

India Strategy

India Fitness Center

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Overweight

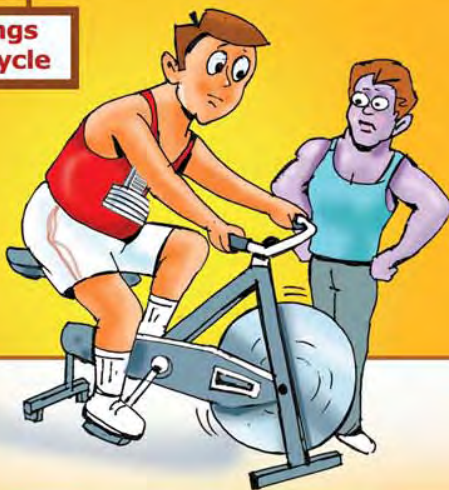


Sep 2010

Inflation-Rate
Dumb-bells



Earnings
downcycle



Policy
Treadmill



Global
Weights



Sep 2011

What next ???

Valuation health
Key to wealth



Shaping up

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Note: All stock prices and indices for Section C as on 26 September 2011, unless otherwise stated

India Strategy

BSE Sensex: 15,865

S&P CNX: 4,772

As on: 4 October 2011



Shaping up

Valuations have slimmed ... but are they attractive yet?

Backdrop: A tale of two markets

In September 2010, Indian markets were in a euphoric mood. Sensex was at a new high of 20,500, Sensex P/E at 18.5x (rolling 12-month forward) was almost at 25% premium to long-period average (15-year), and CY10 net FII flow at USD29b was an all-time high.

By September 2011, Indian market is down 18%, and figures among the worst performing global markets. Fund flow has dried up (nil net FII flow in YTD CY11), cash traded volumes are down 39%, and valuations are 10% below long-period averages. Looking back, it was almost as if the markets had added excess flab of optimism, and required a series of work-outs to get back into shape.

Work-out #1



Dumb-bells of rising inflation and catch-up rate hikes

- Inflation is at a 13-month high, but a cool-off is on the cards as QE-II impact is wearing off on global commodities and global growth outlook is moderating.
- Repo rates are at 36-month high; expect rates to peak out in 3QFY12 and start easing as inflation cool-off would lead to real interest rates going well above LPA.
- ✗ **Impact #1:** Sharp impact to earnings and valuations of interest-rate sensitives e.g. Financials, Autos, Infrastructure.

Work-out #2



Treadmill of policy and political headwinds

Over the last one year, policy and political headwinds appeared in three broad forms -

1. Unearthing of a series of scams;
 2. "Policy holiday" with little or no progress on key reforms such as FDI in multi-brand retail and insurance, lowering of oil subsidy through diesel/LPG price hikes, GST resolution, large infra projects etc.
 3. Likely fiscal failure due to no/lower disinvestment proceeds and slowing down of revenue collections.
- ✗ **Impact #2:** PSU valuations downgraded; capex and infrastructure related sectors and companies hurt.

Work-out #3



Weight-training of global headwinds

In the last 12 months, Indian markets have directly and indirectly borne the brunt of several global headwinds. The major ones among them are -

1. **US:** QE-II, political deadlock over government debt ceiling, rating downgrade
 2. **Euro zone:** Sovereign debt crisis
 3. **Global growth slowdown.**
- ✗ **Impact #3:** FII flows plunge, INR goes into a tailspin, global plays derated.

Work-out #4



Cycle of earnings downgrade

- Since 2QFY11, Sensex EPS for FY12 has been downgraded by 9% and for FY13 by 10%. We now expect FY12 earnings growth of 11.8% and for FY13 at 16.9%.
- Earnings downgrade cycle has continued in 2QFY12 as well, with FY12 earnings down 1% and FY13 down 2.8%.

Sources of exhibits in this section include RBI, CMIE, Bloomberg, IMF, UN, Rogers International, Industry, Companies, and MOSL database

- The key contributors to FY12 earnings downgrades since 2QFY11 are: SBI (35%), ONGC (14%), NTPC (13%), Bharti (12%), etc. Earnings upgrade contributors are TCS (12%) and Reliance (11%).
- ✗ **Impact #4:** Market P/E is down 28% YoY, and is at a discount to adjusted LPA.



Valuations below historical averages, risk-reward favorable

- Indian market 12-month forward PE at 13.3x and 12-forward P/B at 2.4x are at 10% below the respective 15-year average valuations.
- Indian valuation contraction has coincided with 1] a rate tightening cycle led by high and persistent inflation 2] pressure on margins coupled with high interest rates driving down RoE to 18% from historical average of over 20% 3] economic slowdown partly contributed by government indecision and governance issues 4] earnings downgrade cycle with FY12 earnings being downgraded by 9% in the past 4 quarters.
- We believe that most of the negatives on the domestic side have largely played out with inflation and interest rates expected to peak in 3QFY12. Also, we expect the GDP and corporate earnings downgrade cycle to be largely complete.
- Any further risk / downside to valuations now emanate largely from global factors. The historical low valuations (PE of 9-11x and P/B of 1.6-1.7x) have followed global events that drove large-scale risk aversion like the 9/11 and the global financial crisis post the collapse of Lehman.



2QFY12 Earnings Preview - Another slow quarter

2QFY12 earnings will be reported amidst an adverse macro backdrop. Interest rates are up further 50-75bp during the quarter, demand continued to weaken in domestic economy and India rupee depreciated by ~10% against the USD. Key highlights of the earnings season:

- Aggregate (ex RMs) Sales growth 20.9%, EBIDTA growth 11.7%, PAT growth 9.7%.
- EBIDTA margin will contract 190bp YoY to 23.6% (2nd lowest in last 8 years), PAT margin will contract 120bp YoY to 12.7% (lowest in last 8 years)
- Number of companies in our Universe with growth rates of over 30% is the lowest at 19%, while percentage of companies with YoY decline is at a 8 quarter high of 33%.
- Top 3 contributors to aggregate earnings are Financials, Oil & Gas and Metals, accounting for 57% of the 2QFY12 earnings.
- Sectors with strong YoY PAT growth include Cement (67% YoY due to low base effect), Private Banks (+23% YoY) and Oil & Gas (excl. RMs) 21% YoY.
- FMCG, Private Banks and Retailing are the only 3 sectors where all companies will report earnings growth.
- Sectors with disappointing / muted growth are PSU Banks, Telecom, Autos. Telecom with a decline of 44% shaves off 200bp from aggregate growth.



Investment strategy

- We believe the markets, led by uncertainty and fear, have gone through a significant correction over the last one year to make them attractive for long-term investing. Earnings downgrade cycle is arguably in its last leg, and this, along with below-average valuations, provide cushion.
- In our model portfolio, we have raised weights on stocks where valuations now trade below long-term averages while our outlook remains positive on them. Our top bets are **Infosys / HCL Tech, Bharti / Idea, SBI / Axis Bank, Hero Motocorp / Tata Motors, NTPC, Cipla**. We have also allocated weights to several mid-caps across sectors (Financials, Pharma, Infrastructure, Real Estate, etc), where we believe return potential could be significant.

Strategy

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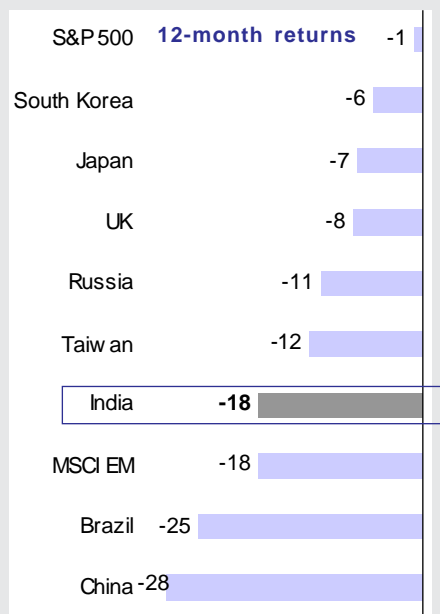


Shaping up: Backdrop

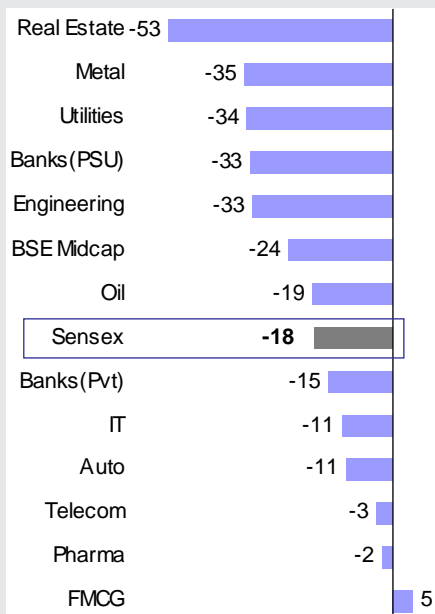
A tale of two markets - Sep-2010 and Sep-2011

- Market #1 (September 2010):** In less than two years post the 2008 global crisis, Indian markets were in a euphoric mood. In September 2010, benchmark indices were at near highs with Sensex at 20,500 levels. Sensex P/E at 18.5x (rolling 12-month forward) was at a 25% premium to averages. FII inflows were USD19.3b in 9MCY10.
- Market #2 (September 2011):** Since September 2010, the Indian market has been down 18%, and figures among the worst performing global markets. Sensex PE at 13.3x (rolling 12-month forward) is at a 10 % discount to averages while FII outflows are USD0.2b in 9MCY11.

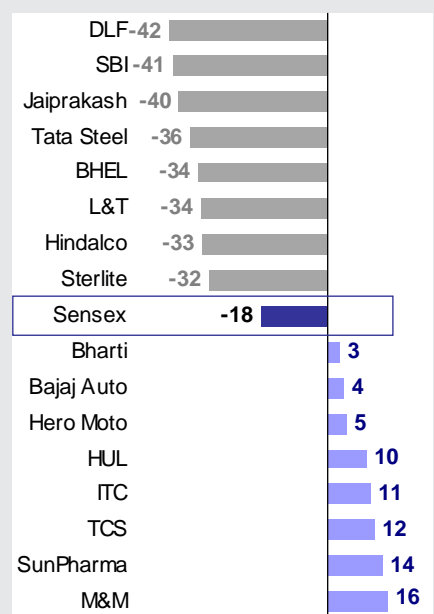
India among worst performing markets



Multiple sectors underperform



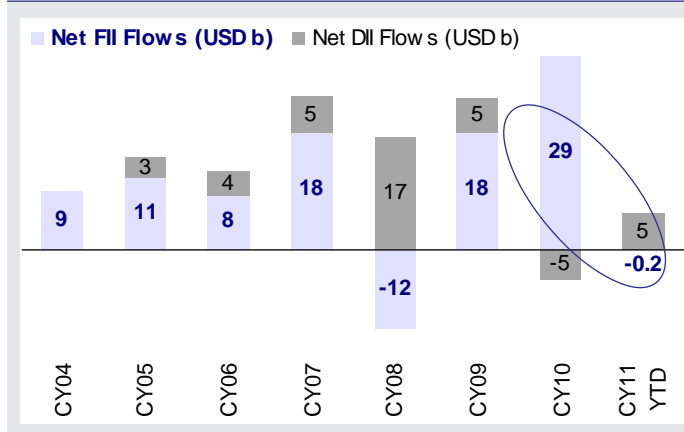
Stock divergence up since Sep-10



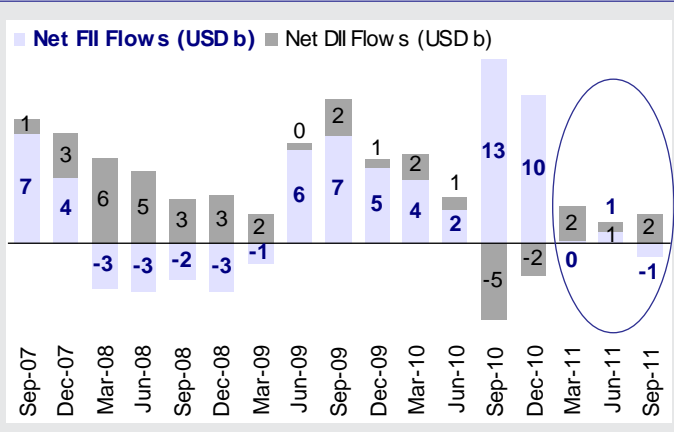
All returns in local currency

Fund flows slump: Against CY10 net FII inflow of USD29b, the YTD CY11 figure is virtually nil. In fact, the quarter ending September 2011 saw net FII flows turning negative after nine successive quarters of positive inflow. Total FII+DII flows are down from USD24b in CY10 to USD5b in YTD CY11 (lowest in several years).

Fund flow into Indian markets falls sharply...



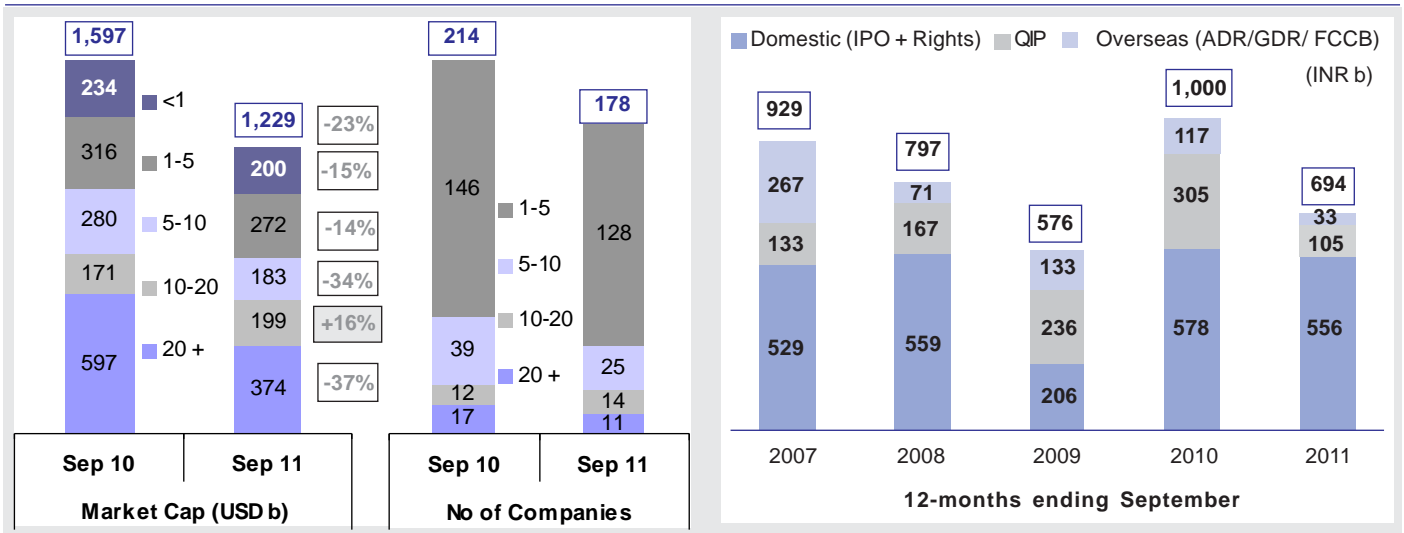
... Negative FII flows in 2QFY12 after 9 positive quarters



Primary markets down in line with secondary market sentiments: As of September 2011, aggregate market cap was USD1.6 trillion, down 23% YoY. In line with the secondary market fall, for the 12 months ending September 2011, fund raising in the primary market was down 30% over that a year earlier. IPOs and rights issue collections held up, but private placements and overseas fund raising were down a combined 67%. Coal India and Power Grid alone accounted for 40% of primary market issuance in last 12 months.

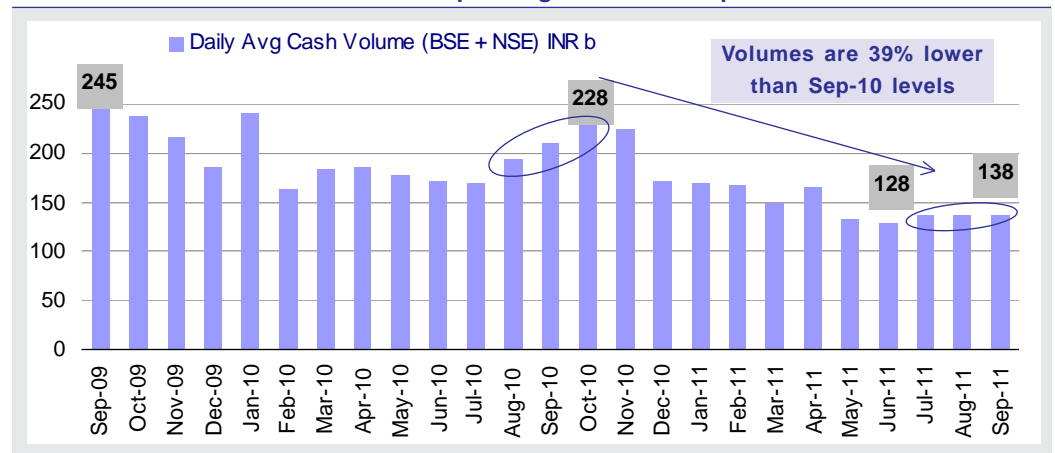
Market cap down 23%; USD1b club members down 17%

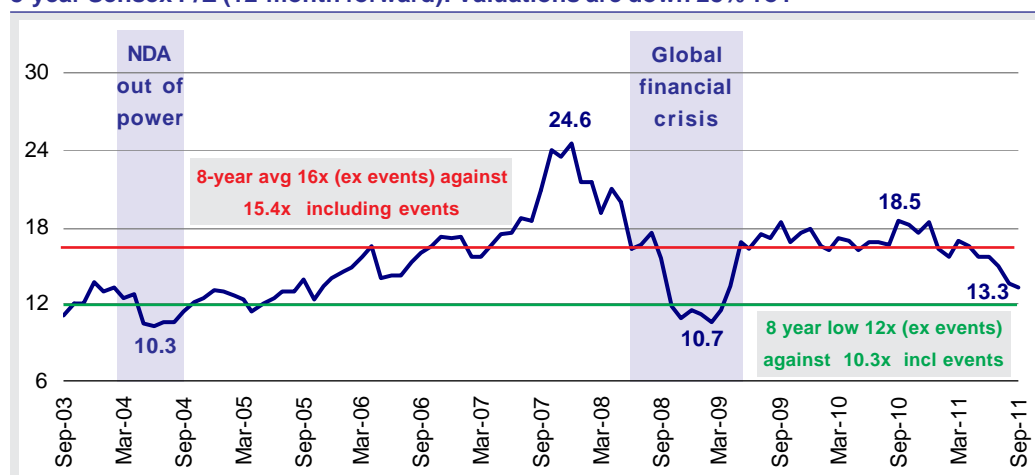
Fund raising down 30%; Private, overseas placements down 67%



Volumes and valuations plunge: The market mood is reflected in traded volumes (cash volumes), which were about 39% lower than they were a year earlier. Market valuations were down 28% from September 2010 levels, and are currently close to their lows, duly adjusted for extraordinary events (Elections 2004 and Global financial crisis 2008).

Market volumes down 39% over corresponding volumes in September 2010



8-year Sensex P/E (12-month forward): Valuations are down 28% YoY

Work-outs and impact

We have analyzed the major events that caused the September 2011 market story to be starkly different from the September 2010 version. Looking back, it was almost as if the markets added excess flab of optimism and required a series of work-outs to get back into shape. These work-outs came in various forms and took their toll on various sectors and benchmark heavyweight stocks.

- **Work-out #1: Dumb-bells of rising inflation and catch-up rate hikes**
 - ✘ **Impact #1:** Sharp hit to earnings and valuations of interest-rate sensitive stocks such as Financials, Autos & Infrastructure.
- **Work-out #2: Treadmill of government and governance failure**
 - ✘ **Impact #2:** PSU valuations downgraded; Capital goods, infrastructure-related sectors and companies hurt.
- **Work-out #3: Weight-training of global headwinds**
 - ✘ **Impact #3:** Global plays like commodities, IT and Tata Motors de-rated.
- **Work-out #4: Cycle of earnings downgrades**
 - ✘ **Impact #4:** Indian market valuations gradually de-rated to below LPA.

Work-out #1 Dumb-bells of rising inflation and catch-up rate hikes

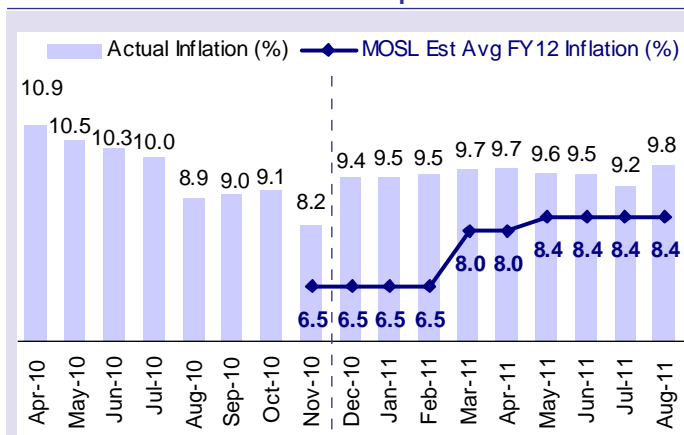


Inflation at 13-month high led by QE-II; expect easing hereon

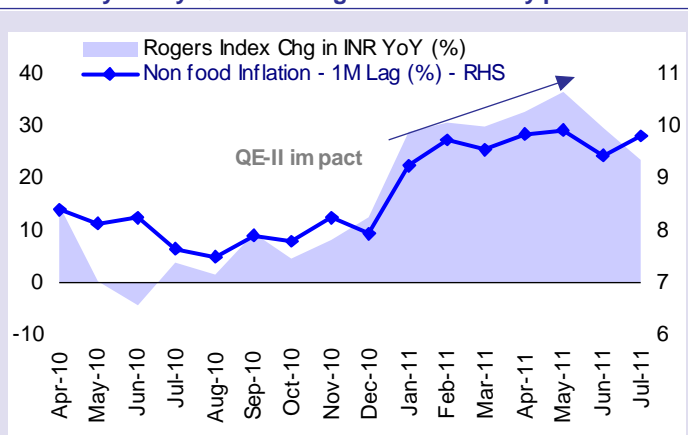
After hitting a 20-month high of 10.9% in April 2010, inflation eased until November 2010. The high base of FY11 caused markets to factor in 6-7% inflation in FY12. However, November 2010 was an inflection point with inflation rebounding to a 13-month high of 9.8%. This trend reversal was due to:

- (1) QE-II led rising global commodities including crude; and
- (2) Continued uptrend in domestic food inflation despite record foodgrain production.

November 2010 was the inflection point for inflation ...



... mainly led by QE-II driven global commodity prices



The Rogers International Commodity Index is a composite, USD based, total return index and represents the value of a basket of commodities consumed in the global economy, ranging from agricultural to energy and metal products.

Cool-off on the cards

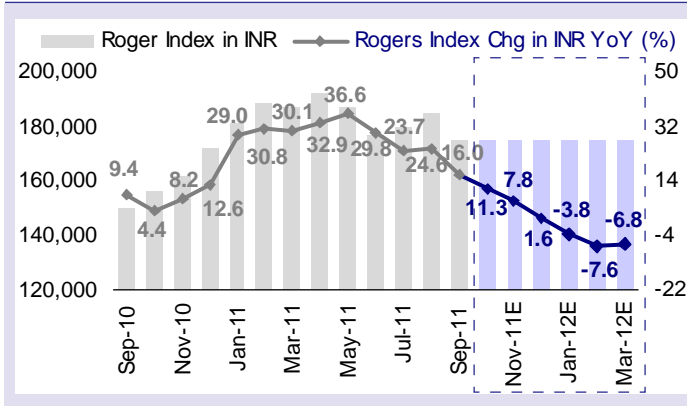
The equations described above are however, changing fast, led by international price trends. After the end of QE-II, we are seeing a rapid decline in commodity prices, (1) hastened by global growth concerns, and (2) reinforced by uncertainties in the financial markets. The latest measure, Operation Twist, is unlikely to be a game-changer in this respect as it only aims to flatten the yield curve while leaving overall money supply unchanged.

Even if international commodity prices hold at the current level, it would imply YoY Rogers Index would come crashing to -7% by the end of March (Rogers Index converted in INR terms to factor currency movement). This is bound to be reflected in Indian inflation as well. We expect domestic inflation to fall to 7% by the end of March 2012 and ~6% by the end of June 2012 in the normal course. However, this moderation can be significantly quickened by softening international commodity prices. Inflation could be half our envisaged level by June 2012 if domestic prices also moderate synchronously, and it may fall to as low as 1.2% if the WPI Index remains static henceforth.

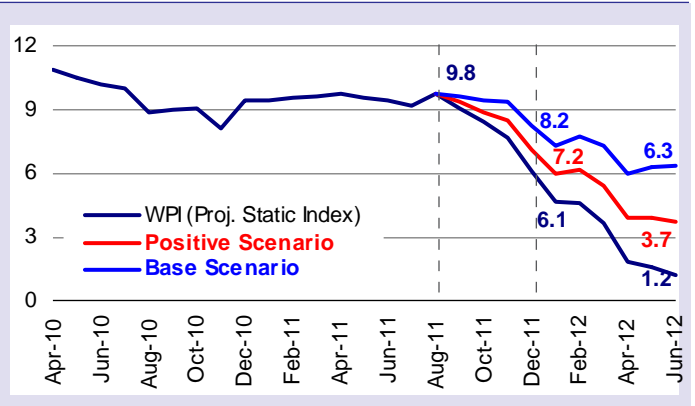
Such moderating imported inflation would help to offset some uptick in:

- (1) Food inflation (expect a hike in the minimum selling price of rabi crops), and
- (2) Fuel inflation (higher pass-through of fuel prices to lower the government's oil subsidy burden).

A flat Rogers Index brings down change to -8% YoY ...



... which augurs well for India's inflation

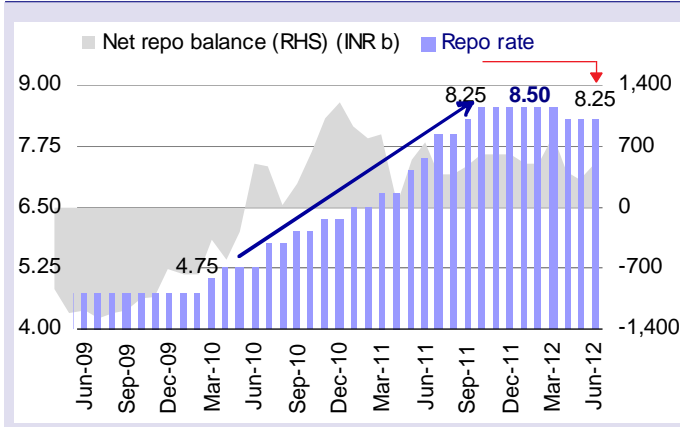


Positive scenario: WPI index increases by 0.25 every month, nearly half of the base case scenario.
Static Index: Implies no price rise hereafter, taking a cue from international price trend.

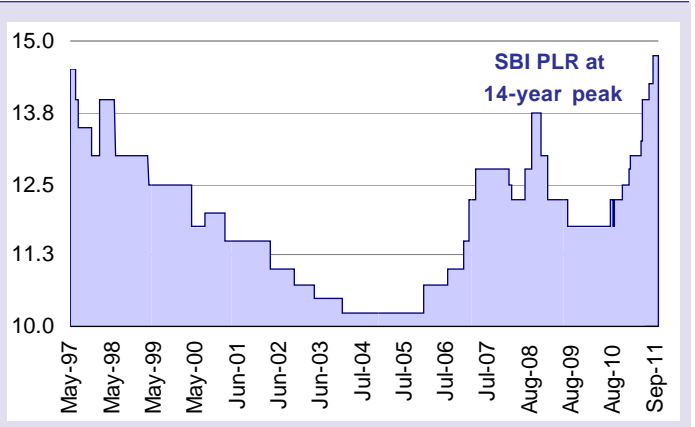
Repo rates at 36-month high, SBI's PLR at a 14-year high

Twenty consecutive months of 8%+ inflation led the RBI to resort to 12 consecutive hikes in the repo rate, aggregating 350bp, taking it to a 36-month high of 8.25%. Rate hikes apart, the RBI has also kept a tight leash on the liquidity situation. This ensured effective transmission of rate hikes by way of banks raising base rates/PLR nearly synchronously. SBI's PLR rules at a 14-year peak.

12 successive repo rate hikes and tight liquidity ...



... have led to effective rate transmission (SBI's PLR, %)

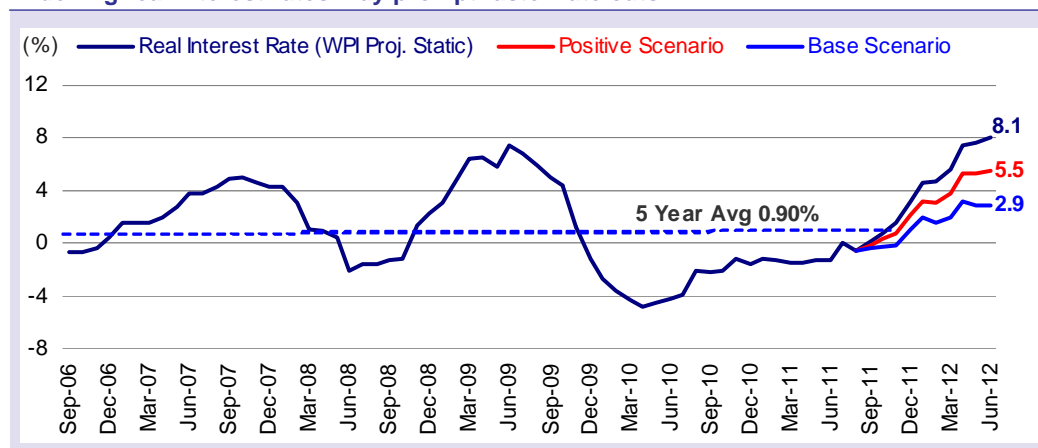


Expect rates to peak in 3QFY12

Moderation in inflation can provide the necessary headroom to the RBI to soften its anti-inflationary stance particularly when global growth and financial stability concerns are resurfacing. However, as headline inflation may remain in high single digits until end CY11, we believe the RBI could do one last 25bp hike in its October 2011 mid-term policy before taking a pause. Recent weeks have increased the concerns on global growth outlook and this will be an important variable for RBI to consider when it decides the next course of action. If the downtrend in inflation accelerates, we expect the first cut in April 2012.

Policy rate cuts are likely to lag the drop in inflation, leading to real interest rates rising significantly above long-period average rates. This implies that market rates could clearly see downturns sooner in time and faster in magnitude if the commodity price downtrend persists.

Widening real interest rates may prompt faster rate cuts



Impact #1 Sharp hit to earnings and valuations of interest-rate sensitives

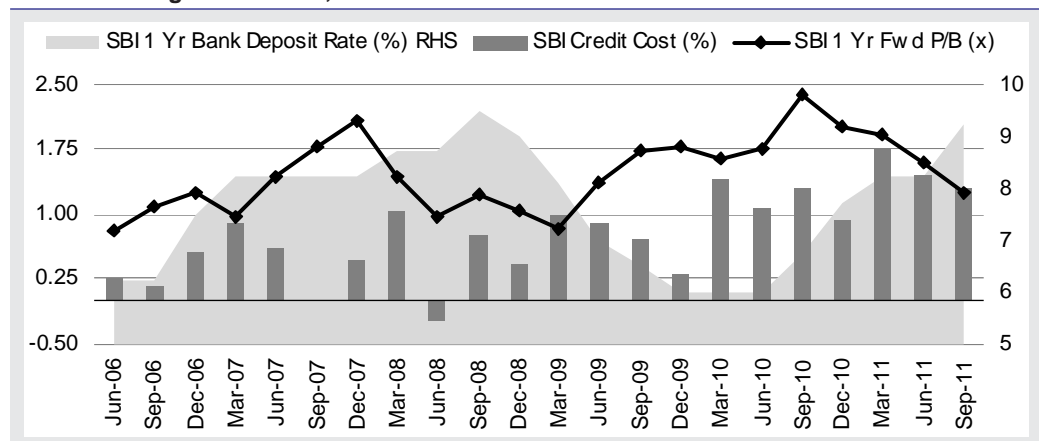


A sustained rise in interest rates has adversely affected rate sensitive sectors and stocks in a variety of ways.

Example 1: SBI sees rising credit cost, lower valuation

SBI's credit cost hit at all-time high of 1.75% in the March 2011 quarter, and has stayed well above 1% for last several quarters. Simultaneously, its 12-month forward P/B has nearly halved from 2.5x levels in September 2010 to 1.3x levels currently.

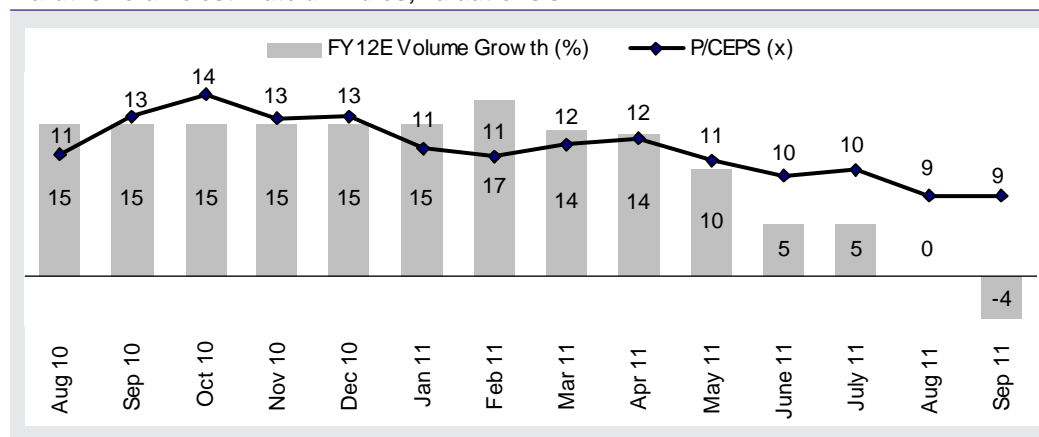
SBI sees rising credit costs, lower valuation



Example 2: Maruti's volume estimate dwindles; valuations shrink

From August 2010 through February 2011, Maruti was expected to deliver FY12 volume growth of 15-17%. However, rate hikes began to reflect on volumes from March 2011, when every subsequent month saw a downgrade in volume growth estimates and they now are -4.2%. (Note: The downgrades have been accentuated because of labor issues as well). In sync, Maruti's Price/Cash EPS multiple also shrank 36% from a peak of 14x in September 2010 to 9x currently.

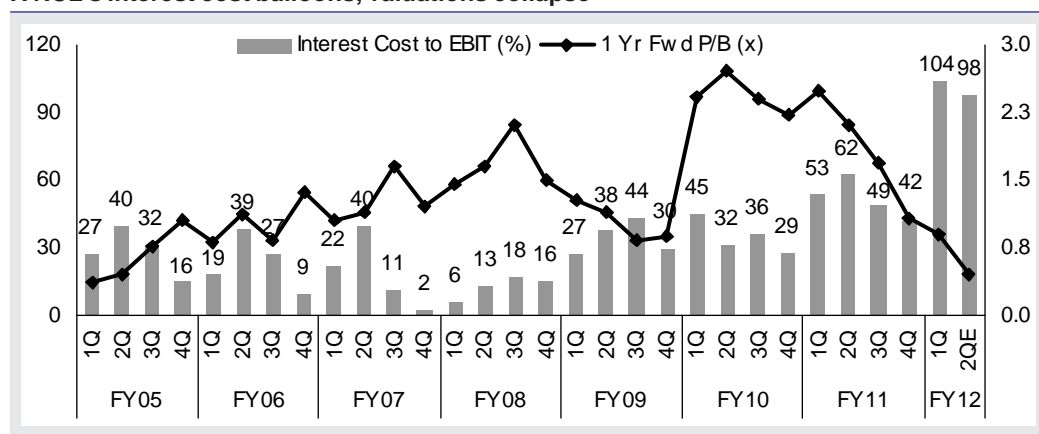
Maruti's volume estimate dwindles; valuations shrink



Example 3: IVRCL's interest cost balloons; valuations collapse

IVRCL's interest cost to EBIT has been at 100% over the past two quarters, nearly double the percentage it was a year earlier. Valuations have been down 75% over the past 12 months from P/B of over 2x to 0.5x currently (lowest in last 8 years).

IVRCL's interest cost balloons, valuations collapse



Work-out #2 Treadmill of policy and political headwinds



Lack of policy reforms have led to further growth concerns

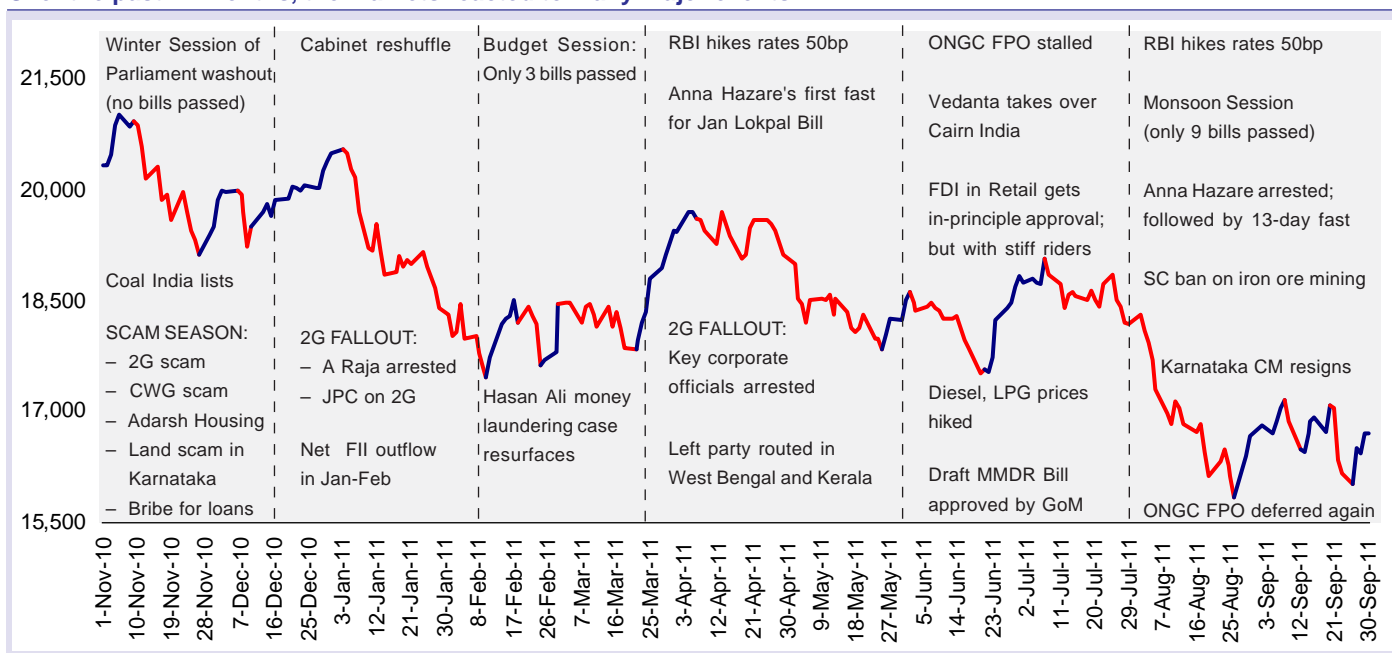
Over the past one year, policy and political headwinds appeared in three broad forms:

1. Unearthing of a series of scams;
2. "Policy holiday" with little or no progress on key reforms such as FDI in multi-brand retail and insurance, lowering of oil subsidy through diesel/LPG price hikes, GST resolution, large infra projects etc.
3. Likely fiscal failure due to no/lower disinvestment proceeds and slowing revenue collections.

1. Series of scams

The root cause of the government inaction lies in the unearthing of a series of high-profile scams in November and December 2010, involving key politico-economic national figures. The scams hogged almost all the attention of Parliamentarians, bringing other policy action to a standstill.

Over the past 12 months, the markets reacted to many major events

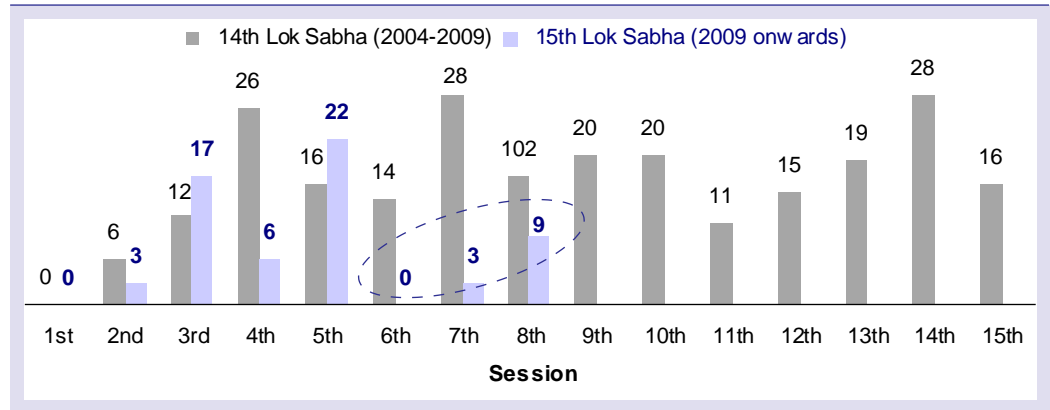


2. Policy holiday

The scams led to a major upheaval in the political class, which was followed up by civil society activism with Mr Anna Hazare's fast on the Lokpal Bill issue taking the nation by storm. All this resulted in a near total wash-out of three consecutive sessions of the current (15th) Lok Sabha. Its performance so far makes it one of the least productive Lok Sabhas since independence from the standpoint of the number of bills passed/introduced.

As a result, India's reform push lost steam in areas of multi-brand retail, insurance, diesel/LPG deregulation and disinvestment. Key projects in the mining, metals and infrastructure sectors got entangled in issues associated with land acquisition, environment and regulatory approvals/administrative clearances. This "policy holiday" has had an adverse impact on market sentiment.

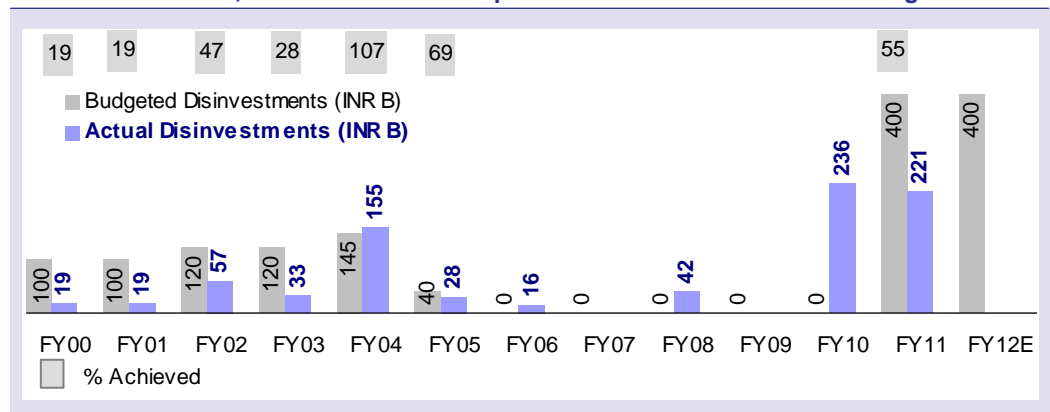
15th Lok Sabha has passed the lowest number of bills in recent times



3. Likely fiscal failure

Government/governance failure, high inflation and industrial slowdown are likely to have an adverse impact on the fiscal situation. For instance, the recent FPO (follow-on public offering) of ONGC was put off due to valuations led by issues of ad hoc upstream subsidy burden being above-market expectation. At this rate, the government is unlikely to meet its FY12 target of INR400b divestment.

More often than not, actual disinvestment proceeds have been lower than budgeted



In parallel, high inflation and interest rates are slowing industrial growth, which in turn is impacting government's direct and indirect tax collections. The Apr-Aug FY12 fiscal situation reflected deterioration as tax collection lagged on the back of huge refunds and stubbornly high non-plan expenditure.

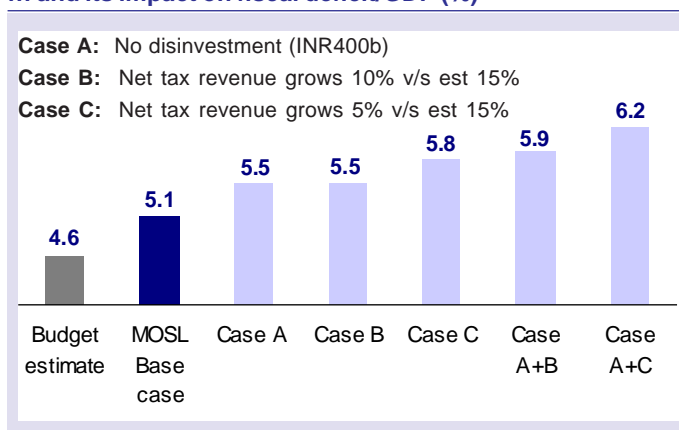
Ex one-offs (viz, tax refunds and high base of FY11 on 3G/BWA revenue), fiscal deficit appears much better; but the revised borrowing calendar confirms the fiscal deterioration, notwithstanding some possibility of borrowings substituting other modes of financing, viz., small savings and MSS issuances.

If the disinvestment program does not go through, fiscal deficit to GDP could be 5.5% (v/s our base case estimate of 5.1% and budget estimate of 4.6%). Further, if net tax revenue were to grow 10% or 5% (v/s our estimate of 15%), fiscal deficit to GDP could rise to 5.9% or 6.2%.

Early indications of fiscal failure ...

Apr-August (YoY growth %)	FY12		FY11		FY10
	Over actual	Over ex 3G	Actual	Ex 3G revenue	
Revenue receipts	-42.5	3.5	126.4	25.8	-10.6
Tax Revenue (Net)	1.1	1.1	30.7	30.7	-14.8
Non-Tax Revenue	-81.6	17.1	559.2	3.3	14.8
Total Receipts	-39.4	7.8	126.6	27.3	-10.1
Non-Plan Expenditure	18.2	18.2	14.4	14.4	22.8
Plan Expenditure	1.7	1.7	56	56	-7.4
Total Expenditure	12.8	12.8	25.4	25.4	13
Fiscal Deficit	151.6	16.2	-42.7	24.2	36.7
Revenue Deficit	289.3	24.9	-62.8	15.8	34.5

... and its impact on fiscal deficit/GDP (%)



Impact #2 PSU valuations downgraded; Infra-related sectors, companies hit

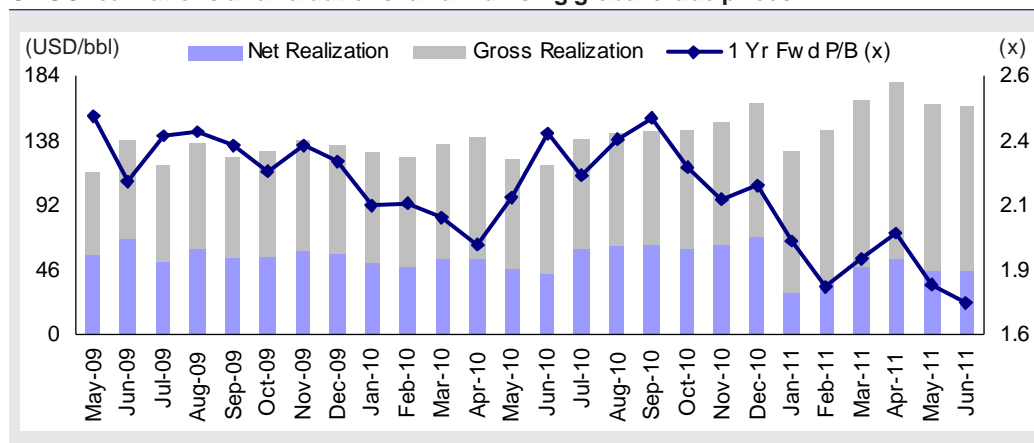


Government and governance failure have led to valuations of several PSU stocks like ONGC being eroded. Due to stalling of economic activity in core sectors such as power, infrastructure, related sectors like cement and capital goods have also been hurt in terms of revenue, profit and valuations.

Example 1: ONGC realization, valuation fall amid rising crude prices

Ad hoc and high subsidy sharing burden on upstream oil and gas players has led to ONGC's net realization falling with every rise in global crude prices. As a result, its valuation multiples have taken a meaningful hit.

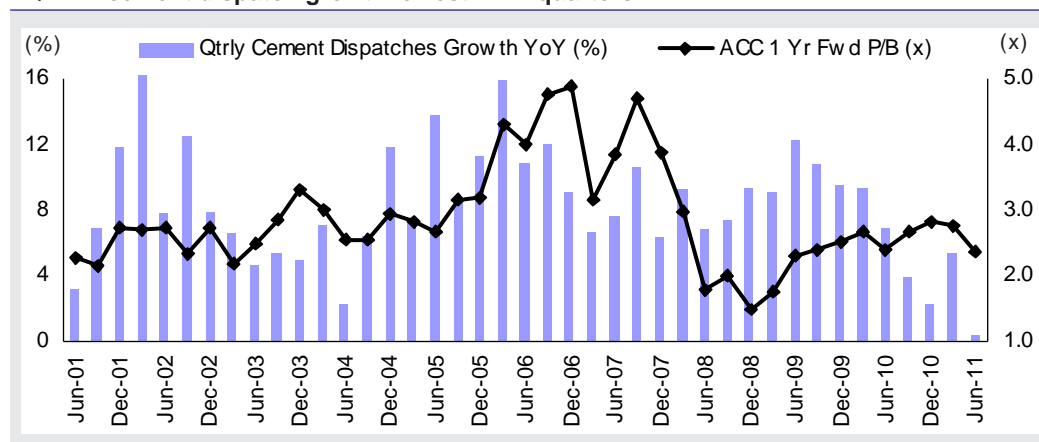
ONGC realizations and valuations fall amid rising global crude prices



Example 2: 1QFY12 cement dispatch growth lowest in 41 quarters

In the quarter ending June 2011, India's aggregate cement dispatch growth was near-zero. This is the lowest growth in the past 41 quarters and reflects low economic activity across all fronts: Public infrastructure, corporate real estate and individual housing. Needless to add, sector valuations have corrected and now trade below their fair values.

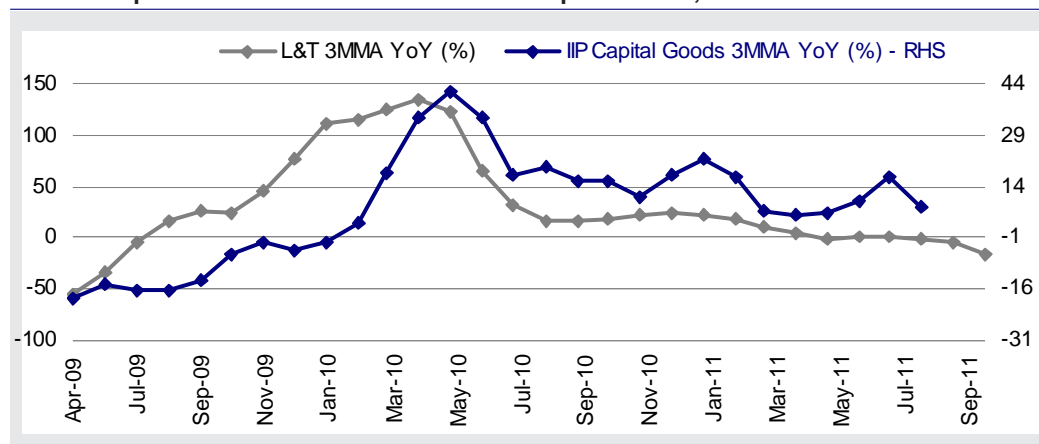
1QFY12 cement dispatch growth lowest in 41 quarters



Example 3: Capital goods sector, stocks face the blues

Policy holiday and rising interest rates have caused investment activity to slump, causing the capital goods component of the IIP (Index of Industrial Production) to clock negative growth. At the company level, this implies a sharp slowdown in fresh order intake and growth concerns, leading to a significant price correction in frontline capital goods stocks like L&T and BHEL.

L&T stock performance is correlated with IIP Capital Goods, which faces the blues



3MMA - 3-month moving average

Work-out #3 Weight-training of global headwinds

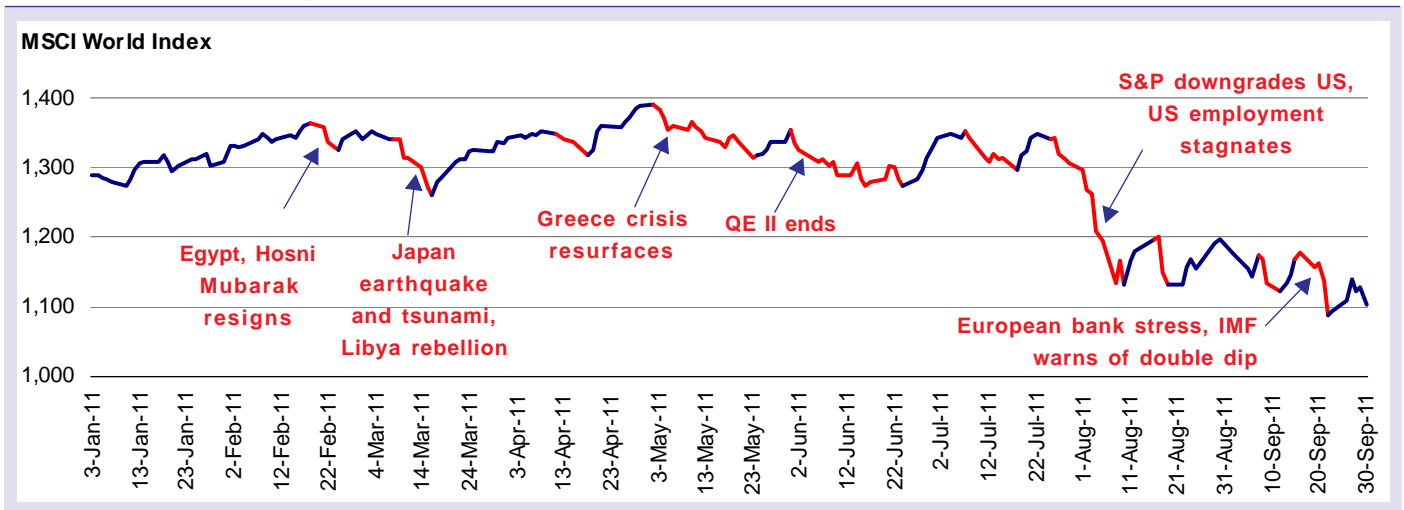


Global events have worsened the growth outlook for several sectors, impacting market valuations

Over the past 12 months Indian markets have directly and indirectly borne the brunt of several global headwinds. The major ones among them are:

- 1. US developments:** QE-II, political deadlock over government debt ceiling and rating downgrade.
- 2. Euro zone:** Sovereign debt crisis.
- 3. Global growth slowdown.**

World events caused many a headache for the markets



Europe: Sovereign credit default swaps (bp)



Source: Bloomberg

US developments increase volatility across markets

The US Fed launched QE-II in November 2010 buying USD600b worth of longer term treasuries, infusing equivalent liquidity. A major impact of this was a surge in global commodities, which had an indirect adverse impact on India's inflation as covered in an earlier section (see page A-6). QE-II had barely ended in June 2011 and the political deadlock over raising the government debt ceiling boiled over, culminating in S&P's downgrade of US credit rating. The resultant fall in commodity prices is a positive for inflation but the simultaneous risk aversion, asset price deflation and high volatility are major negatives for the equity markets.

Euro zone sovereign debt crisis still a major overhang

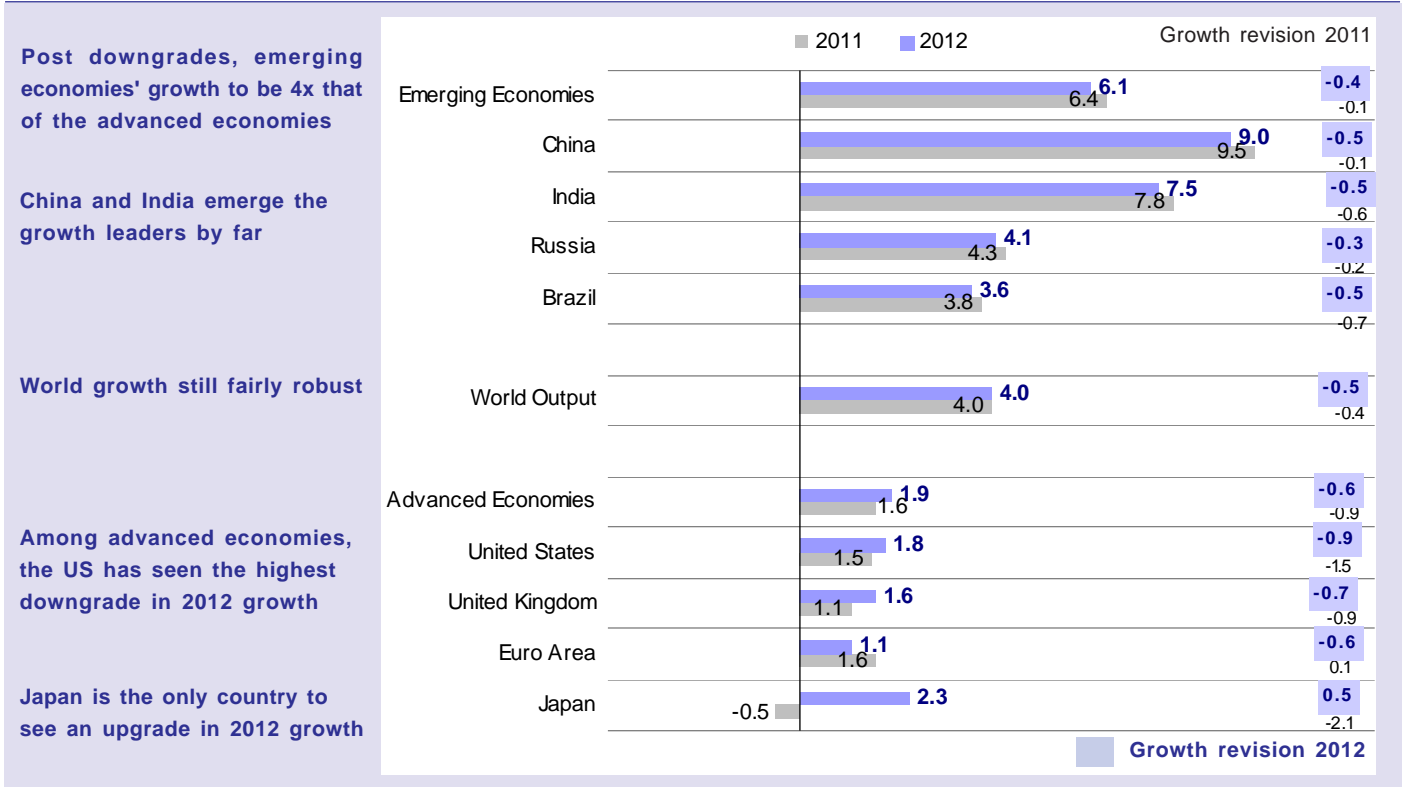
The Euro zone sovereign debt crisis remains a major overhang on the global financial markets. The German parliament's recent vote in favor of a EUR440b enhancement of the EFSF (European Financial Stability Facility) is a positive. But there are several other issues, including -

1. The Greek and other southern European governments' ability to implement austerity measures to lower budget deficit without major public uproar;
2. Inadequacy of the EFSF to address problems of bigger economy, and lack of broader political support for moving into a fiscal union or debt collectivization through Eurobond;
3. Stress in the European banks and the risk of contagion.

Global growth slowdown

The IMF downgraded growth estimates for most countries. The post-downgrade growth rates of emerging markets like India and China stood out even more favorably compared with the rest of the world. Still, the lower growth environment was an overhang on capital flows to emerging markets and equity valuations.

Persistent growth rate downgrades a dampener for equities

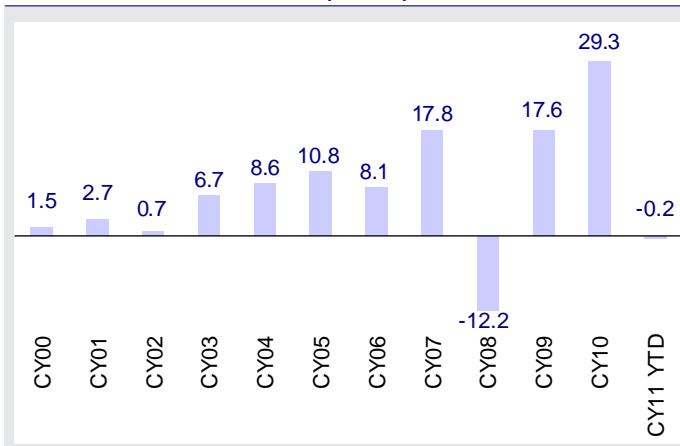


Impact #3 FII flows plunge; Rupee in a tailspin; Global plays de-rated

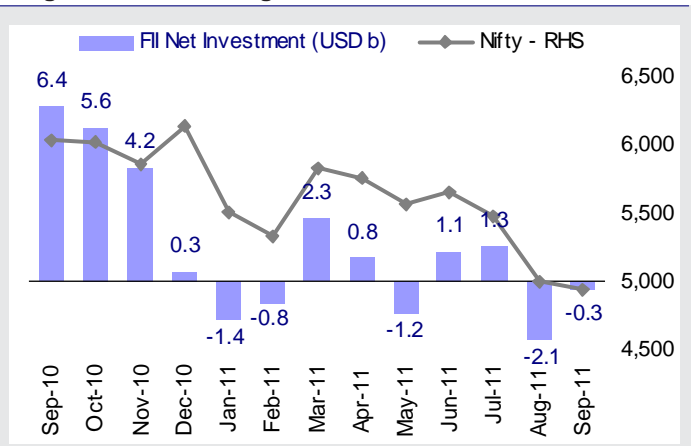


Global headwinds began to meaningfully impact capital flows into India, both for direct investment and portfolio investment, dragging down market levels. Dwindling capital flows amid India's persistent current account deficit situation is a major negative for the rupee, which recently went into a tailspin after remaining stable for a fairly long time.

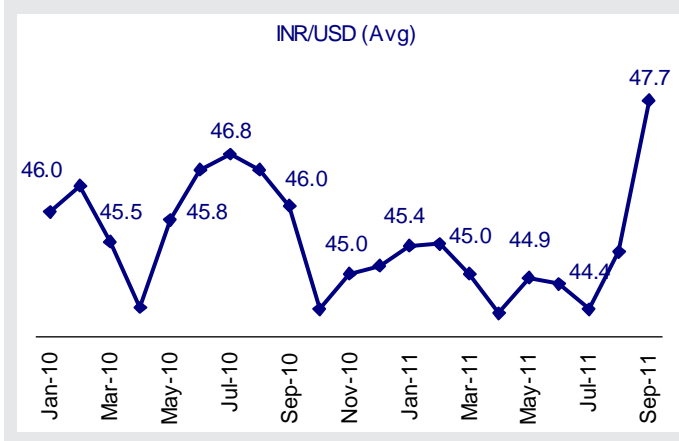
Trend in Net FII Investments (USD b)



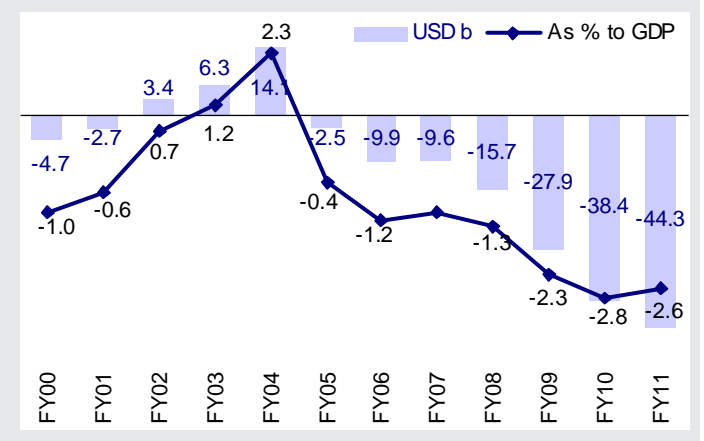
Negative FII flows drag down markets



Dwindling capital flows put the rupee into a tailspin



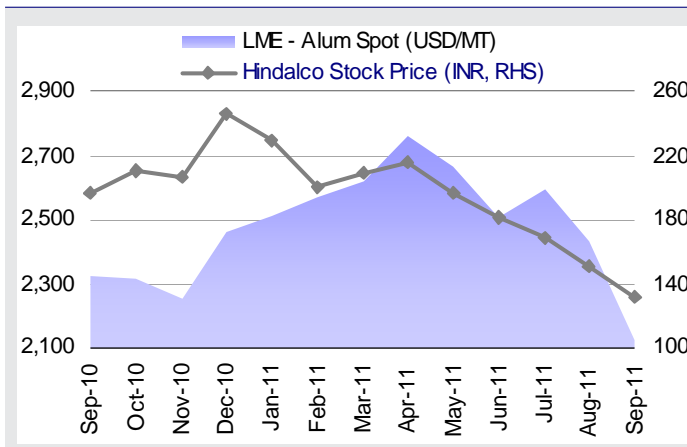
India has a persistent current account deficit



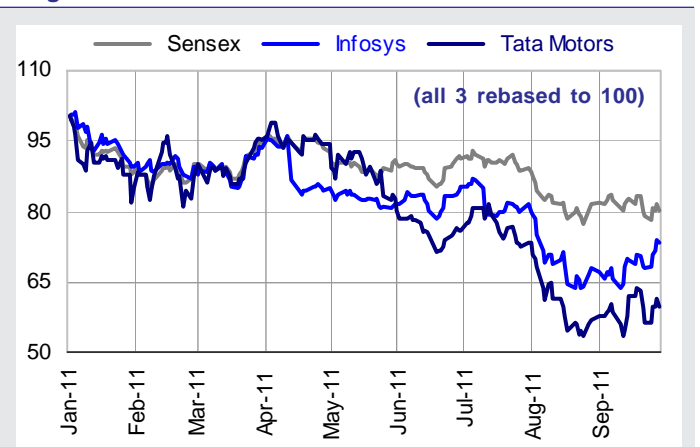
All global plays are getting hit, both in terms of earnings and valuations:

1. The metals sector will see sharply lower realization and profits.
2. The IT sector is expected to be affected by budget cuts and resulting growth slowdown.
3. Large overseas subsidiaries are likely to see shrinking revenues and profits.

Example 1: Hindalco stock falls as Aluminium declines



Example 2, 3: Infosys, Tata Motors underperform as global headwinds accentuate



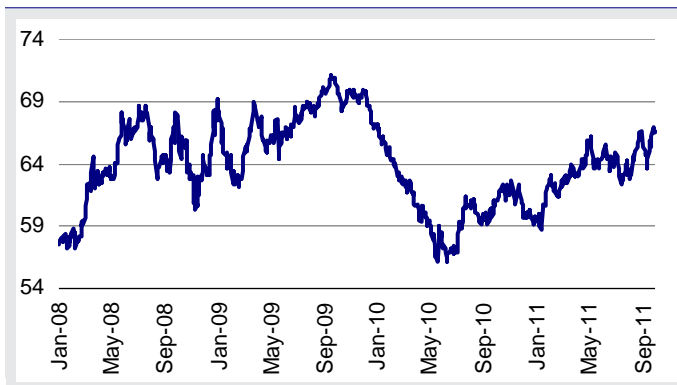


Currency movements: Gainers and Losers

INR vs USD



INR vs Euro



Automobiles

- **Bajaj Auto:** Derives ~30% of net revenues from exports. Has hedged ~80% of FY13 exposure at INR46.5-47 and hence no major impact.
- **Maruti Suzuki:** JPY imports are ~21% of net revenues and EUR exports are ~5% of net revenues. USD exposure is naturally hedged. For every 5% JPY movement, FY13 EBITDA margins would see ~130bp swing and EPS impact of ~17%.
- **Tata Motors:** For JLR, ~50% of revenues are USD exports and ~30% of net revenues are EUR imports. ~50% of Forex exposure is normally hedged on 6 months rolling. Based on current forex rates, JLR's FY13 margins would see net benefit of 100bp and TTMT consol EPS would see upgrade of ~10%. Further, ~INR115b of Forex net debt which would be MTM in consolidated, although not clear if it would be expensed (impact of ~INR9b, 8% of FY12 PAT).

Capital Goods

- **L&T:** Large parts of exports (~8-10% of total revenues) are projects executed in Middle East in which both revenues and cost are in USD / local currency. L&T will be marginally negatively impacted.
- **BHEL:** Pressure parts, specialty steel forgings, insulation parts for boilers form the bulk of imports and are largely from Europe and Japan. Exports are minimal at around 3-4% of revenues. A 10% USD appreciation will have a ~1-2% impact on profitability.
- **Siemens:** Large parts of imports are from Germany (in Euro), while exports are largely to Qatar in USD. Hence, Siemens will be a key gainer (depending on extents of hedges).

Cement

- **India Cement:** ~60% of coal requirement is imported. For every 10% USD movement, FY13 EPS would see impact of ~5-6%.
- **Shree Cement:** ~100% of pet-coke /coal requirement is pegged to import parity/ imported. For every 10% USD movement, EPS would see impact of ~6-7%.

Consumer: Impacted, given raw material imports

- **HUL:** Raw material imports are ~ 6% of sales and comprises of PFAD (soaps) and other chemical inputs. The company usually has atleast 3 months cover of PFAD future contracts and hedges the currency accordingly. HUL gross margins can be impacted by 70bp on account of currency impact.
- **Pidilite:** Vinyl Acetate monomer constitutes 20% of RM and is almost entirely imported which will impact Pidilite's gross margins in 2H; gross margin impact can be upto 100-120bp.
- **Asian Paints:** Imports ~25% of its RM requirement (Titanium Dioxide) and will be impacted to that extent, can have gross margin impact of 120-130bp.

On the balance sheet exposure, companies are of the view that they have export sales and thus are allowed to route the MTM impact of currency depreciation on debt through balance sheet.

- **Marico** USD123m forex debt (which is 80% of total debt), mainly taken to finance acquisitions.
- **Godrej Consumer:** Has the largest exposure of ~USD340m which excludes loans taken for recent acquisition of Darling Group Holdings (DGH). We estimate debt burden including DGH could be ~USD450m. The debt is largely unhedged. Will route



MTM loss through reserves (loss could be ~25% of expected FY12 PAT).

- **Dabur:** Has USD 159m debt mainly for overseas acquisitions; has natural hedge as 70% of sales of Namaste are in USD. Even Middle East business is pegged to USD. MTM losses will be routed through balance sheet.
- **Nestle:** Has recently drawn USD60m out of the credit facility (USD450m) granted by the parent for creating new capacities. May provide MTM losses in P&L itself.
- **United Spirits:** GBP370m debt taken for W&M acquisition. Almost the entire debt of UNSP is hedged and there will not be any sizeable impact.

Financials

Large infrastructure financiers to be impacted due to foreign currency (FC) borrowings.

- **PFC:** As on June 2011, ~6% of total borrowings are in FC (INR50b); and are equally divided into dollar denominated (~49%) and yen denominated (~48%) loans. However, only ~14% of the total FC borrowings are hedged translating into a possible large MTM hit in this quarter. We expect PFC to report forex loss of ~INR3.5b in 2QFY12.
- **REC:** Nearly 11% of REC's total borrowings are in FC; of which 70% USD denominated and ~26% in yen. Importantly, ~70% of the FC borrowings are hedged which restricts the impact of volatile currency movement. We expect REC to report a forex loss to the tune of INR2.0b in 2QFY12.
- **IDFC:** As on June 2011, IDFC has nearly 8% of its total borrowings, which are in FC and most of the same are in USD. However, all the FC borrowings are 100% hedged.

Healthcare

Most of the companies will have positive impact on the operational side given a +ve net exposure to USD. However, since many companies have operations in multiple countries (and hence are exposed to various local currencies and their movement against USD), the positive operational impact could get partly diluted. Also, for companies with large forex loans, there will be MTM forex losses.

- **Cipla:** Derives ~43% of net revenues in USD and has ~45% of raw material cost in USD. Further, it has hedges of USD170m. Could have 9% positive impact on EPS for every 10% INR depreciation.

- **Sun Pharma:** Derives ~58% of net revenues in USD and has ~62% of operating cost in USD. Further, assuming that it has hedges covering 50% of net exposure at USD114m, a 10% INR depreciation will have 10% positive impact on EPS.
- **Divi's Lab:** Derives ~65% of its revenues in USD while ~45% of raw material cost is in USD. For every 10% INR depreciation, there will be 12% positive impact on EPS.
- **Dr Reddy's Lab:** Has USD400m hedges while the net exposure to USD is ~USD667m. For every 10% INR depreciation, the EPS increases by 4%.
- **Ranbaxy:** Derives 70% of the revenues in USD and we estimate net exposure to USD at USD800m. The company has USD400m USD denominated debt while it has USD700m outstanding hedges. Hence, a 10% INR depreciation against the USD will result in 16% decline in Ranbaxy's EPS.
- **Lupin:** Has net exposure of USD450m to USD in P&L account while hedges stand at USD330m. The gain on net exposure gets offset with loss on hedges. No meaningful impact on earnings.
- **Jubilant:** Derives 60% of its revenue in USD while 30% of raw material cost is in USD. Has USD600m loan outstanding. Every 10% INR depreciation will have 29% negative impact on EPS.
- **Strides:** Derives 40% of its revenue in USD while 17% of operating cost is in USD. Has USD290m denominated loan outstanding and there are no hedges taken. Hence every 10% INR depreciation will have 18% negative impact on EPS.

Overall assessment:

- For the three top gainers from currency depreciation, i.e., Cipla, Sun Pharma and Divi's, we believe that MTM forex gains on balance sheet items will account for ~50-70% of the overall benefit (the rest being operational gain).
- For the three top losers from currency depreciation, i.e., Ranbaxy, Strides and Jubilant, we believe that the entire -ve impact will be due to MTM forex losses on balance sheet items while they will gain on the operational side.

Oil & Gas

- **Reliance Industries:** 85% of long term debt is foreign denominated. Thus there could be implications in terms of MTM provisioning; depending on the possible hedges



and currency of exposure. On operations, it benefits as GRMs and petchem realizations are benchmarked to USD. Every 10% rupee depreciation should increase PAT by 10%.

- **ONGC:** Benefit in improved crude realization is more than negated by higher under recoveries. Hence, ONGC is negatively impacted.
- **OMC's:** Refining profits benefit from rupee depreciation, but crude purchasing records forex loss.
- **Cairn India:** Has a direct co-relation as crude realizations are benchmarked to USD. Every 10% rupee move impacts PAT by 11.5%

Technology

- 1% INR depreciation aids EBIDTA margins by 40bps. However, net losses from hedges and translation will partly offset these gains. The magnitude of the offset could be lower as currently hedges are lower when compared to 2QFY09.
- **TCS:** Most impacted considering USD1.1b in hedges which covers net inflows for 2QFY12 and non-designated hedges of USD1.5b, which are likely to see MTM losses. Hence, gains from translation are unlikely to make up for hedge losses in 2QFY12; and we expect the quantum to be substantial.
- Wipro and HCL Tech could be least impacted with hedges covering net inflows for 6-7 months and 2-3 months over the next 24 and 12 months respectively. Hence, translation gains could make up for the losses from ineffective hedges during the quarter.
- Infosys has USD750 in hedges spread over the next two quarters with an MTM at Rs44.7 as at end 1QFY12. Infosys is also likely to be relatively less impacted.

Hedge positions: Lower than in 2QFY09

in USD m	2QFY09	1QFY12
TCS	2,900	2,600
Infosys	932	745
Wipro*	3,500	1,704
HCL Tech**	2,700	390

* Hedges for Wipro are spread over a tenure of 24 months;

** HCL Tech spread over a tenure of 12 months

TCS likely to be the most impacted from hedge losses

	Infosys	TCS	Wipro	HCL Tech
Net inflows per month (USD m)	320	367	246	152
Hedges (USD m)	750	2,600	1,704	390
Months hedged	2.3	7.0	*NA	*NA

* Wipro hedges spread over the next 24 months;

HCL Tech spread over the next 12 months

Telecom

10% USD appreciation impacts on mark to market for forex loans:

- **Bharti:** P&L by ~INR7-8b and Balance Sheet by ~INR40-45b.
- **Idea:** Expect P&L and B/S impact of ~INR0.4-0.5b
- **Reliance Comm:** P&L impact unlikely; B/S impact of ~INR20b if not adjusted against the carrying value of assets.

Utilities

- **Tata Power:** Rupee depreciation is positive given increased earnings contribution from KPC/Artumin mines (translation gains). For Mundra UMPP, increase in imported fuel costs due to forex variation is a pass through as per the PPA structures. Thus, 10% rupee depreciation will lead to a 5-6% consolidated PAT increase.
- **Coal India:** CIL has ~22% of volumes linked to market prices of coal, including E-auction volumes where price adjustment is on monthly basis (~11-12% of volumes). For washed coal/bi-lateral contracts, prices are revised on yearly basis and thus, gain would accrue from FY13 onwards. Our estimates suggest that 10% INR depreciation will increase earnings by ~3-6%.
- Private IPPs like **Adani Power, Lanco, JSW Energy** will be negatively impacted, given increased fuel costs.

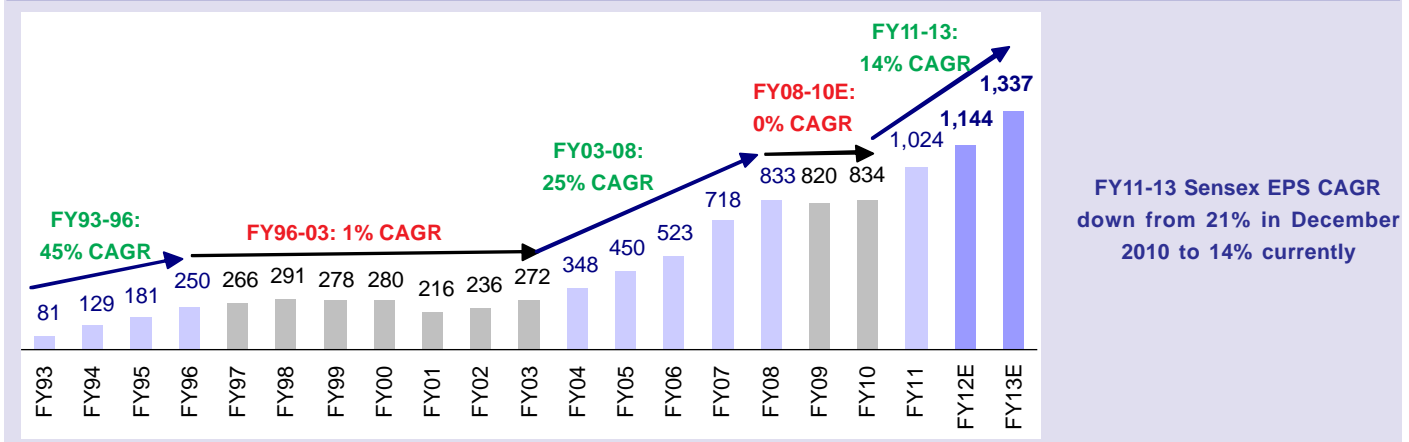
Work-out #4 Earnings downgrades throughout CY11



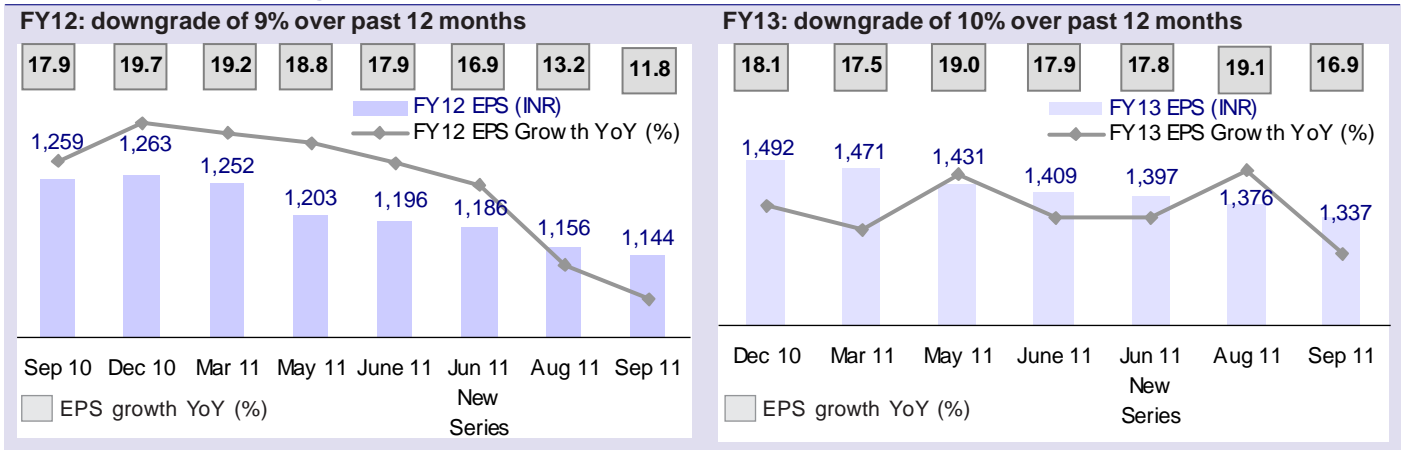
Cycle of earnings downgrade continues

- Over the last 12 months, earnings downgrades have been significant. Sensex EPS has been downgraded by 9% for FY12 and by 10% for FY13. We now expect FY12 earnings growth of 11.8% and 16.9% for FY13.
- The earnings downgrade cycle has continued in 2QFY12 as well, with FY12 earnings down 1% and FY13 earnings down 2.8%.
- The key contributors to FY12 earnings downgrades since 2QFY11 were: **SBI (35%)**, **ONGC (14%)**, **NTPC (13%)** and **Bharti (12%)**. Earnings upgrades have been witnessed in **TCS (12% contribution)** and **Reliance (11% contribution)**.

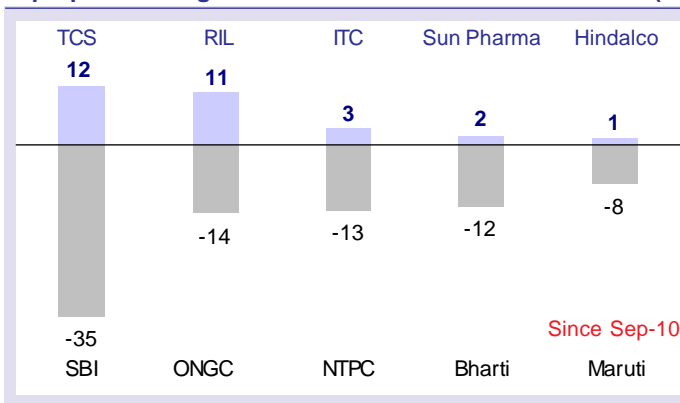
Sensex EPS trend: New earnings cycle from FY11 after 2-year growth holiday



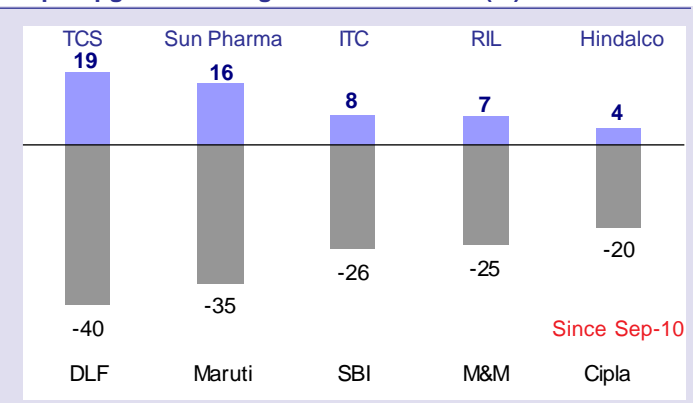
Trend in Sensex EPS downgrade



Top 5 positive/negative contributors to FY12 Sensex EPS (%)



Top 5 upgrades/downgrades in FY12 EPS (%)



Domestic plays lead downgrade cycle; Cost pressures possibly moderating

- Sectors like infrastructure, real estate, telecom, PSU banks, utilities, automobiles and capital goods have seen highest earnings downgrades (in FY12E), over the past one year.
- Interestingly, while revenue estimates remained steady over the past one year, EBITDA was down 7% and profits down 10%. Thus, many of the downgrades have been driven by four pressure points: Commodity costs, fuel costs, wage costs and interest costs. These pressure points impacted domestic plays more than global cyclicals.
- Over the past few weeks, commodity prices corrected meaningfully and fuel costs showed initial signs of weakness. We expect interest costs to ease over the next few months. Thus, much of the cost pressure is expected to moderate, going forward.

Sectoral estimate trend (FY12E): Domestic plays lead downgrades

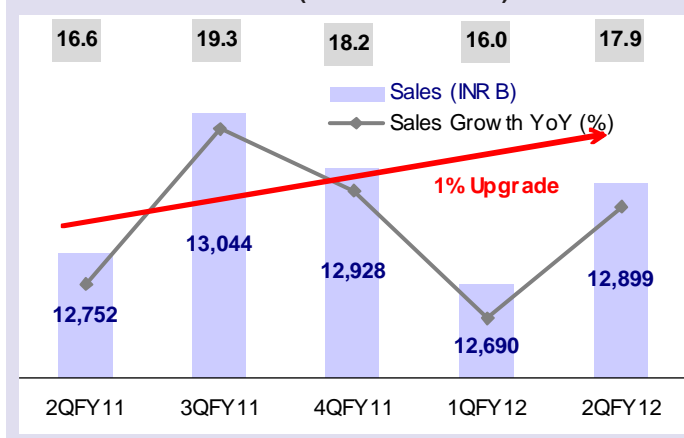
Sector	Sales (INR b)	Chg since 2QFY11 (%)*	EBITDA (INR b)	Chg since 2QFY11 (%)*	PAT (INR b)	Chg since 2QFY11 (%)*
Infrastructure	373	-18	60	-30	12	-49
Real Estate	190	-19	78	-20	37	-36
Telecom	1,145	-1	379	-7	88	-24
Media	94	-1	34	-18	20	-19
PSU banks	1,196	0	897	-8	399	-14
Utilities	1,112	-4	287	-11	163	-14
Automobiles	2,793	8	363	-2	187	-13
Capital goods	1,391	-1	201	-11	139	-13
Metals	3,649	15	608	-9	337	-11
Healthcare	602	2	130	0	91	-4
NBFC	147	-2	149	-1	99	-3
Consumer	975	3	203	-2	135	-2
Technology	1,492	4	363	-2	277	-1
Private banks	389	-3	337	-6	193	0
Oil & gas (excluding RMs)	6,145	33	1,195	-2	645	3
Cement	692	-5	160	-4	88	4
Retail	230	80	20	48	9	31
MOSL ex RMs	22,693	10.4	5,477	-6.0	2,925	-7.5
MOSL ex Oil & Metals	12,899	1.1	3,675	-6.7	1,942	-9.9

Rate sensitive sectors have led earnings downgrades in FY12 and sectors exposed to global trends have held up well

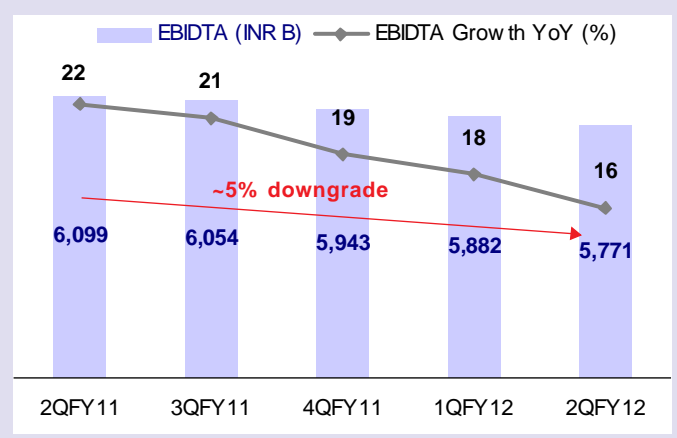
* These columns indicate change in MOSL estimate for FY12 since 2QFY11 Source: Company/MOSL

Earnings trend (FY12): Downgrades led by margin contraction, higher interest costs

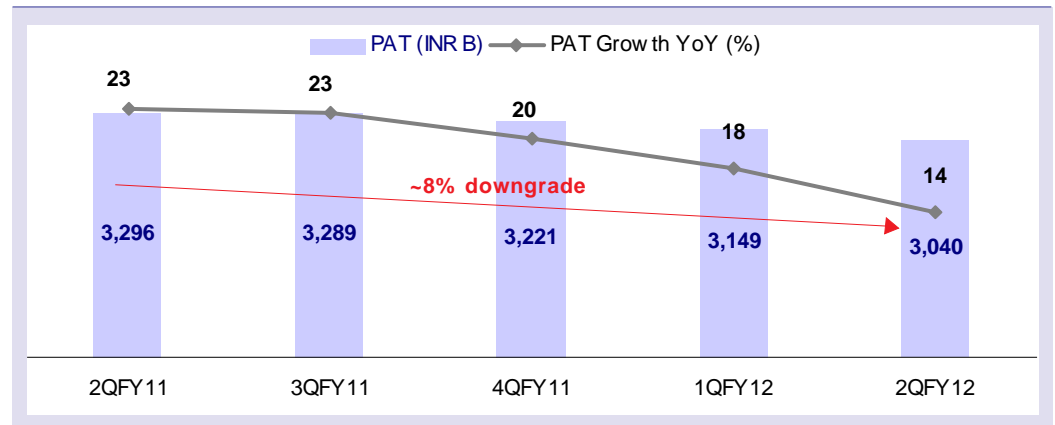
MOSL Universe Revenue (ex Oil and Metals)



MOSL Universe EBITDA



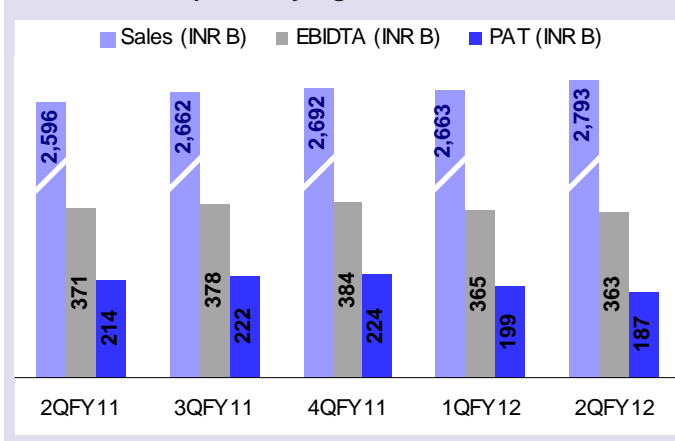
MOSL Universe PAT



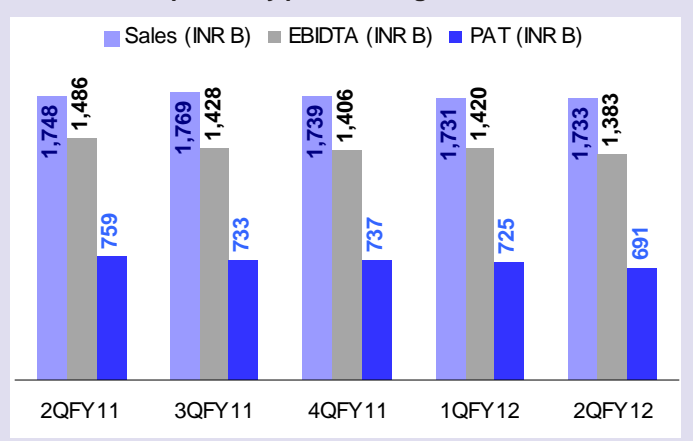
- Telecom witnessed earnings downgrade of 24% over the past year, revenue downgrade was just 1% and EBITDA downgrade was 7%. The earnings downgrade was being driven by higher interest costs, impact of 3G amortizations and increased tax incidence.
- For capital goods, revenue estimates were sticky over the past one year and were down by just 1%. However, EBITDA estimates are down 11% and earnings estimates down 13%. The downgrades are driven mainly by higher commodity price pressure. While commodity prices may possibly ease over the next few quarters, we believe revenue slowdown, given headwinds to the capex cycle could drive the next round of earnings downgrades.
- Automobiles' revenue estimates increased by 8% over the past one year, EBITDA estimates were down 2% and net profit down 13%. The increased revenue estimates were driven by robust volume growth in two-wheelers and a better product mix for Maruti and Tata Motors. Margins were hit by the royalty issue in Maruti's case, unfavorable currency movements, increased commodity prices and higher expenses for new launches. Earnings were also impacted by sharp interest cost movements.
- Utilities' EBITDA estimates fell 4% and PAT estimates fell 11%. This was largely due to delays in project execution and lower operating parameters against estimates.

Sectoral earnings trend (FY12E): Margin contraction, higher interest costs lead downgrades

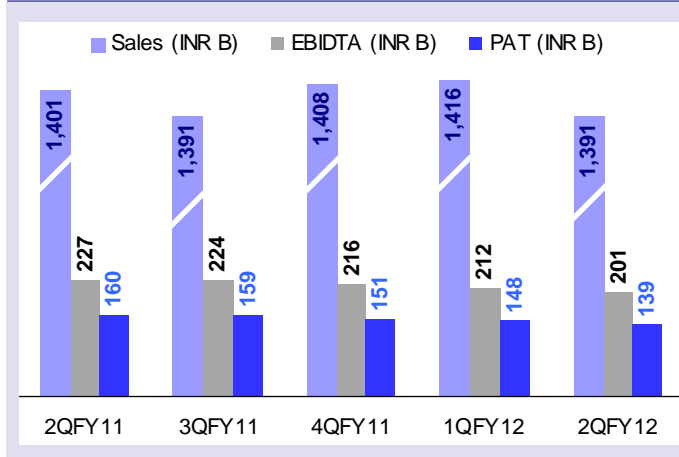
Automobiles: Impacted by higher interest costs



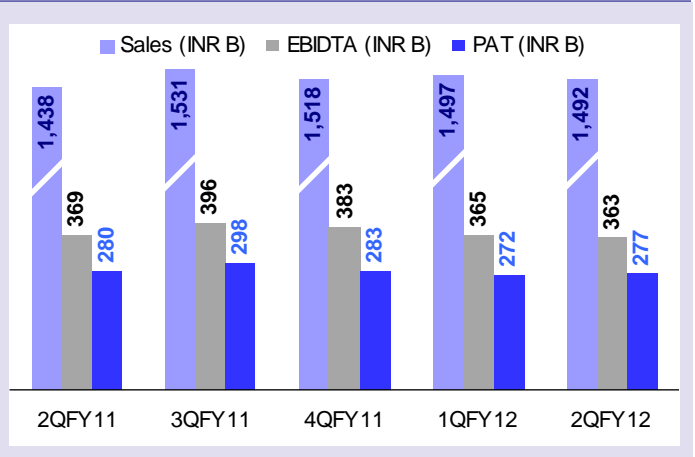
Financials: Impacted by provisioning



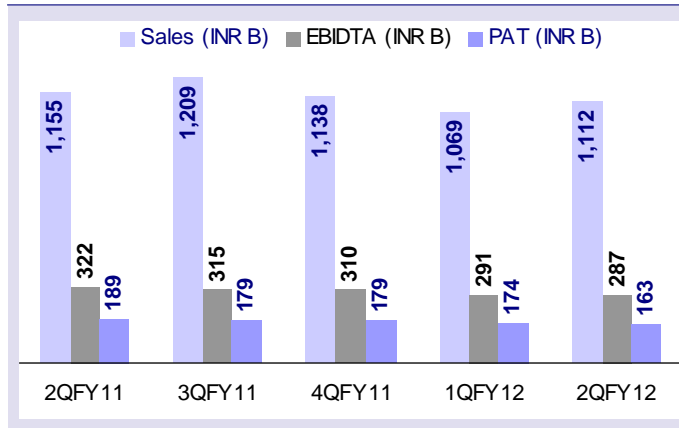
Capital Goods: Impacted by commodity prices



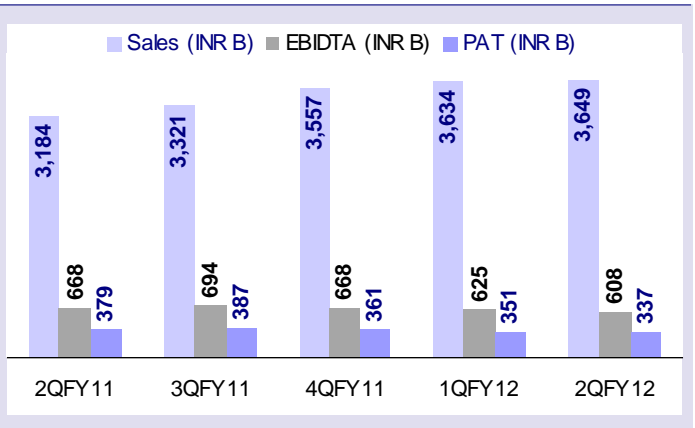
Technology: Consistent expectations



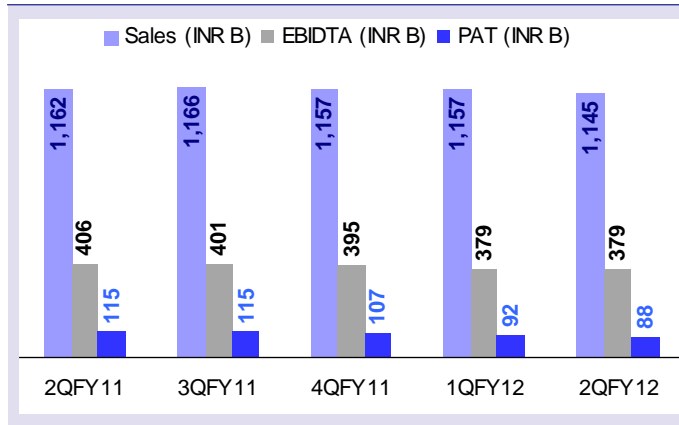
Utilities: Impacted by delay in project execution



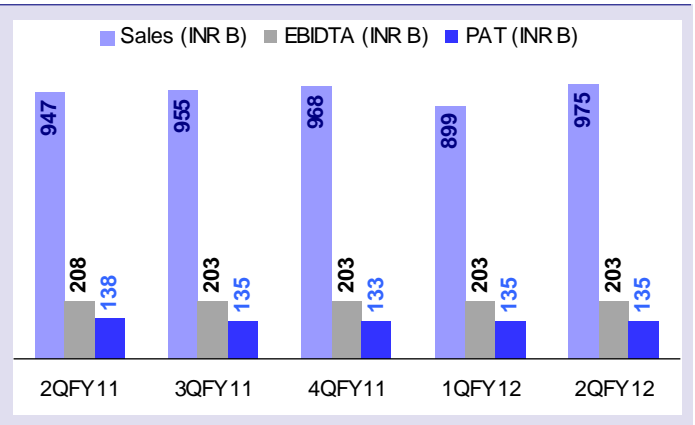
Metals: Impacted by lower realizations



Telecom: Impacted by higher interest costs, 3G amortization, increased tax rates



Consumer: The most insulated sector



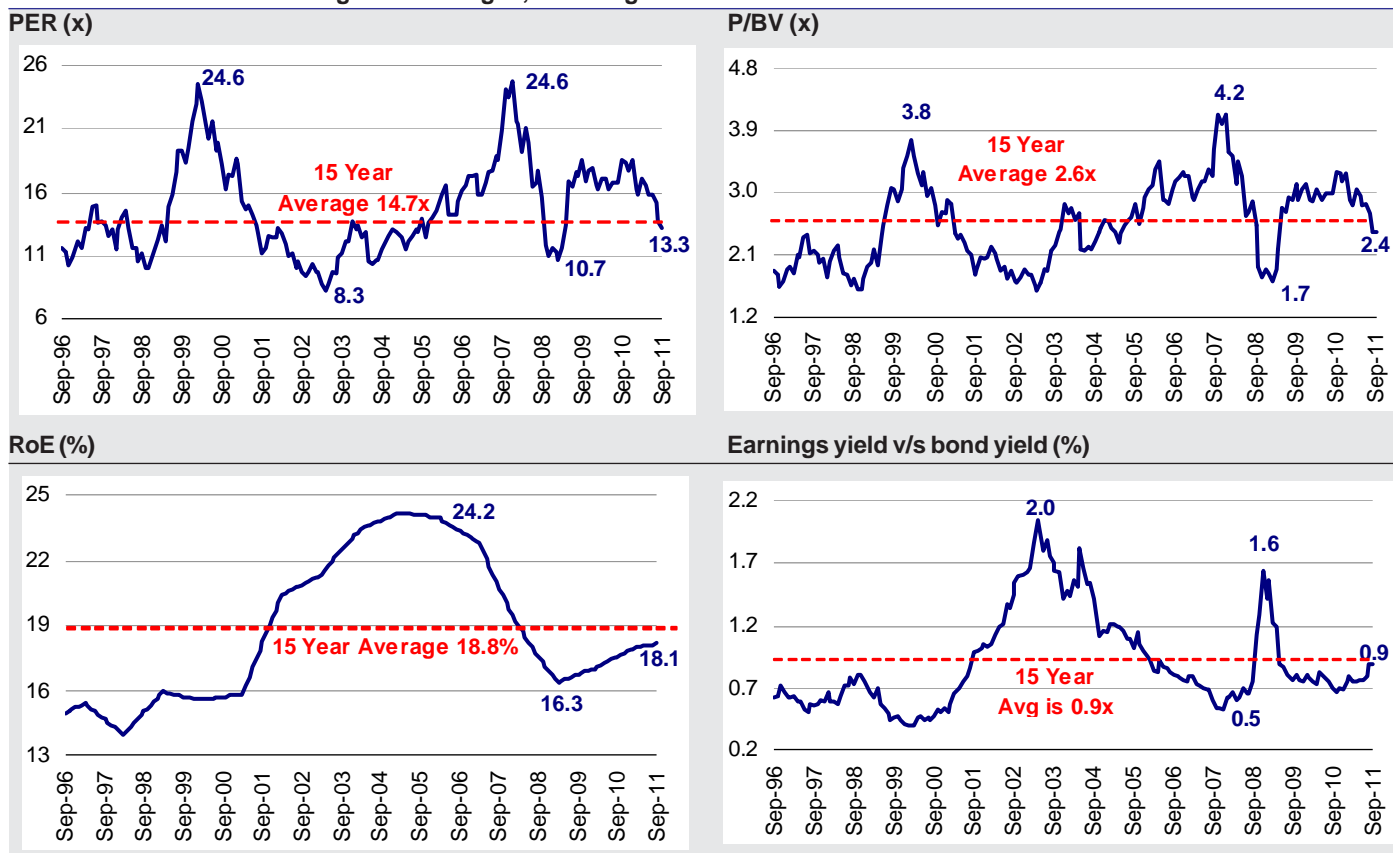
Valuations below historical averages, risk-reward favorable

Domestic negatives discounted; Worst cases follow global events



- The Indian market's 12-month forward PE of 13.3x and 12-month forward P/B at 2.4x are 10% below the respective 15-year average valuations.
- Indian valuation contraction coincided with (1) a rate tightening cycle, led by high and persistent inflation, (2) pressure on margins and high interest rates driving down RoE to 18% from a historical average of over 20%, (3) an economic slowdown, partly contributed by government indecision and governance issues and (4) earnings downgrade cycle with FY12 earnings being downgraded by 9% over the past four quarters.
- We believe most of the negatives on the domestic side have largely played out with inflation and interest rates expected to peak in 3QFY12. We expect GDP and corporate earnings downgrade cycle to be largely complete, barring global headwinds.
- Any further risk/downside to valuations emanate largely from global factors. The historical low valuations (PE of 9-11x and P/B of 1.6-1.7x) followed global events that drove large-scale risk aversion, like 9/11 and the financial crisis after Lehman's collapse.
- While it is tough to forecast the sequence of global events, going forward, risks have risen and an adverse turn of events could push the markets further below historical averages.

Sensex valuations below long-term averages, de-rating of 30% YTD CY11



Sharp valuation divergence across sectors v/s historical averages

- Indian markets witnessed a sharp valuation divergence across sectors, given the prolonged phase of several macro issues and global headwinds. Continued risk aversion has resulted in a strong preference for 'certainty, amidst uncertainty'.
- The worst performing sectors have been infrastructure and engineering, as they are a direct play on capex and business fundamentals have been impacted by a policy paralysis.
- Consumer facing sectors have been the best performers, given increased disposable incomes and continued pricing power.

Sectoral Performance: Sharp divergence

Category, Sector	Current		5 Year Average		Prem/Disc (%)		Rel Perf, % vs Sensex
	PE (x)	PB (x)	PE (x)	PB (x)	PE	PB	
Bottom performers							
Infrastructure	17.1	1.1	26.9	2.4	-36.4	-54.8	-32.6
Real Estate	12.8	0.8	22.8	2.2	-43.7	-62.2	-31.0
Media	13.3	2.8	22.5	4.1	-40.9	-31.4	-19.0
Metals	6.9	0.9	9.2	1.6	-24.9	-40.5	-14.9
Public Banks	6.0	1.1	7.2	1.3	-16.3	-17.8	-14.6
Capital Goods	14.4	3.8	22.8	7.1	-36.9	-46.6	-13.3
NBFC	12.3	2.5	14.9	3.0	-17.4	-16.2	-6.6
Mid-performers							
Utilities	12.7	1.6	17.7	2.2	-28.2	-26.2	-5.3
Oil	9.4	1.4	12.4	1.9	-24.2	-26.5	-2.3
Pvt Banks	13.9	2.4	17.4	2.6	-20.3	-9.4	2.6
Retail	21.8	4.2	30.1	4.1	-27.5	1.6	9.5
Technology	16.4	3.8	17.8	4.9	-8.0	-21.1	9.8
Top performers							
Auto	10.3	3.0	12.8	3.2	-19.5	-7.8	13.2
Telecom	16.2	1.7	18.6	2.9	-12.6	-41.1	14.5
Healthcare	20.8	3.2	22.2	3.8	-6.3	-14.6	18.7
Cement	10.7	1.9	10.2	2.3	5.6	-17.9	20.4
Consumer	25.7	9.2	23.2	8.3	10.5	10.8	27.0
Sensex	13.3	2.4	16.9	3.0	-21.7	-17.8	—

Analyzing opportunities: Structural or cyclical?

We believe some of the underperforming sectors provide long-term investment opportunities, either driven by the interest rate cycle peaking out or their worst case scenarios getting discounted in stock prices. In many instances, the underperformance has been a result of company-specific or cyclical issues, rather than structural changes in business dynamics.

Bottom performing

sectors: Infrastructure, Real Estate, Metals, PSU Banks, Capital Goods

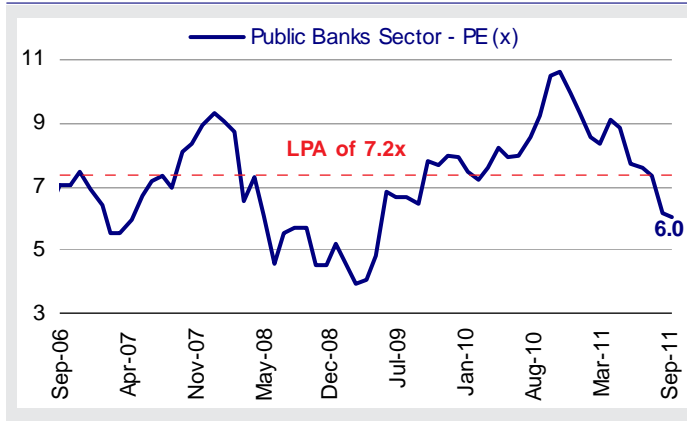
Bottom performers

PSU Banks, Metals offer long-term re-rating possibilities

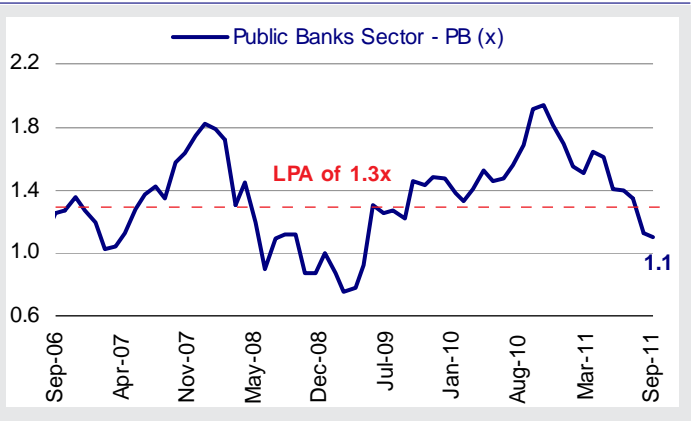
PSU banks: Concerns overplayed, expect performance as rates peak

- After the correction in YTD CY11, PSU banks' valuations are significantly below their historical averages.
- While moderation in economic growth will lead to some macro concern, profitability drivers such as margins, operating leverage and stable credit costs will lead to robust earnings growth of ~18% over FY12 and FY13.
- As the market sees evidence of the end of the rate cycle, the stage will be set for a return of performance for PSU banks. Our top picks are **SBI, PNB** and **OBC**.

PER (x)



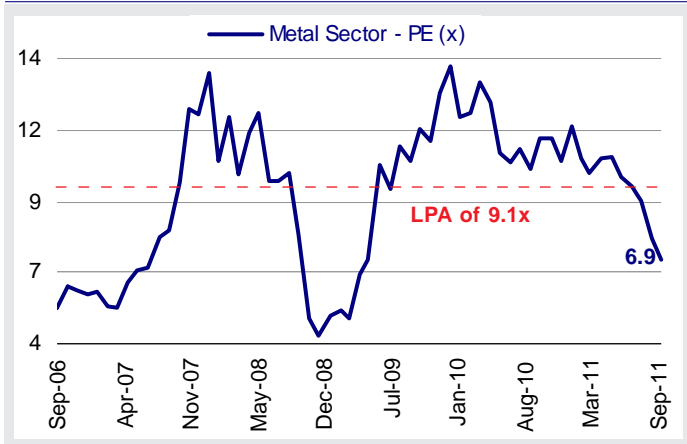
P/BV (x)



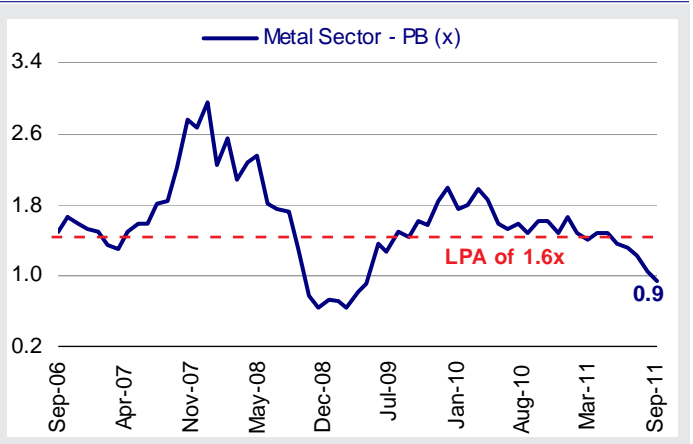
Metals: Recovery contingent on demand improvement, project execution

- The sector has faced several headwinds in 2011, given uncertainty in developed economies and a slowdown in domestic steel demand. Indian metals stocks are trading at a 50-60% discount to replacement cost based NAV.
- Tata Steel is our top pick for its strong cash flow and volume growth in the high margin domestic business and several opportunities at TSE (Tata Steel Europe) to improve margins in the long-term.

PER (x)



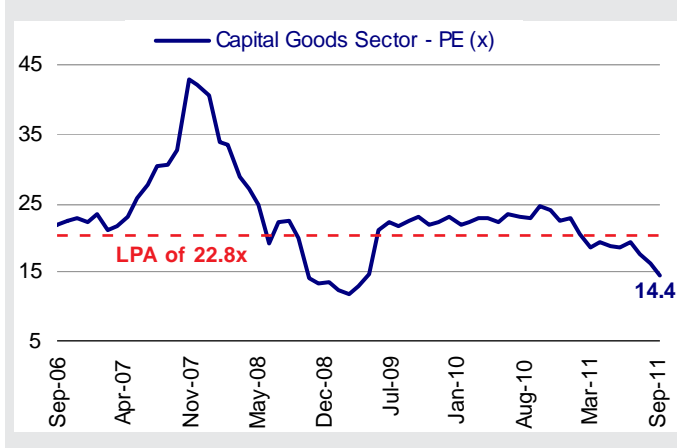
P/BV (x)



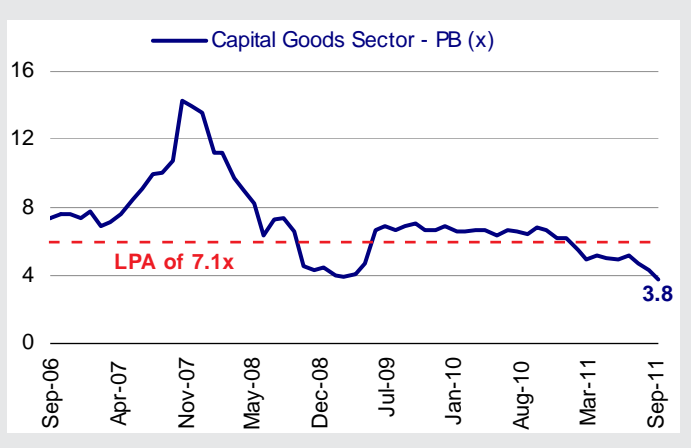
Capital Goods: Policy paralysis, execution constraints may impact valuations

- Successive interest rate increases have adversely impacted project investment, leading to a sharp decline in industrial growth. Policy paralysis (leading to resource constraints) and increased headwinds in project execution (land acquisition and environmental permissions) led to project deferrals.
- While the sector has corrected YTD, we are cautious given the lack of near-term growth catalysts.
- Historical valuations may not serve as a good guide to future valuations enjoyed by the sector considering a dramatic change in the operating environment in terms of serious constraints in executing green-field projects, increased intensity of competition from global players and falling order intake and book-to-bill ratios.

PER (x)



P/BV (x)



Mid-performer sectors:
 Utilities, Technology, Oil & Gas,
 Autos, Private Banks

Mid-performers

Technology, Utilities attractively positioned

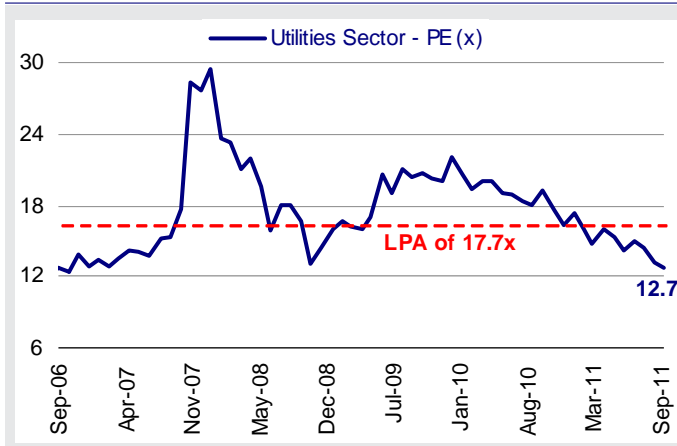
Utilities: Valuations impacted by execution delays, resource constraints

We recommend an investment strategy that focuses on the "essentials". Consider the following:

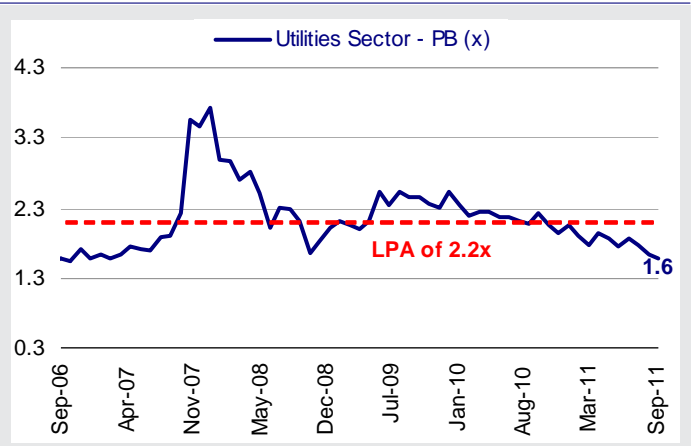
- (1) upfront capacity addition,
- (2) relatively secure fuel supply,
- (3) dynamic PPA structure (with cost escalation) and low dependence on the merchant market, and
- (4) strong balance sheet/cash flow and earnings visibility.

CPSUs are our preferred sectoral theme, given acceleration in their earnings growth and valuations at historic lows. **NTPC** is our top pick.

PER (x)



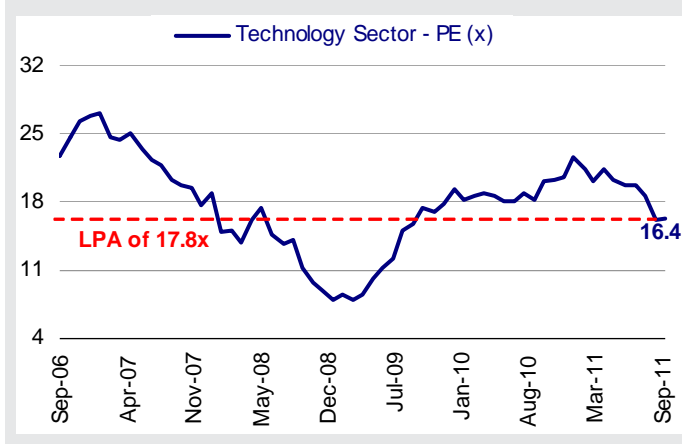
P/BV (x)



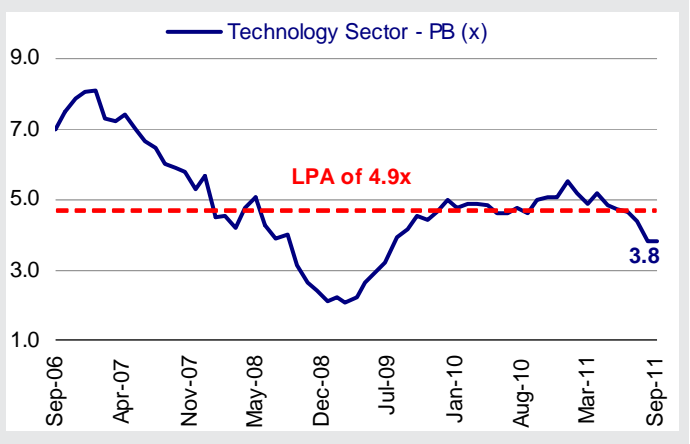
Technology: Expect earnings growth despite global headwinds

- Despite global macro weakness, we expect top-tier companies to grow their US dollar revenues by 12-18% in FY13.
- Even in the event of a systemic shock like Lehman, the companies will be able to grow their earnings through levers like variable payouts and deferrals of salary increases if volumes come under pressure.
- **Infosys** and **HCL Tech** are our top picks.

PER (x)



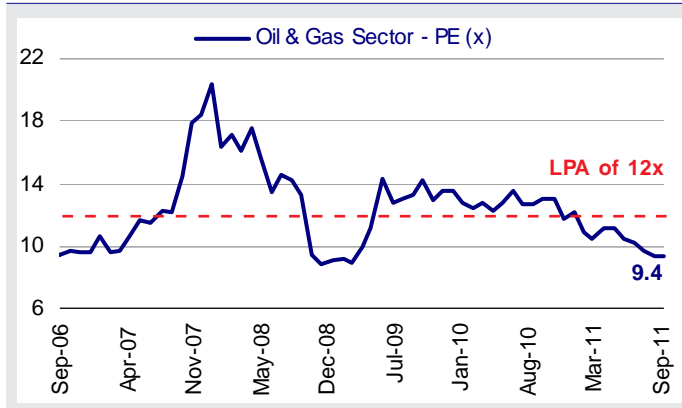
P/BV (x)



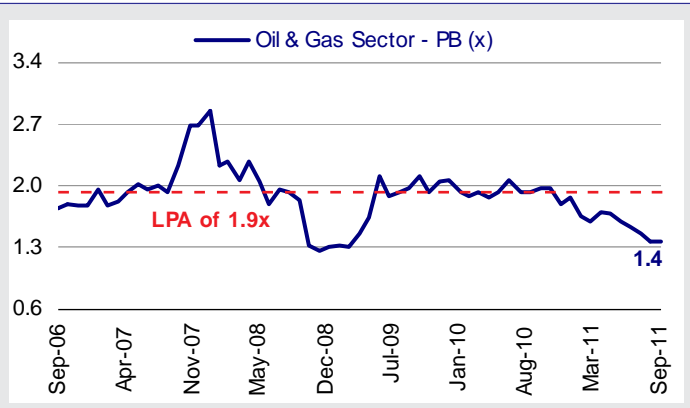
Oil & Gas: Regulatory issues impact performance

- While the risk-reward ratio is turning favorable, led by valuations in large cap stocks, the exuberance (after a production start at KG-D6 and the Rajasthan block) is waning largely due to regulatory issues. The government will have to play a key role in breaking the stalemate through (1) policy decisions (reforms to reduce under-recoveries) and (2) expediting approvals (through DGH and PNGRB).
- Of PSU oil stocks (OMCs, ONGC and GAIL), we are positive on **ONGC** given attractive valuations and hopes on steps towards reducing under-recoveries over the long term. We are Neutral on **GAIL** and **GSPL** given headwinds to incremental gas availability. Risk reward is positive in Cairn India in view of resolution of royalty and cess issues, which should lead to increased production and likely positive upsides on the reserve numbers.

PER (x)



P/BV (x)



Top performers: Telecom, Healthcare, Cement, Consumer

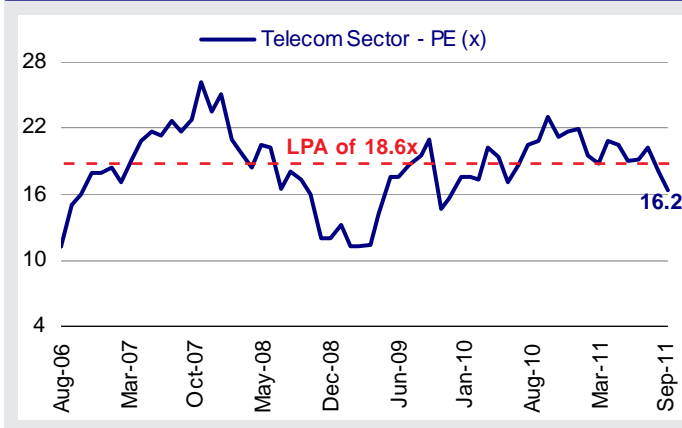
Top performers

Consumer valuations run ahead of fundamentals; Telecom offers long-term potential

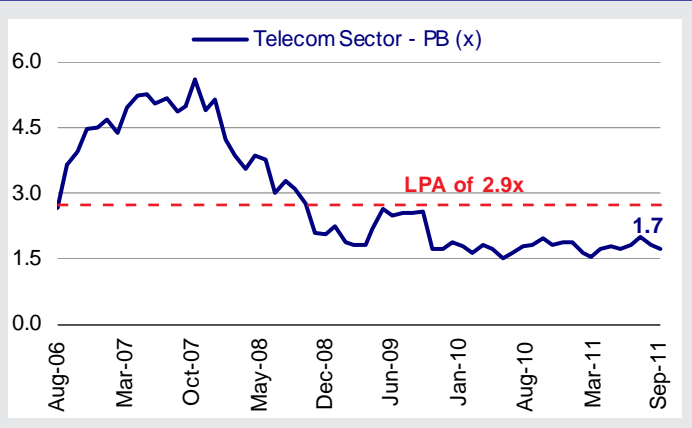
Telecom: Improving competitive environment, robust earnings CAGR

- Improving competitive environment and increased data usage led by 3G rollouts should drive better revenue growth and margin expansion for Indian wireless companies.
- We expect industry revenue growth to improve from 9% CAGR over FY09-11 to 21% CAGR over FY12-14 driven by (1) continued volume growth, (2) RPM inflection, and (3) increased VAS contribution.
- **Bharti** and **Idea** will be key beneficiaries of the ongoing structural improvement. **Idea** is our preferred pick.

PER (x)



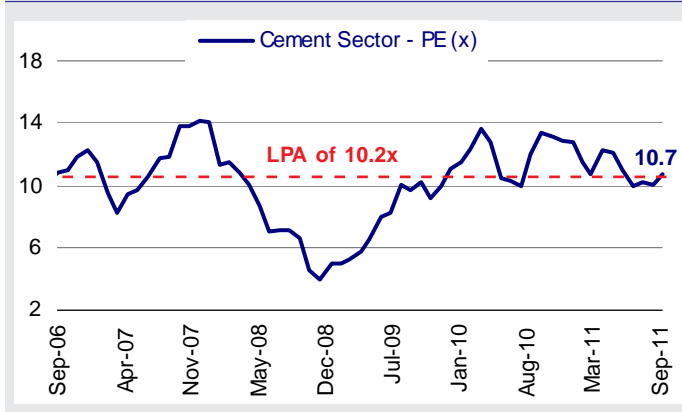
P/BV (x)



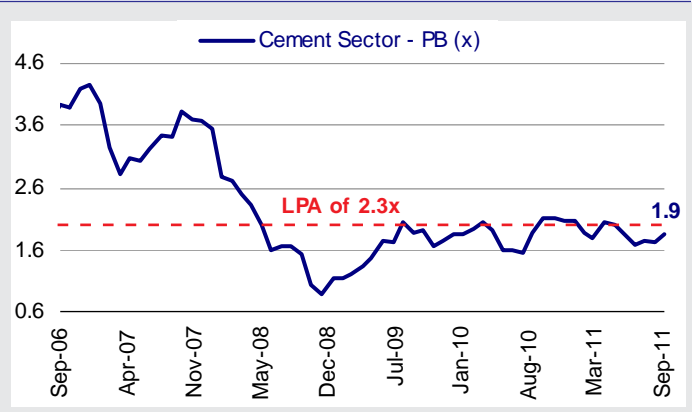
Cement: Pricing discipline, demand revival to drive stock performance

- Operating performance is expected to bottom out in 2QFY12 with trough utilization, pricing and profitability.
- Recovery in demand, lower capacity addition and price recovery would be key drivers of sustainable improvement in operating performance.
- Based on current pricing our FY13 estimates will see upgrades of 6-14%. We expect revival in cement demand to be a key catalyst for stock performance.
- We prefer **Ambuja** and **UltraTech** among large-caps and **Birla Corp** and **India Cement** among mid-caps.

PER (x)



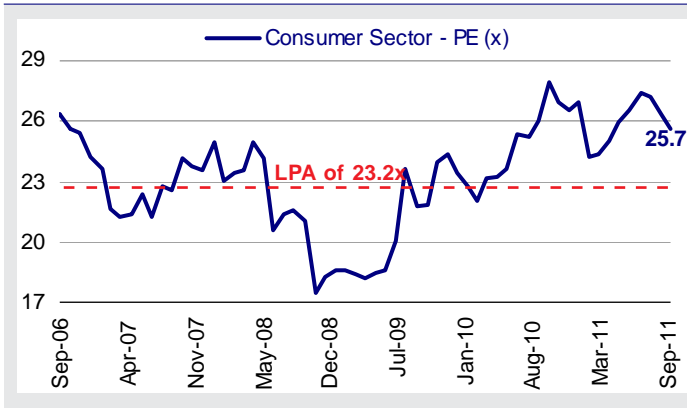
P/BV (x)



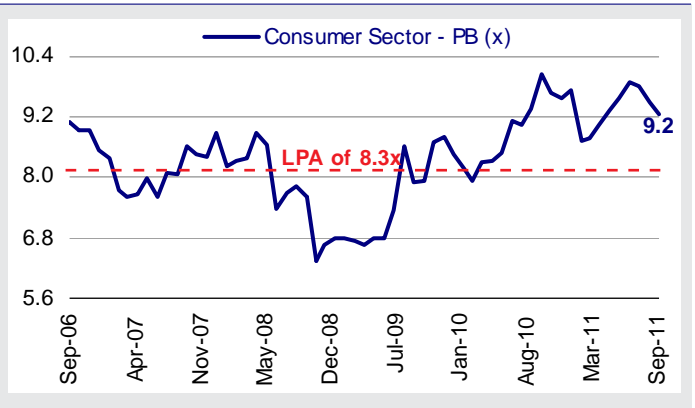
Consumers: Valuations run ahead of fundamentals

- While we are positive on consumer demand growth, sectoral valuations have run ahead of fundamentals given (1) volatile input costs and (2) rising competition from domestic and MNC players.
- We recommend an investment strategy with key focus on (1) high entry barriers in the core business, (2) pricing power and (3) strong cash flow/dividend payout and low debt. **ITC** is our top pick.

PER (x)



P/BV (x)



Earnings-Valuation trade-off opportunities

We have also evaluated stocks with three distinct earnings-valuation trade-off profiles:

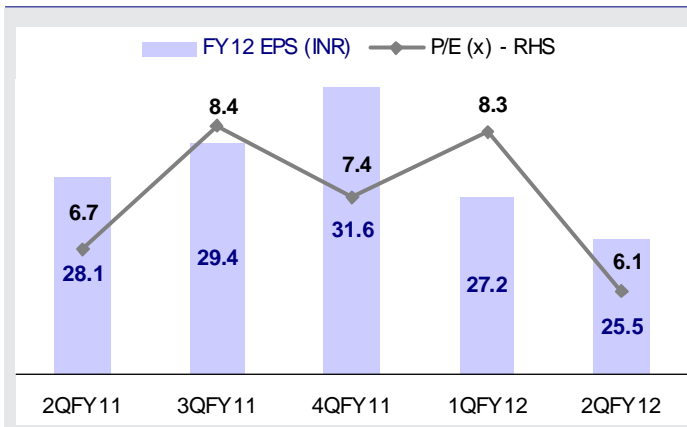
- #1 Double whammy** i.e. stocks hit by both earnings downgrades and valuation de-rating; this subset offers both earnings upside and re-rating possibilities.
- #2 Re-rating candidates** i.e. whose valuations got de-rated despite no major earnings downgrade; this subset offers re-rating possibility when sentiment improves.
- #3 Low margin of safety** i.e. stocks which have seen both earnings upgrades and valuation re-rating; any earnings disappointment going forward will also lead to valuation de-rating, compounding the possibility of high negative returns from current levels.

Double whammy

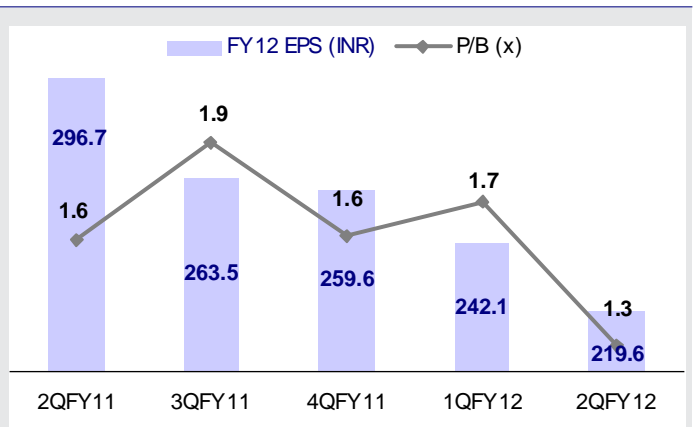
Impact of earnings downgrades and PER de-rating

- This category includes stocks whose performance has been impacted by continuous rounds of earnings downgrades and valuation de-rating.
- This subset, in our opinion, can provide both earnings upside and meaningful re-rating possibilities with improvements in business dynamics.

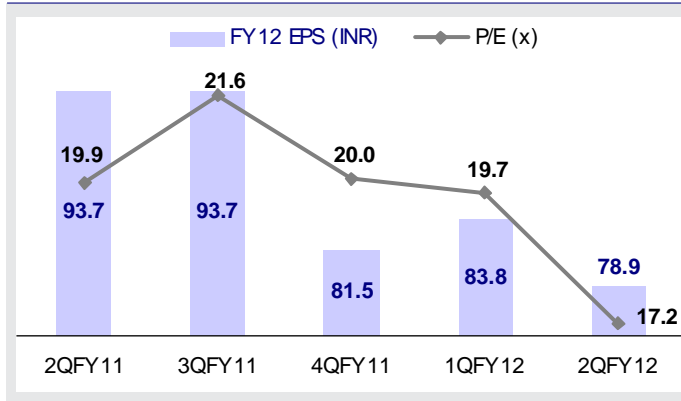
Tata Motors EPS revision trend



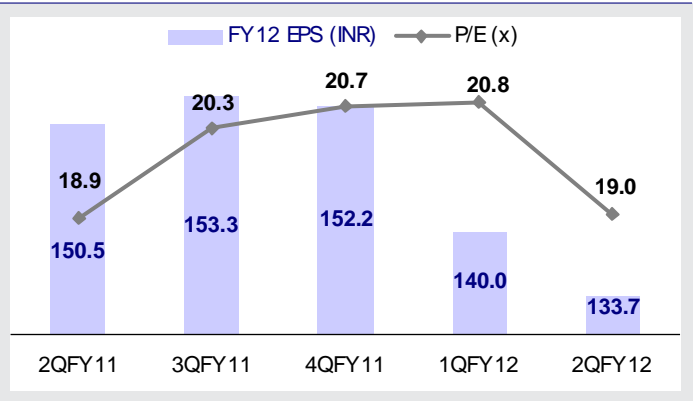
State Bank of India EPS revision trend



L&T EPS revision trend



Infosys EPS revision trend

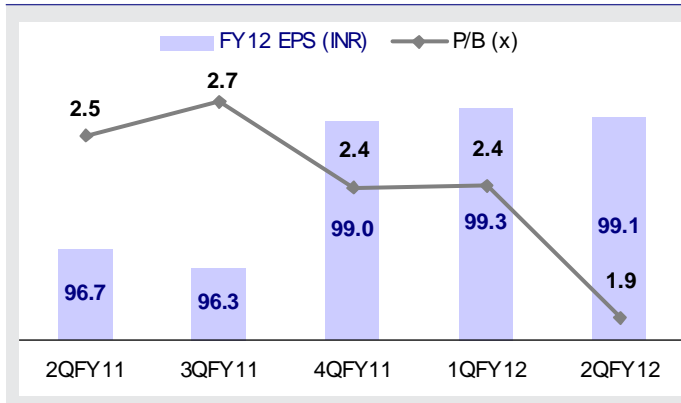


Re-rating candidates

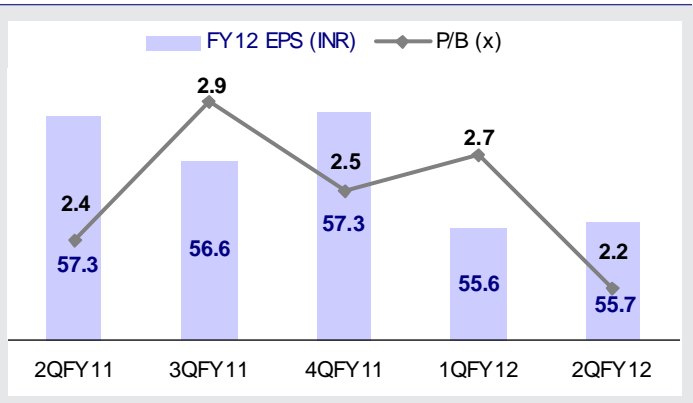
Impact of valuation de-rating; earnings maintained

- This category includes stocks whose performance has been impacted by valuation de-ratings, while earnings have been largely maintained in a 10% band.
- We believe these stocks will benefit from re-rating as and when the macro outlook, and hence market valuation, improves.

Axis Bank EPS revision trend



ICICI Bank EPS revision trend



Valuation divergence

PE (x) - Top 10 stocks with highest premium to LPA

	Current	LPA	Prem / Disc (%)	
			LPA	Sensex
Bajaj Auto	13.7	10.2	35	3
M&M	14.0	11.8	18	6
Sun Pharma	23.9	20.4	18	81
Hind Unilever	28.6	24.6	16	115
Hero Honda	15.2	13.5	12	15
ITC	23.2	20.9	11	75
Ambuja Cement	15.0	13.8	9	13
ACC	14.3	13.2	9	8
TCS	18.7	17.6	7	41
GAIL (India)	13.2	12.4	6	-1

PE (x) - Top 10 stocks with highest discount to LPA

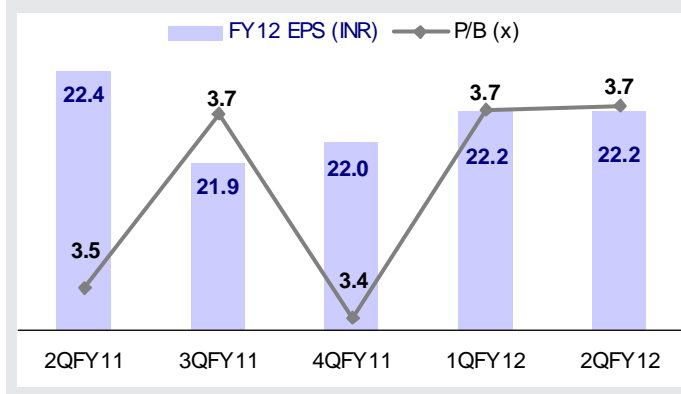
	Current	LPA	Prem / Disc (%)	
			LPA	Sensex
Reliance Infra	6.4	23.8	-73	-52
Cairn India	6.3	20.3	-69	-52
BHEL	10.8	21.4	-50	-19
Tata Motors	5.7	10.4	-45	-57
IDFC	10.3	17.9	-42	-22
Sterlite Inds	5.6	9.6	-42	-58
JP Associates	18.4	31.1	-41	39
Tata Power	10.4	17.3	-40	-22
Reliance Inds	10.3	15.6	-34	-22
Axis Bank	9.5	14.2	-33	-28

Low margin of safety

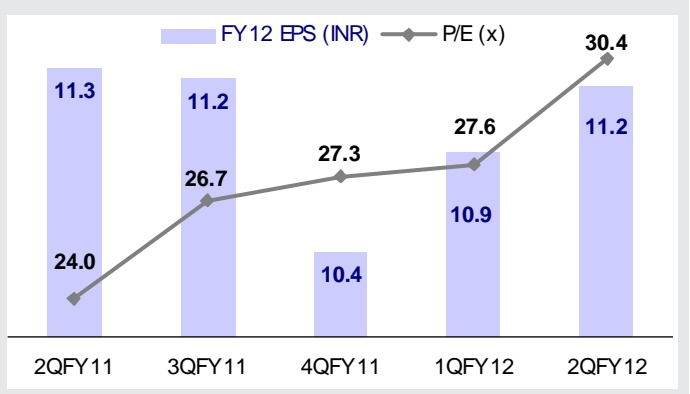
Beneficiaries of PER sustenance/expansion, robust earnings

- The category includes the best performing stocks in the recent past and continued robust earnings momentum, which led to valuation expansion/sustenance.
- While many of the companies offer 'certainty, in an uncertain environment' valuations are running out of the comfort zone.

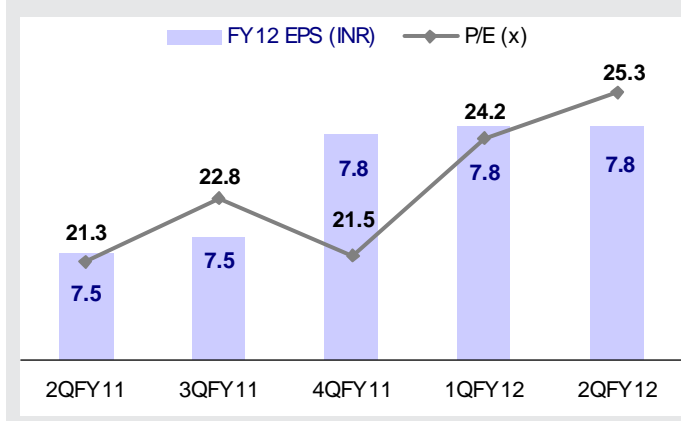
HDFC Bank EPS revision trend



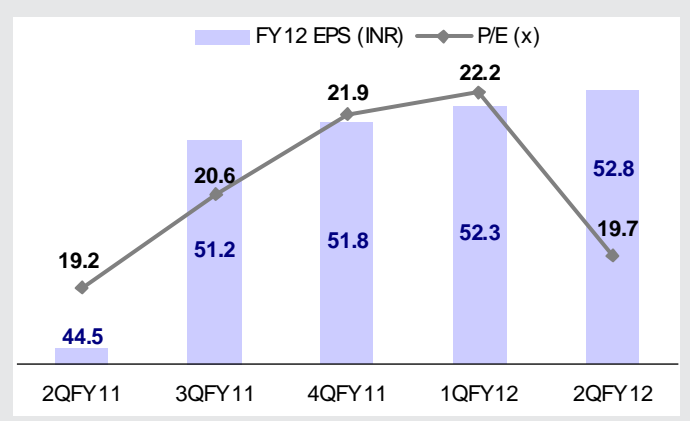
Hindustan Unilever EPS revision trend



ITC EPS revision trend



TCS EPS revision trend



MOSL model portfolio



Sector weight / Portfolio Picks	BSE-100	MOSL Weight	Weight relative to BSE-100	Effective Sector Stance
Financials	26.0	24.0	-2.0	Neutral
Private	13.3	11	-2.3	Neutral
ICICI Bank	5.2	5	-0.2	Buy
Axis Bank	1.5	4	2.5	Buy
Yes Bank	0.3	2	1.7	Buy
PSU	6.5	9	2.5	Overweight
SBI	2.9	6	3.1	Buy
PNB	0.7	3	2.3	Buy
NBFCs	6.2	4	-2.2	Neutral
LIC Housing	0.3	2	1.7	Buy
PFC	0.3	2	1.7	Buy
Technology	11.2	12.0	0.8	Neutral
Infosys	6.3	8	1.7	Buy
HCL Tech	0.6	4	3.4	Buy
Oil & Gas	12.7	9.0	-3.7	Underweight
Reliance Inds.	7.5	5	-2.5	Neutral
ONGC	2.3	2	-0.3	Buy
Cairn India	0.6	2	1.4	Neutral
Infrastructure & Related sectors	10.6	8.0	-2.6	Underweight
Larsen & Toubro	4.0	4	0.0	Buy
Jaiprakash Associates	0.4	2	1.6	Buy
UltraTech	0.7	2	1.3	Buy
Auto	7.2	8.0	0.8	Overweight
Hero Motocorp	1.0	3	2.0	Buy
Tata Motors	1.5	3	1.5	Buy
Maruti	0.8	2	1.2	Buy
Telecom	3.4	7.0	3.6	Overweight
Bharti Airtel	2.6	5	2.4	Buy
IDEA	0.4	2	1.6	Buy
Consumer / Retail	10.3	7.0	-3.3	Underweight
ITC	5.6	5	-0.6	Buy
Asian Paints	0.8	2	1.2	Buy
Utilities	6.6	6.0	-0.6	Neutral
NTPC	1.4	4	2.6	Buy
Coal India	1.2	2	0.8	Buy
Healthcare	4.8	5.0	0.2	Neutral
Cipla	0.8	3	2.2	Buy
Lupin	0.6	2	1.4	Buy
Metals	4.5	4.0	-0.5	Underweight
Tata Steel	1.5	2	0.5	Buy
Sterlite Inds	0.9	2	1.1	Buy
Others	2.7	10.0	6.3	Overweight
Birla Corp	0.0	1	1.0	Buy
Dewan Housing	0.0	1	1.0	Buy
Oberoi Realty	0.0	1	1.0	Buy
Oriental Bank of Commerce	0.0	1	1.0	Buy
Pantaloon	0.0	1	1.0	Buy
Prestige Estate	0.0	1	1.0	Buy
Shriram Transport	0.4	1	0.6	Buy
Sintex Industries	0.0	1	1.0	Buy
Strides Acrolab	0.0	1	1.0	Buy
Torrent Pharma	0.0	1	1.0	Buy
Cash	0.0	0.0	0.0	
Total	100.0	100.0		

2QFY12 Earnings Preview: Another slow quarter

Aggregate PAT to grow 10% YoY; Sensex PAT 10% YoY

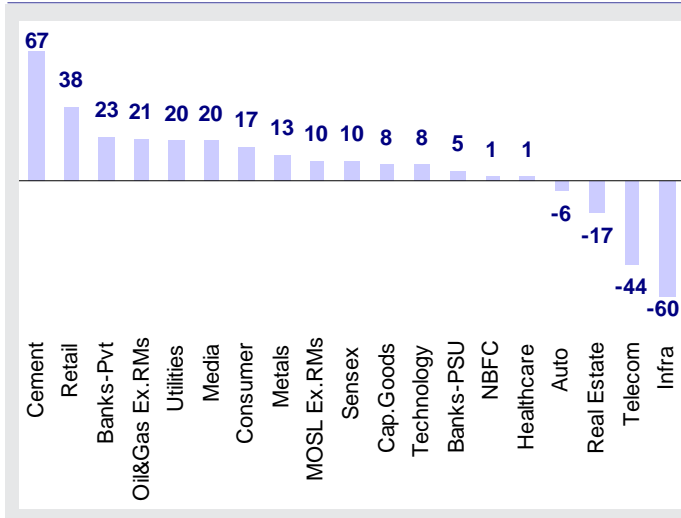
2QFY12 earnings will be reported amidst an adverse macro backdrop. Interest rates were up a further 50-75bp during the quarter, demand in the domestic economy weakened and the rupee depreciated by ~10% against the US dollar. Key highlights of the earnings season are:

- Aggregate (ex RMs) sales growth of 20.9%, EBITDA growth of 11.7%, PAT growth of 9.7%.
- EBITDA margins will contract 190bp YoY to 23.6% (the second lowest margin quarter in the past eight years), PAT margins will contract 120bp YoY to 12.7% (the lowest margin quarter in the past eight years).
- The number of companies in our universe with growth rates of over 30% is the lowest at 19%, and the percentage of companies with YoY decline is at an eight quarter high of 33%.
- The top three contributors to aggregate earnings are financials, oil & gas and metals, accounting for 57% of 2QFY12 earnings.
- Sectors with strong YoY PAT growth include Cement (67% YoY due to low base effect), Private Banks (+23% YoY) and Oil & Gas (excl. RMs) 21% YoY.
- FMCG, private banks and retailing are the only three sectors in which all companies will report earnings growth.
- Sectors with disappointing/muted growth are PSU banks, telecom and automobiles. Telecom, with a decline of 44%, will shave off 200bp from aggregate growth.

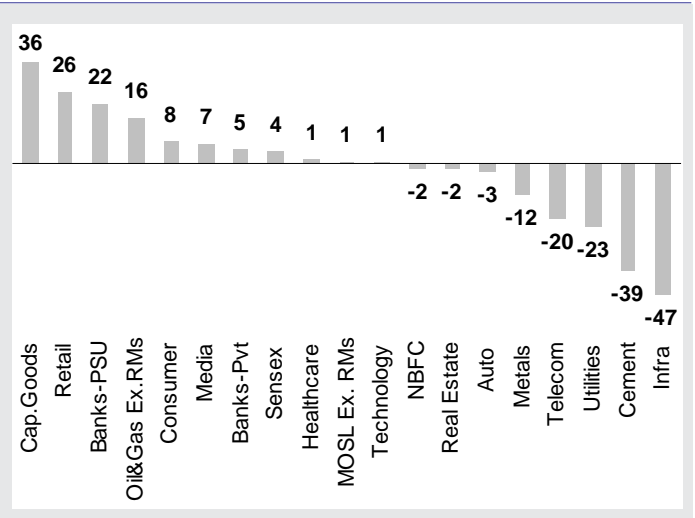
Quarterly Performance - MOSL Universe (INR b)

Sector (no. of companies)	Sales			EBITDA			Net Profit		
	Sep-11	Var. % YoY	Var. % QoQ	Sep-11	Var. % YoY	Var. % QoQ	Sep-11	Var. % YoY	Var. % QoQ
Auto (5)	593	13.9	0.2	75	1.2	-1.6	43	-5.7	-2.9
Capital Goods (9)	335	18.0	23.3	44	9.8	37.9	29	8.2	36.4
Cement (7)	113	19.9	-10.7	21	54.7	-36.1	12	67.0	-38.9
Consumer (12)	243	20.1	2.3	51	19.0	8.6	34	16.9	7.8
Financials (25)	386	14.3	4.2	306	11.2	3.3	155	8.4	11.2
Private Banks (8)	90	13.7	3.5	77	13.6	7.8	43	22.6	4.8
PSU Banks (9)	241	13.4	3.6	181	12.3	2.8	80	4.8	21.7
NBFC (8)	55	19.9	8.1	48	3.8	-1.4	32	1.4	-1.9
Healthcare (16)	162	12.9	4.1	34	14.7	-0.2	23	1.3	1.2
Infrastructure (6)	92	9.0	0.0	12	-3.9	-13.4	1	-60.4	-47.4
Media (5)	17	8.4	3.9	7	12.8	10.5	4	20.3	7.3
Metals (9)	918	19.8	0.1	152	13.8	-11.2	80	12.9	-11.6
Oil & Gas (12)	3,425	38.7	5.0	352	-3.9	98.3	198	-13.8	322.5
Excl. RMs (9)	1,449	35.8	4.6	286	12.9	14.2	164	21.2	16.5
Real Estate (7)	40	3.6	1.1	17	5.9	2.8	8	-16.7	-2.5
Retail (4)	61	29.4	11.6	6	32.5	17.2	3	37.7	26.0
Technology (7)	366	18.0	6.0	87	8.9	6.3	64	7.7	0.9
Telecom (4)	277	12.8	2.3	88	12.5	1.2	14	-43.8	-20.0
Utilities (11)	457	13.7	-2.4	111	8.5	-16.9	65	20.4	-22.8
Others (1)	17	35.5	-7.9	3	34.6	-6.1	1	-41.5	-63.6
MOSL (140)	7,502	25.6	3.7	1,368	7.0	12.5	734	0.2	22.5
MOSL Excl. RMs (137)	5,527	20.9	3.1	1,302	11.7	1.0	700	9.7	1.0
MOSL Ex. Oil & Gas (128)	4,077	16.3	2.5	1,016	11.3	-2.2	536	6.7	-3.0
Sensex (30)	3,630	21.1	3.6	815	10.7	2.9	433	9.6	4.1

2QFY12 sector PAT growth (YoY, %)



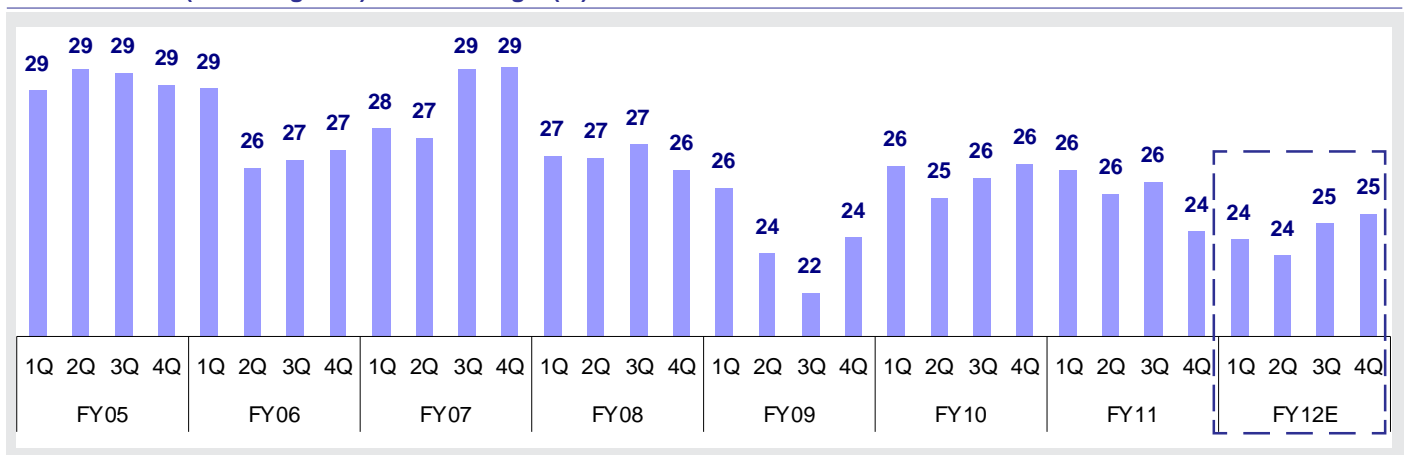
2QFY12 sectoral PAT growth (QoQ, %)



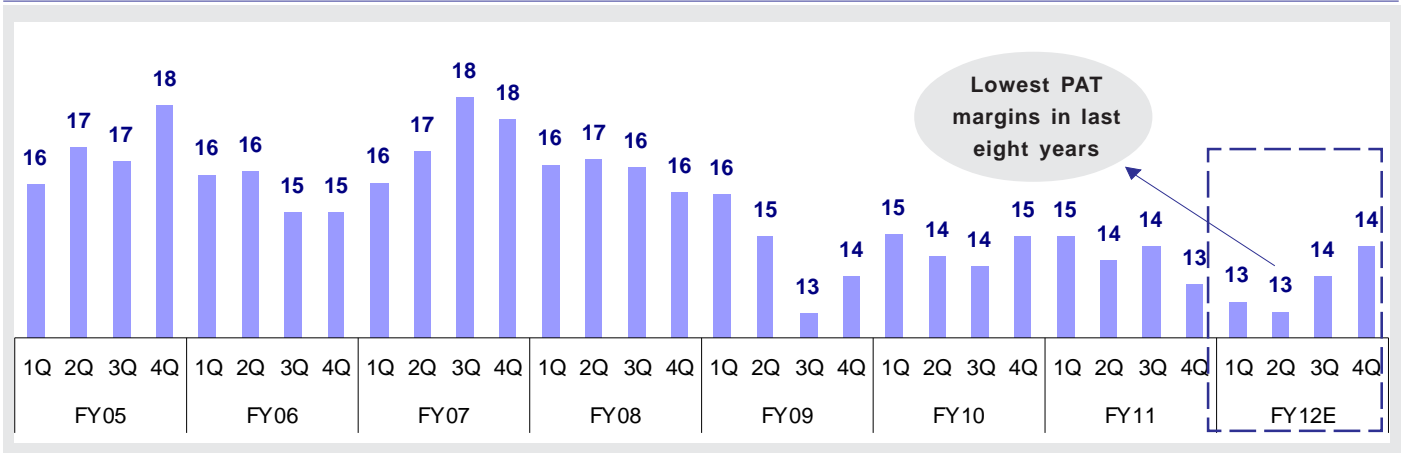
Quarterly PAT trend (MOSL Universe, INR b)

Sector	2007		2008				2009				2010				2011				2012
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Auto	15	17	17	22	14	-9	4	7	22	30	39	42	46	48	50	45	43	47	47
Capital goods	16	18	25	15	18	21	34	16	20	24	44	21	27	31	50	22	29	34	59
Cement	17	17	16	17	14	15	19	23	22	17	18	19	7	11	20	20	12	17	24
Consumer	19	20	18	20	20	21	21	24	26	27	24	27	29	31	30	32	34	37	36
Financials	74	87	89	72	97	119	121	110	120	128	124	142	143	158	135	139	155	183	202
Healthcare	14	13	14	14	14	13	4	15	18	9	18	22	23	19	24	23	23	23	24
Infrastructure	2	3	4	3	3	3	6	4	3	5	5	3	3	4	4	2	1	2	5
Media	2	2	2	3	2	2	2	3	3	3	3	3	3	4	5	4	4	5	5
Metals	73	68	104	112	122	48	28	29	42	71	103	86	71	76	108	90	80	89	117
Oil & Gas Ex. RMs	102	96	81	139	106	52	80	103	104	89	101	100	135	147	125	141	164	142	150
Real Estate	28	31	35	26	27	11	3	7	9	9	9	9	9	9	7	7	7	10	11
Retail	1	1	1	0	1	1	1	0	1	1	1	2	2	2	2	2	3	3	3
Technology	38	40	40	39	46	48	46	48	51	54	56	55	60	63	64	64	64	70	74
Telecom	32	34	38	40	39	39	40	46	34	36	35	22	24	22	19	17	14	25	32
Utilities	25	28	30	28	29	30	38	36	31	32	37	31	29	33	41	34	32	39	48
Others	1	0	2	1	1	1	2	2	1	1	2	1	1	1	2	2	1	1	3
MOSL Univ Excl RMs	459	476	518	553	555	414	448	473	506	536	620	586	612	660	685	642	666	728	841

MOSL universe (excluding RMs) EBITDA margin (%)



MOSL universe (excluding RMs) PAT margin (%)



2QFY12 sectoral highlights

Autos will see a decline in earnings in 2Q and 2H

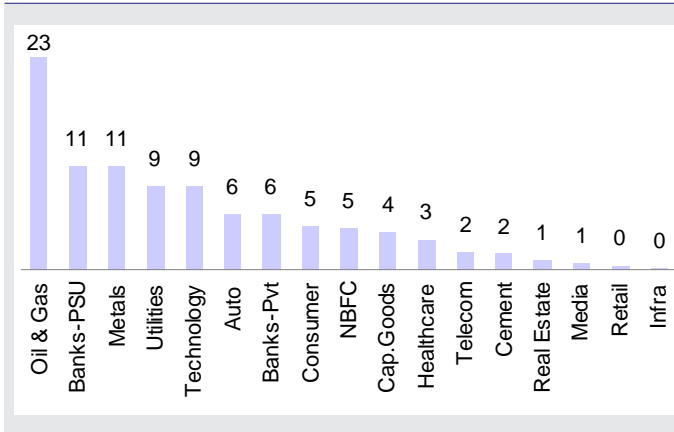
Cement will be the top performing sector

Financials will see a 14% NII growth but only a 8% PAT growth

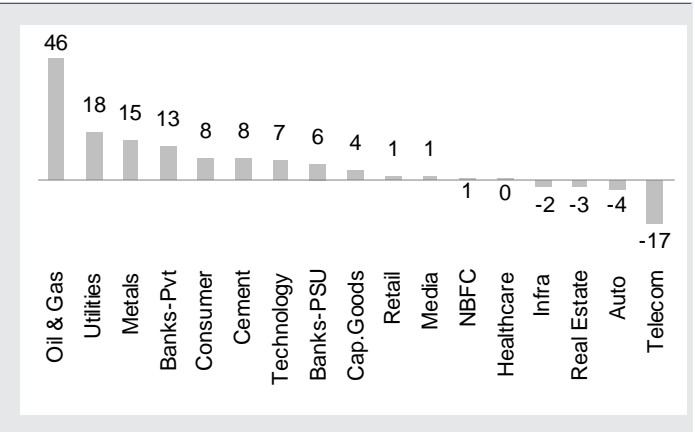
- Automobiles will deliver a 6% decline in earnings, driven by Maruti (decline of 34%) and Tata Motors (decline of 8%). Even two-wheeler companies will grow by only 6-10%. Severe margin pressures exist across companies as EBITDA growth is just 1% despite sales growth of 14%. We expect the sector's 2HFY12 earnings to decline too. However, a recent correction in commodities could help margins hereon.
- Capital goods will post 8% earnings growth on 18% revenue growth. L&T will report 4% earnings growth and BHEL will report 12% earnings growth. Crompton, after a terrible 1QFY12, will report another big decline of 32% YoY (we expect 2HFY12 earnings also to decline). ABB's earnings growth is inflated due to a low base effect.
- The cement sector will report strong YoY growth of 67% on a low base (the sector outperformed the Sensex by 27% during the quarter). We expect strong momentum in 2HFY12, driven by seasonal improvement in demand and production discipline among players.
- Consumer goods will report growth of 16.9% on sales growth of 20.1%. Several companies, such as ITC, Asian Paints, GSK, Pidilite and Nestle will grow by about 20%. Colgate, Godrej and Marico will post single-digit growth. Recent commodity price correction will help margins in 2HFY12 (PAT growth of 20% v/s 16% in 1HFY12).
- Financials will report muted growth of 8.4% as PSU banks will struggle to show growth led by higher credit costs. While NII growth will be strong at 14%, earnings can surprise negatively as banks are in the midst of a transition to system-based NPA norms. Private banks will report their lowest NII growth at 13.7% over the past two years. NBFCs will report flat growth as the Infra/Power NBFCs report nil growth/decline in earnings.
- Infrastructure will be the only sector with an EBITDA decline of 3.9%. Earnings decline is very sharp at 60% led by a huge increase in interest costs. HCC is likely to report a loss during the quarter.
- The oil & gas sector (ex RMs) with 21% growth will be a key driver this quarter. Sales growth of 35.8% is driven by higher energy prices and strong refining margins. Reliance will report 18% earnings growth, led by strong GRMs. Cairn India will deliver 59% growth (3QFY12 onwards, growth rates will slow).

- Technology will have strong revenue growth of 18% but muted earnings growth of 7.7%. TCS will perform best among large companies, while HCL Tech, with 43% growth, will also be a big contributor. Infosys is expected to upgrade its FY12 EPS guidance led by favorable forex movement.
- Telecom will have EBITDA growth of 12.5% but PAT will decline 43.8%. Bharti's PAT decline will be driven by mark-to-market currency losses.
- The utilities sector's growth of 20.4% will be driven by Coal India (37% growth) and Adani Power (76%). JSW Energy, Tata Power and CESC will post a decline in earnings.

Sector-wise contribution to PAT (%)



Sector-wise contribution to YoY PAT growth (%)



ITC will report another 20% growth

Company highlights

- ITC will report 20% growth (its third year of 20% growth in all quarters).
- Hindustan Unilever will report double-digit growth in all four quarters of FY12. This feat has only been achieved thrice in the past 10 years.
- BHEL will report growth of 11.9%. It is the only company in the sector that has not reported a contraction in earnings in a single quarter over the past 16 quarters.
- SBI's earnings will be flat after reporting a drop of 46-99% in the previous two quarters. We expect growth to turn positive from 3QFY12, driving the sector growth.
- HDFC Bank will report over 30% PAT growth. It has maintained this feat for the past 46 quarters.
- ACC will make a strong comeback with an earnings growth of 95% after reporting a decline in the past seven quarters. We expect strong growth momentum in 2HFY12.
- Cipla will return to a growth phase after four quarters of earnings declines. We model earnings growth acceleration for the rest of FY12 (from 9% in 2QFY12 to 21% in 4QFY12). Currency depreciation could aid earnings in 2HFY12.
- Bharti will post EBITDA growth of 14% and earnings decline of 37%, led by mark-to-market forex losses and higher interest costs. 2HFY12 will mark strong growth in profits led by improved tariff stabilization in domestic operations and improving margins in its African operations.
- Reliance will have its eighth consecutive quarter of double-digit growth. We expect growth to moderate from the next quarter (5% in 2HFY12).
- Cairn India's growth rates will normalize from 2QFY12. From growth of 6-9x in earnings until 1QFY12, we expect growth of 59% in 2QFY12, followed by 27% and 18% in the remaining two quarters of FY12.

HDFC Bank's 46th quarter of 30% growth

Bharti's PAT impact by MTM losses

- SAIL will have its sixth consecutive quarter of earnings decline and is expected to maintain this trend through 2HFY12.
- Several real estate companies will end their phase of YoY earnings decline. We expect HDIL, Unitech and Anant Raj to report growth from 3QFY12.

2QFY12 Sensex PAT growth low at 10%

- We expect Sensex sales growth of 21% YoY, EBITDA growth of 11% YoY and PAT growth of 10% YoY. Nine of the 30 Sensex companies will post a decline in earnings and SBI will post zero growth.
- The top five PAT growth Sensex companies are expected to be Coal India, Sterlite, HDFC Bank, TCS and ITC.
- The bottom five PAT growth companies are expected to be Bharti, Maruti, Jaiprakash, DLF and Tata Motors.

Sensex companies 2QFY12 (INR b)

	Sales			EBITDA			Net Profit			Contribution	
	Sep. 2011	Var % YoY	Var % QoQ	Sep. 2011	Var % YoY	Var % QoQ	Sep. 2011	Var % YoY	Var % QoQ	%	Gr. (%)
Bajaj Auto	50	16	6	10	9	7	8	10	6	2	2
Bharti Airtel	174	14	2	58	14	2	11	-37	-14	2	-16
BHEL	100	20	40	19	10	69	13	12	59	3	4
Cipla	18	9	11	4	17	11	3	9	13	1	1
Coal India	134	21	-7	21	20	-56	21	37	-50	5	15
DLF	24	1	-3	11	17	-2	4	-15	0	1	-2
HDFC	13	19	18	14	21	16	10	20	15	2	4
HDFC Bank	30	17	4	22	24	10	12	31	10	3	7
Hero Motocorp	57	26	0	6	9	5	5	6	-4	1	1
Hind. Unilever	54	14	-3	8	16	0	6	13	3	1	2
Hindalco	194	10	-3	23	4	-2	9	-4	-10	2	-1
ICICI Bank	25	13	3	24	10	9	14	17	9	3	6
Infosys	79	14	6	24	3	10	18	6	7	4	3
ITC	60	17	3	22	20	14	15	20	12	3	7
Jaiprakash Associates	35	16	9	6	-8	-19	1	-26	-21	0	-1
JSPL	41	33	4	17	12	3	10	9	5	2	2
Larsen & Toubro	112	21	18	12	10	4	7	4	-3	2	1
Mahindra & Mahindra	69	30	3	9	9	3	7	1	22	2	0
Maruti Suzuki	76	-16	-10	6	-33	-21	4	-34	-28	1	-5
NTPC	146	-1	3	33	-6	15	18	13	-4	4	5
ONGC	206	13	27	124	12	34	61	13	49	14	18
Reliance Industries	808	41	0	98	5	-1	58	18	2	13	23
State Bank	100	23	3	73	16	1	25	0	58	6	0
Sterlite Industries	98	61	0	28	85	2	17	66	7	4	17
Sun Pharma	16	19	0	5	11	-5	5	-3	-2	1	0
Tata Motors	341	18	2	44	5	-2	19	-8	-6	4	-4
Tata Power	18	8	-8	4	22	0	2	-7	-31	0	0
Tata Steel	349	22	6	37	1	-17	14	8	-2	3	3
TCS	116	25	7	33	20	10	25	21	7	6	12
Wipro	88	14	4	17	4	3	12	-5	-9	3	-2
Sensex (30)	3,630	21	4	815	11	3	433	10	4		

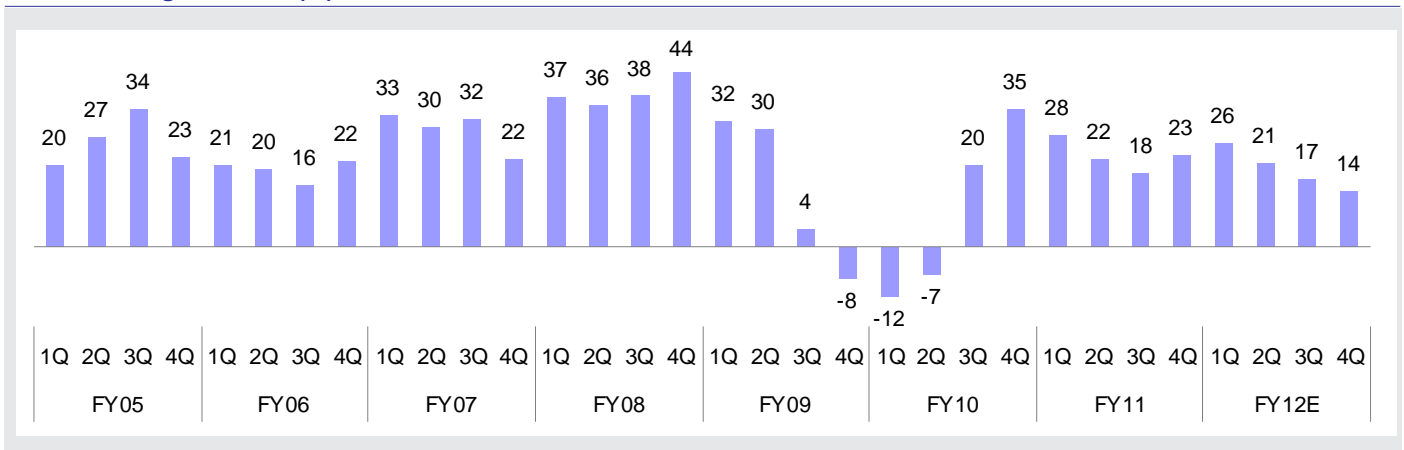
Expect Sensex earnings growth to revive only in 4QFY12

2QFY12 is the third in the series of the lowest four consecutive quarters of Sensex PAT growth excluding the global crisis period.

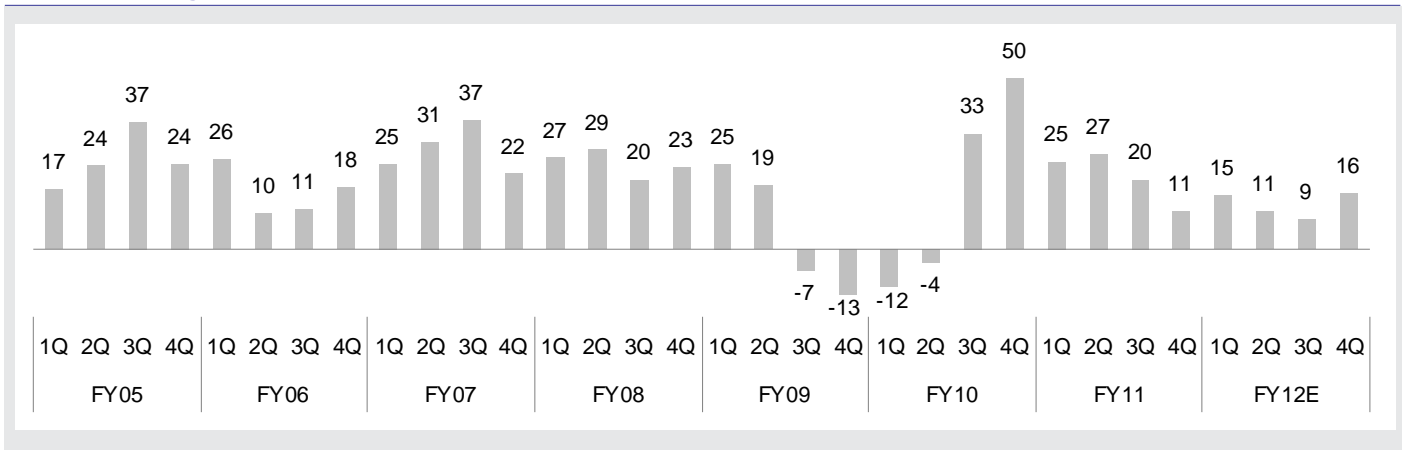
Achieving full-year (FY12) estimated Sensex PAT growth of 15% (EPS growth of 12%) will be challenging:

1. 10% growth in 2QFY12 would mean an implied growth of 18% in 2HFY12;
2. Even within that, 4QFY12 growth will need to be as high as 26% YoY (this is also due to SBI's profit wash-out in 4QFY11, ex-SBI: 18%).

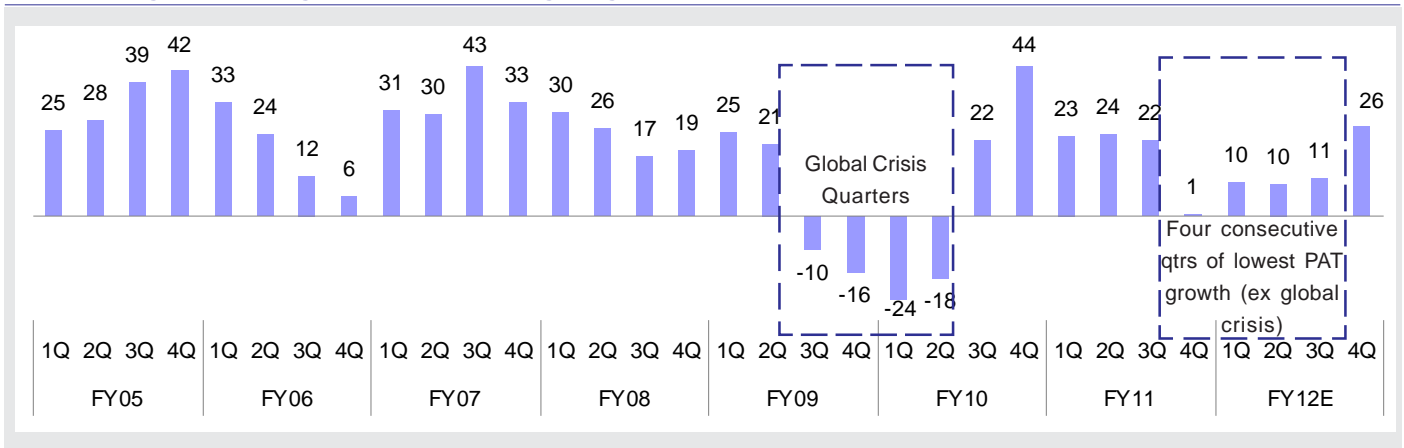
Sensex sales growth YoY (%)



Sensex EBITDA growth YoY (%)



Sensex PAT growth among the lowest excluding the global crisis



Earnings growth distribution: Skewed towards lower growth spectrum

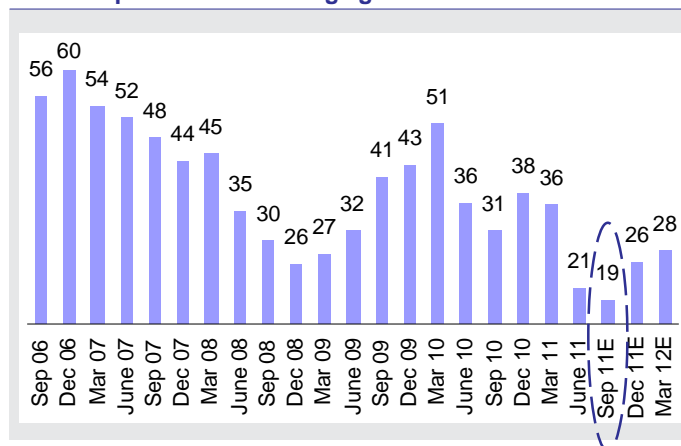
We have analyzed quarterly earnings growth of our universe since FY06 and distributed companies into four buckets of PAT growth: (1) >30%, (2) 15-30%, (3) 0-15% and (4) <0%.

2QFY12 earnings growth distribution suggests a skew towards a lower growth spectrum. The percentage of companies in the bracket of over 30% growth is the lowest at 19%, while companies with YoY decline in earnings is at an eight-quarter high of 33%.

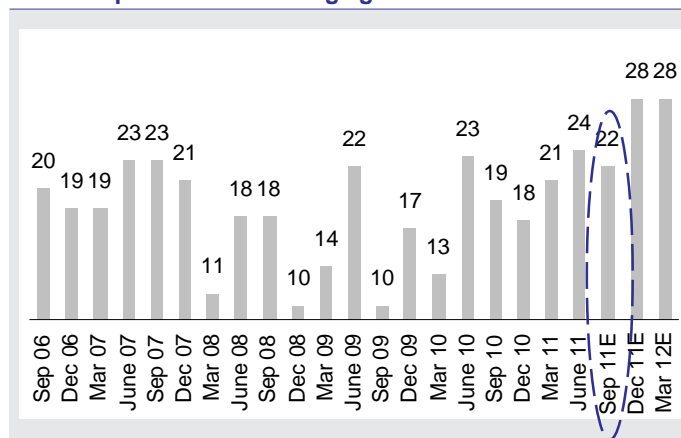
Earnings growth % of companies

Quarter Ending	PAT Gr. (%)	% of cos with PAT growth of			
		>30%	>15-30%	>0-15%	<0%
Mar 05	34	40	19	13	28
June 05	26	48	17	19	15
Sep 05	21	48	25	13	13
Dec 05	9	50	23	10	18
Mar 06	5	49	10	15	26
June 06	34	51	19	13	16
Sep 06	37	56	20	12	12
Dec 06	55	60	19	11	11
Mar 07	36	54	19	11	17
June 07	34	52	23	11	14
Sep 07	25	48	23	15	14
Dec 07	15	44	21	14	21
Mar 08	24	45	11	19	24
June 08	26	35	18	24	23
Sep 08	20	30	18	26	26
Dec 08	-8	26	10	22	42
Mar 09	-15	27	14	18	41
June 09	-15	32	22	14	32
Sep 09	-11	41	10	14	35
Dec 09	23	43	17	9	31
Mar 10	42	51	13	9	27
June 10	24	36	23	11	30
Sep 10	21	31	19	23	27
Dec 10	24	38	18	18	26
Mar 11	11	36	21	19	24
June 11	12	21	24	23	32
Sep 11E	10	19	22	25	33
Dec 11E	12	26	28	25	21
Mar 12E	22	28	28	21	23

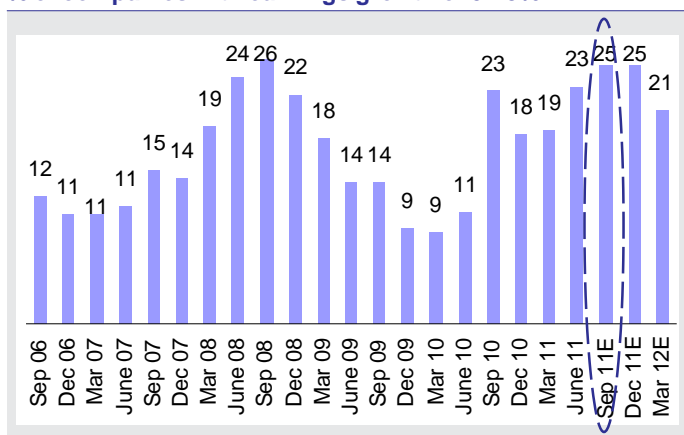
% of companies with earnings growth of >30%



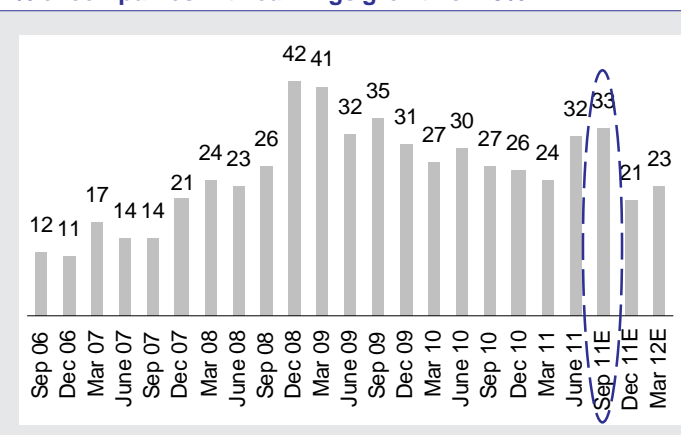
% of companies with earnings growth of 15-30%



% of companies with earnings growth of 0-15%



% of companies with earnings growth of <0%



Intra-sector 2QFY12 earnings divergence (%)

Sectors	Sector Growth (%)	+25% Growth	15-25% growth	0-15% growth	-ve earnings growth (%)	Earnings momentum
Autos	-6			Bajaj Auto: 10 Hero Moto: 6, M&M: 1	Tata Motors: -8, MSIL: -34	0 0 3 2
Capital Goods	8	ABB: 410	Havells: 21 Siemens: 20	BHEL: 12 L&T: 4	Cummins: -2, Crompton Greaves: -32	1 2 4 2
Cement	67	UltraTech: 195 ACC: 95 Ambuja Cements: 45		Grasim Inds: 4	Birla Corp: -15 Shree Cement: -94	4 0 1 2
Consumer	17		ITC:20, Asian Paints:20 Nestle: 17, United Spirits: 16	Hind. Unilever: 13, Marico: 10, Godrej Cons.:7		0 7 5 0
Bank - Private	23	IndusInd :38, HDFC Bank: 31	Yes Bank: 23, Axis Bk:19, ICICI:17	South Indian Bank: 8		3 4 1 0
Bank - PSU	5	Union Bank: 85	PNB: 18	BoB: 3, BoI: 3, SBI: 0	OBC: -4, Canara Bank: -18	1 1 5 2
Bank - NBFC	1	M&M Financial: 30	HDFC: 20, Dewan Housing: 19, Shriram Transport: 19	LIC Hsg: 14 IDFC: 0	REC: -9, PFC: -28	1 3 2 2
Healthcare	1	Strides: 56, Divis Labs: 34	Torrent: 15, Glenmark: 15	Cipla: 9, Ranbaxy: 7	Lupin: -2 Sun Pharma: -3 Cadila: -7, Dr Reddy's: -19	3 2 4 7
Infra.	-60				JPA: -26, NCC: -68 , Simplex:-68, IVRCL: -84	0 0 0 6
Media	21	Zee: 27	Sun TV: 20	HT Media: 2		1 1 1 0
Metals	13	Sterlite.: 66, Hind. Zinc: 55, Nalco: 33		JSPL: 9 Tata Steel: 8	Hindalco:-4,Sesa: -24, JSW Steel: -78	3 0 2 4
Oil & Gas (Ex RMS)	21	Petronet: 83, Cairn: 59,	GAIL: 18 Reliance Inds.: 18	ONGC: 13	MRPL: -5	4 3 1 1
Real Estate	-17		Phoenix Mills: 18	HDIL: 0	Oberoi Ralty: -12, DLF: -15, Unitech: -45	0 1 1 5
Retail	38	Titan: 42 Pantaloon Retail: 26				4 0 0 0
Technology	8	HCL Tech: 43	TCS: 21	Infosys: 6	Wipro: -5, Mphasis: -26	1 1 1 4
Telecom	-44			Tulip Telecom: 12	Bharti Airtel: -37, Idea: -48, RCom: -75	0 0 1 3
Utilities	20	Adani Power: 76, Coal India: 37	PTC India: 25, NHPC: 22	NTPC : 13, Powergrid: 10	Tata Power: -7, JSW Energy: -34	4 2 2 3

Earnings momentum: Represents number of companies in each of the growth brackets

BSE Sensex: 16,051

S&P CNX: 4,835

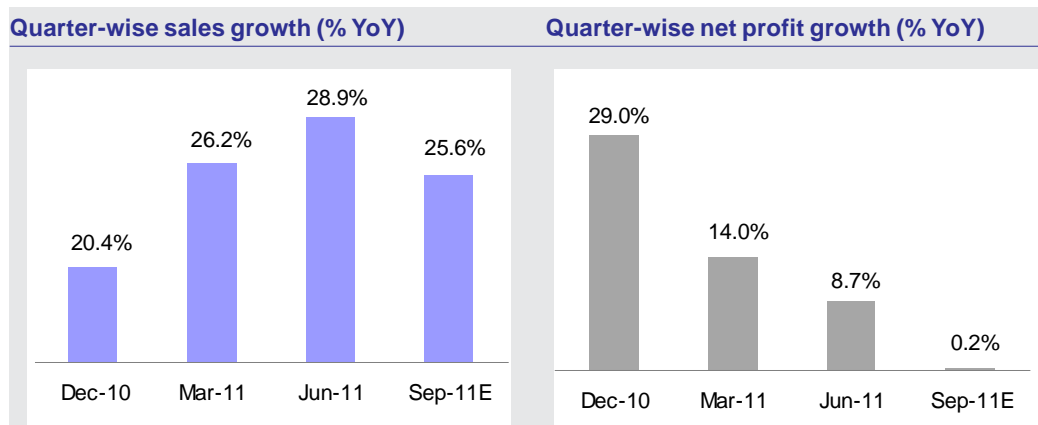
As on: 26 September 2011



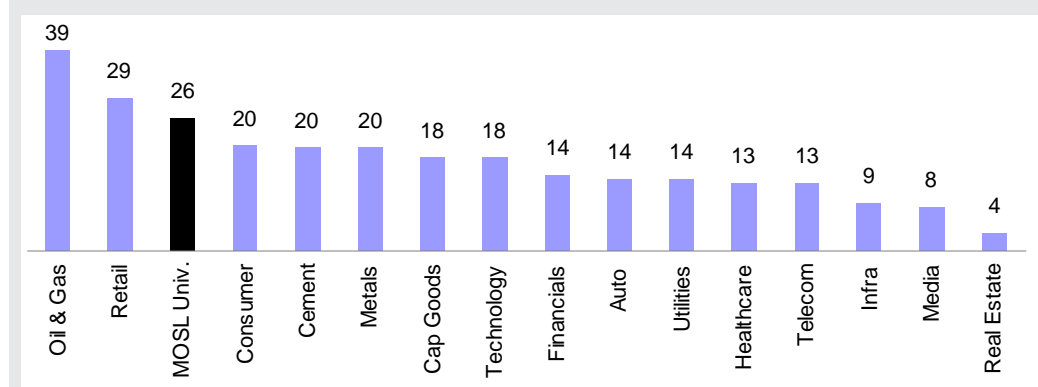
MOSL Universe: 2QFY12 Highlights & Ready Reckoner

Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company. **All stock prices and indices as on 26 September 2011, unless otherwise stated.**

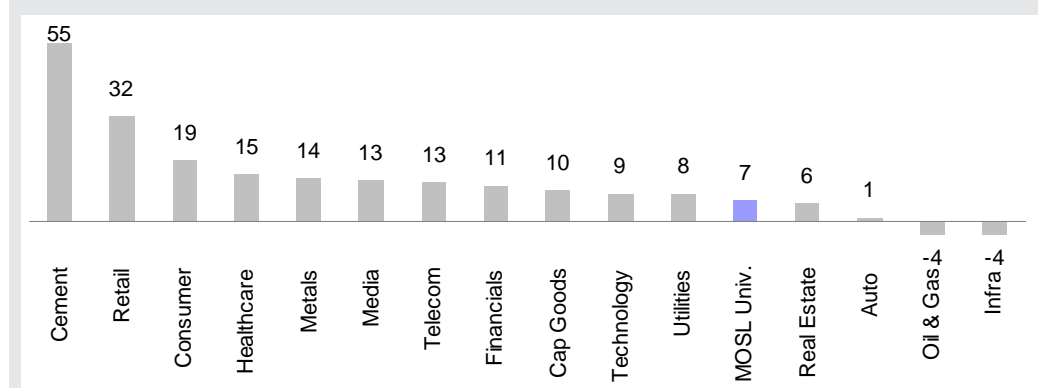
MOSL Universe: 2QFY12 aggregate performance highlights



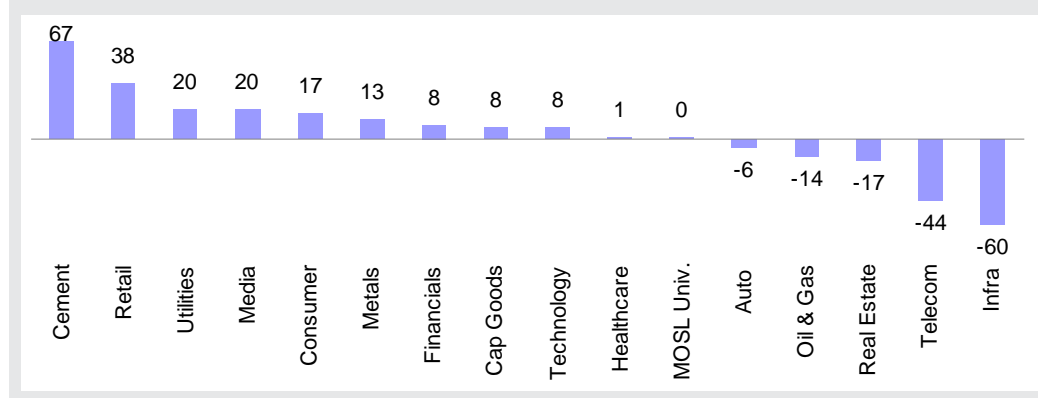
Sectoral sales growth - quarter ended September 2011 (%)



Sectoral EBITDA growth - quarter ended September 2011 (%)



Sectoral net profit growth - quarter ended September 2011 (%)

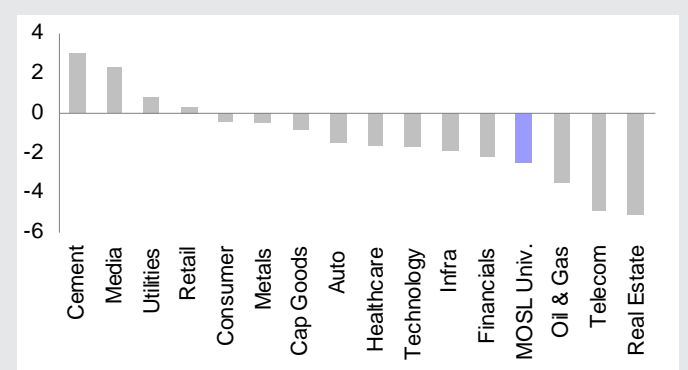
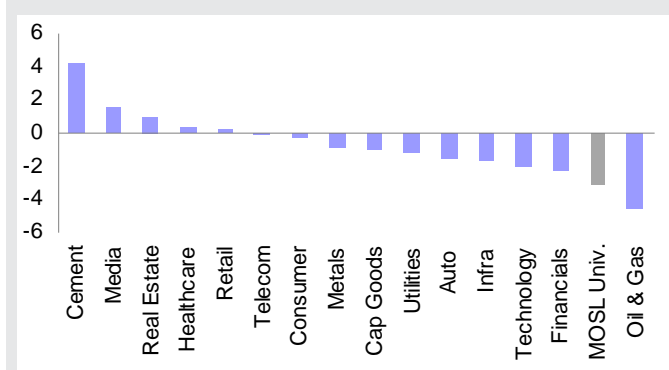


Quarterly performance - MOSL universe

Sector (No. of Companies)	EBITDA Margin (%)			NET PROFIT Margin (%)		
	Sep.10	Sep.11	Chg. (%)	Sep.10	Sep.11	Chg. (%)
Auto (5)	14.3	12.7	-1.6	8.8	7.3	-1.5
Capital Goods (9)	14.3	13.3	-1.0	9.6	8.8	-0.8
Cement (7)	14.6	18.9	4.2	7.6	10.6	3.0
Consumer (12)	21.0	20.8	-0.2	14.5	14.1	-0.4
Financials (25)	81.6	79.4	-2.2	42.4	40.1	-2.2
Private Banks (8)	85.6	85.5	-0.1	44.2	47.7	3.5
PSU Banks (9)	75.9	75.2	-0.7	35.9	33.2	-2.7
NBFC (8)	101.3	87.7	-13.6	69.1	58.4	-10.7
Healthcare (16)	21.0	21.3	0.3	15.8	14.1	-1.6
Infrastructure (6)	14.5	12.8	-1.7	3.0	1.1	-1.9
Media (5)	37.9	39.5	1.6	21.0	23.3	2.3
Metals (9)	17.4	16.5	-0.9	9.2	8.7	-0.5
Oil & Gas (12)	14.8	10.3	-4.6	9.3	5.8	-3.5
Excl. RMs (9)	23.8	19.8	-4.0	12.7	11.3	-1.4
Real Estate (7)	42.8	43.8	1.0	26.1	21.0	-5.1
Retail (4)	9.6	9.8	0.2	4.4	4.6	0.3
Technology (7)	25.9	23.9	-2.0	19.2	17.5	-1.7
Telecom (4)	31.8	31.8	-0.1	9.8	4.9	-4.9
Utilities (11)	25.4	24.2	-1.2	13.4	14.2	0.8
Others (1)	20.0	19.9	-0.1	9.0	3.9	-5.1
MOSL (140)	21.4	18.2	-3.2	12.3	9.8	-2.5
MOSL Excl. RMs (137)	25.5	23.6	-1.9	13.9	12.7	-1.3
Sensex (30)	24.5	22.4	-2.1	13.2	11.9	-1.3

EBITDA margin growth - quarter ended September 2011 (%)

Net profit margin growth-quarter ended September 2011 %



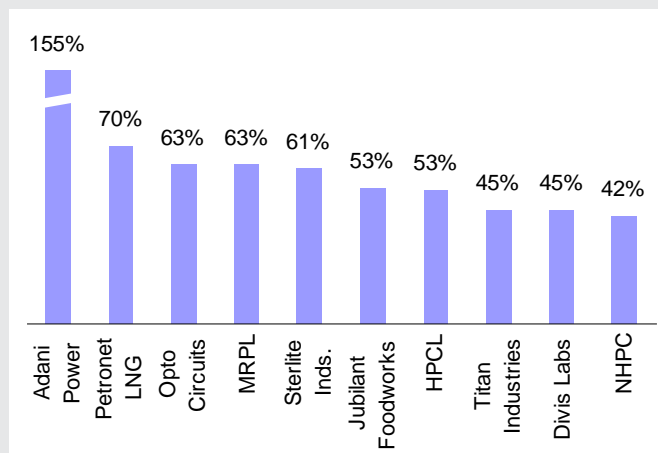
Sectoral contribution to growth in sales, EBITDA and net profit (%)

Sector	Contribution to Sales Gr.	Sector	Contribution to EBITDA Gr.	Sector	Contribution to NP Gr.
Oil & Gas	62.5	Financials	34.5	Financials	730.3
Metals	9.9	Metals	20.7	Utilities	672.9
Auto	4.7	Telecom	11.0	Metals	555.1
Technology	3.6	Utilities	9.7	Consumer	302.3
Utilities	3.6	Consumer	9.1	Cement	294.0
Cap Goods	3.3	Cement	8.4	Technology	280.3
Financials	3.2	Technology	8.0	Cap Goods	135.6
Consumer	2.7	Healthcare	4.9	Retail	47.5
Telecom	2.1	Cap Goods	4.4	Media	41.2
Cement	1.2	Retail	1.7	Healthcare	17.7
Healthcare	1.2	Real Estate	1.1	Infra	-93.6
Retail	0.9	Auto	1.0	Real Estate	-101.7
Infra	0.5	Media	0.9	Auto	-159.9
Real Estate	0.1	Infra	-0.5	Telecom	-645.2
Media	0.1	Oil & Gas	-15.8	Oil & Gas	-1,947.4

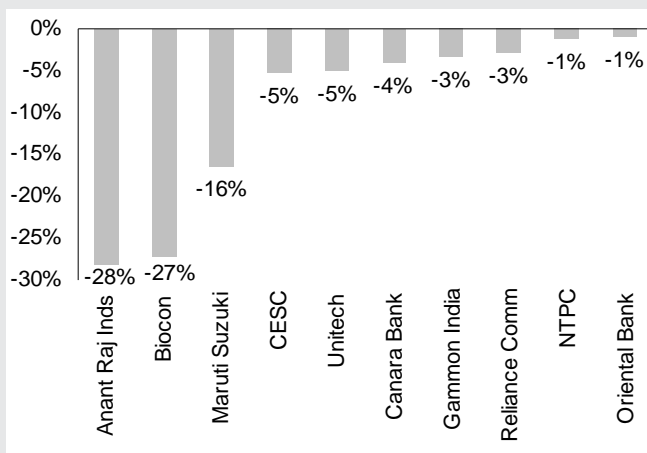
Source: MOSL

Scoreboard (quarter ended September 2011)

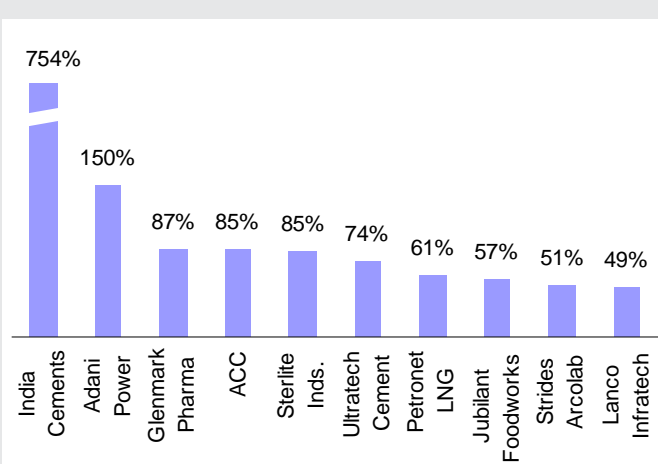
Top 10 by sales growth (%)



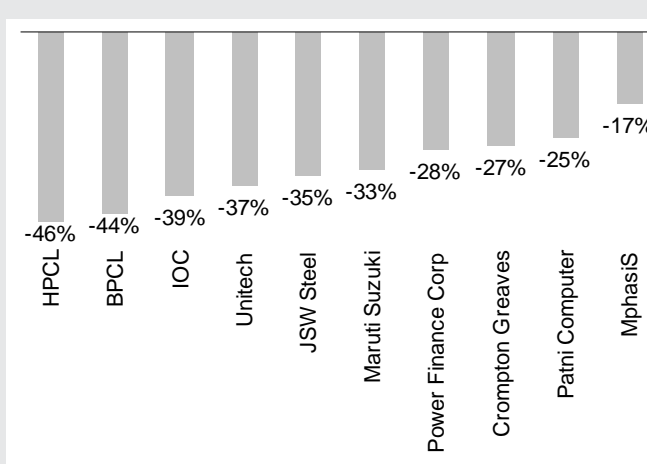
Worst 10 by sales growth (%)



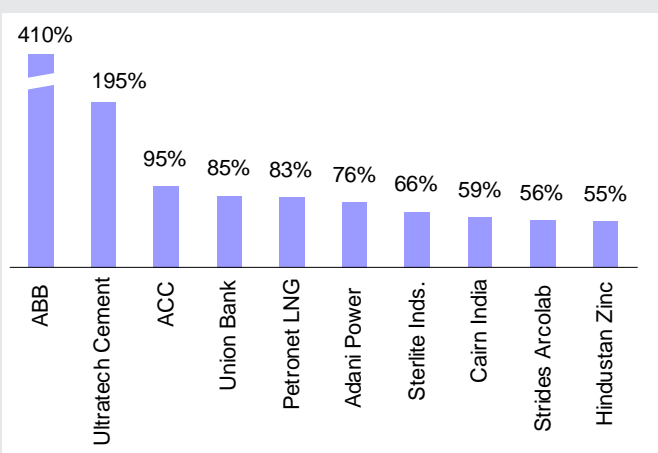
Top 10 by EBITDA growth (%)



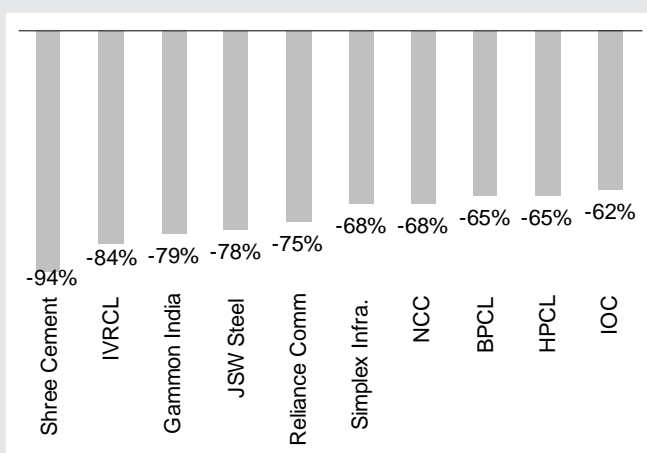
Worst 10 by EBITDA growth (%)



Top 10 by net profit growth (%)



Worst 10 by net profit growth (%)



Source: MOSL

Ready reckoner: quarterly performance

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Automobiles											
Bajaj Auto	1,512	Buy	50,473	16.2	5.7	9,767	8.9	7.2	7,504	10.0	5.5
Hero Motocorp	1,976	Buy	56,640	25.6	0.5	6,195	9.2	5.0	5,372	6.2	-3.7
Mahindra & Mahindra	773	Buy	68,920	29.8	3.3	9,266	9.2	3.3	7,376	1.4	21.9
Maruti Suzuki	1,079	Buy	76,463	-16.4	-10.4	6,423	-33.1	-21.1	3,966	-33.7	-27.8
Tata Motors	147	Buy	340,764	18.4	1.5	43,843	4.8	-1.7	19,180	-8.1	-6.3
Sector Aggregate			593,259	13.9	0.2	75,495	1.2	-1.6	43,399	-5.7	-2.9
Capital Goods											
ABB	718	Neutral	15,102	12.0	-10.8	824	LP	24.9	587	409.9	51.4
BGR Energy	326	Buy	12,687	11.7	72.8	1,499	13.3	56.0	846	8.8	68.3
BHEL	1,590	Buy	99,530	19.5	39.7	18,822	10.4	69.1	12,948	11.9	58.8
Crompton Greaves	151	Neutral	26,537	10.7	8.9	2,424	-27.3	33.3	1,451	-32.0	86.5
Cummins India	413	Buy	11,921	9.2	14.0	2,126	-2.1	14.5	1,647	-1.9	21.1
Havells India	358	Buy	7,780	12.7	-2.7	912	17.9	6.4	701	21.2	21.9
Larsen & Toubro	1,429	Buy	111,750	20.7	17.8	11,720	10.0	4.0	7,214	3.9	-3.3
Siemens	847	Neutral	37,250	23.1	33.2	4,604	15.9	83.9	3,020	20.2	95.1
Thermax	489	Neutral	12,225	12.0	17.1	1,455	13.2	28.0	1,007	12.5	26.1
Sector Aggregate			334,782	18.0	23.3	44,386	9.8	37.9	29,420	8.2	36.4
Cement											
ACC	1,079	Neutral	21,766	32.9	-9.4	3,148	85.3	-42.8	1,816	95.2	-46.0
Ambuja Cements	147	Buy	17,993	15.0	-17.2	3,355	18.5	-42.4	2,198	44.5	-36.7
Birla Corporation	326	Buy	4,911	1.4	-12.1	715	-6.7	-51.7	584	-15.3	-47.8
Grasim Industries	2,289	Buy	10,619	13.9	3.8	2,626	-0.5	-25.6	2,922	4.5	-7.0
India Cements	69	Buy	10,471	24.5	-0.9	2,446	754.3	1.2	1,009	LP	-3.9
Shree Cement	1,801	Neutral	8,169	13.8	-21.0	1,841	29.0	-28.9	28	-94.2	-95.4
Ultratech Cement	1,135	Buy	38,693	20.4	-11.4	7,108	74.3	-40.2	3,421	195.5	-49.9
Sector Aggregate			112,623	19.9	-10.7	21,240	54.7	-36.1	11,979	67.0	-38.9
Consumer											
Asian Paints	3,079	Buy	22,635	25.0	0.1	3,893	17.4	-0.7	2,571	19.8	-2.5
Britannia	454	Neutral	12,900	17.8	16.6	658	24.4	30.0	400	20.6	-4.3
Colgate	965	Sell	6,345	15.0	3.8	1,421	9.6	4.9	1,085	8.2	8.0
Dabur	101	Neutral	12,841	32.0	6.6	2,440	20.3	42.9	1,819	13.4	42.4
Godrej Consumer	403	Neutral	11,910	25.0	19.4	1,965	16.3	37.6	1,390	6.7	38.7
GSK Consumer	2,309	Neutral	7,473	22.0	14.4	1,158	21.8	17.6	952	21.1	15.4
Hind. Unilever	328	Neutral	54,200	13.8	-2.9	7,534	16.5	-0.1	5,946	13.1	2.8
ITC	189	Buy	60,376	17.3	3.0	22,460	19.8	13.7	14,952	19.9	12.2
Marico	141	Neutral	9,929	27.5	-5.3	1,142	20.4	-8.7	737	9.7	-13.3
Nestle	4,213	Neutral	20,100	22.8	14.0	3,940	22.4	14.4	2,541	17.2	15.7
Pidilite Inds.	165	Buy	7,281	23.5	-5.4	1,471	18.4	-4.0	1,009	19.4	-6.5
United Spirits	756	Neutral	17,401	28.5	-10.1	2,662	21.5	-19.4	869	16.5	-36.9
Sector Aggregate			243,392	20.1	2.3	50,744	19.0	8.6	34,271	16.9	7.8



Ready reckoner: quarterly performance

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Healthcare											
Aventis Pharma	2,276	Neutral	3,201	16.2	5.7	495	16.6	15.8	487	2.9	-2.1
Biocon	333	Buy	4,937	-27.3	11.8	1,482	3.2	23.1	848	-5.0	21.0
Cadila Health	789	Neutral	13,040	16.8	4.7	2,501	2.2	-17.3	1,594	-6.7	11.2
Cipla	287	Buy	17,624	9.1	10.7	4,105	16.8	11.1	2,870	9.1	13.3
Dishman Pharma	60	Neutral	2,680	26.0	13.0	543	47.1	24.3	171	-42.1	13.0
Divis Labs	728	Buy	3,690	44.5	2.9	1,248	48.2	-2.3	964	34.0	-6.1
Dr Reddy' s Labs	1,483	Neutral	19,734	5.5	-0.2	3,651	-9.0	-4.8	1,992	-18.9	-12.2
Glenmark Pharma	320	Neutral	9,950	42.0	14.6	3,170	86.6	6.9	1,135	14.9	3.2
GSK Pharma	2,027	Buy	6,576	13.0	17.1	2,301	10.3	23.1	1,772	12.0	16.8
Jubilant Organosys	200	Neutral	9,880	0.0	4.6	1,682	8.6	-7.6	641	-22.0	-16.9
Lupin	464	Buy	15,647	11.4	1.4	2,863	6.1	6.1	2,105	-2.1	0.2
Opto Circuits	221	Neutral	5,406	63.1	3.8	1,392	31.7	-2.8	991	28.0	-14.9
Ranbaxy Labs	482	Sell	20,771	7.4	-0.8	1,444	4.1	-20.5	1,096	7.5	24.2
Strides Arcolab	336	Buy	5,755	39.6	-1.0	1,060	51.0	-2.0	411	55.6	-26.2
Sun Pharma	467	Neutral	16,287	18.9	-0.4	5,207	11.5	-4.9	4,908	-2.6	-2.0
Torrent Pharma	552	Buy	6,644	14.3	3.0	1,342	14.2	-10.8	878	15.2	0.6
Sector Aggregate			161,823	12.9	4.1	34,487	14.7	-0.2	22,861	1.3	1.2
Infrastructure											
Gammon India	76	Neutral	11,400	-3.4	-18.0	1,029	2.5	-15.9	53	-79.3	-81.8
Hindustan Construction	29	Neutral	9,364	4.2	-11.7	1,205	6.3	-12.7	-183	PL	PL
IVRCL	36	Buy	11,488	6.9	2.4	976	2.4	17.3	38	-83.5	-9.1
Jaiprakash Associates	69	Buy	34,800	16.3	9.3	6,248	-8.3	-19.1	850	-26.4	-20.7
NCC	61	Buy	13,013	8.3	14.0	1,171	-5.1	0.5	159	-68.2	-31.6
Simplex Infra.	228	Buy	11,486	9.2	-8.9	1,091	3.2	-9.2	85	-68.3	-64.5
Sector Aggregate			91,551	9.0	0.0	11,720	-3.9	-13.4	1,002	-60.4	-47.4
Media*											
Deccan Chronicle	58	Neutral	2,123	-10.3	5.2	425	-64.0	13.9	148	-82.1	21.3
HT Media	139	Neutral	4,946	11.0	-0.5	755	-4.6	-16.4	395	1.7	-23.3
Jagran Prakashan	105	Neutral	3,082	11.3	1.2	786	-13.5	-4.2	465	-16.2	-6.5
Sun TV	284	Buy	4,793	12.8	5.6	3,850	15.9	5.2	2,002	19.6	6.7
Zee Entertainment	113	Neutral	7,402	4.0	6.0	2,163	14.7	38.6	1,602	26.9	19.8
Sector Aggregate			17,140	8.4	3.9	6,767	12.8	10.5	3,998	20.3	7.3
Metals											
Hindalco	129	Buy	193,882	10.0	-2.9	22,714	3.9	-2.4	8,651	-3.7	-10.2
Hindustan Zinc	119	Buy	28,229	28.3	-0.9	15,986	42.1	0.4	14,942	54.7	-0.3
JSPL	510	Buy	41,004	33.0	4.0	16,755	11.6	3.1	9,604	8.9	4.5
JSW Steel	618	Sell	64,211	11.2	-9.2	6,471	-34.8	-53.6	720	-78.1	-87.4
Nalco	62	Sell	16,984	14.8	-3.6	4,402	26.6	-16.9	2,979	33.0	-20.9
SAIL	104	Sell	117,059	8.3	4.6	16,456	-2.9	25.5	9,305	-14.6	11.0
Sesa Goa	200	Buy	9,755	6.2	-53.7	4,032	32.9	-64.9	2,670	-24.4	-68.3
Sterlite Inds.	117	Buy	98,213	61.4	-0.4	28,234	84.7	2.4	16,704	65.7	6.6
Tata Steel	435	Buy	348,965	21.8	5.7	36,920	0.5	-16.5	14,095	7.6	-1.7
Sector Aggregate			918,302	19.8	0.1	151,969	13.8	-11.2	79,670	12.9	-11.6
Incl Coal India			1,052,647	20.0	-0.9	173,248	14.5	-21.0	100,509	17.1	-23.5

* Note: Deccan Chronicle and Jagran Prakashan excluded from aggregate since they are not comparable.



Ready reckoner: quarterly performance

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var.	Var.	Sep.11	Var.	Var.	Sep.11	Var.	Var.
			% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ	
Oil & Gas											
BPCL	658	Buy	482,737	36.7	4.7	13,930	-43.6	LP	7,455	-65.2	LP
Cairn India	270	Neutral	35,331	31.5	-4.8	29,961	37.8	-5.6	25,207	59.0	-7.5
Chennai Petroleum	203	Buy	115,237	41.9	16.5	3,738	46.5	482.4	1,576	36.5	LP
GAIL	410	Neutral	89,104	9.9	0.5	16,736	16.8	7.6	10,901	18.0	10.7
Gujarat State Petronet	98	Neutral	2,682	6.0	-5.6	2,491	7.3	-4.9	1,247	36.2	-9.3
HPCL	370	Buy	430,018	52.8	5.4	12,618	-45.7	LP	7,382	-64.7	LP
IOC	309	Buy	1,062,714	38.5	5.5	39,636	-39.2	LP	19,922	-62.4	LP
Indraprastha Gas	413	Neutral	5,784	29.9	7.8	1,624	32.0	3.2	817	23.2	2.0
MRPL	62	Sell	135,887	62.7	1.6	4,892	31.2	119.8	2,692	-4.9	55.9
ONGC	255	Buy	205,579	13.0	26.9	124,144	12.0	34.0	60,901	13.0	48.7
Petronet LNG	156	Buy	51,851	69.6	12.2	4,380	61.3	0.0	2,401	83.1	-6.5
Reliance Inds.	759	Neutral	807,794	40.5	-0.3	98,273	4.6	-1.0	57,992	17.8	2.4
Sector Aggregate			3,424,718	38.7	5.0	352,422	-3.9	98.3	198,494	-13.8	322.5
Excl. RMs			1,449,249	35.8	4.6	286,239	12.9	14.2	163,734	21.2	16.5
Real Estate											
Anant Raj Inds	59	Buy	956	-28.0	14.1	526	-16.2	6.7	321	-33.3	-8.6
DLF	200	Buy	23,817	0.5	-2.6	10,837	16.7	-2.5	3,566	-14.8	-0.5
HDIL	98	Neutral	5,272	41.5	5.0	2,794	17.8	5.1	2,135	-0.1	2.1
Mahindra Lifespace	292	Buy	1,189	33.7	46.0	268	14.6	55.2	218	-11.7	27.4
Oberoi Realty	221	Buy	1,732	1.8	7.6	970	-3.6	7.3	845	-11.5	-20.1
Phoenix Mills	211	Buy	487	9.8	3.5	346	9.0	4.6	260	17.7	-4.4
Unitech	27	Buy	6,130	-4.9	2.9	1,594	-37.0	33.0	955	-45.1	-2.9
Sector Aggregate			39,583	3.6	1.1	17,334	5.9	2.8	8,300	-16.7	-2.5
Retail											
Jubilant Foodworks	880	Neutral	2,500	53.0	15.2	467	57.3	12.9	262	42.3	13.2
Pantaloon Retail	222	Buy	30,977	20.0	8.3	2,695	26.7	3.2	539	26.0	14.0
Shopper's Stop	363	Neutral	5,545	22.0	41.1	449	17.6	70.5	221	27.4	89.5
Titan Industries	207	Neutral	22,272	45.0	10.2	2,405	38.6	30.4	1,819	42.3	26.9
Sector Aggregate			61,294	29.4	11.6	6,017	32.5	17.2	2,841	37.7	26.0
Technology											
HCL Technologies	386	Buy	46,410	28.5	7.9	7,032	24.9	-9.0	4,300	43.1	-12.5
Infosys	2,355	Buy	79,340	14.2	6.0	23,912	3.3	9.9	18,421	6.1	7.0
Mphasis	322	Neutral	13,462	0.1	4.1	2,462	-17.2	-2.1	1,929	-26.1	-1.0
Patni Computer	287	Neutral	8,547	7.3	4.0	1,124	-25.3	19.6	749	-41.5	-15.7
TCS	999	Neutral	116,046	25.0	7.5	33,403	19.8	10.2	25,448	20.8	6.9
Tech Mahindra	603	Neutral	13,403	8.5	3.7	2,321	-13.4	-4.0	1,080	-19.0	-23.7
Wipro	340	Buy	88,378	13.7	4.1	17,137	4.4	3.4	12,168	-5.3	-8.8
Sector Aggregate			365,586	18.0	6.0	87,390	8.9	6.3	64,095	7.7	0.9
Telecom											
Bharti Airtel	380	Buy	173,696	14.2	2.3	58,278	13.8	2.1	10,507	-36.8	-13.5
Idea Cellular	97	Buy	46,636	27.4	3.2	12,238	39.3	1.6	938	-47.8	-47.1
Reliance Comm	78	Neutral	49,729	-2.8	0.7	15,479	-6.7	-3.4	1,228	-75.0	-45.1
Tulip Telecom	153	Buy	7,184	22.7	9.9	2,032	24.5	10.0	873	11.9	13.1
Sector Aggregate			277,245	12.8	2.3	88,026	12.5	1.2	13,545	-43.8	-20.0

PL: Profit to Loss; LP: Loss to Profit; UR = Under Review

Note: Deccan Chronicle and Jagran Prakashan excluded from aggregate since they are not comparable.



Ready reckoner: quarterly performance

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var.	Var.	Sep.11	Var.	Var.	Sep.11	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
Utilities											
Adani Power	85	Neutral	10,093	155.4	23.3	5,235	149.9	27.6	2,277	76.2	28.7
CESC	276	Buy	10,475	-5.2	-11.5	2,786	-12.4	4.3	1,197	-11.3	7.8
Coal India	346	Buy	134,345	20.8	-7.3	21,279	20.0	-55.8	20,840	36.9	-49.5
JSW Energy	55	Neutral	11,230	32.7	-11.7	3,381	4.1	-14.0	1,018	-34.1	-25.3
Lanco Infratech	16	Buy	25,372	24.3	-18.0	6,219	49.2	26.6	971	37.8	603.7
NHPC	23	Neutral	18,208	42.1	16.7	11,563	9.2	10.5	8,402	21.7	40.1
NTPC	164	Buy	145,900	-1.1	3.0	32,985	-6.0	15.1	18,239	12.9	-4.1
Power Grid Corp.	95	Buy	22,464	5.6	2.0	18,798	5.3	1.9	6,596	10.3	-6.5
PTC India	68	Buy	30,621	24.0	23.1	503	32.0	5.6	446	24.6	-1.5
Reliance Infrastructure	423	Buy	31,132	27.6	-15.0	3,632	-12.7	-47.8	2,877	30.5	0.1
Tata Power	97	Neutral	17,588	7.5	-8.5	4,288	22.1	0.2	2,017	-7.2	-31.4
Sector Aggregate			457,427	13.7	-2.4	110,669	8.5	-16.9	64,880	20.4	-22.8
Aggregate Ex Coal India			323,082	11.1	-0.2	89,390	6.0	5.3	44,040	13.9	3.1
Others											
United Phosphorous	141	Buy	17,355	35.5	-7.9	3,451	34.6	-6.1	671	-41.5	-63.6
Sector Aggregate			17,355	35.5	-7.9	3,451	34.6	-6.1	671	-41.5	-63.6

	CMP (INR) 26.09.11	Rating	Net interest income			Operating profit			Net profit		
			Sep.11	Var.	Var.	Sep.11	Var.	Var.	Sep.11	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
Financials											
Private Banks											
Axis Bank	1,056	Buy	17,713	9.7	2.7	16,007	7.7	2.7	8,780	19.4	-6.8
Federal Bank	357	Buy	4,713	7.5	2.5	3,775	-1.9	6.6	1,693	20.6	15.8
HDFC Bank	450	Neutral	29,588	17.1	3.9	22,335	23.6	9.8	11,949	31.0	10.1
ICICI Bank	856	Buy	24,811	12.6	2.9	24,325	10.0	8.9	14,461	17.0	8.6
IndusInd Bank	256	Buy	4,030	22.2	3.3	3,281	25.3	5.2	1,835	37.8	1.9
ING Vysya Bank	282	Buy	2,915	14.7	11.3	1,835	-0.4	25.0	1,010	34.2	7.5
South Indian Bank	22	Buy	2,138	8.3	4.3	1,498	20.0	4.6	830	7.8	0.6
Yes Bank	262	Buy	3,684	17.6	4.0	3,520	25.1	8.3	2,174	23.4	0.6
Pvt Banking Sector Aggregate			89,591	13.7	3.5	76,576	13.6	7.8	42,733	22.6	4.8
PSU Banks											
Andhra Bank	119	Buy	8,938	14.1	-1.8	6,921	22.6	-1.1	3,264	7.7	-15.4
Bank of Baroda	792	Neutral	23,756	16.6	3.4	19,487	17.6	7.2	10,529	3.3	1.9
Bank of India	301	Neutral	19,401	9.2	5.4	14,875	7.8	6.6	6,356	3.0	22.8
Canara Bank	425	Buy	19,207	-4.1	7.1	14,477	2.3	14.0	8,282	-17.8	14.1
Indian Bank	205	Buy	10,945	11.3	6.3	8,563	15.9	9.6	4,522	8.8	11.1
Oriental Bank of Commerce	279	Buy	10,663	-1.0	4.7	8,278	2.7	3.3	3,800	-4.4	7.1
Punjab National Bank	974	Buy	31,978	7.4	2.7	23,386	11.4	-5.5	12,646	17.7	14.4
State Bank	1,951	Buy	100,009	23.2	3.1	73,424	15.5	1.4	25,024	0.0	58.0
Union Bank	249	Buy	16,442	7.1	3.4	12,001	6.1	2.9	5,607	84.8	20.7
PSU Banking Sector Aggregate			241,341	13.4	3.6	181,412	12.3	2.8	80,029	4.8	21.7
PSU Banking Sector Aggregate Ex SBI			141,332	7.3	4.0	107,987	10.3	3.8	55,005	7.0	10.2
NBFC											
Dewan Housing	203	Buy	1,116	37.7	6.0	936	20.9	7.1	692	19.3	5.2
HDFC	623	Neutral	12,922	19.2	18.0	13,866	20.7	16.2	9,690	20.0	14.7
IDFC	109	Neutral	5,189	38.7	7.4	5,319	1.0	8.3	3,390	0.2	8.1
LIC Housing Fin	205	Buy	3,873	26.9	7.3	4,027	26.1	6.3	2,666	13.8	3.9
M & M Financial	647	Neutral	4,141	30.3	24.8	2,703	30.1	30.3	1,520	30.5	48.7
Power Finance Corp	150	Buy	10,178	13.6	2.8	6,890	-28.5	-25.4	5,032	-28.2	-26.7
Rural Electric. Corp.	172	Buy	9,488	21.6	4.3	7,665	-8.3	-16.7	5,617	-9.1	-15.2
Shriram Transport Fin.	600	Buy	8,128	8.0	-0.2	6,881	20.2	-0.9	3,552	18.8	2.3
NBFC Banking Sector Aggregate			55,035	19.9	8.1	48,287	3.8	-1.4	32,159	1.4	-1.9
Financials Sector Aggregate			385,967	14.3	4.2	306,275	11.2	3.3	154,921	8.4	11.2



Ready reckoner: valuations

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Automobiles														
Bajaj Auto	1,512	Buy	90.4	101.8	120.6	16.7	14.9	12.5	11.4	10.0	8.1	66.7	52.4	48.3
Hero Motocorp	1,976	Buy	100.5	113.3	142.4	19.7	17.4	13.9	14.5	10.6	8.0	62.5	59.3	55.3
Mahindra & Mahindra	773	Buy	48.2	48.9	65.6	16.0	15.8	11.8	6.4	5.4	4.2	25.0	22.2	21.8
Maruti Suzuki	1,079	Buy	82.4	72.3	89.2	13.1	14.9	12.1	6.7	7.6	5.9	16.5	12.8	13.8
Tata Motors	147	Buy	27.3	25.5	29.5	5.4	5.8	5.0	3.8	3.5	2.9	47.3	32.4	28.6
Sector Aggregate						11.0	11.2	9.3	6.2	5.6	4.5	37.0	29.1	28.3
Capital Goods														
ABB	718	Neutral	3.0	12.0	22.3	240.6	59.8	32.2	174.4	38.1	20.2	2.6	10.0	16.6
BGR Energy	326	Buy	44.7	49.0	52.4	7.3	6.7	6.2	4.8	4.6	5.0	38.9	32.6	27.4
BHEL	1,590	Buy	115.6	139.0	164.9	13.7	11.4	9.6	8.4	6.4	5.3	31.4	30.3	29.4
Crompton Greaves	151	Neutral	14.3	10.1	13.5	10.5	15.0	11.2	7.1	8.7	6.5	30.5	17.3	19.3
Cummins India	413	Buy	21.3	22.8	28.0	19.4	18.1	14.7	13.6	12.8	10.2	35.5	33.6	36.7
Havells India	358	Buy	22.0	29.0	35.0	16.3	12.3	10.2	10.3	7.8	6.3	42.0	38.1	33.2
Larsen & Toubro	1,429	Buy	69.7	78.9	90.2	20.5	18.1	15.8	13.9	12.0	10.9	18.3	17.2	16.3
Siemens	847	Neutral	24.5	29.0	36.0	34.5	29.2	23.5	20.3	16.9	13.5	25.9	25.5	26.4
Thermax	489	Neutral	32.0	35.4	39.4	15.3	13.8	12.4	8.7	7.9	6.9	31.9	28.8	26.3
Sector Aggregate						18.3	15.9	13.3	11.7	9.7	8.1	29.3	26.9	26.0
Cement														
ACC	1,079	Neutral	53.6	63.1	80.4	20.2	17.1	13.4	11.6	9.1	6.8	16.1	16.7	18.9
Ambuja Cements	147	Buy	8.1	8.2	10.5	18.0	17.8	14.0	11.0	10.0	7.9	18.1	16.5	18.8
Birla Corporation	326	Buy	41.5	50.2	58.0	7.8	6.5	5.6	4.7	4.7	3.8	15.5	16.2	16.2
Grasim Industries	2,289	Buy	248.5	309.9	374.7	9.2	7.4	6.1	4.2	3.4	2.6	15.7	16.6	17.0
India Cements	69	Buy	2.2	12.1	12.9	31.2	5.7	5.4	10.5	5.2	4.3	1.6	8.1	8.2
Shree Cement	1,801	Neutral	197.6	155.5	185.0	9.1	11.6	9.7	8.8	7.6	5.8	36.0	26.5	30.4
Ultratech Cement	1,135	Buy	51.2	81.0	102.8	22.1	14.0	11.0	12.3	7.4	5.9	18.4	19.0	20.2
Sector Aggregate						15.1	12.0	9.8	8.4	6.3	4.9	15.9	16.7	17.8
Consumer														
Asian Paints	3,079	Buy	87.9	107.3	131.6	35.0	28.7	23.4	21.9	18.8	15.0	38.5	36.9	36.1
Britannia	454	Neutral	12.3	15.3	19.7	36.9	29.7	23.0	23.5	18.6	14.2	32.5	34.6	37.6
Colgate	965	Sell	29.6	32.8	37.6	32.6	29.4	25.7	24.1	21.4	18.0	114.1	104.9	99.7
Dabur	101	Neutral	3.3	3.8	4.5	31.1	27.0	22.4	23.9	19.8	16.5	40.9	37.5	36.4
Godrej Consumer	403	Neutral	14.9	17.5	20.9	27.1	23.0	19.3	23.1	18.0	14.6	27.1	30.0	30.8
GSK Consumer	2,309	Neutral	71.3	84.3	100.1	32.4	27.4	23.1	19.4	17.0	13.5	31.2	30.9	31.2
Hind. Unilever	328	Neutral	9.9	11.2	12.6	33.0	29.4	26.0	25.2	21.8	18.9	81.6	76.6	73.1
ITC	189	Buy	6.4	7.8	9.2	29.4	24.2	20.5	18.6	15.1	12.7	33.2	34.8	34.8
Marico	141	Neutral	4.7	5.3	6.4	29.7	26.5	22.0	22.3	18.0	14.8	31.9	29.3	27.0
Nestle	4,213	Neutral	86.8	103.5	123.2	48.5	40.7	34.2	32.2	26.6	21.7	116.5	95.1	81.3
Pidilite Inds.	165	Buy	6.5	7.5	9.1	25.4	22.1	18.2	17.0	14.8	11.2	28.9	27.0	25.1
United Spirits	756	Neutral	30.3	33.5	45.6	24.9	22.6	16.6	14.2	12.0	10.2	8.8	9.0	11.0
Sector Aggregate						31.9	26.9	22.7	21.3	17.7	14.7	35.6	35.8	35.5



Ready reckoner: valuations

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Healthcare														
Aventis Pharma	2,276	Neutral	67.3	74.0	91.9	33.8	30.8	24.8	32.1	28.2	21.1	15.5	15.8	18.0
Biocon	333	Buy	18.4	18.1	22.0	18.1	18.4	15.2	10.4	9.8	8.2	18.1	15.9	17.0
Cadila Health	789	Neutral	30.9	28.0	41.0	25.5	28.1	19.2	16.5	16.6	13.4	33.4	23.5	27.6
Cipla	287	Buy	12.0	13.4	16.5	23.8	21.4	17.3	17.3	14.4	12.0	14.5	14.4	15.7
Dishman Pharma	60	Neutral	10.0	8.8	11.1	6.0	6.9	5.4	8.1	6.2	5.1	9.7	7.9	9.2
Divis Labs	728	Buy	32.4	35.1	45.0	22.5	20.7	16.2	18.6	15.4	11.8	23.9	22.2	23.7
Dr Reddy's Labs	1,483	Neutral	65.6	68.5	82.4	22.6	21.6	18.0	17.1	17.5	14.6	24.1	22.5	23.8
Glenmark Pharma	320	Neutral	12.5	16.1	20.1	25.6	19.8	15.9	17.8	10.5	11.0	17.4	17.0	17.4
GSK Pharma	2,027	Buy	68.6	77.5	89.6	29.5	26.1	22.6	20.4	18.9	16.1	30.1	31.3	33.4
Jubilant Organosys	200	Neutral	14.4	16.5	25.1	13.9	12.1	8.0	11.6	9.2	7.2	10.5	12.2	17.4
Lupin	464	Buy	19.3	21.0	26.2	24.0	22.1	17.7	20.1	17.3	14.0	29.3	25.5	26.3
Opto Circuits	221	Neutral	19.6	21.2	27.5	11.3	10.4	8.0	10.7	9.0	7.0	30.4	25.9	27.9
Ranbaxy Labs	482	Sell	25.8	11.7	17.8	18.7	41.1	27.0	11.4	23.6	18.3	19.4	11.3	11.1
Strides Arcolab	336	Buy	21.1	29.7	39.0	15.9	11.3	8.6	11.0	9.8	8.7	11.6	12.5	14.7
Sun Pharma	467	Neutral	13.6	17.3	21.2	34.5	27.0	22.0	22.5	20.9	16.6	16.2	17.7	18.8
Torrent Pharma	552	Buy	31.9	40.4	49.4	17.3	13.7	11.2	11.7	9.0	7.2	29.2	29.5	28.5
Sector Aggregate						23.9	22.5	18.1	16.6	15.8	13.0	19.7	18.2	19.6
Infrastructure														
Gammon India	76	Neutral	9.1	2.0	4.3	8.4	37.4	17.9	12.2	8.7	7.9	1.9	1.4	2.8
GVK Power & Infra	16	Buy	1.0	1.3	1.4	16.5	12.3	11.3	15.1	14.5	9.4	4.6	5.8	6.0
Hindustan Construction	29	Neutral	1.0	-0.1	0.3	28.3	-196.3	90.1	9.3	9.4	9.3	4.1	-0.6	1.3
IVRCL	36	Buy	5.9	2.2	3.4	6.2	16.7	10.7	5.7	6.6	6.4	8.2	2.9	4.4
Jaiprakash Associates	69	Buy	3.4	3.6	4.3	20.5	19.1	16.0	10.4	9.6	8.4	8.0	7.9	8.8
NCC	61	Buy	8.6	5.8	6.3	7.1	10.5	9.6	9.1	9.5	8.9	7.4	4.0	5.1
Simplex Infra.	228	Buy	24.9	12.0	16.1	9.2	19.0	14.2	5.6	5.7	5.5	12.0	5.4	6.8
Sector Aggregate						16.1	18.8	15.3	9.9	9.5	8.3	6.7	5.5	6.5
Media														
Deccan Chronicle	58	Neutral	6.7	3.7	5.8	8.6	15.8	10.0	3.0	4.8	3.3	13.1	6.9	10.1
HT Media	139	Neutral	7.7	8.7	11.2	18.1	15.9	12.4	8.8	7.8	5.8	14.9	13.4	14.8
Jagran Prakashan	105	Neutral	6.9	6.6	8.4	15.2	16.0	12.6	9.2	9.0	7.0	33.2	28.0	31.2
Sun TV	284	Buy	19.6	21.3	25.2	14.5	13.3	11.3	6.8	6.4	5.2	32.4	30.3	30.8
Zee Entertainment	113	Neutral	6.0	6.6	7.5	18.9	17.2	15.1	14.1	12.3	10.8	16.9	19.7	20.1
Sector Aggregate						15.7	15.2	12.7	8.6	8.2	6.7	21.9	20.6	21.6
Metals														
Hindalco	129	Buy	17.6	18.5	19.3	7.3	7.0	6.7	5.3	5.4	5.0	23.1	20.1	17.7
Hindustan Zinc	119	Buy	11.6	15.4	16.9	10.2	7.7	7.0	6.4	4.2	2.9	24.2	25.5	22.6
JSPL	510	Buy	40.1	42.8	52.9	12.7	11.9	9.6	9.6	9.3	8.0	28.6	23.6	24.7
JSW Steel	618	Sell	77.4	50.2	54.4	8.0	12.3	11.4	6.8	7.6	6.2	12.8	6.7	6.9
Nalco	62	Sell	4.1	5.1	6.6	15.0	12.2	9.4	7.5	5.3	3.4	17.7	18.2	21.8
SAIL	104	Sell	10.2	10.2	9.6	10.2	10.2	10.8	6.0	6.9	7.5	11.8	10.9	9.5
Sesa Goa	200	Buy	49.0	47.0	40.9	4.1	4.2	4.9	1.8	5.1	5.4	40.4	27.3	19.1
Sterlite Inds.	117	Buy	15.2	20.1	20.5	7.7	5.8	5.7	4.3	2.7	1.9	13.0	15.1	13.4
Tata Steel	435	Buy	62.3	60.8	78.4	7.0	7.2	5.6	5.7	5.4	4.3	40.5	23.6	23.4
Sector Aggregate						8.6	7.8	7.2	5.7	5.5	4.7	15.7	14.6	13.9



Ready reckoner: valuations

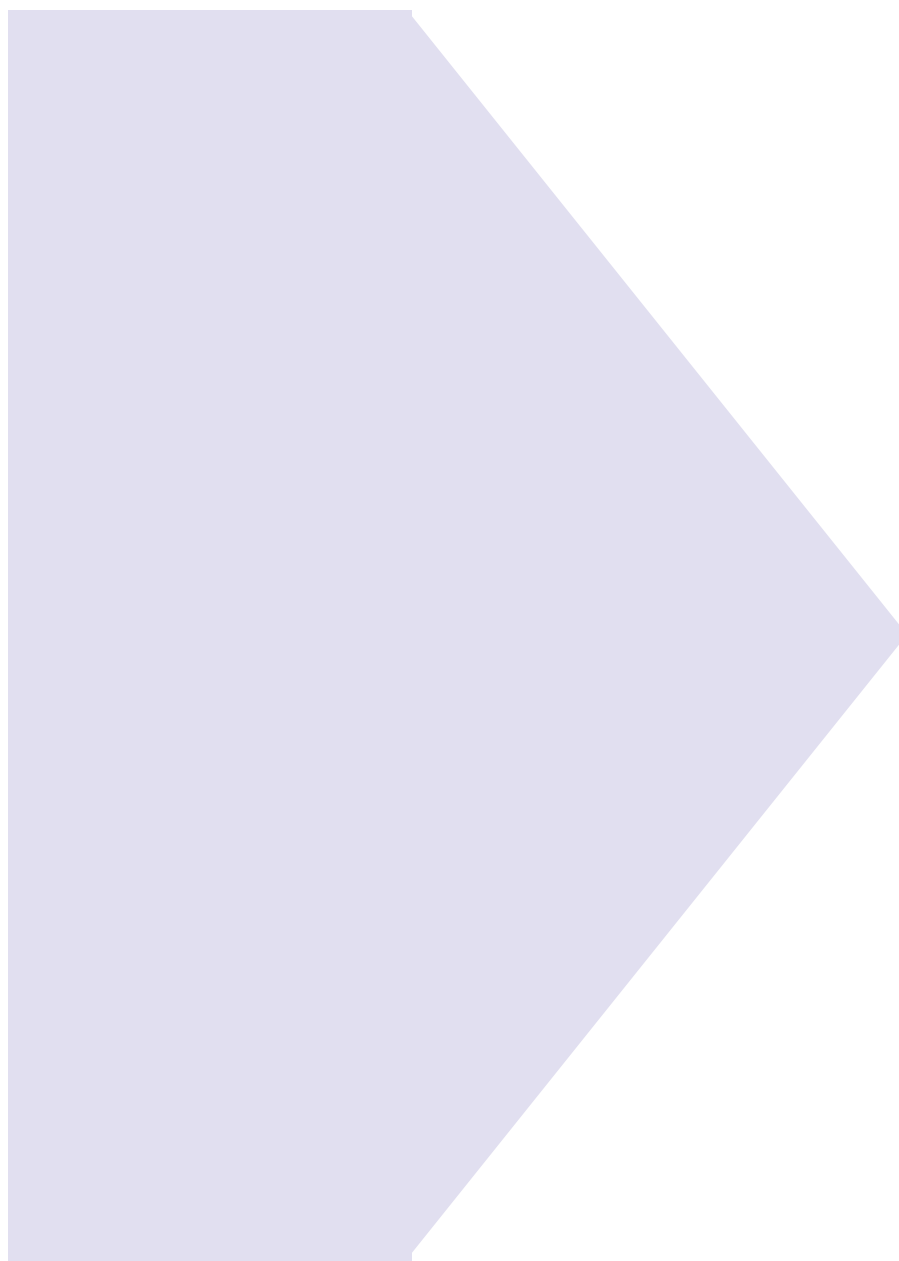
	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Oil & Gas														
BPCL	658	Buy	45.2	53.9	55.1	14.6	12.2	11.9	10.4	7.6	6.7	11.1	12.3	11.5
Cairn India	270	Neutral	33.3	46.8	39.4	8.1	5.8	6.8	6.0	3.5	3.7	17.1	20.4	15.0
Chennai Petroleum	203	Buy	34.3	37.6	47.9	5.9	5.4	4.2	6.4	5.8	4.6	14.2	14.2	16.3
GAIL	410	Neutral	28.7	30.5	31.9	14.3	13.5	12.9	9.9	9.6	9.4	18.5	17.8	16.6
Gujarat State Petronet	98	Neutral	9.0	9.0	8.9	10.9	10.9	11.0	7.3	6.8	6.9	28.4	22.8	19.0
HPCL	370	Buy	45.4	38.2	40.4	8.2	9.7	9.2	12.1	12.0	8.0	12.8	10.0	9.9
Indraprastha Gas	413	Neutral	18.8	23.5	27.3	22.0	17.6	15.1	12.6	9.0	7.7	28.8	29.6	28.5
IOC	309	Buy	32.3	34.2	35.8	9.6	9.0	8.6	10.8	6.2	5.8	14.2	13.8	13.2
MRPL	62	Sell	6.7	6.1	6.5	9.2	10.1	9.5	5.4	6.6	6.0	19.4	15.7	14.6
ONGC	255	Buy	24.5	30.1	33.9	10.4	8.5	7.5	3.8	3.1	2.7	19.5	20.9	20.6
Petronet LNG	156	Buy	9.3	12.6	12.5	16.8	12.4	12.5	11.4	8.9	8.2	28.4	31.3	25.4
Reliance Inds.	759	Neutral	68.4	76.1	80.5	11.1	10.0	9.4	7.6	6.8	6.2	14.8	13.5	12.0
Sector Aggregate						11.0	9.2	9.0	6.7	5.3	4.8	15.3	15.4	14.2
Ex RMS						11.2	9.1	8.9	5.9	4.8	4.4	15.9	16.0	14.7
Real Estate														
Anant Raj Inds	59	Buy	5.7	5.9	9.9	10.3	9.9	5.9	10.8	9.0	4.9	4.6	4.6	7.3
DLF	200	Buy	9.7	9.5	11.1	20.7	21.2	18.1	15.2	12.4	11.4	6.2	5.8	6.4
Godrej Properties	625	Neutral	18.7	23.8	35.4	33.4	26.3	17.6	49.1	31.6	18.8	15.2	16.8	21.1
HDIL	98	Neutral	19.8	21.6	27.2	4.9	4.5	3.6	7.4	5.3	4.1	9.0	9.2	10.9
Indiabulls Real Estate	74	Buy	4.0	5.0	6.7	18.6	14.8	11.1	18.3	16.1	9.1	1.6	2.0	2.6
Mahindra Lifespace	292	Buy	26.3	33.7	48.9	11.1	8.7	6.0	8.5	6.5	5.2	10.2	11.7	14.6
Oberoi Realty	221	Buy	15.8	15.7	26.2	14.1	14.1	8.4	10.2	9.2	5.2	19.9	14.4	20.3
Phoenix Mills	211	Buy	5.6	7.8	11.4	37.3	27.0	18.5	27.8	18.5	10.7	4.9	6.4	8.6
Prestige Estates	90	Buy	5.1	7.9	10.6	17.7	11.4	8.4	10.9	7.9	5.8	11.6	11.6	14.1
Unitech	27	Buy	2.2	2.1	2.5	12.3	12.7	10.5	12.9	13.6	10.5	4.9	4.5	5.2
Sector Aggregate						15.7	14.8	11.3	13.8	11.3	8.9	6.3	6.3	7.8
Retail														
Jubilant Foodworks	880	Neutral	11.2	16.7	25.8	78.9	52.8	34.1	46.1	28.3	18.6	37.6	37.8	39.5
Pantaloon Retail	222	Buy	8.8	12.4	16.1	25.2	17.9	13.8	8.8	7.4	6.4	5.8	7.9	9.3
Shopper's Stop	363	Neutral	11.2	11.2	15.0	32.5	32.5	24.3	20.1	16.8	12.7	12.4	13.8	16.0
Titan Industries	207	Neutral	4.9	7.2	9.3	42.5	28.8	22.3	29.7	20.6	15.5	49.6	51.4	47.2
Sector Aggregate						41.3	28.5	21.6	18.9	14.3	11.2	15.1	18.8	20.8
Technology														
HCL Technologies	386	Buy	23.1	29.4	35.0	16.7	13.1	11.0	10.1	7.8	6.4	20.8	22.6	23.0
Infosys	2,355	Buy	119.4	133.7	152.5	19.7	17.6	15.4	13.3	11.6	9.8	27.8	26.8	26.4
Mphasis	322	Neutral	39.8	39.8	35.8	8.1	8.1	9.0	6.8	6.5	6.4	23.3	19.5	15.0
Patni Computer	287	Neutral	42.2	27.6	31.2	6.8	10.4	9.2	3.7	4.0	2.7	17.9	11.8	12.1
TCS	999	Neutral	44.4	52.8	58.1	22.5	18.9	17.2	17.0	13.9	12.2	37.4	35.6	31.5
Tech Mahindra	603	Neutral	54.4	65.1	72.1	11.1	9.3	8.4	5.7	5.1	4.0	30.2	25.3	21.5
Wipro	340	Buy	21.6	22.6	24.6	15.8	15.0	13.8	11.9	10.6	9.3	24.2	21.0	19.2
Sector Aggregate						18.7	16.6	14.9	13.4	11.5	9.9	26.1	24.1	22.8
Telecommunication														
Bharti Airtel	380	Buy	15.9	18.1	29.1	23.9	21.0	13.1	10.2	7.8	5.9	12.6	12.5	17.4
Idea Cellular	97	Buy	2.7	2.3	6.5	35.5	41.1	14.9	11.2	8.3	5.8	7.6	6.1	15.2
Reliance Comm	78	Neutral	7.2	3.8	7.2	10.8	20.8	10.8	7.3	7.0	5.4	3.9	2.1	4.0
Tulip Telecom	153	Buy	18.9	20.9	22.3	8.1	7.3	6.9	5.4	5.1	4.2	28.6	24.8	19.1
Sector Aggregate						22.2	22.2	12.9	9.6	7.7	5.8	8.9	8.3	12.6

UR = Under Review



Sectors & Companies

BSE Sensex: 16,051**S&P CNX:** 4,835**As on:** 26 September 2011



Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company. **All stock prices and indices as on 26 September 2011, unless otherwise stated.**

Automobiles

COMPANY NAME

Bajaj Auto

Hero Honda

Mahindra & Mahindra

Maruti Suzuki India

Tata Motors

Strong momentum in volumes continues: Momentum in volumes continues to be strong. Auto volumes grew 13.9% YoY (4.1% QoQ) in 2QFY12, driven by strong economic growth, availability of credit and new product launches. Two-wheeler volumes grew 17% YoY (~4% QoQ) and three-wheeler volumes grew 10% YoY (~9% QoQ). However, passenger car volumes de-grew by 3.5% YoY (2% QoQ). CV volumes were up 21% YoY (~15% QoQ), with M&HCV volumes growing 6.4% YoY (~14% QoQ).

Higher RM cost in 2Q to pressurize margins; commodity price cool-off underway: Higher commodity prices in 2QFY12 would pressurize margins. We expect EBITDA margins to stay flat QoQ (down 140bp YoY), as the impact of higher RM cost by ~10bp QoQ (~70bp YoY) and fixed cost by 10bp QoQ (30bp YoY) are likely to be offset by price increases. Our FY12 estimates factor in ~40bp rise in RM cost (on top of 290bp increase in FY11), resulting in EBITDA margin contracting ~50bp in FY12.

Forex fluctuation could have de-stabilizing effect: Exchange rate fluctuation has led to concerns over export revenue realization and cost of imported inputs, and the effectiveness of hedging practices being followed by companies. On a QoQ basis, INR has depreciated by 6.6% against JPY, by 1.6% against USD, and by 0.7% against GBP, while it largely remained flat against EUR. INR depreciation would impact Maruti Suzuki, as its JPY exposure remains un-hedged in 2HCY11. However, the INR depreciation should be beneficial for exporters like Bajaj Auto and Tata Motors.

Increasing macro headwinds to impact volumes, EPS estimates: Due to rising interest rates and fuel prices and expected pricing action by OEMs to mitigate RM costs, demand outlook for the industry (especially CVs and passenger cars) has moderated. We lowered our volume assumption for Maruti Suzuki to -4.2% (from -0.2%) and for Tata Motors to 1.2% (from 3.4%). We raised it for M&M to 16% (from 14.6%). Our FY12E EPS are down 8.6% for Maruti Suzuki (cut in volume, margin assumption), and by 7.8% for Tata Motors (normalized for 30% R&D capitalization in JLR, in line with peers). We maintain 15-16% volume growth assumption for two-wheelers.

Valuation and view: Auto stocks' performance was strong over the past three months with outperformance by all players, except Tata Motors. We expect volumes and operating margins to moderate from their peaks of FY10/11. Besides, short-term headwinds will gain momentum and impact short-term stock performance. We prefer players that are less vulnerable to competitive dynamics, enabling dilution of short-term headwinds - **Hero MotoCorp, M&M and Tata Motors.**

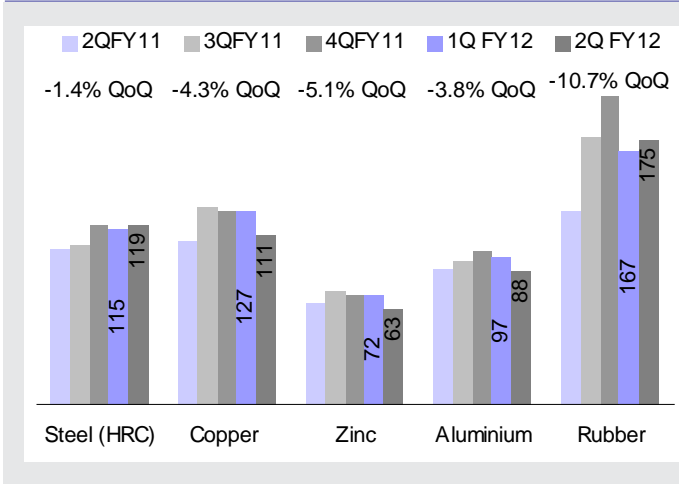
Expected quarterly performance summary

(INR Million)

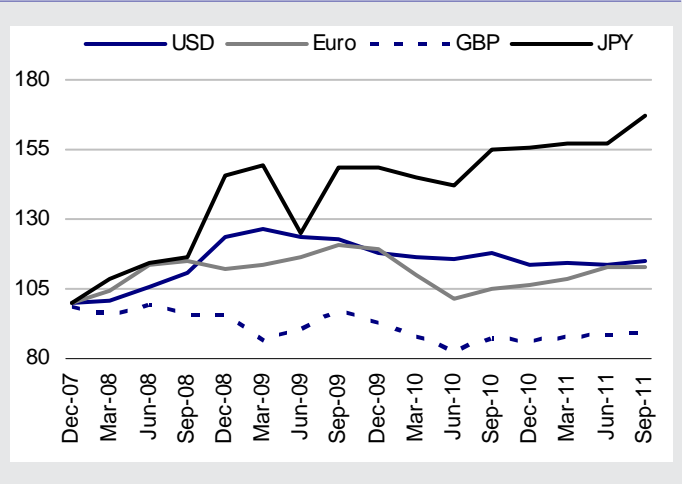
	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Bajaj Auto	1,512	Buy	50,473	16.2	5.7	9,767	8.9	7.2	7,504	10.0	5.5
Hero Motocorp	1,976	Buy	56,640	25.6	0.5	6,195	9.2	5.0	5,372	6.2	-3.7
Mahindra & Mahindra	773	Buy	68,920	29.8	3.3	9,266	9.2	3.3	7,376	1.4	21.9
Maruti Suzuki	1,079	Buy	76,463	-16.4	-10.4	6,423	-33.1	-21.1	3,966	-33.7	-27.8
Tata Motors	147	Buy	340,764	18.4	1.5	43,843	4.8	-1.7	19,180	-8.1	-6.3
Sector Aggregate			593,259	13.9	0.2	75,495	1.2	-1.6	43,399	-5.7	-2.9

Jinesh Gandhi (Jinesh@MotilalOswal.com) / Mansi Varma (Mansi.Varma@MotilalOswal.com)

Commodity prices (Indexed)

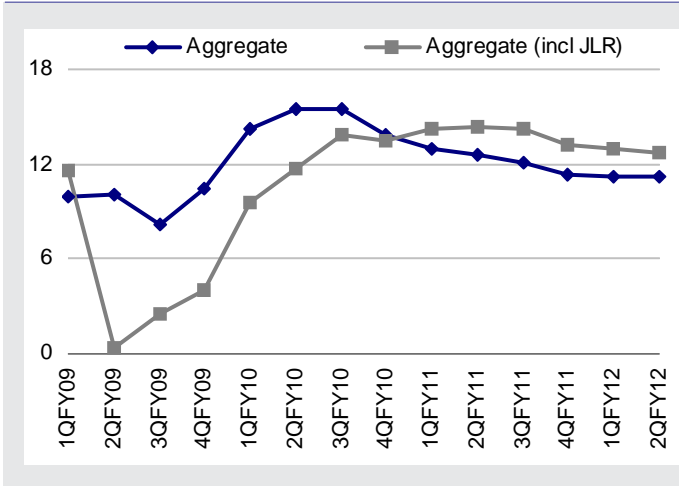


Rupee movement (Indexed)

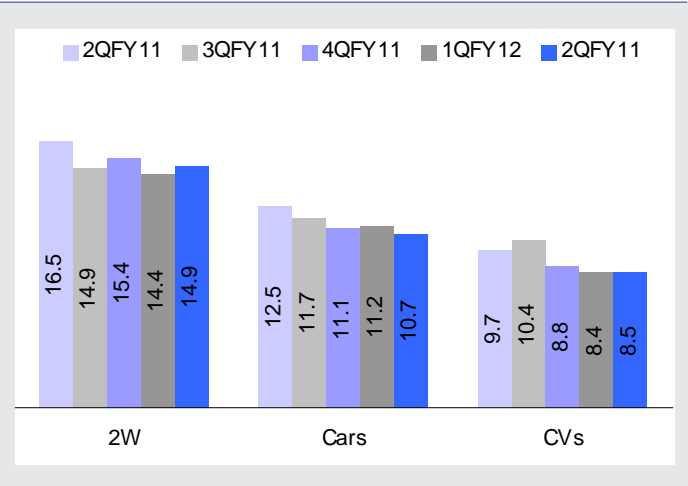


Source: Bloomberg/MOSL

EBITDA margins (%)

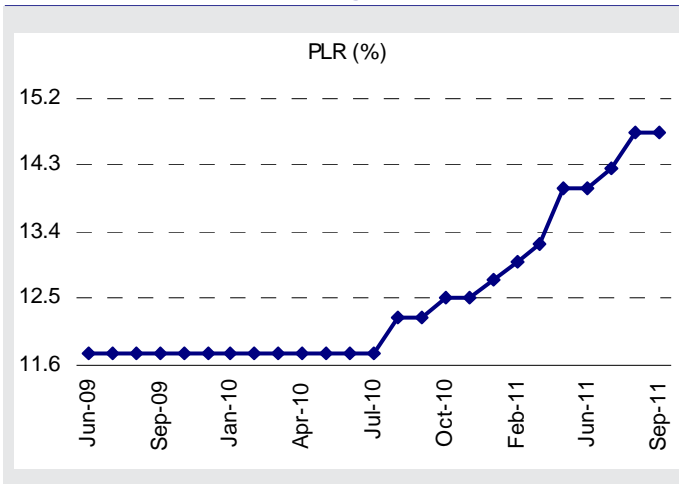


Segment-wise EBITDA margins (%)



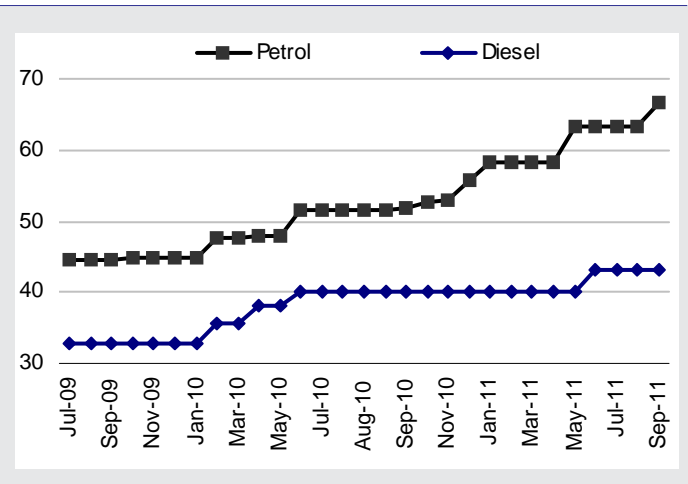
Source: Company/MOSL

Interest costs have been rising (%)



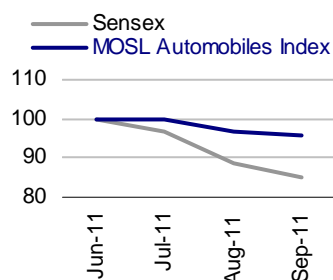
Source: SBI's PLR

Diesel and petrol costs increase (INR/ltr)



Source: Bloomberg/MOSL

Relative Performance-3m (%)

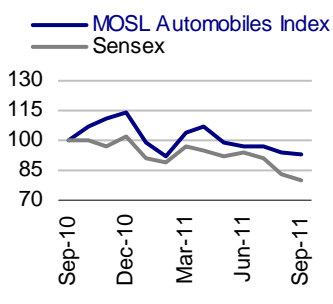


Auto industry volumes: a snapshot for 2QFY12 ('000 units)

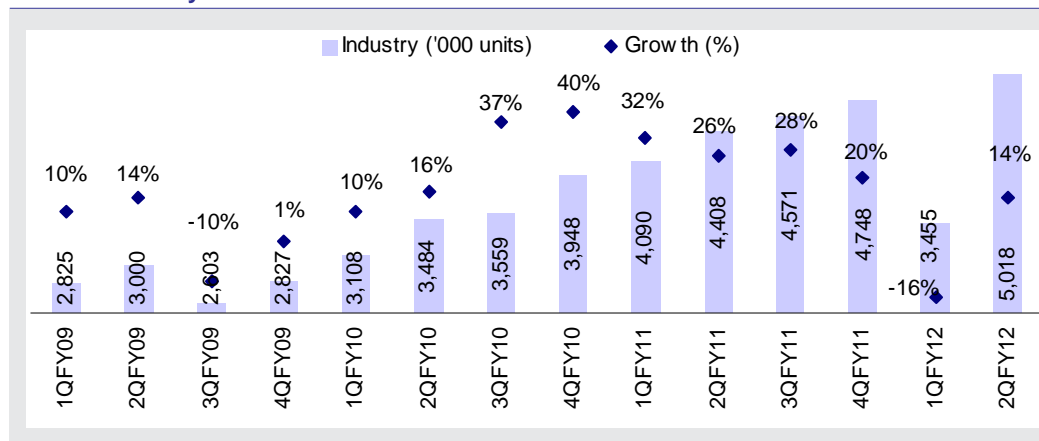
	2QFY12E	2QFY11	YoY (%)	1QFY12	QoQ (%)
Two wheelers	3,844	3,289	16.9	3,693	4.1
Three wheelers	231	209	10.4	213	8.5
Passenger cars	574	594	-3.3	585	-1.9
UVs & MPVs	150	134	12.2	140	7.6
M&HCV	93	87	6.4	81	14.3
LCV	127	94	34.6	109	16.1
Total CVs	220	182	21.1	191	15.4
Total	5,019	4,408	13.9	4,821	4.1

Source: SIAM/ MOSL

Relative Performance-1Yr (%)



Trend in industry volumes



Source: Bloomberg/MOSL

Revised EPS estimates (INR)

	FY12E			FY13E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Bajaj Auto	101.8	100.6	1.2	120.6	117.4	2.8
Hero Honda	113.3	113.1	0.2	142.4	142.5	-0.1
Maruti *	72.3	79.1	-8.6	89.2	93.8	-5.0
M&M*	48.9	48.4	0.9	65.6	63.9	2.7
Tata Motors * #	13.6	14.8	-7.8	17.3	17.3	0.0

* Consolidate; # Normalized EPS adj. for R&D capitalization

Key operating indicators

	Volumes ('000 units)					EBITDA margins (%)					Adjusted PAT (INR m)				
	2Q FY12E	2Q FY11	YoY (%)	1Q FY12	QoQ (%)	2Q FY12E	2Q FY11	YoY (bp)	1Q FY12	QoQ (bp)	2Q FY12E	2Q FY11	YoY (%)	1Q FY12	QoQ (%)
Bajaj Auto	1,151	1,001	15.1	1,093	5.4	19.4	20.7	-130	19.1	30	7,504	6,821	10.0	7,111	5.5
Hero Honda*	1,525	1,286	18.6	1,530	-0.3	10.9	12.6	-160	10.5	50	5,372	5,056	6.2	5,579	-3.7
Maruti Suzuki	257	314	-18.1	282	-8.8	8.4	10.5	-210	9.5	-110	3,966	5,982	-33.7	5,492	-27.8
M&M	161	131	22.3	155	3.4	13.3	15.8	-250	13.3	0	7,376	7,273	1.4	6,049	21.9
Tata Motors (S/A)	201	208	-3.1	198	1.7	8.5	9.7	-130	8.4	10	3,544	4,296	-17.5	3,992	-11.2
Tata Motors (Cons)						12.9	14.5	-170	13.3	-40	19,180	20,882	-8.1	20,481	-6.3
Aggregate **	3,295	2,939	12.1	3,257	1.2	11.2	12.6	-140	11.2	0	27,762	29,428	-5.7	28,222	-1.6

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

Source: SIAM/ MOSL

Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Automobiles														
Bajaj Auto	1,512	Buy	90.4	101.8	120.6	16.7	14.9	12.5	11.4	10.0	8.1	66.7	52.4	48.3
Hero Motocorp	1,976	Buy	100.5	113.3	142.4	19.7	17.4	13.9	14.5	10.6	8.0	62.5	59.3	55.3
Mahindra & Mahindra	773	Buy	48.2	48.9	65.6	16.0	15.8	11.8	6.4	5.4	4.2	25.0	22.2	21.8
Maruti Suzuki	1,079	Buy	82.4	72.3	89.2	13.1	14.9	12.1	6.7	7.6	5.9	16.5	12.8	13.8
Tata Motors	147	Buy	27.3	25.5	29.5	5.4	5.8	5.0	3.8	3.5	2.9	47.3	32.4	28.6
Sector Aggregate						11.0	11.2	9.3	6.2	5.6	4.5	37.0	29.1	28.3

* Consolidated # Normalized EPS (for R&D capitalization)

Bajaj Auto

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR1,512										Buy
Bloomberg Equity Shares (m)	BJAUT IN 289.4	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	ROE (%)	ROCE (%)
52 Week Range (INR)	1,695/1,190	3/10A	119,210	18,175	62.8	128.3	-	-	-	-	78.8	68.5
1,6,12 Rel Perf (%)	-1 / 23 / 24	3/11A	166,089	26,152	90.4	43.9	16.7	16.0	8.9	11.4	66.7	76.1
Mcap (INR b)	437.4	3/12E	194,375	29,446	101.8	12.6	14.9	14.2	6.9	10.0	52.4	67.3
Mcap (USD b)	8.8	3/13E	228,524	34,912	120.6	18.6	12.5	12.0	5.4	8.1	48.3	63.3

- We expect BJAUT's volumes to grow 15.1% YoY (~5.4% QoQ) in 2QFY12 to 1.15m units, driven by 15% YoY (5.5% QoQ) growth in two-wheelers and 15.6% YoY (~4.3% QoQ) growth in three-wheelers. The reported 2QFY12 volumes are 1.1% above our estimates.
- We expect net sales to grow 16% YoY to INR50.5b. Realizations are likely to grow 1% YoY (sequentially flat).
- EBITDA margin is likely to expand 30bp QoQ (130bp YoY decline) to 19.4% driven by sequential softening in commodity prices, partially diluted by higher advertisement expenses on account of boxer 150cc launch. We estimate EBITDA at INR9.8b (up 9% YoY and 7% QoQ) and adjusted PAT at INR7.5b (up ~10% YoY).
- The government has replaced the DEPB scheme with the duty drawback scheme with effect from 1 October 2011. The new rate is 5.5% as against the DEPB rate of 9%. It has also indicated that the current rates are transitory and new drawback rates could be worked out next year. The impact on BJAUT would be to the tune of 3.5% of export revenue or ~90bp impact on EBITDA margin and ~4% impact on EPS in FY13. However, the management has reiterated that it would be passing on the impact of lower export incentive to the consumers. Hence, we factor in increase in export realizations to offset the impact of lower export incentive.
- We maintain our EPS estimates at INR101.8 for FY12 and at INR120.6 for FY13. The stock trades at 14.9x FY12E and 12.5x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE

(RS MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volumes ('000 nos)	928	1,001	947	947	1,093	1,151	1,104	1,048	3,824	4,396
Change (%)	69.5	45.7	17.0	17.1	17.7	15.1	16.6	10.6	34.1	15.0
Realization	41,904	43,393	44,116	44,341	43,715	43,834	44,534	44,832	43,434	44,218
Change (%)	-1.9	3.2	8.3	5.5	4.3	1.0	0.9	1.1	3.9	1.8
Net Sales	38,901	43,418	41,771	42,000	47,773	50,473	49,166	46,963	166,089	194,375
Change (%)	66.4	50.4	26.7	23.5	22.8	16.2	17.7	11.8	39.3	17.0
Total Cost	31,131	34,447	33,278	33,385	38,665	40,706	39,598	37,846	132,240	156,815
RM/Sales %	71.2	70.7	71.4	70.9	72.6	72.0	71.5	70.7	71.0	71.7
Staff cost/Sales %	3.2	2.6	2.6	3.1	2.9	2.6	2.7	3.1	2.9	2.8
Oth. Exp./Sales %	5.6	6.0	5.8	5.7	5.5	6.1	6.4	7.0	5.8	6.3
EBITDA	7,769	8,972	8,493	8,615	9,108	9,767	9,567	9,117	33,849	37,560
EBITDA Margins (%)	20.0	20.7	20.3	20.5	19.1	19.4	19.5	19.4	20.4	19.3
Other Income	817	837	995	1,010	731	800	1,100	1,194	3,658	3,825
Extraordinary Inc/(Exp)	0	0	0	7,246	0	0	0	0	7,246	0
Interest	6	7	4	1	2	3	2	2	17	10
Depreciation	318	300	310	301	306	320	335	351	1,228	1,313
PBT	8,262	9,503	9,174	16,569	9,531	10,244	10,330	9,957	43,508	40,062
Tax	2,360	2,682	2,503	2,565	2,420	2,740	2,763	2,693	10,110	10,616
Effective Tax Rate (%)	28.6	28.2	27.3	15.5	25.4	26.8	26.8	27.0	23.2	26.5
Rep. PAT	5,902	6,821	6,671	14,004	7,111	7,504	7,567	7,264	33,397	29,446
Adj. PAT	5,902	6,821	6,671	6,758	7,111	7,504	7,567	7,264	26,152	29,446
Change (%)	90.1	56.9	31.5	19.6	20.5	10.0	13.4	7.5	43.9	12.6

E: MOSL Estimates

Jinesh Gandhi (Jinesh@MotilalOswal.com) / Mansi Varma (Mansi.Varma@MotilalOswal.com)

Hero MotoCorp

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR1,976										Buy
Bloomberg Equity Shares (m)	HMCL IN 199.7	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	ROE (%)	ROCE (%)
52 Week Range (INR)	2,232/1,378	3/10A	157,582	22,318	111.8	74.1	-	-	-	-	61.4	72.8
1,6,12 Rel Perf (%)	0 / 47 / 27	3/11A	192,450	20,077	100.5	-10.0	19.7	16.9	13.3	14.5	62.5	59.2
Mcap (INR b)	394.6	3/12E	233,033	22,622	113.3	12.7	17.4	12.2	10.3	10.6	59.3	56.6
Mcap (USD b)	8.0	3/13E	274,401	28,447	142.4	25.7	13.9	10.2	7.7	8.0	55.3	63.4

- We expect HMCL's volumes to grow 18.6% YoY (flat QoQ) to 1.52m in 2QFY12. The reported 2QFY12 volumes are 1.3% above our estimates. Realizations should improve by ~6% YoY (0.8% QoQ) on account of price increases of INR500-600/unit taken on 24 June 2011.
- We estimate net sales at INR56.6b, up 26% YoY and 0.5% QoQ. EBITDA margin (adjusted for change in royalty accounting) should improve by 50bp QoQ (160bp YoY decline) to 10.9%, driven by softening in commodity costs, partially offset by higher advertisement expenses for brand transition. Normalized EBITDA is likely to increase 5% QoQ. However, lower other income would restrict PAT at INR5.4b (+6% YoY, -4% QoQ).
- Post its split with Honda, HMCL needs to address challenges related to new product development, brand transition, developing export markets and maintaining market share. It needs to build its fourth plant to meet strong demand and maintain its market share.
- We maintain our EPS estimates of INR113.3 for FY12 and INR142.4 for FY13. Our FY12 estimates factor in volume growth of 15.8% and EBITDA margin expansion of 130bp to 14.1%. The stock trades at 17.4x FY12E and 13.9x FY13E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes ('000 nos)	1,234	1,286	1,428	1,454	1,530	1,525	1,600	1,602	5,402	6,256
Change (%)	10.3	8.7	28.5	22.6	23.9	18.6	12.0	10.1	17.4	15.8
Net Realization	34,558	35,082	35,841	36,791	36,858	37,148	37,427	37,541	35,623	37,249
Change (%)	1.5	2.7	4.4	6.7	6.7	5.9	4.4	2.0	4.0	4.6
Net Sales	42,646	45,113	51,182	53,509	56,376	56,640	59,883	60,134	192,450	233,033
Change (%)	11.9	11.7	34.2	30.7	32.2	25.6	17.0	12.4	22.1	21.1
EBITDA	5,705	5,673	5,332	7,899	7,721	7,966	8,579	8,586	24,609	32,852
EBITDA Margins (%)	13.4	12.6	10.4	14.8	13.7	14.1	14.3	14.3	12.8	14.1
Adj. EBITDA Margins (%)	13.4	12.6	10.4	11.5	10.5	10.9	11.4	11.3	11.9	11.0
Other Income	854	1,190	1,055	1,143	1,341	950	1,000	1,079	4,243	4,370
Interest	-27	-21	-52	81	-32	-20	-40	223	-17	131
Depreciation	483	608	560	2,374	2,398	2,425	2,450	2,481	4,024	9,754
Extraordinary Expense	0	0	798	0	0	0	0	0	798	0
PBT	6,103	6,276	5,081	6,588	6,696	6,511	7,169	6,961	24,046	27,338
Tax	1,187	1,220	790	1,572	1,117	1,139	1,255	1,205	4,769	4,716
Effective Tax Rate (%)	19.4	19.4	15.6	23.9	16.7	17.5	17.5	17.3	19.8	17.3
PAT	4,917	5,056	4,291	5,016	5,579	5,372	5,914	5,757	19,277	22,622
Adj. PAT	4,917	5,056	4,931	5,016	5,579	5,372	5,914	5,757	19,917	22,622
Change (%)	-1.7	-15.3	-8.0	-16.2	13.5	6.2	19.9	14.8	-10.8	13.6

E: MOSL Estimates

Jinesh Gandhi (Jinesh@MotilalOswal.com) / Mansi Varma (Mansi.Varma@MotilalOswal.com)

Mahindra & Mahindra

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR773										Buy
Bloomberg Equity Shares (m)	MMIN 596.9	YEAR END	N. SALES (INR M)	S/A PAT (INR M)	S/A EPS (INR)	CONS. EPS (INR)	CON GR (%)	CONS, P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	826/585	3/10A	185,888	20,451	34.3	40.8	61.9	-	26.1	25.4	-	-
1,6,12 Rel Perf (%)	8 / 29 / 32	3/11A	234,944	25,732	43.1	48.2	18.1	16.0	25.0	25.6	2.0	13.1
Mcap (INR b)	461.3	3/12E	285,654	27,301	45.7	48.9	1.4	15.8	22.2	23.4	1.6	11.9
Mcap (USD b)	9.3	3/13E	330,403	31,949	53.5	65.6	34.3	11.8	21.8	24.0	1.4	10.0

- MM to report overall volume growth of 22.3% YoY (3.4% QoQ) in 2QFY12, driven by 13.7% YoY growth (14% QoQ decline) in tractor volumes and 31% YoY growth (12% QoQ) in UV volumes. The reported 2QFY12 volumes are 7.2% above our estimates. Realizations are likely to improve by 6.1% YoY (flat QoQ), driven by price increases of 1.5-2% in the auto segment in August 2011 and by 1.5% in the farm equipment segment (FES) from September-end, benefit of which will be visible in 3QFY12.
- We estimate net sales at INR68.9b, up 30% YoY. EBITDA margin is likely to stay flat QoQ (250bp YoY) at 13.3%, as softening in commodity prices is offset by increase in other expenditure. We estimate EBITDA at INR9.27b (up 9.2% YoY and 3.3% QoQ). Other income is likely to be higher sequentially at INR1.8b due to receipt of dividend from subsidiaries; this would translate into adjusted PAT of INR7.4b (up ~1.4% YoY and 21.9% QoQ).
- We expect PBIT margin to contract 310bp YoY (flat QoQ) for Auto and by 240bp YoY (10bp QoQ) for FES.
- We expect the full benefit of the 9 launches in FY11 and 8 new launches in FY12 to support volumes. The management has guided 10% growth in autos and 11-13% in tractors in FY12, subject to normal monsoons.
- Our consolidated EPS estimates stand at INR48.9 for FY12 and at INR65.6 for FY13. The stock trades at 15.8x FY12E and 11.8x FY13E consolidated EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes (nos)	127,297	131,384	148,631	160,511	155,390	160,669	164,750	177,739	567,726	658,548
Change (%)	24.5	20.2	32.1	22.2	22.1	22.3	10.8	10.7	24.3	16.0
Net Realization	402,537	404,255	408,694	416,308	429,448	428,955	428,955	428,618	408,509	428,980
Change (%)	-2.7	-1.0	2.7	3.6	6.7	6.1	5.0	3.0	1.5	5.0
Net Sales	51,242	53,113	60,745	66,822	66,732	68,920	70,670	76,182	231,921	282,504
Change (%)	21.2	19.0	35.6	26.6	30.2	29.8	16.3	14.0	26.2	21.8
Operating Other Income	359	505	466	960	603	750	700	1,097	3,016	3,150
EBITDA	7,756	8,483	9,238	8,619	8,973	9,266	9,778	10,199	34,562	38,216
EBITDA Margins (%)	15.0	15.8	15.1	12.7	13.3	13.3	13.7	13.2	14.7	13.4
Other income	205	1,998	419	474	249	1,800	550	738	3,095	3,337
Interest	-227	-91	-27	-158	-20	-10	20	57	-503	47
Depreciation	976	970	1,022	1,171	1,099	1,175	1,275	1,312	4,139	4,860
EO Expense	0	-467	-1,175	0	0				-1,175	0
PBT	7,211	10,068	9,836	8,080	8,143	9,901	9,033	9,569	35,196	36,646
Tax	1,588	2,483	2,490	2,015	2,095	2,525	2,303	2,422	8,575	9,345
Effective Tax Rate (%)	22.0	24.7	25.3	24.9	25.7	25.5	25.5	25.3	24.4	25.5
Reported PAT	5,624	7,585	7,347	6,065	6,049	7,376	6,729	7,147	26,621	27,301
Adj PAT	5,624	7,273	6,172	6,065	6,049	7,376	6,729	7,147	25,732	27,301
Change (%)	22.8	22.9	45.5	5.9	7.6	1.4	9.0	17.8	25.8	6.1
Segment PBIT Margins (%)										
Auto	12.2	13.8	12.3	10.6	10.7	10.7	10.8	11.7	12.6	11.0
Farm Equipments	17.1	18.3	18.5	17.0	16.0	15.9	15.9	18.9	17.4	16.7
Others	1.7	7.9	2.9	20.6	10.1	7.0	7.4	8.7	9.7	8.4

E: MOSL Estimates; Quarterly results don't add-up to full year results due to restatement

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Maruti Suzuki India

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	MSIL IN
Equity Shares (m)	289.0
52 Week Range (INR)	1,600/1,045
1,6,12 Rel Perf (%)	-1 / 5 / -7
Mcap (INR b)	311.8
Mcap (USD b)	6.3

CMP: INR1,079**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	CONS. EPS (INR)	EPS GR. (%)	CONS. P/E (X)	P/CE (X)	P/BV (X)	EV/ EBITDA	ROE (%)	ROCE (%)
3/10A	296,231	25,068	90.8	113.8	-	-	-	-	21.1	28.4
3/11A	369,199	23,101	82.4	-9.2	13.1	9.4	2.2	6.7	16.5	22.1
3/12E	367,951	20,028	72.3	-12.3	14.9	10.0	2.0	7.7	12.8	17.0
3/13E	432,203	24,534	89.2	23.2	12.1	8.1	1.8	5.9	13.8	18.5

- MSIL's volumes to decline 18% YoY (9% QoQ) in 2QFY12 to 256,791 units, led by 20% YoY (11% QoQ) de-growth in domestic volumes and 6% decline (9% QoQ growth) in export volumes. Domestic volumes were impacted by (a) shifting of Dzure from Manesar to Gurgaon (loss of 5,500 units), (b) discontinuation of old Swift (12,000 units), and (c) strike at Manesar (~25,500 units). The reported 2QFY12 volumes are 1.7% below our estimates. We expect realizations to decline by 2.3% sequentially (1.4% YoY growth) on account of significantly higher discounts coupled with adverse product mix due to strike at the Manesar plant.
- We expect net revenue to decline 17% YoY (11% QoQ) to INR74.6b. EBITDA margin is likely to decline 210bp YoY (~110bp QoQ) to 8.4% due to higher RM cost, impacted by effect of JPY appreciation on vendor imports and adverse hedging rate on direct imports, and negative operating leverage. We estimate EBITDA at INR6.4b, down 21% QoQ (33% YoY), translating into 28% QoQ decline (34% YoY) in recurring PAT to INR4b.
- Full impact of JPY appreciation to come in 2HFY12, as MSIL's forex exposure remains unhedged after 2QFY12. This would be further exacerbated by vendor imports, the impact of which comes with a lag of a quarter.
- We are downgrading our consolidated EPS estimates by 8.6% for FY12 to INR72.3 and by 5% for FY13 to INR89.2, as we lower our volume growth assumption for FY12 from -0.2% to -4.2%. We expect EBITDA margin to decline by 80bp to 8.9% in FY12, led by higher discounts and adverse JPY movement. The stock trades at 14.9x FY12E consolidated EPS and 10x FY12E cash EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes ('000 nos)	283	314	331	343	282	257	315	364	1,271	1,218
Change (%)	25.0	27.4	28.2	19.5	-0.6	-18.1	-4.7	6.1	24.8	-4.2
Realizations (Rs/car)	284,151	284,935	280,529	287,288	295,529	288,869	294,663	299,243	284,249	295,011
Change (%)	1.6	-0.5	-1.3	0.3	4.0	1.4	5.0	4.2	0.0	3.8
Net Sales	80,904	89,774	93,261	99,059	83,615	74,663	93,375	109,592	362,997	361,244
Change (%)	27.1	26.8	26.5	19.6	3.4	-16.8	0.1	10.6	24.7	-0.5
Other Operating Income	2,188	1,699	1,683	1,863	1,678	1,800	1,800	1,429	7,404	6,708
Net Op. Revenues	83,092	91,473	94,945	100,922	85,293	76,463	95,175	111,021	370,401	367,951
Change (%)	28.0	27.0	26.5	19.8	2.6	-16.4	0.2	10.0	25.0	-0.7
EBITDA	8,574	9,603	9,018	10,097	8,144	6,423	7,899	10,270	37,295	32,737
As % of Sales	10.3	10.5	9.5	10.0	9.5	8.4	8.3	9.3	10.1	8.9
Non-Operating Income	1,004	1,340	1,283	1,199	1,801	1,500	1,350	1,197	4,463	5,848
Extraordinary Expense	652	0	0	0	0	0	0	0	652	0
Interest	80	97	4	64	58	70	70	-70	244	128
Depreciation	2,417	2,382	2,369	2,967	2,425	2,475	3,250	3,150	10,135	11,300
PBT	6,430	8,464	7,928	8,626	7,463	5,378	5,929	8,387	31,088	27,157
Tax	1,777	2,481	2,276	1,667	1,970	1,412	1,556	2,190	8,201	7,129
Effective Tax Rate (%)	27.6	29.3	28.7	19.3	26.4	26.3	26.3	26.1	26.4	26.3
PAT	4,654	5,982	5,652	6,959	5,492	3,966	4,373	6,197	22,886	20,028
Adjusted PAT	5,125	5,982	5,652	6,668	5,492	3,966	4,373	6,197	23,101	20,028
Change (%)	-12.2	5.0	-17.8	1.6	7.2	-33.7	-22.6	-7.1	-7.5	-13.3

E: MOSL Estimates

Jinesh Gandhi (Jinesh@MotilalOswal.com) / Mansi Varma (Mansi.Varma@MotilalOswal.com)

Tata Motors

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR147										Buy
Bloomberg	TTMT IN	YEAR	SALES	ADJ/PAT	ADJ EPS	NORMAL	CONS.	NORMAL	ROE	ROCE	EV/	EV/
Equity Shares (m)	3,323.0	END*	(INR M)	(INR M)	(INR)	EPS (INR)	P/E (X)	P/E (X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	276/138	3/10A	925,193	15,051	4.5	-4.3	-	-	18.3	10.7	-	-
1,6,12 Rel Perf (%)	4 / -25 / -12	3/11E	1,231,333	90,695	27.3	17.1	5.4	8.6	47.3	24.6	0.2	1.6
Mcap (INR b)	488.5	3/12E	1,443,865	84,674	25.5	13.6	5.8	10.8	32.4	22.9	0.2	1.5
Mcap (USD b)	9.9	3/13E	1,640,711	97,997	29.5	17.3	5.0	8.5	28.6	23.2	0.1	1.1

* Consolidated; ^ Normalized for capitalized expenses

- On a consolidated basis, we expect net operating income to grow 18.4% YoY (1.5% QoQ) to INR340.8b. While standalone operations would grow ~7.3% YoY (3.8% QoQ), JLR would grow 24.4% YoY (3% QoQ). We estimate EBITDA at INR43.8b, up 13% YoY (down ~2% QoQ), translating into 170bp YoY decline (40bp QoQ) in EBITDA margin to 12.9%. This will result in 8% YoY de-growth (6.4% QoQ) in recurring PAT to INR19.2b.
- Standalone volumes to grow 10.7% YoY (~2% QoQ) in 2QFY12, driven by 15.5% YoY growth (~12% QoQ) in CV volumes. PV volumes would decline 30% YoY (~17% QoQ). Net sales at INR122.8b, up 7% YoY. Realizations to improve by 11% YoY (2% QoQ), driven by improvement in product mix. Margins would expand 10bp QoQ (-120bp YoY) to 8.5%. PAT to decline 17.5% YoY (~11% QoQ) to INR3.5b.
- For JLR, we expect volume growth of 15% YoY (~2% QoQ) to 63,356 units. Realizations would improve 8% YoY (~1% QoQ), resulting in revenue growth of 24% YoY (~3% QoQ) to GBP2.8b. We estimate EBITDA margin at 15.2% (~10bp QoQ expansion), translating into recurring PAT of GBP221m (v/s GBP219m in 1QFY12).
- With **forex debt of ~INR115b**, 2QFY12 would see significant MTM losses which are not factored in our estimates.
- We maintain our FY12E EPS at INR25.5, but upgrade FY13E EPS by 3.3% to INR29.5, as we increase our volume assumption for JLR by 1.8% to 0.31m units and our LCV volume assumption in domestic business by ~5% to 0.39m. The stock trades at 5.8x FY12E cons. EPS and 10.8x FY12E normalized EPS. **Maintain Buy.**

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Op Income	270,556	287,820	316,852	356,105	335,725	340,764	373,475	392,095	1,231,333	1,443,865
Growth (%)	65.0	36.5	22.0	22.5	24.1	18.4	17.9	10.1	33.1	17.3
EBITDA	39,533	41,839	48,223	48,205	44,617	43,843	50,046	49,816	177,800	190,129
EBITDA Margins (%)	14.6	14.5	15.2	13.5	13.3	12.9	13.4	12.7	14.4	13.2
Depreciation	10,115	10,949	12,388	13,103	11,432	13,491	14,670	14,864	46,555	54,458
Product Dev. Exp	979	1,823	3,337	3,486	2,259	2,944	3,310	4,646	9,625	13,159
Other Income	346	186	99	266	761	700	325	635	896	2,421
Interest Expenses	5,616	5,313	4,993	4,532	7,659	5,618	5,700	5,562	20,454	24,539
PBT before EO Exp	23,168	23,941	27,604	27,349	24,028	22,490	26,691	25,379	102,062	100,394
EO Exp/(Inc)	414	-1,286	327	-1,764	570	0	0	0	-2,310	0
PBT after EO Exp	22,754	25,227	27,277	29,114	23,458	22,490	26,691	25,379	104,372	100,394
Tax	2,960	3,131	3,188	2,885	3,519	3,420	4,616	4,433	12,164	15,988
Tax rate (%)	13.0	12.4	11.7	9.9	15.0	15.2	17.3	17.5	11.7	15.9
PAT	19,794	22,096	24,089	26,229	19,939	19,070	22,075	20,945	92,208	84,406
Minority Interest	-63	-112	-108	-202	-39	-140	-130	-218	-485	-528
Share in profit of Associate	156	25	263	570	96	250	150	300	1,014	796
Adj PAT	20,247	20,882	24,533	25,007	20,481	19,180	22,095	21,026	90,695	84,674
Growth (%)	LTP	9007.0	201.8	71.3	1.2	(8.1)	-9.9	-15.9	502.6	-6.6
Standalone volumes (units)	190,304	207,645	194,085	244,971	197,785	201,151	204,300	242,341	835,708	846,533
EBITDA Margins (%)	11.3	9.7	10.4	8.8	8.4	8.5	9.0	9.3	10.7	8.8
JLR Volumes (units)	59,200	55,134	63,155	66,131	62,090	63,356	75,750	77,158	243,621	278,354
EBITDA Margins (%)	15.5	16.6	17.4	15.9	15.1	15.2	15.2	15.5	16.4	15.3

E: MOSL Estimates

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Capital Goods

COMPANY NAME

ABB	High inflation, high base slow capital goods growth: A steep decline in the Capital Goods Index in July is worrying. We believe the magnitude of the fall in numbers exposes the depth of damage. This is the lowest index reading in 23 months and almost equal to its level during the first half of 2009, the zenith of the sub-prime crisis. High inflation and interest rates are a matter of concern for the sector. Higher rates on working capital financing and lack of liquidity for project financing for companies are challenges for capex upturn in the short term.
BGR Energy	
BHEL	
Crompton Greaves	
Cummins India	Execution on track but intake growth lackluster: In 1QFY12 the engineering sector's revenue grew by 15% YoY. In 2QFY12 we expect revenue to grow 18% YoY driven by healthy order backlog with BTB of 2.8x TTM revenue. Ordering activity is showing signs of deceleration in the capital goods space. Although the current order book is sufficient to fuel growth in FY12, and to a great extent in FY13, we are concerned about visibility beyond FY13 considering delays in upcoming projects. In 1QFY12 order intake declined 21% YoY.
Havells India	
Larsen & Toubro	
Siemens	

Thermax

2QFY12 industry EBITDA margins to be 13.6% (down 60bp YoY) on concerns of rising material prices: In 2QFY12 we expect EBITDA margins to be 13.6%, down 60bp YoY. We expect margins to be under pressure due to rising inflation and commodity prices. Material prices have been rising 25-27% since the start of FY11, however prices of copper have shown some signs of cooling off which will help companies arrest fall in margins.

Near-term concerns impact valuations: Engineering companies in our coverage universe trade at FY12E P/E of 17x and P/BV of 4x. We expect earnings CAGR of 17% over FY11-13. Despite attractive valuations we expect sector valuations to be under pressure in the near term due to rising growth concerns. We believe high interest rates and a policy logjam will adversely impact the capital expenditure cycle in India and hence order inflows of capital goods companies. We are Neutral on sector. Our preferred picks are **L&T, Siemens and Cummins**.

Expected quarterly performance summary
(INR Million)

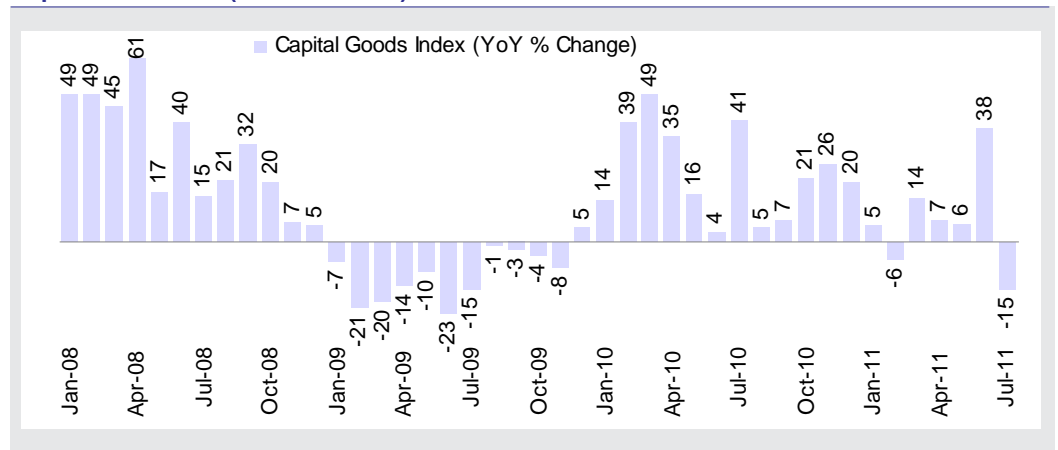
	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
ABB	718	Neutral	15,102	12.0	-10.8	824	LP	24.9	587	409.9	51.4
BGR Energy	326	Buy	12,687	11.7	72.8	1,499	13.3	56.0	846	8.8	68.3
BHEL	1,590	Buy	99,530	19.5	39.7	18,822	10.4	69.1	12,948	11.9	58.8
Crompton Greaves	151	Neutral	26,537	10.7	8.9	2,424	-27.3	33.3	1,451	-32.0	86.5
Cummins India	413	Buy	11,921	9.2	14.0	2,126	-2.1	14.5	1,647	-1.9	21.1
Havells India	358	Buy	7,780	12.7	-2.7	912	17.9	6.4	701	21.2	21.9
Larsen & Toubro	1,429	Buy	111,750	20.7	17.8	11,720	10.0	4.0	7,214	3.9	-3.3
Siemens	847	Neutral	37,250	23.1	33.2	4,604	15.9	83.9	3,020	20.2	95.1
Thermax	489	Neutral	12,225	12.0	17.1	1,455	13.2	28.0	1,007	12.5	26.1
Sector Aggregate			334,782	18.0	23.3	44,386	9.8	37.9	29,420	8.2	36.4

Macro data indicate a short term jolt to growth and capex upturn

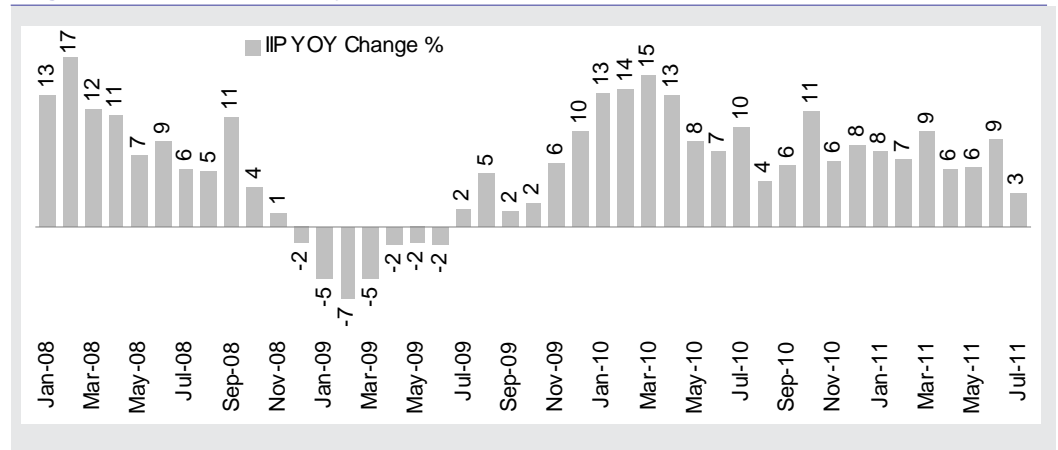
Capital Good Index (down 15% YoY) after picking up in June; high interest rates and policy logjam remains a matter of concern

The steep decline in the Capital Goods Index in July is worrying. The product segments that performed badly are pumps, electric and DC motors, cement machinery and cooling towers. We believe the magnitude of the fall in numbers exposes the depth of damage: This is the lowest reading in 23 months and almost equal to the level reached during the first half of 2009, the zenith of the sub-prime crisis. High inflation and interest rates are a matter of concern for the sector. Higher rates on working capital financing and lack of liquidity for project financing for companies are challenges for capex upturn in the short term.

Capital Good Index (down 15% YoY)



IIP growth (up 3% YoY) in July 2011: Slowdown persists



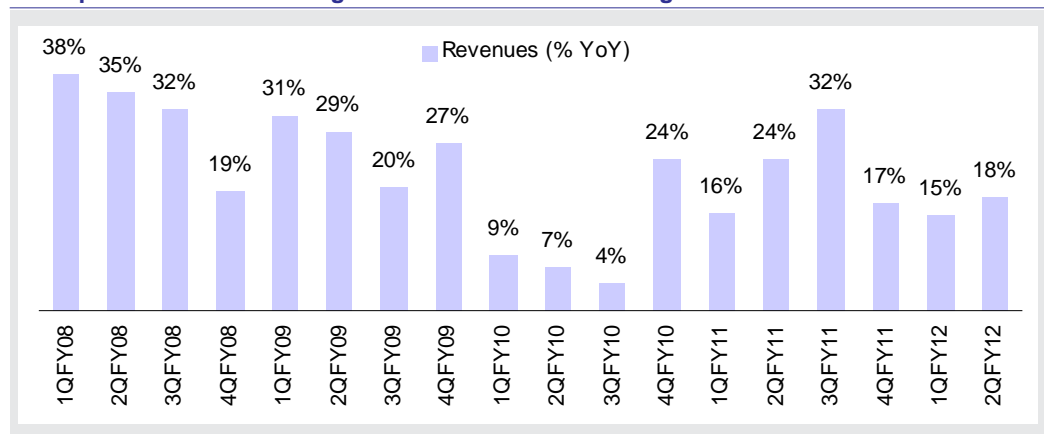
July IIP growth of 3.3% was the lowest growth in 21 months (since 2.3% in October 2009) Further rising costs and falling new projects point to a decline in investment activity

Source: Company/MOSL

Execution likely to be strong

We expect 2QFY12 revenue growth of 18% due to a strong order book

In 2QFY12 we expect the sector's revenue to grow 18%. With average BTB of 2.8x TTM for the industry we expect revenue CAGR of 14% for the industry over FY11-13



Source: Company/MOSL

BHEL, Siemens, L&T lead revenue charts; Crompton, Cummins growth to moderate

In 2QFY12 we expect the best performers to be BHEL, Siemens and L&T while growth in Crompton and Cummins is expected to moderate. Considering that BTB ratios of most project companies in our coverage range between 2-4x TTM, speedy execution is the key to superior earnings growth for the sector.

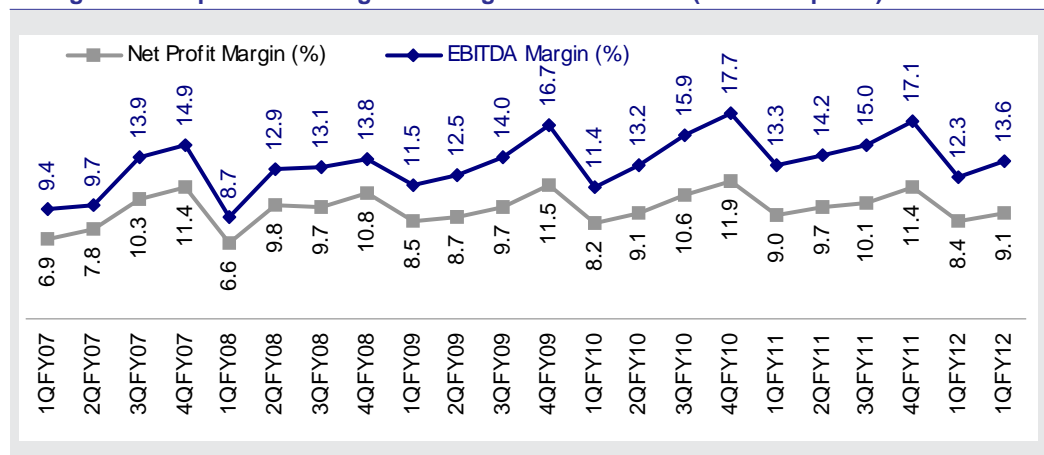
Expect 18% YoY industry growth in 2QFY12 (%)

	2QFY11	2QFY12E	FY11
ABB	-7	12	5
BHEL	26	20	21
BGR Energy	143	12	55
Crompton	14	9	13
Cummins	76	9	41
Havells	15	13	19
L&T	18	21	19
Siemens	20	23	28
Thermax	60	12	53
Industry	24	18	22

Source: Company/MOSL

Rising costs keep EBITDA margins on a tight leash at 13.6% (down 60bp YoY)

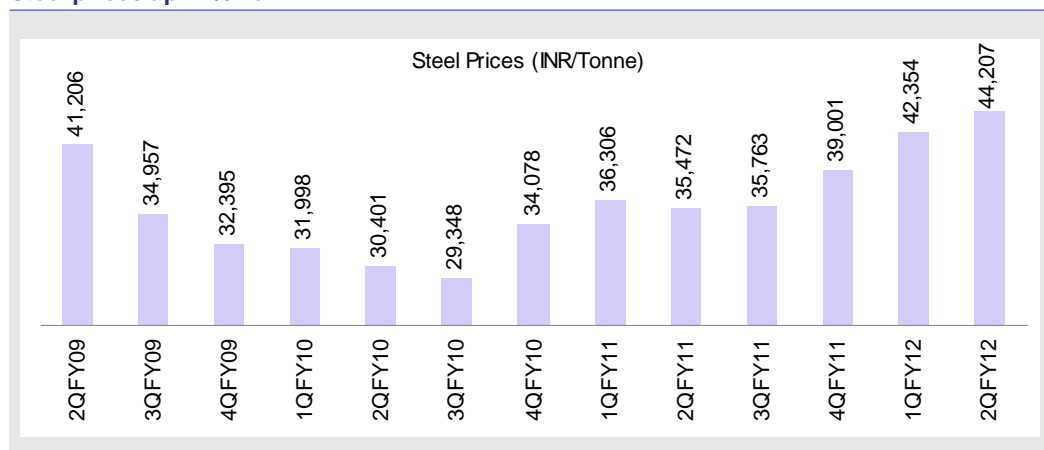
In 2QFY12 we expect margin declines across companies under our coverage except ABB and BGR. Rising prices of steel (up 25% in 2Q FY12) and copper (up 27% in 2Q FY12) will keep margins on a tight leash



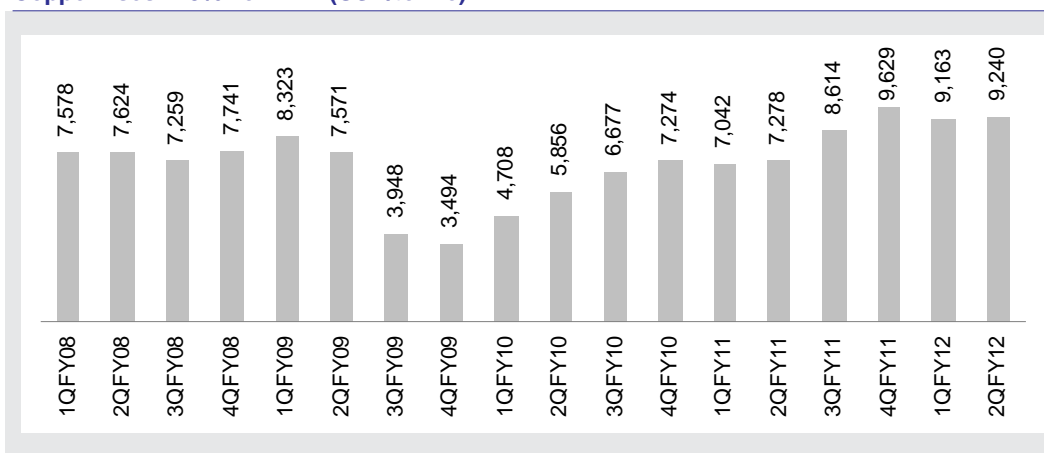
Source: Company/MOSL

Both Steel and Copper have gone up by more than 50% from their 3QFY1 level. Copper prices have shown some signs of softening and fallen by 4% from its peak in 4QFY11

Steel prices up 21% YoY YTD



Copper rises ~29% YoY YTD (USD/tonne)

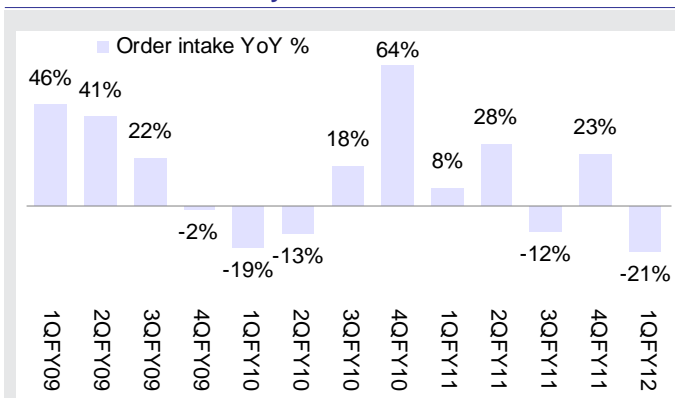


Source: Company/MOSL

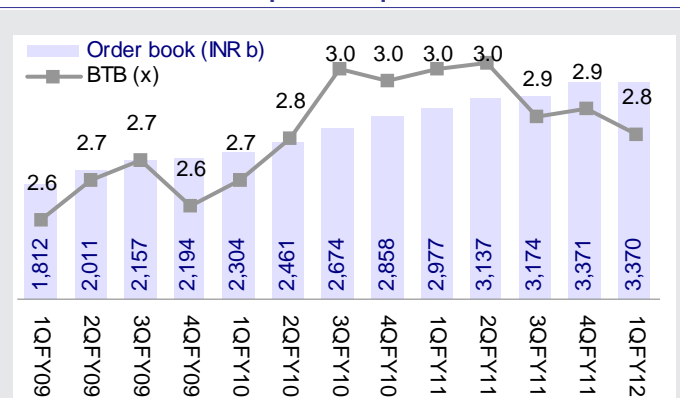
1QFY12 industry order intake down 21% YoY at INR261.5b; BTB 2.8x TTM revenue

Ordering activity slowed during the 1QFY12 with order intake declining 21% YoY v/s 64% YoY in FY11 for our engineering universe. The growth in order intake ex-BHEL for 2QFY12 was 6%. BHEL's order intake was significantly lower due to slow ordering activity in the power equipment space. The recent bulk tendering of nine units of 880MW (INR190b) to BHEL, L&T and BGR should boost growth rates in early 2HFY12. NTPC's 11x 660MW turbine bids are also expected to be placed during the remaining part of the year.

Order intake declined by 21% in 1QFY12



BTB declined over the past few quarters



Source: Company/MOSL

Order backlog (INR3,383b) BTB (2.8x)

The aggregate order book in our coverage universe is INR3,383b with BTB of 2.8x TTM. However BTB has been declining over the past three quarters after picking up in 2QFY11 because of slowing orders in the sector. BHEL offers the best earnings visibility in the universe (BTB of 4.x) but has had virtually no orders in 1QFY12, which is a matter of concern. The recent bulk tendering award of 9x 880MW will boost orders for BHEL and BGR Energy. In this tender L&T got orders worth only INR16b (8% of the total order) out of total ordering of INR190b.

Order backlog

Company	Order Backlog (June'11)	BTB (x)
ABB	84.2	1.2
BHEL	1,596.0	4.0
BGR Energy	75.0	1.6
Crompton Greaves	35.1	0.6
Larsen & Toubro	1,361.7	3.0
Siemens	149.6	1.3
Thermax	68.0	1.3

Source: Company/MOSL

We expect 18% overall growth for our universe in 2QFY12

Revenue growth in 1QFY12 was 15% YoY for the engineering sector. In 2QFY12, we expect revenue growth of 19% YoY, driven by healthy execution and a strong order book. Due to the sheer strength in earnings visibility BHEL and L&T (BTB of 4.x and 3x respectively) will consistently deliver better revenue CAGR of 23% and 18% respectively over FY11-13.

Yearly revenue trend (INR b)

	Revenue								% CAGR		
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E	FY05-11	FY11-13E
ABB*	23	30	43	59	68	62	63	72	86	19	17
BHEL	95	134	172	193	262	329	398	498	599	27	23
BGR Energy	na	na	8	15	19	31	48	53	59	na	11
Crompton Greaves	20	25	34	68	87	91	100	109	124	31	11
Cummins	12	15	18	23	33	29	41	46	56	23	17
L&T	131	147	176	249	336	367	435	520	602	22	18
Havells	6	10	15	50	55	54	56	63	71	46	13
Siemens**	27	45	77	83	84	93	121	144	181	28	22
Thermax	13	16	23	35	35	34	53	58	64	27	9

*December year ending (FY08=CY07) **September year ending (Sep'07= FY07)

PAT trend (INR b) and CAGR (%)

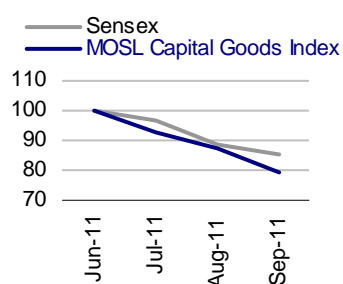
We expect Havells, Siemens, BHEL to post strong growth in earnings over FY11-13E while L&T and Cummins is expected to post a CAGR of 15% over FY11-13. ABB's PAT growth was due to a reversal in margins from currently negative to positive and a base effect.

Yearly Net Profit Trend (INR b)

	Net Profit								% CAGR		
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E	FY05-11	FY11-13E
ABB*	1.5	2.2	3.4	4.9	5.3	3.5	0.6	2.5	4.7	18	174
BHEL	9.7	16.8	24.1	25.1	35.6	46.8	56.6	68.0	80.7	37	19
BGR Energy	na	na	0.4	0.9	1.2	2.0	3.2	3.5	3.8	na	8
Crompton Greaves	1.4	2.4	2.8	3.8	5.6	8.2	9.3	6.5	8.7	43	-3
Cummins	1.4	1.8	2.4	2.8	4.1	4.4	5.9	6.7	7.8	26	15
Havells	0.3	0.6	1.0	1.6	0.4	0.7	2.7	3.6	4.4	17	26
L&T	6.4	10.3	18.3	22.9	30.0	37.1	42.4	48.0	54.9	42	14
Siemens**	2.5	3.6	5.2	4.7	6.5	8.3	9.8	12.1	15.2	27	25
Thermax	0.7	1.0	1.9	2.9	2.9	2.6	3.8	4.2	4.7	31	11

*December year ending (FY08=CY07) **September year ending (Sep'07= FY07)

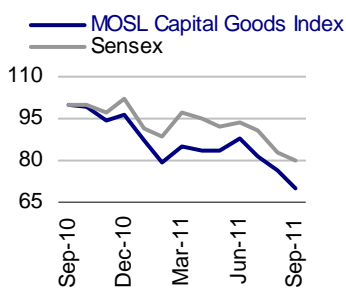
Relative Performance - 3m (%)



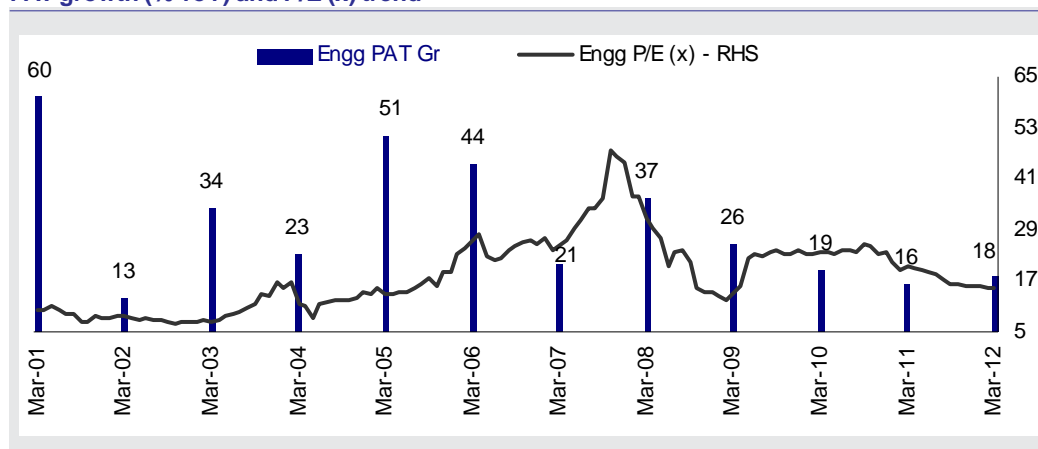
Near term concerns impact valuations; Neutral

Companies under our coverage in the engineering sector trade at FY12E P/E of 17x and P/BV of 4x. We expect earnings CAGR of 17% over FY11-13. Despite attractive valuations we expect sector valuations to be under pressure in the near term due to rising growth concerns. We believe high interest rates and a policy logjam in India will adversely impact the capital expenditure cycle in India and hence order inflows of capital goods companies. We are Neutral on the sector. Within the sector, our preferred picks are **L&T**, **Siemens** and **Cummins**.

Relative Performance-1Yr (%)



PAT growth (% YoY) and P/E (x) trend



Comparative valuation

	CMP (INR)	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
	26.09.11													
Capital Goods														
ABB	718	Neutral	3.0	12.0	22.3	240.6	59.8	32.2	174.4	38.1	20.2	2.6	10.0	16.6
BGR Energy	326	Buy	44.7	49.0	52.4	7.3	6.7	6.2	4.8	4.6	5.0	38.9	32.6	27.4
BHEL	1,590	Buy	115.6	139.0	164.9	13.7	11.4	9.6	8.4	6.4	5.3	31.4	30.3	29.4
Crompton Greaves	151	Neutral	14.3	10.1	13.5	10.5	15.0	11.2	7.1	8.7	6.5	30.5	17.3	19.3
Cummins India	413	Buy	21.3	22.8	28.0	19.4	18.1	14.7	13.6	12.8	10.2	35.5	33.6	36.7
Havells India	358	Buy	22.0	29.0	35.0	16.3	12.3	10.2	10.3	7.8	6.3	42.0	38.1	33.2
Larsen & Toubro	1,429	Buy	69.7	78.9	90.2	20.5	18.1	15.8	13.9	12.0	10.9	18.3	17.2	16.3
Siemens	847	Neutral	24.5	29.0	36.0	34.5	29.2	23.5	20.3	16.9	13.5	25.9	25.5	26.4
Thermax	489	Neutral	32.0	35.4	39.4	15.3	13.8	12.4	8.7	7.9	6.9	31.9	28.8	26.3
Sector Aggregate						18.3	15.9	13.3	11.7	9.7	8.1	29.3	26.9	26.0

ABB

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR718										Neutral
Bloomberg Equity Shares (m)	ABB IN 211.9	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	975/596	12/10A	62,871	632	3.0	-82.2	326.9	8.5	2.6	3.1	3.2	239.5
1,6,12 Rel Perf (%)	-13 / 6 / -1	12/11E	71,914	2,545	12.0	302.6	81.2	7.8	10.0	10.0	2.8	52.3
Mcap (INR b)	152.1	12/12E	85,978	4,730	22.3	85.9	43.7	6.7	16.6	15.7	2.4	27.6
Mcap (USD b)	3.1	12/13E	103,173	5,557	26.2	17.5	37.2	5.8	16.8	15.8	2.0	23.1

- For 3QCY11, we expect PAT to grow over 5x, aided by a low base of the last year. Profitability would remain under pressure due to competitive intensity and rising commodity prices. For CY11, we expect PAT to grow 4x to INR2.5b, as we assume normalized EBITDA margin of 5.4%.
- In 2QCY11, order intake grew 45% YoY to INR17.9b, driven by robust growth in base orders. The order book is INR84b, flat YoY. BTB is 1.2x TTM sales, the lowest in the past six quarters. ABB India, in consortium with ABB Zurich and BHEL, bagged a PGCIL order of INR56b to set up an HVDC line. ABB India's share is ~INR6.5b. The order is not included in the order book as it is awaiting financial closure.
- We expect revenue to grow 12% YoY in 3QCY11. In 2QCY11, revenue was up 17% YoY to INR17b. All segments, except Power Products, posted healthy topline growth. Power Systems grew 22% YoY and Power Products grew 6% YoY. Process Automation grew 30% YoY, Low Voltage Products grew 23%, and Discrete Automation grew 15%.
- For 3QCY11, we expect EBITDA margin to remain under pressure due to rising commodity prices and increasing competition. We estimate EBITDA margin at 5.5%, up 650bp YoY.
- Though profitability will improve in CY11, as ABB exits rural electrification (RE) work (order book has RE work worth INR470m v/s INR1b at the start of the year), the recovery will be slower than expected. EBITDA margin, which showed signs of improvement in 1QCY11, declined in 2QCY11, hit by rising commodity prices and losses on legacy RE contracts. Except Low Voltage Products, margins declined in all segments, particularly project-based businesses, which were hit by rising commodity prices.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	14,752	14,466	13,490	20,506	17,960	16,930	15,102	21,922	62,871	71,914
Change (%)	5.9	(3.9)	(7.2)	8.8	21.7	17.0	12.0	6.9	0.8	14.4
EBITDA	223	500	-134	113	1,016	660	824	1,356	838	3,856
Change (%)	-82.5	-60.9	-111.0	-91.2	356.2	31.9	-712.9	1,098.7	-84.2	360.4
As % of Sales	1.5	3.5	(1.0)	0.6	5.7	3.9	5.5	6.2	1.3	5.4
Depreciation	120	122	126	148	144	264	176	183	517	767
Interest	38	43	45	48	40	67	46	23	174	175
Other Income	19	220	513	240	45	260	300	395	855	1,001
PBT	83	555	208	156	877	589	903	1,545	1,002	3,915
Tax	17	172	93	88	282	202	316	570	370	1,370
Effective Tax Rate (%)	20.4	31.0	44.7	56.5	32.1	34.3	35.0	36.9	36.9	35.0
Reputed PAT	66	383	115	68	595	387	587	975	632	2,545
Adj. PAT	66	383	115	68	595	387	587	975	632	2,545
Change (%)	-91.5	-54.2	-86.1	-92.1	796.8	1.1	409.9	1,337.8	-82.2	302.6

E: MOSL Estimates

Dhirendra Tiwari (Dhirendra.Tiwari@MotilalOswal.com) / Deepak Narnolia (Deepak.Narnolia@MotilalOswal.com)

BGR Energy

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR326										Buy
Bloomberg	BGRLIN	YEAR	NET SALES	PAT	EPS	EPS GR.	P/E	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	72.0	END	(INR M)	(INR M)	(INR)	(%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	827/296	03/10A	30,779	2,016	28.0	74.2	-	-	31.7	15.7	-	-
1,6,12 Rel Perf (%)	8 / -17 / -36	03/11A	47,632	3,226	44.7	59.7	7.3	2.5	38.9	16.8	0.6	4.8
Mcap (INR b)	23.5	03/12E	52,861	3,539	49.0	9.7	6.7	1.9	32.6	14.6	0.6	4.6
Mcap (USD b)	0.5	03/13E	58,540	3,784	52.4	6.9	6.2	1.5	27.4	13.3	0.6	5.0

- For 2QFY12, we expect revenue of INR12.6b (up 12% YoY), EBITDA of INR1,499m (up 13% YoY), with EBITDA margin at 11.8% (up 10bp YoY), and net profit of INR846m (up 9% YoY). For FY12, we expect revenue growth of 11%, EBITDA margin of 11.9% (up 30bp), and PAT of INR3.5b (up 9%).
- The order backlog was INR75b as at end-1QFY12 (INR79b at the end of FY11, INR94b as at end-1QFY11). BGR is L2 (BHEL is L1) in two projects of 2x660MW each of the Rajasthan SEB, one of which BGR expects to be awarded at an L1 price of INR61b. The project has received coal linkage and is awaiting environmental clearance (expected by the end of September).
- In the recent NTPC bulk tender-2 (9 X 800 MW), BGR is L1 for the TG package worth INR40b for 5 TG sets, beating strong players such as LT. BGR targets to set up the manufacturing plant in the next 18 months. It has already acquired land near Chennai and has ordered key capital goods for the project. This involves total investment of INR44b, to be funded by debt and equity in the ratio 70:30.
- BGR is also in the fray for boiler packages of NTPC's 11x660MW bulk tender along with BHEL and LT. The price bids are expected to open after the Supreme Court hears Gammon's plea over its disqualification over the next few days. BGR is also expecting bids to be invited for a few more projects from Tamil Nadu. It is already executing a 600MW power project in the state. Success in bulk tenders will meaningfully change the company's growth outlook.
- We expect BGR to report revenue CAGR of 11% and PAT CAGR of 8% over FY11-13.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	9,067	11,356	12,569	14,616	7,342	12,687	15,330	17,503	47,608	52,861
Change (%)	191.5	143.7	97.9	-11.8	-19.0	11.7	22.0	19.7	55.1	11.0
EBITDA	1,038	1,323	1,472	1,674	961	1,499	1,777	2,077	5,507	6,314
Change (%)	145.7	122.0	106.1	-4.5	-7.4	13.3	20.7	24.1	58.2	14.7
As of % Sales	11.4	11.7	11.7	11.5	13.1	11.8	11.6	11.9	11.6	11.9
Depreciation	31	33	34	70	37	40	45	44	168	166
Interest	116	138	168	183	180	207	235	254	605	876
Other Income	26	26	17	17	0	20	10	20	86	50
PBT	917	1,178	1,287	1,438	743	1,272	1,507	1,799	4,820	5,322
Tax	312	400	411	454	241	426	505	611	1,578	1,783
Effective Tax Rate (%)	34.0	34.0	32.0	31.6	32.4	33.5	33.5	34.0	32.7	33.5
Reported PAT	605	778	876	984	503	846	1,002	1,188	3,242	3,539
Change (%)	199.2	154.5	108.9	-9.2	-17.0	8.8	14.5	20.8	61.3	9.2
Adj PAT	605	778	876	984	503	846	1,002	1,188	3,242	3,539
Change (%)	199.2	154.5	108.9	(9.2)	(17.0)	8.8	14.5	20.8	61.3	9.2

E: MOSL Estimates

BHEL

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR1,590										Buy
Bloomberg	BHEL IN	YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	489.5	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	2,695/1,575	03/10A	333,549	46,839	95.7	31.3	-	-	32.5	36.5	-	-
1,6,12 Rel Perf (%)	-10 / -9 / -15	03/11A	404,443	56,599	115.6	20.8	13.7	3.9	31.4	34.9	1.7	8.4
Mcap (INR b)	778.2	03/12E	506,107	68,023	139.0	20.2	11.4	3.1	30.3	31.8	1.3	6.4
Mcap (USD b)	15.7	03/13E	608,622	80,714	164.9	18.7	9.6	2.6	29.4	29.4	1.1	5.3

- For 2QFY12, we expect revenue to grow 19% YoY to INR99b, led by steady execution on the back of a strong order book (INR1,596b as at end-June 2011, with a BTB of 3.7x TTM revenue). For FY12, we expect order intake to grow 9% and revenue to grow 25%.
- BHEL is expected to win orders worth INR69b of total orders worth INR190b in the recent NTPC bulk tender-2 (9x800MW). We expect BHEL to have a significant share in NTPC's 11x660 TG package too. The price bid for this is likely in the near future after the Supreme Court's final verdict. However, it is concerning that order intake is showing signs of slowdown. BHEL had almost nil orders in 1QFY12.
- BHEL is expected to book orders of 15-16 GW in FY12; including the bulk tender. A large part of non-NTPC orders likely to be placed by SEBs and other central PSUs.
- For 2QFY12, we estimate EBITDA margin at 18.5%, down 70bp YoY. PAT would grow 12% YoY to INR13b. For FY12, we expect PAT growth of 20%.
- Over FY11-13, we expect PAT CAGR of 19% and revenue CAGR of 23%.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (Net)	64,797	83,284	88,493	179,214	71,257	99,530	106,995	219,868	415,788	497,650
Change (%)	15.8	25.7	24.6	32.2	10.0	19.5	20.9	22.7	26.5	19.7
EBITDA	9,670	16,324	20,717	42,916	11,133	18,822	23,074	47,937	89,627	100,966
Change (%)	63.4	32.5	32.7	49.4	15.1	15.3	11.4	11.7	43.2	12.7
As a % Sales	14.6	19.2	23.0	23.4	15.3	18.5	21.2	21.5	21.1	19.9
Adjusted EBITDA	10,276	17,047	21,474	35,507	11,133	18,822	23,074	47,937	84,304	100,966
Change (%)	73.6	38.4	37.5	1.2	8.3	10.4	7.5	35.0	22.3	19.8
As a % Sales	15.2	19.6	23.2	22.2	15.3	18.5	21.2	21.5	20.7	19.9
Interest	38	59	145	305	88	65	159	289	547	602
Depreciation	1,269	1,341	1,447	1,384	1,709	1,700	1,700	1,951	5,441	7,060
Other Income	1,635	1,620	1,529	1,634	2,487	2,268	2,524	2,484	6,418	9,761
PBT	9,998	16,544	20,655	42,881	11,822	19,325	23,739	48,180	90,057	103,066
Tax	3,301	5,121	6,623	14,901	3,667	6,377	8,071	16,927	29,945	35,042
Effective Tax Rate (%)	33.0	31.0	32.1	34.7	31.0	33.0	34.0	35.1	33.3	34.0
Reported PAT	6,697	11,423	14,032	27,980	8,155	12,948	15,667	31,253	60,112	68,023
Change (%)	42.3	33.2	30.8	46.5	21.8	13.3	11.7	11.7	39.5	13.2
Adj. PAT	7,104	11,569	14,346	23,580	8,155	12,948	15,667	31,253	56,599	68,023
Change (%)	56.7	34.9	29.3	4.2	14.8	11.9	9.2	32.5	20.8	20.2

E: MOSL Estimates

Crompton Greaves

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	CRG IN
Equity Shares (m)	641.5
52 Week Range (INR)	349/134
1,6,12 Rel Perf (%)	9 / -28 / -33
Mcap (INR b)	96.6
Mcap (USD b)	2.0

CMP: INR151

Neutral

YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	91,409	8,247	12.8	47.3	-	-	39.6	39.6	-	-
3/11A	100,051	9,268	14.3	12.5	10.5	3.0	30.5	30.5	0.9	6.8
3/12E	109,408	6,515	10.1	-29.8	15.0	2.3	17.3	17.3	0.8	8.6
3/13E	124,147	8,709	13.5	33.7	11.2	2.0	19.3	19.3	0.7	6.5

* Consolidated; pre-exceptionals

- We have cut our FY12 and FY13 earnings by 6% and 10% respectively on account of slowdown in European and American regions. In 2QFY12, we expect consolidated revenue to grow 11% YoY to INR26.5b, driven by 9% YoY growth in standalone business and 14% YoY (5% in EUR terms) growth in overseas business. For FY12, we expect consolidated revenue to grow by 9% to INR109.4b (9% growth in both overseas and standalone businesses). In 1QFY11, consolidated revenue had declined 6% YoY to INR24.3b, impacted by significant decline in overseas business (down 9% YoY in EUR terms).
- Consolidated order intake in 1QFY12 was INR22.5b, down 18% YoY. Domestic intake declined 20% YoY to INR14.6b while international order intake declined 14% YoY to INR7.8b. The management maintains cautious demand outlook for both the geographies for FY12.
- For 2QFY12, we expect consolidated margins to be 9.1% (down 480bp YoY), mainly driven by significant decline in margins in overseas business and pressure on margins in the domestic power segment. For FY12, we expect 380bp decline in consolidated margins to 9.7%. In 1QFY12, EBITDA margin in overseas business had turned negative to -0.5% due to drop in volumes and significant rise in material costs and SG&A expenses. In standalone business, EBITDA margin in the Power business nosedived by 400bp (12.6% in 1QFY12 v/s 16.6% in 1QFY11 and 18% in 4QFY11), impacted by intense pricing pressure, despite 11% YoY growth in revenue. Industrial segment continued to face margin pressure due to low margin Nelco orders.
- We expect CRG to report consolidated EPS of INR10.1 (down 30%) for FY12 and INR13.5 (up 33%) for FY13, with consolidated PAT CAGR of -3% over FY11-13.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (Net)	23,022	23,979	23,970	29,080	24,377	26,537	26,377	32,145	100,051	109,436
Change (%)	4.8	9.5	6.7	16.0	5.9	10.7	10.0	10.5	9.5	9.4
Total Expenses	20,049	20,647	20,568	25,350	22,559	24,113	23,679	28,505	86,613	98,855
EBITDA	2,973	3,332	3,402	3,731	1,819	2,424	2,698	3,640	13,438	10,581
Change (%)	20.1	8.6	6.3	-7.3	-38.8	-27.3	-20.7	-2.4	5.2	-21.3
As of % Sales (Adj)	12.9	13.9	14.2	12.8	7.5	9.1	10.2	11.3	13.4	9.7
Depreciation	415	458	467	597	608	612	596	618	1,936	2,433
Interest	50	49	39	72	110	120	130	110	209	470
Other Income	183	228	120	519	151	316	362	357	1,079	1,215
Ex-ordinary Income/(Exp)				-381					-381	
PBT	2,691	3,054	3,017	3,200	1,253	2,007	2,334	3,270	11,990	8,894
Tax	794	920	703	683	475	556	629	763	3,100	2,423
Effective Tax Rate (%)	29.5	30.1	23.3	21.4	37.9	27.7	26.9	23.3	25.9	27.2
Minority interest	-11.0		-0.6	-2.1	-0.7	0.0	-	-	-3.7	-3.7
Reported PAT	1,908	2,134	2,314	2,519	778	1,451	1,705	2,507	8,887	6,467
Adjusted PAT	1,908	2,134	2,314	2,900	778	1,451	1,705	2,507	9,268	6,467
Change (%)	19.0	10.4	15.9	6.9	(59.2)	(32.0)	(26.3)	(13.5)	12.4	(30.2)

E: MOSL Estimates

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Cummins India

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	KKC IN
Equity Shares (m)	277.2
52 Week Range (INR)	579/405
1,6,12 Rel Perf (%)	-3 / 2 / -3
Mcap (INR b)	114.4
Mcap (USD b)	2.3

CMP: INR413

Buy

YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	28,990	4,440	16.0	7.1	-	-	30.5	30.2	-	-
3/11A	40,612	5,909	21.3	33.1	19.4	6.4	35.5	35.3	2.6	13.7
3/12E	46,186	6,310	22.8	6.8	18.1	5.8	33.6	33.3	2.3	12.8
3/13E	55,844	7,763	28.0	23.0	14.7	5.1	36.7	36.4	1.9	10.3

* Consolidated; pre-exceptionals

- For 2QFY12, we expect revenue of INR11.9b (up 9% YoY), EBITDA of INR2b (down 2% YoY), with EBITDA margin at 17.8% (down 210bp YoY), and net profit of INR1.6b (down 2% YoY). For FY12, we expect revenue growth of 14%, EBITDA margin of 18% (down 130bp) and PAT growth of 7%.
- We expect domestic sales to grow at a CAGR of 19% over FY11-13. Project exports are likely to grow to INR11.5b by FY12, from a low of INR4.8b in FY10, buoyed by strong recovery in Asian markets. Cummins Inc has identified India as a key outsourcing destination for <200KVA sets. KKC supplies K,N series engines of various displacements like 28, 38 and 50 liters. It expects topline growth of 10-15% in FY12.
- We expect KKC to post 21% sales growth in FY13, aided by new products from Phaltan Megasite. We also see the company benefiting significantly from changing emission norms for Powergen as well as Industrial Engines, due to superior product development capabilities than the competition.
- KKC will spend USD300m on its new mega-site at Phaltan near Pune. In 1HFY12, the company is likely to commission four facilities, including a parts distribution center and reconditioning factory at the mega-site, on which it began work about two years ago.
- We expect KKC to post 15% earnings CAGR and 17% revenue CAGR over FY11-13. Earnings will be driven by strong revenue growth and stable margins of 18%. Our EPS estimates stand at INR22.8 (up 7%) for FY12 and INR28 (up 23%) for FY13.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	9,279	10,914	9,925	10,493	10,453	11,921	11,101	12,711	40,612	46,186
Change (%)	45.0	73.8	18.4	33.1	12.6	9.2	11.8	21.1	37.5	13.7
EBITDA	1,975	2,172	1,796	1,849	1,856	2,126	1,959	2,319	7,791	8,260
Change (%)	68.1	91.5	-5.3	14.9	-6.0	-2.1	9.0	25.4	22.5	6.0
As of % Sales	21.3	19.9	18.1	17.6	17.8	17.8	17.6	18.2	19.2	17.9
Depreciation	93	93	91	89	94	105	103	113	366	414
Interest	4	4	3	8	4	5	8	8	19	25
Other Income	97	205	103	213	159	226	195	221	617	800
PBT	1,974	2,281	1,805	1,964	1,918	2,241	2,043	2,419	8,023	8,621
Tax	572	602	416	525	661	594	531	628	2,114	2,414
Effective Tax Rate (%)	29.0	26.4	23.0	26.7	34.4	26.5	26.0	26.0	26.3	28.0
Reported PAT	1,403	1,679	1,389	1,440	1,772	1,647	1,512	1,791	5,909	6,721
Change (%)	56.4	91.3	-6.2	21.7	26.3	-1.9	8.8	24.4	33.1	13.7
Adjusted PAT	1,403	1,679	1,389	1,440	1,360	1,647	1,512	1,791	5,909	6,310
Change (%)	56.4	91.3	(6.2)	21.7	(3.0)	(1.9)	8.8	24.4	33.1	6.8

E: MOSL Estimates

Havells India

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	HAVL IN
Equity Shares (m)	124.8
52 Week Range (INR)	451/290
1,6,12 Rel Perf (%)	12 / 16 / 9
Mcap (INR b)	44.6
Mcap (USD b)	0.9

CMP: INR358

Buy

YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	51,626	695	5.6	80.7	-	-	17.4	7.5	-	-
3/11A	56,126	2,747	22.0	294.4	16.3	6.8	42.0	18.6	1.0	10.3
3/12E	63,495	3,625	29.0	32.1	12.3	4.7	38.1	21.2	0.8	7.8
3/13E	71,364	4,370	35.0	20.6	10.2	3.6	33.2	21.0	0.7	6.3

* Consolidated; pre-exceptionals

- For 2QFY12, we expect standalone revenue of INR7.7b (up 13% YoY), EBITDA of INR912m (up 18% YoY), with EBITDA margin at 11.7% (up 15% YoY), and net profit of INR701m (up 21% YoY). For FY12, we expect revenue growth of 16.9%, EBITDA margin of 12% (up 30bp YoY), and PAT of INR2.9b (up 20%).
- The company is in the process of launching new products in the electrical appliances segment such as mixers, geysers and grinders in the consumer durables market in FY12. HAVL expects sales of INR500m-600m from the new products by the end of FY12. In 1QFY12, its consumer durables business launched water heaters and notched up sales of INR400m, which boosted growth in the segment.
- Sylvania posted impressive profit growth in 1QFY12. PAT was EUR2.4m, against a loss of EUR0.2m in 1QFY11. EBITDA margin expanded 190bp YoY to 7.3% (7.9% in 4QFY11). Sylvania reported 1QFY12 revenue of EUR106m, flat YoY. Unfavorable currency movements impacted growth in the American region, which reported muted growth of 8% YoY in EUR terms in 1QFY12 v/s 25% YoY growth in USD terms. Europe continues to de-grow (-3% YoY in 1QFY12). We expect improvement in profitability in Sylvania will help HAVL sustain its margins. We expect Sylvania to post revenue growth of 6% YoY in EUR terms in FY12, largely led by Latin America.
- We expect HAVL to report revenue CAGR of 13% and PAT CAGR of 26% over FY11-13.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	7,170	6,902	7,221	8,408	8,000	7,780	8,218	9,683	28,817	33,681
Change (%)	21.6	15.4	22.1	24.8	11.6	12.7	13.8	15.2	21.5	16.9
EBITDA	795	773	856	947	857	912	1,042	1,231	3,373	4,042
Change (%)	9.8	-2.9	7.0	19.7	7.8	17.9	21.6	30.0	10.4	19.8
EBITDA margin (%)	11.1	11.2	11.9	11.3	10.7	11.7	12.7	12.7	11.7	12.0
Depreciation	68	72	75	78	83	86	89	90	293	348
Interest	38	13	52	55	84	22	90	78	158	274
Other Income	8	66	59	45	28	72	65	21	177	186
PBT	697	754	788	859	718	876	927	1,084	3,099	3,606
Tax	163.4	175.4	176.7	167.3	143.4	175.2	185.4	218.7	682.9	721.2
Effective Tax Rate (%)	23.5	23.3	22.4	19.5	20.0	20.0	20.0	20.2	22.0	20.0
Reported PAT	533	579	611	691	575	701	742	866	2,421	2,885
Change (%)	8.3	6.7	3.7	5.1	7.8	21.2	21.4	25.2	6.1	19.2
Adj PAT	533	579	611	691	575	701	742	866	2,416	2,885
Change (%)	8.3	6.7	3.7	5.1	7.8	21.2	21.4	25.2	5.9	19.4

E: MOSL Estimates

Larsen & Toubro

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	LTIN 608.9
52 Week Range (INR)	2,212/1,411
1,6,12 Rel Perf (%)	-8 / 2 / -9
Mcap (INR b)	869.9
Mcap (USD b)	17.6

CMP: INR1,429**Buy**

YEAR END	NET SALES (INR M)	PAT * (INR M)	EPS* (INR)	EPS GR. (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	370,348	37,110	61.6	20.1	-	-	20.7	23.1	-	-
3/11A	439,049	42,416	69.7	13.0	20.5	4.0	18.3	21.9	2.1	16.3
3/12E	524,246	48,034	78.9	13.2	18.1	3.5	17.2	21.4	1.7	14.2
3/13E	607,358	54,924	90.2	14.3	15.8	3.1	16.3	20.4	1.4	12.4

* Consolidated; EPS is fully diluted

- We cut L&T's FY12 and FY13 consolidated earnings by 8% and 17%, respectively. We are cutting down our FY12 and FY13 order-intake assumptions by 6% and 10%, respectively, to factor in the deteriorating economic environment and the company's loss of market share in key segments like power and hydrocarbons.
- We project order intake of INR844b for FY12, up 6%. However, LT maintains its FY12 outlook, expecting to grow order intake by 15%. Given the loss of orders to competitors in the recent NTPC bulk order tender-2 and continued slowdown in ordering activity, we believe LT's guidance of 15% growth in order intake will be difficult to achieve. In 1QFY12, order intake grew 4% YoY to INR162b, boosted by some large orders.
- LT, the most competitive player in the power equipment industry after BHEL, was the key loser in the recent NTPC orders, winning just INR16b (two TG sets) out of INR190b in NTPC bulk tender-2 for its 9x800MW projects. LT has not been able to secure any supercritical equipment award in the last one year, other than the in-house 3x660MW Rajpura project. In addition, the order from Jaiprakash Associates for Karchana 3x660MW (INR65b, 22% of power equipment order book) is also put on hold.
- We expect revenue to grow 21% YoY in 2QFY12, driven by healthy execution on the back of strong order book. In FY12, we expect revenue to grow 20%. We estimate consolidated EPS at INR79 for FY12 and at INR90 for FY13.
- We expect EBITDA (including operating other income) margin of 10.4% for 2QFY12, down 100bp YoY, and 12.2% for FY12, down 60bp. Given the large power projects under execution and LT's margin recognition norm of 25% project completion (project execution >2 years), we believe that majority of the costs for most of the power sector orders would be booked in FY12 and 1HFY13. The company expects margin compression of 50-75bp in FY12.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	78,312	92,608	113,217	150,784	94,826	111,750	129,941	183,248	434,959	519,765
Change (%)	6.4	17.7	40.3	12.7	21.1	20.7	14.8	21.5	18.6	19.5
Other operational income	0	700	914	3,058	0	770	1,006	2,706	4,090	4,481
EBITDA	10,050	10,057	12,379	23,409	11,265	11,720	13,738	26,978	55,985	63,701
Change (%)	20.8	20.1	22.9	14.1	12.1	16.5	11.0	15.2	21.9	13.8
Margin (%)	12.8	10.9	10.9	15.5	11.9	10.5	10.6	14.7	12.9	12.3
Adjusted EBIDTA	10,050	10,657	12,379	23,409	11,265	11,720	13,738	26,978	55,985	63,701
Adjusted Margin (%)	12.8	11.4	10.8	15.2	11.9	10.4	10.5	14.5	12.8	12.2
Depreciation	1,142	1,212	1,281	2,358	1,679	1,697	1,665	1,885	6,003	6,925
Interest	1,292	1,932	1,757	1,362	1,613	1,932	2,109	2,709	6,474	8,362
Other Income	2,156	3,822	2,472	3,698	2,962	2,675	2,472	3,313	9,259	11,422
Extraordinary Inc/(Exp)	0	708	353	2,268	0	0	0	0	2,820	0
Reported PBT	9,773	11,444	12,166	25,656	10,935	10,767	12,436	25,697	55,588	59,836
Tax	3,112	3,794	3,760	8,793	3,474	3,553	3,766	8,957	19,459	19,749
Effective Tax Rate (%)	31.8	33.2	30.9	34.3	31.8	33.0	30.3	34.9	35.0	33.0
Reported PAT	6,662	7,650	8,405	16,863	7,461	7,214	8,670	16,741	36,129	40,086
Adjusted PAT	6,662	6,941	8,052	15,275	7,461	7,214	8,670	16,741	36,761	40,086
Change (%)	15.2	25.5	31.9	14.2	12.0	3.9	7.7	9.6	16.1	9.0

E: MOSL Estimates

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Siemens

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR847										Neutral
Bloomberg	SIEMIN	YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Equity Shares (m)	337.0	9/10A	93,324	8,271	24.5	49.2	34.5	8.2	25.9	27.1	2.8	20.2
52 Week Range (INR)	951/690	9/11E	121,781	9,762	29.0	18.0	29.2	6.8	25.5	26.4	2.1	17.2
1,6,12 Rel Perf (%)	-2 / 12 / 28	9/12E	144,438	12,130	36.0	24.3	23.5	5.7	26.4	27.2	1.8	14.0
Mcap (INR b)	285.3	9/13E	181,850	15,212	45.1	25.4	18.8	4.7	27.6	28.2	1.4	11.1
Mcap (USD b)	5.8											

*Consolidated

- We expect order intake to grow 20% in FY11. Order book stood at INR150b (up 15% YoY) as at end-3QFY11. In 3QFY11, order intake grew 8% YoY to INR23b. SIEM is executing orders worth over INR30b in Qatar and is likely to win more orders from that country. It is also aggressively tapping other MENA (Middle East and North Africa) markets, which should help grow order intake in the next few quarters.
- For 4QFY11, (September year-ending), we expect SIEM to report revenue of INR37b, up 23% YoY. In 3QFY11, it reported revenue of INR28b (up 25% YoY). Sales growth was strong across segments, except for Mobility (down 29% YoY) and Power Transmission (down 9% YoY). The company is executing a large project in Qatar valued at INR30b, which is driving T&D division revenue.
- SIEM reported EBITDA margin of 9% (down 180bp YoY) in 3QFY12. A sharp decline in Distribution segment margin resulted in 246bp contraction in Energy segment EBIT margin, which in turn impacted overall EBITDA margin. We expect margins to decline by 70bp in 4QFY11 due to rising commodity prices.
- We expect SIEM to report a PAT of INR3b in 4QFY11, up 20% YoY. For FY11, we expect PAT of INR12b (up 18%).
- We estimate EPS at INR29 (up 18%) for FY11 and at INR36 (up 24%) for FY12. We expect revenue CAGR of 22% and PAT CAGR of 25% over FY11-13.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E SEPTEMBER	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Revenues	19,022	22,261	22,464	30,254	25,381	31,182	27,968	37,250	94,001	121,781
Change (%)	16.0	-6.6	17.1	20.1	33.4	40.1	24.5	23.1	11.1	29.6
EBITDA	3,678	2,861	2,420	3,973	3,627	4,449	2,503	4,604	12,932	15,183
Change (%)	116.1	-18.0	-5.9	60.9	-1.4	55.5	3.4	15.9	26.4	17.4
As % of Revenues	19.3	12.9	10.8	13.1	14.3	14.3	9.0	12.4	13.8	12.5
Depreciation	227	237	249	301	266	349	401	398	1,015	1,414
Interest Income	158	117	181	214	290	135	165	210	670	1,414
Other Income	0	0	0	0	0	0	21	0	0	0
PBT	3,609	2,741	2,351	3,887	3,651	4,234	2,288	4,416	12,587	14,570
Tax	1,225	930	790	1,373	1,213	1,458	741	1,396	4,317	4,808
Effective Tax Rate (%)	33.9	33.9	33.6	35.3	33.2	34.4	32.4	31.6	34.3	33.0
Reported PAT	2,385	1,811	1,561	2,513	2,438	2,777	1,548	3,020	8,270	9,762
Adjusted PAT	1,891	1,811	1,561	2,513	2,438	2,777	1,548	3,020	8,270	9,762
Change (%)	58.4	-19.7	-9.5	65.8	28.9	53.3	-0.9	20.2	39.9	18.0

E: MOSL Estimates

Thermax

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR489									Neutral	
Bloomberg Equity Shares (m)	TMX IN 119.2	YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EVI SALES	EVI EBITDA
52 Week Range (INR)	927/477	3/10A	33,703	2,592	21.8	-9.9	-	-	25.1	24.6	-	-
1,6,12 Rel Perf (%)	0 / -3 / -17	3/11A	53,371	3,817	32.0	47.2	15.3	4.3	31.9	29.0	0.9	8.7
Mcap (INR b)	58.3	3/12E	58,014	4,220	35.4	10.6	13.8	3.5	28.8	25.4	0.9	7.9
Mcap (USD b)	1.2	3/13E	63,606	4,697	39.4	11.3	12.4	2.9	26.3	24.0	0.8	6.9

* Consolidated

- For 2QFY12, we expect standalone revenue of INR12b (up 12% YoY), EBITDA of INR1.5b (up 13% YoY), with EBITDA margin at 11.9% (flat YoY), and net profit of INR1,007m (up 13% YoY). For FY12, we expect revenue growth of 9%, EBITDA margin of 11.8% (up 20bp), and PAT growth of 9%.
- Revenue visibility for FY13 is low, given loss of key expected projects to competition in recent months and lack of any concrete pipeline for large power projects. We expect order intake to be muted in FY12, growing 8%. Consolidated order book as at end-1QFY12 was INR68b (down 3% YoY, up 6% QoQ), with BTB of 1.6x. The Energy division contributed INR57b (85%) while the Environment division contributed INR10.9b (15%) to the order backlog.
- The JV with B&W (51:49) will have a peak production capacity of 3GW to be set-up over the next 18 months and will employ close to 500 people. TMX is in the process of registering itself as a worldwide supplier of HRSG (Heat Recovery Steam Generator) to Siemens. This would open up a large market for its products, going forward.
- TMX has been chosen by the Maharashtra government to build and operate a geothermal plant, with initial capacity of 3-5MW.
- We expect TMX to report consolidated revenue CAGR of 9% and PAT CAGR of 11% over FY11-13. We estimate consolidated PAT at INR4.2b in FY12 (up 11%) and INR4.6b in FY13 (up 11%).

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	7,898	10,916	12,412	17,713	10,444	12,225	13,289	17,196	48,832	53,154
Change (%)	45.2	60.4	65.9	45.3	32.2	12.0	7.1	-2.9	53.3	8.9
EBITDA	960	1,286	1,464	1,951	1,137	1,455	1,594	2,086	5,661	6,272
Change (%)	39.3	62.3	63.8	33.1	18.4	13.2	8.9	6.9	47.4	10.8
As of % Sales	12.2	11.8	11.8	11.0	10.9	11.9	12.0	12.1	11.6	11.8
Depreciation	106	105	106	116	111	110	121	125	432	468
Interest	6	5	2	10	4	5	2	12	22	23
Other Income	140	133	117	133	147	187	164	114	523	611
PBT	988	1,309	1,474	1,959	1,170	1,526	1,634	2,063	5,730	6,393
Tax	326	414	471	694	371	519	556	792	1,906	2,238
Effective Tax Rate (%)	33.0	31.6	32.0	35.4	31.7	34.0	34.0	38.4	33.3	35.0
Reported PAT	662	895	1,002	1,265	799	1,007	1,079	1,270	3,824	4,155
Change (%)	42.4	65.4	77.4	-907.0	20.7	12.5	7.6	0.4	170.4	8.7
Adj PAT	662	895	1,002	1,265	799	1,007	1,079	1,270	3,824	4,155
Change (%)	42.4	65.4	77.4	27.5	20.7	12.5	7.6	0.4	49.2	8.7

E: MOSL Estimates

Cement

COMPANY NAME

ACC

Ambuja Cements

Birla Corporation

Grasim Industries

India Cements

Shree Cement

UltraTech Cement

Demand growth to improve to ~8% YoY, capacity utilization to be low: Cement demand is showing signs of pick-up. In 2QFY12, we expect cement demand to grow ~8% YoY (decline ~3% QoQ). While volume growth is on a low base of 2QFY11, the real pick-up in construction activity is not yet seen. We expect capacity utilization to decline to ~69% in 2QFY12 from ~72% in 1QFY12. Demand should recover in 2HFY12. We estimate volume growth for the industry at 8% for FY12, translating into capacity utilization of 76% in FY12 against 77% in FY11.

Cement prices have moderated in 2QFY12, but recovery underway: Cement prices softened from their peaks of 1QFY12, declining by ~INR13/bag QoQ in 2QFY12. However, on a YoY basis, we expect realizations to improve by ~INR25/bag. Weak demand and resultant weakness in discipline drove cement price correction in North India (~INR30/bag), East India (~INR18/bag), and Central India (~INR10/bag). However, prices are stable in West and South India. We are factoring in improvement of INR8/bag QoQ in 3QFY12 and INR16/bag QoQ in 4QFY12, implying average improvement of INR19/bag in FY12. For FY13, we factor in INR10/bag improvement (~INR6/bag lower than March 2012 exit prices).

Lower realizations, cost inflation, negative operating leverage to hit margins: Lower realizations, cost inflation (full impact of diesel price increase) and negative operating leverage (~3% QoQ volume decline) will result in QoQ decline of ~INR360/ton in EBITDA/ton to INR699/ton. However, on a YoY basis, EBITDA/ton is likely to improve by ~INR250/ton, driven by higher prices. For FY13, we estimate INR90/ton improvement in EBITDA to INR1,000/ton against INR200/ton improvement in realizations.

Upgrading estimates; prefer ACEM, UTCEM among large caps: We are upgrading our estimates to factor in higher than expected recovery in cement pricing. Consequently, our FY12 EPS estimates have been upgraded by up to 15%, with the highest upgrades seen in ICEM (~15%), UTCEM (~11%) and ACC (~4%). We expect the operating performance of the cement industry to bottom out in 2QFY12, with trough utilization, pricing and profitability. Recovery in demand, lower capacity addition and price recovery would be the key drivers of sustainable improvement in operating performance from 3QFY12. We prefer **ACEM** and **UTCEM** among large caps, and **BCORP**, **ICEM** among mid-caps.

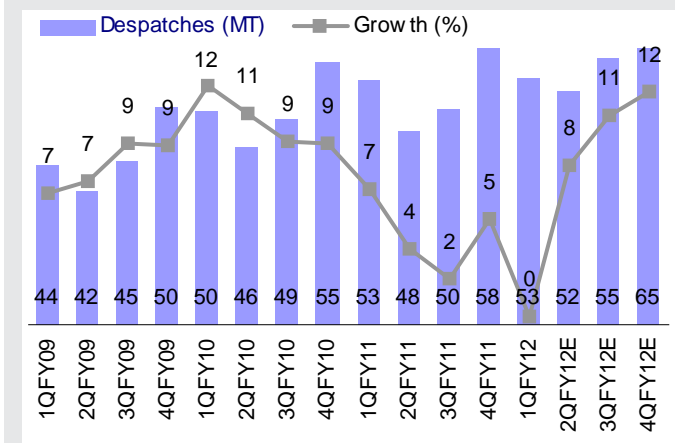
Expected quarterly performance summary

(INR Million)

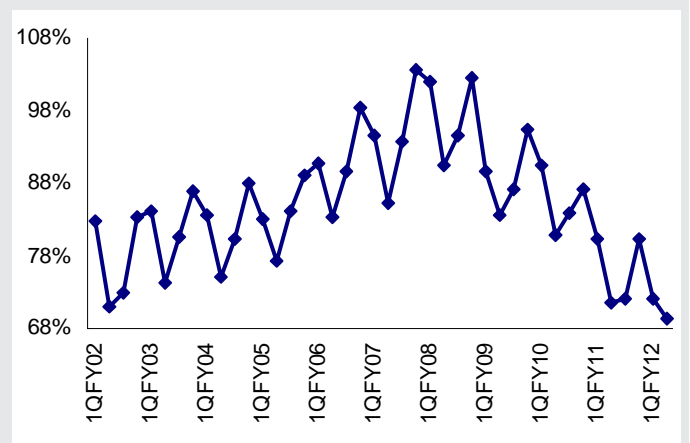
	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Var.	Var.	Var.	Var.	Var.	Var.	Var.	Var.	
			% YoY	% QoQ	% YoY	% QoQ	% YoY	% QoQ			
ACC	1,079	Neutral	21,766	32.9	-9.4	3,148	85.3	-42.8	1,816	95.2	-46.0
Ambuja Cements	147	Buy	17,993	15.0	-17.2	3,355	18.5	-42.4	2,198	44.5	-36.7
Birla Corporation	326	Buy	4,911	1.4	-12.1	715	-6.7	-51.7	584	-15.3	-47.8
Grasim Industries	2,289	Buy	10,619	13.9	3.8	2,626	-0.5	-25.6	2,922	4.5	-7.0
India Cements	69	Buy	10,471	24.5	-0.9	2,446	754.3	1.2	1,009	LP	-3.9
Shree Cement	1,801	Neutral	8,169	13.8	-21.0	1,841	29.0	-28.9	28	-94.2	-95.4
Ultratech Cement	1,135	Buy	38,693	20.4	-11.4	7,108	74.3	-40.2	3,421	195.5	-49.9
Sector Aggregate			112,623	19.9	-10.7	21,240	54.7	-36.1	11,979	67.0	-38.9

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Demand improves by ~8%

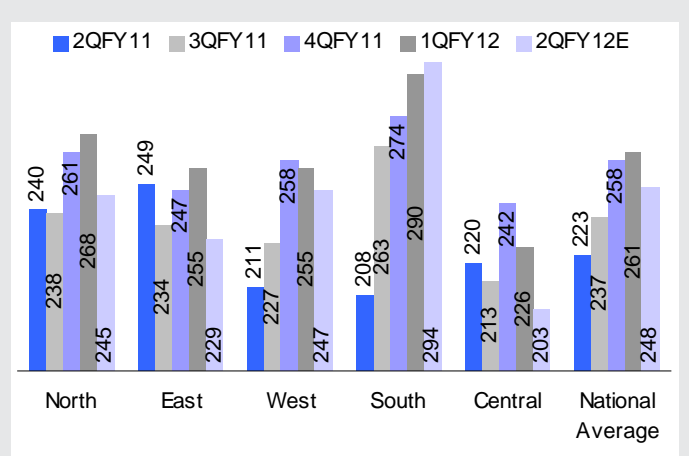
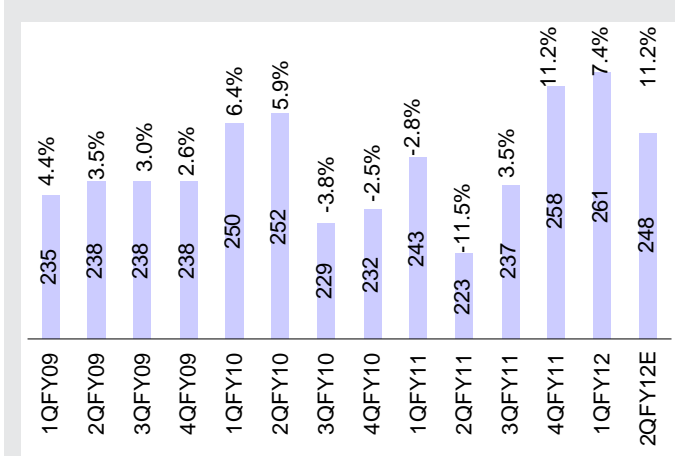


Capacity utilization to bottom-out in 2QFY12 (%)



Source: CMA/MOSL

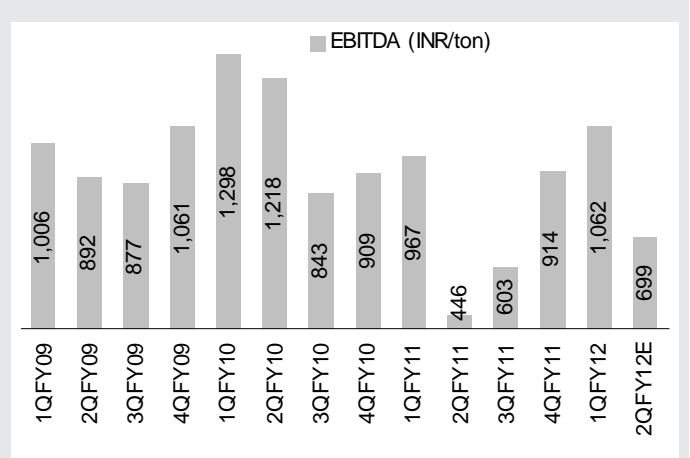
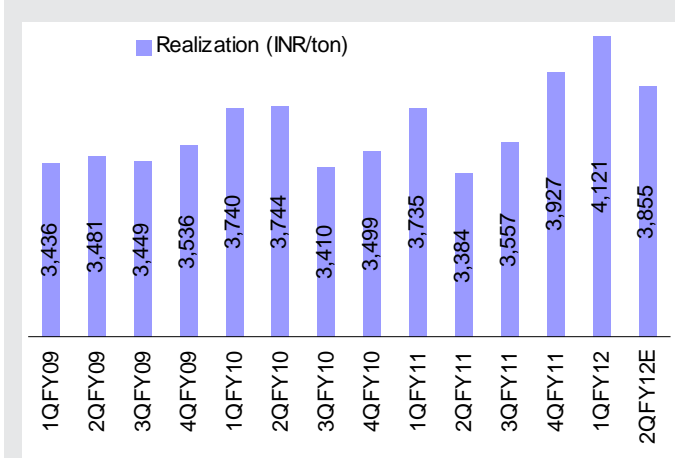
2QFY12 cement prices under pressure, but strong recovery underway (INR/bag)



(Figures on top of bar indicate YoY change;)

Source: CMA/MOSL

Lower realizations, cost inflation, negative operating leverage to impact profitability



Source: Company/MOSL

2QFY12 key operating parameters

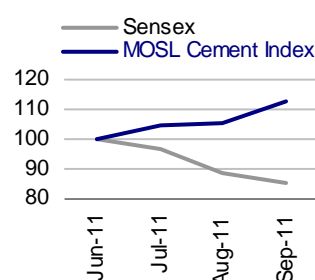
	Volume (m tons)			Realization (INR/ton)			EBITDA (INR/ton)		
	2QFY12	YoY (%)	QoQ (%)	2QFY12	YoY (INR)	QoQ (INR)	2QFY12	YoY (INR)	QoQ (INR)
ACC	5.8	19.5	-2.7	3,772	383	-280	546	194	-382
Ambuja Cement	4.7	8.0	-11.2	3,828	233	-280	714	63	-387
UltraTech	9.3	1.6	-5.3	4,143	645	-285	751	239	-439
Birla Corp	1.5	4.7	-4.6	3,387	-110	-288	483	-140	-474
India Cement	2.5	-9.8	5.9	4,152	1,243	4	998	893	-47
Shree Cement	2.9	25.1	5.8	3,105	95	-300	671	81	-209
Sector Aggregate	26.6	7.3	-3.8	3,855	470	-266	699	226	-362

2QFY12 key financial parameters

	Net Sales (INR m)			EBITDA Margins (%)			Net Profit (INR m)		
	2QFY12	YoY (%)	QoQ (%)	2QFY12	YoY (BP)	QoQ (BP)	2QFY12	YoY (%)	QoQ (%)
ACC	21,766	32.9	-9.4	14.5	410	-840	1,816	95.2	-46.0
Ambuja Cement	17,993	15.0	-17.2	18.6	50	-820	2,198	44.5	-36.7
UltraTech	38,693	20.4	-11.4	18.4	570	-880	3,421	195.5	-49.9
Birla Corp	4,911	1.4	-12.1	14.6	-130	-1,200	584	-15.3	-47.8
India Cement	10,471	24.5	-0.9	23.4	2,000	50	1,009	-341.9	-3.9
Shree Cement	8,976	25.1	-13.2	21.6	170	-350	54	-89.0	-91.3
Sector Aggregate	102,810	21.5	-11.3	18.2	510	-740	9,083	107.6	-44.8

Source: Company/MOSL

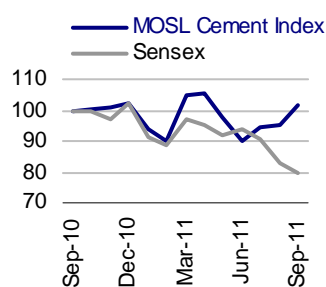
Relative Performance - 3m (%)



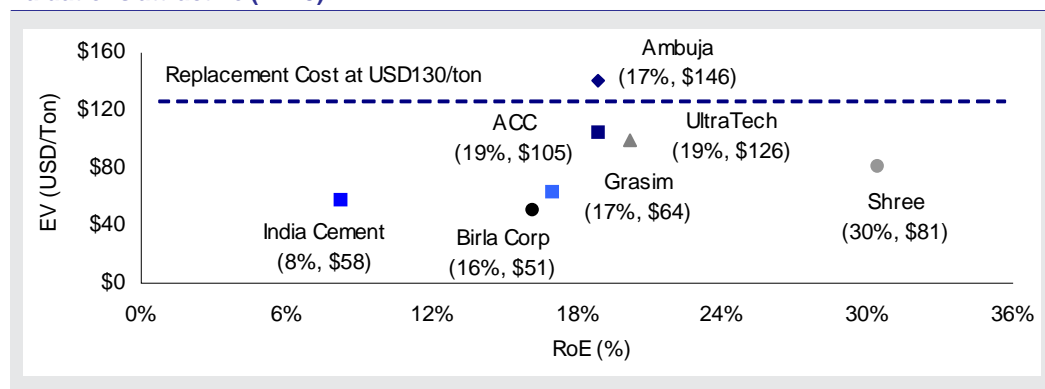
Revised EPS estimates (INR)

	FY12E			FY13E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
ACC	63.1	60.6	4.1	80.4	77.4	3.9
Ambuja Cement	8.2	8.3	-1.1	10.5	10.5	-0.9
Grasim	309.9	298.8	3.7	374.7	365.1	2.6
UltraTech	81.0	72.7	11.4	102.8	97.2	5.7
Birla Corp	50.2	51.0	-1.6	58.0	58.4	-0.7
India Cement	12.1	10.5	15.2	12.9	11.4	13.2
Shree Cement	155.5	154.1	0.9	185.0	183.8	0.6

Relative Performance-1Yr (%)



Valuations attractive (FY13)



Source: MOSL

Comparative valuation

	CMP (INR)	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
	26.09.11													
Cement														
ACC	1,079	Neutral	53.6	63.1	80.4	20.2	17.1	13.4	11.6	9.1	6.8	16.1	16.7	18.9
Ambuja Cements	147	Buy	8.1	8.2	10.5	18.0	17.8	14.0	11.0	10.0	7.9	18.1	16.5	18.8
Birla Corporation	326	Buy	41.5	50.2	58.0	7.8	6.5	5.6	4.7	4.7	3.8	15.5	16.2	16.2
Grasim Industries	2,289	Buy	248.5	309.9	374.7	9.2	7.4	6.1	4.2	3.4	2.6	15.7	16.6	17.0
India Cements	69	Buy	2.2	12.1	12.9	31.2	5.7	5.4	10.5	5.2	4.3	1.6	8.1	8.2
Shree Cement	1,801	Neutral	197.6	155.5	185.0	9.1	11.6	9.7	8.8	7.6	5.8	36.0	26.5	30.4
Ultratech Cement	1,135	Buy	51.2	81.0	102.8	22.1	14.0	11.0	12.3	7.4	5.9	18.4	19.0	20.2
Sector Aggregate						15.1	12.0	9.8	8.4	6.3	4.9	15.9	16.7	17.8

ACC

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR1,079										Neutral
Bloomberg Equity Shares (m)	ACC IN 188.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (USD)
52 Week Range (INR)	1,143/917	12/09A	80,272	16,399	87.2	39.0	-	-	30.0	34.5	-	-
1,6,12 Rel Perf (%)	8 / 19 / 27	12/10A	77,173	10,065	53.6	-38.6	20.7	3.1	16.1	16.3	11.6	119
Mcap (INR b)	202.9	12/11E	94,471	11,866	63.1	17.9	16.8	2.9	16.7	18.4	9.1	113
Mcap (USD b)	4.1	12/12E	111,197	15,115	80.4	27.4	13.0	2.5	18.9	21.2	6.8	106

- We expect dispatches to grow 19.5% YoY (decline ~2.7% QoQ) to 5.77mt in 2QCY11, driven by ramp-up at its recently commissioned capacities. Average realizations are likely to improve ~11.3% YoY (decline 6.9% QoQ) to INR3,772/ton.
- Net sales would grow 33% YoY (decline ~9% QoQ) to INR21.8b. EBITDA margin would expand 410bp YoY but decline 840bp QoQ to 14.5%, impacted by lower realizations and cost push. EBITDA is likely to improve 85% YoY (decline ~43% QoQ) to INR3.15b.
- Higher depreciation due to commissioning of new plant will impact PAT, resulting in 46% QoQ de-growth (but 95% YoY growth) to INR1.8b.
- We are upgrading our EPS estimates by 4% for CY11 and CY12 to INR63.1 and INR80.4, respectively. Valuations at 16.8x CY11E EPS and at an EV of 9.1x CY11E EBITDA are attractive, considering bottom of the cycle earnings. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Cement Sales (m ton)	5.58	5.27	4.83	5.61	6.16	5.93	5.77	6.20	21.3	24.1
YoY Change (%)	-2.6	-2.8	-3.6	4.7	10.4	12.5	19.5	10.5	-1.1	13.0
Cement Realization	3,767	3,834	3,390	3,490	3,893	4,052	3,772	3,984	3,625	3,927
YoY Change (%)	5.0	-0.1	-13.8	-2.7	3.4	5.7	11.3	14.2	-2.8	8.3
QoQ Change (%)	5.1	1.8	-11.6	2.9	11.6	4.1	-6.9	5.6		
Net Sales	21,018	20,207	16,372	19,576	23,982	24,030	21,766	24,693	77,173	94,471
YoY Change (%)	2.3	-2.9	-16.9	1.9	14.1	18.9	32.9	26.1	-3.9	22.4
Total Expenditure	14,796	14,677	14,673	17,488	18,439	18,527	18,618	19,826	61,634	75,410
EBITDA	6,222	5,530	1,699	2,089	5,542	5,503	3,148	4,867	15,540	19,061
Margins (%)	29.6	27.4	10.4	10.7	23.1	22.9	14.5	19.7	20.1	20.2
Depreciation	935	962	911	1,119	1,125	1,158	1,180	1,255	3,927	4,719
Interest	127	141	162	137	253	271	260	246	568	1,030
Other Income	609	497	709	1,010	669	771	850	1,110	2,825	3,400
PBT before EO Item	5,769	4,924	1,335	1,842	4,834	4,845	2,558	4,476	13,870	16,712
EO Income/(Expense)	0	0	100	1,465	0	0	0	0	1,565	0
PBT after EO Item	5,769	4,924	1,435	3,306	4,834	4,845	2,558	4,476	15,435	16,712
Tax	1,717	1,435	435	647	1,327	1,479	742	1,299	4,234	4,847
Rate (%)	29.8	29.1	30.3	19.6	27.5	30.5	29.0	29.0	27.4	29.0
Reported PAT	4,051	3,489	1,000	2,659	3,507	3,366	1,816	3,177	11,200	11,866
Adjusted PAT	4,051	3,489	931	1,481	3,507	3,366	1,816	3,177	10,065	11,866
Margins (%)	19.3	17.3	5.7	7.6	14.6	14.0	8.3	12.9	13.0	12.6
YoY Change (%)	0.1	-28.1	-78.6	-52.9	-13.4	-3.5	95.2	114.5	-38.6	17.9

E: MOSL Estimates

Ambuja Cements

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR147										Buy
Bloomberg Equity Shares (m)	ACEM IN 1,529.9	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (USD)
52 Week Range (INR)	167/112	12/09A	70,769	11,872	7.8	2.1	-	-	19.6	28.4	-	-
1,6,12 Rel Perf (%)	10 / 22 / 21	12/10A	73,902	12,434	8.1	4.3	18.0	3.1	18.1	24.1	11.0	162
Mcap (INR b)	224.4	12/11E	84,086	12,611	8.2	1.4	17.8	2.8	16.5	24.2	10.0	148
Mcap (USD b)	4.5	12/12E	98,902	15,988	10.5	26.8	14.0	2.5	18.8	27.2	7.9	142

- We expect dispatches to grow 8% YoY (decline ~11% QoQ) to 4.7mt. Average realizations are likely to improve ~6.5% YoY (decline 6.8% QoQ) to INR3,828/ton.
- Net sales would grow 15% YoY (decline ~17% QoQ) to INR21.1b. EBITDA margin would expand 80bp YoY but decline 820bp QoQ to 18.6%, impacted by lower realizations, cost push and negative operating leverage. EBITDA would grow 18% YoY (decline 42% QoQ) to INR3.35b.
- This coupled with lower tax would boost recurring PAT growth to 45% YoY (-37% QoQ) to INR2.2b.
- ACEM acquired 60% stake in Dirk India Private Limited for INR165m. Dirk India is a processed fly ash manufacturer and marketer, with FY11 revenue of INR554m and EBITDA of INR68m.
- We are maintaining our EPS estimates at INR8.2 for CY11 and INR10.5 for CY12. Valuations at 17.8x CY11E EPS and at an EV of 10x CY11E EBITDA are attractive, given ACEM's superior profitability. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales Volume (m ton)	5.27	5.41	4.35	4.97	5.64	5.29	4.70	5.47	20.00	21.10
YoY Change (%)	3.3	12.1	6.1	4.1	7.0	-2.2	8.0	10.1	6.4	5.5
Realization (Rs/ton)	3,776	3,785	3,595	3,599	3,913	4,108	3,828	4,075	3,695	3,985
YoY Change (%)	4.4	-1.1	-8.5	-3.1	3.6	8.5	6.5	13.2	-1.8	7.8
QoQ Change (%)	1.7	0.2	-5.0	0.1	8.7	5.0	-6.8	6.4		
Net Sales	19,902	20,476	15,640	17,885	22,071	21,733	17,993	22,290	73,902	84,086
YoY Change (%)	7.8	10.8	-2.9	0.9	10.9	6.1	15.0	24.6	183.5	73.4
EBITDA	6,227	6,032	2,832	3,146	6,116	5,826	3,355	5,818	18,236	19,779
Margins (%)	31.3	29.5	18.1	17.6	27.7	26.8	18.6	26.1	24.7	23.5
Depreciation	767	1,001	1,018	1,086	1,061	1,074	1,115	1,118	3,872	4,368
Interest	108	81	89	209	138	152	120	106	487	516
Other Income	546	667	495	767	675	720	850	1,005	2,476	3,250
PBT before EO Item	5,897	5,618	2,220	2,619	5,592	5,320	2,970	5,599	16,353	18,145
Extraordinary Inc/(Exp)	265	0	0	0	0	0	0	0	265	0
PBT after EO Exp/(Inc)	6,163	5,618	2,220	2,619	5,592	5,320	2,970	5,599	16,619	18,145
Tax	1,476	1,705	699	102	1,517	1,845	772	1,400	3,983	5,534
Rate (%)	24.0	30.4	31.5	3.9	27.1	34.7	26.0	25.0	24.0	30.5
Reported Profit	4,687	3,912	1,521	2,517	4,075	3,475	2,198	4,199	12,636	12,611
Adj PAT	4,421	3,912	1,521	2,517	4,075	3,475	2,198	4,199	12,434	12,611
YoY Change (%)	32.3	20.5	-46.7	4.3	-7.8	-11.2	44.5	66.9	4.7	1.4

E: MOSL Estimates

Birla Corporation

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR326										Buy
Bloomberg	BCORPIN	YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/TON
Equity Shares (m)	77.0	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	EBITDA	(USD)
52 Week Range (INR)	448/251	03/10A	21,570	5,572	72.4	72.2	-	-	31.1	30.5	-	-
1,6,12 Rel Perf (%)	2 / 14 / 1	03/11A	21,274	3,199	41.5	-42.6	7.8	1.2	15.5	15.4	4.7	53
Mcap (INR b)	25.1	03/12E	22,276	3,863	50.2	20.8	6.5	1.1	16.2	16.7	4.7	60
Mcap (USD b)	0.5	03/13E	26,070	4,464	58.0	15.6	5.6	0.9	16.2	17.4	3.8	52

- We expect BCORP's revenue to grow just 1.4% YoY (decline 12% QoQ) to INR4.9b. Cement volumes would grow 4.7% YoY (decline ~4.7% QoQ) to 1.45mt while realizations would decline 11.7% YoY (~3% QoQ) to INR3,023/ton.
- Lower realizations, cost inflation and negative operating leverage will translate into 11.9pp YoY (~440bp QoQ) decline in EBITDA margin to 14.6%. We expect EBITDA to decline 7% YoY (~52% QoQ) to INR715m. This coupled with higher tax would result in PAT declining by 15% YoY (~48% QoQ) to INR584m.
- The operations of BCORP's Rajasthan plant (~2mt capacity) are impacted with effect from 27 August 2011 due to mining ban order within 10km of the Chittorgarh Fort. While its September 2011 volumes are unlikely to have been impacted due to clinker inventory, a prolonged ban would severely curtail operations at the Rajasthan plant. BCORP has appealed the order and expects it to be heard in October 2011.
- We maintain our EPS estimates at INR50.2 for FY12 and at INR58 for FY13 - the impact of lower volumes would be offset by higher realizations. The stock trades at 6.5x FY12E EPS and at an EV of 4.7x FY12E EBITDA, at a discount to comparable peers. We believe the discount is not justified and valuations, based on earnings as well as replacement cost, are compelling. Maintain **Buy**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Cement Sales (m ton)	1.49	1.39	1.49	1.52	1.52	1.45	1.50	1.62	5.94	6.09
YoY Change (%)	23.0	7.6	-0.8	-8.0	2.0	4.7	0.9	6.2	5.1	2.5
Cement Realization	3,510	3,119	2,953	3,390	3,423	3,023	3,263	3,566	3,216	3,326
YoY Change (%)	-5.6	-13.9	-14.4	-2.3	-2.5	-3.1	10.5	5.2	-9.4	3.4
QoQ Change (%)	1.2	-11.1	-5.3	14.8	1.0	-11.7	7.9	9.3		
Net Sales	5,749	4,843	4,794	5,889	5,585	4,911	5,424	6,357	21,274	22,276
YoY Change (%)	17.2	-4.2	-14.2	-2.2	-2.8	1.4	13.1	8.0	-1.4	4.7
Total Expenditure	4,102	4,077	3,884	5,029	4,103	4,195	4,220	4,631	17,091	17,148
EBITDA	1,647	766	910	860	1,483	715	1,204	1,726	4,184	5,128
Margins (%)	28.6	15.8	19.0	14.6	26.5	14.6	22.2	27.1	19.7	23.0
Depreciation	140	157	171	181	175	190	215	216	648	796
Interest	139	119	157	112	120	125	160	166	526	570
Other Income	285	370	321	392	351	400	350	429	1,368	1,530
Profit before Tax	1,653	861	904	959	1,538	800	1,179	1,774	4,377	5,292
Tax	470	171	208	329	420	216	318	475	1,178	1,429
Rate (%)	28.4	19.9	23.0	34.3	27.3	27.0	27.0	26.8	26.9	27.0
Reported PAT	1,183	690	696	630	1,119	584	861	1,299	3,199	3,863
Adjusted PAT	1,183	690	696	630	1,119	584	861	1,299	3,199	3,863
Margins (%)	20.6	14.2	14.5	10.7	20.0	11.9	15.9	20.4	15.0	17.3
YoY Change (%)	-23.9	-54.6	-38.0	-54.2	-5.4	-15.3	23.7	106.0	-42.6	20.8

E: MOSL Estimates

Grasim Industries

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	GRASIMIN
Equity Shares (m)	91.7
52 Week Range (INR)	2,625/1,981
1,6,12 Rel Perf (%)	8 / 8 / 25
Mcap (INR b)	209.9
Mcap (USD b)	4.2

CMP: INR2,289**Buy**

YEAR END*	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (USD)
03/10A	199,334	27,342	298.2	25.0	-	-	22.7	23.9	-	-
03/11A*	212,690	22,790	248.5	-16.7	9.2	1.4	16.8	16.5	4.9	84
03/12E*	231,182	28,427	309.9	24.7	7.4	1.2	17.9	18.4	4.5	86
03/13E*	268,662	34,366	374.7	20.9	6.1	1.0	18.4	19.8	3.6	60

* Consolidated; Demerger of cement business assumed w.e.f 1 October 2009

- We expect VSF business volumes to grow 6% YoY (~30% QoQ) to 71,437 tons, following the restoration of normal operations at its Nagda plant. VSF realizations are likely to decline by ~INR24/kg QoQ (increase by INR8/kg YoY) to INR128/kg, impacted by sharp decline in prices in May-July 2011.
- 1QFY12 standalone revenue would grow 14% YoY (~4% QoQ) to INR10.6b, driven by severe decline in VSF realizations. EBITDA margin would decline by 360bp YoY (~980bp QoQ) to 24.7%, impacted by lower realizations and higher cost.
- We expect EBITDA to decline 26% QoQ (flat YoY) to INR2.6b. However, higher other income and lower depreciation would boost PAT to INR2.9b - a growth of 4% YoY (decline of ~7% QoQ).
- We are upgrading our consolidated EPS estimates by 3.7% to INR309.9 for FY12 and by 2.6% to INR374.7 for FY13 to factor in upgrades in UTCEM. The stock quotes at attractive valuations of 7.4x FY12E consolidated EPS, 1.2x FY12E BV, and at an EV of 4.5x FY12E EBITDA. The implied valuation of the cement business is USD86/ton. **Maintain Buy.**

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11*				FY12*				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
VSF Volume (ton)	67,302	67,488	84,621	85,650	54,839	71,437	91,626	92,694	305,072	310,597
YoY Change (%)	-0.2	-8.8	4.1	-0.1	-18.5	5.9	8.3	8.2	1.0	1.8
VSF Realization (Rs/ton)	117,910	116,465	123,060	144,962	152,409	128,409	130,409	129,674	126,614	133,614
YoY Change (%)	20.9	10.7	12.3	29.8	29.3	10.3	6.0	-10.5	18.9	5.5
QoQ Change (%)	5.6	-1.2	5.7	17.8	5.1	-15.7	1.6	-0.6		
Net Sales	9,449	9,326	12,137	14,258	10,234	10,619	13,723	13,172	45,170	47,748
YoY Change (%)	-69.0	-68.7	17.8	29.2	8.3	13.9	13.1	-7.6	-44.7	5.7
Total Expenditure	6,437	6,689	8,502	9,638	6,705	7,994	10,145	9,774	31,266	34,617
EBITDA	3,012	2,638	3,635	4,620	3,529	2,626	3,578	3,398	13,904	13,131
Margins (%)	31.9	28.3	29.9	32.4	34.5	24.7	26.1	25.8	30.8	27.5
Depreciation	445	453	442	423	351	365	390	394	1,763	1,500
Interest	102	103	117	133	106	115	120	126	456	467
Other Income	593	1,623	842	1,209	1,010	1,750	1,050	1,440	4,267	5,250
PBT	3,058	3,705	3,917	5,273	4,082	3,896	4,118	4,318	15,952	16,414
Tax	820	908	1,089	1,318	941	974	1,029	1,241	4,135	4,186
Rate (%)	26.8	24.5	27.8	25.0	23.0	25.0	25.0	28.7	25.9	25.5
Reported PAT	2,238	2,796	2,827	3,955	3,141	2,922	3,088	3,077	11,817	12,228
Adj. PAT	2,238	2,796	2,827	3,955	3,141	2,922	3,088	3,077	11,817	12,228
Margins (%)	23.7	30.0	23.3	27.7	30.7	27.5	22.5	23.4	26.2	25.6
YoY Change (%)	NA	NA	7.9	36.7	40.3	4.5	9.2	-22.2	-27.8	3.5

E: MOSL Estimates; * Not comparable due to demerger of cement business

India Cements

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	ICEMIN
Equity Shares (m)	307.2
52 Week Range (INR)	128/62
1,6,12 Rel Perf (%)	9 / -11 / -20
Mcap (INR b)	21.3
Mcap (USD b)	0.4

CMP: INR69

Buy

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/TON
END *	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	EBITDA	(USD)
03/10A	37,711	3,253	10.9	-38.5	-	-	8.4	10.6	-	-
03/11A	35,007	663	2.2	-79.6	31.2	0.5	1.6	3.6	10.4	58
03/12E	40,752	3,483	12.1	445.2	5.7	0.5	8.1	9.8	5.0	60
03/13E	45,969	3,717	12.9	6.7	5.4	0.4	8.2	10.4	4.2	57

* Consolidated

- We expect volumes to decline 10% YoY (grow ~6% QoQ) to 2.45mt, impacted by muted demand in southern markets. Cement price recovery due to production cuts would drive 43% YoY improvement (flat QoQ) in realizations to INR4,152/ton.
- 1QFY12 revenue would grow 24.5% YoY (flat% QoQ) to INR10.5b. We estimate revenue of INR150m from the IPL (v/s INR848m in 1QFY12 and INR342m in 2QFY11).
- We expect EBITDA of INR2.45b and EBITDA margin improvement of 20pp YoY (~50bp QoQ) to 23.4%, translating into PAT of INR1b (up 4% QoQ). EBITDA/ton would decline by ~INR50/ton QoQ to INR998/ton.
- We are downgrading our EPS estimates by 15% to INR12.1 for FY12 and by 13.2% to INR12.9 for FY13 to factor in a cut in volume estimates. Valuations at 5.7x FY12E EPS, and at an EV of 5x FY12E EBITDA and USD60/ton are attractive. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Dispatches (m ton)	2.66	2.72	2.04	2.55	2.31	2.45	2.00	2.64	9.96	9.40
YoY Change (%)	8.0	-2.7	-26.1	-13.7	-13.0	-9.8	-2.0	3.6	-9.1	-5.6
Realization (Rs/ton)	3,211	2,909	3,665	3,812	4,148	4,152	4,072	4,193	3,375	4,145
YoY Change (%)	-14.0	-15.4	21.1	22.0	29.2	42.7	11.1	10.0	2.2	22.8
QoQ Change (%)	2.8	-9.4	26.0	4.0	8.8	0.1	-1.9	3.0		
Net Sales	8,807	8,412	7,810	9,979	10,568	10,471	8,403	11,309	35,007	40,752
YoY Change (%)	-7.6	-15.0	-9.6	3.5	20.0	24.5	7.6	13.3	-7.2	16.4
Total Expenditure	7,806	8,125	6,547	8,192	8,151	8,026	6,785	8,492	30,670	31,454
EBITDA	1,001	286	1,263	1,787	2,417	2,446	1,618	2,817	4,337	9,298
Margins (%)	11.4	3.4	16.2	17.9	22.9	23.4	19.3	24.9	12.4	22.8
Depreciation	599	610	617	615	619	650	700	834	2,440	2,802
Interest	298	280	407	434	583	600	615	629	1,417	2,426
Other Income	27	23	63	283	49	50	60	91	396	250
PBT before EO Expense	132	-580	303	1,021	1,265	1,246	363	1,446	875	4,319
Extra-Ord Expense	-142	-113	-18	249	36	0	0	0	-23	36
PBT	274	-467	321	771	1,228	1,246	363	1,446	899	4,283
Tax	24	-131	106	219	208	237	69	316	218	829
Rate (%)	8.8	28.0	33.1	28.3	16.9	19.0	19.0	21.8	24.2	19.4
Reported PAT	250	-336	215	553	1,020	1,009	294	1,130	681	3,454
Adj PAT	120	-417	203	732	1,051	1,009	294	1,130	663	3,483
YoY Change (%)	-90.8	-130.3	-25.3	148.6	774.3	-341.9	45.2	54.5	-79.6	425.0
Margins (%)	1.4	-5.0	2.6	7.3	9.9	9.6	3.5	10.0	1.9	8.5

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Shree Cement

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR1,801										Neutral
Bloomberg Equity Shares (m)	SRCMIN 34.8	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (USD)
52 Week Range (INR)	2,324/1,505	03/10A	36,321	10,168	291.9	55.0	-	-	66.8	31.9	-	-
1,6,12 Rel Perf (%)	9 / 12 / 8	03/11A	35,119	6,883	197.6	-32.3	9.1	3.2	36.0	6.5	7.5	94
Mcap (INR b)	62.8	03/12E	42,138	5,418	155.5	-21.3	11.6	3.0	26.5	9.5	6.6	85
Mcap (USD b)	1.3	03/13E	51,254	6,444	185.0	18.9	9.7	2.9	30.4	7.0	4.9	80

- We expect cement volumes to grow 13.6% YoY (decline ~7% QoQ) to 2.59mt and realizations to grow ~3% YoY (decline 9% QoQ) to INR3,105/ton. Merchant power sale would be just 30m units (v/s 77m units in 2QFY11 and 278m in 1QFY12) at ~INR4.25/unit (against INR4.12 in 2QFY11 and INR4.2 in 1QFY12).
- Sales would grow 14% YoY (decline ~21% QoQ) to INR8.2b. Merchant power revenue would decline 60% YoY (~89% QoQ) to INR128m.
- Lower cement realizations, cost inflation and negative operating leverage will impact EBITDA margin by 260bp YoY (~260bp QoQ) to 22.5%. In the cement business, EBITDA/ton is likely to fall by ~INR180/ton QoQ (increase by ~INR110/ton YoY) to INR701/ton. Higher depreciation and interest will restrict adjusted PAT to INR28m.
- We are maintaining our adjusted EPS estimates at INR155.5 for FY12 and at INR185 for FY13, as higher cement realizations would offset the cut in merchant power volumes. The stock quotes at 11.6x FY12E EPS, and at an EV of 6.6x FY12E EBITDA and USD85/ton. Maintain **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Dispatches (m ton)	2.49	2.28	2.62	2.88	2.69	2.59	2.80	2.83	10.21	10.91
YoY Change (%)	-2.4	-8.2	2.1	8.0	8.3	13.6	7.0	-1.9	-0.4	6.9
Realization (Rs/ton)	3,272	3,010	2,851	3,299	3,405	3,105	3,305	3,498	3,132	3,332
YoY Change (%)	-5.9	-12.7	-11.0	-1.1	4.0	3.1	15.9	6.0	-7.1	6.4
QoQ Change (%)	-1.9	-8.0	-5.3	15.7	3.2	-8.8	6.4	5.8		
Net Sales	9,445	7,176	7,796	10,701	10,340	8,169	11,379	12,250	35,119	42,138
YoY Change (%)	2.4	-20.2	-10.0	13.4	9.5	13.8	46.0	14.5	-3.3	20.0
EBITDA	2,895	1,427	1,575	2,959	2,591	1,841	2,590	3,146	8,856	10,339
Margins (%)	30.6	19.9	20.2	27.7	25.1	22.5	22.8	25.7	25.2	24.5
Depreciation	1,509	1,285	1,314	2,650	1,598	1,550	1,750	1,726	6,758	6,624
Interest	420	137	204	336	318	300	450	474	978	1,543
Other Income	287	255	19	25	1	40	50	59	468	150
PBT before EO Exp	1,253	260	77	-1	676	31	440	1,004	1,588	2,323
Extra-Ord Expense	9	75	59	343	83	50	100	167	485	400
PBT	1,244	185	18	-344	593	-19	340	837	1,103	1,923
Tax	185	80	-257	-1,001	43	-2	27	85	-994	154
Rate (%)	14.9	43.0	-1,430.6	291.2	7.3	8.0	8.0	10.2	-90.0	8.0
Reported PAT	1,059	105	275	657	550	-18	312	752	2,097	1,769
Adj PAT	2,381	493	146	-2	622	28	404	924	3,018	2,137
YoY Change (%)	-19.2	-83.1	-91.3	-108.1	-73.9	-94.2	176.5	NA	-57.5	-29.2
Margins (%)	25.2	6.9	1.9	0.0	6.0	0.3	3.6	7.5	8.6	5.1

E:MOSL Estimates

UltraTech Cement

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR1,135										Buy
Bloomberg Equity Shares (m)	UTCEMIN 274.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (USD)
52 Week Range (INR)	1,188/890	03/10A	70,497	10,932	87.8	11.9	-	-	26.6	28.5	-	-
1,6,12 Rel Perf (%)	6 / 22 / 31	03/11A*	132,099	14,042	51.2	-41.6	22.1	2.9	18.4	19.6	12.3	130
Mcap (INR b)	311.0	03/12E*	176,937	22,184	81.0	58.0	14.0	2.5	19.0	21.4	7.4	125
Mcap (USD b)	6.3	03/13E*	207872.86	28,160	102.8	26.9	11.0	2.0	20.2	23.2	5.9	98

* Consolidated; Merger of cement business assumed w.e.f 1 July 2010

- We expect cement volumes to grow just 1.6% YoY (decline ~5% QoQ). Realizations are likely to decline 6% QoQ (improve ~20% YoY) to INR3,523/ton. Consequently, we expect net revenue to grow 18% YoY (decline ~11% QoQ) to INR38.7b.
- Lower realizations, cost inflation and negative operating leverage will impact EBITDA margin by 880bp QoQ (~570bp YoY improvement) to 18.4%. EBITDA/ton is likely to decline by ~INR440/ton to INR751/ton.
- We expect EBITDA to decline 74% YoY (~40% QoQ) to INR7.1b. However, lower interest, higher other income and lower tax would restrict PAT decline at ~50% QoQ (~196% YoY) to INR3.4b.
- We are upgrading our EPS estimates by 11% to INR81 for FY12 and by 6% to INR102.8 for FY13, driven by higher than estimated recovery in cement prices. The stock trades at 14x FY12E EPS, and at an EV of 7.4x FY12E EBITDA and USD125/ton. Maintain **Buy**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11*				FY12*				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (m ton) *	10.3	9.2	9.80	10.80	9.86	9.34	10.20	11.50	34.7	40.9
YoY Change (%)	0.6	5.1	0.1	-2.1	-3.9	1.6	4.1	6.5	-12.7	2.1
Grey Cement Realization (INR/ton)*	3,353	2,940	3,158	3,531	3,763	3,523	3,603	3,799	3,259	3,679
YoY Change (%)	-7.7	-18.6	-2.9	7.9	12.2	19.8	14.1	7.6	-5.1	12.9
QoQ Change (%)	2.5	-12.3	7.4	11.8	6.6	-6.4	2.3	5.4		
Net Sales	39,898	32,147	37,152	44,901	43,654	38,693	43,478	51,113	132,099	176,937
YoY Change (%)	104.3	108.6	124.9	135.2	9.4	20.4	17.0	13.8	70.5	33.9
EBITDA	9,997	4,078	7,078	10,210	11,881	7,108	9,100	12,538	25,424	40,627
Margins (%)	25.1	12.7	19.1	22.7	27.2	18.4	20.9	24.5	19.2	23.0
Depreciation	2,132	2,184	2,191	2,267	2,230	2,315	2,340	2,420	7,657	9,305
Interest	787	845	818	829	726	750	775	825	2,771	3,076
Other Income	858	684	606	1,094	658	775	675	892	2,867	3,000
PBT after EO Expense	7,936	1,733	4,675	8,208	9,583	4,818	6,660	10,184	17,862	31,246
Tax	2,359	575	1,486	940	2,752	1,397	1,931	2,981	3,820	9,061
Rate (%)	29.7	33.2	31.8	11.5	28.7	29.0	29.0	29.3	21.4	29.0
Reported PAT	5,577	1,158	3,190	7,268	6,831	3,421	4,729	7,204	14,042	22,184
Adj PAT	5,577	1,158	3,190	7,268	6,831	3,421	4,729	7,204	14,042	22,184
YoY Change (%)	33.5	-54.0	62.7	218.0	22.5	195.5	48.3	-0.9	-21.7	58.0

E: MOSL Estimates; * Including Samruddhi Cement

Consumer

COMPANY NAME

Asian Paints

Britannia Industries

Colgate Palmolive

Dabur India

GSK Consumer

Godrej Consumer Products

Hindustan Unilever

ITC

Marico

Nestle India

Pidilite Industries

United Spirits

2QFY12 organic sales to grow 19%; PAT growth 17%: We expect FMCG companies under our coverage to post ~20% revenue growth and 17% PAT growth in 2QFY12. EBITDA is likely to grow by 19% as margin pressures on Marico, Asian Paints, Dabur and Godrej Consumer are likely to be offset by a low base for Britannia, strong margin expansion by ITC and continued 20%+ growth by Nestle. We expect ITC to post 17% sales growth (7% cigarette volume growth) and 20% PAT growth. HUL's sales are likely to grow 14% with EBITDA margin expansion of 30bp to 13.9%.

Volume growth broadly intact; Softening in select categories: Consumer demand across the sector is largely intact with no red flags in any category. However, price increases and a high base effect in categories like soaps, detergents, hair oils and IMFL are likely to subdue volume growth, resulting in slower volume growth for HUL, Marico and United Spirits compared with 1QFY12.

Input costs show mix trends; margin expansion likely from 4QFY12: Raw materials like milk, titanium dioxide and packaging are firm. Copra has declined by 13% from the peak while PFAD prices are lower by 20% from the peak; although up YoY. There have been staggered price increases of 2-5% in 2QFY12 as most companies focus on retaining volume growth and shares rather than maintaining margins. We believe inflation in agriculture inputs is likely to sustain while select crude link inputs might soften. We factor in gross margin contraction in 2QFY12 for nine of the 12 companies under our coverage. We expect gross margins in the sector to improve from 4QFY12.

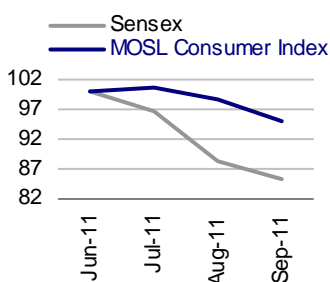
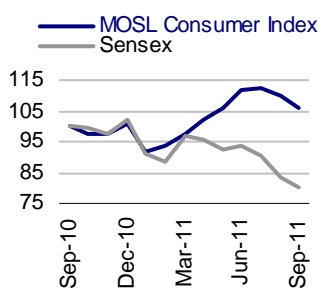
Moderate pace of new launches; Adspends may be higher than in 1QFY12: The pace of new launches has been moderate as companies look to mitigate continued cost pressure through modest advertising spends. Most launches in 2QFY12 have been in the premium personal care and foods sectors, which are expected to be focus categories, given their strong growth potential and attractive margins. We believe the ratio of adspends to sales in 2QFY12 is likely to be lower on a YoY basis but will be higher sequentially and trend upwards as the year progresses as deferred launches start coming through.

Expected quarterly performance summary

(INR million)

	CMP (Rs) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Var.	Var.	Var.	Var.	Var.	Var.	Var.	Var.	
			% YoY	% QoQ	% YoY	% QoQ	% YoY	% QoQ			
Asian Paints	3,079	Buy	22,635	25.0	0.1	3,893	17.4	-0.7	2,571	19.8	-2.5
Britannia	454	Neutral	12,900	17.8	16.6	658	24.4	30.0	400	20.6	-4.3
Colgate	965	Sell	6,345	15.0	3.8	1,421	9.6	4.9	1,085	8.2	8.0
Dabur	101	Neutral	12,841	32.0	6.6	2,440	20.3	42.9	1,819	13.4	42.4
Godrej Consumer	403	Neutral	11,910	25.0	19.4	1,965	16.3	37.6	1,390	6.7	38.7
GSK Consumer	2,309	Neutral	7,473	22.0	14.4	1,158	21.8	17.6	952	21.1	15.4
Hind. Unilever	328	Neutral	54,200	13.8	-2.9	7,534	16.5	-0.1	5,946	13.1	2.8
ITC	189	Buy	60,376	17.3	3.0	22,460	19.8	13.7	14,952	19.9	12.2
Marico	141	Neutral	9,929	27.5	-5.3	1,142	20.4	-8.7	737	9.7	-13.3
Nestle	4,213	Neutral	20,100	22.8	14.0	3,940	22.4	14.4	2,541	17.2	15.7
Pidilite Inds.	165	Buy	7,281	23.5	-5.4	1,471	18.4	-4.0	1,009	19.4	-6.5
United Spirits	756	Neutral	17,401	28.5	-10.1	2,662	21.5	-19.4	869	16.5	-36.9
Sector Aggregate			243,392	20.1	2.3	50,744	19.0	8.6	34,271	16.9	7.8

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Relative Performance-3m (%)**Relative Performance-1Yr (%)**

Cautious view on sector: With continued competition and margin pressure in the sector, we believe there is scope for valuations to come off their current levels (average P/E of 23x) given the growth prospects. We prefer niche players with strong pricing power and greater visibility on volume growth and profitability. **ITC** and **Pidilite** are the **top picks** in the sector.

Consumer: Volume growth traction to be largely stable

Quarter Ending	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11E
Asian Paints	24.0	0.0	27.0	16.0	15.0	17.0
Colgate (Toothpaste)	14.0	12.0	13.0	13.0	14.0	13.5
Dabur	17.0	13.5	10.0	9.3	8.6	9.0
Godrej Consumer						
Soaps	-9.0	-10.0	3.0	9.0	9.0	8.0
Hair Color	4.0	12.0	2.0	5.0	10.0	9.0
GSK Consumer	10.0	18.0	13.0	5.5	14.0	11.0
Hindustan Unilever	10.3	14.0	13.0	14.0	8.3	8.0
ITC (cigarette)	-3.0	-0.5	2.0	-2.0	8.0	7.0
Marico						
Parachute	14.0	10.0	5.0	5.0	10.0	7.0
Hair Oil	27.0	18.0	31.0	21.0	32.0	22.0
Saffola	17.5	14.0	13.0	14.0	15.0	14.0
United Spirits	6.0	16.0	14.0	12.0	15.4	12.5

Source: Company/MOSL

Moderate pace of new launches... focus largely on foods, personal care

Company	Brand	Category
GSK Consumer	Horlicks Gold	MFD
Dabur	Odonil Occasions	Home freshner
Hindustan Unilever	CLEAR relaunch with Nutrium 10	Anti Dandruff
Hindustan Unilever	Lakme Absolute	High end cosmetic range
Hindustan Unilever	Bru Exotica	Premium coffee
Hindustan Unilever	Dove Hair Therapy	Hair Mask
Marico	Saffola Savoury Oats	Oats
Nestle	Nestle ACTIPLUS	Probiotic Dahi
Britannia	Tiger Zor Badam Milk	Ready to drink milk based beverage
McaIn Foods India	McaIn French fries, Smiles, Aloo Tikki	Frozen foods
ITC	Vivel Luxury Crème	Cream Soap
United Breweries	Heineken	Premium beer
AkzoNobel India	ICI Magik	Mass market acrylic paint

Source: Company/MOSL

Higher input costs may impact sector margins for the quarter

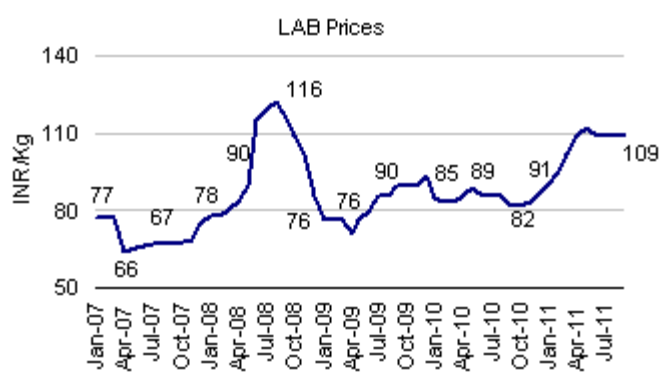
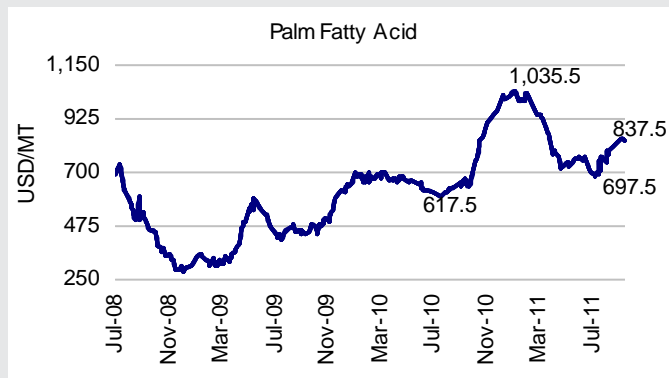
Input	Price Trend (YoY)	Unit	52 Week H/L	Current Price (INR)	12m chg. %	Change from peak/bottom	Impact	Companies
LAB	Sideways	INR/Kg	112/82	INR109/Kg	32.9	-2.7	Negative	HUL
Soda Ash	Sideways	INR/75Kg	1,350/785	INR965/75Kg	9.0	22.3	Negative	HUL
Palm Fatty Acid	Up	US\$/MT	1,043/643	USD 849/MT	32.1	24.8	Negative	HUL, Godrej Consumer
Palm Oil	Sideways	MYR/MT	3,927/2,700	MYR3070/MT	11.6	-22.3	Positive	Britannia, Nestle, HUL, ITC
HDPE	Up	INR/Kg	78/72	INR.78/Kg	6.1	Peak	Negative	All Companies
Sugar	Sideways	INR/Qtl	3,168/2,695	INR.2895/Qtl	5.7	7.4	Positive	Britannia, Nestle, GSK Cons.
Wheat	Down	INR/Qtl	1,405/1,148	INR.1182/Qtl	-5.0	-15.9	Positive	Nestle, ITC and Britannia
Milk	Up	Index	183/160	183 (Index)	6.4	Peak	Negative	Nestle, GSK Consumer
Titanium Dioxide	Up	INR/Kg	250/174	INR250/Kg	43.9	Peak	Negative	Asian Paints
Copra	Sideways	INR/Qtl	7,150/4,505	INR5,850/Qtl	29.8	-18.1	Positive	Marico

Source: Companies/MOSL

Input costs: Mixed trends

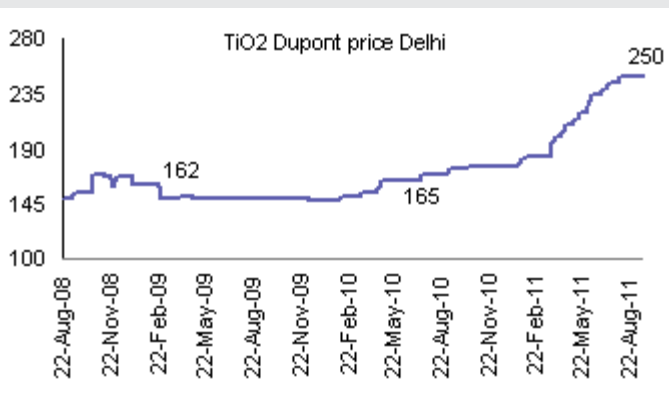
PFAD: Up 25% after correction, down 20% from peak

LAB prices stay firm (INR/kg)



Titanium dioxide at an all-time high

Copra prices down 13% from peak (INR/Qtl)



Source: Companies/MOSL

New products



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Consumer														
Asian Paints	3,079	Buy	87.9	107.3	131.6	35.0	28.7	23.4	21.9	18.8	15.0	38.5	36.9	36.1
Britannia	454	Neutral	12.3	15.3	19.7	36.9	29.7	23.0	23.5	18.6	14.2	32.5	34.6	37.6
Colgate	965	Sell	29.6	32.8	37.6	32.6	29.4	25.7	24.1	21.4	18.0	114.1	104.9	99.7
Dabur	101	Neutral	3.3	3.8	4.5	31.1	27.0	22.4	23.9	19.8	16.5	40.9	37.5	36.4
Godrej Consumer	403	Neutral	14.9	17.5	20.9	27.1	23.0	19.3	23.1	18.0	14.6	27.1	30.0	30.8
GSK Consumer	2,309	Neutral	71.3	84.3	100.1	32.4	27.4	23.1	19.4	17.0	13.5	31.2	30.9	31.2
Hind. Unilever	328	Neutral	9.9	11.2	12.6	33.0	29.4	26.0	25.2	21.8	18.9	81.6	76.6	73.1
ITC	189	Buy	6.4	7.8	9.2	29.4	24.2	20.5	18.6	15.1	12.7	33.2	34.8	34.8
Marico	141	Neutral	4.7	5.3	6.4	29.7	26.5	22.0	22.3	18.0	14.8	31.9	29.3	27.0
Nestle	4,213	Neutral	86.8	103.5	123.2	48.5	40.7	34.2	32.2	26.6	21.7	116.5	95.1	81.3
Pidilite Inds.	165	Buy	6.5	7.5	9.1	25.4	22.1	18.2	17.0	14.8	11.2	28.9	27.0	25.1
United Spirits	756	Neutral	30.3	33.5	45.6	24.9	22.6	16.6	14.2	12.0	10.2	8.8	9.0	11.0
Sector Aggregate						31.9	26.9	22.7	21.3	17.7	14.7	35.6	35.8	35.5

Asian Paints

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR3,079										Buy
Bloomberg Equity Shares (m)	APNT IN 95.9	YEAR END	NET SALES (INR M)	ADJ. PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	3,366/2,366	3/10A	66,809	8,345	87.0	107.9	-	-	48.8	61.5	-	-
1,6,12 Rel Perf (%)	-7 / 37 / 31	3/11A	77,062	8,432	87.9	1.0	35.0	13.5	38.5	49.0	3.9	21.9
Mcap (INR b)	295.3	3/12E	93,528	10,296	105.7	20.3	29.1	10.6	36.5	47.8	3.2	18.8
Mcap (USD b)	6.0	3/13E	110,522	12,627	129.2	22.1	23.8	8.5	35.9	47.9	2.7	15.0

- We expect Asian Paints to report net sales of INR22.6b in 2QFY12, a growth of 25%. Though monsoons have been strong, with no major slackening in demand and a low base (flat volumes in 2QFY11), we expect 17% volume growth in the domestic decorative business. International business would report muted 5% sales growth due to continued pressures in the Middle East business (52% of international sales).
- We estimate 270bp decline in gross margin to 41% and EBITDA margin is likely to decline 110bp to 17.2%. We estimate adjusted PAT at INR2.6b (up 19.8%).
- Average titanium dioxide (20% of RM) prices continue to rule at all-time highs and are up 40% YoY. Since the 1.3% price increase taken in July, Asian Paints has not raised prices. The YoY price impact for the domestic business in 2QFY12 is ~12%.
- Asian Paints is one of our preferred picks in the consumer space due to its strong brand, mid-teen volume growth and lack of price-based competition. The stock trades at 29.1x FY12E and 23.8x FY13E earnings. **Buy**.

What to look for

- Demand environment in the domestic market and the trend in gross and EBITDA margins.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q*	1Q	2QE	3QE	4QE		
Domestic Volume Growth % *	24.0	0.0	27.0	16.0	15.0	17.0	13.0	15.0	16.8	15.0
Titanium Dioxide Price Index	154	166	173	178	192	230	250	250	168	230
Net Sales	18,302	18,108	20,996	19,656	22,604	22,635	25,090	23,199	77,062	93,528
Change (%)	25.3	5.0	29.6	4.7	23.5	25.0	19.5	18.0	15.3	21.4
Raw Material/Packing Material	10,487	10,197	12,535	11,526	13,537	13,355	14,879	13,402	44,746	55,171
Gross Profit	7,815	7,911	8,461	8,130	9,067	9,280	10,212	9,797	32,317	38,357
Gross Margin (%)	42.7	43.7	40.3	41.4	40.1	41.0	40.7	42.2	41.9	41.0
Operating Expenses	4,344	4,596	5,012	5,236	5,146	5,387	6,072	6,256	19,187	22,861
% of Sales	23.7	25.4	23.9	26.6	22.8	23.8	24.2	27.0	24.9	24.4
EBITDA	3,471	3,315	3,449	2,894	3,922	3,893	4,140	3,541	13,130	15,496
Margin (%)	19.0	18.3	16.4	14.7	17.3	17.2	16.5	15.3	17.0	16.6
Change (%)	25.8	2.7	8.4	-6.9	13.0	17.4	20.0	22.3	7.0	18.0
Interest	42	46	59	76	65	49	50	41	222	205
Depreciation	269	284	286	292	291	302	308	331	1,131	1,232
Other Income	184	249	194	200	305	315	325	338	826	1,284
PBT	3,344	3,234	3,298	2,726	3,871	3,857	4,107	3,508	12,602	15,343
Tax	1,013	984	974	818	1,155	1,196	1,294	1,035	3,789	4,680
Effective Tax Rate (%)	30.3	30.4	29.5	30.0	29.8	31.0	31.5	29.5	30.1	30.5
PAT before Minority	2,331	2,250	2,324	1,909	2,716	2,661	2,813	2,473	8,814	10,663
Minority Interest	109	103	120	49	79	90	91	107	381	367
Adjusted PAT	2,222	2,147	2,203	1,860	2,637	2,571	2,722	2,366	8,432	10,296
Change (%)	26.2	4.4	11.0	-2.9	18.7	19.8	23.5	27.2	1.0	22.1

E: MOSL Estimates; * 4QFY10 Numbers include 6 months consolidation of International operations

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Britannia Industries

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR454										Neutral
Bloomberg Equity Shares (m)	BRIT IN 119.5	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	498/324	03/10A	34,014	1,634	14.0	-16.8	-	-	42.2	26.6	-	-
1,6,12 Rel Perf (%)	-5 / 41 / 26	03/11A	42,137	1,467	12.3	-12.3	36.9	12.0	32.5	31.4	1.3	23.5
Mcap (INR b)	54.2	03/12E	49,597	1,826	15.3	24.4	29.7	10.3	34.6	34.9	1.1	18.6
Mcap (USD b)	1.1	03/13E	57,419	2,356	19.7	29.1	23.0	8.6	37.6	57.9	0.9	14.2

- We expect sales to grow 18% to INR13b. While volumes would grow ~12%, realizations would grow 6%, driven by grammage reduction and selective price increases.
- We estimate 70bp expansion in gross margin and 30bp increase in EBITDA margin to 5.1%, aided by price increases and benign prices of sugar and wheat flour, partly neutralized by high costs of edible oils, milk, cashew nuts and packaging.
- PAT would grow 20.6%, with the tax rate largely flat at ~27%.
- Input costs remain a concern in the near term. Though Britannia is undertaking cost efficiency measures, margins remain under pressure due to stiff competition.
- We expect competitive intensity to not only sustain but increase, as players like Parle, ITC, GSK, Kraft, Unibic and McVitie's try to gain share in the high margin premium creams and cookies segment. This will continue to impair pricing power and prevent a rebound in margins to 9% in the near term.
- Non-bakery segments (milk, snacks and breakfast cereals) offer potential but are too small to make any significant impact on overall performance.
- The stock trades at 29.7x FY12E EPS and 23x FY13E EPS. **Neutral.**

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	9,115	10,948	10,800	11,279	11,063	12,900	12,750	12,885	42,137	49,597
YoY Change (%)	24.7	27.5	22.5	21.0	21.4	17.8	18.1	14.2	23.8	17.7
COGS	5,969	7,211	7,186	7,277	7,257	8,411	8,288	8,303	27,643	32,258
Gross Profit	3,146	3,736	3,614	4,001	3,806	4,489	4,463	4,582	14,494	17,339
Margins (%)	34.5	34.1	33.5	35.5	34.4	34.8	35.0	35.6	34.4	35.0
Other Exp	2,737	3,207	3,062	3,292	3,300	3,831	3,698	3,673	12,239	14,502
% of Sales	30.0	29.3	28.4	29.2	29.8	29.7	29.0	28.5	29.0	29.2
Total Exp	8,707	10,419	10,247	10,570	7,106	12,242	11,985	11,976	39,883	46,760
EBITDA	409	529	552	709	506	658	765	909	2,254	2,837
Margins (%)	4.5	4.8	5.1	6.3	4.6	5.1	6.0	7.1	5.3	5.7
YoY Growth (%)	-31.8	-28.3	45.4	-641.2	23.7	24.4	38.5	28.1	-59.2	
Depreciation	100	103	106	137	111	120	125	138	446	494
Interest	94	97	96	91	93	100	100	120	401	413
Other Income	227	125	157	96	271	110	100	90	588	570
PBT	442	453	508	577	573	548	640	740	1,996	2,501
Tax	114	122	135	159	155	148	173	200	529	675
Rate (%)	25.8	26.8	26.5	27.5	27.0	27.0	27.0	27.0	26.5	27.0
Adjusted PAT	328	332	373	419	418	400	467	541	1,467	1,826
YoY Change (%)	-50.3	-49.8	3.5	528.5	27.3	20.6	25.1	29.1	-67.5	24.4
Extraordinary Expenses	0	13	0	0	0	0	0	0	14	0
Reported PAT	328	319	373	419	418	400	467	541	1,453	1,826

E: MOSL Estimates

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Colgate Palmolive

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR965										Sell
Bloomberg Equity Shares (m)	CLGT IN 136.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	1,057/783	03/10A	19,625	4,038	29.7	39.1	-	-	156.1	154.0	-	-
1,6,12 Rel Perf (%)	1 / 32 / 26	03/11A	22,206	4,026	29.6	-0.3	32.6	34.2	114.1	114.3	5.7	24.1
Mcap (INR b)	131.2	03/12E	25,397	4,457	32.8	10.7	29.4	28.2	104.9	105.6	5.0	21.4
Mcap (USD b)	2.7	03/13E	29,470	5,115	37.6	14.8	25.7	23.4	99.7	100.1	4.2	18.0

- We expect sales to grow 15% to INR6.3b. Toothpaste volumes would grow 13.5% v/s 14% in 1QFY12.
- We estimate 30bp contraction in gross margin to 59.8% and 40bp contraction in EBITDA margin to 22.4%. Higher prices of sorbitol, packaging and other crude-linked inputs will impact margins despite 1% price increase.
- Advertising spends would be firm and EBITDA margin pressures are likely to sustain over 2-3 quarters.
- We expect 10% increase in PBT. However, a 200bp increase in tax rate to 24% will limit PAT growth at 8% to INR1.1b.
- Colgate is adopting an aggressive pricing strategy even in an inflationary environment, which is keeping other players like HUL and Dabur at bay. However, we believe that aggressive pricing and gradually rising tax rate will impair EPS growth in the medium term.
- We believe that advertising war in Colgate Sensitive Pro Relief and Glaxo's Sensodyne will continue to be near terms drag on growth. This also shows a glimpse of the competitive intensity and its impact if P&G enters the mainstream toothpaste market.
- We estimate PAT CAGR of 12.7% over FY11-13. The stock trades at 29.4x FY12E and 25.7x FY13E EPS. **Sell.**

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Toothpaste Volume Gr %	14.0	12.0	13.0	13.0	14.0	13.5	12.0	12.0	13.0	12.5
Net Sales	5,288	5,518	5,582	5,818	6,111	6,345	6,341	6,599	22,206	25,397
YoY Change (%)	13.0	13.2	13.8	12.6	15.6	15.0	13.6	13.4	13.2	14.4
COGS	1,967	2,201	2,160	2,393	2,467	2,551	2,492	2,607	8,720	10,117
Gross Profit	3,321	3,316	3,422	3,425	3,644	3,795	3,849	3,992	13,486	15,280
Gross Margin (%)	62.8	60.1	61.3	58.9	59.6	59.8	60.7	60.5	60.7	60.2
Other operating Expenses	1,932	2,195	2,675	2,176	2,471	2,558	2,649	2,535	8,979	10,213
% to Sales	36.5	39.8	47.9	37.4	40.4	40.3	41.8	38.4	40.4	40.2
Other operating Income	209	175	184	195	183	185	195	236	767	799
EBITDA	1,598	1,297	931	1,444	1,356	1,421	1,395	1,693	5,273	5,865
Margins (%)	29.1	22.8	16.1	24.8	21.5	22.4	22.0	25.7	23.0	22.4
Depreciation	79	84	91	88	88	92	97	92	342	369
Interest	3	6	19	4	6	7	13	4	33	30
Financial other Income	54	81	92	78	120	105	130	121	301	476
PBT	1,569	1,288	913	1,429	1,381	1,427	1,415	1,719	5,199	5,942
Tax	350	285	250	288	377	343	396	370	1,174	1,486
Rate (%)	22.3	22.1	27.4	20.2	27.3	24.0	28.0	21.5	22.6	25.0
PAT	1,219	1,003	663	1,141	1,004	1,085	1,019	1,349	4,026	4,457
YoY Change (%)	18.6	11.8	-37.4	8.1	-17.6	8.2	53.7	18.3	-0.3	10.7

E: MOSL Estimates

Dabur India

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR101										Neutral
Bloomberg Equity Shares (m)	DABUR IN 1,740.7	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	122/87	03/10A	33,905	5,032	2.9	28.4	-	-	53.5	65.6	-	-
1,6,12 Rel Perf (%)	-7 / 22 / 17	03/11A	40,774	5,684	3.3	13.2	31.1	12.7	40.9	36.9	4.4	23.9
Mcap (INR b)	176.5	03/12E	51,749	6,533	3.8	14.9	27.0	10.1	37.5	37.0	3.4	19.8
Mcap (USD b)	3.6	03/13E	59,449	7,864	4.5	20.4	22.4	8.2	36.4	38.8	2.9	16.5

- We expect net sales to grow 32% to INR12.8b, with 9% volume growth. The higher sales growth is due to the consolidation of Hobi Kozmetik and Namaste acquisitions for the full quarter. We estimate organic sales growth at ~16%, led by price increases taken in the domestic business in the last two quarters.
 - We estimate 190bp contraction in EBITDA margin due to steep input cost inflation, inadequate price increases and consolidation of low margin new acquisitions. EBITDA is likely to grow 20.3% to INR2.44b.
 - PAT would grow 13.4% to INR1.8b, impacted higher depreciation and higher tax charge (up 180bp).
 - We believe Dabur would take further price increases in 3QFY12 to pass on some of the cost pressure.
 - Stiff competition in Dabur's key categories like shampoo, skin care, oral care and hair oil is likely to keep growth and margin expansion under check in the domestic business. The stock trades at 27x FY12E and 22.4x FY13E EPS.
- Neutral.**

What to look for

- Organic volume growth, margins in the domestic business, performance of recently acquired international businesses.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volume Growth (%)	17.0	13.5	10.0	9.3	8.6	9.0	10.5	11.5	12.7	10.0
Net Sales	9,165	9,728	10,800	11,082	12,046	12,841	13,500	13,363	40,774	51,749
YoY Change (%)	19.3	14.7	16.6	30.6	31.4	32.0	25.0	20.6	20.3	26.9
Total Exp	7,796	7,699	8,704	9,026	10,338	10,401	11,016	11,013	33,228	42,768
EBITDA	1,369	2,028	2,095	2,056	1,708	2,440	2,484	2,350	7,547	8,981
Margins (%)	14.9	20.9	19.4	18.6	14.2	19.0	18.4	17.6	18.5	17.4
YoY Growth (%)	18.1	15.6	18.2	27.0	24.7	20.3	18.5	14.3	20.0	19.0
Depreciation	145	190	233	249	211	225	250	268	816	953
Interest	36	46	54	159	126	140	150	189	303	605
Other Income	148	167	89	237	231	200	100	269	652	800
PBT	1,337	1,960	1,897	1,884	1,602	2,275	2,184	2,163	7,079	8,223
Tax	263	356	357	414	323	455	437	471	1,390	1,686
Rate (%)	19.7	18.2	18.8	22.0	20.1	20.0	20.0	21.8	19.6	20.5
Minority Interest	6	1	-4	0	2	1	1	1	3	4
Adjusted PAT	1,068	1,604	1,544	1,470	1,277	1,819	1,746	1,690	5,686	6,533
YoY Change (%)	19.5	15.2	12.1	10.3	19.6	13.4	13.1	15.0	13.6	15.0

E: MOSL Estimates

GlaxoSmithKline Consumer

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR2,309										Neutral
		YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Bloomberg	SKB IN	12/09A	19,864	2,328	55.4	23.5	-	-	25.7	39.5	-	-
Equity Shares (m)	42.1	12/10A	23,800	2,998	71.3	28.8	32.4	10.1	31.2	47.3	3.7	19.4
52 Week Range (INR)	2,525/1,910	12/11E	28,064	3,545	84.3	18.2	27.4	8.5	30.9	46.4	3.1	17.0
1,6,12 Rel Perf (%)	-1 / 23 / 34	12/12E	33,242	4,211	100.1	18.8	23.1	7.2	31.2	46.9	2.5	13.5
Mcap (INR b)	97.2											
Mcap (USD b)	2.0											

- In 3QCY11, we expect GSK Consumer to report net sales of INR7.5b, up 22%. We estimate MFD volume growth at ~11%, impacted by a high base, and we expect the company's overall volumes to grow ~13%.
- We estimate EBITDA margin at 15.5%, in line with 3QCY11 margins, as the ~3% price increase in July will help neutralize higher milk and barley prices.
- A 22% growth in EBITDA and lower tax rate (down 80bp) will drive 21% PAT growth for the quarter.
- During the quarter, the company has launched Horlicks Gold in select cities, priced at a 30% premium to the base Horlicks. We expect ad spends to sustain at 16%+ levels owing to the new launch.
- We are positive on GSK Consumer's strong leadership position in the MFD space and its intention to diversify into new categories. However, valuations at 27.4x CY11E and 23.1x CY12E earnings capture most positives. Maintain **Neutral**.

What to look for

- Sustained volume growth recovery and performance of Foodles and other new launches.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
MFD Volume Growth (%)	12.5	10.0	18.0	10.0	5.5	14.0	11.0	14.0	12.5	10.5
Net Sales	6,484	5,374	6,126	5,078	7,100	6,534	7,473	6,146	23,061	27,253
YoY Change (%)	20.2	14.5	23.7	21.4	9.5	21.6	22.0	21.0	20.0	18.2
Total Exp	5,154	4,480	5,175	4,493	7,091	5,548	7,451	2,839	19,294	22,929
EBITDA	1,331	894	951	584	1,453	985	1,158	727	3,767	4,324
Margins (%)	20.5	16.6	15.5	11.5	20.5	15.1	15.5	11.8	16.3	15.9
YoY Change (%)	12.1	18.4	21.0	61.2	9.2	10.2	21.8	24.5	22.1	14.8
Depreciation	96	93	100	109	109	113	120	135	397	477
Interest	6	6	7	7	7	9	9	10	26	35
Other Income	236	281	334	331	340	360	380	398	1,174	1,478
PBT	1,465	1,076	1,178	800	1,677	1,223	1,410	980	4,518	5,290
Tax	503	358	392	266	571	398	458	318	1,520	1,745
Rate (%)	34.4	33.3	33.3	33.3	34.0	32.6	32.5	32.4	33.6	33.0
PAT	962	718	786	534	1,106	825	952	663	2,999	3,545
YoY Change (%)	14.6	28.5	30.9	59.1	15.0	14.9	21.1	24.2	28.8	18.2

E: MOSL Estimates

Godrej Consumer Products

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR403								Neutral		
Bloomberg Equity Shares (m)	GCPLIN 323.6	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	464/325	03/10A	20,412	3,603	11.7	119.2	-	-	37.7	47.3	-	-
1,6,12 Rel Perf (%)	-4 / 28 / 21	03/11A	36,430	4,816	14.9	27.3	27.1	7.3	27.1	20.2	4.1	23.1
Mcap (INR b)	130.3	03/12E	45,131	5,655	17.5	17.4	23.0	6.9	30.0	23.4	3.2	18.0
Mcap (USD b)	2.6	03/13E	51,736	6,756	20.9	19.5	19.3	5.9	30.8	25.8	2.8	14.6

- We expect 25% increase in net sales to INR11.9b, driven by strong growth in household insecticides, new launches and consolidation of acquisitions (Darling, Genteel, Swastik). We estimate organic sales growth for the quarter at 22%.
- Continued investment in new launches and higher PFAD prices (up 21% YoY; up 25% after correcting from their highs) will impact margins, with EBITDA margin likely to decline by 220bp to 16.5%.
- Higher depreciation and interest costs will keep PAT growth muted at 6.7% to INR1.4b.
- The volume momentum achieved in soaps and hair colors in 1QFY12 (9% and 10%, respectively) will continue through 2QFY12, led by a favorable base and robust demand.
- Domestic HI is likely to grow at 25%+, led by 20%+ market growth and continuing market share gains across HI segments. Megasari growth will be buoyed by the new launch of 'HIT Magic Paper' in the last quarter.
- Godrej's Darling acquisition will be consolidated in 2QFY12 for only one month.
- We believe margin pressures, integration of new acquisitions and increasing debt on the books (highest levered company in our coverage universe at 1.1x) remain key risks.
- The stock trades at 23x FY12E and 19.3x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	7,149	9,528	9,804	9,995	9,978	11,910	11,863	11,380	36,430	45,131
YoY Change (%)	62.9	65.5	89.4	96.3	39.6	25.0	21.0	13.9	78.5	23.9
EBITDA	1,281	1,690	1,678	1,778	1,428	1,965	2,195	2,568	6,407	8,156
Margins (%)	17.9	17.7	17.1	17.8	14.3	16.5	18.5	22.6	17.6	18.1
YoY Growth (%)	48.2	51.0	65.5	65.3	11.5	16.3	30.8	44.5	49.4	27.3
Depreciation	95	155	135	133	159	170	160	145	499	634
Interest	106	89	133	192	192	200	170	101	519	664
Other Income	112	194	63	360	238	200	5	-11	729	431
PBT	1,191	1,641	1,473	1,814	1,314	1,795	1,870	2,310	6,118	7,289
Tax	282	338	285	397	312	395	439	488	1,302	1,634
Rate (%)	23.7	20.6	19.3	21.9	23.8	22.0	23.5	21.1	21.3	22.4
Minority Int						10.0				10.0
Adj PAT	909	1,302	1,188	1,417	1,002	1,390	1,430	1,822	4,816	5,645
YoY Change (%)	30.4	40.0	39.6	54.4	10.3	6.7	20.4	28.6	33.7	17.2
Extraordinaries	-323	-8	0	0	-1,391	0	0	0	-331	-1,391
Reported PAT	1,232	1,311	1,188	1,417	2,393	1,390	1,430	1,822	5,147	7,036

E: MOSL Estimates

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Hindustan Unilever

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR328										Neutral
Bloomberg Equity Shares (m)	HUVR IN 2,159.5	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	354/265	03/10A	177,253	21,027	9.6	-16.0	-	-	81.4	105.1	-	-
1,6,12 Rel Perf (%)	2 / 35 / 27	03/11E	197,352	21,485	9.9	3.2	33.0	26.9	81.6	103.5	3.5	25.2
Mcap (INR b)	709.3	03/12E	223,260	24,139	11.2	12.4	29.4	23.8	76.6	99.4	3.3	23.1
Mcap (USD b)	14.3	03/13E	249,445	27,317	12.6	13.2	26.0	20.1	73.1	95.6	2.9	20.0

- We expect HUL to report 13.8% growth in sales to INR54.2b, and estimate volume growth at ~8%.
- The benefit of correction in PFAD prices and staggered price increases will come through partially in the current quarter, with 230bp QoQ gross margins expansion to 47.2%; however, YoY margins will decline by 280bp.
- We expect EBITDA margin to expand by 30bp to 13.9%, despite gross margin contraction, owing to savings in ad spends and other expenditure.
- A higher tax rate (likely to be higher by 170bp to 23%) will impact adjusted PAT growth. We expect adjusted PAT to grow 13.1% to INR5.9b.
- We expect sequential increase in soaps and detergent margins due to benefits from price increases (Surf, Rin, Hamaam, Pears and Rexona) and cost control.
- HUL's focus on personal care continues with launch of CLEAR, Dove hair therapy and Lakme absolute. Margin trend in personal care is key to long-term profit growth given high competitive intensity in shampoos and oral care.
- The stock trades at 29.4x FY12E and 26x FY13E earnings. **Neutral**.

What to look for

- Volume growth: Sustainable volume growth post sharp correction in 1QFY12.
- Sustained margin recovery: Recovery of margins in soaps and detergents to double digits.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volume Growth (%)	11.0	14.0	13.0	14.0	8.3	8.0	8.2	7.5	13.0	8.0
Palm Fatty Acid (Index)	167	161	154	216	234	182	189	189	172	199
LAB Price Index	116	116	111	122	145	143	143	143	116	144
Net Sales (incl service inc)	48,762	47,647	51,277	49,666	55,794	54,200	57,800	55,466	197,352	223,260
YoY Change (%)	8.3	11.6	12.1	13.4	14.4	13.8	12.7	11.7	11.3	13.1
COGS	24,466	23,830	25,692	26,581	30,742	28,618	28,206	28,629	100,569	116,194
Gross Profit	24,296	23,817	25,586	23,085	25,052	25,582	29,594	26,837	96,783	107,066
Margin %	49.8	50.0	49.9	46.5	44.9	47.2	51.2	48.4	49.0	48.0
EBITDA	6,809	6,469	7,250	6,465	7,543	7,534	8,612	7,395	26,993	31,084
YoY Change (%)	-4.8	-0.8	-7.9	8.6	10.8	16.5	18.8	14.4	-1.8	15.2
Margins (%)	14.0	13.6	14.1	13.0	13.5	13.9	14.9	13.3	13.7	13.9
Depreciation	535	554	563	556	562	580	590	614	2,208	2,346
Interest	1	1	1	0	0	2	1	2	2	5
Other Income	421	768	770	560	506	770	780	561	2,519	2,617
PBT	6,695	6,683	7,456	6,468	7,487	7,722	8,801	7,340	27,302	31,350
Tax	1,485	1,426	1,589	1,323	1,702	1,776	2,068	1,664	5,822	7,210
Rate (%)	22.2	21.3	21.3	20.4	22.7	23.0	23.5	22.7	21.3	23.0
Adjusted PAT	5,210	5,257	5,867	5,146	5,784	5,946	6,733	5,677	21,480	24,139
YoY Change (%)	-2.9	5.2	-2.1	21.9	11.0	13.1	14.8	10.3	4.4	12.4
Extraordinary Inc/(Exp)	122	404	508	546	0	0	0	0	1,580	0
Reported Profit	5,332	5,661	6,375	5,692	5,784	5,946	6,733	5,677	23,060	24,139
YoY Change (%)	-1.8	32.1	-1.8	-2.1	8.5	5.0	5.6	-0.3	4.7	4.7

E: MOSL Estimates, PFAD - 1QFY08 as 100 with 3month lag

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ITC

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR189										Buy
Bloomberg	ITC IN	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Equity Shares (m)	7,738.1	03/10A	183,924	40,610	5.1	24.4	-	-	27.8	38.5	-	-
52 Week Range (INR)	211/150	03/11A	214,683	49,876	6.5	22.8	29.2	9.2	33.2	42.9	6.6	18.6
1,6,12 Rel Perf (%)	-5 / 21 / 26	03/12E	253,817	61,461	7.8	23.2	24.2	8.0	34.8	46.2	5.7	15.6
Mcap (INR b)	1,465.6	03/13E	292,361	72,392	9.2	17.8	20.5	6.8	34.8	46.6	4.9	13.1
Mcap (USD b)	29.6											

- We expect ITC to post 17.3% revenue growth to INR60.4b. Margin expansion of 80bp will drive 20% growth in EBITDA to INR22.5b and net profit to INR15b.
- Led by continued strength in consumer demand, we expect cigarette volumes to grow 7%; 80bp EBIT margin expansion to 58% will enable 19% EBIT growth YoY.
- We estimate 19% increase in FMCG sales and ~16% decline in EBIT losses. Improving profitability in the food (Bingo break-even in 1QFY12), education and lifestyle retail will drive the decline in EBIT losses.
- Paper margins are likely to decline by 220bp to 24.5% due to a high base; revenue growth at 16% will be mix driven.
- The agri-business is likely to record 18% revenue growth, with margins declining by 120bp. Though revenue growth in hotels will be subdued, margins are likely to improve by 290bp to 22% in line with 1QFY12.
- Recent price increases in Classic and Navy Cut will enable strong margins in 2HFY12; expect more price increases in coming quarters. Rupee depreciation will boost profitability in agri and hotel businesses from 3QFY12.
- The stock trades at 24.2x FY12E EPS of INR7.8 and 20.5x FY13E EPS of INR9.2. ITC is our top pick in the FMCG space. **Buy.**

What to look for

- Cigarette volume growth and margins will be key factors to watch, as the company has not raised prices enough to compensate for the VAT increase in Tamil Nadu, West Bengal and Andhra Pradesh in 2QFY12.

QUARTERLY PERFORMANCE										(INR MILLION)
Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Cigarette Vol Gr (%)	-3.5	-0.5	2.5	-2.0	8.0	7.0	6.0	7.0	-2.0	7.0
Net Sales	48,473	51,472	55,137	59,600	58,602	60,376	64,731	70,108	214,683	253,817
YoY Change (%)	15.5	18.5	20.4	15.9	20.9	17.3	17.4	17.6	16.8	18.2
Total Exp	32,103	32,723	34,845	40,472	38,841	37,916	40,133	45,289	139,944	162,180
EBITDA	16,371	18,749	20,293	19,128	19,761	22,460	24,598	24,819	74,739	91,638
Growth (%)	18.0	17.9	18.8	17.5	20.7	19.8	21.2	29.7	18.6	22.6
Margins (%)	33.8	36.4	36.8	32.1	33.7	37.2	38.0	35.4	34.8	36.1
Depreciation	1,597	1,640	1,681	1,642	1,665	1,720	1,900	1,991	6,560	7,276
Interest	58	54	230	140	165	80	300	206	679	750
Other Income	985	1,245	1,930	1,022	1,438	1,200	1,900	924	5,182	5,462
PBT	15,701	18,300	20,313	18,368	19,370	21,860	24,298	23,546	72,682	89,074
Tax	4,998	5,833	6,422	5,553	6,043	6,908	7,630	7,478	22,809	28,058
Rate (%)	31.8	31.9	31.6	30.2	32.0	31.6	31.4	31.8	31.4	31.5
Reported PAT	10,703	12,467	13,891	12,815	13,327	14,952	16,668	16,068	49,873	61,016
YoY Change (%)	21.8	23.5	21.4	24.6	24.5	19.9	20.0	25.4	22.8	22.3
Sales Growth (YoY)										
Cigarettes	12.4	12.9	15.6	12.0	16.5	17.4	19.2	20.9	13.4	19.7
EBIT growth YoY										
Cigarettes	16.0	16.5	17.0	16.5	18.6	19.1	19.2	20.5	16.8	19.8

E: MOSL Estimates

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Marico

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR141										Neutral
Bloomberg Equity Shares (m)	MRCOIN 614.4	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	173/112	03/10A	26,608	2,454	4.0	19.3	-	-	36.9	40.8	-	-
1,6,12 Rel Perf (%)	-9 / 21 / 31	03/11A	31,283	2,918	4.7	18.9	29.7	9.5	31.9	29.7	2.9	22.3
Mcap (INR b)	86.7	03/12E	39,510	3,272	5.3	12.2	26.5	7.8	29.3	33.8	2.3	18.0
Mcap (USD b)	1.8	03/13E	45,917	3,934	6.4	20.2	22.0	5.9	27.0	35.6	1.9	14.8

- We expect net sales to grow 27.5% to INR9.9b, and estimate volume growth at 12.5%. We estimate organic growth at 23% (ex Ingwe and ICP acquisitions), led by healthy volume growth and price increases in the domestic business.
- Volume growth in Parachute is likely to be lower than 1QFY12 levels of 10%, while Saffola is likely to sustain mid-teen volume growth.
- Copra prices are 9% lower QoQ, but continue to be higher by 57% YoY. Other key inputs like kardi oil, rice bran and LLP (up 30%, 48% and 56%, respectively) are at their life highs. No price increases have been taken in 2QFY12.
- We estimate 420bp decline in gross margin to 46%. Cost control and no excise provisioning will restrict EBITDA margin decline at 70bp to 11.5%. A higher tax rate (up 450bp) will restrict PAT growth at 9.7% to INR737m.
- With consumer demand on discretionary products seeing first signs of softening, the company's Kaya and Saffola franchise, which are at the premium end, will be most susceptible in the coming quarters.
- Continued input cost inflation, increased ad spends and weak scenario in Egypt and Middle East will restrict any meaningful profit growth in FY12.
- The stock trades at 26.5x FY12E and 22x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volume Growth (%)	16.0	15.0	15.0	5.0	14.0	12.5	13.0	17.5	14.8	13.5
Net Sales	7,901	7,788	8,177	7,473	10,486	9,929	10,058	9,036	31,283	39,510
YoY Change (%)	13.4	12.5	22.1	24.1	32.7	27.5	23.0	20.9	17.6	26.3
COGS	4,033	3,880	4,307	3,960	5,947	5,362	5,230	4,419	16,179	20,958
Gross Profit	3,868	3,908	3,870	3,514	4,539	4,567	4,828	4,617	15,104	18,551
Gross margin (%)	49.0	50.2	47.3	47.0	43.3	46.0	48.0	51.1	48.3	47.0
Other Expenditure	2,813	2,960	2,873	2,726	3,288	3,426	3,571	3,299	11,006	13,583
% to Sales	35.6	38.0	35.1	36.5	31.4	34.5	35.5	36.5	35.2	34.4
EBITDA	1,055	949	997	788	1,251	1,142	1,257	1,317	4,098	4,968
Margins (%)	13.3	12.2	12.2	10.5	11.9	11.5	12.5	14.6	13.1	12.6
YoY Change (%)	9.3	-0.4	0.9	-7.3	18.6	20.4	19.2	67.3	8.1	21.2
Depreciation	120	140	146	302	169	195	205	201	708	770
Interest	70	65	76	182	97	105	120	116	393	438
Other Income	44	71	69	93	90	98	105	116	279	408
PBT	909	816	843	398	1,075	940	1,037	1,116	3,275	4,169
Tax	162	126	133	428	210	188	210	226	850	834
Rate (%)	17.8	15.5	15.8	107.7	19.6	20.0	20.2	20.2	25.9	20.0
Minority Interest	10	18	14	-8	15	15	16	17	50	63
Adjusted PAT	737	672	695	719	850	737	812	873	2,918	3,272
YoY Change (%)	22.8	7.7	11.8	24.4	15.3	9.7	16.8	21.6	18.9	12.1
Exceptional Items	0	44		755	0	0		0	489	0
Reported PAT	737	716	695	716	850	737	812	873	3,153	3,272

E: MOSL Estimates

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Nestle India

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR4,213										Neutral
Bloomberg Equity Shares (m)	NEST IN 96.4	YEAR END	NET SALES (INR M)	ADJ. PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	4,517/3,120	12/09A	51,294	6,976	72.4	23.5	-	-	132.3	167.8	-	-
1,6,12 Rel Perf (%)	-5 / 29 / 47	12/10A	62,547	8,370	86.8	20.0	48.5	47.5	116.5	151.0	6.4	32.2
Mcap (INR b)	406.2	12/11E	76,480	9,981	103.5	19.2	40.7	32.3	95.1	109.2	5.3	26.3
Mcap (USD b)	8.2	12/12E	93,576	11,880	123.2	19.0	34.2	23.9	81.3	87.1	4.3	21.5

- We expect Nestle India to report net sales of INR20.1b, up 22.8%, and sustained volume growth in low teens (19.6% volume growth in 3QCY10).
- Gross margin is likely to improve by 10bp QoQ (30bp decline YoY) to 50.6%, as price increases in dairy, coffee and infant nutrition neutralize input cost pressures in milk and packaging costs. EBITDA growth is likely to stay healthy at 22.4%, aided by 10bp QoQ expansion in EBITDA margin to 19.6%.
- Interest costs on the USD60m debt drawn from the parent to fund capacity expansions will come in the current quarter; we estimate INR30m of interest expense in 3QCY11.
- Nestle increased prices in infant nutrition (4-5%), coffee (8-10%) and across a large portion of its dairy portfolio to pass on a portion of the milk and coffee inflation.
- Though we remain positive on the strong demand and growth potential for Nestle's portfolio, valuations at 40.7x CY11E and 34.2x CY12E earnings factor in medium-term upsides. **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	14,798	14,667	16,373	16,710	18,100	17,631	20,100	20,650	62,547	76,480
YoY Change (%)	16.9	21.3	25.7	23.6	22.3	20.2	22.8	23.6	21.9	22.3
COGS	7,376	7,191	8,034	7,956	8,841	8,718	9,929	9,936	30,556	37,425
Gross Profit	7,422	7,476	8,339	8,754	9,259	8,912	10,171	10,714	31,992	39,055
Margin (%)	50.2	51.0	50.9	52.4	51.2	50.5	50.6	51.9	51.1	51.1
Operating Exp	4,382	4,537	5,120	5,457	5,406	5,467	6,231	6,657	19,495	23,761
EBITDA	3,040	2,940	3,219	3,298	3,853	3,445	3,940	4,057	12,497	15,294
Margins (%)	20.5	20.0	19.7	19.7	21.3	19.5	19.6	19.6	20.0	20.0
YoY Growth (%)	-1.8	12.3	21.8	66.4	26.7	17.2	22.4	23.0	20.8	22.4
Depreciation	310	304	306	358	327	367	380	411	1,278	1,485
Interest	6	4	1	1	1	6	30	41	11	78
Other income	91	101	95	139	128	80	100	139	427	446
PBT	2,816	2,733	3,008	3,078	3,653	3,152	3,630	3,743	11,635	14,178
Tax	845	718	840	861	1,027	956	1,089	1,125	3,265	4,197
Rate (%)	30.0	26.3	27.9	28.0	28.1	30.3	30.0	30.1	28.1	29.6
Adjusted PAT	1,971	2,015	2,168	2,217	2,626	2,196	2,541	2,618	8,370	9,981
YoY Change (%)	-5.2	13.1	21.5	66.3	33.3	9.0	17.2	18.1	19.9	19.2
Extraordinary Inc/(Exp)	48	-67	18	-183	-69	-58	-45	-30	-184	-202
Reported PAT	2,019	1,948	2,186	2,034	2,557	2,138	2,496	2,588	8,187	9,779
YoY Change (%)	2.3	20.3	19.6	80.1	26.7	9.8	14.2	27.2	24.9	19.5

E: MOSL Estimates

Pidilite Industries

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR165										Buy
Bloomberg Equity Shares (m)	PIDIIN 506.1	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	183/123	3/10A	19,539	2,935	5.8	100.5	-	-	31.3	25.5	-	-
1,6,12 Rel Perf (%)	4 / 33 / 26	3/11A	23,799	3,289	6.5	12.1	25.4	7.1	28.9	30.6	3.3	16.5
Mcap (INR b)	83.5	3/12E	29,167	3,785	7.5	15.1	22.1	5.8	27.0	29.7	2.7	14.4
Mcap (USD b)	1.7	3/13E	34,921	4,740	9.1	21.3	18.2	4.4	25.1	31.8	2.2	11.2

- We expect Pidilite to post 23.5% revenue growth, led by healthy mid-teen volume growth in consumer and bazaar, and price increases of 5-6% taken at the end of June.
- Gross margin is likely to improve by 130bp QoQ due to price hikes and VAM prices coming off from their high by ~10%; on a YoY basis, gross margin is likely to contract 170bp to 46%.
- The recent 10% depreciation in the INR will make VAM more expensive, which could negate any benefits from lower prices in coming quarters.
- EBITDA margin is likely to decline by just 90bp to 20.2% due to cost savings.
- We expect tax rates to increase by 250bp to 25% and restrict PAT growth to 19% to INR1b.
- The stock trades at 22.1x FY12E EPS of INR7.5 and 18.2x FY13E EPS of INR9.1. **Buy.**

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	6,322	5,896	5,936	5,639	7,699	7,281	7,271	6,916	23,806	29,167
Change (%)	21.6	15.4	27.2	26.2	21.8	23.5	22.5	22.6	21.8	22.5
Gross Profit	3,052	2,811	2,758	2,699	3,438	3,349	3,381	3,300	11,327	13,469
Gross Margin %	48.3	47.7	46.5	47.9	44.7	46.0	46.5	47.7	47.6	46.2
Operating Expenses	1,497	1,569	1,573	1,885	1,905	1,879	1,920	2,342	6,546	8,045
% of Sales	23.7	26.6	26.5	33.4	24.7	25.8	26.4	33.9	27.5	27.6
EBITDA	1,556	1,242	1,185	813	1,533	1,471	1,462	958	4,796	5,423
EBITDA Margin %	24.6	21.1	20.0	14.4	19.9	20.2	20.1	13.9	20.1	18.6
Change (%)	28.4	1.6	27.1	17.5	-1.5	18.4	23.3	17.8	20.4	13.1
Depreciation	108	111	111	114	116	125	131	120	444	491
Interest	82	87	52	48	40	45	44	20	268	148
Other Income	13	47	55	34	51	45	54	112	150	262
PBT	1,378	1,092	1,078	686	1,429	1,346	1,341	931	4,234	5,046
Tax	300	246	233	158	350	336	332	243	936	1,262
Effective Tax Rate (%)	21.8	22.5	21.6	23.0	24.5	25.0	24.8	26.1	22.1	25.0
Adj PAT	1,078	846	844	529	1,079	1,009	1,008	688	3,297	3,785
Change (%)	18.4	-3.6	30.6	-2.8	0.1	19.4	19.4	30.2	12.3	14.8

E: MOSL Estimates

United Spirits

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR756										Neutral
Bloomberg Equity Shares (m)	UNSPIN 130.8	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	1,684/740	03/10A	63,623	3,026	25.8	12.3	-	-	8.0	11.5	-	-
1,6,12 Rel Perf (%)	-13 / -11 / -32	03/11A	73,301	3,710	30.3	17.4	24.9	2.2	8.8	10.1	2.2	14.8
Mcap (INR b)	98.9	03/12E	88,512	4,096	33.5	10.4	22.6	2.0	9.0	11.4	1.9	12.4
Mcap (USD b)	2.0	03/13E	104,670	5,578	45.6	36.2	16.6	1.8	11.0	12.7	1.6	10.6

- We expect United Spirits to post 28.5% revenue growth to INR17.4b in 1QFY12. Continued strong growth in the premium segment will be offset by a high base (16% volume growth in 2QFY11) with volume growth expected at 12.5% in the quarter.
- EBITDA margins are likely to fall 110bp to 15.3% as higher ENA and glass prices continue to pinch.
- We expect tax rates to be higher by 190bp and expect PAT growth at 16.5% to INR869m. .
- Increased usage for ethanol blending and supply disruptions in UP and Karnataka will keep ENA prices higher by 1% QoQ and 7% YoY to INR148/case. The benefit of supply from acquired distilleries will only result in average ENA prices coming down for the company in 2HFY12.
- During the quarter, the company reduced prices of Royal Challenge by 17% in the north to compete with Pernod Ricard's Royal Stag in the INR350-400 segment and gain market share.
- The stock trades at 22.6x FY12E EPS of INR33.5 and 16.6x FY13E EPS of INR45.6 **Neutral**.

What to look for

- Sustenance of volume growth in an environment of increasing taxes and higher competition.
- ENA price trend and outlook as continued firmness in prices could further impact margins.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volume Growth %	6.0	16.0	14.0	12.0	15.4	12.5	12.0	12.0	12.0	13.0
ENA Price/Case	143	138	143	150	147	148	142	140	144	142
Net Sales	14,630	13,542	19,601	15,969	19,354	17,401	20,581	19,112	63,742	76,449
YoY Change (%)	17.8	25.4	45.5	27.5	32.3	28.5	5.0	19.7	29.3	19.9
Total Exp	11,818	11,351	16,840	13,839	16,051	14,739	17,412	16,457	53,849	64,659
EBITDA	2,811	2,191	2,761	2,130	3,303	2,662	3,169	2,655	9,893	11,790
Margins (%)	19.2	16.2	14.1	13.3	17.1	15.3	15.4	13.9	15.5	15.4
Depreciation	91	104	126	130	127	130	135	158	451	550
Interest	965	983	1,038	1,044	1,227	1,240	1,250	1,300	4,031	5,017
PBT from Operations	1,755	1,104	1,597	956	1,949	1,292	1,784	1,198	5,411	6,223
Other Income	68	29	-16	202	99	65	80	204	284	448
PBT	1,823	1,133	1,581	1,158	2,048	1,357	1,864	1,401	5,695	6,671
Tax	613	387	528	384	671	489	653	523	2,033	2,335
Rate (%)	33.6	34.1	33.4	33.1	32.7	36.0	35.0	37.3	35.7	35.0
PAT	1,211	746	1,053	774	1,377	869	1,212	878	3,662	4,336
YoY Change (%)	12.5	7.2	8.7	36.2	13.8	16.5	15.1	13.4	19.7	18.4
Extraordinary Inc/(Exp)	0	0	368	0					368	
Reported PAT	1,211	746	1,300	774	1,377	869	1,212	878	4,030	4,336

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Financials

COMPANY NAME

Andhra Bank
Axis Bank
Bank of Baroda
Bank of India
Canara Bank
Dewan Housing
HDFC
HDFC Bank
Federal Bank
ICICI Bank
IDFC
Indian Bank
IndusInd Bank
ING Vysya
LIC Housing
M&M Financial Services
Oriental Bank
Power Finance Corporation
Punjab National Bank
Rural Electrification
Shriram Transport
South Indian Bank
State Bank
Union Bank
Yes Bank

Tepid quarter, all eyes on asset quality: 2QFY12 is characterized by global and domestic macro-economic uncertainty. Domestically, inflation continued to be sticky and fears of slowdown became evident. In its attempt to combat inflation, the RBI raised the repo rate by 75bp in 2QFY12, translating into a cumulative increase of 350bp since 4QFY10, which has raised concerns about growth, margin sustainability and asset quality in the banking system. Against this backdrop, we expect 2QFY12 to remain a tepid quarter (expect earnings growth of ~10% YoY and ~15% QoQ - due to a low base owing to higher regulatory provisions in 1QFY12). Asset quality performance will be a key monitorable.

Business growth moderates, CD ratio to decline sequentially: For the fortnight ended 9 September 2011, loans and deposits grew ~20% YoY and ~17% YoY respectively. Although on a YoY basis loan growth was healthy, on a QTD basis, it was flattish. CD ratio was largely stable at 73.8% as against 74.5% at the end of 1QFY12. On an FY12 YTD basis, loans and deposits grew by ~4% and ~6% respectively. Incrementally, credit demand is driven by sectors such as infrastructure, metals, mining and gems and jewelry. Our interaction with bankers suggests elevated interest rates and an uncertain macro environment are leading to a slowdown in fresh capex but working capital demand remains strong.

Margins likely to remain stable; Asset quality stress may lead to moderation: Banks reported NIM decline of 30-75bp from their peaks of 3QFY11 due to (a) increase in savings deposits rates, (b) a lag impact of term deposit re-pricing, (c) muted loan growth and (d) higher NPA formation. However, after contracting in 1QFY12 (for most banks), margins are expected to be stable/improve QoQ in 2QFY12. Asset quality performance will be crucial for margins, which would translate into lower/higher interest income reversals impacting NIMs.

System-driven recognition of NPA a key risk: The asset quality trend was mixed in 1QFY12. For state-owned banks, slippages increased 5% QoQ and 38% YoY, but private sector banks' asset quality improved. System-based NPA recognition and higher slippages in the agriculture segment led to a negative surprise on asset quality of state-owned banks in 1QFY12. Slippages for state-owned banks are expected to remain elevated in 2QFY12 as well, as they transit their portfolio to system-based NPA recognition. Private sector banks are relatively better placed, as retail delinquencies have been declining and a conservative restructuring policy adopted in the past reduces the risk of higher slippages from the restructured portfolio. Restructured loans could increase sequentially, but they do not present a systemic risk and would be largely bank specific.

One-off provisioning behind, delta in provisioning to cushion profitability: In 1QFY12 banks made higher provisions to adhere to the increased provisioning requirement on standard restructured loans to 2% (from a blended ~0.4%) and NPA provisioning requirement across NPA buckets by 5-10%, stipulated by the RBI. These regulatory changes impacted profitability in 1QFY12. While slippages for state-owned banks are expected to

be high, credit costs are expected to remain stable if not decline in the absence of one-off provisions.

Expect muted trading gains; No significant MTM hit expected: During the quarter to date period (as on 28 September 2011), 10-year GSec yields remained largely stable at previous quarter levels of ~8.3%. Meanwhile one-year and two-year GSec yields increased to 8.36% (up 24bp QoQ) and 8.26% (up 7bp QoQ) respectively. We expect negligible MTM losses in 2QFY12, if at all and trading profits are also likely to remain muted.

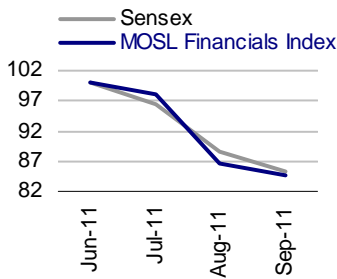
Estimate aggregate (ex-SBIN) operating profit growth of 12%, PAT growth of 13%: We believe private banks are likely to deliver better compared with its public sector counterparts. For private-sector banks under our coverage, we expect aggregate NII growth of ~14% YoY (led by healthy loan growth), operating profit growth of ~14% YoY (due to lower trading gains and slowdown in fee income) and PAT growth of ~23% (due to lower credit costs). State-owned banks (ex-SBIN) are likely to post NII growth of ~7% YoY and ~4% QoQ driven by healthy loan growth and stable margins and ~7% YoY increase in PAT (led by lower trading profits and higher provisions).

Expected quarterly performance summary

(INR million)

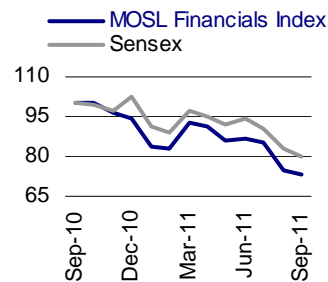
	CMP (INR) 26.09.11	Rating	Net interest income			Operating profit			Net profit			
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	
Private Banks												
Axis Bank	1,056	Buy	17,713	9.7	2.7	16,007	7.7	2.7	8,780	19.4	-6.8	
Federal Bank	357	Buy	4,713	7.5	2.5	3,775	-1.9	6.6	1,693	20.6	15.8	
HDFC Bank	450	Neutral	29,588	17.1	3.9	22,335	23.6	9.8	11,949	31.0	10.1	
ICICI Bank	856	Buy	24,811	12.6	2.9	24,325	10.0	8.9	14,461	17.0	8.6	
IndusInd Bank	256	Buy	4,030	22.2	3.3	3,281	25.3	5.2	1,835	37.8	1.9	
ING Vysya Bank	282	Buy	2,915	14.7	11.3	1,835	-0.4	25.0	1,010	34.2	7.5	
South Indian Bank	22	Buy	2,138	8.3	4.3	1,498	20.0	4.6	830	7.8	0.6	
Yes Bank	262	Buy	3,684	17.6	4.0	3,520	25.1	8.3	2,174	23.4	0.6	
Pvt Banking Sector Aggregate			89,591	13.7	3.5	76,576	13.6	7.8	42,733	22.6	4.8	
PSU Banks												
Andhra Bank	119	Buy	8,938	14.1	-1.8	6,921	22.6	-1.1	3,264	7.7	-15.4	
Bank of Baroda	792	Neutral	23,756	16.6	3.4	19,487	17.6	7.2	10,529	3.3	1.9	
Bank of India	301	Neutral	19,401	9.2	5.4	14,875	7.8	6.6	6,356	3.0	22.8	
Canara Bank	425	Buy	19,207	-4.1	7.1	14,477	2.3	14.0	8,282	-17.8	14.1	
Indian Bank	205	Buy	10,945	11.3	6.3	8,563	15.9	9.6	4,522	8.8	11.1	
Oriental Bank of Commerce	279	Buy	10,663	-1.0	4.7	8,278	2.7	3.3	3,800	-4.4	7.1	
Punjab National Bank	974	Buy	31,978	7.4	2.7	23,386	11.4	-5.5	12,646	17.7	14.4	
State Bank	1,951	Buy	100,009	23.2	3.1	73,424	15.5	1.4	25,024	0.0	58.0	
Union Bank	249	Buy	16,442	7.1	3.4	12,001	6.1	2.9	5,607	84.8	20.7	
PSU Banking Sector Aggregate			241,341	13.4	3.6	181,412	12.3	2.8	80,029	4.8	21.7	
PSU Banking Sector Aggregate Ex SBI			141,332	7.3	4.0	107,987	10.3	3.8	55,005	7.0	10.2	
NBFC												
Dewan Housing	203	Buy	1,116	37.7	6.0	936	20.9	7.1	692	19.3	5.2	
HDFC	623	Neutral	12,922	19.2	18.0	13,866	20.7	16.2	9,690	20.0	14.7	
IDFC	109	Neutral	5,189	38.7	7.4	5,319	1.0	8.3	3,390	0.2	8.1	
LIC Housing Fin	205	Buy	3,873	26.9	7.3	4,027	26.1	6.3	2,666	13.8	3.9	
M & M Financial	647	Neutral	4,141	30.3	24.8	2,703	30.1	30.3	1,520	30.5	48.7	
Power Finance Corp	150	Buy	10,178	13.6	2.8	6,890	-28.5	-25.4	5,032	-28.2	-26.7	
Rural Electric. Corp.	172	Buy	9,488	21.6	4.3	7,665	-8.3	-16.7	5,617	-9.1	-15.2	
Shriram Transport Fin.	600	Buy	8,128	8.0	-0.2	6,881	20.2	-0.9	3,552	18.8	2.3	
NBFC Banking Sector Aggregate			55,035	19.9	8.1	48,287	3.8	-1.4	32,159	1.4	-1.9	
Financials Sector Aggregate			385,967	14.3	4.2	306,275	11.2	3.3	154,921	8.4	11.2	

Relative Performance-3m (%)



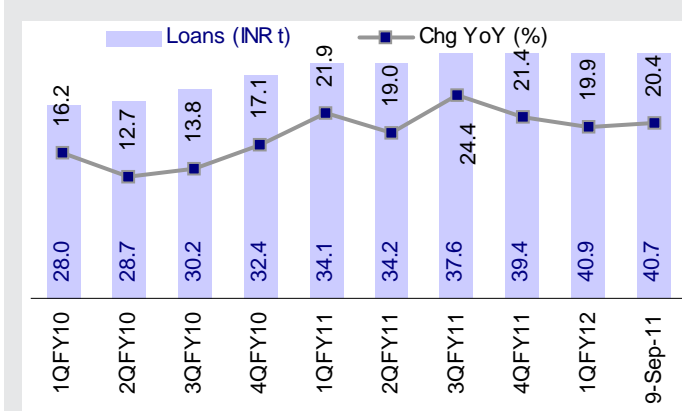
Opportunity amid uncertainty: The expected fall in inflation and moderating economic growth will compel RBI to end the interest rate tightening cycle soon. Our economist expects inflation to start moderating from December 2011 to the end of March 2012 at 7%. So far the RBI raised rates aggressively by 350bp over the past 24 months to rein-in inflation. Banks responded with a lending rate hike of ~250bp and deposit rate increase of 275-325bp, demonstrating complete monetary transmission. We expect another 25bp hike and a pause thereafter. Stable/falling interest rates and expected improvement in liquidity augurs well for financials, especially on the asset quality and margins front.

Relative Performance-1Yr (%)

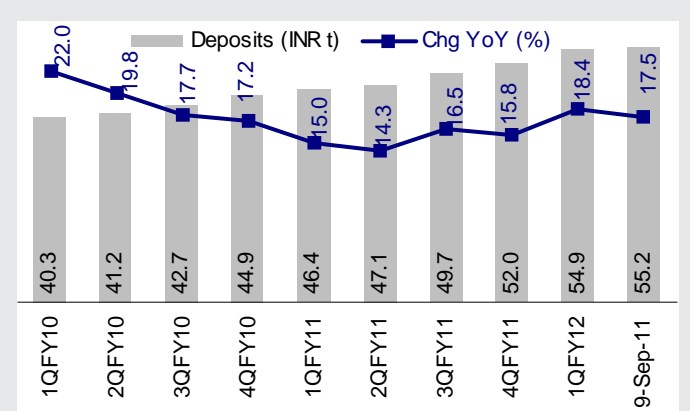


After correction in YTD CY11, Indian financials' valuations are below mean levels of the past five years. While cyclical moderation in economic growth will lead to some macro-economic concerns, key vectors of profitability such as margins, operating leverage and stable credit costs will drive earnings growth of 18-20%. As markets see the end of the rate cycle, Indian financials' performance would rebound. Favorable valuations provide significant return possibilities. **Top picks: Private banks - Axis Bank, ICICI Bank, Yes Bank. PSU banks - SBIN, PNB and OBC. Among NBFCs, we prefer LIC Housing and Power Finance.**

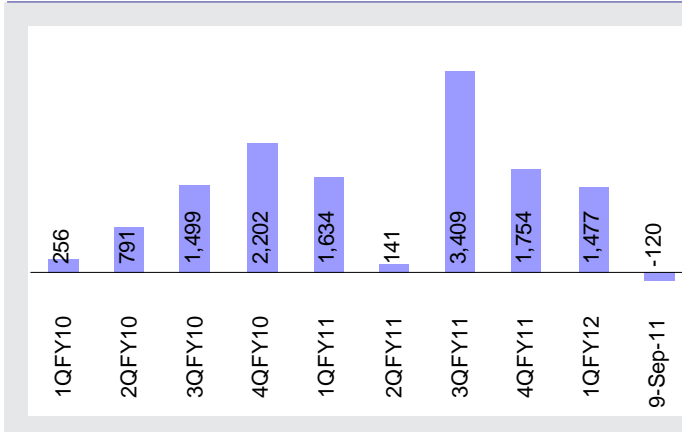
Healthy loan growth



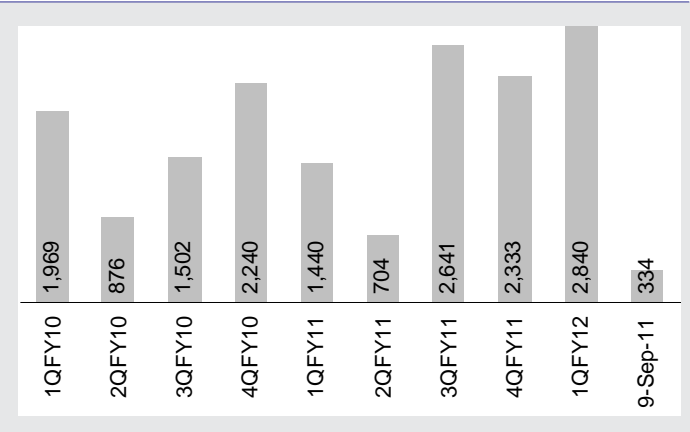
Deposit growth moderates



Incremental loans remain flattish (in 2QTD period, INR b)



Quarterly deposit mobilization (INR b)



Source: Company/MOSL

Movement in SBIN's deposit rates (%)

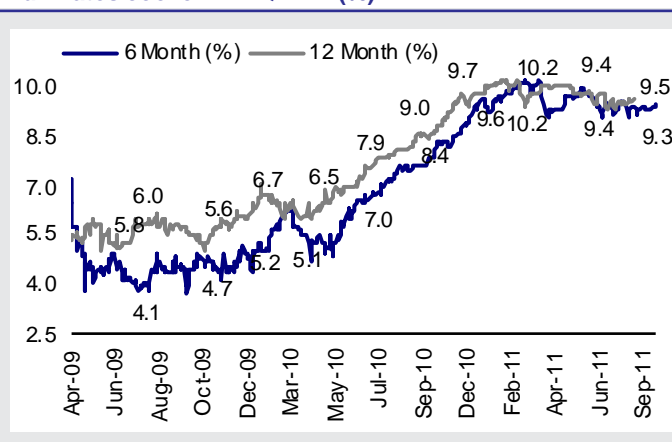
	Jul-09	Nov-09	Oct-10	Dec-10	Jan-11	Mar-11	May-11	Jul-11	Aug-11
46-90d	4.0	3.5	4.0	5.5	5.5	5.5	6.3	7.0	7.0
91-180d	5.3	4.8	5.5	6.0	6.0	6.0	7.0	7.3	7.3
180-240 days	N.A.	5.3	6.0	7.3	7.8	7.8	7.8	6.5	7.0
240d to less than 1yr	6.0	5.3	6.0	7.3	7.8	7.8	7.8	7.8	7.8
550d	6.5	6.0	7.5	8.5	9.0	9.3	9.3	9.3	9.3
1-2 Yr	6.5	6.0	7.0	7.8	8.3	8.3	8.3	9.3	9.3
1000 d	7.3	6.5	7.8	8.5	9.0	9.3	9.3	9.3	9.3
2-3Yr	7.0	6.5	7.5	8.3	8.8	8.8	8.8	9.3	9.3
5-8Yr	7.5	7.3	7.5	8.5	8.5	8.5	8.5	9.3	9.3
8 Yr+	7.8	7.5	7.8	8.8	8.8	8.8	8.8	9.3	9.3

Source: RBI/SBI

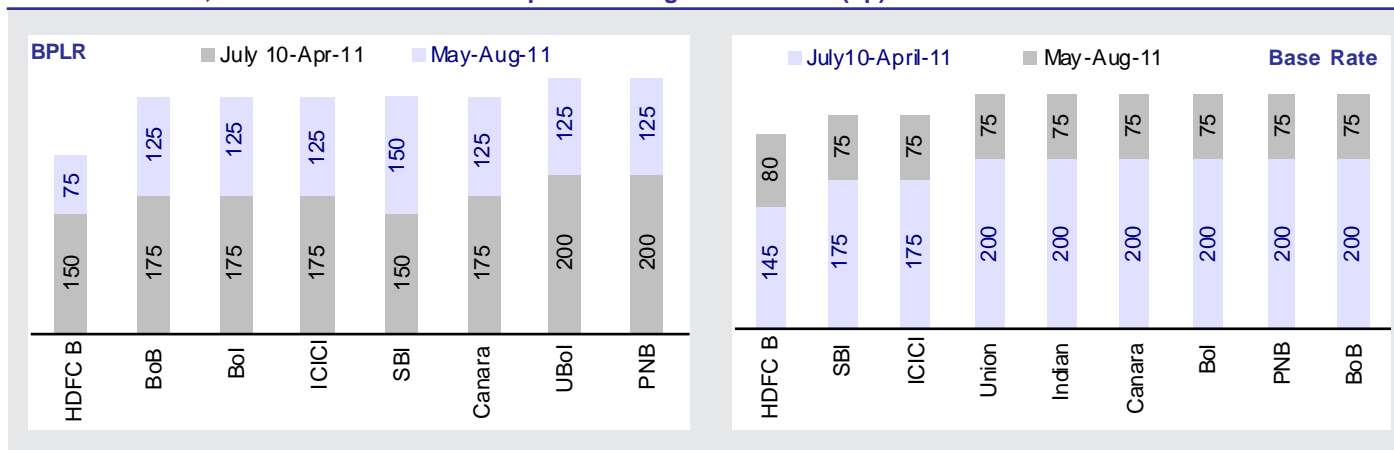
Movement in GSec yields (%)



Bulk rates cool off in 2QFY12 (%)



Increase in BPLR, base rate to cushion the impact of rising cost of funds (bp)



Source: RBI/Industry/MOSL

State-owned banks shift to system-based NPA recognition

Portfolio already covered under CBS	
ANDB	All accounts above INR2.5m and secured loans above INR0.2m
BOB	Complete
BOI	Complete portfolio above INR0.5m
CBK	Entire portfolio above INR0.2m
INBK	Complete
OBC	Entire portfolio above INR1m
PNB	Entire portfolio above INR1m
UNBK	Loans above INR0.5m (ex agri)

Source: RBI/Industry/MOSL

Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			P/BV (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Private Banks														
Axis Bank	1,056	Buy	82.5	99.1	115.1	12.8	10.7	9.2	2.3	1.9	1.7	19.3	19.7	19.5
Federal Bank	357	Buy	34.3	41.2	46.2	10.4	8.7	7.7	1.2	1.1	1.0	12.0	13.2	13.4
HDFC Bank	450	Neutral	16.9	22.2	27.6	26.7	20.3	16.3	4.1	3.6	3.1	16.7	18.9	20.2
ICICI Bank	856	Buy	44.7	55.7	66.0	19.1	15.4	13.0	2.3	2.1	1.9	12.2	14.1	15.1
IndusInd Bank	256	Buy	12.4	16.1	20.2	20.6	15.8	12.6	3.1	2.7	2.3	19.3	18.2	19.6
ING Vysya Bank	282	Buy	26.3	28.0	33.9	10.7	10.1	8.3	1.4	1.1	1.0	13.4	13.2	12.5
Kotak Mahindra Bank	458	Neutral	20.3	23.2	27.3	22.6	19.7	16.8	3.1	2.6	2.3	15.8	14.4	14.6
South Indian Bank	22	Buy	2.6	3.0	3.7	8.6	7.3	6.0	1.5	1.3	1.1	18.5	18.7	19.8
Yes Bank	262	Buy	20.9	26.7	33.0	12.5	9.8	7.9	2.4	2.0	1.6	21.1	22.2	22.6
Private Bank Aggregate						19.0	15.3	12.7	2.9	2.6	2.2	15.5	16.7	17.5
PSU Banks														
Andhra Bank	119	Buy	22.6	26.5	28.4	5.3	4.5	4.2	1.0	0.9	0.8	23.2	21.1	19.5
Bank of Baroda	792	Neutral	108.0	111.6	129.8	7.3	7.1	6.1	1.6	1.3	1.1	25.0	20.2	20.0
Bank of India	301	Neutral	45.5	51.9	65.1	6.6	5.8	4.6	1.0	0.9	0.8	17.3	16.6	18.2
Canara Bank	425	Buy	90.9	80.0	95.1	4.7	5.3	4.5	1.0	0.9	0.8	26.4	18.2	18.5
Corporation Bank	424	Neutral	95.4	101.6	116.3	4.4	4.2	3.6	0.9	0.8	0.7	21.9	19.5	19.3
Dena Bank	78	Buy	18.3	20.1	24.1	4.2	3.9	3.2	0.7	0.6	0.6	20.9	17.9	18.4
Indian Bank	205	Buy	39.9	44.2	51.8	5.1	4.6	4.0	1.1	0.9	0.8	22.9	21.5	21.4
Oriental Bank	279	Buy	51.5	53.4	68.5	5.4	5.2	4.1	0.8	0.7	0.6	17.1	14.4	16.4
Punjab National Bank	974	Buy	139.9	168.4	199.8	7.0	5.8	4.9	1.5	1.3	1.0	24.4	24.0	23.5
State Bank	1,951	Buy	168.3	219.6	268.8	11.6	8.9	7.3	1.5	1.3	1.2	12.6	15.7	17.1
Union Bank	249	Buy	39.7	51.4	61.3	6.3	4.8	4.1	1.2	1.0	0.8	20.9	22.2	22.3
PSU Bank Aggregate						7.7	6.7	5.6	1.4	1.2	1.1	18.5	18.4	19.0
NBFC														
Dewan Housing	203	Buy	30.8	35.7	42.8	6.6	5.7	4.7	1.4	1.1	0.9	26.7	22.0	20.6
HDFC	623	Neutral	24.1	28.0	32.4	25.8	22.3	19.2	5.3	4.6	3.7	26.4	26.1	27.3
IDFC	109	Neutral	8.8	9.7	11.7	12.5	11.2	9.3	1.5	1.3	1.2	17.8	15.3	16.1
LIC Housing Fin	205	Buy	20.5	23.4	28.3	10.0	8.7	7.2	2.3	1.9	1.6	25.8	24.2	24.3
M & M Financial	647	Neutral	45.2	58.3	70.2	14.3	11.1	9.2	2.7	2.3	1.9	22.0	22.0	22.3
Power Finance Corp	150	Buy	22.8	22.0	27.4	6.6	6.8	5.5	1.1	1.0	0.9	18.6	16.2	16.6
Rural Electric. Corp.	172	Buy	26.0	29.1	35.3	6.6	5.9	4.9	1.3	1.2	1.0	21.5	20.9	22.0
Shriram Transport Fin.	600	Buy	54.4	61.4	70.5	11.0	9.8	8.5	2.8	2.2	1.8	28.2	25.3	23.5
NBFC Aggregate						13.4	11.7	9.7	2.8	2.3	1.9	20.7	19.5	19.7
Financials Sector Aggregate						11.8	10.0	8.3	2.1	1.8	1.6	18.0	18.1	18.7

Andhra Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR119										Buy
Bloomberg	ANDB IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	559.6	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	190/114	3/10A	31,594	10,458	21.6	60.1	-	90.9	-	-	1.3	26.0
1,6,12 Rel Perf (%)	-3 / -4 / -7	3/11A	41,179	12,671	22.6	5.0	5.3	116.0	1.0	1.1	1.3	23.2
Mcap (INR b)	66.6	3/12E	47,733	14,828	26.5	17.0	4.5	135.1	0.9	0.9	1.2	21.1
Mcap (USD b)	1.3	3/13E	54,503	15,893	28.4	7.2	4.2	155.5	0.8	0.8	1.1	19.5

- Andhra Bank's (ANDB) business is expected to remain healthy with loan growth of ~27% YoY and deposit growth of ~22% YoY. Sequentially, deposit growth is expected to be higher than loan growth as CD ratio at the end of 1QFY12 was stretched at ~81%.
- Slippages are expected to increase sequentially as the bank transits its portfolio towards system-based recognition of NPA. Currently accounts above INR2.5m and secured loans above INR0.2m are recognized through system-based NPA recognition method.
- Relatively low CASA ratio, a decline in CD ratio and higher slippages (leading to reversal of interest income) are likely to impact margins by ~20bp from 3.8% in 1QFY12.
- Non-interest income is expected to grow ~30% YoY driven by higher trading gains. Fee income growth is expected to be ~11% YoY.
- The stock trades at 0.9x FY12E and 0.8x FY13E BV and 4.5x FY12E and 4.2x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Asset quality: System based recognition of NPA could throw up a negative surprise; (2) Margin movement: Building in margin moderation of ~20bp, but higher slippages from the agriculture portfolio could lead to further moderation.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	18,650	19,412	21,216	23,635	26,342	27,685	29,713	32,131	82,913	115,871
Interest Expense	11,288	11,579	12,817	15,020	17,239	18,747	20,528	22,418	50,703	78,931
Net Interest Income	7,362	7,833	8,399	8,615	9,104	8,938	9,185	9,712	32,210	36,939
% Change (Y-o-Y)	66.8	52.2	44.2	31.3	23.7	14.1	9.4	12.7	46.8	14.7
Other Income	2,082	1,912	1,986	2,990	2,170	2,493	2,883	3,248	8,970	10,793
Net Income	9,444	9,744	10,386	11,605	11,273	11,431	12,068	12,960	41,179	47,733
Operating Expenses	4,340	4,099	4,119	4,490	4,277	4,510	4,800	5,000	17,049	18,586
Operating Profit	5,103	5,646	6,266	7,115	6,997	6,921	7,268	7,960	24,131	29,147
% Change (Y-o-Y)	46.6	24.7	30.1	35.0	37.1	22.6	16.0	11.9	33.3	20.8
Other Provisions	519	1,196	1,717	3,027	1,770	2,225	1,988	2,280	6,460	8,263
Profit before Tax	4,584	4,450	4,549	4,088	5,227	4,696	5,280	5,681	17,671	20,884
Tax Provisions	1,380	1,420	1,240	960	1,370	1,432	1,584	1,670	5,000	6,056
Net Profit	3,204	3,030	3,309	3,128	3,857	3,264	3,696	4,011	12,671	14,828
% Change (Y-o-Y)	25.1	10.6	20.2	30.2	20.4	7.7	11.7	28.2	21.2	17.0
Deposit Growth (%)	23.7	26.2	23.4	18.6	21.7	21.5	24.4	22.0	18.6	22.0
Loan Growth (%)	27.2	26.6	27.7	27.7	32.5	27.4	24.5	22.3	27.3	22.0
CD Ratio (%)	76.5	77.6	79.9	78.3	83.3	81.4	80.0	78.5	78.3	78.5
Net Interest Margin (Reported, %)	3.7	3.9	3.9	3.7	3.8	-	-	-	3.8	-
Net Interest Margin (Cal, %)	3.8	3.9	3.9	3.7	3.7	3.5	3.4	3.4	3.6	3.4
Tax Rate (%)	30.1	31.9	27.3	23.5	26.2	30.5	30.0	29.4	28.3	29.0
Gross NPA (%)	1.0	1.3	1.3	1.4	1.6	1.8	1.9	1.8	1.4	1.8

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Sohail Halai (Sohail.Halai@MotilalOswal.com)

Axis Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR1,056										Buy
Bloomberg Equity Shares (m)	AXSB IN 410.5	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	1,608/992	3/10A	89,503	25,145	62.1	22.7	-	396.0	-	-	1.5	19.2
1,6,12 Rel Perf (%)	4 / -8 / -10	3/11A	111,951	33,885	82.5	33.0	12.8	462.8	2.3	2.3	1.6	19.3
Mcap (INR b)	433.5	3/12E	130,342	40,679	99.1	20.0	10.7	544.0	1.9	2.0	1.5	19.7
Mcap (USD b)	8.8	3/13E	160,460	47,234	115.1	16.1	9.2	638.4	1.7	1.7	1.5	19.5

- Axis Bank's (AXSB) growth is expected to remain higher than industry average with loan growth of ~28% YoY and ~7% QoQ (on a lower base). In 1QFY12, repayment of short term personal loans due to DDA auctions (~INR25b) and 3G related telecom (~INR60b) loans led to ~7% QoQ decline in loans.
- Higher share of PSL in incremental loans in 1QFY12 and rising cost of funds led to NIM contraction by ~15bp QoQ to 3.28%. In our view margins have bottomed out and running off of PSL loans and increase in lending rate will lead to stable/improving margins. AXSB will also benefit from a decline in bulk deposit rates.
- On a reported basis, fee income growth is expected to be ~24% YoY.
- Over the past few quarters AXSB has been reporting a positive trend in asset quality, which is expected to continue.
- The stock trades at 1.9x FY12E and 1.7x FY13E BV and 10.7x FY12E and 9.2x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Performance on the margins front; (2) Fee income growth; and (3) Asset quality.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	33,256	36,243	38,383	43,667	48,814	52,680	56,681	61,748	151,548	219,924
Interest Expense	18,118	20,092	21,052	26,657	31,573	34,967	37,502	40,696	85,918	144,738
Net Interest Income	15,138	16,151	17,331	17,010	17,241	17,713	19,179	21,052	65,630	75,185
% Change (Y-o-Y)	44.8	40.5	28.5	16.5	13.9	9.7	10.7	23.8	31.1	14.6
Other Income	10,008	10,332	11,477	14,504	11,679	12,090	14,000	17,387	46,321	55,156
Net Income	25,146	26,483	28,808	31,514	28,920	29,803	33,179	38,439	111,951	130,342
Operating Expenses	10,645	11,620	12,224	13,306	13,335	13,796	15,132	17,077	47,794	59,339
Operating Profit	14,501	14,864	16,585	18,208	15,585	16,007	18,047	21,363	64,157	71,002
% Change (Y-o-Y)	23.3	13.8	20.6	31.6	7.5	7.7	8.8	17.3	22.4	10.7
Other Provisions	3,330	3,788	3,139	2,544	1,758	3,000	3,000	2,979	12,800	10,738
Profit before Tax	11,171	11,076	13,446	15,664	13,826	13,007	15,047	18,384	51,357	60,265
Tax Provisions	3,752	3,725	4,532	5,463	4,403	4,227	4,890	6,065	17,472	19,586
Net Profit	7,419	7,351	8,914	10,201	9,424	8,780	10,157	12,318	33,885	40,679
% Change (Y-o-Y)	32.0	38.3	35.9	33.4	27.0	19.4	13.9	20.8	34.8	20.0
Deposit Growth (%)	33.8	35.7	36.9	33.9	24.5	24.0	32.4	22.0	33.9	22.0
Loan Growth (%)	39.1	36.5	45.7	36.5	21.4	27.6	23.9	22.0	36.5	22.0
CD Ratio (%)	73.6	70.5	79.3	75.3	71.8	72.5	74.2	75.3	75.3	75.3
Net Interest Margin (Reported,%)	3.7	3.7	3.8	3.4	3.3	-	-	-	3.7	-
Net Interest Margin (Cal, %)	3.6	3.7	3.8	3.3	3.2	3.2	3.3	3.3	3.4	3.1
Tax Rate (%)	33.6	33.6	33.7	34.9	31.8	32.5	32.5	33.0	34.0	32.5
Gross NPA (%)	1.1	1.1	1.1	1.0	1.1	1.2	1.2	1.2	1.0	1.2

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Sohail Halai (Sohail.Halai@MotilalOswal.com)

Bank of Baroda

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR792										Neutral
Bloomberg Equity Shares (m)	BOB IN 392.8	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	1,050/681	3/10A	87,458	30,583	83.7	37.3	-	383.1	-	-	1.2	23.8
1,6,12 Rel Perf (%)	14 / -1 / 11	3/11A	116,114	42,417	108.0	29.1	7.3	508.4	1.6	1.6	1.3	25.0
Mcap (INR b)	311.0	3/12E	130,820	43,822	111.6	3.3	7.1	597.8	1.3	1.4	1.1	20.2
Mcap (USD b)	6.3	3/13E	152,721	50,986	129.8	16.3	6.1	701.8	1.1	1.2	1.1	20.0

- Bank of Baroda's (BOB) margins are expected to remain stable sequentially at ~2.9% as higher yield on loans is expected to provide a cushion against rising cost of funds. BOB increased its lending rate by ~125bp over the past six months.
- Loans are expected to grow 25% YoY. However despite strong loan growth NII growth is expected to moderate to ~17% YoY, led by YoY margin compression. Fee income growth is expected to be muted at ~5% YoY.
- In FY12 BOB will provide INR3.6b for transitional liability due to a new pension option and INR1.8b for AS-15 (revised) transitional liabilities, which is expected to be amortized (INR1.3b) equally every quarter. Employee expense is expected to be flat YoY.
- BOB has so far performed well on asset quality and with its portfolio already on a system-based recognition of NPAs (unlike its peers) asset quality is expected to remain healthy. However on a conservative basis we have built-in higher NPA provisions.
- The stock trades at 1.3x FY12E and 1.1x FY13E BV and 7.1x FY12E and 6.1x FY13E EPS. Maintain **Neutral**.
- Key factors to watch for: (1) Performance on asset quality, especially on gross slippages (2) Fee income growth picked up in 1QFY12, sustainability will be crucial.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	47,270	51,587	56,662	63,342	66,318	71,003	76,483	82,539	218,859	296,343
Interest Expense	28,690	31,205	33,739	37,203	43,346	47,247	50,790	55,064	130,837	196,447
Net Interest Income	18,580	20,381	22,923	26,139	22,972	23,756	25,693	27,475	88,023	99,896
% Change (YoY)	54.2	46.8	43.2	49.8	23.6	16.6	12.1	5.1	48.2	13.5
Other Income	6,172	6,813	6,762	8,345	6,409	7,173	8,112	9,230	28,092	30,923
Net Income	24,752	27,194	29,684	34,484	29,380	30,929	33,805	36,705	116,114	130,820
Operating Expenses	9,474	10,627	11,172	15,026	11,198	11,442	11,917	13,835	46,298	48,392
Operating Profit	15,279	16,567	18,512	19,458	18,183	19,487	21,889	22,869	69,816	82,428
% Change (YoY)	51.3	60.6	46.3	19.5	19.0	17.6	18.2	17.5	41.5	18.1
Other Provisions	2,513	1,855	3,041	5,904	3,911	3,772	4,780	5,097	13,313	17,983
Profit before Tax	12,765	14,713	15,471	13,554	14,272	15,715	17,109	17,773	56,503	64,445
Tax Provisions	4,174	4,520	4,783	611	3,944	5,186	5,646	5,847	14,086	20,622
Net Profit	8,592	10,193	10,689	12,944	10,328	10,529	11,463	11,926	42,417	43,822
% Change (YoY)	25.4	60.7	28.4	42.8	20.2	3.3	7.2	-7.9	38.7	3.3
Deposit Growth (%)	28.2	30.0	30.9	26.6	22.9	20.7	22.5	22.0	26.6	22.0
Loan Growth (%)	30.7	29.6	32.7	30.6	25.2	25.2	23.6	21.0	30.6	21.0
CD Ratio (%)	72.9	71.6	73.6	74.9	74.2	74.2	74.2	74.3	74.9	74.3
Net Interest Margin (Reported, %)	2.9	3.0	3.2	3.1	2.9	-	-	-	3.1	0.0
Net Interest Margin (Calculated, %)	2.8	2.9	3.1	3.3	2.7	2.7	2.8	2.8	3.0	2.7
Tax Rate (%)	32.7	30.7	30.9	4.5	27.6	33.0	33.0	32.9	24.9	32.0
Gross NPA (%)	1.4	1.4	1.3	1.4	1.5	1.6	1.6	1.7	1.4	1.7

E: MOSL Estimates

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Bank of India

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR301										Neutral
Bloomberg	BOI IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	547.2	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	588/290	3/10A	83,725	17,410	33.1	-42.1	-	243.4	-	-	0.7	14.2
1,6,12 Rel Perf (%)	-1 / -19 / -19	3/11A	104,525	24,887	45.5	37.4	6.6	291.9	1.0	1.1	0.8	17.3
Mcap (INR b)	164.8	3/12E	110,900	28,413	51.9	14.2	5.8	332.8	0.9	1.0	0.7	16.6
Mcap (USD b)	3.3	3/13E	130,746	35,617	65.1	25.4	4.6	384.2	0.8	0.9	0.8	18.2

- Bank of India's (BOI) loan and deposit growth is expected to remain healthy at ~22% YoY and ~25% YoY respectively.
- In 1QFY12 NIMs declined sharply by ~75bp to 2.2% led by an increase in cost of deposits and higher slippages (leading to higher interest income reversal). NIM is expected to improve by ~10bp as interest reversal is expected to be lower. BOI's domestic CD ratio is low at ~65% and improvement in the same could provide cushion to margins.
- On a YoY basis, core fee income is expected to be muted, but higher treasury and forex income would drive non-interest income growth of ~20%.
- BOI has been facing severe asset quality pressure over the past few quarters. In 1QFY12 the bank reported slippages of INR16b (annualized slippage ratio of 3.1%). We expect slippages to remain high in 2QFY12 and decline thereafter as the bank transits its portfolio through system-based recognition of NPA (currently portfolios above INR0.5m are recognized through CBS).
- The stock trades at 0.9x FY12E and 0.8x FY13E BV and 5.8x FY12E and 4.6x FY13E EPS. Maintain **Neutral**.
- Key factors to watch for: Over the past two years BOI's asset quality has been volatile with average slippage ratio of ~2.4%. Thereby performance on asset quality, especially on gross slippages, will be the key driver for stock re-rating.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	48,217	51,556	54,675	63,069	66,336	71,245	75,908	81,579	217,517	295,067
Interest Expense	30,813	33,795	34,806	39,996	47,926	51,844	55,485	59,609	139,410	214,864
Net Interest Income	17,405	17,761	19,869	23,073	18,410	19,401	20,423	21,970	78,107	80,203
% Change (Y-o-Y)	33.8	26.1	32.9	48.7	5.8	9.2	2.8	-4.8	35.7	2.7
Other Income	5,859	5,845	6,482	8,231	6,601	7,017	7,973	9,106	26,418	30,697
Net Income	23,264	23,606	26,351	31,304	25,011	26,418	28,396	31,076	104,525	110,900
Operating Expenses	9,158	9,810	12,464	19,251	11,051	11,543	11,808	13,088	50,682	47,491
Operating Profit	14,106	13,796	13,888	12,053	13,959	14,875	16,588	17,988	53,842	63,410
% Change (Y-o-Y)	29.0	14.4	22.9	-5.5	-1.0	7.8	19.4	49.2	14.4	17.8
Other Provisions	3,859	5,274	4,979	4,776	5,672	5,389	4,917	4,381	18,888	20,359
Profit before Tax	10,247	8,522	8,908	7,277	8,287	9,486	11,671	13,606	34,954	43,050
Tax Provisions	2,995	2,355	2,379	2,340	3,112	3,130	3,851	4,544	10,067	14,637
Net Profit	7,251	6,168	6,530	4,936	5,175	6,356	7,819	9,063	24,887	28,413
% Change (Y-o-Y)	24.1	90.8	61.0	15.4	-28.6	3.0	19.8	83.6	42.9	14.2
Deposit Growth (%)	19.8	21.3	22.6	30.1	25.4	26.4	29.2	19.0	30.1	19.0
Loan Growth (%)	19.6	22.7	22.8	26.2	21.6	21.2	24.1	20.2	26.2	20.2
CD Ratio (%)	75.7	76.5	76.3	72.3	73.3	73.3	73.3	73.1	72.3	73.1
Net Interest Margin (Reported, %)	2.9	2.8	3.1	2.9	2.2	-	-	-	2.9	0.0
Net Interest Margin (Cal, %)	2.7	2.7	2.9	3.1	2.3	2.4	2.4	2.4	2.8	2.3
Tax Rate (%)	29.2	27.6	26.7	32.2	37.6	33.0	33.0	33.4	28.8	34.0
Gross NPA (%)	2.7	2.6	2.4	2.2	2.7	3.1	2.9	2.7	2.2	2.7

E: MOSL Estimates

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Canara Bank

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	CBK IN 443.0
52 Week Range (INR)	844/401
1,6,12 Rel Perf (%)	4 / -16 / -7
Mcap (INR b)	188.2
Mcap (USD b)	3.8

CMP: INR425**Buy**

YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
3/10A	85,384	30,214	73.7	45.8	-	305.8	-	-	1.2	26.8
3/11A	105,263	40,259	90.9	23.3	4.7	405.0	1.0	1.1	1.3	26.4
3/12E	107,337	35,432	80.0	-12.0	5.3	473.3	0.9	1.0	1.0	18.2
3/13E	128,070	42,150	95.1	19.0	4.5	554.5	0.8	0.9	1.0	18.5

- In 2QFY12 Canara Bank's (CBK) loans and deposits are expected to grow ~27% YoY and ~25% YoY respectively.
- In 1QFY12 NIMs declined sharply by over 40bp to 2.4% led by higher cost of deposits and higher slippages (leading to higher interest income reversal). In 2QFY12, NIM is expected to improve by ~10bp as interest reversal is expected to be lower.
- Fee income growth is expected to be muted at ~10% YoY. However higher trading gains will lead to non-interest income growth of 26% YoY. In 2QFY11 the bank had booked a treasury gain of a mere INR16m whereas it had a treasury loss of INR770m in 1QFY12.
- CBK reported slippages of INR13.7b (annualized slippage ratio of 2.6%) in 1QFY12 largely due to system-based recognition of NPA. The bank transferred its portfolio of INR0.2m to INR1m to system-based recognition of NPAs in 1QFY12. In 2QFY12 we expect the trend to continue as the bank transits the rest of its portfolio on a system-based (8% of the overall portfolio) platform.
- The stock trades at 0.9x FY12E and 0.8x FY13E BV and 5.3x FY12E and 4.5x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Extent of slippages (2) Margin performance.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	51,609	55,774	59,079	64,188	71,807	78,472	84,958	89,898	230,640	325,159
Interest Expense	34,331	35,741	37,887	44,449	53,877	59,264	64,598	67,827	152,407	245,567
Net Interest Income	17,278	20,033	21,192	19,739	17,930	19,207	20,360	22,071	78,233	79,593
% Change (Y-o-Y)	33.8	52.5	43.4	23.6	3.8	-4.1	-3.9	11.8	37.7	1.7
Other Income	7,340	4,996	5,366	9,328	5,268	6,280	6,979	9,217	27,030	27,744
Net Income	24,618	25,029	26,558	29,067	23,198	25,487	27,339	31,288	105,263	107,337
Operating Expenses	9,785	10,872	11,428	12,109	10,495	11,010	11,254	12,256	44,193	45,015
Operating Profit	14,833	14,158	15,130	16,959	12,703	14,477	16,085	19,032	61,070	62,322
% Change (Y-o-Y)	42.4	-0.2	9.6	18.6	-14.4	2.3	6.3	12.2	20.7	2.1
Other Provisions	2,200	1,579	1,573	5,460	3,446	3,994	4,187	5,845	10,811	17,471
Profit before Tax	12,634	12,579	13,557	11,499	9,258	10,483	11,898	13,187	50,259	44,851
Tax Provisions	2,500	2,500	2,500	2,500	2,000	2,201	2,499	2,719	10,000	9,419
Net Profit	10,134	10,079	11,057	8,999	7,258	8,282	9,400	10,469	40,259	35,432
% Change (Y-o-Y)	82.5	10.7	5.0	78.9	-28.4	-17.8	-15.0	16.3	33.2	-12.0
Deposit Growth (%)	23.3	21.5	25.4	25.3	25.7	25.3	24.4	19.0	25.3	19.0
Loan Growth (%)	23.5	20.2	28.8	25.5	23.7	27.0	24.8	21.0	25.5	21.0
CD Ratio (%)	72.8	70.7	72.1	72.3	71.6	71.6	72.3	73.5	72.3	73.5
Net Interest Margin (Reported, %)	3.0	3.3	3.3	2.9	2.4	-	-	-	3.1	-
Net Interest Margin (Cal, %)	2.8	3.2	3.2	2.8	2.4	2.5	2.5	2.6	2.9	2.4
Tax Rate (%)	19.8	19.9	18.4	21.7	21.6	21.0	21.0	20.6	19.9	21.0
Gross NPA (%)	1.5	1.5	1.4	1.5	1.7	1.8	1.8	1.8	1.5	1.8

E: MOSL Estimates

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Dewan Housing Finance

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR203									Buy
Bloomberg Equity Shares (m)	DEWHIN 104.4	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	347/190	3/10A	3,227	1,507	18.4	28.8	-	103	-	1.9	22.7
1,6,12 Rel Perf (%)	-4 / 6 / -8	3/11A	4,867	2,297	22.0	19.7	9.2	148	1.4	1.8	19.2
Mcap (INR b)	21.2	3/12E	6,359	2,992	28.6	30.2	7.1	173	1.2	1.6	17.8
Mcap (USD b)	0.4	3/13E	7,783	3,600	34.5	20.3	5.9	202	1.0	1.5	18.4

- Dewan Housing Finance (DEWH) is expected to post loan growth of ~45% YoY and 5% QoQ in 2QFY12, driving NII growth of ~38% YoY.
- Increase in cost of funds should lead to moderation in NIM. In 1QFY12, NIM was 2.85%.
- Fee income growth is expected to moderate and we expect it to remain flattish YoY due to a high base in the previous year (83% YoY growth in 2QFY11).
- Asset quality is expected to be stable in 2QFY12. Provisions could see some increase due to revised provisioning guidelines announced by the NHB during the quarter.
- We estimate profit growth of ~20% YoY due to a high base a year earlier.
- The stock trades at 1.2x FY12E and 1x FY13E BV, and 7.1x FY12E and 5.9x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Movement on spreads: Increase in cost of funds could lead to lower spreads; (2) Business growth and outlook.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	2,686	2,933	3,489	3,876	4,652	5,210	5,718	6,418	12,985	21,998
Interest Expenses	1,976	2,123	2,625	2,922	3,599	4,094	4,503	5,059	9,645	17,254
Net Interest Income	710	811	864	954	1,053	1,116	1,215	1,360	3,339	4,744
YoY Growth (%)	55.2	51.5	51.9	53.9	48.2	37.7	40.6	42.5	53.1	42.1
Fees and other income	303	375	380	471	325	375	400	476	1,528	1,615
Net Income	1,013	1,186	1,244	1,425	1,378	1,491	1,615	1,836	4,867	6,359
YoY Growth (%)	56.6	60.2	38.5	51.2	36.0	25.8	29.9	28.9	50.8	30.7
Operating Expenses	347	412	433	615	504	556	573	684	1,806	2,317
Profit before Tax	666	774	811	810	874	936	1,042	1,152	3,060	4,043
Tax Provisions	154	194	193	223	216	243	271	311	764	1,051
PAT before extraordinary item	512	580	618	587	658	692	771	841	2,297	2,992
YoY Growth (%)	63.9	54.7	53.8	40.5	28.4	19.3	24.8	43.4	52.4	30.2
Loan growth (%)	53.5	55.2	55.7	61.1	56.7	44.5	38.0	32.7	61.1	32.7
Borrowings growth (%)	54.1	51.7	55.0	66.4	55.9	52.5	45.1	32.4	66.4	32.4
Cost to Income Ratio (%)	34.2	34.7	34.8	43.2	36.6	37.3	35.5	37.3	37.1	36.4
Tax Rate (%)	23.1	25.0	23.8	27.5	24.7	26.0	26.0	27.0	24.9	26.0

E: MOSL Estimates

Federal Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR357										Buy
Bloomberg	FBIN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	171.0	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	501/326	3/10A	19,417	4,645	27.2	-7.2	-	272.5	-	-	1.1	10.3
1,6,12 Rel Perf (%)	6 / 6 / 12	3/11A	22,634	5,871	34.3	26.4	10.4	296.9	1.2	1.2	1.2	12.0
Mcap (INR b)	61.1	3/12E	25,443	7,052	41.2	20.1	8.7	326.4	1.1	1.1	1.3	13.2
Mcap (USD b)	1.2	3/13E	29,112	7,897	46.2	12.0	7.7	358.6	1.0	1.0	1.2	13.4

- In 2QFY12 Federal Bank's (FB) loan growth is expected to improve and be largely in line with the industry average. FB's loans and deposits are expected to grow ~20% YoY and ~22% YoY respectively.
- NIM is expected to remain sequentially stable, led by improved asset quality, cooling off of bulk deposit rates and a higher yield on loans.
- Fee income growth is expected to be muted at 7% YoY but lower recoveries and muted trading gains will lead to flat non-interest income.
- FB has been running higher slippages over the past few quarters with annualized slippage ratio of 4.3% in 1QFY12. However improvement in risk- management practices will lead to a decline in slippages from hereon.
- PAT is expected to grow ~20% YoY in 2QFY12.
- The stock trades at 1.1x FY12E and 1x FY13E BV, with RoA of over 1.2%+. However, RoE is likely to be 13-14%, as leverage remains low on a strong capital base. Maintain **Buy**.
- Key factors to watch for: (1) Improvement in asset quality is a key trigger for the stock; (2) Business growth.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	9,518	9,783	10,219	11,000	12,447	13,309	14,266	15,002	40,520	55,023
Interest Expense	5,385	5,400	5,746	6,524	7,850	8,595	9,326	9,786	23,054	35,556
Net Interest Income	4,133	4,384	4,473	4,476	4,598	4,713	4,940	5,216	17,466	19,467
% Change (Y-o-Y)	42.5	32.9	17.4	9.3	11.2	7.5	10.5	16.5	23.8	11.5
Other Income	1,099	1,440	1,217	1,412	1,169	1,390	1,538	1,879	5,168	5,977
Net Income	5,232	5,824	5,689	5,888	5,767	6,103	6,478	7,095	22,634	25,443
Operating Expenses	1,879	1,974	2,122	2,386	2,226	2,328	2,396	2,634	8,361	9,584
Operating Profit	3,353	3,850	3,567	3,502	3,541	3,775	4,082	4,461	14,273	15,859
% Change (Y-o-Y)	20.5	27.0	7.6	-0.4	5.6	-1.9	14.4	27.4	12.8	11.1
Other Provisions	1,334	1,703	1,424	794	1,340	1,210	1,240	1,385	5,254	5,175
Profit before Tax	2,020	2,147	2,143	2,708	2,200	2,565	2,842	3,076	9,018	10,684
Tax Provisions	701	743	712	991	739	872	966	1,046	3,147	3,633
Net Profit	1,319	1,404	1,431	1,717	1,462	1,693	1,876	2,030	5,871	7,052
% Change (Y-o-Y)	-3.3	38.9	29.8	47.0	10.8	20.6	31.1	18.2	26.4	20.1
Deposit Growth (%)	10.2	8.0	6.7	19.3	22.7	22.4	25.8	18.5	19.3	18.5
Loan Growth (%)	16.6	7.2	8.5	18.6	17.8	20.3	23.6	20.0	18.6	20.0
CD Ratio (%)	77.6	76.5	76.5	74.3	74.5	75.2	75.2	75.2	74.3	75.2
Net Interest Margin (Reported,%)	4.2	4.4	4.3	4.0	3.9	-	-	-	4.2	-
Net Interest Margin (Cal, %)	4.1	4.4	4.3	4.0	3.9	3.9	3.9	3.9	4.0	3.8
Tax Rate (%)	34.7	34.6	33.2	36.6	33.6	34.0	34.0	34.0	34.9	34.0
Gross NPA (%)	3.7	3.8	4.0	3.5	3.9	3.8	3.8	3.8	3.5	3.5

E: MOSL Estimates

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HDFC

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	HDFC IN
Equity Shares (m)	1,466.9
52 Week Range (INR)	765/582
1,6,12 Rel Perf (%)	-1 / 9 / 6
Mcap (INR b)	913.8
Mcap (USD b)	18.5

CMP: INR623

Neutral

YEAR END	NET INCOME (INR M)	PAT (INR M)	ADJ EPS (INR)	EPS GR. (%)	AP/E* (X)	ABV* (INR)	P/BV (X)	AP/ABV* (X)	ROAA (%)	CORE ROE (%)
3/10A	42,978	28,265	19.7	22.7	-	80.4	-	-	2.7	24.8
3/11A	53,181	35,350	24.1	22.4	19.0	91.3	5.3	5.0	2.9	26.4
3/12E	62,836	41,048	28.0	16.1	15.5	106.6	4.6	4.1	2.8	26.1
3/13E	75,173	49,350	32.4	15.9	12.2	115.8	3.7	3.4	2.8	27.3

* Price is adjusted for value of key ventures. Book Value is adjusted by deducting investments in key ventures from net worth

- HDFC's loan growth is expected to be healthy at ~22% YoY on the back of healthy disbursement growth. Spreads are expected to remain sequentially stable at ~2.3%.
- We factor in modest investment gains of INR250m in 2QFY12 against INR163m in 1QFY12 and INR590m in 2QFY11. Overall non-interest income is likely to remain stable QoQ.
- Asset quality is expected to remain healthy. In 1QFY12 GNPA was 0.83% on 90 days overdue basis and 0.55% on 180 days overdue basis. Despite revision in provisioning guidelines by the NHB, provisioning expenses are unlikely to increase sharply due to excess provisions made earlier by the company.
- We expect 2QFY12 PAT to grow ~20% YoY to INR9.7b.
- The stock trades at 3.4x FY13E AP/ABV and 12.2x FY13E AP/EPS (price adjusted for value of other businesses and book value adjusted for investments made in those businesses). Maintain **Neutral**.
- Key factors to watch for: (1) Movement of spreads; (2) Business growth.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	26,549	28,020	30,667	35,009	36,098	39,831	42,725	48,108	120,245	166,762
Interest Expense	17,196	17,176	19,928	21,300	25,149	26,910	29,466	32,170	75,599	113,695
Net Interest Income	9,353	10,845	10,739	13,709	10,948	12,922	13,259	15,937	44,646	53,066
YoY Change (%)	28.7	38.3	20.0	17.1	17.1	19.2	23.5	16.3	24.8	18.9
Profit on Sale of Investments	0	590	1,672	1,336	163	250	1,000	1,435	3,597	2,847
Other operating income	1,422	1,045	823	1,397	1,909	1,827	1,611	1,224	4,687	6,571
Net Operating Income	10,775	12,480	13,233	16,442	13,020	14,999	15,870	18,596	52,930	62,485
YoY Change (%)	22.3	23.8	25.7	23.4	20.8	20.2	19.9	13.1	23.8	18.1
Other Income	48	47	49	107	47	67	87	151	251	351
Total Income	10,824	12,527	13,282	16,549	13,067	15,066	15,957	18,747	53,181	62,836
Operating Expenses	1,008	1,041	1,003	760	1,132	1,200	1,220	862	3,812	4,413
Pre Provisioning Profit	9,816	11,485	12,279	15,790	11,935	13,866	14,737	17,885	49,370	58,423
YoY Change (%)	24.0	23.9	26.2	23.2	21.6	20.7	20.0	13.3	24.2	18.3
Provisions	150	150	150	250	180	500	600	525	700	1,805
PBT	9,666	11,335	12,129	15,540	11,755	13,366	14,137	17,360	48,670	56,618
PBT Ex Invest. profits	9,666	10,746	10,457	14,204	11,593	13,116	13,137	15,926	45,072	53,771
YoY Change (%)	32.7	26.2	15.4	16.4	19.9	22.1	25.6	12.1	21.6	19.3
PBT	9,666	11,335	12,129	15,540	11,755	13,366	14,137	17,360	48,670	56,618
YoY Change (%)	23.9	24.2	26.7	22.8	21.6	17.9	16.6	11.7	24.3	16.3
Provision for Tax	2,720	3,260	3,220	4,120	3,310	3,676	3,888	4,697	13,320	15,570
PAT	6,946	8,075	8,909	11,420	8,445	9,690	10,249	12,664	35,350	41,048
YoY Change (%)	23.0	21.6	32.7	23.3	21.6	20.0	15.0	10.9	25.1	16.1

E: MOSL Estimates

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HDFC Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR450										Neutral
Bloomberg Equity Shares (m)	HDFCB IN 2,326.1	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	520/396	3/10A	123,695	29,487	12.9	22.1	-	94.1	-	-	1.5	16.1
1,6,12 Rel Perf (%)	1 / 13 / 12	3/11A	148,783	39,264	16.9	31.0	26.7	109.1	4.1	4.3	1.6	16.7
Mcap (INR b)	1,047.1	3/12E	176,646	51,618	22.2	31.5	20.3	126.1	3.6	3.7	1.7	18.9
Mcap (USD b)	21.2	3/13E	216,497	64,256	27.6	24.5	16.3	147.3	3.1	3.2	1.7	20.2

- In 2QFY12 HDFC Bank's (HDFCB) loan and deposit growth is expected to moderate to around 17% YoY (on a higher base). However on a sequential basis it is expected to remain above industry average.
- While performance on margins has been commendable over the past few quarters, we expect margins to decline ~10bp QoQ (4.2% in 1QFY12) led by a lag impact of deposit re-pricing. NII is expected to grow ~17% YoY.
- Fee income is expected to grow ~16% YoY. However, higher trading and exchange profits will drive non-interest income growth of 35% YoY. In 2QFY11 and 1QFY12 the bank had booked treasury losses.
- Asset quality is expected to remain stable and provisioning expenses are likely to remain largely flat YoY.
- The stock trades at 3.6x FY12E and 3.1x FY13E BV and 20.3x FY12E and 16.3x FY13E EPS. Maintain **Neutral**.
- Key factors to watch for: (1) Performance on margins; (2) Fee income (excluding forex) growth has been moderate at 14-16% over the past two quarters. A pick up in fee income could drive profitability.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	44,202	48,100	52,300	54,686	59,780	63,783	67,926	70,266	199,282	261,755
Interest Expense	20,190	22,837	24,533	26,291	31,300	34,195	36,675	37,169	93,851	139,339
Net Interest Income	24,011	25,263	27,767	28,395	28,480	29,588	31,251	33,098	105,431	122,417
% Change (Y-o-Y)	29.4	29.2	24.9	20.8	18.6	17.1	12.5	16.6	25.7	16.1
Other Income	9,904	9,607	11,278	12,558	11,200	12,921	14,382	15,727	43,352	54,230
Net Income	33,916	34,870	39,045	40,952	39,680	42,509	45,633	48,824	148,783	176,646
Operating Expenses	16,429	16,799	18,318	19,984	19,346	20,174	20,919	23,237	71,529	83,677
Operating Profit	17,487	18,071	20,727	20,969	20,334	22,335	24,714	25,588	77,254	92,970
% Change (Y-o-Y)	15.1	13.4	27.7	23.8	16.3	23.6	19.2	22.0	20.2	20.3
Other Provisions	5,550	4,545	4,659	4,313	4,437	4,500	3,800	3,762	19,067	16,498
Profit before Tax	11,937	13,526	16,068	16,655	15,897	17,835	20,914	21,826	58,187	76,471
Tax Provisions	3,820	4,405	5,190	5,508	5,047	5,885	6,692	7,228	18,923	24,853
Net Profit	8,117	9,121	10,878	11,147	10,850	11,949	14,221	14,598	39,264	51,618
% Change (Y-o-Y)	33.9	32.7	32.9	33.2	33.7	31.0	30.7	31.0	33.2	31.5
Deposit Growth (%)	25.6	30.4	24.2	24.6	15.4	16.8	28.1	26.0	24.6	26.0
Loan Growth (%)	40.9	38.2	33.1	27.1	20.0	17.3	21.6	25.0	27.1	25.0
CD Ratio (%)	79.9	80.4	82.8	76.7	83.1	80.8	78.6	76.1	76.7	76.1
Net Interest Margin (Reported,%)	4.3	4.2	4.2	4.2	4.2	-	-	-	4.2	-
Net Interest Margin (Cal, %)	4.7	4.6	4.9	4.9	4.7	4.6	4.6	4.6	4.9	4.6
Tax Rate (%)	32.0	32.6	32.3	33.1	31.7	33.0	32.0	33.1	32.5	32.5
Gross NPA (%)	1.2	1.2	1.1	1.1	1.0	1.0	1.0	0.9	1.1	0.9

E: MOSL Estimates

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ICICI Bank

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	ICICIBC IN
Equity Shares (m)	1,151.8
52 Week Range (INR)	1,277/814
1,6,12 Rel Perf (%)	3 / -7 / -3
Mcap (INR b)	986.5
Mcap (USD b)	19.9

CMP: INR856**Buy**

YEAR	NET INC.	PAT	EPS	EPS	P/E	AP/E*	ABV*	AP/ABV*	ROAA	CORE
END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(X)	(INR)	(X)	(%)	ROAE (%)
3/10A	155,920	40,250	36.1	6.9	-	-	348.0	-	1.1	10.1
3/11A	156,648	51,514	44.7	23.9	19.1	14.5	364.7	1.8	1.3	12.2
3/12E	188,029	64,169	55.7	24.6	15.4	11.5	399.4	1.6	1.5	14.1
3/13E	229,498	76,062	66.0	18.5	13.0	9.3	442.1	1.4	1.5	15.1

*Price is adjusted for value of key ventures; Book value adjusted for investment in subsidiaries

- ICICI Bank's (ICICIBC) domestic loan book is expected to grow in line with the industry average in 2QFY12.
- Margins are expected to remain sequentially stable, as a higher cost of deposits is expected to be offset by a higher yield on loans and low yielding PSL loans are expected to run off. NII is likely to grow 13% YoY.
- Fee income growth is likely to remain muted at ~9% YoY. We have factored in treasury gain of INR500m compared with a treasury loss of INR1.4b in 2QFY11 and INR250m in 1QFY12.
- Operating expenses are expected to grow 25% YoY (on a lower base), as the full impact of branch additions over the past one year will be visible.
- With PCR at 77% and asset quality improving, NPA provisions are expected to decline YoY in 2QFY12.
- While operating profit is expected to grow by ~10%, lower provisions will lead to 17% YoY growth in PAT.
- Excluding subsidiaries, the stock trades at 1.4x FY13E ABV (BV adjusted for NPA and investment in subsidiaries) and 9.3x FY13E adjusted EPS. Maintain **Buy**.
- Key factors to watch for: (1) Margin performance in a challenging environment; (2) Guidance on loan growth;(3) Operating expenses.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	58,125	63,091	66,960	71,565	76,185	81,704	88,557	96,017	259,741	342,463
Interest Expense	38,215	41,047	43,842	46,467	52,076	56,893	60,876	65,426	169,572	235,270
Net Interest Income	19,911	22,044	23,117	25,097	24,109	24,811	27,682	30,592	90,169	107,193
% Change (Y-o-Y)	0.3	8.3	12.3	23.3	21.1	12.6	19.7	21.9	11.1	18.9
Other Income	16,805	15,779	17,488	16,407	16,429	19,108	21,194	24,105	66,479	80,836
Net Income	36,716	37,823	40,605	41,504	40,538	43,919	48,876	54,697	156,648	188,029
Operating Expenses	14,835	15,704	17,179	18,455	18,200	19,593	20,313	22,492	66,172	80,598
Operating Profit	21,881	22,119	23,426	23,049	22,338	24,325	28,562	32,205	90,475	107,431
% Change (Y-o-Y)	-13.5	-9.2	-1.1	-3.9	2.1	10.0	21.9	39.7	-7.0	18.7
Other Provisions	7,978	6,411	4,643	3,836	4,539	4,784	5,280	6,114	22,868	20,716
Profit before Tax	13,903	15,708	18,783	19,213	17,800	19,542	23,282	26,091	67,607	86,714
Tax Provisions	3,643	3,345	4,413	4,692	4,480	5,081	6,053	6,932	16,093	22,546
Net Profit	10,260	12,363	14,370	14,521	13,320	14,461	17,228	19,159	51,514	64,169
% Change (Y-o-Y)	16.8	18.9	30.5	44.4	29.8	17.0	19.9	31.9	28.0	24.6
Deposit Growth (%)	-4.4	12.8	10.2	11.7	14.8	8.1	15.7	18.0	11.7	18.0
Loan Growth (%)	-6.9	1.8	15.3	19.4	19.7	18.2	16.0	17.1	19.4	17.1
CD Ratio (%)	91.8	87.0	94.9	95.9	95.7	95.2	95.2	95.2	95.9	95.2
Net Interest Margin (Reported,%)	2.5	2.6	2.6	2.7	2.6	-	-	-	2.6	-
Net Interest Margin (Cal, %)	2.3	2.5	2.5	2.7	2.5	2.5	2.6	2.8	2.7	2.7
Tax Rate (%)	26.2	21.3	23.5	24.4	25.2	26.0	26.0	26.6	23.8	26.0
Gross NPA (%)	5.1	5.0	4.8	4.5	4.4	4.3	4.1	4.0	4.5	4.0

E: MOSL Estimates

IDFC

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	IDFC IN
Equity Shares (m)	1,460.9
52 Week Range (INR)	218/103
1,6,12 Rel Perf (%)	3 / -16 / -27
Mcap (INR b)	159.6
Mcap (USD b)	3.2

CMP: INR109

Neutral

YEAR	NET INCOME	PAT	EPS	EPS	P/E	ABV	AP/ABV	ROAA	ROAE
END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(INR)	(X)	(%)	(%)
3/10A	21,091	10,623	8.2	41.1	-	42.1	-	3.4	17.6
3/11A	25,455	12,817	8.8	7.4	12.5	60.7	1.4	3.2	17.8
3/12E	29,371	14,697	9.7	10.9	11.2	71.6	1.2	2.8	15.3
3/13E	34,917	17,678	11.7	20.3	9.3	80.4	1.1	2.8	16.1

* Adjusted for Goodwill and Investment in subsidiaries , Prices adjusted for other ventures

- IDFC's loan growth momentum is expected to moderate to ~12% YoY (due to a high base - 56% YoY growth in 2QFY11) and 3% QoQ in 2QFY12.
- After contracting by ~50bp in the past 12 months, we expect spreads to remain stable QoQ in 2QFY12.
- NII growth on a YoY basis is likely to remain healthy with an expected increase of ~36% YoY growth.
- Lower gains from principal investment and lower broking and IB-related fees would lead to a YoY decline of more than 50% in other operating income. However, on a sequential basis, other operating income is likely to grow ~11% QoQ.
- With asset quality likely to remain stable, provisioning cost will stay low.
- The stock trades at 9.3x FY13E EPS and 1.1x FY13E ABV. Maintain **Neutral**.
- Key factors to watch for: (1) Business growth as management becomes more risk averse; (2) Movement in spreads; (3) Emerging asset quality trends.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
NII	3,370	3,740	4,600	4,750	4,830	5,189	5,573	6,017	16,460	21,609
% Change (Y-o-Y)	38	35	67	48	43	39	21	27	47	31
- Infra Loans	3,040	3,590	4,130	4,260	4,280	4,689	5,048	5,492	15,020	19,509
- Treasury	330	150	470	490	550	500	525	525	1,440	2,100
Fees	1,492	2,620	1,662	1,930	1,164	1,128	1,659	1,984	7,704	5,936
- Asset management	650	750	630	890	620	650	850	1,115	2,920	3,235
- SSKI	360	740	510	380	190	220	500	715	1,990	1,625
- Loan related/others	482	1,130	522	660	354	258	309	154	2,794	1,075
Principal investments	1,200	120	300	290	(20)	100	500	947	1,910	1,527
Other Income	58	24	38	43	66	70	80	84	163	300
Net Income	6,120	6,503	6,600	7,013	6,040	6,486	7,813	9,032	26,237	29,371
% Change (Y-o-Y)	31	25	27	17	(1)	(0)	18	29	26	12
Operating Expenses	1,232	1,239	1,634	1,945	1,131	1,168	1,680	1,845	6,049	5,823
Operating profit	4,888	5,265	4,966	5,068	4,909	5,319	6,133	7,187	20,188	23,548
% Change (Y-o-Y)	34	28	21	37	0	1	23	42	32	17
Provisions	445	515	487	945	399	450	600	803	2,392	2,252
PBT	4,443	4,750	4,479	4,123	4,510	4,869	5,533	6,384	17,796	21,296
Tax	1,098	1,375	1,272	1,252	1,378	1,485	1,688	2,074	4,998	6,624
PAT	3,345	3,375	3,207	2,871	3,132	3,384	3,845	4,310	12,798	14,672
Less: Consol Adjustments	0	(9)	(8)	(3)	(5)	(6)	(6)	(8)	(19)	(25)
Consol PAT	3,345	3,384	3,215	2,874	3,137	3,390	3,851	4,318	12,817	14,697
% Change (Y-o-Y)	23	16	19	26	(6)	0	20	50	21	15

E: MOSL Estimates, * FY11 asset mgmt fees includes carry income which is clubbed in principal investments in FY10

Indian Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR205										Buy
Bloomberg Equity Shares (m)	INBK IN 429.8	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	317/185	3/10A	44,776	15,550	36.2	24.9	-	154.7	-	-	1.7	24.7
1,6,12 Rel Perf (%)	9 / 6 / -4	3/11A	52,180	17,141	39.9	10.2	5.1	184.4	1.1	1.1	1.5	22.9
Mcap (INR b)	88.2	3/12E	57,755	18,985	44.2	10.8	4.6	217.4	0.9	1.0	1.4	21.5
Mcap (USD b)	1.8	3/13E	67,885	22,255	51.8	17.2	4.0	256.3	0.8	0.8	1.4	21.4

- Indian Bank's (INBK) loan growth is expected to moderate to ~20% YoY (on a higher base) in 2QFY12. On a sequential basis, business growth is expected to be largely in line with the industry average.
- In 1QFY12, NIM contracted by ~40bp (despite a 300bp improvement in CD ratio) led by a sharp increase in cost of deposits. We expect NIM to stabilize in 2QFY12 led by higher loan re-pricing and consequently, expect NII to grow ~11% YoY.
- Non-interest income is expected to grow by ~8% YoY and ~23% QoQ. Fee income growth is expected to be muted.
- INBK has been showing consistent improvement in asset quality over the past few quarters and with its portfolio already on system-based recognition of NPAs we do not expect negative surprises. However on a conservative basis, we have built in higher NPA provisions.
- The stock trades at 0.9x FY12E and 0.8x FY13E BV and 4.6x FY12E and 4x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Margin movement; (2) Asset Quality: INBK migrated to system-based recognition of NPA in 1QFY11 after which asset quality has been showing improvement. In 1QFY12 the bank reported gross slippages of INR1.7b.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	21,218	22,756	23,919	25,942	27,814	29,646	31,730	34,139	93,610	123,486
Interest Expense	11,951	12,924	13,542	14,832	17,514	18,700	20,290	22,099	53,249	78,603
Net Interest Income	9,266	9,832	10,377	11,110	10,300	10,945	11,441	12,039	40,361	44,882
% Change (Y-o-Y)	30.8	37.7	25.5	21.8	11.2	11.3	10.3	8.4	27.7	11.2
Other Income	3,555	2,837	2,487	2,716	2,493	3,060	3,426	3,894	11,819	12,873
Net Income	12,821	12,669	12,864	13,826	12,793	14,005	14,867	15,933	52,180	57,755
Operating Expenses	4,443	5,279	4,745	4,796	4,982	5,443	5,497	5,785	19,263	21,706
Operating Profit	8,378	7,389	8,119	9,030	7,811	8,563	9,370	10,149	32,917	36,049
% Change (Y-o-Y)	32.9	33.4	17.6	3.5	-6.8	15.9	15.4	12.4	16.5	10.7
Other Provisions	3,439	1,330	536	1,268	1,770	1,711	1,725	1,927	6,572	7,283
Profit before Tax	4,939	6,060	7,583	7,762	6,042	6,851	7,645	8,221	26,345	28,766
Tax Provisions	1,258	1,902	2,671	3,374	1,972	2,329	2,599	2,879	9,204	9,780
Net Profit	3,681	4,158	4,913	4,389	4,069	4,522	5,046	5,342	17,141	18,985
% Change (Y-o-Y)	11.0	11.8	11.3	7.0	10.5	8.8	2.7	21.7	10.2	10.8
Deposit Growth (%)	18.6	22.4	19.2	19.9	21.3	16.6	17.7	18.0	19.9	18.0
Loan Growth (%)	30.9	29.8	28.6	20.9	21.3	19.7	16.7	18.0	21.1	18.0
CD Ratio (%)	74.8	71.4	73.2	71.6	74.7	73.3	72.6	71.6	71.6	71.6
Net Interest Margin (Reported, %)	3.7	3.8	3.8	3.9	3.4	-	-	-	3.8	-
Net Interest Margin (Cal, %)	3.8	3.9	3.9	4.0	3.6	3.6	3.7	3.7	4.0	3.7
Tax Rate (%)	25.5	31.4	35.2	43.5	32.6	34.0	34.0	35.0	34.9	34.0
Gross NPA (%)	1.5	1.3	1.0	1.0	1.0	1.1	1.2	1.2	1.0	1.2

E: MOSL Estimates

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IndusInd Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR256										Buy
Bloomberg Equity Shares (m)	IIBIN 410.7	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	309/181	3/10A	14,399	3,503	8.5	104.2	-	53	-	-	1.1	19.5
1,6,12 Rel Perf (%)	11 / 12 / 18	3/11A	20,902	5,773	12.4	45.3	20.6	82	3.1	3.2	1.4	19.3
Mcap (INR b)	105.0	3/12E	27,340	7,524	16.1	30.3	15.8	95	2.7	2.7	1.5	18.2
Mcap (USD b)	2.1	3/13E	35,097	9,421	20.2	25.2	12.6	111	2.3	2.4	1.5	19.6

- IndusInd Bank (IIB) is expected to post 2QFY12 loan growth of ~27% YoY. However, on a higher base, deposit growth is expected to moderate to ~19%. NII growth is expected to remain healthy at ~22% YoY.
- On a sequential basis, NIM is likely to decline ~10bp, led by an increase in cost of funds. In 1QFY12 NIM (on total assets) was 3.4%.
- Strong traction in fee income is expected to continue with fee income growth of ~30% YoY.
- In 1QFY12 the bank reported slippages of INR700m (annualized slippage ratio of 1.1%). We do not expect a negative surprise and credit costs are likely to remain under control.
- The stock trades at 2.7x FY12E and 2.3x FY13E BV and 15.8x FY12E and 12.6x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) The bank has shown commendable performance on the asset quality front over the past few quarters. However with high exposure to the CV segment, performance on asset quality in the current high interest rate scenario needs to be watched; (2) Margin movement; (3) Traction in fee income and (4) Branch additions.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	7,715	8,541	9,149	10,488	11,646	12,395	13,221	14,250	35,894	51,512
Interest Expense	4,759	5,244	5,519	6,608	7,746	8,365	8,909	9,633	22,129	34,653
Net Interest Income	2,957	3,297	3,630	3,880	3,900	4,030	4,312	4,618	13,765	16,859
% Change (Y-o-Y)	76.7	58.1	52.7	42.2	31.9	22.2	18.8	19.0	55.3	22.5
Other Income	1,610	1,751	1,960	1,816	2,154	2,424	2,678	3,225	7,137	10,481
Net Income	4,566	5,049	5,590	5,696	6,054	6,454	6,989	7,843	20,902	27,340
Operating Expenses	2,260	2,430	2,678	2,717	2,937	3,173	3,302	3,489	10,085	12,901
Operating Profit	2,306	2,619	2,912	2,980	3,117	3,281	3,687	4,354	10,817	14,439
% Change (Y-o-Y)	32.3	68.6	67.6	48.6	35.2	25.3	26.6	46.1	53.7	33.5
Other Provisions	487	567	562	403	446	500	800	1,293	2,019	3,038
Profit before Tax	1,819	2,051	2,350	2,577	2,671	2,781	2,887	3,061	8,798	11,400
Tax Provisions	633	720	811	860	870	945	982	1,080	3,025	3,876
Net Profit	1,186	1,332	1,539	1,717	1,802	1,835	1,905	1,982	5,773	7,524
% Change (Y-o-Y)	37.1	71.1	74.8	75.3	52.0	37.8	23.8	15.4	64.8	30.3
Deposit Growth (%)	26.5	37.1	23.9	28.7	28.8	19.5	30.4	26.0	28.7	26.0
Loan Growth (%)	31.3	33.4	31.0	27.3	31.4	27.1	25.2	27.5	27.3	27.5
CD Ratio (%)	78.9	75.0	81.5	76.1	80.5	79.7	78.2	77.0	76.1	77.0
Net Interest Margin (Reported,%)	3.3	3.4	3.6	3.5	3.4	-	-	-	3.5	-
Net Interest Margin (Cal, %)	3.3	3.5	3.5	3.6	3.3	3.3	3.3	3.3	3.8	3.6
Tax Rate (%)	34.8	35.1	34.5	33.4	32.5	34.0	34.0	35.3	34.4	34.0
Gross NPA (%)	1.3	1.2	1.2	1.0	1.1	1.2	1.2	1.3	1.0	1.3

E: MOSL Estimates

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ING Vysya Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR282										Buy
Bloomberg Equity Shares (m)	VYSB IN 149.2	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	444/275	3/10A	14,501	2,423	18.5	0.6	-	185.3	-	-	0.7	11.6
1,6,12 Rel Perf (%)	-6 / 5 / -2	3/11A	16,615	3,187	26.3	42.3	10.7	208.0	1.4	1.4	0.9	13.4
Mcap (INR b)	42.1	3/12E	19,089	4,179	28.0	6.3	10.1	257.1	1.1	1.1	1.0	13.2
Mcap (USD b)	0.9	3/13E	22,534	5,062	33.9	21.1	8.3	286.2	1.0	1.0	1.0	12.5

- ING Vysya Bank (VYSB) is expected to post above industry average business growth in 2QFY12. Loans are expected to grow ~22% YoY and deposits will grow ~23% YoY.
- The bank raised capital of INR9.7b at the end of 1QFY12, which will cushion margins (benefit of ~20bp). We expect margins to improve ~20bp QoQ from 3% in 1QFY12. NII is expected to grow ~15% YoY.
- Non-interest income is expected to decline ~16% YoY led by lower treasury gains and muted fee-income growth. In 2QFY11 the bank had booked treasury gains of INR630m (largely through stake sale of CARE) which is not recurring.
- With accretion to NPA slowing and PCR at 84% (1QFY12), we expect credit costs to decline on a YoY basis.
- On a lower base, we expect PAT to grow 34% YoY due to healthy loan growth and lower credit costs.
- The stock trades at 1.1x FY12E and 1x FY13E BV and 10.1x FY12E and 8.3x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Fee income: While loan growth has improved from 3% YoY in 2QFY10 to 26% in 1QFY12, fee income growth has been lower at 10-15%. Improvement in fee income could drive RoAs.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	5,876	6,388	6,907	7,769	8,708	9,247	9,758	10,281	26,941	37,994
Interest Expense	3,496	3,846	4,448	5,086	6,088	6,332	6,699	7,039	16,875	26,157
Net Interest Income	2,380	2,542	2,459	2,683	2,620	2,915	3,059	3,243	10,065	11,836
% Change (Y-o-Y)	38.5	32.9	12.1	8.6	10.1	14.7	24.4	20.8	21.3	17.6
Other Income	1,244	1,933	1,668	1,705	1,405	1,625	1,935	2,288	6,550	7,253
Net Income	3,624	4,475	4,127	4,389	4,025	4,540	4,994	5,530	16,615	19,089
Operating Expenses	2,138	2,633	2,533	2,957	2,557	2,704	2,827	3,180	10,260	11,269
Operating Profit	1,486	1,842	1,594	1,432	1,468	1,835	2,167	2,350	6,355	7,821
% Change (Y-o-Y)	4.5	28.3	9.4	-32.0	-1.2	-0.4	35.9	64.1	-1.0	23.1
Other Provisions	439	698	336	43	62	300	500	626	1,516	1,489
Profit before Tax	1,047	1,145	1,258	1,389	1,406	1,535	1,667	1,724	4,839	6,332
Tax Provisions	356	392	428	476	466	525	570	592	1,652	2,153
Net Profit	691	753	830	913	940	1,010	1,097	1,132	3,187	4,179
% Change (Y-o-Y)	14.6	40.8	37.0	34.4	36.1	34.2	32.1	24.0	31.5	31.2
Deposit Growth (%)	7.1	15.9	16.2	16.7	29.4	22.5	21.8	19.0	16.7	19.0
Loan Growth (%)	17.5	23.5	22.5	27.5	25.5	22.4	22.4	22.0	27.5	22.0
CD Ratio (%)	78.4	77.6	78.7	78.2	76.1	77.6	79.1	80.1	78.2	80.1
Net Interest Margin (Reported,%)	3.3	3.3	3.1	3.3	3.0	-	-	-	3.3	-
Net Interest Margin (Cal, %)	3.3	3.4	3.1	3.2	3.0	3.2	3.2	3.2	2.9	2.9
Tax Rate (%)	34.0	34.2	34.0	34.3	33.1	34	34.2	34.3	34.1	34.0
Gross NPA (%)	3.3	2.8	2.7	2.3	2.2	2	2.1	1.9	2.3	1.9

E: MOSL Estimates

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LIC Housing Finance

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR205										Buy
Bloomberg Equity Shares (m)	LICHF IN 475.0	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	299/150	3/10A	10,735	6,612	13.9	11.1	-	71.3	-	-	2.0	23.5
1,6,12 Rel Perf (%)	1 / 8 / -7	3/11A	17,710	9,743	20.5	47.3	10.0	87.8	2.3	2.3	2.2	25.8
Mcap (INR b)	97.3	3/12E	18,981	11,137	23.4	14.3	8.7	105.7	1.9	1.9	2.0	24.2
Mcap (USD b)	2.0	3/13E	22,803	13,444	28.3	20.7	7.2	127.4	1.6	1.6	1.9	24.3

- We expect LIC Housing Finance's (LICHF) strong loan growth momentum to continue in 2QFY12, driven by healthy traction in the individual segment. Overall loans are expected to grow ~29% YoY v/s 32% YoY in 1QFY12.
- On account of a steep increase in interest rates, spreads could remain under pressure. During the quarter, LICHF revised its lending rates by 40-50bp across various product categories and offers floating rate loans at 10.65%. Consequently, we expect net interest income to grow ~27% YoY.
- Fees and other income are likely to remain flattish both on a YoY and on a QoQ basis.
- During the quarter NHB revised provisioning requirements for non-performing loans and introduced standard asset provisioning for HFCs. This may lead to additional provisioning requirement of INR0.6b for LICHF.
- However, based on directions from the regulator, the company may or may not take the entire provisioning hit in 2QFY12 itself.
- The stock trades at 1.9x FY12E and 1.6x FY13E BV, and 8.7x FY12E and 7.2x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Trend in business growth; (2) Movement in spreads; (3) Emerging asset-quality trends.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	9,716	10,429	11,615	12,937	13,581	14,741	15,970	17,784	44,697	62,077
Interest Expenses	6,772	7,378	8,093	8,733	9,971	10,869	11,738	13,361	30,977	45,939
Net Interest Income	2,943	3,051	3,522	4,204	3,610	3,873	4,232	4,423	13,719	16,138
YoY Growth (%)	69.0	63.3	54.5	41.1	22.6	26.9	20.2	5.2	54.7	17.6
Fees and other income	434	645	1,930	982	601	649	724	870	3,991	2,843
Net Income	3,377	3,696	5,451	5,186	4,211	4,522	4,956	5,293	17,710	18,981
YoY Growth (%)	60.0	53.2	98.4	49.7	24.7	22.3	-9.1	2.1	65.0	7.2
Operating Expenses	394	503	560	702	422	494	668	857	2,162	2,441
Operating Profit	2,983	3,193	4,891	4,484	3,789	4,027	4,288	4,436	15,548	16,540
YoY Growth (%)	66.8	71.6	110.5	57.3	27.0	26.1	-12.3	-1.1	76.3	6.4
Provisions and Cont.	89	3	2,328	189	334	350	350	197	2,609	1,231
Profit before Tax	2,893	3,190	2,563	4,295	3,454	3,677	3,938	4,240	12,939	15,309
Tax Provisions	773	848	428	1,147	889	1,011	1,083	1,188	3,197	4,172
Net Profit	2,120	2,342	2,135	3,148	2,565	2,666	2,855	3,051	9,743	11,137
YoY Growth (%)	71.2	36.8	39.0	47.8	21.0	13.8	33.7	-3.1	47.3	14.3
Loan Growth (%)	36.8	36.0	35.7	34.2	32.1	28.9	27.1	23.5	34.2	23.5
Borrowings Growth (%)	30.0	34.3	36.5	29.9	31.3	29.8	27.5	28.6	29.9	28.6
Cost to Income Ratio (%)	11.7	13.6	10.3	13.5	10.0	10.9	13.5	16.2	12.2	12.9
Tax Rate (%)	26.7	26.6	16.7	26.7	25.7	27.5	27.5	28.0	24.7	27.3

E: MOSL Estimates

M & M Financial Services

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR647										Neutral
Bloomberg Equity Shares (m)	MMFS IN 102.5	YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
52 Week Range (INR)	913/590	3/10A	10,671	3,444	35.9	60.1	-	180.0	-	-	3.7	21.5
1,6,12 Rel Perf (%)	7 / -6 / 26	3/11A	13,524	4,631	45.2	26.0	14.3	242.8	2.7	2.7	3.6	22.0
Mcap (INR b)	66.3	3/12E	17,628	5,970	58.3	28.9	11.1	287.1	2.3	2.3	3.6	22.0
Mcap (USD b)	1.3	3/13E	21,554	7,192	70.2	20.5	9.2	340.9	1.9	1.9	3.5	22.3

RoAA is calculated on AUM

- Driven by healthy demand in rural and semi-urban areas, M&M Financial Services' (MMFS) is expected to report strong AUM growth of ~39% YoY.
- Spreads in 1QFY12 contracted sharply due to the seasonal nature of the business and rising cost of funds. However, we expect margins to improve sequentially and expect net income to grow by 31% YoY in 2QFY12.
- Asset quality has improved considerably over the past few quarters. The spike in NPAs in 1QFY12 was largely seasonal in nature and we do not expect significant pressure on asset quality.
- We expect 2QFY12 net profit to grow ~30% YoY and ~49% QoQ to INR1.5b.
- The stock trades at 2.3x FY12E and 1.9x FY13E BV and 11.1x FY12E and 9.2x FY13E EPS. Maintain **Neutral**.
- Key factors to watch for: (1) Business growth trends; (2) Asset quality; (3) The company's strategy over asset securitization.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Operating Income	3,924	4,696	5,203	5,916	5,477	6,463	6,915	7,535	19,739	26,390
Other Income	90	93	96	107	163	158	165	209	386	695
Total income	4,014	4,789	5,300	6,023	5,640	6,620	7,080	7,745	20,126	27,085
Y-o-Y Growth (%)	21.9	32.1	31.8	26.8	40.5	38.2	33.6	28.6	28.3	34.6
Interest expenses	1,315	1,518	1,813	1,956	2,160	2,322	2,484	2,492	6,602	9,457
Net Income	2,699	3,271	3,487	4,067	3,480	4,299	4,596	5,253	13,524	17,628
Operating Expenses	1,046	1,194	1,209	1,483	1,406	1,596	1,536	1,602	4,932	6,140
Operating Profit	1,653	2,077	2,278	2,584	2,074	2,703	3,060	3,651	8,592	11,488
Y-o-Y Growth (%)	19.8	27.5	19.6	3.1	25.5	30.1	34.4	41.3	15.8	33.7
Provisions	543	335	545	144	561	400	650	832	1,567	2,443
Profit before Tax	1,110	1,742	1,733	2,439	1,513	2,303	2,410	2,819	7,025	9,046
Tax Provisions	368	577	574	874	491	783	819	959	2,393	3,075
Net Profit	742	1,165	1,159	1,566	1,022	1,520	1,591	1,861	4,632	5,971
Y-o-Y Growth (%)	85.5	68.3	22.0	11.6	37.7	30.5	37.3	18.9	34.5	28.9
Cost to Income Ratio (%)	31.4	33.4	45.6	48.8	52.3	44.8	35.0	20.5	48.8	20.5
Provisions/Operating Profits (%)	34.2	41.3	47.7	49.8	49.2	41.1	32.8	25.1	49.8	25.1
Tax Rate (%)	38.8	36.5	34.7	36.5	40.4	37.1	33.4	30.5	36.5	34.8

E: MOSL Estimates

Oriental Bank of Commerce

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR279										Buy
Bloomberg	OBC IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	291.8	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	545/275	3/10A	41,075	11,347	45.3	25.3	-	292.2	-	-	0.9	16.5
1,6,12 Rel Perf (%)	-8 / -12 / -19	3/11A	51,376	15,029	51.5	13.7	5.4	350.0	0.8	0.8	1.0	17.1
Mcap (INR b)	81.3	3/12E	58,003	15,576	53.4	3.6	5.2	390.9	0.7	0.8	0.9	14.4
Mcap (USD b)	1.6	3/13E	69,064	19,992	68.5	28.3	4.1	443.4	0.6	0.7	1.0	16.4

- Oriental Bank of Commerce's (OBC) business growth is expected to be below the industry average with loan growth of 16% and deposit growth of 18%.
- NIM is expected to remain sequentially stable. While rising term deposit rates and a low proportion of CASA deposits would keep cost of funds under pressure, higher loan re-pricing would provide cushion. Over past six months OBC raised its lending rate by 125bp. On a higher base, NII is likely to remain flat YoY.
- While fee income growth is expected to be muted YoY, higher treasury gains and recoveries would lead to non-interest income growth of over 45%. In 2QFY11 bank booked treasury gains of INR8m and recoveries were INR183m.
- In 2QFY12 slippages are expected to increase sequentially as the bank moves towards system-based recognition of NPA. Portfolio above INR1m is already under CBS and the remaining (12% of the overall portfolio) is expected to come under the system during this quarter.
- The stock trades at 0.7x FY12E and 0.6x FY13E BV with RoA of 0.9+ and RoE of 14-16% over FY11-13. Maintain **Buy**.
- Key factors to watch for: (1) Performance on asset quality, especially gross slippages.

QUARTERLY PERFORMANCE

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	28,308	29,919	30,328	32,323	35,967	38,525	41,533	44,669	120,878	160,695
Interest Expense	17,736	19,148	20,029	22,190	25,782	27,862	29,941	32,844	79,103	116,429
Net Interest Income	10,572	10,771	10,299	10,134	10,185	10,663	11,592	11,826	41,775	44,266
% Change (Y-o-Y)	118.4	92.0	18.0	2.4	-3.7	-1.0	12.6	16.7	43.7	6.0
Other Income	2,147	2,141	2,314	2,998	3,238	3,177	3,408	3,914	9,601	13,738
Net Income	12,720	12,912	12,613	13,132	13,423	13,840	15,001	15,739	51,376	58,003
Operating Expenses	4,497	4,853	4,873	4,702	5,408	5,563	5,987	6,325	18,925	23,282
Operating Profit	8,223	8,060	7,739	8,430	8,016	8,278	9,014	9,414	32,451	34,721
% Change (Y-o-Y)	59.1	59.6	24.3	8.5	-2.5	2.7	16.5	11.7	34.0	7.0
Other Provisions	2,280	2,263	1,918	5,605	3,143	2,606	2,810	3,086	12,065	11,645
Profit before Tax	5,943	5,796	5,822	2,825	4,873	5,672	6,203	6,328	20,386	23,076
Tax Provisions	2,310	1,820	1,739	-512	1,324	1,872	2,109	2,195	5,357	7,500
Net Profit	3,633	3,977	4,083	3,337	3,549	3,800	4,094	4,133	15,029	15,576
% Change (Y-o-Y)	41.1	46.8	41.1	5.2	-2.3	-4.4	0.3	23.9	32.4	3.6
Deposit Growth (%)	19.8	16.6	16.8	15.6	17.5	18.4	19.1	16.0	15.6	16.0
Loan Growth (%)	20.3	14.3	15.6	15.0	14.1	15.8	17.2	18.3	14.1	18.3
CD Ratio (%)	70.0	69.6	70.2	69.6	67.9	68.1	69.1	71.0	69.6	71.0
Net Interest Margin (Reported,%)	3.3	3.3	3.1	3.0	2.9	-	-	-	3.1	0.0
Net Interest Margin (Cal,%)	3.4	3.3	3.1	2.9	2.8	2.8	2.9	2.9	3.1	2.8
Tax Rate (%)	38.9	31.4	29.9	(18.1)	27.2	33.0	34.0	34.7	26.3	32.5
Gross NPA (%)	1.7	1.7	1.9	2.0	2.1	2.2	2.3	2.2	2.0	2.2

E: MOSL Estimates

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Power Finance Corporation

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR150										Buy
Bloomberg	PFC IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	ROAA	ROAE	
Equity Shares (m)	1,147.8	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(%)	(%)	
52 Week Range (INR)	383/130	3/10A	31,208	23,573	20.5	19.7	-	115.9	-	3.2	18.9	
1,6,12 Rel Perf (%)	11 / -24 / -36	3/11A	36,736	26,196	22.8	11.1	6.6	133.0	1.1	2.9	18.6	
Mcap (INR b)	171.9	3/12E	40,815	29,000	22.0	-3.7	6.8	156.4	1.0	2.6	16.2	
Mcap (USD b)	3.5	3/13E	50,975	36,195	27.4	24.8	5.5	174.2	0.9	2.6	16.6	

- Power Finance Corporation's (POWF) 2QFY12 loan growth is expected to remain healthy at ~24% YoY. We expect margins to be stable sequentially.
- Other income growth is likely to be a strong ~32% YoY on a low base.
- On the back of the steep depreciation of the rupee against various currencies and only ~14% of its foreign currency borrowings being fully hedged there could be higher MTM losses in 2QFY12. We have factored in an MTM loss of INR3.5b during the quarter. This could be a major swing factor for earnings on either side.
- Operating expenses are expected to remain largely stable sequentially.
- Asset quality is expected to remain stable QoQ and therefore provisioning expenses as well.
- We expect the bottom-line to decline by ~28% YoY.
- The stock trades at 1x FY12E and 0.9x FY13E BV and 6.8x FY12E and 5.5x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) With an uncertain macro environment and issues pertaining to SEB losses, the management's outlook on business growth and asset quality; (2) MTM losses on foreign currency borrowings; (3) Movement in spreads.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q*	1Q	2QE	3QE	4QE		
Interest Income	23,120	24,470	25,080	25,680	28,480	30,616	33,065	35,583	98,350	127,744
Interest Expenses	14,540	15,510	15,820	17,250	18,580	20,438	22,533	24,526	63,120	86,077
Net Interest Income	8,580	8,960	9,260	8,430	9,900	10,178	10,532	11,057	35,230	41,668
YoY Gr %	22.6	24.4	24.0	11.4	15.4	13.6	13.7	31.2	20.5	18.3
Other Operational Income	-620	660	-210	173	-750	-3,500	500	750	3	-3,000
Net Operational Income	7,960	9,620	9,050	8,603	9,150	6,678	11,032	11,807	35,233	38,668
YoY Gr %	4.3	36.1	16.6	9.5	14.9	-30.6	21.9	37.2	16.2	9.7
Other Income	650	380	310	80	350	500	600	698	1,420	2,148
Total Net Income	8,610	10,000	9,360	8,683	9,500	7,178	11,632	12,505	36,653	40,815
YoY Gr %	12.0	26.9	18.6	12.0	10.3	-28.2	24.3	44.0	17.4	11.4
Operating Expenses	10	370	290	310	270	288	302	316	980	1,176
YoY Gr %	-94.4	54.2	16.0	-22.5	NA	-22.1	4.1	2.0	-8.4	20.0
% to Income	0.1	3.7	3.1	3.6	2.8	4.0	2.6	2.5	2.7	2.9
Operating Profit	8,600	9,630	9,070	8,373	9,230	6,890	11,331	12,189	35,673	39,639
YoY Gr %	14.5	26.0	18.7	13.9	7.3	-28.5	24.9	45.6	18.4	11.1
Provisions	0	-2	60	262	70	90	125	165	320	450
PBT	8,600	9,632	9,010	8,111	9,160	6,800	11,206	12,024	35,353	39,189
YoY Gr %	14.5	26.1	18.1	10.2	6.5	-29.4	24.4	48.2	17.3	10.9
Tax	2,070	2,623	2,420	2,127	2,298	1,768	2,913	3,210	9,239	10,189
Tax Rate %	24.1	27.2	26.9	26.2	25.1	26.0	26.0	26.7	40.5	10.3
PAT	6,530	7,009	6,590	5,985	6,862	5,032	8,292	8,814	26,114	29,000
YoY Gr %	17.7	10.0	16.8	-0.3	5.1	-28.2	25.8	47.3	10.8	11.1

E: MOSL Estimates; *4QFY11 numbers derived based on annual numbers. Quarterly numbers may vary with yearly numbers due to difference in classification

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Punjab National Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR974										Buy
Bloomberg	PNBIN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	316.8	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	1,395/897	3/10A	120,882	39,054	123.9	26.4	-	514.8	-	-	1.4	26.6
1,6,12 Rel Perf (%)	6 / 0 / -5	3/11A	154,199	44,335	139.9	13.0	7.0	632.5	1.5	1.6	1.3	24.4
Mcap (INR b)	308.6	3/12E	173,826	53,364	168.4	20.4	5.8	769.4	1.3	1.4	1.3	24.0
Mcap (USD b)	6.2	3/13E	205,639	63,295	199.8	18.6	4.9	931.8	1.0	1.1	1.3	23.5

- Punjab National Bank's (PNB) 2QFY12 loan growth is expected to moderate to 21% (on a higher base) and be in line with the industry average. Deposit growth is expected to remain healthy at 23% YoY.
- On a sequential basis, margins are expected to remain stable. The full impact of increased savings deposit rates and the lag impact of deposit re-pricing will keep cost of funds under pressure. However re-pricing of loans (the bank raised the lending rate by 125bp over the past six months) will cushion margins. NII is expected to grow ~7% YoY.
- Non-interest income is expected to grow 30% YoY led by healthy fee income growth and higher contribution from treasury and recoveries. Fee income is expected to grow 15% YoY.
- In 2QFY12 slippages are expected to remain at a similar level to those in 1QFY12, as PNB moves forward to transit the rest of its portfolio under system-based recognition of NPA. Currently PNB recognizes a portfolio of INR1m through CBS. However, strong up-gradation and recoveries could surprise positively.
- On a sequential basis provisions are expected to decline (on a higher base), driving profitability. In 1QFY12 PNB provided ~INR4b towards a change in RBI guidelines for NPA and restructured loans.
- The stock trades at 1.3x FY12E and 1x FY13E BV and 5.8x FY12E and 4.9x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Asset quality: Performance on asset quality, especially gross slippages; (2) Margin movement; (3) Fee income growth, which has improved over the past few quarters.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	59,716	64,554	71,191	74,403	83,152	88,812	95,030	103,495	269,865	370,489
Interest Expense	33,733	34,787	39,158	44,113	52,000	56,834	61,689	67,853	151,791	238,375
Net Interest Income	25,983	29,767	32,033	30,290	31,153	31,978	33,341	35,642	118,073	132,114
% Change (YoY)	44.5	49.4	44.8	22.4	19.9	7.4	4.1	17.7	39.3	11.9
Other Income	8,917	7,183	8,572	11,454	10,837	9,306	10,243	11,326	36,126	41,712
Net Income	34,901	36,950	40,605	41,744	41,990	41,284	43,584	46,968	154,199	173,826
Operating Expenses	13,919	15,949	17,106	16,668	17,250	17,899	18,678	19,674	63,642	73,501
Operating Profit	20,982	21,001	23,499	25,075	24,739	23,386	24,906	27,294	90,557	100,324
% Change (YoY)	33.7	30.7	29.2	7.5	17.9	11.4	6.0	8.8	23.6	10.8
Other Provisions	5,341	5,160	7,139	7,279	8,935	4,789	4,357	3,767	24,920	21,848
Profit before Tax	15,640	15,841	16,360	17,796	15,804	18,597	20,549	23,527	65,637	78,477
Tax Provisions	4,958	5,095	5,463	5,787	4,753	5,951	6,576	7,833	21,302	25,113
Net Profit	10,683	10,746	10,898	12,009	11,051	12,646	13,973	15,694	44,335	53,364
% Change (YoY)	28.4	15.9	7.8	5.8	3.4	17.7	28.2	30.7	13.5	20.4
Deposit Growth (%)	16.6	18.4	23.5	25.5	26.9	23.3	22.5	22.0	25.5	22.0
Loan Growth (%)	24.6	27.6	29.8	29.7	23.4	21.0	21.6	21.0	29.7	21.0
CD Ratio (%)	77.1	76.4	76.6	77.4	74.9	74.9	76.0	76.7	77.4	76.7
Net Interest Margin (Reported, %)	3.9	4.1	4.1	3.9	3.8	-	-	-	4.0	-
Net Interest Margin (Cal, %)	3.8	4.1	4.2	3.7	3.6	3.6	3.6	3.6	3.9	3.5
Tax Rate (%)	31.7	32.2	33.4	32.5	30.1	32.0	32.0	33.3	32.5	32.0
Gross NPA (%)	1.8	1.9	2.0	1.8	2.0	2.0	2.0	2.1	1.8	2.1

E: MOSL Estimates; Yearly numbers vary with full year number on account of reclassification

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Rural Electrification Corp

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR172										Buy
Bloomberg	RECLIN	YEAR	NET INCOME	ADJ PAT	EPS	EPS	P/E	BV	P/BV	ROAA	ROAE	
Equity Shares (m)	987.5	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(%)	(%)	
52 Week Range (INR)	410/163	3/10A	28,115	20,014	20.3	23.3	-	112	-	3.4	22.0	
1,6,12 Rel Perf (%)	2 / -15 / -30	3/11A	36,609	25,645	26.0	28.1	6.6	129	1.3	3.4	21.5	
Mcap (INR b)	169.6	3/12E	41,420	28,711	29.1	12.0	5.9	149	1.2	3.1	20.9	
Mcap (USD b)	3.4	3/13E	50,340	34,855	35.3	21.4	4.9	172	1.0	3.1	22.0	

- Rural Electrification Corp's (RECL) loan growth momentum is expected to remain healthy at ~24% YoY. On the back of strong sanctions pipeline, disbursement growth is likely to be healthy. In 1QFY12, disbursements grew by 18% YoY.
- We expect NIM to remain stable sequentially at 4.2-4.3%. RECL raised funds in the form of ECBs in 1QFY12, which are low cost funds, and thereby could provide some cushion to margins. We expect NII growth to be healthy at ~22% YoY.
- In 1QFY12 foreign currency borrowings constituted ~11% of RECL's borrowings. Except for dollar-denominated borrowings worth USD500m, all its foreign currency loans are hedged. However, due to a sharp depreciation of the rupee during the quarter we have factored in MTM loss of INR2b.
- After the spike in NPAs in 1QFY12 we expect asset quality to be stable.
- PAT is expected to decline by ~9% YoY due to higher forex losses during the quarter.
- The stock trades at 1.2x FY12E and 1x FY13E BV and 5.9x FY12E and 4.9x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) With an uncertain macro environment and issues pertaining to SEB losses, the management's outlook on business growth and asset quality; (2) MTM losses on foreign currency borrowings; (3) Movement in spreads.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	18,771	19,877	20,860	21,581	23,129	24,748	26,356	27,798	81,088	102,030
Interest Expenses	11,012	12,076	12,380	13,043	14,032	15,259	16,442	17,436	48,510	63,168
Net Interest Income	7,758	7,801	8,480	8,538	9,097	9,488	9,914	10,362	32,578	38,862
YoY Gr %	34.7	32.0	35.6	17.4	17.3	21.6	16.9	21.4	29.3	19.3
Other Operational Income	225	390	564	303	217	300	450	635	1,481	1,602
Net Operational Income	7,984	8,191	9,044	8,841	9,314	9,788	10,364	10,997	34,059	40,464
YoY Gr %	35.9	27.5	40.5	15.6	16.7	19.5	14.6	24.4	29.1	18.8
Other Income	292	555	357	1,180	383	-1,587	1,050	1,110	2,384	956
Total Net Income	8,275	8,746	9,401	10,021	9,697	8,201	11,414	12,107	36,609	41,420
YoY Gr %	30.2	28.3	38.6	25.1	17.2	-6.2	21.4	20.8	30.9	13.1
Operating Expenses	343	385	386	561	490	536	517	579	1,808	2,121
YoY Gr %	14.3	9.7	14.2	16.3	42.9	39.4	33.8	3.2	23.0	17.3
% to Income	4.1	4.4	4.1	5.6	5.1	6.5	4.5	4.8	4.9	5.1
Operating Profit	7,933	8,361	9,015	9,460	9,207	7,665	10,898	11,528	34,801	39,298
YoY Gr %	31.0	29.3	39.9	25.7	16.1	-8.3	20.9	21.9	31.4	12.9
Provisions	0	1	0	1	250	75	75	100	2	500
PBT	7,933	8,360	9,015	9,459	8,957	7,590	10,823	11,428	34,799	38,798
YoY Gr %	31.1	29.3	39.9	25.6	12.9	-9.2	20.1	20.8	31.4	11.5
Tax	2,059	2,178	2,374	2,457	2,338	1,973	2,814	2,963	9,067	10,088
Tax Rate %	26.0	26.0	26.3	26.0	26.1	26.0	26.0	25.9	26.1	26.0
PAT	5,874	6,182	6,641	7,003	6,620	5,617	8,009	8,466	25,645	28,711
YoY Gr %	24.6	25.1	40.1	24.8	12.7	-9.1	20.6	20.9	28.1	11.6

E:MOSL Estimates; Quarterly and annual numbers would not match due to differences in classification

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Shriram Transport Finance

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR600										Buy
Bloomberg	SHTF IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	226.2	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	900/551	3/10A	22,491	8,731	38.7	28.7	-	170.0	-	-	2.8	28.6
1,6,12 Rel Perf (%)	0 / -9 / -2	3/11A	30,551	12,299	54.4	40.5	11.0	216.7	2.8	2.8	3.3	28.2
Mcap (INR b)	135.6	3/12E	35,435	13,890	61.4	12.9	9.8	269.5	2.2	2.2	3.1	25.3
Mcap (USD b)	2.7	3/13E	39,987	15,946	70.5	14.8	8.5	330.1	1.8	1.8	3.0	23.5

* RoA is calculated on AUM

- We expect Shriram Transport Finance's (SHTF) AUM in 2QFY12 to grow at a healthy clip of ~20% YoY to INR381b against INR370b at the end of June 2011.
- Margins could remain under pressure due to higher incremental cost of funds, which is not yet completely passed on to customers.
- Driven by lower securitization income booked during the quarter and a high base of the previous year, net income, including securitization income, is likely to moderate to ~8% YoY.
- Asset quality is expected to remain largely stable sequentially. As a consequence, provisioning expenses are unlikely to be significantly higher compared with 1QFY12.
- We expect 2QFY12 PAT to grow by ~19% YoY.
- The stock trades at 2.2x FY12E and 1.8x FY13E BV. Maintain **Buy**.
- Key factors to watch for: (1) Outlook on growth and asset quality; (2) Securitization trends; (3) Movement in spreads.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	8,739	9,562	9,784	9,034	8,368	10,042	11,548	13,613	36,075	43,572
Interest expenses	5,613	5,578	5,396	5,791	5,714	6,514	7,491	9,715	23,746	29,435
Net Interest Income	3,126	3,984	4,388	3,243	2,654	3,528	4,057	3,898	12,329	14,137
Y-o-Y Growth (%)	-14.5	-5.6	-3.5	0.7	-15.1	-11.4	-7.5	20.2	-21.2	14.7
Securitization income	3,646	3,543	3,979	4,467	5,492	4,600	4,100	4,260	15,681	18,452
Net Income (Incl. Securitiz.)	6,772	7,527	8,367	7,710	8,146	8,128	8,157	8,159	28,010	32,589
Y-o-Y Growth (%)	44.4	42.9	45.3	19.3	20.3	8.0	-2.5	5.8	26.3	16.3
Fees and Other Income	361	232	184	174	477	520	719	1,130	2,541	2,846
Net Operating Income	7,133	7,759	8,550	7,883	8,623	8,648	8,876	9,289	30,551	35,435
Y-o-Y Growth (%)	46.8	43.5	44.7	18.5	20.9	11.5	3.8	17.8	33.8	16.0
Operating Expenses	1,506	2,034	2,199	1,549	1,678	1,766	1,794	1,853	6,514	7,091
Operating Profit	5,626	5,725	6,351	6,334	6,945	6,881	7,082	7,436	24,037	28,344
Y-o-Y Growth (%)	65.3	37.0	38.3	23.3	23.4	20.2	11.5	17.4	38.8	17.9
Provisions	1,281	1,264	1,787	1,216	1,745	1,540	2,040	2,132	5,548	7,457
Profit before Tax	4,345	4,461	4,564	5,118	5,200	5,341	5,042	5,304	18,489	20,887
Tax Provisions	1,456	1,472	1,551	1,713	1,727	1,789	1,689	1,777	6,190	6,997
Net Profit	2,890	2,990	3,014	3,405	3,473	3,552	3,353	3,527	12,299	13,890
Y-o-Y Growth (%)	75.7	44.1	27.3	28.8	20.2	18.8	11.3	3.6	40.9	12.9
Int Exp/ Int Earned (%)	64.2	58.3	55.2	64.1	68.3	64.9	64.9	71.4	65.8	67.6
Securitization Income / Net Inc. (%)	51.1	45.7	46.5	56.7	63.7	53.2	46.2	45.9	51.3	52.1
Cost to Income Ratio (%)	21.1	26.2	25.7	19.7	19.5	20.4	20.2	19.9	21.3	20.0
Tax Rate (%)	33.5	33.0	34.0	33.5	33.2	33.5	33.5	33.5	33.5	33.5

E: MOST Estimates; * Quaterly nos and full year nos will not tally due to different way of reporting financial nos

South Indian Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR22										Buy
Bloomberg	SIB IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	1,130.1	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	30/17	3/10A	7,768	2,338	2.1	20.0	-	13.0	-	-	1.0	17.0
1,6,12 Rel Perf (%)	9 / 17 / 11	3/11A	9,878	2,926	2.6	25.2	8.6	15.0	1.5	1.5	1.0	18.5
Mcap (INR b)	25.0	3/12E	11,271	3,428	3.0	17.2	7.3	17.4	1.3	1.3	0.9	18.7
Mcap (USD b)	0.5	3/13E	13,638	4,200	3.7	22.5	6.0	20.3	1.1	1.1	0.9	19.8

- South Indian Bank's (SIB) business growth is expected to remain strong in 2QFY12 with loan growth of ~29% YoY and deposit growth of ~32% YoY.
- After steep moderation in 1QFY12 margins, we expect margins to remain largely stable sequentially. Consequently, NII growth is expected to be muted at ~8% YoY.
- Non-interest income growth is expected to be ~25% YoY driven by higher treasury gains and fee income is expected to grow 6-7% YoY.
- While asset quality is likely to remain stable, on a conservative basis, we have built in higher slippages for 2QFY12 and thereby provisions are expected to be higher sequentially.
- We expect the bank to report PAT growth of ~8% YoY driven by muted revenue growth.
- The stock trades at 1.3x FY12E and 1.1x FY13E BV and 7.3x FY12E and 6x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Margin movement; (2) Business growth; (3) Asset quality trends.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	5,401	5,795	6,227	7,037	7,687	8,170	8,755	9,492	24,460	34,104
Interest Expense	3,728	3,822	4,179	4,821	5,638	6,032	6,500	7,075	16,549	25,244
Net Interest Income	1,674	1,973	2,048	2,216	2,050	2,138	2,255	2,417	7,911	8,860
% Change (YoY)	9.8	19.4	19.2	181.0	22.5	8.3	10.1	9.1	39.2	12.0
Other Income	417	449	497	605	516	568	620	706	1,967	2,411
Net Income	2,090	2,422	2,545	2,821	2,566	2,706	2,876	3,123	9,878	11,271
% Change (YoY)	0.3	5.0	18.4	129.9	22.8	11.7	13.0	10.7	27.2	14.1
Operating Expenses	1,046	1,174	1,116	1,289	1,135	1,208	1,296	1,364	4,625	5,003
Operating Profit	1,044	1,248	1,429	1,532	1,431	1,498	1,580	1,759	5,253	6,267
% Change (YoY)	-2.3	-6.8	20.9	196.9	37.1	20.0	10.6	14.8	27.9	19.3
Other Provisions	167	68	298	264	208	240	265	360	798	1,074
Profit before Tax	877	1,180	1,130	1,268	1,223	1,258	1,315	1,399	4,455	5,194
Tax Provisions	293	410	377	450	398	428	447	493	1,529	1,766
Net Profit	584	770	754	818	825	830	868	905	2,926	3,428
% Change (YoY)	-2.8	6.1	20.7	111.7	41.2	7.8	15.1	10.7	25.2	17.2
Deposit Growth (%)	25.1	27.3	30.8	29.2	35.5	31.9	28.5	26.0	29.2	26.0
Loan Growth (%)	32.7	35.7	29.2	29.5	31.7	29.4	27.8	27.0	29.5	27.0
CD Ratio (%)	72.4	71.9	71.1	70.0	70.0	69.9	70.6	70.2	70.0	70.2
Net Interest Margin (Reported,%)	2.8	3.2	3.1	3.2	2.8	-	-	-	3.1	-
Net Interest Margin (Cal, %)	2.8	3.2	3.1	3.1	2.7	2.7	2.7	2.7	3.0	2.6
Tax Rate (%)	33.4	34.7	33.3	35.5	32.6	34.0	34.0	35.3	34.3	34.0
Gross NPA (%)	1.3	1.3	1.3	1.1	1.1	1.2	1.2	1.3	1.1	1.3

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Sohail Halai (Sohail.Halai@MotilalOswal.com)

State Bank of India

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	SBIN IN
Equity Shares (m)	635.0
52 Week Range (INR)	3,515/1,813
1,6,12 Rel Perf (%)	2 / -14 / -18
Mcap (INR b)	1,239.0
Mcap (USD b)	25.1

CMP: INR1,951**Buy**

YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	CONS. EPS (INR)	CONS. P/E (X)*	CONS. BV (INR)	CONS. P/BV (X)*	CONS. P/ABV (X)*	ROAA (%)	ROAE (%)
3/10A	386,396	91,661	144.4	184.8	-	1,268	-	-	0.9	14.8
3/11A	483,510	82,645	130.2	168.3	11.1	1,268	1.5	1.7	0.7	12.6
3/12E	572,630	108,597	171.0	219.6	8.5	1,447	1.3	1.5	0.8	15.7
3/13E	652,050	133,937	210.9	268.8	6.9	1,667	1.1	1.3	0.9	17.1

* Valuation multiples are adjusted for SBI Life

- State Bank of India (SBIN) is expected to report 2QFY12 loan growth of ~17% YoY and deposit growth of 15% YoY. Margins are likely to remain healthy given a strong CASA base and a 75bp base rate hike during 2QFY12.
- Consequently, we expect NII growth of ~23% YoY (on a high base).
- Fee income is expected to remain largely flattish YoY, however, lower treasury gains could lead to marginal decline in overall non-interest income, though we expect it to be higher by ~10% QoQ.
- Slippages are expected to remain at elevated levels. However we expect improvement in upgrades and recoveries to continue, which should ideally result in lower net slippages and thereby lower increase in GNPA.
- Change in RBI norms (INR18b) resulted in higher provisions in 1QFY12, which is unlikely to repeat in 2QFY12. However, in line with higher slippages, credit costs are likely to remain high. We expect SBIN to provide INR5.5b towards the counter-cyclical buffer and have factored in MTM loss of INR~4.5b.
- The tax rate is expected to remain high due to non-allowance of one-off provisioning expenses for tax purposes. In 1QFY12, the bank's effective tax rate was ~49%.
- Adjusted for the value of insurance (INR102/share), the stock trades at 1.1x FY13E consolidated BV and 6.9x FY13E consolidated EPS. Maintain **Buy**.
- Key factors to watch for: (1) Asset quality and restructuring trends; (2) Growth and margin outlook.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	184,522	198,081	214,128	217,214	241,974	257,155	273,688	291,184	813,944	1,064,002
Interest Expense	111,484	116,932	123,630	136,633	144,979	157,146	171,505	186,826	488,680	660,455
Net Interest Income	73,038	81,149	90,498	80,581	96,995	100,009	102,184	104,359	325,264	403,547
% Change (Y-o-Y)	45.4	44.7	43.3	19.9	32.8	23.2	12.9	29.5	37.4	24.1
Other Income	36,900	40,052	33,139	48,155	35,342	39,025	43,077	51,640	158,246	169,084
Net Income	109,938	121,201	123,637	128,735	132,338	139,034	145,260	155,999	483,510	572,630
Operating Expenses	48,593	57,631	55,992	67,938	59,913	65,609	69,282	76,582	230,154	271,387
Operating Profit	61,345	63,570	67,645	60,797	72,424	73,424	75,978	79,417	253,356	301,244
% Change (Y-o-Y)	67.0	31.5	46.5	17.1	18.1	15.5	12.3	30.6	38.3	18.9
Other Provisions	15,514	26,215	20,515	41,570	41,569	32,900	26,193	26,827	103,813	127,489
Profit before Tax	45,831	37,355	47,130	19,227	30,855	40,525	49,786	52,590	149,542	173,755
Tax Provisions	16,688	12,342	18,849	19,019	15,020	15,501	17,425	17,213	66,897	65,158
Net Profit	29,143	25,014	28,281	209	15,836	25,024	32,361	35,377	82,645	108,597
% Change (Y-o-Y)	25.1	0.5	14.1	-98.9	-45.7	0.0	14.4	N.A.	-9.8	31.4
Deposit Growth (%)	6.8	10.7	14.0	16.1	16.5	15.0	17.5	18.0	16.1	18.0
Loan Growth (%)	20.3	19.0	21.3	19.8	18.0	17.2	15.3	17.0	19.8	17.0
CD Ratio (%)	80.1	79.6	82.7	81.0	81.1	81.1	81.1	80.3	81.1	80.3
Net Interest Margin (Reported, %)	3.2	3.4	3.6	3.1	3.6	-	-	-	3.3	-
Net Interest Margin (Cal, %)	3.1	3.4	3.7	3.1	3.7	3.7	3.6	3.5	3.2	3.5
Tax Rate (%)	36.4	33.0	40.0	98.9	48.7	38.3	35.0	32.7	44.7	37.5
Gross NPA (%)	3.1	3.4	3.2	3.3	3.5	3.6	3.5	3.3	3.3	3.3

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com) / Sohail Halai (Sohail.Halai@MotilalOswal.com)

Union Bank of India

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR249										Buy
Bloomberg	UNBK IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	524.3	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	427/225	3/10A	61,672	20,749	41.1	20.2	-	174.4	-	-	1.2	26.2
1,6,12 Rel Perf (%)	6 / -12 / -14	3/11A	82,550	20,819	39.7	-3.3	6.3	211.3	1.2	1.3	1.0	20.9
Mcap (INR b)	130.5	3/12E	94,231	27,060	51.4	29.5	4.8	251.3	1.0	1.1	1.1	22.2
Mcap (USD b)	2.6	3/13E	109,191	32,229	61.3	19.2	4.1	298.9	0.8	0.9	1.1	22.3

- Union Bank of India's (UNBK) business is expected to remain healthy in 2QFY12 with loans growing ~22% YoY and deposits growing ~17% YoY.
- Reported NIM is expected to decline by ~20bp on a YoY basis due to interest income on IT refunds (INR1.2b) in 2QFY11. On a sequential basis, we expect margins to remain steady.
- NII growth is likely to be muted at ~7% YoY. Non-interest income growth is expected to remain flattish YoY due to muted fee income.
- Consequently, operating profit growth is likely to remain muted at ~6% YoY.
- Slippages are expected to be elevated as the bank completes migration of its portfolio under the system-based NPA recognition method. In 1QFY12, slippages were INR7.7b.
- Provisions are expected to decline (1) ~38% YoY due to a high base in 2QFY11 and (2) ~14% QoQ as the bank made one-time provisions of INR2.1b due to change in provisioning guidelines in 1QFY12.
- On a lower base PAT is expect to grow 85% YoY and 21% QoQ in 2QFY12.
- The stock trades at 1x FY12E and 0.8x FY13E BV and 4.8x FY12E and 4.1x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Margin movement; (2) Trend in slippages; (3) Fee income performance.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	36,857	39,522	41,995	46,153	49,157	51,729	55,295	59,235	164,526	215,416
Interest Expense	23,376	24,164	25,836	28,987	33,255	35,287	37,613	40,203	102,364	144,424
Net Interest Income	13,480	15,358	16,158	17,165	15,902	16,442	17,682	19,032	62,162	70,992
% Change (Y-o-Y)	73.9	72.6	48.3	22.9	18.0	7.1	9.4	10.9	48.3	14.2
Other Income	4,350	5,096	4,936	6,006	4,840	5,107	6,165	7,127	20,388	23,239
Net Income	17,830	20,455	21,094	23,171	20,742	21,550	23,847	26,159	82,550	94,231
Operating Expenses	7,393	9,149	8,483	14,475	9,084	9,549	10,074	10,846	39,500	39,553
Operating Profit	10,437	11,306	12,611	8,695	11,658	12,001	13,772	15,313	43,050	54,678
% Change (Y-o-Y)	32.5	39.6	37.9	-24.2	11.7	6.1	9.2	76.1	17.6	27.0
Other Provisions	1,973	5,989	4,000	1,533	4,284	3,695	3,527	3,379	13,496	14,884
Profit before Tax	8,464	5,317	8,612	7,163	7,374	8,306	10,246	11,934	29,554	39,794
Tax Provisions	2,450	2,284	2,816	1,187	2,730	2,700	3,330	3,975	8,735	12,734
Net Profit	6,014	3,034	5,796	5,976	4,644	5,607	6,916	7,959	20,819	27,060
% Change (Y-o-Y)	36.0	-39.9	8.5	0.7	-22.8	84.8	19.3	33.2	0.3	30.0
Deposit Growth (%)	19.2	19.3	23.5	19.1	16.4	17.1	18.8	17.0	19.1	17.0
Loan Growth (%)	29.9	27.1	25.6	26.2	16.7	22.2	23.5	18.8	26.2	18.8
CD Ratio (%)	72.9	71.1	71.7	75.6	73.1	74.2	74.5	76.7	75.6	76.7
Net Interest Margin (Reported,%)	3.0	3.4	3.4	3.4	3.1	-	-	-	3.3	-
Net Interest Margin (Cal, %)	3.0	3.3	3.4	3.4	3.0	3.1	3.1	3.1	3.2	3.0
Tax Rate (%)	28.9	42.9	32.7	16.6	37.0	32.5	32.5	33.3	29.6	32.0
Gross NPA (%)	2.2	2.8	2.7	2.4	2.6	2.6	2.5	2.3	2.4	2.3

E: MOSL Estimates

Yes Bank

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR262										Buy
Bloomberg	YES IN	YEAR	NET INCOME	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	ROAA	ROAE
Equity Shares (m)	347.1	END	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
52 Week Range (INR)	388/234	3/10A	13,635	4,777	14.1	37.5	-	91.0	-	-	1.6	20.3
1,6,12 Rel Perf (%)	0 / 3 / -4	3/11A	18,702	7,271	20.9	48.9	12.5	109.3	2.4	2.4	1.5	21.1
Mcap (INR b)	91.0	3/12E	24,200	9,285	26.7	27.7	9.8	132.0	2.0	2.0	1.4	22.2
Mcap (USD b)	1.8	3/13E	31,467	11,473	33.0	23.6	7.9	160.0	1.6	1.6	1.3	22.6

- On a higher base, Yes Bank's (YES) 2QFY12 loan growth is expected to moderate to 18% YoY.
- A low CASA mix and higher proportion of wholesale funds would pressurize cost of funds in 2QFY12. However, the bank's ability to pass on an increase in costs will cushion margins. NIM is expected to remain largely stable at 2.8% sequentially.
- Fee income growth is expected to be strong at 45%+ led by continued traction in financial advisory and transaction banking.
- YES added more than 100 branches over the past one year, which is expected to translate into higher costs. We expect opex to grow ~28%. However, strong core revenue growth is likely to keep cost-to-income ratio (one of the key drivers of profitability) under check.
- GNPA ratio of 17bp and provision coverage ratio of 95% are among the best in the industry. We expect asset quality to remain stable.
- The stock trades at 2x FY12E and 1.6x FY13E BV and 9.8x FY12E and 7.9x FY13E EPS. Maintain **Buy**.
- Key factors to watch for: (1) Margin movement; (2) Fee income growth; (3)CASA ratio.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	7,392	9,538	11,262	12,226	13,995	15,705	17,702	20,172	40,417	67,575
Interest Expense	4,771	6,406	8,030	8,741	10,454	12,022	13,644	15,503	27,948	51,622
Net Interest Income	2,621	3,132	3,232	3,485	3,542	3,684	4,058	4,670	12,469	15,953
% Change (Y-o-Y)	67.1	77.9	53.2	42.7	35.1	17.6	25.6	34.0	58.2	27.9
Other Income	1,438	1,310	1,617	1,868	1,653	1,915	2,150	2,529	6,233	8,247
Net Income	4,059	4,442	4,848	5,353	5,195	5,599	6,208	7,199	18,702	24,200
Operating Expenses	1,570	1,628	1,736	1,865	1,944	2,079	2,238	2,441	6,798	8,701
Operating Profit	2,490	2,814	3,113	3,488	3,251	3,520	3,970	4,758	11,904	15,498
% Change (Y-o-Y)	25.9	46.7	44.0	35.4	30.6	25.1	27.5	36.4	37.9	30.2
Other Provisions	126	174	250	433	15	250	500	771	982	1,536
Profit before Tax	2,364	2,640	2,863	3,055	3,236	3,270	3,470	3,987	10,922	13,962
Tax Provisions	800	877	952	1,021	1,075	1,095	1,162	1,344	3,650	4,677
Net Profit	1,564	1,763	1,911	2,034	2,161	2,174	2,307	2,642	7,271	9,285
% Change (Y-o-Y)	56.3	57.8	51.8	45.2	38.2	23.4	20.7	29.9	52.2	27.7
Deposit Growth (%)	97.1	106.6	79.0	71.4	44.1	18.7	32.4	30.0	71.4	30.0
Loan Growth (%)	107.2	86.2	66.3	54.8	26.1	17.8	26.4	32.0	54.8	32.0
CD Ratio (%)	86.8	75.8	78.9	74.8	76.0	75.3	75.3	76.0	74.8	76.0
Net Interest Margin (Reported,%)	3.1	3.0	2.8	2.8	2.8	-	-	-	2.9	-
Net Interest Margin (Cal, %)	3.0	3.1	2.8	2.8	2.7	2.8	2.8	2.9	2.7	2.4
Tax Rate (%)	33.9	33.2	33.2	33.4	33.2	33.5	33.5	33.7	33.4	33.5
Gross NPA (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

E: MOSL Estimates

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Healthcare

COMPANY NAME

Aventis Pharma
Biocon
Cadila Healthcare
Cipla
Dishman Pharma
Divi's Laboratories
Dr Reddy's Labs.
GSK Pharma
Glenmark Pharma
Jubilant Organosys
Lupin
Opto Circuits
Ranbaxy Labs.
Strides Arcolab
Sun Pharmaceuticals
Torrent Pharma

Expect aggregate revenue for Healthcare Universe to grow 15% YoY

For 2QFY12, we expect topline growth of 15.1% YoY for our Healthcare Universe (excluding one-offs), with EBITDA growth at 16% YoY. Adjusted PAT is likely to grow just 3.4% YoY. EBITDA growth would mainly be led by strong performance by Sun Pharma on the back of Taro acquisition, Divi's Lab on strong recovery in business, Cipla, Strides Arcolab and Opto Circuits. Adjusted PAT growth would be impacted by poor performance from CRAMS companies (ex-Divi's Lab), Dr Reddy's and some of the second tier generic companies like Cadila, Lupin and Biocon.

Aggregates 2QFY12 - Excluding one-offs

Pharma Universe Aggregates	YoY growth (%)			EBITDA margin (%)		
	Sales	EBITDA	ADJ PAT	Jun'11	Jun'10	CHG (BP)
MNC Pharma	14.0	11.3	9.9	28.6	29.3	-68
Big 4 Generics	16.2	19.5	1.6	19.4	18.8	54
CRAMS	11.6	25.8	-3.3	21.4	19.0	241
Second Tier generics	11.6	8.8	3.0	20.2	20.8	-51
Sector Aggregate	15.1	16.0	3.4	20.6	20.5	18

Note - Above numbers exclude one-offs to facilitate comparison of core operations

Aggregates 2QFY12 - Including one-offs

Pharma Universe Aggregates	YoY growth (%)			EBITDA margin (%)		
	Sales	EBITDA	ADJ PAT	Jun'11	Jun'10	CHG (BP)
MNC Pharma	14.0	11.3	9.9	28.6	29.3	-68
Big 4 Generics	12.9	15.2	-2.4	20.4	20.0	40
CRAMS	11.6	25.8	-3.3	21.4	19.0	241
Second Tier generics	14.3	22.3	3.0	22.2	20.8	143
Sector Aggregate	14.5	18.8	1.2	21.8	21.0	79

Expected quarterly performance summary

(INR million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Aventis Pharma	2,276	Neutral	3,201	16.2	5.7	495	16.6	15.8	487	2.9	-2.1
Biocon	333	Buy	4,937	-27.3	11.8	1,482	3.2	23.1	848	-5.0	21.0
Cadila Health	789	Neutral	13,040	16.8	4.7	2,501	2.2	-17.3	1,594	-6.7	11.2
Cipla	287	Buy	17,624	9.1	10.7	4,105	16.8	11.1	2,870	9.1	13.3
Dishman Pharma	60	Neutral	2,680	26.0	13.0	543	47.1	24.3	171	-42.1	13.0
Divis Labs	728	Buy	3,690	44.5	2.9	1,248	48.2	-2.3	964	34.0	-6.1
Dr Reddy' s Labs	1,483	Neutral	19,734	5.5	-0.2	3,651	-9.0	-4.8	1,992	-18.9	-12.2
Glenmark Pharma	320	Neutral	9,950	42.0	14.6	3,170	86.6	6.9	1,135	14.9	3.2
GSK Pharma	2,027	Buy	6,576	13.0	17.1	2,301	10.3	23.1	1,772	12.0	16.8
Jubilant Organosys	200	Neutral	9,880	0.0	4.6	1,682	8.6	-7.6	641	-22.0	-16.9
Lupin	464	Buy	15,647	11.4	1.4	2,863	6.1	6.1	2,105	-2.1	0.2
Opto Circuits	221	Neutral	5,406	63.1	3.8	1,392	31.7	-2.8	991	28.0	-14.9
Ranbaxy Labs	482	Sell	20,771	7.4	-0.8	1,444	4.1	-20.5	1,096	7.5	24.2
Strides Arcolab	336	Buy	5,755	39.6	-1.0	1,060	51.0	-2.0	411	55.6	-26.2
Sun Pharma	467	Neutral	16,287	18.9	-0.4	5,207	11.5	-4.9	4,908	-2.6	-2.0
Torrent Pharma	552	Buy	6,644	14.3	3.0	1,342	14.2	-10.8	878	15.2	0.6
Sector Aggregate			161,823	12.9	4.1	34,487	14.7	-0.2	22,861	1.3	1.2

Note: Historic numbers include one-offs and hence YoY comparison may not give the correct picture

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Key highlights of core 2QFY12 performance

- **Sun Pharma, Cipla, Divi's Lab and Strides Arcolab to record strong operational improvement:** From our coverage universe, we expect Sun Pharma, Cipla, Divi's Lab and Strides Arcolab to record strong EBITDA growth for 2QFY12. We attribute the following company-specific reasons for this performance:
 1. **Sun Pharma:** Expect strong operating performance, primarily led by acquisition of Taro and improvement in profitability of Taro.
 2. **Cipla:** Expect healthy growth in EBITDA, despite muted growth in topline, on the back of margin expansion due to increased capacity utilization at Indore SEZ.
 3. **Dr Reddy's:** Likely to report muted growth in EBITDA due to contraction in margins on high base, import alert on Mexico facility and pricing pressure in domestic formulations business.
 4. **Ranbaxy Labs:** Likely to post lower EBITDA growth despite a low base due to low topline growth and high marketing expenses in domestic formulations.
 5. **Divi's Lab:** Strong growth in EBITDA and PAT, led by recovery in all business segments and ramp up in new facilities.
 6. **Cadila:** Expect EBITDA to grow marginally on account of high base and pricing pressure in domestic business.
 7. **Lupin:** Muted operational performance due to high base on account of low competition product generic, Lotrel.
 8. **CRAMS companies to report healthy operational performance:** Divi's Lab and Dishman are likely to report healthy operational performance on the back of recovery in business. However, Dishman and Strides are likely to report YoY decline in PAT on account of high base, with forex gains and sell-off/demerger of some business segments.

Sector view

Generics

- Emerging markets to help improve profitability gradually from 2012.
- New launches imperative for driving growth in core US business.
- Differentiation becoming imperative - Low competition/patent challenge products, brands, NCE research will be key differentiators.
- Increasing MNC interest in generics space may lead to large acquisitions/supply arrangements with Indian companies.
- **Top picks: Cipla and Lupin.**

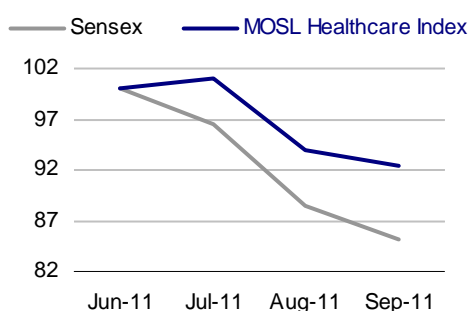
CRAMS (Contract Research & Manufacturing Services)

- **Favorable macro trends:** India on the threshold of significant opportunity, contract manufacturing opportunity to grow ~3.7x over 2007-2012.
- Inventory de-stocking impacted performance over last 4-5 quarters; expect recovery from FY12 onwards.
- **Top pick: Divi's Labs.**

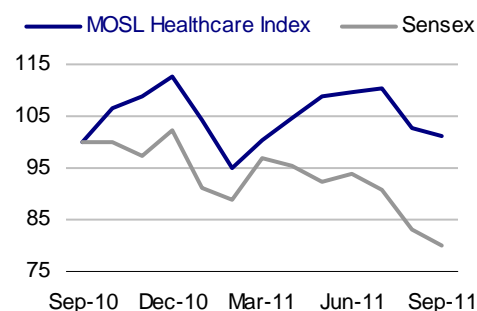
MNC Pharma

- Portfolio realignment in favour of lifestyle products to drive growth in short-to-medium term.
- Branded generics, patented products and in-licensing to drive long-term growth.
- Parent's commitment to listed entity is imperative.
- **Top pick: GSK Pharma.**

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Healthcare														
Aventis Pharma	2,276	Neutral	67.3	74.0	91.9	33.8	30.8	24.8	32.1	28.2	21.1	15.5	15.8	18.0
Biocon	333	Buy	18.4	18.1	22.0	18.1	18.4	15.2	10.4	9.8	8.2	18.1	15.9	17.0
Cadila Health	789	Neutral	30.9	28.0	41.0	25.5	28.1	19.2	16.5	16.6	13.4	33.4	23.5	27.6
Cipla	287	Buy	12.0	13.4	16.5	23.8	21.4	17.3	17.3	14.4	12.0	14.5	14.4	15.7
Dishman Pharma	60	Neutral	10.0	8.8	11.1	6.0	6.9	5.4	8.1	6.2	5.1	9.7	7.9	9.2
Divis Labs	728	Buy	32.4	35.1	45.0	22.5	20.7	16.2	18.6	15.4	11.8	23.9	22.2	23.7
Dr Reddy' s Labs	1,483	Neutral	65.6	68.5	82.4	22.6	21.6	18.0	17.1	17.5	14.6	24.1	22.5	23.8
Glenmark Pharma	320	Neutral	12.5	16.1	20.1	25.6	19.8	15.9	17.8	10.5	11.0	17.4	17.0	17.4
GSK Pharma	2,027	Buy	68.6	77.5	89.6	29.5	26.1	22.6	20.4	18.9	16.1	30.1	31.3	33.4
Jubilant Organosys	200	Neutral	14.4	16.5	25.1	13.9	12.1	8.0	11.6	9.2	7.2	10.5	12.2	17.4
Lupin	464	Buy	19.3	21.0	26.2	24.0	22.1	17.7	20.1	17.3	14.0	29.3	25.5	26.3
Opto Circuits	221	Neutral	19.6	21.2	27.5	11.3	10.4	8.0	10.7	9.0	7.0	30.4	25.9	27.9
Ranbaxy Labs	482	Sell	25.8	11.7	17.8	18.7	41.1	27.0	11.4	23.6	18.3	19.4	11.3	11.1
Strides Arcolab	336	Buy	21.1	29.7	39.0	15.9	11.3	8.6	11.0	9.8	8.7	11.6	12.5	14.7
Sun Pharma	467	Neutral	13.6	17.3	21.2	34.5	27.0	22.0	22.5	20.9	16.6	16.2	17.7	18.8
Torrent Pharma	552	Buy	31.9	40.4	49.4	17.3	13.7	11.2	11.7	9.0	7.2	29.2	29.5	28.5
Sector Aggregate						23.9	22.5	18.1	16.6	15.8	13.0	19.7	18.2	19.6

Ranbaxy core valuations adjusted for DCF value of Para-IV upsides

Aventis Pharma

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	AVEN IN
Equity Shares (m)	23.0
52 Week Range (INR)	2380/1710
1,6,12 Rel Perf (%)	9 / 28 / 44
Mcap (INR b)	52.4
Mcap (USD b)	1.1

CMP: INR2,276**Neutral**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	9,744	1,574	68.4	-5.3	-	-	17.1	26.3	-	-
12/10A	10,850	1,550	67.3	-1.5	33.8	5.2	15.5	23.6	4.2	32.1
12/11E	12,196	1,705	74.0	10.0	30.7	4.9	15.8	23.6	3.7	28.2
12/12E	13,927	2,117	91.9	24.2	24.8	4.5	18.0	26.9	3.2	21.1

- We expect AVEN's topline to grow 16.2% YoY in 3QCY11 to INR3.2b, led by both the domestic formulations business (14.5% YoY growth to INR2.66b) and export business (24.8% YoY growth to INR544m).
- EBITDA would grow 16.6% YoY to INR495m and EBITDA margin is likely to expand marginally by 10bp YoY to 15.5%.
- We expect PAT to grow just 2.9% YoY to INR487m, despite better operational performance due to lower other income and higher tax.

AVEN will be one of the key beneficiaries of the patent regime in the long term. The parent has a strong R&D pipeline, with 55 products undergoing clinical trials, of which 13 are in Phase-III or pending approvals and some are likely to be launched in India. However, AVEN's profitability has declined significantly in the last few years, with EBITDA margin shrinking from 25% in CY06 to 13.2% in CY10, impacted mainly by discontinuation of Rabipur sales in the domestic market, lower export growth and higher staff and promotional expenses. RoE declined from 28.6% to 15.5% over CY06-10. The stock trades at 30.7x CY11E and 24.8x CY12E EPS. We believe the stock price performance is likely to remain muted in the short-term until clarity emerges on future growth drivers. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	2,514	2,715	2,756	2,865	2,763	3,028	3,201	3,204	10,850	12,196
YoY Change (%)	9.8	8.6	6.6	20.8	9.9	11.5	16.2	11.8	11.4	12.4
Total Expenditure	2,150	2,280	2,331	2,658	2,328	2,600	2,706	2,956	9,419	10,589
EBITDA	364	435	425	207	435	428	495	249	1,431	1,607
Margins (%)	14.5	16.0	15.4	7.2	15.7	14.1	15.5	7.8	13.2	13.2
Depreciation	43	47	53	54	54	54	54	52	197	214
Interest	0	0	0	29	2	0	0	0	29	2
Other Income	226	253	313	343	379	361	290	131	1,135	1,161
PBT before EO Items	547	641	685	467	758	735	732	328	2,340	2,552
Extra-Ord Expense	0	0	0	-757	0	0	0	0	-757	0
PBT after EO Items	547	641	685	1,224	758	735	732	328	3,097	2,552
Tax	186	217	212	175	252	238	245	112	790	848
Effective tax Rate (%)	34.0	33.9	30.9	37.5	33.2	32.4	33.5	34.3	25.5	33.2
Reported PAT	361	424	473	1,049	506	497	487	215	2,307	1,705
Adj PAT	361	424	473	292	506	497	487	215	1,550	1,705
YoY Change (%)	-10.9	-10.0	8.0	9.1	40.2	17.2	2.9	-26.3	-2.0	10.0
Margins (%)	14.4	15.6	17.2	10.2	18.3	16.4	15.2	6.7	14.3	14.0
Domestic Sales	1,972	2,177	2,320	2,240	2,221	2,440	2,657	2,523	8,709	9,841
YoY Change (%)	15.1	15.3	14.6	22.5	12.6	12.1	14.5	12.6	16.8	13.0

E: MOSL Estimates; Financials exclude the recently announced Universal Medicare acquisition pending closure of the deal and availability of more details

Biocon

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR333										Buy
Bloomberg	BIOS IN	YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	200.0	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	465/302	03/10A	23,678	2,932	14.7	215.2	-	-	16.7	15.6	-	-
1,6,12 Rel Perf (%)	3 / 13 / 14	03/11A	27,707	3,675	18.4	25.3	18.1	3.3	18.1	19.3	2.2	10.4
Mcap (INR b)	66.6	03/12E	20,754	3,627	18.1	-1.3	18.4	2.9	15.9	17.7	2.9	9.8
Mcap (USD b)	1.3	03/13E	24,276	4,396	22.0	21.2	15.2	2.6	17.0	18.9	2.5	8.2

- We expect BIOCON's topline to decline 27.3% YoY in 2QFY12 to INR4.94b, mainly due absence of AxiCorp. Excluding AxiCorp, revenue is likely to grow 19% YoY, led by its contract research division and licensing income. Contract research revenue is likely to grow 22% YoY to INR951m and licensing income is likely to grow 37% YoY to INR315m. We expect Biopharma revenue to grow 17% YoY to INR3.67b.
- EBITDA would grow 3.2% YoY due to absence of AxiCorp and EBITDA margin is likely to expand by 880bp to 30% led by better product mix (AxiCorp was a low margin trading business).
- We expect adjusted PAT to decline 5% YoY to INR848m due to higher depreciation and tax expense.

Key growth drivers for FY12 and FY13 will be: (1) traction in the company's insulin initiative and Pfizer contract in emerging markets, (2) ramp-up in contract research business, and (3) incremental contribution from immunosuppressant API supplies. Option values for the future include the separate listing of Syngene and a potential out-licensing of oral insulin NCE. We estimate EPS at INR18.1 (down 1.3%) in FY12 and INR22 (up 21.2%) in FY13. EPS growth in FY12 would be partly impacted by the divestment of Axicorp. The stock trades at 18.4x FY12E and 15.2x FY13E earnings. Maintain **Buy** with a target price of INR396 (18x FY13E EPS).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	6,623	6,788	7,281	7,016	4,417	4,937	5,506	5,890	27,707	20,754
YoY Change (%)	33.6	17.0	14.6	6.8	-33.3	-27.3	-24.4	-16.0	17.0	-25.1
Total Expenditure	5,310	5,352	5,597	5,571	3,213	3,455	3,779	4,225	21,829	14,672
EBITDA	1,313	1,436	1,684	1,435	1,204	1,482	1,727	1,666	5,878	6,082
Margins (%)	19.8	21.2	23.1	20.5	27.2	30.0	31.4	28.3	21.2	29.3
Depreciation	375	390	406	407	451	480	489	538	1,578	1,957
Interest	70	65	66	57	57	62	57	63	257	238
Other Income	95	89	96	149	123	160	214	266	429	764
PBT	963	1,070	1,309	1,121	820	1,101	1,395	1,332	4,472	4,651
Tax	164	156	292	109	119	253	335	316	721	1,023
Rate (%)	17.0	14.6	22.3	9.8	14.6	23.0	24.0	23.7	16.1	22.0
Minority Interest	31	22	10	13	0	0	0	0	75	0
PAT	767	892	1,007	1,008	701	848	1,060	1,016	3,675	3,627
YoY Change (%)	34.3	20.2	23.9	25.1	-8.7	-5.0	5.3	0.8	25.3	-1.3
Margins (%)	11.6	13.1	13.8	14.4	15.9	17.2	19.3	17.2	13.3	17.5
Licensing Income	210	230	768	342	140	315	520	600	1,550	1,575
YoY Change (%)		117.0	338.9	51.3	-33.3	37.0	-32.3	75.5	205.7	1.6
Contract Research	720	780	788	892	880	951	1,009	1,040	3,180	3,880
YoY Change (%)		6.7	13.5	24.0	22.2	21.9	28.0	16.6	13.3	22.0

E: MOSL Estimates

Cadila Healthcare

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	CDHIN
Equity Shares (m)	204.7
52 Week Range (INR)	984/625
1,6,12 Rel Perf (%)	-6 / 18 / 42
Mcap (INR b)	161.6
Mcap (USD b)	3.3

CMP: INR789**Neutral**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	36,868	5,011	24.5	55.2	-	-	35.4	26.4	-	-
03/11A	46,302	6,334	30.9	26.4	25.5	7.4	37.5	30.5	3.7	16.5
03/12E	51,555	5,742	28.0	-9.4	28.1	6.0	27.1	25.3	3.3	16.6
03/13E	60,184	8,399	41.0	46.3	19.2	4.8	27.6	27.1	2.8	13.4

- We expect CDH's topline for 2QFY12 to grow 16.8% YoY to INR13b, led by 18.1% YoY growth in export sales (contributing 48% to revenue). The export formulations business is likely to grow 23.3% YoY to INR5.32b. We expect the domestic business to grow 13.7% YoY to INR6.75b. The company's consumer business in India is likely to grow 15.8% YoY and domestic formulations revenue would grow 13% YoY. Revenue growth would be boosted by a 130% YoY increase in other operating income on a low base.
- We expect EBITDA to grow marginally by 2.2% YoY to INR2.5b and EBITDA margin is likely to contract by 270bp YoY to 19.2% on a high base and pricing pressure in the domestic formulations business.
- Adjusted PAT is likely to decline by 6.7% YoY to INR1.6b, in line with operating performance and higher tax rate. CDH's growth will be led by increased traction in its international businesses, ramp-up in supplies to Hospira and sustained double-digit growth in domestic formulations and consumer businesses. Sustaining double-digit growth without diluting return ratios has been the company's USP and has led to a significant stock re-rating. We believe that this track record would be subjected to many challenges, as CDH tries to aggressively scale-up to achieve its revenue target of USD3b by FY16. Given the disappointing core performance for the last two quarters and likely impact of the Neshier acquisition, the strong earnings upgrade cycle of the past two years could break. CDH trades at 28.1x FY12E and 19.2x FY13E consolidated EPS. We believe that valuations are rich and leave little scope for further re-rating. We maintain **Neutral** with a target price of INR903 (22x FY13E EPS).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	11,338	11,166	11,668	12,130	12,457	13,040	13,615	12,443	46,302	51,555
YoY Change (%)	25.5	18.1	17.7	43.3	9.9	16.8	16.7	2.6	25.6	11.3
Total Expenditure	8,364	8,718	9,106	9,851	9,433	10,539	11,046	10,295	36,040	41,314
EBITDA	2,974	2,448	2,561	2,279	3,024	2,501	2,569	2,148	10,262	10,242
Margins (%)	26.2	21.9	22.0	18.8	24.3	19.2	18.9	17.3	22.2	19.9
Depreciation	314	304	334	317	347	392	408	422	1,269	1,569
Interest	224	179	187	108	112	195	180	264	699	752
Other Income	-63	57	23	113	63	54	50	40	131	207
PBT after EO Income	2,373	2,022	2,064	1,967	2,628	1,967	2,030	1,502	8,425	8,127
Tax	338	254	368	104	285	295	355	283	1,064	1,219
Rate (%)	14.2	12.6	17.8	5.3	10.9	15.0	17.5	18.9	12.6	15.0
Minority Int/Adj on Consol	43	60	76	72	45	78	72	106	251	301
Reported PAT	1,992	1,708	1,620	1,791	2,298	1,594	1,603	1,113	7,110	6,607
Adj PAT	1,627	1,708	1,620	1,380	1,433	1,594	1,603	1,113	6,334	5,742
YoY Change (%)	29.6	27.3	24.0	24.7	-11.9	-6.7	-1.1	-19.3	26.4	-9.4
Margins (%)	14.3	15.3	13.9	11.4	11.5	12.2	11.8	8.9	13.7	11.1
Adj PAT incl one-offs	1,627	1,708	1,620	1,791	2,298	1,594	1,603	1,113	6,745	6,607
Domestic Formulation Sales	4,361	4,668	4,243	3,874	4,574	5,276	4,950	4,385	17,146	19,185
YoY Change (%)	17.3	18.6	16.6	22.4	4.9	13.0	16.7	13.2	18.6	11.9
Hospira JV Sales	139	312	366	1,334					2,152	1,928
YoY Change (%)	-40.5	53.8	97.0	517.6					156.5	-10.4

E: MOSL Estimates

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Cipla

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR287										Buy
Bloomberg Equity Shares (m)	CIPLAIN 802.9	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	381/274	03/10A	56,057	10,050	12.5	25.0	-	-	17.0	20.6	-	-
1,6,12 Rel Perf (%)	2 / 9 / 9	03/11A	63,145	9,671	12.0	-3.7	23.8	3.5	14.5	15.8	3.7	17.8
Mcap (INR b)	230.1	03/12E	69,193	10,752	13.4	11.1	21.4	3.1	14.4	17.2	3.3	14.8
Mcap (USD b)	4.7	03/13E	79,421	13,280	16.5	23.3	17.3	2.7	15.7	19.0	2.9	12.3

- CIPLA is likely to report muted topline growth of 9.1% YoY in 2QFY12 to INR17.6b, impacted by 5.9% YoY growth in domestic sales on account of rationalization of business divisions and increased pricing pressure in acute therapeutic segments. The export formulations business is likely to grow 11.6% YoY to INR9.28b, led by the ramp-up of its Indore SEZ and 23.2% YoY growth in export APIs to INR2.1b, led by a new product opportunity.
- While EBITDA is likely to increase by 16.8% YoY, EBITDA margin is likely to expand by 150bp YoY to 23.3%, led by a low base and improving capacity utilization at the Indore SEZ.
- Adjusted PAT is likely to grow 9.1% YoY to INR2.87b, despite healthy operational performance, due to higher depreciation and tax expense.

We believe that CIPLA is one of the best plays on emerging markets amongst Indian companies. After a long delay, we believe its CFC-free inhaler pipeline is likely to gradually get commercialized in Europe and upsides from high-margin opportunities like Seretide can potentially come through over the next two years (our estimates do not include these upsides). Its large manufacturing infrastructure, strong chemistry skills and huge inhaler capacity make it a partner of choice for global MNCs that are ramping up their generics and emerging market presence. This coupled with its low-risk strategy and one of the strongest capex in the company's history (currently under utilized) should ensure good long-term potential. Temporary slowdown in overall growth, increased expenses to maintain Indore SEZ without commensurate revenue and higher working capital requirements remain key concerns. The stock currently trades at 21.4x FY12E and 17.3x FY13E earnings. Maintain **Buy** with a target price of INR364 (22x FY13E EPS).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	14,798	16,154	15,537	16,657	15,914	17,624	17,680	17,974	63,145	69,193
YoY Change (%)	7.5	12.1	8.0	23.4	7.5	9.1	13.8	7.9	12.6	9.6
Total Expenditure	11,152	12,638	12,355	13,783	12,219	13,519	13,659	14,152	49,927	53,550
EBITDA	3,646	3,516	3,182	2,875	3,695	4,105	4,021	3,822	13,218	15,643
Margins (%)	24.6	21.8	20.5	17.3	23.2	23.3	22.7	21.3	20.9	22.6
Depreciation	548	639	653	702	703	770	817	854	2,542	3,144
Interest	1	3	29	140	43	75	72	104	173	293
Other Income	28	316	257	521	249	284	308	393	1,122	1,234
PBT	3,124	3,190	2,757	2,554	3,199	3,544	3,440	3,257	11,625	13,440
Tax	550	560	430	412	666	673	688	661	1,952	2,688
Rate (%)	17.6	17.6	15.6	16.1	20.8	19.0	20.0	20.3	16.8	20.0
Reported PAT	2,574	2,630	2,327	2,142	2,533	2,870	2,752	2,596	9,673	10,752
Adj PAT	2,574	2,630	2,327	2,142	2,533	2,870	2,752	2,596	9,673	10,752
YoY Change (%)	6.5	-3.9	-19.5	-0.6	-1.6	9.1	18.3	21.2	-5.2	11.2
Margins (%)	17.4	16.3	15.0	12.9	15.9	16.3	15.6	14.4	15.3	15.5
Domestic Formulation Sales	6,615	7,477	7,196	6,395	7,202	7,922	8,170	7,154	27,682	30,447
YoY Change (%)	3.7	20.8	11.5	14.8	8.9	5.9	13.5	11.9	12.6	10.0
Other Operating Income	524	355	523	440	411	418	456	489	1,842	1,775
YoY Change (%)	3.2	-49.0	-44.6	40.0	-21.6	18.0	-12.8	11.1	-25.2	-3.6

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Dishman Pharma

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	DISH IN
Equity Shares (m)	81.3
52 Week Range (INR)	195/59
1,6,12 Rel Perf (%)	-12 / -21 / -48
Mcap (INR b)	4.9
Mcap (USD b)	0.1

CMP: INR60

Neutral

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
03/10A	9,154	1,157	14.2	-21.0	-	-	15.3	11.4	-	-
03/11A	9,908	814	10.0	-29.6	6.0	0.6	9.7	8.1	1.3	8.1
03/12E	11,258	714	8.8	-12.2	6.9	0.5	7.9	8.2	1.2	6.2
03/13E	12,938	903	11.1	26.4	5.4	0.5	9.2	8.9	1.0	5.1

- We expect DISH's revenue to grow 26% YoY to INR2.68b in 2QFY12, led by its MM business segment, which is likely to grow 56.3% YoY to INR812m on a low base. Revenue from the CRAMS business would grow 16.2% YoY to INR1.87b. We expect revenue from Carbogen AMCIS to decline 8% YoY to INR840m and revenue from the domestic CRAMS business is likely to grow 48% YoY to INR1b on a low base, impacted by inventory de-stocking.
- We expect EBITDA to grow 47.1% YoY to INR543m and EBITDA margin is likely to expand by 290bp YoY to 20.3% on a low base.
- The company's adjusted PAT is likely to decline 42.1% YoY to INR171m, despite strong operational performance due to very low other income compared with 2QFY11 (boosted by forex gains), higher interest costs and tax expenses. The macro environment for the CRAMS business is favorable, given India's inherent cost advantages and chemistry skills. We believe DISH's India operations will benefit from increased outsourcing from India, given its strengthening MNC relations and expansion of some of the existing customer relationships. However, CA's adverse business environment will impact earnings growth in FY12 and FY13. We expect revenue CAGR of 14.3%, EBITDA CAGR of 27.2% and earnings CAGR of 5.3% over FY11-13. Earnings growth was impacted mainly due to a significant increase in the tax rate (due to expiry of EoU benefits) and absence of forex gains which boosted FY11 PAT. The stock trades at 6.9x FY12E and 5.4x FY13E earnings. RoE will be below 10% until new facilities and CRAMS contracts ramp up. Maintain **Neutral** with a target price target of INR111 (10x FY13E EPS).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	2,019	2,128	2,318	3,444	2,372	2,680	2,921	3,284	9,908	11,258
YoY Change (%)	-11.3	-2.1	4.3	38.9	17.5	26.0	26.0	-4.6	8.2	13.6
Total Expenditure	1,574	1,759	2,064	2,889	1,935	2,137	2,314	2,664	8,286	9,051
EBITDA	445	369	253	555	437	543	607	620	1,622	2,207
Margins (%)	22.0	17.4	10.9	16.1	18.4	20.3	20.8	18.9	16.4	19.6
Depreciation	161	168	171	187	187	198	211	231	688	827
Interest	82	95	133	105	137	146	148	151	416	582
Other Income	104	203	61	34	56	14	14	11	402	95
PBT after EO Income	305	308	10	297	169	214	262	249	921	893
Tax	17	14	-7	84	17	43	52	66	108	179
Deferred Tax	17	0	0	-17	0	0	0	0	0	0
Rate (%)	11.2	4.4	-68.1	22.6	10.4	20.0	20.0	26.5	11.7	20.0
Prior Period Adjustment	-1	12	1	2	0	0	0	0	14	0
Reported PAT	272	283	17	228	151	171	209	183	800	714
Adj PAT	271	295	17	230	151	171	209	183	813	714
YoY Change (%)	-30.8	20.7	-94.6	15.2	-44.3	-42.1	1,100.7	-20.3	-29.7	-12.2
Margins (%)	13.4	13.9	0.8	6.7	6.4	6.4	7.2	5.6	8.2	6.3
CRAMS - India Sales	535	696	787	873	840	1,028	1,199	1,289	2,891	4,508
YoY Change (%)	0.1	-0.2	-16.1	12.6	56.9	47.7	52.4	47.6	-1.8	55.9
Carbogen AMCIS Sales	892	912	795	1,057	748	840	910	1,002	3,656	3,500
YoY Change (%)	-22.4	-0.8	18.7	11.7	-16.1	-7.9	14.5	-5.2	-0.8	-4.3

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Divi's Laboratories

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR728										Buy
Bloomberg Equity Shares (m)	DIVI IN 132.6	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	843/582	03/10A	9,416	3,403	25.8	-19.9	-	-	24.7	27.3	-	-
1,6,12 Rel Perf (%)	3 / 29 / 22	03/11A	13,071	4,293	32.4	25.7	22.5	5.4	25.9	28.2	7.4	19.6
Mcap (INR b)	96.5	03/12E	16,402	4,658	35.1	8.5	20.7	4.6	23.9	29.7	5.9	16.2
Mcap (USD b)	2.0	03/13E	19,693	5,968	45.0	28.1	16.2	3.8	25.9	31.9	4.9	12.8

- We expect 44.5% YoY growth in revenue for DIVI in 2QFY12 to INR3.69b on a healthy demand outlook in its business segments and ramp-up in new manufacturing facilities. DIVI's revenues have been recovering in CRAMS and API from 1QFY11. We believe that revenue growth will remain healthy in the coming years.
- EBITDA is likely to increase by 48% YoY to INR1.25b, in line with strong revenue growth. EBITDA margin is likely to expand by 80bp on account of better product mix.
- We expect adjusted PAT to grow 34% YoY to INR964m, reflecting the operational performance but impacted by higher tax rate.

DIVI's performance suffered in FY10 and 1HFY11 due to customer de-stocking, which now seems to have corrected. Its CCS business recorded strong recovery over the past two quarters. We are positive about the prospects of pharmaceutical outsourcing from India, given the unique combination of low costs and chemistry skills that India offers. We expect DIVI to be a key beneficiary of increased pharmaceutical outsourcing from India, given its strong relationships with global innovator pharmaceutical companies. DIVI has undertaken capex of INR2b to set up a new SEZ, implying positive prospects for the outsourcing business (generally DIVI does not undertake capex without adequate revenue visibility from customers). We estimate 22.7% revenue CAGR over FY11-13, led by the API and CCS segments and a ramp-up in nutraceutical revenue. We expect a slightly lower 18% EPS CAGR due to a significant increase expected in DIVI's tax rate from 9% to 20%. The stock trades at 20.7x FY12E and 16.2x FY13E consolidated earnings. Maintain **Buy** with a target price of INR900 (20x FY13E EPS).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Op Revenue	2,635	2,553	3,097	4,786	3,586	3,690	3,854	5,271	13,071	16,402
YoY Change (%)	28.0	13.3	57.8	52.4	36.1	44.5	24.5	10.1	38.8	25.5
Total Expenditure	1,645	1,711	1,927	2,877	2,308	2,442	2,433	3,260	8,156	10,443
EBITDA	990	842	1,170	1,909	1,277	1,248	1,421	2,012	4,915	5,958
Margins (%)	37.6	33.0	37.8	39.9	35.6	33.8	36.9	38.2	37.6	36.3
Depreciation	131	133	135	135	140	157	167	191	534	655
Interest	6	5	6	6	2	5	5	8	22	21
Other Income	59	92	102	112	164	119	119	138	365	539
PBT	912	797	1,131	1,880	1,299	1,205	1,367	1,951	4,724	5,822
Tax	71	77	130	126	273	241	273	378	405	1,164
Deferred Tax	3	0	17	6	1	0	0	-1	26	0
Rate (%)	8.2	9.7	13.0	7.0	21.0	20.0	20.0	19.3	9.1	20.0
Reported PAT	837	719	984	1,748	1,026	964	1,094	1,574	4,293	4,658
Adj PAT	837	719	984	1,748	1,026	964	1,094	1,574	4,293	4,658
YoY Change (%)	40.9	-15.2	45.1	33.9	22.5	34.0	11.1	-9.9	26.1	8.5
Margins (%)	31.8	28.2	31.8	36.5	28.6	26.1	28.4	29.9	32.8	28.4
CCS Revenues	1,233	1,105	1,444	2,318	1,757	1,603	1,848	2,356	6,100	7,564
YoY Change (%)	33.2	8.7	50.4	49.3	42.6	45.0	28.0	1.6	37.0	24.0
Carotenoid Revenues	170	120	150	181	140	288	330	142	621	900
YoY Change (%)	88.9	33.3	87.5	84.7	-17.6	140.0	120.0	-21.5	73.5	44.9

E: MOSL Estimates

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Dr Reddy's Laboratories

BSE Sensex
16,051

S&P CNX
4,835

CMP: INR1,483

Neutral

Bloomberg DRRD IN

Equity Shares (m) 168.4

52 Week Range (INR) 1855/1387

1,6,12 Rel Perf (%) 1 / 11 / 20

Mcap (INR b) 249.8

Mcap (USD b) 5.0

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	68,179	334	2.0		-	-	2.5	2.6	-	-
03/11A	74,693	11,099	65.6		22.2	5.5	24.1	16.7	3.6	17.1
03/12E	81,754	11,592	68.5	7.6	21.3	4.9	22.5	15.5	3.3	17.5
03/13E	91,497	13,943	82.4	20.3	17.7	4.3	23.8	17.2	2.9	14.6

* Includes one-off upsides. Adj P/E for core est is adjusted for DCF value of bonus debentures

- We expect DRRD's core revenue (excluding one-off sales) to grow 13.1% YoY to INR19.7b in 2QFY12 due to a 23% YoY growth in the generics segment. This in turn would be led by a 47.4% YoY growth in core US revenue, boosted by the acquisition of GLXO's penicillin facility in the US. The branded formulations business is likely to post 7.4% YoY growth to INR7.4b.
- Core EBITDA is likely to grow 7% YoY to INR3.65b and we expect core EBITDA margin to contract by 150bp YoY to 18.5%.
- We expect adjusted PAT to decline by 18.9% YoY to INR1.99b due to higher tax rate and lower other income. Including contribution from one-off opportunities, we expect PAT to decline by 16.4% YoY to INR2.4b.

Traction in the branded formulations and US businesses will be the key growth drivers for DRRD over the next two years. We estimate core EPS of INR68.5 in FY12 and INR82.4 in FY13, adjusting for the interest cost of the bonus debentures and factoring-in the impact of likely withdrawal of DEPB scheme. Our core estimates exclude upsides from patent challenges/low-competition opportunities in the US. The stock trades at 21.3x FY12E and 17.7x FY13E core earnings. While current valuations are supported by large potential one-time opportunities in the US, they do not fully discount the slowdown in DRRD's core business. We rate the stock **Neutral**, with a target price of INR1,695 (20x FY13E core EPS + INR47/share of DCF value).

GLOBAL QUARTERLY PERFORMANCE (IFRS)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross Sales	16,831	18,704	18,985	20,173	19,783	19,734	20,678	21,559	74,693	81,754
YoY Change (%)	-7.5	1.8	9.8	22.8	17.5	5.5	8.9	6.9	6.3	9.5
Total Expenditure	13,416	14,692	15,184	15,781	15,948	16,083	16,852	17,501	59,073	66,384
EBITDA	3,415	4,012	3,801	4,392	3,835	3,651	3,825	4,059	15,620	15,370
Margins (%)	20.3	21.4	20.0	21.8	19.4	18.5	18.5	18.8	20.9	18.8
Amortization	976	1,005	1,065	1,061	1,233	1,116	1,139	1,067	4,107	4,555
Other Income	14	186	149	580	144	-106	-100	-118	929	-181
Profit before Tax	2,453	3,193	2,885	3,911	2,746	2,429	2,586	2,873	12,442	10,633
Tax	357	327	152	567	120	437	491	653	1,403	1,701
Rate (%)	14.6	10.2	5.3	14.5	4.4	18.0	19.0	22.7	11.3	16.0
Net Profit	2,096	2,866	2,733	3,344	2,626	2,395	4,296	4,679	11,039	13,996
One-off/low-competition PAT in US	563	410	348	937	357	404	2,201	2,459	2,258	5,421
Adjusted PAT	1,533	2,456	2,385	2,130	2,269	1,992	2,095	2,220	8,504	8,575
YoY Change (%)	-10.4	13.0		27.8	48.0	-18.9	-12.2	4.2	2,448.5	0.8
Margins (%)	9.1	13.1	12.6	10.6	11.5	10.1	10.1	10.3	11.4	10.5
US Sales	3,897	4,416	4,765	5,918	5,756	4,722	4,928	5,126	18,996	20,532
YoY Change (%)	-35.3	3.1	60.3	67.5	47.7	6.9	3.4	-13.4	13.0	8.1
Branded Formulation Sales	6,084	6,885	6,701	6,243	6,751	7,394	7,856	7,707	25,913	29,708
YoY Change (%)	24.5	23.5	8.6	13.2	11.0	7.4	17.2	23.4	17.0	14.6

E: MOSL Estimates; Note-Estimates do not include one-off upsides.

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GlaxoSmithKline Pharmaceuticals

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	GLXO IN 84.7
52 Week Range (INR)	2,475/1,905
1,6,12 Rel Perf (%)	-6 / 12 / 15
Mcap (INR b)	171.7
Mcap (USD b)	3.5

CMP: INR2,027

Buy

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	18,708	5,049	59.6	12.6	-	-	28.7	43.0	-	-
12/10A	21,116	5,814	68.6	15.2	29.5	8.9	30.1	44.8	7.1	20.4
12/11E	23,740	6,567	77.5	12.9	26.1	8.2	31.3	46.3	6.3	18.9
12/12E	26,921	7,586	89.6	15.5	22.6	7.6	33.4	49.5	5.5	16.1

Note - Ratios based on CY10 balance sheet nos are estimates

- We expect GLXO's 3QCY11 topline to grow 13% YoY to INR6.58b, led by double-digit growth in priority products (60-70% of sales). DPCO products (~27% of sales) are likely to record single-digit revenue growth.
- EBITDA is likely to grow 10.3% YoY to INRs2.3b and EBITDA margin would contract by 90bp YoY to 35% on a high base.
- We expect PAT to grow 12% YoY to INR1.77b, in line with operational performance.

We believe GLXO is one of the best plays on the IPR regime in India with aggressive plans to launch new products in the high growth lifestyle segments. These launches are likely to bring it long-term benefits. We believe GLXO is likely to sustain double-digit topline growth over the next few years. Growth trajectory will improve after CY13, as new launches start contributing meaningfully to the topline. Given the high profitability of operations, we expect the growth to lead to sustainable double-digit earnings growth and RoE of ~30%. Growth is likely to be funded through miniscule capex and negative net working capital. GLXO deserves premium valuations due to strong parentage (giving access to large product pipeline), brand-building ability and likely positioning in the post patent era. It is one of the few companies with the ability to drive reasonable growth without major capital requirement, leading to high RoCE of over 45%. We expect GLXO to record CY11 EPS of INR77.5 (up 12.9%) and CY12 EPS of INR89.6 (up 15.5%). The stock trades at 26.1x CY11E and 22.6x CY12E earnings. Maintain **Buy** with a target price of INR2,328 (26x CY11E EPS).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	5,411	4,979	5,820	4,906	6,029	5,615	6,576	5,520	21,116	23,740
YoY Change (%)	18.4	8.9	13.7	10.4	11.4	12.8	13.0	12.5	12.9	12.4
Total Expenditure	3,410	3,163	3,733	3,433	3,920	3,746	4,275	3,849	13,739	15,789
EBITDA	2,001	1,817	2,087	1,473	2,109	1,870	2,301	1,670	7,378	7,951
Margins (%)	37.0	36.5	35.9	30.0	35.0	33.3	35.0	30.3	34.9	33.5
Depreciation	38	41	41	57	44	49	50	59	176	202
Interest	0	0	0	6	0	0	0	0	6	0
Other Income	438	298	328	413	580	421	433	535	1,477	1,969
PBT before EO Expense	2,402	2,074	2,374	1,823	2,645	2,242	2,685	2,146	8,673	9,718
Tax	790	678	792	600	782	725	913	732	2,859	3,152
Rate (%)	32.9	32.7	33.3	32.9	29.6	32.3	34.0	34.1	33.0	32.4
Adjusted PAT	1,612	1,396	1,583	1,223	1,863	1,517	1,772	1,415	5,814	6,567
YoY Change (%)	3.7	-19.6	-3.7	-7.4	15.6	8.6	12.0	15.6	15.2	12.9
Margins (%)	29.8	28.0	27.2	24.9	30.9	27.0	26.9	25.6	27.5	27.7
Extra-Ord Expense	0	106	4	66	1,859	41	0	-41	177	1,859
Reported PAT	1,612	1,290	1,578	1,157	5	1,475	1,772	1,456	5,637	4,708

E: MOSL Estimates

Glenmark Pharmaceuticals

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	GNPIN 269.8
52 Week Range (INR)	390/242
1,6,12 Rel Perf (%)	-1 / 31 / 28
Mcap (INR b)	86.3
Mcap (USD b)	1.7

CMP: INR320**Neutral**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	24,616	3,310	11.6	174.9	-	-	14.1	12.7	-	-
03/11A	29,491	3,548	12.5	7.2	25.6	4.2	17.4	13.4	3.6	17.8
03/12E	37,007	4,584	16.1	29.2	19.8	3.2	17.0	15.3	2.8	10.5
03/13E	41,285	5,724	20.1	24.9	15.9	2.6	17.4	16.5	2.4	11.0

Note - Company has commenced IFRS accounting wef FY11. Estimates exclude one-off upsides

- We expect GNP's 2QFY12 revenue to record 42% YoY growth to INR9.95b, boosted by INR1.36b in licensing income. Adjusted for this, we expect the topline to grow 18.6% YoY, led by the branded generics segment and Europe, which will grow at 21.2% YoY and 44.5% YoY, respectively. The US is likely to grow 13.5% YoY to INR2.54b.
- We expect EBITDA to grow 87% YoY to INR3.17b mainly due to licensing income. Core EBITDA will grow 6% YoY and core EBITDA margin is likely to contract by 320bp to 21% due to a high base and the impact of a shift in accounting to IFRS from Indian GAAP.
- GNP is likely to report 15% YoY growth in adjusted PAT despite muted growth in EBITDA due to a YoY decline in depreciation because of adaptation of IFRS and lower taxes.

GNP has differentiated itself among Indian pharmaceutical companies through its significant success in NCE research (resulting in licensing income of USD202m till date). Given this success, GNP has been adding new NCEs to its pipeline, which will put pressure on its operations in the short to medium term, as it will have to fund the R&D expenses for these NCEs on its own. High interest costs and the likely absence of strong forex gains will pare the strong operational performance for FY12. We expect EPS of INR16.1 in FY12 and INR20.1 in FY13. The stock trades at 19.8x FY12E and 15.9x FY13E earnings, with 15-16% RoCE. Maintain **Neutral**, with a target price of INR316 (15x FY13E EPS + INR14/share DCF value of Crofelemer and Para-IV pipeline).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues (Core)	6,818	7,009	7,508	7,922	8,683	9,950	8,807	9,568	28,596	37,007
YoY Change (%)	25.4	18.7	21.4	11.7	27.4	42.0	17.3	20.8	16.2	29.4
EBITDA	2,292	1,699	1,664	267	2,966	3,170	1,794	1,881	5,923	9,811
Margins (%)	33.6	24.2	22.2	3.4	34.2	31.9	20.4	19.7	20.7	26.5
Depreciation	230	343	344	29	264	266	277	279	947	1,086
Interest	370	308	304	584	408	385	363	325	1,566	1,482
Other Income	130	353	342	580	125	135	141	161	1,405	562
PBT before EO Expense	1,823	1,401	1,359	233	2,420	2,653	1,294	1,438	4,816	7,805
Tax	118	284	263	-160	319	292	155	228	505	994
Rate (%)	6.4	20.3	19.4	-68.8	13.2	11.0	12.0	15.8	10.5	12.7
Reported PAT (incl one-offs)	1,705	1,116	1,096	393	2,101	2,361	1,290	1,429	4,311	7,181
Adj PAT (excl one-offs)	927	988	972	661	1,100	1,135	1,139	1,210	3,548	4,584
YoY Change (%)	73.4	22.1	3.4	-35.6	18.7	14.9	17.1	83.1	7.2	29.2
Margins (%)	13.6	14.1	13.0	8.3	12.7	11.4	12.9	12.7	12.4	12.4
US Sales	1,830	2,238	2,041	2,243	2,512	2,541	2,644	2,674	8,352	10,370
YoY Change (%)	6.4	26.4	8.2	21.1	37.2	13.5	29.6	19.2	15.5	24.2
R&D Licensing Income	895	0	0	0	1,112	1,363	0	0	895	2,475
YoY Change (%)					24.3					176.5

E: MOSL Estimates; Note - 2Q, 3Q, 4Q numbers are not comparable due to shift to IFRS accounting. 1Q numbers are comparable as per IFRS

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Jubilant Organosys

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	JOL IN
Equity Shares (m)	159.3
52 Week Range (INR)	345/148
1,6,12 Rel Perf (%)	12 / 49 / -21
Mcap (INR b)	31.9
Mcap (USD b)	0.6

CMP: INR200

Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	37,813	4,215	26.5	38.3	7.5	1.5	24.4	12.7	1.5	7.4
03/11A	34,334	2,297	14.4	-45.7	13.9	1.5	10.5	6.0	1.8	11.6
03/12E	39,790	2,633	16.5	14.6	12.1	1.5	12.2	8.9	1.6	9.2
03/13E	46,287	4,002	25.1	52.0	8.0	1.3	17.4	11.9	1.4	7.2

- JOL's financials are not comparable on a YoY basis due to the de-merger of its APP business. We expect topline to remain stagnant at INR9.88b. The life science product business would report revenue of INR7.71b and the life science services business would report revenue of INR2.17b.
- We expect EBITDA to decline by 7.6% QoQ to INR1.68b on a high base and slightly adverse product mix. EBITDA margin is likely to contract by 230bp QoQ to 17%.
- PAT would decline by 17% QoQ to INR641m, in line with operational performance.

We believe the demerger of the APP business is a positive step, as it reflects the management's intention to have a focused approach for the PLSPS business. The demerger will lead to better RoCE for JOL, as the APP business accounted for only 2% of its FY10 EBITDA but 6% of capital employed. JOL will have to consistently deliver strong performance in the coming quarters to attract investor interest. We also believe that some of its acquisitions (like Draxis) were made at expensive valuations, resulting in extended payback periods and lower return ratios. High debt and low RoCE (11-13%) are overhangs. The stock trades at 12.1x FY12E EPS and 8x FY13E EPS. We maintain **Neutral** with a target price of INR226 (9x FY13E EPS).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	9,815	9,876	8,665	8,903	9,443	9,880	10,072	10,395	34,334	39,790
YoY Change (%)	9.5	5.8	-9.9	-10.1	-3.8	0.0	16.2	16.8	-9.2	15.9
Total Expenditure	8,249	8,326	7,368	7,777	7,623	8,198	8,234	8,597	29,118	32,652
EBITDA	1,567	1,549	1,297	1,127	1,820	1,682	1,838	1,798	5,217	7,138
Margins (%)	16.0	15.7	15.0	12.7	19.3	17.0	18.2	17.3	15.2	17.9
Depreciation	496	505	493	331	498	515	558	575	1,801	2,145
Interest	198	249	286	323	434	455	579	600	1,051	2,067
Other Income	-147	81	19	90	37	53	57	73	41	220
PBT after EO Expense	726	877	537	562	925	766	759	697	2,406	3,147
Tax	109	61	104	-54	152	122	121	108	134	504
Rate (%)	15.1	7.0	19.3	-9.6	16.4	16.0	16.0	15.5	5.6	16.0
PAT	617	816	433	616	774	643	637	589	2,272	2,643
Minority Interest	-11	-5	-8	-1	3	3	3	2	-25	10
Adjusted PAT	627	821	441	617	771	641	635	587	2,297	2,633
YoY Change (%)	-50.1	42.3	-56.2	-55.0	22.9	-22.0	43.9	-4.9	-45.5	14.6
Margins (%)	6.4	8.3	5.1	6.9	8.2	6.5	6.3	5.6	6.7	6.6

E: MOSL Estimates; FY11 quarterly numbers will not add up to the total due to the impact of demerger of APP business with retrospective effect from 1QFY11

Lupin

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	LPC IN 446.2
52 Week Range (INR)	520/363
1,6,12 Rel Perf (%)	1 / 30 / 35
Mcap (INR b)	206.8
Mcap (USD b)	4.2

CMP: INR464**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	47,405	6,816	15.3	34.8	30.2	8.0	34.1	27.5	4.6	25.3
03/11A	57,068	8,582	19.3	25.9	24.0	6.3	29.3	25.1	3.8	20.1
03/12E	64,784	9,322	21.0	8.6	22.1	5.1	25.5	27.7	3.3	17.3
03/13E	74,922	11,671	26.2	25.2	17.7	4.3	26.3	27.7	2.8	14.0

- We expect LPC's 2QFY12 topline to grow 11.4% YoY on a high base, driven mainly by 19% YoY growth in formulations revenue from semi-regulated markets to INR6.18b and 12% YoY growth in Japan.
- EBITDA would grow 6.1% YoY and EBITDA margin is likely to contract by 90bp YoY due to a high base (due to revenue booked from low competition generic product, Lotrel).
- We expect PAT to decline 2.1% YoY due to higher tax.

LPC is likely to witness gradual improvement in underlying fundamentals, led by an expanding US generics pipeline, niche/Para-IV opportunities in the US, strong performance in emerging markets (including India), and sustained traction in the Japanese business. We expect LPC's core operations (excluding one-off upsides) to record 14-15% revenue CAGR over FY11-13, despite the likely generic competition for Suprax in the US. We expect EPS of INR21 for FY12 (up 8.6%) and INR26.2 for FY13 (up 25.2%). Our estimates do not include potential Para-IV upsides but take into account the likely generic competition for Suprax (thus impacting FY13 EPS). Any out-of-court settlement for Suprax patent litigation is likely to raise our FY13 earnings. The stock trades at 22.1x FY12E and 17.7x FY13E EPS, with sustained RoE of 25-27%. Maintain **Buy** with a target price of INR525 (20x FY13E EPS).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	13,121	14,051	14,672	15,225	15,432	15,647	16,634	17,071	57,068	64,784
YoY Change (%)	20.9	26.0	16.9	18.5	17.6	11.4	13.4	12.1	20.4	13.5
Total Expenditure	10,499	11,353	11,960	12,598	12,734	12,784	13,378	13,694	46,410	52,590
EBITDA	2,622	2,698	2,712	2,627	2,698	2,863	3,255	3,377	10,659	12,194
Margins (%)	20.0	19.2	18.5	17.3	17.5	18.3	19.6	19.8	18.7	18.8
Depreciation	401	435	413	507	471	489	498	496	1,755	1,955
Interest	82	88	78	78	58	84	81	101	325	324
Other Income	230	303	294	514	257	1,610	324	505	1,341	2,696
PBT	2,370	2,478	2,516	2,556	2,426	3,900	2,999	3,285	9,920	12,611
Tax	350	271	237	312	286	585	450	571	1,169	1,892
Rate (%)	14.7	10.9	9.4	12.2	11.8	15.0	15.0	17.4	11.8	15.0
Reported PAT	2,020	2,207	2,278	2,245	2,140	3,315	2,550	2,793	8,750	10,798
Minority Interest	57	57	38	16	39	63	63	86	168	250
Recurring PAT	1,963	2,150	2,240	2,229	2,101	2,105	2,487	2,629	8,582	9,322
YoY Change (%)	40.1	34.1	39.5	1.1	7.0	-2.1	11.0	18.0	25.9	8.6
Margins (%)	15.0	15.3	15.3	14.6	13.6	13.5	15.0	15.4	15.0	14.4
Advanced Mkt Formulations	6,265	6,729	7,382	7,853	7,013	7,256	8,235	8,882	28,229	31,385
YoY Change (%)	29.0	39.8	14.9	10.1	11.9	7.8	11.6	13.1	21.5	11.2
Emerging Mkt Formulations	5,079	5,214	5,016	4,946	6,317	6,180	6,087	5,845	20,256	24,429
YoY Change (%)	27.2	19.5	19.9	25.4	24.4	18.5	21.3	18.2	22.9	20.6

E: MOSL Estimates

Opto Circuits

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	OPTC IN
Equity Shares (m)	186.4
52 Week Range (INR)	324/213
1,6,12 Rel Perf (%)	-15 / -6 / -8
Mcap (INR b)	41.2
Mcap (USD b)	0.8

CMP: INR221
Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	10,776	2,452	13.2	55.0	-	-	33.9	28.5	-	-
03/11A	15,856	3,661	19.6	49.3	11.3	3.0	30.4	24.1	3.0	10.7
03/12E	22,513	3,957	21.2	8.1	10.4	2.5	25.9	19.6	2.3	9.0
03/13E	26,435	5,131	27.5	29.7	8.0	2.1	27.9	21.6	1.9	7.0

- We expect OPTC's 2QFY12 revenue to grow 63.1% YoY to INR5.41b, led by the acquisition of Cardiac Science. The non-invasive segment is likely to grow 79.6% YoY and excluding the Cardiac Science acquisition, it is likely to grow 14.7%. We expect the invasive segment to post 31.2% growth to INR1.18b.
- EBITDA is likely to grow by 31.7% YoY to INR1.39b and EBITDA margin would contract by 610bp due to lower profitability of Cardiac Science and increasing spends on marketing and other items.
- We expect the company to post net profit growth of 28% YoY to INR991m, slightly tempered by higher depreciation and interest costs.

OPTC has delivered strong revenue and earnings growth over the past few years. It has consistently maintained high return ratios, but despite its rapid growth, it remains a marginal player in the global medical devices industry, which gives it the opportunity to sustain its high revenue growth rate over the next couple of years. We believe OPTC is likely to grow strongly in the invasive and non-invasive businesses due to the large market opportunity, expanding distribution network and geographical spread, new product launches, and low base. However, the early financial turnaround of CSC, large goodwill and debt on books, high working capital requirements and low free cash flow generation are concerns. The stock trades at 10.4x FY12E and 8x FY13E EPS. We maintain **Neutral** with a revised target price of INR275 (10x FY13E EPS).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	2,920	3,314	4,177	5,445	5,208	5,406	5,739	6,157	15,856	22,513
YoY Change (%)	26.7	29.6	62.5	62.8	78.4	63.1	37.4	13.1	47.1	42.0
Total Expenditure	1,949	2,257	2,948	4,255	3,776	4,014	4,278	4,758	11,409	16,827
EBITDA	971	1,057	1,228	1,190	1,432	1,392	1,461	1,399	4,446	5,686
Margins (%)	33.2	31.9	29.4	21.8	27.5	25.8	25.5	22.7	28.0	25.3
Depreciation	91	115	153	150	150	185	217	252	508	804
Interest	52	62	88	119	109	130	152	173	321	565
Other Income	94	-82	105	188	49	0	0	-49	304	0
PBT before EO Income	922	799	1,091	1,109	1,222	1,077	1,091	925	3,922	4,317
EO Exp/(Inc)	-4	1	4	-14	0	0	0	0	-12	0
PBT after EO Income	926	798	1,087	1,123	1,222	1,077	1,091	925	3,934	4,317
Tax	92	23	127	6	57	86	33	255	249	432
Rate (%)	10.0	2.9	11.7	0.6	4.7	8.0	3.0	27.6	6.3	10.0
Minority Int/Adj on Consol	3	1	3	6	1	0	0	14	13	15
Reported PAT	831	774	957	1,110	1,164	991	1,058	656	3,672	3,871
Adj PAT	828	774	961	1,097	1,164	991	1,058	656	3,661	3,871
YoY Change (%)	39.7	12.3	45.8	57.5	40.6	28.0	10.2	-40.2	39.1	5.7
Margins (%)	28.3	23.4	23.0	20.1	22.4	18.3	18.4	10.6	23.1	17.2
Non Invasive sales	2,116	2,310	3,053	4,110	4,220	4,150	4,409	4,512	11,589	17,291
YoY Change (%)	19.8	13.8	46.0	92.9	99.4	79.6	44.4	9.8	44.6	49.2
Invasive Sales	750	901	1,044	1,244	940	1,182	1,256	1,546	3,939	4,924
YoY Change (%)	54.6	90.0	152.2	18.2	25.3	31.2	20.3	24.3	62.4	25.0

E: MOSL Estimates

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Ranbaxy Laboratories

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR482										Sell
Bloomberg	RBXY IN	YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	420.4	END*	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	625/414	12/09A	75,970	1,911	4.5	-38.2	-	-	4.4	9.8	-	-
1,6,12 Rel Perf (%)	5 / 26 / 5	12/10A	89,608	10,855	25.8	467.1	15.6	3.0	19.4	15.9	2.4	11.4
Mcap (INR b)	202.6	12/11E	85,242	4,933	11.7	-54.6	34.4	2.8	11.3	10.7	2.5	23.6
Mcap (USD b)	4.1	12/12E	94,581	7,501	17.8	52.1	22.6	2.5	11.1	11.7	2.2	18.3

* All valuation ratios adjusted for Rs77/sh DCF value of FTFs

- We expect RBXY's 3QCY11 topline to grow 7.4% YoY, led by 67.3% YoY growth in API business on a low base, 15.7% YoY growth in India, and 20.2% YoY growth in the Europe, CIS and Africa regions. Revenue from North America is likely to decline 13.7% YoY on a very high base. Asia Pacific and the Middle East geographies are likely to report 10% YoY growth while its LatAm business is likely to remain flat YoY.
- EBITDA would grow 4.1% YoY. EBITDA margin is likely to contract by 20bp YoY to 7%, tempered by increased manpower costs.
- We expect adjusted PAT to grow 7.5% YoY to INR1.1b.

Given the potential recurrence of Para-IV upsides every year for the CY11-12 period, Para-IV upsides are attracting P/E-based valuations. We believe that these are one-off upsides and continue to value them on DCF basis. Since sustaining current valuations is dependent on upsides from Lipitor and Nexium, it is imperative for RBXY to resolve outstanding US FDA issues and salvage the upsides from these two opportunities, which account for 80% of overall Para-IV upsides. The stock trades at 34.4x CY11E and 22.6x CY12E core EPS. Our current DCF value of all potential Para-IV upsides is INR77/share. We believe that current valuations discount the best-case scenario. We maintain **Sell**, with a target price of INR435 (20x CY12E EPS + FTF DCF value of INR77/share).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Income	26,993	21,505	19,347	21,763	21,809	20,931	20,771	21,731	89,608	85,242
YoY Change (%)	80.8	13.4	2.6	-6.3	-19.2	-2.7	7.4	-0.1	18.0	-4.9
EBITDA	9,839	4,168	1,386	3,258	4,032	1,817	1,444	1,741	18,652	9,033
Margins (%)	36.5	19.4	7.2	15.0	18.5	8.7	7.0	8.0	20.8	10.6
Depreciation	1,005	695	987	2,845	736	735	835	904	5,533	3,210
Interest	248	111	110	145	145	166	188	224	614	723
Other Income	1,697	114	2,030	361	671	607	790	812	4,202	2,880
PBT before EO Expense	10,283	3,477	2,319	629	3,823	1,522	1,211	1,425	16,708	7,980
Extra-Ord Expense	-3,872	159	-1,257	677	-20	-1,118	1,800	-1,800	-4,293	-1,138
PBT after EO Expense	14,155	3,318	3,576	-48	3,842	2,640	-589	3,225	21,001	9,118
Tax	4,524	-2	448	880	782	185	-118	656	5,849	1,504
Rate (%)	32.0	-0.1	12.5	-1,846.7	20.4	7.0	20.0	20.3	27.8	16.5
Reported PAT	9,631	3,320	3,128	-927	3,060	2,455	-472	2,569	15,152	7,613
Minority Interest	26	63	49	48	16	23	20	21	185	80
Reported PAT after Minority	9,606	3,257	3,079	-975	3,044	2,432	-492	5,877	14,968	10,862
Adj PAT	533	1,516	1,020	-60	1,724	883	1,096	1,114	3,008	4,933
YoY Change (%)	-238.7	658.4	95.0	-94.7	223.2	-41.8	7.5	-1,944.0	-470.4	64.0
Margins (%)	2.0	7.0	5.3	-0.3	7.9	4.2	5.3	5.1	3.4	5.8
Adj PAT incl one-offs	6,088	3,414	1,020	332	3,208	1,391	1,096	4,443	10,855	10,138
US Sales (USD m)	264	160	105	131	170	112	91	94	660	467
YoY Change (%)	225.9	102.5	72.4	-25.6	-35.4	-30.0	-13.7	-28.4	66.2	-29.3
India Formulation Sales	3,888	4,487	4,927	4,378	4,357	4,822	5,517	4,985	17,593	19,485
YoY Change (%)	8.5	0.0	17.6	-14.0	12.1	7.5	12.0	13.9	1.5	10.8

E: MOSL Estimates

Nimish Desai (NimishDesai@MotilalOswal.com) / Amit Shah (Amit.Shah@MotilalOswal.com)

Strides Arcolab

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	STRIN
Equity Shares (m)	57.7
52 Week Range (INR)	478/276
1,6,12 Rel Perf (%)	19 / 9 / -1
Mcap (INR b)	19.4
Mcap (USD b)	0.4

CMP: INR336**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	13,048	611	10.6	-314.4	-	-	9.9	8.1	-	-
12/10A	16,958	1,220	21.1	99.8	15.9	1.5	11.6	11.9	1.8	9.2
12/11E	22,800	1,715	29.7	40.6	11.3	1.3	12.5	11.1	1.5	8.4
12/12E	26,486	2,252	39.0	31.3	8.6	1.2	14.7	12.1	1.3	7.5

- We expect STR's 3QCY11 revenue to grow 39.6% YoY to INR5.76b, led by a 2.36x rise in sales from specialty segments due to new product commercialization, revenue from its acquired facility in Brazil and a low base. The pharmaceuticals business would report 8.2% YoY growth to INR3.3b, led by traction in markets like Australasia and India. We expect licensing income of INR594m for 3QCY11.
- EBITDA is likely to grow 51% YoY to INR1.06b on account of favorable product mix and improving capacity utilization. EBITDA margin is likely to expand by 140bp.
- We expect adjusted net profit to grow 55.6% YoY to INR411m, in line with operational performance.

STR is set to become a specialty company, with revenue contribution from this segment as a percentage of total revenue set to rise from 27% in CY09 to 47% in CY12. It has an impressive specialty product pipeline, large manufacturing capacities (INR15b capex over CY06-09) to support revenue scale-up and best-in-class marketing partners, which will lead to sustainable revenue growth. We expect STR to clock earnings CAGR of 35.9% over CY10-12, led by a ramp-up in revenue from the SI (sterile injectables) segment and core EBITDA margin expansion in line with a changing product mix and higher capacity utilization. Return ratios are set to improve over CY10-12 and gearing will decline from 2x in CY10 to 1.8x in CY12. The stock trades at 11.3x CY11E and 8.6x CY12E earnings. Maintain **Buy** with a target price of INR507 (13x CY13E EPS).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Revenues	3,736	4,545	4,122	4,556	4,875	5,813	5,755	6,358	16,958	22,800
YoY Change (%)	31.4	46.7	30.0	15.8	30.5	27.9	39.6	39.5	30.0	34.4
Total Expenditure	2,956	3,532	3,420	3,783	3,958	4,731	4,695	5,276	13,692	18,660
EBITDA	779	1,012	702	773	917	1,081	1,060	1,082	3,266	4,140
Margins (%)	20.9	22.3	17.0	17.0	18.8	18.6	18.4	17.0	19.3	18.2
Depreciation	159	148	156	175	183	340	273	254	639	1,050
Interest	260	363	393	451	438	467	438	411	1,467	1,754
Other Income	80	293	182	142	107	365	227	208	697	906
PBT before EO Income	440	793	336	289	402	640	575	626	1,858	2,242
EO Exp/(Inc)	-63	207	-182	32	-138	-150	0	0	-6	-288
PBT after EO Income	503	586	518	257	540	790	575	626	1,864	2,531
Tax	71	87	110	183	89	94	161	187	452	531
Rate (%)	14.2	14.9	21.3	71.2	16.5	12.0	28.0	29.9	24.2	21.0
Minority Int/Adj on Consol	33	41	0	113	44	6	3	3	187	56
Reported PAT	398	458	407	-39	407	689	411	436	1,224	1,943
Adj PAT	344	634	264	-30	292	557	411	436	1,220	1,715
YoY Change (%)	82.4	3,707.1	108.2		-15.4	-12.2	55.6	-	99.8	40.6
Margins (%)	9.2	13.9	6.4	-0.7	6.0	9.6	7.1	6.9	7.2	7.5
Specialty Sales	393	860	793	1,475	1,253	1,465	1,872	2,344	3,528	6,934
YoY Change (%)	-59.1	16.2	-2.6	883.6	218.8	70.3	136.1	58.9	32.5	96.5
Licesnign Income	830	1,350	472	763	1,121	740	594	517	3,415	2,972
YoY Change (%)				-29.3	35.1	-45.2	26.0	-32.2	216.4	-13.0

E: MOSL Estimates; Quarterly numbers don't add up to full year numbers due to restatement

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Sun Pharmaceuticals Industries

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR467	Neutral									
Bloomberg	SUNPIN	YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	1,035.6	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	538/374	03/10A*	41,028	13,511	13.0	-25.7	-	-	12.8	18.7	-	-
1,6,12 Rel Perf (%)	-1 / 21 / 40	03/11A	52,066	14,041	13.6	47.8	34.5	5.1	16.2	23.4	7.8	22.5
Mcap (INR b)	483.8	03/11A*	57,214	18,161	17.5	34.4	26.6					
Mcap (USD b)	9.8	03/12E	65,601	17,951	17.3	27.8	27.0	4.5	17.7	20.5	6.6	20.9
		03/13E	76,758	21,987	21.2	22.5	22.0	3.9	18.8	22.5	5.5	16.6

* Includes Para-IV upsides

- We expect SUNP's core topline for 2QFY12 to grow 46.5% YoY to INR16.3b, mainly due to the acquisition of Taro, which is likely to contribute INR5.4b in 2QFY12. Including revenue from low competition products, we expect the topline to grow 26.6% YoY. The domestic formulations business is likely to grow 5% YoY due to discontinuation of third-party business. The export formulations business other than the US is likely to treble on a low base and integration of Taro.
- Core EBITDA (ex-Para IV/low competition products) is likely to grow 39.2% YoY to INR5.2b and core EBITDA margin would expand 470bp to 32% on a low base and higher profitability of Taro.
- We expect adjusted PAT to grow by 7.6% YoY to INR3.69b despite strong operational performance because of higher depreciation on a low base, lower other income and higher taxes. Including the contribution from low competition products, reported PAT is likely to decline by 2.6% YoY to INR4.91b.

An expanding generics portfolio and sustained double-digit growth in high-margin lifestyle segments in India are likely to bring long-term benefits for SUNP. Its ability to sustain superior margins even on a high base is a clear positive. Key drivers for future include: A ramp-up in the US business and resolution of Caraco's cGMP issues, monetization of the Para-IV pipeline in the US, launch of controlled substances in the US, etc. While we are positive about SUNP's business outlook, rich valuations have tempered our bullishness. Downgrade to **Neutral**, with a target price of INR524 (25x FY13E EPS). Inorganic initiatives (SUNP has cash of ~USD1b) are a key risk to our rating. However, we believe that given the recent acquisition of Taro, SUNP is unlikely to make a large acquisition.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	13,997	13,701	16,011	14,633	16,357	16,287	16,870	16,087	57,214	65,601
YoY Change (%)	77.7	15.6	56.8	31.9	16.9	18.9	5.4	9.9	39.5	14.7
Total Expenditure	7,837	9,030	11,605	8,930	10,883	11,080	11,635	11,214	37,514	44,811
EBITDA	6,160	4,670	4,405	5,703	5,474	5,207	5,235	4,874	19,700	20,790
Margins (%)	44.0	34.1	27.5	39.0	33.5	32.0	31.0	30.3	34.4	31.7
Depreciation	402	352	805	482	647	652	706	711	2,041	2,716
Net Other Income	116	924	580	1,108	969	741	758	828	2,699	3,295
PBT	5,873	5,242	4,181	6,329	5,796	5,296	5,287	4,991	20,358	21,370
Tax	97	172	545	22	143	291	317	317	1,284	1,068
Rate (%)	1.7	3.3	13.0	0.4	2.5	5.5	6.0	6.4	6.3	5.0
Profit after Tax	5,776	5,070	3,636	6,306	5,653	5,005	4,970	4,673	19,074	20,301
Share of Minority Partner	133	34	134	612	643	588	588	532	913	2,350
Reported PAT	5,643	5,037	3,502	5,694	5,010	4,908	5,034	4,793	18,161	20,329
One-off upsides	2,280	930	434	475	585	491	651	651	4,119	2,378
Adj Net Profit	3,363	4,107	3,067	5,219	4,425	4,417	4,383	4,141	14,041	17,951
YoY Change (%)	241.2	71.5	19.1	127.1	31.6	7.6	42.9	-20.6	54.1	27.8
Margins (%)	24.0	30.0	19.2	35.7	27.1	27.1	26.0	25.7	24.5	27.4

E: MOSL Estimates; Quarterly no. don't match with annual no. because of reinstatement of financials

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Torrent Pharma

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	TRPIN 84.6
52 Week Range (INR)	687/499
1,6,12 Rel Perf (%)	-7 / 16 / 20
Mcap (INR b)	46.7
Mcap (USD b)	0.9

CMP: INR552**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	19,040	2,680	31.7	9.9	17.4	5.6	36.2	28.7	2.5	11.7
03/11A	22,265	2,702	31.9	0.8	17.3	4.6	29.2	24.1	2.1	11.7
03/12E	25,710	3,418	40.4	26.5	13.7	3.6	29.5	25.1	1.8	9.0
03/13E	30,284	4,180	49.4	22.3	11.2	2.9	28.5	25.8	1.5	7.2

- We expect TPL's 2QFY12 topline to grow 14.3% YoY, led by the international formulations segment, which is likely to grow 16.5% YoY, led by Brazil, US and Europe. We expect domestic formulations to grow by 13.1% YoY to INR2.49b due to increased competition in the acute therapeutic portfolio.
- EBITDA is likely to grow 14.2% YoY. EBITDA margin would remain flat YoY due to higher marketing and distribution spends in the domestic formulations market owing to the company's foray into new therapeutic areas.
- We expect PAT to grow 15.2% YoY to INR878m, in line with operational performance but partly boosted by lower tax expenses.

TPL has posted earnings CAGR of 34% over the past five years. However, the capital employed in the business has posted a CAGR of just 17%. It has consistently improved its profitability, with RoCE increasing from 14.5% in FY05 to 24.1% in FY11. TPL's earnings are likely to register 22% CAGR over FY11-13, in line with strong operating performance. It is likely to sustain its high return ratios despite its large capex and growing cash on the books. At 11.2x FY13E earnings, the stock trades at historic valuations, though the company has been growing in size and profitability. We believe the superior financial performance will drive a re-rating. **Buy** with a target price of INR790 (16x FY13E EPS).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues (Core)	5,410	5,815	5,775	5,264	6,449	6,644	6,641	5,976	22,265	25,710
YoY Change (%)	12.5	21.2	20.3	10.8	19.2	14.3	15.0	13.5	16.2	15.5
EBITDA	1,121	1,175	1,150	646	1,505	1,342	1,329	1,018	4,092	5,194
Margins (%)	20.7	20.2	19.9	12.3	23.3	20.2	20.0	17.0	18.4	20.2
Depreciation	142	155	161	167	202	228	243	279	626	952
Interest	24	34	35	28	41	44	47	52	121	183
Other Income	22	25	18	16	24	27	27	30	81	109
PBT before EO Expense	977	1,012	972	466	1,287	1,097	1,066	718	3,427	4,169
Extra-Ord Expense	0	0	0	0	-21	0	0	0	0	-21
PBT after EO Expense	977	1,012	972	466	1,308	1,097	1,066	718	3,427	4,189
Tax	235	250	203	37	282	219	181	68	725	750
Rate (%)	24.0	24.7	20.9	8.0	21.9	20.0	17.0	9.4	21.2	18.0
Reported PAT	742	762	769	428	1,026	878	885	650	2,702	3,439
Adj PAT	742	762	769	428	873	878	885	650	2,702	3,418
YoY Change (%)	9.2	3.0	-7.3	-27.6	17.6	15.2	15.1	51.8	-4.9	26.5
Margins (%)	13.7	13.1	13.3	8.1	13.5	13.2	13.3	10.9	12.1	13.3
Domestic Formulations Sales	2,235	2,199	2,116	1,839	2,460	2,486	2,391	2,226	8,389	9,563
YoY Change (%)	13.2	21.9	16.3	11.1	10.1	13.1	13.0	21.0	15.6	14.0
Internat. Formulations Sales	2,565	2,752	2,833	2,552	3,061	3,205	3,284	2,980	10,702	12,530
YoY Change (%)	17.7	22.6	18.9	8.6	19.3	16.5	15.9	16.8	16.9	17.1

E: MOSL Estimates

Infrastructure

COMPANY NAME

Gammon India

Hindustan Construction

IVRCL

Jaiprakash Associates

Nagarjuna Construction

Simplex Infrastructure

Revenue growth to be muted at 5% YoY due to subdued execution

We expect construction companies under our coverage to post aggregate revenue growth of 5% YoY, and sequential drop of 5% in 2QFY12. Execution during the second quarter is generally slow since it is the monsoon quarter. However, over the past several quarters, execution was impacted by slow progress on large projects due to an uncertain policy environment. Payment delays by clients also impacted execution, as construction companies slowed work on such projects. Slow order intake impacted revenue growth.

In 2QFY12 we expect Hindustan Construction Company (HCC) to post revenue growth of 3.5% YoY. IVRCL and Gammon India (GMON) should report revenue growth of 6.9% and -3.4% respectively. We believe Simplex Infrastructures (SINF) will post a slightly higher performance with revenue growth of 9.2%. Likely improvement in order flows will provide SINF with earnings visibility. In 2QFY12 we expect Nagarjuna Construction (NJCC) to post revenue growth of 8.3% YoY.

Book-to-bill ratio narrows to 3.3x in 1QFY12 v/s 3.5x in 1QFY11

Aggregate book-to-bill at the end of 1QFY12 was 3.3x, down from 3.5x at the end of 1QFY11. We believe a declining book-to-bill will result in poor execution in 2QFY12.

Concerns related to the road sector remain, though NHAI aims to award ~7,994km (YTD FY12 project awards were 2,338km) of projects in FY12 against ~5,000km of project awards in FY11. The macro environment does not inspire much confidence with order intake from sectors like irrigation, railways and industry likely to be muted. We expect ordering to improve moderately in 2HFY12.

Margin upside capped due to rising interest costs, commodity prices

In 1QFY12 EBITDA margins for most construction companies declined (industry margins down 50bp), given (a) increasing commodity prices, and (b) execution delays. In 2QFY12 we expect EBITDA margins to decline by 20-30bp. We expect lower profitability, given rising fixed costs like depreciation and interest. We expect ~50bp rise in average interest cost for all the construction companies. Therefore PAT margins are likely to drop by 100bp YoY, given a 100-120bp increase in interest costs (as a percentage of revenue).

Expected quarterly performance summary

(INR million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Gammon India	76	Neutral	11,400	-3.4	-18.0	1,029	2.5	-15.9	53	-79.3	-81.8
Hindustan Construction	29	Neutral	9,364	4.2	-11.7	1,205	6.3	-12.7	-183	PL	PL
IVRCL	36	Buy	11,488	6.9	2.4	976	2.4	17.3	38	-83.5	-9.1
Jaiprakash Associates	69	Buy	34,800	16.3	9.3	6,248	-8.3	-19.1	850	-26.4	-20.7
NCC	61	Buy	13,013	8.3	14.0	1,171	-5.1	0.5	159	-68.2	-31.6
Simplex Infra.	228	Buy	11,486	9.2	-8.9	1,091	3.2	-9.2	85	-68.3	-64.5
Sector Aggregate			91,551	9.0	0.0	11,720	-3.9	-13.4	1,002	-60.4	-47.4

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Trend in order book (INR b)

	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	YoY (%)
Gammon	88	80	130	123	126	132	145	120	145	150	150	148	23
HCC	108	122	164	154	155	157	188	174	178	166	161	170	(2)
IVRCL	138	143	145	139	150	173	212	193	224	242	216	216	12
NCC	124	124	122	139	143	148	154	161	161	173	162	162	1
Simplex	107	102	101	100	105	106	115	123	130	139	147	143	17
Aggregate	477	491	532	532	553	585	668	650	692	719	686	691	6
% Growth (QoQ)	6.6	3.1	8.2	0.1	3.8	5.8	14.3	-2.8	6.5	3.9	-4.6	0.8	
L&T	629	688	703	717	816	911	1,002	1,078	1,153	1,148	1,302	1,362	26
L&T (excluding BTG)	613	672	687	701	762	789	881	956	1,031	1,026	1,180	1,240	30

Source: Companies

Trend in revenue (INR b)

	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	YoY (%)
Gammon	6	9	11	10	9	9	11	10	9	10	12	11	4.8
HCC	6	12	16	11	12	12	19	11	11	14	21	11	1.4
IVRCL	11	10	11	10	11	12	15	11	12	13	15	11	5.1
NCC	11	13	14	11	10	11	13	12	11	12	14	13	7.1
Simplex	10	13	14	11	10	11	13	12	11	12	14	13	7.1
Aggregate	45	56	66	53	52	55	70	56	53	61	75	58	5.2
L&T	77	105	73	79	80	133	78	92	113	150	150	95	3.0

Source: Companies

Trend in EBITDA margin (%)

	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	YoY (BP)
Gammon	7.6	5.9	9.6	10.4	9.2	8.1	3.8	8.2	8.5	7.9	4.7	9.0	90
HCC	11.6	12.2	15.1	13.0	12.4	12.1	11.2	12.4	12.5	12.9	13.6	12.9	236
IVRCL	8.0	9.1	8.9	9.2	10.2	9.8	10.5	9.1	8.9	9.9	8.7	8.5	-181
NCC	8.4	10.4	12.6	11.1	8.7	9.4	10.3	8.8	7.6	10.3	10.2	9.0	-7
Simplex	9.8	9.1	8.1	10.1	10.4	9.1	10.3	10.2	10.1	9.2	10.0	9.5	-23
Industry	10.5	10.8	10.5	10.5	12.0	11.5	11.1	10.1	11.8	11.7	11.1	8.7	9
L&T	9.6	11.0	13.1	10.7	10.0	12.4	13.8	12.2	10.1	10.1	15.2	11.9	140

Source: Companies

Trend in PAT (INR m)

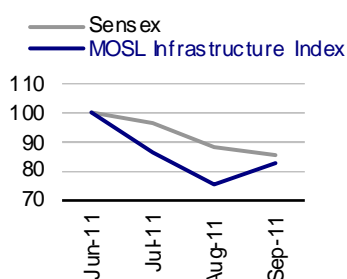
	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	YoY (%)
Gammon	103	51	215	251	441	209	-261	302	240	102	-363	289	39.2
HCC	199	232	599	182	55	147	430	283	121	79	151	29	(64.9)
IVRCL	571	466	829	351	480	458	850	279	233	423	642	42	(24.4)
NCC	371	423	363	382	382	439	479	1,026	414	460	404	357	(15.5)
Simplex	383	280	253	299	257	279	231	569	362	269	232	370	0.6
Aggregate	1,628	1,452	2,258	1,464	1,615	1,533	1,728	2,460	1,370	1,333	1,067	1,086	(38.3)
L&T	5,004	6,406	10,646	5,783	5,530	6,103	13,374	6,662	6,941	8,052	1,686	7,461	(87.4)

Source: Companies

Quarterly interest cost (INR m; % of revenue)

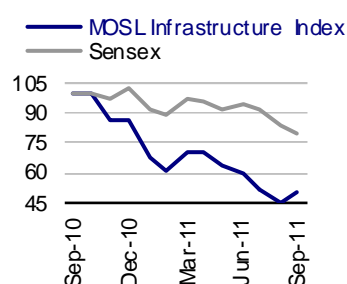
	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12
Gammon	121.0	155.0	160.7	615.9	364.6	381.8	338.4	311.8	368.6	449.7	508.8	577.1	520.8
% Revenues	1.2	1.7	2.2	7.1	3.5	4.0	3.9	3.3	3.4	4.4	5.6	5.6	4.3
HCC	390.6	492.0	572.7	649.8	613.0	499.1	496.5	443.0	577.4	670.7	748.2	902.8	932.5
% Revenues	3.1	5.1	5.4	6.3	5.6	5.0	4.7	3.7	3.8	6.2	6.2	6.8	6.4
IVRCL	193.9	304.2	419.1	391.8	389.4	353.7	368.4	525.4	452.9	480.5	591.8	656.4	628.2
% Revenues	2.0	3.0	4.2	3.1	2.8	3.2	3.6	4.9	3.6	4.1	5.6	5.6	4.6
NCC	238.5	274.6	237.6	212.8	346.3	322.3	305.7	348.1	293.5	374.6	438.2	575.4	639.9
% Revenues	2.5	2.6	2.3	1.9	3.5	3.0	2.6	2.3	2.7	3.1	3.3	4.0	5.6
Simplex Infra	274.5	324.2	435.8	392.3	347.6	288.6	262.1	214.0	281.1	295.4	362.1	369.1	501.5
% Revenues	2.9	3.2	4.3	3.1	2.5	2.6	2.6	2.0	2.2	2.5	3.4	3.2	3.7
Total	1,218	1,550	1,826	2,263	2,061	1,846	1,771	1,842	1,973	2,271	2,649	3,081	3,223
% Revenues	2.3	3.2	3.7	3.9	2.5	3.1	2.9	2.6	2.1	4.1	3.8	3.7	5.4

Source: Company/MOSL

Relative Performance-3m (%)**Key risks: Funding constraints, high interest rates, commodity prices**

We believe the key risks for the construction sector are increased commodity prices, rising interest rates and funding constraints. While commodity prices corrected from recent peaks, we expect average prices in YTD FY12 to be higher YoY. The average interest cost for construction companies is now 12-12.5%.

Against net profit margin of 1.4% in 1QFY12, interest cost as a percentage of revenue was 5.4% in 1QFY12. Earnings continue to be at risk, given the possibility of a further rise in interest rates.

Relative Performance-1Yr (%)

Most construction companies including NCC, HCC and GMON, plan to raise equity funds in FY12, which could be through a combination of PE investment, QIP and structured transactions. Delays in fund raising could also impact execution, as in-house projects account for a meaningful part of the order book.

We remain Neutral on the sector

We remain Neutral on the construction sector despite attractive valuations. We believe sluggish order inflow, delayed execution, deteriorating working capital scenario, rising commodity prices, worsening balance sheet position and rising interest rates make the environment challenging. Against this backdrop, we do not see a meaningful pick-up in earnings, though we expect ordering to improve in the near term.

Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Infrastructure														
Gammon India	76	Neutral	9.1	2.0	4.3	8.4	37.4	17.9	12.2	8.7	7.9	1.9	1.4	2.8
GVK Power & Infra	16	Buy	1.0	1.3	1.4	16.5	12.3	11.3	15.1	14.5	9.4	4.6	5.8	6.0
Hindustan Construction	29	Neutral	1.0	-0.1	0.3	28.3	-	90.1	9.3	9.4	9.3	4.1	-0.6	1.3
IVRCL	36	Buy	5.9	2.2	3.4	6.2	16.7	10.7	5.7	6.6	6.4	8.2	2.9	4.4
Jaiprakash Associates	69	Buy	3.4	3.6	4.3	20.5	19.1	16.0	10.4	9.6	8.4	8.0	7.9	8.8
NCC	61	Buy	8.6	5.8	6.3	7.1	10.5	9.6	9.1	9.5	8.9	7.4	4.0	5.1
Simplex Infra.	228	Buy	24.9	12.0	16.1	9.2	19.0	14.2	5.6	5.7	5.5	12.0	5.4	6.8
Sector Aggregate						16.1	18.8	15.3	9.9	9.5	8.3	6.7	5.5	6.5

Gammon India

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	GMON IN
Equity Shares (m)	136.5
52 Week Range (INR)	235/68
1,6,12 Rel Perf (%)	4 / -17 / -47
Mcap (INR b)	10.4
Mcap (USD b)	0.2

CMP: INR76**Neutral**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	44,851	1,257	9.2	-10.5	-	-	6.5	11.9	-	-
3/11A	55,989	1,248	9.1	-0.7	8.4	0.5	1.9	5.4	0.5	10.7
3/12E	60,050	278	2.0	-77.7	37.4	0.5	1.4	7.7	0.6	7.9
3/13E	67,273	581	4.3	108.7	17.9	0.5	2.8	8.6	0.6	7.2

* Fully Diluted

- We expect Gammon India (GMON) to report revenue of INR11b (down 3.4% YoY), EBITDA of INR1b (up 2.5% YoY) and net profit of INR53m (down 79% YoY) in 2QFY12. We expect GMON to post EBITDA margin of 7-7.5%.
- Order book at the end of 1QFY12 was INR147b (up 23% YoY), and BTB was 2.6x TTM revenue. In 2QFY12 order intake was muted at ~INR4b v/s intake of INR8b in 1QFY12 and INR5.3b in 4QFY11. Overall outlook for the full year appears muted. We estimate order book of INR150b (up 3.4%) at the end of FY12 and INR152b (up 1.9%) at the end of FY13.
- Therefore, after factoring in muted intake performance and poor execution due to slow-legacy orders, we downgrade our revenue estimates by 10% for FY12 and 14% for FY13. We now project PAT at INR278m (down 26% YoY) v/s INR900m (up 138% YoY) earlier in FY12 and INR581m v/s INR1b (up 29% YoY) earlier in FY13. We expect interest cost in FY12 to be INR3.1b v/s INR2.7b earlier.
- We estimate EPS at INR2 in FY12 and INR4.3 in FY13.
- The stock trades at 45x FY12E and 22x FY13E reported earnings. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	13,090	11,807	13,720	17,379	13,905	11,400	14,412	20,333	55,989	60,050
Change (%)	53.9	25.9	61.3	85.4	6.2	(3.4)	5.0	17.0	25.3	7.3
EBITDA	1,078	1,004	1,085	-538	1,223	1,029	1,084	1,095	2,617	4,430
Change (%)	21.3	13.0	25.2	(165.1)	13.4	2.5	(0.0)	(303.4)	(31.8)	69.3
As of % Sales	8.2	8.5	7.9	(3.1)	8.8	9.0	7.5	5.4	4.7	7.4
Depreciation	202	224	244	248	255	270	289	336	918	1,151
Interest	369	450	509	-1,243	521	770	890	987	84	3,167
Other Income	5	3	2	357	10	60	75	185	377	330
Extra-ordinary income	-20	23	-146	11	-3	0	0	0		
PBT	492	356	188	825	457	49	-20	-43	1,992	442
Tax	189	116	86	220	165	-4	0	0	611	164
Effective Tax Rate (%)	38.5	32.6	45.8	26.7	36.1	(8.2)	-	-	30.7	37.0
Reported PAT	302	240	102	605	289	53	-20	-43	1,248	278
Adj PAT	289	255	196	-363	289	53	-20	-43	378	278
Change (%)	(5.6)	(33.0)	(79.2)	(284.9)	(0.0)	(79.3)	(110.2)	(88.1)	(70.0)	(26.2)

E: MOSL Estimates

Hindustan Construction

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	HCC IN
Equity Shares (m)	606.6
52 Week Range (INR)	68/26
1,6,12 Rel Perf (%)	8 / -4 / -32
Mcap (INR b)	17.7
Mcap (USD b)	0.4

CMP: INR29

Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	36,442	1,044	1.7	23.8	-	-	8.3	9.0	-	-
3/11A	40,932	624	1.0	-40.2	3.5	1.2	4.1	8.7	1.2	9.3
3/12E	42,997	-90	-0.1	-114.4	-	1.2	-0.6	7.9	1.2	9.4
3/13E	47,583	196	0.3	-	11.0	1.2	1.3	8.4	1.2	9.3

* Fully Diluted

- We expect HCC to post revenue of INR9.3b (up 4% YoY), EBITDA of INR1.2b (up 6.3%) and net loss of INR183m (down 251%) in 2QFY12. Revenue growth will be muted due to submissive order flows and poor execution because of the monsoons kicking off. We expect HCC to maintain EBITDA margin of 13%. Given the macro uncertainty and the rising interest rate scenario, we estimate net loss in 2QFY12. We project interest expense of INR1,050m in 2QFY12 v/s INR933m in 1QFY12 and INR903m in 4QFY11. The average interest rates were 12-12.5%.
- Order book at the end of 1QFY12 was INR170b (down 2% YoY and up 5% QoQ) and L1 orders were INR21b. Order intake in 2QFY12 was nil v/s INR10b (down 37% YoY) in 1QFY12. HCC expects FY12 order intake of INR70b (against our estimate of INR42.6b and FY11 intake of INR38b). Faster implementation of stalled projects, particularly in roads and hydro sectors, can provide upside to order intake.
- On Lavasa, management is awaiting MoEF clearance. The ministry is treading cautiously even after HCC agreed to accept its pre-conditions.
- HCC Concession, an 85% subsidiary of HCC, plans to raise INR2.4b by diluting 14.5% stake to Xander group, a global investment firm focused on infrastructure, hospitality, retail and real estate sectors. However, due to some clearance issues, the cash flow of INR2.15b expected at the end of the transaction (August 2011) has been delayed, and is expected in the next few weeks.
- We believe the sluggish order streams in the last few quarters and mounting interest rates will significantly impact the revenue outlook for the next couple of quarters. To factor in all this we have downgraded our revenue estimates by 7% and 11% for FY12 and FY13 respectively. We now expect HCC to post net loss of INR90m in FY12 v/s PAT of INR179m earlier given macro uncertainty and tight liquidity. We have cut our FY13 EPS by 56% to INR0.3.
- The stock trades at an EV of 9.4x FY12E and 9.3x FY13E EBITDA. **Neutral.**

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (Excl JV)	9,924	8,888	10,025	12,095	10,577	9,244	10,749	12,426	40,932	42,997
Change (%)	13.7	13.6	11.1	11.3	6.6	4.0	7.2	2.7	12.3	5.0
Gross Sales (incl JV Inc)	10,082	8,985	10,275	12,097	10,603	9,364	10,949	12,621	41,440	43,531
Change (%)	4.6	4.2	8.7	10.8	5.2	4.2	6.6	4.3	7.3	5.0
EBITDA	1,258	1,133	1,320	1,662	1,379	1,205	1,346	1,767	5,397	5,671
Change (%)	9.3	28.6	29.8	35.1	9.7	6.3	1.9	6.3	26.1	5.1
As of % Sales	12.5	12.6	12.8	13.7	13.0	13.0	12.5	14.2	13.2	13.2
Depreciation	347	359	382	440	392	410	420	452	1,527	1,675
Interest	577	671	748	903	933	1,050	1,100	1,204	2,899	4,287
Other Income	31	61	-56	134	7	60	60	48	170	175
PBT	364	165	134	454	62	-183	-112	168	1,116	-90
Tax	81	43	55	228	33	0	0	-33	407	0
Effective Tax Rate (%)	22.3	26.3	40.7	50.2	53.3	0.0	0.0	-19.6	36.4	0.0
Reported PAT	283	121	79	226	29	-183	-112	201	710	-90
Adj PAT	283	121	147	151	29	-183	-112	201	624	-90
Change (%)	5.6	-56.6	-32.6	-55.9	-89.9	-251.2	-176.4	33.1	-40.2	-114.4

E: MOSL Estimates

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IVRCL Infrastructure

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	IVRC IN
Equity Shares (m)	267.0
52 Week Range (INR)	174/31
1,6,12 Rel Perf (%)	12 / -39 / -58
Mcap (INR b)	9.7
Mcap (USD b)	0.2

CMP: INR36

Buy

YEAR	NET SALES	PAT	EPS	EPS GR.	ADJ. P/E	P/BV	ROE	ROCE	EV/	EV/
END	(INR M)	(INRM)	(INR)	(%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/10A	54,923	2,111	7.9	-6.9	-	-	11.5	14.7	-	-
3/11A	56,515	1,579	5.9	-25.2	2.9	0.5	8.2	11.9	0.5	5.7
3/12E	60,461	582	2.2	-63.2	7.7	0.5	2.9	9.5	0.5	6.6
3/13E	67,840	911	3.4	56.7	4.9	0.5	4.4	10.1	0.5	6.4

Adj PE - Adjusted for investments

- We expect IVRCL to report revenue of INR11.4b (up 7% YoY), EBITDA of INR976m (up 2.4%) and net profit of INR38m (down 84% YoY) in 2QFY12. Operational performance in 2QFY12 is expected to remain bleak due to poor execution in the monsoon quarter and prevailing macro-economic uncertainty.
- Order book as at 1QFY12 was INR216b (up 12% YoY), including L1 orders of INR25b, translating into book-to-bill (BTB) ratio of 3.8x TTM revenue. IVRCL's order intake in 2QFY12 was INR7.4b and a group company, IVRCL Asset and Holding bagged a INR14.8b road project. Therefore, going forward the construction contract is expected to fall in IVRCL's portfolio.
- Intakes in 2QFY12 are from the water segment: INR2.6b; buildings: INR2.3b; power: INR1b; transport: INR1b and mining: INR316m. Some of the large projects that IVRCL received during the quarter are: a 400kV D/C transmission line project awarded by Haldia Energy in Kolkata, a petrochemical complex project awarded by GAIL (India), construction of a sub-station unit building with pile foundation at Paradip, a refinery project at Paradip, Orissa awarded by Indian Oil, Tuticorin thermal power project (2x 250MW) general civil work awarded by Neyveli Lignite and others.
- After factoring the muted performance and growing macro concerns, we downgrade our PAT estimates by 29% for FY12 and 2% for FY13. We now expect IVRCL to report EPS of INR2.2 in FY12 and INR3.4 in FY13.
- The stock trades at 18x FY12E and 12x FY13E reported earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	11,064	10,750	14,188	20,522	11,219	11,488	15,720	22,035	56,525	60,461
Change (%)	1.9	-14.4	19.8	8.6	1.4	6.9	10.8	7.4	2.9	7.0
EBITDA	1,006	953	1,404	1,781	832	976	1,383	1,700	5,144	4,892
Change (%)	1.0	-23.2	21.5	-10.2	-17.2	2.4	-1.5	-4.6	-3.2	-4.9
As of % Sales	9.1	8.9	9.9	8.7	7.4	8.5	8.8	7.7	9.1	8.1
Depreciation	157	184	199	217	228	230	245	259	758	961
Interest	453	480	592	656	628	730	860	983	2,182	3,202
Other Income	9	57	11	43	72	40	11	5	120	128
PBT	404	345	625	950	49	56	289	462	2,324	857
Tax	125	112	202	308	7	18	93	157	747	275
Effective Tax Rate (%)	31.0	32.6	32.3	32.4	13.6	32.1	32.1	34.1	32.1	32.1
Reported PAT	279	233	423	642	42	38	196	305	1,577	582
Adj PAT	279	233	423	642	42	38	196	305	1,577	582
Change (%)	-20.6	-51.4	-7.7	-24.4	-84.9	-83.5	-53.5	-52.6	-25.3	-63.1

E: MOSL Estimates

Jaiprakash Associates

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	JPAIN
Equity Shares (m)	2,127.7
52 Week Range (INR)	141/54
1,6,12 Rel Perf (%)	25 / -7 / -23
Mcap (INR b)	147.0
Mcap (USD b)	3.0

CMP: INR69

Buy

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS* (INR)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	100,889	8,933	4.2	-0.4	-	-	11.8	14.4	-	-
3/11A	129,665	7,404	3.5	-17.2	19.9	1.6	8.0	11.3	2.4	10.4
3/12E	143,509	7,689	3.6	3.8	19.1	1.5	7.9	10.3	2.2	9.6
3/13E	144,545	9,163	4.3	19.2	16.0	1.4	8.8	11.0	2.1	8.4

* Not Fully Diluted; FCCB outstanding of Rs14b at conversion price of Rs166/sh (dilution of ~5%)

- In 2QFY12 we expect Jaiprakash Associates (JPA) to post revenue of INR34.8b, up 16% YoY, EBITDA of INR6.3b (down 8% YoY) and net profit of INR850m, down 26% YoY.
- JPA's 2QFY12 performance will be weaker than earlier due to lower EBIT in its cement division due to a fall in cement prices. We model volumes of 4.2mt v/s 3.4mt a year earlier and EBIT of INR336m v/s INR1.9b a year earlier. Contribution from the EPC division is expected to be moderate due to higher revenue/margins a year earlier as 2QFY11 margins were 21%. We model revenues of INR15b in 2QFY12 (v/s INR15.7b in 2QFY11) and margin of 16.5% v/s 21% in 2QFY11.
- FY12 and FY13 could see sizable project commissioning for the group, which would drive revenue/cash flow. These include: (i) increased cement capacity from 26mt currently to 37mt, (ii) the commissioning of the Karcham Wangtoo 1GW hydro power project in 1HFY12, (iii) the Yamuna Expressway becoming operational by 4QFY12, (iv) an F1 race circuit will be ready by the end of 2QFY11 at capex of INR17b and (v) the commissioning of the Bina 500MW project and (vi) an associated mine with Nigri project will get final forest clearance. The projects entail a cumulative cost of over INR250b.
- JPA announced plans to ramp-up its cement capacity to 50mt from 33mt earlier. A large part of the increase in capacity could be brown-field in nature, entailing lower capex.
- We expect JPA to post standalone net profit of INR7.7b in FY12 (up 4% YoY) and INR9.2b in FY13 (up 19% YoY). The stock trades at a reported PER of 17x FY12E and 14x FY13E. **Buy.**

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	31,742	29,933	28,937	39,053	31,833	34,800	34,609	42,268	129,665	143,509
Change (%)	53.6	64.1	1.4	16.7	0.3	16.3	19.6	8.2	28.5	10.7
EBITDA	6,421	6,811	7,915	7,740	7,728	6,248	7,752	10,807	28,887	32,841
Change (%)	18.5	49.4	2.3	-9.3	20.4	-8.3	-2.1	39.6	10.1	13.7
As of % Sales	20.2	22.8	27.4	19.8	24.3	18.0	22.4	25.6	22.3	22.9
Depreciation	1,503	1,528	1,542	1,507	1,721	1,750	1,950	2,121	6,079	7,542
Interest	3,279	3,234	3,382	4,048	4,284	4,200	4,200	4,211	13,942	16,895
Other Income	436	820	588	1,693	74	990	1,050	1,180	3,537	3,294
Extra-ordinary income	5,125	27	-9	-3	-2	0	0	0	5,140	0
PBT	7,199	2,896	3,571	3,876	1,796	1,288	2,652	5,654	17,542	11,698
Tax	2,039	1,741	1,245	857	726	438	902	1,944	5,881	4,009
Effective Tax Rate (%)	28.3	60.1	34.8	22.1	40.4	34.0	34.0	34.4	33.5	34.3
Reported PAT	5,160	1,155	2,327	3,020	1,070	850	1,750	3,710	11,661	7,689
Adj PAT	1,058	1,155	2,335	2,883	1,072	850	1,750	3,710	7,404	7,689
Change (%)	-51.5	-0.5	-25.7	17.8	1.3	-26.4	-25.1	28.7	-17.1	3.8

E: MOSL Estimates

Nagarjuna Construction

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	NJCC IN
Equity Shares (m)	256.6
52 Week Range (INR)	172/52
1,6,12 Rel Perf (%)	16 / -23 / -43
Mcap (INR b)	15.7
Mcap (USD b)	0.3

CMP: INR61
Buy

YEAR END	NET SALES* (INR M)	PAT* (INR M)	EPS (INR)	EPS GR. (%)	ADJ. P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	57,120	2,861	11.1	60.0	-	-	9.8	12.6	-	-
3/11A	62,299	2,218	8.6	-22.5	3.3	0.7	7.4	8.9	0.9	9.1
3/12E	67,595	1,489	5.8	-32.9	4.9	0.6	4.0	8.1	0.9	9.5
3/13E	72,578	1,653	6.4	11.0	4.4	0.6	5.2	8.8	0.9	8.7

* For construction segment (consolidated, including international business)

- In 2QFY12, we expect Nagarjuna Construction (NJCC) to report revenue growth of INR13b (up 8.3% YoY), EBITDA of INR1.1b (down 5% YoY) and net profit of INR159m (down 68% YoY). We believe tight liquidity conditions and macro headwinds will impact the operating/financial performance of construction players. So, we downgrade our FY12 consolidated revenue guidance by 0.3% and for FY13 by 2.5%, assuming a 10-20bp decline in EBITDA margins at 9.5%. We expect consolidated PAT of INR1.4b (down 32% YoY) v/s our earlier estimate of INR1.9b (down 14% YoY) in FY12 and INR1.6b (down 11% YoY) v/s an earlier estimate of INR2.1b (up 10.5% YoY) for FY13.
- At the end of 1QFY12, NJCC's order book was INR162b, flat growth YoY. NJCC guided order intake of INR140b in FY12 (including INR50b from IPP orders). However, due to slow order flow momentum in 1QFY12, achieving the guidance of INR140b appears unlikely. In 2QFY12, NJCC added orders worth INR6.2b (down 57% YoY v/s INR7b (down 65% YoY) in 1QFY12. We estimate order inflow of INR80.6b in FY12 (up 18%).
- Intake in 2QFY12 includes: (i) INR4b from the Water Resources Division Raigarh, Chhattisgarh for construction of Saradih Barrage with vertical lift gates, (ii) INR1.6b from the Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL), Mumbai for turnkey contracts for single phasing scheme, (iii) INR710m from Bharat Coking Coal, Dhanbad for removal of OB, extraction and transport of coal.
- We now expect NJCC to post EPS of INR5.8 (down 33% YoY) in FY12 and INR6.4 in FY13 (up 11% YoY).
- The stock trades at 11.2x FY12E and 10.9x FY13E reported earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	10,865	12,013	13,355	14,504	11,415	13,013	15,410	17,236	50,737	57,074
Change (%)	8.6	12.6	12.5	-4.7	5.1	8.3	15.4	18.8	6.2	12.5
EBITDA	1,058	1,234	1,276	1,309	1,165	1,171	1,325	1,772	4,876	5,434
Change (%)	2.5	13.3	8.1	-14.3	10.2	-5.1	3.9	35.4	0.9	11.4
As of % Sales	9.7	10.3	9.6	9.0	10.2	9.0	8.6	10.3	9.6	9.5
Depreciation	156	168	175	186	197	200	220	231	685	848
Interest	293	375	438	575	640	760	850	1,012	1,682	3,262
Other Income	13	54	23	56	21	30	20	65	146	136
PBT	621	745	686	605	349	241	275	594	2,656	1,459
Tax	207	285	282	248	116	82	94	206	1,021	497
Effective Tax Rate (%)	33.3	38.3	41.0	41.0	33.3	34.0	34.0	34.6	38.5	34.1
Reported PAT	414	460	404	357	233	159	182	388	1,634	962
Adj PAT	414	500	444	357	233	159	182	388	1,714	962
Change (%)	8.3	13.8	-7.2	-42.6	-43.8	-68.2	-59.1	9.0	-10.8	-43.9

E: MOSL Estimates

Simplex Infrastructure

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	SINF IN
Equity Shares (m)	49.5
52 Week Range (INR)	515/218
1,6,12 Rel Perf (%)	-10 / -16 / -33
Mcap (INR b)	11.3
Mcap (USD b)	0.2

CMP: INR228
Buy

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/10A	44,427	1,227	24.8	-6.9	-	-	13.1	13.3	-	-
3/11A	47,624	1,232	24.9	0.5	9.2	1.0	12.0	12.6	0.6	5.6
3/12E	52,210	594	12.0	-51.8	19.0	1.0	5.4	11.4	0.5	5.7
3/13E	58,657	796	16.1	34.1	14.2	0.9	6.8	12.2	0.5	5.5

- We expect Simplex Infrastructures (SINF) to post revenue of INR11.5b (up 9.2% YoY), EBITDA of INR1b (down 3.2% YoY) and net profit of INR85m (down 68% YoY) in 1QFY12. We expect SINF to maintain EBITDA margin of 9.5-10%. We estimate PAT at INR85m in 2QFY12 down 68% YoY. The profitability in the quarter has been suppressed due to the rising interest costs, which was INR580m in 2QFY12 v/s INR502m in 1QFY12 and INR369m in 4QFY11.
- Order book at the end of 1QFY12 was INR143b (up 17% YoY and down 2.4% QoQ) and book-to-bill ratio was 3x TTM revenues. In 2QFY12, SINF added orders worth ~INR18b, largely from the power, buildings and roads segments. We estimate order book of INR173b (up 18%) at the end of FY12 and at INR199b (up 15%) at the end of FY13.
- We expect the growing liquidity crunch and increasing interest rates to impact SINF's profitability over the next few quarters. Therefore we downgrade our FY12 PAT estimate by 39% and for FY13 by 28%.
- We estimate EPS of INR12 (down 52% YoY) in FY12 and INR16.1 (up 34% YoY) in FY13.
- The stock trades at 19x FY12E and 14.2x FY13E earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Income	11,768	10,515	11,667	13,674	12,609	11,486	12,530	15,585	47,624	52,210
Change (%)	6.0	2.6	9.4	9.2	7.1	9.2	7.4	14.0	7.2	9.6
Total Expenses	10,567	9,458	10,591	12,301	11,407	10,395	11,302	14,093	42,916	47,198
EBITDA	1,201	1,057	1,076	1,374	1,202	1,091	1,228	1,491	4,707	5,012
Change (%)	7.4	(0.7)	11.0	6.7	0.1	3.2	14.2	8.6	8.7	6.5
As % of sales	10.2	10.1	9.2	10.0	9.5	9.5	9.8	9.6	9.9	9.6
Other Income	9	34	31	90	77	50	40	13	164	180
Interest	281	295	362	369	502	580	650	738	1,308	2,470
Depreciation	390	400	402	416	426	430	440	512	1,608	1,809
PBT	539	396	342	678	351	131	178	254	1,955	914
As % of sales	4.6	3.8	2.9	5.0	2.8	1.1	1.4	1.6	4.1	1.7
Change (%)	25.8	(8.8)	(13.0)	(36.6)	(39.3)	(69.7)	(51.5)	(67.1)	(4.6)	(57.4)
Tax	177	127	110	309	110	46	62	102	722	320
Tax / PBT	32.8	32.1	32.2	45.5	31.4	35.0	35.0	39.9	36.9	35.0
PAT	362	269	232	370	241	85	116	153	1,232	594
Adjusted PAT	362	269	232	370	241	85	116	153	1,232	594
As % of sales	3.1	2.6	2.0	2.7	1.9	0.7	0.9	1.0	2.6	1.1
Change (%)	41.1	(3.8)	0.5	(48.3)	(33.6)	(68.3)	(50.1)	(58.7)	0.5	(51.8)

E: MOSL Estimates

Media

COMPANY NAME
Deccan Chronicle
H T Media
Jagran Prakashan
Sun TV Network
Zee Entertainment

Ad growth to remain sluggish; Zee, Sun to lead in earnings growth: We expect HT Media / Jagran Prakashan to deliver ad revenue growth of 16/13% YoY while Zee / Sun TV record 0/12% growth. Earnings performance is likely to be mixed, with broadcasters likely to outperform print stocks, with a YoY earnings growth of 20-27%. We expect margins to be under pressure for print companies.

Hindi GEC: IPL impacts viewership; Star Plus and Sony improve market share: Gross rating points (GRPs) of all leading Hindi General Entertainment Channels (GECs) ex-Zee have improved during 2QFY12. While average GRPs for Star Plus and Colors grew 2-4% QoQ, Zee TV's average GRPs declined by 2% QoQ. Sony witnessed a 42% QoQ increase in its average GRPs largely on account of its show 'Kaun Banega Crorepati'. Star Plus and Zee TV's market share declined 23.8% and 15.1% (v/s 24.6% and 16.2% in 1QFY12), respectively. Colors maintained its second position, with a market share of 19.3%. Sony has moved into third position, with a market share of 16.8% in 2QFY12 (v/s 12.5% in 1QFY12).

Print media: Tough raw material price environment: While international newsprint prices have stabilized since 3QFY11, after steadily rising for six consecutive quarters, domestic prices continue to fluctuate for print companies on account of changing INR/USD rates. Print media companies expect double-digit price inflation in newsprint during FY12. Though newsprint price inflation remains a cause of concern for print companies, there are early indications of softening newsprint prices, given some reduction in scrap paper prices.

Sector outlook: Ad revenue growth has remained sluggish during 2QFY12; full-year ad growth for the industry is likely to be dragged down to single digits, led by macro slowdown. The broadcasting space looks attractive due to rising subscription revenue from DTH, digitization drive by cable companies and improving outlook on advertising. For print companies, while ad revenue growth is likely to sustain, declining circulation revenue and newsprint cost inflation remain overhangs.

Abbreviations and acronyms

GEC: General entertainment channel
DTH: direct to home

Expected quarterly performance summary

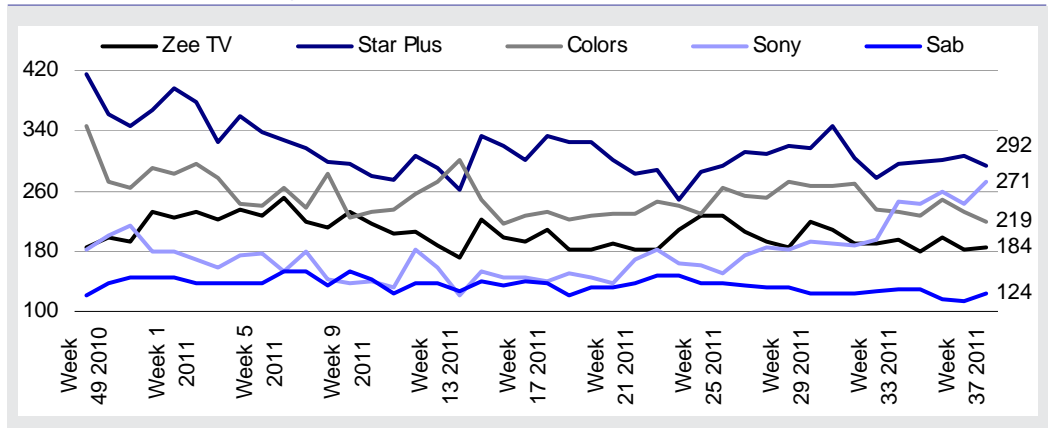
(INR million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Deccan Chronicle	58	Neutral	2,123	-10.3	5.2	425	-64.0	13.9	148	-82.1	21.3
HT Media	139	Neutral	4,946	11.0	-0.5	755	-4.6	-16.4	395	1.7	-23.3
Jagran Prakashan	105	Neutral	3,082	11.3	1.2	786	-13.5	-4.2	465	-16.2	-6.5
Sun TV	284	Buy	4,793	12.8	5.6	3,850	15.9	5.2	2,002	19.6	6.7
Zee Entertainment	113	Neutral	7,402	4.0	6.0	2,163	14.7	38.6	1,602	26.9	19.8
Sector Aggregate			17,140	8.4	3.9	6,767	12.8	10.5	3,998	20.3	7.3

Note: Deccan Chronicle and Jagran Prakashan excluded from aggregate since they are not comparable.

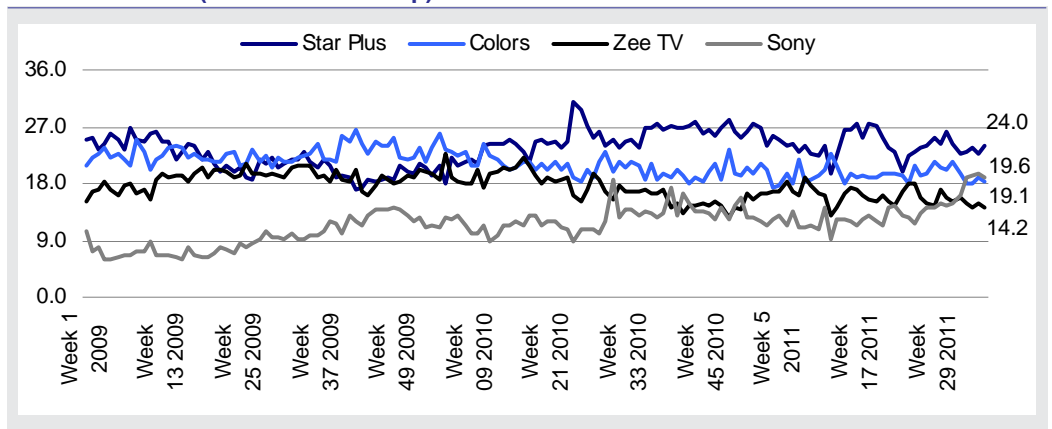
Recent GRP trends of major Hindi GECs

Leading Hindi GEC's continue to maintain their positions except for Sony which has moved into the second spot owing to the success of its program 'Kaun Banega Crorepati'



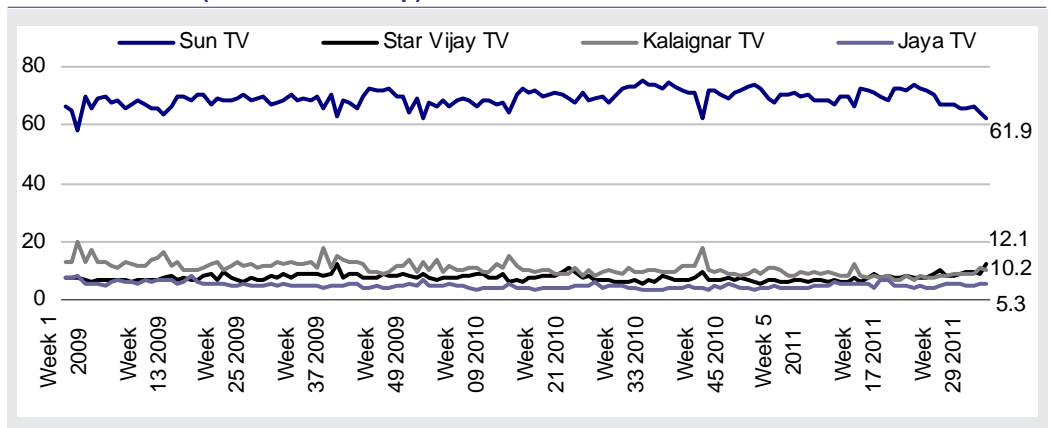
Hindi GEC share (~28% of viewership)

Star Plus remains the market leader in the Hindi GEC market; Sony moves into second spot ahead of Colors



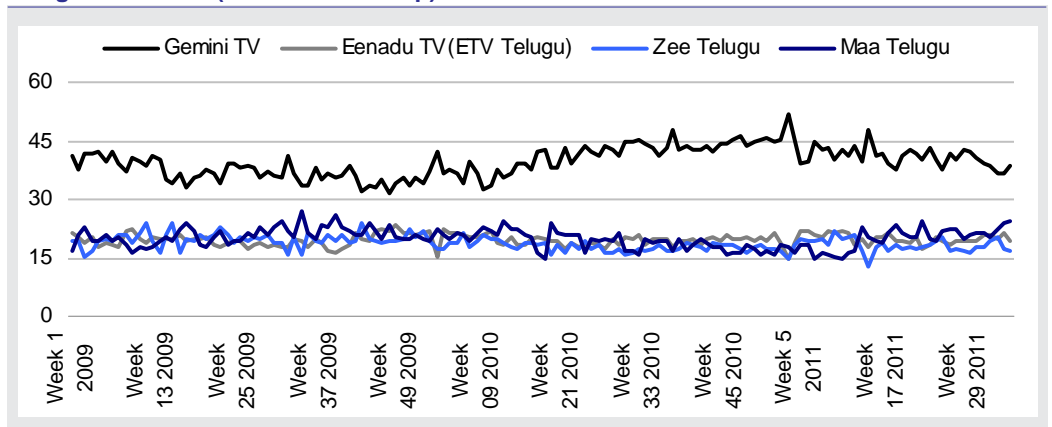
Tamil GEC share (~6% of viewership)

Sun TV remains market leader in the Tamil GEC market



Telugu GEC share (~5% of viewership)

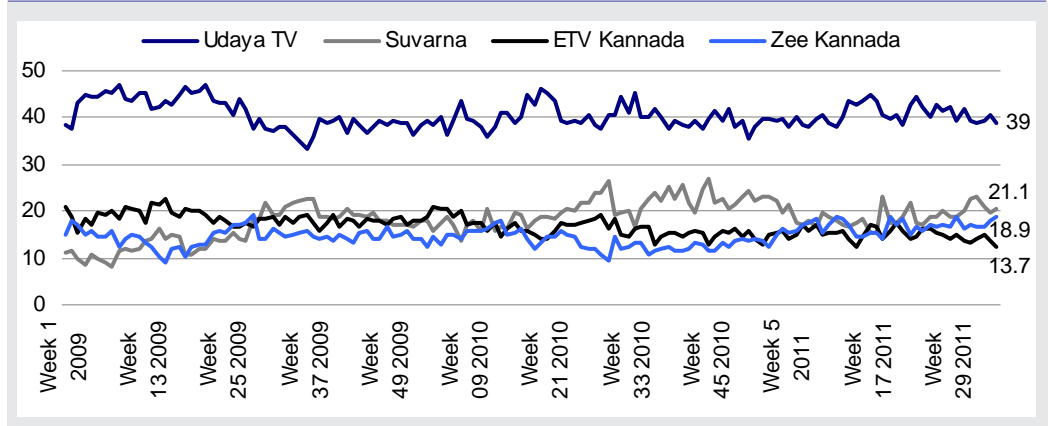
Gemini TV has been increasing its lead over competitors; Maa Telugu moves into second spot



Source: TAMMOSL

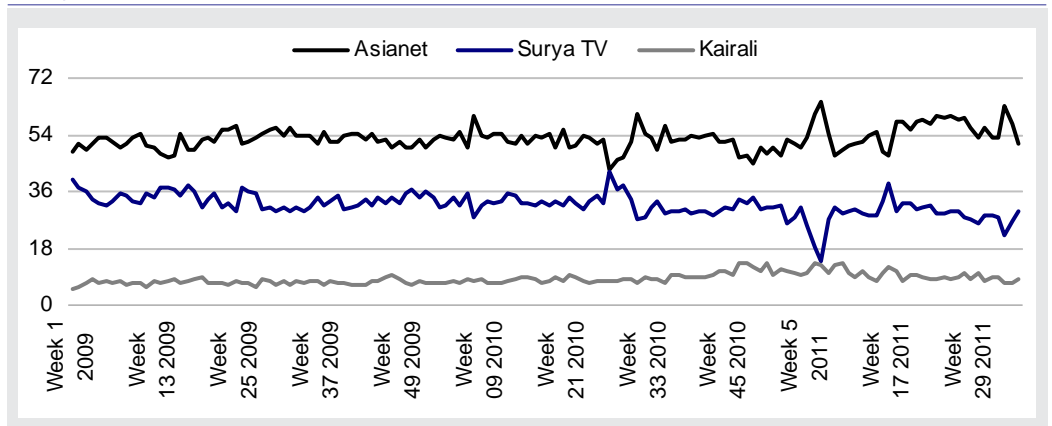
Kannada GEC share (~3% of viewership)

Udaya TV has retained a wide lead over competitors in the Kannada GEC market



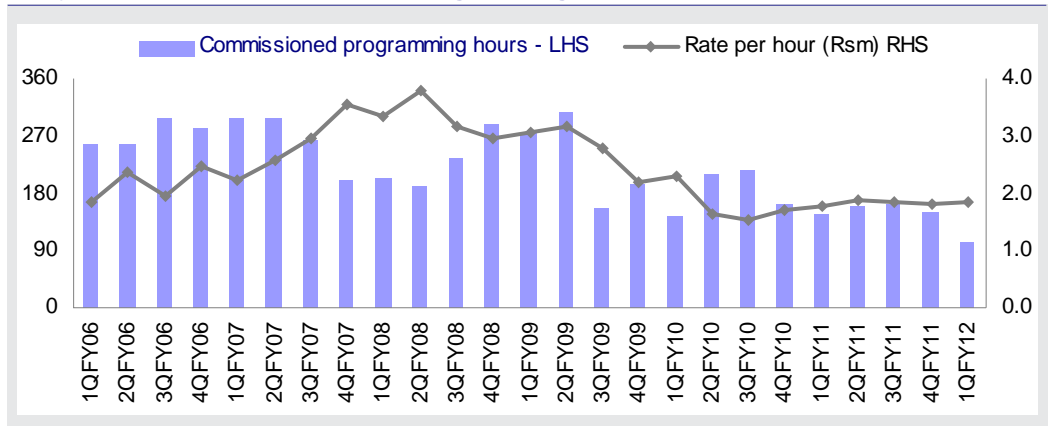
Malayalam GEC share (~1% of viewership)

Asianet continues to hold significant market share in the Malayalam GEC market



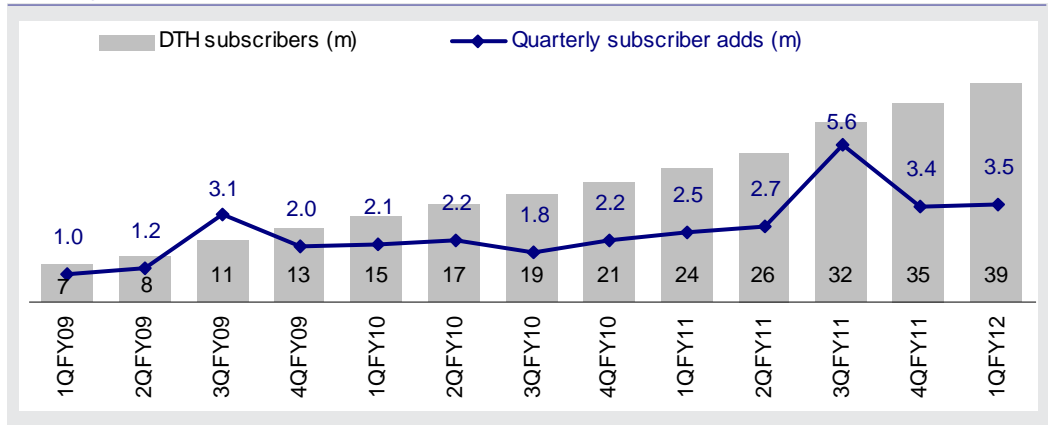
Balaji Telefilms: Trends in OPH and programming rates

Rate per hour remains stable for Balaji Telefilms



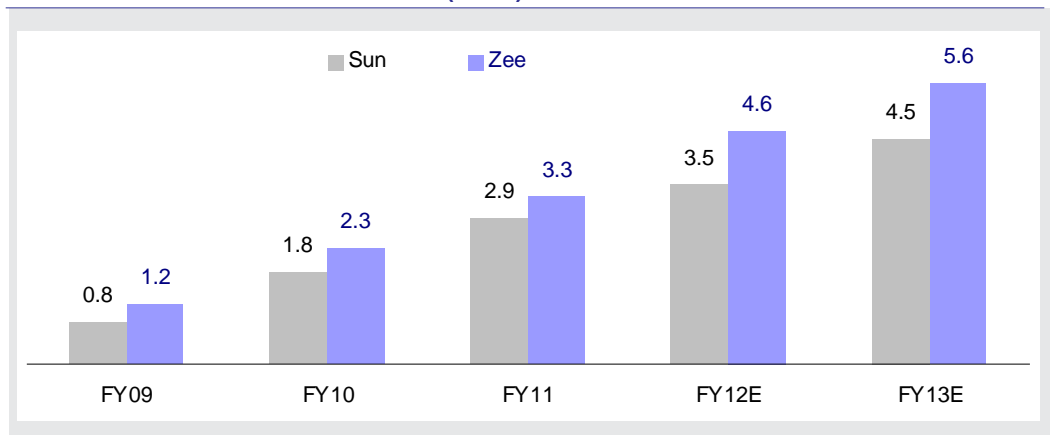
Industry DTH subscriber base and additions trend

DTH industry adds peaked in 2HFY11, driven by festive demand as well as sporting events; we estimate 3.5m additions in 1QFY12



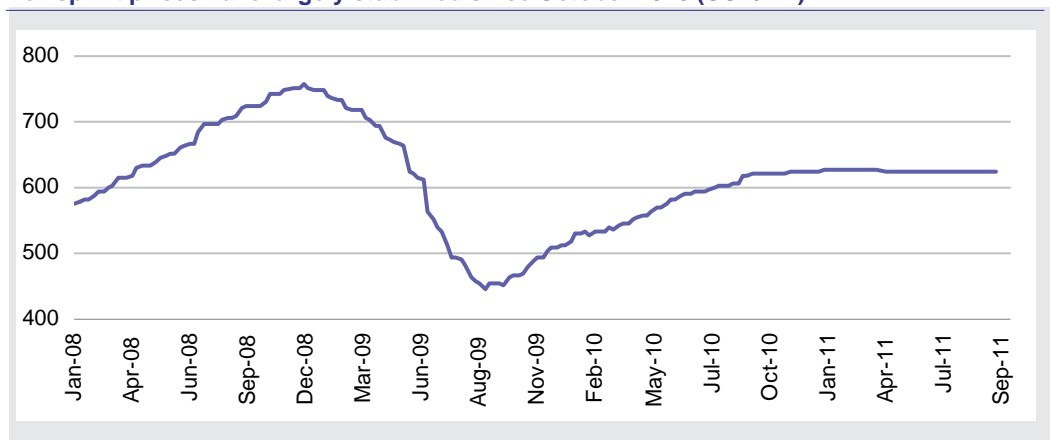
Source: Company/MOSL

DTH revenue trend for Zee and Sun TV (INR b)



Increasing digitization and C&S penetration to drive revenue growth for broadcasters

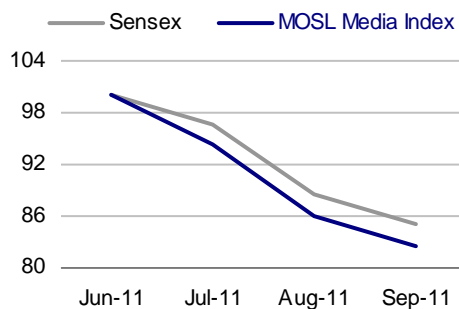
Newsprint prices have largely stabilized since October 2010 (USD/MT)



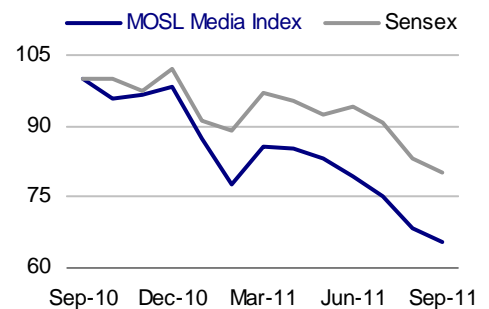
Newsprint prices (USD/ton) have remained largely flat since October 2010; we have factored in moderate increase in prices in FY12

Source: Bloomberg/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Media														
Deccan Chronicle	58	Neutral	6.7	3.7	5.8	8.6	15.8	10.0	3.0	4.8	3.3	13.1	6.9	10.1
HT Media	139	Neutral	7.7	8.7	11.2	18.1	15.9	12.4	8.8	7.8	5.8	14.9	13.4	14.8
Jagran Prakashan	105	Neutral	6.9	6.6	8.4	15.2	16.0	12.6	9.2	9.0	7.0	33.2	28.0	31.2
Sun TV	284	Buy	19.6	21.3	25.2	14.5	13.3	11.3	6.8	6.4	5.2	32.4	30.3	30.8
Zee Entertainment	113	Neutral	6.0	6.6	7.5	18.9	17.2	15.1	14.1	12.3	10.8	16.9	19.7	20.1
Sector Aggregate						15.7	15.2	12.7	8.6	8.2	6.7	21.9	20.6	21.6

Deccan Chronicle

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR58								Neutral		
Bloomberg Equity Shares (m)	DECHIN 217.5	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	150/49	03/10A	10,351	2,309	9.5	63.3	-	-	19.4	13.0	-	-
1,6,12 Rel Perf (%)	14 / -11 / -37	03/11A	9,762	1,626	6.7	-29.6	8.9	1.1	13.1	10.9	1.1	3.6
Mcap (INR b)	12.6	03/12E	9,032	829	3.7	-45.1	16.3	1.2	6.9	7.9	1.1	4.8
Mcap (USD b)	0.3	03/13E	10,004	1,210	5.8	58.0	10.3	1.0	10.1	10.0	0.8	3.3

- DECH has merged its subsidiaries with effect from 4QFY11. Accordingly, our estimates for 2QFY12 include the financials of its merged subsidiaries.
- We expect ad revenue to decline 25% YoY but increase 7% QoQ to ~INR1.7b. We believe ad revenue would get impacted due to the ongoing political issues in Andhra Pradesh (a major market for DECH).
- We expect circulation revenue to remain flat at INR148m.
- Overall revenue would decline 10% YoY to INR2.1b. We expect EBITDA to decline ~64% YoY to INR425m, and estimate EBITDA margin at 20%.
- We expect net profit to grow 21% QoQ to INR148m in 2QFY12.
- The stock trades at 16.3x FY12E and 10.3x FY13E EPS. **Neutral.**

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q*	1Q	2QE	3QE	4QE		
Sales	2,318	2,367	1,996	3,081	2,018	2,123	2,401	2,489	9,762	9,032
YoY (%)	7.0	-5.7	-14.5	60.7	-12.9	-10.3	20.3	-19.2	-5.7	-7.5
EBITDA	1,199	1,179	754	-199	373	425	610	658	2,933	2,066
YoY (%)	13.2	-15.0	-40.4	-124.5	-68.9	-64.0	-19.1	NA	-35.1	-29.6
EBITDA margin (%)	51.7	49.8	37.8	-6.5	18.5	20.0	25.4	26.4	30.0	22.9
Depreciation	109	111	111	183	135	137	139	146	514	555
Interest	118	133	138	195	169	171	173	176	584	689
Other Income	90	93	97	267	111	100	95	94	547	400
PBT	1,062	1,029	602	-310	180	217	394	430	2,383	1,222
Tax	150	203	250	156	58	70	126	138	758	392
Effective Tax Rate (%)	14.1	19.7	41.5	-50.2	31.8	31.8	31.8	31.8	31.8	32.1
Net Profit	912	826	352	-466	122	148	268	293	1,624	830
YoY (%)	18.4	-17.3	-54.6	-817.4	-86.6	-82.1	-24.0	NA	-29.7	-48.9

E: MOSL Estimates; * Subsidiaries merged w.e.f. 4QFY11, hence growth numbers are not comparable

H T Media

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR139										Neutral
Bloomberg Equity Shares (m)	HTML IN 235.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	186/125	03/10A	14,378	1,435	6.1	615	22.4	3.2	15.6	11.8	2.2	11.0
1,6,12 Rel Perf (%)	-5 / 17 / 9	03/11A	17,861	1,809	7.7	26	17.8	2.2	14.9	13.0	1.6	8.7
Mcap (INR b)	32.7	03/12E	20,848	2,056	8.7	14	15.7	2.0	13.4	12.9	1.3	7.6
Mcap (USD b)	0.7	03/13E	24,200	2,628	11.2	28	12.3	1.7	14.8	14.8	1.1	5.7

- We expect HTML to post revenue of INR5b, up 11% YoY.
- Ad revenue would increase 16% YoY but remain flat at INR3.8b QoQ.
- Print ad revenue has faced some pressure this year largely due to weak education sector; we believe growth in education has declined from 25-30% last year to ~12% currently.
- We expect circulation revenue to increase 6% YoY to INR444m.
- EBITDA margin is likely to decline ~250bp YoY to 15.3%.
- Adjusted earnings would remain largely flat YoY at INR395m.
- Newsprint price inflation has remained a cause of concern for print companies including HTML.
- The stock trades at 15.7x FY12E and 12.3x FY13E EPS. **Neutral.**

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue	4,042	4,455	4,651	4,704	4,969	4,946	5,451	5,482	17,852	20,848
YoY (%)	20.1	27.3	27.0	21.7	22.9	11.0	17.2	16.5	24.2	16.8
Operating Expenses	3,243	3,664	3,768	3,828	4,066	4,191	4,373	4,533	14,503	17,163
EBITDA	799	791	883	876	903	755	1,078	948	3,349	3,684
YoY (%)	38.2	54.5	18.5	-5.6	13.0	-4.6	22.1	8.3	19.5	10.0
EBITDA Margin (%)	19.8	17.8	19.0	18.6	18.2	15.3	19.8	17.3	18.8	17.7
Depreciation	194	211	217	220	214	219	228	232	842	893
Interest	64	55	46	71	53	54	51	55	236	212
Other Income	58	61	64	117	146	147	149	155	300	598
PBT	599	586	684	702	782	630	948	817	2,571	3,177
Tax	197	165	184	166	242	195	293	251	712	982
Effective Tax Rate (%)	32.9	28.2	26.9	23.7	30.9	30.9	30.9	30.8	27.7	30.9
PAT	402	421	500	536	540	435	655	566	1,859	2,195
Minority Interest	-12	33	22	6	25	40	35	39	49	139
Reported PAT	414	388	478	529	515	395	620	527	1,809	2,056
Adj PAT	414	388	478	529	515	395	620	527	1,809	2,056
YoY (%)	44.3	61.0	28.5	10.3	24.4	1.7	29.7	-0.5	26.1	13.6

E: MOSL Estimates

Jagran Prakashan

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR105										Neutral
Bloomberg	JAGP IN	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Equity Shares (m)	316.3	03/10A	9,419	1,759	5.8	92.0	-	-	30.0	23.3	-	-
52 Week Range (INR)	148/97	03/11A	12,211	2,183	6.9	18.2	15.2	4.7	33.2	24.4	2.7	9.2
1,6,12 Rel Perf (%)	5 / 2 / 1	03/12E	13,722	2,077	6.6	-4.9	16.0	4.3	28.0	21.6	2.4	9.0
Mcap (INR b)	33.2	03/13E	15,389	2,643	8.4	27.3	12.6	4.3	31.2	24.7	2.0	7.0
Mcap (USD b)	0.7											

- We expect advertising revenue to grow 13% YoY and 7% QoQ to INR2.2b on a standalone basis.
- Circulation revenue would grow ~2% YoY to INR559m.
- JAGP's aggregate revenue is likely to increase by 11% YoY to INR3.1b, driven by growth in advertising revenue.
- We estimate EBITDA at INR786m, down 13% YoY, and EBITDA margin at 25.5%.
- Adjusted earnings are likely to decline 16% YoY to INR465m.
- The stock trades at 16x FY12E and 12.6x FY13E EPS. **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12*				FY11*	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	2,698	2,769	2,860	2,826	3,046	3,082	3,342	3,339	11,153	12,809
YoY (%)	16.4	12.2	26.1	19.6	12.9	11.3	16.8	18.2	18.4	14.8
Operating Expenses	1,796	1,860	1,963	2,112	2,226	2,296	2,351	2,475	7,731	9,347
EBITDA	902	908	897	714	820	786	991	865	3,422	3,462
YoY (%)	27.9	9.1	37.5	12.9	-9.0	-13.5	10.4	21.1	21.2	1.2
EBITDA Margin (%)	33.4	32.8	31.4	25.3	26.9	25.5	29.7	25.9	30.7	27.0
Depreciation	125	133	146	160	150	153	156	161	564	620
Interest	12	14	21	25	28	28	29	29	72	114
Other Income	57	64	55	55	78	79	81	82	232	320
PBT	822	826	786	584	720	684	887	756	3,017	3,048
Tax	266	271	259	163	223	219	284	242	959	968
Effective Tax Rate (%)	32.4	32.8	33.0	27.9	32.0	32.0	32.0	32.0	31.8	31.8
Adjusted Net Profit	556	555	526	421	497	465	603	514	2,058	2,080
YoY (%)	12.3	10.4	32.5	15.7	-10.6	-16.2	14.6	22.2	17.0	1.0
Reported Net Profit	556	555	526	421	497	465	603	514	2,058	2,080

E: MOSL Estimates; * Consolidated (incl Mid-day), hence growth numbers are not comparable

Sun TV Network

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR284										Buy
Bloomberg Equity Shares (m)	SUNTV IN 394.1	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	557/255	3/10A	13,950	5,674	14.4	36.3	-	-	28.2	52.8	-	-
1,6,12 Rel Perf (%)	-5 / -19 / -26	3/11A	19,237	7,722	19.6	36.1	14.9	4.8	32.4	63.1	5.7	7.0
Mcap (INR b)	111.8	3/12E	19,927	8,398	21.3	8.8	13.7	4.2	30.3	56.1	5.2	6.6
Mcap (USD b)	2.3	3/13E	22,747	9,916	25.2	18.1	11.6	3.6	30.8	56.7	4.3	5.4

- We expect revenue of INR4.8b (up ~13% YoY), EBITDA of INR3.9b (up ~16% YoY), and PAT of INR2b (up ~20% YoY).
- Advertising and broadcasting revenue would grow 12% YoY and QoQ to INR3b.
- We expect DTH subscription revenue to increase 25% YoY and 4% QoQ to INR875m.
- Total subscription revenue (domestic + international) would grow 15% YoY but remain flat QoQ at INR1.6b.
- SUNTV continues to be one of the best broadcasting plays due to its strong presence in South India (part of faster growth regional advertising pie). We believe that regulatory and political concerns are already factored in at current valuations.
- State-owned Arasu cable was launched in September 2011 without the Sun network bouquet.
- The launch could have an adverse impact on ratings if more cable operators align with Arasu cable.
- Levy of the newly introduced 30% entertainment tax on DTH operators in Tamil Nadu will (1) benefit recently launched state government cable network, (2) put pressure on profitability of DTH operators in Tamil Nadu which could indirectly impact Sun TV Network.
- There have been renewed concerns due to on-going investigations on the charges related with the Maxis-Astro leading to recent pressure on the stock.
- The stock trades at 13.7x FY12E and 11.6x FY13E EPS. **Buy.**

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue	4,404	4,248	5,980	4,605	4,540	4,793	5,376	5,217	19,237	19,926
Change (%)	53.1	32.6	51.4	17.5	3.1	12.8	-10.1	13.3	37.9	3.6
EBITDA	3,599	3,323	5,018	3,639	3,659	3,850	4,304	4,056	15,579	15,869
Change (%)	60.9	36.4	60.6	10.0	1.7	15.9	-14.2	11.5	40.3	1.9
As of % Sales	81.7	78.2	83.9	79.0	80.6	80.3	80.0	77.7	81.0	79.6
Depreciation and Amortization	1,147	908	1,740	678	1,061	1,008	958	943	4,474	3,971
Interest	1	3	1	14	2	6	6	6	19.8	19.8
Other Income	113	93	91	172	173	173	171	170	468	687
PBT	2,563	2,505	3,367	3,118	2,769	3,009	3,511	3,277	11,553	12,565
Tax	854	830	1,112	1,035	892	1,007	1,172	1,096	3,831	4,167
Effective Tax Rate (%)	33.3	33.1	33.0	33.2	32.2	33.5	33.4	33.4	33.2	33.2
Reported PAT	1,710	1,674	2,255	2,083	1,876	2,002	2,339	2,181	7,722	8,398
Adj PAT	1,710	1,674	2,255	2,083	1,876	2,002	2,339	2,181	7,722	8,398
Change (%)	42.7	28.2	48.4	26.2	9.8	19.6	3.7	4.7	36.1	8.8

E: MOSL Estimates

Zee Entertainment Enterprises

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR113								Neutral		
Bloomberg	ZIN	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Equity Shares (m)	978.1	3/10A	21,966	4,686	5.2	4.1	-	-	13.0	17.8	-	-
52 Week Range (INR)	156/106	3/11A	29,414	5,852	6.0	14.4	18.9	3.7	16.9	23.8	3.7	14.3
1,6,12 Rel Perf (%)	-3 / 6 / -6	3/12E	30,337	6,429	6.6	9.8	17.2	3.4	19.7	28.2	3.5	12.5
Mcap (INR b)	110.4	3/13E	33,591	7,297	7.5	13.5	15.3	3.0	20.1	29.6	3.1	10.9
Mcap (USD b)	2.2											

- We expect advertising revenue to grow 9% QoQ but remain flat on a YoY basis. Flat advertising revenue is largely due to fatigue post significant spends in cricket earlier this year and margin pressure for FMCG companies led by higher raw material costs.
- We expect subscription revenue to grow 14% YoY and 3% QoQ to INR3.1b.
- DTH revenue contribution to total subscription revenue is likely to remain largely flat at ~36% in 2QFY12.
- EBIDTA margin would expand 29.2% in 2QFY12, led by lower sports loss.
- We estimate adjusted PAT at INR1.6b, up 27% YoY.
- During 1QFY12 Zee incurred EBITDA loss of INR 0.57b in the sports segment. The management guidance for sports segment loss in FY12 is ~INR 1b.
- Zee TV has clocked an average channel share of ~15.1% (v/s 16.2% in 1QFY12) in Hindi GEC, with a GRP of 194 (v/s 198 in 1QFY12).
- Zee network performance in its other large regional GEC markets remained mixed. While Zee Bangla's 2QFY12 market share grew by 3% QoQ to ~34%, Zee Marathi's 2QFY12 average market share declined to ~27% (v/s ~32% in 1QFY12).
- The stock trades at 17.2x FY12E and 15.3x FY13E EPS. **Neutral.**

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Advertising Revenue	3,769	4,122	4,398	4,797	3,787	4,122	4,398	4,801	17,085	17,108
Subscription Revenue	2,614	2,737	2,818	3,107	3,051	3,129	3,166	3,255	11,275	12,601
Other Sales and Services	387	257	333	76	145	151	163	169	1,053	628
Net Sales	6,770	7,116	7,548	7,980	6,983	7,402	7,727	8,225	29,414	30,337
Change (%)	42.2	31.7	42.2	22.9	3.2	4.0	2.4	3.1	33.9	3.1
Prog, Transmission & Direct Exp	3,050	3,458	4,152	3,730	3,423	3,257	3,387	3,453	14,391	13,936
Staff Cost	597	643	687	825	747	755	762	838	2,752	3,103
Selling and Other Exp	1,252	1,130	1,169	1,156	1,253	1,228	1,203	1,123	4,706	4,806
EBITDA	1,870	1,885	1,541	2,268	1,560	2,163	2,374	2,811	7,565	8,492
Change (%)	59.8	25.0	-2.0	23.5	-16.5	14.7	54.1	23.9	24.3	12.3
As of % Sales	27.6	26.5	20.4	28.4	22.3	29.2	30.7	34.2	25.7	28.0
Depreciation	62	56	78	68	89	84	86	89	288	347
Interest	51	5	24	23	30	30	30	30	103	122
Other Income	126	240	232	228	255	257	255	259	1,070	1,025
Extraordinary items	328		700	-131	0	0	0	0	897	0
PBT	2,211	2,064	2,372	2,275	1,696	2,306	2,513	2,950	9,140	9,049
Tax	710	801	818	356	394	729	794	932	2,751	2,715
Effective Tax Rate (%)	32.1	38.8	34.5	15.7	23.2	31.6	31.6	31.6	30.1	30.0
PAT	1,500	1,263	1,554	1,918	1,302	1,577	1,719	2,018	6,390	6,334
Minority Interest	-38	1	-45	-36	-35	-25	-15	-20	-118	-95
Adj PAT after Minority Interest	1,211	1,262	1,141	2,085	1,337	1,602	1,734	2,037	5,852	6,429
Change (%)	18.8	10.6	-8.8	63.7	10.4	26.9	52.0	-2.3	24.9	9.8

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

Metals

COMPANY NAME

Hindalco

Hindustan Zinc

Jindal Steel & Power

JSW Steel

Nalco

Sesa Goa

SAIL

Sterlite Industries

Tata Steel

Worsening global economy depresses metal prices

- In 2QFY12 domestic hot rolled coil (HRC) prices were in consolidation phase due to slow demand, led by the RBI's interest rate hikes in its effort to cool inflation. Although the steel price environment was weak, the fall was not drastic. Prices were flattish with no improvement in flat steel product prices. Average HRC prices declined 0.7% QoQ to INR35,770/t. Steel producers tried to increase HRC prices but any significant rise in prices was not absorbed due to slowing demand in key user industries such as the automobile and construction segment (being a seasonally weak quarter).
- Long product prices were strong due to strong metallic and iron-ore prices. 12mm Rebar Mandi average prices increased 4.4% QoQ to INR44,262/ton while HMS scrap prices declined 2.5% QoQ to INR24,900/ton.
- Steel prices in China and Russia were in consolidation phase. Russian prices declined 3% QoQ to USD699/ton and Chinese HRC export prices declined 2% to USD713/ton. However with a deteriorating economic outlook for Europe and a resultant slowdown in domestic manufacturing activity, Chinese steel prices are facing acute pressure.
- Steel prices in developed markets (US and Europe) fell sharply in 1QFY12. North American average HRC prices declined 16% QoQ to USD691/ton and North European prices declined 8% to Euro544/ton. Concerns over the Greek debt crisis, high inflation and fear of growth moderation in developing economies weighed on steel prices.
- Global crude steel production in August declined 2% MoM to 124.6mt (up10% YoY). Capacity utilization decreased 2.1pp to 77.5% from July as many high cost steel mills in Europe cut production. India's production was flat MoM at 6.16mt and Chinese production declined 1% MoM to 59mt.
- Raw material prices corrected in anticipation of weaker steel demand and production across the globe but the fall was not significant. Coking coal prices declined over the past few months but the correction was not significant.
- A recent contract settlement for hard coking coal between Anglo and Posco was at USD285/t. 3QFY12 contract prices for Indian steel makers are expected to settle at USD275 to USD285/ton depending on quality.

Expected quarterly performance summary

(INR million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
			Hindalco	129	Buy	193,882	10.0	-2.9	22,714	3.9	-2.4
Hindustan Zinc	119	Buy	28,229	28.3	-0.9	15,986	42.1	0.4	14,942	54.7	-0.3
JSPL	510	Buy	41,004	33.0	4.0	16,755	11.6	3.1	9,604	8.9	4.5
JSW Steel	618	Sell	64,211	11.2	-9.2	6,471	-34.8	-53.6	720	-78.1	-87.4
Nalco	62	Sell	16,984	14.8	-3.6	4,402	26.6	-16.9	2,979	33.0	-20.9
SAIL	104	Sell	117,059	8.3	4.6	16,456	-2.9	25.5	9,305	-14.6	11.0
Sesa Goa	200	Buy	9,755	6.2	-53.7	4,032	32.9	-64.9	2,670	-24.4	-68.3
Sterlite Inds.	117	Buy	98,213	61.4	-0.4	28,234	84.7	2.4	16,704	65.7	6.6
Tata Steel	435	Buy	348,965	21.8	5.7	36,920	0.5	-16.5	14,095	7.6	-1.7
Sector Aggregate			918,302	19.8	0.1	151,969	13.8	-11.2	79,670	12.9	-11.6

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

- Iron ore spot prices (CFR China; 63 Fe) were firm due to constrained supply and high imports from China. Spot prices were firm at higher levels since April, which will lead to stronger iron ore contract prices in 3QFY12 and squeeze steel producers' margins.
- We expect 2QFY12 steel production volumes by key Indian producers to increase 1.5% YoY to 6.4mt (down 1.7% QoQ) and sales volumes of 1.7mt (up 6% YoY) for Tata Steel, 3.1mt (flat YoY) for SAIL and 1.6mt (flat YoY) for JSW Steel.

Saleable steel ('000 Tons)

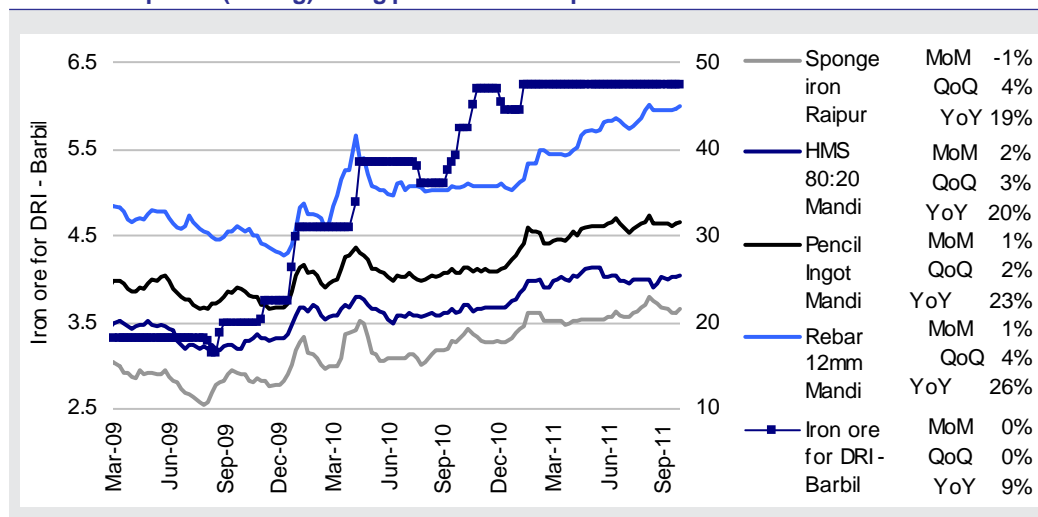
(INR Million)

Y/E March	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Tata Steel India										
Production	1,590	1,610	1,750	1,741	1,750	1,702	1,784	1,843	6,691	7,079
Change (YoY %)	3.1	6.0	3.7	0.5	10.1	5.7	2.0	5.9	5.6	5.8
Sales	1,399	1,660	1,641	1,714	1,593	1,643	1,723	1,780	6,414	6,739
Change (YoY %)	-1.3	14.0	2.8	1.0	13.9	-1.0	5.0	3.8	4.0	5.1
SAIL										
Production	3,000	3,100	3,330	3,435	3,044	3,100	3,400	3,800	12,865	13,344
Change (YoY %)	-2.0	-1.3	7.4	4.1	1.5		2.1	10.6	2.1	3.7
Sales	2,300	3,030	3,250	3,135	2,750	3,000	3,200	3,700	11,715	12,650
Change (YoY %)	-17.6		12.1	-7.8	19.6	-1.0	-1.5	18.0	-3.3	8.0
JSW Steel										
Production	1,574	1,566	1,636	1,647	1,684	1,566	1,636	1,647	6,423	6,533
Change (YoY %)	14.4	1.7	11.4	2.0	7.0				7.1	1.7
Sales	1,190	1,582	1,593	1,733	1,714	1,566	1,636	1,647	6,098	6,563
Change (YoY %)	-9.9	8.8	11.8	14.0	44.0	-1.0	2.7	-5.0	6.6	7.6
3 Key Producers Total										
Production	6,164	6,276	6,716	6,823	6,478	6,368	6,820	7,290	25,979	26,956
Change (YoY %)	3.1	1.2	7.3	4.9	5.1	1.5	1.6	6.8	4.2	3.8
Sales	4,889	6,272	6,484	6,582	6,057	6,209	6,559	7,127	24,227	25,952
Change (YoY %)	-11.6	5.6	9.5	-0.5	23.9	-1.0	1.2	8.3	0.9	7.1

E: MOSL Estimates

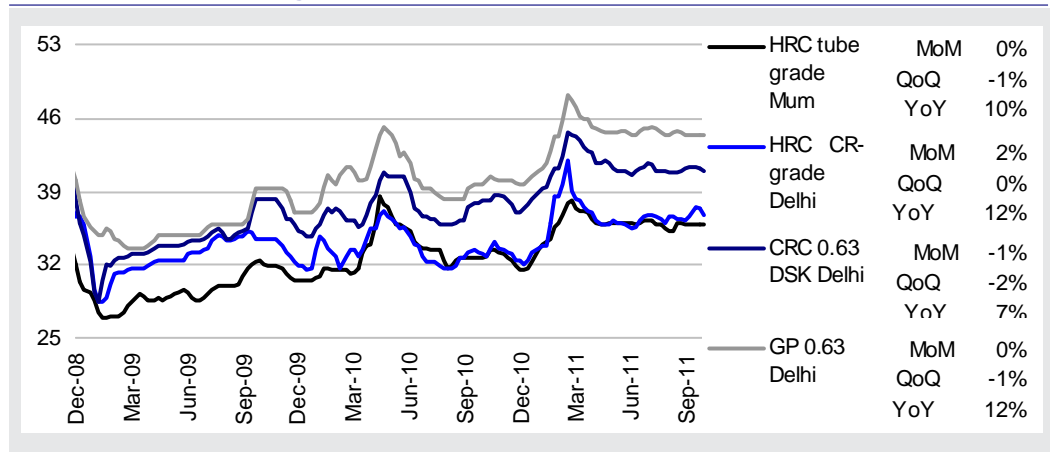
- According to SteelPrices-India, prices of sponge and pig iron in Raipur increased 1-4% QoQ to INR21,460/ton and INR24,479/ton respectively. Prices of HMS scrap increased 3% QoQ to INR25,514/ton, which supported prices of longs.
- Domestic prices of long products were up 4-6% QoQ and flat product prices were sequentially flattish. Tube grade average HRC prices declined 1% to INR35,770/ton and CR grade HRC prices increased 1.5% QoQ to INR36,650/ton.

Indian steel prices (INR/kg): Long products and inputs

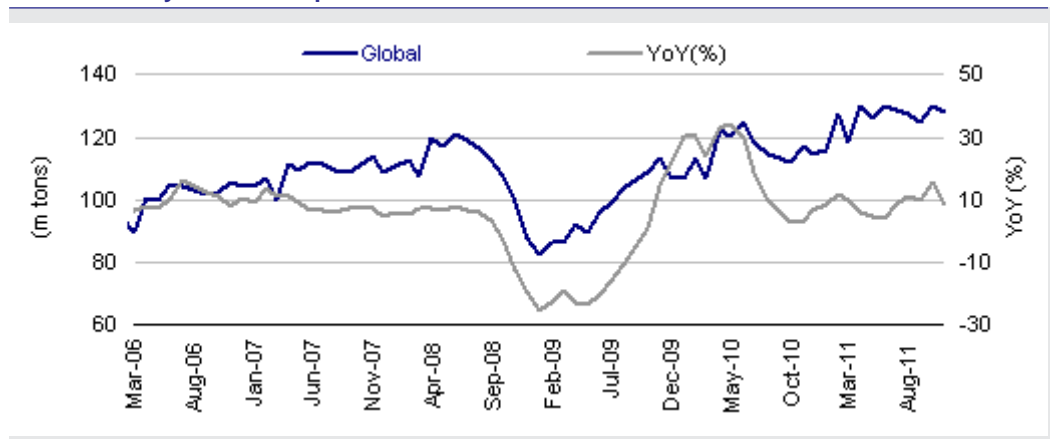


Source: Company/MOSL

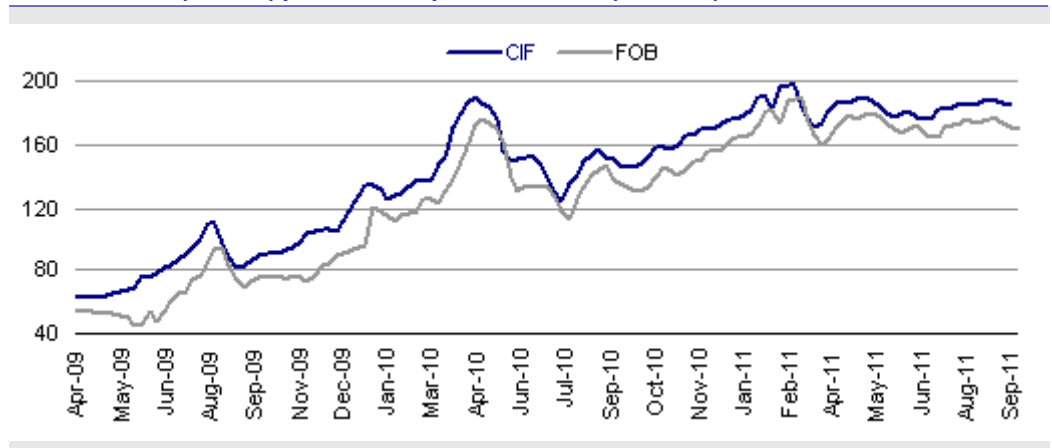
Indian steel prices (INR/kg): Flat products



World monthly crude steel production



Indian iron ore (63% Fe) prices for shipment to China (USD/ton)



Source: Company/MOSL

Non-ferrous metals: High volumes to offset lower LME, higher costs

- Average 2QFY12 non-ferrous metal prices (except zinc) declined 2-7% QoQ, led by a sharp selloff across commodities markets as the US dollar strengthened over concerns about the Greek debt crisis, higher inflation and fears of a slowdown in developing markets. Aluminum was stronger due to the higher cost of production of marginal producers. LME Aluminum declined 7% QoQ to USD2,444/t and copper declined 1% QoQ to USD9,106. Zinc was sequentially flat but came off sharply over the past few days from an average of USD2,268/t to ~USD1,900/t.

- Alumina was firm as alumina producers globally started moving customers from LME-linked to index-based pricing, citing independent dynamics of the industry in an attempt to realize better prices. This will benefit Hindalco and Nalco, which have an excess of alumina production capacities. As the production of alumina at expanded capacity of the refinery ramps up, Nalco's alumina sales will grow and drive revenue growth. Valuations appear attractive as the stock trades at a 54% discount to NAV and EV of 3.8x FY13E EBITDA. We upgrade Nalco to Buy with a target price of INR77 based on 5x FY13E EV/EBITDA.
- Volume growth is expected to be strong for all non-ferrous companies due to recently commissioned smelters. Higher silver volumes and strong realizations (up 3% QoQ at ~INR59,097/kg) will benefit Hindustan Zinc.

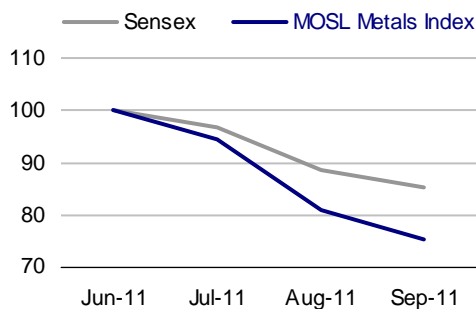
Average base metal prices on the LME (USD/TON)

Quarter	Zinc			Aluminium			Copper			Lead			Alumina		
	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %	Avg.	QoQ %	YoY %
2QFY12	2,268	0	11	2,444	-7	16	9,106	-1	25	2,478	-2	20			
1QFY12	2,271	-6	11	2,618	3	23	9,163	-5	30	2,531	-2	28	408	5	22
4QFY11	2,414	3	5	2,531	7	15	9,629	12	32	2,575	7	15	388	10	19
3QFY11	2,333	14	4	2,365	12	16	8,614	18	29	2,406	17	4	353	11	16
2QFY11	2,043	0	15	2,110	-1	15	7,278	3	24	2,065	5	6	317	-5	18
1QFY11	2,052	-11	36	2,122	-3	39	7,042	-3	50	1,972	-12	30	335	3	61
4QFY10	2,307	3	91	2,199	8	57	7,274	9	108	2,235	-3	91	327	7	72
3QFY10	2,241	26	84	2,037	11	8	6,677	14	69	2,313	19	83	306	13	10
2QFY10	1,780	18	-1	1,836	20	-35	5,856	24	-23	1,942	28	1	270	29	-34
1QFY10	1,509	25	-30	1,530	9	-49	4,708	35	-43	1,520	30	-35	209	10	-49

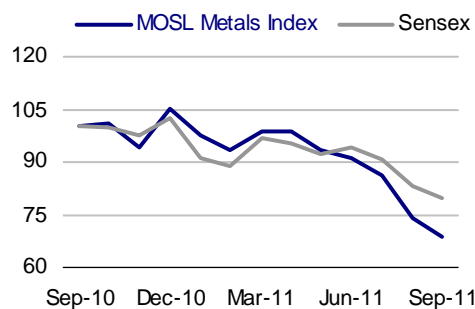
Note: - these are averages for three month forward contract

Source: LME

Relative Performance - 3m (%)



Relative Performance - 1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Metals														
Hindalco		129 Buy	17.6	18.5	19.3	7.3	7.0	6.7	5.3	5.4	5.0	23.1	20.1	17.7
Hindustan Zinc		119 Buy	11.6	15.4	16.9	10.2	7.7	7.0	6.4	4.2	2.9	24.2	25.5	22.6
JSPL		510 Buy	40.1	42.8	52.9	12.7	11.9	9.6	9.6	9.3	8.0	28.6	23.6	24.7
JSW Steel		618 Sell	77.4	50.2	54.4	8.0	12.3	11.4	6.8	7.6	6.2	12.8	6.7	6.9
Nalco		62 Sell	4.1	5.1	6.6	15.0	12.2	9.4	7.5	5.3	3.4	17.7	18.2	21.8
SAIL		104 Sell	10.2	10.2	9.6	10.2	10.2	10.8	6.0	6.9	7.5	11.8	10.9	9.5
Sesa Goa		200 Buy	49.0	47.0	40.9	4.1	4.2	4.9	1.8	5.1	5.4	40.4	27.3	19.1
Sterlite Inds.		117 Buy	15.2	20.1	20.5	7.7	5.8	5.7	4.3	2.7	1.9	13.0	15.1	13.4
Tata Steel		435 Buy	62.3	60.8	78.4	7.0	7.2	5.6	5.7	5.4	4.3	40.5	23.6	23.4
Sector Aggregate						8.6	7.8	7.2	5.7	5.5	4.7	15.7	14.6	13.9

Hindalco

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR129										Buy
Bloomberg Equity Shares (m)	HNDLIN 1,990.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	252/125	3/10A	607,221	19,132	9.6	-19.0	-	-	17.2	8.6	-	-
1,6,12 Rel Perf (%)	-8 / -22 / -14	3/11A	720,779	35,015	17.6	82.5	7.3	1.5	23.1	10.3	0.6	5.3
Mcap (INR b)	256.8	3/12E	798,576	36,755	18.5	5.0	7.0	1.3	20.1	9.7	0.6	5.4
Mcap (USD b)	5.2	3/13E	832,885	38,389	19.3	4.4	6.7	1.1	17.7	9.8	0.6	5.0

Consolidated

- **Strong metal volumes to compensate for lower LME prices:** We expect revenue to grow 7% QoQ to INR64.5b on higher metal volumes though LME prices declined sharply at quarter end due to USD appreciation. Both aluminum and alumina volumes are likely to increase 5% QoQ to 138k tons and 351k tons, respectively. Copper volumes should increase 8% QoQ to 79k tons, as the smelter was under maintenance shutdown in 1QFY12. Blended realization for Aluminum and Copper is likely to be INR151,734/ton (down 5% QoQ) and INR552,283/ton (up 3% QoQ) respectively.
- **EBITDA to decline 3% QoQ:** We expect EBITDA to decline 3% QoQ (increase 16% YoY) to INR8.3b due to higher cost of coal and lower aluminum metal realization.
- **Timely execution of greenfield projects to re-rate stock; maintain Buy:** We expect post-tax profit to decline 16% QoQ (increase 18% YoY) to INR5.4b in 2QFY12 on higher base of other income in 1QFY12. HNDL is investing USD5b in greenfield projects which has seen both time and cost overruns. However, these projects still remain attractive, on increasing cost of marginal producers due to rising coal and energy cost. With captive bauxite, the cost of production of alumina at Utkal is now likely to be USD140-150/ton (25% higher than estimated earlier). The Utkal Refinery project and Phase-I of the Mahan project and is now likely to get commissioned by 3QFY13 and 3QFY12 respectively. We expect volumes of both alumina and aluminum to grow at a CAGR of 22% over FY11-14, driving earnings growth. The stock trades at 6.7x FY13E EPS and at an EV of 5x FY13E EBITDA. **Maintain Buy.**

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Alumina (000 tons)	341	347	320	344	335	351	358	365	1,353	1,407
Aluminium (000 tons)	131	128	134	142	131	138	140	142	535	551
Copper (000 tons)	76	94	80	80	73	79	89	92	330	333
Net Sales	51,783	58,599	59,746	68,464	60,309	64,596	68,778	70,508	238,592	264,191
Change (YoY %)	33.1	19.3	9.1	25.8	16.5	10.2	15.1	3.0	21.0	10.7
EBITDA	8,325	7,204	7,401	8,735	8,671	8,375	8,675	8,963	31,664	34,683
As % of Net Sales	16.1	12.3	12.4	12.8	14.4	13.0	12.6	12.7	13.3	13.1
Interest	593	526	516	564	667	681	593	605	2,200	2,546
Depreciation	1,691	1,718	1,707	1,760	1,754	1,735	1,724	1,777	6,875	6,989
Other Income	689	821	606	1,051	1,779	780	796	811	3,168	4,166
PBT (before EO item)	6,730	5,781	5,785	7,462	8,029	6,739	7,154	7,392	25,757	29,314
Extra-ordinary Income		-220		410					190	
PBT (after EO item)	6,730	5,561	5,785	7,872	8,029	6,739	7,154	7,392	25,947	29,314
Total Tax	1,386	1,222	1,181	789	1,589	1,348	1,431	1,478	4,578	5,846
% Tax	20.6	21.1	20.4	10.6	19.8	20.0	20.0	20.0	17.6	19.9
Reported PAT	5,344	4,338	4,603	7,084	6,440	5,391	5,723	5,913	21,369	23,468
Adjusted PAT	5,344	4,558	4,603	6,674	6,440	5,391	5,723	5,913	21,179	23,468
Change (YoY %)	58.3	28.0	-4.9	-3.7	20.5	18.3	24.3	-11.4	13.2	10.8
Consolidated Financials										
Net Sales	167,363	176,285	174,306	202,825	199,584	193,882	194,663	210,446	720,779	798,576
EBITDA	21,667	22,066	19,393	22,760	23,271	22,711	22,291	22,742	85,886	91,015
Adjusted PAT	8,894	9,140	5,928	11,053	9,727	8,744	8,668	9,617	35,015	36,755
Avg LME Aluminium (USD/T)	2,122	2,110	2,365	2,531	2,618	2,450	2,466	2,466	2,282	2,500

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Hindustan Zinc

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	HZ IN
Equity Shares (m)	4,225.3
52 Week Range (INR)	155/105
1,6,12 Rel Perf (%)	-1 / 2 / 26
Mcap (INR b)	502.2
Mcap (USD b)	10.2

CMP: INR119

Buy

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	80,170	40,414	9.6	48.2	-	-	24.9	29.9	-	-
3/11A	99,121	49,179	11.6	21.7	10.2	2.2	24.2	28.3	3.6	6.4
3/12E	120,153	64,934	15.4	32.0	7.7	1.8	25.5	29.9	2.4	4.2
3/13E	130,551	71,432	16.9	10.0	7.0	1.4	22.6	26.8	1.7	2.9

Consolidated

- **Both metal volumes and prices to drive topline:** We expect net sales to grow 28% YoY (flat QoQ) to INR28.2b on the back of 10% volume growth in metals and strong LME prices. LME zinc prices increased 12% YoY to USD2,280/ton and LME lead prices grew 21% YoY to USD2,500/ton. We expect zinc realization to improve to INR109,516/ton and lead realization to improve to INR126,997/ton. Refined zinc and lead production would be up 10.4% YoY (1.5% QoQ) to 211k tons. Silver prices have increased 97% YoY to INR57,758/kg, which will add ~INR2.4b to EBITDA.
- **EBITDA to grow 42% YoY:** We expect EBITDA to grow 42% YoY to INR16b (flat QoQ due to flat metal prices and higher coal costs) due to strong volume growth and better realizations of by-products. Silver production is likely to grow at a CAGR of 77% over FY11-13, as HZ ramps up SK mines and commissions a new 100ktpa lead smelter in 2HFY12.
- **PAT to grow 55% YoY:** We expect adjusted PAT to grow 55% YoY in 2QFY12 to INR14.9b. HZ has a lean cost structure (cost of production including royalties to be ~USD1,000/ton over the next two years). Earnings will be driven by strong volume growth. Lead and silver volumes will grow rapidly. Zinc capacity has been expanded to 879ktpa recently, while 100ktpa lead smelter is under commissioning. Silver capacity will be expanded to 500tpa along with the lead smelter. We expect strong growth in metal production over the next few years. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Zn & Pb (000 tons)	179	191	191	210	208	211	222	229	770	869
Change (YoY %)	15.6	25.3	14.0	24.3	16.3	10.4	16.3	9.2	19.8	12.9
Net Sales	19,734	22,010	26,302	32,373	28,471	28,229	31,562	31,891	99,121	120,153
Change (YoY %)	30.5	21.0	16.9	27.2	44.3	28.3	20.0	-1.5	23.6	21.2
Total Expenditure	9,516	10,758	11,229	12,688	12,548	12,243	12,914	13,307	44,165	51,011
EBITDA	10,218	11,253	15,073	19,685	15,923	15,986	18,648	18,584	54,956	69,141
Change (YoY %)	33.1	4.6	8.7	27.1	55.8	42.1	23.7	-5.6	17.7	25.8
As % of Net Sales	51.8	51.1	57.3	60.8	55.9	56.6	59.1	58.3	55.4	57.5
Interest	66	-5	1	133	65	0	0	0	194	65
Depreciation	1,123	1,158	1,195	1,271	1,345	1,386	1,427	1,470	4,747	5,628
Other Income	1,584	1,840	2,071	3,025	3,554	3,734	4,098	4,520	9,792	15,905
PBT (before EO item)	10,614	11,940	15,947	21,306	18,066	18,334	21,318	21,635	59,807	79,353
Extra-ordinary Income	0	-212	0	0	-44	0	0	0	-212	-44
PBT (after EO item)	10,614	11,728	15,947	21,306	18,022	18,334	21,318	21,635	59,596	79,309
Total Tax	1,705	2,241	3,051	3,594	3,073	3,392	3,944	4,002	10,591	14,411
% Tax	16.1	19.1	19.1	16.9	17.1	18.5	18.5	18.5	17.8	18.2
Reported PAT	8,909	9,487	12,896	17,713	14,949	14,942	17,374	17,632	49,005	64,898
Adjusted PAT	8,909	9,658	12,896	17,713	14,986	14,942	17,374	17,632	49,179	64,934
Change (YoY %)	23.9	3.3	12.3	43.0	68.2	54.7	34.7	-0.5	21.7	32.0
Avg LME Zinc (USD/T)	2,052	2,043	2,330	2,395	2,271	2,280	2,125	2,125	2,205	2,200
Avg LME Lead (USD/T)	1,972	2,065	2,398	2,575	2,531	2,500	2,500	2,500	2,253	2,200

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Jindal Steel & Power

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	JSP IN
Equity Shares (m)	934.1
52 Week Range (INR)	755/451
1,6,12 Rel Perf (%)	9 / -8 / -7
Mcap (INR b)	476.6
Mcap (USD b)	9.6

CMP: INR510**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	110,915	35,837	37.9	10.5	-	-	40.4	27.5	-	-
3/11A	131,116	37,539	40.1	6.0	12.7	3.4	30.6	21.6	4.7	9.6
3/12E	169,865	40,036	42.8	6.7	11.9	2.7	25.0	17.4	3.8	9.3
3/13E	200,109	49,479	52.9	23.6	9.6	2.1	24.4	16.9	3.5	8.0

Consolidated

- **Strong growth in pellet and steel to drive revenue:** We expect standalone net sales to increase 22% YoY (11% QoQ) to INR28b on the back of higher steel and pellet volumes and higher long product prices. JSP's 4.5mtpa pellet plant is ramping up well and we expect it to sell ~583k tons in 2QFY12. Saleable steel volumes are likely to increase 32% YoY to 611k tons while power sales are likely to increase 57% YoY to 283m units, as the 135MW unit at Angul is ramping up well. Long product prices increased 5-6% QoQ, which will benefit JSP. Power sales volumes are likely to increase 1% YoY to 1.8b units while the average rate is likely to decline 9% YoY to INR3.9/unit.
- **EBITDA to increase 22% YoY:** We expect standalone EBITDA to increase 22% QoQ to INR10.5b on higher steel and pellet prices. Margins are likely to remain flat YoY at 37.3%. EBITDA would decline 15% YoY on lower realization and higher O&M cost, as JSP had undertaken maintenance shutdown at two units.
- **Some hiccups in near term but long term outlook intact:** We expect standalone adjusted PAT to increase 16% QoQ to INR5.6b. Consolidated PAT would increase 9% YoY to INR9.6b. In the near term, weaker merchant power rates and delays in commissioning of new projects have hampered earnings growth rate. However, we remain positive on the long term growth outlook, as JSP is augmenting its steel capacity 4x over four years and power generation capacity 10x in 10 years. Also, only 1/3rd of its planned 12mtpa steel capacity will be exposed to coking coal imports. Even overseas coal mines can cover the requirement in future, depending upon progress. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales volume										
Steel (000 tons)	404	462	503	531	457	611	611	658	1,900	2,337
Metals (000 tons)	90	104	93	49	0	-10	59	-5	336	45
Pellets (000 tons)	100	30	210	226	347	583	589	666	565	2,185
Power (M kwh)	331	180	256	299	259	283	496	709	1,066	1,747
Net Sales	21,216	22,996	24,102	27,422	25,265	28,128	30,371	31,910	95,736	115,674
EBITDA	7,913	8,560	9,360	10,691	9,634	10,485	11,445	12,198	36,524	43,762
As % of Net Sales	37.3	37.2	38.8	39.0	38.1	37.3	37.7	38.2	38.2	37.8
Interest	742	781	967	1,061	1,325	1,142	1,199	1,335	3,550	5,001
Depreciation	1,475	1,638	1,821	1,945	2,066	1,990	2,043	2,168	6,878	8,267
Other Income	62	60	83	1,232	167	61	61	1,362	1,437	1,651
PBT (after EO item)	5,759	6,202	6,655	8,918	6,410	7,413	8,264	10,058	27,534	32,145
Total Tax	1,402	1,420	1,636	2,435	1,709	1,853	2,066	2,515	6,892	8,142
% Tax	24.3	22.9	24.6	27.3	26.7	25.0	25.0	25.0	25.0	25.3
Reported PAT	4,357	4,782	5,019	6,483	4,702	5,559	6,198	7,544	20,641	24,003
Adjusted PAT	4,357	4,782	5,019	6,483	4,702	5,559	6,198	7,544	20,641	24,003
Change (YoY %)	45.2	56.8	54.1	18.1	7.9	16.3	23.5	16.4	38.7	16.3
Quarterly Performance (Jindal Power)										
Estimated Power sales (MU)	2,055	1,834	2,005	2,026	1,906	1,853	2,057	2,057	7,920	7,874
Net Sales	9,276	7,856	7,966	8,280	7,495	7,191	7,632	7,632	33,377	29,950
Reported PAT	5,600	4,590	4,871	4,955	4,528	4,221	4,525	4,569	20,016	17,844
Adj. PAT (Consolidated)	9,418	8,816	9,354	9,951	9,188	9,604	10,502	10,743	37,539	40,036

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

JSW Steel

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	JSTL IN 223.1
52 Week Range (INR)	1,400/595
1,6,12 Rel Perf (%)	0 / -17 / -33
Mcap (INR b)	138.0
Mcap (USD b)	2.8

CMP: INR618**Sell**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	189,572	11,338	60.6	8.9	-	-	13.7	11.0	-	-
3/11A	239,002	17,261	77.4	27.6	8.0	0.8	12.8	11.1	1.3	6.8
3/12E	283,018	11,193	50.2	-35.2	12.3	0.8	6.7	7.4	1.2	7.6
3/13E	293,232	12,146	54.4	8.5	11.4	0.8	6.9	8.1	1.0	6.2

Consolidated

- **Revenue to decline 9% QoQ on lower steel volumes:** We expect standalone net sales to decline 9% QoQ (increase 11% YoY) to INR64.2b on the back of lower steel volumes and flattish realizations. We expect JSTL's saleable steel volumes to decline 9% QoQ (1% YoY) to 1.6m tons and average steel realization to remain flat QoQ (up 12% YoY) at INR41,003/ton. Average HRC price declined 0.7% QoQ in the domestic market while long product prices increased 5-6% QoQ.
- **Mining ban to hamper EBITDA QoQ:** JSTL's saleable steel production has been disrupted during the quarter, post imposition of ban on mining in Karnataka to curb illegal activities and prevent further environmental degradation. This has resulted in higher iron ore prices for steel producers in the state. We expect JSTL's EBITDA to decline 54% QoQ to INR6.5b on flat steel realizations and higher iron ore costs. Margins would decline by 9pp QoQ to 10.1%. We expect EBITDA/ton to decline to USD91.
- **Production scaled down following sharp increase in cost of production:** We expect adjusted PAT to decline 87% QoQ to INR720m. JSTL has recently scaled down production to 30% capacity, as NMDC has stopped supplying iron ore post the recent Supreme Court order to divert NMDC's entire ore production in Karnataka via e-auction route only. We expect JSTL to ramp up production only when regular supply of iron ore starts (either from NMDC or e-auction). We maintain our steel production target of 6.56m tons (+7.6% YoY) and assumption of average EBITDA/ton of USD131 for FY12. The stock trades at 11.4x FY13E EPS and an EV of 6.2x FY13E EBITDA. Maintain **Sell**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales ('000 tons)	1,190	1,582	1,593	1,733	1,714	1,566	1,636	1,647	6,098	6,563
Change (YoY %)	-9.9	8.8	11.8	14.0	44.0	-1.0	2.7	-5.0	6.6	7.6
Realization (Rs per ton)	39,329	36,510	36,457	40,999	41,245	41,003	40,900	40,876	38,322	41,009
Net Sales	46,802	57,759	58,076	71,052	70,694	64,211	66,913	67,322	233,689	269,140
Change (YoY %)	19.5	27.8	25.9	36.5	51.0	11.2	15.2	-5.2	28.0	15.2
EBITDA	10,345	9,922	10,002	16,543	13,939	6,471	8,692	9,555	47,792	38,657
As % of Net Sales	22.1	17.2	17.2	23.3	19.7	10.1	13.0	14.2	20.5	14.4
EBITDA (USD per ton)	190	135	140	210	183	91	118	129	172	131
Interest	2,142	1,993	1,320	1,528	1,966	1,939	1,977	1,873	6,983	7,755
Depreciation	3,172	3,324	3,464	3,827	3,879	3,587	3,695	3,187	13,787	14,348
Other Income	31	64	79	38	169	183	80	39	213	471
PBT (before EO Item)	5,062	4,668	5,297	11,226	8,263	1,128	3,100	4,534	27,234	17,025
EO Items	0	1,570	0	0	0	0	0	0	1,570	0
PBT (after EO Item)	5,062	6,238	5,297	11,226	8,263	1,128	3,100	4,534	28,804	17,025
Total Tax	1,560	1,783	1,474	2,899	2,480	338	930	1,360	7,716	5,108
% Tax	30.8	28.6	27.8	25.8	30.0	30.0	30.0	30.0	26.8	30.0
Reported PAT	3,503	4,454	3,823	8,327	5,783	790	2,170	3,174	21,088	11,917
Preference Dividend	72	72	72	72	70	70	70	70	290	279
Adjusted PAT	3,430	3,283	3,751	8,254	5,713	720	2,100	3,104	19,699	11,638
Change (YoY %)	254.5	-26.1	-7.3	34.5	66.6	-78.1	-44.0	-62.4	26.4	-40.9

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Nalco

BSE Sensex 16,051		S&P CNX 4,835		CMP: INR62								Sell		
Bloomberg Equity Shares (m)		NACL IN 2,577.2		YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)		120/57		3/10A	50,557	8,032	3.1	-36.3	-	-	7.7	10.6	-	-
1,6,12 Rel Perf (%)		1 / -22 / -19		3/11A	60,558	10,693	4.1	33.1	15.0	1.4	9.5	13.3	2.0	7.5
Mcap (INR b)		160.2		3/12E	72,334	13,141	5.1	22.9	12.2	1.3	10.7	15.6	1.4	5.3
Mcap (USD b)		3.2		3/13E	77,848	16,963	6.6	29.1	9.4	1.2	12.4	18.9	1.1	3.4

Consolidated

- **Strong LME prices, higher alumina volumes to drive revenue:** We expect net sales to grow 15% YoY to INR17b on higher alumina volumes and realizations, and strong LME prices. Aluminum prices have increased 16% YoY (declined 6% QoQ) to USD2,450/ton, while alumina realization is likely to be up 30% YoY to USD412/ton. NACL will benefit from higher alumina export realizations. We expect average metal realization to grow 13% YoY to INR116,792/ton and alumina realization to rise 27% YoY to INR18,687/ton. Alumina sales volumes would grow 25% YoY to 211,600 tons while metal volumes would grow by a modest 2% YoY to 112,827 tons.
- **EBITDA to grow 27% YoY:** We expect EBITDA to grow 27% YoY to INR4.4b, driven by higher prices of alumina and aluminum. Higher export realizations of alumina would help NACL to expand margins.
- **Refinery expansion on verge of completion:** We expect reported PAT for 2QFY12 to grow 33% YoY to INR3b. Alumina producers worldwide have started moving customers from LME-linked to index-based pricing, citing independent dynamics of the alumina industry in an attempt to realize better prices. NACL will benefit from this. As the production of alumina at expanded capacity of refinery ramps up, alumina sales will grow and drive revenue growth. We expect NACL's earnings to grow at a CAGR of 17% over FY11-13 due to strong growth in alumina volumes and higher alumina prices. NACL will also benefit from a depreciating INR, as it exports excess alumina. The stock trades at 54% discount to NAV and at an EV of 3.4x FY13E EBITDA. Valuations appear attractive however disruption of coal supplies from Mahanadi Coal Field remains a risk. **Maintain Sell.**

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Alumina Production ('000 tons)	363	380	398	416	400	426	472	546	1,556	1,844
Aluminium Prod. ('000 tons)	112	110	111	111	111	113	115	117	444	456
Aluminium Sales ('000 tons)	109	109	103	119	109	113	115	117	439	455
Avg LME Aluminium (USD/ton)	2,150	2,110	2,357	2,531	2,618	2,450	2,466	2,466	2,287	2,500
Alumina Exports (USD/ton)	375	316	362	399	428	396	403	405	363	408
Net Sales	13,081	14,792	14,431	18,254	17,625	16,984	18,050	19,674	60,558	72,334
Change (YoY %)	39.9	25.4	1.8	12.3	34.7	14.8	25.1	7.8	19.8	19.4
EBITDA	3,938	3,477	3,896	4,537	5,298	4,402	4,859	4,288	15,847	18,848
Change (YoY %)	135.2	145.4	31.6	-16.2	34.5	26.6	24.7	-5.5	59.7	18.9
As % of Net Sales	30.1	23.5	27.0	24.9	30.1	25.9	26.9	21.8	26.2	26.1
Interest	0	0	1	0	0	0	0	0	1	0
Depreciation	916	952	1,030	1,319	1,019	1,211	1,235	1,260	4,217	4,725
Other Income	897	854	894	973	1,266	1,190	1,309	1,440	3,617	5,205
PBT	3,919	3,379	3,759	4,190	5,545	4,381	4,934	4,469	15,247	19,328
Total Tax	1,079	1,139	1,199	1,138	1,776	1,402	1,579	1,430	4,554	6,187
% Tax	27.5	33.7	31.9	27.1	32.0	32.0	32.0	32.0	29.9	32.0
Reported PAT	2,841	2,240	2,560	3,053	3,768	2,979	3,355	3,039	10,693	13,141
Adjusted PAT	2,841	2,240	2,560	3,053	3,768	2,979	3,355	3,039	10,693	13,141
Change (YoY %)	124.6	40.5	64.9	-22.0	32.7	33.0	31.1	-0.5	33.1	22.9

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Sesa Goa

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	SESA IN
Equity Shares (m)	899.1
52 Week Range (INR)	384/195
1,6,12 Rel Perf (%)	-3 / -12 / -20
Mcap (INR b)	179.6
Mcap (USD b)	3.6

CMP: INR200**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	58,583	26,291	31.6	25.3	-	-	40.8	47.3	-	-
3/11A	92,051	42,573	49.0	54.8	4.1	1.4	40.4	47.3	0.9	1.7
3/12E	80,485	42,248	47.0	-4.1	4.2	1.0	27.3	32.7	2.4	5.1
3/13E	97,331	36,786	40.9	-12.9	4.9	0.9	19.1	23.2	1.8	5.4

Consolidated

- **Strong iron ore prices to drive revenue growth of 6% YoY:** We expect SESA's revenue to increase 6% YoY to INR9.8b despite its Karnataka operations getting impacted due to mining ban. Average iron ore realization is likely to increase 13% YoY to INR3,996 (USD88/WMT; -3% QoQ), as iron ore prices firmed up. Iron ore sales volumes would remain flat YoY (59% QoQ decline, being rainy season) due to recent ban on mining activities in Chitradurga and Tumkur districts of Karnataka. Average iron ore spot prices in China increased 27% YoY to USD184/ton CIF on higher Chinese imports and constrained supply.
- **EBITDA to increase 33% YoY:** We expect EBITDA to grow 33% YoY to INR4b (decline 65% QoQ) due to higher iron ore prices and lower cost of production, as Orissa operations no longer exist. Last year's EBITDA was impacted by higher railway freight and cost of third-party ore at Orissa. Iron ore cost is likely to decline 30% YoY to USD37/ton in 2QFY12.
- **Rising risks to volume growth:** SESA's FY12 iron ore volumes will get impacted due to the ban on mining in Chitradurga and Tumkur districts of Karnataka to curb illegal activities and prevent further environmental damage. We expect FY12 volumes to shrink, as production has stopped effective 27 August. SESA still has ~800k tons of inventory, which will be liquidated in the e-auction being conducted by MSTC. We have cut our FY12 volume estimate from 21.3m tons to 18.2m tons. However, valuations are attractive. We maintain **Buy**, with a target price of INR291 (INR195 for core business based on 5x FY12E EV/EBITDA + INR97 for investments after applying holding company discount of 20%).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Average realization (INR/wmt)	4,168	3,528	3,882	4,680	4,052	3,996	4,009	3,896	4,218	3,979
Sales Qty ('000 wmt)	5,442	2,019	5,381	7,530	4,778	1,979	5,013	6,418	20,372	18,188
Net Sales	24,131	9,183	22,501	36,236	21,089	9,755	22,070	27,572	92,051	80,485
Change (YoY %)	138.6	70.5	19.1	49.8	-12.6	6.2	-1.9	-23.9	57.1	-12.6
EBITDA	15,507	3,034	12,306	21,184	11,474	4,032	9,311	12,174	52,030	36,991
Change (YoY %)	242.2	98.7	18.8	40.9	-26.0	32.9	-24.3	-42.5	65.4	-28.9
As % of Net Sales	64.3	33.0	54.7	58.5	54.4	41.3	42.2	44.2	56.5	46.0
Interest	137	140	134	141	493	648	654	661	553	2,455
Depreciation	191	194	208	371	269	237	251	459	964	1,216
Other Income	1,609	1,004	1,268	1,690	1,521	562	566	665	5,571	3,313
PBT (before XO item)	16,787	3,704	13,232	22,362	12,232	3,709	8,972	11,720	56,085	36,633
EO	-911	364	24	35	-15	0	0	0	-488	-15
PBT (after XO item)	15,877	4,068	13,255	22,397	12,217	3,709	8,972	11,720	55,597	36,618
Total Tax	2,832	189	2,573	7,779	3,811	1,038	2,512	3,282	13,372	10,643
% Tax	17.8	4.6	19.4	34.7	31.2	28.0	28.0	28.0	24.1	29.1
Reported PAT before MI	13,045	3,879	10,683	14,618	8,406	2,670	6,460	8,438	42,225	25,974
Profit from associates	0	0	0	0	0	0	0	16,259	0	16,259
Adjusted PAT	13,793	3,532	10,664	14,595	8,416	2,670	6,460	24,697	42,595	42,244
Change (YoY %)	226.6	112.2	28.9	20.3	-39.0	-24.4	-39.4	69.2	62.0	-0.8

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Steel Authority of India

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	SAIL IN
Equity Shares (m)	4,130.4
52 Week Range (INR)	234/101
1,6,12 Rel Perf (%)	0 / -23 / -30
Mcap (INR b)	429.1
Mcap (USD b)	8.7

CMP: INR104**Sell**

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/10A	405,726	68,153	16.5	9.3	-	-	22.0	23.5	-	-
3/11A	427,562	42,089	10.2	-38.2	10.2	1.1	11.8	12.8	1.0	6.0
3/12E	496,213	42,176	10.2	0.2	10.2	1.1	10.9	12.0	1.0	6.9
3/13E	519,963	39,729	9.6	-5.8	10.8	1.0	9.5	10.2	1.1	7.5

Consolidated

- **Volumes to increase 9% QoQ:** We expect net sales to increase 5% QoQ (8% YoY) to INR117b on higher volumes and lower steel prices. While volumes would increase 9% QoQ (decline 1% YoY) to 3m tons, average realization would decline 4% QoQ (grow 9% YoY) to INR39,020/ton. Domestic steel prices were flattish during the quarter, with no improvement in flat steel product prices. Average HRC price declined 0.7% QoQ to INR35,770/ton in the domestic market while long product prices increased 5-6% QoQ.
- **Margins to improve 13% QoQ to USD121/ton:** We expect EBITDA to increase 13% QoQ to USD121/ton on the back of higher volumes and lower coking coal prices.
- **Timely execution to help deliver 8.4% volume CAGR over FY11-13; valuations expensive:** We expect earnings growth to remain lackluster over FY11-13 despite 8% growth in volumes due to SAIL's uncompetitive cost structure and poor operating efficiencies. The entire benefits of INR720b capex will be seen only in FY15. Next significant capacity addition i.e. new 2mtpa blast furnace at ISP, Burnpur is likely to get commissioned by March 2012. Timely execution of ongoing projects will help deliver volume growth of 8.4% CAGR over FY11-13. The stock still appears expensive at 10.8x FY13E EPS and an EV of 7.5x FY13E EBITDA. Maintain **Sell**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (m tons)	2.3	3.0	3.3	3.1	2.8	3.0	3.2	3.7	11.7	12.7
Change (YoY %)	-16.8		12.1	-7.8	18.5	-1.0	-1.5	18.0	-3.2	7.8
Realization (INR per ton)	39,368	35,664	34,809	38,693	40,689	39,020	38,676	38,676	36,969	39,195
Change (YoY %)	20.0	7.6	2.2	7.6	3.4	9.4	11.1	0.0	8.5	6.0
Net Sales	91,333	108,062	113,128	121,304	111,896	117,059	123,763	143,101	433,827	495,819
Change (%)	-0.2	7.6	14.5	-0.8	22.5	8.3	9.4	18.0	5.0	14.3
EBITDA	18,429	16,948	17,957	22,107	13,114	16,456	18,129	25,039	75,440	72,738
Change (YoY %)	-12.6	-9.6	-24.8	-14.3	-28.8	-2.9	1.0	13.3	-24.1	-3.6
As % of Net Sales	20.2	15.7	15.9	18.2	11.7	14.1	14.6	17.5	17.4	14.7
EBITDA per ton (USD)	174	120	123	156	107	121	126	150	141	128
Interest	1,296	1,090	592	1,746	1,710	1,687	1,756	1,734	4,725	6,886
Depreciation	3,505	3,688	3,793	3,856	3,742	3,945	4,106	4,309	14,843	16,101
Other Income	3,862	3,754	2,711	4,075	4,630	3,064	2,943	1,377	14,401	12,014
PBT (before EO Inc.)	17,489	15,923	16,282	20,580	12,293	13,888	15,210	20,373	70,274	61,765
EO Income(exp)				1,297					1,297	
PBT (after EO Inc.)	17,489	15,923	16,282	21,877	12,293	13,888	15,210	20,373	71,571	61,765
Total Tax	5,723	5,023	5,207	6,805	3,913	4,583	5,019	6,723	22,758	20,382
% Tax	32.7	31.5	32.0	31.1	31.8	33.0	33.0	33.0	31.8	33.0
Reported PAT	11,767	10,900	11,075	15,071	8,381	9,305	10,191	13,650	48,812	41,383
Adjusted PAT	11,767	10,900	11,075	14,178	8,381	9,305	10,191	13,650	47,928	41,383
Change (YoY %)	-11.3	-34.5	-33.9	-32.0	-28.8	-14.6	-8.0	-3.7	-29.0	-13.7

E: MOSL Estimates

Sterlite Industries

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	STLT IN 3,361.2
52 Week Range (INR)	196/115
1,6,12 Rel Perf (%)	-5 / -15 / -14
Mcap (INR b)	394.3
Mcap (USD b)	8.0

CMP: INR117**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	244,103	40,407	12.0	-2.2	-	-	12.0	15.1	-	-
3/11A	302,481	50,993	15.2	26.2	7.7	1.0	13.0	15.1	1.1	6.1
3/12E	402,319	67,623	20.1	32.6	5.8	0.8	15.1	17.7	0.8	3.9
3/13E	440,395	68,866	20.5	1.8	5.7	0.7	13.4	16.8	0.6	2.8

Consolidated

- **Strong volume growth, higher LME prices to drive topline:** We expect consolidated net sales to grow 61% YoY (flat QoQ) to INR98b on higher LME metal prices and better zinc volumes. Refined zinc and lead production will be 211k tons (up 10% YoY). Aluminum production from Balco to decline 3% YoY to 63k tons. Copper cathode production would increase 12% YoY to 76k tons. We expect Sterlite Energy to produce 1.6b units during 2QFY12.
- **EBITDA to grow 85% YoY:** We expect EBITDA to grow 85% YoY (2% QoQ) to INR28b due to strong performance from the zinc and lead businesses. Zinc business EBIT (including Zinc International) would grow 79% YoY to INR17.9b while aluminum (Balco) EBIT would be INR1.6b. EBIT from the power segment would grow 42% YoY, as power volumes at SEL have improved, while realizations remain flat.
- **Adjusted PAT to grow 66% YoY:** We expect adjusted PAT to grow 66% YoY (7% QoQ) to INR16.7b, aided by better operating performance from the zinc business and higher other income.
- **Strong volume growth across metals and power but status quo at VAL:** STLT's earnings are likely to be driven by strong volume growth in zinc, lead and silver, and merchant power sales from Sterlite Energy and Balco. We expect earnings to grow at a CAGR of 16% over FY11-13 despite expected commissioning delays and higher raw material costs (coal and bauxite). We maintain **Buy**, with an SOTP-based target price of INR194.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Copper cathode ('000 tons)	77	68	79	80	74	76	81	82	304	312
Aluminum (BALCO, '000 tons)	63	65	65	62	61	63	64	66	255	254
Aluminum (VAL, '000 tons)	77	97	103	108	112	89	96	104	385	401
Net Sales	59,703	60,844	83,325	100,561	98,607	98,213	100,799	104,699	304,432	402,319
Change (YoY %)	30.4	-0.7	23.5	39.1	65.2	61.4	21.0	4.1	23.3	32.2
EBITDA	14,974	15,289	19,787	30,585	27,583	28,234	30,082	30,460	80,635	116,358
As % of Net Sales	25.1	25.1	23.7	30.4	28.0	28.7	29.8	29.1	26.5	28.9
Interest	1,409	-3	705	776	1,740	1,900	1,935	2,077	2,887	7,651
Depreciation	2,170	2,123	2,488	3,520	4,200	4,360	4,395	4,537	10,301	17,493
Other Income	5,455	5,567	4,776	4,756	7,646	7,826	8,190	8,613	20,554	32,276
PBT (before XO item)	16,850	18,736	21,370	31,046	29,289	29,801	31,942	32,458	88,001	123,490
Extra-ordinary Exp.	1,460	212	-41	1,917	726	0	0	0	3,548	726
PBT (after XO item)	18,310	18,948	21,329	32,963	30,015	29,801	31,942	32,458	91,549	124,216
Total Tax	3,685	4,555	4,214	5,663	6,137	5,960	6,388	6,492	18,117	24,978
% Tax	20.1	24.0	19.8	17.2	20.4	20.0	20.0	20.0	19.8	20.1
Reported PAT	14,625	14,392	17,115	27,300	23,878	23,841	25,553	25,967	73,432	99,239
Minority interest	3,756	3,853	5,081	7,255	6,420	5,967	7,005	7,096	19,945	26,488
Loss/(profit) of Associates	785	247	1,023	795	1,061	1,170	1,109	1,061	2,850	4,402
Adjusted PAT	8,624	10,080	11,052	17,333	15,672	16,704	17,439	17,809	47,089	67,623
Change (YoY %)	28.2	2.6	10.0	25.5	81.7	65.7	57.8	2.7	16.5	43.6
Avg LME Aluminium (USD/T)	2,122	2,110	2,357	2,531	2,618	2,450	2,466	2,466	2,280	2,500
Avg LME Copper (USD/T)	7,042	7,180	8,674	9,500	9,163	9,200	8,500	8,500	8,099	9,000
Avg LME Zinc (USD/T)	2,052	2,043	2,330	2,395	2,271	2,280	2,125	2,125	2,205	2,200

E: MOSL Estimates

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Tata Steel

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	TATA IN
Equity Shares (m)	971.4
52 Week Range (INR)	714/419
1,6,12 Rel Perf (%)	2 / -14 / -12
Mcap (INR b)	422.8
Mcap (USD b)	8.5

CMP: INR435**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	1,023,931	-8,255	-9.3	-n/a-	-	-	-8.1	5.2	-	-
3/11A	1,187,531	59,724	62.3	-n/a-	7.0	2.1	40.5	13.2	0.8	5.6
3/12E	1,395,816	59,015	60.8	-2.4	7.2	1.4	23.6	10.9	0.6	5.4
3/13E	1,508,487	76,117	78.4	29.0	5.6	1.2	23.4	12.3	0.5	4.3

Consolidated

- **Tata Steel India (TSI):** We expect net revenue to be INR80.8b (up 3% QoQ) on higher steel volumes and flat realizations. Sales volume are likely to increase 3% QoQ (down 1% YoY) to 1.64m tons in 2QFY12. Average steel price realization would remain flat QoQ at INR45,400/ton. Prices of flat steel remained flat while long product prices increased 5-6% during the quarter. Average HRC prices declined 0.7% QoQ in the domestic market. We expect EBITDA to increase 2% QoQ to INR31.6b, with margins remaining strong at USD397/ton for the Indian operations.
- **TSE and others:** For Tata Steel Europe (TSE) and other foreign subsidiaries, we expect EBITDA to decline from USD66/ton in 1QFY12 to USD26/ton in 2QFY12 due to weaker trend in steel prices and rising raw material prices. TSE volumes are likely to improve 9% QoQ to 3.8m tons while consolidated volumes would remain flat at 6.1m tons. We expect consolidated EBITDA to decline 17% QoQ to INR37b. EBITDA/ton would decline to USD134.
- **Growth in high margin businesses to drive earnings:** We expect standalone adjusted PAT to increase 6% QoQ to INR19b and consolidated PAT to decrease 2% QoQ to INR14b on the back of robust performance from TSI. We believe that growth in high margin businesses both in India and overseas mineral investments will drive earnings growth. TSE will come out strong from the recent slowdown in demand in Europe, as it has undertaken restructuring at high cost operations and improved efficiencies. Despite USD4b of capex over the next two years, net debt will decline by USD2b by the end of FY13. The stock trades at attractive valuations of 5.6x FY13E EPS, 1.2x FY13E BV, and an EV of 4.3x FY13E EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales ('000 tons)	1,399	1,660	1,641	1,714	1,593	1,643	1,723	1,780	6,414	6,739
Avg Realization (INR/tss)	42,871	39,139	41,274	44,302	45,832	45,400	45,624	45,624	41,879	45,619
Net Sales	65,515	71,068	73,974	83,408	78,603	80,867	84,947	88,784	293,964	333,200
EBITDA	29,165	26,290	28,205	30,669	31,032	31,645	29,339	29,908	114,329	121,923
(% of Net Sales)	44.5	37.0	38.1	36.8	39.5	39.1	34.5	33.7	38.9	36.6
EBITDA(USD/tss)	428	318	362	372	417	397	356	343	371	390
Interest	3,277	3,425	3,354	2,949	2,273	2,295	2,318	2,342	13,005	9,228
Depreciation	2,802	2,815	2,864	2,982	2,853	2,843	2,892	3,011	11,462	11,599
Other Income	484	327	113	-17	416	458	504	722	907	2,100
PBT (before EO Inc.)	23,570	20,378	22,100	24,721	26,322	26,965	24,632	25,276	90,769	103,196
EO Income(exp)		7,001			4,160				7,001	4,160
PBT (after EO Inc.)	23,570	27,378	22,100	24,721	30,482	26,965	24,632	25,276	97,769	107,356
Total Tax	7,776	6,726	6,966	7,644	8,288	7,820	7,143	7,330	29,112	30,581
% Tax	33.0	24.6	31.5	30.9	27.2	29.0	29.0	29.0	29.8	28.5
Reported PAT	15,794	20,652	15,135	17,077	22,194	19,145	17,489	17,946	68,658	76,774
Adjusted PAT	15,794	13,651	15,135	17,077	18,034	19,145	17,489	17,946	61,657	72,614
Change (YoY %)	100.0	51.2	28.8	1.7	14.2	40.2	15.6	5.1	35.6	17.8
Consolidated Financials										
Net Sales	271,948	286,462	290,895	338,227	330,002	348,965	323,050	393,799	1,187,531	1,395,816
EBITDA	44,326	36,723	34,246	38,731	44,229	36,920	36,312	39,593	154,026	157,053
Reported PAT	17,902	19,683	9,489	41,486	52,937	13,763	13,160	16,790	88,560	96,649
Adjusted PAT	18,851	13,104	8,807	11,827	14,346	14,095	13,486	17,089	52,589	59,015

E: MOSL Estimates; tss=ton of steel sales

Sanjay Jain (SanjayJain@MotilalOswal.com)/Tushar Chaudhari (Tushar.Chaudhari@MotilalOswal.com)

Oil & Gas

COMPANY NAME	
BPCL	Oil price volatile but GRM firm, average USD9/bbl: Brent crude oscillated between USD103-112/bbl in 2QFY12 with an average of USD113/bbl v/s USD117/bbl in 1QFY12. The regional benchmark Reuters Singapore GRM averaged USD9.2/bbl in 2QFY12 v/s USD8.5/bbl in 1QFY12. The increase was driven by higher cracks of gasoline and fuel oil. We expect GRMs to be range-bound at USD7-9/bbl due to addition of ~2mmbbl/d of new capacity in 2011 and 2012.
Cairn India	
Chennai Petroleum	
GAIL	Petchem margins fall, hope rests on upcoming festive season: In polymers, the spread over naphtha (except PE) was down 12-17% QoQ and integrated polyester spreads were down 9-16% QoQ. We expect petchem margins to stabilize in view of the upcoming festive season and expected higher demand in China.
Gujarat State Petronet	
HPCL	2QFY12 to see benefits of June price hikes/duty cuts; under-recoveries down 50% QoQ: June 2011 fuel price hikes (diesel: INR3/liter, kerosene: INR:2/liter and LPG: INR50/cylinder) and duty cuts have helped 2QFY12 under-recoveries to fall by 50% v/s 1QFY12 to ~INR238b. While we await subsidy rationalization, a likely government move to limit LPG cylinders to households will be positive for a long term goal of under-recovery reduction. We model upstream sharing at 38.7% in FY12/FY13.
IOC	
Indraprastha Gas	
MRPL	Valuation and view: Further price hikes/decontrol of diesel/LPG/kerosene can create valuation upsides for OMCs and upstream state-owned companies. We are positive on ONGC in view of attractive valuations and positive government steps towards reducing under-recoveries over the long term. Maintain Neutral on RIL in view of non-clarity of cash utilization, RoE falling below 13% and increased share (80%) in cyclical refining and petchem businesses to the earnings. We maintain Neutral on GAIL and GSPL as operational earnings are unlikely to surprise positively led by headwinds for incremental gas availability in India. Risk reward is positive in Cairn India in view of resolution of royalty and cess issues which now should lead to higher production and likely positive upsides on reserve numbers.
ONGC	
Petronet LNG	
Reliance Industries	

Expected quarterly performance summary

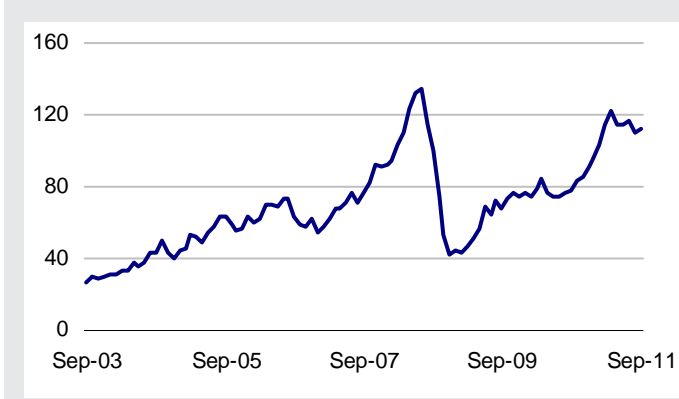
(INR million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
BPCL	658	Buy	482,737	36.7	4.7	13,930	-43.6	LP	7,455	-65.2	LP
Cairn India	270	Neutral	35,331	31.5	-4.8	29,961	37.8	-5.6	25,207	59.0	-7.5
Chennai Petroleum	203	Buy	115,237	41.9	16.5	3,738	46.5	482.4	1,576	36.5	LP
GAIL	410	Neutral	89,104	9.9	0.5	16,736	16.8	7.6	10,901	18.0	10.7
Gujarat State Petronet	98	Neutral	2,682	6.0	-5.6	2,491	7.3	-4.9	1,247	36.2	-9.3
HPCL	370	Buy	430,018	52.8	5.4	12,618	-45.7	LP	7,382	-64.7	LP
IOC	309	Buy	1,062,714	38.5	5.5	39,636	-39.2	LP	19,922	-62.4	LP
Indraprastha Gas	413	Neutral	5,784	29.9	7.8	1,624	32.0	3.2	817	23.2	2.0
MRPL	62	Sell	135,887	62.7	1.6	4,892	31.2	119.8	2,692	-4.9	55.9
ONGC	255	Buy	205,579	13.0	26.9	124,144	12.0	34.0	60,901	13.0	48.7
Petronet LNG	156	Buy	51,851	69.6	12.2	4,380	61.3	0.0	2,401	83.1	-6.5
Reliance Inds.	759	Neutral	807,794	40.5	-0.3	98,273	4.6	-1.0	57,992	17.8	2.4
Sector Aggregate			3,424,718	38.7	5.0	352,422	-3.9	98.3	198,494	-13.8	322.5
Oil & Gas Excl. RMs			1,449,249	35.8	4.6	286,239	12.9	14.2	163,734	21.2	16.5

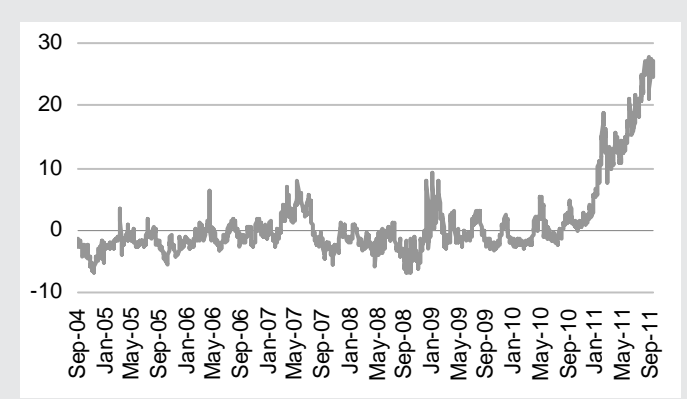
Harshad Borawake (HarshadBorawake@MotilalOswal.com)

GRM rise QoQ led by higher gasoline, fuel oil cracks

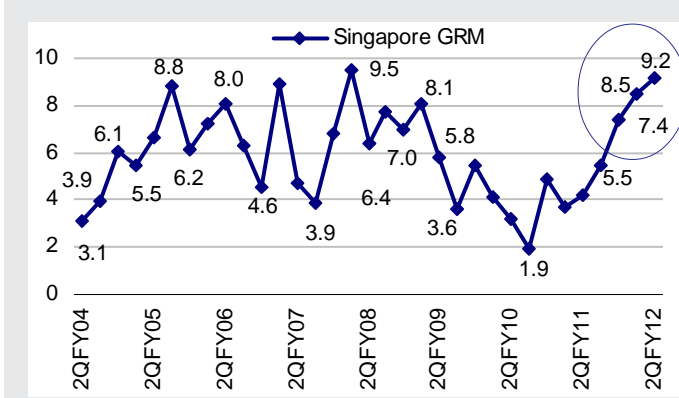
Crude price remain high in 2QFY12 (USD/bbl)



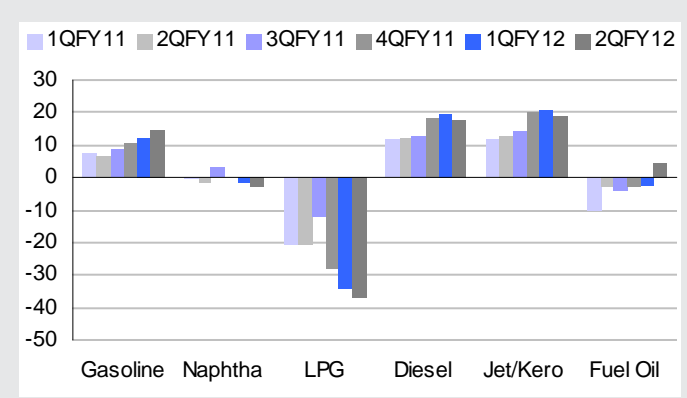
Brent-WTI spreads reach historical highs of USD27/bbl



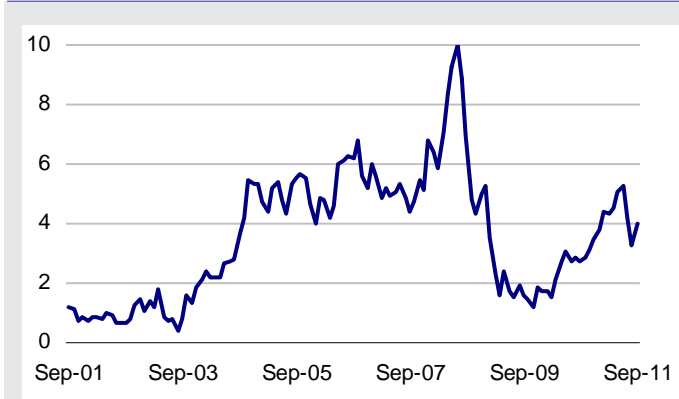
GRM reaches an 18-quarter high of USD9.2/bbl in 1QFY12



Cracks improve in gasoline and fuel oil



Light-Heavy down in 2QFY12 (USD/bbl)



Our Key Assumptions

- Our crude price assumption for FY12/13/14 is USD110/95/90/bbl and USD85/bbl over long term, respectively.
- We expect the regional benchmark, Singapore Reuters GRM, to be in the USD7-9/bbl range in the near term.
- We model Reuters Singapore GRM at USD8.2/bbl in FY12 and USD7.5/bbl in FY13.

Source: Reuters/Bloomberg/MOSL

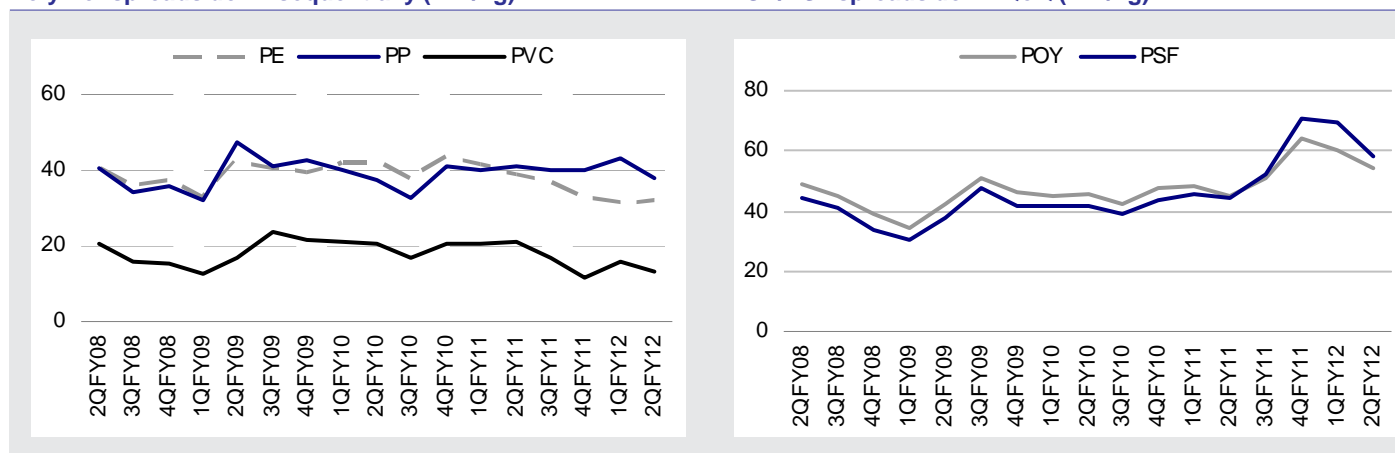
Polymer margins under pressure in 2QFY12 (INR/kg)

	(RIL basic prices)						Simple spreads			Integrated spreads	
	PE	PP	PVC	POY	PSF	Naphtha	PE	PP	PVC	POY	PSF
1QFY11	74.1	72.8	53.3	73.7	71.6	32.6	41.5	40.2	20.7	48.0	45.9
2QFY11	70.1	72.4	52.0	69.7	68.9	31.2	38.9	41.3	20.8	45.2	44.3
3QFY11	73.4	76.1	53.3	79.8	80.8	36.4	37.0	39.7	16.9	51.0	52.0
4QFY11	74.3	81.9	53.5	97.1	103.8	41.9	32.4	40.0	11.6	64.2	70.9
1QFY12	76.6	87.9	60.7	95.1	104.4	44.8	31.8	43.0	15.8	59.8	69.1
2QFY12	76.3	81.9	57.3	89.3	93.4	44.2	32.0	37.7	13.1	54.3	58.5
QoQ (%)	-0.4	-6.8	-5.5	-6.1	-10.5	-1.4	0.9	-12.4	-17.2	-9.2	-15.5
YoY (%)	8.8	13.1	10.3	28.0	35.6	41.9	-17.7	-8.6	-37.1	20.3	31.8

Source: Bloomberg/MOSL

Polymer spreads down sequentially (INR/kg)

POY/PSF spreads down QoQ (INR/kg)



Source: Company/MOSL

2QFY12 under-recoveries to fall sharply; We model upstream share at 38.7%

	FY08	FY09	FY10	FY11	1QFY12	2QFY12E	FY12E	FY13E
Fx Rate (INR/USD)	40.3	46.0	47.5	45.6	44.5	45.4	45.0	44.0
Brent (USD/bbl)	82.3	84.8	69.6	86.3	117.6	113.2	110.0	95.0
Gross under-recoveries (INR b)								
Auto fuels	426	575	144	375	289	113	561	123
Domestic fuels	347	458	316	405	151	125	494	380
Total	773	1,033	461	780	440	238	1,056	503
Sharing (INR b)								
Oil bonds/cash	353	713	260	410	265	143	580	232
Upstream	257	329	145	303	146	79	408	195
OMCs sharing	163	-9	56	67	28	15	68	75
Total	773	1,033	461	780	440	238	1,056	503
Sharing (%)								
Government	46	69	56	53	60	60	55	46
Upstream	33	32	31	39	33	33	39	39
OMCs sharing	21	-1	12	9	6	6	6	15
Total	100	100	100	100	100	100	100	100

* Upstream sharing model at 33% in 1HFY12

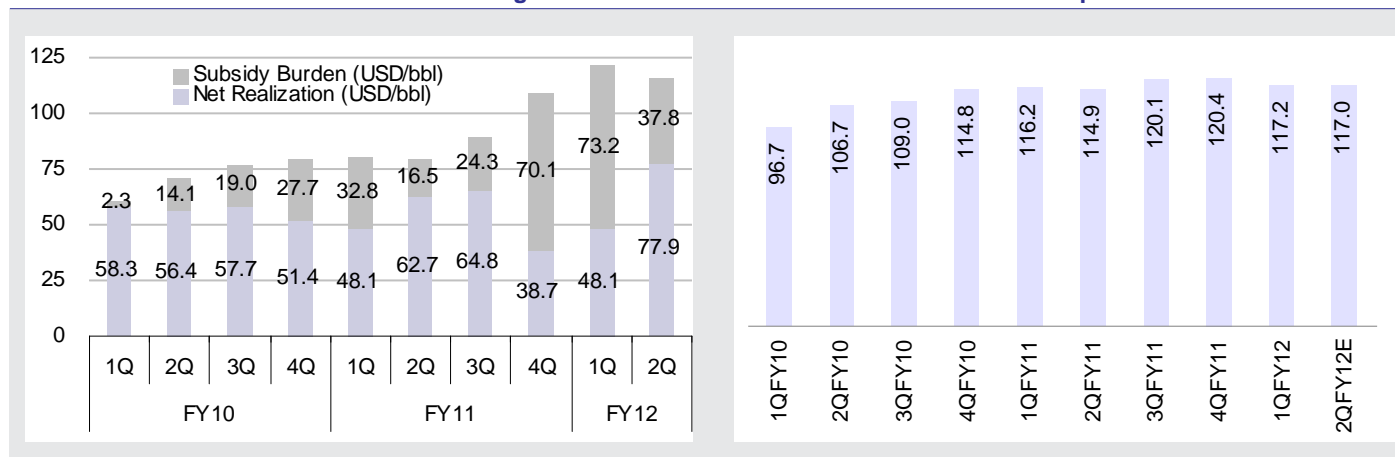
Source: Company/MOSL

Key Assumptions

- Brent oil price of USD110/95/90/85/bbl in FY12/FY13/FY14/long-term;
- Upstream sharing of subsidy at 38.7% in FY12/FY13

ONGC net realization estimated at all-time high at USD78/bbl

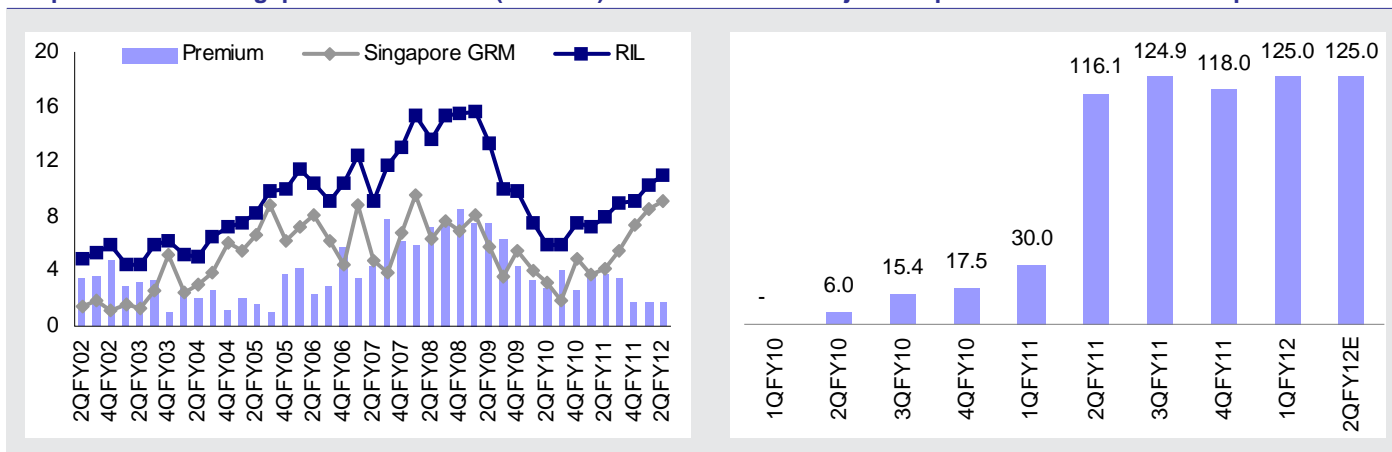
GAIL transmission volumes expected to be flat



Source: Company/MOSL

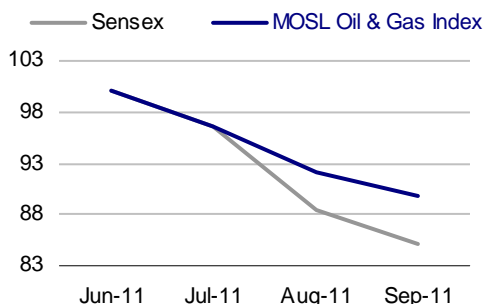
RIL premium over Singapore to remain flat (USD/bbl)

Cairn's Rajasthan production stuck at 125kbpd

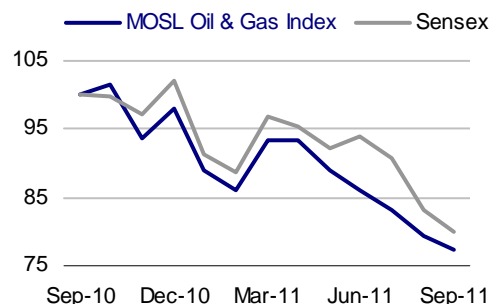


Source: Company/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Oil & Gas														
BPCL	658	Buy	45.2	53.9	55.1	14.6	12.2	11.9	10.4	7.6	6.7	11.1	12.3	11.5
Cairn India	270	Neutral	33.3	46.8	39.4	8.1	5.8	6.8	6.0	3.5	3.7	17.1	20.4	15.0
Chennai Petroleum	203	Buy	34.3	37.6	47.9	5.9	5.4	4.2	6.4	5.8	4.6	14.2	14.2	16.3
GAIL	410	Neutral	28.7	30.5	31.9	14.3	13.5	12.9	9.9	9.6	9.4	18.5	17.8	16.6
Gujarat State Petronet	98	Neutral	9.0	9.0	8.9	10.9	10.9	11.0	7.3	6.8	6.9	28.4	22.8	19.0
HPCL	370	Buy	45.4	38.2	40.4	8.2	9.7	9.2	12.1	12.0	8.0	12.8	10.0	9.9
Indraprastha Gas	413	Neutral	18.8	23.5	27.3	22.0	17.6	15.1	12.6	9.0	7.7	28.8	29.6	28.5
IOC	309	Buy	32.3	34.2	35.8	9.6	9.0	8.6	10.8	6.2	5.8	14.2	13.8	13.2
MRPL	62	Sell	6.7	6.1	6.5	9.2	10.1	9.5	5.4	6.6	6.0	19.4	15.7	14.6
ONGC	255	Buy	24.5	30.1	33.9	10.4	8.5	7.5	3.8	3.1	2.7	19.5	20.9	20.6
Petronet LNG	156	Buy	9.3	12.6	12.5	16.8	12.4	12.5	11.4	8.9	8.2	28.4	31.3	25.4
Reliance Inds.	759	Neutral	68.4	76.1	80.5	11.1	10.0	9.4	7.6	6.8	6.2	14.8	13.5	12.0
Sector Aggregate						11.0	9.2	9.0	6.7	5.3	4.8	15.3	15.4	14.2
Oil & Gas Ex RMS						11.2	9.1	8.9	5.9	4.8	4.4	15.9	16.0	14.7

BPCL

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR658										Buy
Bloomberg Equity Shares (m)	BPCLIN 361.5	YEAR END *	NET SALES (INR B)	ADJ. PAT (INR B)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	802/530	03/10A	1,238	16.3	45.2	157.6	-	-	11.9	3.9	-	-
1,6,12 Rel Perf (%)	-3 / 27 / 4	03/11A	1,536	16.3	45.2	0.2	14.6	1.5	11.1	5.9	0.3	10.3
Mcap (INR b)	237.9	03/12E	1,904	19.5	53.9	19.1	12.2	1.4	12.3	7.8	0.2	7.5
Mcap (USD b)	4.8	03/13E	1,746	19.9	55.1	2.3	11.9	1.3	11.5	6.7	0.2	6.7

* Consolidated

- As in previous quarters, BPCL's profitability will depend more on subsidy sharing than on business fundamentals. The government's subsidy compensation typically comes with a delay.
- 2QFY12 under-recoveries are sequentially down sharply (down 50% QoQ) led by price increases in June 2011. The government increased prices of diesel (by INR3/liter), kerosene (by INR2/liter) and LPG (by INR50/cylinder) on 24 June 2011. While this will ease the under-recovery situation, there is still no clarity on the sharing mechanism among the government and public sector companies.
- For the full year, we assume OMCs will bear ~6.5% of the under-recoveries. We have built in 38.7% of total under-recoveries to be borne by the upstream sector and the balance to be compensated by the government.
- In 2QFY12 we expect BPCL to report net profit of INR7.5b against INR21b in 2QFY11 and a loss of INR25.6b in 1QFY12. We estimate EBITDA of INR13.9b v/s INR24.6b in 2QFY11 and EBITDA loss of INR21.8b in 1QFY12.
- BPCL trades at 12.2x FY12E EPS and 1.4x FY12E BV. The stock trades at the middle of its historical valuation levels. The E&P potential upside would be a key positive surprise. **Maintain Buy.**

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	342,415	353,168	366,655	452,515	461,177	482,737	443,523	451,768	1,514,753	1,839,205
Change (%)	34.3	30.5	14.0	20.5	34.7	36.7	21.0	-0.2	23.9	21.4
EBITDA	-14,265	24,679	7,284	16,441	-21,861	13,930	12,823	39,291	34,138	44,183
Change (%)	nm	nm	17.0	45.8	53.3	-43.6	76.1	139.0	43.5	29.4
% of Sales	-4.2	7.0	2.0	3.6	-4.7	2.9	2.9	8.7	2.3	2.4
Depreciation	4,007	4,019	3,700	4,828	4,901	4,850	4,580	4,827	16,554	19,158
Interest	2,324	2,780	2,747	3,157	3,349	4,086	4,146	3,798	11,008	15,379
Other Income	3,415	5,522	3,308	5,305	4,492	3,946	4,057	3,416	17,550	15,911
PBT	-17,181	23,402	4,144	13,761	-25,619	8,940	8,154	34,083	24,126	25,558
Tax	0	1,980	2,270	4,410	0	1,485	1,354	5,651	8,660	8,490
Rate (%)	0.0	8.5	54.8	32.0	0.0	16.6	16.6	16.6	35.9	33.2
PAT	-17,181	21,422	1,874	9,352	-25,619	7,455	6,800	28,432	15,467	17,068
Change (%)	nm	nm	-50.6	32.9	49.1	-65.2	262.9	204.0	0.6	nm
Key Assumption (INR b)										
Gross under recovery	46	25	35	73	103	55	48	37	180	243
Upstream sharing	15	8	12	34	34	18	23	18	70	93
Oil Bonds	0	29	18	47	35	33	22	44	94	134
Net Under/(Over) recovery	31	-13	6	-7	34	4	3	-25	16	15
As a % of Gross	66.5	nm	15.6	nm	32.6	6.4	6.4	nm	8.8	6.3

E: MOSL Estimates; 3QFY11 tax includes prior period provision (from FY03) of Rs1b

Cairn India

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR270										Neutral	
Bloomberg Equity Shares (m)	CAIR IN 1,902.2	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA	
52 Week Range (INR)	372/250	03/10A	16,230	10,511	5.5	30.0	-	-	3.2	2.6	-	-	
1,6,12 Rel Perf (%)	5 / -8 / 1	03/11A	102,779	63,343	33.3	501.0	8.1	1.3	17.1	17.9	5.0	6.0	
Mcap (INR b)	512.7	03/12E	158,444	88,955	46.8	40.4	5.8	1.1	20.4	25.6	3.0	3.5	
Mcap (USD b)	10.4	03/13E	144,239	75,041	39.4	-15.6	6.8	1.0	15.0	17.1	2.8	3.7	

Consolidated

- We expect Cairn India to report net sales of INR35b (v/s INR26.9b in 2QFY11), led by an increase in crude prices. We estimate EBITDA at INR30b v/s INR21.7b in 2QFY11 and INR31.7b in 1QFY12.
- Cairn India shareholders recently accepted that royalty be considered as part of the cost of petroleum. Owing to this, we model a one-time impact of USD400m in 2QFY12 as royalty was paid by ONGC on Cairn's behalf for the previous period.
- We estimate gross oil sales of 125kbpd from the Rajasthan field and net sales of 99.6kboepd (v/s 94.3kboepd in 2QFY11, flat QoQ).
- We model Brent crude price of USD110/95/90/85/bbl in FY12/FY13/FY14 and long-term in our estimates and take a discount of 12.5% for crude quality.
- Cairn's earnings are likely to rise substantially over sequential quarters as production from the Rajasthan block ramps up. The ramp up has been held up due to a delay in government/partner approvals.
- Our estimates factor in cess at full rate and royalty payment as a part of the cost of petroleum. The stock trades at 5.8x FY12E EPS of INR46.8. Maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	8,406	26,863	30,964	36,545	37,127	35,331	40,177	45,808	102,779	158,444
Change (%)	-41.3	1,210.7	1,247.6	637.6	128.8	320.3	49.6	47.9	533.3	54.2
EBITDA	6,472	21,741	25,634	31,382	31,748	29,961	34,075	38,477	85,228	134,262
% of Net Sales	77.0	80.9	82.8	85.9	85.5	84.8	84.8	84.0	82.9	84.7
D,D & A (inc. w/off)	1,981	3,178	3,086	5,351	3,647	3,750	4,600	5,019	13,596	17,017
Interest	493	1,281	742	393	446	435	428	364	2,909	1,673
Other Income (Net)	281	282	342	384	528	550	658	809	1,288	2,545
Forex Fluctuations	-413	-236	0	-464	-8	0	0	0	-1,112	-8
Exceptional items	0	0	0	0	0	-18,160	0	0	0	-18,160
PBT	3,866	17,328	22,147	25,558	28,175	8,166	29,705	33,903	68,899	99,949
Tax	1,052	1,478	2,046	980	909	1,119	4,070	4,897	5,556	10,994
Rate* (%)	27.2	8.4	9.2	3.8	3.2	13.7	13.7	14.4	8.1	11.0
PAT	2,814	15,850	20,101	24,578	27,266	7,047	25,636	29,006	63,343	88,955
Adj. PAT	2,814	15,850	20,101	24,578	27,266	25,207	25,636	29,006	63,343	107,115
YoY Change (%)	34.5	746.4	590.8	902.4	192.4	795.7	61.7	44.3	579.2	69.1
Key Assumptions										
Brent Price (USD/bbl)	78.5	76.1	86.6	105.4	117.6	113.2	107.0	102.2	83.3	110.0
Sales - Cairn's Share (kboepd)										
Ravva and Cambay	13.7	13.1	12.9	11.4	12.1	12.1	12.1	12.1	12.8	12.1
Rajasthan	21.0	81.2	87.4	82.6	87.5	87.5	108.5	133.0	68.1	104.1

E: MOSL Estimates; * Excluding forex fluctuations, includes MAT credit; we model royalty as a cost recoverable expense in FY12; Exceptional item in 2QFY12 pertains to royalty reimbursement to ONGC.

Chennai Petroleum Corporation

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR203										Buy
Bloomberg Equity Shares (m)	MRLIN 149.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	DIV YIELD (%)	EV/ EBITDA
52 Week Range (INR)	269/184	03/10A	246,251	4,879	32.7	NM	-	-	18.5	12.5	4.1	-
1,6,12 Rel Perf (%)	-7 / 8 / 1	03/11A	331,406	5,115	34.3	4.8	5.9	0.8	14.2	12.2	5.4	6.4
Mcap (INR b)	30.2	03/12E	423,369	5,596	37.6	9.4	5.4	0.7	14.2	12.0	5.4	5.8
Mcap (USD b)	0.6	03/13E	379,112	7,130	47.9	27.4	4.2	0.7	16.3	14.0	6.9	4.6

- We expect Chennai Petroleum Corp (MRL) to post PAT of INR1.6b (v/s INR978m in 2QFY11 and a loss of INR551m in 1QFY12).
- EBITDA is expected to be INR3.7b (v/s INR2.6b in 2QFY11) led by higher GRM. MRL's 1QFY12 GRM of USD2.4/bbl v/s benchmark Singapore GRM of USD8.5/bbl was impacted by inventory losses.
- On the operational front we expect refinery throughput of 2.75mmt (up 8% QoQ and 1% YoY)
- We expect the benchmark Singapore refining margin to remain range-bound between USD9-9/bbl in the medium term. For MRL we have built GRM of USD5.4/bbl for FY12 and USD6.3/bbl for FY13. The stock trades at 5.4x FY12E EPS of INR37.6 and EV/EBITDA of 5.8. Maintain **Buy**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	63,604	81,222	83,476	103,103	98,953	115,237	111,026	105,368	331,406	430,583
Change (%)	12.4	16.1	21.9	88.7	55.6	41.9	33.0	2.2	32.7	29.9
Raw Materials (incl Stock Adj)	61,362	76,558	78,500	94,736	97,177	108,865	103,607	98,058	311,156	407,708
Employee Costs	582	548	603	670	600	675	680	700	2,402	2,655
Other Exp	1,480	1,565	899	1,885	533	1,959	1,887	1,791	5,829	6,171
EBITDA	181	2,552	3,474	5,813	642	3,738	4,851	4,819	12,019	14,049
% of Sales	0.3	3.1	4.2	5.6	0.6	3.2	4.4	4.6	3.6	3.3
Change (%)	-96.1	-20.7	188.4	nm	255.6	46.5	39.6	-17.1	40.9	16.9
Depreciation	741	731	734	938	913	939	940	965	3,144	3,757
Interest	348	469	545	1,183	587	554	568	560	2,545	2,268
Other Income	80	114	124	988	42	115	120	88	1,306	365
PBT	-828	1,465	2,319	4,679	-816	2,360	3,463	3,382	7,635	8,389
Tax	-275	487	770	1,538	-265	784	1,150	1,124	2,520	2,793
Rate (%)	nm	33.3	33.2	32.9	32.4	33.2	33.2	33.2	33.0	33.3
PAT	-553	978	1,549	3,141	-551	1,576	2,312	2,259	5,115	5,596
Change (%)	nm	-29.8	-29.7	nm	nm	61.2	49.3	nm	-15.2	9.4
Adj PAT	-187	1,155	1,102	2,746	-551	1,576	2,312	2,259	4,816	5,596
Key Assumptions										
GRM (USD/bbl)	1.8	4.1	5.3	8.3	2.4	5.6	6.8	6.8	4.9	5.4
Throughput (mmt)	2.3	2.8	2.8	2.8	2.5	2.8	2.8	2.8	10.8	11.0

E: MOSL Estimates

GAIL (India)

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	GAIL IN
Equity Shares (m)	1,268.5
52 Week Range (INR)	536/403
1,6,12 Rel Perf (%)	-2 / 6 / 6
Mcap (INR b)	519.8
Mcap (USD b)	10.5

CMP: INR410**Neutral**

YEAR	NET SALES	PAT	EPS	EPS	P/E*	P/BV	ROE	ROCE	*EV/	EV/
END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
03/10A	249,337	31,398	24.8	8.9	-	-	18.7	23.6	-	-
03/11A	324,586	35,610	28.7	16.0	11.4	2.2	18.5	22.9	1.3	7.3
03/12E	349,015	38,635	30.5	6.1	10.7	1.9	17.8	20.1	1.4	7.3
03/13E	397,270	40,440	31.9	4.7	10.2	2.2	16.6	16.2	1.3	7.5

*Adjustment for investments

- We expect GAIL to report adjusted net profit of INR10.9b (up 18% YoY and 11% QoQ).
 - We model 33% upstream sharing in 1HFY12 and 38.7% for FY12. GAIL has been sharing under-recoveries only for LPG and kerosene losses.
 - Sequentially, overall EBIT before subsidy is largely flat (~117mmscmd) as we do not expect transmission volume ramp-up in 2QFY12. Petchem EBIT is up 16% QoQ.
 - Adjusted for investments, the stock trades at 10.7x FY12E EPS of INR30.5. Transmission volume growth continues to be a challenge, while non-operational earnings upsides could come from limiting LPG cylinders per household.
- Neutral.**

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	70,960	81,041	83,650	88,936	88,674	89,104	86,109	83,864	324,586	347,750
Change (%)	17.8	30.7	35.2	36.4	25.0	9.9	2.9	-5.7	30.2	7.1
EBITDA	14,348	14,329	13,145	12,724	15,556	16,736	14,145	13,164	54,546	59,602
% of Net Sales	20.2	17.7	15.7	14.3	17.5	18.8	16.4	15.7	16.8	17.1
Change (%)	34.7	40.9	3.5	-3.4	8.4	16.8	7.6	3.5	16.8	9.3
Depreciation	1,600	1,626	1,605	1,672	1,782	1,881	2,073	2,582	6,503	8,318
Interest	205	117	165	341	208	345	350	407	829	1,310
Other Income	676	1,740	2,092	678	863	1,543	1,983	493	5,186	4,882
PBT	13,218	14,326	13,467	11,389	14,429	16,053	13,705	10,668	52,400	54,856
Tax	4,349	5,090	3,791	3,558	4,582	5,152	4,372	3,363	16,788	17,469
Rate (%)	32.9	35.5	28.1	31.2	31.8	32.1	31.9	31.5	32.0	31.8
PAT	8,869	9,235	9,676	7,831	9,847	10,901	9,334	7,305	35,612	37,387
Change (%)	35.2	29.5	12.5	-14.0	11.0	18.0	-3.5	-6.7	13.4	5.0
Adj PAT	8,869	9,235	9,676	8,628	9,847	10,901	9,334	7,305	36,409	37,387
Key Assumptions										
Gas Trans.Volume (mmscmd)	116	115	120	120	117	117	119	123	118	119
Petchem Sales ('000MT)	88	107	81	144	88	110	115	115	420	428
Segmental EBIT Breakup (INR m)										
Transmission										
Natural Gas	6,406	7,206	6,657	5,344	6,520	6,020	5,949	4,767	25,613	23,257
LPG	734	787	844	711	690	772	772	772	3,076	3,007
Natural Gas Trading	1,579	1,602	2,059	2,710	3,131	3,150	3,122	3,061	7,949	12,464
Petrochemicals	2,846	2,716	1,954	4,367	2,434	2,823	2,604	2,611	11,883	10,472
LPG & Liq.HC (pre-subsidy)	6,788	5,215	5,677	8,289	9,104	7,892	7,510	6,347	25,970	30,852
Unallocated; GAILTEL	(138)	(479)	(167)	(273)	(335)	0	0	0	(1,056)	(335)
Total	18,214	17,048	17,024	21,149	21,544	20,657	19,958	17,558	73,434	79,717
Less: Subsidy	(4,455)	(3,464)	(4,177)	(9,017)	(6,819)	(5,427)	(7,538)	(6,164)	(21,112)	(25,948)
Total	13,759	13,584	12,848	12,131	14,725	15,230	12,420	11,394	52,322	53,769

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com)

Gujarat State Petronet

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR98										Neutral
Bloomberg Equity Shares (m)	GUJSIN 562.6	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	128/77	03/10A	9,920	4,138	7.4	235.2	-	-	29.8	26.5	-	-
1,6,12 Rel Perf (%)	4 / 12 / 7	03/11A	10,391	5,064	9.0	22.3	10.9	2.8	28.4	25.6	6.8	7.3
Mcap (INR b)	55.2	03/12E	10,474	5,063	9.0	0.0	10.9	2.3	22.8	21.3	6.3	6.8
Mcap (USD b)	1.1	03/13E	10,113	5,019	8.9	-0.9	11.0	1.9	19.0	19.0	6.3	6.9

*Our EPS numbers does not factor in any provision towards "Social Contribution Fund"

- We expect Gujarat State Petronet (GUJS) to post net sales of INR2.7b and PAT of INR1.2b (up 36% YoY and down 9% QoQ).
- Lower QoQ earnings are mainly due to lower transmission volumes, which we believe could be lower due to higher LNG prices impacting offtake.
- GUJS has applied to PNGRB for tariff authorization, but timelines for approval are not yet known. We expect the tariff to be decided in the next few months. We expect the final tariff to be lower by at least 15% from the current trend.
- GUJS won all three bids for cross-country pipelines, conducted by PNGRB last year. We await clarity on the timelines and other details regarding the pipelines.
- We build gas transmission volumes of 36.3mmscmd in FY12 and 40mmscmd in FY13. We model average tariff at INR780/mscm in FY12 and INR690/mscm in FY13. The stock trades at 10.9x FY12E EPS of INR9. Maintain **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	2,518	2,530	2,792	2,551	2,843	2,682	2,746	2,330	10,391	10,602
Change (%)	19.4	-0.7	4.0	-1.1	12.9	6.0	-1.6	-8.7	4.8	2.0
EBITDA	2,381	2,321	2,620	2,297	2,619	2,491	2,564	2,149	9,619	9,823
% of Net Sales	94.6	91.8	93.8	90.0	92.1	92.9	93.4	92.2	92.6	92.7
Change (%)	22.2	-5.0	3.5	-3.1	10.0	7.3	-2.1	-6.4	3.5	2.1
Depreciation	687	760	25	-173	453	454	453	453	1,299	1,813
Interest	224	242	259	236	324	330	310	279	961	1,243
Other Income	57	83	54	97	112	105	118	120	291	455
PBT	1,527	1,403	2,389	2,331	1,954	1,812	1,919	1,537	7,650	7,223
Tax	476	488	798	824	581	565	574	440	2,586	2,159
Rate (%)	31.2	34.8	33.4	35.4	29.7	31.2	29.9	28.6	33.8	29.9
PAT	1,051	915	1,591	1,506	1,374	1,247	1,345	1,098	5,064	5,063
Change (%)	30.4	-16.8	37.9	39.7	30.7	36.2	-15.5	-27.1	22.4	0.0
EPS (INR)	1.9	1.6	2.8	2.7	2.4	2.2	2.4	2.0	9.0	9.0
Transmission Vol. (mmscmd)	36.4	35.3	35.3	35.6	36.8	36.0	36.8	37.0	35.7	36.6
Implied tariff (INR/mscm)	761	776	849	790	813	810	811	692	794	782

E: MOSL Estimates

HPCL

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR370										Buy
Bloomberg Equity Shares (m)	HPCL IN 339.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	550/307	03/10A	1,092,084	13,014	38.4	198.8	-	-	11.7	8.7	-	-
1,6,12 Rel Perf (%)	-3 / 25 / -11	03/11A	1,309,342	15,390	45.4	18.3	8.2	1.0	12.8	8.6	0.2	8.1
Mcap (INR b)	125.5	03/12E	1,639,483	12,948	38.2	-15.9	9.7	0.9	10.0	7.2	0.2	8.1
Mcap (USD b)	2.5	03/13E	1,578,503	13,689	40.4	5.7	9.2	0.9	9.9	8.1	0.2	5.9

- As in previous quarters, Hindustan Petroleum Corp's (HPCL) profitability would depend more on subsidy sharing than on business fundamentals. Government subsidy compensation typically comes with a delay.
- 2QFY12 under-recoveries are sequentially down sharply (down 50% QoQ) led by price increases in June 2011. The government increased the prices of diesel (by INR3/liter), kerosene (by INR2/liter) and LPG (by INR50/cylinder) on 24 June 2011. While this will ease the under-recovery situation, there is still no clarity on the sharing mechanism between the government and public sector companies.
- For the full year, we assume that OMCs will bear ~6.5% of the total under-recoveries. We have built in 38.7% of total under-recoveries to be borne by the upstream sector and the rest to be compensated by the government.
- In 2QFY12 we expect HPCL to post net profit of INR7.4b against INR21b in 2QFY11 and a loss of INR31b in 1QFY12. We estimate EBITDA of INR12.6b v/s INR23b in 2QFY11 and EBITDA loss of INR26.9b in 1QFY12.
- HPCL trades at 9.7x FY12E EPS and 0.9x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	292,264	281,385	339,025	396,668	407,980	430,018	394,868	406,616	1,309,342	1,639,483
Change (%)	20.8	15.1	16.0	26.6	39.6	52.8	16.5	2.5	19.9	25.2
EBITDA	-16,155	23,224	6,267	19,751	-26,873	12,618	12,463	36,939	33,088	35,147
% of Net Sales	-5.5	8.3	1.8	5.0	-6.6	2.9	3.2	9.1	2.5	8.6
Change (%)	-248.5	nm	340.9	50.3	66.3	-45.7	98.9	87.0	30.1	6.2
Depreciation	3,174	3,234	3,647	4,015	3,886	3,900	3,925	3,877	14,070	15,588
Interest	1,968	2,200	2,417	2,255	2,641	2,897	2,756	2,898	8,840	11,193
OI (incl. Oper. other inc)	2,469	3,817	2,984	4,165	2,585	3,031	2,284	2,812	13,434	10,712
Exceptional Item	-14	-2		-137	12	0		0	-152	12
PBT	-18,843	21,608	3,188	17,509	-30,803	8,852	8,066	32,975	23,461	19,091
Tax	0	712	1,078	6,282	0	1,470	1,340	3,320	8,071	6,130
Rate (%)	0.0	3.3	33.8	35.9	0.0	16.6	16.6	10.1	34.4	43.3
PAT	-18,843	20,896	2,110	11,227	-30,803	7,382	6,726	29,655	15,390	12,961
Change (%)	nm	nm	571.2	48.9	63.5	-64.7	218.8	164.1	18.6	-15.8
Key Assumptions (INR b)										0
Gross under recovery	44	24	34	69	95	52	47	36	171	230
Upstream sharing	15	8	11	32	32	17	23	18	66	89
Oil Bonds/Cash subsidy	0	28	17	44	33	32	21	41	90	127
Net Under recovery	29	-12	5	-8	31	3	3	-22	15	14
Net Sharing (%)	66.7	nm	15.7	nm	32.2	6.1	6.1	nm	8.8	6.3

E: MOSL Estimates

Indian Oil Corporation

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	IOCLIN
Equity Shares (m)	2,428.0
52 Week Range (INR)	457/290
1,6,12 Rel Perf (%)	0 / 14 / -11
Mcap (INR b)	751.0
Mcap (USD b)	15.2

CMP: INR309
Buy

YEAR END	NET SALES (INR B)	ADJ. PATADJ. (INR B)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EVI/ SALES	EVI/ EBITDA
03/10A	2,501	107.1	44.1	304.8	-	-	21.9	16.0	-	-
03/11A	3,081	78.3	32.3	-26.9	9.6	1.3	14.2	11.3	0.4	8.3
03/12E	3,941	83.0	34.2	6.0	9.0	1.2	13.8	14.0	0.3	5.2
03/13E	3,300	86.8	35.8	4.6	8.6	1.1	13.2	13.2	0.3	5.1

*Consolidated

- As in previous quarters, Indian Oil Corp's (IOCL) profitability would depend more on subsidy sharing than business fundamentals. Government subsidy compensation typically comes with a delay.
- 2QFY12 under-recoveries are down sharply sequentially (down 50% QoQ) led by price increases in June 2011. The government increased prices of diesel (by INR3/liter), kerosene (by INR2/liter) and LPG (by INR50/cylinder) on 24 June 2011. While this will ease the under-recovery situation, there is still no clarity on the sharing mechanism between the government and public sector companies.
- For the full year, we assume OMCs will bear ~6.5% of the under-recoveries. We have built in 38.7% of under-recoveries to be borne by the upstream sector and the rest to be compensated by the government.
- In 2QFY12, we expect IOCL to post net profit of INR20b against INR53b in 2QFY11 and a loss of INR37b in 1QFY12. We estimate EBITDA at INR40b v/s INR65b in 2QFY11 and EBITDA loss of INR24b in 1QFY12.
- IOCL trades at 9x FY12E EPS and 1.2x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR BILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	717	768	803	983	1,007	1,063	990	1,023	3,270	4,083
Change (%)	15.3	26.4	8.5	19.6	40.5	38.5	23.2	4.1	17.2	24.8
EBITDA	-29	65	27	53	-24	40	50	114	117	180
% of Net Sales	-4.1	8.5	3.4	5.4	-2.4	3.7	5.1	11.2	3.6	4.4
Change (%)	-170.5	1,411.7	689.0	-27.1	nm	-39.2	84.8	114.7	-4.6	54.6
Depreciation	10	11	12	12	12	12	14	16	45	55
Interest	6	5	7	9	10	12	12	11	27	45
Other Income	11	12	14	9	10	9	9	7	47	35
PBT	-34	61	22	42	-37	25	34	94	91	116
Tax	0	8	5	3	0	5	7	27	17	38
Rate (%)	0.0	13.6	25.0	6.5	0.0	20.0	20.0	28.1	18.1	33.0
PAT	-34	53	16	39	-37	20	27	68	74	78
Change (%)	-192.0	1,761.5	134.7	-29.7	nm	-62.4	66.5	73.6	-27.2	4.4
Key Assumptions (INR b)										
Gross under recovery	110	64	87	170	238	131	116	94	431	579
Upstream sharing	37	21	29	80	79	44	56	45	167	224
Oil Bonds	0	72	44	109	82	79	53	105	226	318
Net Under recovery	73	-29	13	-19	77	9	8	-56	38	37
As a % of Gross	66.7	nm	15.4	nm	32.2	6.5	6.5	nm	8.8	6.3

E: MOSL Estimates

Indraprastha Gas

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR413										Neutral
Bloomberg Equity Shares (m)	IGL IN 140.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	453/285	03/10A	10,781	2,155	15.4	24.9	-	-	28.6	39.7	-	-
1,6,12 Rel Perf (%)	-2 / 53 / 53	03/11A	17,437	2,635	18.8	22.3	22.0	5.8	28.8	33.4	3.6	12.6
Mcap (INR b)	57.9	03/12E	23,227	3,295	23.5	25.1	17.6	4.7	29.6	32.2	2.6	9.0
Mcap (USD b)	1.2	03/13E	29,251	3,829	27.3	16.2	15.1	3.9	28.5	31.9	2.0	7.7

- We expect Indraprastha Gas (IGL) to post volumes of 3.3mmscmd in 2QFY12 and PAT of INR817m (v/s INR663m in 2QFY11 and INR801m in 1QFY12).
- Currently, IGL receives 2.26mmscmd from APM allocation, 0.3mmscmd from KG-D6 and the rest from RLNG.
- We expect 2QFY12 CNG volumes to grow by 18% YoY to 2.6mmscmd and PNG volumes to grow by 61% YoY to 0.7mmscmd.
- Historically, owing to favorable economics against alternative fuels, IGL was able to pass on a hike in its gas costs, thereby insulating EBITDA margins.
- We build total volumes of 3.3/4.0mmscmd in FY12/FY13 respectively. The stock trades at 17.6x FY12E EPS of INR23.5. Maintain **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	3,350	4,451	4,547	5,093	5,364	5,784	5,974	6,105	17,441	23,227
Change (%)	44.1	63.0	59.8	77.0	60.1	29.9	31.4	19.9	61.8	33.2
Raw Material Consumed	1,667	2,547	2,598	3,024	3,004	3,318	3,390	3,466	9,835	13,179
Staff Cost	92	99	99	90	99	102	105	113	379	420
Other Exp (incl Stock Adj)	524	575	581	623	687	740	777	806	2,304	3,010
EBITDA	1,067	1,230	1,269	1,357	1,573	1,624	1,702	1,720	4,922	6,619
EBITDA (INR/scm)	4.8	5.0	5.1	5.1	5.6	5.3	5.4	5.4	5.0	5.4
% of Net Sales	31.9	27.6	27.9	26.6	29.3	28.1	28.5	28.2	28.2	28.5
Change (%)	25.7	23.0	22.7	46.7	47.4	32.0	34.1	26.8	29.3	34.5
Depreciation	231	239	262	297	322	340	380	409	1,029	1,452
Interest	0	20	41	70	90	93	97	101	132	381
Other Income	19	23	31	23	24	32	35	42	95	133
PBT	855	993	997	1,012	1,185	1,223	1,260	1,252	3,857	4,919
Tax	283	331	325	320	384	406	419	416	1,259	1,625
Rate (%)	33.2	33.3	32.6	31.7	32.4	33.2	33.2	33.2	32.7	33.0
PAT	571	663	672	692	801	817	842	836	2,598	3,295
PAT (INR/scm)	2.6	2.7	2.7	2.6	2.8	2.7	2.7	2.6	2.6	2.7
Change (%)	18.4	16.7	14.0	34.3	40.1	23.2	25.2	20.9	20.5	26.8
EPS (INR)	4.1	4.7	4.8	4.9	5.7	5.8	6.0	6.0	18.6	23.5
Gas Volumes (mmscmd)										
CNG	2.04	2.22	2.24	2.33	2.38	2.61	2.64	2.70	2.21	2.58
PNG	0.39	0.46	0.47	0.66	0.71	0.73	0.76	0.82	0.49	0.76
Total	2.43	2.67	2.71	2.98	3.10	3.34	3.40	3.51	2.70	3.34

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com)

MRPL

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR62										Sell
Bloomberg	MRPLIN	YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	1,752.6	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	90/55	03/10A	315,210	10,585	6.0	-27.3	-	-	20.5	14.2	-	-
1,6,12 Rel Perf (%)	5 / 15 / -1	03/11A	389,568	11,781	6.7	11.3	9.2	1.7	19.4	17.7	0.3	5.4
Mcap (INR b)	108.5	03/12E	532,666	10,916	6.1	-9.2	10.1	1.5	15.7	16.1	0.2	6.7
Mcap (USD b)	2.2	03/13E	515,444	11,430	6.5	6.8	9.5	1.3	14.6	15.1	0.3	6.0

- We expect Mangalore Refinery and Petrochemicals (MRPL) to report adjusted PAT of INR2.7b in 1QFY12 (v/s INR2.8m in 2QFY11 and INR1.7b in 1QFY12).
- EBITDA is expected to be INR4.9b (v/s INR3.7b in 2QFY11 and INR2.2b in 1QFY12). 2QFY12 regional benchmark Singapore GRM is estimated to average USD9.2/bbl v/s USD8.5/bbl in 1QFY12.
- On the operational front, we expect refinery throughput at 3.3mmt (flat QoQ and up 15% YoY).
- We expect refining margins to be range-bound between USD7-9/bbl in the medium term. For MRPL we have built GRM of USD5.6/bbl for FY12 and USD7/bbl for FY13. The stock trades at 10.1x FY13E EPS of INR6.1 and EV/EBITDA of 6. Maintain **Sell**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	78,685	83,545	103,199	124,140	133,691	135,887	133,634	129,453	389,568	532,666
Change (%)	33	6	14	43	70	63	29	4	23.6	36.7
EBITDA	801	3,729	5,441	8,477	2,225	4,892	6,396	6,389	18,448	19,902
% of Net Sales	1.0	4.5	5.3	6.8	1.7	3.6	4.8	4.9	4.7	3.7
Change (%)	-87	16	92	213	178	31	18	-25	25.5	7.9
Depreciation	990	1,003	982	940	952	1,000	1,100	1,099	3,914	4,151
Interest	252	265	246	266	270	260	275	295	1,029	1,100
Exceptional items	-30	13	13	0	-11	0	0	0	-3	-11
Other Income	541	1,682	482	1,179	1,352	400	400	-467	3,884	1,685
PBT	129	4,130	4,682	8,451	2,366	4,032	5,421	4,527	17,391	16,346
Tax	-156	1,344	1,545	2,922	639	1,339	1,801	1,504	5,656	5,283
Prior year tax adjustment	0	-45	0	0	0	0	0	0	-45	0
Rate (%)	nm	32.6	33.0	34.6	nm	33.2	33.2	33.2	32.5	32.3
PAT	285	2,831	3,137	5,528	1,727	2,692	3,620	3,023	11,781	11,063
Change (%)	-92.7	73.7	23.5	118.5	506.8	-4.9	15.4	-45.3	11.3	-6.1
EPS (INR)	0.2	1.6	1.8	3.2	1.0	1.5	2.1	1.7	6.7	6.3
GRM (USD/bbl)	1.9	6.1	6.0	9.1	3.0	5.6	7.0	7.0	5.8	5.6
Throughput (mmt)	2.9	2.9	3.5	3.4	3.3	3.3	3.4	3.4	12.6	13.4

E: MOSL Estimates

ONGC

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	ONGC IN
Equity Shares (m)	8,555.4
52 Week Range (INR)	368/227
1,6,12 Rel Perf (%)	-10 / 6 / -10
Mcap (INR b)	2,179.1
Mcap (USD b)	44.1

CMP: INR255**Buy**

YEAR END	NET SALES (INR B)	PAT (INR B)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	1,018	194	22.7	-2.0	-	-	20.2	19.4	-	-
03/11A	1,176	210	24.5	8.1	10.4	1.9	19.5	18.8	6.2	3.8
03/12E	1,491	257	30.1	22.8	8.5	1.7	20.9	20.1	6.0	3.1
03/13E	1,547	290	33.9	12.8	7.5	1.5	20.6	19.5	5.9	2.7

Consolidated

- We expect ONGC to post adjusted net profit of INR61b (v/s adjusted net profit of INR54b in 2QFY11 and INR41b in 1QFY12). We estimate EBITDA at INR124b (up 12% YoY and 34% QoQ).
- We estimate gross realization of USD116/bbl v/s USD79/bbl in 2QFY11 and USD121/bbl in 1QFY12 and net realization of USD78/bbl (highest ever net realization) v/s USD63/bbl in 2QFY11 and USD48/bbl in 1QFY12.
- We build upstream sharing at 38.7% of gross under-recoveries and expect ONGC to share ~83% of it. We expect ONGC to share INR64b (USD38/bbl) in 2QFY12 v/s INR30b in 2QFY11 (USD16.5/bbl).
- Our Brent price assumption is USD110/95/90/85/bbl for FY12/13/14/long-term respectively and we model upstream sharing at 38.7% in FY12 and FY13 and 33% beyond that. The stock trades at 8.5x FY12E consolidated EPS of INR30.1. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR BILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	136.7	181.9	185.9	154.0	162.0	205.5	171.5	183.9	658.4	722.9
Change (%)	-8.2	20.6	21.4	4.6	18.5	13.0	-7.7	19.5	9.8	9.8
EBITDA	80.4	110.9	113.1	72.6	92.7	124.1	98.8	100.3	377.0	415.9
Change (%)	-15.4	27.7	23.9	-11.3	15.3	12.0	-12.6	38.1	6.2	10.3
D,D & A	31.1	44.0	36.4	47.9	41.2	44.0	45.0	48.1	159.4	178.3
Other Income	5.6	11.4	28.9	13.0	9.3	9.5	10.1	9.0	58.9	37.9
PBT	54.8	78.3	105.5	37.5	60.7	89.6	63.9	61.1	276.2	275.3
Tax	18.2	24.4	34.7	9.6	19.8	28.7	20.8	18.9	86.9	88.1
Rate (%)	33.2	31.2	32.9	25.7	32.5	32.0	32.5	31.0	31.5	32.0
PAT	36.6	53.9	70.8	27.9	40.9	60.9	43.1	42.2	189.2	187.2
Adjusted PAT	36.6	53.9	58.1	25.7	40.9	60.9	43.1	42.2	174.3	187.2
Change (%)	-24.5	5.9	90.2	-31.9	11.8	13.0	-25.7	63.9	8.1	7.4
Key Assumptions (USD/bbl)										
Fx rate (INR/USD)	45.7	46.7	44.8	45.3	44.5	45.4	45.0	44.9	45.6	45.0
Gross Oil Realization	80.8	79.2	89.1	108.9	121.3	115.7	109.0	104.0	89.4	112.5
Subsidy	32.8	16.5	24.3	70.1	73.2	37.8	49.8	39.2	35.6	50.0
Net Oil Realization	48.1	62.8	64.8	38.7	48.1	77.9	59.2	64.8	53.8	62.5
Subsidy (INR b)	55.2	30.2	42.2	121.4	120.5	64.2	84.0	66.1	248.9	334.7

E: MOSL Estimates; 3QFY11/4QFY11 other income includes gas pool account credit of INR19b/2.9b and 2QFY12 includes Cairn royalty reimbursement

Petronet LNG

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR156										Buy
Bloomberg Equity Shares (m)	PLNG IN 750.0	YEAR END	NET SALES (INR B)	PAT (INR B)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	186/105	03/10A	106,491	4,045	5.4	-22.0	-	-	19.2	23.0	-	-
1,6,12 Rel Perf (%)	-9 / 44 / 64	03/11A	132,888	6,973	9.3	72.4	16.8	4.4	28.4	20.8	1.1	11.7
Mcap (INR b)	117.0	03/12E	202,500	9,439	12.6	35.4	12.4	3.5	31.3	23.2	0.8	9.1
Mcap (USD b)	2.4	03/13E	233,925	9,356	12.5	-0.9	12.5	2.9	25.4	21.6	0.7	8.4

Consolidated

- We expect Petronet to post net profit of INR2.4b (v/s INR1.3b in 2QFY11 and INR2.6b in 1QFY12). We estimate EBITDA of INR4.4b (up 61% Yo Y and flat QoQ).
- We have built in total volume of 2.6mmtpa in 2QFY12. We model 10.4mmtpa volume in FY12 at Dahej, of which 7.5mmtpa would be on a long-term contract, 2mmtpa on two-year contract and the rest on a spot/third-party basis.
- We model a 5% escalation in re-gassification tariff till FY13 and flat thereafter at Dahej and we build 0.3mmt volumes at Kochi in FY13.
- Increasing spot LNG prices pose a near term risk to Petronet LNG's spot volumes as well as marketing margins.
- We model marketing margin at INR17/mmbtu going forward. The stock trades at 12.4x FY12E consolidated EPS of INR12.6. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	25,260	30,577	36,276	39,860	46,233	51,851	52,261	52,155	131,973	202,500
Change (%)	-3.3	-10.2	61.6	0.7	83.0	69.6	44.1	0.3	23.9	53.4
Raw Material (incl. inv chg)	22,333	27,547	32,389	35,743	41,331	46,757	47,399	47,069	118,012	182,555
Staff Cost	73	53	57	122	64	68	72	132	306	336
Other Expenditure	376	261	374	482	457	646	654	650	1,492	2,407
EBITDA	2,477	2,716	3,456	3,513	4,381	4,380	4,136	4,304	12,163	17,202
% of Net Sales	9.8	8.9	9.5	8.8	9.5	8.4	7.9	8.3	9.2	8.5
Change (%)	36	7	66	74	77	61	20	23	43.7	41.4
Depreciation	461	466	465	455	458	460	464	466	1,847	1,848
Interest	498	495	507	431	464	475	495	502	1,931	1,936
Other Income	126	186	54	314	263	150	110	71	680	594
PBT	1,644	1,941	2,539	2,941	3,722	3,595	3,287	3,408	9,065	14,012
Tax	530	630	830	878	1,155	1,194	1,092	1,132	2,868	4,573
Rate (%)	32.2	32.5	32.7	29.9	31.0	33.2	33.2	33.2	31.6	32.6
PAT	1,114	1,311	1,709	2,063	2,567	2,401	2,195	2,276	6,197	9,439
Change (%)	7.8	8.7	105.4	112.0	130.5	83.1	28.5	10.3	53.2	52.3
Gas Volume (TBTU)	95.2	99.8	119.7	125.8	133.4	130.9	129.9	129.3	440.4	523.5

E: MOSL Estimates

Reliance Industries

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR759										Neutral
Bloomberg Equity Shares (m)	RIL IN 3,286.2	YEAR END	NET SALES (INR B)	PAT (INR B)	EPS (INR)	P/E (X)	ADJ. EPS (RS)	ADJ. P/E (X)	ADJ. P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA
52 Week Range (INR)	1,187/714	03/10A	1,925	162	49.6	-	54.8	-	-	13.4	11.3	-
1,6,12 Rel Perf (%)	4 / -11 / -5	03/11A	2,482	203	62.0	12.3	68.4	11.1	1.6	14.8	12.9	7.6
Mcap (INR b)	2,494.9	03/12E	3,167	227	69.0	11.0	76.1	10.0	1.3	13.5	12.5	6.8
Mcap (USD b)	50.4	03/13E	2,659	240	73.0	10.4	80.5	9.4	1.2	12.0	11.7	6.2

Adjusted for treasury shares

- We estimate Reliance Industries (RIL) will post GRM of USD11/bbl v/s USD10.3/bbl in 1QFY12. Led by a fall in the petchem margins (except PE) we expect petchem EBIT to fall meaningfully in 2QFY12.
- As the BP deal was concluded on August 2011 we model KG-D6 earnings based on RIL's 60% stake for one month. Although the deal was applicable from January 2011 we believe adjustments for earnings for the prior period will be through reduction in the cash inflow from BP.
- We expect average KG-D6 volumes in 1QFY12 of 46.5mmscmd v/s 48.6mmscmd in 1QFY12, though recent reports indicate a further downside risk.
- We expect RIL to post net profit of INR58b (v/s INR49b in 2QFY11 and INR56.6b in 1QFY12). Strong YoY performance would be led by (1) higher GRM and (2) higher other income, partly offset by (i) lower petchem margins and (ii) lower KG-D6 gas production/share.
- RIL trades at 10x FY12E adjusted EPS of INR76.1. **Neutral.**

QUARTERLY PERFORMANCE (STANDALONE)

(INR BILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	582.3	574.8	597.9	726.7	810.2	807.8	765.6	789.9	2,481.7	3,173.6
Change (%)	86.7	22.7	5.2	26.2	39.1	40.5	28.1	8.7	28.9	27.9
EBITDA	93.4	94.0	95.4	98.4	99.3	98.3	87.9	87.6	381.3	373.0
% of Net Sales	16.0	16.3	16.0	13.5	12.3	12.2	11.5	11.1	15.4	11.8
Change (%)	46.3	30.2	21.7	7.7	6.3	4.6	-8.0	-11.0	24.7	-2.2
Depreciation	34.9	33.8	33.6	33.9	32.0	30.2	26.4	26.4	136.1	115.0
Interest	5.4	5.4	5.5	7.0	5.5	5.5	5.0	4.3	23.3	20.2
Other Income	7.2	6.7	7.4	9.2	10.8	11.8	13.0	14.3	30.5	49.9
PBT	60.4	61.5	63.8	66.8	72.6	74.4	69.4	71.2	252.4	287.7
Tax	11.9	12.3	12.4	13.0	16.0	16.5	15.3	15.4	49.6	63.2
Rate (%)	19.7	19.9	19.5	19.5	22.1	22.1	22.0	21.7	19.6	22.0
PAT	48.5	49.2	51.4	53.8	56.6	58.0	54.1	55.8	202.9	224.5
Change (%)	32.3	27.8	28.1	14.1	16.7	17.8	5.4	3.8	24.9	10.7
EPS (INR)	16.3	16.5	17.3	18.1	19.0	19.5	18.2	18.7	68.1	75.4
Key Assumptions (USD/bbl)										
Fx Rate (INR/USD)	45.7	46.5	44.8	45.3	44.5	45.4	45.0	45.0	45.6	45.0
GRM	7.3	7.9	9.0	9.2	10.3	11.0	10.0	10.0	8.4	10.3
Singapore GRM	3.7	4.2	5.5	7.4	8.5	9.2	7.5	7.5	5.2	8.2
Premium/(disc) to Singapore	3.6	3.7	3.5	1.8	1.8	1.8	2.5	2.5	3.2	2.2
KG-D6 Gas Prodn (mmscmd)	59.1	57.9	55.8	51.0	48.6	46.5	46.0	46.0	55.9	46.8
Segmental EBIT Breakup (INR b)										
Refining	20.4	21.9	24.4	25.1	32.0	35.7	31.0	30.9	91.7	129.6
Petrochemicals	20.5	22.0	24.3	26.3	22.2	19.1	20.0	20.1	93.1	81.4
E&P, others	19.3	17.1	15.1	15.8	14.8	13.3	10.4	10.1	67.3	48.6
Total	60.2	61.0	63.8	67.1	69.0	68.1	61.4	61.2	252.1	259.6

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com)

Real Estate

COMPANY NAME

Anant Raj Industries
DLF
HDIL
Mahindra Lifespaces
Oberoi Realty
Phoenix Mills
Unitech

Persistent underperformance: In 2QFY12 the BSE Realty Index declined by ~21% and underperformed the broader Sensex by 10%. This could be largely attributable to (1) sustained slowdown in sales and delays in launches, (2) regulatory uncertainties, (3) tight liquidity and (4) several stock-specific headwinds and negative news flows such as the CCI probe, the 2G issue, farmers' protests over land acquisition etc.

Launch momentum mixed, festive season expected to boost sentiment: For most real estate companies, 1HFY12 has fell short of FY12 launch guidance, due to approval delays, inauspicious buying period in North India and the monsoons. Demand in Mumbai was sluggish, in Gurgaon it moderated and in Noida it witnessed sharp decline. However, Bangalore market witnessed momentum in new launches (Prestige, Brigade launched township projects) over 2QFY12. We expect the festive season to boost sentiment with new launches and discounted offerings.

De-leveraging to gain momentum: In 2QFY12, we expect a meaningful progress in major divestment exercises by developers to cope with the tight liquidity situation. Recent news flows on traction in DLF's asset sales could be an early sign of de-leveraging. HDIL's plan to monetize 15-20msf of FSI over 15-18 months also gained momentum.

Key expectations: We expect real estate companies under our coverage post revenue growth of 3.6% YoY (1.1% QoQ). EBITDA will grow 5.9% YoY (2.8% QoQ) and net profit will decline 16.7% YoY (2.5% QoQ).

Key factors to watch for

- Response to new launches and progress in approvals for planned launches;
- Leasing velocity and rental movement in the commercial vertical; visibility of any negative impact of the global outlook on the IT sector;
- Progress in de-leveraging targets and re-financing.

Attractive entry points for select players: Real estate stocks trade at discounts of 30-50% to their NAV, offering attractive entry points. However valuations come with sector-specific and company-specific headwinds, calling for a cautious, selective investment approach. We prefer stocks with prudent balance sheets and strong business models or with near-term triggers. Oberoi Realty is our top pick and DLF offers a play on the de-leveraging theme.

Expected quarterly performance summary

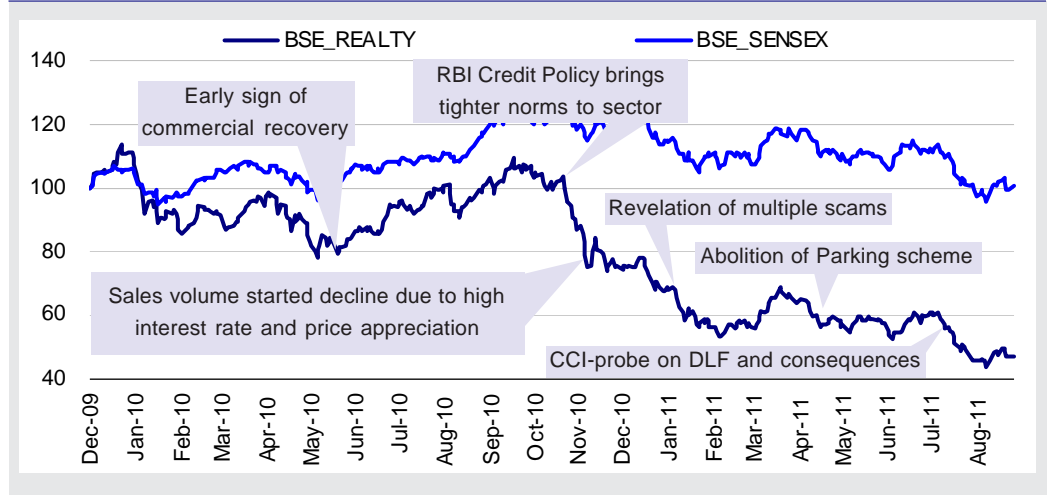
(INR Million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var.	Var.	Sep.11	Var.	Var.	Sep.11	Var.	Var.
				% YoY	% QoQ		% YoY	% QoQ		% YoY	% QoQ
Anant Raj Inds	59	Buy	956	-28.0	14.1	526	-16.2	6.7	321	-33.3	-8.6
DLF	200	Buy	23,817	0.5	-2.6	10,837	16.7	-2.5	3,566	-14.8	-0.5
HDIL	98	Neutral	5,272	41.5	5.0	2,794	17.8	5.1	2,135	-0.1	2.1
Mahindra Lifespace	292	Buy	1,189	33.7	46.0	268	14.6	55.2	218	-11.7	27.4
Oberoi Realty	221	Buy	1,732	1.8	7.6	970	-3.6	7.3	845	-11.5	-20.1
Phoenix Mills	211	Buy	487	9.8	3.5	346	9.0	4.6	260	17.7	-4.4
Unitech	27	Buy	6,130	-4.9	2.9	1,594	-37.0	33.0	955	-45.1	-2.9
Sector Aggregate			39,583	3.6	1.1	17,334	5.9	2.8	8,300	-16.7	-2.5

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Realty index underperformed broader index on account of several headwinds

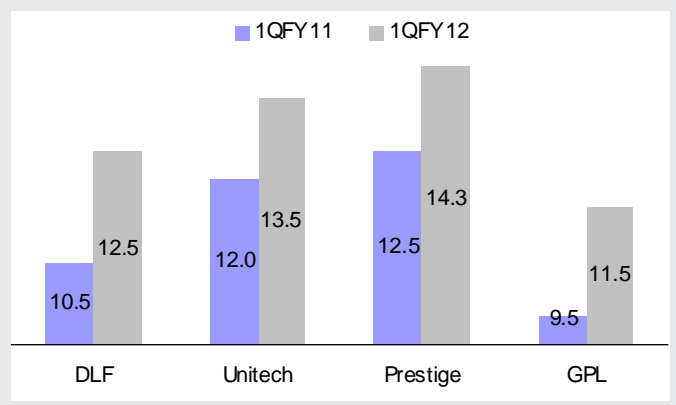
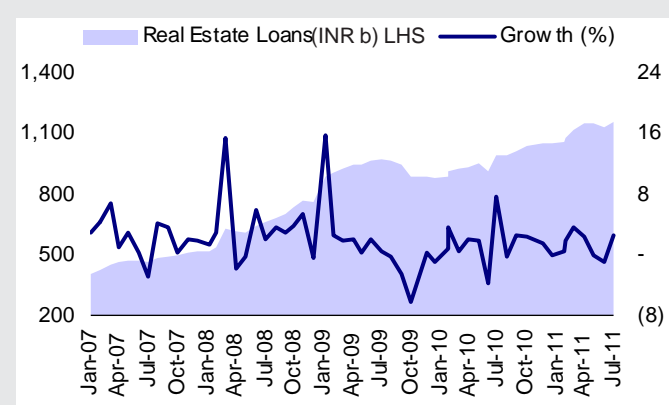
The BSE Realty Index underperformed the Sensex by 37%/7%/10% over the past 12/6/3 months respectively



Source: Company/MOSL

Sharp surge in Bank loan to initiate repayment pressure

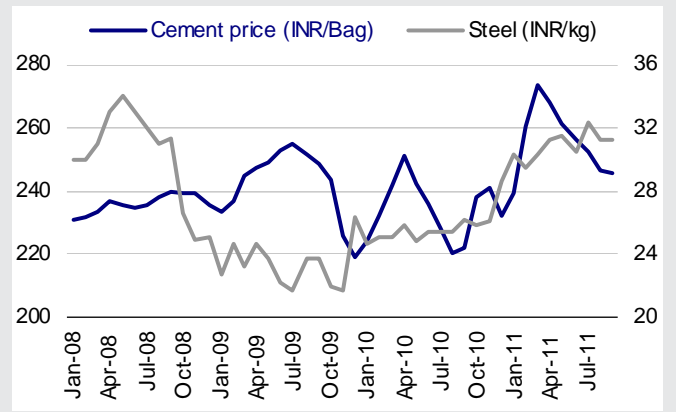
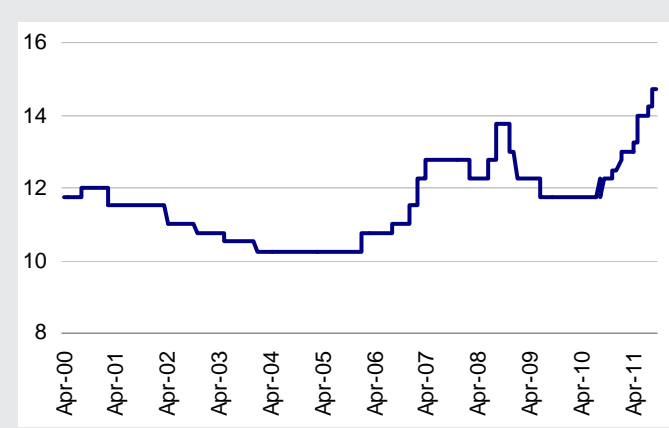
Increase in cost of debt of key companies (%)



Source: Company/RBI/MOSL

SBI PLR rate highest in the past 10 years (%)

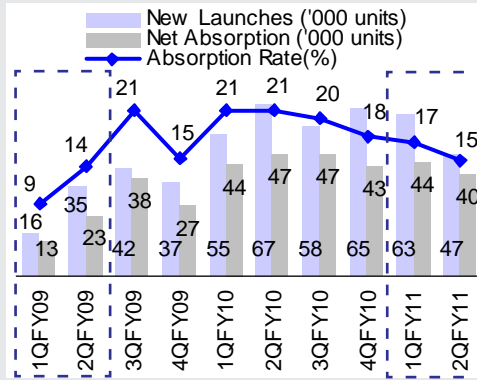
Commodity prices on a roll



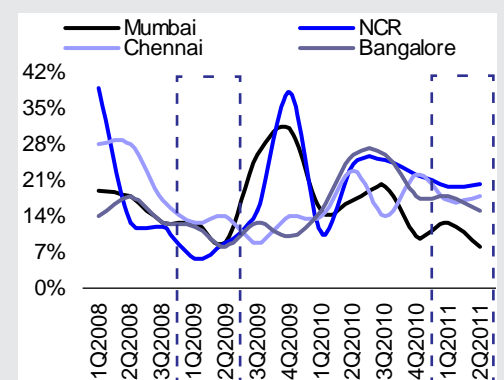
Source: RBI/Industry/MOSL

Sector macro-indicators better placed in 2011 v/s 2008

Absorption declines near 2QCY09 (>1QCY09)

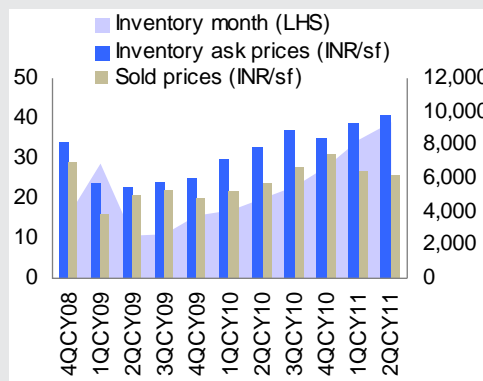


Absorption level across key markets (%)

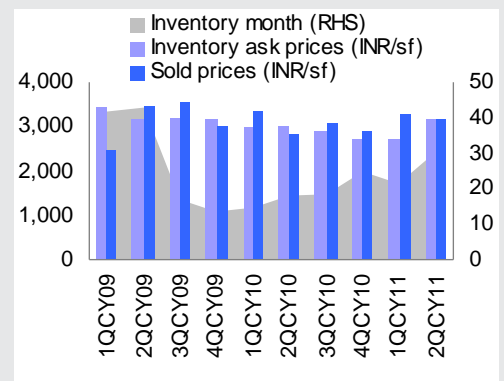


Absolute sales off take better than in 2008; absorption level higher across market

Mumbai: Price and inventory trends

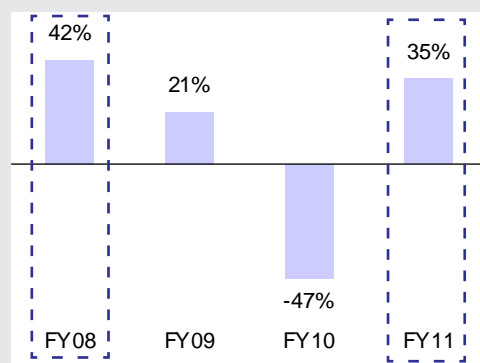


NCR: Price and inventory trends

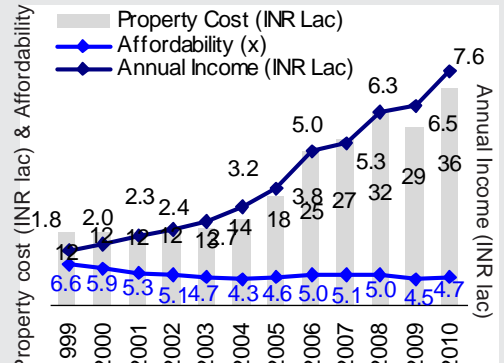


Unlike Mumbai, NCR witnessed only a moderate slowdown due to lower difference in bid-ask spread of project price

Change in receivables as a % of revenue

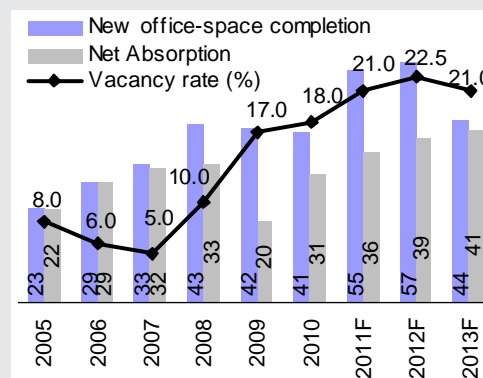


Affordability deteriorates from 2009 level

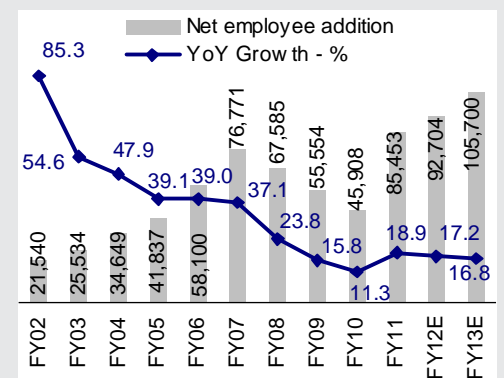


Growth in receivables for companies under our coverage, is back to near 2008 levels, which is concerning

Commercial leasing improved (msf)



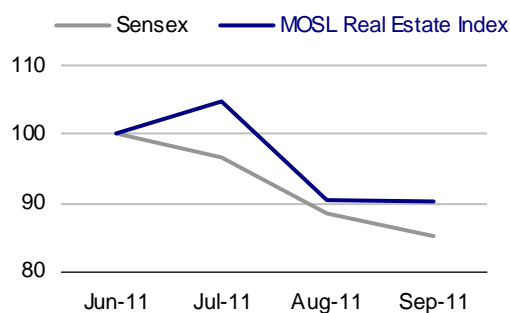
Hiring scenario of top 4 IT majors



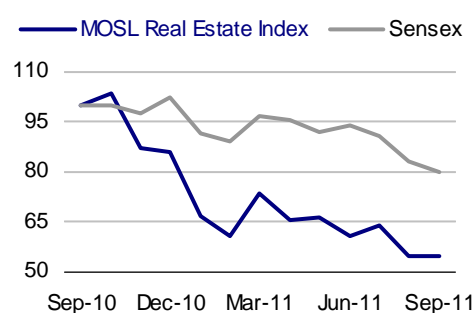
Despite supply pressure and macro-concerns on IT sector, outlook remains better for hiring and absolute leasing volume

Source: Liases Foras/JLL/HDFC/MOSL

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Real Estate														
Anant Raj Inds	59	Buy	5.7	5.9	9.9	10.3	9.9	5.9	10.8	9.0	4.9	4.6	4.6	7.3
DLF	200	Buy	9.7	9.5	11.1	20.7	21.2	18.1	15.2	12.4	11.4	6.2	5.8	6.4
Godrej Properties	625	Neutral	18.7	23.8	35.4	33.4	26.3	17.6	49.1	31.6	18.8	15.2	16.8	21.1
HDIL	98	Neutral	19.8	21.6	27.2	4.9	4.5	3.6	7.4	5.3	4.1	9.0	9.2	10.9
Indiabulls Real Estate	74	Buy	4.0	5.0	6.7	18.6	14.8	11.1	18.3	16.1	9.1	1.6	2.0	2.6
Mahindra Lifespace	292	Buy	26.3	33.7	48.9	11.1	8.7	6.0	8.5	6.5	5.2	10.2	11.7	14.6
Oberoi Realty	221	Buy	15.8	15.7	26.2	14.1	14.1	8.4	10.2	9.2	5.2	19.9	14.4	20.3
Phoenix Mills	211	Buy	5.6	7.8	11.4	37.3	27.0	18.5	27.8	18.5	10.7	4.9	6.4	8.6
Prestige Estates	90	Buy	5.1	7.9	10.6	17.7	11.4	8.4	10.9	7.9	5.8	11.6	11.6	14.1
Unitech	27	Buy	2.2	2.1	2.5	12.3	12.7	10.5	12.9	13.6	10.5	4.9	4.5	5.2
Sector Aggregate						15.7	14.8	11.3	13.8	11.3	8.9	6.3	6.3	7.8

Anant Raj Industries

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	ARCPIN
Equity Shares (m)	294.6
52 Week Range (INR)	160/51
1,6,12 Rel Perf (%)	-3 / -15 / -37
Mcap (INR b)	17.3
Mcap (USD b)	0.3

CMP: INR59**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	3,111	2,383	8.1	15.0	-	-	6.9	8.1	-	-
3/11A	4,241	1,681	5.7	-29.5	10.3	0.5	4.6	5.8	6.0	10.8
3/12E	5,031	1,746	5.9	3.9	9.9	0.4	4.6	5.7	5.0	9.0
3/13E	8,760	2,933	9.9	68.0	5.9	0.4	7.3	9.4	2.7	5.0

- We expect revenue to decline by 28% YoY to INR956m, EBITDA to de-grow by ~16% YoY to INR526m and net profit to drop by 33% YoY to INR321m. We estimate EBITDA margin at 55%.
- Key contributors to revenue will be (1) pre-sold residential projects at Manesar (1.2msf) and Kapersera, (2) the newly launched Sector-91 project, and (3) rental income from commercial and hotel projects. The recently launched low cost housing project, Neemrana is likely to cross revenue recognition hurdle in 4QFY12.
- Sales in Sector 91 have been steady, with additional ~250 units sold during 2QFY12 (from Phase-1), while in Neemrana, the company has sold another 250 units.
- With Kirti Nagar mall commencing rentals, and 10-11 stores under operation, we expect moderate uptick in quarterly rental run-rate from ~INR198m level, depending on revenue sharing from retailers. Leasing has been muted in Manesar IT Park.
- The Golf Course Road project is awaiting approvals and is likely to break ground towards late 3QFY12 or 4QFY12.
- The company has raised further INR0.75b from ICICI Bank (cost of debt 14.25%) during the quarter.
- The stock trades at 57% discount to our one-year forward NAV of INR138/share, 5.9x FY13E EPS of INR9.9 and 0.4x FY13E BV. Maintain **Buy**.

Key things to watch

- Progress in construction in Kapersera and Manesar projects
- Leasing progress in Manesar IT Park and Kirti Nagar Mall
- Clarity on launch of Golf Course Road project

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Sales	1,034	1,329	1,244	634	838	956	1,532	1,709	4,241	5,031
Change (%)	-1.5	48.9	50.5	86.0	-19.0	-28.0	23.2	169.4	36.3	18.6
Total Expenditure	465.2	701.3	471.3	179.4	344.9	430.3	704.7	788.3	1,885.3	2,265
EBITDA	569	627	772	455	493	526	827	920	2,355	2,767
Change (%)	-25.2	-21.5	1.1	73.4	-13.3	-16.2	7.1	102.4	-8.9	17.5
As of % Sales	55	47	62	72	59	55	54	54	56	55
Depreciation	36	38	38	22	27	45	51	81	135	205
Interest	15	9	89	97	45	93	105	145	210	388
Other Income	94	64	48	83	45	52	56	63	289	215
PBT	612	645	692	419	466	439	727	757	2,299	2,388
Tax	154	166	189	113	115	119	196	215	621	645
Effective Tax Rate (%)	25	26	27	27	25	27	27	28	27	27
Reported PAT	459	479	503	306	351	321	531	542	1,678	1,743
Change (%)	-34.5	-33.0	-25.0	-1.0	-23.6	-33.0	5.5	76.9	-29.6	3.9
Adj PAT	458	481	503	306	351	321	530	541	1,678	1,746
Change (%)	-33.5	-32.6	-25.1	2.9	-23.5	-33.3	5.5	77.0	-29.6	4.0

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

DLF

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg Equity Shares (m)	DLFUIN 1,714.4
52 Week Range (INR)	397/173
1,6,12 Rel Perf (%)	13 / -4 / -26
Mcap (INR b)	343.6
Mcap (USD b)	6.9

CMP: INR200

Buy

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	74,209	17,300	10.2	-61.3	-	-	5.7	7.7	-	-
3/11A	95,606	16,396	9.7	-5.2	20.7	1.4	6.2	7.1	5.8	14.9
3/12E	100,494	16,081	9.5	-1.9	21.2	1.3	5.8	8.4	5.4	12.1
3/13E	105,886	18,770	11.1	16.7	18.1	1.2	6.4	8.6	5.0	11.2

- We expect revenue to grow by 0.5% YoY to INR23.8b, EBITDA to decline by 17% YoY to INR10.8b and net profit to de-grow by 14% to INR3.6b. EBITDA margin would remain steady QoQ at 45.5%, while interest cost would dent net profit growth.
- The company did not launch any new project during 2QFY12 (till the last week of September 2011). It awaits approvals for its plotted development projects at Panchkula and Mullanpur.
- The plot project launch in Gurgaon in 1QFY12 continued to witness strong response and is sold completely, while response remains muted in the Indore plot project.
- Our channel checks confirm the conclusion of its first asset sale at Gurgaon land to M3M developers at INR4.4b, while the sale of the IT Park at Noida is likely to be concluded in 3QFY12. However, we do not expect meaningful debt reduction during 2QFY12.
- The stock trades at 18.1x FY13E EPS of INR11.1, 1.2x FY13E BV and at 33% discount to our NAV estimate of INR300. Maintain **Buy**.

Key things to watch

- Leasing momentum in the backdrop of lower guidance of 2.5-3msf
- Guidance on progress in asset sales and debt reduction
- Launch of plot projects and progress in the approval process

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	20,285	23,690	24,799	26,831	24,458	23,817	25,123	27,095	95,606	100,494
Change (%)	22.9	35.3	22.4	34.5	20.6	0.5	1.3	1.0	28.8	5.1
Total Expenditure	10,490	14,401	13,020	20,169	13,349	12,980	13,818	15,682	58,079	55,829
EBITDA	9,796	9,289	11,780	6,662	11,110	10,837	11,306	11,413	37,527	44,665
Change (%)	31.6	1.7	39.7	-33.4	13.4	16.7	-4.0	71.3	7.2	19.0
As % of Sales	48.3	39.2	47.5	24.8	45.4	45.5	45.0	42.1	39.3	44.4
Depreciation	1,498	1,540	1,612	1,657	1,702	1,770	1,842	1,911	6,307	7,225
Interest	3,884	4,338	4,277	4,557	4,964	5,493	5,389	4,882	17,056	20,728
Other Income	1,321	1,509	1,143	1,866	574	1,166	1,555	1,564	5,839	4,860
PBT	5,734	4,920	7,034	2,314	5,018	4,740	5,629	6,185	20,002	21,572
Tax	1,679	734	2,026	156	1,278	1,114	1,323	1,439	4,594	5,154
Effective Tax Rate (%)	29.3	14.9	28.8	6.7	25.5	23.5	23.5	23.3	23.0	23.9
Reported PAT	4,056	4,186	5,008	2,159	3,739	3,626	4,306	4,746	15,408	16,418
Change (%)	6.7	(8.3)	7.9	(57.4)	-7.8	(13.4)	(14.0)	119.9	-14.7	6.6
P/L of Associat./ Minority Int.	-55	2	351	-349	156	60	60	61	-72	337
Reported PAT post Minority	4,110	4,184	4,657	3,445	3,584	3,566	4,246	4,685	16,396	16,081
Adj. PAT	4,110	4,184	4,657	3,445	3,584	3,566	4,246	4,685	16,396	16,081

E: MOSL Estimates

HDIL**BSE Sensex**
16,051**S&P CNX**
4,835**CMP: INR98****Neutral**

		YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Bloomberg	HDIL IN	3/10A	15,021	5,666	15.8	-35.8	-	-	8.1	5.5	-	-
Equity Shares (m)	419.1	3/11A	18,500	8,228	19.8	26.3	4.9	0.4	9.0	6.7	3.3	5.6
52 Week Range (INR)	291/95	3/12E	25,104	9,036	21.8	9.1	4.5	0.4	9.2	7.5	2.1	3.9
1,6,12 Rel Perf (%)	1 / -25 / -44	3/13E	37,553	11,377	27.4	25.9	3.6	0.4	10.9	9.0	1.3	2.9
Mcap (INR b)	41.0											
Mcap (USD b)	0.8											

- We expect revenue to grow 41.5% YoY to INR5.3b, EBITDA to increase 18% YoY to INR2.8b and net profit to remain flat YoY at ~INR2.1b. EBITDA margin is likely to remain steady QoQ.
- TDR volume is likely to decline, given low inventory and lower construction velocity during 2Q. However, FSI sales in Vasai and Virar would account for a meaningful share of revenue.
- HDIL has recognized INR7.5b of its FSI sale from the Popular Car Bazaar (Andheri) project; we expect partial recognition of its FSI sales in Goregoan projects at consolidated level.
- The stock trades at 4.5x FY12E and 3.6x FY13E EPS, and at a 53% discount to its one-year forward NAV of INR207. Maintain **Neutral**.

Key things to watch

- Sales momentum in ongoing projects, given sluggish market (which declined in 4QFY11) and progress in approval of planned launches. Progress on planned FSI sales of 15-20msf over 12-18 months
- Progress in MIAL relocation and status of subsequent phases, which would be biggest trigger to re-rate the stock

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11*	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	4,509	3,727	4,554	5,237	5,022	5,272	6,527	7,028	18,500	25,104
Change (%)	52.7	5.4	11.4	20.7	11.4	41.5	43.3	34.2	23.2	35.7
Total Expenditure	1,835	1,354	1,888	2,681	2,364	2,478	3,002	3,020	7,465	11,436
EBITDA	2,674	2,372	2,665	2,556	2,658	2,794	3,525	4,008	11,035	13,668
Change (%)	130.3	32.0	41.2	12.5	-0.6	17.8	32.2	56.8	39.8	23.9
As % of Sales	59.3	63.7	58.5	48.8	52.9	53.0	54.0	57.0	59.6	54.4
Depreciation	19	16	15	22	21	34	41	60	838	921
Interest	215	212	203	181	181	210	227	257	836	875
Other Income	342	339	281	239	373	335	302	272	499	341
PBT	2,782	2,483	2,728	2,592	2,829	2,885	3,558	3,963	9,860	12,213
Tax	439	355	164	619	739	750	925	1,030	1,582	3,175
Effective Tax Rate (%)	15.8	14.3	6.0	23.9	26.1	26.0	26.0	26.0	16.0	26.0
Reported PAT	2,343	2,129	2,564	1,973	2,090	2,126	2,633	2,932	8,273	9,038
Change (%)	118.0	43.2	57.5	7.5	-10.8	-0.1	2.7	48.6	46.0	9.2
Adjusted PAT	2,343	2,138	2,519	1,973	2,090	2,135	2,633	2,932	8,228	9,038
Change (%)	118.0	43.9	54.8	11.0	-10.8	-0.1	4.5	48.6	45.2	9.8

E: MOSL Estimates; * Consolidated Results

Mahindra Lifespaces

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	MLIFE IN
Equity Shares (m)	40.8
52 Week Range (INR)	561/287
1,6,12 Rel Perf (%)	-5 / -5 / -16
Mcap (INR b)	11.9
Mcap (USD b)	0.2

CMP: INR292**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	4,179	785	19.0	22.7	-	-	7.9	8.9	-	-
3/11A	6,119	1,082	26.3	37.7	11.2	1.1	10.2	10.8	2.5	8.6
3/12E	8,111	1,384	33.7	28.0	8.8	1.0	11.7	14.1	1.9	6.6
3/13E	10,060	2,004	48.9	44.8	6.0	0.9	14.6	16.7	1.7	5.2

- We expect standalone revenue to increase by 34% YoY to INR1.2b, EBITDA to grow by 23% YoY to INR268m and net profit to decline by 12% YoY to INR218m. EBITDA margin would decline YoY due to higher proportion of non-Mumbai projects in revenue.
- There have been no new launches by the company during the quarter and its Ghatkopar projects are awaiting approval. We expect decline in sales momentum in 2QFY12, given low inventory in existing projects and sluggish sales in GE Garden projects under soft launch.
- The stock trades at 48% discount to our one-year forward SOTP value of INR564/share, 8.8x FY12E EPS of INR33.7, and 6x FY13E EPS of INR48.9. **Buy.**

Key things to watch

- With little inventory from ongoing projects (barring Chennai), new launches will be crucial
- Leasing momentum at the Jaipur SEZ
- Progress in land acquisition in the North Chennai and Pune SEZ

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	679	890	1,558	1,638	815	1,189	1,690	2,566	4,766	6,259
Change (%)	43.7	40.1	43.1	62.3	19.9	33.7	8.5	56.6	48.6	31.3
Total Expenditure	517	656	1,130	1,235	642	922	1,284	1,910	3,538	4,758
Other Expenditure	35	45	54	0	57	45	54	0	0	0
EBITDA	162.5	233.5	427.8	403.6	172.4	267.6	405.6	655.8	1,227.4	1,501.4
As % of Sales	23.9	26.2	27.5	24.6	21.2	22.5	24.0	25.6	25.8	24.0
Depreciation	6	6	6	8	7	10	11	15	25	42
Interest	0	0	0	12	2	28	36	55	12	121
Other Income	49	114	66	74	91	81	84	81	303	338
PBT	206	342	488	458	255	311	443	668	1,494	1,676
Tax	61	95	154	153	84	93	133	200	463	503
Effective Tax Rate (%)	29.6	27.9	31.5	33.5	30.0	30.0	30.0	30.0	31.0	30.0
Reported PAT	145	247	334	305	171	218	310	467	1,031	1,174
Adj. PAT	145	247	334	305	171	218	310	467	1,031	1,174
Change (%)	39.0	21.7	19.5	28.7	18.0	-11.7	-7.3	53.3	29.8	13.9

E: MOSL Estimates

Oberoi Realty

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR221										Buy
Bloomberg Equity Shares (m)	OBER IN 328.2	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	307/210	3/10A	7,836	4,582	14.0	81.7	-	-	27.7	28.9	-	-
1,6,12 Rel Perf (%)	0/10/-	3/11A	9,960	5,172	15.8	12.9	14.1	2.2	19.9	23.6	5.9	10.2
Mcap (INR b)	72.7	3/12E	10,589	5,162	15.7	-0.2	14.1	1.9	14.4	18.7	5.3	9.2
Mcap (USD b)	1.5	3/13E	17,573	8,614	26.2	66.9	8.5	1.6	20.3	27.1	3.2	5.2

- We expect OBER's revenue to grow 1.8% YoY to INR1.7b, EBITDA to decline 3.6% YoY to INR970m and net profit to de-grow ~12% to INR845m. We estimate EBITDA margin at 56%.
- The key revenue contributing projects will be (a) Exquisite I, (b) Splendor, (c) Grande, and (d) Oberoi Mall, Commerz and Westin (hotel) offering rental income of INR500m-550m.
- Sales are likely to be driven by Esquire, which is expected to contribute to revenue only in 4QFY12. OBER is likely to maintain its sales velocity of one unit per day during 2QFY12 as well.
- We expect the launch of Oasis (Worli) in 3QFY12 and likely monetization of Prisma (Andheri, commercial) over 2HFY12-FY13. MoEF clearance remains the key overhang on Mulund project.
- The stock trades at 8.5x FY13E EPS of INR26.2, 1.6x FY13E BV and at ~32% discount to one-year forward NAV of INR325. Maintain **Buy**.

Key things to watch

- Sales momentum in Esquire (Goregaon) and Grande (Andheri)
- Status of MoEF approvals for the Mulund launch
- Visibility of new value accretive project acquisition

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Revenue	1,602	1,701	3,987	2,668	1,609	1,732	2,775	4,473	9,960	10,589
Change (%)	7.3	-34.7	88.7	64.2	0.5	1.8	-30.4	67.7	27.1	6.3
Total Expenditure	754	694	1,518	1,218	706	762	1,193	1,840	4,190	4,501
EBITDA	847	1,006	2,469	1,449	903	970	1,582	2,633	5,770	6,088
Change (%)	8.9	-33.6	82.3	41.5	6.6	-3.6	-35.9	81.7	23.5	5.5
As of % Sales	52.9	59.2	61.9	54.3	56.1	56.0	57.0	58.9	57.9	57.5
Depreciation	45	58	61	73	65	80	94	124	237	363
Interest	1	2	3	0	1	0	0	0	2	0
Other Income	57	70	218	286	542	167	147	124	627	980
PBT	858	1,017	2,623	1,657	1,374	1,056	1,635	2,629	6,159	6,704
Tax	60	62	570	291	316	211	376	639	983	1,542
Effective Tax Rate (%)	7.0	6.1	21.7	17.5	20.0	20.0	23.0	24.3	16.0	23.0
Reported PAT	798	955	2,052	1,367	1,058	845	1,259	2,001	5,176	5,162
Adj PAT	798	955	2,052	1,367	1,058	845	1,259	2,001	5,172	5,162
Change (%)	9.6	-36.1	56.7	30.2	32.5	-11.5	-38.7	46.4	12.9	-0.2

E: MOSL Estimates

Phoenix Mills

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR211										Buy
Bloomberg	PHNX IN	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Equity Shares (m)	144.8	3/10A	1,230	617	4.3	-19.6	-	-	3.8	3.6	-	-
52 Week Range (INR)	268/160	3/11E	2,102	818	5.6	32.6	37.3	1.8	4.9	5.2	18.6	27.8
1,6,12 Rel Perf (%)	5 / 32 / 9	3/12E	3,556	1,131	7.8	38.3	27.0	1.7	6.4	6.4	11.3	18.5
Mcap (INR b)	30.5	3/13E	6,559	1,646	11.4	45.5	18.5	1.6	8.6	9.8	6.1	10.7
Mcap (USD b)	0.6											

- We expect revenue from High Street Phoenix (HSP) to grow 10% YoY to INR487m. EBITDA is likely to grow 9% YoY to INR346m, implying EBITDA margin of 71% and net profit growth of 18% YoY to INR260m.
- Of the 0.2msf of area under re-pricing, the company has re-negotiated for ~0.1msf (Lifestyle and Big Bazaar) with 40-100% effective increase in rental value over the last couple of quarters. The effective QoQ growth in rentals would be largely driven by contribution from renegotiation.
- During 2QFY12, the Market City malls at Pune and Kurla have started witnessing some uptick in leasing activity - Pune leased out 85% (v/s 80% while getting operational) at a rental of INR140-150/sf/month; Kurla leased out 75% as against 70% in 1QFY12.
- The company is yet to launch residential projects at Bangalore, though Chennai projects (~0.25msf) have witnessed encouraging response, with ~30% being sold.
- PHNX is likely to raise an additional ~INR1.5b debt at standalone level over the next few months.
- The stock trades at 18.5x FY13E EPS of INR11.4, 1.6x FY13E BV, and at a 25% discount to its one-year forward NAV of INR280. Maintain **Buy**.

Key things to watch

- Progress on remaining rental renegotiation at HSP and execution progress in Sangri-la Hotel
- Progress on Market City projects, including a residential monetization plan and conversion of construction finance to lease rental discounting loan

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	CONSOL	CONSOL
Sales	404	443	451	468	471	487	533	568	2,102	3,556
Change (%)	63.1	68.0	49.3	35.7	16.4	9.8	18.3	21.3	70.8	69.2
Total Expenditure	111	126	123	147	140	141	149	156	696	1,377
EBITDA	294	317	327	321	331	346	384	412	1,406	2,179
Change (%)	55.5	74.5	84.7	62.1	12.6	9.0	17.3	28.3	81.4	55.0
As % of Sales	72.6	71.6	72.6	68.6	70.3	71.0	72.0	72.6	66.9	61.3
Depreciation	69	70	70	70	67	70	70	74	314	595
Interest	35	29	19	3	10	18	60	62	228	657
Other Income	44	66	71	141	110	89	89	83	287	337
PBT	234	285	310	389	363	347	343	359	1,151	1,264
Tax	52	64	72	118	91	87	86	90	321	329
Effective Tax Rate (%)	22.0	22.3	22.0	30.3	25.0	25.0	25.0	25.0	27.9	26.0
Reported PAT	183	221	238	272	272	260	258	269	830	935
Change (%)	19.1	26.1	133.3	72.9	49.1	17.7	8.3	-0.8	35.5	12.7
Adj. PAT	183	221	238	272	272	260	258	269	818	1,131
Change (%)	19.1	26.1	133.3	72.9	49.1	17.7	8.3	-0.8	32.6	38.3

E: MOSL Estimates

Sandipan Pal (Sandipan.Pal@MotilalOswal.com)

Unitech

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR27										Buy
		YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Bloomberg	UTIN	3/10A	29,313	6,751	2.8	-53.6	-	-	6.5	6.4	-	-
Equity Shares (m)	2,438.8	3/11A	31,871	5,677	2.2	-21.6	12.3	0.7	4.9	5.2	3.9	13.4
52 Week Range (INR)	98/25	3/12E	32,261	5,479	2.1	-3.5	12.7	0.7	4.5	4.7	3.6	14.1
1,6,12 Rel Perf (%)	4 / -17 / -49	3/13E	38,370	6,619	2.5	20.8	10.5	0.6	5.2	5.6	3.0	11.0
Mcap (INR b)	64.9											
Mcap (USD b)	1.3											

- We expect revenue to degrow by 5% YoY to INR6.1b, EBITDA to drop by 37% YoY to INR1.6b and net profit to decline by 45% YoY to INR1b. We estimate EBITDA margin at 26%, impacted by MTM loss from dollar-linked investment.
- In 2QFY12, UT launched projects across cities to reach its launch target of 10msf over 9MCY11, including Anthea Floors in Gurgaon at INR6,500/sf, which drew encouraging response with ~450 units sold during the quarter.
- The recently launched plot project, The Willow has been slow moving due to larger unit size, while Crest View witnessed sluggish response.
- The management has guided steady sales response in Gurgaon and Chennai, while Noida market remained sluggish due to the farmers' protest.
- The construction ramp-up plan is yet to witness desired pace, given concerns of re-financing of INR5b. However, the management is hopeful of re-financing over next few months, which would drive execution ramp-up.
- The stock trades at 52% discount to its one-year forward NAV of INR56, and at 10.5x FY13E EPS of INR2.5 and 0.7x FY13E BV. Maintain **Buy**.

Key things to watch

- Sales momentum in new launches (UT has guided it would notch sales of ~INR50b in FY12 against INR43b in FY11)
- Progress in construction and delivery (UT aims at INR17b-18b capex in FY12 against INR14b in FY11)
- Progress on UT-Infra spin-off

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	8,286	6,445	6,598	10,542	5,959	6,130	9,678	10,494	31,871	32,261
Change (%)	60.9	26.5	-14.8	-6.9	-28.1	-4.9	46.7	-0.5	8.7	1.2
Total Expenditure	5,348	3,917	4,510	8,857	4,761	4,536	7,065	7,617	22,632	21,855
EBITDA	2,938	2,528	2,088	1,685	1,198	1,594	2,613	2,878	9,239	8,282
Change (%)	-6.8	-15.1	12.4	-38.2	-59.2	-37.0	25.2	70.8	-13.8	-10.4
As of % Sales	35.5	39.2	31.6	16.0	20.1	26.0	27.0	27.4	29.0	25.7
Depreciation	88	89	75	67	84	75	88	92	319	339
Interest	340	439	340	335	337	364	393	362	1,455	1,456
Other Income	150	304	181	415	714	254	239	288	1,050	1,496
PBT	2,660	2,305	1,853	1,698	1,490	1,409	2,371	2,712	8,516	7,983
Tax	834	564	740	566	468	416	699	775	2,704	2,359
Effective Tax Rate (%)	31.4	24.5	39.9	33.3	31.4	29.5	29.5	28.6	31.8	29.5
Reported PAT	1,826	1,740	1,113	1,132	1,022	994	1,672	1,937	5,812	5,624
Change (%)	15.7	-2.2	-20.2	-44.4	-44.0	-42.9	50.2	71.1	-14.4	-3.2
Adj PAT	1,800	1,738	1,113	1,057	984	955	1,633	1,908	5,677	5,479
Change (%)	52.8	-2.2	-36.7	-47.4	-45.4	-45.1	46.7	80.5	-15.9	-3.5

E: MOSL Estimates

Retail

COMPANY NAME

Jubilant Food

We expect our Retail Universe to post 29% sales growth for the quarter ending September 2011. EBITDA is likely to increase by 33%, with 20bp margin expansion. PAT would grow 38%, led by strong 40%+ growth in Jubilant Foodworks and Titan Industries.

Pantaloon Retail

Shoppers Stop

Titan Industries

Discount season has led to pick-up in SSS growth: Post a weak 1QFY12, which saw the full impact of apparel price increases and some softening in consumer demand, resulting in lower volumes and declining SSS growth, there has been some recovery in 2QFY12. The discount season has been well received, with improvement in like-to-like (LTL) volumes and sales growth. Pent-up demand post the 15% price increase has led to the pick-up in LTL volumes. The extension of the sale season - Shoppers Stop extended its sale season by 5 days and Pantaloon Retail extended the Big Bazaar sale period from 5 to 6 days - should accelerate growth during 2QFY12.

Focus on retail space and store expansion: Retail players continue to aggressively expand in a bid to capture quality real estate space. Shoppers Stop has opened 6 stores in 1HFY12; Pantaloon plans to add 1msf of space by December 2011. Titan is looking to increase the number of owned Tanishq stores and is aggressively increasing presence in watches and eyewear. We believe margins for these players will be under pressure owing to the aggressive expansion in FY12.

FDI in retail on the backburner: Discussions on allowing FDI in multi-brand retail, which were in focus in May and June within government and cabinet circles, seem to be put on the backburner. No policy decision on the issue is expected in the immediate term. We believe a major reason for this is the lack of political will exhibited by the government in announcing policy decisions and resistance from certain opposition party led state governments. The biggest beneficiary from opening up FDI will be Pantaloon Retail, due to a scaled-up model and the formats that it is present in.

Sector view; cautious: Though near-term growth may be impacted by some softening in consumer demand, we remain positive on the growth outlook for the retail space in the medium term. We like the strong free cash flow model of Titan Industries and Jubilant Foodworks, but the current steep valuations leave little scope for positive surprise. We like Shoppers Stop's department store business but Hypercity is yet to stabilize and is funded mostly by debt and preferential capital. Pantaloon Retail has issues related to group investments, increasing debt and low inventory turns, although it has a scaled-up model and the stock has corrected by 50% from its peak.

Expected quarterly performance summary

(INR million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var.	Var.	Sep.11	Var.	Var.	Sep.11	Var.	Var.
			% YoY	% QoQ	% YoY	% QoQ	% YoY	% QoQ			
Jubilant Foodworks	880	Neutral	2,500	53.0	15.2	467	57.3	12.9	262	42.3	13.2
Pantaloon Retail	222	Buy	30,977	20.0	8.3	2,695	26.7	3.2	539	26.0	14.0
Shopper's Stop	363	Neutral	5,545	22.0	41.1	449	17.6	70.5	221	27.4	89.5
Titan Industries	207	Neutral	22,272	45.0	10.2	2,405	38.6	30.4	1,819	42.3	26.9
Sector Aggregate			61,294	29.4	11.6	6,017	32.5	17.2	2,841	37.7	26.0

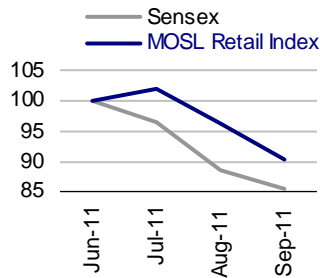
Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Area addition plans are on track

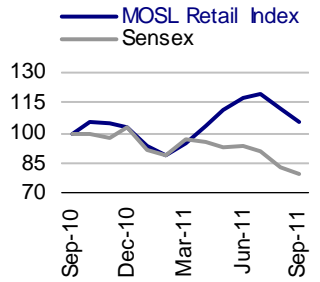
Pantaloon Retail

Y/E June	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11
Retail Space (msf)					
Big Bazaar	6.9	7.0	7.4	7.6	7.6
Central	2.2	2.2	2.4	2.5	2.6
Pantaloons	1.2	1.3	1.5	1.5	1.7
Home Town	1.0	1.1	1.1	1.2	1.2
E Zone	0.5	0.5	0.5	0.5	0.5
Food Bazaar	0.5	0.5	0.5	0.5	0.6
KB's Fair Price	0.1	0.1	0.2	0.2	0.2
Others	0.9	0.7	0.7	0.8	0.9
Total	13.3	13.4	14.2	14.8	15.2
Store Count (x)					
Big Bazaar	132	136	143	148	149
Central	25	27	29	30	32
Pantaloons	48	48	53	54	59
Home Town	11	11	11	12	12
E Zone	36	42	43	44	42
Food Bazaar	53	55	54	56	56
KB's Fair Price	123	134	170	198	214
Others	164	150	150	179	193
Net Addition QoQ (msf)					
Big Bazaar	0.25	0.14	0.36	0.24	0.02
Central	-0.01	0.02	0.16	0.16	0.07
Pantaloons	0.05	0.01	0.20	0.05	0.24
Home Town	0.01	0.12	0.00	0.06	-0.02
E Zone	-0.01	0.05	0.00	0.01	-0.04
Food Bazaar	-0.01	0.01	0.00	0.04	0.03
KB's Fair Price	-0.05	0.01	0.02	0.03	0.01
Others	0.39	-0.24	0.06	0.08	0.08
Net Store Addition (x)					
Big Bazaar	7	4	7	5	1
Central	0	2	2	1	2
Pantaloons	2	0	5	1	5
Home Town	3	0	0	1	0
E Zone	-1	6	1	1	-2
Food Bazaar	-1	2	-1	2	0
KB's Fair Price	-43	11	36	28	16
Others	39	-14	0	29	14

Relative Performance-3m (%)



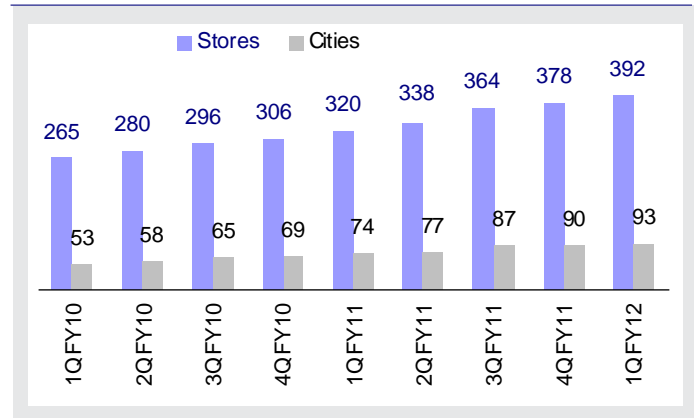
Relative Performance-1Yr (%)



Shoppers Stop

Key Metrics (%)	FY11				FY12
	1Q	2Q	3Q	4Q	1Q
Total Area (msf)	2.1	2.2	2.3	2.3	2.5
Sales/sf - Shoppers Stop	1,853	2,142	2,415	2,141	1,762
Same store sales growth - Dept	21	13	22	14	7
Sales growth - ALL	25	22	24	22	15
Sales growth - dept	26	23	33	29	22
LTL Sales growth > 5 yr old store	14	8	14	7	3
LTL Sales growth < 5 yr old store	37	25	39	28	14
LTL Volume Growth (%)	16	10	15	4	-5
Bought out	45	45	44	42	45
Consignment / SOR	44	45	45	48	47
Concession	11	10	11	10	8

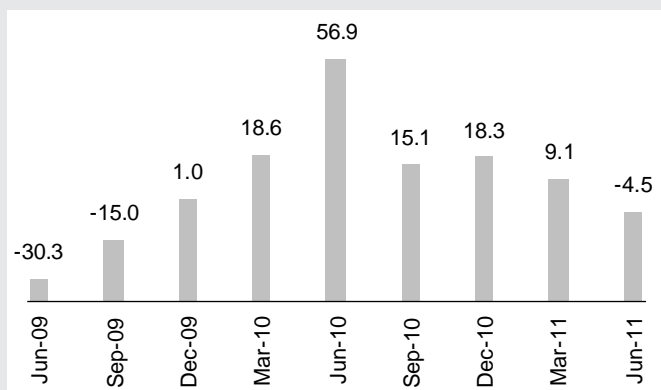
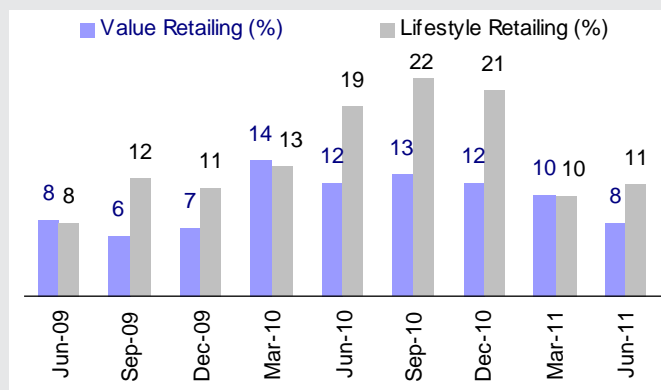
Jubilant Foodworks



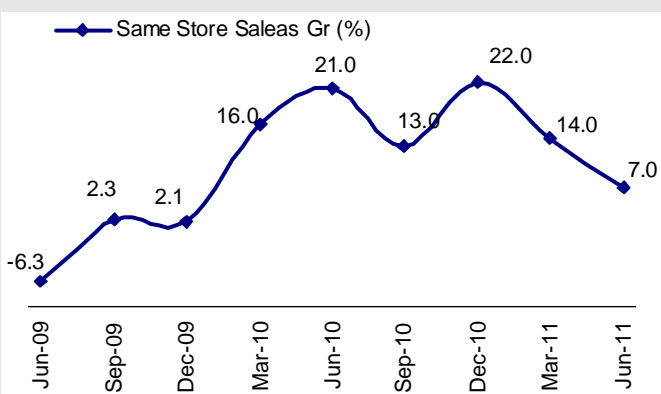
Source: Company/MOSL

Same store sales growth (%; YoY); apparel, durables under pressure

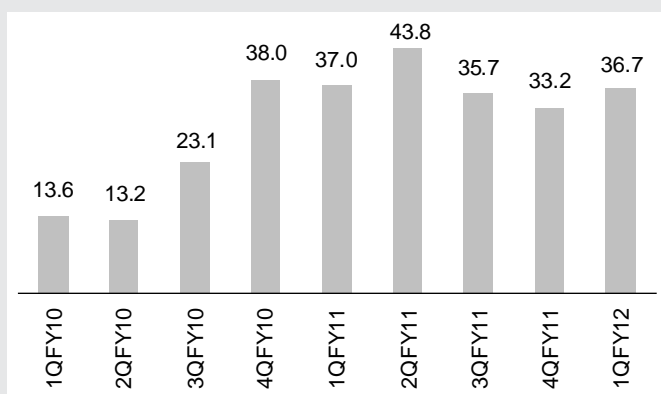
Pantaloon Retail



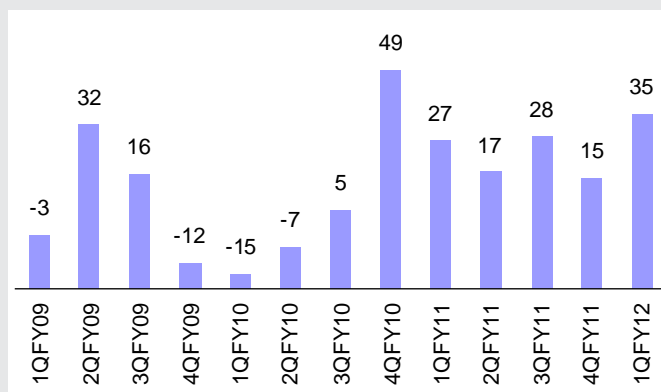
Shoppers' Stop



Jubilant Foodworks' SSS growth (%)



Titan Industries' jewelry volume growth (%)



Gold prices up 35% YoY and 14% QoQ



Source: Company/MOSL

Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Retail														
Jubilant Foodworks	880	Neutral	11.2	16.7	25.8	78.9	52.8	34.1	46.1	28.3	18.6	37.6	37.8	39.5
Pantaloan Retail	222	Buy	8.8	12.4	16.1	25.2	17.9	13.8	8.8	7.4	6.4	5.8	7.9	9.3
Shopper's Stop	363	Neutral	11.2	11.2	15.0	32.5	32.5	24.3	20.1	16.8	12.7	12.4	13.8	16.0
Titan Industries	207	Neutral	4.9	7.2	9.3	42.5	28.8	22.3	29.7	20.6	15.5	49.6	51.4	47.2
Sector Aggregate						41.3	28.5	21.6	18.9	14.3	11.2	15.1	18.8	20.8

Jubilant Foodworks

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	JUBIIN
Equity Shares (m)	63.5
52 Week Range (INR)	1,022/461
1,6,12 Rel Perf (%)	-8 / 76 / 96
Mcap (INR b)	55.9
Mcap (USD b)	1.1

CMP: INR880
Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	4,242	334	5.3	318.3	-	-	28.5	76.9	-	-
03/11A	6,783	720	11.2	112.4	78.9	29.6	37.6	74.3	8.3	46.8
03/12E	10,419	1,076	16.7	49.5	52.8	19.8	37.8	78.9	5.3	28.6
03/13E	14,914	1,667	25.8	54.9	34.1	13.4	39.5	77.7	3.6	18.8

- We expect Jubilant to report 53% increase in sales to INR2.5b. LTL sales growth would be ~28% on a high base (44% growth in 2QFY11 and 37% growth in 1QFY12).
- We expect the company to post a 90bp YoY decline in gross margin, led by higher input cost prices (100bp decline in 1QFY12); operating leverage will enable 50bp expansion in EBITDA margin to 18.7% (60bp expansion to 19.1% in 1QFY12).
- We expect PBT to grow 70% but an increase in tax rates from 19.7% to 33% will cap PAT growth at 42% to INR262m.
- We expect the company to add 23 new stores, taking the total to 415.
- Dunkin Donuts store launch is on track with the first stores likely in 1HCY12.
- We estimate 52% PAT CAGR over FY11-13. However, valuations of 52.8x FY12E and 34.1x FY13E EPS are expensive and do not factor in an increase in competitive activity in the existing business and initial losses in new businesses. **Neutral**.

What to look for

- LTL sales growth trend: LTL sales have grown at an average of 37% over the past six quarters on a rising base despite price increases and high food inflation.
- Operating leverage: Trend in EBITDA margin, given price increases and rising overheads on new stores.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11E	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
No of Stores	320	338	364	378	392	415	436	458	378	453
LTL Growth (%)	37.0	43.8	35.7	33.2	36.7	28.0	28.0	28.0	37	30
Net Sales	1,356	1,634	1,857	1,937	2,169	2,500	2,841	2,908	6,783	10,419
YoY Change (%)	59.5	67.1	58.2	56.1	60.0	53.0	53.0	50.2	59.9	53.6
Gross Profit	1,023	1,229	1,383	1,442	1,617	1,857	2,122	2,170	5,077	7,766
Gross Margin (%)	75.5	75.2	74.5	74.5	74.5	74.3	74.7	74.6	74.9	74.5
Other Expenses	772	932	1,061	1,112	1,203	1,390	1,605	1,646	3,876	5,844
% of Sales	56.9	57.0	57.1	57.4	55.5	55.6	56.5	56.6	57.1	56.1
EBITDA	251	297	323	330	414	467	517	524	1,202	1,922
EBITDA Growth %	108	95	63	79	65	57	60	58	82	60
Margins (%)	18.5	18.2	17.4	17.1	19.1	18.7	18.2	18.0	17.7	18.5
Depreciation	63	69	78	83	87	96	98	108	293	389
Interest	2	1	0	0	0	0	0	0	3	11
Other Income	1	3	6	9	12	20	22	30	19	84
PBT	187	229	251	257	339	391	441	445	924	1,607
Tax	34	45	61	64	108	129	146	148	204	530
Rate (%)	18.3	19.7	24.4	24.7	31.7	33.0	33.0	33.1	22.1	33.0
Adjusted PAT	153	184	190	193	232	262	296	298	720	1,076
YoY Change (%)	346.2	137.3	66.3	85.8	51.6	42.3	55.9	54.1	115.5	49.5

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Harit Kapoor (Harit.Kapoor@MotilalOswal.com)

Pantaloon Retail

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	PFIN
Equity Shares (m)	217.1
52 Week Range (INR)	528/218
1,6,12 Rel Perf (%)	-20 / 1 / -35
Mcap (INR b)	48.2
Mcap (USD b)	1.0

CMP: INR222**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/10A	89,261	1,680	8.2	25.8	27.2	1.6	6.0	14.2	0.7	8.0
06/11A	112,459	1,909	8.8	7.8	25.2	1.5	5.8	13.4	0.6	7.5
06/12E	140,139	2,773	12.4	41.1	17.9	1.4	7.9	15.3	0.5	6.3
06/13E	167,511	3,589	16.1	29.4	13.8	1.3	9.3	16.4	0.5	5.5

- We expect core retail sales to grow 20% to INR31b in 1QFY12 (year-ending June).
- We estimate EBITDA at INR2.7b, up 27%, with 50bp margin expansion. Adjusted PAT would increase 26% to INR539m, as interest cost increases to INR1.2b.
- LTL sales growth has picked up QoQ across segments like fashion and value retailing. Home retailing is also likely to see an improvement.
- Big Bazaar's Sabse Sasta Din has gone done well and has enabled increase in growth rates; the apparel price increase has now been absorbed by the consumers.
- 1QFY12 would reflect the full benefit of 15% price increase in the apparel segment.
- The stock trades at 17.9x FY12E EPS and 13.8x FY13E EPS. Maintain **Buy**.

What to look for

- Inventory turns: Pantaloon Retail has seen inventory days increasing to 120 in FY11 due to lower sales and product price inflation. The trend post the recent discount season would give an indication of future trajectory.
- Performance of home solutions business: The home solutions and electronics businesses have not been doing well; the roadmap of restructuring in the electronics business will be a key factor to watch for.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E JUNE	FY11				FY12E				FY11	FY12E
	1Q*	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	25,814	27,586	28,119	28,604	30,977	34,206	36,555	38,401	110,123	140,139
YoY Change (%)	32.1	31.2	17.6	15.4	20.0	24.0	30.0	34.3	23.4	27.3
Total Exp	23,687	25,202	25,641	25,992	28,282	31,264	33,375	35,082	100,522	128,003
EBITDA	2,127	2,383	2,479	2,612	2,695	2,942	3,180	3,319	9,600	12,136
Growth %	15.3	12.1	14.0	27.5	26.7	23.4	28.3	27.1	17.2	26.4
Margins (%)	8.2	8.6	8.8	9.1	8.7	8.6	8.7	8.6	8.7	8.7
Depreciation	630	650	660	735	750	800	810	852	2,675	3,212
Interest	933	1,078	1,096	1,179	1,200	1,220	1,250	1,292	4,288	4,962
Other Income	81	52	34	41	65	50	45	47	208	207
PBT	645	708	757	738	810	972	1,165	1,222	2,845	4,169
Tax	218	235	252	265	271	326	390	409	948	1,397
Rate (%)	33.7	33.2	33.2	35.9	33.5	33.5	33.5	33.5	33.3	33.5
Adjusted PAT	428	472	505	473	539	646	775	813	1,897	2,773
YoY Change (%)	62.4	5.5	34.8	-20.4	26.0	36.8	53.3	72.0	12.9	46.2
Repoorted PAT	428	472	505	473	539	646	775	813	1,897	2,773

E: MOSL Estimates

Shoppers Stop

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	SHOP IN
Equity Shares (m)	82.2
52 Week Range (INR)	504/261
1,6,12 Rel Perf (%)	-4 / 22 / 26
Mcap (INR b)	29.9
Mcap (USD b)	0.6

CMP: INR363**Neutral**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	14,009	418	4.2	174.6	-	-	13.5	15.0	-	-
03/11A	17,120	751	9.1	120.0	40.2	5.0	12.4	16.3	1.7	19.0
03/12E	20,559	919	11.2	22.3	32.5	4.9	13.8	17.0	1.4	16.0
03/13E	26,052	1,229	15.0	33.8	24.3	4.3	16.0	21.3	1.1	12.1

- We expect Shoppers Stop to report 22% increase in sales to INR5.5b. EBITDA growth would be lower at 17.6%, with margin declining 30bp (60bp in 1Q). PAT would grow 27% led by other income (INR27m) on surplus funds. The numbers are not comparable due to spin off of Crossword bookstores.
- Like-to-like (LTL) sales would increase by 14%, led by strong sales growth momentum and extended discount period (5 days), post gradual softening in the last two quarters. We believe that pent-up demand post 15% price increase has been instrumental in increasing the sales growth.
- Softening of cotton prices can provide some upside to margins from 4QFY12. Branded apparel prices are unlikely to see a correction. However, lower private label prices cannot be ruled out.
- Shoppers Stop added three department stores in 2Q (six in 1HFY12) and intends to add a total of 10 stores in FY12. Higher overheads on new store openings are likely to impact near-term margins.
- Long-term prospects look encouraging, but valuations seem stretched at 32.5x FY12E and 24.3x FY13E EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Same Store Sales Gr %	21	13	22	14	7	14	10.0	10.0	17	10
Deptt Stores	30	33	36	38	41	43	45	48	38	48
Net Sales	3,435	4,545	4,586	4,554	3,930	5,545	5,549	5,535	17,120	20,559
YoY Change (%)	24.2	22.3	22.0	20.4	14.4	22.0	21.0	20.7	21.6	20.1
Total Exp	3,185	4,163	4,071	4,180	3,667	5,096	4,927	5,077	15,599	18,767
EBITDA	250	382	515	374	263	449	621	458	1,521	1,792
Margins (%)	7.3	8.4	11.2	8.2	6.7	8.1	11.2	8.3	8.9	8.7
Depreciation	64	73	88	85	81	88	93	95	310	357
Interest	33	40	25	31	44	45	42	41	145	172
Other Income	0	0	22	34	37	27	22	22	72	108
PBT	153	269	424	291	176	343	508	344	1,138	1,371
Tax	54	95	145	92	59	122	165	107	387	452
Rate (%)	35.0	35.4	34.3	31.6	33.5	35.5	32.5	31.0	34.0	33.0
PAT	100	174	279	199	117	221	343	237	751	919
YoY Change (%)	295.0	44.1	131.1	21.2	17.2	27.4	23.2	19.2	55.4	22.3
Exceptionals	-0.5	0	0	0	0	0	0	0	-0.5	0.0
Reported PAT	100	174	279	199	117	221	343	237	752	919

E: MOSL Estimates

Titan Industries

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	TTAN IN
Equity Shares (m)	887.8
52 Week Range (INR)	238/147
1,6,12 Rel Perf (%)	2 / 32 / 42
Mcap (INR b)	184.1
Mcap (USD b)	3.7

CMP: INR207

Neutral

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
03/10A	46,744	2,615	2.9	24.7	-	-	41.0	53.6	-	-
03/11A	65,209	4,336	4.9	65.8	42.5	18.0	49.6	61.8	2.7	29.7
03/12E	90,202	6,401	7.2	47.6	28.8	12.6	51.4	65.1	1.9	20.6
03/13E	108,515	8,267	9.3	29.2	22.3	9.0	47.2	59.0	1.5	15.5

- We expect Titan to post sales of INR22.3b, up 45% YoY, led by 53% sales growth in jewelry. We estimate 39% increase in EBITDA, with margins expected to contract by 50bp. PAT is expected to increase 42% to Rs1.8b.
- We expect the watch division to post 21% sales growth. Increased store expansion is expected to result in EBIT margin contraction of 190bp to 20%.
- The jewelry division is likely to post 18% volume growth (35% in 4QFY11) and 53% sales growth led by ~35% increase in gold prices YoY. The robust volume growth of Q1 is expected to moderate in Q2; however higher gold prices will result in EBIT margins being maintained at 8.9% for the division.
- Titan Eye+ is in investment mode and the store count is likely to touch 250 by the end of FY12. We expect 30% increase in sales for Eye+ and the PE business with EBIT loss of INR45m.
- We estimate 38% PAT CAGR over FY11-13 but deterioration in consumer sentiment and a decline in gold prices are risks to our estimates. Titan is one of the best plays on urban consumption and the specialty retail segment but valuations at 22.3x FY13E are expensive. **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Jewelry Volume Gr %	28	17	28	15	35	18	14	15	22	20
Gold Price chg YoY %	23	20	19	23	23	35	10	10	19	14
Net Sales	12,528	15,360	19,546	17,776	20,205	22,272	25,801	21,924	65,209	90,202
YoY Change (%)	41.9	33.9	46.6	35.6	61.3	45.0	32.0	23.3	39.5	38.3
Total Exp	11,415	13,624	17,596	16,718	18,361	19,866	23,246	20,501	59,353	81,974
EBITDA	1,113	1,736	1,950	1,058	1,845	2,405	2,554	1,423	5,856	8,228
EBITDA Growth %	126	61	82	-9	66	39	31	35	53	40
Margins (%)	8.9	11.3	10.0	6.0	9.1	10.8	9.9	6.5	9.0	9.1
Depreciation	82	86	86	91	99	105	110	120	345	434
Interest	26	24	20	12	11	12	12	9	82	44
Other Income	81	82	155	243	231	220	250	440	561	1,141
PBT	1,085	1,707	1,999	1,198	1,966	2,508	2,682	1,735	5,990	8,891
Tax	274	430	591	360	532	690	738	530	1,654	2,489
Rate (%)	25.2	25.2	29.6	30.0	27.1	27.5	27.5	30.6	27.6	28.0
Adjusted PAT	812	1,278	1,408	839	1,434	1,819	1,945	1,204	4,336	6,401
YoY Change (%)	258.9	64.7	79.7	1.2	76.6	42.3	38.1	43.6	65.8	47.6
Extraordinary Income	0	0	0	0	0	0	0	0	-32	
Reported PAT	812	1,278	1,408	839	1,434	1,819	1,945	1,204	4,304	6,401

E: MOSL Estimates

Technology

COMPANY NAME

Cognizant Technology

HCL Technologies

Infosys

MphasiS

Patni Computer

TCS

Tech Mahindra

Wipro

Expect a relatively weak 2QFY12 v/s the bumper 2QFY11: The outlook on the global economy continues to weaken, and along with it, the confidence of a "normal" year for Indian IT in FY13. We expect USD revenue growth of 3.9-6.2% QoQ across the top-tier IT companies in 2QFY12, which is weaker than the 5.7-11.7% QoQ growth witnessed in 2QFY11. HCLT is likely to lead growth, closely followed by TCS. INFO and WPRO would report growth in line with their respective guidance. We expect cross-currency movements to have a negative impact of 20-30bp on revenues.

Wage hike to drag margins down at HCLT and WPRO, despite currency cushion:

A full quarter's wage hike impact at HCLT and two months' impact at WPRO would drag down their margins by 290bp and 160bp (IT Services margin at WPRO), respectively. We expect 100bp EBIT margin expansion at INFO, driven by higher utilization and 1.4% INR depreciation. Our lower estimate of 60bp expansion at TCS is on account of promotions impact setting in during the quarter.

INFO to maintain full-year guidance; to guide 4-5% QoQ growth in 3QFY12:

Despite experiencing some slowdown in decision making and deferrals in deal signings, we do not expect INFO to change its USD revenue growth guidance of 18-20% for the full year. However, we expect growth to be at the lower end of the band (18.6%). INFO will need to grow at a CQGR of 4.75% to achieve our full year growth estimate; and we expect 3QFY12 guidance of 4-5% QoQ growth. Also, its EPS guidance may increase to INR132-134, given the recent sharp INR depreciation. We expect WPRO to guide 2.5-3.5% QoQ growth.

Watch for INFO's guidance and performance across Europe and BFSI:

As visibility into FY13 remains bleak in the current environment, early indicators of the same would be companies' commentary on the impact of the weakening situation in Europe and their takeaways from surveys with their clients. Watch for [1] the performance in Europe, BFSI verticals, [2] INFO's guidance for 3Q and full year, and [3] deal signings and deal pipelines in comparison to recent quarters.

Expected quarterly performance summary

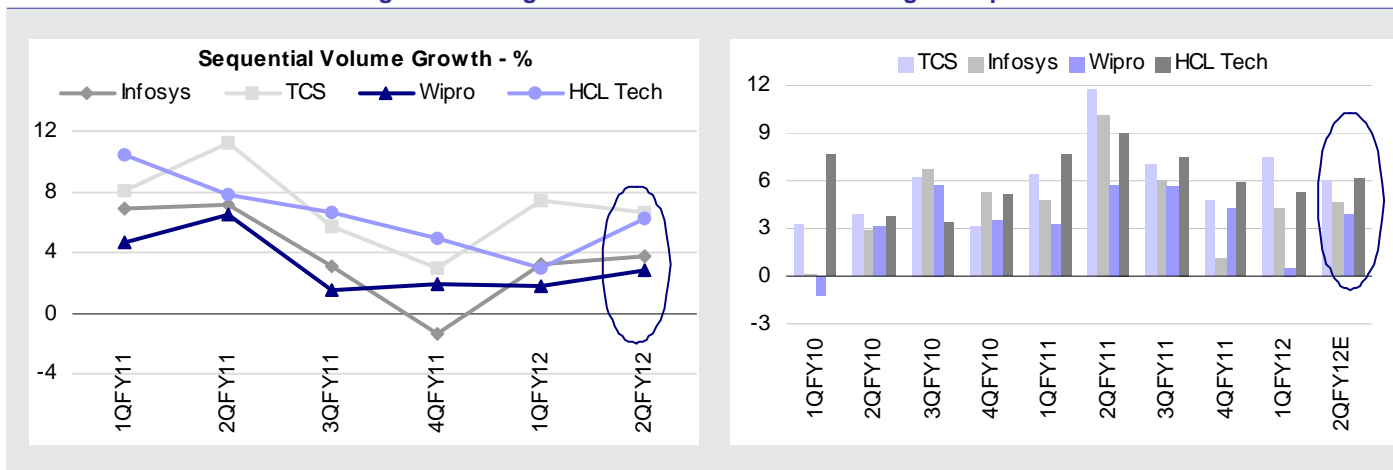
(INR Million)

	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net Profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
			HCL Technologies	386	Buy	46,410	28.5	7.9	7,032	24.9	-9.0
Infosys	2,355	Buy	79,340	14.2	6.0	23,912	3.3	9.9	18,421	6.1	7.0
MphasiS	322	Neutral	13,462	0.1	4.1	2,462	-17.2	-2.1	1,929	-26.1	-1.0
Patni Computer	287	Neutral	8,547	7.3	4.0	1,124	-25.3	19.6	749	-41.5	-15.7
TCS	999	Neutral	116,046	25.0	7.5	33,403	19.8	10.2	25,448	20.8	6.9
Tech Mahindra	603	Neutral	13,403	8.5	3.7	2,321	-13.4	-4.0	1,080	-19.0	-23.7
Wipro	340	Neutral	88,378	13.7	4.1	17,137	4.4	3.4	12,168	-5.3	-8.8
Sector Aggregate			365,586	18.0	6.0	87,390	8.9	6.3	64,095	7.7	0.9

Prefer INFO, HCLT: The challenges facing the global economy could drive moderate technology budget cuts of 3-4% in CY12. While USD revenue growth may decelerate in such a scenario, we would still expect top-tier IT companies to grow 13-18%, led by HCLT. Our preference is for stocks with [1] higher slack to manage margins and [2] ability to grow in a weak environment. **INFO** and **HCLT** are our top picks based on the above two parameters.

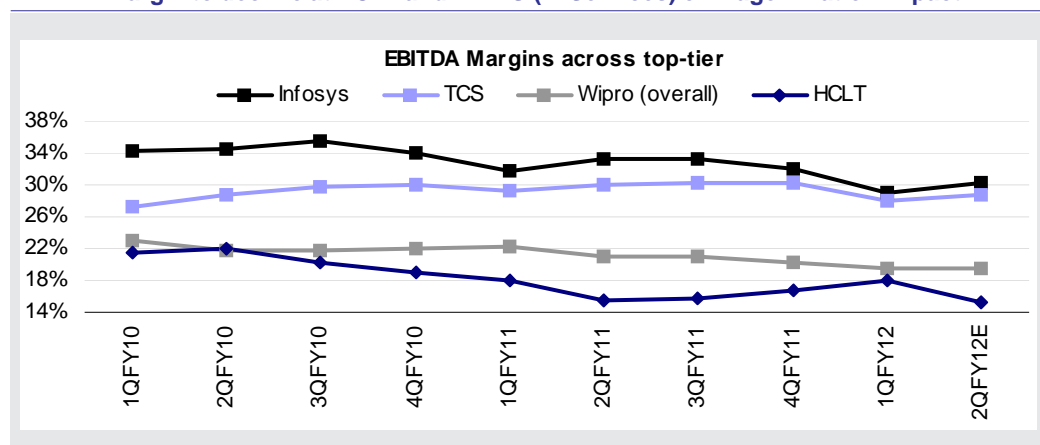
HCLT and TCS to continue leading on volume growth...

... and revenue growth performance in 2QFY12



Source: Company/MOSL

EBITDA margin to decline at HCLT and WPRO (IT Services) on wage inflation impact



Source: Company/MOSL

2QFY12 estimates summary

Company	2QFY12	2QFY11	Yoy (%)	1QFY12	QoQ (%)	2QFY12	2QFY11	Yoy (%)	1QFY12	QoQ (%)
Revenues (USD)						Revenues (INRb)				
TCS	2,556	2,004	27.5	2,412	6.0	116	93	25.0	108	7.5
Infosys	1,748	1,496	16.8	1,671	4.6	79	69	14.2	75	6.0
Wipro	1,462	1,273	14.9	1,408	3.9	88	78	13.7	85	4.1
HCLT	1,022	804	27.2	963	6.2	46	36	28.5	43	7.9
Aggregate	6,788	5,577	21.7	6,453	5.2	330	276	19.6	311	6.3
EBIT Margin (%)						PAT (INR b)				
TCS	27	28	-124	26	60	25	21	20.8	24	6.9
Infosys	27	30	-309	26	103	18	17	6.1	17	7.0
Wipro	17	19	-170	17	12	13	13	1.0	13	-2.8
HCLT	12	12	(15)	15	-290	4	3	43.1	5	-12.5
Aggregate	22	24	-170	22.0	11	61	54	12.6	59	3.1

Source: Company/MOSL

INFO: Guidance v/s Expectations

	2QFY12G	2QFY12E	FY12G	FY12E	FY12GE	Comments
INR revenue (b)	76.99-78.1	79.3	317.77-323.11	322.8	335-341	
Sequential growth (%)	2.86-4.34	6.00	15.5-17.5	17.4	21.8-23.9	Full year Rupee guidance may change on assumption of prevailing Rupee rate v/s the earlier guided rate
INR EPS	29.64-30.15	32.24	128.2-130.08	133.7	132-134	Currency to drive upgrade in earnings estimates as well
US dollar revenue	1,730-1,755	1,747.6	7.13-7.25	7.16	7.13-7.25	We do not expect any change in FY12 USD rev growth guidance
Sequential growth (%)	3.5-5	4.60	18-20	18.60	18-20	
US dollar EPS	0.67-0.68	0.71	2.88-2.92	2.97	2.88-2.92	We expect slight upgrade on better than guided margin performance
INR/USD rate	44.5	45.4	44.5	45.0	47.0	

E: MOSL Estimate, GE: Guidance Estimate

2QFY12 currency highlights (in INR)

	Rates (INR)				Change (% , QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	45.3	64.5	73.3	48.0	1.4	0.1	0.6	1.0
Closing	47.7	65.2	74.9	48.8	7.1	1.0	4.7	1.6

Source: Company/MOSL

2QFY12 currency highlights (in USD)

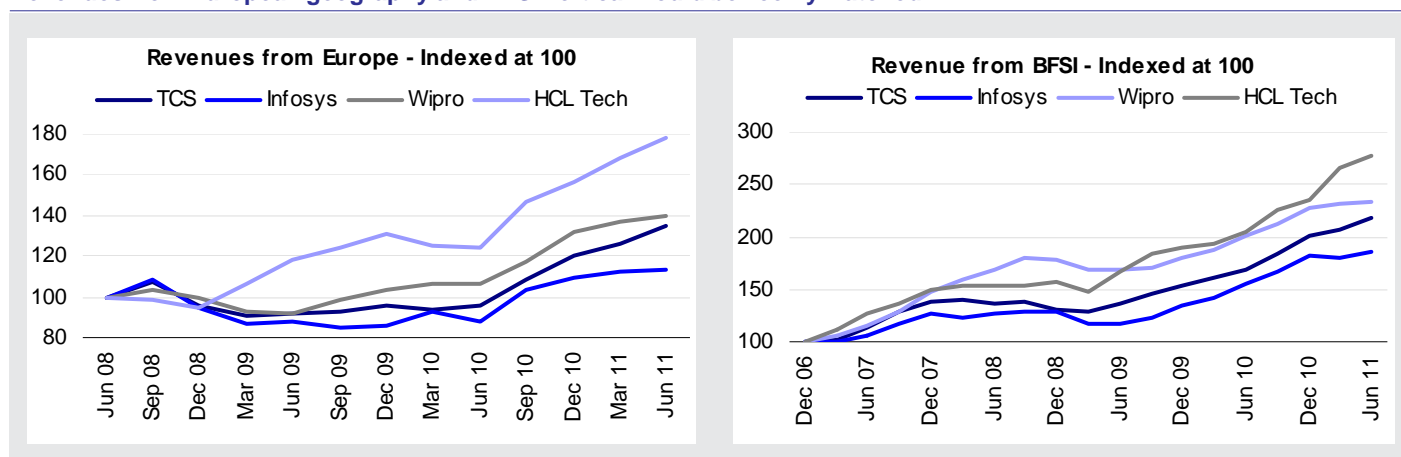
	Rates (USD)			Change (% , QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.42	1.62	1.06	-1.2	-0.8	-0.3
Closing	1.37	1.57	1.02	-5.9	-2.4	-5.0

2QFY12 guidance exchange rate assumptions

Guided at	EUR	GBP	AUD	INR/USD
Infosys	1.45	1.60	1.07	44.5
Wipro	1.43	1.63	1.08	44.9
Actual (Average)	1.42	1.62	1.06	45.4

Source: Company/MOSL

Revenues from European geography and BFSI vertical would be keenly watched



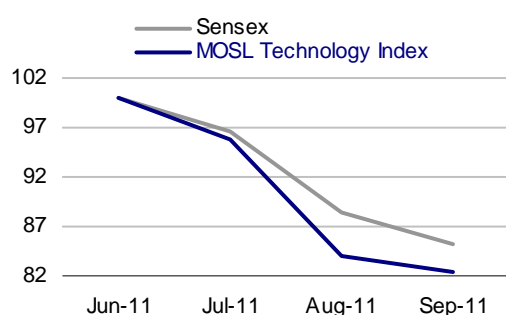
Source: Company/MOSL

EPS estimates (INR): MOSL v/s consensus

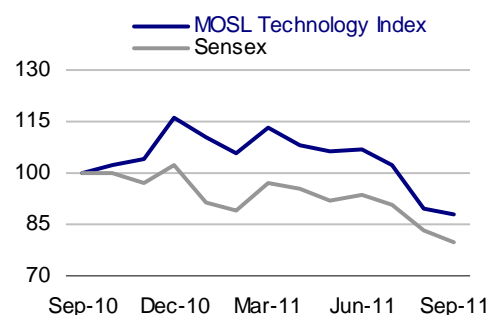
	2QFY12		FY12		FY13		Upside/Downside to Consensus (%)		
	MOSL	Consensus	MOSL	Consensus	MOSL	Consensus	2QFY12	FY12	FY13
Infosys	32.2	32.4	133.7	135.5	152.5	158.2	-0.5	-1.3	-3.6
TCS	13.0	13.2	52.8	52.8	58.6	61.2	-1.5	0.0	-4.3
Wipro	5.3	5.4	22.6	22.7	24.6	25.7	-1.8	-0.4	-4.1
HCL Tech	6.1	6.7	29.4	30.3	35.0	36.7	-8.6	-2.9	-4.6

* after including ESOP charges

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Technology														
HCL Technologies	386	Buy	23.1	29.4	35.0	16.7	13.1	11.0	10.1	7.8	6.4	20.8	22.6	23.0
Infosys	2,355	Buy	119.4	133.7	152.5	19.7	17.6	15.4	13.3	11.6	9.8	27.8	26.8	26.4
Mphasis	322	Neutral	39.8	39.8	35.8	8.1	8.1	9.0	6.8	6.5	6.4	23.3	19.5	15.0
Patni Computer	287	Neutral	42.2	27.6	31.2	6.8	10.4	9.2	3.7	4.0	2.7	17.9	11.8	12.1
TCS	999	Neutral	44.4	52.8	58.1	22.5	18.9	17.2	17.0	13.9	12.2	37.4	35.6	31.5
Tech Mahindra	603	Neutral	54.4	65.1	72.1	11.1	9.3	8.4	5.7	5.1	4.0	30.2	25.3	21.5
Wipro	340	Neutral	21.6	22.6	24.6	15.8	15.0	13.8	11.9	10.6	9.3	24.2	21.0	19.2
Sector Aggregate						18.7	16.6	14.9	13.4	11.5	9.9	26.1	24.1	22.8

* FY11 corresponds to CY10 and so on.

Cognizant Technology Solutions

BSE Sensex 16,051	S&P CNX 4,835	CMP: USD64								Not Rated		
Bloomberg Equity Shares (m)	CTSH US 304.0	YEAR END	NET SALES (USD M)	PAT (USD M)	EPS (USD)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52-Week Range (USD)	84/53	12/09A	3,279	535	1.8	23.3	36.1	7.3	23.2	26.4	5.4	25.2
1,6,12 Rel. Perf. (%)	4/-5/21	12/10A	4,592	734	2.4	34.2	26.9	5.5	23.5	27.2	3.8	18.2
M.Cap. (INRb)	954.1	12/11E	6,102	880	2.9	19.9	22.4	4.5	22.0	27.9	2.8	13.6
M.Cap. (USD b)	19.5	12/12E	7,716	1,159	3.8	31.7	17.0	3.5	23.2	29.5	2.1	9.8

- We expect 3QCY11 revenue to grow 6.3% QoQ to USD1.58b. The company had guided 5.7% QoQ growth to USD1.57b.
- For CY11, we do not expect Cognizant to materially change its guidance, despite growing above its slated guidance in 3Q. We expect it to maintain its full year growth guidance at "at least" 32%, which would imply 4QCY11 QoQ growth of 3.1%.
- We expect EBITDA margin to expand by 30bp QoQ to 20.3%.
- Our net income estimate is USD221.4m, and GAAP EPS estimate is USD0.71. The company had guided for an EPS of USD0.7 in 3QCY11.
- We estimate CY11 EPS at USD2.82, surpassing its current guidance of USD2.78.
- The stock trades at 22.4x CY11E and 17x CY12E earnings. **Not Rated.**

QUARTERLY PERFORMANCE (US GAAP)

(USD MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenues	960	1,105	1,217	1,311	1,371	1,485	1,578	1,668	4,592	6,102
Q-o-Q Change (%)	6.0	15.2	10.1	7.7	4.6	8.3	6.3	5.7	39.4	32.9
Direct Expenses	556	641	700	758	782	861	919	954	2,655	3,516
SG&A	195	235	263	280	296	327	339	367	972	1,329
SG&A as % of Sales	20.3	21.2	21.6	21.4	21.6	22.0	21.5	22.0	21.2	21.8
EBITDA	209	230	255	273	293	298	320	347	966	1,257
Margins (%)	21.8	20.8	20.9	20.8	21.3	20.0	20.3	20.8	21.0	20.6
Other Income	-4	2	15	4	15	8	7	9	17	39
Depreciation	26	24	26	28	27	28	32	33	104	120
PBT bef. Extra-ordinary	179	208	243	249	280	278	295	323	879	1,176
Provision for Tax	27	36	40	42	72	70	74	81	145	296
Rate (%)	15.2	17.2	16.3	17.1	25.7	25.1	25.0	25.0	16.5	25.2
PAT before EO	152	172	204	206	208	208	221	242	734	880
Q-o-Q Change (%)	3.1	13.6	18.3	1.2	1.0	-0.1	6.4	9.4	33.4	19.9

E: MOSL Estimates

HCL Technologies

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR386										Buy
Bloomberg Equity Shares (m)	HCLT IN 700.9	YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	528/360	6/10A	125,650	11,767	17.1	-3.8	-	-	18.5	12.8	-	-
1,6,12 Rel Perf (%)	5 / -4 / 12	6/11A	159,118	16,098	23.1	35.0	16.7	3.1	20.8	15.9	1.6	9.8
Mcap (INR b)	270.2	6/12E	200,092	20,697	29.4	27.5	13.1	2.7	22.6	20.0	1.3	7.7
Mcap (USD b)	5.5	6/13E	235,595	24,818	35.0	19.0	11.0	2.3	23.0	21.5	1.0	6.4

* After ESOP charges; # Axon consolidated in December 2008

- We expect HCLT to post industry-leading revenue growth. In USD terms, revenue would grow 6.2% QoQ, led by 6.3% QoQ growth in volumes. In INR terms, revenue would grow 7.9% QoQ to INR46.4b.
- Revenue growth would be driven by IMS (7.8% QoQ), and Software (5.9% QoQ).
- We expect 290bp QoQ decline in EBIT margin in the JAS quarter, primarily driven by wage hikes, though cushioned somewhat by INR depreciation.
- PAT is likely to decline 12.5% QoQ to INR4.3b, mainly on account of lower profitability.
- Key things to watch for: Margin decline in 1Q, commentary on the OND deal pipeline.
- **Key risks:** Greater than anticipated decline in margins.
- The stock trades at 13.1x FY12E and 11x FY13E earnings. Maintain **Buy**, with a target price of INR525 (15x FY13E earnings).

QUARTERLY PERFORMANCE (US GAAP)

(INR MILLION)

Y/E JUNE	FY11				FY12E				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	36,116	38,625	41,382	42,995	46,410	48,722	51,053	53,908	159,118	200,092
Q-o-Q Change (%)	5.4	6.9	7.1	3.9	7.9	5.0	4.8	5.6	27.4	27.4
EBITDA	5,632	6,049	6,906	7,725	7,032	7,765	8,596	9,739	26,312	33,132
Margins (%)	15.6	15.7	16.7	18.0	15.2	15.9	16.8	18.1	16.5	16.6
Other Income	-634	-79	15	157	394	332	319	346	-562	1,391
PAT	3,004	3,720	4,455	4,913	4,300	4,792	5,390	6,215	17,094	20,697
Q-o-Q Change (%)	6.8	23.8	19.8	10.3	-12.5	11.4	12.5	15.3	30.9	21.1
Diluted EPS (INR)	4.3	5.3	6.4	7.0	6.1	6.8	7.7	8.8	23.0	29.4
USD Revenues	804	864	915	963	1,022	1,083	1,135	1,198	3,545	4,437
Q-o-Q Change (%)	9.0	7.5	5.8	5.3	6.2	5.9	4.8	5.6	31.1	25.2
Operating Metrics										
Gross Margin (%)	31.0	30.9	31.4	31.9	30.1	30.8	31.4	32.7	31.3	31.3
SGA (%)	15.4	15.2	14.7	13.9	15.0	14.9	14.6	14.6	14.8	14.7
Tax rate (%)	20.5	21.5	22.2	25.5	24.5	24.5	24.5	24.5	22.8	24.5
Net Employee additions	5661	2049	1153	3626	5200	5100	3650	5150	12489	19100
Utilization - excluding trainees (%)	74.1	75.0	76.3	76.1	75.9	75.9	77.0	77.0	75.4	76.5
Q-o-Q Volume Growth (%)	7.9	6.7	4.9	3.0	6.3	6.0	4.8	6.0	30.6	22.7

E: MOSL Estimates; Axon is consolidated since December 2008

Infosys

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR2,355										Buy
Bloomberg Equity Shares (m)	INFOIN 571.2	YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	3,494/2,169	3/10A	227,420	61,340	107.4	4.7	-	-	29.7	33.7	-	-
1,6,12 Rel Perf (%)	6 / -10 / -2	3/11A	275,010	68,230	119.4	11.2	19.7	5.2	27.8	33.1	4.3	13.3
Mcap (INR b)	1,345.2	3/12E	322,751	76,399	133.7	12.0	17.6	4.3	26.8	31.4	3.6	11.6
Mcap (USD b)	27.2	3/13E	369,772	87,157	152.5	14.1	15.4	3.8	26.4	31.2	3.0	9.8

- We expect INFO's revenue to grow 4.6% QoQ to USD1.75b v/s the company's guidance of 3.5-5%. In INR terms, revenue is likely to grow 6% QoQ to INR79.3b.
- INFO is the only company in the top-tier, where we do not expect any impact of wage hikes/promotions in the quarter. This, along with 1.4% QoQ depreciation in the INR would raise margins by 100bp QoQ.
- We expect PAT growth of 7% QoQ to INR18.4b, and our EPS estimate of INR32.2 compares with the management guidance of INR29.6-30.15.
- We believe INFO will retain its full year USD revenue growth guidance at 18-20%, and guide USD revenue growth of 4-5% at the midpoint for 3QFY12.
- Key things to watch for: Revenue growth in 2Q, guidance and commentary on any delays in deal closures or deferrals in budget spends.
- **Key risks:** Cut in guidance, continued sharp underperformance to peers like TCS/INFO.
- The stock trades at 17.6x FY12E and 15.4x FY13E earnings. Maintain **Buy**, with a target price of INR3,050 (20x FY13E EPS).

QUARTERLY PERFORMANCE (INDIAN GAAP)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	61,980	69,470	71,060	72,500	74,850	79,340	82,916	85,645	275,010	322,751
Q-o-Q Change (%)	4.3	12.1	2.3	2.0	3.2	6.0	4.5	3.3	20.9	17.4
EBITDA	19,620	23,150	23,630	23,160	21,750	23,912	26,084	27,133	89,560	98,879
Margins (%)	31.7	33.3	33.25	31.9	29.1	30.1	31.5	31.7	32.6	30.6
Other Income	2,390	2,670	2,900	4,150	4,430	4,075	3,892	3,934	12,110	16,330
PAT	14,880	17,370	17,800	18,180	17,220	18,421	19,986	20,772	68,230	76,399
Q-o-Q Change (%)	0.2	16.7	2.5	2.1	-5.3	7.0	8.5	3.9	11.2	12.0
Diluted EPS (INR)	26.0	30.4	31.2	31.8	30.1	32.2	35.0	36.4	119.4	133.7
USD Revenues	1,358	1,496	1,585	1,602	1,671	1,748	1,843	1,903	6,041	7,164
Q-o-Q Change (%)	4.8	10.2	5.9	1.1	4.3	4.6	5.4	3.3	25.7	18.6
Operating Metrics										
Gross Margin (%)	44.5	46.0	45.9	44.6	41.8	42.8	44.2	44.4	45.2	43.4
SGA (%)	12.8	12.6	12.6	12.6	12.8	12.7	12.7	12.7	12.7	12.7
Tax rate (%)	25.4	26.6	27.0	27.8	28.1	28.0	27.5	27.5	26.7	27.8
Net Employee additions	1,026	7,646	5,311	3,041	2,740	7,792	7,330	6,592	17,024	24,454
Utilization - excluding trainees (%)	78.7	81.2	80.7	75.2	74.9	76.8	77.5	77	78.9	77.5
Q-o-Q Volume Growth (%)	6.9	7.1	3.1	-1.4	3.2	3.7	5.5	3.6	21.5	12.8
Q-o-Q Realization change (%)	-1.6	3.2	1.6	2.5	0.0	0.8	-0.1	-0.3	1.8	5.1
Guidance										
USD revenue - b	1.33-1.34	1.41-1.43	1.55-1.56	1.60-1.62	1.64-1.66	1.73-1.76				7.13-7.25
EPS - INR	24.3-24.4	27.4-28.0	29.4-29.9	31.1-31.3	27.6-28.0	29.6-30.2				128.2-130.1

E: MOSL Estimates

Mphasis

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	MPHLIN
Equity Shares (m)	210.0
52 Week Range (INR)	712/308
1,6,12 Rel Perf (%)	-9 / -5 / -29
Mcap (INR b)	67.7
Mcap (USD b)	1.4

CMP: INR322

Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
10/09A	42,638	9,086	43.2	79.4	-	-	48.1	48.8	-	-
10/10A	50,366	10,269	48.6	12.5	6.6	2.1	36.4	36.4	1.0	4.3
10/11E	51,304	8,407	39.8	-18.1	8.1	1.7	23.3	23.3	1.0	4.9
10/12E	57,914	8,409	39.8	0.0	8.1	1.4	19.5	20.2	0.8	4.3

* Financial year end changed to YE Oct from March in FY08 (corresponds to 7month period)

- We expect MPHL to post revenue growth of 3.4% QoQ in 4QFY11 (QE October) to USD297m, driven largely by the non-HP channel.
- We expect EBIT margin to decline 70bp QoQ, despite reduced support from one-off write-backs during the quarter, as MPHL's average INR realization will be more favorable than other companies.
- We expect a flattish PAT of INR1.9b and an EPS of INR9.2.
- Key things to watch for: Growth and deal signings in the direct channel, outlook on business and pricing in the HP channel, operating margin ex-write backs and ex-forex.
- **Key risks:** Challenges in the parent company, margin pressures amidst investments in the direct channel and high attrition.
- The stock trades at 8.1x FY11E and 8.1x FY12E earnings. Maintain **Neutral**; our target price is INR449 (11x FY12E earnings).

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E OCTOBER	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	11,916	12,205	12,791	13,454	12,335	12,571	12,936	13,462	50,366	51,304
Q-o-Q Change (%)	5.3	2.4	4.8	5.2	-8.3	1.9	2.9	4.1	18.1	1.9
Direct Expenses	7,794	8,077	8,598	9,281	8,769	8,950	9,396	9,902	33,749	37,016
Sales, General & Admin. Exp.	1,395	978	1,034	1,199	1,167	949	1,024	1,098	4,607	4,238
Operating Profit	2,727	3,150	3,159	2,974	2,399	2,672	2,516	2,462	12,010	10,049
Margins (%)	22.9	25.8	24.7	22.1	19.5	21.3	19.4	18.3	23.8	19.6
Other Income	330	275	174	310	346	497	429	480	1,089	1,752
Depreciation	458	402	404	374	359	337	440	404	1,638	1,540
PBT bef. Extra-ordinary	2,599	3,023	2,929	2,910	2,386	2,832	2,505	2,538	11,461	10,261
Provision for Tax	325	350	217	300	295	393	557	609	1,192	1,854
Rate (%)	12.5	11.6	7.4	10.3	12.4	13.9	22.2	24.0	10.4	18.1
PAT bef. Extra-ordinary	2,274	2,673	2,712	2,610	2,091	2,439	1,948	1,929	10,269	8,407
Q-o-Q Change (%)	-7.2	17.6	1.5	-3.8	-19.9	16.6	-20.1	-1.0	13.0	-18.1
Diluted EPS (INR)	10.8	12.7	12.8	12.4	9.9	11.6	9.3	9.2	48.6	39.9
USD Revs	257	271	276	296	271	282	290	297	1,099	1,139
Q-o-Q Change (%)	10.5	5.4	1.8	7.5	-8.5	3.9	2.9	2.3	25.6	3.6

E: MOSL Estimates

Patni Computer Systems

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR287										Neutral
Bloomberg Equity Shares (m)	PATNI IN 130.4	YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	510/250	12/09A	31,620	4,660	36.1	26.3	-	-	15.7	15.2	-	-
1,6,12 Rel Perf (%)	6 / -23 / -15	12/10A	31,689	5,680	42.2	17.1	6.6	1.3	17.9	17.4	0.7	3.8
Mcap (INR b)	37.4	12/11E	34,032	3,709	27.6	-34.7	10.3	1.2	11.8	11.5	0.6	4.2
Mcap (USD b)	0.8	12/12E	36,958	4,194	31.2	13.1	9.1	1.0	12.1	11.7	0.4	2.9

* Reflects adjusted PAT

- We expect PATNI to post revenue growth of 2.4% QoQ in 3QCY11 to USD188.3m. Challenges on ramp-ups in key growth accounts would continue. In INR terms, we expect revenue growth of 4% QoQ to INR8.5b.
- EBIT margin, which plummeted to 5.9% in 2QCY11, is unlikely to pick up materially, as the high SGA and depreciation costs are likely to remain range-bound in absolute terms. Our EBIT margin estimate for the quarter stands at 6.8%.
- We expect a further 16% QoQ decline in PAT to INR749m, as tax rate increases to 27% (v/s 9.1% in 2QCY11).
- Key things to watch for: Revenue trajectory and margin post a dreadful 2Q.
- **Key risks:** Impact from continued exit of senior management, failure to recover margins, continued sluggishness in key accounts
- The stock trades at 10.3x CY11E and 9.1x CY12E earnings. Maintain **Neutral**, with a target price of INR312 (10x CY12E earnings).

QUARTERLY PERFORMANCE (US GAAP)

(INR MILLION)

Y/E DECEMBER	CY10				CY11				CY10	CY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenues	7,745	7,776	7,967	8,200	8,477	8,221	8,547	8,787	31,689	34,032
QoQ Change (%)	-1.9	0.4	2.4	2.9	3.4	-3.0	4.0	2.8	0.2	7.4
Direct Expenses	4,596	4,855	5,071	5,293	5,351	5,506	5,650	5,723	19,814	22,229
Sales, General & Admin. Exp.	1,457	1,354	1,391	1,507	1,618	1,776	1,774	1,757	5,708	6,924
Operating Profit	1,693	1,568	1,505	1,400	1,508	940	1,124	1,307	6,166	4,879
Margins (%)	21.9	20.2	18.9	17.1	17.8	11.4	13.2	14.9	19.5	14.3
Other Income	413	520	329	616	456	496	447	459	1,876	1,858
Depreciation	280	304	285	281	324	458	545	545	1,150	1,871
PBT bef. Extra-ordinary	1,825	1,784	1,549	1,735	1,641	977	1,027	1,221	6,892	4,865
Provision for Tax	328	310	268	306	461	89	277	330	1,213	1,156
Rate (%)	18.0	17.4	17.3	17.7	28.1	9.1	27.0	27.0	17.6	23.8
Net Income bef. EO	1,497	1,473	1,281	1,429	1,180	889	749	891	5,680	3,709
QoQ Change (%)	9.8	-1.6	-13.1	11.5	-17.4	-24.7	-15.7	18.9	21.9	-34.7
Extra-ordinary items	0	0	0	-336	0	0	0	0	0	0
Net Income aft. EO	1,497	1,473	1,281	1,765	1,180	889	749	891	5,680	3,709
QoQ Change (%)	-20.3	-1.6	-13.1	37.8	-33.1	-24.7	-15.7	18.9	21.9	-34.7
Diluted EPS (INR)	11.2	11.0	9.6	10.6	8.7	6.6	5.6	6.6	42.2	27.6
USD Revenues	172.3	167.6	179	183	190.3	183.8	188.3	194	702	756
QoQ Change (%)	1.3	-2.8	6.7	2.4	4.0	-3.4	2.4	2.8	7.0	7.7

E: MOSL Estimates

Tata Consultancy Services

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR999										Neutral
Bloomberg Equity Shares (m)	TCSIN 1,957.2	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	1,247/903	3/10A	300,289	68,729	35.1	33.8	-	-	37.4	41.0	-	-
1,6,12 Rel Perf (%)	4 / 4 / 28	3/11A	373,245	86,826	44.4	26.3	22.5	7.7	37.4	42.2	5.1	17.0
Mcap (INR b)	1,954.3	3/12E	468,597	103,322	52.8	19.0	18.9	6.0	35.6	40.9	4.0	13.9
Mcap (USD b)	39.5	3/13E	536,444	113,654	58.1	10.0	17.2	5.0	31.5	36.6	3.4	12.2

- We expect TCS to grow 6% to USD2.56b, driven by volume growth of 6.6%. In INR terms, revenue is likely to grow 7.5% QoQ to INR116b.
- Despite strong revenue growth and currency tailwind, our assumption of 80bp QoQ EBIT margin expansion is slightly lower than INFO's because of the promotion impact setting in during the quarter.
- We expect PAT to increase by 6.9% QoQ to INR25.5b.
- We do not expect any change to its gross hiring guidance of 60,000 employees for the full year.
- Key things to watch for: Hiring guidance, impact of promotions on margins, BFSI performance.
- **Key risks:** Slowdown in BFSI spends, inability to sustain margins.
- The stock trades at 18.9x FY12E and 17.2x FY13E earnings. Maintain **Neutral**, with a target price of INR1,172 (20x FY13E EPS).

QUARTERLY PERFORMANCE (US GAAP)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	82,173	92,864	96,634	101,575	107,970	116,046	120,006	124,575	373,245	468,597
Q-o-Q Change (%)	6.2	13.0	4.1	5.1	6.3	7.5	3.4	3.8	24.3	25.5
EBITDA	24,088	27,894	29,173	30,738	30,310	33,403	34,797	36,402	111,892	134,913
Margins (%)	29.3	30.0	30.2	30.3	28.1	28.8	29.0	29.2	30.0	28.8
Other Income	831	337	1,817	2,259	2,887	2,347	2,372	2,711	5,243	10,317
PAT	18,442	21,064	23,301	24,018	23,804	25,448	26,363	27,707	86,826	103,322
Q-o-Q Change (%)	-4.5	14.2	10.6	3.1	-0.9	6.9	3.6	5.1	26.3	19.0
Diluted EPS (INR)	9.4	10.8	11.9	12.3	12.2	13.0	13.5	14.2	52.8	59.8
USD Revenues	1,794	2,004	2,144	2,245	2,412	2,556	2,667	2,768	8,187	10,403
Q-o-Q Change (%)	6.4	11.7	7.0	4.7	7.5	6.0	4.3	3.8	29.1	27.1
Operating Metrics										
Gross Margin (%)	46.5	46.8	47.0	46.9	45.5	46.1	46.2	46.3	46.8	46.1
SGA (%)	17.2	16.7	16.8	16.7	17.5	17.3	17.2	17.1	16.8	17.3
Tax rate (%)	19.1	18.9	18.6	20.8	22.7	23.0	23.0	23.0	19.4	22.9
Net Employee additions	3,271	10,717	12,497	11,700	3,576	11,123	7,894	8,426	38,185	31,020
Utilization - excluding trainees (%)	83	84	84	82	83	85.0	85.0	85	83.1	84.6
Q-o-Q Volume Growth (%)	8.1	11.2	5.7	2.9	7.5	6.6	4.0	3.8	29.7	20.9
Q-o-Q Realization change (%)	-0.3	-0.3	1.2	0.8	-0.5	-0.6	0.2	-0.1	-0.3	5.2

E: MOSL Estimates

Tech Mahindra

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	TECHMIN
Equity Shares (m)	126.0
52 Week Range (INR)	813/539
1,6,12 Rel Perf (%)	-3 / -1 / -2
Mcap (INR b)	76.0
Mcap (USD b)	1.5

CMP: INR603

Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	46,254	6,601	50.5	-34.9	-	-	34.6	33.9	-	-
3/11A	48,413	7,110	54.4	7.7	11.1	2.3	30.2	23.6	2.3	8.7
3/12E	54,106	8,509	65.1	19.7	9.3	1.7	25.3	21.2	1.7	8.2
3/13E	61,506	9,430	72.1	10.8	8.4	1.4	21.5	19.4	1.4	6.6

* EPS incl. profits from Satyam and adjusted for restructuring charge, # reported PAT incl. Satyam

- We expect TECHM to grow its 2QFY12 revenue to USD295m, up 1.9% QoQ. In INR terms, revenue would grow 3.7% QoQ to INR13.4b.
- While we estimate stable revenue from BT for the quarter, growth would be driven by emerging geographies.
- EBITDA margin is likely to decline 140bp QoQ to 17.3%, primarily on wage inflation. Our full year EBITDA margin assumption stands at 18.1%, down 170bp YoY.
- We expect PAT to decline to INR1.1b, v/s INR1.4b in 1Q, on reduced profitability, driven by wage hikes and slightly higher tax rate (23% v/s 21.9% in 1Q).
- Key things to watch for: Growth in the non-BT account, performance on margins, commentary on expectation from BT, going forward.
- **Key risks:** Revenue from BT uncertain, going forward, given the new tenders floated, pressure on margins from high attrition, and margin decline on growth skew towards lower margin BPO business and emerging geographies.
- The stock trades at 9.3x FY12E and 8.4x FY13E earnings. Maintain **Neutral**, with a target price of INR721, based on 10x FY13E EPS.

QUARTERLY PERFORMANCE (INDIAN GAAP)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	11,337	12,350	12,111	12,615	12,925	13,403	13,684	14,094	48,413	54,106
Q-o-Q Change (%)	-4.2	8.9	-1.9	4.2	2.5	3.7	2.1	3.0	4.7	11.8
Direct Cost	7,458	7,850	7,882	7,987	8,540	9,045	9,127	9,396	31,177	36,109
Other Operating Exps	1,752	1,820	1,731	2,038	1,967	2,037	2,080	2,142	7,341	8,226
Operating Profit	2,127	2,680	2,498	2,590	2,418	2,321	2,477	2,555	9,895	9,770
Margins (%)	18.8	21.7	20.6	20.5	18.7	17.3	18.1	18.1	20.4	18.1
Other Income	253	83	521	317	460	187	327	231	1,174	1,206
Interest	264	270	252	213	223	235	221	207	999	886
Depreciation	354	347	347	387	334	362	383	395	1,435	1,474
PBT bef. Extra-ordinary	1,762	2,146	2,420	2,307	2,321	1,912	2,199	2,185	8,635	8,616
Provision for Tax	312	418	359	226	509	440	506	502	1,315	1,957
Rate (%)	17.7	19.5	14.8	9.8	21.9	23.0	23.0	23.0	15.2	22.7
Minority Interest	-6	7	6	16	7	7	7	7	23	28
Net Income bef. EO	1,456	1,721	2,055	2,065	1,805	1,465	1,686	1,675	7,297	6,631
Q-o-Q Change (%)	-35.8	18.2	19.4	0.5	-12.6	-18.8	15.1	-0.7	2.9	-9.1
Extra-ordinary items	0	0	515	-1,144	0	0	0	0	-629	0
Net Income aft. EO	1,456	1,735	2,570	921	1,805	1,465	1,686	1,675	6,668	6,631
Q-o-Q Change (%)	-35.8	19.2	48.1	-64.2	96.0	-18.8	15.1	-0.7	-4.8	-0.6
Effect of restructuring fees	411	403	426	451	390	385	385	385	1,691	1,279
Adj. Net Inc. (ex pr. per. items)	1,045	1,332	1,629	470	1,415	1,080	1,301	1,290	4,977	5,352
Q-o-Q Change (%)	-44.0	27.6	22.3	-71.2	201.0	-23.7	20.5	-0.9	-6.7	7.5
Diluted EPS (INR)	11.1	13.2	19.7	15.8	13.8	11.2	12.9	12.8	59.8	48.6
USD Revenues	251	265	269	279	290	295	304	313	1,063	1,202
Q-o-Q Change (%)	-2.9	5.4	1.6	3.6	4.1	1.9	3.0	3.0	8.9	13.1

E: MOSL Estimates; Excl prior period items*

Nitin Padmanabhan (Nitin.Padmanabhan@MotilalOswal.com) / Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Wipro

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR340										Neutral
Bloomberg Equity Shares (m)	WPROIN 2,454.1	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	500/310	3/10A	271,957	45,935	18.8	18.2	-	-	26.8	21.9	-	-
1,6,12 Rel Perf (%)	5 / -11 / -3	3/11A	310,542	52,794	21.6	15.1	15.8	3.5	24.2	20.0	2.5	11.8
Mcap (INR b)	835.3	3/12E	354,997	55,741	22.7	5.2	15.0	2.9	21.1	18.3	2.1	10.4
Mcap (USD b)	16.9	3/13E	398,007	60,465	24.6	8.5	13.8	2.4	19.2	16.9	1.8	9.2

- We expect WPRO's IT Services revenue at USD1,462m, up 3.9% QoQ, at the higher end of the guidance of 2-4%.
- Our overall company revenue estimate stands at INR88.4b, up 4.1% QoQ.
- We expect Wipro's IT Services EBIT margin to decline 160bp QoQ to 20.4%, on account of two months of wage hike during the quarter (wage hikes became effective from 1 June 2011).
- We expect PAT to decline 2.8% QoQ to INR13b, and estimate diluted EPS at INR5.3 for the quarter.
- We expect the company to guide conservatively for one more quarter, with QoQ USD revenue growth guidance of 2.5-3.5% in IT Services.
- Key things to watch for: Margin performance, guidance for the next quarter, performance deal signings after couple of impressive wins in 1Q.
- **Key risks:** Longer than expected time for growth ramp-up, impact of senior level management exits, greater than anticipated hit on the margins.
- The stock trades at 15x FY12E and 13.8x FY13E earnings. We are **Neutral** on the stock and would prefer seeing the company deliver on its growth leadership promises before turning buyers into the stock. Our target price of INR394 is based on 16x FY13E earnings.

CONSOLIDATED QUARTERLY PERFORMANCE (IFRS)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	71,906	77,719	78,202	82,715	84,929	88,378	88,552	93,137	310,542	354,997
Q-o-Q Change (%)	3.1	8.1	0.6	5.8	2.7	4.1	0.2	5.2	14.2	14.3
EBITDA	15,918	16,415	16,344	16,759	16,579	17,137	17,370	19,435	65,436	70,522
Margins (%)	22.1	21.1	20.9	20.3	19.5	19.4	19.6	20.9	21.1	19.9
Other Income	1,563	733	1,575	1,939	2,253	1,226	2,119	2,145	5,810	7,743
PAT	13,185	12,849	13,188	13,754	13,349	12,976	13,879	15,471	52,976	55,674
Q-o-Q Change (%)	0.1	-2.5	2.6	4.3	-2.9	-2.8	7.0	11.5	14.9	5.1
Diluted EPS (INR)	5.4	5.3	5.4	5.6	5.4	5.3	5.7	6.3	21.6	22.7
USD Revenues	1,204	1,273	1,344	1,400	1,408	1,462	1,506	1,578	5,221	5,954
Q-o-Q Change (%)	4.7	5.7	5.6	4.2	0.5	3.9	3.0	4.7	16.8	14.0
Operating Metrics										
Gross Margin (%)	32.3	31.5	31.5	30.6	29.3	29.4	29.7	30.8	31.5	29.8
SGA (%)	12.8	12.9	13.3	13.1	12.6	12.6	12.6	12.5	13.0	12.5
IT Services EBIT (%)	24.5	22.2	22.2	22.1	22.0	20.4	20.4	22.1	22.7	21.2
Tax rate (%)	16.4	14.6	16.5	16.0	18.9	19.5	19.5	19.5	15.9	19.4
Net Employee additions	4,694	6,774	4,617	5,299	4,105	3,790	5,015	4,115	21,384	11,563
Utilization - excluding trainees (%)	81.6	82.4	79.9	79.7	81.0	82.0	82.0	82.0	83.0	82.0
Q-o-Q Volume Growth (%)	4.7	6.6	1.5	1.9	1.8	2.8	2.7	5.7	16.8	10.8
Q-o-Q Realization change (%)	0.0	-0.3	1.2	0.8	-1.3	1.1	0.4	-1.0	0.0	3.5
Guidance										
Revenue (USD b)	1.19-1.22	1.25-1.28	1.32-1.34	1.38-1.41	1.39-1.42	1.44-1.46				
Q-o-Q Change (%)	2.0-4.2	4.1-6.1	3.5-5.5	3.0-5.0	-0.4-+1.6	2.0-4.0				

E: MOSL Estimates

Nitin Padmanabhan (Nitin.Padmanabhan@MotilalOswal.com) / Ashish Chopra (Ashish.Chopra@MotilalOswal.com)

Telecom

COMPANY NAME

Bharti Airtel

Idea Cellular

Reliance Communication

Tulip Telecom

Seasonal weakness: Seasonality in traffic growth would be more pronounced in 2QFY12 v/s earlier years, led by an adverse macro environment, initial hiccups post recent tariff hikes, and continued increase in the share of rural subscribers, who exhibit higher seasonality in usage. However, our interactions indicate that there are signs of volume growth bottoming out, implying a potential strong rebound in 2HFY12.

Usage growth flat; RPM inflection to drive revenue growth: We expect wireless traffic growth to remain largely flat QoQ. However, after significant tariff correction over several quarters, we expect RPM to increase, driven by tariff hikes taken by most major players. We expect BHARTI, IDEA and RCOM to report RPM increase of 0.5-2% QoQ.

Margins likely to be under pressure on tepid revenue growth: We expect EBITDA margin to decline 90bp QoQ for BHARTI (ex-Africa) and remain flat at 33.6% on a consolidated level. For IDEA, we expect EBITDA margin to decline by ~40bp QoQ, impacted by annual wage increments. RCOM's EBITDA margin is likely to decline by 130bp QoQ, driven by higher 3G related expenses and low wireless traffic growth.

QoQ PAT decline largely on forex impact: We expect BHARTI's PAT to decline 14% QoQ, driven by 40% QoQ increase in net finance cost. IDEA's PAT is likely to decline 47% QoQ due to increase in depreciation and forex loss. For RCOM, we estimate 45% QoQ decline in proforma PAT to INR1.2b.

Abbreviations and acronyms

RPM: revenue per minute

MNP: mobile number portability

VLR: visitor location register

TRAI: Telecom Regulatory

Authority of India

ARPU: average revenue per user

MOU: minutes of use

Industry subscriber additions decline significantly: Industry subscriber net additions have declined meaningfully in 2QFY12 to ~7m per month v/s 11m-15m in preceding quarters. We believe the decline is driven by (1) market saturation in urban areas (market penetration is ~70% on pan-India basis), and (2) lower aggression and high churn rate for challengers, which implies a better competitive environment for incumbents. We believe lower net additions are unlikely to impact wireless revenues since the decline is largely to bring rationality into subscriber acquisitions. Lower subscriber net additions could also drive cost savings. We believe mobile RPM would remain the single most important valuation driver for wireless operators. We expect RPM to remain flat in FY12 and improve by 6-8% in FY13.

Expected quarterly performance summary

(INR million)

	CMP (Rs) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Bharti Airtel	380	Buy	173,696	14.2	2.3	58,278	13.8	2.1	10,507	-36.8	-13.5
Idea Cellular	97	Buy	46,636	27.4	3.2	12,238	39.3	1.6	938	-47.8	-47.1
Reliance Comm	78	Neutral	49,729	-2.8	0.7	15,479	-6.7	-3.4	1,228	-75.0	-45.1
Tulip Telecom	153	Buy	7,184	22.7	9.9	2,032	24.5	10.0	873	11.9	13.1
Sector Aggregate			277,245	12.8	2.3	88,026	12.5	1.2	13,545	-43.8	-20.0

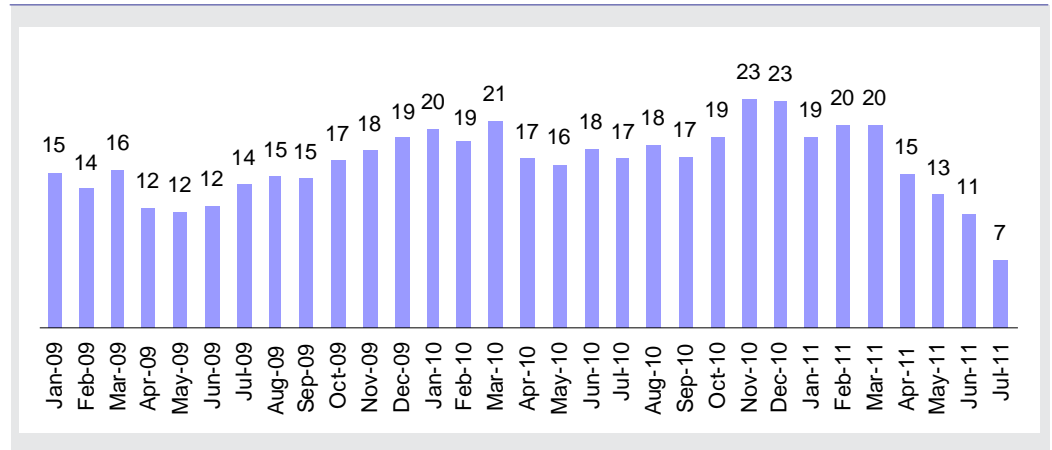
Exchange rate fluctuations to impact BHARTI, IDEA: During 2QFY12, the INR has depreciated against the USD by ~10%. We have modeled forex loss of INR5.4b for BHARTI and INR0.35b for IDEA. We estimate BHARTI's net exposure at ~INR465b, implying total net worth impact of ~INR45b for 10% INR depreciation.

NTP 2011 awaited; likely to provide level playing field: We are positive on the ongoing government initiative to come up with a comprehensive New Telecom Policy 2011 to resolve key issues like (1) 2G spectrum allocation, pricing, and sharing/trading, (2) M&A guidelines and exit options, and (3) revenue sharing license fee. Given the recent controversies, we expect the policy to provide a level playing field and spur investment for further growth, especially in rural telephony and data.

Valuation and view: We expect revenue and EBITDA growth to improve in FY12, led by increased data revenue, inflection in traffic trajectory along with continued voice traffic and RPM improvement. We reiterate **Buy** on **BHARTI** (trades at an EV of 8x FY12E and 6x FY13E proportionate EBITDA) and **IDEA** (trades at an EV of 8.2x FY12E and 5.8x FY13E EBITDA).

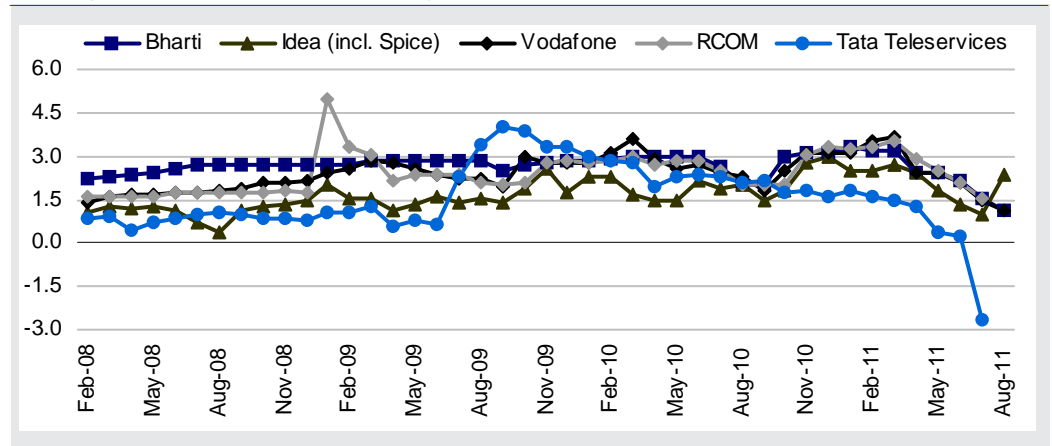
Wireless subscriber net additions (m)

Industry net additions have consistently declined since March 2011 to 7m in July 2011



Monthly subscriber additions for major operators (m)

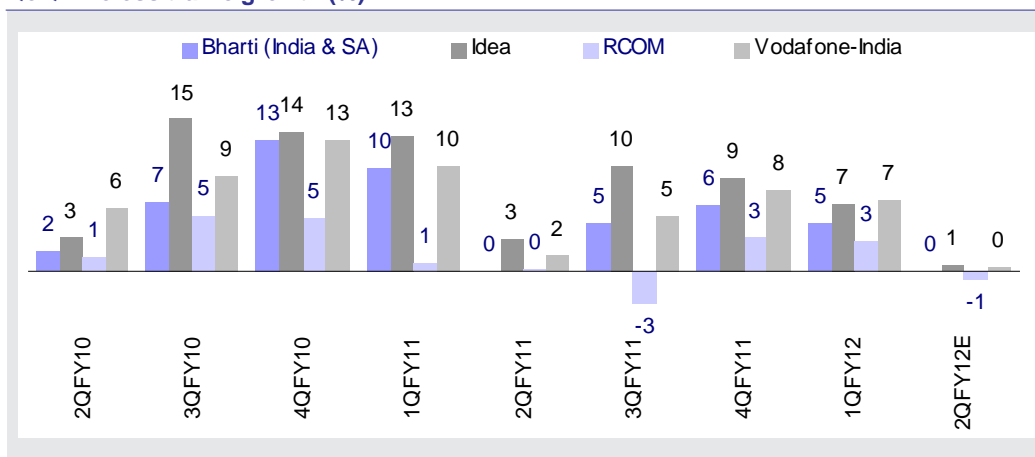
additions for majors (ex-Idea) are tapering-off below the 1.5m mark



Source: TRAI/MOSL

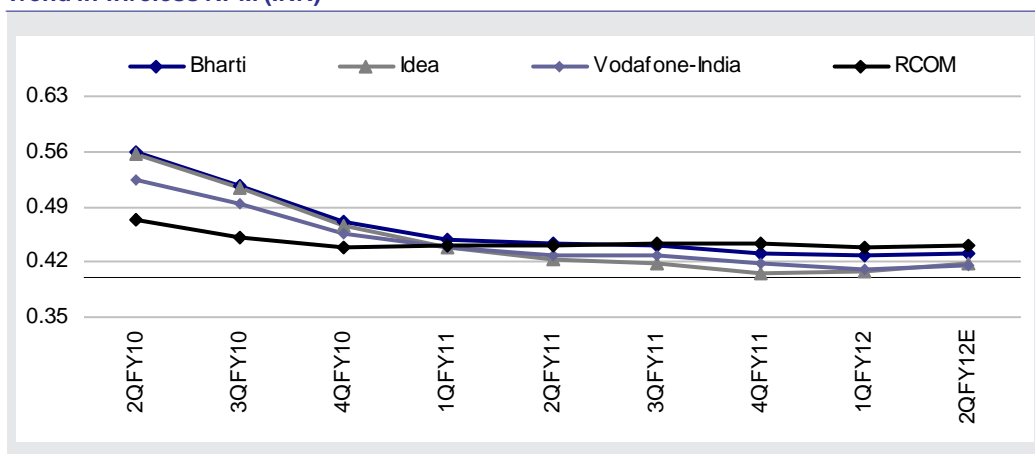
QoQ wireless traffic growth (%)

We expect traffic for major operators to remain flat QoQ



Trend in wireless RPM (INR)

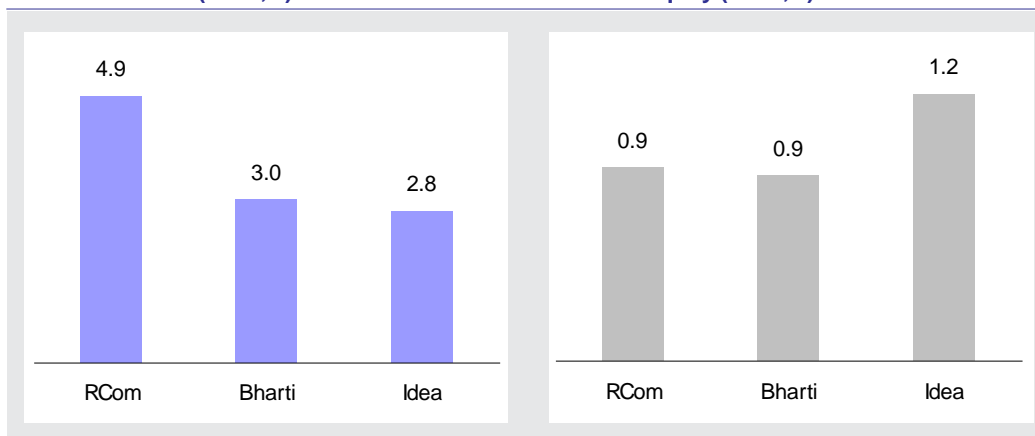
We expect RPM to grow ~1% QoQ in 2QFY12



Source: Company/MOSL

Net debt/EBITDA (FY11, x)

Leverage remains reasonable for Bharti/Idea but alarming for RCom



Source: Company/MOSL

Net debt/Equity (FY11, x)

Details of forex exposure as of March 2011 (INR b)

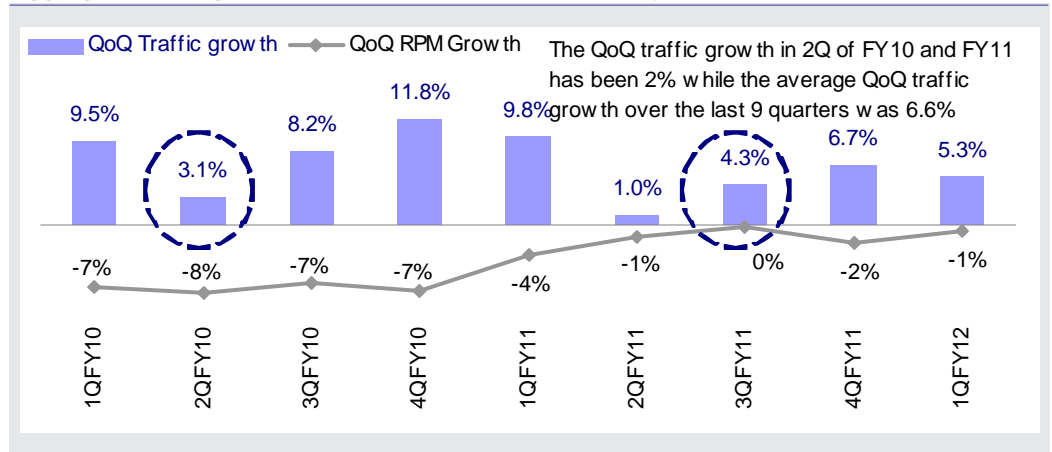
Bharti and RCom continue to have large forex exposure

	Total loans	Forex loans	Hedged	Forex exposure
Bharti Airtel	621	520	55	465
Idea Cellular	121	31	23	8
Reliance Comm.	391	270	55	216

Source: TRAI

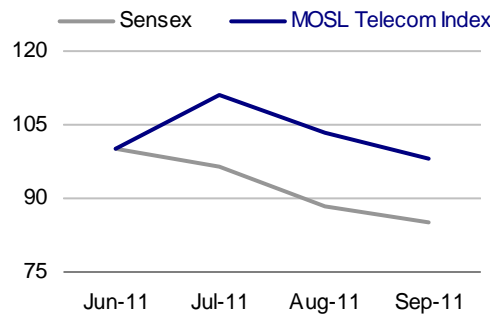
Aggregate traffic growth and RPM trend for wireless majors

Increased share of rural subscribers is one of the factors for the seasonality in RPM

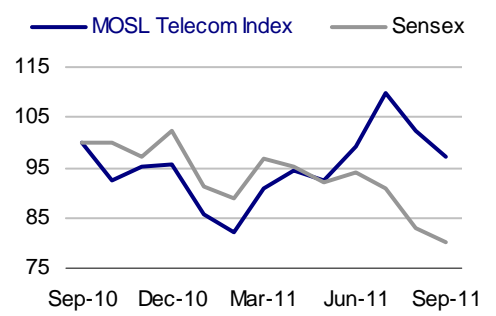


Source: TRAI

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Telecommunication														
Bharti Airtel	380	Buy	15.9	18.1	29.1	23.9	21.0	13.1	10.2	7.8	5.9	12.6	12.5	17.4
Idea Cellular	97	Buy	2.7	2.3	6.5	35.5	41.1	14.9	11.2	8.3	5.8	7.6	6.1	15.2
Reliance Comm	78	Neutral	7.2	3.8	7.2	10.8	20.8	10.8	7.3	7.0	5.4	3.9	2.1	4.0
Tulip Telecom	153	Buy	18.9	20.9	22.3	8.1	7.3	6.9	5.4	5.1	4.2	28.6	24.8	19.1
Sector Aggregate						22.2	22.2	12.9	9.6	7.7	5.8	8.9	8.3	12.6

* Proportionate EV/EBITDA

2QFY12: Summary Expectations

Wireless KPIs

	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12E	YOY(%)	QOQ(%)
EOP Wireless Subs (m)											
Bharti (India)	111	119	128	137	143	152	162	169	174	21.2	2.7
Idea**	47	52	64	69	74	82	90	95	98	32.0	3.0
RCOM	86	94	102	111	117	126	136	143	148	25.9	3.1
Avg. Wireless Subs (m)											
Bharti (India)	106	115	123	132	140	148	157	166	171	22.5	3.5
Idea**	45	50	58	66	72	78	86	92	97	34.9	4.6
RCOM	83	90	98	107	114	121	131	139	146	27.6	4.3
ARPU (INR/Month)											
Bharti (India)	252	230	220	215	202	198	194	190	185	-8.1	-2.7
Idea**	209	200	185	182	167	168	161	160	157	-5.7	-1.6
RCOM	161	149	139	130	122	111	107	102	98	-19.9	-4.5
MOU Per Sub											
Bharti (India)	450	446	468	480	454	449	449	445	431	-5.1	-3.3
Idea**	375	389	398	415	394	401	397	391	377	-4.2	-3.5
RCOM	340	330	318	295	276	251	241	233	221	-19.8	-5.0
Revenue Per Min (INR)											
Bharti (India)	0.56	0.52	0.47	0.45	0.44	0.44	0.43	0.43	0.43	-3.2	0.7
Idea**	0.56	0.51	0.46	0.44	0.42	0.42	0.41	0.41	0.42	-1.6	2.0
RCOM	0.47	0.45	0.44	0.44	0.44	0.44	0.44	0.44	0.44	-0.1	0.5
Wireless Traffic (B Min)											
Bharti (India)	144	153	173	190	191	199	212	221	222	16.3	0.1
Idea**	50	58	68	82	85	94	102	109	109	28.8	0.6
RCOM	85	89	94	94	94	91	94	97	97	2.3	-0.7

** Idea 4QFY10 numbers include one month consolidation with Spice; full merger from 1QFY11

Quarterly Financials

	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12E	YOY(%)	QOQ(%)
Revenue (INR b)											
Bharti (ex Africa)	103.8	103.1	107.5	112.7	113.3	117.2	121.2	126.3	128.3	13.2	1.6
Bharti (consolidated)	103.8	103.1	107.5	122.3	152.2	157.6	162.7	169.7	173.7	14.2	2.3
Idea**	29.7	31.5	33.5	36.5	36.6	39.6	42.0	45.2	46.6	27.4	3.2
RCOM #	57.0	53.1	50.9	51.1	51.2	50.0	53.3	49.4	49.7	-2.8	0.7
EBITDA (INR b)											
Bharti (ex Africa)	43.0	40.8	40.8	42.4	42.2	43.7*	44.3	46.0	45.5	7.8	-1.1
Bharti (consolidated)	43.0	40.8	40.8	44.1	51.2	53.2*	54.5	57.1	58.3	13.8	2.1
Idea**	8.1	8.1	9.2	8.9	8.8	9.5	10.0	12.0	12.2	39.3	1.6
RCOM #	20	18	16	16	17	16.7	15.9	16.0	15.5	-6.7	-3.4
EBITDA Margin (%)											
Bharti (ex Africa)	41.4	39.6	38.0	37.6	37.3	37.3*	36.6	36.4	35.5	-179bp	-95bp
Bharti (consolidated)	41.4	39.6	38.0	36.1	33.7	33.8*	33.5	33.6	33.6	-11bp	-6bp
Idea**	27.2	25.8	27.6	24.3	24.0	24.0	23.9	26.6	26.2	223bp	-39bp
RCOM	35.4	34.1	31.5	31.9	32.4	33.3	29.9	32.4	31.1	-130bp	-131bp
PAT (INR b)											
Bharti (ex Africa)	23.2	22.1	20.4	19.0	20.4	18.3	18.2	15.2	13.8	-32.3	-9.0
Bharti (consolidated)	23.2	22.1	20.4	16.8	16.6	13.0	14.0	12.2	10.5	-36.8	-13.5
Idea**	2.2	1.7	2.7	2.0	1.8	2.4	2.0	1.8	0.9	-47.8	-47.1
RCOM	8.2	11.9	11.4	3.0	4.9	5.3	1.8	2.2	1.2	-75.0	-45.1
EPS (INR)											
Bharti	6.1	5.8	5.4	4.4	4.4	3.4	3.7	3.2	2.8	-36.8	-13.5
Idea	0.7	0.5	0.9	0.6	0.5	0.7	0.8	0.5	0.3	-47.9	-47.1
RCOM	4.0	5.8	5.5	1.5	2.4	2.5	0.9	1.1	0.6	-75.0	-45.1
Capex (INR b)											
Bharti (ex Africa)	22.8	16.9	15.1	17.4	29.3	29.3	31.1	24.7	17.6	-39.8	-28.6
Idea	9.6	9.0	5.3	3.6	3.0	9.5	14.6	10.4	5.7	92.2	-44.7
RCOM	9.8	13.3	8.8	7.9	9.3	19.1	6.6	3.6	2.7	-70.8	-24.7

* Before re-branding expenses; # Adj for change in accounting for IRU sales; ** Idea 4QFY10 includes 1 month consolidation with Spice; full merger from 1QFY11; Adj for one-off revenue of ~INR340m and costs reversal of ~INR380m in 4QFY11

Source: Company/MOSL

Bharti Airtel

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR380										Buy
Bloomberg Equity Shares (m)	BHARTIIN 3,793.9	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	445/304	3/10A	418,472	89,767	23.7	5.9	-	-	23.6	18.9	-	-
1,6,12 Rel Perf (%)	-6 / 25 / 22	3/11A	594,672	60,468	15.9	-32.6	23.9	2.8	12.6	8.7	3.4	10.2
Mcap (INR b)	1,443.2	3/12E	718,539	68,716	18.1	13.6	21.0	2.5	12.5	8.2	2.8	7.8
Mcap (USD b)	29.2	3/13E	816,661	110,587	29.1	60.9	13.1	2.1	17.4	11.3	2.3	5.9

- We expect consolidated revenue to grow 14% YoY and 2.3% QoQ to INR174b. The slowdown in revenue growth is largely due to low traffic growth in the Indian wireless market. We estimate India and South Asia revenue at INR128b, and Africa business revenue at INR45b (USD1,015m).
- Consolidated EBITDA margin would remain fairly stable at 33.6%, led by operating leverage in domestic as well as Africa business. EBITDA margin in the Africa business (including corporate expenses) is likely to expand by 270bp QoQ to 27.9%. We expect India and South Asia EBITDA margin to decline by ~90bp to 35.5%.
- We expect India and South Asia mobile revenue to grow ~13% YoY and ~1% QoQ to INR99.3b. Traffic growth is likely to remain flat and at 1QFY12 levels. Incremental 3G revenue would contribute INR1.1b as compared to ~0.5b in 1QFY12. We expect mobile ARPU to decline 8% YoY and 2.7% QoQ to INR185.
- We model revenue growth of ~4% QoQ and ARPU at USD7.1 for the Africa business.
- We expect consolidated net profit to decline 37% YoY and 13.5% QoQ to INR10.5b. PAT for India and South Asia is likely to decline ~32% YoY and ~9% QoQ to INR13.8b.
- The stock trades at an EV of 8x FY12E and 6x FY13E proportionate EBITDA. Maintain **Buy**.
- **Key things to watch:** Margin expansion in Africa business (we expect 270bp QoQ), QoQ RPM movement in domestic business (we expect an increase of 70bp QoQ), derivative and exchange fluctuation loss (we expect a 20% PAT impact in 2QFY12 at current INR levels).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue	122,308	152,150	157,560	162,654	169,749	173,696	183,176	191,917	594,672	718,539
YoY Growth (%)	17.4	46.6	52.9	51.3	38.8	14.2	16.3	18.0	42.1	20.8
QoQ Growth (%)	13.8	24.4	3.6	3.2	4.4	2.3	5.5	4.8		
Total Operating Expenses	78,168	100,938	107,743	108,158	112,691	115,418	117,881	119,518	395,007	465,571
EBITDA	44,140	51,212	49,816	54,496	57,058	58,278	65,296	72,399	199,664	252,968
YoY Growth (%)	2.7	19.1	22.0	33.5	29.3	13.8	31.1	32.9	19.1	26.7
QoQ Growth (%)	8.1	16.0	-2.7	9.4	4.7	2.1	12.0	10.9		
Margin (%)	36.1	33.7	31.6	33.5	33.6	33.6	35.6	37.7	33.6	35.2
Net Finance Costs	4,198	3,319	7,470	6,826	8,551	12,255	6,388	5,579	21,813	32,773
Non-Operating Income	244	164	256	334	0	1	4	4	998	9
Depreciation & Amortization	19,467	25,790	27,107	29,702	31,314	31,729	32,369	32,955	102,066	128,367
Profit before Tax	20,719	22,267	15,495	18,302	17,195	14,295	26,542	33,868	76,783	91,837
Income Tax Expense / (Income)	3,750	5,678	3,366	4,996	5,141	3,928	6,449	7,629	17,790	23,147
Profit after Tax	16,969	16,589	12,129	13,306	12,054	10,367	20,093	26,239	58,993	68,690
Minority interest	-153	23	904	701	98	140	-41	-171	1,475	26
Reported Net Profit / (Loss)	16,816	16,612	13,033	14,007	12,152	10,507	20,051	26,068	60,468	68,716
YoY Growth (%)	-32.0	-26.6	-40.6	-31.5	-27.7	-36.8	53.9	86.1	-32.6	13.6
India - Mobile RPM (INR/min)	0.45	0.44	0.44	0.43	0.43	0.43	0.44	0.45	0.44	0.44
Africa - Subscribers (m)	36	40	42	44	46	49	52	56	44	56
Africa - ARPU (USD/month)	7.4	7.6	7.4	7.1	7.2	7.1	6.9	6.8	7.3	7.0
Africa-EBITDA mar. incl corp. exp(%)	27.5	23.1	19.1	24.3	25.2	27.9	30.6	33.7	24.9	29.5

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

Idea Cellular

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR97										Buy
Bloomberg	IDEA IN	YEAR	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Equity Shares (m)	3,303.3	3/10A	124,476	9,540	3.1	2.0	-	-	7.6	5.5	-	-
52 Week Range (INR)	104/56	3/11A	155,032	8,986	2.7	-11.6	35.4	2.6	7.6	5.2	2.7	11.2
1,6,12 Rel Perf (%)	0 / 63 / 46	3/12E	193,887	7,758	2.3	-13.7	41.0	2.4	6.1	5.9	2.3	8.2
Mcap (INR b)	319.1	3/13E	232,081	21,438	6.5	176.3	14.9	2.1	15.2	10.7	1.8	5.8
Mcap (USD b)	6.5											

- We expect consolidated revenue to grow 27% YoY and 3% QoQ to INR46.6b.
- IDEA would report mobile traffic growth of ~0.5% QoQ. The stagnated growth is led by a 3.5% QoQ decline in MOU to 377.
- ARPU is likely to decline by ~2% QoQ to INR157. The ARPU decline in established circles and new circles would be 2.5% QoQ and 3% QoQ, respectively.
- We expect adjusted EBITDA margin to decline 40bp QoQ to 26.2%. EBITDA margin would be 30% in established circles, and decline 340bp QoQ in new circles. We estimate EBITDA loss in new circles at ~INR1.2b.
- Net profit is likely to decline 47% QoQ and 48% YoY to INR0.9b.
- The stock trades at an EV of 8.2x FY12E and 5.8x FY13E EBITDA. Maintain **Buy**.
- **Key things to watch:** QoQ RPM trend (we expect 2% growth), EBITDA loss in new circles (we expect INR1.2b), and net finance cost (we expect INR3b).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q*	1Q	2QE	3QE	4QE		
Gross Revenue	36,537	36,592	39,556	42,006	45,207	46,636	49,677	52,366	155,032	193,887
YoY Growth (%)	22.8	23.0	25.6	25.5	23.7	27.4	25.6	24.7	24.5	25.1
QoQ Growth (%)	9.1	0.2	8.1	6.2	7.6	3.2	6.5	5.4		
EBITDA	8,884	8,788	9,482	10,031	12,040	12,238	13,936	15,280	37,906	53,494
YoY Growth (%)	3.3	8.6	16.5	8.6	35.5	39.3	47.0	52.3	11.3	41.1
QoQ Growth (%)	-3.8	-1.1	7.9	5.8	20.0	1.6	13.9	9.6		
Margin (%)	24.3	24.0	24.0	23.9	26.6	26.2	28.1	29.2	24.5	27.6
Net Finance Costs	1,142	1,028	941	854	2,463	3,034	2,716	2,787	3,965	11,001
Depreciation & Amortization	5,656	5,820	5,925	6,572	7,026	7,864	8,139	8,363	23,973	31,392
Profit before Tax	2,086	1,940	2,616	2,605	2,551	1,340	3,081	4,130	9,968	11,101
Income Tax Expense / (Income)	72	143	186	581	778	402	924	1,239	982	3,343
Net Profit / (Loss)	2,014	1,797	2,430	2,024	1,773	938	2,157	2,891	8,986	7,758
YoY Growth (%)	-32.2	-18.4	42.9	-24.1	-12.0	-47.8	-11.2	42.8	-5.8	-13.7
QoQ Growth (%)	-24.5	-10.8	35.2	-16.7	-12.4	-47.1	130.0	34.0		
Margin (%)	5.5	4.9	6.1	4.8	3.9	2.0	4.3	5.5	5.8	4.0
Mobile ARPU (INR/month)	182	167	168	161	160	157	162	163	167	166
QoQ Growth (%)	-1.6	-8.2	0.6	-4.2	-0.6	-1.6	2.8	0.9		
Mobile MOU/sub/month	415	394	401	397	391	377	383	382	394	392
QoQ Growth (%)	4.3	-5.1	1.8	-1.0	-1.5	-3.5	1.6	-0.4		
Mobile RPM (INR)	0.44	0.42	0.42	0.41	0.41	0.42	0.42	0.43	0.42	0.42
QoQ Growth (%)	-5.7	-3.4	-1.2	-3.2	0.9	2.0	1.2	1.4		

E: MOSL Estimates; * Adjusted for one-off revenue of ~INR340m and costs reversal of ~INR380m in 4QFY11

Reliance Communication

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR78								Neutral		
Bloomberg Equity Shares (m)	RCOMIN 2,063.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	189/72	3/10A	222,457	48,812	23.7	-20.7	-	-	12.6	5.8	-	-
1,6,12 Rel Perf (%)	7 / -11 / -34	3/11A	205,627	14,936	7.2	-69.4	10.9	0.4	3.9	2.9	2.3	7.4
Mcap (INR b)	160.9	3/12E	203,369	7,744	3.8	-48.2	21.0	0.4	2.1	2.3	2.2	7.0
Mcap (USD b)	3.3	3/13E	228,368	14,873	7.2	92.1	10.9	0.4	4.0	3.5	1.8	5.4

- We expect revenue to grow 70bp QoQ to INR49.7b.
- Wireless ARPU is likely to decline by ~4% QoQ to INR99.
- After maintaining current RPM levels for seven consecutive quarters, we expect RCOM to witness 1% QoQ increase in RPM to INR0.45.
- MOU is likely to decline 5% QoQ to 221 minutes; wireless traffic would remain relatively flat (down ~1% QoQ).
- Adjusted EBITDA is likely to decline 3.4% QoQ to INR15.5b; EBITDA margin could decline by 130bp QoQ to 31.1%.
- We expect pre-minority interest net profit to decline by 75% YoY and 45% QoQ to INR1.2b.
- The stock trades at an EV of 7x FY12E and 5.4x FY13E EBITDA. **Neutral.**
- **Key things to watch:** Margin trajectory in wireless business (we expect 130bp QoQ decline), RPM trend (we expect 1% increase).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q*	1Q	2QE	3QE	4QE		
Gross Revenue	51,092	51,183	50,041	53,311	49,401	49,729	51,418	52,821	205,627	203,369
YoY Growth (%)	-16.9	-10.2	-5.7	4.7	-3.3	-2.8	2.8	-0.9	-7.6	-1.1
QoQ Growth (%)	0.3	0.2	-2.2	6.5	-7.3	0.7	3.4	2.7		
EBITDA	16,320	16,595	16,680	15,920	16,021	15,479	16,185	16,979	65,515	64,664
YoY Growth (%)	-33.5	-17.8	-8.0	-0.6	-1.8	-6.7	-3.0	6.7	-16.9	-1.3
QoQ Growth (%)	1.9	1.7	0.5	-4.6	0.6	-3.4	4.6	4.9		
Margin (%)	31.9	32.4	33.3	29.9	32.4	31.1	31.5	32.1	31.9	31.8
Net Finance Costs	4,396	2,797	1,296	2,234	4,050	4,004	3,849	3,684	10,723	15,587
Depreciation & Amortization	9,648	9,553	10,338	10,200	9,760	10,247	10,534	10,816	39,739	41,357
Profit before Tax	2,276	4,245	5,046	3,486	2,211	1,228	1,803	2,478	15,053	7,720
Income Tax Expense / (Income)	-719	-661	-214	1,711	-24	0	0	0	117	-24
Adjusted Net Profit / (Loss)	2,995	4,906	5,260	1,775	2,235	1,228	1,803	2,478	14,936	7,744
YoY Growth (%)	-82.7	-40.5	-55.7	-84.4	-25.4	-75.0	-65.7	39.6	-69.4	-48.2
QoQ Growth (%)	-73.7	63.8	7.2	-66.3	25.9	-45.1	46.8	37.5		
Margin (%)	5.9	9.6	10.5	3.3	4.5	2.5	3.5	4.7	7.3	3.8
Extraordinary Exp/Minority Interest	486	447	457	89	661	300	300	300	1,479	1,561
Reported Net Profit / (Loss)	2,509	4,459	4,803	1,686	1,574	928	1,503	2,178	13,457	6,183
Wireless ARPU (INR/month)	130	122	111	107	103	99	101	101	116	102
QoQ Growth (%)	-6.5	-6.2	-9.0	-3.6	-3.4	-3.9	1.4	0.3		
Wireless MOU/sub/month	295	276	251	241	233	221	221	219	262	225
QoQ Growth (%)	-7.2	-6.4	-9.1	-4.0	-3.3	-5.0	0.0	-1.1		
Wireless RPM (INR)	0.44	0.44	0.44	0.44	0.44	0.45	0.46	0.46	0.44	0.45
QoQ Growth (%)	0.8	0.3	0.0	0.4	-0.1	1.2	1.4	1.4		

E: MOSL Estimates; * Adjusted for one-time addition of INR25.45b in revenue, INR25.3b in EBITDA and Rs25.3b in D & A due to change in accounting for IRU sales

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

Tulip Telecom

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR153										Buy
Bloomberg Equity Shares (m)	TTSLIN 145.0	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	201/132	3/10A	19,655	2,310	14.2	-3.5	-	-	28.7	14.0	-	-
1,6,12 Rel Perf (%)	6 / 24 / 10	3/11A	23,511	3,064	18.9	32.7	8.1	2.1	28.6	14.0	1.6	5.5
Mcap (INR b)	22.2	3/12E	29,419	3,398	20.9	10.9	7.3	1.7	24.8	12.8	1.4	5.1
Mcap (USD b)	0.4	3/13E	36,232	3,618	22.3	6.5	7.0	1.1	19.1	11.6	1.2	4.5

- We expect consolidated revenue to grow ~23% YoY and 10% QoQ to INR7.2b.
- EBITDA margin would remain flat at 28.3%. We expect EBITDA to grow 10% QoQ to INR2b.
- Reported PAT is likely to grow 12% YoY to INR873m.
- The stock trades at an EV of 5.1x FY12E and 4.5x FY13E EBITDA. Maintain **Buy**.
- **Key things to watch:** Net finance cost (we expect 10% QoQ increase to INR351m) and EBITDA margin trend (we expect margins to remain flat).

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross Revenue	5,252	5,853	6,022	6,380	6,539	7,184	7,552	8,144	23,511	29,419
YoY Growth (%)	18.6	19.2	20.2	20.2	24.5	22.7	25.4	27.7	19.6	25.1
QoQ Growth (%)	-1.0	11.4	2.9	5.9	2.5	9.9	5.1	7.8		
Total Operating Expenses	3,834	4,220	4,306	4,513	4,691	5,152	5,439	5,924	16,880	21,206
EBITDA	1,417	1,633	1,716	1,867	1,848	2,032	2,113	2,220	6,631	8,213
YoY Growth (%)	30.5	28.7	27.1	20.8	30.3	24.5	23.1	18.9	26.3	23.9
QoQ Growth (%)	-8.3	15.2	5.1	8.8	-1.0	10.0	4.0	5.1		
Margin (%)	27.0	27.9	28.5	29.3	28.3	28.3	28.0	27.3	28.2	27.9
Net Finance Costs	185	190	212	267	319	351	386	411	853	1,467
Non-Operating Income	-13	14	11	-11	-11	30	35	36	1	90
Depreciation & Amortization	375	420	441	479	495	545	599	666	1,714	2,305
Profit before Tax	844	1,038	1,075	1,111	1,023	1,167	1,163	1,179	4,065	4,531
Income Tax Expense / (Income)	203	258	257	283	251	294	293	295	1,001	1,133
Tax Rate (%)	24	25	24	26	25	25	25	25	25	25
Reported Net Profit / (Loss)	642	780	817	827	772	873	870	884	3,064	3,398
YoY Growth (%)	8.6	59.6	42.5	25.8	20.3	11.9	6.4	6.9	32.6	10.9
QoQ Growth (%)	-2.5	21.6	4.8	1.2	-6.7	13.1	-0.3	1.7		
Margin (%)	12.2	13.3	13.6	13.0	11.8	12.1	11.5	10.9	13.0	11.6

E: MOSL Estimates

Utilities

COMPANY NAME

Adani Power

CESC

Coal India

JSW Energy

Lanco Infratech

NHPC

NTPC

Power Grid

PTC India

Reliance Infrastructure

Tata Power

In 2QFY12 we expect utility companies under our coverage (excluding COAL) to grow revenue 11% YoY and net profit 14% YoY. Capacity addition will drive net profit growth.

Generation grows 11% YoY led by elevated PLF of hydro, nuclear plants: Over July and August all-India generation grew 11% YoY, led by capacity addition in coal-based projects and increased PLF of hydro and nuclear plants. Over the past 12 months India added 13.6GW of capacity, of which coal-based capacity addition was 12.2GW, up 12% YoY. The PLF of hydro and nuclear plants increased 24pp and 10pp to 78% and 53%, respectively. Higher generation from hydro and nuclear projects, overall improved generation in the system and slower demand growth led to coal projects operating at muted PLFs.

Strong consumption growth, lower incremental demand; lower base deficit: Over July and August India's power demand grew 8% YoY to 102BUs. However, power availability has been higher (in YTD FY12 generation grew 9% YoY) leading to moderation in base-deficit. Base deficit in August was 4.8%, the lowest since September 2007. However, YTD FY12 base deficit was 5.9% v/s 8.5% in FY11.

Low deficit weakens short-term/forward tariffs, imported coal prices flat QoQ: In 2QFY12 average spot rates at IEX was INR2.9/unit (down 5% YoY, down 6% QoQ). Moderation of deficit also impacted forward tariffs and tariffs for delivery in December 2011 was INR3.6/unit. 2QFY12 imported coal prices were USD117/ton, down 3% QoQ, up 33% YoY. Adjusting for the depreciation of the rupee (~10% in September), this could mean QoQ imported coal has become dearer. Muted PLF of coal plants, YoY fall in the realizations and relatively higher cost of imported coal could impact projects based on imported coal and the PPA structure/merchant capacity.

Valuation and view: The power sector has seen significant valuation de-rating due to concerns over delayed capacity additions, merchant prices, lower demand and fuel-supply issues. In this environment we are upbeat on companies that are relatively better positioned on these fronts. Our top picks are **NTPC**, **Powergrid** and **Coal India** and among mid-caps we prefer **CESC**.

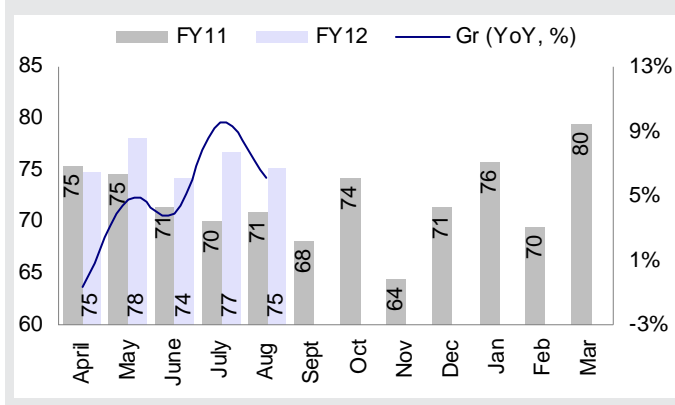
Expected quarterly performance summary

(INR million)

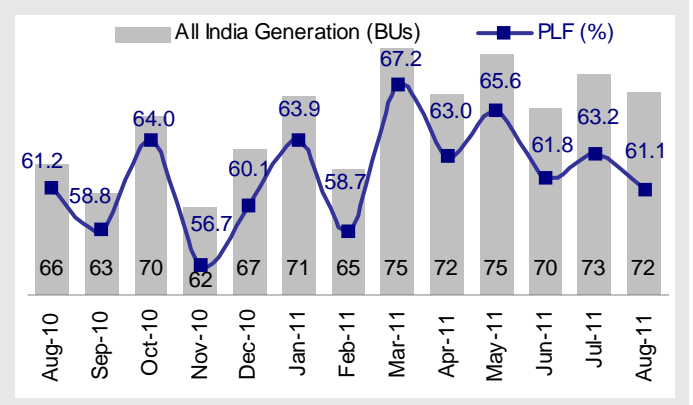
	CMP (INR) 26.09.11	Rating	Sales			EBITDA			Net profit		
			Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ	Sep.11	Var. % YoY	Var. % QoQ
Adani Power	85	Neutral	10,093	155.4	23.3	5,235	149.9	27.6	2,277	76.2	28.7
CESC	276	Buy	10,475	-5.2	-11.5	2,786	-12.4	4.3	1,197	-11.3	7.8
Coal India	346	Buy	134,345	20.8	-7.3	21,279	20.0	-55.8	20,840	36.9	-49.5
JSW Energy	55	Neutral	11,230	32.7	-11.7	3,381	4.1	-14.0	1,018	-34.1	-25.3
Lanco Infratech	16	Buy	25,372	24.3	-18.0	6,219	49.2	26.6	971	37.8	603.7
NHPC	23	Neutral	18,208	42.1	16.7	11,563	9.2	10.5	8,402	21.7	40.1
NTPC	164	Buy	145,900	-1.1	3.0	32,985	-6.0	15.1	18,239	12.9	-4.1
Power Grid Corp.	95	Buy	22,464	5.6	2.0	18,798	5.3	1.9	6,596	10.3	-6.5
PTC India	68	Buy	30,621	24.0	23.1	503	32.0	5.6	446	24.6	-1.5
Reliance Infrastructure	423	Buy	31,132	27.6	-15.0	3,632	-12.7	-47.8	2,877	30.5	0.1
Tata Power	97	Neutral	17,588	7.5	-8.5	4,288	22.1	0.2	2,017	-7.2	-31.4
Sector Aggregate			457,427	13.7	-2.4	110,669	8.5	-16.9	64,880	20.4	-22.8
Sector Aggregate Ex Coal India			323,082	11.1	-0.2	89,390	6.0	5.3	44,040	13.9	3.1

Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Satyam Agarwal (AgarwalS@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

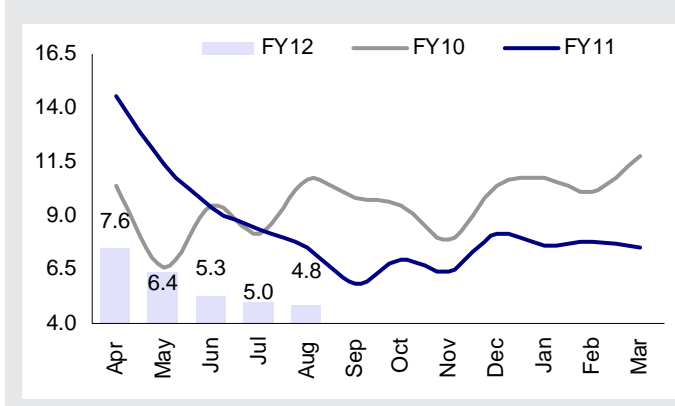
Power demand in July, August up 8% YoY (BUs)



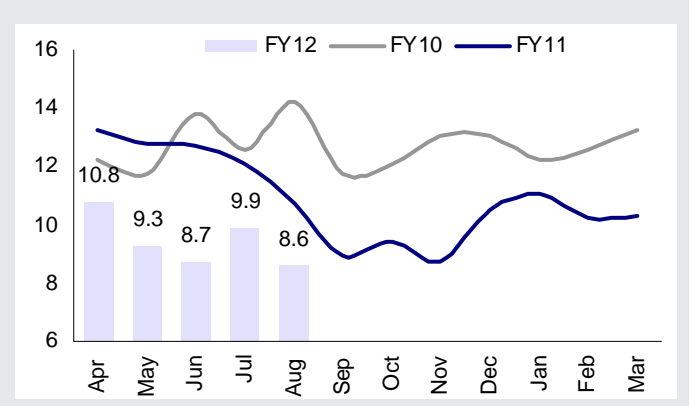
Generation up 11% YoY...



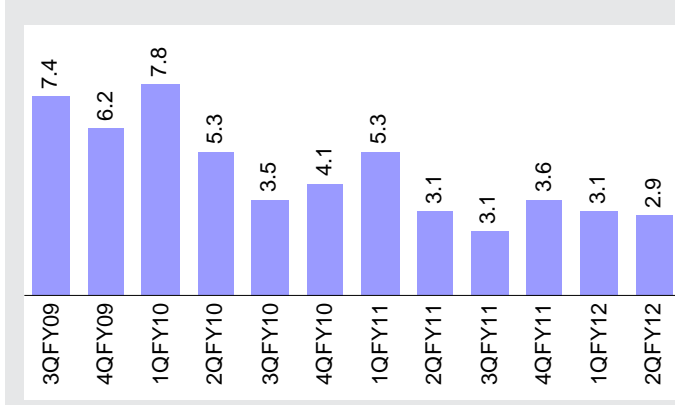
...leading to a lower base deficit (%)...



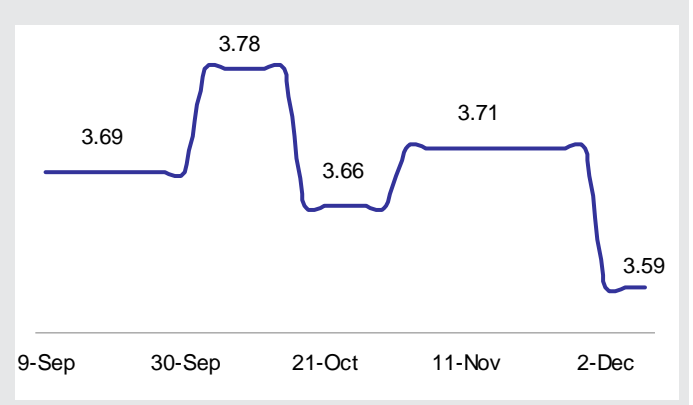
...and lower peak deficit (%)



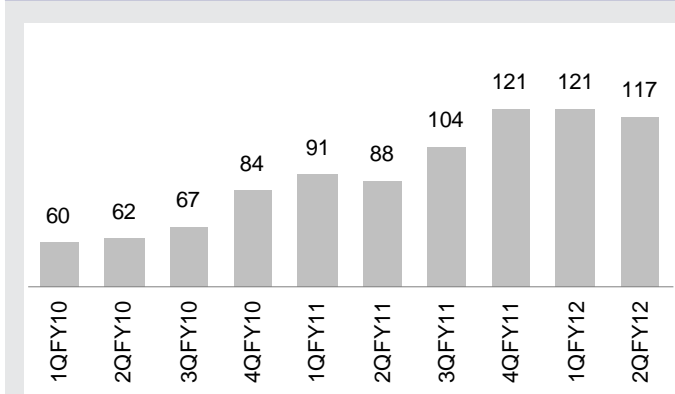
...putting pressure on ST prices (INR/unit)



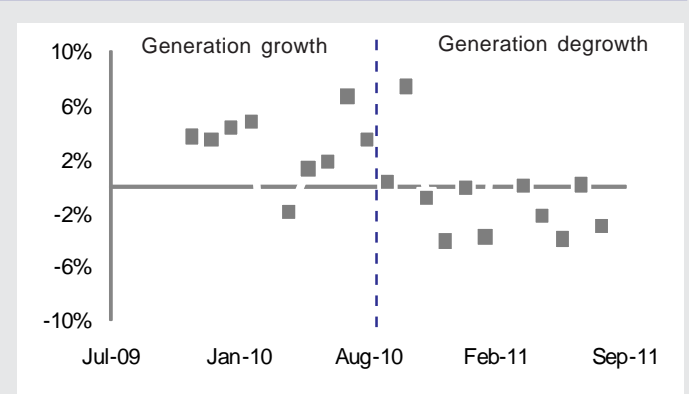
...forward curve trend sloping (INR/unit)



RB Index* moderates (USD/ton)



NTPC monthly generation growth (YoY %)



* 6,000kcal

Source: CEA/ IEX/CERC/Bloomberg/MOSL

Generation and PLF for key players:

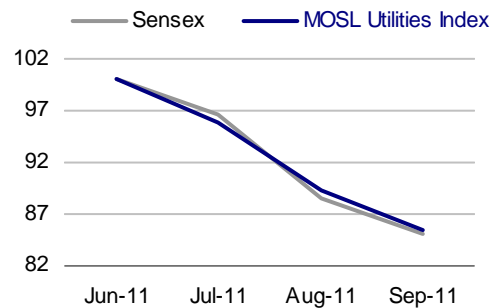
	Capacity (MW)*	Aug-11		Aug-10		Generation		Chg (%)
		Generation	PLF (%)	Generation	PLF (%)	Jul-Aug 11	Jul-Aug 10	
Adani Power								
- Mundra	2,640.0	1,251.9	85.0	544.2	87.6	2,170.7	991.8	118.9
GVK								
- JP 1 & 2	455.4	266.1	80.0	272.9	82.1	466.5	503.3	-7.3
- Gautami	464.0	268.5	79.3	314.0	92.7	512.1	608.3	-15.8
GMR								
- Barge Mounted	220.0	125.5	78.1	0.0	0.0	361.5	1.6	NA
- Chennai	200.0	45.8	31.4	58.8	40.3	112.6	119.4	-5.7
- Vemagiri	370.0	198.8	73.6	255.2	94.5	419.5	525.0	-20.1
JPL								
- Chattisgarh	1,000.0	662.5	89.0	719.0	96.5	1,412.4	1,351.6	4.5
Rel Infra								
- Dahanu	500.0	351.3	94.4	390.0	104.9	728.3	766.0	-4.9
- Samalkot (AP)	220.0	136.0	84.7	141.5	88.1	231.6	292.7	-20.9
- Goa	48.0	19.6	55.9	26.0	74.2	19.6	53.4	-63.3
- Kochi	174.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Rel Power								
- Rosa	600.0	303.4	68.0	221.2	50.5	727.4	391.9	85.6
Tata Power								
- Trombay	1,580.0	692.0	56.3	719.4	57.1	1,377.0	1,536.7	-10.4
- TISCO (Jamshedpur)	441.0	226.5	84.6	237.5	79.1	429.9	473.0	-9.1
Torrent Power								
- Existing	500.0	293.0	82.9	358.0	95.3	596.7	714.0	-16.4
- Sugan	1,147.5	732.7	87.5	707.7	84.5	1,410.7	1,442.7	-2.2
JSW Energy								
- Rajwest Unit-I	270.0	0.0	0.0	10.9	5.5	0.0	19.3	-100.0
- Karnataka	860.0	435.3	68.0	617.0	96.4	762.4	1,230.8	-38.1
- Ratnagiri	900.0	438.5	65.5	0.0	0.0	1,063.5	0.0	NA
CESC								
	1,225.0	790.6	83.0	786.7	82.3	1,613.9	1,587.6	1.7
Lanco Infratech								
- Kondapali	716.0	230.7	44.1	383.3	73.3	634.4	770.5	-17.7
- Amarkantak	600.0	332.5	74.5	261.7	59.8	581.5	620.4	-6.3
- UPCL	1,200.0	282.5	64.5	35.9	8.2	531.5	138.9	282.6
KSK								
- Wardha	540.0	208.7	70.6	0.0	0.0	442.0	0.0	NA
Sterlite								
- Jharsuguda	1,800.0	494.5	37.6	0.0	0.0	1,099.8	0.0	NA

*Monitored capacity by CEA

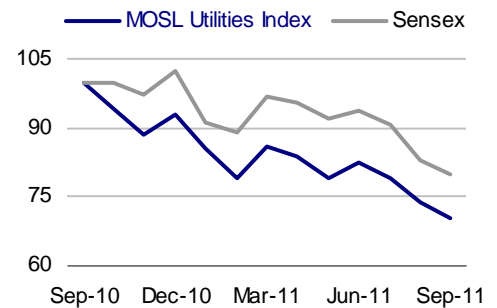
Source: CEA

Generation growth is led by increase in the capacity addition. Several projects commissioned in FY11 and YTFY12 continue to operate at sub-optimal PLF

Relative Performance-3m (%)



Relative Performance-1Yr (%)



Comparative valuation

	CMP (INR) 26.09.11	Rating	EPS (INR)			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Utilities														
Adani Power	85	Neutral	2.4	6.5	12.5	36.0	13.0	6.8	35.7	13.9	6.7	8.5	22.1	33.2
CESC	276	Buy	38.9	40.1	41.9	7.1	6.9	6.6	5.6	4.6	4.8	11.4	10.6	10.1
Coal India	346	Buy	17.3	22.3	26.7	20.0	15.5	13.0	13.0	10.0	7.8	26.4	26.5	25.4
JSW Energy	55	Neutral	5.1	3.7	5.1	10.8	14.9	10.9	10.8	9.5	6.9	16.1	10.3	12.7
Lanco Infratech	16	Buy	1.9	2.5	3.5	8.6	6.4	4.6	9.5	7.8	8.0	16.4	19.8	19.2
NHPC	23	Neutral	1.7	2.0	2.1	13.9	11.8	11.3	11.3	9.3	8.5	7.4	8.1	8.0
NTPC	164	Buy	9.7	11.0	13.0	17.0	14.9	12.6	12.2	10.5	10.3	12.2	12.8	14.0
Power Grid Corp.	95	Buy	5.5	6.1	7.0	17.4	15.7	13.7	11.5	11.4	10.5	13.6	12.6	13.3
PTC India	68	Buy	5.7	8.7	10.4	12.0	7.8	6.6	9.4	9.9	5.9	6.4	7.4	7.0
Reliance Infrastructure	423	Buy	40.4	50.4	66.8	10.5	8.4	6.3	15.3	8.9	6.9	6.8	7.6	9.3
Tata Power	97	Neutral	7.4	9.8	9.4	13.2	9.9	10.3	18.4	16.7	16.3	7.5	7.7	7.0
Sector Aggregate						17.4	14.0	11.7	12.9	10.4	8.9	14.3	15.8	17.0

* Coal India RoE adjusted for OB reserves

Adani Power

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	ADANI IN
Equity Shares (m)	2,393.2
52 Week Range (INR)	144/81
1,6,12 Rel Perf (%)	-3 / -9 / -17
Mcap (INR b)	202.8
Mcap (USD b)	4.1

CMP: INR85**Neutral**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS* (INR)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	4,349	1,701	0.8	-	-	-	2.9	1.5	-	-
3/11A	21,352	5,133	2.4	201.8	36.0	2.9	8.5	4.4	20.4	35.7
3/12E	61,099	15,523	6.5	176.1	13.1	2.6	22.1	8.4	7.7	13.9
3/13E	132,224	30,711	12.5	93.0	6.8	2.0	33.2	15.4	3.6	6.7

* Consolidated

- In 2QFY12 we expect Adani Power (ADANI) to post revenue of INR10b (up 1.5x YoY) and net profit of INR2.3b (up 76% YoY). We expect ADANI to generate 3.8BUs in 2QFY12 and sell 14% of it on merchant terms.
- ADANI synchronised 660MW at Mundra (Unit-2 of phase-3) in September 2011 and thus 2QFY12 end capacity is 2.6GW. For FY12 it aims to commission 2.6GW capacity (installed 0.66GW so far) and this could mean sizeable merchant sales, given PPAs are effective from later date.
- ADANI will require 10.5mt of coal to fuel its expected FY12 capacity of 4.6GW and it plans to procure about three-fourths of the requirement from AEL and the rest from Coal India. ADANI's Mundra phase-4 and Tiroda are dependent on domestic coal linkages.
- An Appellate Tribunal upheld a 1GW PPA signed by ADANI with GUVNL for Mundra phase-3. To challenge Appellate Tribunal order, ADANI is preparing to file a petition in the apex court.
- We expect ADANI to post FY12 consolidated net profit of INR16b (up 3x YoY) and of INR30b in FY13 (up 93%). The stock trades at a reported PER of 13.1x FY12E and 6.8x FY13E. Maintain **Neutral**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Capacity (MW)	660	990	1,980	1,980	1,980	2,640	3,300	4,620	1,980	4,620
PLF (%)	80.0	82.0	85.0	89.0	74.0	69.1	74.8	76.2	85.0	73.0
Sales (MUs)	1,030	1,334	1,717	2,729	2,898	3,495	5,405	7,711	6,810	19,509
- Long Term	850	1,187	1,546	2,409	2,628	3,025	3,634	3,652	5,991	12,939
- Merchant	180	147	172	320	270	470	1,771	4,059	819	6,570

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	3,531	3,952	5,026	8,843	8,187	10,093	16,283	26,536	21,352	61,099
Change (%)			1.2	3.4	131.9	155.4	224.0	200.1		186.2
EBITDA	2,132	2,095	2,730	5,248	4,102	5,235	8,772	15,757	12,205	33,985
Change (%)			1.1	3.4	92.4	149.9	221.3	200.2		178.5
As of % Sales	60.4	53.0	54.3	0.6	50.1	51.9	53.9	59.4	57.2	55.6
Depreciation	279	358	455	793	1,040	1,250	1,610	1,913	1,886	5,813
Interest (Net)	433	455	532	947	886	1,197	2,475	4,376	2,366	8,933
Other income	79	188	15	-102	81	75	78	78	180	311
PBT	1,499	1,469	1,758	3,406	2,256	2,864	4,764	9,546	8,132	19,550
Tax	354	211	667	1,768	488	587	977	1,975	3,000	4,026
Effective Tax Rate (%)	23.6	14.3	37.9	51.9	21.6	20.5	20.5	20.7	36.9	20.6
Reported PAT	1,145	1,258	1,091	1,638	1,769	2,277	3,787	7,572	5,132	15,523
Adjusted PAT (Pre Exceptional)	1,145	1,292	1,246	1,449	1,769	2,277	3,787	7,572	5,132	15,523
Change (%)					54.5	76.2	204.0	422.4		

E: MOSL Estimates

CESC

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	CESC IN
Equity Shares (m)	125.6
52 Week Range (INR)	414/257
1,6,12 Rel Perf (%)	-2 / 5 / -10
Mcap (INR b)	34.7
Mcap (USD b)	0.7

CMP: INR276**Buy**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS* (INR)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	32,928	4,333	34.5	17.7	-	-	11.4	10.3	-	-
03/11A	39,399	4,670	38.9	12.7	7.1	0.8	11.4	11.2	1.4	5.6
03/12E	42,103	5,040	40.1	3.2	6.9	0.7	10.6	11.0	1.2	4.6
03/13E	45,041	5,262	41.9	4.4	6.6	0.7	10.1	10.7	1.2	4.8

* Excl Spencers; fully diluted

- In 2QFY12 we expect CESC to report revenue of INR10b (down 5% YoY) and net profit of INR1.2b, (down 11% YoY). PAT de-growth is led by a tariff revision in 2QFY11, which is expected to be approved in 3QFY12. In July and August PLF was 90% v/s 89% a year earlier and generation was up 2% YoY at 1.6BUs.
- CESC expects the first tranche of coal from Resource Gen to start from January 2014. CESC will buy 139mt of coal over 38 years.
- Spencer aims to break even (EBITDA positive) by FY14 and its past few months' operations at store level have been encouraging with store level EBITDA positive of 4%. Break even strategy hinges on increase in sales to INR1,250-INR1,300/square foot/month, increase store level EBITDA to 7-8% and maintain corporate overheads.
- CESC plans to raise PE funding for power and retail business. CESC will require INR35b of equity funding for its power projects (2.5GW, invested INR7b until FY11). CESC plans to ramp-up the operations in Spencer from 0.95msf to 2.5msf over the next three years, which is contingent on fund raising and improvement in operational performance.
- CESC signed a strategic deal with Shanghai Electric (SEC) to set up UMPP and coal-based projects in India. It has awarded the BTG of the Haldia project to SEC.
- We expect CESC to post FY12 standalone net profit of INR5b (up 3% YoY) and INR5.3b in FY13 (up 4% YoY), excluding Spencer. The stock trades at a reported PER of 6.9x FY12E and 6.6x FY13E. Maintain **Buy**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Capacity (MW)	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Generation (MUs)	2,443	2,344	2,147	1,823	2,395	2,414	2,388	2,313	8,757	9,510
Realisation (INR/unit)	4.7	5.0	4.9	5.0	5.3	4.8	4.7	4.9	4.9	4.9
Overall PLF (%)	95.3	98.2	89.9	76.4	94.9	90.0	89.0	86.2	85.2	88.6

QUARTERLY PERFORMANCE

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	10,960	11,050	9,390	8,750	11,830	10,475	10,290	10,240	40,150	42,835
Change (%)	33.7	16.4	17.8	13.6	7.9	-5.2	9.6	17.0	19.8	6.7
EBITDA	2,560	3,180	2,530	2,460	2,671	2,786	3,123	2,880	10,730	11,460
Change (%)	27.4	51.4	34.6	23.0	4.3	-12.4	23.5	17.1	31.8	6.8
As of % Sales	23.4	28.8	26.9	28.1	22.6	26.6	30.4	28.1	26.7	26.8
Depreciation	670	640	690	670	710	730	745	753	2,670	2,938
Interest	670	770	690	580	700	725	740	752	2,710	2,917
Other Income	150	170	220	200	130	175	200	227	740	732
PBT	1,370	1,940	1,370	1,410	1,391	1,506	1,838	1,602	6,090	6,338
Tax	270	390	270	290	280	309	386	323	1,220	1,298
Effective Tax Rate (%)	19.7	20.1	19.7	20.6	20.1	20.5	21.0	20.2	20.0	20.5
Reported PAT	1,100	1,550	1,100	1,120	1,111	1,197	1,452	1,279	4,870	5,040
Adjusted PAT	1,100	1,350	1,100	1,120	1,111	1,197	1,452	1,279	4,670	5,040
Change (%)	4.8	7.1	7.8	12.0	1.0	-11.3	32.0	14.2	-5.3	7.9

E: MOSL Estimates, Standalone Numbers (excl Spencers Retail)

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Coal India

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	COAL IN
Equity Shares (m)	6,316.4
52 Week Range (INR)	422/287
1,6,12 Rel Perf (%)	-5/14/-
Mcap (INR b)	2,186.7
Mcap (USD b)	44.2

CMP: INR346

Buy

YEAR	NET SALES*	PAT* #	EPS#	EPS	P/E	P/BV	ROE\$	ROCE	EV/	EV/
END	(INR M)	(INR M)	(INR)	GR (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
FY10A	466,843	98,299	15.6	76.7	-	-	31.6	60.1	-	-
FY11A	526,162	109,273	17.3	11.2	20.0	6.6	26.4	54.3	3.3	13.0
FY12E	602,642	141,068	22.3	29.1	15.5	5.1	26.5	53.7	2.7	10.0
FY13E	685,733	168,392	26.7	19.4	13.0	4.0	25.4	49.1	2.2	7.8

* Consolidated; # Adjusted; \$ RoE is adjusted for OB reserves accounts, as applicable under IFRS

- In 2QFY12 we expect Coal India (COAL) to post revenue of INR134b (up 21% YoY) and net profit of INR21b (up 37% YoY).
- In 2QFY12 production is expected to be 90.6mt (flat YoY) and dispatch estimates 102mt (up 4% YoY). COAL said strong monsoons in eastern India impacted 2QFY12 production and it was consequently short of its quarterly production target.
- We expect COAL to sell 22% of its dispatch at the market determined rate. In 2QFY12 imported coal prices (RB Index) was USD118/ton (down 3% QoQ, up 33% YoY). However depreciation of the rupee (making imported coal dearer) is positive for e-auction realizations.
- MoEF accepted the recommendation of the BK Chaturvedi Committee which said the concept of Go and No Go areas for grant of environment clearances was illegal. Earlier, a joint exercise carried out by COAL and MoEF found 44% of COAL's mining area was in the No-Go zone.
- COAL plans to start production at its Mozambique mines by 2015, and aims to produce 5mt of coal from the mines.
- COAL's employee trade union has served notice for a one-day strike over the demand of bonus and higher ex-gratia payment in 2QFY12.
- We expect COAL to post FY12 net profit of INR141b (up 29%) and INR168b in FY13 (up 19%). The stock trades at a reported PER of 15.5x FY12E and 13x FY13E. Maintain **Buy**.

OPERATIONAL METRICS (M TONS)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Production	95.2	90.5	113.9	131.8	96.3	90.6	125.0	135.5	431.3	447.4
Sales/Offtake	101.1	98.4	110.5	114.5	106.3	102.0	115.0	120.2	424.5	443.4

QUARTERLY PERFORMANCE

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	114,356	111,217	126,919	149,707	144,991	134,345	158,665	164,641	526,162	602,642
EBITDA	31,004	17,726	33,760	51,993	48,197	21,279	43,593	49,018	134,505	162,086
As of % Sales	27.1	15.9	26.6	34.7	33.2	15.8	27.5	29.8	25.6	26.9
Depreciation	4,280	3,532	4,136	4,780	4,308	4,450	4,650	4,840	17,647	18,248
Interest	68	676	285	-410	55	250	320	358	361	982
Other Income	10,812	12,542	12,876	11,733	15,589	16,500	16,500	16,009	49,147	64,597
Extraordinary Income/(Expense)	-111	-725	-158	-52	132	0	0	0	-598	0
PBT	37,357	25,335	42,057	59,303	59,555	33,079	55,123	59,829	165,046	207,453
Tax	12,098	10,841	15,796	17,224	18,115	12,239	18,191	17,840	55,959	66,385
Effective Tax Rate (%)	32.4	42.8	37.6	29.0	30.4	37.0	33.0	29.8	33.9	32.0
Reported PAT	25,259	14,494	26,261	42,079	41,439	20,840	36,932	41,989	109,087	141,068
Adj. PAT (Pre Exceptional)	25,370	15,219	26,419	42,131	41,308	20,840	36,932	41,989	109,685	141,068
Change (%)					62.8	36.9	39.8	-0.3	11.6	28.6

E: MOSL Estimates

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JSW Energy

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	JSW IN
Equity Shares (m)	1,640.1
52 Week Range (INR)	128/51
1,6,12 Rel Perf (%)	5 / -8 / -35
Mcap (INR b)	90.5
Mcap (USD b)	1.8

CMP: INR55

Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS* (INR)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	23,551	7,481	4.6	-	-	-	15.7	9.0	-	-
3/11A	42,944	7,971	5.1	12.5	10.8	1.6	16.1	10.1	4.1	11.2
3/12E	62,185	6,079	3.7	-27.8	14.9	1.5	10.3	9.5	2.6	8.7
3/13E	75,895	8,306	5.1	36.6	10.9	1.3	12.7	12.4	2.0	6.1

* Consolidated

- 2QFY12 JSW Energy (JSW) revenue expected at INR11b (up 33% YoY) and net profit at INR1b (down 34% YoY).
- JSWEL generated 1.8BUs over July and August. Its 860MW unit in Karnataka operated at PLF of 61% and a 900MW unit in Karnataka operated at PLF of 81%. The Rajwest plant was closed.
- RERC upheld a tariff ceiling for the first year of operation of the Rajwest plant at INR2.43/unit and has not decided on a tariff petition filed by the company. In the petition, JSW applied for lignite cost of INR1,953/ton, which as per stakeholder/regulator's view, was an outlier. The regulator asked Rajwest to apply for a fresh tariff petition.
- JSWEL's purchase of coal on a spot basis and its merchant power model expose it to the risk of lower merchant prices and availability/price of imported coal. In 2QFY12 JSWEL is expected to generate 2.4BUs and sell 70% of it at merchant rates. In 2QFY12 JSW will procure its coal requirements on a spot basis given negligible supply from SACMH. We expect depreciation of the rupee to increase fuel costs for JSWEL
- We expect JSW to post FY12 consolidated net profit of INR6b (down 28%) and INR8.3b in FY13 (up 37%). The stock trades at a reported PER of 14.9x FY12E and 10.9x FY13E. Maintain **Neutral**.

OPERATIONAL METRICS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Capacity (MW)	995	1,295	1,730	1,730	2,030	2,030	2,870	2,870	1,730	2,870
Sales (MUs)	1,827	1,780	2,396	3,013	2,422	2,495	3,754	4,920	9,017	13,592
- Long Term	566	640	800	1,000	672	659	1,362	1,873	2,933	4,566
- Merchant	1,261	1,140	1,596	2,013	1,750	1,836	2,392	3,048	6,084	9,026
Merchant as a % of total	69.0	64.0	66.6	66.8	72.2	73.6	63.7	61.9	67.5	66.4

QUARTERLY PERFORMANCE

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Units Sold (M Units)	1,827	1,780	2,396	3,012	2,422	2,495	3,754	4,920	9,015	13,592
Total Operating Income	9,324	8,462	10,765	14,393	12,724	11,230	16,541	21,690	42,944	62,185
Change (%)	NA	NA	53.4	82.2	36.5	32.7	53.6	50.7	82.3	44.8
EBITDA	4,523	3,249	3,538	4,331	3,932	3,381	4,815	6,267	15,641	18,791
Change (%)	NA	NA	-8.4	28.9	-13.1	4.1	36.1	44.7	28.9	20.1
As of % Sales	48.5	38.4	32.9	30.1	30.9	30.1	29.1	28.9	36.4	30.2
Depreciation	467	551	745	905	1,048	1,015	1,489	1,756	2,668	5,308
Interest	737	942	1,417	1,230	1,338	1,283	1,883	2,207	4,325	6,711
Other Income	305	491	336	200	220	230	190	736	1,332	1,376
PBT	3,625	2,246	1,713	2,396	1,766	1,313	1,633	3,040	9,979	8,148
Tax	642	408	150	363	441	315	424	858	1,563	2,038
Effective Tax Rate (%)	17.7	18.2	8.7	15.2	25.0	24.0	26.0	28.2	15.7	25.0
Reported PAT	2,983	1,838	1,563	2,032	1,326	998	1,208	2,182	8,417	6,110
Share of profit from Assoc	3	4	-35	28	36	25	20	25	1	106
Adjusted PAT	2,986	1,546	1,378	2,061	1,363	1,018	1,218	2,083	7,971	6,079
Change (%)	219.0	-11.1	-32.7	5.7	-54.4	-34.1	-11.6	1.1	6.5	-23.7

E: MOSL Estimates

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Lanco Infratech

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	LANCI IN
Equity Shares (m)	2,387.2
52 Week Range (INR)	74/15
1,6,12 Rel Perf (%)	4 / -45 / -56
Mcap (INR b)	38.2
Mcap (USD b)	0.8

CMP: INR16

Buy

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS* (INR)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	81,840	5,529	2.3	-	-	-	26.5	10.3	-	-
3/11A	77,837	4,435	1.9	-19.8	8.6	0.8	16.4	8.0	2.3	9.5
3/12E	151,406	5,969	2.5	34.6	6.4	0.7	19.8	8.7	1.7	7.8
3/13E	168,352	8,354	3.5	40.0	4.6	0.6	19.2	7.5	1.8	8.0

* Consolidated, Fully Diluted

- 2QFY12 Lanco Infratech (LANCI) revenue expected at INR25b (up 24% YoY) and net profit at INR971m (up 38% YoY).
- In July and August LANCI generated 1.7BUs (up 14% YoY), and PLF for Kondapalli was 61% (v/s 74% YoY), for the Amarkantak plant it was 66% (v/s 71% YoY) and for the Udipi plant it was 61% (v/s 32% YoY).
- LANCI is expected to commission 1.9GW of projects in FY12. So far LANCI has commissioned 0.6GW Udipi Unit-1, the 0.6GW Udipi Unit-2 is awaiting a transmission line and the 0.6GW Anpara is synchronised.
- LANCI's order book was worth INR310b in 1QFY12 and given the timelines for capacity addition for its power projects, EPC execution is expected to pick up sizably in FY12 and FY13.
- Perdaman, a fertilizer company in Australia, filed a lawsuit against LANCI owned Griffin for breach of USD3.5b contracts to supply coal to its urea factory.
- We expect LANCI to post consolidated net profit of INR6b in FY12 (up 35%) and INR8.4b in FY13 (up 40%). The stock trades at a reported PER of 6.4x FY12E and 4.6x FY13E. Maintain **Buy**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
EPC Revenue (INR m)	10,766	10,951	20,271	16,736	17,309	16,155	28,720	27,567	58,723	89,751
EBITDA Margins (%)	7.1	5.3	17.7	13.6	7.9	9.5	10.0	8.3	13.4	15.1
Capacity (MW)	1,086	1,454	2,054	2,054	2,054	3,254	3,854	3,854	2,054	3,854

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	25,509	20,417	15,615	16,297	30,953	25,372	43,782	51,299	77,837	151,406
Change (%)	16.2	6.0	-3.1	-32.5	21.3	24.3	180.4	214.8	-17.9	94.5
EBITDA	5,594	4,167	4,800	4,344	4,910	6,219	9,448	12,611	18,905	33,188
Change (%)	102.1	32.7	61.2	-35.5	-12.2	49.2	96.8	190.3	17.9	75.6
As of % Sales	21.9	20.4	30.7	26.7	15.9	24.5	21.6	24.6	24.3	21.9
Depreciation	1,551	1,703	-765	1,049	1,265	1,450	2,048	2,754	3,537	7,517
Interest	1,567	1,754	1,890	2,344	2,308	2,750	3,698	4,814	7,554	13,569
Other Income	251	725	1,842	-236	241	360	378	534	2,582	1,512
Extra-ordinary income	0	0	0	0	0	0	0	246	318	246
PBT	2,577	1,435	5,518	866	1,671	2,379	4,080	5,823	10,395	13,614
Tax	353	378	3,369	-251	926	678	1,163	1,118	3,850	3,885
Effective Tax Rate (%)	13.7	26.4	61.1	-29.0	55.4	28.5	28.5	19.2	37.0	28.5
Reported PAT	2,223	1,057	2,149	911	744	1,701	2,917	3,617	6,545	9,728
Adj PAT (bef. MI., post elimi.)	2,223	963	2,041	911	744	1,309	2,221	2,529	6,138	7,553
Change (%)	42.6	-34.2	46.4	-42.9	-66.5	36.0	8.8	177.7	1.7	48.6
Minority Interest	278	259	362	805	503	338	279	465	1,703	1,585
Share of Associates	1	1	-39	63	-103	0	0	103	26	0
Adj PAT (aft.MI and Ass. Profits)	1,947	705	1,640	169	138	971	1,942	2,167	4,461	5,969

E: MOSL Estimates

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NHPC

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	NHPC IN
Equity Shares (m)	12,300.7
52 Week Range (INR)	34/22
1,6,12 Rel Perf (%)	-4 / 15 / -7
Mcap (INR b)	286.0
Mcap (USD b)	5.8

CMP: INR23**Neutral**

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS* (INR)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	52,273	15,706	1.4	-	-	-	7.0	8.5	-	-
03/11A	51,436	19,142	1.7	23.2	13.9	1.1	7.4	8.8	8.0	11.3
03/12E	64,312	22,207	2.0	17.8	11.8	1.0	8.1	8.1	6.2	9.4
03/13E	68,784	23,137	2.1	4.2	11.3	1.0	8.0	7.9	5.5	8.5

* Pre Exceptional Earnings

- In 2QFY12 we expect NHPC to post revenue of INR18b (up 42% YoY) and net profit of INR8.4b (up 22% YoY).
- In July and August NHPC's generation de-grew by 4% to 4.7BUs. Out of its 12 hydro projects NHPC reported generation de-growth in eight projects.
- We expect NHPC to commission 516MW of projects in FY12. We expect capacity commissioning to be back-ended with 275MW (Chamera III and Chutak) to be commissioned in 3QFY12 and the rest in 4QFY12.
- Local agitation over the construction of 2GW Lower Subhansri unit continued, but NHPC has received three turbines and expects to commission the first unit by December 2013.
- EIA/EMP studies conducted by Delhi University concluded that the Kishanganga project would severely impact the area's ecosystem. Recently, the International Court of Arbitration (setting aside Pakistan's objection) in its interim decision allowed India to carry out work on the project.
- We expect NHPC to post FY12 consolidated net profit of INR22b (up 18%) and INR23b in FY13 (up 4%). The stock trades at a reported PER of 11.8x FY12E and 11.3x FY13E. Maintain **Neutral**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Generation (MUs)	5,662	7,124	3,069	2,642	6,284	7,050	3,438	3,142	18,498	19,914
Increase/ (Decrease) (%)	3.3	9.3	15.4	14.8	11.0	-1.0	12.0	18.9	9.1	7.7
Installed Capacity (MW)	5,175	5,295	5,295	5,295	5,295	5,295	5,767	5,811	5,295	5,811
- Owned	3,655	3,775	3,775	3,775	3,775	3,775	4,247	4,291	3,775	4,291
- JV's	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	10,197	12,813	7,509	11,734	15,605	18,208	9,721	11,585	40,466	52,439
Change (%)	-3.8	7.2	-38.1	71.5	53.0	42.1	29.5	-1.3	-2.6	29.6
EBITDA	8,150	10,593	4,602	5,110	10,462	11,563	5,712	5,646	28,455	33,382
Change (%)	-7.4	5.8	-48.1	12.5	28.4	9.2	24.1	10.5	-14.7	17.3
As of % Sales	79.9	82.7	61.3	43.5	67.0	63.5	58.8	48.7	70.3	63.7
Depreciation	2,605	2,677	1,247	2,639	2,258	2,550	2,970	3,329	9,167	11,106
Interest	1,042	1,091	1,050	953	865	1,050	1,300	1,529	4,136	4,744
Other Income	2,190	1,711	1,663	1,504	2,378	2,100	1,700	2,999	7,069	9,177
EO Income/(Expense)									6,564	0
PBT	6,694	8,537	3,968	3,022	9,717	10,063	3,142	3,787	28,784	26,709
Tax	1,320	1,635	1,748	2,414	1,807	1,660	518	630	7,118	4,616
Effective Tax Rate (%)	19.7	19.2	44.1	79.9	18.6	16.5	16.5	16.6	24.7	17.3
Reported PAT	5,374	6,902	2,220	608	7,910	8,402	2,624	3,157	21,667	22,093
Adjusted PAT	5,108	6,902	1,816	2,582	5,999	8,402	2,624	3,157	16,408	20,182
Change (%)	1.7	11.9	41.2	102.3	17.5	21.7	44.4	22.3	10.3	23.0

E: MOSL Estimates

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NTPC

BSE Sensex	S&P CNX
16,051	4,835
Bloomberg	NTPC IN
Equity Shares (m)	8,245.5
52 Week Range (INR)	222/160
1,6,12 Rel Perf (%)	-3 / 4 / -3
Mcap (INR b)	1,350.2
Mcap (USD b)	27.3

CMP: INR164**Buy**

YEAR	NET SALES	PAT*	EPS*	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END*	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
03/10A	463,226	84,540	10.3	4.7	-	-	14.1	14.1	-	-
03/11A	548,740	79,580	9.7	-5.9	17.0	2.0	12.2	12.2	3.0	12.3
03/12E	658,852	90,350	11.0	13.5	14.9	1.8	12.8	12.8	2.7	10.6
03/13E	693,408	107,027	13.0	18.5	12.6	1.7	14.0	14.0	2.7	10.4

* Pre Exceptional Earnings; we have factored in RoE gross-up based on MAT wef FY11 onwards

- In 2QFY12 we expect National Thermal Power Corp (NTPC) to post revenue of INR146b, (down 1% YoY) and net profit of INR18b (up 13% YoY).
- Generation over July and August declined 1% YoY to 35BUs. Coal-based generation was up 0.4% YoY despite capacity addition of 9% YoY or 2.2GW. NTPC's coal-based PLF was lower by 250bp at 82.2%. Gas-plant generation for July and August declined by 15% YoY to 3.7BUs and PLFs were down 1,120bp at 62.7%.
- CEA expects NTPC to add 2.5GW capacity in FY12 and NTPC capacity addition guidance for the year is 4.9GW (including 0.6GW synchronised last year). Based on CEA's review (July 2011), all major projects planned for FY12 commissioning have timeframes, starting from 3QFY12, in line with the management's estimates.
- NTPC is expected to issue a Letter of Award (LoA) to L1 bidders for a 9x 800MW capacity unit, by November 2011.
- The MoC has approved in principle allotment of five coal blocks to NTPC's four (7.6GW) thermal power plants.
- We expect NTPC to post FY12 net profit of INR90b (up 14%) and INR107b in FY13 (up 19%). The stock trades at a reported PER of 14.9x FY12E and 12.6x FY13E. Maintain **Buy**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
RAB (INR b)	254.6	254.6	258.9	267.6	277.0	277.0	304.2	306.3	267.6	306.3
Capacity (GW)	32.2	32.2	33.2	34.2	34.9	34.9	37.2	39.2	34.2	39.2
Generation (BUs)	55.7	52.2	54.7	57.9	54.5	54.4	61.8	69.7	220.5	240.4
% YoY	0.4	3.7	0.9	(1.5)	(2.1)	4.1	12.9	20.5	7.5	9.0
PLF (%)										
- Coal based projects	89.2	82.9	87.2	93.7	86.9	82.0	88.2	89.5	88.3	87.0
- Gas based projects	80.3	57.0	66.3	72.4	62.6	55.0	65.1	70.0	71.8	65.2

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	129,445	147,526	134,965	155,209	141,715	145,900	169,944	201,293	567,145	658,852
Change (%)	7.8	36.8	20.7	25.6	9.5	-1.1	25.9	29.7	22.4	16.2
EBITDA	28,056	35,107	38,330	38,207	28,662	32,985	39,808	51,276	134,253	152,732
Change (%)	-11.7	9.2	13.9	43.3	2.2	-6.0	3.9	34.2	552.2	13.8
As of % Sales	21.7	23.8	28.4	24.6	20.2	22.6	23.4	25.5	23.7	23.2
Depreciation	6,827	5,063	5,986	6,981	6,411	7,250	7,700	8,115	24,857	29,476
Interest	3,415	5,902	4,932	5,300	3,744	4,700	4,900	5,373	14,233	18,716
Other Income	5,718	6,147	6,694	6,642	9,964	7,100	7,350	7,214	25,333	31,628
PBT	23,532	30,290	34,106	32,568	28,472	28,135	34,558	45,002	120,496	136,167
Tax	5,113	9,216	10,392	4,750	7,714	7,597	9,331	12,226	29,470	36,867
Effective Tax Rate (%)	21.7	30.4	30.5	14.6	27.1	27.0	27.0	27.2	24.5	27.1
Reported PAT	18,419	21,074	23,715	27,818	20,758	20,539	25,227	32,775	91,026	99,300
Adjusted PAT	17,062	16,150	20,675	25,693	19,015	18,239	22,777	30,321	79,580	90,352
Change (%)	-24.4	-11.9	-1.1	12.3	11.4	12.9	10.2	18.0	-5.9	13.5

E: MOSL Estimates; # Adj profit based on the calculations provided by the management

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Power Grid Corporation

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR95										Buy
Bloomberg Equity Shares (m)	PWGR IN 4,629.7	YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
52 Week Range (INR)	114/92	3/10A	71,275	23,031	5.5	16.7	-	-	15.1	8.6	-	-
1,6,12 Rel Perf (%)	-3 / 12 / 10	3/11A	83,887	25,400	5.5	0.3	17.4	2.1	13.6	9.3	9.7	11.5
Mcap (INR b)	441.7	3/12E	95,325	28,142	6.1	10.8	15.7	1.9	12.6	8.6	9.6	11.3
Mcap (USD b)	8.9	3/13E	115,847	32,328	7.0	14.9	13.6	1.7	13.3	8.7	8.9	10.5

- In 2QFY12 we expect Power Grid Corp of India (PWGR) to post revenue of INR22b (up 6% YoY) and net profit of INR6.5b (up 10% YoY).
- Over July-September 2011, PWGR's board accorded investment approval for projects worth INR77b (against INR39b a year earlier) and total projects under construction were worth INR839b, up from INR815b in FY11.
- Over July-September 2011 PWGR awarded orders worth INR4.4b (against INR12.6b a year earlier). In FY11 PWGR awarded orders worth INR160b. In FY12 we expect PWGR to incur capex of INR169b (up 26%). For the Twelfth Plan, PWGR's capex is expected to be INR1t-1.2t.
- Fixed asset capitalization was lower in 1QFY12 at INR8b v/s INR12b a year earlier. In 2QFY12 we expect PWGR to capitalize INR15b (down 62% YoY) and for FY12, we expect PWGR to capitalize INR100b of projects, up 35% YoY.
- We expect PWGR to report FY12 net profit of INR28b (up 11% YoY) and INR32b in FY13 (up 15% YoY). The stock trades at a reported PER of 15.7x FY12E and 13.6x FY13E. Maintain **Buy**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Capitalization (INR m)	12,000	39,000	17,400	5,200	8,000	15,000	30,000	47,000	73,620	100,000
Regulated Equity (INR m)	117,032	128,732	133,952	135,512	139,912	143,412	151,872	162,972	135,512	165,512

QUARTERLY PERFORMANCE

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	19,991	21,266	20,521	22,108	22,025	22,464	24,434	26,402	83,887	95,325
Change (%)	23.2	21.6	34.5	-0.9	10.2	5.6	19.1	19.4	17.7	13.6
EBITDA	16,811	17,858	17,274	18,570	18,455	18,798	20,631	22,396	70,513	80,279
Change (%)	26.4	21.3	38.6	2.0	9.8	5.3	19.4	20.6	20.1	13.9
As of % Sales	84.1	84.0	84.2	84.0	83.8	83.7	84.4	84.8	84.1	84.2
Depreciation	5,024	5,456	5,709	5,805	5,790	6,100	6,340	6,678	21,994	24,908
Interest	4,049	4,017	4,050	5,223	4,446	4,800	5,800	6,453	17,339	21,499
Other Income	1,506	963	931	3,711	1,432	1,560	1,100	1,996	7,111	6,089
Extraordinary Income / (Expense)	-12	35	47	-26	13	0	0	0	44	0
PBT	9,256	9,313	8,399	11,279	9,638	9,458	9,591	11,262	38,247	39,961
Tax	2,224	2,799	2,487	3,769	2,586	2,862	2,901	3,471	11,278	11,820
Effective Tax Rate (%)	24.0	30.1	29.6	33.4	26.8	30.3	30.2	30.8	29.5	29.6
Reported PAT	7,032	6,514	5,913	7,511	7,053	6,596	6,690	7,790	26,969	28,142
Adj. PAT (Pre Exceptional)	5,907	5,980	6,046	7,487	7,053	6,596	6,690	7,790	25,400	28,142
Change (%)	9.3	16.1	20.3	3.3	19.4	10.3	10.6	4.1	10.3	10.8

E: MOSL Estimates

PTC India

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	PTCIN IN
Equity Shares (m)	294.5
52 Week Range (INR)	145/66
1,6,12 Rel Perf (%)	-1 / -4 / -23
Mcap (INR b)	20.0
Mcap (USD b)	0.4

CMP: INR68

Buy

YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	76,490	1,105	3.8	-9.1	-	-	5.2	7.2	-	-
03/11A	90,632	1,677	5.7	51.5	12.0	0.9	6.4	9.1	0.1	8.3
03/12E	99,023	2,571	8.7	53.3	7.8	0.9	7.4	10.6	0.1	6.9
03/13E	135,020	3,054	10.4	18.8	6.6	0.8	7.0	10.0	0.1	6.2

* Consolidated

- In 2QFY12 we expect PTC India (PTCIN) to post revenue of INR30.6b (up 24% YoY) and net profit of INR446m (up 25% YoY).
- In 2QFY12 we expect PTC to trade 8.7BUs (up 13% YoY). Over July-August, PTC's volume was 5.7BUs (up 33% YoY). In FY12 we expect PTCIN to add 1.7GW to its long term PPA list and thus traded volume is expected to jump to 29BUs, up 17% YoY.
- We expect FY12 average trading margins (adjusted for surcharge and rebates) of 5.22 paise per unit (up 10%), led mainly by an increase LT PPA margins.
- PTCIN's subsidiary PEL's tolling arrangement will contribute to profitability from 2HFY12 as 350MW of capacity is commissioned. The management tied up coal supply for the project for 10 years, with a fixed CIF price for five years from Indonesia (subject to a floor and cap). However we understand indexation of coal to market rates may expose the PTCIN balance sheet as off-take is on a take-or-pay basis.
- We expect PTCIN to post FY12 consolidated net profit of INR2.6b (up 53% YoY) and INR3b in FY13 (up 19% YoY). The stock trades at a reported PER of 7.8x FY12E and 6.6x FY13E. Maintain **Buy**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Power Traded (MUs)	5,747	7,730	5,813	5,191	6,726	8,749	7,171	6,039	24,481	28,684
Margin (INR m)	323	382	463	434	569	503	445	380	1,602	1,804
Ajd Margin (paise / unit)	5.0	4.6	4.3	5.3	4.9	3.5	4.7	5.4	4.8	5.2

QUARTERLY PERFORMANCE (STANDALONE)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	27,576	24,693	17,576	20,787	24,874	30,621	21,513	22,615	90,632	99,623
Change (%)	16.3	0.5	3.5	67.2	-9.8	24.0	22.4	8.8	18.5	9.9
EBITDA	269	381	407	343	476	503	445	380	1,400	1,804
Change (%)	82.7	28.3	293.9	279.8	77.1	32.0	9.1	10.8	219.6	28.8
As of % Sales	1.0	1.5	2.3	1.6	1.9	1.6	2.1	1.7	1.5	1.8
Depreciation	12	12	13	13	11	11	11	12	50	45
Interest	1	2	8	1	14	1	0	0	11	15
Other Income	147	180	159	143	174	150	170	173	628	667
PBT	403	546	545	472	626	641	604	540	1,969	2,411
Tax	125	147	166	138	173	196	187	167	576	723
Effective Tax Rate (%)	31.0	26.9	30.5	29.3	27.7	30.5	31.0	31.0	29.3	30.0
Reported PAT	278	399	379	334	453	446	416	373	1,392	1,687
Adjusted PAT	284	358	379	334	453	446	416	373	1,350	1,687
Change (%)	-17.7	29.4	140.4	179.2	59.4	24.6	10.0	11.6	43.5	25.0

E: MOSL Estimates

Reliance Infrastructure

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR423										Buy
Bloomberg	RELIIN	YEAR	NET SALES	PAT	EPS*	EPS	P/E*	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	267.5	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	1,134/403	3/10A	100,273	10,617	39.7	16.9	-	-	8.2	8.2	-	-
1,6,12 Rel Perf (%)	0 / -21 / -41	3/11A	96,146	10,810	40.4	1.8	10.5	0.7	6.8	7.1	0.5	4.4
Mcap (INR b)	113.2	3/12E	142,044	13,483	50.4	24.7	8.4	0.6	7.6	9.0	0.1	1.1
Mcap (USD b)	2.3	3/13E	165,069	17,879	66.8	32.6	6.3	0.6	9.3	10.5	0.0	0.0

* Fully Diluted

- For 2QFY12 we expect Reliance Infrastructure (RELI) to post revenue of INR31b (up 28% YoY) and net profit of INR2.9b (up 30% YoY).
- MERC renewed Rinfra's license to distribute power in Mumbai for 25 years and thus visibility over regulated earnings improved. Besides, MERC has allowed cumulative recovery of INR23b.
- RELI invited long-term bids of 1,000MW of power from April 2016 and has initiated RFP. For the near term, medium-term bids/Dahanu Power will facilitate in serving the load wherein the average cost is expected to be less than INR4.5/unit.
- At the end of 1QFY12, the EPC order book was INR280b. RELI expects strong traction in EPC revenue, given faster project execution for RPower's coal/gas projects and third-party contracts.
- The Delhi airport-metro, operated by Rinfra, recently crossed 15,000 passengers/day and it leased 20% of 12,000 square meters of real estate area at the Delhi Metro at an attractive price of ~INR600psf/month.
- We expect RELI to post FY12 net profit of INR13b (up 25%) and INR18b in FY13 (up 33%). The stock trades at a reported PER of 8.4x FY12E and 6.3x FY13E. Maintain **Buy**.

OPERATIONAL DETAILS

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
EPC Revenues	5,571	8,072	10,821	9,428	18,849	14,795	17,754	22,577	33,892	73,975
EPC EBITDA Margin (%)	22.6	15.0	14.1	16.2	20.29	6.00	6.00	5.35	13.40	9.40

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	22,280	24,391	26,376	23,098	36,607	31,132	35,452	41,752	96,146	142,044
Change (%)	-8.9	-7.9	15.3	-12.6	64.3	27.6	34.4	80.8	-4.1	47.7
EBITDA	2,534	4,162	2,670	2,410	6,961	3,632	4,202	4,471	11,777	16,368
Change (%)	-15.4	33.0	13.4	-7.8	174.7	-12.7	57.4	85.5	14.5	39.0
As of % Sales	11.4	17.1	10.1	10.4	19.0	11.7	11.9	10.7	12.2	11.5
Depreciation	769	825	817	724	689	875	900	1,039	3,134	3,503
Interest	613	600	582	629	570	790	950	1,037	2,425	3,347
Other Income	1,804	-508	1,021	2,815	1,093	1,500	1,900	2,234	5,132	6,726
PBT	2,957	2,229	2,292	3,873	6,795	3,467	4,252	4,629	11,351	16,245
Tax (incl contingencies)	494	524	436	-913	2,490	589	723	-1,041	541	2,762
Effective Tax Rate (%)	16.7	23.5	19.0	-23.6	36.6	17.0	17.0	-22.5	4.8	17.0
Reported PAT	2,463	1,705	1,856	4,785	4,305	2,877	3,529	5,670	10,809	13,483
PAT (Pre Exceptionals)	2,463	2,205	1,856	4,137	2,874	2,877	3,529	4,203	10,661	13,483
Change (%)	-22.2	-28.2	-33.3	64.8	16.7	30.5	90.1	1.6	0.4	26.5

E: MOSL Estimates; Quarterly nos. are on standalone basis

Tata Power

BSE Sensex 16,051	S&P CNX 4,835
Bloomberg	TPWR IN
Equity Shares (m)	2,373.3
52 Week Range (INR)	147/94
1,6,12 Rel Perf (%)	-5 / -10 / -7
Mcap (INR b)	230.7
Mcap (USD b)	4.7

CMP: INR97

Neutral

YEAR END	NET SALES (INR M)	PAT* (INR M)	EPS* (INR)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	70,983	14,799	6.2	16.4	-	-	7.9	9.2	-	-
03/11A	69,185	17,516	7.4	18.4	13.1	2.2	7.5	6.2	4.2	18.3
03/12E	74,246	23,272	9.8	32.9	9.9	2.1	7.7	6.6	4.3	16.7
03/13E	80,619	22,346	9.4	-4.0	10.3	2.0	7.0	6.2	4.0	16.3

* Consolidated incl share of profit from KPC and Arutmin mines, Pre Exceptionals, Fully Diluted

- In 2QFY12 we expect Tata Power (TPWR) to post revenue of INR18b (up 8% YoY) and net profit of INR2b (down 2% YoY).
- Generation from TPWR's 2,021MW (Mumbai region) capacity in July and August declined 10% YoY.
- TPWR commissioned its first unit at Maithon and is expected to commission its second unit by 4QFY12. Power for the first year has been tied up on regulated terms, which gives a negligible share for sale on a merchant basis.
- The Mundra UMPP is expected to be commissioned by February 2012 as transmission line commissioned in September 2011. It has already received ~1mt of coal for the Mundra UMPP site.
- The regulator approved a 22% tariff hike for TPWR's Delhi distribution business (51% stake) and thus there are no recurring under-recoveries.
- Bumi Resources' CY11 guidance is for coal realisations of USD90/ton, up from its earlier guidance of USD77/ton (in CY10). In 1QFY12 it realised USD83/ton (adjusted for royalty). Sales volume guidance has been maintained at 66mt in CY11 (60.8mt in CY10). 1QFY12 production was 15.5mt.
- We expect TPWR to post FY12 consolidated net profit of INR23b (up 33%) and INR22b in FY13 (down 4%). The stock trades at a reported PER of 9.9x FY12E and 10.3x FY13E. Maintain **Neutral**.

QUARTERLY PERFORMANCE

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Units Generated (MUs)	4,388	3,695	3,713	3,529	3,889	3,950	4,150	4,081	15,325	16,070
Total Operating Income	18,679	16,361	16,519	17,626	19,212	17,588	18,584	18,862	69,185	74,246
Change (%)	-7.3	-4.9	5.4	-1.8	2.9	7.5	12.5	7.0	-2.5	7.3
EBITDA	4,509	3,510	3,319	4,120	4,279	4,288	5,184	5,226	15,458	18,976
Change (%)	-28.7	-15.8	-8.8	-8.3	-5.1	22.1	56.2	26.8	-17.0	22.8
As of % Sales	24.1	21.5	20.1	23.4	22.3	24.4	27.9	27.7	22.3	25.6
Depreciation	1,267	1,327	1,286	1,221	1,331	1,450	1,460	1,468	5,101	5,709
Interest	796	1,084	1,095	1,194	1,124	1,450	1,550	1,657	4,169	5,781
Other Income	1,275	1,935	852	873	2,476	1,600	400	447	4,936	4,923
PBT	3,722	3,034	1,790	2,578	4,299	2,988	2,574	2,548	11,124	12,409
Tax	1,032	517	260	-99	1,484	971	836	804	1,709	4,095
Effective Tax Rate (%)	27.7	17.0	14.5	-3.9	34.5	32.5	32.5	31.5	15.4	33.0
Reported PAT	2,690	2,517	1,531	2,677	2,816	2,017	1,737	1,744	9,415	8,314
Adjusted PAT	2,195	2,173	1,488	1,604	2,940	2,017	1,737	1,744	7,738	8,438
Change (%)	8.6	36.8	9.7	-26.5	33.9	-7.2	16.8	8.8	8.3	9.0
Consolidated Reported PAT	3,177	6,755	4,414	6,415	4,304	4,750	6,100	8,118	20,596	23,272
Change (%)	-42.5	83.2	347.8	-32.2	35.5	-29.6	38.2	26.5	18.4	32.9
Consolidated Adjusted PAT	4,200	3,923	4,093	5,529	4,158	4,750	6,100	8,118	17,744	23,272
Change (%)	34.5	26.7	5.1	18.0	-1.0	21.0	49.0	49.8	19.9	31.1

E: MOSL Estimates

United Phosphorus

BSE Sensex 16,051	S&P CNX 4,835	CMP: INR141										Buy
Bloomberg	UNTP IN	YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
Equity Shares (m)	461.8	END	(INR M)	(INR M)	(INR)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
52 Week Range (INR)	220/126	03/10A	54,928	5,491	11.9	-6.4	-	-	19.4	16.1	-	-
1,6,12 Rel Perf (%)	2 / 11 / -4	03/11A	58,982	5,701	12.3	3.8	11.4	1.7	17.0	17.0	1.1	6.2
Mcap (INR b)	64.9	03/12E	75,060	6,851	14.8	20.2	9.5	1.5	17.2	18.8	1.0	5.2
Mcap (USD b)	1.3	03/13E	86,318	9,856	21.3	43.9	6.6	1.3	21.2	20.3	0.8	4.1

- We expect UNTP to report 35% YoY growth in consolidated revenue to INR17.4b, driven by organic and inorganic growth (consolidation of RiceCo, Sipcam and DVA Agro). We estimate 12% growth in domestic revenue and 48% growth in international revenue.
- EBITDA margin would decline by 10bp YoY to 19.9% due to higher RM costs and DVA Agro acquisition related cost, translating into EBITDA growth of 35% to INR3.5b.
- Further, we estimate ~INR1b of MTM forex losses on its ECBs. As a result, we expect PAT to decline 41% YoY to INR671m.
- Depreciating INR would benefit UNTP over the medium term, as in short-term hedges would restrict any benefit of weak rupee, due to ~80% revenue contribution from export markets.
- We are downgrading our EPS estimates by 9% to INR14.8 for FY12 to factor in MTM forex loss, but maintain our FY13E EPS at INR21.3. Valuations of 9.5x FY12E EPS and 6.6x FY13E EPS factor in short-term headwinds, but do not reflect the growth potential (organic and inorganic) for the company. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED)

(INR MILLION)

Y/E MARCH	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross Revenues	14,872	12,807	12,484	18,819	18,847	17,355	17,052	21,803	58,982	75,060
YoY Change (%)	-9.5	10.3	7.8	22.9	26.7	35.5	36.6	15.9	7.3	27.3
Total Expenditure	11,794	10,243	10,007	14,896	15,173	13,904	13,505	17,031	46,939	59,613
EBITDA	3,078	2,564	2,477	3,923	3,674	3,451	3,546	4,772	12,043	15,447
Margins (%)	20.7	20.0	19.8	20.8	19.5	19.9	20.8	21.9	20.4	20.6
Depreciation	472	515	491	661	628	690	680	680	2,138	2,679
Interest	1,004	652	893	571	714	1,875	850	841	3,120	4,280
PBT before EO Expense	1,603	1,397	1,093	2,691	2,332	886	2,016	3,251	6,785	8,488
Extra-Ord Expense	0	0	0	140	0	0	0	0	140	0
PBT after EO Expense	1,603	1,397	1,093	2,551	2,332	886	2,016	3,251	6,645	8,488
Tax	156	250	266	58	466	133	555	205	731	1,358
Rate (%)	9.8	17.9	24.4	2.3	20.0	15.0	27.5	6.3	11.0	16.0
Reported PAT	1,447	1,147	827	2,493	1,866	753	1,462	3,046	5,914	7,130
Income from Associate Co	-23	0	12	-314	-23	-82	-132	-42	-234	25
Adjusted PAT	1,424	1,147	839	2,317	1,843	671	1,330	3,004	5,805	7,156
YoY Change (%)	-19.2	12.0	33.5	7.8	29.5	-41.5	58.5	29.7	3.9	23.3
Margins (%)	9.6	9.0	6.7	12.3	9.8	3.9	7.8	13.8	9.8	9.5

E: MOSL Estimates

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