October 8, 2010

Sectoral Index performance

Index	1M	3M	6M	12M
S&P CNX NIFTY	9.2	16.8	13.9	22.8
SENSEX	9.0	16.3	13.1	20.9
Auto index	8.0	20.1	25.6	52.2
Bank index	12.1	32.0	30.2	44.7
FMCG index	4.4	12.8	27.0	34.5
Healthcare index	10.4	9.1	16.1	41.8
IT index	7.3	12.9	13.8	36.4
Metal index	10.3	22.5	-5.0	21.9
Midcap index	5.0	16.4	18.7	33.0
Oil & Gas	5.5	2.8	2.7	6.1
Power	6.9	6.7	4.2	8.0
PSU	6.0	12.6	14.3	18.8
Realty index	10.9	24.5	12.5	-9.9
Technology	6.3	14.0	12.4	23.0

Source: Reuters

Most preferred stock (Top 7)

Lupin
Tata Motors
PTC
BGR Energy
HCL Tech
Shree Renuka
Glenmark

Analyst

Pankaj Pandey
Head – Research
pankaj.pandey@icicisecurities.com

Topline shines, rising input costs cloud profits

- **Steady progress to continue albeit some pressure on margins**

Despite stronger YoY growth in revenues, Indian companies are likely to face pressure on their bottomline owing to rising input cost and higher provisioning costs (banks) that will be reflected in the tepid margins in Q2FY11E. Both banking and non-banking companies are likely to see muted growth in both EBITDA as well as PAT on a QoQ basis. On an absolute basis, however, the numbers are likely to be satisfactory in Q2FY11E. Indian markets, meanwhile, have maintained their strength and have outperformed vis-à-vis other equity markets. As per three-month returns perspective, banking, realty and metals have given the highest returns while, on the other hand, oil & gas, power and healthcare were the laggards in terms of returns. Going ahead, we believe that valuations of stocks at this point in time have rolled over to FY12E earnings. However, any major disappointment in Q2FY11E results may lead to a temporary pullback, thereby providing a good entry opportunity.

Exhibit 1: Sector wise estimate for Q2FY11E (Rs Crore)

Sector	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Automobiles	34445.7	30.3	6.6	4423.6	8.4	8.7	2526.3	-6.8	12.5
Broking	863.3	20.4	16.4	419.3	16.7	23.0	178.1	5.7	25.4
Capital Goods	2896.6	59.6	18.7	352.4	40.6	13.2	210.8	36.0	218.6
Cement	9527.2	14.8	4.7	1709.9	-35.0	-24.2	767.2	-52.6	-37.9
FMCG	4117.4	22.0	10.6	722.5	13.1	14.3	484.4	-4.2	13.0
Hotels	836.4	21.2	6.7	197.1	59.1	-24.5	71.3	1228.0	-22.7
IT	30197.9	15.6	7.3	7654.2	9.3	5.4	5651.8	10.1	4.7
Logistics	2177.3	7.4	0.6	440.7	1.7	0.7	274.5	-5.3	-2.5
Media	2442.6	15.5	2.7	876.3	26.1	-2.2	404.3	26.2	-4.8
Metals	55911.2	8.9	3.4	11028.4	60.1	-6.7	5735.6	275.9	-14.1
Oil and Gas	9804.0	39.7	54.4	2796.3	43.2	53.5	1726.0	9.2	72.2
Pharma	6075.9	7.2	-0.3	1398.5	7.3	-11.4	1014.9	-0.6	-15.8
Pipes	4121.3	-15.2	-6.5	757.1	0.1	-8.6	370.2	9.3	-22.2
Power	19003.9	18.2	4.0	4996.7	-11.1	8.4	3208.6	2.1	13.4
Shipping	4283.9	18.4	4.9	1716.7	25.0	10.3	376.3	21.5	48.3
Sugar	3557.0	63.5	-1.8	300.3	-36.0	12.9	18.8	-91.7	-68.4
Tea	702.0	30.6	148.9	250.1	1.3	683.0	219.8	-3.8	724.2
Telecom	25812.9	32.1	11.7	8161.0	15.8	1.4	2134.3	-34.1	-23.5
Others	18170.3	25.5	-2.1	2283.1	50.1	-21.2	89.0	-120.2	-81.2
Total	**234946.7**	**19.3**	**6.5**	**50484.1**	**16.3**	**1.1**	**25462.1**	**15.3**	**-2.5**

Banks	NII	Change (%)		PPP	Change (%)		NP	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
PSU banks	19676.6	40.1	3.5	15108.4	29.0	-0.3	7144.9	21.4	-3.3
Private Banks	5127.8	31.7	4.6	3968.1	5.9	2.4	2052.7	33.7	4.7
NBFCs	2058.6	7.7	8.4	894.4	12.3	2.1	614.0	13.8	-1.5
Banks Total	**26862.9**	**35.4**	**4.1**	**19970.8**	**22.9**	**0.3**	**9811.6**	**23.3**	**-1.6**

Source: Company, ICICIdirect.com Research

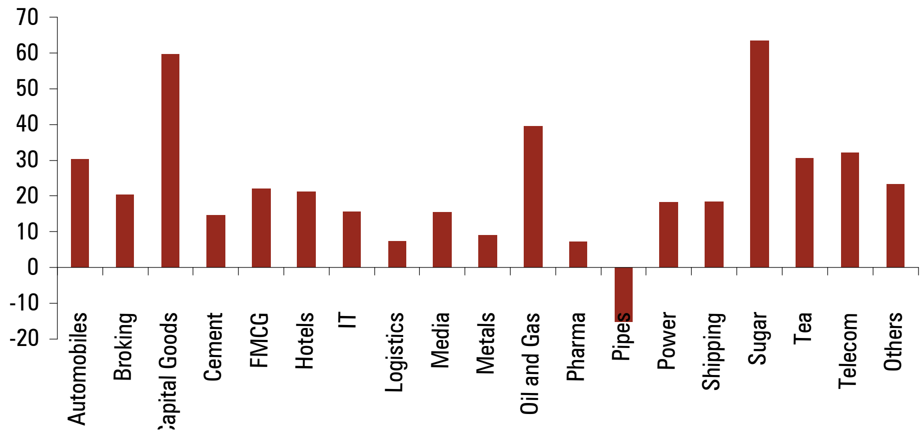
- **Topline growth to be healthy but margins under pressure**

  We expect the ICICIdirect.com universe (ex-banking and financials) to post decent revenue growth of ~20% YoY and ~7% QoQ. Banking and NBFCs are also likely to post 36% YoY growth in topline primarily due to a consistent improvement in credit growth during the quarter under consideration. Though EBITDA, on an absolute basis, will improve by 16.3% YoY, it will be muted on a sequential basis as high cost of raw materials will eat into the margins of the companies. Consequently we expect our coverage universe to report PAT growth of 15.3% YoY. For financials, we expect PPP and PAT to grow 22.9% and 23.3%, respectively YoY.

- **Sectoral leaders and sectoral laggards**

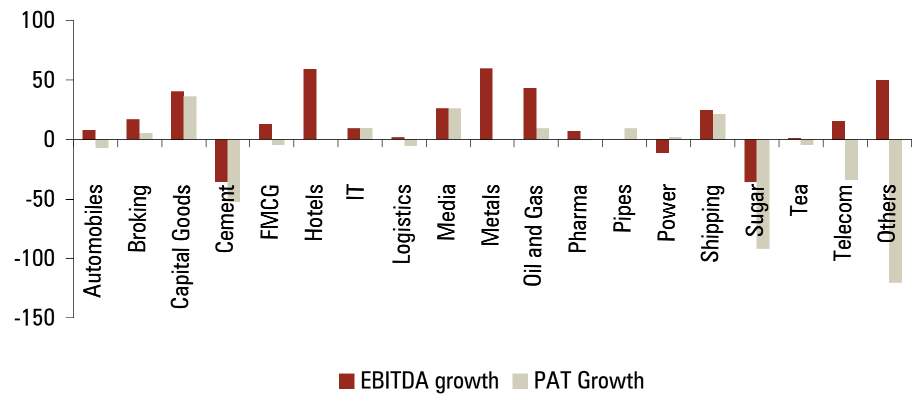
  In terms of revenue growth, we expect autos (30% YoY), capital goods (60% YoY), banking (35% YoY) and oil & gas (39% YoY) to lead whereas growth in cement, IT, metals and power sector will be in low double digits. On the margins front, we expect the auto, cement and FMCG sector to witness highest margin pressure owing to a rise in input costs. In terms of PAT growth, we expect capital goods (36% YoY) and media (26% YoY) to report a robust rise in profitability.

Exhibit 2: Sector wise YoY revenue growth (%)



Source: Company, ICICIdirect.com Research

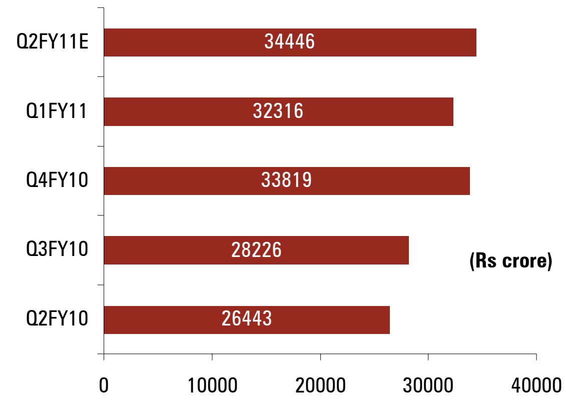
Exhibit 3: Sector wise YoY profitability growth (%)



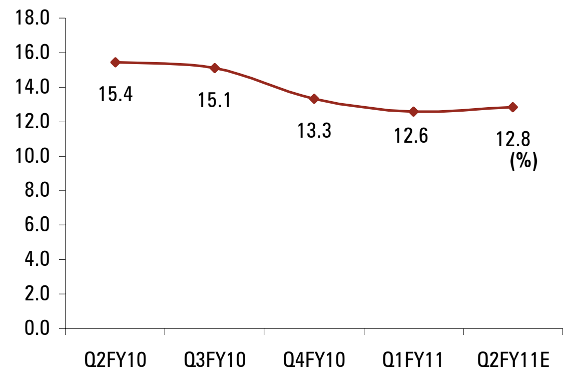
Source: Company, ICICIdirect.com Research

** Does not include PAT growth for Hotels and Metal Sector*

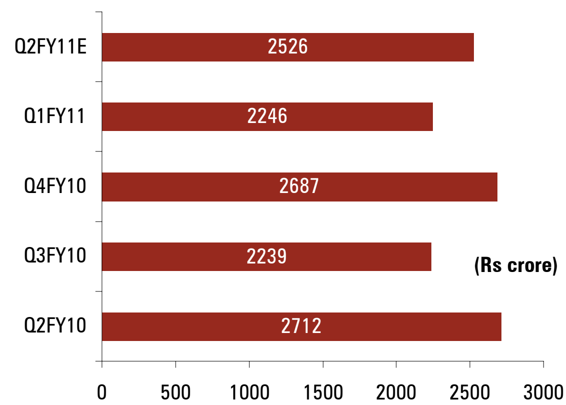
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Tata Motors
Maruti Suzuki India Ltd

Analyst

Karan Mittal
karan.mittal@icicisecurities.com
Nishant Vass
nishant.vass@icicisecurities.com

Auto and auto ancillary

Demand momentum continues unabated

Q2FY11 has built upon the strong volume momentum seen in the first quarter of this fiscal with growth of 25% YoY and 5.6% QoQ. Hence, this makes India the seventh largest automobile producer in the world. The PV segment has seen 28.1% YoY volume growth in the quarter. The demand outburst in the passenger car segment can be attributed to factors ranging from tilting demographics towards a younger population with higher disposable income to lowering of entry level prices along with continuous model launches.

The commercial vehicle segment has been an outperformer with growth of 46% YoY and 11.5% QoQ driven through strong manufacturing growth supported by improvement in road infrastructure and favourable government policies. The two-wheeler industry, which accounts for ~75% of volumes, has seen robust rural demand on increasing farm incomes. It is expected to grow further with a strong monsoon and high kharif crop. We expect the ICICIdirect.com automobile universe to report strong topline growth of 30.1% YoY and a sequential jump of 5.9% for Q2FY11E.

Tyre manufacturing companies to report improved margins

Tyre manufacturers have finally seen natural rubber prices decline ~7% QoQ. This is expected to improve margins in the range of 100-150 bps on a sequential basis. Also, with the demand-supply mismatch expected to be corrected by the increase in global production by 6.3%, domestic prices are expected to soften further to ~Rs 150/kg level.

Commodity prices, forex volatility poses margin challenge

The industry is expected to face margin pressure in the wake of higher input costs as steel and aluminium prices have seen an average change of 1100 bps and 1930 bps YoY. However, this impact would be moderated as better costs control would improve operating leverage and higher pricing power would help in passing increased costs to end customers. Recent fluctuations of hard currencies due to weaker global economies have led to lower export realisations and higher import costs. We expect the I-direct coverage universe to reflect a decline in EBITDA margin of 280 bps YoY and remain flattish sequentially.

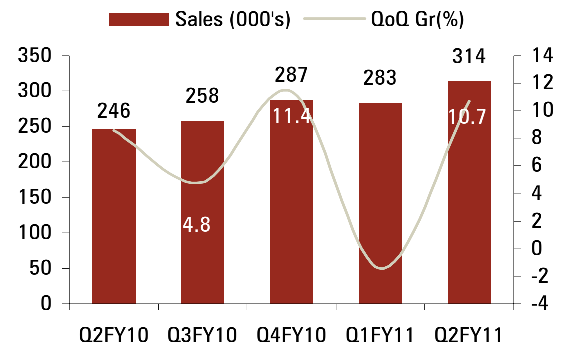
Exhibit 4: Estimates for Q2FY11E: Auto and auto ancillary (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Apollo Tyre	1,105.5	-9.4	-1.4	121.6	-39.2	4.0	42.4	-58.4	4.5
Auto Axle*	228.0	140.1	16.2	30.5	112.9	11.1	14.1	115.5	-3.3
Bajaj Auto	4,131.0	43.1	6.2	817.9	28.5	5.3	600.3	49.0	1.7
Balkrishna Ind	475.8	57.5	4.0	100.9	9.0	10.4	50.5	11.5	13.8
Bharat Forge	664.4	55.4	5.4	164.1	60.2	3.4	63.7	137.5	7.2
Escorts*	688.4	12.6	-15.1	67.6	-12.3	-13.7	38.8	-35.4	-16.7
JK Tyre	1,207.5	28.3	3.4	91.8	-33.0	25.5	29.2	-50.8	49.3
M & M	5,440.1	19.4	5.4	811.2	-2.4	4.6	587.0	-16.5	4.4
Maruti Suzuki	9,097.5	26.3	10.5	946.1	3.3	19.4	595.0	4.4	27.9
Subros	251.2	14.9	7.2	22.4	-4.4	4.2	7.8	16.5	9.1
Tata Motors	11,156.3	39.8	7.1	1,249.5	19.0	8.1	497.5	-31.8	25.7
Total	**34,445.7**	**30.3**	**6.6**	**4,423.6**	**8.4**	**8.7**	**2,526.3**	**-6.8**	**12.5**

** Year end Sept-Q1FY11E~Apr-May-June Q3FY10E*

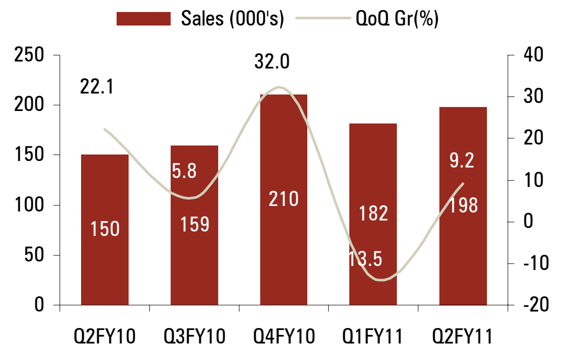
Source: Company, ICICIdirect.com research

Maruti Suzuki's sales performance



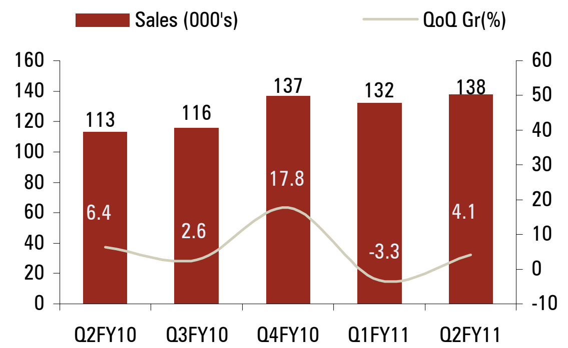
Source: Company ,SIAM

Tata Motors' sales performance



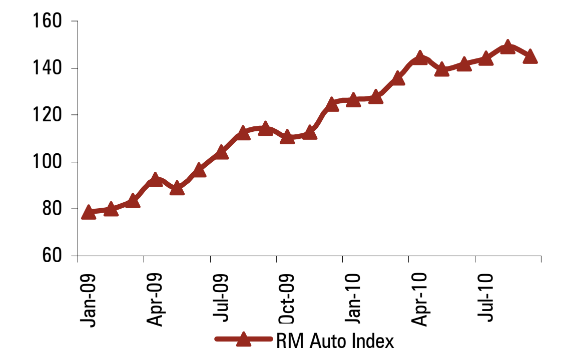
Source: Company, SIAM

M&M's sales performance



Source: Company, SIAM

Auto Raw material Index



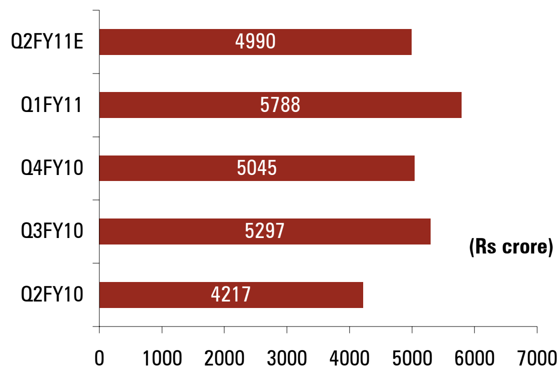
Source: ICICI direct.com Research

Exhibit 5: Company specific view

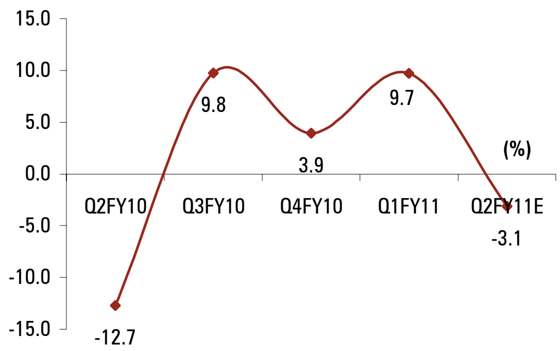
Company	Remarks
Automotive Axle	The commercial vehicles segment has grown 45% YoY due to the rise in economic activity across all segments. With the expected GDP growth at 9.7% for FY11, the topline is expected to grow at 140%. EBITDA margin continues to be strained due to higher raw material expenses.
Bajaj Auto	Topline is expected to improve by 7.8% QoQ and 44.2% YoY as Discover and Pulsar family continues to clock higher volumes. EBITDA margin is expected to face pressure due to high input costs with a 220 bps YoY and 20 bps QoQ decline. PAT margins would improve 50 bps YoY with exceptional payments getting over
Balkrishna Industries	The pick-up in construction and agricultural segment across US and Europe along with foray into niche segments like forest tyres is expected to lead to 57.6% YoY and 4% QoQ growth in sales. The moderation in rubber prices from Q1FY11 of ~7% would lead to a margin improvement of 120 bps QoQ
Bharat Forge	Resounding growth in the domestic M&HCV and LCV segment and improvement in global automotive demand is expected to raise the topline by 52.9% YoY and 5.6% QoQ. However, EBITDA margin and bottomline are expected to improve 70 bps and 330 bps YoY, respectively, due to cost rationalisation measures undertaken
Escorts	Strong monsoons and a robust kharif crop are expected to maintain rural demand towards increasing mechanisation through tractors. This is expected to push the topline up 14.9% YoY with total volumes at ~60,000 units. EBITDA margin is expected to decline by 280 bps YoY due to higher steel and aluminium prices
JK Tyre	Strong domestic volume growth in the truck and bus segment along with the passenger vehicle segment is expected to increase the topline by 28.5% YoY and 3.5% QoQ. Softening of rubber prices is expected to provide a lift to the EBITDA and PAT margin by 130 bps and 80 bps sequentially, respectively
M&M	Growth in utility vehicle and three-wheeler segment, driven by Xylo, Gio, and Maximmo, has made up for the loss in tractor sales on supplier shortages. Thus, the topline is expected to grow 19.2% YoY. Input cost hikes would lead to margin constraint on EBITDA and PAT by 330 bps and 460 bps YoY, respectively
Maruti Suzuki	Maruti has continued its stellar performance with 1 lakh plus run rate in Q2FY11 on new launches. The topline is estimated to grow by 26.3% YoY and 10.6% QoQ. However, with higher input costs, margins would remain under pressure. The profitability is expected to improve by 80 bps QoQ with improved yields
Subros	Strong PV growth emanating from major clients like Maruti and Tata Motors would drive topline growth by 14.8% YoY and 7.2% QoQ. We expect the EBITDA margin to decline by 30 bps sequentially due to higher import costs with unfavourable yen appreciation, which accounts for majority of imports
Tata Motors	Robust IIP numbers YTD of 11.4% along with pent up A2 segment demand driven by Indigo and Indica family is expected to lead the topline jump of 75% YoY and 7.4% QoQ. Rising raw material prices would keep EBITDA margins constrained. However, the profit margin is expected to improve sequentially by 70 bps
Apollo Tyres	The strong domestic radial tyre demand along with improvement of the subsidiary performance is expected to improve realisation. Topline would be flat due to earlier labour issues in the Perambra plant. Rubber price moderation would lead to QoQ jump of EBITDA and PAT margin both by 60 bps

Source: Company, ICICIdirect.com

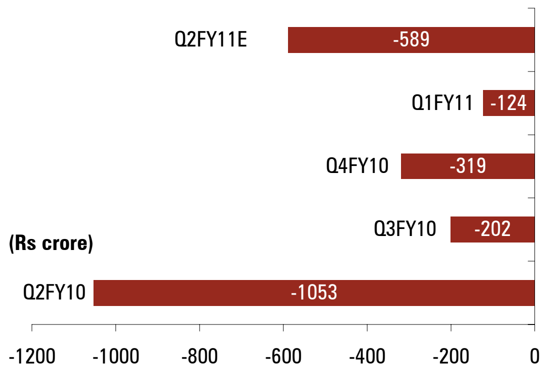
Topline performance (Coverage universe)



Margin (Coverage universe)



Bottomline (Coverage universe)



Top pick of sector

Jet Airways
Spicejet

Analyst

Rashesh Shah
rashes.shah@icicisecurities.com

Aviation

- **Growth in pax traffic to moderate in Q2FY11E on lean season**

Domestic air carriers have witnessed a moderation in growth of passenger traffic in July-August 2010 primarily due to the lean season. As a result, we expect the domestic pax traffic to grow at 14.2% YoY in Q2FY11E vs. 23.5% YoY in Q1FY11. This is expected to affect the load factors compared to the last quarter and, hence, revenues of domestic airlines. In Q2FY11E, we expect our I-direct aviation universe revenues to increase by 16.7% YoY vs. 26.1% YoY in Q1FY11.

- **Operating margin to remain under pressure**

The slow topline growth coupled with continuously increasing fuel prices in the last three or four months is expected to put pressure on the margins of domestic airlines in Q2FY11E. We expect our I-direct operating margins to decline to -9.6% in Q2FY11E. However, margins are better on a YoY basis due to the base effect.

- **Low fare carriers to report better performance**

Low fare carriers (LFCs) are expected to perform better than full service carries (FSCs) due to increased preference of passengers towards LFCs. With an increase in market share by LFCs, we expect Spicejet to report quarterly growth of 6.7% in total revenues. In contrast, Jet Airways is expected to witness a marginal dip of 3.3% in its revenues partially due to its loss of market share to other airlines and decline in pax yields.

Exhibit 6: Company specific view

Company	Remarks
Jet Airways	Revenues will grow at 18.4% YoY vs. last quarter's growth of 23.2% due to seasonal impact. Jet has retained its dominance by targeting the LFC segment and reducing its expenses (excluding fuel). OPM is expected to remain under pressure (2.2% in Q2FY11E vs. 12.2% Q1FY11) on rising fuel prices
SpiceJet	SpiceJet's revenues are expected to grow by 21.9% in Q2FY11E (higher than other airlines in our coverage). However, margins are expected to remain muted due to lower sales and rising fuel prices as LFCs are more susceptible to rising fuel prices than FSCs
KFA	Topline will grow by 16.8% YoY (-18.7% QoQ) in Q2FY11E. With increased fleet utilisation levels on conversion of majority of its capacity to low cost and cutting down excess capacity, OPM is likely to improve to -11.9% vs. last year's OPM of -30.7% although it is expected to stay negative on lean season

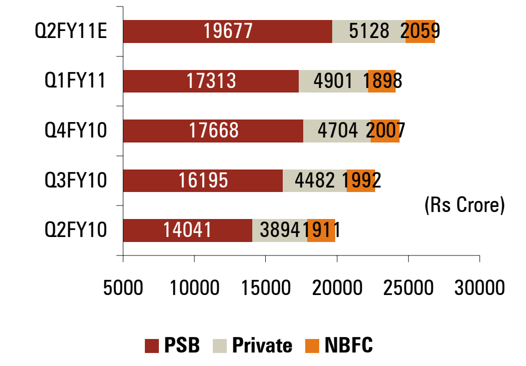
Source: Company, ICICIdirect.com Research

Exhibit 7: Estimates for Q1FY11E: (Aviation) (Rs Crore)

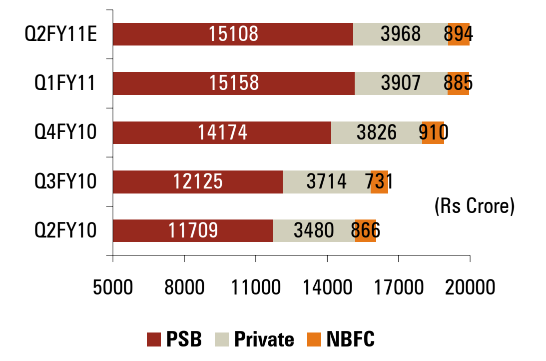
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Jet Airways	3,109.2	18.4	-9.6	69.9	-195.0	-83.4	-218.6	NA	NA
Kingfisher	1,333.6	16.8	-18.7	-159.0	-54.6	-292.7	-292.4	NA	NA
SpiceJet	547.4	21.9	-22.7	-67.9	-39.2	-215.3	-77.6	-23.4	-240.5
Total	**4,990.2**	**18.3**	**-13.8**	**-157.0**	**-70.7**	**-127.9**	**-588.5**	**NA**	**NA**

Source: Company, ICICIdirect.com Research

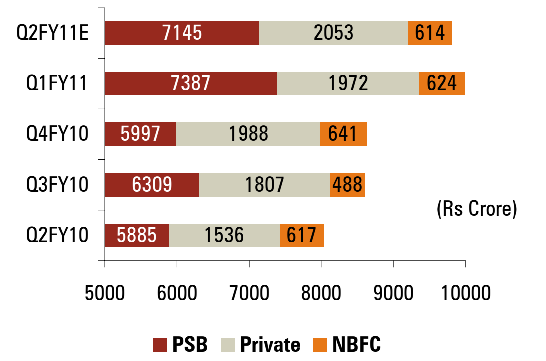
Net interest income (Coverage Universe)



PPP (Coverage Universe)



Net profit (Coverage Universe)



Top pick of sector

South Indian Bank (SOUINO)
Oriental Bank (ORIBAN)
Syndicate Bank (SYNBN)
Dena Bank (DENBAN)

Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Viraj Gandhi
viraj.gandhi@icicisecurities.com

Mani Arora
mani.a@icicisecurities.com

Banking and Financial Institutions

Credit demand continues, deposit mobilisation lags behind…

Advances and deposits grew 4.3% and 4.4%, respectively, in H1FY11#. Analysis of the H1FY11# vs. HIFY10 business mix is intriguing as incremental addition to advances in H1FY11# at Rs 1381 billion is higher vs. Rs 991 billion added in H1FY10 mainly due to telecom sector lending. Deposit accretion has been sluggish with only Rs 1979 bn added in H1FY11# as compared to Rs 2845 billion added in H1FY10.

H1FY11# saw a strong Q1FY11 with telecom loans spurring credit demand in a traditionally weak quarter and Q2FY11 contributing only 23% to total loans suggesting that actual pick-up is seeing a lull this quarter. Post base rate implementation, CP issuances have gone up as corporates resorted to alternative avenues to finance short-term requirements. BPLR and base rate were already hiked by 25-50 bps this quarter in line with policy rate hikes. Banks continued to be net borrowers in the LAF window of Rs 300-900 billion. This implies a very tight liquidity situation since September.

Strong returns factored in, valuations rich…

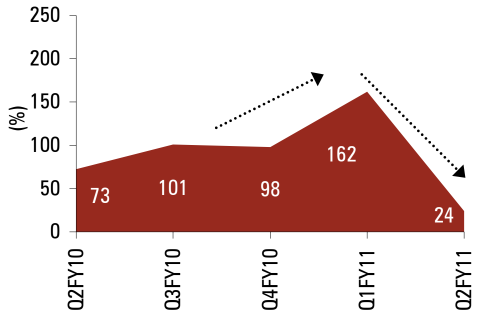
Banks, riding high on the India Inc growth story, seemed to have absorbed most of the positives expected till FY12E. Multiples have shifted to a higher bracket with PSBs trading at 1.2-2x FY12E ABV and private sector banks trading at 2-4x FY12E ABV. Many are crossing their all-time highs with SBI leading the pack. Sequentially, we expect PAT to be down marginally by 3% for PSBs and up 5% for private sector banks for our coverage universe.

Exhibit 8: Break-up of average daily turnover for Q1FY11

	NII	Change (%)		PPP	Change (%)		NP	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Public Sector Banks									
Bank of India	1770.0	25.6	1.7	1416.1	17.4	0.4	674.5	108.6	-7.0
Bank of Baroda	1936.2	39.4	4.2	1572.5	52.4	2.9	870.7	37.3	1.3
Dena Bank	372.4	54.9	3.3	244.4	51.4	2.4	137.4	10.2	-1.0
IDBI Bank	818.9	73.5	-3.8	836.0	31.3	0.6	246.0	-3.1	-2.0
IOB	957.9	22.1	5.7	523.9	10.9	12.9	254.8	44.7	27.1
PNB	2798.6	33.6	6.9	2107.6	31.1	0.4	1000.3	7.8	-6.4
OBC	1088.1	93.9	2.9	841.4	66.6	2.3	405.4	49.7	11.6
Syndicate	1010.5	63.5	4.8	634.5	43.1	8.1	238.7	34.3	-10.0
SBI*	7538.0	34.4	3.2	5886.0	21.7	-4.0	2738.0	9.9	-6.0
Union Bank	1386.2	60.5	2.8	1046.0	29.1	0.2	579.0	14.6	-3.7
Total	**19676.6**	40.1	3.5	**15108.4**	29.0	-0.3	**7144.9**	21.4	-3.3
Private Banks									
Axis Bank	1515.9	31.9	0.1	1414.4	8.3	-2.5	711.5	33.8	-4.1
Dhanlaxmi Bank	58.1	113.7	20.0	15.8	42.9	72.7	8.4	34.8	40.0
HDFC Bank	2552.3	30.5	6.3	1859.6	16.7	6.3	909.3	32.3	12.0
Kotak Bank*	556.1	27.4	9.4	294.3	20.5	-6.7	193.8	54.0	3.7
SIB	176.4	6.8	5.4	126.0	-5.9	20.7	68.8	-5.2	17.7
Yes Bank	269.0	68.1	2.6	258.1	34.6	3.7	160.8	44.0	2.9
Total	**5127.8**	31.7	4.6	**3968.1**	5.9	2.4	**2052.7**	33.7	4.7
NBFCs									
IDFC	344.8	24.5	2.3	475.7	15.2	-2.7	304.1	4.4	-9.1
LIC HF	307.8	64.7	4.6	298.6	31.1	3.2	215.0	25.5	1.3
Rel Cap**	1406.0	-2.8	11.0	120.1	-46.9	23.0	94.9	-39.1	23.3
Total	**2058.6**	7.7	8.4	**894.4**	12.3	2.1	**614.0**	13.8	-1.5

Source: Company, ICICIdirect.com Research
NII: Net Interest Income, PPP: Pre provisioning profits, NP: Net Profit
* Standalone numbers **PPP is PBT #Fortnight ended September 10, 2010

Incremental C/D ratio (past 5 quarters)



Other parameters

Cost of funds will inch up as tight monetary policy results in a hike in deposit rates, higher call rates and just adequate liquidity in the system. Even though its NII impact will be offset by strong lending in Q1FY11 driving interest income this quarter we believe NIM would be suppressed sequentially by 5-10 bps for most banks except for banks that have raised capital , thus increasing their funding position

Non interest income will remain muted as yields spiked to 8% hurting treasury gains. However, respite is expected from raised FII limit in G-secs, which led to yields softening to 7.8% levels by the end of the quarter. On the other hand, lower loan growth in Q2FY11 should impact growth in core fee-based income as well. So, we foresee a dull performance from non interest income

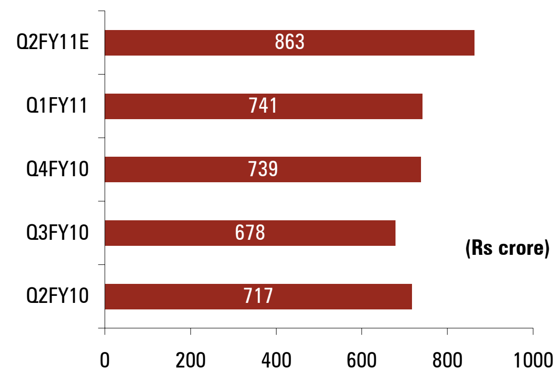
Pressure on asset quality will recede even as slippages to NPA continue to rise albeit at a slackened pace vs. Q1FY11. Incremental slippages of 4-5% cannot be ruled out. We would monitor BoI, IDBI, Syndicate Bank and IOB closely

Exhibit 9: Company specific view

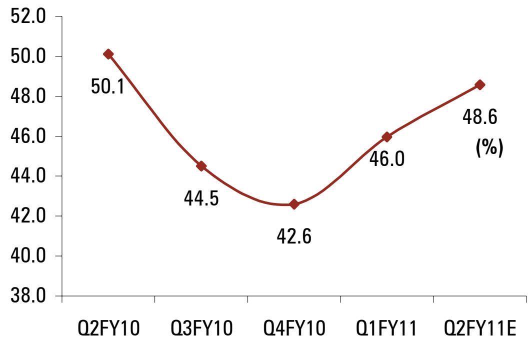
Bank of Baroda	A robust performance expected this quarter with 25% YoY business mix growth & NII jump of 40% YoY. Domestic NIM will stay at 3.4%, blended at 2.9%. Asset quality will remain stable supporting 37% YoY PAT growth
Bank of India	Incremental slippages are expected to be lower QoQ while strong focus on recoveries would help drive PAT growth. However, provisioning will stay high controlling NPA. NIM will be protected at 2.9%
Dena Bank	NIM is seen at 2.8% against 2.3% in Q2FY10. Loan growth is seen at 29% YoY. Other income will be down 16% YoY due to treasury gains
IDBI Bank	We expect NII to record de-growth for first time in past four or five quarters as business growth slows down. However, capital infusion of Rs 3112 crore to help accelerate growth in subsequent quarters & improve NIM
Indian Overseas Bank	A sharp reduction in restructured assets in Q1FY11 and growing recoveries will lead a better show QoQ. We still expect provisions to be higher this quarter and estimate PAT increasing 27% QoQ
Oriental Bank of Commerce	NII growth is seen at 94% YoY but only 3% QoQ, probably the lowest in the past six quarters. We have maintained higher provisioning this quarter because of agriculture debt relief amount turning into NPA
Punjab National Bank	We expect deposit growth of ~13% YoY and credit growth of ~19% YoY. NII growth will be higher QoQ as interest income accelerates. Incremental slippages will be checked with higher provisioning this quarter
State Bank of India	Due to lower industry credit offtake in Q2, we have estimated 17% YoY credit growth at Rs 6694 billion and NII at Rs 75.38 billion, up 34% YoY. Provisions were maintained QoQ leading to PAT jump of only 10% YoY
Syndicate Bank	Repricing of bulk deposit in the previous quarters will enable the bank to maintain NIM over 3% even in this quarter. We forecast higher provisioning dampening PAT growth QoQ, down by 10%
Union Bank of India	We expect robust credit offtake to drive up NII by ~60% YoY. However, we are concerned about asset quality and expect higher provisioning to dampen profit growth.
Axis Bank	Credit growth, although flat QoQ, seems higher at ~45% YoY on a lower base. Deposit growth was consistent at ~33% YoY with CASA maintained QoQ. Incremental C/D ratio will be around 91%
HDFC Bank	NIM is seen at 4.1%, supported by 31% YoY jump in NII. Growth in NII will be driven by 31% rise in loan book. Other income will be down YoY on low treasury gains. Overall, yet another quarter of 30%+ PAT growth
Dhanlaxmi Bank	Operating expense will remain high QoQ despite no addition of new branches. Loan book will register whopping 31% QoQ jump to Rs 7000 crore. This will support NII growth and expand NIM in coming quarters
Kotak Bank	Benefit of fund raising along with strong retail credit growth will result in 27% YoY jump in NII. Even though we have built in higher provisions sequentially, we still expect PAT growth of 4% QoQ and 54% YoY
South Indian Bank	We expect a decent performance this quarter with business growth at ~29% YoY, sequentially higher NIM at 2.8%, moderating C/I, strong asset quality and healthy 7% YoY PAT growth
Yes Bank	Tapered business growth of ~5% QoQ growth will result in flat NII growth. Non interest income will be impacted due to lower treasury gains. Tier II capital infusion will raise credit growth from Q3FY11 onwards
IDFC	Strong credit growth at 31% YoY and QIP funds should lead to NII jump of 24% YoY with NIM maintained. Infrastructure status will curb a spurt in cost of funds in the quarter. PAT will rise by 3.5% YoY
LIC Housing Finance	As the housing loans business has grown strongly for the industry as a whole, NII for LICHF is expected to grow at 64% YoY and 4.6% QoQ. This, along with lower provisions, will boost PAT by 25% YoY
Reliance Capital	With improving core business parameters and lower reliance on treasury gains sequentially, the topline is estimated to grow by 11% QoQ (3% YoY dip) to Rs 1406 crore. PAT is expected to grow 35% QoQ to Rs 94.9 crore

Source: Company, ICICIdirect.com Research

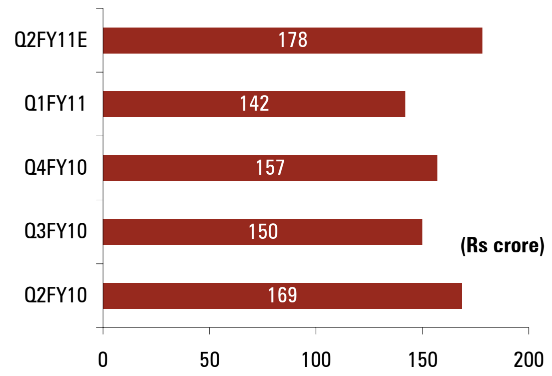
Total Revenues (Coverage Universe)



EBIDTA margin (Coverage Universe)



Net profit (Coverage Universe)



Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com
Viraj Gandhi
viraj.gandhi@icicisecurities.com

Broking

Volume components point to growing risk appetite

Growing risk appetite in the past six months has led to euphoric volumes in F&O segment. However, options are now taking a backseat though they are contributing significantly to total turnover. Barring September, which distorted ratios, daily futures volumes have nearly doubled in the last six months from Rs 18,000 crore to near Rs 37,000 crore whereas the options segment grew marginally from Rs 55,000 crore to Rs 58,000 crore and total daily volumes jumped just 25% from Rs 96,624 crore to Rs 1,21,111 crore. Cash volumes jumped back to Q4FY10 levels of Rs 19,300 crore after dipping in Q1FY11 (overall proportion still remain low at 16%).
We believe the seed for a stellar 14% QoQ jump in the Nifty for Q2FY11 was sown in Q1FY11 (since growth in Q1FY11 volumes was completely contributed by the futures segment while the options and cash segment registered de-growth). Thus, we expect stable yields for most players this quarter.

IB space very active, financing income also going strong

A very active primary market and growing financing book (especially for Edelweiss and IIFL) is also supporting topline growth, seen at 20% YoY and 16% QoQ. PAT is likely to stay subdued a bit and is expected at 6% YoY with a healthy 26% QoQ rise.

Exhibit 10: Estimates for Q2FY11E (Rs crore)

	T. Rev	Change (%)		EBIDTA	Change (%)		NP	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Edelweiss	355.2	36.3	25.1	203.7	28.1	19.5	69.9	7.4	13.9
India infoline	333.9	17.1	9.1	133.4	7.4	22.4	59.2	5.0	37.2
MOSL	174.2	1.8	15.0	82.2	8.1	34.0	49.0	4.1	30.7
Total	863.3	20.4	16.4	419.3	16.7	23.0	178.1	5.7	25.4

Source: Company, ICICIdirect.com Research

Exhibit 11: Company specific view

Edelweiss Capital	The Anagram acquisition will support volume growth and improve yields QoQ. Blended market share will stay under pressure due to lower treasury volumes. The loan book is expected to show 19% QoQ jump while closure of a few IB deals will also support topline growth
India Infoline	The market share is expected to stay above 4% and pressure on yields will ease for IIFL, which is seen at 5.6 bps. The financing book is seen at Rs 2150 crore, up 10% QoQ. This will support topline growth of 9% QoQ and 17% YoY
Motilal Oswal	Being strong on the retail side, we expect rising volumes to result in strong broking income of Rs 128 crore and performance from the AMC to be robust. We expect MOFSL to maintain its EBIDTA margin over 46%

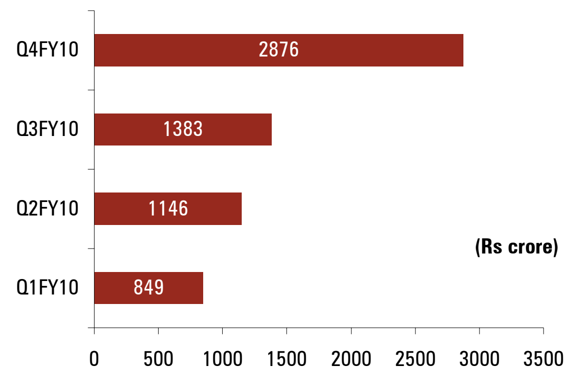
Source: Company, ICICIdirect.com Research

Exhibit 12: Growth in market volumes

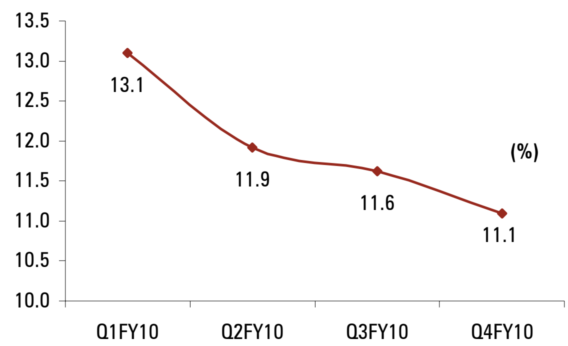
Amt in '000 cr	Jan	Feb	Mar	Avg.	April	May	June	Avg.	July	Aug	Sept	Avg.
BSE cash	6.2	4.1	4.8	5.0	4.7	3.9	4.2	4.3	4.2	5.1	6.0	5.1
NSE cash	17.8	12.3	13.6	14.6	13.8	12.9	13.0	13.3	12.7	14.2	15.7	14.2
FnO	78.4	78.5	74.7	77.2	83.6	101.2	92.5	92.4	83.2	93.4	130.3	102.3
Avg daily	102.4	94.9	93.1	96.6	102.1	118.0	109.7	110.2	100.1	112.7	152.0	121.1
Break up of volumes (%)												
Cash segemnt	23.4	17.3	19.8	20.2	18.1	14.3	15.7	15.9	16.9	17.1	14.3	15.9
Futures	26.1	14.4	16.7	19.3	33.8	35.7	32.9	34.1	32.4	32.1	29.4	31.2
Options	50.5	68.4	63.5	60.6	48.1	50.0	51.4	49.8	50.7	50.8	56.3	53.3

Source: NSE, BSE, ICICIdirect.com Research

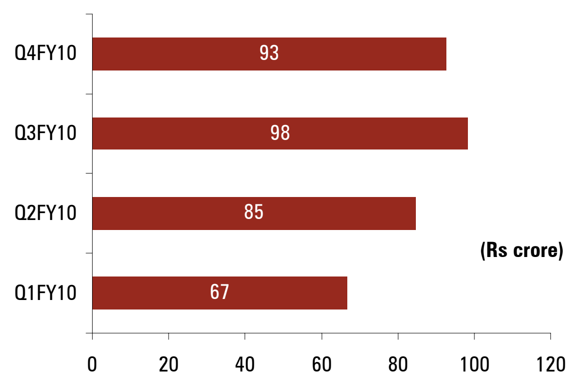
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

BGR Energy

Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Capital goods

High sustainable IIP growth to kick start structural capex cycle

With IIP exhibiting robust growth in July 2010 (13.8% YoY growth) and robust 63% YoY growth in the IIP capital goods index, we believe that going forward consistent consumption growth will open the doors for a structural upturn in industrial capex in H2FY11E. We believe this will lead to robust order inflows in the capital goods segment and lead to a re-rating of the sector and stock multiples.

Better execution to lead to revenue growth but order inflows muted

Better order inflows in FY10 coupled with a pick-up in execution rates will ensure that revenue growth for companies in the I-direct coverage universe will grow by 59.6% YoY. Also, the sector will witness sequential revenue growth owing to the base effect (Q1 is the weakest quarter for revenue growth for capital good companies). During Q2FY11, order inflows for companies under our coverage were muted, thereby indicating that strong order inflow growth is impending in H2FY11.

Margins to decline YoY and QoQ on high raw material cost

On the margin front, we expect it to decline YoY as the cost of high raw material prices kicks in. The I-direct coverage universe is expected to report an EBITDA margin of 12.2% in Q2FY11E vs. 13.8% in Q2FY10. The same will percolate to the PAT margin, which we expect it to be around 7.4% for Q2FY11. Overall, we expect our coverage universe to post 36% YoY growth.

Exhibit 13: Estimates for Q2FY11E: (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
BGR	970.2	108.2	7.1	103.8	80.9	1.2	58.9	92.8	-2.6
Hindustan	269.4	32.7	6.8	31.1	22.8	3.9	18.7	19.5	12.4
Sterlite	622.8	33.7	26.6	96.8	9.0	16.6	61.9	13.2	11.4
Thermax Ltd	1,034.3	52.0	31.0	120.8	52.5	25.9	71.3	31.7	8.6
Total	**2,896.6**	**59.6**	**18.7**	**352.4**	**40.6**	**13.2**	**210.8**	**36.0**	**218.6**

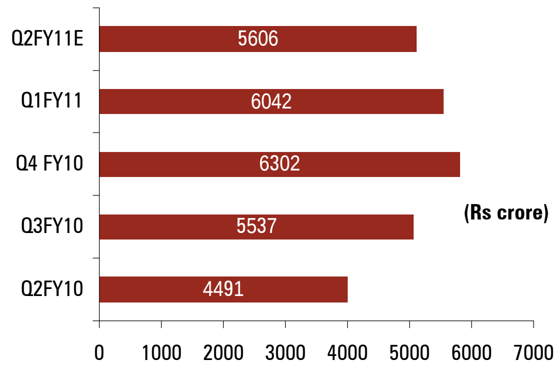
Source: Company, ICICIdirect.com research

Exhibit 14: Company specific view

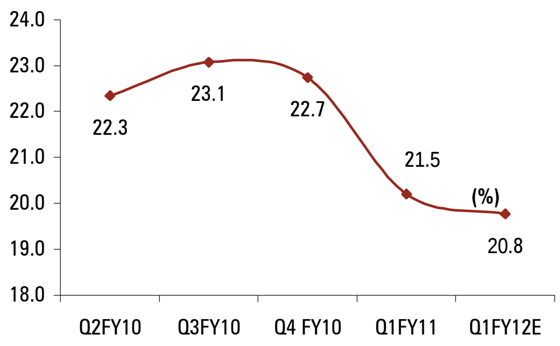
Company	Remarks
BGR Energy	With timely execution of two EPC orders in place, we expect BGR to report a 108% YoY rise in revenues for Q2FY11 to Rs 970 crore. EBITDA margins are expected to decline YoY to 10.7% as the impact of high raw material cost kicks in and share of EPC revenues rise. We expect PAT to grow 92.8% YoY
Thermax	We expect the company to bill significant portion of revenues from the utilities segment (Large ticket order segment). We expect Thermax's topline to grow by 52% YoY, driven mainly by 57.1% YoY and 48% YoY growth in the energy and environment segment, respectively. PAT is expected to grow by 31.7% YoY
Hindustan Dorr	With reasonable book to bill ratio, we expect the company to report robust revenue growth of 32.7% YoY. With increase share of EPC revenues and higher cost of raw materials we expect the EBITDA margins to decline YoY to 11.5 %. We have built in PAT growth of 19.5% YoY
Sterlite Technologies	We expect the company to record 33.7% YoY jump in revenues mainly lead by growth in the telecom segment. Overall EBITDA will decline QoQ to 15.5% as a result of high raw material costs and higher share of power transmission business. We expect PAT growth of 13.2% YoY.

Source: Company, ICICIdirect.com Research

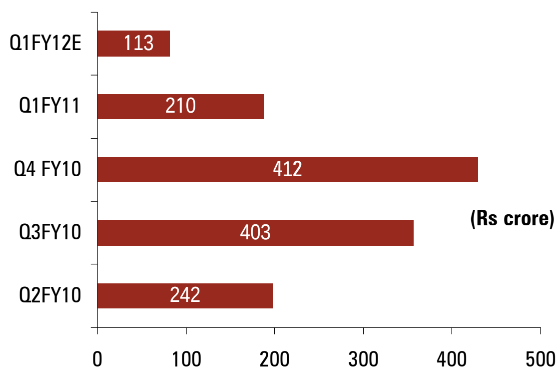
Topline performance (Coverage Universe)



Margin movement (Coverage Universe)



Bottom-line performance (Coverage Universe)



Top pick of the sector

Simplex Infrastructure

Analyst

Deepak Purswani
deepak.purswani@icicisecurities.com

Bhupendra Tiwary
bhupendra.tiwary@icicisecurities.com

Construction & real estate

- **Construction – sluggish execution on prolonged monsoon**

Execution to remain muted due to heavy monsoon

With higher than average rainfalls during this monsoon and continued slow execution in the AP region, we expect construction companies to report subdued results yet again in Q2FY11E. However, we expect H2FY11 to be much stronger on the back of execution pick-up on the healthy order book, which most of the construction companies are sitting on.

Order inflow muted during the quarter

Order inflows for the quarter have been slower to an extent mainly from the road and power segment. NHAI's awarding saw a lull due to administrative issues of NHAI. However, with a lot of projects in the bidding stage, we expect order inflow from the road segment to pick up from H2FY11.

Margins stable, interest expenses to increase YoY

We expect the EBITDA margin to remain largely stable for our construction universe at 10.8%. Interest expenses for our construction universe are likely to grow at 11% YoY to Rs 47.1 crore on account of rising working capital requirement. As a percentage of revenues, interest expenses should inch up 10 bps to 3.3%.

- **Real estate - commercial real estate seeing recovery**

Residential prices at their peak in Mumbai, NCR

In the residential space, prices in the Mumbai/NCR regions are at their peak levels indicating a moderation of demand growth. Revenue booking in Q2FY11 may get impacted for real estate companies due to heavy monsoons, which could slow down construction activity.

Commercial activity picking up

On the positive side, on the commercial real estate front, lease rentals have seen stability in prices. There has been an improvement in leasing activity.

Exhibit 15: Estimates for Q2FY11E: (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Construction									
Simplex Infra	1,084.3	5.8	-7.9	108.6	2.0	-9.6	27.8	-0.4	-23.2
Unity Infra	348.0	14.7	2.4	46.5	14.7	5.0	19.5	3.9	-0.1
Real Estate									
Orbit Corporation	140.4	-0.2	17.5	55.1	-5.3	4.9	22.7	-9.1	12.7
Diversified									
JP Associate	2,703.7	48.2	-14.8	539.7	18.4	-15.9	93.0	-20.1	-12.1
GMR Infra	1,329.6	11.1	8.0	414.6	8.2	9.8	-49.6	-	-
Total	**5,606.0**	**24.8**	**-7.2**	**1,164.5**	**11.5**	**-5.8**	**113.3**	**-53.1**	**-46.0**

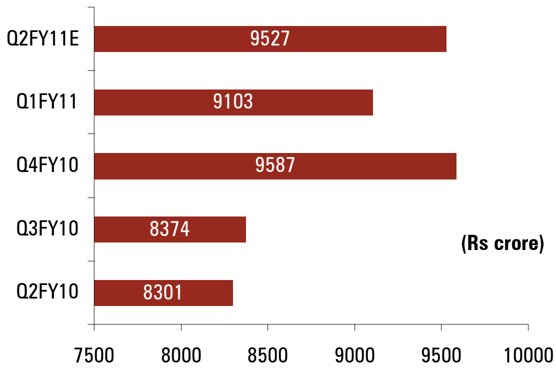
Source: Company, ICICIdirect.com research

Exhibit 16: Company specific view

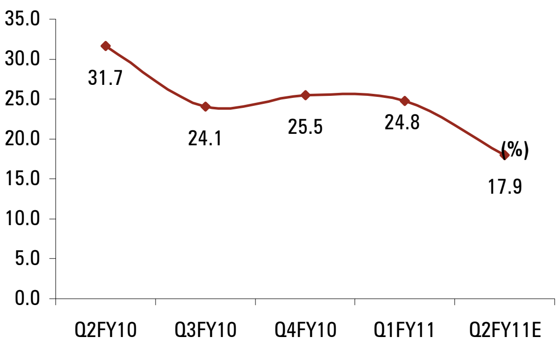
Company	Remarks
Simplex Infra	After two quarters of strong order inflows, Q2FY11 has not seen any major order announcement by SIL. In Q2FY11, It is expected to report 6% revenue growth YoY due to slower order inflow and heavy monsoons. Key monitorable: Commentary on execution in H2FY11 and order inflow, going ahead
Unity Infra	During the quarter, the company bagged orders to the tune of Rs 265 crore. The current order book should be at Rs 3465 crore implying an order book to bill ratio of 2.2x on TTM basis. Order inflow in H1FY11 has been muted so far
Orbit Corporation	Orbit launched Orbit Enclave and soft launched Mandwa project in Q2FY11. Pre-sales volumes should improve marginally sequentially. Orbit is also in advanced talks with PE players for investment in Kilachand property. Key monitorable: pre-sales volume (festive season on the card) and clarity on PE deal
JP Associates	Cement volumes for JAL had growth of 62% YoY to 3.58 million in Q2FY11. However, the construction division of JAL could show muted growth due to Yamuna Expressway and heavy monsoon
GMR Infra	We should see incremental revenues sequentially from the power vertical (barge mounted: 100 MW operational in July & August, 235 MW@70% PLF in September. However, we expect losses on the bottomline largely on interest & depreciation expenses of the T-3 Terminal, which were getting capitalised earlier

Source: Company, ICICIdirect.com Research

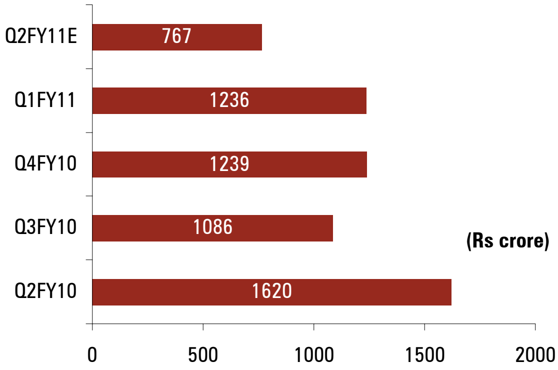
Topline performance (Coverage Universe)



Margin movement (Coverage Universe)



Bottomline performance (Coverage Universe)



Top pick of the sector

Shree Cement
JK Lakshmi Cement
JK Cement

Analyst

Vijay Goel
vijay.goel@icicisecurities.com

Hitesh Taunk
hitesh.taunk@icicisecurities.com

Cement

- **Volumes grow ~6% YoY in Q2FY11 but decline ~6.5% QoQ**

Cement volumes in our coverage universe grew ~6% YoY in Q2FY11 but declined ~6.5% QoQ on account of subdued demand during the quarter due to the monsoon season. Also, consumption from large consuming regions like north and south declined on account of political issues in Andhra Pradesh and completion of projects like Commonwealth Games. Volumes have also been affected in the southern region due to production cuts taken by southern region players to hike cement prices. We expect capacity utilisation to stand at ~73% in Q2FY11 as against 85% in Q1FY11 and 87% in FY10. As 50 MTPA of fresh capacities was added in FY10 and 31 MTPA of more is expected to be added in FY11E, we expect 47 MTPA of effective capacity addition in FY11E against incremental demand of 17 MTPA in the year. This would likely take down the utilisation rate to 80% in FY11E.

- **Cement realisations to remain under pressure**

Cement prices have declined during the quarter on account of subdued demand and capacity additions throughout all regions. Prices started softening in June 2010 till August 2010 as a majority of capacities got stabilised during the period and due to above normal rainfall in some regions. Average prices in the southern region were down 12% YoY (8% QoQ) to Rs 212 per bag in Q2FY11. In the north, prices declined by 5% YoY (6% QoQ) to Rs 220 per bag while in the western region prices were down by 7% YoY and 6.5% QoQ during the quarter. However, cement prices have increased in September 2010 by Rs 40-50 per bag in the southern region. We believe this is not fully sustainable and the impact of the hike will be seen in Q3FY11E. We estimate average realisations will decline by ~6% QoQ and ~12% YoY for companies under our coverage.

- **Operating margin to decline by 1367 bps YoY to 18%**

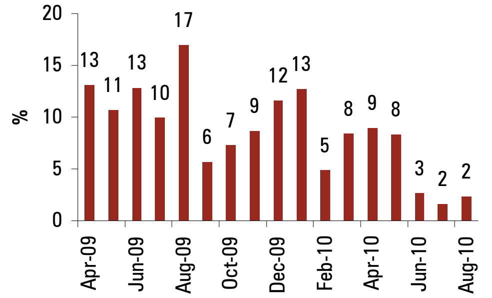
Net sales of our cement coverage universe (excluding UltraTech, as the company's Q2FY11 result will not be comparable YoY and QoQ as it would report post merger numbers) are expected to decline ~7% YoY and ~15% QoQ. The EBITDA margin of the universe is expected to decline by 1367 bps YoY (625 bps QoQ) to 18%. The bottomline is expected to decline by 64% YoY (50% QoQ).

Exhibit 17: Estimates for Q2FY11E (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
ACC ^	1,729.6	-12.2	-14.4	403.3	-39.6	-27.1	245.3	-43.7	-31.7
Ambuja ^	1,593.4	-1.1	-22.2	368.1	-14.4	-39.0	223.9	-29.7	-42.8
India Cement	826.2	-16.5	-6.2	19.7	-93.4	-80.3	-45.3	-132.9	-227.6
JK Cement	462.8	7.4	-11.3	39.3	-66.0	-56.3	-6.2	-109.5	-121.1
JK Laxmi	289.1	-16.2	-10.7	28.4	-75.1	-75.1	-2.0	-104.2	-111.7
Mangalam	126.6	-21.3	-4.6	23.4	-57.6	-22.2	15.2	-57.1	-25.6
Orient Paper	365.3	3.4	-17.3	46.6	-34.5	-35.1	18.1	-55.2	-47.0
Shree Cement	863.3	-4.0	-8.6	214.7	-47.4	-25.8	46.2	-84.0	-56.7
UltraTech *	3,270.8	112.3	82.7	566.5	20.5	39.7	271.9	8.4	12.1
Total	**9,527.2**	**14.8**	**4.7**	**1,709.9**	**-35.0**	**-24.2**	**767.2**	**-52.6**	**-37.9**

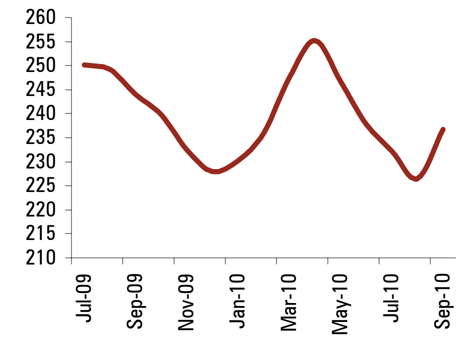
Source: Company, ICICIdirect.com research
^ Q3CY10E result
* including Samruddhi cement, Q2FY11E result not comparable on YoY and QoQ basis

Monthly dispatches (YoY growth)



Source: CMA, ICICIdirect.com research

All India average wholesale cement prices



Source: CMIE, ICICIdirect.com research

Region wise cement prices comparison

	Q2FY11	Q2FY10	YoY	Q1FY11	QoQ
South	212	240	-12%	231	-8%
North	220	232	-5%	233	-6%
East	277	275	1%	287	-3%
West	239	257	-7%	256	-7%

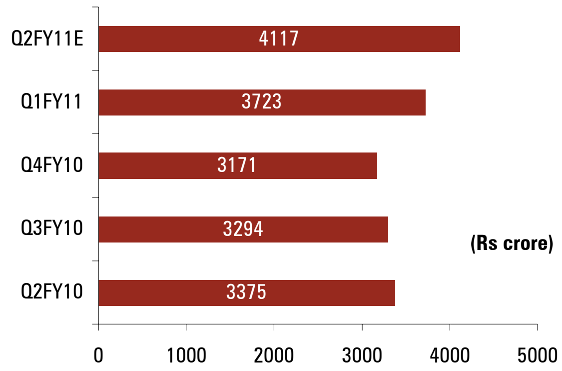
Source: CMIE, ICICIdirect.com research

Exhibit 18: Company specific view

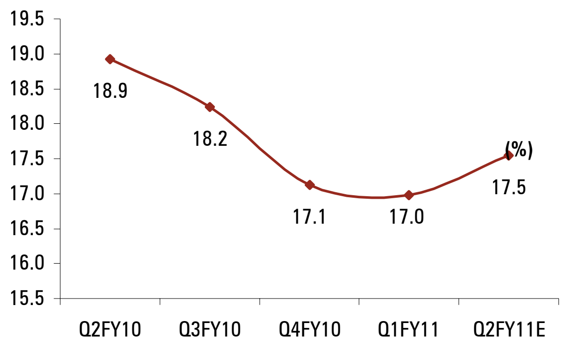
Company	Remarks
ACC	We expect the sales volume to decline 6.2% YoY and 10.8% QoQ to 4.7 MTPA in Q3CY10 due to demand slowdown in its major markets of south and western region. Realisations are expected to decline ~6% YoY (4% QoQ) to Rs 3,680 per tonne. We estimate that EBITDA will decline ~36% YoY (~18% QoQ) to Rs 858 per tonne
Ambuja Cement	Sales volume is expected to increase 5.2% YoY to 4.3 MTPA due to capacity expansion by the company. However, sequentially it is expected to decline by ~19%. Realisation is expected to decline ~6% YoY (~4% QoQ) to Rs 3680 per tonne. We expect EBITDA to decline ~19% YoY (25% QoQ) to Rs 850 per tonne
UltraTech Cement	As the company will report post merger results in Q2FY11, the numbers will not be comparable YoY and QoQ. The total blended sales volume is expected at 9.54 MTPA as against 4.24 MTPA in Q2FY10 and 5.16 MTPA in Q1FY11. We estimate the blended realisation at Rs 3041 per tonne
Shree Cement	We expect cement volumes to decline 5.3% YoY (3.3% QoQ) to 2.35 MTPA in Q2FY11. Cement realisation is expected to decline ~9% YoY (~6% QoQ) to Rs 3150 per tonne. We estimate merchant power sales volume of 150 mn units at realisation of Rs 4.8 per unit. Cement EBITDA is expected to decline ~56% YoY (~37% QoQ) to Rs 645 per tonne
India Cement	Sales volume is expected to decline 3.3% YoY to 2.7 MTPA while sequentially it is likely to improve by 1.5% on account of diverting the volume to western markets. Realisation is expected to decline by ~14% YoY (8% QoQ) to Rs 2960 per tonne. We estimate EBITDA will decline ~93% YoY (~81% QoQ) to Rs 73 per tonne
JK Cement	Blended sales volumes (grey & white) are likely to increase 23.8% YoY to 1.27 MTPA while sequentially sales volume is likely to decline ~6% on slowdown in demand. Realisations are expected to decline ~13% YoY (~6% QoQ) to Rs 3650 per tonne. EBITDA is expected to decline ~73% YoY (~54% QoQ) to Rs 310 per tonne
JK Lakshmi Cement	Sales volume is expected to decline 2.7% YoY (4% QoQ) to 0.98 MTPA. Realisation is expected to decline ~14% YoY (~7% QoQ) to Rs 2950 per tonne. We estimate EBITDA will decline ~74% YoY (~47% QoQ) to Rs 290 per tonne
Dalmia Cement	As the company has demerged its cement and power business into new entity DBEL, quarterly numbers will be pertaining to the sugar segment only and are not comparable YoY and QoQ. In the sugar segment, the sales volume is expected to decline 22% YoY (34% QoQ) to 40,000 tonne
Orient Paper	Cement sales volumes are likely to rise 25.1% YoY to 0.77 MTPA while sequentially they are likely to decline ~25%. Cement realisation is likely to decline ~18% YoY (~8% QoQ) to Rs 2550 per tonne. On an operating level, cement business is likely to report EBIT of Rs 500/tonne while the paper business is likely to remain in loss
Mangalam Cement	Sales volume is expected to decrease 6.8% YoY while sequentially sales volume is likely to improve ~2% to 0.43 MTPA. Realisation is expected to decline ~15% YoY (~6% QoQ) to Rs 2945 per tonne. EBITDA is expected to decline ~54% YoY (~23% QoQ) to Rs 543 per tonne

Source: Company, ICICIdirect.com Research

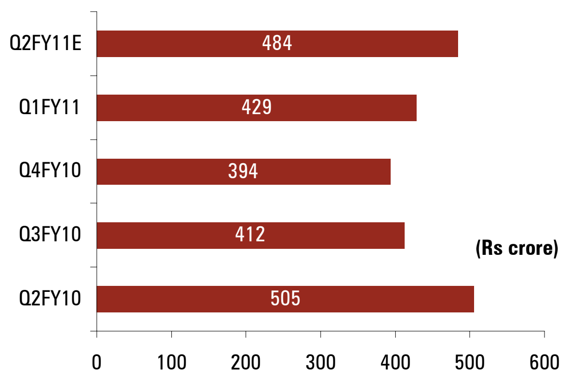
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Asian Paints Limited

Analyst

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Parineeta Poddar
parineeta.poddar@icicisecurities.com

FMCG

Input prices see a mixed trend

FMCG companies have witnessed a mixed trend in input costs in Q2FY11. With agricultural output up ~10% (114 million tonnes), prices of commodities like wheat, milk and sugar are expected to soften. However, palm oil and copra prices, have inched up by almost 10%, increasing the costs for Dabur and Marico. Moreover, with crude prices having revived to $80 per barrel, prices of its derivatives such as HDPE and packing materials have also risen, consequently impacting costs. The rising prices of titanium dioxide and monomers have increased the costs for Asian Paints and Nerolac by almost 6.5% YoY. However, these companies have consequently passed on this increase to its consumers. Hence, with prices rising on the one hand, the impact has been cushioned by the softening of agricultural input prices, thereby insulating the companies from increasing cost pressures for Q2FY11.

String of price hikes, however volumes benign

There have been a string of price hikes by players such as Marico, Dabur, Asian Paints, HUL and others during the first half of FY11 to marginally pass on the cost burden. The increase in prices (~4% across categories) has been a calibrated move. Hence, it would not lead to any slowdown in volume growth and keep earnings stable. Therefore, we expect the topline for paint companies to grow by ~25% YoY and FMCG companies to witness ~15% YoY. In spite of the price hikes, we expect volumes to remain benign as the price increases have been taken in larger packs (used by consumers who are relatively inelastic to an increase of Rs 2-3) while the smaller packs (recruiter packs) have been left untouched. Marico increased the prices of a litre of Saffola Gold from Rs 112 to Rs 115 and five-litre pack from Rs 565 to Rs 580. Britannia took a price increase of 5-10% across its product categories while HUL increased prices across its soap brands (Lux, Lifebuoy, Dove) due to hovering palm oil prices. Paint companies across the industry have also passed on the increasing cost to consumers. However, with the festive season round the corner, volumes would not witness any impact, thereby maintaining growth.

New launches, smaller packs to increase penetration

With the increase in contribution of rural markets to the company's revenues, FMCG companies are releasing products in smaller packs that become affordable to rural consumers. Hence, this is increasing penetration and driving volumes. For instance, Marico recently launched a Re-1 price pack for its parachute oil. However, it increased prices of it 100 ml, 200 ml and 500 ml packs by Rs 1, Rs 2 and Rs 2, respectively. Companies are also adopting the grammage reduction strategy to keep prices at the same level (say Re 1 to Rs 5), thereby trying to retain customers who are price sensitive and maintaining volume sales.

Exhibit 19: Estimates for Q2FY11E: FMCG (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Asian Paints	1,738.3	25.4	16.6	363.1	30.8	20.8	237.6	-6.6	18.2
Dabur India	962.3	13.5	5.0	156.8	-13.6	7.8	117.6	-15.6	9.5
Kansai	605.6	34.9	15.3	90.7	6.9	12.2	51.6	4.4	10.6
Marico Ltd	811.2	17.2	2.7	111.9	17.8	6.1	77.6	24.3	5.2
Total	**4,117.4**	**22.0**	**10.6**	**722.5**	**13.1**	**14.3**	**484.4**	**-4.2**	**13.0**

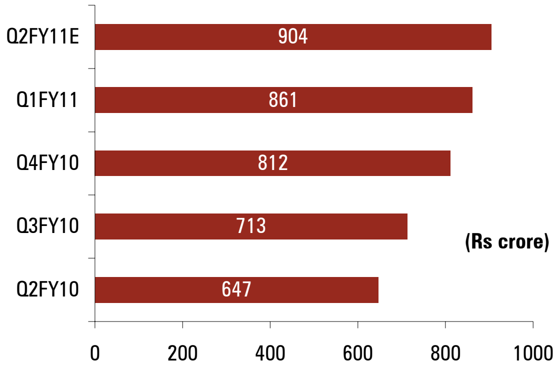
Source: Company, ICICIdirect.com research

Exhibit 20: Company specific view

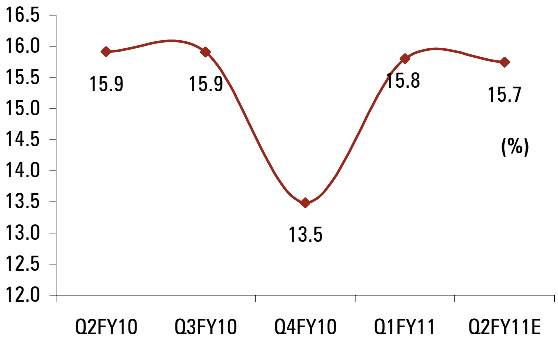
Company	Remarks
Asian Paints	The company increased prices in its decorative segment in August by 1.2%. This was to factor in increasing cost pressures in titanium dioxide and monomers. However, volumes led by festive season sales would continue to drive the topline that is expected to grow at ~16% QoQ and 25% YoY
Dabur India	We expect topline to grow ~13% YoY led by strong demand for health products. Chyawanprash & fruit juices would grow significantly. However, hair oils could see de-growth. International business, driven by acquisition of Hobi Cozmetik would help in growth. However, higher interest cost could be a cause for concern
Kansai Nerolac	It is expanding capacity ~50% to 3 lakh tonnes p.a. to meet the increasing demand for paints (growing at ~15%). Hence, it is directing its portfolio towards decorative segment (50%) where margins are more attractive. These are key drivers for its growth. We expect net sales to grow 15% QoQ and ~45% YoY
Marico	Price hikes in Saffola (~3%) & Parachute (~2%) taken at end of Q1FY11 would contribute to Q2FY11 earnings (expected rise ~3% QoQ). Hence, this would subside the impact of higher copra (~4%) and palm oil price. Better monsoons, higher agricultural output would drive sales from rural markets (~30% of revenues)

Source: Company, ICICIdirect.com Research

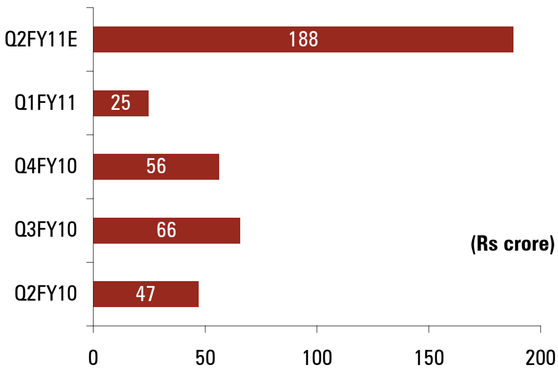
Topline performance



EBITDA Margin



Bottomline



Top pick of sector

Apollo Hospitals

Analyst

Rashesh Shah
rashes.shah@icicisecurities.com

Hospitals

- **Hospital revenues to grow by 39.8% YoY**

  We expect our I-direct hospital universe revenues to increase by 39.8% YoY on the back of robust revenue growth by Fortis Healthcare, as there would be incremental revenue inflow of ~Rs 108 crore from 10 Wockhardt hospitals. Overall, we expect in-patient volumes and average revenue per bed (ARPOB) to grow by 13.5% and 8% YoY, respectively, for the quarter.

- **Operating margin to remain stable**

  Operating margins of the I-direct hospital universe are likely to remain stable. Operating margin of Apollo Hospital is likely to decline by 30 bps to 16.6% YoY due to slower turnaround in the pharmacy segment. However, YoY we expect its margins to improve by 60 bps due to improvement in the business from the Hyderabad cluster. Operating margins of Fortis Healthcare are likely to see a marginal improvement of 30 bps YoY to 14.4% for Q1FY11E.

- **PAT growth to remain robust on Parkway stake sale by Fortis**

  Profitability of the I-direct hospital universe will remain robust on account of expected non-core net profit of Rs 145 crore (gross profit of Rs 358 crore) on the Parkway stake sale by Fortis Healthcare. Excluding this, we expect the profitability of the I-direct hospital universe to grow by 43% YoY.

Exhibit 21: Company specific view

Company	Remarks
Apollo Hospitals	The growth in revenue is expected to come from a rise in in-patient volume and increase in realisation (ARPOB), which we expect to grow by 12% and 9% YoY, respectively. Operating margins are expected to remain stable due to higher operating costs and slower turnaround of the pharmacy segment
Fortis Healthcare	Revenues will grow by 84.7% YoY and 4.1% QoQ, respectively, as there would be additional revenue inflow of ~Rs 108 crore from 10 Wockhardt hospitals for the quarter. Net profit growth will remain robust on account of profit from the Parkway stake sale

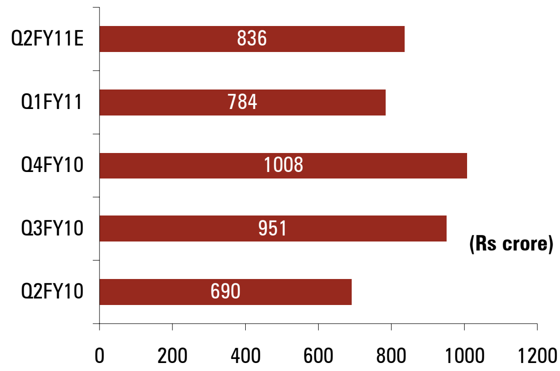
Source: Company, ICICIdirect.com

Exhibit 22: Estimates for Q2FY11E: Hospitals (Rs Crore)

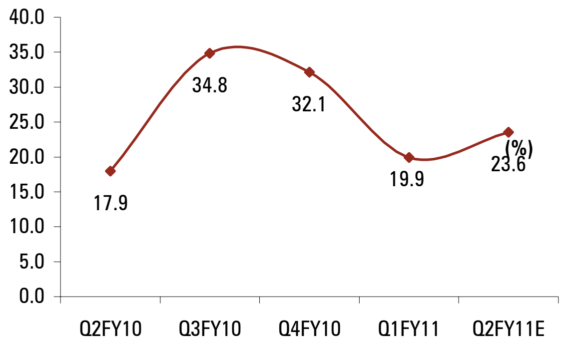
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Apollo	552.2	21.1	5.5	91.7	25.6	3.6	41.4	21.4	5.4
Fortis	351.8	84.7	4.1	50.7	69.4	6.3	146.5	1,026.6	LP
Total	**904.0**	**39.8**	**5.0**	**142.3**	**38.3**	**4.6**	**187.9**	**298.9**	**657.6**

Source: Company, ICICIdirect.com

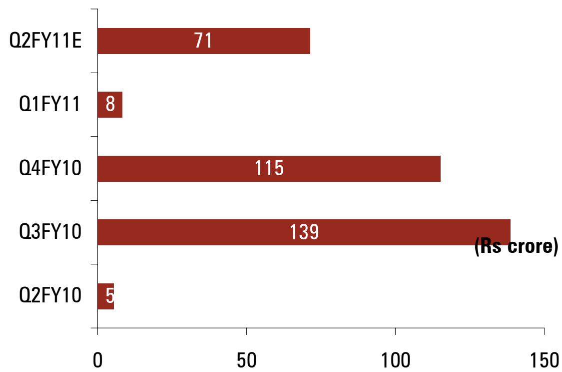
Topline performance (Coverage universe)



EBITDA Margins (Coverage universe)



Bottomline (Coverage universe)



Top pick of sector

Indian Hotels
Royal Orchid Hotels
Taj GVK Hotels

Analyst

Rashesh Shah
rashes.shah@icicisecurities.com

Hotels

- **To report average revenue growth of 21.2% YoY in Q2FY11E**

  The average revenue growth for I-direct universe is expected to be in the range of 21-22% in Q2FY11E. The growth in revenues would mainly driven by improvement in occupancy levels which we expect it to improve by 1020 bps YoY to 63.2% last years low base effect, while average room rates (ARRs) are expected to improve marginally by 3-4% during the same period. On QoQ basis, companies are expected to report average revenue growth of 6.7% (except Viceroy Hotels).

- **Operating margins to improve led by higher sales**

  Due to continuing declining trend in sales over the last few quarters, the companies had resorted to various effective cost control measures, the benefits of which have started accruing from the last quarter onwards. With these measures along with the improvement in sales, we expect the operating margin to improve by 570 bps YoY and 370bps QoQ to 23.6%.

- **Profitability growth to remain robust compared to the last year**

  The average profitability growth for I-direct universe is expected to remain robust backed by growth in revenues along with improvement in operating margins. EIH and Kamat hotels are expected to report net profit of Rs. 21.3 crore and Rs.3.7 crore respectively as against losses in the corresponding quarter of the previous year.

- **Business destination to outperform compared to leisure destination**

  Due to seasonality of the business, we expect business destinations to outperform compared to leisure destinations in Q2FY11. Business destinations such as South Mumbai, Chennai, Bengaluru and Hyderabad showed sharp improvements in occupancy levels to 65-66% from 54% with an increase in business related travel expenditure. Among the leisure destinations, Goa, Jaipur and Agra witnessed an increase in occupancy levels, albeit from a low base to 55% in Q2FY11 compared to the last year

Exhibit 23: Estimates for Q1FY11E – Hotels Rs Crore

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
EIH	207.8	22.8	1.7	38.4	76.3	53.0	21.3	-320.7	-233.7
Hotel Leela	112.8	25.7	6.6	34.3	85.5	8.6	10.7	509.0	15.3
Indian Hotel	363.9	18.5	10.7	75.0	46.8	40.4	27.8	133.9	733.7
Kamat Hotels	30.5	34.9	6.8	10.4	211.4	9.1	3.7	-157.5	2,014.2
Royal Orchid	33.4	26.0	6.5	7.1	62.5	35.7	1.8	219.6	82.1
Taj GVK Hotels	64.5	20.1	5.8	23.9	27.6	4.9	10.6	51.6	5.4
Viceroy Hotels	23.5	12.3	-1.3	8.0	32.0	-4.6	0.6	123.3	98.3
Total	**836.4**	**21.2**	**6.7**	**197.1**	**59.1**	**26.3**	**76.5**	**1,325.3**	**829.5**

Source: ICICIdirect.com Research

Growth in foreign tourist arrivals (Since July 2008)

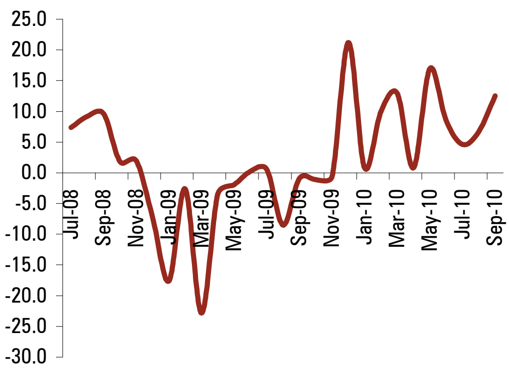
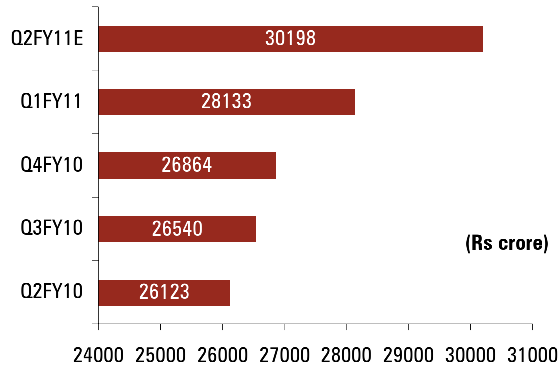


Exhibit 24: Company specific view

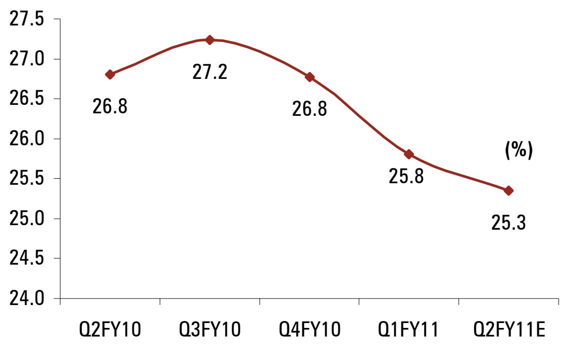
Company	Remarks
EIH	Revenue for the quarter is expected to improve by 22.8% YoY due to growth in foreign tourist arrivals (FTAs) and opening of its new five star hotel at Mumbai BKC. We expect average occupancy levels to improve by 1100 bps YoY to 63% whereas average ARRs are likely to improve marginally by 3% YoY
Hotel Leela	Leela is expected to benefit from rebound in IT/BFSI segment as the company has a strong presence in business destinations like Bangalore and Mumbai. EBITDA margins to improve by 980bps YoY, 60bps QoQ due to robust improvement in sales and last year's low base effect.
Indian Hotels	Revenue for the quarter is expected to improve by 18.5% YoY on account of improvement in foreign tourist data. We expect average occupancy levels to improve by 700 bps to 67% whereas average blended ARRs are likely to improve by 5% YoY to Rs 7850
Kamat Hotel	Revenues to improve due to a pick-up in business class travellers. OPM to improve by 1930bps YoY to 34.0%. On QoQ it is expected to improve marginally by 60 bps due to seasonality of the business. We expect the company to report net profit of Rs 4.8 crore as against loss of Rs.6.5 crore last year
Royal Orchid Hotel	Revenues to grow by 26% YoY on a strong rebound in the IT/BFSI segment and additional revenue flow of ~Rs 2.8 crore from its new hotel in Ahmedabad. Margins are also expected to improve by 460 bps YoY to 21.2% on account of efficient cost control management and growth in revenues
Taj GVK Hotel	The growth in revenues to come from Hyderbabad where we expect an improvement of 1150 bps YoY in average occupancy to 69% while ARRs are expected to remain stable due to lean season impact. Operating margins to improve by 220 bps YoY to 37.1% while the same is expected to decline marginally by 30 bps QoQ
Viceroy Hotels	Revenues to grow by 12.3% YoY backed by 400 bps improvement in the average occupancy. However, on QoQ basis , we expect marginal de-growth of -1.3% due to lean season impact. Operating margins are going to remain under pressure due to lower sales and we expect marginal dip of 110bps YoY to 33.9%.

Source: ICICIdirect.com Research

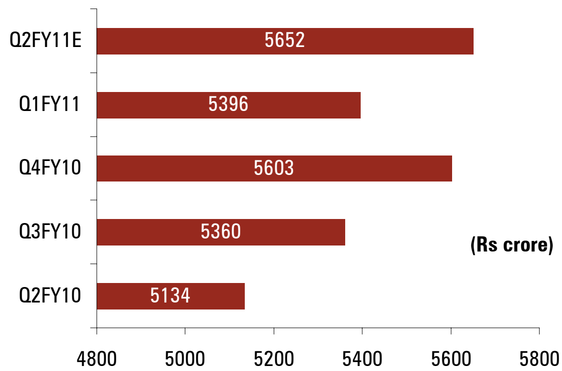
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Infosys
HCL Tech

Analyst

Abhishek Shindadkar
abhishek.shindadkar@icicisecurities.com

Ankita Somani
ankita.somani@icicisecurities.com

Information Technology

Near term demand visibility may yield volume growth

Our channel checks suggest Tier I IT companies could report 5-7% sequential volume growth led by improved demand environment and heightened activity in discretionary spend. IT services revenues in US dollar terms are expected to grow ~6%, led in part by volumes and ~2-4% QoQ depreciation of the US dollar against the euro, British pound and Australian dollar. Rupee revenue growth should top volume growth primarily due to the 1.8% depreciation of the rupee against the US dollar.

Forex tailwinds may aid Q2FY11 operating margin

With costs associated to visa and wage inflation behind us (exceptions being Wipro, HCL Technologies, Rolta and Mastek which typically give wage hikes in Q2FY11), we expect IT vendors to report flat Q2FY11 EBITDA margins with a positive bias, led by favourable currency movements. Infosys' operating margins could positively surprise the Street. However, utilisation could negatively impact operating margins as freshers hired in Q1FY11 weigh in. Finally, we do not expect an upgrade on FY11 operating margins guidance to account for the potential wage hikes in the October quarter and likely currency headwinds for the remainder of the year. At current levels of 44.32, the rupee has appreciated 4.5% vs. the average Q1FY11 Rs/$ rate of 46.11. If the rates were to remain at these levels for the remainder of the year, the average Rs/$ for FY11 could be 45.09 or would have appreciated 5% compared to the average Rs/$ rate of 47.3 for FY10. As a reminder, every 100 bps appreciation in the rupee rate could impact the operating margin by 20-50 bps depending on the operating model.

Operating metric highlights

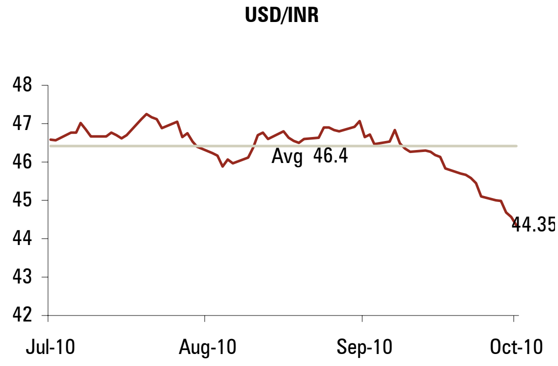
From a vertical perspective, manufacturing, retail and healthcare should continue to see demand up-tick as retailers upgrade systems before the holiday season while telecom continues to be soft. Further, from a services perspective, application development and package implementation could spring a surprise as companies continue to standardise enterprise platforms. Finally, geographically, the US and Asia-Pacific regions should lead transformational IT spends with Europe being the laggard. Attrition remains a key concern, which could drive wage inflation to pre-recessionary levels.

Exhibit 25: Estimates for Q2FY11E: IT (Rs Crore)

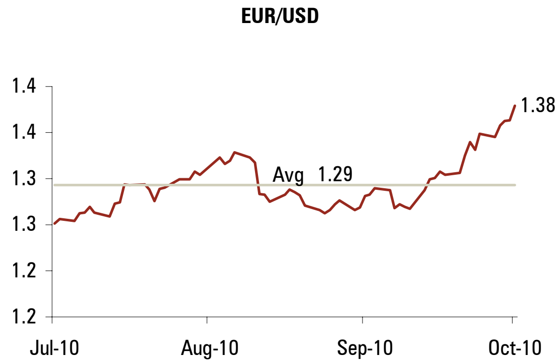
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
HCL Tech*	3,587.0	18.3	4.7	587.6	-14.7	-7.9	290.3	-9.3	-15.0
ICSA	324.7	4.4	5.7	64.9	-4.5	5.4	30.1	-21.8	8.3
Infosys	6,633.2	18.8	7.0	2,186.8	13.5	11.5	1,649.3	7.4	10.8
Mastek*	160.9	-15.0	-1.4	-2.8	-109.4	-136.0	-7.9	-129.9	-414.1
NIIT Ltd.	339.3	-5.7	22.0	53.9	8.9	87.8	35.2	34.7	170.4
Patni Computers	810.9	1.2	6.3	158.6	-0.9	10.1	122.6	-27.3	-16.5
Rolta*	419.6	19.7	1.8	153.4	22.2	-4.2	65.2	16.1	-5.9
TCS	8,732.8	17.5	6.3	2,547.3	19.4	5.7	1,984.8	22.2	7.6
Tech Mahindra	1,208.4	5.8	6.6	213.6	-27.0	0.4	152.8	-9.6	5.8
Wipro	7,980.9	15.4	10.3	1,690.8	10.7	3.2	1,329.4	13.6	0.8
Total	**30,197.9**	**15.6**	**7.3**	**7,654.2**	**9.3**	**5.4**	**5,651.8**	**10.1**	**4.7**

Source: Company, ICICIdirect.com research

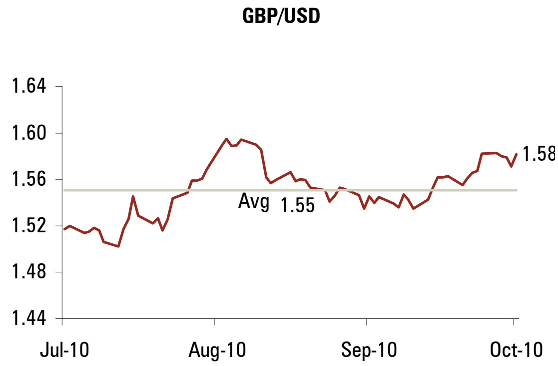
US$/INR movement



EUR/US$ movement



GBP/USD movement



AUD/USD movement

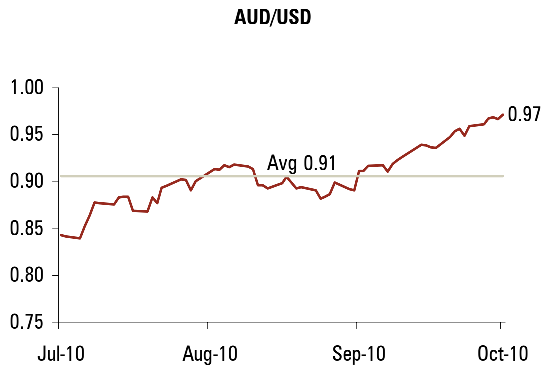
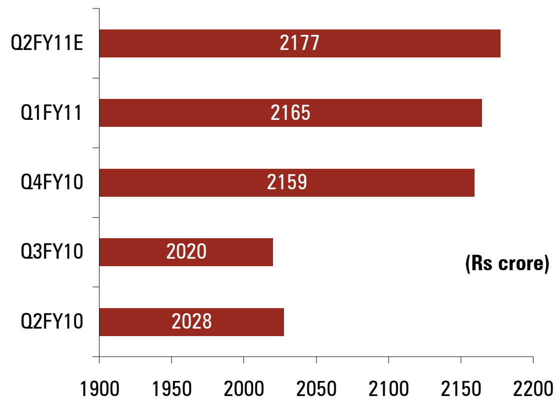


Exhibit 26: Company specific view

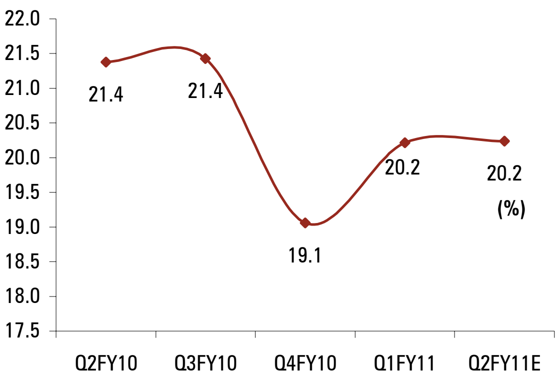
HCL Tech	We expect volume growth of 4.1% and 10% QoQ in core software & IMS respectively. BPO will continue to de-grow. Revenues are expected to grow by 4.7% QoQ with IMS acting as a growth driver giving 9.7% QoQ revenue growth. EBITDA margins are expected to decline by 225bps to 16.4% due to wage hikes
ICSA	We expect the book to bill ratio to remain subdued at 1.4 with IPS business having a major share in the order book. Revenues are expected to grow at 4.4% QoQ primarily driven by the IPS segment. Margins are expected to remain flat with muted order book growth of 4%
Infosys	We expect 5.3% QoQ volume growth leading to 7% QoQ US$ revenue growth with favourable cross currency movement and flat pricing. EBITDA margins are expected to rebound to 33%, up by 130 bps QoQ. Net profit is expected to post 10.8% QoQ growth owing to margin expansion post salary hikes in Q1FY11
Mastek	We expect another dismal quarter with revenues de-growing at 1.7% QoQ due to sluggishness in the govt & insurance business. EBITDA margins could be negative due to substantial wage hikes and continued investment in Elixir, wiping off gains made by cost rationalisation measures and likely forex benefits
NIIT Ltd	We expect SLS to be a growth driver with 30% YoY growth followed by ILS, 12% YoY growth, on the back of a pick-up in enrolments. CLS will continue to return to growth trajectory of 3% YoY with enhanced demand for its e-learning products. New business will move closer to break-even at EBITDA level
Patni Computers	We expect dollar revenue growth of 5.2% QoQ on the back of decent volume growth of 4.5%. Pricing continues to remain flat. EBITDA margins will expand by 110 bps to 19.6%. Other income is likely to come down due to payout of special dividend of Rs 63 per share leading to a decline in cash and equivalents
Rolta	We expect EGIS volume growth and EICT utilisation uptick to augment revenue growth. Also, we assume a marginal uptick in billing rates for EGIS vertical. EDOS vertical will remain stable with flat billing. EBITDA margins could decline 200 bps QoQ to 36.5% as wage hikes weigh in
TCS	We expect it to post 7.2% QoQ US$ revenue growth on the back of robust demand from BFSI & manufacturing vertical as well as good traction for its BPO services (CGSL) with favourable cross-currency. Pricing will be flat. EBITDA margins may decline marginally by 15 bps QoQ to 29.2% due to employee promotions
Tech Mahindra	We expect US$ revenues to grow by 3.7% with non-BT accounts growing at 6.5% QoQ. BT revenues are expected to remain flat after the restructuring exercise. EBITDA margins are expected to decline by 108 bps to 17.7% on account of wage hikes. Strong hedging gains of Rs 39 crore for the quarter will boost PAT
Wipro	We expect 5.5% QoQ volume growth for IT services with flat billing leading to revenue growth of 5.7% QoQ. On a consolidated level, revenues are expected to grow by 10.3% QoQ. Consolidated EBIT margins are expected to decline by 140 bps 21.2% due to employee promotions in the 3-7 year experience bracket

Source: Company, ICICIdirect.com Research

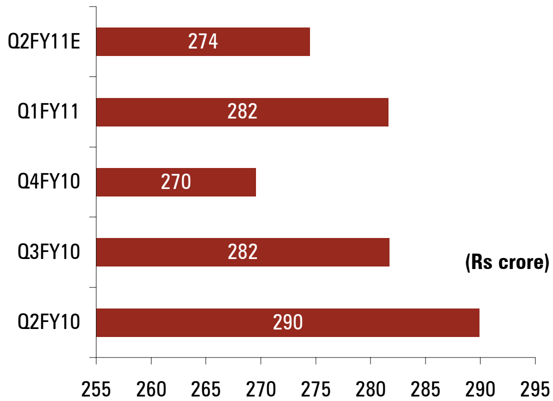
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Allcargo Logistics
Sanghvi Movers

Analyst

Mayur Matani
mayur.matani@icicisecurities.com

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

Logistics

- **Container volume growth impacted on account of oil spill**

  We expect container volumes at 12 major ports to increase 6% YoY to ~1.8 million TEUs in Q2FY11E. However, volumes are expected to decline sequentially by 4% on account of the closure of JNPT for five days in August due to oil spill. A significant portion of container volumes is handled by JNPT (~60% of total container volumes).

- **EBIDTA margins to decline marginally YoY and remain flat QoQ**

  We expect the EBIDTA for the ICICIdirect.com coverage universe to increase by 1.7% YoY to Rs 440.7 crore mainly on account of higher revenues. EBIDTA margins would decline 120 bps YoY to 20.2% mainly on account of higher operating costs.

Exhibit 27: Estimates for Q2FY11E: Logistics (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Allcargo	624.9	25.5	-2.3	66.4	14.4	-0.4	36.3	0.1	-4.2
ConCor	904.2	-5.8	-1.3	239.6	-5.4	-3.0	185.3	-9.3	-4.2
GDL	136.7	3.3	5.7	33.8	4.5	9.3	15.1	-11.9	7.7
Sanghvi M	95.0	18.1	10.3	70.6	15.4	9.8	24.7	15.2	3.0
TCI	416.5	16.6	5.8	30.3	6.1	5.6	13.0	21.4	6.8
Total	**2,177.3**	**7.4**	**0.6**	**440.7**	**1.7**	**0.7**	**274.5**	**-5.3**	**-2.5**

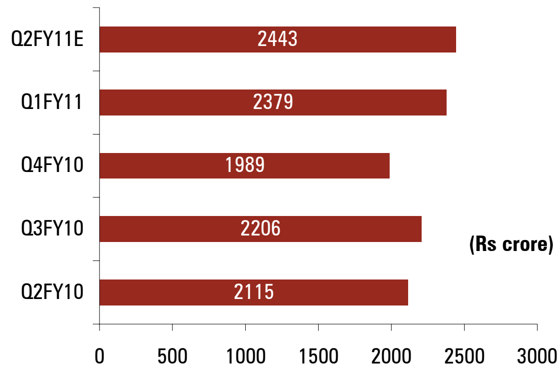
Source: Company, ICICIdirect.com research

Exhibit 28: Company specific view

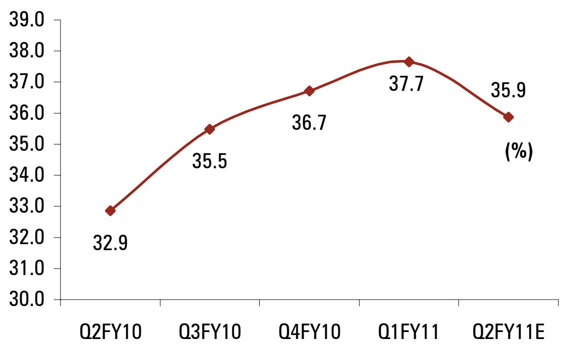
Company	Remarks
Allcargo Global Logistics	We expect 25.5% YoY growth in revenue on the back of healthy performance anticipated from ECU Line. EBIDTA margins are expected to increase QoQ by 20 bps to 10.6%. PAT is expected to remain flat YoY as the company had claimed MAT entitlement credit during Q3CY09
Container Corporation	We expect ~3% YoY decline in exim volumes and ~8% YoY increase in domestic volumes. Realisations are expected to be higher in the domestic route and lower for the exim route. The EBIDTA margin is expected to remain flat YoY at 26.5%
Gateway Distriparks	We expect total CFS volumes to remain flat YoY at ~79,800 TEUs. Mumbai CFS volumes are expected to be impacted by the oil spill while healthy growth is expected in the Chennai CFS. Realisations and EBIDTA margins are expected to be higher QoQ. PAT is expected to decline 11.9% YoY due to MAT credit during Q2FY10
Sanghvi Movers	On the back of an improved demand scenario from user industry segments, capacity utilisation levels during Q2FY11 are expected to be higher YoY at ~80%. EBIDTA margins are likely to decline slightly by 30 bps QoQ on the back of a marginal increase in fuel cost
Transport Corporation	We expect TCI to report a 16.6% YoY increase in revenue mainly on account of healthy contribution from the supply chain and XPS division. EBIDTA margins are expected to decline 70 bps YoY to 7.3% due to higher fuel costs

Source: Company, ICICIdirect.com Research

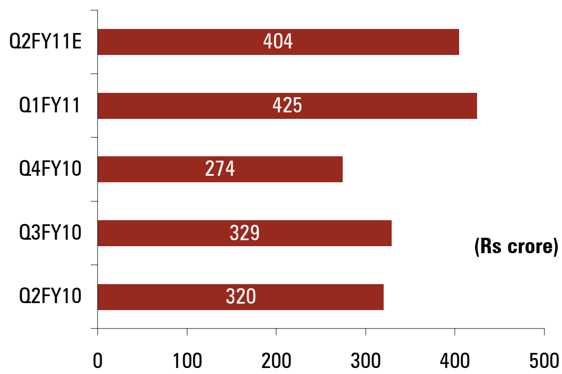
Topline performance (Coverage universe)



Margin (Coverage universe)



Bottomline (Coverage universe)



Top pick of sector

Jagran Prakashan
PVR Limited
Dish TV

Analyst

Karan Mittal
Karan.mittal@icicisecurities.com

Naval Seth
Naval.seth@icicisecurities.com

Media

- **Sequentially lower ad revenue growth due to delayed festive season**

Print media companies posted double digit YoY ad growth in Q1FY11. However, this year most festivals are in the third quarter as compared to some of them being in the second quarter last year. This would lead to lower YoY growth in Q2FY11. Overall improving ad volumes on the back of a buoyant economy and impact of price hike setting in would aid 8.5-10% revenue growth in print companies. Regional players are expected to register higher ad revenue growth as compared to national players.

Seasonality is not expected to dampen the growth rate for radio companies as the industry is still in a nascent stage and ENIL's growth would be coming in from more participation from Tier II and Tier III city advertisers.

- **Occupancy, footfalls to show improvement for multiplexes**

Multiplexes would register higher footfalls and good occupancy this quarter due to some blockbuster movies that were released in this quarter. Average occupancy is expected to be ~32% as compared to ~29% in Q1FY11. ATP is expected to remain stable sequentially.

- **Strong subscriber addition by Dish TV, Sun Direct**

Robust subscriber addition has continued on the DTH platform. South-based Sun Direct would have an added advantage on the back of festivals in the southern part of the country. Dish TV crossed 8.0 million subscribers in Q2FY11E. We expect Dish TV and Sun Direct to add 1.14 million and 0.68 million subscribers, respectively, in their kitty. We expect the average revenue per user (ARPU) to remain under pressure due to intense competition owing to high subscriber addition and aggressive pricing schemes by competitors.

- **Margins to decline marginally**

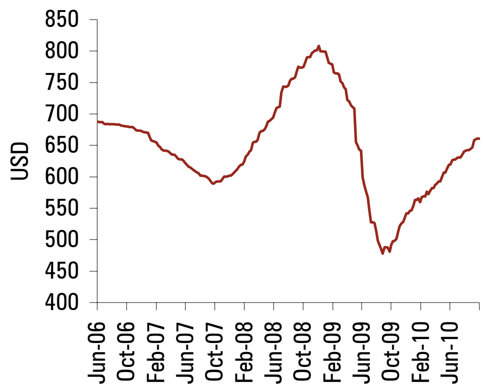
EBITDA margin for the ICICIdirect.com media universe is expected to improve by 194 bps QoQ and 284 bps YoY. Though multiplex companies would witness an expansion in margin, most other media companies would have lower margins QoQ due to relatively flaccid ad revenue growth. Reduction in royalty (effective from September 1, 2010) would aid the EBITDA margin for ENIL.

Exhibit 29: Estimates for Q2FY11E: (Media) (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Cinemax	56.1	37.7	22.1	9.7	NA	46.1	3.3	LP	199.9
DB Corp	288.6	10.3	-3.4	88.6	6.5	-22.0	53.9	22.4	-22.5
Deccan	272.5	8.6	17.6	146.1	5.4	21.9	88.7	-11.2	NA
DISH TV	318.5	23.7	4.7	50.1	117.2	55.8	-51.0	NA	NA
ENIL	72.9	16.6	5.5	16.9	27.5	19.1	8.1	NA	NA
HT Media	382.5	9.9	-3.3	85.4	30.2	-3.7	44.7	42.4	-4.8
Jagran	269.9	9.4	0.0	90.2	8.4	0.1	53.9	7.2	-3.0
PVR	123.3	33.7	-0.2	24.9	LP	13.8	9.3	LP	25.2
Sun TV	425.0	32.6	-3.5	330.5	35.7	-8.2	173.8	33.1	1.7
UTV Software	233.3	-0.5	17.1	33.8	LP	-30.3	19.7	LP	-52.3
Total	**2,442.6**	**15.5**	**2.7**	**876.3**	**26.1**	**-2.2**	**404.3**	**26.2**	**-4.8**

Source: Company, ICICIdirect.com Research

International newsprint prices



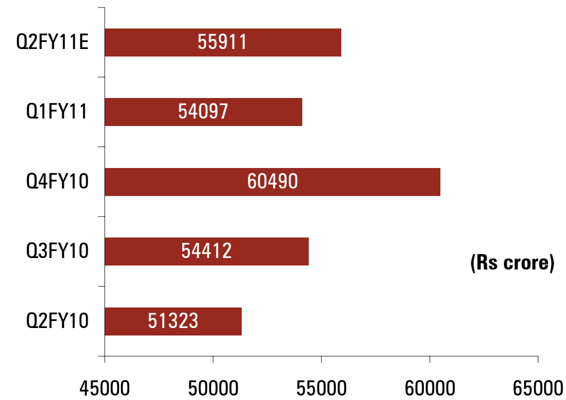
Source: Bloomberg, ICICIdirect.com Research

Exhibit 30: Company specific view

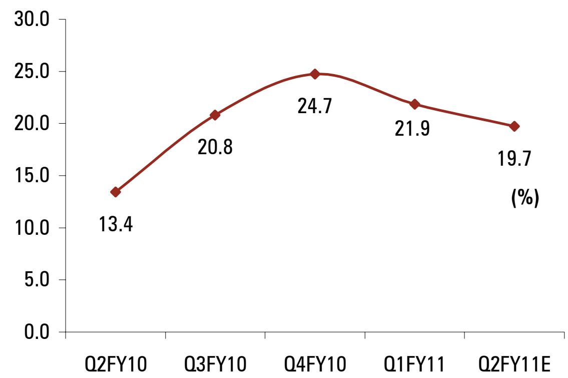
Company	Remarks
Cinemax	The company rolled out two new properties with the addition of 1803 seats. With good quality content hitting screens during Q2FY11, it is expected to register higher footfalls. We expect ATP to remain stable sequentially while occupancy is expected to rise to 29% from 27% in last quarter
DB Corp	The company launched in Ranchi during Q2FY11E. We expect DB Corp to post print ad revenue growth of 11.0% YoY on the back of price hike and moderate increase in ad volumes. EBITDA margins would decline due to recent launches in newer markets to 30.2% from 31.8% in Q2FY10
Deccan Chronicle	The company would post ad revenue growth of 9.0% (highest in English dailies) due to the festive season in southern India. Advertisement revenue growth and stable newsprint cost would aid expansion in EBITDA margin. Our valuation for it does not include the contribution from the sporting venture
Dish TV	Dish TV crossed 8 million subscribers and is expected to add 1.14 million subscribers in H1FY11E. In conjunction with intense competition, ARPU is expected to remain stable sequentially. We expect renewal ARPU to increase marginally to Rs 173 while new subscriber ARPU is expected to fall to Rs 138
ENIL	Improving ad rates and conversion of low priced clients on the new rate card coupled with improving utilisation would aid revenue growth. Reduction in royalty fee would lead to improvement of 158 bps in standalone EBITDA margin. However, the full impact of royalty fee would be seen from Q3FY11E
HT Media	We expect English ad revenues to grow 5% YoY on the back of improving ad volumes while Hindi ad revenues are expected to grow at ~20% YoY on a lower base. Revenues from the radio segment are expected at Rs 13.7 crore. EBITDA margins would dip slightly sequentially due to the seasonality factor
Jagran Prakashan	With price hikes partially absorbed, advertisement revenue is expected to grow at 10.0% YoY. EBITDA margins are expected to remain stable on the back of stable newsprint prices
PVR	PVR has added one new property in Lucknow with a total seating capacity of 1590 seats and six screens in Q2FY11E. The company released Aisha under its home production banner, which is expected to generate revenues of Rs 20 crore for the company. Occupancy would be ~32% for Q2FY11E
Sun TV *	Being the market leader in the southern region, the company is expected to register ad revenue growth of 20.0% YoY. Subscription revenues are expected to grow by ~53.8% YoY. We expect the company top add 0.68 million viewers in its DTH segment in Q2FY11E
UTV Software	Movie segment revenues are expected to grow 16% on the back of three movies released during the quarter. The launch of new TV shows on regional channels would also boost the otherwise depleting TV revenues. Increase in ad volumes and better pricing would improve broadcasting revenues

Source: Company, ICICIdirect.com Research

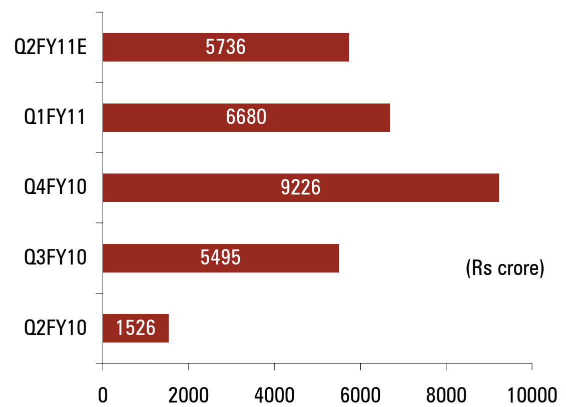
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Usha Martin
Adhunik Metaliks
Visa Steel

Analyst

Pankaj Pandey
pankaj.pandey@icicisecurities.com

Goutam Chakraborty
goutam.chakraborty@icicisecurities.com

Neeraj Lodha
neeraj.lodha@icicisecurities.com

Metals & mining

Better sales volumes to help revenue growth

After the lower sales volume witnessed in Q1FY11 due to higher imports from China most of the major domestic steel companies are expected to have seen better sales volume in Q2FY11E. This can be attributed to good domestic demand and lower imports from China. On an average, the major steel players viz. SAIL, Tata Steel and JSW Steel are likely to see volume growth in the range of 10-15% on a QoQ basis. The smaller players, mainly based in the eastern region of the country, on the other hand, are expected to see a moderation in their sales volume due to disruption caused by a prolonged monsoon season.

Product prices remain stable with upward bias

Prices of most of the steel products remained stable during Q2 on a QoQ basis. Major steel companies have, in fact, hiked prices. We believe this would be reflected more in the Q3 estimates. Meanwhile, steel capacity utilisation has fallen to ~73% in August as reported by the World Steel Association. This, along with the slight pause in Chinese steel production growth, helped steel prices to recover during the past couple of months.

Base metal prices recover sharply, iron ore prices remain stable

After remaining subdued during Q1FY11, base metal prices have recovered significantly led by copper. This has been on account of weakness in the US dollar and some improvement in Chinese manufacturing PMI. Iron ore prices remained stable as some moderation has been seen in Chinese steel production. The 63.5% Fe grade iron ore prices have been hovering at ~US$150/tonne.

Margins to remain under pressure

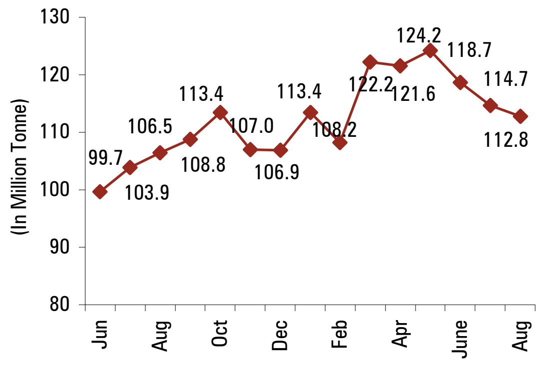
We expect the EBITDA margin across the industry (for the ICICIdirect.com metals universe) during Q2FY11E to remain under pressure due to higher raw material costs on account of higher contract prices for iron ore and coking coal. YoY, however, margins are likely to improve by 630 bps. On the bottomline front, the I-direct metals universe is expected to see a significant jump YoY mainly due to losses incurred by Tata Steel (consolidated) in Q2FY10. On a QoQ basis, PAT is likely to show a modest dip (~14%).

Exhibit 31: Estimates for Q2FY11E: Metals and Mining (Rs Crore)

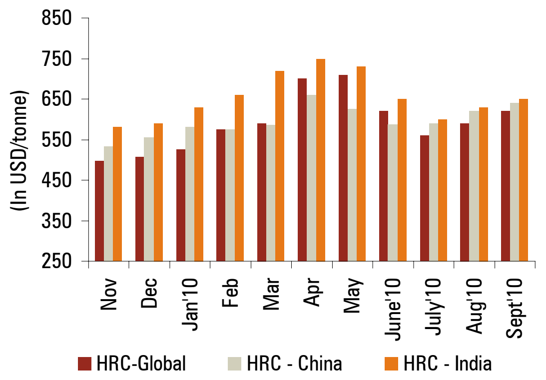
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Adhunik	390.5	4.1	-8.9	114.6	38.8	-27.1	43.1	70.0	-23.1
Godawari	183.4	11.2	-6.4	34.0	65.7	-5.7	10.8	138.7	-14.2
Graphite India	244.5	-12.4	-5.3	53.7	-51.1	-9.6	31.4	-54.1	-8.7
HEG	218.5	-20.0	-1.6	53.8	-42.7	-5.7	22.8	-48.5	-14.2
Hindustan	2,006.7	10.4	1.7	979.5	-8.9	-4.1	838.7	-10.3	-5.9
JSW Steel	5,492.5	15.4	13.0	1,221.9	13.6	13.3	405.0	25.5	37.1
SAIL	10,961.2	3.6	15.1	2,382.5	-0.2	29.3	1,502.3	-9.7	27.7
Sesa Goa	1,031.2	64.2	-59.9	588.3	285.2	-59.7	535.9	216.3	-58.9
Sterlite	6,282.7	2.5	5.2	1,513.4	10.8	1.1	979.9	2.2	-2.8
Tata Steel	28,145.5	10.8	3.5	3,897.5	LP	-12.1	1,317.2	LP	-27.8
Usha Martin	685.2	1.6	1.2	136.2	23.6	-6.0	39.3	20.9	-6.2
Visa Steel	269.2	6.5	21.2	52.8	19.4	35.8	9.1	4.8	19.8
Total	**55,911.2**	**8.9**	**3.4**	**11,028.4**	**60.1**	**-6.7**	**5,735.6**	**275.9**	**-14.1**

Source: Company, ICICIdirect.com research

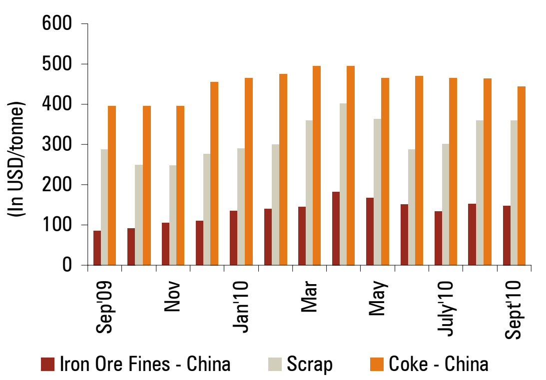
World crude steel production



Steel HRC price trend



Raw material price movement



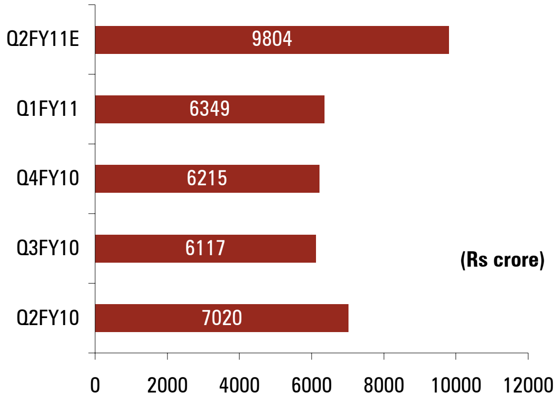
Source: Bloomberg, Worldsteel.org, ICICIdirect.com Research

Exhibit 32: Company specific view

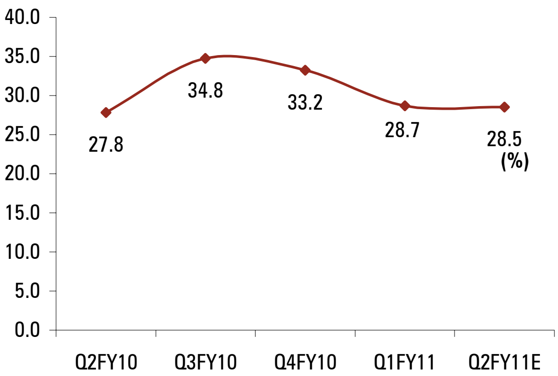
Company	Remarks
Adhunik Metalik	A subdued performance is expected due to lower demand for rolled products during Q2FY11E. Realisations are also likely to remain weak. OMML also, on the other hand, is likely to see a dip in sales volume. We expect iron ore sales volume of ~1.75 lakh tonnes for this quarter
Godawari Power & Ispat	The performance for Q2 is likely to be similar to Q1FY11 due to lower production of sponge iron and, thus, power. In Q2FY11E, GPIL has produced billets and ferro alloys due to lower realisation in power. Iron ore production is expected at ~1 lakh tonnes
Graphite India	Stable capacity utilisation is expected for Q2FY11E due to steady demand for graphite electrodes. Prices are not expected to have moved significantly during Q2FY11E. The overall performance is likely to remain weak both YoY and QoQ on all major parameters
HEG	Concerns over steel demand in developed countries have been impacting graphite electrode demand negatively and, thus, the prices. Capacity utilisation for HEG, therefore, is likely to remain stable. Margin pressure is expected on comparatively higher raw material costs
Hindustan Zinc	Refined zinc production for Q2FY11E stood at 1,76,000 tonnes (up ~25% YoY), while refined lead production rose 14.3% YoY to 16,000 tonnes. Silver production for Q2FY11E remained at 1.41 million ounces. Despite higher revenues for Q2FY11E, we expect margins and PAT to fall modestly
JSW Steel	JSW Steel is expected to report ~13% improvement in topline QoQ due to better sales volume (up ~14% QoQ at ~1.35 MT) and stable blended realisations. Bottomline is also likely to show a considerable jump QoQ by 37%. Margins, however, are likely to remain flat QoQ
SAIL	Sales volumes for Q2FY11E grew by ~3% and ~31% YoY and QoQ, respectively to 3.17 MT on the back of higher sales of long products. Higher volume growth is likely to help the company to see a 15% jump in topline and ~28% jump in PAT QoQ
Sesa Goa	Iron ore production was reported at 3.2 MT while sales increased by ~24% YoY to 2 MT in Q2FY11E. Lower sales from Karnataka due to export ban coupled with the impact of monsoon is likely to make a dent in consolidated revenues, EBITDA as well as PAT by ~60% sequentially
Sterlite Industries	Copper cathode production at Tuticorin for Q2FY11E was reported ~25% lower YoY due to the planned bi-annual maintenance shutdown. Aluminium production, on the other hand, improved ~35% YoY. Despite that, we expect that higher cost of production would hit margins and, thus, PAT on a QoQ basis
Tata Steel	Total steel sales for Q2FY11E have increased by ~6% and 19% YoY and QoQ, respectively, to 1.61 MT. Stable realisations and higher volume should help revenue growth at ~ 3% QoQ. However, higher raw material costs are likely to put pressure on margins and PAT for the consolidated entity
Usha Martin	Volumes across the product category are likely to remain flat QoQ. Realisation, on the other hand, is likely to remain subdued in the domestic markets and a little lower in international markets. EBITDA and PAT on a QoQ basis are likely to fall by ~6%
Visa Steel	Pig iron production could not be started during Q2FY11E also due to non-availability of iron ore. However, higher ferro chrome and coke sales are likely to compensate for that. We expect margins and PAT to see modest growth QoQ

Source: Company, ICICIdirect.com Research

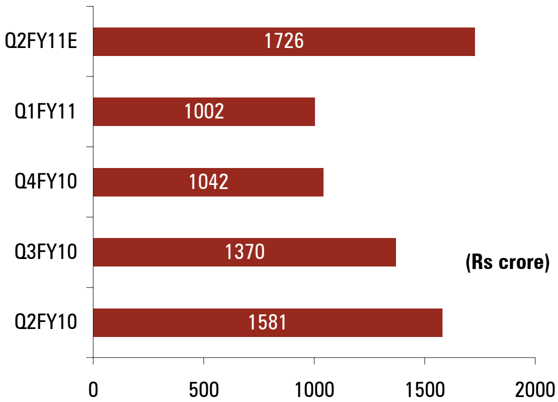
Topline performance (Coverage universe)



Margin (Coverage universe)



Bottomline (Coverage universe)



Top pick of sector

Shiv-Vani Oil
Oil India

Analyst

Mayur Matani
mayur.matani@icicisecurities.com

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

Oil and Gas

- **Strong growth in volumes, YoY increase in net realisations**

  Gas volumes would increase YoY on account of higher production from Reliance KG-D6 field. Oil production would increase on account of higher production from the Rajasthan fields. The increase in Brent crude oil prices YoY from $68.3/bbl to $76.4/bbl in Q2FY11 would increase the realisations of E&P companies. The PSU E&P companies and OMCs profitability would increase due to lower under recoveries in the current quarter.

- **Gross refining margin to increase QoQ**

  Singapore gross refining margin (GRMs) would increase QoQ from $3.8 per barrel in Q4FY10 to $4.1 per barrel in Q2FY11 on account of higher gasoline, naphtha and fuel oil spreads.

Exhibit 33: Company specific view

Company	Remarks
Cairn India Ltd	Revenues are expected to increase 1102.3% YoY due to the commencement of oil production from the Mangala field. The net oil & gas production is expected to increase 443.2% YoY to 1,01,248 boepd while oil realisation is expected to decrease by 5.4% YoY to $68.1 per barrel
Gujarat Gas	Volumes are expected to increase 14.8% YoY to 3.5 mmscmd due to increase in procurement of spot LNG. Realisation would improve 2.4% YoY and be flat QoQ to Rs 14.1 per scm. However, margins are expected to decline QoQ on higher priced LNG
GSPL	Revenues are expected to grow 1.5% YoY on account of a 16.7% increase in gas sales volume to 36.3 mmscmd. Transmission charges are expected to decline from Rs 0.89 per scm to Rs 0.77 per scm YoY. However, QoQ both volumes and transmission are expected to remain flat
Indraprastha Gas	Revenues would increase 57.6% YoY on account of a 21.4% increase in sales volume to 2.55 mmscmd and 29% increase in realisation to Rs 20.5 per scm. However, margins are expected to decline on increase in APM gas prices
Oil India	Revenues are expected to increase YoY on account of both higher crude oil production and higher net oil & gas realisations. We expect oil production of 6.74 mmboe (3.5% YoY increase), subsidy of $13 per barrel and net realisation of $62.8 per barrel for Q2FY11E
Petronet LNG	We expect revenues to decline 8.3% YoY due to lower spot volumes YoY. We expect volumes of 108.5 tbtu (2.1 million tonnes) against 113.5 tbtu (2.2 million tonnes) YoY. PAT is expected to increase marginally YoY on account of higher regasification margins to Rs 28.1 per mmbtu.
Shiv Vani Oil	We expect revenues to increase 18.1% YoY on account of traction in execution of the order book of ~Rs 3,200 crore. The EBITDA margin is expected to increase by 160 bps to 44.3%

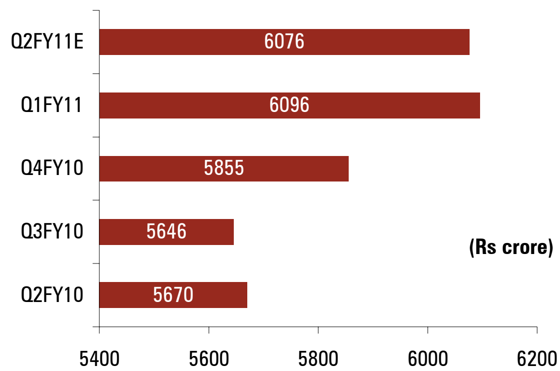
Source: Company, ICICIdirect.com Research

Exhibit 34: Estimates for Q2FY11E: (Oil and Gas) (Rs Crore)

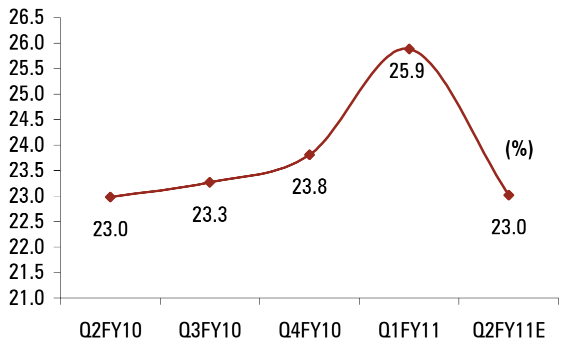
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Cairn India Ltd	2,762.7	1,102.3	228.7	656.5	440.0	146.0	412.7	-12.1	292.2
Gujarat Gas	454.3	17.1	8.5	88.7	25.1	-5.0	56.0	25.6	-3.4
Gujarat State	258.7	1.5	1.6	242.1	-0.9	0.5	96.3	-12.5	-8.3
Indraprastha	431.5	57.6	28.5	131.9	31.0	22.8	71.7	26.2	25.5
Oil India	2,390.0	11.5	51.8	1,245.7	21.7	80.7	893.0	23.6	78.2
Petronet LNG	3,124.8	-8.3	23.7	262.2	3.3	5.8	125.7	4.2	12.9
Shiv Vani Oil	382.0	18.1	-4.3	169.2	22.4	-3.6	70.6	25.2	9.4
Total	**9,804.0**	**39.7**	**54.4**	**2,796.3**	**43.2**	**53.5**	**1,726.0**	**9.2**	**72.2**

Source: Company, ICICIdirect.com Research

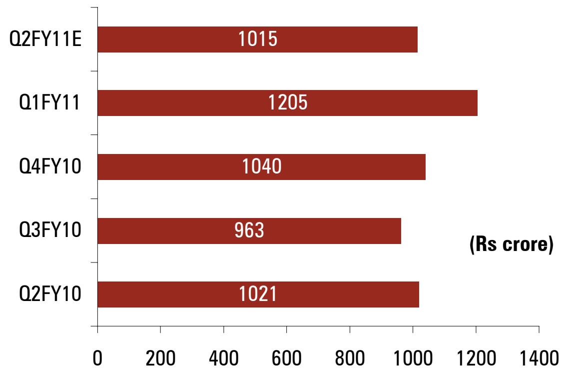
Topline performance (Coverage universe)



EBITDA Margin (Coverage universe)



Bottomline (Coverage universe)



Top pick of sector

Lupin

Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Krishna Kiran Konduri
krishna.konduri@icicisecurities.com

Pharmaceuticals

- **Consolidated topline to grow at ~7% YoY**

The pharma companies under our coverage are expected to deliver mixed results. While Sun Pharma is expected to report weak numbers on account of discontinuance of two key drugs in the US, companies like Glenmark, Lupin, Biocon, Indoco and Ipca are expected to report good numbers on account of new launches and continued conducive environment in the US and other markets. Results of Piramal Healthcare will not be comparable on account of restructuring. Dishman may see flat growth during the quarter.
Overall, our pharma universe is expected to clock ~7% sales growth YoY to Rs 6076 crore. However, the growth figure is not indicative on account of restructuring of Piramal Healthcare (sale of healthcare solution and diagnostics businesses) and also discontinuance of Sun's anti-ulcerant Protonix and cancer drug Eloxatin. On the other hand, we may see incremental sales for Glenmark coming from anti-hypertensive Tarka launch in the US. Lupin will also see some upside from the launch of anti-cholesterol drug Antara in the US. During the quarter, Piramal Healthcare completed the sale of healthcare solutions to Abbott and received Rs 10471 crore.

- **EBITDA to grow at ~7% YoY**

We expect the EBITDA of the coverage universe to witness ~7% YoY growth to Rs 1399 crore. Overall, we may see some pressure on the margins front on account of currency appreciation vis-à-vis the US dollar and other major currencies and also due to the absence of two high margin products for Sun and sale of Piramal's healthcare business during the quarter. EBITDA margins are expected to be in the range of ~22-23%.

- **PAT likely to remain flat**

We expect the PAT of the coverage universe to witness a marginal ~1% decline to Rs 1015 crore YoY due to the above-mentioned reasons. Lupin, Glenmark and Indoco are expected to lead the pack.

Exhibit 35: Estimates for Q2FY11E (Rs crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Alembic	306.2	7.9	9.4	30.0	-11.3	5.7	9.9	-25.6	-14.1
Biocon	680.0	17.2	2.7	131.2	15.9	-1.0	73.0	-1.7	-4.5
Dishman	236.4	8.7	17.1	49.8	0.1	12.0	25.3	1.8	-8.2
Glenmark	687.0	16.4	0.8	191.4	22.5	-12.8	106.1	31.2	-31.7
Indoco	113.6	19.0	2.0	16.9	36.4	-4.0	12.0	29.4	-19.3
IPCA Labs	498.8	16.3	19.3	106.8	6.1	50.0	70.1	9.7	80.8
Lupin	1,395.0	25.1	6.3	265.3	61.5	1.2	196.1	22.3	-2.9
*Piramal Health	844.3	-15.6	0.2	148.4	-17.0	7.6	86.7	-18.2	7.5
Sunpharma	1,116.4	-5.8	-20.2	406.1	-9.2	-34.1	398.1	-12.3	-29.5
Unichem	198.2	13.5	6.3	52.6	13.6	9.0	37.5	10.2	12.3
Total	**6,075.9**	**7.2**	**-0.3**	**1,398.5**	**7.3**	**-11.4**	**1,014.9**	**-0.6**	**-15.8**

* Numbers not comparable due to restructuring.

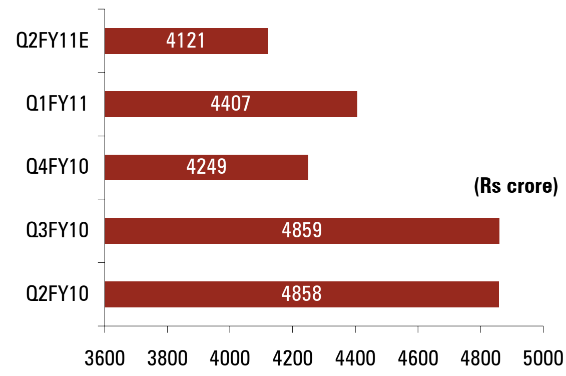
Source: Company, ICICIdirect.com Research

Exhibit 36: Company specific view

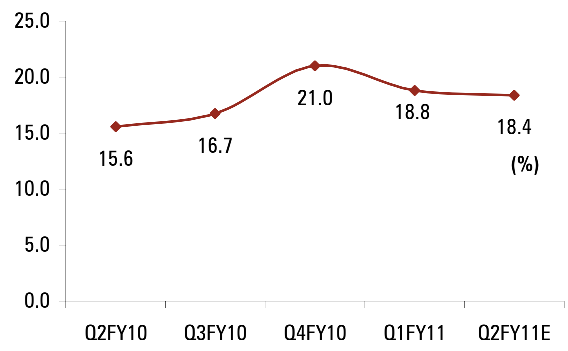
Company	Remarks
Alembic	Alembic's business model is up for restructuring subject to court approval. By de-merger of domestic formulations, international generics and the APIs business into a separate entity we see substantial value unlocking as the consolidated entity continues to bleed on the cost front on account of Pen-G
Biocon	We expect the company to post ~18% YoY sales growth on account of ~18-19% growth from the biopharma segment. On the other hand, we expect some pressure on EBITDA margins on account of higher staff cost and R&D expenses. We expect Axicorp to maintain its good showing with ~20% YoY growth
Dishman	We expect marginal revival to happen on the CRAMS front, which is expected to post ~7-8% YoY growth. A major chunk of this growth will come from Carbogen Amcis whereas Indian CRAMS is expected to register flat growth
Glenmark	We expect the key US market to register more than 20% YoY growth on account of Tarka launch (potential ~US$ 5-7 million) and also due to supply agreement with Taro Pharma. Other markets, especially LatAm and Indian formulations, are also expected to clock good growth
Indoco Remedies	We expect ~18-20% YoY sales growth on account of revival in two old divisions-Indoco and Spade. We also expect newly launched products to drive growth in the domestic business. Exports to regulated markets are also expected to register ~20-25% YoY growth
IPCA	We expect some revival in the anti-malarial segment, which was suppressed in the first quarter, mainly on account of global tenders and re-stocking of APIs by domestic formulators. Export of formulations is also expected to maintain a good growth rate. We expect YoY sales to grow by ~16-18%
Lupin	Lupin's US business is expected to carry on the growth momentum on account of aggressive generic launches and traction from the branded business after the Antara launch. Good growth from the Japanese business and Indian branded formulations will help to register ~22-25% sales growth
Piramal Healthcare	The healthcare solutions and diagnostics businesses are out and we expect some revival to happen on the pharma solutions business (global CRAMS in particular). We also expect some announcements with respect to utilisation of funds received from Abbott. Due to restructuring, numbers are not comparable
Sun Pharma	Sun's sales will get affected by stoppage of Protonix and Eloxatin, the two strong US franchises due to litigation. Overall US growth will be subdued due to these stoppages and pending Caraco issues. Domestic formulations (~18% likely growth) are expected to provide some cushion to the slowdown
Unichem Lab	Unichem's sales are expected to grow at ~13-15% mainly due to good growth in both domestic formulations and exports APIs. We expect key domestic brands to maintain the growth momentum. We also expect incremental monetisation from the 12 approved APIs filed with EDQM

Source: Company, ICICIdirect.com Research

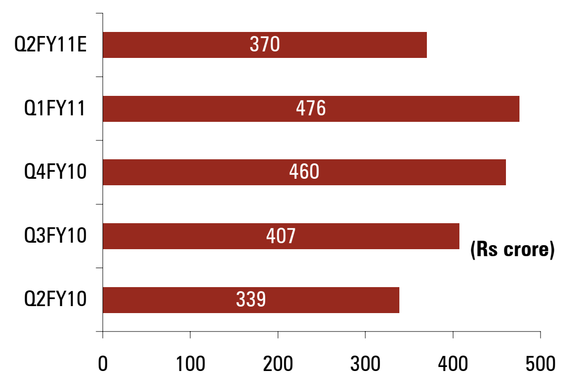
Topline performance (Coverage universe)



Margin (Coverage universe)



Bottomline (Coverage universe)



Top pick of the sector

PSL Limited
Welspun Gujarat

Analyst

Pankaj Pandey
pankaj.pandey@icicisecurities.com

Goutam Chakraborty
goutam.chakraborty@icicisecurities.com

Neeraj Lodha
neeraj.lodha@icicisecurities.com

Pipes

Subdued performance expected

The overall topline of pipe companies under our coverage universe is likely to dip by ~10% YoY mainly due to subdued volume growth and lack of order flow for the year. The bottomline is also likely to remain under pressure, thereby resulting in a YoY decline by ~7% on the back of higher raw material prices. Man Industries and Maharashtra Seamless are, however, expected to report healthy YoY profit growth. This is on the back of improved realisations due to higher prices and accretive order flows in the last few quarters.

Order visibility remains a concern

The order backlog of major pipe companies continued to lag behind on account of lack of additions in the past few quarters from the oil & gas industry. However, due to a pick-up in the North American pipeline projects and renewed activity in the Middle East region, the export market is likely to remain strong in terms of demand. Also, domestic demand from major oil & gas majors due to several projects in the pipeline like city gas distribution and Iran pipeline project may see orders flowing in a couple of quarters.

Exhibit 37: Company specific view

Company	Remarks
Jindal Saw	The performance in Q2FY11E is likely to remain subdued both YoY as well as QoQ on the back of lower sales volume. This has been due to a delay in project announcement by oil & gas companies during the quarter
Maharashtra Seamless	No major surprise is expected in Q2FY11E. The overall performance is likely to remain steady. Except YoY growth in PAT, all other parameters are expected to show a decline both YoY and QoQ. Margins are likely to remain steady
Man Industries	Margin compression due to higher raw material costs and lack of new orders is expected to put pressure on the profitability of the company in Q2FY11E. We expect total welded pipe sales of 60,000 tonnes during this quarter
PSL Ltd.	The company is likely to post stable numbers for Q2FY11E. Revenue, EBITDA and PAT, however, are likely to decline both YoY and QoQ due to a rise in raw material costs. The EBITDA margin is likely to fall by ~100 bps QoQ. The company in Q2 got an additional order of Rs 565 crore
Welspun Gujarat	The company is likely to see some margin contraction in the current fiscal due to higher raw material costs. The current order book, however, remained robust at ~US$1.2 billion. The EBITDA/tonne is likely to remain in the range of Rs 10500-11000

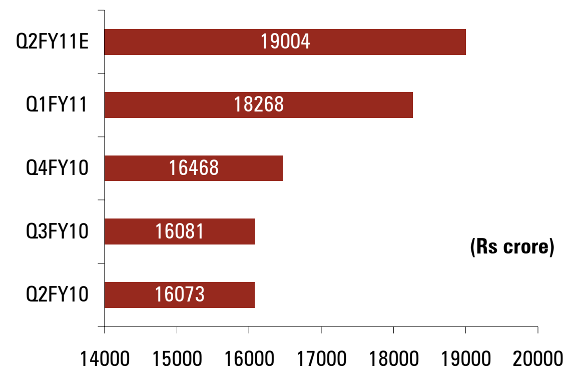
Source: Company , ICICIdirect.com Research

Exhibit 38: Estimates for Q2FY11E: Pipes (Rs Crore)

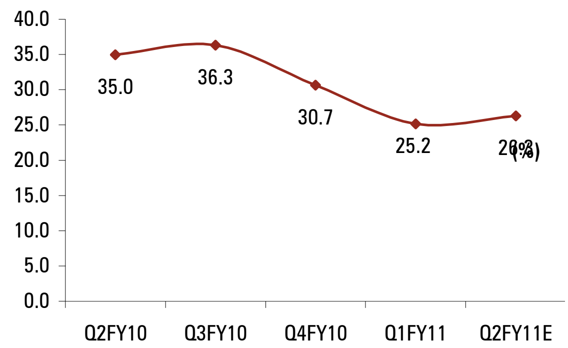
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Jindal SAW	1,021.3	-25.5	-10.0	212.9	-15.7	-15.4	115.5	-21.1	-23.6
Mah. Seamless	383.7	-6.4	-3.6	91.5	-14.7	-6.3	81.8	15.0	-18.6
Man Industries	317.5	2.3	-4.6	42.1	89.1	-18.0	18.3	484.1	-17.5
PSL Limited	780.1	31.4	-10.3	80.8	17.9	-17.0	16.9	-21.8	-18.3
Welspun	1,854.1	-14.7	-23.4	307.7	-15.2	-18.6	145.0	-12.2	-23.9
Total	**4,356.7**	**-10.3**	**-15.5**	**735.1**	**-9.7**	**-16.1**	**377.5**	**-7.3**	**-22.2**

Source: Company, ICICIdirect.com Research

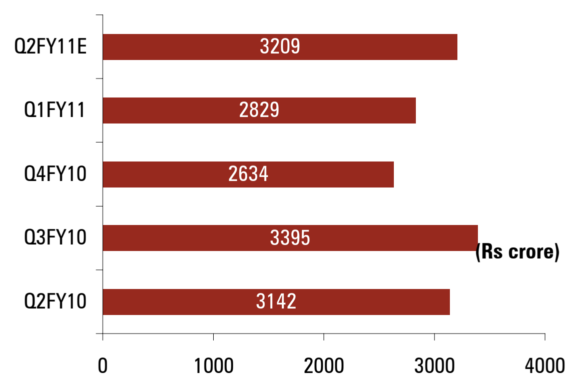
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

NTPC
PTC India Ltd

Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Darshan Dodhia
Darshan.dodhia@icicisecurities.com

Power

Under achievement of generation and capacity addition continues

In YTDFY11 (April-August 2010), aggregate incremental capacity generation has been at 4193 MW (19.6% of yearly target). We believe this will make it difficult for capacity addition targets for 2010-11 to be achieved. As of now, they are pegged at 21,441 MW. The installed capacity stands at 1,64,508 MW. Till date, India has added 32,179 MW of incremental capacity from the beginning of the Eleventh Plan vs. a revised target of 62,000 MW. We believe there will be under achievement of the same on account of execution challenges relating to land acquisition, obtaining fuel linkages and other legal clearances.

Operational highlights

In YTD FY11, all-India generation was up 4.2% YoY to 329.7 billion units (BU). Out of these, all-India generation based on thermal power was up ~4% YoY. On the other hand, hydro-based generation was up ~2.7% YoY. Nuclear based generation was up 23% YoY. On the PLF front, thermal based capacities, on the whole, witnessed a decline in their PLFs by 300 bps at 73.6% in YTD FY11. Peak deficit and overall deficit for YTD FY11 stood at 13.8% and 10.4%, respectively.

Short-term prices down but steady in bilateral and UI market

Average short-term prices in Q2FY11 stood at Rs 3.05/kwh, down 42.54% YoY and QoQ (Rs 5.31/unit in Q2FY10, Q1FY11). However, the price in the bilateral market (where 52% of volume is traded) stood at Rs 4.98 /Kwh in July 2010 and on UI (36% of volume is traded) it was at Rs 4.11/Kwh.

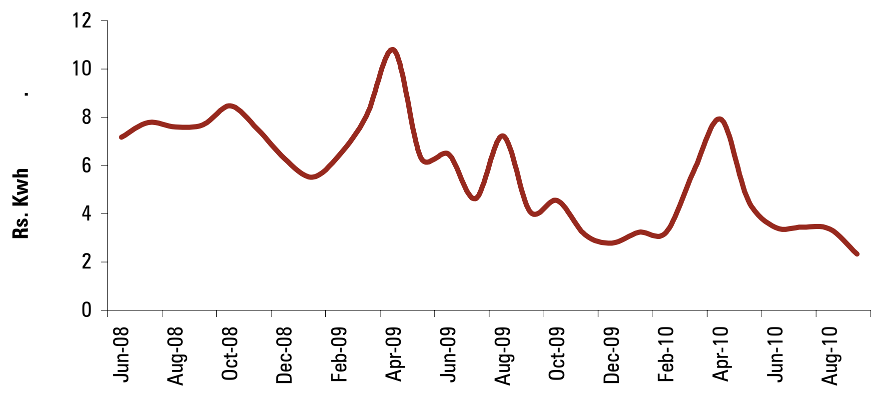
The Central Electricity Regulatory Commission (CERC) has started publishing a forward curve on bilateral power prices, adding greater transparency to merchant power pricing. According to the latest report, the forward looking curve in the OTC markets for September showed likely price transacted was ~5.28/Kwh much higher than transacted on IEX (Rs 2.33/Kwh). The forward looking curve for October–November shows the price in the bilateral market is around ~4.28/Kwh (it was 3.84/Kwh on IEX last year).

Exhibit 39: Estimates for Q2FY11E (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
GVK Power	489.2	-0.6	-0.1	153.0	1.5	21.1	32.0	-27.6	-4.1
JP Hydro	275.6	141.4	74.2	201.2	89.7	32.0	91.1	46.0	33.5
Neyveli	1,001.5	13.6	-12.6	391.4	56.0	-18.0	312.5	28.3	-6.8
NHPC	1,438.3	15.3	36.3	1,201.4	6.4	41.3	789.0	27.9	46.8
NTPC	12,006.9	11.4	-7.2	3,026.8	-23.5	1.3	1,955.7	-9.1	6.2
PTC India Ltd	3,792.4	48.4	53.3	22.9	-17.4	45.1	28.4	23.4	113.6
Total	**19,003.9**	**18.2**	**4.0**	**4,996.7**	**-11.1**	**8.4**	**3,208.6**	**2.1**	**13.4**

Source: Company, ICICIdirect.com research

Exhibit 40: Monthly generation in units (all-India basis)

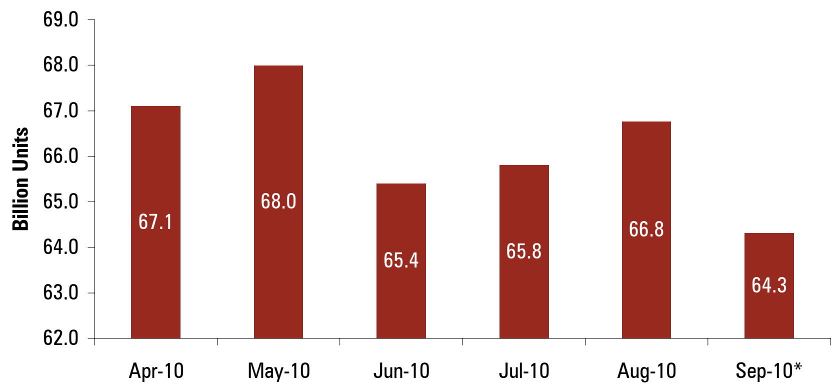


Source: CEA, ICICIdirect.com Research

** Provisional*

Short term rates declined on IEX. In September, the average realisation stood at Rs 2.33/Kwh

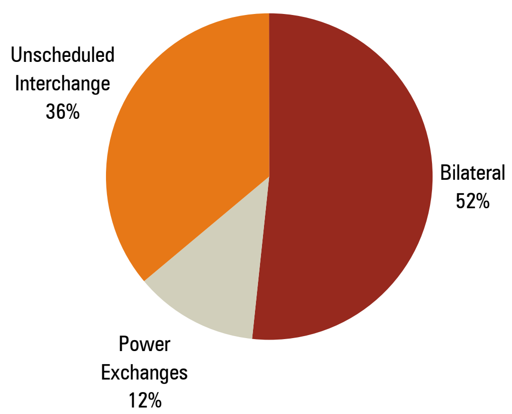
Exhibit 41: Short-term prices on IEX



Source: IEX, ICICIdirect.com Research

Bilateral and unscheduled interchange dominates the short-term power traded in India

Exhibit 42: Composition of short-term power traded in India (July 2010)



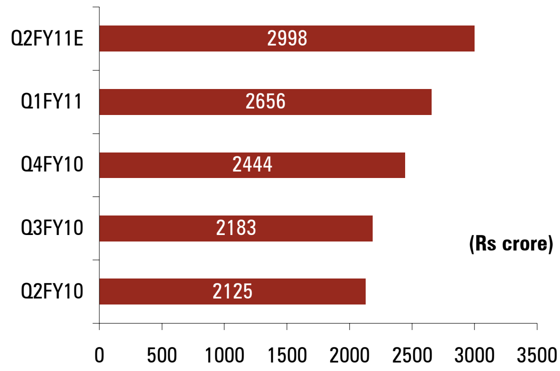
Source: CERC, ICICIdirect.com Research

Exhibit 43: Company specific view

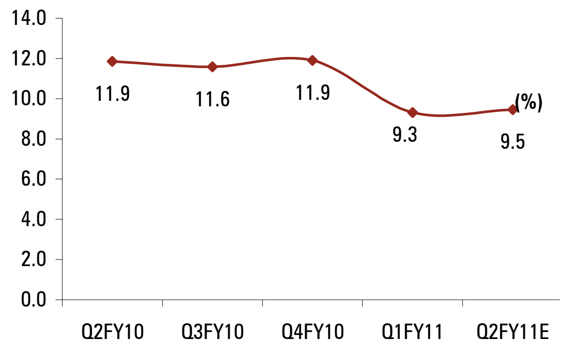
NTPC	NTPC is expected to sell ~51.03 BU in Q2FY11E, reporting a sequential decline due to lower PLF in some of the thermal stations. Generic realisation is expected to be Rs ~2.35 per unit. The company has commercialised 490 MW at Dadri. It is likely to add 3150 MW of new capacities in FY11E
NHPC	We expect the company to sell 6420 MUs during the quarter with average realisation of Rs 2.2 per unit. The company has commissioned 120 MW of power plant at Sewa in Jammu & Kashmir, which will start contributing to revenues from Q3FY11E
Neyveli Lignite	The company is expected to report a topline and bottomline growth of 13.6% and 28%, respectively, YoY. It is expected to generate ~4317 MUs as compared to 3920 MU generated in Q2FY10. We have built in a generic realisation rate of Rs 2.32/unit\
JP Hydro	We expect the company to sell 1500 MUs in Q2FY11E with average realisation of Rs 2.1 per unit. The company has a current generation capacity of 700 MW of hydropower and would commission 1000 MW of power plant in Karcham Wangtoo in 2011E
PTC India	We expect PTC to report trading volumes of 7984 MUs for Q2FY11E, implying 24.9% YoY growth. The trading margins are also expected to go up in Q2FY11E. We have built in average realisation of Rs 4.75 per unit in Q2FY11E
GVK Power	Revenues are expected to remain flattish as power plants are already running at full capacity. At the bottomline level, we expect it to decline 27.6% YoY on account of MMR expenses of Rs 11 crore in the power division

Source: Company, ICICIdirect.com Research

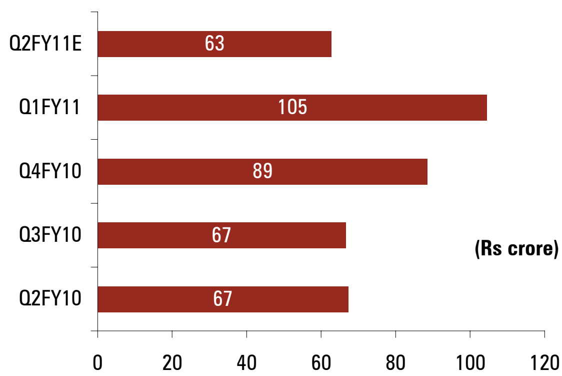
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com
Dhvani Modi
dhvani.bavishi@icicisecurities.com

Retail

Riding on economic recovery

We expect the I-direct retail universe to report a 41.1% increase in revenue on the back of healthy same store sales growth, improved revenue per sq ft and resurgence in consumer demand. We expect Pantaloon Retail to grow faster than the industry. However, lower space (YoY) and lower revenue per sq ft will lead to a dip in Koutons' revenues. We expect Pantaloon to face pressure on the operating front on account of the home solutions business.

Despite pressure on the operating margin, we expect Pantaloon Retail to report healthy bottomline growth on the back of a double digit same stores sales growth.

On the profitability front, we expect Koutons to report PAT of Rs 14.5 crore, down 38.7% YoY, owing to lower realisation and higher interest costs.

Space addition – A mixed bag

Pantaloon plans to add 2–3 million sq ft of retail space in the next two or three years. In line with these plans, we expect Pantaloon to add 0.62 million sq ft of space during June-September 2010. Koutons, on the other hand, is in a store rationalisation phase. Hence, we do not expect any addition in this quarter.

Exhibit 44: Estimates for Q1FY11E: Retail (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Koutons Retail	302.4	-13.1	87.2	54.4	-11.9	54.8	14.5	-38.7	161.5
Pantaloon	2,695.9	51.7	8.1	229.1	20.5	8.1	48.3	10.3	-51.2
Total	**2,998.3**	**41.1**	**12.9**	**283.6**	**12.6**	**14.7**	**62.8**	**-6.9**	**-39.9**

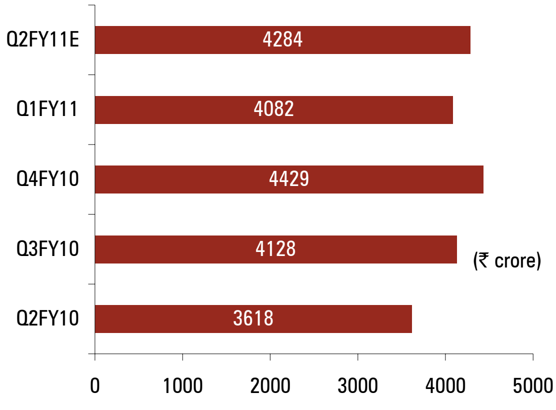
Source: Company, ICICIdirect.com research
Note: Numbers for Pantaloon Retail are not comparable on a YoY basis on account of the restructuring.

Exhibit 45: Company specific view

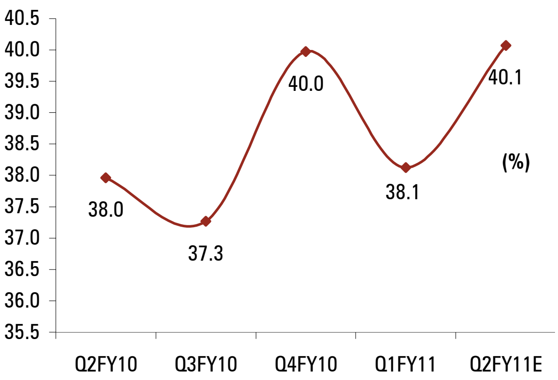
Company	Remarks
Pantaloon Retail	A double digit same store sales growth and further space addition will lead to healthy growth in PRIL's revenues. On the operating front, losses due to the home solutions business will have a negative impact on EBITDA margin
Koutons Retail	We expect a YoY dip in sales owing to 5.5% lower revenue per sq ft. Reduced discounts will lead to a marginal 20 bps increase in EBITDA margin to 18%. However, increased interest costs are likely to bring down PAT for Q2FY11

Source: Company, ICICIdirect.com Research

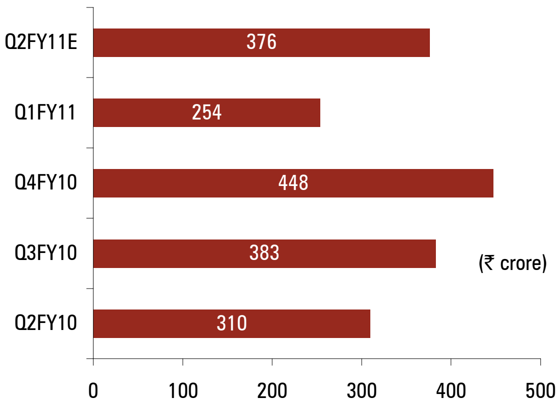
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Aban Offshore

Great Offshore

Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Jehangir Master
jehangir.master@icicisecurities.com

Shipping

- **Dry Bulk Segment – Trending down**

Dry bulk benchmark index (Baltic Dry Index) declined by 29% as Q2FY11 average for BDI was 2353 as against Q1FY11 average of 3307. Main factor contributing to decline was drop in Chinese steel production and inventory levels which has contracted from 79 mln tonnes in July 2010 to 74 mln tonnes in September 2010.

- **Tanker/Product Segment – Under pressure**

Crude tanker freight rates reported a vertical fall with vessel day rates barely managing to meet vessel operating costs. The benchmark index (Baltic Dirty Index) lost 21% with Q2FY11 average of 762 as against Q1FY11 average of 969. Product carrier rates were flat throughout the quarter and the benchmark index (Clean tanker Index) average in Q2FY11 was higher by 5% at 733 as against Q1FY11 average of 698.

- **Offshore Segment – Utilisation levels improve but vessel day rates flat**

Utilisations levels for deep offshore vessels reported improvement with drillships improving from 75% to 80% and semi-subs improving from 85% to 87% in Q2FY11. Despite moratorium on deep offshore drilling in Gulf of Mexico, drilling activities picked up pace in South America, Western Africa and Asia Pacific region. Day rates for vessels have remained flat in Q2FY11.

- **Shipbuilding Segment – Banking on order execution**

Shipbuilding companies are likely to speed up their order execution resulting in rise in revenues. But as shipyards have failed to procure new orders in the last few quarters, the order book size is shrinking with each passing quarter and the revenues are likely to peak out in the next couple of years.

- **Q2FY11E performance – Mixed Bag**

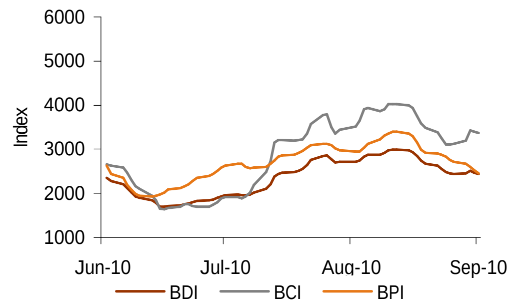
Offshore companies i.e. Aban Offshore and Great Offshore are expected to post superior results in Q2FY11 on account of improvement in utilisation levels. Shipbuilding companies i.e. ABG Shipyard and Bharati Shipyard are expected to post moderate results in Q2FY11. Shipping companies i.e. GE Shipping and Mercator Lines are expected to post subdued results in Q2FY11 on account of drop in dry and wet cargo freight rates.

Exhibit 46: Estimates for Q2FY11E: Shipping (Rs Crore)

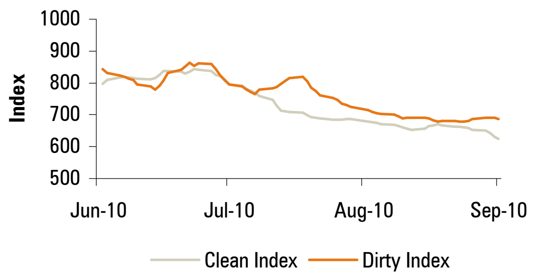
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Aban Offshore	878.3	25.0	4.3	552.6	22.0	6.2	142.3	NA	NA
ABG Shipyard	580.6	44.6	29.2	142.6	30.8	14.7	42.1	-8.2	9.6
Bharati	352.8	5.9	6.4	82.8	8.3	10.0	12.4	-62.1	-59.4
Essar	825.5	23.0	3.8	350.0	48.1	45.4	59.5	2,519.9	50.6
Garware	53.1	-1.9	9.4	27.9	22.9	43.3	10.8	69.7	97.0
GE Shipping	610.0	-8.0	-5.3	211.8	25.8	-19.0	93.9	-13.5	-45.4
Great	273.5	19.6	14.3	125.5	29.2	25.8	44.8	42.8	67.7
Mercator	541.9	33.3	-9.6	149.2	6.5	-24.7	2.1	-218.3	-96.5
Varun	168.2	6.9	27.2	74.2	5.1	336.9	-31.5	-342.1	-233.7
Total	**4,283.9**	**18.4**	**4.9**	**1,716.7**	**25.0**	**10.3**	**376.3**	**21.5**	**48.3**

Source: Company, ICICIdirect.com research

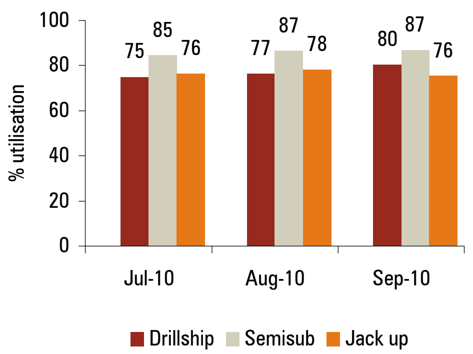
Dry Bulk Indices



Wet Cargo Indices



Offshore Utilisation Levels



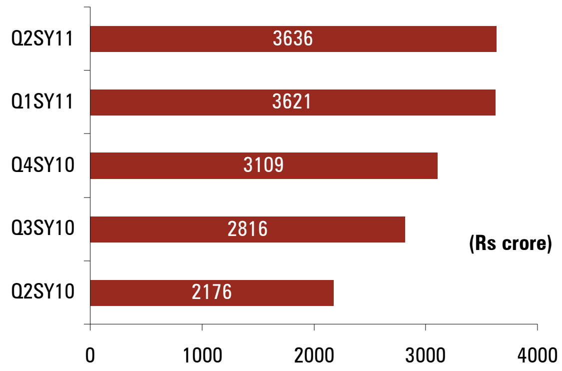
Source: Bloomberg

Exhibit 47: Company specific view

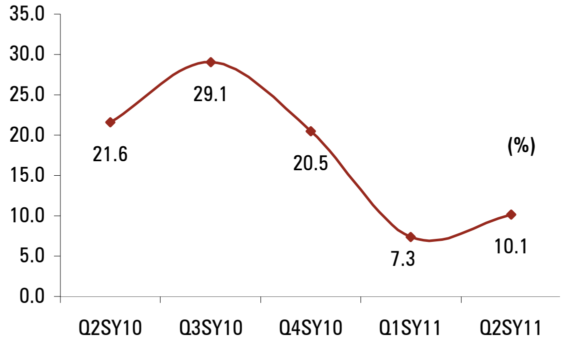
Company	Remarks
Aban Offshore	We expect a 4.3% rise in revenue on a QoQ basis along with an improvement in the operating margin to 63% from 62% in the previous quarter. The company is expected to post a net profit of Rs 142.3 crore in Q2FY11 as against a loss of Rs 143.9 crore in Q1FY11
ABG Shipyard	The topline is expected to rise 29% due to steady order execution combined with spillover of order backlog from the previous quarter. The company is likely to report an extraordinary loss of ~ Rs 25 crore due to a loss on sale of shares in Great Offshore resulting in a marginal increase in PAT in Q2FY11
Bharati Shipyard	We expect a marginal decline in the topline combined with contraction in the operating margin from 25.6% in Q1FY11 to 23.5% in Q2FY11. Net profit for the current quarter is likely to drop to Rs 12.4 crore as against Rs 22.1 crore in the previous quarter
Essar Shipping	Revenue from ocean transport & surface transport business is likely to decline due to a softening of freight rates but revenue from the port and oilfield services business is set to rise resulting in a 3.8% rise in topline on q-o-q basis. OPM and PAT are expected to report significant rise on q-o-q basis
Garware Offshore	Revenues are expected to rise on a QoQ basis along with an improvement in the operating margin. PAT is likely to be higher at Rs 10.8 crore in the current quarter as against Rs 5.5 crore in Q1FY11
GE Shipping	Revenues are expected to decline by 5.3% QoQ on account of weakness in freight rates for crude tankers, which form a major part of the company's fleet. We expect a contraction in operating margin along with a drop in PAT to Rs 93.9 crore in Q2FY11
Great Offshore	Revenues in Q2FY11 are expected to be higher by 14.3% on a QoQ basis as its drilling rig Amarnath commenced its deployment from July 2010. Operating margins are likely to expand to ~ 46% along with a rise in PAT to Rs 44.9 crore in Q2FY11
Mercator Lines	Revenues are expected to decline by 9.6% to ~ Rs 542 crore in Q2FY11 mainly on account of a decline in crude tanker freight rates, dry bulk freight rates and a drop in coal trading volumes due to monsoons. The company is expected to post a very subdued bottomline in Q2FY11
Varun Shipping	Revenues are expected to rise to Rs 168.2 crore in Q2FY11 on account of a rise in operating days with a decline in dry docking of vessels. The operating margin is also likely to expand but the company is likely to report a net loss from operations

Source: Company, ICICIdirect.com Research

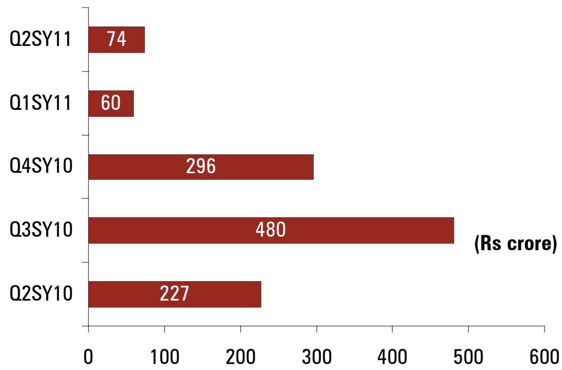
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Shree Renuka sugars

Analyst

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Parineeta Poddar
parineeta.poddar@icicisecurities.com

Sugar

Global prices recover to 24 cents

Having fallen from 30 cents/lb to as low as 13 cent/lb, global sugar prices have recovered to 25 cents/lb. This sharp recovery was led mainly by lower-than-expected Brazilian production on the back of adverse weather conditions there and a 38% increase in China's and Pakistan's sugar imports. Moreover, the crop deficit in Europe and Pakistan is also increasing import demand from these countries. Thus, we believe global sugar prices will remain firm until February 2011 as no major supplies (except India, which would be unable to export more than 1 million tonnes) will be available in the market.

Domestic prices to firm up in medium term

With the recent floods in western Uttar Pradesh (UP), sugar production in India is expected to be lower than the earlier estimate of 25 million tonnes (MT). Hence, the estimated production of UP in SY11 is 6.1 MT (down by ~10% from previous estimates of 6.8 MT). With the lowering of sugar production estimates for the country coupled with the export obligation of ~1 MT till March, 2011, we believe domestic prices would remain firm and could rule above Rs 30 per kg in the medium-term.

India to export 1 MT of sugar

The government has allowed Indian mills to export 9,67,000 tonnes of sugar before March 2011 under the Advance License Scheme (ALS). Mills can export 25% of the quantity (9,67,000 tonne) in the next three months and the rest of the quantity after November, 2010. As much as 4.5 lakh tonnes of imported raw sugar is already lying at various ports. The expected ~33% increase in sugar production in SY11 has resulted in a decline in sugar prices from Rs 40 per kg to Rs 27 per kg. We believe sugar inventory levels would remain at 4-5 MT, which would be two to three months of consumption. Hence, this would keep sugar prices firm above Rs 30/kg.

Companies to post losses in Q4SY10

With the sugar prices soaring between Oct 2009 and Jan 2010, most of the sugar mills paid more than Rs 240 per quintal in 2010. However, decline in sugar prices from the highs of Rs 42 per kg to Rs 26 per kg, (which is less than the cost of production) would result in companies posting losses in the Q4SY10. All the companies in our coverage universe (except Shree Renuka sugars) would post losses at the net level. The companies would witness considerable increase in volume as mills were holding large amount of inventories.

Exhibit 48: Estimates for Q2FY11E: Sugar (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Bajaj	907.1	118.4	26.7	117.6	-34.7	61.3	-20.8	PL	PL
Balrampur	497.5	30.9	8.9	32.2	-57.5	-30.3	-10.3	-124.1	-140.4
Dhampur	344.3	20.0	-23.3	9.9	-77.4	-162.3	-15.0	-212.5	-63.7
Shree Renuka	1,808.1	65.4	-9.6	140.7	-17.0	-13.5	64.9	-36.4	-28.1
Total	**3,557.0**	**63.5**	**-1.8**	**300.3**	**-36.0**	**12.9**	**18.8**	**-91.7**	**-68.4**

Source: Company, ICICIdirect.com research
**Q2FY11E refers to Q4SY10E*

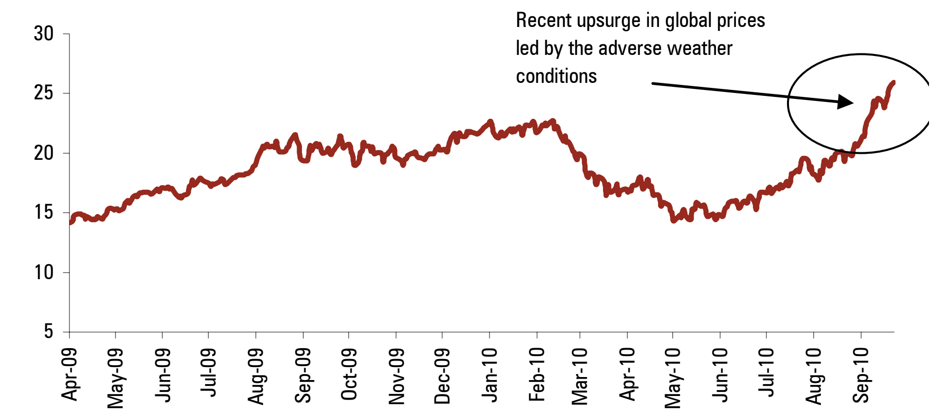
Increasing environmental concerns and rising crude prices will drive ethanol demand, subsequently pushing ethanol prices

Exhibit 49: Domestic sugar production (in million tonnes)

	SY04	SY05	SY06	SY07	SY08	SY09	SY10	SY11E
Production	13.5	12.7	19.3	28.5	26.3	14.7	18.8	25.0
Domestic consumption	17.9	18.5	19.0	21.0	22.0	22.5	23.0	23.5
Exports	0.2	0.0	1.1	1.5	4.8	0.0	0.0	1.0
Imports	0.4	2.1	0.0	0.0	0.0	3.0	4.0	0.0
Opening stock	12.3	8.1	4.4	3.6	9.6	9.1	4.3	4.1
Closing stock	8.1	4.4	3.6	9.6	9.1	4.3	4.1	5.6
Closing Stock (Months)	5.4	2.9	2.3	5.4	5.0	2.3	2.1	2.9

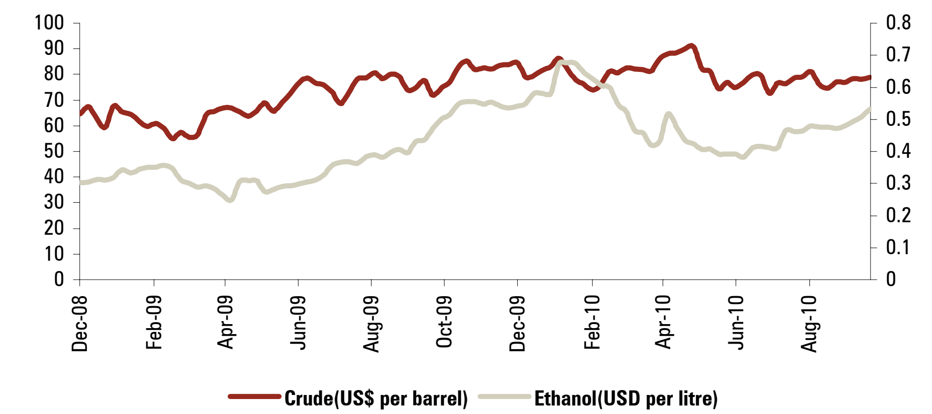
Source: Company, ICICIdirect.com Research

Exhibit 50: Global raw sugar prices (cents/lb)



Source: Bloomberg

Exhibit 51: Crude and ethanol prices



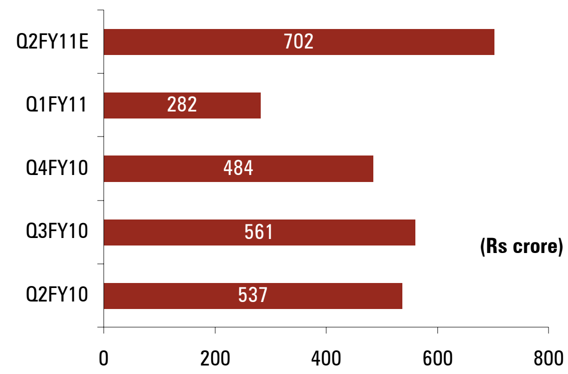
Source: Bloomberg

Exhibit 52: Company specific view

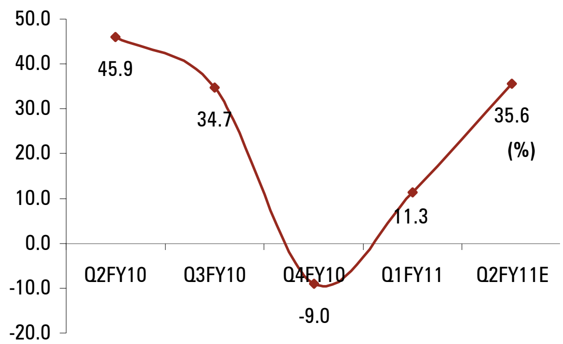
Company	Remarks
Shree Renuka Sugars	We expect the company to sell 5,30,000 tonnes (including trading volume) at an average realisation of Rs 26 per kg. We believe major volume growth would be contributed by VDI and Equipav. Moreover, soaring global sugar prices would result in a 17.7% growth in earnings
Balrampur Chini	The company would be able to sell 1.7 lakh tonnes of sugar at an average price of Rs 26 per kg. The lower realisations and higher cane prices, paid earlier this year, would result in loss at net level. However, revenues from distillery & power would offset the losses from sugar at the EBITDA level
Bajaj Hindustan	We expect the company to sell 3,70,000 tonnes of sugar this quarter. The large amount of inventory with the company due to imports at higher prices would result in a loss at the EBITDA level while high interest cost would result in a further dent in the bottomline
Dhampur Sugar	Dhampur would sell 1,14,000 tonnes of sugar in Q4SY10. With the cost of production higher than average realisation, we expect the company to post a net loss of Rs 15 crore. We believe de-control measures by the government would result in sustained earnings visibility, going forward

Source: Company, ICICIdirect.com Research

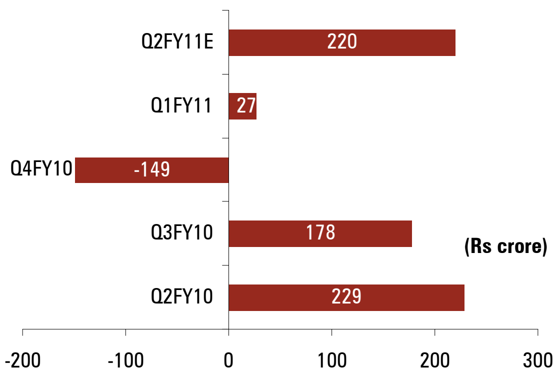
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

McLeod Russel
Jayshree Tea

Analyst

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Parineeta Poddar
parineeta.poddar@icicisecurities.com

Tea

Global production recovers

Global tea production recovered in the first half of the year. Production in Kenya rose to 260 million kg between January-August from 182 million kg in the same period last year and is expected to be anywhere above 350 million kg by year end. However, demand from the Chinese markets and destruction of the crop in India supported Kenya's tea prices (benchmark global prices) between Jan-Aug 2010. The average price for all grades at the tea auction in Mombassa was also up at $2.75 per kg from $2.57 last year.

Indian production remains flat in January-July

Tea production in India between Jan-May has remained same as last year. However, a significant decline in production in May-June destroyed high quality tea in North India though the good monsoon in September would marginally recover the production in Oct-Nov. We believe production in FY11 will be down by ~15 million kg and fall to ~965 million kg resulting in higher realisations during the year but impacting volumes. Production of Darjeeling Tea (premium quality tea) has declined by 10% in H1FY10 due to erratic weather in North India resulting in a spike in Darjeeling tea prices to Rs 290 per kg from Rs 250 per kg in 2009. However, meeting export demand (that generate higher prices) has suffered a setback.

Tea exports up 15% in January-July

Strong demand from the Middle East region and a price increase in Sri Lanka pushed India's tea exports up by 15% to 107.2 million kg. We believe Indian tea exports will be around 200 million kg in FY11. Export realisations have gone down to Rs 136 per kg due to higher production in Kenya. With the recent shortfall in production of Darjeeling tea, meeting export demand would be a concern.

Exhibit 53: Estimates for Q2FY11E: Tea (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Harrison	93.3	10.7	22.2	6.3	-14.0	NA	3.6	13.0	LP
Jayshree Tea	182.6	67.0	119.2	45.3	41.3	232.3	34.9	5.3	196.7
Mcleod	426.1	24.0	248.2	198.6	-4.3	994.3	181.2	-5.7	864.7
Total	**702.0**	**30.6**	**148.9**	**250.1**	**1.3**	**683.0**	**219.8**	**-3.8**	**724.2**

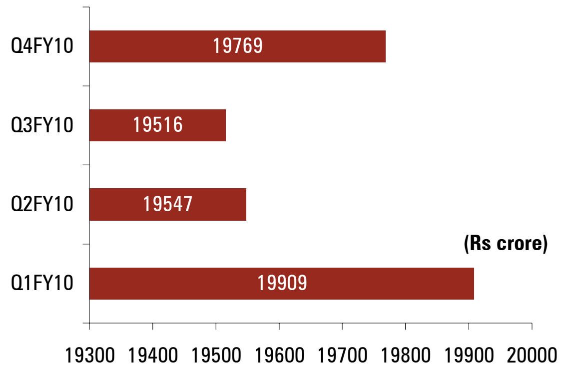
Source: Company, ICICIdirect.com research

Exhibit 54: Company specific view

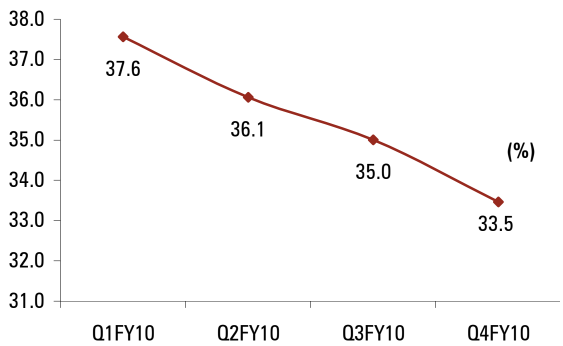
Company	Remarks
Harrison Malayalam	Harrison is expected to sell ~5.7 million kg of tea during the quarter at an average realisation of Rs 75 per kg and 2900 tonnes of rubber at Rs 170 per kg. Rising rubber prices would provide a cushion against falling tea prices of South India. We believe sales would post ~10% increase YoY & PAT will grow 13% YoY
Jayshree Tea	Rising production concerns of tea gardens in North India would impact the sales volume. However, realisations could be higher. We expect the company to sell ~10 million kg of tea at Rs 148 per kg (average). Driven by higher prices, sales are expected to post ~67% YoY growth with healthy margin growth of ~40%
McLeod Russel	Backed by higher tea prices but lower volumes, denting exports sales, we believe the company's topline should post ~24% YoY growth though maintaining margins would be a concern. The company's sales by volume should be ~31 million kg at an average rate of Rs 140 per kg

Source: Company, ICICIdirect.com Research

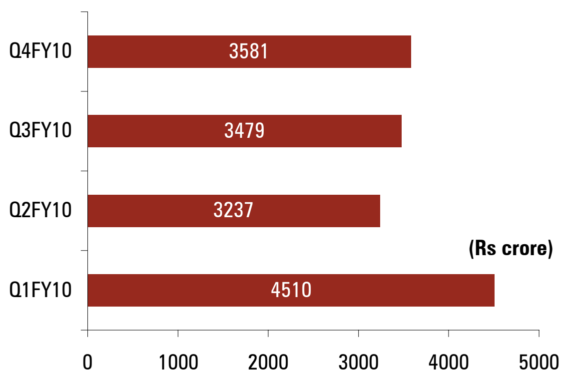
Topline performance (Coverage universe)



Margin (Coverage universe)



Bottomline (Coverage universe)



Top pick of sector

Bharti Airtel
Tulip Telecom

Analyst

Karan Mittal
karan.mittal@icicisecurities.com

Naval Seth
naval.seth@icicisecurities.com

Telecom

▪ Subsiding tariff wars

Telecom operators have not introduced dynamically new plans or lower tariffs in this quarter. Though two new operators launched services in the last quarter, we did not witness a major decline in tariffs. In this quarter, we expect the decline in ARPU led by competition to subside. However, historically the second quarter has been a weaker one with lower MoUs. Hence, we may witness some pressure on margins. The overall subscriber addition for the quarter is expected to be 49.4 million resulting in a mobile subscriber base of 678.6 million.

▪ MoU to remain weak due to seasonality

The second quarter is generally weak for telecom operators resulting in lower MoU. We expect the MoU to fall 3-3.5% across operators. However, TTML changed their reporting structure last quarter from total subscribers to active subscribers, resulting in higher key metrics. Other operators may also follow suit in this quarter. ARPU is expected to decline 2–3% for Bharti Airtel and Idea Cellular while it may decline 4–5% for RCom and TTML. The ARPM is expected to hover around 42–44 paisa for all operators.

▪ Margin to remain under pressure

With lower MoUs and 3G rollout related expense, telecom operators are expected to witness a decline in margins. EBITDA margin of the ICICIdirect.com telecom universe is expected to contract by about 321 bps. Of this, about 238 bps is due to sale of tower assets related one time revenue booked by TTML in last quarter. We expect the African operations of Bharti Airtel to post better margins as the last quarter had one-time acquisition related expense of Rs 91.9 crore.

▪ PAT to show mixed trend

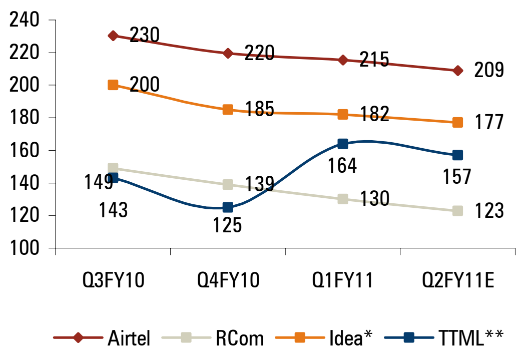
Rising interest cost on account of 3G related debt is expected to weigh on the bottomline. We expect our telecom universe to post a 23.5% QoQ decline. The steep decline is primarily due to one-time inflow of Rs 834 crore in Q1FY11 for TTML. We have taken lower interest outgo for RCom as compared to the last quarter. If the company shows forex gain, our estimates may vary.

Exhibit 55: Estimates for Q2FY11E: (Telecom) (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Bharti Airtel	15,479.4	57.2	26.6	5,379.4	29.9	21.9	1,796.1	-22.6	6.8
Idea Cellular	3,802.7	27.9	4.1	874.8	8.1	-1.5	116.8	-46.9	-42.0
OnMobile	134.7	24.0	8.8	33.5	148.1	18.1	22.1	124.0	23.9
Reliance	5,163.0	-6.1	1.9	1,572.9	-13.3	-1.2	274.4	-62.9	9.4
Tanla	117.4	31.5	6.3	36.3	22.1	6.3	15.4	46.4	5.5
TTML	565.0	4.1	-59.5	117.3	2.6	-87.7	-161.1	NA	NA
Tulip Telecom	550.8	12.2	4.9	146.8	15.8	3.6	70.6	36.4	10.1
Total	**25,812.9**	**32.1**	**11.7**	**8,161.0**	**15.8**	**1.4**	**2,134.3**	**-34.1**	**-23.5**

Source: Company, ICICIdirect.com Research

ARPU expectation



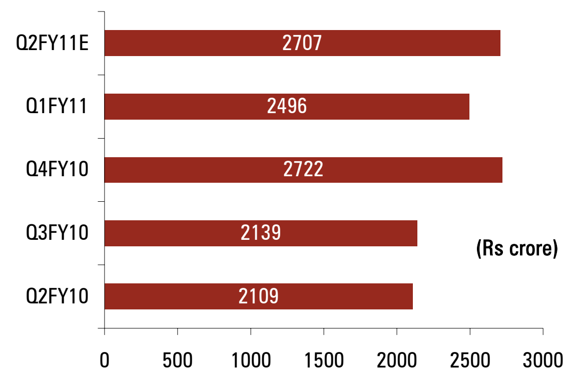
** From Q1FY11 includes 100% of Spice Communication*
*** From Q1FY11 ARPU based on active subscribers*

Exhibit 56: Company specific view

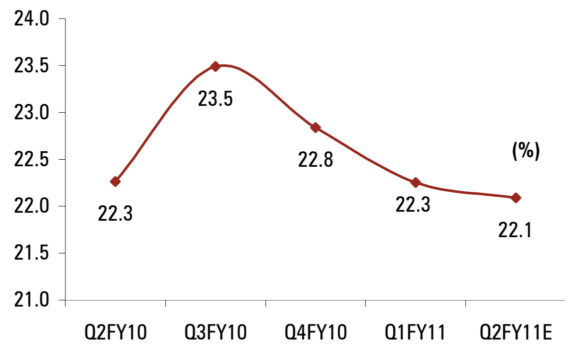
Company	Remarks
Bharti Airtel	Margins would be under pressure in India while they would expand in Africa. India APRU would fall 3.0% to Rs 209 while that of Africa would remain stable. Airtel would add 7.1 mn subs in India & SA and 1.8 mn subscribers in Africa. Telemedia, enterprise & passive infra biz would grow by a moderate 3-4% QoQ
Idea Cellular	With strain on MoUs, revenue growth would be muted and margins would be under pressure. Also, interest cost pertaining to 3G related debt would pull down the PAT margin. ARPU is expected decline 2.7% to Rs 177. MoU would decline by 3.0% to 403 while ARPM is expected to decline to 44 paisa
OnMobile	OnMobile is expected to have launched services in more countries with Vodafone and Telefonica. Revenue from these operators is expected to flow in this quarter. However, domestic operations would remain under pressure as the telecom space is witnessing intense competitive activity
Reliance Comm.	RCom would add 6.6 million subscribers. ARPU would fall 5% to Rs 128 while MoU would decline 3% to 286 and ARPM to 43 paisa. If it continues to prune free minutes on its network there may be a steeper fall in MoUs. The broadband segment is expected to remain stagnant while global segment would post 3% QoQ growth
Tanla Solutions	The company's performance has been inconsistent over the past few quarters. Though the overall scenario looks good, due to a lack of clarity on operational performance, Tanla Solution is under review. We would revisit our estimates when further clarity emerges
TTML	Subscriber addition is expected to fall further in this quarter with 0.6 million new subscribers in this quarter. ARPU is expected to fall 4.3% to Rs 157 (for active subscriber base) while MoU would decline 3.5% to 371. ARPM is expected to fall to 42 paisa. Wireless business would post marginal growth
Tulip Telecom	Better realisation coupled with higher client addition on the fibre optic network would aid handsome revenue growth. Tulip has also won a couple of orders during the quarter. Revenues from that are expected to kick in by the end of FY11E

Source: Company, ICICIdirect.com Research

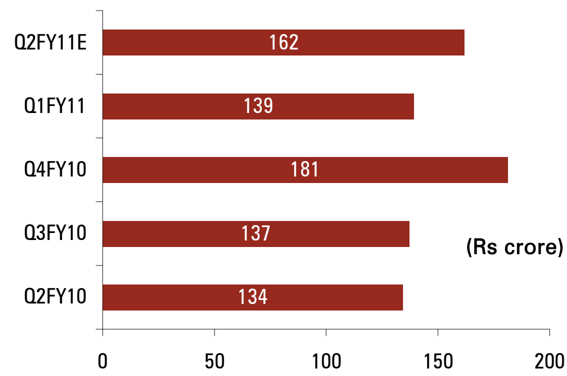
Topline performance (Coverage universe)



Margin movement (Coverage universe)



Bottomline performance (Coverage universe)



Top picks of the sector

Bombay Rayon Fashions

Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com
Dhvani Modi
dhvani.bavishi@icicisecurities.com

Textile

- **Healthy demand**

  A revival in the domestic economy, climatic issues in Pakistan and reduced competitiveness of Chinese players have led to increased demand for Indian textile products. We expect the I-direct universe revenues to register 28% YoY growth led by a strong 35%+ growth in Alok Industries and Bombay Rayon Fashions.

- **Margin to slip marginally sequentially**

  International and domestic cotton prices have increased by ~16-20% over the last quarter. We expect the I-direct textile universe to face marginal pressure on the operating front and post a 20 bps QoQ dip in the EBITDA margin. However, increased cotton production on account of increased acreage in key states coupled with enhanced yields on the back of good monsoons will cap further appreciation in cotton prices.

- **Increase in manmade fibre prices higher than feedstock prices**

  Manmade fibre players are likely to witness lower pressure on operating margins as feedstock prices have increased at a slower pace as compared to the increase in POY and PSF prices.

Exhibit 57: Estimates for Q1FY11E: Textiles (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Alok Industries	1,316.0	35.0	19.7	368.5	26.7	12.8	64.9	13.9	39.5
Bombay Rayon	524.3	35.7	4.3	134.3	46.2	4.7	54.9	33.9	5.3
JBF Industries	804.2	16.5	-5.3	77.4	9.7	-11.5	29.6	19.4	-6.2
Kewal Kiran	62.9	9.3	38.5	17.9	9.8	37.7	12.5	8.6	40.0
Total	**2,707.3**	**28.4**	**8.5**	**598.1**	**27.4**	**7.7**	**162.0**	**20.6**	**16.3**

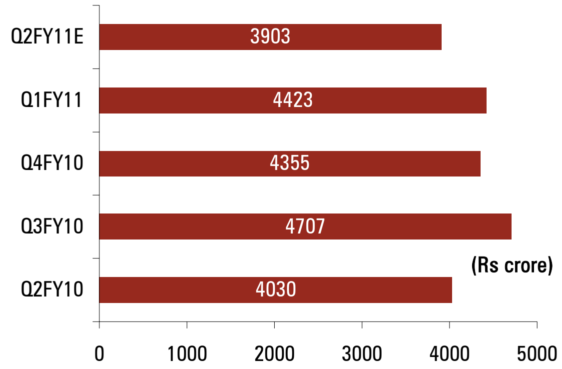
Source: Company, ICICIdirect.com Research

Exhibit 58: Company specific view

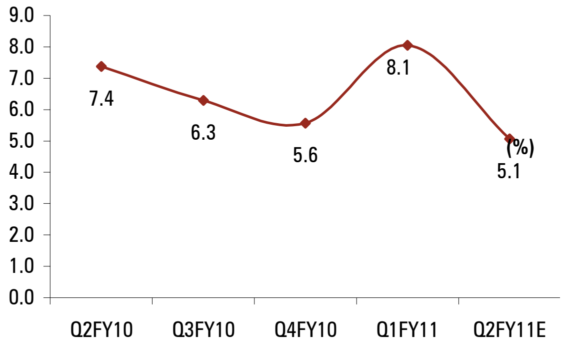
Company	Remarks
Alok Industries	We expect a 35% YoY increase in revenues on the back of increased volumes coming in from additional capacities. On account of an unprecedented increase in cotton prices we expect pressure on operating margins. We expect a 180 bps decline in the EBITDA margin to 28%
Bombay Rayon Fashions	Bombay Rayon is expected to improve upon its all-time high revenue and profitability reported in Q1FY11 on the back of increased capacity utilisation and stable EBITDA margin of 25.5%
JBF Industries	YoY volume growth in polyester chips (10%) and 6% growth in average realisation would lead to JBF's revenue increasing by 16%. We expect the EBITDA margin to decline by 60bps to 9.6%
Kewal Kiran	An improved domestic demand scenario would enable Kewal Kiran to report 9% YoY revenue growth on the back of increased volumes. We expect average realisation to increase by 5% to Rs 680

Source: Company, ICICIdirect.com Research

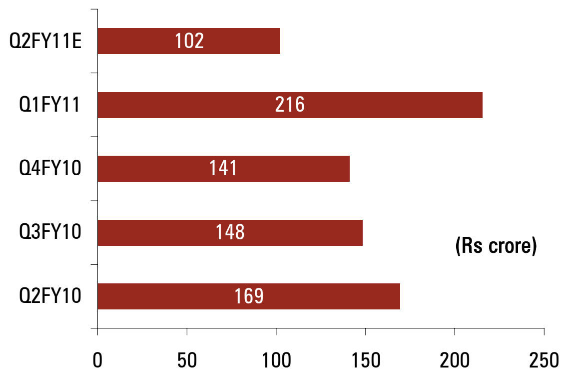
Topline performance (Coverage universe)



Margin (Coverage universe)



Bottomline (Coverage universe)



Top pick of sector

Analyst

Karan Mittal
karan.mittal@icicisecurities.com

Naval Seth
naval.seth@icicisecurities.com

Sanjay Manyal
sanjay.manyal@icicisecurities.com

Parineeta Poddar
parineeta.poddar@icicisecurities.com

Nishant Vass
nishant.vass@icicisecurities.com

Others

Exhibit 59: Company specific view

Company	Remarks
Bartronics	The management has indicated a revenue guidance of Rs 1400 crore for FY11E, which we expect is not achievable. The stock has also underperformed due to consistent pledging of shares by promoters. The promoters have pledged 65.3% of their holdings at the end of Q1FY11
Everest Kanto	With crude prices rising to ~$80, increasing environmental awareness across the world and government's aggressive plan of city gas distribution, the demand for CNG cylinder would witness strong growth improving the company's revenue visibility. We expect 25% growth in revenue in the quarter
InfoEdge	On the back of an improvement in hiring from IT/ITeS, revenues are expected to grow 19.8% YoY. The Naukri job speak index improved by 23% in July 2010 as compared to the same period a year ago. Margins are expected to improve by 177 bps YoY
Nitco Limited	With the revival in the realty sector during H1FY11, we believe the company would witness a revival in sales with topline growth of ~52% YoY. Margins are also expected to show an improvement from losses made in the previous quarters with the bottomline growing at ~71% QoQ
Nitin Fire	We believe that the company's international operations would continue to drive its topline growth estimated to grow by ~56% YoY. Also, the growing demand for CNG cylinders in international markets would result in a robust growth in revenues and help to sustain margin
Opto Circuits	We expect Opto Circuit to report revenue growth of ~ 20-25% YoY and profit growth of ~ 32-35% YoY. The improvement in performance will be primarily due to newly launched products and lower interest cost on the back of debt reduction. However, EBITDA margins are expected to contract 170 bps YoY
Praj Industries	Complete implementation of 5% blending would increase the demand for ethanol to 1000 million litres. However, a major expansion in distilleries would only come after 10% mandatory blending. The order book of the company has remained stagnant at Rs 700 crore, which is a big concern for future growth

Source: Company, ICICIdirect.com Research

Exhibit 60: Estimates for Q1FY11E: Others (Rs Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ	Q2FY11E	YoY	QoQ
Bartronics	224.0	28.1	37.6	66.3	22.4	54.8	29.0	-17.6	28.8
Everest Kanto	182.4	25.8	32.1	52.2	195.2	LP	17.5	LP	LP
InfoEdge	67.3	19.8	2.2	19.4	27.7	-5.3	18.1	22.7	4.7
Nitco Limited	123.1	51.8	-2.7	8.2	LP	-33.0	2.1	LP	71.0
Nitin Fire	90.9	56.1	1.3	18.4	109.6	43.4	11.2	69.7	15.9
Opto Circuits	145.2	20.4	13.9	61.0	16.2	12.1	51.9	34.0	-8.9
Praj Industries	137.0	-31.8	46.2	27.1	-33.8	211.7	22.2	-44.0	114.2
Total	**969.8**	**15.9**	**20.6**	**252.4**	**34.1**	**57.9**	**151.9**	**25.5**	**29.5**

Source: Company, ICICIdirect.com Research

Research ICICI direct.com It's Advice, Not Adventure

ICICIdirect.com Coverage Universe

Exhibit 61: Valuation Matrix

Sector / Company	CMP (Rs)	TP(Rs)	Ratings	M Cap (Rs Cr)	EPS (Rs) FY10E	EPS (Rs) FY11E	EPS (Rs) FY12E	P/E (x) FY10E	P/E (x) FY11E	P/E (x) FY12E	EV/EBITDA (x) FY10E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E	RoCE (%) FY10E	RoCE (%) FY11E	RoCE (%) FY12E	RoE (%) FY10E	RoE (%) FY11E	RoE (%) FY12E
Auto & Auto ancillary																			
Apollo Tyre (APOTYR)	82	88	Add	4,156	8.4	5.6	7.6	9.8	14.6	10.8	6.1	7.6	5.4	32.0	17.3	18.8	27.0	15.4	17.8
Automotive Axle (AUTAXL)	526	555	Add	803	31.7	42.7		16.6	12.3		9.6	7.0		30.4	35.0		24.7	27.0	
Bajaj Auto (BAAUTO)	1,568	1,422	Reduce	45,381	115.4	85.4	101.5	13.6	18.4	15.4	17.3	12.6	10.1	68.1	74.1	69.5	21.2	21.2	21.2
Balkrishna Industries Ltd (BALIND)	693	726	Add	1,349	108.0	96.8	132.0	6.4	7.2	5.2	4.9	6.5	5.4	32.4	22.9	22.0	36.6	25.0	26.7
Bharat Forge (BHAFOR)	370	369	Reduce	8,625	-3.5	11.1	20.0	NA	33.5	18.5	29.0	11.2	7.5	3.7	20.8	25.9	-4.3	12.3	18.5
Escorts (ESCORT)	221	235	Add	2,083	15.7	18.2		14.1	12.2		9.1	7.2		13.2	14.3		10.9	11.3	
JK Tyre & Industries (JKIND)	185	208	Buy	762	39.8	39.7	51.9	4.7	4.7		3.8	4.2		20.0	18.0	18.6	25.9	20.9	21.9
Mahindra & Mahindra (MAHMAH)	725	764	Add	42,125	36.9	43.2	47.6	19.7	16.8	15.3	14.7	12.5	11.1	29.8	25.2	25.2	31.3	24.5	22.3
Maruti Suzuki India (MARUTI)	1,490	1,627	Add	43,052	86.4	87.0	108.5	17.2	17.1	13.7	11.2	11.2	8.7	31.9	25.6	27.6	23.1	18.9	19.6
Subros (SUBROS)	51	54	Add	306	4.6	5.3	8.3	11.0	9.7	6.2	4.3	4.0	2.2	18.1	18.1	22.1	13.8	13.8	19.4
Tata Motors (TELCO)	1,129	1,218	Add	62,047	39.3	48.4	55.1	28.8	23.3	20.5	19.0	20.7	19.2	12.9	14.0	13.0	16.5	17.4	17.6
Aviation																			
Jet Airways (JETAIR)	821	850	Add	7,055	-53.6	2.9	65.6	NA	282.0	12.5	19.5	15.2	9.0	0.2	1.4	4.7	-23.9	1.2	23.7
Kingfisher Airlines (DECAVI)	80	71	Sell	2,129	-61.9	-31.4	-16.4	NA	NA	NA	-10.1	-45.8	58.2	-36.5	-15.5	-3.2	NM	NM	NM
SpiceJet (MODLUF)	78	80	Add	2,999	4.4	5.9	7.8	17.8	13.2	10.0	41.6	12.7	7.3	62.6	59.6	46.1	LP	126.8	91.5
Broking																			
Edelweiss Capital (EDECAP)	59	65	Add	4,450	30.5	3.6	3.9	1.9	16.5	15.3	11.0	10.8	11.3	14.7	13.4	12.9	11.2	12.1	11.8
Indiainfoline (INDINF)	124	141	Buy	3,621	8.1	8.3	10.0	15.3	15.0	12.4	9.9	4.9	6.6	13.5	16.2	15.6	14.9	14.3	15.5
Motilal Oswal (MOTOSW)	209	224	Add	2,984	11.9	12.5	13.6	17.6	16.7	15.4	8.6	7.8	4.8	18.0	15.7	14.6	18.6	16.9	15.6
Capital Goods																			
BGR (BGRENE)	741	787	Add	5,335	27.9	38.3	49.3	26.5	19.3	15.0	15.4	10.7	8.6	23.0	25.8	26.4	31.8	33.8	33.1
Hindustan Dorr Oliver (HINDOR)	140	164	Buy	1,007	7.7	9.8	13.4	18.1	14.3	10.4	10.9	9.1	6.9	34.2	29.1	31.6	27.9	27.7	29.5
Sterlite Technologies (STEOPT)	99	125	Strong Buy	3,517	6.9	8.8	10.4	14.3	11.3	9.5	9.6	7.4	5.9	32.0	29.5	26.3	32.2	29.6	26.4
Thermax Ltd (THERMA)	824	818	Reduce	9,761	11.9	28.6	40.0	69.4	28.8	20.6	23.7	16.5	12.4	33.8	40.4	41.5	13.9	28.3	31.5
Construction																			
Simplex Infrastructure (SIMCON)	484	521	Add	2,391	24.7	31.1	39.5	19.6	15.5	12.2	8.3	6.9	5.8	12.8	14.7	17.0	13.1	14.9	16.3
Unity Infraprojects (UNIINF)	115	125	Add	851	11.7	13.5	15.5	9.8	8.5	7.4	6.3	5.1	4.5	17.6	16.4	16.5	17.6	16.4	16.2

Exhibit 62: Valuation Matrix

Sector / Company	CMP (Rs)	TP(Rs)	Ratings	M Cap (Rs Cr)	EPS (Rs) FY10E	EPS (Rs) FY11E	EPS (Rs) FY12E	P/E (x) FY10E	P/E (x) FY11E	P/E (x) FY12E	EV/EBITDA (x) FY10E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E	RoCE (%) FY10E	RoCE (%) FY11E	RoCE (%) FY12E	RoE (%) FY10E	RoE (%) FY11E	RoE (%) FY12E
Cement																			
ACC ^ (ACC)	1,031	915	Sell	19,313	85.5	69.6	70.1	12.1	14.8	14.7	7.1	8.8	7.5	32.5	22.5	21.6	26.7	19.2	17.3
Ambuja Cement ^ (GUJAMB)	142	117	Sell	21,656	8.0	8.7	10.5	17.7	16.2	13.6	10.8	9.7	7.2	27.1	25.0	27.2	20.1	19.1	19.9
Dalmia Cement (DALCEM)	55	UR	UR	448	21.9	10.6	27.9	2.5	5.2	2.0	5.2	6.9	4.5	8.9	6.3	9.8	13.1	5.9	14.4
India Cement (INDCEM)	120	108	Reduce	3,692	10.6	2.6	4.7	11.3	46.6	25.6	6.6	15.6	10.1	11.3	3.9	6.5	10.1	2.3	4.0
JK Cement (JKCEME)	170	195	Buy	1,188	32.3	20.7	24.2	5.3	8.2	7.0	4.8	5.3	6.2	17.9	11.9	11.8	22.6	12.6	13.2
JK Laxmi Cement (JKCORP)	65	77	Buy	795	19.7	3.4	9.3	3.3	19.3	7.0	2.4	6.1	4.3	17.7	4.6	9.2	23.6	4.0	10.3
Mangalam Cement (MANCEM)	163	175	Add	434	45.7	27.1	28.5	3.6	6.0	5.7	1.7	5.8	7.1	40.0	8.7	8.0	29.8	15.9	14.8
Orient Paper (ORIPAP)	61	69	Buy	1,182	8.2	9.1	12.2	7.4	6.7	5.0	5.2	3.7	2.5	22.5	22.2	26.1	22.5	20.9	23.3
Shree Cement (SHRCEM)	2,060	2,355	Buy	7,151	204.7	206.8	235.0	10.1	10.0	8.8	4.9	5.6	5.0	30.4	24.4	25.3	46.9	33.3	28.6
UltraTech Cement (ULTCEM)	1,105	954	Sell	30,193	86.8	50.3	66.1	12.7	22.0	16.7	15.2	11.9	9.0	25.4	12.7	15.2	23.6	12.7	14.5
Diversified																			
GMR Infrastructure Ltd (GMRINF)	59	63	Add	22,985	0.4	0.2	0.5	136.5	262.5	119.5	25.0	22.3	18.3	3.4	3.3	4.4	2.6	-1.3	2.9
Jaiprakash Associate (JAIASS)	135	151	Buy	28,693	4.2	4.4	5.1	32.1	30.9	26.2	15.9	14.6	12.4	10.0	9.4	10.4	12.5	11.6	12.2
FMCG																			
Asian Paints (ASIPAI)	2,701	2,890	Add	25,876	80.7	99.1	102.5	33.4	27.3	26.4				74.5	63.8	46.4	68.6	60.8	48.9
Dabur India Ltd (DABIND)	109	96	Sell	18,887	5.8	5.4	3.6	18.8	20.0	30.0	28.7	30.9	23.3	51.6	42.1	49.9	54.6	42.3	47.1
Kansai Nerolac (GOONER)	1,018	768	Sell	5,466	18.3	30.7	41.5	55.6	33.1	24.5				18.4	22.8	34.7	15.1	21.3	23.3
Marico Ltd (MARIN)	134	139	Add	8,219	3.8	4.9	6.2	35.1	27.4	21.5	22.1	19.3	14.0	35.4	40.3	52.3	44.0	43.3	43.9
Hospital																			
Apollo Hospitals (APOHOS)	516	610	Buy	6,371	22.3	28.9	39.6	23.2	17.9	13.0	23.3	17.9		7.3	10.0	11.7	7.0	8.4	11.8
Fortis Healthcare (FORHEA)	168	168	Reduce	6,793	2.2	4.0	4.5	76.9	42.1	37.2	80.1	48.7		1.4	1.8	2.8	3.3	5.9	7.2
Hotel																			
EIH (EIH)	139	155	Buy	5,458	1.7	2.5	4.2	82.1	56.0	32.9	23.2	19.0		7.2	10.1	12.2	4.8	6.7	11.9
Hotel Leela (HOTLEE)	56	55	Reduce	2,168	1.1	2.0	3.0	51.5	28.4	19.0	36.9	23.6		1.6	3.1	4.4	2.0	3.3	4.9
Indian Hotel (INDHOT)	103	118	Buy	7,419	-2.7	3.5	5.3	NA	29.7	19.4	29.9	14.4	10.8	2.6	7.6	10.4	-6.4	7.5	11.4
Kamat Hotels (KAMHOT)	143	180	Strong Buy	215	-6.2	4.1	10.6	NA	34.5	13.5	17.7	10.3		5.6	9.0	10.5	-5.2	3.4	8.7
Royal Orchid Hotel (ROYORC)	82	98	Buy	223	2.6	3.7	5.4	32.0	22.2	15.0	13.8	13.3	10.9	2.8	4.1	5.0	3.3	4.7	6.7
Taj GVK Hotels (TAJGVK)	167	186	Buy	1,049	5.8	7.1	9.3	28.9	23.5	18.0	13.5	12.5	10.2	10.5	9.8	0.1	12.4	13.2	0.2
Viceroy Hotels (PALHEI)	49	57	Buy	208	0.3	1.1	2.2	184.0	45.8	22.6	33.1	22.9	18.5	1.7	2.3	3.0	0.5	1.8	3.6

Exhibit 63: Valuation Matrix

Sector / Company	CMP (Rs)	TP(Rs)	Ratings	M Cap (Rs Cr)	EPS (Rs) FY10E	EPS (Rs) FY11E	EPS (Rs) FY12E	P/E (x) FY10E	P/E (x) FY11E	P/E (x) FY12E	EV/EBITDA (x) FY10E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E	RoCE (%) FY10E	RoCE (%) FY11E	RoCE (%) FY12E	RoE (%) FY10E	RoE (%) FY11E	RoE (%) FY12E
IT																			
HCL Tech* (HCLTEC)	430	446	Add	29,264	18.9	24.8	31.9	22.7	17.3	13.5	11.5	10.0	7.6	15.6	14.9	16.7	20.2	22.5	23.8
ICSA (INNCOM)	133	150	Buy	631	25.2	25.3	29.7	5.3	5.2	4.5	4.7	4.2	3.7	17.2	18.2	18.8	18.3	15.6	15.5
Infosys (INFTEC)	3,053	3,150	Add	174,475	109.5	116.8	143.3	27.9	26.1	21.3	20.4	18.0	14.8	30.2	29.6	31.3	22.9	21.1	22.5
Mastek (MASTEK)	248	223	Reduce	665	25.2	4.8	14.0	9.9	51.4	17.8	5.8	12.9	6.6	10.4	4.8	6.6	12.8	5.6	6.4
NIIT Ltd. (NIIT)	68	77	Buy	1,118	4.3	5.5	6.6	15.9	12.3	10.3	7.9	6.7	5.3	18.0	18.5	20.6	14.2	16.8	18.0
Patni Computers (PATCOM)	447	516	Buy	5,849	41.6	40.6	42.7	10.7	11.0	10.5	5.5	4.3	3.3	13.0	12.6	11.9	14.0	12.1	11.4
Rolta* (ROLIND)	169	209	Strong Buy	2,727	15.9	18.3	23.2	10.7	9.3	7.3	5.1	4.1	3.4	12.9	14.5	16.6	17.0	17.7	19.0
TCS (TCS)	949	960	Add	185,770	35.1	40.4	46.0	27.0	23.5	20.6	20.4	17.1	14.5	42.2	38.2	35.3	37.4	33.2	30.0
Tech Mahindra (TECMAH)	764	790	Add	9,629	53.6	49.9	48.8	14.2	15.3	15.6	9.1	11.6	10.2	27.3	20.1	19.9	25.3	21.4	17.5
Wipro (WIPRO)	458	472	Add	112,198	31.4	988.1	994.2	14.6	0.5	0.5	18.7	15.2	12.8	22.4	21.4	21.6	26.5	24.8	22.8
Logistics																			
Allcargo Global (ALLGLO)	160	188	Buy	2,077	10.4	10.2	13.4	15.3	15.6	11.9	10.0	8.2	6.3	16.2	15.6	17.3	13.2	11.0	12.7
Container Corporation (CONCOR)	1,324	1,301	Reduce	17,129	60.5	63.9	74.3	21.9	20.7	17.8	15.7	14.6	12.2	22.1	20.4	20.6	18.1	16.7	16.8
Gateway Distriparks (GATDIS)	119	126	Add	1,286	7.3	7.1	8.1	16.2	16.8	14.7	10.3	9.8	8.8	11.4	11.8	12.6	13.0	11.7	12.6
Sanghvi Movers (SANMOV)	183	198	Add	797	20.9	23.4	24.7	8.8	7.8	7.4	5.0	4.5	3.9	19.6	18.8	18.1	19.3	18.1	16.4
Transport Corp (TRACOR)	140	137	Reduce	1,022	5.9	7.4	8.3	23.7	19.0	17.0	11.5	10.3	9.2	14.0	14.7	14.6	13.3	14.4	14.1
Media																			
Cinemax (CININD)	62	67	Add	173	6.1	3.8	4.8	10.2	16.3	12.8	9.6	9.2	7.2	7.2	6.5	7.9	10.2	6.0	7.1
DB Corp (DBCORP)	276	279	Add	4,996	10.1	12.9	14.7	27.4	21.4	18.8	12.3	10.1	8.9	31.5	31.1	30.5	28.2	26.8	23.6
Deccan Chronicle (DECCHR)	136	157	Buy	3,293	9.5	13.0	15.6	14.4	10.4	8.7	7.9	6.3	4.9	20.1	23.2	24.5	19.1	22.1	22.0
DISH TV (DISHTV)	55	64	Buy	11,813	-2.5	-1.8	-0.9	NA	NA	NA	89.0	36.3	19.6	-9.0	-5.6	-1.7	-17.2	-10.1	-4.7
Entertainment Network (ENTNET)	237	268	Buy	1,131	-3.2	7.6	11.9	NA	31.1	19.9	75.6	42.7	34.1	-2.1	8.5	10.6	-4.3	9.2	12.7
HT Media (HTMED)	165	176	Add	3,907	5.8	7.3	9.7		22.8	17.0	11.7	8.4	6.6	14.4	15.0	15.1	14.0	12.2	12.2
Jagran Prakashan (JAGPRA)	139	153	Buy	4,182	5.8	7.0	8.0	23.8	19.8	17.3	12.3	9.5	8.0	31.5	34.9	33.1	28.7	28.0	26.1
PVR (PVRLIM)	175	209	Buy	448	0.6	11.9	13.9	294.9	14.6	12.6	15.3	6.1	5.2	2.9	8.6	8.9	0.3	9.8	10.3
Sun TV (SUNTV)	520	472	Reduce	20,483	13.2	17.4	20.5	39.4	29.9	25.3	12.6	9.8	8.3	38.1	41.9	40.8	27.0	30.2	29.5
UTV Software (UTVSOF)	533	556	Add	2,167	13.1	24.8	29.8	40.6	21.5	17.9	59.5	18.6	15.5	2.3	8.6	10.6	6.9	11.7	12.3

Exhibit 64: Valuation Matrix

Sector / Company	CMP (Rs)	TP(Rs)	Ratings	M Cap (Rs Cr)	EPS (Rs) FY10E	FY11E	FY12E	P/E (x) FY10E	FY11E	FY12E	EV/EBITDA (x) FY10E	FY11E	FY12E	RoCE (%) FY10E	FY11E	FY12E	RoE (%) FY10E	FY11E	FY12E
Metals & Mining																			
Adhunik Metaliks (ADHMET)	111	144	Strong Buy	1,371	11.1	18.4	23.8	10.0	6.0	4.7	5.8	4.2	3.4	14.1	19.3	20.2	17.5	23.0	23.3
Godawari Ispat (GODPOW)	214	279	Strong Buy	599	20.8	31.6	50.7	10.3	6.8	4.2	6.9	4.6	2.9	11.3	15.4	19.5	11.7	15.4	20.8
Graphite India (CAREVE)	95	112	Buy	1,840	13.7	10.0	12.2	6.9	9.5	7.8	5.0	5.1	4.6	22.3	17.3	18.3	19.6	13.9	14.6
HEG (HEG)	309	353	Buy	1,323	39.9	27.9	41.0	7.8	11.1	7.6	5.7	7.5	5.6	20.2	15.6	23.8	27.0	16.5	20.8
Hindustan Zinc (HINZIN)	1,196	1,117	Reduce	50,554	95.6	94.0	122.6	12.5	12.7	9.8	8.2	7.7	5.0	27.2	20.8	22.9	24.7	19.3	20.7
JSW Steel (JINVIJ)	1,371	1,298	Reduce	30,036	85.4	90.7	123.1	16.1	15.1	11.1	10.9	8.3	5.9	13.0	11.5	15.0	17.3	10.6	15.7
SAIL (SAIL)	226	232	Add	93,306	16.4	15.3	19.4	13.8	14.8	11.7	8.5	9.2	7.5	16.9	13.5	15.3	20.4	16.6	18.2
Sesa Goa (SESGOA)	354	346	Reduce	30,472	31.6	54.0	47.1	11.2	6.6	7.5	8.1	3.6	3.6	30.7	35.7	23.7	33.2	33.2	22.8
Sterlite (STEIND)	176	180	Add	59,157	11.1	13.7	23.2	15.8	12.8	7.6	7.3	6.5	3.3	15.0	13.9	19.3	12.0	11.8	17.5
Tata Steel (TISCO)	650	680	Add	58,603	-22.7	63.5	83.0	NA	10.2	7.8	12.4	6.6	5.2	4.2	12.7	14.8	-7.1	17.2	18.8
Usha Martin (USHBEL)	92	98	Add	2,807	5.5	8.3	11.5	16.7	11.1	8.0	7.7	5.9	4.8	13.4	16.1	18.1	10.0	13.2	15.7
Visa Steel (VISST)	40	45	Buy	438	4.3	4.8	10.4	9.2	8.3	3.8	6.9	7.2	4.8	14.3	9.6	15.4	14.5	13.9	23.2
Oil & Gas																			
Cairn India Ltd (CAIIND)	340	311	Reduce	64,424	5.5	27.9	47.0	61.3	12.2	7.2	84.5	8.1	4.6	1.7	15.2	21.0	3.1	13.9	19.9
Gujarat Gas (GUJGAS)	401	369	Reduce	5,158	13.5	18.3	23.2	29.7	21.9	17.2	16.9	12.2	9.5	29.8	34.1	33.8	26.2	26.2	26.2
Gujarat State Petronet Ltd (GSPL)	117	123	Add	6,559	7.4	7.3	7.6	15.9	16.0	15.3	8.1	7.7	6.8	25.0	21.5	22.7	26.5	21.5	19.2
Indraprastha Gas Ltd (INDGAS)	310	322	Add	4,349	15.4	20.1	22.5	20.2	15.4	13.8	10.9	8.1	6.8	37.4	40.0	36.4	26.1	27.4	25.0
Oil India Limited (OILIND)	1,490	1,637	Add	35,849	108.6	134.6	148.9	13.7	11.1	10.0	13.7	11.1	10.0	22.6	23.7	23.1	19.0	20.2	19.4
Petronet LNG (PETLNG)	113	127	Buy	8,430	5.4	6.5	6.8	20.9	17.3	16.5	12.0	10.8	10.4	14.5	14.2	13.7	18.1	19.2	17.9
Shiv Vani Oil (SHIVAN)	461	529	Buy	2,140	43.7	65.9	73.3	10.5	7.0	6.3	7.6	5.9	5.1	13.6	15.2	15.7	17.6	21.1	19.1
Pharma																			
Alembic (ALECHE)	61	UR	UR	820	3.0	4.1		20.7	15.0		10.6	8.9		9.7	11.3		11.7	14.5	
Biocon (BIOCON)	402	335	Sell	8,045	14.7	17.1	20.2	27.4	23.4	19.9	16.9	14.3	11.9	15.6	16.7	17.5	12.4	13.2	13.9
Dishman Pharma (DISHPHA)	184	175	Reduce	1,488	14.6	16.0	17.2	12.6	11.5	10.7	10.9	9.8	8.6	9.1	8.9	9.7	15.0	14.4	14.0
Elder Pharma (ELDPHA)	393	341	Sell	799	28.0	37.8		14.0	10.4		8.4	6.5		14.6	16.5		11.2	13.3	
Glenmark (GLEPHA)	314	325	Add	8,450	12.2	15.4	20.7	25.8	20.4	15.2	16.5	13.1	10.5	14.6	17.2	19.7	13.9	18.0	20.3
Indoco Remedies (INDREM)	425	432	Add	525	34.2	43.3	49.1	12.4	9.8	8.6	10.0	7.7	6.4	11.1	13.3	13.8	13.3	14.5	14.3
IPCA Labs (IPCLAB)	313	302	Reduce	3,873	16.4	17.7	23.2	19.1	17.7	13.5	2.7	2.3	1.9	20.5	20.9	23.9	23.7	21.1	22.3
Lupin (LUPIN)	407	425	Add	18,117	15.7	18.9	23.4	25.9	21.5	17.4	22.3	16.9	13.7	22.4	25.7	23.8	35.6	35.6	35.6
Nicholas Piramal (NICPIR)	519	526	Add	10,866	23.1	23.9	29.8	22.5	21.7	17.4	16.3	15.0	12.3	24.6	24.6	22.5	28.3	24.4	25.2
Sunpharma (SUNPHA)	2,039	1,732	Sell	42,268	65.2	83.9	86.9	31.3	24.3	23.4	28.6	21.2	20.2	28.5	19.6	21.2	25.9	17.8	19.2
Unichem Laboratories (UNILAB)	540	486	Reduce	1,928	36.9	41.6	49.8	14.6	13.0	10.8	10.4	8.5	7.0	25.7	25.9	26.2	23.3	22.1	22.4

Exhibit 65: Valuation Matrix

Sector / Company	CMP (Rs)	TP(Rs)	Ratings	M Cap (Rs Cr)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Pipes																			
Jindal SAW (SAWPIP)	213	228	Add	5,885	26.7	19.7	24.8	8.0	10.8	8.6	4.8	5.6	3.9	21.6	14.9	16.2	19.1	12.6	14.0
Mah. Seamless (MAHSEA)	407	413	Add	2,862	40.2	50.8	62.4	10.1	8.0	6.5	5.0	5.2	3.8	25.7	19.4	21.2	19.1	19.3	19.6
Man Industries (MANIN)	87	96	Buy	475	12.5	18.6	21.2	6.9	4.7	4.1	3.7	2.7	2.2	17.1	23.0	22.7	15.7	19.2	18.4
PSL Limited (PSLHOL)	120	163	Strong Buy	644	23.0	17.7	21.0	5.2	6.8	5.7	5.2	3.9	3.8	13.4	11.4	12.2	15.1	9.7	10.5
Welspun Gujarat (WELGUJ)	268	295	Buy	5,483	29.9	31.7	41.7	9.0	8.4	6.4	5.5	5.2	4.0	23.7	22.1	27.3	29.4	22.4	23.9
Power																			
GVK Power (GVKPOW)	47	53	Buy	7,399	0.7	0.8	1.4	70.9	57.2	32.6	25.4	21.3	16.8	5.0	4.9	6.3	4.5	5.0	7.8
JP Hydro (JAIHYD)	66	73	Buy	13,852	0.9	1.1	2.7	70.3	58.0	24.5	28.2	34.2	12.7	10.7	5.5	12.0	6.7	7.5	15.1
Neyveli Lignite (NEYLIG)	171	151	Sell	28,647	7.4	8.6	0.0	23.0	19.9		21.6	16.6		7.5	8.7	8.3	12.6	13.4	12.5
NHPC (NHPC)	33	33	Reduce	41,023	1.4	1.0	1.3	23.6	32.3	25.0	15.2	18.8	13.7	6.5	4.5	6.3	8.4	5.3	6.6
NTPC (NTPC)	215	241	Buy	177,236	10.5	10.8	12.3	20.5	19.8	17.5	13.2	13.2	12.0	13.3	12.2	12.2	14.5	13.8	14.3
PTC India Ltd (POWTRA)	120	136	Buy	3,539	3.2	4.4	7.1	37.7	27.4	17.0	39.9	25.4	11.8	7.2	8.3	12.9	5.1	6.0	9.3
Real Estate																			
Orbit Corporation (ORBCOR)	129	159	Strong Buy	1,414	8.6	9.5	13.6	14.9	13.5	9.5	11.9	9.1	7.0	12.4	13.2	16.3	13.6	11.7	14.4
Retail																			
Koutons Retail (KOURET)	145	UR	UR	443	26.9	26.1	33.1	5.4	5.6	4.4	3.9	4.1	3.5	20.5	18.2	19.8	17.7	14.7	16.0
Pantaloon (PANRET)	507	510	Add	10,983	11.2	14.6	19.1	45.4	34.8	26.5	17.0	13.3	11.2	10.7	11.8	12.8	7.0	8.6	10.2
Shipping																			
Aban Offshore (ABALLO)	876	947	Add	3,814	71.5	87.9	199.7	12.3	10.0	4.4	8.4	6.8	6.0	10.0	12.0	12.9	14.3	15.2	26.1
ABG Shipyard (ABGSHI)	279	241	Sell	1,421	42.8	45.1	47.4	6.5	6.2	5.9	7.4	6.3	5.9	13.6	15.3	15.1	19.6	17.4	15.7
Bharati Shipyard (BHASHI)	242	258	Add	701	50.1	70.2	64.9	4.8	3.5	3.7	9.6	8.8	10.3	9.9	10.2	8.1	16.6	19.1	15.1
Essar Shipping (ESSSHI)	115	112	Reduce	7,059	1.5	2.7	5.3	75.3	42.2	21.5	13.6	13.5	10.8	3.9	4.8	6.3	1.1	2.4	4.3
Garware Offshore (GARSHI)	138	139	Add	328	17.3	12.4	17.7	8.0	11.2	7.8	7.6	9.7	8.0	9.6	6.4	7.7	15.4	10.1	12.8
GE Shipping (GESHIP)	323	356	Buy	4,929	33.7	23.5	28.8	9.6	13.8	11.2	8.9	10.1	7.7	4.8	4.2	6.6	9.0	6.0	7.0
Great Offshore (GREOFF)	388	444	Buy	1,442	54.0	51.0	74.1	7.2	7.6	5.2	6.8	6.0	4.2	11.6	10.5	13.0	18.1	14.7	17.8
Mercator Lines (MERLIN)	65	63	Reduce	1,522	2.3	2.9	7.4	28.6	22.3	8.8	5.8	6.1	3.8	5.5	4.9	7.1	2.5	3.1	7.3
Varun Shipping (VARSHI)	43	36	Sell	644	0.8	-3.5	-3.8	51.2	NA	NA	14.0	12.8	8.7	0.1	0.7	3.8	1.5	-7.0	-8.2

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Exhibit 66: Valuation Matrix

Sector / Company	CMP (Rs)	TP(Rs)	Ratings	M Cap (Rs Cr)	EPS (Rs) FY10E	EPS (Rs) FY11E	EPS (Rs) FY12E	P/E (x) FY10E	P/E (x) FY11E	P/E (x) FY12E	EV/EBITDA (x) FY10E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E	RoCE (%) FY10E	RoCE (%) FY11E	RoCE (%) FY12E	RoE (%) FY10E	RoE (%) FY11E	RoE (%) FY12E
Sugar																			
Bajaj Hindustan (BAJHIN)	132	105	Sell	2,535	4.2	8.4		31.2	15.8		10.3	9.4		5.9	6.8		2.5	4.7	
Balrampur Chini (BALCHI)	94	103	Buy	2,428	4.0	8.6	0.0	23.7	10.9		10.2	6.3		8.6	15.5	0.0	6.6	13.7	0.0
Dhampur Sugar (DHASUG)	77	92	Strong Buy	413	0.8	16.7		93.6	4.6		6.8	4.1		8.2	13.7		8.3	13.8	
Shree Renuka Sugars (RENSUG)	84	105	Strong Buy	5,596	10.2	9.5	-2.2	8.2	8.8	NA	6.7	5.2		20.0	17.6	-2.1	30.2	21.8	-5.3
Tea																			
Harrison Malayalam (HARMAL)	91	94	Add	168	6.3	5.5	9.4	14.4	16.5	9.7	2.4	3.3	2.0	6.6	4.4	9.2	7.0	6.6	8.8
Jayshree Tea (JAYTEA)	193	183	Reduce	432	52.1	58.4	65.1	3.7	3.3	3.0	6.0	4.3	3.0	22.8	24.8	28.2	31.7	28.8	26.5
Mcleod Russel (MCLRUS)	247	273	Buy	2,702	21.1	22.9	27.3	11.7	10.8	9.0	8.0	7.6	5.7	18.9	17.6	18.9	16.4	15.3	15.7
Telecom																			
Bharti Airtel (BHATE)	354	398	Buy	134,452	24.0	19.1	26.5	14.8	18.5	13.3	6.5	7.5	6.1	19.7	9.8	11.8	22.0	14.9	17.2
Idea Cellular (IDECEL)	72	69	Reduce	23,899	2.9	1.5	2.3	25.0	47.2	31.0	7.4	9.4	7.3	6.2	3.5	5.0	6.6	3.4	4.9
OnMobile (ONMGLO)	376	374	Reduce	2,202	7.3	15.2	21.9	51.4	24.6	17.2	23.8	13.6	9.8	5.2	9.6	12.2	5.8	10.8	13.4
Reliance Comm. (RELCOM)	178	162	Reduce	36,771	22.8	5.7	9.2	7.8	31.4	19.3	7.2	9.9	8.4	4.8	3.0	3.3	10.0	2.4	3.8
Tanla Solutions (TANSOL)	29	UR	UR	297	4.9	4.3	5.8	6.0	6.8	5.1	2.1	2.6	2.4	5.6	5.2	6.7	5.5	4.8	6.2
TTML (HUGTEL)	23	19	Sell	4,411	-1.7	0.4	-3.5	NA	58.4	NA	13.7	7.3	22.1	0.0	7.7	-2.1	-12.8	3.0	-27.0
Tulip Telecom (TULITS)	183	219	Buy	2,652	19.0	17.7	21.9	10.6	9.6	10.3	10.3	6.8	5.1	24.7	26.4	22.1	36.7	29.7	24.1
Textiles																			
Alok Industries (ALOTEX)	22	22	Add	1,706	3.1	3.6	4.4	7.0	6.1	4.9	7.1	5.9	5.3	8.0	9.2	10.3	8.9	9.5	10.8
Bombay Rayon (BOMRAY)	258	277	Add	2,886	15.7	21.0	27.7	16.4	12.3	9.3	12.1	8.9	7.9	7.7	9.7	11.1	9.2	11.1	12.9
JBF Industries (JBFIND)	159	156	Reduce	1,125	28.9	34.4	39.1	5.5	4.6	4.1	5.0	4.2	3.8	16.9	18.1	18.3	21.8	20.4	19.4
Kewal Kiran (KEWKIR)	451	354	Sell	550	26.4	31.7	35.4	17.1	14.2	12.7	10.6	9.6	8.5	24.2	24.9	24.4	18.6	20.0	18.9
Others																			
Bartronics (BARLTD)	111	UR	UR	379	32.2	45.6	77.1	3.5	2.4	1.4	3.6	3.5	2.4	16.4	17.1	22.4	16.8	19.3	24.7
Everest Kanto (EVEKAN)	124	141	Buy	1,331	1.3	5.1	10.1	97.9	24.3	12.4	31.0	11.5	7.6	4.9	12.1	17.7	2.0	7.6	12.9
InfoEdge (INFEDG)	749	664	Sell	4,090	19.2	13.4	16.3	39.1	56.1	46.0	59.1	44.8	37.5	15.0	15.6	15.6	14.0	15.6	16.2
Nitco Limited (NITTIL)	65	40	Sell	209	-2.7	2.2	9.4	NA	30.1	6.9	3.7	3.1	1.3	-1.6	1.3	5.5	-3.5	-0.5	4.2
Nitin Fire (NITFIR)	311	376	Strong Buy	392	34.9	40.9	47.0	8.9	7.6	6.6	6.6	6.2	5.0	20.8	20.1	20.3	23.7	21.9	20.2
Opto Circuits India (OPTCIR)	307	309	Add	5,637	12.9	19.5	26.4	23.8	15.7	11.6	36.9	26.7	20.2	16.0	18.7	21.4	17.5	18.0	23.5
Praj Industries (PRAIN)	79	72	Reduce	1,468	6.2	5.4	12.5	12.9	14.7	6.3	9.4	8.8	3.0	25.3	23.4	46.0	24.1	18.9	36.1

Exhibit 67: Valuation Matrix

	CMP (Rs)	TP(Rs)	Ratings	M Cap (Rs Cr)	EPS(Rs) FY10E	EPS(Rs) FY11E	EPS(Rs) FY12E	P/E (x) FY10E	P/E (x) FY11E	P/E (x) FY12E	PABV (x) FY10E	PABV (x) FY11E	PABV (x) FY12E	RoNA (%) FY10E	RoNA (%) FY11E	RoNA (%) FY12E	RoE (%) FY10E	RoE (%) FY11E	RoE (%) FY12E
PSU Banks																			
Bank of Baroda (BANBAR)	921	918	Reduce	33,405	83.7	100.8	119.6	11.0	9.1	7.7	2.7	2.1	1.7	1.2	1.2	1.2	21.9	21.9	21.1
Bank of India (BANIND)	576	525	Reduce	30,163	33.1	55.0	62.3	17.4	10.5	9.2	2.7	2.4	2.0	0.7	1.0	1.1	12.6	18.8	19.9
Dena Bank (DENBAN)	116	127	Add	3,330	17.8	18.2	21.8	6.5	6.4	5.3	1.7	1.4	1.2	1.0	1.0	1.0	21.4	20.3	19.5
IDBI Bank (IDBI)	156	150	Reduce	15,420	8.8	12.9	17.1	17.8	12.1	9.1	2.3	1.7	1.5	0.5	0.5	0.6	13.2	12.3	12.8
Indian Overseas Bank (INDOVE)	148	145	Reduce	8,074	13.0	18.3	23.6	11.4	8.1	6.3	1.8	1.4	1.1	0.6	0.7	0.8	11.5	14.6	16.4
Oriental Bank of Commerce (ORIBAN)	498	545	Add	12,482	45.3	61.2	73.9	11.0	8.1	6.7	1.7	1.4	1.2	0.9	1.0	1.0	14.5	17.2	17.7
Punjab National Bank (PUNBAN)	1,315	1,218	Reduce	41,495	123.9	154.0	183.6	10.6	8.5	7.2	2.7	2.2	2.0	1.4	1.5	1.5	23.9	24.7	25.5
State Bank of India (STABAN)	3,220	3,210	Reduce	204,220	144.4	160.6	201.7	22.3	20.0	16.0	3.5	2.7	2.4	0.9	1.0	1.0	14.8	14.4	14.7
Syndicate bank (SYNBN)	129	144	Buy	6,728	15.6	21.0	26.4	8.3	6.1	4.9	1.5	1.4	1.3	0.6	0.7	0.8	15.3	18.2	20.5
Union Bank (UNIBAN)	394	398	Add	19,881	41.1	48.4	53.1	9.6	8.1	7.4	1.5	1.4	1.3	1.2	1.1	1.2	26.2	24.8	22.8
Private Banks																			
Axis Bank (UTIBAN)	1,569	1,615	Add	64,004	62.1	81.6	104.6	25.3	19.2	15.0	4.1	3.5	2.9	1.7	1.5	1.4	19.2	19.0	20.5
Dhanlaxmi Bank (DHABAN)	189	191	Add	1,602	3.6	7.2	11.9	51.9	26.2	15.9	3.0	2.1	1.9	0.3	0.6	0.7	5.4	5.4	5.4
HDFC Bank (HDFBAN)	2,434	2,349	Reduce	112,510	64.4	85.8	110.9	37.8	28.4	21.9	5.3	4.7	4.1	1.5	1.6	1.8	16.3	17.2	19.6
Kotak Bank (KOTMAH)	512	454	Sell	37,554	8.1	10.9	13.8	63.6	47.1	37.0	8.4	6.4	5.8	1.7	1.9	2.0	13.5	15.0	15.7
South Indian Bank (SOUINO)	27	32	Buy	3,091	20.7	2.4	3.0	1.3	11.3	9.2	0.2	0.2	0.2	1.1	1.0	1.0	17.9	17.4	18.6
Yes Bank (YESBAN)	345	365	Add	11,932	14.1	20.2	26.1	24.5	17.1	13.2	3.8	3.2	2.6	1.6	1.6	1.5	20.3	20.2	21.6
NBFCs												PBV (x)							
IDFC (IDFC)	205	215	Add	30,108	8.2	8.5	10.5	25.1	24.0	19.6	3.9	2.9	2.6	3.2	3.2	3.3	16.2	14.2	13.7
LIC HF (LICHF)	1,448	1,329	Reduce	13,749	69.7	89.9	102.5	20.8	16.1	14.1	3.8	3.2	2.7	1.9	1.9	1.7	22.7	21.8	21.0
Reliance Capital Ltd (RELCAP)	852	852	Reduce	20,933	17.7	32.0	33.6	48.3	26.6	25.4	2.7	2.5	2.4	2.0	3.4	3.2	5.7	9.9	9.7

ICICIdirect Research Team

Name	Sector	E-mail ID
Pankaj Pandey	Head of Research	pankaj.pandey@icicisecurities.com
Abhishek Shindadkar	Information Technology	abhishek.shindadkar@icicisecurities.com
Ankita Somani	Information Technology	ankita.somani@icicisecurities.com
Bharat Chhoda	Shipping, Retail & Textile	bharat.chhoda@icicisecurities.com
Bhupendra Tiwary	Construction	bhupendra.tiwary@icicisecurities.com
Chirag Shah	Capital Goods, Power	shah.chirag@icicisecurities.com
Darshan Dodhia	Power	darshan.dodhia@icicisecurities.com
Deepak Purswani	Construction	deepak.purswani@icicisecurities.com
Dewang Sanghavi	Oil & Gas, Logistics	dewang.sanghavi@icicisecurities.com
Dhvani Modi	Retail and Textiles	dhvani.bavishi@icicisecurities.com
Goutam Chakraborty	Metals	goutam.chakraborty@icicisecurities.com
Hitesh Taunk	Hotel, Cement	hitesh.taunk@icicisecurities.com
Jehangir Master	Shipping, Retail & Textile	jehangir.master@icicisecurities.com
Kajal Gandhi	Banking, NBFC, Broking	kajal.gandhi@icicisecurities.com
Karan Mittal	Telecom, Media & Auto	karan.mittal@icicisecurities.com
Krishnakiran Konduri	Pharma	Krishnakiran Konduri@icicisecurities.com
Mani Arora	Banking	mani.a@icicisecurities.com
Mayur Matani	Oil & Gas	mayur.matani@icicisecurities.com
Naval Seth	Media & Telecom	naval.seth@icicisecurities.com
Neeraj Lodha	Metals	neeraj.lodha@icicisecurities.com
Nishant Vass	Auto	nishant.vass@icicisecurities.com
Parineeta Poddar	Sugar, Tea & FMCG	parineeta.poddar@icicisecurities.com
Rashes Shah	Hotel & Hospitals	rashes.shah@icicisecurities.com
Sachin Jain	Mutual Fund	sachin.ja@icicisecurities.com
Sanjay Manyal	Sugar	sanjay.manyal@icicisecurities.com
Sheetal Ashar	Mutual Fund	sheetal.ashar@icicisecurities.com
Siddhant Khandekar	Pharma	siddhant.khandekar@icicisecurities.com
Vijay Goel	Cement	vijay.goel@icicisecurities.com
Viraj Gandhi	Banking, NBFC, Broking	viraj.gandhi@icicisecurities.com
Kaustav Ray	Editor	kaustav.ray@icicisecurities.com
Prashant Talekar	Production	prashant.talekar@icicisecurities.com
Avanti Dave	Production	avanti.dave@icicisecurities.com
Amit Gupta	Derivative	amit.gup@icicisecurities.com
Ankit Tikmany	Technical	ankit.tikmany@icicisecurities.com
Azeem Ahmad	Derivative	azeem.ahmad@icicisecurities.com
Dharmesh Shah	Technical	dharmesh.shah@icicisecurities.com
Dipesh Dagha	Derivative	dipesh.dagha@icicisecurities.com
Nitin Kunte	Technical	nitin.kunte@icicisecurities.com
Pabitro Mukherjee	Technical	pabitro.mukherjee@icicisecurities.com
Raj Deepak Singh	Derivative	rajdeepak.singh@icicisecurities.com
Vinayak Parmar	Technical	vinayak.parmar@icicisecurities.com

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICIdirect.com Research Desk,
ICICI Securities Limited,
7th Floor, Akruti Centre Point,
MIDC Main Road, Marol Naka
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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