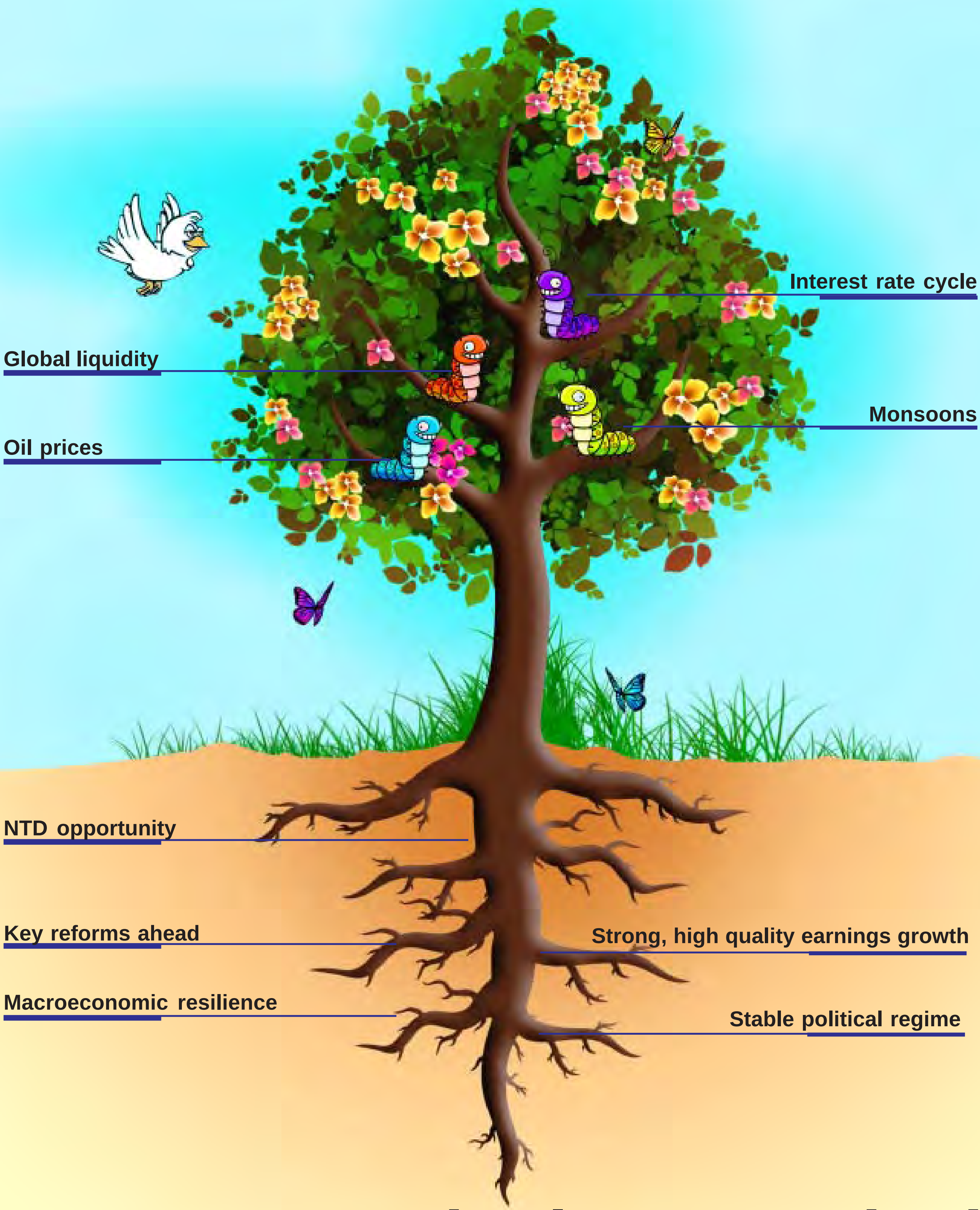
Motilal Oswal

April 2010

India Strategy



Firmly entrenched

Research Team (*Rajat@MotilalOswal.com*)

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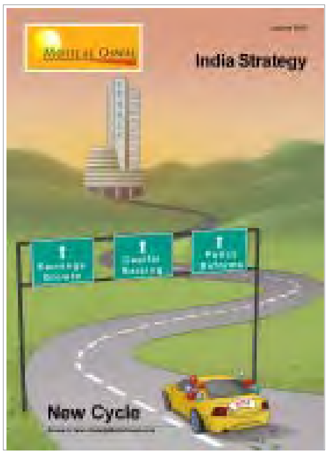
Note: All stock prices and indices as on 30 March 2010, unless otherwise stated

India Strategy

BSE Sensex: 17,590 **S&P CNX:** 5,262 **As on:** 30 March 2010

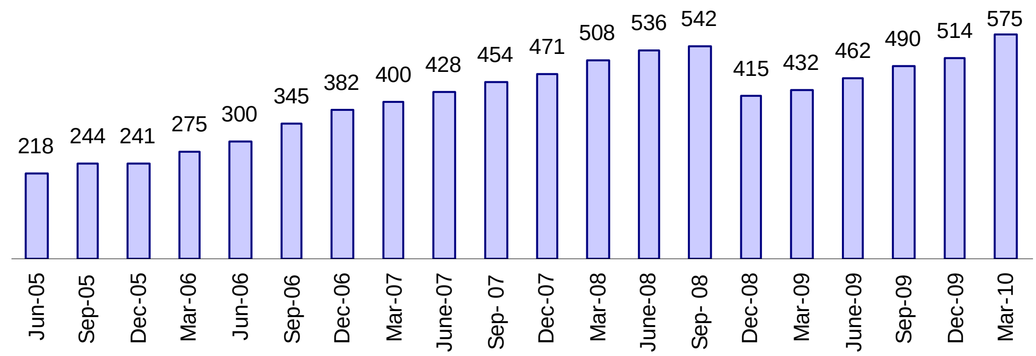


In our India Strategy for the quarter ended December 2009, we had said that we see the beginning of a new cycle of earnings growth. Corporate performance for the quarter ending March 2010 should confirm that this new cycle is not only in motion but gaining momentum. We expect our Universe (ex RMs) to report an all-time high PAT of Rs575b in 4QFY10, breaching the previous peak of Rs542b in 2QFY09. In fact, 4QFY10 would be a historic quarter not only in terms of absolute quantum of profit but also in terms of YoY growth (post June 2007).

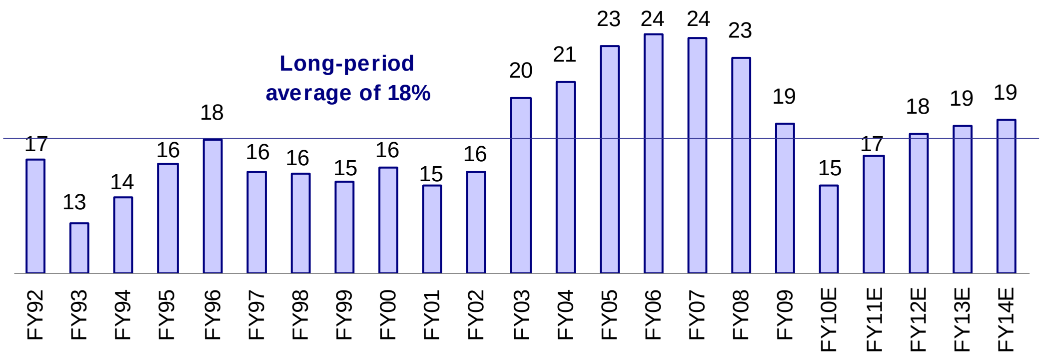
Roots of earnings growth firmly entrenched

We expect MOSL Universe earnings growth to be 33% in 4QFY10, the strongest in several quarters, taking absolute profits to a new high. All sectors will report positive growth, with the exception of Telecom. 25 of the 30 Sensex stocks will report positive earnings growth in 4QFY10. We expect the momentum of 4QFY10 to sustain in FY11 and beyond. We will not be surprised if the eventual earnings growth over FY10-14 beats our estimate of 23% CAGR. Importantly, along with growth, the quality of earnings growth would also improve. We expect Sensex RoE to bottom out in FY10 and cross the long-period average of 18% by FY12.

EXPECT INDIAN CORPORATE SECTOR PAT AT ALL-TIME HIGH IN 4QFY10 (RS B)

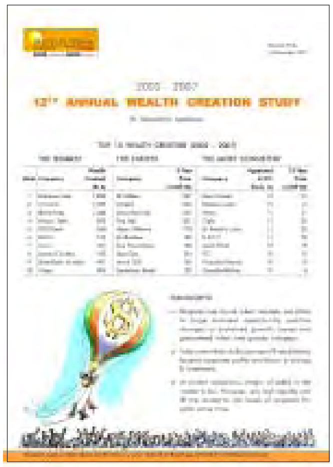


SENSEX ROE: TO BOTTOM OUT IN FY10 AND TOUCH LONG-PERIOD AVERAGE BY FY12



Source: Company/MOSL

Navin Agarwal (Navin@MotilalOswal.com)/Rajat Rajgarhia (Rajat@MotilalOswal.com)



NTD era provides fertile soil for "growth unlimited"

In 2007, we launched our landmark India NTD (Next Trillion Dollar) report. This report brought out a simple, yet profound, fact - it took India 60 years since independence to generate the first trillion dollars of GDP, while the next trillion dollars (NTD) would take only 5-6 years. This NTD era spells "unlimited growth" for several businesses, throwing up several investment themes and opportunities.

In our India Strategy for the quarter ended December 2009, we had carried out a detailed bottom-up exercise of estimating earnings for our Universe through FY14. Sensex earnings is expected to grow at 23% CAGR over FY10-14 (v/s -1.8% over FY08-10E and 25.1% over FY03-08), while we estimate aggregate earnings growth for our Universe at 20% CAGR (v/s 6% over FY08-10E and 25.4% over FY03-08). In this issue, we carry out a relatively microscopic analysis to identify the key stimulants in respective sectors that would fuel such high growth.

Caterpillars to watch for

Even as the market blossoms, nourished by the deep roots of earnings growth, it needs to watch out for caterpillars that could gnaw on the young shoots of market appreciation. These are: (1) interest rate cycle, (2) uncertainty of monsoons, (3) runaway oil prices, and (4) FII flows. Given RBI's resolve to aggressively tackle inflation and the government's Rs4.5t borrowing program in FY11, a short-term spike in interest rates is imminent. Also, crude prices are at an 18-month high of US$85/bbl. At crude price of US$80/bbl, under-recovery could be Rs875b in FY11, up from Rs462b in FY10. Runaway oil prices are re-emerging as a key risk, in our opinion.

High inflation and the resultant policy measure of raising interest rates is a short-term concern, in our view. But, it could be seriously aggravated if compounded by weak monsoons. 2009 was India's worst drought year. However, empirical evidence suggests that 2010 is unlikely to be a drought year. Agriculture GDP usually recovers strongly in the year following the drought, driving up overall GDP growth and stock market returns. There is a strong correlation between FII inflows and stock market returns in India. If FII flows to India were to slow down or reverse, Indian markets could deliver negative returns. However, we remain positive on the prospects of FII flows into India.

Market valuations not cheap, but downside limited to 10%

Following the 81% appreciation in the last one year, Indian markets are no longer cheap. In terms of P/E, the Sensex is currently at 17x FY11E earnings - 17% premium to the long-period average. Likewise, in terms of P/BV, the Sensex is currently at 2.8x FY11E book value - 16% premium to the long-period average.

Even if the market were to revert to long-period average (LPA) valuations, the implied downside is only 10-15%. However, it could also be argued that for the next 3-4 years, the market may merit premium valuations, as: (1) earnings growth rate of 23% is higher than the LPA of 14%, and (2) RoE too is expected to cross LPA shortly. Therefore, current valuations might hold, in which case market returns should track earnings CAGR of 20-25%. We expect markets to remain range-bound in FY11 and choose stocks offering growth at reasonable valuations for our portfolio.

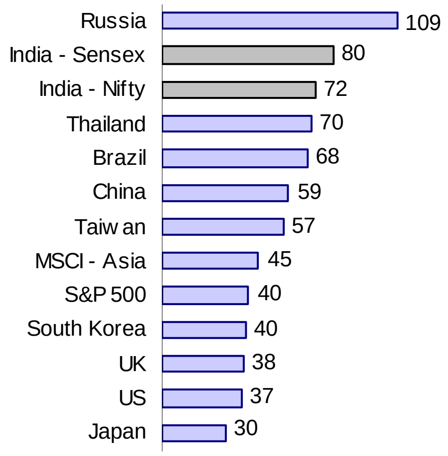
The 4QFY10 paradox: flat market, bumper corporate sector profits

Market flat in 4QFY10; annual returns at 81%

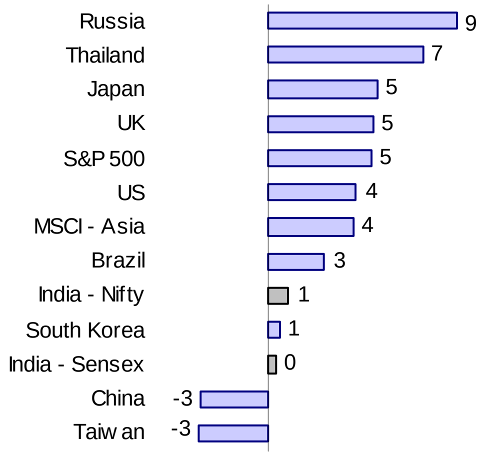
Though Indian equities underperformed in 4QFY10, they delivered 81% returns in FY10

After delivering 80% returns in the first nine months of FY10, the Indian markets were flat in the fourth quarter and among the worst performing markets globally. For FY10 as a whole, India is among the top performing markets. However, Indian market indices are ~20% lower than the previous highs of January 2008.

INDIA: TOP PERFORMER IN 9MFY10 ...



... BUT UNDERPERFORMS IN 4QFY10



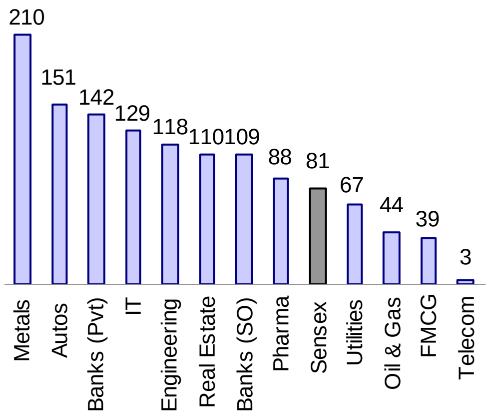
Source: Bloomberg/MOSL

FY10 recovery led by global commodities and IT

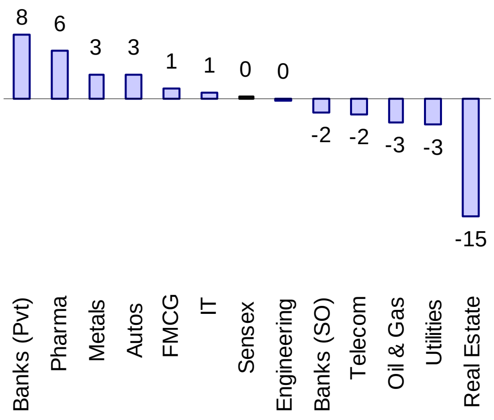
Metal stocks led the rally in Indian equities in FY10, with returns of 210%

The sector-wise returns during FY10 show significant divergence in performance. Metals led the rally, with 210% returns. IT also significantly outperformed, with returns of 129%. Private sector Banks significantly outperformed their state-owned counterparts. The Telecom sector delivered flat returns.

SECTOR RETURNS – FY10 (%)



SECTOR RETURNS – 4QFY10 (%)

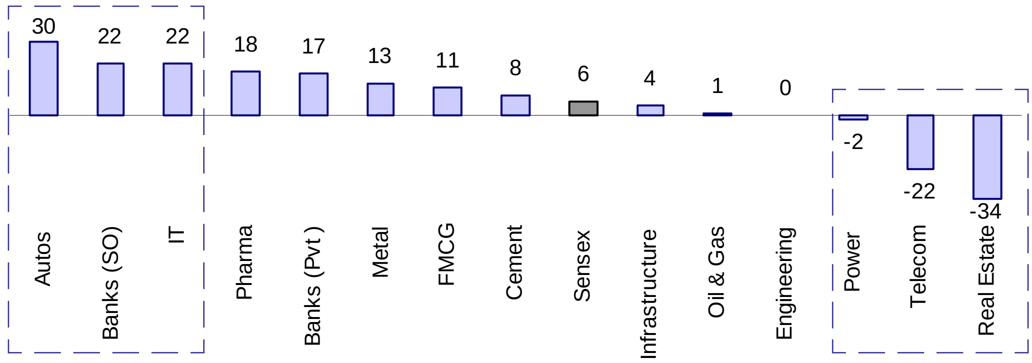


Source: Bloomberg/MOSL

For the 2-year period FY08-10, Autos were the best performing sector, with a CAGR of 30%

Interestingly, over the last two years (during this period, the Sensex declined from ~15,500 to 8,500 and then rose to end FY10 at ~17,500), Autos were the best performing sector with a CAGR of 30%. State-owned Banks and IT also delivered significant outperformance. Real Estate and Telecom generated high negative returns during this period.

SECTOR RETURNS – FY08-10 (% CAGR)



Source: Bloomberg/MOSL

4QFY10: a new high for corporate sector profitability

We expect our Universe (ex RMs) to report an all-time high PAT of Rs575b in 4QFY10…

For 4QFY10, we expect our Universe of 124 companies (excluding Oil Refining and Marketing companies' RMs) to report a PAT of Rs575b, a growth of 33% YoY. This would be mainly driven by the low base of 4QFY09, when profits were actually down 15% YoY. Cyclicals like Metals (PAT up 292% YoY), Autos (+124% YoY) and Oil & Gas ex RMs (+31% YoY) would contribute significantly to this growth. Sensex PAT, which is heavily weighted by these three sectors, would also grow in-line at 33% YoY.

QUARTERLY EARNINGS PERFORMANCE - MOSL UNIVERSE (RS B)

SECTOR (NO OF COMPANIES)	SALES MAR-10	SALES VAR % YOY	SALES VAR % QOQ	EBITDA MAR-10	EBITDA VAR % YOY	EBITDA VAR % QOQ	NET PROFIT MAR-10	NET PROFIT VAR % YOY	NET PROFIT VAR % QOQ
Autos (5)	313	42.1	11.7	45	98.8	4.2	27	123.5	6.0
Banks (22)	274	25.4	4.9	242	11.3	9.4	122	11.6	1.0
Cement (7)	118	8.2	10.6	35	13.2	22.1	21	9.7	27.6
Engineering (6)	323	19.3	54.7	51	20.0	60.1	37	15.4	62.8
FMCG (12)	186	15.2	-1.5	38	17.6	-4.6	25	18.1	-8.6
IT (7)	273	9.0	3.0	71	13.1	1.2	55	19.3	2.8
Infrastructure (5)	89	23.2	23.1	14	19.8	18.9	6	9.6	24.6
Media (6)	19	24.7	6.6	7	57.6	-1.2	4	51.0	-7.0
Metals (8)	652	21.2	11.3	141	175.9	16.6	81	291.8	27.0
Oil Gas & Petchem (11)	2,378	38.8	5.7	376	16.9	83.5	198	-14.3	101.8
Pharma (14)	124	7.4	-3.9	26	25.5	-5.9	16	351.4	114.8
Real Estate (6)	38	93.8	9.9	18	338.4	33.8	10	205.6	4.7
Retail (2)	33	30.2	1.2	3	38.5	4.9	1	56.7	-4.7
Telecom (3)	184	-2.6	0.9	64	-11.7	-2.9	27	-29.9	-23.9
Textiles (5)	34	21.1	8.1	7	47.5	5.4	1	7.2	-36.8
Utilities (6)	212	9.0	11.6	64	37.5	19.9	38	5.4	22.9
Others (2)	26	15.3	29.4	5	14.4	61.8	3	22.0	129.2
MOSL (127)*	**5,276**	**26.7**	**8.6**	**1,208**	**26.8**	**26.7**	**672**	**14.8**	**28.0**
MOSL Excl. RMs (124)	**3,883**	**27.3**	**9.0**	**1,036**	**34.4**	**10.0**	**575**	**33.2**	**11.9**
Sensex (30)	**2,564**	**31.2**	**10.3**	**647**	**39.4**	**8.8**	**360**	**32.7**	**12.1**

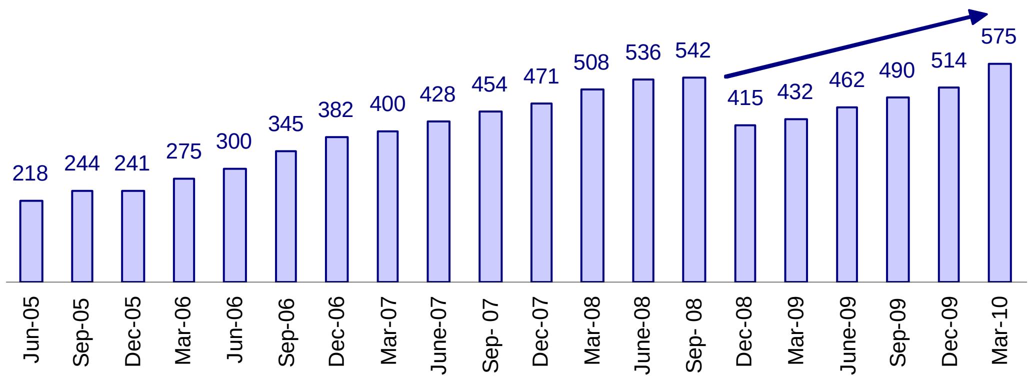
*Tata Steel Consolidated

Source: MOSL

…breaching the previous peak of Rs542b in 2QFY09

The Indian corporate sector will record a new earnings high in 4QFY10, breaching the previous peak in 2QFY09. This is despite lower earnings of global cyclicals compared to their previous highs. In 2QFY09, global cyclicals (mainly Metals and Oil & Gas) accounted for 41% of aggregate PAT. In our estimates for 4QFY10, the contribution of global cyclicals has declined to 32%.

EXPECT INDIAN CORPORATE SECTOR PAT AT ALL-TIME HIGH IN 4QFY10 (RS B)



Source: Company/MOSL

PAT MIX - MOSL UNIVERSE (RS B)

SECTOR	2QFY09	% SHARE	4QFY10	% SHARE	% CHG 4QFY10 VS 2QFY09	SECTOR CAGR FY08-10 (%)
Domestic Plays	**264**	**48.6**	**322**	**55.9**	**22.1**	
Banking	93	17.2	122	21.3	30.8	17.5
Utilities	28	5.2	38	6.6	35.0	-1.6
Engineering	16	3.0	37	6.4	123.3	0.3
Auto	14	2.5	27	4.7	99.6	30.2
Telecom	39	7.1	27	4.7	-29.8	-22.3
FMCG	21	3.8	25	4.3	20.6	11.2
Cement	14	2.6	21	3.6	44.5	8.1
Real Estate	27	5.0	10	1.7	-65.1	-34.2
Infrastructure	3	0.6	6	1.0	70.5	4.1
Global Plays	**278**	**51.4**	**253**	**44.1**	**-9.0**	
Cyclicals	**220**	**40.7**	**182**	**31.6**	**-17.4**	
Oil & Gas ex RMs	105	19.4	101	17.6	-3.7	0.7
Metals	115	21.2	81	14.0	-29.9	13.2
Non-Cyclicals	**58**	**10.7**	**71**	**12.4**	**22.9**	
IT	46	8.4	55	9.6	21.6	21.5
Pharma	13	2.3	16	2.8	27.9	17.7
MOSL Universe ex RMs	**542**	**100**	**575**	**100**	**6.1**	

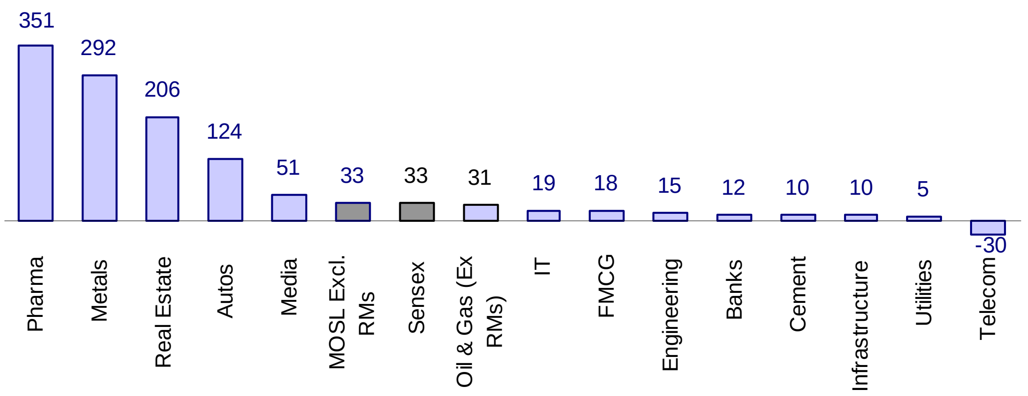
Source: Company/MOSL

QUARTERLY PAT TREND - MOSL UNIVERSE (RS B)

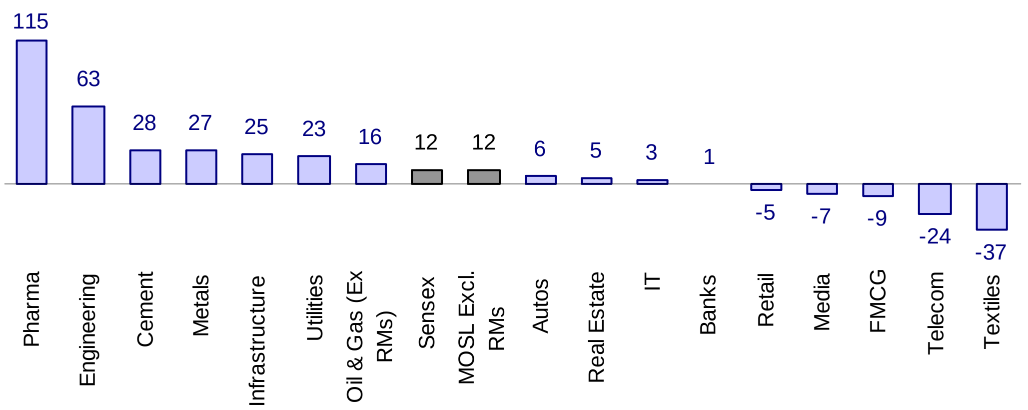
SECTOR	JUN 2006	SEP 2006	DEC 2006	MAR 2007	JUNE 2007	SEP 2007	DEC 2007	MAR 2008	JUNE 2008	SEP 2008	DEC 2008	MAR 2009	JUNE 2009	SEP 2009	DEC 2009	MAR 2010E
Autos	12.4	12.8	12.6	15.1	14.1	15.2	16.8	16.9	15.4	13.7	6.5	12.2	20.5	25.5	25.7	27.3
Banks	41.0	55.9	57.1	61.7	59.1	71.6	84.1	85.8	69.2	93.5	115.4	109.6	102.4	111.4	121.1	122.3
Cement	14.2	12.1	15.9	16.6	19.0	16.9	16.9	16.3	17.1	14.3	14.7	18.9	23.5	22.3	16.2	20.7
Engineering	6.1	8.6	13.5	21.9	8.0	14.5	16.5	23.7	13.8	16.5	19.7	31.8	14.7	18.4	22.6	36.7
FMCG	18.1	19.8	17.2	16.6	18.3	19.1	20.8	18.2	20.2	20.7	21.9	21.1	23.9	25.8	27.3	24.9
IT	26.1	31.4	34.4	37.5	35.0	37.8	39.9	40.2	39.1	45.6	48.1	46.4	48.2	51.2	53.9	55.4
Infrastructure	1.8	1.5	2.0	2.7	2.5	1.9	2.9	4.1	2.7	3.3	3.5	5.1	3.4	2.6	4.5	5.6
Metals	53.1	66.2	70.8	70.3	74.0	70.7	65.8	100.3	106.7	115.1	39.5	20.6	17.1	29.1	63.5	80.7
Oil & Gas Ex RMs	79.3	77.9	86.2	66.5	94.7	101.2	94.7	80.1	136.7	105.3	50.9	77.6	101.3	103.4	87.0	101.3
Pharma	10.5	13.3	13.9	14.8	13.0	14.5	13.8	14.0	14.2	12.5	10.6	3.6	13.9	17.8	7.5	16.0
Real Estate	1.0	1.4	5.5	4.6	28.7	27.9	30.9	35.1	26.3	27.4	10.8	3.1	7.6	8.8	9.1	9.5
Telecom	13.7	17.6	22.6	25.7	30.4	31.6	33.5	37.0	39.3	38.7	38.6	38.7	45.5	33.7	35.7	27.1
Utilities	18.8	21.4	25.7	39.6	25.5	24.6	27.7	28.6	27.9	28.0	29.6	35.9	32.9	31.4	30.8	37.8
Others	3.7	4.8	5.1	6.3	5.5	6.8	7.0	7.7	6.9	7.6	5.3	7.2	7.6	9.2	9.0	9.7
MOSL Univ Ex.RMs	**300**	**345**	**382**	**400**	**428**	**454**	**471**	**508**	**536**	**542**	**415**	**432**	**462**	**490**	**514**	**575**

Source: Company/MOSL

SECTOR-WISE PAT GROWTH IN 4QFY10 (YOY, %)



SECTOR-WISE PAT GROWTH IN 4QFY10 (QOQ, %)

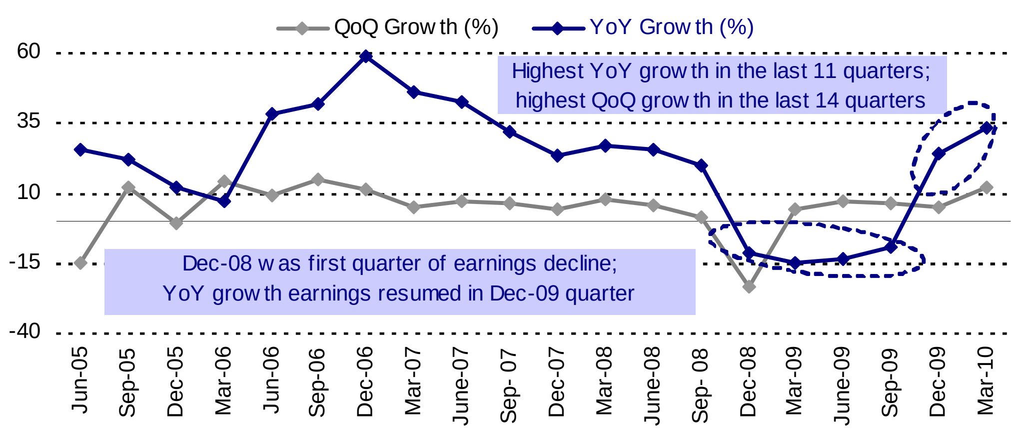


Source: MOSL

4QFY10 would be a historic quarter not only in terms of absolute quantum of profit but also in terms of YoY growth

4QFY10 would be a historic quarter not only in terms of absolute quantum of profit but also in terms of YoY growth. At 33% YoY, PAT growth in 4QFY10 would be the highest since the June 2007 quarter. QoQ growth would also be the highest in recent quarters, led by a revival in the global commodity cycle.

4QFY10 PAT GROWTH – HIGH BOTH ON YOY AND QOQ BASIS



Source: Company/MOSL

4QFY10 earnings growth distribution superior

- The breadth of earnings growth in 4QFY10 is superior on both YoY and QoQ basis.
- 63% of the companies in the MOSL Universe are expected to report PAT growth of 15%+ compared to just 41% a year ago and 60% in 3QFY10.
- 21% of the companies are expected to report PAT declines compared to 41% a year ago and 31% in 3QFY10.

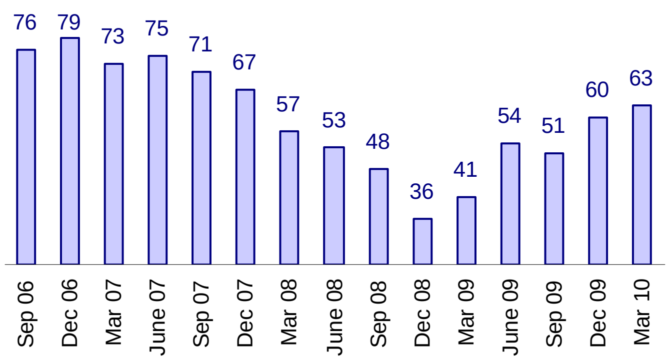
4QFY10 earnings growth distribution

DISTRIBUTION OF COMPANIES BASED ON EARNINGS GROWTH

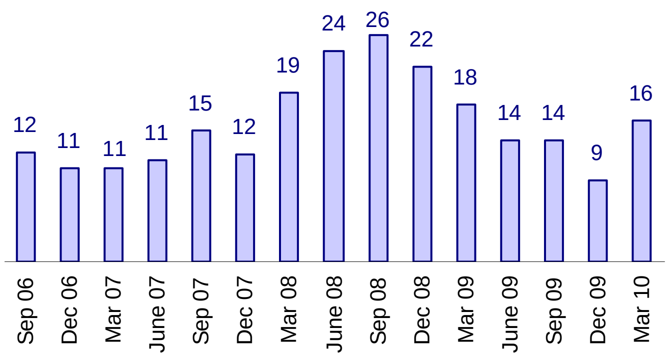
	PAT	% OF COMPANIES WITH GROWTH OF		
RANGE	YOY (%)	>15%	>0-15%	<0%
Mar 08	24.3	57	19	24
June 08	25.6	53	24	23
Sep 08	19.7	48	26	26
Dec 08	-8.4	36	22	42
Mar 09	-15.6	41	18	41
June 09	-15.1	54	14	32
Sep 09	-11.1	51	14	35
Dec 09	22.2	60	9	31
Mar 10	33.2	63	16	21

Source: CompanyMOSL

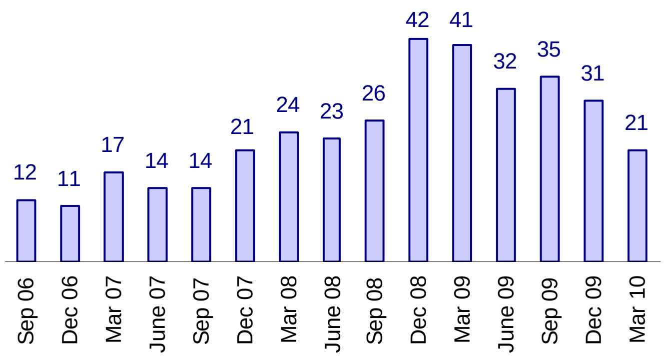
PROPORTION OF COMPANIES WITH EARNINGS GROWTH > 15%



PROPORTION OF COMPANIES WITH EARNINGS GROWTH OF 0-15%



PROPORTION OF COMPANIES WITH EARNINGS GROWTH < 0%



Source: Company/MOSL

Large number of sectors showing less divergence as growth rebounds

We expect all sectors to report positive earnings growth in 4QFY10, except Telecom

We expect MOSL Universe earnings growth to be 33%, the strongest in many quarters, taking absolute profits to a new high. All sectors will report growth except Telecom. Pharma and Metals will lead the pack, with the strongest growth, while Real Estate and Autos will deliver 3-digit growth in earnings. The divergence within sectors appears to be reducing. Consider the following:

- Tata Motors will be the biggest swing factor in superior earnings growth for Autos. We expect it to report a profit of Rs4.7b v/s Rs1.1b in 4QFY09. Maruti will report a 190% growth in earnings while Bajaj Auto will report 145% growth. Hero Honda will have the lowest earnings growth of 40%.
- Among state-owned banks, SBI will report flat profits while Bank of India will report a decline of 40%. Most of the state-owned Banks will have low earnings growth, despite very strong NII growth. Lower treasury gains and higher NPA provisions will

impact the performance of several banks. HDFC Bank will report over 30% growth while Yes Bank will post very strong growth of 68%. Other Financials that will report above-average earnings growth include IDFC (+121%), Shriram Transport (+62%) and J&K Bank (+69%).

- The Cement sector will report just 10% YoY growth in earnings but will have a very strong 28% QoQ growth, as prices have recovered significantly. India Cements will see a 54% QoQ growth, similar to Ambuja Cement. Shree Cement will report the lowest QoQ growth of 9%.
- Crompton Greaves and BHEL will lead the Engineering pack, with earnings growth of 40% YoY and 23% YoY v/s sector earnings growth of 15% YoY. L&T will report earnings growth of 9% YoY. Sector earnings growth will be dragged down by low growth in ABB (up 5% YoY), Thermax (down 16% YoY) and Siemens (down 2% YoY).
- Of the large contributors to the FMCG sector earnings, ITC is likely to post earnings growth of 29% YoY, while HUL will report earnings decline of 14% YoY. Asian Paints will be the best performer, with earnings growth of 81%.
- In frontline IT stocks, TCS will lead the pack, with earnings growth of 41%, v/s 24% earnings growth for Wipro and 1% earnings de-growth for Infosys. Sector earnings growth will be 19% due to significant growth in HCL Tech's earnings growth (up 51% YoY) and TCS.

All the three Telecom companies under our coverage are likely to report earnings decline in 4QFY10

- The Telecom sector is likely to report earnings de-growth of 30% YoY. All the three companies - Bharti (-8% YoY), RCom (-61% YoY) and Idea (-55% YoY) will report earnings decline.

QUARTERLY PERFORMANCE - MOSL UNIVERSE (RS B)

SECTOR	SALES				EBITDA				NET PROFIT			
(NO OF COMPANIES)	MAR-09	MAR-10	VAR % YOY	VAR % QOQ	MAR-09	MAR-10	VAR % YOY	VAR % QOQ	MAR-09	MAR-10	VAR % YOY	VAR % QOQ
Autos (5)	220	313	42.1	11.7	23	45	98.8	4.2	12	27	123.5	6.0
Banks (22)	218	274	25.4	4.9	217	242	11.3	9.4	110	122	11.6	1.0
Cement (7)	109	118	8.2	10.6	31	35	13.2	22.1	19	21	9.7	27.6
Engineering (6)	271	323	19.3	54.7	43	51	20.0	60.1	32	37	15.4	62.8
FMCG (12)	162	186	15.2	-1.5	32	38	17.6	-4.6	21	25	18.1	-8.6
IT (7)	251	273	9.0	3.0	63	71	13.1	1.2	46	55	19.3	2.8
Infrastructure (5)	72	89	23.2	23.1	12	14	19.8	18.9	5	6	9.6	24.6
Media (6)	16	19	24.7	6.6	5	7	57.6	-1.2	3	4	51.0	-7.0
Metals (8)	538	652	21.2	11.3	51	141	175.9	16.6	21	81	291.8	27.0
Oil Gas & Petchem (11)	1,713	2,378	38.8	5.7	321	376	16.9	83.5	231	198	-14.3	101.8
Pharma (14)	115	124	7.4	-3.9	20	26	25.5	-5.9	4	16	351.4	114.8
Real Estate (6)	19	38	93.8	9.9	4	18	338.4	33.8	3	10	205.6	4.7
Retail (2)	25	33	30.2	1.2	2	3	38.5	4.9	1	1	56.7	-4.7
Telecom (3)	189	184	-2.6	0.9	72	64	-11.7	-2.9	39	27	-29.9	-23.9
Textiles (5)	28	34	21.1	8.1	5	7	47.5	5.4	1	1	7.2	-36.8
Utilities (6)	195	212	9.0	11.6	47	64	37.5	19.9	36	38	5.4	22.9
MOSL (127)*	**4,164**	**5,276**	**26.7**	**8.6**	**953**	**1,208**	**26.8**	**26.7**	**585**	**672**	**14.8**	**28.0**
MOSL Excl. RMs (124)	**3,051**	**3,883**	**27.3**	**9.0**	**771**	**1,036**	**34.4**	**10.0**	**432**	**575**	**33.2**	**11.9**
Sensex (30)	**1,953**	**2,564**	**31.2**	**10.3**	**464**	**647**	**39.4**	**8.8**	**271**	**360**	**32.7**	**12.1**

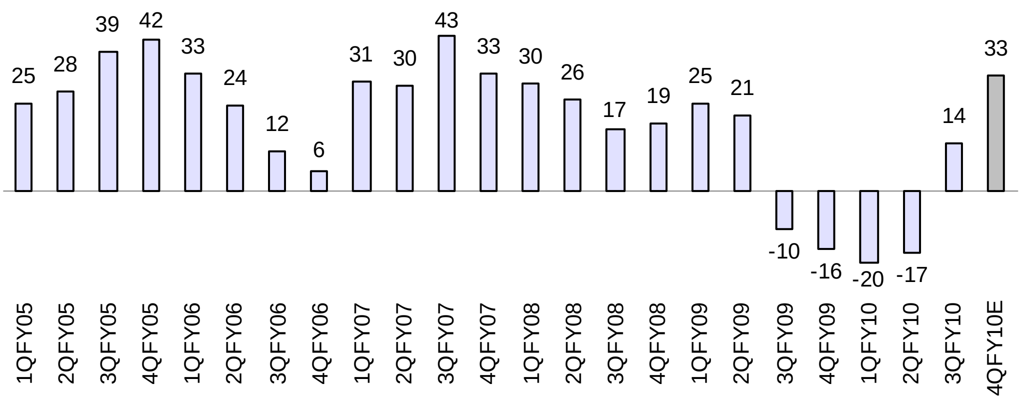
*Tata Steel Consolidated.

INTRA-SECTOR 4QFY10 EARNINGS DIVERGENCE

SECTORS	4QFY10 PAT GROWTH (%)	EARNINGS GROWTH IN EXCESS OF 15%	EARNINGS GROWTH OF 0-15%	NEGATIVE EARNINGS GROWTH	EARNINGS MOMENTUM
Autos	123.5	Bajaj Auto, Hero Honda, Maruti Suzuki, Tata Motors, Mahindra & Mahindra			5 0 0
Banks	11.6	IDFC, Yes Bank, Shriram Trans. Fin, OBC, HDFC Bank, PNB, LIC Housing, Union Bank, ICICI Bank	Axis Bank, BoB, Canara Bank, HDFC, SBI	Bank of India	15 6 1
Cement	9.7	Grasim Industries, Birla Corporation	Ambuja Cements	ACC, India Cements Shree Cement, Ultratech	2 1 4
Engineering	15.4	Crompton Greaves, BHEL	Larsen & Toubro, ABB	Siemens, Thermax	2 2 2
FMCG	18.1	ITC, United Spirits, Godrej Cons., Colgate, Asian Paints, Nestle	Tata Tea	Marico, Hind. Unilever	8 1 3
Infrastructure	9.6	Simplex Infra, Nagarjuna Construction	Jaiprakash, IVRCL Infra	Hindustan Construction	2 2 1
IT	19.3	Patni Computer, HCL Tech. Wipro, TCS, MphasiS	Infosys	Tech Mahindra	5 1 1
Media	51.0	Deccan Chronicle, Jagran Prakashan, Sun TV, Zee Entertainment			6 0 0
Metals	291.8	Tata Steel, JSW Steel, Sterlite Inds., Sesa Goa, Hind. Zinc, Hindalco	SAIL		7 1 0
Oil Gas & Petchem	30.6	GAIL, ONGC, Reliance Inds., Cairn India,		Chennai Petroleum, MRPL	6 0 2
Pharma	351.4	Dr Reddy' s Labs, Glenmark Pharma, Biocon	Cipla, Piramal Healthcare, Lupin	Divis Labs, Sun Pharma, Ranbaxy Labs	5 4 5
Real Estate	205.6	Unitech, Anant Raj Inds, DLF, HDIL	-	Phoenix Mills	5 0 1
Telecom	-29.9			Bharti Airtel, Reliance Comm. Idea Cellular	0 0 3
Utilities	5.4	Tata Power, CESC, PTC India	Reliance Infra., NTPC		3 3 0

Note: Earnings momentum represents number of companies in every sector in the MOSL Universe in each of the 3 buckets of earnings growth

SENSEX PAT GROWTH (YOY)



Source: Company/MOSL

Key earnings divergence for Sensex stocks in 4QFY10

25 of the 30 Sensex stocks will report positive earnings growth in 4QFY10

- 25 of the 30 Sensex stocks will report positive earnings growth.
- Global players like Tata Motors (+338%), Sterlite (+211%), Tata Steel (+201%) and Hindalco (+100%) will be amongst the best growing Sensex companies. Within the domestic segment, DLF (+212%) and Maruti (+190%) will also report very high earnings growth, aided by low base of 4QFY09.
- Bharti will likely have its first YoY decline in earnings, while Sun Pharma and Hindustan Unilver will report double-digit earnings decline.
- Stocks with disproportionate growth to the Sensex v/s their weight are Tata Steel, ONGC, Sterlite and Maruti. Stocks with significantly lower contribution to growth v/s their weights are Bharti, Infosys, NTPC and SBI.

4QFY10 EARNINGS COMPOSITION OF SENSEX (RS B)

COMPANY	SALES			EBITDA			PAT			CONTRIBUTION TO %	
	MAR-10	VAR % YOY	VAR % QOQ	MAR-10	VAR % YOY	VAR % QOQ	MAR-10	VAR % YOY	VAR % QOQ	PAT	PAT GROWTH
ACC	21.2	3.1	10.3	5.9	-8.2	37.9	4.0	-6.0	40.8	1.1	-0.3
Bharti Airtel	98.0	-0.2	0.3	37.9	-5.4	-3.2	20.7	-7.8	-6.5	5.7	-2.0
BHEL	129.1	22.5	81.8	26.5	27.8	84.7	19.5	22.7	76.0	5.4	4.1
DLF	20.1	79.2	-0.7	10.5	577.2	24.1	5.0	212.3	6.1	1.4	3.8
Grasim Industries	32.7	13.2	7.1	11.0	62.2	11.9	6.8	76.3	13.8	1.9	3.3
HDFC	10.3	8.2	14.8	11.5	10.5	18.0	8.0	9.7	19.9	2.2	0.8
HDFC Bank	24.2	30.9	9.0	17.4	10.5	6.9	8.3	31.1	1.0	2.3	2.2
Hero Honda	41.1	20.4	7.7	6.9	28.2	6.5	5.6	39.8	5.0	1.6	1.8
Hind. Unilever	42.2	4.7	-7.7	5.0	-15.7	-36.2	3.9	-14.5	-34.8	1.1	-0.7
Hindalco	53.6	42.1	-2.1	8.6	173.6	6.8	5.4	100.6	11.4	1.5	3.0
ICICI Bank	21.5	0.5	4.4	20.8	-3.6	-12.3	8.6	15.6	-21.9	2.4	1.3
Infosys	59.5	5.6	3.6	20.9	10.7	2.7	16.1	1.0	1.9	4.5	0.2
ITC	47.4	20.6	3.4	16.6	28.2	-2.5	10.4	28.9	-8.9	2.9	2.6
Jaiprakash Associates	29.9	43.6	5.0	8.2	16.0	5.7	3.3	5.3	5.7	0.9	0.2
Larsen & Toubro	129.3	23.6	60.2	16.1	17.7	68.5	11.6	8.7	89.6	3.2	1.0
Mahindra & Mahindra	53.0	46.3	18.2	8.3	96.5	20.6	5.3	88.7	24.3	1.5	2.8
Maruti Suzuki	85.0	32.2	13.4	11.3	151.8	-0.2	7.1	190.3	2.7	2.0	5.2
NTPC	124.8	9.1	11.6	36.9	66.2	9.6	24.0	0.3	17.2	6.7	0.1
ONGC	143.8	5.0	-6.1	81.3	40.6	-11.0	36.7	66.0	20.0	10.2	16.4
Reliance Comm	52.7	-13.9	-0.7	17.5	-26.7	-3.6	5.3	-61.3	-55.7	1.5	-9.4
Reliance Inds.	613.9	116.4	8.0	94.6	73.9	20.6	48.6	24.1	21.3	13.5	10.6
Reliance Infrastructure	23.9	0.1	4.5	2.3	50.5	-0.3	3.0	2.1	8.6	0.8	0.1
State Bank	64.6	33.4	2.3	57.7	9.3	24.9	27.4	0.0	10.6	7.6	0.0
Sterlite Inds.	73.6	67.0	9.1	19.4	131.5	9.6	12.2	211.4	21.1	3.4	9.3
Sun Pharma	9.9	-7.2	-3.4	3.6	-5.0	-3.4	2.6	-18.3	19.3	0.7	-0.6
Tata Motors	100.5	50.5	12.5	12.0	106.7	4.5	4.7	338.3	13.5	1.3	4.1
Tata Power	15.2	3.3	-0.3	4.5	52.9	37.9	2.1	125.7	43.7	0.6	1.3
Tata Steel	291.9	10.5	11.4	37.1	9528.1	19.5	13.4	LP	104.7	3.7	30.0
TCS	78.2	9.1	2.2	23.0	22.4	1.3	18.5	40.9	3.0	5.1	6.0
Wipro	72.7	11.4	4.8	13.4	9.9	1.8	12.4	23.7	2.9	3.4	2.7
Sensex (30)	**2,564**	**31.2**	**10.3**	**647**	**39.4**	**8.8**	**360**	**32.7**	**12.1**		

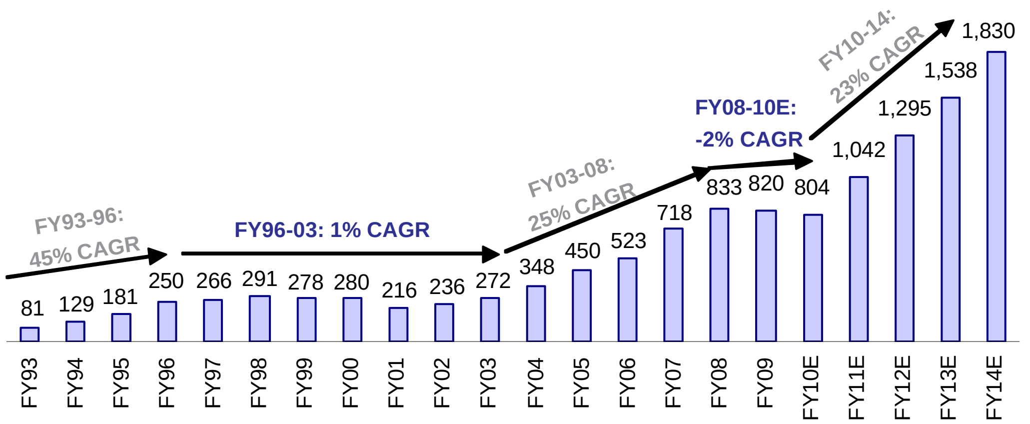
LP: Loss to profit; Note: Tata Steel Consolidated *Source: Company/MOSL*

We expect the momentum of 4QFY10 to sustain in FY11 and beyond

FY10-14: earnings growth revival accompanied by RoE expansion

We expect the momentum of 4QFY10 to sustain in FY11 and beyond. After two consecutive years of stagnation in Sensex EPS (at ~Rs800 during FY08-10), we expect a rebound in Sensex EPS growth to 30% in FY11. In fact, we expect the strong growth trajectory to continue over the next four years and model Sensex EPS CAGR of ~23% during FY10-14.

SENSEX EPS TREND: NEW CYCLE OF EARNINGS GROWTH AHEAD



Source: MOSL

ANNUAL PERFORMANCE - MOSL UNIVERSE

SECTOR	SALES (RS B)					FY11	FY10-14	PAT (RS B)					FY11	FY10-14
Y/E MARCH	FY10E	FY11E	FY12E	FY13E	FY14E	YOY (%)	CAGR (%)	FY10E	FY11E	FY12E	FY13E	FY14E	YOY (%)	CAGR (%)
Autos (5)	1,778	2,064	2,339	2,639	2,960	16.1	13.6	96	128	168	195	227	34.2	24.1
Banks (25)	1,124	1,369	1,634	1,948	2,335	21.8	20.1	517	602	746	903	1,095	16.3	20.6
Cement (8)	566	702	789	910	1,013	24.0	15.7	91	92	102	132	166	0.7	16.2
Engineering (6)	926	1,173	1,499	1,739	2,073	26.7	22.3	96	124	160	193	234	29.1	24.9
FMCG (12)	742	844	964	1,104	1,270	13.8	14.4	102	116	137	162	193	13.4	17.2
IT (7)	1,055	1,218	1,401	1,602	1,848	15.4	15.0	212	243	275	316	367	14.9	14.7
Infrastructure (9)	364	437	524	651	806	20.1	22.0	33	40	50	77	104	21.6	33.3
Media (6)	72	86	96	109	121	19.9	14.1	17	21	25	30	36	22.8	20.3
Metals (9)	2,651	2,792	3,201	3,435	3,668	5.3	8.5	180	311	390	466	539	72.4	31.5
Oil Gas & Petchem (11)	8,569	8,905	9,025	9,513	9,830	3.9	3.5	587	675	806	878	981	15.0	13.7
Pharma (14)	494	548	632	721	819	10.9	13.5	55	76	98	116	137	37.3	25.5
Real Estate (10)	145	200	277	329	404	37.4	29.1	40	57	72	87	110	41.1	28.5
Retail (2)	123	153	182	213	248	24.1	19.0	4	6	8	10	13	39.3	29.7
Telecom (3)	741	819	947	1,052	1,172	10.5	12.1	142	127	151	173	205	-10.8	9.7
Textiles (5)	141	162	185	199	212	14.7	10.7	5	8	11	14	16	61.0	34.8
Utilities (10)	848	1,120	1,317	1,592	1,817	32.1	21.0	147	185	230	278	327	25.7	22.0
Others (2)	88	102	116	133	152	15.6	14.7	8	11	14	16	20	34.9	23.9
MOSL (144)	**20,427**	**22,692**	**25,130**	**27,888**	**30,748**	**11.1**	**10.8**	**2,334**	**2,822**	**3,443**	**4,047**	**4,770**	**20.9**	**19.6**
MOSL Ex. RMs (141)	**15,682**	**17,946**	**20,539**	**23,129**	**25,835**	**14.4**	**13.3**	**2,170**	**2,706**	**3,313**	**3,912**	**4,606**	**24.7**	**20.7**
Sensex (30)	**5,428**	**6,000**	**6,832**	**7,602**	**8,477**	**10.5**	**11.8**	**613**	**794**	**987**	**1,173**	**1,395**	**29.5**	**22.8**
Nifty (50)	**6,369**	**7,053**	**8,008**	**8,925**	**9,997**	**10.7**	**11.9**	**698**	**903**	**1,126**	**1,340**	**1,610**	**29.3**	**23.2**

For Banks : Sales = Net Interest Income; Tata Steel Figures are consolidated including Corus; Note: Sensex & Nifty Numbers are Free Float

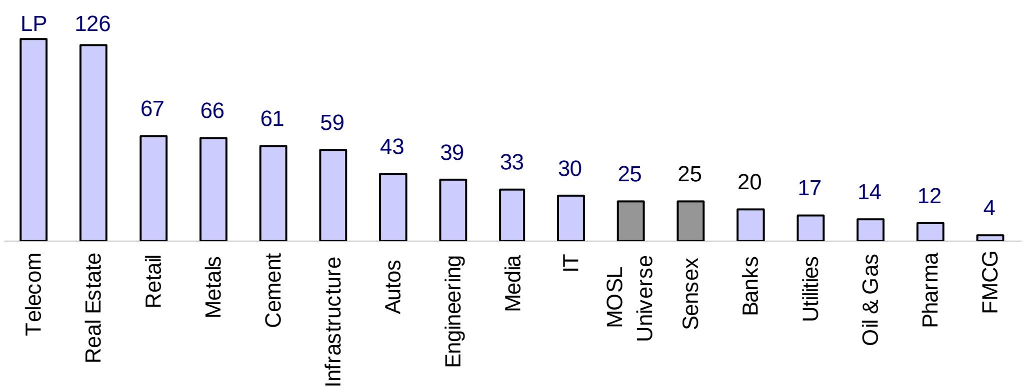
Source: MOSL

The eventual earnings growth over FY10-14 could beat our estimate of 23% CAGR

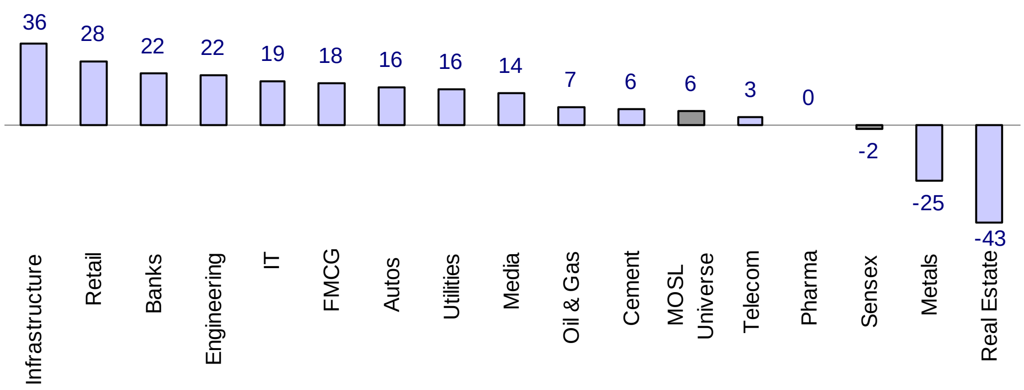
This is a stronger earnings growth expectation than the sub-20% earnings growth that we were expecting at the start of the previous earnings upcycle in early FY04. Sensex earnings actually clocked 25% CAGR during FY03-08. We would not be surprised if the eventual earnings growth over FY10-14 beats our estimate of 23% CAGR.

Earnings growth over FY03-08 was led largely by Telecom and Real Estate

PAT CAGR – FY03-08 (%)

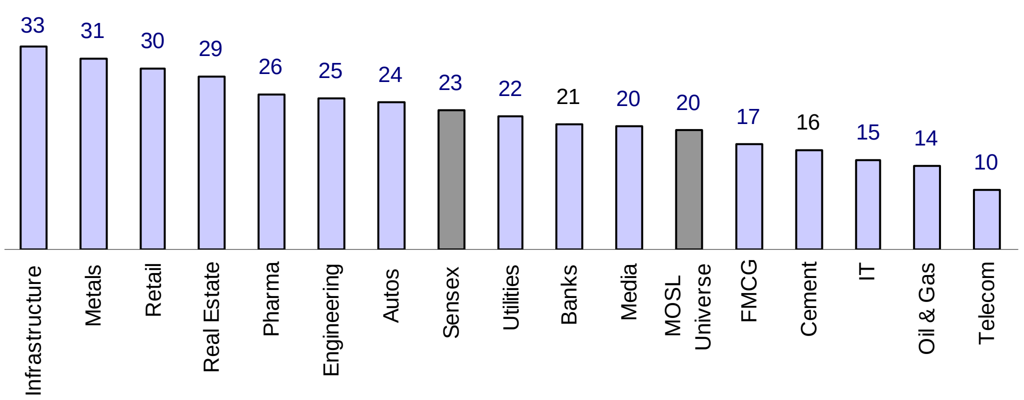


PAT CAGR – FY08-10 (%)



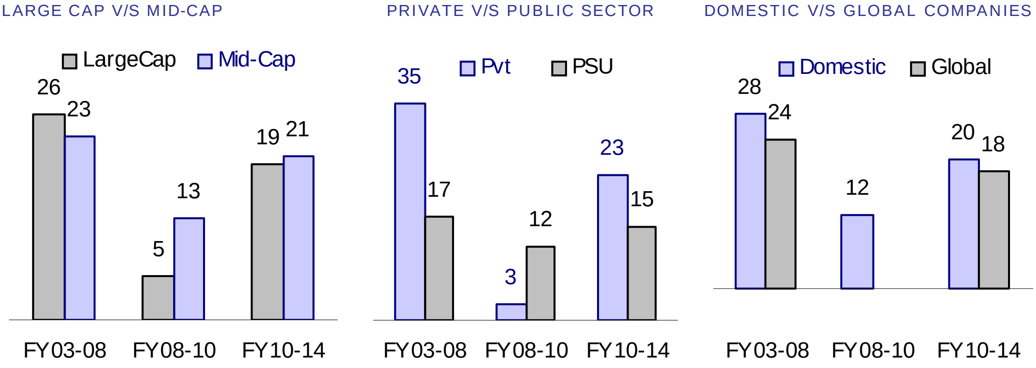
Earnings growth over FY10-14 will be better distributed across sectors

PAT CAGR – FY10-14 (%)



Source: MOSL

PAT GROWTH



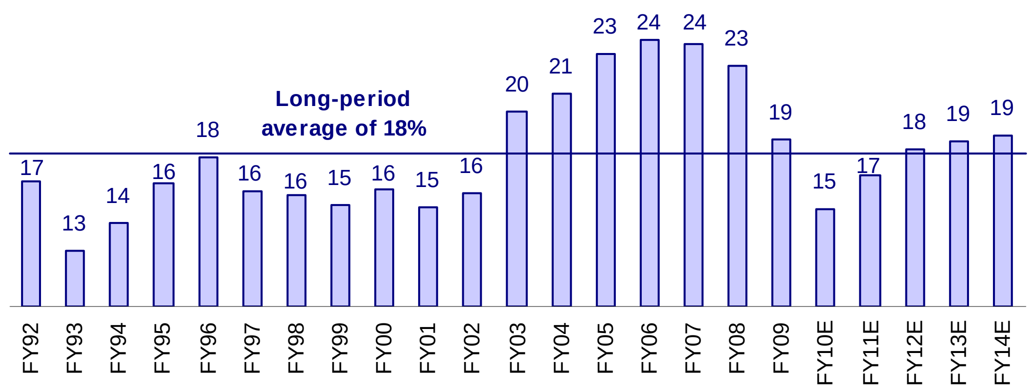
Source: MOSL

Sensex RoE: to bottom out in FY10 and touch long-period average by FY12

We expect Sensex RoE to bottom out in FY10 and cross the long-period average of 18% by FY12

Importantly, along with growth, the quality of earnings would also improve. During the earnings growth holiday period of FY08-10, Sensex RoE fell by 800bp, from 23% to 15%. This is the worst RoE in the last 10 years. Going forward, we expect Sensex RoE to bottom out and journey upwards to the long-period average (LPA) of 18%, which should be touched by FY12.

SENSEX ROE: TO BOTTOM OUT IN FY10 AND TOUCH LONG-PERIOD AVERAGE BY FY12



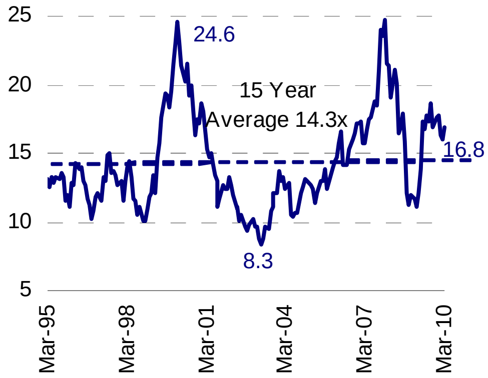
Source: MOSL

Market valuations not cheap, but downside limited to 10%

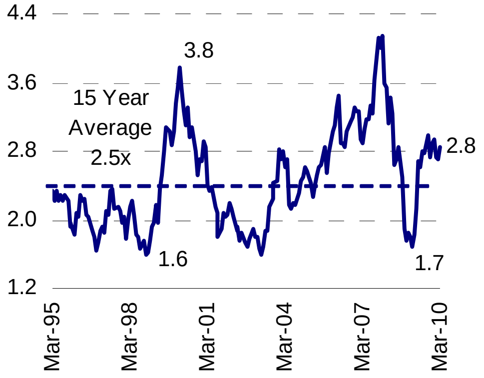
At 17x FY11E earnings and 2.8x FY11E book value, market valuations are not cheap

Following the 81% appreciation in the last one year, Indian markets are no longer cheap. In terms of P/E, the Sensex is currently at 17x FY11E earnings – 17% premium to LPA. Likewise, in terms of P/BV, the Sensex is currently at 2.8x FY11E book value – 16% premium to LPA.

SENSEX P/E: 17% PREMIUM TO LONG-PERIOD AVG.



SENSEX P/B: 16% PREMIUM TO LONG-PERIOD AVG.



Source: MOSL

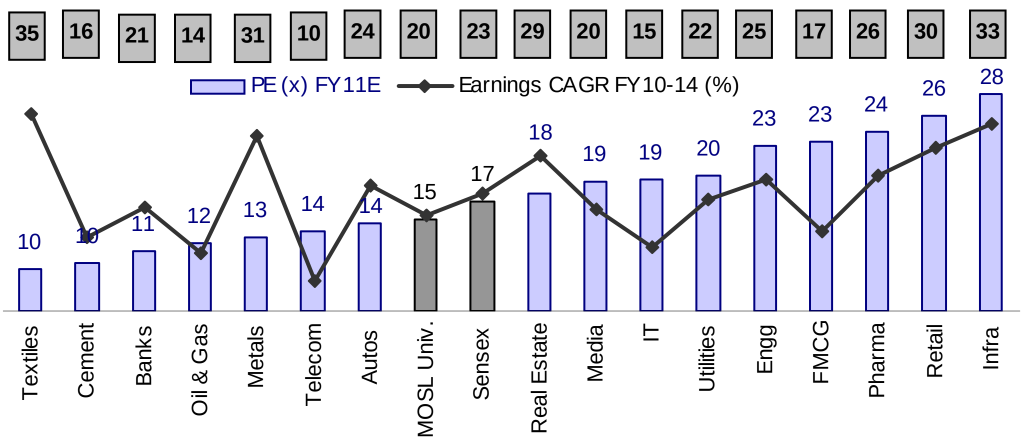
However, the market might merit premium valuations…

…given higher than long-period average earnings growth rate

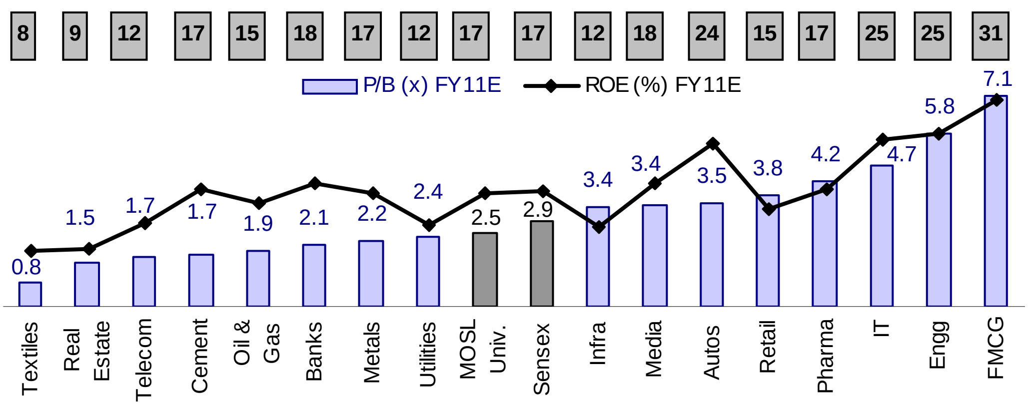
Even if the market were to revert to LPA valuations, the implied downside is only 10-15%. However, it could also be argued that for the next 3-4 years, the market may merit premium valuations, as: (1) earnings growth rate of 23% is higher than the LPA of 14%, and (2) RoE too is expected to cross LPA shortly.

Current valuations may hold, in which case market returns should track earnings CAGR of 20-25%.

SECTORAL P/E V/S EARNINGS CAGR

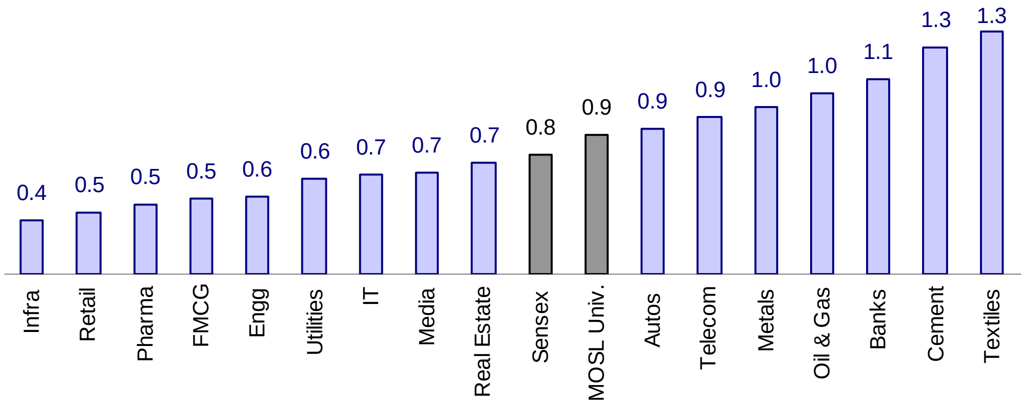


SECTORAL P/B V/S ROE



Source: MOSL

SECTOR EARNINGS YIELD TO BOND YIELD



Source: MOSL

Potential events to watch for

Though the roots of earnings growth are firmly entrenched, one needs to watch out for potential caterpillars

Even as the market blossoms, nourished by the deep roots of earnings growth, it needs to watch out for caterpillars that could gnaw on the young shoots of market appreciation. These are:

- Interest rate cycle
- Uncertainty of monsoons
- Runaway oil prices
- FII flows

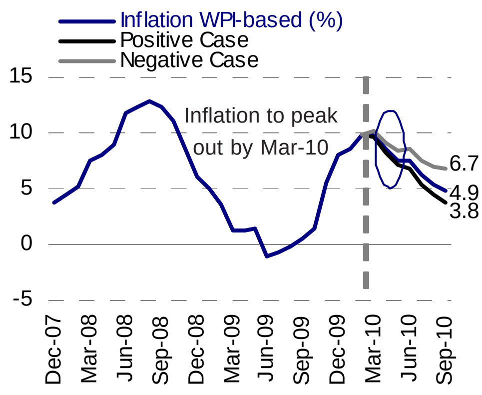
CATERPILLAR #1

Interest rate cycle

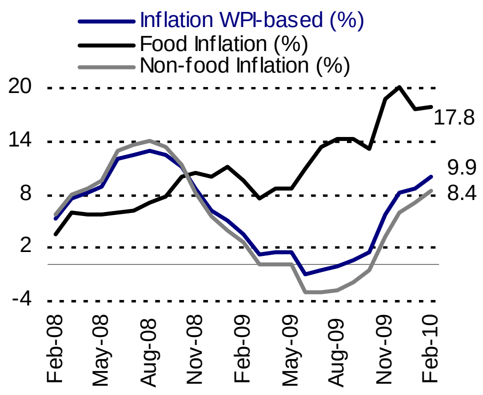
Interest rate cycle: inflation and government borrowing will be key

Inflation is currently running at a 15-month high of 10%. The impact of the 2009 drought in India coupled with global shortage in a few food items like sugar caused food inflation to scale a high of 20% in December 2009. Food prices have started to cool off since then, with food inflation down to 16.3% in March 2010. However, non-food inflation continues to rise on the back of global factors like rising commodity prices (crude, metals, newsprint, etc) and domestic factors like hike in petrol/diesel prices and partial roll-back of excise duty concessions in the last Union Budget. Non-food inflation has risen to 12.6% in March 2010 v/s a low of 1.6% in October 2009 and 9.6% in December 2009, when food inflation peaked. Our calculations suggest that inflation is currently at its peak, and should begin to taper off to 5% levels by mid-October 2010.

INFLATION WOULD PEAK OUT BY MARCH 2010 (%)



FOOD INFLATION MAY HOWEVER REMAIN HIGHER



Source: RBI/MOSL

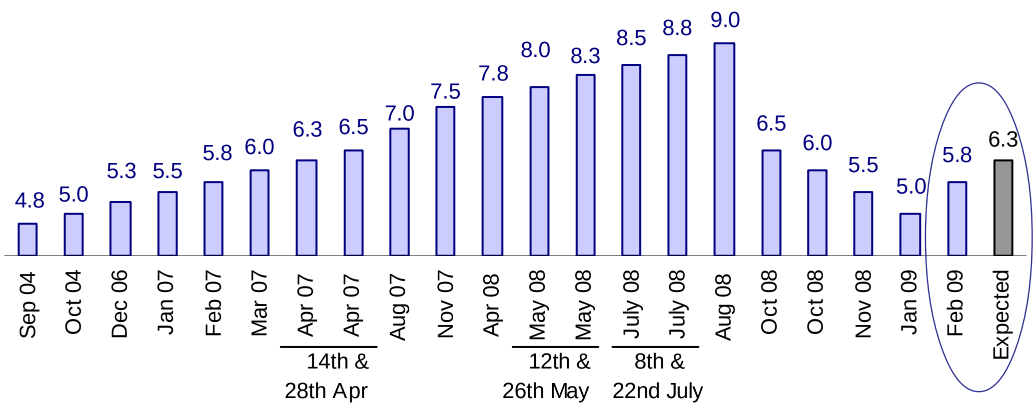
Given RBI's resolve to aggressively tackle inflation…

The RBI has clearly indicated its intention to aggressively tackle inflation.

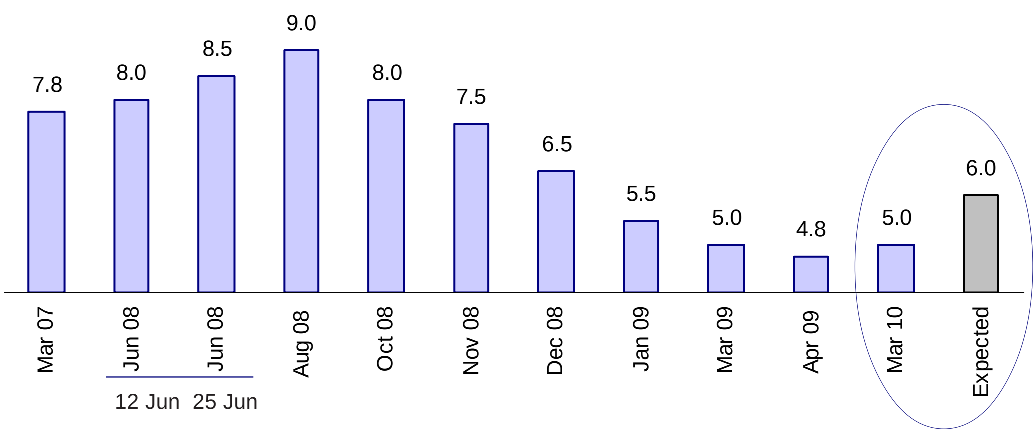
- In February 2010, it hiked CRR by 75bp.
- Around the same time, it began to talk up banks to refrain from offering teaser rates for housing and car loans.
- In a rather surprise move, on 19 March 2010, it announced a 25bp hike in benchmark repo and reverse repo rates.

The RBI could achieve all of this without significant impact on interest rates due to excessive liquidity in the system. Going forward, we expect a further 100bp hike in repo and reverse repo; of this, 50bp is most likely in 1QFY11 itself. We also expect a 50bp hike in CRR. We believe RBI is using this high-inflation phase to normalize all the benchmark rates, which were eased as part of the economic stimulus program.

TREND IN CRR: EXPECT 50BP HIKE IN FY11



TREND IN REPO RATE: EXPECT 100BP HIKE IN FY11, 50BP IN 1Q ITSELF



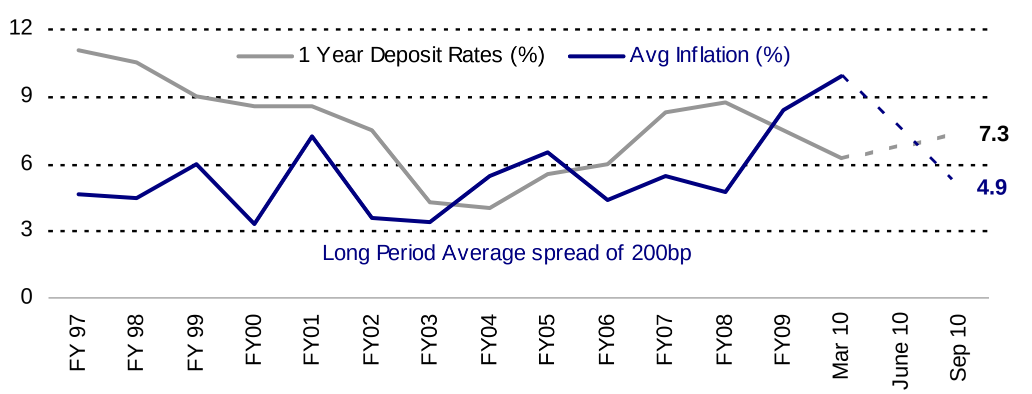
Source: RBI/MOSL

…and the government's Rs4.5t borrowing program in FY11…

Expect 100bp higher interest rates; government's borrowing program to result in G-Sec yields peaking in 1HFY11: We expect RBI's measures to result in a short-term spike in both deposit and lending rates by 100bp. Further, the government has announced that of its total FY11 borrowing program of Rs4.57 trillion, it plans to complete Rs2.87 trillion in the first half. This should also cause 10-year G-Sec yields to peak at 8.5% around mid-FY11 before cooling off to current levels towards the end of the year.

…a rise in interest rates is imminent

EXPECT 100BP HIKE IN DEPOSIT RATES



Source: RBI/MOSL

In the final analysis, high inflation by itself is a short-term concern. However, it could get seriously aggravated if compounded by weak monsoons (see next point).

CATERPILLAR #2

Monsoons

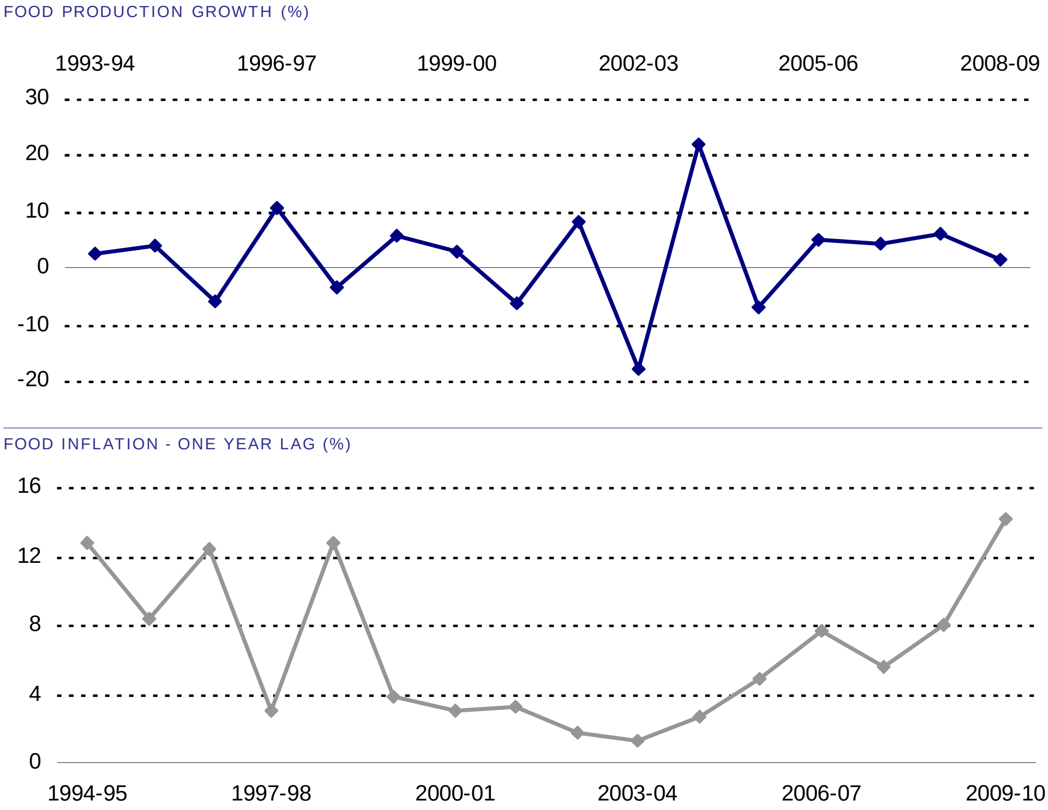
2009 was India's worst drought year

Uncertainty of monsoons: 2010 unlikely to be a repeat drought year

2009 was India's worst drought year due to the El Nino effect. This, in turn, reversed the recovery in India's foodgrain production growth and also caused food inflation to scale new highs.

Typically, inflation rises in the year following fall in foodgrain production

FOODGRAIN PRODUCTION GROWTH V/S FOOD INFLATION (WITH 1-YEAR LAG)

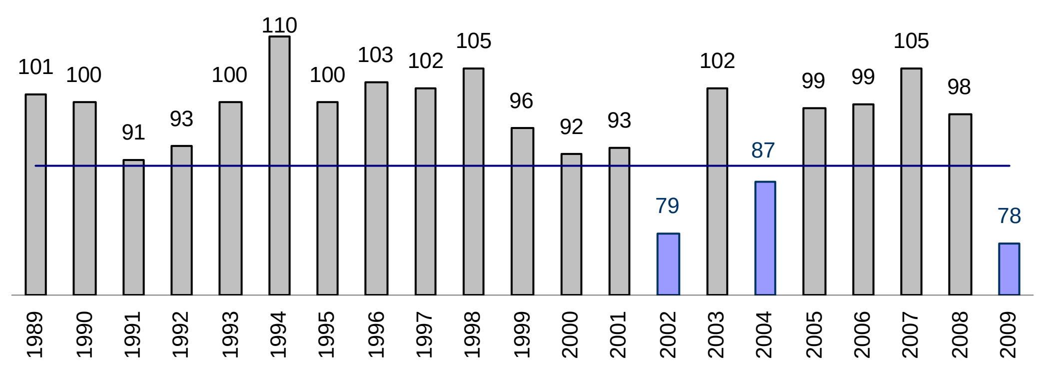


Source: Bloomberg/RBI/MOSL

However, empirical evidence suggests that 2010 is unlikely to be a drought year

Notwithstanding the 2009 experience, data suggests that India has had a fairly good run with monsoons. In the last 21 years to 2009, there have been only three drought years (defined as rainfall lower than 90% of long-period average). Further, there has not been a single instance of two successive drought years.

RAINFALL AS % OF LPA: ONLY 3 DROUGHTS IN THE LAST 21 YEARS; NO SUCCESSIVE DROUGHTS



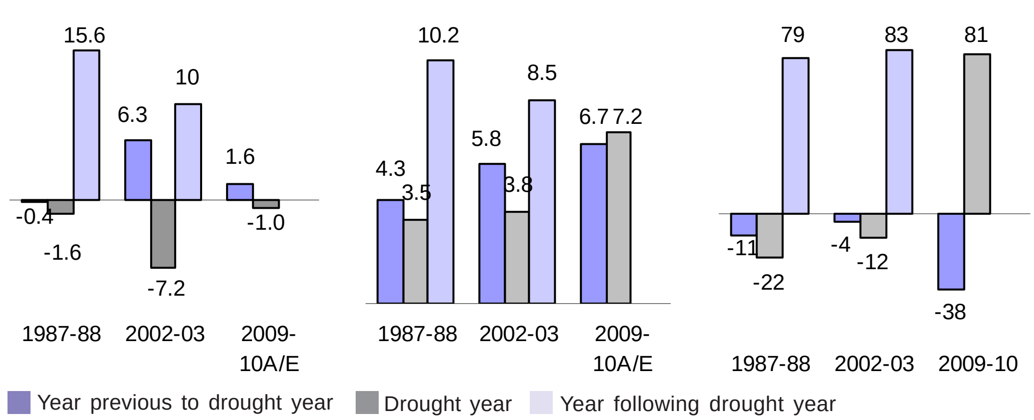
Rainfall below 90% of LPA is considered as drought Source: IMD/MOSL

Agriculture GDP usually recovers strongly in the year following the drought…

Going by the past data, agriculture GDP has strongly recovered in the year subsequent to the drought, which has also led to acceleration in GDP growth and very high stock market returns.

…driving up overall GDP growth and stock market returns

AGRICULTURAL GDP GROWTH (%) GDP GROWTH (%) SENSEX GROWTH (%)



Source: GoI/MOSL

CATERPILLAR #3

Oil prices

Runaway oil prices: re-emerging as a key risk

Oil prices have renewed their upward movement over the last few months and are now at an 18-month high of US$85/bbl. Given India's dependence on oil imports and lack of a proper oil pricing policy, higher oil prices create significant pressures on government finances and state-owned oil companies. High inflation and political opposition has always prevented the government from formulating a free pricing policy. At oil prices of US$80/bbl, the under-recovery in the system could be Rs875b, up from Rs462b in FY10. The government has budgeted only Rs31b in its latest Budget, which leaves a large gap to be funded either through state-owned oil companies or further budgetary provisions.

Crude prices are at an 18-month high of US$85/bbl

At crude price of US$80/bbl, under-recovery could be Rs875b in FY11, up from Rs462b in FY10

OIL & GAS: HISTORICAL SUBSIDY SHARING

	FY05	FY06	FY07	FY08	FY09	FY10E
Fx Rate (Rs/US$)	**44.9**	**44.3**	**45.2**	**40.3**	**46.0**	**47.5**
Brent (US$/bbl)	**42.2**	**58.0**	**64.4**	**82.3**	**84.8**	**69.6**
Gross Under recoveries (Rs b)						
Auto Fuels	23	154	208	426	575	146
Domestic Fuels	178	246	286	347	458	316
Total	**201**	**400**	**494**	**773**	**1,033**	**462**
Sharing (Rs b)						
Oil Bonds/Cash	-	115	241	353	713	316
Upstream	59	140	205	257	329	146
OMC's sharing	142	138	48	163	(9)	(0)
Total	**201**	**393**	**494**	**773**	**1,033**	**462**
Sharing (%)						
Oil Bonds/Cash	-	29	49	46	69	68
Upstream	30	36	42	33	32	32
OMC's sharing	70	35	10	21	(1)	(0)
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Bloomberg/Company/MOSL

GROSS UNDER RECOVERIES

Fx Rate (Rs/US$)	Brent Price (US$/bbl) 50	60	70	80	90
38	(895)	(526)	(158)	211	580
40	(787)	(399)	(11)	377	765
42	(679)	(272)	136	543	951
44	(571)	(145)	282	709	1,136
46	(464)	(17)	429	875	1,321
48	(356)	110	576	1,041	1,507
50	(248)	237	722	1,207	1,692

ONLY PETROL AND DIESEL UNDER RECOVERIES

Fx Rate (Rs/US$)	Brent Price (US$/bbl) 50	60	70	80	90
38	(950)	(668)	(386)	(104)	178
40	(864)	(567)	(270)	27	324
42	(777)	(466)	(154)	158	469
44	(691)	(364)	(38)	289	615
46	(604)	(263)	78	420	761
48	(518)	(162)	195	551	907
50	(431)	(60)	311	682	1,053

ONLY LPG & KERO UNDER RECOVERIES

Fx Rate (Rs/US$)	Brent Price (US$/bbl) 50	60	70	80	90
38	55	142	229	315	402
40	77	168	259	350	442
42	98	194	290	385	481
44	119	220	320	420	521
46	141	246	351	455	560
48	162	272	381	490	600
50	183	297	412	526	640

Source: Company/MOSL

BRENT CRUDE (US$/BBL)

Source: Bloomberg/MOSL

CATERPILLAR #4

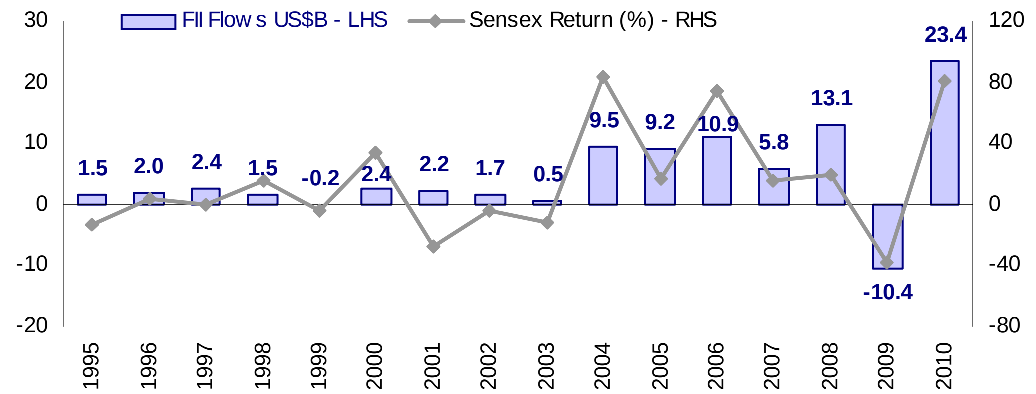
FII flows

FII flows: India could remain a preferred destination for global investments

Past data clearly suggests a strong correlation between returns in the Indian stock market and fund flows from FIIs (foreign institutional investors). In FY10, India received its highest ever FII inflows of US$23b. And true to form, the Indian markets delivered one of the highest annual returns in the last 15 years. Conversely, FY09, which was one of the worst years for the Indian market, was also the only year of meaningful FII outflows.

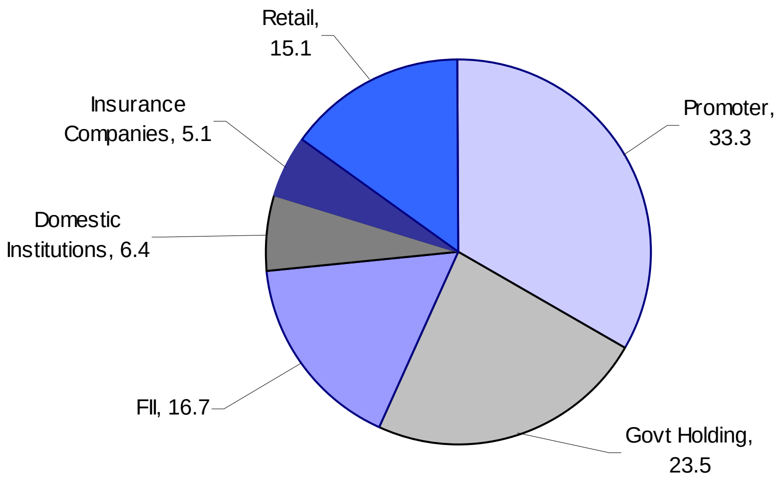
There is a strong correlation between FII inflows and stock market returns in India

INDIAN MARKET RETURNS ARE STRONGLY CORRELATED WITH FII FLOWS



Source: SEBI/MOSL

BSE-500 OWNERSHIP PATTERN (%)



Source: Company/MOSL

We remain positive on the prospects of FII flows into India

Given the above, it becomes important to assess whether India can remain a preferred destination for global investments. We remain positive on the prospects of FII flows into India, considering the following factors that favor India in the global market.

- Strong macroeconomic resilience and sustained growth: Even in the midst of global slowdown in the last two years, India sustained 6.5-7% real GDP growth.
- Stable political regime: The UPA government has been re-elected in 2009 with a comfortable majority, and will hold office for at least another four years.
- Key reforms ahead: These include the Goods & Services Tax, Direct Tax Code, oil sector reforms
- High quality earnings growth: Our bottom-up earnings estimates for the Sensex suggest earnings CAGR of 23% over FY10-14, with RoE expanding from 15% in FY10 to 19% by FY14.

COMPARISION OF INDIAN MARKETS WITH GLOBAL MARKETS

		EPS (RS)			2-YR EPS	PE (X)			PB (X)			ROE (%)		
	INDEX VALUE	CY10/ FY11	CY11/ FY12	CY12/ FY13	CAGR (%)	CY10/ FY11	CY11/ FY12	CY12/ FY13	CY10/ FY11	CY11/ FY12	CY12/ FY13	CY10/ FY11	CY11/ FY12	CY12/ FY13
China	3,109	172	205	284	28.5	18.1	15.2	10.9	2.6	2.3	2.1	14.4	15.1	19.2
Brazil	70,372	5,199	6,521	7,835	22.8	13.5	10.8	9.0	1.9	1.8	1.5	14.1	16.4	16.7
Russia	1,572	173	278	258	22.3	9.1	5.6	6.1	0.9	0.7	0.8	9.4	13.0	13.5
India	17,528	1,042	1,295	1,538	21.5	16.8	13.5	11.4	2.8	2.5	2.1	16.9	18.3	18.7
Indonesia	2,777	190	232	274	20.1	14.6	12.0	10.1	2.8	2.5	2.2	19.2	20.5	21.5
Thailand	788	67	78	90	16.1	11.8	10.1	8.8	1.6	1.5	1.3	13.4	14.5	15.0
Philippines	3,162	241	274	318	15.0	13.1	11.6	9.9	2.0	1.8	1.7	14.9	15.5	17.1
Malyasia	1,321	84	96	108	13.3	15.7	13.8	12.2	2.1	1.9	1.7	13.3	13.8	14.2

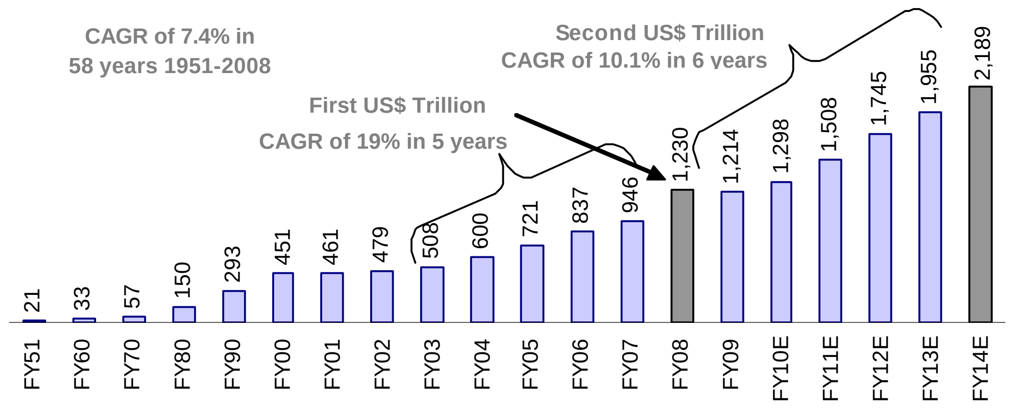
Source: Bloomberg/MOSL

Growth unlimited

The NTD era will serve as a fertile soil for multiple growth opportunities to take root

In 2007, we launched our landmark India NTD (Next Trillion Dollar) report. This report brought out a simple, yet profound, fact - it took India 60 years since independence to generate the first trillion dollars of GDP, while the next trillion dollars (NTD) would take only 5-6 years. This NTD era spells "unlimited growth" for several businesses, throwing up several investment themes and opportunities.

60 YEARS FOR THE FIRST TRILLION DOLLARS; SIX YEARS FOR THE NEXT



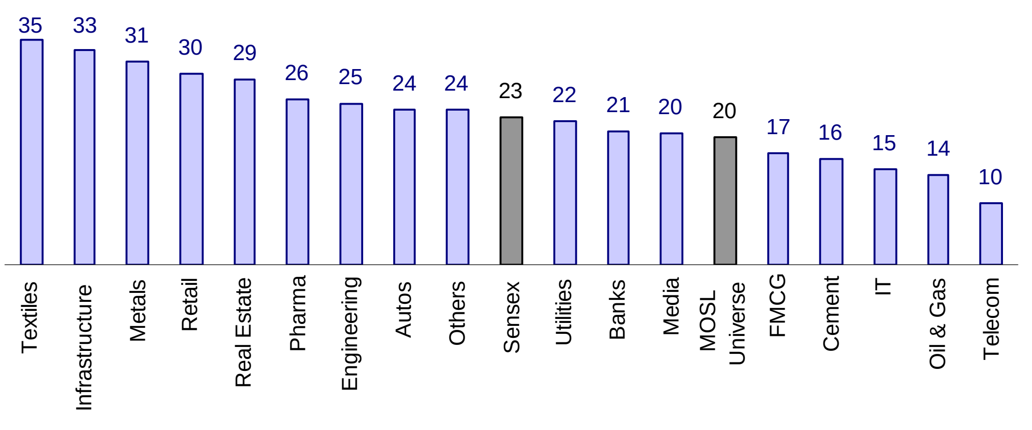
Source: MOSL

In our India Strategy for the quarter ended December 2009 (CY09), we had carried out a detailed bottom-up exercise of estimating earnings for our Universe through FY14. Sensex earnings is expected to grow at 23% CAGR over FY10-14 (v/s -1.8% over FY08-10E and 25.1% over FY03-08), while we estimate aggregate earnings growth for our Universe at 20% CAGR (v/s 6% over FY08-10E and 25.4% over FY03-08).

In this section, we identify the key stimulants in respective sectors that would fuel high earnings growth

In the NTD era, many sectors offer significant growth opportunity. We now carry out a relatively microscopic analysis to identify the key stimulants in respective sectors that would fuel high growth.

FY10-14 PAT CAGR (%)



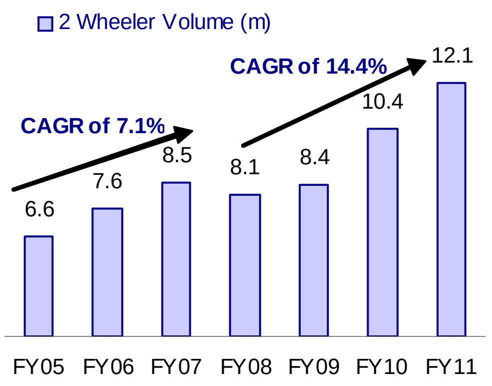
Source: MOSL

A] Autos - positive surprises likely to continue

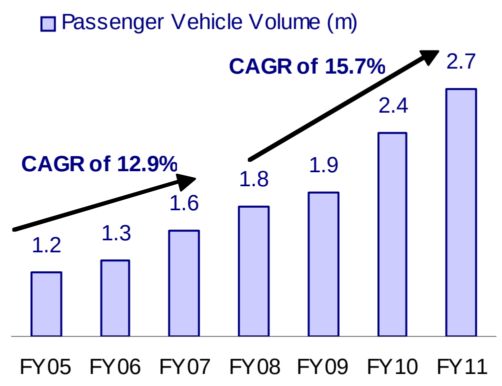
In Autos, strong volume growth is likely to continue in both two-wheelers and passenger cars

- During FY08-11, we expect two-wheeler volumes to grow at a CAGR of 14.4%, ~2x 7.1% CAGR during FY05-08. Passenger vehicle volumes should grow at a CAGR of 15.7% v/s 12.9% in FY05-08.
- Auto volume numbers have been significantly higher than our expectations. Our FY10 volume estimates for Hero Honda and Maruti were 3.9m and 0.9m in 4QFY09, which are now revised to 4.6m and 1m, an upgrade of 17% and 15%, respectively.
- Auto component shortage due to sudden surge in demand has hampered production across automakers, leading to significantly lower inventory levels.
- Lead time of 3-6 months to bridge the supply-demand gap indicates high pent-up demand for the sector.
- Inventory levels for Hero Honda have come down from 20-25 days on an average to 10-12 days. For Maruti, inventory levels are down to ~2 weeks currently from an average of 3-3.5 weeks.
- Despite strong volume growth over the past few years, we believe that the opportunity is significant. This is reflected in FY11 sales target/guidance of 4m (v/s our estimate of 3.6m and 2.9m in FY10) by Bajaj Auto. Hero Honda has already enhanced its capacity from 5.1m to 5.4m and is further increasing it to 5.7m by July 2010. It is also in advanced talks to set up a new plant.

2 WHEELER VOLUME CAGR IN FY08-11 ~2X V/S FY03-08



4 WHEELER VOLUME CAGR HEALTHY AT 16%



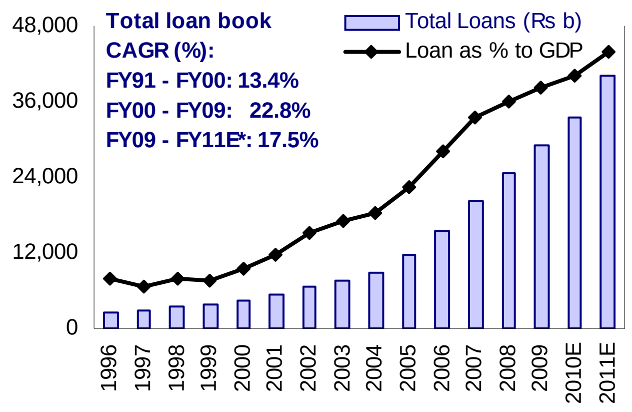
Source: Company/MOSL

B] Banking - higher investment to boost credit growth; lower credit/GDP ratio, higher CASA to help

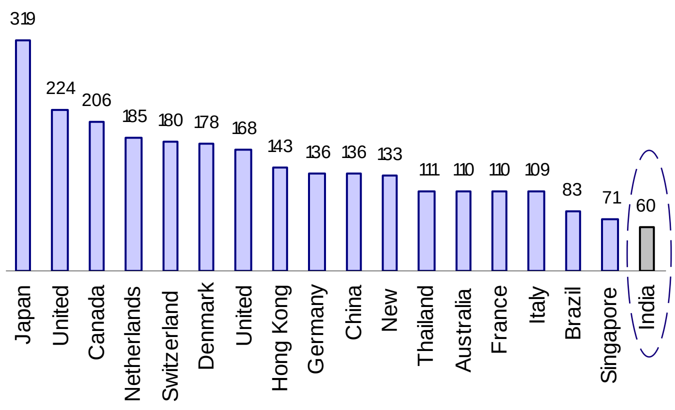
Banks are better prepared at the start of the current growth cycle

- Overall credit growth in India in the past 10 years (FY00-09) was 22.8%, with nominal GDP growth rate of 12.4%.
- While the loan to GDP ratio of India has increased from 24% in 2001 to 60% in FY09, it remains significantly lower than other developed and emerging market economies. This indicates significant growth opportunity, going forward.
- We expect strong loan growth to continue over FY09-11 (CAGR of 17.5%), backed by strong growth in retail loans, higher working capital requirement, increased capex and strong economic growth.

LOAN GROWTH CAGR OVER FY09-11E LOWER THAN PAST 10 YEAR



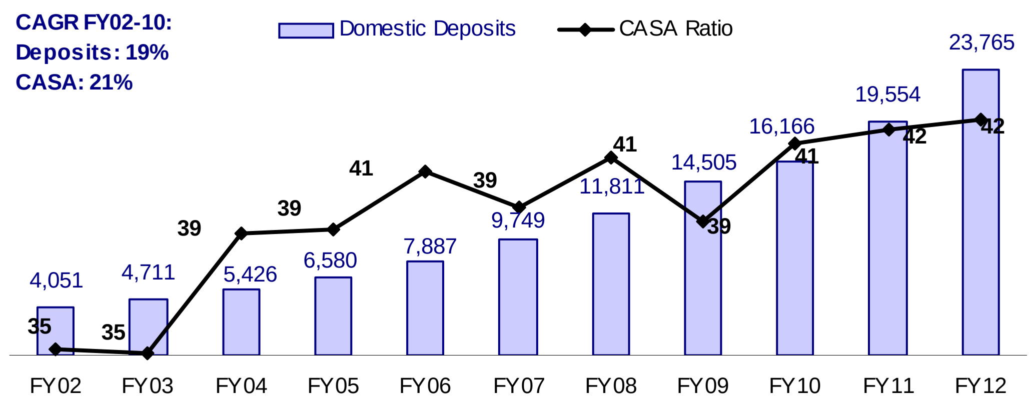
CREDIT/GDP RATIO IS LOWEST AMONGST MAJOR NATIONS



Source: Company/MOSL

- We believe banks are better placed at the beginning of the next growth cycle, with higher CASA ratio. We estimate combined CASA ratio for the four largest banks - SBI (Group), ICICI, HDFC Bank and Axis Bank - at 41% in FY10, near peak levels, and despite ~4x increase in domestic deposits over FY02-10.

CASA RATIO AT NEAR PEAK LEVELS, EVEN WITH ~4X INCREASE IN DOMESTIC DEPOSIT OVER FY02-10E



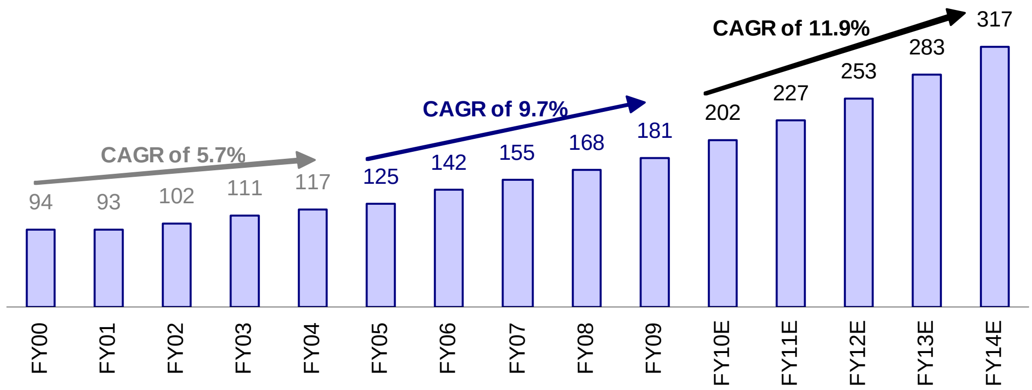
Source: Company/MOSL

C] Cement - structural shift

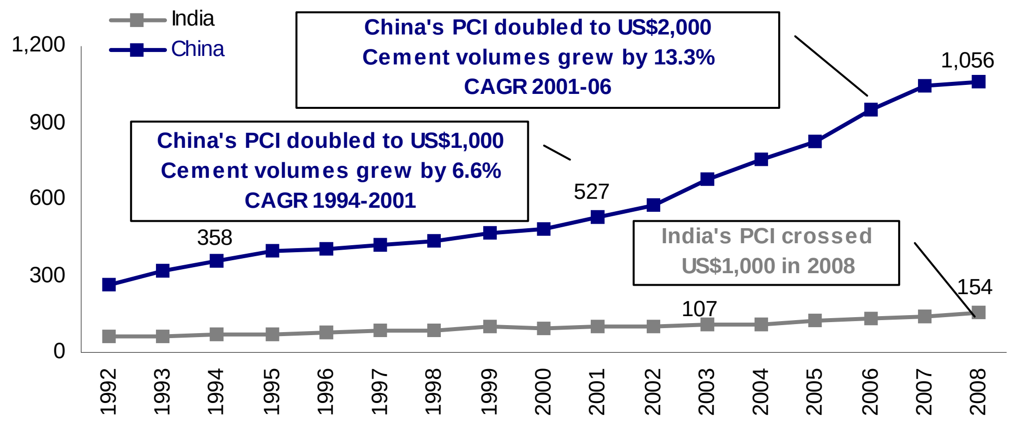
Cement volume growth trajectory is likely to shift from the historical average of 8% to 10-12%

- Driven by a structural shift in demand drivers, the cement industry is at an inflection point, with growth trajectory likely to shift upwards from its historical average of 8% to 10-12% over the next five years.
- Acceleration of India's infrastructure spend in the NTD era should drive cement demand at a higher rate of 1.4-1.6x real GDP growth, v/s 1.25x real GDP growth historically. The 12th plan period investment in the infrastructure sector is targeted at US$1t, ~2x 11th plan investment of US$514b.

CEMENT VOLUME GROWTH IN NEW TRAJECTORY (M TONS PA)



HIGHER INTENSITY OF CONSUMPTION IN NTD ERA (PER CAPITA CONSUMPTION/KG)



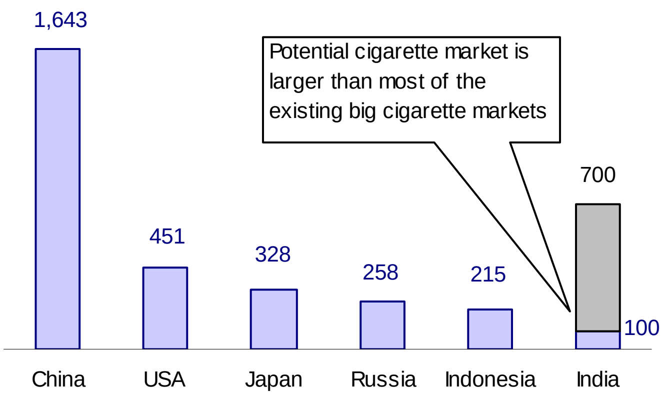
Source: Company/MOSL

D] FMCG

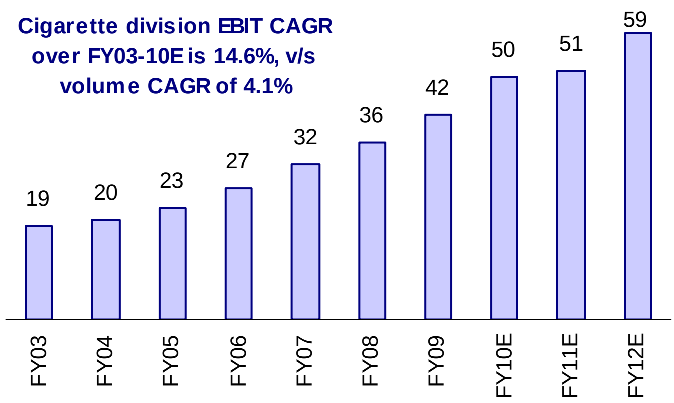
Significant growth opportunity exists in niche FMCG segments

- Though the FMCG sector at large may continue to benefit from higher disposable income, consumption, etc, significant growth opportunity exists in key niche segments like branded foods (Maggi, flour, ready to cook, etc) and scaling up towards branded/ organized products in segments like tobacco, liquor, etc.
- We present here the case of ITC, a major beneficiary of the significant growth opportunity in tobacco. Cigarette volumes have been volatile and are yet to show structural high growth trajectory. However, the opportunity size is huge, given that cigarettes constitute less than 11% of the total smoking tobacco market in India.
- ITC has 82% value market share in cigarettes and is best placed to capture this opportunity. ITC has strong pricing power, which will be further bolstered by the expected ban on FDI in tobacco.

BIDI MARKET (B STICKS) IS 7X TOTAL CIGARETTE MARKET!!!



ITC HAS WITNESSED CONTINUED GROWTH DESPITE REGULATORY HICK-UPS



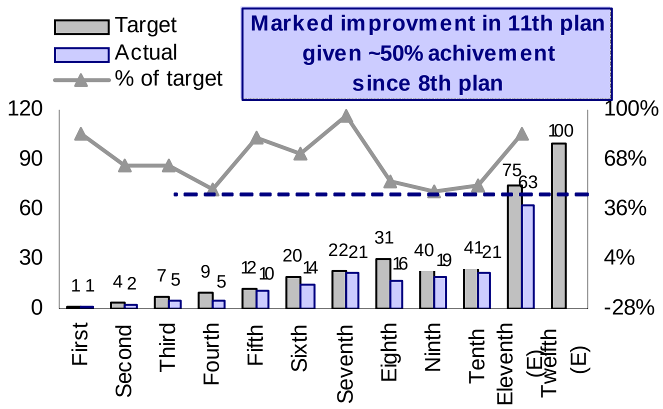
Source: Company/MOSL

E] Infrastructure - mega opportunities

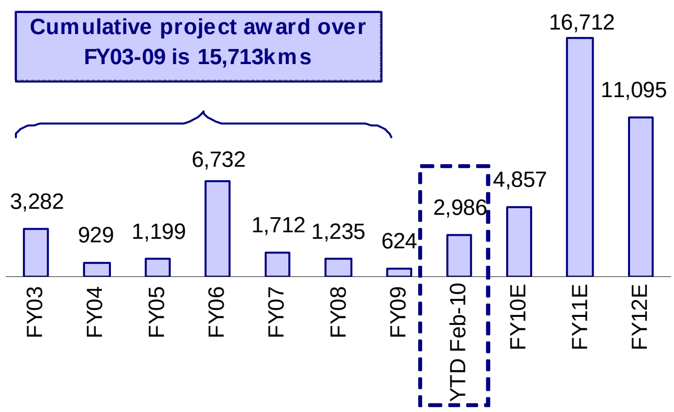
Large planned investments across infrastructure projects signal mega opportunities

- Infrastructure development is crucial to double-digit GDP growth and "inclusive growth" at large. Planned investment in key sectors like Power, Roads, Telecom, Railways, Irrigation (cumulatively account for 85% of target investment in 11th plan) are higher by 100-200%, v/s the 10th plan.
- Power and Roads are two critical segments for sustaining/building up higher GDP growth.
- For the 11th plan period, target capacity addition in Power stands at 63GW (v/s 75GW including projects on "best effort basis"), v/s 21GW of achievement in the 10th plan, a 3.5x increase. The 12th plan envisages capacity addition of 100GW and 59GW of projects are already under construction (though at nascent stages).
- The Roads sector too has been one of the main drivers of economic prosperity through better reach, community development in the vicinity, etc. NHAI targets to complete 7,000km of roads per annum, v/s average of 4,900km over FY02-09. To achieve this, NHAI plans to award ~30,000km of road projects by FY12, of which 16,000km are targeted for award in FY11.

POWER: 11TH PLAN CAPACITY ADDITION AT 3X OF 10TH PLAN



ROADS: PAST 7 YEARS OPPORTUNITY IN NEXT 2 YEARS



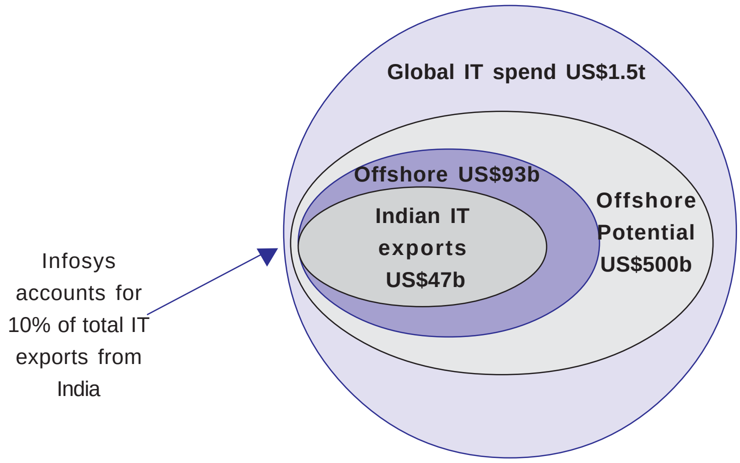
Source: Company/MOSL

F] Information Technology - offshore growth

India's IT industry is staring at a potential offshore opportunity of US$500b as against current IT exports of US$47b

- The Indian IT industry has grown significantly over the last decade, with revenues growing at a CAGR of 26% over FY01-10E. The opportunity over the next 10 years is also significant, with potential offshore opportunity size of US$500b v/s India's IT exports of US$47b.
- Also, the structural changes/opportunity in the form of IT integration arising out of global M&A in BFSI space, US$20b of IT opportunity from US Healthcare Bill, domestic outsourcing from the Government sector (US$169b opportunity) opens up multi-year growth visibility.
- Large deal renegotiations worth US$60b+ over the next two years provide opportunity for offshore players.

IT SECTOR – SIGNIFICANT OFFSHORE POTENTIAL



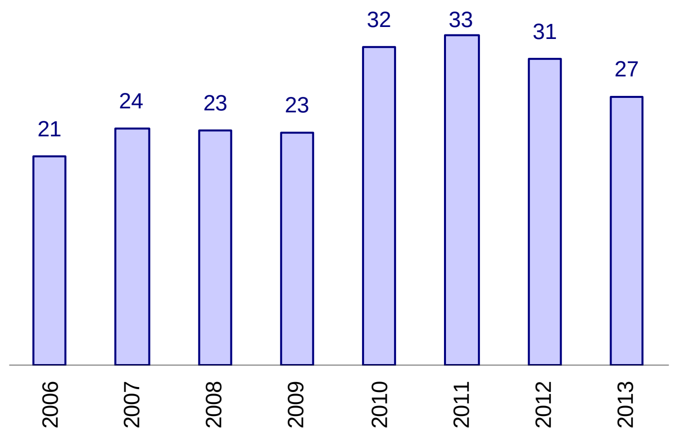
Source: Company/MOSL

G] Pharma - two-pronged opportunity

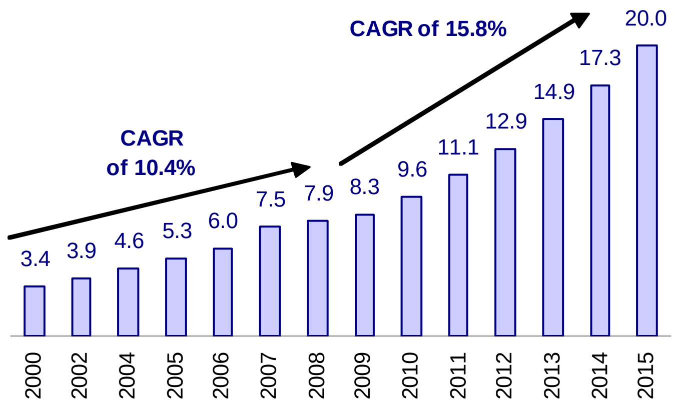
Indian pharma companies have a choice of exploiting the domestic formulations opportunity and the overseas generics opportunity

- Increasing affordability, health awareness, increasing insurance penetration and higher incidence of life-style diseases will be the key growth driver for the healthcare industry in India.
- We expect a significant jump in the growth traction for the domestic formulations industry from 10.4% CAGR (2000-2009) to ~16% CAGR for 2009-2015.
- Other emerging markets have similar demographics and growth triggers for their local pharmaceutical markets and Indian companies like Ranbaxy, Dr Reddy's and Cipla are well-positioned to exploit this opportunity.
- Increasing patent expiries, higher contribution from Para-IV/low-competition products and higher volume growth (partly benefiting from the implementation of the new US Healthcare Reforms) opens up sizable growth opportunity for Indian companies in the US generic market.
- Opportunity vindicated by strong management guidance: Dr Reddy's targets US$3b revenues by FY13, leading to 22% revenue CAGR over FY10-13. Daiichi has guided for US$3b revenue for Ranbaxy by CY12, implying 25% revenue CAGR for CY09-12.

TOTAL WEST (US & EU) PATENT EXPIRY (USS B)



DOMESTIC FORMULATIONS MARKET EQUALLY EXCITING (US$ B)



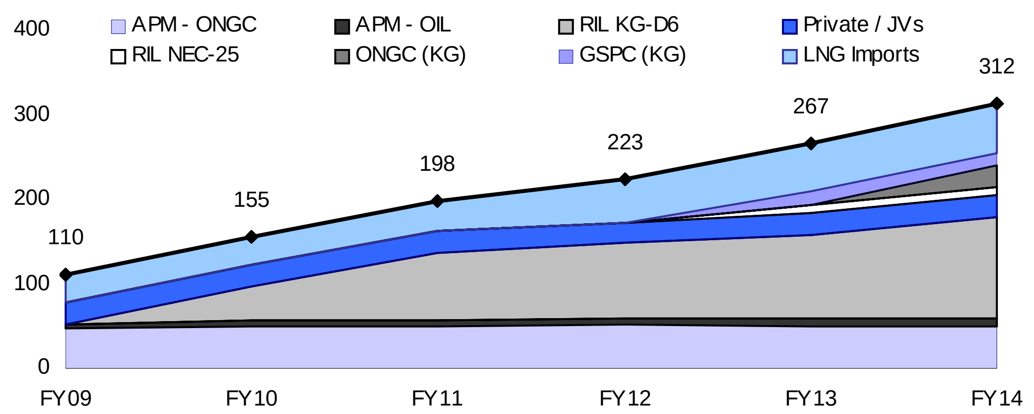
Source: Company/MOSL

H] Oil & Gas - higher gas availability to drive growth

Gas availability in India is set to treble by FY14, adding more potency to the India growth story

- Though the Oil & Gas sector has indirect correlation to GDP growth, consumption led demand, etc, the higher direct opportunity is visible in the form of higher gas availability from domestic sources.
- Gas availability in India is set to increase ~2.8x to 312mmscmd by FY14, buoyed by trebling of domestic production to 254mmscmd and doubling of RLNG imports to 58mmscmd.
- GAIL would have a tremendous opportunity in the gas transmission business, with gas availability surging in India and given its 70% share in the nation's pipeline network.

DOMESTIC GAS AVAILABILITY TO INCREASE 3X OVER FY09-14E



Source: Company/MOSL

"Positive outlook" on urban consumption

The next 12-18 months should see strong demand from the urban consumer

The last 18 months of strong resilience in the Indian economy were led by a surge in domestic demand. This was also aided by significant spending and stimulus offered by the government to the rural sector and the government employees (via Sixth Pay Commission). We believe that the next 12-18 months should see strong demand from the urban consumer. This outlook is based on the following triggers: (1) Improved employment outlook, (2) lower personal taxes, and (3) likely moderation in inflation.

#1. Improved employment outlook

The employment scenario has improved considerably in the last six months

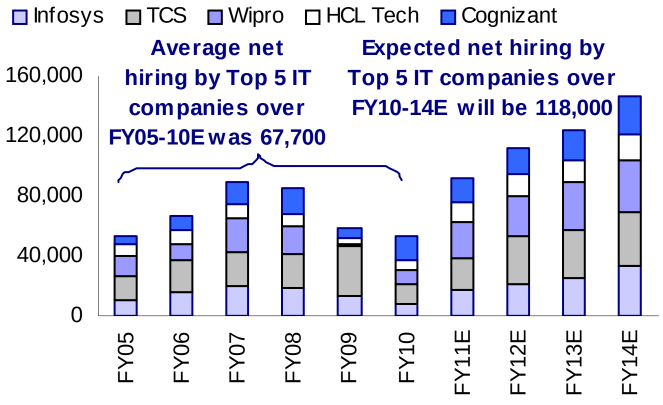
The downturn in the global economy had its cascading impact on the overall employment levels/net addition to the workforce in FY10. Key sectors that were severely impacted are IT and Financial Services, which are the key contributors to the overall annual workforce addition. The employment scenario has, however, improved a lot over the last six months, with recovery in the global economy.

Improving employment outlook: key facts and figures

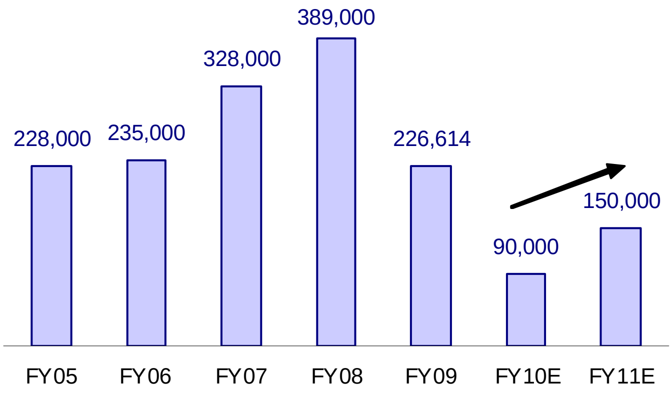
Not only will there be increased job opportunities…

- According to Nasscom, Indian IT industry gross hiring is set to increase by 66% to 150,000 in FY11 v/s 90,000 in FY10. Our analysis indicates that the top-5 IT companies' average net hiring would go up 2x over FY10-14 to 118,000 from 67,700 in FY05-10.

ITES INDUSTRY AVERAGE NET HIRING TO GO UP 2X OVER FY10-14E



GROSS ADDITION IN IT SECTOR IN FY11 UP BY 66% YOY



Source: Company/MOSL

- According to a survey conducted by MaFoi Consultancy, the organized sector is likely to create job opportunities for 1m in FY11. Key sectors like IT & ITES (11%), Real Estate & Construction (15%), Healthcare (32%) and Hospitality & Travel (15%) would account for 73% of the new job creations.

…average salaries are likely to witness 10% increase in FY11

- Hewitt Associates and E&Y have, in their respective survey reports, highlighted an average salary increase of ~10% in FY11. Except IT & ITES, other major sectors are expected to witness higher than average pay increases.

AVERAGE SALARY HIKE IN KEY SECTORS IN FY11 (% YOY)

	E&Y	HEWITT ASSOC
Pharma	10-13	<10
FMCG	10-13	11.1
IT & ITES	**8**	**8.9**
Telecom	12-15	<10
BFSI	10-12	10.5
Average	**9-12**	**10.6**

Source: Hewitt and E&Y based on media articles

#2. Lower personal taxes

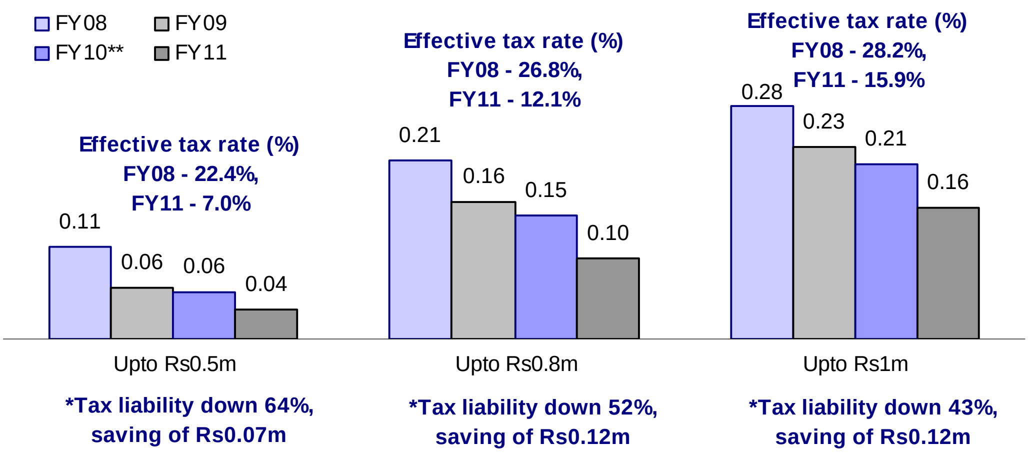
Higher salaries coupled with lower personal taxes would result in much higher disposable incomes for India's middle class

While India's middle class is getting richer year over year due to higher income levels, disposable incomes are increasing at an even higher rate due to lower personal taxes.

We estimate personal income tax savings for the income class of up to Rs0.5m at 64% over FY08-11, leading to a saving of ~Rs77,000 per year. Over the same period, we estimate a saving of ~Rs120,000 per year for the income classes of Rs0.8m (52% saving) and Rs1m (43% saving).

We believe that the higher income levels largely factor in the rise in inflation. A significant portion of higher disposable incomes gets converted into higher discretionary spending - consumption/purchase of high ticket size products/investments like cars, real estate, high-end consumer durables, various savings products, etc.

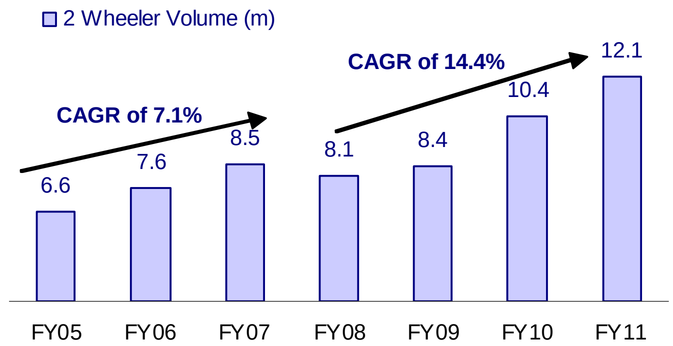
50-60% SAVINGS IN PERSONAL TAX LIABILITY OVER FY08-11E



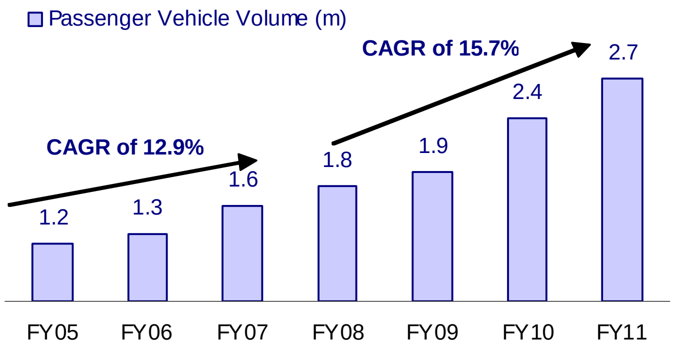
**Tax savings calculated including surcharge, education cess, but without any investment based tax savings; **10% surcharge on personal income tax was waived off from FY10 onwards*

KEY INDICATORS OF HIGHER DISPOSABLE INCOME

2 WHEELER VOLUME CAGR IN FY08-11 ~2X V/S FY03-08

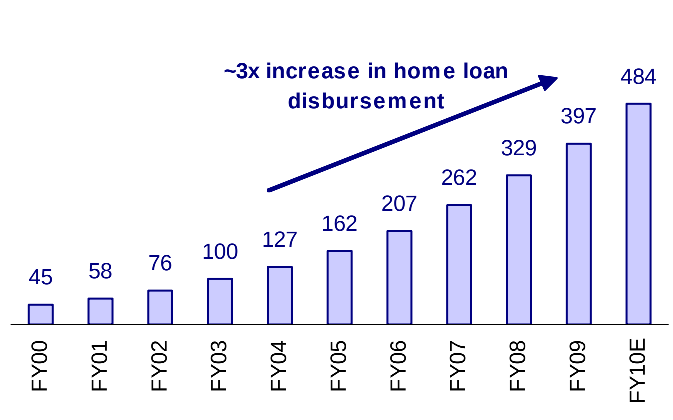


4 WHEELER VOLUME CAGR HEALTHY AT 16%

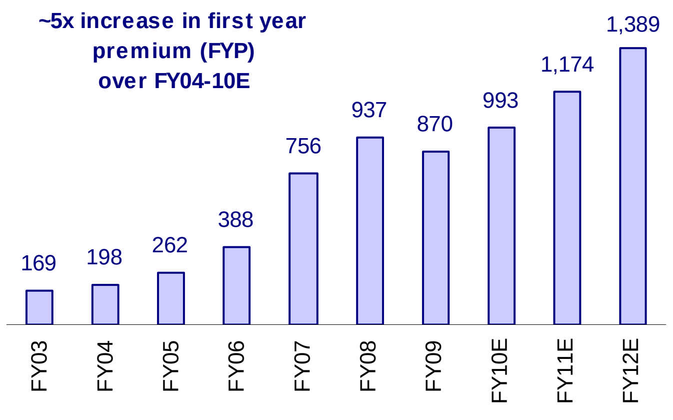


Source: Company/MOSL

HDFC HOME LOAN DISBURSEMENT UP ~3X OVER FY04-09 (RS B)



FYP FOR INSURANCE SECTOR UP 5X (RS B)



Source: Company/MOSL

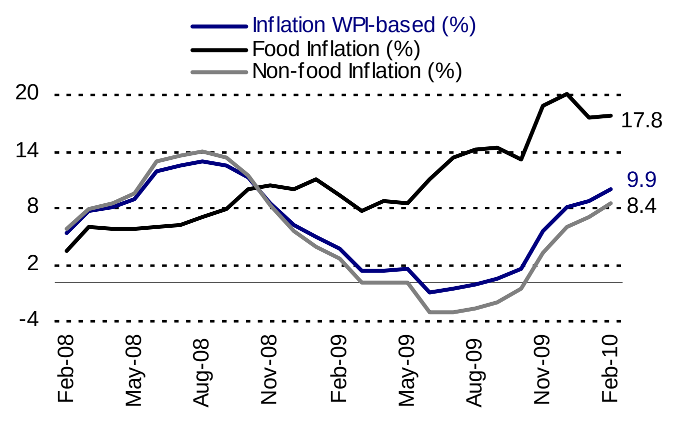
#3. Likely moderation in inflation

Higher inflation numbers are a reflection of two key factors: (1) general increase in prices of material, especially food articles, and (2) lower base effect (almost deflationary scenario) of the last year.

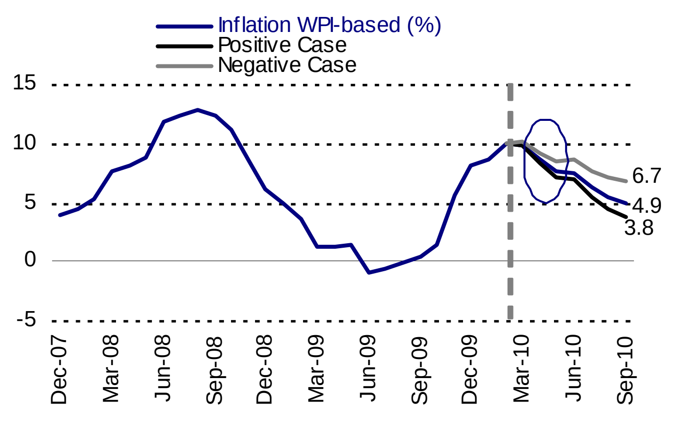
Our analysis indicates peaking out of inflation in March 2010

Our analysis indicates that even considering the worst-case scenario (0.25% increase in index, v/s past 12 months average of 0.07%), inflation would peak out by March 2010. In our base case scenario, we note that inflation is likely to decline from 9.9% in February 2010 to 5.4% in August 2010 (6 months), and further to 3% by March 2011. Moderate inflation, coupled with increase in disposable income, should boost consumption demand.

INFLATION WOULD PEAK OUT BY MARCH 2010 (%)



FOOD INFLATION MAY HOWEVER CONTINUE TO REMAIN HIGHER



Source: RBI/MOSL

We believe that all these factors put together would create significant consumption demand from urban consumers. In our view, the key beneficiaries would be Autos, Real Estate and Financial Services.

Sector Snapshots

4QFY10 HIGHLIGHTS	4QFY10 KEY RESULTS	FY11 - WHAT TO WATCH OUT FOR	TOP RECOS
Automobiles			
■ **Expect 36% YoY volume growth in 4QFY10:** a) Two-wheeler growth 35% YoY b) Passenger cars growth 29% YoY c) CV growth of 75% YoY in 4QFY10. Economic recovery, new product launches and pre-buying in anticipation of an excise duty hike and change in emission norms, drive volume growth. ■ **Rising costs:** Steel prices up 28% QoQ. Aluminum prices flat, rubber prices up 20% QoQ. ■ **EBITDA margins to moderate:** Margins to be lower by 100bp QoQ due to rising raw material cost. RM cost partly offset by price hikes and higher operating leverage.	■ **Hero Honda:** 40% YoY PAT growth, driven by 20% YoY volume growth. EBITDA margins at 16.8%, a decline of 20bp QoQ due to rising RM costs. Special dividend of Rs80/share. ■ **Bajaj Auto:** 145% YoY PAT growth led by 84% YoY volume growth. 180bp decline in operating margins to 20.2%. ■ **Tata Motors:** 338% YoY adj PAT growth to 4.7b led by 34% YoY (13% QoQ) volume growth. Sequential volumes decline for JLR, resulting in lower operating margins and loss of GBP19m in 4QFY10. ■ **Maruti:** 190% growth in adj PAT given 23% YoY rise in volumes and 7% improvement in realizations. Operating margins at 13.3%, decline of 180bp led by rising RM inflation. ■ **M&M:** 89% YoY adj PAT growth to 5.3b led by 51% YoY (18% QoQ) volume growth.	■ **High volume growth** Increase in disposable income due to income tax reduction in Budget. Addressing capacity constraints including for vendors. Improved outlook for exports. ■ **Change in emission norms:** Increase in price of vehicles due to BS-IV norm implementation in top 11 cities (rest of India BS-III norms). ■ **Macro headwinds:** Hike in interest rates, higher oil prices and monsoons. ■ **Hike in selling price:** a) To partly offset rising RM inflation; b) Full rollback in excise duty (partial rollback of 2% in Budget 2010).	■ **M&M:** UVs to continue growth momentum. New product launches to drive volumes. 13% volume growth in FY11. ■ **Maruti Suzuki:** Volume growth to continue at ~15%, with stable margins as cost push is diluted by price increase/operating leverage resulting in 12.8% EBITDA margins (~60bp decline). ■ **Bajaj Auto:** Strong guidance of 4m sales in FY11. Margins to remain high at 18-20%. Earnings upgrade to continue.
Banks			
■ **Improving loan growth** Expect 5-6% QoQ loan growth v/s 9% YTD growth in 9MFY10. However, last year's high base and low credit off take by corporates will lead to muted growth YoY. We expect loan growth of ~15% in FY10. ■ **Margins to improve:** Lag impact of deposits repricing at lower rates, strong CASA growth and improving CD ratio will lead to 5-10bp margin expansion. Private banks likely to benefit from capital raising. ■ **Limited MTM losses:** Despite 15bp QoQ rise in 10 year G-Sec and 45bp in 2 year G-Sec, MTM provisions on AFS portfolio will be limited as a large part comprises of liquid MF and T-bills. ■ **Lower profit growth:** We estimate 12% YoY PAT growth despite 25% growth in NII as trading profits will be lower and we build in higher NPA and MTM provisions.	■ **SBI:** PAT to stay flat YoY. Loan growth of ~6% QoQ, flattish fee income YoY, higher NPA cost (due to higher provisions of 70% coverage ratio and pressure on asset quality) and MTM provisions. ■ **ICICI Bank:** QoQ loan growth in line with the industry's, margins to stay stable QoQ. Opex to increase due to aggressive branch rollout, NPA cost to remain stable QoQ despite falling slippages as bank to make higher provisions to reach 70% PCR. ■ **BoI:** PAT decline of 40% YoY led by lower trading profit, muted fee income growth and higher provisions (NPA and MTM provisions). ■ **LICHF:** Strong loan growth (~10% QoQ), 10-15bp improvement in margins QoQ led by fall in cost of funds and strong improvement in asset quality (GNPA percentage to fall below 1% v/s 1.44% in 3QFY10).	■ **Credit growth:** We expect a gradual recovery in loan growth to 20% led by 1) Higher working capital requirement, 2) Strong infrastructure loan growth, and 3) Higher capex and investment related loan growth. ■ **Interest rates to rise gradually:** Deposits and lending rates to go up by ~100bp with further monetary tightening and strong loan growth. ■ **Movement in NIM:** On a lower base and strong loan growth margins are expected to improve YoY by 10-20bp across all banks. ■ **Movement in slippages from restructured portfolio:** Strong economic revival has reduced concerns over asset quality but pressure continues. The management is guiding for 10-15% restructured loans to become NPA.	■ **SBI:** The biggest beneficiary of strong loan growth (due to excess liquidity on the balance sheet), strong fee income growth and falling cost to income ratio. ■ **BoB:** Strong core operating performance and asset quality among the best. ■ **HDFC Bank:** Highest comfort on margins, loan growth, improvement in operating efficiency, asset quality and capitalisation ■ **LICHF:** Strong loan growth, stable spreads and comfortable asset quality. ■ **STF:** Strong loan growth, abating concerns on asset quality with economic revival, improving spreads, and strong fee income growth to lead to RoA expansion.

Sector Snapshots

4QFY10 HIGHLIGHTS	4QFY10 KEY RESULTS	FY11 - WHAT TO WATCH OUT FOR	TOP RECOS
Cement			
■ **Sustained demand growth:** Expect volumes to be up 10.2% YoY and 13.2% QoQ. ■ **Prices fairly stable:** Capacity utilization at 88%, down from 95% a year earlier. Still, prices fairly stable due to supply bottlenecks like wagon shortage. ■ **EBITDA margin up:** Aggregate EBITDA margin up 280bp YoY and 130bp QoQ. ■ **Depreciation and tax drag down profit growth:** Aggregate PAT growth at 10% YoY is lower than EBITDA growth of 13% due to higher depreciation and tax.	■ **Grasim:** 76% YoY PAT growth, led by strong momentum in VSF and cement price recovery. ■ **Birla Corp:** 51% YoY PAT growth led by focus on cost savings. ■ **India Cements:** 60% YoY decline in PAT led by almost 19% YoY decline in realizations.	■ **Capacity addition to taper off:** 36mt of capacity addition over 18 months from 3QFY11 against 61mt addition over 18 months from 1QFY10 to 2QFY11. ■ **Flat PAT YoY:** Aggregate PAT should stay flat YoY following lower prices due to capacity created in FY09 and FY10. ■ **5-6% earnings downgrades:** Downgrade in ACC, Ambuja and Birla Corp due to delays in capacities; in India Cements due to equity dilution via QIP.	■ **ACC:** Attractive pure play on cement, offering pan-India presence. Buy. ■ **UltraTech:** Cement behemoth after the merger of Grasim's cement business. Buy. ■ **Birla Corp:** Strong balance sheet, attractive valuations. Buy.
Engineering			
■ **Execution to pick up from 4QFY10:** Against revenue growth of 3.4% in 3QFY10, expect 4QFY10 growth at 20% YoY. Acceleration driven by L&T and ABB. ■ **Order intake robust:** The order book has stayed healthy driven by orders in power and hydrocarbons. However, there have been limited signs of pick up in industrial capex. ■ **Stable OPMs:** We expect 10bp improvement YoY led by margin expansion in Crompton (+175bp) and BHEL (+85bp) YoY. A commodity price increase is a threat to margins in the near term. ■ **Industrial business:** Industrial business execution has improved, with revenue growth of 5% in 3QFY10 (v/s de-growth of 6.6% in 1QFY10). The trend is expected to continue in 4QFY10.	■ **ABB:** Revenue growth of 4%, v/s 9% de-growth over April-December 2009; EBITDA margins to decline 40bp YoY to 8.7% given the poor performance in power systems. ■ **BHEL:** Revenues of Rs129b (up 23% YoY); FY10 end backlog at Rs1,355b (up 16% YoY). Expect adj margin expansion of 80bp, given lower commodity prices and operating leverage. ■ **Crompton Greaves:** Standalone revenues of Rs15b (up 15% YoY) and PAT at Rs1.8b (up 40% YoY). EBITDA margin expansion of 175bp YoY given RM cost savings. ■ **L&T:** Revenue growth of 24% YoY v/s 1% growth in 9MFY10. Expect margin decline of 62bp YoY, given a lower share of products and increased commodity prices. Expect adj PAT growth of 8.7% YoY.	■ **Increased order intake:** Expect award of Twelfth Plan BTG orders by end FY12; and thus intake in FY11 should improve. Improved pace of capacity addition will lead to increased T&D spends. ■ **Competitive scenario:** NTPC/DVC bulk tendering, plus other supercritical project awards to indicate competitive intensity. In 765kV T&D, with further reduction in import content requirements, we expect less competition from Chinese/Korean players. ■ **EBITDA margins:** Expect margins to remain stable at 15%, and near historical peaks. Increase in commodity prices could impact margins in FY11. ■ **Industrial capex:** Initial signs of recovery in industrial capex is expected. This would be positive for L&T, ABB and Siemens.	■ **ABB:** Increased intake in power systems and automation business. Margin expansion given base effect. Increased outsourcing. ■ **BHEL:** Increased order intake. Lower competitive intensity in supercritical projects. Improved execution to lead to revenue CAGR of 30% until FY12. Strong earnings CAGR of 28% until FY12. Buy.

Sector Snapshots

4QFY10 HIGHLIGHTS	4QFY10 KEY RESULTS	FY11 - WHAT TO WATCH OUT FOR	TOP RECOS
FMCG			
■ **Muted sales growth** High food inflation preventing price increases. Companies focusing on volume growth. ■ **Rising competition:** Price wars in laundry. New entrants in skin creams and instant noodles categories. ■ **Rising costs:** Palm oil prices up 57% in four months. Milk and packaging costs continue to rise steadily. Ad rates up 10-15%. ■ **Lower profit growth:** 18.6% YoY PAT growth v/s 24.8% in 3QFY10 due to lower margin expansion.	■ **ITC:** 29% YoY PAT growth, one of the highest ever. 8.5% YoY cigarette volume growth. 35% YoY EBIT growth in hotels. 24% lower losses in new FMCG ■ **Asian Paints:** 81.5% YoY PAT growth led by 16% volume growth, 520bp margin expansion. ■ **Nestle:** 24% YoY adj PAT growth led by 15% volume growth and strong coffee sales due to prolonged winter. ■ **HUL:** 14.5% decline in adj PAT given 290bp YoY dip in margins led by price wars in laundry. Higher palm oil prices and ad spends.	■ **Monsoons:** Normal monsoons will cool food inflation, increasing purchasing power and boosting volume growth. ■ **Competition to intensify:** MNCs like Unilever, P&G, L'Oreal and Pernod Ricard have big plans for India. ■ **Lower EBITDA margins:** Led by price wars, rising input costs and media inflation. ■ **Muted sales, PAT growth:** Aggregate PAT growth in line with sales growth at 13-14%.	■ **ITC:** High pricing power in cigarettes. Buy. Nestle: Pricing power in infant nutrition and coffee, 25% PAT CAGR through CY11. Buy HUL: Expect FY11 EPS to de-grow. Estimates well below consensus. Neutral.
Infrastructure/Construction			
■ **Andhra projects to impact execution:** Expect revenue growth of 16% YoY in 4QFY10 against 7% YoY in 9MFY10. Execution impacted for IVRCL, Patel Engg and HCC. ■ **EBITDA margin expansion of 100bp YoY:** Expect 4QFY10 EBITDA margins of 10.7% (up 100bp YoY); given lower commodity prices. Commodity price increase is a threat to margins in the near term ■ **Interest cost:** Increased debt given working capital deterioration will restrict savings in interest payments. Further deterioration in working capital will be a negative. ■ **Increased order intake:** Order intake has been robust, particularly from NHAI raod projects, urban infra and buildings. Expect TTM book-to-bill to improve from 2.6x in December 2009 to 3x in FY10.	■ **NCC:** Revenue growth of 31% YoY v/s 7% de-growth in 9MFY10; EBITDA margins to improve 170bp YoY given base effect and lower commodity prices. Adj PAT up 54% YoY ■ **IVRCL:** Revenue growth of 12.7% YoY in 4QFY10 v/s 7% in 9MFY10 impacted by poor execution in Andhra Pradesh. Margin expansion of 95bp given lower commodity prices. Adj PAT up 5.3% YoY.	■ **Increased order intake:** Expect acceleration given plans to award ~20,000km of roads by NHAI and pick-up in segments like power and urban infrastructure. ■ **EBITDA margins:** Expect margins to stay stable. Increased commodity prices and higher mobilization expenses, given bunching up of orders, could impact margins in FY11. ■ **Interest cost:** Could increase given hardening rates. Interest costs account for 3.6% of revenues for construction companies. Expect improvement in working capital. ■ **Value unlocking from subsidiaries:** Companies, specifically NCC and IVRCL, will have several projects becoming operational in FY10. HCC also plans an IPO of Lavasa.	■ **NCC:** Increasing order intake. Diversified vertical, geography and client mix. Comfortable DER at 0.6x. Possibility of earnings upgrades and improvement in embedded valuations for BOT/RE projects. ■ **Simplex:** Diversified vertical, geography and client mix. Improvement in fixed asset turns resulting in operating leverage. Among the best working capital ratios. Earnings CAGR of 34% until FY12.

Sector Snapshots

4QFY10 HIGHLIGHTS	4QFY10 KEY RESULTS	FY11 - WHAT TO WATCH OUT FOR	TOP RECOS
Information technology			
■ **Consistency in growth** Top-3 IT companies to show US dollar revenue growth of 4-5.2% QoQ, with BFSI, Telecom and the US expected to be key growth drivers. ■ **Rupee appreciation, cross currency movement:** To moderate US dollar revenues between 0.9% and 1.3% and moderate EBITDA margins between 30-70bp for the top-4 IT companies. ■ **Infosys FY11 guidance:** Expect 13-15% US dollar revenue growth and EPS guidance of Rs115, lower than anticipated, to be taken negatively. ■ **Moderate QoQ PAT growth:** 2.8% QoQ and 19.3% YoY growth in 4QFY10.	■ **Infosys:** US dollar revenue growth of 5.2% QoQ, highest among top tier IT compnies, lowest EBITDA margin decline at 30bp and EPS at Rs28.3 (v/s guidance of Rs25.6-25.8). ■ **TCS:** US dollar revenue growth of 4.2% QoQ, marginal EBITDA margin decline of 30bp and PAT growth of 40% YoY led by 320bp YoY EBITDA margin expansion and lower forex losses. ■ **Wipro:** 4% QoQ US dollar revenue growth, 50bp EBIT margin decline, higher than peers, due to wage inflation, rupee appreciation; PAT growth of 23.7% YoY, 2.9% QoQ. ■ **HCL Tech:** Lowest US dollar revenue growth of 3% QoQ among top tier IT companies, highest EBITDA margin decline of 70bp QoQ, but still the best PAT growth QoQ at 10.8% due to lower forex losses.	■ **Growth pickup:** Expect 18-20% YoY growth in US dollar revenues, with expectation of broad based growth and discretionary pick up from 2HCY10. ■ **Discretionary delta and operational scope:** Key variables to watch for upsides to revenue and ability to counter cost and rupee appreciation pressures. Prefer Infosys and HCL Tech on these parameters. ■ **Margins to moderate:** Led by rupee appreciation, wage inflation, onsite transitions and hiring resumption in view of tightening supply of 20-70bp. ■ **PAT growth to lag revenue growth:** PAT growth of 12-14%, lower than US dollar revenue growth on rupee appreciation, margin moderation and higher taxation.	■ **Infosys:** Higher discretionary delta and best operational scope. Neutral. ■ **TCS:** Benefits on BFSI trend strengthening and widest services/verticals portfolio. Buy. ■ **HCL Tech:** Strong IMS traction, Engg/Enterprise application service rebound in FY11 and cheap valuations. Buy. ■ **Patni:** Strengthened sales and relationship team. Upsides on large deal wins, cheap valuation and cash cushion of Rs152 per share could provide inorganic triggers.
Media			
■ **Ad revenue growth picks up:** Ad revenue growth has picked up with an increase in ad inventory utilization and 10-15% increase in ad rates. ■ **DTH powers subscription revenues:** 0.6m/month subscribers addition by DTH players will enable double digit subscription revenue growth for Zee Entertainment and Sun TV. ■ **Newsprint prices up 20-25% from bottom:** Newsprint prices are up 20-25% from their lows and 3-5% QoQ; peak EBITDA margins are behind us. ■ **Lower profit growth:** Estimate 51% YoY PAT growth in 4QFY10 v/s 71.5% in 3QFY10 due to seasonality and lower margin expansion.	■ **Zee Entertainment:** 40% YoY PAT growth (consolidation of regional GECs of ZNL), pick up in ad revenue growth in Zee TV and lower interest burden (Rs145m v/s Rs509m). ■ **Deccan Chronicle Holdings:** 26% YoY increase in revenue (12% decline in 4QFY09) and 337% increase in adj PAT due to a lower base effect. ■ **Sun TV Network:** 37.5% YoY PAT growth led by 38.3% sales growth, ad revenues to grow 41% YoY.	■ **Ad revenue growth:** FICCI Frames expects 12% revenue growth for broadcasting and 9% for print in CY10, but actual growth numbers may surprise positively. ■ **Print competition to intensify:** DB Corp's planned entry into Bihar and Jharkhand and Hindustan's aggressive pricing in UP will impact circulation revenues. ■ **170bp margin expansion:** Led by higher ad rates, low programming cost inflation in broadcasting, newsprint prices to increase by 10-15% ■ **23% PAT growth:** Aggregate sales growth at 20% PAT growth estimated at 23%.	■ **DCHL:** Strong play on English dailies in South India; *Deccan Chargers* (Rs58/share) to unlock value in long term. Buy. ■ **Zee Entertainment:** Gains from consolidation of regional GEC and pick up in ad revenue; 23% EPS CAGR through FY12. Neutral. ■ **Sun TV Network:** Best media play on regional growth. 22% EPS CAGR through FY12. Neutral.

Sector Snapshots

4QFY10 HIGHLIGHTS	4QFY10 KEY RESULTS	FY11 - WHAT TO WATCH OUT FOR	TOP RECOS
Metals			
■ **Steel prices up, but not margins:** Steel prices are inching up, led by strong raw material prices on the spot market, ahead of long term contract negotiations. Sales volumes of key players are expected to grow 9% QoQ to 6.4mt. ■ **Higher iron ore prices, margins:** Average iron ore export prices are expected to rise 35% QoQ to US$135/t. ■ **Robust YoY profit growth:** 59% & 152% YoY PAT growth in steel and non-Fe companies respectively, led by higher volumes and lower RM costs.	■ **JSW Steel:** 49% YoY topline growth to Rs49.5b, highest among ferrous companies. 67% YoY volume growth, 227% YoY EBITDA growth to Rs13.3b. ■ **Hindalco:** 100% YoY PAT growth led by higher base metal prices. Robust performance from Novelis led by expiry of price ceiling contracts and re-pricing of conversion margins. ■ **Sesa Goa:** 81.5% YoY PAT growth to Rs12.8b, led by 74% volume growth and 24% growth in average realization.	■ **Higher steel prices led by cost push:** Higher raw material prices will push the cost curve, driving finished product prices higher (provided demand sustains). Integrated companies will benefit. ■ **Higher volumes for base metal companies**: Led by expansion in Hindustan Zinc, Sterlite Industries and Nalco. ■ **Strong PAT growth for non-ferrous companies:** PAT growth of 39% in non-Fe companies led by strong volume growth.	■ **Sterlite Industries:** Robust earnings growth of 51% expected due to addition of earnings of Sterlite Energy's 2,400MW plant, higher metal prices and strong volume growth in HZL. ■ **JSW Steel:** Robust volume growth, improving product mix and increasing integration. ■ **Godawari Power & Ispat:** Significant cost savings expected led by starting of pellet plant and ramping up iron ore production from captive mines.
Oil & Gas			
■ **Oil averaged US$76.6/bbl** Led by improved global GDP forecasts, uptick in demand, oil stayed above US$69/bbl. ■ **GRM rebound QoQ to US$5/bl:** After averaging US$1.9/bbl in 3QFY10 (an 8-year low), gasoline and naphtha cracks led Singapore GRM to rebound. ■ **Subsidy sharing still a mystery:** Though we have built 100% autofuel sharing by upstream companies and the government to compensate, the final formula remains to be announced.	■ **RIL:** Highest ever quarterly PAT; 21% QoQ PAT growth, GRM at US$8/bbl; KG-D6 gas volumes at 60mmscmd. ■ **ONGC:** 20% QoQ PAT growth; net realization at US$51/bbl v/s US$58/bbl in 3QFY10 and US$43/bbl in 4QFY09. ■ **GAIL:** Led by subsidies, PAT is down 9% QoQ; EBIT pre-subsidy is up 10% QoQ; subsidy at Rs6.7b v/s Rs4.6b in 3QFY10 and nil in 4QFY09. ■ **Cairn:** EBITDA up 28% QoQ; Rajasthan crude production averaged 20kbpd v/s 15.4kbpd in 3QFY10; expect crude realization at US$74.4/bbl.	■ **GRM:** Though have rebounded from US$1.9/bbl in October/ November 2009 to US$5/bbl now, sustainability will depend on global demand pick-up and capacity rationalization. ■ **KG-D6 gas volumes:** We model 70mmscmd. However it is contingent on GAIL's HVJ-DVPL de-bottlenecking. ■ **Fuel pricing policy, subsidy sharing:** Decision on the Kirit Parikh Committee report expected. critical for PSU oil companies. ■ **New petchem capacity start-ups:** New petchem capacities in the Middle East and China are about to start. Oversupply could result in pricing pressure in 2HCY10.	■ **GAIL:** Long term volume growth visibility; Likely positive tariff revision; Doubling petchem capacity; Buy. ■ **Cairn:** Ramp-up in Rajasthan volumes; >US$1b of free cash flow in FY12 could result in a good dividend payout; More reserve additions possible; Buy.
Pharmaceuticals			
■ **Muted sales growth of 11%** Slow-down in core US revenue, de-growth in Germany & CRAMS and currency appreciation hurt topline growth of tier-1 generics. Tier-2 companies to post double-digit growth. ■ **Core EBITDA growth of 39%:** Turnaround at Glenmark and Ranbaxy is the key driver. Excluding these, core EBITDA growth will be 10%. Cipla, Lupin, Biocon & PHL to post 30%+ EBITDA growth on better product-mix and a low base.	■ **Ranbaxy:** Weak core business boosted by Rs5.96b of Para-IV upsides and Rs1.1b of forex gains. ■ **Cipla:** 36.8% EBITDA growth tempered by lower other income and higher taxes resulting in 15% PAT growth. ■ **Sun Pharma:** 18.3% PAT de-growth due to Rs2b of extra domestic formulation revenue booked in 4QFY09, coupled with lower profitability at Caraco.	■ **Para IV upside:** Para IV products in the US to contribute substantially to the earnings of large generic companies. Potential upsides include Ranbaxy (one-time PAT upside of Rs8.7b), Sun (Rs4.3b), DRL (Rs2.3b). ■ **CRAMS recovery:** Recovery in CRAMS segment is likely due to the easing global credit situation and start of re-stocking by global MNCs.	■ **Cipla:** Large potential upside from a generic supplies deal with MNCs and the launch of inhalers in Europe. ■ **Lupin:** Strong growth in the US due to product differentiation and ramp up in domestic formulation business. ■ **Divis Lab:** Likely to be he biggest beneficiary of increased outsourcing from India due to a strong CCS pipeline and MNC relationships.

Sector Snapshots

4QFY10 HIGHLIGHTS	4QFY10 KEY RESULTS	FY11 - WHAT TO WATCH OUT FOR	TOP RECOS
Pharmaceuticals (continued)			
■ **Core PAT de-growth of 3.4%:** PAT for tier-1 generics impacted by lower topline growth, higher taxes and weak profitability for Ranbaxy. Tier-2 generics to report strong growth, led mainly by a turnaround at Glenmark. CRAMS PAT impacted by inventory de-stocking. ■ **Para-IV upsides:** PAT upside of Rs5.96b for Ranbaxy and Rs822m for Sun Pharma.	■ **Lupin:** Muted 3.6% PAT growth despite 37% EBITDA growth due to lower other income and higher taxes.	■ **MNC-generic alliance:** Potential generic product supply deals between MNCs and generic players and NCE outlicensing deals. ■ **Currency appreciation:** to hamper revenue growth and EBITDA margins. But extraordinary gains due to outstanding forex hedges and liabilities are likely for some companies.	
Real Estate			
■ **4QFY10 results to reflect sector revival:** This will be mainly due to a low base impact and pick up in volumes. ■ **Sales in 4QFY10 impacted by affordability issues:** Sharp price increases in the real estate industry have impacted sales volumes. ■ **Land deals momentum picking up:** Pick up in land acquisitions is a key positive for the sector. ■ **Valuations attractive:** After the recent correction real estate stocks are trading at an attractive 30-40% discount to their NAV.	■ **Unitech:** PAT growth of 289% YoY on the back of faster execution of old projects ■ **DLF:** PAT growth of 212% YoY, driven by pick up in affordable housing ■ **ARIL:** PAT growth of 280% YoY, on the back of pick up in rental income.	■ **Monetary tightening:** Monetary tightening and increasing mortagege rates could impact real estate demand. ■ **Affordability to be the key:** Affordability negatively impacted due to increasing real estate prices and mortgage rates. ■ **Recovery in commercial/ luxury segment:** We expect the commercial and retail segments to revive over 3-6 months.	■ **Unitech:** Unitech is available at attractive valuations of 33% discount to its NAV. ■ **DLF:** DLF is likely to be a key beneficiary from the expected revival in the commercial vertical. ■ **Anant Raj:** Launch of two key residential projects could unlock significant value.
Retail			
■ **Same store sales growth up:** Same store sales growth increased to double digits for most categories. Home retailing is growing at more than 20%. ■ **Store expansion plans aggressive:** Retailers are revamping their store expansion plans due to buoyant consumer sentiment. ■ **Soft gold prices spur jewelry demand:** A 10% correction in gold prices from their peak has resulted in strong jewelry demand growth. ■ **Operating leverage to boost PAT growth:** Estimate 57% YoY PAT growth on 30% sales growth due to 60bp margin expansion.	■ **Pantaloon Retail:** 67% YoY PAT growth led by 26% sales growth, 20bp margin expansion and nearly flat interest costs. ■ **Titan Inds:** 48.5% PAT growth led by double digit volume growth in jewelry and a low base effect in watches (de-stocking of *Sonata* in 4QFY09).	■ **Same store sales growth:** Expect double digit same store sales growth to sustain, but manpower and lease rentals have bottomed out. ■ **Service tax on lease rentals to hurt:** The FY11 Budget has proposed a 10.3% service tax on lease rentals with retrospect effect. It will hurt FY11 EBITDA margins by 0.8%. ■ **Operating leverage to enable 20bp margin expansion:** Estimate 20bp margin expansion mainly led by rising same store sales growth and operating leverage. ■ **39% PAT growth:** Aggregate sales growth at 24%, PAT growth estimated at 39%.	■ **Pantaloon Retail:** Largest proxy in organised retail. Business restructuring to unlock value. Buy ■ **Titan Inds:** Among the best plays in urban consumption. 28% PAT CAGR through FY12. Neutral.

Sector Snapshots

4QFY10 HIGHLIGHTS	4QFY10 KEY RESULTS	FY11 - WHAT TO WATCH OUT FOR	TOP RECOS
Telecom			
■ **Stable quarter:** Tariff environment largely stable but RPM to decline due to residual impact. RPM to decline 5-6% QoQ, volume growth to stay strong adjusting for seasonality. ■ **Stagnant QoQ revenue:** Flat revenue for Bharti/RCOM. 3% like-to-like QoQ growth for Idea. ■ **Margin pressure to continue:** EBITDA margin to decline 100-140bp. ■ **Reported PAT to decline:** Proforma PAT to decline sequentially by 7%/28%/56% for Bharti/Idea/RCom respectively. Forex gains likely for Bharti, Idea.	■ **Bharti:** 7-8% YoY and QoQ PAT decline. Mobile traffic growth of 25% YoY and 6% QoQ. mobile RPM to decline 6% QoQ. ■ **Idea:** PAT decline of 55% YoY and 28% QoQ led by expansion in new circle EBITDA losses. Margin pressure and full consolidation of Spice for one month. ■ **RCom:** PAT to decline 56-61% YoY and QoQ led by stagnant revenue, margin pressure. No treasury gains assumed.	■ **3G spectrum auction:** 3-4 slots/circle of 3G spectrum and two slots/circle of BWA spectrum to be auctioned. Reserve price Rs35b for pan-India 3G and Rs17.5b for pan-India BWA spectrum. 9 applications for 3G and 11 applications for BWA spectrum received. ■ **Regulatory reforms:** TRAI recommendations on 2G spectrum allocation and change in M&A rules awaited. Can lead to sector consolidation. ■ **Mobile number portability:** Implementation likely to be delayed to June-July 2010. ■ **Decline in competitive intensity:** New entrants continue to incur heavy losses. Competitive intensity likely to decline after potential sector consolidation.	■ **Idea:** High operating leverage. New circle losses to taper. Buy. ■ **Bharti:** Best placed with scale advantage. Buy.
Utilities			
■ **Higher merchant prices:** Merchant prices in 4QFY10 have inched up to Rs5/unit, as have bi-lateral contracts from Rs3/unit in 3QFY10. ■ **Fuel availability/cost:** Operating factors (PLF) could be under pressure and variable costs could increase given the prevailing scarcity in domestic coal supply/higher imported coal prices.	■ **NTPC:** Flat YoY PAT growth due to decline in other income. PLF factored in at 90%; lower operating factor may lead to lower core earnings. ■ **Tata Power:** Merchant sale from Trombay/Haldia (200MW) and strong realisation leads to profit growth of 126% YoY. ■ **Powergrid:** Steady profit growth due to regulated returns. Short term open access charges and losses in the telecom business could surprise.	■ **Capacity addition:** FY11 is the second last year for the Eleventh Plan. Capacity addition at the macro level (20GW) will be crucial to decide near term base/peak deficit and merchant price in turn. Players with key capacity addition are NTPC (3GW), Tata Power (1.1GW). ■ **Case 1 bids:** Many private sector projects are awaiting Case 1 bids being called by distribution entities. Insignificant progress in this direction will hamper growth/ valuation. ■ **Fuel availability:** Tie-up through linkages, coal asset acquisition overseas will be key events to watch for.	■ **NTPC:** Significant visibility of growth opportunity, well funded. Buy on declines ■ **Powergrid:** Robust earnings CAGR of 26% over FY10-12. Near term dilution a key hindrance to stock performance. Buy. ■ **Tata Power:** Valuations largely factor in major upside. Sensitivity of coal price to valuation minimal, growth could be equity dilutive. Neutral.

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Model portfolio: sector views, top picks

FY10: manifestation of extremes in emotions

The BSE-Sensex returned 81% in FY10, driven by huge FII inflows

FY10 began in the backdrop of deep skepticism to great pessimism about the future. In sharp contrast, it has ended with the BSE-Sensex returning 81% - the best annual performance by Indian equities in three decades. After the sharp appreciation in 1HFY10, which only a handful would have predicted and benefited from, Indian markets remained range-bound and offered no opportunity to buy cheap. The biggest corrections were of the order of 10-15% and were followed by a recovery of the entire loss equally promptly.

The upturn was marked by all sectors except Telecom delivering strong positive returns. FY09 marked the biggest ever sell-off of US$10b by FIIs. In sharp contrast, FY10 marked their return, with net inflows of US$23b, the biggest ever FII inflow in India's history in any single financial year. This was supported by strong inflows from the insurance sector. There were large primary and secondary offerings (treasury stock sale, etc) by companies, promoters and the government during the year.

FY11: markets to remain range-bound; stock-picking to drive portfolio performance

We expect markets to remain range-bound in FY11…

Markets enter FY11, with potential headwinds like monsoon outlook, government borrowing program, and the extent of RBI tightening. Most of these factors will play out in the first half of the year. The tailwind for the market is the strong corporate earnings growth of 30% for FY11 and even higher for the first half, driven by the low base of 1HFY10. FY11 will also be marked by correction in the fiscal imbalance (partly aided by 3G auctions and the divestment plan) and progress on key reforms (Direct Tax Code, Goods and Services Tax roll-out), both vital for the long-term prospects of the markets.

We believe that accelerating economic and corporate profit growth (both for 1-year and 4-year horizon) will limit the downside in the markets. However, above-average valuations upfront will calibrate the magnitude and pace of the market upturn. We expect the benchmark indices to remain within a range of 10% from current levels, with the direction of the market being influenced by the major moves in global markets and liquidity. We reiterate that 2010 will be a year of stock-picking with market returns contributing the smallest share of aggregate performance in three years.

…and choose stocks offering growth at reasonable valuations for our portfolio

Our portfolio allocation strategy is broadly positioned to identify sectors and stocks offering growth at reasonable valuations. Some of our overweight sectors/stocks face headwinds in the near-term, more particularly in 1QFY11, but these headwinds are priced in at current market valuations, in our view.

Model portfolio attributes

- Overweighting domestic plays like Financials (SBI, HDFC Bank, LIC Housing, etc), Infrastructure and related sectors (BHEL, Crompton, Unitech), Cement (ACC, India Cements) and Autos (M&M, Maruti, Bajaj Auto).

- We have raised our weight on IT by adding more weight to Infosys, as we see strengthening signs of global recovery. Risks from currency appreciation have partly played out already, with the Rupee appreciating by over 3% in 4QFY10.
- Reliance remains an Underweight, as the stock trades above our fair valuation and we are not convinced about the sustenance of the up-tick in global refining margins, as the commissioning of significant new capacities is imminent.
- Mid-caps continue to have a large share in the portfolio, with stocks across sectors. We re-iterate that in terms of absolute returns, mid-caps are likely to outperform the large-caps in this growth cycle.
- Our model portfolio quotes at 15.7x FY11E EPS against 16.9x FY11E EPS for the Sensex - 7% discount.
- Our model portfolio delivered returns of 1.6% in 4QFY10, v/s BSE-100 returns of 0.8%.

Risks to performance of model portfolio

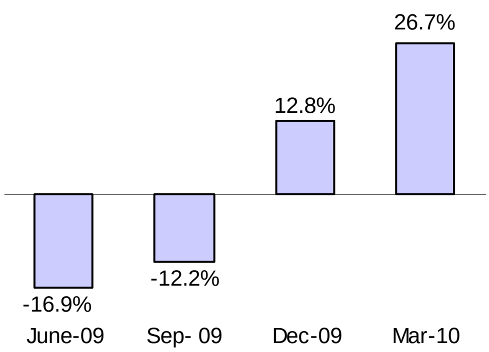
- We have assumed that 10-year bond yields would peak at 8.5% in 1HFY11 and then decline. Any risks to the monetary cycle could impact the performance of our key Overweights.
- We are Underweight on many of the big benchmarks like Reliance Industries, HDFC, ICICI Bank, L&T, etc, which have benefited from the record FII inflows in 4QFY10, and we have concerns on their earnings growth outlook or valuations.
- Our mid-cap exposure is vulnerable to any sell-off in global equities.

MOSL MODEL PORTFOLIO

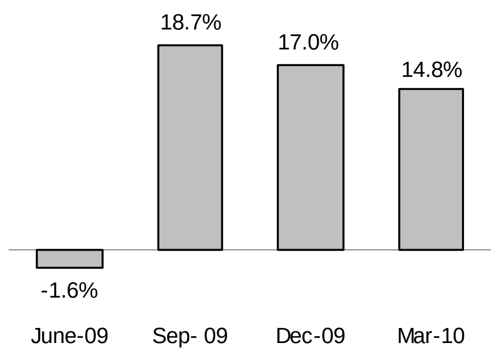
SECTOR WEIGHT / PORTFOLIO PICKS	BSE-100	MOSL WEIGHT	WEIGHT RELATIVE TO BSE-100	EFFECTIVE SECTOR STANCE
Banks	**22.1**	**23.0**	**0.9**	**Overweight**
PSU	**5.7**	**9.0**	**3.3**	**Overweight**
SBI	3.1	5	1.9	Buy
Bank of Baroda	0.6	2	1.4	Buy
Union Bank	0.4	2	1.6	Buy
Private	**11.5**	**10.0**	**-1.5**	**Underweight**
HDFC Bank	3.6	5	1.4	Buy
Axis Bank	1.6	3	1.4	Buy
Yes Bank	0.0	2	2.0	Buy
NBFCs	**4.9**	**4**	**-0.9**	**Underweight**
LIC Housing	0.0	2	2.0	Buy
Shriram Transport	0.4	2	1.6	Buy
Infrastructure & Related sectors	**14.3**	**18.0**	**3.7**	**Overweight**
BHEL	2.2	5	2.8	Buy
ACC	0.5	3	2.5	Buy
Unitech	0.5	3	2.5	Buy
Larsen & Toubro	4.6	3	-1.6	Neutral
Crompton Greaves	0.5	2	1.5	Neutral
ABB	0.5	1	0.5	Buy
India Cements	0.1	1	0.9	Buy
Information Technology	**11.1**	**12.0**	**0.9**	**Overweight**
Infosys Tech	6.7	7	0.3	Neutral
TCS	2.5	3	0.5	Buy
HCL Tech	0.4	2	1.6	Buy
Oil & Gas	**14.9**	**11.0**	**-3.9**	**Underweight**
Reliance Inds.	9.3	6	-3.3	Buy
GAIL	1.1	3	1.9	Buy
Cairn India	0.7	2	1.3	Buy
Auto	**5.6**	**6.0**	**0.4**	**Overweight**
Mahindra & Mahindra	1.2	2	0.8	Buy
Bajaj Auto	0.7	2	1.3	Buy
Maruti	1.1	2	0.9	Buy
Metals	**7.6**	**6.0**	**-1.6**	**Underweight**
Sterlite	1.7	4	2.3	Buy
JSW Steel	0.7	2	1.3	Buy
Pharmaceuticals	**3.8**	**5.0**	**1.2**	**Overweight**
Cipla	0.9	3	2.1	Buy
Sun Pharma	0.8	2	1.2	Buy
FMCG	**6.5**	**5.0**	**-1.5**	**Neutral**
ITC	3.7	5.0	1.3	Buy
Telecom	**3.2**	**3.0**	**-0.2**	**Neutral**
Bharti Airtel	2.2	2	-0.2	Buy
Idea Cellular	0.3	1	0.7	Buy
Utilities	**6.9**	**2.0**	**-4.9**	**Underweight**
Jindal Steel & Power	1.6	2	0.4	Restricted
Others	**4.0**	**9.0**	**5.0**	**-**
GVK Power	0.0	1	1.0	Buy
Nagarjuna Construction	0.0	1	1.0	Buy
Sintex Industries	0.0	1	1.0	Buy
Vardhman Textiles	0.0	1	1.0	Buy
Birla Corp	0.0	1	1.0	Buy
Anant Raj Industries	0.0	1	1.0	Buy
Dewan Housing	0.0	1	1.0	Buy
United Phosphorus	0.3	1	0.7	Buy
Jai Balaji Inds	0.0	1	1.0	Buy
Cash	**0.0**	**0.0**	**0.0**	
Total	**100.0**	**100.0**		

MOSL Universe: 4QFY10 aggregate performance highlights

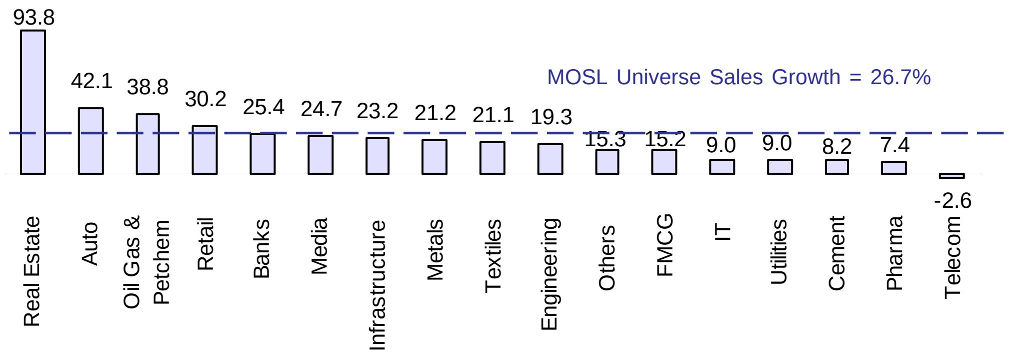
QUARTER-WISE SALES GROWTH (% YOY)



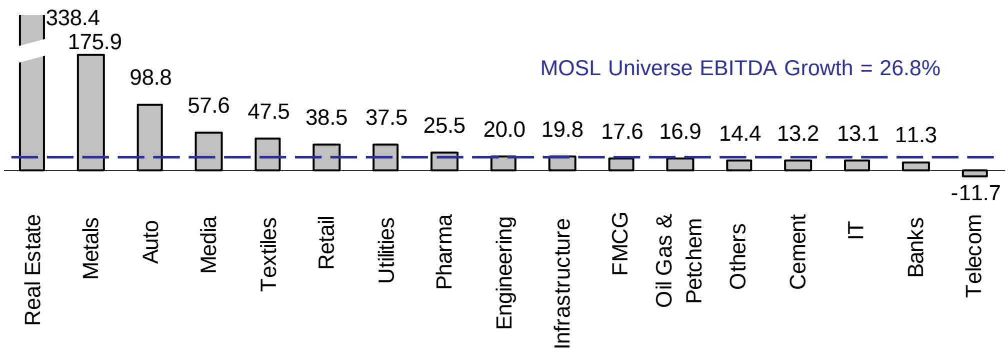
QUARTER-WISE NET PROFIT GROWTH (% YOY)



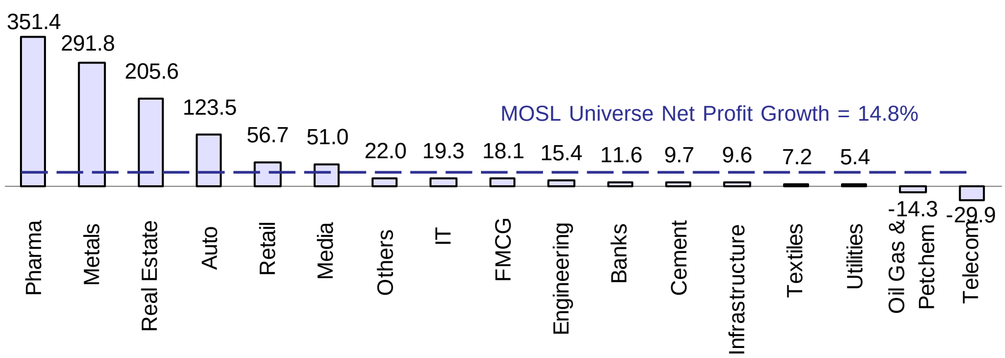
SECTORAL SALES GROWTH - QUARTER ENDED MARCH 2010 (%)



SECTORAL EBITDA GROWTH - QUARTER ENDED MARCH 2010 (%)



SECTORAL NET PROFIT GROWTH - QUARTER ENDED MARCH 2010 (%)



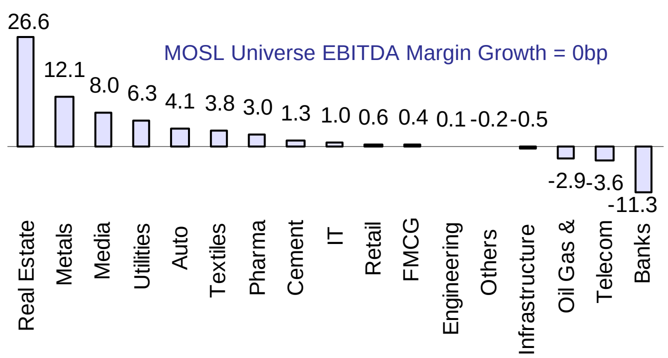
Quarterly performance - MOSL Universe

Sector (No. of companies)	EBITDA Margin (%) Mar.09	Mar.10	Chg. (%)	Net Profit Margin (%) Mar.09	Mar.10	Chg. (%)
Auto (5)	10.3	14.5	4.1	5.5	8.7	3.2
Banks (22)	99.6	88.4	-11.3	50.2	44.7	-5.5
Cement (7)	28.2	29.4	1.3	17.3	17.5	0.2
Engineering (6)	15.7	15.8	0.1	11.8	11.4	-0.4
FMCG (12)	20.1	20.5	0.4	13.0	13.4	0.3
IT (7)	25.0	25.9	1.0	18.5	20.3	1.8
Infrastructure (5)	16.6	16.1	-0.5	7.1	6.3	-0.8
Media (6)	30.3	38.3	8.0	17.6	21.3	3.7
Metals (8)	9.5	21.6	12.1	3.8	12.4	8.5
Oil Gas & Petchem (11)	18.7	15.8	-2.9	13.5	8.3	-5.2
Pharma (14)	17.8	20.7	3.0	3.1	13.0	9.9
Real Estate (6)	21.1	47.6	26.6	16.1	25.3	9.3
Retail (2)	9.3	9.9	0.6	3.1	3.7	0.6
Telecom (3)	38.1	34.5	-3.6	20.5	14.8	-5.8
Textiles (5)	17.3	21.0	3.8	4.0	3.6	-0.5
Utilities (6)	24.0	30.3	6.3	18.4	17.8	-0.6
Others (2)	20.8	20.6	-0.2	11.4	12.1	0.7
MOSL (127)*	**22.9**	**22.9**	**0.0**	**14.1**	**12.7**	**-1.3**
MOSL Excl. RMs (124)	**25.3**	**26.7**	**1.4**	**14.2**	**14.8**	**0.7**
Sensex (30)	**23.7**	**25.2**	**1.5**	**13.9**	**14.1**	**0.2**

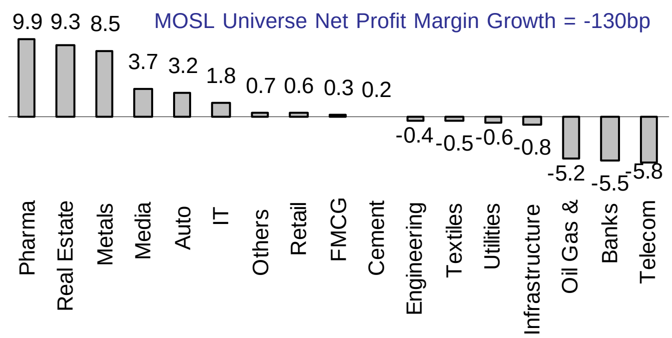
*Tata Steel Consolidated

Source: MOSL

EBITDA margin growth - quarter ended March 2010 (%)



Net profit margin growth - quarter ended March 2010 (%)



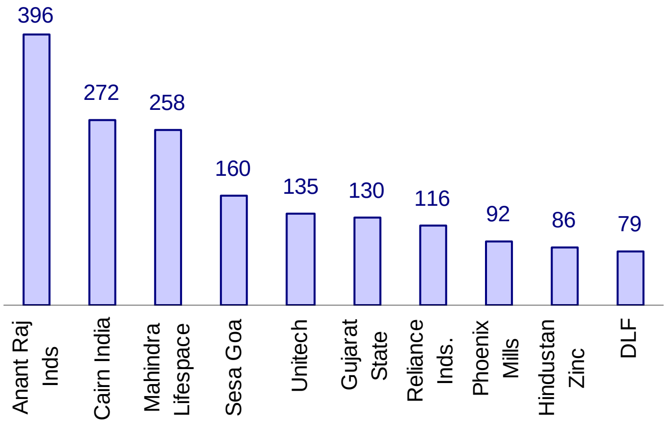
Sectoral contribution to growth in sales, EBITDA and net profit (%)

Sector	Contribution to Sales Gr.	Sector	Contribution to EBITDA Gr.	Sector	Contribution to NP Gr.
Oil Gas & Petchem (11)	59.7	Metals (8)	35.3	Metals (8)	69.5
Metals (8)	10.3	Oil Gas & Petchem (11)	21.3	Auto (5)	17.4
Auto (5)	8.3	Banks (22)	9.6	Banks (22)	14.7
Banks (22)	5.0	Auto (5)	8.8	Pharma (14)	14.4
Engineering (6)	4.7	Utilities (6)	6.9	IT (7)	10.4
FMCG (12)	2.2	Real Estate (6)	5.4	Real Estate (6)	7.4
IT (7)	2.0	Engineering (6)	3.3	Engineering (6)	5.7
Real Estate (6)	1.6	IT (7)	3.2	FMCG (12)	4.4
Utilities (6)	1.6	FMCG (12)	2.2	Utilities (6)	2.2
Infrastructure (5)	1.5	Pharma (14)	2.0	Cement (7)	2.1
Cement (7)	0.8	Cement (7)	1.6	Media (6)	1.6
Pharma (14)	0.8	Media (6)	1.1	Others (2)	0.7
Retail (2)	0.7	Infrastructure (5)	0.9	Infrastructure (5)	0.6
Textiles (5)	0.5	Textiles (5)	0.9	Retail (2)	0.5
Media (6)	0.3	Retail (2)	0.4	Textiles (5)	0.1
Others (2)	0.3	Others (2)	0.3	Telecom (3)	-13.4
Telecom (3)	-0.4	Telecom (3)	-3.3	Oil Gas & Petchem (11)	-38.4

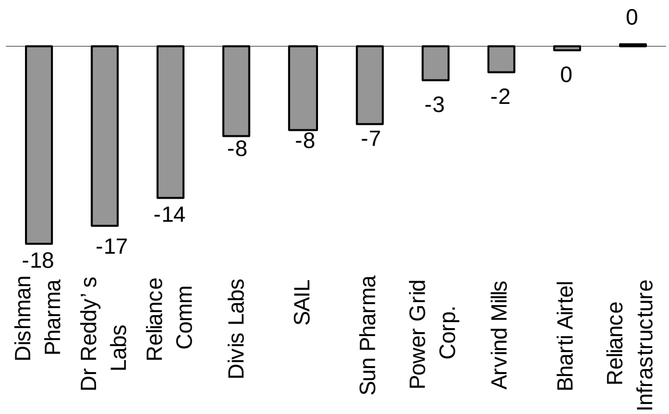
Source: MOSL

Scoreboard (quarter ended March 2010)

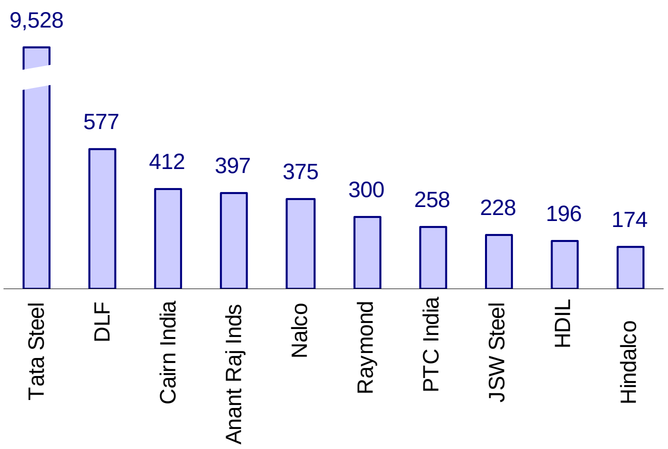
TOP 10 BY SALES GROWTH (%)



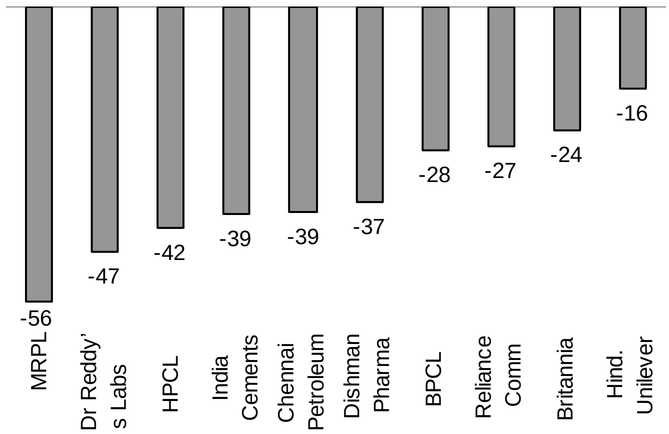
WORST 10 BY SALES GROWTH (%)



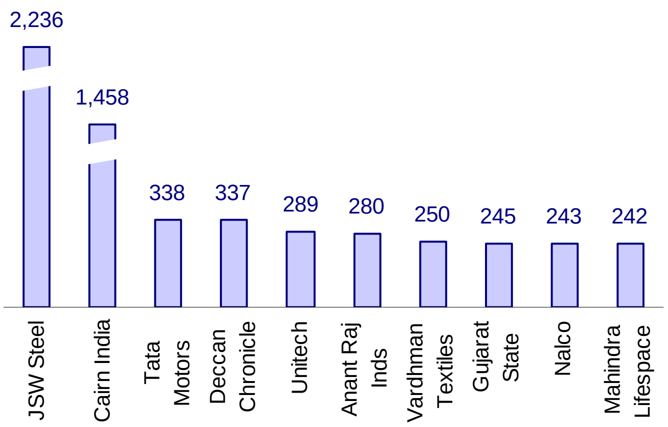
TOP 10 BY EBITDA GROWTH (%)



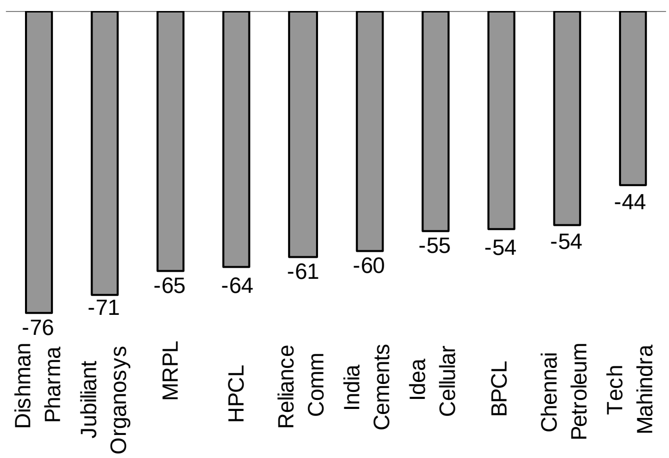
WORST 10 BY EBITDA GROWTH (%)



TOP 10 BY NET PROFIT GROWTH (%)



WORST 10 BY NET PROFIT GROWTH (%)



Source: MOSL

ANNUAL PERFORMANCE - MOSL UNIVERSE (RS BILLION)

	SALES					EBITDA					NET PROFIT				
	FY10E	FY11E	FY12E	YOY % FY11	YOY % FY12	FY10E	FY11E	FY12E	YOY % FY11	YOY % FY12	FY10E	FY11E	FY12E	YOY % FY11	YOY % FY12
Auto (5)	1,778	2,064	2,339	16.1	13.3	184	203	235	10.6	15.6	96	128	168	34.2	31.1
Banks (25)	1,124	1,369	1,634	21.8	19.4	905	1,140	1,395	26.0	22.3	517	602	746	16.3	24.0
Cement (8)	566	702	789	24.0	12.5	164	179	198	9.4	10.6	91	92	102	0.7	11.7
Engineering (6)	926	1,173	1,499	26.7	27.9	134	173	226	28.6	30.7	96	124	160	29.1	28.6
FMCG (12)	742	844	964	13.8	14.2	156	173	203	10.7	17.2	102	116	137	13.4	18.3
IT (7)	1,055	1,218	1,401	15.4	15.1	281	317	358	12.7	12.8	212	243	275	14.9	13.2
Infrastructure (9)	364	437	524	20.1	19.9	95	113	146	19.3	29.0	33	40	50	21.6	25.8
Media (6)	72	86	96	19.9	12.1	28	35	40	25.2	13.8	17	21	25	22.8	19.7
Metals (9)	2,651	2,792	3,201	5.3	14.7	419	594	725	41.7	22.0	180	311	390	72.4	25.4
Oil Gas&Pet.(11)	8,569	8,905	9,025	3.9	1.3	1,119	1,285	1,489	14.8	15.8	587	675	806	15.0	19.3
Pharma (14)	494	548	632	10.9	15.4	103	113	133	9.5	18.3	55	76	98	37.3	28.8
Real Estate (10)	145	200	277	37.4	38.7	66	92	116	40.2	25.3	40	57	72	41.1	25.7
Retail (2)	123	153	182	24.1	18.7	12	15	18	26.2	21.2	4	6	8	39.3	29.2
Telecom (3)	741	819	947	10.5	15.7	273	285	342	4.5	20.0	142	127	151	-10.8	19.0
Textiles (5)	141	162	185	14.7	14.5	26	31	37	19.0	18.0	5	8	11	61.0	38.7
Utilities (10)	848	1,120	1,317	32.1	17.6	247	362	451	46.3	24.5	147	185	230	25.7	24.3
MOSL (144)	**20,427**	**22,692**	**25,130**	**11.1**	**10.7**	**4,229**	**5,132**	**6,134**	**21.3**	**19.5**	**2,334**	**2,822**	**3,443**	**20.9**	**22.0**
Ex. RMs (141)	**15,682**	**17,946**	**20,539**	**14.4**	**14.4**	**3,961**	**4,909**	**5,881**	**24.0**	**19.8**	**2,170**	**2,706**	**3,313**	**24.7**	**22.5**
Sensex (30)	**5,428**	**6,000**	**6,832**	**10.5**	**13.9**	**1,177**	**1,441**	**1,721**	**22.4**	**19.4**	**613**	**794**	**987**	**29.5**	**24.3**
Nifty (50)	**6,369**	**7,053**	**8,008**	**10.7**	**13.5**	**1,332**	**1,642**	**1,978**	**23.2**	**20.5**	**698**	**903**	**1,126**	**29.3**	**24.7**

For Banks : Sales = Net Interest Income, EBITDA = Operating Profit; Tata Steel figures are consolidated including Corus; Sensex & Nifty numbers are free float

VALUATIONS - MOSL UNIVERSE

SECTOR	P/E (X)			EV/EBITDA (X)			P/BV (X)			ROE (%)			DIV. YLD (%)	EPS CAGR
(NO. OF COMPANIES)	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY10-12
Auto (5)	19.4	14.5	11.0	9.1	7.8	6.3	4.3	3.5	2.9	22.4	24.3	25.9	1.0	32.6
Banks (25)	13.4	11.5	9.3	NM	NM	NM	2.4	2.1	1.8	18.3	18.3	19.6	1.5	20.1
Cement (8)	10.2	10.1	9.1	5.6	4.9	4.1	2.3	1.7	1.5	22.4	17.2	16.6	1.4	6.1
Engineering (6)	29.5	22.9	17.8	20.0	15.7	12.1	7.3	5.8	4.8	24.6	25.5	27.3	0.9	28.9
FMCG (12)	26.3	23.2	19.6	17.0	15.2	12.7	8.2	7.1	6.1	31.2	30.7	31.3	1.9	15.8
IT (7)	22.1	19.2	17.0	15.7	13.4	11.5	5.9	4.7	3.9	26.7	24.7	22.9	0.9	14.1
Infrastructure (9)	34.5	28.4	22.6	16.4	14.9	11.3	3.8	3.4	3.0	10.9	11.9	13.2	0.4	23.7
Media (6)	23.3	19.0	15.9	13.7	10.7	9.1	3.9	3.4	3.0	16.6	18.1	19.1	1.3	21.2
Metals (9)	22.5	13.1	10.4	11.2	7.9	6.2	2.6	2.2	1.8	11.4	16.8	17.8	0.9	47.1
Oil Gas & Petchem (11)	14.1	12.2	10.3	8.0	6.8	5.7	2.1	1.9	1.6	15.2	15.3	15.9	1.4	17.1
Pharma (14)	33.5	24.4	19.0	18.4	16.5	13.8	5.0	4.2	3.7	14.9	17.3	19.5	0.8	33.0
Real Estate (10)	24.9	17.7	14.1	18.9	13.4	10.3	1.6	1.5	1.4	6.5	8.5	9.8	0.4	33.2
Retail (2)	36.2	26.0	20.1	15.0	11.9	9.9	4.4	3.8	3.3	12.1	14.5	16.3	0.5	34.1
Telecom (3)	12.2	13.7	11.5	7.3	7.2	5.8	2.0	1.7	1.5	16.1	12.3	13.0	0.6	3.0
Textiles (5)	15.4	9.6	6.9	8.0	6.5	5.4	0.9	0.8	0.7	5.8	8.1	10.3	1.1	49.4
Utilities (10)	24.7	19.7	15.8	17.1	12.9	11.3	2.6	2.4	2.2	10.6	12.0	13.6	1.3	25.0
MOSL (144)	**18.1**	**15.0**	**12.3**	**N.M**	**N.M**	**N.M**	**2.9**	**2.5**	**2.2**	**16.2**	**16.8**	**17.8**	**1.2**	**21.5**
MOSL Excl. RMs (141)	**19.0**	**15.3**	**12.5**	**N.M**	**N.M**	**N.M**	**3.0**	**2.6**	**2.3**	**16.0**	**17.1**	**18.1**	**1.2**	**23.6**
Sensex (30)	**21.9**	**16.9**	**13.6**	**N.M**	**N.M**	**N.M**	**3.3**	**2.9**	**2.5**	**15.2**	**16.9**	**18.3**	**1.1**	**26.9**
Nifty (50)	**22.0**	**17.0**	**13.6**	**N.M**	**N.M**	**N.M**	**3.3**	**2.8**	**2.4**	**14.8**	**16.5**	**17.9**	**1.1**	**27.0**

N.M. - Not Meaningful

Source: MOSL

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.-03.10		MAR.10 RS M	VAR. % YOY	VAR. % QOQ	MAR.10 RS M	VAR. % YOY	VAR. % QOQ	MAR.10 RS M	VAR. % YOY	VAR. % QOQ
Automobiles											
Bajaj Auto	1,981	Buy	33,337	77.0	1.2	6,744	135.9	-6.8	4,580	144.6	-9.7
Hero Honda	1,967	Buy	41,065	20.4	7.7	6,905	28.2	6.5	5,623	39.8	5.0
Mahindra & Mahindra	550	Buy	52,954	46.3	18.2	8,268	96.5	20.6	5,274	88.7	24.3
Maruti Suzuki	1,409	Buy	85,048	32.2	13.4	11,313	151.8	-0.2	7,058	190.3	2.7
Tata Motors	756	Neutral	100,456	50.5	12.5	12,034	106.7	4.5	4,740	338.3	13.5
Sector Aggregate			**312,860**	**42.1**	**11.7**	**45,264**	**98.8**	**4.2**	**27,276**	**123.5**	**6.0**
Cement											
ACC	954	Buy	21,188	3.1	10.3	5,940	-8.2	37.9	3,951	-6.0	40.8
Ambuja Cements	119	Neutral	20,275	9.7	14.5	5,756	9.7	33.1	3,732	11.7	54.7
Birla Corporation	391	Buy	6,236	9.2	11.6	1,901	44.4	17.0	1,365	51.1	21.5
Grasim Industries	2,810	Buy	32,686	13.2	7.1	11,032	62.2	11.9	6,784	76.3	13.8
India Cements	131	Buy	9,499	6.9	9.9	1,365	-39.5	17.1	417	-60.0	53.6
Shree Cement	2,285	Buy	9,440	17.1	9.0	3,864	16.9	15.2	1,831	-24.7	8.7
Ultratech Cement	1,142	Buy	18,810	1.1	13.9	4,912	-7.9	28.0	2,612	-15.6	33.3
Sector Aggregate			**118,135**	**8.2**	**10.6**	**34,769**	**13.2**	**22.1**	**20,691**	**9.7**	**27.6**
Engineering											
ABB	824	Buy	14,489	4.0	-23.1	1,261	-0.9	-16.6	825	5.3	-24.6
BHEL	2,410	Buy	129,104	22.5	81.8	26,461	27.8	84.7	19,530	22.7	76.0
Crompton Greaves	258	Neutral	15,684	15.2	28.2	2,770	27.8	36.0	1,836	40.3	35.6
Larsen & Toubro	1,639	Neutral	129,317	23.6	60.2	16,111	17.7	68.5	11,571	8.7	89.6
Siemens	739	Neutral	24,931	4.6	33.6	3,366	-3.5	-7.4	2,201	-2.4	-6.9
Thermax	672	Neutral	9,767	3.0	30.5	1,206	-9.5	34.9	783	-15.7	38.7
Sector Aggregate			**323,292**	**19.3**	**54.7**	**51,174**	**20.0**	**60.1**	**36,748**	**15.4**	**62.8**
FMCG											
Asian Paints	2,067	Neutral	16,152	13.4	-0.3	2,869	60.2	-9.8	1,863	81.5	-6.1
Britannia	1,576	Buy	8,429	10.6	-4.4	524	-23.6	38.0	314	-27.0	-13.0
Colgate	678	Buy	5,241	15.1	6.8	1,167	25.8	-3.7	964	25.1	-9.0
Dabur	160	Buy	8,687	18.7	-6.2	1,636	26.3	-7.7	1,278	22.6	-7.2
Godrej Consumer	256	Buy	4,979	45.3	-3.8	897	35.6	-11.6	749	26.2	-12.0
GSK Consumer	1,480	Buy	6,472	20.0	54.8	1,294	9.1	252.1	980	16.8	191.1
Hind. Unilever	241	Neutral	42,232	4.7	-7.7	5,028	-15.7	-36.2	3,905	-14.5	-34.8
ITC	269	Buy	47,366	20.6	3.4	16,649	28.2	-2.5	10,429	28.9	-8.9
Marico	109	Buy	5,929	5.6	-11.5	870	18.7	-11.9	569	-4.3	-8.6
Nestle	2,668	Buy	15,317	21.0	13.3	3,676	18.7	85.5	2,580	24.2	93.6
Tata Tea	990	Neutral	14,307	16.7	-7.6	1,780	5.4	-9.1	542	3.0	-43.5
United Spirits	1,343	Buy	11,297	24.4	-16.1	1,783	22.8	-19.4	764	37.4	-21.1
Sector Aggregate			**186,407**	**15.2**	**-1.5**	**38,174**	**17.6**	**-4.6**	**24,937**	**18.1**	**-8.6**

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.-03.10		MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.
			RS M	% YOY	% QOQ	RS M	% YOY	% QOQ	RS M	% YOY	% QOQ
Information Technology											
HCL Technologies	360	Buy	30,833	7.8	1.7	6,057	2.6	-1.4	3,023	51.5	10.8
Infosys	2,644	Neutral	59,493	5.6	3.6	20,936	10.7	2.7	16,138	1.0	1.9
MphasiS	622	Neutral	12,379	18.1	3.9	3,217	14.1	2.5	2,723	21.3	1.4
Patni Computer	539	Buy	8,035	1.0	1.8	1,671	16.7	-0.3	1,326	74.3	-2.7
TCS	801	Buy	78,208	9.1	2.2	23,005	22.4	1.3	18,514	40.9	3.0
Tech Mahindra	883	Neutral	11,724	11.5	-1.3	2,588	-0.2	-7.8	1,302	-43.5	0.2
Wipro	702	Neutral	72,719	11.4	4.8	13,373	9.9	1.8	12,386	23.7	2.9
Sector Aggregate			**273,392**	**9.0**	**3.0**	**70,846**	**13.1**	**1.2**	**55,412**	**19.3**	**2.8**
Infrastructure											
Hindustan Construction	134	Neutral	12,122	17.7	28.3	1,648	9.3	62.0	384	-25.4	76.2
IVRCL Infra.	166	Buy	18,346	12.7	54.9	1,808	24.7	56.4	842	5.3	83.7
Jaiprakash Associates	150	Buy	29,939	43.6	5.0	8,177	16.0	5.7	3,319	5.3	5.7
Nagarjuna Construction	165	Buy	14,395	31.1	21.3	1,344	60.4	13.8	589	54.2	23.1
Simplex Infra.	445	Buy	14,255	2.7	33.6	1,359	21.1	40.3	508	70.2	120.2
Sector Aggregate			**89,056**	**23.2**	**23.1**	**14,336**	**19.8**	**18.9**	**5,642**	**9.6**	**24.6**
Media											
Deccan Chronicle	155	Buy	2,274	26.1	-2.6	1,146	171.5	-9.5	356	337.2	-54.1
HT Media	138	Neutral	3,570	7.0	-2.5	690	71.8	-7.4	473	60.7	27.1
Jagran Prakashan	119	Neutral	2,505	24.5	10.4	660	69.2	1.1	338	55.0	-14.9
Sun TV	421	Neutral	3,816	38.3	-3.4	2,955	30.9	-5.4	1,568	37.5	3.2
TV Today	111	Buy	690	28.5	-2.0	135	162.6	-21.4	103	26.3	-24.7
Zee Entertainment	273	Neutral	6,580	28.1	23.9	1,861	54.9	18.4	1,304	40.6	4.2
Sector Aggregate			**19,435**	**24.7**	**6.6**	**7,448**	**57.6**	**-1.2**	**4,143**	**51.0**	**-7.0**
Metals											
Hindalco	184	Neutral	53,610	42.1	-2.1	8,597	173.6	6.8	5,391	100.6	11.4
Hindustan Zinc	1,211	Buy	23,486	86.0	4.4	14,397	159.4	3.9	12,208	121.4	6.3
JSW Steel	1,240	Buy	49,525	48.8	7.4	13,302	227.5	19.0	5,630	2235.8	39.2
Nalco	416	Sell	11,322	0.6	-20.1	4,536	374.6	53.2	2,844	242.6	83.3
Sesa Goa	458	Buy	37,516	159.9	98.6	18,056	139.6	74.3	12,854	134.7	55.3
Sterlite Inds.	846	Buy	73,601	67.0	9.1	19,424	131.5	9.6	12,165	211.4	21.1
SAIL	244	Sell	111,340	-7.7	10.9	25,603	21.4	-0.7	16,246	6.9	-3.0
Tata Steel	635	Neutral	291,903	10.5	11.4	37,107	9528.1	19.5	13,350	LP	104.7
Sector Aggregate			**652,303**	**21.2**	**11.3**	**141,020**	**175.9**	**16.6**	**80,688**	**291.8**	**27.0**
Oil & Gas											
BPCL	522	Buy	345,239	30.3	7.3	30,106	-27.5	383.4	16,567	-54.3	337.0
Cairn India	299	Buy	6,766	272.3	36.6	4,439	411.8	27.8	2,911	1458.4	0.0
Chennai Petroleum	288	Buy	67,467	40.3	-1.5	3,161	-39.2	162.4	1,408	-53.6	-20.4
GAIL	401	Buy	63,736	4.4	3.0	12,436	29.9	-2.1	7,814	24.0	-9.1
Gujarat State Petronet	88	Buy	3,032	129.7	12.9	2,850	152.6	12.6	1,197	244.9	3.7
HPCL	317	Buy	290,240	15.4	4.9	31,554	-42.0	2121.5	18,478	-63.8	5793.7
Indraprastha Gas	214	Neutral	2,924	28.6	2.7	1,054	47.0	2.2	597	47.9	1.9
IOC	300	Buy	757,230	27.1	8.6	110,017	27.7	3082.5	61,617	-7.0	784.5
MRPL	76	Sell	83,208	27.3	-9.2	4,124	-56.2	42.7	2,114	-65.2	54.3
ONGC	1,096	Neutral	143,827	5.0	-6.1	81,259	40.6	-11.0	36,651	66.0	20.0
Reliance Inds.	1,088	Buy	613,851	116.4	8.0	94,563	73.9	20.6	48,615	24.1	21.3
Sector Aggregate			**2,377,521**	**38.8**	**5.7**	**375,563**	**16.9**	**83.5**	**197,968**	**-14.3**	**101.8**

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.-03.10		MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.
			RS M	% YOY	% QOQ	RS M	% YOY	% QOQ	RS M	% YOY	% QOQ
Pharmaceuticals											
Aventis Pharma	1,804	UR	2,480	8.3	4.6	416	6.7	155.2	430	6.1	65.3
Biocon	287	Buy	6,175	32.4	-2.8	1,231	37.2	-2.8	730	188.8	-9.7
Cadila Health	829	Buy	9,232	27.6	-6.8	2,044	17.4	-2.6	1,238	23.6	-5.2
Cipla	338	Buy	14,550	9.4	1.1	4,075	36.8	0.9	3,010	14.9	4.1
Divis Labs	662	Buy	2,926	-8.3	49.1	1,174	-8.2	78.1	981	-5.9	44.6
Dishman Pharma	219	Neutral	2,395	-18.1	7.7	461	-37.3	-10.1	184	-75.7	-42.5
Dr Reddy' s Labs	1,263	Buy	16,567	-16.5	-4.2	2,454	-46.8	-14.2	1,835	LP	LP
Glenmark Pharma	262	Neutral	6,521	39.1	5.4	1,724	LP	12.4	692	LP	-26.4
GSK Pharma	1,775	Buy	5,158	12.8	16.1	1,843	12.0	107.3	1,539	22.8	49.6
Jubiliant Organosys	343	Neutral	9,777	16.2	1.7	1,945	1.1	-13.6	1,015	-71.2	0.7
Lupin	1,592	Buy	12,298	20.9	-2.0	2,236	37.2	-9.2	1,630	3.6	1.5
Piramal Healthcare	423	Buy	9,546	16.6	5.2	1,924	29.5	8.5	1,136	5.4	-16.6
Ranbaxy Labs	476	Neutral	16,069	7.7	-26.8	535	LP	-82.3	-941	-	-
Sun Pharma	1,758	Buy	9,866	-7.2	-3.4	3,558	-5.0	-3.4	2,552	-18.3	19.3
Sector Aggregate			**123,561**	**7.4**	**-3.9**	**25,623**	**25.5**	**-5.9**	**16,032**	**351.4**	**114.8**
Real Estate											
Anant Raj Inds	133	Buy	1,110	396.2	34.3	711	397.1	-7.0	579	280.0	-13.8
DLF	309	Buy	20,110	79.2	-0.7	10,468	577.2	24.1	4,966	212.3	6.1
HDIL	289	Buy	5,784	61.6	41.5	2,857	196.0	51.3	1,536	148.0	-5.6
Mahindra Lifespace	385	Buy	1,117	257.9	2.6	613	LP	101.1	464	241.8	65.9
Phoenix Mills	186	Buy	412	92.2	36.4	162	23.9	-8.7	111	-21.0	9.0
Unitech	73	Buy	9,174	135.1	18.5	3,151	139.4	69.7	1,892	289.0	7.5
Sector Aggregate			**37,707**	**93.8**	**9.9**	**17,961**	**338.4**	**33.8**	**9,548**	**205.6**	**4.7**
Retailing											
Pantaloon Retail	386	Buy	20,772	26.5	8.6	2,223	28.5	9.3	575	67.3	13.5
Titan Industries	1,833	Neutral	12,083	37.2	-9.4	1,035	66.4	-3.5	655	48.5	-16.5
Sector Aggregate			**32,856**	**30.2**	**1.2**	**3,258**	**38.5**	**4.9**	**1,230**	**56.7**	**-4.7**
Telecom											
Bharti Airtel	311	Buy	98,006	-0.2	0.3	37,864	-5.4	-3.2	20,652	-7.8	-6.5
Idea Cellular	66	Buy	33,174	13.0	5.3	8,164	0.7	0.3	1,232	-55.1	-27.6
Reliance Comm	166	Buy	52,704	-13.9	-0.7	17,473	-26.7	-3.6	5,256	-61.3	-55.7
Sector Aggregate			**183,884**	**-2.6**	**0.9**	**63,501**	**-11.7**	**-2.9**	**27,140**	**-29.9**	**-23.9**
Textiles											
Alok Ind	22	Buy	11,235	23.7	3.8	3,167	31.7	-1.9	-15	PL	-102.6
Arvind Mills	34	Neutral	5,725	-2.4	5.3	642	13.9	14.8	62	LP	-49.5
Bombay Rayon	217	Buy	4,422	32.7	5.8	1,147	37.4	12.9	476	89.6	0.7
Raymond	245	Buy	4,281	18.0	15.0	651	299.8	20.7	146	-14.3	-43.2
Vardhman Textiles	270	Buy	8,029	35.7	14.8	1,476	76.7	6.9	540	250.5	12.9
Sector Aggregate			**33,692**	**21.1**	**8.1**	**7,083**	**47.5**	**5.4**	**1,208**	**7.2**	**-36.8**

PL: Profit to Loss; LP: Loss to Profit; UR=Under Review; Tata Steel and Sterlite numbers are consolidated

PULL OUT

Ready reckoner: quarterly performance

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.-03.10		MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.
			RS M	% YOY	% QOQ	RS M	% YOY	% QOQ	RS M	% YOY	% QOQ
Utilities											
CESC	378	Neutral	8,599	16.0	7.9	2,441	60.6	29.8	1,360	44.7	33.3
NTPC	203	Neutral	124,821	9.1	11.6	36,895	66.2	9.6	23,963	0.3	17.2
PTC India	114	Buy	17,848	51.6	5.1	84	257.5	-19.0	224	29.2	42.5
Power Grid Corp.	107	Buy	21,795	-3.1	42.9	18,138	-2.4	45.5	7,149	2.0	45.3
Reliance Infrastructure	993	Buy	23,908	0.1	4.5	2,346	50.5	-0.3	3,021	2.1	8.6
Tata Power	1,373	Neutral	15,225	3.3	-0.3	4,485	52.9	37.9	2,125	125.7	43.7
Sector Aggregate			**212,197**	**9.0**	**11.6**	**64,390**	**37.5**	**19.9**	**37,842**	**5.4**	**22.9**
Others											
Sintex Inds.	288	Buy	10,582	24.4	24.8	2,147	29.6	69.2	1,196	26.3	65.0
United Phosphorous	148	Buy	15,371	9.8	32.7	3,200	6.1	57.3	1,934	19.4	201.7
Sector Aggregate			**25,953**	**15.3**	**29.4**	**5,346**	**14.4**	**61.8**	**3,130**	**22.0**	**129.2**

	CMP (RS)	RECO	NET INT INCOME			OPERATING PROFIT			NET PROFIT		
	30.-03.10		MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.	MAR.10	VAR.	VAR.
		RS M	% YOY	% QOQ	RS M	% YOY	% QOQ	RS M	% YOY	% QOQ	
Banks											
Andhra Bank	105	Buy	6,261	58.4	7.5	5,211	20.7	8.1	2,682	33.3	-2.6
Axis Bank	1,173	Buy	14,560	41.0	7.9	14,015	23.1	2.0	6,664	14.6	1.6
Bank of Baroda	643	Buy	16,637	13.1	3.9	14,589	11.8	15.3	8,483	12.7	1.9
Bank of India	343	Neutral	15,693	9.5	5.0	12,873	-8.6	13.9	4,828	-40.4	19.1
Canara Bank	412	Buy	15,077	15.5	2.0	14,306	12.4	-2.7	7,894	9.8	-25.0
Corporation Bank	494	Buy	6,362	48.5	6.1	5,747	-14.8	4.2	3,066	17.7	0.5
Dena Bank	79	Buy	2,923	22.3	3.3	2,175	15.8	10.0	1,305	17.4	-3.0
Federal Bank	268	Buy	4,092	27.5	7.4	3,510	10.1	5.9	1,399	22.5	26.9
HDFC	2,638	Neutral	10,278	8.2	14.8	11,485	10.5	18.0	8,048	9.7	19.9
HDFC Bank	1,906	Buy	24,249	30.9	9.0	17,351	10.5	6.9	8,270	31.1	1.0
ICICI Bank	960	Buy	21,485	0.5	4.4	20,773	-3.6	-12.3	8,601	15.6	-21.9
IDFC	162	Neutral	2,929	14.4	5.0	3,909	37.6	-4.7	2,578	121.8	-4.5
Indian Bank	174	Buy	8,807	31.9	0.9	6,896	8.5	-0.2	3,959	0.5	-10.3
J&K Bank	659	Buy	3,038	21.2	3.5	2,449	12.2	0.1	1,327	68.7	-5.2
LIC Housing Fin	861	Buy	3,256	23.7	18.5	2,836	29.9	22.2	1,936	22.9	26.3
Oriental Bank	324	Buy	8,152	77.1	-6.6	6,164	14.5	-1.0	2,782	42.1	-3.9
Punjab National Bank	1,008	Buy	24,062	26.2	3.3	20,174	27.0	11.0	10,927	26.2	8.0
Shriram Transport Fin.	523	Buy	4,741	24.2	4.2	4,846	52.9	5.3	2,492	61.9	5.2
South Indian Bank	176	Buy	1,823	23.1	6.1	1,267	31.7	7.2	666	32.6	6.7
State Bank	2,082	Buy	64,597	33.4	2.3	57,701	9.3	24.9	27,412	0.0	10.6
Union Bank	296	Buy	12,316	32.9	15.7	11,224	23.1	22.8	5,599	20.4	4.8
Yes Bank	257	Buy	2,413	55.4	14.4	2,403	56.1	11.2	1,345	67.8	6.8
Sector Aggregate			**273,749**	**25.4**	**4.9**	**241,903**	**11.3**	**9.4**	**122,260**	**11.6**	**1.0**

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA (X)			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Automobiles														
Bajaj Auto	1,981	Buy	118.2	140.5	160.1	16.8	14.1	12.4	10.8	9.0	7.6	56.7	44.0	35.6
Hero Honda	1,967	Buy	109.9	126.7	144.4	17.9	15.5	13.6	12.6	10.6	8.8	47.7	39.8	30.4
Mahindra & Mahindra	550	Buy	48.4	55.5	68.1	11.3	9.9	8.1	5.3	4.7	3.7	26.5	21.5	21.7
Maruti Suzuki	1,409	Buy	88.1	99.2	120.2	16.0	14.2	11.7	9.1	7.8	6.1	21.9	20.2	20.0
Tata Motors	756	Neutral	6.8	37.7	71.1	111.6	20.0	10.6	10.4	9.0	7.5	9.4	9.6	9.8
Sector Aggregate						**19.4**	**14.5**	**11.0**	**9.1**	**7.8**	**6.3**	**22.4**	**24.3**	**25.9**
Cement														
ACC	954	Buy	86.3	68.2	74.2	11.0	14.0	12.9	6.6	7.8	6.8	29.6	20.0	18.3
Ambuja Cements	119	Neutral	7.8	8.0	8.7	15.2	14.8	13.7	8.9	8.9	7.7	19.6	17.9	17.4
Birla Corporation	391	Buy	72.2	65.7	64.2	5.4	6.0	6.1	3.1	2.9	3.7	30.9	22.4	18.2
Grasim Industries	2,810	Buy	337.3	281.9	314.7	8.3	10.0	8.9	3.9	3.4	2.6	23.6	16.4	15.9
India Cements	131	Buy	11.3	7.4	9.0	11.6	17.7	14.6	6.7	8.3	6.8	8.6	5.2	6.0
Kesoram Ind	376	Buy	54.9	62.6	79.0	6.9	6.0	4.8	4.9	4.6	3.8	17.4	17.1	18.4
Shree Cement	2,285	Buy	264.3	232.0	263.2	8.6	9.8	8.7	5.6	5.3	4.4	56.1	33.0	28.2
Ultratech Cement	1,142	Buy	90.4	82.2	94.3	12.6	13.9	12.1	7.1	3.7	2.9	24.2	27.6	20.1
Sector Aggregate						**10.2**	**10.1**	**9.1**	**5.6**	**4.9**	**4.1**	**22.4**	**17.2**	**16.6**
Engineering														
ABB	824	Buy	16.7	25.5	35.7	49.3	32.3	23.1	32.2	20.8	14.2	15.6	20.2	23.3
BHEL	2,410	Buy	89.7	114.2	151.8	26.9	21.1	15.9	16.7	13.0	9.7	30.5	31.5	33.6
Crompton Greaves	258	Neutral	12.8	15.2	18.4	20.3	17.0	14.0	18.6	14.9	11.8	39.1	35.6	34.0
Larsen & Toubro	1,639	Neutral	55.5	70.0	88.2	29.5	23.4	18.6	22.8	18.5	14.8	18.7	18.5	20.1
Siemens	739	Neutral	13.7	24.0	27.0	53.9	30.8	27.4	22.9	16.7	15.2	12.7	25.6	24.8
Thermax	672	Neutral	20.5	23.8	30.9	32.8	28.2	21.8	21.9	18.3	15.0	26.0	30.3	33.9
Sector Aggregate						**29.5**	**22.9**	**17.8**	**20.0**	**15.7**	**12.1**	**24.6**	**25.5**	**27.3**
FMCG														
Asian Paints	2,067	Neutral	79.9	86.5	104.6	25.9	23.9	19.8	16.4	15.0	12.3	48.2	41.2	39.9
Britannia	1,576	Buy	78.6	103.0	121.3	20.0	15.3	13.0	18.5	12.1	10.1	45.4	48.0	46.3
Colgate	678	Buy	29.0	32.3	38.3	23.4	21.0	17.7	18.8	15.4	12.7	168.5	150.6	148.8
Dabur	160	Buy	5.7	6.5	7.9	27.9	24.6	20.4	21.7	18.4	15.3	45.8	40.9	39.0
Godrej Consumer	256	Buy	10.5	13.0	15.5	24.5	19.7	16.6	20.1	15.2	12.6	47.6	50.7	50.6
GSK Consumer	1,480	Buy	55.4	64.5	78.9	26.7	22.9	18.8	18.4	16.2	12.7	26.0	25.7	26.6
Hind. Unilever	241	Neutral	9.3	9.2	10.8	25.9	26.1	22.2	18.9	18.8	15.9	85.7	77.7	84.2
ITC	269	Buy	10.8	12.3	14.2	24.9	21.9	18.9	15.1	13.8	11.6	25.7	25.3	25.4
Marico	109	Buy	4.0	4.8	5.9	27.3	22.6	18.3	17.8	14.9	12.1	37.4	32.6	30.0
Nestle	2,668	Buy	77.1	93.0	114.0	34.6	28.7	23.4	23.4	19.5	15.9	125.9	119.1	115.5
Tata Tea	990	Neutral	60.5	66.4	78.0	16.4	14.9	12.7	9.8	8.5	7.2	9.3	9.5	10.4
United Spirits	1,343	Buy	30.7	51.6	62.5	43.7	26.0	21.5	17.0	13.8	12.1	8.3	12.4	13.2
Sector Aggregate						**26.3**	**23.2**	**19.6**	**17.0**	**15.2**	**12.7**	**31.2**	**30.7**	**31.3**

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA (X)			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Information Technology														
HCL Technologies	360	Buy	17.0	25.0	29.1	21.1	14.4	12.4	10.0	8.4	7.0	18.8	23.2	22.4
Infosys	2,644	Neutral	109.6	123.0	147.7	24.1	21.5	17.9	17.4	14.6	12.2	30.4	27.6	27.3
MphasiS	622	Neutral	49.5	50.6	54.1	12.6	12.3	11.5	10.3	9.3	8.3	37.6	28.9	24.3
Patni Computer	539	Buy	36.1	41.6	44.3	14.9	12.9	12.2	7.7	6.4	5.3	15.1	15.1	14.2
TCS	801	Buy	34.7	39.2	42.7	23.1	20.4	18.8	17.5	14.9	13.1	37.0	32.1	27.6
Tech Mahindra	883	Neutral	48.2	64.7	71.3	18.3	13.7	12.4	8.1	7.8	7.2	35.0	32.4	26.6
Wipro	702	Neutral	31.5	35.8	40.2	22.3	19.6	17.5	16.6	14.2	11.8	27.1	24.3	22.3
Sector Aggregate						**22.1**	**19.2**	**17.0**	**15.7**	**13.4**	**11.5**	**26.7**	**24.7**	**22.9**
Infrastructure														
GMR Infrastructure	62	Neutral	1.2	1.2	1.4	52.3	54.1	45.9	16.6	15.1	13.8	6.5	6.0	6.7
GVK Power & Infra	45	Buy	1.0	1.7	3.1	44.0	27.0	14.5	19.0	16.0	10.6	5.1	7.8	12.9
Hindustan Construction	134	Neutral	3.8	5.2	7.2	35.2	25.8	18.5	10.6	7.7	6.6	7.5	9.5	12.1
IRB Infra.Devl.	263	Not Rated	17.7	19.7	18.6	14.8	13.4	14.1	10.2	10.0	8.7	22.2	19.7	15.7
IVRCL Infra.	166	Buy	7.9	9.1	11.9	20.9	18.3	14.0	11.4	9.4	7.7	11.7	12.5	14.7
Jaiprakash Associates	150	Buy	4.4	5.0	5.2	34.1	29.9	28.9	16.3	17.5	11.2	11.9	11.9	11.0
Mundra Port	787	Not Rated	14.4	20.9	32.9	54.6	37.6	23.9	37.6	24.0	18.1	17.4	21.3	26.8
Nagarjuna Construction	165	Buy	9.2	11.7	14.0	17.9	14.1	11.8	10.7	9.0	7.9	9.6	9.6	10.3
Simplex Infra.	445	Buy	25.8	35.3	47.4	17.3	12.6	9.4	6.9	5.9	5.0	13.3	15.9	18.2
Sector Aggregate						**34.5**	**28.4**	**22.6**	**16.4**	**14.9**	**11.3**	**10.9**	**11.9**	**13.2**
Media														
Deccan Chronicle	155	Buy	12.0	14.9	18.3	13.0	10.4	8.5	6.7	5.4	4.2	22.7	24.5	26.0
HT Media	138	Neutral	6.7	7.8	9.0	20.8	17.8	15.3	12.1	10.1	8.9	14.5	15.1	15.6
Jagran Prakashan	119	Neutral	5.8	6.4	7.3	20.6	18.7	16.2	12.1	10.6	9.3	29.3	30.6	33.0
Sun TV	421	Neutral	14.2	17.5	21.2	29.7	24.1	19.8	14.7	11.5	10.2	25.2	25.0	24.4
TV Today	111	Buy	8.9	10.4	12.2	12.5	10.6	9.1	6.9	5.1	3.8	14.2	14.7	15.0
Zee Entertainment	273	Neutral	9.7	12.5	14.8	28.1	21.8	18.5	19.4	13.5	11.3	11.4	12.1	13.3
Sector Aggregate						**23.3**	**19.0**	**15.9**	**13.7**	**10.7**	**9.1**	**16.6**	**18.1**	**19.1**
Metals														
Hindalco	184	Neutral	3.3	6.6	12.5	56.3	27.8	14.7	10.8	10.2	7.9	5.9	10.9	17.5
Hindustan Zinc	1,211	Buy	95.2	117.6	134.4	12.7	10.3	9.0	8.4	6.0	4.7	22.1	21.6	20.0
JSW Steel	1,240	Buy	67.4	82.3	137.9	18.4	15.1	9.0	9.6	8.5	5.3	18.2	18.2	23.4
Nalco	416	Sell	11.3	17.7	20.1	36.9	23.5	20.7	22.2	12.4	10.6	7.1	10.2	10.8
Prakash Inds	219	Buy	21.4	21.9	38.5	10.2	10.0	5.7	8.9	7.2	4.5	21.7	17.8	24.5
SAIL	244	Sell	15.4	16.4	16.2	15.9	14.9	15.0	10.6	9.6	9.2	19.1	17.4	15.1
Sesa Goa	458	Buy	32.9	40.6	46.5	13.9	11.3	9.8	9.7	7.1	5.6	35.0	30.7	26.4
Sterlite Inds.	846	Buy	46.1	68.5	93.1	18.3	12.3	9.1	10.1	6.6	4.3	10.5	13.6	15.8
Tata Steel	635	Neutral	-20.4	68.1	92.1	-31.1	9.3	6.9	15.2	6.7	5.2	-19.2	44.2	40.8
Sector Aggregate						**22.5**	**13.1**	**10.4**	**11.2**	**7.9**	**6.2**	**11.4**	**16.8**	**17.8**
Oil & Gas														
BPCL	522	Buy	75.6	57.7	59.0	6.9	9.0	8.8	7.2	7.5	7.3	18.9	12.6	11.6
Cairn India	299	Buy	5.8	20.1	36.4	51.7	14.9	8.2	54.6	8.9	5.1	10.8	17.2	16.7
Chennai Petroleum	288	Buy	48.6	30.4	26.4	5.9	9.5	10.9	5.3	5.9	6.5	26.0	11.8	9.6
GAIL	401	Buy	23.7	27.5	29.2	16.9	14.6	13.7	11.0	9.6	9.2	17.8	17.9	16.6
Gujarat State Petronet	88	Buy	7.6	9.3	12.3	11.6	9.4	7.1	5.9	4.8	3.7	29.8	28.2	28.9
HPCL	317	Buy	70.5	43.8	49.3	4.5	7.2	6.4	4.0	4.9	4.0	20.2	10.9	11.1
Indraprastha Gas	214	Neutral	16.0	18.1	19.3	13.4	11.8	11.1	7.7	6.6	5.9	29.3	27.1	24.0
IOC	300	Buy	46.8	33.6	38.2	6.4	8.9	7.9	5.0	5.9	4.7	22.3	13.7	13.9
MRPL	76	Sell	6.1	4.4	4.8	12.4	17.5	16.0	9.3	11.2	11.9	20.8	13.1	13.1
ONGC	1,096	Neutral	91.7	116.3	133.3	12.0	9.4	8.2	4.7	4.1	3.5	20.1	22.3	22.0
Reliance Inds.	1,088	Buy	54.3	72.7	87.6	20.0	15.0	12.4	13.2	9.6	7.8	12.8	14.7	15.4
Sector Aggregate						**14.1**	**12.2**	**10.3**	**8.0**	**6.8**	**5.7**	**15.2**	**15.3**	**15.9**

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA (X)			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Pharmaceuticals														
Aventis Pharma	1,804	UR	68.3	81.9	95.4	26.4	22.0	18.9	23.5	18.5	14.6	18.1	19.3	19.8
Biocon	287	Buy	14.3	17.1	19.5	20.1	16.7	14.7	12.4	10.3	8.8	16.5	17.2	17.1
Cadila Health	829	Buy	37.7	47.4	57.3	22.0	17.5	14.5	14.8	12.2	10.2	37.0	35.2	32.8
Cipla	338	Buy	13.8	17.5	20.4	24.5	19.3	16.6	17.5	14.9	12.6	18.8	20.2	20.0
Divis Labs	662	Buy	23.9	28.5	34.5	27.8	23.3	19.2	22.7	17.3	14.0	22.6	22.5	23.0
Dishman Pharma	219	Neutral	14.0	15.4	18.8	15.6	14.2	11.7	12.2	9.8	7.9	14.9	14.4	15.3
Dr Reddy' s Labs	1,263	Buy	6.7	56.9	63.8	187.9	22.2	19.8	17.7	17.0	15.0	2.6	19.3	18.8
GSK Pharma	1,775	Buy	59.6	69.2	79.9	29.8	25.7	22.2	21.6	19.0	16.1	28.7	30.1	31.4
Glenmark Pharma	262	Neutral	10.5	14.8	20.1	25.0	17.7	13.0	13.7	11.0	9.6	13.1	12.9	15.1
Jubiliant Organosys	343	Neutral	20.7	18.5	31.7	16.6	18.6	10.8	11.0	9.0	7.8	21.6	15.8	23.6
Lupin	1,592	Buy	71.2	90.5	100.3	22.4	17.6	15.9	17.2	14.0	12.5	37.8	36.5	31.8
Piramal Healthcare	423	Buy	21.1	25.8	31.0	20.0	16.4	13.6	14.2	11.4	9.8	29.7	29.2	28.5
Ranbaxy Labs	476	Neutral	3.6	-5.5	8.5	132.0	-86.9	56.0	36.3	50.5	29.3	3.3	-4.7	7.4
Sun Pharma	1,758	Buy	62.3	56.8	71.4	28.2	30.9	24.6	23.3	26.9	20.9	11.8	13.7	15.4
Sector Aggregate						**33.5**	**24.4**	**19.0**	**18.4**	**16.5**	**13.8**	**14.9**	**17.3**	**19.5**
Real Estate														
Anant Raj Inds	133	Buy	9.0	10.4	11.9	14.8	12.9	11.2	12.0	9.6	7.7	7.4	7.9	8.4
Brigade Enterpr.	138	Buy	6.9	9.9	15.0	20.0	14.0	9.2	15.4	9.9	6.6	7.6	10.2	14.3
DLF	309	Buy	10.5	15.3	17.9	29.5	20.2	17.2	19.0	14.0	12.4	6.8	9.1	9.7
HDIL	289	Buy	16.6	18.4	23.2	17.4	15.7	12.5	17.2	13.0	9.6	8.6	8.8	10.2
Indiabulls Real Estate	154	Neutral	2.8	5.4	13.4	55.2	28.2	11.5	98.1	31.5	10.6	0.8	1.6	3.9
Mahindra Lifespace	385	Buy	24.2	29.4	36.0	15.9	13.1	10.7	13.2	9.1	6.9	9.8	10.6	11.4
Peninsula Land	72	Neutral	10.0	12.0	13.2	7.2	6.0	5.4	5.7	4.5	4.1	24.3	24.8	23.5
Phoenix Mills	186	Buy	3.7	7.4	10.7	49.8	25.3	17.4	46.0	20.5	17.6	3.5	6.5	8.8
Puravankara Projects	97	Neutral	5.3	7.8	9.4	18.3	12.3	10.3	22.0	12.6	8.2	7.8	10.6	11.5
Unitech	73	Buy	2.9	4.7	6.3	25.3	15.6	11.6	20.9	13.3	8.6	6.5	9.6	11.5
Sector Aggregate						**24.9**	**17.7**	**14.1**	**18.9**	**13.4**	**10.3**	**6.5**	**8.5**	**9.8**
Retailing														
Pantaloon Retail	386	Buy	9.9	14.5	19.0	39.1	26.6	20.3	11.9	9.7	8.2	6.8	9.1	10.7
Titan Industries	1,833	Neutral	55.4	72.0	91.5	33.1	25.5	20.0	22.2	16.8	13.2	33.9	33.8	33.7
Sector Aggregate						**36.2**	**26.0**	**20.1**	**15.0**	**11.9**	**9.9**	**12.1**	**14.5**	**16.3**
Telecom														
Bharti Airtel	311	Buy	24.0	22.9	25.8	12.9	13.6	12.1	7.5	7.1	6.0	26.9	21.6	20.0
Idea Cellular	66	Buy	2.6	1.7	2.9	25.4	40.0	22.6	8.0	8.3	6.3	5.8	3.4	5.3
Reliance Comm	166	Buy	20.7	16.5	20.9	8.0	10.1	8.0	6.7	7.0	5.5	11.0	8.2	9.6
Sector Aggregate						**12.2**	**13.7**	**11.5**	**7.3**	**7.2**	**5.8**	**16.1**	**12.3**	**13.0**
Textiles														
Alok Ind	22	Buy	2.1	2.9	3.3	10.7	7.8	6.8	7.5	7.3	6.5	7.3	7.6	8.3
Arvind Mills	34	Neutral	1.9	0.3	2.2	17.5	119.4	15.6	8.3	6.5	5.8	2.2	0.3	2.4
Bombay Rayon	217	Buy	16.6	28.2	41.1	13.0	7.7	5.3	8.7	5.5	4.0	11.6	15.9	19.3
Raymond	245	Buy	-7.0	9.0	19.1	-35.0	27.4	12.9	13.6	9.2	6.7	-1.9	2.2	4.6
Vardhman Textiles	270	Buy	30.7	36.8	41.8	8.8	7.3	6.5	6.3	5.0	4.3	11.1	11.8	11.9
Sector Aggregate						**15.4**	**9.6**	**6.9**	**8.0**	**6.5**	**5.4**	**5.8**	**8.1**	**10.3**

PULL OUT

Ready reckoner: valuations

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA (X)			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Utilities														
Adani Power	116	Not Rated	0.5	2.1	10.9	250.5	54.8	10.6	175.5	36.6	10.0	1.9	8.2	35.2
CESC	378	Neutral	28.9	31.0	31.5	13.1	12.2	12.0	7.6	8.4	9.3	11.3	11.0	10.1
Indiabulls Power	30	Not Rated	0.2	0.1	-0.2	141.1	262.5	-	-	-	-	1.1	0.6	-0.9
JSW Energy	112	Not Rated	4.7	9.0	9.6	24.1	12.4	11.7	16.0	6.4	5.8	15.4	26.0	21.8
NTPC	203	Neutral	10.6	11.1	12.6	19.2	18.3	16.1	13.1	10.6	10.7	14.6	14.0	14.6
Power Grid Corp.	107	Buy	5.0	5.8	7.7	21.3	18.3	13.9	13.5	11.3	9.6	13.7	14.5	17.1
PTC India	114	Buy	3.5	4.3	4.4	32.7	26.6	25.9	43.3	43.6	40.6	5.6	5.9	5.9
Reliance Infrastructure	993	Buy	45.0	56.3	68.8	22.1	17.6	14.4	21.0	13.4	11.0	9.8	9.8	10.0
Reliance Power	150	Not Rated	-	2.6	0.8	-	58.1	183.8	-	31.0	20.4	-	4.4	1.4
Tata Power	1,373	Neutral	54.4	94.1	117.0	25.2	14.6	11.7	20.7	17.9	16.7	7.5	9.0	9.1
Sector Aggregate						**24.7**	**19.7**	**15.8**	**17.1**	**12.9**	**11.3**	**10.6**	**12.0**	**13.6**
Others														
Sintex Inds.	288	Buy	22.3	29.7	37.5	12.9	9.7	7.7	8.8	6.7	5.3	17.0	18.8	19.8
United Phosphorous	148	Buy	11.6	15.8	18.5	12.8	9.4	8.0	6.8	4.9	3.7	18.7	21.8	20.8
Sector Aggregate						**12.4**	**9.2**	**7.6**	**7.5**	**5.5**	**4.3**	**17.4**	**19.9**	**19.7**

	CMP (RS)	RECO	EPS (RS)			P/E (X)			P/BV (X)			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Banks														
Andhra Bank	105	Buy	22.1	22.4	27.9	4.8	4.7	3.8	1.2	1.0	0.8	26.8	22.9	24.3
Axis Bank	1,173	Buy	60.2	76.1	96.8	19.5	15.4	12.1	3.0	2.6	2.2	18.5	17.9	19.5
Bank of Baroda	643	Buy	82.1	93.2	111.5	7.8	6.9	5.8	1.7	1.4	1.2	23.5	22.4	22.6
Bank of India	343	Neutral	34.1	44.6	57.6	10.1	7.7	6.0	1.4	1.2	1.0	14.4	16.5	18.5
Canara Bank	412	Buy	80.7	80.7	90.7	5.1	5.1	4.5	1.3	1.1	0.9	29.1	23.5	22.0
Corporation Bank	494	Buy	81.2	97.9	116.2	6.1	5.0	4.2	1.2	1.0	0.9	21.8	22.2	22.2
Dena Bank	79	Buy	17.6	19.2	22.3	4.5	4.1	3.5	0.9	0.8	0.7	23.3	21.1	20.5
Dewan Housing	203	Buy	18.2	25.4	34.7	11.1	8.0	5.8	2.0	1.6	1.3	22.5	22.3	25.1
Federal Bank	268	Buy	28.5	34.5	42.4	9.4	7.8	6.3	1.0	0.9	0.8	10.8	11.9	13.2
HDFC	2,638	Neutral	94.2	109.8	130.4	28.0	24.0	20.2	5.2	4.6	4.0	25.0	24.9	25.5
HDFC Bank	1,906	Buy	65.1	86.3	112.2	29.3	22.1	17.0	4.1	3.6	3.1	16.3	17.3	19.5
ICICI Bank	960	Buy	34.8	44.8	57.2	27.6	21.5	16.8	2.1	1.9	1.8	10.3	12.4	14.5
IDFC	162	Neutral	8.4	9.8	11.7	19.3	16.5	13.9	3.0	2.6	2.3	16.5	16.9	17.5
Indian Bank	174	Buy	35.9	37.0	42.7	4.9	4.7	4.1	1.1	1.0	0.8	25.3	21.8	21.4
J&K Bank	659	Buy	108.7	117.8	146.5	6.1	5.6	4.5	1.1	0.9	0.8	18.6	17.6	19.0
Kotak Mahindra Bank	748	Neutral	34.2	42.2	49.3	21.9	17.7	15.2	3.4	2.8	2.4	17.3	18.0	17.8
LIC Housing Fin	861	Buy	67.6	84.6	102.5	12.7	10.2	8.4	2.4	2.1	1.7	22.9	22.0	22.5
Oriental Bank	324	Buy	43.7	48.5	60.1	7.4	6.7	5.4	1.1	1.0	0.9	15.9	15.5	16.9
Punjab National Bank	1,008	Buy	122.5	141.8	167.2	8.2	7.1	6.0	2.0	1.6	1.3	26.4	25.1	24.5
Rural Electric. Corp.	251	Buy	19.8	24.5	29.6	12.7	10.2	8.5	2.3	2.0	1.7	21.5	20.6	21.9
Shriram Transport Fin.	523	Buy	38.4	48.7	60.2	13.6	10.8	8.7	3.1	2.5	2.1	22.8	23.5	23.7
State Bank	2,082	Buy	201.5	218.9	288.2	10.3	9.5	7.2	1.6	1.4	1.2	16.5	15.6	17.9
South Indian Bank	176	Buy	23.2	26.3	31.8	7.6	6.7	5.5	1.3	1.1	1.0	18.6	18.3	19.3
Union Bank	296	Buy	40.4	49.5	57.6	7.3	6.0	5.1	1.7	1.4	1.1	25.9	25.7	24.4
Yes Bank	257	Buy	14.1	18.2	22.8	18.2	14.1	11.3	2.8	2.3	1.9	19.9	17.9	18.6
Sector Aggregate						**13.4**	**11.5**	**9.3**	**2.4**	**2.1**	**1.8**	**18.3**	**18.3**	**19.6**

PULL OUT

BSE Sensex: 17,590 **S&P CNX:** 5,262 **As on:** 30 March 2010

Sectors & Companies

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.

Automobiles

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

- Bajaj Auto
- Hero Honda
- Mahindra & Mahindra
- Maruti Suzuki India
- Tata Motors

Strong momentum in volumes continues: Momentum in volumes remained robust during 4QFY10, driven by strong economic recovery, availability of credit, new product launches and pre-buying in anticipation of excise duty increase and change in emission norms. We estimate 35.5% YoY (~6.5% QoQ) growth in two-wheeler volumes, 28.7% YoY (~12.5% QoQ) growth in car volumes, 74% YoY (~23% QoQ) growth in commercial vehicle volumes, and 34% YoY (~20% QoQ) growth in UV volumes.

EBITDA margins to moderate from peak, but remain above historical average: We expect average EBITDA margins for our Autos universe to moderate by 110bp on QoQ basis to 14.4% due to increase in raw material cost. Increase in raw material prices and the cost of upgrading engine to adhere to new emission norms would be partly offset by the product price hikes (0.5 to 1.5%) and higher operating leverage.

Sector outlook remains positive despite headwinds: Volume outlook remains positive based on continuance of economic recovery, easy availability of finance, and improved outlook for exports. This coupled with new product launches and change in emission norms would aid volume growth in 4QFY10. However, hardening of interest rates, roll-back of excise duty cut, and price hikes would act as short-term impediments in 1HCY10.

Valuation and view: Auto stocks have outperformed the benchmark over the last one year on the back of recovery in volumes and margin expansion. With volume outlook remaining positive, valuations remain attractive. While operating margins are unlikely to sustain at current high levels, we do not expect margins to revert to historical averages. Our top picks are **Bajaj Auto**, **M&M** and **Hero Honda**.

KEY OPERATING INDICATORS

	VOLUMES ('000 UNITS)					EBITDA MARGINS (%)				
	4QFY10E	4QFY09	YOY (%)	3QFY10	QOQ (%)	4QFY10E	4QFY09	YOY (BP)	3QFY10	QOQ (BP)
Bajaj Auto	812	440	84.4	809	0.3	20.2	15.2	510	22.0	-170
Hero Honda	1,194	998	19.7	1,111	7.5	16.8	15.8	100	17.0	-20
Maruti Suzuki	292	237	23.3	258	13.1	13.3	7.0	630	15.1	-180
M&M	134	89	50.8	114	18.0	15.6	11.5	410	15.2	40
Tata Motors	187	140	33.7	165	12.8	11.9	8.5	340	12.8	-100
Aggregate	**2,618**	**1,903**	**37.6**	**2,458**	**6.5**	**14.4**	**10.2**	**420**	**15.5**	**-100**

Source: SIAM/ MOSL

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS) 30.03.10	RECO	SALES MAR.10	SALES VAR. % YOY	SALES VAR. % QOQ	EBITDA MAR.10	EBITDA VAR. % YOY	EBITDA VAR. % QOQ	NET PROFIT MAR.10	NET PROFIT VAR. % YOY	NET PROFIT VAR. % QOQ
Automobiles											
Bajaj Auto	1,981	Buy	33,337	77.0	1.2	6,744	135.9	-6.8	4,580	144.6	-9.7
Hero Honda	1,967	Buy	41,065	20.4	7.7	6,905	28.2	6.5	5,623	39.8	5.0
Mahindra & Mahindra	550	Buy	52,954	46.3	18.2	8,268	96.5	20.6	5,274	88.7	24.3
Maruti Suzuki	1,409	Buy	85,048	32.2	13.4	11,313	151.8	-0.2	7,058	190.3	2.7
Tata Motors	756	Neutral	100,456	50.5	12.5	12,034	106.7	4.5	4,740	338.3	13.5
Sector Aggregate			**312,860**	**42.1**	**11.7**	**45,264**	**98.8**	**4.2**	**27,276**	**123.5**	**6.0**

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

4QFY10: robust performance continues

Recovery in volumes, which was initially witnessed in 4QFY09, continued in 4QFY10, supported by overall improvement in consumer sentiment, availability of credit, new product launches, and pre-buying before budget (in anticipation of excise duty increase) and BS-IV norm implementation in April 2010. Demand at retail level remains strong, driven by continued improvement in economic environment and overall system inventory is below normal levels. Volume growth across segments remains robust.

- We estimate 35.5% YoY (~6.5% QoQ) growth in two-wheeler volumes. Bajaj Auto has benefited the most, with volume growth likely to be 84.4% YoY (flat QoQ), while Hero Honda's volumes are likely to be up 19.7% YoY (~7% QoQ).
- Car volumes should grow 28.7% YoY (~12.5% QoQ), driven by growth in both domestic sales and exports. While Maruti Suzuki's volumes are likely to post 23.3% YoY (~13% QoQ) growth, we expect Tata Motors' car volumes to grow 42% YoY (~39% QoQ), driven by ramp-up of Nano volumes.
- The commercial vehicles segment witnessed improvement in demand, with volume growth estimated at 75.4% YoY (~23.9% QoQ decline), driven by 92.5% YoY growth (~25% QoQ) in M&HCV volumes and 62.4% YoY growth (~23% QoQ) in LCV volumes. We estimate Tata Motor's CV volume growth at 33.7% YoY (~13% QoQ de-growth), with M&HCV volumes growing 85% YoY (~23% QoQ) and LCV volumes growing 54% YoY (~17% QoQ).

AUTO VOLUMES SNAPSHOT FOR 4QFY10 ('000 UNITS)

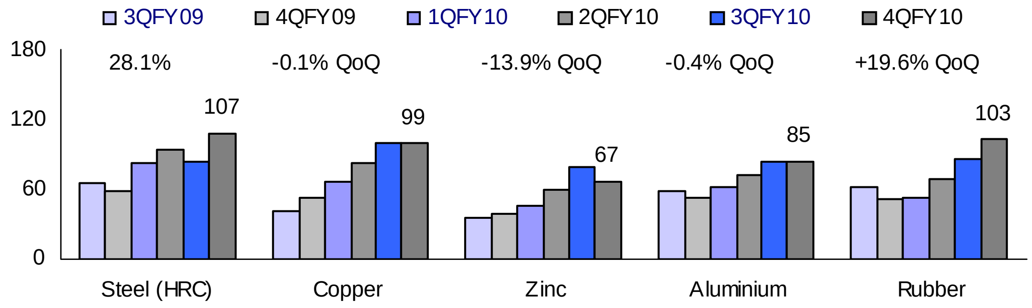
	4QFY10E	4QFY09	YOY (%)	3QFY10	QOQ (%)	FY10E	FY09	YOY (%)
Two wheelers	2,817	2,078	35.5	2,645	6.5	10,445	8,442	23.7
Three wheelers	176	117	49.7	166	6.0	615	498	23.6
Passenger cars	561	436	28.7	499	12.5	1,960	1,552	26.3
UVs & MPVs	122	93	31.7	104	18.0	422	336	25.5
M&HCV	86	44	92.5	68	25.0	256	201	27.6
LCV	95	58	62.4	77	23.0	307	227	35.7
Total CVs	**180**	**103**	**75.4**	**145**	**23.9**	**563**	**427**	**31.9**
Total	**3,856**	**2,827**	**36.4**	**3,559**	**8.4**	**14,570**	**11,255**	**29.5**

Source: SIAM/ MOSL

Commodity prices firming up

Commodity prices continued to strengthen in 4QFY10. With full benefits of softening in commodity prices already reflected in 2Q/3QFY10 results, we expect an increase in raw material costs from 4QFY10. Our estimates now factor in 100-150bp increase in raw material costs over the next one year, adversely impacting margins. The industry has partly passed on raw material cost inflation by increasing selling prices by 0.5-2%.

TREND IN COMMODITY PRICES (INDEXED)



Source: Bloomberg/MOSL

Margins to moderate, but to remain higher than historical average

We expect margins for the auto industry to decline from the peaks of 2Q/3QFY10, driven by raw material cost push. However, the impact would be partly offset, as the automakers have raised prices and have benefited from higher operating leverage due to 35% YoY (~6.5% QoQ) increase in volumes. We expect EBITDA margins for our Autos universe to moderate by 110bp QoQ (~420bp YoY improvement) to 14.4% in 4QFY10. While margins are likely to come off from peak levels of 3QFY10, we do not expect reversion to the mean due to: (a) strong volume growth, (b) relatively higher pricing power, (c) cost control, and (d) increasing contribution from plants enjoying fiscal incentives.

MARGINS TO MODERATE FROM PEAK

	4QFY10E	4QFY09	YOY (BP)	3QFY10	QOQ (BP)
Bajaj Auto	20.2	15.2	510	22.0	-170
Hero Honda	16.8	15.8	100	17.0	-20
Maruti Suzuki	13.3	7.0	630	15.1	-180
Mahindra & Mahindra	15.6	11.5	410	15.2	40
Tata Motors	11.9	8.5	340	12.8	-100
Aggregate	**14.4**	**10.2**	**420**	**15.5**	**-100**

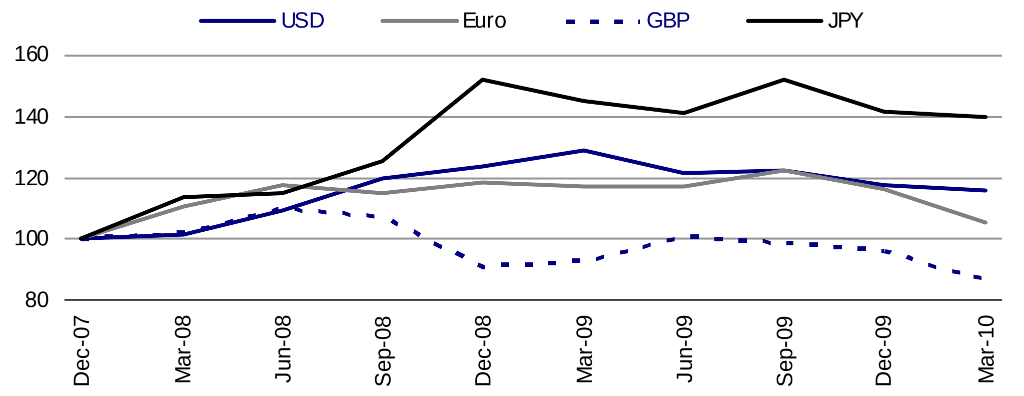
Source: MOSL

Forex fluctuation to have a destabilizing 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. The Rupee has appreciated sequentially against all the major currencies in the last two quarters. Its impact would vary depending upon forex exposure and the hedging strategies deployed by respective companies.

	YOY	QOQ
USD	-10.3	-2.2
JPY	-3.7	-1.5
EUR	-9.7	-9.1
GBP	-6.6	-9.8

TREND IN RUPEE MOVEMENT (INDEX)



Source: Bloomberg

Sector outlook remains positive…

The auto sector has witnessed recovery in volumes, after seeing the impact of financial crisis in 2HFY09. While two-wheeler, passenger vehicle and LCV volumes resumed the growth path after a brief pause, M&HCVs, tractors and three-wheelers have completely recovered from the downturn. We remain bullish on Autos for the following reasons:

- Volume growth should continue, driven by strong economic recovery, pent-up demand, greater availability of finance and new product launches.

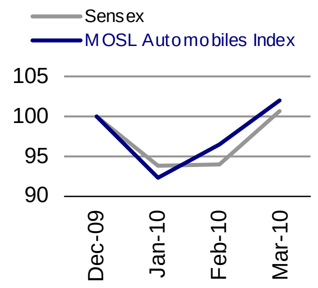
- Continued volume growth will result in better pricing power for the industry and support high operating leverage. Moreover, the leading companies have successfully undertaken cost reduction and productivity improvement programs, which would dilute the impact of raw material cost inflation, thereby supporting margins at higher levels. Also, ramping up of operations in tax-free zones like Uttaranchal will also help counter cost pressures through lower tax burden.
- Recovery in global economies augurs well for export demand. The exports market is yet to be fully tapped by Indian auto manufacturers; this segment may become a further volume growth driver for the industry. Companies like Bajaj Auto, Maruti, Tata Motors and M&M are in a position to further increase their exports by tapping newer destinations and increasing penetration in their existing markets.

...though there are short-term impediments

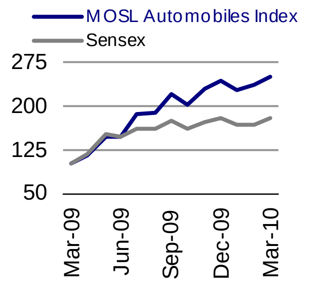
We anticipate headwinds in 1QFY11, which would have a short-term impact on demand. Events to watch out for are:

- Change in emission norms to BS-IV in top-11 cities (BS-III in other parts of India) from April 2010, which would result in modification in engines, increasing cost. This would also result in some pre-buying before the change in emission norms.
- Full roll-back of the excise duty cut (after partial roll-back in the Budget 2010), which was offered as a part of the stimulus package in December 2008. Excise duty cut was a key factor in boosting volumes for the auto sector. Increase in excise duty would have a short-term impact on demand, as it would be entirely passed-on to the consumers.
- Expected increase in selling price of vehicles to partly offset raw material cost inflation. This coupled with the above two factors could result in meaningful increase in cost of ownership of vehicles.
- Expected hardening in monetary policy, as inflation rises, would result in higher interest rates on auto loans, further increasing the cost of ownership/operating a vehicle. However, we expect availability of finance to improve further.

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



Valuation and view

Volume growth in the domestic market remains strong. Valuations remain attractive, especially considering the impending improvement in the macro environment for the auto industry and high operating margins. We prefer **Bajaj Auto**, **M&M** and **Hero Honda** due to relatively benign competitive environment for these and attractive valuations.

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Automobiles														
Bajaj Auto	1,981	Buy	118.2	140.5	160.1	16.8	14.1	12.4	10.8	9.0	7.6	56.7	44.0	35.6
Hero Honda	1,967	Buy	109.9	126.7	144.4	17.9	15.5	13.6	12.6	10.6	8.8	47.7	39.8	30.4
Mahindra & Mahindra	550	Buy	48.4	55.5	68.1	11.3	9.9	8.1	5.3	4.7	3.7	26.5	21.5	21.7
Maruti Suzuki	1,409	Buy	88.1	99.2	120.2	16.0	14.2	11.7	9.1	7.8	6.1	21.9	20.2	20.0
Tata Motors	756	Neutral	6.8	37.7	71.1	111.6	20.0	10.6	10.4	9.0	7.5	9.4	9.6	9.8
Sector Aggregate						**19.4**	**14.5**	**11.0**	**9.1**	**7.8**	**6.3**	**22.4**	**24.3**	**25.9**

Bajaj Auto

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BJAUT IN
	REUTERS CODE
S&P CNX: 5,262	BJAT.BO

Equity Shares (m)	144.7
52 Week Range (Rs)	2,055/583
1,6,12 Rel Perf (%)	2 / 30 / 140
Mcap (Rs b)	286.6
Mcap (USD b)	6.4

30 March 2010 **Buy**

Previous Recommendation: Buy Rs1,981

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	88,104	7,963	55.0	-3.4	36.0	31.0	17.0	23.7	47.2	36.3
3/10E	118,552	17,106	118.2	114.8	16.8	15.5	9.5	10.8	56.7	53.5
3/11E	147,744	20,326	140.5	18.8	14.1	13.1	6.2	9.0	44.0	46.3
3/12E	165,859	23,160	160.1	13.9	12.4	11.6	4.4	7.6	35.6	40.5

- We expect volumes to grow 84.4% YoY (flat QoQ) in 4QFY10, driven by robust demand for recently-launched products. While two-wheeler volumes would grow 90% YoY, three-wheeler volumes would grow 54% YoY.
- We estimate net sales of Rs33.3b, a growth of 61% YoY. Realizations would decline 4% YoY (improve ~0.9% QoQ), as the contribution of three-wheelers declines from 14.7% in 4QFY09 to 12.3% in 4QFY10. EBITDA margin would contract 180bp QoQ (~500bp YoY increase) to 20.2%, impacted by higher raw material cost, partly offset by higher operating leverage and production ramp-up in Pantnagar. We estimate EBITDA at Rs6.7b (up ~136% YoY) and adjusted PAT at Rs4.58b (up ~145% YoY).
- The recently-launched *Discover 100* and *Pulsar 135cc* have received encouraging response, with *Pulsar 135cc* clocking a monthly run-rate of 26,000 vehicles. The *Discover 100cc* has clocked 500,000 units within 225 days of launch. We expect these two models to be key volume drivers in FY11, along with another product launch in 1QFY11.
- The company's FY11 target of 4m units (v/s our estimate of 3.6m units) indicates a favorable operating environment and could result in ~10% upgrade in our estimate. Based on our volume estimate of 3.6m in FY11, the stock trades at 14.1x FY11E EPS and 12.4x FY12E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volumes (nos)	620,095	640,040	493,748	440,269	547,662	686,727	809,218	811,677	2,194,154	2,855,380
Change (%)	*8.5*	*4.2*	*-30.8*	*-20.3*	*-11.7*	*7.3*	*63.9*	*84.4*	*(10.5)*	*30.1*
Realization	37,736	39,360	42,595	42,779	42,699	42,047	40,725	41,072	40,154	41,519
Change (%)	*2.3*	*2.3*	*21.4*	*14.0*	*13.2*	*6.8*	*-4.4*	*-4.0*	*8.8*	*3.4*
Net Sales	**23,400**	**25,192**	**21,031**	**18,834**	**23,385**	**28,875**	**32,956**	**33,337**	**88,104**	**118,552**
Change (%)	*11.0*	*6.7*	*-15.9*	*-9.2*	*-0.1*	*14.6*	*56.7*	*77.0*	*-2.6*	*34.6*
Total Cost	20,440	21,753	17,973	15,976	18,831	22,510	25,720	26,593	76,080	93,654
EBITDA	**2,960**	**3,439**	**3,058**	**2,858**	**4,554**	**6,365**	**7,235**	**6,744**	**12,023**	**24,898**
EBITDA Margins (%)	*12.7*	*13.6*	*14.5*	*15.2*	*19.5*	*22.0*	*22.0*	*20.2*	*13.6*	*21.0*
Other Income	288	221	379	229	231	217	351	355	1,117	1,155
Extraordinary Expenses	0	611	611	829	458	458	458	458	2,071	1,833
Interest	9	59	90	52	60	0	0	3	210	63
Depreciation	335	331	319	313	331	336	357	355	1,298	1,378
PBT	**2,904**	**2,659**	**2,417**	**1,893**	**4,155**	**5,788**	**6,771**	**6,283**	**9,561**	**22,998**
Tax	860	810	755	591	1,220	1,760	2,020	2,014	3,016	7,014
Effective Tax Rate (%)	*29.6*	*30.5*	*31.2*	*31.2*	*29.4*	*30.4*	*29.8*	*32.1*	*31.5*	*30.5*
Rep. PAT	**2,044**	**1,849**	**1,662**	**1,302**	**2,935**	**4,028**	**4,751**	**4,269**	**6,545**	**15,983**
Change (%)	*11.7*	*(22.5)*	*(22.2)*	*7.8*	*43.6*	*117.9*	*185.9*	*227.8*	*-13.4*	*144.2*
Adj. PAT	**2,044**	**2,274**	**2,082**	**1,873**	**3,105**	**4,347**	**5,073**	**4,580**	**7,963**	**17,106**
Change (%)	*11.7*	*(6.7)*	*(16.2)*	*21.9*	*51.9*	*91.2*	*143.6*	*144.6*	*-4.6*	*114.8*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Hero Honda

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HH IN
	REUTERS CODE
S&P CNX: 5,262	HROH.BO

Equity Shares (m)	199.7
52 Week Range (Rs)	2,078/1,011
1,6,12 Rel Perf (%)	4 / 15 / 4
Mcap (Rs b)	392.7
Mcap (USD b)	8.7

30 March 2010

Buy

Previous Recommendation:Buy

Rs1,967

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	123,191	12,818	64.2	32.4	30.6	26.9	10.3	20.9	37.8	48.1
3/10E	157,721	21,953	109.9	71.3	17.9	16.4	7.3	12.6	47.7	57.6
3/11E	177,343	25,295	126.7	15.2	15.5	14.3	5.4	10.6	39.8	48.2
3/12E	200,744	28,832	144.4	14.0	13.6	12.6	4.1	8.8	30.4	37.8

- We expect volumes to grow 19.7% YoY (~7% QoQ) in 4QFY10. Realizations should increase 0.5% YoY (0.2% QoQ) on account of higher contribution from Haridwar (~31% of volumes v/s 26% in 4QFY09). Our estimates factor in about 370,000 units from Haridwar in 4QFY10.
- Net sales would increase 20.4% YoY to Rs38.1b, while operating margins are likely to decrease moderately by 20bp QoQ to 16.8% (~100bp YoY increase), due to tightening in commodity prices. However, lower tax (due to ramp-up at Haridwar) would enable PAT growth of 40% to Rs5.62b.
- The management has announced payment of special dividend of Rs80 per share, resulting in net cash outflow of Rs16b, as the company has significant net cash of ~Rs53b (FY10E). The payout of special dividend is not only RoE accretive, but also reflects the management's positive outlook for the business.
- Our estimates factor in volume growth of 11% for FY11 (to 5.1m units), higher contribution from the Haridwar plant, 60bp increase in raw material cost and 30bp decline in margins to 16.8%. The stock trades at 15.5x FY11E EPS and 13.6x FY12E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Volumes (nos)	894,244	972,095	857,806	997,855	1,118,987	1,183,235	1,111,372	1,194,334	3,722,000	4,607,928
Change (%)	*11.4*	*28.5*	*-4.0*	*12.9*	*25.1*	*21.7*	*29.6*	*19.7*	*11.5*	*23.8*
Net Realization	31,798	32,813	33,505	34,192	34,058	34,145	34,322	34,383	33,098	34,228
Change (%)	*4.3*	*5.6*	*9.1*	*8.4*	*7.1*	*4.1*	*2.4*	*0.6*	*6.9*	*3.4*
Net Sales	**28,435**	**31,897**	**28,740**	**34,118**	**38,111**	**40,401**	**38,144**	**41,065**	**123,191**	**157,721**
Change (%)	*16.2*	*35.6*	*4.8*	*22.3*	*34.0*	*26.7*	*32.7*	*20.4*	*19.2*	*28.0*
Total Cost	25,025	27,672	24,643	28,734	31,723	33,153	31,661	34,160	106,074	130,697
EBITDA	**3,410**	**4,226**	**4,098**	**5,384**	**6,387**	**7,248**	**6,483**	**6,905**	**17,118**	**27,024**
As % of Sales	*12.0*	*13.2*	*14.3*	*15.8*	*16.8*	*17.9*	*17.0*	*16.8*	*13.9*	*17.1*
Other Income	467	662	508	549	539	881	676	700	2,187	2,795
Interest	-50	-83	-87	-96	-55	-61	-46	-59	-317	-220
Depreciation	422	466	475	444	456	503	469	526	1,807	1,955
PBT	**3,505**	**4,505**	**4,219**	**5,586**	**6,525**	**7,686**	**6,736**	**7,137**	**17,815**	**28,084**
Tax	777	1,442	1,214	1,564	1,524	1,715	1,378	1,514	4,997	6,131
Effective Tax Rate (%)	*22.2*	*32.0*	*28.8*	*28.0*	*23.4*	*22.3*	*20.5*	*21.2*	*28.1*	*21.8*
PAT	**2,729**	**3,063**	**3,004**	**4,022**	**5,001**	**5,971**	**5,358**	**5,623**	**12,818**	**21,953**
Adj. PAT	**2,729**	**3,063**	**3,004**	**4,022**	**5,001**	**5,971**	**5,358**	**5,623**	**12,818**	**21,953**
Change (%)	*43.7*	*49.9*	*9.2*	*34.7*	*83.3*	*95.0*	*78.3*	*39.8*	*32.4*	*71.3*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Mahindra & Mahindra

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	MM IN
	REUTERS CODE
S&P CNX: 5,262	MAHM.BO

Equity Shares (m)	558.3
52 Week Range (Rs)	598/183
1,6,12 Rel Perf (%)	2 / 22 / 113
Mcap (Rs b)	306.8
Mcap (USD b)	6.8

30 March 2010 **Buy**

Previous Recommendation: Buy **Rs550**

YEAR END	NET SALES (RS M)	S/A PAT (RS M)	ADJ.EPS (RS)	CONS. EPS (RS)	P/E (X)	CONS. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	130,937	9,297	16.7	27.0	33.0	20.4	17.7	13.2	0.9	8.8
3/10E	185,204	20,012	35.8	48.4	15.3	11.4	26.5	25.5	0.6	3.9
3/11E	213,581	21,644	38.8	55.5	14.2	9.9	21.5	23.5	0.5	3.6
3/12E	241,217	26,185	46.9	68.1	11.7	8.1	21.7	24.8	0.4	2.6

- We expect volume growth of 51% YoY (~18% QoQ) in 4QFY10, driven by 69% YoY growth (~13% QoQ) in tractor, 29% YoY growth (~17% QoQ) in UV and 103% YoY growth (~34% QoQ) in three-wheeler. Realizations would decline 4% YoY (flat QoQ) due to increasing contribution from the three-wheeler segment.
- Net sales would grow 46.3% YoY to Rs53b. Higher volumes coupled with operating leverage would partly offset the hike in raw material cost, leading to 40bp QoQ decline (~400bp YoY) in EBITDA margin to 15.6%. Recurring PAT is likely to grow 89% YoY to Rs5.27b.
- Volume growth momentum is expected to continue, as M&M continues to dominate the UV segment. This coupled with encouraging response for its recently-launched small truck *Gio*, *Maximmo*, and expected launch of the 25-ton M&HCV (in JV) would support volume growth.
- We upgrade our consolidated EPS estimates for FY11 by 1.2% to Rs108.7, backed by strong volume growth, improvement in subsidiary performance and reduction of stake in Tech Mahindra to 44% from 48.7%. Our estimates factor in 13.1% growth in FY11 and 140bp increase in raw material cost, translating into 130bp decline in EBITDA margin to 14.7%. On a consolidated basis, the stock trades at 9.9x FY11E and 8.1x FY12E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Volumes (nos)	82,625	84,508	70,492	88,860	102,280	109,292	113,510	133,959	326,890	459,041
Change (%)	*22.9*	*21.8*	*-8.6*	*12.4*	*23.8*	*29.3*	*61.0*	*50.8*	*11.3*	*40.4*
Net Realization	399,203	396,966	408,852	411,259	414,802	410,394	396,187	395,301	400,553	403,459
Change (%)	*2.2*	*-2.0*	*6.8*	*2.9*	*3.9*	*3.4*	*-3.1*	*-3.9*	*2.0*	*0.7*
Net Sales	**32,873**	**33,057**	**28,650**	**36,192**	**42,295**	**44,650**	**44,787**	**52,954**	**129,853**	**185,204**
Change (%)	*25.8*	*22.2*	*-2.4*	*15.2*	*28.7*	*35.1*	*56.3*	*46.3*	*14.0*	*42.6*
Operating Other Income	112	490	171	353	131	203	184		1,084	
Total Cost	29,687	30,388	26,155	32,337	35,557	37,173	38,116	44,686	117,639	155,532
EBITDA	**3,298**	**3,159**	**2,666**	**4,208**	**6,869**	**7,680**	**6,855**	**8,268**	**13,298**	**29,672**
As % of Sales	*10.0*	*9.4*	*9.2*	*11.5*	*16.2*	*17.1*	*15.2*	*15.6*	*10.2*	*16.0*
Other income	294	1,168	475	51	236	1,333	244	156	1,871	1,968
Interest	97	122	76	209	60	128	82	102	453	371
Depreciation	621	669	698	932	885	892	984	1,096	2,915	3,857
EO Expense	779	666	1,819	-1,968	779	-1,539	160	0	1,437	-600
PBT	**2,094**	**2,871**	**548**	**5,086**	**5,381**	**9,533**	**5,873**	**7,226**	**10,365**	**28,013**
Tax	541	404	112	905	1,373	2,504	1,736	1,951	1,997	7,563
Effective Tax Rate (%)	*25.8*	*14.1*	*20.4*	*17.8*	*25.5*	*26.3*	*29.6*	*27.0*	*19.3*	*27.0*
Reported PAT	**1,553**	**2,467**	**436**	**4,181**	**4,009**	**7,029**	**4,137**	**5,274**	**8,368**	**20,449**
Change (%)	*-23.8*	*-13.7*	*-89.2*	*89.1*	*158.1*	*185.0*	*NA*	*26.2*	*-24.2*	*144.4*
Adj PAT	**2,182**	**2,986**	**1,637**	**2,795**	**4,577**	**5,917**	**4,243**	**5,274**	**9,297**	**20,012**
Change (%)	*6.4*	*7.6*	*-39.6*	*33.8*	*109.8*	*98.2*	*159.2*	*88.7*	*-4.5*	*115.2*

E: MOSL Estimates; FY09 quarterly results don't add-up to full year results due to restatement

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Maruti Suzuki India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	MSIL IN
	REUTERS CODE
S&P CNX: 5,262	MRTI.BO

Equity Shares (m)	289.0
52 Week Range (Rs)	1,740/741
1,6,12 Rel Perf (%)	-11 / -20 / 3
Mcap (Rs b)	407.2
Mcap (USD b)	9.0

30 March 2010

Buy

Previous Recommendation: Buy Rs1,409

YEAR END	TOTAL INC. (RS M)	PAT (RS M)	ADJ. EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	209,075	13,334	46.1	-22.0	30.5	20.0	4.4	17.7	13.0	18.7
3/10E	297,032	25,469	88.1	91.0	16.0	12.1	3.5	9.1	21.9	29.9
3/11E	342,522	28,673	99.2	12.6	14.2	10.7	2.9	7.8	20.2	27.9
3/12E	405,507	34,735	120.2	21.1	11.7	8.9	2.3	6.1	20.0	27.7

- We expect volumes to grow 23.3% YoY (~13% QoQ) in 4QFY10, driven by 20% YoY growth in domestic sales and 51% YoY growth in exports. Realizations would improve by 7.2% YoY (~0.5% YoY improvement), reflecting increased contribution from the A2 and A3 segments, and ~0.6% increase in average selling price from January 2010.
- Net sales are likely to grow 32% YoY to Rs85b. EBITDA margins would decline by 180bp QoQ (~630bp YoY) to 13.3% due to increase in raw material cost (as low cost inventory got consumed in 3QFY10). EBITDA would grow 151% YoY to Rs11.3b, translating into 190% growth in recurring PAT to Rs7b.
- Given strong retail sales, inventory levels are very low (~2 weeks). Further, all models except four (*Alto*, *Wagon-R*, *Omni* and *A-Star*) are in compliance with Euro-IV norms. As a result, we do not expect significant increase in discounting levels for clearing out Euro-III vehicles.
- Our FY11 earnings estimate factors in 14.8% volume growth in FY11 and 90bp increase in raw material cost, translating into 60bp decline in EBITDA margins to 12.8%. The stock trades at 11.7x FY12E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Volumes (nos)	192,584	189,451	173,494	236,638	226,729	246,188	258,026	291,767	792,167	1,022,710
Change (%)	*13.5*	*-1.0*	*-14.0*	*17.0*	*17.7*	*29.9*	*48.7*	*23.3*	*3.6*	*29.1*
Realizations (Rs/car)	245,661	253,695	263,274	266,582	279,640	286,349	284,226	285,767	257,689	284,160
Change (%)	*6.5*	*7.2*	*14.1*	*11.9*	*13.8*	*12.9*	*8.0*	*7.2*	*10.0*	*10.3*
Net Op. Revenues	**48,588**	**49,936**	**46,808**	**64,329**	**64,930**	**72,026**	**75,029**	**85,048**	**209,075**	**297,032**
Change (%)	*21.0*	*6.7*	*-1.7*	*28.7*	*33.6*	*44.2*	*60.3*	*32.2*	*13.4*	*42.1*
Total Cost	42,899	44,779	43,290	59,836	56,998	62,865	63,689	73,734	190,205	257,287
EBITDA	**5,689**	**5,157**	**3,518**	**4,493**	**7,932**	**9,161**	**11,339**	**11,313**	**18,871**	**39,746**
As % of Sales	*11.7*	*10.3*	*7.5*	*7.0*	*12.2*	*12.7*	*15.1*	*13.3*	*9.0*	*13.4*
Change (%)	*-13.6*	*-27.1*	*-49.6*	*-39.4*	*39.4*	*77.6*	*222.3*	*151.8*	*-33.5*	*110.6*
Non-Operating Income	2,236	960	1,209	1,054	2,165	1,100	913	972	5,386	5,150
Extraordinary Expense	0	0	-77	0	0	0	0	0	-77	0
Interest	168	208	45	89	63	60	84	88	510	294
Gross Profit	**7,756**	**5,910**	**4,758**	**5,459**	**10,034**	**10,202**	**12,168**	**12,198**	**23,824**	**44,601**
Less: Depreciation	1,661	1,658	1,775	1,971	1,961	2,031	2,028	2,066	7,065	8,086
PBT	**6,096**	**4,252**	**2,983**	**3,487**	**8,073**	**8,171**	**10,140**	**10,131**	**16,759**	**36,515**
Tax	1,437	1,290	789	1,056	2,238	2,471	3,265	3,073	4,571	11,046
Effective Tax Rate (%)	*23.6*	*30.3*	*26.4*	*30.3*	*27.7*	*30.2*	*32.2*	*30.3*	*27.3*	*30.3*
PAT	**4,659**	**2,961**	**2,194**	**2,431**	**5,835**	**5,700**	**6,875**	**7,058**	**12,187**	**25,469**
Adjusted PAT	**4,659**	**2,961**	**2,138**	**2,431**	**5,835**	**5,700**	**6,875**	**7,058**	**12,131**	**25,469**
Change (%)	*-6.8*	*-36.5*	*-54.2*	*-49.4*	*25.3*	*92.5*	*221.6*	*190.3*	*-32.7*	*109.9*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Tata Motors

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TTMT IN
	REUTERS CODE
S&P CNX: 5,262	TAMO.BO

Equity Shares (m)	615.3
52 Week Range (Rs)	842/169
1,6,12 Rel Perf (%)	-1 / 25 / 255
Mcap (Rs b)	465.3
Mcap (USD b)	10.3

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs756

YEAR END	SALES (RS M)	S/A PAT (RS M)	ADJ EPS (RS)	CONS. EPS (RS)	P/E RATIO	CONS. P/E (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	256,101	4,953	9.6	-34.3	78.5	-22.0	4.0	4.8	1.5	22.3
3/10E	334,950	14,282	23.2	6.8	32.6	111.6	9.4	9.8	1.1	9.1
3/11E	409,529	16,187	26.3	37.7	28.7	20.0	9.6	10.2	0.9	7.9
3/12E	480,877	19,159	31.1	71.1	24.3	10.6	9.8	10.7	0.7	6.8

- We expect 33.7% YoY growth (~13% QoQ) in volumes in 4QFY10, driven by 85% YoY growth in M&HCVs, 54% YoY growth in LCVs and 42% YoY growth in cars. Price increases from January 2010 would offset the sequential decline in CV contribution, translating into flat realizations QoQ (12.6% YoY increase).
- Net sales would grow 50.5% YoY to Rs100.4b. Margins are estimated to improve 340bp YoY (~90bp QoQ decline) to 11.9%, as the company benefits from rising sales volumes, better product mix, and cost cutting initiatives. Lower other income, higher depreciation, interest and tax would curtail recurring PAT growth to 338% YoY to Rs4.7b.
- For JLR, we are estimating 57% YoY growth (~10% QoQ decline) in volumes to 51,103 units. Sequential decline in volumes would lead to EBITDA margin decline of 460bp QoQ to 5.2% and in recurring loss of GBP19m.
- We are upgrading our consolidated earnings estimates by 46% for FY11 to Rs37.7 and by 46% for FY12 as well to Rs71.1. Our FY11 estimates factor in CV growth of 15% and ~7% growth in cars, 110bp increase in raw material cost and further improvement in JLR performance (EBITDA margin of ~6.4% in FY11 and 10.4% in FY12). The stock trades at 20x FY11E consolidated EPS and 10.6x FY12E consolidated EPS. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Volumes (nos)	133,079	135,037	98,760	139,545	127,340	158,575	165,413	186,548	506,421	637,876
Change (%)	*3.9*	*(1.1)*	*(31.7)*	*(20.5)*	*(4.3)*	*17.4*	*67.5*	*33.7*	*(13.5)*	*26.0*
Average Realization	517,514	520,548	477,281	478,223	498,681	499,705	539,849	538,499	499,650	521,256
Change (%)	*9.4*	*11.2*	*(4.2)*	*(5.4)*	*(3.6)*	*(4.0)*	*13.1*	*12.6*	*2.0*	*4.3*
Net Sales	**68,870**	**70,293**	**47,136**	**66,734**	**63,502**	**79,241**	**89,298**	**100,456**	**253,033**	**332,497**
Change (%)	*13.7*	*9.9*	*-34.6*	*-24.8*	*(7.8)*	*12.7*	*89.4*	*50.5*	*-11.3*	*31.4*
Other Operating Income	414	495	450	1,708	544	548	501	861	3,067	2,454
EBITDA	**4,922**	**5,356**	**917**	**5,823**	**7,280**	**10,657**	**11,519**	**12,034**	**17,017**	**41,490**
EBITDA Margins (%)	*7.1*	*7.6*	*1.9*	*8.5*	*11.4*	*13.4*	*12.8*	*11.9*	*6.6*	*12.4*
Non-Operating Income	2,020	705	517	815	5	510	2	400	4,057	917
Forex Gain / (Loss)	-1,616	-2,452	-2,265	5,681	-55	-153	-242		-653	-451
Extraordinary Income	1,136	3,588	478	508	3,189	3,700	0		5,710	6,888
Interest	1,123	1,483	1,684	2,447	2,535	2,856	2,861	3,273	6,737	11,525
Gross Profit	**5,339**	**5,714**	**-2,038**	**10,380**	**7,884**	**11,857**	**8,418**	**9,161**	**19,395**	**37,320**
Depreciation & Amort.	1,808	2,029	2,017	2,892	2,291	2,634	2,641	3,016	8,745	10,583
Product Dev. Expenses	79	105	137	190	112	154	226	107	512	600
PBT	**3,451**	**3,580**	**-4,192**	**7,298**	**5,480**	**9,068**	**5,550**	**6,038**	**10,138**	**26,137**
Tax	190	110	-1,559	1,384	343	1,777	1,549	1,297	125	4,966
Effective Tax Rate (%)	*5.5*	*3.1*	*37.2*	*19.0*	*6.3*	*19.6*	*27.9*	*21.5*	*1.2*	*19.0*
PAT	**3,261**	**3,470**	**-2,633**	**5,914**	**5,138**	**7,291**	**4,001**	**4,740**	**10,013**	**21,171**
Adj PAT	**3,833**	**2,383**	**-2,344**	**1,082**	**1,949**	**3,592**	**4,176**	**4,740**	**4,953**	**14,282**
Change (%)	*17.0*	*-27.1*	*-156.4*	*-80.2*	*(49.2)*	*50.7*	*(278.1)*	*338.3*	*-69.3*	*188.4*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Banking

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME
Andhra Bank
Axis Bank
Bank of Baroda
Bank of India
Canara Bank
Corporation Bank
Dena Bank
HDFC
HDFC Bank
Federal Bank
ICICI Bank
IDFC
Indian Bank
J&K Bank
LIC Housing
Oriental Bank
Punjab National Bank
Shriram Transport
South Indian Bank
State Bank
Union Bank
Yes Bank

We continue to maintain our positive stance on the Banking sector. We expect core operating performance to continue improving in 4QFY10 and FY11, driven by higher loan growth and margins, strong fee income growth and abating concerns on asset quality following the strong economic revival.

- We view the gradual monetary tightening by RBI in positive light – a sudden increase in interest rates can derail economic growth. In 2HFY10, as the confidence in economic recovery begun to increase, the RBI began to exit the accommodative stance it had adopted during the crisis period by raising key policy rates. We expect further monetary tightening in 1HCY10, as taming inflation remains a key focus area.
- In 4QFY10, we expect our Banking universe to witness margin expansion of 5-10bp QoQ and loan growth of 5-6% QoQ. NII would grow by 25% YoY, operating profits by 11% YoY (despite lower trading profits), and PAT by 11% YoY (despite factoring in higher NPA and MTM provisions).
- We prefer selective buying, and like banks with a strong core deposit franchise, higher tier-I capital and high provision coverage ratio. **SBI**, **BoB**, and **Union Bank** are our top picks among large state-owned banks. **HDFC Bank** is our top pick among private banks. In the NBFC space, we like **Shriram Transport** and **LIC Housing Finance**.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS)	RECO	NET INT INCOME			OPERATING PROFIT			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Banks											
Andhra Bank	105	Buy	6,261	58.4	7.5	5,211	20.7	8.1	2,682	33.3	-2.6
Axis Bank	1,173	Buy	14,560	41.0	7.9	14,015	23.1	2.0	6,664	14.6	1.6
Bank of Baroda	643	Buy	16,637	13.1	3.9	14,589	11.8	15.3	8,483	12.7	1.9
Bank of India	343	Neutral	15,693	9.5	5.0	12,873	-8.6	13.9	4,828	-40.4	19.1
Canara Bank	412	Buy	15,077	15.5	2.0	14,306	12.4	-2.7	7,894	9.8	-25.0
Corporation Bank	494	Buy	6,362	48.5	6.1	5,747	-14.8	4.2	3,066	17.7	0.5
Dena Bank	79	Buy	2,923	22.3	3.3	2,175	15.8	10.0	1,305	17.4	-3.0
Federal Bank	268	Buy	4,092	27.5	7.4	3,510	10.1	5.9	1,399	22.5	26.9
HDFC	2,638	Neutral	10,278	8.2	14.8	11,485	10.5	18.0	8,048	9.7	19.9
HDFC Bank	1,906	Buy	24,249	30.9	9.0	17,351	10.5	6.9	8,270	31.1	1.0
ICICI Bank	960	Buy	21,485	0.5	4.4	20,773	-3.6	-12.3	8,600	15.6	-21.9
IDFC	162	Neutral	2,929	14.4	5.0	3,909	37.6	-4.7	2,578	121.8	-4.5
Indian Bank	174	Buy	8,807	31.9	0.9	6,896	8.5	-0.2	3,959	0.5	-10.3
J&K Bank	659	Buy	3,038	21.2	3.5	2,449	12.2	0.1	1,327	68.7	-5.2
LIC Housing Fin	861	Buy	3,256	23.7	18.5	2,836	29.9	22.2	1,936	22.9	26.3
Oriental Bank of Commerce	324	Buy	8,152	77.1	-6.6	6,164	14.5	-1.0	2,782	42.1	-3.9
Punjab National Bank	1,008	Buy	24,062	26.2	3.3	20,174	27.0	11.0	10,927	26.2	8.0
Shriram Transport Fin.	523	Buy	4,741	24.2	4.2	4,846	52.9	5.3	2,492	61.9	5.2
South Indian Bank	176	Buy	1,823	23.1	6.1	1,267	31.7	7.2	666	32.6	6.7
State Bank	2,082	Buy	64,597	33.4	2.3	57,701	9.3	24.9	27,412	0.0	10.6
Union Bank	296	Buy	12,316	32.9	15.7	11,224	23.1	22.8	5,599	20.4	4.8
Yes Bank	257	Buy	2,413	55.4	14.4	2,403	56.1	11.2	1,345	67.8	6.8
Sector Aggregate			**273,749**	**25.4**	**4.9**	**241,903**	**11.3**	**9.4**	**122,260**	**11.6**	**1.0**

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

4QFY10 expectations: Core income to rise QoQ; but nothing exciting or disappointing

In 4QFY10, we expect margins to improve 5-10bp QoQ for banks under our coverage due to falling costs of funds, 5-6% sequential loan growth and stronger CASA deposit growth. We expect NII to grow 5% QoQ. On a lower base, YoY NII numbers (~25% growth for our coverage universe) would look strong. Yes Bank and HDFC Bank will post strong sequential NII growth (partially helped by capital raising). For most banks, we expect lower other income YoY due to a fall in trading profit.

While the 10-year benchmark G-Sec yield increased 20bp in 4QFY10, a rise in the two-year G-Sec has been higher at 46bp. We do not expect a meaningful impact of MTM losses on profitability as we understand a large part of the AFS book is in the form of non-interest rate sensitive portfolio. However, conservatively we build in higher-than-expected MTM losses and NPA provisions in our earnings estimates. Thus, provisions can surprise us positively. We expect aggregate earnings growth of 11% YoY and flat QoQ. We expect SBI to post flat earnings YoY. BoI's PAT is likely to fall 40%. Earnings growth of over 40% is expected for IDFC, Yes Bank, STF and OBC.

Strong economic growth but inflation remains a concern…

The government's stimuli and the RBI's expansionary policy are leading to speedy economic revival and incremental data (IIP, auto numbers, cement dispatches, rise in exports and housing sales) send encouraging signals. Inflation remains a key concern for the government and the RBI. In 2HFY10 as confidence in the economic recovery began to increase, the RBI started to exit the accommodative stance it had adopted during the crisis.

… expect further tightening

The RBI has already raised CRR by 75bp to 5.75% in 3QFY10 monetary policy and increased the repo and reverse repo rates by 25bp each to 5% and 3.5% respectively in March 2010. Given the high headline inflation (expected to cross 10% in March) and rising confidence in growth outlook, the RBI is shifting focus in the near-term to manage inflation. We expect the RBI will be aggressive in pace and timing of a hike in CRR, repo and reverse repo rates through CY10. We also expect the CRR hike to be 125bp in CY10 (50bp hike is likely). In our assessment, the aggression of the RBI's monetary policy actions will peak by 1HCY10, driven by the following factors: 1) expected decline in headline inflation, 2) keeping the bond markets buoyant for large government borrowing in 1HFY11, and 3) an expected pick-up in credit off take in 2HCY10.

Interest rates to increase gradually

During 4QFY10, banks have begun to increase deposit rates (50-100bp) to create liquidity for strong expected growth. If loan growth picks up faster than expected, we expect banks will raise deposit rates again in April 2010. While we expect all PSU banks to withdraw teaser loan schemes for car and home loans (in 1QFY11), a broad-based rise in lending interest rates is expected only by 2QFY11.

Loan growth improving....

A high base effect and sluggish credit off take by corporates dragged down YoY credit growth to a 14-year low of 9.7% as on 23 October 2009. Since then, loan growth has improved significantly to 16% YoY as on 12 March 2010. Loans grew 3.5% QoQ v/s 9% YTD by December 2009. Large amounts of equity and commercial paper issues substituted banking funds during FY10, leading to the slower loan growth.

…gradual recovery in loan growth to continue

We expect the gradual recovery in loan growth to continue because of (1) improved sales and higher inflation, which will lead to higher working capital requirements, (2) a drawdown of sanctions made to the infrastructure sector, and (3) improved business confidence, which will lead to higher capex and investment related loan growth. A lower statistical base, which started from 4QFY10 will also lead to better loan growth until December 2010. We expect the industry to grow ~15% in FY10 and ~20% in FY11.

Deposit growth calibrated to loan growth

After strong deposit mobilization in FY09, banks had moderated deposit growth as they were faced with excess liquidity. Now, as loan growth is picking up and strong demand for funds is expected for government borrowing, banks have begun to increase deposit rates. Deposit growth, which started moderating from 22% in 1QFY10 to 19.8% in 2QFY10 and 17.6% in 3QFY10, improved to 18.1% as on 12 March 2010. We expect CASA deposit mobilization will continue to show strong traction and CASA ratio to improve sequentially.

CD ratio improving

While absolute deposit growth continues to outpace absolute loan growth, the gap has narrowed over the past few quarters, resulting in an improving CD ratio of ~71% (up from 69% at the end of 1QFY10). Incremental quarterly CD ratio, which was at 14% in 1QFY10, improved to 80% in 2QFY10 and 100% in 3QFY10. In 4QFY10, until 12 March 2010 incremental CD ratio was 75%

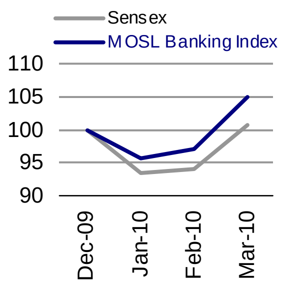
Margins to improve sequentially; to be lower YoY

We expect margins to improve sequentially by 5-10bp for most banks due to downward repricing of deposits, slower deposit growth with better loan growth and higher CASA deposit growth. On a sequential basis, NII growth will outpace loan growth.

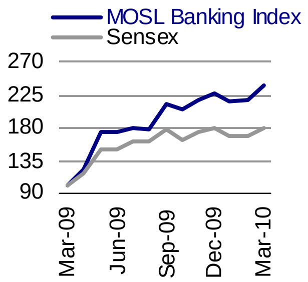
MTM losses would not materially impact profits

Our interaction with bankers indicates banks have a higher proportion of investment book in the AFS category (~30%) largely comprising non interest-rate insensitive securities (due to higher MF investments and T-Bills). High churning of investment portfolio in the past two quarters has resulted in a higher cut-off yield of 7.5-7.7% for the investment book. Considering a 7.8% bond yield at the end of the FY10, MTM losses will be minuscule at 1-3% of PBT.

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



Asset quality pressure continues; however, large scale slippage unlikely in 4QFY10

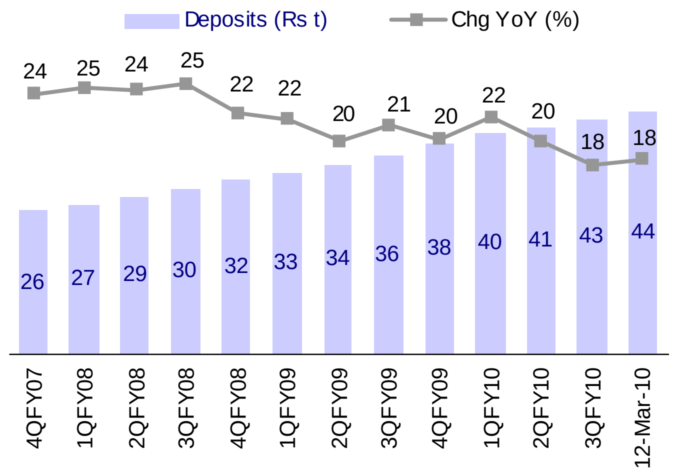
We do not expect large scale slippages during the quarter. While some slippages from the restructured portfolio will continue to happen however, real test of the asset quality from the restructured portfolio will be in 1QFY11 only. Banks which have already recognized agri debt relief portfolio as NPA in 3QFY10 and has provided for may reverse it during the quarter due to extension of date to 30th June 2010. Due to strong operating profitability we expect the banks to make higher provisions on NPA on a prudent basis. Among the large banks ICICI and SBI will have to make additional NPA provisions to comply with 70% PCR by September 2010 as per RBI directive.

Valuation and view

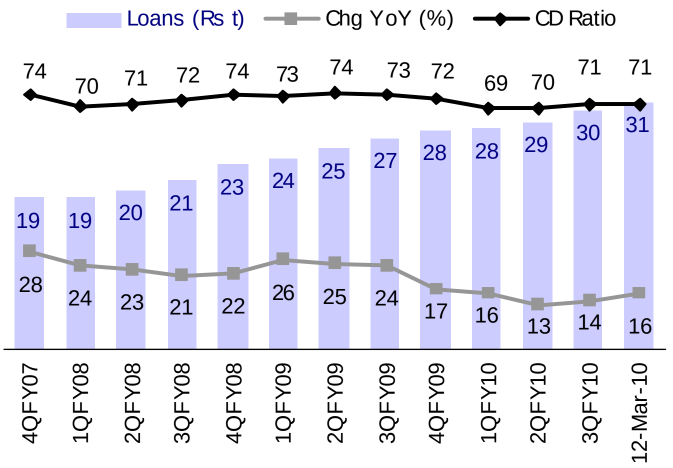
We prefer selective buying, and like banks with a strong core deposit franchise, higher tier-I capital and high provision coverage ratio. **SBI**, **BoB**, and **Union Bank** are our top picks among large state-owned banks. **HDFC Bank** is our top pick among private banks. In the NBFC space, we like **Shriram Transport** and **LIC Housing Finance**.

BANKS	CMP (RS)	RECO	EPS (RS)			P/E (X)			P/BV (X)			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Banks														
Andhra Bank	105	Buy	22.1	22.4	27.9	4.8	4.7	3.8	1.2	1.0	0.8	26.8	22.9	24.3
Axis Bank	1,173	Buy	60.2	76.1	96.8	19.5	15.4	12.1	3.0	2.6	2.2	18.5	17.9	19.5
Bank of Baroda	643	Buy	82.1	93.2	111.5	7.8	6.9	5.8	1.7	1.4	1.2	23.5	22.4	22.6
Bank of India	343	Neutral	34.1	44.6	57.6	10.1	7.7	6.0	1.4	1.2	1.0	14.4	16.5	18.5
Canara Bank	412	Buy	80.7	80.7	90.7	5.1	5.1	4.5	1.3	1.1	0.9	29.1	23.5	22.0
Corporation Bank	494	Buy	81.2	97.9	116.2	6.1	5.0	4.2	1.2	1.0	0.9	21.8	22.2	22.2
Dena Bank	79	Buy	17.6	19.2	22.3	4.5	4.1	3.5	0.9	0.8	0.7	23.3	21.1	20.5
Dewan Housing	203	Buy	18.2	25.4	34.7	11.1	8.0	5.8	2.0	1.6	1.3	22.5	22.3	25.1
Federal Bank	268	Buy	28.5	34.5	42.4	9.4	7.8	6.3	1.0	0.9	0.8	10.8	11.9	13.2
HDFC	2,638	Neutral	94.2	109.8	130.4	28.0	24.0	20.2	5.2	4.6	4.0	25.0	24.9	25.5
HDFC Bank	1,906	Buy	65.1	86.3	112.2	29.3	22.1	17.0	4.1	3.6	3.1	16.3	17.3	19.5
ICICI Bank	960	Buy	34.8	44.8	57.2	27.6	21.5	16.8	2.1	1.9	1.8	10.3	12.4	14.5
IDFC	162	Neutral	8.4	9.8	11.7	19.3	16.5	13.9	3.0	2.6	2.3	16.5	16.9	17.5
Indian Bank	174	Buy	35.9	37.0	42.7	4.9	4.7	4.1	1.1	1.0	0.8	25.3	21.8	21.4
J&K Bank	659	Buy	108.7	117.8	146.5	6.1	5.6	4.5	1.1	0.9	0.8	18.6	17.6	19.0
Kotak Mahindra Bank	748	Neutral	34.2	42.2	49.3	21.9	17.7	15.2	3.4	2.8	2.4	17.3	18.0	17.8
LIC Housing Fin	861	Buy	67.6	84.6	102.5	12.7	10.2	8.4	2.4	2.1	1.7	22.9	22.0	22.5
Oriental Bank	324	Buy	43.7	48.5	60.1	7.4	6.7	5.4	1.1	1.0	0.9	15.9	15.5	16.9
Punjab National Bank	1,008	Buy	122.5	141.8	167.2	8.2	7.1	6.0	2.0	1.6	1.3	26.4	25.1	24.5
Rural Electric. Corp.	251	Buy	19.8	24.5	29.6	12.7	10.2	8.5	2.3	2.0	1.7	21.5	20.6	21.9
Shriram Transport Fin.	523	Buy	38.4	48.7	60.2	13.6	10.8	8.7	3.1	2.5	2.1	22.8	23.5	23.7
State Bank	2,082	Buy	201.5	218.9	288.2	10.3	9.5	7.2	1.6	1.4	1.2	16.5	15.6	17.9
South Indian Bank	176	Buy	23.2	26.3	31.8	7.6	6.7	5.5	1.3	1.1	1.0	18.6	18.3	19.3
Union Bank	296	Buy	40.4	49.5	57.6	7.3	6.0	5.1	1.7	1.4	1.1	25.9	25.7	24.4
Yes Bank	257	Buy	14.1	18.2	22.8	18.2	14.1	11.3	2.8	2.3	1.9	19.9	17.9	18.6
Sector Aggregate						**13.4**	**11.5**	**9.3**	**2.4**	**2.1**	**1.8**	**18.3**	**18.3**	**19.6**

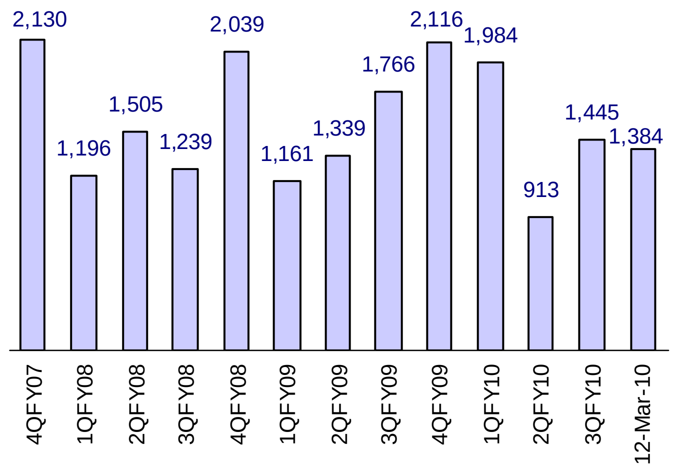
DEPOSIT GROWTH MODERATION CONTINUE



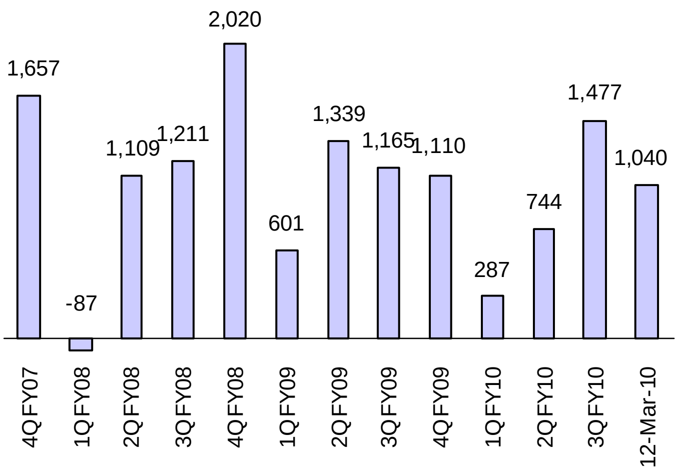
LOAN GROWTH IMPROVING



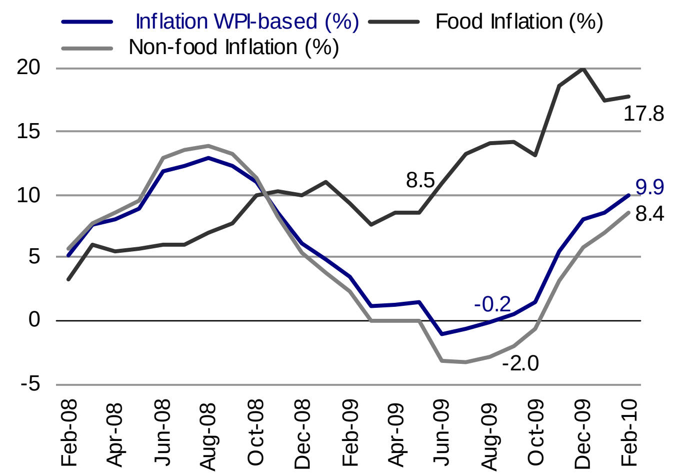
FALL IN BULK DEPOSITS LEAD TO DEPOSIT MODERATION (RS T)



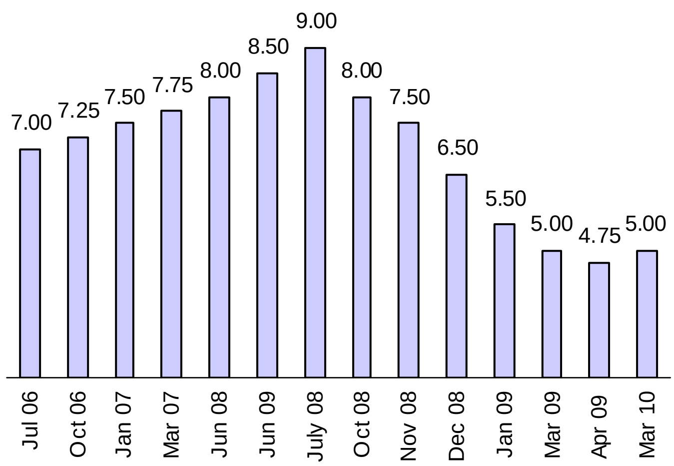
QOQ LOAN ADDITIONS (RS T)



INFLATION AT AN ELEVATED LEVELS

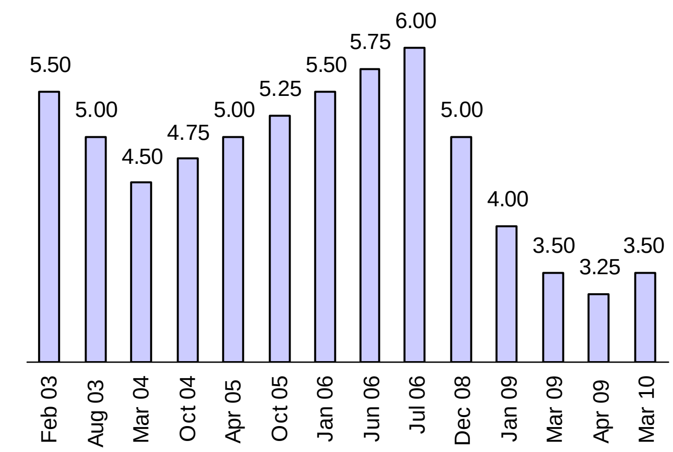


FIRST REPO RATE HIKE POST FINANCIAL CRISIS (%)

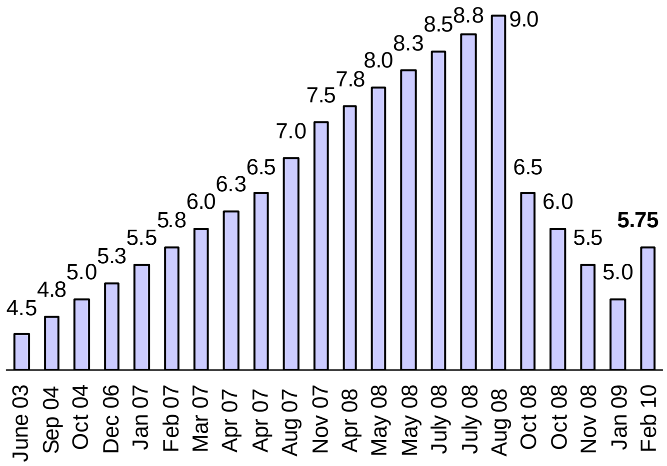


Source: Company/MOSL

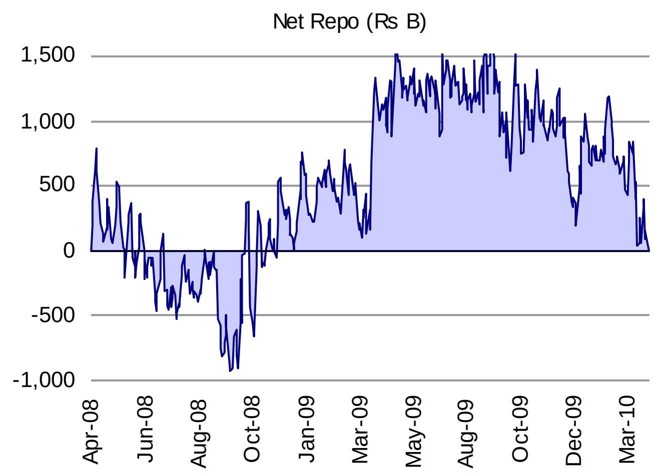
REVERSE REPO RATE (%)



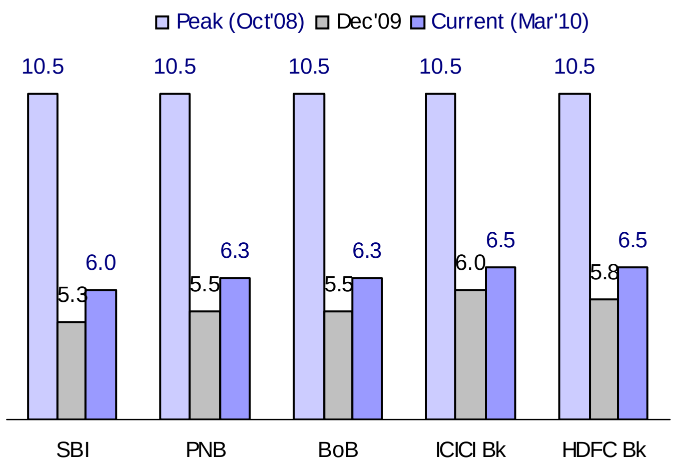
RBI INCREASED CRR BY 75BP TO REDUCE EXCESS LIQUIDITY (%)



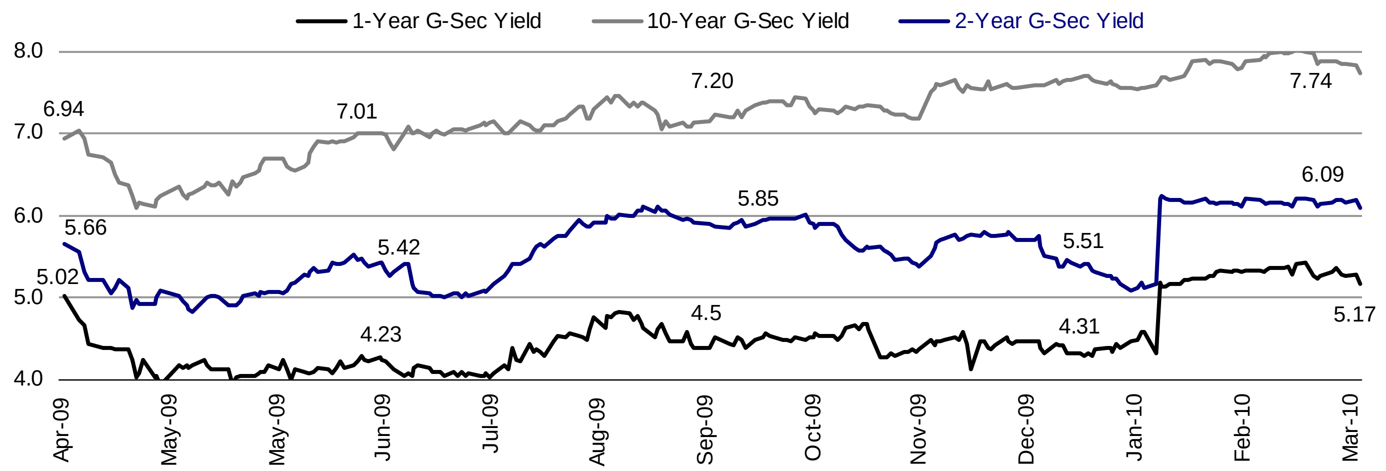
LIQUIDITY STAYS STRONG IN THE SYSTEM



DEPOSIT RATES STARTED RISING UP



INCREASE IN G-SEC YIELD



Source: Company/MOSL

Andhra Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ANDB IN
	REUTERS CODE
S&P CNX: 5,262	ADBK.BO

Equity Shares (m)	485.0
52 Week Range (Rs)	125/44
1,6,12 Rel Perf (%)	0 / -3 / 45
Mcap (Rs b)	51.1
Mcap (USD b)	1.1

30 March 2010

Buy

Previous Recommendation: Buy

Rs105

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	23,923	6,530	13.5	13.5	7.8	1.4	13.2	18.9	1.0	1.4
3/10E	30,735	10,738	22.1	64.4	4.8	1.2	13.1	26.8	1.4	1.2
3/11E	34,738	10,846	22.4	1.0	4.7	1.0	12.5	22.9	1.2	1.0
3/12E	40,539	13,531	27.9	24.8	3.8	0.8	11.5	24.3	1.3	0.9

- On a lower base, we expect 4QFY10 net interest income (NII) to grow 58% YoY (~7% QoQ) to Rs6.3b. We expect loan growth to remain strong at 23% YoY (~7% QoQ).
- We expect fee income growth to remain strong at 30% YoY and largely flat sequentially.
- Operating expenses are expected to remain flat QoQ. In 3QFY10 the bank had done a provision for wage revisions of ~Rs200m and pension provision of Rs175m. We have modeled pension provision to continue in 4QFY10 as well.
- While we expect operating profits to grow 21% YoY, PAT growth is likely to be 33% YoY as in 4QFY09 the bank reported higher MTM provisions on investments of Rs1.1b
- The stock trades at 0.8x FY12E BV and 3.8x FY12E EPS. The stock also offers an attractive dividend yield of ~5%. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	11,574	13,281	13,824	15,067	15,046	15,577	16,026	16,976	53,746	63,625
Interest Expense	8,111	8,946	9,305	11,114	10,633	10,431	10,200	10,715	37,477	41,979
Net Interest Income	**3,463**	**4,335**	**4,519**	**3,953**	**4,414**	**5,147**	**5,825**	**6,261**	**16,269**	**21,646**
% Change (Y-o-Y)	*0.9*	*25.8*	*29.2*	*22.6*	*27.5*	*18.7*	*28.9*	*58.4*	*21.4*	*33.1*
Other Income	1,187	1,264	2,165	3,204	2,381	2,332	2,242	2,134	7,654	9,089
Net Income	**4,649**	**5,599**	**6,684**	**7,157**	**6,794**	**7,479**	**8,068**	**8,395**	**23,923**	**30,735**
Operating Expenses	2,597	2,815	2,958	2,839	3,314	2,950	3,250	3,184	11,043	12,699
Operating Profit	**2,053**	**2,784**	**3,725**	**4,318**	**3,480**	**4,528**	**4,818**	**5,211**	**12,880**	**18,037**
% Change (Y-o-Y)	*-8.1*	*19.9*	*29.2*	*37.9*	*69.5*	*62.6*	*29.3*	*20.7*	*21.9*	*40.0*
Other Provisions	1,227	569	249	1,856	-32	578	964	1,403	3,900	2,913
Profit before Tax	**826**	**2,215**	**3,477**	**2,462**	**3,512**	**3,950**	**3,854**	**3,808**	**8,980**	**15,124**
Tax Provisions	50	600	1,350	450	950	1,210	1,100	1,126	2,450	4,386
Net Profit	**776**	**1,615**	**2,127**	**2,012**	**2,562**	**2,740**	**2,754**	**2,682**	**6,530**	**10,738**
% Change (Y-o-Y)	*-45.0*	*6.8*	*33.8*	*62.0*	*230.1*	*69.6*	*29.5*	*33.3*	*13.5*	*64.4*
Interest Exp/Interest Income (%)	*70.1*	*67.4*	*67.3*	*73.8*	*70.7*	*67.0*	*63.6*	*63.1*	*69.7*	*66.0*
Other Income/Net Income (%)	*25.5*	*22.6*	*32.4*	*44.8*	*35.0*	*31.2*	*27.8*	*25.4*	*32.0*	*29.6*
Cost/Income Ratio (%)	*55.8*	*50.3*	*44.3*	*39.7*	*48.8*	*39.5*	*40.3*	*37.9*	*46.2*	*41.3*
Provisions/Operating Profits (%)	*59.8*	*20.4*	*6.7*	*43.0*	*-0.9*	*12.8*	*20.0*	*26.9*	*30.3*	*16.2*
Tax Rate (%)	*6.1*	*27.1*	*38.8*	*18.3*	*27.0*	*30.6*	*28.5*	*29.6*	*27.3*	*29.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Axis Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	AXSB IN
	REUTERS CODE
S&P CNX: 5,262	AXBK.BO

Equity Shares (m)	401.1
52 Week Range (Rs)	1215/376
1,6,12 Rel Perf (%)	-3 / 17 / 111
Mcap (Rs b)	470.5
Mcap (USD b)	10.4

30 March 2010

Buy

Previous Recommendation: Buy Rs1,173

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	65,831	18,154	50.6	68.9	23.2	4.1	13.7	19.1	1.4	4.2
3/10E	89,654	24,161	60.2	19.1	19.5	3.0	15.5	18.5	1.5	3.0
3/11E	104,179	30,536	76.1	26.4	15.4	2.6	14.1	17.9	1.6	2.6
3/12E	124,967	38,812	96.8	27.1	12.1	2.2	13.1	19.5	1.7	2.2

- We expect strong QoQ loan growth of 12%+ in 4QFY10 v/s YTD growth of ~4%. On a YoY basis, loan growth is likely to be marginally higher than the industry. We model FY10 loan growth of 16%.
- We expect 4QFY10 NII growth of ~40% YoY and 8% QoQ led by strong YoY improvement in margins (due to capital raising and a sharp fall in the cost of deposit). We expect margins to remain flat/marginal decline on a QoQ basis.
- We expect fee income to be flat on QoQ (on a higher base) and lower trading gains (due to lower trading opportunities).
- Conservatively we have factored in higher credit cost and MTM provisions. Bank can provide positive surprise.
- The stock trades at 2.6x FY11E BV and 2.2x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	22,664	25,450	29,848	30,392	29,056	28,604	28,837	30,315	108,355	116,811
Interest Expense	14,560	16,316	20,551	20,066	18,599	17,107	15,345	15,755	71,493	66,806
Net Interest Income	**8,105**	**9,134**	**9,297**	**10,326**	**10,456**	**11,497**	**13,491**	**14,560**	**36,862**	**50,004**
% Change (Y-o-Y)	*92.5*	*55.2*	*24.4*	*24.6*	*29.0*	*25.9*	*45.1*	*41.0*	*42.6*	*35.7*
Other Income	6,248	6,944	7,322	8,455	9,586	10,656	9,881	9,527	28,969	39,650
Net Income	**14,353**	**16,078**	**16,619**	**18,781**	**20,042**	**22,153**	**23,372**	**24,088**	**65,831**	**89,654**
Operating Expenses	6,329	7,334	7,522	7,396	8,278	9,095	9,626	10,073	28,582	37,072
Operating Profit	**8,023**	**8,744**	**9,096**	**11,385**	**11,764**	**13,058**	**13,746**	**14,015**	**37,249**	**52,582**
% Change (Y-o-Y)	*118.1*	*88.9*	*35.3*	*57.5*	*46.6*	*49.3*	*51.1*	*23.1*	*67.3*	*41.2*
Other Provisions	2,967	2,558	1,320	2,552	3,153	4,989	3,731	3,822	9,397	15,696
Profit before Tax	**5,056**	**6,186**	**7,777**	**8,833**	**8,611**	**8,069**	**10,015**	**10,192**	**27,852**	**36,886**
Tax Provisions	1,754	2,157	2,768	3,019	2,990	2,752	3,455	3,528	9,698	12,726
Net Profit	**3,302**	**4,029**	**5,009**	**5,815**	**5,620**	**5,316**	**6,560**	**6,664**	**18,154**	**24,161**
% Change (Y-o-Y)	*88.7*	*76.8*	*63.2*	*60.9*	*70.2*	*32.0*	*31.0*	*14.6*	*69.5*	*33.1*
Interest Exp/Interest Income (%)	*64.2*	*64.1*	*68.9*	*66.0*	*64.0*	*59.8*	*53.2*	*52.0*	*66.0*	*57.2*
Other Income/Net Income (%)	*43.5*	*43.2*	*44.1*	*45.0*	*47.8*	*48.1*	*42.3*	*39.6*	*44.0*	*44.2*
Cost/Income Ratio (%)	*44.1*	*45.6*	*45.3*	*39.4*	*41.3*	*41.1*	*41.2*	*41.8*	*43.4*	*41.4*
Provisions/Operating Profits (%)	*37.0*	*29.3*	*14.5*	*22.4*	*26.8*	*38.2*	*27.1*	*27.3*	*25.2*	*29.8*
Tax Rate (%)	*34.7*	*34.9*	*35.6*	*34.2*	*34.7*	*34.1*	*34.5*	*34.6*	*34.8*	*34.5*

E: MOSL Estimates

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Bank of Baroda

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BOB IN
	REUTERS CODE
S&P CNX: 5,262	BOB.BO

Equity Shares (m)	365.5
52 Week Range (Rs)	653/216
1,6,12 Rel Perf (%)	3 / 31 / 96
Mcap (Rs b)	235.0
Mcap (USD b)	5.2

30 March 2010 **Buy**

Previous Recommendation: Buy **Rs643**

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	78,811	22,272	60.9	55.1	10.5	2.0	14.1	20.9	1.1	2.1
3/10E	86,061	30,003	82.1	34.7	7.8	1.7	13.9	23.5	1.2	1.7
3/11E	99,700	34,078	93.2	13.6	6.9	1.4	13.4	22.4	1.2	1.5
3/12E	115,533	40,765	111.5	19.6	5.7	1.2	12.8	22.6	1.2	1.2

- On a higher base, we expect NII growth of 13% YoY. On a QoQ basis we expect NII growth of ~4% led by strong loan growth and stable margins QoQ.
- We expect 4QFY10 loan growth of ~9% QoQ and ~18% YoY. Deposit growth is expected to be calibrated.
- We expect other income to grow 20% QoQ as the bank will report the gains (Rs810m) on UTI stake sale. Fees and forex income will show strong traction YoY.
- We have factored in MTM depreciation on its investment book compared with investment write-back of Rs216m and Rs340m in 3QFY10 and 4QFY09 respectively.
- The stock trades at 1.4x FY11E BV and 1.2x FY12E BV. We maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	32,938	35,510	41,080	41,388	40,321	41,354	41,770	43,202	150,916	166,647
Interest Expense	22,368	24,172	26,462	26,680	28,274	27,468	25,757	26,564	99,682	108,064
Net Interest Income	**10,570**	**11,338**	**14,618**	**14,708**	**12,047**	**13,886**	**16,012**	**16,637**	**51,234**	**58,583**
% Change (Y-o-Y)	*16.9*	*15.5*	*46.6*	*43.0*	*14.0*	*22.5*	*9.5*	*13.1*	*31.0*	*14.3*
Other Income	5,126	4,759	9,156	8,536	7,030	5,953	6,597	7,898	27,577	27,479
Net Income	**15,696**	**16,097**	**23,774**	**23,244**	**19,077**	**19,839**	**22,609**	**24,536**	**78,811**	**86,061**
Operating Expenses	7,094	7,641	9,627	10,199	8,978	9,523	9,959	9,947	35,761	38,408
Operating Profit	**8,602**	**8,456**	**14,147**	**13,045**	**10,099**	**10,316**	**12,650**	**14,589**	**43,050**	**47,653**
% Change (Y-o-Y)	*33.5*	*32.7*	*51.7*	*60.2*	*17.4*	*22.0*	*-10.6*	*11.8*	*47.0*	*10.7*
Other Provisions	2,803	2,419	3,501	2,097	-390	1,163	2,425	2,492	9,621	5,691
Profit before Tax	**5,799**	**6,037**	**10,646**	**10,947**	**10,489**	**9,153**	**10,225**	**12,096**	**33,429**	**41,963**
Tax Provisions	2,090	2,084	3,562	3,421	3,635	2,811	1,900	3,614	11,157	11,959
Net Profit	**3,709**	**3,953**	**7,084**	**7,527**	**6,854**	**6,342**	**8,325**	**8,483**	**22,272**	**30,003**
% Change (Y-o-Y)	*12.1*	*20.8*	*41.4*	*172.3*	*84.8*	*60.4*	*17.5*	*12.7*	*55.1*	*34.7*
Interest Exp/Interest Income (%)	*67.9*	*68.1*	*64.4*	*64.5*	*70.1*	*66.4*	*61.7*	*61.5*	*66.1*	*64.8*
Other Income/Net Income (%)	*32.7*	*29.6*	*38.5*	*36.7*	*36.9*	*30.0*	*29.2*	*32.2*	*35.0*	*31.9*
Cost/Income Ratio (%)	*45.2*	*47.5*	*40.5*	*43.9*	*47.1*	*48.0*	*44.1*	*40.5*	*45.4*	*44.6*
Provisions/Operating Profits (%)	*32.6*	*28.6*	*24.7*	*16.1*	*-3.9*	*11.3*	*19.2*	*17.1*	*22.3*	*11.9*
Tax Rate (%)	*36.0*	*34.5*	*33.5*	*31.2*	*34.7*	*30.7*	*18.6*	*29.9*	*33.4*	*28.5*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BOI IN
	REUTERS CODE
S&P CNX: 5,262	BOI.BO

Equity Shares (m)	525.9
52 Week Range (Rs)	475/205
1,6,12 Rel Perf (%)	-4 / -19 / -29
Mcap (Rs b)	180.5
Mcap (USD b)	4.0

30 March 2010

Neutral

Previous Recommendation: Neutral Rs343

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	85,508	30,077	57.2	49.7	6.0	1.5	13.0	29.2	1.5	1.6
3/10E	82,644	17,959	34.1	-40.3	9.5	1.3	12.0	14.6	0.7	1.5
3/11E	97,400	23,436	44.6	30.5	6.6	1.1	11.1	18.3	0.9	1.3
3/12E	112,949	30,290	57.6	29.2	5.1	1.0	10.3	20.3	1.0	1.1

- We expect loan growth to moderate to ~16% YoY from 26% in March 2009. Loan growth is likely to be in line with industry growth.
- Continued deposit repricing, strong traction in the CASA ratio and improvement in loan growth will help to improve in margins sequentially. We model in NII growth of 5% QoQ in 4QFY10.
- Other income is expected to decline 24% YoY due to lower fee income (such as commission and brokerage, and forex) and lower trading profits. We have modeled a substantial decline in trading profits on a YoY and a QoQ basis.
- NPA provisions are likely to be higher as asset quality remains under pressure. Slippage from restructured loans is the key thing to watch out for.
- We expect FY10 earnings to decline ~40% YoY due to a decline in margins, lower trading gains and higher NPA provisions. The stock trades at 1.1x FY11E BV and 1x FY12E BV. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	35,483	39,628	43,432	44,931	43,777	44,890	44,862	46,333	163,474	179,862
Interest Expense	23,676	25,996	28,215	30,598	30,771	30,801	29,915	30,640	108,485	122,126
Net Interest Income	**11,808**	**13,631**	**15,217**	**14,334**	**13,006**	**14,089**	**14,948**	**15,693**	**54,989**	**57,736**
% Change (Y-o-Y)	*24.7*	*38.3*	*41.0*	*17.8*	*10.1*	*3.4*	*-1.8*	*9.5*	*30.0*	*5.0*
Other Income	5,664	6,495	10,506	7,854	6,459	6,760	5,716	5,973	30,519	24,908
Net Income	**17,472**	**20,126**	**25,722**	**22,187**	**19,465**	**20,849**	**20,664**	**21,666**	**85,508**	**82,644**
Operating Expenses	6,748	7,979	8,107	8,107	8,529	8,789	9,366	8,793	30,940	35,477
Operating Profit	**10,724**	**12,147**	**17,616**	**14,081**	**10,936**	**12,060**	**11,298**	**12,873**	**54,568**	**47,167**
% Change (Y-o-Y)	*58.2*	*44.6*	*81.4*	*16.2*	*2.0*	*-0.7*	*-35.9*	*-8.6*	*47.4*	*-13.6*
Other Provisions	3,490	2,868	2,720	3,846	2,234	6,021	5,764	5,937	12,920	19,956
Profit before Tax	**7,234**	**9,280**	**14,896**	**10,234**	**8,702**	**6,038**	**5,534**	**6,937**	**41,648**	**27,211**
Tax Provisions	1,615	1,651	6,174	2,131	2,859	2,805	1,479	2,109	11,571	9,252
Net Profit	**5,620**	**7,629**	**8,722**	**8,104**	**5,843**	**3,233**	**4,055**	**4,828**	**30,077**	**17,959**
% Change (Y-o-Y)	*78.3*	*79.4*	*70.4*	*7.1*	*4.0*	*-57.6*	*-53.5*	*-40.4*	*49.7*	*-40.3*
Interest Exp/Interest Income (%)	*66.7*	*65.6*	*65.0*	*68.1*	*70.3*	*68.6*	*66.7*	*66.1*	*66.4*	*67.9*
Other Income/Net Income (%)	*32.4*	*32.3*	*40.8*	*35.4*	*33.2*	*32.4*	*27.7*	*27.6*	*35.7*	*30.1*
Cost/Income Ratio (%)	*38.6*	*39.6*	*31.5*	*36.5*	*43.8*	*42.2*	*45.3*	*40.6*	*36.2*	*42.9*
Provisions/Operating Profits (%)	*32.5*	*23.6*	*15.4*	*27.3*	*20.4*	*49.9*	*51.0*	*46.1*	*23.7*	*42.3*
Tax Rate (%)	*22.3*	*17.8*	*41.4*	*20.8*	*32.9*	*46.5*	*26.7*	*30.4*	*27.8*	*34.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Canara Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CBK IN
	REUTERS CODE
S&P CNX: 5,262	CNBK.BO

Equity Shares (m)	410.0
52 Week Range (Rs)	442/156
1,6,12 Rel Perf (%)	-2 / 25 / 66
Mcap (Rs b)	169.1
Mcap (USD b)	3.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs412

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	70,290	20,724	50.5	32.4	8.2	1.7	14.1	22.6	1.0	1.9
3/10E	84,452	33,078	80.7	59.6	5.1	1.3	13.9	29.1	1.4	1.5
3/11E	93,272	33,089	80.7	0.0	5.1	1.1	13.3	23.5	1.2	1.2
3/12E	110,069	37,191	90.7	12.4	4.5	0.9	12.5	22.0	1.1	1.0

- We expect loan growth of 18% YoY (~11% QoQ) in 4QFY10 despite a higher base. Deposit growth is expected to be calibrated and CD ratio is expected to improve QoQ. We expect NII to grow ~15% YoY and ~2% QoQ.
- Other income is expected to decline by ~15% YoY and ~10% QoQ due to lower trading gains and lower fee income growth.
- We expect a higher provision charge due to MTM provisions on its AFS portfolio (v/s write back of Rs3b in 3QFY10) and higher NPA provisions.
- The stock trades at 1.1x FY11E BV and 0.9x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	37,305	41,092	46,254	46,539	45,584	47,092	46,878	47,890	171,191	187,443
Interest Expense	27,114	29,602	33,811	33,486	32,669	33,955	32,100	32,813	124,012	131,537
Net Interest Income	**10,192**	**11,490**	**12,443**	**13,053**	**12,915**	**13,137**	**14,778**	**15,077**	**47,178**	**55,906**
% Change (Y-o-Y)	*14.0*	*46.0*	*33.2*	*41.5*	*26.7*	*14.3*	*18.8*	*15.5*	*33.4*	*18.5*
Other Income	3,685	3,388	7,575	8,465	4,736	8,929	7,813	7,068	23,112	28,546
Net Income	**13,877**	**14,877**	**20,018**	**21,518**	**17,651**	**22,066**	**22,591**	**22,145**	**70,290**	**84,452**
Operating Expenses	6,841	7,142	7,877	8,792	7,237	7,875	7,891	7,839	30,652	30,842
Operating Profit	**7,036**	**7,735**	**12,141**	**12,726**	**10,413**	**14,191**	**14,700**	**14,306**	**39,638**	**53,610**
% Change (Y-o-Y)	*15.0*	*18.9*	*60.2*	*35.5*	*48.0*	*83.5*	*21.1*	*12.4*	*33.9*	*35.3*
Other Provisions	5,409	1,441	3,526	3,538	3,360	3,086	1,674	4,143	13,914	12,263
Profit before Tax	**1,627**	**6,294**	**8,615**	**9,188**	**7,053**	**11,105**	**13,026**	**10,163**	**25,724**	**41,348**
Tax Provisions	400	1,000	1,600	2,000	1,500	2,000	2,500	2,270	5,000	8,270
Net Profit	**1,227**	**5,294**	**7,015**	**7,188**	**5,553**	**9,105**	**10,526**	**7,894**	**20,724**	**33,078**
% Change (Y-o-Y)	*-49.0*	*31.8*	*52.9*	*54.9*	*352.7*	*72.0*	*50.0*	*9.8*	*32.4*	*59.6*
Interest Exp/Interest Income (%)	*72.7*	*72.0*	*73.1*	*72.0*	*71.7*	*72.1*	*68.5*	*68.5*	*72.4*	*70.2*
Other Income/Net Income (%)	*49.3*	*48.0*	*39.4*	*40.9*	*41.0*	*35.7*	*34.9*	*35.4*	*43.6*	*36.5*
Cost/Income Ratio (%)	*26.6*	*22.8*	*37.8*	*39.3*	*26.8*	*40.5*	*34.6*	*31.9*	*32.9*	*33.8*
Provisions/Operating Profits (%)	*76.9*	*18.6*	*29.0*	*27.8*	*32.3*	*21.7*	*11.4*	*29.0*	*35.1*	*22.9*
Tax Rate (%)	*24.6*	*15.9*	*18.6*	*21.8*	*21.3*	*18.0*	*19.2*	*22.3*	*19.4*	*20.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Corporation Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CRPBK IN
	REUTERS CODE
S&P CNX: 5,262	CRBK.BO

Equity Shares (m)	143.4
52 Week Range (Rs)	515/169
1,6,12 Rel Perf (%)	5 / 15 / 100
Mcap (Rs b)	70.8
Mcap (USD b)	1.6

30 March 2010

Buy

Previous Recommendation: Buy

Rs494

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	27,982	8,928	62.2	21.5	7.9	1.4	13.6	19.6	1.2	1.5
3/10E	33,543	11,645	81.2	30.4	6.1	1.2	16.0	21.8	1.2	1.3
3/11E	38,914	14,037	97.9	20.5	5.0	1.0	15.2	22.2	1.2	1.1
3/12E	44,821	16,674	116.2	18.8	4.2	0.9	14.4	22.2	1.2	0.9

- We expect loans to grow 6% QoQ and 25% YoY. In 9MFY10, loan growth was at 15% (v/s industry growth of 9% YTD). Deposit growth is also expected to stay strong at 26% YoY (6% QoQ).
- We expect QoQ NII growth of 6% and YoY growth of ~50% on a lower base (in 4QFY09, NII declined 10% QoQ).
- We expect other income to decline YoY and QoQ due to lower trading gains. We model in 20% YoY growth in fee income in 4QFY10 against 35% YoY growth in 9MFY10.
- In 4QFY09, the bank had higher MTM provisions on its investment book of Rs1.6b. With lower provision of interest sensitive securities in the AFS portfolio we expect MTM to be lower this quarter.
- In 4QFY09, the tax rate was higher at 44%, which we expect to be 33% in 4QFY10. Thus, despite the flat PBT YoY we expect PAT to grow 18% YoY.
- The stock trades at 1x of FY11E BV and 0.9x of FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	12,887	14,488	16,235	17,064	17,422	17,695	18,606	19,300	60,674	73,023
Interest Expense	9,107	10,421	11,455	12,781	12,747	12,660	12,612	12,938	43,764	50,957
Net Interest Income	**3,780**	**4,067**	**4,780**	**4,283**	**4,675**	**5,035**	**5,994**	**6,362**	**16,910**	**22,067**
% Change (Y-o-Y)	*7.2*	*10.3*	*37.3*	*14.6*	*23.7*	*23.8*	*25.4*	*48.5*	*17.2*	*30.5*
Other Income	1,576	1,744	2,820	4,933	3,593	3,028	2,517	2,338	11,072	11,476
Net Income	**5,356**	**5,810**	**7,600**	**9,216**	**8,269**	**8,063**	**8,511**	**8,700**	**27,982**	**33,543**
Operating Expenses	2,146	2,295	3,106	2,468	2,556	2,707	2,995	2,954	10,016	11,212
Operating Profit	**3,210**	**3,515**	**4,494**	**6,747**	**5,712**	**5,356**	**5,516**	**5,747**	**17,966**	**22,332**
% Change (Y-o-Y)	*16.5*	*19.3*	*61.9*	*67.2*	*78.0*	*52.4*	*22.7*	*-14.8*	*43.6*	*24.3*
Other Provisions	1,008	558	185	2,107	1,550	940	1,271	1,190	4,104	4,951
Profit before Tax	**2,201**	**2,957**	**4,309**	**4,640**	**4,162**	**4,417**	**4,245**	**4,556**	**13,862**	**17,380**
Tax Provisions	358	1,042	1,744	2,035	1,550	1,500	1,195	1,491	4,935	5,736
Net Profit	**1,843**	**1,915**	**2,565**	**2,605**	**2,612**	**2,917**	**3,050**	**3,066**	**8,928**	**11,645**
% Change (Y-o-Y)	*4.1*	*18.7*	*34.3*	*26.7*	*41.8*	*52.3*	*18.9*	*17.7*	*21.5*	*30.4*
Interest Exp/Interest Income (%)	*70.7*	*71.9*	*70.6*	*74.9*	*73.2*	*71.5*	*67.8*	*67.0*	*72.1*	*69.8*
Other Income/Net Income (%)	*29.4*	*30.0*	*37.1*	*53.5*	*43.5*	*37.6*	*29.6*	*26.9*	*39.6*	*34.2*
Cost/Income Ratio (%)	*40.1*	*39.5*	*40.9*	*26.8*	*30.9*	*33.6*	*35.2*	*34.0*	*35.8*	*33.4*
Provisions/Operating Profits (%)	*31.4*	*15.9*	*4.1*	*31.2*	*27.1*	*17.5*	*23.0*	*20.7*	*22.8*	*22.2*
Tax Rate (%)	*16.3*	*35.2*	*40.5*	*43.9*	*37.2*	*34.0*	*28.2*	*32.7*	*35.6*	*33.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Dena Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	DBNK IN
	REUTERS CODE
S&P CNX: 5,262	DENA.BO

Equity Shares (m)	286.8
52 Week Range (Rs)	93/31
1,6,12 Rel Perf (%)	-9 / 13 / 61
Mcap (Rs b)	22.6
Mcap (USD b)	0.5

30 March 2010

Buy

Previous Recommendation: Buy

Rs79

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	14,976	4,257	14.8	18.3	5.3	1.2	10.7	24.2	1.0	1.3
3/10E	16,151	5,047	17.6	18.6	4.5	0.9	13.3	23.3	1.0	1.1
3/11E	18,565	5,519	19.2	9.3	4.1	0.8	12.3	21.1	0.9	0.9
3/12E	21,185	6,386	22.3	15.7	3.5	0.7	11.8	20.5	0.9	0.8

- We expect NII to grow ~22% YoY (3% QoQ) to Rs2.9b over a lower base. We expect margins to improve sequentially due to repricing of deposits.
- Other income is expected to be stable QoQ and YoY. Fee income is expected to be calibrated with loan growth. We expect recoveries to remain strong during the quarter.
- While the PBT is expected to grow 32% YOY, PAT growth is likely to be 17% YoY as the base for tax rate is low at 19%. We model in tax rate of 27% in 4QFY10.
- The stock is trading at P/BV of 0.8x of FY11E BV and P/BV of 0.7x of FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	7,675	8,286	9,556	8,958	9,685	9,628	10,159	10,402	34,505	39,873
Interest Expense	5,487	5,744	6,032	6,568	7,180	7,223	7,329	7,478	23,831	29,210
Net Interest Income	**2,188**	**2,543**	**3,525**	**2,390**	**2,505**	**2,405**	**2,830**	**2,923**	**10,674**	**10,663**
% Change (Y-o-Y)	*0.9*	*23.0*	*71.7*	*4.2*	*14.5*	*-5.4*	*-19.7*	*22.3*	*24.3*	*-0.1*
Other Income	669	852	1,379	1,400	1,554	1,253	1,331	1,350	4,301	5,488
Net Income	**2,857**	**3,395**	**4,904**	**3,790**	**4,059**	**3,658**	**4,161**	**4,273**	**14,976**	**16,151**
Operating Expenses	1,616	1,903	2,251	1,912	2,045	2,043	2,185	2,098	7,682	8,371
Operating Profit	**1,241**	**1,492**	**2,652**	**1,878**	**2,013**	**1,615**	**1,977**	**2,175**	**7,294**	**7,780**
% Change (Y-o-Y)	*-11.4*	*-7.2*	*59.2*	*-14.2*	*62.2*	*8.2*	*-25.5*	*15.8*	*6.3*	*6.7*
Other Provisions	500	373	462	514	406	15	293	381	1,849	1,095
Profit before Tax	**741**	**1,119**	**2,190**	**1,364**	**1,607**	**1,600**	**1,684**	**1,794**	**5,444**	**6,685**
Tax Provisions	58	91	786	252	457	354	339	489	1,188	1,638
Net Profit	**683**	**1,028**	**1,404**	**1,112**	**1,150**	**1,246**	**1,345**	**1,305**	**4,257**	**5,047**
% Change (Y-o-Y)	*22.9*	*11.6*	*38.9*	*0.2*	*68.4*	*21.2*	*-4.2*	*17.4*	*18.3*	*18.6*
Interest Exp./Interest Income (%)	*71.5*	*69.3*	*63.1*	*73.3*	*74.1*	*75.0*	*72.1*	*71.9*	*69.1*	*73.3*
Other Income/Net Income (%)	*23.4*	*25.1*	*28.1*	*36.9*	*38.3*	*34.3*	*32.0*	*31.6*	*28.7*	*34.0*
Cost to Income Ratio (%)	*56.6*	*56.0*	*45.9*	*50.5*	*50.4*	*55.9*	*52.5*	*49.1*	*51.3*	*51.8*
Provisions/Operating Profits (%)	*40.3*	*25.0*	*17.4*	*27.3*	*20.2*	*0.9*	*14.8*	*17.5*	*25.4*	*14.1*
Tax Payout (%)	*7.8*	*8.1*	*35.9*	*18.5*	*28.4*	*22.1*	*20.1*	*27.2*	*21.8*	*24.5*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Federal Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	FB IN
	REUTERS CODE
S&P CNX: 5,262	FED.BO

Equity Shares (m)	171.0
52 Week Range (Rs)	288/129
1,6,12 Rel Perf (%)	-3 / 4 / 12
Mcap (Rs b)	45.8
Mcap (USD b)	1.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs268

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	18,312	5,005	29.3	36.0	9.2	1.1	20.1	12.1	1.4	1.1
3/10E	19,186	4,876	28.5	-2.6	9.4	1.0	18.7	10.8	1.2	1.0
3/11E	21,979	5,899	34.5	21.0	7.8	0.9	17.0	11.9	1.2	0.9
3/12E	25,342	7,250	42.4	22.9	6.3	0.8	15.8	13.2	1.3	0.8

- On a lower base, we expect NII growth of ~ 28% YoY (~7% QoQ). We expect loan growth of 6% QoQ and 23% on a YoY basis.
- We expect other income to decline QoQ and YoY due to lower trading gains and muted fee income growth.
- We factor in higher NPA provisions as the pressure on asset quality prevails. While the bank has a higher proportion of AFS portfolio at ~30%, the interest sensitive portfolio is merely at 6% thus, the MTM hit on investment portfolio is likely to be limited.
- We expect higher tax provision due to an adverse income tax ruling, thus keeping our tax rate higher at ~38%.
- The stock trades at 0.9x FY11E BV and 0.8x FY12E BV with RoA of 1.2%+, however RoE is likely to remain lower due to lower leverage. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	7,451	8,281	8,764	8,657	8,744	9,011	9,446	10,092	33,154	37,293
Interest Expense	4,669	4,963	4,918	5,448	5,843	5,711	5,635	6,000	19,999	23,189
Net Interest Income	**2,782**	**3,318**	**3,846**	**3,209**	**2,901**	**3,300**	**3,811**	**4,092**	**13,155**	**14,103**
% Change (Y-o-Y)	*47.3*	*63.9*	*88.8*	*17.5*	*4.3*	*-0.6*	*-0.9*	*27.5*	*51.5*	*7.2*
Other Income	962	1,042	1,648	1,505	1,474	1,364	1,165	1,079	5,158	5,082
Net Income	**3,744**	**4,360**	**5,494**	**4,714**	**4,375**	**4,664**	**4,976**	**5,171**	**18,312**	**19,186**
Operating Expenses	1,209	1,331	1,650	1,525	1,592	1,631	1,661	1,661	5,715	6,545
Operating Profit	**2,535**	**3,029**	**3,844**	**3,189**	**2,783**	**3,032**	**3,315**	**3,510**	**12,598**	**12,641**
% Change (Y-o-Y)	*34.5*	*71.5*	*129.3*	*22.0*	*9.8*	*0.1*	*-13.8*	*10.1*	*58.6*	*0.3*
Other Provisions	1,724	1,569	500	875	520	1,501	1,053	1,270	4,668	4,344
Profit before Tax	**811**	**1,461**	**3,344**	**2,314**	**2,263**	**1,531**	**2,262**	**2,240**	**7,930**	**8,297**
Tax Provisions	130	318	1,306	1,172	900	520	1,160	841	2,925	3,421
Net Profit	**682**	**1,143**	**2,039**	**1,142**	**1,364**	**1,011**	**1,103**	**1,399**	**5,005**	**4,876**
% Change (Y-o-Y)	*1.8*	*19.9*	*98.1*	*11.0*	*100.1*	*-11.6*	*-45.9*	*22.5*	*36.0*	*-2.6*
Interest Exp/Interest Income (%)	*62.7*	*59.9*	*56.1*	*62.9*	*66.8*	*63.4*	*59.7*	*59.5*	*60.3*	*62.2*
Other Income/Net Income (%)	*25.7*	*23.9*	*30.0*	*31.9*	*33.7*	*29.3*	*23.4*	*20.9*	*28.2*	*26.5*
Cost/Income Ratio (%)	*32.3*	*30.5*	*30.0*	*32.4*	*36.4*	*35.0*	*33.4*	*32.1*	*31.2*	*34.1*
Provisions/Operating Profits (%)	*68.0*	*51.8*	*13.0*	*27.4*	*18.7*	*49.5*	*31.8*	*36.2*	*37.1*	*34.4*
Tax Rate (%)	*16.0*	*21.8*	*39.0*	*50.7*	*39.7*	*34.0*	*51.3*	*37.6*	*36.9*	*41.2*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

HDFC

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HDFC IN
	REUTERS CODE
S&P CNX: 5,262	HDFC.BO

Equity Shares (m)	287.1
52 Week Range (Rs)	2,875/1,398
1,6,12 Rel Perf (%)	-2 / -8 / -2
Mcap (Rs b)	757.4
Mcap (USD b)	16.8

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs2,638

YEAR END	NET INCOME (RS M)	PAT (RS M)	ADJ. EPS (RS)	EPS GROWTH (%)	AP/E* (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	AP/ABV* (X)
3/09A	35,852	22,825	80.2	17.5	27.4	5.8	15.1	23.7	2.5	6.7
3/10E	41,910	27,049	94.2	17.4	20.9	5.3	14.7	25.0	2.5	5.2
3/11E	48,352	31,515	109.8	16.5	17.0	4.7	14.4	24.9	2.5	4.2
3/12E	57,144	37,433	130.4	18.8	14.3	4.1	14.1	25.5	2.6	3.7

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

- We expect 4QFY10 loan growth of ~12% YoY and ~5% QoQ. We expect HDFC Bank will continue to buy out home loans from HDFC Ltd in 4QFY10, which will hamper HDFC's own loan growth.
- We expect the spread to stay stable sequentially as a fall in yields on loans is likely to be compensated for by a fall in wholesale borrowing costs.
- Fee income growth is expected to be strong. Buoyant capital markets will lead to higher profit on the sale of investments. In the first three quarters, HDFC earned trading profits of ~Rs1.65b and we expect the momentum to continue in 4QFY10.
- HDFC trades at 3.7x FY12E AP/ABV (price adjusted for value of other businesses and book value adjusted for investments made in those businesses) and 14.3x FY12E AP/ABV. This is higher than our target multiple of 3.5x P/BV for the stock. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	22,435	25,279	28,587	30,141	26,894	26,209	25,994	27,551	106,442	106,648
Interest Expense	15,684	17,573	20,427	20,641	19,628	18,365	17,042	17,273	74,324	72,308
Net Interest Income	**6,751**	**7,707**	**8,160**	**9,500**	**7,266**	**7,844**	**8,952**	**10,278**	**32,118**	**34,340**
YoY Change (%)	*34.2*	*20.8*	*14.9*	*5.3*	*7.6*	*1.8*	*9.7*	*8.2*	*16.7*	*6.9*
Profit on Sale of Investments	0	226	15	12	513	613	514	560	252	2,200
Other Operating Income	700	646	590	1,317	1,035	1,627	1,061	1,438	3,254	5,161
Net Operating Income	**7,451**	**8,578**	**8,766**	**10,828**	**8,814**	**10,083**	**10,527**	**12,276**	**35,623**	**41,700**
YoY Change (%)	*28.1*	*29.0*	*5.1*	*13.8*	*18.3*	*17.5*	*20.1*	*13.4*	*17.4*	*17.1*
Other Income	51	55	56	66	49	54	53	55	229	210
Total Income	**7,503**	**8,633**	**8,821**	**10,894**	**8,863**	**10,137**	**10,580**	**12,331**	**35,852**	**41,910**
Operating Expenses	904	874	886	498	944	868	847	846	3,162	3,504
Pre Provisioning Profit	**6,599**	**7,760**	**7,936**	**10,396**	**7,919**	**9,269**	**9,733**	**11,485**	**32,690**	**38,406**
YoY Change (%)	*28.7*	*30.5*	*3.6*	*16.2*	*20.0*	*19.5*	*22.6*	*10.5*	*18.0*	*17.5*
Provisions	100	160	120	120	120	140	160	155	500	575
PBT	**6,499**	**7,600**	**7,816**	**10,276**	**7,799**	**9,129**	**9,573**	**11,330**	**32,190**	**37,831**
YoY Change (%)	*28.7*	*-15.2*	*-11.3*	*-5.8*	*20.0*	*20.1*	*22.5*	*10.3*	*-4.6*	*17.5*
Provision for Tax	1,818	2,258	2,348	2,943	2,150	2,490	2,860	3,282	9,365	10,782
PAT (Excl exceptional)	**4,681**	**5,342**	**5,468**	**7,334**	**5,649**	**6,639**	**6,713**	**8,048**	**22,825**	**27,049**
YoY Change (%)	*25.6*	*32.8*	*-1.4*	*20.3*	*20.7*	*24.3*	*22.8*	*9.7*	*17.7*	*18.5*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

HDFC Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HDFCB IN
	REUTERS CODE
S&P CNX: 5,262	HDBK.BO

Equity Shares (m)	451.6
52 Week Range (Rs)	1,986/904
1,6,12 Rel Perf (%)	5 / 13 / 18
Mcap (Rs b)	860.9
Mcap (USD b)	19.1

30 March 2010

Buy

Previous Recommendation: Buy — Rs1,906

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	107,118	22,449	52.8	27.7	36.1	5.4	15.7	15.6	1.3	5.5
3/10E	122,114	29,390	65.1	23.3	29.3	4.1	16.0	16.3	1.5	4.2
3/11E	147,466	38,953	86.3	32.5	22.1	3.6	14.7	17.3	1.7	3.7
3/12E	176,585	50,668	112.2	30.1	17.0	3.1	13.8	19.5	1.7	3.1

- We expect strong loan growth of ~24% YoY (QoQ growth of ~3%) backed by a lower base and strong up-tick in retail disbursements.
- We expect higher CASA funds, deposits repricing, warrant conversion money and strong loan growth will lead to stable/improved QoQ margins. On a lower base, we expect strong NII growth of 30% YoY and 10% QoQ.
- On a higher base (due to strong trading profits) we expect other income to decline ~25% YoY. On a higher base, fee income and forex income are expected to stay largely flat YoY.
- We expect the bank will continue to make accelerated provisions for NPAs to maintain its superior asset quality.
- We estimate PAT CAGR of ~31% over FY10-12E with RoE increasing to ~20% by FY12. The stock trades at 3.6x FY11E BV and 3.1x FY12E BV. Maintain **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	36,217	39,912	44,685	42,508	40,931	39,919	40,348	42,051	163,323	163,249
Interest Expense	18,983	21,248	24,893	23,988	22,375	20,361	18,109	17,802	89,111	78,648
Net Interest Income	**17,234**	**18,665**	**19,793**	**18,520**	**18,556**	**19,558**	**22,239**	**24,249**	**74,212**	**84,602**
% Change (Y-o-Y)	*74.9*	*60.5*	*37.7*	*12.8*	*7.7*	*4.8*	*12.4*	*30.9*	*42.0*	*14.0*
Other Income	5,934	6,431	9,394	11,147	10,437	10,074	8,530	8,471	32,906	37,512
Net Income	**23,169**	**25,096**	**29,186**	**29,667**	**28,992**	**29,632**	**30,769**	**32,721**	**107,118**	**122,114**
Operating Expenses	12,894	13,867	14,606	13,962	13,806	13,702	14,532	15,370	55,328	57,409
Operating Profit	**10,275**	**11,229**	**14,581**	**15,705**	**15,187**	**15,930**	**16,237**	**17,351**	**51,790**	**64,704**
% Change (Y-o-Y)	*31.1*	*35.8*	*36.7*	*44.3*	*47.8*	*41.9*	*11.4*	*10.5*	*37.6*	*24.9*
Other Provisions	3,445	3,460	5,318	6,574	6,588	5,941	4,477	4,792	18,791	21,799
Profit before Tax	**6,830**	**7,768**	**9,263**	**9,131**	**8,598**	**9,989**	**11,760**	**12,559**	**32,999**	**42,905**
Tax Provisions	2,187	2,488	3,046	2,822	2,537	3,114	3,575	4,289	10,549	13,515
Net Profit	**4,643**	**5,280**	**6,217**	**6,309**	**6,061**	**6,875**	**8,185**	**8,270**	**22,449**	**29,390**
% Change (Y-o-Y)	*44.5*	*43.3*	*44.8*	*33.9*	*30.5*	*30.2*	*31.6*	*31.1*	*41.2*	*30.9*
Interest Exp/Interest Income (%)	*52.4*	*53.2*	*55.7*	*56.4*	*54.7*	*51.0*	*44.9*	*42.3*	*54.6*	*48.2*
Other Income/Net Income (%)	*25.6*	*25.6*	*32.2*	*37.6*	*36.0*	*34.0*	*27.7*	*25.9*	*30.7*	*30.7*
Cost/Income Ratio (%)	*55.7*	*55.3*	*50.0*	*47.1*	*47.6*	*46.2*	*47.2*	*47.0*	*51.7*	*47.0*
Provisions/Operating Profits (%)	*33.5*	*30.8*	*36.5*	*41.9*	*43.4*	*37.3*	*27.6*	*27.6*	*36.3*	*33.7*
Tax Rate (%)	*32.0*	*32.0*	*32.9*	*30.9*	*29.5*	*31.2*	*30.4*	*34.2*	*32.0*	*31.5*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

ICICI Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ICICIBC IN
	REUTERS CODE
S&P CNX: 5,262	ICBK.BO

Equity Shares (m)	1,113.3
52 Week Range (Rs)	984/315
1,6,12 Rel Perf (%)	3 / 3 / 100
Mcap (Rs b)	1,068.8
Mcap (USD b)	23.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs960

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	AP/E* (X)	AP/ABV* (X)	CAR (%)	COREROE (%)	ROAA (%)
3/09A	159,704	37,582	33.8	-9.7	28.4	24.0	2.5	16.0	9.4	1.0
3/10E	152,853	38,794	34.8	3.2	27.6	22.4	2.2	15.4	9.6	1.0
3/11E	170,398	49,826	44.8	28.4	21.5	16.9	2.0	14.7	11.6	1.3
3/12E	198,157	63,635	57.2	27.7	16.8	12.7	1.8	14.0	13.7	1.4

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

- We expect loans to decline ~13% YoY (grow ~6% QoQ) as international loans and retail loans continue to decline. The sequential increase will be driven by domestic companies, auto loans, housing loans and priority sector loans. We expect deposits to decline ~7% YoY due to net repayment of bulk deposits.
- Higher CASA growth (v/s deposit growth) and repricing of bulk deposits will lower the cost of funds. From 3QFY08 (except 3QFY09), interest expenses have declined in absolute amounts sequentially for ICICI Bank. We expect interest expenses to be largely flattish QoQ.
- Despite the decline in loans YoY NII is expected to remain flattish YoY and grow 4% QoQ.
- We expect MTM loss on AFS portfolio due to hardening of the G-Sec yield. In 3QFY10, the bank had a one time receipt of ~Rs2b from the sale of merchant acquiring business (included in lease and others).
- We model in ~13% QoQ increase in opex as branch expansion is expected to gain momentum and employee costs have very little room to fall further. We expect NPA provisions to stay high in 4QFY10 as well despite slippages falling as the bank is likely to make higher provisions to reach 70% PCR.
- Excluding subsidiaries, the stock trades at 2x FY11E ABV and 1.8x FY12E ABV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	78,918	78,350	78,361	75,297	71,334	66,569	60,896	61,693	310,926	260,492
Interest Expense	58,021	56,874	58,457	53,909	51,482	46,209	40,315	40,208	227,259	178,213
Net Interest Income	**20,898**	**21,476**	**19,904**	**21,388**	**19,853**	**20,361**	**20,581**	**21,485**	**83,666**	**82,279**
% Change (Y-o-Y)	*41.3*	*20.2*	*1.6*	*2.9*	*-5.0*	*-5.2*	*3.4*	*0.5*	*14.5*	*-1.7*
Other Income	15,382	18,773	25,145	16,737	20,899	18,238	16,731	14,706	76,038	70,574
Net Income	**36,279**	**40,250**	**45,050**	**38,125**	**40,751**	**38,599**	**37,312**	**36,191**	**159,704**	**152,853**
Operating Expenses	19,136	17,400	17,341	16,571	15,460	14,245	13,624	15,418	70,451	58,747
Operating Profit	**17,144**	**22,849**	**27,708**	**21,555**	**25,291**	**24,353**	**23,688**	**20,773**	**89,253**	**94,106**
% Change (Y-o-Y)	*12.5*	*21.1*	*22.7*	*-5.9*	*47.5*	*6.6*	*-14.5*	*-3.6*	*12.1*	*5.4*
Other Provisions	7,925	9,235	10,077	10,845	13,237	10,713	10,022	9,423	38,083	43,394
Profit before Tax	**9,219**	**13,614**	**17,631**	**10,709**	**12,055**	**13,640**	**13,667**	**11,350**	**51,171**	**50,712**
Tax Provisions	1,935	3,472	4,910	3,272	3,273	3,239	2,656	2,750	13,588	11,917
Net Profit	**7,283**	**10,142**	**12,722**	**7,438**	**8,782**	**10,401**	**11,011**	**8,600**	**37,582**	**38,794**
% Change (Y-o-Y)	*-6.0*	*1.2*	*3.4*	*-35.3*	*20.6*	*2.6*	*-13.4*	*15.6*	*-9.6*	*3.2*
Interest Exp/Interest Income (%)	*73.5*	*72.6*	*74.6*	*71.6*	*72.2*	*69.4*	*66.2*	*65.2*	*73.1*	*68.4*
Other Income/Net Income (%)	*42.4*	*46.6*	*55.8*	*43.9*	*51.3*	*47.3*	*44.8*	*40.6*	*47.6*	*46.2*
Cost/Income Ratio (%)	*52.7*	*43.2*	*38.5*	*43.5*	*37.9*	*36.9*	*36.5*	*42.6*	*44.1*	*38.4*
Provisions/Operating Profits (%)	*46.2*	*40.4*	*36.4*	*50.3*	*52.3*	*44.0*	*42.3*	*45.4*	*42.7*	*46.1*
Tax Rate (%)	*21.0*	*25.5*	*27.8*	*30.5*	*27.1*	*23.7*	*19.4*	*24.2*	*26.6*	*23.5*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

IDFC

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	IDFC IN
	REUTERS CODE
S&P CNX: 5,262	IDFC.BO

Equity Shares (m)	1,295.3
52 Week Range (Rs)	180/52
1,6,12 Rel Perf (%)	-5 / 9 / 115
Mcap (Rs b)	210.4
Mcap (USD b)	4.7

30 March 2010

Neutral

Previous Recommendation: Neutral — Rs162

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROA (%)
3/09A	15,556	7,498	5.8	1.0	28.1	3.4	12.7	2.6
3/10E	20,360	10,919	8.4	45.6	19.3	3.0	16.5	3.5
3/11E	23,754	12,753	9.8	16.8	16.5	2.6	16.9	3.5
3/12E	27,609	15,113	11.7	18.5	13.9	2.3	17.5	3.5

Adjusted for Goodwill, Investment in subsidiaries and NPA, prices adjusted for other ventures

- Overall NII growth will be driven by infrastructure loans. We estimate NII growth of 14% YoY on a higher base. We expect stable sequential margins as excess liquidity will be used to grow loans.
- We expect IDFC to book higher trading profits of Rs560m in 4QFY10 against Rs300m a year earlier due to strong capital markets. But on a QoQ basis, capital gains will be lower as the base is high.
- We expect investment banking fees and brokerage income to rise QoQ due to strong capital markets.
- Operating expenses are likely to be higher on a QoQ basis due to higher provisions for employee expenses.
- Excluding subsidiaries, the stock trades at 2.6x FY11E BV and 2.3x FY12E BV (BV adjusted for NPA and investment in subsidiaries). Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
NII	**2,160**	**2,028**	**2,583**	**2,561**	**2,475**	**2,770**	**2,790**	**2,929**	**9,332**	**10,965**
% Change (Y-o-Y)	*61*	*3*	*51*	*32*	*15*	*37*	*8*	*14*	*34*	*18*
Infra Loans	1,770	1,790	2,070	1,950	2,190	2,520	2,600	2,729	7,580	10,039
Treasury	390	238	513	611	285	250	190	200	1,752	925
Fees	**1,010**	**1,358**	**723**	**1,301**	**1,535**	**1,698**	**1,350**	**1,748**	**4,392**	**6,331**
Asset Management	180	590	480	780	720	690	680	877	2,030	2,967
SSKI	370	350	130	300	350	630	340	420	1,150	1,740
Loan Related/Others	460	418	113	221	465	378	330	451	1,212	1,624
Principal Investments	640	890	10	300	680	610	1,050	560	1,840	2,900
Other Income	19	68	33	(16)	23	145	5	27	104	200
Net Income	**3,828**	**4,343**	**3,350**	**4,146**	**4,714**	**5,223**	**5,194**	**5,265**	**15,563**	**20,196**
% Change (Y-o-Y)	*28*	*33*	*(8)*	*24*	*23*	*20*	*55*	*27*	*17*	*30*
Operating Expenses	769	929	663	1,305	1,026	1,097	1,091	1,356	3,665	4,570
Operating Profit	**3,059**	**3,414**	**2,687**	**2,842**	**3,688**	**4,126**	**4,103**	**3,909**	**11,898**	**15,626**
% Change (Y-o-Y)	*23*	*23*	*(11)*	*16*	*21*	*21*	*53*	*38*	*11*	*31*
Provisions	199	148	34	1,151	(66)	242	424	397	1,532	997
PBT	**2,861**	**3,266**	**2,653**	**1,690**	**3,754**	**3,884**	**3,679**	**3,512**	**10,471**	**14,828**
Tax	685	833	810	454	973	975	979	946	2,782	3,874
PAT	**2,176**	**2,434**	**1,843**	**1,237**	**2,780**	**2,908**	**2,700**	**2,567**	**7,689**	**10,955**
Less: Consol Adjustments	9	111	(3)	74	56	(10)	1	11	191	58
Consol PAT	**2,167**	**2,323**	**1,846**	**1,162**	**2,724**	**2,918**	**2,699**	**2,578**	**7,498**	**10,919**
% Change (Y-o-Y)	*20*	*19*	*(15)*	*(24)*	*26*	*26*	*46*	*122*	*1*	*46*

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

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Indian Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	INBK IN
	REUTERS CODE
S&P CNX: 5,262	INBA.BO

Equity Shares (m)	429.8
52 Week Range (Rs)	196/78
1,6,12 Rel Perf (%)	-1 / 4 / 31
Mcap (Rs b)	74.9
Mcap (USD b)	1.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs174

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	36,440	12,453	29.0	23.5	6.0	1.4	14.0	24.8	1.6	1.4
3/10E	43,994	15,409	35.9	23.7	4.9	1.1	13.8	25.3	1.7	1.1
3/11E	49,518	15,898	37.0	3.2	4.7	1.0	13.4	21.8	1.4	1.0
3/12E	57,008	18,346	42.7	15.4	4.1	0.8	13.1	21.4	1.4	0.8

- We expect NII to grow at ~32% YoY and to be largely flat QoQ (on a higher base). We expect, deposit growth to moderate and loan growth to pick up compared with earlier quarters, leading to improved CD ratio.
- Other income is expected to decline YoY due to lower treasury gains in the current quarter compared with Rs1b in 4QFY09. Fee income growth is expected to grow ~10% YoY in 4QFY10.
- We expect a QoQ fall in operating costs as in 3QFY10 the bank made an ad hoc provision of Rs350m towards wage revision. We expect pension provision of Rs230m to continue in the current quarter.
- We continue to estimate higher NPA provisions in our numbers considering the high restructured loans (~9% of loan). Positive surprises are possible as its reported gross and net NPA ratio of 0.9% and 0.2%, remain the best in the industry. We expect MTM provisions due to hardening of G-Sec yield (against this, depreciation on investment was nil in 3QFY10 and had write-back of Rs446m in 4QFY09).
- The stock trades at 1x FY11E BV and 0.8x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	15,018	16,882	17,840	18,564	18,802	19,372	20,148	20,649	68,303	78,971
Interest Expense	9,623	10,063	10,644	11,888	11,426	11,780	11,418	11,842	42,218	46,466
Net Interest Income	**5,395**	**6,818**	**7,196**	**6,676**	**7,377**	**7,591**	**8,730**	**8,807**	**26,085**	**32,505**
% Change (Y-o-Y)	*11.7*	*44.7*	*24.6*	*27.7*	*36.7*	*11.3*	*21.3*	*31.9*	*27.0*	*24.6*
Other Income	2,432	2,128	2,873	2,921	3,502	2,372	2,935	2,680	10,354	11,489
Net Income	**7,827**	**8,946**	**10,069**	**9,597**	**10,878**	**9,963**	**11,665**	**11,487**	**36,440**	**43,994**
Operating Expenses	3,461	3,618	3,833	3,239	4,573	4,425	4,758	4,591	14,151	18,348
Operating Profit	**4,366**	**5,328**	**6,237**	**6,357**	**6,305**	**5,539**	**6,907**	**6,896**	**22,288**	**25,646**
% Change (Y-o-Y)	*32.4*	*55.1*	*34.6*	*21.6*	*44.4*	*4.0*	*10.7*	*8.5*	*19.1*	*20.7*
Other Provisions	1,690	1,089	1,410	243	1,209	293	320	1,163	4,427	2,985
Profit before Tax	**2,676**	**4,239**	**4,827**	**6,114**	**5,096**	**5,246**	**6,586**	**5,732**	**17,861**	**22,661**
Tax Provisions	500	1,409	1,320	2,173	1,780	1,526	2,172	1,773	5,408	7,251
Net Profit	**2,176**	**2,829**	**3,507**	**3,941**	**3,317**	**3,720**	**4,414**	**3,959**	**12,453**	**15,409**
% Change (Y-o-Y)	*2.6*	*14.3*	*14.0*	*63.1*	*52.4*	*31.5*	*25.9*	*0.5*	*23.5*	*23.7*
Interest Exp/Interest Income (%)	*64.1*	*59.6*	*59.7*	*64.0*	*60.8*	*60.8*	*56.7*	*57.3*	*61.8*	*58.8*
Other Income/Net Income (%)	*31.1*	*23.8*	*28.5*	*30.4*	*32.2*	*23.8*	*25.2*	*23.3*	*28.4*	*26.1*
Cost/Income Ratio (%)	*44.2*	*40.4*	*38.1*	*33.8*	*42.0*	*44.4*	*40.8*	*40.0*	*38.8*	*41.7*
Provisions/Operating Profits (%)	*38.7*	*20.4*	*22.6*	*3.8*	*19.2*	*5.3*	*4.6*	*16.9*	*19.9*	*11.6*
Tax Rate (%)	*18.7*	*33.3*	*27.3*	*35.5*	*34.9*	*29.1*	*33.0*	*30.9*	*30.3*	*32.0*

E: MOSL Estimates

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Jammu & Kashmir Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	JKBK IN
	REUTERS CODE
S&P CNX: 5,262	JKBK.BO

Equity Shares (m)	48.5
52 Week Range (Rs)	706/265
1,6,12 Rel Perf (%)	-1 / 10 / 38
Mcap (Rs b)	32.0
Mcap (USD b)	0.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs659

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E* (X)	P/BV* (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV* (X)
3/09A	12,453	4,098	84.5	13.8	6.6	1.2	14.5	16.6	1.2	1.3
3/10E	15,171	5,270	108.7	28.6	5.2	1.0	14.8	18.6	1.4	1.0
3/11E	16,477	5,712	117.8	8.4	4.8	0.8	14.5	17.6	1.4	0.9
3/12E	18,774	7,104	146.5	24.4	3.8	0.7	14.0	19.0	1.5	0.7

** BV adjusted for metlife stake, prices adjusted for met life value*

- We expect NII to grow 21% YoY and 4% QoQ. Margins are expected to remain stable QoQ.
- Non-interest income is expected to decline YoY and QoQ due to lower trading profits. Fee and insurance brokerage income is expected to show good traction.
- We expect a higher provision charge during the quarter due to an MTM provisions on the investment portfolio. 4QFY09 had a restructuring provision of Rs130m.
- While we expect PBT to grow by 31% YoY; PAT growth is likely to be higher at ~70% due to higher tax rate of 49% in 4QFY09.
- The stock trades at P/BV of 0.8x FY11E and 0.7x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	6,514	7,478	8,000	7,889	7,754	7,463	7,616	7,901	29,881	30,733
Interest Expense	4,252	4,865	5,379	5,383	5,094	4,944	4,681	4,864	19,879	19,582
Net Interest Income	**2,263**	**2,613**	**2,621**	**2,506**	**2,660**	**2,519**	**2,935**	**3,038**	**10,003**	**11,151**
% Change (Y-o-Y)	*19.3*	*33.9*	*30.2*	*11.7*	*17.6*	*-3.6*	*12.0*	*21.2*	*23.4*	*11.5*
Other Income	649	411	394	997	1,157	1,012	958	893	2,451	4,020
Net Income	**2,911**	**3,024**	**3,015**	**3,503**	**3,817**	**3,531**	**3,893**	**3,930**	**12,453**	**15,171**
Operating Expenses	1,096	1,148	1,145	1,320	1,222	1,318	1,447	1,481	4,709	5,468
Operating Profit	**1,815**	**1,876**	**1,870**	**2,184**	**2,595**	**2,213**	**2,446**	**2,449**	**7,745**	**9,703**
% Change (Y-o-Y)	*38.4*	*25.2*	*11.4*	*7.6*	*43.0*	*18.0*	*30.8*	*12.2*	*18.8*	*25.3*
Other Provisions	414	243	120	646	803	166	307	443	1,424	1,719
Profit before Tax	**1,401**	**1,633**	**1,750**	**1,538**	**1,792**	**2,048**	**2,138**	**2,006**	**6,321**	**7,984**
Tax Provisions	455	474	543	751	592	705	739	679	2,223	2,715
Net Profit	**946**	**1,159**	**1,207**	**787**	**1,200**	**1,343**	**1,400**	**1,327**	**4,098**	**5,270**
% Change (Y-o-Y)	*13.6*	*7.5*	*10.6*	*31.6*	*26.9*	*15.8*	*16.0*	*68.7*	*13.8*	*28.6*
Interest Exp/Interest Income (%)	*65.3*	*65.1*	*67.2*	*68.2*	*65.7*	*66.2*	*61.5*	*61.6*	*66.5*	*63.7*
Other Income/Net Income (%)	*22.3*	*13.6*	*13.1*	*28.5*	*30.3*	*28.7*	*24.6*	*22.7*	*19.7*	*26.5*
Cost/Income Ratio (%)	*37.7*	*38.0*	*38.0*	*37.7*	*32.0*	*37.3*	*37.2*	*37.7*	*37.8*	*36.0*
Provisions/Operating Profits (%)	*22.8*	*12.9*	*6.4*	*29.6*	*30.9*	*7.5*	*12.6*	*18.1*	*18.4*	*17.7*
Tax Rate (%)	*32.5*	*29.0*	*31.0*	*48.8*	*33.0*	*34.4*	*34.5*	*33.9*	*35.2*	*34.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

LIC Housing Finance

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	LICH IN
	REUTERS CODE
S&P CNX: 5,262	LICHF.BO

Equity Shares (m)	95.0
52 Week Range (Rs)	915/215
1,6,12 Rel Perf (%)	7 / 9 / 211
Mcap (Rs b)	81.8
Mcap (USD b)	1.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs861

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	8,867	5,316	62.5	37.3	13.8	3.3	26.2	2.0	3.3
3/10E	10,527	6,420	67.6	8.0	12.7	2.4	22.9	1.9	2.4
3/11E	13,678	8,037	84.6	25.2	10.2	2.1	22.0	1.8	2.1
3/12E	16,425	9,737	102.5	21.2	8.4	1.7	22.5	1.7	1.7

- Sanctions and disbursals are expected to show strong traction in 4QFY10. We expect loans to grow ~10% QoQ (~35% YoY).
- We expect NIM improvement of 10-15bp QoQ to 2.9% in 4QFY10 as repricing of wholesale borrowing will lead to a lower cost of funds. Strong loan growth and margin improvement will translate into net income growth of 19% QoQ (~24% YoY).
- Asset quality is expected to improve QoQ. We expect gross NPA ratio of less than 1% in 4QFY10. Provision coverage ratio is expected to improve to 65-70% with net NPA of ~0.3%.
- The stock trades at P/BV of 2.1x FY11E and 1.7x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Operating Income	6,197	7,042	7,651	7,905	7,802	8,349	8,782	9,730	28,802	34,663
Other Income	34	35	16	156	17	42	22	18	232	100
Total Income	**6,231**	**7,077**	**7,667**	**8,061**	**7,819**	**8,391**	**8,805**	**9,748**	**29,033**	**34,763**
Y-o-Y Growth (%)	*32.9*	*34.9*	*39.4*	*28.0*	*25.5*	*18.6*	*14.8*	*20.9*	*33.6*	*19.7*
Interest Expenses	4,441	4,951	5,345	5,429	5,709	5,979	6,057	6,493	20,166	24,236
Net Income	**1,789**	**2,127**	**2,322**	**2,631**	**2,110**	**2,413**	**2,748**	**3,256**	**8,867**	**10,527**
Operating Expenses	267	345	492	448	322	552	428	420	1,551	1,722
Operating Profit	**1,523**	**1,781**	**1,830**	**2,183**	**1,788**	**1,861**	**2,320**	**2,836**	**7,317**	**8,805**
Y-o-Y Growth (%)	*57.0*	*24.4*	*33.0*	*22.0*	*17.4*	*4.5*	*26.8*	*29.9*	*31.5*	*20.3*
Provisions and Cont.	97	-64	7	13	100	-417	158	109	53	-50
Profit before Tax	**1,426**	**1,846**	**1,822**	**2,170**	**1,688**	**2,278**	**2,162**	**2,727**	**7,264**	**8,855**
Tax Provisions	379	495	479	595	450	566	629	791	1,948	2,435
Net Profit	**1,047**	**1,351**	**1,343**	**1,576**	**1,238**	**1,712**	**1,533**	**1,936**	**5,316**	**6,420**
Y-o-Y Growth (%)	*124.1*	*16.1*	*26.7*	*33.4*	*18.3*	*26.8*	*14.1*	*22.9*	*37.3*	*20.8*
Int Exp/ Int Earned (%)	*71.7*	*70.3*	*69.9*	*68.7*	*73.2*	*71.6*	*69.0*	*66.7*	*70.0*	*69.9*
Other Income / Net Income (%)	*1.9*	*1.6*	*0.7*	*5.9*	*0.8*	*1.8*	*0.8*	*0.6*	*2.6*	*0.9*
Cost to Income Ratio (%)	*14.9*	*16.2*	*21.2*	*17.0*	*15.3*	*22.9*	*15.6*	*12.9*	*17.5*	*16.4*
Tax Rate (%)	*26.6*	*26.8*	*26.3*	*27.4*	*26.6*	*24.8*	*29.1*	*29.0*	*26.8*	*27.5*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Oriental Bank of Commerce

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	OBC IN
	REUTERS CODE
S&P CNX: 5,262	ORBC.BO

Equity Shares (m)	250.5
52 Week Range (Rs)	326/107
1,6,12 Rel Perf (%)	11 / 33 / 102
Mcap (Rs b)	81.2
Mcap (USD b)	1.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs324

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	30,678	9,054	36.1	7.7	9.0	1.3	13.0	14.8	0.9	1.3
3/10E	38,647	10,959	43.7	21.0	7.4	1.1	13.0	15.9	0.9	1.2
3/11E	43,530	12,141	48.5	10.8	6.7	1.0	12.4	15.5	0.8	1.0
3/12E	50,954	15,047	60.1	23.9	5.4	0.9	11.6	16.9	0.9	0.9

- On a lower base (NII declined 7% QoQ), NII will increase by 77% YoY to Rs8.2b. We expect margins to moderate sequentially. In 3QFY10, margins had improved 100bp QoQ to 3% due to repricing of bulk deposits.
- We expect 6% QoQ and 20% YoY growth in loans and deposit growth is expected to be 5% QoQ and 18% YoY.
- Non-interest income is expected to decline YoY and QoQ due to lower trading profit in 4QFY10. Fee income is expected to show a good traction YoY.
- We expect operating expenses to decline QoQ as in 3QFY10 the bank had booked an exceptional expense (wage revision) of Rs1.1b.
- Conservatively we expect the bank to make higher NPA provisions due to high restructured assets (~6.2% of the loan book)
- While we factor in PBT decline of 10% YoY, PAT is likely to grow 42% YoY. In 4QFY09, the tax rate was 57%, which we expect to be 33% in 4QFY10.
- The stock trades at P/BV of 1x FY11E and 0.9x of FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	19,537	21,495	24,028	23,481	24,042	24,958	26,716	27,088	88,565	102,804
Interest Expense	15,070	16,302	18,350	18,878	19,201	19,347	17,987	18,935	68,600	75,471
Net Interest Income	**4,467**	**5,193**	**5,678**	**4,603**	**4,842**	**5,611**	**8,729**	**8,152**	**19,965**	**27,333**
% Change (Y-o-Y)	*0.8*	*30.0*	*41.1*	*5.3*	*8.4*	*8.0*	*53.7*	*77.1*	*19.5*	*36.9*
Other Income	2,055	2,115	3,154	3,413	3,919	3,051	2,377	1,967	10,713	11,313
Net Income	**6,522**	**7,308**	**8,832**	**8,016**	**8,760**	**8,662**	**11,106**	**10,119**	**30,678**	**38,647**
Operating Expenses	2,985	3,241	4,970	2,633	3,591	3,612	4,878	3,955	13,828	16,036
Operating Profit	**3,537**	**4,067**	**3,862**	**5,383**	**5,169**	**5,049**	**6,228**	**6,164**	**16,850**	**22,610**
% Change (Y-o-Y)	*8.8*	*49.4*	*30.2*	*65.6*	*46.1*	*24.1*	*61.2*	*14.5*	*38.2*	*34.2*
Other Provisions	2,071	1,875	519	783	1,514	551	1,921	2,020	5,255	6,006
Profit before Tax	**1,466**	**2,192**	**3,343**	**4,600**	**3,656**	**4,498**	**4,307**	**4,144**	**11,595**	**16,604**
Tax Provisions	-739	-177	821	2,642	1,082	1,789	1,413	1,362	2,540	5,645
Net Profit	**2,206**	**2,369**	**2,522**	**1,958**	**2,574**	**2,709**	**2,894**	**2,782**	**9,054**	**10,959**
% Change (Y-o-Y)	*10.0*	*0.3*	*26.3*	*-4.3*	*16.7*	*14.3*	*14.8*	*42.1*	*7.7*	*21.0*
Interest Exp/Interest Income (%)	*77.1*	*75.8*	*76.4*	*80.4*	*79.9*	*77.5*	*67.3*	*69.9*	*77.5*	*73.4*
Other Income/Net Income (%)	*31.5*	*28.9*	*35.7*	*42.6*	*44.7*	*35.2*	*21.4*	*19.4*	*34.9*	*29.3*
Cost/Income Ratio (%)	*45.8*	*44.3*	*56.3*	*32.8*	*41.0*	*41.7*	*43.9*	*39.1*	*45.1*	*41.5*
Provisions/Operating Profits (%)	*58.5*	*46.1*	*13.4*	*14.5*	*29.3*	*10.9*	*30.8*	*32.8*	*31.2*	*26.6*
Tax Rate (%)	*-50.4*	*-8.1*	*24.6*	*57.4*	*29.6*	*39.8*	*32.8*	*32.9*	*21.9*	*34.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Punjab National Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	PNB IN
	REUTERS CODE
S&P CNX: 5,262	PNB.BO

Equity Shares (m)	315.3
52 Week Range (Rs)	1,017/382
1,6,12 Rel Perf (%)	5 / 24 / 70
Mcap (Rs b)	317.9
Mcap (USD b)	7.1

30 March 2010

Buy

Previous Recommendation: Buy Rs1,008

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	99,505	30,909	98.0	50.9	10.3	2.4	14.0	25.8	1.4	2.5
3/10E	118,940	38,630	122.5	25.0	8.2	2.0	13.2	26.4	1.5	2.0
3/11E	134,789	44,725	141.8	15.8	7.1	1.6	12.7	25.1	1.4	1.7
3/12E	155,375	52,731	167.2	17.9	6.0	1.3	12.1	24.5	1.4	1.4

- On a higher base of 4QFY09, we expect reported loan growth to come down to 18% YoY from 25% in 2QFY10 and 21% in 3QFY10. In 4QFY09, loans grew 9% QoQ. We expect loan growth of ~7% QoQ.
- Deposit growth is also expected to moderate to 17% v/s 24% reported in 2QFY10 and 19% in 3QFY10. In 4QFY09, deposits grew 6% QoQ and we expect them to grow ~5% QoQ in 4QFY10. NII is expected to grow 26% YoY and 3% QoQ.
- We have modeled a 10% YoY growth in fee income in 4QFY10 v/s 27% YoY growth in 9MFY10. We expect trading gains of Rs815m to be booked in 4QFY10 due to the UTIMF stake sale. As we factor in lower trading profits (ex UTI MF stake sale), other income will remain lower YoY.
- We are assuming higher NPA provision considering higher restructured portfolio. We expect an MTM loss on AFS portfolio to be ~Rs1b. In 3QFY10, the bank booked provisions on account of the agri debt waiver, which led to higher NPA costs.
- The stock trades at 1.6 x FY11E BV and 1.3x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	41,385	46,504	52,947	52,426	52,074	54,072	55,055	56,295	193,262	217,497
Interest Expense	26,937	29,382	33,274	33,360	33,456	33,123	31,764	32,233	122,953	130,577
Net Interest Income	**14,448**	**17,122**	**19,674**	**19,065**	**18,618**	**20,949**	**23,291**	**24,062**	**70,309**	**86,920**
% Change (Y-o-Y)	*11.0*	*32.6*	*38.1*	*25.7*	*28.9*	*22.4*	*18.4*	*26.2*	*27.0*	*23.6*
Other Income	4,561	6,628	9,452	8,556	9,702	6,686	7,310	8,322	29,197	32,020
Net Income	**19,009**	**23,750**	**29,126**	**27,621**	**28,320**	**27,636**	**30,601**	**32,384**	**99,505**	**118,940**
Operating Expenses	9,185	10,072	11,066	11,740	12,626	11,573	12,419	12,210	42,062	48,829
Operating Profit	**9,824**	**13,678**	**18,059**	**15,882**	**15,693**	**16,063**	**18,182**	**20,174**	**57,443**	**70,112**
% Change (Y-o-Y)	*5.3*	*60.0*	*82.2*	*29.5*	*59.7*	*17.4*	*0.7*	*27.0*	*43.4*	*22.1*
Other Provisions	2,105	3,177	1,813	2,678	3,018	2,160	2,819	3,585	9,774	11,582
Profit before Tax	**7,719**	**10,501**	**16,246**	**13,203**	**12,676**	**13,903**	**15,363**	**16,589**	**47,669**	**58,530**
Tax Provisions	2,595	3,430	6,188	4,548	4,355	4,634	5,250	5,662	16,760	19,900
Net Profit	**5,124**	**7,071**	**10,058**	**8,656**	**8,321**	**9,270**	**10,113**	**10,927**	**30,909**	**38,630**
% Change (Y-o-Y)	*20.5*	*31.3*	*85.8*	*59.2*	*62.4*	*31.1*	*0.5*	*26.2*	*50.9*	*25.0*
Interest Exp/Interest Income (%)	*65.1*	*63.2*	*62.8*	*63.6*	*64.2*	*61.3*	*57.7*	*57.3*	*63.6*	*60.0*
Other Income/Net Income (%)	*24.0*	*27.9*	*32.5*	*31.0*	*34.3*	*24.2*	*23.9*	*25.7*	*29.3*	*26.9*
Cost/Income Ratio (%)	*48.3*	*42.4*	*38.0*	*42.5*	*44.6*	*41.9*	*40.6*	*37.7*	*42.3*	*41.1*
Provisions/Operating Profits (%)	*21.4*	*23.2*	*10.0*	*16.9*	*19.2*	*13.4*	*15.5*	*17.8*	*17.0*	*16.5*
Tax Rate (%)	*33.6*	*32.7*	*38.1*	*34.4*	*34.4*	*33.3*	*34.2*	*34.1*	*35.2*	*34.0*

E: MOSL Estimates; Quarterly and Annual numbers may not tally due to reclassification

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Shriram Transport Finance

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SHTF IN
	REUTERS CODE
S&P CNX: 5,262	SRTR.BO

Equity Shares (m)	223.2
52 Week Range (Rs)	555/178
1,6,12 Rel Perf (%)	7 / 35 / 103
Mcap (Rs b)	116.8
Mcap (USD b)	2.6

30 March 2010

Buy

Previous Recommendation: Buy

Rs523

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	17,535	6,124	30.1	56.8	17.4	4.7	30.3	2.8	4.8
3/10E	22,265	8,578	38.4	27.7	13.6	3.1	28.5	3.2	3.2
3/11E	28,030	10,860	48.7	26.6	10.8	2.5	25.9	3.5	2.6
3/12E	34,521	13,431	60.2	23.7	8.7	2.1	26.1	3.6	2.1

- Total income is expected to increase 26% YoY (6% QoQ), due to pick up in loan disbursement (21% YTD growth in AUM in 9MFY10) and strong traction in fee based income.
- We expect NII to grow 24% YoY and 4% QoQ. As on 3QFY10, STF had liquid funds of Rs60b (~21% of assets), which will result in lower incremental borrowings in 4QFY10. We expect margins to improve QoQ. Operating profit is expected to increase 53% YoY (5% QoQ).
- Conservatively we are assuming higher NPA provisions for STF at Rs1.1b (up 5% QoQ and up 30% YoY). Considering improved outlook on asset quality and comfortable provision coverage ratio at 70%, NPA provisions can surprise us positively.
- Net profit is expected to grow ~62% YoY (5% QoQ). Strong delta in PAT comes from the superior margins and higher fee income contribution
- The stock trades at 2.5x FY11E BV and 2.1x FY12E BV with RoE at ~26% over FY10-12. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	7,456	8,264	8,925	8,877	9,135	9,500	10,256	10,906	33,208	39,797
Interest Expenses	4,227	4,580	5,542	5,061	5,384	5,248	5,708	6,166	19,777	22,506
Net Interest Income	**3,229**	**3,684**	**3,383**	**3,816**	**3,751**	**4,252**	**4,548**	**4,741**	**13,432**	**17,291**
Y-o-Y Growth (%)	*50.4*	*54.9*	*25.9*	*19.7*	*16.2*	*15.4*	*34.4*	*24.2*	*35.6*	*28.7*
Securitization and Fee Income	876	743	850	706	1,037	1,044	1,208	1,247	3,390	4,537
Other Income	74	83	81	161	85	118	94	140	713	437
Net Income	**4,180**	**4,510**	**4,314**	**4,683**	**4,873**	**5,414**	**5,850**	**6,128**	**17,535**	**22,265**
Operating Expenses	1,278	1,396	1,293	1,512	1,455	1,230	1,250	1,282	5,271	5,216
Operating Profit	**2,902**	**3,114**	**3,021**	**3,170**	**3,418**	**4,185**	**4,601**	**4,846**	**12,264**	**17,050**
Y-o-Y Growth (%)	*65.7*	*55.0*	*38.8*	*22.4*	*17.8*	*34.4*	*52.3*	*52.9*	*43.9*	*39.0*
Provisions	695	735	752	820	949	1,122	1,014	1,066	3,057	4,150
Profit before Tax	**2,207**	**2,379**	**2,269**	**2,351**	**2,469**	**3,063**	**3,587**	**3,780**	**9,206**	**12,900**
Tax Provisions	771	723	776	812	825	988	1,219	1,289	3,082	4,321
Net Profit	**1,436**	**1,656**	**1,493**	**1,539**	**1,644**	**2,075**	**2,368**	**2,492**	**6,124**	**8,578**
Y-o-Y Growth (%)	*91.6*	*79.4*	*34.9*	*37.5*	*14.5*	*25.3*	*58.6*	*61.9*	*57.1*	*40.1*
Int Exp/ Int Earned (%)	*56.7*	*55.4*	*62.1*	*57.0*	*58.9*	*55.2*	*55.7*	*56.5*	*59.6*	*56.6*
Securitization Income / Net Inc. (%)	*21.0*	*16.5*	*19.7*	*15.1*	*21.3*	*19.3*	*20.7*	*20.4*	*19.3*	*20.4*
Cost to Income Ratio (%)	*30.6*	*31.0*	*30.0*	*32.3*	*29.9*	*22.7*	*21.4*	*20.9*	*30.1*	*23.4*
Tax Rate (%)	*34.9*	*30.4*	*34.2*	*34.5*	*33.4*	*32.3*	*34.0*	*34.1*	*33.5*	*33.5*

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

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South Indian Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SIB IN
	REUTERS CODE
S&P CNX: 5,262	SIBK.BO

Equity Shares (m)	113.0
52 Week Range (Rs)	178/51
1,6,12 Rel Perf (%)	15 / 39 / 156
Mcap (Rs b)	19.9
Mcap (USD b)	0.4

30 March 2010 — **Buy**

Previous Recommendation: Buy — Rs176

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	6,872	1,948	17.2	4.6	10.2	1.5	14.8	15.8	1.0	1.6
3/10E	8,773	2,618	23.2	34.4	7.6	1.3	15.3	18.6	1.2	1.4
3/11E	10,373	2,967	26.3	13.3	6.7	1.1	14.0	18.3	1.1	1.2
3/12E	12,313	3,594	31.8	21.1	5.5	1.0	12.5	19.3	1.1	1.0

- We expect strong business growth in 4QFY10 with advances to grow 28% YoY and deposits to grow 18%. NII is expected to grow ~23% YoY (6% QoQ) due to strong loan growth and stable margins QoQ.
- We expect other income to decline in the quarter due to lower trading gains. But fee income (including forex) is expected to show good traction (30% YoY and 14% QoQ) on a lower base.
- We expect higher provision charge due to 1) MTM provisions on the AFS investment portfolio, and 2) conservatively assuming higher NPA provisions.
- While the PBT is expected to grow 18% YoY, PAT is expected grow 33% YoY. The tax rate in 4QFY09 was 39%, which we expect will be 31% in 4QFY10
- The stock trades at 1.1x FY11E BV and 1x FY12E BV with RoE 18-19%. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	3,716	4,036	4,414	4,730	4,653	4,689	4,878	5,182	16,869	19,401
Interest Expense	2,688	2,750	2,953	3,250	3,128	3,037	3,160	3,359	11,640	12,684
Net Interest Income	**1,028**	**1,286**	**1,462**	**1,480**	**1,524**	**1,652**	**1,718**	**1,823**	**5,229**	**6,717**
% Change (Y-o-Y)	*10.8*	*49.5*	*57.8*	*41.3*	*48.3*	*28.5*	*17.5*	*23.1*	*39.0*	*28.5*
Other Income	343	363	465	443	560	655	431	410	1,643	2,056
Net Income	**1,371**	**1,649**	**1,926**	**1,923**	**2,084**	**2,307**	**2,149**	**2,233**	**6,872**	**8,773**
% Change (Y-o-Y)	*12.8*	*30.5*	*44.3*	*40.1*	*52.1*	*39.9*	*11.6*	*16.1*	*32.5*	*27.7*
Operating Expenses	677	719	925	962	1,015	968	967	966	3,285	3,916
Operating Profit	**694**	**930**	**1,001**	**962**	**1,069**	**1,339**	**1,182**	**1,267**	**3,587**	**4,857**
% Change (Y-o-Y)	*28.9*	*37.0*	*46.6*	*14.5*	*54.1*	*44.0*	*18.0*	*31.7*	*32.5*	*35.4*
Other Provisions	107	144	178	145	104	165	195	303	573	767
Profit before Tax	**587**	**786**	**823**	**817**	**965**	**1,174**	**987**	**964**	**3,014**	**4,090**
Tax Provisions	201	269	281	315	364	448	363	298	1,066	1,472
Net Profit	**386**	**517**	**542**	**503**	**601**	**726**	**625**	**666**	**1,948**	**2,618**
% Change (Y-o-Y)	*25.3*	*44.9*	*33.2*	*12.1*	*55.6*	*40.3*	*15.2*	*32.6*	*28.4*	*34.4*
Interest Exp./Interest Income (%)	*72.3*	*68.1*	*66.9*	*68.7*	*67.2*	*64.8*	*64.8*	*64.8*	*69.0*	*65.4*
Other Income/Net Income (%)	*25.0*	*22.0*	*24.1*	*23.0*	*26.9*	*28.4*	*20.1*	*18.4*	*23.9*	*23.4*
Cost to Income Ratio (%)	*49.4*	*43.6*	*48.0*	*50.0*	*48.7*	*42.0*	*45.0*	*43.3*	*47.8*	*44.6*
Provisions/Operating Profits (%)	*15.4*	*15.4*	*17.8*	*15.0*	*9.8*	*12.3*	*16.5*	*23.9*	*16.0*	*15.8*
Tax Rate (%)	*34.2*	*34.2*	*34.1*	*38.5*	*37.7*	*38.2*	*36.7*	*30.9*	*35.4*	*36.0*

E: MOSL Estimates

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State Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SBIN IN
	REUTERS CODE
S&P CNX: 5,262	SBI.BO

Equity Shares (m)	634.9
52 Week Range (Rs)	2,500/980
1,6,12 Rel Perf (%)	-2 / -8 / 20
Mcap (Rs b)	1321.9
Mcap (USD b)	29.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs2,082

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	CON.EPS (RS)	CON. P/E (X)	CON. P/BV (X)	CON. P/ABV (X)	CAR (%)	ROAE (%)	ROAA (%)
3/09A	335,648	91,221	143.7	178.4	11.0	1.7	1.9	14.3	17.1	1.1
3/10E	380,526	100,407	158.2	201.5	9.7	1.5	1.7	13.3	16.3	1.0
3/11E	456,132	108,433	170.8	218.9	9.0	1.3	1.4	13.0	15.5	0.9
3/12E	541,036	145,970	229.9	288.2	6.8	1.1	1.2	13.6	18.4	1.1

** valuation multiples are adjusted for SBI Life*

- We expect loans to grow 18% YoY and ~7% QoQ. Deposit growth is expected to be calibrated with loan growth. We expect CD ratio to improve QoQ.
- We expect margins to improve QoQ from 2.66% (adjusted) in 3QFY10 due to continued benefit of deposits repricing and CD ratio expansion. We expect NII to grow ~33% YoY on a lower base. We expect NII to grow by just 2% QoQ as the bank booked interest income on IT refund of Rs3.6b in NII. On an adjusted basis, we expect NII to grow 8% QoQ.
- In 9MFY10, core CEB grew 46% YoY to Rs61.6b. In 4QFY10, on a higher base fee income is expected to be flattish. For FY10, we expect core CEB to grow ~23% YoY.
- We expect a higher provision charge due to higher provision for NPAs (modeled ~Rs12.5b v/s Rs4.4b in 3QFY10 and Rs11.8b in 4QFY09) and higher MTM provisions on investments.
- The stock trades at 1.4x FY11E and 1.2x FY12E consolidated ABV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	137,992	155,665	180,303	173,424	174,728	177,759	177,797	180,501	637,884	710,785
Interest Expense	89,815	101,112	122,722	125,005	124,479	121,671	114,634	115,905	429,144	476,688
Net Interest Income	**48,177**	**54,554**	**57,582**	**48,419**	**50,249**	**56,088**	**63,163**	**64,597**	**208,740**	**234,097**
% Change (Y-o-Y)	*14.7*	*45.0*	*35.3*	*0.9*	*4.3*	*2.8*	*9.7*	*33.4*	*22.6*	*12.1*
Other Income	24,039	23,431	32,256	47,182	35,688	35,252	33,657	41,833	126,908	146,429
Net Income	**72,215**	**77,985**	**89,838**	**95,602**	**85,936**	**91,340**	**96,820**	**106,430**	**335,648**	**380,526**
Operating Expenses	32,592	36,053	45,011	42,831	49,198	42,990	50,639	48,728	156,487	191,554
Operating Profit	**39,623**	**41,932**	**44,826**	**52,771**	**36,739**	**48,350**	**46,181**	**57,701**	**179,161**	**188,972**
% Change (Y-o-Y)	*67.8*	*54.5*	*22.5*	*20.7*	*-7.3*	*15.3*	*3.0*	*9.3*	*36.7*	*5.5*
Other Provisions	15,495	6,106	1,968	13,777	1,727	10,161	8,566	16,386	37,346	36,840
Profit before Tax	**24,129**	**35,826**	**42,858**	**38,994**	**35,011**	**38,190**	**37,615**	**41,316**	**141,815**	**152,132**
Tax Provisions	7,721	13,229	18,074	11,571	11,708	13,289	12,825	13,903	50,594	51,725
Net Profit	**16,408**	**22,597**	**24,784**	**27,423**	**23,304**	**24,900**	**24,791**	**27,412**	**91,221**	**100,407**
% Change (Y-o-Y)	*15.1*	*40.2*	*37.0*	*45.6*	*42.0*	*10.2*	*0.0*	*0.0*	*35.6*	*10.1*
Interest Exp/Interest Income (%)	*65.1*	*65.0*	*68.1*	*72.1*	*71.2*	*68.4*	*64.5*	*64.2*	*67.3*	*67.1*
Other Income/Net Income (%)	*33.3*	*30.0*	*35.9*	*49.4*	*41.5*	*38.6*	*34.8*	*39.3*	*37.8*	*38.5*
Cost/Income Ratio (%)	*45.1*	*46.2*	*50.1*	*44.8*	*57.2*	*47.1*	*52.3*	*45.8*	*46.6*	*50.3*
Provisions/Operating Profits (%)	*39.1*	*14.6*	*4.4*	*26.1*	*4.7*	*21.0*	*18.5*	*28.4*	*20.8*	*19.5*
Tax Rate (%)	*32.0*	*36.9*	*42.2*	*29.7*	*33.4*	*34.8*	*34.1*	*33.7*	*35.7*	*34.0*

E: MOSL Estimates

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Union Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	UNBK IN
	REUTERS CODE
S&P CNX: 5,262	UNBK.BO

Equity Shares (m)	505.1
52 Week Range (Rs)	299/130
1,6,12 Rel Perf (%)	8 / 21 / 24
Mcap (Rs b)	149.4
Mcap (USD b)	3.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs296

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	52,961	17,266	34.2	24.5	8.7	2.1	13.3	27.2	1.2	2.2
3/10E	59,999	20,414	40.4	18.2	7.3	1.7	12.6	25.9	1.2	1.8
3/11E	72,462	24,995	49.5	22.4	6.0	1.4	12.4	25.7	1.2	1.5
3/12E	85,106	29,078	57.6	16.3	5.1	1.1	12.2	24.4	1.2	1.2

- We expect 4QFY10 loan growth of ~16% YoY and deposit growth of ~20% YoY against 15% and 17% respectively in 3QFY10. On a QoQ basis we expect loans and deposits to grow by 7% and 10% respectively.
- On a lower base, we expect NII to grow 33% YoY (16% QoQ) led by margin expansion due to deposit repricing and an improving loan growth.
- We model in core fee income growth of 15% YoY in 4QFY10 due to the bank's increased thrust on scaling up traditional non-fund based revenue. Overall, other income is expected to decline by 12% led by lower trading profits.
- Considering asset quality deterioration in 3QFY10, we are conservatively estimating higher provision for NPAs compared with earlier quarters. We also expect higher MTM provision on investments in the quarter.
- The stock trades at 1.4x FY11E and 1.1x FY12E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	25,123	28,290	32,584	32,897	31,753	32,056	32,936	34,900	118,894	131,644
Interest Expense	17,232	18,560	21,333	23,633	23,737	23,420	22,289	22,584	80,758	92,031
Net Interest Income	**7,891**	**9,730**	**11,251**	**9,264**	**8,016**	**8,636**	**10,647**	**12,316**	**38,136**	**39,613**
% Change (Y-o-Y)	*7.5*	*48.2*	*62.7*	*20.1*	*1.6*	*-11.2*	*-5.4*	*32.9*	*33.6*	*3.9*
Other Income	2,426	2,856	3,954	5,590	5,287	5,553	4,648	4,898	14,826	20,386
Net Income	**10,317**	**12,586**	**15,204**	**14,854**	**13,303**	**14,189**	**15,294**	**17,214**	**52,961**	**59,999**
Operating Expenses	4,157	5,589	6,656	5,740	5,429	6,086	6,152	5,990	22,141	23,657
Operating Profit	**6,160**	**6,997**	**8,548**	**9,115**	**7,875**	**8,103**	**9,142**	**11,224**	**30,820**	**36,342**
% Change (Y-o-Y)	*17.3*	*32.4*	*34.4*	*2.3*	*27.8*	*15.8*	*7.0*	*23.1*	*19.4*	*17.9*
Other Provisions	2,957	2,033	-449	2,834	1,903	1,350	1,611	3,126	7,375	7,990
Profit before Tax	**3,203**	**4,965**	**8,997**	**6,281**	**5,972**	**6,753**	**7,531**	**8,098**	**23,446**	**28,352**
Tax Provisions	920	1,350	2,280	1,630	1,550	1,700	2,190	2,499	6,180	7,939
Net Profit	**2,283**	**3,615**	**6,717**	**4,651**	**4,422**	**5,053**	**5,341**	**5,599**	**17,266**	**20,414**
% Change (Y-o-Y)	*1.6*	*31.1*	*83.8*	*-10.8*	*93.7*	*39.8*	*-20.5*	*20.4*	*24.5*	*18.2*
Interest Exp/Interest Income (%)	*68.6*	*65.6*	*65.5*	*71.8*	*74.8*	*73.1*	*67.7*	*64.7*	*67.9*	*69.9*
Other Income/Net Income (%)	*23.5*	*22.7*	*26.0*	*37.6*	*39.7*	*39.1*	*30.4*	*28.5*	*28.0*	*34.0*
Cost/Income Ratio (%)	*40.3*	*44.4*	*43.8*	*38.6*	*40.8*	*42.9*	*40.2*	*34.8*	*41.8*	*39.4*
Provisions/Operating Profits (%)	*48.0*	*29.0*	*-5.3*	*31.1*	*24.2*	*16.7*	*17.6*	*27.9*	*23.9*	*22.0*
Tax Rate (%)	*28.7*	*27.2*	*25.3*	*26.0*	*26.0*	*25.2*	*29.1*	*30.9*	*26.4*	*28.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Yes Bank

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	YES IN
	REUTERS CODE
S&P CNX: 5,262	YESB.BO

Equity Shares (m)	335.3
52 Week Range (Rs)	288/48
1,6,12 Rel Perf (%)	1 / 23 / 330
Mcap (Rs b)	86.1
Mcap (USD b)	1.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs257

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV (X)
3/09A	9,462	3,038	10.2	51.3	25.1	4.7	16.6	20.6	1.5	4.8
3/10E	13,383	4,722	14.1	37.6	18.2	2.8	19.1	19.9	1.7	2.8
3/11E	18,737	6,102	18.2	29.2	14.1	2.3	16.4	17.9	1.6	2.3
3/12E	24,202	7,635	22.8	25.1	11.3	1.9	14.3	18.6	1.5	1.9

- We expect NII growth of 55% due to strong loan growth and margin expansion YoY (led by falling cost of funds). On a QoQ basis NII is expected to grow ~14%. The benefit of capital raising (Rs10b) will also help to improve margins
- Non-interest income is expected to improve YoY due to higher advisory and transaction banking income. Trading profits are expected to be lower YoY due to fewer trading opportunities. Strong improvement in capital markets and a pick up in economic activities augurs well for various streams of fee income and the bank can surprise us positively.
- GNPA ratio of 30bp and provision coverage ratio of 70% is one of the best in the industry. We do not expect higher NPA provisions.
- The stock trades at P/BV of 2.3x FY11E and 1.9x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Interest Income	4,147	4,897	5,367	5,663	5,427	5,269	6,264	7,022	20,033	23,982
Interest Expense	3,017	3,671	4,123	4,111	3,789	3,670	4,154	4,610	14,921	16,223
Net Interest Income	**1,130**	**1,226**	**1,245**	**1,552**	**1,637**	**1,600**	**2,109**	**2,413**	**5,112**	**7,759**
% Change (Y-o-Y)	*122.0*	*50.0*	*36.4*	*45.4*	*44.9*	*30.5*	*69.5*	*55.4*	*54.6*	*51.8*
Other Income	715	803	1,894	898	1,452	1,516	1,278	1,378	4,350	5,624
Net Income	**1,845**	**2,029**	**3,139**	**2,450**	**3,089**	**3,115**	**3,387**	**3,791**	**9,462**	**13,383**
Operating Expenses	931	1,049	1,295	910	1,111	1,197	1,226	1,388	4,185	4,922
Operating Profit	**914**	**980**	**1,844**	**1,539**	**1,978**	**1,918**	**2,162**	**2,403**	**5,277**	**8,460**
% Change (Y-o-Y)	*50.3*	*45.3*	*82.6*	*27.3*	*116.4*	*95.8*	*17.2*	*56.1*	*50.7*	*60.3*
Other Provisions	84	7	204	322	455	234	254	364	617	1,306
Profit before Tax	**830**	**973**	**1,639**	**1,218**	**1,523**	**1,684**	**1,908**	**2,039**	**4,659**	**7,154**
Tax Provisions	286	337	581	416	522	567	649	695	1,621	2,432
Net Profit	**544**	**636**	**1,058**	**801**	**1,001**	**1,117**	**1,259**	**1,345**	**3,038**	**4,722**
% Change (Y-o-Y)	*51.1*	*40.4*	*95.0*	*24.2*	*84.0*	*75.6*	*19.0*	*67.8*	*51.9*	*55.4*
Interest Exp./Interest Income (%)	*72.8*	*75.0*	*76.8*	*72.6*	*69.8*	*69.6*	*66.3*	*65.6*	*74.5*	*67.6*
Other Income/Net Income (%)	*38.8*	*39.6*	*60.4*	*36.6*	*47.0*	*48.7*	*37.7*	*36.4*	*46.0*	*42.0*
Cost to Income Ratio (%)	*50.5*	*51.7*	*41.3*	*37.2*	*36.0*	*38.4*	*36.2*	*36.6*	*44.2*	*36.8*
Provisions/Operating Profits (%)	*9.2*	*0.7*	*11.1*	*20.9*	*23.0*	*12.2*	*11.7*	*15.1*	*11.7*	*15.4*
Tax Rate (%)	*34.5*	*34.6*	*35.5*	*34.2*	*34.3*	*33.7*	*34.0*	*34.1*	*34.8*	*34.0*

E: MOSL Estimates

Alpesh Mehta (Alpesh.Mehta@MotilalOswal.com)/Parag Jariwala (Parag.Jariwala@MotilalOswal.com)

Cement

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

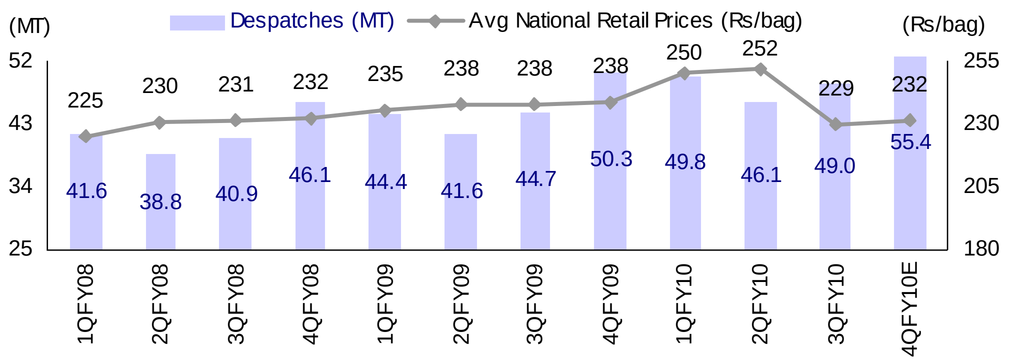
COMPANY NAME
ACC
Ambuja Cements
Birla Corporation
Grasim Industries
India Cements
Shree Cement
UltraTech Cement

CHANGE (%)	DISPATCHES YOY	DISPATCHES QOQ	PRICES YOY	PRICES QOQ
4QFY10	10.2	13.2	-2.8	0.9
FY09	8.2		12.7	
FY10E	10.6		1.7	

Snapshot of a preview of the cement sector in 4QFY10

- Volumes in 4QFY10 are expected to be higher by 10.2% YoY and 13.2% QoQ.
- Domestic prices are expected to recover by 1% QoQ (~2.8% YoY decline), benefiting from a recovery in demand and from supply bottlenecks.
- Capacity utilization to fall to 88% (v/s 95% in 4QFY09) due to capacity added in the past year.
- 4QFY10 aggregate EBITDA margins to improve by 300bp QoQ (~150bp QoQ decline).
- Cement prices are expected to show high volatility over 6-9 months, as seasonality in demand and new capacities impact pricing.
- We estimate decline in capacity addition, with ~36mt of capacity addition over 18 months from 3QFY11 against ~61mt addition over 18 months from 1QFY10 to 2QFY11.
- Cement stocks have underperformed in the past month and attractive valuations offer a good entry point for the next upcycle. We prefer companies that are ahead of the curve in adding capacity, and with strong cost-saving possibilities. Prefer **ACC**, **UltraTech**, **India Cements**, **Birla Corp** and **Shree Cement**.

CEMENT INDUSTRY DYNAMICS: DEMAND AND PRICE TRENDS



Source: CMA/MOSL

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS) 30.03.10	RECO	SALES MAR.10	SALES VAR. % YOY	SALES VAR. % QOQ	EBITDA MAR.10	EBITDA VAR. % YOY	EBITDA VAR. % QOQ	NET PROFIT MAR.10	NET PROFIT VAR. % YOY	NET PROFIT VAR. % QOQ
Cement											
ACC	954	Buy	21,188	3.1	10.3	5,940	-8.2	37.9	3,951	-6.0	40.8
Ambuja Cements	119	Neutral	20,275	9.7	14.5	5,756	9.7	33.1	3,732	11.7	54.7
Birla Corporation	391	Buy	6,236	9.2	11.6	1,901	44.4	17.0	1,365	51.1	21.5
Grasim Industries	2,810	Buy	32,686	13.2	7.1	11,032	62.2	11.9	6,784	76.3	13.8
India Cements	131	Buy	9,499	6.9	9.9	1,365	-39.5	17.1	417	-60.0	53.6
Shree Cement	2,285	Buy	9,440	17.1	9.0	3,864	16.9	15.2	1,831	-24.7	8.7
Ultratech Cement	1,142	Buy	18,810	1.1	13.9	4,912	-7.9	28.0	2,612	-15.6	33.3
Sector Aggregate			**118,135**	**8.2**	**10.6**	**34,769**	**13.2**	**22.1**	**20,691**	**9.7**	**27.6**

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

MOSL CEMENT UNIVERSE: 4QFY10 PERFORMANCE AT A GLANCE

	VOL (M TON)	GROWTH (%)			REAL (RS/BAG)	CHANGE (%)		
	4QFY10	YOY	YTD	FY10E	4QFY10	YOY	QOQ	FY10E
ACC	5.8	0.3	3.9	2.4	184	2.7	2.8	7.6
Ambuja Cement	5.4	4.9	7.1	5.6	181	4.6	2.2	7.7
Grasim	5.2	7.9	23.1	17.2	174	1.0	2.4	4.2
UltraTech	5.7	5.7	14.8	11.0	166	-4.3	1.5	1.0
Birla Corp	1.6	3.3	5.7	5.3	178	9.5	3.5	16.6
India Cements	3.0	27.2	9.5	20.3	151	-18.8	0.0	-12.2
Shree Cement	2.7	11.2	27.8	21.5	165	4.1	2.5	7.7
Industry	**55.4**	**10.2**	**10.6**	**11.4**	**232**	**-2.8**	**0.9**	**1.7**

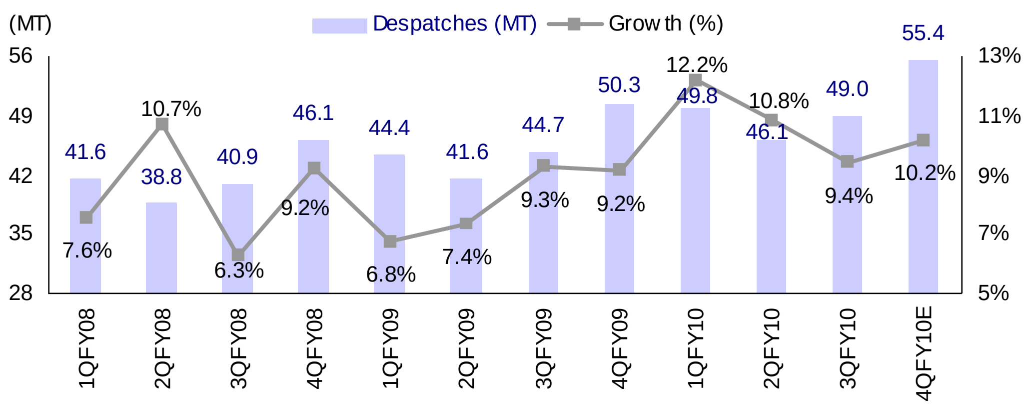
Source: CMA/MOSL

Stable demand growth of 10.2% in 4QFY10

Domestic demand is expected to grow at 10.2% in 4QFY10, resuming strong growth after a brief slowdown in September-October 2009. Cement demand in 4QFY10 has been largely driven by individual housing in rural/semi-urban centers. There have also been initial signs of recovery in the organized real-estate sector. In South India, especially Andhra Pradesh, 4QFY10 volume growth of 8-10% is expected, as the growth was muted at ~5% over May-October 2009.

PERIOD	MT	GROWTH (%)
FY09	181	8.2
4QFY10	55.4	10.2
FY10E	200.7	10.6

DEMAND TO GROW AT 10.6% IN FY10



Source: CMA/MOSL

New capacity addition suppresses capacity utilization to 88%

In 4QFY10, capacity utilization is estimated to be 88% (v/s 95% in 4QFY09) due to new capacity additions (~43mt in TTM). Capacity utilization for the industry is expected to ease from the ~92% in FY09 to ~87% in FY10 and ~85% in FY11, due to 50-55mt capacity addition in 2 years..

CAP UTILIZATION	%
FY08	103
FY09	92
FY10E	87
4QFY10E	88

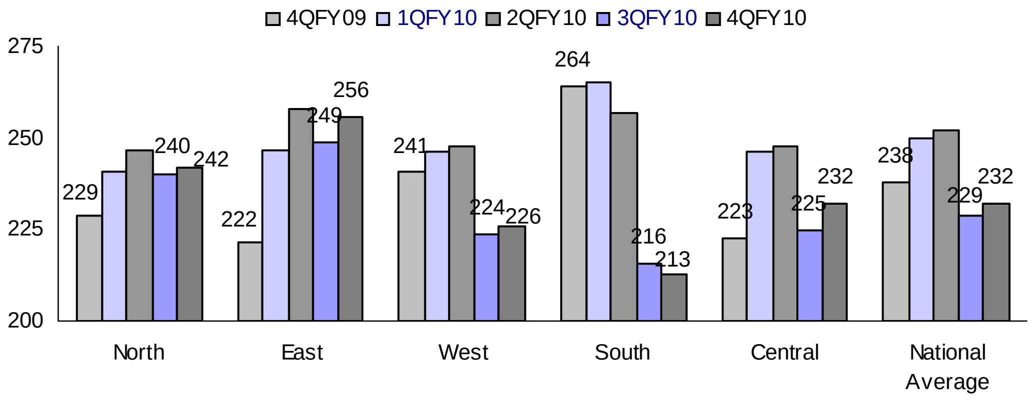
Price recovery underway, after declining in 3QFY10

Cement prices in 4QFY10 are expected to recover by ~1% sequentially (~2.8% YoY decline), benefiting from demand recovery and from supply bottlenecks. Cement prices recovered by ~Rs13/bag (excluding a rise in excise of Rs5/bag) from their lows of November 2009. Cement prices are expected to be volatile over 6-9 months due to seasonality of demand and new capacities. Prices are expected to firm up until May 2010, but seasonality of demand and new capacities will drive a price correction in 2HCY10.

4QFY10: SUMMARY PRICING TREND

	PRICE CHANGE	
	YOY (%)	QOQ (%)
North	5.7	0.8
East	15.3	2.7
West	-6.1	0.9
South	-19.6	-1.5
Central	4.0	2.9
National	**-2.8**	**0.9**

PRICING PRESSURE HIGHEST IN SOUTH, CENTRAL INDIA



Source: CMA/MOSL

TREND IN 4QFY10 KEY OPERATING PARAMETERS

	VOLUME (M TON)			REALIZATION (RS/BAG)			EBITDA (RS/BAG)		
	4QFY10	YOY (%)	QOQ (%)	4QFY10	YOY (RS)	QOQ (RS)	4QFY10	YOY (RS)	QOQ (RS)
ACC	5.8	0.3	7.3	3,685	98	100	1,033	-97	230
Birla Corp	1.6	3.3	10.1	3,568	309	120	1,204	219	45
Grasim	5.2	7.9	9.5	3,484	36	80	1,313	25	72
Ambuja Cement	5.4	4.9	12.1	3,790	167	80	1,076	47	170
India Cements	3.0	27.2	7.1	3,027	-703	-1	462	-508	40
Shree Cement	2.7	11.2	4.5	3,293	130	80	1,295	37	100
UltraTech	5.7	5.7	12.1	3,328	-151	51	869	-128	108
Sector Aggregate	**29.2**	**7.0**	**9.3**	**3,490**	**-13**	**74**	**1,035**	**-67**	**125**

Source: CMA/MOSL

TREND IN 4QFY10 KEY FINANCIAL PARAMETERS

	NET SALES (RS M)			EBITDA MARGIN (%)			NET PROFIT (RS M)		
	4QFY10	YOY (%)	QOQ (%)	4QFY10	YOY (BP)	QOQ (BP)	4QFY10	YOY (%)	QOQ (%)
ACC	21,188	3.1	10.3	28.0	-350	560	3,951	-6.0	40.8
Birla Corp	6,236	9.2	11.6	30.5	740	140	1,365	51.1	21.5
Grasim*	22,247	8.5	9.6	31.5	40	160	6,784	76.3	13.8
Ambuja Cement	20,275	9.7	14.5	28.4	0	400	3,732	11.7	54.7
India Cements	9,499	6.9	9.9	14.4	-1,100	90	417	-60.0	53.6
Shree Cement	9,440	17.1	9.0	40.9	-10	220	1,831	-24.7	8.7
UltraTech	18,810	1.1	13.9	26.1	-250	290	2,612	-15.6	33.3
Sector Aggregate	**107,696**	**6.8**	**11.4**	**28.5**	**-150**	**300**	**13,907**	**-7.4**	**35.6**

Source: CMA/MOSL

Revising estimates

We are revising our FY11 estimates to factor in the current pricing environment. Our estimates factor in a Rs0-6/bag QoQ increase in 4QFY10 and Rs5/bag decline in FY11 (over the FY10 average). A recovery in prices would result in an upgrade in our FY10-11 estimates. We are downgrading our estimates for ACC, Ambuja and Birla Corp to factor in a delay in new capacities, and India Cements' EPS estimate decline is a reflection of ~9% equity dilution pursuant to its recent QIP.

REVISING ESTIMATES

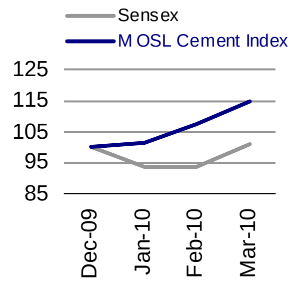
	FY10E			FY11E			FY12E		
	REV	OLD	CHG (%)	REV	OLD	CHG (%)	REV.	OLD	CHG (%)
ACC	-	-	NA	68.2	71.5	-4.6	74.2	79.6	-6.7
Ambuja Cement	-	-	NA	8.0	8.4	-4.9	8.7	9.1	-4.4
Grasim	282.7	281.1	0.6	315.4	311.1	1.4	315.4	311.1	1.4
UltraTech	90.4	91.1	-0.7	82.2	82.6	-0.5	94.3	93.7	0.6
Birla Corp	65.7	67.5	-2.6	64.2	66.2	-3.1	64.2	66.2	-3.1
India Cements	11.3	11.8	-4.5	7.4	7.9	-5.5	9.0	9.4	-3.8
Shree Cement	264.3	266.7	-0.9	232.0	230.1	0.8	263.2	257.8	2.1

Source: MOSL

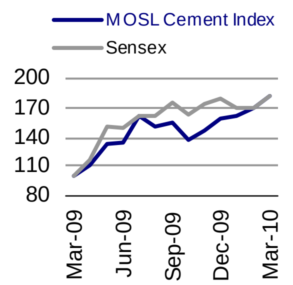
Valuation and view

Short-term outlook is positive based on strong demand and improved utilization. As a result, news on pricing is expected to be positive. But prices are expected to correct in 1HFY11 as demand cools-off from their peak and new capacities begin operations. The presence of sustainable demand drivers and expected gradual recovery in utilization from 3QFY11 would be the foundation for the next upcycle. We prefer companies that are ahead of the curve in adding capacity, and with strong cost saving potential. Among large cap stocks, ACC and UltraTech remain our top picks, and we prefer India Cements, Birla Corp and Shree Cement among mid-caps.

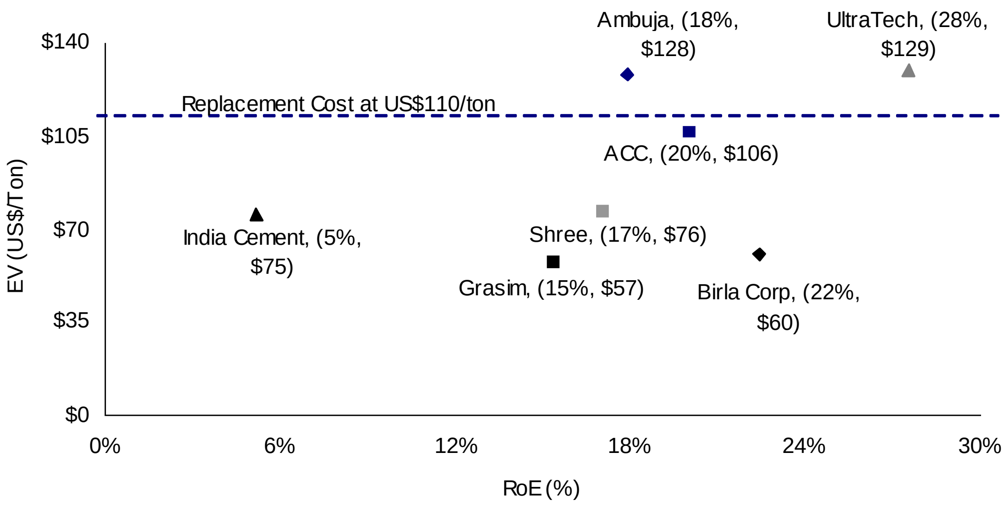
RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



VALUATIONS – ATTRACTIVE DESPITE RECENT RUN UP



Source: MOSL

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Cement														
ACC	954	Buy	86.3	68.2	74.2	11.0	14.0	12.9	6.6	7.8	6.8	29.6	20.0	18.3
Ambuja Cements	119	Neutral	7.8	8.0	8.7	15.2	14.8	13.7	8.9	8.9	7.7	19.6	17.9	17.4
Birla Corporation	391	Buy	72.2	65.7	64.2	5.4	6.0	6.1	3.1	2.9	3.7	30.9	22.4	18.2
Grasim Industries	2,810	Buy	337.3	281.9	314.7	8.3	10.0	8.9	3.9	3.4	2.6	23.6	16.4	15.9
India Cements	131	Buy	11.3	7.4	9.0	11.6	17.7	14.6	6.7	8.3	6.8	8.6	5.2	6.0
Kesoram Ind	376	Buy	54.9	62.6	79.0	6.9	6.0	4.8	4.9	4.6	3.8	17.4	17.1	18.4
Shree Cement	2,285	Buy	264.3	232.0	263.2	8.6	9.8	8.7	5.6	5.3	4.4	56.1	33.0	28.2
Ultratech Cement	1,142	Buy	90.4	82.2	94.3	12.6	13.9	12.1	7.1	3.7	2.9	24.2	27.6	20.1
Sector Aggregate						**10.2**	**10.1**	**9.1**	**5.6**	**4.9**	**4.1**	**22.4**	**17.2**	**16.6**

ACC

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ACC IN
	REUTERS CODE
S&P CNX: 5,262	ACC.BO

Equity Shares (m)	187.9
52 Week Range (Rs)	1,017/561
1,6,12 Rel Perf (%)	-4 / 14 / -15
Mcap (Rs b)	179.2
Mcap (USD b)	4.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs954

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
12/08A	72,829	11,787	62.7	-7.9	16.5	3.6	26.0	27.3	9.7	160
12/09A	80,272	16,224	86.3	37.6	11.4	3.0	29.6	33.7	6.6	139
12/10E	81,360	12,815	68.2	-21.0	14.4	2.6	20.0	21.1	7.8	111
12/11E	91,218	13,944	74.2	8.8	12.9	2.4	18.3	20.5	6.8	107

- Dispatches in 1QCY10 are estimated to stay flat YoY (up ~7.3% QoQ) at 5.75mt, as it continues to face capacity constraints. Average realizations are expected to improve by 2.7% YoY (~2.8% QoQ) to Rs3,685/ton.
- Net sales are expected to grow 3.1% YoY to Rs21.2b. EBITDA margins are expected to improve by 560bp QoQ (~350bp YoY decline) to 28%, benefiting from improved realizations. As a result, EBITDA is expected to improve 38% QoQ (~8% YoY decline) to Rs5.94b and PAT to improve 41% QoQ (~6% YoY decline) to Rs3.95b.
- The commissioning of 1.2mt capacity in Orissa in 1QCY10 will drive volumes from 2QCY10. But its 3mt capacity expansion in Karnataka is delayed until 2QCY10 and its 3mt capacity expansion in Maharashtra will start by 3QCY10.
- We are downgrading our earnings estimates for CY10 by 4.6% to Rs68.2 and for CY11 by 6.7% to Rs74.2. Valuations at 14.4x CY10E EPS and 7.8x CY10E EV/EBITDA, appear rich. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Cement Sales (m ton)	5.73	5.42	5.01	5.36	5.75	5.65	5.50	6.13	21.5	23.0
YoY Change (%)	*6.1*	*2.4*	*3.1*	*-1.8*	*0.3*	*4.2*	*9.8*	*14.3*	*2.4*	*7.0*
Cement Realization	3,587	3,840	3,931	3,585	3,685	3,685	3,385	3,385	3,730	3,533
YoY Change (%)	*7.9*	*13.8*	*10.1*	*2.4*	*2.7*	*-4.0*	*-13.9*	*-5.6*	*7.6*	*-5.3*
QoQ Change (%)	*2.5*	*7.1*	*2.4*	*-8.8*	*2.8*	*0.0*	*-8.1*	*0.0*		
Net Sales	**20,551**	**20,813**	**19,694**	**19,215**	**21,188**	**20,819**	**18,616**	**20,737**	**80,272**	**81,360**
YoY Change (%)	*14.4*	*16.5*	*10.0*	*0.6*	*3.1*	*0.0*	*-5.5*	*7.9*	*10.2*	*1.4*
EBITDA	**6,474**	**7,337**	**6,679**	**4,307**	**5,940**	**5,732**	**3,332**	**4,663**	**24,797**	**19,668**
Margins (%)	*31.5*	*35.3*	*33.9*	*22.4*	*28.0*	*27.5*	*17.9*	*22.5*	*30.9*	*24.2*
Depreciation	789	784	796	1,052	900	1,000	1,100	1,194	3,421	4,194
Interest	144	159	135	181	125	130	150	219	619	624
Other Income	508	570	509	825	650	800	650	1,100	2,411	3,200
PBT before EO Item	**6,049**	**6,963**	**6,257**	**3,899**	**5,565**	**5,402**	**2,732**	**4,350**	**23,168**	**18,050**
EO Income/(Expense)	-224	0	0	0	0	0	0	0	-224	0
PBT after EO Item	**5,825**	**6,963**	**6,257**	**3,899**	**5,565**	**5,402**	**2,732**	**4,350**	**22,944**	**18,050**
Tax	1,777	2,107	1,900	1,092	1,614	1,567	792	1,261	6,877	5,234
Rate (%)	*30.5*	*30.3*	*30.4*	*28.0*	*29.0*	*29.0*	*29.0*	*29.0*	*30.0*	*29.0*
Reported PAT	**4,048**	**4,856**	**4,356**	**2,807**	**3,951**	**3,836**	**1,940**	**3,088**	**16,067**	**12,815**
Adjusted PAT	**4,203**	**4,856**	**4,356**	**2,807**	**3,951**	**3,836**	**1,940**	**3,088**	**16,224**	**12,815**
Margins (%)	*20.5*	*23.3*	*22.1*	*14.6*	*18.6*	*18.4*	*10.4*	*14.9*	*20.2*	*15.8*
YoY Change (%)	*26.9*	*84.7*	*53.7*	*-16.1*	*-6.0*	*-21.0*	*-55.5*	*10.0*	*37.7*	*-21.0*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Ambuja Cements

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ACEM IN
	REUTERS CODE
S&P CNX: 5,262	GACM.BO

Equity Shares (m)	1,523.7
52 Week Range (Rs)	124/69
1,6,12 Rel Perf (%)	4 / 16 / -15
Mcap (Rs b)	180.8
Mcap (USD b)	4.0

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs119

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
12/08A	62,203	11,616	7.6	-11.2	15.6	3.2	22.6	31.5	9.7	202
12/09A	70,769	11,872	7.8	2.1	15.2	2.8	19.6	28.4	8.9	147
12/10E	76,122	12,194	8.0	2.7	14.8	2.5	17.9	24.7	8.9	138
12/11E	86,708	13,236	8.7	8.5	13.7	2.3	17.4	23.9	7.7	130

- Dispatches are expected to grow 4.9% YoY (~12% QoQ) to 5.35mt, and average realizations are expected to grow 2.2% QoQ (~4.6% YoY) to Rs3,790/ton. Volume growth will be driven by purchased clinker, as it faces clinker capacity constraints. Improved realizations are driven by a change in the market mix in favor of the domestic market.
- Net sales are expected to grow 9.7% YoY to Rs20.2b. EBITDA margins are expected to improve by 400bp QoQ (flat YoY) to 28.4%, benefiting from higher realizations and lower reliance on purchased clinker. EBITDA is expected to grow by 10% YoY (~33% QoQ) to Rs5.75b and recurring PAT is estimated to grow by 12% YoY (~55% QoQ) to Rs3.73b.
- Ambuja will benefit from the commissioning of new capacities at Chattisgarh (~2.2mt by the end of 1QCY10) and in Himachal Pradesh (~2.2mt in 1QCY09), which will not only drive volume growth but also profitability (due to lower reliance on purchased clinker).
- We are downgrading our earnings estimates for CY10 by 4.9% to Rs8 and CY11 by 4.4% to Rs8.7, to factor in a delay in cost savings. Valuations at 14.8x CY10E earnings and 8.9x CY10E EV/EBITDA are a fair reflection of business fundamentals. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1QE	2Q	3Q	4Q		
Sales Volume (m ton)	5.10	4.83	4.10	4.77	5.35	5.25	4.90	5.40	18.80	20.90
YoY Change (%)	*6.3*	*10.3*	*4.6*	*1.5*	*4.9*	*8.8*	*19.5*	*13.1*	*5.6*	*11.2*
Realization (Rs/ton)	3,623	3,828	3,929	3,710	3,790	3,790	3,490	3,490	3,764	3,642
YoY Change (%)	*5.1*	*7.1*	*11.1*	*7.6*	*4.6*	*-1.0*	*-11.2*	*-5.9*	*7.7*	*-3.3*
QoQ Change (%)	*5.1*	*5.7*	*2.6*	*-5.6*	*2.2*	*0.0*	*-7.9*	*0.0*		
Net Sales	**18,476**	**18,474**	**16,110**	**17,710**	**20,275**	**19,896**	**17,100**	**18,850**	**70,769**	**76,122**
YoY Change (%)	*11.6*	*18.2*	*16.2*	*9.2*	*9.7*	*7.7*	*6.1*	*6.4*	*259.6*	*192.0*
EBITDA	**5,247**	**4,797**	**4,300**	**4,324**	**5,756**	**5,615**	**3,376**	**4,143**	**18,669**	**18,890**
Margins (%)	*28.4*	*26.0*	*26.7*	*24.4*	*28.4*	*28.2*	*19.7*	*22.0*	*26.4*	*24.8*
Depreciation	686	704	719	860	925	975	1,025	1,027	2,970	3,952
Interest	65	52	52	55	50	45	45	42	224	182
Other Income	409	692	433	563	500	800	500	700	2,097	2,500
PBT before EO Item	**4,905**	**4,732**	**3,962**	**3,972**	**5,281**	**5,395**	**2,806**	**3,774**	**17,571**	**17,256**
Extraordinary Inc/(Exp)	0	0	462	0	726	0	0	0	462	726
PBT after EO Exp/(Inc)	**4,905**	**4,732**	**4,423**	**3,972**	**6,007**	**5,395**	**2,806**	**3,774**	**18,033**	**17,983**
Tax	1,565	1,486	1,238	1,560	1,683	1,618	842	1,132	5,849	5,275
Rate (%)	*31.9*	*31.4*	*28.0*	*39.3*	*28.0*	*30.0*	*30.0*	*30.0*	*32.4*	*29.3*
Reported Profit	**3,341**	**3,247**	**3,185**	**2,412**	**4,325**	**3,776**	**1,965**	**2,642**	**12,184**	**12,707**
Adj PAT	**3,341**	**3,247**	**2,852**	**2,412**	**3,732**	**3,812**	**1,983**	**2,667**	**11,872**	**12,194**
YoY Change (%)	*1.2*	*6.7*	*21.3*	*-17.4*	*11.7*	*17.4*	*-30.5*	*10.6*	*2.2*	*2.7*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Birla Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BJUT IN
	REUTERS CODE
S&P CNX: 5,262	BRLC.BO

Equity Shares (m)	77.0
52 Week Range (Rs)	404/171
1,6,12 Rel Perf (%)	1 / 30 / 42
Mcap (Rs b)	30.1
Mcap (USD b)	0.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs391

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/09A	17,907	3,235	42.0	-17.8	9.3	2.3	25.1	27.9	5.5	90
03/10E	21,786	5,561	72.2	71.9	5.4	1.6	30.9	36.9	3.0	64
03/11E	23,412	5,062	65.7	-9.0	6.0	1.3	22.4	28.6	2.8	59
03/12E	25,877	4,943	64.2	-2.4	6.1	1.1	18.2	23.7	3.6	63

- Birla Corporation's 4QFY10 revenues are expected to grow 9% to Rs6.2b. Volumes are estimated to grow 3.3% YoY (~10% QoQ) to 1.65mt and cement realizations are likely to improve by 3.5% QoQ (down ~9.5% YoY) to Rs3,568/ton. Improved realization reflects significant price recovery in Central India.
- Improved realizations will translate into 140bp QoQ (up ~740bp YoY) in EBITDA margins to 30.5%. As a result, EBITDA is estimated to grow 44% YoY (~17% QoQ) to Rs1.9b.
- Birla Corp's volume growth will rise from 1QFY11 as its brownfield expansion project (~1.75mt) in Madhya Pradesh is expected to operate from April 2010.
- We are marginally downgrading our EPS estimates for FY11 by 2.6% to Rs65.7, and for FY12 by 3.1% to Rs64.2. The stock trades at 6x FY11E EPS and 6.1x FY12E EPS, which is at a discount to comparable peers. We believe the discount is not justified and valuations, based on earnings and replacement cost, are compelling. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Cement Sales (m ton)	1.19	1.11	1.40	1.60	1.21	1.22	1.50	1.65	5.29	5.58
YoY Change (%)	*-7.1*	*-7.2*	*5.3*	*8.2*	*1.8*	*9.9*	*7.0*	*3.3*	*0.1*	*5.5*
Cement Realization	3,096	3,083	2,931	3,259	3,717	3,813	3,448	3,568	3,105	3,622
YoY Change (%)	*4.2*	*0.6*	*-2.8*	*10.0*	*20.0*	*23.7*	*17.6*	*9.5*	*3.5*	*16.6*
QoQ Change (%)	*4.5*	*-0.4*	*-4.9*	*11.2*	*14.0*	*2.6*	*-9.6*	*3.5*		
Net Sales	**3,959**	**3,718**	**4,521**	**5,708**	**4,904**	**5,057**	**5,589**	**6,236**	**17,907**	**21,786**
YoY Change (%)	*-3.3*	*-5.6*	*4.5*	*16.8*	*23.9*	*36.0*	*23.6*	*9.2*	*3.8*	*21.7*
Total Expenditure	2,816	2,938	3,503	4,392	3,148	3,122	3,964	4,335	13,649	14,570
EBITDA	**1,143**	**780**	**1,019**	**1,316**	**1,756**	**1,935**	**1,624**	**1,901**	**4,258**	**7,216**
Margins (%)	*28.9*	*21.0*	*22.5*	*23.1*	*35.8*	*38.3*	*29.1*	*30.5*	*23.8*	*33.1*
Depreciation	98	100	110	126	133	137	144	161	434	575
Interest	50	40	56	78	60	64	60	101	221	284
Other Income	235	121	191	215	519	249	215	227	761	1,210
Profit before Tax	**1,230**	**760**	**1,044**	**1,328**	**2,082**	**1,983**	**1,636**	**1,866**	**4,365**	**7,567**
Tax	311	163	230	425	528	463	513	501	1,130	2,005
Rate (%)	*25.3*	*21.5*	*22.1*	*32.0*	*25.4*	*23.3*	*31.4*	*26.9*	*25.9*	*26.5*
Adjusted PAT	**918**	**597**	**814**	**903**	**1,553**	**1,521**	**1,123**	**1,365**	**3,235**	**5,561**
Margins (%)	*23.2*	*16.1*	*18.0*	*15.8*	*31.7*	*30.1*	*20.1*	*21.9*	*18.1*	*25.5*
YoY Change (%)	*-5.8*	*-42.1*	*-23.6*	*4.3*	*69.2*	*154.7*	*38.0*	*51.1*	*-17.8*	*71.9*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Grasim Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	GRASIM IN
	REUTERS CODE
S&P CNX: 5,262	GRAS.BO

Equity Shares (m)	91.7
52 Week Range (Rs)	2,952/1,506
1,6,12 Rel Perf (%)	-3 / -1 / -1
Mcap (Rs b)	257.6
Mcap (USD b)	5.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs2,810

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/09A	184,039	21,867	238.5	-18.9	11.8	2.3	21.1	20.7	7.7	158
03/10E	202,424	30,924	337.3	41.4	8.3	1.8	23.6	25.1	4.4	96
03/11E*	221,268	25,844	282.0	-16.4	10.0	1.5	16.4	21.8	3.8	75
03/12E*	244,716	28,857	315.0	11.7	8.9	1.3	15.9	21.8	3.0	60

** Consolidated; Demerger of cement business assumed w.e.f 1 April 2010*

- Grasim (standalone) is expected to post sales growth of 13.2% YoY to Rs32.7b in 4QFY10, despite hive-off of a sponge iron business from 22 May 2009. But strong momentum in VSF and cement price recovery will drive margin improvement of 10.2pp YoY (~150bp QoQ) to 33.8%. Higher depreciation and interest costs will restrict PAT growth to 76% to Rs6.8b.

- Cement volumes are estimated to grow 8% YoY (~9.5% QoQ) to 5.2mt and realizations are expected to improve 2.3% QoQ (up ~1% YoY) to Rs3,484/ton. The cement division's operating margins are expected to improve 170bp QoQ (up ~40bp YoY) to 31.5%.

- Improvement in the VSF business continued in 4QFY10, with volume growth of 24% and realizations higher by 30.4% YoY (~3.2% QoQ) at Rs113/kg. Higher realizations will dilute cost inflation in pulp and sulphur. As a result, operating margins for the VSF business are expected to improve by 24.7pp YoY (~10bp QoQ) to 42%.

- The stock quotes at very attractive valuations of 8.9x FY12E consolidated EPS, 3x EV/EBITDA and 1.3x P/BV. Implied valuation of the cement business is US$60/ton. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**25,782**	**26,875**	**26,588**	**28,870**	**30,453**	**29,838**	**30,519**	**32,686**	**108,040**	**123,496**
YoY Change (%)	*5.5*	*8.5*	*2.5*	*5.9*	*18.1*	*11.0*	*14.8*	*13.2*	*5.8*	*14.3*
EBITDA	**7,376**	**5,794**	**4,983**	**6,800**	**8,853**	**10,162**	**9,860**	**11,032**	**24,965**	**39,579**
Margins (%)	*28.6*	*21.6*	*18.7*	*23.6*	*29.1*	*34.1*	*32.3*	*33.8*	*23.1*	*32.0*
Depreciation	1,050	1,069	1,198	1,253	1,370	1,359	1,424	1,479	4,570	5,631
Interest	302	284	439	385	475	505	504	530	1,421	2,014
Other Income	964	990	813	738	620	1,432	888	711	3,504	3,650
PBT before EO Items	**6,988**	**5,431**	**4,159**	**5,900**	**7,628**	**9,729**	**8,820**	**9,734**	**22,478**	**35,584**
Extraordinary Inc/(Exp)	0	0	0	0	3,447	0	0	0	0	3,447
PBT after EO Items	**6,988**	**5,431**	**4,159**	**5,900**	**11,075**	**9,729**	**8,820**	**9,734**	**22,478**	**39,031**
Tax	1,846	1,236	864	2,053	2,322	2,986	2,861	2,950	5,999	11,120
Rate (%)	*26.4*	*22.8*	*20.8*	*34.8*	*21.0*	*30.7*	*32.4*	*30.3*	*26.7*	*28.5*
Reported PAT	**5,142**	**4,195**	**3,296**	**3,847**	**8,752**	**6,743**	**5,959**	**6,784**	**16,480**	**27,911**
Adj. PAT	**5,142**	**4,195**	**3,296**	**3,847**	**5,392**	**6,743**	**5,959**	**6,784**	**16,480**	**24,551**
YoY Change (%)	*0.5*	*-16.1*	*-40.0*	*-7.1*	*4.9*	*60.7*	*80.8*	*76.3*	*-16.6*	*49.0*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

India Cements

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ICEM IN
	REUTERS CODE
S&P CNX: 5,262	ICMN.BO

Equity Shares (m)	307.2
52 Week Range (Rs)	180/97
1,6,12 Rel Perf (%)	5 / -5 / -58
Mcap (Rs b)	40.3
Mcap (USD b)	0.9

30 March 2010 **Buy**

Previous Recommendation: Buy Rs131

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/09A	34,268	4,851	17.7	-28.2	7.4	1.0	15.7	16.8	5.6	88
03/10E	37,570	3,368	11.3	-36.3	11.6	0.9	8.6	10.7	6.6	87
03/11E	40,848	2,213	7.4	-34.3	17.7	0.9	5.2	7.3	8.2	79
03/12E	47,858	2,689	9.0	21.5	14.6	0.9	6.0	8.3	6.7	76

- India Cement is expected to post 7% YoY sales growth to Rs9.5b, affected by 18.8% YoY decline in realizations (flat QoQ) to Rs3,027/ton, but 27% YoY volume growth to 2.96mt. We estimate revenue of Rs250m from IPL.
- Higher operating leverage, coupled with positive contributions from the IPL will translate into EBITDA margin improvement of 90bp QoQ (down ~11pp YoY) to 14.4%. EBITDA is expected to decline 40% YoY (up ~17% QoQ) to Rs1.37b, but higher depreciation and tax provisioning will result in 60% YoY decline in PAT to Rs417m.
- The company recently raised US$65m through a QIP at Rs120.2/share, translating into ~9% equity dilution. Funds raised will be invested in its capex plans, potential acquisition of a coal mine in Indonesia and to repay an FCCB issue.
- We are downgrading our earnings estimates for FY11 by 4.5% to Rs7.4 and for FY12 by 3.8% to Rs9, to factor in equity dilution. The stock quotes at attractive valuations of 17.7x FY11E EPS and 8.2x FY11E EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales Dispatches (m ton)	2.37	2.43	2.00	2.32	2.46	2.79	2.76	2.96	9.12	10.97
YoY Change (%)	*2.7*	*6.9*	*-8.4*	*-5.4*	*3.9*	*15.0*	*38.1*	*27.2*	*-1.1*	*20.3*
Realization (Rs/ton)	3,440	3,585	3,632	3,730	3,736	3,438	3,028	3,027	3,594	3,156
YoY Change (%)	*13.4*	*7.4*	*7.0*	*10.6*	*8.6*	*-4.1*	*-16.6*	*-18.8*	*9.6*	*-12.2*
QoQ Change (%)	*2.0*	*4.2*	*1.3*	*2.7*	*0.2*	*-8.0*	*-11.9*	*0.0*		
Net Sales	**8,375**	**9,455**	**7,529**	**8,885**	**9,535**	**9,894**	**8,641**	**9,499**	**34,268**	**37,570**
YoY Change (%)	*19.4*	*24.2*	*2.0*	*5.3*	*13.9*	*4.6*	*14.8*	*6.9*	*12.6*	*9.6*
EBITDA	**2,981**	**2,901**	**1,801**	**2,255**	**2,863**	**2,977**	**1,165**	**1,365**	**9,962**	**8,371**
Margins (%)	*35.6*	*30.7*	*23.9*	*25.4*	*30.0*	*30.1*	*13.5*	*14.4*	*29.1*	*22.3*
Depreciation	490	498	513	533	571	572	573	599	2,033	2,314
Interest	230	248	293	350	385	374	299	296	1,122	1,354
Other Income	132	91	141	131	68	55	119	159	470	400
PBT before EO Expense	**2,392**	**2,246**	**1,136**	**1,503**	**1,976**	**2,086**	**412**	**629**	**7,277**	**5,102**
Extra-Ord Expense	218	296	132	149	-210	13	-117	0	794	-314
PBT	**2,175**	**1,950**	**1,004**	**1,354**	**2,186**	**2,074**	**528**	**629**	**6,483**	**5,416**
Tax	754	608	385	415	745	704	180	212	2,161	1,842
Rate (%)	*34.6*	*31.2*	*38.3*	*30.7*	*34.1*	*34.0*	*34.1*	*33.8*	*33.3*	*34.0*
Reported PAT	**1,421**	**1,343**	**619**	**939**	**1,441**	**1,369**	**348**	**417**	**4,322**	**3,575**
Adj PAT	**1,564**	**1,546**	**700**	**1,042**	**1,302**	**1,378**	**271**	**417**	**4,851**	**3,368**
YoY Change (%)	*-15.3*	*-29.2*	*-44.9*	*-26.0*	*-16.7*	*-10.9*	*-61.3*	*-60.0*	*-28.0*	*-30.6*
Margins (%)	*18.7*	*16.4*	*9.3*	*11.7*	*13.7*	*13.9*	*3.1*	*4.4*	*14.2*	*9.0*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Shree Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SRCM IN
	REUTERS CODE
S&P CNX: 5,262	SHCM.BO

Equity Shares (m)	34.8
52 Week Range (Rs)	2,385/635
1,6,12 Rel Perf (%)	-1 / 36 / 147
Mcap (Rs b)	79.6
Mcap (USD b)	1.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs2,285

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/09A	27,130	6,103	175.2	112.0	13.0	6.5	64.8	35.5	8.4	199
03/10E	36,321	9,208	264.3	50.9	8.6	3.8	56.1	37.6	5.0	110
03/11E	41,122	8,082	232.0	-12.2	9.8	2.8	33.0	26.0	4.7	95
03/12E	48,646	9,168	263.2	13.4	8.7	2.2	28.2	24.9	3.9	78

- Sales in 4QFY10 are expected to grow 17% YoY to Rs9.4b driven by volume growth of 11.2% YoY to 2.68mt. Realizations are expected to improve 2.5% QoQ (~4.1% YoY) to Rs3,293/ton. Surplus power sale is estimated at Rs621m on sale of 108m units.
- Higher realizations will result in margin improvement of 220bp QoQ (~20bp YoY decline) to 40.9%. EBITDA margins in the cement business are expected to decline 210bp QoQ to 39.3%.
- Depreciation is expected to increase to ~Rs1.55b, as a new kiln is capitalized in the quarter. As a result, recurring PAT is estimated to de-grow 24.7% YoY to Rs1.83b.
- The stock quotes at very attractive valuations of 9.8x FY11E EPS and 4.7x FY11E EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales Dispatches (m ton)	1.92	2.02	2.11	2.41	2.55	2.48	2.56	2.68	8.45	10.27
YoY Change (%)	*33.7*	*35.1*	*30.2*	*17.2*	*32.8*	*23.1*	*21.7*	*11.2*	*28.0*	*21.5*
Realization (Rs/ton)	3,201	3,050	3,045	3,163	3,477	3,449	3,213	3,293	3,115	3,356
YoY Change (%)	*4.2*	*-4.3*	*-7.0*	*-1.8*	*8.6*	*13.1*	*5.5*	*4.1*	*-2.5*	*7.7*
QoQ Change (%)	*-0.7*	*-4.7*	*-0.1*	*3.9*	*9.9*	*-0.8*	*-6.8*	*2.5*		
Net Sales	**6,143**	**6,280**	**6,644**	**8,062**	**9,224**	**8,996**	**8,660**	**9,440**	**27,130**	**36,321**
YoY Change (%)	*39.3*	*31.9*	*25.5*	*21.7*	*50.2*	*43.2*	*30.3*	*17.1*	*28.6*	*33.9*
EBITDA	**2,106**	**1,828**	**2,269**	**3,306**	**4,250**	**4,082**	**3,353**	**3,864**	**9,487**	**15,381**
Margins (%)	*34.3*	*29.1*	*34.2*	*41.0*	*46.1*	*45.4*	*38.7*	*40.9*	*35.0*	*42.3*
Depreciation	461	537	509	547	973	998	947	1,547	2,054	4,465
Interest	171	177	69	218	152	155	115	144	744	566
Other Income	118	346	85	169	473	316	160	211	829	1,160
PBT before EO Exp	**1,592**	**1,460**	**1,776**	**2,710**	**3,599**	**3,245**	**2,451**	**2,384**	**7,518**	**11,510**
Extra-Ord Expense	76	97	53	83	42	29	14	54	309	140
PBT	**1,516**	**1,363**	**1,723**	**2,627**	**3,557**	**3,215**	**2,436**	**2,329**	**7,209**	**11,370**
Tax	407	288	484	271	645	326	762	540	1,449	2,274
Rate (%)	*26.9*	*21.1*	*28.1*	*10.3*	*18.1*	*10.1*	*31.3*	*23.2*	*20.1*	*20.0*
Reported PAT	**1,109**	**1,075**	**1,239**	**2,356**	**2,911**	**2,889**	**1,674**	**1,789**	**5,759**	**9,096**
Adj PAT	**1,164**	**1,151**	**1,278**	**2,431**	**2,946**	**2,915**	**1,684**	**1,831**	**6,006**	**9,208**
YoY Change (%)	*-0.4*	*8.4*	*264.7*	*480.6*	*153.0*	*153.2*	*31.8*	*-24.7*	*106.0*	*53.3*
Margins (%)	*19.0*	*18.3*	*19.2*	*30.2*	*31.9*	*32.4*	*19.4*	*19.4*	*22.1*	*25.4*

E:MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

UltraTech Cement

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	UTCEM IN
	REUTERS CODE
S&P CNX: 5,262	ULTC.BO

Equity Shares (m)	124.5
52 Week Range (Rs)	1,149/516
1,6,12 Rel Perf (%)	3 / 40 / 31
Mcap (Rs b)	142.1
Mcap (USD b)	3.2

30 March 2010

Buy

Previous Recommendation: Buy Rs1,142

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA	EV/TON (US$)
03/09A	63,831	9,940	79.8	-1.4	14.3	3.9	31.6	29.2	8.7	142
03/10E	70,264	11,259	90.4	13.3	12.6	3.0	27.3	29.5	6.9	137
03/11E *	167,887	22,535	82.2	-9.1	13.9	2.6	19.3	24.4	7.4	145
03/12E *	187,314	25,855	94.3	14.7	12.1	2.2	20.1	26.0	6.3	130

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

- Net sales in 4QFY10 are expected to grow 1.1% YoY to Rs18.8b driven by 5.7% YoY volume growth to 5.65mt, but realizations will fall 5% YoY (up ~1.9% QoQ) to Rs3,167/ton.
- Improved realizations will drive EBITDA margins to 26.1% (up 290bp QoQ, down ~260bp YoY). As a result EBITDA is estimated to improve 28% QoQ (down ~8% YoY) to Rs4.9b. Higher depreciation and higher tax will translate into a 16% YoY decline in PAT to Rs2.6b.
- After the merger of Grasim's cement assets into UltraTech (by 2QFY11), UltraTech will have the largest cement capacity in India and the tenth largest in the world with 49.4mt capacity.
- The stock trades at 13.9x FY11E EPS and 7.4x FY11E EV/EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q*	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (m ton)	4.27	3.98	4.58	5.35	5.31	4.16	5.04	5.65	18.48	20.17
YoY Change (%)	*-4.2*	*12.7*	*6.1*	*11.2*	*24.4*	*4.6*	*10.2*	*5.7*	*8.0*	*9.1*
Realization (Rs/ton)	3,324	3,351	3,394	3,335	3,534	3,548	3,107	3,167	3,295	3,327
YoY Change (%)	*12.6*	*4.9*	*10.1*	*4.3*	*6.3*	*5.9*	*-8.5*	*-5.0*	*6.1*	*1.0*
QoQ Change (%)	*3.9*	*0.8*	*1.3*	*-1.7*	*6.0*	*0.4*	*-12.4*	*1.9*		
Net Sales	**14,960**	**13,962**	**16,308**	**18,601**	**19,528**	**15,408**	**16,518**	**18,810**	**63,831**	**70,264**
YoY Change (%)	*10.0*	*19.6*	*18.2*	*16.2*	*30.5*	*10.4*	*1.3*	*1.1*	*15.9*	*10.1*
EBITDA	**4,458**	**2,967**	**4,308**	**5,331**	**7,168**	**4,700**	**3,836**	**4,912**	**17,032**	**20,615**
Margins (%)	*29.8*	*21.3*	*26.4*	*28.7*	*36.7*	*30.5*	*23.2*	*26.1*	*26.7*	*29.3*
Depreciation	711	808	805	906	936	967	985	1,033	3,230	3,920
Interest	247	309	359	340	330	299	262	287	1,255	1,177
Other Income	266	278	204	287	342	308	300	275	1,036	1,225
PBT after EO Expense	**3,766**	**2,129**	**3,348**	**4,372**	**6,244**	**3,743**	**2,888**	**3,868**	**13,583**	**16,743**
Tax	1,116	487	964	1,277	2,067	1,234	928	1,255	3,675	5,483
Rate (%)	*29.6*	*22.9*	*28.8*	*29.2*	*33.1*	*33.0*	*32.1*	*32.5*	*27.1*	*32.8*
Reported PAT	**2,650**	**1,642**	**2,384**	**3,095**	**4,178**	**2,509**	**1,960**	**2,612**	**9,908**	**11,259**
Adj PAT	**2,650**	**1,642**	**2,384**	**3,095**	**4,178**	**2,509**	**1,960**	**2,612**	**9,908**	**11,259**
YoY Change (%)	*2.2*	*-11.7*	*-14.7*	*9.4*	*57.6*	*52.8*	*-17.8*	*-15.6*	*-1.7*	*13.6*

E: MOSL Estimates

Jinesh K Gandhi (Jinesh@MotilalOswal.com)

Engineering

BSE Sensex: 17,590 S&P CNX: 5,262 30 March 2010

COMPANY NAME

ABB

BHEL

Crompton Greaves

Larsen & Toubro

Siemens

Thermax

Execution to improve, margins stable, order intake improving

During 4QFY10, we expect Engineering companies under our coverage to post revenue growth of 20% YoY, adjusted EBITDA growth of 21% YoY and adjusted net profit growth of 16.4% YoY.

- **Capital Goods Index shows initial signs of growth acceleration:** Recent IIP numbers and the Capital Goods Index have been showing initial signs of improvement in industrial activity. IIP growth in January 2010 was 17% and the Capital Goods Index rose 56%, largely led by a base effect. Industrial business execution also improved, with revenue growth of 5% in 3QFY10 (v/s de-growth of 6.6% in 1QFY10).
- **Execution to improve from 4QFY10:** In 3QFY10, revenue growth for the Engineering sector was 3.4% YoY, the lowest in 23 quarters. In 4QFY10, we expect growth to improve to 20% YoY, given pick up in execution in the power and infrastructure segments. Higher growth would be largely driven by L&T and ABB. We expect L&T to post revenue growth of 24% YoY in 4QFY10 (v/s 1% YoY growth in 9MFY10) and ABB to post 4% growth in 1QCY10 (v/s -9% in 9MCY09).
- **4QFY10 EBITDA margins to expand 10bp YoY, expect pressure on industrials to ease:** In 4QFY10, we expect EBITDA margins to stay stable. Margin improvement is expected for Crompton (up 175bp YoY) and BHEL (up 85bp YoY). Commodity prices have started increasing, which will impact margins on fixed price contracts, which account for 35-45% of the order book for L&T and BHEL. Crompton has benefited from a fall in commodity prices.
- **Valuations fair, factor in cycle upturn:** Our Engineering sector universe trades at a 23x FY11E EPS and 5.3x FY11E BV. We expect earnings CAGR of 27% over FY10-12 and RoE of 23% in FY11. We believe current valuations factor in a cyclical upturn. We maintain a Neutral view on the sector. **BHEL** is our top pick, and we have recently upgraded **ABB** to **Buy** as it is a beneficiary of key macro trends.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

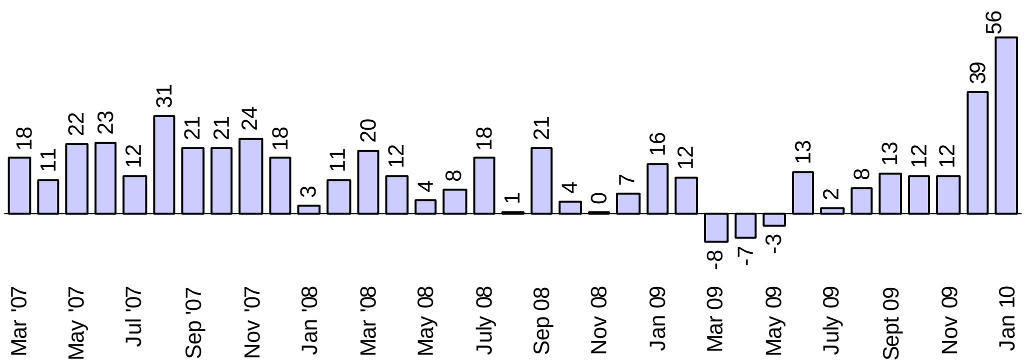
	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Engineering											
ABB	824	Buy	14,489	4.0	-23.1	1,261	-0.9	-16.6	825	5.3	-24.6
BHEL	2,410	Buy	129,104	22.5	81.8	26,461	27.8	84.7	19,530	22.7	76.0
Crompton Greaves	258	Neutral	15,684	15.2	28.2	2,770	27.8	36.0	1,836	40.3	35.6
Larsen & Toubro	1,639	Neutral	129,317	23.6	60.2	16,111	17.7	68.5	11,571	8.7	89.6
Siemens	739	Neutral	24,931	4.6	33.6	3,366	-3.5	-7.4	2,201	-2.4	-6.9
Thermax	672	Neutral	9,767	3.0	30.5	1,206	-9.5	34.9	783	-15.7	38.7
Sector Aggregate			**323,292**	**19.3**	**54.7**	**51,174**	**20.0**	**60.1**	**36,748**	**15.4**	**62.8**

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

The Capital Goods Index shows initial signs of growth acceleration

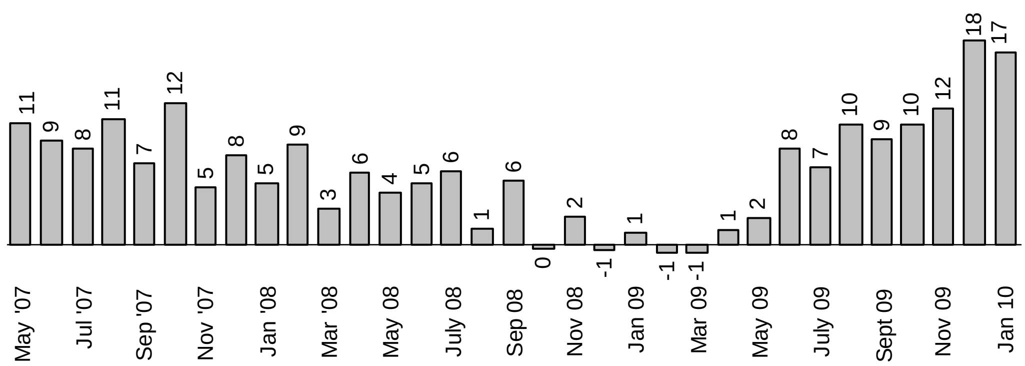
Poor Capital Goods Index growth in FY09 impacted FY10 revenue growth; a recovery should lead to improved revenue growth from FY11

CAPITAL GOODS INDEX (% YOY): GROWTH ACCELERATION DRIVEN PARTLY BY A BASE EFFECT



The rate of growth in IIP indicates a strong capex cycle

IIP GROWTH (% YOY): INITIAL SIGNS OF RECOVERY

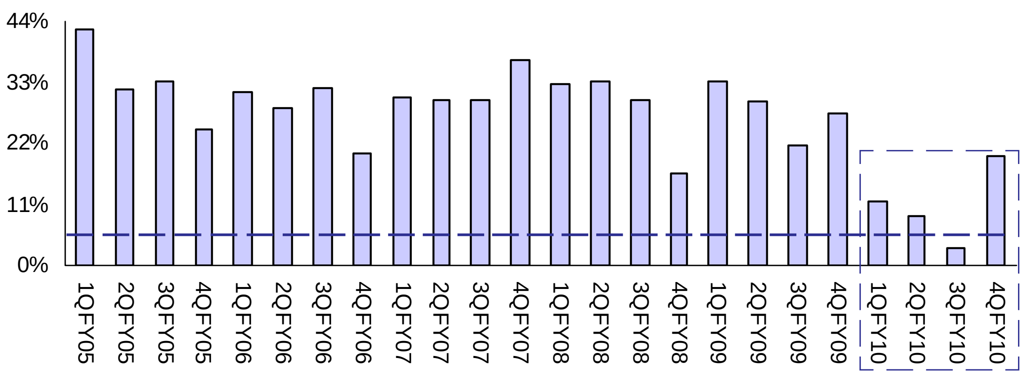


Source: Company/MOSL

Execution to improve from 4QFY10

Revenue growth in 3QFY10 was 3.4% YoY for the engineering sector, the lowest in the past 23 quarters; for 4QFY10, we expect growth to improve to 20% YoY

4QFY10 TO IMPROVE IN EXECUTION (% YOY)



Source: Company/MOSL

We expect L&T to report revenue growth of 24% YoY in 4QFY10 v/s 1% YoY growth in 9MFY10; ABB is expected to report growth of 4% in 1QCY10 v/s -9% in 9MCY09

L&T, ABB TO LEAD EXECUTION RECOVERY IN 4QFY10 (% YOY)

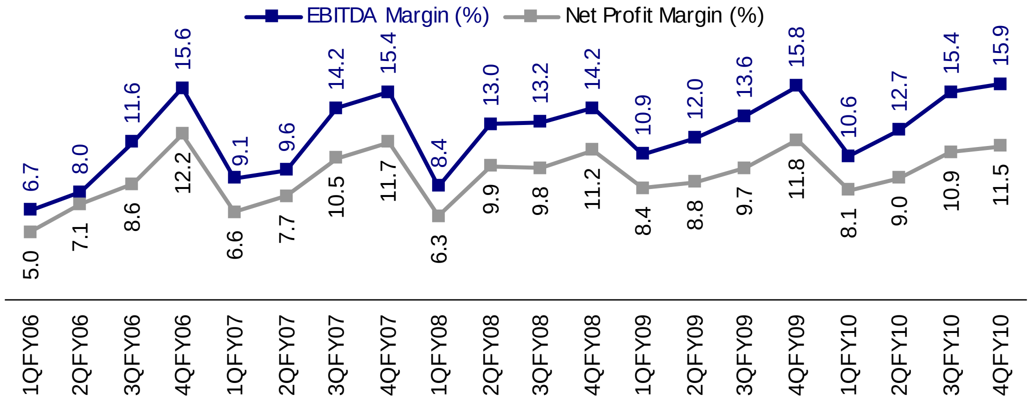
	9MFY10	4QFY10E	FY10E
ABB	-9	4	-6
BHEL	23	22	23
Crompton Greaves	13	15	14
Larsen & Toubro	1	24	8
Siemens	7	5	6
Industry	**8**	**20**	**12**

Source: Company/MOSL

EBITDA margins to be maintained, expect pressure on industrials to ease

4QFY10 MARGINS TO IMPROVE 10BP YOY

In 4QFY10, we expect margin improvement for Crompton (up175bp YoY) and BHEL (up 85bp YoY)

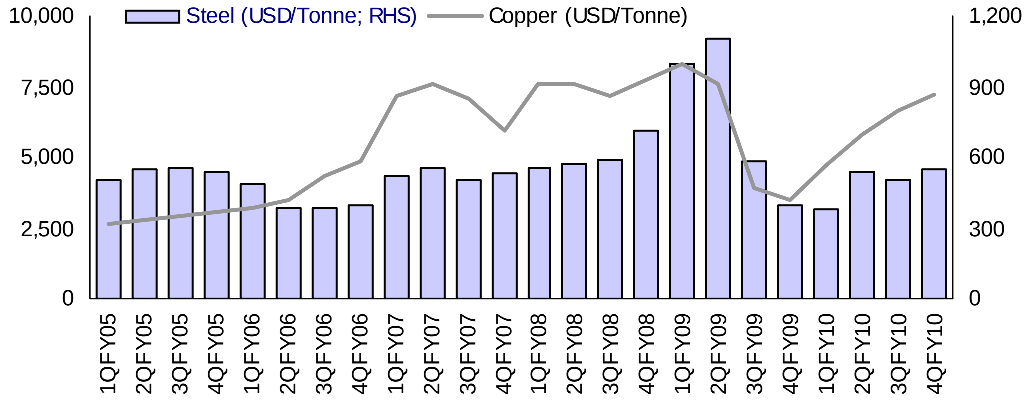


Source: Company/MOSL

Commodity prices have again started increasing (US$/ton)

STEEL PRICES RANGE-BOUND, COPPER PRICES DOUBLE SINCE 4QFY09

Higher commodity prices will impact margins on fixed price contracts, which account for 35-45% of the order book for L&T and BHEL

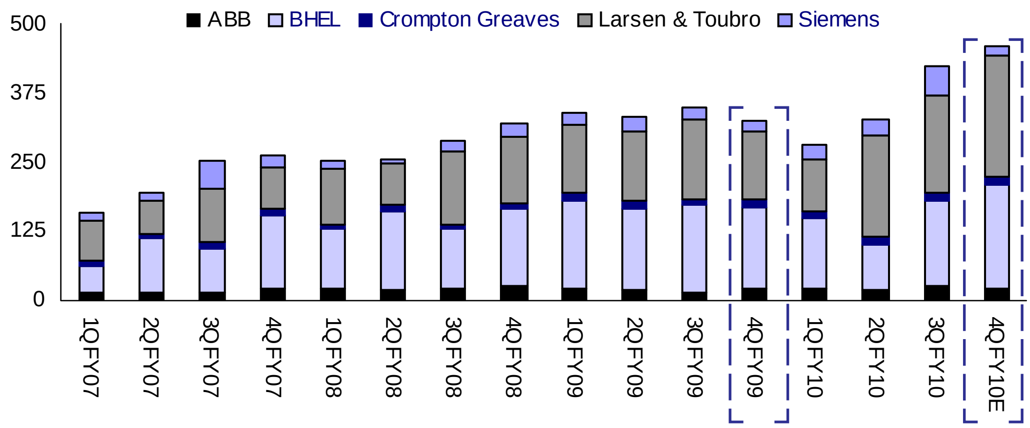


Source: Company/MOSL

Order intake shows initial signs of improvement

ORDER INTAKE (RS B): DRIVEN BY POWER, HYDROCARBONS SEGMENT, OTHERS

The order book for most companies has stayed healthy, driven by project orders in power, hydrocarbons and other sectors; however, there are limited signs of pick-up in industrial capex



Source: Company/MOSL

Order intake for 9MFY10 improved by just 1.2% YoY as BHEL's intake dropped by 22% while ABB improved 88% YoY partly due to the base effect

ORDER INTAKE (RS B): 9MFY10 AGGREGATE ORDER INTAKE AT 1.2%

	FY08				FY09				FY10			YOY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	(%)
ABB *	20.0	16.7	20.0	27.0	22.1	18.9	12.6	23.0	21.1	18.9	23.8	88.5
BHEL	109.7	146.4	109.3	137.3	159.3	148.0	159.5	146.3	128.0	80.2	155.9	-2.3
Crompton	7.4	9.4	9.2	11.1	13.8	14.0	10.2	14.6	11.5	17.0	14.0	37.4
L&T	98.8	75.5	130.2	119.8	122.3	124.5	146.3	120.7	95.7	183.7	177.9	21.6
Siemens**	17.4	7.8	18.8	23.4	20.9	24.1	20.5	18.1	23.5	26.3	51.8	152.3

Source: Company/MOSL

BHEL provides the best revenue visibility in the Engineering sector

ORDER BACKLOG (RS B) AND BOOK-TO-BILL (X)

	ORDER BOOK (DEC 09)	REVENUES (TTM, DEC 09)	BOOK TO BILL (X)
ABB	85	62	1.4
BHEL	1,340	299	4.5
Crompton Greaves	30	50	0.6
Larsen & Toubro	911	338	2.7
Siemens	136	86	1.6

Source: Company/MOSL

While industrial capex has shown initial signs of revival, we remain cautious in the medium term

ABB/SIEMENS HAVE HIGHEST EXPOSURE (% OF REVENUE) TO INDUSTRIAL CAPEX

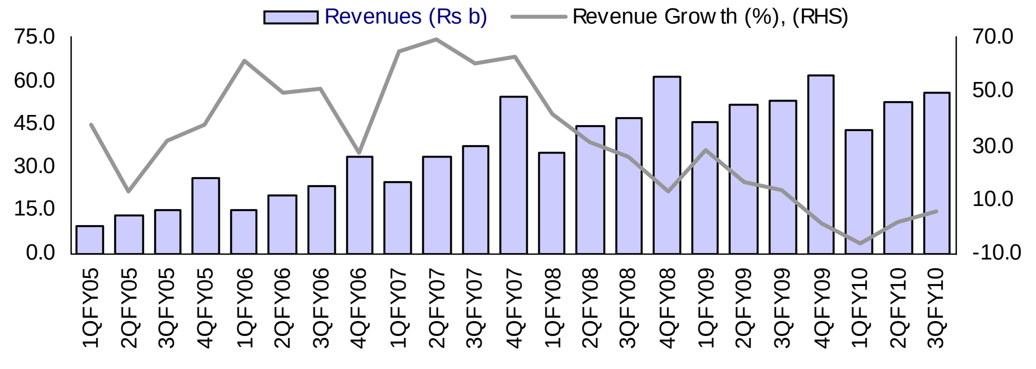
	POWER UTILITIES	INDUSTRIAL	INFRASTRUCTURE	CONSUMER / OTHERS
ABB	62	38	0	0
BHEL*	79	19	2	0
Crompton Greaves**	70	15	0	15
Larsen and Toubro	20	42	38	0
Siemens	53	39	1	7

Source: Company/MOSL

Industrial business: execution improves, order intake yet to pick up

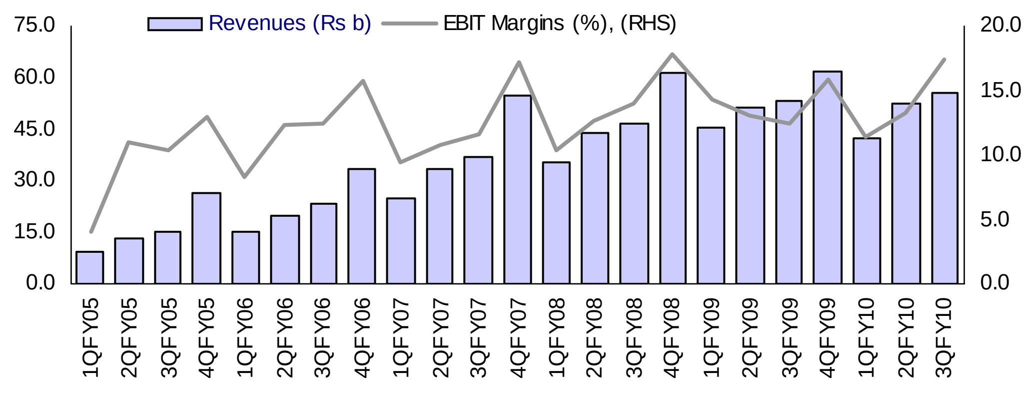
Industry segment revenues for 9MFY10 were flat YoY while Siemens and Crompton grew their industry segment revenues by 19-20% each during 3QFY10

INDUSTRIAL SEGMENT REVENUE GREW 5% IN 3QFY10 V/S DE-GROWTH OF 6.6% IN 1QFY10 (% YOY)



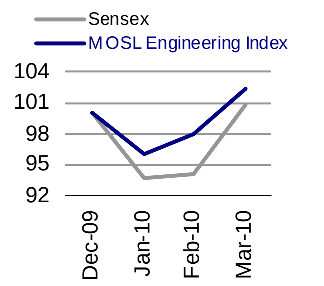
Industry segment EBIT margin aggregate for 9MFY10 was 14.2%, which expanded 100bp YoY mainly due to lower raw material prices

INDUSTRIAL SEGMENT EBIT MARGINS FOR 3QFY10 AT 17.4%; EXPAND 491BP YOY

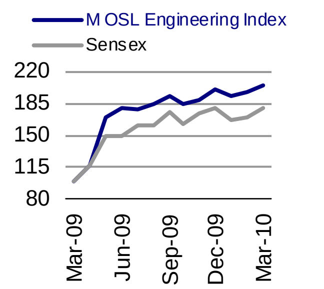


Source: Company/MOSL

RELATIVE PERFORMANCE - 3M (%)



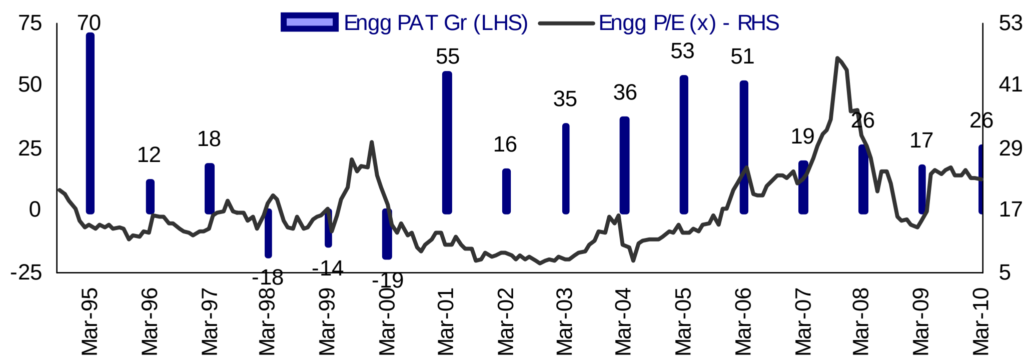
RELATIVE PERFORMANCE - 1YR (%)



Valuations fair, factor in cycle upturn

Our Engineering sector universe trades at a 23x FY11E EPS and 5.3x FY11E BV. We expect earnings CAGR of 27% over FY10-12 and RoE of 23% in FY11. We believe current valuations factor in a cyclical upturn. We maintain a Neutral view on the sector. **BHEL** is our top pick, and we have recently upgraded **ABB** to **Buy** as it is a beneficiary of key macro trends.

EARNINGS PERFORMANCE TREND FOR OUR ENGINEERING UNIVERSE



Source: Company/MOSL

COMPARATIVE VALUATION

	CMP (RS) 30.03.10	RECO	EPS (RS) FY10E	FY11E	FY12E	P/E (X) FY10E	FY11E	FY12E	EV/EBITDA FY10E	FY11E	FY12E	ROE (%) FY10E	FY11E	FY12E
Engineering														
ABB	824	Buy	16.7	25.5	35.7	49.3	32.3	23.1	32.2	20.8	14.2	15.6	20.2	23.3
BHEL	2,410	Buy	89.7	114.2	151.8	26.9	21.1	15.9	16.7	13.0	9.7	30.5	31.5	33.6
Crompton Greaves	258	Neutral	12.8	15.2	18.4	20.3	17.0	14.0	18.6	14.9	11.8	39.1	35.6	34.0
Larsen & Toubro	1,639	Neutral	55.5	70.0	88.2	29.5	23.4	18.6	22.8	18.5	14.8	18.7	18.5	20.1
Siemens	739	Neutral	13.7	24.0	27.0	53.9	30.8	27.4	22.9	16.7	15.2	12.7	25.6	24.8
Thermax	672	Neutral	20.5	23.8	30.9	32.8	28.2	21.8	21.9	18.3	15.0	26.0	30.3	33.9
Sector Aggregate						**29.5**	**22.9**	**17.8**	**20.0**	**15.7**	**12.1**	**24.6**	**25.5**	**27.3**

ABB

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ABB IN
	REUTERS CODE
S&P CNX: 5,262	ABB.BO

Equity Shares (m)	211.9
52 Week Range (Rs)	880/392
1,6,12 Rel Perf (%)	-3 / 2 / 18
Mcap (Rs b)	174.7
Mcap (USD b)	3.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs824

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/08A	68,370	5,325	25.1	8.3	32.8	8.2	28.4	46.1	2.5	22.0
12/09E	62,372	3,546	16.7	-33.4	49.3	7.2	15.6	24.3	2.7	32.2
12/10E	74,140	5,403	25.5	52.4	32.3	6.0	20.2	31.6	2.3	20.8
12/11E	88,085	7,570	35.7	40.1	23.1	4.9	23.3	36.3	1.8	14.2

- Order backlog at the end of CY09 was Rs84.8b, up 38% YoY, book-to-bill ratio was 1.4x TTM revenue and increased from 0.9x in CY08. This is driven by increased share of projects in the order book, which entails a comparatively higher execution period.
- For 1QCY10, orders announced amount to Rs1b, from Haryana Vidyut Prasaran Nigam to provide four turnkey substations for regional grid of 220kV each. However, ABB announces orders very selectively and thus order announcements is not an indication of actual intake. Since 1QFY09, ABB's intake stabilized at Rs19-24b/quarter.
- 4QC09 revenue growth was down 13% YoY but was up 30% QoQ. Sluggish growth in power systems (revenue down 25% YoY in CY09) had impacted revenue growth all through CY09. Lower intake, project delays and withdrawal from rural electrification jobs impacted execution. For 1QCY10 we expect revenue growth of 4% YoY.
- EBITDA margins in 4QCY09 were 8%, down 440bp YoY. This steep contraction was due to a decline in power products where EBIT margins were down 910bp YoY and in power systems, where they were down 9.2%. Cost escalations, project related write-offs, price driven competition in the product business have been some of the reasons for the decline in margins for the power group. In 1QCY10, we expect EBITDA margins of 8.7%, down 40bp YoY.
- In 4QCY09 PAT declined 43% YoY and in CY09 it down 34% YoY. In 1QCY10 we expect PAT to decline 25% as profitability in the power systems (20% of revenue) continues to be a drag. For CY10, we expect PAT growth of 52% due to 19% revenue growth and margin expansion of 220bp to 11% (largely due to a low base effect). Capital employed in the power systems division at the end of CY09 fell 35%, indicating considerable ease in receivables and working capital with scope for margin improvement in CY10 as execution issues ease.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	**13,931**	**15,050**	**14,538**	**18,852**	**14,489**	**17,157**	**17,736**	**24,758**	**62,372**	**74,140**
Change (%)	*(9.3)*	*(6.9)*	*(4.3)*	*(13.0)*	*4.0*	*14.0*	*22.0*	*31.3*	*-8.8*	*18.9*
EBITDA	**1,271**	**1,281**	**1,223**	**1,511**	**1,261**	**1,673**	**2,040**	**3,105**	**5,287**	**8,078**
Change (%)	*-26.4*	*-32.7*	*-9.3*	*-43.6*	*-0.9*	*30.6*	*66.7*	*105.5*	*-31.0*	*52.8*
As % of Sales	*9.1*	*8.5*	*8.4*	*8.0*	*8.7*	*9.8*	*11.5*	*12.5*	*8.5*	*10.9*
Depreciation	109	125	127	125	125	130	132	134	485	521
Interest	103	80	44	26	60	55	50	45	254	210
Other Income	143	209	159	215	175	220	240	267	726	902
PBT	**1,202**	**1,284**	**1,212**	**1,575**	**1,251**	**1,708**	**2,098**	**3,193**	**5,274**	**8,249**
Tax	419	448	381	480	425	581	713	1,127	1,728	2,846
Effective Tax Rate (%)	*34.8*	*34.9*	*31.4*	*30.5*	*34.0*	*34.0*	*34.0*	*35.3*	*32.8*	*34.5*
Repoted PAT	**783**	**836**	**831**	**1,095**	**825**	**1,127**	**1,384**	**2,066**	**3,546**	**5,403**
Adj. PAT	**783**	**836**	**831**	**1,095**	**825**	**1,127**	**1,384**	**2,066**	**3,546**	**5,403**
Change (%)	*-33.4*	*-35.1*	*-10.4*	*-43.3*	*5.3*	*34.8*	*66.7*	*88.7*	*-33.4*	*52.4*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

BHEL

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BHEL IN
	REUTERS CODE
S&P CNX: 5,262	BHEL.BO

Equity Shares (m)	489.5
52 Week Range (Rs)	2,550/1450
1,6,12 Rel Perf (%)	-5 / 1 / -20
Mcap (Rs b)	1,179.5
Mcap (USD b)	26.2

30 March 2010

Buy

Previous Recommendation: Buy

Rs2,410

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	267,880	35,594	72.7	41.8	33.1	9.1	30.0	46.9	4.1	25.5
03/10E	328,183	43,910	89.7	23.4	26.9	7.4	30.5	53.4	3.3	16.7
03/11E	430,270	55,911	114.2	27.3	21.1	6.0	31.5	53.8	2.5	13.0
03/12E	556,557	74,333	151.8	32.9	15.9	4.8	33.6	56.2	2.0	9.7

- In 4QFY10, we expect revenue of Rs129b (up 23%) led by steady execution as 3QFY10 order backlog was Rs1340b (up 18% YoY). We expect backlog at FY10-end to be at Rs1,355b, up 16% YoY and revenue growth of 23%.
- For 1QFY10 adjusted EBITDA margins are expected to be 20.5%, an expansion of 85bp YoY, driven by lower raw material costs (decline in commodity prices) and operating leverage (from staff costs).
- For 4QFY10, order intake announcements were Rs49.6b; while for 3QFY10 intake was Rs155b and for 2QFY10 at Rs80b. The orders in 4QFY10 are from: IOCL (Rs33b), NHPC (Rs5b) and Bhutan Hydro Power (Rs10.2b). Order intake in 3QFY10 was down 2.3% YoY at Rs155b and 9MFY10 intake at Rs364b, down 22% YoY.
- We expect intake of Rs522b in FY10. The implied order intake for 4QFY10 based on the management's FY10 guidance of Rs550b is Rs186b. Against the guidance, intake announcements amount to Rs49.6b. 84% of the backlog of Rs1340b is from the power segment, 11% is from industry and the rest 5% from exports.
- For 4QFY10, PAT should grow 48% YoY and for FY10 at 40%. We expect EPS CAGR of 30% through FY10-12.
- During 4QFY10 BHEL signed an agreement with Toshiba Corporation to form a JV to undertake the business of equipment and projects in Extra-High Voltage Alternating Current (EHVAC) and Ultra High Voltage Alternating Current (UHVAC) including 765KV transformers, reactors, GIS in addition to other products and systems with most of the technology coming in from Toshiba.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (Net)	**43,292**	**53,426**	**60,223**	**105,401**	**55,957**	**66,252**	**71,003**	**129,104**	**262,342**	**322,316**
Change (%)	*33.9*	*34.7*	*21.3*	*46.4*	*29.3*	*24.0*	*17.9*	*22.5*	*35.5*	*22.9*
EBITDA	**3,737**	**7,107**	**10,207**	**16,963**	**5,162**	**11,295**	**14,328**	**26,461**	**38,014**	**57,246**
Change (%)	*20.3*	*2.2*	*2.3*	*24.4*	*38.1*	*58.9*	*40.4*	*56.0*	*12.9*	*50.6*
As a % Sales	*8.6*	*13.3*	*16.9*	*16.1*	*9.2*	*17.0*	*20.2*	*20.5*	*14.5*	*17.8*
Adjusted EBITDA	**4,560**	**8,061**	**11,280**	**20,711**	**5,162**	**11,295**	**14,328**	**26,461**	**44,612**	**57,246**
Change (%)	*119.2*	*36.0*	*26.0*	*43.4*	*13.2*	*40.1*	*27.0*	*27.8*	*33.6*	*28.3*
As a % Sales	*10.5*	*15.1*	*18.7*	*19.6*	*9.2*	*17.0*	*20.2*	*20.5*	*17.0*	*17.8*
Interest	26	22	179	81	43	45	69	198	307	355
Depreciation	726	744	865	1,009	961	934	1,038	1,081	3,343	4,014
Other Income	2,917	3,072	3,063	5,072	3,029	2,978	3,222	5,449	14,124	14,677
PBT	**5,903**	**9,414**	**12,226**	**20,945**	**7,187**	**13,294**	**16,443**	**30,631**	**48,488**	**67,554**
Tax	2,059	3,256	4,321	7,470	2,481	4,715	5,717	10,731	17,106	23,644
Effective Tax Rate (%)	*34.9*	*34.6*	*35.3*	*35.7*	*34.5*	*35.5*	*34.8*	*35.0*	*35.3*	*35.0*
Reported PAT	**3,844**	**6,158**	**7,906**	**13,475**	**4,706**	**8,579**	**10,726**	**19,900**	**31,382**	**43,910**
Change (%)	*33.0*	*-10.5*	*2.4*	*21.3*	*22.4*	*39.3*	*35.7*	*47.7*	*9.8*	*39.9*
Adj. PAT	**4,379**	**6,777**	**8,603**	**15,911**	**4,706**	**8,579**	**11,095**	**19,530**	**35,671**	**43,910**
Change (%)	*97.1*	*9.1*	*22.0*	*36.7*	*7.5*	*26.6*	*29.0*	*22.7*	*31.5*	*23.1*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Crompton Greaves

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CRG IN
	REUTERS CODE
S&P CNX: 5,262	CROM.BO

Equity Shares (m)	641.6
52 Week Range (Rs)	264/64
1,6,12 Rel Perf (%)	2 / 41 / 200
Mcap (Rs b)	165.8
Mcap (USD b)	3.7

30 March 2010

Neutral

Previous Recommendation: Buy

Rs258

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	46,107	5,599	8.7	53.2	29.6	13.3	36.6	52.9	3.5	25.3
3/10E*	52,342	8,181	12.8	46.1	20.3	9.9	39.1	55.5	3.1	18.6
3/11E	62,621	9,734	15.2	19.0	17.0	7.6	35.6	52.0	2.5	14.9
3/12E	75,477	11,803	18.4	21.3	14.0	5.9	34.0	50.3	2.0	11.8

** Consolidated; pre-exceptionals*

- For 4QFY10 we expect Crompton Greaves to post standalone revenue of Rs15b up 15% YoY and for FY10 to be at Rs52b up 14% YoY. In 4QFY10, we expect PAT to be Rs1.83b up 40% YoY and for FY10 at Rs5.7b, up 44% YoY.
- The consolidated order backlog at the end of 3QFY10 was Rs61b, and was down 20% YoY in the international business backlog, which forms 51% of the consolidated backlog. The standalone order book at the end of 3QFY10 was Rs29b, up 10.6% YoY. The management has guided for a standalone revenue growth of 13-15% YoY while for international business the guidance is a flattish growth for FY10. Crompton, in JV with ZTR recently bagged a Rs6b order from PGCIL for the supply of 86 765kV reactors and hence Crompton is now a dominant player in the 765kV market with a 45% market share for transformers and reactors.
- During 3QFY10 international business revenue growth was 5% YoY and PAT growth was 6% YoY. For FY10, we expect revenue in the international business to increase 7.5% YoY while Pat will grow at 46% mainly led by EBITDA margin improvement of 240bp YoY. EBITDA margins for 3QFY10 were 14% while for 9MFY10 they were 13.2%
- EBITDA margins for the standalone business in 3QFY10 were 16.6% as they expanded 350bp due to a drop in raw material prices. For 4QFY10 we expect margins to be 17.7% as they expand 174bp YoY and for FY10 they will be 16.5%, up 266bp YoY.
- We expect Crompton to post consolidated earnings of Rs12.8 (up 46% YoY) for FY10E and for FY11E to be at Rs15.2 (up 19% YoY) with an EPS CAGR of 20% over FY10-12.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**10,829**	**10,862**	**10,797**	**13,618**	**11,735**	**12,686**	**12,238**	**15,684**	**46,107**	**52,342**
Change (%)	*20.8*	*20.0*	*18.0*	*17.4*	*8.4*	*16.8*	*13.3*	*15.2*	*19.0*	*13.5*
EBITDA	**1,381**	**1,428**	**1,386**	**2,167**	**1,740**	**2,094**	**2,036**	**2,770**	**6,381**	**8,640**
Change (%)	*32.1*	*33.7*	*19.5*	*38.4*	*26.1*	*46.7*	*46.9*	*27.8*	*31.9*	*35.4*
As of % Sales (Adj)	*12.7*	*13.1*	*12.8*	*15.9*	*14.8*	*16.5*	*16.6*	*17.7*	*13.8*	*16.5*
Depreciation	108	120	94	130	128	129	132	135	452	524
Interest	22	39	47	38	-6	0	11	-9	146	-3
Other Income	81	110	85	104	84	99	167	164	361	515
PBT	**1,332**	**1,379**	**1,330**	**2,102**	**1,702**	**2,064**	**2,060**	**2,808**	**6,143**	**8,634**
Tax	443	453	483	793	555	703	705	972	2,172	2,936
Effective Tax Rate (%)	*33.3*	*32.9*	*36.3*	*37.7*	*32.6*	*34.1*	*34.2*	*34.6*	*35.4*	*34.0*
Reported PAT	**889**	**925**	**847**	**1,309**	**1,147**	**1,361**	**1,354**	**1,836**	**3,971**	**5,699**
Adj PAT	**889**	**925**	**847**	**1,309**	**1,147**	**1,361**	**1,354**	**1,836**	**3,971**	**5,699**
Change (%)	*65.3*	*44.3*	*34.7*	*38.6*	*29.1*	*47.1*	*59.8*	*40.3*	*44.3*	*43.5*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Larsen & Toubro

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	LT IN
	REUTERS CODE
S&P CNX: 5,262	LART.BO

Equity Shares (m)	601.8
52 Week Range (Rs)	1,800/646
1,6,12 Rel Perf (%)	-2 / -5 / 68
Mcap (Rs b)	986.7
Mcap (USD b)	21.9

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs1,639

YEAR END	NET SALES (RS M)	PAT * (RS M)	EPS* (RS)	EPS GR. (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	339,264	30,046	51.5	31.1	31.8	7.7	24.5	26.0	3.0	27.0
3/10E	364,662	33,404	55.5	8.2	29.5	5.3	18.7	21.3	2.7	22.8
3/11E	470,020	42,121	70.0	26.1	23.4	4.7	18.5	20.8	2.2	18.5
3/12E	623,130	53,085	88.2	26.0	18.6	4.0	20.1	21.9	1.7	14.8

** Consolidated; EPS is fully diluted*

- For 4QFY10 order intake announced until 29 March 2010 was Rs133b. Order intake in 3QFY10 was Rs177b and in 2QFY10 it was Rs183b. Order backlog at the end of 3QFY10 was Rs911b (up 32.4% YoY) with a book-to-bill ratio of 2.7 TTM revenues. Implied order intake in 4QFY10 based on management guidance of Rs675b is Rs218b.
- Major orders announced in 4QFY10 include: a) two orders totaling Rs30b from ONGC for construction of an aromatics complex and four well platforms at Mangalore and Mumbai-High respectively, b)construction of an ammonia feedstock conversion project for National Fertilizers, totaling Rs21b, and c) buildings and factories worth Rs26b.
- During 4QFY10 we expect EBITDA margins of 12.5%, down 62bp YoY and for FY10 we expect EBITDA margins of 11.4%, up 40bp YoY. Given the accounting policy where L&T accounts for margins after 50% of the project completion (where execution is less than 24 months) and after 25% for other projects, we believe a part of the incremental revenues in 4QFY10-11 may not cross the margin recognition threshold.
- As macro environment improves, there is a possibility of reduction in volume pressure in MIP/EBG. During 3QFY10, MIP and EBG revenue grew 11% YoY each; indicating initial improvement in demand from end consumers in sectors like construction, mining and valves.
- The management indicated 10% revenue growth in FY10 (v/s 15% earlier) and stable EBITDA margins. We expect consolidated EPS of Rs55.5 (up 8% YoY) in FY10 and an EPS CAGR of 26% over FY10-12.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**69,014**	**76,864**	**85,940**	**104,648**	**73,627**	**78,662**	**80,714**	**129,317**	**336,465**	**362,319**
Change (%)	*53.2*	*39.8*	*34.6*	*23.6*	*6.7*	*2.3*	*-6.1*	*23.6*	*35.4*	*7.7*
EBITDA	**6,609**	**6,809**	**7,799**	**14,845**	**7,863**	**7,846**	**9,561**	**16,111**	**36,061**	**41,381**
Change (%)	*55.9*	*15.8*	*12.1*	*31.3*	*19.0*	*15.2*	*22.6*	*8.5*	*27.1*	*14.8*
Margin (%)	*9.6*	*8.9*	*9.1*	*14.2*	*10.7*	*10.0*	*11.8*	*12.5*	*10.7*	*11.4*
Adjusted EBITDA	**6,609**	**7,409**	**9,429**	**13,685**	**7,863**	**7,846**	**9,561**	**16,111**	**37,131**	**41,381**
Adjusted Margin (%)	*9.6*	*9.6*	*11.0*	*13.1*	*10.7*	*10.0*	*11.8*	*12.5*	*11.0*	*11.4*
Depreciation	659	731	781	889	937	1,001	1,045	1,239	3,060	4,223
Interest	382	690	975	1,455	1,096	1,310	1,339	1,386	3,503	5,130
Other Income	1,983	1,518	3,072	3,331	2,683	2,702	2,844	3,322	9,903	11,551
Extraordinary Inc/(Exp)	0	0	9,163	-1,439	10,199	274	0	0	7,725	10,473
Reported PBT	**7,551**	**6,906**	**18,277**	**14,393**	**18,712**	**8,511**	**10,020**	**16,808**	**47,127**	**54,051**
Tax	2,526	2,304	3,073	4,409	2,730	2,707	3,058	5,273	12,312	13,731
Effective Tax Rate (%)	*33.5*	*33.4*	*16.8*	*30.6*	*14.6*	*31.8*	*30.5*	*31.4*	*26.1*	*25.4*
Reported PAT	**5,025**	**4,602**	**15,204**	**9,984**	**15,982**	**5,804**	**7,588**	**11,535**	**34,814**	**40,945**
Adjusted PAT	**4,906**	**5,004**	**6,406**	**10,646**	**5,783**	**5,530**	**6,103**	**11,571**	**26,968**	**28,987**
Change (%)	*67.8*	*30.4*	*24.4*	*17.0*	*17.9*	*10.5*	*-4.7*	*8.7*	*28.4*	*7.5*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Siemens

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SIEM IN
	REUTERS CODE
S&P CNX: 5,262	SIEM.BO

Equity Shares (m)	337.2
52 Week Range (Rs)	765/238
1,6,12 Rel Perf (%)	1 / 30 / 118
Mcap (Rs b)	249.2
Mcap (USD b)	5.5

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs739

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
9/09A	84,585	4,623	13.7	-11.3	50.2	8.5	12.7	39.2	2.8	22.9
9/10E	95,889	8,099	24.0	75.2	28.7	7.3	25.6	41.3	2.4	16.7
9/11E	112,036	9,092	27.0	12.3	25.6	6.4	24.8	39.0	2.0	15.2
9/12E	129,344	11,543	34.2	27.0	20.1	5.5	27.2	42.0	1.6	11.8

*Consolidated

- For 2QFY10 (September year ending), we expect Siemens to report revenue of Rs25b, up 4.5% YoY; EBITDA of Rs3.4b (down 3.5%YoY), and net profit of Rs2.2b (down 2.4%YoY). In FY09 the company's revenue grew sluggishly and is likely pick up in FY10.
- The order book at end of 1QFY10 was Rs136b (up 33% YoY, up 32% QoQ). In 1QFY10, order intake was Rs51b (up 161%YoY, up 98% QoQ), largely driven by a Rs24.9b intake from Qatar. Order intake announced so far in 2QFY10 is Rs1.6b.
- During 1QFY10, EBIT margins for the power transmission segment were 28%, which nearly doubled on a YoY basis as we believe these were specific project related margins and hence were one offs. Overall, the industrial segment and energy margins doubled to 10% and 22%. Siemens has gained a chunk of 765kV substation market and it remains to be seen how the execution of these orders pans out in FY10 and FY11. Our data suggests that PGCIL orders totaling Rs5.7b in FY10 in the 765kV substation space have been awarded to Siemens.
- In February 2010, Peter Loescher, President and CEO of Siemens AG announced at a managing board meeting that the group would invest Rs16b over the next three years in India. This will be towards renewable energy and expanding its presence in value priced products markets. This is to generate revenue of Rs65b by FY20 from such products.
- We expect Siemens to post consolidated EPS of Rs24 (up 75% YoY) and Rs27 (up 12.3% YoY) for FY10E and FY11E respectively.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E SEPTEMBER	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Revenues	**16,399**	**23,830**	**19,177**	**25,180**	**18,666**	**24,931**	**21,575**	**30,717**	**84,585**	**95,889**
Change (%)	*-14.6*	*10.6*	*5.3*	*2.2*	*13.8*	*4.6*	*12.5*	*22.0*	*1.2*	*13.4*
EBITDA	**1,702**	**3,489**	**2,571**	**2,469**	**3,633**	**3,366**	**2,481**	**4,328**	**10,231**	**13,808**
Change (%)	*10.0*	*2,192.9*	*-3.1*	*-28.2*	*113.4*	*-3.5*	*-3.5*	*75.3*	*31.3*	*35.0*
As % of Revenues	*10.4*	*14.6*	*13.4*	*9.8*	*19.5*	*13.5*	*11.5*	*14.1*	*12.1*	*14.4*
Depreciation	181	184	199	213	212	217	232	270	778	929
Interest Income	165	94	118	87	157	136	205	182	464	680
Other Income	2,233	30	125	-47	0	0	0	0	2,341	0
Extra-ordinary Items	0	0	2,059	0	0	0	0	0	2,059	0
PBT	**3,919**	**3,429**	**4,674**	**2,296**	**3,579**	**3,285**	**2,455**	**4,240**	**14,318**	**13,559**
Tax	613	1,174	1,304	780	1,214	1,084	810	1,399	3,870	4,507
Effective Tax Rate (%)	*15.6*	*34.2*	*27.9*	*34.0*	*33.9*	*33.0*	*33.0*	*33.0*	*27.0*	*33.2*
Reported PAT	**3,306**	**2,255**	**3,370**	**1,516**	**2,365**	**2,201**	**1,645**	**2,841**	**10,448**	**9,052**
Adjusted PAT	**1,193**	**2,255**	**1,725**	**1,516**	**2,365**	**2,201**	**1,645**	**2,841**	**5,912**	**9,052**
Change (%)	*9*	*13,428*	*2*	*-33*	*98.2*	*-2.4*	*-4.7*	*87.4*	*-5.8*	*53.1*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

Thermax

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TMX IN
	REUTERS CODE
S&P CNX: 5,262	THMX.BO

Equity Shares (m)	119.2
52 Week Range (Rs)	745/170
1,6,12 Rel Perf (%)	7 / 20 / 190
Mcap (Rs b)	80.1
Mcap (USD b)	1.8

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs672

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	32,644	2,950	24.8	2.6	27.6	8.5	33.7	48.7	2.4	18.8
03/10E	29,304	2,438	20.5	-17.3	33.4	9.6	26.0	38.6	2.6	22.3
03/11E	34,065	2,836	23.8	16.3	28.7	8.5	30.3	44.2	2.2	18.7
03/12E	36,884	3,678	30.9	29.7	22.2	7.1	33.9	46.3	2.0	15.3

** Consolidated*

- For 4QFY10, we expect revenue of Rs9.8b, up 3% YoY, EBITDA of Rs1.2b, down 9.5% and net profit of Rs784m, down 16%YoY. We expect EBITDA margins of 12.3%, a fall of 170bp YoY. For FY10 this translates into a revenue decline of 10% YoY and EBITDA margin decline of 54bp YoY. Consolidated PAT will decline by 17% YoY to Rs2.4b.
- Consolidated order book for Thermax was Rs56b (up 37% YoY, up 11% QoQ) at the end of 3QFY10 with a BTB ratio of 1.9x.The energy division contributed Rs48b (86%) and environment contributed Rs7.9b (14%) to the order backlog. Significant developments during the quarter include: a) settlement of Thermax's patent dispute with Purolite for the Ion-exchange resin business for Rs1.78b, b) formation of a 51:49 JV with Babcox and Wilcox (B&W) for super-critical boilers of 660/800MW sizes, and c) receipt of a Rs2.4b order for CFBC boilers of 2X90MW size for an IPP to be set up in Uttar Pradesh.
- The settlement with Purolite gives Thermax the right to use the Ion-exchange resin technology till perpetuity while the super-critical JV with B&W will have a peak production capacity of 3GW to be set-up over the next 18 months and will employ about 500 people at a site that is yet to be finalized by the company. The JV will also bid for NTPC/ DVC's bulk tendering of 11 sets in early FY11.
- We have assumed the extraordinary charge arising out of Purolite's settlement at Rs1.78b in FY10 itself as stated by the management and hence our FY10 reported PAT is at Rs575m. Our consolidated EPS for FY10 and FY11 now is Rs20.5 and Rs23.8. Our estimates now factor in a revenue and PAT CAGR of 12% and 23% over FY10-12E.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**7,170**	**7,907**	**7,951**	**9,483**	**5,376**	**6,678**	**7,483**	**9,767**	**32,510**	**29,304**
Change (%)	*9.0*	*2.7*	*-6.0*	*2.8*	*-25.0*	*-15.5*	*-5.9*	*3.0*	*1.5*	*-9.9*
EBITDA	**911**	**799**	**968**	**1,333**	**689**	**667**	**894**	**1,206**	**4,011**	**3,456**
Change (%)	*33.9*	*-20.9*	*-7.8*	*4.9*	*-24.4*	*-16.5*	*-7.6*	*-9.5*	*-2.1*	*-13.8*
As of % Sales	*12.7*	*10.1*	*12.2*	*14.1*	*12.8*	*10.0*	*11.9*	*12.3*	*12.3*	*11.8*
Depreciation	70	67	84	100	95	104	104	104	321	407
Interest	3	8	6	17	5	1	6	6	33	18
Other Income	102	213	88	119	103	267	74	74	521	517
PBT	**940**	**937**	**966**	**1,348**	**692**	**829**	**858**	**1,169**	**4,192**	**3,548**
Tax	303	368	243	405	227	288	292	386	1,319	1,194
Effective Tax Rate (%)	*32.3*	*39.2*	*25.2*	*30.0*	*32.8*	*34.7*	*34.1*	*33.0*	*31.5*	*33.6*
Reported PAT	**637**	**570**	**723**	**943**	**465**	**541**	**565**	**783**	**2,873**	**2,355**
Change (%)	*13.7*	*-17.7*	*-3.7*	*17.1*	*-27.0*	*-5.0*	*-21.8*	*-16.9*	*2.3*	*-18.0*
Adj PAT	**637**	**570**	**723**	**930**	**465**	**541**	**565**	**783**	**2,859**	**2,355**
Change (%)	*37.8*	*(17.7)*	*(3.7)*	*18.5*	*(27.0)*	*(5.0)*	*(21.8)*	*(15.7)*	*2.6*	*(17.7)*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Navneet Iyengar (Navneet.Iyengar@MotilalOswal.com)

FMCG

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

Asian Paints

Britannia Industries

Colgate Palmolive

Dabur India

GSK Consumer

Godrej Consumer Products

Hindustan Unilever

ITC

Marico

Nestle India

Tata Tea

United Spirits

Growth to moderate; PAT to grow 18.6% v/s 24.7% in 3QFY10: We expect sales growth will decline to 14.9% in 4QFY10 from 16.1% in 3QFY10, mainly due to lower realizations. EBITDA will grow 18.3% against 25% a quarter earlier due to a low base in 3QFY09. EBITDA margin expansion will be only 60bp against 150bp in 3QFY10. We estimate 18.6% PAT growth against 24.8% in the previous two quarters.

Food inflation takes a toll; Volume-value trade-off for most FMCG majors: High food inflation (17.8% over the week to February 28) is hurting sales growth in the FMCG category. Discretionary spending is being curtailed, especially at the low end of the market. FMCG players have taken fewer price increases (except cigarettes) as sustaining volume growth and expanding the market base has been a priority.

Competition intensifies; 10-30% price cuts in select laundry segments: Laundry prices are cut by 10-30% in a few categories and premium skincare products have been launched in smaller packs. New players such as P&G, ITC, Ghari, GCPL and J&J have entered high growth categories like chocolates, snacks and noodles. Companies are expanding product ranges and distribution networks to boost market share.

Raw material prices firm; ad rates up 10-15%: PFAD (palmoil fatty acid distillate) prices have increased 57% in the past four months and milk and packaging costs are on a steady uptrend. However, sugar prices have declined by 20% from their peaks.

Valuations challenging; prefer niche players with low competitive pressure: Valuations for most of the companies are expensive on an FY11 basis; medium term outlook is exciting due to buoyant rural economy and rising purchasing power. We prefer companies with strong pricing power, healthy cash flows and long term growth visibility. ITC and Nestle are our preferred bets in our FMCG universe.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
FMCG											
Asian Paints	2,067	Neutral	16,152	13.4	-0.3	2,869	60.2	-9.8	1,863	81.5	-6.1
Britannia	1,576	Buy	8,429	10.6	-4.4	524	-23.6	38.0	314	-27.0	-13.0
Colgate	678	Buy	5,241	15.1	6.8	1,167	25.8	-3.7	964	25.1	-9.0
Dabur	160	Buy	8,687	18.7	-6.2	1,636	26.3	-7.7	1,278	22.6	-7.2
Godrej Consumer	256	Buy	4,979	45.3	-3.8	897	35.6	-11.6	749	26.2	-12.0
GSK Consumer	1,480	Buy	6,472	20.0	54.8	1,294	9.1	252.1	980	16.8	191.1
Hind. Unilever	241	Neutral	42,232	4.7	-7.7	5,028	-15.7	-36.2	3,905	-14.5	-34.8
ITC	269	Buy	47,366	20.6	3.4	16,649	28.2	-2.5	10,429	28.9	-8.9
Marico	109	Buy	5,929	5.6	-11.5	870	18.7	-11.9	569	-4.3	-8.6
Nestle	2,668	Buy	15,317	21.0	13.3	3,676	18.7	85.5	2,580	24.2	93.6
Tata Tea	990	Neutral	14,307	16.7	-7.6	1,780	5.4	-9.1	542	3.0	-43.5
United Spirits	1,343	Buy	11,297	24.4	-16.1	1,783	22.8	-19.4	764	37.4	-21.1
Sector Aggregate			**186,407**	**15.2**	**-1.5**	**38,174**	**17.6**	**-4.6**	**24,937**	**18.1**	**-8.6**

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Growth to moderate; PAT to grow 18.6% v/s 24.7% in 3QFY10

We expect sales and profit growth in our FMCG universe to slow on a YoY basis. Growth in sales in 4QFY10 will decline to 14.9% YoY from 16.1% in 3QFY10 mainly due to lower realizations. 4QFY10 EBITDA will grow 18.3% against 25% a quarter earlier aided by a low base in 3QFY09. EBITDA margin expansion will be only 60bp v/s 150bp in 3QFY10. We estimate 18.6% PAT growth v/s 24.7% in the previous two quarters. However for FY10, PAT growth is estimated at 21.6% v/s 10.6% in FY09, excluding HUL (PAT decline of 1% in FY10) PAT growth is 28.9% for FY10 and 26.6% for 4QFY10.

KEY PERFORMANCE METRICS OF MOSL FMCG UNIVERSE

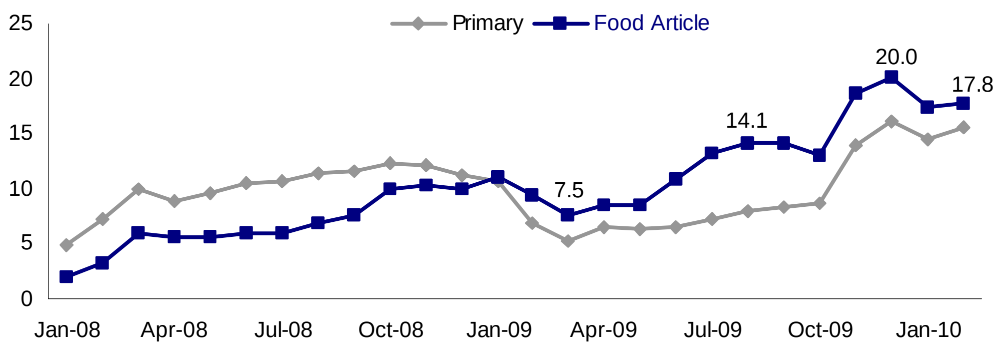
	JUNE-09	SEP- 09	DEC-09	MAR-10E
Sales growth (YoY)	11.3	13.1	16.1	14.9
EBITDA margin (bp)	20.7	21.2	21.1	20.7
EBITDA margin expansion (YoY)	196	268	150	61
PAT growth (YoY)	18.0	24.9	24.8	18.6

Source: Company/MOSL

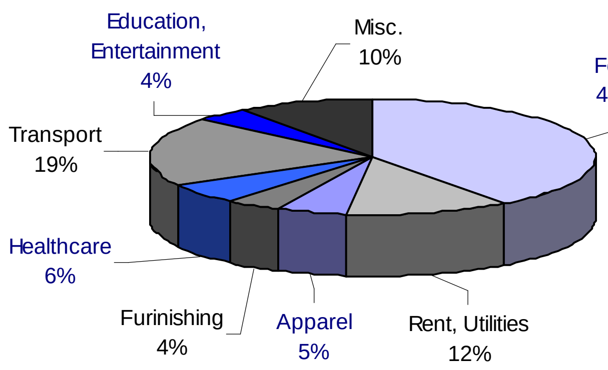
High food inflation hurting FMCG growth; volume-value tradeoff for FMCG players

Food inflation in the mid to high teens has continued to affect consumer spending patterns at the low end of the income pyramid over the past 3-4 months as food accounts for ~40% of an average Indian's expenditure, with the number being higher for low income groups. The recent surge in food prices has impacted the discretionary spend among low income groups, where the focus shifts to essential food articles. This is likely to result in volume growth being lower than in the previous quarter.

FOOD INFLATION HURTS LOW INCOME GROUPS



FOOD COMPRISES 40%+ OF THE AVERAGE INDIAN'S EXPENDITURE



Source: Company/MOSL

FMCG players, for their part are being cautious with regard to price increases, with volume growth taking precedence over value growth. We expect companies to maintain value growth in mid-teens: 14.9% in 4QFY10 v/s 16% growth in 3QFY10.

VOLUME GROWTH (%)

	DEC-08	MAR-09	JUN-09	SEP-09	DEC-09
Hindustan Unilever	2.3	-4.2	2.0	1.0	5.0
ITC (Cigarettes)	-3.5	-3.0	5.0	7.5	8.5
Asian Paints	2.0	13.0	11.5	17.5	25.0
United Spirits	19.0	24.0	17.0	11.1	12.3
Colgate (Toothpaste)	14.0	15.2	14.0	18.0	15.0
GSK Consumer	13.0	20.0	12.0	9.0	10.0
Marico					
Parachute	9.0	N.A	14.0	10.0	8.0
Hair Oil	14.0	N.A	9.0	17.0	10.0
Saffola	3.0	N.A	13.0	22.0	18.0
Godrej Consumer					
Soaps	19.0	34.0	15.0	~16	~11
Hair Color	7.0	13.0	14.0	~35	~11
Dabur	14.0	13.0	16.0	13.0	14.5

Source: Company/MOSL

Competitive intensity rising; 10-30% price cuts in select laundry segments

Competition has intensified in the industry. There has been a 10-30% price correction in a few categories in the laundry segment, with *Tide* and *Rin* involved in a brand war. Companies have launched premium skincare products in smaller packs at lower price points to expand the category. Garnier, HUL, P&G, J&J and Dabur are active in the segment.

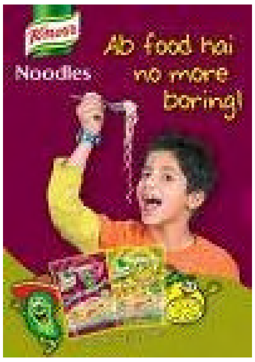
New launches by GSK Consumer, HUL and ITC in the instant noodles segment are likely to expand the category, while we expect competition to intensify in the chocolate and biscuit segment once Kraft completes its plans for India. Price cuts from Marico in pure coconut oil are likely to sustain volume growth and sharp price cuts in *Amla* are aimed at gaining market share from market leader *Dabur Amla*. P&G, ITC, Ghari, GCPL and J&J are expanding their product range and distribution to boost market share.

NEW PRODUCT LAUNCHES/RE-LAUNCHES

COMPANY	CATEGORY	BRAND	VARIANT
HUL	Toilet Soaps	Lux	Lux Purple
	Knorr	Noodles	3 variants
	Skin Care	Vaseline	Vaseline Men's Fairness Range
	Tea	Brook Bond	Sehatmand
	Detergent	Wheel (Re-launch)	Active
Britannia	Biscuits	Treat	Treat Chocodecker
J&J	Skin Creams	Neutrogena	Fairness Cream
Marico	Rice	Saffola (Re-launch)	Saffola Arise
United Spirits	Energy drinks	Romanov Red	

Source: Company/MOSL

MAJOR LAUNCHES/RE-LAUNCHES DURING THE QUARTER



Source: Company/MOSL

PRICING ACTION ADDS TO THE FRAY

PRICE CHANGES (RS)	MAR'10	DEC'09	MAR'09	3M CHG. (%)	12M CHG. (%)
Detergents Powder(Rs/Kg)					
Wheel	30	30	32	0	-6.25
Rin	50	60	70	-16.7	-28.6
Surf Excel Blue	110	124	131	-11.3	-16.0
Tide Natural	40	50	N.A	-20.0	-
Tide	56	70	83	-20.0	-32.5
Detergent Cake (Rs/100gm)					
Wheel Bar	2.5	2.5	3.3	0	-25
Rin Shakti Bar	5.0	5.0	7.0	0.0	-28.6
Tide Bar	3.6	6.8	6.8	-47.1	-47.1
Toilet Soaps (Rs/100gm)					
Lux	16.6	18	18	-7.8	-7.8
Lifebuoy	12.5	15	13.3	-16.7	-6.0
Godrej No 1	10.9	10.0	10.0	9.0	9.0
Santoor	18	18	17.4	0.0	3.4
Toothpaste (Rs/200gm SKU)					
Pepsodent	56	60	60	-6.7	-6.7
Colgate (CDC)	56	56	52	0.0	7.7

Source: Company/MOSL

RIN-TIDE ADS TAKE COMPETITION TO A NEW LEVEL; ASP LIKELY TO INCREASE ACROSS PLAYERS

Source: Company/MOSL

Raw material prices firm; ad rates up 10-15%

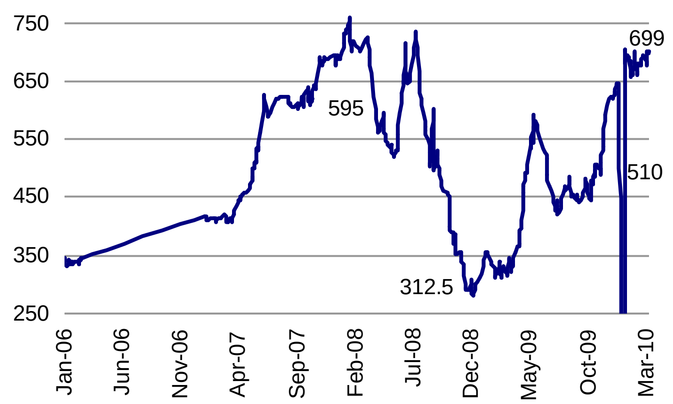
PFAD (palmoil fatty acid distillate) prices have increased 57% in the past four months and the prices of milk and packaging are on a steady uptrend. But in the past two months, sugar prices declined by 20% from their peaks. Copra and safflower prices, however, have been benign. Prices of palm oil, LAB and packaging are likely to shadow crude

IMPACT OF INPUT PRICE CHANGES

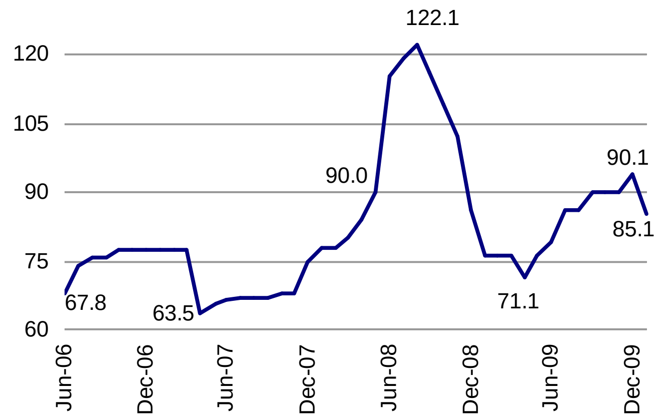
INPUT	PRICE TREND YOY	UNIT	52 WEEK H/L	CURRENT PRICE	IMPACT	COMPANIES
LAB	Up	Rs/Kg	90/71	Rs.84/Kg	Negative	HUL
Soda Ash	Down	Rs/50Kg	1038/837	Rs838/50Kg	Positive	HUL
Palm Fatty Acid	Up	US$/MT	700/319	US$ 700/MT	Negative	HUL, Godrej Consumer
Wheat	Up	Rs/Qtl	1304/1137	Rs1304/Qtl	Negative	Nestle, ITC and Britannia
Milk	Up	Index	266/233	266 (Index)	Negative	Nestle, GSK Consumer
Copra	Down	Rs/Qtl	3825/2900	Rs.3255/Qtl	Positive	Marico

Source: Company/MOSL

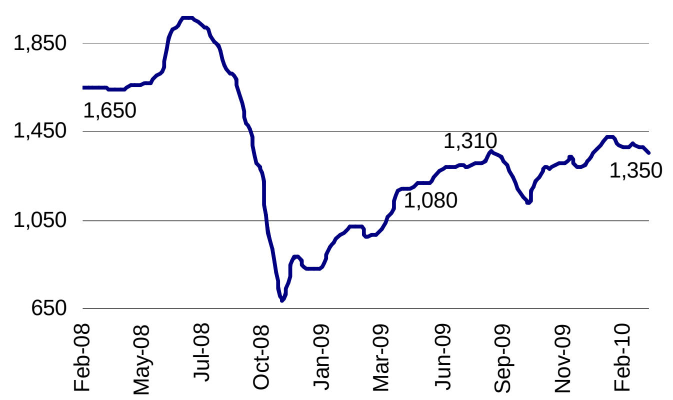
PALMOIL FATTY ACID (US$/M%): ~40% INCREASE IN THE PAST QUARTER



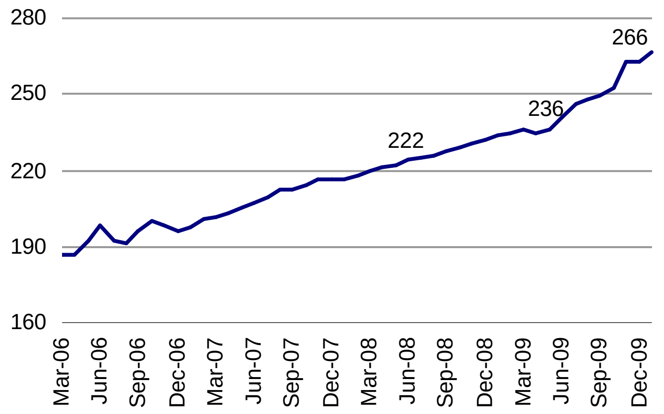
LAB PRICES (RS/KG): TRENDING CRUDE



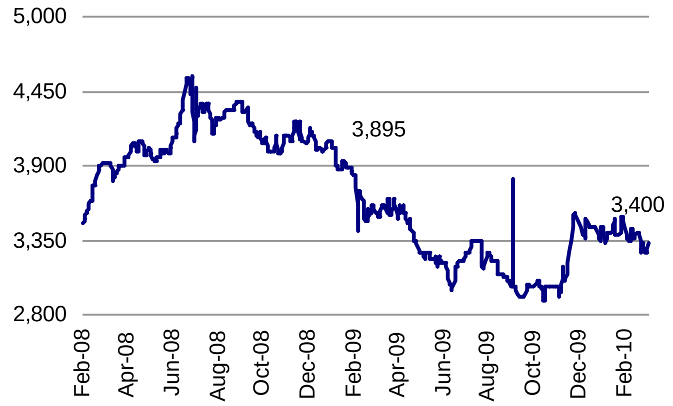
HDPE (US$/MT): TRENDING CRUDE



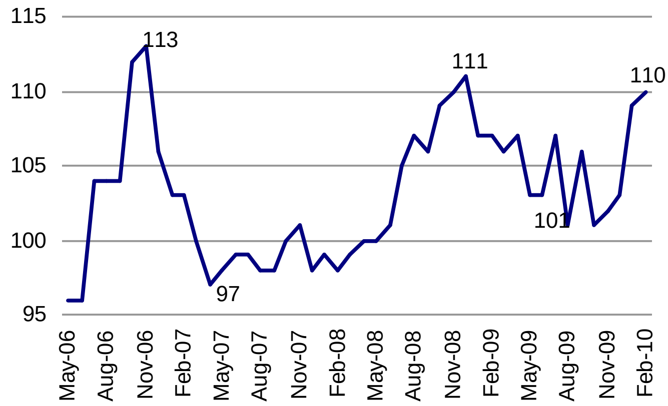
MILK PRICE INDEX: STEADY RISE



COPRA (RS/QTL): UP ~15% FROM THE BOTTOM

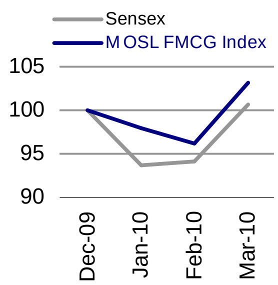


TITANIUM DIOXIDE PRICE INDEX: IN A NARROW BAND

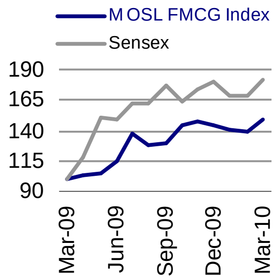


Source: Bloomberg/MOSL

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



prices and agri commodities are unlikely to recede before the monsoons. Ad inventory utilization increased steadily and ad card rates have firmed 10-15%. Media rates have increased steeply in the current season and we expect the trend to continue as companies across sectors increase their focus on brand building.

Valuations challenging; prefer niche players with low competitive pressure

Valuations for most of the companies are expensive on FY11 basis. Normal monsoons and a decline in food prices could be a big trigger for the sector. The medium to long term growth outlook is exciting due to a buoyant rural economy and rising purchasing power. We prefer companies with strong pricing power, healthy cash flows and long term growth visibility. **ITC** and **Nestle** are our preferred bets.

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
FMCG														
Asian Paints	2,067	Neutral	79.9	86.5	104.6	25.9	23.9	19.8	16.4	15.0	12.3	48.2	41.2	39.9
Britannia	1,576	Buy	78.6	103.0	121.3	20.0	15.3	13.0	18.5	12.1	10.1	45.4	48.0	46.3
Colgate	678	Buy	29.0	32.3	38.3	23.4	21.0	17.7	18.8	15.4	12.7	168.5	150.6	148.8
Dabur	160	Buy	5.7	6.5	7.9	27.9	24.6	20.4	21.7	18.4	15.3	45.8	40.9	39.0
Godrej Consumer	256	Buy	10.5	13.0	15.5	24.5	19.7	16.6	20.1	15.2	12.6	47.6	50.7	50.6
GSK Consumer	1,480	Buy	55.4	64.5	78.9	26.7	22.9	18.8	18.4	16.2	12.7	26.0	25.7	26.6
Hind. Unilever	241	Neutral	9.3	9.2	10.8	25.9	26.1	22.2	18.9	18.8	15.9	85.7	77.7	84.2
ITC	269	Buy	10.8	12.3	14.2	24.9	21.9	18.9	15.1	13.8	11.6	25.7	25.3	25.4
Marico	109	Buy	4.0	4.8	5.9	27.3	22.6	18.3	17.8	14.9	12.1	37.4	32.6	30.0
Nestle	2,668	Buy	77.1	93.0	114.0	34.6	28.7	23.4	23.4	19.5	15.9	125.9	119.1	115.5
Tata Tea	990	Neutral	60.5	66.4	78.0	16.4	14.9	12.7	9.8	8.5	7.2	9.3	9.5	10.4
United Spirits	1,343	Buy	30.7	51.6	62.5	43.7	26.0	21.5	17.0	13.8	12.1	8.3	12.4	13.2
Sector Aggregate						**26.3**	**23.2**	**19.6**	**17.0**	**15.2**	**12.7**	**31.2**	**30.7**	**31.3**

Asian Paints

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	APNT IN
	REUTERS CODE
S&P CNX: 5,262	ASPN.BO

Equity Shares (m)	95.9
52 Week Range (Rs)	2,076/760
1,6,12 Rel Perf (%)	7 / 44 / 77
Mcap (Rs b)	198.2
Mcap (USD b)	4.4

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs2,067

YEAR END	NET SALES (RS M)	ADJ. PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	54,632	4,014	41.8	-3.9	49.4	16.5	33.4	39.4	3.6	29.6
3/10E	64,193	7,666	79.9	91.0	25.9	12.5	48.2	56.1	3.1	16.4
3/11E	75,359	8,295	86.5	8.2	23.9	9.8	41.2	50.4	2.6	15.0
3/12E	87,958	10,037	104.6	21.0	19.7	7.9	39.9	50.7	2.2	12.3

- We expect Asian Paints to post 4QFY10 net sales of Rs16.1b, up 13.4% YoY. We expect 16% volume growth in domestic decorative paints. Value growth is lower due to a fall in realizations due to price cuts.
- There has been encouraging growth momentum in the decorative paints division, both in volumes and product mix. Demand is stable in major parts of India, though tier 2 and tier 3 cities are growing faster than metros.
- Raw material prices are favorable and we estimate the RM index will be marginally higher sequentially. Asian Paints has not affected a price increase despite a 2% excise increase in the Budget.
- We expect the international business to sustain its margin expansion backed by the hive-off of non-profitable subsidiaries in Thailand, Malaysia and China.
- We expect 4QFY10 EBITDA growth of 60%, resulting in 520bp YoY margin expansion. We estimate adjusted PAT at Rs1.86b, up 81% YoY.
- The stock trades at 23.9x FY11E and 19.7x FY12E earnings. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%) *	**20.0**	**19.0**	**0.0**	**13.0**	**11.5**	**17.5**	**25.0**	**16.0**	**13.4**	**17.5**
Titanium Dioxide Price Index #	**102**	**107**	**111**	**108**	**106**	**106**	**103**	**105**	**107**	**104**
Net Sales	**12,420**	**14,753**	**13,210**	**14,249**	**14,602**	**17,239**	**16,200**	**16,152**	**54,632**	**64,193**
Change (%)	*29.3*	*30.2*	*12.2*	*25.8*	*17.6*	*16.9*	*22.6*	*13.4*	*24.0*	*17.5*
Raw Material/Packing Material	7,518	9,013	8,437	8,739	8,191	9,798	9,127	9,270	33,706	36,386
Gross Profit	**4,902**	**5,740**	**4,773**	**5,511**	**6,411**	**7,441**	**7,073**	**6,882**	**20,926**	**27,808**
Gross Margin (%)	*39.5*	*38.9*	*36.1*	*38.7*	*43.9*	*43.2*	*43.7*	*42.6*	*38.3*	*43.3*
Operating Expenses	**3,180**	**3,651**	**3,680**	**3,720**	**3,653**	**4,213**	**3,892**	**4,013**	**14,232**	**15,771**
% of Sales	*25.6*	*24.8*	*27.9*	*26.1*	*25.0*	*24.4*	*24.0*	*24.8*	*26.1*	*24.6*
EBITDA	**1,722**	**2,088**	**1,093**	**1,791**	**2,758**	**3,228**	**3,181**	**2,869**	**6,694**	**12,036**
Margin (%)	*13.9*	*14.2*	*8.3*	*12.6*	*18.9*	*18.7*	*19.6*	*17.8*	*12.3*	*18.7*
Interest	55	68	66	75	72	64	79	89	263	305
Depreciation	154	186	202	201	198	200	197	228	744	822
Other Income	103	179	122	114	156	247	167	183	517	754
PBT	**1,616**	**2,014**	**946**	**1,629**	**2,645**	**3,211**	**3,072**	**2,735**	**6,204**	**11,663**
Tax	519	634	291	530	844	1,065	955	775	1,974	3,639
Effective Tax Rate (%)	*32.1*	*31.5*	*30.7*	*32.5*	*31.9*	*33.2*	*31.1*	*28.3*	*31.8*	*31.2*
PAT before Minority	**1,096**	**1,379**	**656**	**1,099**	**1,801**	**2,146**	**2,117**	**1,960**	**4,230**	**8,024**
Minority Interest	29	55	60	73	40	89	133	97	216	358
Adjusted PAT	**1,068**	**1,324**	**596**	**1,026**	**1,761**	**2,057**	**1,985**	**1,863**	**4,014**	**7,666**
Change (%)	*27.4*	*9.4*	*-42.3*	*17.6*	*64.9*	*55.4*	*232.8*	*81.5*	*-3.9*	*91.0*
Reported PAT	**1,062**	**1,315**	**590**	**1,011**	**1,760**	**2,684**	**1,986**	**1,863**	**3,978**	**8,292**

*E: MOSL Estimates; * Domestic Decotrative Paints; # FY08 avareage as 100*

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Britannia Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BRIT IN
	REUTERS CODE
S&P CNX: 5,262	BRIT.BO

Equity Shares (m)	23.9
52 Week Range (Rs)	1,890/1,335
1,6,12 Rel Perf (%)	-13 / -3 / -70
Mcap (Rs b)	37.7
Mcap (USD b)	0.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,576

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	31,122	2,011	84.2	9.7	18.7	4.6	24.4	36.4	1.1	12.7
03/10E	33,140	1,879	78.6	-6.6	20.0	9.1	45.4	34.3	1.1	16.6
03/11E	38,032	2,461	103.0	31.0	15.3	7.3	48.0	40.9	1.0	10.7
03/12E	43,547	2,899	121.3	17.8	13.0	6.0	46.3	43.3	0.8	8.8

- We estimate Britannia will post sales of Rs8.4b, up 10.6% YoY. Volume growth is likely to be muted due to a 5-20% price increase across SKUs and a shift to smaller SKUs of existing brands.
- We are positive about consumer upgrades (from glucose biscuits to higher margin value added biscuits), which should boost realizations.
- A sharp increase in prices of raw materials like sugar, HDPE and milk would result in gross margin contraction of 360bp. Calibrated price increases and a 20% decline in sugar prices in March (mills can hold only 15 days' inventory) would enable a 120bp expansion in margins QoQ.
- However EBITDA is likely to de-grow 24% YoY due to margin contraction of 280bp to 6.2%.
- Allotment of bonus debentures (Rs4b) will increase the interest burden (record date 9 March, 2010). Adjusted PAT is expected to de-grow by 27% to Rs314m.
- The stock trades at 15.3x FY11E EPS and 13x FY12E EPS. Decline in input costs and increase in volume growth would accelerate PAT growth in FY11. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**6,933**	**8,385**	**8,183**	**7,621**	**7,312**	**8,585**	**8,814**	**8,429**	**31,122**	**33,140**
YoY Change (%)	*20.2*	*27.3*	*24.7*	*10.0*	*5.5*	*2.4*	*7.7*	*10.6*	*20.4*	*6.5*
Raw Material Cost	4,846	5,953	5,784	5,184	5,070	5,918	6,418	6,038	21,766	23,443
Gross Profit	**2,087**	**2,433**	**2,399**	**2,437**	**2,243**	**2,668**	**2,396**	**2,391**	**9,356**	**9,697**
Margins (%)	*30.1*	*29.0*	*29.3*	*32.0*	*30.7*	*31.1*	*27.2*	*28.4*	*30.1*	*29.3*
Other Exp	1,511	1,762	1,743	1,751	1,643	1,930	2,017	1,867	6,728	7,457
EBITDA	**576**	**671**	**656**	**686**	**599**	**737**	**380**	**524**	**2,627**	**2,241**
Margins (%)	*8.3*	*8.0*	*8.0*	*9.0*	*8.2*	*8.6*	*4.3*	*6.2*	*8.4*	*6.8*
YoY Growth (%)	*29.1*	*-2.2*	*11.6*	*17.0*	*4.1*	*9.9*	*-42.1*	*-23.6*	*13.7*	*-14.7*
Depreciation	79	82	86	88	91	94	95	99	335	378
Interest	35	44	30	8	8	9	8	67	160	92
Other Income	79	167	73	75	153	126	113	129	399	521
PBT	**541**	**712**	**614**	**665**	**653**	**762**	**390**	**487**	**2,532**	**2,291**
Tax	83	116	88	235	109	101	29	173	521	412
Rate (%)	*15.3*	*16.2*	*14.3*	*35.3*	*16.7*	*13.3*	*7.4*	*35.6*	*20.6*	*18.0*
Adjusted PAT	**458**	**597**	**526**	**430**	**544**	**660**	**361**	**314**	**2,011**	**1,879**
YoY Change (%)	*16.8*	*15.6*	*7.7*	*-17.8*	*18.7*	*10.7*	*-31.4*	*-27.0*	*9.7*	*-6.6*
Extraordinary Expenses	55	64	64	23	70	70	70	57	206	266
Reported PAT	**403**	**533**	**462**	**407**	**474**	**591**	**291**	**257**	**1,804**	**1,612**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Colgate Palmolive

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CLGT IN
	REUTERS CODE
S&P CNX: 5,262	COLG.BO

Equity Shares (m)	136.0
52 Week Range (Rs)	744/426
1,6,12 Rel Perf (%)	-9 / 4 / -37
Mcap (Rs b)	92.2
Mcap (USD b)	2.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs678

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	16,948	2,902	21.3	25.2	31.8	42.6	153.3	150.2	5.3	26.5
03/10E	19,700	3,947	29.0	36.0	23.4	34.8	168.5	166.2	4.5	18.8
03/11E	22,925	4,393	32.3	11.3	21.0	28.9	150.6	149.1	3.8	15.4
03/12E	26,830	5,214	38.3	18.7	17.7	24.1	148.8	147.5	3.2	12.7

- We expect 4QFY10 sales to grow 15% YoY to Rs 5.2b. Volume growth is likely to stay steady at 14-15%, with *Cibaca* growing 3-4pp faster than other brands.
- Input costs of calcium carbonate and packaging have increased and we expect an 80bp decline in gross margins QoQ.
- We expect EBITDA margins to expand 260bp, led by lower costs of some raw material and ad-spends.
- We expect Colgate to post adjusted PAT of Rs964m, up 25% YoY.
- With the challenger struggling in its key brand *Pepsodent*, competitive pressure for Colgate is waning. We expect it to gain market share in coming quarters.
- However, the launch of Crest in India as part of P&G's plan to capture 1b additional consumers globally could increase competitive pressures and impact near term profitability.
- Colgate continues to be a pure play on rising oral care penetration in India. High dividend payout of 80% and RoE of 170% makes the stock attractive in the long term. The stock trades at 21x FY11E EPS and 17.7x FY12E EPS. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Toothpaste Volume Gr (%)	**10.9**	**11.1**	**14.0**	**15.2**	**14.0**	**18.0**	**15.0**	**14.0**	**12.8**	**15.5**
Net Sales	**4,076**	**4,125**	**4,192**	**4,555**	**4,680**	**4,873**	**4,906**	**5,241**	**16,948**	**19,700**
YoY Change (%)	*16.2*	*13.4*	*14.1*	*16.4*	*14.8*	*18.1*	*17.0*	*15.1*	*15.0*	*16.2*
COGS	1,752	1,807	1,849	2,005	2,050	2,076	2,100	2,283	7,413	8,508
Gross Profit	**2,324**	**2,319**	**2,343**	**2,549**	**2,630**	**2,797**	**2,806**	**2,958**	**9,535**	**11,192**
Gross Margin (%)	*57.0*	*56.2*	*55.9*	*56.0*	*56.2*	*57.4*	*57.2*	*56.4*	*56.3*	*56.8*
Other operating Expenses	1,636	1,807	1,597	1,789	1,579	1,847	1,798	1,973	6,919	7,196
% to Sales	*40.1*	*43.8*	*38.1*	*39.3*	*33.7*	*37.9*	*36.6*	*37.6*	*40.8*	*36.531*
Other Operating Income	253	176	163	167	174	156	203	182	760	715
EBITDA	**942**	**688**	**909**	**928**	**1,226**	**1,106**	**1,212**	**1,167**	**3,376**	**4,710**
Margins (%)	*21.8*	*16.0*	*20.9*	*19.7*	*25.3*	*22.0*	*23.7*	*22.3*	*19.1*	*23.1*
Depreciation	55	56	55	64	56	58	56	71	229	241
Interest	4	5	1	1	5	1	5	9	11	20
Financial Other Income	31	93	65	38	86	66	74	80	318	306
PBT	**913**	**721**	**918**	**901**	**1,251**	**1,113**	**1,225**	**1167**	**3,453**	**4,756**
Tax	194	86	140	131	223	216	166	203	551	808
Rate (%)	*21.3*	*11.9*	*15.3*	*14.5*	*17.8*	*19.4*	*13.6*	*17.4*	*16.0*	*17.0*
PAT	**719**	**635**	**777**	**771**	**1,028**	**897**	**1,059**	**964**	**2,902**	**3,947**
YoY Change (%)	*16.2*	*16.0*	*28.3*	*38.6*	*42.9*	*41.3*	*36.2*	*25.1*	*25.2*	*36.0*
Extraordinary Expenses	0	0	0	0	0	0	-105	0	0	-105
Reported PAT	**719**	**635**	**777**	**771**	**1,028**	**897**	**1,164**	**964**	**2,902**	**4,053**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Dabur India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	DABUR IN
	REUTERS CODE
S&P CNX: 5,262	DABU.BO

Equity Shares (m)	864.0
52 Week Range (Rs)	180/93
1,6,12 Rel Perf (%)	-12 / 10 / -15
Mcap (Rs b)	138.4
Mcap (USD b)	3.1

30 March 2010 **Buy**

Previous Recommendation: Neutral Rs160

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	28,054	3,912	4.5	17.1	35.4	16.9	47.7	44.5	4.8	28.9
03/10E	33,855	4,962	5.7	26.9	27.9	12.7	45.8	47.1	4.1	21.7
03/11E	40,105	5,622	6.5	13.3	24.6	10.0	40.9	47.1	3.4	18.4
03/12E	46,504	6,792	7.9	20.8	20.4	7.9	39.0	46.0	2.8	15.4

- We expect Dabur India to post net sales of Rs8.7b, up 18.7% YoY. Volume growth remains strong though the waning impact of price increase would hit value growth.
- We expect EBITDA to grow 26.3% YoY resulting in margin expansion of 110bp to 18.8%. Adjusted PAT is expected to increase by 22.6%.
- Dabur India continues to maintain double digit growth in the hair care business even though competitive intensity is increasing. Oral care and skin care are expected to grow above the teens, Fem portfolio will report high double digit in 4QFY10.
- Dabur increased the price of packed juices like *Real* and *Active* by 4% to offset input cost inflation. Chawyanprash sales growth is expected to be robust due to extended winters.
- International sales will continue to report 20%+ growth led by volumes. Supply chain efficiencies and scale benefit has improved the margin profile and the management has guided for sustaining profit margins going forward.
- The stock trades at 24.6x FY11E EPS of and 20.4x FY12E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	**11.0**	**13.0**	**14.0**	**13.5**	**16.0**	**13.0**	**14.0**	**14.5**	**13.0**	**15.0**
Net Sales	**6,040**	**6,912**	**7,787**	**7,317**	**7,427**	**8,480**	**9,262**	**8,687**	**28,054**	**33,855**
YoY Change (%)	*16.0*	*18.3*	*19.9*	*20.6*	*23.0*	*22.7*	*18.9*	*18.7*	*18.8*	*20.7*
Total Exp	5,168	5,664	6,497	6,021	6,244	6,726	7,489	7,051	23,350	27,509
EBITDA	**871**	**1,248**	**1,290**	**1,296**	**1,182**	**1,754**	**1,773**	**1,636**	**4,705**	**6,346**
Margins (%)	*14.4*	*18.1*	*16.6*	*17.7*	*15.9*	*20.7*	*19.1*	*18.8*	*16.8*	*18.7*
YoY Growth (%)	*10.0*	*7.6*	*10.9*	*32.4*	*35.7*	*40.6*	*37.5*	*26.3*	*14.9*	*34.9*
Depreciation	117	123	109	144	123	139	146	177	492	585
Interest	40	40	69	44	37	33	37	45	232	152
Other Income	120	145	114	49	78	107	59	120	468	365
PBT	**834**	**1,230**	**1,226**	**1,158**	**1,101**	**1,690**	**1,650**	**1,534**	**4,448**	**5,973**
Tax	127	156	152	106	190	286	271	246	540	994
Rate (%)	*15.2*	*12.7*	*12.4*	*9.1*	*17.3*	*16.9*	*16.4*	*16.0*	*12.1*	*16.6*
Minority Interest	1	-4	-11	10	-4	11	1	9	-4	17
Adjusted PAT	**707**	**1,078**	**1,085**	**1,042**	**914**	**1,392**	**1,378**	**1,278**	**3,912**	**4,962**
YoY Change (%)	*13.5*	*11.6*	*14.8*	*29.7*	*29.4*	*29.1*	*27.0*	*22.6*	*17.2*	*27.4*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

GlaxoSmithKline Consumer

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SKB IN
	REUTERS CODE
S&P CNX: 5,262	GLSM.BO

Equity Shares (m)	42.1
52 Week Range (Rs)	1,554/630
1,6,12 Rel Perf (%)	-4 / 25 / 36
Mcap (Rs b)	62.3
Mcap (USD b)	1.4

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,480

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/08A	15,431	1,883	44.8	16.3	33.1	8.2	24.8	38.4	3.7	24.2
12/09E	19,213	2,328	55.4	23.6	26.7	7.0	26.0	40.0	3.0	19.1
12/10E	22,472	2,713	64.5	16.5	22.9	5.9	25.7	38.5	2.5	16.1
12/11E	26,311	3,317	78.9	22.3	18.8	5.0	26.6	39.4	2.1	12.7

- We expect GSK consumer to post net sales of Rs6.5b, up 20% YoY.
- Volume growth is likely to stay strong at 12.5%, helped by increasing penetration and per capita consumption. The company increased prices of malted food drinks by 5% in January, which will boost sales growth.
- The input cost index is likely to stay firm as prices of key raw materials like milk and sugar are higher on a YoY basis. Higher advertising and sales promotion for new launches like *Foodles*, *Nutribar* and other malted foods will impact EBITDA margins. We estimate a 200bp decline in EBITDA margins (EBITDA growth 9%). We estimate PAT growth at 16.8%.
- Leadership in the malted foods category, and a widening portfolio with launches in new categories is likely to enable 19% PAT CAGR over CY09-11. Increased payout ratio and success of new launches can re-rate the stock further.
- GSK trades at 22.9x CY10E EPS and 18.8x CY11E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Volume Growth (%)	**14.0**	**12.0**	**6.0**	**16.0**	**12.5**	**9.0**	**14.0**	**8.5**	**12.0**	**11.0**
Net Sales	**5,394**	**4,687**	**4,951**	**4,181**	**6,472**	**5,390**	**5,792**	**4,817**	**19,213**	**22,472**
YoY Change (%)	*31.3*	*24.5*	*17.2*	*25.4*	*20.0*	*15.0*	*17.0*	*15.2*	*24.5*	*17.0*
Total Exp	4,207	3,941	4,165	3,814	5,178	4,576	4,894	4,276	16,127	18,925
EBITDA	**1,187**	**746**	**786**	**368**	**1,294**	**814**	**898**	**541**	**3,086**	**3,547**
Margins (%)	*22.0*	*15.9*	*15.9*	*8.8*	*20.0*	*15.1*	*15.5*	*11.2*	*16.1*	*15.8*
YoY Change (%)	*46.7*	*36.6*	*24.6*	*-8.6*	*9.1*	*9.1*	*14.3*	*47.2*	*29.2*	*14.9*
Depreciation	106	105	105	104	112	121	128	133	420	494
Interest	13	11	10	9	15	15	15	20	43	65
Other Income	256	228	213	218	285	250	240	232	916	1,007
PBT	**1,324**	**858**	**884**	**473**	**1,452**	**928**	**995**	**620**	**3,539**	**3,996**
Tax	485	307	283	136	472	295	319	196	1,211	1,283
Rate (%)	*36.6*	*35.7*	*32.1*	*28.8*	*32.5*	*31.8*	*32.1*	*31.7*	*34.2*	*32.1*
PAT	**839**	**552**	**600**	**337**	**980**	**633**	**675**	**424**	**2,328**	**2,713**
YoY Change (%)	*48.4*	*19.6*	*13.2*	*3.4*	*16.8*	*14.7*	*12.5*	*25.9*	*23.6*	*16.5*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Godrej Consumer Products

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	GCPL IN
	REUTERS CODE
S&P CNX: 5,262	GOCP.BO

Equity Shares (m)	308.2
52 Week Range (Rs)	304/120
1,6,12 Rel Perf (%)	-3 / 3 / 19
Mcap (Rs b)	79.0
Mcap (USD b)	1.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs256

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	13,946	1,733	5.6	-20.3	45.6	11.6	30.4	27.2	4.6	31.8
03/10E	20,299	3,227	10.5	86.2	24.5	11.6	47.6	46.5	3.9	20.1
03/11E	24,875	4,002	13.0	24.0	19.7	10.0	50.7	52.6	3.1	15.2
03/12E	28,761	4,766	15.5	19.1	16.6	8.4	50.6	53.7	2.6	12.6

** Estimates from FY10 factor in 49% consolidation for Godrej Saralee*

- We expect net sales to be Rs5b, up 45% YoY. Domestic sales growth is likely to decelerate (in line with the industry). The figures are not strictly comparable due to the consolidation of 49% stake in Godrej Sara Lee.
- In toilet soaps, the company posted market share gains YoY, though sales growth will be sequentially lower due to slow category growth and prolonged winters. Hair color sales are growing in double digits though sales growth will be sequentially lower. Geographical expansion will be a key driver of volume growth.
- Gross margins are likely to expand ~120bp in 4QFY10 (v/s 11pp expansion in 3QFY10) due to a higher base effect (750bp QoQ expansion in 4QFY09) and increase in input costs of PFAD (palmoil fatty acid distillate).
- EBITDA margins are expected to contract 130bp to 18% and EBITDA growth is likely to be 36% YoY. Adjusted PAT is expected to grow 26% to Rs750m.
- The company has entered into an agreement to acquire worldwide rights of *Tura* brand which has a presence in Nigeria's personal care market. We await details of the deal to factor it in our estimates.
- The stock trades at 19.7x FY11E EPS and 16.6x FY12E EPS. Acquisition of balance 51% stake in Godrej Sara Lee holds the key to near term stock performance. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
PFAD Price Index*	**130**	**105**	**100**	**61**	**60**	**89**	**82**	**97**	**99**	**77**
Net Sales	**3,616**	**3,481**	**3,421**	**3,427**	**4,389**	**5,756**	**5,176**	**4,979**	**13,946**	**20,299**
YoY Change (%)	*26.3*	*27.0*	*25.4*	*26.1*	*21.4*	*65.4*	*51.3*	*45.3*	*26.5*	*45.6*
Cost of Goods Sold	1,979	1,975	1,998	1,743	2,022	2,714	2,459	2,473	7,695	9,669
Gross Profit	**1,637**	**1,505**	**1,423**	**1,684**	**2,367**	**3,042**	**2,716**	**2,505**	**6,250**	**10,630**
Margin (%)	*45.3*	*43.2*	*41.6*	*49.1*	*53.9*	*52.8*	*52.5*	*50.3*	*44.8*	*47.6*
Other Operating Exp.	1,142	1,093	940	1,023	1,502	1,922	1,702	1,608	4,197	6,735
EBITDA	**496**	**413**	**483**	**661**	**864**	**1,119**	**1,014**	**897**	**2,053**	**3,895**
Margins (%)	*13.7*	*11.9*	*14.1*	*19.3*	*19.7*	*19.4*	*19.6*	*18.0*	*14.7*	*19.2*
Depreciation	55	46	51	40	52	68	56	71	193	246
Interest	-12	45	-42	-60	-56	26	20	11	-67	2
Other Income	35	107	15	7	8	139	111	81	164	338
PBT	**487**	**428**	**489**	**688**	**876**	**1,164**	**1,049**	**896**	**2,092**	**3,985**
Tax	96	81	88	94	179	234	198	147	360	758
Rate (%)	*19.7*	*18.9*	*18.1*	*13.7*	*20.5*	*20.1*	*18.8*	*16.4*	*17.2*	*19.0*
PAT	**391**	**347**	**401**	**594**	**697**	**930**	**851**	**749**	**1,733**	**3,227**
YoY Change (%)	*1.2*	*-6.3*	*-6.9*	*45.4*	*78.2*	*167.8*	*112.4*	*26.2*	*8.9*	*86.2*

*E: MOSL Estimates; * Palm Fatty Acid Distillate with a 3 month lag (FY08 average as 100)*

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Hindustan Unilever

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HUVR IN
	REUTERS CODE
S&P CNX: 5,262	HLL.BO

Equity Shares (m)	2,177.5
52 Week Range (Rs)	306/215
1,6,12 Rel Perf (%)	-5 / -11 / -83
Mcap (Rs b)	524.2
Mcap (USD b)	11.6

30 March 2010

Neutral

Previous Recommendation: Neutral — Rs241

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A*	167,617	20,636	9.5	18.4	25.4	25.5	121.3	122.8	2.5	16.7
03/10E	175,683	20,256	9.3	-1.9	25.9	22.2	85.7	103.7	2.9	19.0
03/11E	194,147	20,082	9.2	-0.9	26.1	20.3	77.7	95.2	2.6	18.8
03/12E	217,112	23,590	10.8	17.5	22.2	18.7	84.2	104.5	2.3	15.9

** EPS for 12 months (April 2008-March 2009)*

- We expect HUL to post 4QFY10 sales growth of 4.7% YoY to Rs42.2b, with volume growth of ~8%.
- Gross margins are likely to expand 40bp YoY to 48.7% (470bp YoY in 3QFY10) led by lower input costs and higher skin care sales due to a prolonged winter. But EBITDA margins will decline 290bp due to higher spends on advertising and brand building in the recent price war among detergent brands. EBITDA is expected to fall 15.7%. We estimate a 14.5% decline in PAT to Rs3.9b YoY.
- Volumes growth is estimated at 8% (5% 3QFY10) due to (1) a low base effect as volumes declined 4.2% in 4QFY09, (2) increased grammage in detergents and toilet soaps, and (3) price reduction in *Rin* and *Surf Excel Blue*.
- HUL increased its ad spend considerably to support its brands and we expect it to increase it 42%YoY, which also factors in media inflation.
- HUL is facing multi-pronged competition across categories. Rising input costs and lower realizations will affect its performance in the coming quarters.
- We have EPS estimates of Rs9.2 for FY11 and Rs10.8 for FY12. The stock trades at 26.1x FY11E and 22.2x FY11E earnings. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	**8.3**	**6.8**	**2.3**	**-4.2**	**2.0**	**1.0**	**5.0**	**8.0**	**3.3**	**4.0**
Net Sales (incl service inc)	**42,367**	**41,109**	**43,787**	**40,354**	**45,026**	**42,692**	**45,732**	**42,232**	**168,245**	**175,683**
YoY Change (%)	*20.8*	*21.0*	*15.6*	*5.1*	*6.3*	*3.9*	*4.4*	*4.7*	*15.8*	*4.4*
COGS	22,044	21,827	23,201	20,856	23,198	21,512	22,111	21,677	88,556	88,498
Gross Profit	**20,323**	**19,282**	**20,586**	**19,497**	**21,828**	**21,181**	**23,622**	**20,554**	**79,689**	**87,185**
Margin (%)	*48.0*	*46.9*	*47.0*	*48.3*	*48.5*	*49.6*	*51.7*	*48.7*	*47.4*	*49.6*
Operating Exp	13,970	13,689	12,946	13,534	14,678	14,661	15,747	15,527	54,138	60,612
EBITDA	**6,354**	**5,594**	**7,640**	**5,963**	**7,150**	**6,520**	**7,875**	**5,028**	**25,551**	**26,573**
YoY Change (%)	*20.3*	*16.5*	*14.9*	*22.9*	*12.5*	*16.6*	*3.1*	*-15.7*	*18.4*	*4.0*
Margins (%)	*15.0*	*13.6*	*17.4*	*14.8*	*15.9*	*15.3*	*17.2*	*11.9*	*15.2*	*15.1*
Depreciation	379	393	406	413	425	462	450	476	1,590	1,814
Interest	87	65	44	22	52	15	2	7	218	75
Other Income	808	474	335	203	335	473	389	495	1,820	1,692
PBT	**6,695**	**5,610**	**7,526**	**5,731**	**7,009**	**6,515**	**7,812**	**5,039**	**25,562**	**26,376**
Tax	1,294	1,044	1,425	1,164	1,643	1,520	1,822	1,135	5,113	6,119
Rate (%)	*19.3*	*18.6*	*18.9*	*20.3*	*23.4*	*23.3*	*23.3*	*22.5*	*20.0*	*23.2*
Adjusted PAT	**5,401**	**4,566**	**6,101**	**4,568**	**5,367**	**4,995**	**5,990**	**3,905**	**20,449**	**20,256**
YoY Change (%)	*19.6*	*11.4*	*13.0*	*20.7*	*-0.6*	*9.4*	*-1.8*	*-14.5*	*15.2*	*-0.9*
Extraordinary Inc/(Exp)	180	900	56	-618	65	-710	501	0	706	-144
Reported Profit	**5,582**	**5,466**	**6,157**	**3,950**	**5,432**	**4,285**	**6,491**	**3,905**	**21,155**	**20,112**

E: MOSL Estimates

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ITC

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ITC IN
	REUTERS CODE
S&P CNX: 5,262	ITC.BO

Equity Shares (m)	3,774.4
52 Week Range (Rs)	273/177
1,6,12 Rel Perf (%)	9 / 13 / -34
Mcap (Rs b)	1014.9
Mcap (USD b)	22.5

30 March 2010

Buy

Previous Recommendation: Buy

Rs269

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	155,827	32,636	8.6	4.6	31.1	7.4	23.8	32.8	6.4	19.4
03/10E	177,950	40,756	10.8	24.9	24.9	6.4	25.7	35.6	5.5	15.1
03/11E	198,536	46,263	12.3	13.5	21.9	5.5	25.3	33.7	4.8	13.8
03/12E	224,731	53,721	14.2	16.1	18.9	4.8	25.4	34.6	4.1	11.6

- We expect ITC to post 4QFY10 revenue growth of 20% YoY to Rs47.4b. EBITDA is expected to rise 28.2% YoY due to a 190bp margin expansion. We estimate PAT at Rs10.4b, up 28.9% YoY.
- We expect the cigarette business to report 8.5% volume growth in 4QFY10 (8.5% in 3QFY10). ITC has increased prices of all its major brands by 4-20% following a sharp increase in excise duty in the FY11 Budget. Volume growth will show the impact of a trade inventory build-up before the price increases.
- We expect the hotels business to post a 32% increase in sales and a 35% YoY increase in EBIT (50% EBIT decline in 4QFY09) due to rising occupancy levels and ARR (average revenue per room). Its new FMCG will cut losses by 24% YoY. The paper SBU EBIT is expected to increase by 30%.
- The stock trades at 21.9x FY11E earnings of Rs12.3 and 18.9x FY12E EPS of Rs14.2. Maintain **Buy** with an SOTP-based target price of Rs278.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Cigarette Vol Gr (%)	**-3.0**	**-2.0**	**-3.5**	**-3.0**	**5.5**	**7.5**	**8.5**	**8.5**	**-2.9**	**7.5**
Net Sales	**39,340**	**38,627**	**38,587**	**39,274**	**41,329**	**43,453**	**45,802**	**47,366**	**155,827**	**177,950**
YoY Change (%)	*18.7*	*16.3*	*9.8*	*-2.8*	*5.1*	*12.5*	*18.7*	*20.6*	*9.9*	*14.2*
Total Exp	27,726	26,473	24,806	26,291	27,456	27,552	28,725	30,717	105,296	114,450
EBITDA	**11,614**	**12,154**	**13,780**	**12,983**	**13,873**	**15,901**	**17,076**	**16,649**	**50,532**	**63,500**
Growth (%)	*1.1*	*12.5*	*9.6*	*12.6*	*19.5*	*30.8*	*23.9*	*28.2*	*8.9*	*25.7*
Margins (%)	*29.5*	*31.5*	*35.7*	*33.1*	*33.6*	*36.6*	*37.3*	*35.1*	*32.4*	*35.7*
Depreciation	1,261	1,340	1,442	1,451	1,516	1,484	1,549	1,635	5,494	6,184
Interest	14	28	5	137	58	182	109	66	183	415
Other Income	801	1,105	976	523	876	684	1,591	597	3,403	3,748
PBT	**11,140**	**11,890**	**13,310**	**11,918**	**13,175**	**14,920**	**17,010**	**15,545**	**48,257**	**60,649**
Tax	3,653	3,864	4,277	3,828	4,388	4,821	5,569	5,116	15,622	19,893
Rate (%)	*32.8*	*32.5*	*32.1*	*32.1*	*33.3*	*32.3*	*32.7*	*32.9*	*32.4*	*32.8*
Adjusted PAT	**7,487**	**8,027**	**9,032**	**8,090**	**8,787**	**10,099**	**11,442**	**10,429**	**32,636**	**40,756**
YoY Change (%)	*-4.4*	*4.1*	*8.7*	*10.0*	*17.4*	*25.8*	*26.7*	*28.9*	*4.6*	*24.9*
Sales Growth (YoY)										
Cigarettes	5.7	10.9	10.5	10.2	14.4	15.3	17.0	15.0	9.3	12.2
FMCG - Others	27.9	29.4	11.7	13.6	9.5	14.0	23.6	25.0	19.8	18.0
EBIT Growth (YoY)										
Cigarettes	2.4	16.6	18.0	24.3	17.1	24.3	15.5	16.5	15.1	17.8
FMCG - Others (loss)	175.0	219.0	97.0	-0.5	-18.6	-27.3	-27.3	-24.0	83.5	-18.5

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Marico

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	MRCO IN
	REUTERS CODE
S&P CNX: 5,262	MRCO.BO

Equity Shares (m)	609.0
52 Week Range (Rs)	115/57
1,6,12 Rel Perf (%)	-2 / 19 / -3
Mcap (Rs b)	66.2
Mcap (USD b)	1.5

30 March 2010

Buy

Previous Recommendation: Buy

Rs109

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	23,884	2,038	3.3	28.5	32.5	14.6	44.9	42.5	2.9	22.7
03/10E	26,514	2,404	4.0	19.0	27.3	10.3	37.4	49.8	2.5	17.8
03/11E	31,229	2,894	4.8	20.6	22.6	7.5	32.6	47.5	2.1	14.9
03/12E	37,018	3,581	5.9	23.6	18.3	5.5	30.0	45.5	1.7	12.1

- We expect Marico to post net sales of Rs5.9b, up 5.6% YoY. Volume growth will be 13% (14% in 3QFY10), though value growth will be hit by price cuts and sales promotions in key categories.
- Marico cut prices of *Parachute* by 5-17% to facilitate smooth upgrading from loose oils to a branded one. In amla oil, it cut prices of *Shanti Badam* by 13-29% to capture market share from *Dabur Amla*.
- Raw material prices were benign (YoY basis) during the quarter as the onset of the flush season prevented price increases of copra and safflower.
- Marico will continue to benefit from lower input costs in the current quarter resulting in gross margin expansion of 180bp. EBITDA margins are likely to expand 160bp. We estimate 4.3% decline in adjusted PAT (0.2% tax rate in 4QFY09 due to accumulate losses of Sundari).
- Marico's international business continues to be strong and we expect margins in the division to inch closer to domestic operations led by operational efficiency and scale benefits.
- The stock trades at 22.6x FY11E EPS and 18.3x FY12E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	**15.0**	**11.0**	**7.0**	**15.4**	**14.0**	**15.0**	**14.0**	**13.0**	**12.0**	**14.0**
Net Sales	**5,966**	**6,049**	**6,210**	**5,612**	**6,967**	**6,922**	**6,696**	**5,929**	**23,884**	**26,514**
YoY Change (%)	*27.2*	*30.4*	*22.7*	*20.5*	*16.8*	*14.4*	*7.8*	*5.6*	*25.3*	*11.0*
COGS	3,230	3,275	3,423	2,851	3,501	3,262	3,167	2,904	13,105	12,834
Gross Profit	**2,736**	**2,774**	**2,787**	**2,760**	**3,466**	**3,660**	**3,528**	**3,025**	**10,780**	**13,679**
Gross Margin (%)	*45.9*	*45.9*	*44.9*	*49.2*	*49.7*	*52.9*	*52.7*	*51.0*	*45.1*	*51.6*
Other Expenditure	1,980	2,035	1,996	2,028	2,501	2,711	2,540	2,155	7,740	9,907
EBITDA	**757**	**739**	**791**	**733**	**965**	**950**	**988**	**870**	**3,040**	**3,772**
Margins (%)	*12.7*	*12.2*	*12.7*	*13.1*	*13.8*	*13.7*	*14.8*	*14.7*	*12.7*	*14.2*
Depreciation	75	82	98	104	99	179	166	121	358	564
Interest	96	96	80	113	86	56	64	71	357	278
Other Income	26	21	43	80	31	42	56	48	122	178
PBT	**612**	**583**	**657**	**595**	**811**	**757**	**814**	**726**	**2,447**	**3,108**
Tax	149	111	148	1	210	133	183	158	409	684
Rate (%)	*24.4*	*19.1*	*22.5*	*0.2*	*25.9*	*17.5*	*22.5*	*21.7*	*16.7*	*22.0*
Adjusted PAT	**463**	**471**	**509**	**594**	**600**	**624**	**622**	**569**	**2,037**	**2,424**
YoY Change (%)	*15.1*	*11.6*	*19.0*	*96.9*	*29.6*	*32.4*	*22.2*	*-4.3*	*28.5*	*19.0*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Nestle India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	NEST IN
	REUTERS CODE
S&P CNX: 5,262	NEST.BO

Equity Shares (m)	96.4
52 Week Range (Rs)	3,025/1,510
1,6,12 Rel Perf (%)	-5 / 15 / -10
Mcap (Rs b)	257.2
Mcap (USD b)	5.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs2,668

YEAR END	NET SALES (RS M)	ADJ. PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/08A	43,242	5,649	58.6	31.0	45.5	54.3	119.4	169.9	5.9	29.5
12/09A/E	51,294	6,976	72.4	23.5	36.9	43.6	125.9	172.5	5.0	23.4
12/10E	61,143	8,964	93.0	28.5	28.7	34.2	119.1	161.8	4.2	19.5
12/11E	73,218	10,993	114.0	22.6	23.4	27.0	115.5	157.0	3.5	15.9

- In 1QCY10, Nestle India is expected to post net sales of Rs15.3b, up 21% YoY and we expect the company to sustain volume growth in the mid teens.
- EBITDA margins are likely to contract 50bp as the impact of high prices of sugar and milk is being partly offset by operating leverage. We estimate 1QCY10 PAT growth of 26.4% YoY to Rs2.5b.
- We expect milk products, infant nutrition and prepared dishes to drive volume growth but chocolate and confectionery will continue to post lower growth because spends on them is discretionary in nature. A prolonged winter will boost sales of high margin instant coffee in the domestic market.
- The stock trades at 28.7x CY10E EPS and 23.4x CY11E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**12,659**	**12,095**	**13,022**	**13,518**	**15,317**	**14,490**	**15,236**	**16,100**	**51,294**	**61,143**
YoY Change (%)	*16.0*	*16.8*	*17.6*	*24.0*	*21.0*	*19.8*	*17.0*	*19.1*	*18.6*	*19.2*
Total Exp	9,562	9,478	10,380	11,537	11,641	11,418	11,991	13,024	40,956	48,074
EBITDA	**3,097**	**2,618**	**2,642**	**1,981**	**3,676**	**3,072**	**3,245**	**3,076**	**10,338**	**13,069**
Margins (%)	*24.5*	*21.6*	*20.3*	*14.7*	*24.0*	*21.2*	*21.3*	*19.1*	*20.2*	*21.4*
YoY Growth (%)	*24.4*	*34.2*	*27.5*	*-6.7*	*18.7*	*17.4*	*22.8*	*55.3*	*19.7*	*26.4*
Depreciation	256	264	286	307	300	315	332	355	1,113	1,302
Interest	2	6	2	5	4	3	2	7	14	16
Other Income	103	88	88	106	115	104	115	95	385	429
PBT	**2,943**	**2,436**	**2,443**	**1,775**	**3,487**	**2,858**	**3,026**	**2,809**	**9,596**	**12,180**
Tax	864	654	659	442	907	729	726	854	2,620	3,215
Rate (%)	*29.4*	*26.9*	*27.0*	*24.9*	*26.0*	*25.5*	*24.0*	*30.4*	*27.3*	*26.4*
Adjusted PAT	**2,078**	**1,782**	**1,784**	**1,333**	**2,580**	**2,129**	**2,300**	**1,955**	**6,976**	**8,964**
YoY Change (%)	*22.2*	*43.5*	*34.6*	*-3.4*	*24.2*	*19.5*	*29.0*	*46.7*	*23.5*	*28.5*
Extraordinary Inc/(Exp)	-105	-102	44	-204	-86	-79	-109	-99	-367	-373
Reported PAT	**1,973**	**1,680**	**1,828**	**1,129**	**2,494**	**2,050**	**2,191**	**1,856**	**6,609**	**8,592**
YoY Change (%)	*23.2*	*38.7*	*38.8*	*-6.7*	*26.4*	*22.1*	*19.9*	*64.4*	*23.8*	*30.0*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Tata Tea

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TT IN
	REUTERS CODE
S&P CNX: 5,262	TTTE.BO

Equity Shares (m)	61.6
52 Week Range (Rs)	1075/554
1,6,12 Rel Perf (%)	-2 / 8 / -14
Mcap (Rs b)	61.0
Mcap (USD b)	1.4

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs990

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	48,741	7,005	53.9	26.8	18.4	1.7	9.2	11.0	1.5	10.9
03/10E	56,784	3,726	60.5	12.1	16.4	1.5	9.3	11.8	1.2	9.8
03/11E	62,213	4,090	66.4	9.8	14.9	1.4	9.5	12.6	1.1	8.6
03/12E	68,404	4,806	78.0	17.5	12.7	1.3	10.4	13.4	1.0	7.3

- We expect Tata Tea to post net sales of Rs14.3b, up 16.7% YoY.
- Sales growth in domestic markets will continue to be strong but in the UK, pricing pressure will continue. We expect strong growth in *Eight O'Clock* coffee because downtrading will start tipping off as consumption sentiment in the US revives.
- Raw material pressure on branded tea players continues as consumer downtrading to regional brands (in India) and private label brands (in the UK and the US) prevent the company from raising prices.
- We estimate EBITDA margin contraction of 140bp as raw material pressures are likely to be partly offset by cost control initiatives in employee costs and other expenditure.
- We estimate 4QFY10 adjusted PAT to grow 3% to Rs542b.
- The stock trades at 14.9x FY11E and 12.7x FY12E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4QE		
Net Sales	**11,175**	**12,065**	**13,068**	**12,261**	**12,956**	**14,028**	**15,492**	**14,307**	**48,741**	**56,784**
YoY Change (%)	*10.1*	*13.8*	*9.8*	*6.5*	*15.9*	*16.3*	*18.6*	*16.7*	*10.4*	*16.5*
Total Exp	9,715	10,568	11,286	10,572	11,202	12,289	13,533	12,527	42,236	49,551
EBITDA	**1,460**	**1,497**	**1,782**	**1,689**	**1,754**	**1,739**	**1,959**	**1,780**	**6,505**	**7,233**
Margins (%)	*13.1*	*12.4*	*13.6*	*13.8*	*13.5*	*12.4*	*12.6*	*12.4*	*13.3*	*12.7*
Depreciation	222	221	241	303	245	252	261	321	987	1,078
Interest	109	154	155	125	53	98	100	123	542	373
Other Income	74	219	32	7	46	227	51	-12	332	312
PBT	**1,202**	**1,341**	**1,418**	**1,268**	**1,503**	**1,617**	**1,649**	**1,324**	**5,308**	**6,093**
Tax	440	384	485	484	511	533	613	453	1,886	2,111
Rate (%)	*36.6*	*28.6*	*34.2*	*38.2*	*34.0*	*33.0*	*37.2*	*34.2*	*35.5*	*34.6*
PAT	**762**	**958**	**934**	**784**	**992**	**1,084**	**1,036**	**870**	**3,422**	**3,982**
YoY Change (%)	*88.8*	*31.4*	*1.0*	*1.3*	*30.2*	*13.2*	*10.9*	*11.0*	*24.0*	*16.4*
Min. Interest/ Share of Associate	-97	-117	-113	-258	132	18	-77	-329	-97	-256
Adjusted PAT	**665**	**841**	**821**	**526**	**778**	**1,102**	**959**	**542**	**3,325**	**3,726**
YoY Change (%)	*88.5*	*-2.9*	*-0.1*	*-37.9*	*17.0*	*31.1*	*16.9*	*3.0*	*26.8*	*12.1*
Extraordinary Gains	92	1,337	3,141	-354	-973	1,773	-37	892	3,681	1,654
Reported PAT	**757**	**2,178**	**3,961**	**172**	**-195**	**2,874**	**922**	**1,433**	**7,005**	**5,380**
YoY Change (%)	*-83.9*	*-80.6*	*-2,269.3*	*-24.0*	*-125.8*	*32.0*	*-76.7*	*734.8*	*1,445.4*	*-23.2*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

United Spirits

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	UNSP IN
	REUTERS CODE
S&P CNX: 5,262	UNSP.BO

Equity Shares (m)	117.8
52 Week Range (Rs)	1,514/640
1,6,12 Rel Perf (%)	-8 / 44 / 24
Mcap (Rs b)	158.2
Mcap (USD b)	3.5

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,343

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	54,681	1,875	23.0	24.9	58.4	5.6	7.8	9.9	3.2	20.2
03/10E	63,869	3,603	30.7	33.7	43.7	3.9	8.3	11.9	3.0	18.1
03/11E	73,203	6,053	51.6	68.0	26.0	3.5	12.4	14.4	2.6	14.7
03/12E	83,933	7,332	62.5	21.1	21.5	3.0	13.2	15.6	2.3	12.9

- We expect Untied Spirits to post 4QFY10 topline growth of 25% to Rs11.3b. EBITDA margins are likely to fall 20bp YoY to 15.8%. Adjusted PAT is expected to increase by 37.4% to 764m due to a low base effect (15% PAT decline in 4QFY09). 4Q sales growth is not comparable due to the Shaw Wallace merger and direct sales reporting from new bottling units on lease.
- IMFL volumes in 4QFY10 are expected to increase 17% due to strong growth across segments and price points. We expect higher growth in premium segments.
- ENA prices are likely to be sequentially stable at Rs150/case but will be higher by 8% YoY. A 10% increase in selling prices in Andhra Pradesh in 3QFY10 will enable the company to offset the impact of input costs.
- Whyte and Mackay's performance will be steady but it is yet to finalize bulk Scotch sales next year. The strategy of bulk scotch sale will have a significant bearing on the reported financials. United Spirits owns the Royal Challenge Bangalore IPL team, which we value at Rs120/share based on valuations of a Pune franchisee in the recent auctions.
- We expect long term volume growth to sustain at 14-15% due to rising disposable income and demographics. We believe United Spirits continues to be the best bet in the liquor space in India due to its wide product portfolio and dominating market share. The stock trades at 26x FY11E EPS of Rs51.6 and 21.5x FY12E EPS of Rs62.5. **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Volume Growth (%)	**18.8**	**15.0**	**20.0**	**24.0**	**17.0**	**10.0**	**12.3**	**17.0**	**19.6**	**14.6**
ENA Price/Case	**111**	**133**	**156**	**138**	**150**	**150**	**151**	**149**	**135**	**150**
Net Sales	**10,134**	**9,020**	**10,293**	**9,078**	**12,417**	**10,801**	**13,468**	**11,297**	**38,478**	**47,982**
YoY Change (%)		*19.9*	*15.8*	*19.6*	*22.5*	*19.7*	*30.8*	*24.4*		*24.7*
Total Exp	8,182	7,230	9,229	7,626	10,198	8,980	11,256	9,514	32,221	39,948
EBITDA	**1,952**	**1,790**	**1,063**	**1,452**	**2,219**	**1,821**	**2,212**	**1,783**	**6,257**	**8,034**
Margins (%)	*19.3*	*19.8*	*10.3*	*16.0*	*17.9*	*16.9*	*16.4*	*15.8*	*16.3*	*16.7*
Depreciation	82	87	87	98	80	83	93	110	354	366
Interest	341	395	529	565	592	751	747	684	1,830	2,774
PBT from Operations	**1,529**	**1,308**	**447**	**789**	**1,547**	**987**	**1,372**	**989**	**4,073**	**4,895**
Other Income	272	125	60	109	63	109	85	202	566	459
PBT	**1,801**	**1,433**	**507**	**898**	**1,610**	**1,097**	**1,456**	**1,191**	**4,639**	**5,354**
Tax	630	494	201	342	553	401	488	427	1,666	1,869
Rate (%)	*35.0*	*34.5*	*39.7*	*38.0*	*34.4*	*36.5*	*33.5*	*35.8*	*35.9*	*34.9*
PAT	**1,171**	**939**	**306**	**556**	**1,057**	**696**	**968**	**764**	**2,972**	**3,485**
YoY Change (%)	*30.8*	*17.0*	*-65.3*	*-14.6*	*-9.8*	*-25.9*	*216.6*	*37.4*	*-4.5*	*17.3*
Extraordinary Inc/(Exp)	0	0	0	0	700	0	0	0	0	700
Reported PAT	**1,171**	**939**	**306**	**556**	**1,757**	**696**	**968**	**764**	**2,972**	**4,185**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com) / Nikhil Kumar N (Nikhil.N@MotilalOswal.com)

Information Technology

BSE Sensex: 17,590 S&P CNX: 5,262 30 March 2010

COMPANY NAME
- HCL Technologies
- Infosys
- MphasiS
- Patni Computer
- TCS
- Tech Mahindra
- Wipro

Infosys to post best revenue growth: We expect Infosys to post the best US$ revenue growth in the top tier universe at 5.2% QoQ, ahead of its guided range of 0.6-1.5%. TCS and Wipro will follow with growth of 4.2% and 4% respectively. Growth is expected to be broad-based led by BFSI, with improved traction in Telecom. The US is expected to continue to lead growth.

Rupee appreciation, cross currency impacts to hit revenues: The rupee, on average, appreciated 1.5% in 4QFY10 against the US dollar, while the euro and GBP depreciated (v/s the US dollar) by 6.3% and 4.6% respectively. The negative impact of cross currency movements is expected to be 0.9-1.3%. HCL Tech is expected to be worst hit due to its higher European contribution of 29.5% (v/s 22% at Infosys, 26% at TCS and Wipro).

EBITDA margins to moderate due to currency appreciation, wage inflation: We expect EBITDA margins to decline 30-70bp QoQ due to the impact of cross-currency movements and, at Wipro, due to wage inflation. Wipro and HCL Tech are expected to post higher declines (v/s Infosys and TCS). Utilization improvement at Infosys and SGA leverage at TCS will moderate the impact of rupee appreciation on EBITDA margins.

Expect Infosys FY11 EPS guidance of Rs115, revenue growth guidance of 13-15%: We expect Infosys and Wipro revenue growth guidance of 3-4% QoQ in 1QFY11. For FY11 we expect Infosys to give a US dollar revenue growth guidance of 13-15% and an EPS guidance of Rs115. Caution on guidance might be taken negatively.

Prefer Infosys, HCL Tech, Patni; Neutral on Wipro, Mphasis, Tech Mahindra: We expect IT demand to revive in FY11 with 18-20% volume growth against flattish revenue growth in FY10. We expect 4QFY10 results and guidance to reinforce this expectation. We prefer companies like Infosys and HCL Tech with higher delta possibility on discretionary demand pick-up. Among mid-caps, Patni is our top pick. Our order of preference for the top tier companies is Infosys followed by TCS and Wipro.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

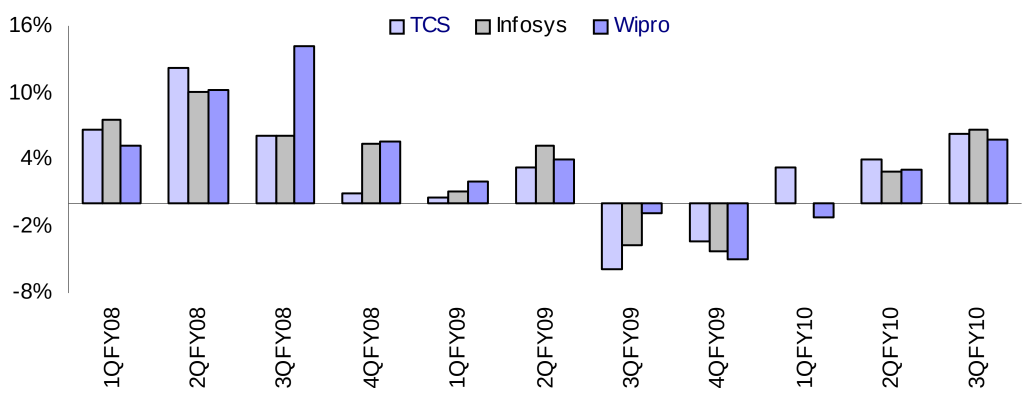
	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Information Technology											
HCL Technologies	360	Buy	30,833	7.8	1.7	6,057	2.6	-1.4	3,023	51.5	10.8
Infosys	2,644	Neutral	59,493	5.6	3.6	20,936	10.7	2.7	16,138	1.0	1.9
MphasiS	622	Neutral	12,379	18.1	3.9	3,217	14.1	2.5	2,723	21.3	1.4
Patni Computer	539	Buy	8,035	1.0	1.8	1,671	16.7	-0.3	1,326	74.3	-2.7
TCS	801	Buy	78,208	9.1	2.2	23,005	22.4	1.3	18,514	40.9	3.0
Tech Mahindra	883	Neutral	11,724	11.5	-1.3	2,588	-0.2	-7.8	1,302	-43.5	0.2
Wipro	702	Neutral	72,719	11.4	4.8	13,373	9.9	1.8	12,386	23.7	2.9
Sector Aggregate			**273,392**	**9.0**	**3.0**	**70,846**	**13.1**	**1.2**	**55,412**	**19.3**	**2.8**

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Quarter to provide greater clarity on budgeting process, hiring next year: We expect the management commentary after the 4QFY10 results to provide greater clarity on IT spending and offshoring going forward, after budgeting. Faster pick-up in discretionary spending and accelerated large deal activity could take our revenue growth assumptions (of 18-20%) higher in FY11. We expect discretionary spending to pick up from 2HCY10.

Consistency in growth – expect 4-5.2% QoQ revenue growth across top 3 companies: For 4QFY10, we expect consistent sequential revenue growth of 4-5.2% across the top-3 IT companies. We expect volume growth of 4.3-5.5% QoQ, with a negative impact of 0.9-1.1% from cross currency movements. We expect Infosys to post the highest sequential growth at 5.2% QoQ, followed by TCS at 4.2% QoQ and Wipro at 4% QoQ. Revenue growth of 6% QoQ or higher, despite ~1% impact of cross currency movements would be taken positively. HCL Tech might under-perform peers with 3% QoQ revenue growth, partly impacted by higher cross currency movements (-1.3% impact).

CONSISTENT QOQ US DOLLAR REVENUE GROWTH – INFOSYS TO OUTPERFORM



Source: Company/MOSL

EBITDA margins to moderate due to rupee appreciation

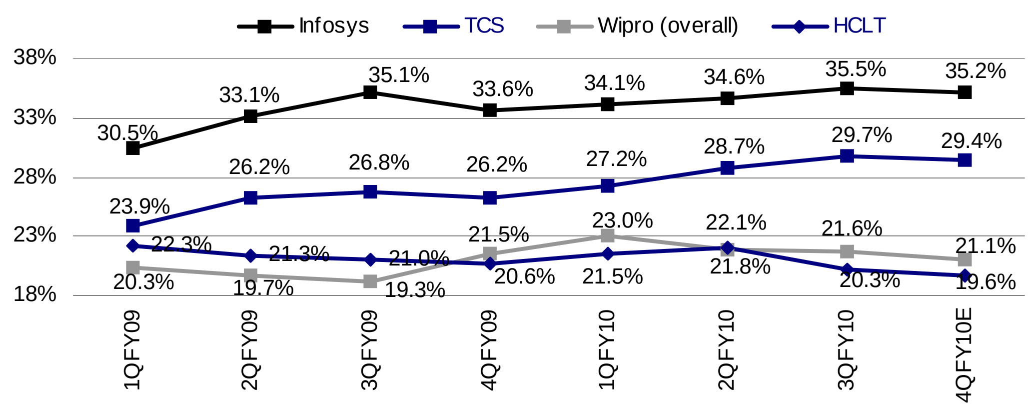
We expect EBITDA margin declines of 30-70bp across the top-4 IT companies with HCL Tech expected to be hit harder by cross currency movements and Wipro by wage inflation. But the impact will be cushioned at Infosys by utilization improvement and at TCS by SGA leverage. We expect these two companies to post moderate declines of 30bp QoQ.

Individual company expectations:

- **TCS:** SGA leverage and volumes will offset the impact of the appreciation of the rupee and cross currency movements, restricting EBITDA margin declines to 30bp at 29.4%. We expect some moderation in utilization due to back-ended hiring in 3QFY10 and continued hiring (guidance of 11,500 gross adds) in 4QFY10.
- **Infosys:** Margins will stay resilient due to higher than guided growth of 5.2% (v/s 0.6-1.5% QoQ guidance), utilization improvement and seasonally higher attrition in this quarter. We expect a 30bp decline in EBITDA margins QoQ to 35.2%.
- **Wipro:** The company will post a 50bp decline in EBITDA margins due to wage inflation from February 2010, cross currency movements and the appreciation of the rupee. We expect Wipro to maintain its high utilization of 80.7% (including trainees) and 84.5% (excluding trainees) and expect delivery cost rationalization to continue.

Future margin impacts of wage inflation at Infosys, TCS in 1QFY11 and the possibility of a wage hike at Wipro will be closely watched. We expect EBITDA margins to be largely resilient at top tier IT players in FY11, with declines of 30-70bp, unless the rupee were to materially appreciate.

EBITDA MARGIN STABILITY AT INFOSYS/TCS, DECLINES AT WIPRO/HCL TECH ON WAGE INFLATION, RUPEE



Source: Company/MOSL

Infosys' FY11 revenue, earnings guidance expectations

We expect Infosys to post sequential revenue growth of 5.2% in 4QFY10, ahead of its guidance of 0.6-1.5% growth. Our expectations build a basic EPS of Rs28.3 in 4QFY11 against guidance of Rs25.8 at the higher end.

We expect the company to guide for FY11 US dollar revenue growth of 13-15%. We also expect Infosys to guide for FY11 EPS of Rs115.

INFOSYS GUIDANCE & OUR EXPECTATIONS

	GUIDANCE (%)	EXPECTATIONS (%)
4QFY10 Revenue Growth (QoQ)	0.6 to 1.5	5.2
FY11 US$ Revenue Growth (YoY)	13-15	20.3
FY11 EPS (Rs)	115	123
1QFY11 Revenue Growth (QoQ)	3-4	5.4

Source: Company/MOSL

We expect Wipro's 4QFY10 revenue growth to be in line with its guided range of 3-5% QoQ, at 4%. This is near its top-end of guidance, adjusting for negative cross currency impacts of 1%. We also expect Wipro to guide growth of 3-4% QoQ in 1QFY11, similar to Infosys.

4QFY10 GUIDANCE EXCHANGE RATE ASSUMPTIONS

GUIDED AT	EUR	GBP	AUD	INR/US$
Infosys	1.44	1.61	0.90	45.75
Wipro	1.46	1.63	0.91	46.64
Actual (average)	1.38	1.56	0.90	45.94

Source: Company/MOSL

We believe caution on guidance after budgeting, against expectations, could be taken negatively. Post budgeting, the companies should have greater clarity on spend areas and better near term visibility to guide realistically. The commentary on budgets and discretionary spending, deal announcements, hiring and wage inflation expectations in FY11 will be keenly monitored. Infosys and TCS are expected to hike wages in 1QFY11. Our expectations build in wage inflation of 1% onsite and 8% offshore for Infosys and 1% onsite and 9% offshore for TCS. Divergence from our expectations would lead to a change in earnings expectations.

Rupee appreciation negative impact of 1.5%, cross currency negatives of 0.9-1.3%

Key currency impacts are:

- Average rupee appreciation of 1.5% v/s the US dollar will negatively impact revenue and margins.
- The negative impact from cross-currency movements will be 0.9-1.3% across companies, based on their European invoicing proportions. Infosys will be less affected while HCL Tech will be hit hardest. In 4QFY10, the Euro depreciated 6.3%, the GBP, 4.6% and the Australian dollar 0.5% against the US dollar on average.

4QFY10 CURRENCY HIGHLIGHTS (IN INR)

	RATES (INR)				CHANGE (QOQ, %)			
	US$	EUR	GBP	AUD	US$	EUR	GBP	AUD
Average	45.9	63.5	71.6	41.5	-1.5	-7.8	-6.1	-2.1
Closing	45.0	60.5	67.3	41.1	-3.3	-9.2	-10.5	-1.6

Source: Bloomberg

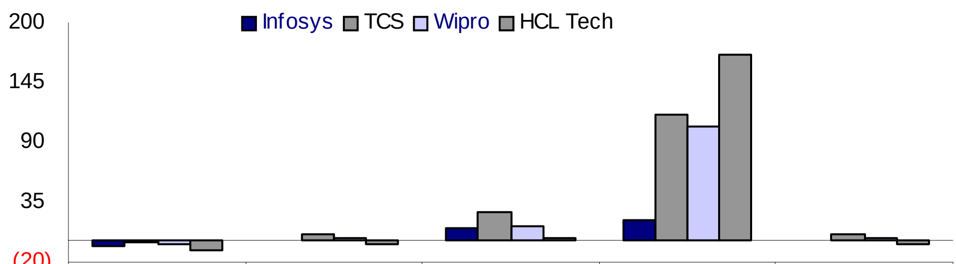
4QFY10 CURRENCY HIGHLIGHTS (IN US$)

	RATES (US$)			CHANGE (QOQ, %)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.38	1.56	0.90	-6.3	-4.6	-0.5
Closing	1.35	1.50	0.91	-6.0	-7.3	1.9

Source: Bloomberg

What would stocks react positively to?

IT STOCKS START TO UNDERPERFORM AGAINST THE SENSEX



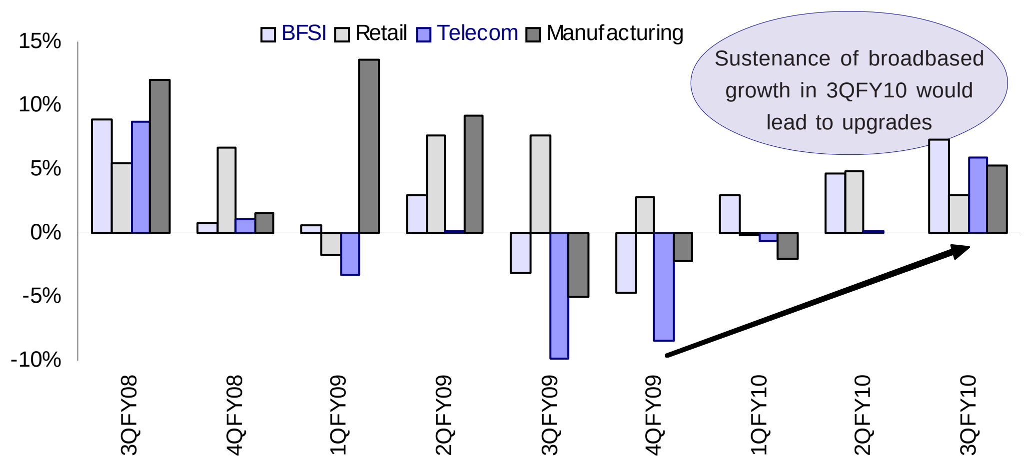
	1m	3m	6m	12m	YTD
Infosys	(5)	1	12	19	1
TCS	(2)	6	26	116	6
Wipro	(4)	2	14	104	2
HCL Tech	(9)	(4)	3	171	(4)

Source: Bloomberg

Top tier IT stocks outperformed the Sensex by 19-171% over the past 12 months. But in the near term their outperformance has reduced as the valuation gap has played out and the business improvement has been built into estimates. With valuations of 18-19x FY12E earnings for top tier IT counters, upsides will be driven by possible earnings upgrades on:
[1] Volume growth of over 5% QoQ from now on;
[2] Faster discretionary demand pick-up and broad-basing of growth;
[3] Significant pick-up in large deal activity;
[4] Maintenance of margin trajectory;
[5] Stability of the rupee.

We are positive on the long term outlook for the IT industry with a favorable business proposition, huge market potential with limited penetration and the ability of Indian IT companies to scale up to take opportunities. But we believe near term under-performance is possible on a limited valuation cushion, rupee appreciation and wage inflation, with big segments like discretionary demand and manufacturing yet to fire. We would be buyers into intermittent disappointments in the sector

AGGREGATE VERTICAL GROWTH QOQ – BFSI/TELECOM TO DRIVE GROWTH



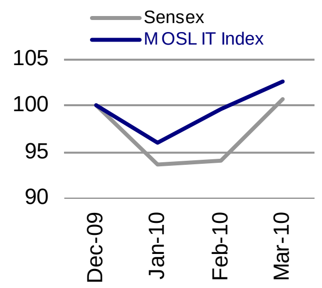
Source: Company/MOSL

Buy into disappointment; prefer Infosys, HCL Tech, Patni

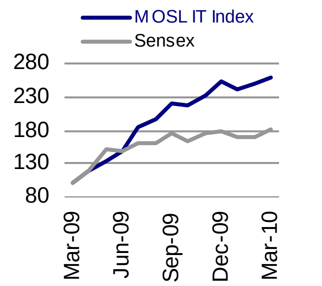
We expect IT demand to revive in FY11 with 18-20% volume growth, against flattish revenue growth in FY10. We expect cost efficiencies to be sustained, despite wage inflation pressure, and margins to decline by 30-70bp in FY11. We believe discretionary pick-up is a matter of time and prefer stocks with higher correlation to pick-up in discretionary spending and greater operational scope. In that light, we prefer Infosys and HCL Tech among large caps. Patni remains our top mid-cap pick on conservative growth expectations with upside possibilities on impending large deal announcements, a significant cash cushion (Rs152 per share) and cheap valuations. We would be buyers into intermittent disappointments, as the sector's long term trends towards offshoring are positive.

- Among large caps, we prefer **Infosys** due to: [1] Higher discretionary delta (41% of revenue from Application Development and Package Implementation) with positive margin and realization implications, [2] Best operational scope with historical average utilization (v/s peaks at peers), and [3] Tax increases largely behind it, leading to better revenue and earnings growth compared with its peers.

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



- We like **HCL Tech** despite expectations of near-term underperformance, due to [1] Positive longer term outlook because of [a] Large deal winning prowess in a returning deals scenario, and [b] The skew of large deals towards its strength area, IMS; [2] Continued traction in IMS, [3] High sensitivity to discretionary pick-up on 40% contribution from areas like Engineering Services/Enterprise Applications, and [4] Cheap valuations at 14.4x FY11E and 12.4x FY12E earnings.
- Among mid-caps, **Patni** is our preferred pick due to: [1] Expectation of results from strengthening sales and management bandwidth, [2] Possible beat on expectations of US dollar revenue CAGR of 13% over CY09-11 on impending large deal announcements, [3] Cash cushion (Rs152 per share) and valuation comfort at 12.2x CY11E earnings and the possibility of inorganic triggers.
- Among large caps, we prefer **TCS** to **Wipro** due to: [1] Greater participation in BFSI trend strengthening, [2] Better operational scope, [3] Wider geographical and services footprint, and [4] Better client profile.

The rupee's appreciation remains a key risk to earnings and valuations.

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Information Technology														
HCL Technologies	360	Buy	17.0	25.0	29.1	21.1	14.4	12.4	10.0	8.4	7.0	18.8	23.2	22.4
Infosys	2,644	Neutral	109.6	123.0	147.7	24.1	21.5	17.9	17.4	14.6	12.2	30.4	27.6	27.3
MphasiS	622	Neutral	49.5	50.6	54.1	12.6	12.3	11.5	10.3	9.3	8.3	37.6	28.9	24.3
Patni Computer*	539	Buy	36.1	41.6	44.3	14.9	12.9	12.2	7.7	6.4	5.3	15.1	15.1	14.2
TCS	801	Buy	34.7	39.2	42.7	23.1	20.4	18.8	17.5	14.9	13.1	37.0	32.1	27.6
Tech Mahindra	883	Neutral	48.2	64.7	71.3	18.3	13.7	12.4	8.1	7.8	7.2	35.0	32.4	26.6
Wipro	702	Neutral	31.5	35.8	40.2	22.3	19.6	17.5	16.6	14.2	11.8	27.1	24.3	22.3
Sector Aggregate						**22.1**	**19.2**	**17.0**	**15.7**	**13.4**	**11.5**	**26.7**	**24.7**	**22.9**

** FY10 corresponds to CY09 and so on.*

HCL Technologies

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HCLT IN
	REUTERS CODE
S&P CNX: 5,262	HCLT.BO

Equity Shares (m)	685.0
52 Week Range (Rs)	388/99
1,6,12 Rel Perf (%)	-9 / 3 / 176
Mcap (Rs b)	246.5
Mcap (USD b)	5.5

30 March 2010

Buy

Previous Recommendation: Buy

Rs360

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/09A	106,014	12,008	17.8	16.9	20.3	4.2	22.0	17.3	2.4	11.2
06/10E	123,433	11,726	17.0	-4.1	21.1	3.6	18.8	13.9	2.0	9.8
06/11E	143,692	17,391	25.0	47.0	14.4	3.0	23.2	19.1	1.7	8.3
06/12E	164,199	20,358	29.1	16.3	12.4	2.5	22.4	19.7	1.4	7.0

** After ESOP charges; # Axon consolidated in December 2008*

- HCL Tech is expected to report US dollar revenues of US$670m, up 2.9% QoQ.
- Rupee revenues are expected to be Rs30.8b up 1.7% QoQ and up 7.8% YoY.
- EBITDA margins are expected to be sequentially lower by 70bp at 19.6% due to higher than peer group cross currency impacts of 1.3% on US$ revenues and continued sluggishness in the BPO.
- HCL Tech had forward covers of US$645m as of December 2009 and we expect the company to book forex losses worth Rs948m (US$20.6m) in 3QFY10. This is lower than guided forex losses of US$22.1 due to the rupee's appreciation.
- We expect HCL Tech to report net profits (after ESOP charges) of Rs3b against Rs2.7b in 2QFY10, up 10.8% QoQ.
- The stock trades at 14.4x FY11E and 12.4x FY12E earnings estimates (after ESOP charges). Maintain **Buy**.
- Large deal flow, Engineering/Enterprise Application Services recovery and BPO plans would be key things to watch.
- **Key risks:** Slower ramp-up in large deals, deterioration in hi-tech manufacturing demand, currency volatility, delay in decision making.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E JUNE	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenues	**23,623**	**24,691**	**28,615**	**29,085**	**30,314**	**30,325**	**30,833**	**31,961**	**106,014**	**123,433**
Q-o-Q Change (%)	*8.9*	*4.5*	*15.9*	*1.6*	*4.2*	*0.0*	*1.7*	*3.7*	*38.8*	*16.4*
Direct Expenses	14,567	15,178	18,207	18,328	19,349	19,749	20,259	20,980	66,280	80,337
Sales, General & Admin. Exp.	4,019	4,332	4,503	4,508	4,279	4,432	4,517	4,678	17,362	17,906
Operating Profit	**5,037**	**5,181**	**5,905**	**6,249**	**6,686**	**6,144**	**6,057**	**6,302**	**22,372**	**25,190**
Margins (%)	*21.3*	*21.0*	*20.6*	*21.5*	*22.1*	*20.3*	*19.6*	*19.7*	*21.1*	*20.4*
Other Income	558	1,206	-24	-116	-63	-133	-98	-124	1,624	-418
Forex Gain / (Loss)	-904	-1,205	-2,016	-886	-1,504	-1,257	-948	-1,200	-5,011	-4,909
Depreciation & Amort.	908	971	1,417	1,197	1,418	1,361	1,326	1,366	4,493	5,470
PBT bef. Extra-ordinary	**3,783**	**4,211**	**2,448**	**4,050**	**3,701**	**3,393**	**3,686**	**3,612**	**14,492**	**14,393**
Provision for Tax	422	667	470	955	687	665	663	650	2,514	2,666
Rate (%)	*11.2*	*15.8*	*19.2*	*23.6*	*18.6*	*19.6*	*18.0*	*18.0*	*17.3*	*18.5*
Minority Interest	-14	1	-17	0	1	0	0	0	-30	1
PAT after ESOP chrg	**3,375**	**3,543**	**1,995**	**3,095**	**3,013**	**2,728**	**3,023**	**2,962**	**12,008**	**11,726**
Q-o-Q Change (%)	*264.9*	*5.0*	*-43.7*	*55.1*	*-2.6*	*-9.5*	*10.8*	*-2.0*	*15.9*	*-2.3*
Rep. PAT excl ESOP Charge	**3,562**	**3,729**	**2,178**	**3,307**	**3,199**	**2,956**	**3,239**	**3,179**	**12,776**	**12,573**
Q-o-Q Change (%)	*152.6*	*4.7*	*-41.6*	*51.8*	*-3.3*	*-7.6*	*9.6*	*-1.9*	*13.6*	*-1.6*
US$ Revenues	**505**	**512**	**564**	**607**	**630**	**652**	**670**	**695**	**2,188**	**2,647**
Q-o-Q Change (%)	*0.1*	*1.3*	*10.3*	*7.6*	*3.8*	*3.4*	*2.9*	*3.7*	*16.4*	*21.0*

E: MOSL Estimates; Axon is consolidated since December 2008

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Infosys

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	INFO IN
	REUTERS CODE
S&P CNX: 5,262	INFY.BO

Equity Shares (m)	573.9
52 Week Range (Rs)	2,821/1,275
1,6,12 Rel Perf (%)	-5 / 12 / 20
Mcap (Rs b)	1517.3
Mcap (USD b)	33.7

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs2,644

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	216,930	58,800	102.5	29.5	25.8	8.3	36.7	40.2	6.5	19.7
03/10E	227,473	62,628	109.6	6.9	24.1	6.6	30.4	34.0	6.0	17.3
03/11E	265,884	70,255	123.0	12.2	21.5	5.4	27.6	32.0	5.0	14.5
03/12E	307,410	84,384	147.7	20.1	17.9	4.5	27.3	30.8	4.1	12.2

- We expect Infosys' consolidated US-dollar revenues to grow 5.2% QoQ to US$1,296m (v/s guidance of 0.6-1.5%). In rupee terms, revenue is expected to grow 3.6% QoQ to Rs59.5b.
- Our revenue growth estimates factor in 5.5% QoQ volume growth and negative pricing impact of 0.3% (combination of mix and cross currency impact of -0.9% on GBP and Euro's depreciation v/s US dollar).
- EBITDA margins are expected to decline 30bp QoQ to 35.2% due to the appreciation of the rupee.
- EBITDA at Rs20.9b is expected to grow 2.7% QoQ and 10.7% YoY.
- Infosys held hedges worth US$669m as of December 2009. We expect Infosys to book other income of Rs2.2b in 4QFY10 against Rs2.3b in 3QFY10.
- Net profits are expected to grow 1.9% QoQ to Rs16.1b and an EPS of Rs28.3 (v/s guidance of Rs25.6 to Rs25.8).
- We expect Infosys to guide for FY11 US dollar revenue growth of 13-15%, FY11 EPS of Rs115 and 1QFY11 US dollar revenue growth of 3-4% QoQ.
- The stock trades at 21.5x FY11E and 17.9x FY12E earning estimates. Maintain **Neutral**.
- Increased attrition, a wage hike in 1QFY11 and discretionary pick up to be closely watched.
- **Key risks:** Delay in discretionary spends, increased attrition, currency volatility.

QUARTERLY PERFORMANCE (INDIAN GAAP) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**48,540**	**54,180**	**57,860**	**56,350**	**54,720**	**55,850**	**57,410**	**59,493**	**216,930**	**227,473**
Q-o-Q Change (%)	*6.9*	*11.6*	*6.8*	*-2.6*	*-2.9*	*2.1*	*2.8*	*3.6*	*30.0*	*4.9*
Direct Expenses	27,540	28,910	30,750	30,450	29,150	29,630	30,090	31,210	117,650	120,080
SG&A	6,210	7,330	6,800	6,990	6,890	6,890	6,940	7,347	27,330	28,067
Operating Profit	**14,790**	**17,940**	**20,310**	**18,910**	**18,680**	**19,330**	**20,380**	**20,936**	**71,950**	**79,326**
Margins (%)	*30.5*	*33.1*	*35.1*	*33.6*	*34.1*	*34.6*	*35.5*	*35.2*	*33.2*	*34.9*
Other Income	1,170	660	400	2,520	2,690	2,360	2,310	2,217	4,730	9,567
Depreciation	1,690	1,770	1,870	2,280	2,220	2,320	2,310	2,373	7,610	9,223
PBT bef. Extra-ordinary	**14,270**	**16,830**	**18,840**	**19,150**	**19,150**	**19,370**	**20,380**	**20,779**	**69,070**	**79,669**
Provision for Tax	1,560	2,510	3,030	3,170	3,880	3,970	4,550	4,641	10,270	17,041
Rate (%)	*10.9*	*14.9*	*16.1*	*16.6*	*20.3*	*20.5*	*22.3*	*22.3*	*14.9*	*21.4*
PAT before EO	**12,710**	**14,320**	**15,810**	**15,980**	**15,270**	**15,400**	**15,830**	**16,138**	**58,800**	**62,628**
Q-o-Q Change (%)	*3.4*	*12.7*	*10.4*	*1.1*	*-4.4*	*0.9*	*2.8*	*1.9*	*29.6*	*6.5*
Extra-ordinary Items	310	0	620	150	0	0	0	0	1,080	0
PAT aft. Minority and EO	**13,020**	**14,320**	**16,430**	**16,130**	**15,270**	**15,400**	**15,830**	**16,138**	**59,880**	**62,628**
Q-o-Q Change (%)	*4.2*	*10.0*	*14.7*	*-1.8*	*-5.3*	*0.9*	*2.8*	*1.9*	*28.5*	*4.6*
Diluted EPS	22.2	25.0	27.5	28.1	26.6	26.8	27.7	28.3	102.5	109.6
US$ Revenues	**1,155**	**1,216**	**1,171**	**1,121**	**1,122**	**1,154**	**1,232**	**1,296**	**4,663**	**4,804**
% Chg (QoQ)	*1.1*	*5.3*	*-3.7*	*-4.3*	*0.1*	*2.9*	*6.8*	*5.2*	*11.6*	*3.0*

E: MOSL Estimates

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Mphasis

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	MPHL IN
	REUTERS CODE
S&P CNX: 5,262	MBFL.BO

Equity Shares (m)	209.2
52 Week Range (Rs)	796/190
1,6,12 Rel Perf (%)	-13 / -9 / 142
Mcap (Rs b)	130.1
Mcap (USD b)	2.9

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs622

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
10/08A*	19,065	2,954	14.1	15.7	44.3	9.0	22.8	22.1	6.8	33.3
10/09A	42,638	9,086	43.2	79.4	14.4	5.6	48.1	48.8	2.8	10.7
10/10E	50,292	10,400	49.5	14.5	12.6	4.1	37.6	39.0	2.3	9.1
10/11E	59,867	10,629	50.6	2.2	12.3	3.1	28.9	32.2	1.8	7.7

** Financial year ending has been changed to year ending October from March earlier*

- We expect Mphasis to report US dollar revenues of US$265m, up 3.2% QoQ.
- Mphasis is expected to report rupee revenue of Rs12.4b in 2QFY10, up 3.9% QoQ.
- We expect ITO (IT outsourcing) to lead Mphasis' growth, followed by Applications. BPO is expected to decline marginally.
- EBITDA margins are expected to fall 30bp QoQ to 26% in 2QFY10 cushioned by expectation of forex gains in revenue.
- EBITDA is expected to grow 2.5% QoQ to Rs3.2b.
- Net profit is expected to grow 1.4% QoQ to Rs2.7b.
- Wage inflation effective May 2010, pricing trajectory in applications business and hiring will be closely watched.
- The stock trades at 12.6x FY10E and 12.3x FY11E earnings estimates. Maintain **Neutral**.
- **Key risks:** Adverse pricing renegotiations with HP in applications, reduced focus on BPO, currency volatility.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E OCTOBER	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenues	**9,777**	**10,485**	**11,056**	**11,321**	**11,916**	**12,379**	**12,795**	**13,203**	**42,638**	**50,292**
Q-o-Q Change (%)	*NA*	*7.2*	*5.4*	*2.4*	*5.3*	*3.9*	*3.4*	*3.2*	*129.5*	*18.0*
Direct Expenses	6,118	6,555	6,986	7,242	7,794	8,126	8,590	8,913	26,901	33,405
Sales, General & Admin. Exp.	1,067	1,111	1,150	1,134	983	1,036	1,074	1,111	4,463	4,204
Operating Profit	**2,592**	**2,818**	**2,919**	**2,945**	**3,139**	**3,217**	**3,130**	**3,179**	**11,274**	**12,682**
Margins (%)	*26.5*	*26.9*	*26.4*	*26.0*	*26.3*	*26.0*	*24.5*	*24.1*	*26.4*	*25.2*
Other Income	64	153	32	226	330	300	111	132	476	873
Depreciation	486	552	514	471	458	457	474	490	2,022	1,879
PBT bef. Extra-ordinary	**2,170**	**2,419**	**2,438**	**2,700**	**3,011**	**3,060**	**2,767**	**2,820**	**9,726**	**11,676**
Provision for Tax	70	174	145	251	325	337	304	310	641	1,276
Rate (%)	*3.2*	*7.2*	*6.0*	*9.3*	*10.8*	*11.0*	*11.0*	*11.0*	*6.6*	*10.9*
PAT bef. Extra-ordinary	**2,100**	**2,245**	**2,292**	**2,449**	**2,686**	**2,723**	**2,463**	**2,510**	**9,085**	**10,400**
Q-o-Q Change (%)	*NA*	*6.9*	*2.1*	*6.8*	*9.7*	*1.4*	*-9.6*	*1.9*	*178.5*	*14.5*
US$ Revenues	**199**	**212**	**232**	**232**	**257**	**265**	**275**	**284**	**875**	**1,091**
Q-o-Q Change (%)	*196.2*	*6.6*	*9.2*	*0.3*	*10.5*	*3.2*	*3.7*	*3.4*	*101.7*	*24.7*

E: MOSL Estimates

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Patni Computer Systems

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	PATNI IN
	REUTERS CODE
S&P CNX: 5,262	PTNI.BO

Equity Shares (m)	128.4
52 Week Range (Rs)	593/110
1,6,12 Rel Perf (%)	7 / 14 / 253
Mcap (Rs b)	69.2
Mcap (USD b)	1.5

30 March 2010 **Buy**

Previous Recommendation: Buy Rs539

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/08A	31,991	3,671	28.6	-11.9	18.9	2.4	13.4	13.4	1.7	10.5
12/09A	31,620	4,660	36.1	26.3	14.9	2.1	15.1	15.1	1.6	7.7
12/10E	33,890	5,374	41.6	15.3	12.9	1.8	15.1	15.1	1.3	6.4
12/11E	37,724	5,723	44.3	6.5	12.1	1.6	14.2	14.2	1.0	5.3

** Reflects adjusted PAT*

- We expect Patni to post US dollar revenues of US$175m (up 2.6% QoQ), ahead of its guidance of US$170m-174m.
- Rupee revenues are expected to grow 1.8% QoQ to Rs8b in 1QCY10.
- EBITDA margins are expected to be down marginally at 20.8% against 21.2% in 4QCY09.
- EBITDA is expected to be sequentially flat and up 16.7% YoY at Rs1.7b.
- Other income expected is Rs248m against Rs272m in 4QCY09.
- We expect net profits (before EOI) to fall 2.7% QoQ to Rs1.3b.
- The stock trades at 12.9x CY10E and 12.1x CY11E earnings estimates. Maintain **Buy**.
- Large deal announcements, hiring guidance, wage inflation, effective 2QCY10 to be watched.
- **Key risks:** Client concentration, attrition, currency volatility, delays in deal announcements.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	**7,955**	**7,729**	**8,040**	**7,896**	**8,035**	**8,337**	**8,608**	**8,910**	**31,620**	**33,890**
Q-o-Q Change (%)	*-7.2*	*-2.8*	*4.0*	*-1.8*	*1.8*	*3.8*	*3.3*	*3.5*	*-1.2*	*7.2*
Direct Expenses	5,143	4,851	4,922	4,697	4,915	5,225	5,470	5,558	19,612	21,168
Sales, General & Admin. Expenses	1,380	1,229	1,456	1,524	1,449	1,478	1,508	1,534	5,589	5,970
Operating Profit	**1,432**	**1,649**	**1,662**	**1,675**	**1,671**	**1,634**	**1,630**	**1,818**	**6,418**	**6,753**
Margins (%)	*18.0*	*21.3*	*20.7*	*21.2*	*20.8*	*19.6*	*18.9*	*20.4*	*20.3*	*19.9*
Other Income	-202	339	74	272	248	260	273	287	482	1,067
Depreciation	288	294	308	278	281	292	301	312	1,169	1,186
PBT bef. Extra-ordinary	**941**	**1,694**	**1,428**	**1,669**	**1,637**	**1,602**	**1,602**	**1,792**	**5,732**	**6,634**
Provision for Tax	180	326	260	305	311	304	304	341	1,072	1,260
Rate (%)	*19.1*	*19.2*	*18.2*	*18.3*	*19.0*	*19.0*	*19.0*	*19.0*	*18.7*	*19.0*
Net Income bef. EO	**761**	**1,368**	**1,168**	**1,363**	**1,326**	**1,298**	**1,298**	**1,452**	**4,660**	**5,374**
Q-o-Q Change (%)	*-2.5*	*79.9*	*-14.7*	*16.8*	*-2.7*	*-2.1*	*0.0*	*11.9*	*27.0*	*15.3*
Extra-ordinary Items	0	0	-548	-515	0	0	0	0	0	0
Net Income aft. Extra-ordinary	**761**	**1,368**	**1,716**	**1,879**	**1,326**	**1,298**	**1,298**	**1,452**	**4,660**	**5,374**
Q-o-Q Change (%)	*-2.5*	*79.9*	*25.4*	*9.5*	*-29.4*	*-2.1*	*0.0*	*11.9*	*2.6*	*15.3*
US$ Revenues	**156**	**162**	**167**	**170**	**175**	**181**	**187**	**194**	**656**	**737**
% Chg (QoQ)	*-11.4*	*3.5*	*3.3*	*1.8*	*2.6*	*3.8*	*3.3*	*3.5*	*-8.8*	*12.4*

E: MOSL Estimates

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Tata Consultancy Services

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TCS IN
	REUTERS CODE
S&P CNX: 5,262	TCS.BO

Equity Shares (m)	1,957.2
52 Week Range (Rs)	844/253
1,6,12 Rel Perf (%)	-2 / 27 / 122
Mcap (Rs b)	1,567.1
Mcap (USD b)	34.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs801

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	278,129	51,369	26.2	3.0	30.5	9.9	36.4	44.2	5.5	21.5
03/10E	301,132	67,931	34.7	32.2	23.1	7.5	37.0	41.4	5.0	17.5
03/11E	344,921	76,808	39.2	13.1	20.4	5.8	32.1	36.3	4.3	14.9
03/12E	394,180	83,509	42.7	8.7	18.8	4.7	27.6	32.1	3.6	13.1

**EPS cum-bonus of 1:1*

- TCS is expected to report revenues of US$1,704m growth of 4.2% QoQ. In rupee terms, we expect revenues of Rs78.2b, growth of 2.2% QoQ and 9.1% YoY. Expect 1% negative cross currency impact on US dollar revenues.
- EBIDTA margin is expected to be 29.4%, down 30bp QoQ, led by the rupee's appreciation, with possible benefits from SGA leverage.
- TCS is expected to recruit 11,500 people (gross) in 4QFY10, of which ~8,500 are expected to be freshers.
- Utilization (including trainees) is expected to moderate marginally due to back-ended hiring in 3QFY10 and strong hiring in 4QFY10.
- SG&A expenses (including depreciation) as a percentage of sales are expected to decline to 18.7% against 19.2% in 3QFY10 due to a higher revenue base and non-staff costs remaining constant.
- We expect other income at Rs919m v/s Rs570m in 3QFY10. US$40m of net hedges are expected to expire in 4QFY10.
- Net profit is expected to grow to Rs17b, a growth of 4.2% QoQ.
- The stock trades at 20.4x FY11E and 18.8x FY12E earnings estimates. Maintain **Buy**.
- Wage hikes in 1QFY11 and changes to hiring guidance would be closely watched.
- **Key risks:** Slow growth in BFSI, sluggishness in manufacturing, currency volatility.

QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**64,107**	**69,534**	**72,770**	**71,717**	**72,070**	**74,351**	**76,503**	**78,208**	**278,129**	**301,132**
Q-o-Q Change (%)	*6.0*	*8.5*	*4.7*	*-1.4*	*0.5*	*3.2*	*2.9*	*2.2*	*21.7*	*8.3*
Direct Expenses	36,427	36,879	39,348	38,120	38,208	39,215	39,841	41,296	150,774	158,560
Sales, General & Admin. Exp.	12,366	14,458	13,948	14,802	14,243	13,794	13,945	13,908	55,574	55,890
Operating Profit	**15,314**	**18,197**	**19,474**	**18,795**	**19,619**	**21,342**	**22,717**	**23,005**	**71,781**	**86,682**
Margins (%)	*23.9*	*26.2*	*26.8*	*26.2*	*27.2*	*28.7*	*29.7*	*29.4*	*25.8*	*28.8*
Other Income	332	-1,784	-1,847	-1,374	194	-144	570	919	-4,673	1,539
Depreciation	1,167	1,349	1,454	1,796	1,727	1,811	1,829	1,830	5,766	7,197
PBT bef. Extra-ordinary	**14,479**	**15,064**	**16,173**	**15,625**	**18,086**	**19,387**	**21,458**	**22,093**	**61,342**	**81,023**
Provision for Tax	2,297	2,291	2,481	2,293	2,655	2,909	3,241	3,337	9,362	12,142
Rate (%)	*15.9*	*15.2*	*15.3*	*14.7*	*14.7*	*15.0*	*15.1*	*15.1*	*15.3*	*15.0*
Minority Interest	96	158	168	190	228	239	242	242	611	951
Net Income after. EO	**12,086**	**12,615**	**13,525**	**13,143**	**15,203**	**16,239**	**17,975**	**18,514**	**51,369**	**67,931**
Q-o-Q Change (%)	*-3.8*	*4.4*	*7.2*	*-2.8*	*15.7*	*6.8*	*10.7*	*3.0*	*3.0*	*32.2*
US$ Revenues	**1,525**	**1,574**	**1,483**	**1,433**	**1,480**	**1,538**	**1,635**	**1,704**	**6,015**	**6,357**
% Chg (QoQ)	*0.4*	*3.2*	*-5.8*	*-3.4*	*3.3*	*3.9*	*6.3*	*4.2*	*5.2*	*5.7*

E: MOSL Estimates

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Tech Mahindra

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TECHM IN
	REUTERS CODE
S&P CNX: 5,262	TEML.BO

Equity Shares (m)	130.7
52 Week Range (Rs)	1,158/258
1,6,12 Rel Perf (%)	-8 / -8 / 154
Mcap (Rs b)	115.4
Mcap (USD b)	2.6

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs883

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	44,647	10,147	77.6	31.9	11.4	5.5	57.6	56.9	2.2	8.2
03/10E*	46,146	7,987	48.2	-37.9	18.3	4.0	35.0	34.9	4.0	7.4
03/11E*	50,836	10,114	64.7	34.2	13.7	3.0	32.4	26.2	3.0	7.1
03/12E*	55,645	10,844	71.3	10.3	12.4	2.4	26.6	23.5	2.4	6.4

** Includes profits from Satyam and adjusted for restructuring charge*

- Tech Mahindra's revenues are expected to grow 0.4% QoQ with cross-currency movements impacting its US-dollar revenues by 2.4%. We expect Tech Mahindra to report 1.3% QoQ rupee revenue de-growth in 4QFY10 to Rs11.7b.
- Reported EBITDA margin of 22.1% is expected to fall 150bp QoQ due to GBP depreciation of 4.6%. Tech Mahindra derives 56% of its revenue from Europe (largely UK).
- Adjusted EBITDA margin (excluding impact of restructuring charge) is expected to fall by 170bp to 18.6%. Restructuring charges assumed at Rs0.5b per quarter.
- The tax rate is expected to be about 16% against 14.1% in 3QFY10.
- We expect net profit to be sequentially flat at Rs17.3b.
- The stock trades at 13.7x FY11E and 12.4x FY12E adjusted EPS (excluding restructuring charge, including Satyam contribution). Maintain **Neutral**.
- Progression of BT revenues and growth in non-BT revenues, along with their impact on margins will be watched. The hardware component on new Telecom deals could lead to revenue volatility on a QoQ basis.
- **Key risks:** Dependence on BT (46% of revenues), growth skew towards low margin BPO and Telcom rollouts, Satyam's financial and legal issues and currency volatility.

QUARTERLY PERFORMANCE (INDIAN GAAP) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenues	**11,164**	**11,648**	**11,322**	**10,513**	**11,130**	**11,418**	**11,873**	**11,724**	**44,647**	**46,146**
Q-o-Q Change (%)	*9.3*	*4.3*	*-2.8*	*-7.1*	*5.9*	*2.6*	*4.0*	*-1.3*	*18.5*	*3.4*
Direct Cost	6,825	6,867	6,572	6,364	6,838	6,986	7,514	7,612	26,628	28,950
Other Operating Exps	1,470	1,520	1,570	1,557	1,487	1,507	1,552	1,524	6,117	6,070
Operating Profit	**2,869**	**3,261**	**3,180**	**2,592**	**2,805**	**2,925**	**2,807**	**2,588**	**11,902**	**11,125**
Margins (%)	*25.7*	*28.0*	*28.1*	*24.7*	*25.2*	*25.6*	*23.6*	*22.1*	*26.7*	*24.1*
Other Income	261	-320	-397	78	-261	270	6	79	-378	94
Interest	2	0	0	23	571	843	459	278	25	2,151
Depreciation	258	267	286	286	296	312	331	328	1,097	1,267
PBT bef. Extra-ordinary	**2,870**	**2,674**	**2,497**	**2,361**	**1,677**	**2,040**	**2,023**	**2,060**	**10,402**	**7,801**
Provision for Tax	282	321	269	306	268	345	285	330	1,178	1,227
Rate (%)	*9.8*	*12.0*	*10.8*	*13.0*	*16.0*	*16.9*	*14.1*	*16.0*	*11.3*	*15.7*
Net Income aft. Extra-ordinary	**2,586**	**3,027**	**2,229**	**2,305**	**1,317**	**1,690**	**1,729**	**1,722**	**10,147**	**6,457**
Effect of Restructuring Fees	0	0	0	0	420	415	430	420	0	1,685
Adjusted Net Income	**2,586**	**3,027**	**2,229**	**2,305**	**897**	**1,275**	**1,299**	**1,302**	**10,147**	**4,772**
Q-o-Q Change (%)	*-217.0*	*17.0*	*-26.4*	*3.4*	*-61.1*	*42.2*	*2.0*	*0.2*	*208.0*	*-53.0*
US$ Revenues	**272**	**270**	**232**	**212**	**228**	**237**	**254**	**255**	**985**	**973**
QoQ growth (%)	*5.5*	*-0.8*	*-14.0*	*-8.8*	*7.7*	*3.9*	*7.3*	*0.4*	*5.4*	*-1.2*

E: MOSL Estimates

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Wipro

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	WPRO IN
	REUTERS CODE
S&P CNX: 5,262	WIPR.BO

Equity Shares (m)	1,466.0
52 Week Range (Rs)	753/238
1,6,12 Rel Perf (%)	-3 / 14 / 107
Mcap (Rs b)	1,029.6
Mcap (USD b)	22.8

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs702

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	256,891	38,761	26.5	19.6	26.5	6.9	28.0	23.2	3.9	19.5
03/10E	274,904	46,230	31.5	18.7	22.3	5.3	27.1	22.7	3.6	16.5
03/11E	318,411	52,615	35.8	13.8	19.6	4.3	24.3	21.5	3.0	14.1
03/12E	370,138	59,133	40.2	12.4	17.5	3.5	22.3	20.8	2.5	11.7

- We expect Wipro's IT Services segment to report US dollar revenue growth of 4% QoQ to US$1,172m, above its guided revenue of US$1,161m-1,183m (up 3-5% QoQ).
- This is near the top end of its guidance, excluding the negative impact of 1% due to cross currency movements.
- Wipro is expected to report consolidated revenue growth of 4.8% QoQ at Rs72.7b on a seasonally stronger quarter for its non-IT businesses.
- The company's global IT Services volumes are expected to grow at 4.3% QoQ.
- Consolidated EBIT margin is expected to decline to 18.4% from 18.9% due to the impact of wage inflation (effective from February 2010) and the rupee's appreciation. We expect its historical high utilizations (including trainees) of 80.7% to be maintained. EBIT at Rs13.4b is expected to grow 1.8% QoQ and 10% YoY.
- We expect consolidated net profit to grow by 2.9% QoQ to Rs12.4b in 4QFY10.
- At CMP stock trades at 19.6x FY11E and 17.5x FY12E. Maintain **Neutral**.
- Wage inflation impact, outlook on next year's wage inflation and hiring, attrition trajectory would be keenly watched.
- **Key risks:** Fixed price project overruns, delay in Telecom recovery, currency volatility

CONSOLIDATED QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09*	FY10E
	1Q	2Q	3Q	4Q*	1Q	2Q	3Q	4QE		
IT Services and Products#	51,350	57,416	59,056	58,067	55,603	61,835	61,582	64,657	225,889	243,677
Other Businesses	9,066	7,887	6,842	7,208	8,265	7,102	7,798	8,062	31,002	31,227
Revenues	**60,416**	**65,303**	**65,898**	**65,275**	**63,868**	**68,937**	**69,380**	**72,719**	**256,891**	**274,904**
Q-o-Q Change (%)	*8.0*	*8.1*	*0.9*	*-0.9*	*-2.2*	*7.9*	*0.6*	*4.8*		
Y-o-Y Change (%)	*44.4*	*38.1*	*25.9*	*16.7*	*5.7*	*5.6*	*5.3*	*11.4*	*30.1*	*7.0*
Direct Expenses	42,301	46,140	46,374	45,365	43,247	47,522	47,766	50,585	180,180	189,120
SG&A	7,438	7,936	8,590	7,747	7,791	8,466	8,472	8,761	31,711	33,490
EBIT	**10,677**	**11,227**	**10,934**	**12,163**	**12,830**	**12,949**	**13,142**	**13,373**	**45,000**	**52,294**
Margins (%)	*17.7*	*17.2*	*16.6*	*18.6*	*20.1*	*18.8*	*18.9*	*18.4*	*17.5*	*19.0*
Other Income	316	233	452	85	355	681	721	835	1,086	2,592
Forex Gain/(Loss)	-697	-281	186	-761	-1,406	240	394	470	-1,553	-302
Income from Equity Investees	107	106	114	35	114	112	128	128	362	482
PBT	**10,403**	**11,285**	**11,686**	**11,522**	**11,893**	**13,982**	**14,385**	**14,806**	**44,895**	**55,066**
Provision for Tax	1,443	1,559	1,572	1,461	1,740	2,217	2,321	2,390	6,035	8,668
Rate (%)	*13.9*	*13.8*	*13.5*	*12.7*	*14.6*	*15.9*	*16.1*	*16.1*	*13.4*	*15.7*
Minority Interest	12.0	22.0	16.0	49.0	49.0	58.0	31.0	31.0	99	169.0
Net Income	**8,948**	**9,704**	**10,098**	**10,012**	**10,104**	**11,707**	**12,033**	**12,386**	**38,761**	**46,230**
Q-o-Q Change (%)	*2.2*	*8.4*	*4.1*	*-0.9*	*0.9*	*15.9*	*2.8*	*2.9*	*20.2*	*19.3*
US$ Revenues	**1,068**	**1,110**	**1,100**	**1,046**	**1,033**	**1,065**	**1,127**	**1,172**	**4,324**	**4,397**
Q-o-Q Change (%)	*2.0*	*4.0*	*-0.9*	*-4.9*	*-1.2*	*3.1*	*5.8*	*4.0*	*18.5*	*1.7*

E: MOSL Estimates; # reclassified in FY09

Ashwin Mehta (Ashwin.Mehta@MotilalOswal.com)

Infrastructure

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

Hindustan Construction

IVRCL

Jaiprakash Associates

Nagarjuna Construction

Simplex Infrastructure

Order intake expected to accelerate from 1HFY11

Andhra projects to impact execution in 4QFY10; expect visible interest cost benefits

For construction companies under our coverage, we expect revenue growth of 15.6% YoY in 4QFY10 against 7%YoY in 9MFY10. Execution in 9MFY10 was impacted by slow execution in Andhra Pradesh (particularly irrigation and real estate projects), labor unavailability and poor health of government finances (particularly in states). With elections behind us, the government has sharpened focus on execution. A lower base effect will lead to improved 4QFY10 execution.

- In 9MFY10, EBITDA margins of most companies improved (industry margins up 37bp). We expect sustained profitability at higher levels in 4QFY10, driven by lower commodity prices. We expect EBITDA margins of 10.7% (up 100bp YoY) in 4QFY10 against 9.7% a year earlier.
- PAT in 4QFY10 is expected to grow 3% YoY against growth of 1.4% YoY in 9MFY10 (mainly due to low execution, higher borrowing costs and 80IA impact for IVRCL and Patel Engineering). Adjusted for the Sec 80IA impact on IVRCL and Patel Engineering, PAT growth will be better.

Exposure to Andhra Pradesh

The Andhra Pradesh government has set in motion the process of hiving off Telangana into a separate state. This, coupled with deterioration in state finances had led to execution delays. Some of the key construction companies with large order books from Andhra Pradesh are: Patel (38.1%), IVRCL (28%) and HCC (26.1%). In 9MFY10, most construction companies slowed execution, partly given political changes in Andhra Pradesh, which impacted project execution. We understand that even in 4QFY10, the projects had execution constraints.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS) 30.03.10	RECO	SALES MAR.10	SALES VAR. % YOY	SALES VAR. % QOQ	EBITDA MAR.10	EBITDA VAR. % YOY	EBITDA VAR. % QOQ	NET PROFIT MAR.10	NET PROFIT VAR. % YOY	NET PROFIT VAR. % QOQ
Infrastructure											
Hindustan Construction	134	Neutral	12,122	17.7	28.3	1,648	9.3	62.0	384	-25.4	76.2
IVRCL Infra.	166	Buy	18,346	12.7	54.9	1,808	24.7	56.4	842	5.3	83.7
Jaiprakash Associates	150	Buy	29,939	43.6	5.0	8,177	16.0	5.7	3,319	5.3	5.7
Nagarjuna Construction	165	Buy	14,395	31.1	21.3	1,344	60.4	13.8	589	54.2	23.1
Simplex Infra.	445	Buy	14,255	2.7	33.6	1,359	21.1	40.3	508	70.2	120.2
Sector Aggregate			**89,056**	**23.2**	**23.1**	**14,336**	**19.8**	**18.9**	**5,642**	**9.6**	**24.6**

Satyam Agarwal (AgarwalS@MotilalOswal.com)

ORDER BOOK COMPOSITION (RS B)

	ORDER BOOK FROM ANDHRA	ANDHRA % OF ORDER BOOK
IVRCL	49	28.0
Patel	24	38.1
HCC	41	26.1
Nagarjuna	14	9.5

Source: Company/MOSL

Improved order intake visibility to counter book-to-bill ratio moderation

Book-to-bill ratio for our construction company universe has declined (based on TTM revenue) from 3.9x in FY05-06 to 2.6x as at December 2009. This moderation has impacted near term revenue visibility and was caused mainly by delays in order intake, given central/ state elections, and a challenging credit environment that stalled private capex. We believe that after the continuity of government, the macro environment has shown initial signs of improvement with strong order intake expected from sectors like roads, power (thermal, hydro), urban infrastructure, ports and irrigation. Order intake from sectors like roads, power and urban infrastructure have picked up.

Expect operating performance stability after volatile FY09, EBITDA margins to expand

In FY09, earnings volatility of companies in our coverage universe was driven by commodity prices and increased borrowing costs. In FY10, both factors stabilized/moderated, resulting in companies benefiting from lower/stable commodity prices and a fall in borrowing costs. The key beneficiaries are companies with higher leverage (HCC, Simplex) and higher fixed proportion of price contracts (NCC).

Expect improved execution; higher commodity prices, interest rates might hurt performance

- Execution will improve from 4QFY10 as pressure on state government finances ease and supply chain (mainly labor availability) has improved. We expect revenue CAGR of 21% over FY10-12 despite a disappointing 9MFY10.
- Operating margins in FY10 have improved due to lower and stable commodity prices. Companies like NCC have 20-25% of fixed price order books in which margins were impacted in FY09. We expect EBITDA margin expansion of 56bp YoY in FY10 for our coverage universe given lower commodity prices.
- However, commodity prices have begun to rise again and interest rates have hardened. This could impact reported performance in 2HFY11.

Earnings to benefit from lower interest costs, working capital moderation

Over FY10-12, we expect our construction coverage universe to post earnings CAGR of 14.5%, on revenue CAGR of 14.0%. Increased commodity prices and hardening interest rates will impact performance in FY11. In FY10, interest costs as a percentage of revenue are expected at 3.5%, up 170bp since FY07, which will impact earnings growth. Net working capital in FY10 is expected at 131 days (excluding advances to subsidiary companies), up from 118 days in FY07. Until FY12, we expect a 20bp cut in interest costs (as a percentage of revenue) and 13 days improvement in the net working cycle.

TREND IN ORDER BOOK (RS B)

	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	YOY (%)
HCC	94	96	91	102	102	108	122	164	154	155	157	29
IVRCL	95	96	110	127	124	138	143	145	139	150	173	21
NCC	78	90	98	114	122	124	124	122	139	143	148	19
Patel	50	54	55	60	60	60	71	72	74	70	63	(11)
Simplex	70	71	89	100	100	107	102	101	100	105	106	4
Aggregate	**387**	**407**	**442**	**502**	**507**	**537**	**562**	**604**	**606**	**623**	**648**	**15**
% Growth (QoQ)	***10.3***	***5.3***	***8.7***	***13.7***	***1.0***	***5.7***	***4.8***	***7.3***	***0.4***	***2.8***	***4.0***	

Source: Companies

TREND IN REVENUE (RS B)

	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	YOY %
HCC	7	5	8	11	9	6	8	10	10	9	9	12	17.7
IVRCL	7	7	10	13	9	11	12	16	11	12	12	18	12.7
NCC	8	7	8	13	10	11	10	11	10	11	12	14	31.1
Patel	3	2	3	5	4	3	3	8	5	4	4	9	20.3
Simplex	6	6	7	8	10	10	13	14	11	10	11	14	2.7
Aggregate	**31**	**27**	**35**	**49**	**42**	**42**	**46**	**59**	**46**	**46**	**48**	**68**	**3.6**

Source: Companies

TREND IN EBIDTA MARGINS (%)

	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	BPSYOY
HCC	10.8	11.0	12.9	12.6	10.2	12.0	12.1	14.7	13.0	12.5	12.2	13.6	-106
IVRCL	8.9	8.0	11.1	10.5	8.8	8.0	9.1	8.7	9.2	9.4	9.8	9.9	113
NCC	10.4	12.6	11.1	8.7	9.4	10.3	8.8	7.6	10.3	10.2	9.9	9.3	171
Patel	10.9	17.8	17.9	16.5	14.3	18.5	20.8	11.1	15.2	18.3	18.6	12.6	148
Simplex	10.0	10.0	10.0	8.5	10.8	9.8	9.1	8.1	10.1	10.4	9.1	9.5	145
Industry	**10.2**	**10.7**	**11.4**	**10.4**	**10.0**	**10.1**	**9.8**	**9.7**	**10.8**	**10.5**	**10.2**	**10.7**	**100**

Source: Companies

QUARTERLY INTEREST COSTS (RS M, % OF REVENUE)

	1QFY08	2QFY08	3QFY08	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10
Gammon	35.4	38.4	48.0	200.6	121.0	155.0	160.7	615.9	364.6	381.8	338.4
% Revenues	*0.7*	*0.8*	*0.9*	*2.5*	*2.1*	*3.0*	*2.5*	*3.3*	*4.3*	*4.1*	*3.3*
HCC	322.0	341.9	407.9	452.3	390.6	492.0	572.7	649.8	613.0	499.1	496.5
% Revenues	*4.4*	*6.2*	*5.5*	*4.4*	*4.4*	*7.1*	*6.5*	*6.3*	*6.4*	*5.8*	*5.3*
IVRCL	56.9	76.0	176.8	207.7	193.9	304.2	419.1	391.8	389.4	353.7	368.4
% Revenues	*0.8*	*1.1*	*1.8*	*1.6*	*2.1*	*2.7*	*3.5*	*2.4*	*3.6*	*2.9*	*3.1*
NCC	145.2	233.3	166.9	174.0	238.5	274.6	237.6	212.8	346.3	322.3	305.7
% Revenues	*1.9*	*3.4*	*2.1*	*1.4*	*2.5*	*2.6*	*2.3*	*1.9*	*3.5*	*3.0*	*2.6*
Patel Engg	27.1	27.5	29.5	131.9	145.0	162.5	195.0	150.0	241.5	252.9	210.2
% Revenues	*0.8*	*1.2*	*1.1*	*2.6*	*3.7*	*5.3*	*6.1*	*2.0*	*5.1*	*6.3*	*5.0*
Simplex	247.0	251.0	295.6	213.7	274.5	324.2	435.8	392.3	347.6	288.6	262.1
% Revenues	*4.2*	*4.4*	*4.2*	*2.2*	*2.7*	*3.2*	*3.4*	*2.8*	*3.1*	*2.8*	*2.5*
Total	**834**	**968**	**1,125**	**1,380**	**1,363**	**1,712**	**2,021**	**2,413**	**2,302**	**2,098**	**1,981**
% Revenues	*2.3*	*3.0*	*2.8*	*2.3*	*2.8*	*3.6*	*3.8*	*3.1*	*4.2*	*3.8*	*3.4*

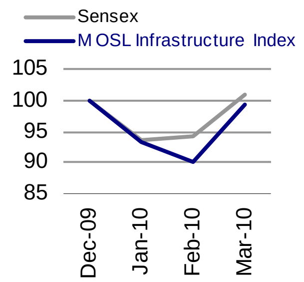
Source: Company/MOSL

TREND IN DEBT: UP DESPITE FUND RAISING GIVEN WORKING CAPITAL DETERIORATION (RS M)

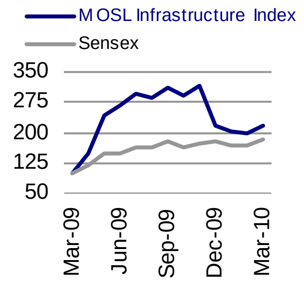
	FY07	FY08	FY09	% INCR	DEC-08	DEC-09	% INCR
HCC	15,511	18,449	23,218	25.9	22,000	25,000	13.6
IVRCL	8,422	13,375	17,967	34.3	14,500	21,000	44.8
NCC	6,370	8,938	12,439	39.2	11,580	13,880	19.9
Patel Engg	3,245	6,579	10,205	55.1	11,000	14,500	31.8
Simplex	6,877	7,493	12,205	62.9	12,500	13,020	4.2

Source: Companies

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



INCREASED WORKING CAPITAL IN 3QFY10

			2QFY10	3QFY10
HCC	NWC	Rs b	21.0	24.0
IVRCL	Debtors	Rs B	11.5	14.0
NCC	NWC	Rs B	20.9	21.4
Patel	NWC	Days	165	195
Simplex	NWC	Rs B	13.0	13.0

Source: Company/MOSL

We are positive on the sector

We remain positive on the construction sector, given the expected improvement in book-to-bill ratio (2.6x TTM book-to-bill), stable margins and value unlocking opportunities. Adjusted for BOT/real estate projects, the sector P/E is an attractive 13x FY11E earnings. Our top picks are **NCC** and **Simplex**.

VALUATION AND VIEW

	CMP	BOOK-TO-BILL	PER (X)			P/BV (X)			ROE (%)			TP	UPSIDE	RATING
	RS/SH	(FY10X)	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	RS/SH	%	
HCC	133	4.2	35.2	25.8	18.5	2.6	2.5	2.2	9.1	9.9	12.6	165	24	Buy
IVRCL	162	3.5	20.4	17.8	13.6	2.4	2.1	1.9	11.7	12.5	14.7	175	8	Neutral
NCC	155	2.7	16.8	13.3	11.0	1.8	1.6	1.5	9.6	9.6	10.3	204	32	Buy
Patel	426	3.4	15.6	12.8	na	2.3	2.0	na	12.4	13.9	na	571	34	Neutral
Simplex	445	2.5	17.3	12.6	9.4	2.2	1.9	1.6	13.3	15.9	18.2	569	28	Buy

Source: MOSL

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Infrastructure														
GMR Infrastructure	62	Neutral	1.2	1.2	1.4	52.3	54.1	45.9	16.6	15.1	13.8	6.5	6.0	6.7
GVK Power & Infra	45	Buy	1.0	1.7	3.1	44.0	27.0	14.5	19.0	16.0	10.6	5.1	7.8	12.9
Hindustan Construction	134	Neutral	3.8	5.2	7.2	35.2	25.8	18.5	10.6	7.7	6.6	7.5	9.5	12.1
IRB Infra.Devl.	263	Not Rated	17.7	19.7	18.6	14.8	13.4	14.1	10.2	10.0	8.7	22.2	19.7	15.7
IVRCL Infra.	166	Buy	7.9	9.1	11.9	20.9	18.3	14.0	11.4	9.4	7.7	11.7	12.5	14.7
Jaiprakash Associates	150	Buy	4.4	5.0	5.2	34.1	29.9	28.9	16.3	17.5	11.2	11.9	11.9	11.0
Mundra Port	787	Not Rated	14.4	20.9	32.9	54.6	37.6	23.9	37.6	24.0	18.1	17.4	21.3	26.8
Nagarjuna Construction	165	Buy	9.2	11.7	14.0	17.9	14.1	11.8	10.7	9.0	7.9	9.6	9.6	10.3
Simplex Infra.	445	Buy	25.8	35.3	47.4	17.3	12.6	9.4	6.9	5.9	5.0	13.3	15.9	18.2
Sector Aggregate						**34.5**	**28.4**	**22.6**	**16.4**	**14.9**	**11.3**	**10.9**	**11.9**	**13.2**

Hindustan Construction

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HCC IN
	REUTERS CODE
S&P CNX: 5,262	HCNS.BO

Equity Shares (m)	303.3
52 Week Range (Rs)	162/37
1,6,12 Rel Perf (%)	-7 / -1 / 170
Mcap (Rs b)	40.5
Mcap (USD b)	0.9

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs134

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	33,137	760	3.0	7.3	45.0	3.4	7.6	11.7	1.7	13.0
3/10E	36,834	1,150	3.8	27.9	35.2	2.6	9.1	9.1	1.5	12.2
3/11E	45,751	1,570	5.2	36.5	25.8	2.5	9.9	11.3	1.3	9.7
3/12E	54,804	2,192	7.2	39.6	18.5	2.2	12.6	13.1	1.1	7.8

** Fully Diluted*

- In 4QFY10, we expect HCC to post revenue (excluding JVs) of Rs11.3b, up 15% YoY; EBIDTA of Rs1.6b (up 9.3% YoY) and net profit of Rs384m (down 25% YoY). Revenue growth has been impacted by poor execution in Andhra Pradesh projects. Certain hydro power projects bagged in 2HFY09 have not crossed the margin recognition threshold of 10% and thus we expect EBITDA margins of 13.6% (down 110bp YoY).
- Order book at the end of 3QFY10 was Rs157b (up 28% YoY and up 1% QoQ), book-to-bill ratio was 4.4x TTM revenue. We believe the order book should drive revenue CAGR of 22% over FY10-12.
- Order announcements in 4QFY10 were Rs33b, including (1) three orders for four-laning of 256km of roads in West Bengal on a DBFOT basis from NHAI for 30 years; and (2) two orders worth Rs3b from Hindalco for EPC and civil jobs. The company was L1 in projects totaling Rs54b at the end of 3QFY10, of which roads accounted for Rs33b (now part of the order book), hydro projects worth Rs16b and port projects worth Rs6.5b.
- HCC has approved the acquisition of 66% stake in Karl Steiner AG (KSAG), the second largest operator in the Swiss real estate market. The stake acquisition will be via issuance of new shares worth 35m Swiss francs (US$33m) cash investment in KSAG by HCC.
- We expect consolidated EPS and revenue CAGR of 38% and 22% over FY10-12. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q*	4Q	1Q	2Q	3Q	4QE		
Sales (Excl JV)	**8,659**	**6,489**	**8,194**	**9,795**	**8,725**	**7,825**	**9,026**	**11,259**	**33,137**	**36,834**
Change (%)	*18.8*	*18.3*	*9.3*	*-7.2*	*0.8*	*20.6*	*10.2*	*15.0*	*7.5*	*11.2*
Gross Sales	**8,949**	**6,977**	**8,759**	**10,295**	**9,641**	**8,622**	**9,450**	**12,122**	**34,979**	**39,834**
Change (%)	*23.0*	*27.1*	*17.2*	*-0.8*	*7.7*	*23.6*	*7.9*	*17.7*	*188.6*	*13.9*
EBITDA	**911**	**839**	**1,061**	**1,508**	**1,151**	**881**	**1,017**	**1,648**	**4,318**	**4,696**
Change (%)	*15.2*	*39.5*	*9.5*	*15.5*	*26.3*	*5.0*	*-4.1*	*9.3*	*17.8*	*8.8*
As of % Sales	*10.2*	*12.0*	*12.1*	*14.7*	*13.0*	*12.5*	*12.2*	*13.6*	*12.3*	*12.9*
Depreciation	253	296	299	304	301	315	322	323	1,152	1,261
Interest	391	492	573	650	613	499	496	759	2,105	2,368
Other Income	124	268	-46	242	19	28	41	-41	588	47
Extraordinary Items	0	0	0	0	0	0	0	0	3	0
PBT	**392**	**319**	**143**	**796**	**256**	**95**	**240**	**525**	**1,649**	**1,115**
Tax	84	117	-90	281	74	40	92	173	392	379
Effective Tax Rate (%)	*21.3*	*36.8*	*-62.7*	*35.3*	*28.8*	*42.0*	*38.5*	*33.0*	*23.8*	*34.0*
Reported PAT	**308**	**202**	**232**	**515**	**182**	**55**	**147**	**352**	**1,257**	**736**
Adj PAT	**195**	**-47**	**300**	**515**	**268**	**280**	**218**	**384**	**964**	**1,150**
Change (%)	*37.4*	*-*	*52.7*	*43.6*	*37.2*	*NA*	*-27.3*	*-25.4*	*36.2*	*19.3*

E: MOSL Estimates; 1QFY10 adustments of Rs50m towards political donation and Rs53m towards Bandra Worli Sealink Inauguration

Satyam Agarwal (AgarwalS@MotilalOswal.com)

IVRCL Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	IVRC IN
	REUTERS CODE
S&P CNX: 5,262	IVRC.BO

Equity Shares (m)	269.7
52 Week Range (Rs)	212/58
1,6,12 Rel Perf (%)	-4 / -18 / 93
Mcap (Rs b)	44.8
Mcap (USD b)	1.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs166

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	48,819	2,290	8.5	10.5	19.6	1.2	13.4	13.7	1.2	13.7
3/10E	53,225	2,138	7.9	-6.6	20.9	2.4	11.7	13.2	1.2	12.4
3/11E	62,456	2,441	9.1	14.1	18.3	2.2	12.5	13.9	1.0	10.2
3/12E	76,558	3,198	11.9	31.0	14.0	1.9	14.7	16.0	0.8	8.4

- Order book as at 3QFY10 was Rs173b representing book-to-bill ratio of 3.4x TTM revenue. In 4QFY10, IVRCL announced orders worth Rs45b, including Rs30b from NHAI and Rs13b from water distribution projects. L1 projects in 3QFY10 were Rs45b, largely comprising road projects awarded to IVR Prime Urban on a BOT basis.
- In 3QFY10, margins expanded 65bp given a decline in commodity prices. For IVCRL, road projects account for 11% of revenues. As these projects are largely fixed-price contracts, the lower cost of commodities helped margin expansion.
- In January 2010, the management downgraded its FY10 guidance and now expects revenues of Rs58b-61.5b (v/s earlier guidance of Rs63b-65b) and EBITDA margins of 9.5%+ (v/s earlier guidance of 9.5-9.75%). The revised guidance implies revenue growth of 42-64% in 4QFY10, and is thus challenging. We have factored in FY10 revenue of Rs53b (up 9% YoY). For FY11, the management stated revenue growth would be 20-25% YoY (we have factored revenue of Rs62b in FY11, up 17.3% YoY).
- We believe revenue growth in 4QFY10 will be impacted by slowdown in execution in Andhra Pradesh projects. Increased commodity prices and a higher share of projects on a fixed price basis could impact margins in FY11.
- Over FY10-12, we expect IVRCL to post revenue and earnings CAGR of 20% and 22% respectively. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**9,290**	**11,366**	**11,896**	**16,272**	**10,860**	**12,178**	**11,840**	**18,346**	**48,824**	**53,225**
Change (%)	*37.2*	*65.1*	*22.0*	*23.1*	*16.9*	*7.1*	*-0.5*	*12.7*	*33.4*	*9.0*
EBITDA	**825**	**913**	**1,085**	**1,450**	**996**	**1,145**	**1,156**	**1,808**	**4,273**	**5,104**
Change (%)	*37.4*	*65.0*	*0.1*	*4.5*	*20.7*	*25.4*	*6.5*	*24.7*	*18.2*	*19.5*
As of % Sales	*8.9*	*8.0*	*9.1*	*8.9*	*9.2*	*9.3*	*9.6*	*9.9*	*8.8*	*9.6*
Depreciation	102	113	123	134	129	133	139	142	473	543
Interest	194	304	419	392	389	354	368	414	1,309	1,525
Other Income	22	172	14	87	39	57	39	20	294	156
PBT	**551**	**667**	**556**	**979**	**516**	**715**	**688**	**1,273**	**2,753**	**3,192**
Tax	115	96	91	181	165	227	229	431	483	1,053
Effective Tax Rate (%)	*20.9*	*14.4*	*16.3*	*18.5*	*32.0*	*33.0*	*33.0*	*33.9*	*17.6*	*33.0*
Reported PAT	**436**	**571**	**465**	**798**	**351**	**488**	**458**	**842**	**2,270**	**2,138**
Adj PAT	**436**	**601**	**465**	**799**	**351**	**488**	**458**	**842**	**2,301**	**2,138**
Change (%)	*14.7*	*70.5*	*-16.6*	*9.0*	*-19.4*	*-18.9*	*-1.5*	*5.3*	*11.6*	*-7.1*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)

Jaiprakash Associates

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	JPA IN
	REUTERS CODE
S&P CNX: 5,262	JAIA.BO

Equity Shares (m)	1,911.8
52 Week Range (Rs)	180/52
1,6,12 Rel Perf (%)	7 / -8 / 104
Mcap (Rs b)	287.6
Mcap (USD b)	6.4

30 March 2010

Buy

Previous Recommendation: Buy

Rs150

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GR.* (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	57,642	8,970	4.7	47.1	32.1	2.7	15.9	10.3	6.8	23.2
3/10E	97,386	9,812	5.1	9.4	29.3	3.5	13.1	17.3	4.0	15.2
3/11E	109,535	12,125	6.3	23.6	23.7	3.1	13.8	12.0	3.7	13.2
3/12E	125,173	14,038	7.3	15.8	20.5	2.8	14.3	12.6	3.0	11.6

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

- In 4QFY10, we expect Jaiprakash to post revenue of Rs30b, up 44% YoY, EBIDTA of Rs8b (up 16% YoY) and net profit of Rs3.3b, up 5.3% YoY.
- JPA plans to enter the fertilizer industry and to contribute Rs2b towards an initial equity contribution in the venture, either directly or through JIL (Jaiprakash Infratech).
- JPA has received sanctions of Rs37 of debt funding towards the Yamuna Expressway project, being executed through its wholly owned subsidiary, Jaypee Infratech Limited (JIL, 99.1% stake). Project cost for development of the six-lane expressway connecting Greater Noida to Agra is Rs97b, which will be funded by debt (Rs67b), equity (Rs29b) and RE deposit (Rs1b).
- Jaiprakash Power Ventures (JPVL), a 76% subsidiary of JPA, has raised US$200m through an FCCB issue to part fund its equity contribution towards power projects under construction.
- We expect JAL to post standalone net profit of Rs10b in FY10 (up 9% YoY) and Rs12b in FY11 (up 24% YoY). The stock trades at a reported PER of 23.7x FY11E and 20.5x FY12E. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**11,487**	**11,825**	**13,217**	**20,846**	**20,671**	**18,243**	**28,524**	**29,939**	**57,750**	**97,386**
Change (%)	*23.9*	*37.2*	*46.9*	*63.1*	*79.9*	*54.3*	*115.8*	*43.6*	*45.6*	*68.6*
EBITDA	**3,123**	**3,477**	**2,473**	**7,050**	**5,417**	**4,558**	**7,739**	**8,177**	**16,123**	**25,901**
Change (%)	*30.6*	*57.3*	*10.9*	*78.2*	*73.5*	*31.1*	*213.0*	*16.0*	*49.5*	*60.6*
As of % Sales	*27.2*	*29.4*	*18.7*	*33.8*	*26.2*	*25.0*	*27.1*	*27.3*	*27.9*	*26.6*
Depreciation	622	667	646	1,023	1,017	1,100	1,109	1,234	2,958	4,461
Interest	984	1,008	992	1,682	2,219	2,588	2,762	2,917	5,024	10,486
Other Income	394	1,040	1,254	1,100	3,229	10,298	1,153	837	4,147	15,517
Extra-ordinary income	0	0	0	0	0	0	-2,110	0	0	-2,110
PBT	**1,911**	**2,843**	**2,089**	**5,445**	**5,410**	**11,168**	**2,911**	**4,863**	**12,289**	**24,361**
Tax	639	812	434	1,591	498	2,466	1,879	1,544	3,477	6,387
Effective Tax Rate (%)	*33.4*	*28.6*	*20.8*	*29.2*	*9.2*	*22.1*	*64.6*	*31.8*	*28.3*	*26.2*
Reported PAT	**1,273**	**2,030**	**1,655**	**3,853**	**4,912**	**8,702**	**1,032**	**3,319**	**8,812**	**17,973**
Adj PAT	**1,273**	**2,030**	**2,105**	**3,153**	**2,181**	**1,161**	**3,141**	**3,319**	**8,561**	**9,812**
Change (%)	*-9.1*	*95.2*	*34.9*	*50.3*	*71.4*	*-42.8*	*49.2*	*5.3*	*40.4*	*14.6*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com) / Nalin Bhatt (NalinBhatt@MotilalOswal.com)

Nagarjuna Construction

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	NJCC IN
	REUTERS CODE
S&P CNX: 5,262	NGCN.BO

Equity Shares (m)	256.6
52 Week Range (Rs)	184/55
1,6,12 Rel Perf (%)	0 / 7 / 93
Mcap (Rs b)	42.3
Mcap (USD b)	0.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs165

YEAR END	NET SALES* (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	47,002	1,788	7.0	-1.4	23.6	2.2	9.4	10.2	1.3	14.3
3/10E	56,149	2,364	9.2	32.2	17.9	1.9	9.6	12.2	1.3	13.2
3/11E	70,146	2,992	11.7	26.5	14.1	1.7	9.6	11.1	1.2	11.2
3/12E	85,296	3,593	14.0	20.1	11.8	1.6	10.3	11.4	1.0	10.0

** For construction segment (consolidated, including international business)*

- NCC's order book in 3QFY10 was Rs148b (up 19%YoY). Order intake was Rs76b in 9MFY10 (Rs67b net of Dubai real estate award cancellation). This is encouraging as a large part of the intake has been driven by projects to be executed over the next two years.
- Order announcements in 4QFY10 were worth Rs28b, comprising buildings (Rs9b), roads (Rs6.5b), power transmission (Rs3.6b), water supply (Rs3.2b), coal mining (Rs1.2b).
- We expect a pick up in execution in 4QFY10 with revenue of Rs14b, up 31% YoY and because of the base effect. During 9MFY10 revenue growth was a modest 7% YoY and the execution was impacted by elections and subdued order intake in FY09 (Rs46b v/s Rs76b in FY08). NCC's orders from Andhra Pradesh account for just 10% of the order book and hence receivables from the state are manageable at just Rs500m-600m.
- Interest costs in 3QFY10 declined to Rs306m, v/s Rs346m in 1QFY10 and Rs322m in 2QFY10. Debt as at December 2009 was Rs13.9b v/s Rs14.2b in June 2009. The company raised US$75m through a QIP (beginning September 2009), and the amount has been largely utilized towards debt repayment. For 4QFY10 we estimate interest costs of Rs330m.
- In 3QFY10, NCC guided for revenue of Rs48b (16% YoY) and Rs55b (up 5% YoY) for standalone and consolidated entities respectively. Order intake in FY10 is expected to be Rs75b-80b (upgraded from an initial Rs65b). We expect NCC to post consolidated revenue and PAT CAGR of 20% and 23% respectively over FY10-12. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**9,709**	**10,558**	**10,266**	**10,981**	**10,004**	**10,670**	**11,870**	**14,395**	**41,514**	**46,940**
Change (%)	*27.4*	*55.9*	*31.7*	*-12.4*	*3.0*	*1.1*	*15.6*	*31.1*	*19.5*	*13.1*
EBITDA	**916**	**1,085**	**899**	**838**	**1,032**	**1,089**	**1,181**	**1,344**	**3,737**	**4,644**
Change (%)	*15.9*	*27.4*	*4.2*	*-23.4*	*12.7*	*0.4*	*31.4*	*60.4*	*3.9*	*24.3*
As of % Sales	*9.4*	*10.3*	*8.8*	*7.6*	*10.3*	*10.2*	*9.9*	*9.3*	*9.0*	*9.9*
Depreciation	142	149	119	123	127	129	133	145	533	534
Interest	239	275	238	213	346	322	306	330	964	1,304
Other Income	9	10	8	15	20	8	14	504	42	547
PBT	**544**	**671**	**551**	**517**	**579**	**646**	**756**	**1,373**	**2,282**	**3,353**
Tax	173	248	188	135	196	206	277	294	743	973
Effective Tax Rate (%)	*31.8*	*36.9*	*34.1*	*26.1*	*33.9*	*32.0*	*36.7*	*21.4*	*32.6*	*29.0*
Reported PAT	**371**	**423**	**363**	**382**	**382**	**439**	**479**	**1,079**	**1,539**	**2,379**
Adj PAT	**371**	**423**	**363**	**382**	**382**	**439**	**479**	**589**	**1,539**	**1,889**
Change (%)	*3.9*	*24.5*	*-8.4*	*-27.4*	*3.1*	*3.8*	*31.8*	*54.2*	*-5.0*	*22.8*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)

Simplex Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SINF IN
	REUTERS CODE
S&P CNX: 5,262	SINF.BO

Equity Shares (m)	49.5
52 Week Range (Rs)	563/145
1,6,12 Rel Perf (%)	-8 / -14 / 116
Mcap (Rs b)	22.0
Mcap (USD b)	0.5

30 March 2010

Buy

Previous Recommendation: Buy

Rs445

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	46,627	1,318	26.6	29.1	16.7	2.4	15.9	16.7	0.7	8.4
3/10E	46,271	1,275	25.8	-3.3	17.3	2.2	13.3	13.7	0.7	7.0
3/11E	53,675	1,745	35.3	36.9	12.6	1.9	15.9	15.9	0.6	5.9
3/12E	67,764	2,346	47.4	34.4	9.4	1.6	18.2	18.6	0.5	5.0

- We expect Simplex to post 4QFY10 revenue of Rs14b, up 3% YoY and net profit of Rs508m, up 70% YoY.
- Order book for Simplex as at December 2009 was Rs106b (up 3.6% YoY, flat QoQ). Order intake in 3QFY10 was Rs12b, down 16% YoY. In 3QFY10, 69% of the order intake was from India (mainly from the power sector, which contributed ~35% of order intake). In 1QFY10, the power segment contributed 61% of the order intake and 43% in 2QFY10. The composition of the domestic power sector to the order book rose to 33% in 3QFY10 against 19% a year earlier.
- We expect 4QFY10 EBITDA margins to be 10% (up 170bp YoY) as they were impacted by several provisions, including for bad debts. We estimate interest cost of Rs263m (stable QoQ) during 4QFY10, driven mainly by lower average borrowing costs.
- In 3QFY10, the working capital cycle improved by 6-7 days on improved inventory management. In FY09, Simplex incurred capex of Rs4b, which will fall to ~Rs1b in FY10. In 9MFY10, capex incurred was Rs650m. Outstanding debt in 3QFY10 was Rs13b against Rs12.2b in March 2009 and Rs12.9b in September 2009.
- Over FY10-12, we expect Simplex to post CAGR of 21% in revenue and 35% in net profit. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Income	**10,181**	**10,050**	**12,703**	**13,876**	**11,097**	**10,252**	**10,668**	**14,255**	**46,888**	**46,271**
Change (%)	*75.0*	*76.0*	*80.4*	*45.3*	*9.0*	*2.0*	*(16.0)*	*2.7*	*66.7*	*(1.3)*
EBITDA	**1,115**	**988**	**1,156**	**1,123**	**1,118**	**1,065**	**969**	**1,359**	**4,277**	**4,511**
Change (%)	*91.6*	*72.8*	*63.9*	*37.7*	*0.2*	*7.8*	*(16.2)*	*21.1*	*59.9*	*5.5*
As % of Sales	*11.0*	*10.2*	*9.4*	*8.3*	*10.2*	*10.7*	*9.5*	*10.0*	*9.5*	*10.1*
Other Income	4	39	37	30	14	30	44	65	186	153
Interest	275	324	436	392	348	289	262	263	1,418	1,161
Depreciation	255	302	370	374	381	383	391	416	1,299	1,571
PBT	**552**	**378**	**387**	**386**	**404**	**423**	**359**	**745**	**1,685**	**1,932**
Tax	169	98	134	88	147	144	129	237	477	657
Tax / PBT	*30.6*	*25.9*	*34.7*	*22.7*	*36.4*	*34.0*	*35.8*	*31.8*	*28.3*	*34.0*
PAT	**383**	**280**	**253**	**299**	**257**	**279**	**231**	**508**	**1,208**	**1,275**
Adjusted PAT	**421**	**303**	**303**	**299**	**257**	**279**	**231**	**508**	**1,324**	**1,275**
As % of Sales	*4.1*	*3.0*	*2.4*	*2.2*	*2.3*	*2.7*	*2.2*	*3.6*	*2.8*	*2.8*
Change (%)	*114.7*	*59.2*	*37.3*	*(28.0)*	*(39.0)*	*(7.7)*	*(23.7)*	*70.2*	*29.7*	*(3.7)*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)

Media

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

Deccan Chronicle

H T Media

Jagran Prakashan

Sun TV Network

TV Today

Zee Entertainment

Top 3 Hindi GECs locked in competitive battle

Star Plus has regained the number one slot from Colors after Colors retained leadership for some time. New programming and a focus on blockbuster Hindi movies boosted its ratings. In week 12, Star Plus had ratings of 315, Colors, of 291 and Zee TV was third with ratings of 252.

Zee TV has 19 programs among the top 50, along with Colors. New launches like *Do Sahalian* and *Kismat Ki Kathputlian* opened with a TRP of 1.84 while Star's *Sasural Genda Phool* opened with ratings of 2.01. NDTV Imagine concluded its *Rahul Ka Swayambar*, which generated low TRP ratings except in the final episodes.

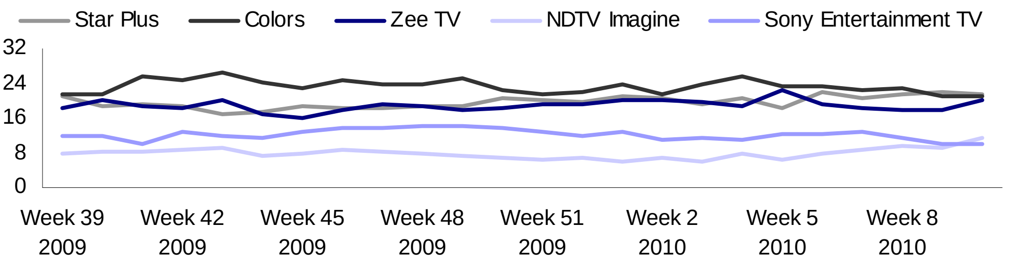
Zee TV increased its channel share to 20.3% in week 10. Its channel share had dipped to 17.9% after reaching a peak of 22.6% in week 5. Star Plus gained channel share by 400bp in the past 15 weeks.

ZEE TV CONTINUES TO LEAD TOP-50 PROGRAMMES IN HINDI GEC

	35TH-47TH WEEK 2009		49TH WEEK 2009-8TH WEEK 2010	
CHANNELS	TOP-50	TOP-100	TOP-50	TOP-100
Zee TV	20	31	19	29
Star Plus	12	28	12	28
Colors	17	34	19	37

Source: Company - Period 35-47week

TREND IN SHARE IN TOP-100 PROGRAMMES IN HINDI GEC



Source:www.Indiatimes.com

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS) 30.03.10	RECO	SALES MAR.10	SALES VAR. % YOY	SALES VAR. % QOQ	EBITDA MAR.10	EBITDA VAR. % YOY	EBITDA VAR. % QOQ	NET PROFIT MAR.10	NET PROFIT VAR. % YOY	NET PROFIT VAR. % QOQ
Media											
Deccan Chronicle	155	Buy	2,274	26.1	-2.6	1,146	171.5	-9.5	356	337.2	-54.1
HT Media	138	Neutral	3,570	7.0	-2.5	690	71.8	-7.4	473	60.7	27.1
Jagran Prakashan	119	Neutral	2,505	24.5	10.4	660	69.2	1.1	338	55.0	-14.9
Sun TV	421	Neutral	3,816	38.3	-3.4	2,955	30.9	-5.4	1,568	37.5	3.2
TV Today	111	Buy	690	28.5	-2.0	135	162.6	-21.4	103	26.3	-24.7
Zee Entertainment	273	Neutral	6,580	28.1	23.9	1,861	54.9	18.4	1,304	40.6	4.2
Sector Aggregate			**19,435**	**24.7**	**6.6**	**7,448**	**57.6**	**-1.2**	**4,143**	**51.0**	**-7.0**

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)

IPL raking in good GRPs; new team valuations jump significantly

The IPL continues to get a favorable response from viewers and advertisers. Its TRP ratings of 4.5-6.8 compare well with top rated TV soaps. Eight out of the top 10 programs in C&S TV households were DLF IPL matches between 14-20 March. A recently concluded auction for two new teams has thrown a valuation of US$370m for the Pune team and of $302m for the Kochi team. Based on the valuations of the new teams, revenues from IPL are expected to increase significantly in coming years. We believe the return of IPL to India and viewer frenzy will adversely impact ad revenues of other segments.

Advertising market looks up; Frames expects broadcasting to grow at 15% CAGR

The advertising market is looking up as the ad inventory utilization increased significantly in the past 3-5 months. In addition to FMCG and automobiles, other segments like banking and financial services have also started increasing ad spends. Leading broadcasters raised tariffs by 10-30% in the recent past. Print advertising is also looking up with all segments showing positive growth. FICCI frames indicated 13-14% CAGR for the media and entertainment industry over CY09-14. Broadcasting is expected to post 15% CAGR over CY09-14. Increasing digitization is expected to increase the revenue share of broadcasters as ~15% of C&S households (on DTH) constitute ~50% of broadcaster revenues. In India, the content provider gets only 15% of revenues against ~37% in the US. Indian broadcasters get only Rs5b (net of carriage fee) from total analog broadcast revenue of ~Rs180b.

New media segments like gaming, internet and animation are tipped to grow at 19-30% CAGR over CY09-14. Given that India has one of the highest youth populations, traditional mediums and content will find it increasingly difficult to engage the consumer. Youth will be captured beyond TV - on internet, mobile, and out of home media.

GROWTH (%)

	CY07	CY08	CY09	CY10E	CY11E	CY12E	CY13E	CY14E
Television	15	14	7	12	17	13	17	16
Print	15	8	2	9	8	9	9	9
Films	19	12	-14	8	9	10	9	10
Animation and VFX	17	21	18	15	22	18	18	21
Outdoor	17	14	-13	7	13	12	11	14
Radio	17	14	0	13	11	20	17	14
Gaming	33	75	14	25	40	43	30	23
Music	-13	0	14	13	11	20	17	21
Internet	100	50	33	38	36	20	28	26
Total	**16**	**12**	**2**	**11**	**14**	**13**	**14**	**14**

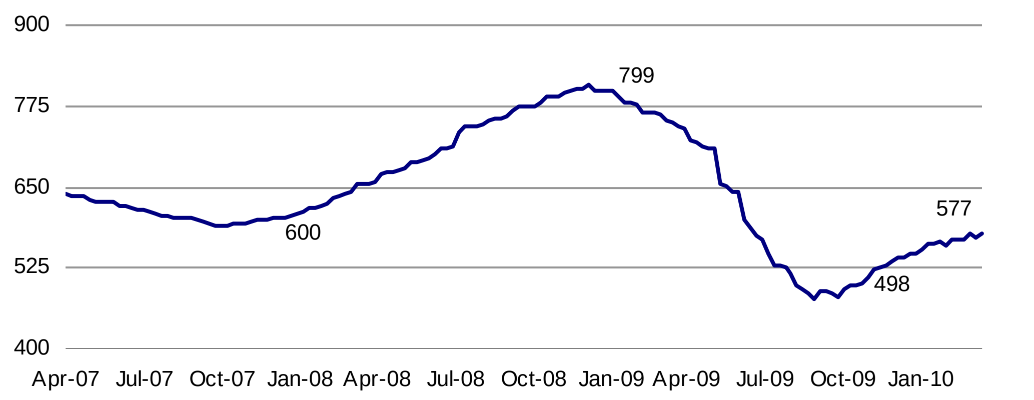
Source:www.Indiatimes.com

Heightened competition for print media; newsprint prices rising

Print media companies are expected to face increased competition. This is more likely in the high-growth Hindi language newspaper market. Regional media are expected to grow faster and print is no exception. Print media companies are moving into new territories to increase their share of consumers, which would form a base to provide advertisers with a wider footprint. HT Media has offered Hindustan Times and Hindustani in a combo at a price of Rs3 (cover price Rs6). DB Corp plans to enter Bihar and Jharkhand. We believe such aggressive moves will impair the profitability of not only the incumbents but also the new entrants in the near term.

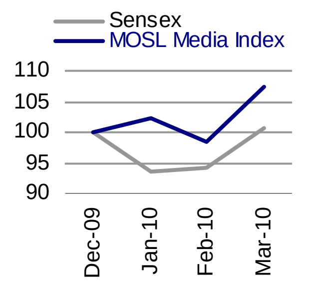
Newsprint prices have firmed up by 20-25% from the bottom with current quotations at US$590-610/mt. Although the prices are well below the commodity cycle peak they are unlikely to decline in the medium term. We believe best margins for print media companies are behind us.

NEWSPRINT PRICES FIRMING (USD/ TONNE)

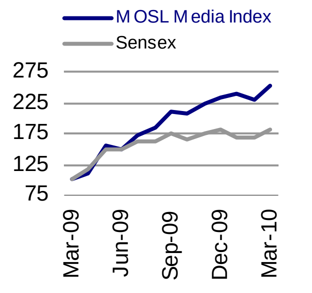


Source:www.Indiatimes.com

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



Valuation and view

We believe growth in the media industry will perk up significantly in the coming quarters as higher ad inventory utilization and ad rates will translate into higher revenue. We believe print media companies have seen the best of their margins and could see growth rates falling as players enter new territories and cut cover prices. We have reduced EPS estimates of Jagran Prakashan and HT Media to factor in an expected increase in competition from DB Corp in Bihar and Jharkhand. Deccan Chronicle is our top pick in the print media space. The broadcasting space looks attractive due to rising subscription revenues from DTH, a digitization drive from cable companies and an improving advertising outlook. **Zee Entertainment** and **Sun TV** are best stocks to play the broadcasting space.

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Media														
Deccan Chronicle	155	Buy	12.0	14.9	18.3	13.0	10.4	8.5	6.7	5.4	4.2	22.7	24.5	26.0
HT Media	138	Neutral	6.7	7.8	9.0	20.8	17.8	15.3	12.1	10.1	8.9	14.5	15.1	15.6
Jagran Prakashan	119	Neutral	5.8	6.4	7.3	20.6	18.7	16.2	12.1	10.6	9.3	29.3	30.6	33.0
Sun TV	421	Neutral	14.2	17.5	21.2	29.7	24.1	19.8	14.7	11.5	10.2	25.2	25.0	24.4
TV Today	111	Buy	8.9	10.4	12.2	12.5	10.6	9.1	6.9	5.1	3.8	14.2	14.7	15.0
Zee Entertainment	273	Neutral	9.7	12.5	14.8	28.1	21.8	18.5	19.4	13.5	11.3	11.4	12.1	13.3
Sector Aggregate						**23.3**	**19.0**	**15.9**	**13.7**	**10.7**	**9.1**	**16.6**	**18.1**	**19.1**

Deccan Chronicle

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	DECH IN
	REUTERS CODE
S&P CNX: 5,262	DCHL.BO

Equity Shares (m)	245.0
52 Week Range (Rs)	180/43
1,6,12 Rel Perf (%)	-1 / 21 / 162
Mcap (Rs b)	38.0
Mcap (USD b)	0.8

30 March 2010 — **Buy**

Previous Recommendation: Buy — **Rs155**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	8,149	1,401	5.7	-48.5	27.2	3.3	12.2	17.6	4.7	14.2
03/10E	9,282	2,902	12.0	109.5	13.0	2.9	22.7	28.6	3.7	7.2
03/11E	10,487	3,604	14.9	24.2	10.4	2.6	24.5	31.3	3.1	5.7
03/12E	11,926	4,444	18.3	23.3	8.5	2.2	26.0	35.0	2.6	4.5

- We expect Deccan Chronicle to post 4QFY10 revenue growth of 26% YoY to Rs2.26b due to a lower base in 4QFY09 (12% decline in revenues). The growth will be led mainly by an increase in ad revenues.
- DCHL will continue to benefit from lower newsprint prices. But we expect prices to be higher by 3-5% QoQ. We estimate an EBITDA of Rs1.14b and PAT of Rs336m.
- The auctions of IPL teams of Pune and Kochi have given benchmark valuations of the *Deccan Chargers*. We estimate the value of *Deccan Chargers* at Rs58/share on Pune benchmark valuations. DCHL does not intend to sell any stake in its IPL venture. Management expects higher profitability for current franchises based on recent valuations of Pune and Kochi teams.
- DCHL continues to be a pure English print media play in the south Indian markets of Hyderabad, Chennai and Bangalore. We expect the ad markets in these cities to remain robust due to the steady recovery in the IT industry (these cities are IT hubs). Increased dividend payout ratio to 35-40% from 15% is another positive. With no big expansion plan in the offing we believe the payout ratio can increase. The stock trades at 13x FY10E EPS of Rs12 and 10.4x FY11E EPS of Rs14.9. **Buy.**

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**1,935**	**2,264**	**2,147**	**1,803**	**2,166**	**2,509**	**2,334**	**2,274**	**8,149**	**9,282**
Change (%)	*11.6*	*20.6*	*-0.7*	*-12.1*	*11.9*	*10.8*	*8.7*	*26.1*	*4.2*	*13.9*
EBITDA	**943**	**773**	**544**	**422**	**1,059**	**1,387**	**1,266**	**1,146**	**2,682**	**4,858**
Change (%)	*-9.1*	*-34.3*	*-61.5*	*-65.7*	*12.4*	*79.3*	*132.8*	*171.5*	*-44.8*	*81.1*
As of % Sales	*48.7*	*34.2*	*25.3*	*23.4*	*48.9*	*55.3*	*54.3*	*50.4*	*32.9*	*52.3*
Depreciation	73	75	78	95	99	102	102	104	321	407
Interest	198	198	191	123	111	111	113	107	709	442
Other Income	59	155	136	77	71	75	75	101	427	322
PBT	**732**	**655**	**411**	**282**	**920**	**1,249**	**1,127**	**1,036**	**2,079**	**4,332**
Tax	122	202	154	200	150	250	350	679	679	1,429
Effective Tax Rate (%)	*16.7*	*30.9*	*32.0*	*71.1*	*25.0*	*20.0*	*31.1*	*65.6*	*32.6*	*33.0*
Reported PAT	**610**	**453**	**257**	**82**	**770**	**999**	**777**	**356**	**1,401**	**2,902**
Adj PAT	**610**	**453**	**257**	**82**	**770**	**999**	**777**	**356**	**1,401**	**2,902**
Change (%)	*-27.2*	*-45.2*	*-75.1*	*207.5*	*26.3*	*120.7*	*202.6*	*337.2*	*-48.5*	*107.2*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)

H T Media

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HTML IN
	REUTERS CODE
S&P CNX: 5,262	HTML.BO

Equity Shares (m)	234.2
52 Week Range (Rs)	174/53
1,6,12 Rel Perf (%)	-7 / 2 / 34
Mcap (Rs b)	32.4
Mcap (USD b)	0.7

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs138

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	13,231	1,040	4.4	-28.2	31.2	3.6	9.4	9.9	2.4	17.0
03/10E	14,053	1,564	6.7	50.3	20.8	3.9	14.5	16.3	2.2	11.3
03/11E	15,376	1,823	7.8	16.6	17.8	3.4	15.1	18.4	1.9	9.3
03/12E	17,036	2,123	9.0	16.5	15.3	3.0	15.6	19.3	1.7	7.8

- We expect HT Media to post 4QFY10 revenue of Rs3.6b, up 7% YoY. Strong traction in Hindustan will be a key revenue driver.
- Lower newsprint prices will benefit the company though the prices have increased by 2-3% QoQ. Cost rationalization and some benefit of lower newsprint prices will boost EBITDA to Rs690m on a consolidated basis. We estimate adjusted PAT at Rs473m.
- Its Hindi daily continues to do well due to strong traction in the regional advertising market. HT continues to be impacted by strong competition in Mumbai and Delhi. Hindustan Media Ventures has filed for a DRHP and an IPO would unlock value in the company.
- HT Media is offering a combo of HT and Hindustan in some big towns of UP at Rs3, which will impact realizations. We also believe HT will be impacted by the entry of DB Corp in Bihar and Jharkhand. We are downgrading EPS estimates by 5% in FY11 and FY12 to factor in this impact. Our revised estimates are Rs7.8 (earlier Rs8.3) for FY11 and Rs9 (earlier Rs9.5) for FY12.
- The stock trades at 20.8x FY10E EPS and 17.8x FY11E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**3,247**	**3,342**	**3,457**	**3,338**	**3,351**	**3,471**	**3,661**	**3,570**	**13,230**	**14,053**
Change (%)	*18.8*	*16.1*	*8.2*	*6.5*	*3.2*	*3.9*	*5.9*	*7.0*	*11.5*	*6.2*
EBITDA	**663**	**399**	**218**	**402**	**691**	**646**	**746**	**690**	**1,853**	**2,773**
Change (%)	*19.3*	*-28.3*	*-60.9*	*-33.2*	*4.2*	*62.1*	*241.8*	*71.8*	*-16.9*	*49.7*
As of % Sales	*20.0*	*11.9*	*6.3*	*12.0*	*20.6*	*18.6*	*20.4*	*19.3*	*14.0*	*19.7*
Depreciation	129	128	181	155	163	175	165	183	550	686
Interest	51	74	103	91	78	75	72	62	317	287
Other Income	82	52	50	101	65	39	19	123	347	246
Extra-ordinary Expense	0	0	128	60	45	40	14	89	188	188
PBT	**565**	**248**	**-144**	**196**	**470**	**396**	**514**	**480**	**1,145**	**1,859**
Tax	188	86	24	-38	146	82	160	96	293	483
Effective Tax Rate (%)	*33.3*	*34.5*	*(16.7)*	*(19.4)*	*31.1*	*20.6*	*25.0*	*19.9*	*25.6*	*26.0*
PAT	**377**	**163**	**-168**	**234**	**324**	**314**	**354**	**384**	**852**	**1,376**
Exceptional Items	0	0	128	60	45	40	14	89	188	188
Minority Interest	0	0	40	0	0	0	5	0	0	0
Reported PAT	**377**	**163**	**-128**	**234**	**324**	**314**	**359**	**384**	**852**	**1,376**
Adj PAT	**377**	**163**	**-40**	**295**	**369**	**354**	**373**	**473**	**1,041**	**1,564**
Change (%)	*10.4*	*-52.3*	*-139.3*	*-43.7*	*-14.1*	*92.8*	*LP*	*64.0*	*-41.0*	*50.3*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)

Jagran Prakashan

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	JAGP IN
	REUTERS CODE
S&P CNX: 5,262	JAGP.BO

Equity Shares (m)	301.2
52 Week Range (Rs)	142/53
1,6,12 Rel Perf (%)	-7 / 10 / 19
Mcap (Rs b)	35.8
Mcap (USD b)	0.8

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs119

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	8,234	916	3.0	-6.7	39.0	6.4	16.4	18.7	4.1	21.3
03/10E	9,561	1,733	5.8	89.2	20.6	6.0	29.3	33.8	3.5	11.7
03/11E	10,600	1,913	6.4	10.4	18.7	5.8	30.6	34.7	3.2	10.4
03/12E	11,746	2,211	7.3	15.6	16.2	5.4	33.0	36.8	2.8	9.1

- Jagran Prakashan is expected to post revenue of Rs2.5b, up 24% YoY. An increase in ad inventory utilization would be a key revenue driver.
- We estimate a 250bp QoQ decline in EBITDA margins (up 690bp YoY) as newsprint prices have bottomed out and are rising steadily. Besides, increasing pricing pressure in the UP market will also impact the company's circulation revenues.
- We estimate a 55% increase in adjusted PAT to Rs338m.
- We note that circulation prices are coming under pressure in UP, the largest market for Jagran Prakashan. We also expect the entry of DB Corp in Bihar and Jharkhand to impair profit growth in the coming quarters. We are reducing circulation revenue estimates for Bihar and Jharkhand, assuming the entry of DB Corp. We are downgrading estimates by 4% for FY11 and 6.8% for FY12. Our revised EPS for FY11 and FY12 stand at Rs6.4 (Rs6.6 earlier) and Rs7.3 (Rs7.9 earlier) respectively.
- The stock trades at 20.6x FY10E EPS and 18.7x FY11E EPS. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue	**2,065**	**2,086**	**2,070**	**2,013**	**2,319**	**2,468**	**2,269**	**2,505**	**8,234**	**9,561**
Change (%)	*12.6*	*17.8*	*4.0*	*5.9*	*12.3*	*18.3*	*9.6*	*24.5*	*9.8*	*16.1*
EBITDA	**496**	**380**	**301**	**390**	**705**	**832**	**653**	**660**	**1,567**	**2,850**
Change (%)	*-3.6*	*-2.6*	*-30.4*	*29.9*	*42.0*	*119.1*	*117.1*	*69.2*	*-4.3*	*81.9*
As of % Sales	*24.0*	*18.2*	*14.5*	*19.4*	*30.4*	*33.7*	*28.8*	*26.3*	*19.0*	*29.8*
Depreciation	84	89	98	113	124	130	119	150	383	523
Interest	10	12	18	20	14	15	13	21	59	63
Other Income	63	55	45	64	157	50	70	16	227	293
PBT	**466**	**334**	**229**	**322**	**724**	**738**	**590**	**505**	**1,352**	**2,557**
Tax	150	108	75	104	229	235	193	167	436	824
Effective Tax Rate (%)	*32.1*	*32.1*	*32.0*	*32.3*	*31.7*	*31.9*	*32.7*	*33.1*	*32.2*	*32.2*
Reported PAT	**316**	**227**	**155**	**218**	**495**	**503**	**397**	**338**	**916**	**1,733**
Adj PAT	**316**	**227**	**155**	**218**	**495**	**503**	**397**	**338**	**916**	**1,733**
Change (%)	*-8.8*	*3.2*	*-40.1*	*41.4*	*56.4*	*121.5*	*156.9*	*55.0*	*-6.5*	*89.2*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)

Sun TV Network

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SUNTV IN
	REUTERS CODE
S&P CNX: 5,262	SUTV.BO

Equity Shares (m)	394.1
52 Week Range (Rs)	439/165
1,6,12 Rel Perf (%)	7 / 25 / 69
Mcap (Rs b)	165.8
Mcap (USD b)	3.7

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs421

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	10,364	4,164	10.6	13.5	39.8	9.3	24.4	44.2	15.7	20.3
03/10E	13,931	5,591	14.2	34.3	29.7	7.5	25.2	47.3	11.5	14.7
03/11E	17,155	6,888	17.5	23.2	24.1	6.0	25.0	48.1	9.0	11.5
03/12E	18,995	8,359	21.2	21.4	19.8	4.8	24.4	43.6	7.9	10.2

- We expect the company to post 4QFY10 revenue of Rs3.8b, up 38% YoY, EBITDA of Rs2.95b, up 30.9% YoY and PAT of Rs1.57b, up 37% YoY.
- We expect advertising revenue to remain flat sequentially and up 41% YoY in the quarter, at Rs2.6b.
- Sun TV will go pay in Kerala with its channels *Surya* and *Kiran* from 1 April, providing upside to our subscription revenue estimates. The ad rate hike announced in 3QFY10 will show its impact on the numbers of the current quarter.
- Sun TV group has started a bouquet and Disney has shifted from Star Den to the Sun TV bouquet. We believe this is a long term positive as Disney programs have universal appeal and it will enable the company to garner subscription revenue from states other than its stronghold of South India.
- We believe Sun TV continues to be one of the best broadcasting plays due to its strong presence in South India (part of a faster growth regional advertising pie). The stock trades at 29.7x FY10E EPS of Rs14.2 and 24.1x FY11E EPS of Rs17.5. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Revenue	**2,236**	**2,379**	**2,708**	**2,759**	**2,877**	**3,204**	**3,951**	**3,816**	**10,082**	**13,847**
Change (%)	*10.5*	*22.3*	*24.4*	*11.9*	*28.7*	*34.7*	*45.9*	*38.3*	*17.1*	*37.3*
EBITDA	**1,683**	**1,763**	**2,013**	**2,257**	**2,236**	**2,436**	**3,125**	**2,955**	**7,716**	**10,752**
Change (%)	*10.0*	*26.1*	*17.7*	*42.8*	*32.9*	*38.1*	*55.3*	*30.9*	*24.1*	*39.3*
As of % Sales	*75.0*	*74.1*	*74.3*	*81.8*	*77.7*	*76.0*	*79.1*	*77.4*	*76.5*	*77.6*
Depreciation	278	464	446	662	550	571	885	671	1,849	2,677
Interest	0	21	8	10	6	2	2	10	39	20
Other Income	164	165	144	154	142	115	84	114	627	454
Extraoridnary Item	-	207	-	-	-	-	-	-	207	-
PBT	**1,568**	**1,650**	**1,703**	**1,740**	**1,822**	**1,978**	**2,322**	**2,388**	**6,661**	**8,509**
Tax	543	567	581	599	624	672	803	820	2,290	2,919
Effective Tax Rate (%)	*34.6*	*36.0*	*34.1*	*34.7*	*34.3*	*34.0*	*34.3*	*34.3*	*34.4*	*34.3*
Reported PAT	**1,026**	**1,083**	**1,122**	**1,141**	**1,198**	**1,306**	**1,519**	**1,568**	**4,371**	**5,591**
Adj PAT	**1,026**	**951**	**1,122**	**1,141**	**1,198**	**1,306**	**1,519**	**1,568**	**4,165**	**5,591**
Change (%)	*10.2*	*18.6*	*9.7*	*24.7*	*16.8*	*37.3*	*35.4*	*37.5*	*13.5*	*34.2*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)

TV Today

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TVTN IN
	REUTERS CODE
S&P CNX: 5,262	TVTO.BO

Equity Shares (m)	58.0
52 Week Range (Rs)	152/63
1,6,12 Rel Perf (%)	-9 / 8 / -11
Mcap (Rs b)	6.4
Mcap (USD b)	0.1

30 March 2010

Neutral

Previous Recommendation: Neutral Rs111

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	2,499	336	5.8	-23.1	19.1	2.0	10.5	15.2	1.8	10.0
03/10E	2,749	513	8.9	52.9	13.5	1.9	14.2	21.1	1.8	7.7
03/11E	3,107	605	10.4	17.9	11.5	1.7	14.7	21.8	1.4	5.8
03/12E	3,573	708	12.2	16.9	9.8	1.5	15.0	22.3	1.1	4.4

** Excluding extraordinary items and provisions*

- We expect TV Today to post 4QFY10 revenue of Rs690m, up 28% YoY due to strong traction in advertising revenue and a low base effect (15.6% fall in 4QFY09).
- EBITDA margins are expected to expand by 10% to 19.6%. We estimate EBITDA to grow 162% YoY to Rs135m
- Aaj Tak is an undisputed leader in the Hindi news genre and Headlines Today continues to improve market share.
- We estimate PAT of Rs103m, up 23% YoY.
- The stock trades at 13.5x FY10E EPS of Rs8.9 and 11.5x FY11E EPS of Rs10.4. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**641**	**669**	**652**	**537**	**710**	**645**	**704**	**690**	**2,499**	**2,749**
Change (%)	*24.5*	*44.1*	*-6.0*	*-15.8*	*10.8*	*-3.5*	*7.9*	*28.5*	*8.2*	*10.0*
EBITDA	**131**	**122**	**138**	**51**	**195**	**126**	**172**	**135**	**442**	**628**
Change (%)	*9.9*	*55.2*	*-43.4*	*-72.1*	*49.3*	*3.9*	*24.3*	*162.6*	*-29.4*	*0.4*
As of % Sales	*21.5*	*18.2*	*21.2*	*9.6*	*28.0*	*19.6*	*24.4*	*19.6*	*17.7*	*22.8*
Depreciation	41	42	65	46	46	42	40	49	194	178
Interest	0	0	0	1	0	0	0	0	1	1
Other Income	45	38	70	89	92	79	62	85	242	317
PBT	**135**	**118**	**143**	**93**	**240**	**163**	**193**	**170**	**488**	**766**
Tax	43	42	56	12	73	56	56	67	153	253
Effective Tax Rate (%)	*31.8*	*35.7*	*35.0*	*12.7*	*30.6*	*34.7*	*34.0*	*39.4*	*31.2*	*33.0*
Reported PAT	**92**	**76**	**87**	**82**	**167**	**106**	**137**	**103**	**336**	**513**
Adj PAT	**92**	**76**	**87**	**82**	**167**	**106**	**137**	**103**	**336**	**513**
Change (%)	*14.9*	*41.0*	*-48.0*	*-39.6*	*81.9*	*40.7*	*57.9*	*26.3*	*-22.9*	*52.9*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)

Zee Entertainment Enterprises

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	Z IN
	REUTERS CODE
S&P CNX: 5,262	ZEE.BO

Equity Shares (m)	433.6
52 Week Range (Rs)	293/103
1,6,12 Rel Perf (%)	3 / 12 / 75
Mcap (Rs b)	118.5
Mcap (USD b)	2.6

30 March 2010

Neutral

Previous Recommendation: Neutral Rs273

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	21,773	4,365	10.1	14.8	27.2	3.5	13.9	18.2	5.6	22.3
03/10E	22,053	4,715	9.7	-3.1	28.1	2.7	11.4	15.2	6.0	21.7
03/11E	29,134	6,061	12.5	28.5	21.8	2.6	12.1	17.2	4.5	15.1
03/12E	33,010	7,171	14.8	18.3	18.5	2.4	13.3	19.3	3.9	12.6

- We expect Zee Entertainment (ZEEL) to post 4QFY10 revenue growth of 28.3% YoY due to a 49.6% increase in advertising revenue and 23.3% YoY increase in subscription revenue. Ad revenue growth will be driven by higher inventory utilization and ad rates in Zee TV and consolidation of regional GEC's of ZNL.
- DTH revenue will continue to drive subscription revenue growth. We expect 4QFY10 share of subscription revenue at 44% of total revenue. We estimate a 54% increase in EBITDA due to 490bp margin expansion. Adjusted PAT is estimated at Rs1.3b, up 40.6% YoY.
- Zee TV maintains its strong position in the Hindi GEC space with 19 shows in the top 50 and 29 in the top 100. Zee TV's GRPs have stabilized at 252points.
- Ten Sports hosted the FIH World Cup (hockey), the impact of which will be reflected in the current quarter. Zee TV hosted the annual Zee Rishtey awards and launched new shows like *Do Sahalian* and *Kismat ki Kathputlian*. Besides, its *Dance India Dance* has been a success.
- The stock trades at 28.1x FY10E EPS of Rs9.7 and 21.8x FY11E EPS of Rs12.5. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Advertsing Revenue	2,798	2,851	2,684	2,284	1,980	2,476	2,707	3,417	10,618	10,580
Subscription Revenue	2,150	2,244	2,274	2,345	2,410	2,435	2,467	2,892	9,014	10,203
Other Sales and Services	471	621	497	508	370	494	135	271	2,098	1,270
Net Sales	**5,420**	**5,717**	**5,456**	**5,137**	**4,759**	**5,405**	**5,309**	**6,580**	**21,730**	**22,053**
Change (%)	*38.4*	*43.4*	*5.3*	*-2.3*	*-12.2*	*-5.5*	*-2.7*	*28.1*	*18.4*	*1.5*
Prog, Transmission & Direct Exp	2,366	2,613	2,684	2,241	2,392	2,229	2,306	2,911	9,904	9,838
Staff Cost	690	513	382	439	390	442	372	495	2,025	1,698
Selling and Other Exp	921	1,102	1,189	1,255	808	1,226	1,059	1,313	4,468	4,405
EBITDA	**1,443**	**1,488**	**1,201**	**1,202**	**1,170**	**1,508**	**1,573**	**1,861**	**5,332**	**6,111**
Change (%)	*20.5*	*12.6*	*-23.5*	*-7.8*	*-18.9*	*1.3*	*31.0*	*54.9*	*-1.7*	*14.6*
As of % Sales	*26.6*	*26.0*	*22.0*	*23.4*	*24.6*	*27.9*	*29.6*	*28.3*	*24.5*	*27.7*
Depreciation	55	65	84	99	75	77	76	85	304	313
Interest	214	223	386	509	91	84	65	145	1,331	385
Other Income	278	280	401	444	325	291	323	309	1,403	1,248
Extraordinary Items	574	792	26	260			313		1,651	313
PBT	**2,025**	**2,271**	**1,158**	**1,298**	**1,329**	**1,638**	**2,067**	**1,940**	**6,751**	**6,974**
Tax	417	489	318	330	416	529	603	684	1,552	2,232
Effective Tax Rate (%)	*20.6*	*21.5*	*27.5*	*25.4*	*31.3*	*32.3*	*32.0*	*35.3*	*23.0*	*32.0*
Reported PAT	**1,608**	**1,782**	**840**	**968**	**913**	**1,109**	**1,464**	**1,256**	**5,198**	**4,742**
Minority Interest	16	-11.0	14.7	3.4	-105.8	-32	-100	-48	23.0	-286.0
Adj PAT after Minority Interest	**1,240**	**1,223**	**1,022**	**927**	**1,019**	**1,141**	**1,251**	**1,304**	**4,413**	**4,715**
Change (%)	*60.8*	*32.2*	*-6.8*	*0.3*	*-17.8*	*-6.7*	*22.5*	*40.6*	*15.4*	*6.8*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)

Metals

BSE Sensex: 17,590 S&P CNX: 5,262 30 March 2010

COMPANY NAME
Hindalco
Hindustan Zinc
JSW Steel
Nalco
Sesa Goa
SAIL
Sterlite Industries
Tata Steel

Steel: Prices rising, not margins

Indian steel prices showed a rising trend from mid December through most of January due to the end of de-stocking and bottoming out of steel prices in global markets. Domestic prices were firm in February when demand was not that robust ahead of the Union Budget. Globally steel prices began to move up again on a cost push due to strong raw material prices in the spot market ahead of long term annual contract negotiations. After the coking coal quarterly contract settlement (55% price hike to US$200/ton) between Japanese mills and BHP Billiton Mitsubishi Alliance of Australia in the 1st week of March, steel prices moved up across regions. In the recent development, Vale and BHP ended 40 year old system of setting annual iron ore prices and won 90% rise in ore prices for next quarters supplies. Steel makers will try to pass on the impact of higher costs on consumers thus resulting in higher steel prices. The Indian import price of HRC already rose US$60-70 per ton to US$680 CFR for re-rollable grade in last one month. Domestic prices of HRC increased by ~Rs1,000-1,500 per ton to Rs31,500-32,000 per ton in March. Chinese export prices rose sharply despite a continued increase in local inventories, implying the speculative nature of the price increase, driven by cost push. Steel prices rose in the US and Europe. Despite the jump in steel prices, margins for steel producers are unlikely to expand due to higher input costs. The companies having raw material integration will benefit due to higher steel prices.

Indian steel demand is robust due to strong growth in end-user segments. Demand is expected to rise 9-10% in FY10. Indian crude steel production grew 19.5% (-10% MoM) to 4.9m tons in February as secondary producers restarted furnaces due to a revival of prices. In YTD FY10 (April to February), Indian crude steel production grew 7.4% YoY to 53.1mt.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Metals											
Hindalco	184	Neutral	53,610	42.1	-2.1	8,597	173.6	6.8	5,391	100.6	11.4
Hindustan Zinc	1,211	Buy	23,486	86.0	4.4	14,397	159.4	3.9	12,208	121.4	6.3
JSW Steel	1,240	Buy	49,525	48.8	7.4	13,302	227.5	19.0	5,630	2235.8	39.2
Nalco	416	Sell	11,322	0.6	-20.1	4,536	374.6	53.2	2,844	242.6	83.3
Sesa Goa	458	Buy	37,516	159.9	98.6	18,056	139.6	74.3	12,854	134.7	55.3
Sterlite Inds.	846	Buy	73,601	67.0	9.1	19,424	131.5	9.6	12,165	211.4	21.1
SAIL	244	Sell	111,340	-7.7	10.9	25,603	21.4	-0.7	16,246	6.9	-3.0
Tata Steel	635	Neutral	291,903	10.5	11.4	37,107	9528.1	19.5	13,350	LP	104.7
Sector Aggregate			**652,303**	**21.2**	**11.3**	**141,020**	**175.9**	**16.6**	**80,688**	**291.8**	**27.0**

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

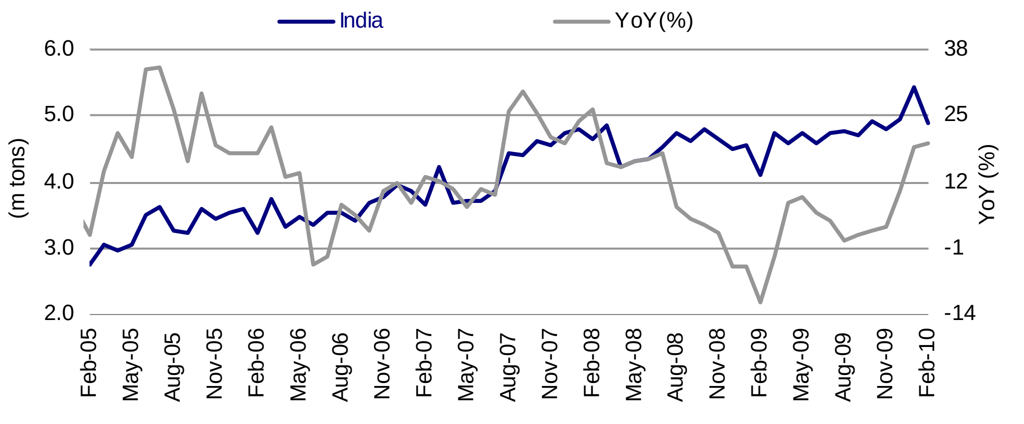
SALEABLE STEEL ('000 TONS)

Y/E MARCH	FY08				FY09				FY10			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE
Tata Steel India												
Production	1,065	1,280	1,246	1,268	1,187	1,330	1,235	1,624	1,542	1,519	1,688	1,732
Change (YoY %)	*-3.9*	*1.7*	*-3.4*	*-0.3*	*11.5*	*3.9*	*-0.9*	*28.1*	*30.0*	*14.2*	*36.7*	*6.7*
Sales	1,041	1,218	1,244	1,279	1,159	1,220	1,072	1,791	1,418	1,457	1,596	1,698
Change (YoY %)	*-6.6*	*2.9*	*0.7*	*1.5*	*11.4*	*0.1*	*-13.8*	*40.0*	*22.3*	*19.4*	*49.0*	*-5.2*
SAIL												
Production	2,990	3,250	3,360	3,440	2,947	3,180	3,000	3,258	3,060	3,140	3,100	3,400
Change (YoY %)	*-3.5*	*11.7*	*1.3*	*5.8*	*-1.4*	*-2.2*	*-10.7*	*-5.3*	*3.8*	*-1.3*	*3.3*	*4.4*
Sales	2,530	3,000	3,010	3,800	2,650	2,650	2,400	3,600	2,790	3,030	2,900	3,200
Change (YoY %)	*2.4*	*1.8*	*-0.1*	*10.1*	*4.7*	*-11.7*	*-20.3*	*-5.3*	*5.3*	*14.3*	*20.8*	*-11.1*
JSW Steel												
Production	802	876	956	993	976	1,001	782	966	1,376	1,540	1,469	1,615
Change (YoY %)	*43.2*	*35.0*	*31.0*	*39.0*	*21.7*	*14.3*	*-18.2*	*-2.7*	*41.0*	*53.8*	*87.9*	*67.2*
Sales	722	807	867	1,009	817	837	711	928	1,321	1,454	1,425	1,550
Change (YoY %)	*33.0*	*23.0*	*26.0*	*28.8*	*13.2*	*3.7*	*-18.0*	*-8.1*	*61.7*	*73.7*	*100.4*	*67.0*
3 Key Producers Total												
Production	4,857	5,406	5,562	5,701	5,110	5,511	5,017	5,848	5,978	6,199	6,257	6,747
Change (YoY %)	*32.7*	*51.9*	*37.4*	*43.8*	*5.2*	*1.9*	*-9.8*	*2.6*	*17.0*	*12.5*	*24.7*	*15.4*
Sales	4,293	5,025	5,121	6,089	4,626	4,707	4,183	6,319	5,529	5,941	5,921	6,448
Change (YoY %)	*41.2*	*39.5*	*37.9*	*43.8*	*7.8*	*-6.3*	*-18.3*	*3.8*	*19.5*	*26.2*	*41.6*	*2.0*

Source: Company/MOSL

The combined sales of SAIL, Tata Steel and JSW Steel for 4QFY10 is expected to rise 9% QoQ (up 2% YoY) to 6.4m tons. Although we don't see a significant sequential increase in domestic steel price realizations, we believe domestic steel makers are relatively better placed to pass on the higher input costs due to strong domestic demand.

INDIA'S MONTHLY CRUDE STEEL PRODUCTION



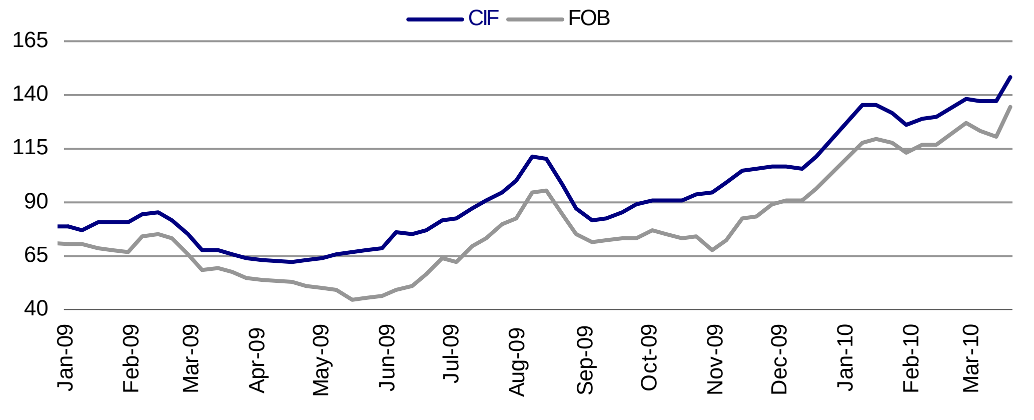
Source: WSA

Iron ore: Higher prices, higher margins seen

The average export prices of iron ore are expected to be significantly higher at US$135/ ton in 4QFY10 (up 35% QoQ) amid talks of higher duties from governments (India and South Africa), continued strong Chinese demand, a ban on illegal mining in India and overall insufficient supplies. Demand for high grade iron ore is particularly strong relative to that of lower grade ore. Freight for small vessels rose due to increased activities.

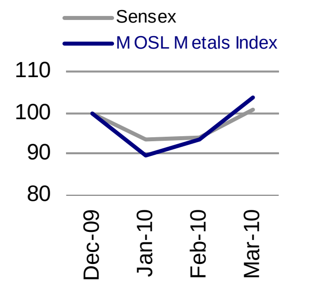
Freight for large capsize vessels have picked up but is still 25-35% lower than that for smaller vessels. Larger iron ore miners (like Sesa Goa) are at an advantage due to their size. Sesa Goa's FOB cost for iron ore fines of its Goan mines is just US$12/ton. Though the grade of ore from Goan mines is inferior, the margins are much higher because of their proximity to the port and control over logistics.

INDIAN IRON ORE (63% FE) PRICES FOR SHIPMENT TO CHINA (US$/TON)

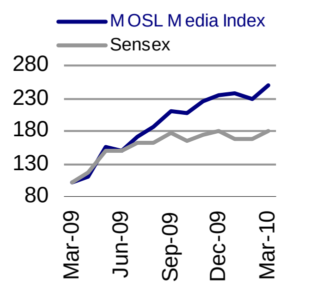


Source: WSA

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



Non-ferrous metals: Base metal prices to drive sequential earnings

Companies in the non-ferrous segment are likely to maintain sequential margin growth due to higher base metal prices though costs are expected to increase. Average zinc LME prices are up 3% QoQ. Improvement of by-product prices such as sulphuric acid can add to the bottom line.

Average aluminum LME prices are up 7% QoQ. The average increase in realization for Indian aluminum smelters should be stronger because of pent-up demand due to a sharper rally on the LME in the previous quarter.

Hindalco's earnings outlook has improved due to stable aluminum prices and a turn around of Novelis' margins is due to re-pricing of contracts. However Nalco is expected to disappoint due to curtailed aluminum production. We remain positive on Sterlite in the non-ferrous segment due to its planned capacity additions across base metals. In the near term volumes will increase due to its impending commissioning of ongoing expansions. Hindustan Zinc's ongoing expansion (+41%) to 1mtpa capacity will be completed by 1QFY11 and Sterlite Energy's first unit (600MW) will be commissioned during the same period.

QUARTERLY AVERAGE BASE METAL PRICES ON LME (USD/TON)

QUARTER	ZINC			ALUMINIUM			COPPER			LEAD			ALUMINA		
	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %	AVG.	QOQ %	YOY %
4QFY10	2,305	3	91	2,176	7	55	7,180	8	106	2,255	-2	92	324	6	71
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
4QFY09	1,208	-1	-51	1,401	-26	-50	3,494	-11	-55	1,173	-7	-60	190	-32	-51
3QFY09	1,219	-32	-54	1,885	-34	-25	3,948	-48	-46	1,265	-34	-61	279	-32	-19
2QFY09	1,798	-16	-44	2,839	-5	9	7,571	-9	-1	1,915	-18	-38	408	-1	17
1QFY09	2,150	-13	-42	2,995	8	7	8,323	8	10	2,330	-20	7	411	5	14

Source: LME

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Metals														
Hindalco	184	Neutral	3.3	6.6	12.5	56.3	27.8	14.7	10.8	10.2	7.9	5.9	10.9	17.5
Hindustan Zinc	1,211	Buy	95.2	117.6	134.4	12.7	10.3	9.0	8.4	6.0	4.7	22.1	21.6	20.0
JSW Steel	1,240	Buy	67.4	82.3	137.9	18.4	15.1	9.0	9.6	8.5	5.3	18.2	18.2	23.4
Nalco	416	Sell	11.3	17.7	20.1	36.9	23.5	20.7	22.2	12.4	10.6	7.1	10.2	10.8
SAIL	244	Sell	15.4	16.4	16.2	15.9	14.9	15.0	10.6	9.6	9.2	19.1	17.4	15.1
Sesa Goa	458	Buy	32.9	40.6	46.5	13.9	11.3	9.8	9.7	7.1	5.6	35.0	30.7	26.4
Sterlite Inds.	846	Buy	46.1	68.5	93.1	18.3	12.3	9.1	10.1	6.6	4.3	10.5	13.6	15.8
Tata Steel	635	Neutral	-20.4	68.1	92.1	-31.1	9.3	6.9	15.2	6.7	5.2	-19.2	44.2	40.8
Sector Aggregate						**22.5**	**13.1**	**10.4**	**11.2**	**7.9**	**6.2**	**11.4**	**16.8**	**17.8**

Tata Steel and Sterlite numbers are consolidated

Hindalco

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HNDL IN
	REUTERS CODE
S&P CNX: 5,262	HALC.BO

Equity Shares (m)	1,962.8
52 Week Range (Rs)	187/49
1,6,12 Rel Perf (%)	7 / 40 / 182
Mcap (Rs b)	360.7
Mcap (USD b)	8.0

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs184

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	656,252	4,853	2.8	-81.8	66.2	4.2	6.4	-0.1	0.8	18.1
03/10E	556,541	6,403	3.3	17.6	56.3	3.3	5.9	4.2	1.0	10.8
03/11E	527,762	12,970	6.6	102.6	27.8	3.0	10.9	5.3	1.1	10.2
03/12E	657,142	24,586	12.5	89.6	14.7	2.6	17.5	7.5	0.9	7.9

Consolidated

- **Net sales to grow 42%:** Net sales are expected to grow 42% YoY to Rs53.6b due to higher metal prices. Sales volumes of copper are expected to increase by 3% YoY to 90,000 tons and aluminum volumes are expected to grow 7% YoY to 132,000 tons.
- **EBITDA to grow 6.8% QoQ:** EBITDA is expected to grow 6.8% QoQ to Rs8.6b (up 174% YoY) due to higher metal prices and a recent up-tick in by-product prices.
- **Bottom line to grow 11.4% QoQ:** We expect PAT to grow 11.4% QoQ to Rs5.4b (up 101% YoY) due to higher domestic realizations and better sales volumes.
- **Improving outlook:** Hindalco's earnings outlook is improving due to stable aluminum prices and a turnaround in Novelis' margins due to re-pricing of contracts. With improved visibility on Novelis operations and domestic greenfield expansion gathering speed, we expect better performance from Hindalco in coming quarters. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**46,475**	**56,832**	**41,172**	**37,718**	**38,905**	**49,124**	**54,743**	**53,610**	**182,197**	**196,382**
Change (YoY %)	*-0.6*	*14.6*	*-9.1*	*-24.7*	*-16.3*	*-13.6*	*33.0*	*42.1*	*-5.0*	*7.8*
EBITDA	**9,490**	**9,934**	**7,792**	**3,142**	**6,148**	**6,213**	**8,046**	**8,597**	**30,359**	**29,003**
Change (YoY %)	*7.3*	*7.8*	*-2.7*	*-60.6*	*-35.2*	*-37.5*	*3.3*	*173.6*	*-10.8*	*-4.5*
As % of Net Sales	*20.4*	*17.5*	*18.9*	*8.3*	*15.8*	*12.6*	*14.7*	*16.0*	*16.7*	*14.8*
Interest	761	855	932	821	682	663	729	744	3,369	2,819
Depreciation	1,568	1,592	1,611	1,682	1,653	1,659	1,676	1,665	6,453	6,653
Other Income	2,147	1,768	1,505	947	753	573	496	618	6,367	2,440
PBT (before EO Item)	**9,308**	**9,255**	**6,754**	**1,587**	**4,566**	**4,464**	**6,136**	**6,805**	**26,903**	**21,971**
Extra-ordinary Income					1,430	-121	-570			739
PBT (after EO Item)	**9,308**	**9,255**	**6,754**	**1,587**	**5,996**	**4,343**	**5,566**	**6,805**	**26,903**	**22,710**
Total Tax	2,340	2,056	1,306	-1,101	1,190	903	1,295	1,414	4,601	4,802
% Tax	*25.1*	*22.2*	*19.3*	*-69.4*	*26.1*	*20.2*	*21.1*	*20.8*	*17.1*	*21.1*
Reported PAT	**6,968**	**7,200**	**5,448**	**2,688**	**4,806**	**3,441**	**4,271**	**5,391**	**22,303**	**17,908**
Adjusted PAT	**6,968**	**7,200**	**5,448**	**2,688**	**3,376**	**3,562**	**4,841**	**5,391**	**22,303**	**17,169**
Change (YoY %)	*15.6*	*12.0*	*0.4*	*-49.9*	*-51.6*	*-50.5*	*-11.1*	*100.6*	*-8.3*	*-23.0*
Avg LME Aluminium (USD/T)	2,995	2,839	1,890	1,400	1,505	1,827	2,037	2,189	2,280	1,833

E: MOSL Estimates

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

Hindustan Zinc

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HZ IN
	REUTERS CODE
S&P CNX: 5,262	HZNC.BO

Equity Shares (m)	422.5
52 Week Range (Rs)	1,325/426
1,6,12 Rel Perf (%)	1 / 44 / 99
Mcap (Rs b)	511.7
Mcap (USD b)	11.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,211

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	56,803	27,276	64.6	-38.0	18.8	3.6	19.0	16.4	7.3	15.2
03/10E	79,282	40,232	95.2	47.5	12.7	2.8	22.1	23.1	4.9	8.4
03/11E	96,563	49,671	117.6	23.5	10.3	2.2	21.6	22.6	3.6	6.0
03/12E	104,330	56,805	134.4	14.4	9.0	1.8	20.0	19.7	2.8	4.7

Consolidated

- **Volume growth, metal price appreciation to drive top line:** Net sales are expected to grow 86% YoY to Rs23.5b (4.4% QoQ) mainly due to higher metal prices and flat sales volumes. Refined zinc production is expected to rise ~5% QoQ to 155,000t. Average prices of zinc and lead are hovering 92% higher YoY on the LME.

- **EBITDA to almost triple YoY:** EBITDA margins are expected to improve by 1,730bps YoY to 61.3% due to higher price realizations and increased sales volumes. 4QFY10 EBITDA is expected to almost triple from Rs5.5b in 4QFY09 to Rs14.4b.

- **Profit after tax to grow 121% YoY:** 4QFY10 PAT is expected to grow 121% YoY to Rs12.2b (6.3% QoQ) due to better operating performance, higher volumes, strong other income and a lower tax rate. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**16,437**	**17,905**	**10,692**	**12,627**	**15,122**	**18,183**	**22,491**	**23,486**	**56,803**	**79,282**
Change (YoY %)	*-16.6*	*-9.8*	*-35.5*	*-44.3*	*-8.0*	*1.6*	*110.4*	*86.0*	*-27.9*	*39.6*
Total Expenditure	6,660	8,084	7,641	7,076	7,443	7,428	8,630	9,089	29,461	32,591
EBITDA	**9,777**	**9,821**	**3,051**	**5,551**	**7,679**	**10,755**	**13,861**	**14,397**	**27,342**	**46,691**
Change (YoY %)	*-31.9*	*-30.8*	*-70.8*	*-62.5*	*-21.5*	*9.5*	*354.4*	*159.4*	*-49.2*	*70.8*
As % of Net Sales	*59.5*	*54.8*	*28.5*	*44.0*	*50.8*	*59.1*	*61.6*	*61.3*	*48.1*	*58.9*
Interest	69	71	44	49	32	54	77	49	219	211
Depreciation	686	704	712	750	748	771	817	748	2,853	3,084
Other Income	2,094	1,807	2,363	2,205	1,946	1,537	1,319	1,471	9,312	6,273
PBT (after EO Item)	**11,116**	**10,853**	**4,658**	**6,956**	**8,845**	**11,467**	**14,286**	**15,071**	**33,582**	**49,669**
Total Tax	2,638	1,257	969	1,442	1,657	2,118	2,799	2,864	6,306	9,437
% Tax	*23.7*	*11.6*	*20.8*	*20.7*	*18.7*	*18.5*	*19.6*	*19.0*	*18.8*	*19.0*
Reported PAT	**8,478**	**9,595**	**3,688**	**5,515**	**7,188**	**9,349**	**11,487**	**12,208**	**27,276**	**40,232**
Adjusted PAT	**8,478**	**9,595**	**3,688**	**5,515**	**7,188**	**9,349**	**11,487**	**12,208**	**27,276**	**40,232**
Change (YoY %)	*-28.5*	*-16.4*	*-53.0*	*-56.8*	*-15.2*	*-2.6*	*211.4*	*121.4*	*-38.0*	*47.5*
Avg LME Zinc (USD/T)	2,150	1,798	1,219	1,208	1,509	1,780	2,241	2,311	1,594	1,960
Avg LME Lead (USD/T)	2,330	1,915	1,265	1,173	1,520	1,942	2,313	2,254	1,671	2,007

E: MOSL Estimates

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

JSW Steel

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	JSTL IN
	REUTERS CODE
S&P CNX: 5,262	JSTL.BO

Equity Shares (m)	187.1
52 Week Range (Rs)	1,350/211
1,6,12 Rel Perf (%)	9 / 47 / 397
Mcap (Rs b)	232.0
Mcap (USD b)	5.1

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,240

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	159,348	10,173	54.4	-31.9	22.8	3.1	13.5	7.7	2.5	13.3
03/10E	187,983	12,616	67.4	24.0	18.4	3.4	18.2	11.0	2.3	9.6
03/11E	208,166	15,390	82.3	22.0	15.1	2.7	18.2	10.9	2.2	8.5
03/12E	282,237	25,792	137.9	67.6	9.0	2.1	23.4	16.0	1.4	5.3

Consolidated

- **Strong volume growth:** Net sales are expected to grow by a robust 49% YoY to Rs49.5b due to 67% growth in sales volumes. We expect average realization will stay sequentially flat at Rs31,952 and sales volumes will grow 9% QoQ to 1.55mt.
- **Higher EBITDA driven by volumes:** EBITDA is expected to grow 19% QoQ mainly due to higher volumes, but going forward, margins could come under pressure due to a surge in raw material prices. Although annual RM contracts are increasing the cost of production (resulting steel manufacturers passing on the cost hike), increasing RM integration and volume growth over the next few quarters will drive EBITDA growth.
- **US operations:** We expect the operating performance of the US plate and pipe mill will improve over the next few quarters as losses pertaining to inventory are now behind the company and demand has improved.
- **Product mix improvement, cost reduction ahead:** The company's new hot strip mill is expected to be completed by early April 2010, which will improve the product mix. The market for HRC is far more developed than slabs offers better margins. The ore beneficiation plant will reduce overall iron ore costs because low grade ore is available at much lower prices in the Bellary-Hospet region, close to its plant. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales ('000 tons)	817	837	711	928	1,321	1,454	1,425	1,550	3,293	5,750
Realization (Rs per ton)	44,938	51,006	39,178	35,871	29,650	31,080	32,372	31,952	42,681	31,307
Net Sales	**36,714**	**42,692**	**27,855**	**33,288**	**39,168**	**45,190**	**46,130**	**49,525**	**140,549**	**180,013**
Change (YoY %)	*53.9*	*58.5*	*-0.6*	*-6.7*	*6.7*	*5.9*	*65.6*	*48.8*	*22.7*	*28.1*
Total Expenditure	28,121	31,789	23,941	29,227	31,701	34,121	34,950	36,223	113,077	136,995
EBITDA	**8,593**	**10,904**	**3,915**	**4,061**	**7,467**	**11,070**	**11,180**	**13,302**	**27,472**	**43,018**
Change (YoY %)	*11.0*	*25.8*	*-50.8*	*-49.9*	*-13.1*	*1.5*	*185.6*	*227.5*	*-15.4*	*56.6*
As % of Net Sales	*23.4*	*25.5*	*14.1*	*12.2*	*19.1*	*24.5*	*24.2*	*26.9*	*19.5*	*23.9*
EBITDA (Rs per ton)	10,518	13,027	5,506	4,376	5,652	7,613	7,846	8,582	8,343	7,481
Interest	1,531	1,960	2,333	2,149	2,206	2,298	2,178	2,244	7,973	8,926
Depreciation	1,852	1,975	2,141	2,309	2,718	2,805	2,860	2,946	8,277	11,329
Other Income	273	426	420	973	54	615	16	275	2,092	960
PBT (before EO Item)	**5,483**	**7,394**	**-139**	**577**	**2,597**	**6,582**	**6,157**	**8,387**	**13,315**	**23,722**
EO Items	-2,266	-2,684	-1,768	178	2,360	0	1,026	0	-6,540	3,386
PBT (after EO Item)	**3,217**	**4,711**	**-1,907**	**755**	**4,957**	**6,582**	**7,183**	**8,387**	**6,775**	**27,108**
Total Tax	1,024	1,536	-632	263	1,556	2,066	2,041	2,684	2,191	8,347
% Tax	*31.8*	*32.6*	*33.1*	*34.9*	*31.4*	*31.4*	*28.4*	*32.0*	*32.3*	*30.8*
Reported PAT	**2,193**	**3,175**	**-1,275**	**492**	**3,400**	**4,515**	**5,142**	**5,703**	**4,584**	**18,761**
Adjusted PAT	**4,386**	**5,785**	**421**	**241**	**968**	**4,443**	**4,044**	**5,630**	**10,833**	**15,085**
Change (YoY %)	*14.8*	*22.0*	*-87.6*	*-94.1*	*-77.9*	*-23.2*	*861.4*	*2,235.8*	*-30.6*	*39.2*

E: MOSL Estimates

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

Nalco

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	NACL IN
	REUTERS CODE
S&P CNX: 5,262	NALU.BO

Equity Shares (m)	644.3
52 Week Range (Rs)	526/207
1,6,12 Rel Perf (%)	1 / 17 / 0
Mcap (Rs b)	267.9
Mcap (USD b)	5.9

30 March 2010

Sell

Previous Recommendation: Sell

Rs416

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	50,945	12,610	19.6	-23.5	21.2	2.7	12.9	13.6	4.5	13.6
03/10E	46,642	7,255	11.3	-42.5	36.9	2.6	7.1	6.9	5.0	22.2
03/11E	57,077	11,376	17.7	56.8	23.5	2.4	10.2	11.7	4.0	12.4
03/12E	62,091	12,939	20.1	13.7	20.7	2.2	10.8	12.2	3.4	10.6

Consolidated

- **Flat revenue growth:** Net sales are expected to stay flat YoY at Rs11.3b due to lower metal volumes although LME aluminum prices are ~57% higher YoY at US$2,200. We expect alumina production to increase by 5% QoQ to 425,000 tons.
- **Strong growth in EBITDA:** EBITDA is expected to increase 53% QoQ (4.7x YoY) to Rs4.5b due to higher alumina and aluminum prices.
- **Refinery expansion delayed, lower metal production:** The smelter's capacity expansion to 460,000 has been completed in 3QFY10 but Nalco ramped down its aluminum production in 4QFY10 to benefit from buoyancy in alumina prices. The alumina refinery expansion has been delayed and is expected by the end of FY11. Nalco is working on several greenfield projects in India and abroad but it will take significant time for them to contribute to earnings. Maintain **Sell**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Alumina Production ('000 tons)	393	374	368	423	352	380	405	425	1,557	1,562
Aluminium Prod. ('000 tons)	88	91	87	95	105	103	111	67	361	385
Aluminium Sales ('000 tons)	84	91	74	104	93	106	118	67	354	384
Avg LME Aluminium (USD/ton)	2,995	2,839	1,885	1,401	1,505	1,827	2,037	2,189	2,275	1,890
Alumina Exports (USD/ton)	410	409	390	190	208	250	266	330	345	266
Net Sales	**14,675**	**15,364**	**10,360**	**11,257**	**9,353**	**11,791**	**14,176**	**11,322**	**51,655**	**46,642**
Change (YoY %)	*25.9*	*17.4*	*-6.6*	*-19.9*	*-36.3*	*-23.3*	*36.8*	*0.6*	*3.6*	*-9.7*
Total Expenditure	7,307	8,957	7,704	10,301	7,679	10,374	11,215	6,786	34,268	36,055
EBITDA	**7,368**	**6,408**	**2,655**	**956**	**1,674**	**1,417**	**2,961**	**4,536**	**17,387**	**10,588**
Change (YoY %)	*19.5*	*12.7*	*-39.7*	*-84.1*	*-77.3*	*-77.9*	*11.5*	*374.6*	*-22.0*	*-39.1*
As % of Net Sales	*50.2*	*41.7*	*25.6*	*8.5*	*17.9*	*12.0*	*20.9*	*40.1*	*33.7*	*22.7*
Interest	4	1	6	29	11	8	1	0	40	21
Depreciation	679	696	642	713	756	764	789	813	2,730	3,123
Other Income	1,262	1,181	1,133	1,078	1,012	1,402	617	587	4,654	3,617
PBT (before EO Item)	**7,948**	**6,892**	**3,140**	**1,292**	**1,918**	**2,046**	**2,787**	**4,309**	**19,272**	**11,061**
Extra-ordinary Income	0	0	0	0	0	0	0	0	170	0
PBT (after EO Item)	**7,948**	**6,892**	**3,140**	**1,292**	**1,918**	**2,046**	**2,787**	**4,309**	**19,442**	**11,061**
Total Tax	2,694	2,447	946	462	654	451	1,236	1,465	6,549	3,806
% Tax	*33.9*	*35.5*	*30.1*	*35.7*	*34.1*	*22.1*	*44.3*	*34.0*	*33.7*	*34.4*
Reported PAT	**5,253**	**4,445**	**2,195**	**830**	**1,265**	**1,595**	**1,552**	**2,844**	**12,893**	**7,255**
Adjusted PAT	**5,253**	**4,445**	**2,195**	**830**	**1,265**	**1,595**	**1,552**	**2,844**	**12,780**	**7,255**
Change (YoY %)	*17.6*	*1.1*	*-33.4*	*-80.8*	*-75.9*	*-64.1*	*-29.3*	*242.6*	*-22.7*	*-43.2*

E: MOSL Estimates

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

Sesa Goa

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SESA IN
	REUTERS CODE
S&P CNX: 5,262	SESA.BO

Equity Shares (m)	820.5
52 Week Range (Rs)	464/98
1,6,12 Rel Perf (%)	7 / 70 / 264
Mcap (Rs b)	375.4
Mcap (USD b)	8.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs458

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	49,591	19,880	25.3	29.0	18.1	7.6	42.2	51.6	6.7	13.0
03/10E	71,910	27,016	32.9	30.4	13.9	4.9	35.0	32.7	4.7	9.7
03/11E	94,127	33,278	40.6	23.2	11.3	3.5	30.7	31.1	3.2	7.1
03/12E	102,474	38,168	46.5	14.7	9.8	2.6	26.4	27.4	2.6	5.6

Consolidated

- **Realization to grow 28% QoQ:** Sesa Goa's realization per ton is expected to increase 27.6% QoQ to US$70/ton due to surging iron ore prices. Average spot prices of iron ore in China CIF for 4QFY10 were US$133/ton. We expect similar sequential volume growth as there was an inventory of 2.7mt at the end of December 2009. We expect sales volumes to grow 28.5% QoQ (74% YoY) to 8.7mt.
- **Robust EBITDA growth YoY:** EBITDA is expected to increase 140% YoY to Rs18.1b due to higher volumes and realizations. China CIF prices were up almost 77% YoY at US$133/ton in 4QFY10. Sesa Goa's export realizations would get a boost due to the dual benefit of weakening sea freight and hardening ore prices in the past few months.
- **Strong growth in earnings due to higher volumes, prices:** We expect PAT to grow 135% YoY to Rs12.8b due to higher ore prices and good volumes. We believe Sesa Goa will be able to achieve strong earnings growth in the next few years due to well planned volume growth and a competitive cost structure. A strong balance sheet (surplus cash and cash equivalents of Rs55b) will help the company to grow inorganically. We have a positive outlook on iron ore prices. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**12,920**	**8,637**	**13,599**	**14,435**	**10,115**	**5,387**	**18,892**	**37,516**	**49,591**	**71,910**
Change (YoY %)	*149.6*	*126.3*	*11.6*	*-15.3*	*-21.7*	*-37.6*	*38.9*	*159.9*	*29.7*	*45.0*
Total Expenditure	4,750	4,552	8,001	6,900	5,584	3,860	8,531	19,460	24,203	37,436
EBITDA	**8,171**	**4,085**	**5,597**	**7,535**	**4,531**	**1,527**	**10,360**	**18,056**	**25,388**	**34,474**
Change (YoY %)	*311.4*	*221.4*	*-26.0*	*-38.1*	*-44.5*	*-62.6*	*85.1*	*139.6*	*10.4*	*35.8*
As % of Net Sales	*63.2*	*47.3*	*41.2*	*52.2*	*44.8*	*28.3*	*54.8*	*48.1*	*51.2*	*47.9*
Interest	0	0	2	7	20	20	251	315	10	605
Depreciation	116	117	134	150	152	202	225	363	517	941
Other Income	611	455	608	567	752	893	1,325	909	2,240	3,878
PBT (before XO Item)	**8,665**	**4,423**	**6,069**	**7,944**	**5,110**	**2,198**	**11,210**	**18,287**	**27,102**	**36,806**
PBT (after XO Item)	**8,665**	**4,423**	**6,069**	**7,944**	**5,110**	**2,198**	**11,210**	**18,287**	**27,102**	**36,806**
Total Tax	2,185	1,145	1,362	2,461	869	503	2,906	5,439	7,153	9,718
% Tax	*25.2*	*25.9*	*22.4*	*31.0*	*17.0*	*22.9*	*25.9*	*29.7*	*26.4*	*26.4*
Reported PAT before MI	**6,480**	**3,278**	**4,707**	**5,484**	**4,241**	**1,694**	**8,304**	**12,848**	**19,949**	**27,088**
Minority Interest	30	32	0	7	18	30	29	-5	69	71
Reported PAT	**6,451**	**3,246**	**4,707**	**5,476**	**4,223**	**1,665**	**8,275**	**12,854**	**19,880**	**27,016**
Change (YoY %)	*378.0*	*270.8*	*-7.3*	*-32.5*	*-34.5*	*-48.7*	*75.8*	*134.7*	*29.0*	*35.9*

E: MOSt Estimates

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

Steel Authority of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SAIL IN
	REUTERS CODE
S&P CNX: 5,262	SAIL.BO

Equity Shares (m)	4,130.4
52 Week Range (Rs)	258/92
1,6,12 Rel Perf (%)	5 / 40 / 78
Mcap (Rs b)	1,008.4
Mcap (USD b)	22.4

30 March 2010 — **Sell**

Previous Recommendation: Sell — Rs244

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	437,545	62,369	15.1	-26.3	16.2	3.6	22.0	25.5	1.8	9.3
03/10E	404,015	63,604	15.4	2.0	15.9	3.0	19.1	23.2	2.1	8.9
03/11E	452,878	67,836	16.4	6.7	14.9	2.6	17.4	21.7	2.2	8.8
03/12E	503,175	67,095	16.2	-1.1	15.0	2.3	15.1	19.4	2.1	8.8

Consolidated

- **10% sequential volume growth:** March net sales are expected to increase 11% QoQ to Rs111.3b due to higher volumes and surging price realizations due to a cost push by annual raw material contracts. We expect 4QFY10 sales volumes to grow 10% sequentially to 3.2mt.
- **4QFY10 margins to decline on higher RM, staff costs:** We expect the average coking cost of coal to be higher in 4QFY10 as SAIL could not buy coking coal on the spot market this year due to tight demand-supply conditions. SAIL usually buys ~10% of its import component of coking coal from the spot market. Thus, more of carryover tonnage (priced at US$300/ton) must have been used to fill this gap. We expect margins to improve YoY by 550bp to 23% (however lower by 270bp QoQ on higher RM and staff costs). We have factored in 4QFY10 staff costs of Rs19.3b, which will be 23% higher than in 3QFY10.
- **Valuations expensive as volume growth is still far:** We expect average steel prices to be higher in FY11 due to cost increases because of higher coking coal and iron-ore prices. SAIL's raw material costs should increase due to an increase in imported coking coal costs, but it will be secured from an increase in iron ore prices. We believe the benefits of capacity expansion will accrue from FY13. There will be equity dilution in the near term to fund a Rs700b capex despite mountains of cash on its balance sheet, thereby dragging RoE. Maintain **Sell**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (m tons)	2.65	2.65	2.40	3.60	2.79	3.03	2.90	3.20	11.30	11.92
Realization (Rs per ton)	41,621	46,183	37,169	33,494	32,806	33,132	34,621	34,794	39,156	33,864
Net Sales	**110,294**	**122,386**	**89,206**	**120,578**	**91,528**	**100,391**	**100,400**	**111,340**	**442,465**	**403,658**
Change (%)	*37.2*	*33.6*	*-6.4*	*-10.5*	*-17.0*	*-18.0*	*12.5*	*-7.7*	*10.0*	*-8.8*
Total Expenditure	79,059	92,271	77,920	99,481	72,772	76,507	74,615	85,737	348,730	309,631
As a % of Net Sales	*72*	*75*	*87*	*83*	*80*	*76*	*74*	*77*	*79*	*77*
Rs per Ton	29,833	34,819	32,467	27,634	26,083	25,250	25,729	26,793	30,861	25,976
EBITDA	**31,236**	**30,115**	**11,287**	**21,097**	**18,756**	**23,884**	**25,784**	**25,603**	**93,735**	**94,027**
As % of Net Sales	*28.3*	*24.6*	*12.7*	*17.5*	*20.5*	*23.8*	*25.7*	*23.0*	*21.2*	*23.3*
EBITDA per ton	11,787	11,364	4,703	5,860	6,723	7,882	8,891	8,001	8,295	7,888
Interest	568	475	1,078	412	828	735	1,101	1,156	2,532	3,820
Depreciation	3,165	3,194	3,194	3,298	3,269	3,322	3,390	3,512	12,851	13,494
Other Income	3,926	4,224	5,550	5,323	5,400	5,362	4,068	3,661	19,023	18,491
PBT (after EO Inc.)	**31,428**	**30,670**	**12,566**	**22,870**	**20,059**	**25,189**	**25,361**	**24,595**	**97,534**	**95,204**
Total Tax	9,577	10,574	4,132	8,004	6,798	8,554	8,605	8,362	32,286	32,320
% Tax	*30.5*	*34.5*	*32.9*	*35.0*	*33.9*	*34.0*	*33.9*	*34.0*	*33.1*	*33.9*
Reported PAT	**21,852**	**20,096**	**8,433**	**14,867**	**13,261**	**16,635**	**16,756**	**16,233**	**65,248**	**62,884**
Adjusted PAT	**21,025**	**20,517**	**8,406**	**15,193**	**13,249**	**16,638**	**16,751**	**16,246**	**65,141**	**62,884**
Change (YoY %)	*33.9*	*17.7*	*-57.4*	*-51.2*	*-37.0*	*-18.9*	*99.3*	*6.9*	*-22.5*	*-3.5*

E: MOSL Estimates

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

Sterlite Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	STLT IN
	REUTERS CODE
S&P CNX: 5,262	STRL.BO

Equity Shares (m)	840.2
52 Week Range (Rs)	928/330
1,6,12 Rel Perf (%)	1 / 6 / 57
Mcap (Rs b)	710.4
Mcap (USD b)	15.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs846

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	211,442	34,847	49.2	-19.9	17.2	2.4	13.7	9.9	2.6	15.9
03/10E	248,148	38,763	46.1	-6.2	18.3	1.9	10.5	9.0	2.5	13.5
03/11E	270,687	57,143	68.5	48.5	12.3	1.7	13.6	11.2	2.2	9.3
03/12E	331,806	77,772	93.1	35.8	9.1	1.4	15.8	13.8	1.6	5.8

Consolidated

- **Higher metal prices to boost top line:** Net sales are expected to grow 67% YoY to Rs73.6b (9% QoQ) due to higher metal prices and volumes. Refined zinc production is expected to increase 5% QoQ to 155,000 tons while that of aluminum will stay sequentially flat at ~65,000 tons.
- **Robust 132% YoY growth in EBITDA:** EBITDA is expected to grow 132% YoY to Rs19.4b due to higher metal prices and higher realizations in zinc. Margins will expand by 730bps mainly on higher metal realization.
- Bottom line to grow 211%: Profit after tax is expected to increase 211% YoY to Rs12.1b helped by a better performance from Hindustan Zinc.
- **Outlook positive:** We expect earnings to grow significantly over the next few years due to an increase in zinc and aluminum capacities and the start of Sterlite Energy's first 600MW unit by the end of 4QFY10. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**57,701**	**68,110**	**45,362**	**44,060**	**45,789**	**61,291**	**67,467**	**73,601**	**215,233**	**248,148**
Change (YoY %)	*-6.0*	*3.0*	*-14.2*	*-35.5*	*-20.6*	*-10.0*	*48.7*	*67.0*	*-13.5*	*15.3*
Total Expenditure	39,435	49,588	39,709	35,669	35,580	47,637	49,746	54,177	164,401	187,139
EBITDA	**18,266**	**18,522**	**5,653**	**8,392**	**10,209**	**13,654**	**17,722**	**19,424**	**50,832**	**61,008**
Change (YoY %)	*-15.3*	*-7.9*	*-65.2*	*-62.6*	*-44.1*	*-26.3*	*213.5*	*131.5*	*-36.7*	*20.0*
As % of Net Sales	*31.7*	*27.2*	*12.5*	*19.0*	*22.3*	*22.3*	*26.3*	*26.4*	*23.6*	*24.6*
Interest	874	581	1,220	1,312	712	576	929	1,024	3,986	3,241
Depreciation	1,655	1,667	1,654	2,032	1,736	1,734	1,782	1,783	7,007	7,036
Other Income	4,024	3,948	5,852	3,940	3,783	3,887	3,715	3,907	17,764	15,293
PBT (before XO Item)	**19,761**	**20,224**	**8,632**	**8,988**	**11,544**	**15,231**	**18,726**	**20,524**	**57,604**	**66,024**
Extra-ordinary Exp.	0	-100	283	2,076	0	-234	-2,735	0	2,258	-2,970
PBT (after XO Item)	**19,761**	**20,124**	**8,914**	**11,063**	**11,544**	**14,997**	**15,991**	**20,524**	**59,862**	**63,054**
Total Tax	3,808	2,916	1,591	1,941	2,305	2,593	2,903	3,900	10,255	11,701
% Tax	*19.3*	*14.5*	*17.8*	*17.5*	*20.0*	*17.3*	*18.2*	*19.0*	*17.1*	*18.6*
Reported PAT	**15,953**	**17,208**	**7,323**	**9,122**	**9,239**	**12,403**	**13,087**	**16,624**	**49,607**	**51,353**
Minority Interest	4,470	4,425	1,720	2,057	3,219	3,677	4,803	4,747	12,671	16,447
Loss/(Profit) of Associates	-27	14	466	1,082	-707	-863	971	-288	1,536	-887
Adjusted PAT	**11,510**	**12,869**	**4,855**	**3,907**	**6,727**	**9,823**	**10,049**	**12,165**	**33,141**	**38,763**
Change (YoY %)	*0.7*	*18.9*	*-43.2*	*-71.5*	*-41.6*	*-23.7*	*107.0*	*211.4*	*-24.0*	*17.0*
Avg LME Aluminium (USD/T)	2,995	2,839	1,885	1,401	1,530	1,836	2,037	2,189	2,280	1,898
Avg LME Copper (USD/T)	8,323	7,571	3,948	3,494	4,640	5,856	6,637	7,226	5,834	6,090
Avg LME Zinc (USD/T)	2,150	1,798	1,219	1,208	1,509	1,780	2,241	2,311	1,594	1,960

E: MOSL Estimates

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

Tata Steel

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TATA IN
	REUTERS CODE
S&P CNX: 5,262	TISC.BO

Equity Shares (m)	887.4
52 Week Range (Rs)	737/193
1,6,12 Rel Perf (%)	4 / 22 / 140
Mcap (Rs b)	563.5
Mcap (USD b)	12.5

30 March 2010

Neutral

Previous Recommendation: Neutral Rs635

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	1,473,293	90,454	101.9	16.9	6.2	4.8	76.7	15.3	0.7	5.9
3/10E	1,040,797	-18,115	-20.4	-120.0	-31.1	6.0	-19.2	2.9	1.0	15.2
3/11E	1,067,853	60,396	68.1	-n/a-	9.3	4.1	44.2	12.2	1.0	6.7
3/12E	1,136,441	81,729	92.1	35.3	6.9	2.8	40.8	14.0	0.9	5.2

Consolidated

- **Stand-alone:** Net revenue is expected to increase 7% QoQ to Rs68.2b due to a 6% growth in volumes. Sales volumes in February were sluggish (514,000tons) due to uncertainty ahead of the Union Budget. But steel prices started moving upwards in first half of March due to a cost push by higher annual contract prices for raw material. We expect average realization to remain flat (11% YoY) at Rs37,098 sequentially and expect higher EBITDA per ton as raw material costs will be lower for the Indian unit, thus helping the earnings to grow 97% YoY to Rs13.5b.
- **Corus:** Corus' margins are expected to improve sequentially due to higher steel volumes and surging price realizations. We expect 4QFY10 sales volumes to grow 18% YoY to 4mt and Corus' 4QFY10 EBITDA to be ~US$45/ton.
- **Maintain Neutral:** Tata Steel's Indian operations will deliver strong earnings growth due to higher volumes and margin expansion due to rising steel prices and higher integration. But its European unit will be exposed to higher raw material prices in FY11. Maintain **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
Standalone Financials	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Production ('000 tons)	1,187	1,330	1,235	1,624	1,542	1,519	1,688	1,732	5,375	6,481
Change (YoY %)	*11.5*	*3.9*	*-0.9*	*28.1*	*30.0*	*14.2*	*36.7*	*6.7*	*10.6*	*20.6*
Sales ('000 tons)	1,159	1,220	1,072	1,791	1,418	1,457	1,596	1,698	5,242	6,169
Change (YoY %)	*11.4*	*0.1*	*-13.8*	*40.0*	*22.3*	*19.4*	*49.0*	*-5.2*	*9.6*	*17.7*
Avg Realization (Rs/tss)	45,737	48,286	41,666	33,537	36,717	35,652	36,534	37,098	40,688	36,523
Net Sales	**61,650**	**68,507**	**48,021**	**65,004**	**56,156**	**56,921**	**63,749**	**68,214**	**243,183**	**245,040**
Change (YoY %)	*46.9*	*43.2*	*-3.5*	*13.3*	*-8.9*	*-16.9*	*32.8*	*4.9*	*23.5*	*0.8*
EBITDA	**30,246**	**31,830**	**14,780**	**14,504**	**17,422**	**19,222**	**23,106**	**26,381**	**91,359**	**86,132**
(% of Net Sales)	*49.1*	*46.5*	*30.8*	*22.3*	*31.0*	*33.8*	*36.2*	*38.7*	*37.6*	*35.2*
EBITDA(Rs/tss)	21,918	21,482	12,401	7,757	12,135	12,664	13,725	14,837	16,187	13,484
Interest	2,417	2,548	3,482	3,079	3,422	3,920	4,157	4,157	11,527	15,656
Depreciation	2,168	2,488	2,513	2,565	2,532	2,564	2,622	2,631	9,734	10,348
Other Income	122	2,384	85	467	463	761	936	756	3,058	2,916
PBT (after EO Inc.)	**22,749**	**25,723**	**7,601**	**17,084**	**11,932**	**13,499**	**17,426**	**20,349**	**73,156**	**63,206**
Total Tax	7,865	7,845	2,939	2,491	4,034	4,470	5,508	6,837	21,139	20,849
Reported PAT	**14,884**	**17,878**	**4,662**	**14,593**	**7,898**	**9,029**	**11,918**	**13,512**	**52,017**	**42,357**
Adjusted PAT	**17,918**	**21,332**	**5,930**	**6,836**	**7,898**	**9,029**	**11,755**	**13,512**	**52,017**	**42,194**
Change (YoY %)	*79.5*	*82.7*	*-45.1*	*-47.4*	*-55.9*	*-57.7*	*98.2*	*97.6*	*16.5*	*-18.9*
Consolidated Financials										
Net Sales	**435,083**	**441,990**	**331,910**	**264,147**	**232,923**	**253,950**	**262,020**	**291,903**	**1,473,293**	**1,040,797**
EBITDA	**69,876**	**82,497**	**28,574**	**385**	**-299**	**3,718**	**31,043**	**37,107**	**181,277**	**71,569**
Adjusted PAT	**42,633**	**51,452**	**9,782**	**-13,258**	**-19,899**	**-17,959**	**6,521**	**13,350**	**90,454**	**-18,115**

E: MOSL Estimates; tss=ton of steel sales

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

Oil & Gas

BSE Sensex: 17,590 S&P CNX: 5,262 30 March 2010

COMPANY NAME

BPCL

Cairn India

Chennai Petroleum

GAIL

Gujarat State Petronet

HPCL

IOC

Indraprastha Gas

MRPL

ONGC

Reliance Industries

GRM rebounds, remains stable in 4QFY10: After averaging at the 8-year low in 3QFY10 at US$1.9/bbl, Reuters' Singapore GRM rebounded in January 2010 to US$5/bbl and has remained higher (US$4.9/bbl in 4QFY10), led by: (1) extreme cold in the northern hemisphere, (2) temporary closures, and (3) reduced operating rates. However, given the new refining capacity coming online, unless the global economic recovery is strong, we expect refining margins to remain subdued.

Petchem margins strong, oversupply feared in 2010: Polymer and polyester prices increased 9-14% QoQ (in rupee terms), led by naphtha price hikes and continued domestic demand growth. However, with significant new capacity coming up in Asia and the Middle-East, we expect oversupply in the market, leading to margin pressure.

4QFY10 profits of state-owned oil marketing companies at government mercy; awaiting decision on Kirit Parikh Committee recommendations: As in 9MFY10, we assume that upstream would bear 100% of auto fuel under-recoveries. We build 100% compensation by the government for domestic fuel losses in our estimates. Divergence from our assumptions could result in different profit numbers for the state-owned oil marketing companies. Also, decision on the Kirit Parikh Committee recommendations is awaited and could alter our assumptions.

Valuation and view: Policy overhang continues to impact the stock performance of the state-owned oil marketing companies. However, despite subsidy concerns, we remain positive on GAIL due to long-term earnings visibility. We expect the stock to trade at valuations similar to utilities (>70% profit from annuity-like gas transmission business). We like Cairn India due to possibility of continued reserve upgrades from Rajasthan block. Huge free cash flow of >US$1b from FY12 could result in large payout or reinvestment in E&P, leading to further reserve additions.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS) 30.03.10	RECO	SALES MAR.10	SALES VAR. % YOY	SALES VAR. % QOQ	EBITDA MAR.10	EBITDA VAR. % YOY	EBITDA VAR. % QOQ	NET PROFIT MAR.10	NET PROFIT VAR. % YOY	NET PROFIT VAR. % QOQ
Oil & Gas											
BPCL	522	Buy	345,239	30.3	7.3	30,106	-27.5	383.4	16,567	-54.3	337.0
Cairn India	299	Buy	6,766	272.3	36.6	4,439	411.8	27.8	2,911	1458.4	0.0
Chennai Petroleum	288	Buy	67,467	40.3	-1.5	3,161	-39.2	162.4	1,408	-53.6	-20.4
GAIL	401	Buy	63,736	4.4	3.0	12,436	29.9	-2.1	7,814	24.0	-9.1
Gujarat State Petronet	88	Buy	3,032	129.7	12.9	2,850	152.6	12.6	1,197	244.9	3.7
HPCL	317	Buy	290,240	15.4	4.9	31,554	-42.0	2121.5	18,478	-63.8	5793.7
Indraprastha Gas	214	Neutral	2,924	28.6	2.7	1,054	47.0	2.2	597	47.9	1.9
IOC	300	Buy	757,230	27.1	8.6	110,017	27.7	3082.5	61,617	-7.0	784.5
MRPL	76	Sell	83,208	27.3	-9.2	4,124	-56.2	42.7	2,114	-65.2	54.3
ONGC	1,096	Neutral	143,827	5.0	-6.1	81,259	40.6	-11.0	36,651	66.0	20.0
Reliance Inds.	1,088	Buy	613,851	116.4	8.0	94,563	73.9	20.6	48,615	24.1	21.3
Sector Aggregate			**2,377,521**	**38.8**	**5.7**	**375,563**	**16.9**	**83.5**	**197,968**	**-14.3**	**101.8**

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Milind Bafna (Milind.Bafna@MotilalOswal.com)

Brent averaged US$76.6/bbl, Singapore complex GRM at ~US$5/bbl, petchem margins resilient

YoY comparison (v/s 4QFY09)

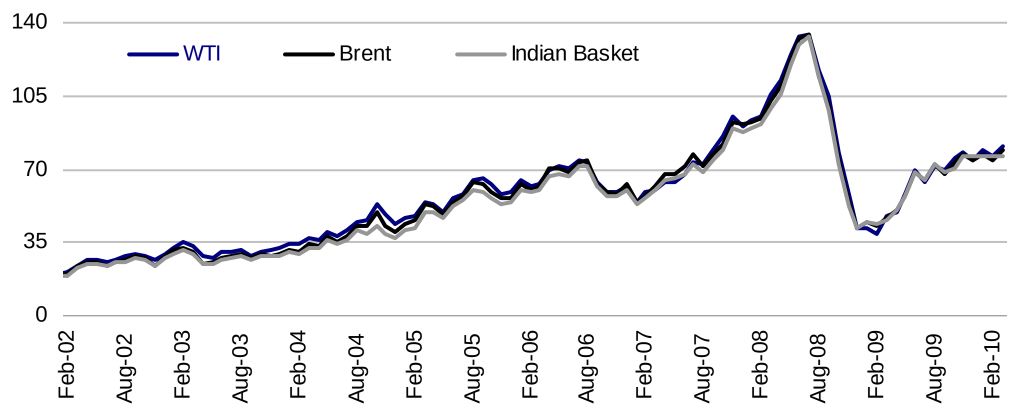
- Average Brent price was up 71% at US$76.6/bbl v/s US$44.9/bbl; Dubai crude price was also up 71% at US$75.8/bbl v/s US$44/bbl.
- Benchmark Singapore complex average refining margin was down 11% at ~US$5/bbl v/s US$5.6/bbl.
- Both polymer and polyester prices and margins were up substantially.
  - **Polymer margins:** PE margin up 11%; PP margin down 4%.
  - **Polyester intermediate margins:** PTA margin up 13%; MEG margin up 85%.
  - **Integrated polyester margins:** POY margin up 3.2%; PSF margin up 4.8%.

QoQ comparison (v/s 3QFY10)

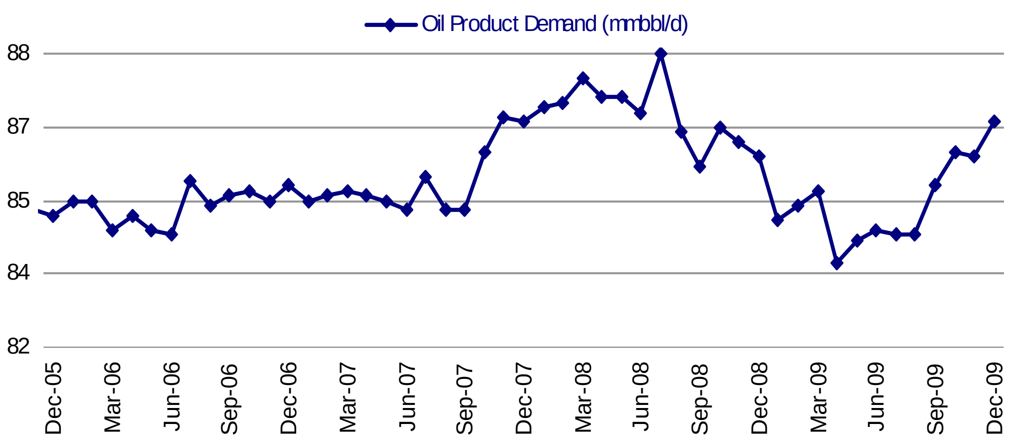
- Average Brent price was up 2.3% at US$76.6/bbl v/s US$74.8/bbl; Dubai crude price was up 0.7% at US$75.8/bbl v/s US$75.3/bbl.
- Singapore complex margin averaged US$5/bbl, up 61% from US$1.9/bbl in 3QFY10.
- Polymer and petchem margins were up substantially.
  - **Polymer margins:** PE margin up 14%; PP margin up 24%.
  - **Polyester intermediate margins:** PTA margin up 13%; MEG margin up 51%.
  - **Integrated polyester margins:** POY and PSF margins up 12%.

Oil prices significantly up from its Dec-08 lows

OIL PRICES (US$/BBL)



OIL DEMAND HAS REBOUND IN LAST FEW MONTHS (MMBBL/D)

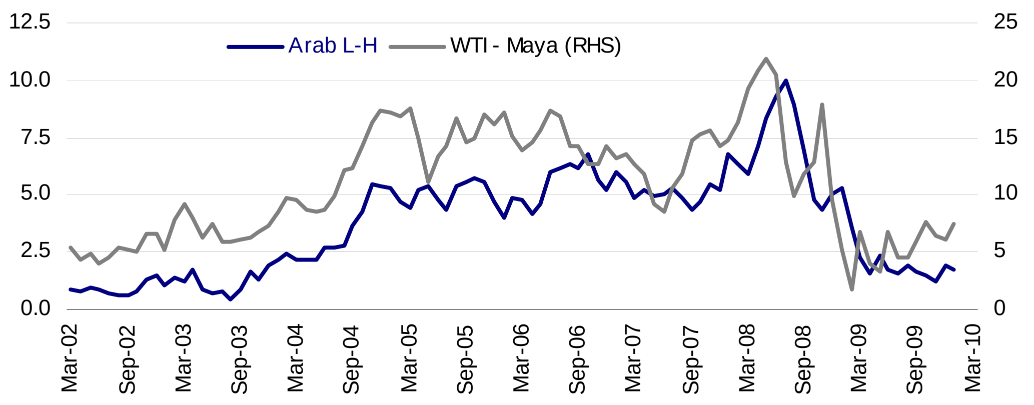


Source: IEA

Light-heavy differentials improve marginally

After remaining subdued for last few quarters, light-heavy differentials have once again started to widen, though marginally. In 4QFY10, Arab light-heavy differential averaged US$1.7/bbl (v/s US$1.5/bbl in 3QFY10 and US$3.7/bbl in 4QFY09) while WTI-Maya differential stood at US$8.8/bbl (v/s US$6.7/bbl in 3QFY10 and US$4.6/bbl in 4QFY09).

MARGINAL UPTICK IN LIGHT-HEAVY SPREADS



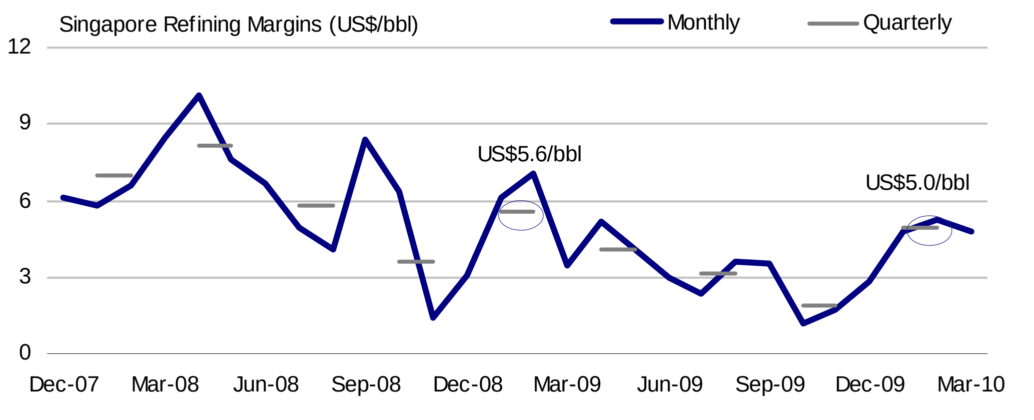
Source: Bloomberg/MOSL

4QFY10 GRM at ~US$5/bbl; strong economic growth, refinery closures key for sustainability

Refining margins worldwide had reached historical low levels in 2HCY09 (~US$1/bbl in October 2009), resulting in many refineries becoming unviable. In response to the lower refining margins, many refiners worldwide either reduced their operating rates or have shutdown facilities as they turned uneconomical.

Regional benchmark Singapore refining margins (Reuters) have improved significantly from the bottom in October 2009 (US$1.5/bbl) to ~US$5/bbl and have sustained for more than three months, led by: (1) refinery closures/mothballing (temporary shutdowns), and (2) sharp improvement in gasoline cracks. 4QFY10 GRM averaged US$5/bbl v/s US$1.9/bbl in 3QFY10 and US$5.6/bbl in 4QFY09.

STRONG QOQ JUMP IN SINGAPORE GRM



Source: Bloomberg/Reuters/MOSL

Global refinery utilization rates have declined to 82-83% from >86% during the last four years. Refinery shutdowns worldwide have been to the tune of ~2mmbbl/d (~2.2% of the global refining capacity of ~90mmbbl/d) in the last 2-3 quarters.

Key points to note are: (1) many of these closures are temporary and could restart if refining margins sustain at current levels, and (2) only gasoline and naphtha have together contributed to 55% of the margin improvement. Further, new refining capacity of 5mmbbl/d is likely to commence operations in the next three years (1.6mmbbl/year). Notwithstanding the margin scenario, we expect most of the planned capacity to come up in medium-term as: (1) several of them are in the final stages of completion, and (2) new refiners have higher complexity and would have a better chance to sustain in the low GRM regime.

Though, in the short-term, GRM could improve due to large scale maintenance shutdowns in Asia, we do not expect GRM to increase much in the medium term, and believe sustainability is largely dependent on world economic growth and permanent closure of refineries.

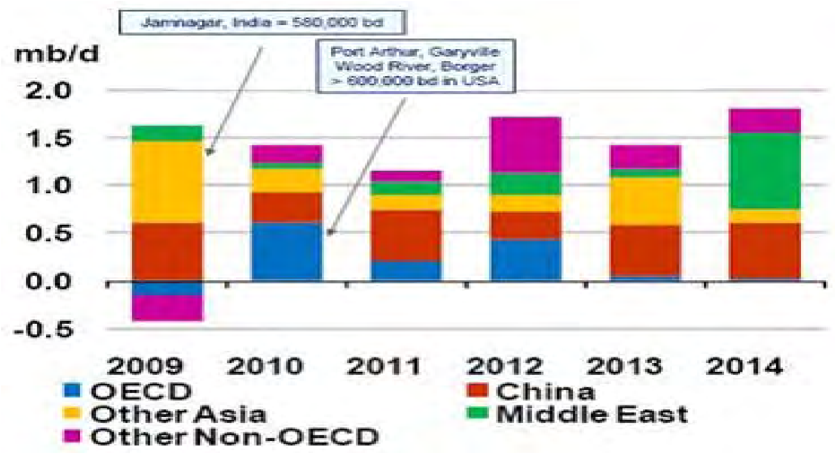
CAPACITY CLOSURES IN RECENT YEARS (KBPD)

REGION	COMPANY	LOCATION	CAPACITY (KBPD)	YEAR	REMARKS
Europe**	Petroplus	Teeside, UK	117	Mar-09	Changed to a storage terminal
Asia	SL Energy	Ulsan Korea	60	Apr-09	-
North America	Valero	Aruba	275	Jul-09	Govt trying to revive refinery; CNPC interested to buy
Asia	Petrochina	Qianguo	50	Jul-09	-
Europe operations	Total	Gonfreville, France	100	Aug-09	Workers union forcing to commence the
Europe**	Total	Dunkirk, France*	137	Sep-09	Future uncertain
Europe	ENI	Livorno, Italy	84	Sep-09	Sell off planned
Europe	Repsol	Petronor, Spain	220	Sep-09	-
North America	Sunoco	Westville, NJ, USA	145	Oct-09	-
North America	Sunoco	Eagle Point, US	150	Oct-09	Could restart on margin improvement
North America	Valero	Delaware, US	210	Nov-09	Likely to be acquired by Petrochina and might start in 2011
North America	Western	Bloomfield, NM	17	Dec-09	Shut due to poor gasoline margins; workers laid off
North America**	Shell Canada	Montreal East	130	Jan-10	Changed to a storage terminal
Asia	Nippon Oil, Japan		400	Idled betn 2009 & 2012	
Asia	Showa Shell, Japan	Ohgimachi, Kawasaki	120	till Sept 2011	
Total Closures			**2,215**		
Total Capacity			**90,000**		
Closures as % of total			**2.5**		

*** Permanent closures*

Source: Industry/Bloomberg/MOSL

PLANNED CAPACITY ADDITIONS



Source: IEA/Dec-09

Expect petchem margins to be under pressure in coming months

Global nameplate ethylene capacity is expected to increase from 126.7mmt as of FY09 to 145mmt in FY10 while consumption would remain constant at ~115mmt. Pressure on petchem margins is imminent due to new capacities in the Middle East (ME) and China. Thus, utilization levels would fall to 80%. Though these capacities have been delayed, we believe they might raise supplies substantially in CY10 and will put pressure on global petchem prices.

Domestic players are protected to some extent due to (1) freight cost advantage, and (2) India's duty structure. However, supplies from the Middle East would eventually impact their margins.

KEY PRODUCT SPREADS

	SIMPLE SPREADS			INTEGRATED SPREADS			
	PE	PP	PVC	PTA	MEG	POY	PSF
4QFY09	39.3	42.5	21.5	22.9	14.0	46.1	41.6
1QFY10	42.2	40.0	21.2	28.3	12.1	45.3	41.4
2QFY10	41.9	37.2	20.5	26.6	15.6	45.6	41.9
3QFY10	38.1	32.8	16.7	22.8	17.1	42.3	39.0
4QFY10	43.5	40.9	20.5	25.8	25.9	47.5	43.6
QoQ (%)	14.2	24.6	22.4	13.3	51.3	12.3	11.7
YoY (%)	10.7	-3.9	-4.9	13.0	84.6	3.2	4.8

Naphtha prices for 4QFY10 are till date

Source: Company/MOSL

Clarity yet to emerge on uncovered domestic fuel losses

As in 9MFY10, we assume that upstream would bear 100% of auto fuel under-recoveries in 4QFY10. While we build 100% compensation by the government for domestic fuel losses in our estimates, the government has till date shared only Rs120b of the estimated Rs316b loss. As in FY09, we expect the decision on subsidy sharing to come at the last minute, or alternatively a comprehensive change in the policy based on the Kirit Parikh Committee recommendations could happen.

We expect FY10 under-recoveries to decline by 55% to Rs462b. Our estimates factor in Brent crude price of US$69.6/bbl and an exchange rate of Rs47.5/US$. We remain positive on the government actions towards rationalization of subsidy sharing. We believe the government will continue to bear subsidy towards LPG and kerosene, and expect some pricing reforms for petrol and diesel. Subsidy rationalization, leading to earnings predictability, would improve the valuation multiples for the state-owned oil marketing companies.

4QFY10 SUBSIDY SHARING REMAINS KEY FOR FY10 PROFITABILITY

	FY07	FY08	FY09	9MFY10	4QFY10E	FY10E
Fx Rate (Rs/US$)	**45.2**	**40.3**	**46.0**	**48.0**	**46.0**	**47.5**
Brent (US$/bbl)	**64.4**	**82.3**	**84.8**	**67.3**	**76.4**	**69.6**
Gross Under recoveries (Rs b)						
Auto Fuels	208	426	575	84	62	146
Domestic Fuels	286	347	458	210	107	316
Total	**494**	**773**	**1,033**	**169**	**169**	**462**
Sharing (Rs b)						
Oil Bonds/Cash	241	353	713	120	196	316
Upstream	205	257	329	84	62	146
OMC's sharing	48	163	(9)	90	(90)	(0)
Total	**494**	**773**	**1,033**	**293**	**169**	**462**
Sharing (%)						
Oil Bonds	49	46	69	41	116	68
Upstream	42	33	32	28	37	32
OMC's sharing	10	21	(1)	31	(53)	(0)
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Bloomberg/Company/MOSL

Of Rs316b of domestic fuel losses, only Rs120b shared by the government till date

100% of auto fuel losses borne by upstream in 1HFY10; not decided for 3QFY10 yet

Highlights of Kirit Parikh Committee recommendations

The long-awaited Kirit Parikh Committee report on a 'viable and sustainable system' of pricing of petroleum products was submitted to the government in February 2010.

- Key recommendations include: (1) deregulate petrol and diesel prices, (2) increase kerosene price by Rs6/litre to Rs15/litre, and (3) increase domestic LPG price by Rs100/cylinder to Rs421/cylinder.
- The Committee does not expect GAIL to bear any subsidy.
- Upstream sharing is considered as per ONGC-proposed sharing formula. The Committee has not recommended any windfall tax, citing the reason that the Petroleum Ministry needs to have flexibility in mopping incremental incomes of ONGC/OIL to partly meet LPG/SKO losses (if the need arises).

The Petroleum Minister had indicated that the report will be "processed" in the next few days and presented to the Cabinet. However, no decision on the same has been taken yet. Though these recommendations are very positive for the sector, we believe these are tough to implement in totality, given the political sensitivity of the recommendations. We would be surprised if the recommendations are implemented in totality. The most likely recommendation to be accepted would be de-regulation of petrol prices, in our view.

Petrol: To be deregulated

- At oil price of US$80/bbl, the incremental burden on a two-wheeler owner would be Rs50/month, which can be borne by the owner of a motorized vehicle. Petrol prices should, therefore, be market-determined.

- Motorized vehicle owners are largely well-off; there is no reason to subsidize this class of consumers.

Diesel: To be deregulated

- **Agricultural sector:** Impact of diesel price increase for agricultural consumption is likely to be compensated by the government by increasing minimum support price.
- **Transport sector:** Higher prices would lead to fuel use efficiency. It should be noted that the Railways consume ~1/4th diesel as compared to trucks per net tonne km. At price increase of Rs4/litre, the impact of additional cost to truckers would be similar to the inflationary impact of subsidies.
- **Car owners:** Diesel car owners should bear the additional cost; there is no economic sense in subsidizing them. The Group proposes additional excise duty on passenger diesel vehicles such that the cost of ownership compared to petrol vehicles is similar.

Kerosene: To increase price by Rs6/litre and revise every year in step with per capita agricultural GDP at nominal prices

- >35% of the kerosene is diverted for adulteration of diesel and also defeats the purpose of spending Rs200b for producing Euro-III and Euro-IV diesel.
- Kerosene price should be near diesel price so as to eliminate any incentive to mix it with diesel. This can be done if PDS kerosene is supplied to BPL households through smart cards with biometric identification.
- Allocation of PDS kerosene across the states should be rationalized, which will help to reduce all-India allocation by ~20%.
- Kerosene price have remained at Rs9/liter since 2002, despite the fact that per capita income in the rural areas has increased. Also, as rural households spend only ~2% of their monthly expenditure on kerosene, there is some scope to increase the price.

LPG: To increase the price by at least Rs100/cylinder and revise periodically based on increase in per capita income

- Subsidy level should be fixed on the basis of ability to pay, and should be paid out directly from the Budget.
- Targeting of LPG subsidy through a transparent distribution system based on the UID/ smart card framework. Subsidy should be discontinued for all others except the BPL households once an effective targeting system is in place.

Petroleum product taxation

- The Group observes that 20% of the price build-up of petroleum products is attributed to state taxes and needs to be rationalized.
- The Group has not given any recommendation on the taxation of petroleum, as the Empowered Committee of State Finance Ministers is already working with the Central Government to prepare a roadmap for the introduction of the Goods and Services Tax (GST) with effect from 1 April 2010.

Financing of under-recoveries

- As deregulation of petrol and diesel is recommended, under-recovery on their account would be nil.
- The Group has recommended sharing of LPG and kerosene subsidy, based on various

mechanisms. The first step would be to cut kerosene allocation and increase prices of kerosene and LPG. Post savings through these measures, the remaining subsidy would be shared by upstream as per ONGC proposed formula (given in the table below). The remaining gap would be provided by the government through the budget in the form of cash subsidy.

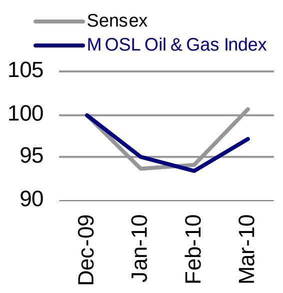
- We present below the envisaged subsidy sharing at different oil prices as per the Expert Group.

PROPOSED FINANCING OF UNDER RECOVERIES BY EXPERT GROUP

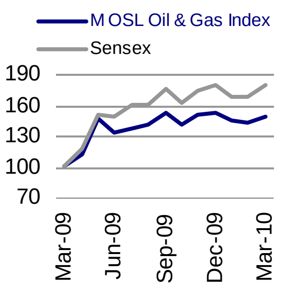
	CRUDE PRICE (US$/BBL)	70	80	100	120	140	REMARKS
Under Recovery (Rs b)							
i.	PDS SKO	203	242	320	398	475	As petrol and diesel to be deregulated
ii.	Domestic LPG	162	193	253	314	375	Only kerosene and LPG losses to be shared
iii.	**Total (i+ii)**	**365**	**435**	**573**	**712**	**850**	
Measures to reduce under recovery							
iv.	Reduction in SKO allocation by 20%	41	48	64	80	95	To be achieved through rationalization
v.	Increase in Price of SKO by Rs6/ltr	61	61	61	61	61	
vi.	Increase in Price of LPG by Rs100/Cyl	76	76	76	76	76	
vii.	Sub-total: If all three adopted (iv+v+vi)	**178**	**185**	**201**	**217**	**232**	
viii.	Balance under recoveries (iii-vii)	187	250	372	495	618	
ix.	Contribution by upstream	17	50	166	299	432	Sharing as per ONGC recommended formula
x	**Under recoveries remaining (viii-ix)**	170	200	206	196	186	
xi	Subsidies provided through budget	27	27	27	27	27	
xii	**To be financed by Govt. Budget (x+xi)**	**198**	**228**	**233**	**224**	**214**	**Govt. share in range of Rs198b-233b**

Source: Parikh Committee Report

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



ONGC RECOMMENDED FORMULA FOR SUBSIDY SHARING

SI NO	CRUDE OIL PRICES	SPECIAL OIL TAX / PRICE EQUALIZ. DISC. / WINDFALL TAX RATES	REALIZATION (US$/BBL) GROSS	INCREMENTAL REALIZATION	NET
1	Up to $60/bbl	Nil	**60**	0	**60**
2	$60/bbl to $70/bbl	20% of price > $60/bbl	**70**	8	**68**
3	$70/bbl to $80/bbl	40% of price > $70/bbl	**80**	6	**74**
4	$80/bbl to $90/bbl	60% of price > $80/bbl	**90**	4	**78**
5	More than $90/bbl	80% of price > $90/bbl	**100**	2	**80**

Source: Parikh Committee Report

COMPARATIVE VALUATION

	CMP (RS) 30.03.10	RECO	EPS (RS) FY10E	FY11E	FY12E	P/E (X) FY10E	FY11E	FY12E	EV/EBITDA FY10E	FY11E	FY12E	ROE (%) FY10E	FY11E	FY12E
Oil & Gas														
BPCL	522	Buy	75.6	57.7	59.0	6.9	9.0	8.8	7.2	7.5	7.3	18.9	12.6	11.6
Cairn India	299	Buy	5.8	20.1	36.4	51.7	14.9	8.2	54.6	8.9	5.1	10.8	17.2	16.7
Chennai Petroleum	288	Buy	48.6	30.4	26.4	5.9	9.5	10.9	5.3	5.9	6.5	26.0	11.8	9.6
GAIL	401	Buy	23.7	27.5	29.2	16.9	14.6	13.7	11.0	9.6	9.2	17.8	17.9	16.6
Gujarat State Petronet	88	Buy	7.6	9.3	12.3	11.6	9.4	7.1	5.9	4.8	3.7	29.8	28.2	28.9
HPCL	317	Buy	70.5	43.8	49.3	4.5	7.2	6.4	4.0	4.9	4.0	20.2	10.9	11.1
Indraprastha Gas	214	Neutral	16.0	18.1	19.3	13.4	11.8	11.1	7.7	6.6	5.9	29.3	27.1	24.0
IOC	300	Buy	46.8	33.6	38.2	6.4	8.9	7.9	5.0	5.9	4.7	22.3	13.7	13.9
MRPL	76	Sell	6.1	4.4	4.8	12.4	17.5	16.0	9.3	11.2	11.9	20.8	13.1	13.1
ONGC	1,096	Neutral	91.7	116.3	133.3	12.0	9.4	8.2	4.7	4.1	3.5	20.1	22.3	22.0
Reliance Inds.	1,088	Buy	54.3	72.7	87.6	20.0	15.0	12.4	13.2	9.6	7.8	12.8	14.7	15.4
Sector Aggregate						**14.1**	**12.2**	**10.3**	**8.0**	**6.8**	**5.7**	**15.2**	**15.3**	**15.9**

BPCL

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BPCL IN
	REUTERS CODE
S&P CNX: 5,262	BPCL.BO

Equity Shares (m)	361.5
52 Week Range (Rs)	658/349
1,6,12 Rel Perf (%)	-14 / -12 / -42
Mcap (Rs b)	188.6
Mcap (USD b)	4.2

30 March 2010

Buy

Previous Recommendation: Buy

Rs522

YEAR END *	NET SALES (RS B)	ADJ. PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	1,366	6.3	17.5	-58.1	29.8	1.4	4.8	5.9	0.3	12.9
03/10E	1,208	27.3	75.6	331.2	6.9	1.2	18.9	8.9	0.3	7.2
03/11E	1,248	20.9	57.7	-23.6	9.0	1.1	12.6	8.2	0.3	7.5
03/12E	1,243	21.3	59.0	2.2	8.8	1.0	11.6	8.7	0.3	7.3

** Consolidated*

- We expect BPCL to report net profit of Rs16.6b in 4QFY10 as against Rs36.3b in 4QFY09 and Rs3.8b in FY10.
- In our estimates, we have assumed that BPCL will be fully compensated towards under-recoveries. We have assumed that auto fuel losses will be 100% borne by the upstream sector and domestic fuel losses will be compensated by the government. However, of the estimated Rs300b losses on domestic fuels, the government has given only Rs120b and clarity on the rest is yet to emerge.
- As in previous quarters, BPCL's profitability would depend more on subsidy sharing than business fundamentals. The Kirit Parikh Committee has submitted its report on rationalization of subsidy sharing and decision on the same would be the key for the company's future profit estimates.
- On the operational front, we expect throughout at 5.5mmt (flat QoQ and up 5%YoY).
- BPCL's E&P division announced a deepwater gas discovery during the quarter in its Mozambique block (BPCL's stake: 10%), with 145m on natural gas pay.
- The stock is trading at 9x FY11E consolidated EPS of Rs57.7 and 1.1x FY11E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**390,220**	**378,262**	**318,845**	**265,050**	**254,928**	**270,710**	**321,612**	**345,239**	**1,352,377**	**1,192,490**
Change (%)	*63.5*	*50.3*	*10.2*	*-18.6*	*-34.7*	*-28.4*	*0.9*	*30.3*	*22.4*	*-11.8*
EBITDA	**-7,693**	**-21,674**	**15,209**	**41,531**	**7,454**	**-1,163**	**6,228**	**30,106**	**27,373**	**42,624**
Change (%)	*nm*	*nm*	*247.9*	*382.9*	*nm*	*-94.6*	*-59.1*	*-27.5*	*-10.8*	*55.7*
% of Sales	*-2.0*	*-5.7*	*4.8*	*15.7*	*2.9*	*-0.4*	*1.9*	*8.7*	*2.0*	*3.6*
Depreciation	2,691	2,419	3,014	2,631	2,311	3,088	3,816	3,842	10,756	13,058
Interest	3,016	5,338	7,161	6,149	2,866	2,673	2,513	2,892	21,664	10,943
Other Income	2,757	3,225	3,002	6,104	7,028	4,424	4,873	1,726	15,087	18,050
PBT	**-10,643**	**-26,207**	**8,036**	**38,854**	**9,306**	**-2,500**	**4,771**	**25,097**	**10,041**	**36,674**
Tax	24	46	38	2,574	3,165	-912	980	8,530	2,682	11,763
Rate (%)	*-0.2*	*-0.2*	*0.5*	*6.6*	*34.0*	*36.5*	*20.5*	*34.0*	*26.7*	*32.1*
PAT	**-10,667**	**-26,253**	**7,998**	**36,280**	**6,141**	**-1,588**	**3,791**	**16,567**	**7,359**	**24,910**
Change (%)	*nm*	*nm*	*174.5*	*nm*	*nm*	*-94.0*	*-52.6*	*-54.3*	*-53.4*	*238.5*
Adj. PAT	**-10,667**	**-26,253**	**7,998**	**36,280**	**6,141**	**-1,588**	**3,791**	**16,567**	**7,359**	**24,910**
Key Assumption (Rsb)										
Gross Under Recovery	115	103	28	-8	11	22	30	38	238	101
Upstream Sharing	27	34	12	2	2	9	12	13	76	35
Oil Bonds	58	48	36	21	0	0	15	51	162	66
Net Under/(Over) Recovery	31	21	-21	-31	9	14	3	-26	0	0
As a % of Gross	*26.8*	*20.4*	*nm*	*nm*	*85.5*	*nm*	*61.8*	*11.0*	*0.0*	*0.0*

E: MOSL Estimates

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Cairn India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CAIR IN
	REUTERS CODE
S&P CNX: 5,262	CAIL.BO

Equity Shares (m)	1,894.4
52 Week Range (Rs)	310/175
1,6,12 Rel Perf (%)	5 / 11 / -18
Mcap (Rs b)	566.2
Mcap (USD b)	12.6

30 March 2010

Buy

Previous Recommendation: Buy

Rs299

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	14,326	8,034	4.3	N.M.	70.1	1.7	2.6	2.5	38.4	59.2
03/10E	16,068	10,971	5.8	35.7	51.7	1.7	3.3	2.9	35.9	54.6
03/11E	74,511	38,147	20.1	247.7	14.9	1.5	10.8	12.6	7.6	8.9
03/12E	119,115	68,963	36.4	80.8	8.2	1.3	17.2	19.7	4.5	5.1

Consolidated

- We expect Cairn India to report net sales of Rs6.8b (v/s Rs5b in 3QFY10), led by additional revenues from Rajasthan crude sales. Rajasthan crude sales commenced from 3QFY10; hence, YoY numbers would not be comparable.
- We estimate EBITDA at Rs4.4b v/s adjusted EBITDA of Rs3.5b in 3QFY10. We expect EBITDA margin to improve once the crude transportation pipeline gets commissioned, as it would replace the current trucking cost of ~US$8/bbl with US$1/bbl.
- We estimate net oil & gas sales of 14kbpd (v/s 10.8kbpd in 3QFY10) from the Rajasthan field and total net sales of 27.5kboepd (v/s 24.6kboepd in 3QFY10). We build gross oil sales from Rajasthan block at 104kbpd (net 73kbpd) in our estimates for FY11.
- We model long-term Brent crude price of US$70/bbl in our estimates and take a discount of 12.5% (~US$9/bbl) for quality and customs duty benefit on crude at 2.5%.
- Cairn's earnings should see a substantial jump over sequential quarters, as the production from Rajasthan block ramps up. Our current FY12E EPS of Rs36.4 is based on Brent price of US$70/bbl; at Brent price of US$80/bbl, EPS would stand increased to Rs44. The stock currently trades at 5.1x FY12E EBITDA. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09 (15M PERIOD)					FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	5Q	1Q	2Q	3Q	4QE		
Net Sales	**3,158**	**4,036**	**3,206**	**2,108**	**1,818**	**2,050**	**2,298**	**4,955**	**6,766**	**14,326**	**16,068**
Change (%)	*33.6*	*65.9*	*20.6*	*-21.0*	*-42.5*	*-35.1*	*-43.1*	*54.5*	*221.0*	*41.5*	*12.2*
Inc/Dec in Stock	-33	180	-56	91	40	-155	-259	-652	0	222	-1,066
Staff Cost	252	292	160	271	170	215	211	407	415	1,145	1,248
Operating Expenses	659	843	620	796	740	668	1,013	1,727	1,912	3,658	5,320
EBITDA	**2,280**	**2,721**	**2,483**	**950**	**867**	**1,321**	**1,333**	**3,473**	**4,439**	**9,301**	**10,566**
% of Net Sales	*72.2*	*67.4*	*77.4*	*45.1*	*47.7*	*64.5*	*58.0*	*70.1*	*65.6*	*64.9*	*65.8*
D,D & A (inc. w/off)	807	1,075	729	701	1,070	722	508	740	861	4,382	2,831
Interest	3	29	5	6	21	7	9	260	484	64	760
Other Income (Net)	218	324	1,182	884	862	572	1,056	999	1,064	3,470	3,691
Forex Fluctuations	-19	254	873	567	-74	718	0	0	0	1,602	718
Exceptional Items	156		-204			-1,637	1,637			-48	0
PBT	**1,824**	**2,196**	**3,600**	**1,694**	**565**	**244**	**3,510**	**3,472**	**4,159**	**9,878**	**11,384**
Tax	659	810	667	-671	378	-210	-1,185	562	1,248	1,844	414
Rate (%)*	*35.8*	*41.7*	*24.5*	*nm*	*59.2*	*nm*	*-33.8*	*16.2*	*30.0*	*18.7*	*3.6*
PAT	**1,164**	**1,385**	**2,933**	**2,364**	**187**	**454**	**4,695**	**2,910**	**2,911**	**8,034**	**10,971**
Adj. PAT	**1,009**	**1,385**	**3,137**	**2,364**	**187**	**2,092**	**1,873**	**2,910**	**2,911**	**8,082**	**10,971**
Sales - Cairn's Share (kboepd)											
Ravva and Cambay	18.0	18.8	17.1	16.6	15.8	15.9	14.4	13.8	13.5	17.3	14.4
Rajasthan						0.0	4.2	10.8	14.0	-	7.3

*E: MOSL Estimates; * Excluding forex fluctuations; *2007 - Dec year end, 2009 - 15 month period*

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Chennai Petroleum Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	MRL IN
	REUTERS CODE
S&P CNX: 5,262	CHPC.BO

Equity Shares (m)	149.0
52 Week Range (Rs)	292/88
1,6,12 Rel Perf (%)	10 / 7 / 136
Mcap (Rs b)	43.0
Mcap (USD b)	1.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs288

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	319,639	-431	-2.9	-104.0	-99.8	1.40	-12.2	-6.4	0.2	-37.6
03/10E	262,542	7,238	48.6	NM	5.9	1.16	26.0	20.7	0.3	5.3
03/11E	257,258	4,528	30.4	-37.4	9.5	1.08	11.8	13.6	0.3	5.9
03/12E	291,183	3,928	26.4	-13.2	10.9	1.02	9.6	12.0	0.3	6.5

- We expect CPCL to post a 4QFY10 EBITDA at Rs3.2b (v/s Rs5.2b in 4QFY09 and Rs1.2b in 3QFY10 driven by changes in the GRM.
- We estimate CPCL to report GRM of US$5.4/bbl v/s reported GRM of US$6.6/bbl in 4QFY10 and US$3.4/bbl in 3QFY10.
- Though, Chennai Petro is full tax paying company, it reported tax gain in 3QFY10 on account of Rs1.5b of tax reversal. We estimate PAT at Rs1.4b (v/s adj. PAT of Rs3b in 4QFY09 and Rs1.8b in 3QFY10).
- On the operational front, we expect refinery throughput at 2.5mmt (down 9% QoQ and 2% YoY).
- For CPCL, we have built in GRM of US$4.5/bbl in FY11 and US$4.7/bbl in FY12. The stock trades at 9.5x FY11E EPS of Rs30.4 and FY11 EV/EBITDA of 5.9x . Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**112,532**	**102,833**	**56,175**	**48,100**	**56,604**	**69,971**	**68,498**	**67,467**	**319,639**	**262,542**
Change (%)	*80.9*	*62.3*	*-20.5*	*-42.7*	*-49.7*	*-32.0*	*21.9*	*40.3*	*14.1*	*-17.9*
Raw Materials (incl Stock Adj)	95,838	99,794	71,749	42,896	50,195	64,914	65,542	62,206	310,277	242,856
Employee Costs	857	568	366	139	450	501	593	598	1,929	2,142
Other Exp	4,148	3,006	2,072	-132	1,282	1,339	1,160	1,502	9,094	5,283
EBITDA	**11,689**	**-534**	**-18,013**	**5,196**	**4,677**	**3,218**	**1,204**	**3,161**	**-1,662**	**12,260**
% of Sales	*10.4*	*-0.5*	*-32.1*	*10.8*	*8.3*	*4.6*	*1.8*	*4.7*	*-0.5*	*4.7*
Change (%)	*97.6*	*-112.5*	*-537.8*	*-23.6*	*-60.0*	*-702.6*	*-106.7*	*-39.2*	*-107.9*	*nm*
Depreciation	639	637	638	659	665	679	683	706	2,572	2,734
Interest	380	607	834	419	279	316	354	421	2,239	1,370
Other Income	101	158	221	60	884	-115	891	132	541	1,793
PBT	**10,771**	**-1,619**	**-19,263**	**4,179**	**4,617**	**2,109**	**1,059**	**2,166**	**-5,931**	**9,950**
Tax	3,739	-592	-6,564	1,460	1,570	717	-1,145	758	-1,958	1,899
Rate (%)	*34.7*	*nm*	*nm*	*34.9*	*34.0*	*34.0*	*nm*	*35.0*	*33.0*	*19.1*
PAT	**7,033**	**-1,027**	**-12,699**	**2,720**	**3,047**	**1,392**	**2,204**	**1,408**	**-3,973**	**8,051**
Change (%)	*117.6*	*nm*	*nm*	*-20.9*	*-56.7*	*nm*	*nm*	*-48.2*	*-135.4*	*-302.6*
Adj PAT*	**8,340**	**264**	**-12,068**	**3,034**	**2,515**	**1,545**	**1,769**	**1,408**	**-431**	**7,238**
GRM (US$/bbl)	15.9	1.7	-18.0	6.6	6.9	4.2	3.4	5.4	6.1	5.0

*E: MOSL Estimates; * Adjusted for forex gain/loss*

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GAIL (India)

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	GAIL IN
	REUTERS CODE
S&P CNX: 5,262	GAIL.BO

Equity Shares (m)	1,268.5
52 Week Range (Rs)	449/229
1,6,12 Rel Perf (%)	-7 / 9 / -11
Mcap (Rs b)	508.5
Mcap (USD b)	11.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs401

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	*EV/ SALES	EV/ EBITDA
03/09A	237,760	28,511	22.5	12.1	14.4	2.8	19.0	24.8	1.7	8.3
03/10E	247,852	30,106	23.7	5.6	13.7	2.4	17.8	23.1	1.7	8.3
03/11E	315,402	34,892	27.5	15.9	11.8	2.1	17.9	20.6	1.5	7.6
03/12E	358,939	37,065	29.2	6.2	11.1	1.8	16.6	16.0	1.5	7.7

**Adjustment for investments*

- We expect GAIL to report net profit of Rs7.8b (down 9% QoQ; up 24% YoY). Significant jump in YoY performance is led by higher transmission volumes (+39%) and higher LPG realizations (+63%).
- We estimate GAIL's average transportation volume for 4QFY10 at 115mmscmd as compared to 109mmscmd in 3QFY10 and 82.5mmscmd in 3QFY09. Volume growth over the last 12 months has been driven by KG-D6 gas (commenced production in April 2009) and of the current 60mmscmd KG-D6 gas, GAIL is transmitting ~30mmscmd.
- We have built in adjusted subsidy sharing of Rs6.7b in 4QFY10 (v/s nil in 4QFY09 and Rs4.6b in 3QFY10). GAIL had over-provided subsidy in 3QFY10 to the tune of Rs581m and we have adjusted our 4QFY10 estimates accordingly.
- LPG business EBIT (pre-subsidy) is up 17% QoQ and 2x YoY primarily due to higher realizations. Though expected petchem sales volumes are down 8% QoQ and 4% YoY, EBIT is up 8% QoQ and 12% YoY due to higher prices.
- Adjusted for investments, the stock trades at 11.1x FY12E EPS of Rs29.2. We have a **Buy** rating on the stock.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**57,307**	**61,293**	**58,117**	**61,043**	**60,214**	**62,022**	**61,880**	**63,736**	**237,760**	**247,852**
Change (%)	*35.0*	*35.3*	*35.2*	*23.7*	*5.1*	*1.2*	*6.5*	*4.4*	*32.0*	*4.2*
EBITDA	**13,995**	**14,314**	**2,660**	**9,575**	**10,655**	**10,173**	**12,698**	**12,436**	**40,544**	**45,962**
% of Net Sales	*24.4*	*23.4*	*4.6*	*15.7*	*17.7*	*16.4*	*20.5*	*19.5*	*17.1*	*18.5*
PBT	**13,522**	**15,029**	**3,453**	**10,037**	**9,870**	**10,268**	**12,584**	**11,492**	**42,041**	**44,214**
Tax	4,554	4,794	919	3,737	3,312	3,135	3,983	3,677	14,003	14,107
Rate (%)	*33.7*	*31.9*	*26.6*	*37.2*	*33.6*	*30.5*	*31.7*	*32.0*	*33.3*	*31.9*
PAT	**8,969**	**10,234**	**2,534**	**6,300**	**6,558**	**7,132**	**8,601**	**7,814**	**28,037**	**30,106**
Change (%)	*31.0*	*78.8*	*-59.2*	*-12.8*	*-26.9*	*-30.3*	*239.4*	*24.0*	*7.8*	*7.4*
Adj PAT	**9,442**	**10,234**	**2,534**	**6,300**	**6,558**	**7,132**	**8,601**	**7,814**	**28,511**	**30,106**
Subsidy Sharing (Rs b)	**4.8**	**4.0**	**9.0**	**-**	**0.7**	**4.6**	**4.6**	**6.7**	**17.8**	**16.6**
Key Assumptions										
Gas Trans.Volume (mmsmd)	84	82	84	83	97	107	109	115	83	107
Petchem Sales ('000MT)	104	75	130	114	92	88	120	110	423	410
Segmental EBIT Breakup (Rs m)										
Natural Gas Transmission	4,226	3,953	3,591	4,342	5,222	6,157	5,954	6,279	16,112	23,612
LPG Transmission	443	539	615	640	682	589	639	593	2,237	2,503
Natural Gas Trading	944	1,113	823	592	1,063	1,105	1,179	1,181	3,472	4,527
Petrochemicals	4,328	3,288	1,297	3,275	2,643	2,753	3,414	3,672	12,187	12,482
LPG & Liq.HC (pre-subsidy)	7,882	9,759	6,577	2,240	2,247	3,854	5,803	6,806	26,458	18,710
Unallocated; GAILTEL	(300)	573	(215)	(1,667)	(1,181)	(302)	(149)	19	(1,609)	(1,612)
Total	**17,523**	**19,226**	**12,687**	**9,421**	**10,677**	**14,156**	**16,839**	**18,549**	**58,858**	**60,221**
Less: Subsidy	(4,754)	(4,008)	(9,050)	0	(747)	(4,585)	(4,551)	(6,694)	(17,812)	(16,577)
Total	**12,769**	**15,218**	**3,638**	**9,421**	**9,929**	**9,571**	**12,288**	**11,855**	**41,046**	**43,644**

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Milind Bafna (Milind.Bafna@MotilalOswal.com)

Gujarat State Petronet

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	GUJS IN
	REUTERS CODE
S&P CNX: 5,262	GSPT.BO

Equity Shares (m)	562.0
52 Week Range (Rs)	104/37
1,6,12 Rel Perf (%)	-5 / 2 / 52
Mcap (Rs b)	49.2
Mcap (USD b)	1.1

30 March 2010

Buy

Previous Recommendation: Buy

Rs88

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	4,875	1,234	2.2	23.5	39.9	2.2	4.0	10.4	11.5	14.5
03/10E	10,373	4,256	7.6	245.0	11.6	7.6	3.0	29.8	26.2	5.9
03/11E	12,365	5,234	9.3	23.0	9.4	9.3	2.4	28.2	27.3	4.8
03/12E	15,424	6,889	12.3	31.6	7.1	12.3	1.8	28.9	30.0	3.7

**Our EPS numbers consider No provision towards "Social Contribution Fund"*

- We expect GSPL to report a topline of Rs3b and net profit of Rs1.2b (up 4% QoQ and 245% YoY) in 4QFY10.
- The company should deliver volumes of 40mmscmd for the quarter, as against 22.5mmscmd in 4QFY09 and 36mmscmd in 3QFY10.
- Currently, GSPL's tariffs are not regulated by PNGRB. Tariff regulation arises only post the authorization of GSPL's network by PNGRB. However, the decision on whether or not PNGRB can authorize a pipeline network is pending with the Supreme Court. The regulation of GSPL's tariffs by PNGRB, which could result in 10-20% reduction in GSPL's tariffs, is contingent on this decision. We believe it would take at least a year before regulated tariffs become applicable to GSPL.
- GSPL has raised an EoI for four major cross-country pipelines. PNGRB has postponed the deadline to May for submission of bids. GSPL is on a strong footing to win the bids; however, the huge capex requirement for these pipelines (above Rs120b) would necessitate additional fund raising measures.
- The stock trades at 7.1x FY12E EPS of Rs12.3. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**1,195**	**1,186**	**1,174**	**1,320**	**2,108**	**2,548**	**2,685**	**3,032**	**4,875**	**10,373**
Change (%)	*24.7*	*24.4*	*6.2*	*13.7*	*76.4*	*114.8*	*128.6*	*129.7*	*16.7*	*112.8*
Employee Costs	19	20	24	47	28	-16	40	68	109	120
Operating expenses	68	92	106	128	97	120	114	114	394	444
Other Expenditure	32	50	28	17	36	0	0	0	127	36
EBITDA	**1,076**	**1,024**	**1,016**	**1,128**	**1,948**	**2,443**	**2,531**	**2,850**	**4,245**	**9,772**
% of Net Sales	*90.0*	*86.4*	*86.5*	*85.5*	*92.4*	*95.9*	*94.3*	*94.0*	*87.1*	*94.2*
Change (%)	*29.0*	*26.5*	*4.6*	*9.6*	*81.1*	*138.5*	*149.0*	*152.6*	*16.4*	*130.2*
Depreciation	415	423	429	439	550	587	596	703	1,705	2,435
Interest	218	231	222	199	245	250	218	323	870	1,037
Other Income	68	72	58	44	68	59	33	33	243	193
PBT	**511**	**443**	**424**	**535**	**1,221**	**1,665**	**1,750**	**1,857**	**1,913**	**6,493**
Tax	185	159	148	188	415	564	597	661	679	2,237
Rate (%)	*36.1*	*35.9*	*34.9*	*35.1*	*34.0*	*33.9*	*34.1*	*35.6*	*35.5*	*34.4*
PAT	**326**	**284**	**276**	**347**	**806**	**1,101**	**1,154**	**1,197**	**1,234**	**4,256**
Change (%)	*82.7*	*74.3*	*9.7*	*-14.5*	*146.8*	*287.8*	*317.4*	*244.9*	*23.5*	*245.0*

E: MOSL Estimates

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HPCL

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HPCL IN
	REUTERS CODE
S&P CNX: 5,262	HPCL.BO

Equity Shares (m)	339.0
52 Week Range (Rs)	425/243
1,6,12 Rel Perf (%)	-16 / -24 / -63
Mcap (Rs b)	107.4
Mcap (USD b)	2.4

30 March 2010 **Buy**

Previous Recommendation: Buy Rs317

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	1,246,943	4,355	12.8	-40.0	24.7	1.0	4.1	8.8	0.2	7.0
03/10E	1,053,401	23,915	70.5	449.2	4.5	0.8	20.2	13.5	0.2	4.0
03/11E	1,094,009	14,849	43.8	-37.9	7.2	0.8	10.9	9.9	0.2	4.9
03/12E	1,113,147	16,705	49.3	12.5	6.4	0.7	11.1	10.6	0.1	4.0

- We expect HPCL to report a net profit of Rs18.5b as against Rs51b in 4QFY09 and Rs314m in 3QFY10.
- In our estimates, we have assumed that HPCL will be fully compensated towards under-recoveries. We have assumed that auto fuel losses will be 100% borne by the upstream sector and domestic fuel losses will be compensated by the government. However, of the estimated Rs300b losses on domestic fuels, the government has given only Rs120b and clarity on the rest is yet to emerge.
- As in previous quarters, HPCL's profitability would depend more on subsidy sharing than business fundamentals. The Kirit Parikh Committee has submitted its report on rationalization of subsidy sharing and decision on the same would be the key for the company's future profit estimates.
- On the operational front, we expect throughout at 3.8mmt (up 2% QoQ and down 10% YoY).
- The stock is trading at 7.2x FY11E EPS of Rs43.8 and 0.8x FY11E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**346,920**	**354,622**	**293,858**	**251,542**	**241,976**	**244,566**	**276,619**	**290,240**	**1,246,943**	**1,053,401**
Change (%)	*58.5*	*46.3*	*8.4*	*-20.1*	*-30.3*	*-31.0*	*-5.9*	*15.4*	*19.1*	*-15.5*
EBITDA	**-4,110**	**-26,036**	**4,715**	**54,374**	**10,876**	**-4**	**1,420**	**31,554**	**28,943**	**43,846**
% of Net Sales	*-1.2*	*-7.3*	*1.6*	*21.6*	*4.5*	*0.0*	*0.5*	*10.9*	*2.3*	*4.2*
Change (%)	*nm*	*nm*	*218.3*	*2,407.2*	*-364.6*	*-100.0*	*-69.9*	*-42.0*	*86.2*	*51.5*
Depreciation	2,367	2,420	2,482	2,545	2,629	2,833	3,007	3,261	9,813	11,730
Interest	4,064	5,269	7,961	3,779	2,702	2,493	2,202	3,377	21,073	10,775
OI (incl. Oper. Other Inc)	1,679	1,577	1,539	4,263	4,403	3,237	4,373	2,876	9,057	14,887
PBT	**-8,861**	**-32,149**	**-4,189**	**52,313**	**9,948**	**-2,094**	**584**	**27,791**	**7,114**	**36,229**
Tax	20	40	40	1,273	3,457	-727	271	9,314	1,373	12,315
Rate (%)	*nm*	*nm*	*nm*	*2.4*	*34.8*	*34.7*	*46.3*	*33.5*	*19.3*	*34.0*
PAT	**-8,881**	**-32,189**	**-4,229**	**51,040**	**6,491**	**-1,367**	**314**	**18,478**	**5,741**	**23,914**
Change (%)	*nm*	*nm*	*nm*	*nm*	*nm*	*-95.8*	*nm*	*-63.8*	*-49.4*	*316.5*
Adj. PAT	**-8,881**	**-32,189**	**-4,229**	**51,040**	**6,491**	**-1,367**	**314**	**18,478**	**5,741**	**23,915**
Key Assumptions (Rs b)										
Gross Under Recovery	102	91	27	-7	12	22	29	39	213	102
Upstream Sharing	24	30	12	6	2	8	10	14	72	33
Oil Bonds/Cash Subsidy	51	42	33	20	0	0	19	50	147	69
Net Under Recovery	28	18	-18	-33	10	15	1	-25	-6	0
Net Sharing (%)	*27*	*20*	*-67*	*nm*	*85*	*66*	*3*	*-65*	*-3*	*0*

E: MOSL Estimates

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Indian Oil Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	IOC IN
	REUTERS CODE
S&P CNX: 5,262	IOC.BO

Equity Shares (m)	2,406.3
52 Week Range (Rs)	395/191
1,6,12 Rel Perf (%)	-13 / -14 / -29
Mcap (Rs b)	722.7
Mcap (USD b)	16.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs300

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	2,861	26.0	10.9	-67.1	27.6	1.6	5.8	8.2	0.4	15.3
03/10E	2,484	112.6	46.8	329.3	6.4	1.2	22.3	18.7	0.4	5.0
03/11E	2,404	80.8	33.6	-28.3	8.9	1.2	13.7	14.2	0.4	5.9
03/12E	2,235	92.0	38.2	13.9	7.9	1.0	13.9	15.7	0.4	4.7

*Consolidated, ex-bonus per share numbers

- We expect IOCL to report net profit of Rs62b as against Rs66.2b in 4QFY09 and Rs6.7b in 3QFY10.
- In our estimates, we have assumed that IOCL will be fully compensated towards under-recoveries. We have assumed that auto fuel losses will be 100% borne by the upstream sector and domestic fuel losses will be compensated by the government. However, of the estimated Rs300b losses on domestic fuels, the government has given only Rs120b and clarity on the rest is yet to emerge.
- On the operational front, we expect throughout at 12mmt (down 4% QoQ).
- The stock is trading at 8.9x FY11E consolidated EPS of Rs33.6 and 1.2x FY11E BV. Maintain **Buy**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**883,996**	**862,612**	**703,687**	**595,967**	**586,252**	**607,461**	**697,082**	**757,230**	**3,046,261**	**2,648,025**
Change (%)	*67.2*	*60.6*	*9.9*	*-17.1*	*-33.7*	*-29.6*	*-0.9*	*27.1*	*25.6*	*-13.1*
EBITDA	**9,602**	**-60,941**	**32,177**	**86,171**	**41,409**	**4,314**	**3,457**	**110,017**	**67,010**	**159,196**
% of Net Sales	*1.1*	*-7.1*	*4.6*	*14.5*	*7.1*	*0.7*	*0.5*	*14.5*	*2.2*	*6.0*
Change (%)	*-32.3*	*nm*	*8.4*	*1,285.4*	*331.2*	*nm*	*-89.3*	*27.7*	*-33.8*	*137.6*
Depreciation	6,726	6,775	7,275	8,041	7,598	7,805	7,996	8,853	28,817	32,253
Interest	6,142	9,928	15,054	8,397	3,340	3,477	4,091	5,230	39,521	16,138
Other Income	7,490	7,263	19,831	10,031	23,625	10,306	13,798	5,489	44,615	53,218
PBT	**4,224**	**-70,381**	**29,679**	**79,765**	**54,096**	**3,337**	**5,168**	**101,422**	**43,286**	**164,023**
Tax	72	90	93	13,535	17,267	493	-1,798	39,805	13,790	55,768
Rate (%)	*1.7*	*-0.1*	*0.3*	*17.0*	*31.9*	*14.8*	*-34.8*	*39.2*	*31.9*	*34.0*
PAT	**4,151**	**-70,471**	**29,586**	**66,230**	**36,828**	**2,844**	**6,966**	**61,617**	**29,495**	**108,255**
Change (%)	*-71.7*	*-284.6*	*41.5*	*nm*	*787.2*	*nm*	*-76.5*	*-7.0*	*-57.6*	*267.0*
Key Assumptions (Rs b)										
Gross Under Recovery	271	247	79	-12	32	60	76	91	586	258
Upstream Sharing	62	82	36	2	2	18	23	35	182	78
Oil Bonds	135	116	91	62	0	0	45	136	404	180
Net Under Recovery	73	50	-47	-75	30	42	8	-79	0	0
As a % of Gross	*27*	*20*	*-60*	*nm*	*93*	*70*	*11*	*-87*	*0*	*0*

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Milind Bafna (Milind.Bafna@MotilalOswal.com)

Indraprastha Gas

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	IGL IN
	REUTERS CODE
S&P CNX: 5,262	IGAS.BO

Equity Shares (m)	140.0
52 Week Range (Rs)	248/103
1,6,12 Rel Perf (%)	-4 / 28 / 23
Mcap (Rs b)	30.0
Mcap (USD b)	0.7

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs214

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	8,528	1,726	12.3	-1.1	17.4	4.4	27.4	38.7	3.4	9.6
03/10E	10,827	2,233	16.0	29.4	13.4	3.6	29.3	41.6	2.8	7.7
03/11E	13,322	2,529	18.1	15.5	11.8	2.9	27.2	38.5	2.3	6.6
03/12E	15,864	2,695	19.3	6.6	11.1	2.5	24.1	34.3	1.9	5.9

- We expect IGL to deliver volumes of 2.3mmscmd and PAT of Rs597m (v/s Rs404m in 4QFY09 and Rs586m in 3QFY10) in 4QFY10.
- IGL is getting 0.25mmscmd gas from KG-D6 and is likely to ramp up to 0.5mmscmd in the coming quarters.
- We expect CNG volumes to grow by 18% YoY to 2.08mmscmd and PNG volumes to grow by 20% YoY to 0.21mmscmd.
- A resolution (proposal raised by Oil Ministry) allowing 30% hike in APM gas price is expected to be passed soon. This would result in IGL's costs increasing by 18-20%. However, IGL has historically passed on gas price hike to its customers. Its ability to do so would protect its EBITDA margins. Also, the fact that CNG prices in Mumbai (Rs25/kg) are 20% higher than CNG prices in Delhi (Rs21.5/kg), where IGL operates, gives IGL more leeway to increase prices.
- IGL currently operates 191 CNG stations and plans to add 29 new stations in FY11.
- The new PNGRB regulations entitle IGL to earn 14% post-tax (21% pre-tax) RoCE on its network tariff. However, final commodity price is not controlled. We do not expect any cut in IGL's gas selling prices.
- The stock is trading at 11.1x FY12E EPS of Rs19.3. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**1,907**	**2,152**	**2,194**	**2,274**	**2,326**	**2,731**	**2,846**	**2,924**	**8,528**	**10,827**
Change (%)	*17.9*	*23.6*	*20.1*	*21.4*	*21.9*	*26.9*	*29.7*	*28.6*	*20.8*	*27.0*
Raw Material Consumed	844	959	1,148	1,157	1,041	1,243	1,287	1,322	4,107	4,892
Staff Cost	54	54	63	65	62	70	79	81	235	292
Other Exp (incl Stock Adj)	254	288	305	336	373	419	450	468	1,184	1,710
EBITDA	**755**	**851**	**678**	**717**	**849**	**999**	**1,031**	**1,054**	**3,002**	**3,933**
% of Net Sales	*39.6*	*39.6*	*30.9*	*31.5*	*36.5*	*36.6*	*36.2*	*36.0*	*35.2*	*36.3*
Change (%)	*9.9*	*13.5*	*-13.1*	*-8.4*	*12.4*	*17.4*	*52.1*	*47.0*	*0.0*	*31.0*
Depreciation	164	169	166	176	186	194	197	209	674	786
Other Income	63	69	66	65	64	50	53	60	262	226
PBT	**654**	**752**	**578**	**606**	**727**	**856**	**887**	**905**	**2,589**	**3,374**
Tax	218	249	195	202	244	288	301	307	864	1,141
Rate (%)	*33.2*	*33.2*	*33.7*	*33.4*	*33.6*	*33.7*	*33.9*	*34.0*	*33.4*	*33.8*
PAT	**437**	**502**	**383**	**404**	**483**	**567**	**586**	**597**	**1,726**	**2,233**
Change (%)	*13.7*	*17.2*	*-14.9*	*-16.2*	*10.5*	*13.0*	*53.0*	*47.9*	*-1.1*	*29.4*
Gas Volumes (mmscmd)										
CNG	1.50	1.67	1.68	1.76	1.74	1.91	1.94	2.08	6.61	7.67
PNG	0.13	0.14	0.15	0.17	0.19	0.18	0.18	0.21	0.59	0.76
Total	**1.63**	**1.81**	**1.83**	**1.93**	**1.93**	**2.10**	**2.12**	**2.28**	**7.20**	**8.43**

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Milind Bafna (Milind.Bafna@MotilalOswal.com)

MRPL

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	MRPL IN
	REUTERS CODE
S&P CNX: 5,262	MRPL.BO

Equity Shares (m)	1,752.6
52 Week Range (Rs)	102/41
1,6,12 Rel Perf (%)	-4 / -19 / 1
Mcap (Rs b)	133.2
Mcap (USD b)	3.0

30 March 2010 — **Sell**

Previous Recommendation: Sell — Rs76

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	382,438	11,926	8.3	23.2	9.1	2.8	28.0	25.3	0.4	6.4
03/10E	315,160	10,707	6.1	-26.5	12.4	2.4	20.8	13.8	0.5	9.3
03/11E	356,524	7,630	4.4	-28.7	17.5	2.2	13.1	9.1	0.5	11.2
03/12E	347,134	8,333	4.8	9.2	16.0	2.0	13.1	7.7	0.6	11.9

- We expect MRPL to report net profit of Rs2.1b (v/s net loss of Rs6.1b in 4QFY10 and profit of Rs2.6b in 3QFY10).
- We expect the company to report GRM of US$5.4/bbl v/s reported GRM of US$7.54/bbl in 4QFY09 and US$4.5/bbl in 3QFY10.
- On the operational front, we estimate refinery throughput at 3mmtpa (down 11% QoQ and 7% YoY). This is mainly due to planned shutdown of Diesel hydrodesulfurization unit for upgrading facilities to make Euro-IV compliant fuels. MRPL is planning capacity revamp to 15mmtpa in FY12.
- For MRPL, we have built GRM of US$4.5/bbl for FY11. The stock trades at 16x FY12E EPS of Rs4.8 and EV of 11.9x FY12E EBITDA. Maintain **Sell**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**107,466**	**134,280**	**75,340**	**65,352**	**61,699**	**78,662**	**91,591**	**83,208**	**382,438**	**315,160**
Change (%)	*44*	*76*	*-7*	*-31*	*-43*	*-41*	*22*	*27*	*16.9*	*-17.6*
Raw Material (incl. inv chg)	89,394	130,544	77,583	53,854	54,413	74,035	87,604	77,815	351,375	293,868
Staff Cost	442	217	184	287	287	214	273	299	1,130	1,074
Other Expenditure	3,776	2,108	1,116	1,803	728	1,035	824	970	8,802	3,557
EBITDA	**13,855**	**1,410**	**-3,543**	**9,407**	**6,271**	**3,377**	**2,890**	**4,124**	**21,130**	**16,661**
% of Net Sales	*12.9*	*1.1*	*-4.7*	*14.4*	*10.2*	*4.3*	*3.2*	*5.0*	*5.5*	*5.3*
Change (%)	*124*	*-69*	*-165*	*118*	*-55*	*139*	*nm*	*-56*	*3.2*	*-21.1*
Depreciation	952	962	962	947	963	975	990	1,200	3,823	4,127
Interest	364	379	363	329	302	302	289	356	1,435	1,250
Other Income	648	369	520	708	1,291	737	2,293	635	2,244	4,956
PBT	**13,187**	**439**	**-4,349**	**8,839**	**6,296**	**2,838**	**3,904**	**3,203**	**18,117**	**16,241**
Tax	4,489	-185	-1,495	2,904	2,095	1,033	1,308	1,089	5,713	5,525
Prior-year Tax Adjustment	244	375	0	-140	0	9	0	0	479	9
Rate (%)	*35.9*	*-42.2*	*34.4*	*32.8*	*33.3*	*36.4*	*33.5*	*34.0*	*31.5*	*34.0*
PAT	**8,454**	**249**	**-2,854**	**6,076**	**4,201**	**1,797**	**2,595**	**2,114**	**11,926**	**10,707**
Change (%)	*129.4*	*-92.5*	*-196.9*	*169.6*	*-50.3*	*620.8*	*nm*	*-65.2*	*-2.3*	*-10.2*
Adj. PAT*	**9,293**	**1,526**	**-2,334**	**6,076**	**3,680**	**1,753**	**1,370**	**2,114**	**14,561**	**8,917**
GRM (US$/bbl)	18.0	2.3	-2.8	7.5	8.0	3.6	4.5	5.4	6.3	5.4

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Milind Bafna (Milind.Bafna@MotilalOswal.com)

ONGC

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ONGC IN
	REUTERS CODE
S&P CNX: 5,262	ONGC.BO

Equity Shares (m)	2,138.9
52 Week Range (Rs)	1,274/753
1,6,12 Rel Perf (%)	-9 / -9 / -44
Mcap (Rs b)	2,343.7
Mcap (USD b)	52.0

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs1,096

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	1,046	198	92.5	-0.4	11.8	2.6	23.4	22.7	2.1	5.0
03/10E	1,001	196	91.7	-1.0	12.0	2.3	20.1	20.3	2.1	4.7
03/11E	1,159	249	116.3	26.9	9.4	2.0	22.3	22.4	1.7	3.9
03/12E	1,234	285	133.3	14.6	8.2	1.7	22.0	21.9	1.5	3.4

Consolidated

- We expect ONGC to report net profit of Rs36.7b (v/s Rs22.1b in 4QFY09 and Rs30.5b in 3QFY10). We estimate EBITDA of Rs81.3b (up 40% YoY; down 11% QoQ).
- We estimate gross realization at US$78/bbl v/s US$47.9/bbl in 4QFY09 and US$76.4/bbl in 3QFY10 and net realization at US$50.9/bbl v/s US$43.4/bbl in 4QFY09 and US$57.7/bbl in 3QFY10.
- In 9MFY10, upstream (ONGC, GAIL and OIL) shared 100% subsidy towards auto fuel under-recoveries. Of this, ONGC shared 78%, while the rest was shared by OIL and GAIL. We build sharing similar to 9MFY10, assuming ONGC's share at Rs51.3b in 4QFY10 (US$27.2/bbl).
- Oil Ministry has raised a proposal to hike APM gas price by 33% from the current Rs3,200/mscm to Rs4,250/mscm. Hike in gas price would be EPS accretive for ONGC (increase of Rs4, which is already built in our numbers). The Ministry would gradually raise the price toUS$4.2/mmBtu, increasing EPS by Rs19.
- Our Brent price assumption is US$70/bbl in FY11 and over the long term. We build upstream sharing at 90% of auto-fuel subsidies in our estimates for FY11. The stock trades at 9.4x FY11E consolidated EPS of Rs116.3. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS BILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**200.5**	**174.1**	**124.4**	**137.0**	**148.8**	**150.8**	**153.1**	**143.8**	**636.0**	**596.6**
Change (%)	*46.5*	*12.9*	*-17.8*	*-12.3*	*-25.8*	*-13.4*	*23.1*	*5.0*	*6.3*	*-6.2*
EBITDA	**117.6**	**84.1**	**50.0**	**57.8**	**95.0**	**86.8**	**91.3**	**81.3**	**309.5**	**354.4**
% of Net Sales	*58.6*	*48.3*	*40.2*	*42.2*	*63.9*	*57.6*	*59.6*	*56.5*	*48.7*	*59.4*
Change (%)	*48.4*	*0.0*	*-37.7*	*0.1*	*-19.2*	*3.2*	*82.7*	*40.6*	*2.7*	*14.5*
D,D & A	28.0	21.8	28.6	42.4	31.8	23.6	46.8	31.4	120.8	133.5
Other Income	10.5	14.9	12.2	14.1	10.4	12.5	1.6	6.5	51.7	31.1
PBT	**100.0**	**76.2**	**33.6**	**29.3**	**73.6**	**75.7**	**46.2**	**56.3**	**239.1**	**251.8**
Tax	34.1	28.1	11.7	7.2	25.1	25.2	15.7	19.7	81.2	85.8
Rate (%)	*34.1*	*36.9*	*34.8*	*24.7*	*34.1*	*33.3*	*34.0*	*34.9*	*33.9*	*34.1*
PAT	**65.9**	**48.1**	**21.9**	**22.1**	**48.5**	**50.5**	**30.5**	**36.7**	**158.0**	**166.0**
Change (%)	*43.0*	*-5.7*	*-49.8*	*-16.0*	*-26.5*	*4.9*	*39.1*	*66.0*	*-5.4*	*5.1*
Extraordinary Items	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Adjusted PAT	**66.4**	**48.1**	**24.7**	**22.1**	**48.5**	**50.9**	**30.5**	**36.7**	**161.3**	**166.0**
Key Assumptions (US$/bbl)										
Fx rate (Rs/US$)	41.6	43.3	48.8	49.6	48.8	48.5	46.6	46.0	45.8	47.5
Gross Oil Realization	125.8	119.4	59.0	47.9	60.6	70.5	76.7	78.1	88.0	71.5
Subsidy	56.7	72.7	25.0	4.5	2.3	14.1	19.0	27.2	39.7	15.6
Net Oil Realization	69.1	46.7	34.0	43.4	58.3	56.4	57.7	50.9	48.3	55.8
Subsidy (Rs b)	98.1	126.6	49.0	8.5	4.3	26.3	35.0	51.3	282.3	116.8

E: MOSL Estimates

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Milind Bafna (Milind.Bafna@MotilalOswal.com)

Reliance Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	RIL IN
	REUTERS CODE
S&P CNX: 5,262	RELI.BO

Equity Shares (m)	3,286.2
52 Week Range (Rs)	1,245/747
1,6,12 Rel Perf (%)	4 / -4 / -40
Mcap (Rs b)	3,574.9
Mcap (USD b)	79.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,088

YEAR END	NET SALES (RS B)	PAT (RS B)	EPS (RS)	P/E (X)	ADJ. EPS (RS)	ADJ.P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ EBITDA
03/09A	1,418	153	52.6	20.7	57.6	18.9	2.3	15.7	12.5	16.1
03/10E	1,962	164	49.2	22.1	54.3	20.0	2.2	12.8	10.9	13.2
03/11E	1,971	217	65.8	16.5	72.7	15.0	1.9	14.7	13.5	9.6
03/12E	2,052	263	79.4	13.7	87.6	12.4	1.8	15.4	14.8	7.9

All adjusted per share info and valuation ratios are adjusted for treasury shares held by company

- We expect RIL to report net profit of Rs48.6b (v/s Rs39.2b in 4QFY09 and Rs40.1b in 3QFY10). Strong YoY and QoQ performance is led by strong performance in all its business segments – refining, petchem and E&P.
- KG-D6 volumes are steady at 60mmscmd since December 2009. We have modeled 70mmscmd of KG-D6 volumes in FY11.
- RIL raised funds to the tune of Rs61b in 4QFY09 (total Rs93b since September 2009) through treasury stock sale. It had bid for Lyondell-Basell and a Canadian shale gas company but did not succeed. Media reports indicate that RIL is now looking to form a JV with a US-based shale gas company, Atlas, in the US. The deal size could be ~US$2b.
- We build GRM of US$7.6/bbl (includes upside of US$0.8/bbl on account of KG-D6 gas use) for FY11. Deployment of its increasing cash flows would be critical for RIL's future growth. A key issue to watch in April 2010 would be resolution of its court cases with RNRL and NTPC. We remain positive on RIL for its large E&P potential. Maintain **Buy.**

QUARTERLY PERFORMANCE (STANDALONE) (RS BILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**415.8**	**447.9**	**315.6**	**283.6**	**311.9**	**468.5**	**568.6**	**613.9**	**1,462.9**	**1,962.8**
Change (%)	*40.8*	*39.8*	*-8.8*	*-23.9*	*-25.0*	*4.6*	*80.1*	*116.4*	*9.6*	*34.2*
EBITDA	**61.2**	**64.7**	**53.6**	**54.4**	**63.8**	**72.2**	**78.4**	**94.6**	**234.0**	**309.0**
Depreciation	11.5	12.6	13.2	13.3	18.8	24.3	28.0	31.6	50.6	102.7
Interest	2.9	4.4	4.8	4.8	4.6	4.6	5.5	6.1	16.9	20.8
Other Income	2.3	1.5	6.6	9.9	7.1	6.3	5.1	5.5	20.3	23.9
PBT	**49.0**	**49.2**	**42.3**	**46.3**	**47.6**	**49.5**	**50.1**	**62.3**	**186.8**	**209.5**
Tax	7.9	8.0	7.2	7.1	10.9	11.0	10.0	13.7	30.3	45.6
Rate (%)	*16.2*	*16.3*	*17.1*	*15.3*	*22.9*	*22.2*	*20.0*	*22.0*	*16.2*	*21.8*
Adj. PAT	**41.1**	**41.2**	**35.0**	**39.2**	**36.7**	**38.5**	**40.1**	**48.6**	**156.5**	**163.9**
Change (%)	*13.2*	*7.4*	*-9.8*	*0.1*	*-10.8*	*-6.6*	*14.5*	*24.1*	*2.5*	*4.7*
Reported PAT	**41.1**	**41.2**	**35.0**	**39.2**	**36.7**	**38.5**	**40.1**	**48.6**	**156.5**	**163.9**
Key Assumptions (US$/bbl)										
GRM	15.7	13.4	10.0	9.9	7.5	6.0	5.9	8.0	12.3	6.9
Singapore GRM	8.1	5.8	3.6	5.5	4.1	3.2	1.9	5.0	5.8	3.6
Premium/(disc) to Singapore	7.6	7.6	6.4	4.4	3.4	2.8	4.0	3.0	6.5	3.3
KG-D6 Gas Prodn (mmscmd)	-	-	-	-	19	32	48.0	60	-	39.8
KG-D6 Gas Price (US$/mmbtu)					4.2	4.2	4.2	4.2		4.2
Segmental EBIT Breakup (Rs b)										
Refining	30.4	27.7	18.8	19.5	13.0	13.5	13.8	23.0	96.5	63.2
Petrochemicals	15.8	19.0	16.6	17.2	21.1	22.0	20.6	22.0	68.6	85.6
E&P, Others	5.1	6.5	6.1	4.9	10.2	12.4	14.9	18.0	22.6	55.4
Total	**51.3**	**53.3**	**41.5**	**41.6**	**44.3**	**47.8**	**49.2**	**62.9**	**187.7**	**204.2**

*E: MOSL Estimates; *RPL numbers are included in FY10*

Harshad Borawake (HarshadBorawake@MotilalOswal.com) / Milind Bafna (Milind.Bafna@MotilalOswal.com)

Pharmaceuticals

BSE Sensex: 17,590 S&P CNX: 5,262 30 March 2010

COMPANY NAME
Aventis Pharma
Biocon
Cadila Healthcare
Cipla
Dishman Pharma
Divi's Laboratories
Dr Reddy's Labs.
GSK Pharma
Glenmark Pharma
Jubilant Organosys
Lupin
Piramal Healthcare
Ranbaxy Labs.
Sun Pharmaceuticals

Top-line to grow by 11%, EBITDA by 39.5%, led by turnaround at Glenmark, Ranbaxy

For 4QFY10, we expect top-line growth of 11% for our universe with EBITDA growth at 39.5%. But PAT is expected to decline 3.4% YoY. EBITDA growth will be led mainly by a turnaround at Glenmark and Ranbaxy. These companies had posted negative EBITDA in 4QFY09, which is likely to be reversed in 4QFY10. Excluding the impact of these two companies, core EBITDA for our universe is likely to grow by 10% in the quarter.

AGGREGATES IN 4QFY10: EXCLUDING ONE-OFFS

PHARMA UNIVERSE	YOY GROWTH (%)			EBITDA MARGINS		
AGGREGATES	SALES	EBITDA	ADJ PAT	MAR-10	MAR-09	CHG.(BP)
MNC Pharma	11.3	11.0	18.7	29.6	29.7	-9
Big-4 Generics (Ranbaxy, DRL, Cipla, Sun)	3.6	24.1	-12.2	17.2	14.4	284
CRAMS	8.5	1.5	-48.2	22.3	23.9	-155
Second-tier Generics	27.9	196.0	263.4	21.1	9.1	1200
Sector Aggregate	**11.0**	**39.5**	**-3.4**	**20.1**	**16.0**	**410.4**

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

Key highlights for core 4QFY10 performance will include:

1. **Turnaround:** EBITDA turnaround for Ranbaxy and Glenmark from 4QFY09 when they posted negative EBITDA. This reversal is likely to contribute significantly to expected 39.5% growth in EBITDA in 4QFY10.
2. **Strong performance:** Cipla, Lupin, Biocon and PHL are expected to post strong performances led mainly by a better product-mix and a low base in 4QFY09. Each of the companies is likely to post EBITDA growth of over 30%.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Pharmaceuticals											
Aventis Pharma	1,804	Under Review	2,480	8.3	4.6	416	6.7	155.2	430	6.1	65.3
Biocon	287	Buy	6,175	32.4	-2.8	1,231	37.2	-2.8	730	188.8	-9.7
Cadila Health	829	Buy	9,232	27.6	-6.8	2,044	17.4	-2.6	1,238	23.6	-5.2
Cipla	338	Buy	14,550	9.4	1.1	4,075	36.8	0.9	3,010	14.9	4.1
Dishman Pharma	219	Neutral	2,395	-18.1	7.7	461	-37.3	-10.1	184	-75.7	-42.5
Divis Labs	662	Buy	2,926	-8.3	49.1	1,174	-8.2	78.1	981	-5.9	44.6
Dr Reddy' s Labs	1,263	Buy	16,567	-16.5	-4.2	2,454	-46.8	-14.2	1,835	LP	LP
Glenmark Pharma	262	Neutral	6,521	39.1	5.4	1,724	LP	12.4	692	LP	-26.4
GSK Pharma	1,775	Buy	5,158	12.8	16.1	1,843	12.0	107.3	1,539	22.8	49.6
Jubiliant Organosys	343	Neutral	9,777	16.2	1.7	1,945	1.1	-13.6	1,015	-71.2	0.7
Lupin	1,592	Buy	12,298	20.9	-2.0	2,236	37.2	-9.2	1,630	3.6	1.5
Piramal Healthcare	423	Buy	9,546	16.6	5.2	1,924	29.5	8.5	1,136	5.4	-16.6
Ranbaxy Labs	476	Neutral	16,069	7.7	-26.8	535	LP	-82.3	-941	-	-
Sun Pharma	1,758	Buy	9,866	-7.2	-3.4	3,558	-5.0	-3.4	2,552	-18.3	19.3
Sector Aggregate			**123,561**	**7.4**	**-3.9**	**25,623**	**25.5**	**-5.9**	**16,032**	**351.4**	**114.8**

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

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AGGREGATES 4QFY10 - INCLUDING ONE-OFFS

PHARMA UNIVERSE	YOY GROWTH (%)			EBITDA MARGINS		
AGGREGATES	SALES	EBITDA	ADJ PAT	MAR-10	MAR-09	CHG.(BP)
MNC Pharma	11.3	11.0	18.7	29.6	29.7	-9
Big-4 Generics (Ranbaxy, DRL, Cipla, Sun)	15.5	71.5	-469.9	26.6	17.9	867
CRAMS	8.5	1.5	-48.2	22.3	23.9	-155
Second-tier Generics	27.9	196.0	263.4	21.1	9.1	1200
Sector Aggregate	**16.8**	**61.8**	**303.1**	**24.6**	**17.8**	**684**

Source: Companies/MOSL

US Healthcare Bill: Expect increased volumes for generics, pricing uncertain

The US government has proposed a US$940b Healthcare Bill aimed mainly at bringing more people under healthcare insurance coverage to provide them with access to drugs/ health facilities at reasonable rates. The key highlights and their implications include:

US HEALTHCARE BILL - KEY PROPOSALS, IMPACT

PARAMETER	PROPOSAL	IMPACT/REMARKS
Insurance coverage	■ Extend coverage to 32m uninsured Americans. Force people/small companies to go for insurance coverage or face penalties. ■ US government to offer subsidies to buy insurance through an online exchange, offering policies at more affordable group rates. ■ Significant expansion of Medicaid, the government health care program for the poor	■ Most of the measures to have an impact from 2013-14. ■ Will boost volumes for generic companies in the long-term. ■ If the government forces insurance companies to give insurance coverage at very low prices, it may result in lower realizations for generic companies. ■ Clarity on the implementation of insurance cover, timelines and its cost are awaited ■ Innovator companies may become more aggressive in their respective generic businesses to tap this incremental business volume
Out-of-court settlements	■ No ban on pay-for-delay deals related to patent litigations	■ Positive for generics and innovators. Ranbaxy, DRL, Sun Pharma, Lupin are the key Indian companies with a large pipeline of patent challenges. ■ Avoids confusion over what constitutes pay-for-delay deals
Biotech drugs	■ Grant 12 years of data exclusivity to innovators timelines.	■ Negative for biogenerics as it extends launch ■ While many Indian companies including Biocon & DRL are likely to target biogenerics in the US, we do not expect an impact since no upsides were built-in due to a lack of regulatory pathways for approval of biogenerics
Insurance companies	■ Forbidden from placing lifetime dollar limits on policies, from denying coverage because of pre-existing conditions and from canceling policies when a policyholder becomes ill. ■ Health plans will have to pay out 85% of premiums they collect from group customers in medical care, and 80% of premiums on medical care for individuals.	■ Negative for US healthcare insurance companies. ■ May lead to lower realizations for generic companies if insurance companies are not able to pass on the increased costs to customers
Public Option	■ The US government will not go for the Public Option of providing cheaper insurance cover	■ Gives big relief to both generics & innovators as implementation of the Public Option would have created a parallel health insurance framework owned by the government. ■ This would have resulted in a significant decline in prices of drugs in the US

Source: Company/MOSL

Implications

- The US government wants uninsured people to get access to healthcare through insurance cover at reasonable costs. While this will boost volumes for generic products, the pricing for these are uncertain given the significant adverse impact that the proposals will have on health insurance companies.
- Key parameter to watch will be the ability of insurance companies to pass on the costs to their customers in terms of higher premiums. The scuttling of the provision of implementing a Public Option gives some flexibility to insurance companies to achieve this.
- Any failure of insurance companies to maintain profitability may lead to pressure on the healthcare system including drug manufacturers and distributors.
- The implementation of such large and significant changes in the US healthcare system is likely to be time-consuming and a full impact of these measures is expected by 2013-14.

Impact

- We do not expect major benefits in the short to medium term for Indian generic companies. In the long-term, we believe companies with large generic pipelines - Cipla, Sun Pharma, DRL, Ranbaxy, Lupin and Aurobindo - are best placed to capture incremental volume growth from the US Healthcare proposals.
- Pricing for this increased volume is uncertain given that the financials of insurance companies (key demand drivers for generic drugs) may come under pressure due to the proposed changes..
- Some of the larger global generic companies like Teva, Mylan and Watson have a much larger US portfolio and hence are likely to capture a higher share of volumes.

CRAMS - Inventory de-stocking nears completion; expect rebound in FY11

Over the past 4-5 quarters, the performance of the global CRAMS industry has suffered due to:

1. A severe round of inventory de-stocking undertaken by large innovator companies, leading to lower contract manufacturing revenues for CRAMS companies.
2. After the credit crises of 2008, mid and small sized research companies faced a liquidity crunch, resulting in a cut-down in many of their research projects. This partly affected custom synthesis contracts for CRAMS players.

In line with the global industry trend, the CRAMS business of Indian companies was adversely impacted. But we believe this is likely to be reversed in FY11 because:

1. **Pharmaceutical demand continues to grow:** The overall end-consumer demand for pharmaceutical products continues to grow steadily. Hence, inventory de-stocking will ultimately get aligned with demand, after which the innovators will have to start outsourcing again. We believe this reversal is likely to be partly visible in FY11 and fully in FY12.
2. **The credit situation is gradually improving:** While the mid and small sized research companies continue to face funding issues, we note that over the past few quarters the global credit situation has been gradually improving. This will eventually open up funding channels for these companies. While the custom synthesis business from such companies is under pressure, we expect gradual improvement over the next two years.

Para-IV/low-competition upsides gain added visibility

The Para-IV pipelines of leading generic companies in the US are gradually gaining more visibility. DRL received final US FDA approval for generic Allegra D-24 (Sanofi's US$180m brand) on 17 March 2010 and is due to be launched in 1QFY11. It is also awaiting final US FDA approval for generic Arixtra (GSK's US$200m brand) which is expected by 1QFY11.

Ranbaxy will continue to record one-time PAT in 4QFY10 from its on-going exclusivity on generic Valtrex (GSK's US$1.5b brand). It is also likely to record licensing income from the monetization of generic Flomax (Boehringer's US$1.2b brand) in 4QFY10.

Sun Pharma is expected to continue marketing generic Pantoprazole (Wyeth's US$2.5b brand) in 4QFY10. It is awaiting final US FDA approval for generic Effexor XR tablets (Wyeth's US$2b brand).

The table below gives details on Para-IV upsides expected in 4QFY10.

4QFY10 : CONTRIBUTION FROM PARA-IV UPSIDES

COMPANY	PRODUCT	REVENUE (RS M)	% OF REVENUE	PAT (RS M)	% OF PAT
Ranbaxy	Valacyclovir (generic Valtrex)	9,639	35.9	4,820	95.9
	Tamsulosin (generic Flomax)	1,148	4.3	1,148	22.8
Sun Pharma	Pantoprazole (generic Protonix)	1,370	13.9	822	24.4

Source: MOSL

US FDA non-compliance partly impacts Ranbaxy's Para-IV upsides in past 12 months

Ranbaxy - the company with the largest potential Para-IV upsides - has had a mixed experience in monetizing Para-IV upsides in the past 12 months due to stringent action by the US FDA against the company for cGMP non-compliance.

1. Generic Imitrex - Upsides adversely impacted due to US FDA problems
2. Generic Valtrex - Fully monetized
3. Generic Flomax - Partly impacted due to US FDA problems

RANBAXY: STATUS OF RECENT FTF LAUNCHES

PRODUCT	BRAND SIZE (US$M)	FILED FROM	SCHEDULED LAUNCH	ACTUAL LAUNCH	PAT UPSIDE ACTUAL (US$M)	PAT UPSIDE LOSS IN UPSIDE (%)	REMARKS
Imitrex	1,000	Dewas	December, 2008	February, 2009	7	-88	Delayed due to US FDA issues
Valtrex	1,500	Dewas	November, 2009	November, 2009	182	0	Successfully launched from US facility after a site change filing
Flomax	1,200	Paonta	March, 2010	Unable to launch. Sub-licensed to Impax	40	-47	Impacted by US FDA issues

** - Valtrex upsides estimated for the period 25-Nov-09 to 24-May-10

Source: MOSL

RANBAXY FTF OPPORTUNITIES - DCF VALUATION

PRODUCT	LAUNCH DATE	NPV (US$ M)	NPV (RS/SHARE)	FILED FROM
Valtrex	Nov-09	181	20	Dewas & US
Nexium	CY10-CY14	378	38	**
Aricept	Nov-10	98	11	**
Lipitor (US + 7 other markets)	Nov-11	312	34	Paonta
Flomax	Mar-10	33	4	Paonta
Caduet	Nov-11	17	2	**
Diovan	Sep-12	63	7	**
Total		**1,082**	**115**	

*** - Can be either Paonta or Dewas* *Source: MOSL*

Adversaries turn potential partners

Over the past few quarters, global MNC pharmaceutical companies increased their engagement with India. Given the growth challenges in the developed world, most of these MNCs are targeting emerging economies as future growth drivers. India features prominently in this strategy because it offers:

1. Strong chemistry and regulatory skills, which are pre-requisites to building a strong generic business;
2. Access to low-cost manufacturing, which is an important determinant of profitability in the global generic business;
3. Access to fast growing domestic formulations businesses of Indian players.

The table below gives details on the MNC engagement in India:

MNC PHARMA - INCREASING INDIA INTEREST

COMPANY	INDIA PRESENCE	INCREASING SALES FORCE	OUTSOURCING FROM INDIA	HAS ENGAGEMENT IN INDIA INCREASED RECENTLY
Pfizer	Yes	Yes	Yes	Yes - made an open offer to minority shareholders. Has also tied-up with Aurobindo, Strides & Claris for generic supplies. Plans a significant ramp-up in its global generic business by 2012
GSK	Yes	Planning to add 150-200 MRs annually	Yes	Yes - looking for inorganic growth opportunities. Has tie-up with DRL for supplies to emerging markets
Novartis	Yes	N.A.	Yes	Yes - made an open offer to minority shareholders
Sanofi-Aventis	Yes	Yes	Yes	Acquired majority stake in Shantha Biotech valuing it at US$780m
Merck (USA)	Yes - recent entry	Rapid addition to MR strength in last two years	Yes	Yes - Has very aggressive ramp-up plans for India
Eli Lilly	Yes	N.A.	Yes	
Abbott	Yes	N.A.	Yes	Has announced frequent buybacks. Acquisition of Solvay will enhance India business
Daiichi	Through Ranbaxy	N.A.	May explore through Ranbaxy	Acquired majority stake in Ranbaxy in 2008 valuing it at US$8b
Takeda	No	NA	NA	Planning India entry. May look at acquisitions/tie-ups with Indian companies
AstraZeneca	Yes	Planning to double MR strength by CY10	Yes	Yes - significant addition to sales force. Has tied-up with Torrent Pharma for supplies for emerging markets

Source: Companies/MOSL

Stringent US FDA leads to cGMP problems at many leading companies

Over the past 18 months, many leading Indian pharmaceutical companies like Sun Pharma (Caraco) and Lupin received warning letters from the US FDA, related to cGMP non-compliance. Ranbaxy continues to be the most impacted by the part-ban imposed in September 2008 and the AIP invoked at its Paonta facility. We believe this has partly do with the US FDA becoming more stringent in its approval process after the adverse experience with some Chinese facilities. Opening up of local offices in India by the US FDA will result in more frequent audits for Indian players. This implies that Indian companies will have to be ready for audits at short notices. We note that among the larger generic players, DRL and Cipla are least impacted and have been able to get US FDA clearances for their facilities with only a few minor observations.

The next few months will determine Indian companies' ability to satisfy US FDA

We believe the next few months will be crucial for some Indian generic players (like Ranbaxy, and Sun Pharma-Caraco) in demonstrating their ability to satisfy cGMP norms of the US FDA. Ranbaxy has already requested the US FDA for a re-inspection of the Dewas facility and is implementing an action plan to resolve cGMP issues at its Paonta Sahib facility. Lupin, which had received a warning letter from the US FDA in 2008, cleared its Mandideep facility in January 2010 after a re-inspection by the US FDA.

US FDA COMPLIANCE STATUS FOR LEADING INDIAN COMPANIES

COMPANY	LATEST WARNING LETTER	REASON	SUBSEQUENT ACTION BY US FDA	CURRENT STATUS
Lupin	7-May-09	Non-compliance with cGMP norms for Mandideep facility	None	Cleared post re-inspection in Jan-2010
Ranbaxy	16-Sep-08	Non-compliance with cGMP norms for Dewas & Paonta facility	Import alert issued. Triggered AIP for Paonta facility	Awaiting US FDA re-inspection for Dewas. Implementing changes at Paonta
Caraco (Sun Pharma)	31-Oct-08	non-compliance with cGMP norms for Detroit facility	US FDA seized products manufactured at the Detroit facility in Jun-09	Signed consent decree. Implementing changes
DRL	No warning letter	NA	NA	US FDA inspection in Nov-09 resulted in one minor observation
Cipla	No warning letter	NA	NA	NA

Source: Companies/US FDA/MOSL

Attractive emerging markets

The size of the generic pharmaceutical opportunity in emerging markets is expected to increase from US$46b in 2007 to US$74b by 2012. The opportunity spans more than 150 markets through Latin America, Asia, East Europe and Australia. Indian companies' market share is a mere 6%, implying that there is substantial room for growth. Secondly, most of these markets are branded generic markets, resulting in better margins compared with the US generic market (GPM of 60-70% compared with 40-50% for the US). Indian generic companies have established a reasonable presence in some of these markets (like Russia, Latin America) while they are strengthening their presence in some of the other markets (like China, Australia and New Zealand). We expect most of the Indian generic companies to report strong double-digit growth in RoW markets.

Easing liquidity/credit, recovery in currencies could drive double-digit growth

In the past few quarters, global liquidity conditions have started to ease. We believe this is likely to enable trade channels in emerging markets to re-stock inventories, which is likely to lead to double-digit growth for the markets over the next few years. We also note that many emerging market currencies have recovered (against the US dollar), which is also likely to contribute to positive growth momentum.

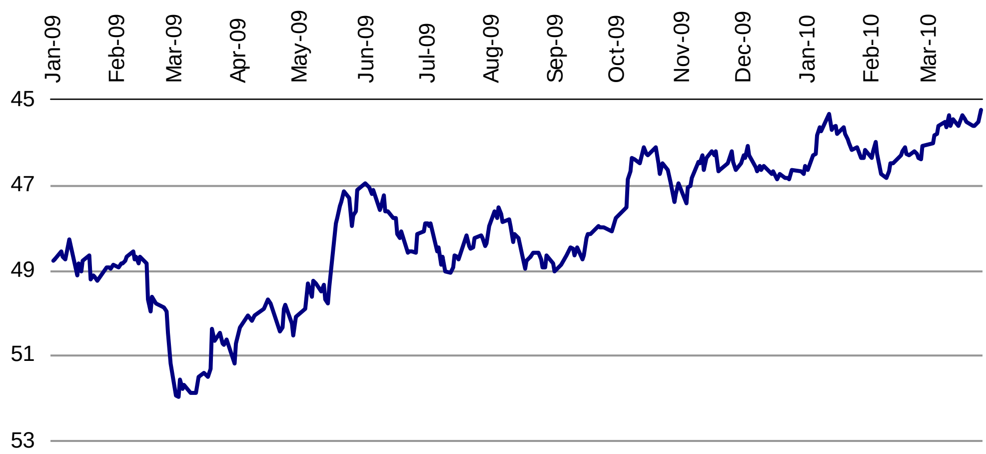
Emerging markets, US to be key growth drivers

We expect most of the generic companies to post higher sales in emerging markets and in the US. Trade channels in emerging economies have started re-stocking inventories and their local currencies have stabilized against the US dollar. These factors are likely to augur well for growth in emerging markets in 4QFY10. Growth in the US will be driven mainly by Para-IV upsides for larger generic companies and new launches for tier-2 generic companies. The exception to this trend will be Ranbaxy, which will post a 23% decline in core US revenues (excluding upsides from Para-IV) due to the ongoing US FDA ban, and Sun Pharma, due to ongoing US FDA issues at Caraco.

Currency appreciation to temper top-line growth

The Indian rupee has appreciated ~7.7% YoY against the US dollar. It has also appreciated by ~1.4% sequentially. This is likely to temper top-line growth partly for larger Indian players with higher exposure to the US dollar. Among larger Indian companies, DRL (hedges of US$217m) and Cipla are inadequately hedged given significant net US dollar exposure. Ranbaxy, with US$1b of hedges is adequately hedged (although some of the hedges are at unfavorable rates) while Sun Pharma's net US dollar exposure is not very high.

INR V/S US$ (RS/US$)



Source: Bloomberg/MOSL

Cipla, Lupin, Biocon, PHL to post strong operational improvement

Among the companies in our coverage universe, we expect Cipla, Lupin, Biocon and PHL to post strong 4QFY10 EBITDA growth and Ranbaxy and Glenmark are expected to revert to positive EBITDA. In 4QFY09 they had reported an EBITDA loss. We attribute the following company-specific reasons for their 4QFY10 performance:

1. Cipla will improve operational performance due to a better product-mix and low 4QFY09 base.
2. Lupin's higher top-line growth, better product-mix and low base will lead to higher EBITDA.
3. Biocon's higher top-line growth will lead to better operational performance.
4. PHL's higher top-line growth, better product-mix and low base will boost profitability.
5. Divi's Labs' performance will not be an improvement YoY, but we expect sequential improvement in performance due to customer inventory de-stocking, reflecting an end to inventory de-stocking.
6. Dr Reddy's Labs is expected to post a 13.6% de-growth in EBITDA due to flat top-line growth, which will be impacted by de-growth in core US revenues (due to product recalls and increased competition for Allegra) and de-growth in its German operations.
7. Ranbaxy Labs' core business is likely to continue to be under pressure due to the severe impact of the US FDA action on its US business. Forex gains and one-offs will boost its reported EBITDA and PAT.
8. Sun Pharma's core business will continue to be under pressure due to Caraco's US FDA issues. A comparison with 4QFY09 will be adverse due to Rs2b of extra revenue booked for its domestic formulations business in 4QFY09.

MNC Pharma - GSK to continue with double-digit top-line growth

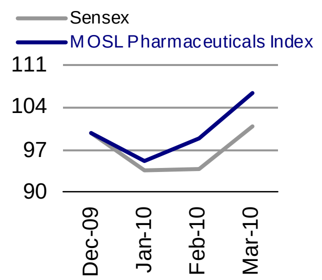
We expect our MNC pharmaceutical universe (Aventis and GSK) to post 11% top-line growth for the quarter, led mainly by 12.8% growth by GSK Pharma (led by new launches), but tempered by 8% growth by Aventis (due to the absence of Rabipur sales). While GSK's EBITDA is likely to grow in line with top-line growth, we expect adjusted PAT growth of 22.8%, led mainly by higher other income.

Sector view

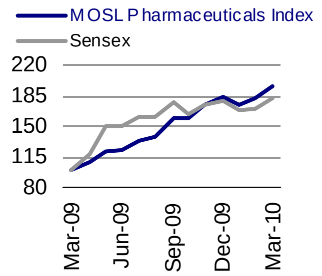
Generics

- Emerging markets to help to improve profitability gradually from 2010.
- 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 the generics space may lead to large acquisitions/supply and arrangements with Indian companies.
- Top picks - **Cipla** & **Lupin**.

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



CRAMS (Contract Research & Manufacturing Services)

- Favorable macro trends - India is on the threshold of significant opportunity, contract manufacturing opportunities to grow ~3.7x over 2007-12
- Inventory de-stocking impacted performance over the past 4-5 quarters. We expect a gradual recovery from FY11.
- Top picks - **Divi's** & **Piramal Healthcare**.

MNC Pharma

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

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Pharmaceuticals														
Aventis Pharma	1,804	UR	68.3	81.9	95.4	26.4	22.0	18.9	23.5	18.5	14.6	18.1	19.3	19.8
Biocon	287	Buy	14.3	17.1	19.5	20.1	16.7	14.7	12.4	10.3	8.8	16.5	17.2	17.1
Cadila Health	829	Buy	37.7	47.4	57.3	22.0	17.5	14.5	14.8	12.2	10.2	37.0	35.2	32.8
Cipla	338	Buy	13.8	17.5	20.4	24.5	19.3	16.6	17.5	14.9	12.6	18.8	20.2	20.0
Divis Labs	662	Buy	23.9	28.5	34.5	27.8	23.3	19.2	22.7	17.3	14.0	22.6	22.5	23.0
Dishman Pharma	219	Neutral	14.0	15.4	18.8	15.6	14.2	11.7	12.2	9.8	7.9	14.9	14.4	15.3
Dr Reddy' s Labs	1,263	Buy	6.7	56.9	63.8	187.9	22.2	19.8	17.7	17.0	15.0	2.6	19.3	18.8
GSK Pharma	1,775	Buy	59.6	69.2	79.9	29.8	25.7	22.2	21.6	19.0	16.1	28.7	30.1	31.4
Glenmark Pharma	262	Neutral	10.5	14.8	20.1	25.0	17.7	13.0	13.7	11.0	9.6	13.1	12.9	15.1
Jubiliant Organosys	343	Neutral	20.7	18.5	31.7	16.6	18.6	10.8	11.0	9.0	7.8	21.6	15.8	23.6
Lupin	1,592	Buy	71.2	90.5	100.3	22.4	17.6	15.9	17.2	14.0	12.5	37.8	36.5	31.8
Piramal Healthcare	423	Buy	21.1	25.8	31.0	20.0	16.4	13.6	14.2	11.4	9.8	29.7	29.2	28.5
Ranbaxy Labs	476	Neutral	3.6	-5.5	8.5	132.0	-86.9	56.0	36.3	50.5	29.3	3.3	-4.7	7.4
Sun Pharma	1,758	Buy	62.3	56.8	71.4	28.2	30.9	24.6	23.3	26.9	20.9	11.8	13.7	15.4
Sector Aggregate						**33.5**	**24.4**	**19.0**	**18.4**	**16.5**	**13.8**	**14.9**	**17.3**	**19.5**

UR = Under Review

Aventis Pharma

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HOEC IN
	REUTERS CODE
S&P CNX: 5,262	HOEC.BO

Equity Shares (m)	23.0
52 Week Range (Rs)	1,894/851
1,6,12 Rel Perf (%)	5 / 14 / 13
Mcap (Rs b)	41.5
Mcap (USD b)	0.9

30 March 2010

Under Review

Previous Recommendation: Buy

Rs1,804

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/08A	9,833	1,662	72.2	15.1	25.0	5.4	21.7	33.9	3.6	19.2
12/09A	9,744	1,574	68.3	-5.3	26.4	4.8	18.1	27.8	3.6	23.5
12/10E	10,814	1,886	81.9	19.8	22.0	4.2	19.3	28.8	3.1	18.5
12/11E	12,247	2,196	95.4	16.4	18.9	3.8	19.8	29.7	2.6	14.6

- APL's 1QCY10 topline is expected to grow by 8.3%YoY to Rs2.5b due to pressure in the domestic formulations business, given the discontinuation of Rabipur sales, which contributed Rs92m in 1QCY09.
- EBITDA margins are expected to de-grow by 20bp YoY mainly due to the absence of Rabipur sales (a high margin product that contributed 4% to revenue in 1QCY09).
- We estimate PAT growth of 6.1%YoY for the quarter at Rs430m due to muted growth in the top-line and pressure on operating margins.

We believe APL will be one of the key beneficiaries of the patent regime in the long-term. The parent has a strong R&D pipeline with a total of 49 products undergoing clinical trials, of which 17 are in Phase-III or pending approvals, some of which are likely to be launched in India. Top-line growth continues to be elusive and is thus impacting margins and earnings for APL. We expect the company to post EPS of Rs81.9 for CY10 (up 19.8% YoY) and Rs95.4 for CY11 (up 16.4% YoY). It is valued at 22x CY10E and 18.9x CY11E EPS. We believe the stock price performance is likely to remain muted in the short-term until clarity emerges on growth drivers in the absence of Rabipur revenues. Our recommendation is currently **Under Review** pending our interaction with the management.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**2,289**	**2,499**	**2,585**	**2,371**	**2,480**	**2,795**	**2,844**	**2,695**	**9,744**	**10,814**
YoY Change (%)	*5.5*	*0.5*	*4.3*	*-12.2*	*8.3*	*11.9*	*10.0*	*13.7*	*-0.9*	*11.0*
Total Expenditure	1,899	1,970	2,189	2,208	2,064	2,253	2,346	2,329	8,266	8,992
EBITDA	**390**	**529**	**396**	**163**	**416**	**542**	**499**	**366**	**1,478**	**1,823**
Margins (%)	*17.0*	*21.2*	*15.3*	*6.9*	*16.8*	*19.4*	*17.5*	*13.6*	*15.2*	*16.9*
Depreciation	42	43	44	44	48	49	50	50	173	198
Interest	0	0	0	1	0	0	0	0	1	0
Other Income	320	249	289	253	276	300	324	300	1,111	1,199
PBT	**668**	**735**	**641**	**371**	**644**	**793**	**772**	**615**	**2,415**	**2,824**
Tax	263	264	203	111	214	263	256	204	841	938
Effective tax Rate (%)	*39.4*	*35.9*	*31.7*	*29.9*	*33.2*	*33.2*	*33.2*	*33.2*	*34.8*	*33.2*
Reported PAT	**405**	**471**	**438**	**260**	**430**	**529**	**516**	**411**	**1,574**	**1,886**
Adj PAT	**405**	**471**	**438**	**260**	**430**	**529**	**516**	**411**	**1,574**	**1,886**
YoY Change (%)	*17.4*	*12.7*	*-1.8*	*-43.0*	*6.1*	*12.4*	*17.7*	*58.0*	*-5.3*	*19.8*
Margins (%)	*17.7*	*18.8*	*16.9*	*11.0*	*17.3*	*18.9*	*18.1*	*15.2*	*16.2*	*17.4*

E: MOSL Estimates

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

Biocon

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BIOS IN
	REUTERS CODE
S&P CNX: 5,262	BION.BO

Equity Shares (m)	200.0
52 Week Range (Rs)	305/127
1,6,12 Rel Perf (%)	2 / 8 / 30
Mcap (Rs b)	57.4
Mcap (USD b)	1.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs287

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	16,091	935	4.7	-79.2	61.4	3.8	6.2	6.2	3.7	18.2
03/10E	23,285	2,851	14.3	205.1	20.1	3.3	16.5	15.9	2.5	12.4
03/11E	26,662	3,425	17.1	20.1	16.7	2.9	17.2	17.0	2.1	10.3
03/12E	30,806	3,907	19.5	14.1	14.7	2.5	17.1	16.8	1.7	8.8

- Biocon's 4QFY10 top-line is expected to grow 32.4%YoY, led by 43.5%YoY growth in AxiCorp operations (Germany) due to the supply of Metformin under AOK contract. Contract research revenues are likely to grow by 11.7%YoY due to a gradual scale-up of the BMS contract. Biopharma revenues are expected to post 11.9%YoY growth.
- Despite strong top-line growth EBITDA margins are expected to expand by only 69bp YoY due to 31% YoY increase in RM and power costs, 29% YoY increase in staff costs, increasing R&D expenses and appreciation of the rupee.
- Biocon has converted its forex hedges into cash-flow hedges (making them "effective hedges") on which no MTM provision for forex losses is to be made. The company has also adopted the revised AS-11 guidelines, though the impact due to this change is negligible. This implies that the impact of forex losses/gains on the P&L will be limited to the extent of actual losses/gains. This will result in negligible forex volatility in 4QFY10 compared with Rs414.3m of forex losses in 4QFY09, thus boosting PAT by 189%YoY to Rs730m.

Traction in the company's Insulin initiative and domestic formulation business, coupled with incremental contribution from immuno-suppressants and a ramp-up in contract research business would be key growth drivers in FY11. But higher R&D costs and higher expenses linked to the scale-up of the domestic formulations business and currency appreciation will continue to temper earnings growth. Based on our estimates, Biocon is valued at 16.7x FY11E and 14.7x FY12E earnings. Valuations do not fully factor-in the potential upsides from Biocon's Insulin and IPR initiatives as well as the value unlocking from a potential listing of the contract research business. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,639**	**4,427**	**4,362**	**4,663**	**4,959**	**5,800**	**6,351**	**6,175**	**16,488**	**23,285**
YoY Change (%)	*-2.6*	*58.7*	*84.1*	*58.6*	*87.9*	*31.0*	*45.6*	*32.4*	*52.5*	*41.2*
Total Expenditure	2,063	3,598	3,420	3,765	3,946	4,668	5,084	4,944	12,853	18,642
EBITDA	**576**	**830**	**943**	**898**	**1,013**	**1,132**	**1,267**	**1,231**	**3,635**	**4,643**
Margins (%)	*21.8*	*18.7*	*21.6*	*19.2*	*20.4*	*19.5*	*19.9*	*19.9*	*22.0*	*19.9*
Depreciation	253.0	290.4	270.9	306.2	324.0	351.0	360.0	369.1	1,102.5	1,404.1
Interest	37.0	42.2	36.3	61.3	56.0	52.0	27.0	38.8	176.6	173.8
Other Income	-129.0	-190.2	-296.0	-211.3	94.0	124.0	64.0	101.2	-827.4	383.2
PBT	**157**	**307**	**339**	**319**	**727**	**853**	**944**	**925**	**1,528**	**3,449**
Tax	18	61	60	-20	142	94	112	170	118	517
Rate (%)	*11.5*	*19.9*	*17.7*	*-6.2*	*19.5*	*11.0*	*11.9*	*18.3*	*7.7*	*15.0*
Minority Interest	-10	-6	0	86	14	17	24	25	71	80
PAT	**149**	**252**	**279**	**253**	**571**	**742**	**808**	**730**	**1,339**	**2,851**
YoY Change (%)	*-71.9*	*-53.3*	*-47.4*	*-72.4*	*283.5*	*194.4*	*189.5*	*188.8*	*-46.8*	*113.0*
Margins (%)	*5.6*	*5.7*	*6.4*	*5.4*	*11.5*	*12.8*	*12.7*	*11.8*	*8.1*	*12.2*

E: MOSL Estimates

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Cadila Healthcare

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CDH IN
	REUTERS CODE
S&P CNX: 5,262	CADI.BO

Equity Shares (m)	136.4
52 Week Range (Rs)	854/260
1,6,12 Rel Perf (%)	2 / 57 / 122
Mcap (Rs b)	113.0
Mcap (USD b)	2.5

30 March 2010 **Buy**

Previous Recommendation: Buy Rs829

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	29,275	3,228	22.2	8.4	37.3	9.5	26.9	23.6	4.2	20.3
03/10E	37,636	5,142	37.7	69.7	22.0	7.1	36.7	27.1	3.2	14.8
03/11E	44,104	6,459	47.4	25.6	17.5	5.4	35.2	29.1	2.7	12.2
03/12E	51,355	7,819	57.3	21.0	14.5	4.2	32.8	30.2	2.3	10.2

- Cadila's 4QFY10 top-line is likely to post 27.6%YoY growth, led by a 37%YoY growth in exports (contributing 50.5% of revenue). The company's consumer business in India is expected to grow 20.9% YoY and domestic formulation revenues are expected to grow 16.5% YoY.
- EBITDA margins are likely to decline 193bp YoY to 22.1% due to an adverse revenue mix, appreciation of the rupee and higher staff costs.
- PAT is likely to grow 23.6%YoY to Rs1238m, which is marginally below top-line growth because of contraction in operating margins.

Traction in the international business, a ramp-up in supplies to Hospira and a recovery of the domestic formulations business, along with a de-risked business model should ensure good long term potential for the company. Based on our revised estimates, we expect Cadila to post FY11 EPS of Rs47.4 (up 25.6% YoY) and FY12 EPS of Rs57.3 (up 21% YoY) leading to a 23.3% EPS CAGR for FY10-12. Cadila is valued at 17.5x FY11E, and 14.5x FY12E consolidated earnings. We believe valuations are attractive given the expected traction in the business. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Revenues	**6,985**	**7,566**	**7,491**	**7,233**	**9,036**	**9,458**	**9,910**	**9,232**	**29,275**	**37,636**
YoY Change (%)	*22.1*	*24.2*	*29.3*	*28.7*	*29.4*	*25.0*	*32.3*	*27.6*	*26.0*	*28.6*
Total Expenditure	5,524	5,884	6,067	5,492	6,998	7,401	7,810	7,188	23,217	29,398
EBITDA	**1,461**	**1,681**	**1,425**	**1,742**	**2,037**	**2,057**	**2,100**	**2,044**	**6,057**	**8,238**
Margins (%)	*20.9*	*22.2*	*19.0*	*24.1*	*22.5*	*21.7*	*21.2*	*22.1*	*20.7*	*21.9*
Depreciation	246	259	299	314	296	311	334	372	1,118	1,313
Interest	148	99	233	440	229	206	217	198	1,205	849
Other Income	27	-269	-11	172	28	16	63	54	204	161
PBT before EO Income	**1,094**	**1,054**	**881**	**1,160**	**1,540**	**1,556**	**1,612**	**1,529**	**3,938**	**6,236**
EO Exp/(Inc)	0	18	0	223	9	26	11	10	241	56
PBT after EO Income	**1,094**	**1,036**	**881**	**937**	**1,531**	**1,530**	**1,601**	**1,519**	**3,697**	**6,180**
Tax	123	101	284	158	242	176	255	254	666	927
Rate (%)	*11.3*	*9.7*	*32.2*	*16.9*	*15.8*	*11.5*	*15.9*	*16.7*	*18.0*	*15.0*
Minority Int/Adj on Consol	74	-14	-8	-51	40	35	49	35	1	159
Reported PAT	**897**	**949**	**605**	**830**	**1,248**	**1,319**	**1,297**	**1,230**	**3,031**	**5,095**
Adj PAT	**897**	**965**	**606**	**1,002**	**1,256**	**1,342**	**1,307**	**1,238**	**3,228**	**5,142**
YoY Change (%)	*21.4*	*17.4*	*10.3*	*92.8*	*40.0*	*39.0*	*115.8*	*23.6*	*22.7*	*59.3*
Margins (%)	*12.8*	*12.8*	*8.1*	*13.9*	*13.9*	*14.2*	*13.2*	*13.4*	*11.0*	*13.7*

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

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Cipla

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CIPLA IN
	REUTERS CODE
S&P CNX: 5,262	CIPL.BO

Equity Shares (m)	802.9
52 Week Range (Rs)	363/210
1,6,12 Rel Perf (%)	0 / 18 / -28
Mcap (Rs b)	271.4
Mcap (USD b)	6.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs338

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	52,343	7,768	10.0	10.6	33.8	6.1	17.9	17.1	5.4	22.9
03/10E	57,124	11,074	13.8	37.6	24.5	4.6	18.8	20.2	4.8	17.5
03/11E	67,171	14,044	17.5	26.6	19.3	3.9	20.2	20.9	4.0	14.9
03/12E	77,873	16,364	20.4	16.4	16.6	3.3	20.0	21.6	3.4	12.6

- Cipla's 4QFY10 top-line is likely to grow 9.4% YoY, led by a 17.8% YoY growth in the domestic formulations business. Exports are likely to post muted growth of 7.9%YoY due to a conscious reduction in the low margin ARV business. A 7.8% YoY appreciation of the rupee against the US dollar will partly cap top-line growth.
- EBITDA margins are likely to expand by 562bp YoY due to a low base, an improving product-mix with lower sales of low margin ARV business and lower other expenses.
- While EBITDA is likely to grow 36.8%YoY, PAT is likely to grow 14.9% YoY to Rs3b due to higher depreciation charges because of ongoing capex, higher effective tax rate and lower other income.

We believe Cipla has one of the strongest generic pipelines among Indian companies. After a long delay, we believe Cipla's 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 two years (our estimates do not include these upsides). Its manufacturing infrastructure, strong chemistry skills and huge inhaler capacity make it a partner of choice for global MNCs ramping up their generics and emerging market presence. Cipla's low-risk strategy and one of the strongest capex in the company's history should ensure good long-term potential. US FDA compliance and increasing working capital requirements are our key concerns for the company. We expect Cipla to post EPS of Rs17.5 for FY11 and Rs20.4 for FY12, leading to 21.6% CAGR for FY10-12. Cipla is valued at 19.3x FY11E and 16.6x FY12E earnings. Reiterate **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**12,071**	**13,547**	**13,420**	**13,305**	**13,760**	**14,429**	**14,385**	**14,550**	**52,343**	**57,124**
YoY Change (%)	*33.9*	*23.3*	*21.5*	*21.1*	*14.0*	*6.5*	*7.2*	*9.4*	*24.5*	*9.1*
Total Expenditure	9,371	10,392	10,035	10,326	10,075	10,695	10,346	10,475	40,124	41,591
EBITDA	**2,701**	**3,155**	**3,385**	**2,978**	**3,685**	**3,733**	**4,039**	**4,075**	**12,219**	**15,532**
Margins (%)	*22.4*	*23.3*	*25.2*	*22.4*	*26.8*	*25.9*	*28.1*	*28.0*	*23.3*	*27.2*
Depreciation	382	406	412	318	458	478	457	504	1,518	1,897
Interest	37	56	110	127	105	84	44	73	329	305
Other Income	-576	-876	-241	335	-150	203	-62	184	-1,359	175
Profit before Tax	**1,705**	**1,817**	**2,622**	**2,869**	**2,972**	**3,375**	**3,477**	**3,682**	**9,013**	**13,505**
Tax	305	303	388	250	555	618	587	672	1,245	2,431
Rate (%)	*17.9*	*16.6*	*14.8*	*8.7*	*18.7*	*18.3*	*16.9*	*18.3*	*13.8*	*18.0*
Reported PAT	**1,400**	**1,514**	**2,234**	**2,619**	**2,417**	**2,757**	**2,890**	**3,010**	**7,768**	**11,074**
YoY Change (%)	*16.9*	*-20.6*	*6.1*	*85.1*	*72.6*	*82.1*	*29.4*	*14.9*	*17.3*	*42.6*
Margins (%)	*11.6*	*11.2*	*16.6*	*19.7*	*17.6*	*19.1*	*20.1*	*20.7*	*14.8*	*19.4*

E: MOSL Estimates

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Dishman Pharma

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	DISH IN
	REUTERS CODE
S&P CNX: 5,262	DISH.BO

Equity Shares (m)	81.3
52 Week Range (Rs)	275/95
1,6,12 Rel Perf (%)	-2 / -17 / 41
Mcap (Rs b)	17.8
Mcap (USD b)	0.4

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs219

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	10,624	1,463	18.0	20.4	12.2	2.5	22.7	15.2	2.3	9.4
03/10E	9,069	1,141	14.0	-22.0	15.5	2.1	14.9	10.8	2.7	12.1
03/11E	10,728	1,255	15.4	10.0	14.1	1.9	14.4	11.0	2.2	9.7
03/12E	12,867	1,526	18.8	21.5	11.6	1.6	15.3	12.5	1.9	7.8

- We expect Dishman to post 4QFY10 top-line decline of 18.1% YoY to Rs2.4b due to lower revenue of CarbogenAMCIS, the adverse impact of on-going inventory corrections undertaken by customers and pricing pressure in the QUATs segment. The CRAMS business from Indian facilities is likely to grow 19% YoY to Rs1b and CarbogenAMCIS revenues are expected to fall 42% YoY to Rs818m due to reduced early phase R&D activity by customers. The MM business is expected to decline 14% YoY to Rs565m due to ongoing pricing pressure in the QUATs segment and the adverse impact of inventory de-stocking.
- EBITDA margins are likely to decline 514bp YoY to 19.3% due to a high base effect of 4QFY09, reduction in high margin contract research business at Carbogen and one time write-off at CarbogenAMCIS.
- Bottomline is expected de-grow by 75.5% YoY to Rs184m reflecting top-line de-growth, contraction in EBITDA margins and a higher effective tax rate.

The macro environment for the CRAMS business remains favorable given India's inherent cost advantages and chemistry skills. We believe DPL will benefit from increased outsourcing from India, given its strengthening MNC relations. However, performance of CarbogenAMCIS will be impacted for FY10-11. We expect DPL to post EPS CAGR of 15.6% over FY10-12, led mainly by its Indian CRAMS operations. Earnings growth will be tempered by higher depreciation of the rupee, taxes and lower other income. The stock trades at 14.1x FY11E and 11.6x FY12E earnings. RoE will continue to be 15% until new facilities and CRAMS contracts ramp up. Maintain **Neutral**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,359**	**2,520**	**2,820**	**2,925**	**2,277**	**2,174**	**2,223**	**2,395**	**10,624**	**9,069**
YoY Change (%)	*40.4*	*35.1*	*36.5*	*20.9*	*-3.5*	*-13.7*	*-21.2*	*-18.1*	*32.3*	*-14.6*
Total Expenditure	1,696	2,022	2,102	2,189	1,745	1,677	1,710	1,934	8,009	7,065
EBITDA	**663**	**498**	**717**	**736**	**532**	**498**	**513**	**461**	**2,615**	**2,004**
Margins (%)	*28.1*	*19.8*	*25.4*	*25.2*	*23.4*	*22.9*	*23.1*	*19.3*	*24.6*	*22.1*
Depreciation	144	139	170	175	145	174	141	179	629	639
Interest	93	87	101	178	104	99	85	98	459	386
Other Income	-141	-235	51	373	155	59	32	43	48	288
PBT after EO Income	**277**	**37**	**497**	**756**	**438**	**284**	**319**	**227**	**1,575**	**1,268**
Tax	3	17	31	-6	9	25	30	24	45	89
Deferred Tax	5	-10	69	3	37	14	-32	19	66	38
Rate (%)	*2.7*	*20.0*	*20.1*	*-0.4*	*10.5*	*14.0*	*-0.6*	*18.9*	*7.1*	*10.0*
Reported PAT	**270**	**30**	**397**	**759**	**392**	**244**	**321**	**184**	**1,463**	**1,141**
Adj PAT	**277**	**30**	**397**	**759**	**392**	**244**	**321**	**184**	**1,463**	**1,141**
YoY Change (%)	*29.5*	*-89.5*	*24.0*	*90.1*	*41.5*	*725.7*	*-19.3*	*-75.7*	*20.4*	*-22.0*
Margins (%)	*11.7*	*1.2*	*14.1*	*25.9*	*17.2*	*11.2*	*14.4*	*7.7*	*13.8*	*12.6*

E: MOSL Estimates

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Divi's Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	DIVI IN
	REUTERS CODE
S&P CNX: 5,262	DIVI.BO

Equity Shares (m)	129.5
52 Week Range (Rs)	715/418
1,6,12 Rel Perf (%)	-1 / 14 / -44
Mcap (Rs b)	85.8
Mcap (USD b)	1.9

30 March 2010 **Buy**

Previous Recommendation: Buy **Rs662**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	11,803	4,166	32.2	19.5	20.6	6.9	39.6	40.6	7.3	16.6
03/10E	9,201	3,090	23.9	-25.8	27.8	5.8	22.6	25.0	8.8	22.7
03/11E	11,107	3,689	28.5	19.4	23.3	4.8	22.5	25.1	7.0	18.1
03/12E	13,355	4,471	34.5	21.2	19.2	4.1	23.0	25.8	5.7	14.0

- We expect Divi's 4QFY10 top-line to de-grow 8.3% YoY to Rs2.9b, reflecting partial recovery in the CRAMS business. We believe the impact of inventory de-stocking on the API business will last until 4QFY10 and we expect a gradual recovery in CRAMS and API revenues from FY11. The company commissioned its Carotenoids facility in June 2009 and we expect a gradual scale-up in revenues from this initiative over two years.
- EBITDA is likely to decline 8.2% YoY to Rs1.2b, EBITDA margins are likely to stay flat at 40.1%, reflecting an improved product mix.
- The bottomline is expected de-grow 5.9% to Rs981m despite an 8.2% YoY decline in EBITDA due to lower base on account of a Rs175.3m forex loss.

Divi's will be a key beneficiary of increased outsourcing from India, leading to 20% earnings CAGR over FY10-12. We estimate RoCE and RoE of 20%+ for the next few years, led by traction in the high-margin CRAMS business and incremental contribution from the Carotenoids business. We expect the company to post EPS of Rs28.5 in FY11 and Rs34.5 in FY12. The stock trades at 23.3x FY11E and 19.2x FY12E earnings. Reiterate **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Op Revenue	**2,661**	**3,305**	**2,648**	**3,191**	**2,058**	**2,253**	**1,963**	**2,926**	**11,803**	**9,201**
YoY Change (%)	*16.7*	*36.3*	*-6.9*	*14.8*	*-22.6*	*-31.8*	*-25.9*	*-8.3*	*14.3*	*-22.0*
Total Expenditure	1,473	1,676	1,565	1,912	1,392	1,200	1,304	1,752	6,625	5,648
EBITDA	**1,188**	**1,629**	**1,083**	**1,279**	**667**	**1,053**	**659**	**1,174**	**5,178**	**3,553**
Margins (%)	*44.6*	*49.3*	*40.9*	*40.1*	*32.4*	*46.7*	*33.6*	*40.1*	*43.9*	*38.6*
Depreciation	107	119	123	129	129	131	133	144	479	536
Interest	20	18	16	18	8	30	18	18	72	74
Other Income	-38	0	-63	-44	143	55	262	69	-145	529
PBT before EO Income	**1,023**	**1,491**	**880**	**1,088**	**673**	**947**	**771**	**1,081**	**4,482**	**3,472**
EO Income	0	0	0	0	-540	0	0	0	0	-540
PBT after EO Income	**1,023**	**1,491**	**880**	**1,088**	**132**	**947**	**771**	**1,081**	**4,482**	**2,932**
Tax	42	101	59	64	87	83	104	108	266	382
Deferred Tax	16	26	26	-18	2	17	-11	-8	50	0
Rate (%)	*5.7*	*8.5*	*9.6*	*4.2*	*67.5*	*10.5*	*12.0*	*9.3*	*7.0*	*13.0*
Reported PAT	**965**	**1,364**	**795**	**1,042**	**43**	**848**	**678**	**981**	**4,166**	**2,550**
Adj PAT	**965**	**1,364**	**795**	**1,042**	**585**	**848**	**678**	**981**	**4,166**	**3,020**
YoY Change (%)	*43.4*	*49.5*	*-21.0*	*20.8*	*-39.4*	*-37.8*	*-14.7*	*-5.9*	*20.6*	*-27.5*
Margins (%)	*36.3*	*41.3*	*30.0*	*32.7*	*28.4*	*37.6*	*34.6*	*33.5*	*35.3*	*32.8*

E: MOSL Estimates

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Dr Reddy's Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	DR IN
	REUTERS CODE
S&P CNX: 5,262	REDY.BO

Equity Shares (m)	168.4
52 Week Range (Rs)	1318/456
1,6,12 Rel Perf (%)	3 / 25 / 88
Mcap (Rs b)	212.7
Mcap (USD b)	4.7

30 March 2010 — **Buy**

Previous Recommendation: Buy — Rs1,263

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10E	68,322	397	2.4		535.1	5.0	2.6	3.8	3.1	17.7
03/11E	76,895	9,589	56.9		22.2	4.3	19.3	17.1	2.8	17.0
03/11E*	83,257	11,938	70.9		17.8					
03/12E	87,227	10,736	63.8	12.0	19.8	3.7	18.8	19.0	2.5	15.0
03/12E*	94,583	13,430	79.7	12.5	15.8					

** - includes patent challenge/low competition upsides*

- We expect DRL's 4QFY10 top-line to de-grow 16.5% YoY to Rs16.6b due to the absence of exclusivity based generic Imitrex supplies, which contributed Rs3.6b in 4QFY09. Adjusted for these supplies, DRL's top-line is expected to grow 1.6% YoY. The growth will be impacted by a 16% YoY decline in regulated markets generic business (excluding generic Imitrex). The branded formulation business, including India, is likely to grow 24.5% YoY.
- Excluding a one-time impact of generic Imitrex supplies in 4QFY09, EBITDA is likely to decline 13.6% YoY and EBITDA margins are expected to decline by 260bp YoY to 14.8% due to muted top-line growth and margin pressure in German business.
- We expect DRL to post 4QFY10 PAT of Rs1.84b against a loss of Rs9.8b a year earlier. Adjusted for Para IV upside and write-off of goodwill and intangibles related to Betapharm in 4QFY09, PAT is likely to decline 7.9% YoY.

Traction in the branded formulations and US businesses and focus on improving profitability will be key growth drivers over the next two years. We expect core EPS CAGR of 23% over FY08-12. Our estimates exclude upsides from patent challenges/low-competition opportunities in the US. The stock trades at 22.2x FY11E and 19.8x FY12E earnings. Maintain **Buy**.

GLOBAL QUARTERLY PERFORMANCE (US GAAP) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Sales	**15,038**	**16,152**	**18,401**	**19,850**	**18,189**	**18,368**	**17,296**	**16,567**	**69,441**	**70,420**
YoY Change (%)	*25.1*	*27.5*	*49.3*	*52.7*	*21.0*	*13.7*	*-6.0*	*-16.5*	*38.9*	*1.4*
EBITDA	**1,815**	**2,326**	**4,202**	**4,614**	**3,767**	**2,749**	**2,860**	**2,454**	**12,946**	**11,830**
Margins (%)	*12.1*	*14.4*	*22.8*	*23.2*	*20.7*	*15.0*	*16.5*	*14.8*	*18.6*	*16.8*
Depreciation & Amortization	391	472	339	14,339	507	329	8,977	360	15,526	10,173
Other Income	166	-338	-1,540	158	-89	348	123	205	-1,416	587
Profit before Tax	**1,590**	**1,516**	**2,323**	**-9,567**	**3,171**	**2,768**	**-5,994**	**2,299**	**-3,996**	**2,243**
Tax	242	303	399	240	726	595	-777	464	1,173	1,008
Rate (%)	*15.2*	*20.0*	*17.2*	*-2.5*	*22.9*	*21.5*	*13.0*	*20.2*	*-29.4*	*44.9*
Reported PAT	**1,348**	**1,213**	**1,924**	**-9,807**	**2,445**	**2,173**	**-5,217**	**1,835**	**-5,169**	**1,235**
One Time & EO (Exp)/Inc	0	0	1,027	1,243	734	0	0	0	2,270	734
Adjusted PAT	**1,348**	**1,213**	**897**	**-11,049**	**1,711**	**2,173**	**-5,217**	**1,835**	**-7,438**	**501**
YoY Change (%)	*-26.3*	*0.3*	*-*	*-1,170.3*	*26.9*	*79.1*	*-681.6*	*-116.6*	*-259.0*	*-106.7*
Margins (%)	*9.0*	*7.5*	*4.9*	*-55.7*	*9.4*	*11.8*	*-30.2*	*11.1*	*-10.7*	*0.7*

E: MOSL Estimates; DRL commcenced IFRS reporting wef 2QFY09. Past financials are as per US GAAP. Estimates do not include one-off upsides

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GlaxoSmithKline Pharmaceuticals

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	GLXO IN
	REUTERS CODE
S&P CNX: 5,262	GLAX.BO

Equity Shares (m)	84.7
52 Week Range (Rs)	1,785/1,064
1,6,12 Rel Perf (%)	-4 / 11 / -19
Mcap (Rs b)	150.3
Mcap (USD b)	3.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,775

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/08A	16,604	4,484	52.9	12.2	33.5	9.8	29.1	44.0	8.1	24.6
12/09A	18,708	5,049	59.6	12.6	29.8	8.5	28.7	43.0	7.0	21.6
12/10E	21,140	5,859	69.2	16.0	25.7	7.7	30.1	44.4	6.2	19.0
12/11E	24,099	6,767	79.9	15.5	22.2	7.0	31.4	46.5	5.4	16.1

- We expect GSK's 1QCY10 top-line to grow 12.8% YoY to Rs5.2b, led by double-digit growth in Priority Products (60-70% of sales). DPCO products (~27% of sales) are likely to post single-digit revenue growth.
- EBITDA margins are likely to decline marginally by 25bp YoY to 35.7% due to higher promotional expenditure on new launches and higher staff costs.
- GSK's 1QCY10 PAT is expected to grow 22.8% YoY, higher than the top-line growth, mainly due to higher other income and a lower effective tax rate.

We believe GSK Pharma is one of the best plays on the IPR regime in India with plans to launch nine patented/low competition products over CY08-10, of which five have already been launched. These launches are expected to bring long-term benefits. We believe GSK Pharma's top-line growth is gradually improving and the company is expected to grow 13-14% over the next two years. We believe this growth trajectory will improve in the long term and after CY13, it is likely to outperform the industry's average growth of 12-13%. Given the high profitability of operations, we expect this growth to lead to sustainable double-digit earnings growth and RoE of ~30%. GSK Pharma deserves premium valuations due to strong parentage, brand-building ability and likely positioning in the post-patent era. We expect GSK Pharma to post CY10 EPS of Rs69.2 (up 16% YoY) and CY11 EPS of Rs79.9 (up 15.5% YoY). The stock is valued at 25.7x CY10E and 22.2x CY11E earnings. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	**4,572**	**4,574**	**5,118**	**4,444**	**5,158**	**5,179**	**5,813**	**4,989**	**18,708**	**21,140**
YoY Change (%)	*8.5*	*9.9*	*11.8*	*21.9*	*12.8*	*13.2*	*13.6*	*12.3*	*12.7*	*13.0*
Total Expenditure	2,926	2,945	3,230	3,555	3,315	3,322	3,668	3,881	12,617	14,186
EBITDA	**1,645**	**1,629**	**1,888**	**889**	**1,843**	**1,857**	**2,145**	**1,108**	**6,091**	**6,953**
Margins (%)	*36.0*	*35.6*	*36.9*	*20.0*	*35.7*	*35.9*	*36.9*	*22.2*	*32.6*	*32.9*
Depreciation	37	40	40	48	41	44	44	53	164	182
Other Income	300	419	233	708	475	475	475	475	1,661	1,900
PBT before EO Expense	**1,908**	**2,009**	**2,081**	**1,547**	**2,278**	**2,288**	**2,576**	**1,530**	**7,585**	**8,671**
Tax	644	696	684	737	739	742	835	496	2,762	2,812
Deferred Tax	11	-4	-14	-219	0	0	0	0	-226	0
Rate (%)	*34.3*	*34.5*	*32.2*	*33.5*	*32.4*	*32.4*	*32.4*	*32.4*	*33.4*	*32.4*
Adjusted PAT	**1,253**	**1,317**	**1,411**	**1,029**	**1,539**	**1,546**	**1,740**	**1,034**	**5,049**	**5,859**
YoY Change (%)	*3.5*	*14.8*	*6.9*	*15.0*	*22.8*	*17.4*	*23.4*	*0.5*	*12.6*	*16.0*
Margins (%)	*27.4*	*28.8*	*27.6*	*23.2*	*29.8*	*29.8*	*29.9*	*20.7*	*27.0*	*27.7*
Extra-Ord Expense	-178	73	0	31	0	0	0	0	-74	0
Reported PAT	**1,432**	**1,243**	**1,411**	**998**	**1,539**	**1,546**	**1,740**	**1,034**	**5,123**	**5,859**

E: MOSL Estimates

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

Glenmark Pharmaceuticals

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	GNP IN
	REUTERS CODE
S&P CNX: 5,262	GLEN.BO

Equity Shares (m)	269.2
52 Week Range (Rs)	290/148
1,6,12 Rel Perf (%)	-3 / 8 / -20
Mcap (Rs b)	70.6
Mcap (USD b)	1.6

30 March 2010

Neutral

Previous Recommendation: Neutral Rs262

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	20,865	1,125	4.2	-64.3	61.9	4.1	7.0	8.0	4.4	26.9
03/10E	24,046	2,976	10.5	147.2	25.0	3.1	13.1	12.9	3.6	13.7
03/11E	28,122	4,197	14.8	41.0	17.7	2.2	12.9	14.9	2.9	11.1
03/12E	32,190	5,715	20.1	36.2	13.0	1.9	15.1	15.3	2.4	9.7

- Glenmark's 4QFY10 top-line is expected to grow 39.1% YoY led mainly by strong double-digit growth in India formulations, semi-regulated and the Latin American branded business. Its US and European operations are likely grow 28.2% YoY and 39.4% YoY respectively, though on a smaller base.
- EBITDA margins in 4QFY10 are likely to be 26.4% against an operating loss of Rs1.8b a year earlier due to inventory chargeback provisions.
- The company is likely to post PAT of Rs692m v/s a net loss of Rs1.7b in 4QFY09 on account of above mentioned reasons.

Glenmark has differentiated itself among Indian pharmaceutical companies through its significant success in NCE research. Given this success, Glenmark has been aggressive in adding new NCEs to its pipeline, which will put pressure on its operations in the short term as the company will have to fund R&D expenses for these NCEs on its own. Slower progress in NCE research (due to a cut in R&D expenses) is likely to impact Glenmark's prospects of monetizing its NCE assets in the long-term. Based on our estimates, we expect EPS of Rs14.8 for FY11 (up 41% YoY) and Rs20.1 for FY12 (up 36.2% YoY). The stock trades at 17.7x FY11E and 13x FY12E earnings with about 13-14% RoE. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Income	**4,608**	**5,609**	**5,814**	**4,688**	**5,437**	**5,903**	**6,184**	**6,521**	**20,635**	**24,046**
YoY Change (%)	*31.2*	*49.6*	*-14.4*	*-18.1*	*18.0*	*5.2*	*6.4*	*39.1*	*4.3*	*16.5*
EBITDA	**1,410**	**1,694**	**1,891**	**-1,824**	**1,554**	**1,563**	**1,534**	**1,724**	**3,085**	**6,374**
Margins (%)	*30.6*	*30.2*	*32.5*	*-38.9*	*28.6*	*26.5*	*24.8*	*26.4*	*14.9*	*26.5*
Depreciation	215	225	291	296	312	362	363	412	1,027	1,449
Interest	155	187	343	719	438	456	368	343	1,405	1,605
Other Income	109	433	92	1,106	-264	262	182	86	1,740	266
PBT before EO Expense	**1,148**	**1,715**	**1,349**	**-1,734**	**540**	**1,007**	**985**	**1,055**	**2,393**	**3,586**
Tax	678	319	452	-695	85	198	44	283	754	610
Deferred Tax	-684	222	83	379	-80	0	0	80	0	0
Rate (%)	*-0.5*	*31.6*	*39.6*	*18.2*	*0.9*	*19.6*	*4.5*	*34.4*	*31.5*	*17.0*
Reported PAT	**1,154**	**1,174**	**814**	**-1,417**	**535**	**809**	**941**	**692**	**1,639**	**2,976**
Adj PAT	**923**	**943**	**584**	**-1,648**	**535**	**809**	**941**	**692**	**1,125**	**2,976**
YoY Change (%)	*61.5*	*25.5*	*-52.9*		*-42.1*	*-14.2*	*61.2*	*-*	*-82.2*	*164.6*
Margins (%)	*20.0*	*16.8*	*10.0*	*-35.1*	*9.8*	*13.7*	*15.2*	*10.6*	*5.5*	*12.4*

E: MOSL Estimates; Adj PAT includes capitalized R&D exp & excludes NCE upsides

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Jubilant Organosys

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	JOL IN
	REUTERS CODE
S&P CNX: 5,262	JUBO.BO

Equity Shares (m)	147.5
52 Week Range (Rs)	365/89
1,6,12 Rel Perf (%)	1 / 43 / 188
Mcap (Rs b)	50.7
Mcap (USD b)	1.1

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs343

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	35,180	2,832	19.2	-29.3	17.9	4.0	22.5	8.2	2.4	12.7
03/10E	37,687	3,048	20.7	7.6	16.6	3.3	21.6	12.2	2.2	11.0
03/11E	43,134	2,728	18.5	-10.5	18.6	2.7	15.8	13.4	1.9	9.0
03/12E	48,803	4,681	31.7	71.6	10.8	2.5	23.6	14.9	1.7	7.8

- Jubilant's 4QFY10 top-line is expected to grow 16.2% YoY, partly tempered by a slowdown in the CRAMS business, declining realizations and an appreciating rupee. The PLSP business (66% of revenue) is likely to grow 40% YoY on a lower base and the APP business is likely to post de-growth of 12.7% YoY.
- EBITDA margins are expected to contract by 298bp YoY due to an adverse product mix and 7.8% appreciation of the rupee against the US dollar.
- We expect PAT to fall 71.2% YoY to Rs1b due to a high base because of reversal of forex losses owing to the adoption of revised AS11.

We believe Jubilant will benefit from increased outsourcing from India, given its relationships with global pharmaceutical and agrochemical players. We estimate 14% revenue and 13% EPS CAGR over FY10-12 on a reported basis. Adjusted EPS is likely to post 24% CAGR. FCCB redemption, high debt and lower return ratios will remain an overhang. The stock trades at 18.6x FY11E and 10.8x FY12E earnings. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**8,266**	**9,405**	**9,096**	**8,412**	**8,964**	**9,331**	**9,615**	**9,777**	**35,180**	**37,687**
YoY Change (%)	*53.1*	*52.1*	*41.8*	*22.1*	*8.4*	*-0.8*	*5.7*	*16.2*	*41.3*	*7.1*
Total Expenditure	6,608	7,632	7,686	6,488	7,342	7,480	7,364	7,832	28,414	30,018
EBITDA	**1,658**	**1,773**	**1,411**	**1,924**	**1,622**	**1,851**	**2,251**	**1,945**	**6,766**	**7,669**
Margins (%)	*20.1*	*18.8*	*15.5*	*22.9*	*18.1*	*19.8*	*23.4*	*19.9*	*19.2*	*20.3*
Depreciation	337	411	434	451	308	308	313	335	1,632	1,263
Interest	138	221	324	388	407	363	390	390	1,070	1,550
Other Income	-1,002	-1,671	-1,161	2,202	562	-362	-280	0	-1,631	-81
PBT before EO Expense	**182**	**-530**	**-508**	**3,287**	**1,469**	**818**	**1,268**	**1,221**	**2,432**	**4,776**
Extra-Ord Expense	0	0	110	-644	0	0	0	0	-534	0
PBT after EO Expense	**182**	**-530**	**-618**	**3,931**	**1,469**	**818**	**1,268**	**1,221**	**2,966**	**4,776**
Tax	61	166	283	-243	223	240	225	219	267	907
Rate (%)	*33.6*	*-31.3*	*-45.7*	*-6.2*	*15.2*	*29.3*	*17.8*	*17.9*	*9.0*	*19.0*
PAT	**121**	**-696**	**-901**	**4,174**	**1,245**	**578**	**1,043**	**1,002**	**2,699**	**3,868**
Minority Interest	-7	-69	-25	-33	-13	1	35	-13	-133	10
Adjusted PAT	**128**	**-627**	**-715**	**3,523**	**1,258**	**577**	**1,008**	**1,015**	**2,346**	**3,858**
YoY Change (%)	*-91.1*	*-157.0*	*-178.5*	*528.1*	*886.1*			*-71.2*	*-41.2*	*64.5*
Margins (%)	*1.5*	*-6.7*	*-7.9*	*41.9*	*14.0*	*6.2*	*10.5*	*10.4*	*6.7*	*10.2*

E: MOSL Estimates; Quarterly numbers for FY09 do not add up to full-year numbers due to change in forex accounting policy (AS-11)

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Lupin

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	LPC IN
	REUTERS CODE
S&P CNX: 5,262	LUPN.BO

Equity Shares (m)	82.8
52 Week Range (Rs)	1,674/630
1,6,12 Rel Perf (%)	-1 / 37 / 60
Mcap (Rs b)	131.9
Mcap (USD b)	2.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,592

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	37,759	5,015	56.9	50.5	28.0	9.3	37.1	25.6	3.8	22.1
03/10E	46,855	6,281	71.2	25.2	22.4	6.9	37.8	27.9	3.0	17.2
03/11E	54,799	7,979	90.5	27.0	17.6	5.3	36.5	28.0	2.6	14.0
03/12E	61,457	8,845	100.3	10.8	15.9	4.3	31.8	26.1	2.3	12.5

- Lupin's 4QFY10 top-line is expected to grow 20.9% YoY driven mainly by 49% YoY growth in formulation revenues from advanced markets (excluding Japan) to Rs5.2b and 28%YoY growth in the branded formulation business (including India) to Rs4.1b.
- EBITDA is expected to grow 37% YoY and EBITDA margins are likely to expand 216bp YoY due to a low base and a better product mix.
- PAT is expected to grow only 3.6% YoY to Rs1.6b due to a higher depreciation charge and higher effective tax rate at 15% against 7.9% in 4QFY09.

Lupin's underlying fundamentals are likely to improve gradually, led by an expanding US generics pipeline, niche/Para-IV opportunities in the US, strong performance from Suprax and a ramp-up in Antara revenues (branded products in the US) and traction in formulation revenues from its European initiative. We expect Lupin's core operations (excluding one-off upsides) to post 14.5% revenue CAGR over FY10-12, led by 14.1% CAGR for the US business and 18% CAGR for the domestic formulations business. We believe the company is gaining critical mass in the US, while European market revenues should gradually ramp up from FY11. It has 70 ANDAs pending approval in the US (though the US FDA is, of late, taking more time to approve ANDAs) including filings for low-competition products in the oral contraceptives segment. We believe valuations at 17.6x FY11E and 15.9x FY12E EPS do not fully reflect the 18.7% earnings CAGR and sustained 30%+ RoE. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**8,624**	**9,343**	**9,618**	**10,174**	**10,856**	**11,147**	**12,554**	**12,298**	**37,759**	**46,855**
YoY Change (%)	*49.8*	*41.8*	*33.3*	*35.6*	*25.9*	*19.3*	*30.5*	*20.9*	*39.5*	*24.1*
Total Expenditure	7,097	7,555	8,079	8,544	8,914	9,506	10,090	10,062	31,274	38,572
EBITDA	**1,527**	**1,788**	**1,540**	**1,630**	**1,942**	**1,641**	**2,464**	**2,236**	**6,485**	**8,283**
Margins (%)	*17.7*	*19.1*	*16.0*	*16.0*	*17.9*	*14.7*	*19.6*	*18.2*	*17.2*	*17.7*
Depreciation	193	201	219	266	231	242	358	349	880	1,180
Interest	102	127	146	124	107	91	109	107	499	414
Other Income	202	13	221	517	211	541	155	183	954	1,089
PBT	**1,433**	**1,474**	**1,396**	**1,757**	**1,815**	**1,848**	**2,152**	**1,964**	**6,060**	**7,779**
Tax	313	312	219	139	364	200	504	295	983	1,363
Rate (%)	*21.8*	*21.2*	*15.7*	*7.9*	*20.0*	*10.8*	*23.4*	*15.0*	*16.2*	*17.5*
Reported PAT	**1,120**	**1,162**	**1,178**	**1,618**	**1,451**	**1,647**	**1,648**	**1,669**	**5,077**	**6,416**
Minority Interest	-1	5	13	44	50	43	42	39	62	175
Recurring PAT	**1,121**	**1,156**	**1,165**	**1,574**	**1,401**	**1,604**	**1,606**	**1,630**	**5,015**	**6,241**
YoY Change (%)	*100.6*	*52.9*	*9.9*	*64.2*	*25.0*	*38.7*	*37.9*	*3.6*	*50.4*	*24.4*
Margins (%)	*13.0*	*12.4*	*12.1*	*15.5*	*12.9*	*14.4*	*12.8*	*13.3*	*13.3*	*13.3*

E: MOSL Estimates

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Piramal Healthcare

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	PIHC IN
	REUTERS CODE
S&P CNX: 5,262	NICH.BO

Equity Shares (m)	209.0
52 Week Range (Rs)	441/175
1,6,12 Rel Perf (%)	-1 / 8 / 49
Mcap (Rs b)	88.3
Mcap (USD b)	2.0

30 March 2010 **Buy**

Previous Recommendation: Buy **Rs423**

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	32,448	3,580	17.1	-1.7	24.7	6.7	29.7	21.0	3.1	16.1
03/10E	36,839	4,416	21.1	23.3	20.0	5.3	29.7	20.0	2.7	14.2
03/11E	42,492	5,399	25.8	22.3	16.4	4.3	29.2	22.6	2.4	11.4
03/12E	48,178	6,474	31.0	19.9	13.6	3.5	28.5	23.3	2.1	9.8

- PHL's 4QFY10 top-line is expected to grow 16.6% YoY to Rs9.5b reflecting improved capacity utilization at Minrad and strong double-digit growth in the domestic formulations business but partly tempered by the ongoing slowdown in its CRAMS business and the closure of the Huddersfield facility in the UK.
- While EBITDA is likely to grow 29.5% to Rs1.9b, EBITDA margins are expected to improve 200bp YoY reflecting an improved revenue mix, cost savings from the closure of the Huddersfield facility and improving profitability of its Minrad operations in the US.
- PAT is expected to grow by only 5.4% YoY to Rs1.1b due to a higher effective tax rate at 12.2% against negative 5% a year earlier and higher other income in 4QFY09 due to forex gains.

PHL is likely to benefit from the expected increase in outsourcing from India. Its domestic formulations business continues to grow strongly, with attractive profitability even on a high base. FY11 is likely to be a turning point for PHL, given the expected recovery in the CRAMS business and improving profitability of its anesthetics portfolio. We expect 21% EPS CAGR over FY10-12, with sustained RoE of 25-30%. PHL is valued at 16.4x FY11E and 13.6x FY12E earnings. We believe valuations do not fully reflect the recovery in the CRAMS business and the rapidly growing domestic formulations business. Reiterate **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**7,083**	**8,893**	**8,283**	**8,189**	**8,215**	**10,000**	**9,077**	**9,546**	**32,448**	**36,839**
YoY Change (%)	*16.5*	*17.5*	*13.1*	*5.5*	*16.0*	*12.5*	*9.6*	*16.6*	*12.9*	*13.5*
Total Expenditure	5,680	7,066	6,728	6,702	6,658	8,226	7,303	7,622	26,176	29,810
EBITDA	**1,403**	**1,827**	**1,555**	**1,487**	**1,557**	**1,774**	**1,774**	**1,924**	**6,272**	**7,029**
Margins (%)	*19.8*	*20.5*	*18.8*	*18.2*	*19.0*	*17.7*	*19.5*	*20.2*	*19.3*	*19.1*
Depreciation	270	288	295	343	385	375	434	435	1,196	1,629
Interest	120	170	261	286	254	254	217	230	838	954
Other Income	-207	-408	-309	540	45	15	33	37	-384	130
PBT before EO Expense	**806**	**960**	**691**	**1,397**	**963**	**1,160**	**1,157**	**1,296**	**3,854**	**4,576**
Extra-Ord Expense	41	96	0	310	0	4	0	0	446	4
PBT after EO Expense	**766**	**864**	**691**	**1,087**	**963**	**1,157**	**1,157**	**1,296**	**3,408**	**4,572**
Tax	87	114	72	118	113	94	-204	364	391	366
Deferred Tax	0	0	0	-171	0	0	0	-206	-171	-206
Rate (%)	*11.3*	*13.2*	*10.4*	*-4.9*	*11.7*	*8.1*	*-17.7*	*12.2*	*6.4*	*3.5*
PAT	**679**	**750**	**619**	**1,140**	**851**	**1,063**	**1,361**	**1,138**	**3,188**	**4,412**
Less: Minority Interest	-2	17	20	-10	0	0	-1	2	26	0
Reported PAT	**681**	**733**	**599**	**1,150**	**851**	**1,063**	**1,362**	**1,136**	**3,163**	**4,412**
Adj PAT	**717**	**816**	**599**	**1,078**	**851**	**1,066**	**1,362**	**1,136**	**3,580**	**4,416**
YoY Change (%)	*19.8*	*-21.0*	*-36.3*	*13.8*	*18.7*	*30.6*	*127.5*	*5.4*	*-1.7*	*23.3*

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

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Ranbaxy Laboratories

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	RBXY IN
	REUTERS CODE
S&P CNX: 5,262	RANB.BO

Equity Shares (m)	420.4
52 Week Range (Rs)	538/145
1,6,12 Rel Perf (%)	-5 / 15 / 117
Mcap (Rs b)	200.1
Mcap (USD b)	4.4

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs476

YEAR END*	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
12/09A	74,688	1,517	3.6	46.4	100.1	3.3	3.3	9.2	2.8	36.3
12/10E	73,260	-2,304	-5.5	-251.9	-65.9	3.1	-4.7	3.6	2.8	50.5
12/11E	85,537	3,571	8.5	-255.0	42.5	3.1	7.4	11.3	2.4	29.3
12/12E	94,905	6,826	16.2	91.2	22.2	2.9	12.9	18.0	2.1	21.6

** All valuation ratios adjusted for Rs123/sh DCF value of FTFs*

- Ranbaxy's 1QCY10 top-line is expected to grow by 7.7% (excluding the generic Valtrex contribution) mainly led by better performance of branded formulation markets like India, Russia, the Asia Pacific and the Middle East. While US FDA issues are yet to be resolved, revenue from the US is likely to decline by 23% YoY. We expect generic Valtrex to contribute Rs9.6b to Ranbaxy's 4QCY10 revenue, taking overall top-line to Rs25.7b.
- EBITDA margins at 3.3% will reflect the positive impact of ongoing restructuring and cost cutting measures undertaken by the company over the past few quarters but tempered by increased manpower costs and an appreciating rupee.
- On a core basis, Ranbaxy is likely to post a loss of Rs941m primarily due to low EBITDA margins and the provision of Rs1.2b for FCCB YTM. PAT, including contribution from generic Valtrex exclusivity (Rs4.8b) and settlement income related to generic Flomax (Rs1.2b), is likely to be Rs5b.

Resolution of US FDA issues remain the key determinant of near-term valuations for Ranbaxy. The launch of generic Valtrex through the US facility reflects the first major positive development in salvaging the upsides from FTFs (DCF value of Rs115/sh) in the US. Exploitation of synergies between Daiichi and Ranbaxy will be a key driver of long-term prospects of the stock. Ranbaxy is valued at 42.5x CY11E and 22.2x CY12E core earnings adjusted for the value of its Para-IV pipeline. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E DECEMBER	CY09				CY10E				CY09	CY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Income	**14,926**	**18,958**	**18,858**	**21,946**	**16,069**	**18,265**	**18,894**	**20,033**	**74,688**	**73,260**
YoY Change (%)	*-12.1*	*-1.7*	*1.8*	*34.1*	*7.7*	*-3.7*	*0.2*	*-8.7*	*4.9*	*-1.9*
EBITDA	**-822**	**1,215**	**2,427**	**3,022**	**535**	**775**	**1,132**	**1,670**	**5,842**	**4,112**
Margins (%)	*-5.5*	*6.4*	*12.9*	*13.8*	*3.3*	*4.2*	*6.0*	*8.3*	*7.8*	*5.6*
Depreciation	639	644	654	739	690	720	780	811	2,676	3,002
Interest	246	197	121	146	134	146	165	191	710	636
Other Income	-816	2,308	-51	2,988	612	362	362	333	4,429	1,669
PBT before EO Expense	**-2,523**	**2,682**	**1,601**	**5,124**	**323**	**270**	**548**	**1,001**	**6,884**	**2,143**
Extra-Ord Expense	9,188	-8,137	0	-4,265	-900	0	0	150	-3,214	-750
PBT after EO Expense	**-11,711**	**10,819**	**1,601**	**9,389**	**1,223**	**270**	**548**	**851**	**10,098**	**2,893**
Tax	-4,101	3,888	435	6,769	164	36	73	114	6,991	388
Rate (%)	*35.0*	*35.9*	*27.2*	*72.1*	*13.4*	*13.4*	*13.4*	*13.4*	*69.2*	*13.4*
Reported PAT	**-7,610**	**6,931**	**1,166**	**2,620**	**1,059**	**234**	**475**	**737**	**3,107**	**2,505**
Minority Interest	0	38	35	68	0	0	0	0	142	0
Provision for FCCB YTM					1,146	1,146	1,146	1,146		4,583
Adj PAT	**-385**	**200**	**523**	**-1,670**	**-941**	**-758**	**-517**	**-87**	**-1,331**	**-2,304**
YoY Change (%)	*-137.8*	*-85.6*	*235.6*	*57.5*	*144.7*	*-479.5*	*-198.9*	*-94.8*	*-189.3*	*73.0*
Margins (%)	*-2.6*	*1.1*	*2.8*	*-7.6*	*-5.9*	*-4.2*	*-2.7*	*-0.4*	*-1.8*	*-3.1*
Adj PAT incl one-offs	**-385**	**200**	**523**	**1,178**	**5,026**	**456**	**-517**	**1,442**	**1,517**	**6,407**

E: MOSL Estimates

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Sun Pharmaceuticals Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	SUNP IN
	REUTERS CODE
S&P CNX: 5,262	SUN.BO

Equity Shares (m)	207.1
52 Week Range (Rs)	1,807/1,054
1,6,12 Rel Perf (%)	7 / 23 / -21
Mcap (Rs b)	364.2
Mcap (USD b)	8.1

30 March 2010

Buy

Previous Recommendation: Buy

Rs1,758

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10E*	39,802	12,909	62.3	-29.0	28.2	4.5	11.8	18.0	8.1	23.3
03/10E	33,119	8,899	43.0							
03/11E	38,555	11,771	56.8	32.3	30.9	4.0	13.7	14.6	8.1	26.9
03/11E*	47,548	16,884	81.5	30.8						
03/12E	47,350	14,787	71.4	25.6	24.6	3.6	15.4	16.6	6.4	20.9

** Includes Para-IV upsides*

- Sun Pharma's 4QFY10 top-line is expected to decline 7.2% YoY to Rs9.9b due to a high base in the domestic formulations segment owing to a change in distribution set up and the impact of US FDA issues on Caraco. The domestic formulations business is likely to fall 22.5% YoY and the export formulations business, besides exports to the US, is likely to grow 12% YoY.
- EBITDA margins are expected to rise 83bp YoY to 36.1% due to lower SG&A expenses however tempered by the adverse impact in gross margins.
- Adjusted PAT is likely to de-grow 18.3% YoY due to lower other income and higher effective tax rate and depreciation charges.

An expanding generic portfolio, coupled with a change in the product mix in favor of high-margin exports is likely to bring in long-term benefits for Sun Pharma. Its ability to sustain superior margins even on a high base is a clear positive. We expect FY11 EPS of Rs56.8 (up 32.1%, adjusted for Para IV upside) and FY12 EPS of Rs71.4 (up 25.6% YoY). The stock is valued at 30.9x FY11E and 24.6x FY12E earnings. Given the severity of the recent US FDA action on Caraco, we believe Sun Pharma's stock price will remain muted until the US FDA issues are resolved. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Revenues	**10,239**	**11,778**	**9,183**	**10,634**	**7,876**	**11,852**	**10,209**	**9,866**	**41,833**	**39,802**
YoY Change (%)	*66.4*	*82.2*	*16.2*	*-14.2*	*-23.1*	*0.6*	*11.2*	*-7.2*	*27.1*	*-4.9*
EBITDA	**5,379**	**5,379**	**4,134**	**3,747**	**1,684**	**4,833**	**3,684**	**3,558**	**18,640**	**13,759**
Margins (%)	*52.5*	*45.7*	*45.0*	*35.2*	*21.4*	*40.8*	*36.1*	*36.1*	*44.6*	*34.6*
Depreciation	277	287	311	359	376	379	359	425	1,233	1,538
Net Other Income	451	524	443	669	190	613	325	480	2,086	1,607
PBT	**5,554**	**5,616**	**4,266**	**4,056**	**1,498**	**5,067**	**3,650**	**3,613**	**19,492**	**13,828**
Tax	299	288	170	-45	31	400	261	235	712	926
Rate (%)	*5.4*	*5.1*	*4.0*	*-1.1*	*2.1*	*7.9*	*7.1*	*6.5*	*3.7*	*6.7*
Profit after Tax	**5,255**	**5,329**	**4,097**	**4,101**	**1,467**	**4,667**	**3,389**	**3,378**	**18,781**	**12,902**
Share of Minority Partner	261	223	10	109	-156	145	0	4	603	-8
Reported PAT	**4,994**	**5,106**	**4,086**	**3,992**	**1,623**	**4,522**	**3,390**	**3,374**	**18,178**	**12,909**
One-off Upsides	1,690	2,116	591	867	638	1,300	1,250	822	5,265	4,010
Adj Net Profit	**3,304**	**2,989**	**3,495**	**3,125**	**985**	**3,222**	**2,139**	**2,552**	**12,913**	**8,899**
YoY Change (%)	*45.4*	*36.8*	*64.6*	*-4.4*	*-70.2*	*7.8*	*-38.8*	*-18.3*	*31.1*	*-31.1*
Margins (%)	*32.3*	*25.4*	*38.1*	*29.4*	*12.5*	*27.2*	*21.0*	*25.9*	*30.9*	*22.4*

E: MOSL Estimates; Quaterly results have been recasted and hence do not tally with full year results

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Real Estate

BSE Sensex: 17,590 S&P CNX: 5,262 30 March 2010

COMPANY NAME

Anant Raj Industries

DLF

HDIL

Mahindra Lifespaces

Phoenix Mills

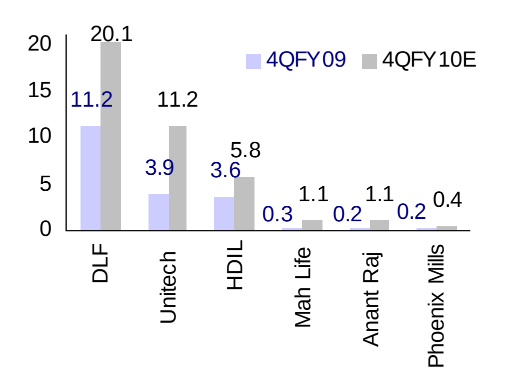
Unitech

4QFY10 results to start reflecting RE sector recovery

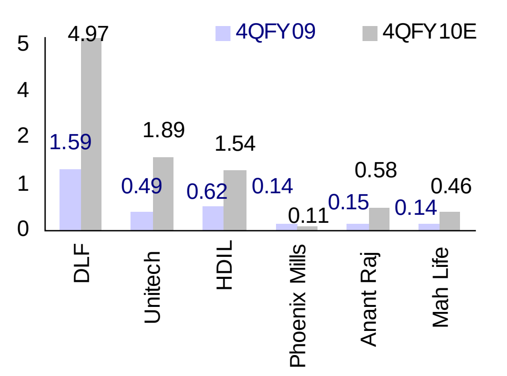
We expect 4QFY10 results to start reflecting real estate (RE) sector recovery, primarily aided by low base impact and sharp pick-up in volumes. However, the impact of the robust new launches may not be fully reflected across companies, as some companies follow the POCM method of accounting, where revenues get booked after 20-25% of construction cost is incurred.

SHARP IMPROVEMENT IN FINANCIAL PERFORMANCE OF KEY RE COMPANIES

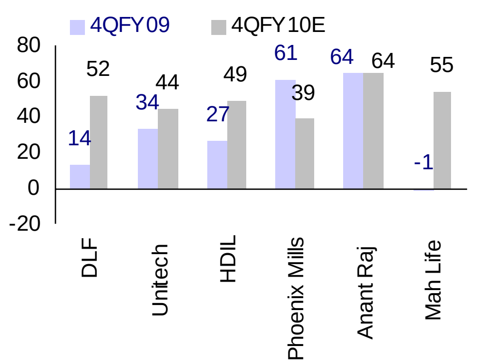
REVENUE GROWTH YOY (%)



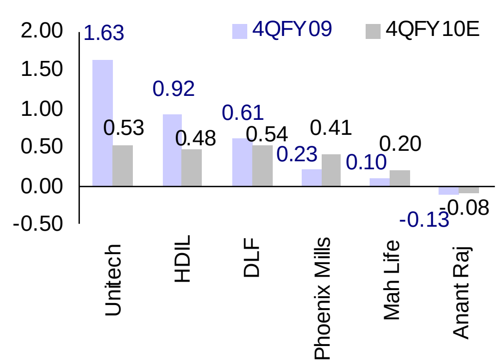
NET PROFIT GROWTH YOY (%)



EBITDA MARGINS (%)



LEVERAGE (X)



Source: Company/MOSL

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Real Estate											
Anant Raj Inds	133	Buy	1,110	396.2	34.3	711	397.1	-7.0	579	280.0	-13.8
DLF	309	Buy	20,110	79.2	-0.7	10,468	577.2	24.1	4,966	212.3	6.1
HDIL	289	Buy	5,784	61.6	41.5	2,857	196.0	51.3	1,536	148.0	-5.6
Mahindra Lifespace	385	Buy	1,117	257.9	2.6	613	LP	101.1	464	241.8	65.9
Phoenix Mills	186	Buy	412	92.2	36.4	162	23.9	-8.7	111	-21.0	9.0
Unitech	73	Buy	9,174	135.1	18.5	3,151	139.4	69.7	1,892	289.0	7.5
Sector Aggregate			**37,707**	**93.8**	**9.9**	**17,961**	**338.4**	**33.8**	**9,548**	**205.6**	**4.7**

Siddharth Bothra (SBothra@MotilalOswal.com) / Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

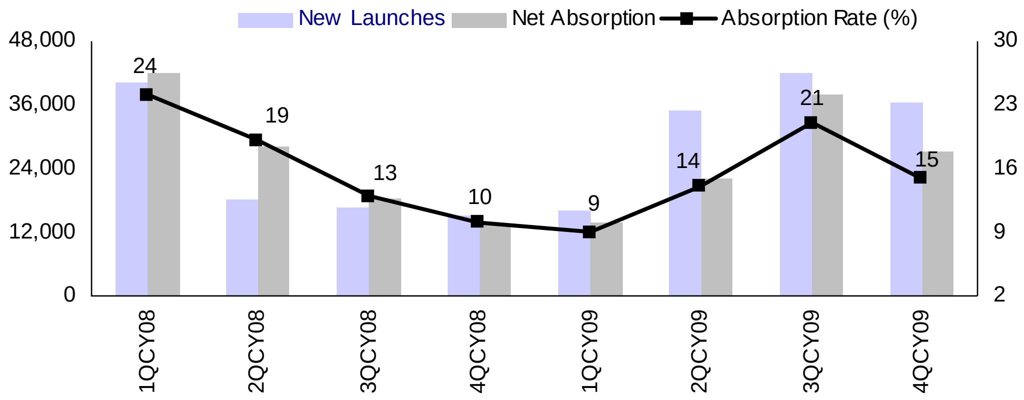
Residential volumes impacted by price hikes by developers

Residential projects across segments have witnessed strong volumes. For instance: (i) Phase-III of DLF's residential project in Delhi, Capital Greens, received encouraging response, and (ii) Godrej Properties sold/booked ~800 units at its mid-income housing project in Ahmedabad, *Godrej Garden City*, within one week of launch.

Backed by strong sales volumes, RE developers in Mumbai and the National Capital Region (NCR) have undertaken multiple price increases across projects over the last 3-6 months. On an average, prices have increased by ~30% across projects in these regions. This has resulted in RE prices reaching resistance levels in these markets, leading to slowdown in sales.

However, RE residential volumes continue to gain momentum in key cities such as Bangalore and Chennai in South India, led by improved IT/ITes outlook and stable rates in these locations.

TREND IN PAN INDIA RESIDENTIAL VOLUMES



Source: JLLM

City-wise key trends and RE Agents' outlook on residential prices

In our latest conference call with RE agents, agents from Mumbai and Delhi indicated a change in their outlook from positive to cautious. Agents from Bangalore and Chennai continued to remain positive. The common view amongst the RE agents was that underlying RE demand remains strong across cities, but the sharp price increases by developers in Mumbai and NCR in the last few months have had a negative impact on affordability.

1) Mumbai - prices have reached resistance point, impacting volumes

- The Mumbai agent, who participated in our conference call, indicated a change in outlook from positive to cautious. He indicated that the multiple price increases undertaken by developers since June 2009 on the back of increasing sales have resulted in RE prices reaching a resistance point. Affordability has been impacted by the price increases, resulting in a slowdown in sales.
- Demand is now getting limited to almost completed or fully completed projects.

2) NCR - volumes under pressure; prices could moderate

- The NCR agent indicated that residential sales volumes in the NCR (National Capital Region) have slowed down over the past ~3 months, primarily due to sharp 25-30% increase in RE prices across key projects.

- However, attractively priced projects continue to draw good sales / bookings. For instance, DLF's mid-income housing project in Panchkula is priced at Rs2,600/sf and has received encouraging response, indicating strong underlying demand at the right price points.

3) Bangalore - sales volumes to remain strong; prices yet to move up

- According to the Bangalore agent, RE sales volumes continue to be robust (up 40% YoY), largely led by the affordable housing segment. This is primarily due to RE prices remaining stable in Bangalore.
- RE developers have not been able to resort to sharp price increases in Bangalore due to high inventory levels and availability of abundant developable land bank.
- Further, transactions/sales volumes in the premium residential segment have also started picking up. For instance, Prestige's new premium residential project in Whitefield, *Prestige White Meadow*, priced at Rs6,000/sf for apartments and Rs9,000/sf for villas, received encouraging response.

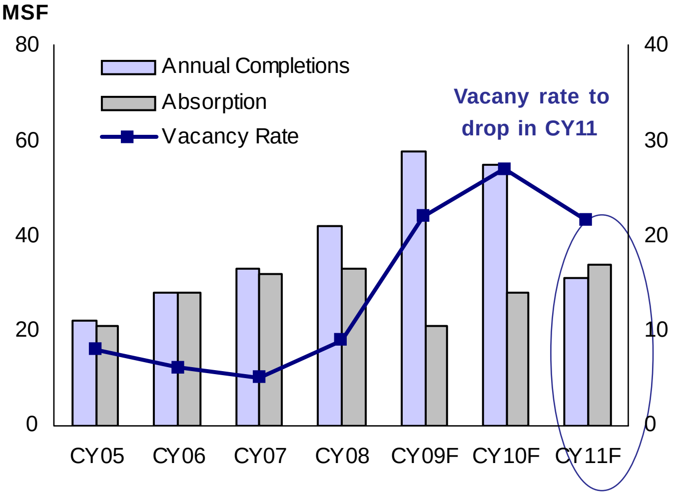
4) Chennai - momentum of new launches and sales volumes maintained

- Chennai continued to witness robust momentum of new launches by key developers such as Akshaya and True Value Homes. Sales volumes remained robust, led by the mid-income housing segment.
- Premium residential projects have also started witnessing increase in sales volumes.
- According to the agent, DLF is likely to launch a residential project in the CBD (commercial business district); this was earlier planned as a commercial project.

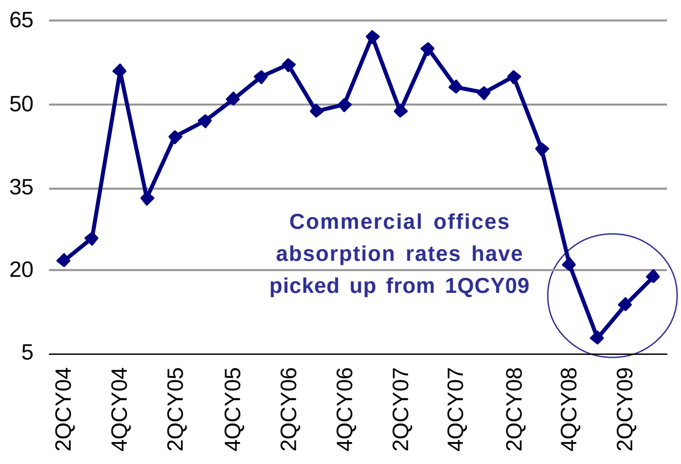
Commercial vertical witnesses increase in transactions

The commercial vertical has been witnessing encouraging signs of revival. While transaction volumes over the last 3-4 months were aided by demand from non-IT (mainly Telecom and Pharmaceuticals) companies, in the last 1-2 months, there has been a pick-up in volumes from IT/ITes companies. Historically, IT/ITes accounted for ~80% of the commercial office demand. Vacancy levels are likely to drop to 20% in CY11 from the current ~24% due to sharp supply curtailment.

VACANCY LEVELS IN THE COMMERCIAL VERTICAL TO DROP IN FY11



COMMERCIAL ABSORPTION RATES HAVE WITNESSED A PICK UP (%)



Source: JLLM/MOSL

DETAILS OF KEY LEASE TRANSACTIONS DURING 4QCY09

PROJECT	TENANT	LOCATION	AREA (SF)	TYPE	PERIOD
Mumbai/MMR					
Nirlon Knowledge Park	Morgan Stanley Advtg. Services	Malad	39,204	Lease	4QCY09
One Indiabulls Centre	Marsh India	Lower Parel	25,341	Lesae	4QCY09
Maker Maxity	Trafigura	Bandra	8,000	Lease	4QCY09
Total - Mumbai/MMR			**72,545**		
Delhi					
Corporate One	Hyundai	Delhi	47,700	Lease	4QCY09
Total - Delhi			**47,700**		
Gurgaon					
DLF5A	Capital IQ	Gurgaon	50,000	Lease	4QCY09
Total - Gurgaon			**50,000**		
NOIDA					
Knowledge Bouelvard	Ericsson	Noida	79,000	Lease	4QCY09
Green Bouelvard	United Power	Sector 62	25,000	Lease	-
Total - NOIDA			**104,000**		
Bangalore					
Global Technology Park	LSI Logic	Outer Ring Road	277,000	Lease	4QCY09
Prestige Atlanta	NDS	Koramangala	54,000	Lease	4QCY09
Kalyani Magnum	Honeywell	J P Nagar	45,000	Lease	4QCY09
RMZ Centennial	Tyco	Whitefield	29,130	Lease	4QCY09
Total - Bangalore			**405,130**		
Chennai					
CSS	Ambit IT Park	Ambattur	138,000	Lease	4QCY09
Greens iTech	Iflex oracle	Cathedral Road	60,000	Lease	4QCY09
Agility Logistics	VBC Solitaire	T Nagar	19,760	Lease	4QCY09
Steeple Reach	Planet Soft	Cathedral Road	17,600	Lease	4QCY09
Total - Chennai			**235,360**		
Grand Total			**914,735**		

Source: Company/MOSL

Land deals - momentum picking up

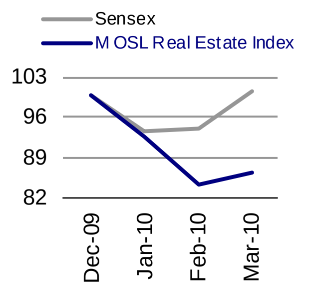
Successful recapitalization of balance sheets by key RE companies has improved their financial stability and outlook. Encouraging responses to their recent project launches have led to improved cash flows. This in turn has provided a boost to the developers to consider land acquisitions at attractive prices. As most of these projects are likely to be mixed-use/commercial projects, the positive response to the recent land auctions also signals towards likely recovery in the commercial vertical.

DETAILS OF KEY LAND DEALS IN FY10

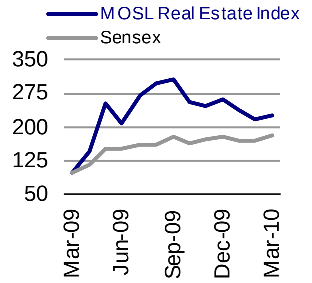
DEVELOPER	DATE	LAND AREA (ACRES)	DEAL SIZE (RS B)	RATE @ FSI OF 2.5X (RS/SF)	RESERVE PRICE (RS M)	BID PRICE (RS M)	PREMIUM (%)	DEAL SIZE (USD M)	LOCATION
Sheth Developers	Feb-10	14.0	5.9	3,876	NA	NA	NA	NA	Golden Tobaco Mill in Vile Parle (West), Mumbai
Wadhwa Group	Jan-10	18.2	5.7	2,884	NA	NA	NA	NA	Hindustan Composite Mills in Ghatkopar
NAPC	Sep-09	0.5	0.2	2,938	NA	NA	NA		-
Godrej Properties	Sep-09	100.0	Na	Na	NA	NA	NA		Acquisition for Godrej Garden City township to be spread over 250acres
Piramal Sunteck	Aug-09	Na	0.3	Na	NA	NA	NA		Two plots with sizes ranging from 1,500-3,500 sq mtrs acquired
Dynamix Balwas Group	Sep-09	7.0	6.0	7,871	6,000	NA	-	125	Crown Mill, Prabhadevi, Mumbai
IBREL	Aug-09	4.0	13.8	31,589	13,760	10,950	-20	290	Nariman Point, Mumbai
DLF	Aug-09	350.0	17.5	459	17,500	17,000	-3	360	Sec42, 53 and 53, Gurgaon, NCR
Hiranandani	Jul-09	135.0	8.0	544	NA	NA	-	167	Bangalore (80acres), Chennai (35acres), Hyderabad (20acres)
Lodha	Jul-09	10.0	7.1	6,520	7,100	7,080	0	145	Finlay Mill, Lower Parel, Mumbai
Anant Raj	Jul-09	39.0	1.7	407	NA	NA	-		Noida (1.8msf), Manesar (1.4msf) and Gurgaon (0.2msf)
Total		**645.5**	**54.6**	**776**	**-**	**-**	**-**		**-**

Source: Company/MOSL

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



Valuation and view

The RE sector remains firmly set for recovery, following the successful balance sheet recapitalization by key RE companies and pick-up in RE activity. Recent underperformance of large cap RE companies coupled with the recent price correction provides investors an opportunity to accumulate RE stocks at 25-30% discount to NAV. We believe that the two key catalysts that would drive RE stock performance in the medium term are: (1) recovery in the commercial and retail verticals, and (2) visible acceleration in execution. Our top large cap picks are **DLF** and **Unitech**. Within mid-caps, we like **Anant Raj**, **Mahindra Lifespaces** and **Phoenix Mills**.

REAL ESTATE: COMPARATIVE VALUATIONS

COMPANY	RATING	CMP 17.3.10 (RS)	MKT CAP (RS B)	FY11 NAV RS/SH	FY12 NAV RS/SH	LAND-BANK (MSF)	EPS (RS/SH) FY11	EPS (RS/SH) FY12	P/E (X) FY11	P/E (X) FY12	BV (RS/SH) FY11	BV (RS/SH) FY12	P/B (X) FY11	P/B (X) FY12	ROE (%) FY11	ROE (%) FY12
DLF	Buy	310	531	401	428	432	18.1	19.9	17.1	15.5	153	175	2.0	1.8	10.4	10.6
Unitech	Buy	74	177	88	106	450	4.8	6.4	15.5	11.6	44	46	1.7	1.6	9.7	12.5
IBREL	Neutral	169	68	261	270	193	5.4	13.4	31.1	12.6	206	211	0.8	0.8	1.6	3.9
HDIL	Buy	301	104	404	426	194	18.4	23.9	16.3	12.6	209	207	1.4	1.5	8.8	11.5
Anant Raj	Buy	140	41	194	208	65	10.4	11.9	13.5	11.7	129	140	1.1	1.0	8.0	8.5
Phoenix Mills	Buy	192	28	220	247	50	7.4	10.7	26.1	18.0	114	118	1.7	1.6	6.4	9.0
Mah Life	Buy	382	16	511	583	53	29.4	36.0	13.0	10.6	269	308	1.4	1.2	10.6	11.4
Brigade	Buy	138	15	164	188	28	9.9	15.0	14.0	9.2	97	105	1.4	1.3	10.2	14.3
Puravankara	Neutral	101	22	124	140	125	7.8	9.4	12.9	10.8	74	72	1.4	1.4	10.6	13.1
Peninsula	Neutral	76	21	98	104	14	12.0	13.2	6.4	5.8	48	56	1.6	1.4	29.1	30.0

Source: MOSL

RE NAVS ACROSS COMPANIES (RS/SHARE)

	DLF	UNITECH	IBREL	HDIL	ANANT RAJ	PHOENIX	MAH LIFE	BRIGADE	PURAVANKARA	PENINSULA
Apartments	250	78	103	148	107	12	179	130	255	64
Villas	28	59	0	0	0	0	0	0	0	0
Plots/Inst Plots	61	16	0	0	0	0	0	0	0	0
Commercial	154	42	78	154	72	39	0	121	9	71
Hotels	20	9	0	0	62	209	0	46	0	0
Retail	186	21	43	253	62	311	0	62	0	0
Others	0	3	20	783	4	0	354	7	0	1
Total	**678**	**228**	**244**	**1,338**	**306**	**570**	**533**	**365**	**265**	**135**
Add: Misc	63	12	0	0	0	41	0	0	0	14
Gross Asset Value	**741**	**240**	**244**	**1,338**	**306**	**611**	**533**	**365**	**265**	**149**
Less: Tax	163	53	56	180	70	15	0	84	58	143
Add: Cash	13	3	47	3	10	38	37	0	4	31
Less: Debt	92	24	0	98	0	29	0	57	33	1
Less: Land Cost	10	8	29	17	7	9	0	0	13	10
Less: Operating Exp & others	61	53	24	77	31	17	0	37	24	0
Net Asset Value	**428**	**106**	**270**	**426**	**208**	**247**	**583**	**188**	**140**	**104**
CMP 17-Mar-10 (Rs/sh)	310	74	169	301	140	192	382	138	101	76
% Prem/Disc	-27.6	-30.0	-37.3	-29.5	-33.0	-22.5	-34.4	-26.5	-27.9	-26.7

Source: MOSL

COMPARATIVE VALUATION

	CMP (RS) 30.03.10	RECO	EPS (RS) FY10E	EPS (RS) FY11E	EPS (RS) FY12E	P/E (X) FY10E	P/E (X) FY11E	P/E (X) FY12E	EV/EBITDA FY10E	EV/EBITDA FY11E	EV/EBITDA FY12E	ROE (%) FY10E	ROE (%) FY11E	ROE (%) FY12E
Real Estate														
Anant Raj Inds	133	Buy	9.0	10.4	11.9	14.8	12.9	11.2	12.0	9.6	7.7	7.4	7.9	8.4
Brigade Enterpr.	138	Buy	6.9	9.9	15.0	20.0	14.0	9.2	15.4	9.9	6.6	7.6	10.2	14.3
DLF	309	Buy	10.5	15.3	17.9	29.5	20.2	17.2	19.0	14.0	12.4	6.8	9.1	9.7
HDIL	289	Buy	16.6	18.4	23.2	17.4	15.7	12.5	17.2	13.0	9.6	8.6	8.8	10.2
Indiabulls Real Estate	154	Neutral	2.8	5.4	13.4	55.2	28.2	11.5	98.1	31.5	10.6	0.8	1.6	3.9
Mahindra Lifespace	385	Buy	24.2	29.4	36.0	15.9	13.1	10.7	13.2	9.1	6.9	9.8	10.6	11.4
Peninsula Land	72	Neutral	10.0	12.0	13.2	7.2	6.0	5.4	5.7	4.5	4.1	24.3	24.8	23.5
Phoenix Mills	186	Buy	3.7	7.4	10.7	49.8	25.3	17.4	46.0	20.5	17.6	3.5	6.5	8.8
Puravankara Projects	97	Neutral	5.3	7.8	9.4	18.3	12.3	10.3	22.0	12.6	8.2	7.8	10.6	11.5
Unitech	73	Buy	2.9	4.7	6.3	25.3	15.6	11.6	20.9	13.3	8.6	6.5	9.6	11.5
Sector Aggregate						**24.9**	**17.7**	**14.1**	**18.9**	**13.4**	**10.3**	**6.5**	**8.5**	**9.8**

Anant Raj Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ARCP IN
	REUTERS CODE
S&P CNX: 5,262	ANRA.BO

Equity Shares (m)	294.6
52 Week Range (Rs)	164/38
1,6,12 Rel Perf (%)	1 / -15 / 155
Mcap (Rs b)	39.3
Mcap (USD b)	0.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs133

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	2,508	2,073	7.0	-52.5	18.9	1.2	6.2	8.6	14.0	15.9
3/10E	3,632	2,651	9.0	27.9	14.8	1.1	7.4	9.3	10.1	12.0
3/11E	6,832	3,054	10.4	15.2	12.9	1.0	7.9	10.6	5.4	9.6
3/12E	9,155	3,502	11.9	14.7	11.2	0.9	8.4	11.5	4.0	7.7

- We expect ARIL's revenue to increase by 3x YoY to Rs1.1b and net profit to increase by 2.8x YoY to Rs579m largely due to increase in rental income from its IT park in Manesar. We expect EBITDA margins to remain stable at ~64%.
- During 4QFY10, ARIL soft launched its residential project in Hauz Khas, Central Delhi at Rs36,000/sf and has sold/ booked ~10flats. To maximize the realizations from this project, the company plans to sell this project in a phased manner. The launch of this project has been delayed by 3-4months and the company is still awaiting some municipal clearance to start development at the site.
- ARIL has planned the launch of its first mid-income housing project in Manesar in FY11. It has plans to launch ~1,000apartments at average realizations of Rs2,500/sf.
- ARIL has a robust business model, with multiple revenue streams and high monetization visibility. We expect revenues to increase at 54% CAGR over FY09-12 and net profit to increase at 19% over FY09-12. Our FY12E NAV for ARIL is Rs208/share. The stock trades at 0.9x FY12E BV of Rs140/share and 41% discount to its FY12E NAV of Rs208/share, which is attractive compared to industry peers.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Sales	**105**	**1,565**	**706**	**224**	**825**	**871**	**826**	**1,110**	**2,667**	**3,632**
Change (%)	*-93.0*	*-0.5*	*-61.5*	*-80.3*	*687.2*	*-44.4*	*17.0*	*396.2*	*-55.8*	*36.2*
Total Expenditure	96	70	54	81	65	73	62	399	301	599
Decr./(Incr.) in Stock in Trade	11	4	-24	-1	17	3	-1	101	-10	120
Consumption of Raw Material	15	12	9	12	3	10	6	151	48	170
Employee Cost	18	20	18	20	16	20	19	48	75	103
Other Expenditure	54	34	51	50	28	41	38	99	187	206
EBITDA	**9**	**1,496**	**652**	**143**	**760**	**799**	**764**	**711**	**2,367**	**3,033**
Change (%)	*-99.4*	*0.1*	*-62.5*	*-85.8*	*-*	*-46.6*	*17.1*	*397.1*	*-57.9*	*28.2*
As of % Sales	*8.1*	*95.6*	*92.3*	*63.9*	*92.2*	*91.7*	*92.4*	*64.0*	*88.7*	*83.5*
Depreciation	20	20	21	25	35	45	43	54	86	177
Interest	1	2	2	0	0	0	0	35	5	36
Other Income	134	137	168	261	155	137	117	187	701	596
Extra-ordinary /Minority	2	0	0	8	11	2	0	0	11	13
PBT	**122**	**1,610**	**797**	**379**	**880**	**890**	**837**	**809**	**2,976**	**3,416**
Tax	42	337	135	218	180	176	166	230	733	751
Effective Tax Rate (%)	*34.6*	*20.9*	*17.0*	*57.6*	*20.4*	*19.8*	*19.8*	*28.5*	*24.6*	*22.0*
Reported PAT	**80**	**1,273**	**662**	**161**	**700**	**714**	**671**	**579**	**2,243**	**2,664**
Change (%)	*-92.2*	*21.2*	*-46.0*	*-84.8*	*777.8*	*-43.9*	*1.3*	*260.0*	*-48.6*	*18.8*
Adj PAT	**78**	**1,273**	**662**	**152**	**689**	**713**	**671**	**579**	**2,232**	**2,651**
Change (%)	*-92.4*	*21.2*	*-46.0*	*-85.6*	*788.2*	*-44.0*	*1.4*	*280.0*	*-48.8*	*18.8*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com) / Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

DLF

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	DLFU IN
	REUTERS CODE
S&P CNX: 5,262	DLF.BO

Equity Shares (m)	1,714.4
52 Week Range (Rs)	491/160
1,6,12 Rel Perf (%)	-3 / -32 / 3
Mcap (Rs b)	529.4
Mcap (USD b)	11.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs309

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	100,440	46,292	26.9	-41.3	11.0	2.2	18.7	15.5	6.5	11.9
3/10E	74,376	18,003	10.5	-61.1	28.2	2.1	6.8	8.4	8.7	18.3
3/11E	101,526	26,324	15.3	46.2	19.3	1.9	9.1	10.3	6.3	13.4
3/12E	115,288	30,892	17.9	17.3	16.5	1.8	9.7	11.2	5.3	11.9

- We expect revenue to grow 79% YoY to Rs20.1b and net profit to increase 2x to Rs5b mainly on account of increase in residential sales volumes.
- During 4QFY10, DLF completed the integration of DLF Cyber City Developers Limited, its 100% subsidiary, with Caraf Builders & Constructions Private Limited (Caraf) in the ratio of 60:40. This deal has resolved the DLF-DAL promoter conflict issue and has successfully created a strong entity to monetize in the REIT market.
- During 4QFY10, DLF launched phase-III of its large residential project in West Delhi, *Capital Greens*, at Rs11,000/sf, ~40% premium to the phase-II launch and booked sales of ~60% of the total units.
- We have lowered our earnings estimates for DLF by ~21% for FY10 to Rs18b and by ~15% for FY11 to Rs26.3b to account for (i) delay in launches, (ii) lower sales assumptions for FY10 and FY11, (iii) high debt on account of integration of DAL, and (iv) slow progress on asset sales to lower debt.
- Our FY12E NAV for DLF is Rs428/share. The stock currently trades at ~1.8x FY12E adjusted BV of Rs175/share and 28% discount to its NAV. Progress on debt leveraging and subsequent revival in the commercial and retail verticals could lead to higher valuation multiples for DLF. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**38,106**	**37,444**	**13,667**	**11,223**	**16,499**	**17,509**	**20,258**	**20,110**	**100,440**	**74,376**
Change (%)	*24.0*	*15.2*	*(62.0)*	*(73.9)*	*-56.7*	*-53.2*	*48.2*	*79.2*	*-30.4*	*-26.0*
Total Expenditure	14,661	15,274	5,947	9,677	9,058	8,371	11,825	9,642	45,559	38,896
Cost of Land/Construction	12,060	12,862	2,830	5,777	5,583	5,155	7,959	5,884	33,328	24,581
Staff Cost	1,024	582	1,210	1,375	1,132	1,079	1,289	1,341	4,592	4,841
Others	1,577	1,829	1,907	2,526	2,343	2,137	2,577	2,417	7,640	9,474
EBITDA	**23,445**	**22,170**	**7,720**	**1,546**	**7,441**	**9,138**	**8,433**	**10,468**	**54,881**	**35,480**
Change (%)	*6.4*	*-2.1*	*-69.1*	*-94.4*	*-68.3*	*-58.8*	*9.2*	*577.2*	*-43.5*	*-35.4*
As % of Sales	*61.5*	*59.2*	*56.5*	*13.8*	*45.1*	*52.2*	*41.6*	*52.1*	*54.6*	*47.7*
Depreciation	546	505	788	516	734	766	800	807	2,355	3,106
Interest	541	469	938	1,625	2,874	2,486	2,568	2,748	3,574	10,676
Other Income	357	958	1,361	2,291	961	594	1,260	149	4,967	2,964
PBT	**22,715**	**22,154**	**7,356**	**1,695**	**4,794**	**6,481**	**6,325**	**7,062**	**53,919**	**24,662**
Tax	3,766	2,813	537	-2	993	1,918	1,684	1,906	7,115	6,500
Effective Tax Rate (%)	*16.6*	*12.7*	*7.3*	*-0.1*	*20.7*	*17.5*	*26.6*	*27.0*	*13.2*	*26.4*
Reported PAT	**18,949**	**19,341**	**6,818**	**1,697**	**3,801**	**4,563**	**4,641**	**5,156**	**46,804**	**18,162**
Change (%)	*-14.1*	*-4.2*	*(68.1)*	*(92.3)*	*-79.9*	*-76.4*	*(31.9)*	*-*	*-40.2*	*-61.2*
P/L of Associat./ Minority Int.	308	12	-110	-106	-159	166	-38	190	-513	7
Adj. PAT	**18,640**	**19,354**	**6,708**	**1,591**	**3,960**	**4,397**	**4,679**	**4,966**	**46,292**	**18,003**
Change (%)	*(14.4)*	*(4.1)*	*(68.7)*	*(92.7)*	*(78.8)*	*(77.3)*	*(30.2)*	*212.3*	*(40.7)*	*-61.1*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com) / Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

HDIL

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	HDIL IN
	REUTERS CODE
S&P CNX: 5,262	HDIL.BO

Equity Shares (m)	345.8
52 Week Range (Rs)	411/78
1,6,12 Rel Perf (%)	-11 / -13 / 184
Mcap (Rs b)	99.9
Mcap (USD b)	2.2

30 March 2010

Buy

Previous Recommendation: Buy

Rs289

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	17,284	7,871	28.6	-62.6	10.1	1.8	15.3	8.6	5.9	13.2
3/10E	16,364	5,724	16.6	-32.7	17.4	1.5	8.6	6.7	5.8	12.2
3/11E	21,452	6,367	18.4	11.2	15.7	1.4	8.8	7.5	4.1	9.1
3/12E	38,245	8,020	23.2	25.9	12.5	1.3	10.2	8.8	2.1	6.5

- We expect revenue to grow 61% YoY to Rs5.8b and net profit to increase by 148% YoY to Rs1.5b. EBITDA margins would expand to 49.4% v/s 27% in 4QFY09.
- During 4QFY10, HDIL launched phase-I (1.25msf) of its residential project in Virar (Thane), Residency Park, comprising ~1,500apartments. It has planned residential launches of ~1.5msf including 1msf in Goregaon and 0.5msf in Ghatkopar.
- During 4QFY10, HDIL received approvals for a new slum rehabilitation (SRS) project of ~1.2msf in Santacruz (West) in Mumbai, which is strategically located at <5km from the Mumbai airport.
- During 4QFY10, HDIL received approval for its IT SEZ of ~28.32hectares at Kalamassery, Kochi, Kerala.
- HDIL is well placed to benefit from the strong recovery in the Mumbai real estate market (87% of HDIL's land bank is in MMR). Our FY12E NAV for HDIL is Rs426/share. The stock trades at 1.5x FY12E adjusted BV of Rs207/ share and at 29% discount to its FY12E NAV of Rs426/share. We expect the stock to trade at NAV going forward, owing to its large Mumbai presence and improved monetization outlook. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**5,701**	**4,776**	**3,138**	**3,579**	**2,954**	**3,537**	**4,089**	**5,784**	**17,284**	**16,364**
Change (%)	*28.6*	*2.7*	*-36.8*	*-63.3*	*-48.2*	*-38.0*	*30.3*	*61.6*	*-27.4*	*-5.3*
Total Expenditure	1,045	2,070	2,188	2,614	1,792	1,740	2,201	2,095	9,502	7,828
Cost of Land/Construction	782	362	1,855	2,436	1,630	1,515	2,243	-38	6,509	5,350
Staff Cost	47	61	50	41	53	56	73	1	123	183
Others	217	1,647	283	137	109	169	-115	2,132	251	2,295
EBITDA	**4,655**	**2,705**	**950**	**965**	**1,161**	**1,797**	**1,888**	**2,857**	**7,782**	**7,703**
Change (%)	*97.0*	*5.6*	*-71.4*	*-88.8*	*-75.1*	*-33.6*	*98.7*	*196.0*	*-54.0*	*-1.0*
As % of Sales	*81.7*	*56.7*	*30.3*	*27.0*	*39.3*	*50.8*	*46.2*	*49.4*	*45.0*	*47.1*
Depreciation	12	6	18	9	9	9	12	49	25	78
Interest	1,451	141	142	297	169	185	190	531	582	1,075
Other Income	180	255	209	309	233	274	266	107	540	880
Extra-ordinary Income	-	-	1,092	-	-	-	-	-	-1,094	-
PBT	**3,372**	**2,812**	**1,000**	**969**	**1,217**	**1,876**	**1,952**	**2,385**	**7,715**	**7,429**
Tax	193	156	244	350	142	390	324	849	943	1,705
Effective Tax Rate (%)	*5.7*	*5.5*	*24.3*	*36.1*	*11.6*	*20.8*	*16.6*	*35.6*	*12.2*	*22.9*
Adj. PAT	**3,179**	**2,657**	**757**	**619**	**1,075**	**1,486**	**1,628**	**1,536**	**6,777**	**5,724**
Change (%)	*56.9*	*15.8*	*-72.0*	*-91.3*	*-66.2*	*-53.3*	*115.1*	*148.0*	*-51.9*	*-15.5*
Reported PAT	**3,179**	**2,657**	**1,849**	**619**	**1,075**	**1,486**	**1,628**	**1,536**	**7,871**	**5,724**
Change (%)	*56.9*	*15.8*	*-31.6*	*-91.3*	*-66.2*	*-53.3*	*-12.0*	*148.0*	*-44.2*	*-27.3*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com) / Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

Mahindra Lifespaces

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	MLIFE IN
	REUTERS CODE
S&P CNX: 5,262	MALD.BO

Equity Shares (m)	40.8
52 Week Range (Rs)	425/124
1,6,12 Rel Perf (%)	-5 / 0 / 120
Mcap (Rs b)	15.7
Mcap (USD b)	0.3

30 March 2010 — **Buy**

Previous Recommendation: Buy — Rs385

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	3,418	641	15.7	-3.5	24.5	1.7	6.9	7.8	5.1	24.2
3/10E	4,300	987	24.2	54.2	15.9	1.6	9.8	10.6	4.2	13.2
3/11E	5,804	1,201	29.4	21.6	13.1	1.4	10.6	13.4	3.2	9.1
3/12E	7,128	1,470	36.0	22.4	10.7	1.2	11.4	15.1	2.4	7.0

- We expect standalone revenue to increase by 2.6x YoY to Rs1.1b and net profit to increase by 2.4x YoY to Rs464m, led by robust sales volumes. We expect EBITDA margins to expand to 55% during 4QFY10.
- During 4QFY10, MLL launched phase-II of its residential project at Bhandup, *Mahindra Splendor*, at Rs6,500/sf, ~8% higher than its phase-I rate of Rs6,000/sf. MLL plans to launch the second phase of its residential development at the Chennai SEZ of ~0.8msf during in FY11. The management had earlier guided for the launch of this project during 4QFY10. This project would consist of mid-income homes priced at Rs2.5-3.5m/unit. For 9MFY10, it has achieved total residential sales of ~Rs3.8b.
- MLL plans to increase the processing area at the Chennai SEZ by ~100acres. Of this, it has already acquired ~70acres and is in advanced stages of acquiring the balance ~30acres. Post this land acquisition, the area under the Chennai SEZ would increase to ~1,700acres (v/s 1,550acres, currently).
- Our FY12E SOTP value is Rs583/share: (1) Chennai SEZ at Rs180/share, (2) Jaipur SEZ at Rs174/share, (3) residential vertical at Rs179/share, and (4) other rental assets at Rs50/share. Our valuations do not include any value for: (1) 52-acre Thane project, (2) 50-acre commercial land at Chennai SEZ, and (3) two planned new SEZs / industrial parks in Tamil Nadu and near Mumbai-Pune Expressway. The stock trades at 1.2x FY12E BV of Rs308/ share and at 31% discount to its SOTP value of Rs583/share. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**482**	**303**	**557**	**312**	**473**	**635**	**1,089**	**1,117**	**3,418**	**4,300**
Change (%)	*38.4*	*-11.6*	*28.3*	*-47.6*	*-2.0*	*109.5*	*95.7*	*257.9*	*47.9*	*25.8*
Total Expenditure	412	268	474	316	369	488	784	504	2,692	2,942
EBITDA	**70**	**35**	**82**	**-4**	**104**	**147**	**305**	**613**	**725**	**1,358**
As % of Sales	*14.6*	*11.7*	*14.8*	*-1.1*	*22.0*	*23.2*	*28.0*	*54.9*	*21.2*	*31.6*
Depreciation	4	5	5	-82	6	5	5	15	-39	85
Interest	0	1	0	0	0	0	0	0	38	125
Other Income	58	114	67	87	43	131	66	37	294	265
PBT	**123**	**144**	**145**	**166**	**140**	**229**	**366**	**636**	**956**	**1,413**
Tax	26	33	32	25	36	56	86	172	299	424
Effective Tax Rate (%)	*21.0*	*22.6*	*21.9*	*15.0*	*25.8*	*24.2*	*23.5*	*27.0*	*31.3*	*30.0*
Reported PAT	**98**	**112**	**113**	**141**	**104**	**173**	**280**	**464**	**656**	**988**
Change (%)	*33.0*	*-43.8*	*1.0*	*-36.3*	*6.9*	*55.2*	*147.7*	*228.9*	*-1.1*	*50.5*
Adj. PAT	**98**	**112**	**113**	**136**	**104**	**203**	**280**	**464**	**641**	**987**
Change (%)	*33.0*	*112.8*	*1.0*	*-38.7*	*6.9*	*81.3*	*147.7*	*241.8*	*42.6*	*54.1*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com) / Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

Phoenix Mills

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	PHNX IN
	REUTERS CODE
S&P CNX: 5,262	PHOE.BO

Equity Shares (m)	144.8
52 Week Range (Rs)	227/62
1,6,12 Rel Perf (%)	-4 / 2 / 92
Mcap (Rs b)	27.0
Mcap (USD b)	0.6

30 March 2010

Buy

Previous Recommendation: Buy

Rs186

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	996	768	5.3	68.1	35.1	1.8	5.1	5.1	30.6	50.7
3/10E	1,225	542	3.7	-29.4	49.8	1.7	3.5	3.6	27.3	46.0
3/11E	2,415	1,066	7.4	96.9	25.3	1.6	6.5	6.7	14.4	20.5
3/12E	3,596	1,547	10.7	45.1	17.4	1.5	8.8	7.7	10.7	17.6

- We expect revenue to grow 92% YoY to Rs412m and net profit to increase by 21% YoY to Rs111m, led by increased contribution from *Palladium*, phase-III of *High Street Phoenix* (*HSP*), its retail project in Mumbai.
- *HSP* is likely to witness strong growth over FY10-12, driven by (1) re-pricing of old rental contracts of ~150,000sf by ~100% in FY11-12, (2) start of operations of 400-room Shangri-La hotel by 3QFY11, (3) leasing of 35,000sf of incremental commercial space by FY11-12, and (4) addition of phase-4 retail area of ~300,000sf by FY12.
- During 4QFY10, PML's Market city projects witnessed significant traction in leasing, with (i) Kurla, Mumbai ~22% leased at average lease rentals of Rs95-100/sf/mth, (ii) Pune mall 55% leased at average rentals of Rs65/sf/mth, and (iii) Bangalore mall ~12% leased at average rentals of Rs55-60/sf/mth. Post the completion of these malls, PML would own the largest malls in almost all tier-1 cities in India, except the NCR.
- We believe PML is a unique play on the booming domestic consumption story, without retail-specific risks. We have rolled our NAV one year forward to FY12, which is Rs247/share. The retail vertical forms 73% of GAV while the commercial and hotel verticals each form 9% of GAV. The stock trades at 1.7x its FY12E adjusted book value of Rs118/share and 19% discount to our NAV of Rs247/share. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	CONS.	CONS.
Sales	**207**	**234**	**221**	**214**	**248**	**264**	**302**	**412**	**996**	**1,225**
Change (%)	*-99.3*	*-99.3*	*(99.4)*	*(99.5)*	*19.7*	*12.6*	*36.7*	*92.2*	*21.3*	*23.0*
Total Expenditure	51	55	66	84	59	82	125	250	394	500
Cost of Land/Construction	2	2	2	1	2	1	2	68	6	73
Staff Cost	10	11	6	11	9	11	10	80	108	110
Others	39	42	58	71	48	70	113	86	280	317
EBITDA	**156**	**179**	**155**	**131**	**189**	**182**	**177**	**162**	**602**	**725**
Change (%)	*-99.3*	*-99.2*	*-99.4*	*-99.5*	*21.3*	*1.5*	*14.2*	*23.9*	*20.2*	*20.5*
As % of Sales	*75.1*	*76.5*	*70.3*	*60.9*	*76.2*	*68.9*	*58.7*	*39.3*	*60.4*	*59.2*
Depreciation	20	18	21	24	24	27	53	5	93	108
Interest	0	17	9	24	10	10	31	59	55	110
Other Income	16	322	62	85	53	83	47	69	503	251
PBT	**152**	**467**	**187**	**168**	**208**	**228**	**140**	**182**	**957**	**759**
Tax	42	81	39	28	55	53	39	39	190	185
Effective Tax Rate (%)	*27.4*	*17.3*	*21.1*	*16.4*	*26.3*	*17.5*	*19.5*	*21.3*	*19.8*	*24.4*
Reported PAT	**110**	**386**	**148**	**141**	**153**	**175**	**102**	**143**	**767**	**574**
Change (%)	*-99.5*	*-98.1*	*(99.3)*	*(99.4)*	*61.8*	*66.5*	*33.8*	*34.8*	*79.3*	*-25.2*
Adj. PAT	**110**	**386**	**148**	**141**	**153**	**175**	**102**	**111**	**768**	**542**
Change (%)	*(99.5)*	*(98.1)*	*(99.3)*	*(99.4)*	*38.9*	*(54.6)*	*(30.9)*	*(21.0)*	*79.5*	*-29.4*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com) / Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

Unitech

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	UT IN
	REUTERS CODE
S&P CNX: 5,262	UNTE.BO

Equity Shares (m)	2,435.6
52 Week Range (Rs)	118/31
1,6,12 Rel Perf (%)	-6 / -35 / 32
Mcap (Rs b)	177.2
Mcap (USD b)	3.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs73

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	28,945	9,689	6.0	-41.7	12.2	3.0	18.7	13.2	9.0	16.4
3/10E	29,162	8,662	3.6	-40.4	20.5	1.8	7.9	7.8	7.9	17.9
3/11E	35,300	11,461	4.7	32.3	15.5	1.6	9.5	8.8	6.4	13.2
3/12E	61,066	15,320	6.3	33.7	11.6	1.4	11.4	12.9	3.5	8.5

- We expect revenue to increase by 1.8x YoY to Rs11b and net profit to increase by 5x YoY to Rs3.4b. EBITDA margins would expand by 10.5pp YoY to 44.2%, led by higher realizations.
- During 4QFY10, Unitech received Rs20.2b from Telenor towards additional stake of 7.15% acquired in Unitech Wireless, Unitech's telecom subsidiary. Telenor's stake in Unitech Wireless now stands at 67.25%.
- Unitech is likely to achieve residential sales of 13-14msf. It has significantly scaled up execution across projects and hopes to deliver ~32msf (22msf of old projects and ~10msf of recent projects) over FY10-13.
- Construction has commenced in ~60% of recently launched projects, and pre-construction and site development activity is underway in 30% of projects. With construction at most of Unitech's projects gaining momentum, visibility of cash flows has increased - most of the projects have a construction-linked payment schedule.
- Our FY12E NAV for Unitech is Rs103/share. The stock trades at 11.6x FY12E EPS of Rs6.3 and 1.4x FY12E BV of Rs55/share. Among large-cap RE stocks, Unitech has one of the most comfortable balance sheets, with a low leverage of ~0.5x and strong earnings visibility of 37% CAGR over FY10-12. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**10,317**	**9,831**	**4,894**	**3,903**	**5,149**	**5,095**	**7,745**	**9,174**	**28,945**	**27,162**
Change (%)	*19.2*	*-3.0*	*-57.1*	*-66.4*	*-50.1*	*-48.2*	*58.3*	*135.1*	*-29.7*	*-6.2*
Total Expenditure	4,233	3,739	2,451	2,587	1,998	2,117	5,888	6,023	13,010	16,026
Incr./Decr. in Stock in Trade	-26	-38	-2	120	73	-10	-78	-	54	13,620
Construction Exp	3,961	3,464	2,196	2,216	1,727	1,846	5,714	-	11,837	
Employee Cost	298	312	257	251	198	281	252	-	1,118	486
EBITDA	**6,084**	**6,092**	**2,443**	**1,316**	**3,151**	**2,978**	**1,857**	**3,151**	**15,935**	**11,136**
Change (%)	*21.5*	*20.2*	*-66.7*	*-72.7*	*-48.2*	*-51.1*	*-24.0*	*139.4*	*-27.7*	*-30.1*
As of % Sales	*59.0*	*62.0*	*49.9*	*33.7*	*48.5*	*58.4*	*24.0*	*34.3*	*55.1*	*41.0*
Depreciation	68	38	53	50	42	114	79	9	209	244
Interest	1,079	1,341	967	2,158	926	603	148	1,737	5,546	3,414
Other Income	227	184	176	240	333	172	139	487	4,212	1,130
Extra-ordinary Income	-4	7	0	3,385	0	0	0	0	3,388	0
PBT	**5,160**	**4,896**	**1,599**	**2,733**	**2,516**	**2,432**	**1,769**	**1,891**	**14,392**	**8,608**
Tax	927	1,300	219	-21	539	654	373	398	2,424	1,965
Effective Tax Rate (%)	*18.0*	*26.5*	*13.7*	*-0.8*	*21.4*	*18.5*	*21.1*	*21.1*	*16.8*	*22.8*
Reported PAT	**4,233**	**3,597**	**1,380**	**2,754**	**1,578**	**1,779**	**1,395**	**1,892**	**11,968**	**6,644**
Change (%)	*15.3*	*-12.3*	*-73.6*	*-25.4*	*-62.7*	*-50.5*	*1.1*	*-31.3*	*-29.6*	*-44.5*
Minority		7	20	-18	399	-2	365	-	9	363
Adj PAT	**4,233**	**3,589**	**1,361**	**486**	**1,578**	**1,777**	**1,760**	**1,892**	**9,689**	**7,007**
Change (%)	*15.3*	*-12.5*	*-74.0*	*-86.5*	*-62.7*	*-50.5*	*29.4*	*289.0*	*-42.7*	*-27.7*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com) / Mansi Trivedi (Mansi.Trivedi@MotilalOswal.com)

Retailing

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

Pantaloon Retail

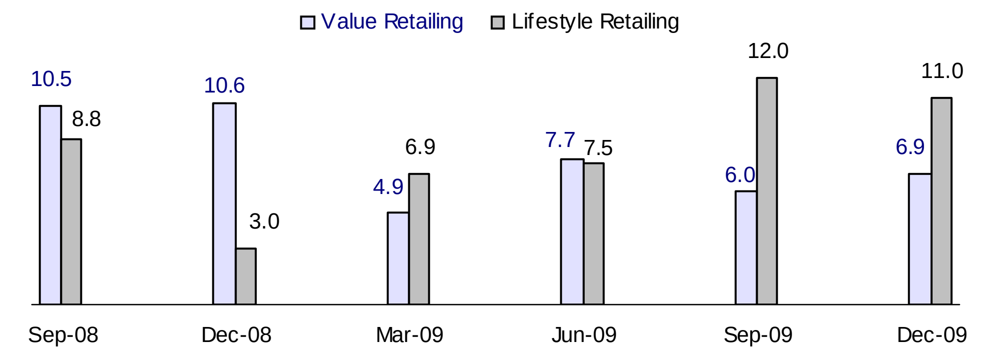
Titan Industries

We estimates our Retail coverage Universe to post 30% YoY increase in sales, in 4QFY10. Adjusted PAT is expected to increase by 57% mainly due to operating leverage.

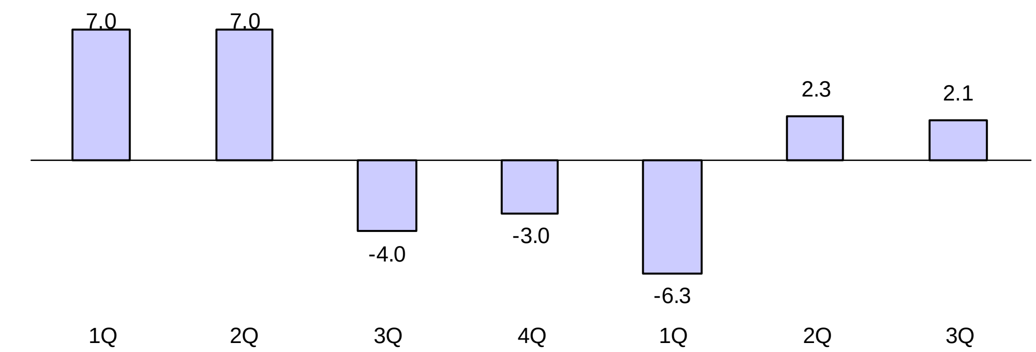
Buoyant consumption sentiment abets impulse buying…

Consumption sentiment has been fairly buoyant in 4QFY10. Improving job opportunities and visibility of growth in salaries across sectors has instilled confidence in consumers in the top 8 cities. Impulse buying has returned to the Indian retail sector with categories like apparel, accessories, jewelry and watches and consumer durables growing briskly. Home retailing is likely to report 20%+ SSS growth (helped by a low base).

SSS GROWTH TREND OF PANTALOON



LTL SALES GROWTH TREND OF SHOPPERS' STOP (%)



Source: Company/MOSL

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

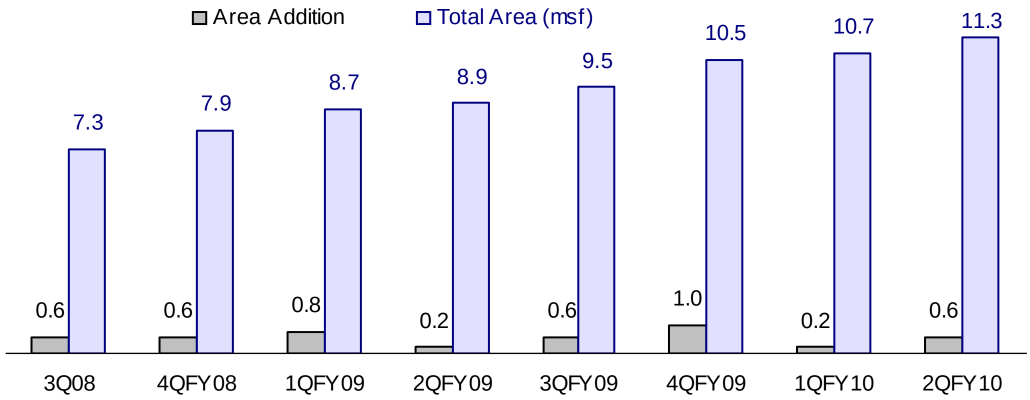
	CMP (RS) 30.03.10	RECO	SALES MAR.10	SALES VAR. % YOY	SALES VAR. % QOQ	EBITDA MAR.10	EBITDA VAR. % YOY	EBITDA VAR. % QOQ	NET PROFIT MAR.10	NET PROFIT VAR. % YOY	NET PROFIT VAR. % QOQ
Retailing											
Pantaloon Retail	386	Buy	20,772	26.5	8.6	2,223	28.5	9.3	575	67.3	13.5
Titan Industries	1,833	Neutral	12,083	37.2	-9.4	1,035	66.4	-3.5	655	48.5	-16.5
Sector Aggregate			**32,856**	**30.2**	**1.2**	**3,258**	**38.5**	**4.9**	**1,230**	**56.7**	**-4.7**

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)/Nikhil Kumar(Nikhil.N@MotilalOswal.com)

...instilling confidence among retailers

We expect retailers to increase the pace of store additions due to rising sales momentum and availability of retail space at affordable lease rentals. We expect Pantaloon to add ~0.6msf during the quarter; management had guided for 2.5m-3msf of addition in FY10. Shoppers' Stop added two hypermarkets in the quarter and specialty retailers like Titan are also increasing their area addition plans.

PANTALOON RETAIL'S STORE RAMP-UP PLANS



Source: Company/MOSL

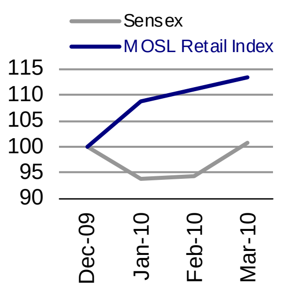
Gold price decline (~10%) off its peak spurs jewelry demand

Jewelry demand has rebounded sharply as prices of gold started their downward trend since the second week of December. We attribute the sharp jump in sales partly to pent-up demand. We expect double-digit volume growth in jewelry as consumers get used to gold prices above Rs16,000/10gm.

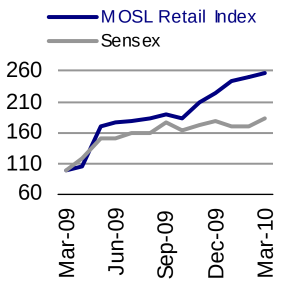
GOLD PRICES DECLINE TO ~10% OFF THEIR PEAK

Source: Industry/MOSL

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



Service tax on lease rentals to impact profitability in the near term

The Budget imposed 10.3% service tax on lease rentals this year. Retailers can set off 20-25% of this and the rest must be absorbed. This is likely to impact margins of retailers who did not provide for the tax in previous quarters. As the service tax has been implemented with retrospective effect, the near term profit impact could be higher. But after the implementation of GST, retailers will be able to get a complete setoff of the service tax against VAT and other taxes which would considerably reduce the impact of the service tax.

Sentimental up-tick to enable traction in coming quarters; structural issues remain

We believe there is likely to be strong traction in sales and profitability in the retail sector in 2-3 quarters (partly helped by a low base) due to improved consumer sentiment. We expect Pantaloon to be a major beneficiary of the trend due to its presence across categories including value retailing and market leadership in key cities. However, we note that structural issues like high rentals, supply chain inefficiency, bank funding issues and low inventory turns remain. We maintain **Pantaloon** as our top pick in this segment.

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Retailing														
Pantaloon Retail	386	Buy	9.9	14.5	19.0	39.1	26.6	20.3	11.9	9.7	8.2	6.8	9.1	10.7
Titan Industries	1,833	Neutral	55.4	72.0	91.5	33.1	25.5	20.0	22.2	16.8	13.2	33.9	33.8	33.7
Sector Aggregate						**36.2**	**26.0**	**20.1**	**15.0**	**11.9**	**9.9**	**12.1**	**14.5**	**16.3**

Pantaloon Retail

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	PF IN
	REUTERS CODE
S&P CNX: 5,262	PART.BO

Equity Shares (m)	211.1
52 Week Range (Rs)	455/145
1,6,12 Rel Perf (%)	-8 / 11 / 56
Mcap (Rs b)	81.4
Mcap (USD b)	1.8

30 March 2010

Buy

Previous Recommendation: Buy

Rs386

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
06/09A	63,417	1,406	7.4	-6.6	52.2	3.2	6.1	10.1	1.6	14.9
06/10E	77,754	2,033	9.9	33.5	39.1	2.7	6.8	10.6	1.3	11.9
06/11E	96,398	3,058	14.5	46.9	26.6	2.4	9.1	12.1	1.0	9.7
06/12E	114,761	4,020	19.0	31.4	20.3	2.2	10.7	13.4	0.9	8.2

- We expect Pantaloon's revenues to grow 26.5% YoY to Rs20.7b, with strong growth in value retailing and lifestyle retailing. We expect double digit SSS growth in 3QFY10.
- Strong up-tick in consumer demand led by improving employment has resulted in strong sales in the top 8 cities.
- During the quarter, we expect the company to add 0.6msf with a likely tilt towards lifestyle retailing.
- We estimate 28.5% increase in EBIDTA as EBITDA margins are expected to expand 20bp to 10.7% (30bp expansion in 2QFY10) led by higher gross margins (private label sales) and scale benefits.
- We expect PAT to grow 36% to Rs575m; a higher than expected fall in interest costs remain a key risk to our estimate.
- The stock trades at 26.6x FY11E EPS and 20.3x FY12E EPS. Maintain **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E JUNE	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	**15,112**	**15,257**	**16,421**	**16,627**	**17,770**	**19,128**	**20,772**	**20,083**	**63,417**	**77,754**
YoY Change (%)	*39.1*	*24.4*	*21.2*	*20.4*	*17.6*	*25.4*	*26.5*	*20.8*	*25.6*	*22.6*
Total Exp	13,563	13,684	14,691	14,795	15,869	17,094	18,550	17,911	56,733	69,424
EBITDA	**1,549**	**1,573**	**1,730**	**1,832**	**1,901**	**2,034**	**2,223**	**2,172**	**6,684**	**8,331**
Growth (%)	*62*	*44*	*51.6*	*29.8*	*22.8*	*29.3*	*28.5*	*18.6*	*45.1*	*24.6*
Margins (%)	*10.2*	*10.3*	*10.5*	*11.0*	*10.7*	*10.6*	*10.7*	*10.8*	*10.5*	*10.7*
Depreciation	319	325	369	388	433	452	505	538	1,401	1,928
Interest	684	742	847	910	869	835	837	839	3,182	3,380
Other Income	12	15	16	18	47	20	18	20	61	105
PBT	**557**	**522**	**530**	**553**	**647**	**768**	**899**	**814**	**2,162**	**3,128**
Tax	196	187	186	188	209	261	324	301	757	1,095
Rate (%)	*33.5*	*35.8*	*35.0*	*34.0*	*32.3*	*34.0*	*36.0*	*37.0*	*35.0*	*35.0*
Adjusted PAT	**362**	**335**	**344**	**365**	**438**	**507**	**575**	**513**	**1,406**	**2,033**
YoY Change (%)	*21.8*	*6.0*	*7.1*	*12.2*	*21.2*	*51.1*	*67.3*	*40.5*	*11.6*	*44.6*

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)/Nikhil Kumar(Nikhil.N@MotilalOswal.com)

Titan Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TTAN IN
	REUTERS CODE
S&P CNX: 5,262	TITN.BO

Equity Shares (m)	44.4
52 Week Range (Rs)	1,905/719
1,6,12 Rel Perf (%)	-2 / 44 / 51
Mcap (Rs b)	81.4
Mcap (USD b)	1.8

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs1,833

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	38,034	2,055	46.3	36.8	39.6	14.8	37.3	38.8	2.2	25.4
03/10E	45,715	2,458	55.4	19.6	33.1	11.2	33.9	38.5	1.8	22.2
03/11E	56,876	3,196	72.0	30.0	25.5	8.6	33.8	41.3	1.4	16.8
03/12E	67,243	4,060	91.5	27.0	20.0	6.8	33.7	44.5	1.2	13.2

- We expect Titan to post revenues of Rs12b, up 37.2% YoY. Volume growth in watches is likely to be in double digits, aided by a low base effect, as well as in jewelry due to a strong up-tick in demand.
- We expect the watch division to post double-digit volume growth. The base effect is favorable as the company cut sales of Sonata at the dealer level in 4QFY09. We expect a 17% increase in sales and a 35% increase in EBIT in the watch business.
- The jewelry division is likely to post double-digit volume growth, led by a revival in demand as gold price stability boosted demand (10% decline in gold prices). We estimate a 40% increase in sales and a 65% in jewelry EBIT in 4QFY10.
- Precision engineering is expected to break even this quarter, but losses at Eye+ would increase sequentially due to launch of its first media campaign during the quarter.
- We believe Titan Industries is back on the growth path and is one of the best stocks to reflect growing urban consumption and middle-class spending power. We estimate the company will post PAT of 28.5% CAGR over FY10-12. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**8,103**	**10,886**	**10,238**	**8,807**	**8,828**	**11,468**	**13,336**	**12,083**	**38,034**	**45,715**
YoY Change (%)	*23.2*	*53.0*	*27.6*	*7.1*	*8.9*	*5.4*	*30.3*	*37.2*	*27.0*	*20.2*
Total Exp	7,543	9,624	9,519	8,185	8,336	10,387	12,264	11,048	34,779	42,034
EBITDA	**561**	**1,261**	**719**	**622**	**493**	**1,081**	**1,073**	**1,035**	**3,255**	**3,681**
Margins (%)	*6.9*	*11.6*	*7.0*	*7.1*	*5.6*	*9.4*	*8.0*	*8.6*	*8.6*	*8.1*
Depreciation	77	79	79	93	90	89	91	104	418	374
Interest	46	62	56	55	76	50	29	55	228	210
Other Income	8	12	12	20	10	32	30	14	53	86
PBT	**446**	**1,133**	**596**	**494**	**337**	**974**	**983**	**890**	**2,662**	**3,183**
Tax	117	261	175	53	93	198	199	235	607	725
Rate (%)	*26.3*	*23.1*	*29.3*	*10.8*	*27.5*	*20.3*	*20.3*	*26.4*	*22.8*	*22.8*
Adjusted PAT	**329**	**872**	**421**	**441**	**244**	**776**	**784**	**655**	**2,055**	**2,458**
YoY Change (%)	*82.8*	*78.0*	*36.6*	*-12.7*	*-25.8*	*-11.0*	*86.0*	*48.5*	*36.8*	*19.6*
Extraordinary Income	0	0	-176	-290	216	0	-29	0	-466	187
Reported PAT	**329**	**872**	**245**	**150**	**460**	**776**	**754**	**655**	**1,589**	**2,645**

E: MOSL Estimates

Amnish Aggarwal (AmnishAggarwal@MotilalOswal.com)/Nikhil Kumar(Nikhil.N@MotilalOswal.com)

Telecom

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

Bharti Airtel

Idea Cellular

Reliance Communication

4QFY10 to be a relatively stable quarter for wireless sector: 4QFY10 is likely to be a relatively stable quarter for the Indian wireless sector. After significant tariff cuts in 3QFY10, the tariff environment has been largely stable in 4QFY10. However, we expect RPM erosion to continue, led mainly by the residual impact of tariff cuts taken during 3QFY10 as more subscribers migrate to new tariff plans. QoQ traffic growth is likely to stay strong but will be lower than that in 3QFY10, which represents a high base and had the benefit of (1) higher MOU elasticity on significant tariff reduction, 2) seasonal strength, and 3) higher number of days in the quarter (92 days v/s 90 days in 4Q). We expect 5-8% QoQ growth in aggregate traffic v/s 5-15% in 3QFY10.

Lower tariffs to result in 5-6% QoQ decline in RPM implying largely flat revenues: We expect a blended RPM decline of 5-6% QoQ, resulting in largely flat QoQ wireless revenues for Bharti and RCOM. We expect Idea to post sequential revenue growth of ~5%, driven by higher traffic growth and a 230bp positive impact of 100% consolidation of acquired Spice circles for one month v/s 41% earlier.

EBITDA margin to decline 100-140bp QoQ: We expect EBITDA margin to decline by 100-140bp QoQ, led by lower revenue growth, implying a QoQ EBITDA decline of 3-4% for Bharti/RCOM and flat EBITDA for Idea. Our estimates factor in a QoQ decline of 9-14% in the wireless EBITDA per minute. However, aggressive cost saving by operators could result in a positive margin surprise.

Reported PAT to decline YoY, QoQ: Sector earnings will stay under pressure due to lower margins and tepid revenue growth. We expect proforma PAT to decline by 7%/28%/56% QoQ and 8%/55%/61% YoY for Bharti/Idea/RCom respectively. 3QFY10 earnings were boosted by forex and treasury gains for all operators. We factor in a Rs12.5b forex gain for Bharti (v/s Rs14.9b in 3QFY10), and Rs100m for Idea (v/s Rs118m in 3QFY10). However, we have not factored for any treasury gains for RCOM given a lack of disclosures on net finance cost break-up.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Telecom											
Bharti Airtel	311	Buy	98,006	-0.2	0.3	37,864	-5.4	-3.2	20,652	-7.8	-6.5
Idea Cellular	66	Buy	33,174	13.0	5.3	8,164	0.7	0.3	1,232	-55.1	-27.6
Reliance Comm	166	Buy	52,704	-13.9	-0.7	17,473	-26.7	-3.6	5,256	-61.3	-55.7
Sector Aggregate			**183,884**	**-2.6**	**0.9**	**63,501**	**-11.7**	**-2.9**	**27,140**	**-29.9**	**-23.9**

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

3G auctions; MNP remain overhangs: 3G spectrum auction is scheduled on 9 April 2010 and is likely to witness highly competitive bidding in larger circles given only 3 slots available in most circles v/s 4-6 serious contenders. While 3G would open up a new revenue opportunity for wireless operators, overbidding could result in dilution of return ratios in the near-term. The MNP implementation deadline has been postponed from 31 March 2010 to 30 June 2010. MNP implementation remains an overhang, especially given prospects of likely acceleration in competitive intensity in the post-paid segment.

Growth outlook improves; valuations attractive: We maintain a positive outlook on the wireless sector as volume growth stays strong and the tariff environment is likely to stabilize over the next two quarters. Competition from new entrants remains low at current tariff levels, especially given their capex-lite, opex-heavy business models. Potential regulatory changes pertaining to 2G spectrum allocation criteria and easing of M&A norms would be positive for sector consolidation. Sector valuation at 5.5-6.3x FY12E EBITDA is attractive.

Momentum for challengers tapering-off

We believe competition from new entrants remains low at current tariff levels given their lack of scale and capex-lite, opex-heavy business models, resulting in high operating costs per minute. The 24-42% MoM decline in net adds for new entrants - Uninor and S Tel - during February 2010 points to lower aggression from these players. The subscriber and revenue growth for Tata Teleservices, which has been the pioneer in per-second billing and has led the tariff war during the past two quarters, has also been tapering off.

WIRELESS NET-ADDS (M)

	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	JAN-10	FEB-10
Aircel	1.3	1.3	2.0	1.6	1.7	2.0	1.8
Bharti Airtel	2.8	2.5	2.7	2.8	2.9	2.9	2.9
BSNL (GSM)	1.4	1.3	0.6	1.2	2.0	2.2	1.5
Idea Cellular (incl. Spice)	1.5	1.4	1.9	2.6	1.7	2.3	2.3
MTNL (GSM)	0.0	0.0	0.1	0.1	0.1	0.0	0.1
Reliance Communications	2.1	2.0	2.1	2.8	2.8	2.8	2.8
Tata Teleservices	3.4	4.0	3.9	3.3	3.3	3.0	2.8
Vodafone Essar	2.2	2.0	3.0	2.8	2.8	2.7	3.1
Sistema Shyam	0.3	0.2	0.3	0.3	0.4	0.2	0.2
Uninor					1.2	1.3	1.0
S Tel					0.1	0.4	0.2
Others	0.1	0.1	0.0	0.0	0.1	0.0	0.1
Wireless Net adds (ex. PSU CDMA)	**15.1**	**14.8**	**16.6**	**17.5**	**19.1**	**19.9**	**18.9**

Source: Company/MOSL

OPERATOR-WISE AGR

	FY09				FY10			YOY	QOQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	%	%
Adjusted Gross Revenue (Rs b)									
Bharti (incl. wireleline)	57	60	68	68	69	68	65	-5	-5
Vodafone	36	39	38	41	42	41	40	4	-2
Idea/Spice	20	21	23	25	26	25	26	11	2
BSNL/MTNL	23	23	24	26	22	23	20	-16	-13
RCOM (incl. wireline)	25	23	24	22	23	22	21	-12	-4
Tata Tele (incl. wireline)	15	14	15	15	14	16	14	0	-7
Aircel	6	6	6	7	7	8	7	14	-12
Others	1	1	1	1	2	2	2	33	1
All India	**184**	**186**	**200**	**205**	**205**	**204**	**195**	**-2**	**-5**
Adjusted Gross Revenue Share (%)									
Bharti (incl. wireleline)	31.3	32.1	34.1	33.4	33.8	33.4	33.2	-92bp	-20bp
Vodafone	19.8	20.7	19.2	20.0	20.6	20.0	20.5	131bp	57bp
Idea/Spice	11.0	11.4	11.7	12.1	12.5	12.4	13.3	163bp	92bp
BSNL/MTNL	12.7	12.2	11.9	12.5	10.5	11.1	10.2	-170bp	-95bp
RCOM (incl. wireline)	13.5	12.3	12.1	10.9	11.2	10.8	10.9	-123bp	9bp
Tata Tele (incl. wireline)	7.9	7.4	7.3	7.1	6.9	7.6	7.4	15bp	-18bp
Aircel	3.2	3.1	3.1	3.4	3.6	3.9	3.6	53bp	-30bp
Others	0.6	0.6	0.6	0.6	0.8	0.8	0.9	23bp	5bp
All India	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**0bp**	**0bp**

Source: Company/MOSL

3G Auction: Intense competition likely in larger circles

3G spectrum auction is scheduled for 9 April 2010 and industry feedback suggests a delay in the auction schedule is unlikely. Four bidders - Bharti, RCOM, Tata Tele and Vodafone - are likely to bid in all 22 circles. Aircel, Idea and new operators (like Etisalat and others) are likely to focus on a few larger circles, which would result in increased competition and resultant overbidding in such circles. Bharti is one of the top three operators (by AGR) in all the 22 circles, followed by Vodafone (16 circles), BSNL/MTNL (10 circles, not a part of the auction), RCOM (9 circles), Aircel (4 circles) and Tata Tele (2 circles). Despite no revenue leadership position in most circles, Tata Teleservices is likely to be a serious bidder as its partner Docomo is a pioneer in 3G/4G technologies.

3G SPECTRUM AUCTION: REVISED TIMELINE

Last date for submission of applications	19 March 2010
Publication of ownership details of applicants	23 March 2010
Bidder ownership compliance certificate	26 March 2010
Pre-qualification of bidders	30 March 2010
Mock auction	5-6 April 2010
Start of 3G auction	9 April 2010
Start of BWA auction	2 days from the day of close of 3G auction
Payment of the successful bid amount	Within 10 calendar days of the close of the relevant auction

Source: Company/MOSL

3G SPECTRUM AUCTION: RESERVE PRICE SUMMARY

CIRCLE	NO. OF CIRCLES	RESERVE PRICE PER CIRCLE (RS B)	TOTAL RESERVE PRICE (RS B)
Category A, Delhi, Mumbai	7	3.2	22.4
Category B & Kolkata	9	1.2	10.8
Category C	6	0.3	1.8
Total	**22**		**35.0**

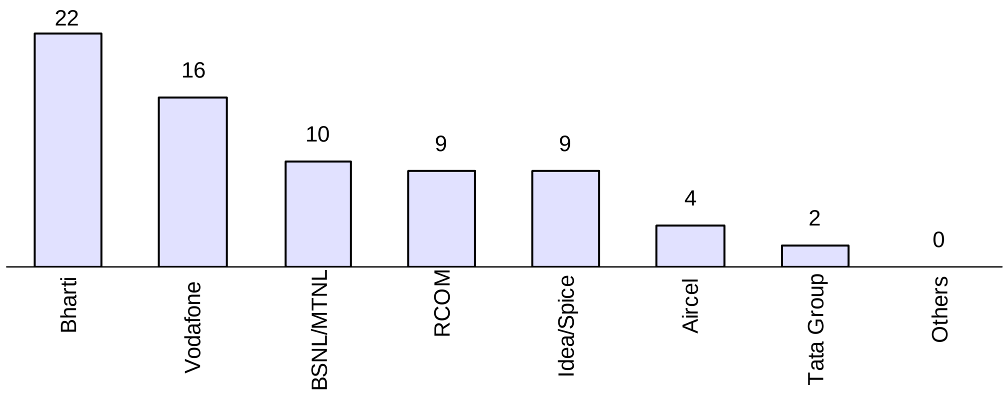
Source: Company/MOSL

PROCEEDS TO GOVERNMENT @ RESERVE PRICE (RS B)

3G spectrum (auction)	108
3G spectrum (BSNL/MTNL)	35
BWA spectrum (auction)	35
BWA spectrum (BSNL/MTNL)	18
Total proceeds from spectrum auction	**196**

Source: Company/MOSL

REVENUE LEADERSHIP (TOP THREE IN A CIRCLE) OF MAJOR OPERATORS



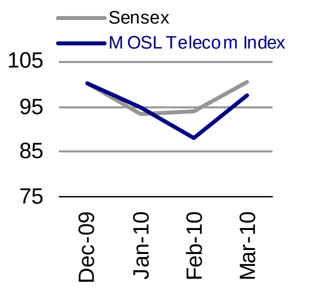
Source: TRAI/MOSL

CIRCLE WISE 3G SPECTRUM BLOCKS AND MARKET SIZE

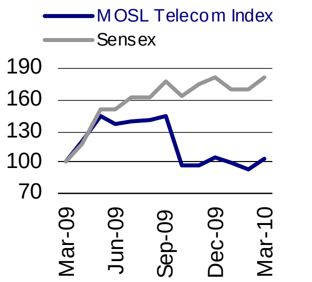
CIRCLE	3G RESERVE PRICE (RS B)	NO. OF BLOCKS AVAILABLE (INCL BSNL/MTNL)	MARKET SIZE (RS B) - AGR
Delhi	3.2	4	58
Mumbai	3.2	4	55
Kolkata	1.2	4	21
Maharashtra	3.2	4	61
Gujarat	3.2	4	45
A.P.	3.2	4	66
Karnataka	3.2	4	58
T.N. (incl. Chennai)	3.2	4	64
Kerala	1.2	4	32
Punjab	1.2	5	32
Haryana	1.2	4	17
U.P.(W)	1.2	4	35
U.P.(E)	1.2	4	49
Rajasthan	1.2	4	37
M.P.	1.2	4	36
W.B. & A&N	1.2	5	24
H.P.	0.3	5	6
Bihar	0.3	5	38
Orissa	0.3	4	15
Assam	0.3	4	14
N.E.	0.3	4	8
Jammu & Kashmir	0.3	5	7
Total	**35.0**	**93**	**779**

Source: Company/MOSL

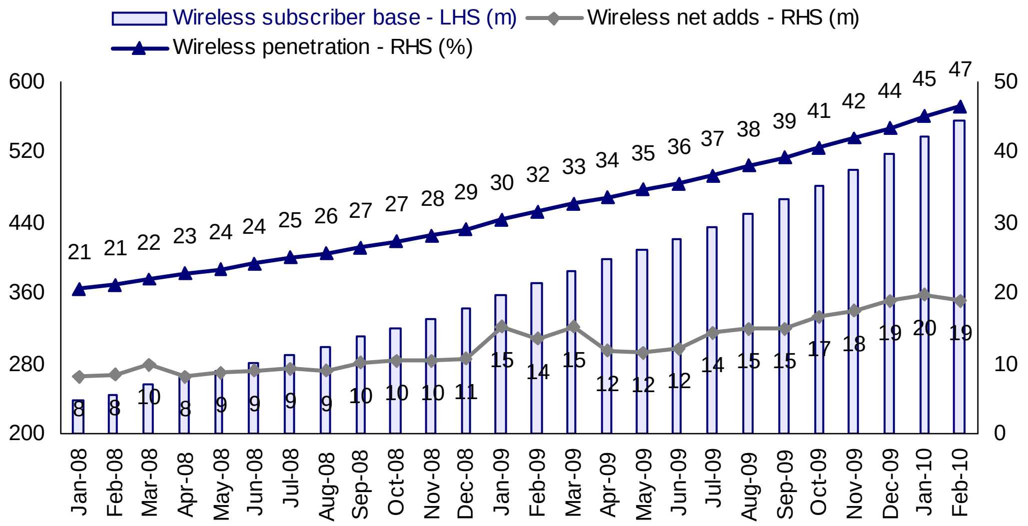
RELATIVE PERFORMANCE - 3M (%)



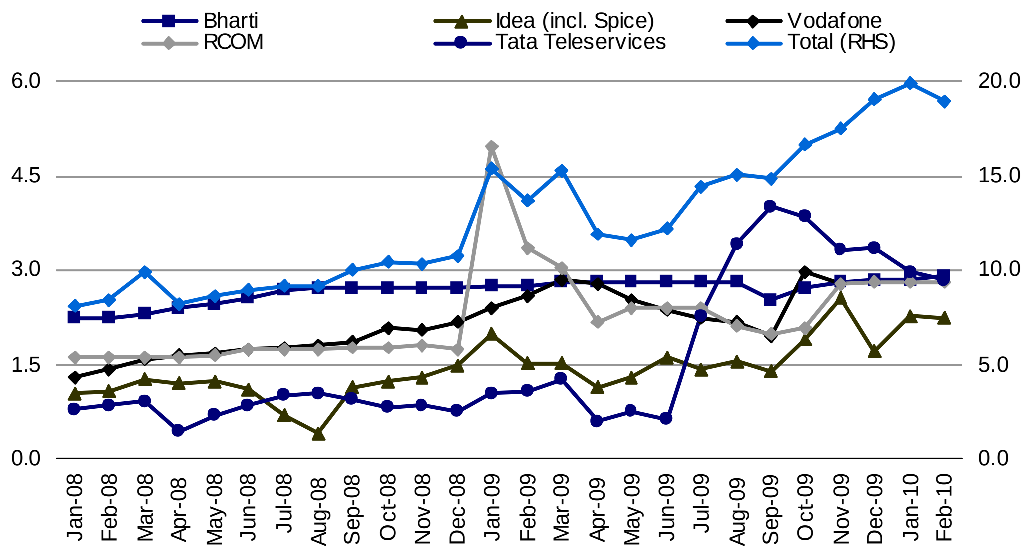
RELATIVE PERFORMANCE - 1YR (%)



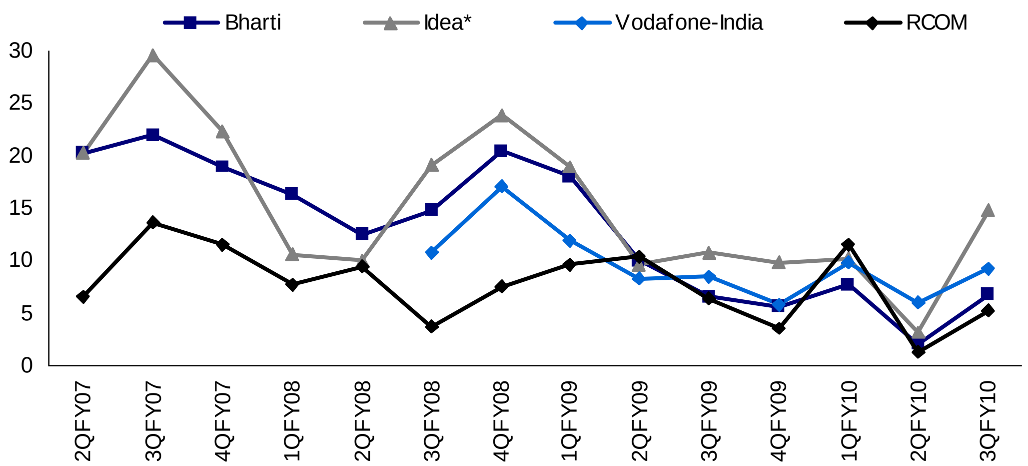
WIRELESS SUBSCRIBER BASE, NET ADDITIONS (M)



COMPANY-WISE WIRELESS SUBSCRIBER NET ADDITIONS (M)



TREND IN QOQ TRAFFIC GROWTH OF MAJOR WIRELESS OPERATORS (%)



Source: TRAI/MOSL

4QFY10: Summary expectations

WIRELESS KPIS

	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10E	YOY (%)	QOQ (%)
EOP Wireless Subs (m)										
Bharti	69	77	86	94	102	111	119	127	36	7.2
Idea*	27	30	34	39	43	47	52	58	50	11.2
RCOM	51	56	61	73	80	86	94	102	40	8.6
Avg. Wireless Subs (m)										
Bharti	66	73	82	90	98	106	115	123	37	7.4
Idea*	26	29	32	37	41	45	50	55	51	11.5
RCOM	48	53	59	67	76	83	90	98	46	8.8
ARPU (Rs/Month)										
Bharti	350	331	324	305	278	252	230	214	-30	-6.9
Idea*	278	261	266	254	232	209	200	185	-27	-7.7
RCOM	282	271	251	224	210	161	149	135	-40	-9.3
MOU Per Sub.										
Bharti	534	526	505	485	478	450	446	442	-9	-1.0
Idea*	431	421	416	402	399	375	389	377	-6	-3.0
RCOM	424	423	410	372	365	340	330	318	-14	-3.4
Revenue Per Minute (Rs)										
Bharti	0.66	0.63	0.64	0.63	0.58	0.56	0.52	0.48	-23	-6.0
Idea*	0.65	0.62	0.64	0.63	0.58	0.56	0.51	0.49	-23	-4.8
RCOM	0.67	0.64	0.61	0.60	0.58	0.47	0.45	0.42	-30	-6.0
Wireless Traffic (B Min)										
Bharti	105	116	124	131	141	144	153	163	25	6.3
Idea*	33	36	40	44	49	50	58	63	41	8.1
RCOM	61	68	72	75	83	85	89	93	25	5.0

** All operational numbers for Idea are on ex-Spice basis*

QUARTERLY FINANCIALS (CONSOLIDATED)

	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10E	YOY (%)	QOQ (%)
Revenue (Rs b)										
Bharti	84.8	90.2	96.3	98.2	99.4	98.5	97.7	98.0	0	0.3
Idea	21.8	23.0	27.3	29.4	29.8	29.7	31.5	33.2	13	5.3
RCOM	53.2	56.4	58.5	61.2	61.5	57.0	53.1	52.7	-14	-0.7
EBITDA (Rs b)										
Bharti	35.2	37.0	39.5	40.0	41.5	41.4	39.1	37.9	-5	-3.2
Idea	7.2	6.0	6.9	8.1	8.6	8.1	8.1	8.2	1	0.3
RCOM	22.5	23.0	23.5	23.8	24.5	20.2	18.1	17.5	-27	-3.6
EBITDA Margin (%)										
Bharti	41.5	41.0	41.0	40.7	41.8	42.1	40.0	38.6	-209bp	-139bp
Idea	32.9	26.2	25.5	27.6	28.9	27.2	25.8	24.6	-301bp	-123bp
RCOM	42.3	40.8	40.2	38.9	39.9	35.4	34.1	33.2	-576bp	-99bp
PAT (Rs m)										
Bharti	20.3	20.5	21.6	22.4	25.2	23.2	22.1	20.7	-8	-6.5
Idea	2.6	1.4	2.2	2.7	3.0	2.2	1.7	1.23	-55	-27.6
RCOM	16.4	16.8	14.8	13.6	17.3	8.2	11.9	5.3	-61	-55.8
EPS (Rs)										
Bharti	5.3	5.4	5.7	5.9	6.6	6.1	5.8	5.4	-8	-6.54
Idea	1.0	0.5	0.7	0.9	1.0	0.7	0.5	0.4	-55	-27.6
RCOM	7.9	8.1	7.2	6.6	8.4	4.0	5.8	2.5	-61	-55.7

Source: Company/MOSL

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Telecommunication														
Bharti Airtel	311	Buy	24.0	22.9	25.8	12.9	13.6	12.1	7.5	7.1	6.0	26.9	21.6	20.0
Idea Cellular	66	Buy	2.6	1.7	2.9	25.4	40.0	22.6	8.0	8.3	6.3	5.8	3.4	5.3
Reliance Comm	166	Buy	20.7	16.5	20.9	8.0	10.1	8.0	6.7	7.0	5.5	11.0	8.2	9.6
Sector Aggregate						**12.2**	**13.7**	**11.5**	**7.3**	**7.2**	**5.8**	**16.1**	**12.3**	**13.0**

Bharti Airtel

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BHARTI IN
	REUTERS CODE
S&P CNX: 5,262	BRTI.BO

Equity Shares (m)	3,794.0
52 Week Range (Rs)	495/230
1,6,12 Rel Perf (%)	4 / -28 / -82
Mcap (Rs b)	1,179.7
Mcap (USD b)	26.2

30 March 2010

Buy

Previous Recommendation: Buy

Rs311

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	369,615	84,699	22.3	26.4	13.9	3.7	31.4	23.8	3.4	8.2
03/10E	393,599	91,128	24.0	7.6	12.9	3.3	26.9	19.2	3.0	7.5
03/11E	433,200	86,978	22.9	-4.5	13.6	2.7	21.6	16.2	2.7	7.1
03/12E	504,212	97,781	25.8	12.4	12.1	2.2	20.0	15.8	2.3	6.0

- We expect revenue to remain largely flat YoY and QoQ at Rs98b.
- EBITDA margin is expected to decline ~140bp QoQ to 38.6% on low revenue traction.
- Mobility revenues are expected to stay sequentially flat as an expected 6% traffic growth is likely to be offset by a similar RPM decline. We expect mobile ARPU to decline 30% YoY and 7% QoQ to Rs214 (decline of 8.2% QoQ). EBITDA margin for the mobile business is expected at 29%, down ~140bp QoQ.
- Net profit is expected to decline ~8% YoY and ~7%QoQ to Rs20.7b. We have factored in forex gains of Rs1.25b in 4QFY10, led by the appreciation of the rupee (Rs1.5b gain in 3QFY10).
- Continuation of relatively stable tariff environment will be a positive as it would likely result in stabilizing AGR market share for Bharti. However, Zain integration and 3G auctions would be the stronger near-term drivers. Valuations at 7.1x EV/ EBITDA and 13.6x P/E FY11E are attractive. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenue	**84,833**	**90,203**	**96,334**	**98,245**	**99,416**	**98,455**	**97,722**	**98,006**	**369,615**	**393,599**
YoY Growth (%)	*43.7*	*42.3*	*38.3*	*25.6*	*17.2*	*9.1*	*1.4*	*-0.2*	*36.8*	*6.5*
QoQ Growth (%)	*8.5*	*6.3*	*6.8*	*2.0*	*1.2*	*-1.0*	*-0.7*	*0.3*		
Total Operating Expenses	49,612	53,210	56,884	58,231	57,898	57,039	58,610	60,142	217,937	233,688
EBITDA	**35,221**	**36,993**	**39,450**	**40,014**	**41,518**	**41,416**	**39,112**	**37,864**	**151,678**	**159,911**
YoY Growth (%)	*44.0*	*36.5*	*33.1*	*23.1*	*17.9*	*12.0*	*-0.9*	*-5.4*	*33.4*	*5.4*
QoQ Growth (%)	*8.3*	*5.0*	*6.6*	*1.4*	*3.8*	*-0.2*	*-5.6*	*-3.2*		
Margin (%)	*41.5*	*41.0*	*41.0*	*40.7*	*41.8*	*42.1*	*40.0*	*38.6*	*41.0*	*40.6*
Net Finance Costs	1,832	5,741	1,904	2,136	-2,605	428	-1,769	-1,725	11,613	-5,671
Non-Operating Income	470	21	-215	313	295	396	239	278	588	1,208
Depreciation & Amortization	10,045	11,549	12,702	13,285	14,330	14,796	15,403	15,834	47,581	60,363
Profit before Tax	**23,815**	**19,724**	**24,628**	**24,906**	**30,088**	**26,589**	**25,717**	**24,034**	**93,073**	**106,427**
Income Tax Expense / (Income)	3,282	-1,247	2,558	2,022	4,442	2,873	3,192	2,983	6,615	13,490
Profit / (Loss) to Min. Shareholders	282	508	478	491	479	506	426	398	1,759	1,809
Reported Net Profit / (Loss)	**20,251**	**20,463**	**21,592**	**22,393**	**25,167**	**23,210**	**22,099**	**20,652**	**84,699**	**91,128**
YoY Growth (%)	*34.0*	*26.8*	*25.4*	*20.9*	*24.3*	*13.4*	*2.3*	*-7.8*	*26.4*	*7.6*
QoQ Growth (%)	*9.3*	*1.0*	*5.5*	*3.7*	*12.4*	*-7.8*	*-4.8*	*-6.5*	*26.4*	*7.6*
Mobile ARPU (Rs/month)	**350**	**331**	**324**	**305**	**278**	**252**	**230**	**214**	**325**	**243**
QoQ Growth (%)	*-2.0*	*-5.4*	*-2.1*	*-5.9*	*-8.9*	*-9.4*	*-8.7*	*-6.9*		
Mobile MOU/sub/month	**534**	**526**	**505**	**485**	**478**	**450**	**446**	**442**	**508**	**453**
QoQ Growth (%)	*5.3*	*-1.5*	*-4.0*	*-4.0*	*-1.4*	*-5.9*	*-0.9*	*-1.0*		

E: MOSL Estimates; Financials as per US GAAP

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

Idea Cellular

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	IDEA IN
	REUTERS CODE
S&P CNX: 5,262	IDEA.BO

Equity Shares (m)	3,100.1
52 Week Range (Rs)	92/47
1,6,12 Rel Perf (%)	2 / -15 / -50
Mcap (Rs b)	205.8
Mcap (USD b)	4.6

30 March 2010

Buy

Previous Recommendation: Buy

Rs66

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	101,485	9,008	3.0	-23.7	22.0	1.4	10.4	7.4	2.4	8.6
03/10E	123,430	8,090	2.6	-13.5	25.4	1.5	5.8	4.6	2.1	8.0
03/11E	150,032	5,481	1.7	-36.4	40.0	1.2	3.4	4.1	2.1	8.3
03/12E	174,549	9,699	2.9	77.0	22.6	1.2	5.3	5.3	1.7	6.3

- We expect consolidated revenues to grow 13% YoY and 5% QoQ to Rs33b. We expect Idea (ex-Spice) to report mobile traffic growth of ~8% and RPM decline of ~5%. Full consolidation of Spice circles for one month would add ~2% to consolidated QoQ revenue growth for Idea.
- ARPU (ex-Spice) is expected to decline by 8% QoQ, impacted by RPM decline and lower MOU.
- EBITDA margin is likely to decline by ~120bp QoQ to 24.6%. We expect margins in established circles to decline from 30.1% in 3QFY10 to 29.7% in 4QFY10. EBITDA loss in new circles is estimated to increase from ~Rs1.3b in 3QFY10 to ~Rs1.4b in 4QFY10 due to new circle launches.
- Net profit is expected to decline 55% YoY and 28% QoQ to Rs1.23b.
- IDEA trades at FY11E P/E of 40x and EV/EBITDA of 8.3x. We have a **Buy** rating on the stock.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenue	**21,781**	**23,037**	**27,311**	**29,356**	**29,759**	**29,739**	**31,501**	**33,174**	**101,485**	**123,430**
YoY Growth (%)	*47.4*	*47.3*	*59.7*	*47.9*	*36.6*	*29.1*	*15.3*	*13.0*	*50.6*	*21.6*
QoQ Growth (%)	*9.7*	*5.8*	*18.6*	*7.5*	*1.4*	*-0.1*	*5.9*	*5.3*		
EBITDA	**7,203**	**6,068**	**6,974**	**8,108**	**8,599**	**8,095**	**8,141**	**8,164**	**28,353**	**32,903**
YoY Growth (%)	*40.2*	*18.3*	*22.5*	*20.4*	*19.4*	*33.4*	*16.7*	*0.7*	*24.9*	*16.0*
QoQ Growth (%)	*6.9*	*-15.8*	*14.9*	*16.3*	*6.1*	*-5.9*	*0.6*	*0.3*		
Margin (%)	*33.1*	*26.3*	*25.5*	*27.6*	*28.9*	*27.2*	*25.8*	*24.6*	*27.9*	*26.7*
Net Finance Costs	1,526	1,497	874	1,046	869	740	938	1,149	4,943	3,616
Depreciation & Amortization	2,749	3,032	3,937	4,321	4,555	4,796	5,130	5,565	14,039	20,046
Profit before Tax	**2,928**	**1,540**	**2,163**	**2,741**	**3,175**	**2,559**	**2,073**	**1,449**	**9,371**	**9,240**
Income Tax Expense / (Income)	297	99	-31	-2	204	357	372	217	363	1,150
Net Profit / (Loss)	**2,631**	**1,441**	**2,194**	**2,743**	**2,971**	**2,202**	**1,701**	**1,232**	**9,008**	**8,090**
YoY Growth (%)	*-14.7*	*-34.6*	*-7.3*	*-0.9*	*12.9*	*52.8*	*-22.5*	*-55.1*	*-13.6*	*-10.2*
QoQ Growth (%)	*-4.9*	*-45.2*	*52.3*	*25.0*	*8.3*	*-25.9*	*-22.8*	*-27.6*		
Margin (%)	*12.1*	*6.3*	*8.0*	*9.3*	*10.0*	*7.4*	*5.4*	*3.7*	*8.9*	*6.6*
Mobile ARPU (Rs/month)	**278**	**261**	**266**	**254**	**232**	**209**	**200**	**185**	**264**	**206**
QoQ Growth (%)	*-3.1*	*-6.1*	*1.9*	*-4.5*	*-8.7*	*-9.9*	*-4.3*	*-7.7*		
Mobile MOU/sub/month	**431**	**421**	**416**	**402**	**399**	**375**	**389**	**377**	**418**	**377**
QoQ Growth (%)	*4.9*	*-2.3*	*-1.2*	*-3.4*	*-0.7*	*-6.0*	*3.7*	*-3.0*		

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

Reliance Communication

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	RCOM IN
	REUTERS CODE
S&P CNX: 5,262	RLCM.BO

Equity Shares (m)	2,063.0
52 Week Range (Rs)	359/155
1,6,12 Rel Perf (%)	-1 / -49 / -85
Mcap (Rs b)	343.2
Mcap (USD b)	7.6

30 March 2010

Buy

Previous Recommendation: Buy

Rs166

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	229,410	61,552	29.8	11.7	5.6	0.9	18.7	8.9	2.5	6.1
03/10E	224,278	42,685	20.7	-30.7	8.0	0.9	11.0	5.7	2.4	6.7
03/11E	235,706	34,111	16.5	-20.1	10.1	0.8	8.2	5.8	2.4	7.0
03/12E	268,359	43,153	20.9	26.5	8.0	0.7	9.6	6.7	2.0	5.5

- We expect revenue to decline 14% YoY and ~1% QoQ to Rs52.7b.
- We expect wireless ARPU to decline by ~9% QoQ to Rs135. We expect RPM to decline by 6% QoQ to Rs0.42 and MOU to decline by 3% QoQ to 318.
- EBITDA margin is expected to decline by ~100bp QoQ to 33.2%. The decline will be led by low revenue traction.
- Pre-minority interest net profit is expected to decline by 61% YoY and 56% QoQ, led primarily by an EBITDA decline and assumption of no treasury gains.
- RCOM trades at 7x EV/EBITDA and 10.1x P/E on FY11 basis. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenue	**53,223**	**56,449**	**58,502**	**61,237**	**61,452**	**57,026**	**53,097**	**52,704**	**229,411**	**224,278**
YoY Growth (%)	*23.7*	*23.3*	*20.0*	*15.3*	*15.5*	*1.0*	*-9.2*	*-13.9*	*20.3*	*-2.2*
QoQ Growth (%)	*0.2*	*6.1*	*3.6*	*4.7*	*0.4*	*-7.2*	*-6.9*	*-0.7*		
EBITDA	**22,501**	**23,016**	**23,525**	**23,832**	**24,525**	**20,199**	**18,126**	**17,473**	**92,875**	**80,323**
YoY Growth (%)	*24.0*	*17.3*	*11.7*	*2.9*	*9.0*	*-12.2*	*-22.9*	*-26.7*	*13.3*	*-13.5*
QoQ Growth (%)	*-2.9*	*2.3*	*2.2*	*1.3*	*2.9*	*-17.6*	*-10.3*	*-3.6*		
Margin (%)	*42.3*	*40.8*	*40.2*	*38.9*	*39.9*	*35.4*	*34.1*	*33.2*	*40.5*	*35.8*
Net Finance Costs	-2,340	-2,353	-1,496	-1,678	-6,205	6,551	-4,075	2,888	-7,867	-841
Depreciation & Amortization	8,638	9,180	10,069	11,426	11,144	7,144	8,331	8,441	39,313	35,060
Profit before Tax	**16,203**	**16,189**	**14,952**	**14,084**	**19,586**	**6,504**	**13,870**	**6,143**	**61,429**	**46,103**
Income Tax Expense / (Income)	-194	-567	153	485	2,267	-1,739	2,003	887	-123	3,418
Adjusted Net Profit / (Loss)	**16,397**	**16,756**	**14,799**	**13,599**	**17,319**	**8,243**	**11,867**	**5,256**	**61,552**	**42,685**
YoY Growth (%)	*34.5*	*26.1*	*6.1*	*-13.2*	*5.6*	*-50.8*	*-19.8*	*-61.3*	*11.7*	*-30.7*
QoQ Growth (%)	*4.7*	*2.2*	*-11.7*	*-8.1*	*27.4*	*-52.4*	*44.0*	*-55.7*		
Extraordinary Exp/Minority Interest	1,275	1,447	697	-945	953	840	790	802	2,474	3,385
Reported Net Profit / (Loss)	**15,122**	**15,308**	**14,102**	**14,544**	**16,366**	**7,403**	**11,077**	**4,454**	**59,078**	**39,300**
Wireless ARPU (Rs/month)	**282**	**271**	**251**	**224**	**210**	**161**	**149**	**135**	**244**	**160**
QoQ Growth (%)	*-11.0*	*-3.9*	*-7.4*	*-10.8*	*-6.3*	*-23.3*	*-7.5*	*-9.3*		
Wireless MOU/sub/month	**424**	**423**	**410**	**372**	**365**	**340**	**330**	**318**	**389**	**335**
QoQ Growth (%)	*-1.4*	*-0.2*	*-3.1*	*-9.3*	*-1.9*	*-6.8*	*-2.9*	*-3.5*		

E: MOSL Estimates

Shobhit Khare (Shobhit.Khare@MotilalOswal.com)

Textiles

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

Alok Industries

Arvind Mills

Bombay Rayon

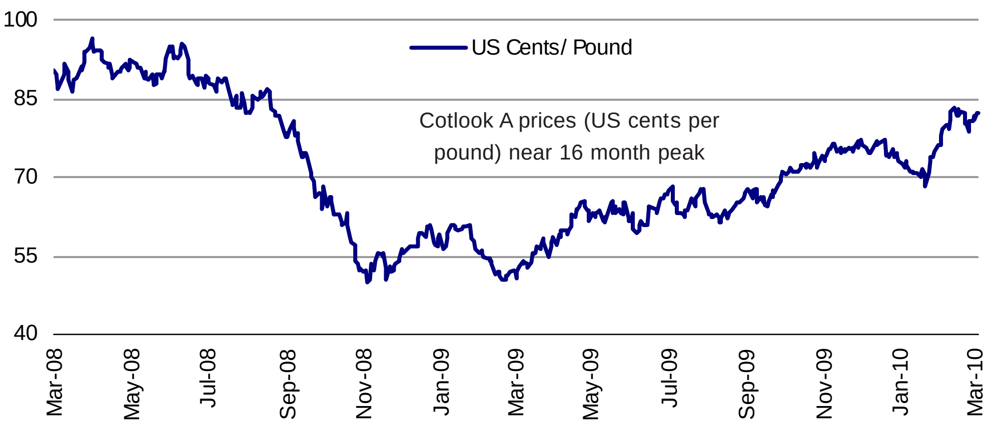
Raymond

Vardhman Textiles

International cotton prices near decade high (US cents/pound)

International cotton prices are nearing the peaks they had touched earlier, rising sharply from 51 US cents per pound to 82 US cents a pound. But since several Indian mills have been covered for their cotton requirements for 9MFY11, the impact of rising cotton prices on these companies will be limited. As such, Indian cotton spinners are in an advantageous position and are witnessing increased spreads.

INTERNATIONAL COTTON PRICES (US CENTS/POUND)



Source: Company/MOSL

India cotton textile industry

Due to a bumper cotton crop in India, the Indian textile industry is in a favorable situation compared with other countries, particularly China, which must import a significant part of its cotton needs to meet high domestic demand. Yarn prices have risen by almost 25% in the past few months to ~US$3.2/kg, record highs for cotton yarn. With international cotton production expected to fall ~5% next year, we expect cotton yarn prices to stay strong.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS)	RECO	SALES			EBITDA			NET PROFIT		
	30.03.10		MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ	MAR.10	VAR. % YOY	VAR. % QOQ
Textiles											
Alok Ind	22	Buy	11,235	23.7	3.8	3,167	31.7	-1.9	-15	PL	-102.6
Arvind Mills	34	Neutral	5,725	-2.4	5.3	642	13.9	14.8	62	LP	-49.5
Bombay Rayon	217	Buy	4,422	32.7	5.8	1,147	37.4	12.9	476	89.6	0.7
Raymond	245	Buy	4,281	18.0	15.0	651	299.8	20.7	146	-14.3	-43.2
Vardhman Textiles	270	Buy	8,029	35.7	14.8	1,476	76.7	6.9	540	250.5	12.9
Sector Aggregate			**33,692**	**21.1**	**8.1**	**7,083**	**47.5**	**5.4**	**1,208**	**7.2**	**-36.8**

Siddharth Bothra (SBothra@MotilalOswal.com)

WORLD COTTON DEMAND: SUPPLY ESTIMATE (%)

	2009-10
Production	
China	-14
India	5
United States	-3
Pakistan	8
Uzbekistan	-13
African Franc Zone	-3
Others	-13
World Production	**-5**
Consumption	
China	6
Indian subcontinent	5
Turkey	10
Brazil	0
United States	-4
Others	0
World Consumption	**4**

Source: Company/MOSL

INDIAN COTTON BALANCE SHEET (IN LAKH BALES OF 170 KG)

	2008-09	2009-10
Supply		
Opening Stock	36	67
Crop	293	312
Imports	10	7
Total Supply	**338**	**387**
Demand		
Mill Consumption	200	210
Small Scale Unit Consumption	20	21
Non-mill Consumption	19	19
Exports	32	65
Total Offtake	**271**	**315**
Carry Over Stock	*67*	*71*

Source: Company/MOSL

China losing its competitive edge

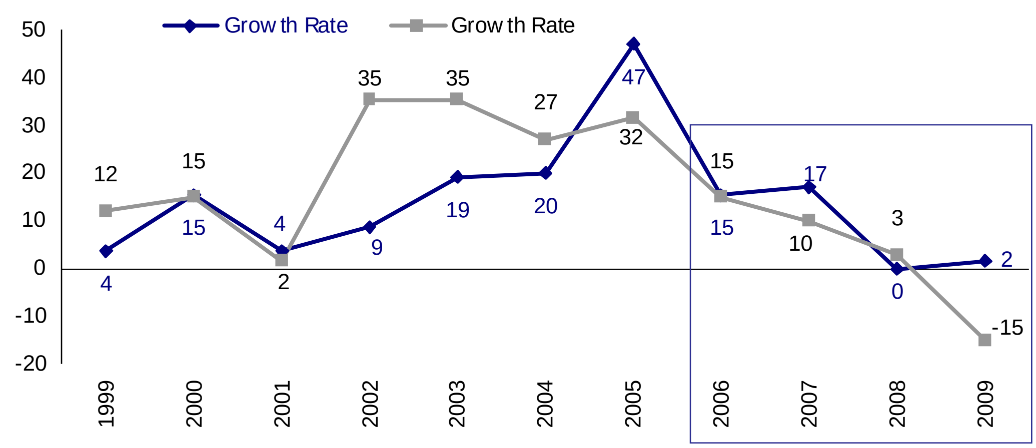
Recent studies on the Chinese textile industry indicate that China's competitive advantage is declining. China's share of the global market jumped from 38.8% in 2001 to 47.1% in 2005, but has since remained largely stagnant. China's textile and apparel export growth to the US has been steadily declining since 2005 and it entered negative territory for apparel in 2009. This confirms that China has not been able to garner incremental share in the global textile market.

CHINA'S MARKET SHARE OF GLOBAL TEXTILE & APPAREL MARKET (%)

YEAR	WORLD	US + EU	OTHERS
1999	36.3	18.1	67.0
2000	38.6	19.2	68.9
2001	38.8	19.5	69.4
2002	39.7	21.2	70.0
2003	40.9	23.1	70.7
2004	42.4	25.3	70.4
2005	**47.1**	32.3	**70.9**
2006	**48.2**	34.1	**71.3**
2007	**49.5**	37.1	**69.7**
2008	**47.4**	39.5	**66.8**

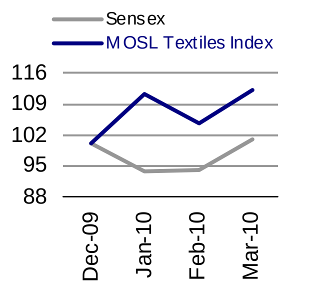
Source: Company/MOSL

CHINA'S TEXTILE AND APPAREL GROWTH RATE TO THE US (%)

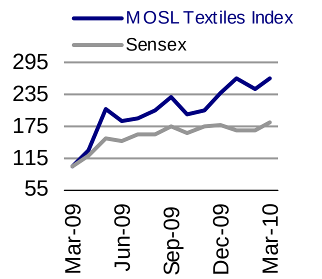


Source: Company/MOSL

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



Valuation and view

Most textile companies have expanded and modernized capacities to achieve critical size. Consequently, due to their modern plants and global capacities, they have also managed to attract large international institutional buyers. This has allowed them to move their business from a transition-based model to a strategic vendor-based relationship model.

FY09 was one of the worst years for the Indian textile industry, which was impacted by negative factors such as 1) the appreciating rupee, 2) slow demand in the export market and inventory de-stocking by domestic retailers, and 3) higher depreciation and interest costs. Most of these factors were reversed in FY10.

Textile companies trade at 2-3x FY11E cash profit. The debt equity for most of them are higher than 2x (almost 4x in the case of Alok Industries), we expect most of these companies to generate significant free cash flows over two years and use it to lower their leverage. Therefore, we expect most textile companies' current EV to double just due to repayment of debt.

Top picks: Our top picks in the sector are **Vardhman Textiles** and **Raymond**.

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Textiles														
Alok Ind	22	Buy	2.1	2.9	3.3	10.7	7.8	6.8	7.5	7.3	6.5	7.3	7.6	8.3
Arvind Mills	34	Neutral	1.9	0.3	2.2	17.5	119.4	15.6	8.3	6.5	5.8	2.2	0.3	2.4
Bombay Rayon	217	Buy	16.6	28.2	41.1	13.0	7.7	5.3	8.7	5.5	4.0	11.6	15.9	19.3
Raymond	245	Buy	-7.0	9.0	19.1	-35.0	27.4	12.9	13.6	9.2	6.7	-1.9	2.2	4.6
Vardhman Textiles	270	Buy	30.7	36.8	41.8	8.8	7.3	6.5	6.3	5.0	4.3	11.1	11.8	11.9
Sector Aggregate						**15.4**	**9.6**	**6.9**	**8.0**	**6.5**	**5.4**	**5.8**	**8.1**	**10.3**

Alok Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ALOK IN
	REUTERS CODE
S&P CNX: 5,262	ALOK.BO

Equity Shares (m)	697.1
52 Week Range (Rs)	30/12
1,6,12 Rel Perf (%)	-12 / -9 / -3
Mcap (Rs b)	15.5
Mcap (USD b)	0.3

30 March 2010

Neutral

Previous Recommendation: Neutral Rs22

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	29,664	1,879	2.7	-25.4	7.7	0.3	10.3	6.0	2.3	8.9
3/10E	39,670	1,947	2.8	3.6	7.4	0.5	9.5	7.6	2.1	7.1
3/11E	44,431	1,988	2.9	2.1	7.3	0.5	7.4	6.8	1.7	6.9
3/12E	49,762	2,271	3.3	14.3	6.4	0.5	8.2	7.4	1.6	6.2

**Fully Diluted EPS*

- We expect 4QFY10 revenues to grow 23.7% YoY to Rs11.2b helped by higher capacities across all textile segments. EBITDA margins are likely to expand 171bp to 27% from 26.5% in 4QFY09.
- During 4QFY10 Alok raised Rs4b through a QIP issue, which improved its liquidity situation.
- The management has drawn up restructuring plans, which include creating dedicated verticals for the textile and retail businesses.
- It has ambitious expansion plans for its domestic retail business, which entail introducing international brands in India and opening 500 *H&A* retail outlets over three years. After restructuring we expect Alok to emerge as a large retail play.
- The stock trades at 7.3x FY11E EPS of Rs2.9 and 6.4x FY12E EPS of Rs3.3. **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**5,434**	**6,981**	**8,164**	**9,084**	**7,863**	**9,748**	**10,825**	**11,235**	**29,664**	**39,670**
Change (%)	*29.7*	*50.2*	*48.2*	*25.3*	*44.7*	*39.6*	*32.6*	*23.7*	*37.4*	*33.7*
Total Expenditure	4,102	5,264	6,020	6,678	5,713	6,840	7,596	8,067	22,063	28,216
EBITDA	**1,333**	**1,718**	**2,144**	**2,406**	**2,150**	**2,908**	**3,228**	**3,167**	**7,601**	**11,454**
Change (%)	*31.2*	*58.2*	*59.1*	*33.4*	*61.3*	*69.3*	*50.6*	*31.7*	*44.7*	*50.7*
As % of Sales	*23.8*	*24.6*	*26.3*	*26.5*	*27.3*	*29.8*	*29.8*	*28.2*	*25.6*	*28.9*
Depreciation	488	531	704	754	784	846	904	975	2,476	3,509
Interest	413	515	702	824	886	1,222	1,455	2,324	2,454	5,887
Other Income	10	4	5	164	3	10	16	92	182	120
PBT	**442**	**677**	**743**	**991**	**483**	**851**	**885**	**-40**	**2,853**	**2,178**
Tax	143	224	245	279	164	280	304	-24	892	723
Effective Tax Rate (%)	*32.5*	*33.9*	*33.0*	*28.2*	*33.1*	*33.2*	*34.3*	*61.9*	*31.3*	*33.2*
Repoted PAT	**298**	**422**	**473**	**712**	**319**	**571**	**581**	**-15**	**1,879**	**1,455**
Change (%)	*-45.8*	*-1.9*	*-3.0*	*32.5*	*6.9*	*35.5*	*22.8*	*-102.1*	*-34.1*	*-22.6*
Adj. PAT	**298**	**453**	**498**	**701**	**320**	**570**	**581**	**-15**	**1,961**	**1,455**
Change (%)	*4.6*	*5.3*	*2.1*	*8.5*	*7.3*	*25.9*	*16.6*	*-102.1*	*-22.1*	*-25.8*

E: MOSL Estimates

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Arvind Mills

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	ARVND IN
	REUTERS CODE
S&P CNX: 5,262	ARMI.BO

Equity Shares (m)	218.9
52 Week Range (Rs)	44/13
1,6,12 Rel Perf (%)	-9 / -18 / 70
Mcap (Rs b)	7.4
Mcap (USD b)	0.2

30 March 2010

Neutral

Previous Recommendation: Neutral Rs34

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	27,211	-994	-4.5	-463.2	-7.3	0.4	-5.0	4.7	0.9	8.8
3/10E	23,910	422	1.9	-142.5	17.1	0.4	2.2	5.7	1.0	8.1
3/11E	25,105	62	0.3	-85.4	117.1	0.4	0.3	6.3	0.9	6.3
3/12E	28,871	473	2.2	666.7	15.3	0.4	2.4	7.1	0.8	5.6

- We expect Arvind Mills 4QFY10 revenues to decline 2.4% YoY to Rs5.7b. Denim realizations for 4QFY10 are likely to be ~Rs118/meter. Arvind's capacity utilization for its denim vertical will be almost 100% in 4QFY10.
- EBITDA margins are likely to increase by 150bp YoY to 11.2%.
- We expect the company to report net profit of Rs62m in 4QFY10 against loss of Rs150m in 4QFY09.
- During 4QFY10 Arvind initiated partial monetization of its surplus land bank in Ahmedabad, where it has about 700 acres of surplus land.
- Arvind has restructuring plans, which could include relocating part of its commodity grade denim capacity to other countries and sharpening focus on branded apparel and garment manufacturing.
- The stock trades at 0.4x FY11E book value of Rs90.1/share. We maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**5,454**	**5,809**	**5,995**	**5,867**	**6,768**	**5,977**	**5,439**	**5,725**	**23,189**	**23,910**
Change (%)	*6.9*	*3.0*	*17.7*	*-5.2*	*24.1*	*2.9*	*-9.3*	*-2.4*	*-10.1*	*3.1*
Total Expenditure	4,905	5,345	5,178	5,304	5,888	5,162	4,881	5,084	20,732	21,014
EBITDA	**549**	**465**	**817**	**563**	**880**	**816**	**559**	**642**	**2,568**	**2,895**
Change (%)	*-23.9*	*-40.7*	*122.7*	*104.8*	*60.2*	*75.5*	*-31.6*	*13.9*	*1.6*	*12.7*
As % of Sales	*10.1*	*8.0*	*13.6*	*9.6*	*13.0*	*13.6*	*10.3*	*11.2*	*11.1*	*12.1*
Depreciation	294	293	308	330	326	283	292	294	1,221	1,194
Interest	322	663	772	455	473	463	381	376	2,221	1,693
Other Income	73	535	-40	76	5	82	237	121	519	445
Non Recurring Expense	39	-21	-24	-55	0		0	0	106	0
PBT	**44**	**22**	**-327**	**-199**	**86**	**152**	**123**	**94**	**-460**	**454**
Tax	3	6	5	5	0	0	0	32	19	32
Effective Tax Rate (%)	*5.9*	*26.1*	*-1.6*	*-2.5*	*0.0*	*0.0*	*0.0*	*33.9*	*-4.0*	*7.0*
Reported PAT	**41**	**16**	**-332**	**-204**	**86**	**152**	**123**	**62**	**-479**	**422**
Change (%)	*-29.0*	*-84.4*	*-685.0*	*-480.4*	*107.5*	*826.8*	*-136.9*	*-130.3*	*-356.8*	*-188.2*
Adj. PAT	**2**	**37**	**-308**	**-150**	**86**	**152**	**123**	**62**	**-585**	**422**
Change (%)	*-110.2*	*-64.8*	*-574.4*	*-204.0*	*3,328.0*	*310.8*	*-139.8*	*-141.3*	*-780.4*	*-172.2*

*E: MOSL Estimates, * Restated Quarterly Numbers*

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Bombay Rayon

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BRFL IN
	REUTERS CODE
S&P CNX: 5,262	BRFL.BO

Equity Shares (m)	106.1
52 Week Range (Rs)	246/140
1,6,12 Rel Perf (%)	-3 / -4 / -33
Mcap (Rs b)	23.0
Mcap (USD b)	0.5

30 March 2010

Buy

Previous Recommendation: Buy

Rs217

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	15,145	1,367	19.8	3.8	11.0	1.3	15.2	11.5	2.0	9.5
03/10E	18,104	1,762	16.6	-16.0	13.1	1.2	11.6	10.1	1.9	8.8
03/11E	27,832	3,278	28.2	70.0	7.7	1.1	15.9	14.4	1.4	5.8
03/12E	37,109	4,766	41.1	45.4	5.3	0.9	19.3	18.3	1.1	4.2

Consolidated

- **Phase 2 of Tarapur plant completed in 4QFY10:** The biggest component of Bombay Rayon's Rs11b Maharashtra project is its fabric processing capacity of 180m meters (500,000 meters/day) at Tarapur. Of this, phase 1 of 200,000 meters per day was fully available in 3QFY10. In 4QFY10, Bombay Rayon commissioned the balance 300,000 meters/day. Towards end-4QFY10, Bombay Rayon will also be commissioning its garmenting units in Latur and Islampur (25,000/day each), thus completing the full Maharashtra project.
- **Captive consumption of fabric muting sales and profits, higher fabric production from Oct-10:** Non-availability of cost-effective fabric has led to high captive consumption from new capacity, muting Bombay Rayon's sales and profits in FY10. We expect this to continue into 4QFY10, which should be flattish QoQ by high YoY due to low base of FY09. Bombay Rayon is setting up 380 looms near Ichalkaranji (Maharashtra) for additional weaving capacity of 150,000m per day. The Rs4b project is expected to commission in Oct-10, and increase availability of fabric for sale.
- **FY10-12E EPS CAGR of 57%; attractive valuation; maintain Buy:** We expect 16% decline in FY10 EPS growth despite 29% PAT growth due to 53% dilution in equity. We expect FY10-12E EPS CAGR of 57%; RoE should significantly improve to 19% by FY12. Valuation is attractive at 7.7x FY11E EPS and 5.3x FY12E EPS. We maintain **Buy** with a target price of Rs282 (10x FY11E EPS of Rs28.2).

QUARTERLY PERFORMANCE - STANDALONE (INCLUDING ERSTWHILE LEELA LACE FROM 3QFY09) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	CONS.	CONS.
Net Sales	**2,751**	**2,870**	**3,449**	**3,332**	**3,363**	**3,864**	**4,179**	**4,422**	**15,145**	**18,104**
Change (%)	*36.7*	*23.5*	*41.5*	*31.1*	*N.A.*	*N.A.*	*21.2*	*32.7*	*62.6*	*19.5*
Total Expenses	2,116	2,184	2,606	2,497	2,567	2,946	3,163	3,274	12,027	14,112
EBITDA	**635**	**687**	**843**	**835**	**796**	**919**	**1,016**	**1,147**	**3,118**	**3,992**
Change (%)	*60.4*	*20.4*	*45.6*	*33.5*	*N.A.*	*N.A.*	*20.5*	*37.4*	*43.7*	*28.0*
EBITDA Margin (%)	*23.1*	*23.9*	*24.4*	*25.1*	*23.7*	*23.8*	*24.3*	*26.0*	*20.6*	*22.0*
Depreciation	93	96	110	123	147	149	165	170	513	700
Interest	74	108	165	227	210	225	230	237	686	912
Other Income	13	16	10	11	51	16	13	48	65	147
PBT	**481**	**498**	**578**	**495**	**490**	**561**	**633**	**788**	**1,985**	**2,527**
Tax	132	131	162	244	117	151	161	313	611	758
Tax/PBT (%)	*27.4*	*26.3*	*27.9*	*49.3*	*23.9*	*26.9*	*25.4*	*39.7*	*30.8*	*30.0*
PAT	**349**	**367**	**417**	**251**	**373**	**410**	**472**	**476**	**1,374**	**1,769**
Adj PAT after Min. Int.	**349**	**367**	**417**	**251**	**373**	**410**	**472**	**476**	**1,367**	**1,762**
Change (%)	*80.0*	*19.6*	*20.6*	*-25.9*	*N.A.*	*N.A.*	*13.3*	*89.6*	*15.3*	*28.9*
PAT Margin (%)	*12.7*	*12.8*	*12.1*	*7.5*	*11.1*	*10.6*	*11.3*	*10.8*	*9.0*	*9.7*

E: MOSL Estimates; Note: The company has included Leela Lace numbers from 3QFY09, though the merger is with retrospective effect from 1QFY09. So, 1Q and 2Q are not strictly comparable. Consolidated figures include operations of GURU.

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Raymond

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	RW IN
	REUTERS CODE
S&P CNX: 5,262	RYMD.BO

Equity Shares (m)	61.4
52 Week Range (Rs)	272/75
1,6,12 Rel Perf (%)	7 / 15 / 142
Mcap (Rs b)	15.1
Mcap (USD b)	0.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs245

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	25,595	-2,283	-37.2	-1,183.9	-6.6	1.2	-8.7	-0.9	1.2	43.0
03/10E	28,037	-430	-7.0	-81.2	-35.0	1.3	-1.9	2.5	1.1	14.6
03/11E	29,795	550	9.0	-227.9	27.4	1.3	2.2	5.7	1.0	9.8
03/12E	32,775	1,172	19.1	113.1	12.9	1.2	4.6	8.3	0.9	7.2

* *Consolidated*

- We expect Raymond to post standalone revenue of **Rsb???** in 4QY10 against **Rsb???** a year earlier.
- EBITDA for 4QFY10 is likely to be Rs651m against Rs163m a year earlier. EBITDA margins are expected to be 15.2% in 4QFY10. The management says Raymond is incurring excess operating costs of ~Rs400m as it is operating at excess capacity in its worsted fabric segment, as the Thane plant is being closed down.
- During 4QFY09 Raymond closed its loss-making denim operations in the US and Belgium, for which it took a one-time loss of Rs2.3b. The management plans to focus only on the cost competitive Romanian and Indian operations.
- Raymond's decision to close down its loss-making denim operations in the US and Belgium will lower losses it was incurring in its denim operations. Besides, with the commissioning of Raymond's new 7m meter worsted fabric plant at Vapi, chances of faster monetization of its real estate (120 acres in Thane) have increased significantly.
- The stock trades at 1.3x FY11E book value. We value Raymond's Thane land at a minimum of Rs107/share. **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**2,357**	**4,337**	**3,589**	**3,629**	**2,348**	**3,985**	**3,723**	**4,281**	**13,792**	**14,337**
Change (%)	*12.7*	*25.5*	*8.1*	*-16.7*	*-0.4*	*-8.1*	*3.7*	*18.0*	*4.3*	*4.0*
Total Expenditure	2,747	3,834	3,321	3,467	2,413	3,411	3,184	3,630	13,496	12,638
EBITDA	**-390**	**502**	**268**	**163**	**-66**	**575**	**539**	**651**	**296**	**1,699**
Change (%)	*865.3*	*86.0*	*39.0*	*-60.7*	*-83.2*	*14.4*	*101.5*	*299.8*	*-64.6*	*473.2*
As % of Sales	*-16.5*	*11.6*	*7.5*	*4.5*	*-2.8*	*14.4*	*14.0*	*15.2*	*4.6*	*11.9*
Depreciation	203	206	217	262	270	281	281	305	888	1,136
Interest	91	166	191	133	232	228	211	230	631	901
Other Income	274	137	26	98	215	155	164	76	628	610
Extra-ordinary Items	-4	10	11	2,561	50	152	-169	0	2,388	32
PBT	**-409**	**257**	**-125**	**-2,695**	**-401**	**69**	**380**	**192**	**-2,982**	**240**
Tax	7	14	17	-304	-85	-6	-45	46	-267	-90
Effective Tax Rate (%)	*-1.7*	*5.3*	*-13.6*	*11.3*	*21.2*	*-8.5*	*-11.9*	*24.1*	*25.5*	*25.5*
Reported PAT	**-416**	**243**	**-153**	**-2,391**	**-316**	**74**	**426**	**146**	**-2,715**	**330**
Adj. PAT after MI	**-412**	**234**	**-142**	**170**	**-266**	**181**	**257**	**146**	**-327**	**362**
Change (%)	*-632.6*	*-25.4*	*-243.9*	*-38.6*	*87.6*	*6.0*	*280.8*	*-88.9*	*-142.7*	*-210.7*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com)

Vardhman Textiles

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	VTEX IN
	REUTERS CODE
S&P CNX: 5,262	MHSP.BO

Equity Shares (m)	56.6
52 Week Range (Rs)	290/46
1,6,12 Rel Perf (%)	17 / 57 / 391
Mcap (Rs b)	15.3
Mcap (USD b)	0.3

30 March 2010

Buy

Previous Recommendation: Buy

Rs270

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	29,654	578	10.2	-57.2	27.9	1.2	4.2	5.0	1.3	8.3
03/10E	32,074	1,739	30.7	200.6	9.3	1.0	11.1	7.9	1.2	6.5
03/11E	35,398	2,087	36.8	20.0	7.7	0.9	11.8	10.4	1.0	5.1
03/12E	37,523	2,368	41.8	13.5	6.8	0.8	11.9	11.1	0.9	4.4

Consolidated

- Vardhman is likely to post 4QFY10 revenue growth of 35.7% YoY at Rs8b. We expect EBITDA margins to increase 426bp YoY to 18.4%. Adjusted PAT is likely increase 250% YoY to Rs540m, boosted by lower raw material costs.
- Vardhman's Rs26b capex plans were largely completed in FY09 and full utilization was due to start towards the end of FY10.
- After capacity expansion, Vardhman's spinning capacity increased from 0.5m to 0.75m spindles and its processing fabric plant capacity increased from 40m to 80m meters.
- VTL trades at 7.7x FY11E EPS of Rs36.8 and 6.8x FY12E EPS of Rs41.8. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**5,662**	**6,507**	**6,451**	**5,917**	**6,201**	**6,752**	**6,992**	**8,029**	**24,537**	**27,974**
Change (%)	*7.3*	*14.9*	*4.7*	*2.1*	*-4.7*	*3.8*	*8.4*	*35.7*	*6.9*	*14.0*
Total Expenditure	4,804	5,395	5,518	5,082	5,105	5,401	5,612	6,553	20,799	22,670
EBITDA	**858**	**1,111**	**933**	**836**	**1,096**	**1,351**	**1,380**	**1,476**	**3,738**	**5,303**
Change (%)	*-4.3*	*25.9*	*-0.9*	*8.6*	*27.7*	*21.6*	*48.0*	*76.7*	*5.4*	*41.9*
As % of Sales	*12.2*	*17.1*	*14.5*	*14.1*	*17.7*	*20.0*	*19.7*	*18.4*	*15.2*	*19.0*
Depreciation	504	525	546	498	539	538	554	598	2,073	2,230
Interest	285	315	248	190	220	182	223	275	1,023	901
Other Income	36	100	111	103	156	3	62	80	335	301
Extra-ordinary Items	1044	65	-74	130	112	0	0	0	775	112
PBT	**105**	**307**	**175**	**250**	**492**	**634**	**665**	**683**	**1,751**	**2,474**
Tax	53	113	83	96	93	130	188	143	344	553
Effective Tax Rate (%)	*49.9*	*36.7*	*47.3*	*38.4*	*18.8*	*20.5*	*28.2*	*20.9*	*19.6*	*22.4*
Reported PAT	**1,097**	**194**	**92**	**25**	**399**	**504**	**478**	**540**	**1,408**	**1,921**
Adj. PAT	**314**	**129**	**166**	**154**	**287**	**504**	**478**	**540**	**633**	**1,809**
Change (%)	*4.2*	*-65.5*	*-58.6*	*9.8*	*-8.5*	*290.9*	*187.5*	*250.5*	*-48.4*	*186.0*

E: MOSL Estimates

Siddharth Bothra (SBothra@MotilalOswal.com)

Utilities

BSE Sensex: 17,590 | S&P CNX: 5,262 | 30 March 2010

COMPANY NAME

CESC

NTPC

Power Grid

PTC India

Reliance Infrastructure

Tata Power

For 4QFY10, we expect companies in our utilities universe to post revenue growth of 9% YoY, EBITDA growth of 37.5% YoY and net profit growth of 5.4% YoY. EBITDA growth will be driven by higher depreciation as per revised tariff norms and interest on projects capitalized during the year, and savings in fuel costs will drive revenue growth.

January-February 2010 thermal generation up 6.5% driven by gas-based power projects: Over January and February 2010, All India generation from thermal projects grew by 6.5% YoY to 109.6BUs, driven largely by gas-based projects (generation up 37.4% YoY). Players like GVK, Torrent Power (Sugen) are key beneficiaries of higher gas-based generation. Generation from hydro power was impacted by poor rainfall and was down 4.7% YoY at 13BUs. Over January and February 2010, NTPC posted 4.5% growth in generation at 38.3BUs against 36.7BUs a year earlier. Generation for Tata Power in the Mumbai license region was up 6.6% YoY (1.3BUs), for Reliance Infrastructure it was down 4% YoY (1.08BUs) and for CESC it was down 5.8% YoY (1.1BUs). The higher all-India generation was driven by gas-based projects.

ST prices have firmed up during the quarter: Short-term prices in 4QFY10 were Rs4.1/unit, down from Rs3.6/unit in 3QFY10. After a dip in short term prices in December, due to cold weather in most of the country, the prices began to rise. In the week to 28 March, short term prices were firm at Rs6.1/unit.

FY10 capacity addition target revised, Eleventh Plan target retained: Based on revised capacity addition estimates by the CEA (February 2010), the capacity addition target for FY10 has been revised downwards to 10.3GW from 15.2GW earlier. The Eleventh Plan target of 75GW has been bifurcated into feasible projects (63GW) and projects on a "best effort basis" (12.1GW). Capacity addition for FY11 and FY12 is expected to be 27.6GW and 24GW, respectively.

Valuations and view: We remain Neutral on the sector, given the rich valuations, which largely factor in the growth factor. Our top picks in the sector are **Reliance Infrastructure, PTC India** and **Powergrid**.

EXPECTED QUARTERLY PERFORMANCE SUMMARY (RS MILLION)

	CMP (RS) 30.03.10	RECO	SALES MAR.10	SALES VAR. % YOY	SALES VAR. % QOQ	EBITDA MAR.10	EBITDA VAR. % YOY	EBITDA VAR. % QOQ	NET PROFIT MAR.10	NET PROFIT VAR. % YOY	NET PROFIT VAR. % QOQ
Utilities											
CESC	378	Neutral	8,599	16.0	7.9	2,441	60.6	29.8	1,360	44.7	33.3
NTPC	203	Neutral	124,821	9.1	11.6	36,895	66.2	9.6	23,963	0.3	17.2
PTC India	114	Buy	17,848	51.6	5.1	84	257.5	-19.0	224	29.2	42.5
Power Grid Corp.	107	Buy	21,795	-3.1	42.9	18,138	-2.4	45.5	7,149	2.0	45.3
Reliance Infrastructure	993	Buy	23,908	0.1	4.5	2,346	50.5	-0.3	3,021	2.1	8.6
Tata Power	1,373	Neutral	15,225	3.3	-0.3	4,485	52.9	37.9	2,125	125.7	43.7
Sector Aggregate			**212,197**	**9.0**	**11.6**	**64,390**	**37.5**	**19.9**	**37,842**	**5.4**	**22.9**

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

January-February 2010 generation up 6.1% YoY

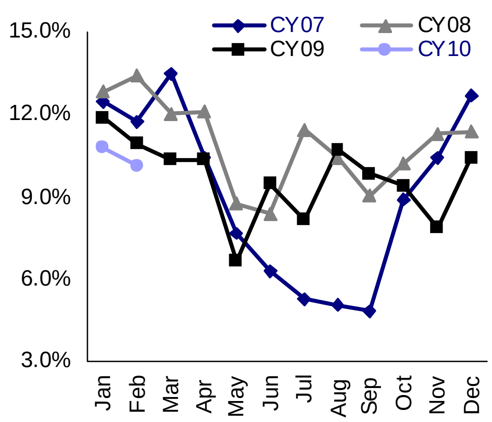
Over January-February 2010, all India generation from thermal projects grew 6.5% YoY to 109.6BUs, driven largely by gas-based projects (generation up 37.4% YoY). Players like GVK, Torrent Power (Sugen) are key beneficiaries of higher gas-based generation. Hydro power project generation was impacted by poor rainfall and was down 4.7% YoY at 13Bus.

GENERATION (BU) UP 6.1% YOY OVER JANUARY-FEBRUARY 2010

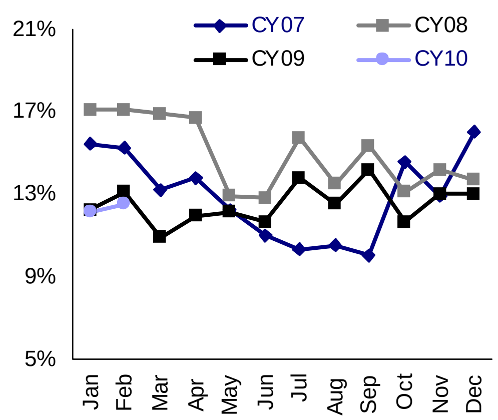
	FEB 10		FEB 09		GENERATION		CHG.
ALL INDIA PLF	GENERATION	PLF (%)	GENERATION	PLF (%)	JAN-FEB 10	JAN-FEB 09	(%)
Thermal-Coal & Lignite	45.1	81.5	43.7	83.4	93.0	90.8	2.4
Thermal-Gas	7.9	69.2	6.0	60.1	16.6	12.1	37.4
Nuclear	1.7	56.6	0.9	34.1	3.3	2.1	58.6
Hydro	6.4	23.0	6.6	23.8	13.0	13.6	-4.7
Bhutan IMP	0.1	NA	0.1	NA	0.3	0.2	19.1
Total*	**61.1**	**62.6**	**57.3**	**61.6**	**125.8**	**118.6**	**6.1**

*excluding import from Bhutan Source: CEA

ALL INDIA BASE DEFICIT (%)



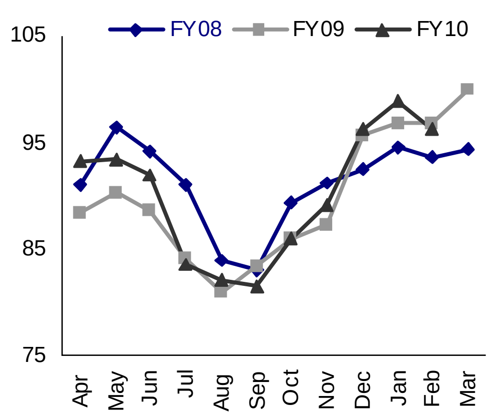
ALL INDIA PEAK DEFICIT (%)



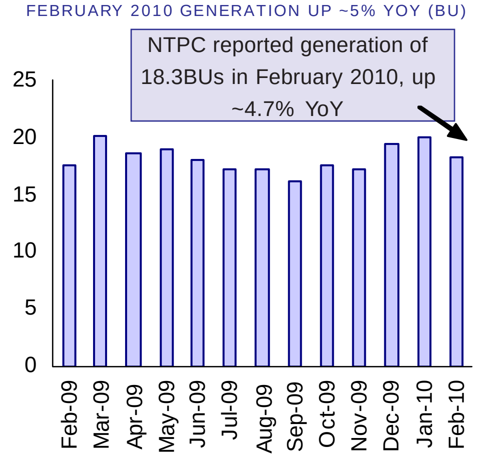
Source: CEA

Over January and February 2010, NTPC posted 4.5% growth in generation at 38.3BUs against 36.7BUs a year earlier.

NTPC FEBRUARY 2010 PLF (%) DOWN 56BP YOY



FEBRUARY 2010 GENERATION UP ~5% YOY (BU)



Source: CEA

Tata Power's generation in the Mumbai license region was up 6.6% YoY (1.3BUs), Reliance Infrastructure's was down 4% YoY (1.08BUs) and CESC's was down 5.8% YoY (1.1BUs). The all India higher generation was driven by gas-based power projects, benefiting companies like GVK and Torrent Power.

GENERATION (MUS) AND PLF (%) FOR PRIVATE SECTOR PLAYERS

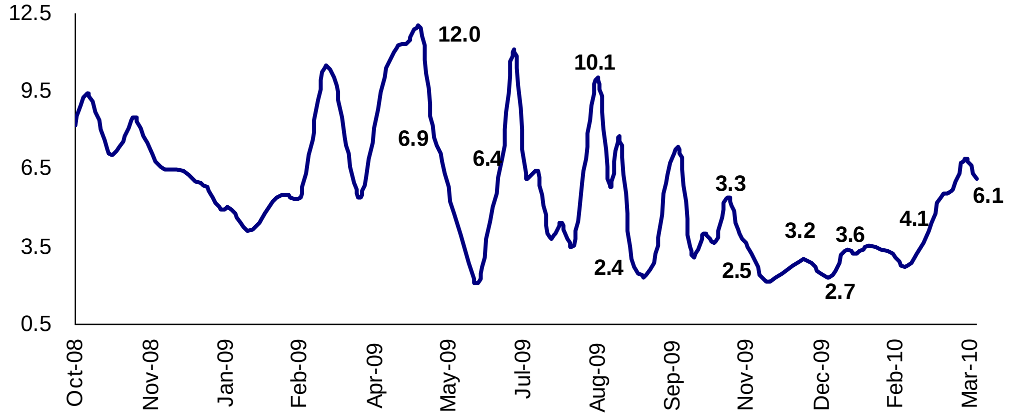
		FEB-10		FEB-09		GENERATION		
	CAPACITY (MW)*	GENE-RATION	PLF (%)	GENE-RATION	PLF (%)	JAN-FEB,10	JAN-FEB,09	CHG (%)
Adani Power								
- Mundra Phase 1	330.0	198.6	82.4	0.0	0.0	423.3	0.0	NA
GVK								
- JP 1 & 2	455.0	267.0	80.4	105.5	31.8	567.7	0.0	NC
- Gautami	464.0	300.3	88.7	23.6	7.0	613.7	23.6	NA
GMR								
- Barge Mounted	220.0	0.0	0.0	134.1	83.5	0.0	134.1	NC
- Chennai	200.0	82.5	56.5	105.1	72.0	151.3	212.9	-28.9
- Vemagiri	370.0	250.3	92.7	109.6	40.6	483.8	234.3	NA
JSPL								
- Chattisgarh	1,000.0	647.3	96.3	584.5	80.1	1,395.6	1,260.9	10.7
Rel Infra								
- Dahanu	500.0	348.0	103.8	355.6	105.8	738.9	728.3	1.5
- Samalkot (AP)	220.0	132.0	82.2	71.7	44.7	288.7	151.6	90.4
- Goa	48.0	17.1	48.7	30.7	87.7	44.1	49.0	-10.0
- Kochi	174.0	0.0	0.0	100.4	79.1	10.5	199.6	-94.7
Tata Power								
- Trombay	1,580.0	694.8	61.7	607.6	67.0	1,350.8	1,267.3	6.6
- Karnataka IPP	81.3	26.6	44.8	43.6	73.5	56.9	80.9	-29.7
- Tata Steel(Jamshedpur)	360.0	197.4	81.6	190.9	72.6	375.8	366.4	2.6
Torrent Power								
- Existing	500.0	314.3	94.5	241.8	92.2	633.7	528.9	19.8
- Sugen	1,147.5	567.3	67.7	0.0	0.0	1,221.9	0.0	NA

Source: CEA

Short-term power trading prices move up

Short term prices in 4QFY10 were Rs4.1/unit against Rs3.6/unit in 3QFY10. After a dip in short term prices in December due to prevalent cold weather in most parts of India, short term prices started rising. In the week to 28 March, short term prices were firm at Rs6.1/unit.

TREND IN SHORT TERM PRICES (RS/UNIT)

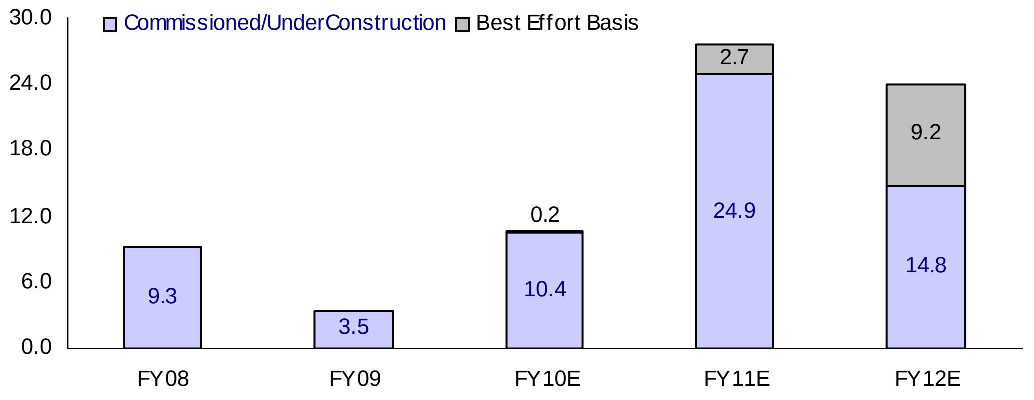


Source: IEX

FY10 capacity addition target revised downwards; Eleventh Plan target 63GW

Based on revised estimates by the CEA (February 2010), FY10 capacity addition is expected at 10.7GW considering projects on a "best effort basis" and 10.3GW based on certain projects. The Eleventh Plan capacity addition target has been revised to 63GW and 12.1GW of projects are targeted for completion on a "best effort basis". The highest capacity addition is from NTPC at 13.8GW, Adani Power at 6.6GW, Lanco Infratech at 3.3GW and Sterlite Energy at 2.4GW.

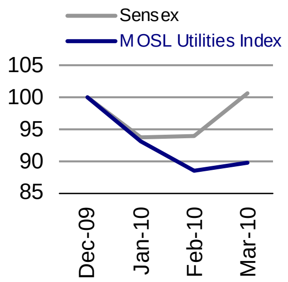
ELEVENTH PLAN CAPACITY ADDITION TARGETS (GW)



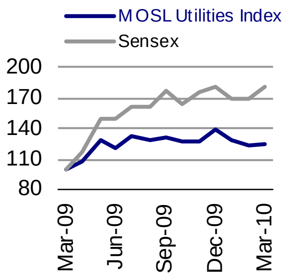
Source: Companies/MOSL

Projects (12.1GW) considered on a "best effort basis" include 4.6GW by Adani Power (of the total 6.6GW considered in the Eleventh Plan), 1GW by NTPC, 1.3GW by Reliance Power (total capacity addition of 1.9GW in the Eleventh Plan), 1.6GW by Tata Power (total 1.9GW in the Eleventh Plan). A sizable portion of new projects taken up by the CEA to meet slippages from the Central and State sector in its November 2009 review to maintain its 75GW target, are on a "best effort basis". This indicates faster project execution by the private sector.

RELATIVE PERFORMANCE - 3M (%)



RELATIVE PERFORMANCE - 1YR (%)



PLAYER-WISE CAPACITY ADDITION: LARGE PART OF PROJECT COMMISSIONING IN FY12 (MW)

	FY08	FY09	FY10E	FY11E	FY12E	XITH PLAN
NTPC	1,740	750	1,240	4,150	5,870	13,750
Adani Power	0	0	660	1,320	4,620	6,600
Lanco Infratech	0	0	833	1,818	600	3,251
Sterlite Energy	0	0	0	2,400	0	2,400
NHPC	510	0	120	603	769	2,002
Reliance Power	0	0	600	0	1,260	1,860
Tata Power	0	250	0	0	1,600	1,850
JSW Energy	0	0	600	1,200	0	1,800
Jindal Power	750	250	0	0	0	1,000
Jaiprakash Power	0	0	0	0	1,000	1,000
GVK	0	0	0	0	330	330
CESC	0	0	250	0	0	250
Indiabulls Power	0	0	0	0	0	0
GMR	0	0	0	0	0	0
KSK	0	0	0	0	0	0
Total	**3,000**	**1,250**	**4,303**	**11,491**	**16,049**	**36,093**

Source: CEA

COMPARATIVE VALUATION

	CMP (RS)	RECO	EPS (RS)			P/E (X)			EV/EBITDA			ROE (%)		
	30.03.10		FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Utilities														
Adani Power	116	Not Rated	0.5	2.1	10.9	250.5	54.8	10.6	175.5	36.6	10.0	1.9	8.2	35.2
CESC	378	Neutral	28.9	31.0	31.5	13.1	12.2	12.0	7.6	8.4	9.3	11.3	11.0	10.1
Indiabulls Power	30	Not Rated	0.2	0.1	-0.2	141.1	262.5	-	-	-	-	1.1	0.6	-0.9
JSW Energy	112	Not Rated	4.7	9.0	9.6	24.1	12.4	11.7	16.0	6.4	5.8	15.4	26.0	21.8
NTPC	203	Neutral	10.6	11.1	12.6	19.2	18.3	16.1	13.1	10.6	10.7	14.6	14.0	14.6
Power Grid Corp.	107	Buy	5.0	5.8	7.7	21.3	18.3	13.9	13.5	11.3	9.6	13.7	14.5	17.1
PTC India	114	Buy	3.5	4.3	4.4	32.7	26.6	25.9	43.3	43.6	40.6	5.6	5.9	5.9
Reliance Infrastructure	993	Buy	45.0	56.3	68.8	22.1	17.6	14.4	21.0	13.4	11.0	9.8	9.8	10.0
Reliance Power	150	Not Rated	-	2.6	0.8	-	58.1	183.8	-	31.0	20.4	-	4.4	1.4
Tata Power	1,373	Neutral	54.4	94.1	117.0	25.2	14.6	11.7	20.7	17.9	16.7	7.5	9.0	9.1
Sector Aggregate						**24.7**	**19.7**	**15.8**	**17.1**	**12.9**	**11.3**	**10.6**	**12.0**	**13.6**

CESC

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	CESC IN
	REUTERS CODE
S&P CNX: 5,262	CESC.BO

Equity Shares (m)	124.9
52 Week Range (Rs)	452/204
1,6,12 Rel Perf (%)	-9 / -6 / 0
Mcap (Rs b)	47.2
Mcap (USD b)	1.0

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs378

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS* GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	30,310	3,685	29.5	11.8	12.8	1.7	12.9	11.8	2.0	9.7
03/10E	34,149	3,610	28.9	-2.0	13.1	1.5	11.3	12.9	1.9	7.6
03/11E	36,233	3,867	31.0	7.1	12.2	1.4	11.0	9.9	1.9	8.4
03/12E	38,570	3,937	31.5	1.8	12.0	1.3	10.1	8.9	2.0	9.3

** Excl Spencers; fully diluted*

- For 4QFY10, we expect CESC to post revenue of Rs8.6b (up 16% YoY) and net profit of Rs1.4b, up 45% YoY.
- CESC announced the commissioning of its 250MW Budge Budge expansion in March 2010, after which generation capacity will be 1,225MW.
- Dhariwal Infrastructure, a subsidiary, engaged in setting up a 600MW thermal power generating station at Chandrapur in Maharashtra, has placed a BOP (Balance of Plant) order for Rs1b with Punj Lloyd. Financial closure is complete and CoD is expected in FY13, given major approvals are in place.
- It is finalizing equipment specifications/negotiations with select vendors for its 600MW Haldia project. 80% of the land and major approvals for the project are in place.
- CESC Properties has placed a turnkey construction contract to develop a mall (0.7msf), which will be operational in mid-FY13.
- Spencer retail has reorganized its operations to cut losses (Rs250m/month). For 9MFY10, Spencer achieved savings of Rs700m (Rs78m/month). The management expects Spencer to turn around in 12-18 months, given an up-tick in sales (Rs854/sf in December 2009 v/s Rs660/sf in March 2009), re-organization of the product offering and cost controls.
- We expect CESC to post standalone net profit of Rs3.6b in FY10 (down 2% YoY) and Rs3.9b in FY11 (up 7% YoY), excluding Spencer. The stock trades at reported PER of 12.2x FY11E and 12x FY12E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**7,830**	**7,550**	**7,520**	**7,410**	**8,090**	**9,490**	**7,970**	**8,599**	**30,310**	**34,149**
Change (%)	*9.2*	*3.4*	*11.2*	*16.1*	*3.3*	*25.7*	*6.0*	*16.0*	*9.2*	*12.7*
EBITDA	**1,220**	**1,870**	**1,510**	**1,520**	**1,900**	**2,100**	**1,880**	**2,441**	**6,120**	**8,321**
Change (%)	*-6.2*	*32.6*	*-2.6*	*20.6*	*55.7*	*12.3*	*24.5*	*60.6*	*10.7*	*36.0*
As of % Sales	*15.6*	*24.8*	*20.1*	*20.5*	*23.5*	*22.1*	*23.6*	*28.4*	*20.2*	*24.4*
Depreciation	420	430	430	420	480	490	490	567	1,700	2,027
Interest	320	350	360	370	430	460	420	546	1,400	1,856
Other Income	590	310	390	340	280	360	260	312	1,515	1,212
PBT	**1,070**	**1,400**	**1,110**	**1,070**	**1,270**	**1,510**	**1,230**	**1,641**	**4,650**	**5,651**
Tax	130	160	130	130	220	250	210	281	550	961
Effective Tax Rate (%)	*12.1*	*11.4*	*11.7*	*12.1*	*17.3*	*16.6*	*17.1*	*17.1*	*11.8*	*17.0*
Reported PAT	**940**	**1,240**	**980**	**940**	**1,050**	**1,260**	**1,020**	**1,360**	**4,100**	**4,690**
Adjusted PAT	**825**	**940**	**980**	**940**	**-30**	**1,260**	**1,020**	**1,360**	**3,685**	**3,610**
Change (%)	*21.3*	*16.0*	*5.4*	*9.3*	*-103.6*	*34.0*	*4.1*	*44.7*	*11.8*	*-2.0*

E: MOSL Estimates, Standalone Numbers (excl Spencers Retail)

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National Thermal Power Corporation

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	NTPC IN
	REUTERS CODE
S&P CNX: 5,262	NTPC.BO

Equity Shares (m)	8,245.5
52 Week Range (Rs)	242/176
1,6,12 Rel Perf (%)	-7 / -8 / -73
Mcap (Rs b)	1,673.8
Mcap (USD b)	37.1

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs203

YEAR END*	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	419,238	80,824	9.8	9.0	20.7	2.9	14.7	12.9	4.1	16.3
03/10E	464,513	87,043	10.6	7.7	19.2	2.7	14.6	14.5	3.8	13.1
03/11E	582,013	91,434	11.1	5.0	18.3	2.4	14.0	16.4	3.0	10.6
03/12E	654,334	104,161	12.6	13.9	16.1	2.3	14.6	14.0	2.7	10.7

** Pre Exceptional Earnings*

- We expect NTPC to post revenue of Rs124.8b (up 9.1% YoY) and net profit of Rs23.9b (up 0.3%) in 4QFY10.
- NTPC's installed capacity is slated to increase to 58-60GW, given an operational capacity of 31.1GW. 17.3GW of projects are under construction and 10GW (including 6GW of bulk tendering) are in the bidding stage.
- NTPC plans to award projects under the bidding stage by 1HCY10, increasing its capacity in the construction stage to 28GW.
- NTPC has identified projects of 2.1GW that will be on a merchant basis. Of these, 1GW of projects will be commissioned in FY11 (from June 2010). The management indicated it planned to tie up 85-90% of the capacity in a regulated return/CBT mechanism and the rest will be on a merchant basis.
- NTPC signed a firm Fuel Supply Agreement (FSA) with Coal India (CIL) for 90% of the coal it requires for 12 of its 15 stations. NTPC has also signed a firm gas supply agreement for 11mmscmd though its requirement is 14mmscmd.
- We expect NTPC to post net profit of Rs87b (up 8% YoY) in FY10 and Rs91.4b (up 5% YoY) in FY11. The stock trades at a reported PER of 18.3x FY11E and 16.1x FY12E. Maintain **Neutral**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**95,395**	**96,614**	**112,771**	**114,458**	**120,027**	**107,828**	**111,837**	**124,821**	**419,237**	**464,513**
Change (%)	*6.4*	*20.5*	*20.9*	*6.5*	*25.8*	*11.6*	*-0.8*	*9.1*	*8.5*	*10.8*
EBITDA	**24,218**	**25,476**	**32,086**	**22,199**	**31,757**	**32,137**	**33,653**	**36,895**	**103,978**	**134,442**
Change (%)	*-10.1*	*-7.3*	*8.1*	*-21.3*	*31.1*	*26.1*	*4.9*	*66.2*	*-8.9*	*29.3*
As of % Sales	*28.0*	*26.4*	*28.5*	*19.4*	*26.5*	*29.8*	*30.1*	*29.6*	*24.8*	*28.9*
Depreciation	5,524	5,267	5,590	7,264	6,128	6,438	6,614	7,997	23,645	27,176
Interest	4,219	5,264	5,076	5,671	4,447	5,407	3,418	5,187	20,229	18,458
Other Income	7,172	7,448	8,513	10,357	7,763	7,410	7,791	6,889	33,490	29,853
PBT	**21,646**	**22,394**	**29,933**	**19,621**	**28,945**	**27,703**	**31,412**	**30,601**	**93,595**	**118,661**
Tax	4,381	1,289	7,424	-1,512	7,009	6,183	8,862	8,742	11,582	30,796
Effective Tax Rate (%)	*20.2*	*5.8*	*24.8*	*-7.7*	*24.2*	*22.3*	*28.2*	*28.6*	*12.4*	*26.0*
Reported PAT	**17,265**	**21,105**	**22,509**	**21,134**	**21,936**	**21,520**	**22,550**	**21,859**	**82,013**	**87,864**
Adj. PAT (Pre Exceptional)	**18,973**	**18,272**	**20,378**	**23,885**	**22,790**	**19,845**	**20,446**	**23,963**	**81,507**	**87,043**
Change (%)	*7.5*	*12.3*	*2.4*	*9.7*	*20.1*	*8.6*	*0.3*	*0.3*	*7.7*	*6.8*

E: MOSL Estimates

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Power Grid Corporation of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	PWGR IN
	REUTERS CODE
S&P CNX: 5,262	PGRD.BO

Equity Shares (m)	4,208.8
52 Week Range (Rs)	128/89
1,6,12 Rel Perf (%)	-8 / -6 / -71
Mcap (Rs b)	448.7
Mcap (USD b)	10.0

30 March 2010

Buy

Previous Recommendation: Buy

Rs107

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	65,798	19,418	4.6	23.3	23.1	3.1	13.8	11.6	10.8	12.8
03/10E	70,765	21,066	5.0	8.5	21.5	2.8	13.7	8.5	11.3	13.6
03/11E	92,192	24,544	5.8	16.5	18.5	2.5	14.5	9.4	9.6	11.3
03/12E	116,287	32,354	7.7	31.8	14.0	2.3	17.1	10.2	8.3	9.6

* *Pre-exceptional*

- We expect Powergrid to post 4QFY10 revenue of Rs21.8b (down 3% YoY) and net profit of Rs7.1b (up 2%).
- Powergrid announced budgeted capex of Rs129b in FY11, which is up 12% YoY from Rs110b in FY10.
- Recently, the company signed long term transmission agreements with 38 private sector project developers to facilitate open access and with an investment outlay of Rs580b. The projects will be commissioned over 4-5 years, in line with the commissioning schedule for generation projects.
- As at FY10 end, Powergrid awarded projects worth Rs106b (v/s investment approval for Rs180b worth of projects as at March 2009).
- Equity funding requirement for Eleventh Plan stands at Rs160b of which Rs130b would be funded through internal accruals and Rs30b to be met through equity raising by 1HFY11 which will lead to dilution of ~7%.
- We expect Powergrid to post net profit of Rs21.1b (up 9% YoY) in FY10, Rs24.5b (up 16.5% YoY) in FY11 and Rs32.4b (up 32% YoY) in FY12. The stock trades at a reported PER of 18.5x FY11E and 14x FY12E. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**13,608**	**15,877**	**14,774**	**22,499**	**16,230**	**17,486**	**15,254**	**21,795**	**66,759**	**70,765**
Change (%)	*39.5*	*53.5*	*36.1*	*59.6*	*19.3*	*10.1*	*3.2*	*-3.1*	*42.0*	*6.0*
EBITDA	**11,349**	**13,569**	**12,217**	**18,588**	**13,299**	**14,723**	**12,467**	**18,138**	**55,723**	**58,627**
Change (%)	*40.9*	*57.9*	*37.8*	*71.4*	*17.2*	*8.5*	*2.0*	*-2.4*	*45.4*	*5.2*
As of % Sales	*83.4*	*85.5*	*82.7*	*82.6*	*81.9*	*84.2*	*81.7*	*83.2*	*83.5*	*82.8*
Depreciation	2,638	2,745	2,746	2,811	4,670	5,819	5,360	5,762	10,940	21,610
Interest	5,640	7,024	6,003	6,654	3,834	4,162	4,119	4,273	25,321	16,388
Other Income	977	853	852	845	1,993	751	2,246	881	3,527	5,871
Extraordinary Income/(Expense)	0	0	0	0	-14	8	-4	0	0	-11
PBT	**4,048**	**4,653**	**4,321**	**9,967**	**6,802**	**5,485**	**5,239**	**8,984**	**22,989**	**26,511**
Tax	480	614	650	3,637	1,336	885	361	1,836	5,380	4,418
Effective Tax Rate (%)	*11.8*	*13.2*	*15.0*	*36.5*	*19.6*	*16.1*	*6.9*	*20.4*	*23.4*	*16.7*
Reported PAT	**3,569**	**4,039**	**3,671**	**6,331**	**5,466**	**4,600**	**4,877**	**7,149**	**17,610**	**22,092**
Adj. PAT (Pre Exceptional)	**3,834**	**4,394**	**4,204**	**7,011**	**4,574**	**4,424**	**4,919**	**7,149**	**19,418**	**21,066**
Change (%)	*27.7*	*22.7*	*7.5*	*220.7*	*19.3*	*0.7*	*17.0*	*2.0*	*23.3*	*8.5*

E: MOSL Estimates

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PTC India

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	PWTC IN
	REUTERS CODE
S&P CNX: 5,262	PTCI.BO

Equity Shares (m)	294.1
52 Week Range (Rs)	126/66
1,6,12 Rel Perf (%)	1 / 26 / -18
Mcap (Rs b)	33.4
Mcap (USD b)	0.7

30 March 2010

Buy

Previous Recommendation: Buy

Rs114

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	64,396	910	4.0	73.2	28.4	1.7	6.0	7.4	0.3	98.1
03/10E	83,122	1,023	3.5	-13.1	32.7	1.6	5.6	7.7	0.3	43.1
03/11E	101,286	1,256	4.3	22.8	26.6	1.6	5.9	7.3	0.3	41.8
03/12E	106,489	1,288	4.4	2.5	25.9	1.5	5.9	7.3	0.3	41.1

* *Pre-exceptional*

- In 4QFY10, we expect PTC to post revenue of Rs18b, (up 51% YoY), EBITDA of Rs84m and net profit of Rs224m, (up 29% YoY).
- New norms that increase the cap on short-term trading to Rs0.07/unit from Rs0.04/unit are positive for PTC but they will take effect gradually. PPAs entered into by the company will be re-negotiated after the end of the current terms and new projects may see higher trading margins. We expect volumes from long term PPAs will increase to 60%+ by FY12 from 40% in FY09.
- PTC Energy has entered into a JV agreement with Ashmore of the US to launch a power sector fund. The proposed fund will provide an additional revenue stream from fund management (2:20 structure) and complement its existing trading portfolio.
- We expect long and medium term power trading volumes (including international projects) to account for ~80% of total trading, leading to lower volatility in core earnings. We estimate PTC will add ~1.3GW of new projects to its long term portfolio in FY10.
- We expect PTC to post net profit of Rs1b in FY10 (up 12.3% YoY) and Rs1.3b in FY11 (up 23% YoY). The stock trades at a reported PER of 26.6x FY11E and 25.9x FY12E. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Power Traded (MUs)	2,687	5,159	3,497	2,182	4,204	6,388	4,444	3,686	13,525	18,722
Sales	**12,031**	**20,313**	**21,168**	**11,777**	**23,717**	**24,582**	**16,975**	**17,848**	**65,289**	**83,122**
Change (%)	*3.8*	*38.4*	*188.5*	*115.5*	*97.1*	*21.0*	*-19.8*	*51.6*	*67.1*	*27.3*
EBITDA	**59**	**141**	**27**	**23**	**147**	**297**	**103**	**84**	**250**	**631**
Change (%)	*1.1*	*36.1*	*67.0*	*-15.4*	*151.0*	*111.0*	*280.0*	*257.5*	*21.8*	*152.6*
As of % Sales	*0.5*	*0.7*	*0.1*	*0.2*	*0.6*	*1.2*	*0.6*	*0.5*	*0.4*	*0.8*
Depreciation	15	16	16	15	14	14	16	13	62	56
Interest	9	8	7	2	1	0	2	6	25	9
Other Income	176	281	312	193	280	175	142	248	960	845
Extraordinary Income/(Expense)	1	0	0	-12	0	1	0	0.0	-12	0
PBT	**211**	**398**	**316**	**211**	**413**	**459**	**229**	**313**	**1,135**	**1,411**
Tax	22	59	79	55	79	149	72	88	226	388
Effective Tax Rate (%)	*10.3*	*14.9*	*25.1*	*26.2*	*19.1*	*32.5*	*31.3*	*28.2*	*19.9*	*27.5*
Reported PAT	**190**	**338**	**237**	**155**	**334**	**310**	**158**	**224**	**909**	**1,023**
Adjusted PAT	**189**	**334**	**275**	**174**	**364**	**309**	**158**	**224**	**910**	**1,023**
Change (%)	*58.7*	*189.6*	*344.3*	*-9.7*	*92.7*	*-7.4*	*-42.7*	*29.2*	*86.4*	*12.3*

E: MOSL Estimates

Satyam Agarwal (AgarwalS@MotilalOswal.com)/Nalin Bhatt (NalinBhatt@MotilalOswal.com)/Vishal Periwal (Vishal.Periwal@MotilalOswal.com)

Reliance Infrastructure

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	RELE IN
	REUTERS CODE
S&P CNX: 5,262	RLEN.BO

Equity Shares (m)	267.2
52 Week Range (Rs)	1,404/496
1,6,12 Rel Perf (%)	-8 / -21 / 14
Mcap (Rs b)	265.5
Mcap (USD b)	5.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs993

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	96,965	9,081	34.0	22.0	29.2	2.1	10.2	9.0	1.9	21.7
03/10E	97,742	12,037	45.0	32.6	22.1	1.8	9.8	9.2	1.9	17.6
03/11E	129,204	15,049	56.3	25.0	17.6	1.3	9.8	10.7	1.3	11.8
03/12E	146,043	18,386	68.8	22.2	14.4	1.2	10.0	11.0	0.9	8.6

** Fully Diluted*

- In 4QFY10, we expect Reliance Infrastructure to post revenue of Rs24b (up 0.1%YoY) and net profit of Rs3b (up 2.1% YoY).
- Reliance Infra has signed a concession agreement for the Mumbai Metro II project, worth Rs110b on a BOT basis, for a concession period of 35 years. The company also won three road projects: Jaipur-Reengus, Kandla-Mundra and Pune-Satara projects with total cost of Rs33.2b.
- Reliance Infra has also emerged as a preferred/sole bidder for three projects, including two transmission UMPPs and a western sea-link project. Of the portfolio of Rs276b, two road projects are under operation and seven more (four road projects, WRSS project in phases, Mumbai Metro phase 1 and the Delhi metro) worth Rs100b will be commissioned in FY11.
- The EPC division's order book was Rs190b as at December 2009 against 1HFY10 revenue of Rs14.8b and FY09 revenue of Rs24.4b. This, along with a sizable pipeline of 13GW of firm power projects by Reliance Power reflect strong revenue visibility for the EPC business.
- We expect Reliance Infrastructure to post net profit of Rs12b in FY10 (up 33% YoY) and Rs15b in FY11 (up 25% YoY). The stock trades at a reported PER of 17.6x FY11E and 14.4x FY12E. **Buy**.

QUARTERLY PERFORMANCE (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales	**22,903**	**24,732**	**27,176**	**23,875**	**24,463**	**26,496**	**22,875**	**23,908**	**98,686**	**97,742**
Change (%)	*39.8*	*58.2*	*77.5*	*39.2*	*6.8*	*7.1*	*-15.8*	*0.1*	*53.0*	*-1.0*
EBITDA	**2,858**	**2,772**	**3,120**	**1,559**	**2,995**	**3,129**	**2,354**	**2,346**	**10,309**	**10,824**
Change (%)	*80.3*	*19.2*	*211.6*	*-22.9*	*4.8*	*12.9*	*-24.6*	*50.5*	*51.0*	*5.0*
As of % Sales	*12.5*	*11.2*	*11.5*	*6.5*	*12.2*	*11.8*	*10.3*	*9.8*	*10.4*	*11.1*
Depreciation	612	620	589	627	722	740	830	854	2,449	3,145
Interest	774	653	865	1,013	1,037	740	565	946	3,305	3,287
Other Income	1,103	2,016	1,436	2,824	2,442	1,633	2,156	2,753	7,379	8,983
PBT	**2,575**	**3,515**	**3,101**	**2,743**	**3,678**	**3,283**	**3,114**	**3,299**	**11,934**	**13,374**
Tax (incl contingencies)	49	626	589	-719	513	214	333	279	546	1,337
Effective Tax Rate (%)	*1.9*	*17.8*	*19.0*	*-26.2*	*13.9*	*6.5*	*10.7*	*8.4*	*4.6*	*10.0*
Reported PAT	**2,525**	**2,890**	**2,512**	**3,462**	**3,166**	**3,069**	**2,781**	**3,021**	**11,389**	**12,037**
PAT (Pre Exceptionals)	**2,502**	**2,122**	**2,823**	**2,958**	**3,166**	**3,696**	**2,781**	**3,021**	**10,405**	**12,037**
Change (%)	*12.9*	*-5.2*	*100.4*	*-19.1*	*26.5*	*74.2*	*-1.5*	*2.1*	*39.8*	*15.7*

E: MOSL Estimates; Quarterly nos. are on standalone basis

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Tata Power

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	TPWR IN
	REUTERS CODE
S&P CNX: 5,262	TTPW.BO

Equity Shares (m)	247.3
52 Week Range (Rs)	1,519/749
1,6,12 Rel Perf (%)	6 / 1 / -4
Mcap (Rs b)	339.5
Mcap (USD b)	7.5

30 March 2010

Neutral

Previous Recommendation: Neutral

Rs1,373

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GROWTH (%)	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	72,362	11,667	52.4	52.4	26.2	3.7	6.6	6.5	4.8	30.2
03/10E	67,870	13,450	54.4	3.7	25.2	2.9	7.5	8.5	5.7	21.1
03/11E	71,585	23,266	94.1	73.0	14.6	2.7	9.0	9.2	5.5	17.3
03/12E	72,790	28,932	117.0	24.4	11.7	2.5	9.1	9.0	5.8	16.1

** Consolidated including share of profit from Bumi Resources, Pre Exceptionals, Fully Diluted*

- In 4QFY10, we expect Tata Power to post revenue of Rs15b (up 3% YoY), EBITDA of Rs5b (up 53% YoY) and net profit of Rs2.1b (up 126% YoY).
- Tata Power plans to give investment approval to 6.3GW of projects in FY11, to be commissioned over FY13-15, which includes 1.5GW (Naraj Marthapur 1GW and Tubed IPP 0.5GW), which have captive coal mines. Other projects are 2.4GW (fuel mix either imported coal/gas) in coastal Maharashtra, 2.3GW of captive power projects (with fuel to be supplied by power procurers) and 113MW of hydro power projects in Bhutan.
- Of the 500MW of capacity available to Tata Power from its Mumbai license region, 160-200MW will be put on a merchant basis and the rest will be on a regulated return mechanism.
- After the revised geological report obtained by KPC/Arutmin mines, coal production is expected to rise from 60m tons to 75m tons and eventually to 100m tons. All approvals for higher production are expected by 2QFY11 so production could increase in 2HFY11.
- We expect Tata Power to post consolidated net profit of Rs13.5b (up 15% YoY) in FY10 and Rs23.3b (up 73% YoY) in FY11 (including its share of profit from Bumi Resources). The stock trades at a reported PER of 14.6x FY11E and 11.7x FY12E. **Neutral**.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Operating Income	**20,261**	**19,589**	**17,769**	**14,744**	**20,156**	**17,211**	**15,278**	**15,225**	**72,362**	**67,870**
Change (%)	*34.0*	*45.0*	*25.2*	*-9.8*	*-0.5*	*-12.1*	*-14.0*	*3.3*	*22.3*	*-6.2*
EBITDA	**3,049**	**2,647**	**2,560**	**2,934**	**6,323**	**4,168**	**3,254**	**4,485**	**11,190**	**18,230**
Change (%)	*5.0*	*1.3*	*-4.5*	*105.7*	*107.4*	*57.5*	*27.1*	*52.9*	*16.3*	*62.9*
As of % Sales	*15.0*	*13.5*	*14.4*	*19.9*	*31.4*	*24.2*	*21.3*	*29.5*	*15.5*	*26.9*
Depreciation	731	763	809	986	1,118	1,184	1,208	1,417	3,289	4,927
Interest	522	681	952	904	1,177	1,018	922	1,022	3,058	4,138
Other Income	872	1,884	460	3,108	1,076	755	839	744	6,324	3,414
PBT	**2,668**	**3,087**	**1,260**	**4,152**	**5,104**	**2,721**	**1,963**	**2,791**	**11,167**	**12,579**
Tax	763	468	109	605	1,333	889	484	666	1,945	3,372
Effective Tax Rate (%)	*28.6*	*15.2*	*8.7*	*14.6*	*26.1*	*32.7*	*24.6*	*23.9*	*17.4*	*26.8*
Reported PAT	**1,906**	**2,619**	**1,151**	**3,547**	**3,771**	**1,832**	**1,479**	**2,125**	**9,222**	**9,207**
Adjusted PAT	**1,584**	**1,969**	**978**	**941**	**2,051**	**1,832**	**1,479**	**2,125**	**5,472**	**7,487**
Change (%)	*-13.5*	*20.5*	*-34.6*	*N.A.*	*29.5*	*-6.9*	*51.2*	*125.7*	*10.8*	*36.8*

E: MOSL Estimates

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Sintex Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	BVML IN
	REUTERS CODE
S&P CNX: 5,262	SNTX.BO

Equity Shares (m)	135.5
52 Week Range (Rs)	297/93
1,6,12 Rel Perf (%)	14 / 11 / 122
Mcap (Rs b)	39.1
Mcap (USD b)	0.9

30 March 2010

Buy

Previous Recommendation: Buy

Rs288

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	31,332	3,057	22.6	40.9	12.0	2.3	20.3	11.5	1.6	9.4
03/10E	32,839	3,021	22.3	-1.2	12.6	2.0	17.0	12.1	1.5	8.7
03/11E	39,316	4,020	29.7	33.1	9.7	1.7	18.8	15.2	1.2	6.7
03/12E	46,310	5,077	37.5	26.3	7.7	1.4	19.8	9.7	1.0	5.3

Consolidated

- **4QFY10 to mark resumption of healthy PAT growth for Sintex:** For 9MFY10, Sintex PAT is down 14% YoY. This is mainly due to completion of certain large monolithic orders into 4QFY10, the costs for which were incurred in 9MFY10. Thus, 4QFY10 is likely to see a strong revival in sales and PAT growth.
- **Growth to sustain in FY11 and beyond:** Revenue and PAT in FY10 was hit by sharp degrowth in base telecom station (BTS) shelters segment of the pre-fabricated structures business. Excluding BTS shelters, pre-fab structures continue to grow at 50-60%. Likewise, monolithic construction is also growing at over 50%. Sintex is expected to complete two acquisitions in the construction business to increase its national reach in monolithics and pre-fab business. Profitability of overseas subsidiaries is also expected to improve due to greater outsourcing from India.
- **Robust guidance for FY11 and FY12; our estimates 9-16% below guidance:** The management is guiding for robust growth in FY11 and FY12 - revenue of Rs32b-34b in FY10, Rs43-45b in FY11 (+34%) and Rs54-56b in FY12 (+26%); corresponding PAT of Rs3.2-3.4b (flat YoY), Rs4.3-4.5b (+30% YoY) and Rs5.9-6.2b (+37% YoY). This guidance does not include inorganic growth. For now, we maintain our estimates which are 9-16% below guidance.
- **Reasonable valuation, maintain Buy:** We see FY10 as a year of consolidation for Sintex with flat PAT YoY. The stock currently trades at a P/E of under 9.7x FY11E and 7.7x FY12E. This is reasonable considering FY10-12E EPS CAGR of 30% and RoE of 19-20%. We maintain **Buy** with a target price of Rs356 (12x FY11E EPS of Rs29.7).

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Operating Income	**7,286**	**7,340**	**8,202**	**8,504**	**6,624**	**7,154**	**8,478**	**10,582**	**31,332**	**32,839**
YoY Growth (%)	*109.4*	*87.8*	*33.3*	*-9.9*	*-9.1*	*-2.5*	*3.4*	*24.4*	*36.4*	*4.8*
EBITDA	**923**	**1,340**	**1,273**	**1,657**	**874**	**1,305**	**1,269**	**2,147**	**5,193**	**5,595**
EBITDA Margin (%)	*12.7*	*18.3*	*15.5*	*19.5*	*13.2*	*18.2*	*15.0*	*20.3*	*16.6*	*17.0*
YoY Growth (%)	*47.7*	*67.9*	*22.3*	*3.6*	*-5.3*	*-2.6*	*-0.3*	*29.6*	*27.8*	*7.7*
Depreciation	304	314	315	211	366	372	355	400	1,144	1,493
Interest	175	187	255	202	142	157	175	204	820	677
Other Income	242	221	252	-39	159	103	249	43	676	554
Extraordinary Items	0	0	0	194	200	-123	0	0	194	77
Profit before Tax	**686**	**1,060**	**954**	**1,399**	**725**	**757**	**988**	**1,586**	**4,100**	**4,056**
Tax Provisions	119	222	237	248	114	174	260	384	826	933
Tax / PBT (%)	*17.4*	*20.9*	*24.8*	*17.7*	*15.7*	*23.0*	*26.3*	*24.2*	*20.1*	*23.0*
PAT before MI	**567**	**838**	**717**	**1,151**	**611**	**583**	**728**	**1,202**	**3,274**	**3,123**
Minority Interest	3	1	9	11	5	10	3	6	23	25
Consolidated PAT	**565**	**838**	**708**	**1,140**	**606**	**572**	**724**	**1,196**	**3,251**	**3,098**
Adj. Consolidated PAT	**565**	**838**	**708**	**946**	**406**	**695**	**724**	**1,196**	**3,057**	**3,021**
YoY Growth (%)	*71.4*	*89.2*	*21.1*	*16.5*	*-28.1*	*-17.1*	*2.3*	*26.3*	*40.9*	*-1.2*

E: MOSL Estimates

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United Phosphorus

STOCK INFO.	BLOOMBERG
BSE Sensex: 17,590	UNTP IN
	REUTERS CODE
S&P CNX: 5,262	UNPO.BO

Equity Shares (m)	439.6
52 Week Range (Rs)	186/95
1,6,12 Rel Perf (%)	-9 / -13 / -30
Mcap (Rs b)	65.1
Mcap (USD b)	1.4

30 March 2010

Buy

Previous Recommendation: Buy

Rs148

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/09A	49,735	4,921	10.6	24.4	13.9	2.4	20.0	18.4	1.5	8.2
03/10E	55,003	5,361	11.6	8.9	12.8	2.1	18.7	15.7	1.3	7.2
03/11E	62,238	7,291	15.8	36.0	9.4	1.8	21.8	18.0	1.0	5.3
03/12E	69,468	8,546	18.5	17.2	8.0	1.5	20.8	18.7	0.8	4.1

- United Phosphorus (UPL) is expected to post 9.8% YoY growth in consolidated revenues to Rs15.7b. Our estimates factor in 19% growth in domestic business and 8% growth in international business.
- EBITDA margin is expected to decline by 70bp YoY to 20.8%, as the benefit of lower raw material costs is fully passed on. But lower interest costs (due to a forex loss of Rs350m in 4QFY09) and lower depreciation will boost PAT growth to 19% YoY to Rs1.9b.
- Short term volumes are expected to be impacted by inventory destocking in the channel and adverse climatic patterns. This will be accentuated by adverse climatic patterns in Europe, Australia and Latin America. This, along with delays in purchase by the consumer, will result in volatile quarterly revenue.
- We are downgrading our earnings estimates for FY10 by 5% to Rs11.6 and for FY11 by 1.6% to Rs15.8, to factor in lower volumes. Valuations at 9.4x FY11E EPS (fully diluted) and 5.3x EV/EBITDA, do not reflect the growth potential (both organic and inorganic) of the company. Maintain **Buy**.

QUARTERLY PERFORMANCE (CONSOLIDATED) (RS MILLION)

Y/E MARCH	FY09				FY10				FY09	FY10E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Gross Revenues	**13,141**	**11,648**	**10,944**	**14,002**	**16,442**	**11,610**	**11,580**	**15,371**	**49,735**	**55,003**
YoY Change (%)	*55.5*	*31.4*	*35.2*	*14.7*	*25.1*	*-0.3*	*5.8*	*9.8*	*32.2*	*10.6*
Total Expenditure	10,484	9,407	8,990	10,987	13,306	9,606	9,545	12,171	39,868	44,628
EBITDA	**2,657**	**2,242**	**1,954**	**3,015**	**3,135**	**2,005**	**2,035**	**3,200**	**9,867**	**10,375**
Margins (%)	*20.2*	*19.2*	*17.9*	*21.5*	*19.1*	*17.3*	*17.6*	*20.8*	*19.8*	*18.9*
Depreciation	378	455	457	638	501	547	541	593	1,927	2,182
Interest	634	600	810	875	578	405	596	301	2,919	1,879
PBT before EO Expense	**1,645**	**1,187**	**687**	**1,502**	**2,056**	**1,053**	**898**	**2,306**	**5,021**	**6,314**
Extra-Ord Expense	0	0	0	101	0	0	0	0	101	0
PBT after EO Expense	**1,645**	**1,187**	**687**	**1,401**	**2,056**	**1,053**	**898**	**2,306**	**4,921**	**6,314**
Tax	99	59	54	77	268	165	247	268	289	947
Deferred Tax	92	21	23	-160	0	0	0	158	-19	158
Rate (%)	*11.6*	*6.7*	*11.1*	*-5.9*	*13.0*	*15.7*	*27.5*	*18.4*	*5.5*	*17.5*
Reported PAT	**1,454**	**1,108**	**611**	**1,484**	**1,789**	**888**	**651**	**1,881**	**4,651**	**5,209**
Income from Associate Co	22	113	36	29	-26	135	-10	53	200	152
Adjusted PAT	**1,477**	**1,220**	**646**	**1,620**	**1,763**	**1,023**	**641**	**1,934**	**4,946**	**5,361**
YoY Change (%)	*100.1*	*38.3*	*33.1*	*-15.1*	*19.4*	*-16.2*	*-0.8*	*19.4*	*25.1*	*8.4*
Margins (%)	*11.2*	*10.5*	*5.9*	*11.6*	*10.7*	*8.8*	*5.5*	*12.6*	*9.9*	*9.7*

E: MOSL Estimates

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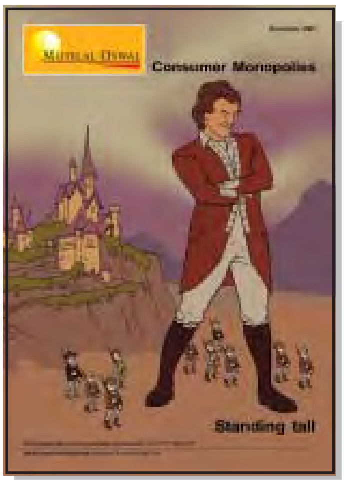
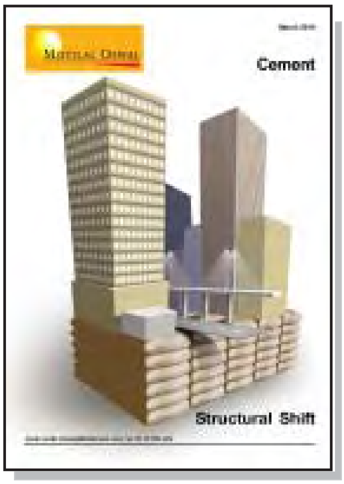
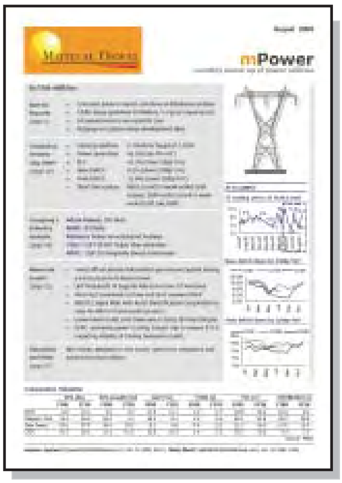
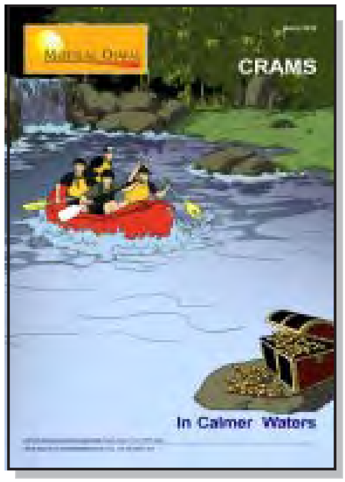
NOTES









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MOSt has broking relationships with a few of the companies covered in this report.

MOSt is engaged in providing investment-banking services in the following companies covered in this report: Alok Industries, Sintex Industries

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