



Stock Compendium

09 July 2010

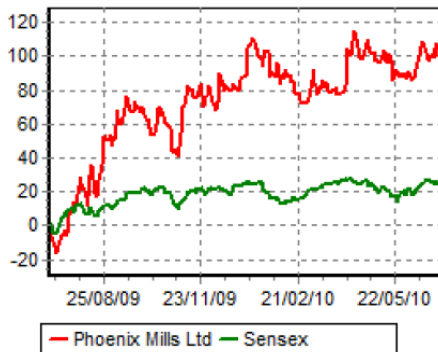
In the past month we have looked at various stocks which have been in the news. We decided to have a reality check as to whether these stocks justify the valuations they trade at. The results of our analysis are presented in this report. We believe this short analysis of ours will help the investors take better informed decisions.

Stock	Recommendation	CMP	Page No.
Phoenix Mills	Buy	217.65	1 - 2
Manaksia	Sell	107.55	3
Karur Vysya Bank	Hold	611.90	4 - 5
Swan Mills	Sell	135.10	6

Phoenix Mills

CMP: 217.65

BUY



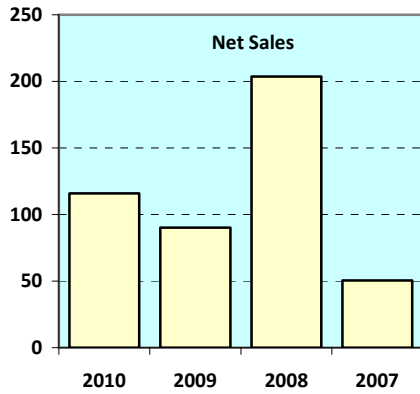
Relative Performance Chart

Phoenix Mills is a mid cap real estate company with a focus on the retail, commercial and entertainment segments in tier I and tier II cities. Company's flagship project, High Street Phoenix, in Lower Parel, Mumbai was the first consumption centre developed by the Phoenix Group in India. Developed on 1.5 million square feet of space, the complex houses retail, entertainment, commercial and residential complexes and is being steadily expanded in phases.

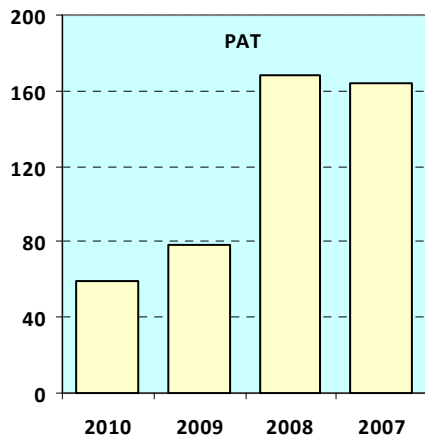
In coming years, Phoenix Mills is likely to grow into a leading developer/owner of large-format retail malls and hotel assets with a pan-India presence. It differentiates itself by its

- Prime-location assets across key cities like Mumbai, Chennai, Bangalore, Pune
- Unique asset holding associate/subsidiary ownership model. The Ruias hold the controlling stake in the company
- Steady cash flows from the flagship High Street Phoenix which is still in expansion phase
- Execution visibility and track record
- De-leveraged balance sheet which significantly reduces risks

It has plans to develop ~29msf in the company couple of years. Out of this it has an economic interest of ~10.9msf,



Sales rebounded in 2010 on back of economic recovery, trend likely to continue going forward



PAT fell due to lower other income, otherwise core business rebounded in 2010

with a focus on retail malls (74% of gross net asset value) and hotels. Furthermore, the flagship HIGH STREET PHOENIX property is a landmark in Lower Parel, South Mumbai and we regard it as a cash cow which will drive going forward. Even on a conservative basis one can expect an earnings growth of approximately 30% in the coming two financial years. Taking High Street Phoenix as a benchmark, Phoenix Mills is looking to create similar value through its 'Market City' projects, positioned as consumption centres. Most will be in operation over the next 1-2 years.

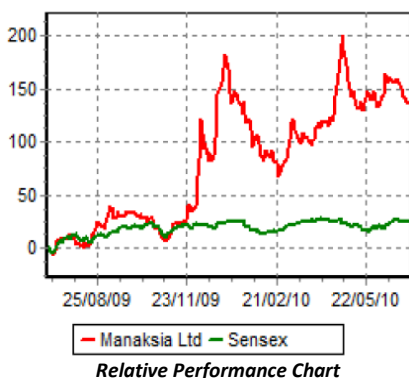
The risks to the earnings in the coming future come from:

- Concentration in the retail and hospitality segment, which hasn't yet recovered post downturn, and where
- Risk of excess supply over the next 2-3 years is high
- Any leasing/footfall disappointment on the launch of forthcoming projects will likely prove detrimental to the company's reputation built on High Street Phoenix
- Relationships with strategic investors are critical as they have an impact on the liquidity and execution plans of the company
- A rapidly changing property market environment could lead to property price-demand risks, regulatory risks and potential supply risks

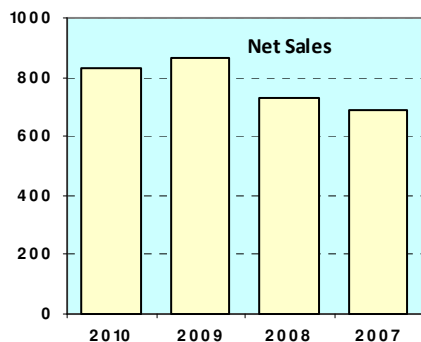
In Q4 FY10, the latest financial results, the revenues and EBITDA recorded 63% and 78% growth Y-o-Y; PAT grew by 14% Y-o-Y and 54% Q-o-Q. For the financial year FY10, revenues grew a healthy 29%, while PAT declined by an acceptable 25%, in spite of very poor business environment and economic growth.

The company is likely to come out with good results in the coming June and September quarters as its expansion plans are in place and some of its properties are up for lease in the coming quarters. The management has guided that handover of space to retailers for fit-outs are to happen by June 2010 in Kurla and Pune. Leasing is encouraging in Pune (64% leased at an average rate of Rs.60/sf), Bangalore (32% leased at an average rate of Rs.60/sf) & in Chennai.

Despite the relatively high valuations, we believe that it is one of the best companies in its vertical. And such quality deserves a premium valuation. We like the stock as we believe that it can deliver superior returns over the coming years. At the CMP the stock trades close to 2 times its book value. As the revenues start kicking in the coming one year, the stock will most likely be re-rated and deliver a superior return to the investors.



Manaksia specialises in the manufacture of packaging products (crowns, closures and metal containers), metal products and fast moving consumer goods, among others. The company's metal packaging products include crowns, roll-on pilfer-proof closures, expanded polyethylene liners as well as push-open and other metal containers. The company has now diversified into the production of aluminium rolled products, secondary specification aluminium alloys and galvanised steel. The company's wholly owned subsidiary in Nigeria, MINL Limited, was set up in 1996 and is the market leader in ROPP caps and crown corks in Nigeria. It has also set up facilities for the manufacture of galvanised steel, metal colour coated sheets and coils and secondary specification aluminium alloys.



Net Sales have fallen, despite hike in prices

Multiple manufacturing units in various states have enabled the company to cater to the needs of its customers, delivering products on time and at prescribed locations. The company has its sales and services offices in Mumbai, Delhi, Chennai and Bangalore. Multi locational presence has reduced distribution and inventory costs and delivery times.

Manaksia along with its subsidiaries have established its manufacturing and marketing presence globally. Its manufacturing units are at Lagos in Nigeria, Ota in Nigeria and in Ghana. It has commissioned three international manufacturing plants in Lagos, Nigeria: Aluminium Alloy Ingots, metal colour coating line, continuous galvanizing line and corrugating in OTA, Nigeria; and a corrugating line for roofing sheets in Ghana. Its subsidiary in Dubai – Euroasian Ventures FZE provides marketing support to the company's products in Middle East, East Africa, CIS countries and Europe. The company is setting up a steel long products unit in Georgia and a subsidiary company in Mauritius.

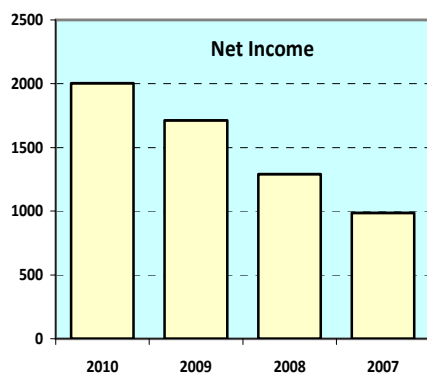
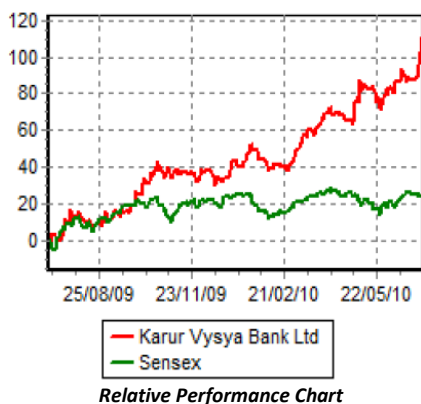
In the FMCG segment, the company is a dependable mosquito repellents outsourcing destination for the Mortein (owned by Reckitt Benckiser (India) Limited) and Maxo (owned by Jyothy Laboratories) brands.

The company has shown consistent growth over last few years. However, at the current levels the stock seems fairly valued. The stock trades at a TTM P/E ratio of nearly 31 and a P/BV ratio of 1.50. We don't expect the stock to fetch a high return from the current valuations.

Karur Vysya Bank

CMP: 611.90

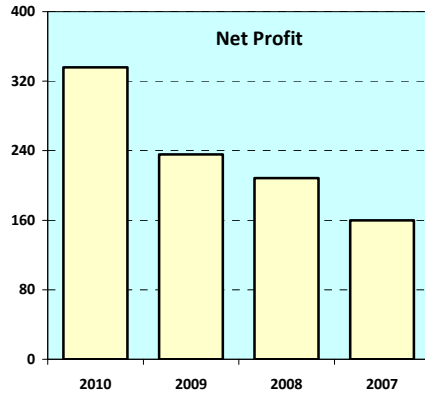
Hold



Consistent growth in interest and non-interest income

Karur Vysya Bank is a South India focussed bank. It is one of the oldest and most respected private sector banks in India. The bank has been growing at a steady pace across last few quarters. However at a TTM average P/BV ratio of 1.54, the stock is richly valued. The stock has a very low promoter holding and can be a possible takeover candidate in a phase of consolidation in the sector. This makes the stock an attractive bet and could lead to upside if in future a bank decides to acquire it. However the stock is fairly valued at current valuation.

- Karur Vysya Bank has reported 18% rise in the Net Profit at Rs.98.91 crore over 44% increase in the Net Interest Income at Rs.164.18 crore in the quarter ended March 2010. The profit would have been further higher, but for higher base of Rs.22.35 crore of tax income in Q4FY09 as against expense of Rs.14.84 crore in quarter under review.
- The Total business of the bank has increased by 28% to Rs.32946.85 crore as on 31 March 2010 as against Rs.25664.29 crore on 31 March 2009.
- Advances increased by 30% to Rs.13675 crore in year ended March 2010 as against Rs.10560.50 crore in March 2009. Break up of Advances was as follows: Agri- Rs.1613 crore, SME- Rs.2359 crore
- On the other hand, deposits grew by 28% to Rs.19271.85 crore from Rs.15101.39 crore in FY09. CASA deposits reported growth of 37% to Rs.4536 crore while CASA ratio stood at 23.5% at end of FY10. Going further, management expects CASA ratio to be more than 25% in FY11.
- Average deposits grew by 24.54% while average advances grew by 20.9% in year ended March 2010. Average CD ratio stood at 70.96% while the incremental CD ratio stood at 74.68%.
- The bank has reported 42% rise in the Net Profit at Rs.336.03 crore over 38% rise in the NII at Rs.564.89 crore in FY10. The bank has provided Rs.18 crore of wage revision, Rs.33.94 crore written on advances and Rs.13 crore for BCG in the year under review. Excluding the above, net profit would have been at Rs.377.29 crore for FY10.
- Size of Investments book increased by 40% to Rs.6649.99 crore in the quarter ended March 2010, with duration of 4.99 years. AFS book size was at Rs.1943.28 crore. Duration of AFS and HTF portfolio was 5.14 years. The yield on investments declined to 7% in FY10 from 6.92% in FY09.
- The capital to Risk weighted assets ratio stood at 14.49%. CARA stood at 14.92% with Tier I capital 12.88% as on 31 March 2010.
- The cost of deposits increased to 7.13% in FY10 from 7.66% in FY09, while that of Yield on advances



Consistent growth across different business cycles shows superior management bandwidth

fell to 11.43% in FY10 from 11.77% in FY09. NIM has increased to 3.23% in FY10 from 2.95% in FY09. NIM for the quarter stood at 3.37%.

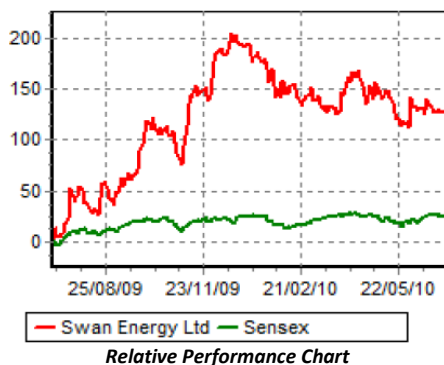
- The cost of funds has declined from 7.63% in FY09 to 7.08% in FY10; while yield on funds slipped to 9.50% in FY10 from 9.65% in FY09. The spread has increased to 2.42% in FY10 as against 2.02% in FY09.
- On the asset quality front, Gross NPA has increased by 14% to Rs.235.34 crore and Net NPA has increased by 20% to Rs.30.95 crore as on quarter ended March 2010. Jump in Gross NPA was an aberration due to one time account of Rs.49 crore as per notification of RBI.
- The % Gross NPA stood at 1.72% in Q4FY10 as against 1.95% in Q4FY09 while that of %Net NPA stood at 0.23% as against 0.25% in Q4FY09. Provision coverage ratio stood at 86.85%.
- Outstanding restructured book of the bank as on 31 March 2010 stood at Rs.562 crore (4.1% of advances). Major portion of Restructured book was of Textile loans at Rs.312 crore followed by Steel Rs.62 crore, Real estate and commercial business Rs.66 crore, paper Rs.14.98 crore, Chemicals Rs.16.86 crore.
- As on 31 March 2010, the bank had total branches of 335 and ATM's of 376. Majority of the total branches (178 branches) were concentrated in Tamil Nadu, followed by 73 in Andhra Pradesh, 23 in Karnataka and 17 in Maharashtra. The bank holds currently 40 licenses which will be opened by September 2010. Nearly 60-65% of the new branches will be opened in the northern part of India.
- In terms of settlement of wage revision, the Bank has made an estimated provision of Rs.32 crore of which Rs.18 crore has been provided during the year and Rs.14 crore has been paid as ad hoc payment (Rs.6.07 crore for 2009-10, Rs.5.69 crore for 2008-09 and Rs.2.34 crore for 2007-08).

Swan Energy

CMP: 135.10

Sell

Swan Energy, earlier named as Swan Mills, has two primary lines of business.



Power & Energy

Swan Energy Limited (SEL) is an emerging “green energy” company with a pipeline of innovatively structured power projects. The Company is currently undertaking a gas-based energy projects in Gujarat through 49% equity participation in special purpose company, Gujarat Pipavav Power Co. Ltd. (GPPC). 700MW Greenfield gas based power project is in advanced stages of execution with all approvals in place. 350MW is expected to come online by Dec 2010 and the balance 350MW by Mar 2011

SEL is also developing a LNG Floating Storage & Re-gasification unit (FSRU) in Pipavav, Gujarat with a capacity of 4.5mn metric tonne p.a. (MMTPA) of LNG imports. This would be used to source gas requirements for the Company’s energy initiatives

Real Estate

SEL is currently engaged in developing real estate projects in prime locations of Mumbai, with total saleable area of 1.88mn sq feet. Post completion of these projects (expected by 2011), the Company intends to deploy the large cash flows expected from these projects into energy generation activities. These projects include:

A commercial IT park at Kurla named “Technopark” consisting of four buildings with 0.88mn sq. ft. of saleable area. The project is expected to be completed by March 2011. 100% of the property has already been sold.

A residential complex at Sewri consisting of two towers of 23 floors each with 0.84mn sq. ft. of saleable area. The project is expected to be completed by April 2010. 95% of the property has been sold till date.

The company is trading at 10 times its book value which is fairly expensive. Also there have been allegations over its entry into the power business, specifically its deal with the Gujarat government for the Gujarat Pipavav Power project. Thus we believe that the stock is speculative in nature. Investors with a high risk appetite can hold a small quantity.

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Risk Profile

Low Risk: Fundamentally sound companies, with low beta. Expected market out performance is 0-10%

Medium Risk: Expected market out performance is 10-20%. Preferably for investors with a maximum time frame of about 6 months.

High Risk: High Beta Stocks, expected market out performance is more than 20%, preferably for the investors willing to take advantage of market momentum & are aggressive in nature.

Disclaimer Appendix

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