

KRChoksey
wealth enhancement solutions



Q2FY09 PREVIEW

OCTOBER 2008

Q2FY09 Earnings Preview

Sensex Profits to grow ~16% y-o-y in Q2FY09 and ~17% in FY09

We expect Sensex profits growth ~16% y-o-y in Q2FY09. Our Sensex EPS estimate for FY09 is unchanged at Rs 980 - indicating a growth of ~17%. In Q2FY09, our Universe of Stocks is estimated to report a y-o-y growth of 27% in Sales and 10% in Profits.

Top Line growth to moderate, margins expected to ease

Q2FY09 is expected to see 27% growth in sales as compared to 32% in Q1FY09. This growth rate indicates relatively strong demand and continued inflationary environment. We expect the EBITDA and PAT margins to ease in this quarter. EBITDA margins in Q2FY09 are expected to be ~26% as compared to 28% in Q2FY08. PAT margins in Q2FY09 are expected to be 15% as compared to 17% in Q2FY08. However, with indications of easing commodity costs and macro pressures, margins may just pick in coming quarters.

Crude, Inflation, Interest Rates, Commodity Prices, Global Financial Crisis

Crude oil prices have corrected over 36% from its recent peak of USD 147/barrel in July 2008. This decline is expected to improve the fiscal deficit, current account balance and the workings of several companies, especially the OMCs. Inflation shot to a high of 12.63% in Q2FY09 and has been another worrying factor. However, over the past few weeks, it has shown sign of peaking. We expect inflation to touch single digit by January 2009. With moderating inflation and tight liquidity conditions, we expect interest rates to moderate subsequently. The commodity prices have come off sharply from their highs. This is likely to improve the workings of several companies, the impact of which may be seen in subsequent quarters. However, the biggest problem in the current situation is the global financial crisis, leading to a dearth of liquidity. This could severely impact the expansion plans and hence result in moderation of growth.

Attractive Valuations

Globally, India has been one of the worst performing markets in CY2008. The BSE Sensex has corrected by ~4% in Q2FY09, ~38% in CY08 and ~40% from its peak OF 20,873 on 8th January 2008. The BSE Sensex is currently trading at 12.8x FY09E EPS of Rs 980 - significantly lower than the 16-year average one-year forward P/E multiple of ~16. Moreover, the Market Cap to GDP ratio is currently 0.91x on the TTM GDP of Rs 44,65,316 crore, after reaching a peak of 1.58x on January 8, 2008. With the GDP estimated to grow by ~7.5%-8%, these valuations look very attractive to us.

Top Picks from KRC Universe

Reliance Industries, SBI, ICICI Bank, L&T, Reliance Infra, DLF, Mahindra Lifespaces, Mundra Port, Maruti Suzuki, GSK Consumer Healthcare, Infosys, Patel Engineering, PVR, Dishman Pharma, Bharti Airtel, Tulip Telecom, Sejal Architectural Glass.

Q2FY09 Earnings Preview - Sectorwise Snapshot

Sector	No of Companies	Market Cap	Sales (Rs Crore)		EBITDA (Rs Crore)		PAT (Rs Crore)		OPM (%)	NPM (%)
			Q2FY09E	%y-o-y	Q2FY09E	%y-o-y	Q2FY09E	%y-o-y		
Auto	7	78,459	23,445	11%	5,435	-2%	1,900	-20%	23%	8%
Banking	4	229,484	29,457	27%	9,708	33%	3,685	15%	33%	13%
Information Technology	6	215,041	21,435	29%	5,299	28%	4,298	19%	25%	20%
Infrastructure	4	5,190	1,784	41%	190	33%	82	0%	11%	5%
Oil and Gas	5	265,656	46,176	35%	7,064	14%	4,542	12%	15%	10%
Pharmaceuticals	6	34,613	4,134	28%	1,251	100%	1,028	85%	30%	25%
Power & Capital Goods	8	73,851	19,731	15%	5,426	6%	2,982	6%	27%	15%
Real Estate	4	78,403	5,279	12%	2,735	-6%	2,076	-17%	52%	39%
Retail	3	3,455	1,001	35%	100	-18%	27	-20%	10%	3%
Shipping and Logistics	7	26,848	1,918	35%	787	41%	584	15%	41%	30%
Telecom	5	237,967	17,958	40%	7,169	34%	4,017	27%	40%	22%
Media and Entertainment	3	10,340	526	21%	230	20%	125	15%	44%	24%
FMCG	3	19,163	1,890.4	29%	320	16%	220	22%	17%	12%
Others	3	1,948	440.5	29%	31	4%	13	-56%	7%	3%
Total	68	1,280,419	175,175	27%	45,744	19%	25,579	10%	26%	15%
Aggregates										
Sensex	30	1,849,412	228,545	22%	57,218	19%	35,314	16%	25%	15%
KRC Universe	68	1,280,419	175,175	27%	45,744	19%	25,579	10%	26%	15%
KRC Universe ex oil and gas	63	1,014,763	128,999	24%	38,680	20%	21,037	10%	30%	16%
KRC Universe ex Banks	64	1,050,935	145,718	27%	36,037	16%	21,894	10%	25%	15%

Q2FY09 Earnings Preview - Ready Reckoner of Valuations

Sector	Size	Company	Reco.	CMP (Rs.)	Target	Potential	Market Cap (Rs. Crore)	Sales (Rs. Crore)		PAT (Rs. Crore)		P/E FY09E
					Price (Rs.)	Upside (%)		FY08	FY09E	FY08	FY09E	
Auto	Large Cap	Maruti Suzuki	Hold	685	765	12%	19,801	17,860	21,175	1,731	2,080	9.5
	Large Cap	Hero Honda	Hold	883	920	4%	17,629	10,332	12,477	978	1,311	13.4
	Large Cap	Tata Motors	BUY	331	Under Review	na	12,750	28,731	32,941	2,029	2,215	5.8
	Large Cap	M&M	BUY	515	596	16%	12,339	11,503	14,330	1,103	985	12.5
	Large Cap	Bajaj Auto	Hold	573	623	9%	8,290	9,046	10,098	858	815	10.2
	Mid Cap	Bharat Forge	BUY	183	245	34%	4,058	2,196	2,677	301	270	15.0
	Mid Cap	Ashok Leyland	Hold	27	30.5	13%	3,592	7,729	8,989	469	445	8.1
Banking	Large Cap	SBI	BUY	1481	1,750	18%	94,054	17,021	20,214	6,729	7,936	11.9
	Large Cap	ICICI Bank	BUY	505	720	43%	56,156	7304.1	9315	4157.7	3,673	15.3
	Large Cap	HDFC Bank	BUY	1273	1548	22%	54,064	5912	7905	1701.4	2,335	23.2
	Large Cap	Axis Bank	BUY	703	815	16%	25,210	2,585	3,655	1,071	1,506	16.7
Information Technology	Large Cap	Infosys	BUY	1391	2,079	49%	79,610	15,648	21,455	4,470	5,910	13.5
Technology	Large Cap	TCS	BUY	657	989	51%	64,275	22,770	28,514	5,019	5,913	10.9
	Large Cap	Wipro	BUY	341	463	36%	49,854	19,980	25,768	3,283	3,747	13.3
	Large Cap	Satyam	BUY	314	504	61%	21,093	8,473	11,272	1,688	2,233	9.4
	Small Cap	Omnitech	BUY	99	130	31%	130	132	209.843	26	43	3.0
	Small Cap	R. Systems	BUY	58	117	102%	79	247	395.8	19	38	2.1

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Infrastructure	Mid Cap	IVRCL Infra	BUY	223	381	71%	2,973	3,661	5,033	210	237	12.5
	Mid Cap	Patel Engineering	BUY	294	501	70%	1,754	1,860	2,336	152	150	11.7
	Small Cap	C&C Constructions	BUY	128	184	43%	234	533	789	41	62	3.8
	Small Cap	JMC Projects	BUY	125	315	151%	227	915	1418	31	44	5.2
Oil and Gas	Large Cap	RIL	BUY	1761	2,740	56%	255,980	133,443	164,593	15,261	18,250	14.0
	Mid Cap	Petronet LNG	BUY	52	65	26%	3,881	6,555	8,373	474	506	7.7
	Mid Cap	GSPL	BUY	45	68	50%	2,540	418	602	99	143	17.8
	Mid Cap	Gujarat Gas (CY)	BUY	255	429	68%	1,637	1,214	1,340	152	180	9.1
	Mid Cap	Indraprastha Gas	BUY	116	135	17%	1,618	706	844	177	229	7.1
Pharma	Large Cap	Cipla	Hold	224	246	10%	17,420	4,231	4,817	701	837	20.8
	Large Cap	Ranbaxy	BUY	264	Under Review	na	9,834	6,781	6,431	895	913	10.8
	Mid Cap	Dishman	BUY	289	379	31%	2,333	803	1,050	122	154	15.1
	Mid Cap	Wockhardt	BUY	164	250	53%	1,790	3,510	4,080	522	648	2.8
	Mid Cap	Biocon	BUY	170	247	46%	1,696	1,054	1,308	457	323	5.3
	Mid Cap	Panacea Biotec	BUY	231	332.5	44%	1,540	841	1,052	129	164	9.4
Power & Cap. Goods	Large Cap	L&T	BUY	1158	3,088	167%	33,874	24,855	33,139	2,111	2697	12.6
	Large Cap	Tata Power	BUY	889	1,301	46%	19,616	5,916	6,976	588	641	30.6

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					Price (Rs.)	Upside (%)		FY08	FY09E	FY08	FY09E	FY09E
	Large Cap	Reliance Infra	BUY	741	1,300	75%	17,195	6,313	7,983	1,085	1131	15.2
	Mid Cap	NBVL	BUY	180	376	109%	1,402	912	1,359	315	457	3.1
	Mid Cap	Sterlite Tech	BUY	108	216	101%	694	1,686	2,311	101	139	5.0
	Mid Cap	Voltamp	BUY	599	964	61%	606	555	680	80	90	6.7
	Small Cap	Indotech	BUY	289	384	33%	307	190	261	39	50	6.2
	Small Cap	Sunil Hitech	BUY	128	226	77%	157	306	443	21	29	5.4
Real Estate	Large Cap	DLF	BUY	336	507	51%	57,349	14,229	17,625	8,204	8,635	6.6
	Large Cap	Unitech	BUY	112	163	45%	18,206	4,140	6,612	1,720	2,206	8.3
	Mid Cap	Parsvnath	BUY	87	124	42%	1,615	1,771	1,950	396	433	3.7
	Mid Cap	Mahindra Lifespace	BUY	302	528	75%	1,232	231	380	66	111	11.1
Retail	Mid Cap	Koutons	BUY	683	915	34%	2,117	794	1,352	69	125	16.9
	Mid Cap	Shoppers' Stop	Hold	224	243	8%	784	1,104	1,576	3	na	na
	Mid Cap	Vishal Retail	BUY	252	326	30%	553	953	1,893	41	69	8.0
Shipping & Logistics	Large Cap	Mundra Port	BUY	430	639	49%	17,225	818	1,231	213	387	44.6
	Mid Cap	GE Shipping	BUY	299	378	27%	4,550	2,581	3,085	1,357	1,388	3.3
	Mid Cap	Great Offshore	BUY	478	563	18%	1,815	706	880	222	185	9.8
	Mid Cap	Blue Dart	BUY	640	753	18%	1,535	812	991	71	90	17.1
	Mid Cap	Gateway Distriparks	BUY	86	101	18%	996	267	425	74	98	10.2

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					Price (Rs.)	Upside (%)		FY08	FY09E	FY08	FY09E	FY09E
	Mid Cap	Bharati Shipyard	BUY	179	302	69%	500	700	910	108	85	5.9
	Small Cap	Aegis Logistics	BUY	113	194	71%	227	365	446	40	45	5.0
Telecom	Large Cap	Bharti Airtel	BUY	756	955	26%	143,574	27,012	37,320	6,495	9,107	15.8
	Large Cap	RCOM	BUY	333	508	52%	68,773	18,827	24,378	5,401	5,482	12.5
	Large Cap	Idea	BUY	73	100	38%	19,133	6,720	9,803	1,044	1,171	16.3
	Mid Cap	TTML	BUY	21	26	23%	4,003	1,707	2,026	(126)	(64)	na
	Mid Cap	Tulip Telecom	BUY	856	1019.2	19%	2,484	1,216	1,698	187	277	9.0
Media	Large Cap	Sun TV	BUY	202	250	24%	7,969	926	1,193	327	441	18.1
	Mid Cap	Jagran Prakashan Ltd.	BUY	68	80	18%	2,036	750	914	98	99	20.6
	Small Cap	PVR Ltd.	BUY	146	342	134%	336	236	310	21	28	12.0
FMCG	Large Cap	Nestle (CY)	Hold	1650	1,878	14%	15,909	3,504	4,467	414	557	28.6
	Mid Cap	GSKCHL	BUY	608	781	28%	2,560	1,509	1,750	183	219	11.7
	Mid Cap	Sanwaria Agro Oils Ltd.	BUY	40	52	30%	694	938	1,700	43	102	6.8
Others	Mid Cap	Kirloskar Brothers	Reduce	122	120	-1%	1,286	1,525	1,678	110	46	28.0
	Mid Cap	Everonn Systems India	BUY	358	450	26%	551	91	175	14	27	20.3
	Small Cap	Sejal Architectural Glass	BUY	39	124	220%	111	55	139	5	12	9.0

Automobiles

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Maruti Suzuki						BUY CMP 685 TP 765 Upside Potential 12% P/E (FY09E) 9.5x
Sales	4,818	4,547	6.0%	4,754	1.4%	Volume for the quarter shown a de-growth of 1%, mainly affected by decline in A1 segment sales.
EBIDTA	495	598	-17.2%	464	6.8%	New launches (A-Star) and upcoming festive season to boost Volume for the further months.
Net Profit	425	467	-9.0%	466	-8.9%	Realization is expected to grow by ~7% on the back of better product-mix and price hikes.
EPS	14.7	16.1	-9.1%	16.1	-9.0%	OPM remain under pressure, to decline by ~287 bps due to severe rise in the steel, & others.
OPM (%)	10.3%	13.1%	-287 bps	9.8%	52 bps	Raw material as a percentage of sales is expected to go up by 170 bps and should at 73.7%.
NPM (%)	8.8%	10.3%	-145 bps	9.8%	-99 bps	
Hero Honda						HOLD CMP 883 TP 920 Upside Potential 4% P/E (FY09E) 13.4X
Sales	3,202	2,352	36.1%	2,844	12.6%	Volume for the quarter grew by 28.4% driven by aggressive focus on semi-urban and rural market.
EBIDTA	439	291	50.6%	341	28.7%	Low dependence on financing as well as had low base last year helped to show volume growth.
Net Profit	345	214	60.7%	273	26.3%	Realization is expected to grow by 6% mainly on the back of price hikes.
EPS	17.3	10.7	60.7%	13.7	26.3%	OPM continues to remain under pressure, to decline by ~132 bps due to rise input costs.
OPM (%)	13.7%	12.4%	132 bps	12.0%	172 bps	Raw material as a percentage of sales is expected to go up by 100 bps and should be at 73.3%.
NPM (%)	10.8%	9.1%	164 bps	9.6%	116 bps	
Tata Motors						BUY CMP 331 TP Under Review Upside Potential - P/E (FY09E) 5.7x
Sales	7,317	6,673	9.7%	6,928	5.6%	Volume for the quarter fell by ~1% due to fall in the M&HCV and Indica Sales.
EBIDTA	713	776	-8.1%	523	36.5%	LCVs (esp. Ace magic and Winger) is performing extremely well.
Net Profit	394	527	-25.1%	526	-25.0%	Newly launched Indica Vista should show good growth in further months.
EPS	10.2	13.7	-25.1%	8.5	21.0%	Realisation is expected to grow by 11% .
OPM (%)	9.7%	11.6%	-188 bps	7.5%	220 bps	OPM continues to remain under pressure, to decline by ~188 bps due to rise inputs costs.
NPM (%)	5.4%	7.9%	-250 bps	7.6%	-220 bps	Raw material as a percentage of sales is expected to go up by 266 bps and should be at 66%.

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
M&M						BUY CMP 515 TP 596 Upside Potential 16% P/E (FY09E) 11.7x
Sales	2,976	2,802	6.2%	3,293	-9.6%	Volume for the quarter fell by 6% mainly due to low demand of logan in recent times.
EBIDTA	241	383	-37.1%	247	-2.4%	Realisation is expected to grow by 13%.
Net Profit	191	286	-33.0%	237	-19.3%	OPM continues to remain under pressure, to decline by ~558 bps due rise in input cost.
EPS	8.0	11.9	-33.1%	9.9	-19.3%	Raw material as a % of sales is expected to go up by ~600 bps and should be stand at ~67%.
OPM (%)	8.1%	13.7%	-558 bps	7.5%	60 bps	
NPM (%)	6.4%	10.2%	-377 bps	7.2%	-77 bps	
Bajaj Auto						HOLD CMP 577 TP 623 Upside Potential 8% P/E (FY09E) 10.3x
Sales	2,536	2,362	7.4%	2,311	9.7%	Bajaj Auto has been able to achieve a volume growth of 4.2% mainly due to robust exports.
EBIDTA	304	371	-17.9%	267	14.1%	Realisation is expected to grow by 3% on the back of Price hike and better product mix.
Net Profit	196	342	-42.8%	175	11.7%	OPM continues to remain under, to decline by ~370bps due to rise in input costs.
EPS	13.5	33.8	-60.0%	12.1	11.7%	Raw material as a % of sales is expected to go up by ~323 bps and should be at ~72.5%.
OPM (%)	12.0%	15.7%	-370 bps	11.5%	45 bps	Further, Bajaj Auto has commenced production of Platina 125 cc+ & expecting higher volume.
NPM (%)	7.7%	14.5%	-676 bps	7.6%	14 bps	Bajaj expects to get double-digit growth from motorcycle in domestic front in H2FY09.
Ashok Leyland						BUY CMP 27 TP 31 Upside Potential 13% P/E (FY09E) 8.1x
Sales	1,930	1,746	10.5%	1,884	2.4%	Volume for the quarter is expected to show a decline of 1.3%.
EBIDTA	123	166	-25.6%	117	5.3%	Realization is expected to grow by 12% on the back of price hikes and better product mix.
Net Profit	46	80	-42.5%	84	-45.3%	OPM continues to remain under pressure, to decline by ~311bps due to rise in input costs.
EPS	0.3	0.6	-42.5%	0.4	-12.4%	Raw material as a % of sales is expected to go up by ~150bps and should be at ~74.3%.
OPM (%)	6.4%	9.5%	-311 bps	6.2%	17 bps	
NPM (%)	2.4%	4.6%	-221 bps	4.5%	-209 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Bharat Forge						BUY CMP 184 TP 245 Upside Potential 33% P/E (FY09E) 20.4x
Sales	665	563	18.0%	637	4.3%	Revenue for the quarter is expected to grow by more than 18%.
EBIDTA	142.43	138.31	3.0%	155.96	-8.7%	OPM continues to remain under pressure, to decline by ~313 bps due to rise input costs.
Net Profit	62.53	67.75	-7.7%	95.90	-34.8%	Raw material as a % of sales is expected to go up by ~200 bps and should be at ~47%.
EPS	2.8	3.0	-7.7%	1.2	135.4%	De-risking plan of the company and Exports help them to achieve targeted revenue.
OPM (%)	21.4%	24.6%	-313 bps	24.5%	-304 bps	Pass through facility would help them to achieve targeted margin.
NPM (%)	9.4%	12.0%	-262 bps	15.0%	-564 bps	

Preview on Automobiles sector

- In Q2FY09, we expect the volume of the automobiles to grow by ~ 13.8% y-o-y. Lower volume would be mainly due to high interest rates, tightening of financing norms, volatile crude oil prices.
- Rise in the Steel prices continues to put pressure on margins, while product price hikes in the last few months have impacted demand.

Factors to watch:

- Realization per unit, out of the total vehicles sold is expected to be higher on account of price hikes and improvement in product portfolio.
- Impact of input cost like Steel, Copper on margins of the company.

Top Pick: Maruti Suzuki

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Banking

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
State Bank of India						BUY CMP 1481 TP 1750 Upside Potential 18% P/E (FY09E) 11.9x
Interest Income	14,520.4	11,616.3	25.0%	13,799	5.2%	The interest income is expected to be higher on account of higher interest rates
Net Int. Income	4,894.7	3,762.9	30.1%	4,817	1.6%	Net interest income expected to be higher due to higher CASA ratio and marginally better spreads
Net Profit	1,965.0	1,611.4	21.9%	1641.0	19.7%	The net profit is expected to be higher on account of gains on AFS portfolio
EPS	30.9	25.4	21.9%	25.85	19.7%	
ICICI Bank						BUY CMP 505 TP 720 Upside Potential 43% P/E (FY09E) 15.3x
Interest Income	8,643.9	7,516.5	15.0%	7892	9.5%	The loan book is expected to grow at a slower pace @ 15% as slowdown in retail loans
Net Int. Income	2,102.0	1,786.0	17.7%	2090	0.6%	Net int. income is expected to grow marginally due to slower credit growth & higher cost of funds
Net Profit	845.0	1,002.6	-15.7%	775.0	9.0%	Net profit is expected to come down due to MTM losses and loss on Lehman's Exposure (Rs.800 cr)
EPS	7.6	9.0	-15.7%	6.96	9.0%	
HDFC Bank						BUY CMP 1273 TP 1548 Upside Potential 22% P/E (FY09E) 23.2x
Interest Income	3,845.0	2,362.8	62.7%	3,622	6.2%	The interest income is expected to increase due to increase in PLR and growth in loan book
Net Int. Income	1,856.0	1,162.7	59.6%	1,724	7.7%	Net interest income expected to be higher due to higher CASA ratio (44%) and higher NIMs (4.7%)
Net Profit	520.6	368.5	41.3%	464.4	12.1%	Net profit to show good growth on better efficiency and benefits from merger with CBOP
EPS	18.3	13.0	41.3%	16.3	12.1%	
Axis Bank						BUY CMP 703 TP 815 Upside Potential 16% P/E (FY09E) 16.7x
Interest Income	2,447.8	1,677.0	46.0%	2,266	8.0%	The loan book has grown significantly year on year resulting in higher interest income
Net Int. Income	855.0	588.7	45.2%	810	5.5%	Net int. income is expected grow marginally due to slower credit growth and higher cost of funds
Net Profit	354.0	227.8	55.4%	330.1	7.2%	Slowdown in other income and capital markets related income will impact the profitability
EPS	9.9	6.4	55.4%	9.2	7.2%	

Preview on Banking Sector

- Credit Off take: The credit growth is expected to be stronger as the latest reports by RBI suggest a growth of around 26%, way above RBI's target growth rate of 20%
- Deposit growth: The higher interest rates offered by banks and turmoil in equity markets is expected to push growth rates in deposits
- Most of the banks have increased PLRs by 100 to 150 bps on back of RBI's monetary tightening
- Banks are expected to report MTM profits on AFS portfolios due to decrease in yields on G-Secs mainly due to softening of inflation and inflation expectations
However, FIMMDA has announced higher yields on corporate bonds which may result in MTM losses on corporate bonds
- The banks with healthy CASA franchise like HDFC and SBI are expected to report better results in high interest rate scenario

Factors to watch

- MTM profits/losses on AFS portfolios
- Losses/provisioning on exposure to overseas assets and derivatives contracts
- Growth in other income mainly related to capital markets
- Provisioning on account of Farm loan waivers

Top Picks

SBI, HDFC Bank

Analyst: Vipul Shah vipul.shah@krchoksey.com

FMCG Sector

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Nestle India						HOLD CMP 1650 TP 1878 Upside Potential 13.8% P/E (CY08 E) 30.4x
Sales	1,196.8	906.7	32.0%	1035.6	15.6%	Exports to drive growth due to better realisation on account of rupee depreciation
EBIDTA	223.7	191.6	16.8%	195.0	14.7%	Raw Material & Packaging Material to Sales increased to 49.8%
Net Profit	143.8	116.1	23.9%	121.1	18.7%	Net Profit to improve on account of tax benefit
EPS	14.91	12.04	23.9%	12.56	18.7%	
OPM (%)	18.7%	21.1%	-244 bps	18.8%	-14 bps	
NPM (%)	12.0%	12.8%	-79 bps	11.7%	32 bps	
GSK Consumer Healthcare Ltd.						BUY CMP 608 TP 781 Upside Potential 28.5% P/E (CY08 E) 11.6x
Sales	413.4	351.6	17.6%	376.4	9.8%	Net Sales for the quarter is expected to grow by 17.6% to be driven by new launches
EBIDTA	65.5	67.1	-2.4%	54.0	21.4%	Raw material was really a concern for the company in the quarter and expect it to be at 37% of net sales
Net Profit	54.9	51.1	7.3%	46.2	18.9%	We expect the company to achieve volume growth of ~5-7% and price growth of ~5-6%.
EPS	13.05	12.16	7.3%	10.98	18.9%	
OPM (%)	15.8%	19.1%	-324 bps	14.3%	151 bps	
NPM (%)	13.3%	14.5%	-127 bps	12.3%	101 bps	
Sanwaria Agro Oils Ltd.						BUY CMP 40 TP 52 Upside Potential 30.1% P/E (FY09E) 6.7x
Sales	280.2	201.5	39.0%	274.3	2.1%	Launch of new product to increase sales
EBIDTA	30.6	17.6	73.4%	29.5	3.5%	Better realizations from sale of DOC & refined oil to improve margins
Net Profit	21.6	14.1	53.0%	20.8	3.9%	
EPS	1.24	0.81	53.0%	1.20	3.9%	EPS post Bonus issue of 1:1
OPM (%)	10.9%	8.7%	216 bps	10.8%	14 bps	
NPM (%)	7.7%	7.0%	70 bps	7.6%	13 bps	

* Nestle India & GSK Consumer Healthcare Ltd. are December year ending companies

Preview on FMCG Sector

- We expect the FMCG companies to post good results in the September 08 Quarter. Many companies have gone for price hike to pass on the increasing agriculture commodity prices to the consumers. Realization from exports is likely to improve on account of rupee depreciation.
- The margins for the sector are expected to decline on account of increasing raw material cost and packaging cost.

Factors to watch in the quarter result

- The realization by the companies and the effect of the various cost cutting techniques adopted by these companies
- Impact of rising input costs and the guidance by the managements on their long term contract pricing for the same.

Top Picks: GSK Consumer Healthcare Ltd., Nestle India.

Information Technology

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Infosys						BUY CMP 1391 TP 2079 Upside Potential 50% P/E (FY09E) 13.5x
Sales	5,314	4,106	29.4%	4,854	9.5%	Expect flat dollar volume growth; rupee depreciation will help to exceed guidance
EBIDTA	1,637	1284	27.5%	1479	10.7%	Rupee depreciation will increase EBITDA margin by ~200 bps while utilization will decline
Net Profit	1,403	1100	27.5%	1302	7.8%	Other income to low as losses on forward contract
EPS	24.5	19.2	27.5%	22.7	7.8%	Expect EPS to exceed guidance of Rs 23.5-23.9
OPM (%)	30.8%	31.3%	-47 bps	30.5%	33 bps	Utilization to decline as slowdown in BFSI sector
NPM (%)	26.4%	26.8%	-39 bps	26.8%	-42 bps	Net additions would decline y-o-y; we expect decline in annual net addition target of 25k
TCS						BUY CMP 657 TP 989 Upside Potential 51% P/E (FY09E) 10.9x
Sales	6,802	5,640	20.6%	6,411	6.1%	Higher Revenue exposure to BFSI segment (44%) is likely to put pressure on US\$ revenue
EBIDTA	1,702	1478.69	15.1%	1483.25	14.8%	Due to factoring wage inflation in Q1FY09, we expect EBITDA margin expansion
Net Profit	1,409	1255.29	12.3%	1290.55	9.2%	Lower forex losses as 80% of its hedging positions are in the form of options
EPS	14.4	12.8	12.3%	13.2	9.2%	
OPM (%)	25.0%	26.2%	-119 bps	23.1%	189 bps	Cost cutting measure and rupee depreciation to improve margins
NPM (%)	20.7%	22.3%	-154 bps	20.1%	59 bps	Change in depreciation policy related to completer and software to lead NPM expansion
Wipro						BUY CMP 341 TP 463 Upside Potential 36% P/E (FY09E) 13.3x
Sales	6,357	4,757	33.6%	6,037	5.3%	Utilization is expected to increase marginally to 68.1%; revenue from product offerings to lower
EBIDTA	1,297	949.9	36.5%	1235.6	5.0%	EBITDA margin is expected to decline due to wage hikes
Net Profit	925	823.7	12.3%	907.8	1.9%	Hedges of \$2.6bn, would increase forex losses
EPS	6.4	5.7	12.1%	6.2	1.9%	
OPM (%)	20.4%	20.0%	43 bps	20.5%	-7 bps	Decline in margin due wage hikes
NPM (%)	14.6%	17.3%	-276 bps	15.0%	-49 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Satyam						BUY CMP 314 TP 504 Upside Potential 60% P/E (FY09E) 9.4x
Sales	2,820	2,032	38.8%	2,621	7.6%	Inclusion of BPO revenues in Q2FY09 should result in growth in animation business
EBIDTA	642	403	59.4%	632	1.5%	EBITDA margin decline due to salary hikes partially offset by rupee depreciation
Net Profit	546	409	33.4%	548	-0.3%	Given lowest additions yet of 652 in Q1FY09 and annual guidance of 14,000-15,000 for the year
EPS	8.1	6.1	32.7%	8.1	-0.3%	we expect higher additions q-o-q
OPM (%)	22.8%	19.8%	294 bps	24.1%	-136 bps	Net profit is expected to be flat on account of higher interest expenses
NPM (%)	19.4%	20.1%	-78 bps	20.9%	-154 bps	
Omnitech Infosolutions						BUY CMP 99 TP 130 Upside Potential 30% P/E (FY09E) 3.0x
Sales	48	28	70.0%	42	13.0%	Revenue growth in Q2FY09 to be boosted by infrastructure management services
EBIDTA	13.98	7.58	84.4%	12.846	8.8%	Increase in domestic clients and acquisition of UK businesses will support offshore revenue
Net Profit	10.1	5.39	87.4%	8.848	14.2%	Increase in salaries and wages by 120% y-o-y are expected to suppress EBITDA margins
EPS	7.0	4.1	69.7%	6.7	3.4%	Revenue growth in Q2FY09 to be boosted by infrastructure management services
OPM (%)	29.3%	27.0%	229 bps	30.4%	-112 bps	
NPM (%)	21.2%	19.2%	196 bps	21.0%	22 bps	
R Systems						BUY CMP 58 TP 117 Upside Potential 102% P/E (FY09E) 2.1x
Sales	94	64	47.0%	91	4.0%	We expect the revenue to grow 47.0% y-o-y and 4.0% q-o-q, mainly due to rupee depreciation
EBIDTA	7	7	-2.8%	7	-1.0%	Decline in EBITDA margin due to increase in employee expenses offset by rupee depreciation
Net Profit	4.6	6.7	-31.8%	4.6	-0.9%	Exposure to US of 60% in sales and 20% in staff costs
EPS	7.0	5.0	40.3%	3.4	103.5%	
OPM (%)	7.3%	11.1%	-375 bps	7.7%	-37 bps	
NPM (%)	4.9%	10.5%	-563 bps	5.1%	-24 bps	

Preview on Information Technology

- Frontline IT stocks are expected to grow in the range of 5-9% q-o-q on the back of sharp rupee depreciation
- Rupee Depreciation of 6.5% during Q2FY09 is expected to contribute ~2.5% to EBITDA margins.
- EBITDA margin for Tier 1 IT companies to increase by 30-40 bps for every 1% depreciation in rupee, but this could be offset by increase in wages and difficult business environment faced by BFSI clients
- Deterioration in the US business environment, particularly the BFSI segment is expected to continue to diminish business expansion plans. The top 4 IT companies continue to offset this decline by expanding services provided to manufacturing and telecom segment
- We expect lower Other Income for most of the Tier 1 IT companies as their currency hedges vary from 18% to 85% of annual revenue.
- Decline in global valuations of international IT companies, are enabling Indian operators to acquire assets, but the primary focus is to support gaps in product offerings

Factors to watch in the Q2FY09 result

- Management expectation on pricing/volume and overall demand for IT services, especially in BFSI segment.
- Revenues from Europe are expected to diminish due to cross currency impact on dollar revenue growth and reduction in Euro Zone growth
- Impact on EBITDA margins due to wage hikes, visa costs and how companies ability to maintain the margin in challenging environment
- Losses due to forward contracts and trends in forward cover
- Lowering of annual gross addition targets for the full year

Top Picks

Satyam and Infosys

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Infrastructure

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
IVRCL INFRA						BUY CMP 223 TP 381 Upside Potential 70% P/E (FY09E) 12.6x
Sales	956.3	688.5	38.9%	928.5	3.0%	Quarterly contribution anticipated at 19% with full year order book of Rs 16,184 crore (4.4x FY08 revenues) and Book to Bill ratio of 3.2 in FY09
EBIDTA (Incl OI)	90.6	56.9	59.4%	84.6	7.1%	Management guidance of sustaining the margins at 10% on the back of 93% pice escalation contracts.
Net Profit	43.1	35.3	22.3%	43.5	-0.9%	We expect operating margins to be in the range of 9.5-10%
EPS	3.2	2.7	18.4%	3.2	-0.9%	Improvement at the operating level anticipated to be offset by higher tax rate of 27%
OPM (%)	9.5%	8.3%	122 bps	9.1%	37 bps	
NPM (%)	4.5%	5.1%	-61 bps	4.7%	-18 bps	
PATEL ENGINEERING						BUY CMP 294 TP 501 Upside Potential 71% P/E (FY09E) 11.7x
Sales	429.8	338.8	26.9%	558.4	-23.0%	Order book expected at Rs 7,559 crore (4x its FY08 revenues) with book to bill ratio of 3.25 in FY09. 18.4% contribution in Q2FY09
EBIDTA	61.0	60.6	0.8%	80.9	-24.5%	10% fixed priced contracts to drift operating margins by 30 bps q-o-q.
Net Profit	24.5	35.5	-31.1%	35.0	-30.1%	Decline in PAT on the assumption of full tax rate of 33%
EPS	4.1	6.0	-31.1%	5.9	-30.1%	
OPM (%)	14.2%	17.9%	-368 bps	14.5%	-29 bps	
NPM (%)	5.7%	10.5%	-480 bps	6.3%	-57 bps	
C & C CONSTRUCTIONS *						BUY CMP 128 TP 184 Upside Potential 43% P/E (FY09E) 3.7x
Sales	78.9	49.2	60.4%	231.9	-66.0%	Quarterly contribution anticipated at 10% with full year order book of Rs.3,000 crore (5.6x its FY08 revenues) and Book to Bill Ratio of 3.8
EBIDTA	13.2	10.7	23.6%	29.1	-54.6%	Margins expected to decline 498bps q-o-q due to reduction in high margin orders from Afghanistan
Net Profit	4.4	4.9	-10.8%	16.1	-72.8%	Bottom-line to decline on the back of higher interest and tax expenses
EPS	2.4	2.7	-10.8%	8.8	-72.8%	
OPM (%)	16.8%	21.7%	-498 bps	12.6%	418 bps	
NPM (%)	5.6%	10.0%	-445 bps	7.0%	-139 bps	

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
JMC PROJECTS						BUY CMP 126 TP 315 Upside Potential 150% P/E (FY09E) 5.2x Order book anticipated at Rs2,714 crore (2.9x its FY08 revenues) with book to bill ratio of 2x giving sales of Rs 1,418 crore in FY09. Quarterly contribution at 22.5% Margins expected to decline y-o-y due to anticipated increase in raw material prices. Higher y-o-y interest expense to impact PAT Margins
Sales	319.1	184.5	73.0%	312.8	2.0%	
EBIDTA	25.9	15.2	70.2%	22.6	14.2%	
Net Profit	10.4	6.7	54.8%	7.9	31.7%	
EPS	5.8	3.7	54.8%	4.4	31.7%	
OPM (%)	8.1%	8.2%	-13 bps	7.2%	87 bps	
NPM (%)	3.3%	3.7%	-38 bps	2.5%	74 bps	

Note: C&C Constructions is June year ending company, the estimates represent Q1FY09

Preview on Infrastructure Sector

- Order book for FY2009 expected to grow 25 -35%. 20% of the yearly revenues anticipated in Q2FY09.
- The margins for the sector are expected to take a marginal hit on account of increase in input costs.
- Rising interest rates to have minimum 50 bps impact on the net profit margins

Factors to watch in the Q2FY09 result

- Order inflow during the quarter
- Impact of rising raw material and input prices on operating margins
- Impact of rising interest rates on bottom-line of the company
- Change in capex guidance and future plans due to slowdown in the economy and increase in borrowing costs

Top Picks : Patel Engineering and IVRCL Infra

Analyst: Shreyas Mehta shreyas.mehta@krchoksey.com

Media and Entertainment

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Sun TV						BUY CMP 202 TP 250 Upside Potential 23% P/E (FY09E) 18.0x
Sales	235.00	194.5	20.8%	224	5.1%	Sales to grow by ~21% on the back of steady growth in advertising and recovery of subscription revenue from cable operator.
EBIDTA	170	139.8	21.6%	168.3	1.0%	
Net Profit	98.00	80.2	22.2%	102.6	-4.5%	Company continues to be leader in south India with presence across all four states
EPS	2.5	2.0	22.2%	2.6	-4.5%	Company has also decided to foray into movie business
OPM (%)	72.3%	0.72	46 bps	75.3%	-293 bps	Company has signed an agreement with Balaji Telefilms, Balaji would be creating content
NPM (%)	41.7%	41.2%	47 bps	45.9%	-418 bps	
Jagran Prakshan						BUY CMP 68 TP 80 Upside Potential 16% P/E (FY09E) 20.9x
Sales	212.6	177.2	20.0%	206.5	3.0%	Sales to increase by 20% due to increase advertising rate. Adv. revenue to grow by ~20%.
EBIDTA	45.0	39.0	15.4%	49.7	-9.4%	Raw material cost to be increased by 25% on back of increase in newsprint prices.
Net Profit	20.0	22.0	-9.1%	31.7	-36.8%	Average cost of newsprint prices would be Rs 29.5/Kg.
EPS	0.66	0.73	-9.1%	1.05	-36.8%	Ratio between Imported and Indigenous newsprint would be around 22:78.
OPM (%)	21.2%	22.0%	-85 bps	24.0%	-288 bps	
NPM (%)	9.4%	12.4%	-301 bps	15.3%	-592 bps	
PVR						BUY CMP 146 TP 342 Upside Potential 134% P/E (FY09E) 12.9x
Sales	78.00	61.89	26.0%	60.22	29.5%	Sales to increase by 26% y-o-y due to increase in capacity and average ticket prices.
EBIDTA	15.21	12.76	19.2%	9.68	57.1%	Average occupancy to be ~40%, lower 400bps y-o-y but
Net Profit	6.90	6.25	10.4%	3.88	77.9%	higher by ~800bps q-o-q due to high quality of movies released
EPS	3.00	2.72	10.5%	1.69	77.6%	Margins to improve q-o-q due to reduction of entertainment tax by 100bps
OPM (%)	19.5%	20.6%	-112 bps	16.1%	343 bps	and higher occupancy which will drive footfalls
NPM (%)	8.9%	10.1%	-125 bps	6.4%	241 bps	

Preview on Media and Entertainment

Broadcasting

- GEC Colors was among the three channels (9X and NDTV imagine) launched in this quarter and Colors has become No.3 GECs within four weeks of launch.
- Viewership gap between Star Plus and Zee TV has been narrowing.
- Star TV and Zee TV continue to dominate Hindi GECs and have maintained their positions
- According to TAM Media, Colors has a total of 163 GRPs (gross rating points) as against Zee TV's 220 for the week ended 23 August 2008.

Print and Media

- Newsprint prices have increase by 29% in last 6 months and 9% q-o-q.
- Jagran18 Publications Ltd, the equal joint venture between JPL and TV18, has decided to put on hold the launch of business paper in regional languages due to turbulent market conditions and rising newsprint prices.
- DCHL had increased its advertisement tariffs for all editions by 50% to offset increasing newsprint prices and depreciation in the Indian currency against the dollar.

Film Industry

- We expect the average occupancy rate to be higher than previous quarter due to high quality of content flow. Blockbuster movies such as Jaane Tu Ya Jaane Na, Sing is King, Bachna Ae Haseeno, etc released in this quarter.

Factors to watch in the Q1FY09 result

- Margins of Print and Media Companies to decline by ~200-300bps.
- Impact on broadcasting companies after the launch of 3 new GECs. (9X, NDTV imagine and Colors)
- Average occupancy rate to be higher by ~400-500bps as compare to Q1FY09.

Top Picks

PVR Limited and Jagran Prakshan

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Oil & Gas

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Reliance Ind						BUY CMP 1761 TP 2740 Upside Potential 56% P/E (FY09E) 14.0x
Sales	43,970	32,043	37.2%	41,579	5.8%	Rupee depreciation will compensate the fall in GRM; Improved production from PMT basin
EBIDTA	6,625	5,781	14.6%	6,121	8.2%	GRM to be ~\$13/bbl against Singapore refining margins of \$5.6/bbl, may report inventory loss
Net Profit	4,320	3,837	12.6%	4,110	5.1%	Other income to be lower due to forex losses
EPS	29.7	26.4	12.6%	28.3	5.1%	Going forward, equity to increase by 10% as promoters convert their warrants into equity
OPM (%)	15.1%	18.0%	-297 bps	14.7%	35 bps	Petchem margins would improve due to Increase in polymer(15%) & lower increase in naptha
NPM (%)	9.8%	12.0%	-215 bps	9.9%	-6 bps	Sequential NPM to remain stable, expect lower depreciation
Petronet						BUY CMP 52 TP 65 Upside Potential 26% P/E (FY09E) 7.7x
Sales	1,558	1,671	-6.7%	1,646	-5.3%	Expect volume to decline by 2.5% to 76tbtu, Lower sales due to fall in gas prices
EBIDTA	183	214	-14.6%	192	-4.5%	Lower spot volume (15-17tbtu) and lower regasification charges (Rs27.5/mmbtu)
Net Profit	100	116	-13.4%	106	-5.4%	Depreciation & interest expenses to remain flat at Rs 25 crore each
EPS	1.3	1.5	-13.4%	1.4	-5.4%	
OPM (%)	11.7%	12.8%	-108 bps	11.6%	10 bps	Expected to decline due to lower spot volumes and regasification charges
NPM (%)	6.4%	6.9%	-50 bps	6.4%	0 bps	Marginally improved due to lower depreciation
GSPL						BUY CMP 45 TP 68 Upside Potential 50% P/E (FY09E) 17.8x
Sales	118	95	23.7%	120	-1.3%	Demand for gas lower in rainy season, volume to remain flat at 18.1mmscmd
EBIDTA	108	81	33.3%	108	0.4%	Maintenance charges remain high during monsoon season; and realization at Rs 730/scm
Net Profit	31	16.2	88.3%	33	-6.4%	Higher depreciation expenses related to new gas pipelines
EPS	0.5	0.3	88.3%	0.6	-6.4%	
OPM (%)	91.5%	84.9%	662 bps	90.0%	148 bps	Rising scale of operations and delay in supply of gas
NPM (%)	25.8%	17.0%	887 bps	27.3%	-143 bps	Higher interest expenses and lower other income

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks								
Gujarat Gas						BUY	CMP	255	TP	429	Upside Potential	68%	P/E (FY09E)	9.1x
Sales	332	276	20.3%	311	6.6%	Resume supply from PMT; volume to increase by 18% to 298.8 mmscm; Decline in gas prices								
EBIDTA	69	57	21.7%	57	22.0%	Gas realization to decline at Rs 11.1/scm (Rs 11.6/scm in C208) and margins to decline at Rs 3.1/scm								
Net Profit	47	33.9	38.6%	44	7.8%	Lower other income and steady depreciation at Rs 10.3 crore								
EPS	7.3	5.3	38.6%	6.8	7.8%									
OPM (%)	20.8%	20.6%	24 bps	18.2%	262 bps	Higher volume from PMT ; staff cost to remain same								
NPM (%)	14.2%	12.3%	188 bps	14.0%	16 bps	Depreciation to remain same at Rs10.3 crore, tax rate to 32%								
IGL						BUY	CMP	116	TP	135	Upside Potential	17%	P/E (FY09E)	7.1x
Sales	199	174	14.0%	191	4.1%	CNG volume to reach 106 Mn Kg (2% increase q-o-q) and PNG volume to reach 11.9 mmscm								
EBIDTA	79	75	5.3%	76	4.6%	Higher maintenances/repair and staff expenses;								
Net Profit	45	43	4.8%	44	3.0%	Tax rate to remain at 33.2%								
EPS	3.2	3.1	4.8%	3.1	3.0%									
OPM (%)	39.8%	43.1%	-329 bps	39.6%	21 bps	Do not expect price cut and CNG Realization Rs 18.5/kg and PNG realization to Rs 17.5/scm								
NPM (%)	22.6%	24.6%	-199 bps	22.9%	-24 bps	Higher depreciation expenses due to rollout of new Gas stations								

Preview on Oil & Gas Sector

- Depreciation of rupee will help E&P companies and marginally compensate the fall in crude prices
- GRMs worldwide witnessed increase in September led by various factors like, lower crude prices and some hurricane-driven shutdown of capacities in the US-Gulf coast. Singapore refining margins have bounced back in September to ~US\$8/bbl from a low of US\$4/bbl in previous month. However, average Singapore GRM for 2QFY08 has declined to \$5.9/bbl, led by change in demand-supply situation and fall in crude prices
- Expect steady volume & tariff for Gas transmission companies; demand for gas to be subdued due to monsoon season

Factors to watch in the Q1FY09 result

- The actual realisation by the companies and the effect of the various cost cutting techniques adopted by these companies
- Impact of rising input costs and the guidance by the managements on their long term contract pricing for the same.
- Management commentary on upcoming regulatory changes from PNGRB to set the tariff for gas transmission and its impact on earnings

Top Picks

Reliance Ind & GSPL

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Pharma

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Biocon						BUY CMP 170 TP 247 Upside Potential 46% P/E (FY09E) 5.3x
Sales	312	279	12.0%	264	18.4%	The company is expected to post healthy growth in second quarter mainly due to consolidation of Axicorp. Due to the increased input cost we can expect operating profit to show a decline.
EBIDTA	63	80	-21.2%	32	97.7%	
Net Profit	48	53	-9.6%	14	239.1%	
EPS	5	5	-11.9%	2	216.5%	
OPM (%)	20.3%	28.8%	-854 bps	12.2%	814 bps	
NPM (%)	15.2%	18.9%	-364 bps	5.3%	990 bps	
Cipla						HOLD CMP 224 TP 246 Upside Potential 10% P/E (FY09E) 21.3x
Sales	1186	1098	8.0%	1207	-1.7%	We are expecting top line to grow at 8% driven by growth expected in the exports as well as domestic market.
EBIDTA	267	224	19.1%	195	36.6%	
Net Profit	222	191	16.5%	140	58.6%	
EPS	3	2	16.5%	2	58.6%	
OPM (%)	22.5%	20.4%	210 bps	16.2%	631 bps	
NPM (%)	18.7%	17.4%	137 bps	11.6%	712 bps	
Dishman Pharma						BUY CMP 289 TP 379 Upside Potential 31% P/E (FY09E) 15.1x
Sales	243	187	30.0%	236	2.8%	Topline is expected to show an impressive growth mainly driven by good growth from its CRAMs segment and also consolidation from its different joint ventures and acquisitions.
EBIDTA	65	41	60.4%	66.31	-2.0%	
Net Profit	50	28	78.6%	27.73	81.3%	Margins to show a significant improvement on a y-o-y basis backed by improved performance
EPS	6	4	71.0%	3.3	85.8%	
OPM (%)	26.8%	21.7%	508 bps	28.1%	-132 bps	
NPM (%)	20.7%	15.1%	564 bps	11.8%	897 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Panacea Biotec						BUY CMP 243 TP 332 Upside Potential 37% P/E (FY09E) 10.0x
Sales	236	175	35.0%	224	5.3%	Revenue to grow at a robust rate backed by the contribution from new launches like IPV and new approvals. Margins also expected to improve supported good growth in the revenue
EBIDTA	72	50	45.0%	58	24.9%	
Net Profit	47	32	46.0%	34	37.6%	
EPS	7	5	33.1%	5	37.6%	
OPM (%)	30.5%	28.4%	211 bps	25.7%	478 bps	
NPM (%)	19.8%	18.3%	150 bps	15.2%	464 bps	
Ranbaxy*						HOLD CMP 252 TP Under Review Upside Potential - P/E (FY08E) 10.3x
Sales	1619	1652	-2.0%	1830	-11.5%	The sales for Q3 CY08 are expected to show a marginal decline mainly due to slow growth in emerging markets.
EBIDTA	275	152	80.8%	308	-10.6%	
Net Profit	163	185	-11.8%	161	1.5%	The company is expected to experience some forex losses as well and due to which the Net profit of the company is expected to decline by around 12%
EPS	4	6	-21.4%	4	1.5%	
OPM (%)	17.0%	9.2%	779 bps	16.8%	17 bps	
NPM (%)	10.1%	11.2%	-112 bps	8.8%	129 bps	
Wockhardt*						BUY CMP 164 TP 250 Upside Potential 53% P/E (FY08E) 2.8x
Sales	1029	738	39.3%	935	10.0%	The US as well as European business is expected to show excellent performance supported by good revenue contribution from its Morton Grove and other acquisitions. The domestic business is also expected to show a healthy growth.
EBIDTA	247	181	36.5%	231	6.9%	
Net Profit	158	108	46.3%	106	49.1%	
EPS	14	10	45.5%	10	49.1%	
OPM (%)	24.0%	24.5%	-51 bps	24.7%	-68 bps	
NPM (%)	15.4%	14.7%	73 bps	11.4%	404 bps	

Preview on Pharma Sector

- We expect Pharma companies to post good top line growth.
- The operating margins of the Pharma companies are expected to improve as a result of the good growth in top line.
- With currency depreciating, the Pharma companies are expected to experience forex losses on the outstanding foreign currency loans.

Factors to watch in the Q1FY09 result

- Increasing Input cost.
- Increasing research and development expenses which can have negative impact on operating level.
- Depreciating currency which will negatively impact the bottom line of the company.

Top Picks

Biocon, Dishman, Panacea

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Power & Capital Goods Sector

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
NTPC						HOLD CMP 172 TP 184 Upside Potential 7.1% P/E (FY09E) 18.8x
Sales	8,458	8,017	5.5%	9,539	-11.3%	Additional volumes from Sipat & Kahalgaon II (500MW each) would result into higher revenues
EBIDTA	3,495	3,481	0.4%	3,139	11.3%	Power ,Oil & Fuel to Net Sales ratio may go up by 248bps to 57.6% (YoY)
Net Profit	1,860	1,926	-3.4%	1,727	7.7%	Effective tax rate assumed as ~24.0%
EPS	2.3	2.3	-3.4%	2.1	7.7%	
OPM (%)	41.3%	43.4%	-210 bps	32.9%	841 bps	
NPM (%)	22.0%	24.0%	-203 bps	18.1%	389 bps	
L & T						BUY CMP 1159 TP 1544 Upside Potential 33.2% P/E (FY09E) 25.1x
Sales	6,820	5,500	24.0%	6,901	-1.2%	Strong growth in revenues expected across all business segments except E&E segment
EBIDTA	850	610	39.4%	859	-1.1%	Employee expense may increase by 33bps (QoQ) as 2300 employees are recruited in Q1FY09
Net Profit	486	348	39.8%	502	-3.2%	Increase in interest expenses would impact profitability (YoY) on back of rising interest rates
EPS	16.6	11.9	39.8%	17.2	-3.2%	
OPM (%)	12.5%	11.1%	137 bps	12.4%	1 bps	
NPM (%)	7.1%	6.3%	80 bps	7.3%	-15 bps	
Tata Power						BUY CMP 887 TP 1301 Upside Potential 46.7% P/E (FY09E) 30.6x
Sales	1,492	1,351	10.5%	2,026	-26.3%	Change in accounting policy regarding regulatory adjustments would reflect higher revenues
EBIDTA	391	402	-2.7%	392	-0.3%	Power & Fuel Expenses would rise due to shortage in coal availability and higher trading cost
Net Profit	196	182	7.8%	163	20.5%	Effective tax rate assumed as ~12.0% as per past trend
EPS	8.9	8.2	7.8%	7.36	20.5%	
OPM (%)	26.2%	29.7%	-355 bps	19.4%	685 bps	
NPM (%)	13.1%	13.5%	-33 bps	8.0%	510 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Reliance Infra						HOLD CMP 741 TP 1300 Upside Potential 75.5% P/E (FY09E) 15.2x
Sales	1,835	1,542	19.0%	2,198	-16.5%	Expecting higher revenue contribution from EPC business
EBIDTA	442	439	0.6%	396	11.6%	Employee and Power & Fuel exps to net sales assumed to go up by 84bps (QoQ)& 48bps (YoY)
Net Profit	282	250	12.6%	253	11.5%	Effective tax rate assumed as ~4.0% as per past trend
EPS	12.1	10.8	12.6%	10.9	11.5%	
OPM (%)	24.1%	28.5%	-442 bps	18.0%	607 bps	
NPM (%)	15.4%	16.2%	-87 bps	11.5%	386 bps	
NBVL						BUY CMP 182 TP 376 Upside Potential 106.9% P/E (FY09E) 3.1x
Sales	279	153	82.1%	290	-4.1%	Expect higher revenues from ferro alloys business, while sugar realization is improving (YoY)
EBIDTA	125	69	82.4%	176	-28.9%	Exp. to net sales ratio would rise by 158bps (YoY) on back of rise in input cost and other expd.
Net Profit	94	52	79.9%	127	-26.1%	Effective tax rate (ETR)assumed as ~15%
EPS	12.0	6.7	79.9%	16.3	-26.1%	
OPM (%)	45.0%	44.9%	8 bps	60.7%	-1571 bps	
NPM (%)	33.7%	34.1%	-42 bps	43.7%	-1002 bps	
Sterlite Technologies						BUY CMP 108 TP 216 Upside Potential 100.8% P/E (FY09E) 5.0x
Sales	521	401	30.0%	404	28.8%	Higher revenue contribution is expected from Telecom & Power business
EBIDTA	55	55	0.7%	29	87.4%	Exp to net sales ratio expected to go up by 329bps (YoY) on back of higher raw material prices
Net Profit	25	27	-8.7%	9	183.0%	Forex loss is anticipated in the quarter against Re depreciation; ETR assumed as ~23.0%
EPS	3.9	4.2	-8.7%	1.4	183.0%	
OPM (%)	10.6%	13.6%	-307 bps	7.3%	330 bps	
NPM (%)	4.8%	6.8%	-203 bps	2.2%	260 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Voltamp Transformer						BUY CMP 600 TP 964 Upside Potential 60.7% P/E (FY09E) 6.7x
Sales	174	148	17.5%	170	2.3%	Power & Distribution transformers would witness high volumes on back of expanded capacities
EBIDTA	34	30	13.1%	37	-8.1%	Exp. to net sales ratio would go up by 49bps to 81.8% on back of higher input cost & other expenditure
Net Profit	21	19	13.9%	23	-9.0%	Effective tax rate assumed ~35%
EPS	20.8	18	13.9%	22.9	-9.0%	
OPM (%)	19.8%	20.6%	-78 bps	22.0%	-225 bps	
NPM (%)	12.1%	12.5%	-39 bps	13.6%	-151 bps	
Indotech Transformer						BUY CMP 293 TP 384 Upside Potential 31.3% P/E (FY09E) 6.3x
Sales	59	51	15.0%	54	9.4%	Additional revenues expected from 4000MW capacity commissioned in Q1FY09 at Kancheepuram
EBIDTA	19	16	20.0%	17	11.1%	Raw mat. to net sales ratio expected to inflate up by 86bps to 63.5% (YoY) on account of rising input cost
Net Profit	12	10	18.0%	10	15.8%	Low gearing ratio of 0.12x would reflect low interest amount; Effective tax rate assumed as ~33.0%
EPS	11.4	9.6	18.0%	9.8	15.8%	
OPM (%)	31.9%	30.6%	132 bps	31.4%	48 bps	
NPM (%)	20.4%	19.9%	52 bps	19.3%	113 bps	
Sunil Hitech						BUY CMP 128 TP 226 Upside Potential 76.9% P/E (FY09E) 7.0x
Sales	94	69	34.9%	111	-15.7%	High orderbook to bill ratio would support company's revenue to grow by ~34.9% in Q2FY09
EBIDTA	15	12	32.3%	17	-10.3%	Raw Mat to Net Sales ratio may go up by 150bps to 44.50% (YoY) on back of high input cost
Net Profit	6	5	19.9%	6	-1.5%	Effective tax rate assumed as ~34.0%
EPS	5.1	4.3	19.9%	5.2	-1.5%	
OPM (%)	16.4%	16.7%	-33 bps	15.4%	99 bps	
NPM (%)	6.7%	7.5%	-84 bps	5.7%	96 bps	

Preview on Power & Capital Goods Sector

- In Q2FY09, we expect ~14.8% & ~33.9% (YoY) growth in Power & Capital Goods sector; this is on the back of strong sales performance for the quarter.
- The margins for power sector are expected to take a hit of ~340bps (YoY) on account of increasing expenditure to net sales ratio; while capital goods sector margins to improve by ~166 bps (YoY) on back of price escalation clause and better realizations.
- General election in a year's time around the corner is the factor that can hamper the finalisation of orders in the power and road sector in the Central and state sectors. This can lead to a cascading negative impact on the capital goods sector in the short term.
- Coal availability & delay in project execution could hamper the revenue visibility of the power plants.
- Players' orderbook backlog is sufficient to take care of revenue growth for the next few quarters. Players with a greater share of orders with price escalation clauses are relatively better placed. The interplay of these two forces – revenue growth and margin pressure – will lead to better performance among the capital goods sector players.

Factors to watch

- Volatile input cost of commodities like; Steel, Copper, Aluminum etc would impact the margins of the companies;
- Correction in real estate prices would lead to slowdown in order booking and construction activities;
- Rupee depreciation can hamper profitability of the companies exposed to foreign loans/FCCB;
- Ongoing expansions could be delayed due to rise in interest rates;
- IIP nos & capital good sector growth would forecast the health of the sector;
- Order inflow would give clarity to revenues of the companies

Top Pick

Larsen & Toubro Ltd , Reliance Infrastructure Ltd

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Real Estate

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
DLF						BUY CMP 336 TP 507 Upside Potential 51% P/E (FY09E) 6.6x
Sales	3,841	3,250	18.2%	3,811	0.8%	Expecting lower volumes of sales to DAL
EBIDTA	2,144	2,264	-2.7%	2,344	-6.0%	Launched mid income residential units in Gurgaon & Kochi.
Net Profit	1,709	2,019	-15.3%	1,864	-8.3%	Commercial projects launched in Gurgaon, Lucknow and Hyderabad
EPS	10.0	11.8	-15.3%	10.9	-8.3%	Margins to be affected by higher cost of construction and interest outgo
OPM (%)	57.4%	69.7%	-1,229 bps	61.5%	-415 bps	
NPM (%)	44.5%	62.1%	-1,761 bps	48.9%	-442 bps	
Unitech						BUY CMP 112 TP 163 Upside Potential 45% P/E (FY09E) 8.2x
Sales	1,030	1,013	1.6%	1,032	-0.2%	Launched Unitech Grande in Noida. ~20% of units pre-sold
EBIDTA	471	500	-5.9%	608	-22.6%	Margins to be affected by higher cost of construction and interest outgo
Net Profit	289	366	-20.8%	423	-31.6%	Raised Rs 1,200 crore for its telecom venture
EPS	1.8	2.3	-20.8%	2.6	-31.7%	Already received Rs 845 crore from Lehman for 50% stake in I phase of W.E. project.
OPM (%)	45.7%	49.4%	-363 bps	59.0%	-1,324 bps	
NPM (%)	28.1%	36.1%	-798 bps	41.0%	-1,293 bps	
Parsvnath						Hold CMP 87 TP 124 Upside Potential 42% P/E (FY09E) 3.7x
Sales	368	397	-7.4%	365	0.9%	Sales to be booked from product launches in Indore & Sonapat
EBIDTA	114	153	-25.5%	117	-2.2%	Margins to be affected by higher cost of construction and interest outgo
Net Profit	66	101	-32.6%	71	-4.8%	
EPS	3.6	5.5	-32.5%	3.9	-4.8%	
OPM (%)	31.0%	38.5%	-752 bps	31.9%	-96 bps	
NPM (%)	17.8%	25.4%	-753 bps	19.5%	-171 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
MLS						BUY CMP 302 TP 528 Upside Potential 75% P/E (FY09E) 11.0x
Sales	40	34	17.0%	48	-16.8%	Sales to be booked from existing projects in Mumbai, Pune and Faridabad
EBITDA	5	3	86.5%	7	-26.9%	Other Income in Q2FY09 is expected to be Rs 5.8 crore v/s Rs 20.7 crore in Q2FY08 and
Net Profit	9	20	-54.6%	10	-7.4%	therefore we expect Net Profit to be lower by 54.6%
EPS	2.2	4.9	-54.6%	2.4	-7.4%	Margins to be affected by higher cost of construction
OPM (%)	12.8%	8.0%	476 bps	14.6%	-178 bps	
NPM (%)	22.5%	57.9%	-3,545 bps	20.2%	228 bps	

Preview on Real Estate Sector

- Sales and launches have been affected due to falling affordability.
- Transaction volumes have reduced between 10-60% across different markets.
- Cost of debt has gone up substantially and is between 14-25% for depending on the company size and leverage.
- EBITDA margins are expected to decline both on a Y-o-Y and Q-o-Q basis due to higher cost of construction.
- Interest cost of companies is expected to increase

Factors to watch in the Q2FY09 result

- No of units sold by the developers in the current quarter.
- Impact of the current liquidity conditions on current & proposed projects.
- Area under development and new product to be launched.

Top Picks

DLF and Mahindra Life Spaces.

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Retail

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Koutons						BUY CMP 683 TP 915 Upside Potential 34% P/E (FY09E) 16.9x
Sales	211	NA*	NA*	158	33.4%	Revenue to be mainly driven by addition of new stores.
EBIDTA	41	NA*	NA*	32	26.7%	
Net Profit	13	NA*	NA*	11	21.5%	
EPS	4.3	NA*	NA*	3.6	21.4%	
OPM (%)	19.4%	NA*	NA*	20.4%	-103 bps	Higher lease rentals and overheads to squeeze the EBIDTA margins.
NPM (%)	6.3%	NA*	NA*	6.9%	-61 bps	
Shoppers Stop						HOLD CMP 224 TP 243 Upside Potential 8% P/E (FY09E) NA**
Sales	374	277	34.8%	282	32.7%	Volumes to increase on account of discounts, partially offset by lower pricing
EBIDTA	11	13.4	-17.9%	-7	-254.9%	Lower pricing and higher staff cost to impact the operating profit
Net Profit	1	1	-20.0%	-21	-103.7%	
EPS	0.2	0.3	-28.6%	-6.1	-103.3%	
OPM (%)	2.9%	4.8%	-189 bps	-2.5%	546 bps	
NPM (%)	0.2%	0.4%	-15 bps	-7.6%	781 bps	High interest cost to dent the net margin .
Vishal Retail						BUY CMP 252 TP 326 Upside Potential 30% P/E (FY09E) 8.2x
Sales	416	NA*	NA*	377	10.6%	Revenue growth will be mainly driven by addition of 28 new stores during the quarter.
EBIDTA	48	NA*	NA*	49	-2.5%	Low pricing and volumes coupled with high operating costs to put pressure on operating margin.
Net Profit	13	NA*	NA*	14	-8.9%	
EPS	5.7	NA*	NA*	6.2	-8.1%	
OPM (%)	11.5%	NA*	NA*	13.0%	-154 bps	
NPM (%)	3.1%	NA*	NA*	3.7%	-66 bps	

* Q2 FY08 data is not available as the company was listed in the mid of last year.

** We have estimated the company to incur net loss for FY09

Preview on Retail Sector

- We expect a muted growth in Q2FY09 on account of slowdown in consumption and delay in roll out plans
- To counter slowing consumption, most of the retailers exhibited an extended discount period.
- Margins are expected to take a hit on account of increasing input and interest costs.
- In the midst of high inflationary environment, value retailers like Koutons, Vishal Retail and Big Bazaar are expected to perform better than lifestyle retailers like Shoppers' Stop.

Factors to watch in the Q2FY09 result

- Revision in expansion plans due to slowdown in consumption.
- Lease rentals have fallen 10-15% in some of the tier II cities, as a result most of the retailers are negotiating for lower rentals and thus may delay booking new space.
- The expansion plan of most of the retailers is likely to impede due to execution delays by the real estate developers.
- Retailers may announce investments in Supply Chain Management.
- Increase in Inventory levels.
- Decline in same store sales growth.

Top Picks

Koutons Retail

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Shipping & Logistics

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Mundra Port						BUY CMP 430 TP 639 Upside Potential 49% P/E (FY09E) 44.6x
Sales	296	160	84.6%	254	16.7%	Cargo volume to increase by 36% y-o-y. Container traffic to grow by 47% y-o-y.
EBIDTA	202	104	93.7%	177	13.8%	
Net Profit	102	50	102.9%	97	5.6%	
EPS	2.6	1.4	87.5%	2.4	5.5%	
OPM (%)	68.1%	64.9%	320 bps	69.8%	-175 bps	Margin expected to drop on account of lower utilization.
NPM (%)	34.5%	31.4%	312 bps	38.2%	-361 bps	
GE Shipping						BUY CMP 299 TP 378 Upside Potential 27% P/E (FY09E) 3.3x
Sales	664	601	10.5%	702	-5.4%	Spot charter rates have declined in the past few months. Lower utilization due to seasonality.
EBIDTA	340	278	22.4%	383	-11.3%	Higher staff cost and other direct operating expenses decline the EBITDA further
Net Profit	345	343	0.6%	388	-11.0%	
EPS	22.6	22.5	0.4%	25.5	-11.2%	
OPM (%)	51.2%	46.2%	499 bps	54.6%	-336 bps	Lower realization and utilization coupled with higher expenses to put pressure on margin
NPM (%)	51.9%	57.0%	-510 bps	55.2%	-327 bps	
Great Offshore						BUY CMP 478 TP 563 Upside Potential 18% P/E (FY09E) 9.8x
Sales	225	152	47.6%	203	11.0%	Revenue contribution from newly acquired high-end AHTSV
EBIDTA	101	72	39.3%	84	19.4%	
Net Profit	50	41	20.3%	12	313.8%	
EPS	13.1	13.0	0.9%	3.18	312.9%	
OPM (%)	44.7%	47.4%	-268 bps	41.6%	316 bps	EBITDA margin to decrease y-o-y due to lower utilization of assets.
NPM (%)	22.1%	27.1%	-501 bps	5.9%	1,618 bps	Net profit margins to fall owing to high interest expense.

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Blue Dart						BUY CMP 640 TP 753 Upside Potential 18% P/E (FY09E) 17.1x
Sales	250	207	20.5%	245	2.1%	Net sales to increase as a result of 5-8% increase in the pricing.
EBIDTA	34	30	12.6%	35	-1.4%	
Net Profit	20	17	16.1%	21	-2.4%	
EPS	8.5	7.4	14.9%	8.7	-2.3%	
OPM (%)	13.6%	14.6%	-95 bps	14.1%	-49 bps	Rising cost of ATF to impact profitability
NPM (%)	8.1%	8.4%	-30 bps	8.5%	-37 bps	
Gateway Distriparks						HOLD CMP 86 TP 101 Upside Potential 18% P/E (FY09E) 10.2x
Sales	124	65	91.4%	96	28.5%	Net sales to increase due to increase in throughput volumes at different ICD'S/CFS.
EBIDTA	49	30	59.2%	34	43.7%	
Net Profit	24	19	21.1%	21	12.9%	
EPS	2.3	1.3	78.1%	1.80	29.4%	
OPM (%)	39.2%	47.2%	-793 bps	35.1%	415 bps	Operation expenses at Punjab CFS and rising transportation costs to pressure margins.
NPM (%)	19.1%	30.1%	-1,107 bps	21.7%	-264 bps	Net Profit margins to be hit due to rising interest cost.
Bharati Shipyard						BUY CMP 179 TP 302 Upside Potential 69% P/E (FY09E) 5.9x
Sales	228	148	54.3%	205	11.1%	Realized revenue over the unexecuted portion (Rs. 3574 cr) of the order book in the next 4 years
EBIDTA	44	32	38.1%	40	9.6%	
Net Profit	33	26	27.1%	30	10.4%	
EPS	11.9	11.2	6.3%	10.8	10.2%	
OPM (%)	19.1%	21.3%	-223 bps	19.3%	-27 bps	On a Y-o-Y basis, margins are likely to fall sharply mainly due to the high raw material (steel) prices
NPM (%)	14.4%	17.4%	-307 bps	14.5%	-9 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Aegis logistics						BUY CMP 113 TP 194 Upside Potential 72% P/E (FY09E) 5.0x
Sales	131	92	42.9%	115	14.0%	Net Sales to increase due to revenue contribution from the Trombay II facility.
EBIDTA	19	13	42.4%	16	18.6%	
Net Profit	10	9	16.3%	7	40.2%	
EPS	5.3	5.5	-4.7%	3.8	40.2%	
OPM (%)	14.2%	14.2%	-5 bps	13.6%	55 bps	Operating margins to remain flat on y-o-y basis due to poor realizations from auto gas
NPM (%)	8.0%	9.8%	-182 bps	6.5%	149 bps	

Preview on Shipping and Logistics Sector

- Dry bulk demand declined during the quarter primarily due to reduction in iron ore imports from China.
- Baltic dry index between May - September, 2008 has fallen ~70% from its peak in May.
- Bunker cost has increased thereby pressurizing the margins of the shipping companies.
- Day rates for the tanker markets have been heading southwards due to global slowdown. (VLCC Day Rates:\$108500 in June V/s ~\$40000 in Sept)
- Port traffic growth is been reducing from 13.39% in April, 2008 to 6.67% in July, 2008.
- Increasing fuel costs have impacted the margins of logistics companies.

Factors to watch in the Q1FY09 result

- Revision in the Time Charter Yields (TCY) for the long-term contracts
- Impact of bunker cost on the margins and number of ships dry docked.
- Strategies developed by the shipping companies to place their fleet on spot or time charter going forward.
- Direction on the day rates of Rigs and OSVs in the midst of volatile crude oil prices.

Top Picks

- Bharati Shipyard, Aegis Logistics, Mundra Port, SEZ

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Telecom

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Bharti Airtel						BUY CMP 756 TP 955 Upside Potential 26% P/E (FY09E) 15.8x
Sales	9,043	6,325	43.0%	8,506	6.3%	Subscriber base expected at 76.2 mn and ARPU at Rs 330.8, an y-o-y decline of 9.6%
EBIDTA	3,734	2,719	37.3%	3,530	5.8%	Operating margin expected to decline due to anticipated increase in network operating costs
Net Profit	2,209	1643.76	34.4%	2,072	6.6%	Improvement at the operating level anticipated to be offset by higher tax rate of 27%
EPS	11.6	8.7	34.4%	10.9	6.6%	
OPM (%)	41.3%	43.0%	-170 bps	41.5%	-21 bps	
NPM (%)	24.4%	26.0%	-156 bps	24.4%	6 bps	
Reliance Communications						BUY CMP 333 TP 508 Upside Potential 52% P/E (FY09E) 12.5x
Sales	5,693	4,229	34.6%	5,179	9.9%	Subscriber base expected at 55.3 mn and ARPU at Rs 271, an y-o-y decline of 25%
EBIDTA	2,447	1,962	24.7%	2,250	8.8%	Operating margin expected to decline due to anticipated increase in staff and network expenses
Net Profit	1,480	1305	13.4%	1,512	-2.1%	Increase in interest costs of -6% q-o-q is expected to diminish net profit growth
EPS	7.2	6.4	12.5%	7.3	-2.2%	
OPM (%)	43.0%	46.4%	-341 bps	43.4%	-47 bps	
NPM (%)	26.0%	30.9%	-486 bps	29.2%	-320 bps	
Idea Cellular						BUY CMP 73 TP 100 Upside Potential 38% P/E (FY09E) 16.3x
Sales	2,343	1,562	50.0%	2,174	7.8%	Order book expected at Rs 7,559 crore with book to bill ratio of 3.25 in FY09
EBIDTA	771	513	50.2%	720	7.0%	10% fixed priced contracts to drift operating margins by 30 bps q-o-q.
Net Profit	289	220.25	31.1%	263	9.7%	Decline in PAT on the assumption of full tax rate of 33%
EPS	1.1	0.8	31.1%	1.0	9.7%	
OPM (%)	32.9%	32.8%	5 bps	33.1%	-25 bps	
NPM (%)	12.3%	14.1%	-178 bps	12.1%	21 bps	

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Tulip Telecom						BUY CMP 856 TP 1019 Upside Potential 19% P/E (FY09E) 9.0x
Sales	391	265	16.7	335	16.8%	Top line growth from winning of contract with Assam Government to develop SWAN networks
EBIDTA	86.8	58	33.7%	67.5	28.6%	Number of connects are expected to increase 14.3% q-o-q to 151,000
Net Profit	60.4	37.1	62.8%	46	31.3%	Increase in internet penetration in rural areas and network usage by BFSI clients
EPS	20.8	12.8	62.5%	15.9	30.8%	ARPC is expected to remain flat at Rs 5,620
OPM (%)	22.2%	21.9%	31 bps	20.2%	203 bps	
NPM (%)	15.5%	14.0%	145 bps	13.7%	170 bps	
TTML						BUY CMP 21 TP 26 Upside Potential 23% P/E (FY09E) Na
Sales	488	418	47.6%	478	2.1%	Wireless subscriber to grow by 5% where ARPU to decline by 4% to Rs 222
EBIDTA	130	96.9	49.7%	67.5	1.3%	Margins to improve due reduction in administrative & employee expenses
Net Profit	-21	-49	na	-35	na	Higher interest expenses to hit the bottomline
EPS	-0.11	-0.27	na	15.9	na	Expected to breakeven by Q1FY10
OPM (%)	26.5%	23.2%	330 bps	20.6%	-11 bps	
NPM (%)	-4.4%	-11.2%	na	-7.3	na	

Preview on Telecom

- ARPU is expected to continue to decline by around 9%-20% y-o-y for Bharti, Idea and RCom .
- Indian telecom operators added a record 6.3 mn GSM wireless subscribers in August 2008, overtaking the US to become the second-largest market in the world, trailing only China having subscriber-base of ~550 mn. Subscriber-base at the end of June 2008 was 286.86 mn.
- Expansion into rural areas, lowering entry price of owning a handset through attractive offers and customer retention efforts will help in ramping up subscriber-base and revenues.
- We expect strong growth ahead with wireless penetration of 37.5% and subscriber-base of 443 mn in FY2010 led by Bharti Airtel and Reliance Communications.

Factors to watch in the Q2FY09 result

- Capital outlay expected for 3G spectrum auction particularly in metro and A circles
- Clarity on TRAI/DOT provisions for partnership requirements of foreign players with incumbent local operators
- WiMAX auction and spectrum charges
- Mobile number portability guidelines and terms for quality of service provided by telecom operators

Top Picks

Bharti Airtel and Tulip Telecom

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Others

Rs Crore

Company	Q2FY09 E	Q2FY08	y-o-y	Q1FY09	q-o-q	Remarks
Everonn Systems						BUY CMP 357 TP 450 Upside Potential 26% P/E (FY09E) 20.2x
Sales	45.5	22.7	100.1%	22.3	104.4%	We expect the topline to grow 100% Q-o-Q on account of new enrolment of students.
EBIDTA	18.3	7.3	149.1%	8.4	118.1%	The shift in the focus VITELS, high profit making segment to improve the margins by 440 bps Y-o-Y
Net Profit	8.7	2.6	234.5%	3.1	182.1%	
EPS	5.7	1.9	206.4%	2.0	182.1%	
OPM (%)	40.2%	32.3%	791 bps	37.7%	253 bps	
NPM (%)	19.0%	11.4%	765 bps	13.8%	524 bps	
Kirloskar Brothers						Reduce CMP 122 TP 120 Upside Potential -1% P/E (FY09E) 27.1x
Sales	395.0	318.1	24.2%	370.4	6.7%	Price variation clause (PVC) implementation would protect the material cost as a % to sales.
EBIDTA	12.7	22.6	(43.8%)	1.0	1182.8%	Implementation of PVC would resulting in improving the profit margins by 277 bps Q-o-Q
Net Profit	4.2	27.0	(84.4%)	(4.47)	(194.0%)	
EPS	0.4	2.6	(84.4%)	(0.42)	(194.0%)	
OPM (%)	3.2%	7.1%	(389 bps)	0.3%	295 bps	
NPM (%)	1.1%	8.5%	(742 bps)	(1.2%)	227 bps	

Preview on IT - Education Sector

- India is the largest education market with the total target population of 46 crore students within the age group of 6-24 years
- Government has planned various schemes like ICT at schools, Sarva Shiksha Abhyan etc for which total planned spend is ~Rs1915 billion by GOI, state Government and unit trusts
- Student teacher ratio in India is 41 which is way above the world average of 27

Factors to watch in the Q1FY09 result

- Topline of the companies in this sector to grow on the back of increasing enrollment of students in this quarter
- Due to the high student to teacher ratio companies in this sector would benefit by filling in the gap. This would result in improvement in the bottom-line of many companies like Everonn, Educomp etc.

Preview on Pump Sector

- The rising raw material prices and the pace of technological change have been identified as major threats for this sector
- Operating margins of the companies in this sector may improve marginally due to the decrease in the raw material prices

Factors to watch in the Q1FY09 result

- Impact of Price Variation Clause on the operating margins of various companies
- Decrease in the raw material cost due to the reduction in the raw material prices compared to the last quarter

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