale have an advantage

- Digital adoption is nascent today, with smaller size deals being implemented, which provides a level playing field to large and small players alike.
- However, once Digital becomes mainstream, there will be significant shifting from the legacy stack, and companies with larger scale will have a relative advantage.

Have modularity in organization structure to scale further

- TCS has managed to grow despite the scale, given multiple SBU structure with P&L responsibilities. Modularity of the structure is key to scaling efficiently, and a strong leadership bench to add more SBUs if required is key to the model. TCS remains confident that its structure and availability of leaders will support further scale.

Tech Mahindra

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Bloomberg	TECHM IN
Equity Shares (m)	234.4
M.Cap.(INR b)/(USD b)	563.8 / 9.3
52-Week Range (INR)	2,468/1,259
1, 6, 12 Rel. Per (%)	7/-1/32

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	221.3	266.3	318.8
EBITDA	46.2	58.2	70.0
Adj. PAT	32.0	41.1	50.8
Adj. EPS (INR)	144.7	185.5	229.3
EPS Gr. (%)	19.6	28.2	23.6
BV/Sh.(INR)	562.6	732.7	948.0
RoE (%)	30.2	29.6	28.2
RoCE (%)	31.2	32.0	31.1
Payout (%)	9.7	9.2	7.4
Valuations			
P/E (x)	16.9	13.1	10.6
P/BV (x)	4.3	3.3	2.6
EV/EBITDA (x)	10.3	7.7	5.9
Div. Yield (%)	0.6	0.7	0.7

Key takeaways

Growth drivers for TECHM remain intact – market share gains in Telecom and improved win rates through client mining in Enterprises. TECHM is looking at bidding again for USD100m+ deals in Enterprise, where client mining is the biggest focus. Over the next two quarters, TECHM should gain ground on some lost margins.

Growth drivers intact

- Market share gains in Telecom and improvement in deal wins (USD50m-75m) in the Enterprise segment have been the key growth drivers for TECHM.
- Managed Services has been driving the growth in Telecom among services. The deal wins keep the company confident of healthy growth rates in the foreseeable future.

To start bidding for USD100m+ deals in Enterprise segment again

- TECHM had tried bidding for large (USD100m+) deals in the Enterprise segment, but failed to witness success. It has seen success in the USD50m-75m bracket. It is now back in the hunt for much larger deals in the Enterprise segment with a changed approach. Manufacturing, the company's second largest vertical and the largest in Enterprise, is the likely segment where it expects to witness success. TECHM has tinkered with innovative deal structuring in the past, and will not be averse to the same to win more in the future as well.

~20% is a sustainable operating margin band

- Significant margin decline in 1QFY15 was a function of one-offs like visa expenses and investment in the large network services deal. However, some of the decline is recoverable over the next two quarters, given discontinuation of visa costs from 2Q, and potential to increase utilization by 300-400bp.
- TECHM sees operating margin of ~20% as sustainable in the near-to-medium term.

Client mining approach to growing the Enterprise segment

- Over the next 12 months, client mining will be the single largest focus in pursuit for growth in the Enterprise segment. TECHM cited that revenue per client in the segment is well below tier-I peers and also below some tier-II peers.
- The erstwhile Mahindra Satyam was organized by services. In that set up, it was unable to flourish by cross-selling multiple services to ERP accounts. TECHM has been addressing that post the integration with Mahindra Satyam.

Network deal remains in pilot; will try to improve profitability

- In the Network deal, TECHM is not dealing with the core, but sticking to only Services. Gartner has pegged the opportunity size of the segment at USD45b.
- TECHM will look at the progress in the deal over the next 2-3 quarters before calling it out as a new addressable market. There is potential to offshore 25-30% of the work.

Wipro

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Bloomberg	WPRO IN
Equity Shares (m)	2,467.2
M.Cap. (INR b)/(USD b)	1,383/ 22.8
52-Week Range (INR)	611/447
1, 6, 12 Rel. Per (%)	-1/-32/-27

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	468.8	511.4	556.4
EBITDA	109.1	122.1	133.9
PAT	86.2	96.7	107.0
EPS (INR)	35.0	39.3	43.4
EPS Gr. (%)	10.6	12.2	10.6
BV/Sh. (INR)	166.1	193.8	225.6
RoE (%)	22.9	21.9	20.8
RoCE (%)	22.5	22.2	21.3
Payout (%)	22.9	25.5	23.0
Valuations			
P/E (x)	16.5	14.7	13.3
P/BV (x)	3.5	3.0	2.6
EV/EBITDA (x)	11.6	10.1	8.9
Div Yld (%)	1.4	1.7	1.7

Key takeaways

2HFY15 should be better for WPRO than 1HFY15. Within BFSI, Investment banking continues to remain under pressure, and Insurance has started to pick up. There is demand in large deals from first-time outsourcers. WPRO continues to invest in delivery capabilities. Utilization could see further improvement, which would be a lever to margins.

Expect better second half of the year

- Gradual ramp in the healthy deal signings at WPRO over the last couple of quarters should facilitate sanguine growth. WPRO expects 2HFY15 to be better than 1HFY15. Based on midpoint of WPRO's 2QFY15 revenue guidance, 1HFY15 growth will be 9.7%. A better 2H will likely imply double digit growth in the full year for the company. Our current estimate is 10.5%.
- ATCO deal's slated USD1.1b size is committed value. The potential value of the deal could be higher, at USD1.6-1.7b. The contract is significantly NPV positive.

Room for bettering productivity further, and delineate headcount addition from revenue growth

- Automation is resulting in removal of low end skills, especially in part of traditional offshore work, which is allowing WPRO to deliver same amount of services with lesser investment of man-hours. WPRO is highly focused on advancing its gains from productivity, that will de-lineate revenue growth from headcount additions.
- This is also imperative given that clients Run-the-business budgets are under constant pressure, implying that productivity improvement is necessary to deliver the requisite cost savings, while maintaining the profitability.
- Subcontracting charges for WPRO includes charges of product pass through, and hence are not comparable to peers. The current proportion of subcontracting charges is sustainable and not a margin lever.
- Utilization could better the current improved level of 77%. We believe that the optimal band, like INFO, could be around 80% for business as-is. Uptick in utilization will be one of the main levers for margins.

Vertical-specific issues remain, but demand coming from first-time outsourcers

- Overall demand environment is little changed. Telecom seeing traction from new geographies and emerging markets. These are mainly first time outsourcers looking at traditional technology up gradation, driving demand for bread-n-butter business.
- In the BFSI vertical investment banking continues to be under pressure while insurance has started seeing increased traction.

Confident in advance tech capabilities

- As far as advanced technologies are concerned, WPRO remains confident of its edge in areas like Cloud, Analytics and Automation.
- Large integrated deals are the order of the day, which requires IT Services companies to move beyond technology capabilities and be able to offer clients Enterprise-wide IT solutions with end-to-end ownership.

Bharti Airtel

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Bloomberg	BHARTI IN
Equity Shares (m)	3,997.4
M.Cap. (INR b)/(USD b)	1,567/25.8
52-Week Range (INR)	408/281
1, 6, 12 Rel. Per (%)	-3/12/-13

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	947	1,037	1,125
EBITDA	322.1	364.0	394.5
Adj. NP	51.6	70.1	91.1
Adj. EPS (INR)	12.9	17.5	22.8
Adj. EPS Gr.	83.9	36.0	30.0
BV/Sh (INR)	176.9	192.8	213.5
RoE (%)	7.7	9.5	11.2
RoCE (%)	5.9	6.7	7.7
Payout (%)	10	10	10
Valuations			
P/E (x)	30.4	22.3	17.2
P/BV (x)	2.2	2.0	1.8
EV/EBITDA (x)	7.0	6.0	5.1
Div. Yield (%)	0.3	0.4	0.6

Key takeaways

Voice price increases to continue; bulletproofing high ARPU subscriber base

The Indian Telecom industry is transforming to ‘multiple games’, wherein companies need to focus equally on voice, data, as well as new services like financial services. Bharti is playing this by enhancing the quality of subscriber acquisitions, ensuring better service levels, and customization to high value subscribers that mainly come from the top 10-12 cities, and gaining deep understanding and launching 4G in relevant geographies to bulletproof its business.

Voice pricing increases to continue

- Voice RPM increased 4% YoY in 1QFY15 to 38.1p while traffic on the network grew 5% YoY to 271b.
- There is still significant scope to cut promotions and take up the realized voice rate per minute, given current headline rate of 65-70p per minute.

Subscriber additions – clear shift in focus from quantity to quality

- With increased focus on quality of subscriber acquisitions, monthly churn has reduced to <3%, the lowest in several years.
- Postpaid subscribers have increased by 26% YoY to 10.6m as a result of several initiatives on acquisition, customized plans, owned retail stores, etc.

‘Winning with data’ a key pillar of strategy

- Data revenue increased ~70% YoY in 1QFY15 driven by ~100% traffic growth.
- Some of the initiatives driving data growth include (1) sharing more data revenue with content providers, (2) positioning Airtel as the ‘smartphone’ network, and (3) ‘technology leadership’ by launching India’s first 4G network.

4G – handset cost and lack of voice offering remain key issues

- Bharti has been the first operator to launch 4G in India and is developing capabilities to understand and deploy the technology, as ecosystem gets ready.
- Affordability remains the biggest challenge for 4G, as the cost of handsets is likely to remain >INR7,000, making them affordable for only high ARPU subscribers (> INR500/month).
- Voice service provisioning also remains a challenge in 4G, as less than 2% of the 4G handsets support voice over LTE.

Valuation and view

- We expect 14% consolidated EBITDA CAGR over FY14-16. The stock trades at proportionate EV/EBITDA of 7x FY15E and 6x FY16E. Maintain **Buy**.

Idea Cellular

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Bloomberg	IDEA IN
Equity Shares (m)	3,544.1
M.Cap. (INR b)/(USD b)	613.5 /
52-Week Range (INR)	188/125
1, 6, 12 Rel. Per (%)	4/5/-32

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Net Sales	305.7	339.6	378.0
EBITDA	102.2	116.5	130.2
Adj. NP	32.0	29.4	29.5
Adj. EPS (INR)	8.9	8.2	8.2
Adj. EPS Gr.	50.0	-8.1	0.6
BV/Sh (INR)	64.3	71.8	79.4
RoE (%)	16.1	12.0	10.9
RoCE (%)	8.7	8.4	8.4
Payout (%)	7.9	7.9	7.9
Valuations			
P/E (x)	19.3	21.1	20.9
P/BV (x)	2.7	2.4	2.2
EV/EBITDA (x)	7.3	7.4	6.2
Div. Yield (%)	0.4	0.4	0.4

Key takeaways

Industry growth to accelerate; market share gains to continue

Idea expects industry revenue to grow at 15-16% CAGR going forward as compared to our estimate of 12% CAGR over FY14-17.

Industry revenue growth can accelerate from ~10% to ~15%

- **Continued subscriber growth:** While the industry has reached ~800m active subscribers, it can continue to add 70-80m subscribers per year, given significant penetration gap between India and developed markets.
- **Voice price increases led by declining competitive intensity:** Significant gap exists between headline tariffs and realized rates. Voice RPM is likely to continue improving, given declining competitive intensity.
- **Data opportunity:** Mobile internet is the biggest growth story, with ~230m of the ~250m internet connections in India on mobile. The industry has potential to add another ~500m mobile internet users.
- **New revenue streams like M2M/mobile banking/commerce:** These revenue streams are currently small but should ramp up significantly in 2-3 years.

Significant spectrum investments in place; well-funded for upcoming renewal

- **Significant spectrum investments already in place:** Idea has already invested ~INR210b during last three spectrum auctions to secure ~158MHz spectrum across bands/geographies.
- **Well-funded for renewal:** The company is well-placed and funded for its upcoming spectrum renewals.

Confident of market share gains, operating leverage-led margin improvement

- **Market share gains to continue:** Idea has gained 400bp revenue market share over the past four years to reach 17%. Idea's incremental revenue market share during FY14 was ~30%, similar to other two incumbents.
- **Operating leverage benefit can continue:** Idea's market share gains have driven operating leverage-led margin improvement of 700bp+ over the past three years. Margin expansion should continue, as Idea is growing at 1.6-1.8x industry growth rate.

Valuation and view

- The stock trades at EV/EBITDA of 7.3x FY15E and 7.4x FY16E. Maintain **Buy**.

CESC

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Key takeaways

Commissioning of Chandrapur and Haldia project to boost consolidated earnings, efforts on to tie-up Chandrapur balance capacity. Spencer performance is on track to achieve break-even by FY15E.

Power project commissioning to aid growth

- CESC has announced CoD for 2nd unit of Chandrapur project now and the project is fully ready. It is in the process of tying up the capacity under LT PPA and is in discussion with couple of distributors for the same. Expects closing part of capacity under LT PPA soon.
- Haldia project too is on course for timely completion and cost escalation too is likely to be approved, being largely on account of foreign exchange component.

Spencer break-even on track

- For 1QFY15, Spencer reported average revenue of INR1,340/sq.ft/month, a growth of 1% YoY. However, the same store sales (SSS) grew at 10% YoY to INR1,486/sq.ft/month. Store level EBITDA was robust and touched INR74/sft/mth in 1QFY15 (highest ever), up from INR61/sft/month YoY.
- Total area under operations has however remained flat QoQ, owing to consolidation. Spencer retails plans to open 12-14 hyper stores during FY14-15. Thus, Spencer is expected to achieve EBIDTA break-even by FY15.

Focus on project in pipeline

- CESC has been allotted mine in Jharkhand and mining license is applied. The matter is now sub-judice and will wait for more clarity on subject. CESC had acquired land for power plant in Jharkhand.
- Also, CESC has a project in Odhisa under MoUs signed by State government. Progress on project has been rather slow. However, as clarity on linkages and PPA is in place, CESC would look to take up this project.

Valuations and view

- We expect CESC to report PAT of INR7.0b in FY15E, up 10% YoY and INR7.7b in FY16E, up 9% YoY.
- Stock currently trades at 12.4x PER and 1.3x P/BV on FY16E basis. Buy.

Bloomberg	CESC IN
Equity Shares (m)	124.9
M.Cap. (INR b)/(USD b)	87.6 / 1.4
52-Week Range (INR)	786/295
1, 6, 12 Rel. Per (%)	2/19/84

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	59.4	66.4	73.2
EBITDA	14.6	15.6	16.6
Net Profit	7.0	7.7	8.3
Adj. EPS (INR)	56.0	61.2	66.2
EPS Gr. (%)	7.9	9.2	8.3
BV/Sh (INR)	534.2	589.6	650.2
RoE (%)	11.0	10.9	10.7
RoCE (%)	9.7	9.7	9.7
Payout (%)	14.3	13.1	12.1
Valuations			
P/E (x)	13.6	12.4	11.5
P/BV (x)	1.4	1.3	1.2
EV/EBITDA (x)	8.7	7.8	7.0
Div. Yield (%)	1.1	1.1	1.1

Coal India

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Bloomberg	COAL IN
Equity Shares (m)	6,316.4
M.Cap. (INR b)/(USD b)	2,297/37.9
52-Week Range (INR)	424/241
1, 6, 12 Rel. Per (%)	-5/18/-2

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	729.2	779.0	837.5
EBITDA	188.7	210.7	238.3
NP*	174.9	190.7	210.3
EPS (INR)*	27.7	30.2	33.3
EPS Gr. (%)	9.4	9.0	10.3
BV/Sh. (INR)	78.2	90.3	103.6
RoE (%)**	25.2	24.2	23.4
RoCE (%)	58.2	54.1	51.8
Payout (%)	55.0	60.0	60.0
Valuations			
P/E (x)	13.4	12.3	11.1
P/BV (x)	4.7	4.1	3.6
EV/EBITDA (x)	9.7	8.4	7.2
Div. Yield (%)	3.7	4.9	5.4

*Adj. EPS, **RoE is adjusted for OB reserves accounts, as applicable under IFRS

Key takeaways

FY15 production/dispatch target stands at 507/520m tons, respectively. E-auction volume could be limited to 25m tons in FY15. Avenues exists to counter pressure on earnings, hopeful of maintain earnings.

Volume growth crucial, MCL key contributory

- For FY15, the production target stands at 507m tons, an increase of 45m tons OR growth of 10% YoY. For 1QFY15, the production was 108m tons (up 5.3% YoY) and residual growth stands at 11% YoY.
- Of the incremental volumes, ~50% of the contribution is expected from Mahanadi coalfields limited (MCL). MCL has been facing issues on production ramp-up owing to challenges in R&R, land acquisition and evacuation.
- Also, the production increase already factors in higher production from relaxation from existing mines.

Constraints remain to achieve higher volume growth

- Coal India has target to dispatch 520m tons of coal in FY15E, an increase of 48m tons OR a growth of 10% YoY. While current evacuation bottlenecks may still offer flexibility to achieve target dispatch growth for near term, large scale ramp-up in volume is constrained.
- The commissioning of three critical rail lines continue at muted pace and there is less likelihood of any benefits from these lines flowing in 12th plan.
- Few of Coal India's mines are ready but cannot ramp-up production at highest possible levels owing to such constraints, viz. Magadh and Amrapalli.

E-auction volume to be constrained; cushions exist to maintain earnings

- The total volume being offered under E-auction may be limited to 25m tons, as suggested by Ministry. The idea is to offer more coal to power sector.
- Coal India has enough cushions to counter cost hike, loss of revenue through measured price hike, cost efficiency/attrition. For instance, coal of G-7 grade and below is at huge discount to landed cost of imported coal and thus, marginal price hike can take care of hit in earnings. Earnings will thus be maintained.

Re-iterate Neutral

- We expect Coal India to record 9% over FY14-16E, led largely by volume growth and marginal cost efficiency. In near term, the key monitorable is price hike, while there exists headwind to earnings growth.
- Stock trades at PER of 12.3x and P/B of 4.1x on FY16E basis. Re-iterate Neutral.

JSW Energy

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Bloomberg	JSW IN
Equity Shares (m)	1,640.1
M.Cap. (INR b)/(USD b)	129 / 2.1
52-Week Range (INR)	87/38
1, 6, 12 Rel. Per (%)	-1/31/54

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	95.0	94.1	82.6
EBITDA	30.9	27.7	24.7
NP	10.6	9.5	8.9
Adj. EPS (INR)	6.4	5.8	5.4
EPS Gr. (%)	2.3	-9.6	-7.0
BV/Sh. (INR)	44.8	49.0	52.9
RoE (%)	15.2	12.4	10.6
RoCE (%)	15.1	13.0	11.9
Payout (%)	25.0	25.0	25.0
Valuations			
P/E (x)	12.1	13.4	14.4
P/BV (x)	1.7	1.6	1.5
EV/EBITDA (x)	6.7	6.8	6.9
Div. yield (%)	2.1	1.9	1.7

Key takeaways

ST realization is expected in the range of INR4.25-4.50/unit. Expect resolution of mine expansion clearance for Raj West project soon. Stable INR and muted international coal price augur well.

ST realization strong, demand key factor to monitor

- JSWEL has given guidance for ST realization in the range of INR4.25-4.50/unit. This was revised up from its earlier guidance of INR4.00-4.25/unit.
- The demand has been good in 1QFY15 due to heat wave, delays in onset of monsoon. Sustained demand growth backed by revival in economy is key factor to watch out for.

Raj West project mine clearance expected soon

- Mine expansion clearance for Kapurdi mine is lined up before Expert Appraisal Committee (EAC) and the final go ahead is expected soon. Terms of reference has already been approved for expansion upto 7mtpa.
- Also, the mine plan is approved for Jalipa mines and entire land compensation is deposited by JSWEL. Mine lease transfer is underway.

RB index continue to remain muted

- The global coal prices have remained muted, after a marginal pick-up in 3QFY14. This coupled with stable INR bodes well.
- RB Index has softened from highs of USD75-76/ton in April-May 2014 to USD70/ton now.

Inorganic growth opportunity exists

- Cash and cash equivalent on the books is marginally lower than INR10b. Also, it would have arrears from its Raj West ppwer project. This, along with operating cash flows from project would provide sizable FCF.
- JSWEL is thus looking at various inorganic growth opportunity.

Valuations and view

- We expect JSWEL’s consolidated PAT at INR10.6b in FY15E (up 2% YoY), and INR9.5b in FY16E (down 10% YoY).
- Stock trades at PER of 13.4x and P/BV of 1.6x (RoE of 12.4%) on FY16E basis. Neutral.

Powergrid Corporation

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Bloomberg	PWGR IN
Equity Shares (m)	5,231.6
M.Cap. (INR b)/(USD b)	691.9 /
52-Week Range (INR)	147/92
1, 6, 12 Rel. Per (%)	-4/11/-10

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	171.6	203.9	237.2
EBITDA	145.2	173.6	202.3
NP	51.2	61.1	72.3
EPS (INR)	9.8	11.7	13.8
EPS Gr. (%)	17.9	19.2	18.3
BV/Sh. (INR)	72.1	79.7	88.7
RoE (%)	14.2	15.4	16.4
RoCE (%)	8.0	8.6	9.0
Payout (%)	35.3	35.0	35.0
Valuations			
P/E (x)	13.8	11.6	9.8
P/BV (x)	1.9	1.7	1.5
EV/EBITDA (x)	11.1	10.0	9.1
Div. Yield (%)	2.2	2.6	3.1

Key takeaways

FY15E capitalization is likely to be higher than capex of INR220b, at ~INR240-250b. Transmission sector growth linked to consumption/demand growth and thus, growth outlook remains robust. New growth avenues exists.

Transmission sector growth to remain robust

- India's per capita consumption of power is ~900kWh/year, vs average of 2,384kWh/unit for Brazil and world average of 2,975kWh/year. Power demand is set to grow and thus, transmission capacity addition is likely to be robust.
- Also, FY14 peak load is expected at 136GW, which is set to increase to 200GW and further to 283GW by 2020. Similarly, the addition of Renewable energy (61GW in 12th plan and 13th plan) would need continued investment in inter regional transmission capacity.

Capex on track, capitalization to look up

- Planned capital expenditure for 12th plan stands at INR102t, entailing capex of ~INR225b pa for FY15-17E. Thus, barring new project addition, the capex is largely firmed up.
- Lower capitalization of past 2 years, vs higher capex, led to bunching up. In YTDFY15, capitalization is already up to INR85b+, vs capex of INR75b. Potentially capitalization would be higher than capex in FY15E and is likely pegged at INR240-250b.
- There has also been a constant endeavour to limit growth in capex, built up of CWIP by lowering the inventory levels of transformers, etc. To illustrate, construction stores & spares quantum stands at INR215b as at FY14, flat YoY. This compares with CWIP under construction move up from INR191b in FY13 to INR319b in FY14. This should help improve capitalization in FY15/16E.

Renewable NITs invited, other avenues being explored

- Green energy corridor (GEC) is an opportunity of INR250b, of which Powergrid is set to implement projects to the tune of INR130b. Detailed project report (DPR) for projects worth INR60b is already approved by KfW, Germany.
- Besides this, the intra state opportunity, smart grid and distribution reforms are new avenues of growth targeted by Powergrid.

Earnings growth robust, Buy

- Powergrid is expected to clock earnings CAGR of 19% over FY14-16E led by superior capitalization.
- Stock trades at PER of 11.6x and P/B of 1.7x on FY16E basis. Buy.

Reliance Infrastructure

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Bloomberg	RELI IN
Equity Shares (m)	263.0
M.Cap. (INR b)/(USD b)	196.6 / 3.2
52-Week Range (INR)	820/325
1, 6, 12 Rel. Per (%)	-4/79/70

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	101.0	116.6	136.2
EBITDA	21.1	24.5	25.1
NP	14.1	16.3	16.6
Adj. EPS(INR)	53.6	61.8	63.2
EPS Gr. (%)	-11.4	15.4	2.1
BV/Sh. (INR)	855	908	963
ROE (%)	6.4	7.0	6.8
ROCE (%)	8.6	10.0	9.8
Payout (%)	15.7	13.6	13.3
Valuations			
P/E (x)	13.2	11.4	11.2
P/BV (x)	0.8	0.8	0.7
EV/EBITDA (X)	5.9	4.7	4.4
Div. yield (%)	1.1	1.1	1.1

Key takeaways

Mumbai distribution is on steady footing, while Delhi distribution business requires resolution on realization of arrears. All infrastructure projects would be revenue operational in FY15, Mumbai metro traffic strong.

Distribution business

- Mumbai distribution business has been on steady footing with cross subsidy surcharge and approval of recovery of past arrears under tariff. Also, the tariff now offers level playing field and major HT consumers have now shifted back to RELI's network.
- For Delhi distribution business, the surcharge and power purchase cost adjustment has narrowed down under recovery on-going basis. The recovery of arrears for both distribution entities remain key challenge though.

Infrastructure portfolio revenue operational

- RELI has portfolio of 15 infrastructure projects, comprising of 11 Road project, 2 Metro projects and 2 Cement projects. All projects are expected to be revenue operational by FY15.
- Mumbai metro traffic is crossing 0.3m/day now and would further increase. Key bottlenecks have been identified, viz. connectivity/commute facility from station and is being worked upon with support of local administration. Tariff rates would go up in phased manner.

EPC division exploring third party projects

- As at June 2014, the outstanding order book position for EPC division stood at INR62b. This comprises of 11 projects, including 4 in-house projects
- The division has established sound execution capabilities in Power, Roads, Metro and Rail sector and is exploring for third party projects, both in India and overseas.

Valuations and view

- We expect RELI to report standalone PAT of INR14.1b in FY15E (down 11% YoY) and INR16.3b in FY16E (up 15% YoY).
- RELI trades at 11.4x PER and 0.8x P/B on FY16E basis. BUY.

AIA Engineering

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Bloomberg	AIAE IN
Equity Shares (m)	94.3
M.Cap. (INR b)/(USD b)	86.9 / 1.4
52-Week Range (INR)	994/307
1, 6, 12 Rel. Per (%)	12/36/129

Key takeaways

AIA Engineering is a leader in the Indian High Chrome Mill Internals (HCMI) market. In India, it commands 90% share in the Cement segment and 40-50% share in the Mining segment. Globally (ex-China), it has ~40% share in the Cement segment and ~35% share in the Mining segment. Its products include grinding media, liners, diaphragms etc for the Cement and Mining industries, with focus on application and end-to-end solutions. Initially present in only the Cement segment, AIAE forayed into mining in FY09. Mining has an opportunity size of ~5x that of Cement (2.6m mt versus 0.5m mt). While HCMI penetration in Cement is ~70%, HCMI penetration in Mining is hardly ~10%, providing a huge untapped opportunity. AIAE has done well with its mining foray, with mining contributing ~50% of revenue in FY14 as against 0% in FY08. Going forward, management has lined up an aggressive expansion plan (from 200,000mt to 440,000mt over the next two years) to cater to high growth expected from the global mining opportunity.

Aggressive expansion plan; capacity to expand from 200,000mt to 440,000mt

- AIAE has chalked out an aggressive expansion plan, expanding its capacities from 200,000mt currently to 440,000mt over FY16.
- In the first phase, 60,000 tons of brownfield capacity is likely to be commissioned by February 2014. In the next phase, a 100,000t greenfield capacity is likely to be commissioned by March 2015.
- The balance 80,000t is likely to be commissioned by October 2015. Land for the expansion has already been acquired and necessary environmental clearances have been obtained.

Gains market share from Magotteaux on the back of better value proposition

- Seeding business from new clients is a time consuming exercise, with the time taken to convert a new client spanning 18-24 months.
- Management suggested that price alone cannot be a entry strategy for new clients. Establishing superior wear rates by studying each individual plant is a necessary condition to win new business.
- AIAE has been demonstrating superior wear rates as against Magotteaux and is providing the HCMI solution at a price 10-15% cheaper than Magotteaux, which is resulting in market share gains for the company.
- Management highlighted that being close to a client's plant is not a limiting condition. For instance, for one of Rio Tinto's plant in Canada, AIAE supplies 100% of the plant's requirements through supplies entirely from India, even as Magotteaux has a production facility situated in close proximity to Rio's plant.

EBITDA margin to sustain at 20-22% over the long term

- AIAE's management expects margins to be sustained in the range of 20-22% over the long term and believes the business is robust to sustain these margins under any circumstances.

APM Terminals

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Bloomberg	GPPV IN
Equity Shares (m)	665.8
M.Cap. (INR b)/(USD b)	102.5/1.7
52-Week Range (INR)	163/43
1, 6, 12 Rel. Per (%)	0/83/211

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	7.9	9.3	11.0
EBITDA	4.9	5.8	7.0
NP	4.1	4.0	4.9
EPS (INR)	8.5	8.3	10.2
EPS Gr. (%)	26.3	-1.7	22.2
BV/Sh (INR)	39.5	44.8	51.3
RoE (%)	23.2	19.8	21.2
RoCE (%)	21.7	23.4	25.2
Payout (%)	32.4	36.0	36.0
Valuations			
P/E (x)	16.9	17.2	14.1
P/BV (x)	3.6	3.2	2.8
EV/EBITDA (x)	13.7	11.2	8.9
Div. Yield (%)	1.6	1.7	2.1

Key takeaways

Container volume growth in recent months is led by seasonality impact (import + export) and sustained growth beyond 1-2 quarter is key to watch out. Focus remains on container cargo, vs bulk. This, along with, ramp-up in liquid cargo will boost operating margin.

Container volume growth aided by seasonal imports, exports

- For 1HFY15, the increase in container cargo volume growth for GPPV and West Coast is driven by seasonality driven imports (largely Asia) demand. Similar trend is witnessed for exports, linked to Western countries festive demands.
- Container cargo volume growth remains to be seen over next couple of quarters. Sustained recovery in cargo from Western countries would help higher cargo growth otherwise 4-5% volume growth is feasible for West Coast.
- GPPL continues to focus on container cargo, as it is its key forte. Also, the uptown coal volumes offer muted profitability owing to railway rate differential.

Liquid cargo ramp-up, container cargo to aid operating margin expansion

- Liquid cargo facility has begun operations, but ramp-up will take a while. It is expected to pick up in 2H, as trial runs commenced recently.
- Operating margins are looking up as large part of incremental growth is driven by container volumes. This, couple with ramp-up in liquid cargo would further aid margin expansion going forward.
- For 1HCY14, the EBIDTA margin has remained flat QoQ at 59%. There exists scope for margin expansion to the tune of 500-600bps.

Evacuation will be crucial for JNPT; DMIC roll out positive

- For JNPT, the expansion of existing terminal and award of new container terminal is contingent both on DFCC and de-bottlenecking last mile evacuation. GPPL has invested in creating backend rail infrastructure and is favorably placed to meet cargo volume growth.
- Rollout of DMIC is key for surrounding ports like Pipavav. Dholera has seen actions towards being built as an investment region, which will help gain industrial volume. Current volume profile at Pipavav is largely Agri based. Dholera is 200kms from Pipavav.

Valuations and view

- We expect GPPL to record 53% CAGR in earnings over CY13-15E, led by strong container volume growth and margin expansion.
- We expect EBIDTA margin to move up to 62% in CY15E, vs 50% in CY13.
- Stock trades at PER of 17x and P/B of 3.2x on CY16E basis. Buy.

Bata India

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Bloomberg	BATA IN
Equity Shares (m)	64.3
M.Cap. (INR b)/(USD b)	82.8 / 1.4
52-Week Range (INR)	1,360/795
1, 6, 12 Rel. Per (%)	-2/-6/13

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	23.0	26.7	31.0
EBITDA	3.6	4.6	5.4
NP	2.3	2.9	3.5
EPS (INR)	35.8	45.8	55.0
EPS Gr. (%)	16.3	28.1	20.0
BV/Sh.(INR)	156.0	190.3	233.7
RoE (%)	25.0	26.5	25.9
RoCE (%)	37.1	39.3	38.5
Payout (%)	29.2	25.3	21.1
Valuations			
P/E (x)	37.2	29.1	24.2
P/BV (x)	8.5	7.0	5.7
EV/EBITDA (x)	19.7	15.4	12.7
Div. yield (%)	0.7	0.8	0.8

Key takeaways

We hosted Bata India for its first-ever conference participation in our Annual Global Investor Conference (AGIC), 2014. Mr Ranjit Mathur, CFO, Bata spoke extensively on the company's growth plans over the long term. We remain enthused with BATA's stepped up aggression to open new stores, enter newer markets and evaluate newer channels for growth; the interaction at the conference reaffirms our positive stance on the stock.

Focus on e-commerce and investment in brand building to drive growth

- BATA is making the right investments in advertising, brand building and store expansion as it plans to add 100 stores on net basis going forward, much higher than the 30 stores added in CY13.
- It is aggressively penetrating into newer markets and channels through an entry in Tier 2, 3 and 4 cities and developing an aggressive strategy for e-commerce.
- BATA operates stores under two formats namely – City stores which are based in metros, Tier 2 and malls and operates in INR700-800 ASP and Family stores which are smaller in size, lower ASP and operates in High street areas and operates in INR300-400 ASP. Blended Average ASP stands at INR500-600.
- Company has developed a special team for e-commerce and will have a two-pronged strategy: 1) sales being done through third party e-commerce platforms like Jabong, Flipkart, Snapdeal etc and 2) sales being done through its own website and mobile app (to be launched shortly).
- It plans to increase the price points of some products priced at INR499 upwards and reduce price points of products priced ~INR1,049 downwards to INR999 due to changes in excise duty on footwear in the recent budget.

Weak monsoon led to spillover of sales, though long term growth intact

- BATA's 2QCY13 revenue growth was tepid as the late onset of monsoon delayed offtake of rubber and plastic footwear (15-20% of revenue), whereby sales spilled over to July this year as against June in CY13.
- We expect growth to bounce back in 2HCY14 for BATA driven by spillover of sales and full impact of 60 new store openings in 1HCY14.
- We believe that the company with its wide range of products across price points will get quick traction as consumers shift from unorganized to organized markets.
- BATA plans to roll out its ERP plan to manage the inventory, which will be directly linked to all retail stores by end-4QCY14. This will not only improve efficiency but provide data availability on a real-time basis, leading to better working capital management and higher growth.
- Company has opened four retail training academies for the staff, which will improve their productivity. Apart from this, it has also tied up with Astroraya, an Italian company, for shoe designing.

Coromandel International

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Bloomberg	CRIN IN
Equity Shares (m)	285.8
M.Cap. (INR b)/(USD b)	82.3 / 1.4
52-Week Range (INR)	295/183
1, 6, 12 Rel. Per (%)	16/12/7

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	108.6	127.4	147.5
EBITDA	8.6	10.8	13.0
NP	4.3	6.3	7.7
EPS (Rs)	14.7	21.5	26.6
EPS Growth	14.1	45.9	23.8
BV/Sh (INR)	86.6	100.8	119.0
RoE (%)	17.9	22.9	24.2
RoCE (%)	20.0	24.8	28.6
Valuations			
P/E (x)	19.7	13.5	10.9
P/BV (x)	3.4	2.9	2.4
EV/EBITDA (x)	9.9	7.6	6.1
EV/Sales (x)	0.8	0.7	0.5

Key takeaways

Coromandel International's (CRIN) management suggested that the worst for the industry is behind and going forward it expects demand for complex fertilizers to recover. Management expects FY15 to post 10% growth for the industry and 10-15% growth for CRIN. With sharp deterioration in NPK ratio, from 4.2:2:1 in FY10 to 7.7:3:1 currently, management believes farm productivity is already showing signs of deterioration, which will induce farmers to increase the spends on P&K fertilizers. On the policy front, management believes urea should be immediately brought under the NBS regime, which will enable a more balanced subsidy regime, and will favor optimal soil nutrition levels. On the margins front, INR2,000/mt margins in fertilizers are very much likely to be sustained, while the target of 50% non-subsidy EBITDA remains very much intact.

Industry to grow ~10%, CRIN to grow ~10-15% in FY15

- Inventory levels for complex fertilizers have seen a sharp correction over the last 12-18 months. Excess inventories in the market have corrected from 5m mt at the beginning of FY14 to 1m mt currently.
- Management expects growth for CRIN at 10-15% for FY15.

Focus is on complex fertilizers, DAP sales to be replaced by complex eventually

- DAP is a highly commoditized product and is a segment where CRIN faces competition from imports. DAP forms ~25% of its fertilizer revenue.
- Management is focussed on increasing business from well differentiated complex fertilizers through like 28:28:0, which enjoy dominant market shares and strong pricing power.
- It believes fertilizer margins will sustain at INR2,000/mt and capacity utilization will increase from 65% to 85% over the next two to three years.

Target 50% non-subsidy EBITDA over next 2-3 years

- CRIN is targeting 50% EBITDA share from non-subsidy over the next two to three years, against 36% in FY14. Sabero is having a 70% utilization currently, which management is confident of ramping up to 90-95% over the next two years.
- Similarly, management is planning to aggressively grow the domestic agrochemical business along with ancillary businesses like farm machinery, which will ensure higher EBITDA share.

Fertilizer reforms could be game changer event

- Fertilizer reforms could happen over the next 12 months under the new Government. Reforms could include bringing urea under the ambit of NBS or bringing about a gradual increase in urea prices.
- Urea price increase to INR10,000-12,000/mt from the current level of INR5,000/mt will be necessary to bring about a major shift in farmer buying patterns from urea to complex ones.

Cox and Kings

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Bloomberg	COXK IN
Equity Shares (m)	136.5
M.Cap. (INR b)/(USD b)	40.1 / 0.7
52-Week Range (INR)	310/85
1, 6, 12 Rel. Per (%)	6/71/180

Financial Snapshot (INR Billion)

Y/E March	2015E	2016E	2017E
Sales	25.2	23.9	27.1
EBITDA	10.1	9.4	10.6
NP	3.7	3.7	4.5
EPS (INR)	27.1	27.4	33.0
EPS Gr. (%)	45.1	1.2	20.3
BV/Sh. (INR)	154.5	180.8	212.6
RoE (%)	19.2	16.4	16.8
RoCE (%)	12.9	13.1	14.3
Valuations			
P/E (x)	10.7	10.5	8.8
P/BV (x)	1.9	1.6	1.4
EV/EBITDA (x)	6.9	7.1	5.9
EV/Sales (x)	2.7	2.8	2.3

Key takeaways

Management guided that international business is now on a strong footing, with growth in Education and Meininger business. Education business' growth will be primarily driven by better utilization of PGL centers. Meininger business is expanding into new territories, while maintaining its asset light model. All the international businesses are working capital negative. India operations will be driven by the expansion of its franchisee model in Tier 2 and 3 cities. Also, sale of the Camping business will generate significant cash flow to retire part of the debt, thus reducing stress on the balance sheet.

Education business set to drive future growth

- Post PGL's acquisition by COXK, management focused on efficiency and profitability of the center. PGL closed down two loss-making centers and focused on increasing capacity in own beds, compared to leased beds.
- 70% of Education revenue comes from PGL. Management expects the education business (NST+PGL) to grow at 20% in FY15.
- Management is focusing on increasing utilization by targeting non-school revenue - specifically by offering centers to families, training bodies, football coaching etc on weekends and during holidays, undertaking English language coaching to foreign students which is approved by the British Council.
- Newer initiatives like the National Citizenship Program etc have only utilized 20% of the lean season capacity and hence opportunity is huge to improve capacity utilization.
- As a part of its global expansion plan, in 4QFY14, PGL made its first-ever expansion in Australia by investing AUD4.5m. The center is spread over 200 acres and has a capacity of 350 beds. Management believes that Australia has huge potential to scale up its business (which it saw in the UK 15 years ago).

Aggressive property addition in Meininger in newer markets to improve profitability

- Management is planning to open properties in newer geographies like Paris, Amsterdam and Barcelona, where it did not have a presence, to drive future growth.
- All hotels in Meininger are on lease basis. A developer constructs the hotel and gives it on lease for a period of 15 years, with 10 years of extension. Management expects 20% growth in Meininger in FY15 and 15% over the long term.
- Meininger enjoys 70% bed capacity utilization and 90% room capacity utilization.

Selling of camping business - a significant step to de-lever balance sheet

- Cox announced the sale of its Camping division to Homair Vacances, a French leader in the camping market for ~INR8.8b. This will reduce debt, which will lead to annualized interest cost savings of ~£4m.
- Average cost of debt in India is 11%, while cost of foreign debt is ~6.5%.

Delta Corp

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Bloomberg	DELTA IN
Equity Shares (m)	229.3
M.Cap. (INR b)/(USD b)	21 / 0.3
52-Week Range (INR)	128/59
1, 6, 12 Rel. Per (%)	-4/-39/11

Key takeaways

By virtue of possessing three of the six issued offshore gaming licences in Goa, Delta Corp is the largest and only listed company within the gaming and hospitality segment in India. Company is rapidly expanding its gaming positions in Goa and is currently offering ~2,000 gaming positions. Further, it recently started a first of its kind integrated casino resort in Daman with full benefits of a casino to accrue from 2HFY15.

Dominant presence in the offshore gaming industry in Goa

- Delta owns three of the six issued offshore gaming licences in Goa.
- Deltin Royale, Goa: Deltin Royale, with five operational decks, is currently India's largest offshore gaming vessel offering ~1,500 gaming positions, comprising 116 live gaming tables and 50 slot machines.
- Deltin JAQK, Goa: Operational since 2008, Deltin JAQK, with four operational decks covers an area of ~31,900sqft, offering ~500 gaming positions, comprising 47 live gaming tables and 30 slot machines.
- Deltin Caravela, Goa: Deltin Caravela, currently under renovation, is India's first offshore gaming casino. Once operational, it will offer ~200 gaming positions comprising 17 live gaming tables and 10 slot machines.

Daman launch – to be a game changer event for company

- Delta Corp is shortly (next 30-60 days, all permissions recieved) expected to launch its land-based casino in Daman through its hospitality project named The Deltin, adding ~1,000-1,200 additional gaming positions.
- The Deltin is the largest integrated resort in Daman, spread over 10 acres with ~300,000sqft of developed area. This hotel will offer the largest banquet facility in the area with three bars, four speciality restaurants, 29,000sqft of indoor event (MICE space) and 8,000sqft high-end retail space.
- The Deltin in Daman is only a 2.5-hour drive from Mumbai and at a similar driving distance from major cities in Gujarat, making it an attractive destination for tourists in both states.
- Launch of The Deltin is expected to be a game changer event for the company as it will be the first land-based casino in Daman, addressing a vast catchment area of 50m people (catchment area in Goa is just 2m people), thus ensuring a strong step-up in overall revenue and profits for the company.

Indian gaming industry at a nascent stage

- Global gaming industry size stood at ~USD160b, of which the US contributes USD66b, Asia Pacific USD67b, while EMEA contributes USD16b.
- Compared to global gaming destinations like the Vegas, Macau and Singapore, Indian gaming industry is still at a nascent stage, with the industry size being hardly ~USD100m.
- Getting a new licence is a key entry barrier in India, and gaming is allowed only in select places like Goa (95% of industry revenue), Daman and Sikkim.

Jain Irrigation

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Bloomberg	JI IN
Equity Shares (m)	443.1
M.Cap. (INR b)/(USD b)	42.6 / 0.7
52-Week Range (INR)	133/50
1, 6, 12 Rel. Per (%)	-9/34/40

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	67.8	80.4	94.9
EBITDA	9.1	11.3	13.3
NP	2.0	4.1	6.0
EPS (Rs)	4.3	8.9	12.9
EPS Gr. (%)	198.3	106.6	45.1
BV/Sh. (INR)	50.6	58.6	70.3
P/E (x)	21.3	10.3	7.1
P/BV (x)	1.8	1.6	1.3
EV/EBITDA (x)	8.7	6.8	5.4
EV/Sales (x)	1.2	0.9	0.8
RoE (%)	8.8	16.3	20.0
RoCE (%)	11.3	14.8	17.6

Key takeaways

Jain Irrigation's (JI) management expects strong growth for the domestic Micro Irrigation Systems (MIS) sector and believes the new Government is highly favorable for growth prospects, going forward. At the company level, JI has undertaken a significant change in its business model, whereby it has moved to a cash-based business model which ensures working capital efficiency, irrespective of payment delays associated with state governments. Due to the change in business model, company has been successful in reducing gross receivable days from 352 in FY13 to 257 days in FY14 and 243 in 1QFY15. Going forward, management is targeting to reduce gross receivable days to 180 in FY15 and 120 in FY16, thus ensuring robust free cash generation and decline in net debt to equity.

Micro Irrigation System (MIS) benefits well recognized by all governments

- JI's management believes that given the strong benefits associated with MIS (~30-70% savings in water and ~20-100% increase in yields), all governments have a buy-in on the product's importance.
- The only differences governments have are related to policy oriented issues (quantum of subsidy to be provided and procedural and payment timelines).
- Management expects growth for MIS at 20-25% for FY15.
- Maharashtra elections are not expected to have any major impact on growth.

Change in business model to ensure strong free cash generation, debt reduction

- JI has changed its business model to ensure that the company is not exposed to payment delays associated with subsidy receivables.
- Under the new business model, the dealer will be responsible to make payments to JI irrespective of when the state government pays the farmers.
- Thus, under the new model, JI will receive 50% money (non-subsidy) within 90 days and the balance 50% (subsidy portion) within 180 days from dealers. Thus, on a blended basis, credit extended to dealers works out to be 135 days.
- Management is similarly confident of reducing the working capital cycle in the projects business from the current level of ~365 days to ~120 by end-FY15. This will be achieved as JI moved to milestone-based payment mechanism, as against the earlier practice of receiving payments at the project's end.

NBFC gains traction; to reduce stake in NBFC to <49% over next 12-18 months

- Under the NBFC model, JI gives a discount of 6% to the dealer, of which the dealer retains 2% and the rest 4% discount is passed on to the farmer.
- Gross interest rate charged to the farmer is 16% and 4% discount on product price acts as an interest subvention for the farmer, which induces the farmer to go for the financing facility. Farmers generally go for funding to the extent of 70-80% of the product cost, with the loan repayable as an EMI over 1-2 years.
- NBFC engages in only secured lending with farmer's land under hypothecation.
- NBFC has a current book size of INR1b, which will be levered to the extent of 4-5x, going forward. JI owns 78% stake, 10% owned by IFC, 12% owned by promoters, which will be brought down to <49% over the next 12-18 months.

Just Dial

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Bloomberg	JUST IN
Equity Shares (m)	70.2
M.Cap. (INR b)/(USD b)	119.7 / 2
52-Week Range (INR)	1895/682
1, 6, 12 Rel. Per (%)	-5/-25/107

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	5.9	7.5	9.3
EBITDA	1.8	2.5	3.2
NP	1.5	2.1	2.6
EPS (Rs)	22.0	29.5	37.7
EPS Gr. (%)	28.0	33.8	27.9
BV/Sh (INR)	93.6	116.1	146.8
ROE (%)	25.9	28.1	28.7
RoCE (%)	36.0	39.0	39.8
Payout (%)	21.1	23.6	18.5
Valuations			
P/E (x)	77.6	58.0	45.3
P/BV (x)	18.3	14.7	11.6
EV/EBITDA (x)	42.0	30.3	22.9
Div Yield (%)	0.3	0.5	0.5
EV/Sales (x)	12.8	9.9	7.7

Key takeaways

Just Dial's (JUST) management signaled early signs of revival are seen in the business in the form of increase in paid campaign growth. Management expects monetization of Just Dial Search Plus to start in FY16. It also guided that it is not in a hurry to enter newer markets and data acquisition cost would not be very high.

Search engine business continues to deliver robust growth

- Management guided for 28-30% growth in revenue, driven by 23-25% increase in paid campaigns and balance by price increases.
- Tier 2 and 3 cities contribute ~9% of total revenue and 28% of total paid campaigns in volume terms. Management expects higher growth in tier 2 and 3 cities going forward, which will exert downward pressure on pricing.
- JUST has not yet finalized the manual price increases in search engine business for FY16.
- Management maintained its guidance of addition of 1,500 employees on net basis, of which ~1,000 will be Feet On The Street.
- It also guided that early signs of improvement are visible in the environment in the form of higher campaign growth.

Just Dial Search Plus - exciting times ahead

- Around 21 services have gone live and four more are expected.
- Management's focus is to consolidate these services, improve awareness and monetize in FY16.
- Company had introduced super notifications in 4QFY14, which saw improved engagement with users. To enhance this, it plans to allow "ask a friend for reference" as an option, whereby users can reply to notifications of friends.

International markets expansion in phases

- Justdial Global has expressed its inability to operate in the US and Canada market. Thus, the licence to operate will rest with Just Dial at a negligible cost.
- JUST will enter the UK and UAE markets by September and other territories like Singapore and Malaysia by end-FY15. Management indicated that its primary focus will be to acquire listings in the international market; presently, it has not decided to monetize products in the international market.
- Expansion in the international market will only be through mobile app. Hence, we believe the company will not spend significant cash in the initial years.
- Management however guided that it will not immediately expand in international markets.

Kaveri Seeds

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Bloomberg	KSCL IN
Equity Shares (m)	68.9
M.Cap. (INR b)/(USD b)	61.3 / 1
52-Week Range (INR)	950/280
1, 6, 12 Rel. Per (%)	21/24/157

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	12.2	15.2	18.5
EBITDA	3.1	4.0	5.0
NP	3.0	4.0	5.0
EPS (Rs)	43.7	58.1	73.3
EPS Gr (%)	42.4	33.1	26.2
BV/Sh (INR)	114.3	166.5	233.9
ROE (%)	46.2	41.4	36.6
RoCE (%)	47.3	42.2	37.5
Payout (%)	10.1	10.2	8.1
Valuations			
P/E (x)	21.5	16.2	12.8
P/BV (x)	8.2	5.6	4.0
EV/EBITDA (x)	17.5	12.7	9.3
Div Yield (%)	0.4	0.5	0.5
EV/Sales (x)	4.4	3.3	2.5

Key takeaways

Kaveri's management guided that market share gain in cotton will continue to happen over the next few years driven by ATM. It is set to be a market leader in cotton segment in FY16. Also, management expects acreages in cotton to stabilize at current levels and is hopeful of price increase in cotton segment before FY17.

Set to be market leader in cotton segment

- Company guided that it is currently doing field trials for three to four new hybrids in cotton category in Maharashtra which are more resistant to sucking pests, leaf curl virus and abiotic stresses, with an aim to capture further market share.
- It expects to be a market leader in cotton segment by FY16.
- Management expects ATM will drive growth over the next few years.
- Company believes that due to large scale adoption of mechanical harvesting, it can potentially push cotton seed use from 1.7 packets/acre currently to 3-4 packets/acre over the next five years.
- Expects to end FY15 with sales of ~8.2m packets of cotton seeds, a growth of more than 25%.
- In FY15, of the incremental 1.6m cotton seed packets, management believes that Kaveri has been able to capture ~1m packets, largely driven by ATM.

Corn seeds should see rebound going forward

- Management hinted that ~30-40% of the corn crop has got damaged due to harsh environment conditions.
- It expects sales of corn seeds in 1HFY15 to remain flat, compared to 1HFY14, after a decline of 20% in 1QFY15.
- Mix of single cross is expected to improve going forward from the current 50%. The increase in mix in favor of single cross will drive margins.

Rice segment's growth will continue to remain robust

- In rice, the hybridization rate is only ~5% (2.5m hectares), a fraction of the 55% rate estimated in China, thus leaving a vast growth opportunity.
- Has increased its focus on R&D within the rice category which helped in development of bacterial leaf blight resistant rice hybrid with medium slender grain.
- Expect market share to improve to 10% over the next few years.

Lakshmi Machine Works

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Key takeaways

Lakshmi Machine Works (LMW) commands a 70% volume market share and 60% value market share in India and has been able to defend its market share despite entry of global players like Rieter (15%), Truzler (13%) and other Chinese players. Of the 45m spindle capacity in India, LMW would have installed 35-36m spindles, signifying its dominant presence. Going forward, with a strong improvement in profitability for spinners, management expects demand for the domestic textile machinery to remain strong. Export is a major thrust area and the company targets to improve the export share, as a percentage of revenue, from 20% currently to 30% over the next two years.

Strong growth potential for Indian spinning industry

- India produces 375 lakh bales of cotton, of which 275 lakh bales are domestically consumed, while the balance 100 lakh bales are exported to global markets. Value-added yarn exports, instead of exports of raw cotton, are a major thrust area for the Government.
- Central and state level incentives to encourage investment in new spinning capacities, Technology Upgradation Fund Scheme (TUFS) (which offers a 2% interest subvention on new spinning investment along with relevant states offering 5-6% interest subsidy) ensure the overall blended capital cost (including working capital) of any new capex being 5-6%.

Automation is increasingly preferred, ensures better product mix

- Automation is increasingly preferred among textile manufacturers, which is resulting in a better product mix and higher realizations for LMW.
- For instance, earlier manual machinery used to cost INR3,000/spindle, but automation results in realization increasing by another INR1,500/spindle, and compact spinning costing another INR1,300/spindle.
- Increasingly, as textile manufactuers opt for compact spinning machines, the overall realizations as against the traditional manual machines is more like 2x (INR5,800/spindle versus INR3,000/spindle).

Exports - large and attractive opportunity

- Globally, there are only six countries known to manufacture textile machinery.
- LMW is gaining prominence globally in machinery supplies as it offers high quality products (quality in line with European manufacturers) at a price which is easily 20-25% cheaper than Europeans.
- While Chinese machinery is cheaper compared to LMW, the quality offered by LMW is much superior.
- Management targets export turnover at INR10b versus the current size of INR4b.
- It also targets exports to be at least 30% of revenue versus 20% in FY14 and 10% in FY13.

Monsanto India

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Bloomberg	MCHM IN
Equity Shares (m)	17.3
M.Cap. (INR b)/(USD b)	40.1 / 0.7
52-Week Range (INR)	3090/581
1, 6, 12 Rel. Per (%)	11/9/245

Financial Snapshot (INR Billion)

Y/E Mar	2015E	2016E	2017E
Sales	6.7	8.0	9.5
EBITDA	1.8	2.2	2.7
NP	1.6	2.0	2.5
EPS (INR)	92.9	118.4	143.8
EPS Gr (%)	24.3	27.4	21.4
BV/Sh (INR)	184.9	195.6	231.7
RoE (%)	48.3	62.2	67.3
RoCE (%)	54.6	69.2	74.8
Payout (%)	115.9	90.9	74.9
Valuations			
P/E (x)	30.1	23.6	19.5
P/BV (x)	15.1	14.3	12.1
EV/EBITDA (x)	15.0	12.2	9.8
EV/Sales (x)	4.0	3.3	2.7
Div Yield (%)	3.3	3.3	3.3

Key takeaways

Monsanto's main focus is to improve the product portfolio's age profile from eight years to five, going forward. It plans to aggressively launch newer hybrids over the next two to three years and phase out older hybrids. Also, most of the new hybrids will be single cross, which should drive margin expansion.

Age profile to improve dramatically

- In spite of the 10% de-growth in industry volumes in Kharif season (75,000mt market size), Monsanto has outpaced competitors which have seen 10-20% revenue de-growth in the corn segment.
- Hybrids launched in the last two years have grown 9x, helping to improve the product portfolio's age profile.
- New products launched have 25% higher ASP and higher margins than older ones.
- Gained market share in 1QFY15, primarily due to strong growth in newly-launched hybrids.

Rabi outlook continues to remain strong

- Due to the recent floods in Bihar, management expects a robust rabi season in the state as water levels recede and the soil turns moist.
- Due to a decline in volumes in 1QFY15, company expects corn prices to bounce back, which should drive acreages higher, going forward.
- Mix of single cross is expected to improve going forward from the current 50%. The increase in mix in favor of single cross will drive margins.

RR Flex – big opportunity

- Penetration of herbicide stands at 20%, thereby providing huge opportunity for growth. Monsanto has 25% market share in glyphosate in this segment.
- RR Flex's approval is expected from GEAC over the next few months. However, migration will take around two years.
- Expect 5-6m increase in acreage for use of herbicide over the long term. One hectare of land consumer 5 litres of herbicides and with the current selling price of INR340/litre, it presents an INR10b market opportunity.
-

GM food crops – long term opportunity

- Company has started field trials in two states. Will take it forward as other states provide NOC for the same.
- Management believes that GM corn should help improve the yield by 20-40% over existing hybrids.

TreeHouse Education

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Bloomberg	THEAL IN
Equity Shares (m)	37.8
M.Cap. (INR b)/(USD b)	15.2 / 0.3
52-Week Range (INR)	425/214
1, 6, 12 Rel. Per (%)	10/53/37

Key takeaways

The management presented an overview of the business and indicated lucrative growth opportunities in its areas of presence.

Total pre-school count to go to 1200 over the next five years

- The company operates 505 pre-schools of which 403 are self operated while the remaining are run under franchisee route. Under the franchise method the company charges an upfront payment from the franchisee and thereafter charges 15% of revenues as share of royalty.
- The company believes there is increasing awareness about the need for pre—school education among family members given the rise in disposable income and working women individuals.
- Organized market forms 20% of the pre-school market and is expected to grow at to INR42.7b (26% CAGR over FY13-18E)
- The company plans to add 150 stores annually with increased penetration in tier 2 and tier 3 cities.
- Management indicated the possibility of asset sale of couple of properties under the School management services business by the end of FY15. This cash inflow will aid in reduction of debt.
- In FY14 the company opened low priced format schools under the Global Champs brand name (Teacher student ratio of 1:30; larger batch size relative to TreeHouse pre-schools; water down curriculum; average fees of INR15,000).
- Company plans to increase the dividend payout gradually from 18% currently to 50%.

Valuation and View

- The stock trades at 24x and 18x FY15E and FY16E EPS (bloomberg estimates). We believe given the brand equity it enjoys, the company offers strong opportunity in an underpenetrated category. **Not Rated**.

TTK Prestige

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Bloomberg	TTKPT IN
Equity Shares (m)	11.6
M.Cap.(INR b)/(USD b)	53.2 / 0.9
52-Week Range (INR)	4,830/2,700
1, 6, 12 Rel. Per (%)	13/32/-5

Key takeaways

TTK Prestige's (TTKPT) management hinted that it is witnessing early signs of revival across businesses. Management guided for INR16b of sales, with margin of ~13% for FY15, as markets like Tamil Nadu and Andhra Pradesh are showing signs of an improvement and the lower base comes into effect.

Cookware exports - huge opportunity in offing

- The market for organized brand of cookers is estimated at ~60% of the total market. The share of unorganized players is greater for non-stick cookware, compared to pressure cookers.
- TTKPT has expanded its cookware capacity by 4x. Management hinted that it is in talks with reputed overseas brands and retail chains for export of cookware from the Gujarat facility.
- Capacity utilization in the Gujarat facility is low and an improvement will be a major margin driver, going forward.
- Margins in cooker, cookware and exports stand higher than 15%, though for appliances it stand at ~10%.
- Company recently launched water filters in three markets and will monitor its performance. It expects to clock revenue of INR2b over the medium term.

Innovation in appliances continues

- Company is eyeing newer SKUs in small kitchen gadgets like lemon presser, ginger presser, coriander cutter, knifes choppers etc as no branded player is present and these categories can help in boosting brand image.
- New appliances will only be kitchen-focused. Next immediate launch would be over-the-counter and built-in hobs/burners, though company does not want to get into white goods categories in kitchen, as the channel of sale is different.
- Introduced 68 new SKUs covering pressure cookers, induction cook tops, mixer grinders, rice cookers, gas stoves and other small electric appliances.
- Induction cook tops and bundled products declined by 38% YoY due to a shift in Government policy on domestic cooking gas cylinder subsidies. Management expects growth to bounce back in induction cook tops going forward, as the base effect comes into play.
- TTKPT plans to open 1,000 Prestige Smart Kitchens (PSKs) in the next three years from the current 536 stores. Company's network covers 22 states and 275 towns, with 65% in South and rest in non-South. It has also established a call center with significant investment.

Investments in brand building to continue

- Management reiterated that instead of trying to cut the brand promotion budget to shore up short term profits, it took a long term view and invested in an all-new campaign "Jo biwi se kare pyaar, woh Prestige se kaise kare inkaar". This is primarily to target the non-South markets.

NOTES

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