MID & SMALL

BRAND PICKS

MICROSEC RESEARCH

13th Aug'2009

Dear Patrons,

India is a growth story. Nothing can justify it better than the out performance of the key indices compared to global major indices in the past five months. Major factors to determine growth has been enunciated times and again. The most important determinant is the Indian demographic advantage. Coupled with that is the stable and reform oriented government, that has drawn a roadmap to facilitate investment in infrastructure, create employment opportunities, and eradicate poverty.

These factors are positive for the equity markets and particularly for companies that have established their niche in the domestic and international markets through their brand / branded product offerings. These brand oriented companies that are in their mid and small cap stage are likely to blossom to a large cap status as they penetrate deep into the masses. India's per capita income is expected to go up and not to mention the rising affluent class and the brand awareness is likely to drive sales of the companies, covered in the report.

The companies are selected on the following basis:

- Good earnings visibility
- Enjoy good brand equity in their respective product range
- Increasing their reach through proactive value added product offerings
- Delivered a high historical Return on Equity and expected to do the same
- Posses the management prowess
- Historical track record assure their commitment to reward shareholders

We have rated buy on these companies and expect a return of 30-35 percent annually for the next 3 years.

Happy Investing,

Team Microsec Research

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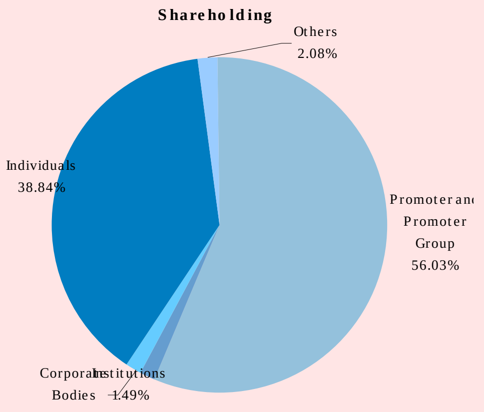
Hawkins Cooker-Culinary Bondage

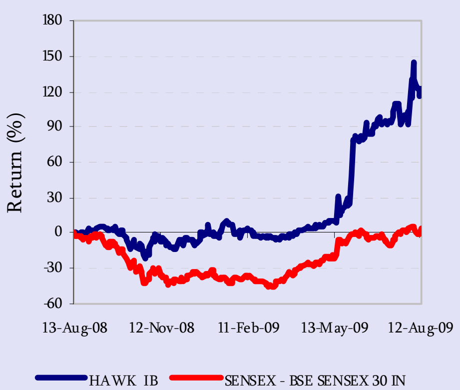
BUY

Sector- Domestic Appliances

Market Data	
Current Market Price (INR)	367.00
52 Week High (INR)	424.00
52 Week Low (INR)	130.00
Market Capitalization (In INR Mn)	1,941.40



STOCK SCAN	
BSE Code	508486
NSE Code	NA
Bloomberg Ticker	HAWK IB
Reuters Ticker	HWKN.BO
Face Value (INR)	10.00
Equity Share Capital (Rs. Mn.)	52.90
Average 5 Year P/E	11.4x
Beta vs Sensex	0.61
Average Daily Volmes (Last Year)	3,312.00
Dividiend Yield	5.56
PEG Ratio	NA



Research Analyst: Naveen Vyas
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Phone Number : 91 33 3051 2100

We rate Hawkins Cookers a BUY. Hawkins Cookers is a low-profile company with market leadership in the pressure cooker and allied kitchenware product segments. It was incorporated in 1959 as a private company with an idea of making pressure cookers when it was virtually unknown and later converted into a public limited company on 1st Feb. 1975. Hawkins Cookers is headquartered in Mumbai, India. It has manufacturing units in Janpur, Thane and Hoshiarpur. The company produces a wide range of other household and commercial cooking utensils. Hawkins sells its products under the brand name of Hawkins, Futura and Miss Mary.

Investment Highlights

Well Established Brand Name: Hawkins has a strong brand presence which is well established from the last 4 decade in the minds of Indian people. Hawkins brand has traditional pressure cookers like Hawkins Classic, Hawkins Bigboy, Hawkins Contura, Hawkins Ventura and Hawkins stainless Steel. '***Futura***' brand has both cookers and cookware. '***Miss Mary***' brand has pressure cookers which give trouble free service, totally safe and don't leak properties.

Huge capacity available to meet the increase in demand: The Company has low capacity utilization with utilization of 31.5% in FY2009 and an average utilization of 25% in the last 5 years. No future capital expenses are required to fuel expansion for Hawkins in Pressure Cooker segment. It can very well increase its capacity utilization with the increase in demand.

Growing Brand Aspiration, Rural development & Rising Income to spur demand: Brand awareness has been growing with the change in changing lifestyle of the society. Also rural development and fast-changing demographics have led to a growing demand for additional homes, which in turn have increased demand for kitchen appliances. Shrinking household sizes due to nuclearisation, coupled with higher incomes, are expected to drive demand for household products, including kitchenware.

Strong Return on Equity: The company has been maintaining a very healthy return on Equity from the last 5 years. Its ROE has grown from 26.2% in 2005 to 81.8% in the year 2009.

Exhibit 1. Hawkins Cooker – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	1,732.40	2,041.59	2,425.68	2,922.13	3,652.45
Growth (%)	27.04%	17.85%	18.81%	20.47%	24.99%
EBITDA	149.45	208.41	323.79	482.15	529.60
EBITDA Margins (%)	8.63%	10.21%	13.35%	16.50%	14.50%
Net Profit	74.94	112.61	191.16	286.36	336.03
Net Profit Margins (%)	4.33%	5.52%	7.88%	9.80%	9.20%
Net Profit Growth (%)	86.09%	50.27%	69.75%	49.80%	17.35%
EPS	14.17	21.30	36.15	54.12	63.51
BVPS	31.49	37.79	50.53	104.65	168.10
P/E	25.90	17.23	10.15	6.78	5.78
P/BV	11.65	9.71	7.26	3.51	2.18
ROE (%)	49.67	61.45	81.85	70.00	47.40
EV/EBITDA	3.48	4.10	2.48	1.66	1.51

Source: Company, Microsec Research (In INR Mn)

Key Management Personnel

- Mr. Brahm Vasudeva –Chairman
- Mr. M A Teckchandani – Executive Director
- Mr. S. Dutta Chaudhary– Vice Chairman & CEO

Industry Overview

The Size of Pressure Cooker industry in India is projected at INR6.50 Bn and cookware is projected as Rs.1,500 Mn. Another Big potential, Modular Kitchen Market size is expected to around INR10 Bn. Overall, the entire kitchenware industry is worth about **INR38 Bn.**

The pressure cooker industry has been growing at a rate of 10% YOY for last 5 years. It suffers from low entry barriers. As a result, the market has regional and unorganized players along with national companies like Hawkins and TTK Prestige, which commands over 50% share in the domestic pressure cooker market. There are about 250 brands of pressure cookers in the market. According to industry sources, **90%** of urban India already owns a pressure cooker whilst barely **22%** of rural India owns a pressure cooker. The demand from urban India will be predominantly from upgrading whereas additional pressure cookers and emergence of new households is the great opportunity in rural India.

The growth in demand for domestic home appliance products especially, the kitchenware production continues to rise in tandem with the increase in income and living standards of the people both in the urban and rural areas of the country. The growth rate of the industry is likely to be around the 14% mark in the coming years.

Key Risks

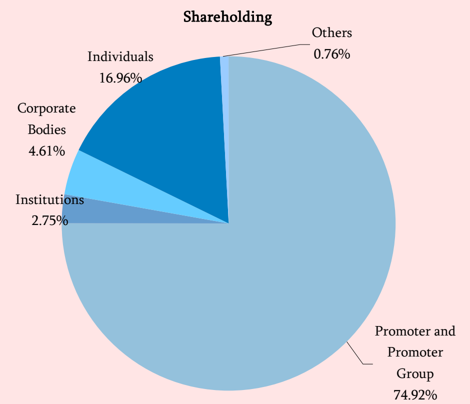
Saturation of market: The growth rate of the industry is dependent on the ability of players to tap the rural market. However if this does not materialize then the industry may experience a flat sales growth rate.

Non-Diversified Business: Pressure cookers contribute to over 80% of Hawkins topline. Any downturn in the industry can cause the sales to drop substantially.

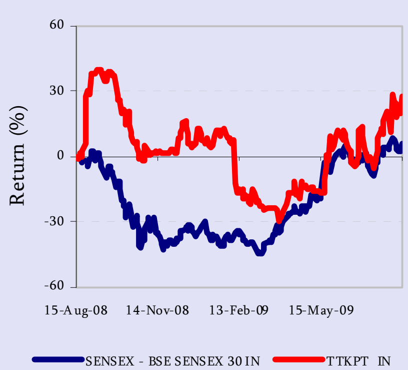
TTK Prestige - The complete kitchen Player

BUY

Market Data	
Current Market Price (INR)	157.40
52 Week High (INR)	177.00
52 Week Low (INR)	86.00
Market Capitalization (In INR Mn)	1,781.70



STOCK SCAN	
BSE Code	517506
NSE Code	TTKPRESTIG
Bloomberg Ticker	TTKPT IN
Reuters Ticker	TTKL.BO
Face Value (INR)	10.00
Equity Share Capital (Rs. Mn.)	113.20
Average 5 Year P/E	35.7x
Beta vs Sensex	0.74
Average Daily Volmes (Last Year)	8,239.00
Dividiend Yield	3.18
PEG Ratio	NA



Research Analyst: Naveen Vyas
Email : nvyas@microsec.in
Phone Number : 91 33 3051 2100

Sector- Domestic Appliances

We rate TTK Prestige a BUY. Incorporated in 1955, TTK Prestige (TPL) is India's leading kitchen appliances company with products across the entire kitchenware segment. TPL is a pioneer and leader of Pressure cookers in India - under the '***Prestige'*** Brand. TPL's Product portfolio includes pressure cookers, cookware, gas stoves, electrical appliances, kitchen knives, kitchen tools etc. It sells pressure cookers in the US under Indian-owned brand '***Manttra'*** through a wholly owned subsidiary Manttra Inc, USA. TTK Prestige is a leading kitchen appliances company with products across the entire kitchenware segment.

Investment Highlights

Diversification of a company from a mere cooker to a complete Kitchware Solution Provider : The company has diversified itself into a '***complete kitchen player'*** by constantly increasing its products line to provide a wide range of products like cookware, Kitchen electrical appliance, Gas stoves, mixies, etc. apart from pressure cooker. In FY09, Pressure Cooker contributed 55%, Cookware 16%, Kitchen Electrical appliance 14%, Stoves 10% and Others 5% to the topline of the company. This shows the company's diversification to other products.

Aggressively Penetrating Retail Business to capitalize the Retail Boom: In order to encash its branding values and increase its margin, the company has entered into retail space through setting up " **Prestige Smart Kitchens**" and "**Prestige Kitchen Boutique**". TTK has about 173 Smart Kitchen outlets which covers all types of kitchen appliance products. And Prestige Kitchen boutique that covers a gamut of designer moduler kitchens. With growing emphasis on "one stop shop", the modular kitchen market is huge and it is set to grow at a rapid pace. With improved life style and disposable income, modular kitchen has become indispensable part of any modest kitchen.

Unlocking the value of Surplus land in Bangalore: The company has surplus land in Bangalore which it plans to unlock its value. This land holding is at Old Madras Road in Bangalore with a total area of 2.85 lakh sq.ft. The company plans to set up a residential project on the whole property instead of setting up a mall which the company has earlier proposed.

Exhibit 2. TTK Prestige – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	2,810.20	3,259.40	4,012.80	4,735.10	6,155.50
Growth (%)	26.59%	15.98%	23.11%	18.00%	30.00%
EBITDA	257.90	326.60	381.30	565.50	738.66
EBITDA Margins (%)	9.18%	10.02%	9.50%	11.94%	12.00%
Net Profit	117.70	206.70	223.80	327.79	461.66
Net Profit Margins (%)	4.19%	6.34%	5.58%	6.92%	7.50%
Net Profit Growth (%)	65.54%	75.62%	8.27%	46.47%	40.84%
EPS	10.30	18.20	19.70	28.95	40.77
BVPS	45.80	58.90	72.81	101.82	142.55
P/E	15.24	8.63	7.97	5.42	3.85
P/BV	3.43	2.67	2.16	1.54	1.10
ROE (%)	24.50	30.10	30.00	33.15	33.37
EV/EBITDA	7.67	4.48	2.28	2.00	1.53

Source: Company, Microsec Research (In INR Mn)

Key Management Personnel

- Mr. T.T. Jagannathan –Executive chairman
- Mr. T.T.Raghunathan – Vice Chairman
- Mr. S. Ravichandran– Managing Director

Industry Overview

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Key Risks

Rising Raw Material Prices: A sharp rise in key raw material prices like aluminium and stainless steel could impact the profitability of the company.

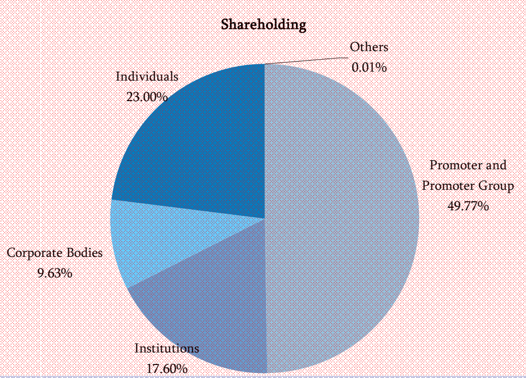
Rising competition: The Company faces competition from regional brands and the unorganized sector, from time to time, with their extremely low-priced products.

Greenply – Green before the chorus, branding ahead

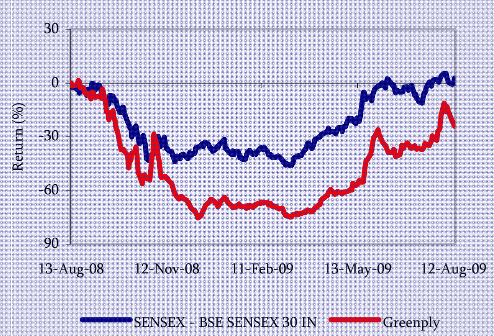
BUY

Sector- Wood & Decorative laminates

Market Data	
Current Market Price	120.40
52 Week High	172.00
52 Week Low	39.75
Market Capitalization (INR MN)	2,046.44



Stock Scan	
NSE Code	GREENPLY
BSE Code	526797
Bloomberg Ticker	MTLM IS
Reuters Ticker	GRPL.BO
Face Value	5
Equity Share Capital (Rs. Mn)	84.99
Avg 5 year P/E	10.25
Beta vs Sensex	0.83
Avg Daily Volumes (last 6 months)	100795
Dividend Yield (%)	1.26
PEG Rtio	NA



Analyst: Siddharth Sedani
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We rate Greenply Industries Ltd (GIL) a BUY. Greenply is engaged in manufacturing, marketing, distribution and branding various types of plywood, flush door, block boards, laminates, decorative veneers and particle boards. The company enjoys the largest market share in India's organized plywood and laminates market (25 percent and 15 percent respectively). The company is the only integrated manufacturer and offers surface finish as well as foundation/structural products that make home, offices and other interior spaces smart, stylish and sophisticated.

Investment Highlights

Market leader in plywood and laminates: The wood panel industry is poised to grow 17-20 percent in FY10. Greenply is the market leader in both plywood and laminates segment, having the highest share of the organized market. The unorganized sector constitutes nearly 70% of the plywood and laminates market. This strengthens our belief of higher shareholder value creation when the industry moves from unorganized to organized segment.

Venturing into MDF: GIL is setting up India's largest Medium Densified Fiber boards (MDF) capacity of 180,000 cbm. MDF is a popular and successful panel product worldwide which is versatile product with applications primarily in paneling and it is used in a wide range of furniture, windows, doors, frames, handicraft items, display or exhibition stands and signs, ceiling, toys, carving, partition, maritime applications and education equipment. The company will be manufacturing wood-based MDF, which is accepted globally.

Expansions to propel growth: The Company is setting up MDF plant with a CAPEX of INR2,500 mn which is expected to be operational by FY10. Currently, 70 percent of the country's MDF requirements are met through imports. The Company is also planning to set Laminate unit at Himachal Pradesh with capacity of 3.3 mn sheets and commence production by October 2009. The total CAPEX for these projects is INR3,650 mn, which would be financed partly through borrowings.

Environmental benefit: Rajasthan unit is registered under the UNFCCC for carbon credits shifting from conventional fuel consumption to mustard husk in its boilers. Uttrakhand unit is in the process of registration. During Q3FY09, GIL received INR12 mn towards carbon credit in respect of the Laminates facility at Rajasthan. Carbon credit worth INR5 mn is still under the final clearance process.

Exhibit 3. Greenply – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	4,034.10	5,884.20	7,731.60	10,703.62	14,818.09
Growth (%)		45.86%	31.40%	38.44%	38.44%
EBITDA	476.90	814.80	867.70	1,316.25	1,822.22
EBITDA Margins (%)	11.82%	13.85%	11.22%	12.30%	12.30%
Net Profit	225.90	390.10	356.00	600.61	831.49
Net Profit Margins (%)	5.60%	6.63%	4.60%	5.61%	5.61%
Net Profit Growth (%)		72.69%	-8.74%	68.71%	38.44%
EPS	14.23	23.35	20.95	35.34	48.92
BVPS	61.47	87.29	105.61	121.80	170.72
P/E	3.23	13.52	5.53	3.41	2.46
P/BV	0.75	3.62	1.10	0.99	0.71
ROE (%)	25.85	30.34	21.72	33.93	33.45

Source: Company, Bloomberg, Microsec Research (In INR Mn)

Greenply Brand Equity

Key Management

- Mr. Shiv Prakash Mittal – Executive Chairman
- Mr. Rajesh Mittal – Managing Director
- Mr. Shaurabh Mittal – Joint Managing Director and CEO
- Mr. Shobhan Mittal – Executive Director

Industry Overview

Interior Infrastructure Industry: Wood, bamboo, plywood and the panel industry in India are expected to grow at 17 to 20 percent annually; growth in northern India is anticipated to be 20 to 23 percent. India's interior infrastructure industry is dominated by plywood and block boards with a growing share of the organized sector enjoying an increasing share of particleboard and MDF.

Wood-based panel industry: India is one of the largest consumers of wood in Southeast Asia with sufficient tropical wood of all varieties. Gurjan and Hollong are only a few of the various Indian timbers used in plywood. However, in recent years, growing concerns about the environment and the need for forest conservation have led to a reduction in wood supply. India has a population of around 1.19 billion and by 2050 is likely to overtake China and emerge as the most populous country (18 per cent of the world population). India's average population growth rate is 1.5 per cent compared to 0.6 per cent of China.

Demographic advantage: According to The World Fact Book, India is among the world's youngest nations with a median age of 25 years compared to 43 in Japan and 36 in USA. Of the BRIC - Brazil, Russia, India and China - countries, India is projected to stay the youngest with its working-age population estimated to rise to 70 per cent of the total demographic by 2030 - the largest in the world. India is expected to see 70 million new entrants to its workforce over the next five years.

Along with the optimism for growth of the working age population in India, the country's per capita income has also doubled over the last seven years from INR18,885 during 2002-03 to INR38,084 during 2008-09. India's per capita income is expected to increase to USD2,000 by 2016-17 and USD4,000 by 2025. This growth rate will consequently, propel India into the middle-income category.

Key Risks

Economic slowdown in the domestic and global markets may translate corporate de-growth for GIL. As a major risk factor, downturn in the realty sector may affect interior infrastructure industry prospects. Globally, all the countries are adopting environmental compliance measures, which may affect business, as raw materials like timber comprise major input for the company. GIL's multiple manufacturing locations may be located far from raw material sourcing venue, which may increase the operational cost in terms of logistics. Rising competition within the organized industry may need extensive planning for GIL. Any fault in strategy may lead to a loss of market share for the Company.

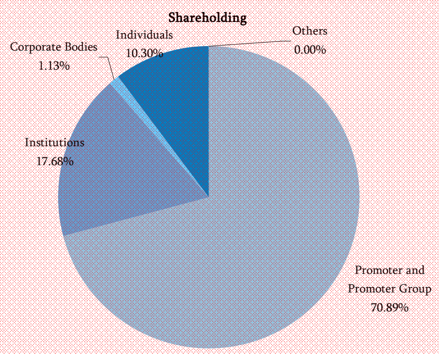
MICROSEC
MICRO FOCUS. MEGA WEALTH

Pidilite – The branded quick fix

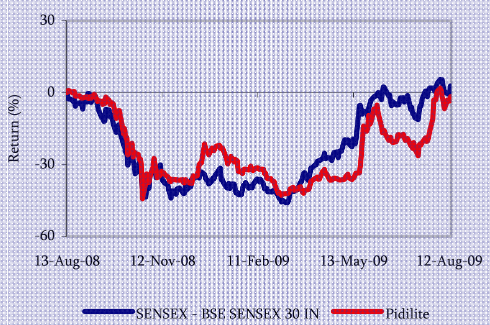
BUY

Sector- Chemicals

Market Data	
Current Market Price	139.55
52 Week High	149.50
52 Week Low	75.15
Market Capitalization (INR MN)	35,315.50



Stock Scan	
NSE Code	PIDILITIND
BSE Code	500331
Bloomberg Ticker	PIDI IS
Reuters Ticker	PIDI.BO
Face Value	1
Equity Share Capital (Rs. Mn)	253.1
Avg 5 year P/E	22.21
Beta vs Sensex	0.9
Avg Daily Volumes (last 6 months)	274067
Dividend Yield (%)	1.25
PEG Rtio	NA



Analyst: Siddharth Sedani
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Tel: 91 33 30512100

We rate Pidilite Industries a BUY. The company is engaged in the manufacturing of various types of adhesives, sealants and specialty chemicals which find usage in construction, plastics, textiles, paper, leather, paints, engineering, nurtured over four decades. The company's brand, Fevicol, is a market leader in the synthetic adhesive market and Dr. Fixit Roofkote and Roofseal, which are bituminous waterproofing products for terraces and internal waterproofing of the walls of potable water tanks.

Investment Highlights

New Product launches to propel growth: During FY08, several new adhesives, sealants and construction chemicals were introduced. The products were introduced to take care of special applicants in building construction segment, which going forward is likely to propel growth in volume terms for the company.

Setting manufacturing plant of synthetic elastomer at Dahej: The Company is in the process of dismantling & shipping the synthetic elastomer plant acquired in June 2007. The plant is expected to commence production in March 2010, at a cost of INR5,300 millions and with an initial capacity of 25000 tonnes per annum.

Tapping markets & brands through acquisitions: Pidilite do Brasil, a wholly-owned subsidiary of the company in Brazil, has acquired the entire share capital of Pulvitec do Brasil, engaged in the business of adhesives, sealants, and construction chemicals. The company has 13 overseas subsidiaries (four direct and nine step-down) including those with manufacturing and marketing operations in the US, Brazil, Thailand, Singapore and Dubai. Pidilite also acquired assets and business of Hardcastle & Waud manufacturing co. Ltd, which manufacturers brand like Holdite, Rustolene and Leakguard.

Buoyant end-user industry: Major users of adhesives are the plywood, laminates & veneers, packaging, automotive and construction industries. With the increased globalization and income levels, we see immense growth opportunities in the above segments in the long run.

Reduced crude prices favorable for the company: Crude prices touched as high as USD 147 per barrel last year thus lowering the operating profit margin (OPM) of the company by 310 basis points to 13.7 percent. However, with the company having cleared all the high cost inventory of raw materials, the low-cost inventory of raw materials together with price increases in the past boosted OPM 510 basis points to 23.3 percent in Q1FY10.

Exhibit 4. Pidilite – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	12,481.70	17,082.40	19,863.20	25,057.45	31,610.01
Growth (%)	36.12%	36.86%	16.28%	26.15%	26.15%
EBITDA	1,815.60	2,379.80	2,448.80	3,408.29	4,299.56
EBITDA Margins (%)	14.55%	13.93%	12.33%	13.60%	13.60%
Net Profit	1,117.50	1,729.20	1,118.80	2,063.76	2,603.44
Net Profit Margins (%)	8.95%	10.12%	5.63%	8.24%	8.24%
Net Profit Growth (%)	-8.37%	54.74%	-35.30%	84.46%	26.15%
EPS	4.43	6.78	4.42	8.15	10.29
BVPS	19.04	24.38	27.43	35.58	45.87
P/E	25.55	11.70	19.16	17.11	13.56
P/BV	5.94	3.25	3.09	3.92	3.04
ROE (%)	25.00	31.51	17.06	25.88	25.26
EV/EBITDA	16.16	15.57	16.15	11.63	9.22

Source: Company, Bloomberg, Microsec Research (In INR Mn)

Pidilite Brand Equity

Key Management

- Mr. B.K Parekh – Chairman
- Mr. M B Parekh - Managing Director
- Mr. N K Parekh - Joint Managing Director
- Mr. A B Parekh and A N Parekh - Whole Time Directors
- Mr. V. S. Vasan - Whole Time Director

Industry overview

Adhesives (glues) are substances capable of forming and maintaining a bond between two surfaces, and sealants (caulks) are substances used to fill gaps or joints between two materials to prevent the passage of liquids, solids or gases. Adhesives and sealants are formulated by compounding (mixing) the base material with fillers, pigments, stabilizers, plasticizers and other additives to yield a product with the desired end-use characteristics.

Adhesives can be segregated into low to medium performance and high performance products. Low to medium performance products are based on natural substances such as starch, dextrin, natural rubber or protein; or synthetic polymers such as polyvinyl acetate, polyvinyl alcohol, polyesters, acrylics, neoprene, butyl rubber, phenolics or thermoplastic elastomers. High-performance products have enhanced properties including bond strength, elongation capacity, durability or environmental resistance. These products are based on polymers such as epoxy, polysulfide, polyurethane, cyanoacrylate and silicone.

The size of the adhesives market in the country is around 5,000 tonnes per month. In India and throughout the world, the industry is fragmented. There are many participants, many types of products and many markets to be served. In the past few years, there has been a worldwide trend toward concentration of this industry through mergers and acquisition. Acquisition provides access to new technology and products allow rationalization of production facilities and provide immediate access to new markets.

Key Risks

Use of readymade and metal body furniture: Over the last few years people are buying readymade furniture. A part of this readymade furniture is made in workshops/factories located in India and part of this is imported from abroad. Increasing use of readymade furniture is likely to adversely impact, over the period of time, for the premium wood working and furniture making adhesives. Along with this, wide availability of metal body furniture is also reducing the use of adhesives.

Though, the company is taking steps to maintain and improve the growth rates for these adhesives by putting additional focus on small population centre in India. Pidilite is also expanding sales of premium adhesives and sealants for special purpose applications in interiors and construction work.

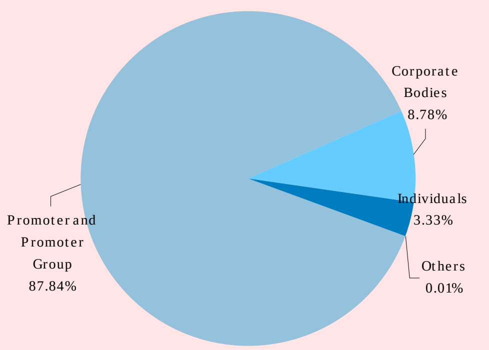
Emami – Ghar Ghar mein Emami

BUY

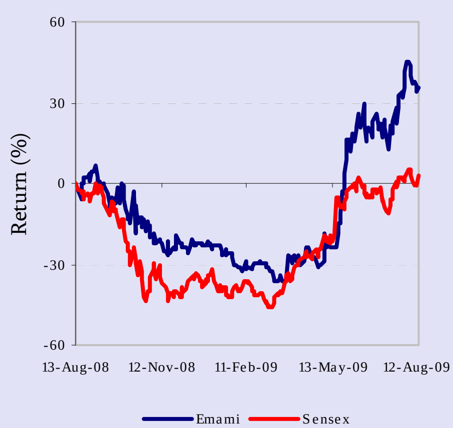
Sector- FMCG

Market Data	
Current Market Price (INR)	391.20
52 Week High (INR)	420.30
52 Week Low (INR)	183.50
Market Capitalization (In INR Mn)	28,614.32

Shareholding June 2009



STOCK SCAN	
BSE Code	531162
NSE Code	EMAMILTD
Bloomberg Ticker	HMN IB
Reuters Ticker	EMAM.BO
Face Value (INR)	2.00
Equity Share Capital (In INR Mn)	124.29
Average 5 year P/E	22.7x
Beta vs Sensex	0.70
Average Daily Volume	22,560
Dividend Yield	1.2%
PEG Ratio	NA



Research Analyst: Nitin Prakash Daga
Email : npdaga@microsec.in
Phone Number : 91 33 3051 2100

We rate Emami Limited (Emami) a BUY. Emami was founded by two childhood friends Mr. R. S. Agarwal and Mr. R. S. Goenka as Kemco Chemicals, a partnership firm. Kemco Chemicals started manufacturing of ayurvedic medicine and cosmetic products in 1974 under the brand name Emami. The firm acquired Himani Ltd in 1978 and launched Boroplus Antiseptic Cream in 1984. Kemco Chemicals turned into Emami Limited by getting listed in 1995. Emami has grown to a INR7.0 Bn venture in three decades. The company's key brands include Boroplus, Navratna Oil, Fair and Handsome, Mentho Plus, and Sona Chandi Chyawanprash etc. The acquisition of Zandu is likely to further boost the company's brand value.

Investment Highlights

Strengthening presence across the product verticals continue to drive growth. Emami's product portfolio consists of some of the most successful brands in the Indian market, across beauty, health and personal care products. Emami's power brand portfolio comprises of Boroplus Anti-septic Cream, Navratna Oil, and Menthoplus Balm etc. This factor coupled with the company's well established geographical reach helped it to witness incremental market share in most of the product categories. The group recently uneviled INR55.0 Bn expansion plan, of which INR16.0 Bn is likely to be allocated to Emami. In addition, the company raised INR3.1 Bn through QIP route to support expansion and partly repay debt.

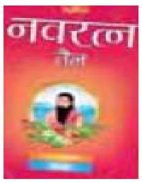
Spread out global presence augers well. Emami possesses a wide distribution channel across the country with more than 2,800 distributors and direct coverage to over four lac retail outlets. The company also has an extensive international presence across 60 nations. We expect Emami's large distribution network to support its performance by providing the company a direct connection with large number of end users.

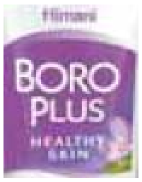
Acquisition of Zandu provides a viable fit. Emami acquired ~70.3% stake in Zandu for approxiamtely INR7.35 Bn. The acquisition provided the company with the target's strong R&D capabilities and well known branded products. Emami complements these products with its established presence, both domestic and abroad, and production facilities at tax efficient locations. As a result, we foresee Zandu as a strategic fit for the company.

Exhibit 5. Emami – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009P	FY2010E	FY2011E
Net Sales	5,157.98	5,837.11	8,759.60	10,486.36	12,092.84
Growth (%)	71.43%	13.17%	50.07%	19.71%	15.32%
EBITDA	654.84	960.18	1,587.17	2,378.93	2,869.36
EBITDA Margins (%)	12.70%	16.45%	18.12%	22.69%	23.73%
Net Profit	659.21	927.49	1,072.21	1,723.89	2,288.82
Net Profit Margins (%)	12.78%	15.89%	12.24%	16.44%	18.93%
Net Profit Growth (%)	33.56%	40.70%	15.60%	60.78%	32.77%
EPS	10.61	14.92	14.66	23.57	31.29
BVPS	36.92	46.50	96.67	143.28	162.66
P/E	18.47	19.47	13.95	16.60	12.50
P/BV	5.31	6.25	2.12	2.73	2.41
RoE	23.3%	35.8%	21.5%	19.6%	20.5%
EV/EBITDA	18.70	19.18	10.23	12.56	10.42

Source: Company, Microsec Research (In INR Mn)
Estimates, Market Data, Stock Scan, and FY2009P data reflect effective adjustments for QIP Issue and Zandu acquisition for comparison purposes





Key Management Personnel

- Mr. Radhe Shyam Agarwal – Promoter, Executive Chairman
- Mr. Radhe Shyam Goenka – Promoter, Non-Executive Director
- Mr. Sushil Kumar Goenka – Managing Director
- Mr. N. Venkateswarlu – CEO and Executive Director
- Mr. N. H. Bhansali – President – CFO

Industry Overview

Indian FMCG sector witnessed a strong growth in last several years. The industry expanded by ~16.0% y-o-y to USD17.36 Bn in FY2008. According to Federation of Indian Chamber of Commerce and Industry (FICCI), the Indian FMCG sector could rise to USD33.40 Bn by FY2015. This represents a Compounded Annual Growth Rate (CAGR) of 9.8% over FY2008-15 period. Continued increase in Indian population coupled with increase in per capita income is likely to remain the key drivers of this growth. In addition, emerging demand from rural India and inelastic nature of demand are expected to support the incremental demand of FMCG goods. The demand for these goods is likely to get a boost due to low penetration levels as well in the some of the industry segments. Low penetration levels indicate a huge untapped growth opportunity for the FMCG players of the country.

Inflation levels during mid FY2009 also supported the growth of industry by providing room to increase prices. This factor, however, was not lucrative for the industry players due to a similar hike in raw material prices during the same period. Nevertheless, the raw material costs started declining in the latter part of the year, which is expected to help the companies, in the sector, to witness an upturn in the margins. Major companies in the industry include Hindustan Unilever Limited (HUL), Procter & Gamble Hygiene and Health Care Limited (P&G), Dabur India Limited (Dabur), Marico Limited (Marico), Emami, and Godrej Consumer Products Ltd (Godrej).

Key Risks

Competitive environment with global giants dominating FMCG space

The FMCG market in India comprises of some of the world's biggest giants in this business. These players, including HUL and P&G, have more resources and highly diversified operations. As a result, they are better positioned to command a price as well as quality edge over the competitors. However, Emami's expertise in skincare, therapeutic, and Ayurvedic food supplement segments are likely to help it differentiate its products. This factor is also visible in the company's historical performance. Furthermore, Emami's innovative product launches, proposed entry into new business areas, and acquisition of Zandu, in our view, will enhance its competency, going forward.

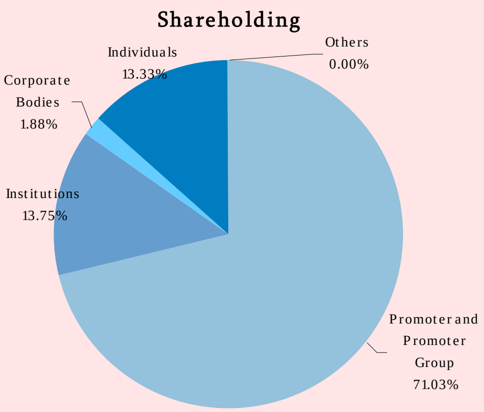
MICRO FOCUS. MEGA WEALTH

Castrol - The Liquid Engineer

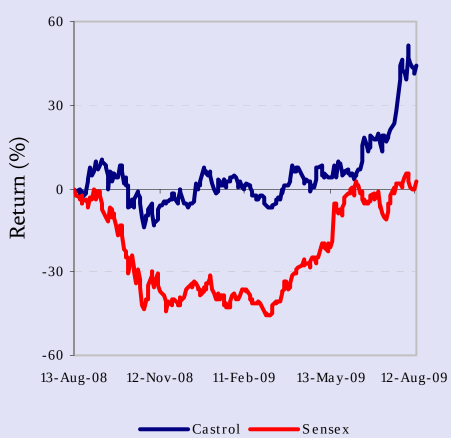
BUY

Sector- Automobile Lubricants

Market Data	
Current Market Price (INR)	457.70
52 Week High (INR)	492.50
52 Week Low (INR)	261.00
Market Capitalization (In INR Mn)	56,590.16



STOCK SCAN	
BSE Code	500870
NSE Code	CASTROL
Bloomberg Ticker	CSTRL IB Equity
Reuters Ticker	CAST.BO
Face Value (INR)	10.00
Equity Share Capital (In INR Mn)	1,236.43
Average 5 year P/E	18.4x
Beta vs Sensex	0.58
Average Daily Volume	29,087
Dividend Yield	4.2%
PEG Ratio	NA



Research Analyst: Nitin Prakash Daga
Email : npdaga@microsec.in
Phone Number : 91 33 3051 2100

We rate Castrol India Limited (Castrol) a BUY. Castrol was incorporated by Charles 'Cheers Wakefield in 1899 as C. C. Wakefield & Co Ltd. The company registered the brand 'Castrol' during year 1909. Additionally, Castrol is included in the list of 100 years old brands in India. The company offers unique propositions around the key brands. In addition, Castrol's automotive business segments include Motorcycle Oils (MCO), Passenger Car Oils (PCO), Heavy Duty Channel, and Castrol BikeZone. Moreover, the company is present in non-automotive business with Industry Lubricants and Services Business, and Marine and Energy Lubricant Business.

Investment Highlights

Castrol holds a strong position in Indian lubrication space. From a small oil company in 1991, Castrol emerged as the second largest lubricant company in India. The company currently possesses a market share of ~21.0% compared with 1991 levels of just about 6.0%. Operating in India since 1910, Castrol is also one of the oldest players in the country's lubricating industry. These factors are likely to support the company's performance, going forward.

Partnership with BP Group adds value. Castrol is a part of BP Group, which holds ~71.0% of its equity through Castrol Ltd, UK, and BP Mauritius Ltd. Partnership with BP complements the company's brand Castrol with another world-renowned brand BP. Both Castrol and BP enjoy premium positions in the market. Some of the key brands under these brand umbrellas include GTX, Super TT, and CRB. We expect Castrol's strong brands to help it continue gaining share in operative markets in the coming quarters as well.

Wide distribution network provides an edge. Castrol owns one of the largest manufacturing and distribution network among the Indian lubricant companies. The company manufactures its products through five plants across the country including a state-of-the-art plant at Silvassa. Furthermore, Castrol dispenses its products with a wide distribution network of 270 distributors reaching to more than 70,000 retail outlets. The company's complementary manufacturing and distribution networks are anticipated to keep it competitive in future as well.

Exhibit 6. Castrol – Historical Financials and Projections

Particulars	FY2006A	FY2007A	FY2008A	FY2009E	FY2010E
Net Sales (post Excise Duty)	17,524.10	18,882.60	22,057.00	22,786.40	24,026.00
Growth (%)	22.51%	7.75%	16.81%	3.31%	5.44%
EBITDA	1,978.60	3,050.00	3,703.90	5,894.40	6,320.20
EBITDA Margins (%)	11.29%	16.15%	16.79%	25.87%	26.31%
Net Profit	1,544.90	2,184.30	2,623.70	4,039.20	4,161.20
Net Profit Margins (%)	8.82%	11.57%	11.90%	17.73%	17.32%
Net Profit Growth (%)	5.23%	41.39%	20.12%	53.95%	3.02%
EPS	12.50	17.67	21.22	32.68	33.66
BVPS	33.79	34.80	38.46	44.05	50.10
P/E	18.23	20.41	15.81	14.01	13.60
P/BV	6.74	10.36	8.72	10.39	9.14
RoE	38.3%	51.5%	57.9%	79.2%	71.5%
EV/EBITDA	13.80	13.58	10.52	9.17	8.55

Source: Company, Bloomberg, Microsec Research (In INR Mn)
Year Ending December

Key Management Personnel

- Mr. N. K. Kshatriya – Managing Director
- Mr. R. Kripalani – CEO, Director – Automotive
- Mr. A. S. Ramchander – Executive Director
- Mr. A. P. Mehta – Finance Director, Executive Director
- Mr. Soren Malekar – Director – Supply Chain, Executive Director

Industry Overview

The Indian Lubricant Industry is categorized into three major segments – Automotive Lubricants, Industrial Lubricants, and Marine & Energy Lubricants. The industry is concentrated with four largest players – Indian Oil Corporation, Castrol, Hindustan Petroleum Corporation Limited (HPCL), and Bharat Petroleum Corporation Limited (BPCL) commanding more than 70.0% market share.

The rapid escalation of crude oil prices in mid 2008 significantly affected the performance of industry. This was further enhanced by the global economic slowdown, leading to lower demand across the sectors. However, soothing oil prices thereafter and signs of change in economic scenario are likely to help the companies in the industry to offset this negative impact. The settling down of crude oil at lower prices, which is prime raw material for manufacturing lubricants, in our view, will support the profitability of the Indian lubricant companies, going forward.

Key Risks

Volatility in 'Crude Oil' prices remains worrisome. Crude Oil is the prime raw material for a lubricant company such as Castrol. As a result, a sharp escalation in the prices of Crude Oil, as witnessed in July 2008, may put a significant pressure on the profitability of the company. The prices of so-called 'Black Gold' seem to be settled down to ~USD70 per barrel; however, an upside in the same cannot be ruled out. This factor continues to remain a cause of worry, going forward.

However, Castrol bucked the trend with 16.8% y-o-y expansion in top line and 20.1% y-o-y growth in net profits for the year ended December 2008. In addition, the company reported all time high quarterly Profit before Tax (PBT) of INR1,976 Mn during the quarter ended June 2009. With this, we expect Castrol's ability to execute well even in adverse market conditions to help it continue reporting healthy performance in future.

Bajaj Electricals-Inspiring Trust

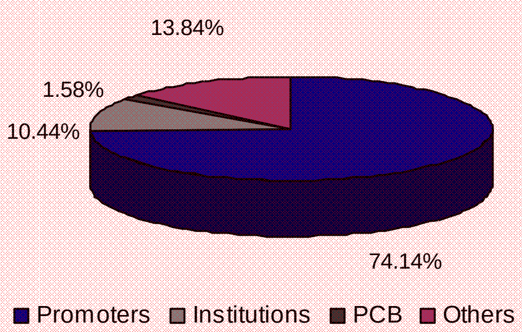
MICROSEC
MICRO FOCUS. MEGA WEALTH

BUY

Sector: Consumer Durables

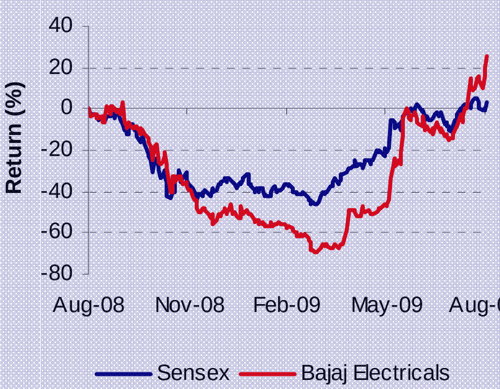
Market Data	
Current Market Price(INR)	556.25
52 Week High (INR)	585.05
52 Week Low (INR)	135.00
Market Capitalization (INR Mn)	9,617.56

Shareholding Pattern as on June 09



Stock Scan	
NSE Code	BAJAJELEC
BSE Code	500031
Bloomberg Ticker	BJE IS Equity
Reuters Ticker	BJEL.BO
Face Value (INR)	10.00
Equity Share Capital (INR mn)	172.90
Avg 1 year P/E	6.52
Beta vs Sensex	0.97
Avg Daily Volumes	10999
Dividend Yield (%)	1.8
PEG Ratio	NA

Comparative Return vs Sensex



Analyst: Sumit Jatia
Email: sjatia@microsec.in

We rate Bajaj Electricals (BEL) a BUY. Bajaj Electricals Limited is a 71-year-old diversified Company, with interests in Lighting, Luminaires, Appliances, Fans, and Engineering & Projects. The company has gradually scaled up to take on commercial projects and emerge as a major infrastructure provider in the country. Bajaj Electricals is also in the business of manufacturing, erection and commissioning of Transmission Line Towers, Telecom Towers, Mobile Telecom Towers and Wind Energy Towers.

Investment Highlights

Leveraging on strong distribution network – The Company is expected to leverage its strong marketing and distribution network comprising 19 branch offices, 600 distributors, 3,000 authorised dealers, over 120,000 retail outlets, and 200 plus service franchises spread across the country. Over the past decade, the company has unveiled a number of initiatives to grow its business via organic and inorganic routes.

Engineering and Projects (E & P) business unit ideally positioned - With a good order book at around INR9300 mn as on April 1, 2009 and continued focus on infra-structure development in the country, E & P Business is ideally positioned to be the growth engine for the company and deliver consistent growth in sales & profits. The company is getting aggressive in this space which is evident in its tie-ups with the big names in the global market. Bajaj Electricals has entered into agreement with international infrastructure players like Delta Controls to provide heating, ventilating, and air cooling solutions (HVAC).

Robust business growth potential going forward - Bajaj Electricals is aiming for a INR21,000 mn turnover this fiscal besides attempting to garner increased market-share in several of its consumer appliances, fans and lighting products. The strong distribution network, wide product portfolio, large service infrastructure, excellent vendor base and dedicated employees along with excellent channel partners are the major areas of strength for the company. In order to negate the impact of the intense competition and to be on the path of growth, the company aims to keep its focus on enhancing revenue growth through introduction of new products, expansion of the dealer and retailer network, along with good brand building efforts.

Exhibit 7. Bajaj Electricals – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	10,788.60	13,744.80	17,705.40	22,680.62	29,053.87
Growth (%)	27.62%	27.40%	28.82%	28.10%	28.10%
EBITDA	955.20	1,532.40	1,912.40	2,329.30	2,983.83
EBITDA Margins (%)	8.85%	11.15%	10.80%	10.27%	10.27%
Net Profit	385.30	731.00	891.30	1,052.38	1,348.10
Net Profit Margins (%)	3.57%	5.32%	5.03%	4.64%	4.64%
Net Profit Growth (%)	36.63%	89.72%	21.93%	18.07%	28.10%
EPS	44.41	41.96	49.77	60.87	77.97
BVPS	123.48	100.33	134.51	195.37	273.34
P/E	12.53	13.26	11.18	9.14	7.13
P/BV	4.50	5.54	4.14	2.85	2.03
ROE (%)	36.11	42.14	38.33	31.15	28.52
EV/EBITDA	6.61	7.01	2.96	5.59	4.36

Source: Company, Microsec Research (In INR Mn)

Key Management Personnel

- Mr. Shekhar Bajaj, Chairman & Managing Director
- Mr. Anant Bajaj, Executive Director
- Mr. R.Ramakrishnan, Executive Director
- Mr. Pravin Jathar, Executive Vice President & CFO
- Mr. L.K.Mehta, Executive President - Engineering & Projects BU

Industry Overview

The domestic electrical appliance industry is highly fragmented with only few players at national levels. Major companies are Crompton Greaves, Orient Paper & Industries, Jay Engineering Works, Khaitan Electricals, Polar Industries, Bajaj Electricals, Polar Fan, etc. India has an increasingly affluent middle class population that, on the back of rapid economic growth, has made the country's consumer electronics industry highly dynamic. The industry has been witnessing significant growth in recent years due to several factors, such as retail boom, growing disposable income and availability of easy finance schemes. The low penetration level of consumer electronics goods coupled with increasing preference for comfort and luxurious goods are widely attracting the foreign as well as domestic players to the industry.

Key Risks

Rise in raw material costs could impact the company's bottom-line – Rise in raw material costs particularly copper and oil could impact the company's bottom line in the coming quarters. Cost increases caused by rising raw material prices may not be passed entirely to consumers, however in the past the company was able to maintain its margins by judicious use of capital.

Intensifying competition - A number of players and intensifying competition in the different segments could squeeze BEL's Margins going ahead. But, on account of BEL being in premium segments, it is insulated from margin pressures.

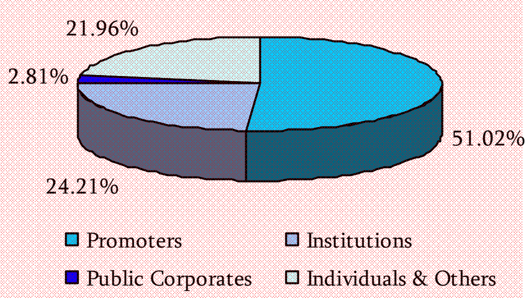
Bata India Limited-Best Foot Forward

BUY

Sector- Footwear

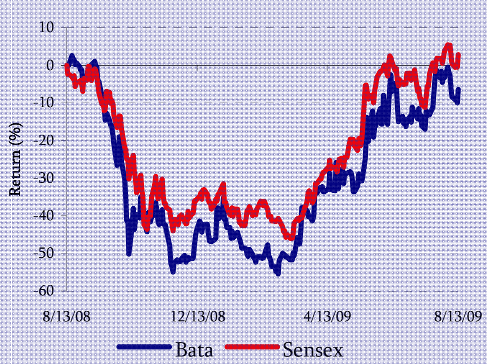
Market Data	
CMP	162.00
52 Week High	180.90
52 Week Low	76.50
Market Capitalization (in INR mn)	10,410.77

Shareholding Pattern, June 2009



STOCK SCAN	
BSE Code	500043
NSE Code	BATAINDIA
Bloomberg Ticker	BATA IB
Reuters Ticker	BATA.BO
Face Value(INR)	10.00
Equity Share Capital (INR in mn)	642.64
Average 5 year P/E	51.87
Beta vs Sensex	1.07
Average daily volume (6 Mths)	221,443
Dividend Yield	0.93%
PEG Ratio	NA

Comparative Return Vs Sensex



Analyst: Vasundhara Karwa
Email : vkarwa@microsec.in

We rate Bata India Limited (Bata) a BUY. Bata was incorporated as Bata Shoe Company Private Limited in 1931 in Konnagar, West Bengal and later was relocated to Batanagar. The company went public in 1973 and changed its name to Bata India Limited. It is the first manufacturing facility in the Indian shoe industry to receive the ISO: 9001 certification. Bata is the biggest company for Bata Shoe Organization on the basis of sales. Over the years, Bata established itself as the largest footwear retailer in India. It is also among some of the trusted brand in footwear Industry.

Investment Highlights

Growth in Retail Segment-Bata is the largest footwear retailer in India. The stores operate in a four tiered retail format under a new retail model. They are up-market Flagship stores, smart and trendy City Stores, Super Stores, and Traditional Family stores. The various measures taken by the management on regular intervals, which led to the growth in retail segment, is expected to continue growing in future.

Expansion of Distribution Network-In CY08, Bata opened 62 stores and renovated 32 stores. The company further plans to add 200 stores in next three years. The new stores will be based on international format of Bata stores, of around 3,000 square feet.

Offers range of Brands to Customers-Bata introduces new collections on half yearly basis to offer more choice to its consumers. Its collection includes trendy international brands like Marie Claire and Bubblegummers, sporty Power & North Star, comfortable Hush Puppies, Dr. Scholls, premium range Ambassador, Comfit and Wind brands.

Well Organized Logistics-Bata has well organized logistics team which controls the distribution process and ensures timely availability of footwear at right time and place across the country. The company is continuously improving its distribution process taking into account the rapid change in consumer's preferences and shopping practices.

Batanagar Project to add value-The joint venture with Calcutta Metropolitan Group Ltd. to develop 262 acres land in Batanagar into a world class integrated township is in progress. This project involves no cash outflow for the company as it is being built on surplus land held by company in Batanagar. With the development of 262 acres of surplus land the company will get substantial funds to expand the business.

Exhibit 8. Bata – Historical Financials and Projections

Particulars	FY06	FY07	FY08	FY09E	FY10E
Net Sales	7,702.05	8,674.83	9,877.29	11,094.00	12,908.50
Growth (%)	8.97%	12.63%	13.86%	12.32%	16.36%
EBITDA	441.13	625.09	872.62	1,148.00	1,475.00
EBITDA Margin(%)	*5.73%*	*7.21%*	*8.83%*	*10.35%*	*11.43%*
Net Profit	273.82	406.12	590.56	670.50	875.50
Growth (%)	*182.23%*	*48.32%*	*45.42%*	*13.54%*	*30.57%*
PAT Margins(%)	*3.56%*	*4.68%*	*5.98%*	*6.04%*	*6.78%*
EPS (INR)	4.26	6.32	9.19	10.40	13.60
BVPS(INR)	30.71	40.34	46.27	58.40	68.70
P/E(x)	47.61	45.44	11.64	15.58	11.91
P/B(x)	6.60	7.12	2.31	2.77	2.36
EV/EBITDA(x)	30.70	29.80	7.96	9.13	7.11
ROE (%)	*11.98%*	*17.79%*	*21.22%*	*19.94%*	*21.44%*

Source: Company, Bloomberg, Microsec Research (In INR Mn)
Note: Year Ending December

Key Management

- Mr. Marcelo Villagran- Managing Director, Executive Director
- Mr. E. Tono - Senior Vice President
- Mr. Rakesh Singh Goutam - Senior Vice President
- Mr. Shaibal Sinha- Director-Finance, Executive Director
- Mr. Jack George Nigel Clemons – Director

Industry Overview

The Indian footwear industry is expected to be about INR100 billion. Annual consumption per annum of footwear in the country is 1.1 billion pairs. The industry is expected to grow at the rate of 10% per annum annually. Men's footwear contributes approximately 60% of the total market followed by women's at 30% and kids' at 10%. India is the second largest manufacturer of footwear in the world, after China.

The market is substantially brand-driven. The branded footwear constitutes more than 30% of the total market size. The unorganized sector accounts for around 58% of this labor intensive industry. While organized and branded footwear play a significant role in the men footwear business, ladies and kid footwear is largely dominated by the unorganized sector. Around 80% of the ladies market comes from the unorganized sector, indicating a significant marketing opportunity for organized players.

Key Risks

Bata has faced sever problems due to labor unrest in the past. Such problems may hamper the operations of the company. Further, increasing competition from new or existing foreign or domestic brands is likely to impact the company's revenues. Organized retailers are likely to face threat from apparel retailers diversifying into footwear and discount hypermarkets and retailers introducing and promoting their own brands at competitive prices. These non-specialist retailers are likely to grow their market shares by increasing the range of products offered, and shopping merchandizing space allocated to their own footwear, posing a threat to the present players like Bata.

MICROSEC
MICRO FOCUS. MEGA WEALTH

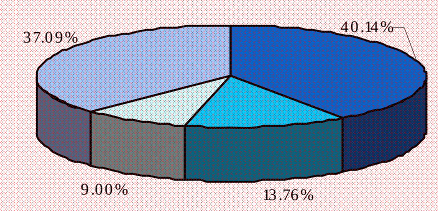
Blue Star-Star with a silver lining

BUY

Sector- Diversified Large

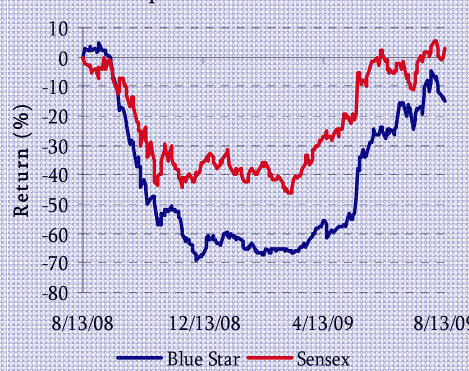
Market Data	
CMP	345.15
52 Week High	433.95
52 Week Low	122.05
Market Capitalization (in INR mn)	31,041.41

Shareholding Pattern, June 2009



STOCK SCAN	
BSE Code	500067
NSE Code	BLUESTAR
Bloomberg Ticker	BLSTR IB
Reuters Ticker	BLUS.BO
Face Value(INR)	2.00
Equity Share Capital (INR in mn)	179.87
Average 5 year P/E	24.12
Beta vs Sensex	0.82
Average daily volume (6 Mths)	29,571
Dividend Yield	2.03%
PEG Ratio	NA

Comparative Return Vs Sensex



Analyst: Vasundhara Karwa
Email : vkarwa@microsec.in

We rate Blue Star Limited (Blue Star) a **BUY**. Blue Star is India's leading central air-conditioning and commercial refrigeration company. The company primarily operates in three segments – Central & Packaged Air-conditioning systems, Cooling Products and Professional Electronics & Applied Industrial systems. The company currently has five modern state of the art manufacturing facilities in Thane, Bharuch, Dadra, Kala Amb (Himachal Pradesh), and at Wada in Thane district of Maharashtra. Blue Star primarily focuses on corporate, commercial and institutional customers.

Investment Highlights

Brand Value- The Company made substantial investments in building brand value over the last few years. In FY09, the value proposition of Blue Star as 'Experts in cooling', the corporate image building campaign, the room air conditioners and refrigeration products campaign, as well as a packaged air-conditioning capabilities campaign, all continued. The Company also made investments in field marketing. These activities helped the company in strengthening its brand value.

Healthy Order Book- Blue Star's order book as on June 30, 2009 stood at INR17,170 million, increasing by 21.0%, compared with INR14,100 million as on June 30, 2008. The order book is executable over a period of approximately 9-12 months. The order book continues to be good with a number of newly booked large infrastructure related jobs, providing visibility of earnings in the future.

Acquisition of Naseer Electricals to widen business scope- The acquisition of Naseer Electricals is likely to help the company expand into MEP (mechanical, electrical and plumbing) projects space in the air-conditioning business. This may also increase Blue Star's market share going forward. Further, the acquisition is likely to enable the company tap the electrical projects opportunity.

Domestic Player-Blue Star is prominently a domestic player, with more than 90% order book coming from the domestic market. Hence international turmoil may not have a severe impact on the growth prospects of the company.

Exhibit 9. Blue Star – Historical Financials and Projections

Particulars	FY07	FY08	FY09	FY10E	FY11E
Net Sales	15,716.34	21,967.22	25,231.71	29,737.00	35,705.67
Growth (%)	*36.42%*	*39.77%*	*14.86%*	*17.86%*	*20.07%*
EBITDA	1,284.32	1,981.80	2,267.92	3,011.50	3,630.50
EBITDA Margin(%)	*8.17%*	*9.02%*	*8.99%*	*10.13%*	*10.17%*
Net Profit	711.81	1,740.95	1,802.89	1,955.67	2,387.33
Growth (%)	*45.55%*	*144.58%*	*3.56%*	*8.47%*	*22.07%*
PAT Margins(%)	*4.53%*	*7.93%*	*7.15%*	*6.58%*	*6.69%*
EPS (INR)	7.91	19.36	20.04	21.73	26.53
BVPS(INR)	23.68	29.30	40.82	51.86	68.31
P/E(x)	26.53	21.52	7.72	15.88	13.01
P/B(x)	8.87	14.22	3.79	6.66	5.05
EV/EBITDA(x)	15.28	19.08	6.22	10.37	8.60
ROE (%)	*36.91%*	*73.07%*	*57.17%*	*46.92%*	*44.18%*

Source: Company, Bloomberg, Microsec Research (In INR Mn)

Key Management

- Mr. Ashok M. Advani -Executive Chairman
- Mr. Suneel M. Advani -Vice Chairman & Managing Director
- Mr. Satish Jamdar- Managing Director
- Mr. T.G.S. Babu - Deputy Managing Director

Industry Overview

The estimated total market size for air-conditioning in India in FY09, was at INR102,500 million. Of this, the market for central air-conditioning, including central plants, packaged systems and VRF systems, was approximately INR57,500 million while the market for room air conditioners was INR 45,000 million. The commercial air-conditioning segment catering to corporate and commercial customers was approximately INR80,000 million. The economic slowdown coupled with the liquidity crunch affected certain segments such as retail and builders. Project expansion plans in the IT segment were also delayed mainly due to the uncertain impact of the US recession. However, the air-conditioning market witnessed significant growth in segments such as hospitality, healthcare and education. In addition, infrastructure segments such as airports, power plants and metro rail were unaffected by the economic downturn and project plans were on track.

The market for commercial refrigeration equipment and systems was estimated at INR20,000 million. The commercial refrigeration segment includes a wide range of products such as cold storages, supermarket refrigeration equipment, water coolers, bottled water dispensers, deep freezers, milk coolers, bottle coolers and ice cubers. In the present scenario, the major constraints on the development of the cold chain industry are high capital cost, electricity bills, low rental revenues, and inadequate availability of concessional finance. The task force initiatives, constituted by the Confederation of Indian Industry jointly with the Department of Agriculture and Co-operation (Government of India) in 'Cold Chain Summit 2007', are at an advanced stage. With the introduction of structured fiscal incentives and fast track clearance for economically viable proposals, the size of the cold chain industry could increase substantially in the next few years.

Key Risks

Due to slowdown in the economy, there has been slowdown in order inflow. Blue Star has not witnessed any major cancellations of order, but any slowdown in execution of retail expansion plans, IT parks, infrastructure spending and corporate spending could affect the order inflow. Further, depreciation of Indian Rupee against U.S. Dollar is likely to have negative impact on the company as its imports some part of its raw materials. The company could also face pricing pressure due to increased competition from existing players.

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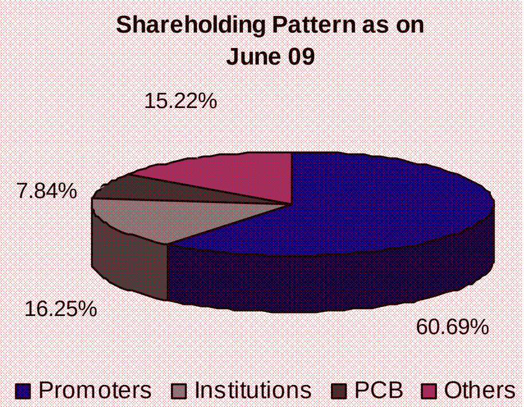
Zodiac: Trust with the Zodiac signs

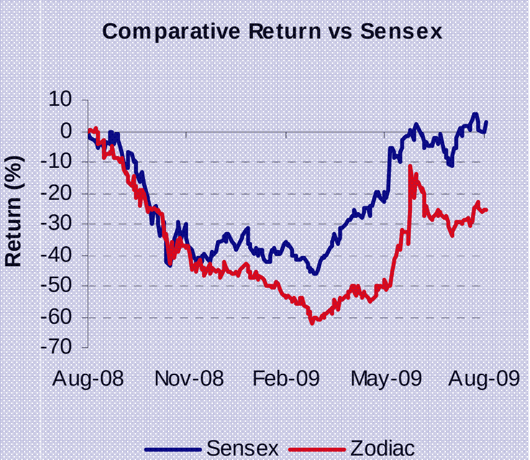
BUY

Sector- Textile

Market Data	
Current Market Price(INR)	295.30
52 Week High (INR)	407.00
52 Week Low (INR)	148.00
Market Capitalization (INR Mn)	2,477.57



Stock Scan	
NSE Code	ZODIACLOTH
BSE Code	521163
Bloomberg Ticker	ZDC IS Equity
Reuters Ticker	ZCCL.BO
Face Value (INR)	10.00
Equity Share Capital (INR mn)	83.90
Avg 5 year P/E	14.76
Beta vs Sensex	0.77
Avg Daily Volumes	5,616
Dividend Yield (%)	2.17
PEG Ratio	NA



Analyst: Sumit Jatia
Email: sjatia@microsec.in

We rate Zodiac Clothing Co. Ltd. a BUY. Zodiac which was incorporated by M. Y. Noorani, sells quality men's wear across the globe for the last 50 years. The company employs around 3500 people in 7 manufacturing plants (each of nearly 35,000 sq. feet) and 16 offices spread across India, UAE, Germany, USA and UK. The company retails at around 1,000 multi-brand outlets and over 50 exclusive Zodiac stores spread across the country. Under the leadership of Mr. Noorani and working with the largest retailer both domestically and internationally has helped the company to be a market leader in this segment.

Investment Highlights

Leveraging on Strong Brand Name - The Company's branded business ("Zodiac", "ZOD!" and "Z3" brands) continues to be the industry benchmark for its cutting-edge fashion in terms of design and styling, as well as for its quality. This business has also recorded higher revenue despite the severe slow down in India, consequent to the global economic crisis. The company's prime focus area is to build on attracting premium customers, maintaining the price-value relationship of its products, growing its customer base and loyalty through design driven and marketing-led innovations.

Growing target audience for branded clothing - The target audience for branded clothing is growing handsomely and is poised for exponential growth in the medium/long term. The company has opportunity in terms of its design-driven international business, and much greater opportunity in respect of its branded business, as well as its retail business, by leveraging of its strengths in the relevant areas. Added to this, with the political uncertainty in the country having been eliminated and with the newly constituted Government in place no longer having its hands tied behind its back, with regard to reforms and stimulating the economy, the branded market in India holds great potential.

Opening of own stores continues to be the prime focus area - The strategy to increase the number of own stores continues to be a prime focus area, with two new stores being opened at premium locations during the quarter ended June '09. During FY09, the company opened 21 new stores and renovated 2 stores (all stores are company-run, not franchised) in keeping with its strategy of investing in the growth potential of retail. The total of company run stores now stands at 71.

Exhibit 10. Zodiac – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	2,592.00	2,835.00	3,388.60	3,874.19	4,429.36
Growth (%)	54.60%	9.38%	19.53%	14.33%	14.33%
EBITDA	411.60	506.50	415.30	593.91	679.02
EBITDA Margins (%)	15.88%	17.87%	12.26%	15.33%	15.33%
Net Profit	236.40	324.20	249.60	360.69	412.37
Net Profit Margins (%)	9.12%	11.44%	7.37%	9.31%	9.31%
Net Profit Growth (%)	162.67%	37.14%	-23.01%	44.51%	14.33%
EPS	28.27	38.33	28.28	42.99	49.15
BVPS	139.74	169.43	192.43	235.42	284.57
P/E	10.45	7.70	10.44	6.87	6.01
P/BV	2.11	1.74	1.53	1.25	1.04
ROE (%)	20.23	22.81	15.46	18.26	17.27
EV/EBITDA	5.55	7.65	3.44	4.18	3.65

Source: Company, Microsec Research (In INR Mn)

Key Management Personnel

- Mr. M. Y. Noorani – Founder & Chairman
- Mr. A. Y. Noorani – Vice Chairman & Managing Director
- Mr. S. Y. Noorani – Managing Director & President
- Mr. Deepak Parekh – Director
- Dr. S. Abid Hussain – Director

Industry Overview

The Indian Textile Industry is one of the oldest industry in the country. It accounts for around 4.00 percent of the GDP, 14.00 percent of Industrial Production and over 13.00 percent of the Total Export Earnings. In fact, it is the largest foreign exchange earning sector in the country. Moreover, it provides employment to over 35 million people. The industry, **inclusive of exports** is estimated to be around USD52 billion and is likely to reach USD115 billion by 2012.

The domestic market is likely to increase from USD34.6 billion to USD 60 billion by 2012. It is also expected that India's share of exports to the world would also increase from the current 4.00 percent to around 7.00 percent during this period. India's textile exports have shot up from USD19.14 billion in 2006-07 to USD22.13 billion in 2007-08, registering a growth of over 15.00 percent. Due to recent turmoil in the financial sector, the Indian Clothing Exports during FY08-09, have grown at a mere 4.60 percent in USD terms (India/USD 10 billion globally USD373 billion). In January-March 2009, India's export to the EU has stagnated, whereas Bangladesh, Sri Lanka and China have all grown in this market. In case of the US, export from India has declined by 9.00 percent, whereas Bangladesh, Indonesia and Vietnam show significant growth.

How quickly consumer demand in India revives and how soon quality rentals fall to realistic levels on a sustained basis, will determine the pace of recovery of business and growth within India in the branded clothing industry.

Key Risks

International competing countries - The subsidies available to the clothing industry in our competitor nations (China, Vietnam, Sri Lanka, Bangladesh, Indonesia, some of whom also have favourable bi-lateral/preferential treaties with the U.S. and the EU) are a continuing risk for the textile industry.

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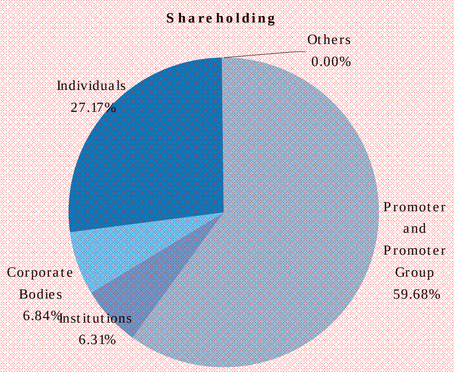
Navneet Publication – 'Knowledge' is Wealth

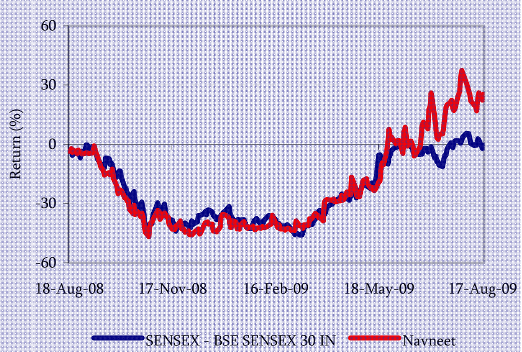
BUY

Sector- Print Media Publishing

Market Data	
Current Market Price	87.20
52 Week High	100.70
52 Week Low	35.10
Market Capitalization (INR MN)	8,310.16



Stock Scan	
NSE Code	NAVNETPUBL
BSE Code	508989
Bloomberg Ticker	NPI IS
Reuters Ticker	NAVN.BO
Face Value	2
Equity Share Capital (Rs. mn)	190.6
Avg 5 year P/E	14.68
Beta vs Sensex	0.92
Avg Daily Volumes (last 6 months)	192827
Dividend Yield (%)	2.95
PEG Rtio	NA



Analyst: Siddharth Sedani
Email: ssedani@microsec.in
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We rate Navneet Publication (India) Ltd a BUY. Navneet Publication Ltd (NPL), engaged in the business of Educational and Children Books publishing and Stationery products, enjoys 85 percent market share both in the states of Gujarat and Maharashtra. The company is a dominant player in the field of publishing, with more than 5000 titles in both regional as well as international languages, such as Hindi, Marathi, Gujarati, English and many other foreign languages. NPL plans to strengthen its presence in E-learning space among several schools and has leading positions in the premiere stationery markets of India, the Middle East, Africa, USA and Europe.

Investment Highlights

Stationary segment propels growth: The Company achieved 36 percent growth in revenue to INR158.89 mn (last year INR116.64 mn) in the domestic segment on account of aggressive marketing and introduction of new products in its paper and non-paper stationery businesses. The company expects a growth of around 25 percent in the current financial year, whereas it has achieved 367 percent growth at INR70.86 mn (last year INR19.31 mn) revenue due to encouraging orders from chain stores from USA. We expect the company to achieve reasonable growth in its international business.

E-learning: Next big thrust: Navneet has forayed into e-learning with a pilot project with initial capex of ~INR30 mn in FY08. The company has so far completed 100 pilot projects for schools in Gujarat and Maharashtra. The current yield in e-learning module is INR500 per student per annum. On successfully execution of the e-learning business, the company can result into a revenue stream of over INR500 mn in the next 5-7 years. However, currently NPL is focusing on increasing its footprint across Gujarat and Maharashtra schools rather than yield per student. The company visualizes e-learning as the next generation medium of education and hence has tremendous potential in this segment.

Market leader in the state of Gujarat & Maharashtra: Navneet commands leadership position in supplementary and reference book markets in Gujarat & Maharashtra with a market share of 85 percent respectively. As expected, both the states have witnessed syllabus change of major standards over last few years resulting into growth in publication business. The company has managed to maintain its operating margin at 32.84% marginally above last year (32.53%). We expect the company to maintain its operating margins, going forward.

Exhibit 11. Navneet – Historical Financials and Projections

Particulars	FY2007A	FY2008A	FY2009A	FY2010E	FY2011E
Net Sales	3,267.80	4,111.20	5,168.60	5,912.00	7,003.50
Growth (%)	11.04%	25.81%	25.72%	14.38%	18.46%
EBITDA	752.30	928.70	1,040.60	997.00	1,197.00
EBITDA Margins (%)	23.02%	22.59%	20.13%	16.86%	17.09%
Net Profit	435.10	542.10	564.10	653.50	784.00
Net Profit Margins (%)	13.31%	13.19%	10.91%	11.05%	11.19%
Net Profit Growth (%)	17.59%	24.59%	4.06%	15.85%	19.97%
EPS	4.57	5.69	5.92	6.85	8.25
BVPS	21.58	24.22	27.11	33.97	42.19
P/E	11.81	16.97	14.73	12.87	10.69
P/BV	2.50	3.99	3.22	2.57	2.07
RoE (%)	21.94	24.90	23.06	22.46	21.60
EV/EBITDA	7.28	10.73	5.18	9.03	7.52

Source: Company, Bloomberg, Microsec Research (In INR Mn)

Navneet Brand Equity

Key Management

- Mr. Shivji K. Vikamsey – Chairman
- Mr. Amarchand R. Gala – Managing Director
- Mr. Jaisinh K. Sampat – Jt. Managing Director
- Mr. Dungarshi R. Gala – Director, Educational Books Publishing
- Mr. Harakhchand R. Gala – Director, Sales and Distribution

Industry overview

The Indian Education system is one of the largest in the world with some of its higher education institutions ranked among the best globally. Currently, it comprises of pre-primary education, primary education, secondary education, senior secondary education and higher education. Making education available to all; tops the priority list of the government considering it as a centered instrument for achieving rapid and inclusive growth. The 86th institutional amendment has also made elementary education, a fundamental right for children between the age group of 6 to 14. After since, the University Grant Commission was established in 1953, the expansion of higher education in India has been growing rapidly.

The Ministry of Education has estimated that the country needs to build around 200,000 new K-12 (kindergarten to senior secondary) schools. Further, the government is also planning to upgrade 15,000 upper primary schools to secondary schools and enhance the existing capacity of 44,000 secondary schools. The higher education system in India comprises of more than 17,000 colleges, 20 central universities, 217 State Universities, 106 Deemed to be Universities and 13 Institutes of National importance.

The recent development of E-Learning has to play a vital role in the growth of this industry. Although, the penetration of internet is at its nascent stage (4 percent presently) in India, the size of this market is projected to be USD27 mn, which is expected to grow to USD280 mn by 2012. In such a scenario, e-learning provides huge opportunity, which many universities are availing of.

Of the total planned outlay of the 11th Plan, approved at the meeting of the National Development Council in December 2007, at INR2,700 billion, the education constitutes 20 percent of the Plan, representing a credible progress towards the target of education spending as 6 percent of GDP. The plan also presents a comprehensive strategy for strengthening the education sector covering all segments of the education pyramid.

Key Risks

Cross border competition: Import of cheap stationary from the Chinese market will take away some market share.

Currency Fluctuation: Any unforeseen fluctuation in foreign currency may hamper the company's earnings from export division.

Scarcity and Hike in Price of Raw Material: The supply of paper, the key raw material for the industry and company is tight, due to which there can be a marginal hike in the prices.

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