Prabhudas Lilladher

India

Apr – Jun'10 Earnings Preview

Up and away!

Research Team (ApurvaShah@PLIndia.com)
+91-22-6632 22314

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(Prices as on July 6, 2010)

Apurva Shah
ApurvaShah@PLIndia.com
+91-22-6632 2214

Up and away!

Strong earnings momentum continuing: For the fourth quarter in running, Corporate India's earnings performance is expected to improve. Companies under our coverage are expected to grow their Revenue and PAT (ex. Oil & Gas) by 19.1% YoY and 31.6% YoY, respectively. EBITDA margins are expected to remain strong, given the relatively low commodity prices. EBITDA margins for our universe (ex. Oil & Gas) is expected to rise by 170 bps YoY and 50bps QoQ.

For Nifty companies, Revenue and PAT is expected to grow by a solid 30.4% and 37.2% YoY, respectively. Excluding Oil & Gas, Revenue and PAT growth numbers are even more impressive at 19.7% and 50.4% YoY, respectively. However, since the recovery in earnings really started from Q2FY10, we fear that the current quarterly growth is a near-term peak as the base effect starts wearing off.

Autos, Financials, Metals and Consumers lead: Sectors such as Autos, Financials, Metals and Consumers will continue to show strong performance. Performance in *Autos* would be led by a strong demand, *Financials* by steady margins and higher credit growth, *Metals* by better realizations and *Consumers* due to steady demand growth.

Cement, Sugar, Telecom and Construction drag: The sectors that are expected to drag earnings are Cement, Sugar, Telecom and Construction. While *Cement* and *Telecom* have been seeing a weak performance for several quarters, *Sugar* and *Construction* will report the effects of lower prices (in case of Sugar) and somewhat slowing execution (in case of Construction). Our view is that the performance of *Telecom* and *Construction* is unlikely to get much worse; however, *Cement* still has a quarter's pain remaining, while Sugar is on a longer-term cyclical downturn.

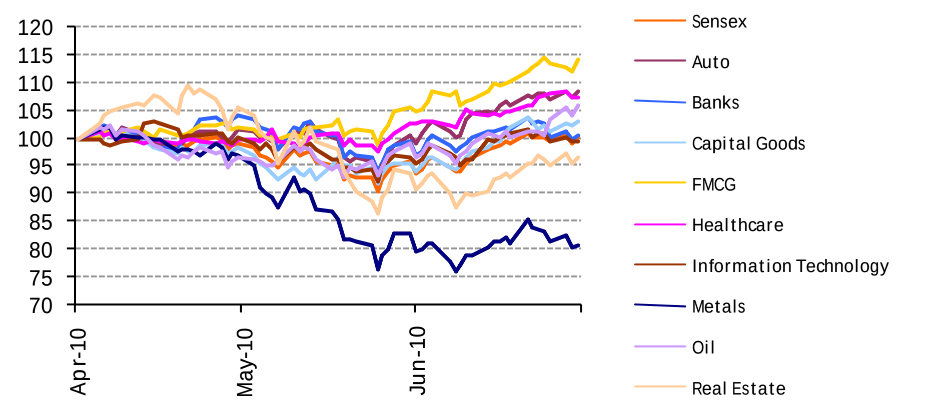
Valuations inching up, making absolute Buys harder to spot: The Nifty is currently trading at 16.0x FY11 and 13.7x FY12 earnings. While on a top-down basis, the valuations still appear in the fair, on a bottom-up basis valuations leaving limited upside in several promising stocks. This is partly due to the fact that nearly a third of the earnings growth expected in FY11 and FY12 comes from commodity sectors like *Metals* and *Oil & Gas*. Despite significant concerns of slowing global growth, India remains an excellent long-term investment destination, given the high growth, strong domestic consumption and stable currency.

Expect markets to steadily grind up: Over the past twelve months, Indian markets have been volatile much like the rest of the world. However, each progressive correction is lesser than the previous one and each bounce back has been higher than the previous top. We expect this pattern to continue and see the markets grinding their way up over the next 12-months. Our Nifty target for this period stays at 5,800.

Top Picks

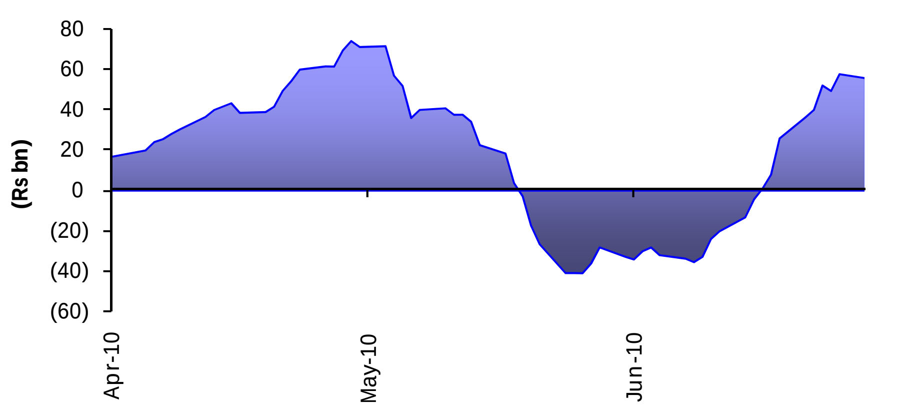
- Kotak Bank
- United Spirits
- Sterlite Industries
- Voltas
- India Infoline
- Mahindra & Mahindra
- Infosys Technologies
- Indraprastha Gas
- Exide Industries
- Crompton Greaves

Sectoral indices in Q1FY11



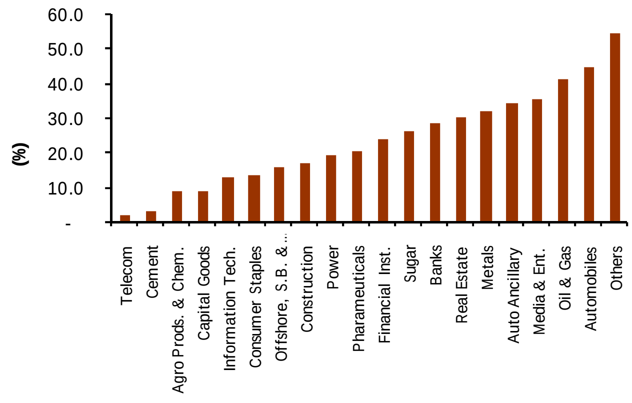
Source: Bloomberg, PL Research

Cumulative FII inflows in Q1FY11

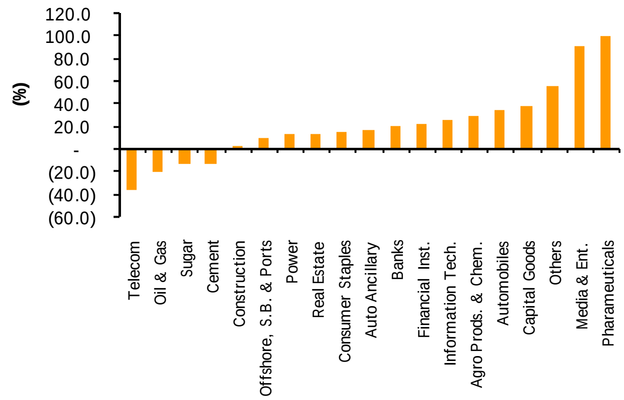


Source: SEBI, PL Research

Q1FY11 revenue growth estimate (YoY)

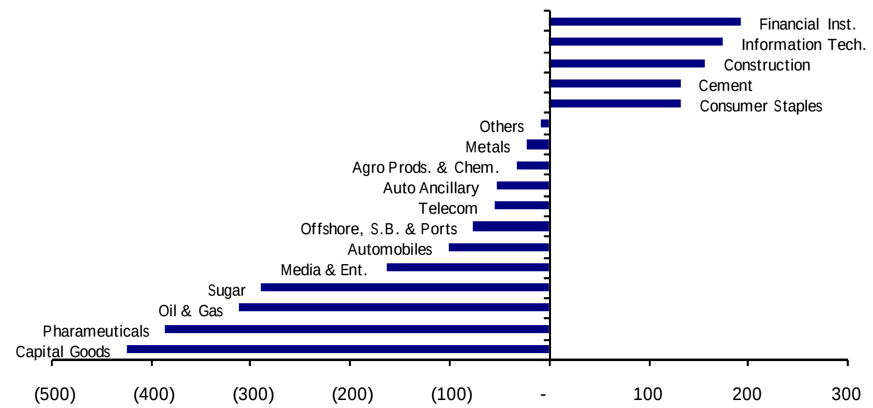


Q1FY11 profit growth estimate (YoY)



Source: PL Research

EBITDAM YoY change in Q4FY10 (bps)



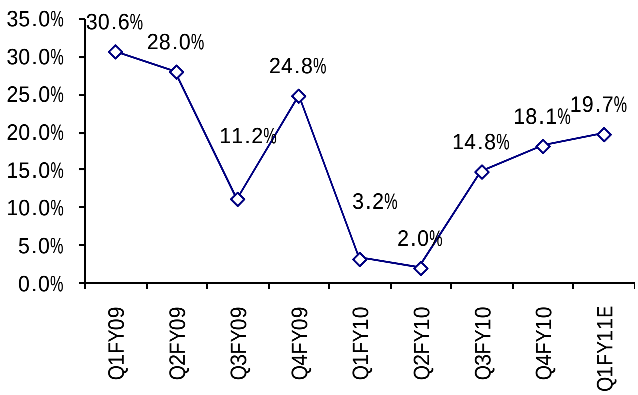
Source: PL Research

Sector-wise growth and margin expectations - Q4FY10 PL estimates

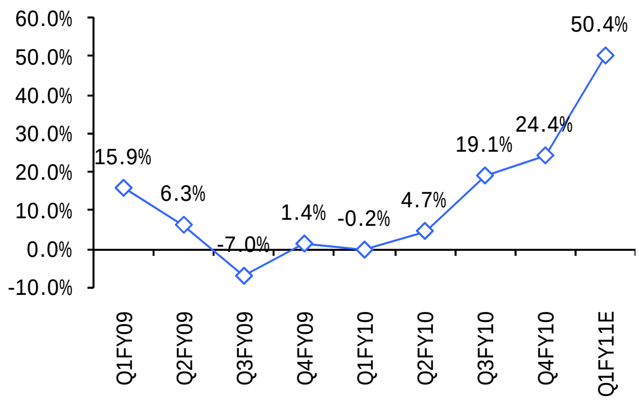
	Revenue Growth (%)		PAT Growth (%)		*EBITDAM Change (bps)*	
	YoY	QoQ	YoY	QoQ	*YoY*	*QoQ*
Automobiles	44.7	(3.8)	34.2	(6.8)	*(86)*	*(100)*
Auto Ancillary	34.2	5.4	16.7	(6.3)	*(52)*	*(52)*
Agro Prods. & Chem.	8.5	3.1	28.4	(6.3)	*(29)*	*(32)*
Banks	28.1	(1.5)	18.7	10.2		
Capital Goods	8.7	(37.8)	37.1	(69.5)	*140*	*(425)*
Cement	3.0	(17.4)	(13.8)	(5.6)	*(497)*	*133*
Construction	16.6	(19.4)	1.0	(22.8)	*(41)*	*157*
Consumer Staples	13.1	5.4	14.2	14.9	*8*	*132*
Financial Inst.	23.6	(0.7)	20.4	(0.4)	*(216)*	*193*
Information Tech.	12.4	3.6	25.0	9.9	*196*	*175*
Media & Ent.	34.9	3.9	89.3	(2.8)	*1,186*	*(164)*
Metals	27.2	(1.6)	648.5	(6.9)	*1,248*	*56*
Offshore, S.B. & Ports	15.4	(7.3)	8.4	(28.7)	*(97)*	*(76)*
Oil & Gas	41.0	1.2	(20.5)	(29.4)	*(407)*	*(312)*
Pharmaceuticals	19.9	(5.1)	98.5	(6.6)	*1,063*	*(386)*
Power	19.1	22.6	12.2	21.4	*260*	*586*
Real Estate	30.2	(13.0)	12.9	(14.8)	*(691)*	*239*
Sugar	25.9	(18.9)	(14.2)	(51.4)	*(650)*	*(290)*
Telecom	1.9	4.4	(36.8)	(21.0)	*(520)*	*(55)*
Others	54.2	17.3	54.2	12.6	*84*	*(8)*
PL Universe	**28.1**	**(2.0)**	**16.4**	**(10.6)**	*(110)*	*(101)*

Source: PL Research

Nifty Revenue Growth (YoY) (excl. Oil & Gas)



Nifty PAT Growth (YoY) (excl. Oil & Gas)



Source: PL Research

PL Model Portfolio

Name	CMP (Rs.)	BSE-500 Wgt (%)	PL Recc. (%)	OW/UW (%)	PER (X)	
					FY11	FY12
Banking & Fin. Services		**22.1%**	**24.5%**	**2.4%**		
Bank of Baroda	715		5.0%		7.0	5.8
Axis Bank	1,252		7.0%		16.1	12.8
Kotak Bank	767		9.0%		37.9	30.3
India Infoline	93		3.5%		10.5	8.2
Petroleum Related		**12.9%**	**12.0%**	**-0.9%**		
Reliance Industries	1,070		6.0%		14.7	13.6
Indraprastha Gas	284		3.0%		13.8	10.8
ONGC	1,294		3.0%		10.7	8.4
Industrials, Engg, & Electricals		**22.2%**	**24.5%**	**2.3%**		
IVRCL	185		6.5%		19.3	17.0
Voltas	202		3.0%		17.0	15.0
Crompton Greaves	253		5.0%		17.1	15.4
BHEL	2,370		7.0%		21.7	18.1
KEC	470		3.0%		10.1	8.5
Computer Software		**9.5%**	**9.5%**	**0.0%**		
Infosys Technologies	2,783		6.0%		22.3	52.7
HCL Technologies	361		2.5%		16.4	15.0
Persistent Systems	472		1.0%		12.8	12.4
Metals & Mining		**8.2%**	**4.0%**	**-3.7%**		
JSW Steel	1,075		1.5%		13.5	9.2
Sterlite Industries	162		3.0%		13.3	7.6
Consumer Staples		**6.8%**	**7.0%**	**0.2%**		
ITC	303		4.0%		24.0	21.0
United Spirits	1,265		3.0%		31.9	22.2
Vehicles & Transportation		**4.8%**	**9.0%**	**4.2%**		
Mahindra & Mahindra	625		3.5%		12.1	9.9
Bajaj Auto	2,436		2.0%		15.2	13.3
Exide Industries	127		2.0%		18.6	15.3
Motherson Sumi	153		1.5%		15.1	12.2
Pharma & Healthcare		**4.6%**	**4.5%**	**-0.1%**		
Lupin	1,927		2.5%		20.5	15.6
Cipla	339		2.0%		24.0	20.6
Telecommunications		**2.8%**	**0.0%**	**-2.8%**		
Others		**6.2%**	**4.5%**	**-1.7%**		
Grasim	1,820		1.0%		7.1	7.9
Sun TV	430		1.5%		24.7	19.7
Rallis India	1,093		2.0%		10.1	8.4

Source: PL Research

Surjit Arora
SurjitArora@PLIndia.com
+91-22-6632 2235

Automobiles

Q1FY11E - Good run continues both, in volumes as well as in profitability

New launches drive 30.0% growth in the two-wheeler domestic market:

Strong growth of the two-wheeler sector is primarily based on several factors – new launches, including variants by the players, strong rural growth, less dependence on financing and down-trading by customers.

Quarterly trend in two-wheeler segment sales

Particulars	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11E
Two-Wheelers	2,135,869	2,334,595	2,308,638	2,592,169	2,776,025
QoQ Growth (%)	*14.4%*	*9.3%*	*-1.0%*	*12.3%*	*7.1%*

Source: SIAM, PL Research

In Q1FY11, Bajaj Auto (BJA) outperformed Hero Honda (HH) in the two-wheeler space by reporting an estimated growth of 66.0% YoY, compared to a 10.3% growth reported by HH in the domestic market. This was mainly on account of the success of BJA's recent offering, the 100cc '*Discover*' and 135cc '*Pulsar*'.

New launches and lower base of last year, led to 34.6% growth in the passenger car segment

New launches, coupled with lower base of last year, led to a robust demand for cars in April–June 2010. Ford '*Figo*' as well as GM '*Beat*' found great acceptance among the customers.

Quarterly trend in passenger car segment sales

Particulars	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11E
Passenger Cars	323,920	365,419	381,570	455,350	435,938
QoQ Growth (%)	*-8.8%*	*12.8%*	*4.4%*	*19.3%*	*(4.3%)*

Source: SIAM, PL Research

Maruti Suzuki (MSIL) reported a 23.0% YoY growth in the domestic volumes for the quarter, mainly led by a growth of 45.2% YoY in the A3 segment.

Commercial Vehicles (CV) sales improving MoM, thereby, resulting in doubling of sales:

CV sector has witnessed a consistent MoM improvement in the volume numbers on account of improvement in the availability of freight and a pick-up in the movement of commodities like steel and iron ore and road/highway development activities gaining momentum.

Quarterly trend in M&HCV segment sales

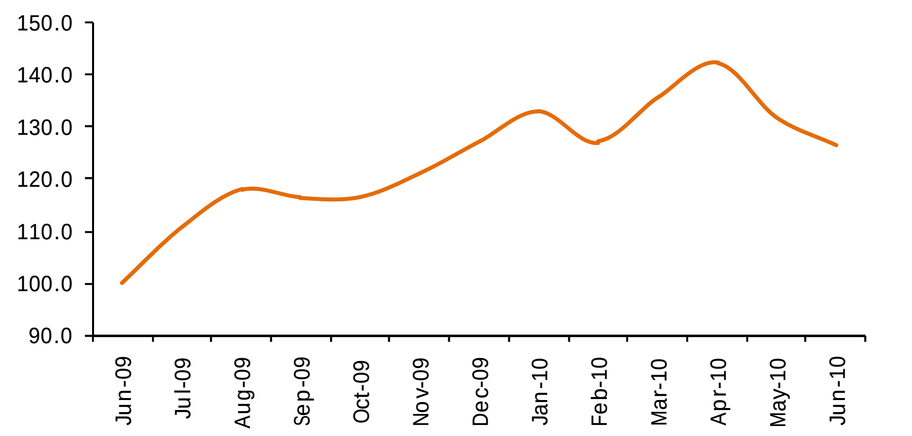
Particulars	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11E
M&HCVs	38,863	54,760	62,748	88,677	77,719
QoQ Growth (%)	*-5.4%*	*40.9%*	*14.6%*	*41.3%*	*(12.3)*

Source: SIAM, PL Research

With an improvement in the movement of goods and construction activities gaining momentum, the M&HCV segment has been consistently reporting a positive growth in the last few months on a sequential basis.

Tata Motors reported 58.3% YoY growth in its M&HCV volumes, whereas Ashok Leyland (AL) is likely to report a 165.6% YoY growth in the domestic M&HCV volumes for Q1FY11.

Raw Material Index



Source: Bloomberg, PL Research

Our raw material index has increased by 33.5% YoY and 1.2% QoQ in Q1FY11.

Though major raw materials like steel and aluminium have started correcting in the last one month, the contracts entered at higher prices by the auto companies is likely to erode the EBITDA margins sequentially in Q1FY11E.

Our universe – Volume numbers

Company	Q1FY11E	YoY gr (%)	QoQ gr (%)
Ashok Leyland	21,434	178.6	(17.1)
Bajaj Auto	928,336	69.5	14.8
Hero Honda	1,234,039	10.3	4.0
Maruti Suzuki	283,324	25.0	(1.4)
M&M	130,275	24.3	(3.7)
Tata Motors	181,708	47.6	(13.5)

Source: Company Data, PL Research

Auto companies under our coverage have reported a spectacular set of volumes in Q1FY11E. However, all the companies are likely to report a sequential erosion in their EBITDA margins on account of mounting raw material pressures. Auto companies are expected to post 44.7% growth in their top-line and a 34.2% YoY increase in PAT in Q1FY11.

Top picks: Mahindra & Mahindra, Bajaj Auto

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	1,187,718	1,469,171	1,708,934
Growth (%)	*37.2*	*23.7*	*16.3*
EBITDA	172,543	195,078	231,782
Margin (%)	*14.5*	*13.3*	*13.6*
PAT	102,678	118,345	143,035
Growth (%)	*122.8*	*15.3*	*20.9*
PE (x)	18.4	16.0	13.2

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	QoQ gr. (%)
Net Sales	350,362	242,136	44.7	364,197	(3.8)
EBITDA	45,202	33,324	35.6	50,631	(10.7)
Margin (%)	*12.9*	*13.8*	*(0.9)*	*13.9*	*(1.0)*
PAT (Excl. Ex Items)	27,479	20,478	34.2	29,477	(6.8)

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Tata Motors

Rating	**Accumulate**
Price	Rs767
Target Price	Rs837
Market Cap. (Rs bn)	488.2
Shares o/s (m)	636.5

Volumes in the M&HCV segment grew by 58.3%, whereas the LCV segment grew by 21.2%, resulting in 34.9% YoY growth for the CV segment in domestic market for Q1FY11. We expect the company to post a 68.5% growth in its top-line led by 47.6% YoY growth in overall volumes. EBITDA margins are expected to decline to 9.4% on account of the product mix tilting towards the PV segment (accounts for 42.6% of the sales in Q1FY11 compared to 40.5% in Q1FY10).

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	107,910	64,046	*68.5*	122,297	450,148	355,931	*26.5*
EBITDA	10,128	7,280	*39.1*	12,326	45,114	41,784	*8.0*
Margin (%)	*9.4*	*11.4*	*(2.0)*	*10.1*	*10.0*	*11.7*	*(1.7)*
Reported PAT	3,123	5,139	*(39.2)*	5,969	15,922	22,402	*(28.9)*
PAT (Excl. Ex Items)	3,123	2,205	*41.6*	3,680	15,922	13,672	*16.5*
Operating Metrics							
Total volumes	181,708	123,113	*47.6*	210,053	840,153	642,682	*30.7*
Net Realization / Vehicle	593,864	520,224	*14.2*	582,220	535,792	553,821	*(3.3)*
Material cost / Vehicle	429,481	347,490	*23.6*	410,986	376,797	378,091	*(0.3)*
EBITDA / Vehicle	55,739	59,137	*(5.7)*	58,681	53,697	65,014	*(17.4)*
Net Profit / Vehicle	17,188	17,914	*(4.1)*	17,517	18,951	21,273	*(11.0)*

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	355,931	450,148	533,252
EBITDA	41,784	45,114	55,630
Margin (%)	*11.7*	*10.0*	*10.4*
PAT	13,672	15,922	22,673
EPS (Rs)	21.5	25.0	35.6
RoE (%)	*9.7*	*8.2*	*9.6*
PE (x)	18.1	15.6	11.0
P / BV (x)	4.8	3.9	3.7
EV / E (x)	15.6	13.6	10.7

Maruti Suzuki

Rating	**Reduce**
Price	Rs1,394
Target Price	Rs1,362
Market Cap. (Rs bn)	402.9
Shares o/s (m)	409.2

MSIL reported a growth of 23.0% YoY in domestic sales and 37.9% YoY growth in exports. MSIL is likely to be impacted by the adverse foreign currency movements, with Yen appreciating by 8% during the quarter and Euro depreciating by 5% during the quarter. Hence, on a sequential basis, EBITDA margins are expected to decline by 140bps QoQ on account of higher commodity prices and adverse exchange rate movements.

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	82,629	64,930	*27.3*	84,246	348,578	296,229	*17.7*
EBITDA	9,762	7,932	*23.1*	11,111	43,176	39,543	*9.2*
Margin (%)	*11.8*	*12.2*	*(0.4)*	*13.2*	*12.4*	*13.3*	*(1.0)*
Reported PAT	6,589	5,835	*12.9*	6,566	26,253	24,976	*5.1*
PAT (Excl. Ex Items)	6,589	5,835	*12.9*	6,566	26,253	24,976	*5.1*
Operating Metrics							
Total Volumes	283,324	226,729	*25.0*	287,422	1,183,953	1,018,365	*16.3*
Net Realization / Vehicle	291,642	286,377	*1.8*	293,107	294,419	290,887	*1.2*
RM Cost / Vehicle	226,458	218,545	*3.6*	223,111	225,312	220,092	*2.4*
EBITDA / vehicle	34,456	34,983	*(1.5)*	38,656	36,467	38,830	*(6.1)*
Net Profit / Vehicle	23,256	25,736	*(9.6)*	22,843	22,174	24,526	*(9.6)*

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	296,229	348,578	398,573
EBITDA	39,543	43,176	50,459
Margin (%)	*13.3*	*12.4*	*12.7*
PAT	24,976	26,253	30,276
EPS (Rs)	86.4	90.8	104.8
RoE (%)	*23.8*	*20.4*	*19.5*
PE (x)	16.1	15.3	13.3
P / BV (x)	6.0	5.0	4.2
EV / E (x)	10.1	9.3	7.9

Hero Honda

Rating	**Accumulate**
Price	Rs2,010
Target Price	Rs2,120
Market Cap. (Rs bn)	401.4
Shares o/s (m)	199.7

HH has reported 10.3% YoY growth in volumes in Q1FY11 on account of higher sales of new variants launched. EBITDA margins are expected to decline by 150bps YoY at 15.5% on account of higher raw material cost, mainly steel and rubber. On account of lower tax rate, we expect the company to post a growth of 10.0% YoY in PAT at Rs5.5bn.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	158,605	184,897	207,134
EBITDA	27,670	29,601	34,119
Margin (%)	*17.4*	*16.0*	*16.5*
PAT	22,318	24,311	28,216
EPS (Rs)	111.8	121.7	141.3
RoE (%)	*60.7*	*56.9*	*48.5*
PE (x)	18.0	16.5	14.2
P / BV (x)	7.1	6.7	5.3
EV / E (x)	11.3	8.0	6.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	43,306	38,224	*13.3*	41,223	184,897	158,605	*16.6*
EBITDA	6,731	6,501	*3.5*	7,117	29,601	27,670	*7.0*
Margin (%)	*15.5*	*17.0*	*(1.5)*	*17.3*	*16.0*	*17.4*	*(1.4)*
Reported PAT	5,499	5,001	*10.0*	5,988	24,311	22,318	*8.9*
PAT (Excl. Ex Items)	5,499	5,001	*10.0*	5,988	24,311	22,318	*8.9*
Operating Metrics							
Total Volumes	1,234,039	1,118,987	*10.3*	1,186,440	5,221,674	4,600,594	*13.5*
Net Realization / Vehicle	35,093	34,160	*2.7*	34,745	35,410	34,475	*2.7*
RM Cost / Vehicle	24,501	23,143	*5.9*	23,334	24,561	23,337	*5.2*
EBITDA / vehicle	5,455	5,810	*(6.1)*	5,999	5,669	6,014	*(5.7)*
Net Profit / vehicle	4,456	4,469	*(0.3)*	5,047	4,656	4,851	*(4.1)*

Bajaj Auto

Rating	**Accumulate**
Price	Rs2,436
Target Price	Rs2,573
Market Cap. (Rs bn)	352.4
Shares o/s (m)	144.7

BJA reported 71.0% growth in two-wheeler sales and a 58.0% growth in the three-wheeler segment for the quarter, including exports. The average realization/vehicle is expected to be stable on account of product mix skewed towards the newly launched 100cc '*Discover*'. Due to higher raw material and employee expenses (provision for incentives & bonus during Q1), EBITDA margins are likely to decline by 300bps QoQ.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	119,210	160,181	182,796
EBITDA	25,926	32,384	37,032
Margin (%)	*21.7*	*20.2*	*20.3*
PAT	17,028	23,245	26,586
EPS (Rs)	117.7	160.7	183.8
RoE (%)	*71.2*	*63.5*	*49.9*
PE (x)	20.7	15.2	13.3
P / BV (x)	12.1	8.0	5.6
EV / E (x)	13.7	10.1	8.6

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	40,012	23,385	*71.1*	33,995	160,181	119,210	*34.4*
EBITDA	7,973	4,554	*75.1*	7,771	32,384	25,926	*24.9*
Margin (%)	*19.9*	*19.5*	*0.5*	*22.9*	*20.2*	*21.7*	*(1.5)*
Reported PAT	5,752	2,935	*96.0*	5,313	23,245	17,028	*36.5*
PAT (Excl. Ex Items)	5,752	2,782	*106.8*	5,313	23,245	17,028	*36.5*
Operating Metrics							
Total Volumes	928,336	547,662	*69.5*	808,929	3,883,610	2,852,536	*36.1*
Net Realization / Vehicle	42,024	42,699	*(1.6)*	42,024	41,245	41,791	*(1.3)*
RM Cost / Vehicle	30,705	28,248	*8.7*	29,105	29,268	28,292	*3.4*
EBITDA / vehicle	8,589	8,316	*3.3*	9,607	8,339	9,089	*(15.2)*
Net Profit / Vehicle	6,196	5,080	*22.0*	6,567	5,985	5,969	*(0.1)*

Mahindra & Mahindra

Rating	**Accumulate**
Price	Rs625
Target Price	Rs674
Market Cap. (Rs bn)	363.4
Shares o/s (m)	581.9

Automotive segment reported a growth of 30.5%, mainly led by three-wheeler sales, which grew by 122.3% on account of new launches, mainly '*Gio*' and '*Maximmo*'. Tractors reported a growth of 15.6% YoY. Average realization/vehicle is likely to decline by 1.9% on account of product mix skewed towards three-wheelers. EBITDA margins are likely to decline by 110bps YoY on account of steel contracts entered at higher price.

Key Figures **(Rs m)**

	FY10E	FY11E	FY12E
Net Sales	185,296	224,807	265,039
EBITDA	29,962	33,613	40,437
Margin (%)	*16.2*	*15.0*	*15.3*
PAT	20,451	22,440	27,237
EPS (Rs)	35.1	38.6	46.8
RoE (%)	*31.2*	*25.6*	*25.1*
PE (x)	13.2	12.1	9.9
P / BV (x)	14.9	12.1	9.7
EV / E (x)	12.5	11.2	9.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	51,765	42,426	*22.0*	53,046	224,807	185,296	*21.3*
EBITDA	7,877	6,935	*13.6*	8,492	33,613	29,962	*12.2*
Margin (%)	*15.2*	*16.3*	*(1.1)*	*16.0*	*15.0*	*16.2*	*(1.2)*
Reported PAT	5,067	4,009	*26.4*	5,703	22,440	20,878	*7.5*
PAT (Excl. Ex Items)	5,067	4,567	*11.0*	5,726	22,440	20,451	*9.7*
Operating Metrics							
Total Tractor sales	50,150	43,383	*15.6*	47,185	192,097	174,634	*10.0*
Total Volumes	130,275	104,773	*24.3*	135,236	569,780	466,582	*22.1*
Net Realization / Vehicle	397,355	404,932	*(1.9)*	392,251	396,346	397,136	*(0.2)*
EBITDA / Vehicle	60,468	66,188	*(8.6)*	62,793	59,261	64,217	*(7.7)*
Net Profit / Vehicle	38,895	43,585	*(10.8)*	42,344	39,562	41,664	*(5.0)*

Ashok Leyland

Rating	**Accumulate**
Price	Rs67
Target Price	Rs72
Market Cap. (Rs bn)	89.1
Shares o/s (m)	1.330.3

AL is expected to post a growth of 171.1% YoY in the volumes on account of a 228% YoY growth in the M&HCV goods space. The average realization/vehicle is expected to be higher as compared to Q4FY10 due to 1.5% price hike taken by the company. Material cost per vehicle is likely to increase by Rs15,000. We expect AL to report a 970bps improvement in EBITDA margins at 11.0% on account of operating leverage.

Key Figures **(Rs m)**

	FY10E	FY11E	FY12E
Net Sales	72,448	100,560	122,140
EBITDA	7,659	11,191	14,104
Margin (%)	*10.6*	*11.2*	*11.5*
PAT	4,234	6,174	8,047
EPS (Rs)	3.2	4.6	6.0
RoE (%)	*11.9*	*15.7*	*18.8*
PE (x)	21.1	14.4	11.1
P / BV (x)	2.4	2.2	2.0
EV / E (x)	14.0	10.0	8.1

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	24,739	9,125	*171.1*	29,390	100,560	72,448	*38.8*
EBITDA	2,730	122	*2137.7*	3,814	11,191	7,659	*46.1*
Margin (%)	*11.0*	*1.3*	*9.7*	*13.0*	*11.2*	*10.6*	*0.6*
Reported PAT	1,449	78	*1,757.7*	2,231	6,174	4,255	*45.1*
PAT (Excl. Ex Items)	1,449	88	*1,546.6*	2,205	6,174	4,234	*45.8*
Operating Metrics							
Volumes	21,434	7,693	*178.6*	25,807	90,107	63,926	*40.9*
Avg. Realization / veh.	1,155,937	1,186,078	*(2.5)*	1,138,854	1,116,008	1,133,314	*(1.5)*
Raw Material / vehicle	848,468	861,397	*(1.5)*	833,468	820,000	816,194	*0.5*
EBITDA / vehicle	127,579	15,814	*706.7*	147,787	124,193	119,814	*3.6*
Net profit / vehicle	67,674	11,426	*492.2*	85,422	68,522	66,225	*3.5*

Surjit Arora
SurjitArora@PLIndia.com
+91-22-6632 2235

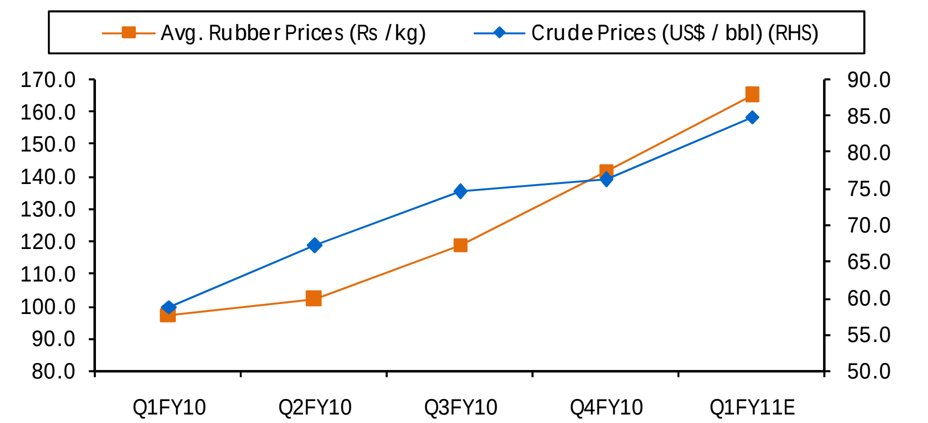
Auto Ancillary

We expect good times ahead for the auto component manufacturers. With better utilization in FY11E and recovery expected in both, the domestic and export market, economies of scale will help these companies to post robust operating level performance.

Ancillary companies under our coverage are expected to post a growth of 34.2% in their top-line, mainly attributed to the acquisition done by Motherson Sumi and improvement in demand for the tyre manufacturers.

Only dampener could be the higher rubber prices mainly for the tyre companies which are likely to hit their EBITDA margins the hardest on a sequential basis.

Rubber Prices



Source: NCDEX, PL Research

Both the tyre companies under our coverage are expected to report substantial decline in their profitability on account of higher raw material cost. Hence, PAT for our coverage universe is expected to grow by 16.7% in the quarter lower than the top-line growth.

Top Picks: Motherson Sumi Systems, Exide Industries

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	264,644	321,131	379,843
Growth (%)	*35.6*	*21.3*	*18.3*
EBITDA	36,329	45,296	55,261
Margin (%)	*13.7*	*14.1*	*14.5*
PAT	16,764	20,318	26,024
Growth (%)	*76.5*	*21.2*	*28.1*
PE (x)	18.0	14.8	11.6

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	QoQ gr. (%)
Net Sales	64,798	48,269	*34.2*	61,473	*5.4*
EBITDA	9,092	7,022	*29.5*	8,945	*1.6*
Margin (%)	*14.0*	*14.5*	*(0.5)*	*14.6*	*(0.5)*
PAT (Excl. Ex Items)	4,173	3,575	*16.7*	4,456	*(6.3)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Exide Industries

Rating	**Accumulate**
Price	Rs127
Target Price	Rs143
Market Cap. (Rs bn)	114.5
Shares o/s (m)	900.0

Exide Industries is likely to post a 25.4% growth in the top-line, mainly on account of a pick-up in the automotive segment sales and volume growth in the industrial segment, including UPS. Exide would be able to maintain its EBITDA margins in the 21% range due to increased sourcing from its two smelters. Due to lower interest cost on account of repayment of debt, PAT is likely to increase by 21.5% YoY.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	37,975	45,637	52,561
EBITDA	8,812	10,209	12,230
Margin (%)	*23.2*	*22.4*	*23.3*
PAT	5,255	6,144	7,461
EPS (Rs)	6.2	7.2	8.8
RoE (%)	*29.9*	*24.4*	*24.1*
PE (x)	20.6	18.6	15.3
P / BV (x)	4.8	4.1	3.3
EV / E (x)	12.7	11.1	9.2

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	11,333	9,035	*25.4*	10,303	45,637	37,975	*20.2*
EBITDA	2,414	2,095	*15.2*	2,175	10,209	8,812	*15.9*
Margin (%)	*21.3*	*23.2*	*(1.9)*	*21.1*	*22.4*	*23.2*	*(0.8)*
Reported PAT	1,487	1,224	*21.5*	1,345	6,144	5,255	*16.9*
PAT (Excl. Ex Items)	1,487	1,224	*21.5*	1,345	6,144	5,255	*16.9*

Bharat Forge

Rating	**Accumulate**
Price	Rs309
Target Price	Rs325
Market Cap. (Rs bn)	75.9
Shares o/s (m)	246.1

We expect the company to grow by 7.7% QoQ, mainly led by 10% sequential improvement in domestic revenues and 20% sequential improvement in the export revenues. On account of better operating leverage and better product mix in favour of non-auto business, EBITDA margins are likely to expand by 40bps on a sequential basis.

Key Figures (consolidated) (Rs m)

	FY10	FY11E	FY12E
Net Sales	33,276	43,397	53,521
EBITDA	3,385	7,543	10,099
Margin (%)	*10.2*	*17.4*	*18.9*
PAT	156	2,589	4,220
EPS (Rs)	0.7	10.5	17.1
RoE (%)	*0.9*	*10.6*	*13.7*
PE (x)	466.8	29.3	18.0
P / BV (x)	3.6	2.7	2.3
EV / E (x)	27.5	12.1	9.0

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	6,056	3,586	*68.9*	5,624	27,421	18,564	*47.7*
EBITDA	1,537	749	*105.2*	1,406	6,984	4,369	*59.9*
Margin (%)	*25.4*	*20.9*	*4.5*	*25.0*	*25.5*	*23.5*	*2.0*
Reported PAT	608	10	*6,163.2*	612	2,914	1,270	*129.0*
PAT (Excl. Ex Items)	608	158	*283.8*	619	2,914	1,484	*96.3*
Operating Metrics							
Production - Auto (MT)	42,000	22,145	*89.7*	38,000	144,000	88,800	*62.2*

Motherson Sumi Systems

Rating	**Accumulate**
Price	Rs153
Target Price	Rs183
Market Cap. (Rs bn)	57.7
Shares o/s (m)	377.6

According to MSSL, there are clear indications of a demand pick-up in both, domestic as well as export market. The company is expected to post a 157% YoY growth in its top-line at Rs22.0bn mainly due to consolidation of SMR (Visiocorp), which is likely to contribute Rs12.0bn to the top-line. Sequential improvement in the EBITDA margins at SMR is likely to lead to a 40bps QoQ improvement in the overall margins for Q1FY11E.

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	22,019	14,040	*56.8*	20,279	82,991	69,240	*19.9*
EBITDA	2,795	481	*480.6*	2,494	10,440	6,301	*65.7*
Margin (%)	*12.7*	*3.4*	*9.3*	*12.3*	*12.6*	*9.1*	*3.5*
Reported PAT	949	109	*769.5*	1,419	3,825	2,428	*57.5*
PAT (Excl. Ex Items)	949	268	*253.7*	840	3,825	2,209	*73.2*
Operating Metrics (Rs m)							
SMR Sales	12,410	8,824	*40.6*	11,819	49,056	41,587	*18.0*
MSSL Sales exc. SMR	9,609	5,216	*84.2*	8,460	33,935	27,653	*22.7*
EBITDA – SMR	1,142	151	*656.1*	1,031	4,415	2,362	*86.9*
EBITDA - MSSL excl SMR	1,654	330	*400.5*	1,463	6,025	3,939	*53.0*
EBITDA - SMR (%)	*9.2*	*1.7*		*8.7*	*9.0*	*5.7*	
EBITDA excl SMR (%)	*17.2*	*6.3*		*17.3*	*17.8*	*14.2*	

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	69,240	82,991	95,206
EBITDA	6,301	10,440	12,251
Margin (%)	*9.1*	*12.6*	*12.9*
PAT	2,209	3,825	4,717
EPS (Rs)	5.7	9.9	12.2
RoE (%)	*25.8*	*33.0*	*29.9*
PE (x)	24.6	15.1	12.2
P / BV (x)	5.8	4.2	3.3
EV / E (x)	9.9	5.8	4.7

Apollo Tyres

Rating	**Accumulate**
Price	Rs65
Target Price	Rs67
Market Cap. (Rs bn)	33.0
Shares o/s (m)	504.0

We expect Apollo Tyres to post a 3% decline in volumes on account of the strike at its Cochin plant. The company has taken a price increase of ~6-7% since last few months to partially offset the sequential increase of ~10-20% in the key input cost. We expect a sequential drop of 300bps in the EBITDA at 11.1% due to higher rubber cost. As a result, we expect a 40% drop in PAT QoQ.

Key Figures (consolidated) (Rs m)

	FY10	FY11E	FY12E
Net Sales	81,208	94,048	110,555
EBITDA	11,750	12,141	14,215
Margin (%)	*14.5*	*12.9*	*12.9*
PAT	5,659	5,191	6,149
EPS (Rs)	11.2	10.3	12.2
RoE (%)	*33.5*	*23.0*	*22.3*
PE (x)	5.8	6.4	5.4
P / BV (x)	1.6	1.3	1.1
EV / E (x)	3.9	3.6	2.8

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	12,958	11,803	*9.8*	13,128	61,638	50,368	*22.4*
EBITDA	1,439	1,943	*(25.9)*	1,846	7,624	7,840	*(2.7)*
Margin (%)	*11.1*	*16.5*	*(5.4)*	*14.1*	*12.4*	*15.6*	*(3.2)*
Reported PAT	685	947	*(27.6)*	1,162	3,643	4,150	*(12.2)*
PAT (Excl. Ex Items)	685	947	*(27.6)*	1,162	3,643	4,150	*(12.2)*
Operating Metrics							
Tonnage (MT)	76,000	78,000	*(2.6)*	82,000	365,420	330,400	*10.6*
Realization / kg	171	151	*12.7*	160	169	152	*11.2*
Recipe cost / kg	121	89	*35.5*	109	125	109	*15.0*

Amara Raja Batteries

Rating	**Accumulate**
Price	Rs181
Target Price	Rs197
Market Cap. (Rs bn)	15.5
Shares o/s (m)	85.4

AMRJ is likely to post a 34.3% growth in its top-line, mainly on account of a pick-up in the automotive segment sales and volume growth in the telecom segment. However, slowdown in the telecom sector (which accounts for ~30% of the sales) leading to pricing pressure in the segment, is likely to lead to a 70bps decline in EBITDA margin on a sequential basis. At the same time, the benefit of the lag effect of the lower lead price impact would not be available.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	14,673	17,605	20,845
EBITDA	2,894	2,692	3,370
Margin (%)	*19.7*	*15.3*	*16.2*
PAT	1,669	1,461	1,879
EPS (Rs)	19.5	17.1	22.0
RoE (%)	*35.2*	*24.7*	*26.7*
PE (x)	9.3	10.6	8.2
P / BV (x)	2.8	2.4	2.0
EV / E (x)	5.4	5.9	4.6

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	4,116	3,065	34.3	4,333	17,605	14,673	20.0
EBITDA	573	717	(20.1)	634	2,692	2,894	(7.0)
Margin (%)	*13.9*	*23.4*	*(9.5)*	*14.6*	*15.3*	*19.7*	*(4.4)*
Reported PAT	312	376	(17.2)	337	1,461	1,669	(12.5)
PAT (Excl. Ex Items)	312	376	(17.2)	337	1,461	1,669	(12.5)

Ceat

Rating	**Reduce**
Price	Rs131
Target Price	Rs130
Market Cap. (Rs bn)	4.5
Shares o/s (m)	34.3

CEAT is expected to post a growth of 23.4% in its top-line at Rs8.3bn mainly on account of replacement demand which has been quite strong. The company had taken a price increase in the region of 6-8% across segments to partially offset higher input costs. On a sequential basis, with key input prices soaring up by 10-20% we expect a drop of 100bps in the EBITDA at 4.0%.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	28,271	37,452	47,155
EBITDA	3,188	2,272	3,096
Margin (%)	*11.3*	*6.1*	*6.6*
PAT	1,815	1,109	1,598
EPS (Rs)	53.0	32.4	46.6
RoE (%)	*32.5*	*16.3*	*19.8*
PE (x)	2.5	4.0	2.8
P / BV (x)	0.7	0.6	0.5
EV / E (x)	3.0	5.0	3.7

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	8,315	6,740	*23.4*	7,807	37,452	28,271	*32.5*
EBITDA	334	1,038	*(67.8)*	391	2,272	3,188	*(28.7)*
Margin (%)	*4.0*	*15.4*	*(11.4)*	*5.0*	*6.1*	*11.3*	*(5.2)*
Reported PAT	133	602	*(77.8)*	153	1,109	1,815	*(38.9)*
PAT (Excl. Ex Items)	133	602	*(77.8)*	153	1,109	1,815	*(38.9)*
Operating Metrics							
Tonnage (MT)	47,000	41,000	*14.6*	47,000	205,313	172,313	*19.2*
Realization / kg	177	164	*7.6*	166	182	164	*10.0*
Recipe cost / kg	131	95	*36.8*	119	136	107	*27.1*

Manish Mahawar
ManishMahawar@PLIndia.com
+91-22-6632 2239

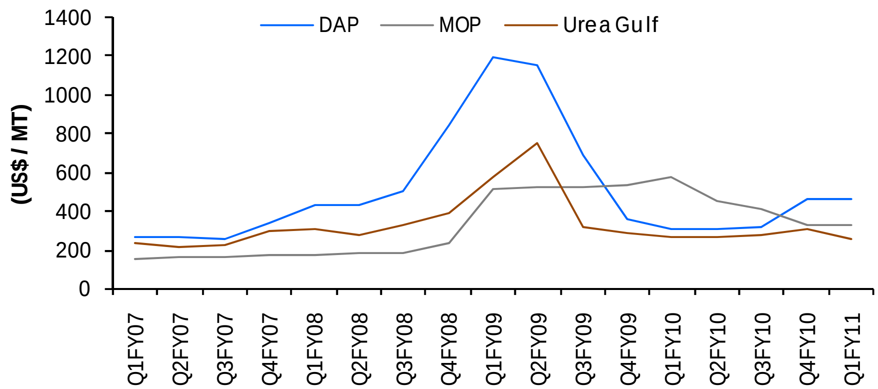
Agri Products & Chemicals

Government's step towards "Agricultural Reforms"

Nutrient Based Subsidy (NBS) – Positive in long term: Cabinet has approved the much awaited NBS policy on decontrolled Phosphatic (P) and Potassic fertilizer (K) during Q4FY10. Along with NBS, the cabinet has also approved to raise the maximum retail price (MRP) of urea (also called farm gate price) by 10% to Rs5,310 per tonne. Both the changes are applicable w.e.f April 1, 2010. NBS is only applicable to non-urea products. Under NBS, subsidy will be based nutrient-wise (N, P or K) rather than product-wise (DAP, MOP and complex fertilisers). As per the new policy, subsidy per tonne will be fixed by the government and MRP will be decided by the companies (earlier, MRP was fixed and subsidy was decided by the government). However, we don't rule out the government intervention in case of wide fluctuation in prices. NBS regime is expected to promote balanced fertilization of land and consequently, increase in agricultural productivity of India. We believe that it won't have any major impact on the financials of companies in the short term. However, NBS will be beneficial from a long-term perspective because companies will now be able to compete with the competitors on the basis of their cost efficiencies, distribution network etc. Company can now launch new innovative products and experience freedom to enjoy the premium if it's successful. Consequently, it will improve margins. We don't foresee any substantial impact of the increased urea MRP on the profitability of the urea players.

Cabinet Committee on Economic Affairs (CCEA) implemented Micro Irrigation Scheme (MIS) as a National Mission on Micro Irrigation (NMMI): CCEA approved implementation of the existing 'MIS' as the NMMI during the Eleventh Plan period (2007-2012) with an outlay of Rs80bn. Under the implementation of NMMI, of the total outlay of Rs80bn, Rs34bn would form the subsidy element and will be contributed by the Department of Agriculture and Cooperation (DAC), as a share of the Central government. This includes a 40% subsidy for general farmers and 50% subsidy for small and marginal farmers. Under this mission, the government expects to add 1m hectare (already added 1.8m hectare FY07-10) under MIS over the next two years. As a domestic market leader in MIS business, NMMI has provided strong earnings visibility to Jain Irrigation's financials and shown increased focus of the government towards micro irrigation.

Fertiliser Prices...softened during Q1FY11



Source: Bloomberg

Top Picks: United Phosphorus and Rallis India

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	290,404	332,689	374,294
Growth (%)	*(7.0)*	*14.6*	*12.5*
EBITDA	52,812	63,008	71,376
Margin (%)	*18.2*	*18.9*	*19.1*
PAT	20,823	28,304	33,980
Growth (%)	*12.4*	*35.9*	*20.1*
PE (x)	15.8	11.6	9.7

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	73,336	67,568	*8.5*	71,146	*3.1*
EBITDA	13,811	12,919	*6.9*	13,629	*1.3*
Margin (%)	*18.8*	*19.1*	*(0.3)*	*19.2*	*(0.3)*
PAT (Excl. Ex Items)	5,487	4,273	*28.4*	5,857	*(6.3)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

United Phosphorus

Rating	**BUY**
Price	Rs177
Target Price	Rs216
Market Cap. (Rs bn)	82.3
Shares o/s (m)	464.7

We believe that UPL's sales would de-grow by 13.9%, mainly due to rupee appreciation (mainly v/s USD and Euro) on YoY basis and higher base effect. Further, we expect that it would affect the EBITDA margin adversely by ~100bps YoY to 18.9% (During Q1FY10, report EBITDA was 19%, but adjusted EBITDA was ~20%). Adjusted PAT is expected to de-grow by 18.9% YoY.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	54,950	60,489	66,496
EBITDA	10,334	12,572	13,892
Margin (%)	*18.8*	*20.8*	*20.9*
PAT	5,296	7,144	8,353
EPS (Rs)	12.0	15.4	18.0
RoE (%)	*18.6*	*20.8*	*19.8*
PE (x)	14.7	11.5	9.9
P / BV (x)	2.6	2.1	1.8
EV / E (x)	8.5	6.6	5.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	14,160	16,442	*(13.9)*	15,314	60,489	54,950	*10.1*
EBITDA	2,690	3,135	*(14.2)*	3,159	12,572	10,334	*21.7*
Margin (%)	*19.0*	*19.1*	*(0.1)*	*20.6*	*20.8*	*18.8*	*2.0*
Reported PAT	1,429	1,763	*(18.9)*	2,136	7,144	5,563	*28.4*
PAT (Excl. Ex Items)	1,429	1,763	*(18.9)*	1,869	7,144	5,296	*34.9*
Operating Metrics							
North America Sales	3,906	4,380	*(10.8)*	3,285	12,957	12,340	*5.0*
India Sales	2,910	3,680	*(20.9)*	2,045	13,897	11,980	*16.0*
Europe Sales	3,989	4,850	*(17.8)*	5,437	16,202	15,730	*3.0*
Rest of the World Sales	3,355	3,532	*(5.0)*	4,553	17,433	14,900	*17.0*

Tata Chemicals

Rating	**Accumulate**
Price	Rs325
Target Price	Rs347
Market Cap. (Rs bn)	82.8
Shares o/s (m)	255.0

TCL's net sales are expected to grow by 6.6% YoY to Rs25.6bn. We expect that soda ash volume would grow by ~10% YoY, while prices are still lower (~5%) on YoY basis during the quarter. We believe that domestic fertilizer volume (manufactured) would grow by ~15%.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	95,438	104,140	110,071
EBITDA	18,497	21,177	22,821
Margin (%)	*19.4*	*20.3*	*20.7*
PAT	6,060	8,858	9,778
EPS (Rs)	24.9	34.7	38.3
RoE (%)	*12.9*	*16.4*	*15.6*
PE (x)	13.0	9.3	8.5
P / BV (x)	1.6	1.4	1.3
EV / E (x)	6.9	5.3	4.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	25,597	24,009	*6.6*	22,844	104,140	95,438	*9.1*
EBITDA	5,020	4,850	*3.5*	4,261	21,177	18,497	*14.5*
Margin (%)	*19.6*	*20.2*	*(0.6)*	*18.7*	*20.3*	*19.4*	*1.0*
Reported PAT	1,589	1,527	*4.0*	1,966	8,858	7,515	*17.9*
PAT (Excl. Ex Items)	1,589	425	*274.0*	1,282	8,858	6,060	*46.2*
Operating Metrics							
Inorganic Chemicals Sales	13,319	12,765	*4.3*	12,647	51,864	54,351	*(4.6)*
Fertilizer's Sales	10,401	10,123	*2.7*	8,033	41,605	38,986	*6.7*
Inorganic Chemicals EBIT	*20.8*	*19.8*		*13.4*	*19.4*	*17.8*	
Fertilizer's Sales EBIT (%)	*8.1*	*5.4*		*12.2*	*10.8*	*9.7*	

Jain Irrigation

Rating	**Accumulate**
Price	Rs1,115
Target Price	Rs1,175
Market Cap. (Rs bn)	84.5
Shares o/s (m)	75.8

We believe that MIS would show robust YoY growth (~50%), resulting in 34.4% growth in the net sales. Higher food price is expected to drag the EBITDA margin of Agro-Processing division. It would ultimately offset the contribution of higher margin MIS business. We are expecting ~37bps YoY drop in EBITDA margin during Q1FY11.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	34,832	44,896	54,102
EBITDA	6,390	8,590	10,913
Margin (%)	*18.3*	*19.1*	*20.2*
PAT	2,733	3,563	5,090
EPS (Rs)	36.3	47.0	67.2
RoE (%)	*26.4*	*25.7*	*28.3*
PE (x)	30.7	23.7	16.6
P / BV (x)	6.9	5.4	4.1
EV / E (x)	16.0	12.1	9.4

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	7,705	5,731	*34.4*	9,635	44,896	34,832	*28.9*
EBITDA	1,668	1,262	*32.2*	2,031	8,590	6,390	*34.4*
Margin (%)	*21.6*	*22.0*	*(0.4)*	*21.1*	*19.1*	*18.3*	*0.8*
Reported PAT	662	351	*88.5*	834	3,563	2,023	*76.1*
PAT (Excl. Ex Items)	662	556	*18.9*	1,173	3,563	2,733	*30.3*
Operating Metrics							
MIS Sales	3,899	2,599	*50.0*	4,778	19,274	13,023	*48.0*
Piping Sales	2,341	2,036	*15.0*	2,640	10,104	8,420	*20.0*
Agro Processing Sales	837	728	*15.0*	1,703	5,172	4,310	*20.0*
Sheet Sales	372	372	-	420	1,523	1,523	-

Chambal Fertilisers

Rating	**Accumulate**
Price	Rs68
Target Price	Rs71
Market Cap. (Rs bn)	28.2
Shares o/s (m)	416.2

Net sales are expected to grow by 22.1% YoY due to low base on account of shutdown of Gadepan–II plant during Q1FY10 and addition of a ship during Q4FY10. Accordingly, fertilizers and shipping businesses are expected to grow by 36.7% and 26.5%, respectively. Adjusted PAT is expected to grow by 45.1% YoY.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	41,256	45,262	46,808
EBITDA	7,546	8,843	9,083
Margin (%)	*18.3*	*19.5*	*19.4*
PAT	2,193	3,293	3,581
EPS (Rs)	5.3	7.9	8.6
RoE (%)	*16.3*	*21.6*	*20.1*
PE (x)	12.9	8.6	7.9
P / BV (x)	2.0	1.7	1.5
EV / E (x)	6.8	5.2	4.4

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	9,654	7,903	*22.1*	7,186	45,262	41,256	*9.7*
EBITDA	1,924	1,565	*22.9*	1,685	8,843	7,546	*17.2*
Margin (%)	*19.9*	*19.8*	*0.1*	*23.4*	*19.5*	*18.3*	*1.2*
Reported PAT	739	509	*45.1*	617	3,293	2,426	*35.7*
PAT (Excl. Ex Items)	739	553	*33.6*	494	3,293	2,193	*50.2*
Operating Metrics							
Fertilizer's Sales	5,954	4,356	*36.7*	5,355	24,153	22,390	*7.9*
Trading Sales	2,093	2,003	*4.5*	180	8,372	7,611	*10.0*
Shipping Sales	830	656	*26.5*	687	3,319	2,766	*20.0*
Fertilizer's EBIT %	*16.6*	*13.5*		*16.4*	*18.2*	*17.1*	
Trading EBIT %	*3.0*	*3.1*		*(18.3)*	*2.9*	*2.9*	
Shipping EBIT %	*22.0*	*25.2*		*21.5*	*24.9*	*20.7*	

KS Oils

Rating	**BUY**
Price	Rs58
Target Price	Rs76
Market Cap. (Rs bn)	23.0
Shares o/s (m)	396.6

Net sales are expected to grow by 22.8%, mainly driven by a volume growth of ~17%. Mustard oil and refined oil segments are expected to grow by 21.7% and 17.9%, respectively. We expect that refined oil segment would grow by ~18% YoY due to higher base during Q1FY10. Adjusted PAT is expected to show YoY growth of 11.3%.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	40,911	50,144	61,726
EBITDA	4,959	5,925	7,117
Margin (%)	*12.1*	*11.8*	*11.5*
PAT	1,903	2,509	3,348
EPS (Rs)	4.3	5.7	7.6
RoE (%)	*15.5*	*15.1*	*17.2*
PE (x)	12.1	9.2	6.9
P / BV (x)	1.5	1.3	1.1
EV / E (x)	7.0	6.0	5.3

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	11,339	9,231	*22.8*	10,803	50,144	40,911	*22.6*
EBITDA	1,361	1,169	*16.4*	1,220	5,925	4,959	*19.5*
Margin (%)	*12.0*	*12.7*	*(0.7)*	*11.3*	*11.8*	*12.1*	*(0.3)*
Reported PAT	548	492	*11.3*	378	2,509	1,903	*31.8*
PAT (Excl. Ex Items)	548	492	*11.3*	378	2,509	1,903	*31.8*
Operating Metrics							
Mustard Oil Volume (MT)	70,762	58,968	*20.0*	64,760	301,500	253,536	*18.9*
Refined Oil Volume (MT)	90,139	78,382	*15.0*	78,360	381,000	313,495	*21.5*
Vanaspati Volume (MT)	3,750	3,299	*13.7*	1,321	15,000	9,506	*57.8*
Mustard Oil Sales (Rs m)	4,560	3,749	*21.7*	4,221	19,431	16,340	*18.9*
Refined Oil Sales (Rs m)	4,309	3,654	*17.9*	3,911	18,212	14,985	*21.5*
Vanaspati Sales (Rs m)	155	140	*11.3*	58	622	394	*57.8*

Rallis India

Rating	**Accumulate**
Price	Rs1,093
Target Price	Rs1,152
Market Cap. (Rs bn)	21.3
Shares o/s (m)	19.4

We expect that Rallis would report robust volume growth (~17% YoY), mainly led by better domestic market on YoY basis during the quarter. However, lower agrochemical prices (~5%) on YoY basis would offset the robust volume growth, though the prices are stable on QoQ basis. EBITDA margin would be higher on YoY basis because the company had incurred inventory loss during Q1FY10 and better cost efficiency.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	9,039	10,753	12,676
EBITDA	1,810	2,269	2,675
Margin (%)	*20.0*	*21.1*	*21.1*
PAT	985	1,400	1,682
EPS (Rs)	56.5	72.0	86.5
RoE (%)	*28.8*	*29.5*	*28.3*
PE (x)	19.4	15.2	12.6
P / BV (x)	3.4	2.7	2.2
EV / E (x)	11.7	9.0	7.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	1,877	1,676	*12.0*	2,047	10,753	9,039	*19.0*
EBITDA	300	207	*44.9*	392	2,269	1,810	*25.3*
Margin (%)	*16.0*	*12.4*	*3.6*	*19.1*	*21.1*	*20.0*	*1.1*
Reported PAT	173	114	*51.7*	236	1,400	985	*42.2*
PAT (Excl. Ex Items)	153	94	*62.6*	218	1,400	985	*42.2*

Deepak Fertilisers

Rating	**Accumulate**
Price	Rs151
Target Price	Rs170
Market Cap. (Rs bn)	13.3
Shares o/s (m)	88.2

We expect that the net sales would grow by 16.6%, mainly led by higher fertilizer volume. Fertilizer volume is expected to grow by ~200% due to increased gas availability. Company's IPA and Methanol plant were shut down for two weeks for maintenance during the quarter. EBIT margins of the fertilizer business fell by 230bps YoY due to subsidy for earlier years received during Q1FY10.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	13,979	17,006	22,414
EBITDA	3,276	3,633	4,875
Margin (%)	*23.4*	*21.4*	*21.7*
PAT	1,653	1,537	2,148
EPS (Rs)	18.7	17.4	24.3
RoE (%)	*19.0*	*15.6*	*19.0*
PE (x)	8.1	8.7	6.2
P / BV (x)	1.4	1.3	1.1
EV / E (x)	5.7	5.7	3.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	3,004	2,576	*16.6*	3,317	17,006	13,979	*21.7*
EBITDA	848	730	*16.2*	881	3,633	3,276	*10.9*
Margin (%)	*28.2*	*28.3*	*(0.1)*	*26.6*	*21.4*	*23.4*	*(2.1)*
Reported PAT	368	301	*22.4*	445	1,537	1,402	*9.7*
PAT (Excl. Ex Items)	368	389	*(5.4)*	442	1,537	1,653	*(7.0)*
Operating Metrics							
Ind. Chemicals Sales	2,042	1,751	*16.6*	2,537	10,569	8,938	*18.3*
Fertilisers Sales	881	643	*36.9*	734	5,778	4,421	*30.7*
Ind. Chemicals EBIT %	*30.0*	*32.0*		*31.7*	*28.5*	*30.3*	
Fertilisers EBIT %	*5.7*	*8.0*		*(1.9)*	*5.8*	*3.7*	

Abhijit Majumder
AbhijitMajumder@PLIndia.com
+91-22-6632 2236

Umang Shah
UmangShah@PLIndia.com
+91-22-6632 2242

Banking

Developments during the quarter: The quarter gone by witnessed strong pickup in credit offtake thanks to the higher-than-expected 3G auction bidding outcome in the telecom sector, coupled with healthy improvement in the industrial growth. The credit growth during the quarter improved to 20.2% from 17.3% in the previous quarter and 14.3% in the quarter prior to that. However, the deposit growth has not kept the pace as it decelerated further to 13.9% during the quarter from 16.0% in previous quarter and 17.6% in the earlier quarter. Consequently, the incremental CD ratio has improved considerably to ~99% from ~58% in January 2010. We expect banks to report healthy advances growth, but margins could be slightly under pressure due to increase in the interest outgo on the savings bank balances. Banks with lower provision cover are likely to step up loan loss provisioning with a view to meet RBI guidelines of 70% coverage by September 2010. In FY10, Bankex (139.7% returns) significantly outperformed the broader markets (Sensex up 82.3%). However, during the YTD period as well as for the quarter ended June 30, 2010, the Bankex (up 1.1% QoQ) has performed in line with Sensex (up 1.0% QoQ).

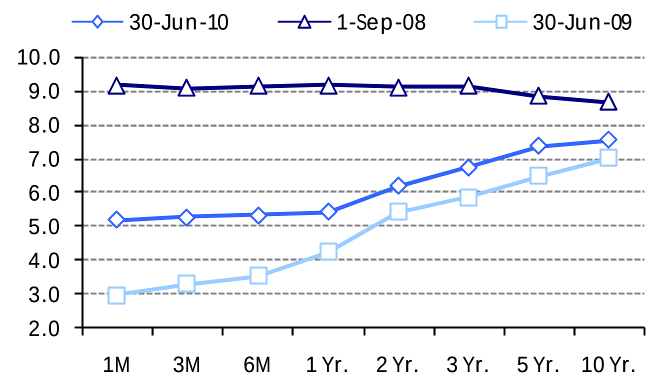
Result snapshot: For banks under our coverage, we expect the Net Interest Income (NII) to grow by healthy 28.1% YoY, but decline by 1.5% QoQ. Operating profit is likely to grow by healthy 18.4% YoY, but decline 7.0% QoQ. Net profit is likely to grow by 18.7% YoY and 10.2% QoQ. In terms of NII growth, PSBs are likely to report 31.9% YoY growth, higher than 20.3% YoY growth expected for private banks. Meanwhile, we expect bottom-line for PSBs to grow by 14.5% YoY and 17.0% QoQ and for private banks by 29.1% YoY, but decline 2.1% QoQ.

Outlook: We are **positive** on the sector from a medium-to-long-term perspective as credit picks up, with gradual recovery in corporate capex. However, asset quality issues can give negative surprises in H1FY11; hence, prefer to remain selective. Margins will remain under marginal pressure due to savings bank interest rate, but are expected to stabilize by the end of FY11. Currently, valuations are trending at long-term averages. We expect banks to trade above average, going forward, as RoE's expand. Prefer to remain selective with our top picks being Axis Bank, Kotak Bank, Bank of Baroda and Allahabad Bank.

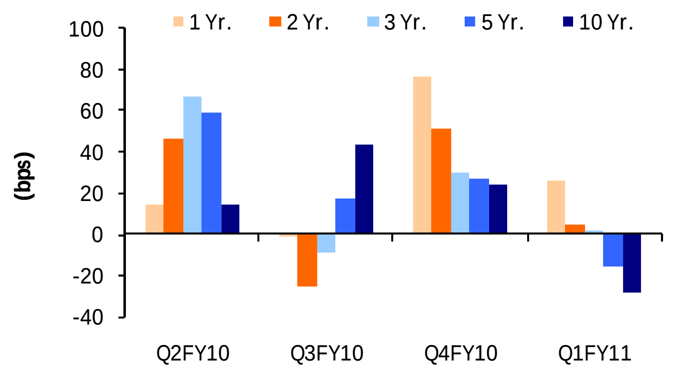
Top picks: Axis Bank, Kotak Bank, Bank of Baroda and Allahabad Bank

Change in rating: We place our rating on Bank of India currently "*Under Review*", while we maintain our target price on the stock.

Trend in G-Sec Yields



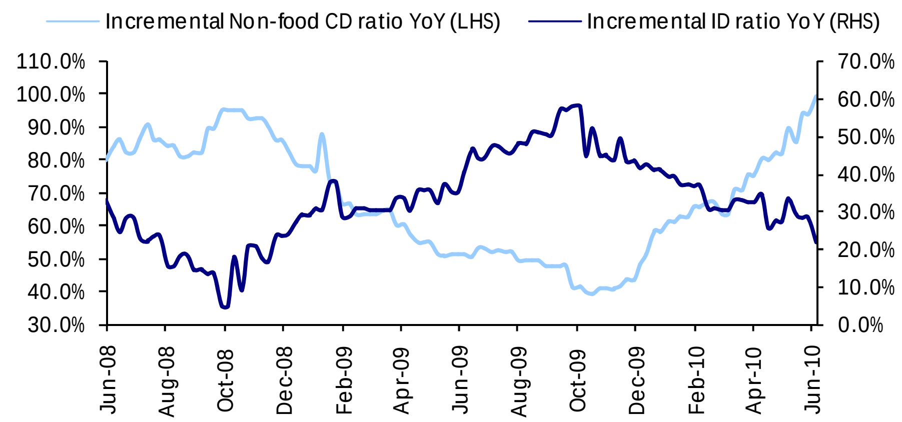
QoQ change in G-Sec Yields



Source: Bloomberg, PL Research

Yield curve movement: As on June 30, 2010, the 10-year benchmark yield cooled off to 7.55% from 7.83% over the quarter after touching a high of 8.12% during the quarter. However, the yields have hardened substantially at the shorter end of the curve, with yields for three and six month maturity having increased by 98bps and 75bps during the quarter, respectively. We believe RBI's intervention for providing sufficient liquidity has helped in containing yields at lower levels.

Trend in incremental CD and ID ratio



Source: RBI, PL Research

Trend in ket banking parameters

	18-Jun-10	9-Apr-10	15-Jan-10	16-Oct-09	17-Jul-09	17-Apr-09
Deposits (Rs trn)	4,518	4,530	4,265	4,161	4,029	3,906
Deposit Growth YoY	13.9%	16.0%	17.6%	20.0%	21.9%	22.3%
Non-food credit (Rs trn)	3,257	3,193	2,974	2,848	2,741	2,722
Non-food Credit Growth YoY	20.2%	17.3%	14.3%	11.2%	16.4%	18.7%
Investments (Rs trn)	1,413	1,455	1,413	1,378	1,335	1,252
Investments Growth YoY	9.4%	16.2%	22.8%	40.9%	31.5%	23.5%
CD ratio (YoY)	72.1%	70.5%	69.7%	68.4%	68.0%	69.7%
Incremental CD ratio (YoY)	99.4%	75.4%	58.2%	41.4%	53.3%	60.2%
ID ratio (YoY)	31.3%	32.1%	33.1%	33.1%	33.1%	32.0%
Incremental ID ratio (YoY)	21.9%	32.5%	41.2%	57.7%	44.1%	33.4%

Source: Bloomberg, RBI, PL Research

Business growth: Credit growth during the quarter improved considerably to 20.2% YoY as against 17.3% in the previous quarter. This could be attributed to the strong credit demand created by higher-than-expected outcome of 3G auctions. Though such kind of credit growth could be termed as temporary and event-based, a strong pick-up seen in the industrial growth provides visibility credit growth to be sustained, going forward. Importantly, the deposit growth has sharply decelerated to 13.9% YoY as against 16.0% at the beginning of the quarter. With credit growth gaining momentum and deposit growth decelerating, the incremental CD ratio has improved substantially in the past two quarters and is at 99.4% v/s 75.4% at the beginning of the quarter. For the quarter, the CD ratio stands at 72.1% compared to ID ratio of 21.9%.

Margins: We expect margins to erode slightly QoQ on account of higher interest outgo on the savings bank deposits. We expect banks with higher CASA base e.g SBI, PNB, Axis Bank, HDFC Bank to likely see some pressure on margins. However, with pick up in credit offtake, the decline in margins is likely to be made up for, going forward.

Fee income: Growth momentum in the fee-based income is likely to remain healthy as the loan sanctions continue to remain steady, though the disbursals lack pace. The recent pick-up seen in the home loan and auto loan segment augurs well for the banks to garner processing fees apart from other non-fund based fee income sources.

Restructuring: So far the banking industry as a whole has restructured assets to the tune of ~3.8% of their outstanding loan portfolio (based on data available for major private & public sector banks), of which, for PSBs its stands at ~4.3%, while for private banks it is much lower at ~1.8%. Though the overall economic environment has improved substantially, we believe some restructuring on the corporate side is likely to continue. Moreover, the loans restructured in Q1FY10 would complete their moratorium period and hence, the performance of this portfolio will remain a key monitorable.

Provisions: Provisioning expenses are likely to moderate on a sequential basis on account of lower investment depreciation charges. However, for banks with lower provision coverage, the loan loss provisions are likely to remain on higher side in view of RBI guidelines regarding shoring up of NPA provision cover towards 70% by September 2010.

Policy action to curb inflation: In a surprising inter-policy move, Reserve Bank of India (RBI) hiked the repo and the reverse repo rates by 25bps each to 5.5% and 4%, respectively on July 2, 2010. With this move, RBI is clearly heading towards a gradual exit from the easy monetary policy as inflation concerns aggravated after recent hike in retail fuel prices which is likely to have immediate impact of ~1% point on WPI inflation with WPI inflation for the month of May 2010 at 10.2%. Two-thirds of WPI inflation in May 2010 was contributed by non-food items, suggesting that demand-side pressures are evident. On the other hand, the economic recovery has been steady and seems to be holding up well as per the latest IIP, exports and GDP growth figures. Steady economic recovery along with low rates too raises threat of rising inflation, which in turn creates a case for prompt RBI action.

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
NII	774,295	960,099	1,154,411
Growth (%)	*13.8*	*24.0*	*20.2*
PPP	671,164	816,088	1,013,255
Growth (%)	*14.2*	*21.6*	*24.2*
PAT	326,245	402,765	527,605
Growth (%)	*12.9*	*23.5*	*31.0*
PE (x)	16.3	13.3	10.0

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
NII	216,051	168,594	*28.1*	219,350	*(1.5)*
PPP	175,193	147,925	*18.4*	188,373	*(7.0)*
PAT	91,196	76,812	*18.7*	82,751	*10.2*

Note: NII, PPP and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

State Bank of India

Rating	**Accumulate**
Price	Rs2,310
Target Price	Rs2,428
Market Cap. (Rs bn)	1,466.5
Shares o/s (m)	634.9

We expect SBI to report business growth lower than that of the industry. NII is likely to show strong traction on a YoY basis at 27.7% due to a low base of last year, but likely to decline QoQ by 4.5% due to lower margins. Non-interest income growth is likely to remain subdued due to lower treasury gains, despite decent fee income growth. We expect credit costs to decline sharply on a sequential basis (due to extension of timeline by RBI to increase provision coverage 70%), resulting in a strong 41.8% QoQ and 13.6% YoY growth.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	236,714	296,956	361,358
PPP	183,209	251,942	314,369
NIM (%)	*2.3*	*2.6*	*2.6*
PAT	91,660	110,331	157,399
EPS (Rs)	144.4	173.8	247.9
PE (x)	16.0	13.3	9.3
P / ABV (x)	2.4	2.0	1.7

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	64,157	50,249	*27.7*	67,214	296,956	236,714	*25.4*
PPP	47,391	36,739	*29.0*	51,939	251,942	183,209	*37.5*
NIM Margin Reported (%)	*-*	*2.3*	*—*	*3.0*	*-*	*2.7*	*—*
NIM Calculated (%)	*2.4*	*2.1*	*0.3*	*2.6*	*2.6*	*2.3*	*0.2*
PAT	26,471	23,304	*13.6*	18,666	110,331	91,660	*20.4*
Operating Metrics (Rs bn)							
Deposits	8,122	7,636	*6.4*	8,041	9,550	8,041	*18.8*
Advances	6,342	5,426	*16.9*	6,319	7,806	6,319	*23.5*
Gross NPA	210.3	153.2	*37.3*	195.3	280.1	195.3	*43.4*
Net NPA	105.3	84.0	*25.3*	108.7	84.0	108.7	*(22.7)*

Rs92 & Rs100 per share reduced for investment in subsidiaries from Book Value & reduced Rs472 and Rs560 from the CMP for value of subsidiary for FY11 and FY12 respectively. Applied a 15% holding Co. discount.

ICICI Bank

Rating	**Accumulate**
Price	Rs857
Target Price	Rs986
Market Cap. (Rs bn)	958.6
Shares o/s (m)	1,118.3

NII is likely to contract on a YoY as well as QoQ basis on account of declining loan book and slight sequential contraction in margins. Sharp YoY decline in treasury gains is likely to affect the overall non-interest income growth. However, dividends from subsidiaries may help other income contribution. Credit costs likely to improve sequentially, reflecting the stabilizing asset quality and extension of time line for stipulated provision coverage.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	81,144	96,683	113,097
PPP	97,322	106,468	127,923
NIM (%)	*2.2*	*2.5*	*2.6*
PAT	40,250	47,844	67,224
EPS (Rs)	36.1	42.8	60.1
PE (x)	23.7	20.0	14.3
P / ABV (x)	1.9	1.8	1.7

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	19,453	19,853	*(2.0)*	20,349	96,683	81,144	*19.2*
PPP	22,160	25,291	*(12.4)*	23,989	106,468	97,322	*9.4*
NIM Margin Reported (%)	*-*	*2.4*	*—*	*2.6*	*-*	*2.5*	*—*
NIM Calculated (%)	*2.1*	*2.1*	*—*	*2.2*	*2.5*	*2.2*	*0.4*
PAT	10,107	8,782	*15.1*	10,056	47,844	40,250	*18.9*
Operating Metrics (Rs bn)							
Deposits	2,095	2,102	*(0.3)*	2,020	2,384	2,020	*18.0*
Advances	1,795	1,981	*(9.4)*	1,812	2,145	1,812	*18.4*
Gross NPA	104.8	94.2	*11.3*	94.8	111.2	94.8	*17.2*
Net NPA	40.0	46.1	*(13.2)*	38.4	33.3	38.4	*(13.2)*

Rs55 & Rs64 per share reduced for investment in subsidiaries from Book Value & Rs172 and Rs198 reduced from the CMP for value of subsidiary for FY11 and FY12 respectively. Applied a 15% holding Co. discount.

HDFC Bank

Rating	**Accumulate**
Price	Rs1,962
Target Price	Rs2,224
Market Cap. (Rs bn)	898.3
Shares o/s (m)	457.7

We expect HDFC Bank to grow its advances and deposits by 28.5% and 22.9%, respectively on a YoY basis driven by higher corporate advances (3G impact). The business is likely to remain largely stable on a sequential basis. Margins are expected to moderate to 4.2% from 4.4% on a QoQ basis due to negative impact of savings bank daily interest. Fees to grow by 15-20% YoY. No major negative surprises expected on the asset quality front. However, provisions may remain high due to standard advances provisions.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	83,866	103,009	122,801
PPP	64,297	75,080	91,989
NIM (%)	*4.1*	*4.2*	*4.3*
PAT	29,487	38,687	50,510
EPS (Rs)	64.4	84.5	110.3
PE (x)	30.5	23.2	17.8
P / ABV (x)	4.4	3.9	3.3

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	23,486	18,556	*26.6*	23,514	103,009	83,866	*22.8*
PPP	17,177	15,187	*13.1*	16,944	75,080	64,297	*16.8*
NIM Margin Reported (%)	*-*	*4.1*	*—*	*4.4*	*-*	*4.1*	*—*
NIM Calculated (%)	*4.1*	*4.0*	*0.1*	*4.2*	*4.2*	*4.1*	*0.1*
PAT	8,025	6,061	*32.4*	8,366	38,687	29,487	*31.2*
Operating Metrics (Rs bn)							
Deposits	1,791	1,457	*22.9*	1,674	2,042	1,674	*22.0*
Advances	1,334	1,038	*28.5*	1,258	1,545	1,258	*22.8*
Gross NPA	18.7	21.6	*(13.7)*	18.2	21.9	18.2	*20.4*
Net NPA	4.0	6.6	*(39.0)*	3.9	3.9	3.9	*0.5*

Axis Bank

Rating	**BUY**
Price	Rs1,252
Target Price	Rs1,420
Market Cap. (Rs bn)	507.3
Shares o/s (m)	405.2

After witnessing strong business growth in the previous quarter, we expect the healthy business growth momentum for Axis Bank to continue. Advances are expected to grow by 36.3% YoY and 2.0% QoQ, while deposits are likely to grow by 30.7% YoY. The NII growth is expected to be strong, while fee income growth is likely to be moderate. We expect earnings to grow by 31.8% YoY, but decline by 3.2% on QoQ basis.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	50,045	60,184	74,146
PPP	52,406	59,837	74,733
NIM (%)	*3.0*	*3.0*	*3.1*
PAT	25,145	31,588	39,479
EPS (Rs)	62.1	78.0	97.5
PE (x)	20.2	16.1	12.8
P / ABV (x)	3.2	2.7	2.3

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	14,824	10,456	41.8	14,601	60,184	50,045	20.3
PPP	13,856	11,764	17.8	13,838	59,837	52,406	14.2
NIM Margin Reported (%)	*-*	*3.3*	*—*	*4.1*	*-*	*3.7*	*—*
NIM Calculated (%)	*3.3*	*2.9*	*0.4*	*3.5*	*3.0*	*3.0*	*(0.0)*
PAT	7,407	5,620	31.8	7,649	31,588	25,145	25.6
Operating Metrics (Rs bn)							
Deposits	1,441	1,103	30.7	1,413	1,732	1,413	22.6
Advances	1,064	781	36.3	1,043	1,285	1,043	23.1
Gross NPA	13.8	9.2	51.2	13.2	22.8	13.2	72.7
Net NPA	4.3	3.7	16.0	4.2	6.8	4.2	62.9

Punjab National Bank

Rating	**Accumulate**
Price	Rs1,062
Target Price	Rs1,194
Market Cap. (Rs bn)	334.8
Shares o/s (m)	315.3

We expect PNB to report higher-than-industry business growth, with advances and deposits growing by 24.0% and 19.6%, respectively on a YoY basis. Margins likely to be slightly lower on a QoQ basis. Significantly lower treasury gains are likely to affect the overall income growth. Asset quality needs to be monitored. We expect the bank to report a 22.6% YoY growth in bottom line, tad lower than previous quarter.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	85,229	108,604	132,319
PPP	73,263	84,379	107,931
NIM (%)	*3.1*	*3.3*	*3.4*
PAT	39,054	46,792	57,758
EPS (Rs)	123.9	148.4	183.2
PE (x)	8.6	7.2	5.8
P / ABV (x)	2.1	1.7	1.3

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	25,084	18,618	*34.7*	24,980	108,604	85,229	*27.5*
PPP	18,784	15,693	*19.7*	22,510	84,379	73,263	*15.2*
NIM Margin Reported (%)	*-*	*3.4*	*—*	*4.0*	*-*	*3.6*	*—*
NIM Calculated (%)	*3.3*	*3.0*	*0.3*	*3.5*	*3.3*	*3.1*	*0.2*
PAT	10,201	8,321	*22.6*	11,350	46,792	39,054	*19.8*
Operating Metrics (Rs bn)							
Deposits	2,618	2,190	*19.6*	2,493	2,970	2,493	*19.1*
Advances	1,959	1,580	*24.0*	1,866	2,279	1,866	*22.2*
Gross NPA	33.3	28.6	*16.3*	32.1	46.3	32.1	*44.1*
Net NPA	9.8	3.0	*229.6*	9.8	10.2	9.8	*3.8*

Kotak Mahindra Bank

Rating	**BUY**
Price	Rs767
Target Price	Rs907
Market Cap. (Rs bn)	266.9
Shares o/s (m)	348.1

We expect Kotak Mahindra Bank (standalone) to grow its advances by 27.8% YoY, while consolidated advances are likely to grow by 35.4% YoY, driven by *Kotak Prime* as strong traction is witnessed in auto loan demand. Mortgage is expected to be other major growth driver for the bank. Absolute levels of provisioning will start declining steadily which will help the bank deliver better earnings momentum. Securities business will see a decline in earnings on a YoY basis (due to very high base), but likely to improve sequentially.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	28,283	29,856	35,683
PPP	24,136	28,818	34,546
NIM (%)	*5.3*	*5.3*	*5.3*
PAT	13,274	16,230	20,351
EPS (Rs)	33.6	47.0	58.9
PE (x)	18.3	15.4	12.3
P / ABV (x)	3.3	2.9	2.4

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	5,320	4,090	*30.1*	5,260	22,026	18,581	*18.5*
PPP	3,970	2,843	*39.6*	4,356	14,008	12,970	*8.0*
NIM Margin Reported (%)	*-*	*6.0*	*—*	*6.3*	*-*	*6.3*	*—*
NIM Calculated (%)	*5.6*	*5.9*	*(0.3)*	*6.5*	*5.3*	*5.6*	*(0.3)*
PAT (Standalone)	1,833	903	*102.9*	2,025	7,033	5,611	*25.3*
PAT (Consolidated)	3,865	2,396	*61.3*	4,051	16,230	13,274	*28.8*
Operating Metrics (Rs bn) (Standalone)							
Deposits	248	175	*42.3*	239	274	239	*14.9*
Advances	220	172	*27.8*	208	266	208	*27.9*
Gross NPA	7.7	8.7	*(11.4)*	7.7	9.5	7.7	*24.2*
Net NPA	3.5	5.3	*(33.4)*	3.6	2.9	3.6	*(20.6)*

Bank of Baroda

Rating	**BUY**
Price	Rs715
Target Price	Rs822
Market Cap. (Rs bn)	261.2
Shares o/s (m)	365.5

BoB's business growth momentum is likely to remain healthy compared to the industry. We expect the bank to grow its advances and deposits by 24.5% and 23.8%, respectively on YoY basis. Domestic margins are likely to remain stable sequentially, while overseas margins may show some moderation. Fee income growth to remain healthy. No major negative surprises expected on the asset quality front. We expect the bottom-line to grow by 34% YoY and remain flattish QoQ.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	17,612	12,051	*46.1*	17,450	72,841	59,395	*22.6*
PPP	14,912	10,102	*47.6*	15,473	60,212	49,353	*22.0*
NIM Margin Reported (%)	*-*	*2.4*	*—*	*3.0*	*-*	*2.7*	*—*
NIM Calculated (%)	*2.5*	*2.1*	*0.4*	*2.6*	*2.4*	*2.3*	*0.1*
PAT	9,189	6,858	*34.0*	9,063	37,175	29,450	*26.2*
Operating Metrics (Rs bn)							
Deposits	2,459	1,986	*23.8*	2,410	2,771	2,410	*14.9*
Advances	1,777	1,427	*24.5*	1,750	2,128	1,750	*21.6*
Gross NPA	25.8	20.7	*24.6*	24.0	38.9	24.0	*61.9*
Net NPA	6.2	3.8	*64.3*	6.0	7.8	6.0	*29.1*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
NII	59,395	72,841	86,834
PPP	49,353	60,212	76,230
NIM (%)	*2.3*	*2.4*	*2.4*
PAT	29,450	37,175	44,939
EPS (Rs)	83.7	101.7	122.9
PE (x)	8.5	7.0	5.8
P / ABV (x)	1.9	1.5	1.2

Bank of India

Rating	**Under Review**
Price	Rs375
Target Price	Rs386
Market Cap. (Rs bn)	216.9
Shares o/s (m)	578.5

We expect BoI's earnings to continue to decline on a YoY basis (down 7.7% YoY), but report strong sequential improvement (up 26.0% QoQ). We expect advances growth to be likely in line with that of the industry, while the deposits growth would be much higher. Margins likely to remain subdued on a sequential basis. Credit costs are likely to remain at elevated levels to increase the provision cover towards 70% levels. We currently keep our rating on the stock '**Under Review**', while maintaining our target price.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	15,237	13,006	*17.2*	15,517	68,779	57,560	*19.5*
PPP	12,191	10,938	*11.5*	12,754	54,833	47,048	*16.5*
NIM Margin Reported (%)	*-*	*2.4*	*—*	*2.6*	*-*	*2.5*	*—*
NIM Calculated (%)	*2.2*	*2.3*	*(0.1)*	*2.5*	*2.3*	*2.3*	*(0.0)*
PAT	5,392	5,844	*(7.7)*	4,279	22,138	17,411	*27.2*
Operating Metrics (Rs bn)							
Deposits	2,344	1,950	*20.2*	2,298	2,757	2,298	*20.0*
Advances	1,747	1,478	*18.2*	1,713	1,992	1,713	*16.2*
Gross NPA	52.4	27.9	*88.0*	48.8	61.0	48.8	*25.0*
Net NPA	21.0	12.3	*69.9*	22.1	18.3	22.1	*(17.1)*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
NII	57,560	68,779	83,450
PPP	47,048	54,833	67,816
NIM (%)	*2.3*	*2.3*	*2.3*
PAT	17,411	22,138	32,219
EPS (Rs)	33.1	38.3	55.7
PE (x)	11.3	9.8	6.7
P / ABV (x)	1.7	1.4	1.2

Union Bank of India

Rating	**Accumulate**
Price	Rs313
Target Price	Rs344
Market Cap. (Rs bn)	173.6
Shares o/s (m)	555.6

We expect UBI to report healthy set of numbers, with business growth gaining momentum, with advances and deposits growing by 33.8% and 22.9%, respectively on YoY basis. Margins are likely to moderate. We expect the bank to start providing for second round of pension which will keep staff expenses on the higher side. Slippages to remain in line with previous quarters. We expect the bottom-line to grow by 20.8% on a YoY basis.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
NII	41,924	50,642	62,722
PPP	36,593	43,377	57,125
NIM (%)	*2.3*	*2.4*	*2.5*
PAT	20,749	23,811	29,466
EPS (Rs)	41.1	42.9	53.0
PE (x)	7.6	7.0	5.7
P / ABV (x)	1.8	1.4	1.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	12,939	8,016	*61.4*	13,961	50,642	41,924	*20.8*
PPP	9,639	7,875	*22.4*	11,475	43,377	36,593	*18.5*
NIM Margin Reported (%)	*-*	*2.3*	*—*	*3.4*	*-*	*2.7*	*—*
NIM Calculated (%)	*2.6*	*2.0*	*0.6*	*3.0*	*2.4*	*2.3*	*0.1*
PAT	5,340	4,422	*20.8*	5,935	23,811	20,749	*14.8*
Operating Metrics (Rs bn)							
Deposits	1,768	1,439	*22.9*	1,700	1,946	1,700	*14.4*
Advances	1,285	960	*33.8*	1,212	1,492	1,212	*23.1*
Gross NPA	28.9	18.7	*54.3*	26.7	34.1	26.7	*27.7*
Net NPA	9.6	6.8	*42.4*	9.7	10.2	9.7	*6.0*

YES Bank

Rating	**Accumulate**
Price	Rs274
Target Price	Rs354
Market Cap. (Rs bn)	93.1
Shares o/s (m)	339.3

We expect strong business growth momentum to continue during the quarter gone by, with advances and deposits growing by robust 82.2% and 60.7%, respectively on a YoY basis. Margins are likely to remain stable sequentially. Non-interest income growth likely to remain moderate due to high base of last year as well as previous quarter. We expect bottom-line to grow by robust 50.8% YoY and 7.8% QoQ.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
NII	7,880	10,962	15,089
PPP	8,633	11,143	14,898
NIM (%)	*2.7*	*2.6*	*2.7*
PAT	4,777	6,716	9,283
EPS (Rs)	14.1	19.8	27.4
PE (x)	19.5	13.9	10.0
P / ABV (x)	3.0	2.4	1.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	2,607	1,637	*59.3*	2,442	10,962	7,880	*39.1*
PPP	2,282	1,978	*15.4*	2,576	11,143	8,633	*29.1*
NIM Margin Reported (%)	*-*	*3.1*	*—*	*3.2*	*-*	*3.1*	*—*
NIM Calculated (%)	*2.9*	*2.9*	*0.0*	*3.0*	*2.6*	*2.7*	*(0.0)*
PAT	1,509	1,001	*50.8*	1,400	6,716	4,777	*40.6*
Operating Metrics (Rs bn)							
Deposits	247	153	*60.7*	268	362	268	*35.0*
Advances	231	127	*82.2*	222	306	222	*38.1*
Gross NPA	0.7	0.6	*12.8*	0.6	1.8	0.6	*206.7*
Net NPA	0.2	0.3	*(39.3)*	0.1	0.6	0.1	*341.0*

Allahabad Bank

Rating	**BUY**
Price	Rs162
Target Price	Rs211
Market Cap. (Rs bn)	72.1
Shares o/s (m)	446.7

We expect Allahabad Bank to report higher-than-industry business growth, with advances and deposits growing by 23.5% and 25.7% YoY, respectively. Treasury gains likely to be higher sequentially. Despite some investment depreciation charges, net contribution from treasury should be higher than the previous quarter. Operating expenses are likely to be lower QoQ on account of one-off charges to the tune of Rs700-800m in the previous quarter. We expect higher recoveries and lower provisions, resulting into a strong 42.4% QoQ bottom-line growth, though muted on a YoY basis.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	26,505	34,894	42,594
PPP	25,486	30,955	39,175
NIM (%)	*2.4*	*2.6*	*2.5*
PAT	12,064	15,246	20,749
EPS (Rs)	27.0	34.1	46.4
PE (x)	5.9	4.7	3.4
P / ABV (x)	1.2	1.0	0.8

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	7,521	6,291	*19.6*	7,426	34,894	26,505	*31.6*
PPP	6,771	5,906	*14.6*	6,580	30,955	25,486	*21.5*
NIM Margin Reported (%)	*-*	*3.0*	*—*	*3.0*	*-*	*2.9*	*—*
NIM Calculated (%)	*2.4*	*2.5*	*(0.1)*	*2.6*	*2.6*	*2.4*	*0.2*
PAT	3,197	3,029	*5.5*	2,245	15,246	12,064	*26.4*
Operating Metrics (Rs bn)							
Deposits	1,124	894	*25.7*	1,061	1,317	1,061	*24.2*
Advances	753	610	*23.5*	724	897	724	*23.8*
Gross NPA	13.6	10.9	*24.1*	12.2	18.2	12.2	*48.9*
Net NPA	4.9	2.2	*122.8*	4.7	5.5	4.7	*16.1*

Central Bank of India

Rating	**Sell**
Price	Rs142
Target Price	Rs130
Market Cap. (Rs bn)	57.2
Shares o/s (m)	404.1

We expect CBI's healthy business growth momentum to continue, with advances and deposits expected to grow by 30% and 18.6%, respectively on a YoY basis. Margins are likely to improve on a QoQ basis by ~20bps due to re-pricing benefits. Sharp decline in treasury income is expected to pull down the non-interest income growth, while the core fee income is expected to grow at a healthy pace. We expect the bottomline to de-grow by 5.3% YoY but sharply improve by 47.2% QoQ.

Key Figures (Rs m)

	FY10	FY11E	FY12E
NII	25,453	33,618	37,381
PPP	20,585	22,560	27,368
NIM (%)	*1.5*	*1.7*	*1.6*
PAT	10,587	10,561	12,230
EPS (Rs)	24.5	24.4	28.4
PE (x)	5.8	5.8	5.0
P / ABV (x)	1.4	1.1	1.0

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
NII	7,810	5,772	*35.3*	6,637	33,618	25,453	*32.1*
PPP	6,060	3,609	*67.9*	5,940	22,560	20,585	*9.6*
NIM Margin Reported (%)	*-*	*1.8*	*—*	*1.8*	*-*	*1.9*	*—*
NIM Calculated (%)	*1.7*	*1.5*	*0.1*	*1.5*	*1.7*	*1.5*	*0.2*
PAT	2,526	2,668	*(5.3)*	1,717	10,561	10,587	*(0.2)*
Operating Metrics (Rs bn)							
Deposits	1,621	1,367	*18.6*	1,621	1,890	1,621	*16.6*
Advances	1,135	874	*30.0*	1,071	1,233	1,071	*15.1*
Gross NPA	29.5	22.3	*32.3*	24.6	28.2	24.6	*14.8*
Net NPA	7.9	6.0	*31.9*	7.3	7.1	7.3	*(3.0)*

Kunal Sheth
KunalSheth@PLIndia.com
+91-22-6632 2257

Capital Goods

Capital goods continue to be amidst action, especially on the T&D side. Central Electricity Regulatory Commission (CERC) has approved the state-run Power Grid Corporation's (PGCIL's) plan to set up 9 High Capacity Power Transmission Corridors (HCPTC) costing Rs580bn. These transmission systems will evacuate power from various projects planned by independent power producers (IPPs). Thus, indicating increased momentum in investment is likely to continue over the next few years.

Thrust on domestic manufacturing is likely to be extended to T&D after generation. PGCIL is planning to make it mandatory for suppliers to have manufacturing facilities in India within three years. This move could be positive for domestic T&D players as it could restrict Chinese competition. Also, open offer from both T&D major such as *ABB* and *Areva* triggered significant price action. *ABB Zurich* currently holds a 52.11% stake in *ABB India* and has made an open offer for acquiring an additional 22.89% stake at a price of Rs900/share The total size of the offer is ~Rs44bn. *Alstom-Schneider* combine that acquired global transmission & distribution business of power equipment and systems company *Areva*, has made an open offer to acquire 20% additional stake in *Areva T&D India*, the public listed arm of Areva. The open offer has been made at Rs295.34 a piece.

NTPC, after scrapping the original tender, is planning to issue a fresh tender for contract for bulk supply of super-critical boilers. *L&T Power* was disqualified for technical reasons, leaving only *Bharat Heavy Electricals (BHEL)* in the race. NTPC rejected L&T Power's bid on the ground that technological collaboration agreement was signed by the parent company and not by L&T Power. NTPC has also rejected L&T Power's bid for supply of turbine-generators on the same ground. However, there are still four players in the bidding race for supply of turbine-generators and NTPC has decided to go ahead with the tenders. The rebidding process is likely to delay the process by 6-8 months. However, it is unlikely to have a significant impact on the order flow of companies like L&T and BHEL.

Order flow for the Capital goods companies were mostly depended on the Power sector to fuel growth. However, the industrial sector has shown signs of picking up, with industrial production growth at 9.8% in FY10 against 2.7% in FY09. We expect order flow to pick up significantly on account of improved industrial outlook and increased spending by Power grid (~Rs130bn in FY11).

We expect our coverage universe to grow by 8.7% YoY in Q1FY11. EBITDA margins are expected to be 8.6% and PAT is expected to grow at 16.1% (excluding Suzlon) for the quarter.

Top picks: BHEL, Crompton Greaves, BGR Energy, Voltas and KEC Int.

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	936,689	1,081,759	1,353,951
Growth (%)	*5.4*	*15.5*	*25.2*
EBITDA	109,943	137,647	175,939
Margin (%)	*11.7*	*12.7*	*13.0*
PAT	61,656	80,363	110,736
Growth (%)	*26.5*	*30.3*	*37.8*
PAT*	69,167	86,223	103,696
*Growth (%)**	*25.0*	*24.7*	*20.3*
PE (x)	30.2	23.2	16.8

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	198,824	182,876	*8.7*	319,728	*(35.6)*
EBITDA	17,191	14,103	*25.7*	42,718	*(54.9)*
Margin (%)	*8.6*	*7.5*	*1.6*	*13.4*	*(4.0)*
PAT (Excl. Ex Items)	8,011	5,761	*39.1*	25,887	*(65.1)*
PAT (Excl. Ex Items)*	11,829	10,191	*16.1*	27,705	*(57.3)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

** PAT Excluding Suzlon Energy*

BHEL

Rating	**Accumulate**
Price	Rs2,370
Target Price	Rs2,745
Market Cap. (Rs bn)	1,160.1
Shares o/s (m)	489.5

NTPC has called for fresh bids for 11 sets of 660MW for boiler packages due to disqualification of L&T, leaving BHEL as the only qualified bidder. The revised bids are expected to be submitted by October-November 2010. However, we think this delay will not have any significant impact on the order inflow guidance of BHEL. We expect BHEL to maintain its streak of strong execution, especially on the expanded capacity of 15GW. Margins are likely to improve on the back of improved execution and low-cost inventory.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	328,803	396,602	496,112
EBITDA	55,658	72,645	88,139
Margin (%)	*16.9*	*18.3*	*17.8*
PAT	43,106	53,526	63,995
EPS (Rs)	88.1	109.3	130.7
RoE (%)	*29.8*	*29.9*	*28.8*
PE (x)	26.9	21.7	18.1
P / BV (x)	7.2	5.9	4.7
EV / E (x)	19.0	14.4	11.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	67,422	55,957	*20.5*	135,591	396,602	328,803	*20.6*
EBITDA	7,159	5,162	*38.7*	24,873	72,645	55,658	*30.5*
Margin (%)	*10.6*	*9.2*	*1.4*	*18.3*	*18.3*	*16.9*	*1.4*
Reported PAT	5,742	4,706	*22.0*	19,096	53,526	43,106	*24.2*
PAT (Excl. Ex Items)	5,742	4,706	*22.0*	19,096	53,526	43,106	*24.2*
Operating Metrics							
RM % sales	60.5	63.4	*(2.9)*	59.2	59.0	58.7	*0.3*
Employee Expense % sales	16.0	19.9	*(3.9)*	12.9	13.3	15.7	*(2.4)*

ABB

Rating	**Reduce**
Price	Rs862
Target Price	Rs683
Market Cap. (Rs bn)	182.7
Shares o/s (m)	212

Though last year, the order flow was dominated by the power sector, ABB is seeing some revival in industrial activities, particularly in Minerals (Process Automation business). Since the major portion of the backlog of Rs87bn constitutes large projects with long gestation periods, we expect the company to post a nominal growth of 9% in revenues. We expect the margin pressure to continue due to pricing pressure, cost overruns and exit cost for Rural electrification.

Key Figures **(Rs m)**

	CY09	CY10E	CY11E
Net Sales	62,372	74,768	92,925
EBITDA	5,287	7,028	9,014
Margin (%)	*8.5*	*9.4*	*9.7*
PAT	3,547	4,947	6,292
EPS (Rs)	16.7	23.3	29.7
RoE (%)	*15.6*	*18.6*	*19.8*
PE (x)	51.5	36.9	29.0
P / BV (x)	7.5	6.3	5.3
EV / E (x)	33.6	24.7	19.0

Quarterly Table **(Rs m)**

Y/e Dec	Q2 CY10E	Q2 CY09	*YoY gr. (%)*	Q1 CY10	H1 CY10E	H1 CY09	*YoY gr. (%)*
Net Sales	16,405	15,050	*9.0*	14,559	30,963	28,981	*6.8*
EBITDA	1,129	1,281	*(11.8)*	29	1,159	2,791	*(58.5)*
Margin (%)	*6.9*	*8.5*	*(1.6)*	*0.2*	*3.7*	*9.6*	*(5.9)*
Reported PAT	774	836	*(7.4)*	762	1,536	1,859	*(17.4)*
PAT (Excl. Ex Items)	774	836	*(7.4)*	762	1,536	1,859	*(17.4)*
Operating Metrics							
RM cost % sales	72.3	70.8	*1.5*	74.1	73.2	70.4	*2.8*
ETR (%)	34.0	34.9	*(0.9)*	20.2	27.1	32.0	*(4.9)*
% full year sales	21.9	24.1	*(2.2)*	19.5	41.4	46.5	*(5.1)*

Crompton Greaves

Rating	**Accumulate**
Price	Rs253
Target Price	Rs295
Market Cap. (Rs bn)	162.0
Shares o/s (m)	641.5

CRG continues to see a strong growth in the domestic market across all segments such as Power, Industrial as well as Consumer products, with growth rates ranging between 16-18% for FY10. The robustness in domestic markets is expected to continue. Problems in the Euro zone are likely to result in weak demand for distribution transformer, leading to a weak revenue growth for subsidiaries. We expect Power segment revenues for subsidiaries to de-grow by ~9.4%.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	91,409	101,257	119,573
EBITDA	12,770	14,135	16,023
Margin (%)	*14.0*	*14.0*	*13.4*
PAT	8,235	9,490	10,523
EPS (Rs)	22.5	14.8	16.4
RoE (%)	*52.6*	*43.8*	*36.2*
PE (x)	11.2	17.1	15.4
P / BV (x)	5.1	6.5	4.9
EV / E (x)	12.8	11.3	9.7

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	23,099	21,975	*5.1*	25,079	101,257	91,409	*10.8*
EBITDA	2,926	2,476	*18.2*	4,027	14,135	12,770	*10.7*
Margin (%)	*12.7*	*11.3*	*1.4*	*16.1*	*14.0*	*14.0*	*(0.0)*
Reported PAT	1,942	1,604	*21.1*	2,702	9,490	8,235	*15.2*
PAT (Excl. Ex Items)	1,942	1,604	*21.1*	2,702	9,490	8,235	*15.2*
Operating Metrics							
Power segment	14,856	14,838	*0.1*	16,838	66,549	62,045	*7.3*
Industry segment	3,073	2,794	*10.0*	3,476	14,600	12,552	*16.3*
Consumer segment	4,954	4,129	*20.0*	4,604	19,022	16,120	*18.0*

Suzlon Energy

Rating	**Under review**
Price	Rs46
Target Price	-
Market Cap. (Rs bn)	71.9
Shares o/s (m)	1,556.5

Suzlon has been actively working on restructuring the balance sheet. It monetizes stake in *Hansen Transmission* and paid off acquisition loans. Re-financed rupee and acquisition loans, reset conversion price for FCCBs. It recently announced right issue to raise Rs13bn to convert promoter loans into equity. However, operationally things continue to be difficult due to lack of orders in international markets. The company had an order book of 1126MW in May 2010. We expect the company to continue to be in red on account of lower volumes.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	207,800	202,607	267,000
EBITDA	9,447	11,732	23,398
Margin (%)	*4.5*	*5.8*	*8.8*
PAT	(7,511)	(5,861)	7,040
EPS (Rs)	(4.8)	(3.8)	4.5
RoE (%)	*(9.2)*	*(7.8)*	*9.3*
PE (x)	(9.6)	(12.3)	10.2
P / BV (x)	0.9	1.0	0.9
EV / E (x)	17.9	11.5	5.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	31,796	41,530	*(23.2)*	61,642	202,607	207,800	*(2.5)*
EBITDA	861	(49)	*NA*	5,348	11,732	9,447	*24.2*
Margin (%)	*2.7*	*(0.1)*	*NA*	*8.7*	*5.8*	*4.5*	*1.2*
Reported PAT	(3,818)	(4,429)	*(13.8)*	(1,818)	(5,861)	(7,511)	*(22.0)*
PAT (Excl. Ex Items)	(3,818)	(4,429)	*(13.8)*	(1,818)	(5,861)	(7,511)	*(22.0)*
Operating Metrics							
Sales Domestic (MW)	150	58	*158.3*	361	900	688	*30.8*
Sales International (MW)	60	65	*(7.7)*	289	950	772	*23.1*

Areva T&D

Rating	**Reduce**
Price	Rs289
Target Price	Rs244
Market Cap. (Rs bn)	69.2
Shares o/s (m)	239.1

We expect the revenue ramp to remain slow due to a delay in billing of few large projects due to client site related issues, leading to a delay in delivery milestones. Margins will continue to remain under pressure due to pricing, lower volumes, ramp-up in cost of new factories etc.

Key Figures **(Rs m)**

	CY09	CY10E	CY11E
Net Sales	35,832	40,082	48,743
EBITDA	4,188	3,688	4,728
Margin (%)	*11.7*	*9.2*	*9.7*
PAT	1,920	1,539	2,087
EPS (Rs)	8.0	6.4	8.7
RoE (%)	*24.1*	*16.9*	*20.4*
PE (x)	36.0	45.0	33.2
P / BV (x)	8.0	7.2	6.3
EV / E (x)	18.0	21.2	17.1

Quarterly Table **(Rs m)**

Y/e Dec	Q2 CY10E	Q2 CY09	*YoY gr. (%)*	Q1 CY10	H1 CY10E	H1 CY09	*YoY gr. (%)*
Net Sales	8,513	7,883	8.0	7,768	16,282	16,333	(0.3)
EBITDA	681	1,071	(36.4)	423	1,104	2,159	(48.9)
Margin (%)	*8.0*	*13.6*	*(5.6)*	*5.4*	*6.8*	*13.2*	*(6.4)*
Reported PAT	202	501	(59.8)	35	236	1,015	(76.7)
PAT (Excl. Ex Items)	202	501	(59.8)	35	236	1,015	(76.7)
Operating Metrics							
RM % sales	72.0	64.8	7.2	73.1	72.5	68.4	4.1
ETR %	33.0	32.3	0.7	33.0	66.0	64.9	1.1

Voltas

Rating	**Accumulate**
Price	Rs202
Target Price	Rs214
Market Cap. (Rs bn)	66.9
Shares o/s (m)	330.7

We expect 11% growth in top-line for Voltas driven by improved execution in the MEP segment (8% YoY) and continued buoyancy in Unitary cooling segment (20%). Engineering segment is expected to be slow. MEP division has an order book of Rs47bn at the end of Q4FY10. PAT growth is expected to be 15.7% YoY.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	48,058	56,004	65,001
EBITDA	4,589	5,096	5,754
Margin (%)	*9.5*	*9.1*	*8.9*
PAT	3,593	3,936	4,467
EPS (Rs)	10.9	11.9	13.5
RoE (%)	*39.2*	*33.3*	*30.2*
PE (x)	18.6	17.0	15.0
P / BV (x)	6.4	5.1	4.1
EV / E (x)	13.8	12.0	10.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	13,858	12,419	*11.6*	14,806	56,004	48,058	*16.5*
EBITDA	1,229	1,025	*19.8*	1,497	5,096	4,589	*11.1*
Margin (%)	*8.9*	*8.3*	*0.6*	*10.1*	*9.1*	*9.5*	*(0.4)*
Reported PAT	914	789	*15.7*	1,358	3,936	3,593	*9.5*
PAT (Excl. Ex Items)	914	789	*15.7*	1,358	3,936	3,593	*9.5*
Operating Metrics							
MEP	7,561	7,001	*8.0*	9,310	35,334	31,134	*13.5*
Eng. Product & services	1,162	1,139	*2.0*	1,199	5,382	4,680	*15.0*
UCP	4,984	4,154	*20.0*	4,210	14,838	11,870	*25.0*

BGR Energy Systems

Rating	**BUY**
Price	Rs737
Target Price	Rs787
Market Cap. (Rs bn)	53.1
Shares o/s (m)	72.0

We expect another robust quarter in terms of execution from BGR after a strong performance in Q4FY10. Sales are expected to be up 172% YoY, mainly driven by revenue booking from two major EPC contracts, Kalisindh & Mettur. Other projects like Chandrapur and Marwa won in the later part of the year will also start contributing. PAT growth is also expected to be very strong at 154.6% for the quarter.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	30,692	47,482	63,815
EBITDA	3,435	5,474	6,926
Margin (%)	*11.2*	*11.5*	*10.9*
PAT	1,983	2,964	3,746
EPS (Rs)	27.5	41.2	52.0
RoE (%)	*30.1*	*33.7*	*32.5*
PE (x)	26.8	17.9	14.2
P / BV (x)	7.1	5.3	4.1
EV / E (x)	17.0	11.4	9.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	8,460	3,111	*172.0*	16,571	47,482	30,692	*54.7*
EBITDA	921	422	*118.0*	1,725	5,474	3,435	*59.4*
Margin (%)	*10.9*	*13.6*	*(2.7)*	*10.4*	*11.5*	*11.2*	*0.3*
Reported PAT	516	203	*154.6*	1,083	2,964	1,983	*49.5*
PAT (Excl. Ex Items)	516	203	*154.6*	1,083	2,964	1,983	*49.5*
Operating Metrics							
RM % sales	80.2	75.0	*5.2*	83.4	78.8	81.0	*(2.2)*
ETR%	34.0	34.0	*0.0*	34.0	34.0	34.0	*(0.0)*

Kalpataru Power

Rating	**Accumulate**
Price	Rs1,031
Target Price	Rs1,135
Market Cap. (Rs bn)	31.7
Shares o/s (m)	30.7

Kalpataru has an order book of Rs50bn in Q4FY10, which is 1.95x its FY10 sales. The order inflow for the company is likely to be robust, given the fact that lot of tenders bid by the company were expected to be awarded over the quarter. The company also marked its entry into the BOOT space. It received the first IPTC BOOT Project from *Haryana Vidyut Prasaran Nigam (HVPNL)* in consortium with *Techno*. The company's share in the project would be 51% and it is likely to invest ~Rs700m in the project.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	25,879	31,955	38,985
EBITDA	2,953	3,642	4,444
Margin (%)	*11.4*	*11.4*	*11.4*
PAT	1,706	1,853	2,326
EPS (Rs)	64.4	60.4	75.7
RoE (%)	*19.0*	*14.2*	*13.0*
PE (x)	16.0	17.1	13.6
P / BV (x)	2.8	1.9	1.6
EV / E (x)	12.8	9.8	8.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	6,071	4,853	*25.1*	8,366	31,955	25,879	*23.5*
EBITDA	683	564	*21.1*	909	3,642	2,953	*23.4*
Margin (%)	11.2	11.6	*(0.4)*	10.9	11.4	11.4	*(0.0)*
Reported PAT	383	321	*19.5*	573	1,853	1,706	*8.6*
PAT (Excl. Ex Items)	383	321	*19.5*	573	1,853	1,706	*8.6*
Operating Metrics							
RM% Sales	45.0	40.6	*4.4*	47.4	52.0	44.6	*7.4*
% full year sales	19.0	18.8	*0.2*	32.3	-	-	

KEC International

Rating	**BUY**
Price	Rs470
Target Price	Rs666
Market Cap. (Rs bn)	24.1
Shares o/s (m)	49.3

KEC has an order book of Rs55bn in Q4FY10, which is 1.41x its FY10 sales. The transmission business explored new geographies and entered into new countries like Cameroon, Chad and Peru. In South Asia, the company made an entry into the high-potential North-East region, with four projects in the region valued at more than Rs6bn. It has also won a large number of orders from the State Utilities. All this together, with increased spending from PGCIL, will support order inflow growth for the company.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	39,072	47,003	54,054
EBITDA	4,059	4,801	5,521
Margin (%)	*10.4*	*10.2*	*10.2*
PAT	1,897	2,386	2,853
EPS (Rs)	37.0	46.5	55.6
RoE (%)	*29.8*	*29.3*	*27.5*
PE (x)	12.7	10.1	8.5
P / BV (x)	3.4	2.6	2.1
EV / E (x)	6.8	5.7	4.7

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	8,461	7,264	*16.5*	13,564	47,003	39,072	*20.3*
EBITDA	864	656	*31.8*	1,321	4,801	4,059	*18.3*
Margin (%)	*10.2*	*9.0*	*1.2*	*9.7*	*10.2*	*10.4*	*(0.2)*
Reported PAT	405	382	*6.1*	627	2,385	1,897	*25.8*
PAT (Excl. Ex Items)	405	382	*6.1*	627	2,385	1,897	*25.8*
Operating Metrics							
Rm % sales	56.0	57.1	*(1.3)*	57.6	53.3	51.5	*1.8*
% full year sales	18.0	18.6	*(0.6)*	34.7	-	-	

Thermax

Rating	**Not rated**
Price	Rs192
Target Price	NA
Market Cap. (Rs bn)	15.4
Shares o/s (m)	119.2

Thermax recently announced its foray into the Power Equipment space through JV with *Babcock & Wilcox*. The re-tendering of NTPC bulk tenders will give Thermax an opportunity to bid for these tenders. The company already has a JV in place and is in the process of acquiring land for JV. We expect a top-line growth of 12.6% and PAT growth of 3.8%.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	33,703	42,272	55,477
EBITDA	3,912	4,677	6,200
Margin (%)	*11.6*	*11.1*	*11.2*
PAT	1,436	3,221	4,333
EPS (Rs)	12.1	27.0	36.4
RoE (%)	*14.3*	*27.8*	*30.1*
PE (x)	10.7	4.8	3.6
P / BV (x)	1.5	1.2	1.0
EV / E (x)	2.4	2.3	1.4

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	6,054	5,376	*12.6*	12,193	42,272	33,703	*25.4*
EBITDA	708	689	*2.8*	1,466	4,677	3,912	*19.6*
Margin (%)	*11.7*	*12.8*	*(1.1)*	*12.0*	*11.1*	*11.6*	*(0.5)*
Reported PAT	483	465	*3.8*	992	3,221	1,436	*124.2*
PAT (Excl. Ex Items)	483	465	*3.8*	992	3,221	1,436	*124.2*
Operating Metrics							
Energy segment	4,614	4,194	*10.0*	9,072	28,914	24,082	*20.1*
Environment segment	1,440	1,252	*15.0*	3,478	9,638	8,410	*14.6*

Jyoti Structures

Rating	**BUY**
Price	Rs150
Target Price	Rs182
Market Cap. (Rs bn)	12.3
Shares o/s (m)	81.7

JSL has an order book of Rs41bn in Q4FY10, which is 2.05x its FY10 sales. The company has been selective in picking orders due to increased competitive intensity in the industry. However, given the fact that PGCIL is expected to spend ~Rs130bn in the current year, we expect the order flow momentum to pick up for the company. We expect a flat top-line growth and EBITDA margins of 10.6%.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	20,060	23,340	27,517
EBITDA	2,273	2,698	3,039
Margin (%)	*11.3*	*11.6*	*11.0*
PAT	919	1,123	1,350
EPS (Rs)	11.2	13.8	16.5
RoE (%)	*20.0*	*20.4*	*20.4*
PE (x)	13.3	10.9	9.1
P / BV (x)	2.5	2.0	1.7
EV / E (x)	6.7	5.6	4.9

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	4,901	4,847	*1.1*	5,456	23,340	20,060	*16.4*
EBITDA	521	528	*(1.4)*	698	2,698	2,273	*18.7*
Margin (%)	*10.6*	*10.9*	*(0.3)*	*12.8*	*11.6*	*11.3*	*0.2*
Reported PAT	211	222	*(5.1)*	252	1,123	919	*22.3*
PAT (Excl. Ex Items)	211	222	*(5.1)*	252	1,123	919	*22.3*
Operating Metrics							
RM % sales	63	63	*(0.6)*	57	65	62	*5.6*
% Full year sales	21	24	*(13.1)*	27	-	-	-

Hindustan Dorr Oliver

Rating	**Buy**
Price	Rs122
Target Price	Rs153
Market Cap. (Rs bn)	8.8
Shares o/s (m)	72.0

HDO has an order book of Rs14bn, executable over the next 12-18 months and is 1.68x its FY10 sales. We expect the growth momentum to continue, with sales growth of 30% and EBITDA margin of 12%.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	8,712	11,901	16,423
EBITDA	1,009	1,369	1,889
Margin (%)	*11.6*	*11.5*	*11.5*
PAT	555	767	1,106
EPS (Rs)	7.7	10.7	15.4
RoE (%)	*27.7*	*29.8*	*32.7*
PE (x)	15.8	11.5	7.9
P / BV (x)	3.9	3.0	2.3
EV / E (x)	9.3	7.4	5.3

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	2,490	1,804	38.0	2,695	11,901	8,712	36.6
EBITDA	301	223	35.0	269	1,369	1,009	35.7
Margin (%)	*12.1*	*12.4*	*(0.3)*	*10.0*	*11.5*	*11.6*	*(0.1)*
Reported PAT	170	128	32.5	128	767	555	38.2
PAT (Excl. Ex Items)	170	128	32.5	128	767	555	38.2
Operating Metrics							
RM % sales	80.7	80.6	0.1	82.5	80.0	80.6	(0.6)
ETR	34.0	32.5	1.5	39.1	34.0	33.7	0.3

Action Construction

Rating	**BUY**
Price	Rs49
Target Price	Rs69
Market Cap. (Rs bn)	4.4
Shares o/s (m)	89.9

Being closely related to the domestic industrial activities and capex cycle, we expect a significant demand revival in volumes. On the back of lower base and increased volume we expect the top line to grow by 60% YoY for the quarter. EBITDA margin are likely to improve by 310bps on account of improved utilization.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	4,297	6,485	8,328
EBITDA	364	661	866
Margin (%)	*8.5*	*10.2*	*10.4*
PAT	271	472	619
EPS (Rs)	3.0	5.3	6.9
RoE (%)	*16.1*	*23.6*	*25.1*
PE (x)	16.3	9.4	7.1
P / BV (x)	2.5	2.0	1.6
EV / E (x)	12.1	7.0	5.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	1,294	809	*60.1*	1,438	6,485	4,297	*50.9*
EBITDA	127	54	*132.9*	134	661	364	*81.9*
Margin (%)	*9.8*	*6.7*	*3.1*	*9.3*	*10.2*	*8.5*	*1.7*
Reported PAT	88	34	*159.0*	97	472	271	*74.3*
PAT (Excl. Ex Items)	88	34	*159.0*	97	472	271	*74.3*
Operating Metrics							
RM % sales	79.8	76.7	*3.1*	82.2	80.0	80.2	*(0.2)*
ETR	26.0	24.9	*1.1*	26.3	24.6	23.5	*1.1*
% full year sales	20.0	18.8	*1.1*	33.5	-	-	

Kamlesh Bagmar
KamleshBagmar@PLIndia.com
+91-22-6632 2236

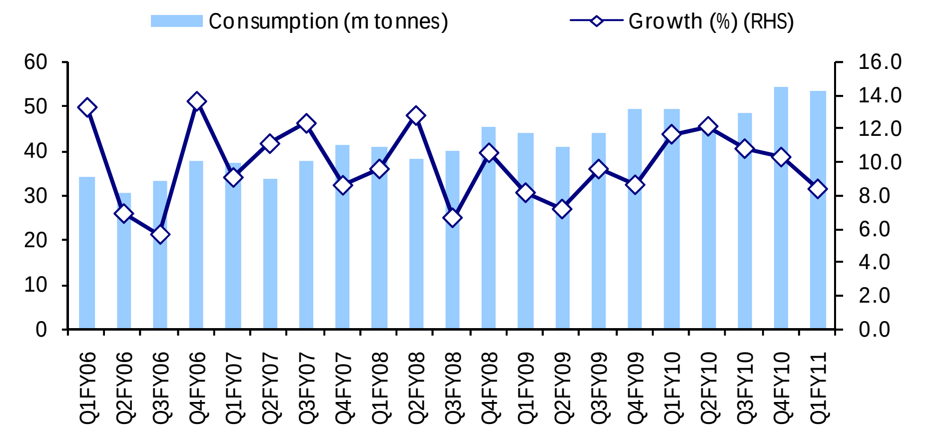
Archit Singhal
ArchitSinghal@PLIndia.com
+91-22-6632 2256

Cement

Domestic cement demand grew by 9% during April-May2010 and we expect it to settle at 8.4% for the quarter owing to weakness in the demand in the Central and Southern region.

Demand in the Central region cooled down to 9% for the quarter after reporting strong growth in excess of 12% in the past six consecutive quarters prior to the current quarter. Demand in the region continues to remain weak owing to reduced state government spending on infrastructure and reduced construction activity on account of severe heat waves and water shortage. Following the Central region, demand in the Eastern region came off to 10%, well below its preceding six quarter's average of 17%. Northern region's cement demand grew by 10% for the quarter on the back of strong construction activity in the NCR region associated with Common wealth games and better demand from individual housing segment in Rajasthan and Punjab. Western region outperformed all the regions, with growth of 16% on the back of strong demand from Real estate and Infrastructure sector. However, Southern region, extending its weakness further, demand in the region grew at 1% for the quarter.

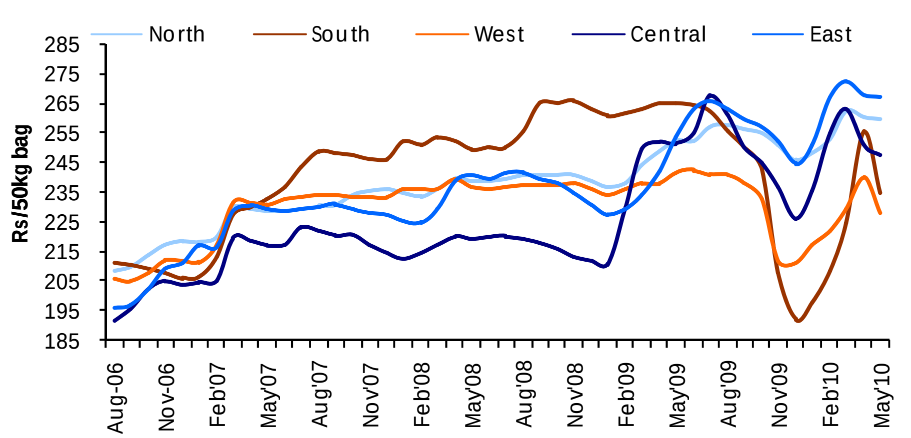
All India consumption and Growth



Source: CMA, PL Research

Among the regions, cement prices witnessed sharp fall in Southern and Central region. Prices in the Southern region remained firm till mid of April 2010 owing to well-bonded industry discipline, production cut from mini cement players due to power shortages in Andhra region and shortage of trucks and wagons for free movement of material by traders and stockists to exploit the arbitrage. However, the prices in the region witnessed an average cut of Rs40 in the past two months from the peak (attained at mid of April) on account of under-cutting by the players, weak demand and re-start of production at mini plants. However, QoQ, prices for the region were up by an average of Rs15-18 per bag for the quarter. Prices in the Central region fell by an average of Rs25 during the quarter to the current level of Rs250 per bag owing to weak demand, increased supplies from the Northern region and lack of infrastructure spending at State Government level. Prices in the Northern region remain stable despite a weak demand in its neighbouring Central region. Eastern region witnessed nominal cut of Rs5-7 per bag owing to increased supplies from the Andhra region. In the Western region, prices remain firm with an average increase of Rs5-8 in Maharashtra. However, prices corrected by an average of Rs12-15 per bag in Gujarat due to a slowdown in construction associated with shortage of water and severe heat waves.

Region wise prices



Source: CMA, PL Research

We maintain our **Underweight** rating on the sector, primarily on account of massive addition across the regions. We expect sharp cuts in the sector earnings on the back of intense competitive rivalry (due to cross regional additions by the players) and huge capacity additions carried out across the regions.

Top picks: Grasim Industries

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	493,506	508,482	550,423
Growth (%)	*9.5*	*3.0*	*8.2*
EBITDA	147,209	131,648	131,296
Margin (%)	*29.8*	*25.9*	*23.9*
PAT	83,335	66,548	60,137
Growth (%)	*28.5*	*(20.1)*	*(9.6)*
PE (x)	8.5	10.6	11.7

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	112,252	109,096	*3.0*	114,186	*(1.6)*
EBITDA	30,741	35,196	*(12.6)*	36,000	*(14.6)*
Margin (%)	*27.4*	*32.3*	*(5.0)*	*31.5*	*(4.1)*
PAT (Excl. Ex Items)	18,212	21,697	*(16.06)*	16,639	*9.5*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Ambuja Cement

Rating	**Reduce**
Price	Rs113
Target Price	Rs110
Market Cap. (Rs bn)	172.3
Shares o/s (m)	1,524.9

Net revenue is expected to grow by 11.7% YoY on the back of 13% volume growth and flat realisation. EBITDA would grow by 36.7% to Rs6.6bn due to reduced buying of clinker from outside and lower power cost. EBITDA per tonne would expand by 20.9% YoY to Rs1,202, while QoQ, it would grow by 2%. Adjusted PAT would grow by 30.5% YoY to Rs4.2bn.

Key Figures **(Rs m)**

	CY09	CY10E	CY11E
Net Sales	70,769	74,451	80,298
EBITDA	18,669	22,531	23,255
Margin (%)	*26.4*	*30.3*	*29.0*
PAT	11,872	14,007	13,668
EPS (Rs)	7.8	9.2	9.0
RoE (%)	*20.1*	*20.5*	*17.4*
PE (x)	14.7	12.3	12.6
P / BV (x)	2.7	2.3	2.1
EV / E (x)	8.9	7.3	6.9

Quarterly Table **(Rs m)**

Y/e Dec	Q2 CY10E	Q2 CY09	*YoY gr. (%)*	Q1 CY10	H1 CY10E	H1 CY09	*YoY gr. (%)*
Net Sales	20,829	18,474	*11.7*	19,902	41,859	40,578	*3.2*
EBITDA	6,556	4,797	*36.7*	6,227	13,911	12,628	*10.2*
Margin (%)	*31.5*	*26.0*	*5.1*	*31.3*	*33.2*	*31.1*	*2.1*
Reported PAT	4,238	3,247	*30.5*	4,622	8,860	7,484	*18.4*
PAT (Excl. Ex Items)	4,238	3,247	*30.5*	4,421	8,659	7,484	*15.7*
Operating Metrics							
Volume (m te)	5.5	4.8	*13.0*	5.3	10.7	9.9	*8.6*
Net Realisations (Rs/te)	3,820	3,829	*(0.2)*	3,776	3,904	4,109	*(5.0)*
EBITDA/ te (Rs/te)	1,202	994	*20.9*	1,181	1,297	1,279	*1.5*

Grasim Industries

Rating	**Accumulate**
Price	Rs1,820
Target Price	Rs2,200
Market Cap. (Rs bn)	166.9
Shares o/s (m)	91.7

Impacted by lower VSF sales volume due to shutdown of Nagda facility and increase in cost of production associated with rise in pulp and sulphur prices, EBITDA is expected to fall by 15% QoQ despite of VSF realizations being higher by Rs2/kg QoQ. PAT would fall by 22% to Rs2.3bn, primarily due to higher tax rate and lower other income.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	195,702	201,490	209,698
EBITDA	59,541	52,012	48,451
Margin (%)	*30.4*	*25.8*	*23.1*
PAT	34,146	23,459	21,042
EPS (Rs)	372.4	255.9	229.5
RoE (%)	*26.0*	*15.0*	*12.1*
PE (x)	4.9	7.1	7.9
P / BV (x)	1.1	1.0	0.9
EV / E (x)	3.3	3.5	3.1

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10*	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	10,520	30,453	(65.5)	11,037	201,490	195,702	3.0
EBITDA	2,570	8,853	(71.0)	3,037	52,012	59,541	(12.6)
Margin (%)	*24.4*	*29.1*	*(4.6)*	*27.5*	*25.8*	*30.4*	*(4.6)*
Reported PAT	2,266	5,305	(57.3)	2,894	23,459	34,146	(31.3)
PAT (Excl. Ex Items)	2,266	5,305	(57.3)	2,894	23,459	34,146	(31.3)
Operating Metrics							
VSF-Volume Sales (te)	80,902	67,418	20.0	85,714	317,276	304,953	4.0
VSF-Realisation (Rs/te)	113,638	97,543	16.5	111,644	110,372	106,500	3.6
VSF-EBITDA/ton Rs	31,766	29,384	8.1	42,373	39,089	45,148	(13.4)

** YoY not comparable due to demerger of cement business.*

ACC

Rating	**Sell**
Price	Rs854
Target Price	Rs784
Market Cap. (Rs bn)	160.5
Shares o/s (m)	187.9

Net revenue would fall by 1.3% YoY due to 2% fall in volume and 1% fall in realizations with flat revenues in RMC business. EBITDA is expected to fall by 19.1% YoY (5% QoQ fall) due to higher other expenses, energy cost and lower volumes. On per tonne basis, EBITDA is expected to fall by 17.5% YoY (flat QoQ) to Rs 1,106. PAT would decline by 22.4% YoY (7% QoQ fall) to Rs3.7bn.

Key Figures (Rs m)

	CY09	CY10E	CY11E
Net Sales	84,796	86,597	101,885
EBITDA	24,623	20,304	21,468
Margin (%)	*29.0*	*23.4*	*21.1*
PAT	15,639	12,266	12,192
EPS (Rs)	83.2	65.3	64.9
RoE (%)	*29.2*	*19.6*	*17.3*
PE (x)	10.3	13.1	13.2
P / BV (x)	2.7	2.4	2.2
EV / E (x)	6.7	8.4	7.5

Quarterly Table (Rs m)

Y/e Dec	Q2 CY10E	Q2 CY09	YoY gr. (%)	Q1 CY10	H1 CY10E	H1 CY09	YoY gr. (%)
Net Sales	21,565	21,882	(1.3)	22,404	43,969	44,636	1.2
EBITDA	5,877	7,265	(19.1)	6,194	13,289	14,631	(9.2)
Margin (%)	*27.2*	*34.9*	*(7.7)*	*29.6*	*29.4*	*32.8*	*(3.4)*
Reported PAT	3,655	4,710	(22.4)	3,919	7,585	8,703	(12.9)
PAT (Excl. Ex Items)	3,655	4,710	(22.4)	3,919	7,585	8,703	(12.9)
Operating Metrics							
Sales (M tonnes)	5.3	5.4	-2.0	5.6	10.9	11.2	(2.3)
Net Realisations /Tonne	3,805	3,840	(0.9)	3,767	4,037	3,903	3.6
EBITDA/ Tonne	1,106	1,340	(17.5)	1,110	1,220	1,312	(7.0)

Shree Cement

Rating	**Accumulate**
Price	Rs1,905
Target Price	Rs2,374
Market Cap. (Rs bn)	66.4
Shares o/s (m)	34.8

Cement revenue is expected to fall by 6% YoY on the back of 1.6% volume fall and 4.1% realisation decline. Power business's revenue would grow by 274% YoY and 152% QoQ to Rs1.4bn on the back of 300% YoY and 69% QoQ growth in power sales volume at 210m units with realized rate of Rs6.5 per unit. EBITDA is expected to fall by 20.2% YoY due to higher power and fuel and Freight cost. EBITDA per tonne would fall by 19% YoY to Rs1,370.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	36,121	38,838	45,124
EBITDA	14,940	13,117	13,910
Margin (%)	*41.4*	*33.8*	*30.8*
PAT	7,230	6,895	3,858
EPS (Rs)	207.5	197.9	110.7
RoE (%)	*47.5*	*32.0*	*14.5*
PE (x)	9.2	9.6	17.2
P / BV (x)	3.6	2.7	2.3
EV / E (x)	5.1	5.9	4.9

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	9,724	9,224	3.7	9,440	38,838	36,121	7.5
EBITDA	3,436	4,250	(20.2)	3,255	13,117	14,940	(12.2)
Margin (%)	*35.3*	*46.1*	*(10.8)*	*34.5*	*33.8*	*41.4*	*(7.6)*
Reported PAT	2,110	2,911	(27.5)	(859)	6,895	6,596	4.5
PAT (Excl. Ex Items)	2,110	2,953	(28.6)	(310)	6,895	7,230	(4.6)
Operating Metrics							
Volume (m te)-Cement	2.5	2.5	-1.6	2.7	11.0	10.3	7.2
Net Realisations (Rs/te)	3,334	3,477	(4.1)	3,321	3,125	3,368	(7.2)
EBITDA/ te (Rs/te)	1,370	1,668	(19.0)	1,215	1,194	1,457	(18.1)

UltraTech Cement

Rating	**Reduce**
Price	Rs862
Target Price	Rs851
Market Cap. (Rs bn)	107.5
Shares o/s (m)	124.7

Marred by depressed domestic realisations and sharp cut in clinker export realisations, net revenue is likely to fall by 10.1% to Rs17.5bn. Domestic cement realisations would fall by 9% YoY to Rs3,448, while its clinker exports realisations would be down by 34% YoY to Rs1,380 (clinker exports constitute ~9% of total volume). EBITDA would decline by 37.6% YoY, primarily due to poor realisations and higher other expenses. Accordingly, EBITDA per tonne is expected to fall by 34.5% YoY to Rs884.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	69,952	69,525	73,103
EBITDA	20,831	16,417	15,753
Margin (%)	*29.8*	*23.6*	*21.5*
PAT	11,164	7,752	7,193
EPS (Rs)	89.6	62.2	57.7
RoE (%)	*27.1*	*15.6*	*12.7*
PE (x)	9.6	13.9	14.9
P / BV (x)	2.3	2.0	1.8
EV / E (x)	6.0	7.4	7.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	17,548	19,528	*(10.1)*	19,094	69,525	69,952	*(0.6)*
EBITDA	4,474	7,168	*(37.6)*	4,026	16,417	20,831	*(21.2)*
Margin (%)	*25.5*	*36.7*	*(11.2)*	*21.1*	*23.6*	*29.8*	*(6.2)*
Reported PAT	2,317	4,178	*(44.5)*	2,285	7,752	11,164	*(30.6)*
PAT (Excl. Ex Items)	2,317	4,178	*(44.5)*	2,285	7,752	11,164	*(30.6)*
Operating Metrics							
Sales (m tonnes)	5.1	5.3	*(4.7)*	5.7	20.0	19.2	*4.5*
Net realisation/Tonne	3,469	3,678	*(5.7)*	3,350	3,149	3,385	*(7.0)*
EBITDA/ Tonne	884	1,350	*(34.5)*	706	820	1,087	*(24.6)*

Samruddhi Cement

Rating	**NA**
Price	Rs473
Target Price	NA
Market Cap. (Rs bn)	124.7
Shares o/s (m)	261.7

Revenue is expected to remain flat QoQ on account of flat realizations in both grey and cement business along with flat volumes. EBITDA is expected to decline by 0.7% QoQ to Rs5.95bn, with an EBITDA per tonne of Rs1,085 v/s Rs1,095 in the previous quarter. PAT is expected to fall marginally by 1.1% to Rs3.1bn due to higher interest and depreciation cost.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	69,952	69,525	73,103
EBITDA	20,831	16,417	15,753
Margin (%)	*29.8*	*23.6*	*21.5*
PAT	11,164	7,752	7,193
EPS (Rs)	89.6	62.2	57.7
RoE (%)	*27.1*	*15.6*	*12.7*
PE (x)	9.6	13.9	14.9
P / BV (x)	2.3	2.0	1.8
EV / E (x)	6.0	7.4	7.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q4 FY10	*QoQ gr. (%)*	Q1 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	22,551	22,666	*(0.5)*	-	-	-	-
EBITDA	5,953	5,994	*(0.7)*	-	-	-	-
Margin (%)	*26.4*	*26.4*	*-*	*-*	*-*	*-*	*-*
Reported PAT	3,103	3,136	*(1.1)*	-	-	-	-
PAT (Excl. Ex Items)	3,103	3,136	*(1.1)*	-	-	-	-
Operating Metrics							
Volume (Mn tonnes)	5.5	5.5	*0.2*	-	-	-	-
EBITDA per tonne	1,085	1,095	*(0.9)*	-	-	-	-
Realisation per tonne	3,419	3,378	*1.2*	-	-	-	-

India Cement

Rating	**Sell**
Price	Rs107
Target Price	Rs104
Market Cap. (Rs bn)	32.8
Shares o/s (m)	307.0

Despite a sharp cut of 8.1% YoY in the realizations, net revenue grew by 1.6% on the back of 10.7% volume growth. EBITDA (including EBITDA of Rs220m from the IPL team against 12m loss in the Q1FY10) would fall by 31.1% due to higher freight cost and other expenses. Cement EBITDA per tonne would decline by 47.3% YoY to Rs635. Adjusted PAT would decline by 48.7% to Rs668m.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	36,167	37,581	40,314
EBITDA	8,606	7,267	8,460
Margin (%)	*23.8*	*19.3*	*21.0*
PAT	3,434	2,169	2,184
EPS (Rs)	11.2	7.1	7.1
RoE (%)	*10.6*	*6.0*	*5.9*
PE (x)	9.5	15.1	15.0
P / BV (x)	0.9	0.9	0.9
EV / E (x)	6.1	7.7	6.7

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	9,690	9,535	*1.6*	9,643	37,581	36,167	*3.9*
EBITDA	1,973	2,863	*(31.1)*	1,260	7,267	8,606	*(15.6)*
Margin (%)	*20.4*	*30.0*	*(9.7)*	*13.1*	*19.3*	*23.8*	*(4.5)*
Reported PAT	595	1,443	*(58.7)*	383	2,169	3,434	*(36.8)*
PAT (Excl. Ex Items)	668	1,304	*(48.7)*	294	2,169	3,434	*(36.8)*
Operating Metrics							
Volume (m te)	2.7	2.5	*10.7*	3.0	12.3	10.5	*17.0*
Net Realisations (Rs/te)	3,378	3,677	*(8.1)*	3,125	2,928	3,309	*(11.5)*
EBITDA/ te (Rs/te)	635	1,207	*(47.3)*	350	591	819	*(27.8)*

Rupa Shah
RupaShah@PLIndia.com
+91-22-6632 2244

Construction & Engineering

Onset of a better year

Construction activities in Q1FY11 are expected to move at a slow pace on account of the onset of monsoons and absence of irrigation projects. However, on account of the *Common wealth games* to be held in New Delhi in October 2010, the NCR region is experiencing strong construction activities.

We expect most of the companies to report healthy growth in their earnings over the last year; the primary reason being the lower base effect and strong order book. With a highest BTB ratio in the last three years, the sector's visibility in earnings is expected to be apparent.

Thus, we expect our CE universe to register a YoY growth of 16.6% in its top-line, while EBITDA margins are expected to decrease by 40bps and Adjusted PAT is expected to remain almost flat.

Some of the major orders in the construction space are listed as follows:

Company	Order size Rs (bn)	Sector/Scope
IVRCL	31	BOT, Maharashtra-Goa
IVRCL	5.3	Industrial, National Automotive
Punj Lloyd	15	Infrastructure, Singapore
Larsen & Toubro	8.3	SEPCO, Power
Larsen & Toubro	10.6	GSPC, O&G

Source: Company Data

Top picks: L&T, IVRCL

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	720,676	886,982	1,066,090
Growth (%)	*7.9*	*23.1*	*20.2*
EBITDA	85,280	115,923	142,156
Margin (%)	*11.8*	*13.1*	*13.3*
PAT	38,550	52,635	63,912
Growth (%)	*14.4*	*36.5*	*21.4*
PE (x)	41.4	30.3	24.9

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	184,315	158,034	*16.6*	228,717	*(19.4)*
EBITDA	22,066	19,570	*12.7*	23,801	*(7.3)*
Margin (%)	*12.0*	*12.4*	*(0.4)*	*10.4*	*1.6*
PAT (Excl. Ex Items)	9,237	9,144	*1.0*	11,969	*(22.8)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Larsen & Toubro

Rating	**Accumulate**
Price	Rs1,800
Target Price	Rs1,875
Market Cap. (Rs bn)	1,084.0
Shares o/s (m)	602.1

L&T's order inflow was robust to the tune of Rs40bn in Q1FY11. The company has received balanced orders from all sectors, the largest being Rs1bn from *Gujarat State Petroleum Company's (GSPC's)* oil platform. We expect the company to continue posting a good revenue run rate, flat EBITDA margins YoY at 10.7% and reduction in interest cost and depreciation charges. However, PAT is expected to rise marginally on account of reduction in other income.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	84,250	73,627	*14.4*	133,749	443,420	366,752	*20.9*
EBITDA	9,037	7,863	*14.9*	18,404	52,705	44,558	*18.3*
Margin (%)	*10.7*	*10.7*	*0.4*	*13.8*	*11.9*	*12.1*	*(0.3)*
Reported PAT	6,108	15,982	*(61.8)*	14,380	35,855	43,754	*(18.1)*
PAT (Excl. Ex Items)	6,108	5,783	*5.6*	13,373	35,855	31,649	*13.3*
Operating Metrics							
E&C (%)	88.0	86.0	*2.3*	87.3	78.0	85.3	*(8.6)*
E&E (%)	7.0	8.0	*(12.5)*	7.1	8.0	7.9	*1.5*
MIP (%)	5.0	6.0	*(16.7)*	4.9	8.0	5.9	*36.6*
Others (%)	-	1.0		0.7	6.0	1.0	*523.5*
Order Book (Rs bn)	1,052	716	*46.9*	1,002	968	712	*36.0*
Interest as a % to sales	1.2	1.5	*(22.7)*	1.0	1.3	1.4	*(6.7)*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	366,752	443,420	539,612
EBITDA	44,558	52,705	62,715
Margin (%)	*12.1*	*11.9*	*11.6*
PAT	31,649	35,855	41,468
EPS (Rs)	52.6	59.5	68.9
RoE (%)	*20.2*	*17.7*	*17.9*
PE (x)	34.2	30.2	26.1
P / BV (x)	5.8	5.0	4.4
EV / E (x)	25.4	21.7	18.6

GMR Infrastructure

Rating	**Reduce**
Price	Rs60
Target Price	Rs57
Market Cap. (Rs bn)	263.2
Shares o/s (m)	4,394.3

GMR's power subsidiary, *GMR Energy*, has inked an agreement with Singapore-based '*Temasek Holdings*' to invest US$200m through convertible equity. We expect stable revenues from airport and road. However, the power revenues may be short on account of lower realization and plant shutdowns.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	13,296	11,775	*12.9*	11,250	57,807	45,665	*26.6*
EBITDA	3,928	3,213	*22.2*	3,146	19,570	13,643	*43.4*
Margin (%)	*29.5*	*27.3*	*8.3*	*28.0*	*33.9*	*29.9*	*4.0*
Reported PAT	192	255	*(24.7)*	731	1,787	1,584	*12.8*
PAT (Excl. Ex Items)	192	255	*(24.7)*	731	1,787	1,584	*12.8*
Operating Metrics							
Airports	40.0	27.0	*13.0*	38.5	32.8	30.7	*2.1*
Power	30.0	53.4	*(23.4)*	38.1	42.5	46.8	*(4.3)*
Roads	12.0	6.5	*5.5*	8.1	8.1	7.4	*0.7*
Others	18.0	13.6	*4.4*	16.2	16.7	16.0	*0.7*
Blended EBIDTA margins %	29.5	27.3	*2.3*	28.0	33.9	29.9	*4.0*
Interest as a % to sales	15.4	13.6	*1.9*	19.8	16.9	15.8	*1.1*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	45,665	57,807	69,074
EBITDA	13,643	19,570	27,952
Margin (%)	*29.9*	*33.9*	*40.5*
PAT	1,584	1,787	5,251
EPS (Rs)	0.4	0.4	1.2
RoE (%)	*2.4*	*2.3*	*5.8*
PE (x)	138.7	147.3	50.1
P / BV (x)	3.3	3.0	2.8
EV / E (x)	31.7	25.5	17.9

IVRCL

Rating	**Accumulate**
Price	Rs185
Target Price	Rs213
Market Cap. (Rs bn)	49.5
Shares o/s (m)	268.2

The IVRCL Group has won a 122km DBFOT road project worth Rs31bn apart from other orders aggregating to Rs22bn. We expect the company's revenues to grow by 20.4% YoY and PAT is expected to grow by 13.6% YoY, with stable EBITDA margins.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	54,771	65,037	76,888
EBITDA	5,161	6,114	7,142
Margin (%)	*9.4*	*9.4*	*9.3*
PAT	2,110	2,564	2,908
EPS (Rs)	7.9	9.6	10.8
RoE (%)	*11.6*	*13.2*	*13.3*
PE (x)	23.5	19.3	17.0
P / BV (x)	2.7	2.4	2.1
EV / E (x)	13.6	12.3	10.8

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	13,007	10,807	*20.4*	18,870	65,037	54,771	*18.7*
EBITDA	1,076	943	*14.1*	1,950	6,114	5,161	*18.5*
Margin (%)	*8.3*	*8.7*	*(5.2)*	*10.3*	*9.4*	*9.4*	*(0.0)*
Reported PAT	399	351	*13.6*	852	2,564	2,110	*21.5*
PAT (Excl. Ex Items)	399	351	*13.6*	852	2,564	2,110	*21.5*
Operating Metrics							
Transportation (%)	18.0	15.0	*3.0*	12.0	30.0	12.0	*18.0*
Water (%)	42.0	57.0	*(15.0)*	46.0	35.0	46.0	*(11.0)*
Power (%)	10.0	20.0	*(10.0)*	9.0	20.0	9.0	*11.0*
Buildings & Oil (%)	30.0	8.0	*22.0*	33.0	15.0	33.0	*(18.0)*
Order Book (Rs bn)	230	139	*65.5*	200	325	200	*62.3*
Interest as a % to sales	2.7	3.6	*(0.9)*	2.8	2.7	2.6	*0.1*

Nagarjuna Construction

Rating	**Accumulate**
Price	Rs184
Target Price	Rs214
Market Cap. (Rs bn)	47.2
Shares o/s (m)	256.6

NCC's order inflow this quarter was not very significant where it received projects aggregating to Rs8bn. We expect the company's YoY revenues to grow by 12.3% YoY and PAT to be flat YoY.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	47,753	56,175	66,312
EBITDA	4,810	5,653	6,346
Margin (%)	*10.1*	*10.1*	*9.6*
PAT	1,831	2,157	2,393
EPS (Rs)	7.1	8.4	9.3
RoE (%)	*9.6*	*9.8*	*9.9*
PE (x)	25.8	21.9	19.7
P / BV (x)	2.2	2.0	1.9
EV / E (x)	12.2	11.3	10.4

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	11,235	10,004	*12.3*	15,218	56,175	47,753	*17.6*
EBITDA	1,131	1,032	*9.6*	1,518	5,653	4,810	*17.5*
Margin (%)	*10.1*	*10.3*	*(2.4)*	*10.0*	*10.1*	*10.1*	*(0.0)*
Reported PAT	389	382	*1.6*	531	2,157	1,831	*17.8*
PAT (Excl. Ex Items)	389	382	*1.6*	1,026	2,157	1,831	*17.8*
Operating Metrics							
Transportation (%)	20.0	21.0	*(1.0)*	15.0	15.0	15.0	*0.0*
Water (%)	15.0	21.0	*(6.0)*	22.0	28.0	25.0	*3.0*
Power/Elc./Metals/O&G	15.0	20.0	*(5.0)*	16.0	15.0	16.0	*(1.0)*
Buildings (%)	28.0	25.0	*3.0*	25.0	27.0	25.0	*2.0*
International (%)	22.0	13.0	*9.0*	19.0	15.0	19.0	*(4.0)*
Order Book (Rs bn)	170	139	*22.3*	153	209	153	*36.8*

Punj Lloyd

Rating	**Accumulate**
Price	Rs137
Target Price	Rs149
Market Cap. (Rs bn)	45.3
Shares o/s (m)	331.9

Punj has grounded its mark in solar power related projects by winning the largest solar water treatment plants EPC in India. Along with this, the company has won Rs30bn project nationally and overseas. We expect Punj to post a 20.7% YoY growth in sales on account of a large order backlog and 8.3% EBITDA margins. However, any losses booked on orders may result into a loss.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	35,670	29,551	*20.7*	17,001	137,194	104,478	*31.3*
EBITDA	2,976	2,918	*2.0*	(5,911)	12,167	1,274	*855.2*
Margin (%)	*8.3*	*9.9*	*(15.5)*	*(34.8)*	*8.9*	*1.2*	*7.6*
Reported PAT	786	1,272	*(38.2)*	(5,749)	3,355	(1,084)	*LTP*
PAT (Excl. Ex Items)	786	1,272	*(38.2)*	(6,876)	3,355	(3,824)	*LTP*
Operating Metrics							
Pipeline (%)	45.0	40.0	*5.0*	47.0	22.8	46.0	*(23.2)*
Tankages (%)	1.0	3.0	*(2.0)*	2.0	4.0	2.0	*2.0*
Process (%)	25.0	33.0	*(8.0)*	30.0	14.6	30.0	*(15.4)*
Infrastructure (%)	29.0	21.0	*8.0*	21.0	58.0	21.0	*37.0*
Order Book (Rs bn)	317	279	*13.6*	277	272	277	*(1.8)*
Interest as a % to sales	3.5	2.5	*0.9*	4.3	3.7	2.9	*0.8*

** Our estimated nos. do not include any project losses*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	104,478	137,194	157,773
EBITDA	1,274	12,167	14,237
Margin (%)	*1.2*	*8.9*	*9.0*
PAT	(3,824)	3,355	3,778
EPS (Rs)	(11.5)	10.1	11.4
RoE (%)	*(13.6)*	*10.3*	*10.5*
PE (x)	(11.8)	13.5	12.0
P / BV (x)	1.5	1.3	1.2
EV / E (x)	65.6	8.7	8.3

Era Infra Engineering

Rating	**Accumulate**
Price	Rs209
Target Price	Rs245
Market Cap. (Rs bn)	40.4
Shares o/s (m)	193.9

We expect the company to report a robust top-line growth of 36.4% YoY on account of faster execution of orders pertaining to the Common Wealth games and Power. PAT is expected to increase by 45% on account of a decrease in the depreciation charges.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	9,660	7,080	*36.4*	9,809	46,000	34,155	*34.7*
EBITDA	1,724	1,394	*23.7*	1,954	8,312	6,661	*24.8*
Margin (%)	17.9	19.7	*(9.3)*	19.9	18.1	19.5	*(1.4)*
Reported PAT	764	968	*(21.1)*	622	3,575	2,311	*54.7*
PAT (Excl. Ex Items)	764	528	*44.7*	622	3,575	2,311	*54.7*
Operating Metrics							
Infrastructure Revenues	90.0	79.7	*12.9*	88.9	85.5	87.0	*(1.6)*
Equipment Leasing	6.0	4.7	*27.7*	4.5	3.6	3.7	*(2.0)*
RMC & Trading	4.0	15.6	*(74.4)*	6.7	0.9	1.0	*(15.6)*
Interest as a % to Sales	5.6	7.7	*(26.9)*	7.5	5.4	7.5	*(28.3)*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	34,155	46,000	59,804
EBITDA	6,661	8,312	10,169
Margin (%)	*19.5*	*18.1*	*17.0*
PAT	2,311	3,575	4,187
EPS (Rs)	11.9	18.4	21.6
RoE (%)	*18.3*	*19.6*	*18.9*
PE (x)	17.5	11.3	9.7
P / BV (x)	2.5	2.0	1.7
EV / E (x)	8.8	7.4	6.6

Hindustan Const. Co.

Rating	**Accumulate**
Price	Rs117
Target Price	Rs131
Market Cap. (Rs bn)	35.5
Shares o/s (m)	303.3

HCC has closed the deal for acquisition of *Karl Steiner* and has also inked Egypt's *Orascom*, which is one of the leading construction players in the Middle East. The company has also successfully offloaded 74% stake in *247 Park,* Vikhroli (Mumbai) for Rs3bn. The entire deal values this project at an enterprise value of Rs7.7bn. We expect a YoY decline in the EBITDA margins on account of a road project execution. Interest cost is expected to decrease on account of debt repayment.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	10,008	8,760	*14.2*	10,850	43,514	36,292	*19.9*
EBITDA	1,063	1,151	*(7.6)*	1,230	5,451	4,280	*27.4*
Margin (%)	*10.6*	*13.1*	*(19.1)*	*11.3*	*12.5*	*11.8*	*0.7*
Reported PAT	172	182	*(5.8)*	430	1,079	816	*32.3*
PAT (Excl. Ex Items)	172	208	*(17.5)*	395	1,079	956	*12.8*
Operating Metrics							
Transportation (%)	23.0	38.0	*(15.0)*	15.0	30.0	15.0	*15.0*
Power (%)	50.0	29.0	*21.0*	52.0	40.0	52.0	*(12.0)*
Water (%)	21.0	20.0	*1.0*	29.0	25.0	29.0	*(4.0)*
Others (%)	6.0	13.0	*(7.0)*	4.0	5.0	4.0	*1.0*
Order Book (Rs bn)	188	154	*22.1*	188	207	188	*10.1*
Interest as a % to sales	4.9	6.4	*(1.5)*	4.1	5.6	5.7	*(0.0)*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	36,292	43,514	51,887
EBITDA	4,280	5,451	6,495
Margin (%)	*11.8*	*12.5*	*12.5*
PAT	956	1,079	1,182
EPS (Rs)	3.2	3.6	3.9
RoE (%)	*8.0*	*7.8*	*8.8*
PE (x)	37.1	32.9	30.0
P / BV (x)	2.6	2.6	2.7
EV / E (x)	13.5	12.0	10.7

Patel Engineering

Rating	**Accumulate**
Price	Rs420
Target Price	Rs484
Market Cap. (Rs bn)	29.3
Shares o/s (m)	69.8

PEL has won a contract for development of water-front project in Mauritius on 60 acres of land. The expected development is 10m sq.ft over the next 7-8 years and expected revenue generation is to the tune of Rs45bn. We expect PEL to report 11.8% YoY growth in sales, with 15.7% EBITDA margins.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	7,189	6,430	*11.8*	11,971	37,835	30,811	*22.8*
EBITDA	1,131	1,057	*7.0*	1,510	5,951	4,894	*21.6*
Margin (%)	*15.7*	*16.4*	*(4.3)*	*12.6*	*15.7*	*15.9*	*(0.2)*
Reported PAT	428	365	*17.4*	719	2,262	1,933	*17.0*
PAT (Excl. Ex Items)	428	365	*17.4*	719	2,262	1,933	*17.0*
Operating Metrics							
Hydro Power (%)	52.0	45.0	*7.0*	51.0	50.0	51.0	*(1.0)*
Irrigation (%)	15.0	25.0	*(10.0)*	26.0	35.0	26.0	*9.0*
Transportation (%)	26.0	30.0	*(4.0)*	23.0	15.0	23.0	*(8.0)*
Blended EBIDTA margins %	12.6	16.4	*(3.8)*	15.5	15.7	15.9	*(0.2)*
Interest as a % to sales	3.8	4.2	*(0.4)*	1.9	4.1	4.1	*(0.1)*
Order Book (Rs bn)	90.0	73.5	*22.4*	80.0	76.0	80.0	*(5.0)*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	30,811	37,835	44,740
EBITDA	4,894	5,951	7,100
Margin (%)	*15.9*	*15.7*	*15.9*
PAT	1,933	2,262	2,745
EPS (Rs)	27.7	32.4	39.4
RoE (%)	*14.8*	*13.3*	*14.1*
PE (x)	15.2	13.0	10.7
P / BV (x)	1.8	1.6	1.4
EV / E (x)	7.6	7.6	6.8

Gautam Duggad
GautamDuggad@PLIndia.com
+91-22-6632 2233

Consumer Staples

Food Inflation remains firm; no major pricing action: Food inflation for the quarter has remained firm, impacting not only the consumption demand but also the pricing decisions. Focus continued to remain on volume growth, given the heightened competitive intensity prevailing in the sector. Asian Paints has taken a price hike in May (4.15%) and also on July 1 (2-8% across the portfolio). Dabur too has taken price hikes in some of its SKU's (table on next page).

Monsoon performance will be a key trigger: Though for the month of June, rainfall was 16% below LPA (Long period average), it is still early and performance of monsoon will need to be closely monitored as it will have a significant impact on rural consumption demand as well as prices of agricultural inputs. One more draught can have deteriorating repercussions on the consumption demand at the rural level.

New launches/re-launches abound: ITC has entered the skin cream category, with the launch of its *Vivel* brand. Pricing of Vivel is extremely competitive vis-à-vis the leader (Fair & Lovely), with 9gm sku of Vivel being priced at a discount of nearly 30% as against the similar sku of F&L. HUL launched '*Sure*' anti-perspirant and re-launched *Pepsodent* with new communication. Marico has entered the breakfast cereal segment (~Rs5bn) with the test launch of *Saffola Oats* (Oats is Rs1.2bn segment growing at ~25%) in the Southern markets.

Expect revenue growth to moderate; EBITDA margins to remain flat: We expect sales growth for our coverage universe to moderate from 19.4% in Q4FY10 to 13.1%. This will be owing to a) absence of significant price hikes, except for ITC and b) continued firm food inflation which resulted in down-trading in some of the HPC categories at the mass end. We expect operating margins to remain flat for our coverage universe. This is on account of improved operating margins for ITC post the price hikes implemented in its Cigarettes portfolio after budget and also our expectations of nearly 200bps improvement in United Spirits' (UNSP's) operating margins led by lower input costs. This will offset our expectations of ~140bps EBITDA margin contraction in HUVR. We estimate PAT growth of 13.7% for Q1FY11E as against 15.3% in Q4FY10. Excluding Hindustan Unilever (HUVR), revenue, EBITDA and PAT should grow 16.9%, 19.5% and17.4%, respectively.

Expensive valuations for the coverage universe; relatively prefer ITC and Dabur: Post the recent outperformance of our coverage universe as well as broader FMCG basket, valuations look expensive and factor in most of the positives, in our view. Deriving material absolute upside will be difficult, unless earnings come significantly ahead of expectations. Relatively we prefer ITC and Dabur.

ITC enters Fairness cream category (Rs)

Weight (gms)	Fair & Lovely (HUVR)	Vivel (ITC)
9	7	5
15	18	NA
25	38	38
50	70	70
80	102	NA

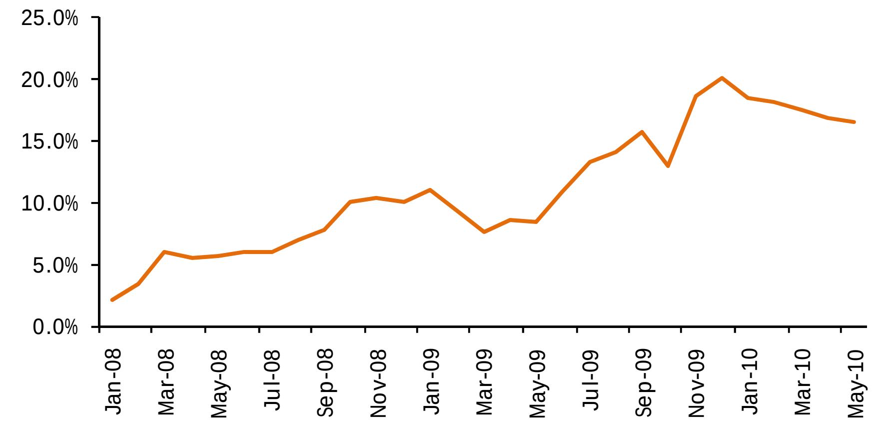
Source: Company Data, PL Research

Dabur has taken some price hikes during the quarter

SKU	MRP (May 31,2010)	MRP (Apr 30, 2010)	MRP (Mar 31, 2010)	*Change*
Odonil Blocks 100gms - Multipiece Pack	210	180	180	*17%*
Babool Mint Fresh Gel 70gm	17	15	15	*13%*
Babool Mint Fresh Gel 145gm	30	27	27	*11%*
Vatika Root Strengthening Shampoo 200ML	99	97	97	*2%*
Vatika Sun Protect Black Shampoo 200ml	99	97	97	*2%*
Vatika Smooth & Silky Shampoo 200 ml	99	97	97	*2%*
Odonil Blocks 50gm Mix	22	22	20	*10%*
Odonil Blocks 75gm Mix	30	30	27	*11%*
Odonil Blocks 75gm Lavander Meadows	30	30	27	*11%*
Amla Hair Oil 50ml	17	17	16	*6%*
Amla Hair Oil 100ml	34	34	32	*6%*
Amla Hair Oil 200ml	65	65	62	*5%*
Amla Hair Oil 300ml	90	90	85	*6%*
Gulabari 30ml	13	13	12	*8%*
Gulabari 120ml	33	33	30	*10%*

Source: Company Data, PL Research

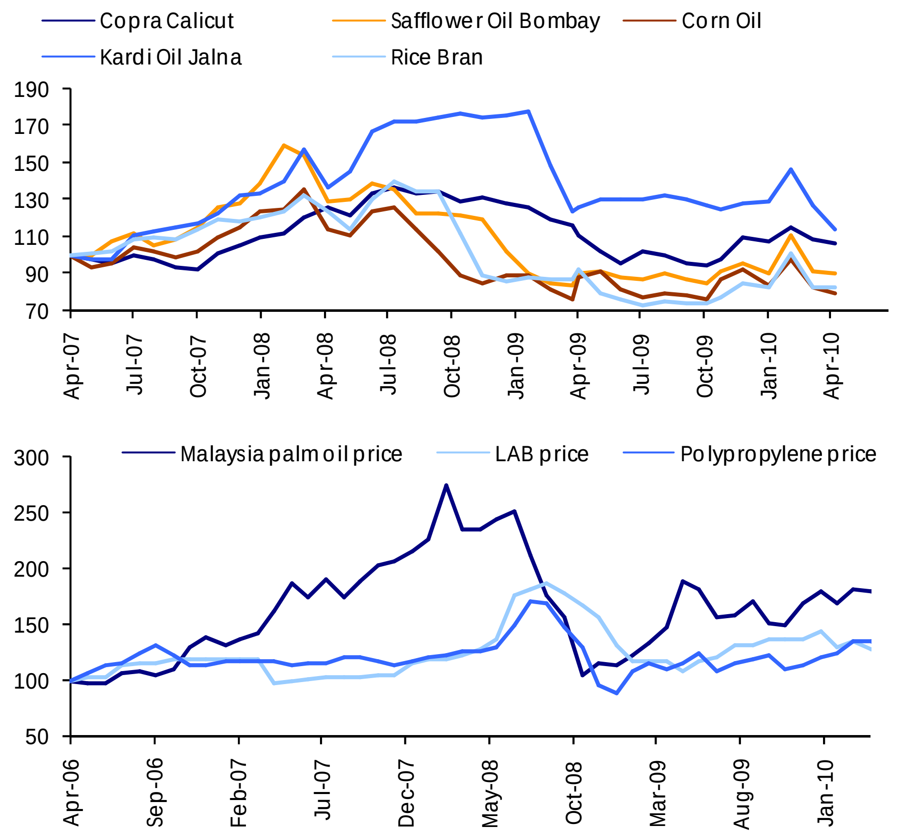
Food inflation continues to remain firm



Source: Bloomberg, PL Research

Mixed trends for key input costs

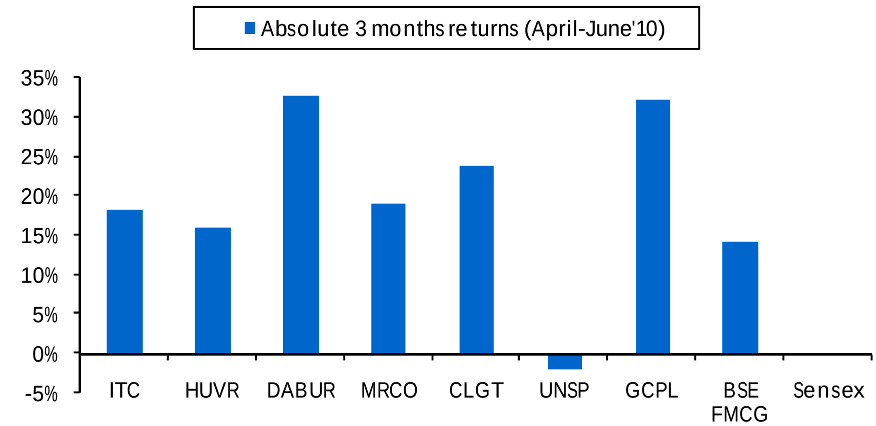
Key RM prices rebased to 100

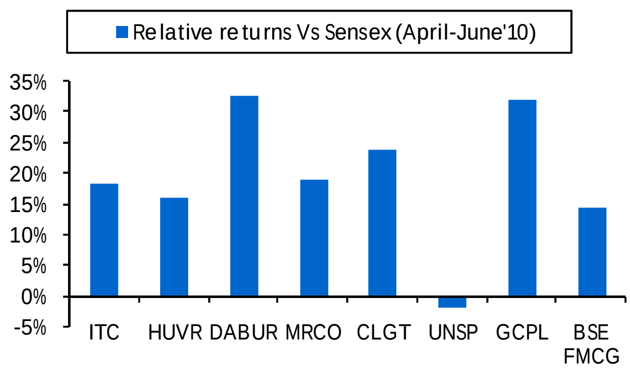


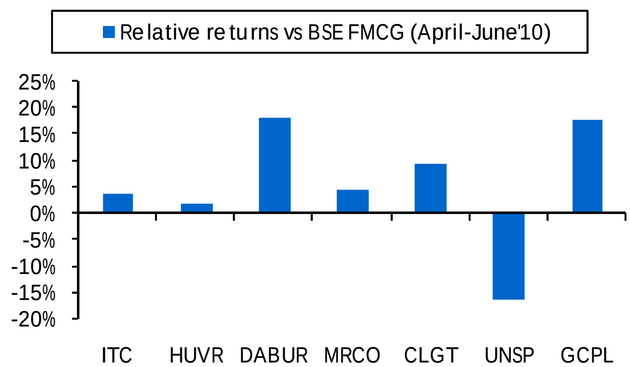
Source: Bloomberg, PL Research

Expensive valuations leave little room for material absolute upside

FMCG stocks outperformed in Q1FY11







Source: Bloomberg, PL Research

Snapshot of quarterly estimates for FMCG universe

Company		Q1FY11e	Q1FY10	Q4FY10	YoY gr. (%)	QoQ gr. (%)
Dabur	Sales	8,669	7,473	8,488	*16.0*	*2.1*
	EBITDA	1,543	1,229	1,620	*25.5*	*-4.7*
	Margins	17.8	16.4	19.1		
	PAT	1,195	914	1,331	*30.7*	*-10.2*
Marico	Sales	7,525	6,967	6,023	*8.0*	*24.9*
	EBITDA	1,076	965	849	*11.5*	*26.7*
	Margins	14.3	13.8	14.1		
	PAT	713	600	578	*18.8*	*23.4*
HUVR	Sales	48,178	45,026	43,158	*7.0*	*11.6*
	EBITDA	6,986	7,150	5,310	*(2.3)*	*31.6*
	Margins	14.5	15.9	12.3		
	PAT	5,657	5,380	4,223	*5.2*	*34.0*
ITC	Sales	48,176	40,827	50,538	*18.0*	*-4.7*
	EBITDA	16,139	13,371	15,401	*20.7*	*4.8*
	Margins	33.5	32.8	30.5		
	PAT	10,564	8,787	10,282	*20.2*	*2.7*
UNSP	Sales	14,852	12,481	12,663	*19.0*	*17.3*
	EBITDA	2,599	2,283	1,955	*13.9*	*32.9*
	Margins	17.5	18.3	15.4		
	PAT	1032	1076	569	*(4.1)*	*81.4*
CLGT	Sales	5,429	4,680	5,166	*16.0*	*5.1*
	EBITDA	1,221	1,052	1,247	*16.2*	*-2.1*
	Margins	22.5	22.5	24.1		
	PAT	1,057	1,028	1,055	*2.9*	*0.2*
Total	**Sales**	**132,828**	**117,454**	**126,035**	*13.1*	*5.4*
	EBITDA	**29,564**	**26,049**	**26,382**	*13.5*	*12.1*
	Margins	**22.3**	**22.2**	**20.9**		
	PAT	**20,218**	**17,785**	**18,037**	*13.7*	*12.1*
Total ex HUVR	**Sales**	**84,650**	**72,428**	**82,878**	*16.9*	*2.1*
	EBITDA	**22,578**	**18,899**	**21,073**	*19.5*	*7.1*
	Margins	**26.7**	**26.1**	**25.4**		
	PAT	**14,561**	**12,405**	**13,814**	*17.4*	*5.4*

Source: Company, PL Research

Top picks: ITC, United Spirits

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	501,885	558,994	631,272
Growth (%)	*2.0*	*11.4*	*12.9*
EBITDA	113,492	129,275	148,043
Margin (%)	*22.6*	*23.1*	*23.5*
PAT	76,324	88,203	102,233
Growth (%)	*21.7*	*15.6*	*15.9*
PE (x)	29.5	25.6	22.0

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	132,828	117,454	*13.1*	126,035	*5.4*
EBITDA	29,564	26,049	*13.5*	26,382	*12.1*
Margin (%)	*22.3*	*22.2*	*0.1*	*20.9*	*1.3*
PAT (Excl. Ex Items)	20,247	17,731	*14.2*	17,614	*14.9*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

ITC

Rating	**BUY**
Price	Rs303
Target Price	Rs350
Market Cap. (Rs bn)	1,143.3
Shares o/s (m)	3,774.4

We expect Q1FY11e cigarette volume growth to remain flat, reflecting the impact of weighted average 15% price hikes implemented by ITC post budget. Decline in non-cigarettes FMCG losses and continued recovery in Hotels will be the key highlights of the quarter in our view. Led by cig price hikes and improving profitability of non-cig FMCG business, we expect 70bps EBITDA margin expansion.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	185,321	207,820	232,198
EBITDA	60,971	72,315	82,483
Margin (%)	*32.9*	*34.8*	*35.5*
PAT	40,036	47,709	54,507
EPS (Rs)	10.6	12.6	14.4
RoE (%)	*26.7*	*27.9*	*28.1*
PE (x)	28.6	24.0	21.0
P / BV (x)	7.2	6.3	5.6
EV / E (x)	18.5	15.5	13.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	48,176	40,827	*18.0*	50,538	207,820	185,321	*12.1*
EBITDA	16,139	13,371	*20.7*	15,401	72,315	60,971	*18.6*
Margin (%)	*33.5*	*32.8*	*0.7*	*30.5*	*34.8*	*32.9*	*1.9*
Reported PAT	10,564	8,787	*20.2*	10,282	47,709	40,036	*19.2*
PAT (Excl. Ex Items)	10,564	8,787	*20.2*	10,282	47,709	40,036	*19.2*
Operating Metrics							
Cigarettes	24,674	21,456	*15.0*	24,530	202,000	177,356	*13.9*
Other FMCG	9,617	7,573	*27.0*	11,227	40,655	34,932	*16.4*
Total FMCG	34,291	29,029	*18.1*	35,757	242,655	212,288	*14.3*
Hotels	2,039	1,728	*18.0*	2,562	11,931	9,233	*29.2*
Agri business	10,159	9,406	*8.0*	9,881	47,334	43,069	*9.9*

Hindustan Unilever

Rating	**Sell**
Price	Rs267
Target Price	Rs218
Market Cap. (Rs bn)	582.5
Shares o/s (m)	2,179.9

We expect HUVR to report ~8% volume growth for the quarter. However, revenue growth can be a disappointment as the full impact of detergent price cuts get reflected in the numbers. Volume growth will be driven by low base effect (2% volume growth in Q1FY10) as well as continued aggressive consumer promotions. However, higher excise duty, hardening input costs as well as higher ad spending should result in 140bps YoY decline in EBITDA margins and 5.4% growth in recurring profits to Rs5.7bn in our view.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	175,798	192,388	215,699
EBITDA	27,420	28,593	32,144
Margin (%)	*15.6*	*14.9*	*14.9*
PAT	21,229	22,168	25,028
EPS (Rs)	9.7	10.2	11.5
RoE (%)	*96.3*	*94.6*	*100.4*
PE (x)	27.4	26.3	23.3
P / BV (x)	25.6	24.1	22.6
EV / E (x)	20.7	19.7	17.3

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	48,178	45,026	*7.0*	43,158	192,388	175,798	*9.4*
EBITDA	6,986	7,150	*(2.3)*	5,310	28,593	27,420	*4.3*
Margin (%)	*14.5*	*15.9*	*(1.4)*	*12.3*	*14.9*	*15.6*	*(0.7)*
Reported PAT	5,657	5,367	*5.4*	3,857	22,168	21,229	*4.4*
PAT (Excl. Ex Items)	5,657	5,367	*5.4*	3,857	22,168	21,229	*4.4*
Operating Metrics							
Soaps and Detergents	21,452	22,115	*(3.0)*	19,785	80,586	82,656	*(2.5)*
Personal Products	14,216	12,255	*16.0*	12,552	58,207	50,479	*15.3*
Beverages	5,845	4,996	*17.0*	5,702	25,481	21,424	*18.9*
Processed Foods	2,065	1,721	*20.0*	1,976	9,004	7,308	*23.2*
Ice Creams	1,028	886	*16.0*	553	2,427	2,310	*5.0*

Dabur India

Rating	**Accumulate**
Price	Rs206
Target Price	Rs225
Market Cap. (Rs bn)	178.8
Shares o/s (m)	868.0

We expect Dabur to continue on its volume led revenue growth path and expect a volume growth of 12-13% for the quarter. Performance of Fem portfolio and its operational integration will be keenly tracked. During the quarter, Dabur has implemented price hikes in *Vatika Shampoo*, *Amla Hair oil*, *Odonil* and *Gulabari* lotions ranging from 2-17%. This is attributable to hardening of input costs.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	33,655	39,955	46,404
EBITDA	6,326	7,501	8,839
Margin (%)	*18.8*	*18.8*	*19.0*
PAT	5,035	6,074	7,135
EPS (Rs)	5.8	7.0	8.2
RoE (%)	*48.1*	*42.3*	*39.9*
PE (x)	35.5	29.4	25.1
P / BV (x)	14.0	11.2	9.0
EV / E (x)	28.2	23.7	19.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	8,669	7,473	*16.0*	8,488	39,955	33,655	*18.7*
EBITDA	1,543	1,229	*25.5*	1,620	7,501	6,326	*18.6*
Margin (%)	*17.8*	*16.4*	*1.4*	*19.1*	*18.8*	*18.8*	*(0.0)*
Reported PAT	1,224	914	*33.9*	1,353	6,074	5,035	*20.6*
PAT (Excl. Ex Items)	1,224	914	*33.9*	1,331	6,074	5,035	*20.6*
Operating Metrics							
Consumer care business	6,542	5,640	*16.0*	6,395	30,973	26,028	*19.0*
Consumer health business	715	627	*14.0*	768	3,215	2,796	*15.0*
Foods business	1,310	1,065	*23.0*	1,156	5,073	4,158	*22.0*
Retail business	24	17	*40.0*	24	119	92	*30.0*

United Spirits

Rating	Accumulate
Price	Rs1,265
Target Price	Rs1,290
Market Cap. (Rs bn)	158.9
Shares o/s (m)	125.6

We expect 19% top-line growth, led by ~12-13% volume growth in the IMFL segment. We expect higher interest costs to impact PAT growth. However, declining trend in input costs, led by higher-than-expected sugar production should boost gross margins.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	60,858	65,677	76,346
EBITDA	10,750	12,056	14,625
Margin (%)	*17.7*	*18.4*	*19.2*
PAT	3,541	4,981	7,166
EPS (Rs)	28.2	39.7	57.1
RoE (%)	*10.6*	*11.0*	*14.1*
PE (x)	44.9	31.9	22.2
P / BV (x)	3.7	3.3	2.9
EV / E (x)	18.9	16.9	13.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	14,852	12,481	*19.0*	12,663	65,677	60,858	*7.9*
EBITDA	2,599	2,283	*13.9*	1,955	12,056	10,750	*12.1*
Margin (%)	*17.5*	*18.3*	*(0.8)*	*15.4*	*18.4*	*17.7*	*0.7*
Reported PAT	1,032	1,076	*(4.1)*	568	4,981	3,541	*40.7*
PAT (Excl. Ex Items)	1,032	1,076	*(4.1)*	568	4,981	3,541	*40.7*

Colgate Palmolive

Rating	**Reduce**
Price	Rs842
Target Price	Rs695
Market Cap. (Rs bn)	114.4
Shares o/s (m)	136.0

Continued robust double-digit toothpaste volume growth and resilience in market shares across oral care categories should drive the expected 16% revenue growth. However, this will be the first quarter with reduced income tax exemption (from 100% to 30%) for its Baddi plant. We model for 24% income tax rate for the quarter.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	19,638	22,567	26,029
EBITDA	4,255	4,515	5,019
Margin (%)	*21.7*	*20.0*	*19.3*
PAT	4,129	4,395	4,975
EPS (Rs)	30.4	32.3	36.6
RoE (%)	*170.9*	*149.6*	*141.7*
PE (x)	27.7	26.0	23.0
P / BV (x)	42.9	35.7	30.0
EV / E (x)	26.0	24.2	21.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	5,429	4,680	*16.0*	5,166	22,567	19,638	*14.9*
EBITDA	1,221	1,052	*16.2*	1,247	4,515	4,255	*6.1*
Margin (%)	22.5	22.5	*0.0*	24.1	20.0	21.7	*(1.7)*
Reported PAT	1,057	1,028	*2.9*	1,055	4,395	4,129	*6.4*
PAT (Excl. Ex Items)	1,057	1,028	*2.9*	1,055	4,395	4,129	*6.4*
Operating Metrics							
Toothpaste vol. gr.	12.5	14.0	*(1.5)*	11.0	13.0	14.0	*(1.0)*

Marico

Rating	**BUY**
Price	Rs125
Target Price	Rs140
Market Cap. (Rs bn)	76.2
Shares o/s (m)	609.3

Marico has continued to witness relatively benign input cost scenario in Q1FY11. We estimate nearly 50bps improvement in operating margins for the quarter (YoY). Performance of *Kaya* franchise and changing competitive dynamics of Coconut as well as value-added Hair oil category will be the key watch-out points.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	26,615	30,587	34,595
EBITDA	3,769	4,294	4,933
Margin (%)	*14.2*	*14.0*	*14.3*
PAT	2,354	2,877	3,421
EPS (Rs)	3.9	4.7	5.6
RoE (%)	*42.5*	*38.0*	*34.8*
PE (x)	32.4	26.5	22.3
P / BV (x)	11.6	8.9	6.9
EV / E (x)	21.1	18.2	15.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	7,525	6,967	*8.0*	6,023	30,587	26,615	*14.9*
EBITDA	1,076	965	*11.5*	849	4,294	3,769	*13.9*
Margin (%)	14.3	13.8	*0.5*	14.1	14.0	14.2	*(0.1)*
Reported PAT	713	560	*27.4*	520	2,877	2,354	*22.2*
PAT (Excl. Ex Items)	713	560	*27.4*	520	2,877	2,354	*22.2*
Operating Metrics							
Parachute	8.0	14.0	*(6.0)*	7.0	8.0	10.0	*(2.0)*
Saffola	12.0	13.0	*(1.0)*	13.0	15.0	16.0	*(1.0)*
Value Added Hair oils	17.0	9.0	*8.0*	27.0	17.0	16.0	*1.0*

Apurva Shah
ApurvaShah@PLIndia.com
+91-22-6632 2214

Abhijit Majumder
AbhijitMajumder@PLIndia.com
+91-22-6632 2236

Umang Shah
UmangShah@PLIndia.com
+91-22-6632 2242

Financial Services

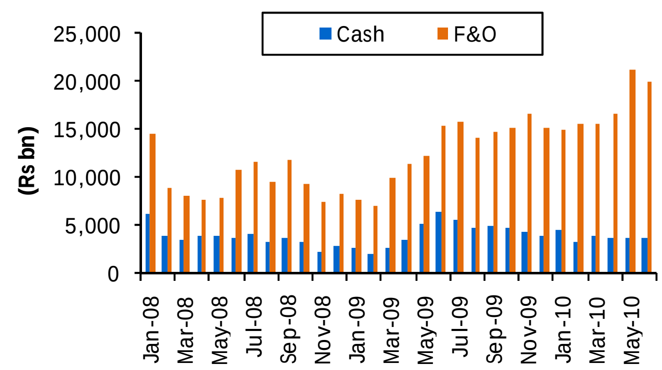
Equity market volumes in India continue to strongly drift in favour of F&O and against Cash. While F&O volumes during the quarter grew by 25.1% QoQ, cash volumes fell by 4.7% QoQ. In fact, at just 14.9% of total, cash volumes hit a record low in the month of May 2010. While this need not necessarily be negative for Brokerages, the continuous rise of Options (60.9% in June 2010 v/s 57.0% in March 2010 and 38.9% in June 2009) in F&O volumes acts as a dampener to commission growth. The commission pool for equities grew by about 5% QoQ in Q1FY11.

Asset management companies continue to struggle to grow their AUMs. Year till date (till May 2010), overall AUMs have grown by 11.7%. However, this has been on the back of Equity AUMs actually declining by 1.2% (broadly in-line with market decline) and growth in non-Equity of 18%. SEBI's restrictions on the 'entry loads' continue to hinder NFOs by mutual fund companies. Meanwhile, the companies continued to face stiff competition from the Life Insurance companies, who were also selling Equity savings products (like ULIPs), but were not under any serious restriction by their regulator IRDA.

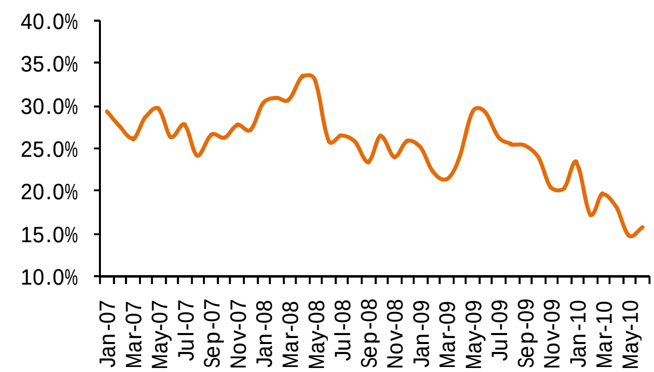
Life Insurance FYPs grew by an impressive 60% YoY in the first two months of Q1FY11, led by a stupendous 90% growth by LIC and a more modest 15% by Private Life Insurers. At about 27%, the FYP market share of Private Life Insurance companies stands at the bottom quartile of the levels seen over the past several years. With IRDA also following the SEBI path of restricting distribution commissions, Life Insurance companies face an uncertain outlook for growth. At the very least, a drastic rejig of product offerings and substantial reduction in the sales and agent force is likely.

Overall, we expect Revenue/NOI for the companies under our coverage to grow by 23.6% YoY but decline marginally by 0.7% QoQ. Similarly, PAT also is expected to grow by 20.5% YoY and fall marginally by 0.3% QoQ. This is essentially due to a slight slowdown expected in mortgage financing due to lower property offtake in key markets like Mumbai.

Trend in Cash and F&O Volumes

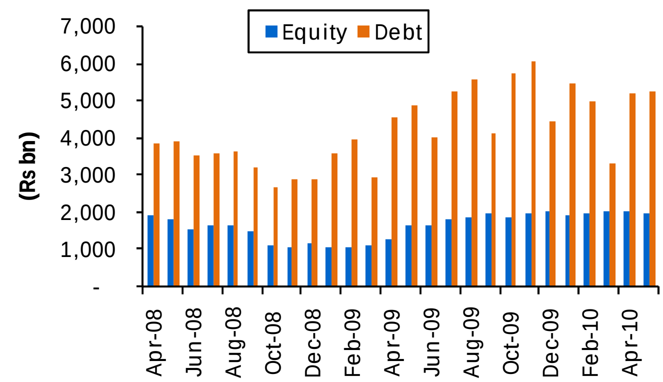


Proportion of cash volumes in total

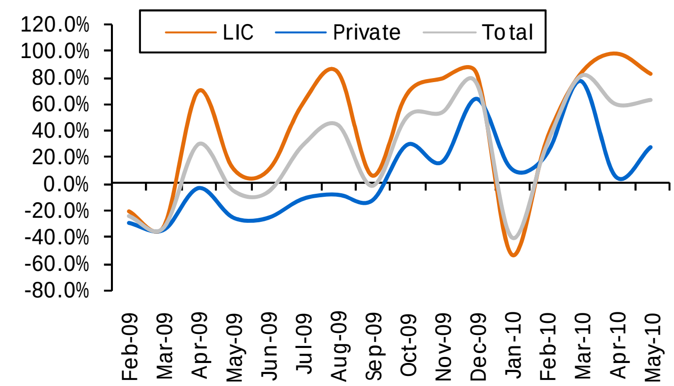


Source: BSE, NSE, PL Research

Trend in Equity and Debt AUM

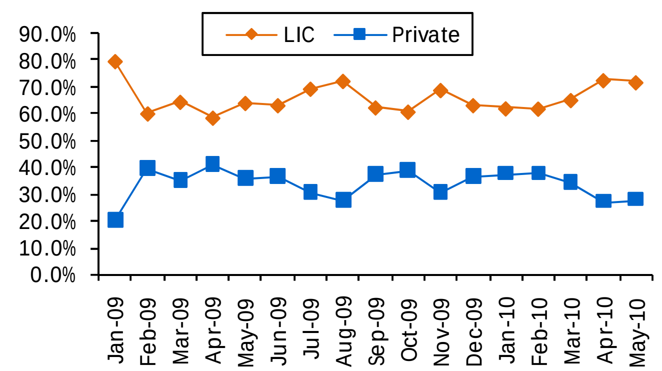


Trend in LIC, Pvt and Total FYP growth

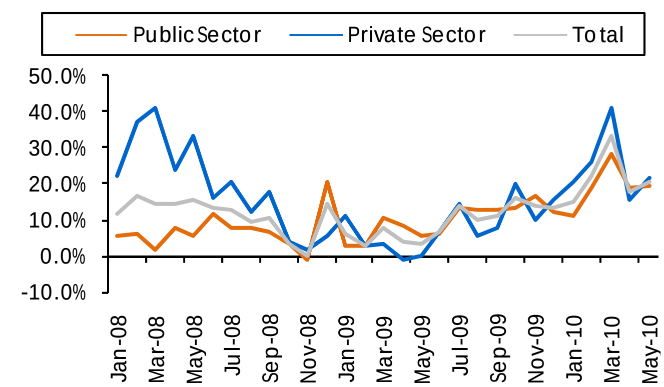


Source: AMFI, IRDA, PL Research

Trend in LIC and Pvt Sector FYP market share



Trend in general insurance premium growth



Source: IRDA, PL Research

Top picks: India Infoline, Shriram Transport Finance and IDFC

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales / Net Op. Inc.	226,485	262,071	313,620
Growth (%)	*18.2*	*15.7*	*19.7*
EBITDA / PPP	123,925	150,873	187,435
Margin (%)	*54.7*	*57.6*	*59.8*
PAT	78,571	92,823	114,072
Growth (%)	*18.5*	*18.1*	*22.9*
PE (x)	23.1	19.6	15.9

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales / Net Op. Inc.	57,292	46,364	*23.6*	57,682	*(0.7)*
EBITDA / PPP	36,704	30,706	*19.5*	35,839	*2.4*
EBITDA / PPP Margin (%)	*64.1*	*66.2*	*(2.2)*	*62.1*	*1.9*
PAT (Excl. Ex Items)	22,321	18,521	*20.5*	22,381	*(0.3)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

HDFC

Rating	**Accumulate**
Price	Rs2,934
Target Price	Rs3,353
Market Cap. (Rs bn)	834.0
Shares o/s (m)	284.2

Driven by strong housing demand, we expect HDFC's approvals and disbursals to grow by 23.3% and 22.4% YoY, respectively, but decline sharply on a sequential basis due to a high base of previous quarter. Spreads are likely to come down from very high levels of 2.6% reported in Q4FY10 to 2.1-2.3%. We expect non-interest income to moderate, as we do not factor in any profit from sale of investments. We expect earnings to grow by 35.8% YoY, but decline 17.2% QoQ due to higher base of the previous quarter.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Op. Inc.	43,535	51,014	61,883
NII	34,658	42,055	50,484
PPP	39,514	46,879	57,007
PAT	28,265	33,787	40,995
EPS (Rs)	99.4	118.9	144.2
Spread (%)	*2.4*	*2.4*	*2.3*
RoE (%)	*8.8*	*7.7*	*7.6*
PE (x)	29.5	24.7	20.3
P/BV (x)	5.4	4.7	4.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Operating Inc.	11,802	8,863	*33.2*	13,398	51,014	43,535	*17.2*
NII	10,502	6,686	*57.1*	11,282	42,055	34,658	*21.3*
Non Interest Inc.	1,300	2,177	*(40.3)*	2,116	8,959	8,877	*0.9*
PPP	10,852	7,959	*36.3*	12,872	46,879	39,514	*18.6*
PAT	7,669	5,649	*35.8*	9,264	33,787	28,265	*19.5*
Operating Metrics (Rs bn)							
Disbursements	106,382	86,880	*22.4*	168,860	556,834	460,194	*21.0*
Approvals	151,133	122,590	*23.3*	195,010	707,990	589,992	*20.0*
Investments	109,420	104,958	*4.3*	107,275	1,049,688	985,245	*6.5*
Loans	1,028,653	870,458	*18.2*	979,670	550,731	458,942	*20.0*

Power Finance Corp.

Rating	**Accumulate**
Price	Rs298
Target Price	Rs325
Market Cap. (Rs bn)	341.5
Shares o/s (m)	1,147.8

We expect PFC's loan book to grow by 5.0% QoQ and 26.7% YoY. Interest income is expected to grow by 15.2% YoY and the interest costs too are expected to grow by about 15.0% YoY due to similar spreads enjoyed by PFC currently as compared to the same quarter last year. NII and PAT are expected to grow by 15.5% and 10.7% YoY, respectively. For the year as a whole, we expect PFC's profits to grow by 18.8%.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
NII	29,054	34,735	41,030
PPOP	28,365	33,981	40,138
Adj. PAT	19,989	23,751	28,055
EPS (Rs)	17.4	20.7	24.4
NIM (%)	*4.0*	*3.8*	*3.6*
RoE (%)	*16.2*	*17.0*	*17.7*
RoAA (%)	*2.8*	*2.6*	*2.5*
P / BV (x)	2.6	2.3	2.0
PE (x)	17.1	14.4	12.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net interest income	8,131	7,039	*15.5*	7,211	34,735	29,054	*19.6*
PBT	8,305	7,505	*10.7*	7,351	33,931	28,253	*20.1*
PAT	6,145	5,549	*10.7*	5,988	23,751	19,989	*18.8*
Adjusted PAT	6,145	5,549	*10.7*	5,988	23,751	19,989	*18.8*
Net interest Margin (%)	*3.7*	*4.3*	*(0.6)*	*3.9*	*3.8*	*4.0*	*(0.2)*
Operating Metrics							
Disbursements	114,983	43,450	*164.6*	104,530	325,000	235,249	*38.2*
Loan book	838,488	662,050	*26.7*	798,560	1,004,540	799,459	*25.7*
Net Interest Margins	3.7	4.3	*(0.6)*	3.9	3.8	4.0	*(0.2)*
Yield on funds	10.9	11.3	*(0.4)*	10.8	11.0	10.9	*0.1*
Cost of funds	8.4	8.6	*(0.2)*	8.3	8.7	8.6	*0.1*

IDFC

Rating	**Accumulate**
Price	Rs181
Target Price	Rs210
Market Cap. (Rs bn)	233.9
Shares o/s (m)	199.7

We expect IDFC's NII to grow by 6.0% QoQ and 37.3% YoY. Advances Book is expected to grow by 27.9% YoY. Over the next couple of years, we expect IDFC's Advances Book to grow at a rapid pace, given the opportunities opening in the Infrastructure space and the recent capital-raising by the company. Non-interest Income will grow by a mere 4.0% due to lower growth in Investment Banking and Asset Management. One area of concern for the company continues to be its sharply rising operating costs.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Op. Inc.	20,670	25,359	32,545
NII	11,170	13,807	18,651
PPP	15,188	18,684	24,683
PAT	10,624	12,840	16,642
EPS (Rs)	8.2	8.7	11.3
NIM (%)	*3.9*	*4.1*	*4.3*
RoE (%)	*16.1*	*14.4*	*14.4*
PE (x)	22.1	20.7	15.9
P/BV (x)	4.9	3.5	3.1

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Operating Inc.	6,225	4,633	*34.3*	5,980	25,359	20,670	*22.7*
NII	3,350	2,440	*37.3*	3,160	13,807	11,170	*23.6*
Non Interest Inc.	2,875	2,193	*31.1*	2,820	11,552	9,500	*21.6*
PPP	4,370	3,637	*20.1*	3,712	18,684	15,188	*23.0*
PAT	3,044	2,729	*11.5*	2,277	12,840	10,624	*20.9*
Operating Metrics							
Principal Investments	1,050	680	*54.4*	990	4,080	3,330	*22.5*
Asset Management	800	720	*11.1*	810	3,495	2,900	*20.5*
Investment Banking	500	350	*42.9*	510	2,105	1,830	*15.0*
Loan and Other Fees	450	430	*4.7*	380	1,873	1,441	*30.0*
Advances Book (Rs. Bn)	270	211	*27.9*	250	320	250	*27.6*

Reliance Capital

Rating	**Reduce**
Price	Rs750
Target Price	Rs675
Market Cap. (Rs bn)	184.7
Shares o/s (m)	246.2

RCFT's relatively weak top growth over the past several quarters is likely to continue in Q1FY11 as well. Revenue is expected to grow by 13.2% YoY, while EBITDA and PAT will decline by 16.4% and 26.0% YoY, respectively. Asset Management remains one the company's strongest growth areas, even though in Q1FY11, it will witness 2.4% QoQ decline due to lower Equity AUMs.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	61,406	64,886	73,692
EBITDA	19,883	21,710	28,840
Margin (%)	*32.4*	*33.5*	*39.1*
PAT	4,313	3,201	4,574
EPS (Rs)	17.5	13.0	18.6
RoE (%)	*5.7*	*4.2*	*5.8*
PE (x)	42.8	57.7	40.4
P / BV (x)	2.4	2.4	2.3
EV / E (x)	15.9	15.8	12.9

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	16,632	14,693	*13.2*	17,162	64,886	61,406	*5.7*
EBITDA	4,564	5,458	*(16.4)*	3,727	21,710	19,883	*9.2*
Margin (%)	*27.4*	*37.1*	*(9.7)*	*21.7*	*33.5*	*32.4*	*1.1*
Reported PAT	1,118	1,510	*(26.0)*	645	3,201	4,313	*(25.8)*
PAT (Excl. Ex Items)	1,118	1,510	*(26.0)*	645	3,201	4,313	*(25.8)*
Operating Metrics							
Finance & Investment	2,400	3,469	*(30.8)*	2,416	9,800	11,813	*(17.0)*
Asset Management	1,780	1,222	*45.7*	1,824	8,058	6,460	*24.7*
General Insurance	5,652	6,226	*(9.2)*	5,596	25,104	23,862	*5.2*
Consumer Finance	3,800	2,887	*31.6*	3,656	15,224	13,252	*14.9*

Shriram Transport Fin.

Rating	**Accumulate**
Price	Rs584
Target Price	Rs650
Market Cap. (Rs bn)	130.3
Shares o/s (m)	223.1

SHTF's NII (Incl. Securitization) is expected to grow by 5.6% QoQ and 45.4% YoY, with NIMs dropping marginally (from 7.8% in Q4FY10 to 7.7% in Q1FY11) due to higher borrowings. Fee income is expected to grow strongly again on the back of higher Truck Bazaar and Auto Mall transactions. Provisioning is likely to remain steady as we expect incremental slippages to remain under control. Overall spreads are expected to decline marginally due to rising costs of borrowing and growing proportion of construction equipment financing.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Op. Inc.	44,652	51,787	62,508
PPP	17,613	22,567	27,623
Adj. PAT	9,067	11,720	14,649
EPS (Rs)	40.2	52.0	65.0
NIM (%)	*7.0*	*7.1*	*6.8*
RoE (%)	*29.4*	*27.1*	*27.3*
ROAA (%)	*4.1*	*4.7*	*4.9*
PE (x)	14.5	11.2	9.0
P/BV (x)	3.6	2.8	2.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net operating Income	7,060	4,873	*44.9*	6,661	51,787	44,652	*16.0*
PPP	5,440	3,418	*59.1*	5,149	22,567	17,613	*28.1*
Net interest Margin (%)	*7.7*	*6.6*	*1.1*	*7.8*	*7.1*	*7.0*	*0.1*
GNPA (% of avg assets)	*2.7*	*2.2*	*0.4*	*2.8*	*2.6*	*2.8*	*(0.3)*
PAT	2,790	1,644	*69.7*	2,644	11,720	9,067	*29.3*
Operating Metrics							
Net interest margins	7.7	6.6	*16.3*	7.8	7.1	7.0	*7.0*
Total AUMs	308,736	242,749	*27.2*	291,261	369,460	291,261	*26.8*
On - book AUM	186,639	193,359	*(3.5)*	179,461	229,709	179,461	*28.0*

Edelweiss Capital

Rating	**Accumulate**
Price	Rs474
Target Price	Rs560
Market Cap. (Rs bn)	35.7
Shares o/s (m)	75.2

Fees & Commission revenue for EDEL is expected to decline by 6.1% QoQ. However, Broking revenues are expected to grow by about 4.5% QoQ. We expect its client ADV to grow by 20% QoQ, but broking yields are expected to fall by 0.5bps QoQ due to higher F&O proportion. Investment Banking revenues are expected to drop from a high base of Q4FY10. Lending business will continue to show steady growth with addition of Rs2.5bn to the book, taking it to Rs21.5bn.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	9,690	12,955	15,161
EBITDA	5,305	7,595	9,461
Margin (%)	*54.7*	*58.6*	*62.4*
PAT	2,291	2,813	3,223
EPS (Rs)	30.5	37.4	42.8
RoE (%)	*10.5*	*11.6*	*11.8*
PE (x)	15.5	12.7	11.1
P / BV (x)	1.6	1.4	1.3
EV / E (x)	9.7	8.1	7.7

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,658	2,226	*19.4*	2,595	12,955	9,690	*33.7*
EBITDA	1,408	1,183	*18.9*	1,326	7,595	5,305	*43.2*
Margin (%)	*53.0*	*53.2*	*(0.2)*	*51.1*	*58.6*	*54.7*	*3.9*
Reported PAT	549	583	*(5.7)*	522	2,813	2,291	*22.8*
PAT (Excl. Ex Items)	549	583	*(5.7)*	522	2,813	2,291	*22.8*
Operating Metrics							
Commission Income	1,100	671	*64.1*	1,172	5,027	3,504	*43.5*
Trading & Arbitrage	350	790	*(55.7)*	339	2,318	2,454	*(5.6)*
Interest Income	1,198	683	*75.5*	1,083	5,260	3,389	*55.2*
Investment & Dividend	10	83	*(88.0)*	1	350	343	*2.2*

India Infoline

Rating	**Accumulate**
Price	Rs93
Target Price	Rs140
Market Cap. (Rs bn)	29.9
Shares o/s (m)	320.0

We expect IIFL to grow its broking business by 4.7% QoQ. This is likely to be led by a reduction in both, market share (by 10 bps QoQ) and in broking yields (0.5 bps QoQ), due to significantly higher proportion of F&O volumes during the quarter. ADV is expected to rise by 14.8% QoQ to Rs42.5bn. However, IIFL will report strong growth in its lending business. We expect its Advances Book to grow by 28.8% QoQ to Rs21.0bn and Interest income by 13.6% QoQ to Rs1.1bn.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	11,229	14,511	18,999
EBITDA	4,363	6,225	8,787
Margin (%)	38.9	42.9	46.3
PAT	2,319	2,859	3,769
EPS (Rs)	7.6	8.9	11.4
RoE (%)	*14.6*	*16.6*	*19.5*
PE (x)	12.2	10.5	8.2
P / BV (x)	1.7	1.6	1.5
EV / E (x)	7.9	7.6	6.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	3,190	2,563	*24.5*	3,095	14,511	11,229	*29.2*
EBITDA	1,094	958	*14.2*	1,026	6,225	4,363	*42.7*
Margin (%)	34.3	37.4	*(3.1)*	33.1	42.9	38.9	*4.0*
Reported PAT	538	517	*4.0*	522	2,859	2,319	*23.3*
PAT (Excl. Ex Items)	538	517	*4.0*	522	2,859	2,319	*23.3*
Operating Metrics							
Equity Brokerage	1,544	1,768	*(12.7)*	1,475	7,000	6,148	*13.9*
Distribution Commission	153	84	*83.0*	196	644	536	*20.0*
Financing Activity	1,100	489	*125.0*	969	4,886	2,918	*67.4*
Investment Banking	43	32	*33.1*	37	500	388	*28.9*

Motilal Oswal

Rating	**Accumulate**
Price	Rs176
Target Price	Rs200
Market Cap. (Rs bn)	25.4
Shares o/s (m)	144.1

MOFS' focus on profitability rather than revenue growth will result in continuous loss in its market share (due to lesser focus on Option volumes which are rising). However, compared to others, we expect its broking yield to fall the least as a result of this. Overall revenues will grow by 0.8% QoQ and 8.1% YoY, led by broking revenue growth of 4.4% QoQ. Margins are likely to be largely flat despite slightly higher revenues due to higher employee costs. Asset management revenue will drop QoQ due to the absence of carry income.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	6,250	6,824	7,801
EBITDA	2,566	2,934	3,451
Margin (%)	41.1	43.0	44.2
PAT	1,703	1,851	2,164
EPS (Rs)	11.8	12.8	15.0
RoE (%)	19.6	18.0	18.1
PE (x)	14.9	13.7	11.7
P / BV (x)	2.7	2.3	2.0
EV / E (x)	8.8	7.5	5.8

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	1,595	1,475	*8.1*	1,581	6,824	6,250	*9.2*
EBITDA	672	587	*14.5*	676	2,934	2,566	*14.3*
Margin (%)	*42.1*	*39.8*	*2.3*	*42.8*	*43.0*	*41.1*	*1.9*
Reported PAT	437	339	*28.9*	519	1,851	1,703	*8.7*
PAT (Excl. Ex Items)	437	339	*28.9*	519	1,851	1,703	*8.7*
Operating Metrics							
Fund based income	135	175	*(22.9)*	125	634	649	*(2.2)*
Brokerage income	1,080	1,157	*(6.7)*	1,035	4,836	4,551	*6.3*
Asset management fees	150	47	*219.1*	191	447	401	*11.6*
Investment Banking	230	96	*139.6*	230	906	649	*39.6*

Apurva Shah
ApurvaShah@PLIndia.com
+91-22-6632 2214

Archit Singhal
ArchitSinghal@PLIndia.com
+91-22-6632 2256

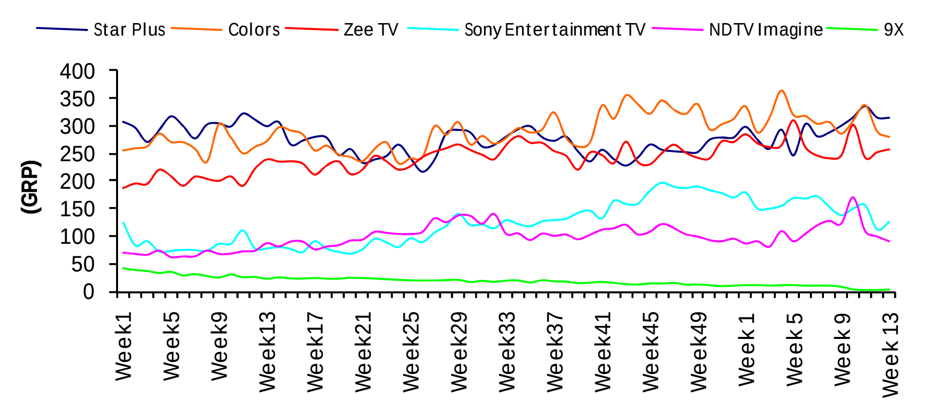
Media & Entertainment

The Rating war in the television broadcasting space took a dramatic and interesting turn during the quarter. Through much of Q4FY10, the battle between Star, Colors and Zee was a very closely fought one. In Q1FY11, Star took a clear lead; Colors took the second spot and Zee took the third. In fact, towards the end of the quarter, Star's overall GRP shot up to an astonishing 450+. Despite Zee losing some ground in the overall GRP race, its position in the Prime Time GRP remains strong. This, combined with its network strength, will ensure that it doesn't suffer in terms of advertisement revenues. We expect the battle for GRPs getting more intense between the three leading broadcasters, with possible implications for production costs over the next few quarters.

The print sector is expected to continue its steady growth in circulation and advertising revenues. However, it is expected to see reduction in margins due to rising newsprint prices. Newsprint prices in the last six-months have risen by approx. 15% in USD terms.

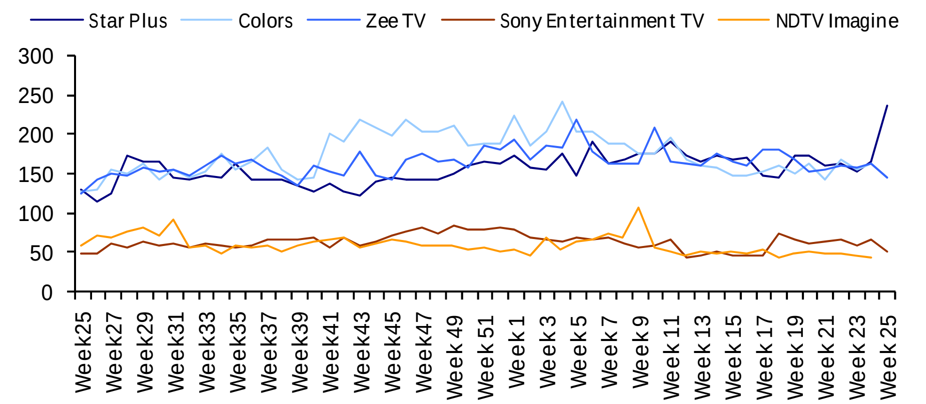
Overall, the companies under our coverage are expected to report Revenue growth and PAT decline of 3.9% and 2.8% QoQ, respectively. EBITDA margins are expected to fall by about 160bps QoQ.

Overall GRP market share (last six months)



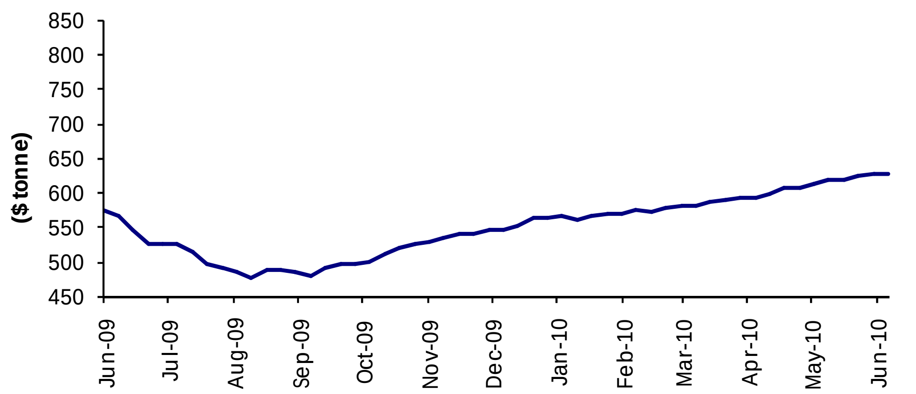
Source: TAM, PL Research

Prime Time GRPs (last six months)



Source: TAM, PL Research

Newsprint prices (last 12 months)



Source: Bloomberg, PL Research

Top Picks: Sun TV and ENIL

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	56,719	75,376	85,219
Growth (%)	*11.8*	*32.9*	*13.1*
EBITDA	20,501	27,509	32,478
Margin (%)	*36.1*	*36.5*	*38.1*
PAT	11,934	16,879	20,127
Growth (%)	*75.7*	*41.4*	*19.2*
PE (x)	31.9	22.6	18.9

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	15,777	11,693	34.9	15,183	3.9
EBITDA	6,483	3,418	89.7	6,487	(0.1)
Margin (%)	*41.1*	*29.2*	*11.9*	*42.7*	*(1.6)*
PAT (Excl. Ex Items)	3,696	1,952	89.3	3,801	(2.8)

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector. YoY nos. are not comparable due to the merger of Zee News (Regional business) with Zee Entertainment.

Sun TV

Rating	Accumulate
Price	Rs430
Target Price	Rs460
Market Cap. (Rs bn)	169.3
Shares o/s (m)	394.3

Sun TV's revenues are expected to grow by 3.3% QoQ and 40.8% YoY. Given its dominance in its markets, we expect negligible impact from IPL and other sports events. PAT is likely to fall by 1.9% QoQ and grow by 35.2% YoY. Sun TV has maintained its ratings in its key southern markets during the quarter and continues to expand its DTH coverage. EBITDA margins hit an eye-watering 84.4% in Q4FY10. Such levels are not sustainable and hence, we expect the margins to drop by 455bps QoQ in Q1FY11.

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	4,050	2,877	*40.8*	3,919	17,670	14,528	*21.6*
Total Operating Expenses	575	519	*10.8*	388	3,096	2,567	*20.6*
EBITDA	3,235	2,236	*44.7*	3,309	13,238	10,908	*21.4*
Margin (%)	*79.9*	*77.7*	*2.1*	*84.4*	*74.9*	*75.1*	*(0.2)*
Other Income	90	142	*(36.8)*	85	403	350	*15.0*
Interest Expenses	2	6	*(68.3)*	2	6	49	*(87.8)*
Depreciation	850	550	*54.6*	848	3,372	922	*265.6*
Profit Before Taxes	2,473	1,822	*35.7*	2,542	10,263	8,000	*28.3*
Provision for tax	853	624	*36.7*	892	3,514	2,991	*17.5*
Reported PAT	1,620	1,198	*35.2*	1,651	6,858	5,199	*31.9*
PAT (Excl. Ex Items)	1,620	1,198	*35.2*	1,651	6,858	5,199	*31.9*

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	14,528	17,670	20,883
EBITDA	10,908	13,238	15,975
Margin (%)	*75.1*	*74.9*	*76.5*
PAT	5,199	6,858	8,593
EPS (Rs)	13.2	17.4	21.8
RoE (%)	*29.0*	*32.0*	*31.6*
PE (x)	32.6	24.7	19.7
P / BV (x)	9.0	7.1	5.6
EV / E (x)	15.1	12.1	9.6

Zee Entertainment

Rating	Accumulate
Price	Rs295
Target Price	Rs320
Market Cap. (Rs bn)	144.4
Shares o/s (m)	489.0

Due to the merging of Zee News' regional business, its financials for the quarter are not comparable on a YoY basis. However, on a QoQ basis, we expect its revenues and PAT to grow by 0.7% and 5.0%, respectively. We expect slight seasonal decline in the ad revenues. However, a steady 1.5% QoQ growth in the subscription revenues is driven entirely by DTH.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	21,966	27,920	31,247
EBITDA	6,087	8,195	9,422
Margin (%)	*27.7*	*29.4*	*30.2*
PAT	4,685	6,405	7,197
EPS (Rs)	9.7	13.1	14.7
RoE (%)	*12.9*	*15.5*	*15.5*
PE (x)	30.6	22.5	20.1
P / BV (x)	3.7	3.3	2.9
EV / E (x)	22.9	16.8	14.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	6,535	4,759	37.3	6,493	27,920	21,966	27.1
EBITDA	1,950	1,170	66.7	1,836	8,195	6,087	34.6
Margin (%)	*29.8*	*24.6*	*5.3*	*28.3*	*29.4*	*27.7*	*1.6*
Reported PAT	1,380	1,019	35.4	1,314	6,405	4,685	36.7
PAT (Excl. Ex Items)	1,380	1,019	35.4	1,314	6,405	4,685	36.7
Operating Metrics							
Advertisement	3,565	1,980	80.1	3,517	15,059	10,680	41.0
Subscription	2,550	2,410	5.8	2,513	10,861	9,824	10.6
Others	420	370	13.5	463	1,360	1,200	13.3

Jagran Prakashan

Rating	**Accumulate**
Price	Rs127
Target Price	Rs140
Market Cap. (Rs bn)	38.2
Shares o/s (m)	301.2

Jagran Prakashan's revenues are expected to grow by 5.7% YoY and 6.5% QoQ. EBITDA margins are expected to decline by 156bps YoY to 30.0% due to impact of higher Newsprint prices. Newsprint prices have risen by about 10.6% during the last 12-months. However, the entire impact will not be felt by Jagran due to low dependence on imports (about 20%) and sufficient inventory.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	9,356	10,830	12,545
EBITDA	2,821	3,210	3,804
Margin (%)	*30.2*	*29.6*	*30.3*
PAT	1,761	1,928	2,262
EPS (Rs)	5.8	6.4	7.5
RoE (%)	*30.5*	*31.3*	*34.1*
PE (x)	21.7	19.8	16.9
P / BV (x)	6.4	6.0	5.6
EV / E (x)	13.7	12.2	10.3

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,450	2,319	*5.7*	2,300	10,830	9,356	*15.8*
Total Operating Expenses	1,095	990	*10.6*	1,010	5,833	4,954	*17.7*
EBITDA	680	705	*(3.6)*	630	3,210	2,821	*13.8*
Margin (%)	*27.8*	*30.4*	*(2.7)*	*27.4*	*29.6*	*30.2*	*(0.5)*
Other Income	55	27	*106.5*	60	352	336	*4.5*
Interest Expenses	14	14	*2.2*	14	66	55	*19.5*
Depreciation	135	124	*9.2*	130	619	502	*23.2*
Profit Before Taxes	586	594	*(1.4)*	546	2,878	2,600	*10.7*
Provision for tax	193	229	*(15.7)*	180	950	838	*13.3*
Reported PAT	393	365	*7.5*	366	1,928	1,761	*9.5*
PAT (Excl. Ex Items)	393	365	*7.5*	366	1,928	1,761	*9.5*

UTV Software

Rating	**Reduce**
Price	Rs399
Target Price	Rs375
Market Cap. (Rs bn)	18.0
Shares o/s (m)	45.2

UTV had one successful movie release during that quarter, i.e. 'Rajneeti'. The film garnered about Rs1.2bn in terms of gross box-office collections, of which, about a third accrues to UTV. The company's broadcasting arm continues to make steady progress, with improving ratings and syndication deals. Overall, the company is expected to grow its revenues by 78.8% YoY. There is a strong base effect at play here, since there was a multiplex strike in Q1FY10, which resulted in poor movie revenues for the company.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	6,641	14,626	15,911
EBITDA	241	2,055	2,329
Margin (%)	*3.6*	*14.1*	*14.6*
PAT	442	1,425	1,673
EPS (Rs)	9.8	31.5	37.0
RoE (%)	*3.2*	*9.8*	*10.4*
PE (x)	40.8	12.7	10.8
P / BV (x)	1.3	1.2	1.1
EV / E (x)	76.4	9.3	8.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	1,547	865	*78.8*	1,268	14,626	6,641	*120.3*
EBITDA	407	(629)	*(164.7)*	369	2,055	241	*752.0*
Margin (%)	*26.3*	*(72.7)*	*99.0*	*29.1*	*14.1*	*3.6*	*10.4*
Reported PAT	229	(402)	*(157.0)*	314	1,425	442	*222.3*
PAT (Excl. Ex Items)	229	(402)	*(157.0)*	314	1,425	442	*222.3*
Operating Metrics							
Television	245	282	*(13.0)*	241	1,193	1,134	*5.3*
Movies	750	265	*182.8*	506	4,629	3,679	*25.8*
Games content	80	117	*(31.7)*	78	6,896	1,356	*408.5*
New Media	38	28	*36.3*	36	228	198	*15.0*
Broadcasting	450	177	*15.4*	422	1,680	1,252	*34.2*

ENIL

Rating	**Accumulate**
Price	Rs236
Target Price	Rs250
Market Cap. (Rs bn)	11.3
Shares o/s (m)	47.7

ENIL is expected to continue its steady turnaround in both, its Radio as well as non-Radio businesses. Radio EBITDA margins are expected to improve by 678bps to 25.1% in Q1FY11. Overall, consolidated revenue is expected to grow by 36.9% YoY and the company is expected to churn a PAT of Rs75m compared to a loss of Rs194m in Q1FY10. In Q4FY10, ENIL had a one-time inflow from vendors to the tune of Rs90m; hence, QoQ, the performances seem less impressive.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	4,228	4,329	4,631
EBITDA	445	810	947
Margin (%)	*10.5*	*18.7*	*20.4*
PAT	(153)	264	401
EPS (Rs)	(3.2)	5.5	8.4
RoE (%)	*(4.1)*	*7.0*	*9.9*
PE (x)	(73.5)	42.6	28.1
P / BV (x)	3.1	2.9	2.7
EV / E (x)	26.5	14.2	11.6

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	1,195	873	*36.9*	1,203	4,329	4,228	*2.4*
EBITDA	211	(64)	*(427.2)*	343	810	445	*82.2*
Margin (%)	*17.6*	*(7.4)*	*25.0*	*28.5*	*18.7*	*10.5*	*8.2*
Reported PAT	75	(228)	*(132.8)*	156	264	(153)	*(272.5)*
PAT (Excl. Ex Items)	75	(228)	*(132.8)*	156	264	(153)	*(272.5)*
Operating Metrics							
Radio-Revenue	640	502	*27.4*	612	2,723	2,252	*20.9*
Non-Radio-Revenue	555	371	*49.6*	591	1,606	1,976	*(18.7)*
Radio-EBITDA	126	92	*36.5*	148	895	549	*63.0*
Non-Radio-EBITDA	87	(156)	*(155.4)*	198	(85)	(104)	*(18.8)*

Kamlesh Bagmar
KamleshBagmar@PLIndia.com
+91-22-6632 2236

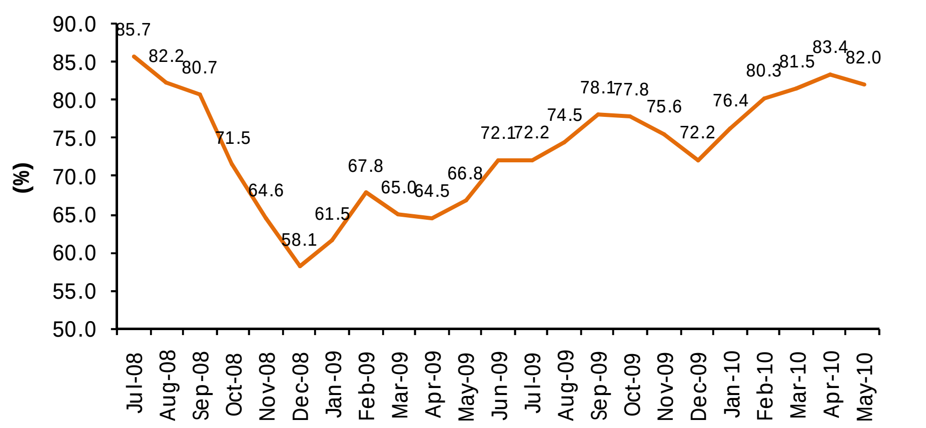
Archit Singhal
ArchitSinghal@PLIndia.com
+91-22-6632 2256

Metals

Strong activity in China and improvement in apparent demand in the developed economies from the lows, resulted in an increase in the world crude steel production by 32.5% YoY during April-May 2010. China's crude steel production expanded by 19.3% YoY in the same period compared to a growth of 40.6% in Rest of world (RoW). Reflecting the same, global capacity utilisation rate touched 83.4% mark in April 2010, with an average of 82.7% during April-May 2010.

The most impacted economies due to the economic meltdown, European Union (EU) and North America, exploited maximum benefit of the lower base. Steel production in EU and North America grew by 57% and 55%, respectively during April-May 2010.

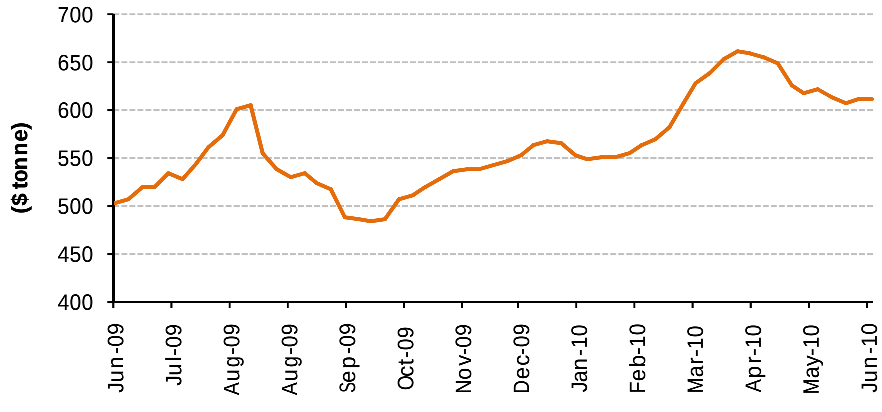
Movement in World Steel capacity utilisation



Source: World Steel, PL Research

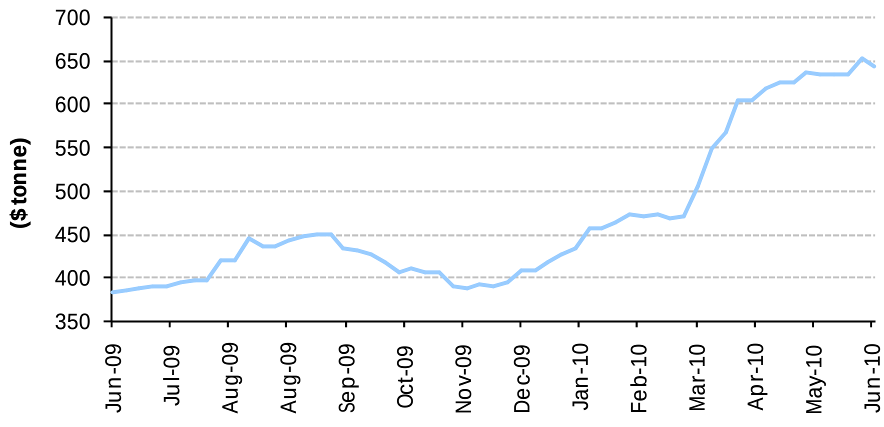
Chinese domestic prices, being the fate decider of the global steel prices, pre-indicated the weakness way ahead in the middle of May 2010. Domestic prices in China during the second week of May corrected by an almost US$65/tonne from the peak of U$690 to US$605/tonne after rising by US$80/tonne during April 2010. Prices in North America, after remaining firm till May, dipped by US$60 during June to US$660/short tonne. Whereas, steel prices in the Europe market surged by EUR138 during the quarter to EUR643/tonne primarily on the back of weak Euro.

China HRC price



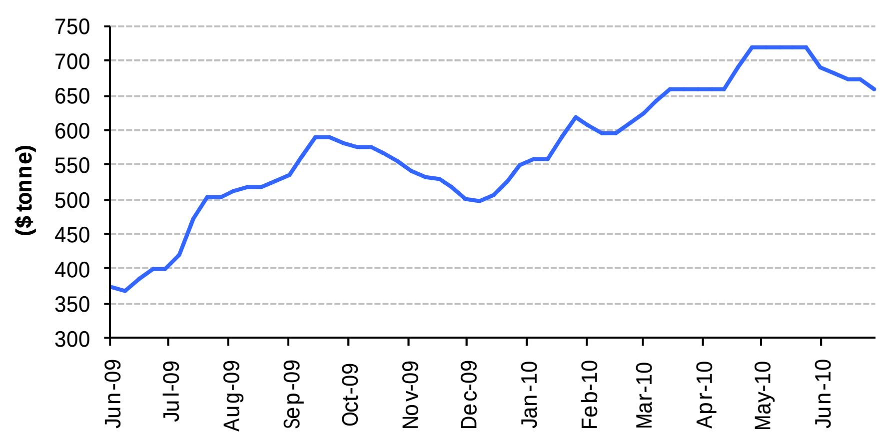
Source: SBB, PL Research

Europe HRC Price



Source: SBB, PL Research

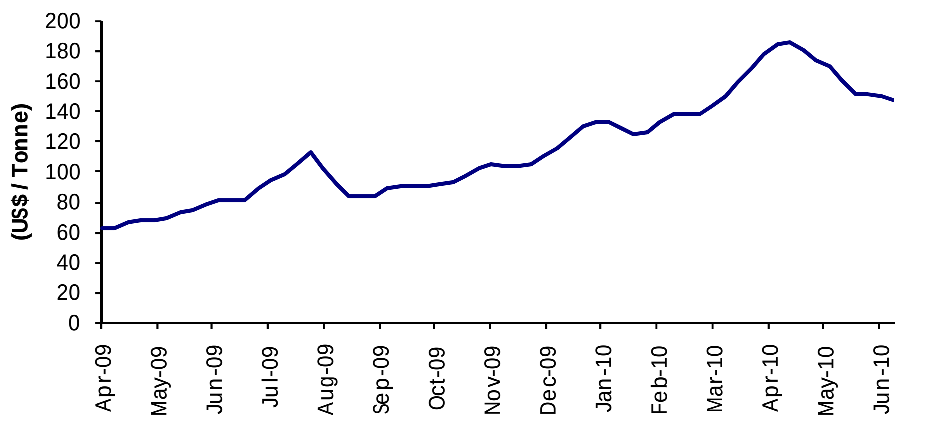
North America HRC Price



Source: SBB, PL Research

Spot Indian origin iron ore (63% Fe) CIF price for exports to China has stabilised at US$140/tonne after a fall of US$46 from the peak of US$186/tonne during the quarter on the back of a slowdown in apparent demand and firm quarterly iron ore pricing for Q3CY10. The recent quarterly iron ore contracts settled at US$147/tonne for Q3CY10, with an increase of 22% QoQ, would result in cost escalation of US$42/tonne of steel.

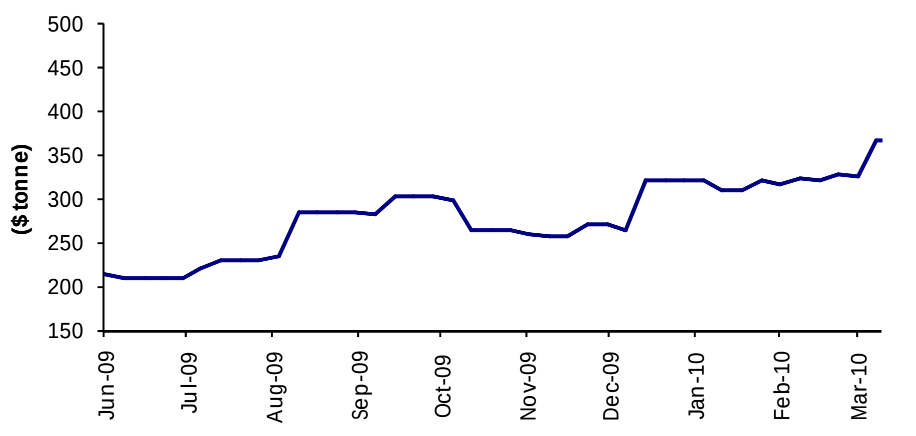
Indian origin Iron Ore (63% Fe) Export Prices (CIF) to China



Source: SBB, PL Research

Led by a weak demand from the Asian region and European markets, Rotterdam based scrap price declined by US$46 during the quarter to the current level of US$324. Scrap prices seems to have stabilised at the current levels and we see a rebound in the scrap prices, going forward and accordingly the firm steel prices.

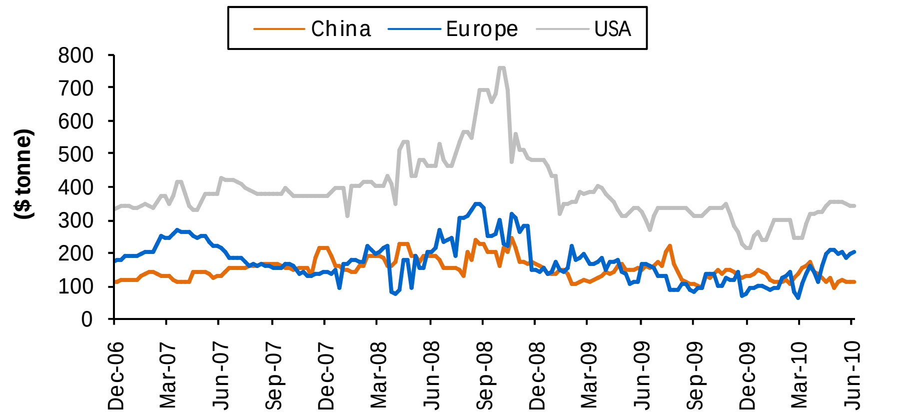
Rotterdam Scrap Prices



Source: SBB, PL Research

The differential between scrap and re-bar prices, which bottomed out during March 2010, has now increased sharply in developed countries owing to a sharp fall in scrap prices and firm steel prices. However, the differential remains under pressure in China on account of weak domestic prices.

Re-bar and Scrap price differential



Source: SBB, PL Research

We maintain our **Neutral** outlook on the sector on the back of better demand outlook and judicious management of the overcapacity by the EU players. We see the magnitude of fall in global steel prices during the month of June as abnormal since the prices drifted well below the cost of production, coupled with desperate selling and mild weakness in the demand. We expect steel prices to remain firm on the back of surging raw material prices and improvement in demand.

Top picks: Sterlite Industries, JSW Steel

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	2,092,022	2,377,395	2,767,870
Growth (%)	*(15.3)*	*13.6*	*16.4*
EBITDA	371,184	516,679	655,441
Margin (%)	*17.7*	*21.7*	*23.7*
PAT	180,323	292,387	368,865
Growth (%)	*(28.3)*	*62.1*	*26.2*
PE (x)	17.0	10.5	8.3

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	560,182	442,376	*26.0*	571,731	*(2.0)*
EBITDA	127,649	65,030	*96.2*	134,062	*(4.8)*
Margin (%)	*22.8*	*14.7*	*8.1*	*23.4*	*(0.8)*
PAT (Excl. Ex Items)	77,158	12,709	*507.1*	87,834	*(12.1)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

SAIL

Rating	**Accumulate**
Price	Rs194
Target Price	Rs233
Market Cap. (Rs bn)	802.1
Shares o/s (m)	4,130.4

Net revenue is expected to fall by 9% QoQ on the back of 13% volume fall and 5% rise in realizations (up by Rs1,600 or US$35 per tonne). Impacted by lower volumes and rise in cost of production due to higher coking coal price, EBITDA would fall by 3% QoQ to Rs27.3bn. On per tonne basis, this would translate into an EBITDA per tonne of Rs9,303 (US$202) compared to Rs8,351 (US$182) in the previous quarter. PAT would fall by 7.2% to Rs19.4bn.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	399,882	467,949	507,235
EBITDA	94,501	103,490	120,506
Margin (%)	*23.6*	*22.1*	*23.8*
PAT	68,633	78,814	83,497
EPS (Rs)	16.6	19.1	20.2
RoE (%)	*22.4*	*21.7*	*19.6*
PE (x)	11.7	10.2	9.6
P / BV (x)	2.4	2.0	1.8
EV / E (x)	7.8	8.0	7.6

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	108,431	89,506	*20.8*	119,552	467,949	399,882	*17.0*
EBITDA	27,284	16,734	*63.0*	28,226	103,490	94,501	*9.5*
Margin (%)	*24.7*	*18.3*	*6.4*	*23.1*	*22.1*	*23.6*	*(1.5)*
Reported PAT	19,352	13,261	*45.9*	20,850	78,814	68,633	*14.8*
PAT (Excl. Ex Items)	19,352	13,261	*45.9*	20,850	78,814	68,633	*14.8*
Operating Metrics							
Sales Volume (m Tonnes)	2.9	2.8	*5.5*	3.4	12.7	12.3	*3.5*
Realisation per tonne	36,970	31,062	*19.0*	35,370	35,161	30,957	*13.6*
EBITDA per tonne	9,303	4,885	*90.4*	8,351	8,124	7,675	*5.9*

Jindal Steel & Power

Rating	**Reduce**
Price	Rs631
Target Price	Rs604
Market Cap. (Rs bn)	585.2
Shares o/s (m)	927.9

We expect JSPL's net sales to fall by 5.3% QoQ on the back of 16% volume de-growth, 6% realisation growth in the steel business and 12.6% growth in the power segment's revenues. EBITDA would grow by 13% to Rs8.8bn, owing to higher realisations and lower other expenses. JPL is expected to report PAT of Rs5.9bn, with an average realised rate of Rs5.3/unit and PLF of 101%. Consolidated PAT for the quarter would stand at Rs11.5bn.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	109,325	137,634	156,887
EBITDA	57,008	73,484	86,810
Margin (%)	*52.1*	*53.4*	*55.3*
PAT	34,960	46,360	56,495
EPS (Rs)	37.7	50.0	60.9
RoE (%)	*39.9*	*36.6*	*32.1*
PE (x)	16.7	12.6	10.4
P / BV (x)	5.6	3.9	2.9
EV / E (x)	11.6	9.1	7.5

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	22,621	15,757	*43.6*	23,888	137,634	109,325	*25.9*
EBITDA	8,768	5,583	*57.1*	7,784	73,484	57,008	*28.9*
Margin (%)	*38.8*	*35.4*	*3.3*	*32.6*	*53.4*	*52.1*	*1.2*
Reported PAT	5,579	3,001	*85.9*	5,490	46,360	34,960	*32.6*
PAT (Excl. Ex Items)	5,579	3,001	*85.9*	5,490	46,360	34,960	*32.6*
Operating Metrics							
Sales Volume (Tonnes)	558,411	458,068	*21.9*	544,315	2,444	2,012	*21.5*
Realisation / Tonne	33,368	26,208	*27.3*	31,568	31,592	26,918	*17.4*
JPL - Power Sales (m KwH)	1,966	1,928	*1.9*	1,885	7,414	7,493	*(1.1)*
Rate per KwH	5.3	6.3	*(15.8)*	4.5	5.0	5.5	*(9.1)*
JPL - PAT	5,888	7,003	*(15.9)*	5,214	20,477	23,203	*(11.7)*

Tata Steel

Rating	**BUY**
Price	Rs479
Target Price	Rs649
Market Cap. (Rs bn)	424.8
Shares o/s (m)	886.5

Lower volumes would dilute the benefit of strong realisations (up by Rs1,400 or US$30/tonnes QoQ) and higher contribution from Ferro alloys business, and hence, Tata Steel's standalone EBITDA is expected to fall marginally by 6% QoQ to Rs28.4bn. However, on per tonne basis, company's EBITDA would rise by 15% QoQ to Rs20,358 (US$443). Reported PAT would fall by 29% to Rs15.3bn due to higher one-time other income in previous quarter and higher tax rate.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	1,023,931	1,150,629	1,268,496
EBITDA	80,427	164,927	191,183
Margin (%)	*6.6*	*14.3*	*15.1*
PAT	(4,371)	64,021	76,076
EPS (Rs)	(4.9)	72.2	85.7
RoE (%)	*(8.7)*	*24.9*	*23.8*
PE (x)	(22.2)	6.6	5.6
P / BV (x)	1.9	1.5	1.2
EV / E (x)	6.7	2.6	2.1

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	63,413	55,540	*14.2*	72,255	277,854	237,441	*17.0*
EBITDA	28,419	16,807	*69.1*	30,168	107,507	81,412	*32.1*
Margin (%)	*44.8*	*30.3*	*14.5*	*41.8*	*38.7*	*34.3*	*4.4*
Reported PAT	15,267	7,898	*93.3*	21,623	55,224	38,597	*43.1*
PAT (Excl. Ex Items)	15,267	7,898	*93.3*	21,623	55,224	38,597	*43.1*
Operating Metrics							
Volume (Mn tonnes)	1.4	1.4	*(2.0)*	1.7	6.4	6.1	*5.5*
Realisation per tonne	41,016	36,717	*11.7*	39,616	34,723	30,807	*12.7*
EBITDA per tonne	20,358	11,854	*71.1*	17,757	15,865	12,703	*24.9*

Tata Steel

Rating	**BUY**
Price	Rs479
Target Price	Rs649
Market Cap. (Rs bn)	424.8
Shares o/s (m)	886.5

On a consolidated basis, the company is expected to report adjusted PAT of Rs24.7bn against Rs27.9bn in the previous quarter on account of better earnings at Europe operations and marginal improvement in South-East Asian operations. We expect Corus to report EBITDA of US$416m with EBITDA per tonne of US$113 v/s US$94 in the previous quarter.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	1,023,931	1,150,629	1,268,496
EBITDA	80,427	164,927	191,183
Margin (%)	*6.6*	*14.3*	*15.1*
PAT	(4,371)	64,021	76,076
EPS (Rs)	(4.9)	72.2	85.7
RoE (%)	*(8.7)*	*24.9*	*23.8*
PE (x)	(22.2)	6.6	5.6
P / BV (x)	1.9	1.5	1.2
EV / E (x)	6.7	2.6	2.1

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	282,810	231,805	22.0	272,389	1,150,629	1,046,038	10.0
EBITDA	48,560	(299)	LTP	47,502	164,927	68,695	140.1
Margin (%)	*16.9*	*(0.1)*	*17.8*	*17.4*	*14.3*	*6.6*	*7.8*
Reported PAT	24,700	(22,087)	LTP	24,341	63,238	(33,116)	LTP
PAT (Excl. Ex Items)	24,700	(19,899)	LTP	27,920	64,021	(19,146)	LTP
Operating Metrics							
Sales volume-Corus	3.7	3.3	12.1	3.9	15.3	14.9	2.9
Real. Per tonne-Corus	1,102	963	14.4	976	1,100	946	16.3

Sterlite Industries

Rating	**Accumulate**
Price	Rs162
Target Price	Rs197
Market Cap. (Rs bn)	545.8
Shares o/s (m)	3,361.6

Impacted by weakness in the earnings of zinc and lead business, which constitutes ~70% of the consolidated EBITDA, EBITDA would fall by 14% QoQ to Rs17.7bn despite strong earnings growth in power business. EBITDA of the power business would grow by 58% due to higher realizations and increase in sales volume.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	244,103	242,713	342,668
EBITDA	60,718	70,154	117,488
Margin (%)	*24.9*	*28.9*	*34.3*
PAT	40,003	40,932	71,383
EPS (Rs)	11.9	12.2	21.7
RoE (%)	*12.0*	*10.5*	*17.0*
PE (x)	13.6	13.3	7.6
P / BV (x)	1.5	1.3	1.2
EV / E (x)	7.0	6.1	3.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	62,654	45,371	*38.1*	71,108	242,713	244,103	*(0.6)*
EBITDA	17,747	9,791	*81.2*	20,685	70,154	60,718	*15.5*
Margin (%)	*28.3*	*21.6*	*6.7*	*29.1*	*28.9*	*24.9*	*4.0*
Reported PAT	12,051	6,727	*79.2*	13,809	40,932	37,136	*10.2*
PAT (Excl. Ex Items)	12,051	6,727	*79.2*	13,809	40,932	40,003	*2.3*
Operating Metrics							
LME Avg. Aluminium (US$)	2,092	1,488	*40.6*	2,168	2,000	1,868	*7.1*
Aluminium volume	63,700	71,521	*(10.9)*	64,000	257,241	267,802	*(3.9)*

Hindustan Zinc

Rating	**Accumulate**
Price	Rs950
Target Price	Rs1,049
Market Cap. (Rs bn)	401.4
Shares o/s (m)	422.5

Company's PAT is expected to fall by 15% QoQ due to a fall of 13% in metal realizations and lower sales volume of surplus zinc concentrate. Realisation of Sulphuric acid is expected to rise by Rs882 to Rs2,400 per tonne.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	80,170	79,809	91,948
EBITDA	46,701	40,634	48,692
Margin (%)	*58.2*	*50.9*	*53.0*
PAT	40,414	37,181	45,496
EPS (Rs)	95.6	88.0	107.7
RoE (%)	*24.9*	*18.7*	*19.2*
PE (x)	11.1	10.8	8.8
P / BV (x)	2.2	1.9	1.6
EV / E (x)	9.2	8.9	6.4

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	21,408	15,122	*42.0*	24,985	79,809	75,961	*5.1*
EBITDA	12,407	7,679	*61.6*	15,018	40,634	42,492	*(4.4)*
Margin (%)	*58.0*	*50.8*	*7.5*	*60.1*	*50.9*	*55.9*	*(5.0)*
Reported PAT	10,555	7,188	*46.8*	12,390	37,181	36,205	*2.7*
PAT (Excl. Ex Items)	10,555	7,188	*46.8*	12,390	37,181	36,205	*2.7*
Operating Metrics							
Zinc (US$)	2,020	1,481	*36.4*	2,285	1,800	1,936	*(7.0)*
Lead(US$)	1,945	1,509	*28.9*	2,211	1,700	1,986	*(14.4)*
Zinc Volume	165,000	138,015	*19.6*	151,294	697,541	577,685	*20.7*
Lead Volume	15,000	15,073	*(0.5)*	18,450	92,610	64,391	*43.8*
EBITDA per tonne (Rs)	60,677	41,997	*43.9*	77,597	49,570	65,847	*(24.7)*

JSW Steel

Rating	**Accumulate**
Price	Rs1,075
Target Price	Rs1,476
Market Cap. (Rs bn)	201.0
Shares o/s (m)	187.0

Company's EBITDA is expected to fall by 14.5% QoQ, primarily on account of lower volumes and escalation in cost being higher than rise in realisation. We expect realisations to rise by Rs2,664 (US$58) QoQ. However, the benefit of higher realisations would be partially undone by an increase of Rs3, 701/tonne in the cost due to higher iron ore and coking coal prices. On per tonne basis, EBITDA would fall by 12.2% QoQ to Rs7,469 (US$162). Adjusted PAT would decline by 36.3% QoQ to Rs4.1bn due to higher tax and interest cost.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	188,970	265,037	356,838
EBITDA	40,105	53,634	75,926
Margin (%)	*21.2*	*20.2*	*21.3*
PAT	13,060	19,716	28,958
EPS (Rs)	69.8	105.4	154.8
RoE (%)	*19.0*	*19.8*	*24.4*
PE (x)	16.7	13.5	9.2
P / BV (x)	3.0	2.5	2.1
EV / E (x)	10.6	8.7	5.8

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	54,254	38,939	*39.3*	51,671	265,037	188,970	*40.3*
EBITDA	11,054	7,237	*52.7*	12,929	53,634	40,105	*33.7*
Margin (%)	*20.4*	*18.6*	*1.8*	*25.0*	*20.2*	*21.2*	*(1.0)*
Reported PAT	4,105	3,400	*20.7*	7,169	19,716	15,976	*23.4*
PAT (Excl. Ex Items)	4,105	1,754	*134.0*	6,443	19,716	15,976	*23.4*
Operating Metrics							
Sales volume	1.5	1.3	*12.1*	1.5	6.6	5.7	*15.2*
Realisation per tonne	36,658	29,499	*24.3*	33,994	29,738	27,206	*9.3*
EBITDA per tonne	7,469	5,483	*36.2*	8,506	8,162	7,029	*16.1*

Monnet Ispat

Rating	Accumulate
Price	Rs441
Target Price	Rs599
Market Cap. (Rs bn)	25.1
Shares o/s (m)	57.0

EBITDA is expected to fall by 12% QoQ on the back of a weak sponge iron volume and higher raw material cost. The benefit of higher sponge iron realisations during the quarter would be undone by higher iron ore prices. PAT is expected to fall by 10% QoQ to Rs652m.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	13,913	16,675	26,393
EBITDA	4,044	4,873	8,807
Margin (%)	*29.1*	*29.2*	*33.4*
PAT	2,305	2,955	4,122
EPS (Rs)	24.7	51.9	72.4
RoE (%)	*16.2*	*16.8*	*19.3*
PE (x)	17.8	8.5	6.1
P / BV (x)	2.6	1.3	1.1
EV / E (x)	9.4	8.9	5.8

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	4,386	3,562	*23.1*	4,384	16,675	13,913	*19.9*
EBITDA	1,130	1,076	*5.0*	1,284	4,873	4,044	*20.5*
Margin (%)	25.8	30.2	*4.4*	29.3	29.2	29.1	*0.2*
Reported PAT	652	612	*6.4*	725	2,955	2,305	*28.2*
PAT (Excl. Ex Items)	652	612	*6.4*	725	2,955	2,305	*28.2*
Operating Metrics							
Sponge iron (Tonnes)	138,200	126,095	*9.6*	164,291	571,878	570,419	*0.3*
Realisation per tonne	16,820	12,301	*36.7*	15,720	15,500	13,070	*18.6*
Power Sales (m Kwh)	239	196	*22.1*	222	716	700	*2.4*
Rate per Kwh	5.2	5.8	*(10.6)*	4.3	4.5	5.0	*(10.6)*

Adhunik Metaliks

Rating	**BUY**
Price	Rs115
Target Price	Rs147
Market Cap. (Rs bn)	14.2
Shares o/s (m)	123.5

Key Figures **(Rs m)**

	FY10	**FY11E**	**FY12E**
Net Sales	13,831	16,950	17,405
EBITDA	3,622	5,483	6,029
Margin (%)	*26.2*	*32.3*	*34.6*
PAT	1,389	2,409	2,838
EPS (Rs)	11.2	19.5	23.0
RoE (%)	*23.9*	*27.3*	*25.9*
PE (x)	10.2	5.9	5.0
P / BV (x)	1.8	1.5	1.2
EV / E (x)	7.9	7.3	8.2

Standalone revenue would fall by 4% QoQ on the back of a decline in trading revenue and flat own steel revenue. Company's EBITDA would grow by 10% QoQ to Rs699m on the back of rise in realisation higher than increase in cost associated with strong iron ore and coking coal prices. On per tonne basis, it would translate in to an EBITDA per tonne of Rs7,336 (US$159) v/s Rs6,869 (US$149). AML's subsidiary, Orissa manganese and minerals (OMM) would report EBITDA of Rs797m and PAT of Rs479m, with growth of 23% and 27% QoQ respectively.

Quarterly Table **(Rs m)**

Y/e March	**Q1 FY11E**	**Q1 FY10**	*YoY gr. (%)*	**Q4 FY10**	**12M FY11E**	**12M FY10**	*YoY gr. (%)*
Net Sales	3,613	2,314	*56.2*	3,754	16,950	13,831	*22.6*
EBITDA	699	422	*65.9*	634	5,483	3,622	*51.4*
Margin (%)	*19.3*	*18.2*	*1.1*	*16.9*	*32.3*	*26.2*	*6.2*
Reported PAT	164	62	*165.0*	207	2,409	1,389	*73.4*
PAT (Excl. Ex Items)	164	65	*134.0*	207	2,409	1,389	*73.4*
Operating Metrics							
Sales volume (Tonnes)	99,800	80,310	*24.3*	99,732	361,651	309,393	*16.9*
Realisation per tonne (Rs)	31,880	25,387	*25.6*	30,301	32,006	30,321	*5.6*
EBITDA per tonne (Rs)	7,336	5,473	*34.0*	6,869	8,197	6,487	*26.4*
OMM-Revenue	1,310	455	*188.0*	1,058	3,686	2,350	*56.9*
OMM-PAT	479	125	*283.7*	378	1,473	865	*70.4*

Kejal Mehta
KejalMehta@PLIndia.com
+91-22-6632 2235

Dhrushil Jhaveri
DhrushilJhaveri@PLIndia.com
+91-22-6632 2232

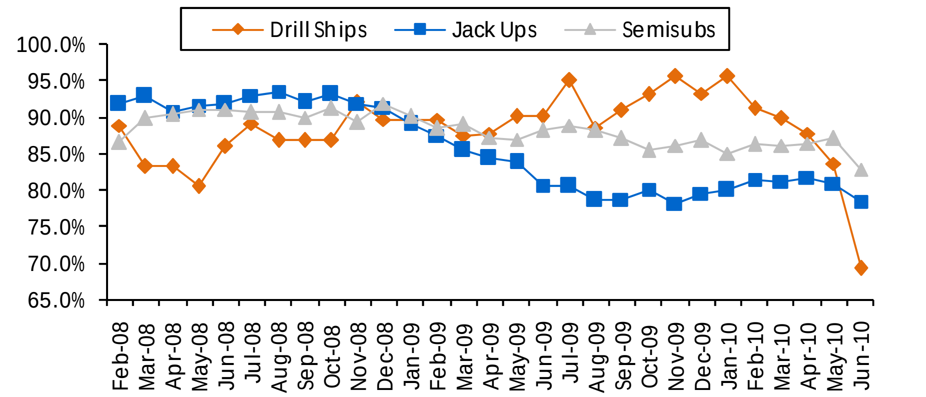
Offshore, Ports & Shipbuilding

Offshore

The offshore industry was plagued by a huge detrimental event this quarter. In April 2010, the deepwater oil rig owned by *Transocean* exploded in the Gulf of Mexico, causing the largest oil spill in history. The offshore industry has been adversely affected thereafter.

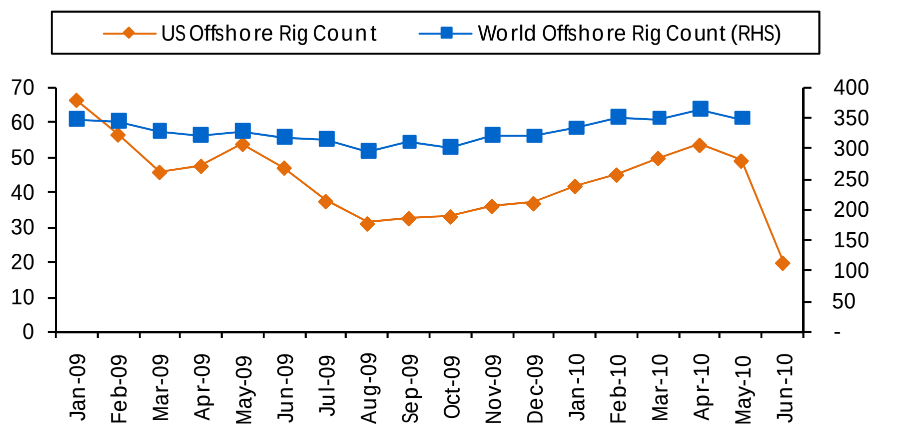
The US Department of Interior issued a moratorium on new drilling permits and deepwater drilling (>500 ft) for a period of six months. On account of this move, there has been a steep fall in the US offshore rig count from 48 in May to 17 in the last week of June. The impact is visible in the drillship and semi-submersible space where utilizations have dropped steeply. Later, a New Orleans federal judge lifted the six-month moratorium. However, this issue is likely to go on for a while.

Rig Utilizations



Source: Rigzone

Offshore Rig Count



Source: Baker Hughes

Overall day rates for OSVs as well as rigs have been soft on account of macro uncertainties as well as crude being under pressure. As far as the Indian offshore companies are concerned, companies which have a large percentage of vessels on long-term charters are in a secure position since vessels that are either in the spot market or deployed on short-term charters are facing pressure.

Crude oil price movement

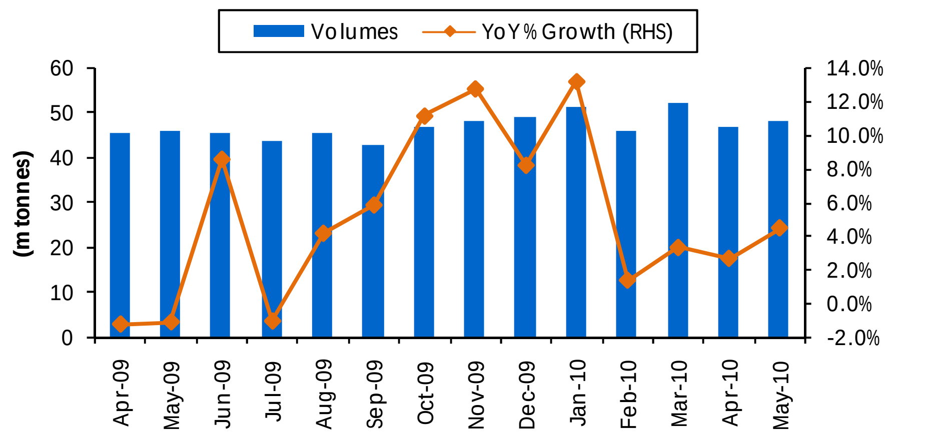
Source: Bloomberg

Ports

Overall port volumes, though lower than the month of March (which typically witnesses higher volumes being the end of the financial year), have largely been stabilizing. On a YoY basis, growth has been moderate.

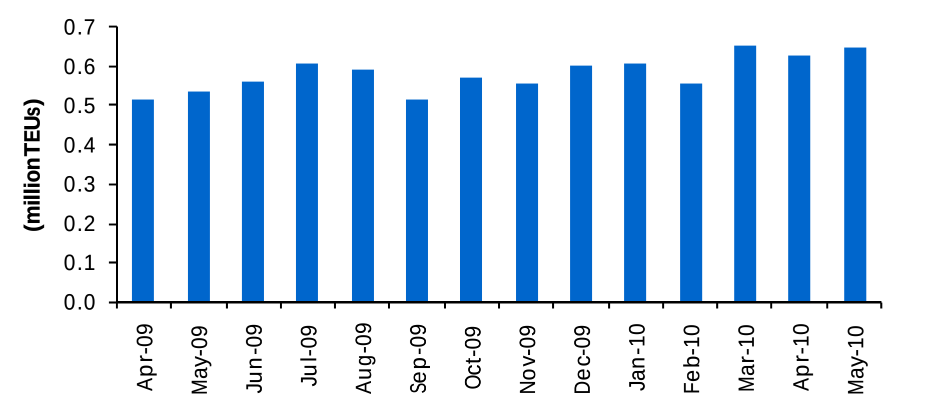
Container volumes have continued their upward trend, with a sharp sequential increase in March 2010. The increased volumes have sustained in the subsequent months as well.

Major port volumes



Source: IPA

Container volumes at major ports



Source: IPA

Shipbuilding

Shipbuilding order flow has witnessed a strong pick-up on a global basis, with Korea and China being the largest beneficiaries. Korea has outpaced China in order accretion. Contribution to Indian companies has, however, been a trickle.

Recovery in the order flows has been led by the bulker segment. However, the recent 40% fall in the Baltic Dry Index in the month of June on account of a slowdown in Chinese iron ore imports can derail the recovery in this segment. Also, the concerns of overcapacity, with 15% plus growth in global new-build capacity, continue.

Top picks: Great Offshore

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	96,395	114,883	131,710
Growth (%)	*17.1*	*19.2*	*14.6*
EBITDA	43,106	50,912	57,241
Margin (%)	*44.7*	*44.3*	*43.5*
PAT	16,759	20,636	26,287
Growth (%)	*6.5*	*23.1*	*27.4*
PE (x)	22.7	18.6	14.6

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	24,212	20,983	*15.4*	26,131	*(7.3)*
EBITDA	11,056	9,786	*13.0*	12,131	*(8.9)*
Margin (%)	*45.7*	*46.6*	*(1.0)*	*46.4*	*(0.8)*
PAT (Excl. Ex Items)	4,398	4,058	*8.4*	6,110	*(28.1)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Aban Offshore

Rating	**Reduce**
Price	Rs828
Target Price	Rs675
Market Cap. (Rs bn)	41.2
Shares o/s (m)	49.8

Aban witnessed a large setback during the quarter with the sinking of one of its key assets '*Aban Pearl*'. The revenue loss from this asset negates the positive impact on earnings led by commencement of contracts for three of its other jack-up rigs. The company's largest asset '*Aban Abraham*' remained idle during the quarter as its contract ended in April 2010.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	33,587	38,662	38,984
EBITDA	21,004	23,297	23,125
Margin (%)	*62.5*	*60.3*	*59.3*
PAT	5,518	7,237	7,970
EPS (Rs)	126.8	145.4	135.9
RoE (%)	*33.7*	*26.4*	*18.1*
PE (x)	6.5	5.7	6.1
P / BV (x)	1.9	1.1	0.9
EV / E (x)	8.7	6.6	5.7

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	9,414	7,935	*18.6*	10,210	38,662	33,587	*15.1*
EBITDA	5,649	4,689	*20.5*	6,592	23,297	21,004	*10.9*
Margin (%)	*60.0*	*59.1*	*1.5*	*64.6*	*60.3*	*62.5*	*(2.3)*
Reported PAT	1,577	1,109	*42.2*	393	7,237	3,110	*132.7*
PAT (Excl. Ex Items)	1,577	1,109	*42.2*	2801	7,237	5,518	*31.1*
Operating Metrics							
Fleet Size	19	20		20	19	20	
Number of uncontracted rigs	2	4		4	2	4	
Number of vessels under dry-docking	-	2		-	-	-	

Great Offshore

Rating	**Accumulate**
Price	Rs442
Target Price	Rs606
Market Cap. (Rs bn)	16.4
Shares o/s (m)	37.1

On account of the fleet expansion in FY10, GOFF is likely to witness a decent growth on a YoY basis. However, on a sequential basis, earnings are likely to decline. This is largely due to the end of the contract of one of its drilling vessels '*Kedarnath*'. The asset is currently dry-docking and will resume operations at a 50% higher day-rate. During the quarter, one additional asset commenced operations. This is a newly acquired platform supply vessel which got deployed on a short-term contract.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	11,715	14,397	17,596
EBITDA	4,991	6,570	7,960
Margin (%)	*42.6*	*45.6*	*45.2*
PAT	2,026	2,838	3,156
EPS (Rs)	54.5	76.4	85.0
RoE (%)	*27.9*	*35.1*	*30.7*
PE (x)	8.1	5.8	5.2
P / BV (x)	2.3	1.8	1.4
EV / E (x)	7.7	5.9	5.3

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,605	2,293	*13.6*	2,785	14,397	11,715	*22.9*
EBITDA	1,224	986	*24.2*	1,403	6,570	4,991	*31.6*
Margin (%)	*47.0*	*43.0*	*9.3*	*50.4*	*45.6*	*42.6*	*3.0*
Reported PAT	533	222	*140.1*	731	2,838	1,835	*54.6*
PAT (Excl. Ex Items)	533	413	*29.2*	731	2,838	2,026	*40.1*
Operating Metrics							
Fleet Size	66	61		66	67	66	
Drilling Rigs	60.0%	100.0%		100.0%	80.0%	100.0%	
Harbour Tugs	90.0%	91.0%		96.0%	85.0%	84.0%	
OSV	75.0%	72.0%		78.0%	75.0%	59.0%	

Garware Offshore

Rating	**Accumulate**
Price	Rs135
Target Price	Rs163
Market Cap. (Rs bn)	3.2
Shares o/s (m)	23.8

The quarter has been quite adverse for the company as four of its assets, which were earlier deployed on short-term contracts, remained un-contracted for 3-4 weeks each. Two of them are now deployed in the spot market, while the other two await contracts. The other eight vessels are all deployed on long-term charters. Earnings are likely to look extremely subdued on account of the significant idling of vessels during the quarter.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	2,323	2,479	3,033
EBITDA	1,027	1,142	1,467
Margin (%)	*44.2*	*46.1*	*48.4*
PAT	415	432	577
EPS (Rs)	17.4	18.1	24.2
RoE (%)	*16.9*	*15.6*	*18.1*
PE (x)	7.8	7.5	5.6
P / BV (x)	1.2	1.1	0.9
EV / E (x)	7.7	7.7	6.8

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	439	571	*(23.0)*	573	2,479	2,323	*6.7*
EBITDA	202	319	*(36.7)*	215	1,142	1,027	*11.2*
Margin (%)	*46.0*	*56.0*	*(17.8)*	*37.5*	*46.1*	*44.2*	*1.9*
Reported PAT	49	154	*(68.2)*	66	432	439	*(1.6)*
PAT (Excl. Ex Items)	49	154	*(68.2)*	66	415	439	*(5.4)*
Operating Metrics							
Fleet Size	12	11		12	13	12	
Number of vessels under dry-docking	-	-		1	-	1	

Mundra Port & SEZ

Rating	**Accumulate**
Price	Rs724
Target Price	Rs757
Market Cap. (Rs bn)	290.1
Shares o/s (m)	400.7

Volumes at the port have been strong during the quarter. However, we expect average realizations to be lower due to a change in the product mix. Continues volumes at CT2 have witnessed strong growth and are now almost equal to volumes at CT1. Construction of the coal terminal is on track and is likely to commence operations in October 2010. Construction of additional bulk capacities as well as the single point-mooring facility being set up by Hindustan Mittal is also in full swing.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	14,955	17,426	23,466
EBITDA	9,443	11,291	14,883
Margin (%)	*63.1*	*64.8*	*63.4*
PAT	6,758	7,567	11,412
EPS (Rs)	16.9	18.9	28.5
RoE (%)	*21.2*	*20.1*	*25.1*
PE (x)	42.9	38.3	25.4
P / BV (x)	8.4	7.1	5.8
EV / E (x)	32.7	27.5	20.3

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	3,855	3,068	*25.7*	4,205	17,426	14,955	*16.5*
EBITDA	2,506	2,201	*13.9*	2,521	11,291	9,443	*19.6*
Margin (%)	*65.0*	*71.7*	*(9.4)*	*60.0*	*64.8*	*63.1*	*1.7*
Reported PAT	1,791	1,707	*4.9*	1,922	7,567	6,760	*11.9*
PAT (Excl. Ex Items)	1,791	1,707	*4.9*	1,922	7,567	6,758	*11.9*
Operating Metrics							
Port volumes	12.5	9.89		10.46	53.4	40.3	
Rev/Tonne	300	280		392	327	324	
SEZ Land Sales (acres)	30	5		-	675	160	

Gateway Distriparks

Rating	**Accumulate**
Price	Rs115
Target Price	Rs146
Market Cap. (Rs bn)	12.3
Shares o/s (m)	107.7

Although, overall port volumes have more or less stabilized, on account of the fire at the company's Punjab Conware facility at JNPT, volumes are likely to remain under pressure. The company is planning to expand capacities at its Cochin facility, while volumes at Chennai are also inching upwards. Rail operations are expected to appear flat sequentially on account of delays in deployment of new rakes. The quantum of MAT credit is likely to be miniscule this quarter and hence, PAT is likely to witness de-growth.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	4,878	5,904	6,494
EBITDA	1,430	1,811	2,078
Margin (%)	*29.3*	*30.7*	*32.0*
PAT	720	985	1,235
EPS (Rs)	6.7	9.1	11.5
RoE (%)	*11.2*	*14.4*	*16.5*
PE (x)	17.1	12.5	10.0
P / BV (x)	1.9	1.7	1.6
EV / E (x)	10.5	8.3	7.1

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	390	391	*(0.3)*	396	5,904	4,878	*21.0*
EBITDA	199	198	*0.3*	207	1,811	1,430	*26.7*
Margin (%)	*51.0*	*50.7*	*0.6*	*52.3*	*30.7*	*29.3*	*1.4*
Reported PAT	148	173	*(14.8)*	217	985	720	*36.7*
PAT (Excl. Ex Items)	148	173	*(14.8)*	217	985	720	*36.7*
Operating Metrics							
CFS Volumes (TEUs)	71,217	73,826	*(3.5)*	74,184	344,700	304,400	*13.2*
Revenue/TEU	7,252	6,465	*12.2*	6,973	6,364	6,637	*(4.1)*

ABG Shipyard

Rating	**Accumulate**
Price	Rs258
Target Price	Rs271
Market Cap. (Rs bn)	14.2
Shares o/s (m)	54.9

On account of capacity addition, we expect stronger revenues on a YoY basis. However, on a sequential basis, we expect a decline. The company bagged an order for the 20,000 DWT cement carriers worth Rs3.8bn. The company's unexecuted order book now stands at ~Rs78.9bn, translating into order book/sales of 3.76. The company's current focus is on executing Essar's rig order.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	16,293	21,000	25,620
EBITDA	2,893	4,053	4,740
Margin (%)	*17.8*	*19.3*	*18.5*
PAT	684	1,087	1,240
EPS (Rs)	12.5	19.8	22.6
RoE (%)	*6.7*	*9.1*	*9.0*
PE (x)	20.7	13.0	11.4
P / BV (x)	1.3	1.1	1.0
EV / E (x)	10.2	7.8	7.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	4,258	3,681	*15.7*	4,732	21,000	16,293	*28.9*
EBITDA	724	830	*(12.7)*	642	4,053	2,893	*40.1*
Margin (%)	*17.0*	*22.5*	*(24.6)*	*13.6*	*19.3*	*17.8*	*1.5*
Reported PAT	126	304	*(58.4)*	200	1,087	684	*58.9*
PAT (Excl. Ex Items)	126	304	*(58.4)*	251	1,087	684	*58.9*
Operating Metrics							
Order Book	121,000	116,454	*3.9*	123,000	98,400	123,000	*(20.0)*
Unexecuted Order book	78,922	85,350	*(7.5)*	80,181	64,181	80,181	*(20.0)*
Subsidy Booked	450	250	*80.0*	470	1,200	1,831	*(34.5)*

Bharati Shipyard

Rating	**BUY**
Price	Rs239
Target Price	Rs281
Market Cap. (Rs bn)	290.1
Shares o/s (m)	30.3

Order book execution continues to be on track, whereby operational performance is likely to be stable. Large quantum of debt on the company books as well as lack of new order inflows is the two large issues faced by the company. The company's unexecuted order book/sales stands at 1.5x FY11. Absence of new orders is likely to have an impact on the company's FY12 performance.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	12,645	15,015	16,517
EBITDA	2,318	2,748	2,989
Margin (%)	*18.3*	*18.3*	*18.1*
PAT	826	490	696
EPS (Rs)	27.2	16.2	23.0
RoE (%)	*10.7*	*5.4*	*6.9*
PE (x)	42.9	38.3	25.4
P / BV (x)	8.4	7.1	5.8
EV / E (x)	32.7	27.5	20.3

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	3,250	3,045	*6.7*	3,231	15,015	12,645	*18.7*
EBITDA	553	563	*(1.8)*	551	2,748	2,318	*18.5*
Margin (%)	*17.0*	*18.5*	*(8.0)*	*17.1*	*18.3*	*18.3*	*(0.0)*
Reported PAT	174	198	*(12.0)*	181	490	826	*(42.0)*
PAT (Excl. Ex Items)	174	198	*(12.0)*	181	490	826	*(42.0)*
Operating Metrics							
Order Book	50,760	50,655	*0.2*	50,760	40,608	50,760	*(20.0)*
Unexecuted Order Book	22,353	31,065	*(28.0)*	25,603	15,588	25,603	*(39.1)*
Subsidy Booked Rs.M	255	249	*2.2*	250	1,250	836	*49.5*

Rohit Nagraj
RohitNagraj@PLIndia.com
+91-22-6632 2241

Oil, Gas & Petrochemicals

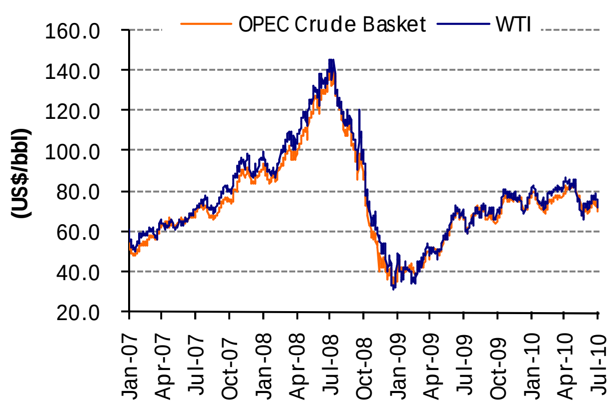
Crude prices moved upwards during the early part of the quarter, marching from US$80/bbl to about US$87-88/bbl. Prices remained above US$80/bbl during the first half of the quarter, after which prices started receding due to global economic fears, especially in the US and Europe. During the second half of the quarter, crude prices traded at about US$75/bbl. After a good run during the earlier quarter, GRMs started coming down and the performance was affected. Particularly, the Gasoline-Crude spreads, which moved up to mid-teens in the earlier quarter, moved down to higher single digit in the current quarter, impacting the GRMs. Petchem prices, on the contrary, remained firm on the back of good demand from the Asian region.

Crude – prices on an uptrend, averaged higher at US$78.4/bbl in Q1FY11

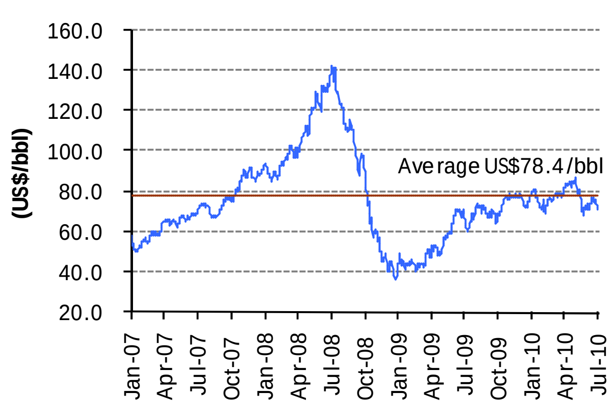
Crude prices continued their rally during the early part of the quarter, moving up to US$87/bbl by early May 2010. However, concerns over global economic recovery led to a sharp fall in crude prices, plunging to over US$69/bbl which stayed at about US$70/bbl till early June 2010. However, positive indications for the global markets once again led to an increase in crude prices which are currently stabilising at about US$75-77/bbl.

OPEC crude oil production remained more or less stable on a sequential basis, averaging at 29.2795million barrels per day (mbpd) in Q1FY11 as against 29.15mbpd in Q4FY10. OPEC members are comfortable at oil prices above US$70/bbl and hence, are maintaining their production quota.

Crude price - WTI, OPEC

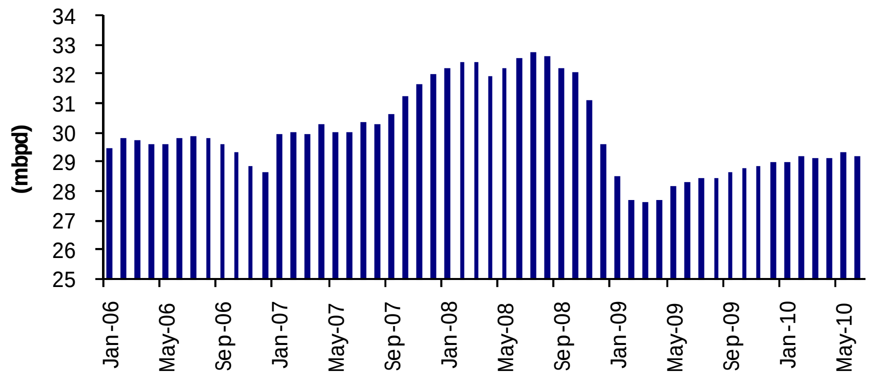


Indian crude basket



Source: Bloomberg, PL Research

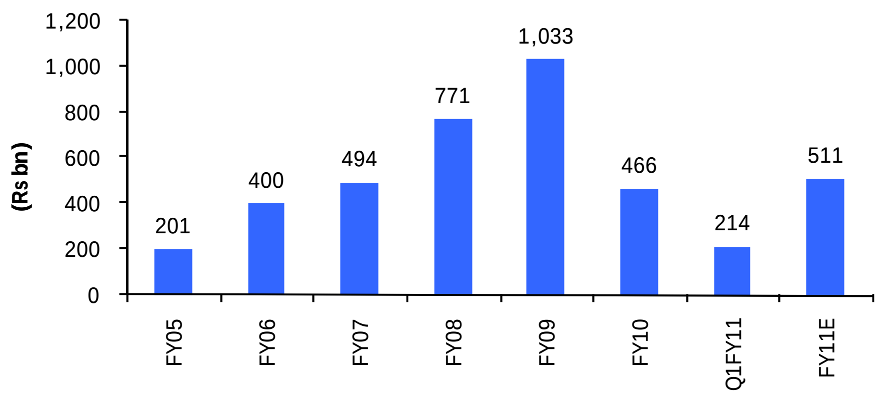
OPEC monthly crude oil production



Source: Bloomberg, PL Research

Indian crude prices averaged at US$78.4/bbl during Q1FY11 (Q4FY10– US$76.3/bbl). Government took a landmark decision of deregulating petrol prices from June onwards (price hike of Rs3.50/lit). Simultaneously, it also increased price of diesel by Rs2.0/lit (indicating deregulating diesel prices in future), PDS kerosene by Rs3.0/lit and domestic LPG by Rs35.0/cylinder. The measures will reduce the overall under-recoveries for FY11 from earlier estimate of over Rs75-800bn to about Rs511bn. Eventually, the discounts from upstream and government support (through oil bonds/ cash) is expected to come down benefiting the upstream companies and lowering budget deficit. The under-recoveries during the current quarter are expected to be Rs214bn, half of which are estimated for the auto fuels (petrol and diesel) and half for cooking fuels (PDS kerosene and domestic LPG). We have accounted about 31% support from upstream companies and remaining from government support through oil bonds/cash.

Under-recoveries

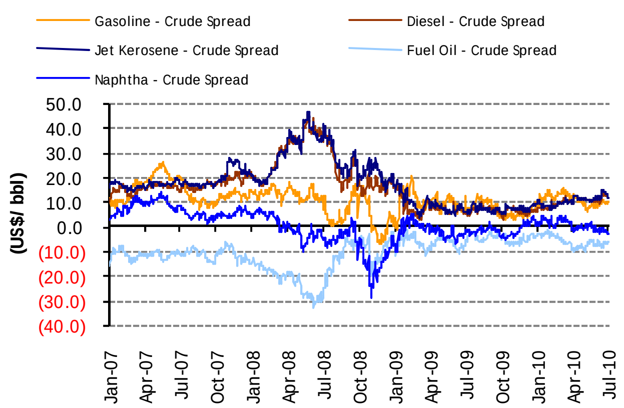


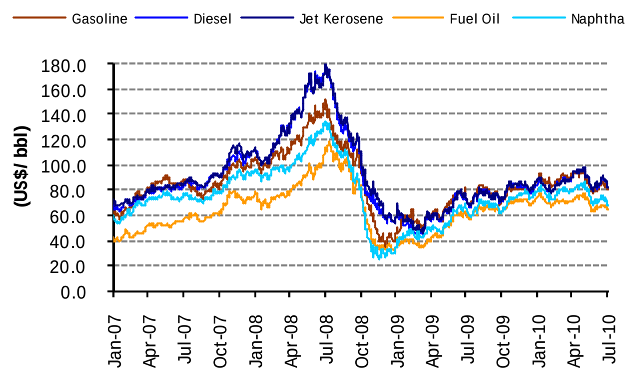
Source: PPAC, PL Research

Petroleum product spreads - Gasoline-Crude down, Diesel-Crude up

With rise in crude prices, the petroleum product crack spreads also took a beating, further impacting the GRMs. Gasoline-Crude spreads, which performed substantially well during the earlier quarter, remained lacklustre during the current quarter, averaging at US$9.5/bbl as against US$12.5/bbl in Q4FY10. On the contrary, Diesel-Crude crack spreads expanded to US$11.3/bbl as against US$8.8/bbl in Q4FY10, supporting the GRMs. Naphtha-Crude spreads turned negative to US$(0.7)/bbl compared to US$2.3/bbl during the previous quarter.

Petroleum product prices and spreads



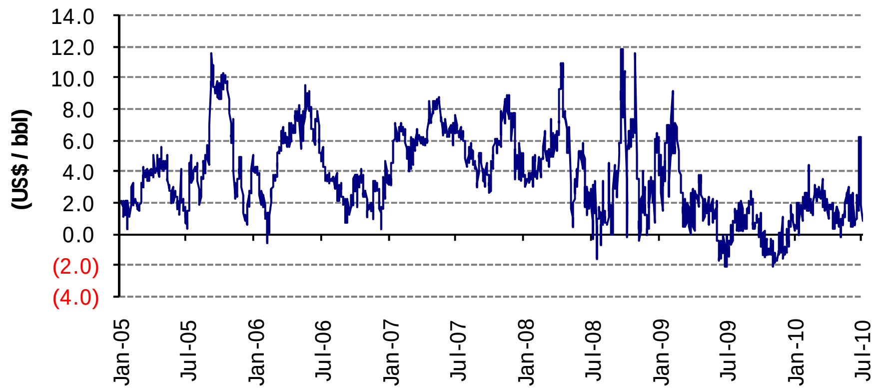


Source: Bloomberg, PL Research

GRMs - glitch again

After a good performance during Q4FY10, the Singapore complex GRMs once again started coming down during the current quarter. GRMs for Q1FY11 averaged at US$1.6/bbl, a decline of US$0.5/bbl over the previous quarter. Reduction in gasoline and naphtha cracks, along with fuel oil crack spreads, led to a decline in GRMs. However, diesel crack spreads, which improved on a sequential basis, arrested the overall decline in GRMs. We believe that the Indian refiners will suffer from lower GRMs. Simultaneously, chances of some minor inventory losses cannot be ruled out.

Bloomberg Singapore Complex GRMs

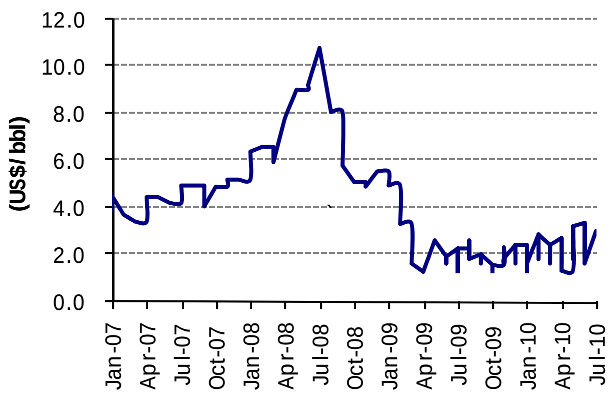


Source: Bloomberg, PL Research

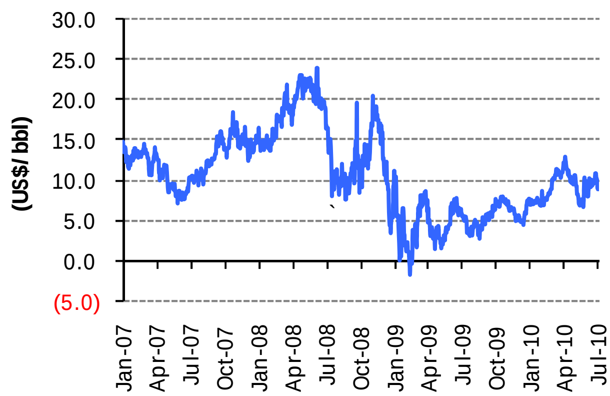
Crude differentials – complex refiners to gain

Even though the GRMs have declined during the quarter, light-heavy differential expanded during the quarter which is expected to benefit the complex refiners. The light-heavy differentials improved from US$2.4/bbl in Q4FY10 to US$2.8/bbl in Q1FY11. On the contrary, the WTI-WTS sweet-sour differential remained stable sequentially at US$1.9/bbl. Improvement in light-heavy differential is expected to add to the GRMs of complex refiners.

Arab light-heavy differential



WTI-WTS sweet-sour differential

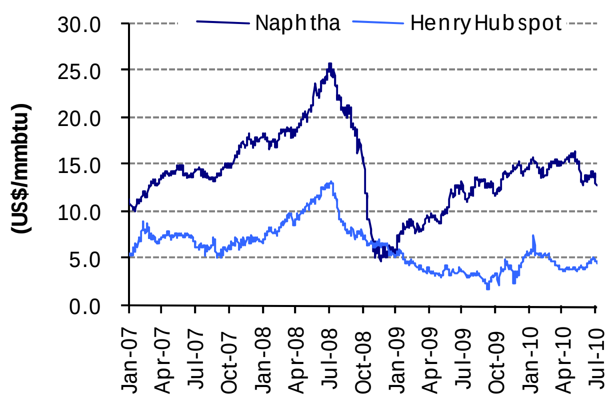


Source: Bloomberg, PL Research

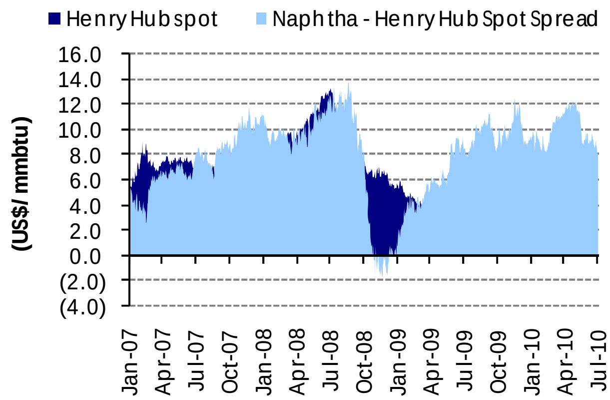
Natural gas - hot summer in the US aids prices

We witnessed the Natural gas prices starting off from below US$4.0/mmbtu in the beginning of the quarter. However, as the quarter progressed, Natural gas prices also inched up crossing US$4.0/mmbtu mark decisively. Warmer than normal summer in the US aided Natural gas price uptrend and the Henry Hub spot natural gas prices averaged at US$4.3/mmbtu (Q4FY10 average – US$5.1/mmbtu). US underground Natural gas storage levels are still above five-year average, suppressing the Natural gas prices, which also indicates lower industrial activity.

Henry Hub natural gas price



Naphtha Henry Hub natural gas differential



Source: Bloomberg, PL Research

Top picks: Reliance Industries, ONGC, GAIL and Indraprastha Gas

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	8,504,516	10,068,013	11,470,467
Growth (%)	*(1.2)*	*18.4*	*13.9*
EBITDA	1,110,841	1,392,759	1,614,026
Margin (%)	*13.1*	*13.8*	*14.1*
PAT	571,786	744,329	907,347
Growth (%)	*23.7*	*30.2*	*21.9*
PE (x)	16.3	12.5	10.3

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	2,365,421	1,677,478	*41.0*	2,337,626	*1.2*
EBITDA	233,365	233,799	*(0.2)*	303,461	*(23.1)*
Margin (%)	*9.9*	*13.9*	*(4.1)*	*13.0*	*(3.1)*
PAT (Excl. Ex Items)	113,329	142,555	*(20.5)*	160,626	*(29.4)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Reliance Industries

Rating	**Accumulate**
Price	Rs1,070
Target Price	Rs1,231
Market Cap. (Rs bn)	3,499.3
Shares o/s (m)	3,270.4

Sequentially, GRMs are expected to be marginally down due to pressure on gasoline, naphtha and fuel oil crack spreads. On the contrary, petchem prices and margins are expected to remain stable. Higher crude production volumes from MA field, coupled with average KG basin gas volumes of about 60.0mmscmd, will provide fillip to the profitability from Oil & Gas segment as well as overall profitability.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	1,924,610	2,405,005	2,614,597
EBITDA	305,807	442,014	475,773
Margin (%)	*15.9*	*18.4*	*18.2*
PAT	162,357	238,253	257,738
EPS (Rs)	49.6	72.9	78.8
RoE (%)	*12.3*	*16.1*	*15.2*
PE (x)	21.6	14.7	13.6
P / BV (x)	2.6	2.2	1.9
EV / E (x)	13.0	8.5	7.4

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	624,156	320,550	*94.7*	575,700	2,405,005	1,924,610	*25.0*
EBITDA	91,057	58,210	*56.4*	91,360	442,014	305,807	*44.5*
Margin (%)	14.6	18.2	*(19.7)*	15.9	18.4	15.9	*2.5*
Reported PAT	44,956	36,360	*23.6*	47,100	238,253	162,357	*46.7*
PAT (Excl. Ex Items)	44,956	36,360	*23.6*	47,100	238,253	162,357	*46.7*
Operating Metrics							
GRMs (US$/bbl)	7.2	7.5	*(4.0)*	7.5	8.0	6.6	*21.9*
Crude throughput (mmt)	16.8	12.0	*40.1*	16.7	63.0	61.0	*3.4*
Petchem. EBIT (Rs m)	22,499	20,800	*8.2*	22,220	70,711	85,810	*(17.6)*
Refining EBIT (Rs m)	14,045	11,150	*26.0*	19,860	120,136	60,110	*99.9*

ONGC

Rating	**Accumulate**
Price	Rs1,294
Target Price	Rs1,464
Market Cap. (Rs bn)	2,766.7
Shares o/s (m)	2,138.9

Total O+OEG production is expected to remain more or less stable during the quarter. We expect ONGC to share substantially higher subsidy burden of Rs53.0bn for Q1FY11 (Q4FY10-Rs50.0bn), impacting the earnings. Hence, even though the average oil prices were high during Q1FY11, ONGC will not be benefitted from the same. Earnings may get impacted by higher dry well write-offs.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	1,034,389	1,211,135	1,376,803
EBITDA	467,790	516,298	603,128
Margin (%)	*45.2*	*42.6*	*43.8*
PAT	200,648	259,298	329,660
EPS (Rs)	93.8	121.2	154.1
RoE (%)	*20.7*	*23.6*	*25.3*
PE (x)	14.3	10.7	8.4
P / BV (x)	2.7	2.3	1.9
EV / E (x)	5.6	5.2	4.4

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	143,096	149,454	*(4.3)*	160,023	1,211,135	1,034,389	*17.1*
EBITDA	83,732	95,671	*(12.5)*	94,180	516,298	461,177	*12.0*
Margin (%)	*58.5*	*64.0*	*(8.6)*	*58.9*	*42.6*	*44.6*	*(2.0)*
Reported PAT	36,064	48,479	*(25.6)*	37,764	259,298	194,035	*33.6*
PAT (Excl. Ex Items)	36,064	48,479	*(25.6)*	37,764	259,298	194,035	*33.6*
Operating Metrics							
Crude Sales (MMT)	5.6	5.5	*2.2*	5.7	23.5	22.3	*5.2*
Gas sales (BCM)	5.0	5.1	*(2.3)*	5.0	20.8	20.6	*1.0*
Crude gross real. (US$/bbl)	81.5	60.6	*34.5*	79.2	76.5	71.7	*6.7*
Crude net real. (US$/ bbl)	50.7	58.3	*(13.0)*	55.9	57.6	57.1	*0.9*
Subsidy sharing	52,987	4,290	*NA*	49,990	134,084	115,550	*16.0*

Indian Oil Corporation

Rating	**Reduce**
Price	Rs394
Target Price	Rs390
Market Cap. (Rs bn)	957.2
Shares o/s (m)	2,428.0

We expect government support of over Rs86.6bn through oil bonds/cash during Q1FY11 to compensate for the under-recoveries during the quarter and upstream discount of Rs35.8bn. GRMs are expected to come down sequentially. However, minor inventory gains (due to crude differential) are expected to aid earnings.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	2,691,360	3,058,185	3,488,253
EBITDA	153,058	149,360	163,890
Margin (%)	*5.7*	*4.9*	*4.7*
PAT	102,205	86,597	96,454
EPS (Rs)	42.1	35.7	39.7
RoE (%)	*21.6*	*16.2*	*16.1*
PE (x)	9.4	11.1	9.9
P / BV (x)	1.9	1.7	1.5
EV / E (x)	9.1	8.6	7.5

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	799,696	591,796	*35.1*	785,770	3,058,185	2,691,360	*13.6*
EBITDA	28,330	49,990	*(43.3)*	86,457	149,360	153,058	*(2.4)*
Margin (%)	*3.5*	*8.4*	*(58.1)*	*11.0*	*4.9*	*5.7*	*(0.8)*
Reported PAT	13,981	36,828	*(62.0)*	55,568	86,597	102,205	*(15.3)*
PAT (Excl. Ex Items)	13,981	36,828	*(62.0)*	55,568	86,597	102,205	*(15.3)*
Operating Metrics							
Crude throughput (mmt)	13.20	12.46	*6.0*	13.28	50.34	50.69	*(0.7)*
Market sales (mmt)	17.60	17.65	*(0.3)*	17.73	71.34	69.75	*2.3*
Subsidies	35,767	2,291	*NA*	33,918	92,763	76,947	*20.6*
Oil bonds	86,022	-	-	106,894	173,336	151,718	*14.2*

GAIL

Rating	**BUY**
Price	Rs465
Target Price	Rs563
Market Cap. (Rs bn)	589.8
Shares o/s (m)	1,268.5

Transmission volumes are expected to jump marginally on a sequential basis owing to no new gas supplies. Sizable jump in transmission volumes is expected only when RIL increases the KG D6 output from current 60mmscmd which is likely to happen post October 2010. Stable petchem realisations will support the petchem performance. Subsidy burden is expected to be about Rs6.0bn for Q1FY11.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	250,404	297,244	353,172
EBITDA	47,760	55,628	70,786
Margin (%)	*19.1*	*18.7*	*20.0*
PAT	31,398	37,855	48,211
EPS (Rs)	24.8	29.8	38.0
RoE (%)	*19.9*	*21.0*	*23.0*
PE (x)	18.8	15.6	12.2
P / BV (x)	3.5	3.1	2.6
EV / E (x)	11.7	10.6	8.2

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	61,573	60,413	*1.9*	65,690	297,244	250,404	*18.7*
EBITDA	12,044	10,854	*11.0*	13,637	55,628	47,760	*16.5*
Margin (%)	*19.6*	*18.0*	*8.9*	*20.8*	*18.7*	*19.1*	*(0.4)*
Reported PAT	7,942	6,558	*21.1*	9,108	37,855	31,398	*20.6*
PAT (Excl. Ex Items)	7,942	6,558	*21.1*	9,108	37,855	31,398	*20.6*
Operating Metrics							
Nat. gas trans. (mmscmd)	116	97	*20.0*	115	130	107	*21.8*
LPG Trans. (TMT)	740	741	*(0.1)*	871	3,160	3,160	*0.0*
Petchm. LPG etc. (TMT)	473	426	*11.0*	465	1,943	1,853	*4.9*
Nat. gas trans. EBITDA	7,122	5,860	*21.5*	5,760	36,200	24,990	*44.9*
LPG Trans. EBITDA	793	860	*(7.8)*	1,030	3,330	3,470	*(4.0)*
Petchm. LPG etc. EBITDA	4,844	4,760	*1.8*	9,150	17,519	21,840	*(19.8)*

Cairn India

Rating	**Accumulate**
Price	Rs300
Target Price	Rs319
Market Cap. (Rs bn)	568.9
Shares o/s (m)	1,896.7

Cairn has increased its Rajasthan crude production to about 60,000bpd. However, the sales are expected to be lower due to non-availability of crude pipeline during the initial half of the quarter. However, sales are expected to take quantum jump from Q2FY11 onwards due to crude transportation pipeline availability and completion of crude production Train III. Strong crude prices are expected to support earnings.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	16,230	85,771	146,997
EBITDA	7,720	73,264	127,696
Margin (%)	*47.6*	*85.4*	*86.9*
PAT	10,511	46,536	88,236
EPS (Rs)	5.5	24.5	46.5
RoE (%)	*3.2*	*12.9*	*20.6*
PE (x)	54.1	12.2	6.4
P / BV (x)	1.7	1.5	1.2
EV / E (x)	76.9	7.6	3.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	12,275	2,050	*498.9*	6,928	85,771	16,230	*428.5*
EBITDA	6,482	1,012	*540.2*	2,459	73,264	7,720	*849.0*
Margin (%)	*52.8*	*49.4*	*6.9*	*35.5*	*85.4*	*47.6*	*37.9*
Reported PAT	2,848	2,092	*36.2*	2,452	46,536	10,511	*342.7*
PAT (Excl. Ex Items)	2,848	2,092	*36.2*	2,452	46,536	10,511	*342.7*
Operating Metrics							
Crude Sales (bopd)	30,673	12,204	*151.3*	22,254	76,453	16,753	*356.4*
Crude real. (US$/bbl)	78.0	60.2	*29.6*	76.2	78.0	72.0	*8.4*
Cr. real. - Rajast. (US$/bbl)	70.4	-		67.1	72.1		
Gas real. (US$/ mmscfd)	4.2	4.0	*5.0*	4.2	4.2	4.2	-

Oil India

Rating	**Accumulate**
Price	Rs1,427
Target Price	Rs1,574
Market Cap. (Rs bn)	343.1
Shares o/s (m)	240.5

Oil production is expected to be slightly lower sequentially; however, gas production is expected to remain flattish on a sequential basis. YoY jump in subsidy burden is expected to affect OIL's performance for Q1FY11. We expect OIL to share Rs7.3bn (Q4FY10-Rs6.7bn) subsidy burden during the quarter.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	80,728	93,107	114,510
EBITDA	38,756	47,383	62,443
Margin (%)	*48.0*	*50.9*	*54.5*
PAT	26,105	32,464	42,063
EPS (Rs)	108.6	135.0	174.9
RoE (%)	*22.5*	*21.7*	*24.0*
PE (x)	13.1	10.6	8.2
P / BV (x)	2.5	2.1	1.8
EV / E (x)	6.6	5.1	3.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	19,546	19,746	*(1.0)*	18,707	93,107	80,728	*15.3*
EBITDA	8,789	10,236	*(14.1)*	7,043	47,383	38,756	*22.3*
Margin (%)	*45.0*	*51.8*	*(13.3)*	*37.6*	*50.9*	*48.0*	*2.9*
Reported PAT	5,967	7,397	*(19.3)*	4,310	32,464	26,105	*24.4*
PAT (Excl. Ex Items)	5,967	7,397	*(19.3)*	4,310	32,464	26,105	*24.4*
Operating Metrics							
Crude Oil (mmt)	0.9	0.9	-	0.9	3.9	3.7	*5.5*
Natural Gas (mmscmd)	6.4	6.6	*(3.0)*	6.5	7.4	6.6	*12.0*
Subsidies (Rs mn)	7,286	576	*NA*	6,700	17,709	15,488	*14.3*
Gross realisation	78.0	57.5	*35.7*	75.7	76.5	68.7	*11.4*
Subsidy sharing	23.5	1.8	*NA*	22.4	14.3	12.5	*14.4*
Net realisation	54.5	55.7	*(2.1)*	53.3	62.2	56.2	*10.7*

BPCL

Rating	**Reduce**
Price	Rs665
Target Price	Rs646
Market Cap. (Rs bn)	240.3
Shares o/s (m)	361.5

We expect government support of over Rs28.7bn through oil bonds/cash during Q1FY10 to compensate for under-recoveries during the quarter and upstream discounts of Rs15.9bn. Sequentially, the GRMs are expected to decline along with minor inventory gains.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	1,240,099	1,401,026	1,637,742
EBITDA	33,880	45,342	45,720
Margin (%)	*2.7*	*3.2*	*2.8*
PAT	18,304	17,772	18,590
EPS (Rs)	50.6	49.2	51.4
RoE (%)	*13.0*	*11.5*	*11.2*
PE (x)	13.1	13.5	12.9
P / BV (x)	1.6	1.5	1.4
EV / E (x)	12.4	8.2	7.1

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	356,986	255,144	*39.9*	375,703	1,401,026	1,240,099	*13.0*
EBITDA	7,943	7,670	*3.6*	11,466	45,342	33,880	*33.8*
Margin (%)	*2.2*	*3.0*	*(26.0)*	*3.1*	*3.2*	*2.7*	*0.5*
Reported PAT	4,805	6,141	*(21.8)*	7,032	17,772	18,304	*(2.9)*
PAT (Excl. Ex Items)	4,805	6,141	*(21.8)*	7,032	17,772	18,304	*(2.9)*
Operating Metrics							
Crude throughput (mmt)	5.6	4.2	*34.3*	5.7	20.5	20.4	*0.4*
Market sales (mmt)	7.2	6.9	*3.7*	7.3	30.7	27.7	*10.7*
Subsidies	16,559	1,575	*951.6*	14,680	38,792	36,298	*6.9*
Oil bonds	30,443	-	-	37,544	56,808	52,650	*7.9*

HPCL

Rating	**Reduce**
Price	Rs460
Target Price	Rs433
Market Cap. (Rs bn)	156.7
Shares o/s (m)	340.6

We expect government support of over Rs36.6bn through oil bonds/ cash during Q1FY10 to compensate for the under-recoveries during the quarter and upstream discount of Rs13.5bn. GRMs are expected to come down; however, minor inventory gains may support earnings.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	1,125,169	1,347,126	1,541,361
EBITDA	38,148	33,095	30,384
Margin (%)	*3.4*	*2.5*	*2.0*
PAT	14,790	11,249	10,254
EPS (Rs)	43.4	33.0	30.1
RoE (%)	*12.6*	*8.9*	*7.8*
PE (x)	10.6	13.9	15.3
P / BV (x)	1.3	1.2	1.2
EV / E (x)	8.8	9.2	8.9

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	314,784	244,362	*28.8*	315,584	1,347,126	1,125,169	*19.7*
EBITDA	8,124	13,262	*(38.7)*	15,510	33,095	38,148	*(13.2)*
Margin (%)	*2.6*	*5.4*	*(52.4)*	*4.9*	*2.5*	*3.4*	*(0.9)*
Reported PAT	3,456	6,491	*(46.8)*	7,575	11,249	14,790	*(23.9)*
PAT (Excl. Ex Items)	3,456	6,491	*(46.8)*	7,575	11,249	14,790	*(23.9)*
Operating Metrics							
Crude throughput (mmt)	4.0	4.1	*(2.4)*	3.9	15.7	15.8	*(0.5)*
Market sales (mmt)	6.8	6.8	*(0.6)*	6.5	27.7	26.3	*5.4*
Subsidies	13,909	1,737	*700.6*	13,486	37,105	32,471	*14.3*
Oil bonds	30,959	-		36,663	61,177	55,631	*10.0*

Petronet LNG

Rating	**Reduce**
Price	Rs78
Target Price	Rs79
Market Cap. (Rs bn)	58.7
Shares o/s (m)	750.0

Petronet is expected to process 1.76mmt long-term contracted LNG during the quarter. Also, it has processed about 0.11mmt LNG procured by *Gujarat State Petroleum Corporation (GSPC)*. Higher re-gasification margin, along with processing of GSPC LNG, is likely to lead to sequential growth in earnings.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	106,491	124,119	143,031
EBITDA	8,465	10,729	11,433
Margin (%)	*7.9*	*8.6*	*8.0*
PAT	4,045	4,683	5,072
EPS (Rs)	5.4	6.2	6.8
RoE (%)	*19.2*	*19.6*	*18.6*
PE (x)	14.5	12.5	11.6
P / BV (x)	2.6	2.3	2.0
EV / E (x)	9.5	8.1	8.1

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	23,353	26,124	*(10.6)*	23,855	124,119	106,491	*16.6*
EBITDA	2,333	1,818	*28.3*	2,022	10,729	8,465	*26.8*
Margin (%)	*10.0*	*7.0*	*43.6*	*8.5*	*8.6*	*7.9*	*0.7*
Reported PAT	1,006	1,033	*(2.6)*	973	4,683	4,045	*15.8*
PAT (Excl. Ex Items)	1,006	1,033	*(2.6)*	973	4,683	4,045	*15.8*
Operating Metrics							
Contracted Sales (TBTUs)	90.0	62.7	*43.6*	90.8	378.0	305.4	*23.8*
Spot LNG (TBTUs)	5.5	36.1	*(84.8)*	1.0	35.0	79.0	*(55.7)*
EBITDA/Ton	1,246	938	*32.7*	1,124	1,328	1,079	*23.1*

Gujarat State Petronet

Rating	**Reduce**
Price	Rs104
Target Price	Rs98
Market Cap. (Rs bn)	58.6
Shares o/s (m)	562.4

Without any new gas from domestic or LNG route, GSPL's volumes are expected to improve marginally to 37.2mmscmd in Q1FY11 (Q4FY10-36.4mmscmd). Average transmission tariff is expected to improve sequentially.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	10,009	11,598	12,474
EBITDA	9,414	10,728	11,538
Margin (%)	*94.1*	*92.5*	*92.5*
PAT	4,138	4,563	4,769
EPS (Rs)	7.4	8.1	8.5
RoE (%)	*29.8*	*26.4*	*23.1*
PE (x)	14.2	12.8	12.3
P / BV (x)	3.7	3.1	2.6
EV / E (x)	7.4	6.7	6.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,781	2,108	*31.9*	2,668	11,598	10,009	*15.9*
EBITDA	2,576	1,980	*30.1*	2,460	10,728	9,414	*14.0*
Margin (%)	*92.6*	*93.9*	*(1.4)*	*92.2*	*92.5*	*94.1*	*(1.6)*
Reported PAT	1,143	805	*42.0*	1,079	4,563	4,138	*10.3*
PAT (Excl. Ex Items)	1,143	805	*42.0*	1,079	4,563	4,138	*10.3*
Operating Metrics							
Gas transmission volumes (mmscmd)	37.2	25.3	*47.0*	36.4	38.5	32.0	*20.4*
Avg. realisations (Rs/ '000scm)	830	915	*(9.3)*	787	825	857	*(3.7)*

Indraprastha Gas

Rating	**BUY**
Price	Rs284
Target Price	Rs330
Market Cap. (Rs bn)	39.8
Shares o/s (m)	140.0

CNG is expected to grow by about 15% and PNG at about 50% on a YoY basis. APM gas price hike to Rs6,818/'000scm and subsequent price hike in CNG is expected to negate the impact. Operating margins are, thus, likely to remain strong during the quarter and in the future.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	10,831	16,865	22,379
EBITDA	3,858	5,503	7,242
Margin (%)	*35.6*	*32.6*	*32.4*
PAT	2,155	2,871	3,695
EPS (Rs)	15.4	20.5	26.4
RoE (%)	*28.7*	*31.5*	*32.6*
PE (x)	18.5	13.8	10.8
P / BV (x)	4.9	4.0	3.2
EV / E (x)	9.9	7.1	5.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	3,125	2,339	*33.6*	2,898	16,865	10,831	*55.7*
EBITDA	983	863	*13.9*	944	5,503	3,858	*42.6*
Margin (%)	*31.4*	*36.9*	*(14.7)*	*32.6*	*32.6*	*35.6*	*(3.0)*
Reported PAT	540	483	*11.8*	515	2,871	2,155	*33.2*
PAT (Excl. Ex Items)	540	483	*11.8*	515	2,871	2,155	*33.2*
Operating Metrics							
CNG (mn kgs)	138.0	120.5	*14.5*	135.7	664.2	526.7	*26.1*
PNG (mmscm)	26.0	17.5	*48.6*	25.0	103.4	82.0	*26.0*
CNG (Rs/ kg)	22.5	19.1	*18.3*	21.0	26.1	20.3	*28.3*
PNG (Rs/ scm)	15.6	18.3	*(14.6)*	15.6	17.0	17.0	*0.0*

Gujarat Gas Company

Rating	**Accumulate**
Price	Rs303
Target Price	Rs324
Market Cap. (Rs bn)	38.8
Shares o/s (m)	128.3

GujGas' distribution volumes are expected to remain stable at about 3.2mmscmd during Q2CY10. The company continued to procure about 0.4-0.5mmscmd spot LNG during the quarter aiding stability in distribution volumes. KG D6 volumes are expected to start from Q3CY10 onwards. Without any price hikes, tariffs are expected to remain unchanged during the quarter.

Key Figures **(Rs m)**

	CY09	CY10E	CY11E
Net Sales	14,197	16,834	19,146
EBITDA	2,799	3,416	3,993
Margin (%)	*19.7*	*20.3*	*20.9*
PAT	1,742	2,189	2,607
EPS (Rs)	13.6	17.1	20.3
RoE (%)	*23.6*	*25.5*	*24.5*
PE (x)	22.3	17.7	14.9
P / BV (x)	5.1	4.1	3.3
EV / E (x)	13.9	11.2	9.2

Quarterly Table **(Rs m)**

Y/e Dec	Q2 FY10E	Q2 FY09	YoY gr. (%)	Q1 FY10	H1 FY10E	H1 FY09	YoY gr. (%)
Net Sales	4,050	3,392	*19.4*	4,100	8,150	6,456	*26.2*
EBITDA	961	757	*26.9*	1,025	1,986	1,317	*50.8*
Margin (%)	*23.7*	*22.3*	*6.3*	*25.0*	*24.4*	*20.4*	*4.0*
Reported PAT	583	474	*23.0*	617	1,210	846	*43.0*
PAT (Excl. Ex Items)	585	476	*22.8*	620	1,210	846	*43.0*
Operating Metrics							
Gas distribution volumes (mmscm)	3.2	2.7	*18.6*	3.2	3.2	2.7	*21.9*
Avg. distribution realisations (Rs/scm)	13.8	13.3	*3.6*	13.8	13.8	13.1	*5.7*

Tushar Manudhane
TusharManudhane@PLIndia.com
+91-22-6632 2238

Pharmaceuticals

Domestic pharma market - Strong growth

The domestic pharma market is estimated to have grown by around 15.1% during Q4FY10. Increase in the growth rate is because of low base effect, ease of liquidity, introduction of new products, line extensions and in-licensing deals. There is a visible pick-up in the domestic growth rate. The domestic pharma market is growing at a steady pace of 13-14% over the last 2-3 years and will continue to grow at this rate unless the Government brings more drugs under the purview of price control.

Domestic Pharma Market **(Rs bn)**

MONTH	MARKET SIZE (MAT)	*GROWTH RATE% YoY*
May'09	360	*10.0*
June'09	365	*11.0*
July'09	368	*11.0*
Aug'09	369	*11.0*
Sept'09	377	*12.0*
Oct'09	386	*15.0*
Nov'09	392	*16.0*
Dec'09	401	*17.4*
Jan'10	406	*17.6*
Feb'10	411	*17.8*
Mar'10	417	*17.8*
Apr'10	425	*19.1*
May'10	432	*19.8*
Average	**393**	*15.1*

Source: ORG- MAT data

The domestic pharma market was placed at Rs432bn (IMS- ORG MAT May-10) and grew by around 19.8%. The growth rate of 15.1% for Q4FY10 is healthy.

Domestic developments

New pharma SEZ to be set up near Bangalore: Karnataka State Government signed a memorandum of understanding with the Ozone group, a city developer, to promote the State's first private sector pharma SEZ in Bangalore. The Bangalore-based Ozone group will develop this SEZ, to be located at Chikkaballapur, 30 km from the Bangalore International Airport, where 40-50 pharmaceutical units will set up shop. Direct accessibility from NH-7 is additional advantage of new SEZ. The project will come up on 325 acres, of which about 100 acres have been already aggregated. The project will take four years to be developed and Phase-1 will be operational in December 2011. The cost of the project is estimated at Rs20bn.

Faster access to Japanese market due to change in norm: Japanese authorities have given an in-principle nod to India's demand for according `national treatment' to Indian pharmaceutical companies on registration and approvals in Japan. This means, post the pact, Japanese authorities will treat Indian pharma firms and local Japanese companies equally on registration and approvals. Indian pharma makers and drugs will have to obtain clearances from Japanese authorities just like their local counterparts but they will not face any discrimination. It used to take between 11 months to two years for foreign companies to get registration in Japan. To get registered, one has to comply with additional norms such as having a local office and a local agent. The new pact will effectively grant Indian generic firms faster and greater access to Japan - the world's second largest pharma market worth around US$60bn. Japan is a tough market to enter due to its stringent registration norms.

Global developments

Ranbaxy, Apotex and Teva started selling Lipitor generic in Canada: Generic forms of Pfizer's blockbuster Lipitor began flooding into Canada on May 19, 2010 in anticipation of what is expected for the US$12bn-year drug next year in the US. Last year, Canadian sales for Lipitor were more than US$1.1bn. In addition to the three generic players, Pfizer is also going to introduce authorised generic which would reduce the margins for generic players.

Efforts on by pharma companies to reduce cost: With R&D costs spiralling upwards, pipeline shrinking, blockbuster drugs going off-patent, loss of cases on blockbuster drugs by innovator companies due to para IV filings as well as increased efforts by government of several countries to reduce healthcare cost, the pharma industry is forced to undergo a consolidation phase. Following efforts by global companies indicates the same:

Abbott enters licensing agreement with Zydus Cadilla: Abbott entered into a licensing agreement to commercialize products of Zydus Cadila in 15 emerging markets in a bid to accelerate Abbott's growth in emerging markets. Under the deal, Abbott will gain rights to atleast 24 Zydus products in 15 key emerging markets where Abbott has a strong and growing presence. The deal also includes an option to add more than 40 Zydus products to the collaboration. The collaboration includes medicines for pain, cancer, cardiovascular, neurological and respiratory diseases.

Sanofi-Aventis enhances its drug pipeline: Sanofi-Aventis boosted its early-stage pipeline with a deal worth upto US$398m for rights to experimental cancer compounds developed by U.S. biotech firm, *Ascenta Therapeutics*. The most advanced compounds covered by the agreement are expected to enter preclinical development in 2010. Ascenta is working on potential oral medicines to reactivate the tumour-suppressing function of the p53 gene. Ascenta will get an upfront payment and will be eligible for milestone payments that could reach US$398m. It will also get tiered royalties on any eventual sales. Sanofi-Aventis inked another deal worth US$750m with *Regulus Therapeutics*, taking it into the emerging field of microRNA. Sanofi and Regulus will collaborate on microRNA drug discovery and preclinical development for initial four targets, including the lead fibrosis programme. Regulus will receive US$25m upfront fee and a future US$10m equity investment.

Pfizer to cut workforce by 6000: Pfizer will cut 6,000 jobs or 18% of the workforce across its 78 manufacturing plants over the next five years as it pares back operations following last year's purchase of rival *Wyeth*. Pfizer plans to cease operations at eight plants in Ireland, Puerto Rico and the US by late 2015 and reduce activities at six factories in those countries, plus Germany and Britain. Pfizer had 40 manufacturing sites before acquiring more than three dozen Wyeth facilities in the October merger. These efforts would help Pfizer to be more competitive, both in its operations and drug pricing, by streamlining its plants and improving their processes.

Stada to reduce workforce by 800: Stada plans to cut about 800 jobs, equivalent to about 10% of its workforce, as it aims to sell production plants abroad and centralise its administration. Stada aims to double earnings by 2014, continuing a cost-cutting drive.

Pharma stocks under our coverage - Healthy growth

Pharma companies under our coverage are likely to report aggregate sales growth of 19.9% on YoY basis and fall by 5.1% on QoQ basis. The higher growth is mainly because of higher sales of *Ranbaxy* and *Lupin* in this quarter and lower base of *Sun Pharma* in Q1FY10. The companies under our coverage are likely to report aggregate EBITDA margin of 27.3% during the quarter, which is quite healthy. EBITDA margin is likely to improve by 1063bps on YoY and 386bps fall on QoQ basis. Net profits of these companies are expected to increase by 98.5% on YoY basis and fall by 6.6% on QoQ basis. This significant impact on YoY basis is due to launch of Generic Valtrex under exclusivity period and very low profit of Ranbaxy in Q2CY09. The pharma companies under our coverage have a market cap of Rs1,195bn (Rs1,170bn in Q4FY10), indicating a 2.1% growth on QoQ basis. The companies under our coverage are trading at 20xFY11E earnings and 18.6x FY12E earnings.

Mid-term growth prospects for the Indian Pharma companies are intact, following sustainable exports of generic products, a healthy growth rate of around 13% in the domestic market and the scale-up of CRAMS contracts by the Indian companies. Moreover, the opening of generic market in Japan is likely to benefit the Indian pharma companies.

Top picks: Lupin and Cipla

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	244,060	296,509	333,423
Growth (%)	*3.4*	*21.5*	*12.4*
EBITDA	51,451	77,955	86,984
Margin (%)	*21.1*	*26.3*	*26.1*
PAT	41,245	60,958	65,771
Growth (%)	*43.5*	*47.8*	*7.9*
PE (x)	29.9	20.2	18.7

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	69,967	58,330	19.9	73,735	(5.1)
EBITDA	19,080	9,707	96.6	22,955	(16.9)
Margin (%)	*27.3*	*16.6*	*10.6*	*31.1*	*(3.9)*
PAT (Excl. Ex Items)	14,449	7,278	98.5	15,473	(6.6)

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Sun Pharmaceuticals

Rating	**Accumulate**
Price	Rs1,795
Target Price	Rs1,828
Market Cap. (Rs bn)	371.9
Shares o/s (m)	207.2

Sun Pharma is expected to show 35.9% increase in sales, from Rs7.9bn to Rs10.7bn (YoY) due to lower base in domestic formulation in Q1FY10 and increased exports. The export sales are expected to show growth of 22.5% (YoY). EBITDA margin is also expected to improve from 21.5% to 37.0% due to launch of generic *Eloxatin* and *Roxicodone*. Net profit is expected to improve by 81%, from Rs2.0bn to Rs 3.7bn (YoY).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	40,058	47,170	56,554
EBITDA	13,428	15,943	18,832
Margin (%)	*33.5*	*33.8*	*33.3*
PAT	13,510	15,506	17,779
EPS (Rs)	65.2	74.8	85.8
RoE (%)	*17.9*	*17.9*	*17.7*
PE (x)	27.5	24.0	20.9
P / BV (x)	4.6	4.0	3.5
EV / E (x)	24.6	20.1	16.6

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	10,706	7,876	*35.9*	11,091	47,170	40,058	*17.8*
EBITDA	3,960	1,694	*133.8*	4,184	15,943	13,428	*18.7*
Margin (%)	*37.0*	*21.5*	*72.0*	*37.7*	*33.8*	*33.5*	*0.3*
Reported PAT	3,703	2,453	*51.0*	3,950	15,506	13,510	*14.8*
PAT (Excl. Ex Items)	3,703	2,046	*81.0*	3,950	15,506	13,510	*14.8*
Operating Metrics							
Domestic-Total	5,297	3,412	*55.3*	5,308	24,072	19,333	*24.5*
Exports-Formulations	4,427	3,404	*30.0*	3,911	17,840	13,269	*34.4*
Exports-API	1,165	1,190	*(2.1)*	996	6,181	4,470	*38.3*
Total sales	10,936	8,015	*36.4*	10,253	48,132	37,138	*29.6*

Cipla

Rating	**Accumulate**
Price	Rs339
Target Price	Rs353
Market Cap. (Rs bn)	272.0
Shares o/s (m)	802.5

We expect Cipla's sales to grow by 10.6% (YoY), from Rs13.8bn to Rs15.2bn. EBITDA margin is expected to marginally reduce from 22.9% to 22.3%. The company is expected to show lower financial charge of Rs5m against Rs105m in Q1FY10 due to repayment of debt. We expect the company to show growth of 19.4% in net profits, from Rs2.1bn to Rs2.6bn (excl. forex adjustment).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	56,300	62,286	70,918
EBITDA	13,602	15,110	17,619
Margin (%)	*24.2*	*24.3*	*24.8*
PAT	10,191	11,317	13,181
EPS (Rs)	13.6	14.1	16.4
RoE (%)	*21.5*	*18.2*	*18.5*
PE (x)	24.9	24.0	20.6
P / BV (x)	4.7	4.1	3.6
EV / E (x)	19.6	17.9	14.9

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	15,217	13,760	*10.6*	13,747	62,286	56,300	*10.6*
EBITDA	3,393	3,146	*7.9*	2,780	15,110	13,602	*11.1*
Margin (%)	*22.3*	*22.9*	*(2.5)*	*20.2*	*24.3*	*24.2*	*0.1*
Reported PAT	2,564	2,418	*6.1*	2,755	11,317	10,925	*3.6*
PAT (Excl. Ex Items)	2,564	2,148	*19.4*	2,294	11,317	10,191	*11.0*
Operating Metrics							
Domestic	7,301	6,519	*12.0*	5,688	27,625	25,113	*10.0*
Export-Total	7,574	6,876	*10.2*	7,602	32,352	28,989	*11.6*
Other Op. Inc.-export inc	480	508	*(5.5)*	572	3,067	2,719	*12.7*
Total Income	15,356	13,902	*10.4*	13,862	63,043	56,822	*10.9*

Ranbaxy Labs.

Rating	**Reduce**
Price	Rs459
Target Price	Rs425
Market Cap. (Rs bn)	193.0
Shares o/s (m)	420.4

We expect sales to improve by 21%, from Rs18.8bn to Rs22.7bn (YoY). Ranbaxy is expected to show improvement in operating profit margin from 3% in Q2CY09 to 28% in Q2CY10 due to sales of generic Valtrex under 180 day exclusivity. The company is expected to show net profit (excl. forex adjustments) of Rs4.5bn against Rs102m in Q2CY09.

Key Figures **(Rs m)**

	CY09	CY10E	CY11E
Net Sales	70,763	98,307	99,491
EBITDA	5,803	24,872	23,281
Margin (%)	*8.2*	*25.3*	*23.4*
PAT	4,403	18,928	15,708
EPS (Rs)	10.5	39.6	32.9
RoE (%)	*10.2*	*31.1*	*19.1*
PE (x)	43.8	11.6	14.0
P / BV (x)	4.4	2.8	2.5
EV / E (x)	41.9	9.5	9.3

Quarterly Table **(Rs m)**

Y/e Dec	Q2 FY10E	Q2 FY09	*YoY gr. (%)*	Q1 FY10	H1 FY10E	H1 FY09	*YoY gr. (%)*
Net Sales	22,728	18,791	*21.0*	27,671	50,398	34,450	*46.3*
EBITDA	6,375	568	*NA*	10,517	16,891	479	*NA*
Margin (%)	*28.0*	*3.0*	*828.0*	*38.0*	*33.5*	*1.4*	*32.1*
Reported PAT	5,692	6,931	*(17.9)*	9,632	15,324	(791)	*LTP*
PAT (Excl. Ex Items)	4,492	102	*NA*	5,140	9,631	(312)	*LTP*
Operating Metrics							
India	3,584	3,962	*(9.5)*	3,452	7,036	7,220	*(2.6)*
Europe, CIS, Africa	5,746	5,518	*4.1*	5,933	11,679	10,453	*11.7*
Asia Pacific & Middle East	912	1,500	*(39.2)*	639	1,551	2,635	*(41.2)*
Latin & North America	11,263	5,179	*117.5*	13,738	25,001	10,188	*145.4*
API	1,003	1,781	*(43.7)*	1,141	2,144	1,781	*20.4*

Glaxo SmithKline Pharma

Rating	**Accumulate**
Price	Rs2,143
Target Price	Rs2,205
Market Cap. (Rs bn)	181.5
Shares o/s (m)	84.7

We expect GSK Pharma to report growth in sales of 18.1% (YoY), from Rs4.6bn to Rs5.5bn. EBITDA margin is expected to marginally improve from 36.2% to 36.6% for this quarter on account of patented product launches and increasing rural penetration. The company is expected to report net profit growth of 8% from Rs1.3bn to Rs1.4bn (YoY). Q2CY09 had an extraordinary item of Rs73m on account of actuarial gain on employee benefit and expense of separation of temporary workmen at the Nashik Factory.

Key Figures **(Rs m)**

	CY09	CY10E	CY11E
Net Sales	19,077	21,514	24,038
EBITDA	6,741	7,895	9,062
Margin (%)	*35.3*	*36.7*	*37.7*
PAT	5,078	5,757	6,670
EPS (Rs)	60.0	68.0	78.8
RoE (%)	*30.2*	*30.2*	*30.6*
PE (x)	35.7	31.5	27.2
P / BV (x)	10.2	8.9	7.8
EV / E (x)	24.4	21.3	18.2

Quarterly Table **(Rs m)**

Y/e Dec	**Q2 FY10E**	**Q2 FY09**	*YoY gr. (%)*	**Q1 FY10**	**H1 FY10E**	**H1 FY09**	*YoY gr. (%)*
Net Sales	5,458	4,620	*18.1*	5,465	10,923	9,230	*18.3*
EBITDA	2,000	1,674	*19.4*	2,056	4,056	3,359	*20.8*
Margin (%)	*36.6*	*36.2*	*1.1*	*37.6*	*37.1*	*36.4*	*0.7*
Reported PAT	1,422	1,243	*14.4*	1,612	3,034	2,677	*13.3*
PAT (Excl. Ex Items)	1,422	1,317	*8.0*	1,612	3,034	2,571	*18.0*

Lupin

Rating	**BUY**
Price	Rs1,927
Target Price	Rs2,337
Market Cap. (Rs bn)	169.6
Shares o/s (m)	88.0

We expect sales of Lupin to grow by 22.7% YoY, from Rs11.0bn to Rs13.5bn, mainly due to 43.5% growth in export formulations (advanced markets). EBITDA margin is expected to improve from 19% to 21% YoY due to increasing proportion of branded sales in the US market. Lupin is expected to show net profit growth of 42.3%, from Rs1.4bn to Rs2.0bn (YoY).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	48,708	56,554	69,339
EBITDA	9,839	11,678	14,908
Margin (%)	*20.2*	*20.6*	*21.5*
PAT	6,885	8,284	10,867
EPS (Rs)	78.2	94.1	123.5
RoE (%)	*39.0*	*34.2*	*34.5*
PE (x)	24.6	20.5	15.6
P / BV (x)	8.1	6.2	4.8
EV / E (x)	18.1	15.1	11.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	13,508	11,005	*22.7*	13,282	56,554	48,708	*16.1*
EBITDA	2,834	2,091	*35.5*	2,924	11,678	9,839	*18.7*
Margin (%)	*21.0*	*19.0*	*10.4*	*22.0*	*20.6*	*20.2*	*0.5*
Reported PAT	2,031	1,394	*45.7*	2,219	8,284	6,885	*20.3*
PAT (Excl. Ex Items)	2,031	1,427	*42.3*	2,264	8,284	6,885	*20.3*
Operating Metrics							
India Formulation	3,892	3,444	*13.0*	2,643	14,894	13,008	*14.5*
Advanced Markets	5,094	3,551	*43.5*	5,872	20,344	16,497	*23.3*
ROW	2,468	2,176	*13.4*	2,162	11,096	8,057	*37.7*
API	1,850	1,752	*5.6*	2,100	6,600	7,793	*(15.3)*

Dishman Pharmaceuticals

Rating	**Accumulate**
Price	Rs209
Target Price	Rs220
Market Cap. (Rs bn)	16.9
Shares o/s (m)	80.7

We expect sales of Dishman to increase marginally by 3.2% (YoY), from Rs2.3bn to Rs2.4bn, mainly due to CRAMS business at similar levels during the quarter. EBITDA margin is expected to marginally reduce from 23.4% to 22.0% (YoY) due to lower proportion of relatively higher margin contract research business. We expect net profit (excl. forex adjustments) to remain at similar levels of Rs237 (YoY).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	9,154	10,678	13,083
EBITDA	2,039	2,456	3,281
Margin (%)	*22.3*	*23.0*	*25.1*
PAT	1,179	1,165	1,566
EPS (Rs)	14.6	14.4	19.4
RoE (%)	*15.8*	*13.9*	*16.4*
PE (x)	14.3	14.5	10.8
P / BV (x)	2.2	1.9	1.6
EV / E (x)	11.8	9.5	6.7

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,350	2,278	*3.2*	2,479	10,678	9,154	*16.6*
EBITDA	517	533	*(3.0)*	495	2,456	2,039	*20.5*
Margin (%)	*22.0*	*23.4*	*(6.0)*	*19.9*	*23.0*	*22.3*	*0.7*
Reported PAT	237	392	*(39.6)*	222	1,165	1,179	*(1.2)*
PAT (Excl. Ex Items)	237	239	*(0.7)*	214	1,165	1,179	*(1.2)*
Operating Metrics							
CRAMS	1,700	1,683	*1.0*	1,723	8,348	6,630	*25.9*
Marketable Molecules	650	595	*9.3*	756	2,330	2,524	*(7.7)*

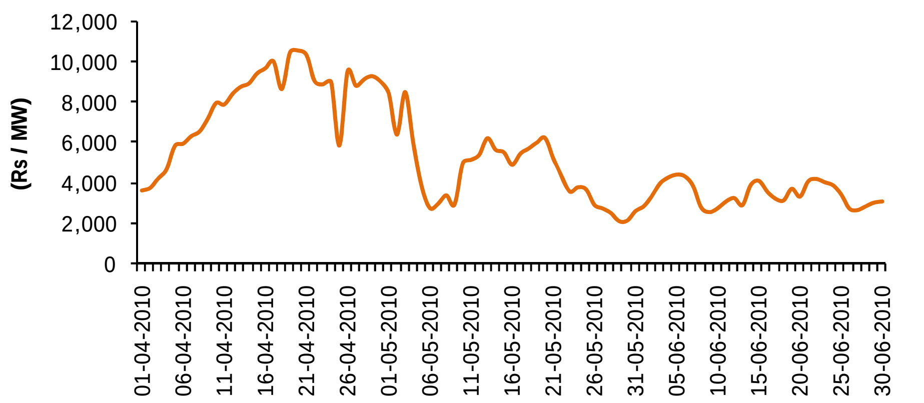
Rupa Shah
RupaShah@PLIndia.com
+91-22-6632 2244

Nishna Biyani
NishnaBiyani@PLIndia.com
+91-22-6632 2259

Power

Power sector experienced high merchant tariff rates which fluctuated between Rs10-3 khw/hr. The capacity addition for the month of April 2010 stood at 250MW which was hardly 21% achievement. During May 2010, the capacity addition stood at 550MW which missed the target by 57%.

Merchant Prices (MW/hr)



Source: IEX

Top picks: None

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	802,017	949,124	1,156,667
Growth (%)	*12.0*	*18.3*	*21.9*
EBITDA	170,569	223,732	291,395
Margin (%)	*21.3*	*23.6*	*25.2*
PAT	129,781	141,026	162,214
Growth (%)	*14.0*	*8.7*	*15.0*
PE (x)	23.4	21.6	18.7

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	234,849	197,212	19.1	191,599	22.6
EBITDA	58,739	44,194	32.9	36,703	60.0
Margin (%)	*25.0*	*22.4*	*2.6*	*19.2*	*5.9*
PAT (Excl. Ex Items)	36,791	32,790	12.2	30,309	21.4

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

NTPC

Rating	**Accumulate**
Price	Rs203
Target Price	Rs211
Market Cap. (Rs bn)	1,669.7
Shares o/s (m)	8,245.5

NTPC has inked a JV with *Nuclear Power Corporation of India* and *Coal India* to jointly set up nuclear power plants and invest in equity of upcoming projects, respectively. We expect the company to post 23.9% YoY growth in PAT.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	463,226	553,204	649,320
EBITDA	124,204	165,421	196,699
Margin (%)	*26.8*	*29.9*	*30.3*
PAT	87,282	100,255	112,085
EPS (Rs)	10.6	12.2	13.6
RoE (%)	*14.6*	*15.3*	*15.4*
PE (x)	19.1	16.7	14.9
P / BV (x)	2.7	2.4	2.2
EV / E (x)	15.1	12.2	10.7

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	143,703	120,027	*19.7*	123,534	553,204	463,226	*19.4*
EBITDA	45,788	31,757	*44.2*	26,657	165,421	124,204	*33.2*
Margin (%)	*31.9*	*26.5*	*20.4*	*21.6*	*29.9*	*26.8*	*3.1*
Reported PAT	27,174	21,936	*23.9*	20,177	100,255	87,282	*14.9*
PAT (Excl. Ex Items)	27,174	21,936	*23.9*	20,177	100,255	87,282	*14.9*
Operating Metrics							
Operating capacity(MW)	28,840	27,850	*3.6*	28,840	31,850	28,840	*10.4*
Avg. Coal PLF(%)	90.0	90.0	*0.0*	92.0	0.9	91.0	*(99.0)*
Generation(Bn units)	65.0	55.5	*17.1*	60.0	237.4	228.5	*3.9*

Reliance Power

Rating	**Reduce**
Price	Rs178
Target Price	Rs165
Market Cap. (Rs bn)	427.1
Shares o/s (m)	2,396.8

Reliance Natural Resources (RNRL) has lost the case in the Supreme Court regarding pricing and quantum of gas price to *Reliance Industries. RPower*, now, would have to procure gas at Government agreed price or a price which is mutually decided by the two companies. RPower has acquired 433MW from RInfra and has also entered into a share purchase agreement in two Indonesian coal mines. Along with this, Unit 2 of Rosa Phase-1 has also been synchronized in June 2010.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	207	9,603	38,283
EBITDA	(1,073)	4,147	27,850
Margin (%)	*(517.9)*	*43.2*	*72.7*
PAT	6,839	2,935	10,365
EPS (Rs)	2.9	1.2	4.3
RoE (%)	*4.8*	*2.0*	*6.8*
PE (x)	62.5	145.5	41.2
P / BV (x)	3.0	2.9	2.7
EV / E (x)	-	115.3	20.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	1,200	-	-	207	9,603	207	*NA*
EBITDA	500	(318)	-	(331)	4,147	(1,073)	*LTP*
Margin (%)	41.7	-	-	(159.9)	43.2	(517.9)	*561.1*
Reported PAT	784	2,633	*(70.2)*	924	2,935	6,839	*(57.1)*
PAT (Excl. Ex Items)	784	2,633	*(70.2)*	924	2,935	6,839	*(57.1)*
Operating Metrics							
Units Sold(Mn Units)	1,088	-	-	617	4,352	617	*605.9*
Realisation Per unit(Rs)	2.2	-	-	0.3	2.2	0.3	*556.4*

Tata Power

Rating	**Accumulate**
Price	Rs1,315
Target Price	Rs1,387
Market Cap. (Rs bn)	324.0
Shares o/s (m)	246.4

Tata Power has pending judgement regarding the allocation of 160MW (which is currently being supplied to Reliance Infra). We expect the company to post a 20% increase in units sold and 22.2% increase in YoY PAT.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	70,983	85,426	89,490
EBITDA	18,623	17,456	18,631
Margin (%)	*26.2*	*20.4*	*20.8*
PAT	6,864	6,866	7,062
EPS (Rs)	27.9	27.9	28.7
RoE (%)	*6.6*	*5.5*	*5.4*
PE (x)	47.2	47.2	45.9
P / BV (x)	2.7	2.5	2.4
EV / E (x)	20.5	22.4	21.3

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	22,211	20,156	*10.2*	17,951	85,426	70,983	*20.3*
EBITDA	4,539	6,323	*(28.2)*	4,491	17,456	18,623	*(6.3)*
Margin (%)	*20.4*	*31.4*	*(34.9)*	*25.0*	*20.4*	*26.2*	*(5.8)*
Reported PAT	2,254	1,845	*22.2*	2,308	8,366	6,864	*21.9*
PAT (Excl. Ex Items)	2,254	1,845	*22.2*	2,308	6,866	6,864	*0.0*
Operating Metrics							
Units Sold Mus	3,800	4,180	*(9.1)*	3,745	17,609	15,574	*13.1*
Units Generated Mus	3,812	4,260	*(10.5)*	3,789	18,293	15,946	*14.7*
Avg Realisation Rs/pu	4.4	4.7	*(6.4)*	4.6	4.8	4.4	*7.3*

Reliance Infrastructure

Rating	**Accumulate**
Price	Rs1,193
Target Price	Rs1,201
Market Cap. (Rs bn)	292.2
Shares o/s (m)	269.0

RInfra has taken a board approval to transfer 433MW of gas-based power plants to *RPower* at Rs11bn. We expect the company to register 17.7% growth in PAT YoY.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	148,648	161,434	208,753
EBITDA	15,203	20,697	28,690
Margin (%)	*10.2*	*12.8*	*13.7*
PAT	15,194	16,637	17,358
EPS (Rs)	62.0	61.9	64.5
RoE (%)	*7.9*	*7.5*	*7.4*
PE (x)	19.2	19.3	18.5
P / BV (x)	1.3	1.4	1.3
EV / E (x)	26.1	20.2	15.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	32,491	24,461	*32.8*	26,439	161,434	148,648	*8.6*
EBITDA	4,495	2,994	*50.1*	2,714	20,697	15,203	*36.1*
Margin (%)	*13.8*	*12.2*	*13.0*	*10.3*	*12.8*	*10.2*	*2.6*
Reported PAT	3,726	3,165	*17.7*	2,511	16,637	15,194	*9.5*
PAT (Excl. Ex Items)	3,726	3,165	*17.7*	2,511	16,637	15,194	*9.5*
Operating Metrics							
Electricity (%)	49	76	*(35.4)*	50	60	65	*(7.4)*
EPC (%)	51.0	22.6	*126.0*	49.9	38.6	35.1	*9.9*
Others (%)	-	1.6	-	-	1.4	-	-

Neyveli Lignite

Rating	**Accumulate**
Price	Rs160
Target Price	Rs177
Market Cap. (Rs bn)	268.4
Shares o/s (m)	1,677.7

Neyveli Lignite is expected to report revenues of Rs11.2bn and PAT of Rs2.6bn for the quarter. Power sold is expected to be 3.9bn units for the quarter, a 7% de-growth YoY. Lignite production has commenced for the first 125MW unit synchronised in Barsingsar, Rajasthan.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	41,210	44,708	49,070
EBITDA	12,936	14,197	16,320
Margin (%)	*31.4*	*31.8*	*33.3*
PAT	12,474	13,020	13,604
EPS (Rs)	7.4	7.8	8.1
RoE (%)	*12.6*	*12.1*	*11.8*
PE (x)	21.5	20.6	19.7
P / BV (x)	2.6	2.4	2.3
EV / E (x)	21.0	19.4	18.5

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	11,239	8,843	*27.1*	11,034	44,708	41,210	*8.5*
EBITDA	3,189	3,282	*(2.8)*	3,078	14,197	12,936	*9.8*
Margin (%)	*28.4*	*37.1*	*(8.7)*	*27.9*	*31.8*	*31.4*	*0.4*
Reported PAT	2,617	2,878	*(9.0)*	4,251	13,020	12,474	*4.4*
PAT (Excl. Ex Items)	2,617	2,878	*(9.0)*	4,251	13,020	12,474	*4.4*

PTC India

Rating	**BUY**
Price	Rs100
Target Price	Rs150
Market Cap. (Rs bn)	29.5
Shares o/s (m)	294.1

PTC India is expected to report traded volumes of 5bn units for the quarter, a 19% YoY growth. Realizations are expected to be ~Rs4.8, a drop of 15% YoY and power trading margins of Rs0.06 for the quarter. *Lanco's - Amarkantak* 300MW power project trading has started from April 2010. Demand for short-term power was weak for the quarter due to increase in load shedding by SEB's. We have not considered *PTC Financial Services* in our numbers (In FY10, the company's PAT stood at Rs256m).

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	77,743	94,750	121,751
EBITDA	677	1,815	3,205
Margin (%)	*0.9*	*1.9*	*2.6*
PAT	1,128	1,313	1,740
EPS (Rs)	3.8	4.5	5.9
RoE (%)	*6.3*	*6.4*	*8.2*
PE (x)	26.1	22.4	16.9
P / BV (x)	1.5	1.4	1.3
EV / E (x)	36.8	16.2	11.4

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	24,005	23,725	*1.2*	12,435	94,750	77,743	*21.9*
EBITDA	229	156	*47.2*	95	1,815	677	*168.0*
Margin (%)	*1.0*	*0.7*	*0.3*	*0.8*	*1.9*	*0.9*	*1.0*
Reported PAT	236	333	*(29.2)*	139	1,313	1,128	*16.4*
PAT (Excl. Ex Items)	236	333	*(29.2)*	139	1,313	1,128	*16.4*
Operating Metrics							
Trading volumes (M units)	5,000	4,204	*18.9*	3,196	19,530	17,480	*11.7*
Trading margins (Rs)	0.06	0.05	*15.0*	0.05	0.06	0.06	*5.3*

Kejal Mehta
KejalMehta@PLIndia.com
+91-22-6632 2235

Dhrushil Jhaveri
DhrushilJhaveri@PLIndia.com
+91-22-6632 2232

Real Estate

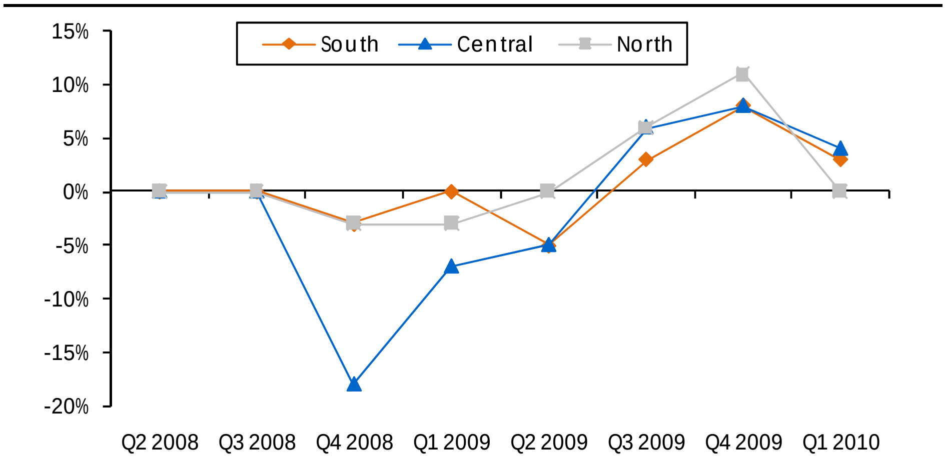
The residential segment, though largely buoyant, has witnessed different trends in different geographies. Within Mumbai, prices have continued to cross their previous peaks; however, volumes have started to moderate. Central Mumbai is a clear example of diminishing volumes in anticipation of the looming supply. Suburban Mumbai, too, has witnessed diminishing volumes; however, response to attractively priced launches has been excellent. For example, HDIL launched a project in Goregaon at an attractive price which received an excellent response.

During the quarter, we saw the biggest land deal in Mumbai, where Lodha developers agreed to pay Rs40.5bn over five years for a 25,000 sq.m plot in Wadala. This deal represents the optimism of developers in the high-end residential segment in Mumbai.

The recent HC ruling has disallowed raising of FSI in the suburbs from 1 to 1.33. This move has a positive implication on TDR players, already visible in TDR prices, which have risen to Rs3,100/sq.ft after the ruling.

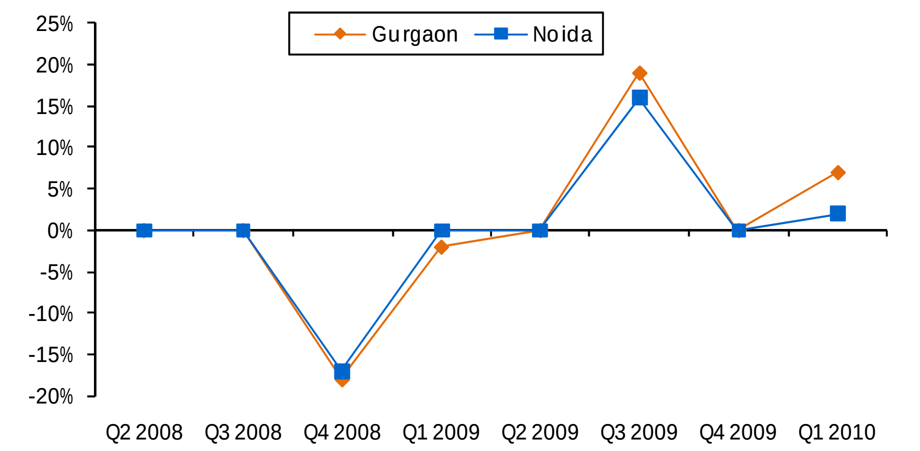
In the NCR, volumes have been buoyant, though fresh launches are subdued. Offtake was mainly at projects where fresh stock was released in already launched projects or remaining stock at projects nearing completion. Gurgaon witnessed an increase in prices as well; however, Noida prices continue to be under pressure on account of the large supply.

QoQ change (%) in Mumbai mid-segment prices



Source: Cushman & Wakefield

QoQ change (%) in Gurgaon and Noida mid-segment prices

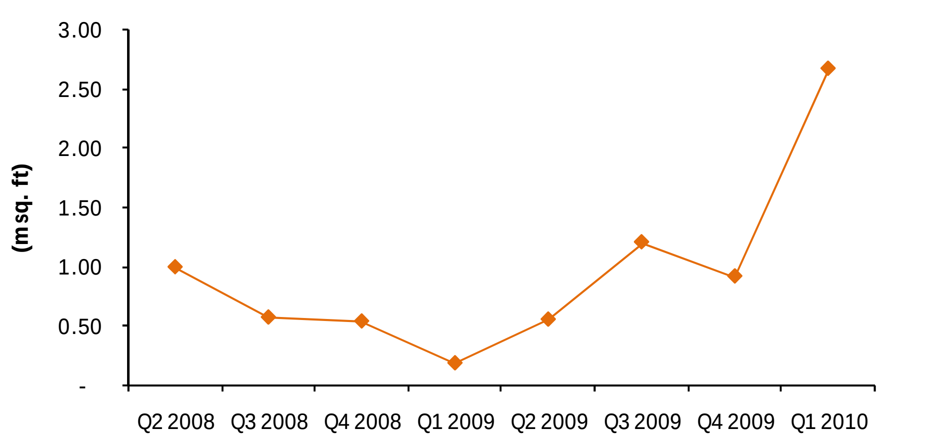


Source: Cushman & Wakefield

Commercial

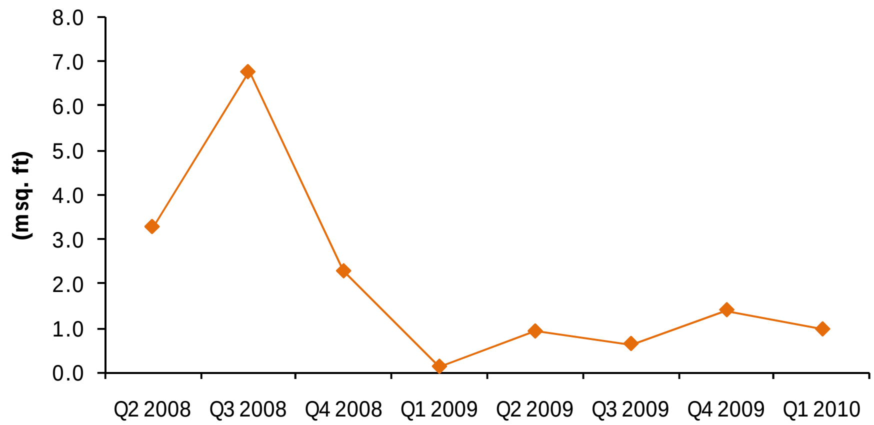
We saw a revival in volumes this quarter driven primarily by the IT/ITes sector. Rentals have stabilized across key markets like Mumbai and NCR. Also, there have been some big ticket deals like the Axis Bank deal (Axis Bank bought 0.5m sq.ft from Wadia group at Worli for Rs6,400m). Despite showing signs of revival, the segment continues to be plagued by existing oversupply and the new supply is expected to hit the market.

Mumbai Rental Demand



Source: Cushman & Wakefield

NCR Rental Demand



Source: Cushman & Wakefield

Top picks: Unitech

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	139,461	196,621	247,596
Growth (%)	*(14.1)*	*41.0*	*25.9*
EBITDA	61,733	92,360	118,951
Margin (%)	*44.3*	*47.0*	*48.0*
PAT	36,806	55,315	76,388
Growth (%)	*(45.4)*	*50.3*	*38.1*
PE (x)	22.5	15.1	10.9

Quarterly Table **(Rs m)**

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	36,520	28,054	*30.2*	41,985	*(13.0)*
EBITDA	15,296	13,689	*11.7*	16,583	*(7.8)*
Margin (%)	*41.9*	*48.8*	*(6.9)*	*39.5*	*2.4*
PAT (Excl. Ex Items)	8,906	7,889	*12.9*	9,577	*(7.0)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

DLF

Rating	**Accumulate**
Price	Rs282
Target Price	Rs347
Market Cap. (Rs bn)	478.9
Shares o/s (m)	1,697.2

Momentum at the company's older projects was broadly maintained; however, overall volumes are likely to appear weak on account of the lack of any significant launches during the quarter. Launches are likely to be skewed towards the second half of the financial year, with Q2FY11 witnessing some launches towards the end of the quarter. On the commercial side, leasing momentum has witnessed some amount of a pick-up during Q1FY11.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	74,209	95,035	113,950
EBITDA	35,012	47,517	58,115
Margin (%)	*47.2*	*50.0*	*51.0*
PAT	18,171	24,096	32,755
EPS (Rs)	10.7	14.2	19.3
RoE (%)	*7.4*	*9.3*	*11.7*
PE (x)	26.4	19.9	14.6
P / BV (x)	6.4	5.9	5.2
EV / E (x)	21.3	14.3	11.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	17,030	16,499	*3.2*	19,944	95,035	74,209	*28.1*
EBITDA	8,345	7,441	*12.1*	10,000	47,517	35,012	*35.7*
Margin (%)	*49.0*	*45.1*	*8.6*	*50.1*	*50.0*	*47.2*	*2.8*
Reported PAT	3,889	3,960	*(1.8)*	4,264	24,096	17,300	*39.3*
PAT (Excl. Ex Items)	3,889	3,960	*(1.8)*	5,136	24,096	18,171	*32.6*
Operating Metrics							
Development Business Closing Balance							
Sales (Msf)	42	30		39	47	39	
Under Construction-(Msf)	40	25		39	49	39	
Annuity Business Closing Balance							
Sales (Msf)	20	17		19	23	19	
Under Construction (Msf)	17	17		17	15	17	

Unitech

Rating	**Accumulate**
Price	Rs74
Target Price	Rs110
Market Cap. (Rs bn)	193.1
Shares o/s (m)	2,616.3

Fresh launches during the quarter have been subdued; however, sales volume at the company's previously launched projects have remained robust, especially in Gurgaon and Noida. Gurgaon has witnessed some amount of a price increase, but Noida has remained flat on account of the looming supply. Mumbai is unlikely to contribute to sales during the quarter on account of the dispute that Unitech has with Omkar; its JV partner for 40% of the Mumbai projects.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	29,568	41,378	53,046
EBITDA	10,967	18,243	22,646
Margin (%)	*37.1*	*44.1*	*42.7*
PAT	6,910	11,796	15,582
EPS (Rs)	2.8	4.5	6.0
RoE (%)	*8.7*	*10.1*	*11.6*
PE (x)	26.0	16.4	12.4
P / BV (x)	1.7	1.5	1.4
EV / E (x)	22.2	12.5	9.6

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	9,666	5,400	*79.0*	11,329	41,378	29,568	*39.9*
EBITDA	2,706	3,402	*(20.4)*	2,730	18,243	10,967	*66.3*
Margin (%)	*28.0*	*63.0*	*(55.6)*	*24.1*	*44.1*	*37.1*	*7.0*
Reported PAT	1,652	1,578	*4.7*	1,634	11,796	6,773	*74.2*
PAT (Excl. Ex Items)	1,652	1,578	*4.7*	1,794	11,796	6,910	*70.7*
Operating Metrics							
Sale \Volumes (m.sq.ft)							
Residential	2.5	4.1		2.8	12	14	
Non-Residential	0.5	1		0.7	2	3	
Average Realisations Rs/sq.ft							
Residential	3,500	3,234		3,504	5,063	3,687	
Non-Residential	6,500	6,533		7,441	6,500	6,632	

HDIL

Rating	**Accumulate**
Price	Rs242
Target Price	Rs305
Market Cap. (Rs bn)	90.0
Shares o/s (m)	372.0

TDR rates have continued to firm-up during the quarter, with latest rates reported at ~Rs3,100-3,200/sq.ft. We expect average rates for HDIL's TDR sales at Rs2,950/sq.ft. Volumes are likely to be slightly subdued at 1.2m as against 1.5m in Q4FY10 on account of an overhang with respect to the High Court's decision on Mumbai FSI that was pending, coupled with the onset of monsoon which results in a slowdown of construction activity. HDIL launched two projects in Suburban Mumbai totaling to 1.75m sq.ft which received a strong response.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	15,021	19,660	29,243
EBITDA	7,893	9,477	15,499
Margin (%)	*52.5*	*48.2*	*53.0*
PAT	5,722	7,547	12,150
EPS (Rs)	15.9	20.3	32.7
RoE (%)	*10.1*	*10.3*	*14.8*
PE (x)	15.2	11.9	7.4
P / BV (x)	1.2	1.2	1.0
EV / E (x)	15.6	13.4	7.6

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	4,180	2,954	*41.5*	4,341	19,660	15,021	*30.9*
EBITDA	2,257	1,161	*94.4*	2,271	9,477	7,893	*20.1*
Margin (%)	*54.0*	*39.3*	*37.4*	*52.3*	*48.2*	*52.5*	*(4.3)*
Reported PAT	1,884	1,075	*75.3*	1,778	7,547	5,666	*33.2*
PAT (Excl. Ex Items)	1,884	1,075	*75.3*	1,778	7,547	5,722	*31.9*
Operating Metrics							
Project Sales	-	-		-	2,700	-	
FSI Sales	640	-		-	3,500	-	
(Mn.Sq.Ft)	1	-		-	2	-	
TDR Sales	3,540	2,700		3,983	13,460	13,833	
(Mn.Sq.Ft)	1.2	1.8		1.48	5.5	6.5	
Land development	-	254		358	-	1,088	

Anant Raj Industries

Rating	**Accumulate**
Price	Rs120
Target Price	Rs172
Market Cap. (Rs bn)	35.2
Shares o/s (m)	294.6

The company has launched two residential projects; one at Kapashera in Delhi and the other in Manesar. The response to the Kapashera launch has been quite strong; however, we do not have data on Manesar. Lease momentum at Manesar IT Park has witnessed an improvement and overall rentals during the quarter are likely to witness a sequential increase. Besides, Anantraj is in the process of deploying the cash on its books towards land acquisition in areas where it can launch projects in the near term.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	2,863	8,106	9,453
EBITDA	2,585	6,404	6,995
Margin (%)	*90.3*	*79.0*	*74.0*
PAT	2,382	4,542	4,694
EPS (Rs)	8.1	15.4	15.9
RoE (%)	*7.0*	*12.3*	*11.5*
PE (x)	14.8	7.8	7.5
P / BV (x)	1.0	0.9	0.8
EV / E (x)	12.6	6.5	6.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	717	858	*(16.4)*	341	8,106	2,863	*183.1*
EBITDA	502	794	*(36.8)*	271	6,404	2,585	*147.7*
Margin (%)	*70.0*	*92.6*	*(24.4)*	*79.4*	*79.0*	*90.3*	*(11.3)*
Reported PAT	426	706	*(39.7)*	304	4,542	2,382	*90.6*
PAT (Excl. Ex Items)	426	717	*(40.7)*	293	4,542	2,383	*90.6*
Operating Metrics							
Ceramic tiles	20	20		30	80	90	
Rental received	175	92		150	2,063	490	
Project Sales	522	-		-	5,963	-	
Land Sales	-	746		166	-	2,294	

Peninsula Land

Rating	**Accumulate**
Price	Rs74
Target Price	Rs81
Market Cap. (Rs bn)	20.5
Shares o/s (m)	279.5

On account of limited supply at the company's end, offtake has been slow during the quarter. However, since both its residential projects in Central Mumbai are complete, prices for the left-out stock has witnessed a significant increase. Construction at Peninsula Business Park is going on at full pace and is on schedule. The company is in the process of land acquisition; however, has not announced the same.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	7,786	12,382	16,117
EBITDA	3,310	4,797	7,428
Margin (%)	*42.5*	*38.7*	*46.1*
PAT	2,495	4,076	6,029
EPS (Rs)	8.9	14.6	21.6
RoE (%)	*21.1*	*27.3*	*30.8*
PE (x)	7.3	5.0	3.4
P / BV (x)	1.6	1.2	0.9
EV / E (x)	7.0	4.7	2.7

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,010	1,155	*74.0*	2,248	12,382	7,786	*59.0*
EBITDA	844	454	*86.0*	1,044	4,797	3,310	*44.9*
Margin (%)	*42.0*	*39.3*	*6.9*	*46.4*	*38.7*	*42.5*	*(3.8)*
Reported PAT	775	329	*136.0*	963	4,076	2,495	*63.4*
PAT (Excl. Ex Items)	775	410	*89.3*	996	4,076	2,819	*44.5*
Operating Metrics							
Ashok Towers	120	310		170	1,636	1,060	
Swan Mills	160	30		280	861	640	
Peninsula Business Park	1,520	350		1,680	6,577	5,060	
Others	50	45		118	960	477	

Omaxe

Rating	**BUY**
Price	Rs95
Target Price	Rs142
Market Cap. (Rs bn)	16.5
Shares o/s (m)	173.6

Company's focus has been on execution and delivery of projects. Close to 4.5m sq.ft is expected to be delivered in Q1FY11. The company also launched 3m sq.ft during the quarter across 11 projects and total sale volumes stood at 2.2m sq.ft. The company has planned 5-6 launches during FY11 which we expect will be skewed towards H2FY11.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	10,012	20,060	25,787
EBITDA	1,966	5,922	8,270
Margin (%)	*19.6*	*29.5*	*32.1*
PAT	1,125	3,258	5,178
EPS (Rs)	6.5	18.8	29.8
RoE (%)	*7.3*	*18.8*	*24.5*
PE (x)	14.6	5.1	3.2
P / BV (x)	1.0	0.9	0.7
EV / E (x)	17.4	4.9	2.5

Quarterly Table (Rs m)

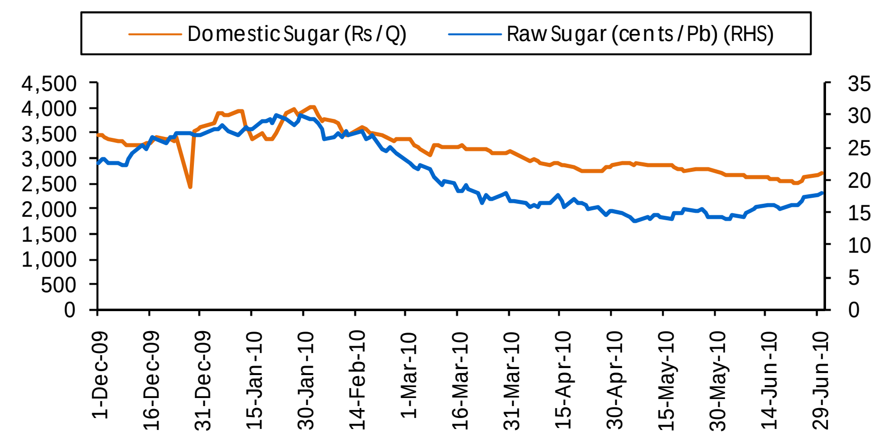
Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,917	1,189	*145.3*	3,782	20,060	10,012	*100.4*
EBITDA	642	438	*46.6*	268	5,922	1,966	*201.2*
Margin (%)	*22.0*	*36.8*	*(40.2)*	*7.1*	*29.5*	*19.6*	*9.9*
Reported PAT	281	150	*87.8*	451	3,258	1,125	*189.5*
PAT (Excl. Ex Items)	281	150	*87.8*	451	3,258	1,125	*189.5*
Operating Metrics							
Sales (m sq.ft)	2.2	0.7		3.5	9.9	10.9	
Avg. Realisations (Rs/sqft)	1,675	1,408		1,500	1,756	1,460	
Construction Income	567	336		650	3,000	650	

Tushar Manudhane
TusharManudhane@PLIndia.com
+91-22-6632 2238

Sugar

International sugar prices rise; domestic price continued to fall: International sugar prices, in terms of raw sugar, increased marginally by 7.7% - from 16.7cents/Pb to 18cents/Pb and 9.9% in terms of white sugar from the level of US$481/tonne to US$528/tonne during the quarter. Raw sugar prices reached a low of 13.75cents/Pb in May 2010. It further rose to 18cents/Pb till the end of quarter due to Ethanol parity. During this period, domestic prices fell by 13%, from the level of Rs31.25/kg to Rs27.15/kg. Domestic sugar prices did not rise along with international prices as imported sugar at increased price of 18cents/Pb after refining is still less costly than domestic sugar. Also, raising the expectation of higher domestic production during the current season from 16.8m tonnes to 18.2m tonnes and expectation of higher sugar production (approx. 21-23m tonnes) next year, maintained domestic sugar prices at lower levels.

Raw sugar price rise; Domestic sugar price continued to fall



Source: Company Data, PL Research

Increase in levy price by Rs4/kg: Government has approved a price rise of Rs4/kg for levy sugar to Rs17.54/kg. This spells well for sugar companies as cost of production of sugar has gone up due to increase in cane prices. This is the first increase in levy price since 2004. With Rs13.54/kg as levy price, mill owners had taken significant loss for the last two quarters. This step would help in reducing the losses incurred to mill owners.

Government restores monthly free-sale sugar quota: Government has done away with fortnightly quota for free sale of sugar and allowed the mills to report the sales on a monthly basis. Earlier this year, the Centre had stipulated that the mills release 50% of their monthly free sale quota within the first fortnight. In February, it set a weekly sub-quota asking the mills to liquidate their quota on a weekly basis. It also took other measures such as asking bulk users to stock up for only 10 days of their requirement. As the prices began to fall on the tight norms and reports of better-than-expected sugarcane crop in Brazil and India, the Centre relaxed the norms last month, reverting to the fortnightly quota.

Further change in sugar prices to depend on monsoon: Going ahead, monsoon would be the key factor to determine overall domestic sugar production and hence, sugar prices for SS2011.

Centre defers move to impose customs duty on refined sugar: After a fall in sugar prices in the domestic market, there has been a very narrow margin left for mill owners as the cane was procured at higher price and they would have to sell sugar at price which takes care of only cost of production of sugar. Also, imported sugar is available at further lower price than domestic price. This may cause further lowering of domestic sugar prices. So mill owners have been requesting government to impose customs duty on imported refined sugar. However, due to uncertainty of sugar production for 2010-11, government has deferred the move to impose duty on refined sugar.

Top Picks: None

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	125,386	103,411	126,821
Growth (%)	*82.5*	*(17.5)*	*22.6*
EBITDA	22,400	22,029	36,522
Margin (%)	*17.9*	*21.3*	*28.8*
PAT	12,896	12,679	28,983
Growth (%)	*74.7*	*(1.7)*	*128.6*
PE (x)	8.8	10.0	7.3

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	22,853	18,152	*25.9*	28,184	75,814	42,255	*79.4*
EBITDA	3,498	3,958	*(11.6)*	5,131	15,512	9,523	*62.9*
Margin (%)	*15.3*	*21.8*	*(6.5)*	*18.2*	*20.5*	*22.5*	*(2.1)*
PAT (Excl. Ex Items)	1,376	1,603	*(14.2)*	2,831	8,458	2,718	*211.2*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Shree Renuka Sugars

Rating	**Reduce**
Price	Rs69
Target Price	Rs67
Market Cap. (Rs bn)	45.8
Shares o/s (m)	668.0

We expect 35% reduction in growth in revenue from Rs17.8bn to Rs11.5bn (QoQ). We expect 0.25m tonnes of sugar sale in this quarter as compared to 0.24m tonnes (QoQ) at blended average realization of Rs27/kg as compared to Rs33/kg (QoQ). We expect alcohol sale to be 15.0m litres as compared to 16.6m litres (QoQ) at average realization of Rs28.0/litre as compared to Rs29.6/litre (QoQ). We expect the company to sell 160m units against 138m units (QoQ) at average realization per unit of Rs5.2 as compared to Rs4.9 (QoQ). EBITDA margin is expected to decrease from 19.9% to 14.3% mainly due to lower sales realization from sugar (QoQ). The company is expected to show net profit of Rs903m against Rs2.2bn in Q2FY10.

Key Figures (Rs m)

Y/e Sept	FY10E	FY11E	FY12E
Net Sales	65,596	52,529	58,096
EBITDA	11,583	9,999	12,920
Margin (%)	*17.7*	*19.0*	*22.2*
PAT	7,432	5,601	8,018
EPS (Rs)	11.1	8.4	12.0
RoE (%)	*37.6*	*20.1*	*24.1*
PE (x)	6.2	8.2	5.7
P / BV (x)	1.9	1.5	1.2
EV / E (x)	5.9	5.7	3.9

Quarterly Table (Rs m)

Y/e Sept	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	11,534	8,935	*29.1*	17,814	43,635	17,227	*153.3*
EBITDA	1,654	1,557	*6.2*	3,545	8,810	2,961	*197.5*
Margin (%)	*14.3*	*17.4*	*(17.7)*	*19.9*	*20.2*	*17.2*	*3.0*
Reported PAT	903	781	*15.6*	2,247	5,771	1,223	*371.9*
PAT (Excl. Ex Items)	903	781	*15.6*	2,247	5,771	1,223	*371.9*
Operating Metrics							
Sugar Sold (m Tonnes)	0.25	0.26	*(2.3)*	0.24	0.79	0.51	*54.7*
Avg. Realisation (Rs/Kg)	27.0	21.3	*26.8*	33.0	30.1	19.5	*54.7*
Alcohol sold (m Litres)	15.0	15.4	*(2.8)*	16.6	45.3	47.9	*(5.5)*
Avg. Realisation (Rs/Litre)	28.0	24.4	*14.8*	29.6	28.3	24.3	*16.5*

Bajaj Hindusthan

Rating	**Reduce**
Price	Rs117
Target Price	Rs96
Market Cap. (Rs bn)	22.3
Shares o/s (m)	191.0

We expect an increase in QoQ revenue, from Rs5.6bn to Rs7.11bn. We expect 0.3m tonnes of sugar sale in this quarter as compared to 0.15m tonnes (QoQ) at blended average realization of Rs26.3/kg as compared to Rs32.9/kg (QoQ). We expect alcohol sale to be 15.0m litres as compared to 12.6m litres (QoQ) at similar average realization of Rs27/litre (QoQ). We expect 55m units of power to be sold in this quarter as compared to 76.6m units (QoQ). EBITDA margin is expected to marginally decrease from 13.8% to 11.9%. The company is expected to show net profit of Rs36m against Rs308m QoQ.

Key Figures (Rs m)

Y/e Sept	FY10E	FY11E	FY12E
Net Sales	41,124	29,817	44,770
EBITDA	6,322	6,190	7,103
Margin (%)	*15.4*	*20.8*	*15.9*
PAT	1,258	950	1,825
EPS (Rs)	6.6	5.0	9.6
RoE (%)	*5.7*	*4.1*	*7.6*
PE (x)	17.7	23.4	12.2
P / BV (x)	1.0	1.0	0.9
EV / E (x)	7.2	6.3	4.8

Quarterly Table (Rs m)

Y/e Sept	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	7,109	3,836	*85.3*	5,674	18,938	11,782	*60.7*
EBITDA	845	1,221	*(30.8)*	781	3,640	2,804	*29.8*
Margin (%)	*11.9*	*31.8*	*(62.6)*	*13.8*	*19.2*	*23.8*	*(4.6)*
Reported PAT	36	603	*(94.0)*	318	1,207	894	*40.8*
PAT (Excl. Ex Items)	36	280	*(87.1)*	308	1,207	(334)	*(461.8)*
Operating Metrics							
Sugar Sold (m Tonnes)	0.30	0.16	*91.1*	0.15	0.63	0.53	*19.5*
Avg. Realisation (Rs/Kg)	26.3	22.2	*18.6*	32.9	29.4	20.1	*45.7*
Alcohol sold (m Litres)	15.0	8.4	*78.6*	12.6	33.3	28.9	*15.1*
Avg. Realisation (Rs/Litre)	27.0	27.9	*(3.1)*	27.0	26.8	25.3	*6.2*

Balrampur Chini

Rating	**Reduce**
Price	Rs84
Target Price	Rs78
Market Cap. (Rs bn)	21.7
Shares o/s (m)	256.8

We expect decrease in revenue from Rs4.7bn to Rs4.2bn (QoQ). We expect 0.13m tonnes of sugar sale in this quarter as compared to 0.11m tonnes of sugar sale (QoQ) at blended average realization of Rs26/kg as compared to Rs32/kg (QoQ). We expect alcohol sale to be 15m litres as compared to 13.8m litres (QoQ) at similar average realization of Rs26/litre (QoQ). We expect 110m units of power to be sold in this quarter as compared to 152m units (QoQ). EBITDA margin is expected to increase from 17.1% to 23.7E% (QoQ) due to write-back of losses on account of lower levy sugar prices considered for the previous quarters. The company is expected to show net profit of Rs438m against Rs276m in Q2FY10.

Key Figures **(Rs m)**

Y/e Sept	FY10E	FY11E	FY12E
Net Sales	18,666	21,065	23,956
EBITDA	3,642	4,737	4,760
Margin (%)	*19.5*	*22.5*	*19.9*
PAT	1,558	2,445	2,499
EPS (Rs)	6.1	9.5	9.7
RoE (%)	*14.3*	*23.3*	*23.7*
PE (x)	13.9	8.9	8.7
P / BV (x)	2.1	2.1	2.0
EV / E (x)	9.0	6.7	6.4

Quarterly Table **(Rs m)**

Y/e Sept	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	4,209	5,381	*(21.8)*	4,696	13,241	13,246	*(0.0)*
EBITDA	999	1,180	*(15.3)*	805	3,062	3,759	*(18.5)*
Margin (%)	*23.7*	*21.9*	*8.2*	*17.1*	*23.1*	*28.4*	*(5.2)*
Reported PAT	438	663	*(34.0)*	276	1,480	1,838	*(19.5)*
PAT (Excl. Ex Items)	438	543	*(19.4)*	276	1,480	1,828	*(19.1)*
Operating Metrics							
Sugar Sold (m Tonnes)	0.13	0.20	*(35.0)*	0.11	0.37	0.52	*(29.2)*
Avg. Realisation (Rs/Kg)	26.0	23.1	*12.7*	32.0	29.4	20.4	*44.2*
Alcohol sold (m Litres)	15.0	12.1	*24.4*	13.8	32.6	43.0	*(24.3)*
Avg. Realisation (Rs/Litre)	26.0	26.0	*0.1*	26.0	26.2	26.0	*0.8*

Shashi Bhusan
ShashiBhusan@PLIndia.com
+91-22-6632 2300

Technology

We continue with our **positive** stance on the demand environment of Indian IT Services companies. This quarter has seen uncertain macro-environment unfolding in Europe, slowing down some sales activity, also volcanic eruption in Europe marginally increasing some travelling cost, cross currency headwinds eroding margin and USD terms revenue in addition to margin pressure due to wage inflation. However, our channel check and interactions with managements hint strong deal pipeline and improving demand environment. We expect the tone of management commentary to be cautious due to uncertain macros in Europe and the US. The sales cycle continue to see improvement on QoQ basis.

Infosys to revise guidance upwards by ~200bps: We expect Infosys to revise their guidance upwards to 18-20% YoY, guided by US$ term growth for top-line and 4-6% growth for EPS in INR terms. We expect the company to maintain its cautious stance. We expect that guidance above 20% would be taken positively by investor, whereas any downward revision in USD revenue would be a dampener.

Strong margin headwinds in current quarter: According to our estimates, Euro/GBP depreciation against USD will have ~1-1.5% impact on USD terms revenue. Moreover, rupee appreciation against USD, EUR and GBP by 0.7%, 8.7% and 5.1% QoQ, respectively would create a margin headwind of 95-110bps QoQ. We believe that wage hike, along with currency headwind, will have 50-100bps impact on the margin.

Tier-1 continues to march, Tier-2 slowly joining the party: We expect Tier-1 companies to continue their strong quarterly performance, reporting mid single digit volume growth, whereas Tier-2 Indian IT companies are expected to report touch below Tier-1 and in few cases better. We are not expecting any negative surprise on the pricing front. We expect companies to make positive commentary on the realization front.

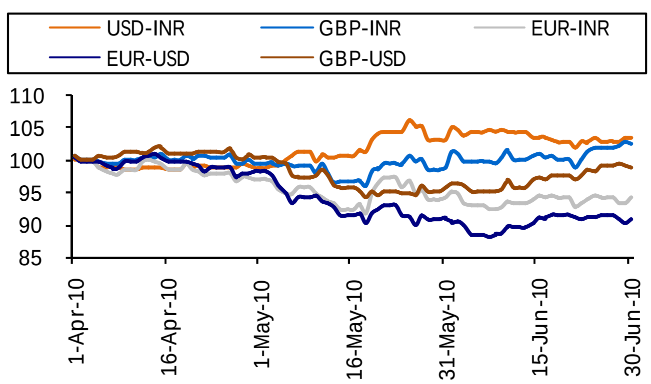
Expect positive commentary on discretionary spend: We expect management to make positive commentary on improving visibility of discretionary spend. Our interactions with management and channel checks have indicated that the clients are more receptive of business transformational projects.

Infosys and Persistent - our top pick in the sector: We expect Infosys to give stronger result when compared to large cap peers, whereas Persistent would report stronger than mid-cap IT Services top-line growth.

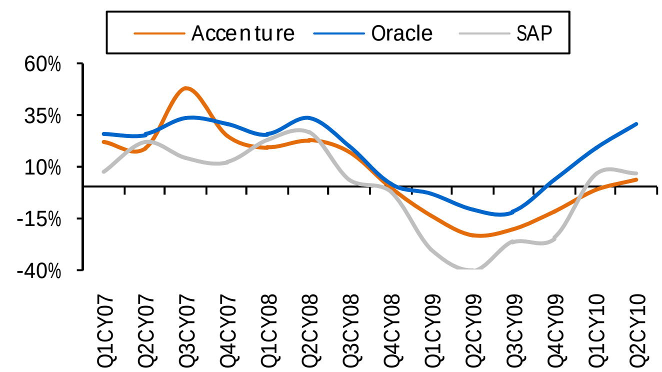
Guidance Analysis

	GUIDANCE GIVEN BY THE COMPANY				OUR ESTIMATES		ACTUALS	
	Q1FY11		FY2011		Q1FY11	FY2011	Q4FY10	FY2010
Infosys								
Revenue (Rs m)	54,290	54,760	247,960	252,390	62,100.5	257,915.9	59,440.0	227,420.0
EPS (Rs)	24.34	24.79	106.8	111.3	28.2	125.0	28.3	109.8
Revenue (USD m)	1,330	1,340	5,570	5,670	1,360.8	5,929.1	1,122.0	4,804.0
Patni Computers								
Revenue (USD m)	171.0	172.0	n/a	n/a	173.2	705.6	170.2	655.8
Wipro								
Revenue (USD m)	1190	1215	n/a	n/a	1,213	5,194.2	1166	4,391

Currency appreciation - unfavourable movement

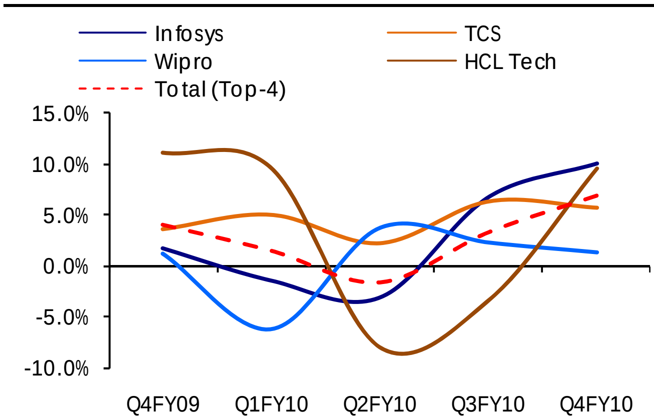


ACN (Consulting), Oracle (licenses) & SAP (licenses) YoY growth

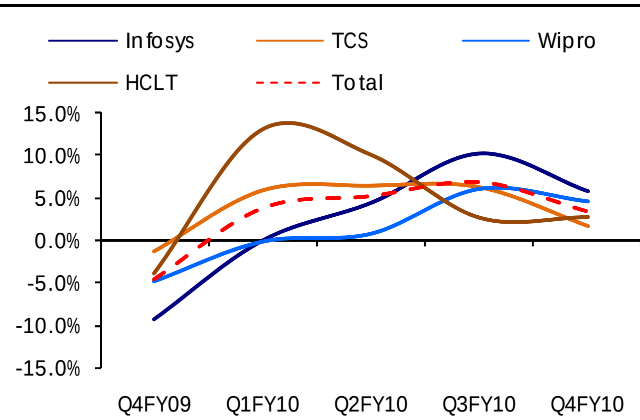


Source: Bloomberg, Company Data, PL Research

Manufacturing QoQ Growth - Catching up with BFSI



BFSI QoQ Growth - Sign of steady improvement



Source: Company Data, PL Research

Top picks: Infosys Technologies, HCL Technologies and Persistent Systems

Consolidated Sectoral Data

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	1,096,095	1,219,714	1,198,211
Growth (%)	*7.7*	*11.3*	*(1.8)*
EBITDA	291,223	311,199	289,567
Margin (%)	*26.6*	*25.5*	*24.2*
PAT	220,890	237,796	214,097
Growth (%)	*19.2*	*7.7*	*(10.0)*
PE (x)	18.3	17.0	18.9

Quarterly Table **(Rs m)**

	Q1 FY11E	Q4 FY10	*QoQ gr. (%)*	Q1 FY10	*YoY gr. (%)*
Net Sales	291,781	281,538	*3.6*	259,481	*12.4*
EBITDA	83,121	75,274	*10.4*	68,842	*20.7*
Margin (%)	*28.5*	*26.7*	*1.8*	*26.5*	*2.0*
PAT (Excl. Ex Items)	68,062	61,928	*9.9*	54,445	*25.0*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Infosys Technologies

Rating	**BUY**
Price	Rs2,783
Target Price	Rs3,250
Market Cap. (Rs bn)	1,589.9
Shares o/s (m)	571.3

We expect Infosys to report a strong growth of 4.5% in INR and 5% in USD terms for Q1FY11, beating their top-end guidance in both, USD and INR terms. We expect forex movement, volume growth and pricing improvement to contribute -0.5%, 4.9% and 0.1% QoQ, respectively. We expect the margins to get affected negatively by 103bps for the quarter due to currency appreciation and salary.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	227,420	257,916	64,604
EBITDA	78,610	86,368	29,589
Margin (%)	*34.6*	*33.5*	*45.8*
PAT	62,660	71,371	30,235
EPS (Rs)	109.8	125.0	52.9
RoE (%)	*27.2*	*23.9*	*21.4*
PE (x)	25.4	22.3	52.7
P / BV (x)	6.9	5.3	4.4
EV / E (x)	18.9	16.6	46.6

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q4 FY10	QoQ gr. (%)	Q1 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	62,101	59,440	*4.5*	54,720	257,916	227,420	*13.4*
EBITDA	20,431	20,220	*39.4*	18,680	86,368	78,610	*9.9*
Margin (%)	*32.9*	*34.0*	*112*	*34.1*	*33.5*	*34.6*	*(108)*
Reported PAT	28,159	19,620	*43.5*	19,150	71,371	79,470	*(10.2)*
PAT (Excl. Ex Items)	28,159	19,620	*43.5*	19,150	71,371	79,470	*(10.2)*
Operating Metrics							
Volume Gr.	4.9	5.2	*(0.3)*	(1.1)	21.0	6.7	*14.3*
Pricing Gr.	0.1	(1.5)	*1.6*	1.0	2.0	(4.0)	*6.0*
Currency Effect	(0.5)	(1.7)	*1.2*	(2.9)	9.6	2.1	*7.5*
SW Devp. Cost (% of sales)	54.6	53.6	*1.0*	53.3	54.0	53.1	*0.9*
SG&A (% of sales)	12.5	12.4	*0.1*	12.6	12.6	12.4	*0.2*

Tata Consultancy Services

Rating	**BUY**
Price	Rs760
Target Price	Rs990
Market Cap. (Rs bn)	1,488.2
Shares o/s (m)	1,957.2

We expect TCS to report 4.9% volume growth, with muted pricing and unfavorable forex contribution of -0.6% QoQ. Erosion in EBITDA margins by 108bps is due to currency appreciation and salary hike. We expect management to give commentary on client spending.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	300,289	337,530	397,643
EBITDA	86,798	94,295	109,784
Margin (%)	*28.9*	*27.9*	*27.6*
PAT	68,728	70,948	81,276
EPS (Rs)	35.1	36.2	41.5
RoE (%)	*32.9*	*29.9*	*28.2*
PE (x)	21.7	21.0	18.3
P / BV (x)	7.0	6.2	5.1
EV / E (x)	17.1	15.1	12.7

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q4 FY10	QoQ gr. (%)	Q1 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	80,779	77,365	*4.4*	72,070	337,530	300,289	*12.4*
EBITDA	23,264	23,121	*0.6*	19,619	94,295	86,798	*8.6*
Margin (%)	*28.8*	*29.9*	*(108)*	*27.2*	*27.9*	*28.9*	*(100)*
Reported PAT	18,037	19,312	*(6.6)*	15,203	70,948	68,728	*3.2*
PAT (Excl. Ex Items)	18,037	19,312	*(6.6)*	15,203	70,948	68,728	*3.2*
Operating Metrics							
Volume Gr.	4.9	6.6	*(1.7)*	7.0	20.0	7.0	*13.0*
Pricing Gr.	0.1	0.6	*(0.5)*	0.5	2.0	(1.7)	*3.7*
Currency Effect	(0.6)	(6.1)	*5.5*	(7.0)	(9.6)	(2.5)	*(7.1)*
SW Devp. Cost (% of sales)	54.1	53.2	*0.9*	54.4	55.4	53.8	*1.6*
Net Sales	80,779	77,365	*4.4*	72,070	337,530	300,289	*12.4*

Wipro

Rating	**Accumulate**
Price	Rs398
Target Price	Rs480
Market Cap. (Rs bn)	966.8
Shares o/s (m)	2,429.9

We expect Wipro to report IT Services revenue growth of 4.2% in USD terms to US$1,213 in line with their guidance of 2.1-4.2%. We expect volumes to grow by 4.4% sequentially with touch negative-bias on pricing. EBITDA margins erosion is expected to be 70bps largely due to lateral hiring and currency appreciation.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	271,277	299,304	365,971
EBITDA	60,361	62,486	73,393
Margin (%)	*22.3*	*20.9*	*20.1*
PAT	46,578	49,596	52,370
EPS (Rs)	18.8	20.2	21.3
RoE (%)	*23.5*	*21.6*	*19.7*
PE (x)	21.1	19.7	18.7
P / BV (x)	3.1	2.7	2.3
EV / E (x)	15.5	15.0	12.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q4 FY10	*QoQ gr. (%)*	Q1 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	72,040	69,772	*3.3*	63,188	299,304	271,277	*10.3*
EBITDA	15,200	15,194	*0.0*	14,484	62,486	60,361	*3.5*
Margin (%)	*21.1*	*21.8*	*(70)*	*22.9*	*20.9*	*22.3*	*(104)*
Reported PAT	11,899	12,137	*(2.0)*	10,612	49,596	46,578	*6.5*
PAT (Excl. Ex Items)	11,912	12,091	*(1.5)*	10,676	49,596	46,578	*6.5*
Operating Metrics							
Volume Gr.	4.4	5.0	*(0.6)*	0.9	16.5	8.0	*8.5*
Pricing Gr.	(0.2)	(0.6)	*0.4*	1.0	2.0	(4.0)	*6.0*
Currency Effect	3.5	(1.7)	*5.2*	(2.9)	9.6	2.1	*7.5*
SW Devp. Cost (% of sales)	49.9	48.5	*1.4*	51.3	49.5	48.7	*0.8*

HCL Technologies

Rating	**Accumulate**
Price	Rs361
Target Price	Rs430
Market Cap. (Rs bn)	241.4
Shares o/s (m)	669.2

We expect HCL to report a top-line growth of 3.6% QoQ for Q4FY10, whereas pricing would be muted. We expect a cross-currency headwind of 1.3% QoQ (higher than its peers due to high Europe exposure) and volume growth of 4.8% QoQ. We expect margin erosion of 115bps due to higher employee cost and currency appreciation. We expect net forex loss to be in line with the last quarter.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	123,260	133,094	151,162
EBITDA	25,273	25,411	27,688
Margin (%)	*20.5*	*19.1*	*18.3*
PAT	12,811	14,819	16,223
EPS (Rs)	18.9	22.0	24.0
RoE (%)	*20.6*	*20.6*	*20.0*
PE (x)	19.1	16.4	15.0
P / BV (x)	180.4	180.4	180.4
EV / E (x)	10.5	10.3	9.3

Quarterly Table **(Rs m)**

Y/e June	Q4 FY10E	Q3 FY10	*QoQ gr. (%)*	Q4 FY09	12M FY10E	12M FY09	*YoY gr. (%)*
Net Sales	31,864	30,757	*3.6*	29,085	123,260	106,301	*16.0*
EBITDA	5,926	6,073	*(2.4)*	6,441	25,273	23,456	*7.7*
Margin (%)	*18.6*	*19.7*	*(115)*	*22.1*	*20.5*	*22.1*	*(158)*
Reported PAT	3,114	3,439	*(9.4)*	3,303	12,827	12,776	*0.4*
PAT (Excl. Ex Items)	3,110	3,438	*(9.5)*	3,307	12,811	12,749	*0.5*
Operating Metrics							
Volume Gr.	4.8	5.1	*(0.3)*	7.2	20.7	13.0	*7.7*
Pricing Gr.	(0.1)	0.3	*(0.4)*	0.4	(1.0)	2.0	*(3.0)*
Currency Effect	(1.1)	(4.0)	*2.9*	(6.0)	20.2	1.0	*19.2*
SW Devp. Cost (% of sales)	64.4	64.5	*(0.1)*	62.4	64.5	61.6	*2.9*
SG&A (% of sales)	17.0	15.0	*2.0*	15.5	15.0	16.3	*(1.4)*

Mphasis

Rating	**Accumulate**
Price	Rs606
Target Price	Rs620
Market Cap. (Rs bn)	127.0
Shares o/s (m)	209.6

We expect Mphasis to report 3% QoQ growth for the top-line in INR terms. We are not expecting any negative surprise on realization in Q3FY10 in any of its vertical. Revenue is to be led by 4% volume growth and 0.3% currency headwind QoQ. We expect margin erosion of 80bps due to higher employee cost, currency appreciation (due to higher offshoring) and full impact of realization.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	49,211	57,614	66,405
EBITDA	10,512	11,846	13,316
Margin (%)	*21.4*	*20.6*	*20.1*
PAT	10,160	10,817	11,716
EPS (Rs)	48.4	51.5	55.8
RoE (%)	*30.7*	*25.0*	*21.5*
PE (x)	12.5	11.8	10.9
P / BV (x)	3.9	3.0	2.4
EV / E (x)	10.5	8.7	7.1

Quarterly Table (Rs m)

Y/e Oct	Q3 FY10E	Q2 FY10	QoQ gr. (%)	Q3 FY09	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	12,571	12,205	*3.0*	11,056	36,692	31,317	*17.2*
EBITDA	3,077	3,089	*(0.4)*	2,919	9,148	8,329	*9.8*
Margin (%)	*24.5*	*25.3*	*(80)*	*26.4*	*24.9*	*26.6*	*(168)*
Reported PAT	2,665	2,673	*(0.3)*	2,292	8,021	6,637	*20.9*
PAT (Excl. Ex Items)	2,665	2,673	*(0.3)*	2,292	8,021	6,637	*20.9*
Operating Metrics							
Application Serv. Gr.	2.9	3.9	*(1.0)*	5.2	25	51	*(26.6)*
BPO Serv. Gr.	3.0	2.4	*0.6*	2.6	(6)	18	*(24.4)*
ITO Gr.	3.4	(1.0)	*4.4*	8.9	11	100	*(89.0)*
SW Devp. Cost (% of sales)	70.0	69.3	*0.8*	67.6	69.4	67.4	*2.0*
SG&A (% of sales)	8.5	8.3	*0.3*	10.6	8.4	10.8	*(2.4)*

Tech Mahindra

Rating	**UNDER REVIEW**
Price	Rs761
Target Price	Rs825
Market Cap. (Rs bn)	92.7
Shares o/s (m)	121.8

Due to GBP depreciation against USD and INR, we expect a negative impact of 3.1% in USD terms revenues since 70% of company's revenues are billed in GBP. Also, we expect stability in the revenue coming from BT (British Telecom). The management commentary on client expenditure would be the key due to its high European exposure. We expect margin to be lower by 90bps due to currency appreciation and wage inflation.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	46,254	49,492	54,936
EBITDA	11,325	11,680	13,734
Margin (%)	*24.5*	*23.6*	*25.0*
PAT	7,089	6,845	7,687
EPS (Rs)	54.4	52.5	58.9
RoE (%)	*32.2*	*25.4*	*23.9*
PE (x)	14.0	14.5	12.9
P / BV (x)	4.1	3.4	2.9
EV / E (x)	10.0	9.7	8.2

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q4 FY10	QoQ gr. (%)	Q1 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	11,687	11,833	*(1.2)*	11,130	49,492	46,254	*7.0*
EBITDA	2,653	2,788	*(4.8)*	2,805	11,680	11,325	*3.1*
Margin (%)	*22.7*	*23.6*	*(90)*	*25.2*	*23.6*	*24.5*	*(97)*
Reported PAT	1,634	2,269	*(28.0)*	1,316	6,845	7,089	*(3.4)*
PAT (Excl. Ex Items)	1,634	2,269	*(28.0)*	1,401	6,845	7,004	*(2.3)*
Operating Metrics (USD m)							
Rev. from BT	120.0	119.0	*0.9*	118.4	480.0	472	*1.8*
EBDITA Telecom Serv. Prov.	37.0	37.6	*(0.6)*	38.0	38.4	38.5	*(0.1)*
Rev. from Non BT clients	144.0	140	*3.1*	109	600.0	503	*19.2*
SW Devp. Cost (% of sales)	63.2	62.3	*0.9*	61.4	63.0	62.1	*0.9*

Patni Computers

Rating	**Reduce**
Price	Rs516
Target Price	Rs470
Market Cap. (Rs bn)	66.3
Shares o/s (m)	128.7

We expect Patni to beat their guidance (US$171-172m) by 0.5% in-line with our estimate of US$173.2m. We expect Patni to expand their margin erosion by 82bps only due to cost-control measures. We expect forex gain of US$4.6m against US$4.8m in the last quarter. We expect management commentary on much anticipated deal pipeline and inorganic growth.

Key Figures (Rs m)

	CY09	CY10E	CY11E
Net Sales	31,461	31,399	35,282
EBITDA	6,176	6,332	7,280
Margin (%)	*19.6*	*20.2*	*20.6*
PAT	5,741	5,953	6,105
EPS (Rs)	44.6	44.6	45.8
RoE (%)	*16.0*	*14.8*	*13.8*
PE (x)	11.6	11.5	11.3
P / BV (x)	1.9	1.7	1.6
EV / E (x)	7.3	6.6	5.3

Quarterly Table (Rs m)

Y/e Dec	Q2 CY10E	Q1 CY10	*QoQ gr. (%)*	Q2 CY09	H1 CY10E	H1 CY09	*YoY gr. (%)*
Net Sales	7,810	7,816	*(0.1)*	7,516	15,626	15,332	*1.9*
EBITDA	1,570	1,635	*(4.0)*	1,502	3,205	3,137	*2.2*
Margin (%)	*20.1*	*20.9*	*(80)*	*20.0*	*20.5*	*20.5*	*0.0*
Reported PAT	1,472	1,511	*(2.6)*	1,327	2,983	2,838	*5.1*
PAT (Excl. Ex Items)	1,472	1,511	*(2.6)*	1,327	2,983	2,838	*5.1*
Operating Metrics							
Apps Devp. & Maint. Gr.	0.0	(10.7)	*10.7*	(0.9)	7.3	(8.9)	*16.2*
Package S/W Impl. Gr.	2.0	(9.4)	*11.4*	6.0	6.2	(16.4)	*22.6*
Product Eng. Gr.	(1.0)	(10.6)	*9.6*	9.4	14.9	(12.1)	*27.0*
SW Devp. Cost (% of sales)	62.0	59.3	*2.7*	62.8	60.7	63.7	*(3.0)*

Rolta India

Rating	**Accumulate**
Price	Rs174
Target Price	Rs220
Market Cap. (Rs bn)	30.8
Shares o/s (m)	177.2

We expect a strong growth for EGIS and EDS growing at 8.6%, and 9.7% QoQ, respectively, whereas EICT to grow with 10.3% QoQ. We expect margins to be eroded by 80bps due to higher employee cost. Also, we expect further improvement in the order book and positive commentary from management on the improved demand environment.

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	15,519	18,306	21,222
EBITDA	5,765	6,366	7,486
Margin (%)	*37.1*	*34.8*	*35.3*
PAT	2,496	2,732	3,497
EPS (Rs)	14.0	15.4	19.7
RoE (%)	*16.2*	*15.9*	*15.5*
PE (x)	12.4	11.3	8.8
P / BV (x)	1.9	1.7	1.2
EV / E (x)	6.7	6.0	4.1

Quarterly Table (Rs m)

Y/e June	Q4 FY10E	Q3 FY10	*QoQ gr. (%)*	Q4 FY09	12M FY10E	12M FY09	*YoY gr. (%)*
Net Sales	4,313	3,946	*9.3*	3,327	15,519	13,728	*13.0*
EBITDA	1,596	1,492	*7.0*	1,125	5,765	4,635	*24.4*
Margin (%)	*37.0*	*37.8*	*(0.8)*	*33.8*	*37.1*	*33.8*	*3.4*
Reported PAT	713	663	*7.5*	762	2,496	2,938	*(15.1)*
PAT (Excl. Ex Items)	713	663	*7.5*	762	2,496	2,938	*(15.1)*
Operating Metrics							
GIS segment gr.	8.6	5.3	*3.3*	2.1	24.0	16.8	*7.2*
Engineering segment gr.	9.7	7.0	*2.7*	(4.3)	1.3	12.6	*(11.3)*
EICT segment gr.	10.3	2.6	*7.7*	1.5	7.0	86.5	*(79.5)*
SW Devp. Cost (% of sales)	33.3	31.5	*1.8*	40.4	34.0	40.0	*(6.0)*

MindTree

Rating	**Accumulate**
Price	Rs568
Target Price	Rs680
Market Cap. (Rs bn)	23.1
Shares o/s (m)	40.6

We expect MindTree to report 3.5% QoQ growth in USD terms led by growth in PES and IMS space. We anticipate margins to take a dip by 117bps due to higher employee cost, currency appreciation and higher sales & marketing cost. In the current quarter, the company will progress on it's spend on NIW business.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	12,960	14,516	17,561
EBITDA	2,456	2,436	2,814
Margin (%)	*18.9*	*16.8*	*16.0*
PAT	2,149	1,984	2,030
EPS (Rs)	52.9	48.9	50.0
RoE (%)	*32.0*	*23.2*	*19.4*
PE (x)	10.7	11.6	11.4
P / BV (x)	3.4	2.7	2.2
EV / E (x)	9.4	9.5	8.2

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q4 FY10	*QoQ gr. (%)*	Q1 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	3,517	3,444	*2.1*	3,048	14,516	12,960	*12.1*
EBITDA	605	633	*(4.4)*	507	2,436	2,456	*(0.8)*
Margin (%)	*17.2*	*18.4*	*(117)*	*16.6*	16.8	18.9	*(210)*
Reported PAT	484	545	*(11.1)*	567	1,984	2,149	*(7.6)*
PAT (Excl. Ex Items)	12.2	13.4	*(9.3)*	14.3	48.9	52.9	*(7.6)*
Operating Metrics (USD m)							
IT Services (Revenue)	40.8	39.7	*2.9*	35.1	176.2	146.6	*20.2*
PES (Revenue)	36.2	34.8	*4.2*	26.9	157.5	125.6	*25.4*
Independent Testing (Revenue)	11.5	12.7	*(9.1)*	11.2	49.0	47.7	*2.6*
SW Devp. Cost (% of sales)	63.9	62.9	*1.0*	63.4	63.5	61.6	*1.9*

Persistent Systems

Rating	**BUY**
Price	Rs472
Target Price	Rs525
Market Cap. (Rs bn)	16.9
Shares o/s (m)	35.7

Our top pick in the Tier-2 names, we expect Persistent Systems to lead the growth chart with 5% QoQ growth in USD terms. We expect margins to be eroded by 80bps due to higher employee cost, currency appreciation and addition to the bench. We expect positive commentary from the management of the discretionary spend of its clients.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	6,012	6,864	8,209
EBITDA	1,464	1,563	1,781
Margin (%)	*24.3*	*22.8*	*21.7*
PAT	1,150	1,315	1,365
EPS (Rs)	32.2	36.8	38.2
RoE (%)	*17.9*	*17.1*	*15.2*
PE (x)	14.7	12.8	12.4
P / BV (x)	2.6	2.2	1.9
EV / E (x)	12.8	12.6	11.7

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q4 FY10	*QoQ gr. (%)*	Q1 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	1,787	1,717	*4.1*	1,320	6,864	6,012	*14.2*
EBITDA	463	458	*1.0*	148	1,563	1,464	*6.8*
Margin (%)	*25.9*	*26.7*	*(0.8)*	*11.2*	*22.8*	*24.3*	*(1.6)*
Reported PAT	399	397	*0.7*	175	1,315	1,150	*14.3*
PAT (Excl. Ex Items)	11.2	11.1	*0.7*	4.9	36.8	32.2	*14.3*
Operating Metrics (% QoQ)							
Volume Gr.	4.9	11.7	*(6.8)*	(6.8)	19.0	1.2	*17.8*
Pricing Gr.	0.1	(0.4)	*0.5*	2.6	3.0	(0.5)	*3.5*
Currency Effect	(0.9)	(1.4)	*0.5*	(3.8)	(6.8)	1.7	*(8.5)*
SW Devp. Cost (% of sales)	64.3	63.3	*1.0*	61.0	62.8	61.3	*1.5*

KPIT Cummins Infosystems

Rating	**Accumulate**
Price	Rs144
Target Price	Rs145
Market Cap. (Rs bn)	11.4
Shares o/s (m)	78.8

We expect a 3.0% QoQ growth for KPIT's USD revenue after a positive surprise in the last quarter of 6.0% QoQ increase, largely led by recovery in the manufacturing sector and Sparta contribution for the entire three months. EBITDA margins are likely to be eroded by 80bps to 18.8% due to currency appreciation and wage inflation.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	7,317	8,328	9,285
EBITDA	1,615	1,572	1,753
Margin (%)	*22.1*	*18.9*	*18.9*
PAT	857	971	1,112
EPS (Rs)	10.9	12.3	14.1
RoE (%)	*22.1*	*18.9*	*18.9*
PE (x)	13.3	11.7	10.2
P / BV (x)	2.8	2.3	1.9
EV / E (x)	6.3	5.9	4.6

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q4 FY10	QoQ gr. (%)	Q1 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,010	1,971	*2.0*	1,728	8,328	7,317	*13.8*
EBITDA	378	386	*(2.2)*	366	1,572	1,615	*(2.6)*
Margin (%)	*18.8*	*19.6*	*(80)*	*21.2*	*18.9*	*22.1*	*(317)*
Reported PAT	222	208	*6.9*	224	971	857	*13.2*
PAT (Excl. Ex Items)	222	208	*6.9*	224	971	857	*13.2*
Operating Metrics							
US$ Rev.	44.0	42.7	*3.0*	35.27	182.7	153.8	*18.8*
Manufacturing Seg. Gr.	1.0	(3.0)	*4.0*	(19.9)	6.3	(11.6)	*17.9*
BFSI Seg. Gr.	(1.5)	(25.3)	*23.8*	0.7	(15.7)	10.4	*(26.2)*
Others Seg. Gr.	7.8	185.9	*(178.1)*	(8.7)	100.6	25.6	*75.0*
SW Devp. Cost (% of sales)	58.0	56.8	*1.2*	57.0	57.6	55.9	*1.7*

Geometric

Rating	**Reduce**
Price	Rs77
Target Price	Rs70
Market Cap. (Rs bn)	4.8
Shares o/s (m)	62.3

Volumes and pricing (put together for Q1FY11) for the company is expected to report a growth of 3.5% QoQ. We expect almost no spill-over of last quarter's ramp downs. We expect EBITDA margin to be eroded by 30bps after a sharp decline in operating margin last quarter (190bps QoQ decline).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	5,116	5,353	5,933
EBITDA	869	843	949
Margin (%)	*17.0*	*15.8*	*16.0*
PAT	469	447	481
EPS (Rs)	7.5	7.2	7.7
RoE (%)	*17.7*	*14.6*	*13.9*
PE (x)	10.3	10.8	10.0
P / BV (x)	1.7	1.5	1.3
EV / E (x)	5.4	5.7	4.3

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q4 FY10	QoQ gr. (%)	Q1 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	1,304	1,272	*2.5*	1,293	5,353	5,116	*4.6*
EBITDA	189	187	*1.3*	246	837	869	*(3.0)*
Margin (%)	*14.5*	*14.7*	*(27)*	*19.0*	*15.6*	*17.0*	*(136)*
Reported PAT	110	120	*(8.9)*	85	442	467	*(5.2)*
PAT (Excl. Ex Items)	110	119	*(7.7)*	83	442	469	*(5.7)*
Operating Metrics							
US$ rev.	29.1	28.13	*3.6*	26.6	122.85	108.44	*13.3*
Software seg. gr.	2.0	(4.0)	*6.0*	(5.0)	1.2	(9.0)	*10.2*
Engineering seg. gr.	0.8	4.1	*(3.3)*	(14.6)	5.8	(25.5)	*31.3*
Products seg. gr.	12.5	21.2	*(8.7)*	(17.2)	29.4	(8.6)	*38.0*
SW Devp. Cost (% of sales)	61.0	61.6	*(0.6)*	59.2	61.3	61.0	*0.3*

Nishna Biyani
NishnaBiyani@PLIndia.com
+91-22-6632 2259

Telecom

Subscriber SIM additions continue to report strong growth

SIM net additions continued to be buoyant as ~33m subscribers have been garnered by telcos for the first two months of Q1FY11, a growth of 41% YoY. This was a result of continuation of strong net additions by Bharti Airtel (Bharti), Vodafone, Reliance Communication (RCom) and Tata Teleservices. Few reasons for this huge growth in net additions were the lucrative schemes like per second billing/pay per call/promotional freebies/dynamic pricing plans etc. offered by the operators. This has resulted in increase of dual SIM subscribers in the system. Intensity of competition is still very high & incumbents are continuing to face pressure on tariffs.

Operator-wise Subscriber trends

Operators	Wireless Net subscribers at end of period (m)			Net Additions between Mar 10 - May 10
	Mar-10	Apr-10	May-10	
Bharti	127.6	130.6	133.6	9.0
RCom	102.4	105.2	108.0	8.6
Vodafone	100.9	103.8	106.3	9.1
BSNL+ MTNL	68.3	69.6	70.6	4.9
Tata Teleservices	65.9	67.9	70.2	7.1
Idea Cellular	63.8	65.3	66.7	4.6

Source: TRAI, PL Research

Increase in spectrum charges by 1% w.e.f April 2010 to hit margins

Govt. has hiked spectrum charges by 1-2% for operators effective April 1, 2010. The new charges vary between 3-8% depending upon the quantum of spectrum held by the respective operators. The increase in spectrum charges will put incremental pressure up to 100bps on the operator margins who are already struggling to protect their revenues in the wake of intense competition due to entry of new operators in the field.

Spectrum charges hike between 1-2% depending on spectrum held

Spectrum held	Earlier	Effective April 1, 2010
2x4.4MHz	2% of AGR	3% of AGR
2x6.2MHz	3% of AGR	4% of AGR
2x8.8MHz	4% of AGR	5% of AGR
2x10.0MHz	4% of AGR	6% of AGR
2x12.5MHz	5% of AGR	7% of AGR
2x15.0MHz	6% of AGR	8% of AGR

Source: TRAI, PL Research *AGR = Aggregate gross revenue*

Pressure on realizations to continue with migration of subscribers to per second billing

This quarter would continue to see migration of subscribers to the new tariff plans of '*per second billing*' & '*pay per call*' schemes. Life-time schemes (starter kit) by various operators are available at Rs200, with talk-time of Rs185 which charges 60-72paise/min. According to our dealer checks, average ARPU of a new subscriber is ~Rs80-100. Further, the tariff cuts were across pre-paid and post-paid schemes which will hurt the overall wireless revenues which are expected to be flat QoQ.

Tariff plans of life-time schemes offered by various operators

Operator	Subscription charges	Tariff
Bharti, Idea	One time charge of Rs200, with talk-time of Rs180	Local/STD at 72p/min
Vodafone	One time charge of Rs206, with talk-time of Rs185	Local/STD at 72p/min
RCom	SIM cost Rs30 + Scheme charge Rs91/ Rs101/Rs111	Rs 91 --- Rs 1 flat for 3 min Rs101 --- 50paise/min Rs111 --- 1paise/second
Tata Docomo	One time charge of Rs200, with talk-time of Rs184	1paise/second
Shyam-Sistema (MTS)*	One time charge of Rs149, with talk-time of Rs149 (local minutes only)	1paise/two second
Aircel	One time charge of Rs55, with talk-time of Rs48	1paise/second

** Tariffs valid for 6 months --- after 6 months tariffs to be 1paise/second*

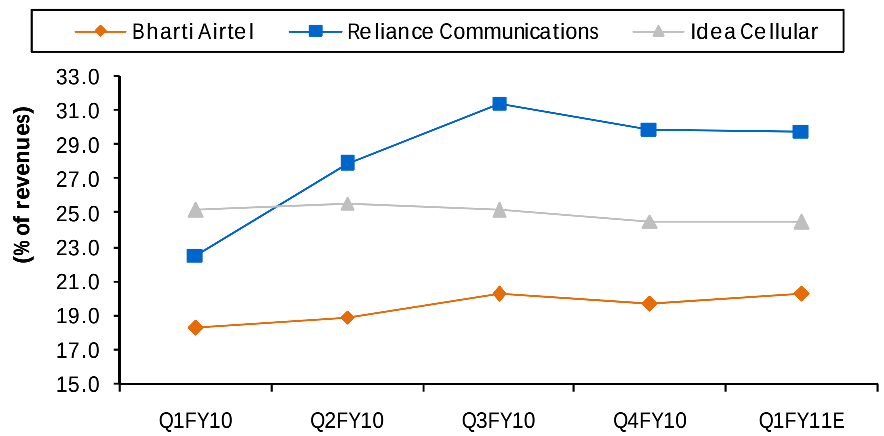
Source: PL Research

There are other schemes offered by the operators of new SIM for as low as Rs25 with no talk-time. First time recharges are available in denominations as low as Rs2, Rs5 and Rs10.

Diesel rate hike of Rs3 w.e.f June 25, 2010 would impact network running cost

Diesel rate hike would add to the woes of telcos which are already incurring high network running costs. Network running costs have risen by 8.5-19.5% as a percentage of revenues over the last eight quarters, with RCom (due to its running of dual networks) facing real challenges in curtailing it.

Network running cost inching higher QoQ

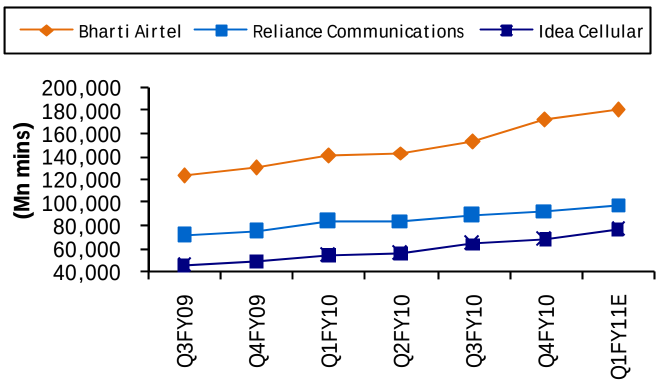


Source: Company Data, PL Research

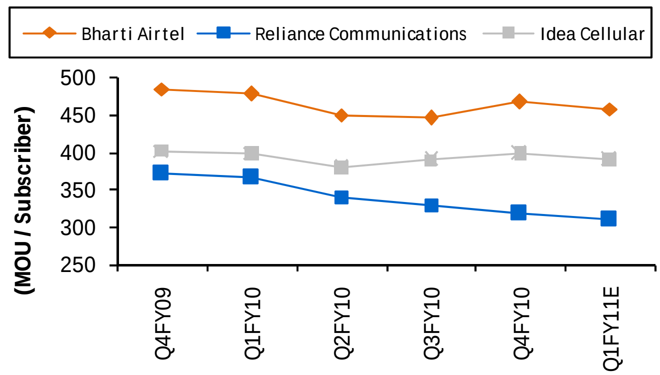
Traffic growth to range between 4-6% for the quarter

We expect the traffic growth for operators to be in the range of 5% for the quarter due to 8% QoQ growth in subscribers and elasticity pick-up in drop in tariffs. Over the last four quarters, incumbents had shown traffic growth of 4-9% CQGR on back of 8-11% CQGR in subscribers.

Wireless traffic growing at 4-9% CQGR



Minutes of Use per subscriber (Operator -wise)



Source: Company Data, PL Research

Key Developments

RCom demerges tower assets and looking to merge with GTL Infra

Reliance Infratel (a 95% subsidiary of RCom) and *GTL Infrastructure* has in-principle approved Rs500bn (US$11bn) deal to create one of the largest independent telecom infrastructure companies, neither owned nor controlled by any telecom operator. The merged entity will have over 80,000 towers and about 125,000 tenancies from over 10 telecom operators such as RCom, Aircel, Etisalat DB Telecom, MTS, Uninor Telecom, Videocon Mobile, Tata Teleservices, Vodafone and S Tel. In addition, the merged entity will have a firm option on additional 75,000 tenancies from leading players.

3G & BWA auction ends, Govt fetches Rs1,070bn from the auction

The recently concluded 3G (which had 7 successful Bidders) auctions had a pan-India Spectrum cost of Rs168bn, almost 4.7 times the base reserve price. BWA has garnered Rs128bn for a pan-India slot (almost 3/4th of 3G prices). Govt. has made provisions of Rs350bn from 3G & BWA auctions (both) in the Union budget. However, the auction has garnered Rs1,070bn, which is Rs720bn above the budget estimates.

3G & BWA Payment for private operators (Rs bn)

	3G Payout		BWA Payout		Total
	No. of circles	Payout (Rs bn)	No. of circles	Payout (Rs bn)	
Bharti Airtel	13	123.0	4	33.1	156.05
Idea cellular	11	57.7	0	-	57.69
RCom	13	85.9	0	-	85.85
Vodafone	9	116.2	0	-	116.18
Tata	9	58.6	0	-	58.64
Aircel	13	65.0	8	34.4	99.39
S Tel	3	3.4	0	-	3.38
Infotel	0	-	22	128.5	128.50
Tikona	0	-	5	10.6	10.60
Qualcomm	0	-	4	49.1	49.10
Augere	0	-	1	1.2	1.20
Total					**766.58**

Source: TRAI, PL Research

Top picks: None

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	762,286	827,829	925,274
Growth (%)	*6.4*	*8.6*	*11.8*
EBITDA	278,458	292,984	328,637
Margin (%)	*36.5*	*35.4*	*35.5*
PAT	150,356	107,115	120,920
Growth (%)	*(3.1)*	*(28.8)*	*12.9*
PE (x)	11.4	15.9	14.1

Quarterly Table (Rs m)

	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	*QoQ gr. (%)*
Net Sales	198,685	195,056	*1.9*	190,269	*4.4*
EBITDA	66,813	75,730	*(11.8)*	65,021	*2.8*
Margin (%)	*33.6*	*38.8*	*(5.2)*	*34.2*	*(0.5)*
PAT (Excl. Ex Items)	28,594	45,265	*(36.8)*	36,206	*(21.0)*

Note: Revenue, EBITDA and PAT numbers are arrived by totalling corresponding numbers of all companies under our coverage in this sector.

Bharti Airtel

Rating	**Reduce**
Price	Rs272
Target Price	Rs270
Market Cap. (Rs bn)	1,109.9
Shares o/s (m)	4,078.2

During the quarter, further migration to 'per second billing' will have its full impact. This will have pressure on realizations per minute which is expected to decline by 5% QoQ to Rs0.45. Hike in spectrum charges will hit margins by 70-100bps. Traffic in the wireless segment should report growth of 5% QoQ to 182bn minutes. Some spill-over of acquisition cost for *Zain* is likely to be felt in this quarter as well. Zain's African operations will get consolidated for a period of 20 days in this quarter which we have not considered in our estimation due to lack of data points. Migration to IFRS (International Financing reporting standards) from US GAAP from this quarter will result in JV accounting of Indus line-by-line instead of minority interest accounted for in the earlier quarters.

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	396,150	412,492	451,832
EBITDA	160,267	169,090	188,264
Margin (%)	*40.5*	*41.0*	*41.7*
PAT	91,025	74,695	83,611
EPS (Rs)	22.3	18.3	20.5
RoE (%)	*27.2*	*18.0*	*17.0*
PE (x)	12.2	14.9	13.3
P / BV (x)	2.9	2.4	2.1
EV / E (x)	7.4	7.0	6.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	107,175	99,416	*7.8*	100,557	412,492	396,150	*4.1*
EBITDA	40,554	41,518	*(2.3)*	38,221	169,090	160,267	*5.5*
Margin (%)	*37.8*	*41.8*	*(3.9)*	*38.0*	*41.0*	*40.5*	*0.5*
Reported PAT	20,917	25,176	*(16.9)*	20,551	74,695	91,025	*(17.9)*
PAT (Excl. Ex Items)	20,917	25,176	*(16.9)*	20,551	74,695	91,025	*(17.9)*
Operating Metrics							
Subscriber base (M)	137	102	*33.4*	128	160	128	*25.4*
ARPU (Rs/Sub/month)	206	278	*(25.9)*	220	196	244	*(19.9)*
MOU (Minutes/sub/month)	458	478	*(4.2)*	468	450	459	*(2.0)*

Reliance Communication

Rating	**Reduce**
Price	Rs182
Target Price	Rs188
Market Cap. (Rs bn)	376.4
Shares o/s (m)	2,064.0

RCom is expected to report a 2% growth in revenues QoQ to Rs52bn. Higher network operating cost (~29.8% of revenues), increase in spectrum charges by 1% and continuous pressure on pricing will hit the margins for the quarter by 90bps. Traffic growth is expected to be healthy and grow by 6% QoQ to 98.7bn minutes on the back of 8% subscriber growth. Depreciation is expected to move back to Q3FY10 levels (factored in Rs8.6bn for Q1FY11).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	222,502	245,061	285,986
EBITDA	78,868	78,910	89,228
Margin (%)	*35.4*	*32.2*	*31.2*
PAT	47,041	24,079	29,867
EPS (Rs)	22.8	11.7	14.5
RoE (%)	*10.8*	*5.2*	*6.1*
PE (x)	8.0	15.6	12.6
P / BV (x)	0.8	0.8	0.8
EV / E (x)	7.3	8.1	7.0

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	YoY gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	52,104	61,452	*(15.2)*	50,927	245,061	222,502	*10.1*
EBITDA	15,958	24,525	*(34.9)*	16,019	78,910	78,868	*0.1*
Margin (%)	*30.6*	*39.9*	*(9.3)*	*31.5*	*32.2*	*35.4*	*(3.2)*
Reported PAT	5,407	16,366	*(67.0)*	12,194	24,079	47,041	*(48.8)*
PAT (Excl. Ex Items)	5,407	16,366	*(67.0)*	12,194	24,079	47,041	*(48.8)*
Operating Metrics							
Sub. base (m)	111	80	*39.0*	102	134	102	*31.2*
ARPU (Rs/Sub/month)	130	210	*(38.1)*	139	126	161	*(22.0)*
MOU (Minutes/sub/month)	309	365	*(15.3)*	318	308	334	*(7.7)*

Idea Cellular

Rating	**Reduce**
Price	Rs59
Target Price	Rs58
Market Cap. (Rs bn)	195.1
Shares o/s (m)	3,289.9

Pressure on tariffs will be visible in Q1FY11, with realizations coming down by 4.5% QoQ to Rs0.44. The five new circles, which were rolled out during the last two quarters, namely Kolkata, West Bengal, Assam, North East & Jammu, will have EBITDA losses impact for the full quarter. We expect Idea to report Rs1.4bn EBITDA losses in the new rollouts for this quarter. *Spice* consolidation of 100% will keep the revenue momentum. Margins are expected to slide QoQ by 160bps to 26%, primarily due to impact of spectrum charges hike of 1%, sustained competitive intensity and full quarterly impact of new launches. Traffic growth is expected to be healthy and grow by 11% QoQ to 77bn minutes on the back of 7% subscriber growth.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	123,979	149,161	163,559
EBITDA	34,072	39,469	44,920
Margin (%)	*27.5*	*26.5*	*27.5*
PAT	9,539	5,779	4,472
EPS (Rs)	2.9	1.8	1.4
RoE (%)	*6.6*	*3.8*	*2.8*
PE (x)	20.5	33.8	43.6
P / BV (x)	1.3	1.3	1.2
EV / E (x)	7.6	8.2	7.5

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	34,423	29,759	*15.7*	33,478	149,161	123,979	*20.3*
EBITDA	8,956	8,599	*4.2*	9,236	39,469	34,072	*15.8*
Margin (%)	*26.0*	*28.9*	*(2.9)*	*27.6*	*26.5*	*27.5*	*(1.0)*
Reported PAT	1,666	2,971	*(43.9)*	2,666	5,779	9,539	*(39.4)*
PAT (Excl. Ex Items)	1,666	2,971	*(43.9)*	2,666	5,779	9,539	*(39.4)*
Operating Metrics							
Subscriber base (M)	68	47	*44.8*	64	81	64	*27.2*
ARPU (Rs/Sub/month)	176	233	*(24.4)*	185	170	208	*(18.3)*
MOU (Minutes/sub/month)	390	403	*(3.2)*	398	380	392	*(3.1)*

Tulip Telecom

Rating	**Reduce**
Price	Rs177
Target Price	Rs176
Market Cap. (Rs bn)	25.7
Shares o/s (m)	145.0

Tulip Telecom is expected to report 12.5% growth in revenues YoY to Rs50bn on the back of strong corporate data services revenues. Margins are expected to de-grow by 210bps to 27% due to pressure on ARPU's (IP-VPN segment to form 88% of revenues). We have modeled a 24% tax rate & normalcy in depreciation for this quarter.

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	19,655	21,114	23,897
EBITDA	5,251	5,516	6,226
Margin (%)	*26.7*	*26.1*	*26.1*
PAT	2,751	2,563	2,969
EPS (Rs)	19.0	17.7	20.5
RoE (%)	*34.4*	*25.0*	*23.5*
PE (x)	9.3	10.0	8.6
P / BV (x)	2.8	2.3	1.9
EV / E (x)	6.9	6.5	5.3

Quarterly Table (Rs m)

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	4,983	4,429	*12.5*	5,307	21,114	19,655	*7.4*
EBITDA	1,344	1,088	*23.5*	1,545	5,516	5,251	*5.0*
Margin (%)	*27.0*	*24.6*	*2.4*	*29.1*	*26.1*	*26.7*	*(0.6)*
Reported PAT	603	752	*(19.8)*	795	2,563	2,751	*(6.8)*
PAT (Excl. Ex Items)	603	752	*(19.8)*	795	2,563	2,751	*(6.8)*
Operating Metrics							
Network Integration rev.	460	742	*(38.1)*	574	2,151	2,636	*(18.4)*
Data Services revenues	4,373	3,687	*18.6*	4,708	18,213	16,994	*7.2*

Others

Bombay Rayon Fashions

Rating	**BUY**
Price	Rs252
Target Price	Rs308
Market Cap. (Rs bn)	29.3
Shares o/s (m)	116.1

We believe that BRFL would show strong net sales growth of 65.4% YoY on account of robust growth in fabric volume during the quarter. Fabric growth is mainly led by higher contribution from the newly set up Tarapur fabric plant. EBITDA margin is expected to be lower by ~70bps YoY on account of higher contribution of low margin fabric sales in the overall net sales. We believe that adjusted PAT growth (45.1% YoY) would be lower (v/s net sales growth of 65.4% YoY) on account of higher depreciation (up ~117% YoY) on Tarapur new fabric plant. On QoQ basis, fabric and garment volumes are expected to grow by ~19% and ~16%, respectively.

Key Figures **(Rs m)**

	FY10E	FY11E	FY12E
Net Sales	18,211	30,904	38,365
EBITDA	3,916	7,126	9,040
Margin (%)	*21.5*	*23.1*	*23.6*
PAT	1,634	3,249	4,615
EPS (Rs)	15.4	28.0	39.7
RoE (%)	*11.0*	*16.1*	*18.6*
PE (x)	16.4	9.0	6.3
P / BV (x)	1.5	1.3	1.1
EV / E (x)	10.0	5.9	4.4

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	5,646	3,414	*65.4*	4,817	30,904	18,211	*69.7*
EBITDA	1,358	847	*60.3*	1,221	7,126	3,916	*81.9*
Margin (%)	*24.1*	*24.8*	*(6.4)*	*25.4*	*23.1*	*21.5*	*1.6*
Reported PAT	541	373	*45.1*	504	3,249	1,634	*98.9*
PAT (Excl. Ex Items)	541	373	*45.1*	504	3,249	1,634	*98.9*
Operating Metrics							
Fabric Volume (M Mtr)	23	10	*120.6*	19	90	54	*66.4*
Garment Volume (M Pcs)	12	8	*45.3*	10	62	37	*67.2*
Fabric Sales (Rs m)	2,475	1,184	*109.1*	2,073	10,368	6,176	*67.9*
Garment Sales (Rs m)	3,120	2,180	*43.1*	2,667	17,108	9,972	*71.6*

Ess Dee Aluminium

Rating	**BUY**
Price	Rs512
Target Price	Rs657
Market Cap. (Rs bn)	17.0
Shares o/s (m)	33.2

We expect sales of EDA to grow by 56.7%, from Rs1.58bn to Rs2.48bn (QoQ), mainly due to additional sales from *India Foils (IFL)*. EBITDA margin is expected to reduce from 22.0% to 20.6% (QoQ) due to the increasing proportion of relatively low margin at IFL. Net profit is expected to increase from Rs282m to Rs353m (QoQ).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	5,883	9,117	11,091
EBITDA	1,574	2,143	2,762
Margin (%)	*26.8*	*23.5*	*24.9*
PAT	1,020	1,452	1,984
EPS (Rs)	36.7	43.7	59.7
RoE (%)	*26.8*	*23.0*	*21.5*
PE (x)	14.0	11.7	8.6
P / BV (x)	3.3	2.0	1.7
EV / E (x)	10.3	8.5	6.5

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	2,489	1,304	*90.9*	1,588	9,117	5,883	*55.0*
EBITDA	513	326	*57.1*	349	2,143	1,574	*36.1*
Margin (%)	20.6	25.0	*(17.7)*	22.0	23.5	26.8	*(3.3)*
Reported PAT	353	175	*101.6*	282	1,452	1,020	*42.3*
PAT (Excl. Ex Items)	353	175	*101.6*	282	1,452	1,020	*42.3*
Operating Metrics							
Ess Dee Sales (Rs m)	1,394	1,024	*36.2*	1,292	5,627	4,594	*22.5*
Operating Profit	407	278	*46.5*	328	1,604	1,433	*11.9*
India Foil Sales (Rs m)	1,095	286	*282.9*	393	3,491	1,288	*170.9*
Operating Profit	93	7	*1,235.1*	(6)	541	140	*285.3*

Phillips Carbon Black

Rating	**BUY**
Price	Rs207
Target Price	Rs287
Market Cap. (Rs bn)	7.1
Shares o/s (m)	34.3

We expect sales of Carbon Black (CB) segment to rise by 14.8% (in volume terms), from 61MT to 70MT (YoY). Revenue from power is also expected to increase from Rs128m to Rs201m (YoY) due to the start of the Mundra power plant from October 2009. EBITDA margin is expected to improve from the 9.3% to 12.5% (YoY) due to an upturn in the CB cycle and higher contribution in EBITDA from the power segment. Net profit is expected to increase from Rs155m to Rs251m (YoY).

Key Figures **(Rs m)**

	FY10	FY11E	FY12E
Net Sales	12,326	18,986	21,172
EBITDA	1,664	2,380	2,627
Margin (%)	*13.5*	*12.5*	*12.4*
PAT	1,227	1,605	1,788
EPS (Rs)	43.4	46.9	52.2
RoE (%)	*45.3*	*35.9*	*27.4*
PE (x)	4.8	4.4	4.0
P / BV (x)	1.8	1.2	1.0
EV / E (x)	5.1	3.4	2.4

Quarterly Table **(Rs m)**

Y/e March	Q1 FY11E	Q1 FY10	*YoY gr. (%)*	Q4 FY10	12M FY11E	12M FY10	*YoY gr. (%)*
Net Sales	3,631	2,915	*24.6*	3,625	18,986	12,326	*54.0*
EBITDA	453	270	*67.9*	418	2,380	1,664	*43.1*
Margin (%)	*12.5*	*9.3*	*34.7*	*11.5*	*12.5*	*13.5*	*(1.0)*
Reported PAT	251	206	*21.9*	363	1,605	1,227	*30.9*
PAT (Excl. Ex Items)	251	155	*61.4*	230	1,605	1,227	*30.9*
Operating Metrics							
Amount of CB sold	70,000	61,000	*14.8*	68,000	330,000	254,375	*29.7*
Power revenue	201	128	*57.3*	150	665	269	*147.2*

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Prabhudas Lilladher Pvt. Ltd.
3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India
Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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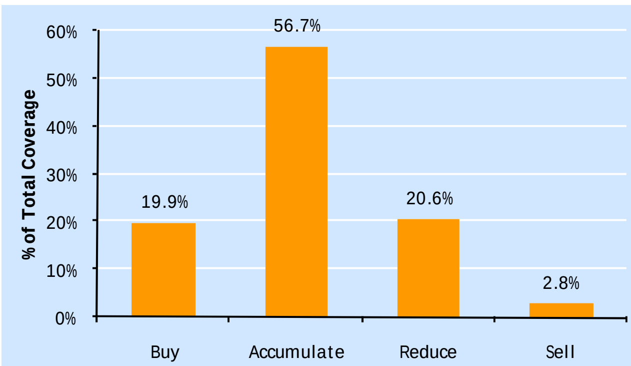

PL's Recommendation Nomenclature

BUY	:	Over 15% Outperformance to Sensex over 12-months	**Accumulate**	:	Outperformance to Sensex over 12-months
Reduce	:	Underperformance to Sensex over 12-months	**Sell**	:	Over 15% underperformance to Sensex over 12-months
Trading Buy	:	Over 10% absolute upside in 1-month	**Trading Sell**	:	Over 10% absolute decline in 1-month
Not Rated (NR)	:	No specific call on the stock	**Under Review (UR)**	:	Rating likely to change shortly