

Result Update

February 9, 2015



Contents

- Result Updates** ➤ **Arvind Mills**
- **JK Lakshmi Cement Ltd**
 - **SJVN Ltd**
 - **The Ramco Cements Ltd**
 - **Prism Cement**
 - **NMDC Limited**
 - **Dhanuka Agritech**
 - **Ballarpur Industries Ltd**
 - **Apollo Tyres Ltd**
 - **PTC India Ltd**
 - **GAIL (India) Ltd.**

Arvind

Brand & Retail segment lags growth

- In-line operational performance, although performance of brand and retail segment ex. Power brands disappoints. Mega Mart sees -ve 2.3% LTL growth in Q3FY15, while overall brand business see 1.9% LTL growth
- Power Brands continue to show healthy growth with revenue in Q3FY15 grows by 25% YoY with EBITDA margins expanding by 60bps to 13.4%. Denims and Woven drive growth in Textiles segment with revenue growing at 8.3% with EBITDA expanding by 40bps YoY
- **ARVND lowers FY15E topline growth guidance from 22-24% to 14-15% with lower operational margins. We continue to maintain topline growth at 14.8%, with margin moderation as overall brand & retail segment margin expansion disappoints**
- Maintain Buy rating with TP of Rs 345 on SoTP basis with FY17E. Marginal cut in earnings estimates of FY15E / 16E by -7.9% / -6.0% respectively, mainly due to expensing Rs 250mn of VRS at its spinning facility & lower margin expansion in the Brand & Retail segment

In-line overall operational performance: Revenue stood at Rs 20.7bn, growth of 17% YoY, 3% above ours and street's estimates. EBITDA stood at Rs 2.88bn, growth of 13% YoY, 1% above our estimates and 8% above consensus. EBITDA margins stood at 13.9%, down 48bps YoY, 20bps below our estimates while 70bps above consensus estimates. PAT stood at Rs 1.09bn, growth of 7% YoY, 8% below estimates and 1% above street estimates. Lower than estimated PAT was mainly due to lower Other Income, which was up 51% YoY and down 50% QoQ

Brand & Retail (B&R) segment lags on growth: Textiles segment reported revenue of Rs 12.9bn, growth of 9% YoY with EBIT margins at 16.5% increase of 99bps YoY. Brand and Retail segment reported revenue of Rs 6.6bs, growth of 21% YoY with EBIT margins contracting by 76bps to 4.1%. The segment growth is below our estimate, which has led to YoY margin contraction. Real Estate segment reported revenue of Rs 370mn, growth of 171% YoY with EBIT margins at 18.8% vs. 1.0% YoY

Marginally cut in estimates mainly driven by B&R performance: We cut our FY15E and FY16E earnings estimates by 8% and 6% respectively as company would expense Rs 250mn towards VRS of 900 employees in spinning facility and also for lower margin expansion in the B&R segment. We continue to maintain FY17E as the higher expected GDP growth will drive the urban consumption leading to higher margins. We maintain Buy rating on the company with SoTP valuations of business segment leading to value of Rs 345 / share. Performance of Power Brands segment will be the key variable to our valuation estimations as the same is valued at 18x EV/EBITDA against 5x for Textiles & 7x for Other sub-segment in B&R

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	51,432	66,648	76,195	92,318	1,04,408
EBITDA	6,874	9,340	10,217	13,034	15,274
EBITDA Margin (%)	13.0	13.6	13.0	13.8	14.3
APAT	2,484	3,703	3,645	4,888	6,429
EPS (Rs)	9.6	14.3	14.1	18.9	24.9
EPS (% chg)	30.2	49.1	(1.6)	34.1	31.5
ROE (%)	13.4	17.3	14.9	17.5	19.6
P/E (x)	29.9	20.0	20.4	15.2	11.5
EV/EBITDA (x)	14.1	11.0	10.4	8.3	7.0
P/BV (x)	3.8	3.2	2.9	2.5	2.1

Source: Company, Emkay Research

CMP Rs288	Target Price Rs345 (■)
Rating BUY (■)	Upside 20.0 %

Change in Estimates

EPS Chg FY15E/FY16E (%)	-7.9/-6.0
Target Price change (%)	NA
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	14.1	18.9
Consensus	15.9	20.3
Mean Consensus TP	Rs 321	

Stock Details

Bloomberg Code	ARVND IN
Face Value (Rs)	10
Shares outstanding (mn)	258
52 Week H/L	342 / 135
M Cap (Rs bn/USD bn)	74 / 1.20
Daily Avg Volume (nos.)	40,92,970
Daily Avg Turnover (US\$ mn)	19.4

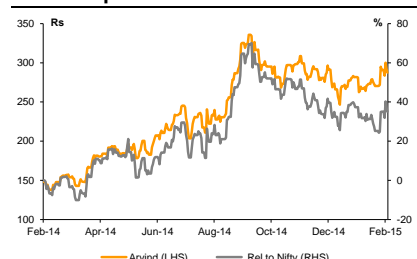
Shareholding Pattern Dec '14

Promoters	43.5%
FIIIs	21.1%
DIIIs	14.8%
Public	20.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	(7)	23	93
Rel. to Nifty	(1)	(10)	10	35

Relative price chart

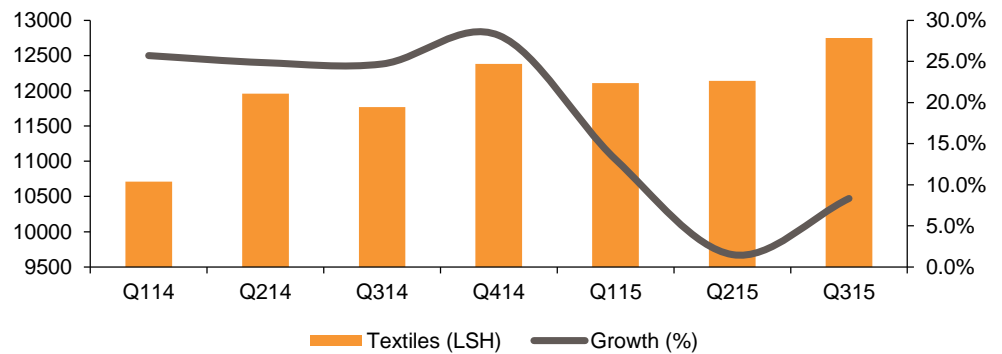


Source: Bloomberg

Denims and Wovens reported healthy topline growth

Denims and Wovens registered sales of Rs 4.9bn and Rs 5.3bn respectively implying a YoY growth of 10.8% and 11.7% respectively. The overall textile segment contributed to 61% of the consolidated topline with 8.3% YoY growth. Though cotton prices corrected during the quarter, the denim segment saw a growth of both volumes and realisations. The rise in realisations was primarily due to certain contracts that warranted the supply of denim at a fixed price. Garments revenue stood at Rs1.9bn (3.9% growth YoY) with growth largely driven by increase in volumes. Going forward, company guides for muted growth in denims and woven mainly due to pass through of lower cotton prices as well as lower urban consumption in India

Exhibit 1: Textile Segment Performance

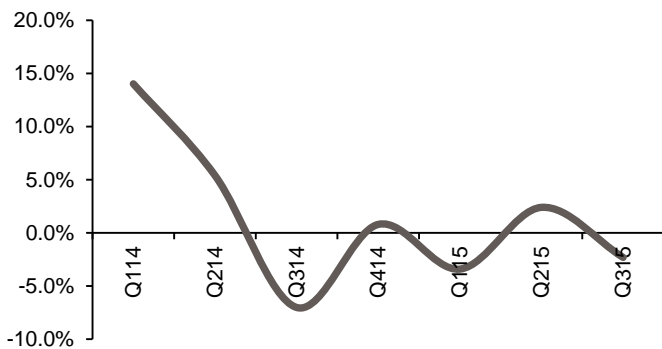


Source: Company, Emkay Research

Mega Mart pulls down B&R Performance

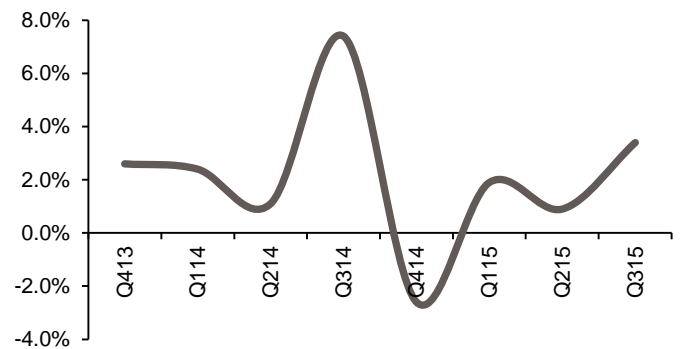
Mega Mart (MM) performance has been weak in Q3FY15, which pulled down the overall performance of B&R segment. MM has like-to-like (LTL) growth of negative 2.3% in Q3FY15, which led to EBITDA margins of the chain contracting from 7.4% to 3.4% YoY. The Power Brands showed revenue growth of 24% YoY to Rs 3.58bn with margins expansion of 60bps YoY. Thus the implied margin profile of non-MM and non-Power Brand businesses was much lower than expectations, adding to the weak performance of MM.

Exhibit 2: Mega Mart LTL Growth



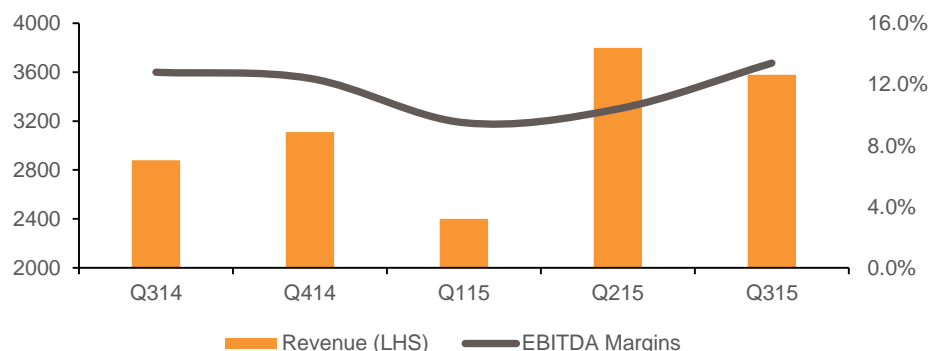
Source: Company, Emkay Research

Exhibit 3: Mega Mart EBITDA Margins



Source: Company, Emkay Research

Exhibit 4: Power Brands Performance



Source: Company, Emkay Research

Highlights of Q3FY15 Results Conference Call

- Absolute debt to remain stagnant at ~Rs 34bn over next two years as company continue to investment towards growth
- GAP to be launched in Q1FY16 while The Children's Place in Q2FY16
- Capex of Rs 5bn in FY16 with equal investments towards Textiles and Brand & Retail Segments
- Creyate, the online venture into customized stitching and clothing, has monthly revenue run-rate of Rs 10mn. Company expects this platform to generate annual revenue of Rs 5bn over next 3-4 years with RoCEs of 18-20%
- Company has shut down a spinning unit, with VRS to its 900 employee base. 98% of the employees have accepted VRS and Rs 250mn was expensed towards the same which will get reflected in Q4FY15 results
- Hanes, the inner wear brand, has grown at 80-90% rate in 9MFY15 and company expects 100% CAGR over next few years
- MTM cotton inventory is exhausted and company believes that cotton prices will remain stagnant at current levels, which are closed to MSPs. The positive impact of lower cotton prices in the Brand and Retail side is expected to see with a lag in Q1FY16 onwards
- Tax rate to be at ~26% levels in FY16E

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	51,432	66,648	76,195	92,318	1,04,408
Expenditure	46,051	59,281	68,453	81,759	91,609
EBITDA	6,874	9,340	10,217	13,034	15,274
Depreciation	2,043	2,252	2,141	2,612	2,837
EBIT	4,831	7,088	8,076	10,422	12,437
Other Income	806	694	577	500	500
Interest expenses	3,153	3,545	4,137	4,359	4,292
PBT	2,483	4,237	4,516	6,563	8,646
Tax	3	548	903	1,706	2,248
Extraordinary Items	0	(164)	0	0	0
Minority Int./Income from Assoc.	3	13	32	31	31
Reported Net Income	2,484	3,539	3,645	4,888	6,429
Adjusted PAT	2,484	3,703	3,645	4,888	6,429

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	2,580	2,582	2,582	2,582	2,582
Reserves & surplus	19,959	23,248	26,126	30,223	35,862
Net worth	22,540	25,830	28,708	32,805	38,444
Minority Interest	108	242	242	242	242
Loan Funds	24,608	29,920	33,724	36,023	35,505
Net deferred tax liability	58	435	474	529	591
Total Liabilities	47,313	56,427	63,148	69,599	74,782
Net block	26,945	28,927	30,839	33,227	34,390
Investment	678	1,293	1,281	1,281	1,281
Current Assets	32,635	42,066	49,253	57,269	64,104
Cash & bank balance	1,856	1,663	1,875	2,240	2,510
Other Current Assets	3,050	3,403	3,403	3,403	3,403
Current liabilities & Provision	15,021	17,205	20,225	24,177	26,992
Net current assets	17,614	24,860	29,028	33,092	37,112
Misc. exp	0	0	0	0	0
Total Assets	47,313	56,427	63,148	69,599	74,782

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	184	1,406	1,464	3,588	5,671
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(3,026)	(7,061)	(3,917)	(3,644)	(3,687)
Operating Cashflow	2,353	(406)	2,922	5,209	6,864
Capital expenditure	(3,285)	(3,537)	(4,674)	(5,000)	(4,000)
Free Cash Flow	(932)	(3,943)	(1,753)	209	2,864
Investments	(261)	(615)	13	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(1,247)	(1,485)	(1,609)	(2,025)	(1,025)
Equity Capital Raised	348	493	(40)	(31)	(31)
Loans Taken / (Repaid)	3,325	5,312	3,804	2,299	(518)
Dividend paid (incl tax)	(498)	(710)	(759)	(759)	(759)
Other Financing Cash Flow	20	148	32	31	31
Financing Cashflow	42	1,699	(1,100)	(2,819)	(5,569)
Net chg in cash	1,147	(192)	212	365	270
Opening cash position	709	1,856	1,663	1,875	2,240
Closing cash position	1,856	1,663	1,875	2,240	2,510

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	13.0	13.6	13.0	13.8	14.3
EBIT Margin	9.1	10.3	10.3	11.0	11.6
Effective Tax Rate	0.1	12.9	20.0	26.0	26.0
Net Margin	4.7	5.4	4.6	5.1	6.0
ROCE	13.5	15.8	15.2	17.2	18.6
ROE	13.4	17.3	14.9	17.5	19.6
RoIC	12.7	15.9	15.4	17.9	19.5

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	9.6	14.3	14.1	18.9	24.9
CEPS	17.5	23.1	22.4	29.0	35.9
BVPS	76.5	89.4	100.4	116.3	138.1
DPS	1.6	2.4	2.5	2.5	2.5

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	29.9	20.0	20.4	15.2	11.5
P/CEPS	15.4	12.5	12.8	9.9	8.0
P/BV	3.8	3.2	2.9	2.5	2.1
EV / Sales	1.9	1.5	1.4	1.2	1.0
EV / EBITDA	14.1	11.0	10.4	8.3	7.0
Dividend Yield (%)	0.6	0.8	0.9	0.9	0.9

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	1.1	1.2	1.2	1.1	0.9
Net Debt/EBIDTA	3.3	3.0	3.1	2.6	2.2
Working Cap Cycle (days)	108.7	123.4	126.0	118.8	118.2

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	9.8	29.6	14.3	21.2	13.1
EBITDA	14.1	35.9	9.4	27.6	17.2
EBIT	9.6	46.7	13.9	29.1	19.3
PAT	30.2	42.5	3.0	34.1	31.5

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	17,743	18,791	17,726	19,646	20,737
EBITDA	2,537	2,482	2,228	2,388	2,881
EBITDA Margin (%)	14.3	13.2	12.6	12.2	13.9
PAT	1,121	1,120	1,154	1,236	1,264
EPS (Rs)	0.4	0.4	0.4	0.5	0.5

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	43.8	43.8	43.5	43.5	43.5
FIIIs	19.2	22.8	23.3	23.6	21.1
DIIIs	18.2	14.2	13.7	14.3	14.8
Private Corp	2.8	3.2	4.7	4.3	5.3
Public	18.8	19.2	19.5	18.7	20.7

JK Lakshmi Cement

In-line operational results, maintain Buy

CMP Rs393	Target Price Rs510 (▼)
Rating BUY (■)	Upside 29.8 %

Result highlights

- JK Lakshmi Cement's Q3 EBITDA at Rs754mn (up 19% yoy) was in-line with estimates of Rs754mn despite higher than expected pressure on realization (Rs239/tn qoq drop vs est. Rs160/tn) and lower sales volume of 1.51mt (vs est 1.53mt). Operating cost/tn declined 3.8% qoq
- Cement sales volume grew 6% yoy against industry growth of 3-4%. Realization was up 4.4% yoy to Rs3,693/tn
- Revise FY15E/FY16E/FY17E EBITDA estimates downwards by 3.3%/6.4%/5.8% considering lower cement prices in North region and one quarter delay of Durg unit
- Trial-run has started from 1.7mt capacity of Durg. Environmental clearance for 1mt grinding unit in Cuttack expected by Q4FY15. Remains preferred pick in the mid-cap space with TP of Rs510 (earlier: Rs547)

EBITDA in-line, OPM slightly above estimates

Net sales at Rs5,559mn (+10.6% yoy, -2.9% qoq) was below our estimates of Rs5,755mn led by lower sales volume of 1.51mt (vs est 1.53mt) and realization at Rs3,693/tn (vs est Rs3,760/tn). Cement sales volume was up 6% yoy and 3.4% qoq to 1.51mt. Though, realization increased 4.4% yoy, but sequentially it was down 6.1% due to pressure on cement prices in the North and West regions. Operating cost/tn was at Rs3,192 (+3.2% yoy, -3.8% qoq) against our estimates of Rs3,261/tn primarily due to lower raw material and other costs. Led by improvement in operating costs, OPM was at 13.6% (+94bps yoy, -201bps qoq) against estimates of 13.3%. EBITDA at Rs754mn (+18.9%, -15.4%) was marginally below our estimate of Rs768mn. EBITDA/t was at Rs 501 against Rs447/Rs612 in Q43FY14/Q2FY15.

Trial-run for Durg plant started; maintain Buy

The company has started trial-run for 1.7mt integrated plant at Durg, Chattisgarh during the quarter and commercial production is expected to start from Q1FY16E. The management expects that the environmental clearance for the grinding unit at Cuttack, Orissa will be received by Mar-15E and expects that the plant will be commissioned by Jun-16E. We expect sales volume to grow at a CAGR of 15% between FY14-FY17E led by volume from new capacities. It is one of the most efficient players in the industry and benefits from self-sufficiency in power, usage of pet coke and better utilization rates. We maintain Buy rating on the stock with revised PT of Rs510 (earlier: Rs547) based on 8x FY16E EV/EBITDA and Rs14/share for its stake in Udaipur Cement Works.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	20,527	20,559	24,448	30,748	39,515
EBITDA	4,265	3,013	4,047	5,855	8,767
EBITDA Margin (%)	20.8	14.7	16.6	19.0	22.2
APAT	1,921	1,115	1,986	2,411	4,458
EPS (Rs)	16.3	9.5	16.9	20.5	37.9
EPS (% chg)	34.9	(41.9)	78.1	21.4	84.9
ROE (%)	15.8	8.7	14.4	15.7	24.8
P/E (x)	24.1	41.5	23.3	19.2	10.4
EV/EBITDA (x)	13.9	20.6	15.6	10.9	7.0
P/BV (x)	3.7	3.5	3.2	2.8	2.3

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY16E/FY17E (%)	-4.4/-2.9
Target Price change (%)	(6.8)
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY16E	FY17E
Emkay	16.9	20.5
Consensus	14.4	22.0
Mean Consensus TP	Rs 428	

Stock Details

Bloomberg Code	JKLC IN
Face Value (Rs)	5
Shares outstanding (mn)	118
52 Week H/L	430 / 65
M Cap (Rs bn/USD bn)	46 / 0.75
Daily Avg Volume (nos.)	254,833
Daily Avg Turnover (US\$ mn)	1.6

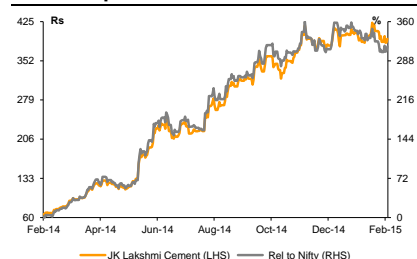
Shareholding Pattern Dec '14

Promoters	45.9%
FIIIs	13.3%
DIIIs	16.8%
Public	24.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	3	42	493
Rel. to Nifty	2	-	28	316

Relative price chart



Source: Bloomberg

Exhibit 1: Quarterly financials

(Y/E Mar, Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	YoY (%)
Net Sales	5,026	6,482	6,004	5,726	5,559	10.6	-2.9	17,289	14,084	22.8
Expenditure	4,392	5,362	4,869	4,834	4,805	9.4	-0.6	14,509	12,185	19.1
as % of sales	87.4%	82.7%	81.1%	84.4%	86.4%	-1.1	2.4	83.9%	86.5%	
Consumption of RM	947	1,298	858	987	900	-5.0	-8.8	2,745	2,346	17.0
as % of sales	18.8%	20.0%	14.3%	17.2%	16.2%	-14.1	-6.1	15.9%	16.7%	
Employee Cost	303	327	374	346	349	15.4	1.0	1,069	903	18.4
as % of sales	6.0%	5.0%	6.2%	6.0%	6.3%	4.3	4.1	6.2%	6.4%	
Power, Oil & Fuel	1,044	1,141	1,218	1,158	1,268	21.5	9.6	3,644	3,079	18.3
as % of sales	20.8%	17.6%	20.3%	20.2%	22.8%	9.8	12.8	21.1%	21.9%	
Transportation & Handling	1,204	1,340	1,260	1,253	1,267	5.2	1.1	3,780	3,228	17.1
as % of sales	23.9%	20.7%	21.0%	21.9%	22.8%	-4.9	4.1	21.9%	22.9%	
Other expenditure	895	1,256	1,159	1,091	1,021	14.2	-6.4	3,271	2,629	24.4
as % of sales	17.8%	19.4%	19.3%	19.1%	18.4%	3.2	-3.6	18.9%	18.7%	
EBITDA	634	1,121	1,135	892	754	18.9	-15.4	2,780	1,899	46.4
Depreciation	347	310	339	285	281	-19.1	-1.5	905	1,042	(13.2)
EBIT	287	811	796	607	473	64.9	-22.0	1,875	857	118.9
Other Income	82	245	25	12	67	-17.8	464.7	104	198	(47.3)
Interest	191.3	189.1	215.1	218	218	14.0	0.0	651	583	11.7
PBT	177	867	606	400	322	81.6	-19.5	1,328	472	181.6
Total Tax	37	152	92	44	37	1.4	-16.5	173	71	142.9
Adjusted PAT	141	714	514	356	285	102.4	-19.9	1,155	400	188.4
Extra ordinary items	0	185	109	50	100			259	0	
Reported PAT	141	529	405	306	185	31.4	-39.5	896	400	123.7
Adjusted EPS	1.20	6.07	4.37	3.03	2.42	102.4	-19.9	10	3	188.4

Margins (%)							bps	bps		bps
EBIDTA	12.6	17.3	18.9	15.6	13.6	94	-201	16.1	13.5	260
EBIT	5.7	12.5	13.3	10.6	8.5	280	-208	10.8	6.1	476
EBT	3.5	13.4	10.1	7.0	5.8	227	-120	7.7	3.3	433
PAT	2.8	11.0	8.6	6.2	5.1	233	-109	5.2	2.8	234
Effective Tax rate	20.6	17.6	15.2	11.1	11.5	-909	42	13.0	15.1	(207)

Source: Company, Emkay Research

Exhibit 2: Per tonne analysis

Per ton costs	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	YoY (%)
Cement volumes	1.42	1.70	1.44	1.46	1.51	6.0	3.4	4.4	3.9	12.0
Raw Material	667	764	596	678	598	-10.3	-11.8	624	597	4.5
Employee	213	192	259	238	232	8.9	-2.3	243	230	5.7
Power and fuel	735	671	846	795	843	14.6	6.0	828	784	5.6
Freight	848	788	875	861	841	-0.7	-2.2	859	822	4.5
Other Expenses	630	739	805	749	678	7.7	-9.5	743	669	11.1
Net Realisation	3539	3813	4170	3933	3693	4.4	-6.1	3928	3585	9.6
Total cost per tonne	3093	3154	3382	3320	3192	3.2	-3.8	3297	3101	6.3
EBIDTA per tonne	447	659	788	612	501	12.1	-18.2	632	483	30.7

Source: Company, Emkay Research

Con-call highlights

- **Capex status:** Trial-run has started from 1.7mt Durg, Chhattisgarh plant and the management expects the commercial production from this unit to start in Q1FY16E. The company will use 50% each of fly ash and slag for blending in the Durg plant. The company has not yet received environmental clearance for the grinding unit at Cuttack, Orissa and expects that it will get the necessary approvals by March-15E. The grinding unit is expected to get commissioned by Jun-16E.
- **Fuel consumption and operating costs:** Fuel consumption during the quarter was at 700kcal/kg of clinker which is one of the best achieved in the Indian Cement industry. The benefits of lower crude prices have not yet started flowing in and the entire benefits will be seen in Q4FY15E. Average Pet coke price in Q3 was Rs7,000/tn and there has been a decline of Rs400-500/tn as of now.
- **Fuel-mix for Durg plant:** The management said that there is high probability that pet coke will be used in kilns in the Durg plant, however, a final decision will be made when the production starts from this plant depending on the cost.
- **Cement price and demand trends:** Cement prices are at similar levels compared to Q3 average in the North and West markets except in Maharashtra. The management expects the prices to improve from mid-Feb. There has been a decline in demand from retail segment in the quarter.
- **Limestone availability:** The company has sufficient availability of limestone for existing as well as new plants. The limestone mining license is valid till 2030 for existing plants and 2034 for new unit. Overall, availability of limestone is for 40 years for the existing units and 50 years for new plant (based on 5mt capacity).

Change in Estimates

We have revised FY15E/FY16E/FY17E EBITDA estimates downwards by 3.3%/6.4%/5.8% to factor in lower realization in the company's key markets (North and Gujarat markets) and one quarter delay in commercial production from the Durg plant. We have revised realization estimates downwards by 1.5%/1.8%/2% for FY15E/FY16E/FY17E. Though, we have revised FY15E estimates downwards by 3.3%, profit estimates are getting revised upwards by 20% as we had estimated interest and depreciation costs of the Durg plant in Q4FY15E, however post-discussion with the management, we believe that the interest and depreciation costs will come only in FY16E.

Exhibit 3: Estimates revision

Particulars/Rs mn	FY15E			FY16E			FY17E		
	Earlier	Revised	Chg (%)	Earlier	Revised	Chg (%)	Earlier	Revised	Chg (%)
Revenue	25,187	24,448	(2.9)	31,323	30,748	(1.8)	40,316	39,515	(2.0)
EBITDA	4,184	4,047	(3.3)	6,258	5,855	(6.4)	9,303	8,767	(5.8)
EBITDA m (%)	16.6	16.6		20.0	19.0		23.1	22.2	
PAT	1,654	1,986	20.1	2,522	2,411	(4.4)	4,589	4,458	(2.9)
EPS (Rs)	14.0	16.9	20.1	21.4	20.5	(4.4)	39.0	37.9	(2.9)

Source: Company, Emkay Research

Trial-run for Durg plant started; maintain Buy

The company has started trial-run for 1.7mt integrated plant at Durg, Chattisgarh during the quarter and commercial production is expected to start from Q1FY16E. The management expects that the environmental clearance for the grinding unit at Cuttack, Orissa will be received by Mar-15E and expects that the plant will be commissioned by Jun-16E. We expect sales volume to grow at a CAGR of 15% between FY14-FY17E led by volume from new capacities. It is one of the most efficient players in the industry and benefits from self-sufficiency in power, usage of pet coke and better utilization rates. We maintain Buy rating on the stock with revised PT of Rs510 (earlier: Rs547) based on 8x FY16E EV/EBITDA and Rs14/share for its stake in Udaipur Cement Works.

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	20,527	20,559	24,448	30,748	39,515
Expenditure	16,262	17,546	20,401	24,893	30,748
EBITDA	4,265	3,013	4,047	5,855	8,767
Depreciation	1,489	1,352	1,190	1,700	1,965
EBIT	2,775	1,661	2,857	4,155	6,802
Other Income	577	450	330	505	560
Interest expenses	835	772	878	1,720	1,790
PBT	2,517	1,339	2,309	2,940	5,572
Tax	596	224	323	529	1,114
Extraordinary Items	(163)	(185)	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,757	930	1,986	2,411	4,458
Adjusted PAT	1,921	1,115	1,986	2,411	4,458

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	589	589	589	589	589
Reserves & surplus	12,010	12,444	13,950	15,672	19,166
Net worth	12,599	13,033	14,539	16,261	19,755
Minority Interest	0	0	0	0	0
Loan Funds	13,370	16,313	17,822	18,222	16,022
Net deferred tax liability	1,134	1,226	1,250	1,250	1,250
Total Liabilities	27,102	30,571	33,610	35,732	37,026
Net block	14,346	15,715	26,259	28,809	30,444
Investment	4,065	4,477	4,477	3,977	3,977
Current Assets	6,146	6,389	7,967	9,843	12,815
Cash & bank balance	127	353	800	829	1,122
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	4,335	5,094	6,443	7,997	10,710
Net current assets	1,811	1,295	1,524	1,846	2,105
Misc. exp	0	0	0	0	0
Total Assets	27,102	30,572	33,610	35,732	37,026

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	1,940	889	1,979	2,435	5,012
Other Non-Cash items	(422)	(507)	(548)	(1,215)	(1,230)
Chg in working cap	336	741	219	(293)	35
Operating Cashflow	3,583	3,023	3,395	3,817	6,457
Capital expenditure	(6,482)	(4,924)	(4,000)	(4,000)	(3,000)
Free Cash Flow	(2,899)	(1,901)	(605)	(183)	3,457
Investments	473	(413)	0	500	0
Other Investing Cash Flow	(99)	92	24	0	0
Investing Cashflow	(6,109)	(5,245)	(3,976)	(3,500)	(3,000)
Equity Capital Raised	(23)	0	0	0	0
Loans Taken / (Repaid)	2,673	2,943	1,509	400	(2,200)
Dividend paid (incl tax)	(343)	(275)	(482)	(689)	(964)
Other Financing Cash Flow	(545)	(221)	2	0	0
Financing Cashflow	1,762	2,448	1,028	(289)	(3,164)
Net chg in cash	(764)	226	447	29	293
Opening cash position	891	127	353	800	829
Closing cash position	127	353	800	829	1,122

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	20.8	14.7	16.6	19.0	22.2
EBIT Margin	13.5	8.1	11.7	13.5	17.2
Effective Tax Rate	23.7	16.7	14.0	18.0	20.0
Net Margin	9.4	5.4	8.1	7.8	11.3
ROCE	13.2	7.3	9.9	13.4	20.2
ROE	15.8	8.7	14.4	15.7	24.8
RoIC	17.7	10.2	13.1	14.6	22.2

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	16.3	9.5	16.9	20.5	37.9
CEPS	29.0	21.0	27.0	34.9	54.6
BVPS	107.0	110.7	123.5	138.2	167.8
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	24.1	41.5	23.3	19.2	10.4
P/CEPS	13.6	18.7	14.6	11.2	7.2
P/BV	3.7	3.5	3.2	2.8	2.3
EV / Sales	2.9	3.0	2.6	2.1	1.5
EV / EBITDA	13.9	20.6	15.6	10.9	7.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	1.1	1.2	1.2	1.1	0.8
Net Debt/EBIDTA	3.1	5.3	4.2	3.0	1.7
Working Cap Cycle (days)	29.9	16.7	10.8	12.1	9.1

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	20.0	0.2	18.9	25.8	28.5
EBITDA	29.7	(29.4)	34.3	44.7	49.7
EBIT	39.5	(40.2)	72.0	45.5	63.7
PAT	61.6	(47.1)	113.5	21.4	84.9

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	5,026	6,482	6,004	5,726	5,559
EBITDA	634	1,121	1,135	892	754
EBITDA Margin (%)	12.6	17.3	18.9	15.6	13.6
PAT	141	529	405	306	185
EPS (Rs)	1.2	4.5	3.4	2.6	1.6

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	46.0	46.0	46.0	45.9	45.9
FIIIs	5.5	6.3	8.6	10.9	13.3
DIIIs	11.9	10.9	17.4	18.4	16.8
Private Corp	7.8	8.0	5.9	5.1	4.4
Public	36.6	36.8	28.1	24.8	24.0

SJVN

Core performance in-line; retain Buy

CMP Rs26	Target Price Rs29 (■)
Rating BUY (■)	Upside 12.4 %

Result highlights

- SJVN's Q3FY15 core RoE was in line with our expectation of 3.5%
- With all 6 units of Rampur plant commissioned, there is visibility on earnings growth for FY16E with sustainable project level ROEs of ~20%
- Based on 9M performance under the new CERC regulations 2014-19, we have marginally upgraded our FY15/16 estimates by 2%/1%
- SJVN is largely a dividend yield and a proxy cash play, offering 5% dividend yield. With valuation at 1.0x book and 7.5x FY16E PER and ROE of ~14%, we retain Buy with price target of Rs29/sh

Core RoE in-line our estimates

SJVN's Q3FY15 core RoE was in line with our expectation of 3.5%. However, The APAT (Rs2.7bn) was 11% above our estimates largely due to higher other income (Rs1.0bn vs our estimates of Rs0.6bn). We have not made adjustments for Rampur plant under-recoveries due to revenue recognition using capital cost of Rs31bn vs actual capital cost of Rs38bn (petition for this matter has not yet been filed with CERC. Based on decent 9MFY15 performance under the new CERC regulations 2014-19, we have marginally upgraded our FY15/16 estimates by 2%/1%.

SJVN a dividend yield and proxy cash play; Retain BUY

With the commissioning of final unit of Rampur plant (412MW), there is visibility on earnings growth for FY16E with sustainable project level ROEs of ~20%. Going forward, small growth can come from renewable capacity addition (48MW wind capacity already added and another 70MW targeted in FY15 and a 16% stake planned in 1,000MW solar plant). However, the next phase of growth is 4-5 years away (600MW – Kolongchu in Bhutan, 1,320MW – Buxar thermal plant in Bihar and few other plants in Arunachal). Therefore, SJVN is largely a dividend yield and proxy cash play, offering 5% dividend yield. With valuations at 1.0x FY16E book value of Rs25/sh and 7.5x FY16E EPS of Rs3.4/sh and ROE of ~14% in FY16E, we retain Buy with price target of Rs29/sh.

Financial Snapshot (Standalone)

(Rs mn)	FY14	FY15	FY16E	FY17E	FY18E
Net Sales	18,689	21,162	25,319	25,132	24,963
EBITDA	16,045	18,164	21,726	21,568	21,426
EBITDA Margin (%)	85.6	85.6	85.6	85.6	85.6
APAT	11,146	11,979	14,134	15,038	16,007
EPS (Rs)	2.7	2.9	3.4	3.6	3.9
EPS (% chg)	12.7	7.5	18.0	6.4	6.4
ROE (%)	12.8	12.8	14.0	13.8	13.6
P/E (x)	9.6	8.9	7.6	7.1	6.7
EV/EBITDA (x)	6.7	5.4	3.9	3.3	2.7
P/BV (x)	1.2	1.1	1.0	0.9	0.9

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY15E/FY16E (%)	2/1
Target Price change (%)	NA
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY16E	FY17E
Emkay	3.4	3.6
Consensus	3.3	4.0
Mean Consensus TP	Rs 28	

Stock Details

Bloomberg Code	SJVN IN
Face Value (Rs)	10
Shares outstanding (mn)	4,137
52 Week H/L	28 / 20
M Cap (Rs bn/USD bn)	107 / 1.73
Daily Avg Volume (nos.)	13,08,118
Daily Avg Turnover (US\$ mn)	0.5

Shareholding Pattern Dec '14

Promoters	90.0%
FII	1.5%
DII	5.0%
Public	3.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	8	7	25
Rel. to Nifty	-	5	(4)	(12)

Relative price chart



Source: Bloomberg

Exhibit 1: Results snapshot

Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY14	9MFY15	YoY (%)
Net Sales	3,874	3,120	5,397	7,743	5,468	41.1	-29.4	15,559	18,608	19.6
Expenditure	-672	-786	-718	-1,022	-1,416	110.7	38.6	-1,906	-3,156	65.6
as % of sales	-17.3%	-25.2%	-13.3%	-13.2%	-25.9%					
Employee Cost	-309	-350	-332	-549	-653	111.3	18.9	-887	-1,534	73.0
as % of sales	-8.0%	-11.2%	-6.2%	-7.1%	-11.9%					
Other expenditure	-363	-436	-386	-473	-763	110.2	61.3	-1,018	-1,622	59.4
as % of sales	-9.4%	-14.0%	-7.2%	-6.1%	-14.0%					
EBITDA	3,203	2,334	4,679	6,721	4,052	26.5	-39.7	13,654	15,452	13.2
Depreciation	-1118	-1389	-1433	-1590	-1642.5	46.9	3.3	-3,356	-4,666	39.0
EBIT	2,085	945	3,246	5,131	2,409	15.5	-53.1	10,298	10,786	4.7
Other Income	495	686	644	622	961.5	94.2	54.6	539	2,228	313.2
Interest	-65	-55	-76	-143	-160.9	147.5	12.5	-233	-380	63.3
PBT	2,515	1,576	3,814	5,610	3,210	27.6	-42.8	11,750	12,634	7.5
Total Tax	-405	-127	-357	-1124	-504	24.4	-55.2	-2,098	-1,985	(5.4)
Adjusted PAT	2109	1448	3457	4486	2706	28.3	-39.7	9,651	10,649	10.3
Extra ordinary items	0	0	787	3482				46	4,269	-
Reported PAT	2109	1448	4244	7968	2706	28.3	-66.0	9,697	14,918	53.8
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
PAT after MI	2109	1448	4244	7968	2706	28.3	-66.0	9,697	14,918	53.8
Adjusted EPS	0.5	0.4	0.8	1.1	0.7	40.0	-36.4	2.3	2.6	13.0

Margins (%)							(bps)	(bps)		
EBIDTA	82.68	74.81	86.70	86.80	74.10	-858	-1270	87.76	83.04	-471.9
EBIT	53.82	30.29	60.14	66.27	44.06	-976	-2221	66.19	57.96	-822.3
EBT	64.92	50.51	70.67	72.45	58.71	-621	-1375	75.52	67.90	-762.3
PAT	54.44	46.41	78.64	102.91	49.49	-495	-5342	62.33	80.17	-1784.4
Effective Tax rate	16.10	8.06	9.36	20.04	15.70	40	433	17.86	15.71	214.4

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY14	FY15	FY16E	FY17E	FY18E
Net Sales	18,689	21,162	25,319	25,132	24,963
Expenditure	2,691	3,047	3,644	3,618	3,594
EBITDA	16,045	18,164	21,726	21,568	21,426
Depreciation	4,745	5,672	6,598	6,598	6,598
EBIT	11,299	12,492	15,128	14,970	14,828
Other Income	2,371	3,278	4,416	5,732	7,121
Interest expenses	289	1,208	2,279	2,121	1,979
PBT	13,382	14,562	17,265	18,580	19,970
Tax	2,236	2,582	3,131	3,542	3,962
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	11,146	11,979	14,134	15,038	16,007
Adjusted PAT	11,146	11,979	14,134	15,038	16,007

Balance Sheet

Y/E Mar (Rs mn)	FY14	FY15	FY16E	FY17E	FY18E
Equity share capital	41,366	41,366	41,366	41,366	41,366
Reserves & surplus	57,631	64,321	72,214	80,613	89,552
Net worth	98,997	1,05,687	1,13,581	1,21,979	1,30,919
Minority Interest	0	0	0	0	0
Loan Funds	24,695	23,626	21,963	20,467	19,120
Net deferred tax liability	(2,268)	(2,848)	(3,551)	(4,290)	(5,081)
Total Liabilities	1,21,425	1,26,465	1,31,993	1,38,156	1,44,958
Net block	56,687	85,975	79,377	72,779	66,181
Investment	50	50	50	50	50
Current Assets	36,095	45,317	58,874	70,527	82,830
Cash & bank balance	24,155	32,848	43,959	55,721	68,121
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	11,883	12,394	14,824	14,717	14,620
Net current assets	24,211	32,923	44,049	55,811	68,211
Misc. exp	0	0	0	0	0
Total Assets	1,21,425	1,26,465	1,31,993	1,38,156	1,44,958

Cash Flow

Y/E Mar (Rs mn)	FY14	FY15	FY16E	FY17E	FY18E
PBT (Ex-Other income) (NI+Dep)	11,011	11,284	12,849	12,849	12,849
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(442)	(600)	(718)	(738)	(790)
Operating Cashflow	12,798	14,401	17,175	16,549	15,882
Capital expenditure	(12,827)	(2,000)	(1,000)	(1,000)	(1,000)
Free Cash Flow	(29)	12,401	16,175	15,549	14,882
Investments	0	0	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(10,455)	1,278	3,416	4,732	6,121
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	2,050	(1,070)	(1,663)	(1,496)	(1,347)
Dividend paid (incl tax)	4,921	5,289	6,240	6,640	7,067
Other Financing Cash Flow	(9,095)	(9,894)	(11,633)	(12,348)	(13,100)
Financing Cashflow	(2,412)	(6,882)	(9,335)	(9,326)	(9,358)
Net chg in cash	(70)	8,797	11,256	11,954	12,645
Opening cash position	24,225	24,155	32,848	43,959	55,721
Closing cash position	24,155	32,952	44,104	55,913	68,366

Key Ratios

Profitability (%)	FY14	FY15	FY16E	FY17E	FY18E
EBITDA Margin	85.6	85.6	85.6	85.6	85.6
EBIT Margin	60.3	58.9	59.6	59.4	59.3
Effective Tax Rate	16.7	17.7	18.1	19.1	19.8
Net Margin	59.5	56.5	55.7	59.7	64.0
ROCE	12.5	13.7	16.2	16.4	16.5
ROE	12.8	12.8	14.0	13.8	13.6
RoIC	19.6	17.5	18.3	19.7	21.3

Per Share Data (Rs)	FY14	FY15	FY16E	FY17E	FY18E
EPS	2.7	2.9	3.4	3.6	3.9
CEPS	3.8	4.3	5.0	5.2	5.5
BVPS	21.9	23.5	25.4	27.4	29.6
DPS	1.0	1.1	1.3	1.4	1.5

Valuations (x)	FY14	FY15	FY16E	FY17E	FY18E
PER	9.6	8.9	7.6	7.1	6.7
P/CEPS	6.7	6.0	5.1	4.9	4.7
P/BV	1.2	1.1	1.0	0.9	0.9
EV / Sales	5.7	4.6	3.3	2.8	2.3
EV / EBITDA	6.7	5.4	3.9	3.3	2.7
Dividend Yield (%)	3.9	4.2	5.0	5.3	5.7

Gearing Ratio (x)	FY14	FY15	FY16E	FY17E	FY18E
Net Debt/ Equity	0.0	(0.1)	(0.2)	(0.3)	(0.4)
Net Debt/EBIDTA	0.0	(0.5)	(1.0)	(1.6)	(2.3)
Working Cap Cycle (days)	1.1	1.3	1.3	1.3	1.3

Growth (%)	FY14	FY15	FY16E	FY17E	FY18E
Revenue	11.8	13.2	19.6	(0.7)	(0.7)
EBITDA	11.2	13.2	19.6	(0.7)	(0.7)
EBIT	13.5	10.6	21.1	(1.0)	(0.9)
PAT	7.7	7.5	18.0	6.4	6.4

Quarterly (Rs mn)	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15
Revenue	6,285	3,874	3,120	5,397	7,743
EBITDA	5,627	3,203	2,334	4,679	6,721
EBITDA Margin (%)	89.5	82.7	74.8	86.7	86.8
PAT	4,167	2,109	1,448	4,807	8,840
EPS (Rs)	1.0	0.5	0.4	1.2	2.1

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	90.0	90.0	90.0	90.0	90.0
FIIIs	1.4	1.7	1.6	1.7	1.5
DIIIs	3.0	5.2	4.8	4.9	5.0
Private Corp	3.3	0.9	1.1	0.9	0.9
Public	5.6	3.2	3.6	3.5	3.6

Ramco Cements

Result disappoints, maintain Hold

CMP Rs338	Target Price Rs323 (▼)
Rating HOLD (➡)	Upside (4.5) %

Result highlights

- EBITDA at Rs1 bn (down 22.6% yoy/46.5% qoq) lower than ours/Bloomberg Consensus' estimates of Rs1.37bn/Rs1.43bn primarily due to lower sales volume of 1.72mt vs estimated 1.91mt
- Sales volume declined 11.5% yoy and qoq to 1.72mt led by weak demand in the South region and 10 days dealers strike in Kerala (led to 3-4% decline). Realization was up 5.6% yoy, though it declined 0.5% qoq. EBITDA/tn was at Rs603 (down Rs35 yoy and Rs226 qoq) against estimated Rs663
- Margin expansion expected going ahead led by higher realization in the South region, however declining sales volume remains a concern (volume declined 8.8% in 9MFY15). Revise EBITDA estimates downwards by 7.7%/8.4%/5.2% for FY15E/FY16E/FY17E
- Weak demand continues to remain a concern in the South region though the cement prices have increased sharply. Positives factored in at valuation of 9.5x FY17e EV/EBITDA. Pricing power may deteriorate if volume doesn't pick up. Maintain Hold

Sharp decline in volume led to disappointing operational performance

Revenues at Rs7.9 bn (down 6.0% yoy/ 14.7% qoq) was lower than our estimates of Rs8.6bn account of lower than expected cement volume which declined 11.5% yoy and qoq to 1.72 mt (vs our est 1.91 mt). However, Cement realisation at Rs4461/t (+5.6% yoy, -0.5% qoq) was better than our estimate of Rs4461/t. Led by lower sales volume, EBITDA at Rs1bn (down 22.6% yoy/ 46.5% qoq) was significantly below our estimates of Rs1.37bn. Cement EBITDA/t was at Rs603 down 5.5% yoy/27.2% qoq) against our expectation of Rs 663/t. Operating margin declined by 262bps yoy and 755bps qoq to 12.7%.

Current valuation factors in a lot of positives, Maintain Hold

The demand in the South region continues to remain subdued which may put pressure on the sharp price hikes from Dec '14. The demand has not yet improved, though the management expects demand to improve led by expectation of demand from Seemandhra and Telangana states. However we believe that despite factoring in a strong recovery in operational performance (+27% CAGR in EBITDA over FY14-17e), valuation at 9.5x FY17 EV/EBITDA looks fairly valued and factors in a lot of positive expectations. At the same times, we remain concerned on the pricing power of manufacturers in the South region due to low demand and glut. We maintain Hold rating on the stock with a PT of Rs323 (earlier: Rs 328) based on 9.2x FY17E EV/EBITDA.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	37,884	36,321	36,498	42,293	48,654
EBITDA	9,635	5,117	6,187	8,568	10,577
EBITDA Margin (%)	25.4	14.1	17.0	20.3	21.7
APAT	4,041	1,377	2,314	4,071	5,734
EPS (Rs)	17.0	5.8	9.7	17.1	24.1
EPS (% chg)	2.2	(65.9)	68.1	75.9	40.8
ROE (%)	18.3	5.7	9.0	14.4	17.7
P/E (x)	19.9	58.5	34.8	19.8	14.0
EV/EBITDA (x)	11.1	21.4	17.3	12.1	9.5
P/BV (x)	3.4	3.2	3.0	2.7	2.3

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY15E/FY16E (%)	(10)/(10.3)
Target Price change (%)	(1.5)
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	9.7	17.1
Consensus	10.6	17.5
Mean Consensus TP	Rs 365	

Stock Details

Bloomberg Code	TRCL IN
Face Value (Rs)	1
Shares outstanding (mn)	238
52 Week H/L	380 / 157
M Cap (Rs bn/USD bn)	81 / 1.30
Daily Avg Volume (nos.)	114,847
Daily Avg Turnover (US\$ mn)	0.7

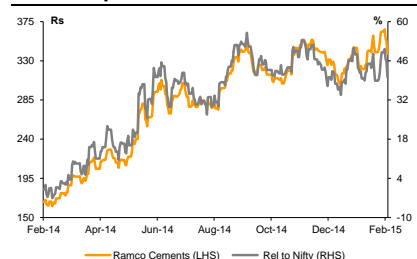
Shareholding Pattern Dec '14

Promoters	42.3%
FIIIs	18.0%
DIIIs	15.9%
Public	23.8%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	(3)	21	107
Rel. to Nifty	(4)	(6)	9	45

Relative price chart



Source: Bloomberg

Exhibit 1: Quarterly financials

(Y/E Mar, Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	% (YoY)
Net Sales	8,426	9,244	9,243	9,221	7,861	-6.7	-14.7	26,325	27,078	-3%
Expenditure	7,133	8,562	7,878	7,351	6,860	-3.8	-6.7	22,089	22,643	-2%
as % of sales	84.7%	92.6%	85.2%	79.7%	87.3%			83.9%	83.6%	
Consumption of RM	1,581	1,795	1,917	1,635	1,604	1.5	-1.9	5,156	5,101	1%
as % of sales	18.8%	19.4%	20.7%	17.7%	20.4%			19.6%	18.8%	
Employee Cost	582	559	583	534	567	-2.6	6.2	1,685	1,660	2%
as % of sales	6.9%	6.0%	6.3%	5.8%	7.2%			6.4%	6.1%	
Power, Oil & Fuel	1,787	2,260	1,978	1,852	1,572	-12.0	-15.1	5,402	6,064	-11%
as % of sales	21.2%	24.5%	21.4%	20.1%	20.0%			20.5%	22.4%	
Transportation & Handling	1,930	2,301	2,143	2,027	1,812	-6.1	-10.6	5,982	5,956	0%
as % of sales	22.9%	24.9%	23.2%	22.0%	23.1%			22.7%	22.0%	
Other expenditure	1,253	1,646	1,257	1,303	1,304	4.1	0.1	3,864	3,863	0%
as % of sales	14.9%	17.8%	13.6%	14.1%	16.6%			14.7%	14.3%	
EBITDA	1,293	682	1,365	1,870	1,001	-22.6	-46.5	4,236	4,435	-4%
Depreciation	767	773	627	624	626	-18.3	0.4	1,877	2,290	-18%
EBIT	527	-91	738	1,246	374	-28.9	-70.0	2,359	2,144	10%
Other Income	274	400	367	318	317	15.6	-0.3	1,001	742	35%
Interest	463.5	495.3	500.1	479.9	484.9	4.6	1.0	1,465	1,386	6%
PBT	337	-186	605	1,084	206	-38.8	-81.0	1,895	1,500	26%
Total Tax	81	-60	243	187	-24	-129.0	-112.6	406	373	9%
Adjusted PAT	256	-126	363	897	230	-10.3	-74.4	1,489	1,127	32%
(Profit)/loss from JV's/Ass/MI										
APAT after MI	256	-126	363	897	230	-10.3	-74.4	1,489	1,127	32%
Extra ordinary items	0	376	0	0	0			0	0	
Reported PAT	256	250	363	897	230	-10.3	-74.4	1,489	1,127	32%
Adjusted EPS (Rs)	1.08	-0.53	1.52	3.77	0.96	-10.3	-74.4	6	5	32%

Margins (%)						bps	bps			bps
EBIDTA	15.3	7.4	14.8	20.3	12.7	-262	-755	16.1	16.4	-29
EBIT	6.2	(1.0)	8.0	13.5	4.8	-149	-875	9.0	7.9	104
EBT	4.0	(2.0)	6.6	11.8	2.6	-138	-913	7.2	5.5	166
PAT	3.0	(1.4)	3.9	9.7	2.9	-12	-681	5.7	4.2	150
Effective Tax rate	24.1	32.1	40.1	17.2	(11.4)	-3547	-2861	21.4	24.8	-343

Source: Company, Emkay Research

Exhibit 2: Per tonne analysis

Per ton costs	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	%(YoY)
Cement volumes	1.94	2.25	2.13	1.94	1.72	-11.5	-11.5	5.8	6.4	-9%
Raw Material	813	799	901	841	933	14.7	10.9	890	803	11%
Employee	300	249	274	275	330	10.1	20.0	291	261	11%
Power and fuel	919	1006	930	953	914	-0.5	-4.1	933	955	-2%
Freight	993	1024	1007	1043	1054	6.1	1.0	1033	938	10%
Other Expenses	660	710	569	646	731	10.8	13.1	426	417	2%
Net Realisation	4323	4090	4236	4588	4565	5.6	-0.5	4452	4165	7%
Total cost per tonne	3684	3787	3681	3759	3961	7.5	5.4	3574	3374	6%
EBIDTA per tonne	638	302	555	829	603	-5.5	-27.2	879	791	11%

Source: Company, Emkay Research

Exhibit 3: Segmental analysis

Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	YoY (%)
Revenue										
Cement	8659	9798	9360	9209	8149	-5.9	-11.5	26718	27132	-2%
Power from windmills	94	29	266	370	61	-34.4	-83.4	698	810	-14%
Total revenue	8753	9826	9626	9579	8211	-6.2	-14.3	27415	27941	-2%
Less: Inter segment revenue	71	-25	34	65	52	-27.1	-20.3	150	180	-17%
Net segment revenue	8682	9851	9592	9514	8159	-6.0	-14.2	27265	27761	-2%
EBIT										
Cement	975	278	1043	1423	828	-15.1	-41.8	3295	2915	13%
Power from windmills	-59	-131	141	255	-57	-2.2	-122.5	339	362	-6%
Total EBIT	917	147	1185	1678	771	-15.9	-54.1	3634	3277	11%
EBIT margin										
Cement	11.3	2.8	11.1	15.5	10.2	-110.3	-529.6	12.3	10.7	158.8
Power from windmills	-63	-456	53	69	-93	-3077.2	-16234.8	49	45	387.9
EBITDA										
Cement	1241	702	1146	1547	986	-20.5	-36.2	3679	3739	-2%
Power from windmills	53	-20	219	323	14	-72.6	-95.5	557	696	-20%
Total EBITDA	1293	682	1365	1870	1001	-22.6	-46.5	4236	4435	-4%

Source: Company, Emkay Research

Change in estimates

We have revised volume estimates downwards considering low demand in the key markets of the company and delay in commissioning of Vizag plant. Volume declined by 8.8% yoy during 9MFY15. Realization continues to remain strong in the South region and there have been sharp price hikes from December 14. Led by lower volume estimates for FY15E/FY16E/FY17E, Revenue estimates are being revised downwards by 4.3%/5.2%/3.3% for FY15E/FY16E/FY17E. EBITDA estimates are getting revised downwards by 7.7%/8.4%/5.2% for FY15E/FY16E/FY17E. Our EPS estimates for FY15E/16E/FY17E now stands at Rs 9.7/Rs17.1/Rs24.1 against Rs10.8/Rs19.1/Rs25.7 earlier.

Exhibit 4: Earnings revision

Particulars (Rs mn)	FY15E			FY16E			FY17E		
	Earlier	Revised	Chg. (%)	Earlier	Revised	Chg. (%)	Earlier	Revised	Chg. (%)
Sales	38151	36498	-4.3%	44595	42293	-5.2%	50316	48654	-3.3%
EBIDTA	6705	6187	-7.7%	9351	8568	-8.4%	11156	10577	-5.2%
EBIDTA (%)	17.6	17.0		21.0	20.3		22.2	21.7	
Net Profit	2569	2314	-9.9%	4536	4071	-10.3%	6108	5734	-6.1%
EPS (Rs)	10.8	9.7	-9.9%	19.1	17.1	-10.3%	25.7	24.1	-6.2%

Source: Company, Emkay Research

Current valuation factors in a lot of positives, Maintain Hold

The demand in the South region continues to remain subdued which may put pressure on the sharp price hikes from Dec '14. The demand has not yet improved, though the management expects demand to improve led by expectation of demand from Seemandhra and Telangana states. However we believe that despite factoring in a strong recovery in operational performance (+27% CAGR in EBIDTA over FY14-17e), valuation at 9.5x FY17 EV/EBIDTA looks fairly valued and factors in a lot of positive expectations. At the same times, we remain concerned on the pricing power of manufacturers in the South region due to low demand and glut. We maintain Hold rating on the stock with a PT of Rs323 (earlier: Rs 328) based on 9.2x FY17E EV/EBITDA.

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	37,884	36,321	36,498	42,293	48,654
Expenditure	28,249	31,205	30,310	33,726	38,077
EBITDA	9,635	5,117	6,187	8,568	10,577
Depreciation	2,806	3,063	2,497	2,801	2,916
EBIT	6,830	2,054	3,690	5,766	7,661
Other Income	842	1,371	1,350	1,431	1,517
Interest expenses	1,785	1,881	1,955	1,769	1,533
PBT	5,887	1,543	3,085	5,428	7,645
Tax	1,846	166	771	1,357	1,911
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	4,041	1,377	2,314	4,071	5,734
Adjusted PAT	4,041	1,377	2,314	4,071	5,734

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	238	238	238	238	238
Reserves & surplus	23,470	24,583	26,349	29,705	34,433
Net worth	23,708	24,821	26,587	29,943	34,671
Minority Interest	0	0	0	0	0
Loan Funds	26,671	29,285	27,103	23,957	20,867
Net deferred tax liability	7,164	7,374	7,374	7,374	7,374
Total Liabilities	57,542	61,479	61,063	61,274	62,912
Net block	46,026	46,458	49,085	47,958	49,317
Investment	2,658	2,834	2,834	2,834	2,834
Current Assets	14,551	15,898	15,191	16,022	17,407
Cash & bank balance	540	446	649	513	375
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	7,172	7,206	7,048	8,001	9,046
Net current assets	7,379	8,692	8,143	8,022	8,361
Misc. exp	0	0	0	0	0
Total Assets	57,542	61,480	61,063	61,274	62,912

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	5,887	1,543	1,735	3,997	6,129
Other Non-Cash items	153	(129)	0	0	0
Chg in working cap	(2,513)	(1,197)	752	(15)	(476)
Operating Cashflow	6,778	4,669	6,168	7,196	8,189
Capital expenditure	(3,993)	(5,379)	(2,629)	(3,135)	(4,215)
Free Cash Flow	2,785	(709)	3,539	4,062	3,975
Investments	0	(190)	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(3,828)	(5,405)	(1,279)	(1,704)	(2,698)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(434)	2,588	(2,183)	(3,145)	(3,090)
Dividend paid (incl tax)	(692)	(279)	(548)	(714)	(1,006)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(2,886)	528	(4,686)	(5,629)	(5,629)
Net chg in cash	65	(208)	203	(136)	(138)
Opening cash position	475	540	446	649	513
Closing cash position	540	332	649	513	375

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	25.4	14.1	17.0	20.3	21.7
EBIT Margin	18.0	5.7	10.1	13.6	15.7
Effective Tax Rate	31.4	10.8	25.0	25.0	25.0
Net Margin	10.7	3.8	6.3	9.6	11.8
ROCE	13.7	5.8	8.2	11.8	14.8
ROE	18.3	5.7	9.0	14.4	17.7
RoIC	13.6	3.8	6.6	10.3	13.6

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	17.0	5.8	9.7	17.1	24.1
CEPS	28.8	18.7	20.2	28.9	36.3
BVPS	99.6	104.3	111.7	125.8	145.7
DPS	3.5	1.2	2.3	3.0	4.2

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	19.9	58.5	34.8	19.8	14.0
P/CEPS	11.8	18.1	16.7	11.7	9.3
P/BV	3.4	3.2	3.0	2.7	2.3
EV / Sales	2.8	3.0	2.9	2.5	2.1
EV / EBITDA	11.1	21.4	17.3	12.1	9.5
Dividend Yield (%)	1.0	0.3	0.7	0.9	1.3

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	1.1	1.2	1.0	0.8	0.6
Net Debt/EBIDTA	2.7	5.6	4.3	2.7	1.9
Working Cap Cycle (days)	65.9	82.9	74.9	64.8	59.9

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	17.1	(4.1)	0.5	15.9	15.0
EBITDA	3.8	(46.9)	20.9	38.5	23.5
EBIT	1.3	(69.9)	79.7	56.3	32.9
PAT	2.2	(65.9)	68.1	75.9	40.8

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	8,426	9,244	9,243	9,221	7,861
EBITDA	1,293	682	1,365	1,870	1,001
EBITDA Margin (%)	15.3	7.4	14.8	20.3	12.7
PAT	256	250	363	897	230
EPS (Rs)	1.1	1.1	1.5	3.8	1.0

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	42.3	42.3	42.3	42.3	42.3
FIIIs	18.4	18.7	20.3	18.9	18.0
DIIIs	14.7	14.8	13.8	15.0	15.9
Private Corp	2.7	2.7	4.1	4.6	4.7
Public	24.6	24.2	23.6	23.9	23.8

Prism Cement

In recovery mode, maintain Buy

CMP Rs91	Target Price Rs106 (▼)
Rating BUY (➦)	Upside 16.4 %

Result highlights

- Prism Cement's Q3 EBITDA at Rs366mn (up 16.7x yoy, but down 21% qoq) was below our estimates of Rs474mn primarily due to lower than expected profits in the cement and TBK segment. EBITDA/tn of cement segment was at Rs217 vs estimated Rs281mn
- TBK segment reported EBIT level loss of Rs35mn against loss of Rs52mn in Q3FY14, though the Revenue increased 24% yoy. RMC segment revenue increased by 3% yoy with EBIT level loss of Rs9mn against profit of Rs9mn in Q3FY14
- Cement sales volume was at 1.3mt (+14.3% yoy/0.4% qoq) and realization was at Rs3,954/tn (+3.5% yoy, -2.7% qoq). EBITDA/tn of cement was at Rs217 against loss of Rs85 in Q3FY14
- Expect profitability of TBK and Cement segments to improve going forward by led by cost saving measures initiated by the company. Maintain Buy on the stock with TP of Rs106

EBITDA below estimates led by lower profits in Cement and TBK segment

Revenue at Rs13.4bn (+16.3% yoy, -0.3% qoq) was in-line with our estimates of Rs13.3bn. Revenue from Cement segment was up 18.2% yoy led by 14.3% increase in sales volume and 3.5% increase in realization. Revenue from TBK segment was up 23.9% yoy/1.9% qoq to Rs5.3bn. However, EBITDA at Rs366mn (up 16.7x yoy, but down 21% qoq) was below our estimates of Rs474mn primarily due to lower than expected profits in the cement and TBK segment. Derived EBITDA from cement segment was at Rs282 mn vs expected Rs374 mn due to lower sales volume of 1.33mt (vs est 1.3mt) and higher costs. In TBK segment, derived EBITDA was Rs69mn against our estimates of Rs80mn. EBITDA/t of cement was at Rs 217 against loss of Rs85mn in Q3FY14. The company reported loss of Rs407mn against Rs686mn/Rs198mn in Q3FY14/Q2FY15.

Profitability to improve going forward; maintain Buy

The profitability in both the key segments, Cement and TBK has remained subdued over the past 3-4 years, primarily due to pressure on margins in all the key segments due to various issues. The cement business which was making losses in FY14 managed to post profits for last 3 quarters and we expect profits to improve from this segment due to better demand-supply situation in the Central region. Though, the company has installed coal gasifiers at its Tiles plants in Andhra Pradesh, we have not seen major benefits of the same in quarterly numbers. The management has re-iterated its belief that the margins will improve going forward in TBK segment. We expect EBITDA of the company to grow at a CAGR of 63.4% between FY14-FY17E. Maintain Buy with a PT of Rs106.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	47,427	49,443	57,483	66,094	78,031
EBITDA	2,342	1,199	3,354	5,594	8,545
EBITDA Margin (%)	4.9	2.4	5.8	8.5	11.0
APAT	(611)	(2,221)	(161)	1,226	3,410
EPS (Rs)	(1.2)	(4.4)	(0.3)	2.4	6.8
EPS (% chg)	0.0	0.0	0.0	0.0	178.2
ROE (%)	(5.5)	(21.2)	(1.6)	11.8	27.4
P/E (x)	(81.3)	(22.4)	(307.5)	40.5	14.6
EV/EBITDA (x)	27.8	55.8	20.1	11.8	7.3
P/BV (x)	4.6	4.9	5.0	4.6	3.6

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY16E/FY17E (%)	-3.4/-4.6
Target Price change (%)	(0.9)
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY16E	FY17E
Emkay	(0.3)	2.4
Consensus	1.1	4.6
Mean Consensus TP	Rs 100	

Stock Details

Bloomberg Code	PRSC IN
Face Value (Rs)	10
Shares outstanding (mn)	503
52 Week H/L	109 / 22
M Cap (Rs bn/USD bn)	50 / 0.80
Daily Avg Volume (nos.)	768,012
Daily Avg Turnover (US\$ mn)	1.3

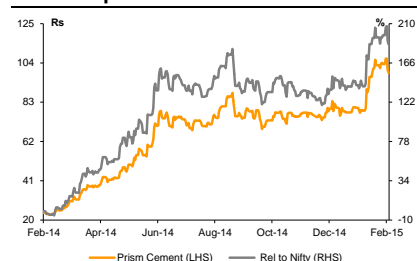
Shareholding Pattern Dec '14

Promoters	74.9%
FIIIs	6.0%
DIIIs	8.1%
Public	11.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	26	28	31	317
Rel. to Nifty	(1)	24	17	193

Relative price chart



Source: Bloomberg

Exhibit 1: Quarterly financials

Particulars/ Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	YoY (%)
Revenue	11,426	15,191	13,839	13,320	13,284	16.3	(0.3)	40,443	34,251	18.1
Total expenditure	11,453	14,052	12,713	12,916	13,012	13.6	0.7	38,640	34,193	
as % of sales	100.2	92.5	91.9	97.0	98.0			95.5	99.8	
Inc/dec in inventory	(348)	261	(208)	(286)	133	n/m	n/m	(361)	(570)	(36.6)
as % of sales	(3.0)	1.7	(1.5)	(2.1)	1.0			(0.9)	(1.7)	
Raw mat. Cost	5,311	6,957	6,204	6,360	6,108	15.0	(4.0)	18,671	15,582	19.8
as % of sales	46.5	45.8	44.8	47.7	46.0			46.2	45.5	
Employee cost	715	699	739	796	808	13.1	1.5	2,342	2,187	7.1
as % of sales	6.3	4.6	5.3	6.0	6.1			5.8	6.4	
Power & fuel cost	2,001	2,096	2,075	1,856	1,796	(10.3)	(3.2)	5,726	5,984	(4.3)
as % of sales	17.5	13.8	15.0	13.9	13.5			14.2	17.5	
Freight cost	1,555	1,784	1,765	1,796	1,779	14.4	(1.0)	5,340	4,560	17.1
as % of sales	13.6	11.7	12.8	13.5	13.4			13.2	13.3	
Other exps	2,219	2,255	2,138	2,395	2,390	7.7	(0.2)	6,922	6,449	7.3
as % of sales	19.4	14.8	15.4	18.0	18.0			17.1	18.8	
EBITDA	22	1,188	1,175	462	366	1573.1	(20.7)	2,003	216	825.8
Depreciation	448	457	366	330	348	(22.5)	5.3	1,044	1,309	(20.3)
EBIT	(427)	732	809	132	19	n/m	(83.7)	960	(1,093)	(187.8)
Other income	92	27	36	218	46	(50.5)	(79.1)	299	1,377	(78.3)
Interest	633	619	648	643	668	5.5	3.8	1,959	1,796	9.1
PBT before EO items	(968)	140	196	(293)	(603)	n/m	n/m	(700)	(1,512)	(53.7)
EO items	-	15	-	-	-			-	79	
PBT after EO items	(968)	155	196	(293)	(603)	n/m	n/m	(700)	(1,433)	(51.2)
Tax	(344)	45	64	(96)	(197)			(228)	(507)	n/m
Reported PAT	(624)	110	132	(198)	(407)	n/m	n/m	(472)	(927)	(49.1)
EO items	63	11	-	-	-			-	1,389	
Adj. PAT	(686)	99	132	(198)	(407)	n/m	n/m	(472)	(2,316)	n/m
Margin (%)						(bps)	(bps)			(bps)
EBITDA m	0.2	7.8	8.5	3.5	2.8	257	-71	5.0	0.6	-432
EBIT m	(3.7)	4.8	5.8	1.0	0.1	387	-85	2.4	(3.2)	-556
PBT m	(8.5)	0.9	1.4	(2.2)	(4.5)	393	-234	(1.7)	(4.4)	-268
Adj PAT m	(6.0)	0.7	1.0	(1.5)	(3.1)	294	-158	(1.2)	(6.8)	-559

Source: Company, Emkay Research

Exhibit 2: Cement segment profit improves yoy

Cement	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	YoY (%)
Sales vol (mt)	1.1	1.4	1.5	1.29	1.30	14.3	0.4	4.1	3.7	12.7
Real. (Rs/tonne)	3,822	4,140	3,899	4,063	3,954	3.5	(2.7)	3,967	3,697	7.3
Revenue	4,338	5,928	6,001	5,249	5,128	18.2	(2.3)	16,378	13,544	20.9
EBITDA- derived	(97)	883	1,007	437	282	n/m	(35.4)	1,725	(178)	n/m
EBITDA margin (%)	(2.2)	14.9	16.8	8.3	5.5	773	(282)	10.5	(1.3)	(1,185)
EBITDA/tonne (Rs)	(85)	617	654	338	217	n/m	(36)	418	(48)	n/m
EBIT	(321)	619	788	340	79	(125)	(77)	1,207	(854)	(241.3)

Source: Company, Emkay Research

Exhibit 3: TBK segment under pressure

TBK	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	YoY (%)
Revenue	4,297	6,242	4,899	5,224	5,325	23.9	1.9	15,448	12,674	21.9
EBITDA- derived	76	161	137	57	69	(9.2)	22.6	263	298	(11.8)
EBITDA margin (%)	1.8	2.6	2.8	1.1	1.3	(47)	22	1.7	2.4	65
EBIT	(52)	21	19	6	(35)	n/m	n/m	(10)	(90)	n/m
EBIT margin (%)	(1.2)	0.3	0.4	0.1	(0.7)	56	(78.5)	(0.1)	(0.7)	(64)

Source: Company, Emkay Research

TBK segment margin under pressure, recovery expected going forward

Revenue from TBK segment increased 23.9% yoy/1.9% qoq to Rs5.3bn. Though, Revenue growth at 21.9% yoy has remained strong in 9MFY15, lower profitability of this segment continues to remain a concern. In 9MFY15, EBIT level loss from this segment is Rs10mn against loss of Rs90mn in 9MFY14. Even in Q3, the company reported EBIT level loss of Rs35mn against loss of Rs52mn in Q3FY14. The management said that the TBK segment was impacted due to use of high-cost fuels (LPG/Propane) at its plants in Andhra Pradesh during the quarter. The gas supply from Gail was impacted due to pipeline maintenance activities carried on by Gail due to an accident and hence, the company could not get gas for entire Q3. The maintenance activities have been over 2-3 weeks back and the gas supply has been restored. Consolidated operating margin (consolidated results are declared only at year-end) for TBK segment is expected to be 3.3% in FY15E against 2.2% in FY14. Sales growth is expected to be maintained at 18-20% in this segment going forward.

Change in estimates

We have revised EBITDA estimates downwards by 12.8% for FY15E considering lower profit of TBK segment in this quarter and expected subdued profits in Q4FY15E. We have revised FY16E/FY17E EBITDA estimates downwards by 1.1%/2.8%. We have assumed EBITDA margin of TBK segment to be 3.6%/5.7% in FY16E/FY17E, however, the management is confident to achieve margin of 5-6% in this segment in FY16E.

Exhibit 4: Earnings revision

Particulars/Rs mn	FY15E			FY16E			FY17E		
	Earlier	Revised	Chg. (%)	Earlier	Revised	Chg. (%)	Earlier	Revised	Chg. (%)
Revenue	57,877	57,483	(0.7)	66,450	66,094	(0.5)	78,420	78,031	(0.5)
EBITDA	3,847	3,354	(12.8)	5,659	5,594	(1.1)	8,791	8,545	(2.8)
EBITDA m (%)	6.6	5.8		8.5	8.5		11.2	11.0	
PAT	169	(161)	n/m	1,269	1,226	(3.4)	3,574	3,410	(4.6)
EPS (Rs)	0.3	(0)	n/m	2.5	2.4	(3.4)	7.1	6.8	(4.6)

Source: Company, Emkay Research

Profits to improve going forward, Maintain Buy

The profitability in both the key segments, Cement and TBK has remained subdued over the past 3-4 years, primarily due to pressure on margins in all the key segments due to various issues. The cement business which was making losses in FY14 managed to post profits for last 3 quarters and we expect profits to improve from this segment due to better demand-supply situation in the Central region. Though, the company has installed coal gasifiers at its Tiles plants in Andhra Pradesh, we have not seen major benefits of the same in quarterly numbers. The management has re-iterated its belief that the margins will improve going forward in TBK segment. We expect EBITDA of the company to grow at a CAGR of 63.4% between FY14-FY17E. Maintain Buy with a PT of Rs106.

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	47,427	49,443	57,483	66,094	78,031
Expenditure	45,085	48,244	54,130	60,500	69,486
EBITDA	2,342	1,199	3,354	5,594	8,545
Depreciation	1,598	1,766	1,356	1,680	1,747
EBIT	744	(567)	1,998	3,915	6,798
Other Income	313	300	339	373	410
Interest expenses	1,903	2,415	2,578	2,458	2,118
PBT	(846)	(2,683)	(241)	1,829	5,090
Tax	(235)	(462)	(80)	604	1,680
Extraordinary Items	16	94	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	(594)	(2,127)	(161)	1,226	3,410
Adjusted PAT	(611)	(2,221)	(161)	1,226	3,410

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	5,034	5,034	5,034	5,034	5,034
Reserves & surplus	5,864	5,047	4,886	5,876	8,932
Net worth	10,897	10,081	9,919	10,909	13,966
Minority Interest	0	0	0	0	0
Loan Funds	16,514	18,333	18,333	17,133	13,433
Net deferred tax liability	919	452	452	452	452
Total Liabilities	28,331	28,866	28,705	28,495	27,852
Net block	20,094	20,946	21,617	21,437	21,189
Investment	4,401	4,044	4,044	4,044	4,044
Current Assets	15,180	15,923	16,687	18,302	19,968
Cash & bank balance	375	525	148	123	216
Other Current Assets	1,275	1,702	1,904	2,201	2,567
Current liabilities & Provision	12,183	12,673	13,743	15,389	17,450
Net current assets	2,996	3,249	2,944	2,914	2,518
Misc. exp	0	0	0	0	0
Total Assets	28,331	28,866	28,705	28,495	27,852

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	(830)	(1,278)	(241)	1,829	5,090
Other Non-Cash items	32	(1,318)	(50)	(50)	(50)
Chg in working cap	(156)	(1,697)	(71)	4	490
Operating Cashflow	2,454	(80)	3,651	5,318	7,715
Capital expenditure	(2,903)	(1,684)	(1,500)	(1,500)	(1,500)
Free Cash Flow	(449)	(1,763)	2,151	3,818	6,215
Investments	136	390	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(2,721)	95	(1,450)	(1,450)	(1,450)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	2,132	2,465	0	(1,200)	(3,700)
Dividend paid (incl tax)	(293)	0	0	(236)	(353)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	77	135	(2,578)	(3,893)	(6,172)
Net chg in cash	(190)	150	(376)	(26)	94
Opening cash position	565	375	525	148	123
Closing cash position	375	525	148	123	216

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	4.9	2.4	5.8	8.5	11.0
EBIT Margin	1.6	(1.1)	3.5	5.9	8.7
Effective Tax Rate	27.8	17.2	33.0	33.0	33.0
Net Margin	(1.3)	(4.5)	(0.3)	1.9	4.4
ROCE	3.9	(0.9)	8.1	15.0	25.6
ROE	(5.5)	(21.2)	(1.6)	11.8	27.4
RoIC	3.4	(2.4)	8.3	16.1	28.5

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	(1.2)	(4.4)	(0.3)	2.4	6.8
CEPS	2.0	(0.9)	2.4	5.8	10.2
BVPS	21.6	20.0	19.7	21.7	27.7
DPS	0.0	0.0	0.0	0.0	0.0

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	(81.3)	(22.4)	(307.5)	40.5	14.6
P/CEPS	46.3	(100.4)	38.2	15.7	8.9
P/BV	4.6	4.9	5.0	4.6	3.6
EV / Sales	1.4	1.4	1.2	1.0	0.8
EV / EBITDA	27.8	55.8	20.1	11.8	7.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	1.4	1.7	1.8	1.5	0.9
Net Debt/EBIDTA	6.6	14.4	5.3	2.9	1.5
Working Cap Cycle (days)	20.2	20.1	17.8	15.4	10.8

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	5.8	4.3	16.3	15.0	18.1
EBITDA	(1.9)	(48.8)	179.8	66.8	52.7
EBIT	(18.7)	(176.2)	0.0	95.9	73.7
PAT	0.0	0.0	0.0	0.0	178.2

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	11,475	15,240	13,888	13,378	13,378
EBITDA	22	1,203	1,175	462	366
EBITDA Margin (%)	0.2	7.9	8.5	3.5	2.7
PAT	(749)	89	132	(198)	(407)
EPS (Rs)	(1.5)	0.2	0.3	(0.4)	(0.8)

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	74.9	74.9	74.9	74.9	74.9
FIIIs	2.7	2.8	3.0	3.8	6.0
DIIIs	3.2	3.7	7.9	8.0	8.1
Private Corp	5.5	4.8	4.2	3.7	2.4
Public	19.3	18.7	14.2	13.4	11.0

NMDC

Outperformance on better sales mix

CMP Rs141	Target Price Rs150 (▼)
Rating HOLD (➡)	Upside 6.7 %

Result highlights

- NMDC reported numbers higher to our estimates aided by better realizations of Rs 4,166/tonne, flat QoQ on account of better product mix
- Revenues were higher to our estimates at Rs 29.5 bn (+4.4% YoY; -5.1% QoQ). Export volumes were marginally lower at 0.62 mn tonnes vs 0.67 mn in Q2FY15
- EBITDA at Rs 19.5 bn (+2.4% YoY; 2.9% QoQ) was higher owing to lower operational costs and inventory accumulation. EBITDA/tonne was Rs 2,791 vs Rs 2,763 in Q2. APAT was higher at Rs 15.9 bn (+1.6% YoY; +1.7% QoQ) on better operational performance
- Believe current tight supply scenario to ease resulting in lower realizations in the ensuing quarters. Volume uncertainty remains. Maintain Hold with a target price of Rs 150

Realizations surprise; stock adjustments help better margins

Despite reducing lump prices Rs 400/tonne and fines by Rs 100/tonne, the average iron ore realizations for the quarter stood flat at Rs 4,166/tonne. A better product mix can only explain this, which helped a better than expected performance. Also the stock adjustment to the tune of Rs 1.8 bn aided the EBITDA to a great extent offsetting higher royalty expenses of Rs 4.6 bn. Selling freight expenses were lower QoQ due on lower exports volumes of 0.62 mt.

Price fall likely to continue; Volume beyond 35 mt looks difficult

Miners maintained higher prices domestically due to restricted supply. But with starting of new mines and expectation of restarting of 18 mines in Odisha, miners have cut prices forcing NMDC to reduce its prices for the month of February. In addition, emerging clarity on auction of mines after mining ordinance, we believe domestic iron ore prices to follow a downward trajectory. With China's steel production growth slowing along with no sign of production cuts by the big producers, global prices are also likely to stay lower. On the volume front, Q4 run rate is not likely to be as good as Q4FY14, due to poor offtake by Essar Steel and no buying from Tata Steel. We still believe, that evacuation constraints will restrict volume to go beyond 35-36 mtpa.

Valuation: downgrade to Hold

At the CMP of Rs 141, the stock trades at 7.9x FY17 EPS and 4.6x FY17 EV/EBITDA. On revised estimates we value the stock at 5x FY17 EV/EBITDA. Maintain Hold with a target price of Rs 150. Dividend yield of 6% looks attractive though.

Change in Estimates

EPS Chg FY15E/FY16E (%)	NA/(15.0)
Target Price change (%)	(19.1)
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	17.5	16.6
Consensus	-	-
Mean Consensus TP	Rs 168	

Stock Details

Bloomberg Code	NMDC IN
Face Value (Rs)	1
Shares outstanding (mn)	3,965
52 Week H/L	196 / 123
M Cap (Rs bn/USD bn)	559 / 9.05
Daily Avg Volume (nos.)	25,19,235
Daily Avg Turnover (US\$ mn)	5.7

Shareholding Pattern Dec '14

Promoters	80.0%
FIIIs	6.2%
DIIIs	11.3%
Public	2.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	(12)	(18)	(2)
Rel. to Nifty	2	(14)	(27)	(30)

Relative price chart



Source: Bloomberg

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	1,07,041	1,20,582	1,30,134	1,24,552	1,30,302
EBITDA	73,780	77,732	85,566	79,207	85,083
EBITDA Margin (%)	68.9	64.5	65.8	63.6	65.3
APAT	63,424	63,758	69,487	65,810	70,849
EPS (Rs)	16.0	16.1	17.5	16.6	17.9
EPS (% chg)	(13.3)	0.5	9.0	(5.3)	7.7
ROE (%)	24.4	22.2	22.1	19.1	18.9
P/E (x)	8.8	8.8	8.0	8.5	7.9
EV/EBITDA (x)	4.7	4.8	4.3	4.8	4.6
P/BV (x)	2.0	1.9	1.7	1.6	1.4

Source: Company, Emkay Research

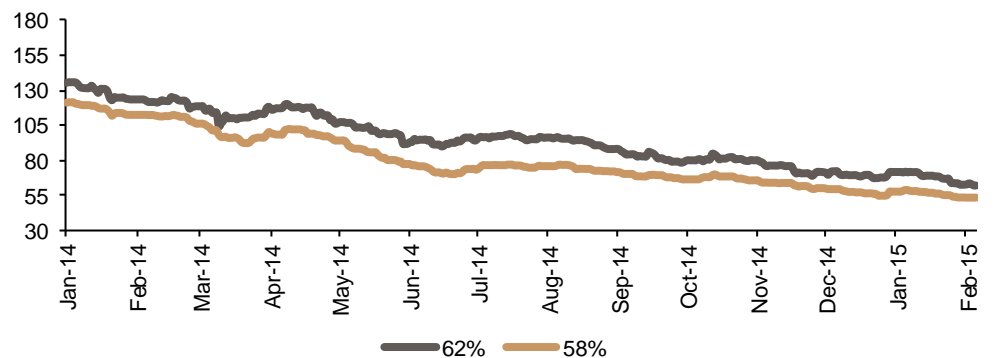
Exhibit 1: Quarterly Financials

(Rs mn)	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9M FY15	9M FY14	YoY (%)
Revenue	24,799	28,232	38,845	34,767	31,051	29,461	4.4	(5.1)	95,278	81,737	16.6
Expenditure	(9,863)	(9,204)	(14,148)	(10,746)	(10,990)	(9,979)	8.4	(9.2)	(31,715)	(28,721)	10.4
as % of sales	39.8	32.6	36.4	30.9	35.4	33.9			33.3	35.1	
Consumption of RM	(1,183)	(862)	(644)	(1,128)	(1,235)	982	(213.9)	(179.6)	(1,380)	(2,945)	(53.1)
as % of sales	4.8	3.1	1.7	3.2	4.0	-3.3			1.4	3.6	
Employee Cost	(1,447)	(1,574)	(2,559)	(1,808)	(1,983)	(1,810)	15.0	(8.7)	(5,600)	(4,504)	24.4
as % of sales	5.8	5.6	6.6	5.2	6.4	6.1			5.9	5.5	
Other expenditure	(7,234)	(6,768)	(10,945)	(7,810)	(7,773)	(9,151)	35.2	17.7	(24,734)	(21,273)	16.3
as % of sales	29.2	24.0	28.2	22.5	25.0	31.1			26.0	26.0	
EBITDA	14,936	19,028	24,697	24,021	20,060	19,482	2.4	(2.9)	63,564	53,016	19.9
Depreciation	(348)	(362)	(431)	(400)	(409)	(533)	47.2	30.2	(1,342)	(1,073)	25.1
EBIT	14,588	18,666	24,266	23,621	19,651	18,949	1.5	(3.6)	62,222	51,943	19.8
Other Income	5,384	5,077	5,275	4,872	5,268	5,251	3.4	(0.3)	15,392	15,670	(1.8)
Interest	-	-	(19)	-	-	-	-	-	-	-	-
PBT	19,972	23,743	29,523	28,493	24,920	24,201	1.9	(2.9)	77,614	67,613	14.8
Total Tax	(6,788)	(8,070)	(10,356)	(9,889)	(8,130)	(8,271)	2.5	1.7	(26,290)	(23,034)	14.1
Adjusted PAT	13,184	15,673	19,167	18,604	16,789	15,930	1.6	(5.1)	51,324	44,579	15.1
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-					
Adj.PAT after MI	13,184	15,673	19,167	18,604	16,789	15,930	1.6	(5.1)	51,324	44,579	15.1
Extra ordinary items	-	-	(455)	(546)	1,122	-			576	-	-
Reported PAT	13,184	15,673	19,621	19,150	15,668	15,930	1.6	1.7	50,748	44,579	13.8
Reported EPS	3.33	3.95	4.95	4.83	3.95	4.02	1.6	1.7	12.8	11.2	13.8

Margins (%)							(bps)	(bps)			
EBIDTA	60.2	67.4	63.6	69.1	64.6	66.1	(127)	152	66.7	64.9	185
EBIT	58.8	66.1	62.5	67.9	63.3	64.3	(180)	103	65.3	63.5	176
EBT	80.5	84.1	76.0	82.0	80.3	82.1	(196)	189	81.5	82.7	(126)
PAT	53.2	55.5	49.3	53.5	54.1	54.1	(144)	0	53.9	54.5	(67)
Effective Tax rate	34.0	34.0	35.1	34.7	32.6	34.2	19	155	33.9	34.1	(20)

Source: Company, Emkay Research

Exhibit 2: Iron ore price movement – CFR China (USD/ tonne)



Source: Bloomberg, Emkay Research

Estimate revision and valuation

We revised down our volume and realizations estimates for FY16 and now we expect 35 mt volume can be achieved in FY17 only. Getting new mines through auction etc would be a positive surprise in this regard. On the pricing front also, as mentioned we have cut our assumptions as we believe there could be further downward revision in domestic iron ore prices going forward.

Exhibit 3: Revised Estimates

	FY16E		FY17E
	Earlier	Revised	New
Revenue	143,902	1,24,552	1,30,302
EBITDA	93,045	79,207	85,083
APAT	77,803	65,810	70,848
EPS (Rs)	19.6	16.6	17.9

Source: Emkay Research

At the CMP of Rs 141, the stock trades at 7.9x FY17 EPS and 4.6x FY17 EV/ EBITDA. On the revised estimates, we roll forward our valuations to FY17 and value the stock at 5x FY17 EV/ EBITDA. We downgrade the stock to Hold with a revised target price of Rs 150 primarily due to higher risk of price cuts and lack of visibility on volume beyond 35 mt. Dividend yield however is attractive at 6%.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	1,07,041	1,20,582	1,30,134	1,24,552	143,902
Expenditure	33,263	42,850	44,568	45,345	45,219
EBITDA	73,780	77,732	85,566	79,207	85,083
Depreciation	1,385	1,504	1,736	2,014	0
EBIT	72,395	76,228	83,830	77,193	85,083
Other Income	22,389	20,945	20,692	20,303	18,727
Interest expenses	132	19	0	0	0
PBT	94,651	97,155	1,04,522	97,496	1,03,810
Tax	31,228	33,397	35,035	31,686	32,962
Extraordinary Items	0	455	(576)	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	63,424	64,212	68,911	65,810	70,849
Adjusted PAT	63,424	63,758	69,487	65,810	70,849

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	3,965	3,965	3,965	3,965	3,965
Reserves & surplus	2,71,145	2,95,918	3,26,386	3,55,483	3,85,591
Net worth	2,75,110	2,99,883	3,30,351	3,59,447	3,89,556
Minority Interest	0	0	0	0	0
Loan Funds	308	291	291	291	291
Net deferred tax liability	1,045	1,073	1,073	1,073	1,073
Total Liabilities	2,76,462	3,01,247	3,31,714	3,60,811	3,90,920
Net block	12,700	13,677	13,940	26,926	39,536
Investment	2,497	2,504	2,554	2,604	2,654
Current Assets	2,61,385	2,45,820	2,44,509	2,35,846	2,28,250
Cash & bank balance	2,10,258	1,86,572	1,87,970	1,80,169	1,71,371
Other Current Assets	7,895	7,259	7,259	7,259	7,259
Current liabilities & Provision	32,481	13,523	16,007	16,284	16,239
Net current assets	2,28,904	2,32,298	2,28,501	2,19,562	2,12,011
Misc. exp	0	0	0	0	0
Total Assets	2,76,462	3,01,247	3,31,714	3,60,811	3,90,920

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	94,624	97,610	1,03,946	97,496	1,01,421
Other Non-Cash items	(21,984)	(19,971)	0	0	0
Chg in working cap	(2,289)	(5,841)	5,194	1,138	(1,247)
Operating Cashflow	30,871	37,208	75,841	68,962	69,603
Capital expenditure	(17,661)	(22,492)	(35,950)	(40,000)	(40,000)
Free Cash Flow	13,210	14,716	39,891	28,962	29,603
Investments	(19)	(7)	(50)	(50)	(50)
Other Investing Cash Flow	26,540	57,045	0	0	0
Investing Cashflow	8,860	34,547	(36,000)	(40,050)	(40,050)
Equity Capital Raised	(134)	(26)	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(25,343)	(57,982)	(38,443)	(36,713)	(38,350)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(25,477)	(58,007)	(38,443)	(36,713)	(38,350)
Net chg in cash	14,253	13,748	1,398	(7,801)	(8,798)
Opening cash position	2,02,646	2,10,258	1,86,572	1,87,970	1,80,169
Closing cash position	2,12,431	1,86,572	1,87,970	1,80,169	1,71,371

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	68.9	64.5	65.8	63.6	65.3
EBIT Margin	67.6	63.2	64.4	62.0	65.3
Effective Tax Rate	33.0	34.4	33.5	32.5	31.8
Net Margin	59.3	52.9	53.4	52.8	54.4
ROCE	36.3	33.6	33.0	28.2	27.6
ROE	24.4	22.2	22.1	19.1	18.9
RoIC	255.9	168.0	147.2	127.8	116.2

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	16.0	16.1	17.5	16.6	17.9
CEPS	16.3	16.5	18.0	17.1	17.9
BVPS	69.4	75.6	83.3	90.7	98.3
DPS	7.0	8.5	8.3	8.0	0.0

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	8.8	8.8	8.0	8.5	7.9
P/CEPS	8.6	8.6	7.9	8.2	7.9
P/BV	2.0	1.9	1.7	1.6	1.4
EV / Sales	3.3	3.1	2.9	3.0	3.0
EV / EBITDA	4.7	4.8	4.3	4.8	4.6
Dividend Yield (%)	5.0	6.0	5.9	5.6	0.0

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	(0.8)	(0.6)	(0.6)	(0.5)	(0.4)
Net Debt/EBIDTA	(2.8)	(2.4)	(2.2)	(2.3)	(2.0)
Working Cap Cycle (days)	63.6	138.4	113.7	115.4	113.8

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	(4.9)	12.6	7.9	(4.3)	4.6
EBITDA	(17.4)	5.4	10.1	(7.4)	7.4
EBIT	(17.7)	5.3	10.0	(7.9)	10.2
PAT	(12.7)	1.2	7.3	(4.5)	7.7

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	28,232	38,845	34,767	31,051	29,461
EBITDA	19,028	24,697	24,021	20,060	19,482
EBITDA Margin (%)	67.4	63.6	69.1	64.6	66.1
PAT	15,673	19,621	19,150	15,668	15,930
EPS (Rs)	4.0	4.9	4.8	4.0	4.0

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	80.0	80.0	80.0	80.0	80.0
FIIIs	6.1	6.2	7.0	6.8	6.2
DIIIs	10.5	10.6	10.2	10.6	11.3
Private Corp	2.3	1.9	1.6	1.3	1.1
Public	3.5	3.2	2.8	2.6	2.6

Dhanuka Agritech

Delayed monsoon impacts growth

CMP	Target Price
Rs509	Rs630 (■)
Rating	Upside
ACCUMULATE (■)	23.8 %

Result highlights

- Revenue at Rs 1.8bn were up 7%yoy, lower than our estimates due to adverse monsoons and lower sowing activity in the current rabi season. Volume growth for the quarter stood at ~4%yoy while price/mix led growth stood at ~3% yoy
- EBITDA at Rs 259mn was up 3.5%yoy, lower than our estimates. Gross margin for the quarter was lower by ~230bps yoy due to price reductions taken in select products. EBITDA margin for the quarter at 14.4% contracted by ~50bps yoy
- Received regulatory approval for "Sempra"; a novel product (Section 9(3)) in the current quarter and aims to launch the same in the current sugarcane season
- We continue to maintain our Accumulate rating on the stock with a target price of Rs 630, as we expect strong new product pipeline and distribution reach to continue to drive above industry average revenue growth

Adverse weather condition impacts revenue growth

Revenue for the quarter at Rs 1.8bn was up 7%yoy though lower than our estimates as adverse monsoons and lower rabi sowing impacted growth. Volume growth for the quarter stood at ~4%yoy while price & mix led growth stood at 3%yoy. Herbicide growth in the current fiscal has been relatively lower due to deficient and delayed monsoons.

Lower gross margin impacts EBITDA growth

EBITDA for the quarter at Rs 259mn was up 3.5%yoy, lower than our estimates as contraction of ~230bps in gross margin impacted EBITDA growth. Led by efficient cost management, EBITDA margin for the quarter contracted by ~50bps yoy and stood at 14.4%. Reduction in prices of select products impacted gross margins during the quarter.

Robust new product pipeline, maintain Accumulate

The company continues to remain focused on specialized products. The company has received regulatory approval for novel sugarcane herbicide "Sempra" (Section 9(3) product) in Q3FY15 and has launched the same in Q4FY15 for the upcoming sugarcane season. Further, the company continued to guide for 2 new novel product launches each year in the next two to three years. The company expects to receive regulatory approval for two new Section 9(3) products, a soyabean herbicide (a combination product) and a fungicide for rice and horticulture crops in FY16. Driven by robust new product launches and strong pan India distribution reach, we believe that revenue growth for the company will be higher than industry average. We continue to maintain our Accumulate rating on the stock with a target price of Rs630.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	5,869	7,395	8,334	10,557	12,601
EBITDA	865	1,216	1,432	1,804	2,207
EBITDA Margin (%)	14.7	16.4	17.2	17.1	17.5
APAT	644	932	1,076	1,293	1,576
EPS (Rs)	12.9	18.6	21.5	25.9	31.5
EPS (% chg)	12.8	44.6	15.5	20.2	21.8
ROE (%)	27.0	31.3	29.0	28.5	28.3
P/E (x)	39.5	27.3	23.7	19.7	16.2
EV/EBITDA (x)	29.8	21.4	17.6	13.9	11.2
P/BV (x)	9.7	7.7	6.2	5.1	4.2

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY15E/FY16E (%)	NA
Target Price change (%)	NA
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	21.5	25.9
Consensus	21.6	27.0
Mean Consensus TP	Rs 541	

Stock Details

Bloomberg Code	DAGRI IN
Face Value (Rs)	2
Shares outstanding (mn)	50
52 Week H/L	599 / 181
M Cap (Rs bn/USD bn)	25 / 0.41
Daily Avg Volume (nos.)	33,652
Daily Avg Turnover (US\$ mn)	0.3

Shareholding Pattern Sep '14

Promoters	75.0%
FIIIs	5.6%
DIIIs	4.4%
Public	15.0%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(1)	20	176
Rel. to Nifty	1	(3)	8	95

Relative price chart



Source: Bloomberg

Exhibit 1: Quarterly financial summary (Standalone)

Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	FY15 YTD	FY14 YTD	YoY (%)
Revenue	1,670	1,528	1,748	2,833	1,791	7.2	(36.8)	6,372	5,867	8.6
Expenditure	1,421	1,250	1,464	2,281	1,533	7.9	(32.8)	5,278	4,928	7.1
<i>as % of sales</i>	<i>85.0%</i>	<i>81.8%</i>	<i>83.8%</i>	<i>80.5%</i>	<i>85.6%</i>			<i>83%</i>	<i>84%</i>	
Consumption of RM	987	855	1,101	1,769	997	1.1	(43.6)	3,868	3,488	10.9
<i>as % of sales</i>	<i>59.1%</i>	<i>56.0%</i>	<i>63.0%</i>	<i>62.5%</i>	<i>55.7%</i>			<i>61%</i>	<i>59%</i>	
Purchase of traded goods	65	32	-	-	172	165.4	-	172	295	(41.7)
<i>as % of sales</i>	<i>3.9%</i>	<i>2.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>9.6%</i>			<i>3%</i>	<i>5%</i>	
Employee Cost	142	146	157	194	150	6.2	(22.5)	501	436	15.0
<i>as % of sales</i>	<i>8.5%</i>	<i>9.5%</i>	<i>9.0%</i>	<i>6.9%</i>	<i>8.4%</i>			<i>8%</i>	<i>7%</i>	
Other expenditure	228	217	206	317	213	(6.4)	(32.8)	736	710	3.8
<i>as % of sales</i>	<i>13.6%</i>	<i>14.2%</i>	<i>11.8%</i>	<i>11.2%</i>	<i>11.9%</i>			<i>12%</i>	<i>12%</i>	
EBITDA	250	278	284	552	259	3.5	(53.1)	1,094	939	16.5
Depreciation	13	13	13	11	13	0.6	12.0	37	36	4.7
EBIT	237	265	270	540	246	3.7	(54.5)	1,057	903	17.0
Other Income	19	3	1	3	1	(92.6)	(57.5)	6	34	(81.4)
Interest	17	10	9	6	6	(65.2)	0.5	21	32	(35.6)
PBT	239	258	263	538	241	0.9	(55.1)	1,043	905	15.2
Total Tax	26	34	59	121	21	(19.1)	(82.3)	201	198	1.3
PAT	213	225	205	417	220	3.4	(47.3)	842	707	19.0
EPS	4.3	4.5	4.1	8.3	4.4	3.4	(47.3)	16.8	14.1	19.0

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	15.0	18.2	16.2	19.5	14.4	(51)	(504)	17.2	16.0	116.7
EBIT	14.2	17.3	15.5	19.1	13.7	(47)	(535)	16.6	15.4	118.9
EBT	13.2	16.7	15.0	18.9	13.4	23	(548)	16.3	14.9	141.0
PAT	12.7	14.7	11.7	14.7	12.3	(45)	(245)	13.2	12.1	115.9
Effective Tax rate	11.0	13.1	22.3	22.4	8.8	(219)	(1,359)	19.2	21.9	(263.9)

Source: Company, Emkay Research,

Conference call highlight

Operating environment remains challenging in the current fiscal

Deficient monsoons and lower rabi acreages impacted revenue growth for the industry in the current fiscal. Lower than estimated revenue growth was on account of weaker than expected sowing for the on-going rabi season (6-7%yoy decrease in area under rabi crops). Lower revenue growth for the industry has also led to increase in inventories in the system though the company has been prudent in adjusting to the dynamic environment thereby leading to normalized inventory levels.

Price reductions impact gross margins

The contraction in gross margins in the current quarter was driven by reduction in prices for select products. Efficient cost management led to lowering the negative impact of gross margin contraction. Given the sharp reduction in crude oil prices, the management expects input prices to reduce going forward, however, it will be looking at passing on the benefit to the farmers as it will help improve affordability for the farmers.

Remains focused on new product launches

The company continues to remain focused on new product launches guiding for 2-3 new product introductions each year for the next 2-3 years. The company has received the much awaited regulatory approval for “Semptra” a novel herbicide for sugarcane and believes that the product provides a huge opportunity being the first of its kind for addressing the weed cyprus rotundus. Further, the product is also expected to lead to yield improvement of ~6-7%. Going forward, the company expects to receive approval for two new products: novel herbicide for soyabean (a combination product for Sakura) and novel fungicide for rice & horticulture crops.

Revenue growth to be faster than industry average

The management continued to guide for above industry growth going forward (15-20% CAGR) driven by new novel product launches and strong pan India distribution reach. The company continues to add 300-400 new channel partners each year to increase penetration and strengthen pan India distribution. On margins, the management expects margins to improve gradually going forward as the company will continue to invest in marketing related activities to improve penetration and brand recall.

Strong product pipeline, pan India reach and asset light model the key differentiators, maintain Accumulate

Company's asset light model, strong product pipeline and strong pan India distribution reach remains a key differentiator for the company. Leveraging on strong innovator relationships and deepening penetration, we believe that the company will continue to grow faster than the industry average. Further, the new sugarcane herbicide “Semptra” provides a huge opportunity given the large sugarcane acreage in the country and growing labour shortages. We continue to maintain our Accumulate rating on the stock with a target price of Rs 630.

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	5,869	7,395	8,334	10,557	12,601
Expenditure	5,004	6,179	6,902	8,753	10,394
EBITDA	865	1,216	1,432	1,804	2,207
Depreciation	45	48	74	106	109
EBIT	820	1,168	1,358	1,698	2,098
Other Income	23	37	40	40	40
Interest expenses	35	42	35	36	36
PBT	808	1,164	1,362	1,702	2,101
Tax	163	232	286	408	525
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	644	932	1,076	1,293	1,576
Adjusted PAT	644	932	1,076	1,293	1,576

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	100	100	100	100	100
Reserves & surplus	2,528	3,225	3,987	4,902	6,017
Net worth	2,628	3,325	4,087	5,002	6,117
Minority Interest	0	0	0	0	0
Loan Funds	463	544	480	480	480
Net deferred tax liability	26	36	36	36	36
Total Liabilities	3,116	3,906	4,603	5,518	6,633
Net block	626	671	1,096	1,040	981
Investment	82	10	10	10	10
Current Assets	3,481	4,265	5,179	6,365	7,826
Cash & bank balance	54	23	692	944	1,201
Other Current Assets	180	199	250	317	378
Current liabilities & Provision	1,086	1,263	1,733	1,948	2,235
Net current assets	2,395	3,002	3,446	4,417	5,591
Misc. exp	0	0	0	0	0
Total Assets	3,116	3,905	4,602	5,517	6,632

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
NI (PAT+Dep+Int Ex-Other income)	726	982	1,175	1,425	1,710
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(276)	(627)	226	(720)	(917)
Operating Cashflow	450	355	1,400	705	793
Capital expenditure	(269)	(271)	(327)	(50)	(50)
Free Cash Flow	181	84	1,073	655	743
Investments	71	72	0	0	0
Other Investing Cash Flow	(20)	(30)	(29)	(29)	(28)
Investing Cashflow	(196)	(191)	(316)	(39)	(38)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(64)	81	(64)	0	0
Dividend paid (incl tax)	(189)	(234)	(315)	(378)	(461)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(288)	(195)	(414)	(415)	(497)
Net chg in cash	(34)	(31)	670	251	258
Opening cash position	87	54	23	692	944
Closing cash position	54	23	692	944	1,201

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	14.7	16.4	17.2	17.1	17.5
EBIT Margin	14.0	15.8	16.3	16.1	16.6
Effective Tax Rate	20.2	19.9	21.0	24.0	25.0
Net Margin	11.0	12.6	12.9	12.3	12.5
ROCE	29.0	34.3	32.9	34.3	35.2
ROE	27.0	31.3	29.0	28.5	28.3
RoIC	30.2	35.3	36.2	40.6	42.4

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	12.9	18.6	21.5	25.9	31.5
CEPS	13.8	19.6	23.0	28.0	33.7
BVPS	52.5	66.5	81.7	100.0	122.3
DPS	3.2	4.0	5.4	6.5	7.9

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	39.5	27.3	23.7	19.7	16.2
P/CEPS	36.9	26.0	22.1	18.2	15.1
P/BV	9.7	7.7	6.2	5.1	4.2
EV / Sales	4.4	3.5	3.0	2.4	2.0
EV / EBITDA	29.8	21.4	17.6	13.9	11.2
Dividend Yield (%)	0.6	0.8	1.1	1.3	1.5

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	0.1	0.2	(0.1)	(0.1)	(0.1)
Net Debt/EBIDTA	0.4	0.4	(0.1)	(0.3)	(0.3)
Working Cap Cycle (days)	145.6	147.0	120.6	120.1	127.2

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	10.9	26.0	12.7	26.7	19.4
EBITDA	8.9	40.6	17.7	26.0	22.3
EBIT	9.4	42.5	16.2	25.1	23.5
PAT	12.8	44.6	15.5	20.2	21.8

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	1,670	1,528	1,748	2,833	1,791
EBITDA	250	278	284	552	259
EBITDA Margin (%)	15.0	18.2	16.2	19.5	14.4
PAT	213	225	205	417	220
EPS (Rs)	4.3	4.5	4.1	8.3	4.4

Shareholding Pattern (%)	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Promoters	75.0	75.0	75.0	75.0	75.0
FIIIs	8.3	8.4	8.4	5.8	5.6
DIIIs	0.8	-	0.2	3.6	4.4
Public	16.0	16.6	16.4	15.7	15.0

Ballarpur Inds

Results disappoint, deleveraging the key catalyst

Result highlights

- Consolidated revenues at Rs 12.1bn down 10%yoy, lower than our estimates on the back of lower than estimated pulp segment revenues
- Consolidated EBITDA at Rs 1.5bn was down 34%yoy on account of subdued margins for both the paper and pulp business. Paper segment margins at 5% were significantly lower than our estimate of 12% while pulp business continued to drag performance
- Results for the quarter were impacted due to production loss at its step down subsidiary Sabah Forest (which was exceptional in nature) resulting in a net loss of Rs 810mn
- We have cut our FY15E (9 month financial year) on account of subdued Q2FY15 while maintaining our FY16E. We continue to maintain our Accumulate rating on the stock with a target price of Rs23

Consolidated revenues impacted by lower revenues for pulp business

Consolidated revenues at Rs 12.1bn were down 10%yoy and lower than our estimates due to lower than estimated revenue for the pulp business and marginally lower paper segment revenues. Production loss at step down subsidiary Sabah Forest also impacted performance during the quarter.

Production loss at Sabah Forest impacts profitability

Consolidated EBITDA at Rs 1.5bn was down 34%yoy and lower than our estimates due to lower than estimated margin for the paper business. Paper segment margin at 5% were significantly lower than our estimates of 12% as production loss at step down subsidiary impacted performance. Sabah Forest net loss for the quarter due to production loss stood at Rs 810mn. Pulp business performance continued to remain subdued with EBIT loss of Rs 161mn which was in-line with our estimates. Consolidated EBITDA margins for the quarter stood at 12.6% lower than our estimates of 18%.

Reduce FY15 estimates, maintain Accumulate

Given the weaker than estimated Q3FY15 results (9 month fiscal), we have reduced our FY15 revenue estimates lower by 3%yoy while reducing our EBITDA estimates lower by 12.6%yoy. Consequently, we expect APAT loss at Rs 448mn as against expectation of APAT profit of Rs 103mn. We continue to maintain our FY16 estimates. Balance sheet deleveraging continues to remain a key catalyst for stock performance going forward. We continue to maintain our Accumulate rating on the stock with a target price of Rs 23.

Financial Snapshot (Consolidated)

(Rs mn)	FY12	FY13	FY14	FY15E	FY16E
Net Sales	48,214	48,979	52,961	37,741	53,040
EBITDA	7,936	8,759	9,480	6,109	10,375
EBITDA Margin (%)	16.5	17.9	17.9	16.2	19.6
APAT	1,136	850	497	(448)	807
EPS (Rs)	1.7	1.3	0.8	(0.7)	1.2
EPS (% chg)	(52.0)	(25.1)	(41.5)	(190.1)	0.0
ROE (%)	4.2	3.2	2.0	(2.0)	3.7
P/E (x)	9.3	12.4	21.2	(23.6)	13.1
EV/EBITDA (x)	5.8	7.1	6.8	10.5	5.9
P/BV (x)	0.4	0.4	0.4	0.5	0.5

Source: Company, Emkay Research

CMP Rs16	Target Price Rs23 (■)
Rating ACCUMULATE (■)	Upside 42.9 %

Change in Estimates

EPS Chg FY15E/FY16E (%)	NA
Target Price change (%)	NA
Previous Reco	ACCUMULATE

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	(0.7)	1.2
Consensus	0.6	2.0
Mean Consensus TP	Rs 23	

Stock Details

Bloomberg Code	BILT IN
Face Value (Rs)	2
Shares outstanding (mn)	656
52 Week H/L	22 / 11
M Cap (Rs bn/USD bn)	11 / 0.17
Daily Avg Volume (nos.)	18,85,553
Daily Avg Turnover (US\$ mn)	0.5

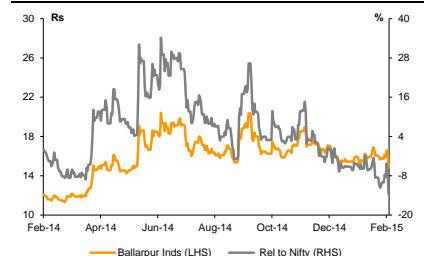
Shareholding Pattern Dec '14

Promoters	49.4%
FIIIs	16.9%
DIIIs	14.3%
Public	19.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	2	(13)	(2)	35
Rel. to Nifty	(3)	(16)	(12)	(5)

Relative price chart



Source: Bloomberg

Exhibit 1: Quarterly financial summary (Consolidated)

Rs mn	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15	YoY (%)	QoQ (%)	YTDFY15	YTDFY14	YoY (%)
Revenue	13,413	13,745	12,191	12,272	12,104	(9.8)	(1.4)	24,376	27,025	(9.8)
Expenditure	11,093	11,211	9,845	10,095	10,576	(4.7)	4.8	20,670	22,425	(7.8)
as % of sales	82.7	81.6	80.8	82.3	87.4			84.8	83.0	
Consumption of RM	6,621	6,638	5,620	5,814	6,425	(3.0)	10.5	12,240	13,493	(9.3)
as % of sales	49.4	48.3	46.1	47.4	53.1			50.2	49.9	
Power & Fuel	2,229	2,246	1,954	1,984	1,846	(17.2)	(7.0)	3,830	4,519	(15.2)
as % of sales	16.6	16.3	16.0	16.2	15.2			15.7	16.7	
Employee Cost	975	1,015	1,000	1,018	942	(3.3)	(7.4)	1,960	1,951	0.5
as % of sales	7.3	7.4	8.2	8.3	7.8			8.0	7.2	
Other expenditure	1,269	1,312	1,271	1,279	1,362	7.4	6.5	2,641	2,463	7.2
as % of sales	9.5	9.5	10.4	10.4	11.3			10.8	9.1	
EBITDA	2,321	2,534	2,346	2,177	1,529	(34.1)	(29.8)	3,706	4,600	(19.4)
Depreciation	1,103	1,233	1,497	1,204	1,133	2.7	(5.9)	2,337	2,227	5.0
EBIT	1,218	1,301	849	973	396	(67.5)	(59.3)	1,369	2,374	(42.3)
Other Income	-	-	-	-	-			-	-	
Interest	1087	1125	962	1111	1123	3.3	1.1	2234	2142	4.3
PBT	131	177	(113)	(138)	(727)	NA	NA	(865)	231.80	NA
Total Tax	(77)	(10)	(124)	(142)	11	NA	NA	(131)	(186)	NA
Adjusted PAT	208	187	11	4	(738)	NA	NA	(734)	418	NA
(Profit)/loss from JV's/Ass/MI	34	33	7	-13	-232	NA	NA	-244	80	NA
APAT agter MI	174	154	4	17	(506)	NA	NA	(489)	339	NA
Extra ordinary items	-	-	-	-	-		NA	-	-	
Reported PAT	174	154	4	17	(506)	NA	NA	(489)	339	NA
Reported EPS	0.3	0.2	0.0	0.0	(0.8)	NA	NA	(0.7)	0.5	NA

Margins (%)						(bps)	(bps)			
EBIDTA	17.3	18.4	19.2	17.7	12.6	(467)	(511)	15.2	17.0	(182)
EBIT	9.1	9.5	7.0	7.9	3.3	(581)	(466)	5.6	8.8	(317)
EBT	1.0	1.3	(0.9)	(1.1)	(6.0)	(699)	(488)	(3.5)	0.9	(441)
PAT	1.3	1.1	0.0	0.1	(4.2)	(548)	(432)	(2.0)	1.3	(326)
Effective Tax rate	(58.7)	(5.7)	109.9	103.0	(1.5)	NA	NA	NA	(80.4)	NA

Source: Company, Emkay Research

Exhibit 2: Revised earnings estimates

(Rs mn)	FY15E			FY16E		
	Old Estimates	New Estimates	% change	Old Estimates	New Estimates	% change
Net Sales	39,002	37,741	-3.2%	53040	53,040	0.0%
EBITDA	6,987	6,109	-12.6%	10375	10,375	0.0%
EBITDA %	17.9%	16.2%	-173	19.6%	19.6%	0
PAT	103	-448	NA	807	807	0.0%
EPS (Rs)	0.2	-0.7	NA	1.2	1.2	0.0%

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY12	FY13	FY14	FY15E	FY16E
Net Sales	48,214	48,979	52,961	37,741	53,040
Expenditure	40,278	40,219	43,480	31,632	42,665
EBITDA	7,936	8,759	9,480	6,109	10,375
Depreciation	3,638	4,517	4,957	3,637	5,200
EBIT	4,299	4,243	4,524	2,472	5,175
Other Income	159	79	0	0	0
Interest expenses	2,882	3,480	4,229	3,234	4,000
PBT	1,576	842	295	(762)	1,175
Tax	122	(164)	(321)	(115)	188
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(318)	(155)	(119)	199	(180)
Reported Net Income	1,136	850	497	(448)	807
Adjusted PAT	1,136	850	497	(448)	807

Balance Sheet

Y/E Mar (Rs mn)	FY12	FY13	FY14	FY15E	FY16E
Equity share capital	1,311	1,311	1,311	1,311	1,311
Reserves & surplus	26,761	23,546	22,603	20,606	19,863
Net worth	28,073	24,857	23,915	21,917	21,174
Minority Interest	7,574	5,932	5,711	5,511	5,691
Loan Funds	47,462	61,301	65,573	63,473	60,473
Net deferred tax liability	1,661	1,272	920	920	920
Total Liabilities	84,769	93,361	96,118	91,821	88,258
Net block	61,823	69,798	80,607	80,839	77,639
Investment	11,213	9,208	9,839	9,839	9,839
Current Assets	22,355	23,260	28,671	16,865	22,547
Cash & bank balance	879	796	2,592	506	223
Other Current Assets	245	249	309	309	309
Current liabilities & Provision	21,394	24,670	26,869	17,722	23,767
Net current assets	960	(1,410)	1,802	(857)	(1,221)
Misc. exp	0	0	0	0	0
Total Assets	84,779	93,361	96,118	91,821	88,258

Cash Flow

Y/E Mar (Rs mn)	FY12	FY13	FY14	FY15E	FY16E
NI (PAT+Dep+Int Ex-Other income)	7,814	8,923	9,801	6,224	10,187
Other Non-Cash items	0	0	0	0	0
Chg in working cap	8,504	1,900	(1,768)	573	80
Operating Cashflow	16,318	10,823	8,033	6,797	10,267
Capital expenditure	(14,443)	(13,858)	(3,870)	(2,000)	(2,000)
Free Cash Flow	1,875	(3,035)	4,164	4,797	8,267
Investments	(10,807)	2,005	(631)	0	0
Other Investing Cash Flow	2,517	(9,110)	(230)	0	(1)
Investing Cashflow	(22,574)	(20,885)	(4,731)	(2,000)	(2,001)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	9,140	13,839	4,272	(2,100)	(3,000)
Dividend paid (incl tax)	(380)	(380)	(380)	(380)	(380)
Other Financing Cash Flow	0	0	(1,170)	(1,170)	(1,169)
Financing Cashflow	5,878	9,979	(1,506)	(6,883)	(8,549)
Net chg in cash	(378)	(82)	1,796	(2,086)	(283)
Opening cash position	1,257	879	796	2,592	506
Closing cash position	879	796	2,593	506	223

Key Ratios

Profitability (%)	FY12	FY13	FY14	FY15E	FY16E
EBITDA Margin	16.5	17.9	17.9	16.2	19.6
EBIT Margin	8.9	8.7	8.5	6.5	9.8
Effective Tax Rate	7.7	(19.5)	(108.7)	15.0	16.0
Net Margin	3.0	2.1	1.2	(1.7)	1.9
ROCE	5.6	4.9	4.8	2.6	5.7
ROE	4.2	3.2	2.0	(2.0)	3.7
RoIC	7.1	6.6	6.1	3.1	6.6

Per Share Data (Rs)	FY12	FY13	FY14	FY15E	FY16E
EPS	1.7	1.3	0.8	(0.7)	1.2
CEPS	7.3	8.2	8.3	4.9	9.2
BVPS	42.8	37.9	36.5	33.4	32.3
DPS	0.5	0.5	0.5	0.5	0.5

Valuations (x)	FY12	FY13	FY14	FY15E	FY16E
PER	9.3	12.4	21.2	(23.6)	13.1
P/CEPS	2.2	2.0	2.0	3.3	1.8
P/BV	0.4	0.4	0.4	0.5	0.5
EV / Sales	1.0	1.3	1.2	1.7	1.2
EV / EBITDA	5.8	7.1	6.8	10.5	5.9
Dividend Yield (%)	3.1	3.1	3.1	3.1	3.1

Gearing Ratio (x)	FY12	FY13	FY14	FY15E	FY16E
Net Debt/ Equity	1.3	2.1	2.2	2.4	2.4
Net Debt/EBIDTA	4.5	5.9	5.6	8.8	4.9
Working Cap Cycle (days)	0.6	(16.4)	(5.4)	(13.2)	(9.9)

Growth (%)	FY12	FY13	FY14	FY15E	FY16E
Revenue	6.8	1.6	8.1	(28.7)	40.5
EBITDA	(11.8)	10.4	8.2	(35.6)	69.8
EBIT	(23.8)	(1.3)	6.6	(45.4)	109.3
PAT	(52.0)	(25.1)	(41.5)	(190.1)	0.0

Quarterly (Rs mn)	Q2FY14	Q3FY14	Q4FY14	Q1FY15	Q2FY15
Revenue	13,413	13,745	12,191	12,272	12,104
EBITDA	2,321	2,534	2,346	2,177	1,529
EBITDA Margin (%)	17.3	18.4	19.2	17.7	12.6
PAT	174	154	4	17	(506)
EPS (Rs)	1.3	1.2	-	0.1	(3.9)

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	49.4	49.4	49.4	49.4	49.4
FIIIs	16.6	16.6	16.7	16.6	16.9
DIIIs	15.9	15.9	14.8	14.3	14.3
Public	18.1	18.0	19.1	19.7	19.4

Apollo Tyres

Revenue miss; Retain HOLD

Result highlights

- Apollo Tyres Q3 consolidated revenues missed our est. by a significant 12%; consequently reported EBITDA missed our estimates by 14% despite decent operating margins (benefitting from lower rubber prices)
- India biz saw a revenue dip of 2% YoY on weak demand, an unfavourable price & mix and increasing competition from cheaper imports
- European biz saw a 11% Euro based topline de-growth as demand for winter tyres was impacted from a weak winter and as the VBBV lost some market share
- The South African plant virtually operated for just a month during the quarter and underwent business restructuring/closure; going ahead the company will only undertake trading business in South Africa
- We maintain our HOLD rating on the stock with a TP of Rs 210 based on 10x FY17E EPS. We see increasing competitive pressures, risk of increase in rubber prices and premium trading multiples vs historical average as key downside risks

Emkay View

- **Increasing competition to cap margins:** We believe Apollo's major revenue segment in the domestic business, M&HCV tyres, are likely to see increased competitive intensity with global tyre makers Bridgestone, Michelin etc. looking to scale up Indian operations. The large investments and capacity expansion plans might be threat to pricing discipline hitherto maintained by the industry.
- **Rubber price tailwinds could be a thing of the past:** Excess inventory/production of rubber, coupled with weak global demand, had led to a significant correction in rubber prices, leading to significant margin expansion for tyre companies. However, incremental news about production cuts owing to weak rubber prices have been doing the rounds off late (as prevailing prices are below cost of production). Most OEMs are expecting rubber prices to inch up – this could be a major negative to margins which are at historical peaks.
- **Trading multiples likely to normalize:** Declining rubber prices have fueled a strong rally in tyre stocks, with margin profile expanding as none of the players resorted to price cuts. We believe that the reversal in natural rubber prices and increasing competitive intensity is likely to erode margins and the trading multiples too are likely to correct and revert to historical averages (vs the current 25% premium to historical avg.).

Financial Snapshot (Consolidated)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	127,946	133,103	128,860	136,591	153,564
EBITDA	14,609	18,755	19,393	19,952	22,428
EBITDA Margin (%)	11.4	14.0	14.9	14.5	14.5
APAT	5,962	10,518	10,094	9,878	10,693
EPS (Rs)	11.8	20.9	19.8	19.4	21.0
EPS (% chg)	35.0	76.4	(5.0)	(2.1)	8.3
ROE (%)	19.1	26.4	19.9	16.4	15.3
P/E (x)	18.1	10.2	10.8	11.0	10.2
EV/EBITDA (x)	9.0	6.3	6.0	6.5	6.3
P/BV (x)	3.2	2.4	2.0	1.7	1.5

Source: Company, Emkay Research

CMP Rs214	Target Price Rs210 (▼)
Rating HOLD (➡)	Upside (1.7) %

Change in Estimates

EPS Chg FY15E/FY16E (%)	(2.5)/(10.6)
Target Price change (%)	(4.5)
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	19.8	19.4
Consensus	21.3	23.8
Mean Consensus TP	Rs 258	

Stock Details

Bloomberg Code	APTY IN
Face Value (Rs)	1
Shares outstanding (mn)	509
52 Week H/L	250 / 111
M Cap (Rs bn/USD bn)	109 / 1.76
Daily Avg Volume (nos.)	41,58,630
Daily Avg Turnover (US\$ mn)	16.2

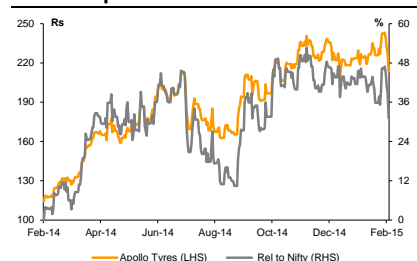
Shareholding Pattern Dec '14

Promoters	44.1%
FIIIs	35.0%
DIIIs	6.0%
Public	14.9%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(9)	25	90
Rel. to Nifty	(5)	(12)	11	34

Relative price chart



Source: Bloomberg

Exhibit 1: Consolidated Quarterly financial Summary

Rs mn	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	YoY (%)	QoQ (%)	YTD FY15	YTD FY14	YoY (%)
Revenue	34,395	32,293	32,476	33,152	31,048	(9.7)	(6.3)	96,676	1,00,629	(3.9)
Expenditure	29,554	27,681	28,188	28,217	26,143	(11.5)	(7.4)	82,549	87,333	(5.5)
as % of sales	85.9	85.7	86.8	85.1	84.2			85.4	86.8	
Consumption of RM	20,361	18,363	18,329	18,474	16,190	(20.5)	(12.4)	52,994	59,358	(10.7)
as % of sales	59.2	56.9	56.4	55.7	52.1			54.8	59.0	
Employee Cost	4,129	3,858	4,320	4,264	4,370	5.8	2.5	12,953	12,558	3.1
as % of sales	12.0	11.9	13.3	12.9	14.1			13.4	12.5	
Other expenditure	5,064	5,460	5,539	5,479	5,583	10.2	1.9	16,601	15,418	7.7
as % of sales	14.7	16.9	17.1	16.5	18.0			17.2	15.3	
EBITDA	4,841	4,612	4,287	4,935	4,905	1.3	(0.6)	14,128	13,296	6.3
Depreciation	1,064	1,021	1,004	1,070	933	(12.3)	(12.9)	3,007	3,088	(2.6)
EBIT	3,778	3,591	3,283	3,865	3,973	5.2	2.8	11,121	10,208	8.9
Other Income	496	186	289	196	111	(77.5)	(43.1)	596	792	(24.8)
Interest	742	616	530	496	454	(38.8)	(8.4)	1,480	2,222	(33.4)
PBT	3,532	3,161	3,043	3,564	3,630	2.8	1.8	10,237	8,778	16.6
Total Tax	722	454	764	985	997	38.2	1.3	2,746	1,814	51.4
Adjusted PAT	2,810	2,706	2,278	2,580	2,632	(6.3)	2.0	7,490	6,964	7.6
Extra ordinary items	(570)	(110)	-	-	790			790	(270)	
Reported PAT	2,239	2,597	2,278	2,580	3,422	52.8	32.7	8,280	6,694	23.7
Adjusted EPS	5.6	5.4	4.5	5.1	5.2	(7.2)	2.0	14.7	13.8	6.5

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	14.1	14.3	13.2	14.9	15.8	172	91	14.6	13.2		140
EBIT	11.0	11.1	10.1	11.7	12.8	87	54	11.5	10.1		136
EBT	10.3	9.8	9.4	10.8	11.7	205	96	10.6	8.7		186
PAT	8.2	8.4	7.0	7.8	8.5	181	(60)	7.7	6.9		83
Effective Tax rate	20.4	14.4	25.1	27.6	27.5	(383)	1,326	26.8	20.7		616

Source: Emkay Research, Company

Exhibit 2: Performance vs estimates

(Rs mn)	Actual	Emkay Est	% Var	Consensus	% Var
Net sales	31,048	35,556	(12.7)	35,293	(12.0)
Adj. EBITDA	4,905	5,695	(13.9)	5,534	(11.4)
EBITDA margin (%)	15.8	16.0	(22) bps	15.7	12 bps
Adj. PAT	2,632	3,151	(16.4)	3,086	(14.7)
AEPS (Rs.)	5.2	6.2	(16.4)	6.1	(15.5)

Source: Company, Emkay Research

Exhibit 3: Standalone Quarterly financial Summary

Rs mn	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	YoY (%)	QoQ (%)	YTD FY15	YTD FY14	YoY (%)
Revenue	21,536	22,124	23,065	22,496	21,218	(1.5)	(5.7)	66,780	64,251	3.9
Expenditure	18,856	19,477	20,185	19,231	17,967	(4.7)	(6.6)	57,383	56,351	1.8
as % of sales	87.6	88.0	87.5	85.5	84.7			59.4	87.7	
Consumption of RM	14,492	14,916	15,413	14,170	13,455	(7.2)	(5.0)	43,038	43,671	(1.4)
as % of sales	67.3	67.4	66.8	63.0	63.4			44.5	68.0	
Employee Cost	1,255	1,321	1,475	1,407	1,346	7.3	(4.3)	4,228	3,546	19.3
as % of sales	5.8	6.0	6.4	6.3	6.3			4.4	5.5	
Other expenditure	3,110	3,240	3,297	3,654	3,166	1.8	(13.4)	10,117	9,135	10.8
as % of sales	14.4	14.6	14.3	16.2	14.9			10.5	14.2	
EBITDA	2,679	2,647	2,881	3,265	3,251	21.3	(0.4)	9,396	7,900	18.9
Depreciation	649	628	606	677	598	(8.0)	(11.8)	1,881	1,853	1.5
EBIT	2,030	2,019	2,274	2,588	2,653	30.7	2.5	7,516	6,047	24.3
Other Income	421	133	217	154	148	(64.9)	(4.4)	519	659	(21.3)
Interest	635	564	513	460	448	(29.3)	(2.5)	1,421	1,882	(24.5)
PBT	1,817	1,589	1,978	2,283	2,353	29.5	3.1	6,614	4,824	37.1
Total Tax	558	180	588	666	733	31.5	10.1	1,987	1,538	29.2
Adjusted PAT	1,259	1,409	1,391	1,617	1,619	28.6	0.2	4,627	3,286	40.8
Extra ordinary items	(156)	113	-	-	-			-	-	
Reported PAT	1,103	1,521	1,391	1,617	1,619	46.8	0.2	4,627	3,130	47.8
Adjusted EPS	2.5	2.8	2.7	3.2	3.2	27.3	0.2	9.1	6.5	39.4

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	12.4	12.0	12.5	14.5	15.3	288	81	14.1	12.3		178
EBIT	9.4	9.1	9.9	11.5	12.5	87	238	11.3	9.4		184
EBT	8.4	7.2	8.6	10.1	11.1	214	297	9.9	7.5		240
PAT	5.8	6.4	6.0	7.2	7.6	171	82	6.9	5.1		181
Effective Tax rate	30.7	11.3	29.7	29.2	31.2	(312)	1,784	30.0	31.9		(184)

Source: Company, Emkay Research

Exhibit 4: Segment performance summary

Segmental Details (Rs Mn)	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	YoY (%)	QoQ (%)	YTD FY15	YTD FY14	YoY (%)
Europe										
Net Sales	10,883	10,670	9,503	10,544	10,456	(3.9)	(0.8)	30,502	28,755	6.1
EBIT	2,010	1,421	1,069	1,368	1,382	(31.3)	1.0	3,818	4,202	(9.1)
Margins (%)	18.5	13.3	11.3	13.0	13.2	(526 bps)	24 bps	12.5	14.6	(209 bps)
South Africa										
Net Sales	3,626	1,425	1,598	1,903	807	NA	NA	4,308	11,289	NA
EBIT	337	82	18	13	(240)	NA	NA	(210)	606	NA
Margins (%)	9.3	5.8	1.1	0.7	(29.8)	NA	NA	(4.9)	5.4	NA
India										
Net Sales	21,536	22,124	23,065	22,496	23,113	7.3	2.7	68,674	64,251	6.9
EBIT	2,451	2,152	2,491	2,742	2,985	21.8	8.9	8,219	6,707	22.5
Margins (%)	11.4	9.7	10.8	12.2	12.9	153 bps	73 bps	12.0	10.4	153 bps

Source: Emkay Research, Company

Key Takeaways from the management con-call

- Consolidated revenue declined 10% YoY, impacted by a volume dip of 7% and 3% by pricing and mix impact
- India business volumes grew just 1% YoY, while product mix and pricing activity (esp. in bias tyre segment) lead to revenue decline of ~2% YoY
- EBITDA margins in the India business improved 80 bps QoQ to 15.3% largely driven by lower marketing and sales promotion during the quarter. On a YoY basis gross margin improved 390 bps driven by favourable rubber prices
- Going ahead, the management expect an improvement in product mix on revival in truck demand and on increasing trend in radialization (expect 50%+ radialization in 3 years vs 35% currently)
- In Europe, due to weak winter, industry volumes have suffered for the quarter and were lower ~6%. Coupled with price cuts and a deteriorating product mix, Euro revenues were lower ~11% YoY. Also, launch of a new range of tyre at a higher price amidst weak demand backfired, leading to a drop in market share
- Vredestein operating profit stood at Rs 1.8 bn, an EBITDA margin of 20% (vs 22% in Q3FY14)
- The South African business operated for just a month during the quarter and then underwent business restructuring/closure. Going ahead the company will only undertake trading activity there. The quarter saw an exceptional item on provisions made for the retrenchment of ~600 workers at South Africa
- The management has indicated that the work on the new Hungarian plant is going as per schedule - environmental approval has been received and other regulatory approvals are likely to be received ahead of the proposed start of construction in April 2015

Valuation and Recommendation

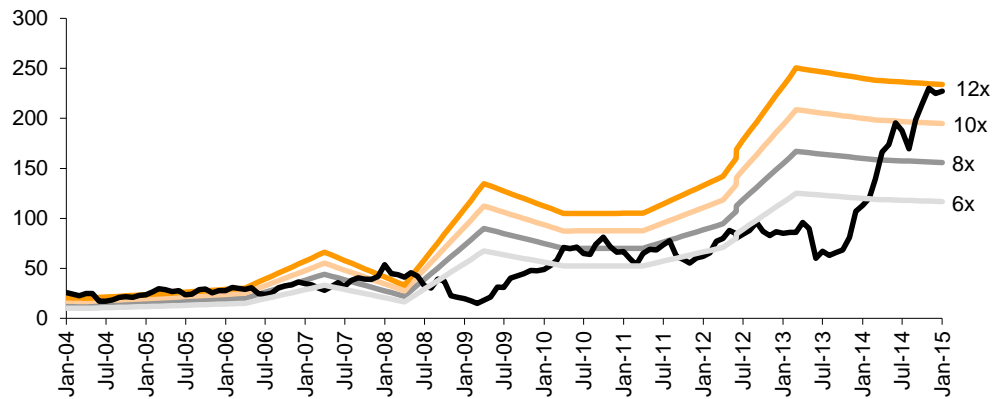
We maintain our HOLD rating on the stock with a TP of Rs 210 based on 10x FY17E EPS. We see increasing competitive pressures, risk of increase in rubber prices and premium trading multiples vs historical average as key downside risks. Our FY16 EPS sees a 10% cut on the back of (a) lower growth than estimated at India biz (b) translation losses at Europe as we now build in Eur/INR of 74 vs 79 earlier (c) closure of activity in South Africa

Exhibit 5: Revision in estimates

Rs mn	FY15E				FY16E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Sales	1,37,795	1,29,958	(5.7)	(3.1)	1,54,530	1,37,777	(10.8)	6.0
EBIDTA	19,676	19,393	(1.4)	3.4	21,653	19,952	(7.9)	2.9
EBIDTA margins (%)	14.3	14.9	62 bps	94 bps	14.0	14.5	48 bps	(44) bps
Net Profits	10,334	10,094	(2.3)	0.4	11,050	9,878	(10.6)	(2.1)
EPS	20.3	19.8	(2.3)	(0.5)	21.7	19.4	(10.6)	(2.1)

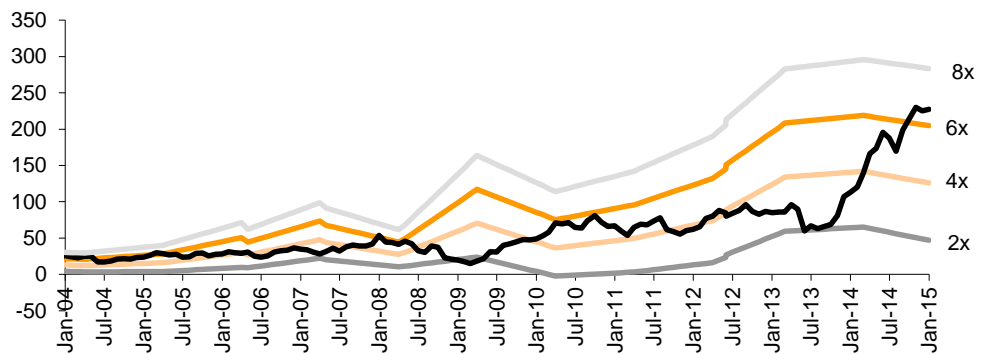
Source: Company, Emkay Research

Exhibit 6: One-year forward P/E



Source: Company, Emkay Research

Exhibit 7: One-year forward EV/EBITDA



Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	1,27,946	1,33,103	1,28,860	1,36,591	1,53,564
Expenditure	1,13,380	1,15,365	1,10,565	1,17,824	1,32,417
EBITDA	14,609	18,755	19,393	19,952	22,428
Depreciation	3,966	4,109	4,219	4,775	5,714
EBIT	10,643	14,647	15,173	15,178	16,714
Other Income	902	978	934	965	999
Interest expenses	3,128	2,838	2,059	2,314	2,708
PBT	8,418	12,787	14,047	13,830	15,005
Tax	2,448	2,269	3,953	3,952	4,312
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(8)	0	0	0	0
Reported Net Income	5,962	10,518	10,094	9,878	10,693
Adjusted PAT	5,962	10,518	10,094	9,878	10,693

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	504	504	509	509	509
Reserves & surplus	33,505	45,242	55,183	64,413	74,372
Net worth	34,009	45,746	55,693	64,922	74,881
Minority Interest	0	0	0	0	0
Loan Funds	26,507	16,134	18,634	27,634	32,634
Net deferred tax liability	4,928	5,241	5,241	5,241	5,241
Total Liabilities	65,444	67,122	79,568	97,798	1,12,757
Net block	43,129	45,933	56,014	76,939	96,925
Investment	546	637	637	637	637
Current Assets	38,671	43,304	45,297	42,674	40,344
Cash & bank balance	3,348	6,541	10,539	7,619	1,154
Other Current Assets	35,323	36,763	34,758	35,055	39,190
Current liabilities & Provision	20,100	23,217	22,018	22,091	24,787
Net current assets	18,570	20,087	23,279	20,583	15,557
Misc. exp	0	0	0	0	0
Total Assets	65,444	67,122	80,394	98,624	1,13,583

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Income (Ex-others) + Depn	9,033	13,648	13,380	13,687	15,409
Other Non-Cash items	6,952	816	2,885	2,314	2,708
Chg in working cap	(3,232)	1,990	807	(225)	(1,439)
Operating Cashflow	12,753	16,455	17,072	15,776	16,678
Capital expenditure	(4,866)	(6,668)	(14,300)	(25,700)	(25,700)
Free Cash Flow	7,887	9,787	2,772	(9,924)	(9,022)
Investments	(388)	(91)	0	0	0
Other Investing Cash Flow	(738)	5,581	934	965	999
Investing Cashflow	(5,992)	(1,178)	(13,366)	(24,735)	(24,701)
Equity Capital Raised	0	0	431	0	0
Loans Taken / (Repaid)	1,011	(10,373)	2,500	9,000	5,000
Dividend paid (incl tax)	(295)	(442)	(579)	(648)	(734)
Other Financing Cash Flow	(5,768)	(1,269)	(2,059)	(2,314)	(2,708)
Financing Cashflow	(5,052)	(12,084)	293	6,038	1,558
Net chg in cash	1,709	3,193	3,999	(2,921)	(6,465)
Opening cash position	1,730	3,348	6,541	10,539	7,619
Closing cash position	3,439	6,540	10,539	7,619	1,154

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	11.4	14.0	14.9	14.5	14.5
EBIT Margin	8.3	10.9	11.7	11.0	10.8
Effective Tax Rate	29.1	17.7	28.1	28.6	28.7
Net Margin	4.7	7.8	7.8	7.2	6.9
ROCE	18.7	23.6	22.0	18.2	16.8
ROE	19.1	26.4	19.9	16.4	15.3
RoIC	19.2	24.9	23.7	19.1	16.6

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	11.8	20.9	19.8	19.4	21.0
CEPS	19.7	29.0	28.1	28.8	32.2
BVPS	67.5	90.8	109.4	127.5	147.1
DPS	0.5	0.7	1.0	1.1	1.2

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	18.1	10.2	10.8	11.0	10.2
P/CEPS	10.9	7.4	7.6	7.4	6.6
P/BV	3.2	2.4	2.0	1.7	1.5
EV / Sales	1.0	0.9	0.9	0.9	0.9
EV / EBITDA	9.0	6.3	6.0	6.5	6.3
Dividend Yield (%)	0.2	0.4	0.5	0.5	0.6

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	0.7	0.2	0.1	0.3	0.4
Net Debt/EBIDTA	1.6	0.5	0.4	1.0	1.4
Working Cap Cycle (days)	43.4	36.9	35.8	34.3	34.0

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	5.3	4.0	(3.2)	6.0	12.4
EBITDA	25.3	28.4	3.4	2.9	12.4
EBIT	26.6	37.6	3.6	0.0	10.1
PAT	44.6	76.4	(4.0)	(2.1)	8.3

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	34,395	32,293	32,476	33,152	31,048
EBITDA	4,841	4,612	4,287	4,935	4,905
EBITDA Margin (%)	14.1	14.3	13.2	14.9	15.8
PAT	2,239	2,597	2,278	2,580	1,842
EPS (Rs)	4.4	5.2	4.5	5.1	3.6

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	43.5	43.5	44.1	44.1	44.1
FIIIs	29.0	34.5	36.8	34.2	35.0
DIIIs	7.2	5.9	4.4	6.4	6.0
Private Corp	6.4	3.3	2.2	2.9	2.6
Public	20.3	16.1	14.7	15.4	14.9

PTC India

Volumes miss due to transmission constraints; maintain Hold

Result highlights

- APAT of Rs284mn (-36% YoY) was significantly below our estimate of Rs425mn. The profit was impacted due to lesser volumes traded (-6% YoY)
- The decline in volume was mainly due to lesser demand and corridor constraint at Bangladesh and transmission network congestion in India
- On back of the weaker than expected performance, we have reduced our FY16/17 earnings estimate by 11%/8%
- We maintain our Hold rating with a revised base case SOTP price of Rs92/share. Key upside risks would be higher than expected bids from SEBs and PTC able to participate

Earnings beat our estimates on higher volumes

PTC's 3QFY14 APAT of Rs284mn (-36% YoY) is significantly below our estimate of Rs425mn. The volumes during the quarter reduced 6% YoY because of lesser demand and corridor constraint at Bangladesh and transmission network congestion in India (for power flowing towards SR, within SR and from WR and ER to NR). During the quarter, 61% of contracted power could not flow because of transmission constraints in the network. The reported profit was further impacted because of impairment provision for the stake held in Teest Urja (Rs332mn).

The trading margins after accounting for rebate/surcharge (Rs126mn) came in at 6.1p/unit vs 4.5p/unit in 3QFY15 slightly above our expectation. During the quarter, company started supplying 104MW power to Rajasthan from Jaypee Karcham Wangtoo project on long term basis.

Transmission problem structural; earnings for FY15/16 reduced

The transmission bottleneck in the regions mentioned above in our view will take significantly longer time to get corrected. For many interstate projects in the regions forest and environment clearance has not yet been received. On back of the weaker than expected performance, we have reduced our FY16/17 earnings estimate by 11%/8%. Going forward stabilization in the short-term market (bilateral, OTC and exchanges traded) would be the key thing to track.

Maintain Hold; revise target price to Rs92/share

We have a Hold rating on the stock however, key risks to our estimates are: 1) losses on minimum guaranteed tariffs (30% of long-term volumes, for which no PSA has been signed) resulting from lower merchant rates, 2) higher working capital requirement, and 3) lower short-term volumes (25-30% of PAT). We retain our base case SOTP value to Rs92/share (4.5x FY17E EPS, Rs54/share for investments and Rs8/share for cash) based on FY17E. The key upside risks would be higher than expected bids from SEBs and PTC able to participate, significant up-tick in short-term volumes, investments fetching more than 1x, and lower working capital requirement.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	88,423	1,14,961	1,22,267	1,85,610	2,05,098
EBITDA	1,700	3,194	2,135	2,518	2,755
EBITDA Margin (%)	1.9	2.8	1.7	1.4	1.3
APAT	1,276	1,332	1,716	1,931	2,020
EPS (Rs)	4.3	4.5	5.8	6.5	6.8
EPS (% chg)	5.9	4.3	28.9	12.5	4.6
ROE (%)	5.6	5.5	6.7	7.3	7.3
P/E (x)	20.6	19.8	15.3	13.6	13.0
EV/EBITDA (x)	13.3	6.4	8.8	8.6	7.9
P/BV (x)	1.1	1.0	1.0	1.0	0.9

Source: Company, Emkay Research

CMP	Target Price
Rs89	Rs92 (■)
Rating	Upside
HOLD (■)	3.5 %

Change in Estimates

EPS Chg FY15E/FY16E (%)	(11)/(8)
Target Price change (%)	NA
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	5.8	6.5
Consensus	6.9	7.9
Mean Consensus TP	Rs 116	

Stock Details

Bloomberg Code	PTCIN IN
Face Value (Rs)	10
Shares outstanding (mn)	296
52 Week H/L	105 / 52
M Cap (Rs bn/USD bn)	26 / 0.43
Daily Avg Volume (nos.)	28,22,358
Daily Avg Turnover (US\$ mn)	4.5

Shareholding Pattern Dec '14

Promoters	16.2%
FIIIs	25.6%
DIIIs	36.6%
Public	21.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)	(3)	6	60
Rel. to Nifty	(5)	(6)	(6)	13

Relative price chart



Source: Bloomberg

Exhibit 1: Result snapshot

Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY14	9MFY15	YoY (%)
Revenue	26214.7	27952.5	36895.4	42022.9	28232.4	7.7	-32.8	85,321	1,07,151	25.6
Expenditure	-25705.8	-27504.7	-36318.4	-41299	-27730.3	7.9	-32.9	-83,741	-1,05,348	25.8
as % of sales	-98.1	-98.4	-98.4	-98.3	-98.2			-98.1	-98.3	
Power and Fuel	-25592	-27334	-36214	-41174	-27597	7.8	-33.0	-83,454	-1,04,986	25.8
as % of sales	-97.6	-97.8	-98.2	-98.0	-97.8			-97.8	-98.0	
Employee Cost	-46	-39	-43	-54	-54	17.5	0.4	-115	-151	30.5
as % of sales	-0.2	-0.1	-0.1	-0.1	-0.2			-0.1	-0.1	
Other expenditure	-68	-131	-61	-71	-79	16.1	11.2	-172	-212	23.1
as % of sales	-0.3	-0.5	-0.2	-0.2	-0.3			-0.2	-0.2	
EBITDA	508.9	447.8	577	723.9	502.1	-1.3	-30.6	1,581	1,803	14.1
Depreciation	-10	-11	-10	-11	-11	5.0	1.0	-32	-31	-2.2
EBIT	499	437	567	713	491	-1.5	-31.1	1,549	1,772	14.4
Other Income	154	120	93	104	94	-39.1	-10.4	424	291	-31.4
Interest	-2	-18	-1	-3	-3	13.0	-16.1	-9	-6	-30.4
PBT	1339	1038	658	1256	258	-80.7	-79.4	2,604	2,172	-16.6
Total Tax	-432	-349	-221	-292	-191	-55.7	-34.7	-781	-704	-9.8
Adjusted PAT	446	354	438	557	284	-36.2	-48.9	1,394	1,279	-8.2
Extra ordinary items	689	500	-1	441	-324	-147.1	-173.6	640	115	-82.0
Reported PAT	908	689	437	963	67	-92.6	-93.0	1,823	1,468	-19.5
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-			-	-	
PAT after MI	446	354	438	557	284	-36.2	-48.9	1,394	1,279	-8.2
Reported EPS	2.09	3.07	2.33	1.48	3.25	55.7	120.2	4.34	7.06	62.48

Margins (%)						(bps)	(bps)			
EBIDTA	1.94	1.60	1.56	1.72	1.78	-16	6	1.85	1.68	-17
EBIT	1.90	1.56	1.54	1.70	1.74	-16	4	1.82	1.65	-16
EBT	5.11	3.71	1.78	2.99	0.91	-419	-207	3.05	2.03	-102
PAT	1.70	1.27	1.19	1.32	1.01	-69	-32	1.63	1.19	-44
Effective Tax rate	32.23	33.64	33.54	23.29	74.00	4177	5071	29.98	32.42	244

Source: Company, Emkay Research

Exhibit 2: volume traded

Volume data (MU)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY14	9MFY15	YoY (%)
Long Term	1,513	2,227	2,094	3,220	3,398	124.6	5.5	4,628	8,712	88.2
Cross Border	1,156	152	917	2,840	1,156	0.0	-59.3	5,412	4,913	-9.2
Short Term - Bilateral	3,339	2,575	3,608	3,700	2,240	-32.9	-39.5	11,145	9,548	-14.3
Short Term - Exchange	1,798	2,276	3,272	2,500	2,133	18.6	-14.7	5,474	7,905	44.4
Total	7,806	7,230	9,891	12,260	8,927	14.4	-27.2	26,659	31,078	16.6

Source: Company, Emkay Research

Exhibit 3: Quarterly margin

	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY14	9MFY15	YoY (%)
Trading Profit (Rs/unit)	0.0496	0.0699	0.0449	0.0490	0.0644	0.0620	0.0606	35.0	-2.2	0.0548

Source: Company, Emkay Research

Exhibit 4: Volume Assumptions

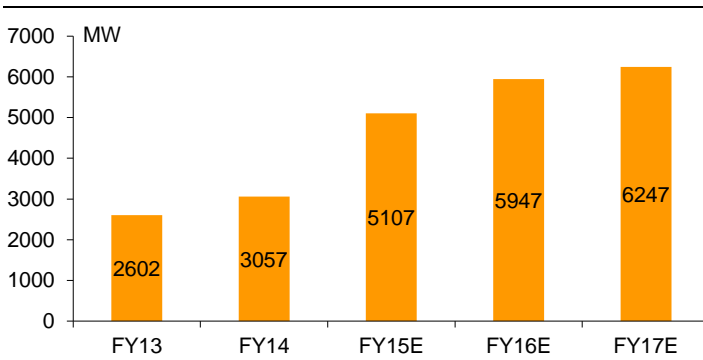
MUs	FY13	FY14	FY15E	FY16E	FY17E
Long Term	4,406	6,527	11,071	25,508	31,389
Cross Border	4,790	5,564	4,859	4,859	4,859
Short Term - Bilateral	11,826	13,720	10,416	9,828	9,176
Short Term - Exchange	6,623	7,750	8,907	10,268	11,724
Total	27,645	33,561	35,253	50,463	57,148

Source: Company, Emkay Research

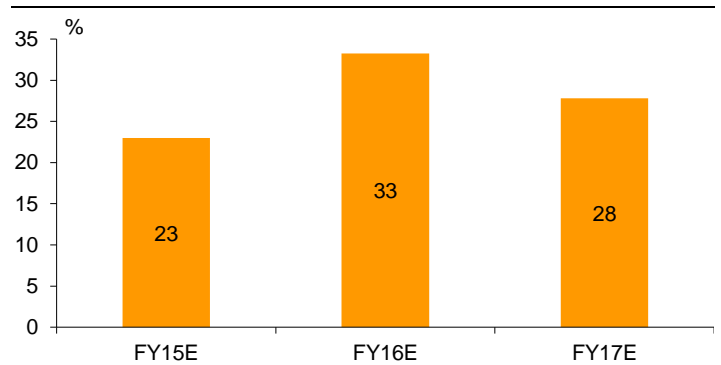
Exhibit 5: Margins Assumptions

Rs/unit	FY13	FY14	FY15E	FY16E	FY17E
Long Term	0.0500	0.0500	0.0500	0.0500	0.0500
Cross Border	0.0400	0.0200	0.0300	0.0300	0.0300
Short Term - Bilateral	0.0436	0.0100	0.0390	0.0371	0.0352
Short Term - Exchange	0.0220	0.0100	0.0220	0.0209	0.0199
Rebate and Surcharge	0.0241	-0.0328	0.0158	0.0223	0.0229
Total	0.0518	0.0945	0.0657	0.0616	0.0614

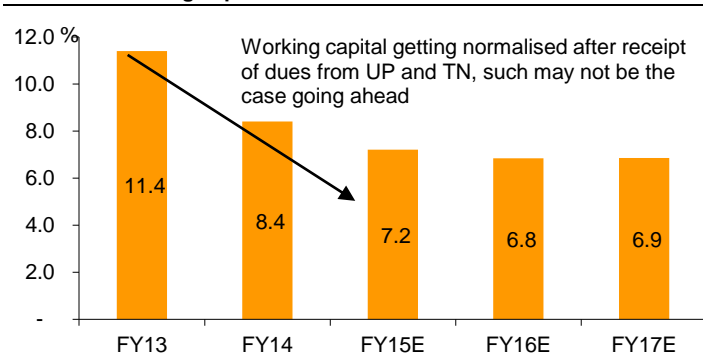
Source: Company, Emkay Research

Exhibit 6: Long term PPA assumptions

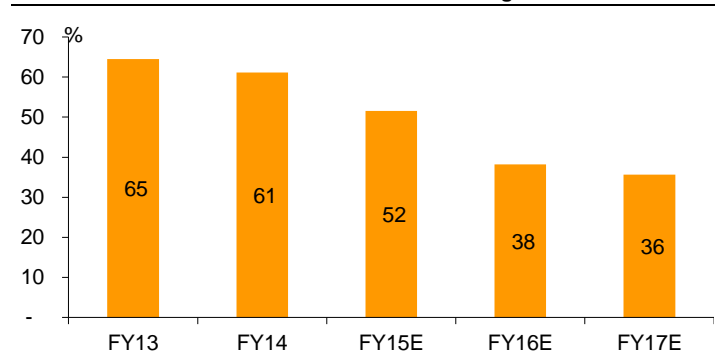
Source: Company, Emkay Research

Exhibit 7: Minimum guarantee contracts as % of total long term PPA volumes

Source: Company, Emkay Research

Exhibit 8: Working capital as a % of sales

Source: Company, Emkay Research

Exhibit 9: Short term volumes as % of total trading volumes

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	88,423	1,14,961	1,22,267	1,85,610	2,05,098
Expenditure	86,869	1,11,914	1,20,329	1,83,307	2,02,575
EBITDA	1,700	3,194	2,135	2,518	2,755
Depreciation	42	42	43	45	46
EBIT	1,658	3,152	2,092	2,474	2,710
Other Income	119	543	417	349	244
Interest expenses	9	28	0	0	0
PBT	1,767	3,667	2,509	2,823	2,953
Tax	491	2,336	793	892	933
Extraordinary Items	11	1,181	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,287	2,513	1,716	1,931	2,020
Adjusted PAT	1,276	1,332	1,716	1,931	2,020

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	2,960	2,960	2,960	2,960	2,960
Reserves & surplus	20,297	22,124	23,095	24,188	25,331
Net worth	23,257	25,084	26,055	27,148	28,291
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	(42)	(63)	(63)	(63)	(63)
Total Liabilities	23,214	25,021	25,992	27,085	28,228
Net block	327	300	276	252	226
Investment	9,130	9,130	9,380	9,380	9,380
Current Assets	25,715	27,655	29,029	36,592	39,740
Cash & bank balance	3,650	5,915	7,495	4,727	4,535
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	11,957	12,064	12,693	19,138	21,117
Net current assets	13,758	15,591	16,336	17,453	18,623
Misc. exp	0	0	0	0	0
Total Assets	23,215	25,021	25,992	27,085	28,228

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	1,649	3,124	2,092	2,474	2,710
Other Non-Cash items	0	0	0	0	0
Chg in working cap	3,316	412	834	(3,885)	(1,362)
Operating Cashflow	4,414	2,455	2,177	(2,258)	460
Capital expenditure	(28)	(16)	(19)	(20)	(20)
Free Cash Flow	4,386	2,439	2,157	(2,278)	440
Investments	(894)	0	(250)	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(804)	528	148	329	224
Equity Capital Raised	10	0	0	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	514	554	745	838	877
Other Financing Cash Flow	(934)	(1,244)	(1,682)	(1,890)	(1,910)
Financing Cashflow	(419)	(717)	(937)	(1,052)	(1,033)
Net chg in cash	3,191	2,266	1,388	(2,981)	(349)
Opening cash position	458	3,650	5,915	7,495	4,727
Closing cash position	3,650	5,915	7,303	4,514	4,378

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	1.9	2.8	1.7	1.4	1.3
EBIT Margin	1.9	2.7	1.7	1.3	1.3
Effective Tax Rate	27.8	63.7	31.6	31.6	31.6
Net Margin	1.4	1.2	1.4	1.0	1.0
ROCE	7.8	15.3	9.8	10.6	10.7
ROE	5.6	5.5	6.7	7.3	7.3
RoIC	13.6	30.9	21.9	22.4	19.9

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	4.3	4.5	5.8	6.5	6.8
CEPS	4.5	4.6	5.9	6.7	7.0
BVPS	78.6	84.7	88.0	91.7	95.6
DPS	1.7	1.9	2.5	2.8	3.0

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	20.6	19.8	15.3	13.6	13.0
P/CEPS	20.0	19.1	14.9	13.3	12.7
P/BV	1.1	1.0	1.0	1.0	0.9
EV / Sales	0.3	0.2	0.2	0.1	0.1
EV / EBITDA	13.3	6.4	8.8	8.6	7.9
Dividend Yield (%)	2.0	2.1	2.8	3.2	3.3

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)
Net Debt/EBIDTA	(2.1)	(1.9)	(3.5)	(1.9)	(1.6)
Working Cap Cycle (days)	41.7	30.7	26.4	25.0	25.0

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	15.7	30.0	6.4	51.8	10.5
EBITDA	16.9	87.8	(33.1)	18.0	9.4
EBIT	17.7	90.1	(33.6)	18.3	9.5
PAT	7.4	95.2	(31.7)	12.5	4.6

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	26,215	27,953	36,895	42,023	35,398
EBITDA	509	448	577	724	550
EBITDA Margin (%)	1.9	1.6	1.6	1.7	1.6
PAT	908	689	437	963	425
EPS (Rs)	3.1	2.3	1.5	3.3	1.4

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	16.2	16.2	16.2	16.2	16.2
FIIIs	18.0	20.5	26.1	24.5	25.6
DIIIs	44.9	43.6	35.5	37.7	36.6
Private Corp	7.5	7.2	8.7	7.9	7.7
Public	20.8	19.7	22.2	21.6	21.5

GAIL

Operationally weak, bleak outlook

CMP Rs420	Target Price Rs434 (▼)
Rating HOLD (➡)	Upside 3.5 %

Result highlights

- Results came significantly below our and consensus est. with PAT at Rs6bn on back of payment towards previous quarter subsidy of Rs5bn coupled with weak performance in Petchem and Gas marketing margin
- As expected transmission vol. came at 94.09mmcmd, growth of 3.4% while trading volumes increased by 7.4% to 74.08 qoq. Transmission EBIDTA came in at Rs6.8bn, growth of 38% qoq, while trading EBIDTA stood at Rs0.53bn, declined of 88% qoq
- Petchem margins have declined sharply to 2.3% (v/s 14.1% qoq) to Rs0.2bn (v/s Rs1.8bn qoq) on higher cost of natural gas and lower net realisation of products. Trading margins have also nosedived to 0.5% (v/s 4.6% qoq) to Rs0.5bn (v/s Rs4.6bn qoq) as company reported negative marketing margin of 33cents/mmBtu
- Except transmission, rest all business like Trading, Petchem and LPG outlook remains weak in near term. Subsidy sharing still a bleak picture. Cut our TP to Rs434 (Rs485 earlier) and EPS for FY15/16 by (19.3)/(18.5)% to Rs28.7/31.7 respectively, Maintain Hold

Key concall highlights

- Subsidy Payment & Inventory Loss:** Company paid Rs5bn towards subsidy for the Q2FY15 and have not yet received any intimation from MOPNG for the current quarter. Inventory loss stood at Rs0.94bn for the quarter.
- Kochi Mangalore Bangalore pipeline issue:** Currently the management guided that they have terminated all the previous contracts. Kerala govt. is showing a positive stance to solve the KMB pipeline issue. From the activation date post the issue gets resolved pipeline will take ~20-22 months to complete.
- Expect more vol. from power sector:** Power plant across all geographies are expecting spot LNG which is available at \$7/mmBtu now. Currently, company expects to supply 0.5mt to Andhra power plant and 0.25mt towards Uttarakhand. Further mgmt. expects to start Dabhol power plant which is likely to consume 1mnt of LNG.
- LPG and Petchem segment:** In LPG - GAIL gets 95% of APM gas and 5% LNG while in Petchem it gets 15-16% APM and 85% long term LNG. Pata Petchem expansion is expected to commission by end of FY15 and is expected to add very less quantity in current volumes. **Capex plan** for FY15/FY16 at Rs30bn each.
- Spot Cargoes:** Gail imported 6 spot LNG cargoes for Q3FY15 against 8 in 3QFY14. Due to favorable pricing during the quarter, Gail consumed less of contracted long term LNG (Ras Gas) and supplied the shortfall from buying in the spot market at \$7/mmbtu.

Financial Snapshot (Standalone)

(Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	4,74,798	5,75,079	5,77,156	6,33,296	6,46,939
EBITDA	64,784	58,711	50,150	70,465	70,888
EBITDA Margin (%)	13.7	10.2	8.7	11.1	11.0
APAT	40,222	38,271	35,810	40,221	40,131
EPS (Rs)	31.7	32.9	28.2	31.7	31.6
EPS (% chg)	10.1	(4.9)	(6.4)	12.3	(0.2)
ROE (%)	17.5	14.9	12.7	13.1	12.0
P/E (x)	13.2	13.9	14.9	13.2	13.3
EV/EBITDA (x)	9.1	9.2	10.3	8.3	8.3
P/BV (x)	2.2	2.0	1.8	1.7	1.5

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY15E/FY16E (%)	(19.3)/(19)
Target Price change (%)	(10.5)
Previous Reco	HOLD

Emkay vs Consensus

EPS Estimates		
	FY15E	FY16E
Emkay	28.2	31.7
Consensus	32.5	34.6
Mean Consensus TP	Rs 434	

Stock Details

Bloomberg Code	GAIL IN
Face Value (Rs)	10
Shares outstanding (mn)	1,268
52 Week H/L	552 / 347
M Cap (Rs bn/USD bn)	532 / 8.62
Daily Avg Volume (nos.)	16,48,950
Daily Avg Turnover (US\$ mn)	11.5

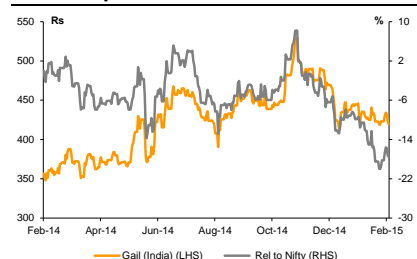
Shareholding Pattern Dec '14

Promoters	56.1%
FII's	19.8%
DII's	13.0%
Public	11.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(3)	(16)	-	17
Rel. to Nifty	(1)	(18)	(11)	(17)

Relative price chart



Source: Bloomberg

Exhibit 1: Result Highlights

Rs mn	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15	YoY (%)	QoQ (%)	9MFY15	9MFY14	YoY (%)
Revenue	160385.2	145671.6	133722.30	141297	149694	-6.7	5.9	424714	429408	-1.1
Expenditure	137489	131273	123274	121075	139837	1.7	15.5	384186	376795	2.0
as % of sales	85.7%	90.1%	92.2%	85.7%	93.4%			90.5%	87.7%	
Consumption of RM	121382	116994	111160.5	108032.8	126032.1	3.8	16.7	345225	337516	2.3
as % of sales	75.7%	80.3%	83.1%	76.5%	84.2%			81.3%	78.6%	
Employee Cost	2184	2258	2274	2326	2442	11.8	5.0	7042	6219	13.2
as % of sales	1.4%	1.6%	1.7%	1.6%	1.6%			1.7%	1.4%	
Other expenditure	13924	12021	9840	10716	11362	-18.4	6.0	31918	33059	-3.5
as % of sales	8.7%	8.3%	7.4%	7.6%	7.6%			7.5%	7.7%	
EBITDA	22896	14399	10448	20222	9857	-56.9	-51.3	40528	52613	-23.0
Depreciation	3057	3057	2337	2368	2510	-17.9	6.0	7214	8754	-17.6
EBIT	19839	11342	8112	17855	7347	-63.0	-58.9	33314	43860	-24.0
Other Income	2082	4107	1724	2888	1403	-32.6	-51.4	6015	4878	23.3
Interest	913	1056	932	916	851	-6.8	-7.1	2699	2606	3.6
PBT	21008	14393	8904	19827	7899	-62.4	-60.2	36630	46131	-20.6
Total Tax	7713	4672	2690.00	6798	2487	-67.8	-63.4	11975	15598	-23.2
Adjusted PAT	13296	9721	6214	13029	5412	-59.3	-58.5	24656	30534	-19.3
(Profit)/loss from JV's/Ass/MI	0	0	0					0	0	
APAT after MI	13296	9721	6214	13029	5412	-59.3	-58.5	24656	30534	-19.3
Extra ordinary items	-3450	0	0		-629			-629	-3450	
Reported PAT	16745	9721	6214.40	13029	6041	-63.9	-53.6	25284	33983	-25.6
Reported EPS	13.2	7.7	4.9	10.3	4.8	-64.0	-53.7	20	27	-25.7

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	14.3	9.9	7.8	14.3	6.6	-769.1	-772.7	9.5	12.3	-271.0
EBIT	12.4	7.8	6.1	12.6	4.9	-749.2	-772.8	7.8	10.2	-238.2
EBT	13.1	9.9	6.7	14.0	5.3	-785.2	-875.5	8.6	10.8	-213.0
PAT	8.3	6.7	4.6	9.2	3.6	-470.5	-560.5	5.8	7.1	-131.7
Effective Tax rate	36.6	32.5	30.2	34.3	31.5	-514.4	-280.2	32.7	33.8	-108.5

Source: Company, Emkay Research

- **APtel Order on transmission tariff:** Company has discussed common issues with the APTEL while uncommon issues are still in process. Company expects favorable transmission tariff verdict same as GSPL.
- **Outlook and Valuation:** Except transmission, rest all business like Trading, Petchem and LPG outlook remains weak in near term. Subsidy sharing still a bleak picture. Cut our TP to Rs434 (Rs485 earlier) and EPS for FY15/16 by (19.3)/(18.5)% to Rs28.7/31.7 respectively, Maintain Hold.

Exhibit 2: Change in estimates

Rs. Bn	FY15E			FY16E		
	Old	New	% Change	Old	New	% Change
Sales	638	577	-9.6	656	633	-3.4
EBIDTA	78	50	-35.8	86	70	-18.4
PAT	45	36	-19.3	49	40	-18.5
EPS	35.6	28.7	-19.3	38.9	31.7	-18.5

Source: Company, Emkay Research

Exhibit 3: Segmental performance

Net Sales (Rs. mn)	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	YoY % chg	QoQ % chg
Natural gas Transmission	11190	7870	5870	6900	9180	-18.0	33.0
LPG Transmission	1140	1150	1110	980	1070	-6.1	9.2
Natural gas Trading-mmcmd	115500	107760	102450	101150	114620	-0.8	13.3
Petrochemical	11520	11600	9740	12590	11960	3.8	-5.0
LPG & Other LHC	19340	14860	12600	17040	10540	-45.5	-38.1

Physical performance

Natural gas Transmission-mmcmd	8832	8519	8827	8372	8656	-2.0	3.4
LPG Transmission-mmt	0.855	0.863	0.832	0.701	0.773	-9.6	10.3
Natural gas Trading-mmcmd	7360	6863.4	7007	6348	6815	-7.4	7.4
Petrochemical -mmt	0.109	0.107	0.087	0.11	0.112	2.8	1.8
LPG & Other LHC-mmt	0.332	0.289	0.324	0.322	0.33	-0.6	2.5

Realisation per Unit

Natural gas Transmission – Rs/scm	1.27	0.92	0.67	0.82	1.06	-16.3	28.7
LPG Transmission – Rs/ton	1333	1333	1334	1398	1384	3.8	-1.0
Natural gas Trading – Rs/scm	15.7	15.7	14.6	15.9	16.8	7.2	5.5
Petrochemical – Rs/ton	105688	108411	111954	114455	106786	1.0	-6.7
LPG & Other LHC – Rs/ton	58253	51419	38889	52919	31939	-45.2	-39.6

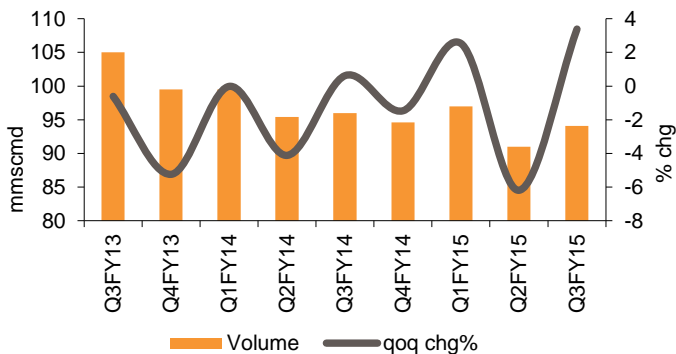
Gross margin (Rs.mn)

Natural gas Transmission	6360	6210	4810	4930	6820	7.2	38.3
LPG Transmission	710	700	800	580	690	-2.8	19.0
Natural gas Trading	5090	2970	-260.0	4620.0	530.0	-89.6	-88.5
Petrochemical	3820	2430	1470	1770	280	-92.7	-84.2
LPG & Other LHC	7850	5220	5090	9140	2560	-67.4	-72.0

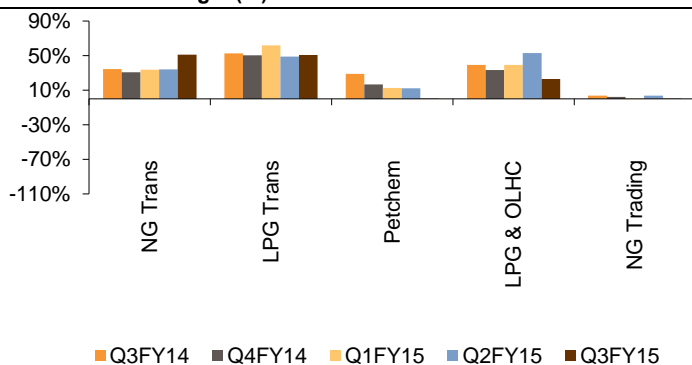
Gross margin (%)

						bps-YoY	bps-QoQ
Natural gas Transmission	56.8	78.9	81.9	71.4	74.3	1745.5	284.3
LPG Transmission	62.3	60.9	72.1	59.2	64.5	220.5	530.2
Natural gas Trading-mmcmd	4.4	2.8	-0.3	4.6	0.5	-394.5	-410.5
Petrochemical	33.2	20.9	15.1	14.1	2.3	-3081.9	-1171.8
LPG & Other LHC	40.6	35.1	40.4	53.6	24.3	-1630.1	-2935.0

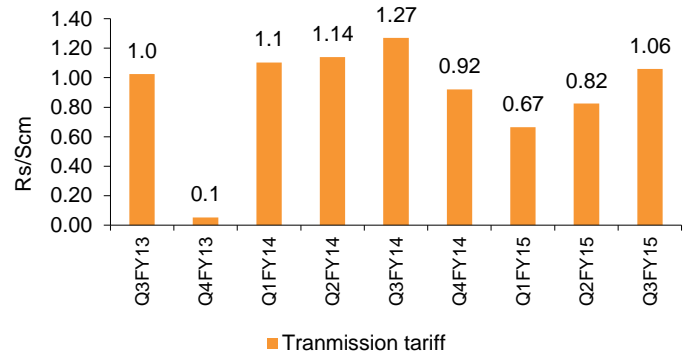
Source: Company, Emkay Research

Exhibit 4: Transmission volume trend

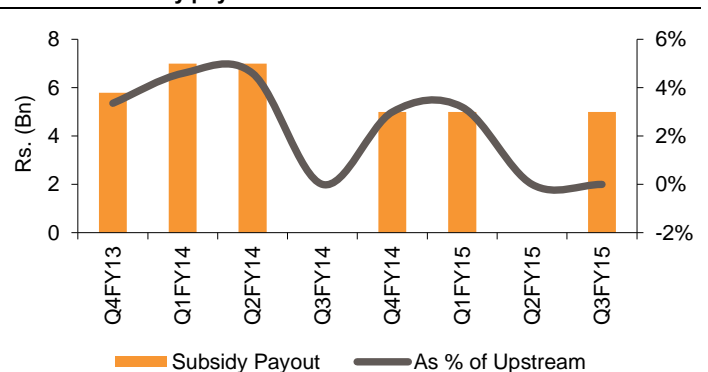
Source: Company, Emkay Research

Exhibit 6: EBIT margin (%)

Source: Company, Emkay Research

Exhibit 5: Transmission tariff trend

Source: Company, Emkay Research

Exhibit 7: Subsidy payout trend

Source: Company, Emkay Research

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	4,74,798	5,75,079	5,77,156	6,33,296	6,46,939
Expenditure	4,10,014	5,16,368	5,27,005	5,62,832	5,76,050
EBITDA	64,784	58,711	50,150	70,465	70,888
Depreciation	9,809	11,762	9,968	13,923	14,927
EBIT	55,544	53,218	47,407	56,542	55,961
Other Income	6,984	8,985	9,421	9,027	9,109
Interest expenses	1,950	3,662	3,550	5,538	5,172
PBT	60,578	58,542	53,278	60,031	59,898
Tax	20,356	20,271	17,468	19,810	19,766
Extraordinary Items	0	3,450	629	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	40,222	41,720	36,438	40,221	40,131
Adjusted PAT	40,222	38,271	35,810	40,221	40,131

Balance Sheet

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Equity share capital	12,685	12,685	12,685	12,685	12,685
Reserves & surplus	2,29,593	2,58,039	2,81,565	3,08,874	3,36,094
Net worth	2,42,278	2,70,724	2,94,250	3,21,559	3,48,778
Minority Interest	0	0	0	0	0
Loan Funds	83,645	95,261	97,818	89,318	80,818
Net deferred tax liability	23,001	25,664	25,664	25,664	25,664
Total Liabilities	3,48,924	3,91,648	4,17,732	4,36,540	4,55,260
Net block	1,97,075	2,14,767	2,46,799	2,74,876	3,01,949
Investment	37,190	41,030	41,030	41,030	41,030
Current Assets	1,22,799	1,45,039	1,46,883	1,50,351	1,46,002
Cash & bank balance	23,579	26,510	41,546	34,597	26,921
Other Current Assets	6,880	7,366	7,393	8,112	8,287
Current liabilities & Provision	97,918	1,06,465	1,07,258	1,12,995	1,14,999
Net current assets	24,881	38,573	39,625	37,356	31,003
Misc. exp	0	0	0	0	0
Total Assets	3,48,924	3,91,648	4,17,732	4,36,540	4,55,260

Cash Flow

Y/E Mar (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
PBT (Ex-Other income) (NI+Dep)	60,578	64,023	53,907	60,031	59,898
Other Non-Cash items	(1,953)	(9,789)	0	0	0
Chg in working cap	(6,384)	(8,171)	13,985	(4,680)	(1,322)
Operating Cashflow	50,334	44,729	63,941	55,001	58,908
Capital expenditure	(55,002)	(38,550)	(35,000)	(35,000)	(40,000)
Free Cash Flow	(4,668)	6,179	28,941	20,001	18,908
Investments	(4,158)	(3,725)	0	0	0
Other Investing Cash Flow	4,438	9,958	0	0	0
Investing Cashflow	(54,722)	(32,317)	(35,000)	(35,000)	(40,000)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	37,167	12,043	2,557	(8,500)	(8,500)
Dividend paid (incl tax)	(14,299)	(14,991)	(12,912)	(12,912)	(12,912)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	18,654	(9,481)	(13,905)	(26,950)	(26,584)
Net chg in cash	14,266	2,930	15,036	(6,949)	(7,676)
Opening cash position	9,313	23,579	26,510	41,546	34,597
Closing cash position	23,579	26,510	41,546	34,597	26,921

Key Ratios

Profitability (%)	FY13	FY14	FY15E	FY16E	FY17E
EBITDA Margin	13.7	10.2	8.7	11.1	11.0
EBIT Margin	11.7	9.2	8.1	8.9	8.7
Effective Tax Rate	33.6	34.6	32.8	33.0	33.0
Net Margin	8.5	7.3	6.1	6.4	6.2
ROCE	19.7	16.8	14.0	15.4	14.6
ROE	17.5	16.3	12.7	13.1	12.0
RoIC	30.7	25.0	20.1	21.6	19.2

Per Share Data (Rs)	FY13	FY14	FY15E	FY16E	FY17E
EPS	31.7	32.9	28.2	31.7	31.6
CEPS	39.4	42.2	36.1	42.7	43.4
BVPS	191.0	213.4	232.0	253.5	275.0
DPS	8.7	8.7	8.7	8.7	8.7

Valuations (x)	FY13	FY14	FY15E	FY16E	FY17E
PER	13.2	13.9	14.9	13.2	13.3
P/CEPS	11.1	11.1	12.2	10.3	10.1
P/BV	2.2	2.0	1.8	1.7	1.5
EV / Sales	1.2	1.0	1.0	0.9	0.9
EV / EBITDA	9.1	9.2	10.3	8.3	8.3
Dividend Yield (%)	2.1	2.1	2.1	2.1	2.1

Gearing Ratio (x)	FY13	FY14	FY15E	FY16E	FY17E
Net Debt/ Equity	0.2	0.3	0.2	0.2	0.2
Net Debt/EBIDTA	0.1	0.1	0.1	0.0	0.0
Working Cap Cycle (days)	1.0	7.6	(1.2)	1.6	2.3

Growth (%)	FY13	FY14	FY15E	FY16E	FY17E
Revenue	17.5	21.1	0.4	9.7	2.2
EBITDA	13.6	10.2	8.7	11.1	11.0
EBIT	10.5	(4.2)	(10.9)	19.3	(1.0)
PAT	10.1	3.7	(12.7)	10.4	(0.2)

Quarterly (Rs mn)	Q3FY14	Q4FY14	Q1FY15	Q2FY15	Q3FY15
Revenue	1,60,385	1,45,672	1,33,722	1,41,297	149,694
EBITDA	22,896	14,399	10,448	20,222	9,857
EBITDA Margin (%)	14.3	9.9	7.8	14.3	6.6
PAT	13,345	9,721	6,214	13,029	6,041
EPS (Rs)	13.2	7.7	4.9	10.3	4.8

Shareholding Pattern (%)	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Promoters	57.4	56.1	56.1	56.1	56.1
FIIIs	17.0	17.4	18.8	19.1	19.8
DIIIs	14.4	15.5	14.1	13.7	13.0
Private Corp	0.6	0.5	0.5	0.5	0.5
Public	10.6	10.5	10.5	10.6	10.7

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

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