
Estimate/Price Target Revisions

Bajaj Auto, BAJA.BO **Sonal Gupta** **p.1**

Q2FY12: Good qtr, strong margin outlook

12-month rating: Neutral (Unchanged), FY12E Rs97.24=>Rs106.94, FY13E

Rs104.51=>Rs113.22, PT Prior: Rs1,700.00/US\$34.61 => Rs1,800.00/US\$36.64,

Market cap. Rs468bn/US\$9.52bn

Company Update

UltraTech Cement, ULTC.BO **Sandip Bansal** **p.8**

Q2FY12 results: Below estimates

12-month rating: Sell (Unchanged), FY12E Rs74.25, FY13E Rs81.32, PT

Rs950.00/US\$19.32, Market cap. Rs304bn/US\$6.14bn

Exide Industries, EXID.BO **Gautam Chhaochharia** **p.14**

Q2 Big Miss, Expect Better H2 FY12

12-month rating: Buy (Unchanged), FY12E Rs8.77=>Rs6.89, FY13E

Rs11.62=>Rs9.92, PT Prior: Rs200.00/US\$4.07 => Rs172.00/US\$3.50, Market

cap. Rs103bn/US\$2.10bn

Thermax, THMX.BO **Pankaj Sharma** **p.20**

2QFY12 results: No surprises

12-month rating: Sell (Unchanged), FY12E Rs36.76, FY13E Rs43.27, PT

Rs450.00/US\$9.15, Market cap. Rs50.5bn/US\$1.03bn

Crompton Greaves, CROM.BO **Pankaj Sharma** **p.25**

2Q FY12 analyst meet: key highlights

12-month rating: Sell (Unchanged), FY12E Rs9.66, FY13E Rs12.43, PT

Rs130.00/US\$2.64, Market cap. Rs91.4bn/US\$1.86bn

Crompton Greaves, CROM.BO **Pankaj Sharma** **p.31**

Q2 FY12: weak results [ERRATUM]

12-month rating: Sell (Unchanged), FY12E Rs9.66, FY13E Rs12.43, PT

Rs130.00/US\$2.64, Market cap. Rs105bn/US\$2.13bn

Industry Update

Banks **Vishal Goyal, CFA** **p.37**

India Banking & Finance Sector - Loans portable now free of charge

Q2FY12: Good qtr, strong margin outlook

■ Event: Q2FY12 Sales and EBITDA margin ahead of estimates

Net sales increased by 10% qoq to Rs 50.5bn (+21% YoY) vs UBS-e of Rs 49.2bn, helped by 3% qoq growth in ASP (due to price increases taken in export markets and increase in proportion of 3Ws in domestic market). EBITDA margin at 21% increased 110bps qoq as raw material and staff cost declined as %age of sales. PAT was up 6% YoY to Rs 7.3bn lower than UBS-e of Rs 7.6bn mainly due to notional forex loss of Rs.954m (reversible going fwd.).

■ Impact: Margins to increase in 2H, Raise EPS by 10%/9% for FY12/13

We expect margins to remain strong in H2FY12 due to 1. Price increases taken by the co. from Oct 1 in both export and domestic markets. Mgmt. has passed the net negative impact of DEPB phase out as a 3.5% increase in export prices. 2) Also, the duty drawback rate at 5.5% has been ahead of our expectation of 3%. 3) Sharp INR depreciation to help improve export margins. We therefore raise FY12/13 EBITDA margin from 18.6%/17.4% to 20.2%/19.5%. We however reduce our YoY volume growth for FY13 to 10% from 15% following price increases.

■ Action: Maintain Neutral, increase PT to Rs.1,800

We increase PT to Rs1,800 (from Rs1,700) following our earnings upgrade, however maintain our Neutral rating given limited upside from current levels. Q2 conf. call at 2:00 PM IST on 24th Oct; dial in: (+91 22) 6629 0307 / 3065 0107.

■ Valuation: @14.3x FY13E PE, Raise PT to Rs 1,800 (from Rs 1,700)

We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers with UBS's VCAM tool with a WACC of 11.5%.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	115,432	160,287	193,012	216,029	240,605
EBIT (UBS)	23,927	31,564	37,615	40,505	44,768
Net Income (UBS)	17,596	26,281	30,946	32,762	36,157
EPS (UBS, Rs)	60.81	90.82	106.94	113.22	124.95
Net DPS (UBS, Rs)	20.00	40.00	42.78	45.29	49.98

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	15.0	19.7	19.5	18.7	18.6
ROIC (EBIT) %	>500	>500	<-500	>500	>500
EV/EBITDA (core) x	11.0	10.4	10.5	9.3	8.0
PE (UBS) x	16.9	14.6	15.1	14.3	12.9
Net dividend yield %	2.7	3.0	2.6	2.8	3.1

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs1,615.95 on 20 Oct 2011 22:03 SGT

Sonal Gupta

Analyst
sonal.gupta@ubs.com
+91-22-6155 6063

Deepa Mirchandani

Associate Analyst
deepa.mirchandani@ubs.com
+91-22-6155 6051

Global Equity Research

India

Automobile Manufacturers

12-month rating **Neutral**
Unchanged

12m price target **Rs1,800.00/US\$36.64**
Prior: **Rs1,700.00/US\$34.61**

Price **Rs1,615.95/US\$32.89**

RIC: BAJA.BO BBG: BJAUT IB

20 October 2011

Trading data (local/US\$)

52-wk range	Rs1,668.05-1,206.30/US\$36.38-26.50
Market cap.	Rs468bn/US\$9.52bn
Shares o/s	289m (ORD)
Free float	49%
Avg. daily volume ('000)	470
Avg. daily value (m)	Rs723.1

Balance sheet data 03/12E

Shareholders' equity	Rs66.6bn
P/BV (UBS)	3.5x
Net Cash (debt)	Rs19.9bn

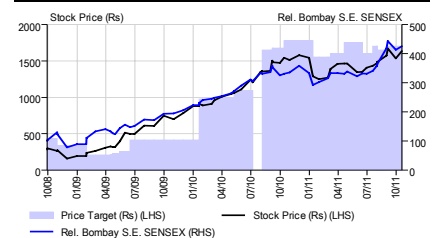
Forecast returns

Forecast price appreciation	+11.4%
Forecast dividend yield	2.0%
Forecast stock return	+13.4%
Market return assumption	13.3%
Forecast excess return	+0.1%

EPS (UBS, Rs)

	03/12E		03/11	
	From	To	Cons.	Actual
Q1E	-	-	-	-
Q2E	-	-	-	-
Q3E	-	-	-	-
Q4E	-	-	-	-
03/12E	97.24	106.94	97.24	-
03/13E	104.51	113.22	104.51	-

Performance (Rs)



www.ubs.com/investmentresearch

Raise PT on improved margin outlook

We increase our 12-mth PT to Rs1,800 (from Rs1,700) as following our discussion with the mgmt. we expect margins to be better than our previous expectations in H2 and for FY13 driven by:

1. Price increase implemented on 1st Oct. (3.5% in export market and Rs.500 on Pulsar and Discover models in the domestic market). Mgmt. has passed the net negative impact of DEPB phase out as a 3.5% increase in export prices.
2. Duty drawback rate announced by the govt. is offering 5.5% incentive vs our previous estimate of 3%.
3. Focus market export incentives increased from 3% to 4% retrospectively from 1st Apr'11.
4. Additional 1% of export incentive until 31st Mar.'12 for export of motorcycles.
5. INR has depreciated by 8% vs USD (as of Oct 20th) compared to Q2FY12 avg. of 45.8. Bajaj exports are completely dollar denominated.

Reducing volume forecast for FY13

We therefore raise FY12/13 EBITDA margin from 18.6%/17.4% to 20.2%/19.5%. We however reduce our YoY volume growth for FY13 to 10% from 15% following price increases in the export market. We also marginally reduce our domestic vol. growth for FY12 given weaker performance ytd in the domestic market. However, for FY12 weaker domestic growth has been offset by stronger growth in exports.

Table 1: Volume growth trend and forecast

Units	FY2007	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Motorcycle - domestic	2,078,860	1,658,084	1,276,470	1,781,748	2,414,603	2,704,355	2,974,791	3,272,270
YoY Growth	19%	-20%	-23%	40%	36%	12%	10%	10%
Motorcycle - exports	297,659	481,549	631,383	725,097	972,437	1,215,546	1,337,101	1,537,666
YoY Growth	80%	62%	62%	15%	34%	25%	10%	15%
Motorcycle - total	2,376,519	2,139,633	1,907,853	2,506,845	3,387,040	3,919,902	4,311,892	4,809,936
YoY Growth	24%	-10%	-11%	31%	35%	16%	10%	12%
3W - domestic	181,133	153,986	135,473	176,027	205,603	215,883	215,883	215,883
YoY Growth	2%	-15%	-12%	30%	17%	5%	0%	0%
3W - exports	140,663	136,315	139,056	164,909	231,281	289,101	318,011	349,813
YoY Growth	87%	-3%	2%	19%	40%	25%	10%	10%
3W - total	321,796	290,301	274,529	340,936	436,884	504,984	533,895	565,696
YoY Growth	28%	-10%	-5%	24%	28%	16%	6%	6%
Other 2W	20,497	21,316	11,772	4,851				
Total volumes	2,721,824	2,451,407	2,194,154	2,852,632	3,823,924	4,424,886	4,845,786	5,375,632
YoY volume growth	24%	-10%	-11%	31%	35%	16%	10%	12%
3 wheeler volume share	12%	12%	13%	12%	11%	11%	11%	11%

Source: SIAM, UBS Estimates

Q2FY12 Result Tables

Table 2: Bajaj Auto sales volumes

	Q2 FY12	Q1 FY12	Q2 FY11	QoQ	YoY
Motorcycle - domestic	684,671	623,175	632,650	10%	8%
Motorcycle - exports	342,686	339,876	250,822	1%	37%
3W - domestic	55,332	42,276	60,566	31%	-9%
3W - exports	81,448	87,488	56,510	-7%	44%
Motorcycles	1,027,357	963,051	883,472	7%	16%
Three-wheelers	136,780	129,764	117,076	5%	17%
Total volume	1,164,137	1,092,815	1,000,548	7%	16%

Source: Company Data

Table 3: Bajaj Auto P&L

(Rs m)	Q2 FY12	Q1 FY12	Q2 FY11	QoQ	YoY
Net sales	50,465	45,869	41,809	10%	21%
(Incr)/Decr in WIP	(415)	1,148	(320)		
Raw materials	38,031	33,517	31,032	13%	23%
Staff cost	1,311	1,389	1,142	-6%	15%
Other expenditure	3,285	2,625	2,618	25%	25%
Expenses capitalised	(112)	(14)	(25)		
Total operating expense	42,099	38,665	34,447	9%	22%
Core EBITDA	8,366	7,205	7,363	16%	14%
Other operating Income	2,208	1,904	1,609	16%	37%
Other Income	745	731	837	2%	-11%
Interest	202	2	7		
Depreciation	394	306	300	29%	32%
Exceptional items	(954)	0	0		
PBT	9,768	9,531	9,503	2%	3%
Tax	2,510	2,420	2,682	4%	-6%
PAT (Reported)	7,258	7,111	6,821	2.1%	6.4%
PAT (pre-ex)	8,212	7,111	6,821	15%	20%

Source: Company data

Table 4: Bajaj Auto quarterly cost structure

As % of Net sales	Q2 FY10	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12
Raw material	68.5%	71.3%	71.6%	74.1%	73.5%	74.0%	73.5%	75.6%	74.5%
Staff cost	3.8%	2.9%	2.6%	3.4%	2.7%	2.6%	3.2%	3.0%	2.6%
Other expenditure	8.4%	7.2%	5.7%	5.9%	6.3%	6.0%	6.0%	5.7%	6.5%
Core EBITDA margin	19.4%	18.8%	20.3%	16.7%	17.6%	17.4%	17.6%	15.7%	16.6%
Other operating income	3.4%	4.1%	3.3%	4.1%	3.8%	3.7%	3.7%	4.2%	4.4%
Tax rate	30.4%	29.8%	28.1%	28.6%	28.2%	27.3%	15.5%	25.4%	25.7%

Source: Company data

Table 5: Per unit analysis

Rs/unit	Q2 FY10	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12
ASP - Net	40,674	39,122	40,677	40,258	41,786	42,542	42,731	41,973	43,350
ASP - export	35,617	34,684	40,099	37,357	37,516	38,160	38,319	39,498	40,860
ASP - domestic	43,128	41,393	40,885	41,812	43,679	44,541	44,541	43,563	44,777
Raw material cost	27,848	27,887	29,105	29,819	30,695	31,500	31,395	31,720	32,312
Staff cost	1,564	1,149	1,065	1,361	1,141	1,126	1,367	1,271	1,126
Other expenditure	3,416	2,811	2,320	2,364	2,616	2,563	2,543	2,402	2,822
Core EBITDA	7,896	7,338	8,259	6,723	7,359	7,397	7,522	6,593	7,186
Other operating income	1,373	1,603	1,347	1,646	1,608	1,573	1,563	1,742	1,897

Source: Company Data

Table 6: Bajaj Auto annual cost structure

Cost Structure (% of net sales)	FY 2007	FY 2008	FY 2009	FY10	FY11	FY12E	FY13E	FY14E
Raw Material	73.0%	76.4%	76.5%	70.2%	73.6%	73.7%	73.7%	73.8%
Other Variable expenses	4.7%	4.0%	4.7%	3.3%	3.1%	3.1%	3.2%	3.2%
Fixed expenses	8.5%	9.7%	10.1%	7.9%	6.1%	6.0%	6.1%	6.1%
Other Operating Income	0.0%	3.2%	3.8%	3.2%	3.2%	2.9%	2.6%	2.6%
EBITDA margin	14.1%	13.4%	12.7%	21.9%	20.5%	20.2%	19.5%	19.4%

Source: Company data, UBS estimates

Bajaj Auto

Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	94,530	86,659	84,460	115,432	160,287	193,012	20.4	216,029	11.9	240,605	11.4
Operating expenses (ex depn)	(81,158)	(77,875)	(76,905)	(93,869)	(132,676)	(159,679)	20.4	(179,486)	12.4	(199,998)	11.4
EBITDA (UBS)	13,373	11,600	10,746	25,301	32,803	39,008	18.9	42,098	7.9	46,773	11.1
Depreciation	(1,906)	(1,746)	(1,306)	(1,374)	(1,239)	(1,393)	12.4	(1,593)	14.4	(2,006)	25.9
Operating income (EBIT, UBS)	11,467	9,854	9,440	23,927	31,564	37,615	19.2	40,505	7.7	44,768	10.5
Other income & associates	6,665	2,165	1,716	1,796	4,601	4,286	-6.8	5,119	19.4	5,618	9.8
Net interest	(55)	(52)	(219)	(68)	(24)	0	-	0	-	0	-
Abnormal items (pre-tax)	(490)	(1,025)	(2,072)	(1,624)	8,268	0	-	0	-	0	-
Profit before tax	17,587	10,942	8,865	24,032	44,410	41,901	-5.6	45,624	8.9	50,386	10.4
Tax	(5,280)	(3,684)	(2,889)	(7,035)	(10,093)	(11,188)	10.8	(13,094)	17.0	(14,461)	10.4
Profit after tax	12,307	7,258	5,976	16,997	34,317	30,714	-10.5	32,530	5.9	35,925	10.4
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	199	238	(618)	(1,025)	232	232	-0.1	232	-0.1	232	-0.1
Net income (local GAAP)	12,506	7,496	5,358	15,972	34,549	30,946	-10.4	32,762	5.9	36,157	10.4
Net Income (UBS)	12,995	8,521	7,430	17,596	26,281	30,946	17.8	32,762	5.9	36,157	10.4
Tax rate (%)	30	34	33	29	23	27	17.5	29	7.5	29	0.0
Pre-abnormal tax rate (%)	29	31	26	27	28	27	-4.4	29	7.5	29	0.0
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	43.22	25.90	18.52	55.20	119.39	106.94	-10.4	113.22	5.9	124.95	10.4
EPS (UBS)	44.91	29.45	25.68	60.81	90.82	106.94	17.8	113.22	5.9	124.95	10.4
Net DPS	20.00	10.00	11.00	20.00	40.00	42.78	6.9	45.29	5.9	49.98	10.4
Cash EPS	51.50	35.48	30.19	65.56	95.10	111.76	17.5	118.72	6.2	131.88	11.1
BVPS	212.57	56.11	62.65	187.78	166.13	460.34	177.1	584.88	27.1	722.33	23.5
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	14,064	12,975	15,522	15,249	15,522	19,305	24.4	22,712	17.7	24,206	6.6
Net intangible fixed assets	41	105	1,996	0	43	152	255.1	152	0.0	152	0.0
Net working capital (incl. other assets)	(24,900)	(2,870)	(2,988)	(13,602)	(16,368)	(19,494)	19.1	(21,875)	12.2	(24,291)	11.0
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	(10,795)	10,210	14,529	1,647	(803)	(38)	-95.3	989	-	68	-93.1
Investments	144,429	18,750	17,904	37,742	46,528	46,759	0.5	46,990	0.5	47,221	0.5
Total capital employed	133,635	28,960	32,433	39,389	45,725	46,721	2.2	47,979	2.7	47,289	-1.4
Shareholders' equity	61,508	16,236	18,128	27,169	48,072	66,604	38.5	84,623	27.1	104,509	23.5
Minority interests	2,197	4	0	4	3	3	5.0	3	5.0	3	5.0
Total equity	63,705	16,240	18,128	27,173	48,075	66,607	38.5	84,626	27.1	104,512	23.5
Net debt / (cash)	69,929	12,720	14,306	12,216	(2,350)	(19,886)	746.2	(36,647)	84.3	(57,223)	56.1
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	133,635	28,960	32,433	39,389	45,725	46,721	2.2	47,979	2.7	47,289	-1.4
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	11,467	9,854	9,440	23,927	31,564	37,615	19.2	40,505	7.7	44,768	10.5
Depreciation	1,906	1,746	1,306	1,374	1,239	1,393	12.4	1,593	14.4	2,006	25.9
Net change in working capital	7,876	(22,029)	118	10,614	2,766	3,127	13.0	2,380	-23.9	2,416	1.5
Other (operating)	28	64	3,607	(200)	4,644	4,395	-5.4	5,119	16.5	5,618	9.8
Operating cash flow (pre tax/interest)	21,277	(10,365)	14,470	35,715	40,213	46,530	15.7	49,597	6.6	54,807	10.5
Net interest received / (paid)	(55)	(52)	(219)	(68)	(24)	0	-	0	-	0	-
Dividends paid	(4,735)	(3,386)	(3,724)	(6,749)	(13,452)	(13,926)	3.52	(14,743)	5.87	(16,270)	10.36
Tax paid	(5,500)	(3,961)	(3,084)	(7,126)	(9,830)	(11,313)	15.1	(13,231)	16.9	(14,612)	10.4
Capital expenditure	(48,602)	129,807	(3,373)	(654)	(413)	(5,175)	1154.2	(5,000)	-3.4	(3,500)	-30.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	0	0	223	(20,866)	(8,554)	0	-100.0	0	10.2	0	-24.3
Share issues	1,728	(49,818)	258	(182)	(1,640)	1,512	-	0	-	0	-
Cash flow (inc)/dec in net debt	(35,888)	62,226	4,553	70	6,299	17,628	179.8	16,623	-5.7	20,425	22.9
FX / non cash items	7,132	(5,017)	(6,138)	2,019	8,267	(92)	-	138	-	152	10.3
Balance sheet (inc)/dec in net debt	(28,756)	57,209	(1,585)	2,090	14,566	17,536	20.4	16,761	-4.4	20,577	22.8
Core EBITDA	13,373	11,600	10,746	25,301	32,803	39,008	18.9	42,098	7.9	46,773	11.1
Maintenance capital expenditure	(1,906)	(1,746)	(1,306)	(1,374)	(1,239)	(1,393)	12.4	(1,593)	14.4	(2,006)	25.9
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	11,467	9,854	9,440	23,927	31,564	37,615	19.2	40,505	7.7	44,768	10.5

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Neutral

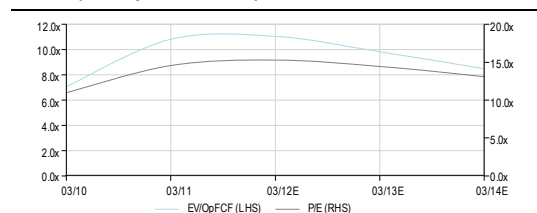
12m price target

Rs1,800.00

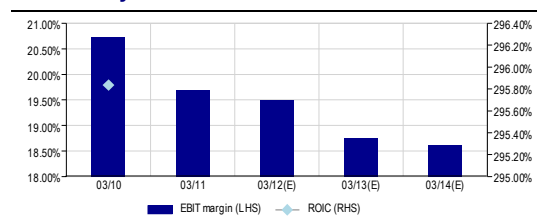
Company profile

Bajaj Auto was India's largest two-wheeler manufacturer until 2000. It is present in all product segments, including three-wheelers. Bajaj has a technical tie-up with Kawasaki in the motorcycle segment. Bajaj was strongest in scooters, although its position has declined sharply in recent years. Bajaj is now attempting to gain market share through the launch of new motorcycle models. The company is also trying to gain a foothold in the two-wheeler markets in Southeast Asia and Latin America via CKD assembly facilities set up by its distributors.

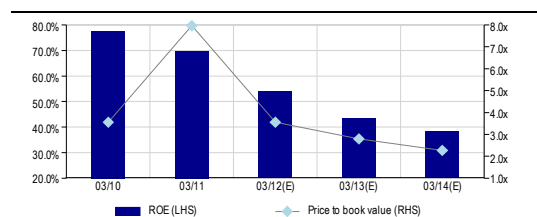
Value (EV/OpFCF & P/E)



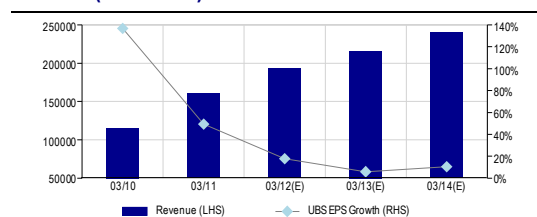
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	18.2	12.1	11.1	15.1	14.3	12.9
P/E (UBS)	16.9	11.0	14.6	15.1	14.3	12.9
P/CEPS	14.8	10.2	13.9	14.5	13.6	12.3
Net dividend yield (%)	2.7	3.0	3.0	2.6	2.8	3.1
P/BV	6.9	3.6	8.0	3.5	2.8	2.2
EV/revenue (core)	1.9	1.5	2.1	2.1	1.8	1.6
EV/EBITDA (core)	11.0	6.7	10.4	10.5	9.3	8.0
EV/EBIT (core)	11.9	7.1	10.8	10.9	9.7	8.3
EV/OpFCF (core)	11.9	7.1	10.8	10.9	9.7	8.3
EV/op. invested capital	NM	NM	NM	NM	NM	NM

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	193,287	382,982	467,607	467,607	467,607
+ minority interests	4	3	3	3	3
+ average net debt (cash)	13,261	4,933	(11,118)	(28,266)	(46,935)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(37,742)	(46,528)	(46,759)	(46,990)	(47,221)
Core enterprise value	168,810	341,390	409,734	392,354	373,455

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	14.1	36.7	38.9	20.4	11.9	11.4
EBITDA (UBS)	25.1	135.5	29.7	18.9	7.9	11.1
EBIT (UBS)	28.8	153.5	31.9	19.2	7.7	10.5
EPS (UBS)	19.3	136.8	49.4	17.8	5.9	10.4
Cash EPS	16.6	117.1	45.1	17.5	6.2	11.1
Net DPS	18.9	81.8	100.0	6.9	5.9	10.4
BVPS	-6.0	199.8	-11.5	177.1	27.1	23.5

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	16.5	21.9	20.5	20.2	19.5	19.4
EBIT / revenue	15.0	20.7	19.7	19.5	18.7	18.6
Net profit (UBS) / revenue	12.8	15.2	16.4	16.0	15.2	15.0

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	NM	NM	NM	NM	NM	NM
ROIC post tax	-	NM	NM	NM	NM	NM
Net ROE	47.1	77.7	69.9	54.0	43.3	38.2

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	NM	NM	NM	-	-	-
Dividend cover (UBS EPS)	2.6	3.0	2.3	2.5	2.5	2.5
Div. payout ratio (% , UBS EPS)	39.7	32.9	44.0	40.0	40.0	40.0
Net debt / EBITDA	1.1	0.5	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	NM	14.3	NM	NM	NM	NM
Revenue / fixed assets	7.3	7.0	10.4	11.0	10.2	10.2
Revenue / net working capital	NM	NM	NM	NM	NM	NM

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	1.0	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	NM	0.6	0.3	2.7	2.3	1.5
Capex / depreciation	NM	0.5	0.3	3.7	3.1	1.7

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	62.4	45.0	(4.9)	(29.9)	(43.3)	(54.8)
Net debt / (net debt + equity)	38.4	31.0	(5.1)	(42.6)	(76.4)	NM
Net debt (core) / EV	12.5	7.9	1.4	(2.7)	(7.2)	(12.6)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs1,615.95 on 20 Oct 2011 22:03 SGT Market cap(E) may include forecast share issues/buybacks.

Sonal Gupta

Analyst

sonal.gupta@ubs.com

+91-22-6155 6063

Deepa Mirchandani

Associate Analyst

deepa.mirchandani@ubs.com

+91-22-6155 6051

■ Bajaj Auto

Bajaj Auto was India's largest two-wheeler manufacturer until 2000. It is present in all product segments, including three-wheelers. Bajaj has a technical tie-up with Kawasaki in the motorcycle segment. Bajaj was strongest in scooters, although its position has declined sharply in recent years. Bajaj is now attempting to gain market share through the launch of new motorcycle models. The company is also trying to gain a foothold in the two-wheeler markets in Southeast Asia and Latin America via CKD assembly facilities set up by its distributors.

■ Statement of Risk

We think key risks for Bajaj remain rising commodity prices, a potential price war with Hero Honda in the domestic market, a sharp decline in 3W volumes, and a drop in export sales.

UBS Investment Research

UltraTech Cement

Q2FY12 results: Below estimates

■ Event: Results below UBS and consensus estimates

Ultratech reported net sales of Rs39.8bn (+23% y/y, -10% q/q), operating profit of Rs6.5bn (+49% y/y, -47% q/q; consensus Rs6.9bn) and PAT of Rs2.8bn (+141% y/y, -59% q/q; below UBS-e of Rs3.2bn and consensus estimate of Rs3.7bn). Q2FY12 EBITDA/t was about Rs710 per ton (street expectations of about Rs750). Domestic cement and clinker volumes increased 2% YoY (-5% QoQ) to 8.94mt.

■ Impact: Realizations declined by about 6%, costs per ton up by about 10%

Net cement realisation decreased by about 5.6% QoQ, while total cost per ton increased by about 10.5% QoQ. Staff costs increased by about 12% QoQ and other expenditure increased by about 10% (14% YoY, likely led by maintenance works). Power and fuel costs decreased by about 3% QoQ. Raw material costs per ton increased by about 3.5% (about 40% including stock adjustments). Interest (-8% QoQ, -21% YoY) and depreciation (flat QoQ, +2% YoY) were lower than our expectations.

■ Action: Conference call on Oct 24th, Monday at 10am IST

We have a cautious view on the Indian Cement sector as we expect industry overcapacity to persist for the next two to three years (and stocks are trading at premiums to replacement costs). We expect to receive further details on the management's outlook and the performance of its overseas subsidiary, Star Cement, in Grasim's conference call on Monday, 24th October 2011 at 10am IST.

■ Valuation: Sell rating and PT of Rs950

We value Ultratech at a one-year forward EV/EBITDA of 6x.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	71,751	136,912	188,276	209,545	237,011
EBIT (UBS)	15,943	17,575	31,721	36,388	37,630
Net Income (UBS)	10,952	13,674	20,347	22,285	22,292
EPS (UBS, Rs)	87.97	49.90	74.25	81.32	81.35
Net DPS (UBS, Rs)	6.00	6.00	8.93	9.78	9.78

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	21.4	12.8	16.8	17.4	15.9
ROIC (EBIT) %	31.6	20.6	21.8	19.7	18.3
EV/EBITDA (core) x	7.0	8.8	7.3	6.3	5.4
PE (UBS) x	12.1	20.1	15.0	13.7	13.7
Net dividend yield %	0.7	0.6	0.8	0.9	0.9

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs1,111.10 on 20 Oct 2011 20:03 SGT

Sandip Bansal

Analyst
sandip.bansal@ubs.com
+91-22-6155 6059

Global Equity Research

India

Building Materials

12-month rating **Sell**
Unchanged

12m price target **Rs950.00/US\$19.32**
Unchanged

Price **Rs1,111.10/US\$22.41 (ADR)**

RIC: ULTC.BO BBG: UTCCEM IB

20 October 2011

Trading data (local/US\$)

52-wk range	Rs1,166.35-901.35/US\$25.88-19.82
Market cap.	Rs304bn/US\$6.14bn
Shares o/s	274m (ORD)/274m (ADR)
ADR ratio	1 ADR:1 ORD
Free float	36%
Avg. daily volume ('000)	182/-
Avg. daily value (m)	Rs194.3/-

Balance sheet data 03/12E

Shareholders' equity	Rs124bn
P/BV (UBS)	2.5x
Net Cash (debt)	(Rs41.6bn)

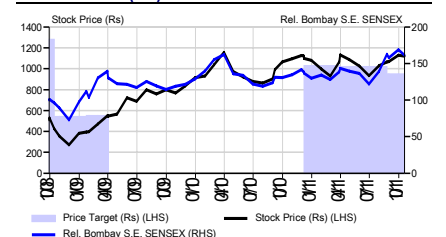
Forecast returns

Forecast price appreciation	-14.5%
Forecast dividend yield	0.8%
Forecast stock return	-13.7%
Market return assumption	13.3%
Forecast excess return	-27.0%

EPS (UBS, Rs)

	03/12E	03/11	03/10
	UBS	Cons.	Actual
Q1E	24.93	-	19.50
Q2E	18.72	18.72	4.22
Q3E	20.37	20.37	11.77
Q4E	10.23	10.23	25.04
03/12E	74.25	74.25	
03/13E	81.32	81.32	

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

Q2FY12 Results

Table 1: Ultratech Q2FY12 results

(Rs m)	Q2FY12	Q2FY11	% change	Q1FY12	% change
Total Operating Revenue	39,806	32,445	23%	44,044	-10%
Operating expenses	33,281	28,069	19%	31,773	5%
EBITDA	6,525	4,376	49%	12,271	-47%
Other Income	325	386	-16%	268	21%
Interest	672	845	-21%	726	-8%
Depreciation	2,228	2,184	2%	2,230	0%
Profit before Tax	3,951	1,733	128%	9,583	-59%
Tax	1,162	575	102%	2,752	-58%
PAT	2,789	1,158	141%	6,831	-59%
EBITDA Margin	16.4%	13.5%	3%	27.9%	-11%
PBT margin	9.9%	5.3%	5%	21.8%	-12%
PAT margin	7.0%	3.6%	3%	15.5%	-9%
Effective tax rate	29.4%	33.2%	-4%	28.7%	1%

Note: Q2FY11 numbers are restated as Samruddhi Cement Limited was amalgamated with the Company w.e.f. 01/07/2010.

Source: Company data, UBS estimates

Table 2: Comparison of cost structure with last year

(Rs /T)	Q2FY12	Q2FY11	% change	Q1FY12	% change
Cement Realisation	4,269	3,591	19%	4,521	-5.6%
Raw material	592	528	12%	572	3.4%
Raw material (Incl finished goods)	728	506	44%	522	39.5%
Staff cost	225	213	5%	191	17.9%
Power & Fuel	1,043	942	11%	1,074	-2.9%
Outward freight	817	727	12%	797	2.5%
Other expenditure	822	734	12%	708	16.1%
Total expenditure	3,634	3,136	16%	3,291	10.4%
EBITDA per ton	712	477	49%	1,271	-43.9%

Source: Company data, UBS estimates

Note: 1) Cement realisation and other per ton items includes the effect of clinker, RMC, white cement and wall care putty, 2) Q2FY11 numbers are restated as Samruddhi Cement Limited was amalgamated with the Company w.e.f. 01/07/2010.

Table 3: Cost structure progression

(Rs /T)	H1FY12	Q2FY12	Q1FY12	FY11	Q4FY11	9MFY11	H1FY11	FY10
Cement Realisation	4,398	4,269	4,521	4,032	4,245	3,813	3,811	4,114
Raw material	582	592	572	641	540	530	539	464
Raw material (Incl finished goods)	622	728	522	649	598	519	516	495
Staff cost	207	225	191	233	205	190	189	124
Power & Fuel	1,059	1,043	1,074	1,098	913	914	913	706
Outward freight	806	817	797	904	776	762	753	612
Other expenditure	763	822	708	863	789	692	690	586
Total expenditure	3,458	3,634	3,291	3,746	3,280	3,058	3,052	2,523
EBITDA per ton	999	712	1,271	329	1,027	755	759	980

Source: Company data, UBS estimates

Note: Cement realisation and other per ton items includes the effect of clinker, RMC, white cement and wall care putty

UltraTech Cement

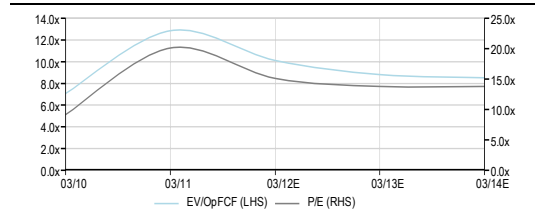
Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	49,687	56,238	65,636	71,751	136,912	188,276	37.5	209,545	11.3	237,011	13.1
Operating expenses (ex deprecn)	(35,371)	(38,944)	(48,452)	(51,895)	(111,207)	(144,504)	29.9	(159,497)	10.4	(178,021)	11.6
EBITDA (UBS)	14,316	17,294	17,185	19,856	25,705	43,772	70.3	50,048	14.3	58,990	17.9
Depreciation	(2,273)	(2,383)	(3,258)	(3,913)	(8,130)	(12,051)	48.2	(13,660)	13.4	(21,361)	56.4
Operating income (EBIT, UBS)	12,043	14,912	13,927	15,943	17,575	31,721	80.5	36,388	14.7	37,630	3.4
Other income & associates	(14)	0	0	0	0	0	-	0	-	0	-
Net interest	(276)	241	(249)	36	(99)	(2,395)	2329.1	(3,917)	63.6	(5,117)	30.6
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	11,753	15,153	13,678	15,978	17,476	29,326	67.8	32,471	10.7	32,512	0.1
Tax	(3,887)	(5,038)	(3,882)	(5,010)	(3,866)	(9,076)	134.8	(10,202)	12.4	(10,228)	0.3
Profit after tax	7,867	10,115	9,796	10,968	13,611	20,250	48.8	22,269	10.0	22,284	0.1
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(18)	(15)	(16)	(16)	63	97	54.5	16	-83.5	8	-50.6
Net income (local GAAP)	7,849	10,101	9,781	10,952	13,674	20,347	48.8	22,285	9.5	22,292	0.0
Net Income (UBS)	7,863	10,101	9,781	10,952	13,674	20,347	48.8	22,285	9.5	22,292	0.0
Tax rate (%)	33	33	28	31	22	31	39.9	31	1.5	31	0.1
Pre-abnormal tax rate (%)	33	33	28	31	22	31	39.9	31	1.5	31	0.1
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	63.05	80.64	78.57	87.97	49.90	74.25	48.8	81.32	9.5	81.35	0.0
EPS (UBS)	63.16	80.64	78.57	87.97	49.90	74.25	48.8	81.32	9.5	81.35	0.0
Net DPS	4.00	4.97	5.00	6.00	6.00	8.93	48.8	9.78	9.5	9.78	0.0
Cash EPS	81.42	99.66	104.73	119.41	79.56	118.22	48.6	131.17	10.9	159.29	21.4
BVPS	142.04	217.10	290.10	371.09	388.40	452.25	16.4	522.20	15.5	592.18	13.4
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	32,338	48,011	53,338	52,185	135,052	174,401	29.1	214,192	22.8	222,676	4.0
Net intangible fixed assets	91	78	64	64	4,713	4,713	0.0	4,713	0.0	0	-
Net working capital (incl. other assets)	1,120	(757)	342	965	3,026	4,322	42.8	1,814	-58.0	2,962	63.2
Other liabilities	(5,621)	(5,454)	(7,276)	(8,356)	(17,335)	(17,335)	0.0	(17,335)	0.0	(17,335)	0.0
Operating invested capital	27,928	41,879	46,468	44,858	125,456	166,101	32.4	203,384	22.4	208,302	2.4
Investments	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	27,928	41,879	46,468	44,858	125,456	166,101	32.4	203,384	22.4	208,302	2.4
Shareholders' equity	17,682	27,026	36,113	46,195	106,431	123,934	16.4	143,105	15.5	162,281	13.4
Minority interests	53	57	68	75	656	559	-14.8	543	-2.9	535	-1.5
Total equity	17,735	27,083	36,181	46,271	107,087	124,493	16.3	143,648	15.4	162,817	13.3
Net debt / (cash)	10,193	14,795	10,287	(1,413)	18,369	41,608	126.5	59,736	43.6	45,485	-23.9
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	27,928	41,879	46,468	44,858	125,456	166,101	32.4	203,384	22.4	208,302	2.4
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	12,043	14,912	13,927	15,943	17,575	31,721	80.5	36,388	14.7	37,630	3.4
Depreciation	2,273	2,383	3,258	3,913	8,130	12,051	48.2	13,660	13.4	21,361	56.4
Net change in working capital	362	1,876	(1,098)	(623)	(2,062)	(1,296)	-37.1	2,508	-	(1,147)	-
Other (operating)	(134)	454	1,808	1,063	8,945	0	-	0	-	(4,713)	-
Operating cash flow (pre tax/interest)	14,545	19,625	17,895	20,296	32,588	42,476	30.3	52,556	23.7	53,130	1.1
Net interest received / (paid)	(598)	(394)	(249)	36	(99)	(2,395)	2329.1	(3,917)	63.6	(5,117)	30.6
Dividends paid	(498)	(622)	(622)	(747)	(1,644)	(2,447)	48.81	(2,680)	9.53	(2,681)	0.03
Tax paid	(3,957)	(5,144)	(3,988)	(5,134)	(4,132)	(9,473)	129.2	(10,636)	12.3	(10,663)	0.3
Capital expenditure	(7,331)	(17,726)	(8,285)	(2,563)	(119,138)	(51,400)	-56.9	(53,451)	4.0	(25,132)	-53.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	0	0	0	0	0	0	-	0	0.0	0	-
Share issues	0	0	0	0	1,496	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	2,161	(4,261)	4,750	11,887	(90,930)	(23,239)	-74.4	(18,128)	-22.0	9,537	-
FX / non cash items	0	(341)	(242)	(187)	71,148	0	-	0	200.0	4,713	-
Balance sheet (inc)/dec in net debt	2,161	(4,602)	4,508	11,700	(19,782)	(23,239)	17.5	(18,128)	-22.0	14,250	-
Core EBITDA	14,316	17,294	17,185	19,856	25,705	43,772	70.3	50,048	14.3	58,990	17.9
Maintenance capital expenditure	(2,273)	(2,383)	(3,258)	(3,913)	(8,130)	(12,051)	48.2	(13,660)	13.4	(21,361)	56.4
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	12,043	14,912	13,927	15,943	17,575	31,721	80.5	36,388	14.7	37,630	3.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

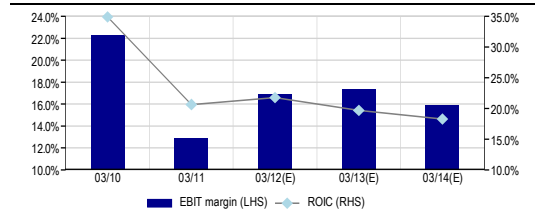
Company profile

UltraTech Cement (UltraTech) was formed when the former cement division of L&T was demerged and bought by Grasim Industries of the Aditya Birla Group. Recently, Grasim's demerged cement business (Samruddhi Cement) merged with UltraTech, making UltraTech the largest cement company in India with a capacity of about 49mt, and the eighth largest cement company globally. It has a total capacity of about 52mt, including 3mt of overseas capacity (in Bangladesh, Bahrain and UAE). UltraTech is also a leader in cement value-added products such as white cement, wall-care putty and ready-mix concrete.

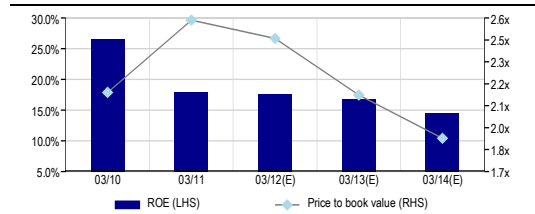
Value (EV/OpFCF & P/E)



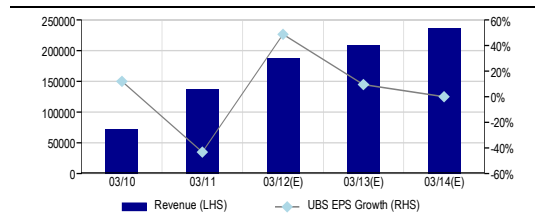
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	12.1	9.1	20.1	15.0	13.7	13.7
P/E (UBS)	12.1	9.1	20.1	15.0	13.7	13.7
P/CEPS	8.7	6.7	12.6	9.4	8.5	7.0
Net dividend yield (%)	0.7	0.7	0.6	0.8	0.9	0.9
P/BV	3.3	2.2	2.6	2.5	2.1	1.9
EV/revenue (core)	1.7	1.6	1.7	1.7	1.5	1.3
EV/EBITDA (core)	7.0	5.7	8.8	7.3	6.3	5.4
EV/EBIT (core)	8.8	7.1	12.9	10.0	8.7	8.4
EV/OpFCF (core)	8.8	7.1	12.9	10.0	8.7	8.4
EV/op. invested capital	2.8	2.5	2.7	2.2	1.7	1.5

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	99,958	213,312	304,464	304,464	304,464
+ minority interests	71	366	608	551	539
+ average net debt (cash)	12,541	12,541	12,541	12,541	12,541
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	0
Core enterprise value	112,570	226,219	317,613	317,556	317,544

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	28.8	9.3	90.8	37.5	11.3	13.1
EBITDA (UBS)	15.8	15.5	29.5	70.3	14.3	17.9
EBIT (UBS)	9.9	14.5	10.2	80.5	14.7	3.4
EPS (UBS)	-5.7	12.0	-43.3	48.8	9.5	0.0
Cash EPS	-0.6	14.0	-33.4	48.6	10.9	21.4
Net DPS	10.7	20.0	0.0	48.8	9.5	0.0
BVPS	28.6	27.9	4.7	16.4	15.5	13.4

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	26.4	27.7	18.8	23.2	23.9	24.9
EBIT / revenue	21.4	22.2	12.8	16.8	17.4	15.9
Net profit (UBS) / revenue	14.8	15.3	10.0	10.8	10.6	9.4

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	31.6	34.9	20.6	21.8	19.7	18.3
ROIC post tax	-	24.0	16.1	15.0	13.5	12.5
Net ROE	35.3	26.6	17.9	17.7	16.7	14.6

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	-	-	NM	13.2	9.3	7.4
Dividend cover (UBS EPS)	14.1	14.7	8.3	8.3	8.3	8.3
Div. payout ratio (% , UBS EPS)	7.5	6.8	12.0	12.0	12.0	12.0
Net debt / EBITDA	0.6	NM	0.7	1.0	1.2	0.8

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	1.6	1.6	1.6	1.3	1.1	1.2
Revenue / fixed assets	1.4	1.4	1.4	1.2	1.1	1.1
Revenue / net working capital	96.9	NM	68.6	51.2	68.3	99.2

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	1.0	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	NM	3.6	NM	27.3	25.5	10.6
Capex / depreciation	7.8	0.7	NM	4.3	3.9	1.2

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	22.4	(3.1)	17.3	33.6	41.7	28.0
Net debt / (net debt + equity)	18.3	(3.2)	14.7	25.1	29.4	21.9
Net debt (core) / EV	9.4	11.1	5.5	3.9	3.9	3.9

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs1,111.10 on 20 Oct 2011 20:03 SGT Market cap(E) may include forecast share issues/buybacks.

Sandip Bansal

Analyst

sandip.bansal@ubs.com

+91-22-6155 6059

■ UltraTech Cement

UltraTech Cement (UltraTech) was formed when the former cement division of L&T was demerged and bought by Grasim Industries of the Aditya Birla Group. Recently, Grasim's demerged cement business (Samruddhi Cement) merged with UltraTech, making UltraTech the largest cement company in India with a capacity of about 49mt, and the eighth largest cement company globally. It has a total capacity of about 52mt, including 3mt of overseas capacity (in Bangladesh, Bahrain and UAE). UltraTech is also a leader in cement value-added products such as white cement, wall-care putty and ready-mix concrete.

■ Statement of Risk

We believe the principal risk to cement companies earning estimates arises from fall in cement prices and rise in raw material prices.

UBS Investment Research

Exide Industries

Q2 Big Miss, Expect Better H2 FY12

■ Event: 2QFY12 results – a big miss

Exide Industries' 2QFY11 PAT came in at Rs512mn (-71% YoY) with EBITDA margin of 7.7% (down 1410bps), sharply below estimates due to: 1) muted growth on weak demand across segments—auto OE (+6%), auto aftermarket (-6%) and industrial (-5%); 2) MTM loss of Rs400-500mn on lead inventory; 3) forex loss of Rs 150mn on account of rupee depreciation; 4) higher other expenses of Rs200mn due to one-off special promotional activity and dealer conference; 5) lower other income of Rs 100mn (lower dividends income).

■ Impact: reduce estimates and lower price target to Rs172

We cut our FY12/13 EPS estimates by 21%/15% to incorporate the weak demand trends and lower margins. However, we expect 2H to be better as the company realises the benefits of falling lead prices and sees recovery in aftermarket volumes, aided by regaining some market share.

■ Action: Maintain positive view on Exide, big 2W opportunity ahead

We retain our positive view that Exide remains well-placed to benefit from emerging 2-wheeler push start battery aftermarket, given its strong market position and distribution. We expect this to reflect in FY13 numbers and forecast FY11-13 earnings CAGR of 15% and estimate FY13 core ROCE of 70%.

■ Valuation: Maintain Buy with a lowered PT of Rs 172

We derive our lowered price target of Rs172 from a SOTP methodology based on 16x FY13E PE for Exide's battery business, to which we add value (Rs14/share) for its stakes in subsidiaries and insurance business.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	37,940	45,536	51,202	64,045	79,570
EBIT (UBS)	8,088	7,953	7,699	11,172	14,372
Net Income (UBS)	5,371	6,331	5,855	8,435	10,923
EPS (UBS, Rs)	6.69	7.45	6.89	9.92	12.85
Net DPS (UBS, Rs)	0.42	1.50	0.69	0.99	1.29

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	16.1	17.5	15.0	17.4	18.1
ROIC (EBIT) %	64.3	68.5	54.1	71.1	83.2
EV/EBITDA (core) x	8.9	12.2	9.9	6.6	4.8
PE (UBS) x	17.0	19.1	17.6	12.2	9.5
Net dividend yield %	0.7	1.1	0.6	0.8	1.1

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs121.55 on 20 Oct 2011 22:32 SGT

Gautam Chhaochharia

Analyst
gautam.chhaochharia@ubs.com
+91-22-6155 6080

Global Equity Research

India

Auto Parts

12-month rating **Buy**
Unchanged

12m price target **Rs172.00/US\$3.50**
Prior: Rs200.00/US\$4.07

Price **Rs121.55/US\$2.47**

RIC: EXID.BO BBG: EXID IB

20 October 2011

Trading data (local/US\$)

52-wk range	Rs172.45-121.55/US\$3.88-2.44
Market cap.	Rs103bn/US\$2.10bn
Shares o/s	850m (ORD)
Free float	22%
Avg. daily volume ('000)	2,216
Avg. daily value (m)	Rs316.1

Balance sheet data 03/12E

Shareholders' equity	Rs32.6bn
P/BV (UBS)	3.2x
Net Cash (debt)	Rs7.94bn

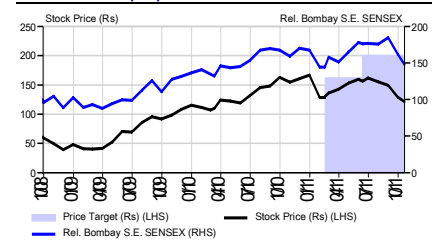
Forecast returns

Forecast price appreciation	+41.5%
Forecast dividend yield	0.8%
Forecast stock return	+42.3%
Market return assumption	13.3%
Forecast excess return	+29.0%

EPS (UBS, Rs)

	03/12E		03/11	
	From	To	Cons.	Actual
Q1E	2.19	0.00	-	1.95
Q2E	2.19	0.00	-	1.95
Q3E	2.19	0.00	-	1.46
Q4E	2.19	0.00	-	1.93
03/12E	8.77	6.89	8.77	
03/13E	11.62	9.92	11.62	

Performance (Rs)



www.ubs.com/investmentresearch

Reduce EPS estimates and lower PT to Rs 172

We reduce our FY12/13 earnings and EBITDA estimates to reflect the weak demand trends and lower margins. Our FY12/13 PAT estimates change by -21%/-15%.

Table 1: Summary of changes in UBS estimates

Rs mn	UBS estimates - new		UBS estimates - old		Change in estimates	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Net sales	51,202	64,045	64,678	82,494	-20.8%	-22.4%
EBITDA	8,747	12,405	12,028	15,579	-27.3%	-20.4%
EBITDA margin	17.1%	19.4%	18.6%	18.9%	-1.5%	0.5%
PAT	5,855	8,435	7,455	9,876	-21.5%	-14.6%
Net margin	11.4%	13.2%	11.5%	12.0%	-0.1%	1.2%

Source: UBS estimates

We lower Exide's price target from Rs 200 to Rs 172 (42% potential upside from the current market price).

Table 2: Exide : Sum-of-the-parts valuation

Segments	Valuation methodology	Multiple (x)	Price (Rs)
Core battery business	FY13E PE	16.0	159
Lead smelting subsidiaries (100% stake)	Trailing PE	8.0	5
Insurance business (50% stake)	PBV multiple	1.0	9
Price target (Rs)			172

Source: UBS estimates

We base our price target on 16x FY13E PE for Exide's core storage battery business, to which we add value for its stakes in subsidiaries and the insurance business. In our view the stock valuations appear attractive at 17.6x FY12E PE with strong earnings growth of 15% CAGR over FY11-13E, high core ROCE of 70% in FY13E and a strong net cash balance sheet.

Exide 2QFY12 conference call on 24 October

We have scheduled a conference call for the management to discuss the results at 4 PM IST on 24 October. Dial in: +91 22 3065 2479, +91 22 6629 5841.

Table 3: Exide Industries – quarterly result summary

Rs in million	2QFY11	1QFY12	2QFY12	QoQ	YoY	1HFY11	1HFY12	YoY
Gross Sales	13,739	15,163	14,326	-6%	4%	27,834	29,489	6%
Less: Excise duty, Sales tax, VAT	2,472	2,726	2,574	-6%	4%	5,050	5,300	5%
Net Sales	11,267	12,437	11,752.8	-5%	4%	22,784	24,190	6%
Other operating income	5	7	8	11%	74%	9	16	79%
Total revenue	11,272	12,444	11,761.0	-5%	4%	22,793	24,205	6%
Stock adjustment	-490	-1,062	1,417	NM	NM	-505	355	NM
Raw materials consumed	6,920	8,962	7,063	-21%	2%	13,692	16,026	17%
Purchase of trading goods	258	6	19	228%	-93%	363	25	-93%
Net raw materials consumed	6,687	7,906	8,499	8%	27%	13,549	16,405	21%
Employee cost	660	720	644	-10%	-2%	1,338	1,364	2%
Other expenses	1,471	1,596	1,715	7%	17%	2,819	3,311	17%
Expenditure	8,818	10,222	10,858	6%	23%	17,706	21,080	19%
EBITDA	2,454	2,223	903	-59%	-63%	5,087	3,125	-39%
Margin (%)	21.8%	17.9%	7.7%	-10.2%	-14.1%	22.3%	12.9%	-9.4%
Depreciation	201	237	247	4%	22%	396	484	22%
EBIT	2,253	1,986	656	-67%	-71%	4,691	2,642	-44%
Margin (%)	20.0%	16.0%	5.6%	-10.4%	-14.4%	20.6%	10.9%	-9.7%
Other income	191	308	79	-74%	-59%	253	387	53%
Interest expense	16	11	16	42%	1%	30	27	-10%
PBT (recurring)	2,428	2,282	719	-68%	-70%	4,913	3,001	-39%
Exceptionals	468	0	0			469	0	
PBT (reported)	2,896	2,282	719	-68%	-75%	5,383	3,001	-44%
Tax expense	768	650	208	-68%	-73%	1,600	858	-46%
Tax rate	26.5%	28.5%	28.9%			29.7%	28.6%	
PAT (reported)	2,128	1,632	512	-69%	-76%	3,783	2,144	-43%
Adjusted PAT	1,784	1,632	512	-69%	-71%	3,453	2,144	-38%
Margin (%)	15.8%	13.1%	4.4%	-8.8%	-11.5%	15.2%	8.9%	-6.3%
Reported EPS - Basic & Diluted	2.50	1.92	0.60	-69%	-76%	4.45	2.52	-43%
Adjusted EPS	2.10	1.92	0.60	-69%	-71%	4.06	2.52	-38%

Source: Company data

Exide Industries

Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	18,703	28,449	33,930	37,940	45,536	51,202	12.4	64,045	25.1	79,570	24.2
Operating expenses (ex depn)	(15,626)	(23,755)	(28,483)	(29,046)	(36,748)	(42,456)	15.5	(51,640)	21.6	(63,814)	23.6
EBITDA (UBS)	3,077	4,694	5,448	8,894	8,788	8,747	-0.5	12,405	41.8	15,756	27.0
Depreciation	(542)	(642)	(679)	(807)	(835)	(1,048)	25.5	(1,234)	17.8	(1,384)	12.2
Operating income (EBIT, UBS)	2,535	4,052	4,768	8,088	7,953	7,699	-3.2	11,172	45.1	14,372	28.6
Other income & associates	94	65	65	121	1,038	1,078	3.8	1,471	36.5	1,998	35.8
Net interest	(277)	(374)	(479)	(103)	(57)	(2)	-96.1	(2)	-9.7	(2)	-9.7
Abnormal items (pre-tax)	0	0	0	0	469	0	-	0	-	0	-
Profit before tax	2,352	3,743	4,354	8,106	9,404	8,774	-6.7	12,641	44.1	16,368	29.5
Tax	(800)	(1,240)	(1,510)	(2,735)	(2,740)	(2,919)	6.5	(4,206)	44.1	(5,446)	29.5
Profit after tax	1,552	2,503	2,844	5,371	6,664	5,855	-12.1	8,435	44.1	10,923	29.5
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	1,552	2,503	2,844	5,371	6,664	5,855	-12.1	8,435	44.1	10,923	29.5
Net Income (UBS)	1,552	2,503	2,844	5,371	6,331	5,855	-7.5	8,435	44.1	10,923	29.5
Tax rate (%)	34	33	35	34	29	33	14.2	33	0.0	33	0.0
Pre-abnormal tax rate (%)	35	34	35	34	33	38	15.0	38	-0.7	38	0.6
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	1.99	3.30	3.55	6.69	7.84	6.89	-12.1	9.92	44.1	12.85	29.5
EPS (UBS)	1.99	3.30	3.55	6.69	7.45	6.89	-7.5	9.92	44.1	12.85	29.5
Net DPS	0.34	0.42	0.20	0.42	1.50	0.69	-54.1	0.99	44.1	1.29	29.5
Cash EPS	2.68	4.15	4.40	7.70	8.43	8.12	-3.7	11.38	40.1	14.48	27.3
BVPS	8.94	13.68	16.67	26.11	32.26	38.36	18.9	47.14	22.9	58.52	24.1
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	4,968	6,018	6,853	7,144	9,018	11,670	29.4	12,937	10.9	14,053	8.6
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	1,636	3,023	2,212	3,161	5,175	4,114	-20.5	4,695	14.1	5,480	16.7
Other liabilities	(447)	(479)	(412)	(590)	(675)	(865)	28.1	(1,139)	31.6	(1,493)	31.1
Operating invested capital	6,157	8,562	8,653	9,715	13,519	14,919	10.4	16,493	10.5	18,040	9.4
Investments	3,780	5,183	6,132	7,324	8,748	9,748	11.4	10,748	10.3	11,748	9.3
Total capital employed	9,937	13,745	14,785	17,040	22,266	24,667	10.8	27,241	10.4	29,788	9.4
Shareholders' equity	6,705	10,264	12,504	22,197	27,425	32,606	18.9	40,071	22.9	49,738	24.1
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	6,705	10,264	12,504	22,197	27,425	32,606	18.9	40,071	22.9	49,738	24.1
Net debt / (cash)	3,233	3,481	2,282	(5,158)	(5,158)	(7,939)	53.9	(12,831)	61.6	(19,950)	55.5
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	9,937	13,745	14,785	17,040	22,266	24,667	10.8	27,241	10.4	29,788	9.4
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	2,535	4,052	4,768	8,088	7,953	7,699	-3.2	11,172	45.1	14,372	28.6
Depreciation	542	642	679	807	835	1,048	25.5	1,234	17.8	1,384	12.2
Net change in working capital	(368)	(1,662)	922	(760)	(2,028)	1,062	-	(581)	-	(785)	35.1
Other (operating)	253	386	667	(58)	16	1,270	8039.4	1,747	37.6	2,354	34.8
Operating cash flow (pre tax/interest)	2,963	3,419	7,036	8,076	6,775	11,078	63.5	13,571	22.5	17,325	27.7
Net interest received / (paid)	(277)	(374)	(479)	(103)	(57)	(2)	-96.1	(2)	-9.7	(2)	-9.7
Dividends paid	(257)	(307)	(749)	(748)	(1,282)	(673)	-47.47	(970)	44.06	(1,256)	29.49
Tax paid	(800)	(1,240)	(1,510)	(2,735)	(2,740)	(2,919)	6.5	(4,206)	44.1	(5,446)	29.5
Capital expenditure	(1,029)	(1,571)	(1,739)	(1,076)	(2,752)	(3,700)	34.4	(2,500)	-32.4	(2,500)	0.0
Net (acquisitions) / disposals	44	43	43	3	593	0	-	0	-	0	-
Other	(1,064)	(1,679)	(1,763)	(6,632)	1,764	75	-95.7	469	522.7	996	112.4
Share issues	0	1,486	0	5,299	(2)	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(514)	(289)	775	1,964	791	2,781	251.6	4,891	75.9	7,119	45.5
FX / non cash items	6	40	425	5,476	(791)	0	-	0	140.0	0	-
Balance sheet (inc)/dec in net debt	(508)	(248)	1,200	7,440	0	2,781	926952.7	4,891	75.9	7,119	45.5
Core EBITDA	3,077	4,694	5,448	8,894	8,788	8,747	-0.5	12,405	41.8	15,756	27.0
Maintenance capital expenditure	(442)	(473)	(549)	(628)	(668)	(781)	16.8	(966)	23.7	(1,091)	12.9
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	2,636	4,221	4,899	8,266	8,119	7,966	-1.9	11,440	43.6	14,665	28.2

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy

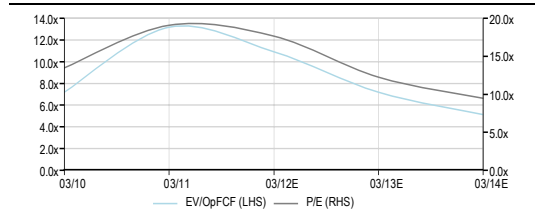
12m price target

Rs172.00

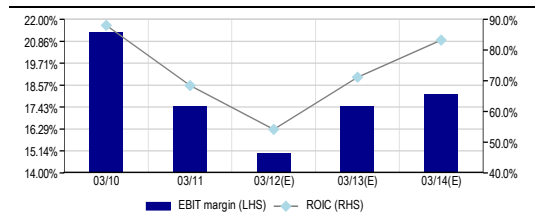
Company profile

Exide Industries is India's largest lead acid battery manufacturer and it dominates the storage battery market in the automotive OEM and replacement segments. The company is involved in the manufacture of automotive, industrial and submarine batteries for automotive and industrial (power, telecom and railways infrastructure) applications. The company sells its products under well-established brands including EXIDE, SONIC, SF, INDEX and Standard Furukawa.

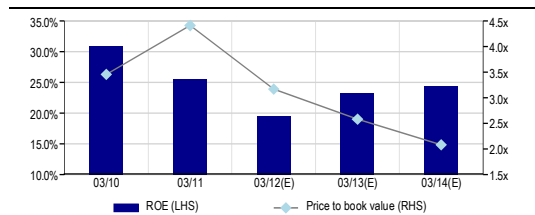
Value (EV/OpFCF & P/E)



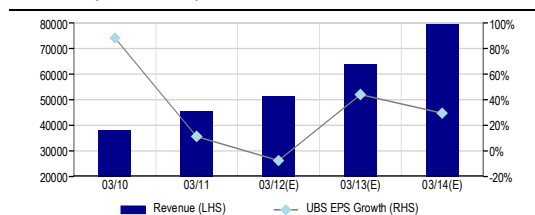
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	16.8	13.5	18.2	17.6	12.2	9.5
P/E (UBS)	17.0	13.5	19.1	17.6	12.2	9.5
P/CEPS	13.9	11.7	16.9	15.0	10.7	8.4
Net dividend yield (%)	0.7	0.5	1.1	0.6	0.8	1.1
P/BV	4.0	3.5	4.4	3.2	2.6	2.1
EV/revenue (core)	1.7	1.6	2.4	1.7	1.3	0.9
EV/EBITDA (core)	8.9	6.7	12.2	9.9	6.6	4.8
EV/EBIT (core)	10.1	7.4	13.5	11.3	7.4	5.2
EV/OpFCF (core)	9.8	7.2	13.2	10.9	7.2	5.1
EV/op. invested capital	6.5	6.5	9.2	6.1	5.2	4.4

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	68,288	120,970	103,318	103,318	103,318
+ minority interests	0	0	0	0	0
+ average net debt (cash)	(1,438)	(5,158)	(6,549)	(10,385)	(16,390)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(7,324)	(8,748)	(9,748)	(10,748)	(11,748)
Core enterprise value	59,526	107,064	87,021	82,185	75,179

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	24.9	11.8	20.0	12.4	25.1	24.2
EBITDA (UBS)	30.0	63.3	-1.2	-0.5	41.8	27.0
EBIT (UBS)	33.1	69.6	-1.7	-3.2	45.1	28.6
EPS (UBS)	39.1	88.2	11.3	-7.5	44.1	29.5
Cash EPS	33.1	74.7	9.5	-3.7	40.1	27.3
Net DPS	45.3	111.8	NM	-54.1	44.1	29.5
BVPS	37.8	56.6	23.5	18.9	22.9	24.1

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	18.4	23.4	19.3	17.1	19.4	19.8
EBIT / revenue	16.1	21.3	17.5	15.0	17.4	18.1
Net profit (UBS) / revenue	10.7	14.2	13.9	11.4	13.2	13.7

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	64.3	NM	68.5	54.1	71.1	NM
ROIC post tax	-	57.9	45.9	33.6	44.3	51.7
Net ROE	27.3	31.0	25.5	19.5	23.2	24.3

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	NM	NM	NM	NM	NM	NM
Dividend cover (UBS EPS)	10.5	15.8	5.0	10.0	10.0	10.0
Div. payout ratio (% , UBS EPS)	12.4	6.3	20.1	10.0	10.0	10.0
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	3.9	4.1	3.9	3.6	4.1	4.6
Revenue / fixed assets	5.2	5.4	5.6	4.9	5.2	5.9
Revenue / net working capital	12.3	14.1	10.9	11.0	14.5	15.6

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	1.0	1.0	1.0	1.0	1.0	1.0
Capex / revenue (%)	5.0	2.8	6.0	7.2	3.9	3.1
Capex / depreciation	2.3	1.3	3.3	3.5	2.0	1.8

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	(1.7)	(23.2)	(18.8)	(24.3)	(32.0)	(40.1)
Net debt / (net debt + equity)	(1.7)	(30.3)	(23.2)	(32.2)	(47.1)	(67.0)
Net debt (core) / EV	0.9	(2.4)	(4.8)	(7.5)	(12.6)	(21.8)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs121.55 on 20 Oct 2011 22:32 SGT Market cap(E) may include forecast share issues/buybacks.

Gautam Chhaochharia

Analyst

gautam.chhaochharia@ubs.com

+91-22-6155 6080

■ Exide Industries

Exide Industries is India's largest lead acid battery manufacturer and it dominates the storage battery market in the automotive OEM and replacement segments. The company is involved in the manufacture of automotive, industrial and submarine batteries for automotive and industrial (power, telecom and railways infrastructure) applications. The company sells its products under well-established brands including EXIDE, SONIC, SF, INDEX and Standard Furukawa.

■ Statement of Risk

We believe the key risks facing the company include volatility in the prices of lead, competitive pressure in domestic market, slowdown in auto and infrastructure sector; and forex volatility.

2QFY12 results: No surprises

■ 2QFY12 results: In line with UBS-e

Thermax has reported sales of Rs13.04bn (up 21% YoY) and PAT of Rs1.02bn (up 14% YoY). However, the EBITDA margin declined 112bps primarily due to higher raw material cost. On the half yearly basis, revenue grew by 26% YoY to Rs23.48bn and PAT increased by 17% to Rs1.82bn. The results are in line with UBS-e and marginally ahead of consensus estimates.

■ 2QFY12: Revenue growth in both segments, margins improve in energy

The company has reported reasonable revenue growth in both the segments. In 2QFY12, energy segment revenue grew 18% YoY and environment grew 20% YoY. However, the trend in EBIT margins was mixed. EBIT margins improved 30bps in energy segment and declined by 160bps in environment segment.

■ Order book declined on a YoY basis, conference call tomorrow at 10:30am

At the end of 1H FY12, Thermax has order book of Rs57.7bn (13% decline YoY) and the group order book is Rs65.3bn (10% decline YoY and 4% decline QoQ). The order inflow is lower than the revenues for this quarter and it will be a cause of concern if the trend continues. The 2Q results conference call is on 21st October at 10:30am and we expect to get more details on order inflow pipeline in the call.

■ Valuation: Sell rating with a price target of Rs450

We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool. Our price target assumes a WACC of 12.8%. We do not expect major near-term triggers and hence view the current valuation as stretched.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	33,679	53,365	63,692	77,787	89,106
EBIT (UBS)	3,505	5,199	5,989	7,225	8,460
Net Income (UBS)	2,592	3,817	4,380	5,156	5,842
EPS (UBS, Rs)	21.75	32.03	36.76	43.27	49.03
Net DPS (UBS, Rs)	5.83	10.46	8.34	8.14	7.89

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	10.9	9.7	9.4	9.3	9.5
ROIC (EBIT) %	222.1	179.6	69.1	46.1	39.1
EV/EBITDA (core) x	12.8	14.0	6.6	5.9	5.1
PE (UBS) x	21.2	23.2	11.5	9.8	8.6
Net dividend yield %	1.8	1.4	2.0	1.9	1.9

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs423.60 on 20 Oct 2011 22:03 EDT

Pankaj Sharma

Analyst
 pankaj-p.sharma@ubs.com
 +91-22-6155 6055

Sandip Bansal

Analyst
 sandip.bansal@ubs.com
 +91-22-6155 6059

Global Equity Research

India

Industrial, Diversified

12-month rating **Sell**
Unchanged

12m price target **Rs450.00/US\$9.15**
Unchanged

Price **Rs423.60/US\$8.62**

RIC: THMX.BO BBG: TMX IB

20 October 2011

Trading data (local/US\$)

52-wk range	Rs900.20-408.90/US\$20.40-8.29
Market cap.	Rs50.5bn/US\$1.03bn
Shares o/s	119m (ORD)
Free float	34%
Avg. daily volume ('000)	141
Avg. daily value (m)	Rs68.6

Balance sheet data 03/12E

Shareholders' equity	Rs16.5bn
P/BV (UBS)	3.1x
Net Cash (debt)	Rs2.30bn

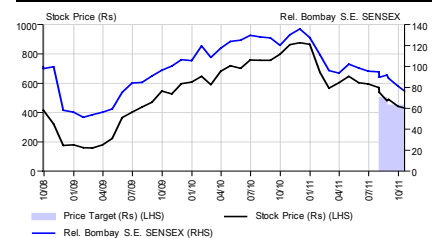
Forecast returns

Forecast price appreciation	+6.2%
Forecast dividend yield	2.0%
Forecast stock return	+8.2%
Market return assumption	13.3%
Forecast excess return	-5.1%

EPS (UBS, Rs)

	03/12E	03/11	Actual
	UBS	Cons.	
Q1E	7.19	-	8.02
Q2E	8.18	8.18	8.00
Q3E	9.19	9.19	8.02
Q4E	12.20	12.20	8.00
03/12E	36.76	36.76	
03/13E	43.27	43.27	

Performance (Rs)



www.ubs.com/investmentresearch

Thermax has reported sales of Rs13.04bn (up 21% YoY) and PAT of Rs1.02bn (up 14% YoY). However, the EBITDA margin reported a decline by 112bps due to higher raw material cost.

On the half yearly basis, revenue grew by 26% YoY to Rs23.48bn and PAT increased by 17% to Rs1.82bn.

Table 1: Thermax – 2QFY12 results

	Q212	Q211	% Change	H112	H111	% Change
Net Sales / Income from Operations	13,035	10,809	20.6%	23,479	18,707	25.5%
Total Expenditure	11,630	9,524	22.1%	20,937	16,462	27.2%
(Increase)/Decrease in stock in trade and WIP	(6)	(32)	-82.0%	(71)	(58)	22.5%
Consumption of Raw Materials	8,838	7,087	24.7%	15,759	12,037	30.9%
Purchase of traded goods	298	377	-20.9%	725	702	3.2%
Staff Cost	985	990	-0.4%	1,890	1,742	8.5%
Other Expenditure	1,514	1,102	37.4%	2,635	2,038	29.3%
EBITDA	1,405	1,286	9.3%	2,542	2,245	13.2%
EBITDA Margin	10.8%	11.9%	-1.1%	10.8%	12.0%	-1.2%
Depreciation	117	105	11.6%	228	211	8.2%
EBIT	1,288	1,181	9.1%	2,314	2,035	13.7%
Other Income	208	133	56.0%	355	273	30.1%
Interest	11	5	142.8%	15	10	46.1%
Profit before tax	1,485	1,309	13.4%	2,654	2,298	15.5%
Tax	468	414	12.9%	839	741	13.2%
Net Profit	1,017	895	13.6%	1,816	1,557	16.6%

Source: Company data

Segment Results

In 2QFY12, energy segment revenue grew 18% YoY and environment segment revenue grew 20% YoY. EBIT margins improved 30bps in energy segment and declined by 160bps in environment segment.

Table 2: 2QFY12 segment results

	Q212	Q211	Change %	H112	H111	Change %
Segment Revenue						
Energy	10,348	8,803	17.6%	18,372	14,868	23.6%
Environment	2,968	2,482	19.6%	5,616	4,703	19.4%
Less: Inter division transfer	282	475		509	864	
Total Revenue	13,035	10,809	20.6%	23,479	18,707	25.5%
Segment Results (PBIT)						
Energy	1,102	913	20.8%	1,912	1,593	20.0%
Environment	320	308	3.7%	633	577	9.6%
Total	1,422	1,221	16.4%	2,545	2,170	17.2%

Source: Company data

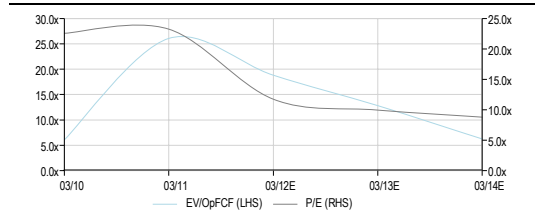
Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	23,248	34,792	34,579	33,679	53,365	63,692	19.4	77,787	22.1	89,106	14.6
Operating expenses (ex depn)	(20,359)	(30,525)	(30,361)	(29,731)	(47,625)	(56,976)	19.6	(69,724)	22.4	(79,550)	14.1
EBITDA (UBS)	2,889	4,267	4,219	3,947	5,740	6,715	17.0	8,063	20.1	9,556	18.5
Depreciation	(195)	(232)	(351)	(442)	(541)	(727)	34.3	(838)	15.3	(1,096)	30.8
Operating income (EBIT, UBS)	2,694	4,035	3,867	3,505	5,199	5,989	15.2	7,225	20.6	8,460	17.1
Other income & associates	360	439	404	519	579	679	17.2	617	-9.1	420	-31.9
Net interest	(15)	(17)	(38)	(20)	(41)	(41)	0.0	(41)	0.0	(41)	0.0
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	3,038	4,457	4,233	4,004	5,737	6,627	15.5	7,801	17.7	8,839	13.3
Tax	(1,046)	(1,571)	(1,357)	(1,416)	(1,967)	(2,247)	14.2	(2,645)	17.7	(2,997)	13.3
Profit after tax	1,992	2,886	2,876	2,588	3,770	4,380	16.2	5,156	17.7	5,842	13.3
Abnormal items (post-tax)	(55)	21	14	(1,149)	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	4	47	0	-	0	-	0	-
Net income (local GAAP)	1,937	2,907	2,889	1,443	3,817	4,380	14.7	5,156	17.7	5,842	13.3
Net Income (UBS)	1,992	2,886	2,876	2,592	3,817	4,380	14.7	5,156	17.7	5,842	13.3
Tax rate (%)	34	35	32	35	34	34	-1.1	34	0.0	34	0.0
Pre-abnormal tax rate (%)	34	35	32	35	34	34	-1.1	34	0.0	34	0.0
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	16.26	24.40	24.25	12.11	32.03	36.76	14.7	43.27	17.7	49.03	13.3
EPS (UBS)	16.72	24.22	24.13	21.75	32.03	36.76	14.7	43.27	17.7	49.03	13.3
Net DPS	9.36	9.36	6.70	5.83	10.46	8.34	-20.3	8.14	-2.4	7.89	-3.0
Cash EPS	18.35	26.17	27.08	25.46	36.57	42.85	17.2	50.30	17.4	58.23	15.8
BVPS	49.51	63.74	83.19	90.48	110.35	138.77	25.7	173.90	25.3	215.03	23.7
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	1,789	3,485	5,088	5,484	8,208	11,481	39.9	15,143	31.9	19,547	29.1
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	(2,514)	(1,938)	(103)	(4,790)	(2,672)	915	-	4,368	377.5	4,840	10.8
Other liabilities	(68)	(134)	(160)	(144)	(298)	(298)	0.0	(298)	0.0	(298)	0.0
Operating invested capital	(792)	1,414	4,825	550	5,238	12,098	131.0	19,213	58.8	24,089	25.4
Investments	5,741	5,601	1,433	3,703	2,415	2,656	10.0	2,709	2.0	2,763	2.0
Total capital employed	4,949	7,015	6,258	4,253	7,652	14,754	92.8	21,923	48.6	26,852	22.5
Shareholders' equity	5,899	7,595	9,913	10,782	13,149	16,535	25.7	20,721	25.3	25,623	23.7
Minority interests	0	0	0	94	520	520	0.0	520	0.0	520	0.0
Total equity	5,899	7,595	9,913	10,876	13,669	17,055	24.8	21,241	24.5	26,142	23.1
Net debt / (cash)	(951)	(580)	(3,655)	(6,623)	(6,017)	(2,301)	-61.8	681	-	710	4.2
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	4,949	7,015	6,258	4,253	7,652	14,754	92.8	21,923	48.6	26,852	22.5
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	2,694	4,035	3,867	3,505	5,199	5,989	15.2	7,225	20.6	8,460	17.1
Depreciation	195	232	351	442	541	727	34.3	838	15.3	1,096	30.8
Net change in working capital	1,313	(538)	(1,874)	4,687	(2,118)	(3,587)	69.3	(3,453)	-3.7	(472)	-86.3
Other (operating)	281	526	444	(641)	781	679	-13.0	617	-9.1	420	-31.9
Operating cash flow (pre tax/interest)	4,483	4,255	2,788	7,993	4,402	3,808	-13.5	5,227	37.3	9,504	81.8
Net interest received / (paid)	(15)	(17)	(38)	(20)	(41)	(41)	0.0	(41)	0.0	(41)	0.0
Dividends paid	(1,115)	(1,115)	(798)	(695)	(1,246)	(994)	-20.26	(970)	-2.44	(941)	-3.00
Tax paid	(1,046)	(1,571)	(1,357)	(1,416)	(1,967)	(2,247)	14.2	(2,645)	17.7	(2,997)	13.3
Capital expenditure	(545)	(1,928)	(1,954)	(838)	(3,265)	(4,000)	22.5	(4,500)	12.5	(5,500)	22.2
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	(1,465)	562	4,626	(2,802)	2,341	437	-81.3	564	28.9	366	-35.1
Share issues	483	(97)	227	121	(203)	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	473	(371)	3,075	2,967	(606)	(3,716)	513.5	(2,982)	-19.7	(29)	-99.0
FX / non cash items	0	0	0	0	0	0	-	0	-	0	-
Balance sheet (inc)/dec in net debt	473	(371)	3,075	2,967	(606)	(3,716)	513.5	(2,982)	-19.7	(29)	-99.0
Core EBITDA	2,889	4,267	4,219	3,947	5,740	6,715	17.0	8,063	20.1	9,556	18.5
Maintenance capital expenditure	(195)	(232)	(351)	(442)	(541)	(727)	34.3	(838)	15.3	(1,096)	30.8
Maintenance net working capital	1,313	(538)	(1,874)	4,687	(2,118)	(3,587)	69.3	(3,453)	-3.7	(472)	-86.3
Operating free cash flow, pre-tax	4,007	3,497	1,993	8,192	3,080	2,402	-22.0	3,772	57.0	7,988	111.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

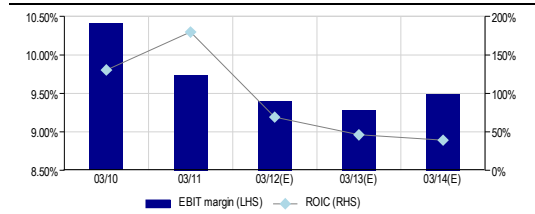
Company profile

Thermax is a major engineering company in India. It has two primary business divisions: energy and environment. The energy segment contributes 81% to total revenue and environment contributes the balance. Headquartered in Pune, Thermax has five manufacturing facilities (four in India and one in China). The company has a 51% JV with Babcock & Wilcox to manufacture supercritical boilers.

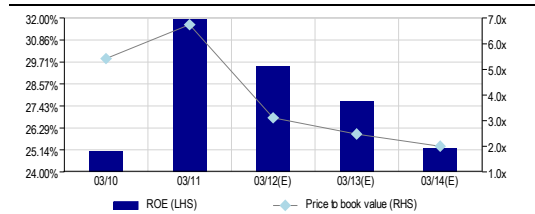
Value (EV/OpFCF & P/E)



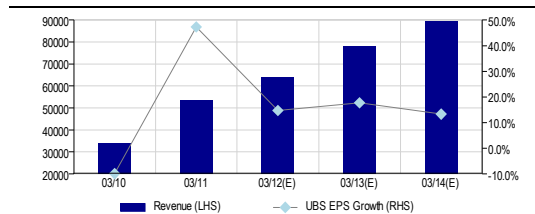
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	24.8	40.5	23.2	11.5	9.8	8.6
P/E (UBS)	21.2	22.5	23.2	11.5	9.8	8.6
P/CEPS	18.9	19.3	20.3	9.9	8.4	7.3
Net dividend yield (%)	1.8	1.2	1.4	2.0	1.9	1.9
P/BV	6.6	5.4	6.7	3.1	2.4	2.0
EV/revenue (core)	1.5	1.5	1.5	0.7	0.6	0.5
EV/EBITDA (core)	12.8	12.6	14.0	6.6	5.9	5.1
EV/EBIT (core)	14.0	14.2	15.4	7.4	6.6	5.8
EV/OpFCF (core)	13.0	6.1	26.1	18.4	12.6	6.1
EV/op. invested capital	NM	NM	NM	5.1	3.0	2.3

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	58,415	88,674	50,476	50,476	50,476
+ minority interests	47	307	520	520	520
+ average net debt (cash)	(5,139)	(6,320)	(4,159)	(810)	696
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(3,703)	(2,415)	(2,656)	(2,709)	(2,763)
Core enterprise value	49,619	80,246	44,181	47,477	48,928

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	23.1	-2.6	58.5	19.4	22.1	14.6
EBITDA (UBS)	18.7	-6.4	45.4	17.0	20.1	18.5
EBIT (UBS)	17.9	-9.4	48.3	15.2	20.6	17.1
EPS (UBS)	17.7	-9.9	47.3	14.7	17.7	13.3
Cash EPS	18.8	-6.0	43.6	17.2	17.4	15.8
Net DPS	2.8	-13.0	79.4	-20.3	-2.4	-3.0
BVPS	22.2	8.8	22.0	25.7	25.3	23.7

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	11.9	11.7	10.8	10.5	10.4	10.7
EBIT / revenue	10.9	10.4	9.7	9.4	9.3	9.5
Net profit (UBS) / revenue	8.0	7.7	7.2	6.9	6.6	6.6

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	NM	NM	NM	69.1	46.1	39.1
ROIC post tax	-	NM	NM	45.7	30.5	25.8
Net ROE	34.1	25.0	31.9	29.5	27.7	25.2

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	NM	NM	NM	NM	NM	NM
Dividend cover (UBS EPS)	3.0	3.7	3.1	4.4	5.3	6.2
Div. payout ratio (% UBS EPS)	36.4	26.8	32.7	22.7	18.8	16.1
Net debt / EBITDA	NM	NM	NM	NM	0.1	0.1

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	20.7	12.5	18.4	7.3	5.0	4.1
Revenue / fixed assets	8.7	6.4	7.8	6.5	5.8	5.1
Revenue / net working capital	NM	NM	NM	NM	29.4	19.4

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	1.1	2.3	0.6	0.4	0.5	0.9
Capex / revenue (%)	4.7	2.5	6.1	6.3	5.8	6.2
Capex / depreciation	4.8	1.9	6.0	5.5	5.4	5.0

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	(37.7)	(61.4)	(45.8)	(13.9)	3.3	2.8
Net debt / (net debt + equity)	(60.4)	NM	(84.4)	(16.2)	3.2	2.7
Net debt (core) / EV	(5.6)	(10.4)	(7.9)	(9.4)	(1.7)	1.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs423.60 on 20 Oct 2011 22:03 EDT Market cap(E) may include forecast share issues/buybacks.

Pankaj Sharma

Analyst
 pankaj-p.sharma@ubs.com
 +91-22-6155 6055

Sandip Bansal

Analyst
 sandip.bansal@ubs.com
 +91-22-6155 6059

■ Thermax

Thermax is a major engineering company in India. It has two primary business divisions: energy and environment. The energy segment contributes 81% to total revenue and environment contributes the balance. Headquartered in Pune, Thermax has five manufacturing facilities (four in India and one in China). The company has a 51% JV with Babcock & Wilcox to manufacture supercritical boilers.

■ Statement of Risk

We believe the key upside risks to our Sell rating for Thermax are: 1) robust new orders for supercritical equipment; 2) expanding margins; 3) more regulatory support; for example, an import duty on large-capacity power equipment; and 4) a pick-up in industrial capex. We believe the key downside risks are: 1) execution delays in power projects; 2) heavy competition from foreign manufacturers, especially from China; 3) rising raw material prices; 4) risks associated with the diversification strategy (in high MW capacity boilers); and 5) execution risk.

UBS Investment Research

Crompton Greaves Ltd

2Q FY12 analyst meet: key highlights

■ Event: Crompton organised the 2Q FY12 results analyst meet today

The key highlights from the analyst meet are: 1) no change in guidance for FY12, the company maintains its post-1QFY12 guidance of 10-12% revenue growth and 8-10% EBITDA margin for full year FY12; 2) the outlook has improved for the power systems business in India but the situation in the overseas markets remains weak; 3) the weakness in consumer products is largely seasonal, according to the company.

■ Impact: weak results in 2QFY12 as margins remain under pressure

In 2Q FY12, Crompton Greaves's (CG) operating income of Rs27.1bn was up 13% y/y and EBITDA margin declined 554bp y/y. Reported PAT declined 45% y/y to Rs1.17bn. PAT is below UBS and consensus estimates. The key highlight of the results is the decline in margin (in line with 1Q FY12). The margin decline is due to an increase in raw material costs (in 2Q FY12, raw materials as a percentage of sales were at 67.3% versus 61.0% in 2Q FY11). Please refer to our note, *Q2 FY12: weak results*, published on 19 October 2011.

■ Action: pick-up in domestic T&D is positive but other businesses struggle

We believe the increased order inflow and price stabilisation in domestic T&D is a positive for the company. However, we continue to remain concerned about: 1) uncertain outlook for overseas power systems; 2) poor revenue growth in consumer products; and 3) margin decline in the industrials business.

■ Valuation: maintain Sell rating, and price target of Rs130

We derive our price target (Rs130) from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool. Our price target assumes a WACC of 13.3%.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	91,409	100,051	109,331	123,610	144,392
EBIT (UBS)	11,219	11,502	8,265	10,897	14,005
Net Income (UBS)	8,247	9,268	6,198	7,971	10,041
EPS (UBS, Rs)	12.86	14.45	9.66	12.43	15.65
Net DPS (UBS, Rs)	2.20	2.17	1.45	1.86	2.35

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	9.9	11.5	7.6	8.8	9.7
ROIC (EBIT) %	46.8	50.9	29.8	36.8	42.1
EV/EBITDA (core) x	-	13.1	8.0	6.0	4.6
PE (UBS) x	19.3	19.7	14.7	11.5	9.1
Net dividend yield %	0.9	0.8	1.0	1.3	1.6

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs142.50 on 20 Oct 2011 19:32 BST

Pankaj Sharma
Analyst
pankaj-p.sharma@ubs.com
+91-22-6155 6055

Sandip Bansal
Analyst
sandip.bansal@ubs.com
+91-22-6155 6059

Global Equity Research

India

Industrial, Diversified

12-month rating **Sell**
Unchanged

12m price target **Rs130.00/US\$2.64**
Unchanged

Price **Rs142.50/US\$2.89**

RIC: CROM.BO BBG: CRG IB

20 October 2011

Trading data (local/US\$)

52-wk range	Rs342.30-136.45/US\$7.61-2.87
Market cap.	Rs91.4bn/US\$1.86bn
Shares o/s	641m (ORD)
Free float	59%
Avg. daily volume ('000)	4,985
Avg. daily value (m)	Rs821.7

Balance sheet data 03/12E

Shareholders' equity	Rs37.5bn
P/BV (UBS)	2.4x
Net Cash (debt)	Rs2.88bn

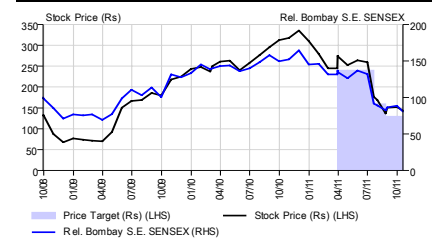
Forecast returns

Forecast price appreciation	-8.8%
Forecast dividend yield	1.3%
Forecast stock return	-7.5%
Market return assumption	13.3%
Forecast excess return	-20.8%

EPS (UBS, Rs)

	03/12E	03/11	Actual
	UBS	Cons.	
Q1E	-	-	2.98
Q2E	-	-	3.33
Q3E	-	-	3.63
Q4E	-	-	4.51
03/12E	9.66	9.66	
03/13E	12.43	12.43	

Performance (Rs)



www.ubs.com/investmentresearch

This report has been prepared by UBS Securities India Private Ltd
SEE REQUIRED DISCLOSURES SECTION AT END OF NOTES.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Apart from the points highlighted above, the key points from the analyst meet are as follows:

- According to the company, the weakness in consumer products is seasonal though the company has improved market share in fans from 19.2% in 1Q FY12 to 21.2% in 2Q FY12 (the company is a market leader in fans).
- The company believes that Crompton has a strong presence in other consumer products as well. For example, it is No. 2 in the lightings market and has strong distribution in pumps with more than 4,000 distributors in India.
- Order book is Rs71.2bn versus Rs70.9bn at the end of 1Q. Order book has remained in the Rs70-75bn range for the past five quarters; the company thinks this is ideal for capacity utilisation.
- Power systems order inflow is at Rs18.3bn in 2Q versus Rs13bn in 1Q and order inflow in Industrials is at Rs4.3bn in 2Q versus Rs4.1bn in 1Q.
- The company believes that the fundamental drivers are still intact for power systems but there have been issues with the facilitation process and that is why projects are not converting into orders.
- According to the company, the margin drop is largely due to pricing pressure and there has been aggressive pricing by the industry participants in the past. However, according to the company the pricing in domestic power systems has now stabilized.
- The company does not take any currency risk and hedges the net export position to avoid any risk arising from currency fluctuations.
- Lower commodity prices help as copper is not hedged for the industrial and consumer product businesses. Also, steel is largely not hedged. Steel, Copper, and Aluminum comprise 40% of raw material costs.
- The company has a strong focus on supply chain management and cost savings and it will be able to share more details after 3Q.

Table 1: Crompton Greaves: 2Q FY12 results (consolidated)

	Q2FY12 (C)	Q2FY11 (C)	% Chng	H1FY12 (C)	1H FY11 (C)	% Chng
Net sales	27,055	23,979	13%	51,433	47,001	9%
EBITDA	2,260	3,332	-32%	4,078	6,306	-35%
EBITDA Margin	8%	14%		8%	13%	
bps change yoy	(554)	(35)		(549)	78	
Depreciation, amortisation & impairment	726	458	59%	1,334	873	53%
EBIT	1,534	2,874	-47%	2,744	5,433	-49%
Interest	102	49	111%	212	99	115%
Other income	215	228	-6%	366	411	-11%
PBT	1,646	3,054	-46%	2,899	5,745	-50%
Tax	463	920	-50%	938	1,713	-45%
Reported PAT	1,183	2,134	-45%	1,961	4,032	-51%
Minority interest	1	-		0	(1)	
Share of profit/(loss) of associate	(18)	2		0	14	
Net profit	1,167	2,136	-45%	1,961	4,044	-52%

Source: Company data, UBS estimates

Table 2: Crompton Greaves: 2Q FY12 segmental results (consolidated)

	Q2FY12 (C)	Q2FY11 (C)	% Chng	H1FY12 (C)	1H FY11 (C)	% Chng
Segmental revenues (Rs m)						
Power systems	17,611	15,778	12%	32,777	30,342	8%
% of total	64.9%	65.4%		63.5%	64.2%	
Consumer products	4,801	4,634	4%	10,238	9,952	3%
% of total	17.7%	19.2%		19.8%	21.0%	
Industrial systems	4,655	3,606	29%	8,453	6,816	24%
% of total	17.2%	15.0%		16.4%	14.4%	
Others	58	89	-35%	115	175	-34%
% of total	0.2%	0.4%		0.2%	0.4%	
Total revenues	27,126	24,108	13%	51,583	47,286	9%
Intersegment	71	129	-45%	150	285	-47%
Net revenues	27,055	23,979	13%	51,433	47,001	9%
Segmental EBIT (Rs m)						
Power systems	934	1,935	-52%	1,335	3,490	-62%
% of total	45.8%	58.3%		35.9%	55.5%	
% margin	5.3%	12.3%		4.1%	11.5%	
Consumer products	543	671	-19%	1,296	1,474	-12%
% of total	26.6%	20.2%		34.9%	23.4%	
% margin	11.3%	14.5%		12.7%	14.8%	
Industrial systems	558	702	-20%	1,066	1,299	-18%
% of total	27.3%	21.2%		28.7%	20.7%	
% margin	12.0%	19.5%		12.6%	19.1%	
Others	7	10	-35%	18	26	-31%
% of total	0.3%	0.3%		0.5%	0.4%	
Total	2,041	3,317	-38%	3,716	6,289	-41%
% margin	7.5%	13.8%		7.2%	13.4%	
Interest	102	49	111%	212	99	115%
Other unallocables	293	215	36%	605	446	36%
PBT	1,646	3,054	-46%	2,899	5,745	-50%

Source: Company data

Crompton Greaves Ltd

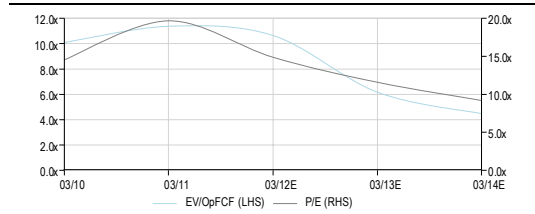
Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	56,396	68,323	87,373	91,409	100,051	109,331	9.3	123,610	13.1	144,392	16.8
Operating expenses (ex depn)	(51,567)	(60,884)	(77,417)	(78,639)	(86,613)	(98,811)	14.1	(110,270)	11.6	(127,747)	15.8
EBITDA (UBS)	4,829	7,439	9,956	12,770	13,438	10,520	-21.7	13,340	26.8	16,645	24.8
Depreciation	(954)	(1,263)	(1,216)	(1,551)	(1,936)	(2,255)	16.5	(2,443)	8.3	(2,640)	8.1
Operating income (EBIT, UBS)	3,874	6,176	8,740	11,219	11,502	8,265	-28.1	10,897	31.9	14,005	28.5
Other income & associates	1,051	694	731	1,131	1,222	867	-29.1	886	2.2	944	6.5
Net interest	(566)	(701)	(808)	(428)	(352)	(312)	-11.3	(277)	-11.4	(241)	-12.9
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	4,360	6,169	8,663	11,922	12,372	8,819	-28.7	11,507	30.5	14,707	27.8
Tax	(1,494)	(2,054)	(3,047)	(3,650)	(3,100)	(2,617)	-15.6	(3,531)	34.9	(4,662)	32.0
Profit after tax	2,866	4,115	5,616	8,272	9,272	6,202	-33.1	7,975	28.6	10,045	26.0
Abnormal items (post-tax)	0	0	0	(352)	381	0	-	0	-	0	-
Minorities / pref dividends	(47)	(48)	(17)	(26)	(4)	(4)	5.0	(4)	5.0	(4)	5.0
Net income (local GAAP)	2,818	4,067	5,599	7,895	9,649	6,198	-35.8	7,971	28.6	10,041	26.0
Net Income (UBS)	2,818	4,067	5,599	8,247	9,268	6,198	-33.1	7,971	28.6	10,041	26.0
Tax rate (%)	34	33	35	31	25	30	18.4	31	3.4	32	3.3
Pre-abnormal tax rate (%)	34	33	35	31	25	30	18.4	31	3.4	32	3.3
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	4.39	6.34	8.73	12.31	15.04	9.66	-35.8	12.43	28.6	15.65	26.0
EPS (UBS)	4.39	6.34	8.73	12.86	14.45	9.66	-33.1	12.43	28.6	15.65	26.0
Net DPS	0.73	1.07	1.34	2.20	2.17	1.45	-33.1	1.86	28.6	2.35	26.0
Cash EPS	5.88	8.31	10.62	15.27	17.47	13.18	-24.5	16.23	23.2	19.77	21.8
BVPS	15.10	20.29	28.54	39.04	50.25	58.46	16.3	69.02	18.1	82.33	19.3
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	10,873	12,444	13,785	13,760	19,417	20,362	4.9	21,280	4.5	22,169	4.2
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	5,085	5,737	4,517	4,161	8,105	7,829	-3.4	10,090	28.9	13,300	31.8
Other liabilities	0	0	0	(49)	(160)	(160)	0.0	(160)	0.0	(160)	0.0
Operating invested capital	15,958	18,181	18,303	17,871	27,361	28,031	2.4	31,210	11.3	35,309	13.1
Investments	645	934	1,672	5,536	6,747	6,747	0.0	6,747	0.0	6,747	0.0
Total capital employed	16,603	19,115	19,975	23,407	34,108	34,778	2.0	37,957	9.1	42,056	10.8
Shareholders' equity	9,688	13,018	18,311	25,043	32,232	37,501	16.3	44,276	18.1	52,811	19.3
Minority interests	284	123	139	43	157	161	2.5	165	2.5	170	2.6
Total equity	9,972	13,140	18,449	25,086	32,389	37,662	16.3	44,441	18.0	52,980	19.2
Net debt / (cash)	6,630	5,975	1,526	(1,679)	1,719	(2,884)	-	(6,484)	124.8	(10,924)	68.5
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	16,603	19,115	19,975	23,407	34,108	34,778	2.0	37,957	9.1	42,056	10.8
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	3,874	6,176	8,740	11,219	11,502	8,265	-28.1	10,897	31.9	14,005	28.5
Depreciation	954	1,263	1,216	1,551	1,936	2,255	16.5	2,443	8.3	2,640	8.1
Net change in working capital	(1,027)	(483)	1,113	(125)	(3,944)	276	-	(2,261)	-	(3,210)	42.0
Other (operating)	1,012	476	820	1,285	1,710	863	-49.5	882	2.2	939	6.5
Operating cash flow (pre tax/interest)	4,814	7,432	11,889	13,929	11,204	11,659	4.1	11,961	2.6	14,374	20.2
Net interest received / (paid)	(566)	(701)	(808)	(428)	(352)	(312)	-11.3	(277)	-11.4	(241)	-12.9
Dividends paid	(471)	(686)	(859)	(1,411)	(1,390)	(930)	-33.12	(1,196)	28.60	(1,506)	25.96
Tax paid	(1,494)	(2,054)	(3,047)	(3,650)	(3,100)	(2,617)	-15.6	(3,531)	34.9	(4,662)	32.0
Capital expenditure	(6,424)	(2,834)	(2,557)	(1,526)	(7,593)	(3,201)	-57.8	(3,361)	5.0	(3,529)	5.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	172	(450)	(722)	(3,959)	(1,097)	4	-	4	5.0	4	5.0
Share issues	(513)	(52)	552	249	(555)	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(4,481)	655	4,449	3,204	(2,883)	4,603	-	3,601	-21.8	4,440	23.3
FX / non cash items	0	0	0	0	(515)	0	-	0	-	0	-
Balance sheet (inc)/dec in net debt	(4,481)	655	4,449	3,204	(3,398)	4,603	-	3,601	-21.8	4,440	23.3
Core EBITDA	4,829	7,439	9,956	12,770	13,438	10,520	-21.7	13,340	26.8	16,645	24.8
Maintenance capital expenditure	(954)	(1,263)	(1,216)	(1,551)	(1,936)	(2,255)	16.5	(2,443)	8.3	(2,640)	8.1
Maintenance net working capital	1,027	483	(1,113)	125	3,944	(276)	-	2,261	-	3,210	42.0
Operating free cash flow, pre-tax	4,901	6,659	7,626	11,344	15,446	7,989	-48.3	13,158	64.7	17,215	30.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

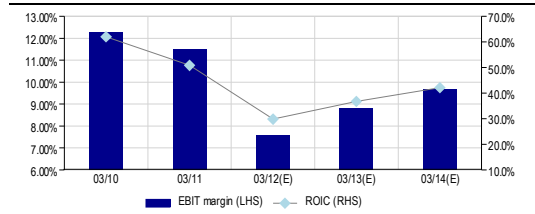
Company profile

Crompton Greaves (CG) is one of the largest engineering companies in India. Part of the Avantha Group, CG has three main businesses - power systems, consumer products, and industrial systems - nearly two-thirds of sales come from electrical products. CG has 22 manufacturing divisions spread across India, and a large customer base that includes state electricity boards and large companies in the private and public sectors. CG has a significant presence in overseas markets through its acquisitions; Pauwels (2005), Ganz (2006), Microsol (2007), Sonomatra (2008), MSE Power Systems (2008), and PTS (2010).

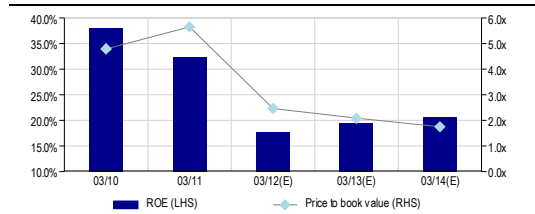
Value (EV/OpFCF & P/E)



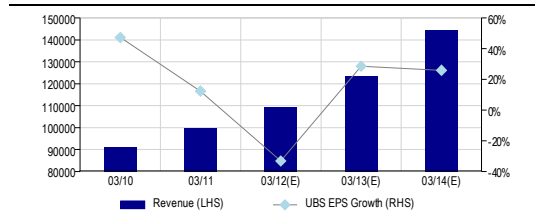
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	19.3	15.2	18.9	14.7	11.5	9.1
P/E (UBS)	19.3	14.6	19.7	14.7	11.5	9.1
P/CEPS	15.3	12.3	16.3	10.8	8.8	7.2
Net dividend yield (%)	0.9	1.2	0.8	1.0	1.3	1.6
P/BV	5.9	4.8	5.7	2.4	2.1	1.7
EV/revenue (core)	-	1.3	1.8	0.8	0.6	0.5
EV/EBITDA (core)	-	9.0	13.1	8.0	6.0	4.6
EV/EBIT (core)	-	10.2	15.3	10.2	7.4	5.4
EV/OpFCF (core)	-	10.1	11.4	10.5	6.1	4.4
EV/op. invested capital	-	6.3	7.8	3.0	2.7	2.3

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	120,091	182,258	91,412	91,412	91,412
+ minority interests	91	100	159	163	168
+ average net debt (cash)	(77)	20	(582)	(4,684)	(8,704)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(5,536)	(6,747)	(6,747)	(6,747)	(6,747)
Core enterprise value	114,569	175,631	84,242	80,144	76,128

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	15.4	4.6	9.5	9.3	13.1	16.8
EBITDA (UBS)	29.2	28.3	5.2	-21.7	26.8	24.8
EBIT (UBS)	31.3	28.4	2.5	-28.1	31.9	28.5
EPS (UBS)	34.7	47.3	12.4	-33.1	28.6	26.0
Cash EPS	31.3	43.8	14.4	-24.5	23.2	21.8
Net DPS	31.1	64.3	-1.5	-33.1	28.6	26.0
BVPS	35.1	36.8	28.7	16.3	18.1	19.3

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	11.6	14.0	13.4	9.6	10.8	11.5
EBIT / revenue	9.9	12.3	11.5	7.6	8.8	9.7
Net profit (UBS) / revenue	7.1	9.0	9.3	5.7	6.4	7.0

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	46.8	62.0	50.9	29.8	36.8	42.1
ROIC post tax	-	43.0	38.1	21.0	25.5	28.8
Net ROE	34.8	38.0	32.4	17.8	19.5	20.7

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	19.0	28.9	NM	29.2	NM	NM
Dividend cover (UBS EPS)	6.2	5.8	6.7	6.7	6.7	6.7
Div. payout ratio (% , UBS EPS)	16.2	17.1	15.0	15.0	15.0	15.0
Net debt / EBITDA	0.3	NM	0.1	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	4.5	5.1	4.4	3.9	4.2	4.3
Revenue / fixed assets	6.4	6.6	6.0	5.5	5.9	6.6
Revenue / net working capital	16.9	22.3	16.3	13.7	13.8	12.3

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	1.1	1.0	1.3	1.0	1.2	1.2
Capex / revenue (%)	5.2	1.7	7.6	2.9	2.7	2.4
Capex / depreciation	3.0	1.0	3.9	1.4	1.4	1.3

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	14.4	(6.7)	5.3	(7.7)	(14.6)	(20.7)
Net debt / (net debt + equity)	12.6	(7.2)	5.1	(8.3)	(17.2)	(26.1)
Net debt (core) / EV	-	(0.1)	0.0	(0.7)	(5.8)	(11.4)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs142.50 on 20 Oct 2011 19:32 BST Market cap(E) may include forecast share issues/buybacks.

Pankaj Sharma

Analyst
 pankaj-p.sharma@ubs.com
 +91-22-6155 6055

Sandip Bansal

Analyst
 sandip.bansal@ubs.com
 +91-22-6155 6059

■ Crompton Greaves Ltd

Crompton Greaves (CG) is one of the largest engineering companies in India. Part of the Avantha Group, CG has three main businesses - power systems, consumer products, and industrial systems - nearly two-thirds of sales come from electrical products. CG has 22 manufacturing divisions spread across India, and a large customer base that includes state electricity boards and large companies in the private and public sectors. CG has a significant presence in overseas markets through its acquisitions; Pauwels (2005), Ganz (2006), Microsol (2007), Sonomatra (2008), MSE Power Systems (2008), and PTS (2010).

■ Statement of Risk

We believe the key upside risks to our Sell rating on CG are: 1) a pick-up in order activity at Power Grid and SEBs; 2) increased government focus; 3) margin expansion; and 4) a better-than-expected performance in overseas markets. We think the key downside risks for the company are: 1) competition; 2) delays in power generation projects; 3) rising raw material prices; 4) a slower-than-expected recovery in government spending and industrial activity; 5) a slowdown in the international business; and 6) a decline in EBITDA margin.

UBS Investment Research

Crompton Greaves Ltd

Q2 FY12: weak results [ERRATUM]

■ Q2 FY12 results: weak numbers, below expectations

In Q2 FY12, Crompton Greaves' (CG) operating income of Rs27.1bn was up 13% YoY and EBITDA margins declined 554bps YoY, impacted due to higher raw material cost. Net profit declined 45% YoY to Rs1.17bn, which is below UBS and consensus estimates. However, the Q2 FY12 numbers have better-than-expected sales.

■ Q2 FY12: margins remain under pressure

The key highlight of the results is a decline in margins (in line with Q1 FY12). This was due to an increase in raw material costs (in Q2 FY12, the raw materials cost as a percentage of sales is 67.3% vs. 61.0% in Q2 FY11). However, staff costs and other costs have not deteriorated and this is a positive.

■ Segmental results: margins decline across the board

In Q2 FY12, Industrial systems revenue grew 29% YoY, Power systems grew 12% YoY, and consumer products segment revenue grew 4% YoY. The slowdown in the consumer segment is a major cause of concern, in our view. EBIT margins declined across segments with a 695bps YoY decline in power systems; industrial and consumer businesses margins have also declined significantly YoY. The company has scheduled an analyst meeting tomorrow at 10:15am and we expect to get more details.

■ Valuation: maintain Sell and price target of Rs130

We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool (assuming a WACC of 13.3%).

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	91,409	100,051	109,331	123,610	144,392
EBIT (UBS)	11,219	11,502	8,265	10,897	14,005
Net Income (UBS)	8,247	9,268	6,198	7,971	10,041
EPS (UBS, Rs)	12.86	14.45	9.66	12.43	15.65
Net DPS (UBS, Rs)	2.20	2.17	1.45	1.86	2.35

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	9.9	11.5	7.6	8.8	9.7
ROIC (EBIT) %	46.8	50.9	29.8	36.8	42.1
EV/EBITDA (core) x	-	13.1	9.3	7.0	5.4
PE (UBS) x	19.3	19.7	17.0	13.2	10.5
Net dividend yield %	0.9	0.8	0.9	1.1	1.4

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs163.95 on 18 Oct 2011 23:54 SGT

Pankaj Sharma

Analyst
 pankaj-p.sharma@ubs.com
 +91-22-6155 6055

Sandip Bansal

Analyst
 sandip.bansal@ubs.com
 +91-22-6155 6059

Global Equity Research

India

Industrial, Diversified

12-month rating **Sell**
Unchanged

12m price target **Rs130.00/US\$2.64**
Unchanged

Price **Rs163.95/US\$3.33**

RIC: CROM.BO BBG: CRG IB

19 October 2011

Trading data (local/US\$)

52-wk range	Rs342.30-136.45/US\$7.61-2.93
Market cap.	Rs105bn/US\$2.13bn
Shares o/s	641m (ORD)
Free float	59%
Avg. daily volume ('000)	4,976
Avg. daily value (m)	Rs841.1

Balance sheet data 03/12E

Shareholders' equity	Rs37.5bn
P/BV (UBS)	2.8x
Net Cash (debt)	Rs2.88bn

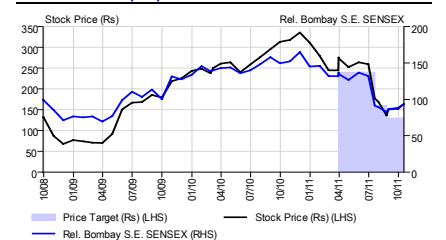
Forecast returns

Forecast price appreciation	-20.7%
Forecast dividend yield	1.1%
Forecast stock return	-19.6%
Market return assumption	13.3%
Forecast excess return	-32.9%

EPS (UBS, Rs)

	03/12E	03/11	03/10
	UBS	Cons.	Actual
Q1E	-	-	2.98
Q2E	-	-	3.33
Q3E	-	-	3.63
Q4E	-	-	4.51
03/12E	9.66	9.66	
03/13E	12.43	12.43	

Performance (Rs)



www.ubs.com/investmentresearch

This note replaces an earlier version that contained incorrect figures in Table 2.

Table 1: Crompton Greaves: Q2 FY12 results (consolidated)

	Q2FY12 (C)	Q2FY11 (C)	% Chng	H1 FY12 (C)	H1 FY11 (C)	% Chng
Net sales	27,055	23,979	13%	51,433	47,001	9%
(Increase)/Decrease in stock	(1,847)	(636)	190%	(4,567)	(1,527)	199%
Raw materials	17,545	12,839	37%	33,649	24,809	36%
Purchase of traded goods	2,502	2,434	3%	5,399	5,538	-3%
Employee cost	3,574	3,093	16%	6,795	6,087	12%
Other expenditure	3,021	2,917	4%	6,079	5,788	5%
Total Expenses	24,796	20,647	20%	47,354	40,695	16%
EBITDA	2,260	3,332	-32%	4,078	6,306	-35%
EBITDA Margin	8%	14%		8%	13%	
bps change YoY	(554)	(35)		(549)	78	
Depreciation, amortisation & impairment	726	458	59%	1,334	873	53%
EBIT	1,534	2,874	-47%	2,744	5,433	-49%
EBIT Margin	6%	12%			12%	
Interest	102	49	111%	212	99	115%
Other income	215	228	-6%	366	411	-11%
PBT	1,646	3,054	-46%	2,899	5,745	-50%
Tax	463	920	-50%	938	1,713	-45%
Current tax	474	821	-42%	956	1,598	-40%
Deferred tax	(11)	98	-111%	(17)	115	-115%
Tax %	28%	30%			30%	
Recurring PAT	1,183	2,134	-45%	1,961	4,032	-51%
Exceptionals	-	-		-	-	
Reported PAT	1,183	2,134	-45%	1,961	4,032	-51%
Recurring PAT Margin	4%	9%			9%	
Minority interest	1	-		0	(1)	
Share of profit/(loss) of associate	(18)	2		0	14	
Net profit	1,167	2,136	-45%	1,961	4,044	-52%

Source: Company data, UBS estimates

Table 2: Crompton Greaves: Q2 FY12 Segmental results (consolidated)

	Q2FY12 (C)	Q2FY11 (C)	% Chng	H1FY12 (C)	H1 FY11 (C)	% Chng
Segmental revenues (Rs m)						
Power systems	17,611	15,778	12%	32,777	30,342	8%
% of total	64.9%	65.4%		63.5%	64.2%	
Consumer products	4,801	4,634	4%	10,238	9,952	3%
% of total	17.7%	19.2%		19.8%	21.0%	
Industrial systems	4,655	3,606	29%	8,453	6,816	24%
% of total	17.2%	15.0%		16.4%	14.4%	
Others	58	89	-35%	115	175	-34%
% of total	0.2%	0.4%		0.2%	0.4%	
Total revenues	27,126	24,108	13%	51,583	47,286	9%
Intersegment	71	129	-45%	150	285	-47%
Net revenues	27,055	23,979	13%	51,433	47,001	9%
Segmental EBIT (Rs m)						
Power systems	934	1,935	-52%	1,335	3,490	-62%
% of total	45.8%	58.3%		35.9%	55.5%	
% margin	5.3%	12.3%		4.1%	11.5%	
Consumer products	543	671	-19%	1,296	1,474	-12%
% of total	26.6%	20.2%		34.9%	23.4%	
% margin	11.3%	14.5%		12.7%	14.8%	
Industrial systems	558	702	-20%	1,066	1,299	-18%
% of total	27.3%	21.2%		28.7%	20.7%	
% margin	12.0%	19.5%		12.6%	19.1%	
Others	7	10	-35%	18	26	-31%
% of total	0.3%	0.3%		0.5%	0.4%	
Total	2,041	3,317	-38%	3,716	6,289	-41%
% margin	7.5%	13.8%		7.2%	13.4%	
Interest	102	49	111%	212	99	115%
Other unallocables	293	215	36%	605	446	36%
PBT	1,646	3,054	-46%	2,899	5,745	-50%

Source: Company data

Crompton Greaves Ltd

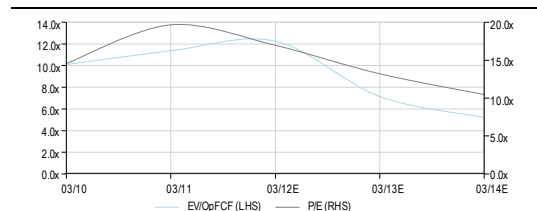
Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	56,396	68,323	87,373	91,409	100,051	109,331	9.3	123,610	13.1	144,392	16.8
Operating expenses (ex depn)	(51,567)	(60,884)	(77,417)	(78,639)	(86,613)	(98,811)	14.1	(110,270)	11.6	(127,747)	15.8
EBITDA (UBS)	4,829	7,439	9,956	12,770	13,438	10,520	-21.7	13,340	26.8	16,645	24.8
Depreciation	(954)	(1,263)	(1,216)	(1,551)	(1,936)	(2,255)	16.5	(2,443)	8.3	(2,640)	8.1
Operating income (EBIT, UBS)	3,874	6,176	8,740	11,219	11,502	8,265	-28.1	10,897	31.9	14,005	28.5
Other income & associates	1,051	694	731	1,131	1,222	867	-29.1	886	2.2	944	6.5
Net interest	(566)	(701)	(808)	(428)	(352)	(312)	-11.3	(277)	-11.4	(241)	-12.9
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	4,360	6,169	8,663	11,922	12,372	8,819	-28.7	11,507	30.5	14,707	27.8
Tax	(1,494)	(2,054)	(3,047)	(3,650)	(3,100)	(2,617)	-15.6	(3,531)	34.9	(4,662)	32.0
Profit after tax	2,866	4,115	5,616	8,272	9,272	6,202	-33.1	7,975	28.6	10,045	26.0
Abnormal items (post-tax)	0	0	0	(352)	381	0	-	0	-	0	-
Minorities / pref dividends	(47)	(48)	(17)	(26)	(4)	(4)	5.0	(4)	5.0	(4)	5.0
Net income (local GAAP)	2,818	4,067	5,599	7,895	9,649	6,198	-35.8	7,971	28.6	10,041	26.0
Net Income (UBS)	2,818	4,067	5,599	8,247	9,268	6,198	-33.1	7,971	28.6	10,041	26.0
Tax rate (%)	34	33	35	31	25	30	18.4	31	3.4	32	3.3
Pre-abnormal tax rate (%)	34	33	35	31	25	30	18.4	31	3.4	32	3.3
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	4.39	6.34	8.73	12.31	15.04	9.66	-35.8	12.43	28.6	15.65	26.0
EPS (UBS)	4.39	6.34	8.73	12.86	14.45	9.66	-33.1	12.43	28.6	15.65	26.0
Net DPS	0.73	1.07	1.34	2.20	2.17	1.45	-33.1	1.86	28.6	2.35	26.0
Cash EPS	5.88	8.31	10.62	15.27	17.47	13.18	-24.5	16.23	23.2	19.77	21.8
BVPS	15.10	20.29	28.54	39.04	50.25	58.46	16.3	69.02	18.1	82.33	19.3
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	10,873	12,444	13,785	13,760	19,417	20,362	4.9	21,280	4.5	22,169	4.2
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	5,085	5,737	4,517	4,161	8,105	7,829	-3.4	10,090	28.9	13,300	31.8
Other liabilities	0	0	0	(49)	(160)	(160)	0.0	(160)	0.0	(160)	0.0
Operating invested capital	15,958	18,181	18,303	17,871	27,361	28,031	2.4	31,210	11.3	35,309	13.1
Investments	645	934	1,672	5,536	6,747	6,747	0.0	6,747	0.0	6,747	0.0
Total capital employed	16,603	19,115	19,975	23,407	34,108	34,778	2.0	37,957	9.1	42,056	10.8
Shareholders' equity	9,688	13,018	18,311	25,043	32,232	37,501	16.3	44,276	18.1	52,811	19.3
Minority interests	284	123	139	43	157	161	2.5	165	2.5	170	2.6
Total equity	9,972	13,140	18,449	25,086	32,389	37,662	16.3	44,441	18.0	52,980	19.2
Net debt / (cash)	6,630	5,975	1,526	(1,679)	1,719	(2,884)	-	(6,484)	124.8	(10,924)	68.5
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	16,603	19,115	19,975	23,407	34,108	34,778	2.0	37,957	9.1	42,056	10.8
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	3,874	6,176	8,740	11,219	11,502	8,265	-28.1	10,897	31.9	14,005	28.5
Depreciation	954	1,263	1,216	1,551	1,936	2,255	16.5	2,443	8.3	2,640	8.1
Net change in working capital	(1,027)	(483)	1,113	(125)	(3,944)	276	-	(2,261)	-	(3,210)	42.0
Other (operating)	1,012	476	820	1,285	1,710	863	-49.5	882	2.2	939	6.5
Operating cash flow (pre tax/interest)	4,814	7,432	11,889	13,929	11,204	11,659	4.1	11,961	2.6	14,374	20.2
Net interest received / (paid)	(566)	(701)	(808)	(428)	(352)	(312)	-11.3	(277)	-11.4	(241)	-12.9
Dividends paid	(471)	(686)	(859)	(1,411)	(1,390)	(930)	-33.12	(1,196)	28.60	(1,506)	25.96
Tax paid	(1,494)	(2,054)	(3,047)	(3,650)	(3,100)	(2,617)	-15.6	(3,531)	34.9	(4,662)	32.0
Capital expenditure	(6,424)	(2,834)	(2,557)	(1,526)	(7,593)	(3,201)	-57.8	(3,361)	5.0	(3,529)	5.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	172	(450)	(722)	(3,959)	(1,097)	4	-	4	5.0	4	5.0
Share issues	(513)	(52)	552	249	(555)	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(4,481)	655	4,449	3,204	(2,883)	4,603	-	3,601	-21.8	4,440	23.3
FX / non cash items	0	0	0	0	(515)	0	-	0	-	0	-
Balance sheet (inc)/dec in net debt	(4,481)	655	4,449	3,204	(3,398)	4,603	-	3,601	-21.8	4,440	23.3
Core EBITDA	4,829	7,439	9,956	12,770	13,438	10,520	-21.7	13,340	26.8	16,645	24.8
Maintenance capital expenditure	(954)	(1,263)	(1,216)	(1,551)	(1,936)	(2,255)	16.5	(2,443)	8.3	(2,640)	8.1
Maintenance net working capital	1,027	483	(1,113)	125	3,944	(276)	-	2,261	-	3,210	42.0
Operating free cash flow, pre-tax	4,901	6,659	7,626	11,344	15,446	7,989	-48.3	13,158	64.7	17,215	30.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

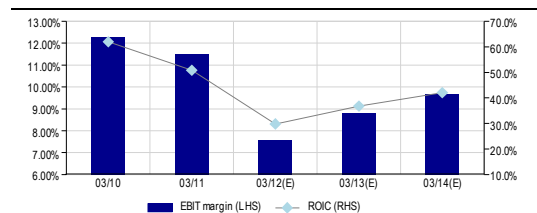
Company profile

Crompton Greaves (CG) is one of the largest engineering companies in India. Part of the Avantha Group, CG has three main businesses - power systems, consumer products, and industrial systems - nearly two-thirds of sales come from electrical products. CG has 22 manufacturing divisions spread across India, and a large customer base that includes state electricity boards and large companies in the private and public sectors. CG has a significant presence in overseas markets through its acquisitions; Pauwels (2005), Ganz (2006), Microsol (2007), Sonomatra (2008), MSE Power Systems (2008), and PTS (2010).

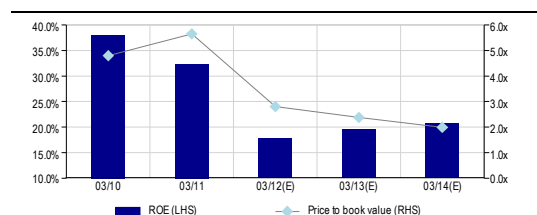
Value (EV/OpFCF & P/E)



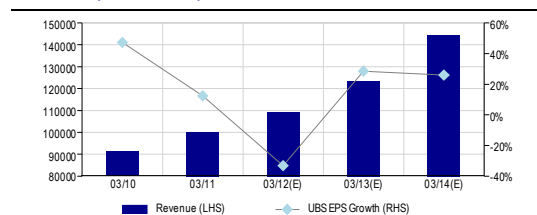
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	19.3	15.2	18.9	17.0	13.2	10.5
P/E (UBS)	19.3	14.6	19.7	17.0	13.2	10.5
P/CEPS	15.3	12.3	16.3	12.4	10.1	8.3
Net dividend yield (%)	0.9	1.2	0.8	0.9	1.1	1.4
P/BV	5.9	4.8	5.7	2.8	2.4	2.0
EV/revenue (core)	-	1.3	1.8	0.9	0.8	0.6
EV/EBITDA (core)	-	9.0	13.1	9.3	7.0	5.4
EV/EBIT (core)	-	10.2	15.3	11.9	8.6	6.4
EV/OpFCF (core)	-	10.1	11.4	12.3	7.1	5.2
EV/op. invested capital	-	6.3	7.8	3.5	3.2	2.7

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	120,091	182,258	105,172	105,172	105,172
+ minority interests	91	100	159	163	168
+ average net debt (cash)	(77)	20	(582)	(4,684)	(8,704)
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(5,536)	(6,747)	(6,747)	(6,747)	(6,747)
Core enterprise value	114,569	175,631	98,002	93,904	89,888

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	15.4	4.6	9.5	9.3	13.1	16.8
EBITDA (UBS)	29.2	28.3	5.2	-21.7	26.8	24.8
EBIT (UBS)	31.3	28.4	2.5	-28.1	31.9	28.5
EPS (UBS)	34.7	47.3	12.4	-33.1	28.6	26.0
Cash EPS	31.3	43.8	14.4	-24.5	23.2	21.8
Net DPS	31.1	64.3	-1.5	-33.1	28.6	26.0
BVPS	35.1	36.8	28.7	16.3	18.1	19.3

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	11.6	14.0	13.4	9.6	10.8	11.5
EBIT / revenue	9.9	12.3	11.5	7.6	8.8	9.7
Net profit (UBS) / revenue	7.1	9.0	9.3	5.7	6.4	7.0

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	46.8	62.0	50.9	29.8	36.8	42.1
ROIC post tax	-	43.0	38.1	21.0	25.5	28.8
Net ROE	34.8	38.0	32.4	17.8	19.5	20.7

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	19.0	28.9	NM	29.2	NM	NM
Dividend cover (UBS EPS)	6.2	5.8	6.7	6.7	6.7	6.7
Div. payout ratio (% UBS EPS)	16.2	17.1	15.0	15.0	15.0	15.0
Net debt / EBITDA	0.3	NM	0.1	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	4.5	5.1	4.4	3.9	4.2	4.3
Revenue / fixed assets	6.4	6.6	6.0	5.5	5.9	6.6
Revenue / net working capital	16.9	22.3	16.3	13.7	13.8	12.3

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	1.1	1.0	1.3	1.0	1.2	1.2
Capex / revenue (%)	5.2	1.7	7.6	2.9	2.7	2.4
Capex / depreciation	3.0	1.0	3.9	1.4	1.4	1.3

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	14.4	(6.7)	5.3	(7.7)	(14.6)	(20.7)
Net debt / (net debt + equity)	12.6	(7.2)	5.1	(8.3)	(17.2)	(26.1)
Net debt (core) / EV	-	(0.1)	0.0	(0.6)	(5.0)	(9.7)

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs163.95 on 18 Oct 2011 23:54 SGT Market cap(E) may include forecast share issues/buybacks.

Pankaj Sharma

Analyst

pankaj-p.sharma@ubs.com

+91-22-6155 6055

Sandip Bansal

Analyst

sandip.bansal@ubs.com

+91-22-6155 6059

■ Crompton Greaves Ltd

Crompton Greaves (CG) is one of the largest engineering companies in India. Part of the Avantha Group, CG has three main businesses - power systems, consumer products, and industrial systems - nearly two-thirds of sales come from electrical products. CG has 22 manufacturing divisions spread across India, and a large customer base that includes state electricity boards and large companies in the private and public sectors. CG has a significant presence in overseas markets through its acquisitions; Pauwels (2005), Ganz (2006), Microsol (2007), Sonomatra (2008), MSE Power Systems (2008), and PTS (2010).

■ Statement of Risk

We believe the key upside risks to our Sell rating on CG are: 1) a pick-up in order activity at Power Grid and SEBs; 2) increased government focus; 3) margin expansion; and 4) a better-than-expected performance in overseas markets. We think the key downside risks for the company are: 1) competition; 2) delays in power generation projects; 3) rising raw material prices; 4) a slower-than-expected recovery in government spending and industrial activity; 5) a slowdown in the international business; and 6) a decline in EBITDA margin.

UBS Investment Research

India Banking & Finance Sector

Loans portable now free of charge

■ **Event: National Housing Bank (NHB) introduces two new changes**

NHB has introduced two new guideline changes wherein: 1) HFCs (Housing finance companies) are advised to treat all old and new customers (who have similar credit/risk profile) with uniform interest rates; 2) HFCs have been directed not to levy penalty charges on pre-closure of housing loans. When loans are on floating basis (which is nearly 70% of housing loans) pre-closure can be done through any means without any penalty. Fixed rate loans are allowed to be repaid without any penalty only if financed through own sources. RBI is likely to issue similar guidelines for banks in coming weeks.

■ **Impact: Competition to increase; however lenders sanguine on impact**

In our view there exists a ~150 bps difference between rates charged between new and old customers. We believe this guideline will effectively drive new mortgage rates upwards which could hurt demand. Our interaction with lenders suggests limited impact of guideline changes; HDFC expects market share gains due to refinancing opportunities at expense of others. Direct revenue impact due to removal of pre payment penalty should be <2% as fee income comprises of 2-3% of operating income for HDFC and LICH and bulk of it is loan processing fees.

■ **Action: Maintain Sell on LICH and Neutral on HDFC**

For LICH rising headwinds in the form of rising competition, low Tier-1, low provisions for operating profit, and slowdown in real estate activity tilt the risk reward unfavourable considering the valuation of 2x FY12E book. We maintain our Sell rating on LICH with PT of Rs200. We maintain Neutral rating on HDFC due to rich valuations with PT of Rs775.

20 October 2011

www.ubs.com/investmentresearch

Vishal Goyal, CFA

Analyst
vishal.goyal@ubs.com
+91-22-6155 6050

Ajitesh Nair

Analyst
ajitesh.nair@ubs.com
+91-22-6155 6056

Stephen Andrews, CFA

Analyst
stephen.andrews@ubs.com
+852-2971 7821

Table 1: Impact of the new guideline

Guideline	Impact
Uniformity in charging interest (floating rate basis) for old and new customers	We believe a ~150bps difference between rates charged between new and old customers. This guideline will effectively drive up new mortgage rates which could hurt demand.
Removal of Pre-payment Penalty on Pre-closure of housing loans	Direct revenue impact should be less than 2% as fee income comprises 2-3% of operating income for HDFC and LICH and bulk of it is loan processing fees

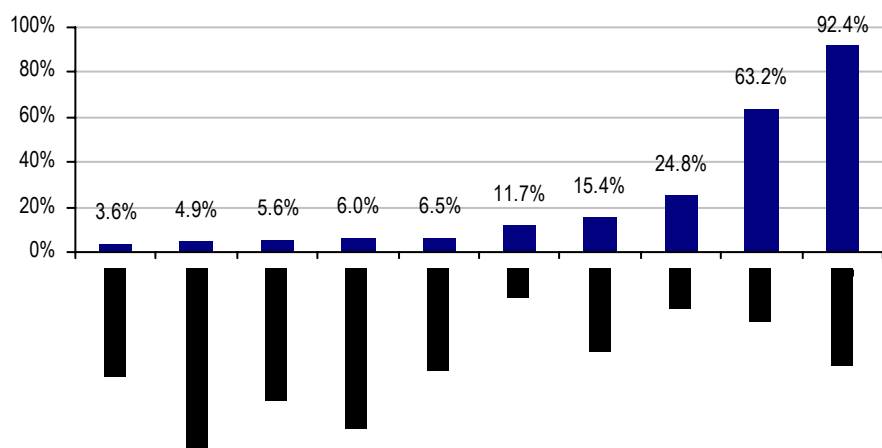
Source: National Housing Bank, UBS

Table 2: Current Mortgage rates in the market

	<75 Lakh s	>75 lakhs	Comments
SBI Max gain	10.75 %	11.25 %	No prepayment charges
HDFC	10.75 %	11.25 %	For first three years no pre payment charges till 25% of outstanding; over 25% prepayment charge is 2%. From 4th year no pre-payment charges
LIC houi ng	11%	11.70 %	No prepayment charges
ICICI Bank	11%	11.50 %	No prepayment charges
Axis Bank	10.75 %	11%	No prepayment charges

Source: Sourced directly from respective companies at a recent property exhibition

Chart 1: Proportion of mortgages in overall book



Source: Company

■ Statement of Risk

We believe a sustained economic slowdown could impact the banking and finance sector on several fronts: lead to a slowdown in credit, increase NPL risk, impact fee income, and exert pressure on NIM.

Required Disclosures

This package has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

This package contains summaries of UBS research content. For a complete copy of the non-summarized version, please contact your UBS sales representative.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	Buy	59%	35%
Neutral	Hold/Neutral	35%	33%
Sell	Sell	6%	14%

UBS Short-Term Rating	Rating Category	Coverage[3]	IB Services[4]
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	20%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.

UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Bajaj Auto	BAJA.BO	Neutral	N/A	Rs1,615.95	20 Oct 2011
Crompton Greaves Ltd	CROM.BO	Sell	N/A	Rs143.90	19 Oct 2011
Exide Industries	EXID.BO	Buy	N/A	Rs121.55	20 Oct 2011
Housing Development Finance Corporation	HDFC.BO	Neutral	N/A	Rs644.95	20 Oct 2011
LIC Housing Finance ¹³	LICH.BO	Sell	N/A	Rs217.55	20 Oct 2011
Thermax	THMX.BO	Sell	N/A	Rs431.50	19 Oct 2011
UltraTech Cement ⁵	ULTC.BO	Sell	N/A	Rs1,121.90	19 Oct 2011

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

5. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

For a complete set of disclosure statements associated with the companies discussed in this report, including information on valuation and risk, please contact UBS Securities LLC, 1285 Avenue of Americas, New York, NY 10019, USA, Attention: Publishing Administration.

Global Disclaimer

This package has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS. In certain countries UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning UBS AG, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. UBS does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. UBS is under no obligation to update or keep current the information contained herein. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither UBS nor any of its affiliates, nor any of UBS' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC and/or UBS Capital Markets LP) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this research report. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by UBS or any other source, may yield substantially different results.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is communicated by UBS Limited, a subsidiary of UBS AG, to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, retail clients. UBS Limited is authorised and regulated by the Financial Services Authority (FSA). UBS research complies with all the FSA requirements and laws concerning disclosures and these are indicated on the research where applicable. France: Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France SA. UBS Securities France S.A. is regulated by the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this report, the report is also deemed to have been prepared by UBS Securities France S.A. Germany: Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). Spain: Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). Turkey: Prepared by UBS Menkul Değerler AS on behalf of and distributed by UBS Limited. Russia: Prepared and distributed by UBS Securities CJSC. Switzerland: Distributed by UBS AG to persons who are institutional investors only. Italy: Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A.. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this report, the report is also deemed to have been prepared by UBS Italia Sim S.p.A.. South Africa: UBS South Africa (Pty) Limited (Registration No. 1995/011140/07) is a member of the JSE Limited, the South African Futures Exchange and the Bond Exchange of South Africa. UBS South Africa (Pty) Limited is an authorised Financial Services Provider. Details of its postal and physical address and a list of its directors are available on request or may be accessed at <http://www.ubs.co.za>. United States: Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate'), to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this report must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. Canada: Distributed by UBS Securities Canada Inc., a subsidiary of UBS AG and a member of the principal Canadian stock exchanges & CIPF. A statement of its financial condition and a list of its directors and senior officers will be provided upon request. Hong Kong: Distributed by UBS Securities Asia Limited. Singapore: Distributed by UBS Securities Pte. Ltd [mca (p) 039/11/2009 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte Ltd, an exempt financial advisor under the Singapore Financial Advisers Act (Cap. 110); or UBS AG Singapore branch, an exempt financial advisor under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or report. The recipient of this report represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). Japan: Distributed by UBS Securities Japan Ltd to institutional investors only. Where this report has been prepared by UBS Securities Japan Ltd, UBS Securities Japan Ltd is the author, publisher and distributor of the report. Australia: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098) only to 'Wholesale' clients as defined by s761G of the Corporations Act 2001. New Zealand: Distributed by UBS New Zealand Ltd. An investment adviser and investment broker disclosure statement is available on request and free of charge by writing to PO Box 45, Auckland, NZ. Dubai: The research prepared and distributed by UBS AG Dubai Branch, is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. Korea: Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This report may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. Malaysia: This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (253825-x). India : Prepared by UBS Securities India Private Ltd. 2/F,2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431 , NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research reports produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this material in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2011. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

