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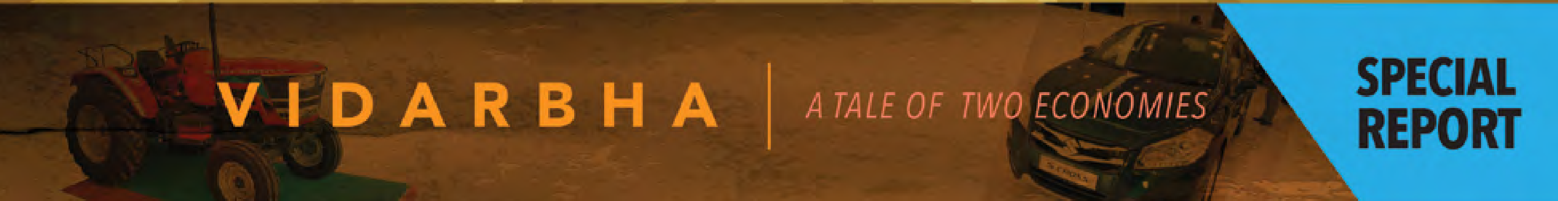
1ST - 30TH November 2015 . Vol 2 Issue 7. For Private Circulation Only

GROUND VIEW

A PhillipCapital India Publication



PhillipCapital

VOL 2 . ISSUE 7 . 1ST - 30TH NOV 2015

FOR EDITORIAL QUERIES:
PhillipCapital (India) Private Limited
No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400 013

phillipcapitalindiainstitutionresearch@phillipcapital.in

GROUND VIEW - PREVIOUS ISSUES

1st Oct 2015 Issue 6

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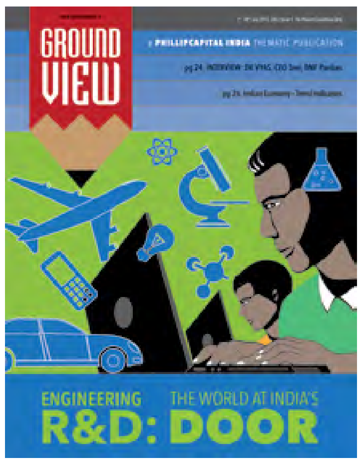

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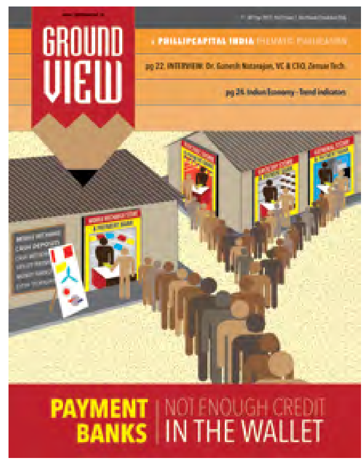


1st Apr 2015 Issue 3

1st Feb 2015 Issue 2

1st Jan 2015 Issue 1

LETTER FROM THE MANAGING DIRECTOR

Trust you had a safe Deepawali!

India accounts for 80% of the global trade in basmati and the consumption has compounded at 20% in the past five years, driven by growth in domestic and export markets. The size of India's basmati industry is Rs 420bn, of which exports account for a large chunk at Rs 300bn. India has taken away a substantial share from Pakistan – its only competitor – due to superior quality and higher production. In this issue, our Agri Inputs analyst, Gauri Anand, examines the prospects of India's basmati rice industry, buyer behaviour, and price sensitivity. She has also attempted to answer questions such as why the 'eat out' culture is leading to higher basmati offtake, why the Middle East will consume higher amounts of basmati, and why cropping patterns would shift away from basmati next year. She predicts that acreages will shift to more remunerative crops leading to higher basmati realisations over the medium term. Despite being in the B2C segment with strong underlying growth, the sector's valuations remain attractive. All of this would perhaps result in resurgence of private equity interest in basmati industry.

This issue also features a different insight into Vidarbha's economy through the rising aspirations and premiumisation in automobile sales. The story, penned by our auto team - Dhawal Doshi and Nitesh Sharma - along with Ashvin Patil - details the tale of two economies within Vidarbha (one bleak and the other bright) through the trends in the automotive industry in this region.

Cheers!

Vineet

CONTENTS

INDIA'S BASMATI
ALWAYS IN FLAVOUR

India accounts for 80% of the world's trade in Basmati – the country exported Basmati worth US$ 4.5bn (or Rs. 300bn) in FY15, 12% of its overall agricultural-produce exports. Almost half of the country's basmati production is exported to the Middle East, the United States, UK, and Australia. Ground View visited parts of Punjab and Haryana (that account for 82% of India's basmati production) to get a reality check from the growers, artiyas (commission agents), millers, and companies. It has also tried to examine the prospects of India's basmati rice industry, buyer behaviour, and price sensitivity. GV has also attempted to answer questions such as why the 'eat out' culture is leading to higher basmati offtake, why the Middle East will consume higher amounts of basmati, possible reasons why Pakistan's basmati variety is losing market share to the Indian one, and why cropping patterns shifting away from basmati this year (and next) will lead to a price surge.

Currently, the industry is under stress with weak export demand and excess supply; however, the pressure is likely to alleviate as demand picks up and cropping patterns shift away from basmati next year, leading to a price surge. Domestic basmati demand (pegged at ~Rs. 120bn) has been growing at 15% in volume terms over the last five years as branded products are accepted more and with the growth of food retail. This trend should sustain, going by the changing lifestyles of Indians, higher propensity to spend, convenience, and rising brand awareness. A rebound in crude oil prices and Iran lifting the import ban on rice from India could drive export demand for Indian basmati. Basmati rice players have seen big deals and private equity investment over the last five years. However, these investments have flagged in the last two year. With India's rice production almost static for last four years, its 12mmt rice exports could be lower leading to a spike in prices – this could result in resurgence in interest of the private equity players in the coming years. As a b2C category, integrated branded basmati rice companies are likely to make good secular investments.

BY GAURI ANAND

BASMATI UNIQUE TO INDIAN SUB-CONTINENT

India: The largest producer

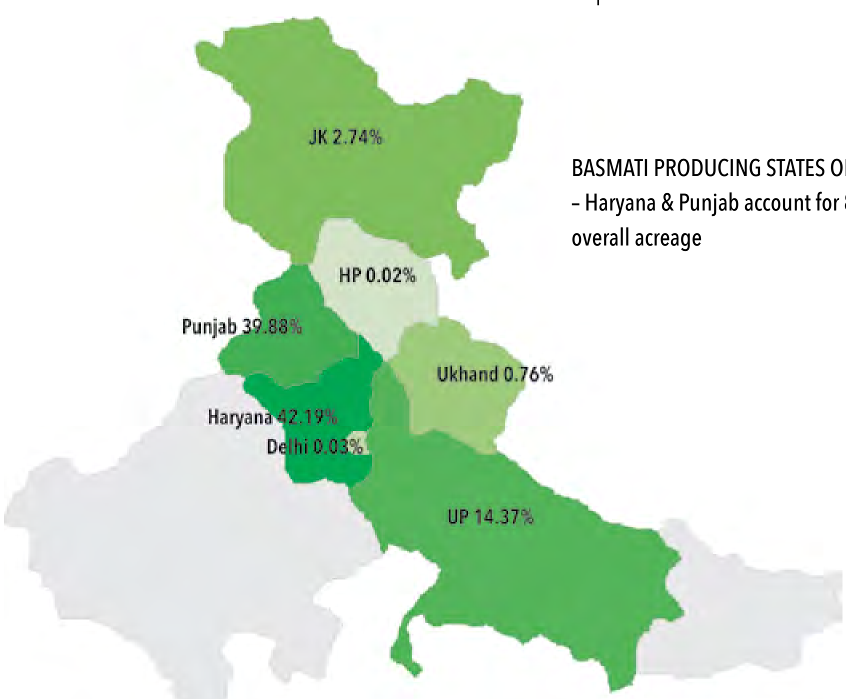
It is only possible to grow basmati rice in precise climatic conditions, soil quality, and temperature – and this is present exclusively in the Indo-Gangetic area of the Himalayas. Basmati is also a legally protected trade name – this prevents any rice grown outside of the Indo-Gangetic area from being called basmati.

Basmati rice has a typical pandan-like (pandanus amaryllifolius leaf) flavour (nutty) caused by the aroma compound 2-acetyl-1-pyrroline. Farmers in the northern parts of India, especially at the foot of the Himalayas have been growing this scented rice for centuries. The supremacy of Basmati over other varieties is mainly due to its unique and delicately balanced characteristics such as superfine (long and slender) kernels, exquisite aroma, sweet taste, soft texture, and delicate curvature, all of which makes it excellent for cooking.

HISTORY TITBIT

Basmati rice has been favoured by emperors and praised by poets for hundreds of years. In the olden times, this rice variety was grown only in special fields for kings, treasured and guarded by nobles. Ordinary people were not allowed in the vicinity of these fields and taking away basmati grain was a punishable offence.

The size of the global rice industry is approximately 477mmt, or US$ 285bn, of which basmati accounts for only 2.6% at 11.5mmt or US$ 7.3bn. India accounts for ~80% of basmati produced or 9mmt (US$ 5.7bn) and Pakistan for 20%. Although basmati represents a small part of India's US$ 40bn agriculture and allied-products exports, it offers the country high product visibility in the world market. The basmati industry size is about Rs. 420bn — Rs. 120bn domestic and Rs. 300bn exports.



BASMATI PRODUCING STATES OF INDIA – Haryana & Punjab account for 82% of overall acreage

Source: PhillipCapital India Research

The acreage under basmati jumped 30% in FY15

	FY14		FY15		
Area mn hect	Rice	Basmati	Rice	Basmati	% GROWTH IN BASMATI AREA
Punjab	2.74	0.59	2.79	0.73	24%
Haryana	1.16	0.71	1.13	0.78	10%
Western UP	1.56	0.32	1.57	0.60	88%
Uttarakhand	0.13	0.02	0.13	0.02	22%
HP	0.08	0.00	0.06	0.00	-10%
J&K	0.12	0.04	0.12	0.04	-6%
Total	5.79	1.68	5.81	2.17	29%

India and Pakistan are the sole basmati producers

In India, basmati is grown in Haryana, Punjab, western Uttar Pradesh, Uttarakhand, and J&K. In Pakistan, basmati is grown in the Punjab province. This is generally a kharif (May to November) crop with sowing season starting from May-June and harvesting season ending in October-November. Earlier, farmers preferred to grow non-basmati paddy variety due to the minimum support price (MSP) and relatively higher yield. However after the introduction of PUSA 1121 (trade term: duplicate basmati) the economics favoured cultivation of basmati - as a result, the area under basmati cultivation nearly doubled in the past six years. The other approved Indian varieties include Dehradun, P3 Punjab, 386 Haryana, Kasturi (Baran, Rajasthan), Basmati 198, Basmati 217, Basmati 370, Bihar, Kasturi, Mahi Suganda, Pusa 1121, and Pusa 1509.

The government introduced the new variety, Pusa 1509, in FY14 – its yields are relatively higher and it is a short-duration crop (lowers crop cycle time by 30 days and saves 5-6 irrigations). Today, Pusa 1509 and Pusa 1121 occupy almost 85-90% of the gross sown area under basmati in the ratio of 25:75. However, Pusa 1509 has limited acceptance in the international market; therefore, it is priced at a discount to Pusa 1121.

India produces about 9mmt of basmati rice annually, of which around 3.8mmt is exported. Demand for Indian basmati remains strong in the Middle East, Iran, and other traditional markets. Local traders (in the APMC wholesale market in Vashi) believe that with an improvement in India's economy, local consumption of basmati is steadily rising. Basmati rice fetches a good price in the international market. With the opening up of new markets (Japan, Korea, and Indonesia under WTO regime) and also with the government of India removing minimum export price, the export of Indian rice increased tremendously. China has decided to import Indian Basmati rice – this is likely to increase the demand for Indian basmati. Of the total basmati rice production (9mmt) in FY15, head rice (full-grain) recovery is around 6.3mmt (75%) whereas the remaining is broken rice (2.7mmt). Generally, a major portion of head rice (6.3mmt) is sold in the export market and fetches better average price realisation per kilogram. In India, both head rice and broken rice are consumed – this lowers the average realisation in the domestic market. As the export market is a full-grain market, its realisations are better. Indian basmati exports have compounded at 13% in FY10-15. During the same period, the domestic basmati market has compounded at a higher rate of 15%.

		NON-BASMATI	BASMATI*		
			TRADITIONAL	PUSA 1121	PUSA 1509
Yield	Quintal/acre	30	9	18	20
Paddy Realization	Rs./kg	14.5	25	25	22
Revenue	Rs./acre	43,500	22,500	45,000	44,000
Cost	Rs./acre	27,720	8,840	17,680	19,294
Profit	Rs./acre	15,780	13,660	27,320	24,706

*assumed mid cycle realization of Rs. 25/kg for Basmati variety

Source: Company, PhillipCapital India Research

The branded basmati rice market has compounded 15% and accounts for 75% of India's branded rice market

India's domestic basmati industry

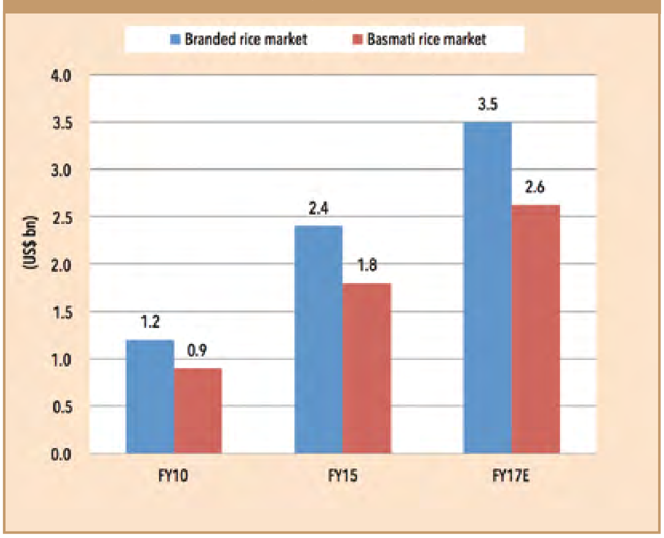
The size of the domestic industry is pegged at US$ 2.4bn or Rs. 120bn. Basmati accounts for 75% of the branded rice market. The size of the basmati industry could touch US$ 3.5bn by FY17 (industry estimates). The main growth drivers of branded rice are convenience of procuring clean rice packs from stores, rising income levels, urbanisation, rise in food retail, and brand awareness. Consumption of branded rice is growing in both southern and northern India. However, grains sold in the south are generally smaller and are mainly non-basmati.

Growth in the modern retail segment boosted the branded rice market. As per industry estimates, the retail segment has been growing at 15-20% annually, and the growth rate is likely to jump to 25% by 2017. Last few years have seen many traders and millers launching their own rice brands – the latest entrant is Adani with the Fortune brand – this underscores the potential of the branded rice market in India. According to a report in ET, branded rice can command about 33% premium over loose rice at the retail level and a modern retailer can earn a 20% margin vs. 12% for loose rice.

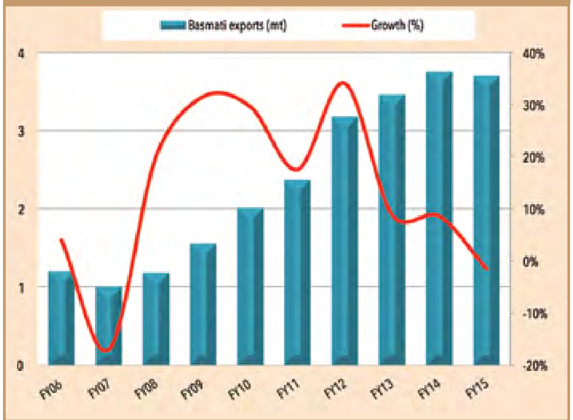
Unbranded basmati (loose basmati) accounts for 74% of total basmati sales in the domestic market, lower than 86% in FY11 due to growing awareness – the potential to tap the conversion (consumer uptrading) is still huge.

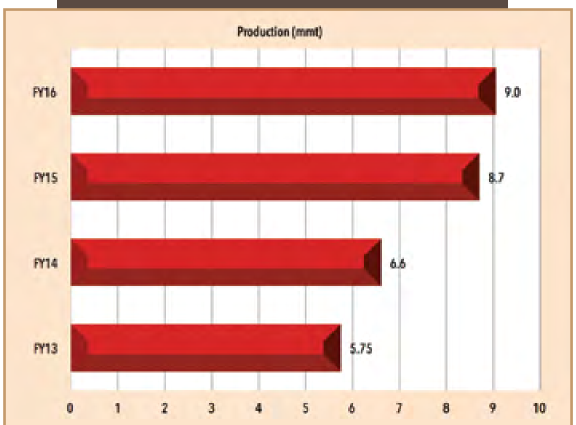
Branded basmati players are becoming consumer focused by improving their offerings (value to premium range with attractive packaging and trade promotions) and leveraging existing brands by hiring brand ambassadors such as Amitabh Bacchan and Sanjeev Kapoor. Incumbents are also expanding their sales and distribution network and are making their products available to all conventional and modern-trade formats. To capitalise on rising distribution platform and as an economic rationale for expanding distribution network, they are broadening their product offerings (to wheat, wheat flour, pulses, sweets, and savouries).

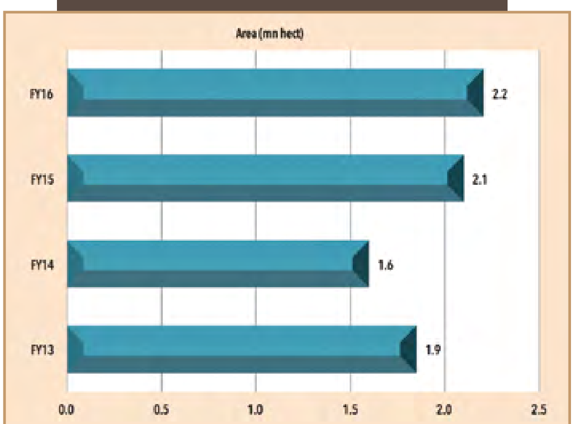
Basmati accounts for 75% of the branded rice market

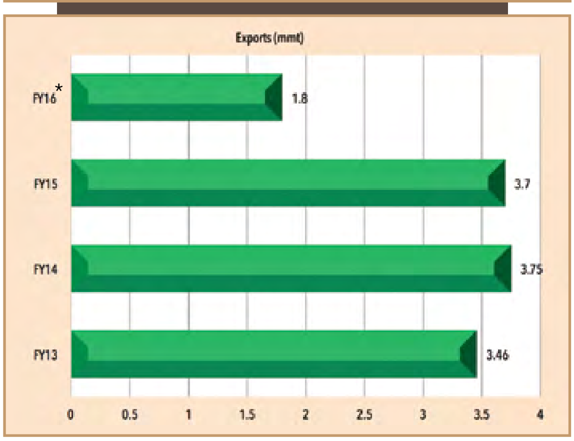


India Basmati export volume grew 13% during FY10-15









* FY16 is Apr- Aug 15

Source: Company, PhillipCapital India Research

"Income growth, rising number of nuclear families, growing 'eat out' culture, and greater participation of women in the workforce are fundamental factors driving demand for packaged rice

– Rakesh Mehrotra, CFO, KRBL

"Brand awareness has increased more at the wholesale level than at the retail level. About 20 years ago, we used to get rice from different states in gunny bags, with just the weight mentioned on it without any brand name. Now all the rice in bulk comes branded."

– Sunil, a basmati rice trader at Vashi (Navi Mumbai) AMPC market.

"I prefer buying packaged rice because of the convenience and ease of procuring clean rice as opposed to the laborious task of cleaning (checking for stones and impurities) when purchased from wholesalers or local kirana's (corner stores)."

- Mrs Shubhashree, homemaker, Chennai.

"Although traditionally we consume a lot of ponni and kolam variety, occasionally we cook basmati for its aroma, long grains, and fluffy non-sticky texture. We have tried many varieties but we prefer Kohinoor Gold basmati.

– Ms Sadhna, student, Chennai.

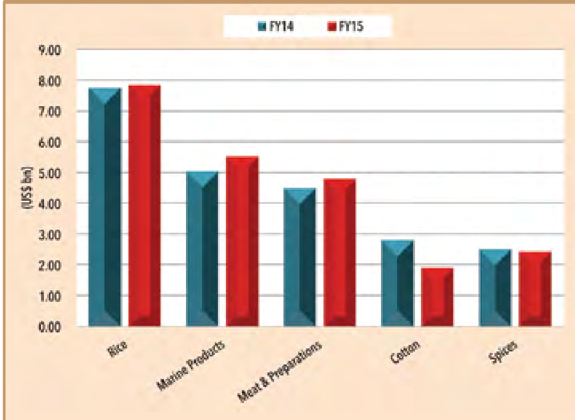
"Kohinoor and India Gate basmati rice are famous brands in Qatar. Some varieties from Pakistan are also available in the market. Approximately 30% of Qatar's population comprises of Indians and Pakistani's and the locals also use it (basmati) regularly."

– Parameshwaran, NRI, Qatar.

"I have cooked Pakistani basmati rice – the length of the rice is short but it's very tasty and high in aroma, also it usually takes less time to cook."

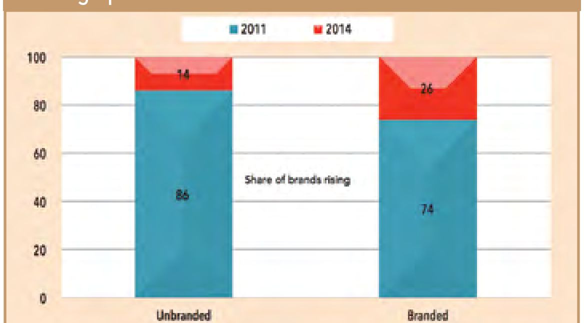
– Mrs Revathi, a homemaker from Coimbatore.

Rice exports tops the agricultural and allied sector exports from India (US$ bn)



India basmati consumption on the rise (in mmt)

Huge potential: Unbranded to Branded rice switch



India's basmati export market

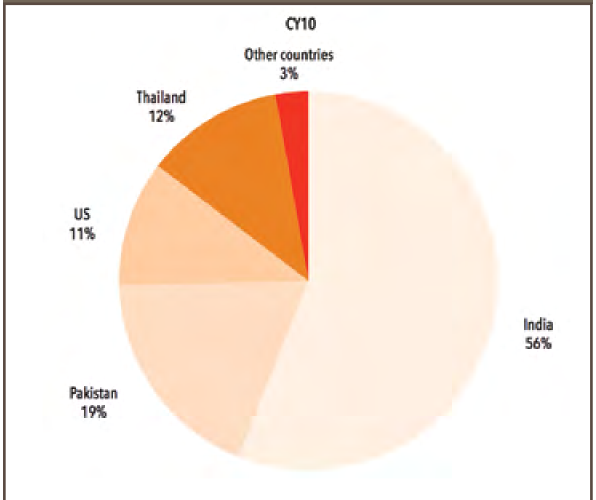
Among the food grains exported from India, basmati is an important commodity. In the 1980s, most Indian basmati went to the USSR and very little was exported to other countries. However, by the end of 1980s, the export share of the USSR decreased slightly while the share of other countries, particularly to Saudi Arabia, increased substantially. Indian basmati was exported to Saudi Arabia in considerable quantities by the end of 1997-98 and USSR's share had gone down considerably by then. During the past few years, basmati export has been growing steadily – it touched 3.7mmt in FY15 from 0.8mmt in 2003 – on robust demand from traditional markets in west Asia. Middle East accounts for 83% of overall basmati exports followed by UK, US, and Australia, which account for the next 8%.

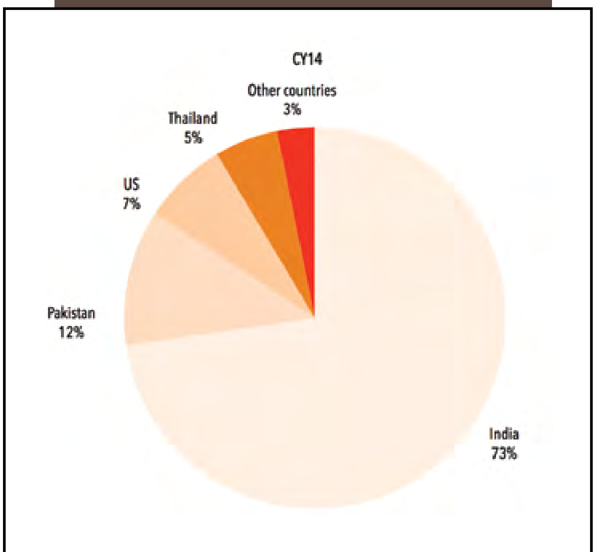
Iran alone has been importing >40% of the total basmati exported from India in 2014; however, Iran's ban in November 2014 on rice imports from India (allegedly to protect its rice producers) has seen its share fall to 26% and pushed Indian basmati prices lower. However, a part of this excess supply has been readily consumed by the Saudi Arabian market.

000 mt	Exports in mt	CAGR (FY10-15)%	In value ($/mn)	CAGR (FY10-15)%
Saudi Arabia	967	9	1.19	11.3
Iran	936	21	1.11	20.7
UAE	279	(15)	0.31	(13.6)
Iraq	235	102	0.26	102.7
Kuwait	166	4	0.25	2.9
Yemen Republic	174	23	0.20	59.4
Qatar	124	85	0.19	48.1
Other ME nations	215	37	0.26	25.8
Overall Middle East	3,097	11	3.76	12
USA	89	28	0.13	32.51
UK	136	30	0.15	28.99
Australia	27	43	0.04	43.95
Total	3,702	13	4.52	14.5

Source: Company, PhillipCapital India Research

India remains a dominant supplier to Saudi Arabia with a steadily rising share





Saudi rice consumption has compounded at 5% in CY06-14

Source: Company, PhillipCapital India Research

Saudi Arabia – the new large consumer

Saudi Arabia has no domestic rice production – the country depends fully on imports. Most Saudi nationals include rice as a major part of their daily diet. Most of the 10mn expatriates (from the Indian subcontinent and other Far East countries) living in Saudi Arabia (population 30.8mn, growing at 3% annually) are large consumers of rice. Basmati is the most popular rice variety in this country – Saudi Arabia imported about 1.4mmt of rice in FY15 and India remained the dominant rice supplier with its share steadily rising to 73% in FY15 from 56% in FY10; Pakistan's share is 12%, US 7%, and Thailand 5%. Rice imports from Saudi Arabia are expected to grow by 7% in FY16 to 1.5mmt, mostly from increased supplies of Indian rice. Traditionally, Iran imported a third of Indian basmati. However, its ban on rice imports has made Indian rice cheaper and readily available for the Saudi market. The Iranian ban has also caused rice stocks in Pakistan to rise and pushed down export prices as well. The Saudi rice market is very price-sensitive. Reports indicate that Saudi Arabia's demand for US rice is likely to decline significantly this year due to more price-competitive export offers from India, Pakistan, and Thailand (which also has excess rice stocks).

Source: PhillipCapital India Research

Weak basmati paddy prices have affected not only farmers but farm labour also adversely

The price collapse is *short lived*

Surplus production for five consecutive years buoyed rice stocks in the open market. Because of this glut, premium rice varieties (such as basmati) saw their prices falling throughout this season. Some varieties of rice have seen prices almost halving. Growers and stockists believe that these varieties have led to huge losses. Despite the subdued outlook, area under basmati cultivation is still likely to have risen 5%, as it is more remunerative and traditionally has fetched higher returns (vs. common paddy) for farmers. A good crop and static exports have led to chaos in the basmati market lately. In CY11, basmati prices were suppressed due to higher production, but in CY12 production declined due to adverse weather conditions. As a result, CY13-14 prices were at around Rs. 40/kg up from Rs. 21/kg in the previous year. Firm prices over the last three years has led to higher acreage (CAGR of 17% in FY14-16 to 2.2mn hectares in FY16 from 1.6mn in FY14), leading to higher availability and pushing prices lower. This, along with Iran's ban on imports from India and a fall in crude oil prices and other commodities has led to plunging prices of basmati.

The prices of PUSA-1121 basmati were at Rs. 25-30/kg in the past three years (Rs 60/kg at peak) had plunged to Rs. 14/kg before settling at Rs. 17.5-18.5/kg this year. The going rate for the less-preferred 1509 variety is anywhere between Rs. 11-13/kg against last year's Rs. 25/kg. However, thanks to the Union government's recent order to procure Pusa 1509 from Punjab at MSP rates announced for common paddy (i.e., Rs. 14.5/kg), some supply should get taken out of the market, which could stabilise prices.

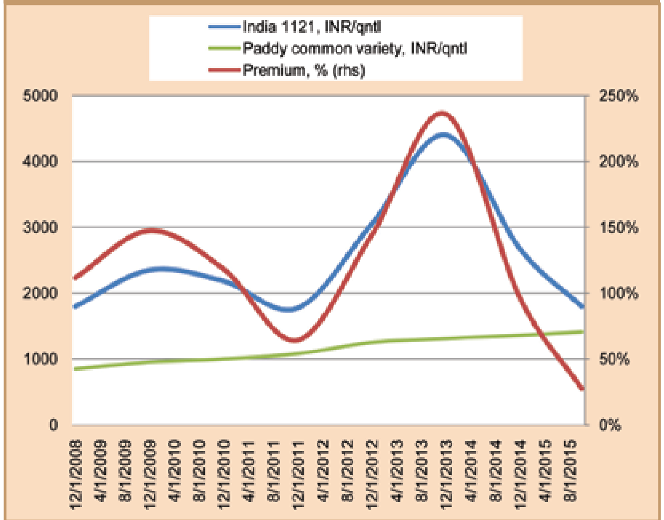
"Basmati prices (that were firm for the past three years) have fallen even below the normal paddy variety. Sowing basmati has cost us heavy. After suffering losses between Rs. 10,000-15,000 per acre, we have decided not to repeat our mistake."

– Gurnam Singh, a very old progressive farmer in Ambala, Punjab.

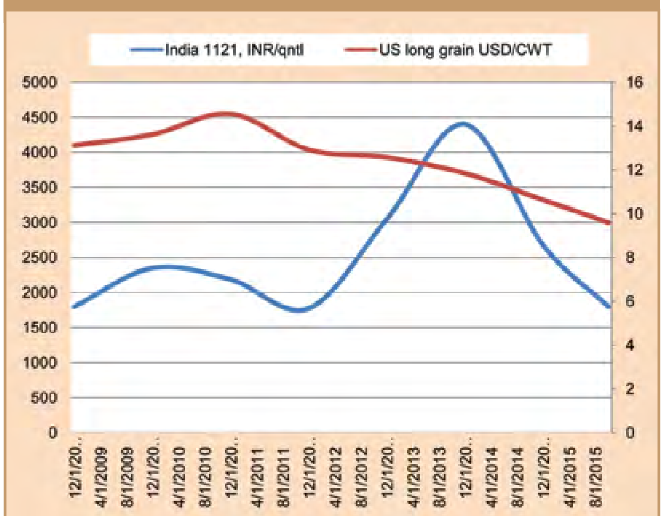
"Most farmers felt the only way out before the Punjab government was to either support basmati growers with a Minimum Support Price or come up with export and milling policies. The major problem is that basmati growers of Punjab solely depend on private players."

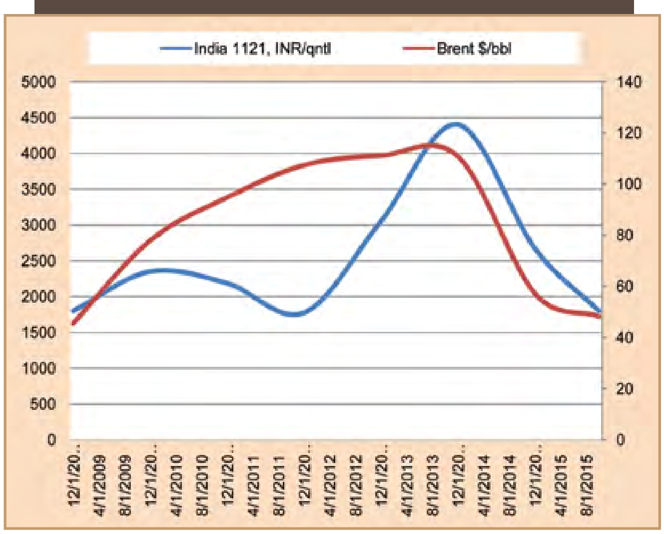
– Pushpinder Singh, a farmer.

Basmati losing premium to common variety following poor demand and supply

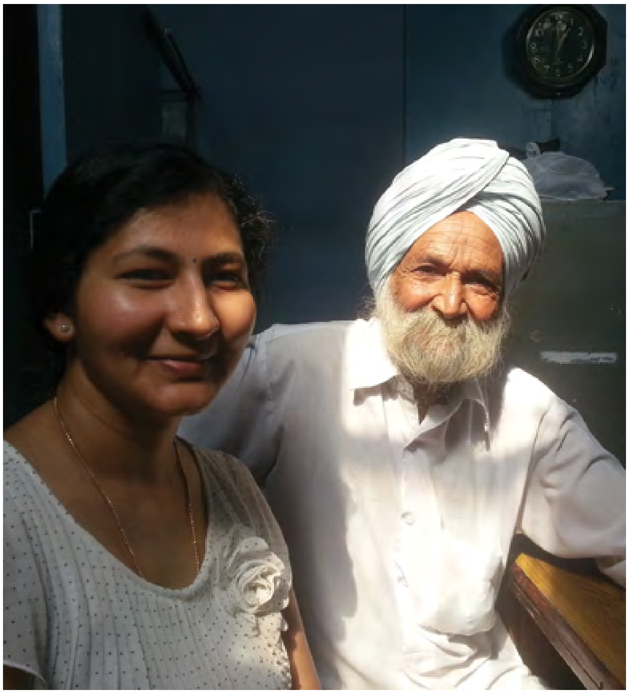


Basmati prices have a strong correlation to brent crude oil prices; with a rebound in brent, basmati prices should also revive





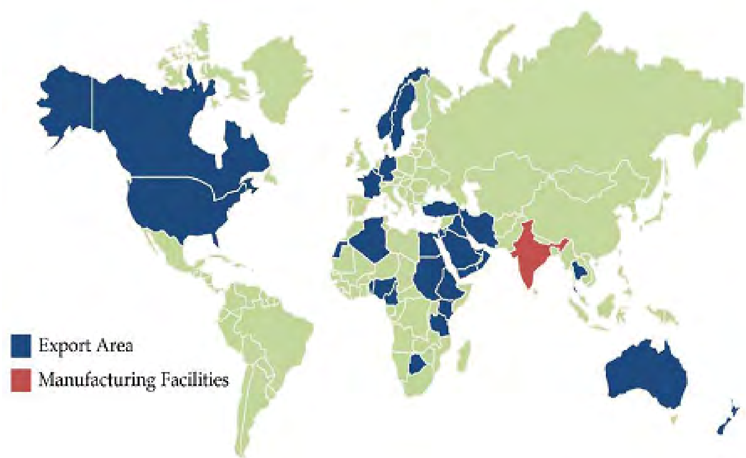
Source: Company, PhillipCapital India Research



Analyst Gauri Anand in conversation with Gurnam Singh, an experienced progressive farmer from Ambala

Ground View interviews basmati paddy farmers in Punjab

Ground View interviewed some basmati paddy farmers who are currently in distress as the prices have plunged even below the common paddy variety – an artiya (commission agent) from Ambala district blamed the export crunch and the excess supply of the famous PUSA 1121 variety of basmati, which is now fetching Rs. 12-17/kg vs. the common paddy variety at Rs. 14.5/kg. Basmati prices in the past three years were at Rs. 18-28/kg and had peaked at Rs. 55-60/kg. Plunging basmati prices and rising input costs have led to serious losses for farmers (Rs 10,000-15,000/acre) and some farmers that GV spoke to have even decided to shift to the normal paddy variety in the next season.



Paddy Storage Area

Processed Rice Storage Area

Testing lab at the plant

GV's visit to KRBL's site in Dhuri, Punjab

Source: PhillipCapital India Research

"Most of the farmers are indebted to 'artiyas (commission agents)'; therefore, they are averse to risk. A switch to any other crop other than paddy is a risk. Creation of cold storage, forward linkages with agro-processing industries, and rural employment, would reduce dependence on agriculture and will help the farmers get out of the debt trap,"

- Jagraj Dandi, JS Statistics, Dept. of Agriculture, Govt. of Haryana.

"Excess production has led to a huge pileup with exporters. We are advising farmers against cultivating basmati. They will fetch good prices only if annual basmati arrivals in the markets remain at around 2mmt in Punjab,"

- Ravinder Singh Cheema, President of the Punjab Arhtiya Association and Vice-Chairman of the Punjab Mandi Board.

Falling prices of basmati have landed many UAE traders in a soup, with most defaulting on their credit obligations. India Pusa 1121 is now being sold at US$ 750/MT vs. US$ 1,200-1,300/MT at the beginning of the year, while Pakistan basmati prices have plunged by 40% to US$ 730-750/MT from US$ 1000/MT in FY15.

"Thai rice is not very famous in the Middle East, it has a larger market in the US, Senegal, Hong Kong, and China. Consumers here tell us that while it matches basmati in terms of fragrance, it becomes starchy after cooking."

- A retailer in Dubai

"Famous Pakistan basmati brands in Dubai are Falak and Mehran. These brands used to be at a slight premium to Daawat or India Gate. While Falak prices in super markets have corrected to Dh 28 (from Dh 45) for a 5kg bag. Daawat and India Gate prices have sustained at Dh 45-60 for five kgs,"

- A trader in Al Ras market in Dubai.

		Revised Rs./Kg	Earlier Rs./kg	change%	
Kohinoor	Kohinoor Gold (extra long)	191	199	-4%	PREMIUM QUALITY
Kohinoor	Kohinoor Authentic	189	215	-12%	
Lal Qilla	Traditional Basmati	186	203	-8%	
Kohinoor	Kohinoor Platinum	182	215	-15%	
KRBL	India Gate - Classic	179	210	-15%	
LT Overseas	Daawat Birayani	160	195	-18%	
LT Overseas	Daawat Traditional	160	194	-18%	
	Average	178	204	-13%	
Kohinoor	Trophy Gold	140	165	-15%	MEDIUM
KRBL	India Gate - Super	138	155	-11%	
Kohinoor	Kohinoor Super (Silver)	137	166	-17%	
	Average	138	162	-15%	
KRBL	India Gate Tibar	104	113	-8%	BROKEN RICE
Kohinoor	Kohinoor Tibar	100	118	-15%	
Kohinoor	Kohinoor Dubar	99	109	-9%	
KRBL	India Gate Dubar	92	125	-26%	
Shrilalmahal	Dubar	89	150	-41%	
Kohinoor	Kohinoor Charminar	86	99	-13%	
Lal Qilla	Lal Qilla 507 Gold	80	88	-9%	
KRBL	India Gate feast Rozana	64	83	-23%	
	Average	89	111	-19%	
Shrilalmahal	Heena	65	155	-58%	LOW END VARIETY
Kohinoor	Charminar long grain	65	99	-34%	
KRBL	India Gate Mini Mogra	45	53	-14%	
KRBL	India Gate Mogra	38	40	-6%	
	Average	53	87	-39%	

Source: PhillipCapital India Research

Source: PhillipCapital India Research

The outlook looks *promising*

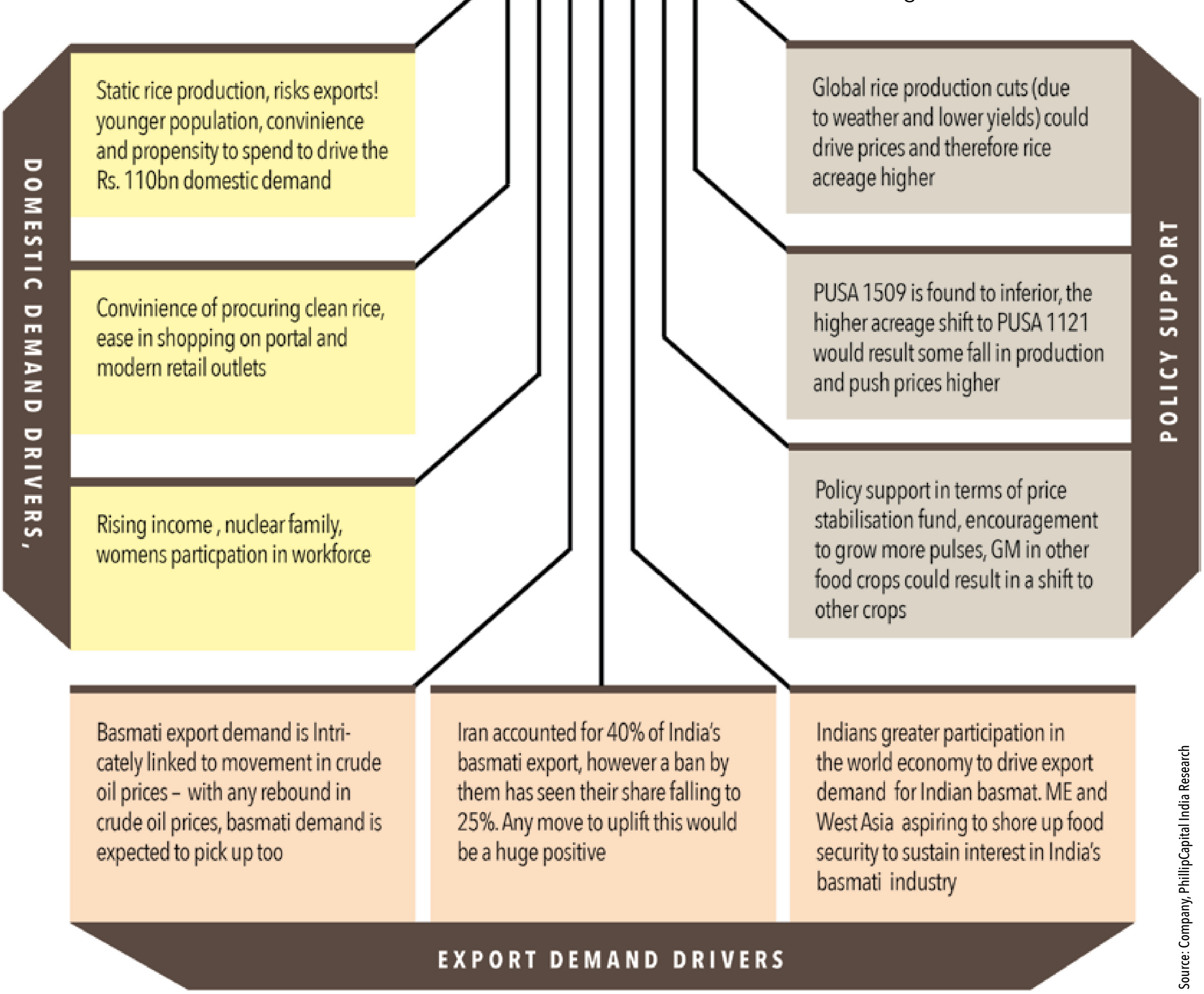
"Basmati rice is primarily produced in India and Pakistan, with India being the larger producer. The product is consumed a lot in the Middle East and West Asia. As that region is aspiring for food security, they will look at long-term and sustainable footholds, not only in basmati rice but also other staple grains and pulses,"

- Rakesh Mehrotra, CFO, KRBL.

The nervousness led by excess supply and plunging prices is likely to be short lived, as globally, adverse weather has led to a cut in volume estimates for rice (by the USDA) for FY16 – this should push prices higher over the next few years . With softening commodity prices, basmati realisation has fallen (as with other commodities); rice exports grew 17% in April-August 2015 in quantity terms, underscoring that the demand has improved in response to falling prices.

Industry estimates peg basmati demand (Rs. 120bn) to have seen a CAGR of 12% in 2001-14 (vs. 1.2% for rice), led by strong demand from both domestic and international markets. With a rise in income levels, shift in consumer preference (to branded rice from unbranded), rising 'eat out' culture, and expansion of organized retail in India, consumption of branded products has been rising. Domestic demand is likely to grow at 12-15% over the next two years vs. 15% in the last five years. Export demand looks healthy – a rebound in crude oil price and any decision by Iran to lift the import ban on rice from India will drive demand further.

For many years, private equity funds and venture capitalists did not have agri-business on their radar. This is changing. Agri-GDP growth has been volatile and middling (2-4%) – therefore, it is likely that rising investor interest in the packaged-rice market is not based on current statistics. It is mostly because packaged-rice players earn over 2/3rd of their revenues from branded products – the key driver for valuation besides their distribution network in India and overseas. With static rice production at ~105mmt, dwindling monsoons, and depleting water-table levels, India's 10mmt rice exports could be affected, leading to sustained PE enquiries and interest in the branded-rice segments.



Source: Company, PhillipCapital India Research

MAJOR DEALS IN BASMATI RICE MARKET

Company	Investor	Deal size ($ mn)	Date	PC Comments
LT Foods	Rabo PE	10	Nov-09	In two tranches of US$ 5mn each
Kohinoor Foods	McCormick	115	2011	Snapped domestic marketing rights
Dunar Foods	TVS Capital, IFC	25	Mar-12	
Bamati rice milling firm in Haryana	Ebro Foods (Spanish firm)	14.5	Mar-13	Acquired from Olam International
Bush Foods	Hassad Foods	125	Apr-13	Acquired 70% stake from Standard Chartered PE fund @ EV/EBITDA of 7-8x and PER of 14x
Kohinoor Foods	Al Dahra	19	Jul-13	20% stake at almost 11.1x EV/EBITDA consider-ation
Shrilalmahal	PE held	NA		
Best Foods	PE held	NA		

"What is working for agribusiness and food and retail is that it is driven by domestic factors, unlike many other sectors. It is a sure bet for investors in terms of sustained growth and return on investment."

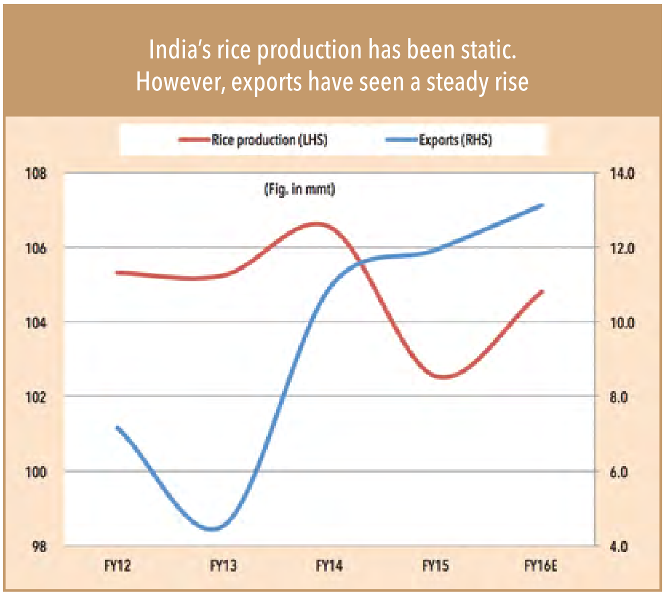
– Anil Jain, MD, Jain Irrigation.

USDA ***lowers*** rice production forecasts for three large rice exporting countries

For the third time now, the USDA (US Department of Agriculture) has lowered its forecast of global rice production for FY16 (by 1.7mmt to 474mmt, down 1% yoy; first decline since FY10). Thailand, India, and North America (large exporters to the global market) account for most of the expected global rice production decline in FY16. The smaller global crop is due to both reduced area and lower average yield, with adverse weather a main factor. At 159mn hectares in FY16, global rice area is almost 1mn hectares below FY15, with Thailand accounting for more than half of the decline. The rice area is also projected to be smaller than a year earlier in Africa and the United States. FY16's season average farm price is projected to be at US$ 12.8-13.8 per cwt (up from US$ 11.9 in FY15, up 7.5-16.0% over last year).

FOLLOWING ADVERSE WEATHER, USDA CUT RICE PRODUCTION ESTIMATES

Production		**Revision in production**		
in mmt	Revised	Earlier	in mmt	%
Thailand	16	18	1.60	-8.9
India	104	104	0.50	-0.5
US	10	10	0.10	-1.0
Others	345	344	-0.50	0.1
Global	474	476	1.70	-0.4



Source: PhillipCapital India Research

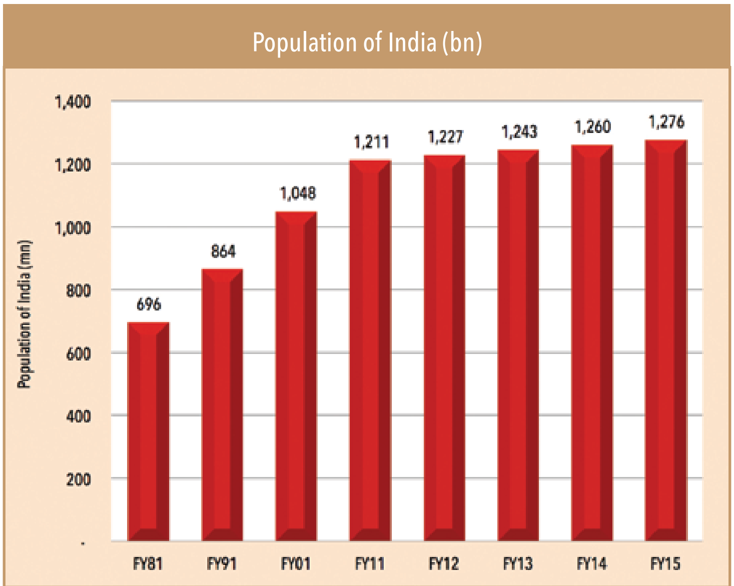
Basmati rice industry on an uptrend; strong ***demand growth expected to continue***

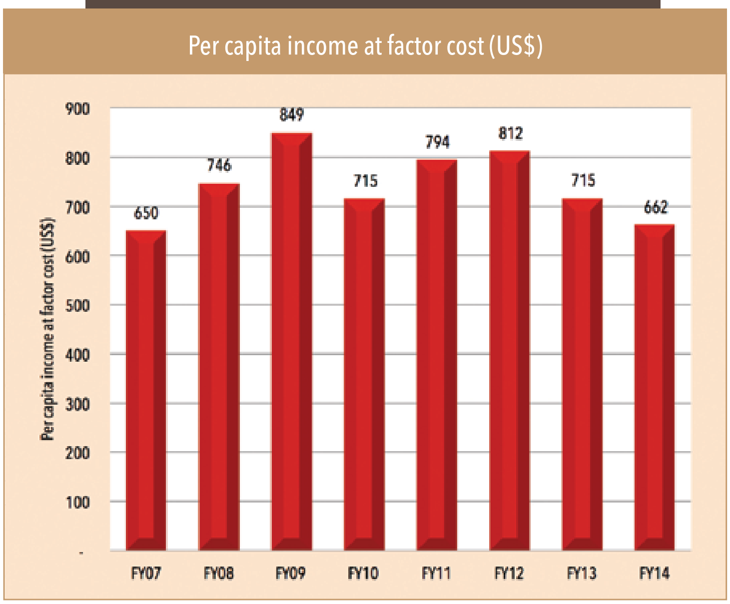
Besides, India's production has been static at ~105mmt in FY12-16 while its exports of rice (all varieties) has nearly doubled in the same period (exports rose to 13.2mmt in FY16 from 7.2mmt in FY12). With firming prices of pulses and other cereals and lower water availability, the acreage under rice is likely to fall. This, along with rising domestic demand could risk exports and push prices higher.

"Procurement cost is low; therefore, lower stock cost and increased exports will help in volume and income growth in H2FY16."

– Satnam Arora, Managing Director, Kohinoor Foods.

Demand for basmati rice has seen a CAGR of 20% in the past five years driven by growth in domestic and exports markets. With the rise in incomes and shift in consumer preference to branded rice, domestic demand is likely to remain strong. In basmati exports, India has taken away a substantial share from Pakistan – its only competitor – due to superior quality and higher production. Industry sources say production of basmati rice has increased in the current kharif season due to higher acreage (+5%) and sowing of high-yield Pusa 1509 variety (which consumes less time and water; however, it is less preferred). Higher supply and a fall in export demand (especially by crude exporting economies such as Middle East) have pressured basmati prices lately, so much so that the basmati paddy variety, which used to command a significant premium non-basmati paddy, actually traded at a discount for a brief period. However, with firm prices of pulses, cotton, and ample stock of basmati, we see the crop acreage switching from basmati to other competing crops. Lower acreage coupled with rising demand is likely to lead to an increase in realisations over the next 1-2 years.





Source: PhillipCapital India Research

A large population ensures high demand for agricultural produce

Population (1.27bn) is a key demand driver of agricultural growth in India, whose consumption expenditure is likely to touch US$ 3.6tn by 2020 up from an estimated US$ 0.2tn in 2015. A large population ensures high demand for agricultural produce.

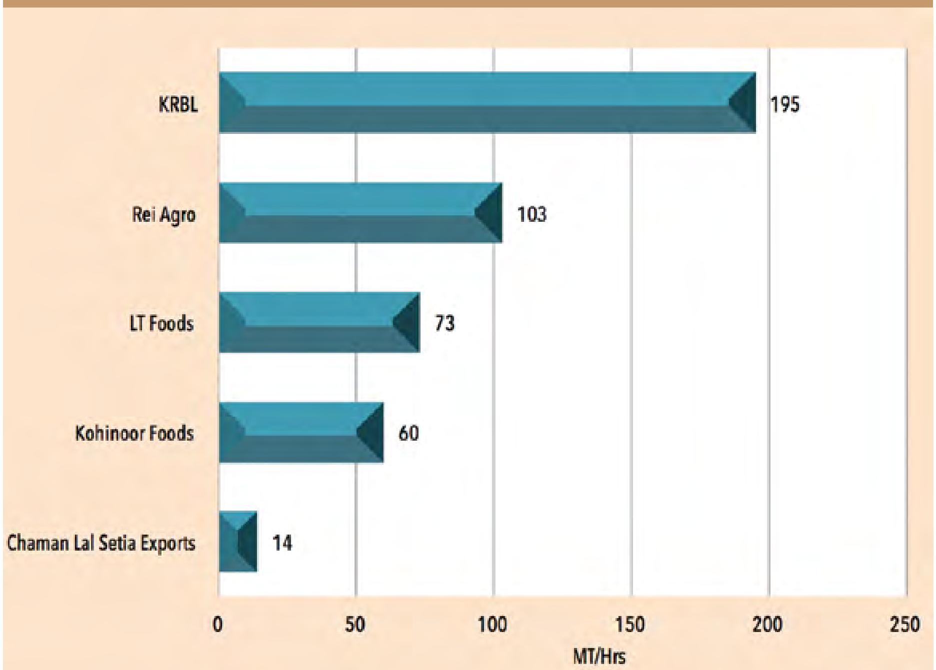
Domestic demand for packaged food has been on the rise mainly due to rising income and propensity to spend, changing lifestyles, women participating in the workforce, and most important, convenience of shopping (portals and modern retail outlets). Indian basmati demand is also likely to benefit from rising external demand going by India's wider participation in the global economy. India exported agricultural products worth US$ 40bn in FY15, of which rice formed a major part (US$ 8bn or 20% of total). Of the total rice exports, basmati rice accounted for almost 60% or US$ 4.5bn. There is a general surge in demand for agricultural produce from India. Growth in the export of basmati rice is likely to follow a rebound in crude oil price.

Key risks for India's basmati players

- The Middle East is the biggest export market for Indian basmati rice and accounted for over 83% of its exports in FY15. Hence, any political turmoil in this region may adversely impact India's exports.
- While most incumbents hedge their forex exposure, a high volatility in foreign currency could adversely impact revenues, margins, and earnings.
- Any high volatility in procurement costs could impact margins. Incumbents are engaged in purchasing both semi-processed rice and paddy depending upon the demand and price expectations. This exposes them to fluctuations in raw-material prices. While a longer inventory-holding period may result in higher realisations (because of ageing), it results in higher carrying and interest costs.
- The Indian government had banned exports of non-basmati rice in April 2008 to curb inflation and subsequently lifted this ban in September 2011. Although there has been no ban on basmati rice exports, any such policy change could significantly impact the industry.

Basmati: *Undeniably ATTRACTIVE*

Basmati milling capacity of select players in mt/hour



Source: PhillipCapital India Research

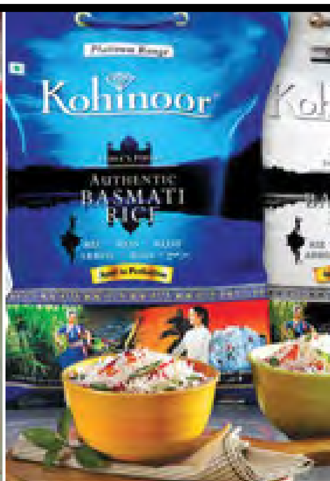
Rice has always been a staple diet and with an increasing demographic base globally, absolute demand and consumption of rice will only rise each year. Outside India, the Middle East remains a dominant market and lifting of sanctions from Iran will lead to strong volumes. Demand is also picking up in the US, Europe, and Australia as they explore new palates. Changing lifestyles, increasing brand awareness, and higher cultivation that ensures steady supply, are boosting basmati growth.

Demand for basmati rice has seen a CAGR of 15% in the past five years driven by growth in the domestic and exports markets. We expect this momentum to continue. With a rise in incomes and a shift in consumer preference to branded rice, we expect domestic demand to remain strong. In basmati exports, India has taken away a substantial share from Pakistan – its only competitor – due to superior quality and higher production. This coupled with low inventory, shift in acreage, and rising demand is likely to lead to either stable or higher realisations over the medium term. With lower stock cost, margins should rise, driving the overall profit growth. Despite being in the B2C segment, due to strong underlying growth and decent return ratios, sector valuations remain attractive.

BRIEF PROFILES OF LEADING BRANDED BASMATI PLAYERS

Chaman Lal Setia Export

It is one of the older rice millers and exporters of basmati rice. They have modern processing units in Karnal, Amristrar, and Delhi and a corporate office in New Delhi. Mr Chaman Lal Setia is the CMD. The company has a milling capacity of 14mt/hour and its flagship brand is Maharani. In FY15, it earned a revenue/EBITDA/PAT of Rs. 5.08bn/388mn/195mn with FY10-15 CAGRs of 32%/31%/34%. The company pays about 10% of its profit in dividends and is a listed company with a market cap of Rs. 2.5bn, trading at an FY16 PE of 11x.



Kohinoor Foods

The company has a portfolio of food products ranging from basmati rice, ready-to-eat products, cooking sauces and pastes, spices, seasonings, and frozen food. It has expanded its product basket to ghee, paneer (Indian cottage cheese), ready mixes, namkeens, sweets, premium biscuits and cookies. It has a milling capacity of 50mt/hour and its key brands are Kohinoor Authentic, Kohinoor Extra Long, and Kohinoor Silver. In 2011, McCormick, US, snapped up domestic marketing rights of Kohinoor brands and in 2013 Al Dahra LLC of UAE acquired a 20% stake in the company with a view of long-term food security. It earns revenues of Rs. 12bn, of which Rs. 7bn are from exports. Its financials have been quite volatile and revenue growth was a sluggish 6% in FY11-15. The company has not paid any dividend in the past three years. Its market cap is Rs. 1.5bn.

KRBL

KRBL is India's largest exporter of branded basmati rice and owns the largest rice milling capacities in the country. Its rice brands include India Gate, Train, Al Wisam, Doon and Nurjahan (contributing 95% of total revenues). Its flagship brand – India Gate – contributes 55-60% of total revenue while non-basmati rice (mostly private labels) contributes 3%. KRBL derives 40% of its revenues from exports – 30% from the Middle East, and 10% from the rest of the world. It also wishes to penetrate the Chinese and Russian markets in the near future. KRBL has maintained excellent financials vs. peers with revenue/EBITDA/PAT CAGR of 19%/21%/25% in FY10-15. The company has been steadily increasing its dividend payouts - FY15 payout was 14%. It trades at an FY16 PER of 15x.

LT Foods

This company offers branded basmati rice, value-added staples, and organic food. Its brands Royal and Daawat are #1 and #2 in the US and India respectively. While basmati rice remains its core proposition, its vision is to emerge a global specialty food company. In FY15, it earned a revenue/EBITDA/PAT of Rs. 18bn/1.6bn/307mn translating to CAGRs of 22%/20%/17% in FY10-15. The listed company has been consistently paying dividends of 15-17%. Its market cap is Rs. 6.5bn and it trades at an FY16 PER of 8x.

A BRIEF
annual report analysis
of the past five years

Topline growth has been healthy, but margins have suffered due to MTM losses on inventory

A bottom-up calculation of the four large listed players (Chaman Lal Setia, Kohinoor, KRBL, and LT Foods) shows a topline growth of 18% in FY11-15; including REI Agro, it is just about 4%. The five large listed players account for Rs. 100bn in revenues – a fourth of the industry's revenues (domestic + exports). Performance was divergent – players such as KRBL (leader in the segment) and LT Foods saw strong topline CAGR of 19% and 22% respectively. Kohinoor Foods revenue growth has been rather sluggish at 6%.

Operating profit growth for the industry was relatively slow at 13% (excluding Rei Agro) perhaps due to franchise expansion and mtm losses on huge paddy/rice inventory. LT Foods's OPM margins slipped to 9%, but KRBL's and Chaman Lal's were steady at 16% and 8% respectively.

Working capital remains a challenge for some players

Working capital needs are high in staples trading/milling companies. Ageing is necessary to ensure higher recovery of head rice, reduce the proportion of broken rice while processing, removing moisture, and increasing the aroma. Both paddy and rice are aged, though there is a limit to the effectiveness of ageing paddy beyond six months. Rice can be aged for longer periods and rice aged beyond a year has a price premium, but remains a niche product. Ageing results in high working capital requirements. Indian banks have generally been liberal in financing these working capital requirements. The financing standards have been very low and credit has been easily available. The result has been that most processors had purchased more paddy than was necessary, which in turn had resulted in high inventory holding periods. However, the data points to a gradual decline (of 24 days) in FY11-15.

INVENTORY HOLDING PERIOD HAS BEEN ON A SLIGHT DECLINE OVER A FIVE YEAR PERIOD

Days	FY11	FY12	FY13	FY14	FY15	Average
Chaman Lal Setia Exports Ltd	85	76	64	50	49	64
Kohinoor Foods Ltd	283	307	299	292	338	304
KRBL Ltd	235	274	219	193	208	226
LT Foods Ltd	220	194	124	132	133	161
Rei Agro Ltd	334	316	301	321	349	324
Average (incl Rei Agro)	231	233	202	197	215	216
Average (excl Rei Agro)	206	213	177	167	182	189

Source: PhillipCapital India Research

THE AVERAGE CASH CONVERSION CYCLE HAS IMPROVED MARGINALLY OVER FIVE YEARS; HOWEVER, IT SLIPPED IN FY15 VS. FY14						
Days	FY11	FY12	FY13	FY14	FY15	Average
Chaman Lal Setia Exports Ltd	126	104	89	77	79	95
Kohinoor Foods Ltd	321	357	331	314	382	341
KRBL Ltd	242	285	236	206	223	239
LT Foods Ltd	260	250	166	167	160	201
Average	237	249	206	191	211	219

Source: PhillipCapital India Research

Players now realize that there is minimal benefit in holding excess paddy inventory. The reason is that all 'aged' paddy no matter the vintage (in terms of harvest year) is almost priced the same. Consequently, if paddy is stored for more than a year, then its value is determined by the next year's paddy prices. Players such as Kohinoor Foods and Rei Agro are holding excess inventory and could see significant inventory writeoffs going by the current low prices of basmati paddy prices.

The recovery rate is the amount of rice that can be milled from a given quantity of paddy. Industry producers are consistently recovering 65% of the paddy for milling. By-product production (husk at ~20% and bran at 9%) is fairly standard across the industry. All processors have access to the latest and improved technologies in processing and storage and therefore there are limited competitive advantages in recovery.

Balance sheet issues are likely to be crucial

The third continued bad season is likely to put pressure on companies with higher receivable days. A marginal jump in these days suggests a slower secondary offtake than primary sales. As a result, companies are facing pressure from both inventory and receivables. Therefore, sales growth needs to be seen in conjugation with WC deterioration for agri-staples companies. KRBL has a high inventory-holding period, so it has a deteriorating cash-conversion cycle.

Weaker cash conversion leads to lower dividend payouts

Given relatively lower capex needs (mostly working capital), most companies (Chaman Lal, KRBL, LT Foods) have announced dividends over the last five years. However, weak cash generation has meant lower dividend payouts, even as KRBL's improved to 14% in FY15 from 6% in FY11. Most of the players in the space have healthy RoEs of 20-30%. Among best performers are KRBL and Chaman Lal Setia with ~27% RoEs. Low capex intensity and healthy EBITDA margin of 15% enable the sector's RoEs to be high despite higher WC intensity. However, cash conversion is usually closely watched.

Where do we go from here?

FY16 is likely to be muted for branded basmati players due to a weak demand environment in the domestic market and in exports. On the domestic side, weak monsoons and excess production have put pressure on offtake. Globally, weak weather patterns and low commodity prices have impacted the overall demand. The sharp correction in basmati prices is likely to result in MTM losses on paddy inventory (while incrementally it would be lower in H2FY16). Heightened aggression among local and international players due to a weak season could soften margins. Players with a high brand recall would be able to combat such pressures to a certain extent.

Average cash conversion cycle deteriorated in FY15, led by rise in inventory days								
	DEBTORS DAYS		INVENTORY DAYS		CREDITOR DAYS		AVG CASH CONVERSION CYCLE	
	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15
Chaman Lal Setia Exports Ltd	32	34	50	49	4	3	77	79
Kohinoor Foods Ltd	62	74	292	338	40	30	314	382
KRBL Ltd	31	35	193	208	18	20	206	223
LT Foods Ltd	54	45	132	133	19	18	167	160

Lengthened cash-conversion cycle led to cash flow from operations turning negative					
	FY11	FY12	FY13	FY14	FY15
Chaman Lal Setia Exports Ltd	43	(36)	131	(211)	206
Kohinoor Foods Ltd	(382)	(1,462)	1,292	(167)	1,054
KRBL Ltd	(1,477)	1,410	1,701	(2,115)	3,241
LT Foods Ltd	(730)	419	(157)	1,633	(4)

Despite higher wcap, healthy margins and low capex needs led to consistent dividends						
Dividend payout	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	23.42	19.55	8.65	7.75	9.69	13.81
KRBL Ltd	6.31	10.25	12.86	10.67	14.25	10.87
LT Foods Ltd	16.14	0.00	15.47	15.38	17.26	12.85
Average (excl Rei Agro & Kohinoor)	15.29	9.93	12.33	11.27	13.73	12.51

RoCEs are healthy at about 17-18%						
	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	14.92	19.03	24.86	29.38	27.88	23.21
Kohinoor Foods Ltd	4.92	26.74	8.67	7.38	-0.02	11.93
KRBL Ltd	15.66	10.60	17.23	20.29	17.33	16.22
LT Foods Ltd	7.56	8.35	11.75	11.38	11.15	10.04
Rei Agro Ltd	13.00	12.19	11.41	7.57	-92.38	-9.64
Average (excl Rei Agro & Kohinoor)	12.71	12.66	17.95	20.35	18.79	16.49

RoEs are healthy at about 20%						
	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd.	18.07	20.53	26.06	30.73	26.67	24.41
Kohinoor Foods Ltd.	-5.25	76.42	1.72	5.82	-22.94	11.15
KRBL Ltd.	20.40	10.70	16.80	27.20	27.20	20.46
LT Foods Ltd.	10.20	-0.80	21.30	24.30	18.00	14.60
Rei Agro Ltd.	17.70	9.50	8.40	-1.50	0.00	6.82
Average (excl Rei Agro & Kohinoor)	16.22	10.14	21.39	27.41	23.96	19.82

Source: PhillipCapital India Research

Revenue growth excluding Rei Agro has been 15%+; Kohinoor posted sluggish growth							
Revenue Rs. mn	FY11	FY12	FY13	FY14	FY15	5yr avg	CAGR FY11-15%
Chaman Lal Setia Exports Ltd	1,680	2,175	2,725	4,162	5,083	3,165	31.9
Kohinoor Foods Ltd	9,074	9,611	10,878	12,634	11,590	10,757	6.3
KRBL Ltd	15,446	16,310	20,803	27,913	31,130	22,321	19.1
LT Foods Ltd	8,229	9,842	16,597	18,026	18,216	14,182	22.0
Rei Agro Ltd	37,244	42,255	50,891	45,232	18,558	38,836	-16.0
Total	71,673	80,193	101,894	107,968	84,577	89,261	4.2

Operating profit growth has been strong at about 20%							
EBITDA Rs. mn	FY11	FY12	FY13	FY14	FY15	5yr avg	CAGR FY11-15%
Chaman Lal Setia Exports Ltd	133	186	245	345	388	259	30.8
Kohinoor Foods Ltd	1,119	3,600	1,165	1,202	178	1,453	-36.9
KRBL Ltd	2,322	2,354	3,247	4,652	4,910	3,497	20.6
LT Foods Ltd	789	1,266	1,500	1,505	1,610	1,334	19.5
Total	4,362	7,406	6,156	7,704	7,086	6,543	12.9

Operating profit margins vary from 8-16%						
OPM%	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	7.90	8.53	8.98	8.28	7.64	8.19
Kohinoor Foods Ltd	12.33	37.46	10.71	9.52	1.53	13.50
KRBL Ltd	15.03	14.43	15.61	16.67	15.77	15.67
LT Foods Ltd	9.58	12.86	9.04	8.35	8.84	9.40
Rei Agro Ltd	20.83	20.40	18.35	15.00	-258.64	-7.98
Total	6.09	9.23	6.04	7.14	8.38	7.33

PAT growth has been strong at 22%							
PAT Rs. mn	FY11	FY12	FY13	FY14	FY15	5yr avg	CAGR FY11-15%
Chaman Lal Setia Exports Ltd	60	77	120	182	195	127	34.1
Kohinoor Foods Ltd	(235)	1,832	97	65	(726)	207	32.6
KRBL Ltd	1,155	711	1,505	2,653	2,809	1,767	24.9
LT Foods Ltd	162	44	338	385	307	247	17.3
Total	1,142	2,665	2,060	3,285	2,585	2,348	22.6

D/E is over 1x, as high working capital is needed for ageing paddy inventory						
Debt to Equity	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	1.36	1.24	0.67	0.91	0.63	0.96
Kohinoor Foods Ltd	5.35	2.52	2.33	1.71	1.97	2.78
KRBL Ltd	1.49	1.40	1.09	1.35	1.07	1.28
LT Foods Ltd	3.43	3.67	3.69	3.03	3.20	3.40
Rei Agro Ltd	1.63	1.92	2.04	2.16	-2.10	1.13

Source: PhillipCapital India Research

Debt levels have been steadily on the rise; which is largely working capital led						
Debt Rs. mn	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	474	496	347	611	500	485
Kohinoor Foods Ltd	9,247	8,955	8,539	8,319	8,119	8,636
KRBL Ltd	9,021	9,381	8,703	13,795	13,510	10,882
LT Foods Ltd	7,251	7,924	9,008	8,357	9,606	8,429
Rei Agro Ltd	38,530	47,993	53,312	55,836	58,123	50,759
Total	64,523	74,749	79,909	86,918	89,858	79,191

Asset turns have seen some improvement over a five-year period						
Asset turnover	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	1.83	2.09	2.53	3.17	3.14	2.55
Kohinoor Foods Ltd	0.81	0.74	0.79	0.83	0.73	0.78
KRBL Ltd	0.98	0.86	1.06	1.20	1.10	1.04
LT Foods Ltd	0.90	0.92	1.39	1.42	1.36	1.20
Rei Agro Ltd	0.60	0.56	0.58	0.48	0.28	0.50

Sector has been re-rated in the past five years - trades at 10x PER (trailing)PER						
	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	5.15	3.29	2.38	1.68	3.43	3.18
Kohinoor Foods Ltd	0.00	0.49	6.60	23.44	0.00	7.63
KRBL Ltd	5.62	6.05	3.51	4.39	13.98	6.71
LT Foods Ltd	7.84	22.34	3.63	6.26	8.53	9.72
Rei Agro Ltd	9.29	5.23	4.62	0.00	0.00	3.83
Average (excl Rei Agro) (x)	4.65	8.04	4.03	8.94	8.65	6.81

Sector available at 2x PBR						
PBR	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	0.89	0.63	0.55	0.46	0.84	0.67
Kohinoor Foods Ltd	0.78	0.25	0.18	0.31	0.46	0.40
KRBL Ltd	1.07	0.64	0.66	1.14	3.12	1.33
LT Foods Ltd	0.60	0.46	0.50	0.87	0.87	0.66
Rei Agro Ltd	1.13	0.48	0.38	0.17	-0.02	0.43
Average (excl Rei Agro) (x)	0.83	0.50	0.47	0.70	1.32	0.76

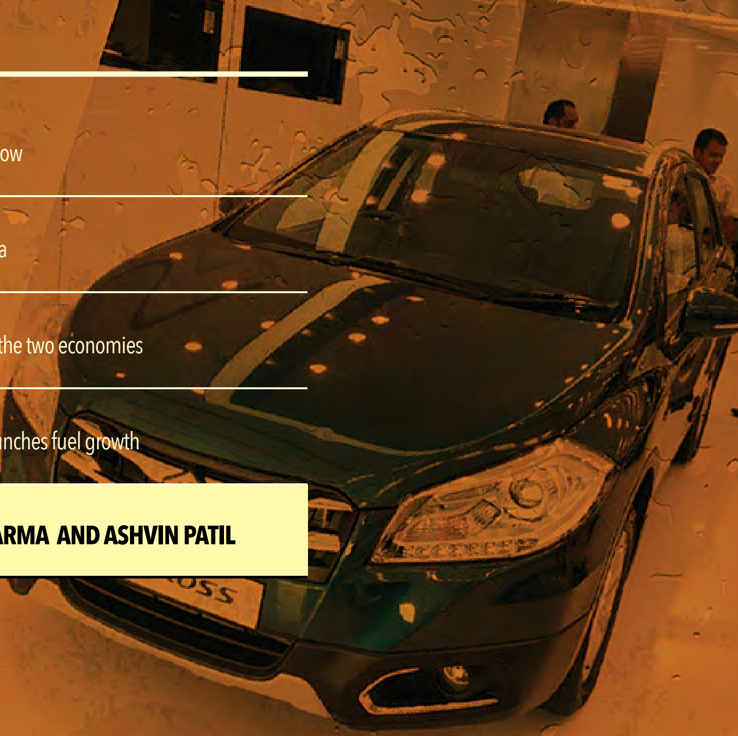
Trades at an EV/EBITDA of 8x						
EV/EBITDA	FY11	FY12	FY13	FY14	FY15	5yr avg
Chaman Lal Setia Exports Ltd	4.71	3.31	2.42	2.47	2.68	3.12
Kohinoor Foods Ltd	9.37	2.70	7.77	8.12	55.80	16.75
KRBL Ltd	6.66	5.74	4.27	5.33	10.73	6.55
LT Foods Ltd	10.62	6.85	6.71	7.08	7.55	7.76
Rei Agro Ltd	7.95	6.67	6.59	8.64	-1.22	5.73
Average (excl Rei Agro) (x)	7.84	4.65	5.29	5.75	6.99	8.54

Source: PhillipCapital India Research

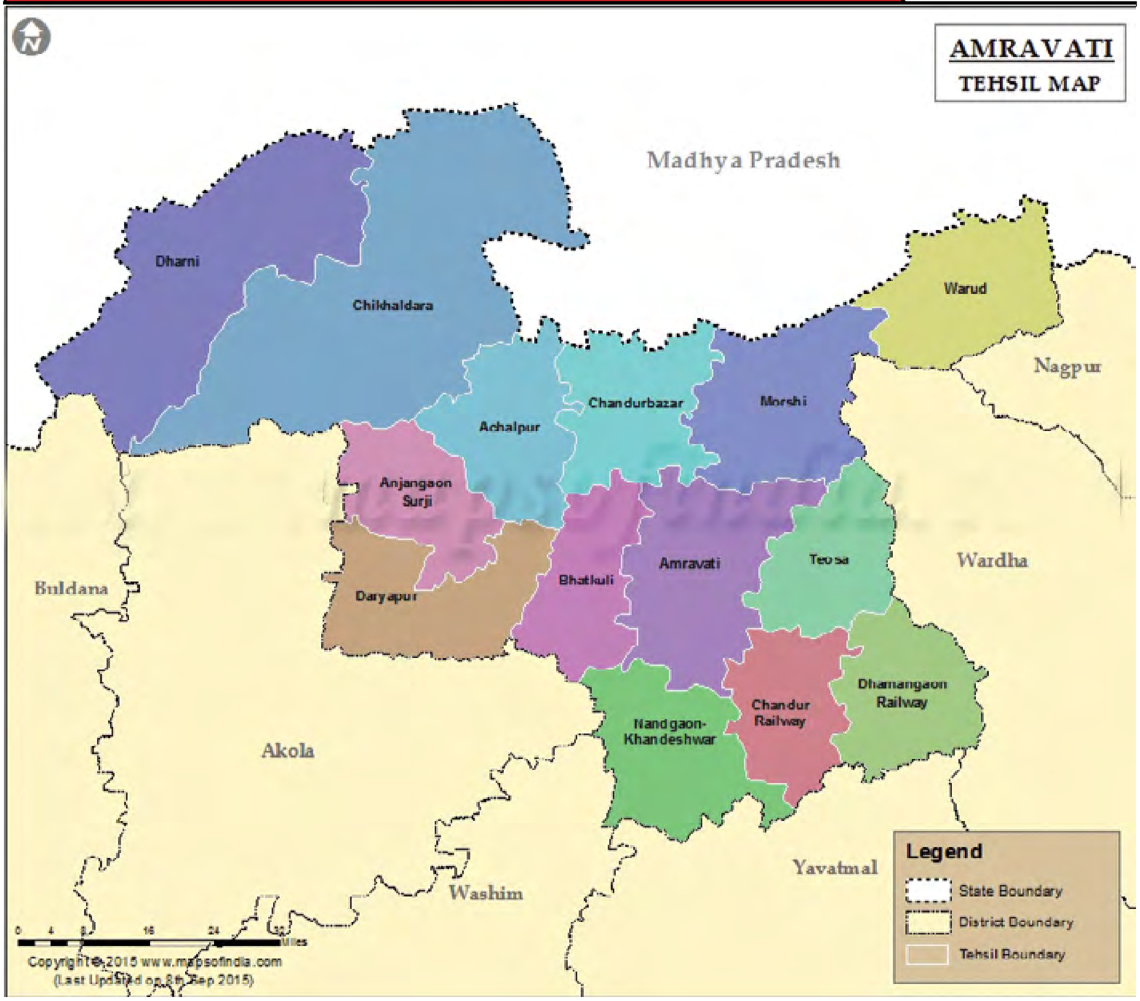
V I D A R B H A

A tale of two economies

We imagine that there is only one Vidarbha. But, in reality there are two. There is the one Vidharbha that we know – the place where farmers are constantly tested by the vagaries of the monsoon, the largely agrarian Vidharbha of oranges, cotton and soyabean. But then there is a second Vidharbh – one that Ground View discovered in its two-day, 13-visit tour across Nagpur (also known as Maharashtra's second capital) and Amravati (divisional headquarter) – this Vidharbha's fortunes do not depend on good crops and vagaries of monsoon. This Vidharbha consists of a rising middle class (like any other region in India), the business community, government employees and other salaried people, the construction segment – you get the picture. This Vidharbha mirrors any other upcoming region in any part of India, where aspirations are rising and premiumisation is evident – probably nothing reflects this better than the presence of major automobile brands (both Indian and international) in the cities. While long-suffering farmers are delaying even some of their discretionary medical treatments (incidentally affecting hospital revenues), this other Vidharbha is spending on their hopes and desires. GV takes you through the tale of these two cities within one.



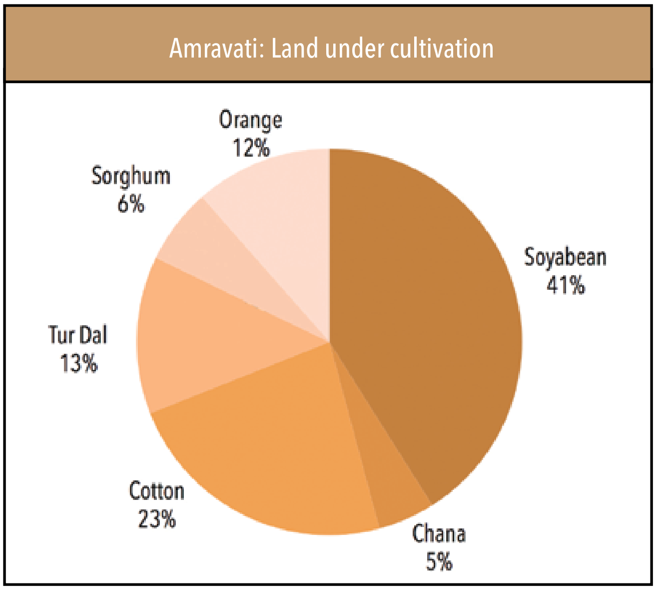
BY DHAWAL DOSHI, NITESH SHARMA AND ASHVIN PATIL



Staring at a 50%+ failed crop, impacting allied businesses

Amravati district (covering 14 talukas) is spread over 1,200 hectares. Of this, the total area under cultivation is 887 hectares (roughly 74%). Of the total area under cultivation, only 251 hectares is irrigated (28%) while the rest is dependent on monsoons. Total open wells in the area are 55,382. Amravati has majorly black and shallow-black soil, in which soyabean, cotton, turdal (pigeon peas), sorghum, chana, and oranges are cultivated.

More than 50% of the land under cultivation has seen a crop failure this year, while around 30% needs additional rainfall for a good crop output. Soyabean, with the largest area under cultivation, has seen a failed crop with lower and inconsistent rainfall. Yields have fallen so substantially at a few places that they do not even cover the costs of cutting the crop. Tur has also seen below-average yields, thereby impacting earnings. Cotton and chana outputs are contingent on additional rainfall, failing which yields are likely to be lower. Less rainfall has affected Vidarbha's agriculture badly, but checks reveal that its situation is still better off than Marthwada, which has seen a much wider impact on the local economy.



"Failed soyabean has led to fall in volumes. FCI is not floating tenders impacting our business,"

- a local transporter whose business is transporting agri produce for FCI from Amravati and nearby talukas to Nagpur

Crop failure impacting the local transportation businesses

The failed soyabean crop has had a substantial impact on fleet operatorsin the region, majority of who are dependent on the transportation of agri-produce from the nearby talukas to Nagpur and ahead. Many of these transporters' operations are dependent on the tenders from the Food Corporation of India (FCI). "FCI is not floating tenders and this is affecting our business,"said a local transporter whose business transports agri-produce for FCI from Amravati and nearby talukas to Nagpur. He has a fleet of 50 small and big trucks and claims his current utilization is less than 50%. A walk across the Transport Bazaar in Amravati at 4PM clearly showed that plight of these transporters. Idle trucks were parked chock-a-block across the lanes. Failed soyabean is largely responsible for this fall in volume of agri-produce, these transporters believe.

Idle trucks parked at 4PM in the transport bazaar in Amravati.
Most transport operators blamed failed soyabean crop for the slack

Tractors are an immediate casualty, but crop failure is not the only factor

Tractors are usually a direct casualty of lower farm income and the scenario is no different in Vidarbha. Tractor volumes in FY15 were down substantially - FY16 volumes have fallen another 5-10% from the already significantly lower FY15 volumes. Current tractor population in the region is 10,077 of which ~60% are less than five years old. Tractor penetration in the region currently is 20% vs. 5% a decade ago.

TAFE showroom: Onlyfinancers and employees hanging around – no customers

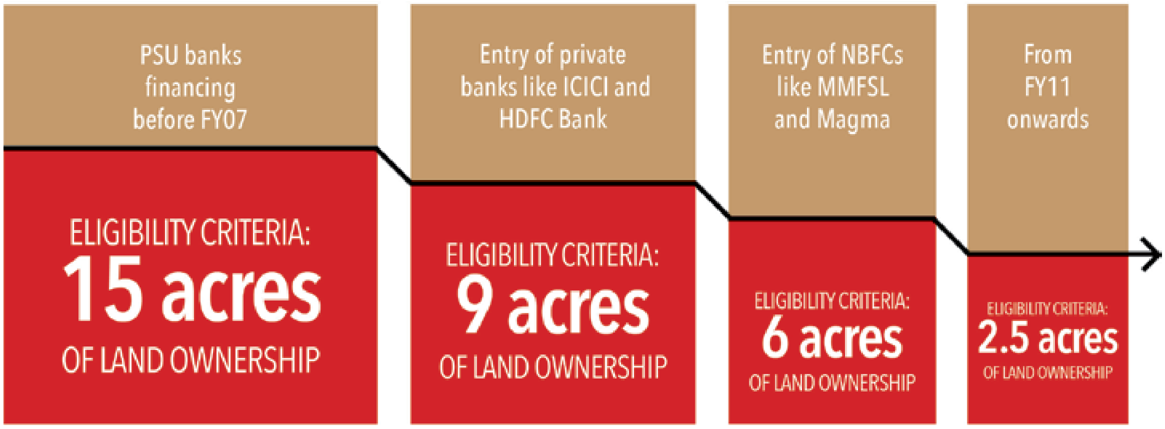
Source: Company, PhillipCapital India Research

Evolution of tractor financing in Vidharbha equally at fault

The tractor financing industry is as equally responsible as lower agri-crop for the current bleak condition of the tractor industry in the region. Increasing number of financing companies and easing eligibility norms saw annual tractor sales more than double from FY11 to FY14 (up 130%) with most of the increase in penetration levels during this period. Number of financers in the region increased from just a handful public sector banks about 7-8 years ago, to the current 15 entities.

NO. OF TRACTORS SOLD

In addition to relaxing land requirements, various attractive schemes pushed small and marginal farmers into owning tractors. Schemes such as 'Get Rs. 1 along with 7/12 (7/12 or saat-baara is an extract from the land ownership register maintained by the government of Maharashtra) and own a tractor' were quite prevalent until 2-3 years ago. In addition to financing schemes, dealers also



offered credit periods to farmers for the down payment. All this saw the proportion of overall tractors purchased through financing increase to around ~90% currently from ~50% in FY12.

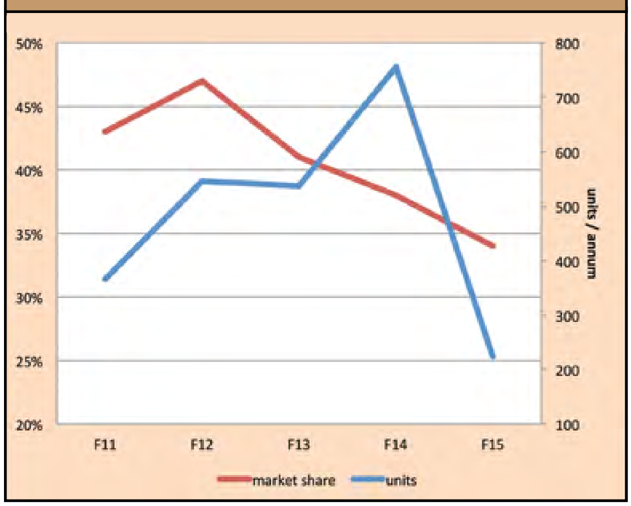
Easy credit availability led to a surge in tractor volumes from FY11 to FY14, creating a huge oversupply in the region. Farmers with very low land holdings, which did not justify owning a tractor, were also acquiring one. Oversupply, coupled with three consecutive crop failures, started hitting the industry hard — volumes began to fall rapidly amid rising competitive pressure.

Now, farmers have started renting out tractors in order to meet their EMI obligations. The last two years have also seen rising tractor repossessions – another deterrent to tractor volume growth. While this was prominent in Madhya Pradesh, it wasn't very prevalent in the Amravati belt. Dealers believe that there is re-possessed stock of ~1,200 tractors in MP's Gunna area and more than 500 tractors in Surajpur – this is significantly higher than the annual volumes in the entire Amravati belt. The dealers of the top two tractor-producing companies said that recovery is still a year away (assuming normal monsoons) and will be fuelled initially by replacement demand.

Poor scenario and rising competition – the leader loses market share

Sluggish industry and fierce competition means significant changes in the business models for companies operating in the segment, especially the leader, Mahindra & Mahindra (M&M), who has a market share of 34% as of FY15 vs. 47% in FY12. Increasing competitive intensity and price undercutting by a few of its competitors saw the company losing market share in the region.

M&M: PERFORMANCE IN AMRAVATI DISTRICT



Source: Company, PhillipCapital India Research

Falling market share was a result of significant increase in the competitive intensity – number of tractor companies increased to around 15 currentlyfrom 4-5 five years ago.

AMRAVATI DISTRICT : Dealers of various companies	
Company	No. of Showrooms
M&M	1
TAFE	1
John Deere	1
New Holland	2
Eicher	2
Force	3
Indo Farm	1
Preet	1
Swaraj	2
Kubota	1
Captain	1
Sonalika	3
Escorts: Farmtrac	2
Escorts: Powertrac	2
ACE	1
Mitsuibishi	1
TOTAL	**25**

Source: Company, PhillipCapital India Research

New Holland, which opened its second showroom in Amravati three years ago, managed to sell more than 200 tractors in its first year, primarily taking away M&M's share – that year, M&M sold 756 tractors. The industry clocked 52% growth in overall tractor sales while M&M managed to report only 40% growth in volumes, implying market share loss. Rising competitive intensity was also marked by pricing actions by some of the companies to gain a foothold in the market. Sonalika, a known under-cutter, affected the industry with its lower prices. Another important reason M&M lost market share was that it did not chase volumes at the cost of pricing.

Sluggish demand, rising competitive intensity made dealers desperate

So bleak is the mood of the tractor industry in the region that dealers are leaving no stone unturned to generate volumes and achieve targets. For example, an employee at one of the dealerships GV visited was actually in the middle of selling a tractor to a person with no 7/12. He was made eligible for financing using some other person's 7/12, just so that the sale could be made. Dealers have started offering credit periods to farmers on the down payment. The numerous such ways (usually underhanded) in which dealers are enticing farmers shows just how dire the condition is and it will be quite some time before demand kicks in, even considering the low base. Most dealers believe that a demand revival is likely only after September 2016, and even that depends largely on the rains.

Few second-hand tractors acquired in the exchange schemes lying in a dealer's yard

M&M: Using a different approach to help dealers

Intense competition has forced M&M dealers to follow certain practices, which were unheard of for the company before FY10. While it is true that offering credit for down payments was done by dealers themselves, M&M also altered some of its policies to help them out. Correcting dealer inventory is normally the first step (and M&M did this), but it went a step ahead and allowed a dealer to offer exchange bonus (prevalent practice in four wheelers) on old tractors to attract volumes. One dealer GV visited had a 2,500 sq ft. yard for parking the old tractors acquired in exchange schemes.

M&M had made it mandatory for its dealerships to have a workshop/service station (no other companies in the area have this as a criteria) and this has helped dealers service tractors of other companies (with M&M's consent), thereby sustaining them in the downturn.

INFRASTRUCTURE OWNED BY THE M&M DEALER
Showroom: 3,000 sq. ft.
Workshop: 4,000 sq. ft.
Old tractor yard: 2,500 sq. ft.
EMPLOYEE STRENGTH: 43
Salesman: 16
Sales manager: 1
Retail executives: 2
Exchange executive: 1
Mechanics: 18
Spares executive: 4
Works manager: 1

Tractors of other companies along with M&M's waiting to be serviced at an M&M dealer's workshop.

M&M's Arjun Novo tractor expected to combat falling volumes, regain market share

An M&M dealer that GV spoke to seemed confident that with a year of Arjun Novo's launch, he will be able to piggyback on this best-selling tractor's performance and boost his volumes. Dealers said they have seen notable changes in the enquiries for this product, primarily driven by word-of-mouth publicity. M&M's regional office and its dealers are upbeat - they believe Arjun Novo will help M&M to improve market share. While this will not change their fortunes completely, it will help sustain in increasing competitive intensity.

The Amravati dealer GV visited was excited about Arjun Nuvo's competitive edge (design and performance) over other tractors in this category. Arjun Novo is believed to not only carry the maximum load in its segment, but is also seen as having one of the best cultivating speeds. A quick check revealed that this tractor potentially halves cultivation time – this would translate into substantial-savings in fuel costs for owners. While this is just one of the factors, the dealer also pointed out noticeable changes in comfort and handling for farmers. Farmers also talked about better seating comfort, more powerful engine, and smoother gearbox vis-à-vis peers. A look at the dealership brochure reveals a strong marketing pitch pushing the superiority of the product.

Arjun Novo: Capability of carrying a maximum load up to 2200 kgs

Demand from infrastructure:

Glimmer of hope, but will not turn the tide

Source: Company, PhillipCapital India Research

Increasing infrastructure activity provides a glimmer of hope for the tractor volumes in the region. With work on various infrastructure projects (Nagpur Metro, Pardi flyover, Pardi Grid Metro, cementing of the 45 km. stretch of the inner ring road, outer ring road) gaining traction, demand for tractors for construction activities has improved. While tractor registration for commercial use accounts foronly 5-10% of overall tractor sales in the region,diversion of tractors to commercial use helps reduce oversupplyin the agriculture segment.

Monthly report card of the regional office of a financing company covering 15 branches and 12 districts

It is visible from columns 3, 4,and 5 that tractor volumes have seen considerable sluggishness. H1FY16 performanceis significantly below the targets set for FY16, but October 2015 has seen some sort of a revival with the financing for around 100 tractors each for M&M and Swaraj. While the branch head did not expect October 2015 performance to continue for the rest of the year, he was optimistic vs. H1FY16 performance. He said that most of the increase in volumes in October 2015 was from the infrastructure segment

"October 2015 mein kaafi tractors finance kiye hai majorly infrastructure segment ke liye (we financed quite a few tractors in October 2015, mainly for the infrastructure segment),"

\- The branch manager of a financing company in Nagpur.

Rising aspirations driving *premiumisation*

While the agri-dependent segment has had a big impact on demand driven by lower yields and tapering MSP growth, the aspiration of the salaried class and business community has driven premiumisation, visible from GV's interactions with various two-wheeler and three-wheeler dealers. The volumes of companies with more rural-centric products (Hero Motocorp and M&M) were adversely affected, while players with a more urban touch and premium products (Bajaj Auto, Maruti, Hyundai) saw contrary trends.

Interactions with two-wheeler dealers in Nagpur and Amravati highlighted the stark differences in consumer behaviour– dealers in the Amravati belt (more rural) talked about dwindling sales, increasing offers, and rising inventory while Nagpur dealers (urban-centric) boasted of high-end products, low inventory, and no discounts.

Amravati: Price sensitive market given tough economic conditions

Three consecutive failed or low-yielding crops have plagued the Amravati market, which saw stiff competition, increasing offers, and higher inventory. Despite these, overall motorcycle volumes for the industry in the region are down by 15-20%. Low cost of ownership was the most important factor driving volumes. Bajaj Auto

Various offers on Honda motorcycles, which have seen the most sluggishness

Series of motorcycles displayed at Hero Motocorp showroom

Source: Company, PhillipCapital India Research

was successful in this aspect, with competing dealers highlighting market share gains for CT100 and Platina, given their predatory pricing and good fuel economy. On the other hand, Hero and Honda dealers saw strong inventory build-up and various financing and insurance offers to boost volumes.

These showrooms not only saw more offers (to boost volumes) but also a surge in inventories (given weaker festive season sales). Hero Motocorp and Honda dealers were saddled with 2-3 months of motorcycle inventories. Negative growth in retail sales and inventory push by companies in anticipation of festive demand left dealers with bloating inventories.

On the other hand, Bajaj dealers said there was no inventory push and that they did not give any discounts to push volumes.

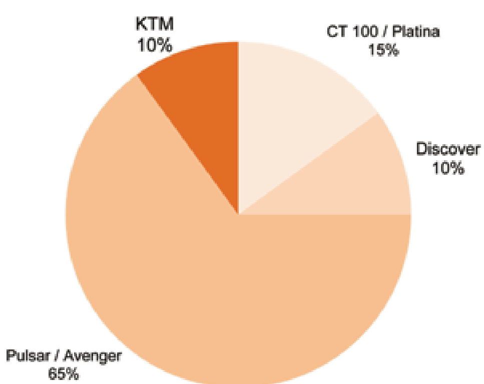
Pulsar RS 200 displayed at a Nagpur dealer's showroom

Older version of Avenger giving way to the new sleeker version

Nagpur: Strong brand pull especially towards the premium segment

In complete contrast to Amravati, the Nagpur market is seeing rising aspiration and higher brand awareness. Dealers reported increased traction in products in the Rs. 100,000-350,000 range – this segment continues to be the fastest growing in this region – which fares well for companies such as Bajaj Auto and Eicher Motors whose strong product portfolio caters to this price band. With government employees comprising a large chunk of this addressable market, dealers keenly await the implementation of the Seventh Pay Commission, which will increase the disposable income in the hands of the government employees, thereby driving more volume growth.

One Bajaj Auto dealer shared his sales mix – in which the higher aspirations are visible. Around 75% of this dealer's volumes are from the premium segment dominated by Pulsar and aided by Avenger and KTM.



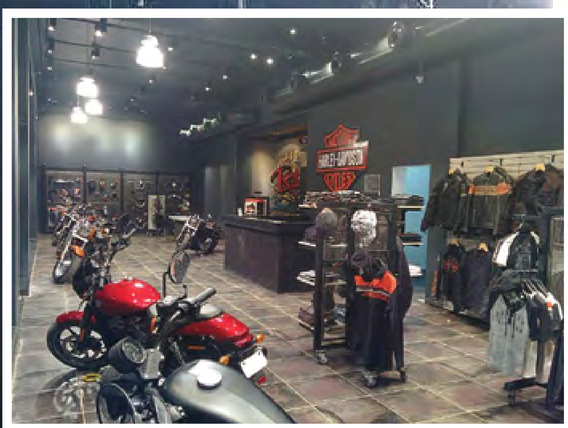
Stronger brand awareness and lower exposure to the low-end segment ensured that this dealer was better off than his peers – his retail sales drop was restricted to 5% vs. the more than 10% drop for his peers in the festive season. While overall retail sales were negative, largely due to falling volumes of the Discover family, Pulsar continued to see strong traction with new product launches.

While the Pulsar segment continues to drive major volumes, the dealer expects the newly launched Avenger series to gain traction. The confidence stems from not only the quality of the product, but also from the great response to a rally that the dealer organised throughout the city to display the newly launched Avenger. The dealer expects to more than double his Avenger volumes with a strong response to the newly launched Avenger series (both 220cc and 150cc segments). Channel checks suggest that Bajaj Auto is targeting sales of over 25,000 units/month of Avenger by March 2016 compared to 3500-4500 units/month from the older version.

The new Avenger 220 Cruiser

The new Avenger 220 Street

TVS Motors showroom in Nagpur



Harley Davidson showroom: launched in November 2015

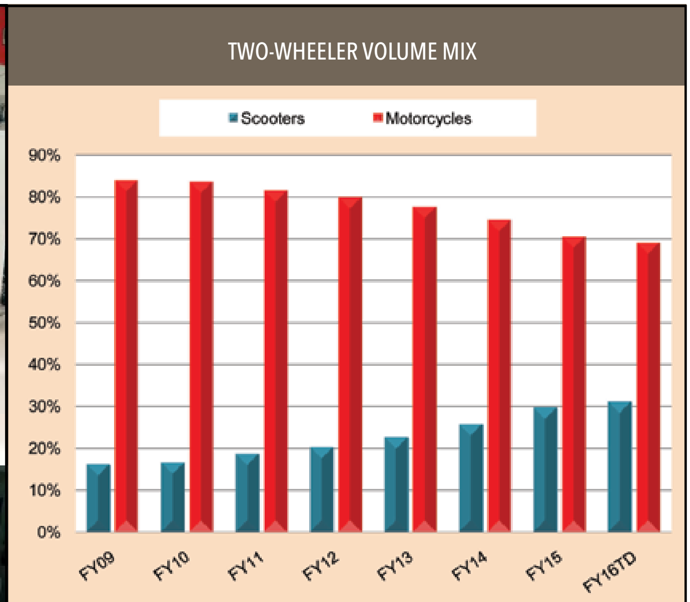
Other companies rushing in to gain a share of the increasing premium segment

Such is the craze for premium segment bikes in Nagpur, that other companies are increasingly opening shops to get a slice of the pie. Harley Davidson is one of the new entrants in the city - its showroom was launched in November 2015 (missing the original deadline of September 2015). The delay did not deter the company from getting strong pre-bookings. One customer, a doctor, travelled to Pune to buy a Harley Davidson bike (due to the launch delay) and drove it all the way back to Nagpur (more than 700kms)!

While Harley started its business this month, TVS Motors' dealer in Nagpur is keenly awaiting the new premium segment bike (that TVS is launching in association with BMW). No major details were shared, apart from the fact that the bike is expected to be a 330CC bike.

Scooters: Continue to defy the market slowdown

Honda's showroom had the highest customer activity amongst various two-wheeler showrooms



Source: Company, PhillipCapital India Research

"We continue to have a 15-20 days waiting in Activa. Activa accounts for 60% of our overall volumes."

\- Honda dealer.

Scooters is the only segment that continued to defy the agri-slowdown impact and saw strong traction at both Vidharbha and Nagpur. This trend is prevalent across the country - reflected in the rising share of scooters in overall two-wheeler volumes.

Showroom visits highlighted that dealers did not need to put in any special efforts to drive volumes nor did they have to offer any schemes or discounts to get volumes – this was across various scooter brands. Honda continued to get the strongest response for its best-selling Activa. Despite increased supply in the festive season, Activa had a waiting period of 15-20 days.

While Honda continued to be the highest-selling scooter brand in the region, TVS Jupiter was a strong second,with a good feedback (even from competing dealers). The TVS Motors' dealer sounded very upbeat on the product quality and expected volumes from Jupiter. He was more positive on TVS' ability to accept dealer suggestions and translate these into making the end product better.

"Activa sells the best; however, we get strong competition from Jupiter. It is also doing well."

- A Honda dealer in Amravati.

"TVS has accepted our recommendations and came up with Jupiter. Now you see the volume it does. Jupiter sales will slowly jump from around 45,000 units per month to touch 60,000 units/month and will eventually touch a 100,000 units."

- A TVS Motors' dealer

Not only were Honda and TVS dealers rejoicing their respective scooters' success, but even the Hero dealership was equally excited about the company's new launches – dealers believe these new products will help them partially negate the impact of slowing motorcycle volumes. The newly launched Maestro Edge accounted for around 10% of monthly sales volumes for the Hero dealer in less than a month of its launch.The new Duet is yet to be launched in the region.

"We have already sold 52 units of the new Maestro Edge since launch. We expect further pick up in volumes during Diwali (this was less than one month after the product's launch)."

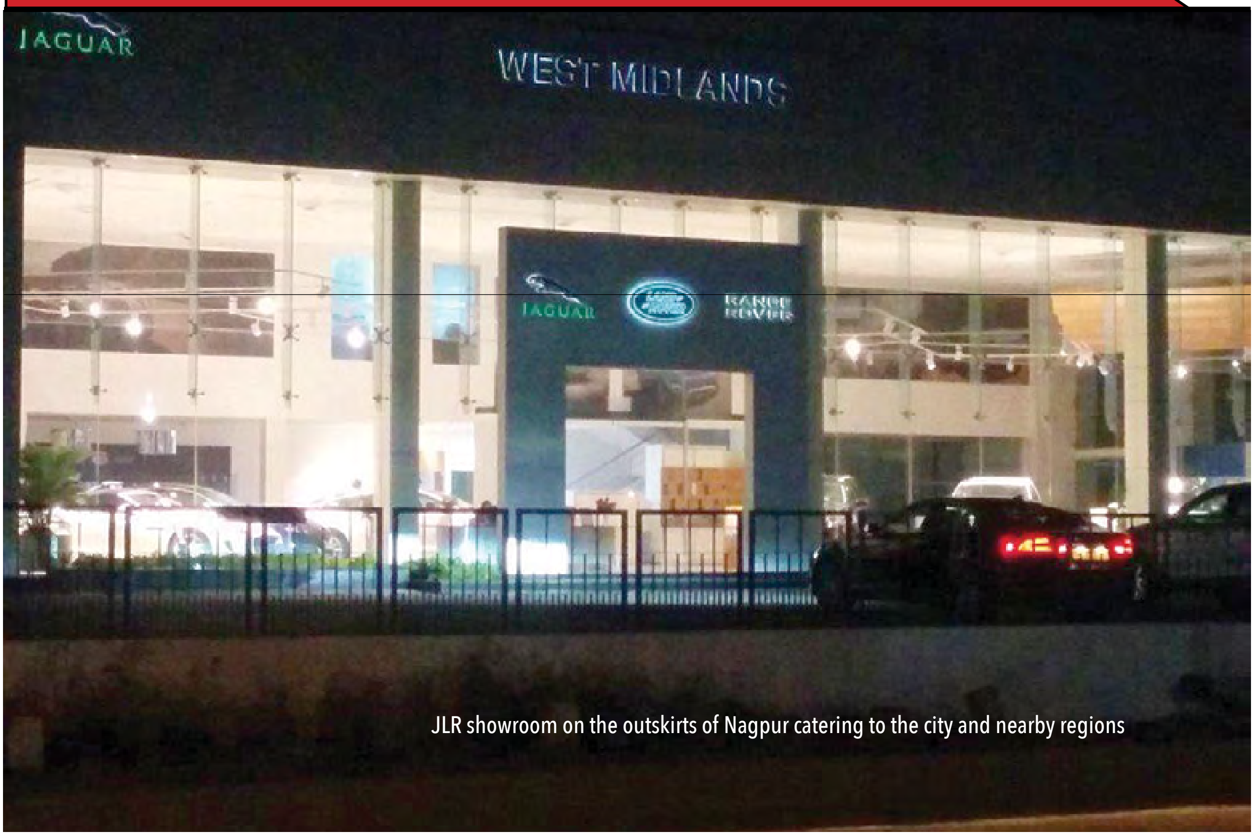
- A Hero dealer.

New Maestro Edge displayed at Hero showroomin Amravati

Old Maestro continues to stay on the shelf

Source: Company, PhillipCapital India Research

NO SIGNS OF SLOWDOWN IN PVS, NEW LAUNCHES FUEL GROWTH



JLR showroom on the outskirts of Nagpur catering to the city and nearby regions

Demand holding strong; supply constraints limiting growth

While the two-wheeler segment remained sluggish, passenger vehicles saw a diametrically opposite trend in the Vidharbha region, with growth holding up to a large extent. OEMs with a higher exposure to agri-related consumers saw some amount of demand slowdown - M&M dealers saw sales declining as agri-dependent customers delayed purchases.M&M even saw negative retail sales in Dussera and Diwali (only its TUV 300 continued to have a waiting period due to supply constraint).

However, the higher salaried class and the business-dependent middle- to upper-class consumers continued to splurge on discretionary spends. Maruti and Hyundai dealers reported positive trends, with strong retail growth in the festive season. New product launches and a series of product refreshes, especially from Maruti, fuelled the growth (which was limited by supply constraints for certain models, without which overall growth could have been >10-15%, a trend not seen across the region). Consumer preferences reflected rising aspirations and upgrades, with most of this growth driven by premium hatchbacks and entry-level sedans. A visit to the Nexa showroom was a further surprise – the 1,500sq.ft. dealership was totally jam-packed on a weekday for bookings of the newly launched Baleno!.

In the region, the premiumisation trends in four-wheelers are similar to two-wheelers. All major luxury brands (JLR, BMW, Audi, Mercedes) have a presence in the region, hoping to grab a piece of the rising business class.

Maruti – still going strong

In a region where most dealers were despairing, Maruti dealers were happy. Discussions with one such dealer in Nagpur (he is among the top-10 Marutidealers in India with over six showrooms in Maharashtra) revealed that his dealership registered good growth in the festive season. The most surprising takeaway was that even Dzire and Swift (petrol versions) have a waiting period of 15-30 days. Strong demand was also apparent from reduced discounts, even during the festive season. The Rs. 5,000 rise in discounts in Q2FY16 was rolled back fully during the festive season.

Also surprising was that Renault KWID did not have a major impact on Alto sales. While initially KWID saw strong bookings (2,000 since its launch in Nagpur) and impacted bookings for competing cars such as Alto and Hyundai's Eon, its very high waiting period turned the tide again in favour of the incumbent. Additionally, some issues with the car's pick up also lent some negative publicity in the region.

KWID displayed at a showroom

Source: Company, PhillipCapital India Research

"KWID had strong eyeballs with bookings, but it has not impacted our volumes for Alto. Delivery is an issue and we have seen customers cancelling their KWID bookings and buying Alto."

- a Maruti dealer.

Maruti showroom had customers even at 8PM – most othershad already downed their shutters

Maruti's new AMT and hybrid variant launches also helped gain strong customer traction. Like in urban areas, AMT versions are preferred in semi-urban/rural regions of Vidharbha. Celerio AMT had a month-long waiting period, largely driven by supply constraints. While the response for AMT versions has been very encouraging, the response for the hybrid versions of CIAZ and Ertiga was also strong. More than 30% of total CIAZs sold by the dealer in Nagpur are

Customers waiting to get a chance to see Baleno

hybrid versions – enquiries suggest that this ratio could improve further, the dealer said. This is despite there being no discounts for the CIAZ hybrid, as against discounts offered on old CIAZ models (for the last 3-4 months).

The dealer expects to see this strong momentum in volumes to continue even after the festive season, largely driven by exchange schemes (which will help boost December volumes) and because of the impact of the Seventh Pay Commission (majorly for entry level and hatch segments). The dealer expects this growth despite some cannibalisation of Swift volumes due to the recently launched Baleno.

Nexa: Adding to overall strong momentum

Nexa's big 1,500 sq. ft. showroom was a beehive of activity at 2PM– all sales executives were so busy that customers waited to be attended to – such is the strong momentum created by Baleno for Maruti volumes.

This Nexa showroom in Nagpur is the only one catering to the entire Vidarbha region.With more than 80 bookings in just two days of launching, Baleno's current waiting is more than three months (monthly allotment ranges from 30-40 units). Baleno has cannibalised some volumes of Swift and has had an impact on Hyundai's I20.

While Baleno has been stealing the show at Nexa, it has also helped increase enquiries for S-Cross, which was losing its launch momentum. Few customers walking in to see Baleno were also seen enquiring about S-Cross–however, the conversion rate was pretty low on this. S-Cross volumes have come down to around 40 units/month currentlyfrom 60-65 around its launch time. Nexa employees seem very enthused about Baleno and are also keenly awaiting the XA Alpha launch (third product in the Nexa stable).

Hyundai – good demand, supply a constraint

Hyundai dealers were equally upbeat about volume momentum, with Hyundai I20 stealing the show. Creta was an added bonanza for dealers with both Creta and I20 having strong waiting periods – Creta has a waiting of 3-4 months while it is about a month for I20 (Elite and Active). Supply constraints, especially in I20, was

Hyundai offering good discounts mainly under exchange schemes

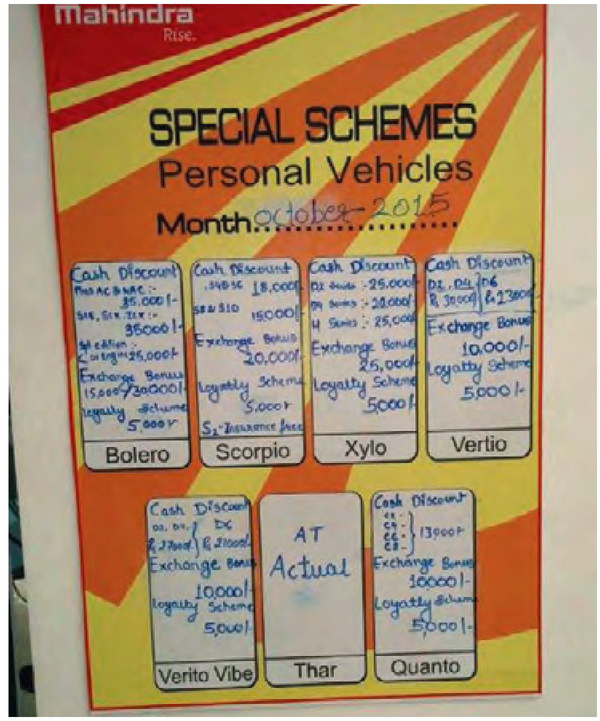
a major reason for the strong waiting period. While the waiting period in I20 does not reflect the Baleno impact, the dealer saw a good drop in enquiries and conversion rates after Baleno's launch.

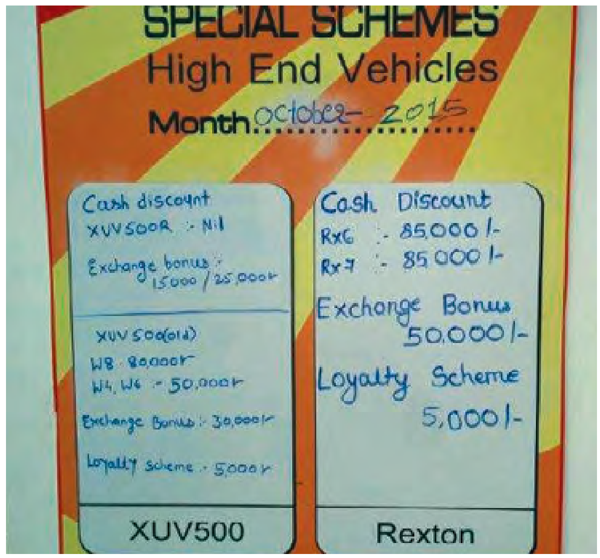
Unlike Alto, KWID had some impact on Hyundai EON's volumes - Hyundai increased discounts to Rs. 25,000 per vehicle from Rs. 15,000 earlier in a bid to lure buyers and offset the impact of KWID. Like Maruti, Hyundai also expects the volume momentum to continue, driven by higher exchange offers in December 2015.

M&M: Agri bites, SUV sales have been sluggish

M&M volumes were impacted by the economic slow down and weak agri incomes – a trend that is divergent from Maruti and Hyundai. Retail sales in the festive season were down 5-10% yoy. TUV 300 was the only bright spot with all other models struggling to boost sales. With more than 170 bookings since launch, the car has a waiting of around 1-3 months. The waiting is specifically more for the AMT version, a trend seen with Maruti as well. TUV 300 has seen some cannibalization of Bolero sales in the region to an extent of 15-20%. This saw discounts inching up for Bolero by Rs. 10,000- to around Rs. 30,000.

A surprising thing that the dealer highlighted was that M&M has implemented a rule restricting dealers from providing additional discounts (above the company's mentioned levels) – M&M fines dealerships for violating this rule (dealers said the fines are as high as Rs. 500,000).





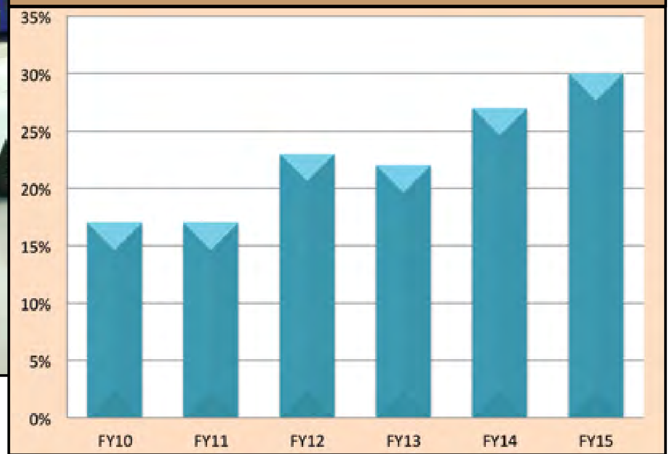
Source: Company, PhillipCapital India Research

Tata Motors – some respite after 2-3 years of slowdown

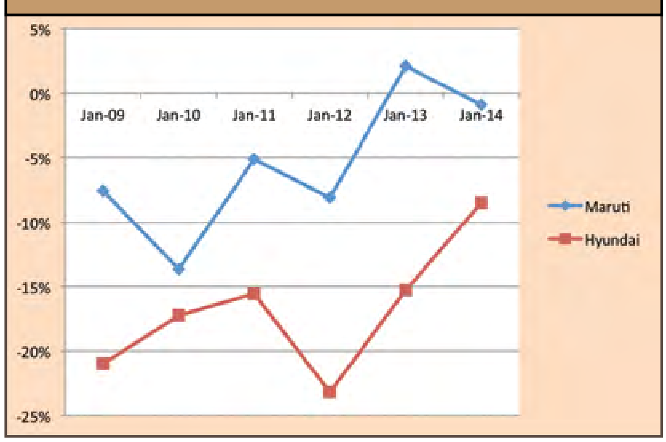
Tata's ageing portfolio (with no major product launches until this year) have seen volumes come down by 60% over the past two years. Current monthly volumes stand at 100 units per month against 250 units per month a couple of years ago. However, with the launch of Zest, Bolt and Nano AMT this year, the fortunes seem to be turning for Tata Motors' dealership. Retail volumes in the region are up by around 10%, with a month's waiting for Nano AMT. The dealership is keenly awaiting the launch of Kite hatch and sedan, which is expected to be aggressively priced. This will further boost volumes at the dealership.

Good customer walk-ins showing improvement in yoy sales

Percentage of new car sales via exchange for Maruti



% mom growth in December



Source: Company, PhillipCapital India Research

The chart shows the percentage mom growth trend for Maruti and Hyundai for December. This clearly shows improving sequential sales trends in December largely boosted by exchange schemes.

Exchange schemes gaining traction,to partly offset December lull

Exchange schemes have been gaining traction over the past few years after various auto OEMs such as Maruti, Hyundai, and M&M, started their used-cars businesses, which complement their existing business. This can be seen from the jump in total volumes sold via the exchange schemes. As seen from the chart, total volumes sold by Maruti via exchange schemes has gained traction, with over 30% of total volumes sold coming from exchange schemes. This has jumped from 17% in FY11. The proportion of sales through exchange offers will continue the upward trajectory over the next few years, as car penetration increases and buyers look at upgrading their existing vehicles.

As the volumes from the used-car business gains traction, discounts on various cars have partly turned into exchange bonuses. This was evident from all four-wheeler dealer visits, where most of the displayed offers were for exchange schemes.

Exchange offers have been incrementally used by various companies to boost their volumes in December, which is typically a sluggish month. This also helps them clear year-end inventories. Dealers across Maruti, Hyundai, and M&M were upbeat about December sales, primarily driven by exchange offers. These offers will be used to replace cash discounts.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15
IIP	2.6	-2.7	5.2	3.6	2.8	4.8	2.5	3.0	2.5	4.4	4.2	6.4	4.4
PMI	51.0	51.6	53.3	54.5	52.9	51.2	52.1	51.3	52.6	51.3	52.7	52.3	51.2
Core sector	1.9	6.3	6.7	2.4	1.8	1.5	-0.1	-0.4	4.4	3.0	1.1	2.7	-
WPI	2.4	1.7	-0.2	-0.5	-0.9	-2.1	-2.3	-2.4	-2.4	-2.4	-4.1	-4.9	-4.5
CPI	6.5	5.5	4.4	5.0	5.2	5.4	5.3	4.9	5.0	5.4	3.8	3.7	4.4
Money Supply	12.7	12.0	11.4	10.2	11.5	11.4	11.3	11.5	11.7	11.1	11.3	10.9	11.2
Deposit	13.0	12.4	12.2	10.6	11.9	11.8	11.6	11.8	12.3	11.7	11.7	11.5	11.6
Credit	9.2	10.6	10.5	10.4	10.2	9.9	10.2	12.6	10.5	9.8	9.4	9.4	9.6
Exports	2.7	-5.0	7.3	-3.8	-11.2	-15.0	-21.1	-14.0	-20.2	-15.8	-10.3	-20.7	-23.9
Imports	26.0	3.6	26.8	-4.8	-11.4	-15.7	-13.4	-7.5	-16.5	-13.4	-10.3	-9.9	-18.9
Trade deficit (USD Bn)	-14.2	-13.4	-16.9	-9.4	-8.3	-6.8	-11.8	-11.0	-10.4	-10.8	-12.8	-12.5	-13.0
Net FDI (USD Bn)	2.9	2.8	1.8	4.0	4.7	3.8	2.7	3.3	3.8	1.7	1.7	1.9	-
FII (USD Bn)	2.4	1.7	4.8	-0.4	6.6	3.8	2.0	3.1	-2.8	-2.0	-0.7	-3.5	-
ECB (USD Bn)	3.2	2.8	3.5	0.6	2.6	2.3	2.7	7.3	2.4	2.4	3.2	2.1	0.8
Dollar-Rupee	61.8	61.4	62.0	63.0	61.9	61.8	62.5	63.4	63.8	63.7	64.1	66.5	0.0
Foreign Exc Res (USD Bn)	314.2	315.9	316.3	319.7	327.9	338.1	341.4	344.6	352.5	355.2	353.3	355.4	0.0

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16
Exports	73.9	81.2	79.8	83.7	81.7	85.3	79.0	70.8	68.0
Imports	124.4	114.5	112.9	114.3	116.3	123.9	118.3	102.5	102.2
Trade deficit	-50.5	-33.3	-33.2	-30.7	-34.6	-38.6	-39.3	-31.7	-34.2
Net Invisibles	28.7	28.1	29.1	29.3	26.7	28.5	30.9	30.2	28.0
CAD	-21.8	-5.2	-4.1	-1.3	-7.9	-10.1	-8.4	-1.5	-6.2
CAD (% of GDP)	4.6	1.2	0.9	0.3	1.6	2.0	1.7	0.3	1.2
Capital Account	20.6	-4.8	23.8	9.2	19.2	16.5	23.6	30.7	18.1
BoP	-0.3	-10.4	19.1	7.1	11.2	6.9	13.2	30.1	11.4

GDP and its Components (YoY, %)	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16
Agriculture	2.7	3.6	3.8	4.4	2.6	2.1	-1.1	-1.4	1.9
Industry	5.9	4.2	5.5	5.5	8.1	7.2	3.8	7.2	6.4
Mining and Quarrying	0.8	4.5	4.2	11.5	4.3	1.4	1.5	2.3	4.0
Manufacturing	7.2	3.8	5.9	4.4	8.4	7.9	3.6	8.4	7.2
Electricity, gas and water supply	2.8	6.5	3.9	5.9	10.1	8.7	8.7	4.2	3.2
Services	8.9	9.7	8.3	5.6	8.4	10.2	11.1	8.0	8.6
Construction	1.5	3.5	3.8	1.2	6.5	8.7	3.1	1.4	6.9
Trade, hotels, Transport, & Communication	10.3	11.9	12.4	9.9	12.1	8.9	7.4	14.1	12.8
Financing, Insurance, Real Estate& business services	7.7	11.9	5.7	5.5	9.3	13.5	13.3	10.2	8.9
Public administration, defence, & other services	14.4	6.9	9.1	2.4	2.8	7.1	19.7	0.1	2.7
GVA at Basic Price	7.2	7.5	6.6	5.3	7.4	8.4	6.8	6.1	7.1

Annual Economic Indicators and Forecasts

Indicators	Units	FY8	FY9	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
Real GDP growth	%	9.3	6.7	8.6	8.9	6.7	4.5	4.7	7.2	7.4	8.0
Agriculture	%	5.8	0.1	0.8	8.6	5.0	1.4	4.7	0.2	2.0	3.0
Industry	%	9.2	4.1	10.2	8.3	6.7	0.9	-0.1	6.6	7.0	7.5
Services	%	10.3	9.4	10.0	9.2	7.1	6.2	6.0	9.4	8.9	9.4
Real GDP	Rs Bn	38966	41587	45161	49185	52475	54821	91698	98271	105543	113986
Real GDP	US$ Bn	967	908	953	1079	1096	1008	1517	1611	1624	1809
Nominal GDP	Rs Bn	49864	56301	64778	77841	90097	101133	113451	126538	139479	159079
Nominal GDP	US$ Bn	1237	1229	1367	1707	1881	1859	1876	2074	2146	2525
Population	Mn	1138	1154	1170	1186	1202	1219	1236	1254	1271	1302
Per Capita Income	US$	1087	1065	1168	1439	1565	1525	1518	1655	1688	1940
WPI (Average)	%	4.7	8.1	3.8	9.6	8.7	7.4	6.0	2.0	-1.0	5-6
CPI (Average)		6.4	9.0	12.4	10.4	8.3	10.2	9.5	6.0	5.0	5.0
Money Supply	%	22.1	20.5	19.2	16.2	15.8	13.6	13.5	12.0	12.0	13.0
CRR	%	7.50	5.00	5.75	6.00	4.75	4.00	4.00	4.0	4.0	4.0
Repo rate	%	7.75	5.00	5.00	6.75	8.50	7.50	8.00	7.50	7.0	7.00
Reverse repo rate	%	6.00	3.50	3.50	5.75	7.50	6.50	7.00	6.50	6.0	6.0
Bank Deposit growth	%	22.4	19.9	17.2	15.9	13.5	14.4	14.6	11.4	12.0	13.5
Bank Credit growth	%	22.3	17.5	16.9	21.5	17.0	15.0	14.3	9.5	10.0	12.0
Centre Fiscal Deficit	Rs Bn	1437	3370	4140	3736	5160	5209	5245	5126	16181	5568
Centre Fiscal Deficit	% of GDP	2.9	6.0	6.4	4.8	5.7	5.2	4.6	4.1	3.9	3.5
Gross Central Govt Borrowings	Rs Bn	1681	2730	4510	4370	5098	5580	5641	5920	6349	6313
Net Central Govt Borrowings	Rs Bn	1318	2336	3984	3254	4362	4674	4536	4469	4603	4566
State Fiscal Deficit	% of GDP	1.5	2.4	2.9	2.1	1.9	2.0	2.5	2.4	2.0	1.5
Consolidated Fiscal Deficit	% of GDP	4.4	8.4	9.3	6.9	7.6	6.9	7.1	6.6	5.9	5.0
Exports	US$ Bn	166.2	189.0	182.4	251.1	309.8	306.6	318.6	316.7	298.0	311.4
YoY Growth	%	28.9	13.7	-3.5	37.6	23.4	-1.0	3.9	-0.6	-5.9	4.5
Imports	US$ Bn	257.6	308.5	300.6	381.1	499.5	502.2	466.2	460.9	443.0	469.6
YoY Growth	%	35.1	19.7	-2.5	26.7	31.1	0.5	-7.2	-1.1	-3.9	6.0
Trade Balance	US$ Bn	-91.5	-119.5	-118.2	-129.9	-189.8	-195.6	-147.6	-144.2	-145.0	-158.2
Net Invisibles	US$ Bn	75.7	91.6	80.0	84.6	111.604	107.5	115.2	116.2	118.8	123.5
Current Account Deficit	US$ Bn	-15.7	-27.9	-38.2	-45.3	-78.2	-88.2	-32.4	-27.9	-26.2	-34.6
CAD (% of GDP)	%	-1.3	-2.3	-2.8	-2.6	-4.2	-4.7	-1.7	-1.4	-1.2	-1.4
Capital Account Balance	US$ Bn	106.6	7.8	51.6	62.0	67.8	89.3	48.8	90.0	65.5	75.5
Dollar-Rupee (Average)		40.3	45.8	47.4	45.6	47.9	54.4	60.5	61.2	65.0	60.0

Source: RBI, CSO, CGA, Ministry of Agriculture, Ministry of commerce, Bloomberg, PhillipCapital India Research

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	**Sector**	**Rs**	**Rs mn**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**	**FY16E**	**FY17E**
Bajaj Auto	Automobiles	2,576	745,294	230,020	267,416	48,248	56,526	36,576	41,720	126	144	16.0	14.1	20.4	17.9	5.8	4.9	14.9	12.3	28.7	27.5	26.1	25.7
Bharat Forge	Automobiles	902	209,957	89,056	102,437	17,160	19,996	9,827	11,630	42	50	36.9	18.3	21.4	18.1	5.0	4.1	13.4	11.5	23.3	22.7	18.7	21.5
Hero MotoCorp	Automobiles	2,621	523,291	283,370	325,211	41,714	48,473	30,162	34,800	151	174	18.7	15.4	17.3	15.0	6.6	5.5	12.5	10.6	37.9	36.5	37.4	36.4
Ashok Leyland	Automobiles	93	263,813	175,338	212,276	19,077	23,825	8,908	12,605	3	4	280.9	41.5	29.6	20.9	4.5	3.8	14.4	11.0	15.3	18.2	12.7	15.8
Tata Motors	Automobiles	385	1,249,055	2,601,404	2,788,829	385,326	460,176	117,811	159,103	37	49	-16.3	35.1	10.5	7.8	1.8	1.5	4.7	4.0	17.2	18.8	8.1	9.5
Mahindra & Mahindra	Automobiles	1,245	773,446	389,990	443,171	46,607	55,378	34,604	41,758	59	71	15.9	20.7	21.3	17.6	3.4	3.0	16.7	14.0	16.0	17.0	13.9	15.3
Mahindra CIE	Automobiles	246	79,358	62,117	70,080	7,685	9,580	3,414	4,988	11	15	43.1	46.1	23.2	15.9	3.5	3.0	11.8	9.0	15.2	18.7	10.9	15.1
Apollo Tyres	Automobiles	190	96,842	131,888	149,178	20,245	23,496	10,857	13,013	21	26	7.6	19.9	8.9	7.4	1.5	1.3	5.1	4.6	18.1	18.5	15.4	15.9
Maruti Suzuki	Automobiles	4,385	1,324,666	565,951	677,653	96,353	113,046	57,789	70,480	191	233	55.7	22.0	22.9	18.8	4.6	3.8	13.3	10.8	20.2	20.4	20.6	21.0
ACC	Cement	1,394	261,670	126,698	146,510	16,153	21,858	10,385	13,933	55	74	-10.6	34.2	25.2	18.8	3.0	2.9	15.7	11.6	12.1	15.3	10.2	12.9
Ambuja Cement	Cement	209	323,803	231,195	268,414	34,634	47,120	16,536	21,857	8	11	-13.4	32.2	25.0	18.9	2.2	2.1	8.7	6.3	8.8	11.1	12.9	12.5
India Cement	Cement	79	24,359	58,814	65,319	8,224	9,926	966	2,430	3	8	n.a.	151.7	25.2	10.0	0.7	0.6	6.4	4.8	2.7	6.0	4.6	6.4
Mangalam Cement	Cement	236	6,292	8,461	9,655	513	1,075	-187	220	-7	8	n.a.	n.a.	-33.6	28.6	1.2	1.2	23.0	10.4	-3.7	4.2	0.9	4.6
Shree Cement	Cement	12,738	443,764	60,803	88,591	14,340	25,234	5,323	11,146	204	320	66.5	57.1	62.5	39.8	7.7	6.7	30.2	16.7	12.4	16.7	11.8	17.1
JK Cement	Cement	644	44,994	37,856	45,428	5,495	7,805	1,324	2,744	19	39	6.1	107.3	34.0	16.4	2.6	2.3	13.0	9.0	7.7	14.3	5.7	8.1
Dalmia Bharat Ltd	Cement	711	57,742	66,010	81,682	13,579	20,119	954	4,161	12	51	940.7	336.0	60.5	13.9	1.3	1.2	8.9	5.7	2.1	8.4	4.9	7.6
OCL India	Cement	503	28,601	25,121	29,245	4,144	5,573	1,878	3,025	33	53	38.2	61.0	15.2	9.5	2.1	1.8	7.0	4.7	13.5	18.7	11.1	16.5
JK Lakshmi Cement	Cement	374	44,003	27,011	34,300	5,266	7,079	1,905	3,244	16	28	5.7	70.3	23.1	13.6	2.8	2.5	11.7	8.2	12.2	18.1	8.4	11.5
HeidelbergCement	Cement	77	17,483	18,816	20,352	2,543	3,252	684	1,257	3	6	n.a.	83.7	25.5	13.9	1.9	1.6	10.1	7.2	7.3	11.8	5.6	7.8
Ultratech Cement	Cement	2,845	780,743	294,839	352,072	55,910	73,168	28,834	40,677	105	148	37.4	41.1	27.1	19.2	3.6	3.1	15.3	11.1	13.4	16.2	10.1	12.9
ABB India	Capital Goods	1,265	268,043	79,105	84,530	6,819	8,306	3,795	4,602	18	22	66.1	21.3	70.6	58.2	8.8	8.1	39.4	32.3	12.5	13.9	12.1	13.2
BHEL	Capital Goods	218	532,475	271,342	315,627	8,075	38,855	7,595	25,380	3	10	-46.9	234.2	70.1	21.0	1.5	1.5	48.5	10.5	2.2	6.9	1.7	5.6
Alstom T&D	Capital Goods	525	134,399	44,305	51,431	4,241	6,267	2,130	3,620	8	14	76.8	70.0	63.1	37.1	9.4	8.3	31.9	21.3	14.9	22.3	15.5	22.3
Crompton Greaves	Capital Goods	183	114,883	131,691	144,955	6,203	12,015	2,194	5,776	4	9	19.2	163.3	52.4	19.9	2.9	2.6	21.5	11.2	5.5	13.1	4.5	9.1
Engineers India	Capital Goods	202	67,994	17,235	18,548	1,938	3,183	2,910	3,904	9	12	-11.9	34.2	23.4	17.4	2.5	2.3	21.6	12.6	10.5	13.1	10.8	13.6
KEC International	Capital Goods	143	36,661	90,852	104,389	6,970	8,527	1,546	2,423	6	9	119.2	56.7	23.7	15.1	2.5	2.2	8.2	6.7	10.6	14.6	9.9	10.8

Note: For banks, EBITDA is pre-provision profit

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs mn	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Alstom India	Capital Goods	632	42,488	23,419	28,472	1,687	2,385	1,569	2,134	23	32	12.5	36.0	27.1	19.9	3.9	3.4	20.1	13.5	14.4	17.3	15.3	18.5
Larsen & Toubro	Capital Goods	1,508	1,403,857	1,037,731	1,259,213	123,953	168,246	45,676	72,208	49	77	3.4	58.1	30.9	19.5	3.2	2.9	18.2	13.5	10.4	14.6	4.8	6.5
Siemens	Capital Goods	1,387	493,796	103,975	113,400	7,350	8,987	5,559	7,961	16	22	56.6	43.2	88.8	62.0	10.6	9.7	63.9	51.2	11.9	15.7	9.6	12.8
Cummins India	Capital Goods	1,062	294,497	50,080	60,405	8,546	10,948	7,854	9,719	28	35	28.6	23.8	37.5	30.3	9.2	8.3	34.4	26.7	24.6	27.3	21.7	24.1
VA Tech Wabag	Capital Goods	647	35,253	28,059	33,315	2,328	2,943	1,265	1,655	23	30	13.2	30.8	27.8	21.2	3.5	3.1	15.2	12.2	12.7	14.7	10.8	12.3
Thermax	Capital Goods	877	104,506	56,147	60,313	5,122	5,159	2,763	3,279	23	28	39.9	18.7	37.8	31.9	4.4	4.0	20.5	20.0	11.7	12.7	11.2	11.9
Voltas	Capital Goods	295	97,743	53,810	61,877	4,040	5,369	3,281	4,364	10	13	-1.4	33.0	29.8	22.4	4.2	3.7	24.6	18.4	14.0	16.4	11.8	13.9
Coal India	Power	333	2,105,876	778,233	892,325	168,777	211,180	146,811	171,791	23	27	7.0	17.0	14.3	12.3	4.5	3.9	9.2	7.0	31.7	32.2	33.5	34.2
NTPC	Power	133	1,095,410	777,730	838,834	169,155	192,050	88,482	95,766	11	12	-0.3	8.2	12.4	11.4	1.3	1.2	11.4	10.7	10.2	10.5	6.2	6.0
Power Grid	Power	136	710,188	206,378	247,701	181,234	218,786	62,460	73,249	12	14	24.3	17.3	11.4	9.7	1.7	1.5	9.7	8.5	15.4	16.0	6.1	6.5
PTC India	Power	66	19,566	136,521	168,447	10,828	13,166	3,228	3,758	11	13	-9.3	16.4	6.0	5.2	0.6	0.5	7.3	7.0	9.8	10.5	7.9	8.1
Inox Wind	Power	390	86,448	46,134	57,390	8,391	10,822	6,016	7,284	27	33	127.1	21.1	14.4	11.9	4.7	3.6	10.9	8.4	32.5	30.2	26.0	25.8
Chambal Fertilisers	Agri Inputs	60	24,762	108,394	108,409	8,288	8,476	3,594	3,697	9	9	35.9	2.9	6.9	6.7	1.0	0.9	6.7	6.4	14.3	13.3	6.7	6.8
Coromandel Fertiliser	Agri Inputs	194	56,613	112,382	121,927	9,246	11,408	4,980	6,521	17	22	22.9	30.9	11.4	8.7	1.9	1.7	7.1	5.3	16.7	19.2	17.2	19.8
Tata Chemicals Ltd	Agri Inputs	421	107,265	185,584	190,064	24,173	25,159	8,904	9,593	35	38	11.3	7.7	12.0	11.2	1.8	1.6	6.2	5.6	14.6	14.4	9.0	9.5
Kaveri Seeds	Agri Inputs	517	35,729	9,577	11,809	2,251	2,952	2,156	3,014	31	44	-28.4	39.8	16.5	11.8	3.9	3.1	14.9	10.9	23.6	26.5	25.1	28.5
PI Industries	Agri Inputs	681	93,036	22,849	27,361	4,477	5,355	2,871	3,637	21	27	16.7	26.7	32.4	25.6	8.2	6.5	20.5	16.7	25.3	25.3	26.1	26.0
Rallis India	Agri Inputs	207	40,168	20,423	23,016	3,001	3,636	1,668	2,088	9	11	6.1	25.2	24.1	19.2	4.4	3.8	13.8	11.2	18.2	19.8	16.6	18.7
United Phosphorus	Agri Inputs	448	192,036	133,799	147,892	26,276	28,452	13,809	15,011	32	35	17.1	8.7	13.9	12.8	2.8	2.6	8.1	6.9	21.8	21.0	17.7	17.0
Zuari Agrochemicals	Agri Inputs	160	6,731	56,596	n.a.	3,060	n.a.	730	n.a.	17	n.a.	370.6	n.a.	9.2		0.8		9.3		8.5	-	7.5	-
Deepak Fertilisers	Agri Inputs	144	12,724	33,995	n.a.	5,176	n.a.	2,610	n.a.	30	n.a.	13.0	n.a.	4.9		0.7		3.3		15.2	-	11.6	-
Monsanto India	Agri Inputs	2,434	42,021	6,046	7,487	1,330	1,623	1,199	1,474	69	85	12.3	23.0	35.1	28.5	11.1	11.6	31.0	25.3	31.8	40.6	24.6	28.0
Andhra Bank	Financials	66	43,183	49,573	55,968	33,634	37,297	9,208	12,407	14	19	31.4	34.7	4.8	3.5	0.6	0.5	1.3	1.2	9.2	11.2	0.5	0.5
Bank of Baroda	Financials	172	396,431	144,325	164,453	108,508	125,258	42,847	56,738	19	25	26.1	30.9	8.9	6.8	1.1	1.0	3.7	3.2	10.3	11.9	0.6	0.9
Bank of India	Financials	137	108,571	126,964	146,510	87,478	101,814	20,151	31,557	12	27	-53.5	127.2	11.5	5.1	0.7	0.6	1.2	1.1	7.1	10.4	0.3	0.4
Canara Bank	Financials	292	158,309	107,311	138,654	80,092	102,497	29,994	45,155	51	73	-9.8	42.8	5.7	4.0	0.8	0.7	2.0	1.5	10.2	14.0	0.5	1.0

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs mn	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Corporation bank	Financials	44	44,098	46,373	55,993	34,976	42,505	10,776	15,844	12	22	-30.4	81.2	3.7	2.0	0.1	0.1	1.3	1.0	10.0	13.6	0.4	0.6
HDFC Bank	Financials	1,102	2,773,790	264,087	314,568	212,048	252,451	120,821	145,211	48	58	18.3	20.2	22.9	19.0	3.9	3.4	13.1	11.0	18.2	19.0	1.9	2.9
ICICI Bank	Financials	285	1,657,286	215,970	248,403	226,725	253,443	123,255	140,435	22	25	12.1	16.1	13.2	11.4	2.0	1.8	7.3	6.5	14.5	14.9	1.8	2.7
IOB	Financials	35	43,546	73,446	n.a.	48,072	n.a.	11,896	n.a.	8		72.2		4.2		0.5		0.9		7.1	-	0.3	-
Oriental Bank	Financials	138	41,304	54,736	62,811	43,469	48,686	9,776	16,586	33	55	96.7	69.7	4.2	2.5	0.4	0.3	1.0	0.8	7.1	10.9	0.4	0.9
PNB	Financials	134	263,613	177,394	204,470	124,506	138,211	36,739	48,306	20	26	20.0	31.5	6.8	5.2	0.9	0.8	2.1	1.9	9.4	11.3	0.6	0.7
SBI	Financials	251	1,950,398	799,767	910,406	486,649	519,916	187,534	220,997	26	35	20.6	35.2	9.8	7.2	1.3	1.1	4.0	3.8	10.6	11.0	0.7	1.0
Union Bank	Financials	164	113,015	94,970	107,929	60,822	67,751	23,555	33,616	37	53	32.2	42.7	4.4	3.1	0.7	0.6	1.9	1.7	12.2	15.6	0.6	0.8
Indian Bank	Financials	133	63,975	48,014	56,438	33,385	38,546	11,319	15,260	25	32	17.1	29.3	5.4	4.2	0.6	0.5	1.9	1.7	8.6	10.4	0.6	1.0
DCB Bank	Financials	90	25,553	6,249	7,787	3,634	4,570	2,094	2,693	7	10	9.5	28.6	12.1	9.4	1.6	1.4	7.0	5.6	12.8	14.3	1.2	1.2
AXIS Bank	Financials	521	1,238,982	163,255	192,698	159,084	181,827	85,465	99,622	36	41	15.0	15.4	14.6	12.6	2.5	2.2	7.8	6.8	17.7	17.8	1.7	1.7
Indusind Bank	Financials	958	567,307	42,485	53,394	39,631	48,893	22,094	27,426	38	47	12.3	24.1	25.2	20.3	3.4	3.0	14.3	11.6	16.1	14.9	1.8	3.0
HDFC	NBFC	1,313	2,071,019	311,386	353,656	100,235	114,400	69,114	79,030	32	38	17.4	-	40.7	34.4	5.9	5.2	20.7	18.1	21.0	21.1	2.6	2.6
Shriram Transport Finance	NBFC	945	214,438	48,513	56,136	35,543	41,756	13,693	17,149	60	76	10.6	25.2	15.7	12.5	94.5	94.5	6.0	5.1	14.0	15.4	2.1	2.3
SKS Microfinance	NBFC	411	52,045	12,314	19,127	3,469	5,699	2,440	4,119	19	33	30.5	68.8	21.2	12.6	4.0	3.0	15.0	9.1	20.9	27.6	4.0	4.2
LIC Housing Finance	NBFC	489	246,831	124,490	147,147	25,186	29,807	16,280	19,248	32	38	17.4	18.2	15.2	12.8	2.7	2.3	9.8	8.3	19.2	19.4	1.3	1.3
Cholamandalam Inves	NBFC	602	93,959	20,449	24,415	12,049	14,975	5,304	7,337	34	47	12.5	38.3	17.6	12.8	2.6	2.2	7.8	6.3	15.6	18.5	2.0	2.4
Mah & Mah Finan	NBFC	232	132,096	34,011	37,698	22,548	25,016	8,491	10,616	15	19	2.1	25.0	15.4	12.3	2.1	1.9	5.9	5.3	14.2	15.9	2.4	2.7
Shriram City Union Fin	NBFC	1,863	122,823	23,595	28,070	15,493	18,486	7,095	8,660	108	131	27.1	22.1	17.3	14.2	2.7	2.3	7.9	6.6	16.3	17.5	3.6	3.7
Hindustan Unilever	FMCG	809	1,749,704	323,169	360,887	67,438	76,155	43,943	49,716	20	23	14.0	13.1	39.9	35.3	46.0	44.1	25.5	22.5	115.2	125.1	116.9	127.9
Marico Industries	FMCG	389	250,680	63,524	71,981	10,220	11,694	6,698	7,709	10	12	16.8	15.1	37.4	32.5	11.2	9.1	24.3	20.9	29.9	28.0	27.9	27.0
Jubilant Foodworks	FMCG	1,506	98,963	24,765	30,512	2,982	4,057	1,245	1,785	19	27	1.0	43.4	79.2	55.2	12.4	10.1	33.3	24.3	15.6	18.3	16.3	19.5
Godrej Consumer	FMCG	1,286	437,993	92,733	106,130	17,029	19,235	11,709	13,278	34	39	28.7	13.4	37.4	33.0	8.5	7.1	26.2	22.6	22.6	21.6	17.4	17.8
ITC	FMCG	357	2,861,446	386,541	425,303	142,239	157,863	97,143	108,674	12	14	5.8	11.9	29.3	26.2	8.2	7.1	19.5	17.4	27.9	27.2	23.7	23.8
Nestle	FMCG	6,316	608,991	81,236	99,957	16,018	21,369	10,410	12,236	108	127	-12.2	17.5	58.5	49.8	25.0	23.9	37.6	28.0	42.8	48.0	39.5	49.1
Colgate	FMCG	934	253,912	42,813	49,624	9,731	11,934	6,253	7,659	46	56	106.7	22.5	20.3	16.6	15.1	13.6	25.9	20.9	74.2	81.8	77.5	86.1

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs mn	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Glaxo Smithkline Cons	FMCG	6,016	252,985	45,365	52,030	6,359	5,161	6,558	6,558	156	156	10.1	-0.0	38.6	38.6	10.7	9.8	36.2	43.4	27.8	25.5	28.8	26.5
Agro Tech Foods	FMCG	583	14,207	7,871	8,314	688	830	379	461	16	19	1.3	21.9	37.5	30.8	4.1	3.7	20.8	16.8	10.9	11.9	10.6	11.7
Asian Paints	FMCG	818	784,336	158,237	190,330	28,120	35,717	17,753	22,383	19	23	28.1	26.1	44.2	35.0	13.4	11.3	27.2	21.3	30.4	32.2	31.6	33.6
Emami	FMCG	1,079	244,932	28,216	34,697	8,172	10,341	5,969	7,585	26	33	33.9	27.1	41.0	32.3	16.3	13.3	30.7	23.8	39.8	41.3	33.8	30.5
Britannia	FMCG	3,203	384,331	88,418	102,237	11,765	14,333	8,409	10,274	70	86	55.0	22.2	45.7	37.4	21.4	15.6	32.6	26.2	46.8	41.7	50.1	44.9
Bajaj Corp	FMCG	423	62,385	9,385	11,089	2,810	3,294	2,579	2,951	17	20	15.3	14.4	24.2	21.1	11.5	10.2	21.5	18.0	47.7	48.2	40.5	48.0
Apcotex Industries	FMCG	259	5,363	4,823	5,918	647	875	378	515	36	49	53.5	36.2	7.1	5.2	2.1	1.6	7.9	5.6	29.2	30.8	28.0	30.0
Dabur	FMCG	267	468,544	88,380	101,967	17,042	20,291	13,731	16,058	8	9	28.8	16.9	34.1	29.2	11.3	9.3	27.3	22.6	33.1	31.9	30.5	30.1
NCC	Infrastructure	80	44,197	82,975	87,126	7,260	8,059	2,625	3,518	5	6	134.8	34.0	16.8	12.6	1.3	1.2	8.7	7.5	7.6	9.2	10.2	10.8
Ashoka Buildcon	Infrastructure	164	30,683	27,842	34,685	8,368	11,270	1,187	1,693	6	9	23.5	42.7	25.9	18.1	1.6	1.4	8.1	6.1	6.0	8.0	4.8	6.6
GMR Infrastructure	Infrastructure	13	69,905	82,858	81,594	30,672	26,976	-27,502	-29,342	-5	-5	-12.8	6.7	-2.6	-2.5	1.1	2.0	16.3	18.0	-41.9	-80.9	0.2	-0.8
GVK Power	Infrastructure	8	12,318	29,885	48,605	18,897	28,264	-6,809	-3,136	-4	-2	33.8	-53.9	-1.8	-3.9	0.8	0.9	12.8	8.4	-45.7	-21.7	1.2	3.4
IRB Infrastructure	Infrastructure	244	85,877	51,647	55,985	28,586	31,805	5,031	6,425	14	18	-7.3	27.7	17.1	13.4	1.7	1.4	7.9	7.6	9.7	10.4	3.4	3.6
KNR Construction	Infrastructure	600	16,878	10,076	12,594	1,511	1,889	1,160	1,124	41	40	58.9	-3.1	14.5	15.0	2.5	2.1	11.3	9.1	18.5	15.3	17.4	14.6
J Kumar Infraprojects	Infrastructure	780	25,133	17,058	22,176	3,156	4,103	1,339	1,928	42	60	41.9	44.0	18.8	13.0	2.8	2.4	9.3	7.2	15.8	19.6	12.9	15.3
Adani Ports & SEZ	Infrastructure	316	655,146	70,310	86,162	47,201	58,344	26,419	36,357	13	18	14.0	37.6	24.8	18.0	5.0	4.0	17.5	14.0	20.1	22.0	12.0	13.7
HCL Technologies	IT Services	864	1,214,428	435,467	503,792	98,727	117,813	77,603	93,539	55	66	6.9	20.7	15.7	13.0	4.2	3.5	12.3	10.3	26.9	27.0	27.3	28.3
Infosys	IT Services	1,152	2,646,425	611,631	695,923	167,754	198,009	133,050	156,204	58	68	7.9	17.4	19.8	16.9	4.7	4.2	13.7	11.3	23.9	24.7	24.1	26.3
TCS	IT Services	2,537	4,998,089	1,078,809	1,248,401	301,218	330,985	240,133	271,170	123	138	22.2	12.9	20.7	18.3	7.5	6.2	16.4	14.8	36.3	33.7	38.5	35.5
Persistent Systems	IT Services	669	53,548	21,728	24,845	4,348	4,997	3,124	3,646	39	46	7.5	16.7	17.1	14.7	3.3	2.8	11.9	10.2	19.0	19.0	18.2	18.5
KPIT Technologies	IT Services	138	27,148	32,149	35,749	3,050	4,370	1,895	2,775	10	15	-20.0	46.4	13.7	9.3	1.8	1.5	9.3	6.5	12.8	16.0	11.0	14.3
Wipro	IT Services	569	1,405,524	520,990	576,884	110,660	117,652	90,211	98,751	37	40	4.5	9.5	15.5	14.2	3.1	2.7	11.9	11.0	20.2	19.3	20.0	19.6
Tech Mahindra	IT Services	543	522,259	272,238	322,112	43,994	56,779	29,027	37,010	30	38	19.0	27.5	18.0	14.1	3.3	2.8	11.3	8.5	18.5	19.8	19.0	20.7
Mindtree Ltd	IT Services	1,516	127,057	43,955	51,068	8,239	10,025	5,981	7,301	71	87	11.3	22.1	21.2	17.4	5.2	4.2	14.9	11.7	24.5	24.3	26.4	26.4
NIIT Technologies	IT Services	553	33,820	27,314	30,378	4,570	4,967	2,645	2,988	44	49	132.1	13.0	12.7	11.2	2.2	1.9	7.2	6.3	17.0	16.8	17.1	16.3
Zee Entertainment	Media	425	408,143	56,763	66,309	14,740	19,196	9,293	12,199	10	13	-4.9	31.3	43.9	33.4	7.5	6.8	26.7	20.2	17.2	20.3	19.5	22.1

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs mn	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
HT Media	Media	91	21,064	24,775	27,423	3,318	3,820	2,262	2,626	10	11	25.8	16.1	9.3	8.0	0.9	0.8	6.4	4.8	10.2	10.4	11.0	11.4
Jagran Prakashan	Media	144	46,945	20,844	22,253	5,761	6,307	2,812	3,211	9	10	22.4	14.2	16.2	14.2	2.9	2.5	8.5	7.3	17.7	17.7	15.3	14.0
Hathway Cable	Media	43	35,462	27,804	40,401	6,124	10,900	1,270	5,270	8	34	58.4	315.1	5.1	1.2	0.5	0.4	7.4	3.9	8.8	28.4	5.8	17.3
Den Networks	Media	116	20,644	23,573	34,431	6,203	11,872	1,353	4,775	9	33	4.0	253.0	12.5	3.6	0.8	0.7	2.9	1.1	6.6	19.8	8.6	19.0
Dish TV	Media	110	116,757	31,773	36,769	10,074	12,179	2,572	4,275	2	4		66.2	45.4	27.3	-223.4	31.1	12.5	10.1	-492.5	113.9	59.1	60.9
HMVL	Media	275	20,176	9,112	10,147	2,190	2,628	1,684	2,070	23	28	19.7	23.0	12.0	9.7	2.2	1.8	8.9	6.7	18.8	18.9	21.3	21.4
DB Corp Limited	Media	321	58,994	21,141	23,841	6,217	7,330	3,524	4,507	19	25	11.4	27.9	16.7	13.1	4.1	3.5	9.3	7.6	24.2	27.0	21.4	24.4
Eros International	Media	354	33,044	18,247	20,035	4,447	5,265	3,190	3,694	34	40	29.1	15.8	10.3	8.9	1.8	1.5	8.1	6.8	17.8	17.3	13.9	14.0
Hindalco Inds	Metals	85	176,350	1,060,066	1,104,039	97,201	114,585	10,857	23,009	5	11	-61.1	111.9	16.2	7.7	0.5	0.4	7.5	6.1	2.8	5.6	3.7	4.7
NALCO	Metals	40	103,090	64,366	66,746	7,534	7,864	6,467	6,831	3	3	-68.6	5.6	15.9	15.1	0.8	0.8	7.1	8.2	5.0	5.2	4.5	4.7
Hindustan Zinc	Metals	157	664,643	155,976	164,820	73,243	81,729	76,770	85,038	18	20	-6.2	10.8	8.7	7.8	1.4	1.2	4.2	3.1	15.8	15.6	15.4	15.2
Tata Steel	Metals	250	242,464	1,282,941	1,298,247	83,582	119,723	14,344	12,626	15	13		-12.0	16.9	19.2	0.7	0.7	11.8	8.1	4.4	3.9	2.8	3.0
JSW Steel	Metals	909	219,677	476,143	548,441	95,714	113,239	21,707	31,951	90	132	17.7	47.2	10.1	6.9	0.9	0.8	6.1	4.9	9.0	11.8	6.3	7.6
Jindal Steel & Power	Metals	75	68,847	205,664	230,731	41,477	51,159	-18,148	-10,757	-20	-12	-386.5	-40.7	-3.8	-6.4	0.3	0.3	11.5	9.0	-8.6	-5.4	3.2	1.3
SAIL	Metals	56	232,937	384,033	414,077	-15,671	-11,329	-26,859	-30,538	-7	-7	-223.2	13.7	-8.7	-7.6	0.6	0.6	-34.9	-52.5	-6.6	-8.1	-1.8	-1.9
Sesa Sterlite	Metals	105	310,848	751,388	854,934	214,326	234,972	66,334	88,469	18	24	-18.4	33.4	5.9	4.4	0.6	0.5	5.0	4.3	9.5	11.6	7.5	8.6
ONGC	Oil & Gas	256	2,194,055	1,575,249	1,847,063	630,097	712,597	277,127	333,773	32	39	22.3	20.4	7.9	6.6	1.1	1.0	3.9	3.4	13.6	14.6	11.7	12.8
Petronet LNG	Oil & Gas	196	146,963	287,804	368,036	15,937	18,782	8,186	10,417	11	14	-7.2	27.2	18.0	14.1	2.3	2.1	10.7	8.8	13.1	14.9	9.8	11.1
Cairn India	Oil & Gas	158	296,508	123,092	124,761	64,940	63,382	38,974	34,062	21	18	-36.9	-12.6	7.6	8.7	0.5	0.5	3.8	3.6	6.5	5.7	5.9	5.1
GAIL	Oil & Gas	329	417,393	583,930	634,989	57,593	70,621	34,491	43,749	27	34	8.7	26.8	12.1	9.5	1.3	1.2	8.6	6.4	11.0	12.9	7.8	9.3
Indraprastha Gas	Oil & Gas	493	69,069	43,984	48,003	8,780	9,519	4,690	5,180	34	37	7.4	10.4	14.7	13.3	2.9	2.9	7.5	6.9	21.0	21.7	15.7	16.3
Gujarat State Petronet	Oil & Gas	128	71,908	12,888	13,563	11,501	12,093	5,746	5,973	10	11	24.0	3.9	12.5	12.0	1.7	1.5	6.4	5.6	13.8	12.9	11.4	10.8
Oil India	Oil & Gas	417	250,764	119,237	127,243	58,603	63,358	37,321	40,308	62	67	39.0	8.0	6.7	6.2	1.0	0.9	3.9	3.5	15.2	14.9	11.1	11.2
Berger Paints	Other	221	153,051	54,368	n.a.	6,498	n.a.	3,868	n.a.	11	n.a.	22.0	n.a.	19.8		4.7		24.1		23.7	-	20.8	-
Bharti Airtel	Telecom	352	1,407,884	976,664	1,093,493	336,030	391,396	54,294	81,753	14	20	-10.1	50.6	25.9	17.2	2.0	1.8	7.5	6.1	7.8	10.2	5.7	6.8
Reliance Comm	Telecom	79	196,380	234,448	n.a.	82,810	n.a.	14,143	n.a.	7	n.a.	47.7	n.a.	11.5		0.6		6.0		4.8	-	4.2	-

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs mn	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
Bharti Infratel	Telecom	380	720,639	80,099	87,244	56,483	63,555	23,155	27,390	12	15	16.3	18.3	31.0	26.2	4.4	4.5	12.8	11.3	14.1	17.3	10.7	12.3
Idea Cellular	Telecom	142	509,525	362,321	412,443	132,303	158,472	36,195	30,556	10	8	13.4	-15.6	14.1	16.7	1.9	1.7	7.1	5.6	13.6	10.4	7.9	7.3
Tata Communication	Telecom	427	121,738	210,225	223,566	33,948	37,007	1,600	2,857	6	10	50.3	78.5	76.1	42.6	20.5	17.5	5.9	5.3	26.9	41.0	4.8	5.9
Aurobindo Pharma	Pharma	833	486,296	146,065	161,473	33,887	39,399	20,877	24,714	36	42	27.1	18.4	23.2	19.6	6.7	5.1	15.7	13.1	28.9	25.9	25.4	26.9
Biocon	Pharma	446	89,160	33,866	39,517	8,133	9,818	4,824	5,751	24	29	17.1	19.2	18.5	15.5	2.2	2.0	10.1	8.2	12.1	12.9	11.3	-
Cadila Healthcare	Pharma	427	437,292	98,900	113,024	21,859	25,834	14,644	17,890	72	87	24.2	22.2	6.0	4.9	1.6	1.2	20.6	17.2	26.8	25.5	19.3	20.8
Divi's Laboratories	Pharma	1,093	290,263	37,597	44,330	14,287	17,067	10,542	12,606	40	47	22.3	19.6	27.5	23.0	6.9	5.6	20.4	16.9	24.9	24.4	-	-
Dr Reddy's Labs.	Pharma	4,201	716,297	159,691	166,993	40,242	42,249	26,219	27,125	154	159	15.0	3.5	27.3	26.4	5.3	4.4	18.3	17.0	19.3	16.9	13.2	12.2
Glenmark Pharma	Pharma	1,007	284,159	81,046	96,561	18,240	22,890	10,366	13,905	37	49	33.6	34.1	27.4	20.4	5.8	4.6	16.3	12.7	21.1	22.3	15.0	17.3
Ipca Laboratories	Pharma	757	95,486	30,295	40,884	4,851	9,675	1,795	5,460	14	44	-32.9	204.2	52.8	17.4	4.0	3.3	21.0	10.6	7.5	19.1	7.2	15.9
Lupin	Pharma	2,052	923,748	14,169	17,805	3,160	4,060	2,005	2,520	25	31	57.5	25.7	82.2	65.4	12.8	10.8	292.6	227.8	16.0	16.9	-	-
Sun Pharma	Pharma	889	2,138,841	279,449	325,013	82,629	111,525	50,227	72,648	21	30	5.1	44.6	42.6	29.4	7.3	6.0	25.2	18.2	17.1	20.2	14.0	17.3
CIPLA LTD	Pharma	681	547,115	14,169	17,805	3,160	4,060	2,005	2,520	25	31	57.5	25.7	27.3	21.7	4.2	3.6	173.5	135.0	16.0	16.9	-	-
Concor	Midcaps	1,346	262,494	62,622	75,809	13,568	17,531	10,772	13,696	55	70	2.8	27.1	24.4	19.2	3.1	2.7	17.4	13.3	12.6	14.3	12.5	14.4
Praj Inds.	Midcaps	90	16,002	10,833	13,920	1,128	1,803	696	1,150	4	6	52.5	65.1	22.9	13.9	2.5	2.3	13.1	7.9	10.8	16.5	8.9	13.9
Pennar Inds.	Midcaps	50	5,963	15,098	19,470	1,593	2,235	517	835	4	7	44.0	61.6	11.5	7.1	1.3	1.1	4.3	3.1	11.0	15.6	15.7	19.1
Allcargo	Midcaps	317	40,025	63,634	72,953	5,762	7,150	2,966	3,772	24	30	23.7	27.2	13.5	10.6	1.8	1.6	7.3	5.5	13.7	15.2	11.7	13.4
Sintex Industries	Midcaps	99	44,276	83,577	104,860	14,451	18,165	6,021	8,572	14	19	9.4	42.4	7.3	5.2	0.8	0.7	6.4	4.7	11.5	14.2	7.8	9.2
VRL Logistics Ltd	Midcaps	412	37,579	18,632	21,013	3,134	3,653	1,266	1,613	14	18	44.6	27.4	29.7	23.3	8.4	6.7	13.1	11.0	28.4	28.6	16.9	19.0
Havells India Ltd	Midcaps	257	160,706	59,749	68,906	8,420	9,783	5,547	6,548	9	10	19.3	18.1	28.9	24.5	5.9	5.1	18.5	15.6	20.5	20.8	21.2	21.7
Finolex Cables Ltd	Midcaps	246	37,661	25,743	30,301	2,868	3,808	2,036	2,748	13	18	15.6	35.0	18.5	13.7	n.a.	n.a.	12.4	8.8	14.2	16.7	14.0	16.6
VGuard Industries Ltd	Midcaps	917	27,507	20,234	24,132	1,591	1,969	887	1,143	30	38	25.5	28.8	31.0	24.0	n.a.	n.a.	17.5	13.9	19.8	20.9	18.8	20.3
Bajaj Electricals Ltd	Midcaps	252	25,377	46,479	52,025	2,579	3,159	858	1,219	9	12	-714.5	42.1	29.6	20.8	n.a.	n.a.	12.9	10.4	11.4	14.2	9.7	11.4

Note: For banks, EBITDA is pre-provision profit

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GROUND VIEW

It gives us great pleasure to invite you to

PhillipCapital India

"SPECIALITY CHEMICALS INVESTORS' DAY"

on **Thursday, 3rd December 2015** at **Sofitel Hotel, BKC, Mumbai**

Panel Discussion: 10am – 12pm | **Lunch:** 12 – 1pm | **Group Meetings:** 1 – 6pm

SESSION 1

Panel Discussion Participants

- **Surjit Kumar Chaudhary,**
  Secretary, Ministry of C&PC
- **Samir Biswas,**
  Joint Secretary, Ministry of C&PC
- **Manish Panchal,**
  Head of Chemicals, Tata Strategic Management
- **Rajendra Gogri,**
  MD, Aarti Industries ltd
- **Belur Krishnamurthy Sethuram,**
  MD, Celanese Chemicals India
- **Dr. Dileep M. Wakankar,**
  Head Product Stewardship, Archroma India
- **Sunil Lalbhai,**
  Chairman and Managing Director of Atul*

SESSION 2

Group Meetings Participants

- Ministry of Chem & Petro. Chem. (Joint Secretary, Ministry of C&PC)
- Aarti Industries
- Gujarat Fluoro Chemicals
- BASF*
- NOCIL
- Meghmani Organics
- Omkar Specialty
- Deepak Nitrite
- Camlin*
- Shree Pushkar*
- Fineotex Chem

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