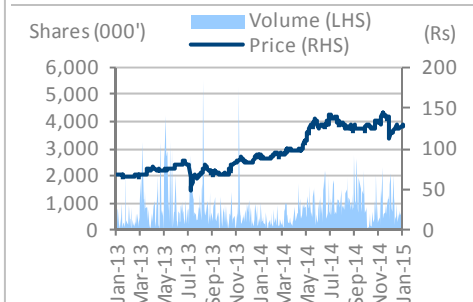


Ingredients in place for DBT progress

- We visited the Vakrangee Banking Correspondent (BC) outlets to have a better understanding of the BC model. We believe the government is driving financial inclusion seriously and villagers are seeing the benefits. Progress is accelerating and the outlook is promising if the government finalises 2% compensation to banks on DBT.
- Vakrangee plans to increase its BC outlet count from 6,975 as of Sep 30, 2014 to 50,000 over three years, including 35,000 from a possible 160,000 rural areas and 15,000 from a possible 90,000 urban wards. We visited rural outlets in Maharashtra and an urban ward in Mumbai.
- The BC model is receiving impetus from the Jan Dhan Yojana (PMJDY). About 109m accounts have been opened since August 2014. Aadhaar issuance (730m) has contributed to accelerated account opening. About 35% of Jan Dhan accounts are seeded with Aadhaar.
- Vakrangee gets 0.37-0.48% fee from banks and it pays 70% of this to the BC agent. The BC agents we visited make a reasonable surplus. Banks in turn get some float. The PMJDY mission document talks of 2% (to be finalized on 26 Jan) compensation from government to banks for DBT. Until now, this has been seen in LPG payouts only.
- Villagers confirmed to us that they were able to get their hands on their dues without cuts to village headman etc., which used to be a problem with NREGA and other payments earlier. Transactions are free of cost for villagers who hold bank accounts. Other benefits to the villager include any time access, proximity to the outlet, trust and user-friendliness.
- Vakrangee's own business case will change to that of a payment bank, which is more powerful than its current BC model. Vakrangee does not charge the customer for withdrawals/deposits, making the system frictionless. Therefore, all parts of the ecosystem seem to thrive.

		Price performance (%)			
		1M	3M	1Y	
CMP	Rs129				
Market cap (US\$m)	1,103	Absolute (Rs)	6.5	-0.4	40.1
Enterprise value(US\$m)	1,143	Absolute (US\$)	9.2	-1.1	40.4
Bloomberg	VKI IN	Rel. to Sensex	1.8	-8.7	4.1
Sector	Midcap	Cagr (%)			3 yrs
Shareholding pattern (%)		EPS			49.9
Promoters	38.8	Stock performance			
FII	3.2				
DII	7.3				
Others	50.7				
52Wk High/Low (Rs)	154/86				
Shares o/s (m)	503				
Daily volume (US\$ m)	1.6				
Dividend yield FY13ii (%)	0.2				
Free float (%)	61.2				

Financial summary (Rs m)

Y/e 31 Mar, Consolidated	FY11A	FY12A	FY13A	FY14A
Revenues (Rs m)	8,897	13,532	15,472	19,519
Ebitda margins (%)	15.6	17.8	24.7	27.4
Pre-exceptional PAT (Rs m)	484	710	1,043	1,750
Reported PAT (Rs m)	484	710	1,043	1,750
Pre-exceptional EPS (Rs)	1.0	1.4	2.0	3.4
Growth (%)	83.2	39.1	43.8	68.4
PER (x)	126.2	90.7	63.1	37.5
ROE (%)	14.8	18.3	22.3	27.0
Net debt/equity (x)	0.4	1.1	1.0	0.6
EV/Ebitda (x)	45.1	28.6	18.7	13.2
Price/book (x)	17.2	15.4	12.7	8.4

Source: Company, IIFL Research. Priced as on 22 January 2015

Can the BC model succeed?

Vakrangee is a BC cum e-governance player. It has evolved over the past two decades from being a subcontractor to being a systems integrator and end-to-end service provider for e-governance projects. The services that it offers include BC services, Aadhaar enrolment, setting up white label ATMs and G2C services. Vakrangee's revenue was Rs13.8bn, Ebitda was Rs3.4bn and PAT was Rs1.6bn in 1HFY15, which translates into 69% YoY revenue growth and >2x PAT jump.

Originally an e-governance player..: Vakrangee, which started out two decades ago as an e-governance player, currently derives 58% and 48% of its revenue and Ebitda respectively from e-governance. Services rendered include Aadhaar enrolment, distribution of books/computerized learning system under Sarva Shiksha Abhiyaan, computerization of land records, electoral roll data, collection and assimilation of data for PDS, state level health insurance schemes, etc.

..diversifying into financial inclusion: Vakrangee has the exclusive mandate from RBI and Ministry of Finance for five years to set up and manage up to 19,000 BC outlets in Maharashtra, Rajasthan, and Delhi. Including other geographies, it targets 35,000 rural outlets and 15,000 urban outlets over the next three years. Vakrangee had 6,975 BC outlets as of Sep 30, 2014 (a sharp jump from 3,853 as of March 2014 aided by PMJDY).

Vakrangee has also procured the licence from RBI to open at least 15,000 white label ATMs (WLAs) over three years across India. WLAs are ATMs set up, owned and operated by non-bank entities and do not carry any bank's label. Vakrangee plans to apply for payment bank licence.

We visited rural outlets in Maharashtra and an outlet in an urban ward in Mumbai.

Figure 1: A rural BC outlet could be in the same building as the Gram Panchayat



Source: Company, IIFL Research

Figure 2: Malad BC outlet – urban BC outlets are very different from rural ones



Source: Company, IIFL Research

PMJDY has given impetus to BC model

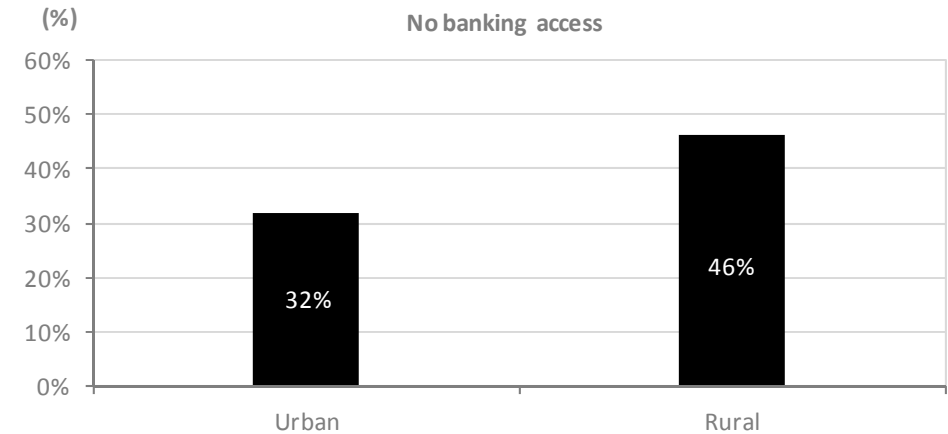
The government floated a tender for BCs in 2012 for 20 clusters. Vakrangee won the tender in Maharashtra, Rajasthan, and Delhi where it enjoys exclusivity. However, other BCs, which won the tender in a few clusters, may not have been able to deliver as seen by Vakrangee's presence in 12 other clusters.

Figure 3: Though the number of BC outlets has increased 10-fold in the past four years, financial inclusion is still seemingly a challenge

	FY10	FY11	FY12	FY13	FY14
Total rural banking outlets	67,694	115,613	178,607	268,454	383,804
O/w branches	33,378	34,811	37,471	40,837	46,126
O/w others including BCs	34,316	80,802	141,136	227,617	337,678
Banking outlets in villages >2000 pop.	37,949	66,605	112,288	119,453	199,811
Banking outlets in villages <2000 pop.	29,745	49,008	66,319	149,001	183,993
Basic SB deposit a/c (m)	73.5	104.7	138.5	182.1	242.9
O/w branches	60.2	73.1	81.2	100.8	126.0
O/w others including BCs	13.3	31.6	57.3	81.3	116.9

Source: RBI, IIFL Research

Figure 4: 32%/46% households do not have banking access in urban/rural areas



Source: Census 2011, IIFL Research

Country divided into 160k rural SSAs each with 1500-2000 households: About 109m Jan Dhan accounts have been opened since August 2014. The number of Aadhaar cards issued has reached 730m and is contributing to accelerated account opening. Nearly 35% of Jan Dhan accounts are seeded with Aadhaar.

The government has divided rural India into 160k Sub Service Areas (SSAs) with each SSA having 1500-2000 households. An SSA could consist of 3-4 villages on an average, keeping in mind the objective that every village should have a banking outlet within 5km. About 125k SSAs do not have adequate banking facilities.

The government has assigned a bank to each SSA. The bank can assign a BC to serve that SSA. The bank-BC combination is exclusive to that SSA. The BC appoints village-level entrepreneurs as its agents. BC agents operate a brick-and-mortar outlet (in front of their home or panchayat office).

About 90k inadequately banked urban wards need attention.

Targets set under PMJDY

- PMJDY aims to provide basic banking services to the currently unbanked 60m rural households and 15m urban households
- Phase I (15th Aug 2014- 14th Aug 2015) would entail providing basic banking accounts for saving and remittance and RuPay debit card with an inbuilt accident insurance cover of Rs100k. The first phase would entail setting up 50,000 BCs, more than 7000 branches and 20,000 ATMs.
- Phase II (15th Aug 2015 – 15th Aug 2018) would entail overdraft facility of up to Rs5000 after six months of savings/credit history, micro-insurance, financial literacy program and unorganized sector pension schemes such as Swavalamban.
- All government benefits (from centre/state/local bodies) to the beneficiaries would be through these bank accounts starting from LPG subsidy and NREGA wages.

The six pillars of PMJDY are:

- Universal access to banking facilities
- Providing basic banking accounts with overdraft facility and RuPay debit card to all households
- Financial literacy programme
- Creation of credit guarantee fund (to cover defaults in overdraft accounts)
- Micro-insurance
- Unorganised sector pension schemes like Swavalamban

Figure 5: Progress on PMJDY and Aadhaar penetration

As of Jan 7, 2015	
Number of Jan Dhan accounts opened (m)	108.5
out of which urban	43.7
out of which rural	64.7
out of which Aadhaar seeded	37.9
out of which zero balance accounts	82.4
Number of RuPay debit cards (m)	98.4
Balance in accounts (Rs bn)	90.3
Total number of Aadhaar cards (m)	729.5

Source: PMJDY website, IIFL Research

About ~80% Aadhaar penetration in Maharashtra has helped Vakrangee. Most of the bank accounts opened by Vakrangee are linked to Aadhaar.

Economics of the BC model indicates win-win situation for all stakeholders

Currently, DBT is done into bank accounts only in patches (a few states or a few districts in a state). The government is soon expected to kick-start DBT at the national level. Though the PMJDY mission document mentions 2% fee payable to the banks by the central government, 2% is a tentative number and a final decision is yet to be made (we feel it may be made on 26th Jan). State governments are likely to decide on fee on state subsidies (AP government already pays 2%).

We work with 2% for our calculations. The DBT pertains to a variety of benefits, including education, LPG, one-time house construction aid, MNREGA. The bank pays 0.48% (arrived at by competitive bidding) to Vakrangee, and in return gets some float as well. The BC agent gets 70% of the 0.48%, which as we explain below, seems to enable a reasonable surplus. Vakrangee’s own business case will change to that of a payment bank, which is more powerful than its current BC model. Vakrangee does not charge the customer for withdrawals/deposits,

making the system frictionless. Therefore, all parts of the ecosystem seem to thrive.

We look at the business case of all stakeholders considering a village outlet in Murbad in Maharashtra. This is a village with 1200 households and 6000 people. The BC outlet has been operational for two years and has opened 1000+ accounts. Thus, this is a high performing BC outlet. This village has 2500 bank accounts. This is a two-crop village and in the lean season, people leave this village, cross over to Gujarat, and work in brick kilns.

The bank can make a modest profit if DBT flow improves: The three main streams are NREGA, one-time house construction aid and education.

Figure 6: We estimate Rs5m annual DBT flow

Item (Rs)	Monthly	Annual	Comments
NREGA payout		4,000,000	There are 570 accounts into which NREGA wages are paid out (Rs540 per week per person). NREGA provides employment for 100 days a year per household. So 14 weeks @ Rs540 per week @ 570 accounts
Scholarship payout		1,000,000	Rs1000 per year for 1000 accounts
Total DBT flow		5,000,000	
Fee on DBT from the government	2%		PMJDY document mentions 2%, yet to be finalised
Transaction income - A		100,000	

Source: Company, IIFL Research

- Annual DBT flow is Rs5m as shown in the table above. The government pays 2% (assumed) or Rs100k to the bank.
- The average balance is Rs2500 in the 2000 accounts that yields Rs200k float income at an estimated 4% spread.
- On Rs72m annual deposits and withdrawals, the bank pays 0.48% or Rs350k to Vakrangee.

Hence, the bank incurs an annual loss of Rs50k. If one includes LPG subsidy (which may be the case elsewhere), the bank could earn a modest profit. Hence, as DBT volumes pick up, the profitability of the bank should not be under stress as long as the government pays 2% on DBT to banks.

The benefits for the bank include decongestion of its branches and lower transaction costs (branch banking costs Rs47 per visit) as some existing account holders move out to BC outlet from branch since the BC outlet is closer to their home. According to Jan Dhan site, CASA is now almost Rs90bn, which for 109m accounts is around 40% of our observed figure in the outlet visited, which is one of the high performing outlets of Vakrangee.

Figure 7: Cash withdrawal acknowledgement slip: Such slips



Source: Company, IIFL Research

Figure 8: Bank P&L for a single BC outlet: In this village, with little LPG penetration, the bank makes a small loss but the bank should make modest return in other villages where LPG subsidy is also paid out

Item (Rs)	Monthly	Annual	Comments
Transaction income - A		100,000	Refer table above
Total float		5,000,000	Rs2500 average balance in 2500 accounts
Spread	4%		
Float income - B		200,000	
Transaction volume (deposits + withdrawals)	6,000,000	72,000,000	
Commission paid to Vakrangee	0.48%		
Commission payout - C	28,800	345,600	
Net surplus - A + B - C		(45,600)	

Source: Company, IIFL Research

A well performing BC agent could make up to Rs200k per annum: The BC agent opens bank accounts, does cash deposit and withdrawal for customers. For withdrawal/deposits, the bank compensates the BC at 0.48% of transaction value and the BC typically pays 70% of this to the BC agent. The BC agent also undertakes mobile/DTH top-up and utility bill payments for which the service provider/utility company compensates him. The BC agent may also take up ancillary activities such as Aadhaar enrolment but that is largely over.

The upfront investment per outlet is Rs130,000 of which 80% is borne by Vakrangee upfront and partly recovered from the BC agent over time. In some of the outlets that we visited, the BC agent's monthly transaction volume was Rs6m and his net income was ~Rs20,000 per month.

Figure 9: Revenue break-up of a well-performing BC agent

Item (Rs)	Monthly	Annual	Comments/assumptions
Revenue			
Transaction volume (deposits + withdrawals)	6,000,000	72,000,000	Rs200k daily transaction including DBT pay-ins.
Commission paid to Vakrangee	0.48%		
Commission earned by BC agent	0.34%		
Revenue - A	20,160	241,920	
Value of mobile/DTH top-ups	60,000	720,000	Rs2000 per day
Commission earned	4%		
Revenue - B	2,400	28,800	
Number of utility bills paid	100	1,200	
Commission per bill (Rs)	4		
Revenue - C	400	4,800	
Total revenue - A + B + C	22,960	275,520	

Source: Company, IIFL Research

Figure 10: Cost, capex and profitability analysis for a strong BC agent

Item (Rs)	Monthly	Annual	Comments/assumptions
Costs	5,000	60,000	Includes bandwidth charges, electricity charges and travel costs
Ebitda	17,960	215,520	
Total capex	135,000		Includes 75k for VSAT, 25k for laptop, 15k for printer and 20k for DG sets
Capex borne by the BC agent	30,000		Vakrangee bears the entire capex on VSAT and 50% of others. BC agent bears the other 50% of Rs60k.
% assumed as debt	80%		
Debt	24,000		
Equity	6,000		
Useful life (in years)	3		Assuming 5 years for DG set and 2 years for the laptop and printer
Interest rate	20%		
Depreciation		10,000	
Ebit		205,520	
Interest		4,800	
PBT		200,720	

Source: Company, IIFL Research

Vakrangee makes ~Rs60k annual PBT per outlet: Vakrangee gets Rs350k from the bank (0.48% of Rs72m deposits and withdrawals) out of which it retains 30% (Rs105k). It invests ~Rs100k per outlet on which it incurs Rs10k interest and Rs33k depreciation (assuming a three-year useful life).

Figure 11: P&L of the BC (Vakrangee)

Item (Rs)	Monthly	Annual	Comments/assumptions
Transaction volume (deposits + withdrawals)	6,000,000	72,000,000	Assuming Rs2L daily transaction including DBT pay-ins.
Commission paid to Vakrangee	0.48%		
Commission retained by Vakrangee	0.14%		
Revenue	8,640	103,680	
Total capex	135,000		Includes 75k for VSAT, 25k for laptop, 15k for printer and 20k for DG sets
Capex borne by Vakrangee	105,000		Vakrangee bears the entire capex on VSAT and 50% of others. BC agent bears the other 50% of Rs60k.
Useful life (in years)	3		
Interest rate	10%		
Depreciation		35,000	
Ebit		68,680	
Interest		10,500	
PBT		58,180	

Source: Company, IIFL Research

Thus, it can be seen that all three stakeholders (banks, BC and BC agent) can make money provided the government pumps enough DBT volumes and offers 2% fee on DBT. We do not think the government has reasons to cut the 2% fee, as the leakages plugged by keeping this running would be much higher. Hence, the BC model appears to be successful from the Vakrangee site visits.

The customer bears no transaction cost, benefits from convenience and user-friendliness: Villagers confirmed to us that they were able to get their hands on their dues without cuts to village headman etc., which used to be a problem with NREGA and other payments earlier. Other benefits to the customer include any time

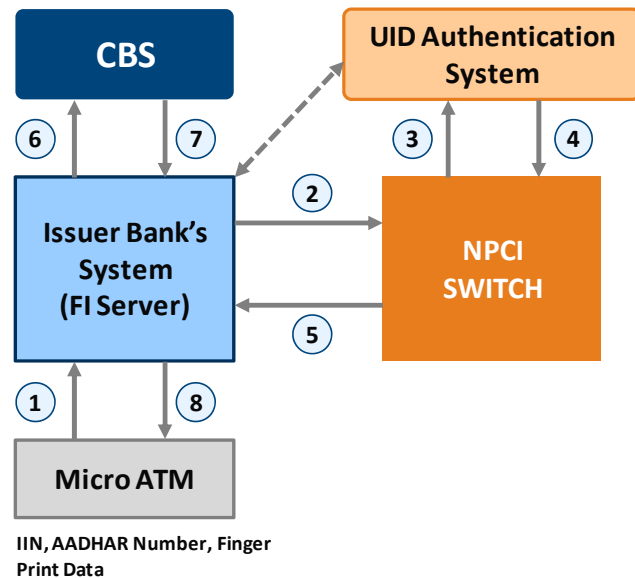
access (outlets are open from 8am until late evening and are open even on Sundays), proximity to the outlet, trust and user-friendliness. To elaborate on user-friendliness,

- The customer only has to get his fingerprint read by the device and the BC agent takes care of everything else.
- For a customer with Aadhaar card, account can be opened in a minute.

Money transfer is free of cost for the customer as long as it is an account-to-account transfer. Here, the bank would anyway get float income and hence bears the transaction cost (by compensating Vakrangee and the BC agent). Intersol charges are levied from the customer if cash handling is required at either end. Customer is charged at the end where there is no account. This is typically 0.5% of the transaction value but not more than Rs200.

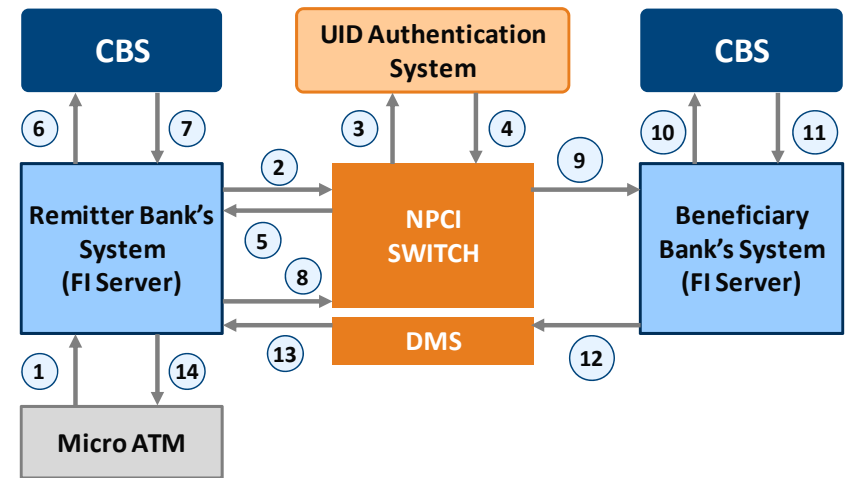
Interoperability makes the BC model scalable:

Figure 12: Data flow for Aadhaar based balance enquiry/cash deposit/withdrawal



Source: NPCI, IIFL Research; CBS = Core Banking Solution

Figure 13: Data flow for Aadhaar based fund transfer



Source: NPCI, IIFL Research; CBS = Core Banking Solution; DMS = Dispute Management System

Financial inclusion is also an urban problem

We also visited an urban BC outlet in Malad, Mumbai. This area has 700k unbanked people, mostly migrants. This outlet was opened only a month back and sees 150 account openings per day and until date has opened 1080 accounts. The BC agent does Rs200-250k worth of transactions per day.

- The bank pays Rs16 commission to the BC agent on every account opened.
- This outlet sees many remittances since most are migrants whose relatives stay back in UP and Bihar. It is envisaged that more deposits will start coming in once more accounts are opened.
- The BC agent made Rs300k investment. The BC agent spends Rs22k per month as rent. Vakrangee spent Rs300k on the white-label ATM. The bank pays Rs15 to Vakrangee (of which Vakrangee passes Rs12.5 to the BC agent) per use of ATM. The ATM sees 60-70 transactions per day and hence the ATM fee covers the rent incurred by the BC agent. The ATM also has a finger print reader. The customer can get his fingerprint read, punch in his Aadhaar number and withdraw money.

Vakrangee keen on applying for payment bank licence

Payment bank licence may be issued in May 2015 and it would be another 18 months before payment banks settle down. Vakrangee's BC agreements with banks are for five years expiring in 2017.

Management feels Vakrangee well placed to become a payment bank: According to Vakrangee, while telcos have the physical reach, they lack the experience in ring fencing (all Vakrangee outlets already have a dedicated system in the front end and backend to deal with bank accounts).

Many other BCs have their agents visiting villages twice a week or once in two weeks and these agents carry micro ATMs and disburse cash. This is different from Vakrangee's brick and mortar model. RBI's payment bank model emphasizes brick and mortar outlets, which, according to the company, render it an advantage.

Payment bank model better than standalone BC: Vakrangee believes it is better to operate as a payment bank vs. a BC since:

- It will get to keep the entire 2% fee on DBT
- Over time, payment banks could converge with the universal banking model and hence the opportunity could expand
- It would also remove geographical restrictions (unlike the current model where it has to bid for selected clusters).

If it gets a payment bank licence, Vakrangee envisages 400 branches in five years mainly at the tehsil level. Last mile would be catered to by BC outlets. It intends to keep its services free of charge for the customer for now, but over time could contemplate charging.

Account churn likely if Vakrangee becomes a payment bank: Vakrangee's BC outlets would be attached to Vakrangee payment bank branch in that area and not the original bank (such as Bank of Maharashtra). New bank accounts opened will be in Vakrangee payment bank while the existing ones will continue to be linked to the original

bank. However, since the outlet will stop catering to the original bank, existing customers would find it easier to open an account in Vakrangee payment bank and link their Aadhaar to it to receive DBT payments (though interoperability will offset this to some extent). Hence, customers could churn out from existing accounts in the original bank to Vakrangee payment bank.

Figure 14: Market place adjacent to Varoti village in Dahanu, Maharashtra



Source: Company, IIFL Research

Figure 15: Varoti BC outlet is attached to a kirana store



Source: Company, IIFL Research

Figure 16: Vakrangee’s mission statement on display in its BC outlets



Source: Company, IIFL Research

Figure 17: The BC agent in Varoti handles transactions worth Rs200-300k daily



Source: Company, IIFL Research

Figure 18: The outlet has a colour printer worth Rs15000



Source: Company, IIFL Research

Figure 19: Vakrangee bears the Rs75000 investment on VSAT terminal



Source: Company, IIFL Research

Figure 20: MicroATM with fingerprint reader which helps authenticate transactions and enables account opening in a minute for Aadhaar holders



Source: Company, IIFL Research

Figure 21: BC outlet in Tawa is linked to Bank of Maharashtra branch



Source: Company, IIFL Research

Figure 22: The BC agent in Tawa works from the verandah in front of his home



Source: Company, IIFL Research

Figure 23: The BC agent in Tawa has opened 3000 accounts under PMJDY



Source: Company, IIFL Research

Figure 24: White label ATM in front of an urban BC outlet (Malad); Vakrangee installed this for Rs300k; For every instance of ATM use, the bank pays Vakrangee Rs15 of which Rs12.5 is passed on to the BC agent



Source: Company, IIFL Research

Figure 25: BC outlet in Malad is linked to a BoB branch; Its customers are mostly migrants and it opens 150 new accounts on average per day



Source: Company, IIFL Research

Figure 26: The urban outlet has a counterfeit note detector



Source: Company, IIFL Research

Figure 27:The BC outlet in Arnala is in the same building as the Gram Panchayat office and handles Rs200-250k worth of transactions per day



Source: Company, IIFL Research

Figure 28: The BC outlet in Murbad has been operational for two years and has opened more than 1000 accounts. Murbad is a village with 1200 households and 6000 pop.



Source: Company, IIFL Research

Figure 29: Diesel gensets are an integral part of rural outlets; DG set costs Rs20000 and the BC agent bears most of this cost



Source: Company, IIFL Research

Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY11A	FY12A	FY13A	FY14A
Revenues	8,897	13,532	15,472	19,519
Ebitda	1,388	2,415	3,815	5,346
Depreciation and amortisation	(550)	(874)	(1,571)	(1,809)
Ebit	838	1,541	2,244	3,538
Non-operating income	(11)	(13)	(36)	(33)
Financial expense	(159)	(498)	(771)	(685)
PBT	668	1,029	1,437	2,820
Exceptionals	0	0	0	0
Reported PBT	668	1,029	1,437	2,820
Tax expense	(187)	(320)	(394)	(1,070)
PAT	481	709	1,043	1,750
Minorities, Associates etc.	3	2	0	0
Attributable PAT	484	710	1,043	1,750

Ratio analysis

Y/e 31 Mar, Consolidated	FY11A	FY12A	FY13A	FY14A
Per share data (Rs)				
Pre-exceptional EPS	1.0	1.4	2.0	3.4
DPS	0.1	0.1	0.2	0.2
BVPS	7.5	8.4	10.1	15.3
Growth ratios (%)				
Revenues	108.1	52.1	14.3	26.2
Ebitda	73.9	74.0	58.0	40.1
EPS	83.2	39.1	43.8	68.4
Profitability ratios (%)				
Ebitda margin	15.6	17.8	24.7	27.4
Ebit margin	9.4	11.4	14.5	18.1
Tax rate	27.9	31.1	27.4	37.9
Net profit margin	5.4	5.2	6.7	9.0
Return ratios (%)				
ROE	14.8	18.3	22.3	27.0
ROCE	16.9	20.0	21.0	28.1
Solvency ratios (x)				
Net debt-equity	0.4	1.1	1.0	0.6
Net debt to Ebitda	1.1	1.9	1.4	0.9
Interest coverage	5.3	3.1	2.9	5.2

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY11A	FY12A	FY13A	FY14A
Cash & cash equivalents	90	58	25	26
Inventories	177	244	538	1,625
Receivables	2,745	4,455	6,527	7,683
Other current assets	805	496	1,992	2,337
Creditors	868	1,218	1,755	2,524
Other current liabilities	312	354	579	1,259
Net current assets	2,637	3,681	6,749	7,887
Fixed assets	2,224	5,016	4,371	4,845
Intangibles	0	0	0	0
Investments	13	15	23	26
Other long-term assets	840	878	349	705
Total net assets	5,713	9,590	11,492	13,463
Borrowings	1,634	4,590	5,419	4,923
Other long-term liabilities	522	802	907	745
Shareholders equity	3,557	4,198	5,167	7,795
Total liabilities	5,713	9,590	11,492	13,463

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY11A	FY12A	FY13A	FY14A
Ebit	838	1,541	2,244	3,538
Tax paid	(109)	(199)	(264)	(975)
Depreciation and amortization	550	874	1,571	1,809
Net working capital change	(1,455)	(5)	(2,802)	(2,199)
Other operating items	(276)	(47)	(13)	101
Operating cash flow before interest	(452)	2,164	736	2,275
Financial expense	(159)	(498)	(771)	(685)
Non-operating income	(11)	(13)	(36)	(33)
Operating cash flow after interest	(622)	1,653	(71)	1,557
Capital expenditure	(605)	(3,745)	(930)	(2,284)
Long-term investments	(13)	19	492	79
Others	156	(112)	(29)	972
Free cash flow	(1,083)	(2,185)	(538)	324
Equity raising	85	122	11	7
Borrowings	1,074	2,081	594	(231)
Dividend	(34)	(50)	(100)	(101)
Net chg in cash and equivalents	41	(32)	(33)	0

Source: Company data, IIFL Research

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BUY - Absolute - Stock expected to give a positive return of over 20% over a 1-year horizon.

SELL - Absolute - Stock expected to fall by more than 10% over a 1-year horizon.

In addition, **Add** and **Reduce** recommendations are based on expected returns relative to a hurdle rate. Investment horizon for **Add** and **Reduce** recommendations is up to a year. We assume the current hurdle rate at 10%, this being the average return on a debt instrument available for investment.

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