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GROUND ZERO

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pg 22. INTERVIEW: Nikunj Sanghi

pg 25. Indian Economy – Trend indicators

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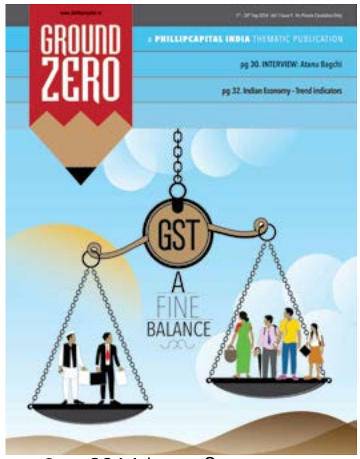

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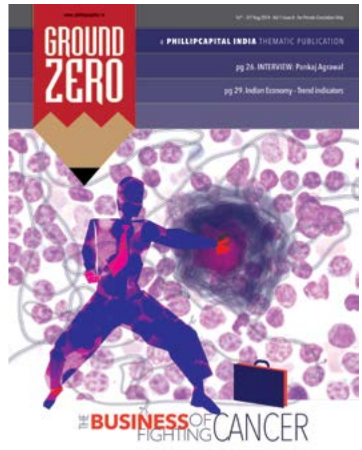

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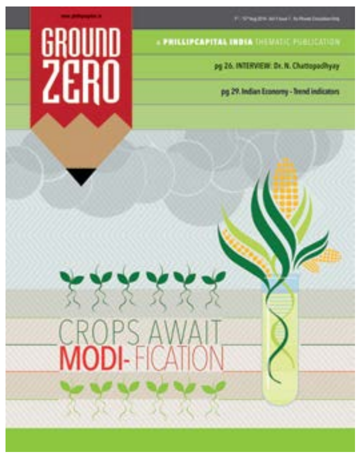

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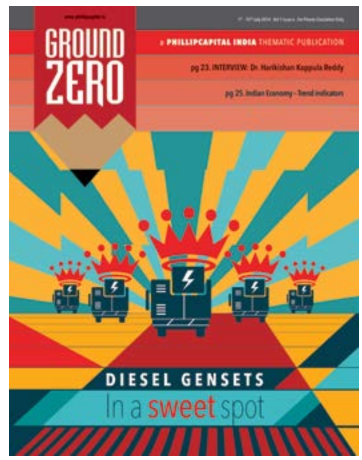

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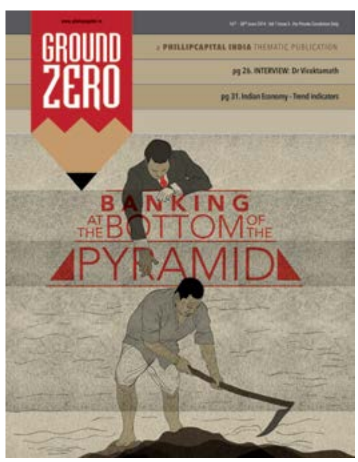

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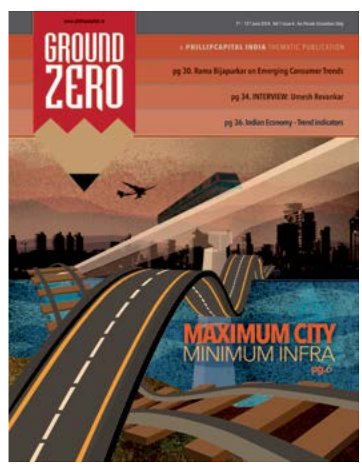

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LETTER FROM THE MANAGING DIRECTOR

The Indian Cement sector has seen enormous capacity growth over the last 5-7 years -- in anticipation of stupendous infrastructure growth, the industry doubled its installed capacity. However, the expected development did not pan out as anticipated due to a variety of reasons including policy paralysis and economic slowdown. Cement consumption started faltering, resulting in severe operational and financial challenges for the industry.

The industry handled these challenges by banding together and maintaining cement prices in a manageable range -- as a result, prices recovered within months of any cyclical slumps. While the CCI levied heavy penalties on some cement companies due to allegations of cartelization, these allegations were strongly challenged by the industry. Today, cement prices are near peak. Barring cost push, it has been only the sentiment that drove cement prices.

After it became clear that Mr. Modi will take charge at the centre, stock valuations of listed cement manufacturers surged. The industry itself along with the stock market believes that the revival of infrastructure demand (especially road projects) could be a game changer for Indian cement. In this issue we try to analyse this optimism and take a rational look at this so-called game changing development -- is it possible, and if so, how it will really impact the cement industry.

Also read our candid interview with Mr. Nikunj Sanghi, Automobile Dealer – Hero Motocorp and Mahindra & Mahindra. He talks about automobile growth opportunity in Tier 2 and Tier 3 cities. We look forward to your feedback on the issue.

Best Wishes

Vineet

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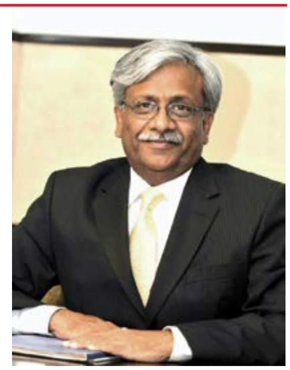

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A bird's eye view of a cement plant and its captive limestone mine

BUILDING WITH OPTIMISM

Valuations of listed cement manufacturers have seen new highs after the change in command at the centre. The driving force of these valuations is tremendous optimism. This begets some pertinent questions — has anything really changed or is it slated to change? If it has already changed, what has changed? Various stakeholders (channel partners, distributors, retailers, contractors, decision-making bodies at the centre, zonal/regional sales and marketing heads of select cement manufacturers, housing developers, metro developers, and few other infrastructure development authorities) validate the current scenario. No names have been quoted in this edition as most of these stakeholders spoke on the condition of anonymity.

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BY VAIBHAV AGARWAL

Its all driven by optimism

- North and West will remain favourite regions vis-à-vis fundamentals. North is likely to continue to operate at around 90% capacity utilisation. South will at best touch 65-70%, even with a revival in demand. Pan-India utilisation is unlikely to improve more than 2-4% in near to medium term even assuming an 8% demand growth.
- Demand revival seems sure in North India. South India is unlikely to see a significant revival immediately, but scenario should improve over 12-18 months.
- Housing will continue to remain the core driver of cement demand in India.
- Infrastructure projects will provide a boost to the sentiment, but infrastructure-led demand can increase despatches only intermittently. This demand is not likely to improve the profitability of manufacturers materially.
- Even in the best case scenario (where infrastructure-led demand grows at 20% p.a. and housing at 8% p.a.), incremental demand from housing will be much higher than infrastructure (in absolute terms).
- That road projects lead to a significant and immediate boost to cement consumption may be a myth. Issues such as corruption, personal interests of contractors (greed), and black-marketing of cement are some key concerns surrounding road projects. In fact, road development is believed to be amongst the most corrupt areas within infrastructure projects.
- Cement prices will continue to remain a function of discipline in regions with low capacity utilisations.
- Major sustainable price spurts are unlikely. Prices will not move beyond 5-8% p.a. Cement manufacturers are likely to announce periodic 5% price hikes at set intervals, but their absorption will remain low.
- Intermittent price slumps are not completely ruled out. However, price wars will erode profit margins and will create a fear of survival amongst smaller cement manufacturers. Hence, it is unlikely that price wars (if any) will last long.
- Tier-1 manufacturers are the last ones to announce price cuts; price wars are always initiated from the bottom of the pyramid.
- EBITDA margins of cement manufacturers are unlikely to improve very substantially from current levels. For efficient cement majors, the EBITDA range is likely to remain between Rs 1,000-1,100 for FY15. The discount (EBITDA) between efficient cement majors and the relatively smaller manufacturers/inefficient players will remain at a minimum of 15-20%. The least efficient players will be at a discount of 25-30% to most efficient majors.
- Consolidation moves are very likely and will continue. Smaller manufacturers could seek exits due to family succession issues, lack of vision and sincerity, and undefined goals.
- Valuations of cement manufacturers today are driven largely by optimism and they will correct if the government fails to deliver on its agenda of development and infrastructure creation. However, stakeholders rely on this optimism and believe that the probability of favourable events is high.

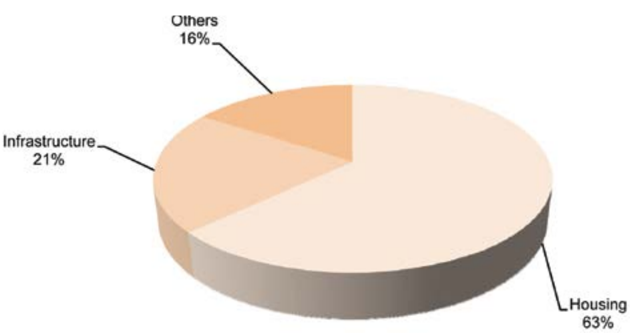
What drives cement demand?

It is well established that cement demand is closely linked to GDP growth. For India, the link is even closer because several parts of the country still lack many basic infrastructure facilities. Therefore, cement consumption in India will remain high and will continue to be driven by development.

India's current cement demand is largely driven by housing. Though the share of infrastructure in total cement demand will increase, barring the sentiment support to cement prices, the core driver for cement consumption is likely to remain housing.

Infrastructure can provide intermittent support to the demand curve, but sustainable support seems unlikely in the near term. The offtake from infrastructure demand will probably start 12-18 months from now. However, the intensity of infrastructure cement consumption is supposed to be higher than housing, and hence can be a significant driver once this demand starts coming in steadily. For example, if the ballpark cement consumption in housing is 25kg for per square feet of construction, it is estimated to ~35-40 kg per square feet of construction for infrastructure projects (depending on the nature of project).

Cement consumption in India: Housing has the lion's share



Cement prices will continue to remain driven by industry sentiment and cost-push

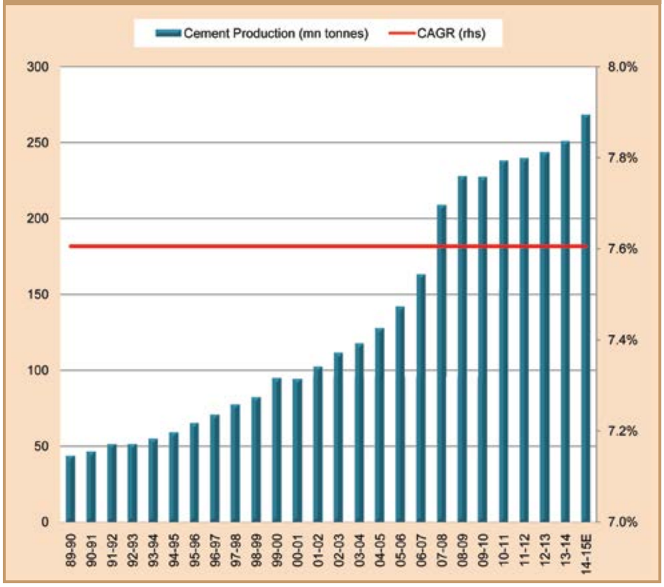
Over the past few years, cement prices have been a factor of industry sentiment, production, and pricing discipline. Cost push has been also a key reason, as reflected in the lower EBITDA levels (industry has often justified price hikes because of cost push). However, other than cost push, industry sentiment has played a pivotal role in driving cement prices. Though this seems to be relatively truer for South India, in most regions in India, sentiment has been a key driver for prices.

That fundamentals (other than cost push) do not support or drive prices for the Indian cement industry is clearly visible in utilisation levels — North and Central India are the only regions where utilisations are relatively stable (80% plus). Other regions such as South, East and West continue to operate at 55-80%. Therefore, barring cost push, cement prices will continue to remain driven by sentiments.

Brief background of the Indian cement industry

Cement business in India (and globally) is a regional one. High freight costs deter long and inter-regional transportation. In most cases, the maximum distance cement travels is 700kms beyond which travel becomes unviable. Therefore, India is divided into 5 broader regions/zones — North, South, East, West and Central. South and North account for about 60% of India's capacity. In inter-regional transfers, North largely caters to West and Central, while South caters to West and East — overlaps in service regions cause pricing distortions and regional imbalances. However, most times, the cement industry manages these pricing distortions well and is capable of restoring prices quickly.

Production CAGR of 7.6% over the last 25 years



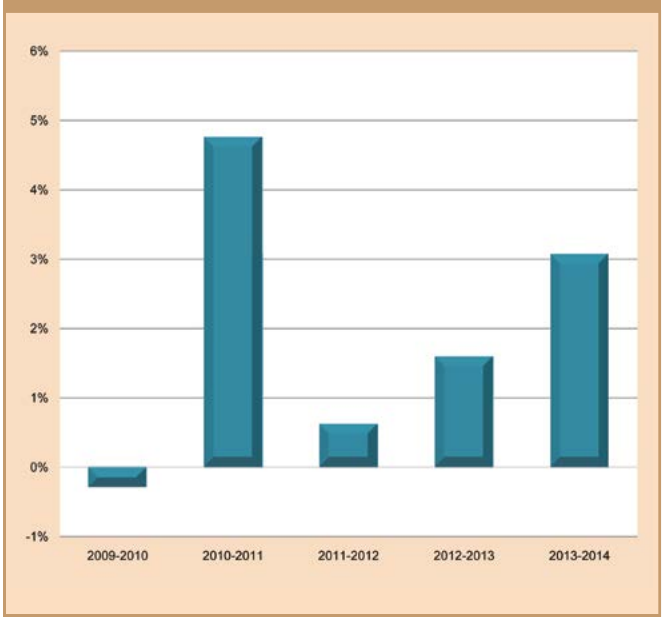
Pan-India capacity utilisations set to touch lowest levels

Over the last 25 years, pan-India cement production CAGR was almost 8%. However, over the last 5 years, cement production growth has been dismal due to lack of policy initiatives and weak governance at centre and state. With a much firmer government in place, the industry believes growth will increase.

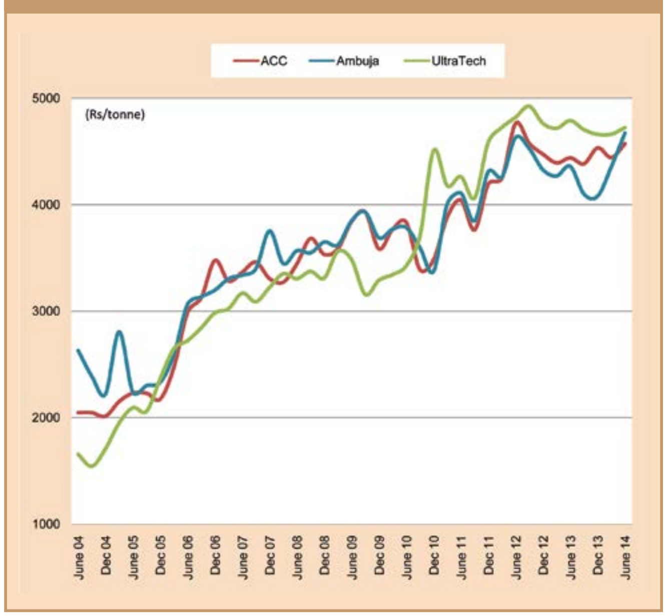
With dismal consumption growth and increasing capacities, and with a view to keep cement prices favourable, the industry (pan-India) lowered its utilisation levels to nearly 71% (lowest in the past 25 years). Though demand revival will improve utilisations, they are unlikely to recover beyond 75% in the near to medium term.

Though pan-India utilisations levels are dishearteningly low, at regional levels there are stark differences. North continues to operate at nearly 90% while South operates at merely 55-60%. Hence, it is unfair to look at pan-India average — it is

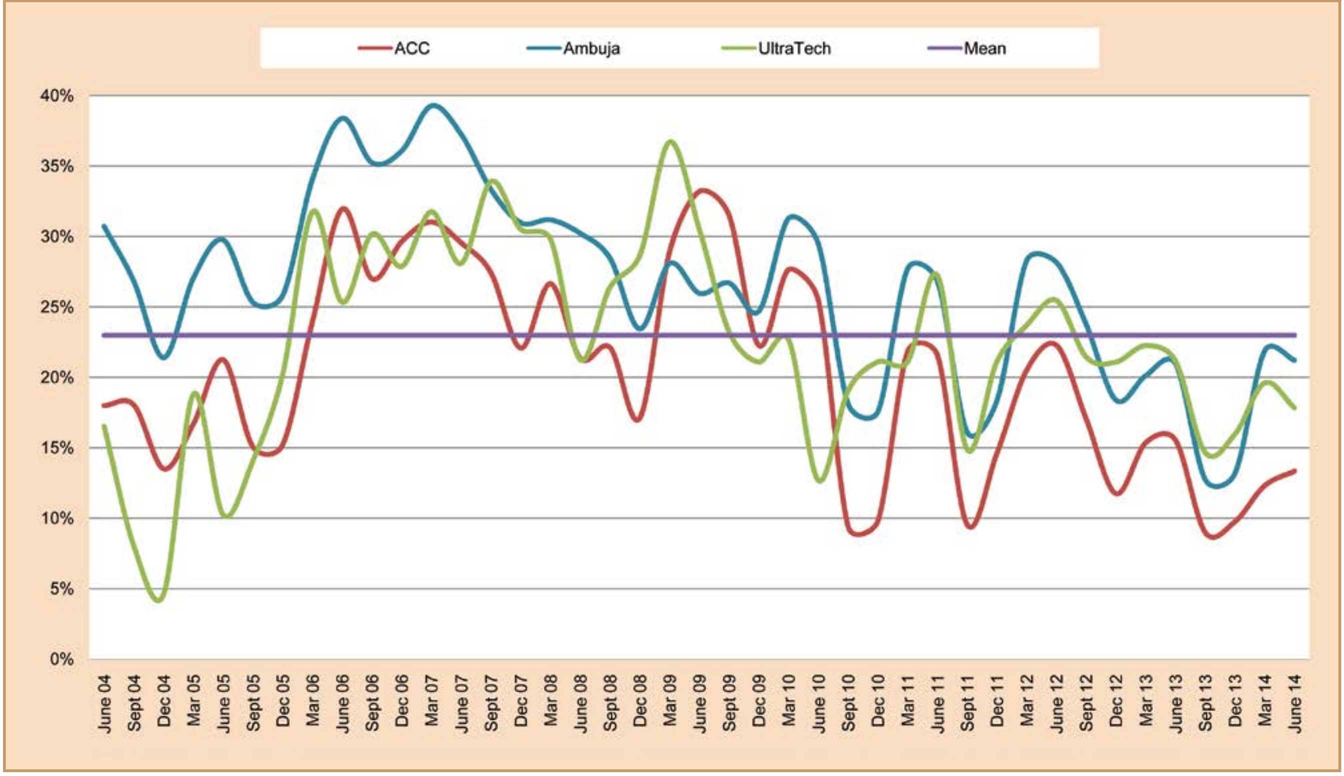
Pan-India cement consumption growth yoy



Absolute realisations remain nearer to peak



EBITDA margins are still lower than average and builds case for price hikes



far more interesting to look at expectations and realities of cement manufacturers at regional levels largely North and South.

Despite lowest-ever utilisations, cement prices are almost at peak levels — visible in the average realisation trends of cement majors. This clearly speaks for pricing discipline and the ability of the industry to maintain favourable prices in tough times.

EBITDA margins of cement majors are currently lower than their average — since cement prices are at their peak, it is very clearly cost push that is causing weak margins. Therefore, price hikes seem necessary, but it is unlikely that sharp hikes will go down well with consumers. However, with a sentiment boost in terms of demand recovery, the industry can announce sustainable price hikes.

What are the concerns?

Though the industry has shown that it is capable of restoring prices quickly, the key concern is the lack of demand and increasing capacity, due to which sustaining better price levels becomes increasingly difficult despite the price discipline and maturity of cement manufacturers. Fundamental support, such as sustainable demand growth, is essential for sustainable price growth.

Over the last 5-7 years, the cement industry has almost doubled its installed capacity betting on huge demand creation in the country, but so far, demand has failed to live up to expectations. This has resulted in capacity utilisations falling from record highs to record lows in FY15.

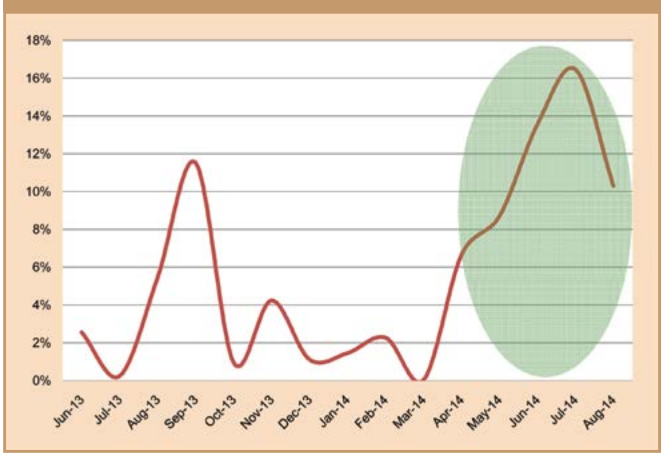
With a change of command at the centre, a lot is being bet upon demand revival for the cement industry, which in turn may lead to better capacity utilisations. Though it is easy to say that utilisations are now at the bottom of the cycle, it is difficult to predict how much these will improve. Even with an 8% pan-India increase in demand, it is unlikely that there will be more than 2-4% improvement in utilisation every year for the next two years. Hence, at best, pan-India capacity utilisations could touch 75% in FY16.

Modi Vs. Ground reality

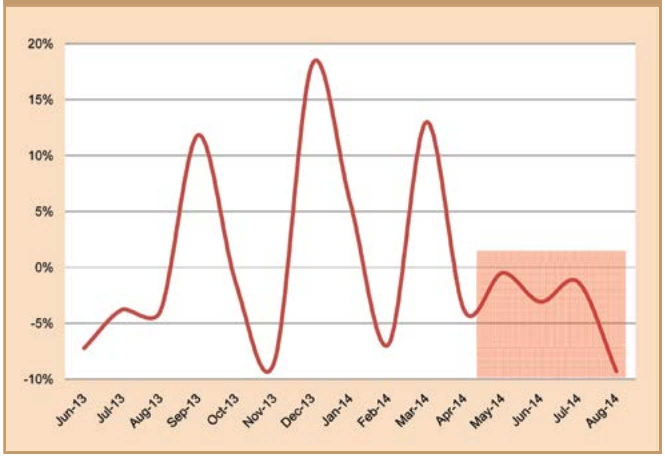
After Narendra Modi took charge as India's PM, yoy cement production growth rates have taken everybody by surprise. They just seemed tremendously high all of a sudden. However, ground checks revealed that barring optimism, nothing much has changed. Regional sales heads of leading cement manufacturers suggested that these numbers can be deceiving. The mom growth rates paint a different picture.

Mom growth rates reveal that growth has been consistently negative since April 2014. Absolute production and consumption numbers have not grown. The periods that show materially high growth rates are either year-ending months for major cement manufacturers (when they try to achieve year-end targets by stocking materials at distributors/depot) or post-monsoon (September 2013). Other than these periods, there wasn't any significant growth in production on a mom basis for the last 12 trailing months. Hence, it is unfair to assume that the situation has changed materially. Excluding very strong optimism surrounding demand revival, there seems to be no data that suggests a material improvement in demand. Flat mom numbers indicate that demand is only coming from existing projects, not new ones.

Yoy cement production growth. Is it really Modi-led optimism?



Mom growth rates paint a truer picture



So what is the actual ground reality?

After the Modi government took charge at the centre, markets built in a lot of optimism on the revival of the economy. However, the reality is that (as of now) it is only optimism and nothing concrete. Due to this optimism, listed cement manufacturers' valuations have touched new highs recently. It is not just the market's valuations, extensive interactions with cement manufacturers over the last 6-8 months revealed that they actually share this optimism with the stock market.

The BJP government's election manifesto contained many firm, strong, and clear statements about development — this reinforced investor confidence in sectors such as cement, which is considered a proxy to the growth of the economy. Since cement demand is always derived, with several focused policy and development related initiatives (proposed), the government could potentially be the single-largest customer of the cement industry.

A lot of recent initiatives of the new government seem to be in tandem with their election promises. The BJP's manifesto talks specifically about the lack of basic infrastructure and housing in India and measures to correct this.

Here is a quick analysis of BJP's manifesto:

Manifesto - on centre-state relations:

- We will place Centre-State relations on an even keel through the process of consultation and strive for Harmonious Centre-State relation.
- Our Government will be an enabler and facilitator in the rapid progress of States. We will evolve a model of national development, which is driven by the states.
- Power is currently concentrated in Delhi and State Capitals. We believe this power should be genuinely decentralized.

Implication: The relationship between centre and states will get better with faster allocation and disbursement of funds, which is likely to speed up execution of various developmental and infrastructure projects in states.

Current status: No major activity on this yet. Many of the larger states are still in the election phase and a few states are still in the process of finishing government formation. Bureaucrats are busy defining portfolio allocations and arranging meetings within themselves. Centre and state relations will become clearer once state government elections are out of the way and firm governments settle down.

Manifesto - on East India development:

- Presently, we see that there is a vast disparity between different regions of the country along developmental parameters, particularly between the western part and the eastern part. Despite their richness in both, natural as well as human resources, eastern part of India still lags behind.
- We shall give the highest priority towards bringing the eastern parts of the country on par with western parts. To that extent, there shall be special focus and emphasis on the development of the eastern side of India.

Implication: Distinct emphasis on development of East India. If implemented, it will turn out to be highly beneficial to East-Indian cement manufacturers.

Current status: This is a long-term initiative and it will be unfair to expect dramatic changes and results within such a short span of time. The relations between the centre and some eastern states are not smooth, and could be impacting demand.

Manifesto - on North East development:

- Put special emphasis on enhancing the connectivity within the region and to the rest of the country. There will be special emphasis on massive infrastructure development, especially along the line of Actual Control in Arunachal Pradesh and Sikkim. BJP will address the issue of Flood control in Assam and river water management.

Implication: Massive infrastructure development in the North East will mean double-digit demand growth, which may continue for many years, given the low base. This will benefit companies such as Dalmia Bharat (aggressively built positions in this region).

Current status: Modi has talked about the need to develop North-East many times in the past, even before he was elected PM. However, the concern area remains the lack of political friendship between the ruling states and the centre.

Manifesto - on Telangana:

- Regards Telangana – BJP is committed to do full justice to Seemandhra and address the issues of development and governance of Seemandhra and Telangana.

Implication: Supports development of new states in South India.

Current status: Significant potential demand revival with the proposed development of new states. No action yet.

HOUSING REMAINS THE CORE DRIVER

Demand triggers and revival potential from user segments

Demand from housing will remain the primary driver: Currently, more than 50% of India's rural population and more than 30% of its urban population do not have access to cement (pucca) houses. It is unfair to assume that all of these houses will be built in the next 10-15 years. However, even if a part of this is executed, the potential for cement demand can be huge. Narendra Modi has a vision to provide housing for all by the end of 2022. An indicative calculation of the potential of cement demand that can initiate from housing is as follows:

Assuming housing-for-all and only minimum square feet construction (200 square feet, just the size of a room), nearly 700mn tonnes of incremental cement demand is possible. However, this seems an impossible number to achieve in the foreseeable future. If the government sets its heart on achieving this, say over the next 20 years, housing alone can trigger cement demand growth of 8-10% every year.

Announcements in mass-housing schemes are likely to happen soon. Few notable state-housing schemes are in the annexure. Within state housing schemes, Haryana has the maximum number — this explains the increasing interest of cement manufacturers in catering to this region. Most major housing schemes in progress are in the North, East and West. South India is yet to see any new major housing scheme announcements. Howev-

Graphical image of a mass housing project

Population profile of India

	People (Bn)
Population of the country	1.25
Rural population	0.88
Urban population	0.38
Rural population living in raw houses	0.44
Urban population living in raw houses	0.11
Total population living in raw houses	**0.55**

er, South should see demand revival within 12-18 months, especially with the creation of new state, capital, cities, infrastructure etc.

Incremental demand potential from housing

	People (Bn)
Ideal family size assumption (No. of persons)	4
Total population living in raw houses (Bn)	0.55
Number of houses to be built (Bn)	0.14
Area in Square feet / house (assumption of minimum required)	200
Total area to be built (Bn Square feet)	27.50
Thumb rule of cement consumption per square feet (kg)	25
Total potential of incremental cement demand (Mn tonnes)	**688**

Road projects can be a credible growth driver: Reality or myth?

India has a road network of around 4.8mn kms. Of this, only about 54% is believed to be paved. Adjusted for its large population, India has less than 3.8 kilometres of roads per 1,000 people, including all its paved and unpaved roads. In terms of quality (all-season, 4-or-more-lane highways), India has less than 0.07 kilometres of highways per 1,000 people as of 2010. These are some of the lowest road and highway densities in the world.

United States has 21 kilometres of roads per 1,000 people, while France about 15 kilometres – predominantly paved and high-quality in both cases. In terms of all-season, 4-or-more-lane highways, developed countries' highway density per 1,000 people is more than 15 times vs. India. As of April 2014, India had completed and started using over 22,400 kilometres of recently-built 4-lane or 6-lane highways connecting many of its major manufacturing, commercial and cultural centres.

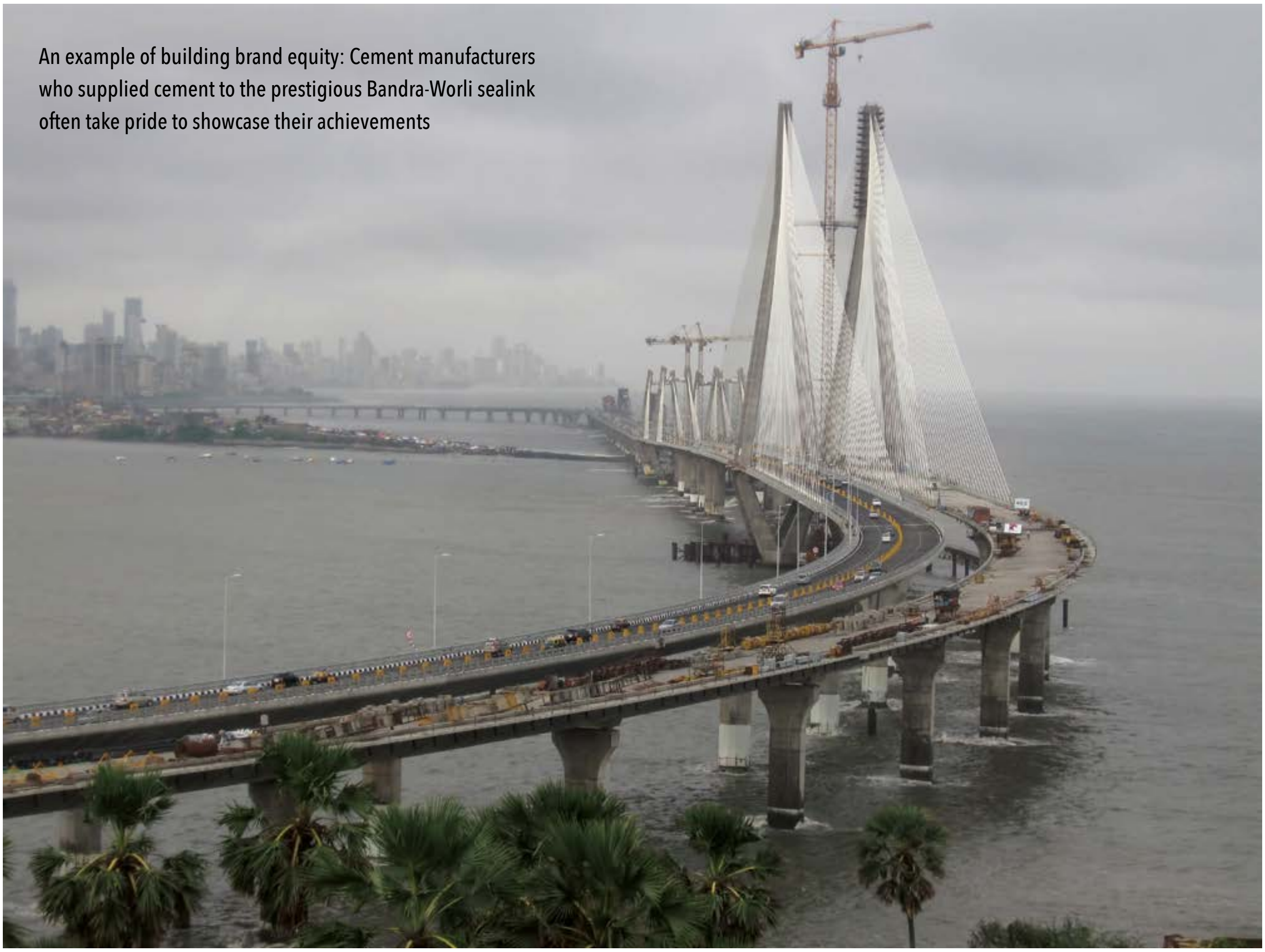
The rate of new highway construction across India accelerated after 1999, but has slowed in recent years. Policy delays and regulatory blocks reduced the rate of awards to just 500 kilometres of new road projects in 2013. Major projects are being implemented under the National Highways Development Project, a government initiative. Private builders and highway operators are also implementing major projects - for example, the Yamuna Expressway between Delhi and Agra was completed ahead of schedule and within budget; however, the Kundli–Manesar–Palwal Expressway started in 2006 is far behind schedule, over budget, and incomplete.

According to some estimates, India will need to invest US$ 1.7tn on infrastructure projects before 2020 to meet its economic needs, a part of which would go to upgrading its road network. The government is attempting to promote foreign investment in road projects. Foreign participation in Indian road network construction has attracted 45 international contractors and 40 design/engineering consultants, with Malaysia, South Korea, United Kingdom and United States being the largest players.

Expressways make up only 1,208 kms of India's road network. These high-speed roads are four-lane or six-lane and predominantly access controlled. The government has drawn up an ambitious target to lay another 30,000kms of National Highways in the next 5 years under National Highway Development Programme. Besides these, the government has bold targets of laying another 18,637kms of brand-new expressways by 2022.

The approximate bifurcation of the Indian road network

Road classification	Authority responsible	Total kilometres
National Highways	Ministry of Road Transport & Highways (Central government)	92,851
State Highways	State governments (state's public works department)	1,38,489
Major and other district roads	Local governments, panchayats and municipalities	17,05,706
Rural roads	Local governments, panchayats and municipalities	29,28,294



An example of building brand equity: Cement manufacturers who supplied cement to the prestigious Bandra-Worli sealink often take pride to showcase their achievements

So what's in it for cement?

India has primarily bitumen-based macadamised roads. However, a few of the national highways have concrete roads. In some locations, such as in Kanpur, British-built concrete roads are still in use. Concrete roads were less popular before 1990s because of low availability of cement. However, with large supplies of cement in the country and the virtues of concrete roads, they are once again gaining popularity. Concrete roads are durable, weather-proof, and require lower maintenance vs. bituminous roads. Moreover, new concrete pavement technology has developed (such as cool pavement, quiet pavement, and permeable pavement) which has rendered it more attractive and eco-friendly. With improvement in technology, concrete roads are marginally cheaper or equal to the cost of building bitumen roads. The maintenance of concrete roads is cheaper vs. bitumen-based roads.

Every 1km of two-lane concrete road has the potential of consuming minimum of one thousand tonnes of cement and hence for every 1,000kms of concrete road to be built, the potential cement consumption is ~1mn tonnes. With increase in the number of lanes, the cement consumption increases — the extrapolation is likely to be nearly 1.8 times.

Assuming all incremental highways are build out of concrete, the potential cement consumption can be phenomenal — more than 100mn tonnes, assuming four-lane highways, over the next 4-5 years or around 20mn tonnes every year.

Can this really happen?

The cement consumption in India as of now is expected to be ~265mn tonnes for FY15. The collective expectation of cement consumption growth is 8-10% p.a given the current optimism, which translates to an absolute volume growth of ~27mn tonnes p.a.

Interactions with people in the know suggest that it is impossible that the entire incremental road network will be concrete — this figure could be about 50% (at best). This means not more than 50mn tonnes (at best) of cement demand will come from road projects over the next 5 years (10mn tonnes every year pan-India). While this number seems to be substantial, when compared to housing (which should continue to grow by 8-10% p.a.) the road sector's best-case incremental demand is still much lower. Housing will continue to generate and incremental demand of more than 15mn tonnes every year.

The collapse of cement demand over the past few years was largely driven by lack of infrastructure development and policy failures. Housing demand growth stayed positive and strong. While some leading cement manufacturers still believe that road projects can be a game changer, research does not fully validate this theory.

Can road projects be a game changer?

Though demand from road projects will definitely boost overall market sentiment, it is unlikely to be a material game changer. Supplies to such projects will be at steep discounts and unlikely to boost margins. However, supplies to these kinds of projects will definitely help cement manufacturers to stabilize their plant utilisations at better levels and gain on efficiencies, but it is highly unlikely that (barring the efficiency gains) the profitability of cement manufacturers will improve due to road project supplies. Many small-scale manufacturers are willing to compromise on prices to gain on volumes.

The Dirt of Concrete: The reality of road projects

Road projects involve huge amount of cash investments. Turning to concrete may be cheaper, but it is not very easy in a populous country like India with a large bureaucracy. Why? Let's find out:

- **Incomprehensible but true:** *Less maintenance with concrete means = fewer repair contracts — not acceptable:* Concrete roads need less repair work vs. bitumen-based roads. While the service life of concrete roads is around 40 years, the service life of bitumen-based roads is only around 10 years. Bitumen-based roads require a surface re-dressing every 3-5 years (at least once) while concrete roads generally don't need any. Therefore, the value of repair contracts for concrete roads is less — this discourages stakeholders from building concrete roads unless it is a prestigious project that showcases the country's road network. Road projects involve huge sums of money and hence huge bribes and commissions. Therefore, the preference is for contracts of a recurring nature – this optimises the financial status of stakeholders.
- **Black marketing of cement / other raw materials:** Government contracts with cement manufacturers are mostly at subsidised rates. Contractors frequently divert the subsidised cement procured for road projects to other commercial projects such as housing for financial gains. Road projects lack governance on execution and become a hub for corruption and malpractices. If the government of the day is serious, then it will have to put strong mechanisms in place to weed out corruption.
- **Wrong belief that this is the best sort of regular employment:** Most stakeholders wrongly believe that rebuilding roads at regular intervals helps generate employment for the poor. The truth is that these stakeholders do not want to let go of any opportunity of minting money for themselves.

What the transport minister's ambition of building concrete roads translates into...

Recently the Union Minister of Road Transport and Highways made a number of strong remarks that marked his ambition to switch to concrete roads for new construction. However, the possibility of this switch depends on tie-ups with cement companies for cheaper rates. Media reported that the minister expects a rate of Rs160/bag for such contracts. Listed below are the responses of various stakeholders:

Government's take: Authorities with leading PSUs responsible for development and maintenance of road networks across the country believe that the government does not have clarity yet about how much (percentage) of the new roads should constitute concrete. These authorities said that when the government invites the tenders for roads, it does not really specify the type - the selection (concrete vs. bitumen) is largely left to the discretion of the road contractors. The government of India does not have any set guidelines for concretisation of roads as of now. PSU authorities believe that the figure quoted by the media is the minister's own and personal expectations (they said the minister believes he will be able to forge long-term contracts with cement manufacturers at Rs 160/bag).

What cement manufacturers say: Most large cement manufacturers (across the region) believe that it will be impossible for them to supply cement at Rs 160/bag. However, if the government is willing to waive off all cess/duties, the price is workable ex-works/factory. Smaller cement manufacturers in South India seemed excited about such contracts. It seems that smaller manufacturers are happy to compromise on their EBITDA levels if such contracts can assure them of higher utilisations. The logical conclusion is that such contracts would be a threat to the existing pricing discipline of the industry. Even if the supply of such contracts will be largely on a non-trade basis, trade prices are bound to get impacted.

What contractors say: Local contractors and people responsible for construction of roads seem very excited with the minister's energetic statements about expediting construction of roads across the country. However, they are not confident about the execution transparency, assuming such contract terms are agreed upon. Some contractors believe that such cheap contracts will lead to large-scale black marketing of cement. Contractors believe that to ensure full transparency in procurement, delivery and execution, it would be wiser to keep the price at a more realistic level. Sources revealed that state governments in central India are likely to agree to enter into contracts with cement manufacturers at Rs200-210/bag for road construction.

To summarise, few cement manufacturers strongly believe that cement demand for concretisation of roads will be the game changer for the fundamentals of the industry. However, in reality, housing will remain the primary driving force for cement demand. It is possible that cement demand for construction of roads may lead to a spurt in despatches, but whether this will be favourable to the sustainability of better cement pricing continues to remain a question.

Creation of Telangana raises hopes for south demand: South India is a bottleneck for the fundamentals of cement sector, especially Andhra Pradesh (including Telangana). With capacity at nearly 80mn tonnes in AP, the issue of excess capacity is almost too huge to address. Utilisations continue to remain between 45% and 55% in AP. With the recent split of Telangana from Andhra Pradesh, a lot of expectations have built surrounding demand revival in south India — creation of new state capitals and support infrastructure in new states. Empirical evidence suggests that a split within the state results in material demand revival - Chhattisgarh from Madhya Pradesh, Jharkhand from Bihar, Uttarakhand from Uttar Pradesh all caused a spurt in demand.

It remains to be seen if this will work for Telangana from Andhra Pradesh. Interactions with distributors, channel partners, end consumers, state authorities, corporate authorities (including the marketing and sales departments of various cement companies), housing builders, and contractors were not very encouraging for the near term. Most people believe that a lot has been said and talked about but when it comes to execution, things are still at a standstill. Politicians in ministries are still either settling down or negotiating for portfolios. Sources do not see a revival possibility for the next 6-9 months but remain very positive and confident of a significant demand revival in AP and Telangana over next 12-18 months. Housing demand in the current state capital of Hyderabad has come to a complete standstill after it was decided that the new state capital for Andhra Pradesh will be Vijayawada, which is now the preferred investment destination. However, Hyderabad could attract investments over the next 12-18 months.

Some other reality checks

- **It's a myth that trade margins are always higher vs. non-trade:** A meeting with the sales head of one of the largest cement manufacturers of the country revealed that trade and non-trade (direct sales to housing companies, developers and government institutions) margins can largely be the same given that the market is operating in ideal market conditions where the gap between trade and non-trade prices generally do not exceed Rs40/bag.
  - A material portion of the non-trade sales are ex-factory. Sales delivered on sites are charged extra freight in most cases.
  - Trade sales involve a large distribution chain which includes distributor, dealer, and also warehousing (in certain cases). As a result, ancillary costs involved in case of trade sales are higher by Rs 25-40/bag (Rs 10/bag freight + Rs 10-15 distributor commission + Rs 10/bag retailer commission + Rs 5/bag warehousing and other costs). This may exclude the bonus and year-end incentives cement manufacturers provide to their channel partners.
  - Very importantly, one cost which tends to be omitted is the handling cost (for loading/unloading/delivery etc.). Obviously the whole of these costs are not passed on to cement manufacturers, but it is fair to assume that 25-40% of these costs are on the books of cement manufacturers. These costs can be as high as Rs35-40/bag.
  - In non-trade sales, the cement manufacturers are pretty safe and free of hassles of additional ancillary costs, which are otherwise involved with trade sales.
  - Consequently, given that the markets are operating in ideal conditions, the margin gap in trade and non-trade is not necessarily wide. On the contrary, in certain cases (very recently) margins in non-trade sales were actually higher than trade sales.
- **Non-trade margins are more dependent on product variety and customer profile:** A large deciding variable for non-trade margins is the customer profile and the product variety sold. Significant portion of non-trade sales are to housing companies, developers and government institutions. Margins for sales to government institutions tend to be low as these are generally cheap, fixed-price contracts. However, for other non-trade customers, margins are not always low. Government typically buys OPC (ordinary portland cement) only while other customers' choices vary. Margins tend to be higher in PPC sales vs. OPC, especially in the non-trade segment. As of now, the overall mix of the country in terms of trade:non-trade is around 70:30.
- **Infrastructure projects supply will generally dent margins:** Infrastructure projects tend to be highly dependent on OPC as most of them have their own RMX plants where they procure fly ash and other additives separately to produce the required grade of concrete. As discussed earlier, OPC sales in non-trade (in most cases) have lower margins than PPC supplies. As a result, margins in the infrastructure segment tend to be lower and may be a marginal dent to overall margins of any cement company that tends to supply more to this segment.

- **However, infrastructure projects will normally have a multiplier effect:** A leading manufacturer of the country said that though supply to infrastructure projects may result in inferior margins, such supplies help generate incremental demand for other projects such as housing in and around the development of infrastructure. Also, since this sector is amongst the largest generator of employment, a boost in infrastructure leads to higher income levels, invariably leading to a boost in housing demand. Supplies to such projects also lead to creating brand equity for the cement manufacturer and give a boost to their trade sales in nearby areas.
- **Larger players are always in for better pricing:** Almost everybody suggested that tier-1 cement manufacturers will always be the last ones to announce price falls. Price falls always follow a reverse pattern — they are initiated by tier-3 brands, flowing in to tier-2, and then finally tier-1. Larger players always understand the need for better pricing.
- **Price discipline is dependent on fear; intermittent jerks and blips will continue:** Smaller cement manufacturers operate at a given capacity utilization only with a feeling of fear. The fear obviously is of drastic price falls, working capital funding, falling into the red and ultimately being taken over by bankers or larger cement manufacturers.
- **Pricing strategies/markets are inter-dependent on each other:** Pricing strategies in different markets are inter-dependent. For example, tier-1 and tier-3 brand prices in Hyderabad are at Rs 280 and Rs 230, respectively, while in Mumbai they are at Rs 330 and Rs 280. Assuming that the tier-3 brand in Hyderabad wants to supply to Mumbai, with freight of about Rs 50/bag the price will be at Rs 280. However this tier-3 manufacturer of Andhra Pradesh is well aware that he will continue to trade at a steep discount to the tier-1 brand of Mumbai and he will also not be the preferred pick in Mumbai's tier-3 category. The existing tier-3 suppliers will be the preferred choice. As a result, this tier-3 supplier from Andhra Pradesh will search for space in Mumbai markets and the below-the-radar negotiations begin. In such a scenario, the existing tier-1 and tier-3 brands in Mumbai will increase their prices say by Rs 10-20 per bag, to keep their spreads at same levels and give some space to the new tier-3 brand. Basically, the brands are aware of what premium/discount they should get in different markets and this gap generally remains more or less the same. Brand premium depends on various aspects such as supply guarantees, product quality guarantee, flexibility to meet customer needs, payment terms, etc.
- **Consolidation moves still very much likely:** Industry consolidation will continue. Small-scale cement manufacturers clearly lack sincerity and will seek an exit sooner or later. Many of the small manufacturers now understand that growing big in this business is difficult. All small manufacturers are either satisfied or have very minimal growth ambitions or plans for future. A couple also suggested that they are seeking an immediate exit if the valuations are reasonable (say US$ 100-120 EV/tonne).

To conclude...

- Current valuations are driven by sheer optimism. Execution and delivery of developmental activities with creation of mass housing / infrastructure is a must for valuations to sustain. However, it seems that the probability of success and positive results is high.
- Assuming a positive outcome from the initiatives of the new government, the valuation gap between mid-cap and large-cap manufacturers should ideally bridge. Mid-cap manufacturers such as JK Cement, JK Lakshmi Cement, and Dalmia Bharat should move closer to replacement cost while large-cap manufacturers are likely to continue to trade at a premium of 50-100% to replacement cost. Other smaller manufacturers such as OCL India, HeidelbergCement India, and Mangalam Cement may move closer to the US$ 100 EV/tonne mark. India Cements will continue to remain a play on demand revival in South India (especially Andhra Pradesh and the creation of infrastructure in Telangana).
- As proven historically, stock prices of listed cement manufacturers won't move in isolation. Stocks may outperform / underperform each other, but it is unlikely that there will be an isolated stock price movement of any listed cement manufacturer. Such a movement within the sector could occur only due to serious issues such as corporate governance or lack of management commitment.

Annexure - State Housing Schemes (An indicative list)

Delhi Development Authority (DDA):

1. DDA Housing Scheme 2014 & DDA Housing Scheme 2016 – more than 4,000 houses to be built.

Haryana Urban Development Authority (HUDA):

1. HUDA Faridabad Residential Plots Scheme
2. HUDA Palwal Residential Plots Scheme
3. HUDA Fatehabad Residential Plots Scheme
4. HUDA Ambala Residential Plots Scheme
5. HUDA Jind Sector-9 Residential Plots Scheme - 300 residential plots in Sector-9, Jind
6. HUDA Bahadurgarh Sector-10 Residential Plots Scheme - 378 residential plots in Sector-10, Bahadurgarh
7. HUDA Faridabad Sector-75 Residential Plots Scheme - 349 residential plots in Sector-75, Faridabad
8. HUDA Faridabad Sector-80 Residential Plots Scheme - 595 residential plots in Sector-80, Faridabad
9. HUDA Karnal Sector-32 Residential Plots Scheme - 461 residential plots in Sector-32, Karnal
10. HUDA Karnal Sector-33 Residential Plots Scheme - 1056 residential plots in Sector-33, Karnal
11. HUDA Sonepat Sector-5 Residential Plots Scheme - 254 residential plots in Sector-5, Sonepat
12. HUDA Sonepat Sector-19 Residential Plots Scheme - 107 residential plots in Sector-19, Sonepat
13. HUDA Fatehabad Sector-9 Residential Plots Scheme - 1831 residential plots in Sector-9, Fatehabad
14. HUDA Fatehabad Sector-11 Residential Plots Scheme - 949 residential plots in Sector-11, Fatehabad
15. HUDA Rewari Sector-5 Residential Plots Scheme - 223 residential plots in Sector-5, Rewari
16. HUDA Rewari Sector-7 Residential Plots Scheme - 475 residential plots in Sector-7, Rewari
17. HUDA Dadri Sector-8 Residential Plots Scheme - 320 residential plots in Sector-8, Dadri
18. HUDA Dadri Sector-9 Residential Plots Scheme - 455 residential plots in Sector-9, Dadri
19. HUDA Jagadhari Sector-22 Residential Plots Scheme - 315 residential plots in Sector-22, Jagadhari
20. HUDA Jagadhari Sector-24 Residential Plots Scheme - 841 residential plots in Sector-24, Jagadhari
21. HUDA Mahendergarh Sector-9 Residential Plots Scheme - 141 residential plots in Sector-9, Mahendergarh
22. HUDA Mahendergarh Sector-10 Residential Plots Scheme - 101 residential plots in Sector-10, Mahendergarh
23. HUDA Safidon Sector-7 Residential Plots Scheme - 315 residential plots in Sector-7, Safidon
24. HUDA Safidon Sector-8 Residential Plots Scheme - 841 residential plots in Sector-8, Safidon
25. HUDA Safidon Sector-9 Residential Plots Scheme - 841 residential plots in Sector-9, Safidon
26. HUDA Agroha Sector-6 Residential Plots Scheme - 854 residential plots in Sector-6, Agroha
27. HUDA Palwal Sector-12 Residential Plots Scheme - 489 residential plots in Sector-12, Palwal
28. HUDA Nuh Sector-1 Residential Plots Scheme - 12 residential plots in Sector-1, Nuh
29. HUDA Nuh Sector-2 Residential Plots Scheme - 12 residential plots in Sector-2, Nuh
30. HUDA Nuh Sector-9 Residential Plots Scheme - 15 residential plots in Sector-9, Nuh
31. HUDA Tarawadi Sector-1 Residential Plots Scheme - 763 residential plots in Sector-1, Tarawadi
32. HUDA Panchkula Residential Plots Scheme - 635 residential plots in Panchkula
33. HUDA Panipat Residential Plots Schem`e - 278 residential plots in Panipat
34. HUDA Bhiwani Residential Plots Scheme - 228 residential plots in Sector 23, Bhiwani (6 plots of one kanal, 40 plots of 10 marla, 46 plots of 8 marla, 84 plots of 6 marla, and

52 plots of 4 marla.) A marla is 272.25 square feet, 30.25 square yards, or 25.2929 square metres. It is exactly one 160th of an acre. A kanal is equivalent to 5,445 square feet or one-eighth of an acre.

Ghaziabad Development Authority (GDA):

1. GDA Multi-storey 840 Flats Scheme - Multi-storeyed residential flats in Ghaziabad, Uttar Pradesh

Yamuna Expressway Industrial Development Authority (YEIDA):

1. YEIDA Residential Plots Scheme YEA-02/2014: The Yamuna Expressway Industrial Development Authority will launch a new residential plots scheme soon. The plots sizes would be of 60 square meters, 90 square meters, 120 square meters, 162 square meters, and 200 square meters and the allotment rate would be Rs. 11,800 per square meter. YEIDA Residential Plots Scheme YEA-02/2014 is likely to have about 1500+ residential plots.

Greater Noida Industrial Development Authority (GNIDA):

1. Residential Plots Scheme RPS-03 (RPS-03/2014): Scheme to Offer: Leasehold Residential Plots - The Greater Noida Industrial Development Authority will launch a new residential plots scheme in Sector-10 and Sector-10A soon. The plots sizes would be of 120 square meters and 200 square meters and the allotment rate would be Rs. 20,250 per square meter. GNIDA Residential Plots Scheme RPS-03 is likely to have about 700+ residential plots.

Mussoorie Dehradun Development Authority (MDDA) :

1. MDDA ISBT Housing Scheme Dehradun

West Bengal Housing Board (WBHB)

1. West Bengal Housing Board Sunray HIG Flats Scheme - 630 HIG Flats in New Town, Rajarhat
2. West Bengal Housing Board Prantik HIG Flats Scheme - 576 HIG Flats in Thakurpukur, Kolkata
3. West Bengal Housing Board Purbasha Phase-2 HIG Flats Scheme - 36 HIG Flats in Maniktala, Kolkata
4. West Bengal Housing Board Krishnanagar MIG Flats Scheme - 80 MIG Flats in Krishnanagar, Nadia
5. West Bengal Housing Board Eastern Green Housing Scheme - Residential Plots, Apartments, and Individual Bungalows in New Town, Rajarhat

Chandigarh Housing Board (CHB):

1. Chandigarh Housing Board Housing Scheme in Sector-53, Sector-54, and Sector-55 - 1,100 Three-Bedroom Flats, 2,200 Two-Bedroom Flats, and 1,200 One-Bedroom Flats (Total 4,500 residential units) - The Chandigarh Administration has earmarked 90 acre (435,600 square yard) of land in Sector-53 (19.5 acre land), Sector-54 (30.94 acre land), and Sector-55 (39.53 acre land) for development of a General Housing Scheme by Chandigarh Housing Board.
2. Chandigarh Housing Board Housing Scheme Maloya-1 - 1,500 freehold built-up flats
3. Chandigarh Housing Board Housing Scheme Maloya-2 - 464 freehold built-up flats
4. Chandigarh Housing Board Housing Scheme Dhanas - 1,400 freehold built-up flats
5. Chandigarh Housing Board Housing Scheme in Sector-26 (East) - 940 freehold built-up flats for the economically weaker section (EWS)

Jodhpur Development Authority (JDA)

1. Jodhpur Development Authority Mogra Kallan Housing Scheme - residential plots exclusively for Rajasthan government employees - The proposed JDA Jodhpur Mogra Kallan Housing Scheme will be on the Jodhpur-Pali Road on Khasra No. 213 of Village Mogra Kallan, Jodhpur
2. Jodhpur Development Authority Lordi Pandit Ji Housing Scheme - Residential Plots for the Rajasthan government teaching staff of university, engineering college, medical college, ITI, polytechnic. The proposed JDA Jodhpur Lordi Pandit Ji Housing Scheme will be on the Jodhpur-Bhopalgarh Road in Village Lordi Pandit Ji, Jodhpur. Lordi Pandit Ji is about 20kms from main Jodhpur city.
3. Jodhpur Development Authority Palari Khichiyan Hous-

ing Scheme. Residential plots for the employees and staff of Rajasthan police, CRPF, IB, ITBPF, home guard, etc. The proposed JDA Jodhpur Palari Khichiyan Housing Scheme will be on the Jodhpur-Pali Road on Khasra No. 80 and 93 of Village Palari Khichiyan, Jodhpur

Odisha State Housing Board (OSHB)

1. Odisha State Housing Board Dumuduma Bhubaneswar Apartments Scheme - LIG and EWS Flats in Dumuduma, Bhubaneswar
2. Odisha State Housing Board Ranasinghpur Bhubaneswar Multi-Storeyed Apartments Scheme - Multi-Storeyed 2 BHK and 3 BHK Flats in Ranasinghpur, Bhubaneswar - Ranasinghpur, Bhubaneswar project will come up over 4.65 acres area. It will be a Public-Private-Partnership (PPP) project
3. Odisha State Housing Board Suango (Phase-II) Bhubaneswar Integrated Housing Scheme: Multi-Storeyed Flats in Suango (Phase-II), Bhubaneswar Suango (Phase-II), Bhubaneswar project will come up over 10 acres area.
4. Odisha State Housing Board Nandighosha (Phase-II) in Ranasinghpur, Bhubaneswar Apartments Scheme - Multi-Storeyed Flats in Nandighosha (Phase-II) in Ranasinghpur, Bhubaneswar
5. Odisha State Housing Board Ramagarh Cuttack Housing Scheme - Multi-Storeyed Flats and Plots in Ramagarh, Cuttack
6. Odisha State Housing Board Bidyadharpur Cuttack Multi-Storeyed Apartments Scheme - 1008 multi-storeyed apartments for LIG Category in Bidyadharpur, Cuttack - Bidyadharpur, Cuttack project will be in Public-Private-Partnership (PPP) mode and will be spread over 11.38 acres area.
7. Odisha State Housing Board Mahisapat Dhenkanal Housing Scheme - Plots and Flats in Mahisapat, Dhenkanal
8. Odisha State Housing Board Angul Housing Scheme - Plots and Flats in Angul, Odisha - Angul, Odisha project will be in Public-Private-Partnership (PPP) mode and will be spread over 6.50 acres area.
9. Odisha State Housing Board Nayagarh Housing Scheme - Plots and Flats in Nayagarh, Odisha

Housing Board Haryana (HBH)

1. Built-up multi-storey flats scheme in Hissar - Built-up multistoried flats on hire-purchase basis

Pathankot Improvement Trust (PIT) – Upcoming Residential Projects and Schemes

1. Pathankot Improvement Trust MIG Multistoried Flats Scheme 2014 - Freehold MIG Multistoried Flats (Site Location: Back Side of Cheli Mata Mandir, Pathankot)
2. Pathankot Improvement Trust HIG, MIG, and LIG Multistoried Flats Scheme : freehold HIG, MIG, and LIG Multistoried Flats (Site Location: Back Side of Indian Oil Depot in Daulatpur, Pathankot)

Bhubaneswar Development Authority (BDA)

1. Duplex Houses Scheme Pokhariput, Bhubaneswar
2. HIG Duplex Housing Scheme Pokhariput, Bhubaneswar
3. Housing Scheme Paikarapur, Bhubaneswar
4. Residential Plots Scheme Sanpalla, Khurda (Bhubaneswar)
5. Prachi Enclave Phase-II Scheme Chandrashekhapur, Bhubaneswar

Cuttack Development Authority (CDA)

1. Housing Scheme Sector-1, Cuttack
2. Residential Apartments Scheme Sector-8, Cuttack
3. Residential Scheme Sector-12, Cuttack
4. Residential Complex Scheme near Raghunath Jew Temple at Talatelenga Bazaar, Cuttack

Nikunj Sanghi, *MD, J S Fourwheel Motors*

Smaller cities have ample growth opportunities

Mr. Nikunj Sanghi is the MD of J S Fourwheel Motors Pvt Ltd, Alwar, Rajasthan, which is a 3-S (sales, service, spare parts) dealership of Mahindra & Mahindra. Mr Sanghi also manages a 4-S (sales, service, spare parts, survey) dealership of Hero MotoCorp. He has received a number of awards for his dealerships. Amongst the various positions held by him, he is also the chairman of M&M's Dealer Advisory Council. He is a member of FADA (Federation of Automobile Dealers Association) Council for a number of years and has held various offices in FADA, including the offices of Honorary Secretary and Treasurer as well as Chairman of FADA's various committees. He was the President of FADA for FY11 and FY12.

BY PRIYA RANJAN

There has been a lot of talk about demand uptick on the PV side. What are you seeing at the dealership level? How are the enquiries and conversion trends? Do you see a pickup in retail volume?

Demand for smaller cars and petrol models has definitely gone up. We at M&M are yet to see a major jump in volume or demand and are expecting volume pick up from the new Scorpio launch. We expect 30% increase in Scorpio volumes after the new launch from 45-50 per monththat it is at now. Demand for diesel vehicles is likely to take longer to recover due to reduction in price gap between both the fuels. However, Bolero and pick-up volumes remain strong — both are primarily driven by commercial usage (around 85% of Bolero sales are driven by commercial usage).

Can you please throw some light on customer profile for M&M's UV vehicle? Are they more business oriented with greater mobility requirements?

Alwar is small market — customer profiles are largely farming-income-based people and traders. As you can see, agriculture income is one of the key demand drivers in this region. Key agriculture produce in the region is mustard, wheat and onion. Prices of these commodities are critical for demand. Real estate or land prices,which have also jumped in the last 5-10years, have also aided M&M's vehicle demand. farmers and traders both are the users of M&M vehicles. Given high level of commercial sales of Bolero, commercial mobility is one of the key drivers for these vehicles.

When do you expect M&M to launch productsthat will compete with Duster/EcoSports — both have been hurting M&M's volume in the last 18 months?

Mahindra's small SUV product launch is still sometimes away, I guess it will be launched in a year's time. Probably next festive season is what they are targeting.

Who do you think are the biggest competitors for Mahindra's products in your region? How is the Renault/Ford presence in your area?

We do not see any competition for Bolero as we have virtually the entire market share. Both Renault/Nissan and Ford are present in the region. They are doing pretty well. However, Duster volume has come down significantly and it is also impacted by Nissan's launch of Terrano. Duster has a huge inventory pile-up at the dealership level now. I think EcoSports volume will also come down after the initial euphoria.

How is the Alwar market in terms of the kind of presence of other four-wheeler dealership in the region?

Most companies' dealerships are present in the region. In the four-wheeler space, Maruti and Hyundai are the biggest players. Mahindra in big on the SUV side. Other players like Ford, Renault and Nissan are primarily single-product companies. Take the case of Ford - earlier Figo was selling and now only EcoSports is selling. Likewise, Renault sales is mostly Duster-driven and its other models are not getting any traction.

How is the discountsscene in the four-wheeler space?

Actually discounts haven't come down and are still going on. But the practice of intra-dealer discounting to lure away other's customer has definitely come down. When the demand was much weaker, dealers were giving extra discounts to sell their products as the customer pie was limited and dealers were vying to get those in-spite of discounting from their own pocket.

In the two-wheeler space, what has been the demand driver for the commuting bikes? Is it marriage or agriculture production/profitability? What kind of growth do you expect in themotorcycle segment?

Post-harvest agriculture season (April-June)sees the best sales. Also, festive seasons like Diwali/Dussehra are very good months. People use bikes here for commuting as there is no public transport. Most people rely on their own motorcycle for transportation. Agriculture production and profitability is the primary driver for the mass market segment. Around 30% of the volumes happen in festive times and another 30% after the harvest season.

How is the motorcycle/scooter mix in your market, as the scooter market is growing at a much faster pace than motorcycles at the national level? Is it changing fast in Rajasthan as welllike it did in Maharashtra or Kerala where scootersare more than 30% of overall two-wheeler demand?

This is predominantly a motorcycle market (~85%). Scooter volumes, although growing fast,are only about 15% of the market. I think scooter sales will grow, but motorcycles too are growing fast. It will be in the same range in near future. Rural folks still prefer motorcycles due to their sturdiness and their endurance in tough conditions.

How is demand shaping up for Hero bikes? What is your average monthly volume?

We are having a dream run for Hero bikes with about 20% growth with similar growth in walk-in conversions. We sell around 3,000-3,200 bikes per month.

What is the current inventory level at your dealership? How has it moved in the last one year? Is Hero very aggressive in pushing volumesto the dealership? What about Hero's scheme of 14-week credit?

Dealership inventory is around three weeks and there is no pressure from manufacturers to lift volume as demand is strong. Vehicle inventory has definitely come down in the last one year. Hero's 14-days credit period scheme is applicable if paid stocksare above a certain level — it is not applicable to all the inventory stock in the dealership.

In the motorcycle segment, Hero's premium segment is not performing well. Is it because of a perception of Hero's bikesprimarily as into the value-for-money segment or is it product deficiency?Are you confident about the success of its new Extreme or HBR150 CC?

Hero is mainly into commuter bikes and will remain so. We have about 80% market share in the commuter bikes segment in Alwarand 80% bike sales are in the three brands —Deluxe/Splendor/Passion. As far as performance bikes (or premium bikes)go, people don't visit the Hero showroom for these and Hero's name does not come up if customers are thinking of buying premium bikes. Hero needs to create and aggressively brand itself to get customer attention in the performance bike segment. This segment is led by Bajaj's Pulsar.

What will be the revenue mix for your dealership in terms of product sales and services revenue for both M&M and Hero? Can you throw some light on the profitability mix?Where does a Hero dealer's profitability standvs. an M&M dealer?

An M&M dealership is more profitable than a Hero one — and both have different dynamics. While services contributesabout 30% of revenue for M&M dealership, it contributes 70% of the profitability. In the case of Hero, services revenue is lower as a lot of services are done by non-organized service centres and road-side mechanics. For Hero the revenue break-up will be 50:50 for product and services.

How does Hero's sub-dealership network work and what is your role there?

At Hero, the dealership has a 3-tier structure where you have the main dealer along with sub-dealers and authorised representatives under them. All the three channels perform sales independently.Hero appoints bothsub-dealers and authorized representatives— we don't have a role in appointing those. However, vehicles are routed through us to that channel as well and we have to share revenue with them; so, profitability has come down due to the presence of sub-dealers in our territory although incremental volume compensates partially.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14
IIP	-1.8	2.6	0.4	2.7	-1.2	-1.3	0.1	1.1	-1.8	-0.5	3.4	5.0	3.4	1.9
PMI	50.3	50.1	48.5	49.6	49.6	51.3	50.7	51.4	52.5	51.3	51.3	51.4	51.5	52.2
Core sector	1.2	5.3	3.7	8.0	-0.6	1.7	2.1	1.6	4.5	2.5	4.2	2.3	7.3	2.7
WPI	5.2	5.9	7.0	7.0	7.2	7.5	6.4	5.1	5.0	6.0	5.5	6.2	5.4	5.2
CPI	9.9	9.6	9.5	9.8	10.2	11.2	9.9	8.8	8.0	8.3	8.6	8.3	7.5	8.0
Money Supply	12.8	12.5	12.2	12.5	13.0	14.5	14.9	14.5	14.5	13.5	13.9	13.2	12.2	12.7
Deposit	13.8	13.5	13.1	14.1	14.4	16.1	15.8	15.7	15.9	14.6	15.1	13.8	12.2	12.7
Credit	13.7	14.9	17.1	17.8	16.6	15.5	14.5	14.7	14.4	14.3	14.1	12.8	13.1	13.1
Exports	-3.6	11.6	13.0	11.2	13.5	5.9	3.5	3.8	-3.7	-3.2	5.3	12.4	10.2	7.3
Imports	-2.4	-5.6	-0.7	-18.1	-14.5	-16.4	-15.2	-18.1	-17.1	-2.1	-15.0	-11.4	8.3	4.3
Trade deficit (USD Bn)	-11.3	-12.5	-10.9	-6.8	-10.6	-9.2	-10.1	-9.9	-8.1	-10.5	-10.1	-11.2	-11.8	-12.2
Net FDI (USD Bn)	1.8	1.7	1.7	3.3	1.8	2.4	1.9	0.4	-0.1	2.1	2.0	4.8	2.4	-
FII (USD Bn)	-8.7	-4.7	-2.0	0.2	-0.4	0.0	2.9	2.6	1.5	5.4	-0.1	7.7	4.8	-
ECB (USD Bn)	2.0	3.7	2.3	3.3	1.9	2.2	4.6	1.8	4.3	3.6	3.2	1.5	1.9	-
NRI Deposits (USD Bn)	2.6	1.3	1.1	5.9	4.5	14.6	2.0	0.7	0.7	2.5	1.4	1.1	0.0	-
Dollar-Rupee	58.4	60.6	63.0	63.8	61.6	62.6	61.9	62.1	62.2	61.0	60.4	59.3	60.2	60.1
FOREX Reserves (USD Bn)	284.6	280.2	275.5	276.3	283.0	291.3	295.7	292.2	294.4	303.7	309.9	312.4	315.8	320.6

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15
Exports	75.0	72.6	74.2	84.8	73.9	81.2	79.8	83.7	81.7
Imports	118.9	120.4	132.6	130.4	124.4	114.5	112.9	114.3	116.4
Trade deficit	(43.8)	(47.8)	(58.4)	(45.6)	(50.5)	(33.3)	(33.2)	(30.7)	(34.6)
Net Invisibles	26.8	26.7	26.6	27.5	28.7	28.1	29.1	29.3	26.8
CAD	(17.1)	(21.1)	(31.8)	(18.2)	(21.8)	(5.2)	(4.1)	(1.3)	(7.9)
CAD (% of GDP)	4.0	5.1	6.5	3.5	4.9	1.2	0.8	0.3	1.7
Capital Account	16.5	20.7	31.5	20.5	20.6	(4.8)	23.8	9.2	19.8
BoP	0.5	(0.2)	0.8	2.7	(0.3)	(10.4)	19.1	7.1	11.2

GDP and its Components (YoY, %)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14	Q4FY14	Q1FY15
Agriculture & allied activities	1.8	1.8	0.8	1.6	4.0	5.0	3.7	6.3	3.8
Industry	(0.6)	0.1	2.0	2.0	(0.9)	1.8	(0.9)	(0.5)	4.0
Mining & Quarrying	(1.1)	(0.1)	(2.0)	(4.8)	(3.9)	-	(1.2)	(0.4)	2.1
Manufacturing	(1.1)	(0.0)	2.5	3.0	(1.2)	1.3	(1.5)	(1.4)	3.5
Electricity, Gas & Water Supply	4.2	1.3	2.6	0.9	3.8	7.8	5.0	7.2	10.2
Services	6.7	6.5	6.1	5.8	6.5	6.1	6.4	5.8	6.6
Construction	2.8	(1.9)	1.0	2.4	1.1	4.4	0.6	0.7	4.8
Trade, Hotel, Transport and Communications	4.0	5.6	5.9	4.8	1.6	3.6	2.9	3.9	2.8
Finance, Insurance, Real Estate & Business Services	11.7	10.6	10.2	11.2	12.9	12.1	14.1	12.4	10.4
Community, Social & Personal Services	7.6	7.4	4.0	2.8	10.6	3.6	5.7	3.3	9.1
GDP at FC	4.5	4.6	4.4	4.4	4.7	5.2	4.6	4.6	5.7

Annual Economic Indicators and Forecasts

Indicators	Units	FY6	FY7	FY8	FY9	FY10	FY11	FY12	FY13	FY14E	FY15E
Real GDP growth	%	9.5	9.6	9.3	6.7	8.6	8.9	6.7	4.5	4.7	5.7
Agriculture	%	5.1	4.2	5.8	0.1	0.8	8.6	5	1.4	4.7	1.5
Industry	%	8.5	12.9	9.2	4.1	10.2	8.3	6.7	0.9	(0.1)	4.2
Services	%	11.1	10.1	10.3	9.4	10	9.2	7.1	6.2	6.0	6.9
Real GDP	Rs Bn	32,531	35,644	38,966	41,587	45,161	49,185	52,475	54,821	57,418	60,691
Real GDP	US$ Bn	733	787	967	908	953	1,079	1,096	1,008	950	1,012
Nominal GDP	Rs Bn	36,925	42,937	49,864	56,301	64,778	77,841	90,097	101,133	113,551	127,643
Nominal GDP	US$ Bn	832	948	1,237	1,229	1,367	1,707	1,881	1,859	1,878	2,127
Population	Mn	1,106	1,122	1,138	1,154	1,170	1,186	1,202	1,219	1,236	1,254
Per Capita Income	US$	753	845	1,087	1,065	1,168	1,439	1,565	1,525	1,519	1,697
WPI (Average)	%	4.5	6.6	4.7	8.1	3.8	9.6	8.7	7.4	6.0	5-5.5
CPI (Average)	%	4.2	6.8	6.4	9	12.4	10.4	8.3	10.2	9.5	7.5-8
Money Supply	%	15.5	20	22.1	20.5	19.2	16.2	15.8	13.6	13.5	14.0
CRR	%	5	6	7.5	5	5.75	6	4.75	4.0	4.0	4.0
Repo rate	%	6.5	7.5	7.75	5	5	6.75	8.5	7.5	8.0	8.0
Reverse repo rate	%	5.5	6	6	3.5	3.5	5.75	7.5	6.5	7.0	7.0
Bank Deposit growth	%	24	23.8	22.4	19.9	17.2	15.9	13.5	14.4	14.6	15.0
Bank Credit growth	%	37	28.1	22.3	17.5	16.9	21.5	17.0	15.0	14.3	16.0
Centre Fiscal Deficit	Rs Bn	1,464	1,426	1,437	3,370	4,140	3,736	5,160	5,209	5,245	5,312
Centre Fiscal Deficit	% of GDP	4	3.3	2.9	6	6.4	4.8	5.7	5.2	4.6	4.1
Gross Central Govt Borrowings	Rs Bn	1,310	1,460	1,681	2,730	4,510	4,370	5,098	5,580	5,639	5,970
Net Central Govt Borrowings	Rs Bn	954	1,104	1,318	2,336	3,984	3,254	4,362	4,674	4,689	4,573
State Fiscal Deficit	% of GDP	2.4	1.8	1.5	2.4	2.9	2.1	2.3	2.2	2.5	2.5
Consolidted Fiscal Deficit	% of GDP	6.4	5.1	4.4	8.4	9.3	6.9	8.1	7.4	7.1	6.6
Exports	US$ Bn	105.2	128.9	166.2	189.0	182.4	251.1	309.8	306.6	318.6	328.2
YoY Growth	%	23.4	22.6	28.9	13.7	-3.5	37.6	23.4	-1.0	3.9	3.0
Imports	US$ Bn	157.1	190.7	257.6	308.5	300.6	381.1	499.5	502.2	466.2	500.2
YoY Growth	%	32.1	21.4	35.1	19.7	-2.5	26.7	31.1	0.5	-7.2	7.3
Trade Balance	US$ Bn	-51.9	-61.8	-91.5	-119.5	-118.2	-129.9	-189.8	-195.6	-147.6	-172.0
Net Invisibles	US$ Bn	42.0	52.2	75.7	91.6	80.0	84.6	111.6	107.5	115.2	118.1
Current Account Deficit	US$ Bn	-9.9	-9.6	-15.7	-27.9	-38.2	-45.3	-78.2	-88.2	-32.4	-54.0
CAD (% of GDP)	%	-1.2	-1.0	-1.3	-2.3	-2.8	-2.6	-4.2	-4.7	-1.7	-2.5
Capital Account Balance	US$ Bn	25.5	45.2	106.6	7.8	51.6	62.0	67.8	89.3	48.8	63.5
Dollar-Rupee (Average)		44.4	45.3	40.3	45.8	47.4	45.6	47.9	54.4	60.5	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	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Chambal Fertilisers	Agri Inputs	59	24,700	89,840	87,436	7,036	7,824	3,328	3,257	8.0	7.8	46.9	-2.1	7.4	7.6	1.2	1.1	8.6	7.1	16.6	14.7	5.7	5.9
Coromandel Fert	Agri Inputs	257	73,559	100,586	109,967	7,757	9,349	3,694	5,134	12.9	18.0	-15.4	39.0	19.9	14.3	3.2	2.7	11.1	10.1	16.2	18.6	14.9	18.7
Tata Chemicals Ltd	Agri Inputs	374	95,292	157,353	153,438	18,094	20,867	3,882	6,961	15.2	27.3	-55.3	79.3	24.6	13.7	1.7	2.1	9.1	7.6	7.0	15.1	14.3	7.2
Deepak Fertilisers	Agri Inputs	154	13,614	39,204	32,744	5,636	4,882	2,519	2,309	28.6	26.2	95.1	-8.3	5.4	5.9	0.9	0.8	3.7	3.9	18.4	15.0	13.1	10.9
Kaveri Seeds	Agri Inputs	884	60,880	10,112	12,210	2,213	3,241	2,092	3,049	30.4	44.5	64.5	46.2	29.0	19.9	11.8	8.0	27.5	18.4	40.6	40.3	46.5	46.7
PI Industries	Agri Inputs	454	61,834	15,955	19,194	2,892	3,532	1,884	2,398	13.8	17.6	92.6	27.3	32.8	25.8	8.9	6.9	21.6	17.9	27.1	26.7	26.6	27.7
Rallis India	Agri Inputs	236	45,943	17,466	19,423	2,613	3,140	1,519	1,813	7.8	9.3	23.2	19.3	30.3	25.4	6.4	5.5	17.7	14.7	21.2	21.5	20.0	20.5
United Phosphorus	Agri Inputs	325	139,382	105,800	121,145	20,196	20,948	10,145	12,153	23.7	28.4	29.4	19.8	13.7	11.5	2.7	2.2	7.8	7.4	19.7	20.3	13.1	14.5
Bajaj Auto	Automobiles	2280	659,627	197,176	214,578	41,057	42,124	32,419	34,242	112.0	118.3	4.7	5.6	20.3	19.3	7.2	6.1	16.0	15.5	35.4	31.4	35.3	31.7
Bharat Forge	Automobiles	797	185,502	66,435	69,505	10,271	12,329	4,179	6,060	17.9	26.0	83.4	45.0	44.4	30.6	7.1	6.1	19.7	16.1	16.1	19.9	10.8	14.2
Hero MotoCorp	Automobiles	2605	520,166	251,249	286,690	35,401	38,782	23,475	26,648	117.6	133.4	7.0	13.5	22.2	19.5	9.3	7.8	14.7	13.4	41.9	40.2	44.3	44.5
Ashok Leyland	Automobiles	37	104,586	95,404	107,936	1,664	6,582	(4,764)	(417)	-1.8	-0.2	-431.2	-91.2	-20.5	-234.5	2.2	2.2	90.8	22.6	-10.6	-0.9	-1.9	2.2
Mah & Mah	Automobiles	1396	859,971	395,934	433,653	47,680	52,264	36,459	37,608	59.4	61.3	8.5	3.2	23.5	22.8	5.1	4.3	18.3	16.8	21.6	19.0	16.2	16.3
Maruti Suzuki	Automobiles	2770	836,626	426,448	485,071	50,900	62,984	27,831	36,903	92.1	122.2	16.3	32.6	30.1	22.7	4.0	3.5	16.2	12.6	13.4	15.5	13.1	15.2
Apollo Tyres	Automobiles	167	84,071	133,127	137,896	17,762	18,561	9,526	9,973	18.9	19.8	64.8	4.7	8.8	8.4	1.9	1.6	5.8	5.1	24.5	20.6	16.7	15.9
Tata Motors	Automobiles	522	1,584,422	2,306,771	2,742,017	374,029	433,713	139,910	180,577	43.9	56.6	41.4	29.1	11.9	9.2	3.1	2.3	4.7	4.1	26.1	25.3	16.7	16.2
ABB India	Cap Goods	981	207,914	76,316	79,450	4,036	5,733	1,899	3,452	9.0	16.3	-28.0	81.8	109.5	60.2	7.8	7.2	52.3	36.8	7.1	12.0	7.6	11.0
BGR Energy	Cap Goods	150	10,828	35,204	40,640	4,281	4,820	1,329	1,622	18.4	22.5	-18.0	22.1	8.2	6.7	0.8	0.8	6.9	7.5	10.2	11.6	5.9	5.9
BHEL	Cap Goods	229	560,990	383,888	341,574	47,064	40,737	36,534	31,809	14.9	13.0	-44.8	-12.9	15.4	17.6	1.7	1.6	10.0	9.6	11.1	9.0	8.6	7.0
Alstom T&D	Cap Goods	325	83,190	35,171	43,610	3,102	4,720	1,142	2,261	4.5	8.8	-9.0	98.0	72.9	36.8	6.7	5.9	28.0	18.4	9.1	15.9	10.9	15.1
Crompton Greaves	Cap Goods	195	122,372	134,806	146,335	6,820	7,631	2,443	3,865	3.9	6.2	195.7	58.2	50.1	31.7	3.4	3.1	20.0	17.6	6.7	9.9	5.3	7.4
Engineers India	Cap Goods	233	78,489	18,236	16,234	3,766	2,246	4,789	3,686	14.2	10.9	-23.8	-23.0	16.4	21.3	3.2	3.0	16.1	26.7	19.5	14.2	20.4	14.6
Jyoti Structures	Cap Goods	44	3,592	30,703	30,855	2,964	2,947	722	641	8.8	7.8	11.3	-11.4	5.0	5.6	0.4	0.4	4.0	4.0	8.9	7.4	10.9	10.9
KEC International	Cap Goods	103	26,454	79,018	83,453	4,933	6,117	849	2,069	3.3	8.0	30.3	143.6	31.2	12.8	2.2	2.0	8.7	6.5	7.1	15.3	8.2	11.0
Larsen & Toubro	Cap Goods	1503	1,394,716	565,990	621,239	66,671	70,459	49,047	49,089	52.9	52.7	18.7	-0.4	28.4	28.5	4.1	3.7	21.8	20.4	14.6	13.1	12.6	11.2
Siemens	Cap Goods	796	283,436	111,452	112,300	4,831	6,718	4,313	4,478	12.1	12.6	-18.8	3.8	65.7	63.3	7.0	6.6	57.4	41.1	10.7	10.5	7.8	8.1
Cummins India	Cap Goods	689	191,088	38,991	44,643	6,192	7,576	6,000	7,305	21.6	26.4	-9.5	21.7	31.8	26.2	7.4	6.6	30.7	24.9	23.4	25.2	20.2	22.6
Thermax	Cap Goods	861	102,552	50,999	56,347	4,373	4,371	2,544	2,591	21.3	21.7	-20.5	1.9	40.3	39.6	5.0	4.6	24.1	23.8	12.5	11.7	10.1	9.2
VA Tech Wabag	Cap Goods	1349	36,038	22,301	26,971	1,800	2,556	1,083	1,490	40.7	56.0	19.6	37.6	33.1	24.1	4.3	3.7	18.8	13.4	12.9	15.6	11.7	13.7
Voltas	Cap Goods	241	79,760	52,660	54,852	2,656	3,656	2,243	2,721	6.8	8.2	15.0	21.3	35.5	29.3	4.4	4.0	30.0	21.7	12.3	13.6	11.9	13.5
ACC	Cement	1501	281,759	109,084	124,747	13,690	19,901	10,947	11,876	58.2	63.2	-21.5	8.5	25.8	23.8	3.6	3.4	18.7	13.9	14.0	14.3	11.7	11.4
Ambuja Cement	Cement	207	320,109	91,180	231,471	15,689	43,739	12,538	21,587	8.1	10.9	-20.6	34.3	25.5	19.0	3.4	2.2	17.9	6.9	13.3	11.5	11.8	15.7
India Cement	Cement	114	34,926	50,848	57,302	5,914	7,517	(646)	754	-2.1	2.5	-131.0	-216.7	-54.1	46.3	1.0	0.9	11.1	8.3	-1.7	2.0	2.3	4.0
Mangalam Cement	Cement	255	6,816	6,997	10,689	582	1,496	418	651	15.7	24.4	-46.0	55.7	16.3	10.5	1.3	1.2	18.4	7.3	8.2	11.7	5.0	8.3
Shree Cement	Cement	7922	275,980	61,817	73,661	14,288	19,555	7,102	10,178	203.9	292.1	-29.3	43.3	38.9	27.1	6.1	5.1	18.9	13.7	15.8	18.7	14.8	17.8
Ultratech Cement	Cement	2592	711,133	214,437	268,219	38,264	56,545	22,060	33,943	80.4	123.8	-17.6	53.9	32.2	20.9	4.1	3.5	19.2	13.0	12.8	16.9	9.0	13.1
OCL India	Cement	305	17,372	19,366	22,057	2,992	3,536	1,075	1,359	18.9	23.9	-32.6	26.4	16.2	12.8	1.5	1.4	7.3	5.9	9.4	10.9	8.8	9.2

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	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
JK Lakshmi Cement	Cement	311	36,590	20,566	22,994	3,018	4,318	1,123	2,091	9.5	17.8	-41.3	86.2	32.6	17.5	2.8	2.5	15.4	11.4	8.6	14.4	6.1	9.6
HeidelbergCement	Cement	69	15,716	13,648	17,256	864	2,598	(407)	591	-1.8	2.6	-232.1	-245.0	-38.6	26.6	1.9	1.8	31.9	10.4	-4.9	6.6	1.3	5.4
JK Cement	Cement	470	32,875	27,815	38,437	3,384	6,831	749	2,111	10.7	30.2	-67.5	181.6	43.9	15.6	1.9	1.7	16.6	8.6	4.3	11.1	4.2	7.7
Dalmia Bharat Ltd	Cement	468	37,972	28,670	35,227	3,263	5,524	(84)	225	-1.0	2.8	-104.3	-367.1	-451.0	168.9	1.2	1.2	22.4	14.9	-0.3	0.7	2.4	4.0
Andhra Bank	Financials	75	44,280	37,373	43,330	37,373	43,330	4,356	8,459	7.4	14.3	-67.9	94.2	10.2	5.2	0.5	0.5	NM	NM	5.1	9.4	0.3	0.5
Bank of Baroda	Financials	888	381,213	119,653	142,328	119,653	142,328	45,411	55,498	105.4	128.9	-2.2	22.2	8.4	6.9	1.1	1.0	NM	NM	13.8	15.0	0.8	0.8
Bank of India	Financials	281	180,765	106,289	128,652	106,289	128,652	30,691	37,211	47.7	57.9	3.6	21.2	5.9	4.9	0.7	0.6	NM	NM	12.6	13.6	0.6	0.6
Canara Bank	Financials	389	179,476	89,444	108,973	89,444	108,973	24,382	38,125	52.9	82.7	-18.5	56.4	7.4	4.7	0.7	0.7	NM	NM	10.0	14.4	0.5	0.7
Corporation bank	Financials	322	53,890	38,502	43,359	38,502	43,359	7,290	12,466	43.5	74.4	-53.6	71.0	7.4	4.3	0.5	0.5	NM	NM	7.4	11.9	0.4	0.5
HDFC Bank	Financials	837	2,018,491	184,234	222,367	184,234	222,367	85,364	101,908	35.9	42.8	26.9	19.4	23.3	19.5	4.7	3.9	NM	NM	21.6	21.8	2.0	2.0
ICICI Bank	Financials	1541	1,782,577	164,756	194,794	164,756	194,794	98,105	112,400	84.9	97.1	17.7	14.3	18.1	15.9	2.4	2.2	NM	NM	14.0	14.6	1.7	1.8
IOB	Financials	63	77,209	55,768	64,783	55,768	64,783	6,017	6,907	5.1	4.9	-16.5	-4.1	12.2	12.7	0.5	0.6	NM	NM	4.6	4.6	0.2	0.2
Oriental Bank	Financials	269	80,644	51,271	57,669	51,271	57,669	11,394	16,435	38.0	52.3	-16.5	37.7	7.1	5.1	0.6	0.6	NM	NM	9.2	12.0	0.5	0.7
PNB	Financials	962	348,456	161,460	185,043	161,460	185,043	33,426	47,217	92.3	130.4	-31.3	41.3	10.4	7.4	1.0	0.9	NM	NM	10.2	12.9	0.6	0.8
SBI	Financials	2503	1,868,672	675,834	758,227	675,834	758,227	141,738	171,548	189.7	229.6	-27.6	21.0	13.2	10.9	1.2	1.1	NM	NM	10.1	10.8	0.6	0.7
Union Bank	Financials	209	131,797	78,793	93,265	78,793	93,265	16,962	23,974	26.9	35.0	-25.6	29.9	7.8	6.0	0.8	0.7	NM	NM	10.4	12.9	0.5	0.6
HDFC Ltd	Financials	1069	1,675,289	70,030	81,419	75,402	87,013	54,402	62,753	34.9	40.2	11.2	15.4	30.7	26.6	6.1	5.5	NM	NM	20.5	21.1	2.7	2.7
Indian Bank	Financials	144	66,868	43,604	51,425	43,604	51,425	11,589	13,209	24.9	28.4	-32.2	14.0	5.8	5.1	0.6	0.5	NM	NM	10.5	11.0	0.7	0.7
Development Credit	Financials	85	21,232	3,684	4,310	3,684	4,310	1,505	1,730	6.0	6.9	47.3	15.0	14.1	12.3	1.9	1.7	NM	NM	14.7	14.6	1.2	1.2
AXIS Bank	Financials	399	#N/A	119,516	134,633	119,516	134,633	62,177	74,366	132.3	157.5	19.6	19.0	3.0	2.5	0.5	0.4	NM	NM	17.4	17.9	1.7	1.8
Indusind Bank	Financials	576	304,293	28,907	34,150	28,907	34,150	14,080	17,580	26.8	33.4	32.0	24.9	21.5	17.2	3.5	3.0	NM	NM	17.5	18.7	1.8	1.8
Shriram Trans Finan	Financials	919	208,539	33,759	41,418	28,621	32,264	12,642	14,893	55.7	65.7	-7.1	17.9	16.5	14.0	2.5	2.2	NM	NM	16.3	16.7	2.7	2.8
LIC Housing Finance	Financials	302	152,635	18,989	22,433	18,470	21,630	13,172	15,644	26.1	31.0	28.7	18.8	11.6	9.8	2.0	1.7	NM	NM	18.8	19.1	1.5	1.5
Hindustan Unilever	FMCG	735	1,589,039	274,083	301,232	50,963	55,860	36,983	38,703	17.1	17.9	10.5	4.7	42.9	41.0	48.5	33.4	30.7	28.0	112.9	81.3	125.1	96.9
Marico Industries	FMCG	271	174,632	46,767	56,735	7,467	8,635	4,866	5,518	7.5	8.6	35.0	13.4	35.9	31.6	12.8	9.8	23.7	20.2	35.8	30.9	20.1	24.8
Jubilant Foodworks	FMCG	1294	84,758	17,235	21,971	2,551	2,781	1,258	1,289	19.2	19.7	-7.1	2.5	67.3	65.7	15.0	12.2	33.1	30.6	22.3	18.6	23.4	19.1
Godrej Consumer	FMCG	962	327,659	75,826	86,588	11,765	13,426	7,815	8,849	23.0	26.0	5.1	13.2	41.9	37.0	8.7	7.5	29.2	25.4	20.7	20.2	14.9	16.9
ITC	FMCG	352	2,807,296	328,826	367,047	124,548	139,193	87,850	94,407	11.1	11.9	17.4	7.5	31.8	29.6	10.6	9.2	22.3	19.8	33.5	31.1	27.7	26.2
Nestle	FMCG	5902	569,036	90,619	102,688	19,804	21,701	11,171	12,201	115.9	126.5	4.6	9.2	50.9	46.6	25.2	21.1	28.9	26.2	49.4	45.3	37.0	35.2
Colgate	FMCG	1537	208,960	35,449	40,023	6,640	7,982	4,920	5,509	36.2	40.5	-0.9	12.0	42.5	37.9	34.1	32.0	31.0	25.9	80.4	84.4	98.0	84.4
Glaxo Smith Cons	FMCG	5252	220,874	35,640	41,250	5,271	6,586	5,165	6,289	122.8	149.5	18.3	21.8	42.8	35.1	13.7	11.9	38.8	30.9	32.1	33.9	34.6	36.2
Agro Tech Foods	FMCG	550	13,406	7,622	8,083	676	706	429	440	17.6	18.1	2.8	2.6	31.3	30.5	4.8	4.2	20.0	18.9	15.2	13.8	16.1	14.5
Dabur	FMCG	232	407,538	70,732	80,697	12,003	13,703	9,233	10,395	5.3	6.0	19.8	12.6	43.8	38.9	14.4	11.8	34.3	29.6	32.9	30.4	25.6	24.8
Emami	FMCG	657	149,106	18,208	22,031	4,413	5,205	4,095	4,509	18.0	19.9	30.3	10.1	36.4	33.1	15.4	12.0	33.2	27.9	42.4	36.2	40.4	36.5
Britannia	FMCG	1254	150,351	68,293	79,363	5,448	6,698	3,962	4,669	33.1	39.0	52.2	17.8	37.9	32.2	18.8	13.1	27.7	22.2	49.6	40.7	41.1	38.0
Bajaj Corp	FMCG	265	39,058	6,707	7,553	1,834	1,949	1,770	1,902	12.0	12.9	5.8	7.5	22.1	20.5	7.5	7.5	20.6	19.6	33.8	36.8	30.1	27.5

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	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Zydus Wellness	FMCG	611	23,863	4,246	4,898	1,057	1,208	1,101	1,232	28.2	31.5	13.4	11.8	21.7	19.4	7.1	5.7	20.1	16.9	32.9	29.2	37.2	32.7
Asian Paints	FMCG	617	591,777	125,816	147,204	19,979	24,587	12,267	14,977	12.8	15.6	10.1	22.1	48.2	39.5	14.7	11.9	29.3	23.8	30.4	30.1	30.5	31.4
Balrampur Chini	FMCG	70	17,034	31,031	33,081	2,677	3,261	374	773	1.5	3.2	-76.8	106.7	45.4	22.0	1.3	1.3	10.7	8.8	2.9	5.7	4.4	6.1
Tilaknagar	FMCG	42	5,257	8,242	8,597	1,699	1,788	588	582	4.8	4.7	-4.4	-1.1	8.9	9.0	0.9	0.8	7.1	7.3	9.8	9.1	10.5	9.5
Radico Khaitan	FMCG	83	10,982	14,188	16,122	2,217	2,612	957	1,204	7.2	9.1	23.8	25.8	11.5	9.1	1.3	1.2	8.5	7.3	11.8	13.1	11.0	11.9
Berger Paints	FMCG	342	118,656	38,697	45,885	4,341	5,482	2,582	3,170	7.5	9.1	18.2	22.7	46.0	37.4	10.7	8.9	28.2	22.3	23.3	23.7	20.3	20.0
GMR Infrastructure	Infrastructure	25	108,813	87,095	97,535	25,654	37,581	(11,512)	(4,364)	-3.0	-1.1	152.5	-62.1	-8.4	-22.3	1.1	1.3	20.4	12.4	-13.1	-5.2	3.6	2.5
GVK Power	Infrastructure	13	20,561	28,209	23,865	9,461	13,157	(3,687)	(7,893)	-2.3	-5.0	9.7	114.1	-5.6	-2.6	0.7	0.9	24.0	17.8	-13.3	-36.1	0.7	0.3
IRB Infrastructure	Infrastructure	255	84,587	37,319	41,699	17,537	23,604	4,591	5,831	13.8	17.5	-17.5	27.0	18.4	14.5	2.4	2.0	10.3	8.5	12.9	14.0	7.0	4.5
Adani Ports & SEZ	Infrastructure	288	596,382	43,458	43,259	28,006	31,001	22,527	22,748	10.9	11.0	23.3	1.0	26.5	26.2	6.4	5.3	24.3	20.3	24.1	20.4	13.8	12.5
HCL Technologies	IT Services	1645	1,152,600	257,694	329,180	57,539	86,660	40,142	63,700	56.9	90.1	63.3	58.4	28.9	18.3	8.1	5.8	20.3	13.4	28.1	31.7	26.3	32.8
Infosys	IT Services	3633	2,086,056	501,330	532,768	134,150	143,743	106,480	116,099	186.3	203.2	13.0	9.0	19.5	17.9	4.4	3.9	13.4	12.3	22.4	22.0	24.4	23.1
TCS	IT Services	2545	4,985,648	818,094	952,149	251,322	285,354	191,087	228,472	97.6	116.6	37.0	19.6	26.1	21.8	9.0	7.1	19.8	17.4	34.5	32.4	38.2	35.1
Tech Mahindra	IT Services	2330	547,288	188,313	218,077	41,836	48,255	26,821	32,303	112.9	135.7	26.4	20.2	20.6	17.2	5.3	4.1	12.3	10.5	25.8	23.9	30.7	26.2
Wipro	IT Services	558	1,376,014	434,269	476,274	99,942	110,582	77,966	88,971	31.7	36.1	27.0	14.1	17.6	15.4	4.0	3.4	13.2	11.8	22.7	22.2	23.7	22.8
Persistent Systems	IT Services	1312	52,464	16,692	18,825	4,303	4,677	2,493	3,114	62.3	77.9	32.9	24.9	21.0	16.8	4.3	3.6	12.0	11.0	20.4	21.4	19.4	21.1
KPIT Technologies	IT Services	149	29,056	26,940	29,219	4,233	4,248	2,391	2,738	12.8	14.7	18.5	14.8	11.6	10.1	2.2	1.8	7.5	7.0	18.8	18.0	17.3	15.6
Zee Entertainment	Media	278	266,573	44,217	48,800	12,043	13,012	8,938	7,918	9.3	8.2	24.2	-11.4	29.8	33.7	6.8	5.6	21.7	20.1	22.9	16.7	23.1	20.1
HT Media	Media	107	24,869	22,007	23,979	3,125	3,444	1,607	1,962	6.9	8.4	-3.7	22.7	15.5	12.7	1.4	1.3	8.9	7.4	8.8	9.7	14.0	11.3
Sun TV Network	Media	355	139,802	22,236	24,386	11,244	12,054	7,480	7,908	19.0	20.1	5.4	5.7	18.7	17.7	4.5	4.1	12.0	11.1	24.2	23.2	24.5	23.4
Jagran Prakashan	Media	119	38,739	17,027	18,641	3,826	4,507	2,363	2,638	7.5	8.3	-8.4	11.7	15.9	14.2	3.9	2.9	11.3	8.7	24.6	20.2	17.2	15.8
Den Networks	Media	168	29,991	10,507	17,950	2,685	5,351	227	1,301	1.6	8.9	-68.2	472.7	108.6	19.0	1.4	1.3	8.6	5.6	1.3	6.8	5.4	8.9
Dish TV	Media	55	58,039	25,090	28,762	6,240	6,904	(1,576)	(266)	-1.5	-0.2	138.8	-83.1	-36.8	-218.4	-18.6	-17.1	11.3	10.0	50.4	7.8	-5.1	7.3
Hathway Cable	Media	279	42,354	15,832	22,938	3,015	5,243	(1,293)	799	-8.8	5.2	-645.1	-159.8	-31.8	53.2	4.3	3.2	18.0	10.2	-13.5	6.0	-2.3	4.9
Hindalco Inds	Metals	172	355,146	872,279	1,002,075	82,863	111,100	25,710	27,052	12.5	13.1	-21.2	5.2	13.8	13.1	0.8	0.8	11.3	8.3	6.3	6.3	3.7	4.6
NALCO	Metals	53	135,563	66,488	73,421	9,342	12,366	6,917	9,091	2.7	3.5	16.7	31.4	19.6	14.9	1.1	1.1	10.2	7.7	5.7	7.2	4.8	6.7
Hindustan Zinc	Metals	164	692,107	134,590	136,642	69,615	67,705	69,663	67,680	16.5	16.0	0.7	-2.8	9.9	10.2	1.8	1.6	6.3	5.8	18.6	15.9	18.6	15.9
Tata Steel	Metals	523	507,800	1,486,136	1,500,889	164,110	171,520	36,225	34,796	37.3	35.8	990.3	-3.9	14.0	14.6	1.3	1.1	7.5	7.0	8.9	7.8	6.3	6.8
JSW Steel	Metals	1253	302,938	512,196	529,925	91,655	110,157	21,647	30,915	89.6	127.9	43.4	42.8	14.0	9.8	1.4	1.3	7.1	6.0	10.2	12.9	4.6	8.4
SAIL	Metals	83	341,763	463,345	511,913	43,534	59,861	19,639	19,884	4.8	4.8	-16.7	1.2	17.4	17.2	0.8	0.8	12.8	10.3	4.6	4.5	4.6	3.8
Sesa Sterlite	Metals	277	819,881	661,524	824,314	203,597	278,912	72,624	78,753	24.5	26.6	-7.5	8.4	11.3	10.4	1.1	1.0	7.6	5.4	9.9	9.9	14.5	9.4
Jindal Steel & Power	Metals	244	223,282	200,040	283,720	54,568	89,167	19,104	23,997	20.9	26.2	-32.9	25.6	11.7	9.3	1.0	0.9	10.6	6.5	8.4	9.7	4.4	5.7
Jindal Saw	Metals	76	21,076	65,531	70,919	6,474	7,751	1,572	2,222	5.7	8.0	-13.4	41.4	13.4	9.5	0.6	0.5	11.2	9.9	4.1	5.6	3.6	4.1
ONGC	Oil & Gas	428	3,659,611	1,732,345	1,885,087	549,854	634,577	265,049	292,863	31.0	34.2	9.4	10.5	13.8	12.5	2.1	1.9	7.1	5.9	15.4	15.3	11.2	10.6
Petronet LNG	Oil & Gas	184	138,113	377,476	439,670	14,984	16,821	7,119	7,438	9.5	9.9	-38.1	4.5	19.4	18.6	2.8	2.5	10.5	9.6	14.3	13.5	10.5	10.3
Cairn India	Oil & Gas	324	606,690	188,927	181,491	142,095	130,605	118,238	107,476	62.2	56.5	2.4	-9.1	5.2	5.7	1.1	0.9	4.1	4.2	20.6	16.5	21.8	16.1

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	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
GAIL	Oil & Gas	435	552,105	572,451	585,034	67,012	72,358	43,753	42,599	32.5	33.6	7.4	3.5	13.4	13.0	2.0	1.8	9.4	8.7	15.2	14.2	11.7	10.6
Indraprastha Gas	Oil & Gas	374	52,423	39,174	46,089	7,776	8,397	3,603	4,052	25.7	28.9	1.7	12.5	14.6	12.9	3.0	2.6	7.0	6.1	22.1	21.4	16.0	15.8
Gujarat State Pet	Oil & Gas	85	47,805	10,473	10,129	9,255	8,833	4,187	4,070	7.4	7.2	-22.2	-2.8	11.4	11.7	1.5	1.3	6.1	6.1	12.7	11.2	10.0	9.3
HSIL Ltd	Other	308	20,342	18,582	21,805	2,533	3,259	340	878	5.1	13.3	-41.8	158.5	59.9	23.2	2.0	1.9	12.1	9.0	3.3	8.1	1.7	4.0
Greenply Industries	Other	1004	24,233	21,595	24,308	2,773	3,257	1,145	1,352	47.4	56.0	0.3	18.1	21.2	17.9	4.2	3.4	11.1	9.4	19.6	19.0	12.3	12.7
Kajaria Ceramics	Other	640	48,396	18,400	22,051	2,807	3,462	1,243	1,588	16.4	21.0	15.7	27.8	39.0	30.5	9.1	7.7	17.9	14.8	23.5	25.3	26.5	28.2
Havells Ltd	Other	295	#N/A	47,197	55,179	6,500	7,421	4,787	4,978	38.4	39.9	28.9	4.0	7.7	7.4	1.7	1.5	27.6	23.9	22.5	20.7	22.7	20.5
Aurobindo Pharma	Pharma	825	240,306	80,998	117,689	21,328	22,008	13,922	13,195	47.8	45.3	221.9	-5.2	17.2	18.2	6.4	4.7	13.0	12.4	31.2	26.1	23.8	21.7
Biocon	Pharma	471	94,250	28,513	31,907	7,111	7,648	4,324	4,899	21.6	24.5	24.1	13.3	21.8	19.2	3.1	2.8	13.3	12.2	13.7	14.6	11.8	12.6
Cadila Healthcare	Pharma	1232	252,230	71,151	82,638	12,360	15,662	7,897	10,072	38.6	49.2	14.9	27.5	31.9	25.0	7.3	5.9	22.1	17.4	24.4	23.7	14.4	16.2
Divi's Laboratories	Pharma	1564	207,630	25,321	30,054	10,145	12,112	7,344	9,058	55.4	68.3	22.3	23.3	28.2	22.9	7.0	5.8	20.5	17.0	26.1	25.4	0.0	0.0
Dr Reddy's Labs.	Pharma	2923	497,704	132,170	153,231	32,630	35,396	21,512	22,055	126.5	129.7	27.2	2.5	23.1	22.5	5.5	4.3	16.4	14.7	23.7	19.2	14.8	12.9
Glenmark Pharma	Pharma	716	194,123	59,839	70,372	13,101	15,485	7,236	8,656	26.7	31.9	15.4	19.6	26.8	22.4	6.4	5.1	16.7	13.6	23.8	22.6	10.8	14.4
Ipca Laboratories	Pharma	755	95,309	31,994	35,196	8,106	8,544	5,274	5,336	42.1	42.6	34.1	1.2	17.9	17.7	4.8	3.8	12.3	11.8	26.9	21.7	19.7	18.9
Lupin	Pharma	1288	577,557	110,866	128,978	30,028	35,880	18,364	22,054	41.0	49.2	38.1	20.1	31.4	26.2	8.3	6.5	19.2	15.8	26.5	25.0	36.4	34.2
Sun Pharma	Pharma	862	1,784,878	160,372	179,198	72,285	76,001	53,526	52,590	25.8	25.4	47.3	-1.7	33.3	33.9	9.5	7.7	24.0	22.7	30.6	22.6	27.7	20.1
Phoenix Mills	Real Estate	327	47,292	14,485	17,219	6,783	8,306	1,200	2,087	8.3	14.4	41.5	73.9	39.4	22.7	2.2	2.2	11.9	9.5	7.0	11.0	8.6	8.1
DLF	Real Estate	183	326,153	82,980	79,399	24,854	24,413	9,980	5,281	5.8	3.1	30.3	-47.1	31.3	59.2	1.1	1.1	18.8	20.1	3.4	1.8	5.5	3.8
Unitech Ltd	Real Estate	22	57,652	29,333	32,505	1,662	3,968	696	3,377	0.3	1.3	-66.8	385.3	82.9	17.1	0.5	0.5	69.9	29.1	0.6	2.8	1.1	2.0
Oberoi Realty	Real Estate	239	78,382	7,985	12,710	4,348	6,710	3,112	4,195	9.5	12.8	-38.4	34.8	25.2	18.7	1.8	1.7	17.1	12.7	7.1	9.1	7.1	10.2
Future Retail	Retail	122	27,514	116,051	105,209	10,674	9,995	(1)	380	0.0	1.5	-100.2			81.9	0.9	0.9	7.5	8.1	0.0	1.1	4.6	4.3
Shoppers Stop	Retail	441	36,685	37,709	44,506	1,334	1,833	(75)	75	-0.9	0.9	-28.5	-200.0	-488.4	488.6	7.5	7.4	32.1	23.6	-1.5	1.5	-0.7	2.1
Raymond Ltd	Retail	455	27,953	45,480	53,017	4,800	5,673	1,430	1,648	23.3	26.8	147.9	15.2	19.5	17.0	1.9	1.7	8.7	7.5	9.8	10.1	7.0	8.3
Bata India	Retail	1259	80,931	20,319	23,395	2,887	3,673	1,677	2,217	26.1	34.5	-2.5	32.1	48.2	36.5	9.6	8.2	27.1	20.6	20.0	22.5	20.6	23.4
Titan Company	Retail	363	322,488	109,274	125,396	10,443	12,163	7,346	8,474	8.3	9.5	1.4	15.4	43.9	38.1	12.8	10.2	30.8	25.9	32.7	29.8	31.0	26.7
Trent	Retail	1150	38,201	23,713	25,129	94	1,238	243	718	7.3	21.6	5.9	195.7	157.3	53.2	3.9	3.2	434.2	29.9	2.5	5.9	2.0	5.1
Bharti Airtel	Telecom	369	1,475,041	858,635	952,570	277,770	319,557	27,188	52,004	6.8	13.0	101.9	91.3	54.3	28.4	2.5	2.2	7.9	7.1	4.5	7.6	5.0	6.1
Reliance Comm	Telecom	116	279,149	218,800	230,333	72,850	81,473	11,370	13,534	5.5	6.6	52.4	19.0	21.1	17.7	0.9	0.8	9.3	7.7	4.2	4.8	4.3	4.2
Bharti Infratel	Telecom	255	481,124	65,790	73,300	44,046	49,148	15,224	17,738	8.1	9.4	52.2	16.5	31.6	27.1	2.7	2.6	11.6	9.5	8.4	9.6	7.3	7.7
Idea Cellular	Telecom	157	566,035	265,189	310,381	83,336	101,534	18,513	25,054	5.6	7.0	83.1	24.6	28.1	22.6	3.2	2.5	9.2	8.3	11.2	11.1	7.1	6.8
OnMobile Global	Telecom	32	3,622	8,970	10,361	1,569	2,207	241	626	2.0	5.1	-52.1	159.9	16.0	6.2	0.4	0.4	1.1	0.4	2.4	5.8	2.6	5.8
Tata Communication	Telecom	360	102,657	196,659	213,551	30,880	32,762	352	2,491	1.2	8.7	-104.8	607.7	291.6	41.2	12.8	11.6	5.9	5.3	4.4	28.2	3.4	5.1
Concor	Logistics	1328	258,896	49,846	58,489	11,019	13,416	9,848	11,569	50.5	59.3	4.8	17.5	26.3	22.4	3.7	3.3	21.2	17.3	14.1	14.7	13.8	14.6
NCC	Infrastructure	69	17,781	61,173	68,512	4,049	5,138	405	715	1.6	2.8	-35.3	76.5	43.9	24.9	0.7	0.7	10.3	7.7	1.6	2.8	7.0	6.7
Ashoka Buildcon	Infrastructure	129	20,393	17,949	21,815	3,945	5,174	1,084	1,062	6.9	6.7	-62.0	-2.0	18.8	19.2	1.6	1.5	13.3	12.4	8.7	8.0	3.2	3.6
Oil India	Oil & Gas	606	364,318	96,127	106,104	42,638	49,997	29,813	31,801	49.6	52.9	-16.9	6.7	12.2	11.5	1.8	1.6	8.1	6.9	14.4	14.0	10.7	10.1

Note: For banks, EBITDA is pre-provision profit

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