

BSE SENSEX	S&P CNX	CMP: INR91	TP: INR135	Buy
16,786	5,050			
Bloomberg	IDEA IN			
Equity Shares (m)	3,306.0			
52-Week Range (INR)	104/56			
1,6,12 Rel. Perf. (%)	-6/50/44			
M.Cap. (INR b)	301			
M.Cap. (USD b)	6.1			

- Idea Cellular (IDEA) reported in-line 2QFY12 performance with revenue growing ~2% QoQ to INR46.2b, driven by ~4% RPM growth but offset by ~2% traffic decline.
- EBITDA increased 35% YoY but declined ~1% QoQ to INR11.9b (v/s our estimate of INR12.2b). EBITDA margin declined by ~95bp QoQ to 25.7% on higher staff costs (annual increments) and roaming charges (3G roaming arrangements with Bharti and Vodafone).
- Reported PAT of INR1.06b (down ~40% YoY and QoQ) was impacted by higher finance costs including INR313m forex loss.
- 2QFY12 RPM increased ~4% QoQ to 42.7p due to (1) higher data revenue, (2) 3G roaming agreements and (3) base tariff hike from 1p/s to 1.2p/s. The management maintained guidance of tariff hikes resulting in a 4-5% increase in RPM (ex-3G) over 3-4 quarters.
- 2QFY12 was the first ever quarter of sequential traffic decline. The management indicated this was largely seasonal and trends in the current quarter indicate volume recovery going forward.
- Idea maintained capex guidance of INR40b in FY12. Consolidated net debt increased INR8.2b QoQ to INR126b including INR2.8b due to MTM forex loss on forex loans outstanding.
- We are keeping our revenue estimates largely unchanged but downgrading EBITDA by ~2% and EPS by 6-7%.
- We expect 37% EBITDA CAGR over FY11-13. The stock trades at an EV/EBITDA of 8.3x FY12E and 5.8x FY13E.
- IDEA remains our preferred pick, being one of the biggest beneficiaries of the ongoing structural improvement.
- Reiterate **Buy** with a revised target price of INR135 (INR140 earlier) based on 8x FY13E EV/EBITDA (ex-Indus) and INR5m/tower for 12.8% effective stake in Indus Towers. Our target price incorporates INR46b (INR14/share) potential outflow for regulatory risks (~50% of outlay based on TRAI recommendations).

Y/E March	Quarterly Performance (Consolidated)									
	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q *	1Q	2Q	3QE	4QE		
<b>Gross Revenue</b>	36,537	36,592	39,556	42,006	45,207	46,199	49,651	52,267	155,032	193,324
YoY Growth (%)	22.8	23.0	25.6	25.5	23.7	26.3	25.5	24.4	24.5	24.7
QoQ Growth (%)	9.1	0.2	8.1	6.2	7.6	2.2	7.5	5.3		
<b>EBITDA</b>	8,884	8,788	9,482	10,031	12,040	11,866	13,426	14,868	37,906	52,200
YoY Growth (%)	3.3	8.6	16.5	8.6	35.5	35.0	41.6	48.2	11.3	37.7
QoQ Growth (%)	-3.8	-1.1	7.9	5.8	20.0	-1.4	13.1	10.7		
Margin (%)	24.3	24.0	24.0	23.9	26.6	25.7	27.0	28.4	24.5	27.0
Net Finance Costs	1,142	1,028	941	854	2,463	2,939	2,925	2,962	3,965	11,288
Depreciation & Amortization	5,656	5,820	5,925	6,572	7,026	7,369	7,992	8,172	23,973	30,559
<b>Profit before Tax</b>	2,086	1,940	2,616	2,605	2,551	1,559	2,509	3,735	9,968	10,353
Income Tax Expense / (Income)	72	143	186	581	778	501	753	1,120	982	3,152
<b>Net Profit / (Loss)</b>	2,014	1,797	2,430	2,024	1,773	1,058	1,756	2,614	8,986	7,201
YoY Growth (%)	-32.2	-18.4	42.9	-24.1	-12.0	-41.1	-27.7	29.2	-5.8	-19.9
QoQ Growth (%)	-24.5	-10.8	35.2	-16.7	-12.4	-40.3	66.0	48.9		
Margin (%)	5.5	4.9	6.1	4.8	3.9	2.3	3.5	5.0	5.8	3.7
<b>Mobile ARPU (Rs/month)</b>	182	167	168	161	160	155	158	160	167	164
QoQ Growth (%)	-1.6	-8.2	0.6	-4.2	-0.6	-3.1	2.2	0.9		
<b>Mobile MOU/sub/month</b>	415	394	401	397	391	364	365	363	394	385
QoQ Growth (%)	4.3	-5.1	1.8	-1.0	-1.5	-6.9	0.2	-0.3		
<b>Mobile RPM (Rs)</b>	0.44	0.42	0.42	0.41	0.41	0.43	0.43	0.44	0.42	0.43
QoQ Growth (%)	-5.7	-3.4	-1.2	-3.2	0.9	4.1	2.1	1.2		

E: MOSL Estimates; \* Adjusted for one-off revenue of ~INR340m and costs reversal of ~INR380m in 4QFY11

**Muted quarter led by seasonality; Broadly in line with estimates**

- Consolidated revenue grew 2.2% QoQ to INR46.2b (against our estimate of INR46.6b). Revenue for established circles increased 2% QoQ to INR41.6b.
- EBITDA in 13 established circles was INR12.2b, implying EBITDA margin of 29.4%.
- New circles reported 2QFY12 combined revenue of INR5b (v/s INR4.8b in 1QFY12) and EBITDA loss of INR1.8b (v/s loss of INR1.4b in 1QFY12).
- Increase in new circle losses has largely been due to 3G roaming agreements and more investments in certain geographies like Mumbai and Bihar, where IDEA has been getting better traction.
- Standalone EBITDA declined ~2% QoQ to INR10.4b. Standalone EBITDA margin was 22.4%.
- Depreciation and amortization increased 4.9% QoQ to INR7.4b.
- Net finance cost of INR2.9b was 3% lower than our estimate of INR3b.
- Effective tax rate increased was 32.1% (est of 30%).

**Idea Cellular 2QFY12: Consolidated P&L and revenue drivers**

Consolidated P&L (INR m)	2QFY11	1QFY12	2QFY12	YoY (%)	QoQ (%)	2QFY12E	v/s est (%)
<b>Revenue</b>	<b>36,592</b>	<b>45,207</b>	<b>46,199</b>	<b>26.3</b>	<b>2.2</b>	<b>46,636</b>	<b>-0.9</b>
<b>EBITDA</b>	<b>8,788</b>	<b>12,040</b>	<b>11,866</b>	<b>35.0</b>	<b>-1.4</b>	<b>12,238</b>	<b>-3.0</b>
<b>EBITDA margin (%)</b>	<b>24.0</b>	<b>26.6</b>	<b>25.7</b>	<b>167bp</b>	<b>-95bp</b>	<b>26.2</b>	<b>-56bp</b>
Depreciation & amortization	5,820	7,026	7,369	26.6	4.9	7,864	-6.3
EBIT	2,968	5,014	4,498	51.5	-10.3	4,374	2.8
EBIT margin (%)	8.1	11.1	9.7	162bp	-135bp	9.4	36bp
Net Finance Costs	1,028	2,463	2,939	185.9	19.3	3,034	-3.1
<b>Profit before Tax</b>	<b>1,940</b>	<b>2,551</b>	<b>1,559</b>	<b>-19.7</b>	<b>-38.9</b>	<b>1,340</b>	<b>16.4</b>
Tax	143	778	501	250.4	-35.6	402	24.7
Tax rate (%)	7.4	30.5	32.1	2478bp	165bp	30.0	215bp
<b>Profit after Tax</b>	<b>1,797</b>	<b>1,773</b>	<b>1,058</b>	<b>-41.1</b>	<b>-40.3</b>	<b>938</b>	<b>12.8</b>
<b>Revenue drivers</b>							
Subscribers (m)	74.2	95.1	100.2	35.0	5.3	97.9	2.3
ARPU (INR/month)	167	160	155	-7.3	-3.2	157	-1.7
Total minutes incl. Spice (b)	85	109	106	25.2	-2.2	109.3	-2.8
Minutes of use/sub/month	394	391	363	-8.0	-7.3	377	-3.9
Revenue per min (paisa)	42.4	40.9	42.7	0.7	4.3	41.7	2.3

Source: Company/MOSL

**RPM above estimates; Traffic decline largely due to seasonality**

- IDEA reported 2QFY12 ARPU of INR155 (against our estimate of INR157), down 7% YoY and 3.2% QoQ.
- RPM increased ~1% YoY and ~4% QoQ to 42.7p due to (1) higher data revenue (13.2% v/s 12.1%), (2) 3G roaming agreements and (3) base tariff hike from 1p/s to 1.2p/s.
- Total volumes carried on the network declined 2.2% QoQ to 106b minutes (against our estimate of 109b).
- Minutes of use per subscriber declined ~7% QoQ to 363.
- Monthly churn increased to 9.9% in 2QFY12 (v/s 9.6% in 1QFY12), remaining at alarming levels.

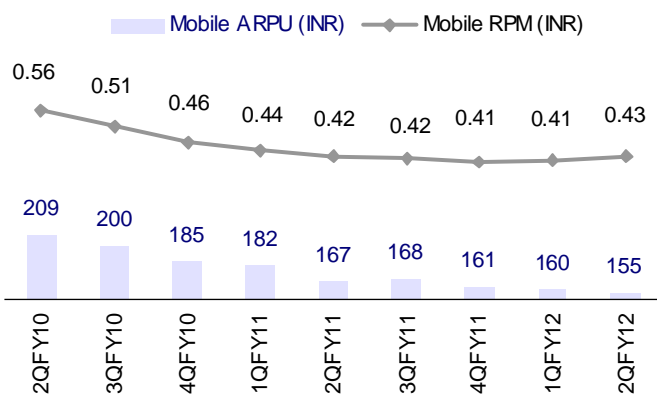
**Indus EBITDA up 4% QoQ, implied margin 46%**

- IDEA's share of 16% of Indus revenues in 2QFY12 was INR3.1b and revenue eliminations were INR3.4b. Proportionate EBITDA from Indus was up 4% QoQ at INR1.4b.
- In 2QFY12, IDEA rolled out ~2,000 2G cell sites taking the total number of 2G cell site bases to ~78,500. IDEA owns 9,133 towers and the rest of the sites are rented (of which 41,865 sites have been rented from Indus).
- IDEA's 3G cell site base increased to 9,744 (~12% of the 2G site base) – a sequential addition of ~2,750 sites.

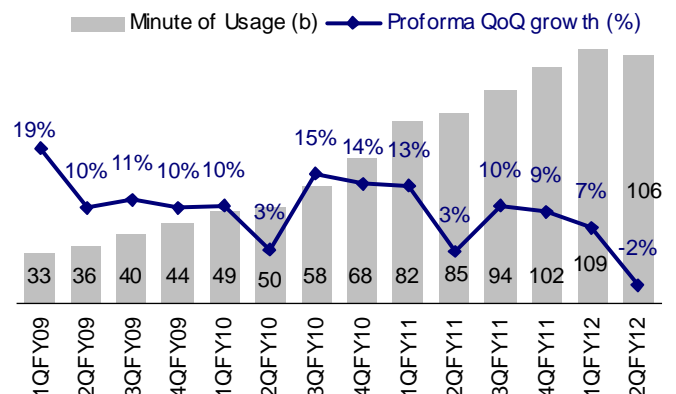
**FY12 capex guidance unchanged at INR40b; Consolidated net debt up 7% QoQ at INR126b**

- IDEA incurred capex (including addition to CWIP) of INR11b in 2QFY12 including INR2.8b related to capitalization of MTM loss on forex debt.
- FY12 capex guidance remains unchanged at INR40b for IDEA standalone (against capex of INR32.1b excluding 3G spectrum fees and interest capitalized in FY11).
- Consolidated net debt increased 7% QoQ to INR126b due to an MTM increase in forex denominated debt and lumpiness in capex creditors.
- IDEA has net debt/annualized EBITDA of 2.7x (v/s 2.4x in 1QFY12) and net debt/equity of 1x at the consolidated level.

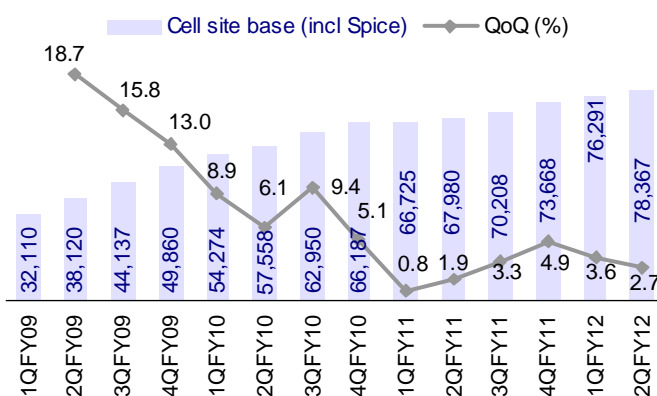
**RPM up 4% QoQ; ARPU down by 3% QoQ**



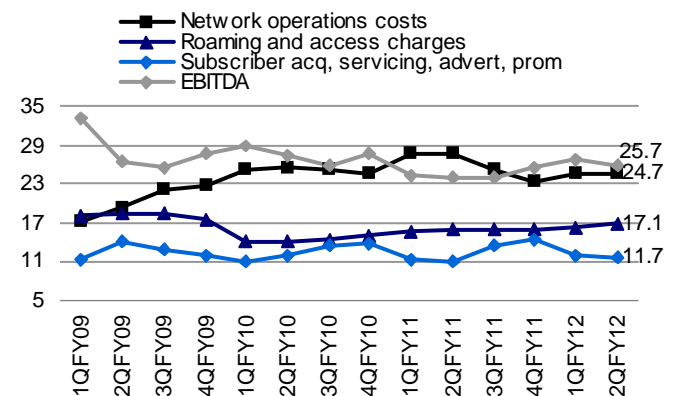
**Total minutes declined ~2% QoQ, below estimates**



**Idea added ~2,100 cell sites (up ~3% QoQ) in 2QFY12**



**Margin decline was driven by higher roaming and staff costs**



Source: Company/MOSL

## Downgrading EBITDA by ~2%; Maintain Buy with a revised target price of INR135

- We are keeping our revenue estimates largely unchanged but downgrading EBITDA by ~2% and EPS by 6-7%.
- We expect 37% EBITDA CAGR over FY11-13. The stock trades at an EV/EBITDA of 8.3x FY12E and 5.8x FY13E.
- IDEA remains our preferred pick in the sector, being one of the biggest beneficiaries of the ongoing structural improvement.
- Reiterate **Buy** with a revised target price of INR135 (INR140 earlier) based on 8x FY13E EV/EBITDA (ex-Indus) and INR5m/tower for 12.8% effective stake in Indus towers. Our target price incorporates INR46b (INR14/share) potential outflow for regulatory risks (~50% of outlay based on TRAI recommendations).

### Segmental break-up

	1QFY10	2QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12
<b>Consolidated revenue break-up (INR b)</b>									
Established service areas*	27.5	27.1	30.3	33.8	33.5	35.9	38.3	40.7	41.6
9 new service areas	1.4	1.8	2.8	3.1	3.4	4.0	4.4	4.8	5.0
Idea standalone	28.9	28.9	33.0	36.9	36.9	39.9	42.7	45.6	46.6
Proportionate revenue - Spice	1.4	1.4	1.0	-	-	-	-	-	-
Proportionate revenue - Indus	2.0	1.9	2.3	2.6	2.8	2.8	2.9	3.1	3.1
Eliminations	-2.5	-2.5	-2.9	-2.9	-3.1	-3.1	-3.3	-3.4	-3.4
Consolidated revenue	28.8	29.7	33.5	37.5	37.6	39.6	42.3	45.2	46.2
<b>Consolidated EBITDA break-up (INR b)</b>									
Established service areas*	8.3	8.1	9.8	9.3	9.0	9.6	10.7	12.1	12.2
9 new service areas	-0.6	-0.8	-1.4	-1.4	-1.4	-1.4	-1.2	-1.4	-1.8
Idea standalone	6.7	7.3	8.3	7.9	7.6	8.2	9.5	10.7	10.4
Proportionate EBITDA - Spice	0.3	0.2	0.1	-	-	-	-	-	-
Proportionate EBITDA - Indus	0.6	0.6	0.8	0.9	1.2	1.3	1.3	1.4	1.4
Consolidated EBITDA	7.6	8.1	8.2	9.9	8.8	9.5	10.8	12.0	11.9
<b>EBITDA margin (%)</b>									
Established service areas*	30.4	30.0	32.2	27.6	27.0	26.7	27.9	29.6	29.4
9 new service areas	-45.1	-45.6	-51.5	-45.7	-42.2	-34.9	-26.7	-29.0	-35.7
Idea standalone	23.2	25.3	25.2	21.5	20.7	20.6	22.2	23.4	22.4
Implied margin - Spice	21.6	13.0	7.4	-	-	-	-	-	-
Implied margin - Indus	30.4	31.5	35.8	37.1	42.1	45.8	42.7	44.6	46.3
Consolidated EBITDA margin	26.4	27.2	24.6	26.3	23.4	24.0	25.4	26.6	25.7

\* partial consolidation of Spice in 4QFY10, full consolidation from 1QFY11

Source: Company/MOSL

### SOTP valuation

	Methodology	Driver	Multiple	Fair Value (INR b)	value/share (INR)
Core Business (ex-Indus)	FY13 EV/EBITDA	65	8.0	520	159
Stake in Indus	Tower base	108,500	Rs5m/tower	69*	21
Less Net debt (FY13E)				109	32
Less 50% of potential spectrum liability				46	14
<b>Total Value</b>				<b>480</b>	<b>135</b>
Shares o/s (m)				3,303	
CMP (INR)					91
<b>Upside (%)</b>					<b>48</b>

\* 80% stake in ABTL which owns 16% stake in Indus towers

Source: MOSL

**Summary of estimate change**

	FY12E	FY13E
<b>Revenue (INR b)</b>		
Old	193.9	232.1
Actual/New	193.3	232.8
Change (%)	-0.3	0.3
<b>EBITDA (INR b)</b>		
Old	53.5	73.1
Actual/New	52.2	71.4
Change (%)	-2.4	-2.4
<b>EBITDA margin (%)</b>		
Old	27.6	31.5
Actual/New	27.0	30.7
Change (bp)	-59bp	-83bp
<b>Depreciation &amp; amortization</b>		
Old	31.4	32.3
Actual/New	30.6	31.9
Change (%)	-2.7	-1.4
<b>Net finance cost (INR b)</b>		
Old	11.0	10.2
Actual/New	11.3	10.7
Change (%)	2.6	5.1
<b>Tax rate (%)</b>		
Old	30.1	30.0
Actual/New	30.4	30.0
Change (bp)	33bp	0bp
<b>Net Profit (INR b)</b>		
Old	7.8	21.4
Actual/New	7.2	20.2
Change (%)	-7.2	-5.8
<b>EPS (INR)</b>		
Old	2.3	6.5
Actual/New	2.2	6.1
Change (%)	-7.2	-5.9

Source: MOSL

**KPI Trend**

	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12
Minute of Usage (b)	50.3	57.8	68.3	82.3	84.8	93.5	102.0	108.6	106.2
Mobile ARPU (INR)	209	200	185	182	167	168	161	160	155
MOU (per sub)	375	389	398	415	394	401	397	391	364
Mobile RPM (INR)	0.56	0.51	0.46	0.44	0.42	0.42	0.41	0.41	0.43
VAS (% of ARPU)	10.6	11.2	12.4	12.6	12.9	13.0	12.1	12.1	13.2
VAS ARPU (INR)	22.2	22.4	22.9	22.9	21.5	21.8	19.5	19.4	20.5
Voice ARPU (INR)	187	178	162	159	145	146	142	141	135
Voice RPM (INR)	0.50	0.46	0.41	0.38	0.37	0.36	0.36	0.36	0.37
EBITDA/min (INR)	0.14	0.12	0.12	0.09	0.09	0.09	0.09	0.10	0.10
EBITDA/sub (INR)	53	47	48	39	34	35	36	37	35
Prepaid (% of subs)	95.3	95.8	95.7	95.9	96.1	96.3	96.4	96.5	96.5
Monthly Churn - Prepaid (%)	7.4	9.4	7.9	8.4	8.2	10.3	11.0	9.8	10.1
Monthly Churn - Postpaid (%)	3.0	3.1	3.0	2.9	2.9	2.8	2.7	3.0	3.0
Monthly Churn - Blended (%)	7.2	9.1	7.7	8.2	8.0	10.0	10.7	9.8	9.9
<b>QoQ Growth (%)</b>									
Minute of Usage *	3.3	14.9	13.5	13.0	3.1	10.2	9.0	6.5	-2.2
Mobile ARPU	-9.9	-4.3	-7.5	-1.6	-8.2	0.6	-4.2	-0.6	-3.1
MOU	-6.0	3.7	2.3	4.3	-5.1	1.8	-1.0	-1.5	-6.9
Mobile RPM	-4.1	-7.8	-9.6	-5.7	-3.5	-1.0	-3.2	0.9	4.1
Mobile Revenue (INR m)	27,814	29,285	31,142	33,983	33,815	36,784	39,404	42,129	43,110
Voice Revenue (INR m)	24,866	26,005	27,280	29,701	29,453	32,002	34,636	37,032	37,419
QoQ Growth (%)	-0.4	4.6	4.9	8.9	-0.8	8.7	8.2	6.9	1.0
Non-Voice Revenue (INR m)	2948	3280	3862	4282	4362	4782	4768	5098	5691
QoQ Growth (%)	5.1	11.2	17.7	10.9	1.9	9.6	-0.3	6.9	11.6

\* 4QFY10 and 1QFY11 like to like growth excluding Spice consolidation impact

Source: Company/MOSL

**Idea Cellular: Key assumptions**

<b>Y/E March</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12E</b>	<b>FY13E</b>	<b>FY14E</b>
Subs (m)	43	64	90	109	125	138
YoY (%)	79	48	40	22	15	10
Average subs (m)	32	53	77	99	117	132
YoY (%)	66	70	44	29	18	12
Netadds per month ex acquisition (m)	1.2	1.7	2.1	1.6	1.3	1.1
YoY (%)	49	40	23	-24	-18	-18
Total mobile traffic (b min)	154	225	363	443	502	559
YoY (%)	78	46	45	22	13	11
Average Rev Per User (INR/month)	264	207	170	164	167	169
YoY (%)	-11	-21	-18	-4	2	1
Minutes of Use/Sub/Month	407	388	394	372	357	354
YoY (%)	8	-5	2	-6	-4	-1
Mobile RPM (INR)	0.65	0.53	0.43	0.44	0.47	0.48
YoY (%)	-17	-18	-19	2	6	2
Mobile EBITDA/min. (INR)	0.18	0.15	0.11	0.12	0.14	0.15
YoY (%)	-31	-19	-28	13	21	8
Capex (INR b)	59	33	88	39	28	23
Capex / Sales (%)	58	27	57	20	12	9
<b>Consolidated revenue break-up (INR b)</b>						
11 established service areas	98	112	126	151	172	183
9 new service areas	2	8	15	21	27	33
Idea standalone (ex-Spice)	100	120	141	172	199	216
Proportionate revenue - Spice	2	6	16	19	23	27
Proportionate revenue - Indus	2	8	11	13	15	17
Incremental 3G revenue			0	4	13	24
Eliminations	-3	-11	-12	-14	-16	-19
Consolidated revenue	101	124	155	193	233	265
YoY growth (%)	51	22	25	25	20	14
<b>Consolidated EBITDA break-up (INR b)</b>						
11 established service areas	29	35	37	48	58	64
9 new service areas	-2	-4	-5	-6	-4	-2
Idea standalone (ex-Spice)	28	31	32	42	54	62
Proportionate EBITDA - Spice	1	1	2	4	6	7
Proportionate EBITDA - Indus	0	3	5	6	6	8
Incremental 3G EBITDA			0	1	5	10
Consolidated EBITDA	28	34	38	52	71	86
Consolidated EBITDA margin (%)	28	27	24	27	31	32
YoY growth (%)	25	20	11	38	37	20
<b>Revenue mix</b>						
11 established service areas	94	83	75	73	69	65
9 new service areas	1	6	9	10	11	12
Proportionate revenue - Spice	2	4	9	9	9	10
Incremental 3G revenue	0	0	0	2	5	8
Proportionate revenue - Indus	2	6	7	6	6	6
<b>EBITDA mix</b>						
11 established service areas	103	102	98	91	82	75
9 new service areas	-6	-12	-14	-11	-6	-3
Proportionate revenue - Spice	2	2	4	7	8	8
Incremental 3G EBITDA	0	0	0	2	7	11
Proportionate revenue - Indus	1	8	12	11	9	9

Source: Company/MOSL

## Idea Cellular: an investment profile

### Company description

Idea Cellular (IDEA) an Aditya Birla Group company, is India's fifth largest wireless operator with revenue market share of ~14%. IDEA operates in all the 22 telecom circles of which 13 are classified as established service areas and nine, recently launched circles, as new service areas.

### Key investment arguments

- IDEA's strong execution in established and new circles will drive 18% average subscriber growth a year over FY11-13. We expect consolidated EBITDA CAGR of 37% over FY11-13, driven by increased contribution of 3G revenue, RPM increase and operating leverage.
- IDEA has strong incumbency advantage in eight established circles and spectrum allocation in the 900MHz band in nine circles.
- IDEA is the key beneficiary of tower sharing initiatives, including formation of Indus Towers, a three-way passive infrastructure JV between Bharti, Idea and Vodafone.
- The company has won 3G spectrum in 11 circles and we expect incremental 3G revenue to contribute ~5% to wireless revenues by FY13.

### Investment risks

- The regulatory environment remains uncertain with the draft NTP 2011 not providing details on critical issues related to spectrum.

- Relatively high leverage with net debt/annualized EBITDA of 2.7x in 2QFY12.
- MNP implementation is likely to put pressure on post-paid RPM and subscriber retention costs.

### Recent developments

- IDEA increased its base tariffs in the most popular promotion plans from 1p/s to 1.2p/s in 10 of its circles, which contribute ~70% of IDEA's revenue.
- IDEA offers 3G services in 20 circles through a combination of home network and roaming arrangements.

### Valuations and view

- We expect 37% EBITDA CAGR over FY11-13. The stock trades at an EV/EBITDA of 8.3x FY12E and 5.8x FY13E.
- IDEA remains our preferred pick in the sector, being one of the biggest beneficiaries of the ongoing structural improvement.
- Reiterate **Buy** with a revised target price of INR135 (INR140 earlier) based on 8x FY13E EV/EBITDA (ex-Indus) and INR5m/tower for 12.8% effective stake in Indus Towers. Our target price incorporates INR46b (INR14/share) potential outflow for regulatory risks (~50% of outlay based on TRAI recommendation).

### Comparative valuations

		Idea	RCOM	Bharti
P/E (x)	FY12E	42.2	19.8	20.9
	FY13E	15.0	10.3	13.0
EV/EBITDA (x)	FY12E	8.3	6.9	7.8
	FY13E	5.8	5.3	5.9
EV/Sales (x)	FY12E	2.2	2.2	2.7
	FY13E	1.8	1.8	2.3
P/BV (x)	FY12E	2.3	0.4	2.5
	FY13E	2.0	0.4	2.1

### Shareholding pattern (%)

	Sep-11	Jun-11	Sep-10
Promoter	46.0	46.0	47.0
Domestic Inst	8.7	8.0	7.8
Foreign	42.2	43.0	40.5
Others	3.1	3.0	4.8

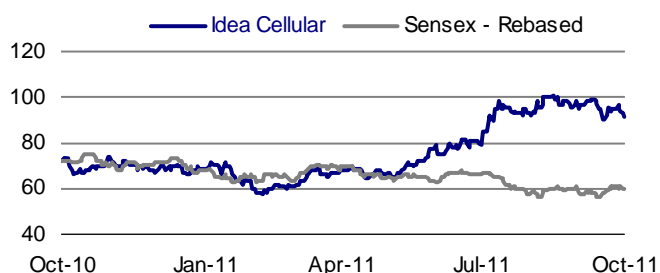
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	2.2	2.5	-12.0
FY13	6.1	4.5	36.1

### Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
91	135	48.4	Buy

### Stock performance (1 year)



## Financials and Valuation

Income Statement		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
<b>Revenues</b>	<b>101,485</b>	<b>124,476</b>	<b>155,032</b>	<b>193,324</b>	<b>232,763</b>	
Change (%)	50.6	22.7	24.5	24.7	20.4	
Total Expenses	73,131	90,406	117,127	141,124	161,335	
<b>EBITDA</b>	<b>28,353</b>	<b>34,070</b>	<b>37,906</b>	<b>52,200</b>	<b>71,428</b>	
% of Gross Sales	27.9	27.4	24.5	27.0	30.7	
Depn. & Amortization	14,039	20,148	23,973	30,559	31,854	
EBIT	14,314	13,922	13,933	21,641	39,574	
Net Interest	4,943	3,168	3,965	11,288	10,733	
<b>PBT</b>	<b>9,371</b>	<b>10,754</b>	<b>9,968</b>	<b>10,353</b>	<b>28,840</b>	
Tax	363	1,214	982	3,152	8,652	
Rate (%)	3.9	11.3	9.9	30.4	30.0	
<b>Adjusted PAT</b>	<b>9,008</b>	<b>9,540</b>	<b>8,986</b>	<b>7,201</b>	<b>20,188</b>	
Change (%)	-13.6	5.9	-5.8	-19.9	180.4	
<b>PAT after EO</b>	<b>9,008</b>	<b>9,540</b>	<b>8,986</b>	<b>7,201</b>	<b>20,188</b>	

Balance Sheet		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
Share Capital	31,020	32,998	33,033	33,060	33,060	
Additional Paid up Capital	110,338	139,406	139,406	139,406	139,406	
Reserves	-3,072	-58,681	-49,440	-42,165	-21,976	
<b>Net Worth</b>	<b>138,286</b>	<b>113,723</b>	<b>122,999</b>	<b>130,302</b>	<b>150,490</b>	
Loans	89,165	78,593	120,228	130,372	110,587	
Other Liabilities	917	2,142	3,099	4,342	4,342	
<b>Capital Employed</b>	<b>228,368</b>	<b>194,458</b>	<b>246,326</b>	<b>265,016</b>	<b>265,419</b>	
Gross Block	248,880	276,111	373,505	414,462	439,812	
Less : Depreciation	59,982	88,906	112,128	142,321	174,175	
<b>Net Block</b>	<b>188,898</b>	<b>187,205</b>	<b>261,377</b>	<b>272,141</b>	<b>265,637</b>	
Other Non-Current Assets	5,440	0	0	0	0	
<b>Curr. Assets</b>	<b>66,304</b>	<b>38,139</b>	<b>42,378</b>	<b>35,082</b>	<b>41,989</b>	
Inventories	410	468	542	669	806	
Debtors	2,951	3,500	4,057	5,007	6,028	
Cash & Bank Balance	51,316	14,204	14,777	1,222	1,222	
Other Current Assets	11,627	19,967	23,002	28,183	33,933	
<b>Curr. Liab. &amp; Prov.</b>	<b>32,274</b>	<b>30,887</b>	<b>57,429</b>	<b>42,207</b>	<b>42,207</b>	
<b>Net Curr. Assets</b>	<b>34,030</b>	<b>7,253</b>	<b>-15,051</b>	<b>-7,125</b>	<b>-218</b>	
<b>Appl. of Funds</b>	<b>228,368</b>	<b>194,458</b>	<b>246,326</b>	<b>265,016</b>	<b>265,419</b>	

E: MOSL Estimates

Ratios		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
<b>Basic (INR)</b>						
<b>EPS</b>	<b>3.0</b>	<b>3.1</b>	<b>2.7</b>	<b>2.2</b>	<b>6.1</b>	
Cash EPS	7.7	9.6	10.0	11.4	15.7	
Book Value	46.3	36.7	37.2	39.4	45.5	
DPS	0.0	0.0	0.0	0.0	0.0	
Payout % (Incl.Div.Taxes)	0.0	0.0	0.0	0.0	0.0	
<b>Valuation (₹)</b>						
P/E	30.4	29.8	33.8	42.2	15.0	
Cash P/E	11.9	9.6	9.2	8.0	5.8	
EV/EBITDA	11.4	10.2	10.8	8.3	5.8	
EV/Sales	3.2	2.8	2.6	2.2	1.8	
Price/Book Value	2.0	2.5	2.5	2.3	2.0	
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	
<b>Profitability Ratios (%)</b>						
RoE	10.4	7.6	7.6	5.7	14.4	
RoCE	7.4	5.5	5.2	5.6	10.2	
<b>Turnover Ratios</b>						
Debtors (Days)	11	10	10	9	9	
Asset Turnover (x)	0.77	0.71	0.75	0.78	0.88	
<b>Leverage Ratio</b>						
Debt/Equity Ratio(x)	0.6	0.7	1.0	1.0	0.7	

Cash Flow Statement		(INR Million)				
Y/E March	2009	2010	2011	2012E	2013E	
Op.Profit/(Loss) bef Tax	28,353	34,070	37,906	52,200	71,428	
Other Income	0	0	0	0	0	
Interest Paid	-4,943	-3,168	-3,965	-11,288	-10,733	
Direct Taxes Paid	-107	11	-25	-1,909	-8,652	
(Inc)/Dec in Wkg. Cap.	-4,716	-4,904	23,098	-21,347	-6,907	
<b>CF from Op.Activity</b>	<b>18,587</b>	<b>26,009</b>	<b>57,014</b>	<b>17,656</b>	<b>45,135</b>	
(inc)/Dec in FA + CwIP	-95,713	-18,455	-98,145	-41,323	-25,350	
(Pur)/Sale of Investments	5,560	0	0	0	0	
<b>CF from Inv.Activity</b>	<b>-90,153</b>	<b>-18,455</b>	<b>-98,145</b>	<b>-41,323</b>	<b>-25,350</b>	
Issue of Shares	94,073	31,309	69	-32	0	
Incl/(Dec) in Debt	24,011	-10,572	41,635	10,144	-19,785	
Other Financing Activities	-178	-65,404	-2	-2	-2	
<b>CF from Fin.Activity</b>	<b>117,907</b>	<b>-44,666</b>	<b>41,704</b>	<b>10,112</b>	<b>-19,785</b>	
<b>Incl/(Dec) in Cash</b>	<b>46,341</b>	<b>-37,112</b>	<b>573</b>	<b>-13,555</b>	<b>0</b>	
Add: Opening Balance	4,975	51,316	14,204	14,777	1,222	
<b>Closing Balance</b>	<b>51,316</b>	<b>14,204</b>	<b>14,777</b>	<b>1,222</b>	<b>1,222</b>	

E: MOSL Estimates

**N O T E S**

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