MOTILAL OSWAL

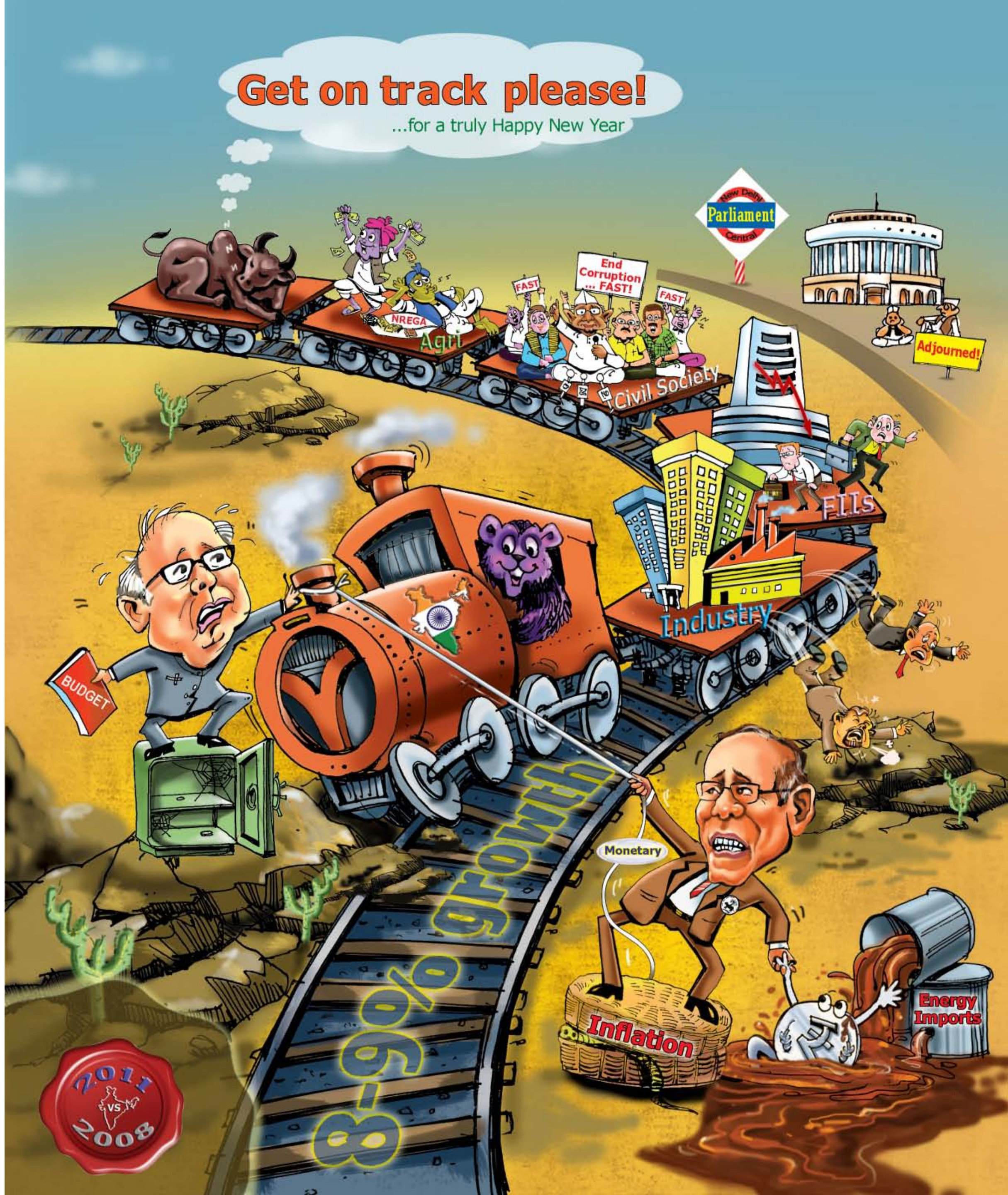
India Strategy

Back on track?

Dec-11 Quarter Review

- ☑ Inflation moderates; expect CRR cuts to ease liquidity; GDP growth sub 7%
- ☑ 3QFY12 Results In-line; Aggregate PAT up 5%, Sensex PAT up 11%
- ☑ FY12 Sensex EPS upgraded 0.5%; FY13 Sensex EPS downgraded 0.7%

February 2012

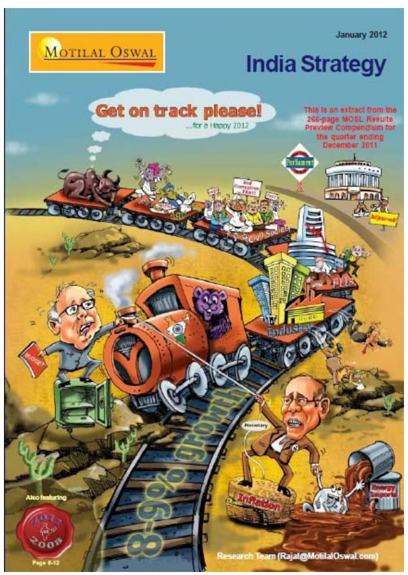


INDIA STRATEGY

- **Macro Overview: Monetary easing, policy focus to revive growth**
- **Aggregate 3QFY12 Review:** in-line with estimates
- **Markets & Valuation**
- **Sector Snapshot: Review 3QFY12**
- **Annexure:** MOSL Universe – Annual Performance & Valuations

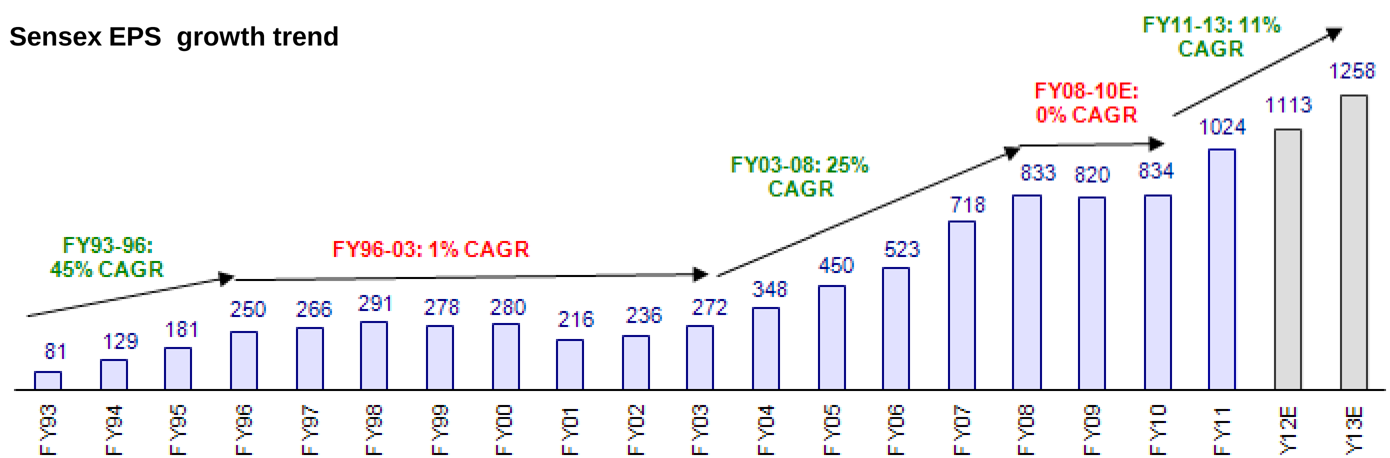
INDIA STRATEGY: Dec-11 Results Review

Refer our Dec-11 Quarter Preview



- **Aggregate performance in line with estimates**
  MOSL Universe (ex-RMs) 3QFY12 Sales grew 23% (est 21%), EBITDA 5% (est 10%), and PAT 5% (est 6%). Sensex aggregate performance was also in-line with estimates as EBITDA grew 5% and PAT grew 11% YoY (est 9%).
- **Index companies outperform while broader market disappoints**
  While Sensex PAT grew 11%, MOSL Universe ex Sensex reported PAT de-growth of 6% (vs est of 1% growth). Slowing revenues, margin pressures and higher interest cost impacted growth.
- **Large-caps which delivered above estimates** are Tata Motors, L&T, ICICI Bank, IDEA, Maruti, Sun Pharma, HCL Tech and SAIL.
- **Major disappointments in earnings** were from Reliance Inds, Tata Steel, Bharti, Cipla, DLF, NTPC, Grasim, Hindalco and Cairn.
- **Equal upgrades and downgrades** in estimates of MOSL Universe.
- **Sensex FY12 & FY13 EPS estimates almost unchanged** from 3QFY12 preview. Expect growth of 13% in FY13 to 1,258.

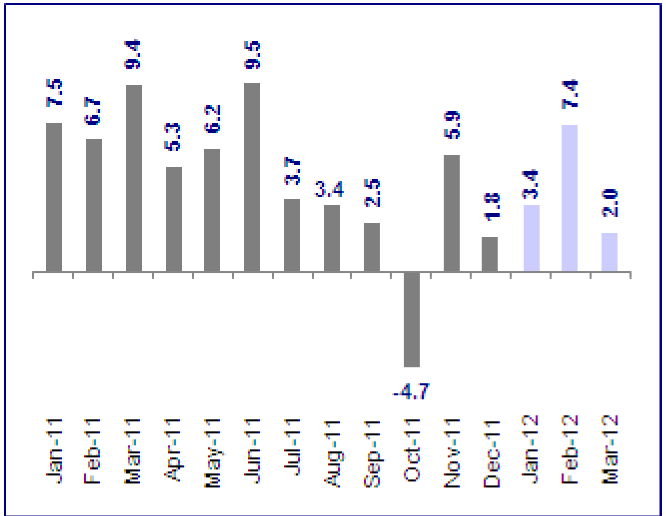
Sensex EPS growth trend



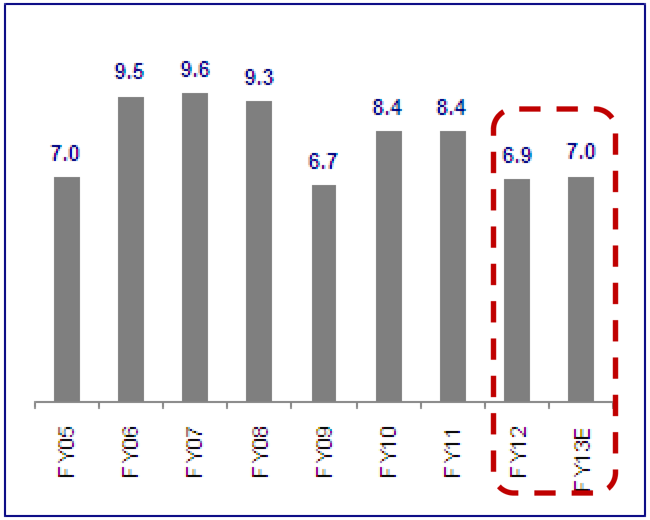
MOTILAL OSWAL

MACRO: Growth moderates; inflation / currency trends positive

IIP plunges amidst volatility

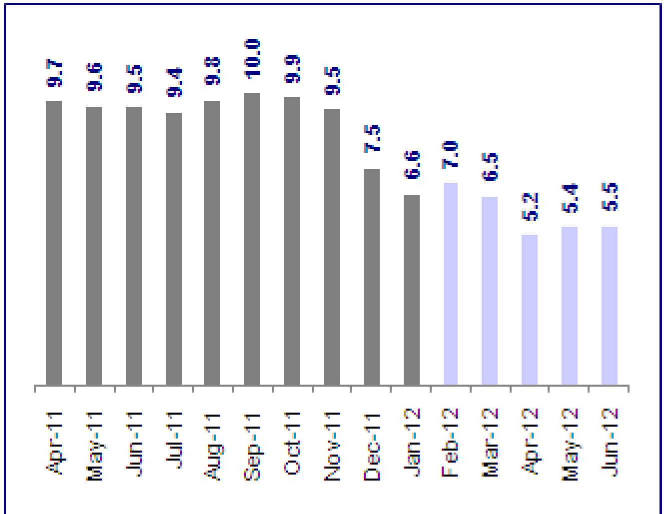


Expect GDP growth to stabilize around 7%

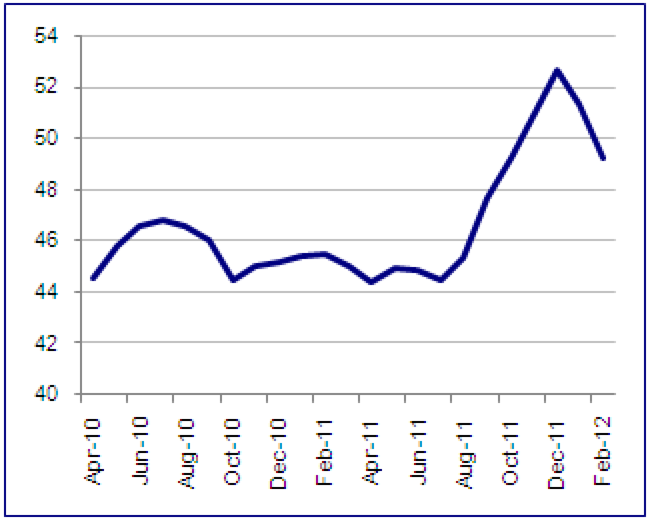


- Dec-11 IIP 1.8% pointed toward continued industrial slowdown.
- Empty middle structure persisted with upstream basic and downstream consumer sector performing well while intermediate and capital goods totter.
- After some inexplicable data revision, growth seem to have faltered to ~7% level for FY12 and FY13E after remaining at 8.4% for two preceding years.

Inflation falls after 2 years, will moderate further



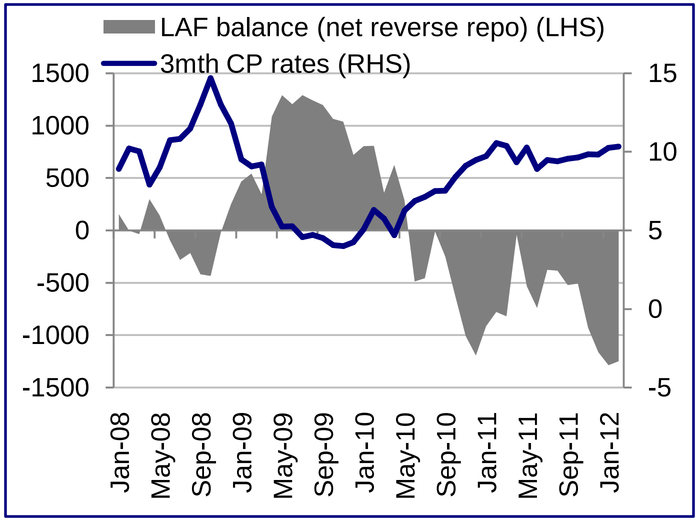
INR sees huge volatility; to trade in band of 48-50



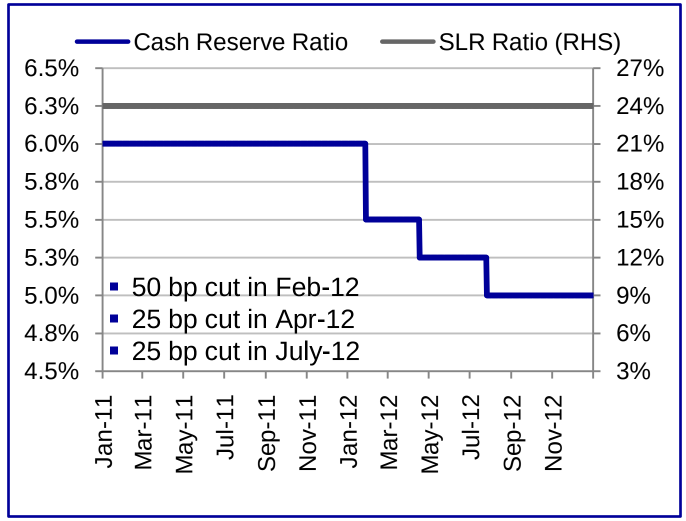
- Jan-12 inflation at 6.6% reflect sharp fall over high base. Mar-12 target of 7% to be overachieved.
- However, inflation should correct to 5.5% in Q1FY13 after two years of very high inflation.
- A topsy-turvy currency on the back of external uncertainties led to high RBI intervention (USD15b).
- Strong foreign flows and hopes of growth revival could stabilise INR in band of 48-50

MACRO (contd): Liquidity very tight; CRR cuts possible; Rate cuts post budget

Liquidity under severe stress, keeping rates tight

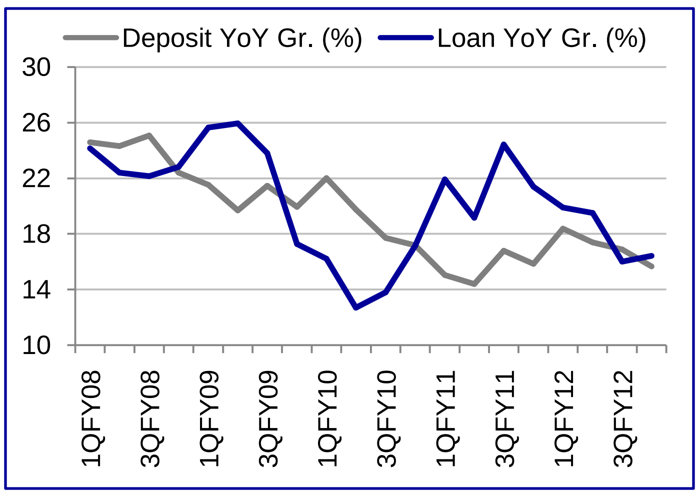


RBI has now given liquidity management a priority

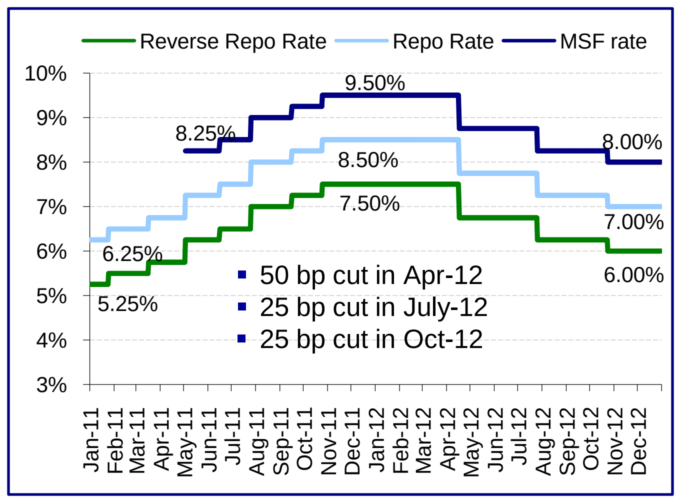


- Liquidity situation has been very stressful as government borrowing exceeded budget (INR 930b in FY12) while RBI kept the money supply tight.
- The liquidity stress has resulted in higher interest rates for private sector.
- RBI has started addressing liquidity through 50bp cut in CRR and INR800b OMO. Expect RBI to cut CRR further.

Bank credit and deposit growth on decline



RBI to defer rate cuts till Budget, should cut CRR



- With slowing growth, bank credit growth has slowed down in recent times.
- Tight money also resulted in lower deposit growth.
- However, risks to inflation from domestic food prices and international commodities, and details of FY13 fiscal deficitl ikely to defer rate cuts to post Budget 2012-13.

MACRO (contd): 1QCY12 is an eventful quarter; paving way for CY12 performance

PMO has taken over the charge

Date	Action
22-Dec-11	PM chairs meeting of Council on Trade and Industry.
8-Jan-12	PM chairs the meeting of the Global Advisory Council of Overseas Indians at Jaipur.
18-Jan-12	PM assured the private players in the power sector of a "practical, pragmatic and viable solution".
20-Jan-12	PM's National Skill Development Council seeks to give skill development a major push in 12th plan.
27-Jan-12	PM constitutes Expert Committee on Sugar Sector.
28-Jan-12	Initiated a move to fast track the development and use of Inland Waterways Transport.
14-Feb-12	PM sets targets for awarding roads and highway projects.
15-Feb-12	PM initiates action to address coal supply for power projects.

UP election assumes significance

	Past Results				Opinion Poll	
Party	1993	1996	2002	2007	Star News - Nielsen	India TV - Amar Ujala
BSP	67	67	98	206	101	145
SP	109	110	143	97	135	138
BJP	177	174	88	51	61	41
INC	28	33	25	22	99*	61*
RLD			14	10		
IND	8	13	16	9		
others			19	8	7	18
Total	422	424	403	403	403	403

* includes RLD.

- **Domestic uncertainties on the policy and political front has peaked.**
- **On policy front a revamped PMO seem to have taken over the mantle to fast track contentious issues.**
- **Assembly elections, particularly in UP where youth voters and candidates are playing a crucial role, is likely to give future direction.**

Fiscal slippages are eminent on revenue slowdown and rising subsidies

INR billion	FY09	FY10	FY11BE	FY11RE	FY12BE	FY12E	FY13E
Receipts	**8,399**	**10,259**	**11,087**	**12,316**	**12,577**	**12,956**	**14,146**
Revenue receipts	**5,403**	**5,728**	**6,822**	**7,838**	**7,899**	**7,641**	**8,483**
Net tax revenue	4,433	4,565	5,341	5,637	6,645	6,387	7,136
Non-tax Revenue	969	1,163	1,481	2,201	1,254	1,254	1,347
Capital receipts (net)	**2,999**	**4,531**	**4,265**	**4,477**	**4,478**	**5,315**	**5,662**
Of which							
Net market borrowings	**2,336**	**3984**	**3450**	**3354**	**3430**	**4,559**	**5,067**
Disinvestment	6	246	400	227	400	150	300
Expenditure	**8,840**	**10,245**	**11,087**	**12,166**	**12,577**	**12,956**	**14,146**
Of which							
Interest payments	1,922	2,131	2,487	2,408	2,680	2,696	3,020
Subsidies outgo	1,297	1,414	1,162	1,642	1,436	1,800	2,200
Gross fiscal deficit	**3,370**	**4,185**	**3,814**	**4,010**	**4,128**	**5,015**	**5,212**
Fiscal deficit as % of GDP	**6.0%**	**6.4%**	**5.5%**	**5.1%**	**4.6%**	**5.6%**	**5.2%**
Combined Fiscal def % to GDP	**8.5%**	**9.5%**		**7.3%**		**8.0%**	**7.5%**

- **Fiscal slippages eminent in view of revenue slowdown and ballooning subsidy bill.**
- **Not much maneuverability exists now either in effecting a stimulus for further slowdown or in fiscal correction through raising tax and lowering expenditure.**
- **Expect fiscal deficit to reach 5.6% of GDP (vs 4.6% budgeted) in FY12 and at 5.2% in FY13.**

Dec-11 Quarter Results Review: Aggregate PAT up 5% v/s est 6%

Aggregate performance in line with estimates

- Aggregate performance is in line with estimates: Sales grew 23% YoY (v/s est of 21%), EBIDTA grew 5% (v/s est 10%) and PAT 5% (v/s est 6%).
- Aggregate EBITDA margin (ex RMs & Financials) is down 350bp YoY; all major sectors see drop in EBITDA margins.
- 53 companies in our Universe reported PAT higher than estimate, 30 in-line and 51 below estimate. On the EBITDA front, 35 companies reported above estimate, 45 in-line, and 53 below estimate.

Sector performance: Cement, Private Banks lead PAT growth

- PAT growth was led by Cement (+46% YoY, in line with estimates, driven by ACC, India Cement & UltraTech), Private Banks (+27%, which all companies either above or in line with estimate).
- Metals, Telecom, Infrastructure and Real Estate were key sectors that underperformed over our estimates.

Sensex performance: PAT up 11%, In-line with estimates

- Sensex aggregate PAT grew 11% YoY (est 9%). EBIDTA growth is 5% (est 10%).
- 14 companies in Sensex reported PAT above estimates; 9 companies reported below estimates; 7 reported in line.
- Fastest growing companies are Sun Pharma (+90%), Coal India (+53%), Tata Motors (+44%), L&T (+40%), Infosys (+33%), Sterlite (+31%), HDFC Bank (+31%), HUL (+30%).
- Highest earnings upgrade for FY13: SBI (+17%), Tata Motors (+12%), Sun Pharma (+9%), Maruti (+7%).
- Highest earnings downgrade for FY13: Bharti (-20%), Tata Steel (-18%), JSPL (-9%), NTPC (-9%), RIL (-8%), Sterlite (-7%).

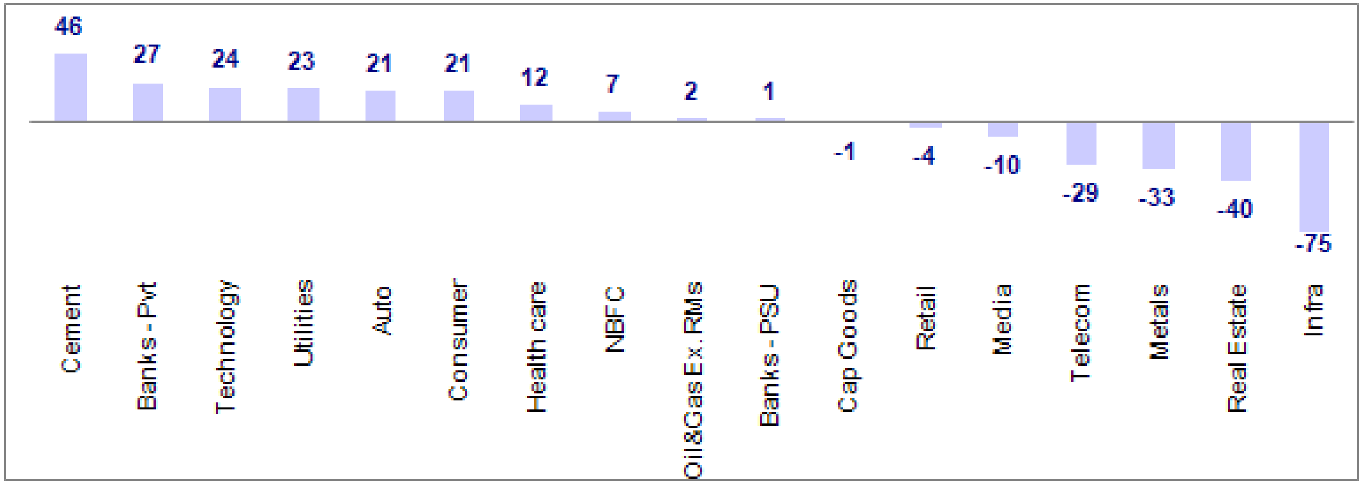
MOSL Universe: Dec-11 Quarter Performance (INR b)

QUARTERLY PERFORMANCE - MOSL UNIVERSE (INR B)

	SALES				EBITDA				NET PROFIT			
SECTOR (NO OF COMPANIES)	DEC 2011	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)	DEC 2011	CHG. % QOQ	CHG. % YOY	VAR. OVER EXP. (%)	DEC 2011	CHG. % QOQ	CHG. % YOY	VAR.OVER EXP. (%)
Automobiles (5)	725	16.2	28.8	3.7	104	31.0	29.2	17.5	58	26.0	21.4	13.5
Capital Goods (8)	340	6.5	15.4	1.5	45	12.6	-3.7	3.5	31	14.0	-0.7	9.7
Cement (7)	134	16.1	24.9	1.0	26	40.3	34.5	-3.2	16	51.4	46.1	3.9
Consumer (12)	257	5.0	17.1	-1.0	54	6.1	19.5	-0.3	38	8.8	20.6	2.7
Financials (25)	417	6.2	15.7	0.4	336	5.8	13.5	0.0	174	9.5	8.9	-0.3
Banks - Private (8)	100	7.0	18.4	2.0	87	12.9	18.4	3.4	51	15.5	26.5	5.5
Banks - PSU (9)	267	6.7	15.3	2.0	196	4.1	13.2	-0.2	87	10.8	1.4	-2.3
NBFC (8)	51	2.1	12.7	-9.9	53	1.4	7.1	-4.2	36	-0.9	6.8	-3.3
Health care (13)	145	3.9	20.3	5.1	36	4.1	36.8	12.0	20	-5.5	11.9	10.5
Infrastructure (6)	95	11.6	3.3	-6.6	12	-7.5	-17.7	-10.9	1	-28.2	-75.3	-32.2
Media (4)	20	3.2	-3.5	-3.3	7	-0.5	-13.7	-11.7	4	-6.8	-9.8	-16.4
Metals (9)	926	2.2	13.7	8.1	122	-4.9	-18.1	-7.8	51	-18.5	-33.3	-23.4
Oil & Gas (12)	3,709	19.9	40.6	6.5	415	137.6	36.3	53.0	296	1,001.3	76.4	135.9
Excl. RMs (9)	1,490	5.7	32.0	0.6	235	-17.4	-10.8	-12.0	151	-10.1	2.2	-1.5
Real Estate (7)	35	-14.8	-20.2	-19.4	13	-24.6	-35.4	-27.3	7	-17.9	-40.1	-23.7
Retail (4)	61	6.4	14.1	-6.5	6	6.2	9.7	-6.6	2	-1.3	-3.7	-15.4
Technology (5)	391	12.5	31.7	0.8	100	17.4	28.9	-3.1	74	18.4	23.6	5.5
Telecom (4)	292	5.8	15.5	-0.5	91	3.4	17.3	-4.0	15	-0.8	-29.0	-14.4
Utilities (11)	534	5.8	27.5	-1.6	129	4.8	8.5	-11.7	82	21.2	22.8	-4.5
Others (1)	19	8.6	57.8	2.6	3	7.0	57.3	-4.6	1	59.5	35.5	-21.0
MOSL Universe (133)	8,101	12.8	28.4	3.9	1,499	26.4	16.0	8.8	869	58.2	21.9	22.7
MOSL Univ Ex RMs (130)	5,881	6.9	22.5	1.5	1,319	1.8	5.5	(4.0)	724	4.9	4.5	(1.6)
Sensex (30)	4,033	6.9	24.6	2.5	837	(1.5)	5.2	(4.5)	484	2.5	11.0	1.4

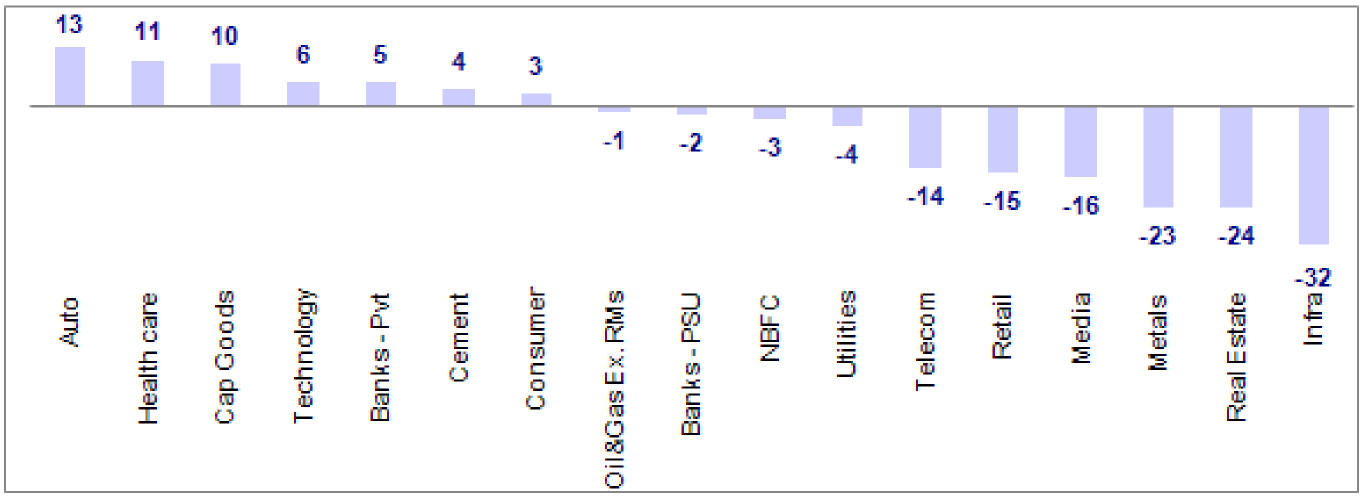
MOSL Universe: Dec-11 Quarter Performance

3QFY12 SECTOR PAT GROWTH (YOY, %): CEMENT, PRIVATE BANKS, TECHNOLOGY LEAD THE PACK



PAT growth was led by Cement (+46% YoY, in line with estimates, driven by ACC, India Cement & Ultratech), Private Banks (+27%, all companies either above or in line with estimate).

SECTOR PAT VARIANCE FROM ESTIMATES (%): INFRASTRUCTURE, REAL ESTATE, METALS DISAPPOINTS



Metals, Infrastructure, Real Estate, Telecom were the key sectors that underperformed over our estimates.

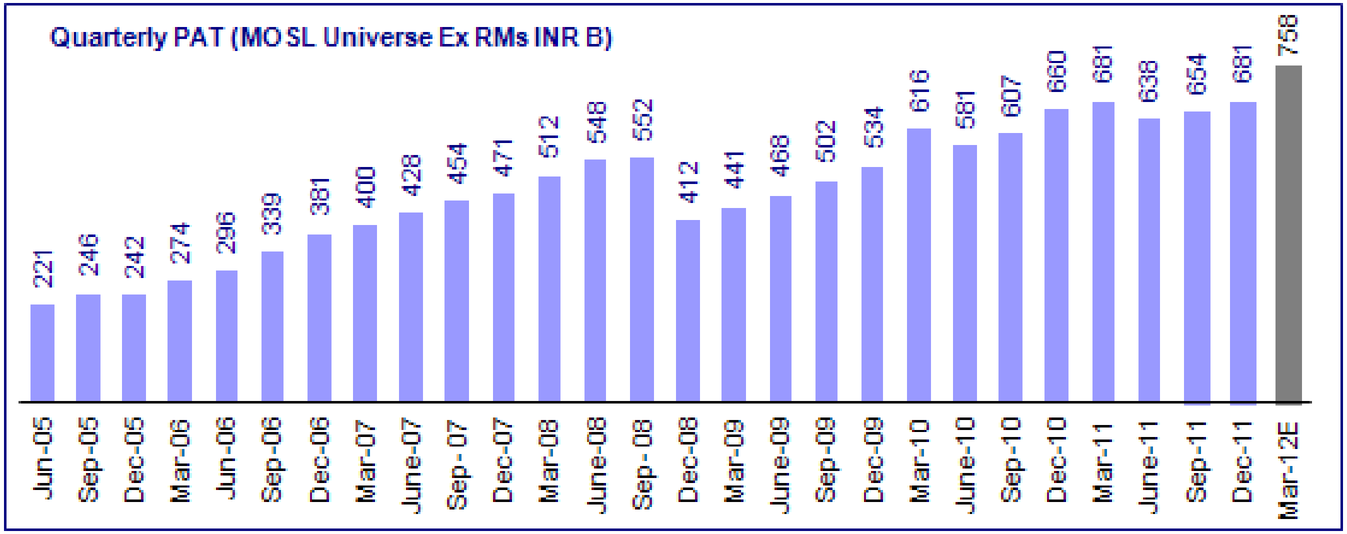
Sectoral quarterly PAT trend

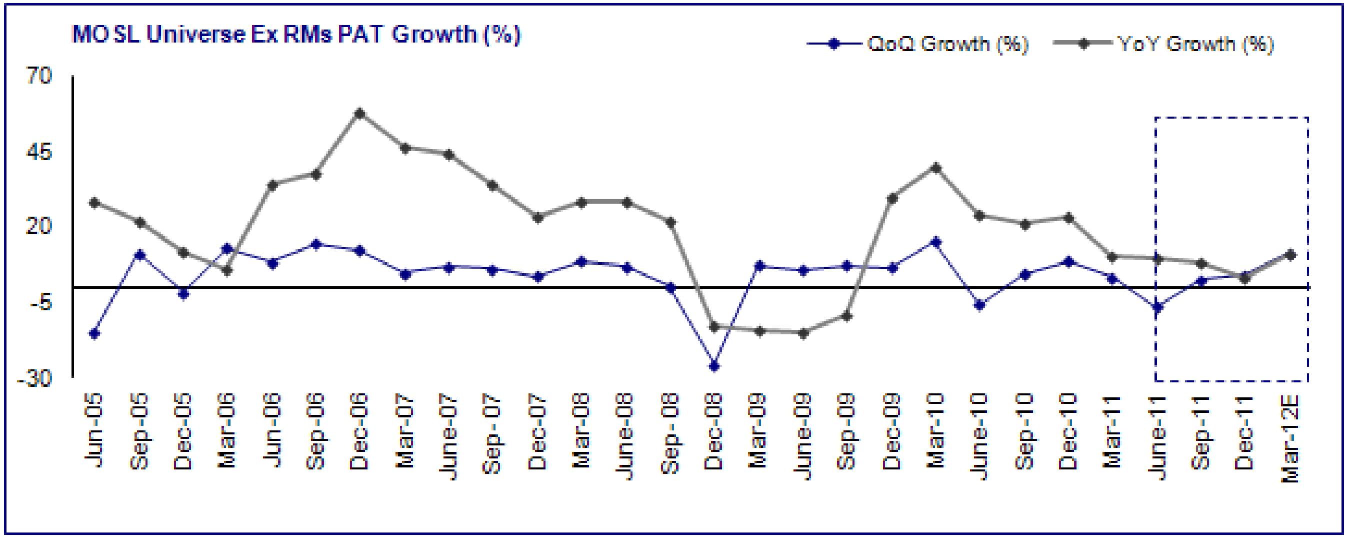
- MOSL Universe Dep-11 PAT at INR681bn is at its all time high. Oil & Gas and Financials contribute 48% to the total earnings (v/s 47% YoY). Metals has seen a drop in contribution from 12% to 7%.

	2007		2008				2009				2010				2011				2012
Sector	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	MarE
Auto	15	17	17	22	14	-9	4	7	22	30	39	42	46	48	49	45	46	58	63
Capital Goods	15	16	24	14	17	19	33	15	19	23	44	20	27	31	49	21	27	31	49
Cement	17	17	16	17	14	15	19	23	22	17	18	19	7	11	20	20	11	16	23
Consumer	19	20	18	20	20	21	21	24	26	27	24	27	30	31	30	33	35	38	36
Financials	74	87	89	72	97	119	121	110	120	128	124	143	142	159	134	140	159	174	190
Health Care	12	11	12	12	11	11	2	13	16	9	16	19	20	18	20	20	21	20	23
Infrastructure	2	3	4	3	3	3	6	4	3	5	5	3	3	4	4	2	1	1	3
Media	2	3	2	3	3	2	2	3	3	4	4	4	4	4	5	4	4	4	4
Metals	73	68	104	112	122	48	28	29	42	71	103	87	71	76	108	90	62	51	89
Oil & Gas Ex RMs	102	96	81	139	106	52	80	103	104	89	101	100	135	147	125	141	168	151	122
Real Estate	28	31	35	26	27	11	3	7	9	9	9	9	9	9	7	7	7	6	8
Retail	1	1	1	0	1	1	1	0	1	1	1	2	2	2	2	2	2	2	2
Technology	36	38	39	37	43	45	43	45	48	50	51	50	56	60	61	61	62	74	77
Telecom	32	34	38	40	39	39	40	46	34	36	35	22	24	22	19	17	15	15	17
Utilities	25	28	30	28	31	34	36	37	32	35	40	33	30	36	45	35	33	40	51
Others	1	0	2	1	1	1	2	2	1	1	2	1	1	1	2	2	1	1	3
MOSL Univ Excl RMs	454	471	512	548	552	412	441	468	502	534	616	581	607	660	681	638	654	681	758

Note: Comparable Universe, excludes Coal India, NHPC, JSW Energy, Adani Power, Oberoi Realty.

3QFY12 PAT grew 5% YoY; expect 11% growth in 4QFY12





Note: Comparable Universe, excludes Coal India, NHPC, JSW Energy, Adani Power, Oberoi Realty.

Positive/Negative surprises and Guidance highlights by sector

AUTO

Positive / Negative surprises

- **TATA Motors** surprised positively with best ever consolidated margins of 16%, driven by highest ever JLR margins (20%); however, domestic business performance was below estimates.
- **M&M's** (incl MVML) 3QFY12 EBITDA margin remained flat QoQ v/s our expectation of 40bp increase.

Guidance highlights

- **M&M** cut its tractor industry growth guidance to 14-15% for FY12 (17-18% earlier) and to 8-10% in FY13 (10% earlier).
- **Maruti** indicated that EBITDA margins have bottomed in 3QFY12 (5.3%) and would improve hereon, driven by operating leverage (150-200bp) and its localization program.
- **Tata Motors** guided for sustenance of JLR's margins if Forex remains stable. Our estimates saw upgrade of 13% for FY12, 8% for FY13.
- **Bajaj Auto** has lowered its FY12 volumes guidance to ~4.4m units (from 4.5m earlier). However, it is confident of maintaining 20%+ EBITDA margins.

CAPITAL GOODS

Positive / Negative surprises

- **L&T** beat estimates on all parameters, with 28% order-intake growth, sharp improvement in EBITDA margin and 40% PAT growth (adj. for forex loss).
- Similarly, **Cummins** showed strong improvement in profitability QoQ, driven by cost reduction measures and better product mix.
- **Crompton Greaves** showed another disappointing quarter with abysmal performance in terms of profitability across segments, especially in overseas business.

Guidance highlights

- **L&T** maintained order intake guidance of 5% in FY12, amidst concerns of slowdown. Also, stands firm on its revenue growth guidance of 25%.
- **BHEL**, on the other hand, raised serious concerns on power sector due to various issues like coal and environment.
- **Crompton Greaves** hinted at continuing competitive intensity in power T&D space, both in India and Europe.
- **Cummins**, on the contrary, indicated recovery in domestic market and possible improvement in margins going forward.

Positive/Negative surprises and Guidance highlights by sector

CEMENT

Positive / Negative surprises

- **Shree Cement's** operating performance was above estimate with EBITDA/ton of INR1,117 (v/s est INR935)
- **Ambuja Cement** disappointed with EBITDA/ton of INR737 v/s est INR828.
- **Grasim's** standalone operating performance disappointed with EBITDA of INR2.8b (v/s est INR3.46b).
- **Jaiprakash** reported very strong cement business performance with EBITDA/ton improvement of INR500 QoQ to INR810, resulting in EBIT of INR1.7b (v/s loss of INR295m in 2QFY12).

Guidance highlights

- **ACC**, **Ambuja** and **UltraTech** have indicated cement demand recovery in CY12/FY13 with growth of ~8%, driven by higher infrastructure spend. However, they expect cost push witnessed so far to be structural, necessitating cement price increase. We have downgraded Ambuja Cement to Neutral.
- **India Cement's** management gave positive outlook with strong volume growth over next 6-9 months in South. It is confident of passing on cost push to the consumer as there is no meaningful capacity addition in South after Jaiprakash Associates' project.

CONSTRUCTION

Negative surprises

- **HCC** wrote off INR1.6b pertaining to the future expected losses and the pending claims from various ongoing and completed projects. This has led to HCC reporting net loss at INR1.3b v/s net profit of INR79m in 3QFY11.
- **NCC** reported net loss for the first time since 2003 – INR95m compared to PAT of INR444m in 3QFY11.

CONSUMER & RETAIL

Positive / Negative surprises

- **HUL** – Adj PAT grew 29% driven by 110% increase in EBIT from soaps and detergents segment, but personal care and foods disappointed. Although S&D margins are at above 5-year average, EBIT growth will be strong for 4QFY12 and 1QFY13 due to very low base.
- **United Spirits** – UNSP reported 70% decline in profits due to 1) sharp volume growth decline to 0.7% 2) all time high ENA prices and 3) high interest burden.

Positive/Negative surprises and Guidance highlights by sector

CONSUMER & RETAIL (contd)

Positive / Negative surprises

- **Marico** – Domestic volume growth of 16% was a surprise as all the leading brands like Parachute, Saffola and Shanti Amla maintained strong traction. We have upgraded the stock to Buy.
- **Pantaloon Retail** – Same store sales growth continued to disappoint. Although PF managed margins well by aggressive cost cutting, higher interest burden led to 71% decline in profits from core retail business.

Guidance highlights

- **Asian Paints** – Demand conditions remain robust led by tier 2 and tier 3 cities.
- **Dabur India** – Volume growth unlikely to cross double digits; will increase ad spends and look for bigger innovations.
- **Titan Inds** – On target to meet FY12 guidance of 30% sales and PAT growth; jewelry volume growth will take time to recover, although it has improved from 3Q levels.
- **Pantaloon Retail** – Topline for January alone is 40% of previous quarter; however, February is moderate. PF plans to reduce debt by INR20b in 12-18 months and expects to close some sale of non core assets by June 2012.
- **Jubilant Foodworks** – Raised store opening target from 80 to 85 for FY12; first Dunkin Donuts store to open in 1QFY13 in NCR.
- **HUL** - Mgt is comfortable with current margin in soaps and detergents but has not commented on sustainability of the same. Competitive intensity is here to stay; HUVR will continue to focus on its volume driven growth strategy in the future. HUL will look at new offerings in the oral care portfolio, which has dragged personal care segment.
- **ITC** - Cigarette volume growth ~5% YoY was due to higher base led by pipeline filling before pictorial warning guideline change last year, secondary sales trend remains healthy. Hotels will have gradual recovery and Agri business gains from INR depreciation would be very limited.

FINANCIALS

Positive surprises

- **ICICIBC**: Improvement in margins (+10bp QoQ) and strong performance on asset quality.
- **SBIN**: Strong margin improvement (+26bp QoQ) to 4.05%; domestic margin at 4.4%.
- **BoB**: NIM stable QoQ, and robust fee income growth YoY.
- Among other banks **FB**, **SIB** and **VYSB** also delivered strong NIM and asset quality performance.

Positive/Negative surprises and Guidance highlights by sector

FINANCIALS (contd)

Negative surprises

- **UNBK**: Higher provisions due to restructuring of loans (it had taken an NPV hit of 25% on one large telecom account restructured vis-à-vis 10-15% by its peers).
- **CBK**: Sharp contraction in NIM (cal) by 20bp QoQ, while peers reported stable / improving margins.
- **BoI**: Addition to restructured loans of INR30b in 3QFY12.
- **SBI**: Gross slippages remain elevated at INR81bn, while recoveries were muted.

Guidance highlights

- **ICICIBC**: Loan growth for FY12 / expected to be ~18%; margins at 2.8% in FY13 (FY12 – 2.7%); fee income growth to pick up in FY13 to double digit growth v/s muted growth in FY12
- **SBIN:** Strong margin performance to continue with margins to remain stable at elevated levels; net slippages in 4QFY12 to decline to INR3-40b from INR60b
- **IDFC**: FY12 loan growth guidance upped to 20% from ~15% earlier; FY13 loan growth seen at 15-20%; improvement in macro environment and reformatory steps by the government could alter growth outlook.

HEALTHCARE

Positive / Negative surprises

- **Sun Pharma**: Strong outperformance driven by price increases for Taro products, favorable currency and better growth in US generics. Management has cautioned that high profitability and growth may not be sustainable in the long-term.
- **Cipla**: Muted formulation export growth and no major benefits from currency impacted Cipla's performance.
- **Dr Reddy's**: Performance driven by higher US & PSAI sales and was above est despite no major benefit from currency
- **Lupin**: Strong performance in domestic formulation business was a positive surprise.

Positive/Negative surprises and Guidance highlights by sector

HEALTHCARE (contd)

- **Sun Pharma:** Raised FY12 topline growth guidance from 28-30% to 32-34%. Estimates upgraded 15% for FY12, 8% for FY13.
- **Cipla**: Guided for a muted 10% growth in formulation exports but has raised its growth guidance for domestic formulations to 15-16% from the previous 12%. We lowered estimates by 6% for FY13.
- **Dr Reddy**: Maintains revenue guidance of USD2.7b for FY13 to be led primarily by US and emerging markets.
- **Lupin**: Guides for sustained revenue growth and 75bps annual improvement in margins going forward
- **Glenmark**: Mgmt has cut core EBITDA guidance for FY12 from previous 22-23% to 20%. Core EBITDA guidance for FY13 is indicated at 20-21%. Also raised its R&D expenses guidance for FY12 from INR2-2.25b to INR2.5-2.6b.
- Many companies are guiding for high tax rate for FY12 & FY13.

METALS

Positive / Negative surprises

- **Tata Steel** dipped into red once again with consolidated loss of INR6b after eight quarters of positive trend.
- **Sesa Goa** reported stronger number with a positive surprise on margins and volumes. Product mix was better.

Guidance highlights

- **Hindalco**: Novelis cut FY12 EBITDA guidance to USD1.05-1.08b from USD1.5-1.2b due to weaker demand.
- **Tata Steel**: India operations volume guidance cut again by 0.6m tons to 7.6m tons i.e. only 1m tons of new volumes from 2.8mtpa of new capacity in FY13. We have cut our estimates by 25% for FY12 and downgraded the rating to Neutral.

OIL & GAS

Positive / Negative surprises

- **Petronet LNG** yet again surprised with higher capacity utilization at 115% v/s 107% in 2QFY12.
- **Reliance Industries** reported its first ever discount to benchmark Singapore GRM in 3QFY12 led by subdued light-heavy differentials. We have cut our estimates by 6-8% for FY12/FY13.

Guidance highlights

- **Cairn India** guided for ramp-up at Rajasthan to 175kbpd by March 2012 and reiterated its target of reaching 240kbpd in 2013.

Positive/Negative surprises and Guidance highlights by sector

REAL ESTATE

Positive / Negative surprises

- **Prestige Estate** maintained a strong sales momentum in 3QFY12 as well (despite no new launch) and 9MFY12 sales stood at 3.6msf (INR14.6b). Full year sales is likely to exceed management guidance of INR15-17b. We believe with strong pre-sales, the company is well placed to post sharp jump in revenue over FY13.
- **Unitech**, despite maintaining a steady sales, revenue booking was much below expectation, largely due to liquidity pressure impacting the execution plan severely.
- **DLF** numbers were below estimates due to high interest costs. Debt levels were almost unchanged despite asset sales.

Guidance highlights

- **HDIL, d**espite weak performance in 3QFY12, expects strong revival in sales/launch momentum with new DCR amendment. Meaningful visibility in much delayed MIAL project could unlock huge potential going forward.
- **DLF**: Strong new launch guidance of 8-9msf over 2HFY12 (already launched ~6msf) to revive operating cash flow. Targeting INR50-60b of debt reduction by FY13.
- **Godrej Properties**: To raise up to INR7.5b via equity route to reduce debt level.

TELECOM

Positive / Negative surprises

- **Idea:** Idea Cellular (IDEA) posted 42% YoY and 13.3% QoQ growth in 3QFY12 EBITDA to INR13.5b (v/s our estimate of INR12.8b). Revenue grew 27% YoY and 8.9% QoQ to INR50.3b, led by 7.3% QoQ traffic growth and 1.7% RPM increase. EBITDA margin expanded ~100bp QoQ to 26.7%. Business momentum remains exceptionally strong for IDEA as indicated by EBITDA CQGR of 9% over past four quarters.
- **Bharti**: Bharti results disappointed on financial as well as operating performance led by largely flat mobile traffic (domestic), sharp decline in non-mobile margins, and certain non-recurring expenses. 3QFY12 PAT declined 22.4% YoY and 1.5% QoQ to INR10.1b, significantly below our estimate of INR14.7b. Our earnings are cut by 20% for FY12/FY13.

Positive/Negative surprises and Guidance highlights by sector

TECHNOLOGY

Positive / Negative surprises

- **TCS's** volume growth of 3% was lower than expectations of 4%
- **Wipro's** revenue growth was driven more by a plough back of realizations lost in the previous quarter due to higher efforts that could not be billed during the quarter. Volume growth was the lowest among peers at 1.8%.
- **HCL Tech's** EBIT margins were higher than estimates by 120 bps on the back of a weaker than expected INR (1.6% weaker than estimates) and lower than expected SG&A expenses.

Guidance highlights

- **Infosys** surprised negatively with a 0-0.2% USD revenue growth guidance for 4QFY12.
- **Wipro's** USD revenue growth guidance of 1-3% was also below our expectations of 3-4% (we had modeled a 3.7% USD revenue growth for 4QFY12).
- **Cognizant's** 1QCY12 USD revenue growth guidance of 2.2% surprised negatively. The full year revenue growth guidance of 23% implies a 6.9% CQGR over the remaining three quarters.

3QFY12 – Top 5 Performing Companies

1. L&T — Buy

- ✓ Beat estimates on all parameters – revenue up 23%, EBITDA margin up 170bp, Adj PAT up 40%; order intake up 28%; interest cost down 3% QoQ
- ✓ Maintained guidance – FY12 order intake growth of 5%, implying 13% growth in 4QFY12, FY12 revenue growth of 25%
- ✓ We maintain FY12/13 estimates; Cons PAT CAGR of 10% (FY11-13)

2. Idea Cellular — Buy

- ✓ Double-digit QoQ EBITDA growth PLUS traffic momentum (+7% QoQ)
- ✓ RPM up 1.7% QoQ; established circles EBITDA margin up 100bp QoQ; PAT up 90% QoQ
- ✓ Management confident of staying FCF positive
- ✓ We upgraded our FY12 revenue/ EBITDA / PAT estimates by 1/3/28%; FY13 estimates largely unchanged

3. ICICI Bank — Buy

- ✓ Margins up 10bp; average CASA ratio up 70bp QoQ to 39%, GNPAs down QoQ and credit costs stable.
- ✓ Guided for loan growth of 18% for FY12 and FY13; margins to improve to 2.8% v/s 2.7% in FY12
- ✓ Delivering on its 5C strategy (Customer, Credit growth, Credit quality, CASA, Cost); Core RoE to rise to ~14% in FY12 itself (10% in FY10)

4. Sun Pharma — Neutral

- ✓ EBITDA up 119% YoY; Margin up 17.4pp YoY Adj PAT up 99% YoY;
- ✓ FY12 topline growth guidance raised from 28-30% to 32-34%
- ✓ To acquire balance 34% of Taro for USD370m
- ✓ EPS upgrade: 15% for FY12 , 8.5% for FY13
- ✓ Positive on Sun Pharma's business outlook; valuation rich at 23x FY13E

5. Tata Motors — Buy

- ✓ Best ever consolidated margins of 16%; highest ever JLR margins (20%)
- ✓ 3QFY12 Cons PAT up 44% YoY
- ✓ Demand for Evoque strong with no cannibalization
- ✓ Guided for JLR margins to sustain if forex remains stable; Performance of other subs improving
- ✓ EPS upgrade: 13% for FY12, 8% for FY13

Stock Performance in CY12

L&T	+46%
Idea Cellular	+14%
ICICI Bank	+43%
Sun Pharma	+12%
Tata Motors	+61%

3QFY12 – Bottom 5 Performing Companies

1. Bharti Airtel — Buy

- PAT down 22% YoY and 1.5% QoQ to INR10b v/s estimated INR14.7b
- Flat domestic mobile traffic (up only 1% QoQ); sharp decline in non-mobile margins
- Bharti held on to effective tariff hikes in all 22 circles as it wanted markets to fully absorb the same
- FY12/13 PAT downgrade of 20%; TP down to INR410 from INR465

2. Reliance Inds — Neutral

- First ever discount to benchmark Reuters Singapore GRM – reported USD6.8/bbl , discount of USD1.1
- No clarity on KG-D6 gas ramp-up and cash utilization
- FY12/13 estimates cut 6-8%
- TP cut to INR841 (from INR896) on concerns of RoE sub-14%, falling KG-D6 volumes and rising share (75%) of cyclical refining & petchem

3. NTPC — Buy

- Adj PAT down 6% YoY v/s expected +11% YoY
- Lower PLF at 83.6% v/s 87.1% YoY; PAF at 85.2% v/s 93.6% YoY
- Lower efficiency incentives, higher maintenance drag earnings
- 10% cut in FY12/13 estimates
- Guidance: (i) FY12 capacity addition maintained at 4.98GW, (ii) Project award 12GW in next 6-9 months

4. Tata Steel — Neutral

- In the red again after 8 quarters of profit
- Gross volume down 4% QoQ, realization down 6% QoQ; Cons EBITDA down 41% QoQ
- FY12 EPS cut 30%; FY13 EPS cut 11%
- Business environment challenging – demand outlook weak; margin pressure persisting
- Rating downgraded to Neutral

5. Cipla — Under Review

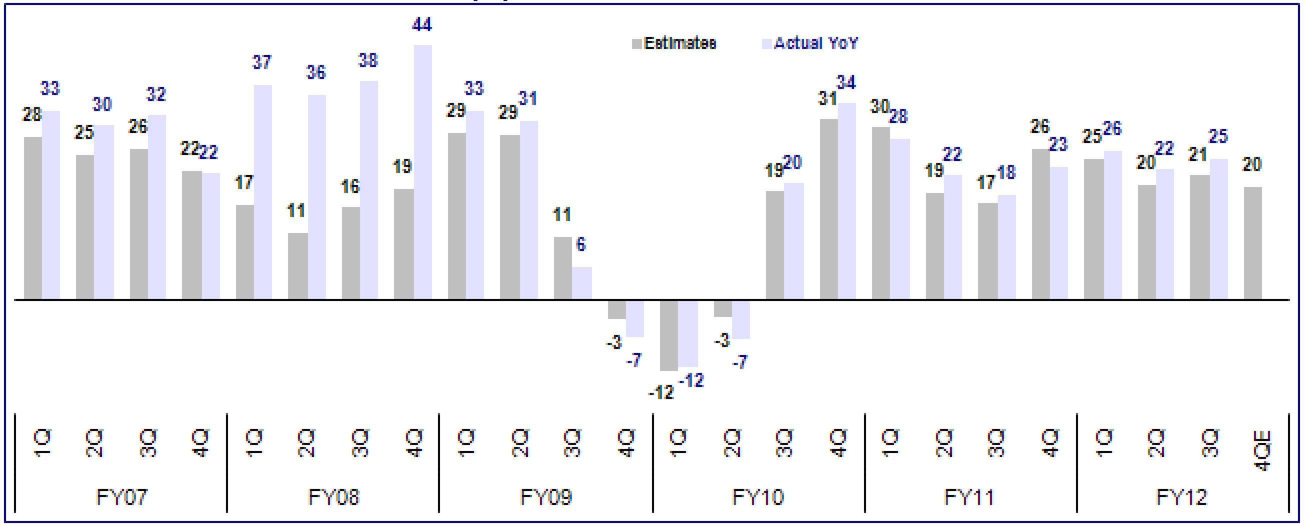
- Below estimates due to muted growth in export formulations, despite weak INR
- 10% growth guidance for this business due to product & market rationalization for profitability
- Export guidance raises uncertainty on ramp-up timeline for Indore SEZ
- FY12 EPS cut 3%; FY13 EPS cut 6.5%
- Trading at 21x FY13E earnings

Stock Performance in CY12

Bharti Airtel	+2%
Reliance Inds	+21%
NTPC	+13%
Tata Steel	+48%
Cipla	0%

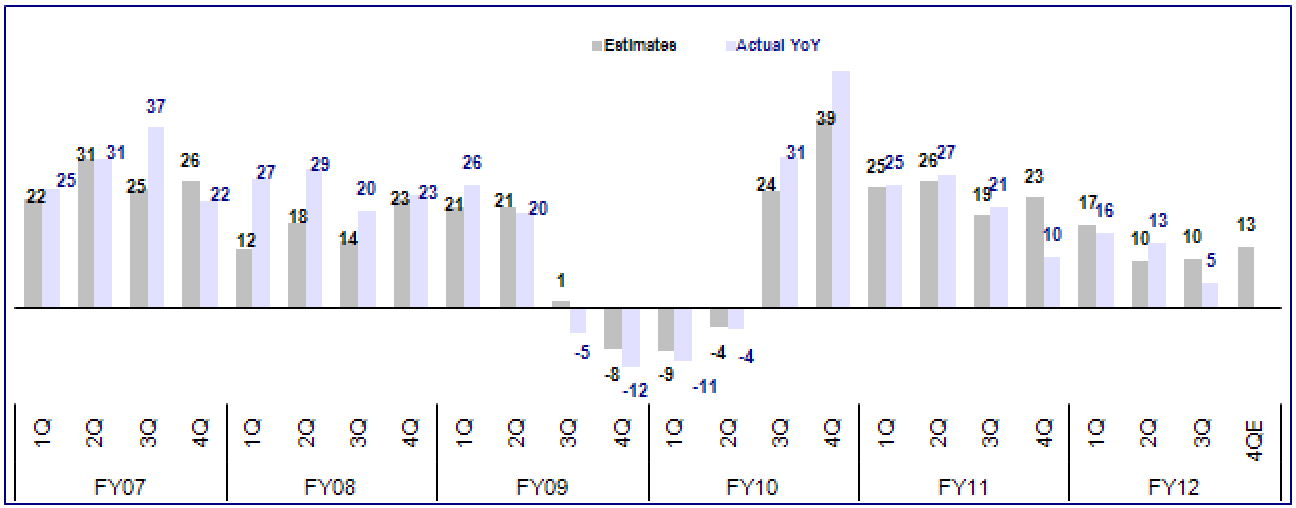
Sensex Performance: Actual v/s Estimates

TREND IN SENSEX SALES GROWTH (%): ACTUAL V/S ESTIMATES



- 3QFY12 sales grew 25%, in-line with estimates of 21%. Several sectors saw sales growth of >20%, with leaders being cement (46%), Private Banks (27%), Technology (24%).
- While inflation has been a key contributor to sales growth, volumes have seen moderation.
- Sectors to report low growth were Infra, Real Estate, Metals, & Telecom.

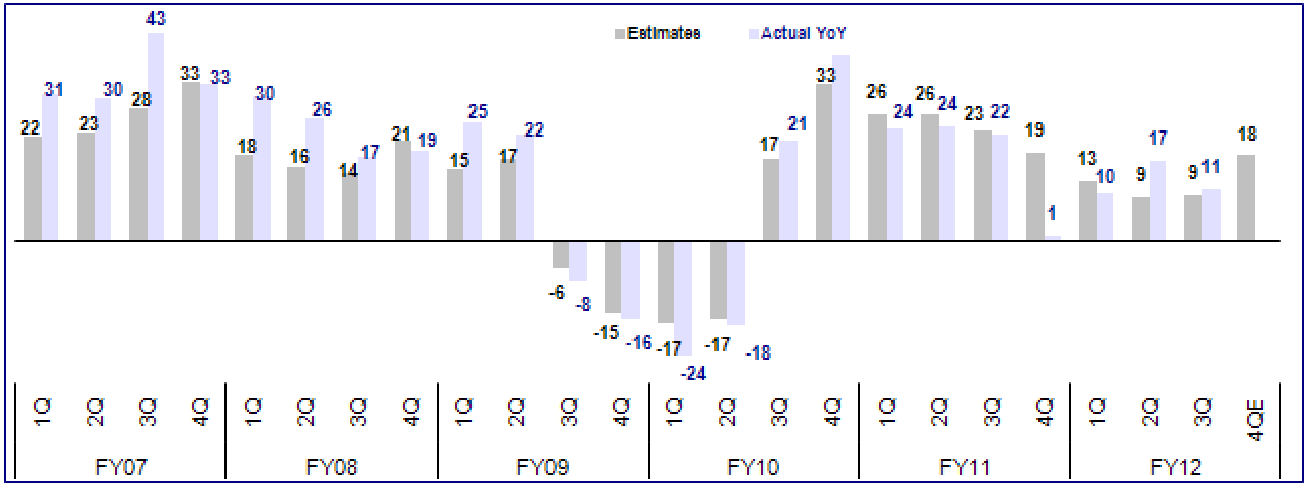
TREND IN SENSEX EBITDA GROWTH (%): ACTUAL V/S ESTIMATES



- EBIDTA grew 5%, vs estimate of 10%. Margin pressures were seen across sectors.
- Cement (34%), Health care (37%) and Technology (29%) were top growing sectors.
- Sectors where growth rates were low: Infra, Capital goods and Metals (reported a decline).

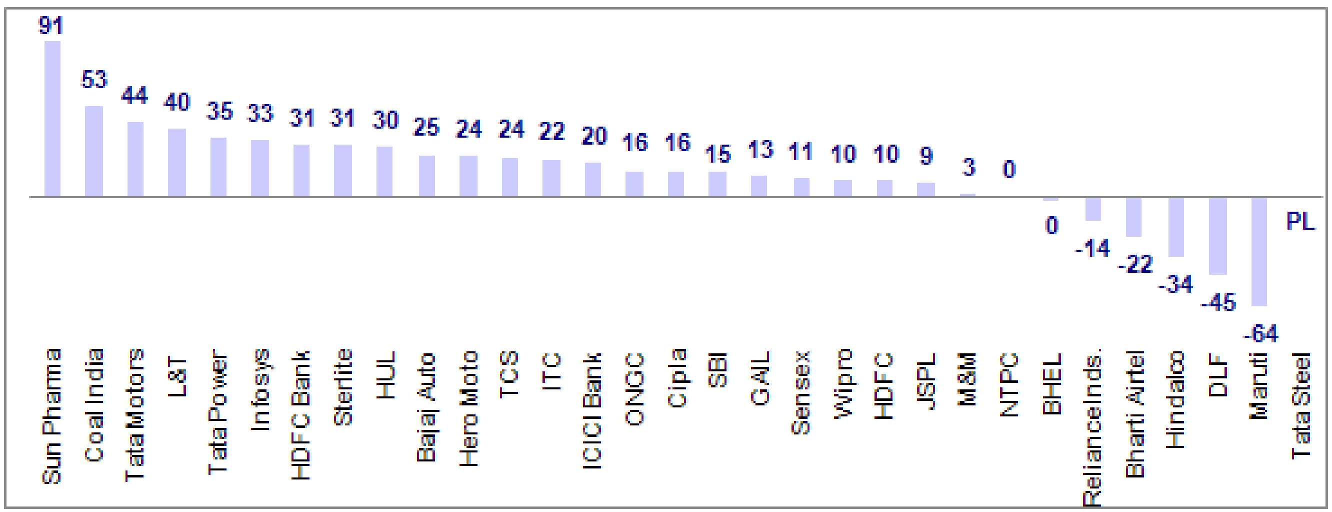
Sensex Performance: Actual v/s Estimates

TREND IN SENSEX PAT GROWTH (%): ACTUAL V/S ESTIMATES



- **3QFY12 Sensex PAT grew 11% vs estimate of 9%.**
- **7 companies lagged, while 18 outperformed.**

3QFY12 PAT GROWTH (YOY, %): SUN PHARMA, COAL INDIA, TATA MOTORS, L&T AMONG KEY LEADERS



- **Tata Steel reported losses during the quarter Maruti, DLF, Hindalco, Bharti, Reliance Inds, reported decline in PAT.**
- **Sun Pharma, Coal India, Tata Motors, L&T led the growth.**

MOTILAL OSWAL

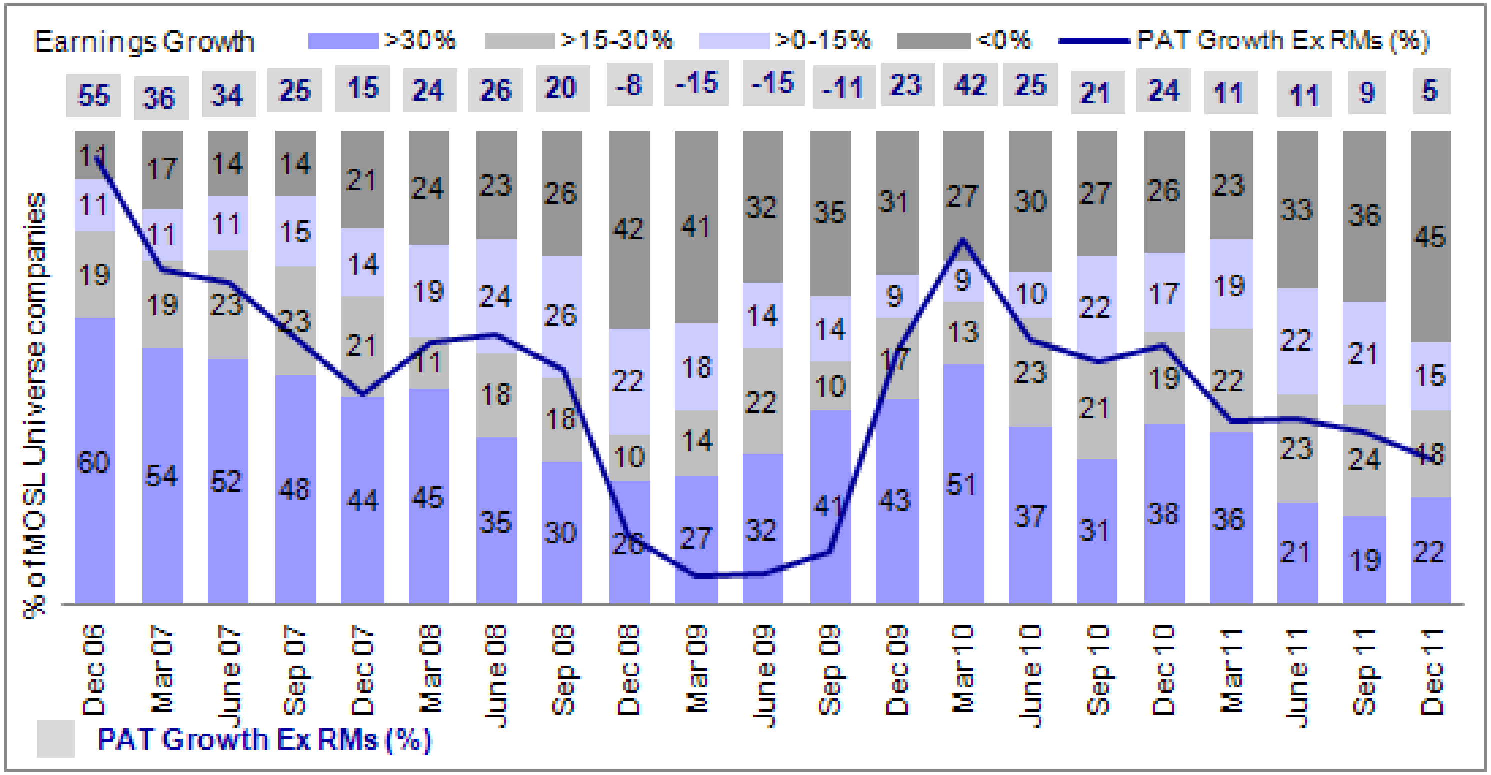
Sensex Performance for 3QFY12

INR B	SALES				EBITDA				PAT			
Company	Dec 2011	CHG % QoQ	CHG % YoY	VAR. OVER EXP. (%)	Dec 2011	CHG % QoQ	CHG % YoY	VAR. OVER EXP. (%)	Dec 2011	CHG % QoQ	CHG % YoY	VAR. OVER EXP. (%)
Bajaj Auto	51	-3.9	21.2	-1.5	11	0.4	25.0	0.3	8	5.6	25.0	-0.6
Bharti Airtel	185	7.0	17.3	-0.4	60	2.5	19.6	-6.7	10	-1.5	-22.4	-31.1
BHEL	105	2.4	19.2	3.3	21	16.0	-3.1	7.9	14	10.7	-0.1	8.8
Cipla	18	-1.1	13.2	-0.8	4	-10.5	23.0	-5.3	3	-12.6	16.0	-8.7
Coal India	153	16.7	20.9	-4.4	45	83.3	34.5	3.7	40	55.7	52.8	7.2
DLF	20	-19.7	-18.0	-19.8	8	-29.9	-30.2	-27.1	3	-30.6	-44.5	-34.3
GAIL	113	16.1	34.6	14.7	18	6.8	33.9	15.0	11	-0.3	12.8	11.6
HDFC	12	-0.6	15.1	-1.2	13	-0.5	9.8	-3.9	10	1.1	10.1	-0.3
HDFC Bank	31	5.8	12.2	1.9	24	11.9	14.7	1.6	14	19.2	31.4	0.8
Hero Motocorp	60	3.4	16.9	1.8	7	0.5	25.1	-0.6	6	1.6	24.3	-1.0
Hind. Unilever	59	5.8	15.8	-1.4	10	17.4	33.9	11.2	8	16.8	29.9	10.7
Hindalco	191	-1.4	9.5	-3.8	19	-11.4	-2.2	-15.4	4	-62.7	-34.1	-48.7
ICICI Bank	27	8.2	17.3	1.5	27	14.2	14.7	5.3	17	15.0	20.3	9.5
Infosys	93	14.8	30.8	2.3	31	24.6	32.7	2.6	24	24.4	33.3	5.7
ITC	62	2.7	14.2	-3.5	24	7.3	18.0	-1.6	17	12.3	22.5	3.9
JSPL	44	-1.5	37.3	-1.5	18	-0.6	12.1	-4.6	10	-2.7	9.1	-7.6
Larsen & Toubro	140	24.5	22.7	2.4	15	31.4	24.7	15.6	11	41.2	40.0	40.4
Mahindra & Mahindra	83	14.0	37.1	5.9	10	12.3	6.2	-2.2	6	-14.1	2.6	-8.4
Maruti Suzuki	79	0.6	-17.0	6.2	4	-15.6	-53.7	12.4	2	-14.5	-63.6	32.8
NTPC	153	-0.3	13.6	-8.1	29	-11.8	-22.1	-22.6	21	41.7	0.2	-8.7
ONGC	181	-19.9	-2.5	-15.3	107	-24.7	-5.8	-15.4	67	-22.0	16.1	11.9
Reliance Inds.	851	8.4	42.4	5.3	73	-26.0	-23.7	-10.5	44	-22.1	-13.6	-10.4
State Bank	115	10.0	26.7	6.2	73	-2.9	7.3	-5.7	33	16.1	15.4	3.1
Sterlite Inds.	103	1.1	23.7	8.0	23	-6.6	17.2	1.0	14	-3.2	30.8	11.8
Sun Pharma	21	13.2	34.0	20.9	9	24.2	101.9	44.5	7	11.8	90.9	30.9
Tata Motors	453	25.0	44.0	3.8	72	50.1	50.4	26.5	35	57.3	44.0	25.2
Tata Power	67	6.6	50.9	5.5	10	-25.8	-2.3	-27.8	6	24.8	34.9	16.3
Tata Steel	331	0.9	13.8	20.1	17	-40.8	-49.9	-28.7	-6	PL	PL	PL
TCS	132	13.5	36.6	0.9	41	21.0	40.3	0.8	29	18.3	23.9	3.7
Wipro	99	9.7	26.3	-0.4	16	-2.7	-1.6	-22.8	15	12.0	10.4	7.3
Sensex Universe	4,033	6.9	24.6	2.5	837	(1.5)	5.2	(4.5)	484	2.5	11.0	1.4

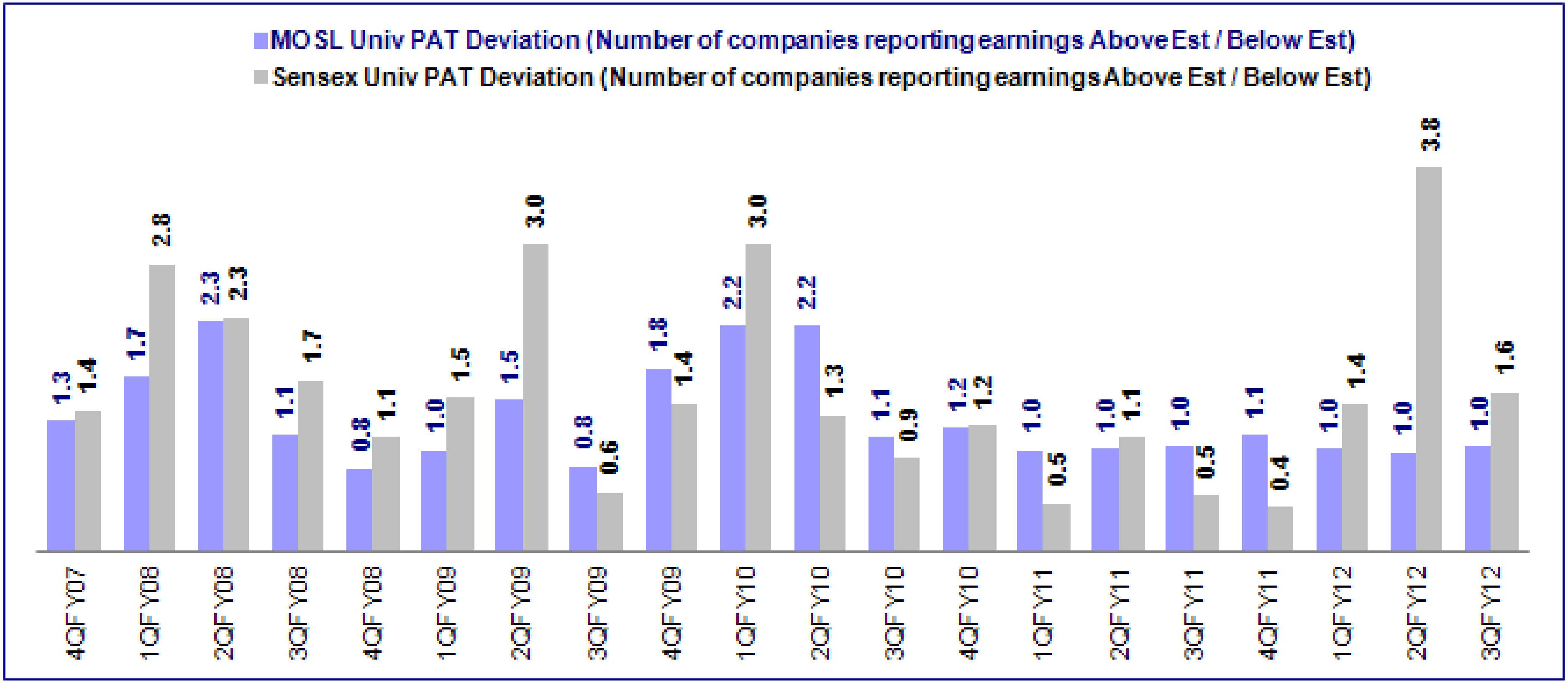
Comparison of Earnings Based on Growth Rates

- For 3QFY12, 22% of the companies in MOSL Universe reported earnings growth of over 30%.
- 45% of MOSL universe companies reported negative earnings growth, highest in the last decade.
- 18% of MOSL Universe companies reported earnings growth of 15-30%.

Distribution of PAT Growth: highest no. of companies with PAT de-growth (ex crisis quarters)



PAT Deviation (Above vs Below)



The performance of Sensex companies was far better than the MOSL Universe.

Sensex PAT to grow 18% in 4Q (ex-SBI, growth of 9%)

	Quarterly PAT (INR B)								PAT Growth (%)					
	June-10	Sep-10	Dec-10	Mar-11	June-11	Sep-11	Dec-11	Mar-12E	June-11	Sep-11	Dec-11	Mar-12E	FY12E	FY13E
State Bank	29.1	25.0	28.3	0.2	15.8	28.1	32.6	37.3	-46	12	15	17792	43	16
Tata Motors	20.2	21.1	24.5	24.8	20.5	22.5	35.3	38.1	1	6	44	54	28	9
ONGC	36.6	53.9	58.1	25.7	40.9	86.4	67.4	36.6	12	60	16	42	23	4
Infosys	14.9	17.4	17.8	18.2	17.2	19.1	23.7	24.0	16	10	33	32	23	10
HDFC Bank	8.1	9.1	10.9	11.1	10.8	12.0	14.3	14.7	34	31	31	32	32	26
Sun Pharma	5.6	5.0	3.5	5.7	5.0	6.0	6.7	7.3	-11	19	91	28	65	9
Bajaj Auto	5.9	6.8	6.7	6.8	7.1	7.9	8.3	8.6	20	16	25	27	22	13
Hind. Unilever	5.2	5.3	5.9	5.1	5.8	6.5	7.6	6.4	11	22	30	24	22	16
TCS	18.4	21.1	23.3	24.0	23.8	24.4	28.9	29.5	29	16	24	23	23	16
ICICI Bank	10.3	12.4	14.4	14.5	13.3	15.0	17.3	17.8	30	22	20	23	23	13
Hero MotoCorp	4.9	5.1	4.9	5.0	5.6	6.0	6.1	6.1	13	19	24	22	19	17
ITC	10.7	12.5	13.9	12.8	14.1	15.1	17.0	15.0	32	21	22	17	22	17
Tata Steel	18.9	13.1	8.8	11.8	14.3	3.6	-6.0	13.8	-24	-72	PL	17	-57	67
Cipla	2.6	2.6	2.3	2.1	2.5	3.1	2.7	2.5	-2	17	16	17	12	22
JSPL	9.4	8.8	9.4	10.0	9.2	10.5	10.2	11.6	-2	19	9	16	10	13
Wipro	13.2	12.8	13.2	13.8	13.3	13.0	14.6	16.0	1	1	10	16	8	14
DLF	4.1	4.2	4.7	3.4	3.6	3.7	2.6	3.9	-13	-11	-45	12	-16	17
NTPC	16.8	16.2	20.9	25.7	19.0	14.8	21.0	28.4	13	-8	0	11	5	9
BHEL	7.1	11.6	14.3	23.6	8.2	12.9	14.3	25.9	15	12	0	10	10	1
HDFC	6.9	8.1	8.9	11.4	8.4	9.7	9.8	12.2	22	20	10	7	14	19
Tata Power	4.2	3.9	4.1	5.5	4.2	4.4	5.5	5.7	-1	13	35	3	13	2
Bharti Airtel	16.8	16.6	13.0	14.0	12.2	10.3	10.1	13.5	-28	-38	-22	-4	-24	67
Larsen & Toubro	6.7	6.9	8.1	15.3	7.5	8.0	11.3	14.7	12	15	40	-4	9	10
Mahindra & Mahindra	5.6	7.3	6.2	6.1	6.0	7.4	6.3	5.6	8	1	3	-7	-12	33
Coal India	25.4	15.2	26.4	42.1	41.3	25.9	40.4	38.9	63	70	53	-8	34	20
Reliance Inds.	48.5	49.2	51.4	53.8	56.6	57.0	44.4	47.3	17	16	-14	-12	1	0
GAIL	8.9	9.2	9.7	8.6	9.8	10.9	10.9	7.5	11	19	13	-13	8	1
Sterlite Inds.	8.6	10.1	11.1	17.3	15.7	14.9	14.5	13.4	82	48	31	-23	15	-7
Hindalco	8.9	9.1	5.9	11.1	9.2	10.5	3.9	7.4	4	15	-34	-33	1	9
Maruti Suzuki	5.1	6.0	5.7	6.7	5.5	2.4	2.1	4.1	7	-60	-64	-39	-38	43
Sensex	**388**	**406**	**436**	**436**	**427**	**472**	**484**	**514**	**10**	**16**	**11**	**18**	**13**	**13**

Dec-11 Quarter Results: The Best & The Worst (>$5B Mkt cap)

TOP POSITIVE SURPRISES

Company	EBITDA					PAT				
	Actual (INR b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (INR b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Idea Cellular	13.4	13	35	42	5	2.0	90	-53	-17	74
SAIL	11.1	36	-52	-38	29	6.3	28	-65	-43	62
Larsen & Toubro	15.4	31	8	25	16	11.3	41	0	40	40
Maruti Suzuki	4.2	-16	-59	-54	12	2.1	-14	-73	-64	33
Sun Pharma	8.9	24	40	102	45	6.7	12	46	91	31
Tata Motors	72.3	50	19	50	27	35.3	57	15	44	25
HCL Technologies	9.5	22	45	57	8	5.5	15	28	48	16
Hind. Unilever	9.7	17	20	34	11	7.6	17	17	30	11
ICICI Bank	26.9	14	9	15	5	17.3	15	10	20	10
Bank of Baroda	26.0	22	24	40	13	12.9	11	15	21	5

TOP NEGATIVE SURPRISES

Company	EBITDA					PAT				
	Actual (INR b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)	Actual (INR b)	QoQ Chg (%)	Est. YoY Chg (%)	YoY Chg (%)	Var. Over Exp. (%)
Tata Steel	17.2	-41	-30	-50	-29	-6.0	PL	-67	PL	PL
Siemens	1.2	-51	-12	-67	-62	0.7	-49	-10	-70	-67
Hindalco	19.0	-11	16	-2	-15	3.9	-63	28	-34	-49
DLF	8.2	-30	-4	-30	-27	2.6	-31	-16	-45	-34
Bharti Airtel	59.6	2	28	20	-7	10.1	-2	13	-22	-31
Reliance Inds.	72.9	-26	-15	-24	-11	44.4	-22	-4	-14	-10
Cairn India	25.5	21	8	-1	-8	22.6	196	24	13	-9
Cipla	3.9	-11	30	23	-5	2.7	-13	27	16	-9
NTPC	28.6	-12	1	-22	-23	21.0	42	10	0	-9
Grasim Industries	2.8	-3	-5	-23	-19	2.7	-20	3	-3	-6

Dec-11 Quarter Results: The Best & The Worst (<$5B Mkt cap)

TOP POSITIVE SURPRISES

Company	EBITDA Actual (INR b)	EBITDA QoQ Chg (%)	EBITDA Est. YoY Chg (%)	EBITDA YoY Chg (%)	EBITDA Var. Over Exp. (%)	PAT Actual (INR b)	PAT QoQ Chg (%)	PAT Est. YoY Chg (%)	PAT YoY Chg (%)	PAT Var. Over Exp. (%)
BGR Energy	1.3	19	-39	-11	47	0.5	7	-62	-37	66
Jaiprakash Associates	8.2	9	-11	3	16	2.0	58	-40	-13	45
Indian Bank	9.1	-1	7	12	5	5.3	12	-14	7	24
Godrej Consumer	2.7	27	32	60	21	1.7	31	20	41	18
Petronet LNG	5.0	12	32	46	10	3.0	13	51	73	14
Cummins India	1.8	2	-9	0	10	1.4	10	-10	2	12
Jubilant Foodworks	0.5	21	49	60	7	0.3	24	42	55	10
Havells India	1.1	-2	14	24	9	0.8	12	19	29	8
Lupin	3.8	37	9	39	28	2.5	24	4	12	7
IPCA Labs.	1.5	-4	22	66	36	0.6	-18	-6	0	6

TOP NEGATIVE SURPRISES

Company	EBITDA Actual (INR b)	EBITDA QoQ Chg (%)	EBITDA Est. YoY Chg (%)	EBITDA YoY Chg (%)	EBITDA Var. Over Exp. (%)	PAT Actual (INR b)	PAT QoQ Chg (%)	PAT Est. YoY Chg (%)	PAT YoY Chg (%)	PAT Var. Over Exp. (%)
JSW Steel	7.5	-4	-5	-25	-21	0.2	-83	-45	-95	-90
United Spirits	1.9	-27	4	-32	-35	0.3	-61	-10	-71	-68
Nalco	1.0	-33	-18	-74	-68	0.8	-44	-9	-69	-66
CESC	2.1	-18	29	-16	-35	0.7	-35	40	-33	-52
Crompton Greaves	1.8	-19	-29	-46	-25	0.8	-34	-41	-67	-44
Shopper's Stop	0.4	7	0	-20	-19	0.2	-1	-9	-31	-24
HDIL	1.6	-32	8	-43	-48	1.6	5	-14	-32	-20
Tulip Telecom	2.0	-2	23	16	-6	0.8	-11	18	-5	-20
Sun TV	3.4	-7	-23	-32	-11	1.7	-7	-12	-26	-15
Titan Industries	2.1	6	24	9	-12	1.6	7	27	16	-8

Highest Earnings Upgrade / Downgrade (>$5B Mkt cap)

TOP EARNINGS UPGRADES

Company	EPS - Pre-2QFY12 (Rs)			EPS - Post-2QFY12 (Rs)			% Upgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
SAIL	12.0	7.2	8.3	12.0	7.9	9.7	9.5	17.1
State Bank	168.3	211.1	239.6	168.3	240.8	280.3	14.1	17.0
Tata Motors	27.1	29.9	33.9	27.1	34.7	37.9	16.0	11.8
Cairn India	33.3	42.3	43.4	33.3	48.0	47.3	13.5	9.0
Sun Pharma	13.6	19.5	22.6	13.6	22.4	24.5	14.8	8.5
Maruti Suzuki	82.4	46.8	69.3	82.4	51.5	73.9	10.1	6.6
Bank of Baroda	108.0	110.8	127.0	108.0	122.3	133.1	10.4	4.8
HCL Technologies	23.1	31.3	35.5	23.1	32.8	37.0	4.8	4.3
Wipro	21.6	22.3	25.5	21.6	23.2	26.5	4.2	4.1
Hind. Unilever	9.9	11.8	13.6	10.0	12.2	14.1	3.7	3.6

TOP EARNINGS DOWNGRADES

Company	EPS - Pre-2QFY12 (Rs)			EPS - Post-2QFY12 (Rs)			% Downgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
Bharti Airtel	15.9	15.2	25.4	15.9	12.1	20.2	-20.4	-20.3
Tata Steel	62.3	35.7	54.0	62.3	26.5	44.4	-25.6	-17.8
JSPL	40.1	45.0	54.8	40.1	44.4	49.9	-1.5	-8.9
NTPC	9.7	10.7	12.0	9.7	10.1	11.0	-6.0	-8.7
Reliance Inds.	68.4	73.6	75.4	68.4	69.2	69.1	-5.9	-8.4
Sterlite Inds.	15.2	17.4	17.5	15.2	17.4	16.2	-0.3	-7.5
Cipla	12.0	13.9	17.5	12.0	13.5	16.4	-2.8	-6.5
Mahindra & Mahindra	48.2	44.6	58.7	48.2	42.5	56.4	-4.8	-3.9
Grasim Industries	248.5	300.2	357.1	248.5	292.9	343.8	-2.4	-3.7
IOC	32.3	30.4	33.8	32.3	29.1	32.6	-4.1	-3.5

Highest Earnings Upgrade / Downgrade (<$5B Mkt cap)

TOP EARNINGS UPGRADES

Company	EPS - Pre-2QFY12 (Rs)			EPS - Post-2QFY12 (Rs)			% Upgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
JSW Energy	5.1	2.1	2.3	5.1	2.5	3.0	18.4	29.5
Jaiprakash Associates	3.6	3.3	3.3	3.5	3.6	4.1	11.1	25.5
IPCA Labs.	17.4	21.5	27.7	20.9	26.3	31.6	22.5	14.3
Marico	4.7	5.3	6.4	4.7	5.4	7.1	2.8	12.2
Jubilant Foodworks	11.2	15.4	22.2	11.2	16.0	24.0	3.8	8.2
Cummins India	21.3	19.1	22.6	21.3	19.8	24.3	3.8	7.8
IDFC	8.8	10.3	10.8	8.8	10.5	11.4	2.6	5.8
Petronet LNG	9.3	13.8	13.5	9.3	14.7	14.2	6.3	5.2
Shree Cement	197.6	198.9	207.0	197.6	204.7	217.7	2.9	5.2
IndusInd Bank	12.4	16.7	20.0	12.4	17.1	20.9	2.5	4.4

TOP EARNINGS DOWNGRADES

Company	EPS - Pre-2QFY12 (Rs)			EPS - Post-2QFY12 (Rs)			% Downgrade	
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY12E	FY13E
NCC	8.6	4.7	4.8	8.6	1.9	2.9	-60.1	-39.7
Nalco	4.2	4.0	5.7	4.2	2.8	4.1	-30.3	-28.1
Pantaloon Retail	8.7	7.9	9.7	8.7	5.4	7.6	-32.5	-21.6
Reliance Comm	7.2	3.8	7.0	7.2	3.8	5.6	-1.5	-19.8
Tulip Telecom	18.9	22.2	22.5	18.9	19.5	18.5	-12.0	-17.8
Jagran Prakashan	6.9	6.6	8.4	6.9	6.0	7.2	-8.3	-13.3
Thermax	32.0	36.3	39.3	32.0	34.4	34.5	-5.2	-12.2
Oberoi Realty	15.8	16.1	25.9	15.8	13.1	22.9	-18.5	-11.7
Sun TV	19.6	19.0	23.3	19.6	17.7	21.6	-6.7	-7.2
Crompton Greaves	14.3	8.0	11.2	14.3	7.1	10.6	-11.4	-5.6

Sensex Companies' EPS Upgrade / Downgrade

(INR)	PRE-3QFY12 EPS		POST-3QFY12 EPS		EPS UPGRADE / DOWNGRADE (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Tata Motors	29.9	33.9	34.7	37.9	16.0	11.8
Sun Pharma	19.5	22.6	22.4	24.5	14.8	8.5
State Bank	211.1	239.6	240.8	280.3	14.1	17.0
Maruti Suzuki	46.8	69.3	51.5	73.9	10.1	6.6
Tata Power	7.9	9.0	8.3	8.5	5.2	-5.9
Wipro	22.3	25.5	23.2	26.5	4.2	4.1
ICICI Bank	53.0	60.8	55.1	62.3	4.0	2.5
Hind. Unilever	11.8	13.6	12.2	14.1	3.7	3.6
Infosys	143.3	161.3	147.0	161.3	2.6	0.0
GAIL	30.2	30.7	30.9	31.1	2.4	1.4
TCS	53.2	62.7	54.5	63.3	2.3	0.9
ONGC	29.5	30.8	30.0	31.3	1.9	1.7
ITC	7.8	9.2	7.9	9.2	1.4	0.5
Bajaj Auto	109.7	124.7	110.4	124.6	0.7	-0.1
HDFC Bank	22.0	27.5	22.2	27.9	0.5	1.6
BHEL	25.5	25.8	25.5	25.8	0.0	0.1
Larsen & Toubro	75.7	83.5	75.6	83.5	-0.1	0.0
Sterlite Inds.	17.4	17.5	17.4	16.2	-0.3	-7.5
JSPL	45.0	54.8	44.4	49.9	-1.5	-8.9
Hero Motocorp	121.5	142.3	119.6	140.1	-1.6	-1.6
HDFC	28.1	32.2	27.4	31.3	-2.5	-2.7
Cipla	13.9	17.5	13.5	16.4	-2.8	-6.5
Coal India	24.0	27.7	23.2	27.8	-3.3	0.1
Hindalco	18.7	19.0	17.8	19.5	-4.8	2.6
Mahindra & Mahindra	44.6	58.7	42.5	56.4	-4.8	-3.9
Reliance Inds.	73.6	75.4	69.2	69.1	-5.9	-8.4
NTPC	10.7	12.0	10.1	11.0	-6.0	-8.7
DLF	9.0	9.6	8.1	9.5	-10.1	-1.4
Bharti Airtel	15.2	25.4	12.1	20.2	-20.4	-20.3
Tata Steel	35.7	54.0	26.5	44.4	-25.6	-17.8
Sensex	**1,107**	**1,267**	**1,113**	**1,258**	**0.5**	**-0.7**

FY12 & FY13 Sensex EPS estimates seen no change over last 2 months; indicates end of earnings downgrade cycle

SBI & Tata Motors offset the impact of entire downgrade of Reliance, Bharti & Tata Steel on Sensex EPS

5 Sensex stocks witnessed upgrade in FY12 estimate (over 5%) while 5 stocks (witnessed downgrade in FY12 estimate (over 5%) .

4 Sensex stocks witnessed upgrade in FY13 estimate (over 5%) while 8 stocks (witnessed downgrade in FY13 estimate (over 5%) .

Markets reaction on quarter performance

Top 10 Stock Price Performance

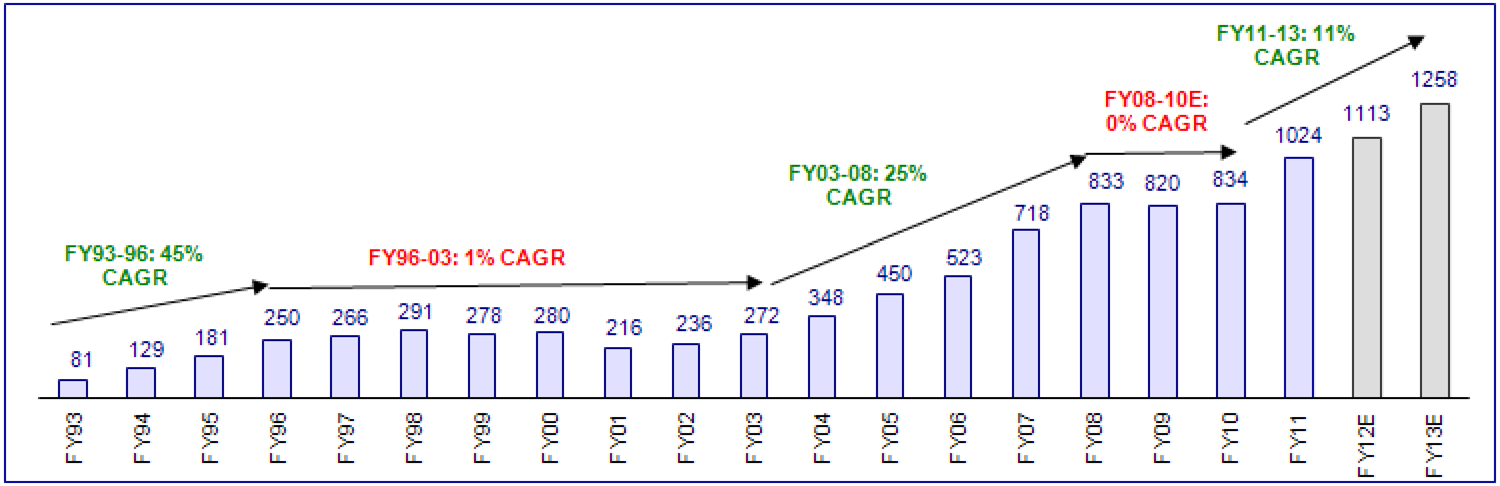
Company	EBITDA Actual (INR m)	EBITDA QoQ Chg (%)	EBITDA YoY Chg (%)	EBITDA Var. Over Exp. (%)	PAT Actual (Rs m)	PAT QoQ Chg (%)	PAT YoY Chg (%)	PAT Var. Over Exp. (%)	Stock Return (%) 1 day post results Vs 1 day before results
Jubilant Foodworks	516	21	60	7	295	24	55	10	12.1
IndusInd Bank	3,492	5	20	0	2,060	7	34	3	11.0
Tata Motors	72,257	50	50	27	35,337	57	44	25	10.9
Idea Cellular	13,446	13	42	5	2,010	90	-17	74	10.7
Jaiprakash Associates	8,160	9	3	16	2,034	58	-13	45	10.5
Marico	1,217	4	22	-1	841	7	21	3	8.7
Yes Bank	3,988	3	28	-2	2,541	8	33	4	6.9
Larsen & Toubro	15,431	31	25	16	11,276	41	40	40	6.0
Axis Bank	20,592	16	24	4	11,023	20	24	6	4.7
ICICI Bank	26,871	14	15	5	17,281	15	20	10	4.3

Bottom 10 Stock Price Performance

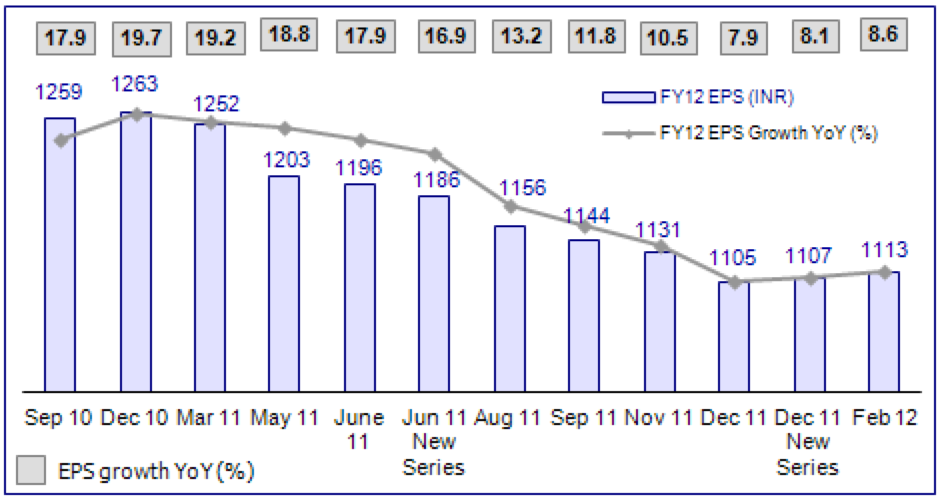
Company	EBITDA Actual (INR m)	EBITDA QoQ Chg (%)	EBITDA YoY Chg (%)	EBITDA Var. Over Exp. (%)	PAT Actual (Rs m)	PAT QoQ Chg (%)	PAT YoY Chg (%)	PAT Var. Over Exp. (%)	Stock Return (%) 1 day post results Vs 1 day before results
NCC	777	-25	-39	-37	-95	PL	PL	PL	-14.9
Pantaloon Retail	2,612	4	10	-2	135	-59	-71	-63	-9.8
Cipla	3,915	-11	23	-5	2,699	-13	16	-9	-8.0
Bharti Airtel	59,584	2	20	-7	10,113	-2	-22	-31	-7.6
Adani Power	2,120	-59	-22	-65	-1,535	PL	PL	PL	-7.5
United Spirits	1,869	-27	-32	-35	327	-61	-71	-68	-6.8
JSW Steel	7,525	-4	-25	-21	200	-83	-95	-90	-5.2
Canara Bank	15,767	-2	4	-9	8,756	3	-21	-4	-5.1
Hindalco	18,964	-11	-2	-15	3,906	-63	-34	-49	-4.9
Mahindra & Mahindra	9,811	12	6	-2	6,334	-14	3	-8	-3.3

Earnings downgrade cycle nearing end; growth expectations low

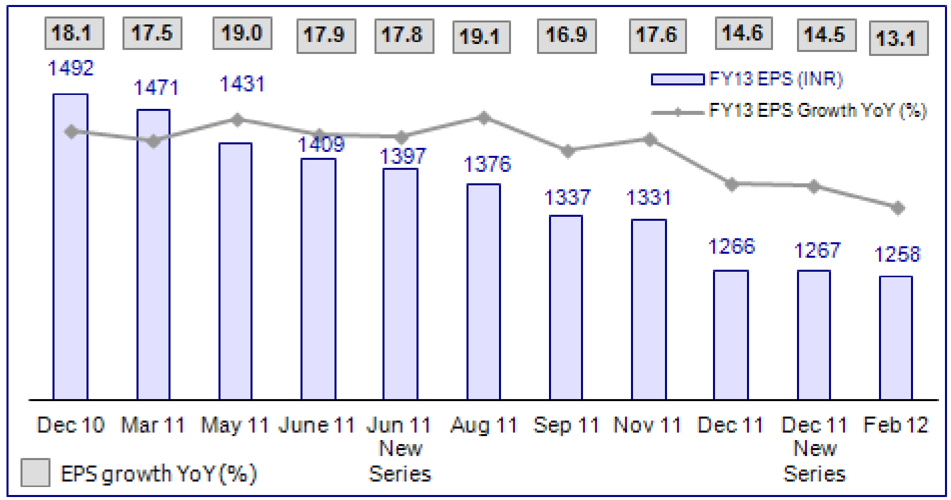
EARNINGS GROWTH REVIVAL FROM FY11 AFTER FY08-10 GROWTH HOLIDAY



TREND IN FY12E SENSEX EPS REVISION



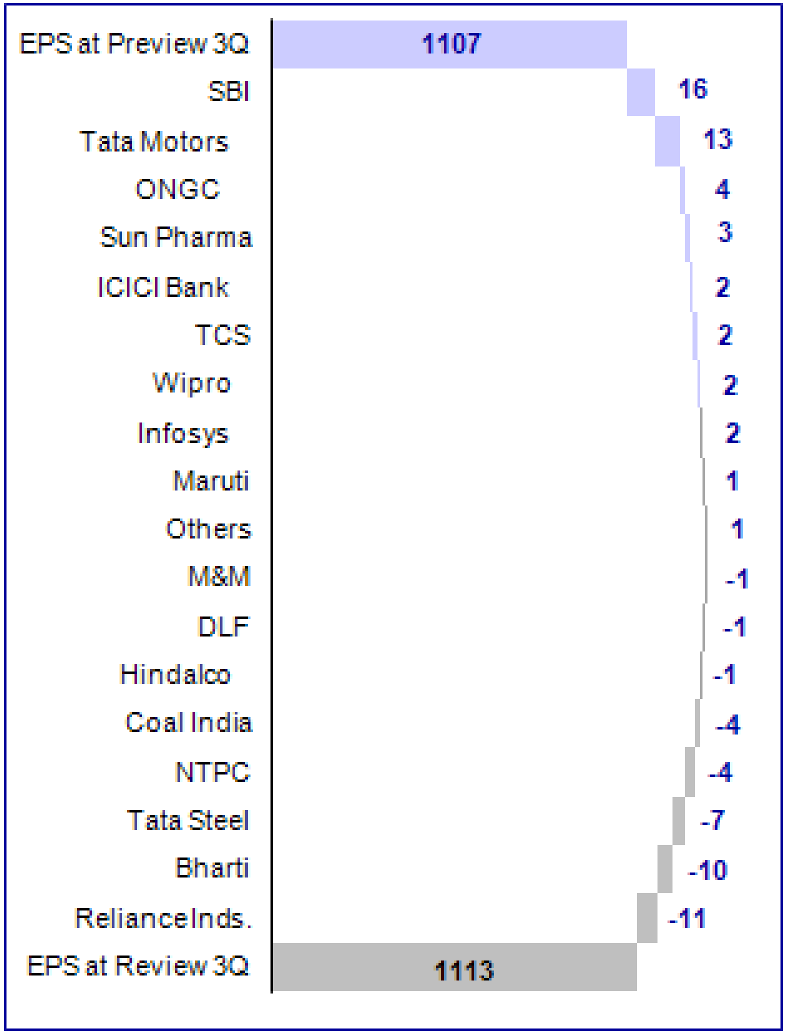
TREND IN FY13E SENSEX EPS REVISION



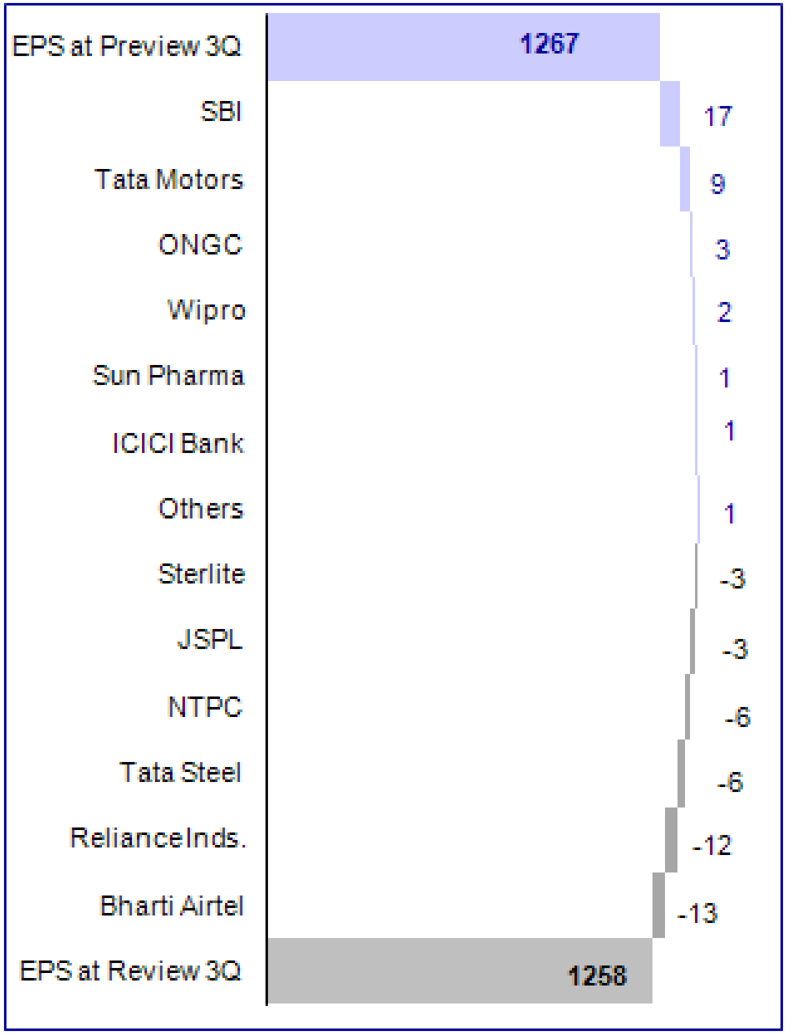
New Series of June 11 is inclusion of Coal India & Sun Pharma and of Dec 11 is inclusion of GAIL India in Sensex

Sensex EPS Revision Contributors (Change over preview estimates)

Stocks contribution to revised FY12E Sensex EPS (INR)

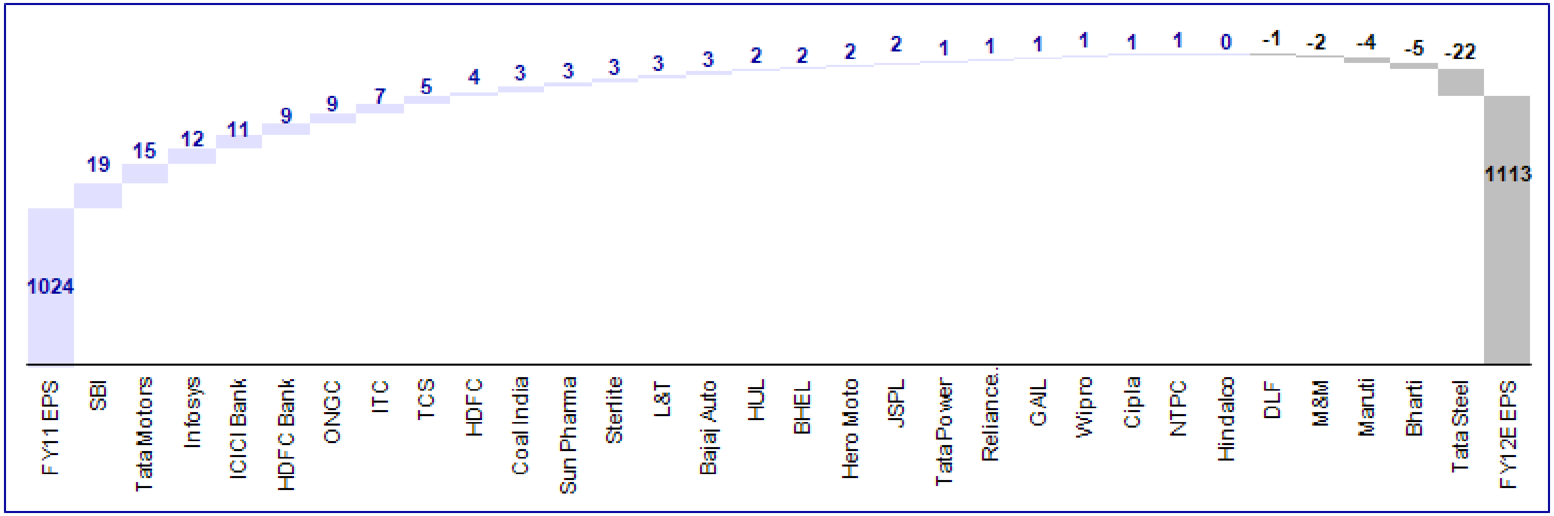


Stocks contribution to revised FY13E Sensex EPS (INR)

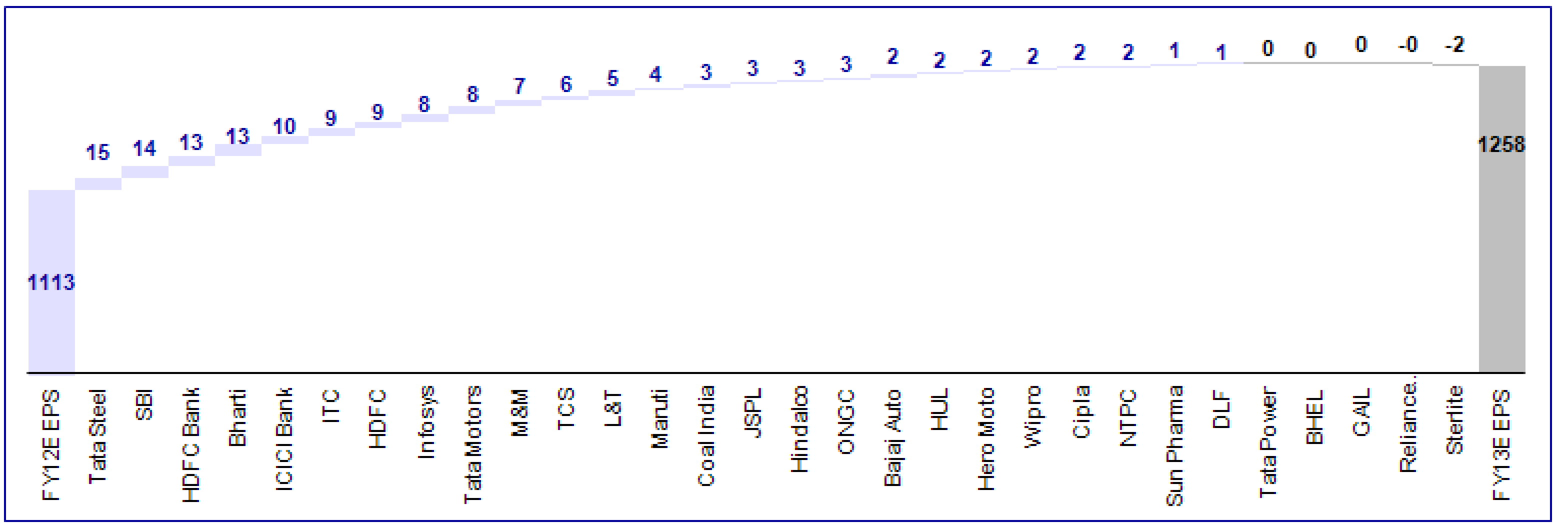


Contributors to growth in Sensex EPS for FY12 and FY13

Stocks contribution to growth in FY12E Sensex EPS (INR)



Stocks contribution to growth in FY13E Sensex EPS (INR)



MOSL Universe' EPS Upgrade / Downgrade

Company	EPS - Post-3QFY12		% Revision		EPS Growth (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Automobiles						
Bajaj Auto	110.4	124.6	0.7	-0.1	22.1	12.9
Hero Motocorp	119.6	140.1	-1.6	-1.6	18.9	17.2
Mahindra & Mahindra	42.5	56.4	-4.8	-3.9	-11.8	32.8
Maruti Suzuki	51.5	73.9	10.1	6.6	-37.5	43.5
Tata Motors	34.7	37.9	16.0	11.8	28.1	9.1
Capital Goods						
BGR Energy	29.3	26.0	-6.5	0.6	-34.4	-11.4
BHEL	25.5	25.8	0.0	0.1	10.5	0.9
Crompton Greaves	7.1	10.6	-11.4	-5.6	-50.6	49.8
Cummins India	19.8	24.3	3.8	7.8	-7.2	23.0
Havells India	28.9	35.8	-0.2	0.1	31.3	24.0
Larsen & Toubro	75.6	83.5	-0.1	0.0	8.5	10.5
Siemens	25.7	22.9	2.6	-23.1	14.5	-11.2
Thermax	34.4	34.5	-5.2	-12.2	7.3	0.4
Cement						
ACC	59.0	76.5	4.5	0.9	9.3	29.7
Ambuja Cements	8.2	10.5	1.2	3.0	1.1	27.4
Birla Corporation	34.1	41.0	-20.8	-15.1	-18.0	20.3
Grasim Industries	292.9	343.8	-2.4	-3.7	17.9	17.4
India Cements	12.4	13.6	3.2	-0.3	459.0	9.5
Shree Cement	204.7	217.7	2.9	5.2	3.6	6.3
Ultratech Cement	77.6	99.5	0.5	-1.0	51.4	28.2

Company	EPS - Post-3QFY12		% Revision		EPS Growth (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Consumer						
Asian Paints	100.1	120.7	0.0	0.0	13.8	20.7
Britannia	15.9	19.9	0.0	0.0	29.4	24.9
Colgate	32.0	37.4	1.2	0.9	8.2	16.7
Dabur	3.6	4.4	-2.0	-1.3	11.4	20.1
Godrej Consumer	17.2	21.9	2.2	2.9	15.6	27.2
GSK Consumer	85.7	102.3	-0.4	-0.2	20.2	19.4
Hind. Unilever	12.2	14.1	3.7	3.6	22.2	15.6
ITC	7.9	9.2	1.4	0.5	22.0	17.2
Marico	5.4	7.1	2.8	12.2	14.2	31.9
Nestle	105.7	124.8	0.2	0.0	21.7	18.1
Pidilite Inds.	6.5	8.3	-5.1	-2.6	0.0	27.1
United Spirits	25.6	32.8	0.0	0.0	-9.5	28.1
Financials: Private Banks						
Axis Bank	97.0	112.1	2.1	0.2	17.5	15.6
Federal Bank	43.3	50.3	1.0	0.9	26.2	16.1
HDFC Bank	22.2	27.9	0.5	1.6	31.2	25.9
ICICI Bank	55.1	62.3	4.0	2.5	23.2	13.0
IndusInd Bank	17.1	20.9	2.5	4.4	38.3	22.1
ING Vysya Bank	30.0	33.6	3.3	1.5	13.8	12.2
South Indian Bank	3.4	3.9	5.8	4.5	33.1	13.4
Yes Bank	28.2	32.8	3.5	1.1	34.7	16.1

MOSL Universe' EPS Upgrade/Downgrade

Company	EPS - Post-3QFY12		% Revision		EPS Growth (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Financials: PSU Banks						
Andhra Bank	23.6	26.4	1.6	3.1	4.3	11.7
Bank of Baroda	122.3	133.1	10.4	4.8	13.3	8.8
Bank of India	45.1	58.5	-1.2	0.6	-0.8	29.8
Canara Bank	72.6	88.9	-8.9	-0.4	-20.1	22.4
Indian Bank	44.5	48.4	10.0	3.9	11.6	8.7
OBC	41.8	49.6	2.2	0.4	-18.9	18.6
Punjab National Bank	155.3	180.8	-1.7	-1.6	11.0	16.4
State Bank	240.8	280.3	14.1	17.0	43.1	16.4
Union Bank	27.1	45.4	-21.7	1.0	-31.6	67.3
Financials: NBFC						
Dewan Housing	29.7	38.9	-0.1	-1.0	-3.7	31.1
HDFC	27.4	31.3	-2.5	-2.7	13.6	14.3
IDFC	10.5	11.4	2.6	5.8	20.1	8.2
LIC Housing Fin	20.9	27.5	17.1	2.6	-3.7	31.4
M & M Financial	54.9	69.6	-2.5	-0.3	21.5	26.8
Power Finance Corp	23.9	29.1	34.1	1.1	4.0	21.6
Rural Electric. Corp.	28.5	34.1	3.7	-2.3	12.2	19.6
Shriram Transport Fin.	56.9	64.3	-1.3	2.2	4.6	13.0
Health care						
Biocon	15.8	19.3	-7.0	-5.4	-14.3	22.8
Cadila Health	25.7	38.0	-0.4	-14.3	-16.9	47.7
Cipla	13.5	16.4	-2.8	-6.5	11.9	21.7
Dishman Pharma	4.6	8.0	-489.2	-9.7	-53.9	72.7

Company	EPS - Post-3QFY12		% Revision		EPS Growth (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Health care						
Divis Labs	34.9	44.1	-2.3	-2.9	7.7	26.4
Dr Reddy' s Labs	93.7	85.5	22.9	-0.3	42.9	-8.8
Glenmark Pharma	10.0	20.6	-14.4	-0.1	-19.7	105.0
IPCA Labs.	26.3	31.6	22.5	14.3	25.8	20.2
Jubiliant Organosys	11.1	28.5	-42.9	1.6	-23.0	156.7
Lupin	19.8	25.9	-4.0	-1.5	2.6	30.9
Opto Circuits	24.7	31.1	3.0	3.1	25.6	26.0
Sun Pharma	22.4	24.5	14.8	8.5	65.3	9.3
Torrent Pharma	42.6	51.7	0.0	-2.2	33.4	21.3
Infrastructure						
Gammon India	1.9	3.6	0.0	0.0	-79.6	91.7
Hindustan Construction	-3.8	-1.0	107.7	105.0	-471.2	-73.5
IVRCL	1.6	3.2	-11.5	-1.4	-72.9	101.5
Jaiprakash Associates	3.6	4.1	11.1	25.5	4.5	13.8
NCC	1.9	2.9	-60.1	-39.7	-78.1	52.3
Simplex Infra.	16.5	24.6	1.7	13.2	-33.5	49.1
Media						
HT Media	7.3	8.3	-11.6	-12.7	-5.3	13.2
Jagran Prakashan	6.0	7.2	-8.3	-13.3	-12.7	20.2
Sun TV	17.7	21.6	-6.7	-7.2	-9.7	22.2
Zee Entertainment	6.1	6.8	-2.2	-0.5	1.3	11.7
Metals						
Hindalco	17.8	19.5	-4.8	2.6	1.2	9.4
Hindustan Zinc	13.5	15.5	-1.1	0.1	15.8	14.8

MOSL Universe' EPS Upgrade/Downgrade

Company	EPS - Post-3QFY12		% Revision		EPS Growth (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Metals						
Hindalco	17.8	19.5	-4.8	2.6	1.2	9.4
Hindustan Zinc	13.5	15.5	-1.1	0.1	15.8	14.8
JSPL	44.4	49.9	-1.5	-8.9	10.5	12.6
JSW Steel	51.3	62.4	-1.0	4.0	-33.7	21.7
Nalco	2.8	4.1	-30.3	-28.1	-32.7	45.9
SAIL	7.9	9.7	9.5	17.1	-34.4	23.2
Sesa Goa	34.1	33.9	-25.6	0.3	-30.4	-0.5
Sterlite Inds.	17.4	16.2	-0.3	-7.5	14.6	-6.8
Tata Steel	26.5	44.4	-25.6	-17.8	-57.4	67.3
Oil & Gas						
BPCL	42.9	48.7	-2.3	-2.3	-5.1	13.6
Cairn India	48.0	47.3	13.5	9.0	44.2	-1.6
Chennai Petroleum	14.8	31.4	-42.6	-5.1	-56.9	112.0
GAIL	30.9	31.1	2.4	1.4	7.7	0.5
Gujarat State Petronet	9.2	8.4	4.3	2.1	2.0	-8.3
HPCL	28.8	35.2	-3.2	-1.7	-36.6	22.4
IOC	29.1	32.6	-4.1	-3.5	-9.7	12.1
Indraprastha Gas	21.3	25.4	-2.0	-0.2	13.4	19.0
MRPL	3.4	6.5	-32.8	1.5	-49.9	92.2
ONGC	30.0	31.3	1.9	1.7	22.5	4.2
Petronet LNG	14.7	14.2	6.3	5.2	58.1	-3.4
Reliance Inds.	69.2	69.1	-5.9	-8.4	1.2	-0.2
Real Estate						
Anant Raj Inds	5.5	8.8	0.5	15.3	-3.1	59.9
DLF	8.1	9.5	-10.1	-1.4	-16.2	17.0
HDIL	16.8	27.4	-23.3	12.6	-15.2	63.1
Mahindra Lifespace	30.1	35.5	-3.1	-22.8	14.6	17.9
Oberoi Realty	13.1	22.9	-18.5	-11.7	-16.6	74.1
Phoenix Mills	8.6	10.3	0.7	-4.2	53.0	18.7
Unitech	1.3	1.7	-23.5	-33.9	-41.0	29.7

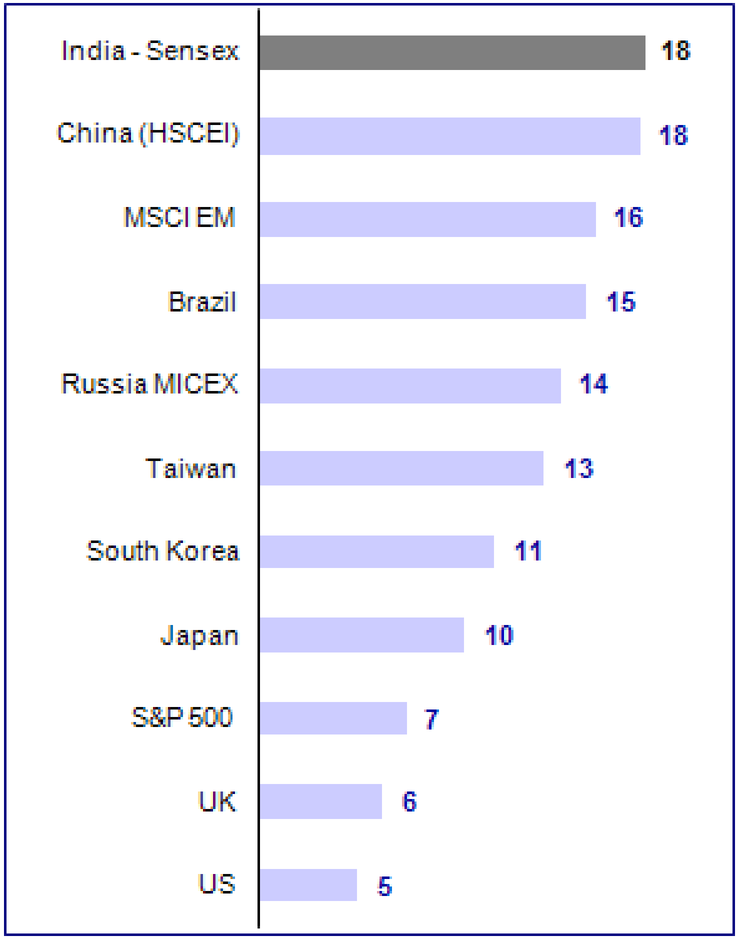
Company	EPS - Post-3QFY12		% Revision		EPS Growth (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Retail						
Jubilant Foodworks	16.0	24.0	3.8	8.2	43.3	49.9
Pantaloon Retail	5.4	7.6	-32.5	-21.6	-38.7	41.7
Shopper's Stop	8.1	10.1	-7.6	-1.9	-11.0	24.3
Titan Industries	6.6	8.1	-3.2	-1.0	34.6	23.9
Technology						
HCL Technologies	32.8	37.0	4.8	4.3	42.1	12.9
Infosys	147.0	161.3	2.6	0.0	23.1	9.8
TCS	54.5	63.3	2.3	0.9	22.8	16.2
Tech Mahindra	67.7	64.7	2.5	4.4	24.7	-4.5
Wipro	23.2	26.5	4.2	4.1	7.4	14.3
Telecom						
Bharti Airtel	12.1	20.2	-20.4	-20.3	-23.9	66.5
Idea Cellular	2.2	4.9	27.7	0.0	-17.6	118.1
Reliance Comm	3.8	5.6	-1.5	-19.8	-48.0	48.1
Tulip Telecom	19.5	18.5	-12.0	-17.8	3.5	-5.3
Utilities						
Adani Power	1.1	5.3	-80.0	-44.9	-53.7	384.7
CESC	38.0	42.6	-5.2	1.7	-2.2	12.1
Coal India	23.2	27.8	-3.3	0.1	33.9	19.9
JSW Energy	2.5	3.0	18.4	29.5	-51.1	21.0
Lanco Infratech	0.2	2.8	58.3	-6.7	-91.6	1535.4
NHPC	1.6	2.0	-18.0	-1.4	-0.7	26.6
NTPC	10.1	11.0	-6.0	-8.7	4.6	9.0
Power Grid Corp.	6.6	7.9	1.0	6.6	19.9	19.9
PTC India	6.3	7.6	-17.8	-15.0	10.8	21.3
Reliance Infrastructure	68.2	77.3	0.0	0.0	68.8	13.3
Tata Power	8.3	8.5	5.2	-5.9	13.1	2.0

Markets and Valuations

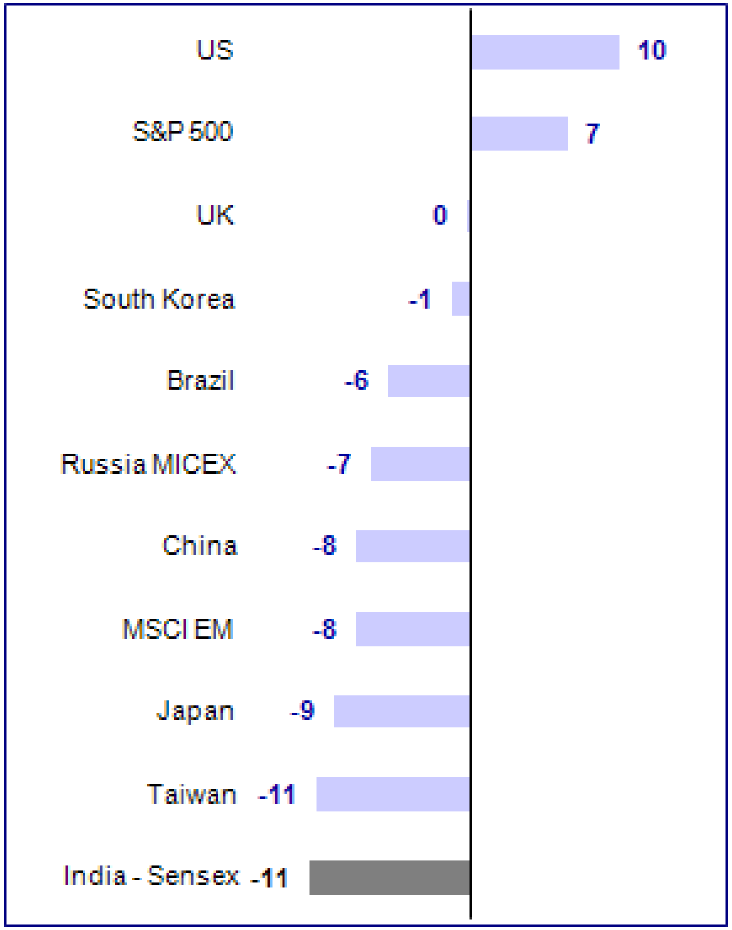
Markets Performance

2012 YTD: India among the best performing markets

World Indices Performance CY12 YTD (%)

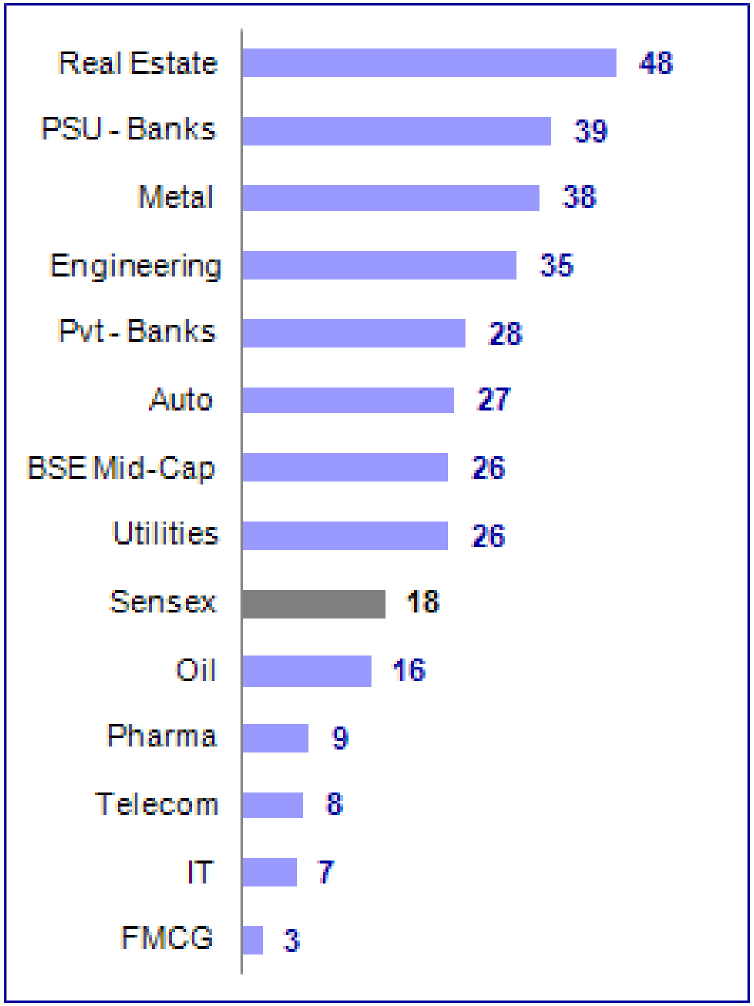


World Indices Performance from Dec-10 till-date (%)

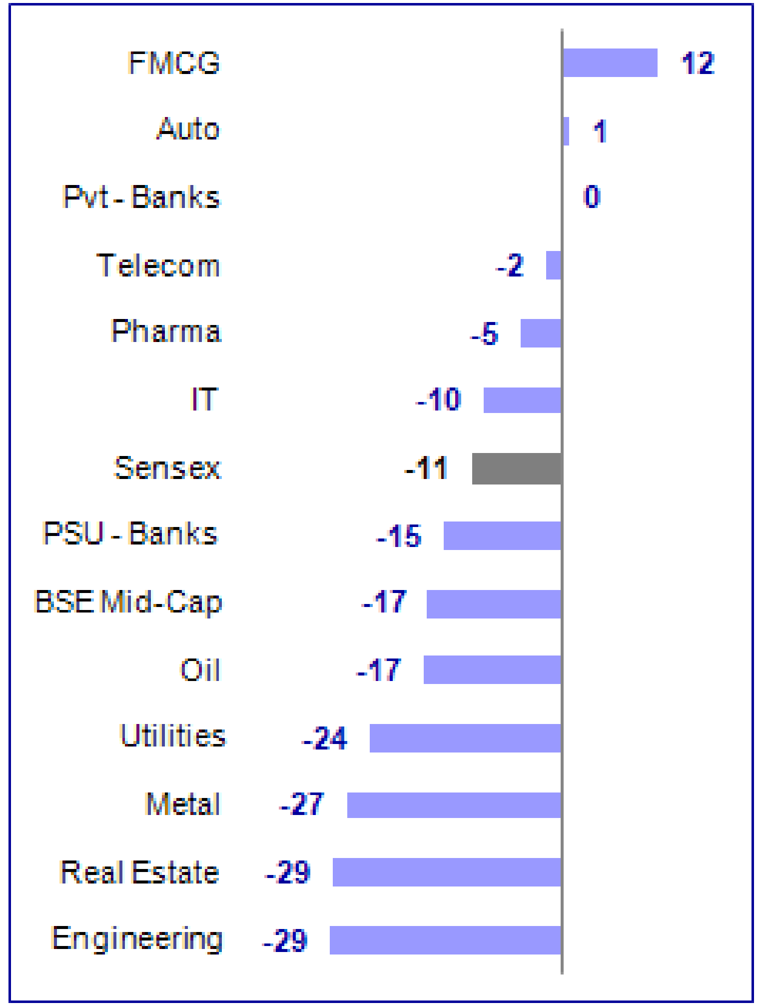


Sectoral Performance

Sectoral Performance for CY12 YTD (%)

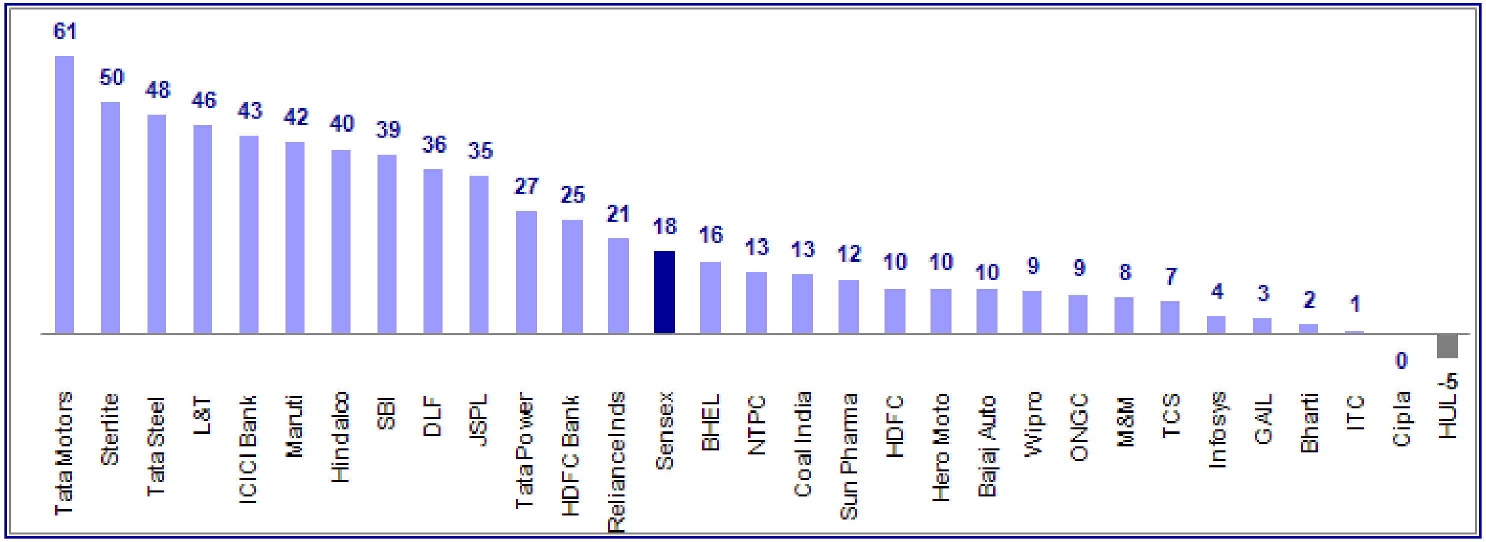


Sectoral Performance from Dec-10 till-date (%)

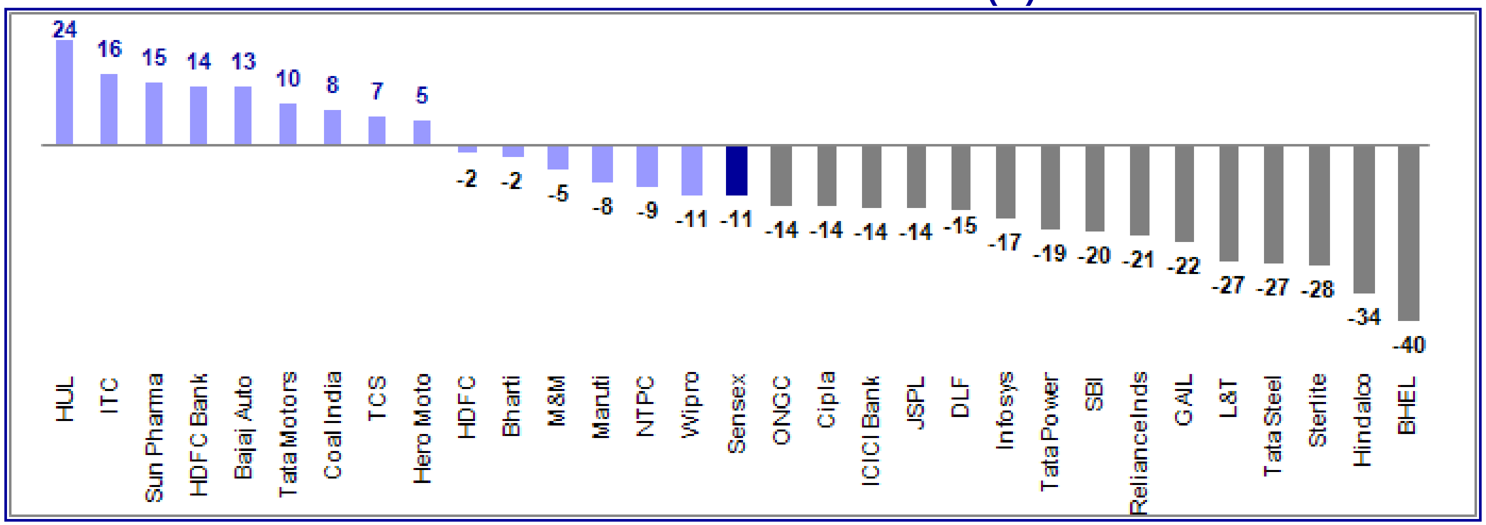


Sensex Best and Worst Performance

Sensex Best and Worst Stock Performance CY12 YTD (%)



Sensex Best and Worst Stock Performance from Dec-10 till-date (%)



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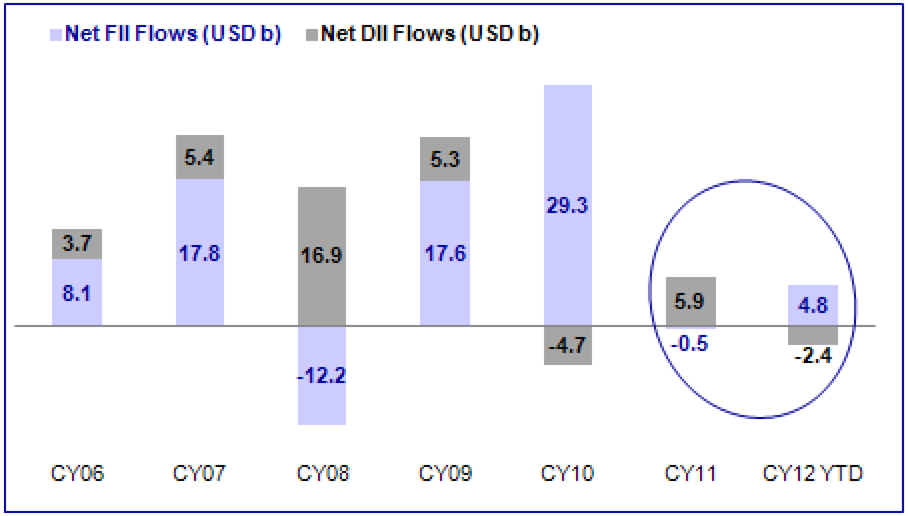
Fund Flows

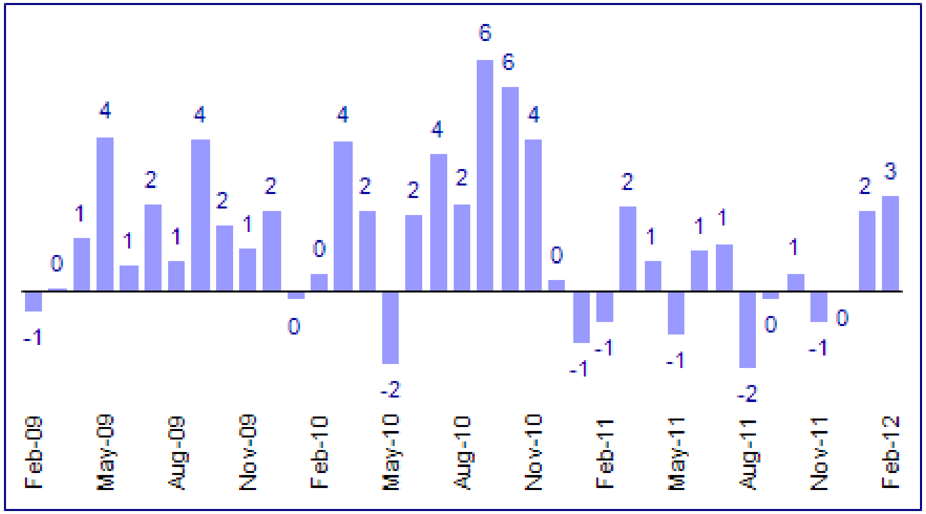
Fund flows

- Against CY11 net FII outflow of USD0.5b, the YTD CY12 FII has net inflow of USD4.8b.
- However DII has a net outflow of USD2.4b YTD CY12 as against an inflow of USD5.9b in CY11.

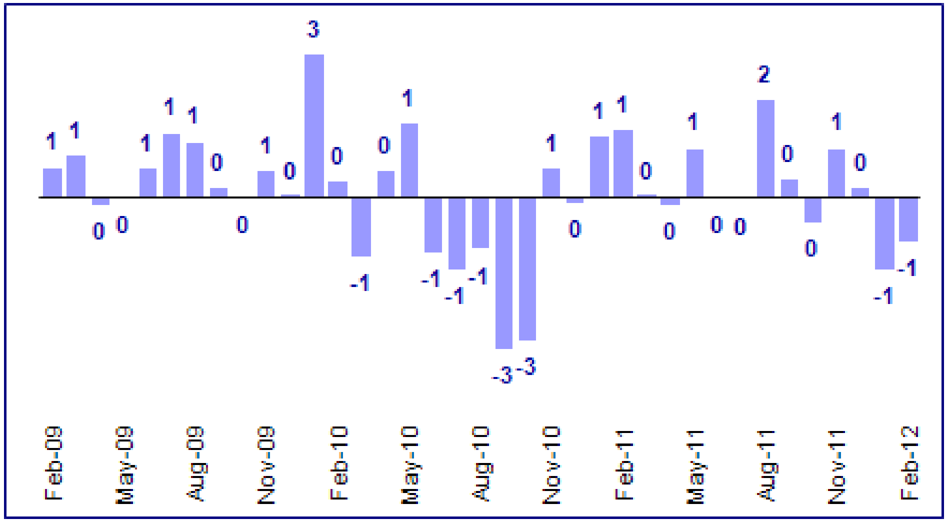
Fund flow into Indian markets



Monthly Net FII Flows(USD b)



Monthly Net DII Flows(USD b)



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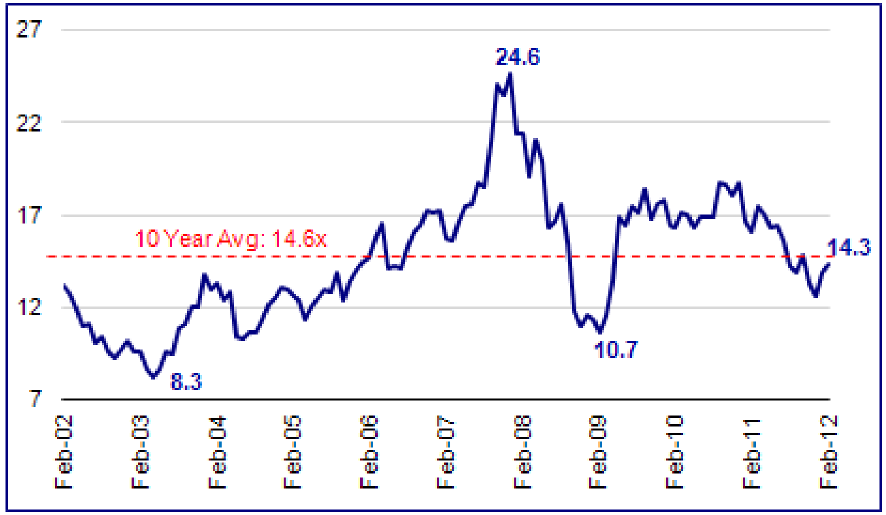
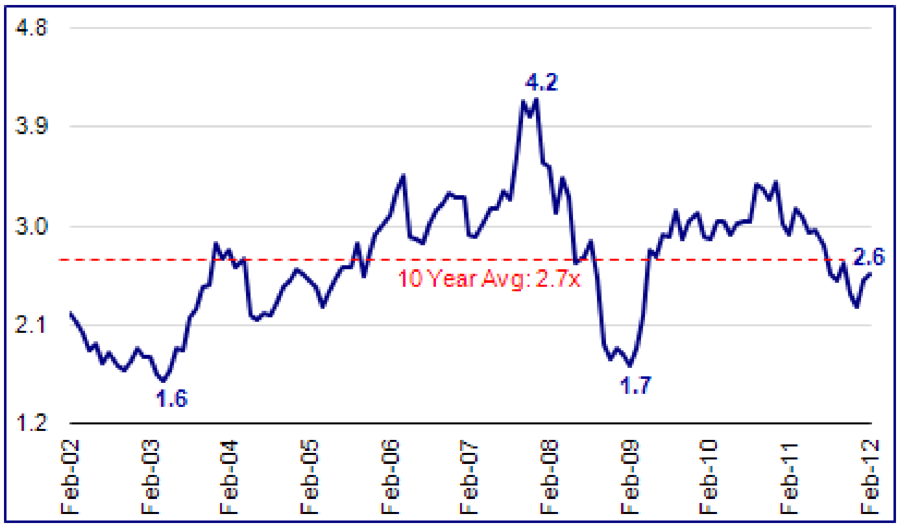
Markets valuations at historical averages

- Post a dismal performance of 2011, Indian market valuations had slipped to below historical averages (rolling 12-month forward PE of 14.3x v/s 10-year average of 14.6x). The recent rally has brought the valuations back to averages.
- Earnings growth stability, monetary easing and revival in policy momentum will be the key drivers of market performance in rest CY12.

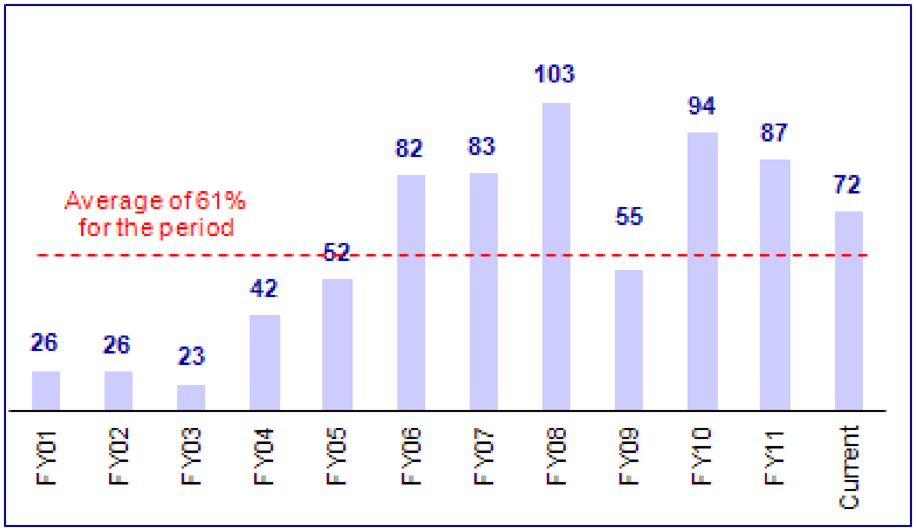
Sensex P/E (x)



Sensex P/B (x)



Market Cap to GDP (%)



Companies with high Net Debt / Mkt Cap

	Mkt Cap (INR B)	Net Debt / Mkt Cap (%)						Absolute Perf (%)	
		FY08	FY09	FY10	FY11	FY12E as of Dec 11	FY12E Current	CY12 YTD	Dec-10 - till date
Large Caps									
Jaiprakash Associates	183	34	154	84	191	370	226	64	-19
Reliance Comm	216	10	63	56	144	250	167	50	-28
Adani Power	188	-	-	37	95	209	151	26	-40
BPCL	218	110	179	145	116	135	108	26	-8
JSW Steel	194	78	450	82	87	168	98	71	-26
Tata Steel	481	95	335	79	81	140	94	48	-27
Hindalco	323	104	248	46	49	113	78	40	-34
JSW Energy	111	-	-	40	74	133	74	79	-32
Mid Caps									
Lanco Infratech	46	28	142	59	149	973	488	101	-70
GVK Power & Infra	29	20	86	62	127	356	220	62	-54
NCC	16	23	111	43	111	404	218	85	-56
Hindustan Construction	18	47	216	57	149	338	188	80	-38
Simplex Infra.	11	21	145	54	98	235	187	25	-46
IVRCL	16	17	80	33	90	290	135	114	-53
Pantaloon Retail	41	31	97	34	84	177	126	45	-49
India Cements	33	26	64	49	83	132	80	64	1
HDIL	46	20	180	32	56	150	72	108	-43
Unitech	77	16	148	31	51	100	65	65	-52

Valuation Divergences vs historical avg & vs market valuations

- **Auto** sector PE at 11.1x is at a discount to the long period average (LPA) of 12.4x, although the sector now trades at a 23% discount to Sensex v/s LPA of a 28% discount. Earnings upgrades should follow monetary easing coupled with any economic upcycle.

- **PSU banks** trade in line with the historical average discount (54%) to Sensex PB. SBI, PNB, Union Bank, BoI trade at 10-20% discount to historical average PB.

- **Private banks** trade at parity with Sensex PB v/s historical average discount of 10%. Axis Bank is the only private bank to trade at a 20% discount to historical PB while ICICI Bank now trades at a 10% premium to historical PB.

- **NBFCs** trade at a 6% premium to Sensex PB v/s historical average of 3% premium. IDFC, and Shriram Transport trade at 20-30% discount to historical PB.

- Most **cement** stocks trade at a premium to historical EV/EBITDA with the exception of India Cement which continues to trade at historical low valuations.

- **Capital goods** trade at the largest discount to historical average valuations [BHEL – 50%; L&T - 29%; Crompton – 24%], likely due to sharp change in outlook with order book declining, working capital rising on the back of dwindling advances and falling return ratios.

- **Consumer** sector trades at a 74% premium to Sensex PE, the highest among all sectors and nearly 2x of the historical average premium of 41%.

Valuation Divergences vs historical avg & vs market valuations

- **Technology** sector trades in line with historical average PE. Among the fronline stocks, Infosys [-6%], HCL Tech [-12%] trade at a discount to historical valuations while TCS [+15%] trades at a premium to historical valuations.

- **Metals** trade at a 33% discount to historical PB and 57% discount to Sensex PB despite being one of the best performing sectors in 2012.

- **Energy** sector PE relative to Sensex [-28%] is in line with historical average while PB relative to Sensex is at -43% vs historical average of -36%. Reliance Inds PE and PB are near historical lows as RoE is at new lows.

- **Health Care** now trades at a 15% discount to historical PE. After the recent underperformance, the sector trades at a 40% premium to Sensex PE vs over 100% premium at highs.

- **Real Estate** trades at 65% discount to Sensex PB although it trades at parity with Sensex PE. The sector trades at 0.9x PB vs historical average of 2.1x.

- **Telecom** sector valuations are near low EV/EBITDA and 35% discount to Sensex PB vs historical average of 7% discount. Both, Bharti and Idea trade at 6.5x EV/EBITDA vs median of 8-10x.

- **Utilities** trades at 21% discount to historical PB and 34% discount to Sensex PB vs historical average of 25%.

Valuation Divergences vs historical avg & vs market valuations

Sector	Current		Long Period Average (LPA)		Prem / Disc to LPA (%)		PE Prem / Disc (%) to Sensex		PB Prem / Disc (%) to Sensex	
	PE (x)	PB (x)	PE (x)	PB (x)	PE	PB	Current	LPA	Current	LPA
Auto	11.1	3.2	12.4	3.1	-10.5	2.6	-23.3	-28.3	24.7	7.5
Banks - Pvt	14.5	2.6	17.1	2.7	-14.7	-1.5	0.9	-0.1	2.3	-9.4
Banks - PSU	6.5	1.2	7.1	1.3	-8.4	-11.1	-54.6	-57.6	-54.0	-54.4
NBFC	13.5	2.7	15.0	3.0	-10.1	-9.4	-6.4	-11.6	6.5	3.2
Capital Goods	15.6	3.5	22.7	6.8	-31.3	-48.3	8.2	32.5	36.2	127.7
Cement	12.4	2.1	10.2	2.1	20.8	1.9	-14.2	-39.2	-17.1	-29.1
Consumer	25.1	8.8	23.3	8.3	7.8	5.5	74.1	41.5	241.7	192.6
Healthcare	20.3	3.4	23.8	3.7	-14.9	-8.8	40.8	43.1	32.6	30.0
Infrastructure	22.9	1.2	28.4	2.3	-19.4	-47.2	58.9	64.3	-53.0	-24.8
Media	16.6	3.3	22.0	4.0	-24.6	-17.8	15.0	27.8	27.4	34.2
Metals	9.6	1.1	9.9	1.6	-3.3	-28.5	-33.3	-41.1	-56.8	-48.1
Oil & Gas	10.3	1.5	12.6	1.9	-17.9	-21.9	-28.3	-25.1	-43.4	-35.8
Real Estate	14.6	0.9	22.4	2.1	-34.6	-56.7	1.4	29.8	-64.5	-32.4
Retail	24.3	4.3	30.2	4.2	-19.4	1.5	68.8	77.0	67.2	43.6
Technology	17.3	4.1	16.9	4.6	2.2	-9.1	19.7	0.8	61.1	55.2
Telecom	17.6	1.7	20.2	2.7	-12.8	-38.6	22.3	20.9	-34.9	-7.1
Utilities	14.1	1.7	17.8	2.2	-20.7	-21.0	-2.1	6.6	-33.9	-25.1

Valuation Divergences vs historical avg & vs market valuations

Nifty Stocks: Highest premium to Long Period Average PE

	Current	LPA	Prem / Disc (%) LPA	Prem / Disc (%) Max	Prem / Disc (%) Nifty
Bajaj Auto	14.0	10.3	36	-8	1
ACC	16.9	13.4	26	-14	21
Grasim Inds	8.3	7.0	19	-24	-40
Hind Unilever	28.1	24.1	16	-6	102
Sun Pharma	22.8	19.7	15	-15	64
TCS	19.5	17.0	15	-20	40
Ambuja Cement	15.8	13.8	15	-19	13
Hero Honda	15.0	13.4	12	-23	8
Sesa Goa	7.2	6.4	12	-25	-48
Maruti Suzuki	17.6	16.4	7	-29	26

Nifty Stocks: Highest discount to Long Period Average PE

	Current	LPA	Prem / Disc (%) LPA	Prem / Disc (%) Max	Prem / Disc (%) Nifty
Cairn India	8.0	18.8	-58	-88	-42
BHEL	10.3	20.7	-50	-75	-26
Jaiprakash	19.3	29.8	-35	-73	39
IDFC	12.2	17.3	-30	-69	-12
L&T	16.6	23.4	-29	-64	20
Tata Power	12.3	17.2	-29	-60	-12
Axis Bank	10.2	13.7	-25	-57	-27
ICICI Bank	15.3	20.1	-24	-57	10
Power Grid	14.0	18.3	-23	-60	1
Reliance Inds	12.3	15.8	-22	-51	-12

Valuation Divergences vs historical avg & vs market valuations

Nifty Stocks: Highest premium to Long Period Average PB

	Current	LPA	Prem / Disc (%) LPA	Prem / Disc (%) Max	Prem / Disc (%) Nifty
Dr Reddy's Lab	4.4	3.5	27	-24	84
ITC	7.1	6.0	18	-12	196
Sun Pharma	4.4	3.7	18	-5	82
Ranbaxy Labs	5.5	4.7	17	-43	128
ACC	3.1	2.7	16	-34	28
Bajaj Auto	6.0	5.2	15	-21	150
Ambuja Cement	2.9	2.6	12	-30	20
ICICI Bank	2.2	2.0	11	-24	-9
Hero Honda	8.1	7.3	11	-36	236
Cairn India	1.4	1.3	7	-17	-43

Nifty Stocks: Highest discount to Long Period Average PB

	Current	LPA	Prem / Disc (%) LPA	Prem / Disc (%) Max	Prem / Disc (%) Nifty
Reliance Comm	0.6	1.7	-67	-88	-77
BHEL	2.3	5.5	-58	-79	-5
Reliance Infra	0.8	1.6	-49	-82	-67
DLF	1.4	2.7	-47	-83	-40
Tata Steel	1.7	3.1	-47	-77	-31
SAIL	1.1	2.0	-46	-75	-55
Sesa Goa	1.2	2.0	-41	-68	-50
Bharti Airtel	2.2	3.6	-40	-68	-10
L&T	3.1	4.9	-38	-72	27
Sterlite Inds	0.8	1.3	-36	-66	-65

Sector Snapshots

AUTO: Tata Motors, Maruti Suzuki positive surprise; others in-line

Summary

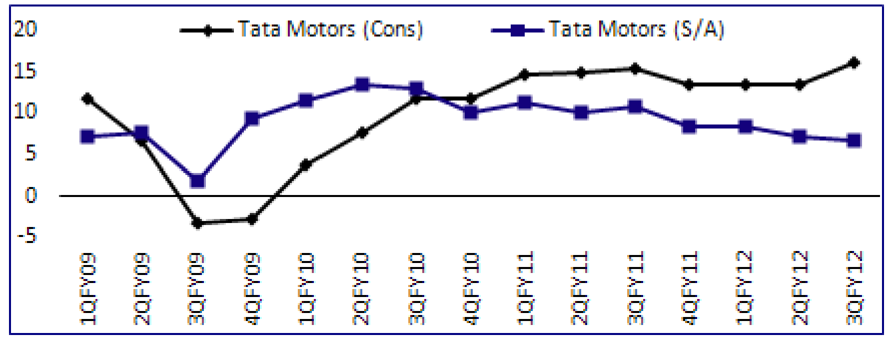
- **Volumes showing divergent trend:** 3QFY12 volumes for the auto sector witnessed divergent trends, with strong volume growth in LCVs (~27%), UVs (~18%) and M&HCVs (~11%), but decline in cars (-1%) and moderation in 2Ws (~13% growth).
- **RM cost highest in last 5 years:** 3QFY12 witnessed peak RM cost, up ~40bp QoQ and 120bp YoY for MOSL Auto Universe (ex-JLR), on the back of higher commodity cost, adverse forex and product mix. Most auto OEMs have indicated that they do not expect any commodity cost savings to accrue in 4QFY12 either.
- **EBITDA margins at 12-quarter low:** Hit by high RM cost, EBITDA margins for MOSL Auto Universe declined by 40bp QoQ and 230bp YoY. While two-wheeler companies reported flat QoQ margins, Tata Motors showed divergent trend with JLR reporting highest ever margins while domestic business disappointed with lowest ever EBITDA margins. Maruti also reported its worst ever margins at 5.3% (down 100bp QoQ), impacted by adverse forex and negative operating leverage. M&M (incl MVML) margins were flat QoQ to 13.3%.
- **Recent strengthening in INR positive for MSIL & HMCL, negative for BJAUT:** The impact of strengthening INR over the last one month would start reflecting in 4QFY12. MSIL and HMCL, having payables in JPY, would benefit from favorable INR movement. On the other hand, net exporter like BJAUT will be have limited impact as it has hedged 80% of its FY13 targeted exports by range forward contracts at base rate of INR47.
- **Top picks:** We prefer **TTMT** (strong volume momentum in JLR coupled with attractive valuations), **Hero MotoCorp** (scope to improve margins from historical lows coupled with strong volume momentum) and **Maruti Suzuki** (gradual improvement as headwinds recede over next 6-9 months).

Trend in key financials

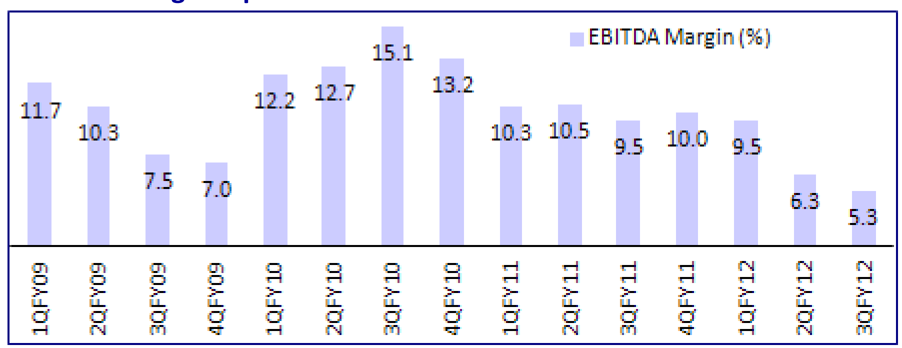
	Volumes ('000 units)			EBITDA Margins (%)			Adj PAT (INR M)		
	3QFY12	YoY (%)	QoQ (%)	3QFY12	YoY (bp)	QoQ (bp)	3QFY12	YoY (%)	QoQ (%)
Bajaj Auto	1,075	13.6	-7.6	21.0	60	90	8,340	25.0	5.6
Hero MotoCorp*	1,589	11.3	2.9	11.1	70	-30	6,130	24.3	1.6
Maruti Suzuki	240	-27.6	-5.1	5.3	-420	-100	2,056	-63.6	-14.5
M&M	183	23.3	7.3	11.7	-340	-20	6,334	2.6	-14.1
Tata Motors (S/A)	231	19.2	9.4	6.7	-410	-50	2,513	-42.0	-10.5
Tata Motors (Cons)				16.0	60	260	35,337	44.0	57.3
Aggregate **	3,319	8.9	-0.7	9.9	-230	-40	25,374	-8.6	-4.3

*Normalized; ** Aggregate includes Tata Motor's standalone performance only

TTMT: Highest ever JLR margins boosted performance; standalone disappoints



Maruti's margin expected to bottom-out at 5.3%



CAPITAL GOODS: Orders decline; L&T and Cummins standout

Summary

- L&T, BHEL, Havells and Cummins' 3QFY12 results were above our expectations, while Siemens, Crompton and BGR disappointed. **L&T** beat estimates on all parameters, with 28% order intake growth, sharp improvement in EBITDA margin and 40% PAT growth (adj. for forex loss). **Cummins** showed strong improvement in profitability, QoQ, driven by cost reduction measures and better product mix. L&T and Cummins are our top picks in the sector.

- **Crompton Greaves** showed another disappointing quarter with abysmal performance in terms of profitability across segments, especially in overseas business, prompting us to further cut FY12/13 earnings by 12%/6%. **Siemens** results were well below estimates hit by slowing demand and margin pressure due to rising input prices. Sales declined by 7% YoY for the first time in last 7 quarters while margins dipped to 5.1%. We have cut Siemens' FY12/13 earnings by 23% /17%. Maintain **Neutral** on both.

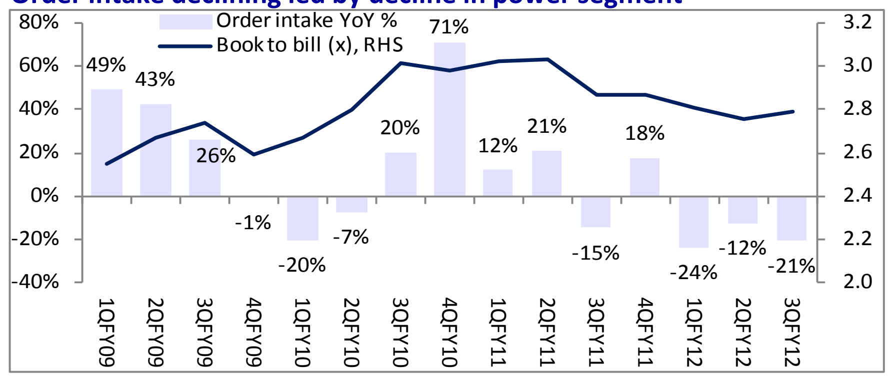
- Deteriorating business environment, and high interest rates continue to impact capital goods demand. **Order intake of our capital goods universe declined 21% YoY in 3QFY12 and 18% in 9MFY12**. However, with interest rate peaking out and Government attempting to speed up infra spend, outlook fhas improved. We expect FY12 aggregate orders to decline 10% YoY led by BHEL, excluding which, order intake is expected to grow moderately by 2% YoY. We expect orders to grow by 10% YoY in FY13.

Revenues in line while profitability beats estimates led by L&T

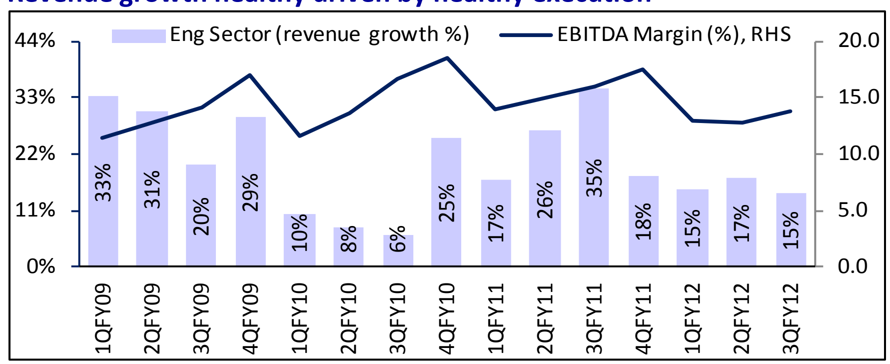
	Sales YoY (%)		EBITDA YoY (%)		PAT YoY (%)		Var*
	Actual	Est.	Actual	Est.	Actual	Est.	
BGR	-36	-39	-11	-39	-37	-62	0
BHEL	19	15	-3	-10	0	-8	9
CRG	26	13	-46	-29	-67	-41	-44
Cummins	1	2	0	-9	2	-10	12
Havells	30	25	24	14	29	19	9
L&T	23	20	25	8	40	0	40
Siemens	-6	9	-67	-12	-70	-10	-67
Thermax	2	14	-8	3	-5	2	-7
Sector	**15**	**13**	**-4**	**-7**	**-1**	**-9**	**8**

* Variance of actual PAT over estimate

Order intake declining led by decline in power segment



Revenue growth healthy driven by healthy execution



CEMENT: in-line as higher realizations dilute cost push

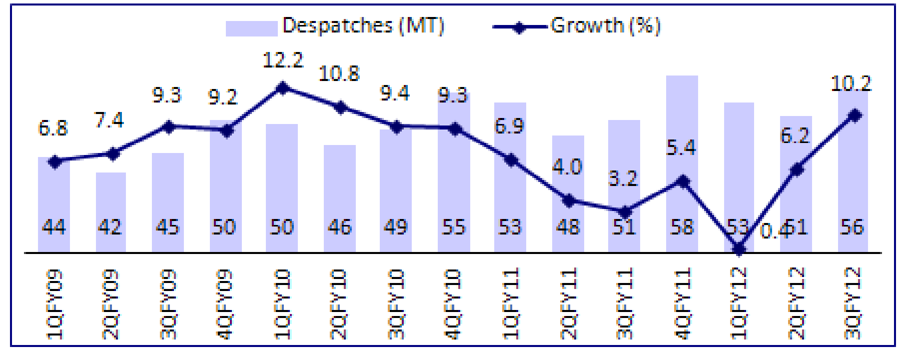
Summary

- **Volumes grew ~10% YoY on low base:** Industry volumes grew 10% in 3QFY12 to 56mt . While 10% volume growth is at highest since 2QFY10, demand pick-up is not yet visible at ground level.
- **Realizations improve ~INR300/ton QoQ:** Post-monsoon, cement prices recovered with volumes. Realizations for MOSL Cement Universe improved by INR300/ton QoQ (+INR690/ton YoY), with highest improvement for Holcim group companies. India Cement saw flat QoQ realizations due to monsoon quarter in South.
- **Cost inflation dilutes benefit of higher realizations:** Higher RM, energy and freight cost diluted benefit of higher realizations. EBITDA/ton improved by INR220/ton QoQ (+INR320/ton YoY). UltraTech (+INR320/ton QoQ) and Shree Cement (+INR310/ton QoQ) witnessed sharpest recovery in profitability.
- **Expect further price improvement till 1QFY13, but cost inflation to persists:** Cement prices have witnessed sharp recovery over 2QFY12 level (~NR15/bag QoQ in 3QFY12) and are further expected to strengthen in 1HCY12 during peak construction period. However, cost inflation in form of RM cost, energy cost (on imported coal and expected change in domestic coal pricing) and freight increase would dilute benefit of improvement in realizations.
- **Top picks:** Recovery in demand, lower capacity addition and price recovery would be the key drivers of sustainable improvement in operating performance. We believe on-going revival in cement demand would be the key catalyst for stock performance. **Prefer UltraTech, Shree Cement and Birla Corp**.

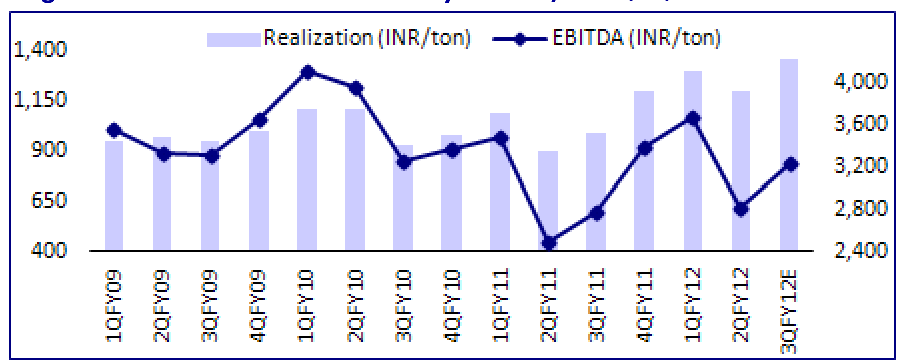
Trend in key operating parameters

	VOLUME (M TON)			REALIZATION (INR/TON)			EBITDA (INR/TON)		
	3QFY12	YoY (%)	QoQ (%)	3QFY12	YoY (INR)	QoQ (INR)	3QFY12	YoY (INR)	QoQ (INR)
ACC	6.0	6.1	4.6	4,206	717	428	654	282	267
Ambuja	5.7	12.6	18.8	4,079	551	325	737	117	90
UltraTech	10.1	3.2	9.6	4,456	720	277	940	461	319
Birla Corp	1.4	-6.7	-1.8	3,878	652	229	563	-158	266
India Cement	2.2	7.1	-10.0	4,242	577	19	890	271	-148
Shree Cemen	2.8	8.8	14.6	3,797	946	385	1,117	560	313
Sector Agg.	**28.2**	**5.9**	**8.2**	**4,215**	**692**	**300**	**834**	**319**	**220**

Volume growth of ~10% on low base of last year



Higher realizations drives EBITDA by INR220/ton QoQ



CONSUMER: Healthy volume growth; margin recovery visible

Summary

- Consumer coverage universe reported in line results with 17.1% revenue growth (est 18.3%), 19.5% EBITDA growth (est 20%) and better than expected 20.6% Adjusted PAT growth (est 18%).
- Volume growth trend has remained healthy across companies in the sector; HUL, Marico and GCPL's domestic business surprised positively while United Spirits posted just 0.7% volume growth due to one time events. However we note that distribution expansion is also playing a key role in sustaining volume growth.
- Input cost pressure is visible as 2/3rd companies have seen gross margin contraction. However recent correction in copra, PFAD and coffee prices and price increases should enable QoQ gross margins expansion in 4Q.
- Ad-spends have bottomed out; Dabur, Marico, GSK Consumer and United Spirits stepped up ad spends to support new product launches. HUL had 7% lower ad-spends YoY, We expect ad spends to increase for most of the companies in 4Q.
- INR depreciation impacted GCPL, Asian Paints, HUL and Pidilite which import key inputs. However, with INR appreciating 10% in last 3 weeks, the worst of the input cost pressure seems over.
- International business performance across players improved, partly benefitting from INR depreciation. Unhedged forex loans have increased the INR loan liability of Dabur, Marico and GCPL.
- **Top picks: ITC, Marico and Pidilite.** ITC clocked 10th quarter of 20%+PAT growth. We upgraded Marico to Buy on the back of strong domestic volume traction and likely margin expansion. Pidilite looks attractive as consumer business traction sustains and input costs soften, the stock has corrected 22% from peak.

3QFY12 performance snapshot

Company	Sales	YoY (%)	EBIDTA	YoY (%)	PAT	YoY (%)
Asian Paints	25,605	22.0	3,974	15.2	2,569	16.6
Britannia Inds	12,474	15.4	816	46.3	541	42.8
Colgate	6,696	20.0	1,493	-6.6	1,156	74.3
Dabur*	14,527	34.5	2,215	5.7	1,728	11.9
Godrej Cons	13,441	35.9	2,653	60.1	1,671	40.7
GSK Cons	6,021	18.6	616	5.5	646	21.0
HUL	59,376	15.8	9,705	33.9	7,622	29.9
ITC	60,852	17.6	22,190	18.0	15,143	21.5
Marico	10,578	29.4	1,217	22.1	841	21.0
Nestle India	19,547	17.0	4,127	25.1	2,681	20.9
Pidilite	6,918	16.5	1,207	1.9	790	-6.5
United Spirits	19,539	-0.3	1,869	-32.3	327	-71.3

Volume growth trend has been largely healthy

Quarter Ending	Jun-10	Sep-10	Dec-10	Mar-11	Jun-10	Sep-11	Dec-11
Asian Paints	24.0	0.0	27.0	16.0	15.0	15.0	12.0
Colgate (Toothpast	14.0	12.0	13.0	13.0	14.0	15.0	15.0
Dabur	17.0	13.5	10.0	9.3	8.6	10.0	10.8
Godrej Consumer							
Soaps	-9.0	-10.0	3.0	9.0	9.0	19.0	19.0
Hair Color	4.0	12.0	2.0	5.0	10.0	8.0	9.0
GSK Consumer	10.0	18.0	13.0	5.5	14.0	8.0	12.0
Hindustan Unileve	10.3	14.0	13.0	14.0	8.3	9.8	9.1
ITC (cigarette)	-3.0	-0.5	2.0	-2.0	8.0	7.5	5.0
Marico							
Parachute	14.0	10.0	5.0	5.0	10.0	10.0	13.0
Hair Oil	27.0	18.0	31.0	21.0	32.0	26.0	20.0
Saffola	17.5	14.0	13.0	14.0	15.0	11.0	15.0
United Spirits	6.0	16.0	14.0	12.0	15.4	8.0	0.7

FINANCIALS: Healthy core operations overshadow higher restructuring

- **Moderation in business growth:** Loan growth for banks under our coverage was largely in line with industry average. Loan growth for state-owned banks picked up sequentially (+6% QoQ), however remains low at ~10% on a YTD basis. BoB , ICICIBC and BoI reported strong sequential loan growth led by its international operations. HDFCB witnessed strong loan growth in retail segment (+8% QoQ and 30% YoY)
- **Strong margin performance:** NII growth was in line with expectations. State-owned banks reported stable / improving margins despite higher slippages e.g. SBIN surprised positively with margin up 26bp QoQ. BoI and OBC margins also rose 20bp+ QoQ led by lower interest income reversal during the quarter. Private banks margins were largely stable QoQ. ICICIBC's margins rose ~10bp led by ~30bp higher international margins.
- **Slippages increase QoQ; pvt banks fare well:** Slippages for state-owned banks declined 22% QoQ on a higher base (annualized slippage ratio of 3.1% v/s 4.2% a quarter ago). One large aviation account led to higher slippages, excluding which slippages were better or in-line with estimates. On recoveries and up-gradation PNB, UNBK and INBK disappointed whereas, CBK, OBC, ANDB delivered the strong performance.
- **Restructuring up QoQ:** Restructuring increased sharply due to a large telecom account. On average, PSU banks restructured ~100bp of overall loan, of which ~50% was on account of telecom. Most banks took an NPV hit of 10-15% on this account whereas UNBK took a hit of ~25%.
- **Valuation and view:** Reversal of interest rate cycle which seems inevitable now could significantly alter growth and asset quality outlook. While slippages have declined, increased restructured loans in 3Q and expected in 1HCY12 remains a concern. Some big ticket restructuring like SEBs, Airlines, GTL etc are already getting modeled in estimates and credit costs estimates remain high. Despite sharp increase in CY12YTD, PSU bank valuations are still 10-15% below the 5-yr avg. **Top picks:** PSU– SBIN, PNB. Private - ICICI. Midcaps: IDFC, YES, INBK.

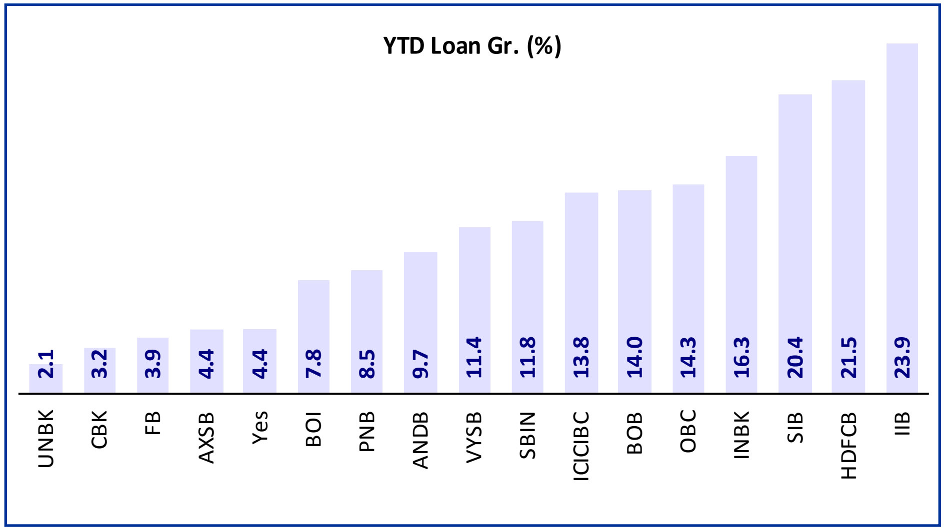
3QFY12 PERFORMANCE SNAPSHOT

	NII		Fees (ex forex)		PAT	
	QoQ %	YoY %	QoQ %	YoY %	QoQ %	YoY %
PSU Banks						
SBIN	10	27	2	7	16	15
PNB	2	10	11	24	-5	6
CBK	-2	-9	4	44	3	-21
BoB	3	16	-1	18	11	21
BoI	9	4	4	19	46	10
UNBK	7	10	28	16	-44	-66
OBC	15	11	-7	20	111	-13
INBK	3	13	-33	-18	12	7
ANDB	3	17	24	12	-4	-8
Coverage PSU	**7**	**15**	**3**	**13**	**11**	**1**
ICICIBC	8	17	0	5	15	20
HDFCB	6	12	14	21	19	31
AXSB	7	23	9	26	20	24
Yes	11	32	-6	35	8	33
IIB	3	19	18	47	7	34
VYSB	7	32	16	23	4	44
SIB	6	34	33	32	8	32
FB	11	18	-5	-3	6	41
Coverage Private	**7**	**18**	**7**	**17**	**15**	**27**
Coverage Banks	**7**	**16**	**5**	**15**	**12**	**10**

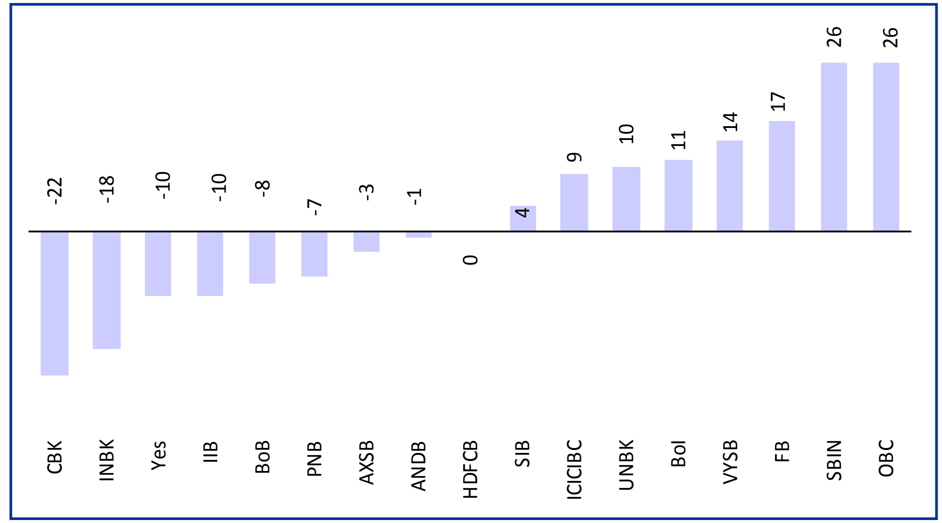
	Loan		GNPA		NIM		
	QoQ %	YoY %	QoQ %	YoY %	2QFY11	1QFY12	2QFY12
PSU Banks							
SBIN	7	16	18	71	3.6	3.8	4.1
PNB	5	19	25	42	4.1	4.0	3.9
CBK	1	15	5	45	3.2	2.9	2.6
BoB	9	26	14	41	3.2	3.1	3.0
BoI	7	21	-2	41	3.1	2.4	2.6
UNBK	6	17	1	45	3.4	3.2	3.3
OBC	5	22	4	83	3.1	2.6	2.9
INBK	2	19	14	58	3.8	3.8	3.6
ANDB	6	21	-5	116	3.9	3.8	3.8
Coverage PSU	**6**	**19**	**7**	**49**	**N.A.**	**N.A.**	**N.A.**
ICICIBC	5	19	-3	-4	2.6	2.6	2.7
HDFCB	3	22	7	13	4.2	4.1	4.1
AXSB	6	20	10	29	3.8	3.8	3.8
Yes	5	15	5	-1	2.8	2.9	2.8
IIB	8	30	0	9	3.6	3.4	3.3
VYSB	6	23	5	-4	3.1	3.4	3.5
SIB	7	31	2	-8	3.1	3.2	3.2
FB	-1	18	9	18	4.3	3.8	3.9
Coverage Private	**5**	**21**	**1**	**3**	**N.A.**	**N.A.**	**N.A.**
Coverage Banks	**6**	**19**	**5**	**29**	**N.A.**	**N.A.**	**N.A.**

FINANCIALS: Healthy core operations overshadows higher restructuring

YTD loan growth for PSU banks remain moderate (%)



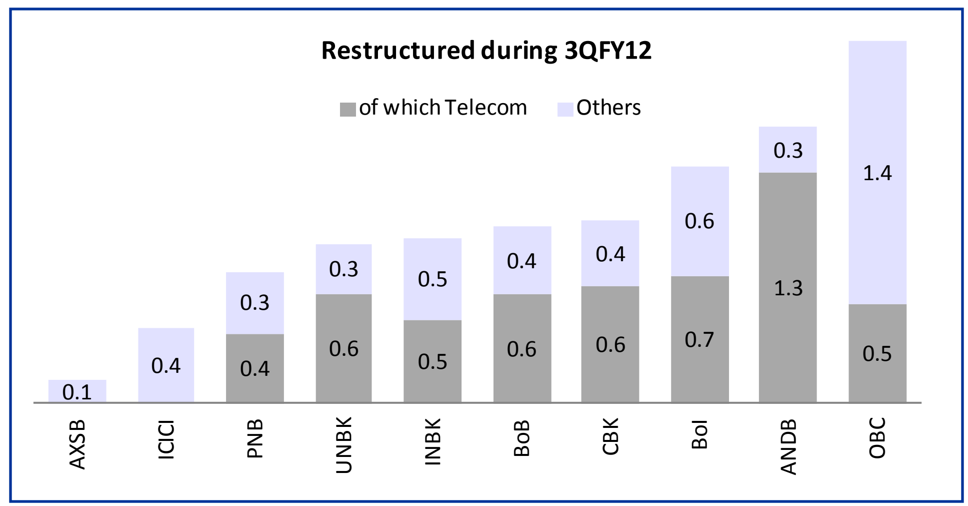
Strong margin performance (Chg. in bp, QoQ)



Slippages for state owned banks decline QoQ – except PNB and BoB

	Slippages (INR b)				Slippage Ratio (%)			
	4QFY11	1QFY12	2QFY12	3QFY12	4QFY11	1QFY12	2QFY12	3QFY12
INBK	2.8	1.7	3.8	2.9	1.8	1.0	2.2	1.6
UNBK	4.1	7.7	18.2	5.7	1.3	2.5	5.8	1.7
CBK	18.4	13.7	12.4	8.6	4.4	3.2	2.8	1.8
BoB	6.7	5.8	5.8	9.5	1.5	1.3	1.2	1.8
BoI	10.0	16.8	28.2	10.2	2.3	3.8	6.1	2.1
ANDB	1.9	2.4	10.9	3.8	1.4	1.7	7.2	2.3
PNB	12.5	11.8	9.9	16.8	2.7	2.4	1.9	3.0
OBC	6.5	3.8	15.0	7.0	3.1	1.8	6.9	3.1
SBIN	56.5	61.2	82.7	81.6	3.6	3.7	4.9	4.5
PSU Agg.	**119**	**125**	**187**	**146**	**2.9**	**2.9**	**4.2**	**3.1**

Restructured loan book increase QoQ (%, to overall loans)



HEALTHCARE: Significant variance despite favourable currency

Summary

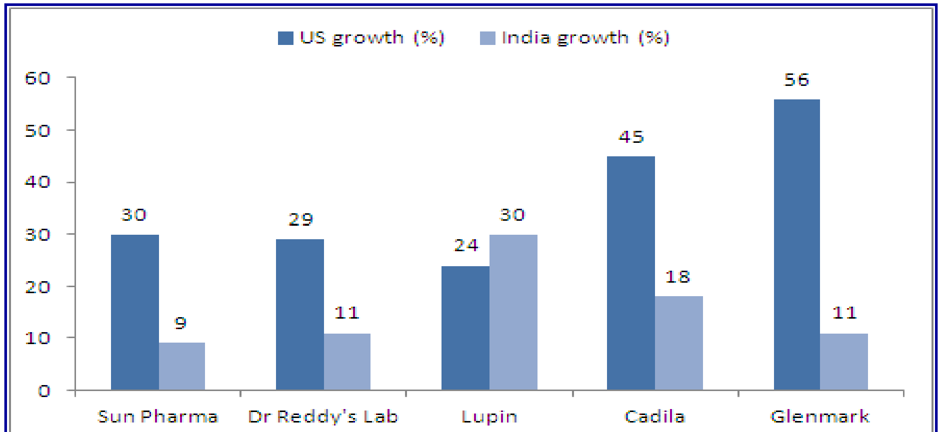
- Overall coverage universe EBITDA and Adj PAT were above estimates led mainly by the large generic companies with US being the key growth driver and partly led by favorable currency. Sun, DRL, Lupin, IPCA reported better operational performance while Cipla disappointed. Glenmark, Cadila & Divi's were in-line.
- **Op performance partly driven by currency benefits –** Benefits of weak INR were visible for companies like Sun and Lupin., but not companies with large hedges like DRL. Cipla surprised negatively with nil currency benefit despite low hedges due to rationalization in export business.
- **Key surprises/disappointments –** Sun, Dr. Reddy's, Lupin & IPCA surprised positively; Cipla's performance was below est:
  - **Sun** – strong out-performance driven by price increases for Taro products, favourable currency and better growth in US generics.
  - **Dr. Reddy's** – performance driven by higher US & PSAI sales and was above est despite no major benefit from currency movements.
  - **Lupin** – performance driven by strong growth in India & emerging markets, better product mix and favourable currency.
  - **Cipla** – Muted formulation export growth and no major benefits from currency impacted Cipla's performance.
  - **IPCA** - strong out-performance driven by higher sales in institutional business, Us generics & branded formulation exports.
- **Guidance/Outlook:** Sun raised FY12 topline growth guidance from 28-30% to 32-34%. DRL has reiterated its FY13 topline guidance of USD2.7b. Cipla gave a muted 10% growth guidance for formulation exports but upgraded its domestic sales growth guidance to 15-16%. Expect high tax rate for FY12 & FY13. **Lupin & Divi's are top picks.**

3QFY12 Performance snapshot

	Net Sales		EBITDA		Adj. PAT	
	INR b	YoY (%)	INR b	YoY (%)	INR b	YoY (%)
Biocon	5.2	-29.0	1.3	-24.4	0.8	-15.8
Cadila	13.8	18.6	2.6	3.1	1.5	-7.9
Cipla	17.6	13.2	3.9	23.0	2.7	16.0
Dishman	2.7	14.5	0.5	107.7	0.2	859.7
Divi's Lab	4.1	33.9	1.5	26.8	1.2	24.5
Dr Reddy's Lab	21.6	14.0	4.5	19.1	2.4	-1.3
Glenmark	10.3	37.3	2.0	23.0	0.1	-91.4
IPCA	6.1	31.8	1.5	66.2	0.6	0.0
Jubilant	10.9	25.5	2.1	59.7	-0.8	PL
Lupin	17.9	22.1	3.8	39.5	2.5	11.5
Sun Pharma	21.5	34.0	8.9	101.9	6.7	90.9
Torrent Pharma	7.0	20.6	1.2	5.6	0.8	8.1

Note - Ranbaxy, Strides, GSK Pharma & Aventis yet to announce results

3QFY12: US led the growth; India remains muted



CONSTRUCTION: Execution impacted; interest continues to hurt

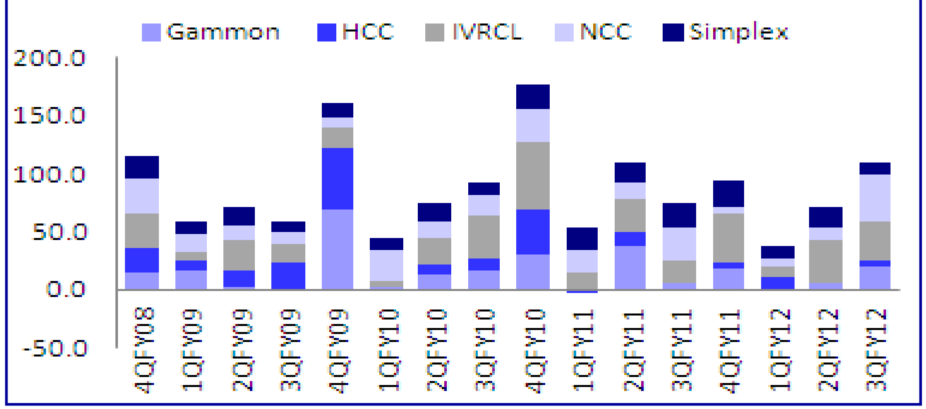
Summary

- **Execution on slippery grounds**: Execution in 3QFY12 remained challenging for construction companies given (1) companies' clear focus on receivables management, rather than execution, and (2) uncertain policy environment like land acquisition, MoEF issues, etc, which delayed project clearances. Weak execution affected revenue growth, down 2% YoY for our universe. 3QFY12 EBITDA margins for most construction companies declined 100-150bp, given (a) execution delays and (b) increasing commodity prices.
- **Muted order intake growth:** 3QFY12 order intake remained subdued, except for IVRCL. IVRCL's total intake in YTDFY12 stood at INR107b (flat YoY). Simplex YTD intake stood at INR38b (down 34% YoY), HCC INR15b (down 46% YoY), NCC (ex captive INR50b) INR40b (down 23% YoY). We believe, going forward, order inflow is likely to improve in sectors like Power, Urban infra and Industrials.
- **Interest rates continue to impact profitability:** Interest cost for construction companies have shot up significantly in the last few quarters. In 3QFY12 interest cost for HCC was INR1,043m (up 39%), NCC INR694m (up 58% YoY), IVRCL INR661m (up 12% YoY), Gammon INR600m (up 18% YoY) and Simplex INR550m (up 52% YoY). This, in turn, has led to the profitability decline of more than 100% YoY .
- **Working capital situation tight / Debt on a rising trend:** Working capital situation has remained grim for construction companies, with an average growth of 15-20%. This, in turn, has led to increase in debt levels e.g. HCC debt stood at ~INR42b in 3QFY12 (v/s INR35b in FY11), IVRCL INR25b v/s INR21b in FY11, NCC INR26b v/s 24b in FY11 and Simplex INR19b v/s INR16.6b in FY11.

Quarterly Financials (INR m)

	3QFY11	2QFY12	3QFY12	YoY (%)	QoQ (%)
Revenues					
HCC	10,275	8,377	9,662	(6)	15
NCC	13,355	10,903	12,640	(5)	16
IVRCL	14,188	10,461	12,025	(15)	15
Simplex	11,667	13,220	15,964	37	21
Gammon	13,710	11,017	11,847	(14)	8
EBITDA					
HCC	1,320	926	(549)	(142)	(159)
NCC	1,276	1,032	777	(39)	(25)
IVRCL	1,404	938	948	(32)	1
Simplex	1,076	1,190	1,294	20	9
Gammon	1,085	953	954	(12)	0
PAT					
HCC	147	(403)	(1,265)	(961)	214
NCC	444	114	(95)	(121)	(183)
IVRCL	423	81	68	(84)	(16)
Simplex	232	179	180	(22)	1
Gammon	196	42	10	(95)	(76)

Order intake trend (INR m)



Motilal Oswal

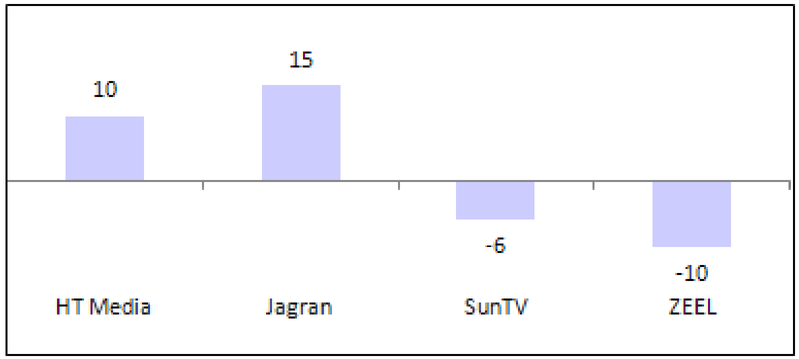
MEDIA: YoY earnings decline led by weak ad environment

- **Media sector earnings below estimates:** Aggregate PAT for our media universe declined ~10% YoY. Adjusting the 3QFY11 base for one-off items like profit booked for block-buster movie 'Enthiran' in case of Sun and significant sports loss for Zee, aggregate earnings would have declined by ~15% YoY. Reported earnings were significantly below our estimates.
- **Slowdown impact on ad revenue higher for broadcasting:** Ad growth remained muted due to weak macro. While ad growth for Jagran and HT was 10-15%, Sun/Zee reported 6/10% YoY decline due to lower spends by FMCG/Telecom and other sectors with higher broadcasting exposure. Ad revenue for was 5-7% lower than estimates with exception of HT which reported inline ad growth at 10% YoY.
- **Healthy subscription/circulation growth for most:** Zee reported 16% growth in subscription revenue. HT/Jagran witnessed 7-9% YoY increase in circulation revenue. Sun TV witnessed 4-5% YoY and QoQ decline due to lower analog revenue; Sun has not yet reached an agreement with government run Arasu cable.
- **EBITDA margin under pressure:** While Zee reported ~800bp YoY margin expansion on, core business (non-sports) margins actually declined ~500bp to 34%. Sun TV reported largely stable EBITDA margin at ~80%. For print companies, margin declined 400-500bp YoY primarily due to RM cost inflation.
- **Outlook mixed; we remain Neutral:** Overall ad environment continues to remain weak with print cos relatively better placed. However interest in the broadcasting sector is likely to remain high due to the implementation of mandatory digitization. For print companies, recent INR appreciation and stable newsprint prices should arrest cost inflation.

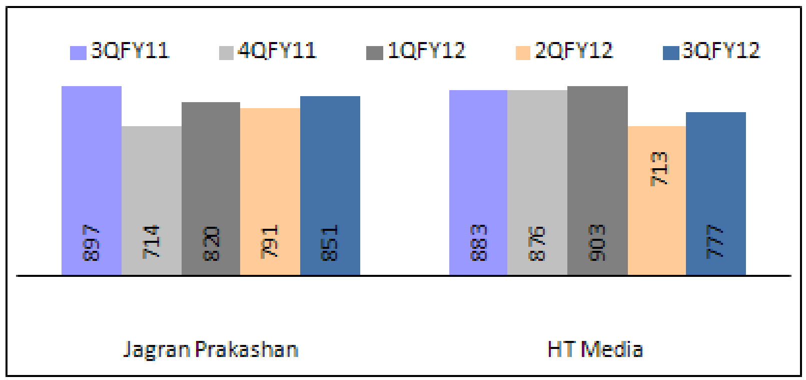
3QFY12: Actual v/s estimates

	Net Sales (INR m)			PAT (INR m)		
	Actual	Est	Var (%)	Actual	Est	Var (%)
Sun TV	4,251	4,805	-12	1,679	1,977	-15
ZEEL	7,548	7,406	2	1,393	1,548	-10
Jagran Prakashan	3,240	3,397	-5	413	631	-35
HT Media	5,266	5,390	-2	482	590	-18

YoY Ad revenue growth (%)



EBITDA trend for print: Up QoQ but down YoY (INR m)



MOTILAL OSWAL

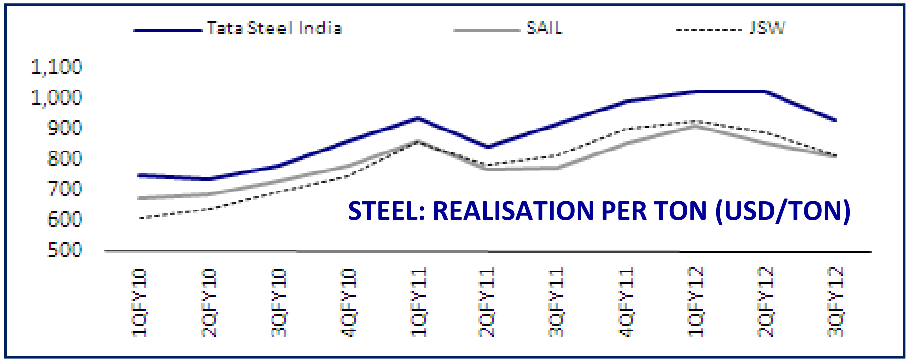
METALS: Weaker currency saves margins, but hits liabilities

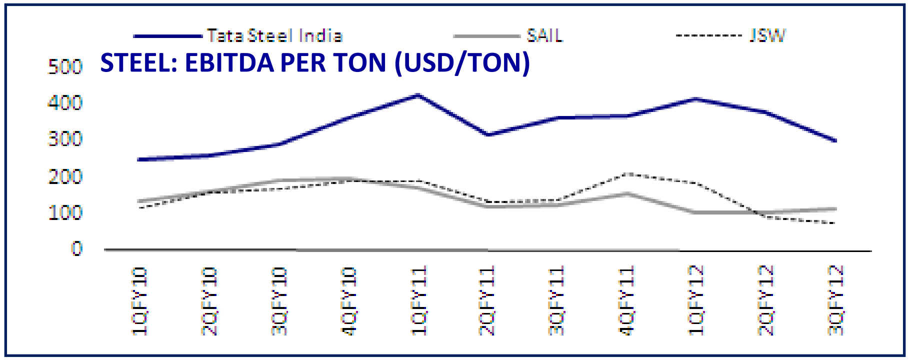
Summary

- **Volumes declined QoQ, SAIL was biggest looser:** Volumes declined YoY 17% for SAIL and 1% for Tata steel India. JSW Steel, JSPL, and Bhushan's volumes were up 15-20%.
- **Average realizations up 1-5% QoQ, helped by currency:** Average realizations of primary steel producers increased 1-2% QoQ due to 10% higher INR/USD rate despite weakening price trend in international market. SAIL reported sharper increase of 4% due to strong pricing for long products although the demand was sluggish.
- **SAIL and Nalco's production affected:** The production at SAIL was affected due to operational issues at Bhilai. Nalco's production too fell short due to strike and shortage of coal.
- **Aluminum cost of production remains high** due to shortage of coal and rising costs of other commodities. Domestic coal supply was little better. When converted in USD, costs appeared lower.
- **INR/USD movement cushioned margins squeeze:** Weaker currency induced Forex losses for most companies. JSW Steel was worst hit with 2 consecutive quarters of USD200m loss each. On the other hand, currency movement helped cushion margin squeeze. Except SAIL, all steel companies reported margin pressure.
- **Guidance cut:** Tata Steel cut volume guidance for India and guided for fragile recovery in Europe. Novelis too cut EBITDA guidance for second time.
- We are **cautious on Steel** and expect easing raw material supply and weak demand in China will put pressure on steel prices. **Tata Steel downgraded to Neutral**
- **Top pick: Hindalco's** earnings are most resilient. Aluminum prices have better cost curve support. Utkal Alumina attractive.

3QFY12 PERFORMANCE SNAPSHOT

	Net Sales		EBITDA		Adj PAT	
	INR b	YoY (%)	INR b	YoY (%)	INR b	YoY (%)
Tata Steel	331	14	17	-50	-6.0	-168
JSW Steel	79	36	8	-25	-0.2	-105
SAIL	110	-2	16	-12	9.6	-13
JSPL	44	37	18	12	10.2	9
Nalco	14	0	1	-74	0.8	-69
Hindalco S/A	66	11	7	-3	4.5	-2
Sterlite	103	24	23	17	14.5	31
Hind Zinc	28	6	14	-7	12.7	0
Sesa Goa	26	16	11	-12	8	-24





Motilal Oswal

OIL & GAS: RIL GRM discount to S'pore; OMCs report profit; Gas headwinds continue

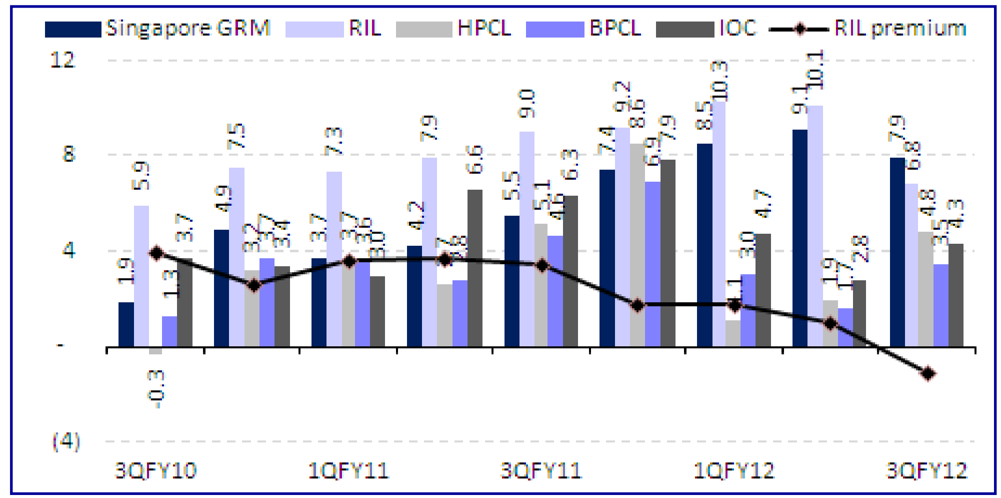
Summary

- **OMC's report profit as GoI compensates for two quarters:** GoI (Govt. of India) provides compensation for two quarters (2QFY12 and 3QFY12) v/s our assumption for only 1 quarter. In the first three quarters, GoI has now given INR450b to all the three OMC's (quarterly runrate of INR150b). We model upstream share at 40%/38.7% in FY12/13 (v/s 37.9% in 9MFY12) and downstream share at nil/9% while GoI bearing the rest.
- **Upstream - KG-D6 decline continues, Cairn's Rajasthan ramp-up approved:** KG-D6 volume averaged 41mmscmd in 3QFY12 (v/s 45.3 in 2QFY12), concerns remain on timelines of further ramp up. Cairn received approval to ramp-up Rajasthan production and expects to reach 175kbpd by Mar-12 (3QFY12 production flat QoQ at 125kbpd).
- **Midstream:** Increasing gas deficit due to domestic production decline benefits LNG importer, Petronet LNG. Headwinds for incremental volume remains for gas transmission companies; GAIL and GSPL.
- **Refining - Dismal GRM's & forex loss impact profitability:** All the refiners GRM's were at discount to benchmark Reuters Singapore GRM led by difference in product slates. Further, INR depreciation of 8% from start-to-end in 3Q resulted in forex losses. While RIL reported first ever discount of USD1.1/bbl to benchmark Reuters Singapore GRM.
- **Domestic petchem demand subdued:** Post 20% QoQ jump in petchem demand in 2QFY12, the 3QFY12 demand was subdued. Also, increasing Middle East supplies will limit the margins while high polyester prices led by higher cotton prices will limit the polyester demand.

3QFY12: Actual v/s estimate

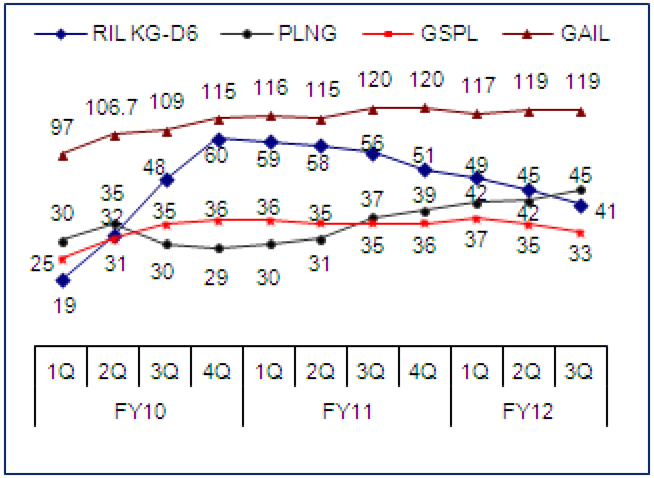
Company	EBITDA				PAT			
	Actual	Var	YoY	QoQ	Actual	Var	YoY	QoQ
Reliance Inds.	72,850	-10.5	-23.7	-26.0	44,400	-10.4	-13.6	-22.1
ONGC	106,576	-15.4	-5.8	-24.7	67,424	11.9	16.1	-22.0
Cairn India	25,456	-8.5	-0.7	21.0	22,619	-9.0	12.5	196.4
OMC's: Govt. compensation for 2Q's; GRM's less than est.; forex loss impact results								
HPCL	35,725	LP	470.1	LP	27,252	LP	1191.6	LP
BPCL	36,874	LP	406.3	LP	31,396	LP	1575.5	LP
IOC	107,247	1133.5	293.2	LP	86,566	LP	429.5	LP
Gas: Spot volumes help PLNG; low gas availability constraints Gail, GSPL's growth								
GAIL	17,605	15.0	33.9	6.8	10,914	11.6	12.8	-0.3
Gujarat State Petronet	2,518	3.9	-3.9	-2.6	1,261	8.0	-20.7	-2.5
Indraprastha Gas	1,488	-2.8	17.3	-5.3	692	-3.9	2.9	-10.2
Petronet LNG	5,032	10.1	45.6	12.2	2,954	14.2	72.9	13.5
Pure Refiners: Dismal GRM's and forex loss impacted reported numbers								
MRPL	3,011	-32.8	-44.7	299.6	1,098	-56.0	-65.0	354.8
Chennai Petroleum	619	-83.7	-82.2	LP	-634	PL	PL	PL

Singapore GRM down QoQ to USD7.9/bbl; refiners discount continue

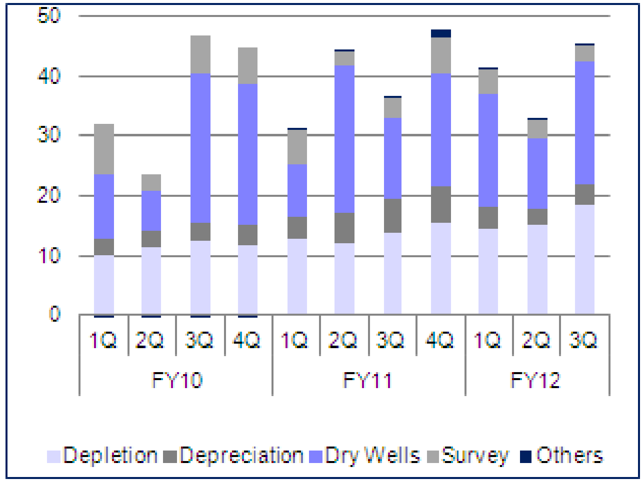


OIL & GAS: KG-D6 output declines; Cairn's production flat at 125kbpd

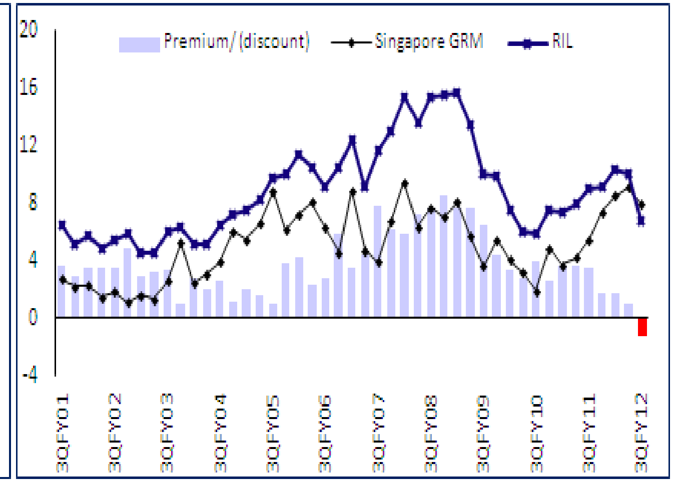
RIL: KG-D6 volume decline benefits Petronet LNG (mmscmd)



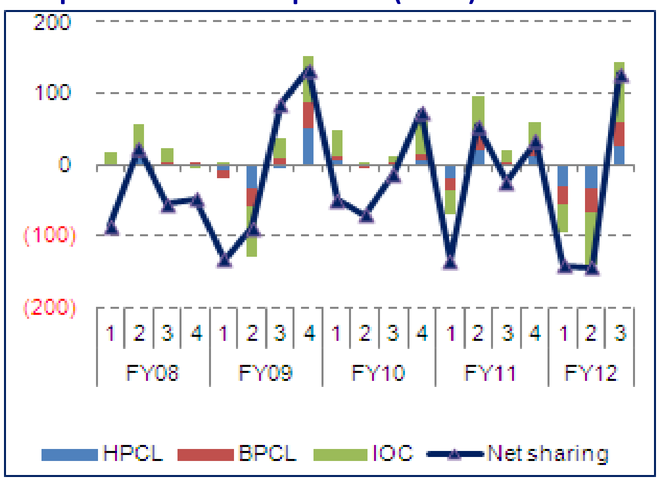
ONGC: Ad-hoc D,D&A led by higher well write-offs (INR b)



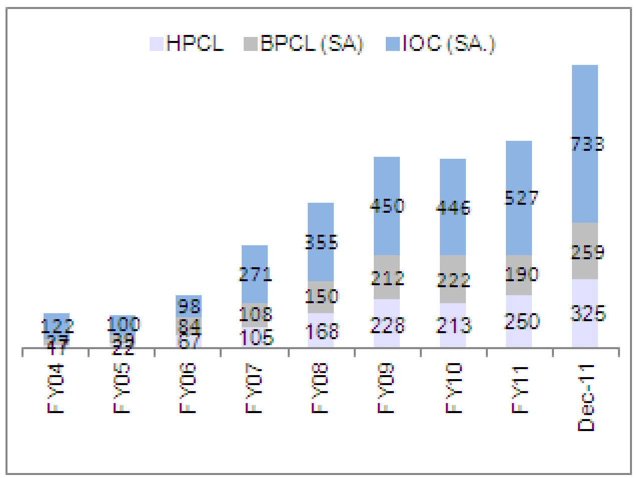
RIL: Reports first ever discount to Singapore GRM (USD/bbl)



OMC's report profit aided by Government compensation for two quarters (INR b)



OMCs' debt levels increasing at rapid pace (INR b)



We model OMCs' sharing at nil in FY12, 9% in FY13

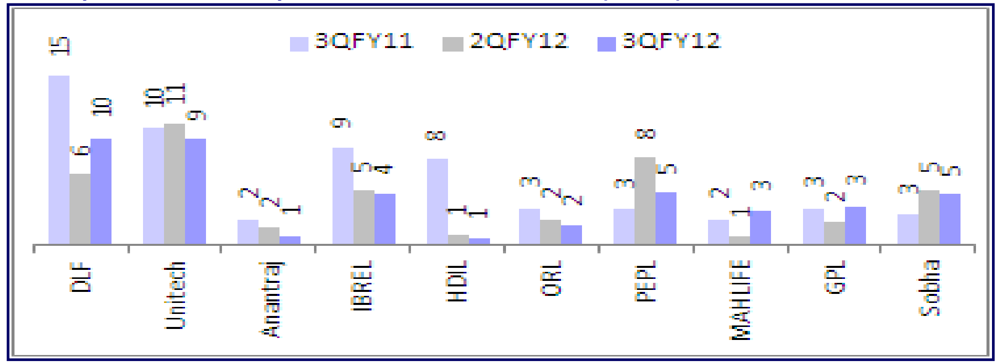
(INR b)	FY08	FY09	FY10	FY11	FY12E	FY13E
Fx Rate (INR/USD)	40.3	46.0	47.5	45.6	47.6	50.0
Brent (USD/bbl)	82.3	84.8	69.6	86.3	112.7	100.0
Gross Under recoveries (INR b)						
Auto Fuels	426	575	144	375	750	550
Domestic Fuels	347	458	316	405	566	505
Total	**773**	**1,033**	**461**	**780**	**1,316**	**1,055**
Sharing (INR b)						
Oil Bonds/Cash	353	713	260	410	789	552
Upstream	257	329	145	303	526	409
OMC's sharing	163	-9	56	67	0	94
Total	**773**	**1,033**	**461**	**780**	**1,316**	**1,055**
Sharing (%)						
Government	46	69	56	53	60	52
Upstream	33	32	31	39	40	39
OMC's sharing	21	-1	12	9	0	9
Total	**100**	**100**	**100**	**100**	**100**	**100**

REAL ESTATE: Approval logjam easing; de-leveraging yet to be seen in big way

Summary

- **Approval logjam seems to be subsiding:** Uptick in fresh launches visible in delayed projects. Sobha, Prestige and GPL launched in Chennai, Anantraj received LOI in Golf Course project, MLIFE achieved visibility in its stated launch plan, IBREL got environment approval in Lower Parel project, while early sign of take-off in MIAL is a key positive for HDIL.
- **Sales performance mixed bag:** While Mumbai-based developers continue to see QoQ/YoY decline in sales (in value terms), developers with revived launch momentum witnessed uptick in sales. Bangalore developers sustained their outperformance.
- **De-leveraging yet to be seen in big way:** No meaningful de-leveraging trend was visible among levered developers. Rather, consolidated debts increased for GPL, Phoenix, Anantraj. Only a moderate reduction in net debt was seen in DLF and Sobha. Muted operational cash flow and higher interest payment commitment remained the key roadblocks. However, cost of debt seems to be moderating.
- **DLF's asset divestment saw momentum:** DLF garnered INR12b cash flow from asset sales in 3QFY12, although it fails to improve balance sheet due to cash utilization towards land acquisition and high interest outgo.
- **Managements commentaries:** Maintained cautious business outlook, amidst ray of hope with interest rate down cycle. Priority on disciplined cash flow management remained key area of focus. On the back of macro concern, outlook of commercial leasing continues to remain uncertain
- **Top picks:** DLF, Oberoi, Phoenix, Prestige

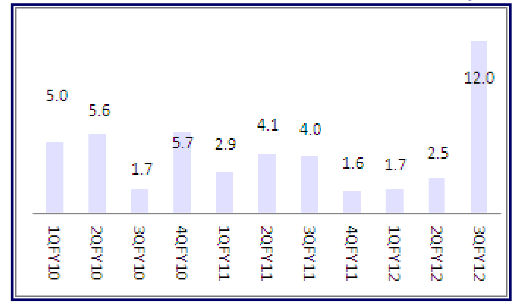
Sales performance improves with new launches (INR b)



Net debt increased barring a few (INR b)

Net debt (INR b)	2QFY12	2QFY12	QoQ (%)
DLF	228	226	-1
GPL	12	20	70
PEPL	13	14	8
HDIL	39	40	2
UT	51	52	2
Sobha	14	13	-7
Phoenix	11	14	20

DLF: boost in asset divestment INR b)



Numbers broadly deteriorated; rise in interest expense dents PAT further

Rs Million	Sales			EBITDA			PAT		
Company	Dec 11	Chg QoQ(%)	Chg YoY (%)	Dec 11	Chg QoQ(%)	Chg YoY (%)	Dec 11	Chg QoQ(%)	Chg YoY (%)
Anant Raj Inds	922	1.0	-25.9	490	-3.7	-36.5	315	-9.3	-37.4
DLF	20,344	-19.7	-18.0	8,227	-29.9	-30.2	2,584	-30.6	-44.5
HDIL	4,226	-4.1	-8.8	1,571	-32.3	-43.4	1,558	4.8	-31.6
Mahindra Lifespace	1,538	64.0	-1.3	462	78.7	7.9	395	25.7	18.1
Oberoi Realty	1,873	-15.9	-53.0	1,134	-1.9	-54.1	1,021	-8.4	-50.3
Phoenix Mills	505	6.5	12.0	373	11.9	14.0	269	12.6	13.1
Unitech	5,139	-17.9	-22.1	1,073	-22.3	-48.6	552	-40.3	-50.4
Real Estate	34,546	-14.8	-20.2	13,330	-24.6	-35.4	6,693	-17.9	-40.1

RETAIL: weak SSS growth higher interest costs hurt players

Summary

- **Results below estimates –** Our coverage universe results were below estimates with 14.1% revenue growth (est 22%), 9.7% EBITDA growth (est 17.7%) and 3.7% Adjusted PAT decline (est 14% growth).
- **SSS growth under pressure;** SSS growth declined across segments due to weak consumer demand and higher apparel (Pantaloon, Shoppers Stop) and gold (Titan) prices. QSR space is still strong (Jubilant Foodworks' 30% SSS growth).
- **Margin trend is mixed;** Price increases and operating leverage aided margin expansion in JUBI, cost and store rationalization assisted margins for PF, declining same store sales growth and faster store expansions impacted margins for SHOP and Titan.
- **Rising interest burden;** PF and SHOP witnessed profit erosion on higher interest costs due to rising debt burden. Though rising interest burden is a concern for both, PF will require significant fund infusion in the near term; SHOP with 0.44x debt equity is well placed.
- **Aggressive expansion plans, barring Pantaloon**: All players except PF indicated further aggression in new store openings, JUBI increased FY12 from 80 to 85 stores; SHOP will add 20-21 departmental stores in FY12 and FY13. PF however plans to slowdown on its gross space addition, to restructure its balance sheet.
- **4Q starts on positive note; sustenance a key factor to watch**. January has seen sharp increase in SSS growth led by heavy discounting, and pent up consumer demand. Sustenance of the current trend will be a key factor to watch out for in the coming quarters.
- **Top picks:** We remain positive on the business prospects of Jubilant Foodworks and Shoppers Stop; however stretched valuations for both players and medium term pressures on profitability for Shoppers Stop remain key concerns. Pantaloon is a play on exit from non core assets and lowering leverage.

3QFY12 performance snapshot

Company	Sales	YoY (%)	EBIDTA	YoY (%)	PAT	YoY (%)
Jubilant Foodworks	2,770	49.2	516	59.9	295	55.4
Pantaloon Retail	28,933	4.9	2,612	9.6	135	-71.4
Shoppers Stop	5,017	9.9	414	-19.7	193	-30.8
Titan Industries	24,401	24.8	2,129	8.7	1,639	16.4

Margin trend mixed across players

Company	Expansion/Contraction in (bp)	
	Gross Margin	EBITDA Margin
Jubilant Foodworks	10	120
Pantaloon Retail	60	40
Shoppers Stop	-10	-300
Titan Industries	-110	-130

Declining trend in SSS growth over 3 qtrs

Company	Q1FY12	Q2FY12	Q3FY12
Jubilant Foodworks	36.7	26.7	30.1
Pantaloon Retail			
value	7.5	3.6	3.2
lifestyle	11.4	6.5	5.7
Shoppers Stop (dept)	7.0	11.0	-1.3
Titan Industries (jewelry vol)	40.0	3.0	-5.0

Store expansion trend across players

Company	Q1FY12	Q2FY12	Q3FY12
Jubilant Foodworks	392	411	439
Pantaloon Retail			
Big Bazaar	149	149	157
Pantaloons	59	59	64
Shoppers Stop (dept)	41	43	49
Titan Industries			
World of Titan	311	317	326
Tanishq	121	125	129

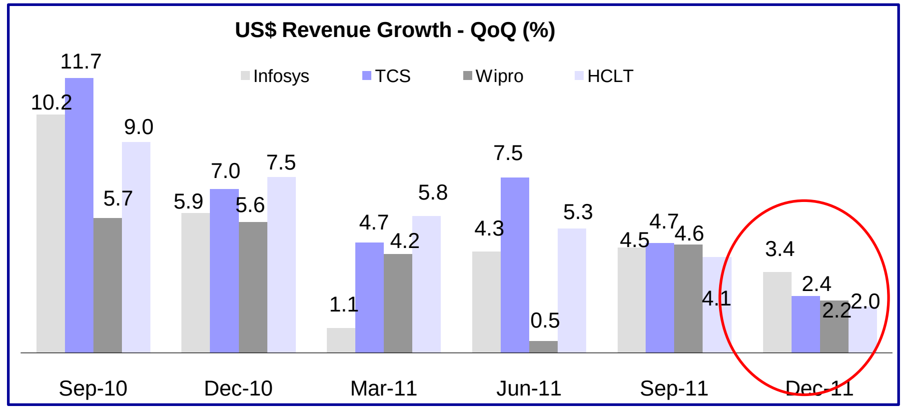
TECHNOLOGY: 3QFY12 indicates increasing caution

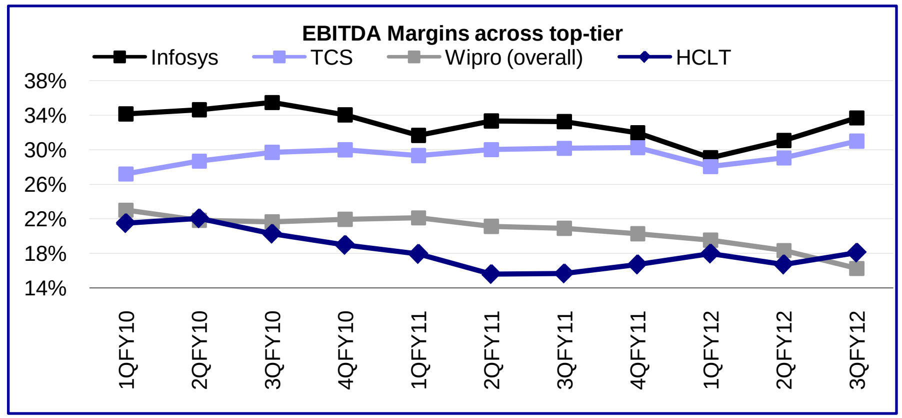
Summary

- **Revenue momentum declining for Top 4:** Revenue momentum has been on the down trend v/s FY11 for all the top 4 vendors – 3QFY12 top-tier aggregate growth was 2.6% QoQ (in-line) v/s 6.5% in 3QFY11. PAT was higher than estimates on the back of a weaker INR (51.3 v/s est 50.5), lower forex losses and lower than expected effective tax rates for some.
- **Increasing caution by companies:** Delays in decision-making and ramp-ups of discretionary projects was highlighted by all companies in 3Q v/s just Infosys in 2Q. Cognizant indicated continued weakness in Europe and does not expect a sharp lift in offshoring spends from the region due to cultural issues and stringent labour laws. Accenture expects a slowing down of system integration & consulting spends but a pick-up in outsourcing spends; IBM and Oracle reported elongated sales cycles. SAP reported its best ever year in its 40-year history driven by HANA, its in-memory offering and accompanied sales of its product portfolio; however, license sale growth rates are declining.
- **BFSI, Mfg drove growth; Healthcare and E&U emerging:** Revenue growth in 3Q and TTM was largely driven by BFSI, Manufacturing and Retail for the top 4. Wipro has similar drivers; however, 42% of the incremental TTM revenues were driven by E&U (post the acquisition of SAIC). TCS' commentary during the quarter highlighted concerns of delays in decision-making and ramp-ups for discretionary spends, similar to Infosys. While deal wins in 3Q were strong across, companies were cautious about the outlook going forward. Wipro highlighted pressures from investment banking clients while HCL Tech indicated challenges in the demand environment for BFSI due to heightened regulatory scrutiny.

3QFY12 Performance Snapshot

	Revenue		EBIT		PAT	
	INR b	QoQ%	Margin (%)	QoQ (bp)	INR b	QoQ (%)
TCS	132.0	13.5%	29.20%	213bp	28.9	18.3%
Infosys	93.0	14.8%	31.20%	300bp	23.7	24.4%
Wipro	100.0	9.9%	18.90%	72bp	14.6	12.0%
HCL Tech	52.5	12.8%	15.40%	155bp	5.5	15.1%





Motilal Oswal

TECHNOLOGY: 3QFY12 indicates increasing caution

- **Infosys 4QFY12 guidance muted; Wipro targets 1-3% QoQ:** Infosys guided to a 0-0.2% sequential increase in USD revenues as the company sees delays in discretionary spends and ramp ups. Wipro guided to a 1-3% QoQ growth in USD revenues on ramp ups of earlier deal wins.
- **Cognizant's CY12 guidance implies Infosys unlikely to grow > 15%:** Cognizant's revenue growth guidance of 23% for CY12 (the first vendor view into CY12) hinges on an acceleration in revenue growth from 2QCY11 with expectations of discretionary spends kicking in. Infosys' revenue growth has been 50% of Cognizant's on an average over a five year period. Even if Cognizant were to outperform guidance (average outperformance over the past 5 years has been 6%), the implied growth for Infosys would be 12.5-15% (Infosys' revenue growth has typically been 50% of Cognizant' on an average since FY06 and more notably 42% over the past four years). This implies a year of sub 15% EPS growth. We note that growth rates have been declining for all Indian heritage vendors including Cognizant.
- **Revenue growth expectations reduced across the board; EPS estimates higher on a weaker INR :** We reduced our USD revenue growth expectations by 250bp for TCS, 400bp for Infosys, 150bp for HCL Tech and 50bp for Wipro. EPS upgrades for FY13 were driven by a weaker INR/USD assumption of INR50/USD (v/s INR48/USD) earlier.
- **Prefer INFY, HCL Tech:** We prefer Infosys v/s TCS on better risk reward . Infosys currently trades as 17.2x FY13 v/s 19.2x for TCS. We prefer HCL Tech over Wipro on higher revenue visibility post strong deal wins over the past two quarters. Upsides for Wipro are more likely to be driven on margin expansion in FY14 as it plans to invest on higher S&M spends in FY13 to boost growth.

Cognizant's targeted 4%+ CQGR differential for 2Q-4Q v/s 1Q achieved only twice in 5 years

Cognizant	CY07	CY08	CY09	CY10	CY11
Difference: 1Q v/s 2Q-4Q CQGR	**0.80%**	**-1.80%**	**7.50%**	**4.60%**	**2.00%**

Infosys growth rates have averaged at ½ of Cognizant's

Revenue growth %	FY06	FY07	FY08	FY09	FY10	FY11	FY12E
Infosys	35%	44%	35%	12%	3%	26%	16%
Cognizant	51%	61%	50%	32%	16%	40%	33%
Infy vs Cognizant differential	**69%**	**72%**	**70%**	**37%**	**18%**	**64%**	**49%**

Currency-led EPS upgrades despite rev downgrades - %

Changes in Estimates	TCS	INFY	WPRO	HCLT
FY12 Revenue	-0.2	-0.5	-0.1	-1.4
FY13 Revenue	-2	-3.2	-0.6	-2.7
FY12 EPS	2.3	2.6	4.2	4.8
FY13EPS	1.3	0	4.1	4.3

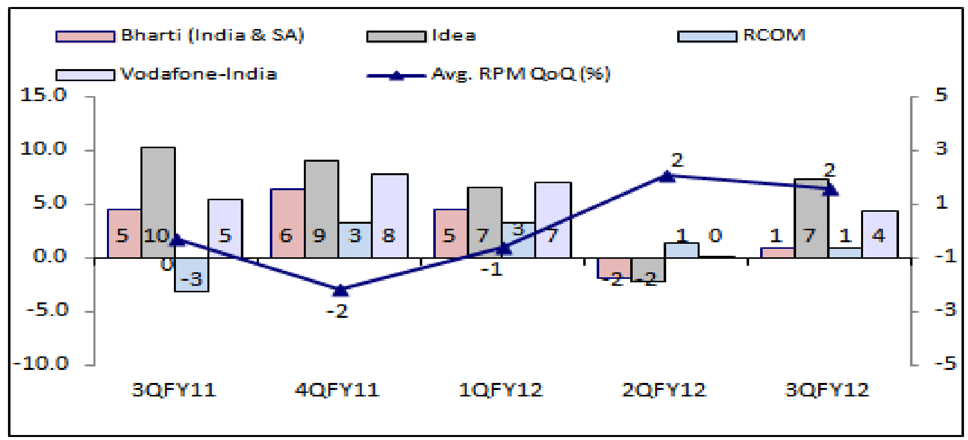
TELECOM: Divergence in operating performance; RPM improvement on-track

- **Significant divergence in 3QFY12 operating performance; sharp QoQ swing in PAT due to low net margin:** Bharti results disappointed on financial as well as operating performance led by largely flat mobile traffic (domestic) and sharp decline in non-mobile margins. Idea reported strong 3QFY12 with double-digit QoQ EBITDA growth well-supported by robust traffic momentum. RCom reported in-line EBITDA despite largely flat wireless traffic and revenue. Vodafone-India revenue growth of 5% QoQ was broadly in-line. While our FY13 EBITDA estimate for Idea/RCom are largely unchanged, Bharti's Cons EBITDA is downgraded 7% due to 9% cut in India & SA.
- **3QFY12 blended RPM up 1.5% QoQ; on-track:** Blended 3QFY12 RPM increase of 1.5% QoQ (+2.1% QoQ in 2QFY12) was in-line with our expectation. Bharti reported the highest RPM improvement (+3% QoQ) due to relatively more disciplined pricing while RCom witnessed a modest 0.3% decline. Vodafone/Idea RPM improvement of 1/1.5% QoQ was broadly in-line. RPM improvement thesis remains largely on-track.
- **QoQ traffic growth 3% QoQ; market share re-alignment the swing factor:** Aggregate traffic growth was 3% QoQ for majors (est 4%). Traffic market share realignment played crucial role. Bharti/RCom underperformed with traffic growth of 1% QoQ; Vodafone (+4% QoQ) was in-line; Idea outperformed (+7% QoQ).
- **Wireless margin likely bottomed-out; await signs of structural improvement:** Domestic wireless margin increased 0/20/125bp QoQ for RCom/Bharti/Idea. Margin performance was slightly above estimates for Idea/RCom but well below expectations for Bharti. Our FY12 wireless margin estimates are 120/240/320 bps higher v/s the reported 3QFY12 numbers as we expect margins to track RPM improvement with a lag.

QUARTERLY FINANCIALS (CONSOLIDATED)

	3QFY11	2QFY12	3QFY12	YoY (%)	QoQ (%)
REVENUE (RS B)					
Bharti (ex Africa)	117.2	126.8	131.6	12.3	3.8
Bharti (consolidated)	157.6	172.7	184.8	17.3	7.0
Idea	39.6	46.2	50.3	27.2	8.9
RCOM	50.0	50.4	50.5	1.0	0.2
Vodafone - India (implied)	63.3	72.2	76.0	20.0	5.2
EBITDA (RS B)					
Bharti (ex Africa)	43.7	45.7	45.2	3.4	-1.1
Bharti (consolidated)	53.2	58.2	59.6	12.0	2.5
Idea	9.5	11.9	13.4	41.8	13.3
RCOM	16.7	16.1	16.1	-3.4	0.4
PAT (RS B)					
Bharti (ex Africa)	18.3	14.5	12.7	-30.5	-12.5
Bharti (consolidated)	13.0	10.3	10.1	-22.4	-1.5
Idea	2.4	1.1	2.0	-17.3	90.0
RCOM	5.3	3.2	2.4	-54.2	-25.3

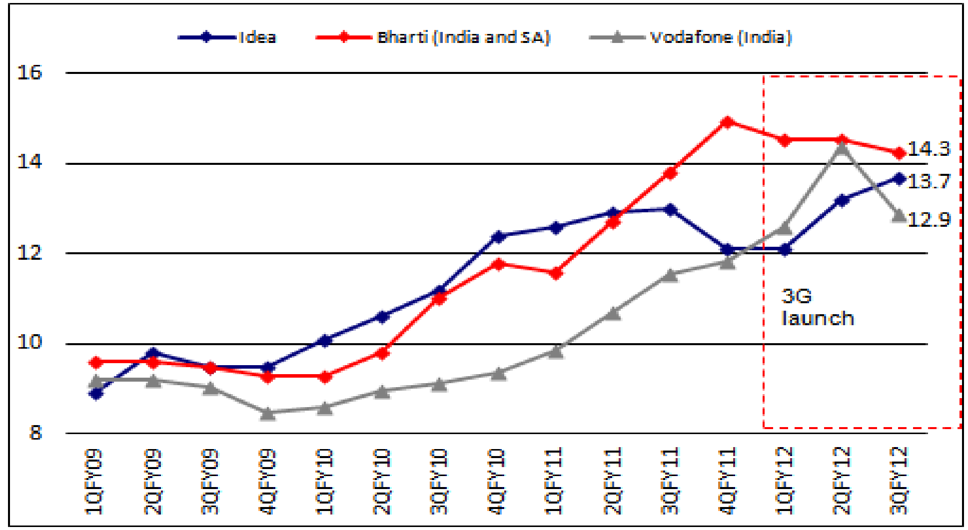
QoQ wireless traffic and blended RPM growth (%)



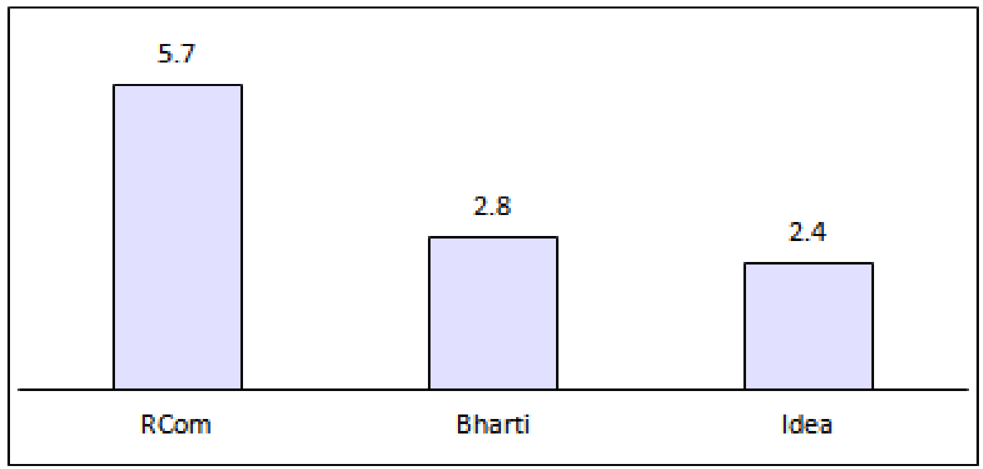
TELECOM: Divergence in operating performance; RPM improvement on-track

- **Higher churn, lower non-voice contribution key challenges:** Churn rate for major operators has increased by 60-150bp over the past two quarters and is currently at 8/10% for Bharti/Idea implying high competitive activity. Non-voice revenue share declined QoQ for Bharti/Vodafone due to implementation of revised TRAI guidelines on value-added services and SMS.
- **Bharti: Non-mobile business, sponsorship expenses drag; Africa broadly in-line:** Bharti's consolidated performance was dragged down by 15-16% QoQ decline in Telemedia and enterprise business due to seasonality, change in Do-Not-Call guidelines and migration to a composite billing system. Weak non-mobile business and higher sponsorship expenses together explained ~50% of EBITDA shortfall v/s estimates; balance was accounted by domestic mobile segment. Africa performance was on-track – 3% QoQ traffic growth, flat RPM and ~50bp margin expansion.
- **Leverage remains high:** Leverage remains high with net debt/ annualized EBITDA of 2.4-2.8x for Bharti/Idea. RCom's net debt rose INR49b QoQ to INR368b (net debt/ann. EBITDA of 5.7x).
- **Further tariff hikes unlikely:** Idea mentioned core voice RPM remained flat QoQ due to shift in outgoing minutes to challengers and ruled out any further tariff hikes. While Bharti has remained relatively disciplined in implementing tariff hikes, it might be forced to do tariff intervention given below-industry volume growth.
- **Outlook:** While regulatory uncertainty persists, revenue growth continues to accelerate driven by pricing improvement and moderate volume growth. Data revenue growth and margin expansion are yet to play out and could provide incremental support to earnings. EV/EBITDA valuations remain inexpensive.
- **Top picks**: Bharti, Idea

Non-voice as % of wireless revenue



Leverage continues to remain high



UTILITIES: Performance muted led by coal supply issues

- **3QFY12 operational performance impacted** by Telangana issue/muted production growth in Coal India; thus impacting coal availability
- **NTPC performance muted** led by lower PAF/PLFs of coal plants by 840bp/350bp YoY. PAF was impacted given maintenance shutdown and Coal availability issues, while PLFs were impacted by lower demand.
- **NHPC generation grew 2% YoY,** FY12/13 capacity addition targets lowered to 313MW and 673MW (v/s guidance of 515MW/1.1GW)
- **PGCIL YTDFY12 (Feb-12) C**apitalization stood at INR82b v/s INR71b in FY11, FY12 expectation at ~INR130b (INR120b earlier).
- **Tata Power standalone performance lower led by no dividend income;** coal mining profits impacted by one-time deferred stripping cost.
- **CESC's standalone** numbers below estimates led by delay in tariff approval. Consolidation at Spencer continues; area under operation crossed 1m sft.
- **Reliance Infra** marginally lower than estimates led by higher tax and muted performance from Power business. However, EPC revenue gained traction and increased by 3x YoY .
- **Adani Power performance below estimates**; as fuel cost rose to INR1.96/unit v/s INR1.25 QoQ given increased usage of imported coal.
- **JSW Energy performance below estimates** led by higher mining expenses and loss at Barmer plant of INR70m. However higher realization boosted gross margins to INR1.8/unit v/s INR0.2/unit QoQ.
- **PTC India performance below estimates** led by lower gross margins at Paisa6.1/unit v/s Paisa7-8/unit in last 5 quarters and lower other income.
- **Coal India PAT boosted** by higher e-auction realization (at Rs2,850/t), and lower provisioning on staff cost. FY12 production/ dispatch target looks challenging.

Actual v/s Estimate (INR m)

Disappointments across the board

	3QFY12 PAT		Variance
	Estimate	Actual	(%)
Adani Powe	2,632	(1,535)	(158)
CESC	1,538	740	(52)
Coal India	37,650	40,378	7
JSW Energy	639	549	(14)
Lanco Infra	921	908	(1)
NHPC	2,690	2,735	2
NTPC	22,966	20,962	(9)
Power Grid	7,465	7,743	4
PTC India	290	95	(67)
Tata Power	4,750	5,523	16
Rinfra	4,441	4,057	(9)

Merchant Realization: Improved QoQ and YoY (INR/Unit)

Companies	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Adani Power	6.8	4.9	3.9	4.5	3.6	2.9	4.1
Jindal Power	4.5	4.3	4.0	4.1	3.9	3.8	4.1
JSW Energy	5.8	4.7	4.8	4.7	5.3	3.9	4.3
Lanco Infratech	n.a.	4.3	3.5	4.8	3.8	3.6	4.2
Tata Power (Halid	5.1	3.6	2.9	3.4	3.6	2.9	3.4

Operational performance of our Utility Coverage

Muted, except PGCIL

Companies	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Coal Production (m ton)					
Tata Power (Bumi)	17.5	13.0	15.5	17.0	18.7
Adjusted Margins (Paisa/unit)					
PTC	5.3	4.8	4.9	4.2	3.8
PLF (%)					
NHPC	37.1	32.0	76.0	83.9	37.7
Adani Power	89.0	85.0	74.0	75.0	58.0
NTPC	87.2	93.7	86.9	78.4	83.8
JSW Energy	93.8	87.6	79.5	74.0	79.5
CESC	83.1	85.2	94.9	91.8	86.5
Production (m ton)					
Coal India	113.9	131.8	96.3	80.3	114.6
Capitalization (INR b)					
PGCIL	17.4	5.4	8.0	32.6	22.3

MOSL Universe: Annual Performance (Rs b)

Annual performance - MOSL universe															(INR billion)
	Sales					EBITDA					Net profit				
	FY11	FY12E	FY13E	CHG* (%)	CHG# (%)	FY11	FY12E	FY13E	CHG* (%)	CHG# (%)	FY11	FY12E	FY13E	CHG* (%)	CHG# (%)
Auto (5)	2,333	3,010	3,430	29.0	13.9	331	399	466	20.5	16.9	190	212	246	12.0	15.8
Capital Goods (9)	1,297	1,532	1,667	18.1	8.8	188	203	218	8.2	7.1	132	139	149	5.0	7.6
Cement (7)	587	704	826	19.9	17.3	123	152	186	23.2	22.6	70	85	104	21.6	21.7
Consumer (12)	846	1,015	1,183	20.0	16.6	173	207	247	19.7	19.2	117	138	165	18.4	19.1
Financials (28)	1,574	1,857	2,164	18.0	16.5	1,265	1,475	1,736	16.6	17.6	640	744	880	16.3	18.2
Private Banks (9)	344	408	489	18.5	20.0	294	342	422	16.6	23.1	165	208	244	25.6	17.7
PSU Banks (11)	1,041	1,228	1,407	18.0	14.5	779	916	1,055	17.7	15.1	345	389	459	12.8	18.2
NBFC (8)	188	221	268	17.5	21.1	192	216	259	12.6	19.7	130	148	176	13.6	19.3
Health Care (17)	609	704	792	15.7	12.5	136	162	179	19.2	10.5	93	71	126	-23.4	77.7
Infrastructure (7)	400	429	466	7.1	8.6	57	61	74	8.0	21.0	15	10	14	-36.4	43.8
Media (4)	79	81	91	2.8	12.0	30	28	33	-6.2	15.7	18	16	19	-6.2	16.9
Metals (9)	3,260	3,768	3,895	15.6	3.4	630	595	673	-5.5	13.1	352	299	342	-15.2	14.6
Oil & Gas (12)	10,894	14,522	14,265	33.3	-1.8	1,280	1,402	1,502	9.5	7.1	654	716	746	9.4	4.2
Excl. RMs (9)	4,967	6,530	6,597	31.5	1.0	1,079	1,128	1,204	4.5	6.7	544	620	637	13.9	2.8
Real Estate (10)	203	193	254	-4.8	31.8	77	77	103	0.1	33.0	44	37	52	-14.9	40.6
Retail (4)	199	241	288	20.9	19.3	18	22	27	21.5	22.5	8	9	11	13.4	29.4
Technology (7)	1,249	1,572	1,796	25.9	14.2	319	392	434	22.9	10.7	245	291	328	18.9	12.7
Telecom (4)	979	1,142	1,300	16.6	13.9	310	361	436	16.7	20.5	87	64	107	-26.4	66.2
Utilities (11)	1,648	1,977	2,439	20.0	23.3	453	535	661	18.2	23.5	287	334	400	16.4	19.8
Others (1)	58	81	92	39.7	14.0	11	15	18	36.4	17.8	6	6	9	11.9	42.4
MOSL (147)	**26,214**	**32,827**	**34,948**	**25.2**	**6.5**	**5,402**	**6,089**	**6,992**	**12.7**	**14.8**	**2,957**	**3,172**	**3,699**	**7.3**	**16.6**
Excl. RMs (144)	**20,287**	**24,836**	**27,280**	**22.4**	**9.8**	**5,201**	**5,815**	**6,694**	**11.8**	**15.1**	**2,847**	**3,076**	**3,590**	**8.1**	**16.7**
Sensex (30)	**6,910**	**8,535**	**9,091**	**23.5**	**6.5**	**1,552**	**1,709**	**1,915**	**10.2**	**12.0**	**820**	**927**	**1,049**	**13.1**	**13.1**
Nifty (50)	**7,853**	**9,807**	**10,441**	**24.9**	**6.5**	**1,745**	**1,954**	**2,188**	**12.0**	**12.0**	**945**	**1,050**	**1,200**	**11.1**	**14.3**

*Growth FY12 over FY11;#Growth FY13 over FY12. For Banks: Sales = Net Interest Income, EBITDA = Operating Profits; Note: Sensex & Nifty Numbers are Free Float.

MOSL Universe: Valuations

Valuations - MOSL universe														
SECTOR	P/E (x)			EV/EBITDA (x)			P/BV (x)			RoE (%)			Div. YLD (%)	PAT CAGR
(No. of companies)	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY11-13
Auto (5)	13.8	12.3	10.6	7.7	6.2	5.1	5.1	3.9	3.1	37.0	32.0	29.2	2.1	13.9
Capital Goods (9)	17.4	16.6	15.4	11.1	10.6	10.1	5.1	4.2	3.5	29.3	25.1	22.5	1.8	6.3
Cement (7)	18.5	15.2	12.5	10.3	8.3	6.6	2.9	2.5	2.2	15.9	16.3	17.3	1.1	21.6
Consumer (12)	34.4	29.0	24.4	22.9	19.1	15.9	12.2	10.2	8.4	35.6	35.2	34.6	1.7	18.8
Financials (28)	13.4	11.5	9.7	-	-	-	2.4	2.1	1.8	18.2	18.1	18.5	2.2	17.3
Private Banks (9)	21.5	17.1	14.5	-	-	-	3.4	3.0	2.6	16.0	17.6	18.1	1.1	21.6
PSU Banks (11)	8.7	7.7	6.5	-	-	-	1.6	1.4	1.2	18.5	18.0	18.3	2.3	15.5
NBFC (8)	15.7	13.8	11.6	-	-	-	3.3	2.7	2.3	20.7	19.5	19.7	4.0	16.4
Health Care (17)	25.0	32.6	18.4	17.4	14.7	13.0	4.9	4.6	3.9	19.8	14.1	21.2	1.1	16.7
Infrastructure (7)	17.6	27.7	19.3	11.1	10.7	9.1	1.2	1.2	1.1	6.9	4.2	5.8	1.1	-4.3
Media (4)	18.3	19.5	16.7	10.3	10.8	9.1	4.3	4.0	3.6	23.5	20.4	21.4	2.2	4.7
Metals (9)	9.7	11.4	10.0	6.5	7.2	6.4	1.5	1.4	1.2	16.0	12.0	12.3	1.3	-1.5
Oil & Gas (12)	11.8	10.8	10.3	7.1	6.2	5.6	1.8	1.6	1.5	15.3	15.1	14.1	2.0	6.8
Excl. RMs (9)	12.4	10.9	10.6	6.4	5.7	5.2	2.0	1.7	1.6	15.9	16.0	14.7	1.8	8.2
Real Estate (10)	18.1	21.3	15.2	15.1	14.8	10.8	1.1	1.1	1.1	6.3	5.3	6.9	0.7	9.4
Retail (4)	41.0	36.2	27.9	18.8	15.7	12.7	6.5	5.8	5.0	15.9	15.9	17.9	0.5	21.1
Technology (7)	22.9	19.2	17.1	16.6	13.3	11.6	6.0	4.9	4.1	26.1	25.3	23.9	1.6	15.8
Telecom (4)	20.8	28.3	17.0	9.2	8.3	6.5	1.9	1.8	1.7	8.9	6.4	9.8	0.3	10.6
Utilities (11)	18.0	15.5	12.9	12.9	11.3	9.4	2.6	2.3	2.1	14.2	15.0	16.1	1.8	18.1
Others (1)	12.8	11.4	8.0	6.7	5.7	4.6	2.2	1.8	1.6	17.0	16.1	20.0	1.3	26.2
MOSL (147)	**15.8**	**14.7**	**12.6**	**-**	**-**	**-**	**2.7**	**2.4**	**2.1**	**17.2**	**16.3**	**16.7**	**1.7**	**11.9**
MOSL Excl. RMs (144)	**16.0**	**14.8**	**12.7**	**-**	**-**	**-**	**2.8**	**2.5**	**2.2**	**17.4**	**16.6**	**16.9**	**1.7**	**12.3**
Sensex (30)	**17.4**	**16.0**	**14.2**	**-**	**-**	**-**	**3.1**	**2.9**	**2.5**	**17.8**	**18.1**	**17.9**	**1.3**	**13.1**
Nifty (50)	**17.1**	**15.7**	**13.8**	**-**	**-**	**-**	**3.0**	**2.7**	**2.4**	**17.7**	**17.3**	**17.3**	**1.2**	**12.7**

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