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Technical View: Cash Market

After showing strength previous week, Nifty showed selling pressure from 5100 levels and made long black candlestick on weekly charts, which shows that Nifty have crucial resistance in near 5100 zone. On upside, Nifty also has some resistance in 4900-4950 levels, if Nifty manages to maintain above 4950 levels then recovery may be seen else selling pressure may be continuing. On downside, Nifty has support in 4750-4650 zone.

For trading during the coming sessions, trend deciding level is 4850. If Nifty shows strength above 4850 levels then we may see rally 4950/5050-5100/5175/5250 levels. If Nifty doesn't sustain above 4850 levels then selling pressure till 4750/4650/4600/4550 may also be seen.

Recommendation for Monday- Intra Day Trading

Scrip (LTP)	Action	At Price	For Target of	Stop Loss	Duration
INDUS IND BANK (261.25)	BUY	IN 261-257	267-271	254	1 day
SAIL (82.55)	SELL	IN 83-85	81-79	86.25	1 day

Technical View: NIFTY Future

Duration	Action	Entry Zone	For Target of	Stop Loss
For Monday	BUY	4880-4900	4970	4850
For the Week	BUY	4850-4900	4985-5050-5100	4850

Fundamental Call

Company	Recommendation	At Rate(Rs)	Target(Rs)
HCL Technology Ltd	Accumulate	407-400	440
Sun Pharma Industries Ltd	Accumulate	519.35	590

News Roundup

- India's benchmark indices ended this week with huge losses of over 3.5%. Sensex closed at 16213 down by 3.7 % and Nifty closed below the psychological mark of 4900 at 4866 down by 3.6 % .Among the sectoral indices, Only CNX IT closed in green and all other sectors ended the week in negative territory. CNX Infra and Realty were the top losers of the week with losses of over 5% followed by CNX Energy.
- After two successive months of contraction, India's service sector recovered in November on the back of surge in new business received by Indian private sector companies despite persistent inflationary pressures. The seasonally adjusted HSBC Markit Business Activity Index, which is based on a survey of 400 firms stood at 53.2 in November. During October, it had declined to 49.1 and in September it had fallen to 49.8, which was the first contraction in more than two years.
- During the first eight months of FY12, the net direct tax collection surged by 8.63% to Rs 2,35,33 crore compared to Rs 2,16,628 crore in the same period of last fiscal year. As a result, the government has achieved 44% of the budget estimates. The gross corporate tax collection also surged by 19.61% to Rs 1, 99,317 crore in April-November 2011 compared to Rs 1, 66,638 crore in April-November 2010. Similarly, the gross personal income tax also increased by 19.44% to Rs 1,04,176 crore in April-November 2011.
- Food inflation showed a sharp decline for the week ended November 26, reflecting a decline in prices of essential items like vegetables, onions, potatoes and wheat. The annual rate of inflation, stood at 6.92% (Provisional) for the week ended November 26 as compared to 7.74% (Provisional) for the previous week November 19.
- India's exports surged to \$22.3 billion in November 2011 compared to \$19.9 billion October 2011. On the other hand, India's import in November 2011 stood at \$35.9 billion compared to \$39.5 October 2011, resulting in trade deficit of \$13.6 billion compared to \$19.6 billion in last month. India's exports in the first eight months of current financial year surged by 33.2% year-on-year to \$192.7 billion. As per the provisional data, in April-November 2011, India's imports also surged by 30.2% year-on-year to \$309.5 billion, as a result, India's trade deficit in April-November stood at \$116.8 billion.
- The government has revised India's economic growth downward for the current financial year on the back of slowdown in economic activities, high inflation in domestic economy and unfavorable conditions in global economy. In the mid-year economic review, tabled in Parliament, the government said the economy is expected to grow around 7.5% sharply lower than the original estimates of 9%. It also expects that meeting the fiscal deficit target in the current year would be a challenge for the government, given the unfavorable conditions in domestic and global front.
- India's foreign exchange reserves rose by \$2.48 billion on week on week basis to stand at \$306.84 billion as on Dec 2 from \$304.36 billion in the previous week. The rise was mainly on higher valuation of gold in reserves and also due to revaluation of non-dollar assets in reserves.
- Global stocks rebounded near the weekend as European leaders, during crucial EU summit, added 200 billion euros (\$267 billion) to their crisis-fighting fund and tightened anti-deficit rules. Moreover, a gauge of U.S. consumer confidence climbed to a six-month high as Americans' outlook improved.
- China's export growth slowed to the weakest pace since 2009. The development implied that the government is likely to further ease policies to sustain the expansion of the world's second-largest economy. Overseas shipments rose 13.8 percent in November from a year earlier, as against 15.9% in October .The trade surplus narrowed to \$14.5 billion from \$17 billion the previous month. Import growth slowed to 22.1 percent.
- Coming week will be eventful for the domestic bourses as the IIP numbers will be announced on 12 December, Nov monthly inflation figure will be announced on 14 December, third advance tax installment is due on 15 December, which are likely to provide cues for Q3FY12 earnings and monetary policy is scheduled for December 16th. Market is expected to be volatile with a downward bias.

Market Indices

SECTORAL INDICES				
INDICES	2-Dec-11	9-Dec-11	Change (%)	Difference
BSE				
Sensex	16846.83	16213.46	-3.76	-633.37
Bankex	10550.45	10157.05	-3.73	-393.40
IT Index	5726.93	5733.49	0.11	6.56
Metal Index	10913.57	10420.30	-4.52	-493.27
FMCG Index	4111.20	3989.17	-2.97	-122.03
Cap. Goods Index	9933.46	9394.87	-5.42	-538.59
Realty Index	1656.91	1577.13	-4.81	-79.78
Consumer Durables Index	5883.24	5704.59	-3.04	-178.65
OIL & GAS	8410.57	8021.95	-4.62	-388.62
AUTO	8819.88	8521.71	-3.38	-298.17
Healthcare Index	6124.78	5958.72	-2.71	-166.06
PSU Index	7077.47	6844.62	-3.29	-232.85
Mid-Cap Index	5763.40	5620.85	-2.47	-142.55
NSE				
S&P CNX Nifty	5050.15	4866.70	-3.63	-183.45
Bank Nifty	9172.75	8811.10	-3.94	-361.65
CNX IT Index	6122.90	6135.25	0.20	12.35
S&P CNX 500	3962.10	3830.85	-3.31	-131.25

GLOBAL INDICES				
INDICES	2-Dec-11	9-Dec-11	Change (%)	Difference
US Market				
NASDAQ	2626.93	2646.85	0.76	19.92
Dow Jones	12019.42	12184.26	1.37	164.84
S & P 500	1244.28	1255.19	0.88	10.91
European Market				
FTSE 100	5552.29	5529.21	-0.42	-23.08
CAC 40	3164.95	3172.35	0.23	7.40
Asian Market				
Nikkei	8643.75	8536.46	-1.24	-107.29
Strait Times	2773.36	2694.60	-2.84	-78.76
Hang seng	19040.39	18586.23	-2.39	-454.16
Shanghai Comp.	2360.66	2315.27	-1.92	-45.39

Institutional Activity (Equity)

INSTITUTIONAL ACTIVITY (Equity)

			(Rs. In Cr)
Day Wise	Purchase	Sale	Net
FII Activity			
Friday	2573.90	1861.90	712.00
Monday	1512.90	1301.00	211.90
Tuesday	Holiday	Holiday	
Wednesday	2841.90	2762.50	79.40
Thursday	2209.60	2014.00	195.60
Friday (Provisional)	1771.67	2020.24	-248.57
Total	10909.97	9959.64	950.33
DII Activity			
Friday	838.13	945.66	-107.53
Monday	650.91	613.24	37.67
Tuesday	Holiday	Holiday	
Wednesday	911.30	1101.41	-190.11
Thursday	845.47	1042.98	-197.51
Friday	985.02	869.81	115.21
Total	4230.83	4573.10	-342.27

Weekly Sectoral Roundup

Out performer	Under performer	Neutral
IT (0.11%)	CG (-5.42%)	BANK (-3.73%)
HC (-2.71%)	REALTY (-4.81%)	AUTO (-3.38%)
FMCG (-2.97%)	OIL&GAS (-4.62%)	
CD (-3.04%)	METAL (-4.52%)	
	POWER (-4.33%)	

Weekly Top Gainers

Name	close	pclose	%change
SREINFRA	28.2	25.2	11.9
DHANBANK	59.1	55	7.45
ALOKTEXT	20.1	19.2	4.69
JPOWER	38.05	36.35	4.68
OIL	1190.15	1142.8	4.14

Weekly Top Losers

Name	close	pclose	%change
IBREALEST	53.15	65.7	-19.1
VIPIND	102.05	124.05	-17.73
PANTALOONR	181.55	213.95	-15.14
RENUKA	28.55	32.95	-13.35
BGREENERGY	236.4	270.55	-12.62

Outlook for the Week

Nifty opened the week at 5036.50 levels and after making initial weekly high and 5099.25 levels, Nifty showed selling pressure and made low at 4841.75 levels. Nifty closed the week in red at 4866.70 levels with 3.63% loss. Volumes were lower than previous week. , Nifty showed selling pressure from 5100 levels and made long black candlestick on weekly charts, which shows that Nifty have crucial resistance in near 5100 zone. On upside, Nifty also has some resistance in 4900-4950 levels, if Nifty manages to maintain

above 4950 levels then recovery may be seen else selling pressure may be continuing. On downside, Nifty has support in 4750-4650 zone.

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NIFTY Futures View

Nifty Dec Future opened at 5062 touched the high of 5134.65 then due to long unwinding coupled with short buildup tested the low of 4850.10 & closed at 4885.90, decreased by 194.80 pts. (-3.83%) on weekly basis. Technically speaking 4750-4800 zones would act as a support & 5150-5200 range would act as a resistance for the coming week.

View for Medium term Traders: On Medium term basis, Nifty has support around 4800 level. Medium term resistance would be around 5180 mark.

Trading strategy for Short term Traders: We are recommending buying strategy for short term traders. Long position may be taken in the zone of 4850-4900 with the SL of 4820 for the target of 4985-5050-5100.

For day-trading purpose on Monday: Long position may be taken in the range of 4880-4900 with the SL of 4850 for the target of 4970.

Nifty Trend Watch

Date	Nifty	Cash	December Future
9-12-2011	Close Today	48666.70	4885.90
Week Beginning 12-12-2011	R2	5175/5250	5175/5250
	R1	4950/5050-5100	4950/5050-5100
	Weekly Trend Deciding	4850	4850
	S1	4750/4650	4750/4650
	S2	4600/4550	4600/4550

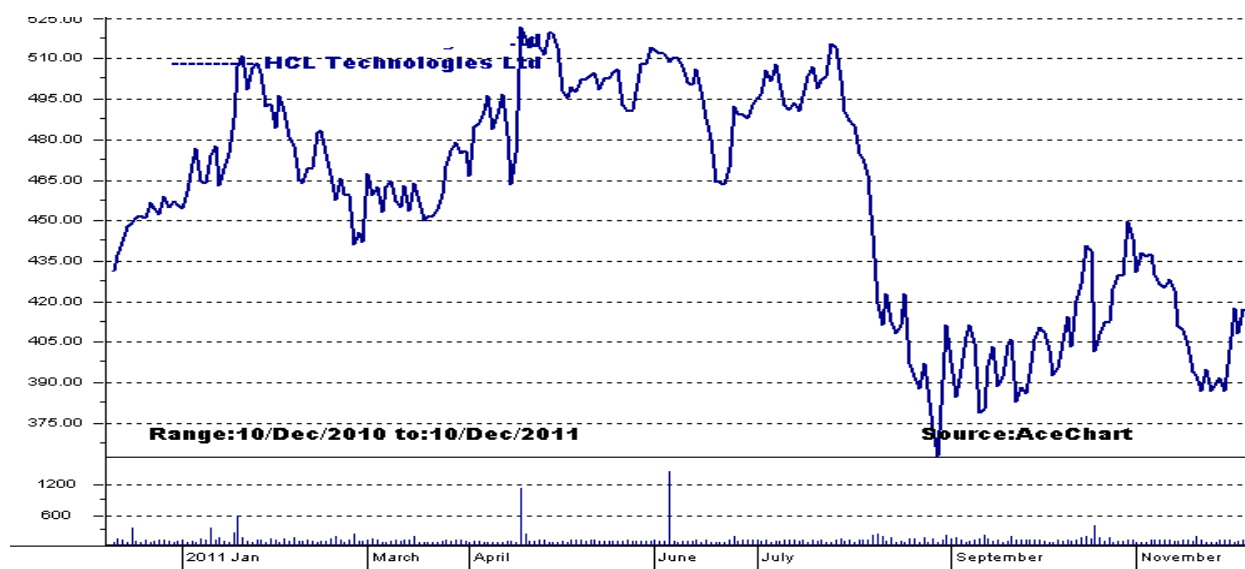
Nifty Weekly

NSE Nifty [N59901] 5036.50, 5099.25, 4841.75, 4864.20, 2246206208
 Price



INVESTMENT IDEA

Report Date	10th December 2011
Company Name	HCL Technology Ltd.
Recommendation	Accumulate in the range of Rs 407 - 400 (Medium risk-Medium return)
Target price	Rs 440
Stop loss	Rs. 383



Technical View & Recommendation

After witnessing a steep downward fall from the highs of 454 to the lows of 372, the counter has started bouncing back with significant rise in volumes. This indicates that the counter is gaining buying support at lower levels. Recently the stock has given a breakout above its 20 days SMA and struggling to breach its 50 days SMA with consistent volumes indicating the medium to long term trend to turn positive above that. Oscillators like RSI, MACD and stochastic on daily chart are also supporting the potential upside in the counter. As per retracement level the stock has breached its 38.2% level of 403. On upside 422 level is acting as a small resistance, above that the stock has potential to reach its previous high of 438-440. We recommend accumulating the stock in the range of 407-400 for the target of 440 with stoploss of 383 on closing basis.

Company profile

HCL technologies is a leading global IT services company with an annual turnover of nearly USD6 Bn. Its range of offerings spans Product Engineering, Custom & Package Applications, BPO, IT Infrastructure Services, and distribution of ICT products across a wide range of focused industry verticals. The company is operational in the following business verticals:-

- Custom Application Consulting and Software services.
- Enterprise Application Server and application services.
- Enterprise Transformation Services.
- Engineering and R&D Services.
- Business Process Outsourcing.
- IT infrastructure management services.

The company is catering to following industry verticals:-

- Financial Services
- Aerospace And Defense
- Life science.
- Healthcare.
- Media and Entertainment.
- Retail.
- Energy and Utilities.
- Travel, Transportation and Logistics.
- Automotive.
- Hitech, Semiconductors etc.

The HCL team comprises over 80,000 professionals of diverse nationalities, who operate from 26 countries including over 500 points of presence in India. HCL has global partnerships with several leading Fortune 1000 firms, including leading IT and Technology firms.

Recent developments

- HCL has posted good set of quarter numbers for the Q1FY12, managed to double their quarter revenues from \$500 million to \$1 billion in just three years time period despite the challenging economic environment. In INR terms, Net sales grew by 25% YoY and 8.2% QoQ during the quarter ended June 2011, stood at Rs 4651 crores. Increase in revenues was majorly led by growth in US and Europe with 6.8% and 2.5% QoQ respectively.
- HCL's volume growth came in at 5.1% QoQ and for its IT services business it came in at 5.4% QoQ.
- On consolidated basis, Net Profit grew at 50% YoY from Rs 330.9 crores in Q1FY11 to Rs 497.1 crores in Q1FY12. However higher forex loss of Rs17.9 crore offset the higher other income of Rs23.8crore resulting in a 2.7% fall in reported PAT on a sequential basis.
- Both the operating margins as well as net profit margins registered good growth in YoY witnessing an increase of 241 bps and 177 bps respectively, however on sequential basis both the margins eroded. The margin performance was largely impacted by salary hikes across the company, higher SG&A and lower utilization on the back of strong fresher addition. Operational efficiencies and rupee depreciation cushioned the margin fall to an extent.
- Broad based growth across service offerings with Engineering and R&D Services at 8.6%, Custom Applications at 7.3% and Infrastructure Services at 5.8%. Verticals reported strong broad based growth led by Retail & CPG at 12.0% and Manufacturing at 8.2%

Revenue Analysis Matrix

Region wise Revenue (%)	Q1FY12	Q1FY11	Q4FY11
America	55.8	58.0	54.4
Europe	26.6	26.7	27.1
Rest Of World	17.5	15.3	18.5
Total	100	100	100

Vertical wise Revenue(%)	Q1FY12	Q1FY11	Q4FY11
Financial Services	25.1	25.2	26
Manufacturing	29	27.2	28
Telecom	8.5	11	9.1
Retail & CPG	8.5	8.5	7.9
Media, Publishing &	6.8	6.9	7.1
Healthcare	7.6	8.4	7.9
Energy Utilities Public sector	8.2	6.8	8.3
Others	6.6	6	5.7
Total	100	100	100

- Decent employee additions continued for HCLT with ~9300 gross additions during the quarter. Going forward Company guided to about 2500 campus offers for the next quarter.

Employee Operation Matrix

Utilization Rate	Q1FY12	Q1FY11	Q4FY11
Including Trainees (%)	69.7	70.1	72.5
Excluding Trainees (%)	76.5	74.1	76.1

Employees (End of the period)	Q1FY12	Q1FY11	Q4FY11
Total No. of Employees	80520	70218	77046
Gross Additions	9311	11785	9572
Net Additions	3474	5661	3626
Attrition Rate	15.90%	16.70%	16.50%

- Addition of Clients continues: - The Company had added 66 clients in Q1FY12. Going forward, with partnership of Apacheta, we expect the company to add more clients to its stable. This would aid the company in reporting growth in topline with growth in the enhanced mobile workforce solutions to global companies. Recently, it has established a software delivery centre in Dublin which will create 80 local jobs over the next 3 years for IT graduates. With this center HCL will service a growing number of its clients and prospects in the Financial services, Insurance and Healthcare/Pharmaceutical industries.

Clients Matrix

	Q1FY12	Q1FY11	Q4FY11
Top 5 Client contribution to revenues (%)	15.3	17.7	15.4
Top 10 Client contribution to revenues (%)	24.1	25.9	24.6
Top 20 Client contribution to revenues (%)	34.2	36.6	35.3

US\$ 1 million + Clients	349	292	332
US\$ 5 million + Clients	135	112	126
US\$ 10 million + Clients	79	64	73
US\$ 20 million + Clients	37	26	35
US\$ 30 million + Clients	23	14	22
US\$ 40 million + Clients	11	7	10
US\$ 50 million + Clients	9	6	9
US\$ 100 million + Clients	1	1	1
Number of active clients	480	426	467
New Clients added during the quarter	66	48	70
Revenue from Repeat business (%)	94.9	93.7	94.7

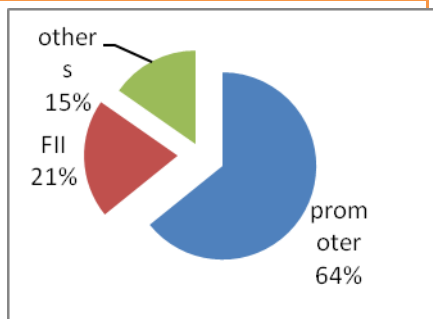
- Recently the company has been chosen by the United Health Group, a leading US healthcare player, to support its transition to ICD-10 diagnostic and procedure codes. According to the agreement, United Health Group will incorporate HCL's Proprietary ICD Crosswalk Mapping (iCRM) tool into its healthcare management portfolio to ensure a smooth transition from ICD-9 to ICD-10. HCL's Proprietary ICD Crosswalk Mapping (iCRM) tool will help identify the inherent financial implications of the transition and help in developing a roadmap to effectively deal with the issues.
- During the month of October HCL has announced its partnership with Apacheta, a mobile workflow application provider, to provide global delivery of mobile sales, delivery and merchandising solutions to the consumer goods industry to enhance operational efficiencies and provide improved time-to-market benefits. Through this partnership, HCL will provide value-added services to Apacheta's flexible mobile applications, including consulting, application enhancements, and back-end integration with ERP systems, delivering a complete solution for consumer packaged goods (CPG) companies. Together, this blend of software and services allow CPG companies to improve efficiencies and deliver enhanced accountability in operations.
- During the quarter HCL signed 12 transformational deals this quarter. Some customers with whom it signed these multi-million dollar engagements this quarter include EMI Group, Norfolk Southern and a leading life sciences organization.
- Going on the path of expansion, HCL has made various partnerships to enhance its business portfolio. It has joined hands with CAST, a world leader in software analysis and measurement to further strengthen HCL's Software Assessment Services 'ASSESS- SMART' through the suite of CAST tools. In an another partnership with Basware, a leading provider of purchase-to-pay solutions. HCL will leverage Basware's industry leading Invoice Automation, Travel & Expense, Procurement and Connectivity solutions to deliver customers with process enhancements and increased cost reductions.
- In the last quarter, HCL opened a new state-of-the-art Global Delivery Center in Redmond, Washington. With an initial investment of \$4 million in this facility, HCL will create more than 400 jobs in the Seattle area over the next two years. HCL's 'Collaborative Engineering Hub' in Redmond will support its continued global expansion and increased focus on business innovation in software product development, test engineering and business critical platform development and will be a strong focal point for HCL's nearshore complex engineering programs.
- In Europe, HCL has signed a strategic, multi-year & integrated IT Services engagement with EMI Music. As part of this engagement HCL will be providing a managed services offering for delivering reliable IT services to EMI businesses globally.
- HCL won a deal from one of the leading gaming companies in Japan for developing a web based 3D photo contest application.

- A large corporate bank in the UAE has entered into an engagement with HCL for the development and implementation of a secure transaction banking platform.
- HCL currently has training centre at Manesar and is building one at Nagpur, which will have capacity of 5000-6000 people to be trained at one go (completion over the next 3 years). Utilisation including trainees is a marginal lever according to the company and can move up by 100-200bps. Moreover till date it has been able to achieve better efficiency through just in time hiring strategy and hiring more of lateral employees (which can be directly put under billing cycle). Going forward we believe that HCL Tech will be able to convert its high revenue per employee into profits in a reasonable timeframe primarily due to lower forex losses, which dented profits earlier.
- The stock is currently trading at 13.4x FY12E and 11.7x FY13E EPS. Over the last 6 year, Total income of the company has grown at a CAGR of 22.7 % whereas revenue has witnessed a CAGR of 16%. Going forward, looking ta increasing market share and better realization, we expect the rupee revenue to grow at a CAGR of 18% during FY10-FY13E.
- The Company has been paying dividend in each of its quarters for the past 35 quarters. We expect the company to continue the trend. Recently It has announced ONE TIME Special MILESTONE Dividend of Rs 2 per share which will be paid together with the quarterly dividend.
- HCL Technologies Ltd is one of the leading IT player in India. Company has strong brand image. The company undertook restructuring measures that are reflected in its balance sheet. The company has recently ventured into various partnership ventures to broaden its business portfolio. Going forward, the management of the company is confidant of seeing a strong pipeline of deals that are likely to close in Q2FY2011-12. The company is also expecting a large funnel in BPO, which is likely to drive growth for the segment post 3QFY12, by when it expects to turn EBITDA neutral. Moreover despite the challenging macro environment the company is also not seeing any budget cuts for year 2012; it expects IT budgets to remain flat. This should help drive stronger growth in the current as well as next year.

Key Financial Data

Key Details	
Share Capital (Rs Cr)	138
Face Value(Rs)	2
52 Wk High/Low	528 / 360
Market Cap (Rs Cr)	4349.0
EPS (Rs.TTM)	27.2
PE (X)	15.3
Price/BV (X)	3.6

Share holding pattern as on Jun'11



Particulars (Rs. Crores)	Jun'11	Jun'10	% chg	
			YoY	QoQ
Net Sales	4,651	3,708	25.4	8.2
Oth Op Inc.	0	0		0
Total Inc.	4,651	3,708	25.4	8.2
Total Exp.	3,887	3,189	21.9	10.4
PBIDT	763.9	519.4	47.1	-1.7
Dep.	117.8	106.4	10.7	-5.1
Other Inc.	23.8	0.5	4660.0	54.5
Interest	0	0		0
Excp Item	0	0	0.0	0.0
PBT	669.9	413.5	62.0	-1.5
Tax	172.8	82.6	109.2	1.7
PAT	497.1	330.9	50.2	-2.6
PBDITM%	16.42%	14.01%	241 bps	(165) bps
PATM%	10.69%	8.92%	177 bps	(118) bps

	EPS	7.21	4.87		7.4	
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Concerns

- HCL Tech derives nearly 61% of its revenues for USA, which has been the epicenter for the current economic downturn. Going forward, if the economic turmoil continues, HCL Tech's topline and order inflow would be under severe pressure.
- Currency fluctuation is always a key area of concern for IT companies and HCL is no exception to that.

Sun Pharma Industries Ltd.
Accumulate

Update

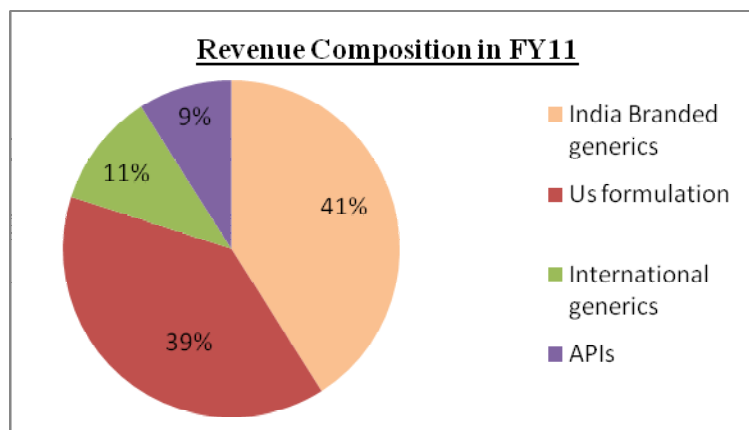
Price- Rs. 519.35
Date: 8th Dec, 2010

Company Back ground

Sunpharma pharmaceutical Industries Ltd (SPIL) incorporated in 1983, engaged in manufacture and sells of pharmaceutical formulation and active pharmaceutical ingredients (APIs) primarily in India and abroad having presence in 30 markets across the globe. It offers formulations in various therapeutic areas, such as cardiology, psychiatry, neurology, gastroenterology, diabetology and respiratory. It also provides no of APIs comprising anti cancers, steroids, peptides, sex hormones etc and some controlled substances. The company's API plants at Ahmednagar and Panoli enjoy USFDA and UKMHRA regulatory approval. Presently SPIL has 23 manufacturing facilities in 4 continents.

From 1997 onwards SPIL had made several acquisitions to make itself a leading pharma player in domestic as well as in international market. In this regard it acquired Tamilnadu Dadha pharma in 1997, Caraco pharma(1997 -2004), Gujarat Lyka organics in 1999, Milmet labs in 1999, Women's First Healthcare(US) in 2004, ICN Hungary 2005, Able labs (US) in 2005, Chatterm chemicals (US) in 2008, Taro in 2010 are some of the prominent

Revenue Composition:



- Indian braded generics are the largest contributor towards the consolidated revenue of the SPIL accounting 41% of the consolidated revenue. It is growing at a CAGR of 20% since last 5 year.
- US formulation is second largest contributor in consolidated revenue accounting 39% of the SPIL's revenue. This segment has grown at a CAGR of 44% during last five year.
- Rest 20% of revenue is contributed by international generics and APIs having a share of 11%v and 9% respectively.

Investment rationale:

Consistent growth in domestic branded generics: SPIL's domestic formulation business has grown at a CAGR of 20% over last five years (FY2006-2011) which is the above the industry's average. This segment has contributed about 42% to the company's total turnover in FY2011. In Q2FY12 Sales form this segment registered a growth of 15% y-o-y at Rs705cr that accounts 37% of the total sale of this quarter. For H1FY12, sales were at Rs 1343 crores, a growth of 14%y-o-y. With help of strong field force domestic formulation business has resulted in high margins during Q2FY12. The company has a market share of around 4.4%, with exposure to psychiatry, neurology, CVS, diabetic and gastroenterology. In FY11, Sun Pharma launched 39 products in the domestic market and

expected to launch around 30 products in FY12. In Q2 FY12, the company launched 10 new products in domestic market.

Robust performance of US business: The US formulations business which contributes over 40% to Sun's consolidated revenues grew by 77% y-o-y to US\$175mn led by Taro delivering strong topline of US\$138mn in Q2FY12. For the H1FY12, sales are \$ 314 million. Last year second quarter and first half financials includes significant sales from generic Eloxatin® which is currently not being sold, on the other hand, Taro financials are included in the current quarter financials. However, excluding Taro/ FTFs (FTF Eloxatin sales of US\$38mn in Q2FY11), US business clocked 125%y-o-y sales growth to US\$69mn. This growth is aided by lunch of recently approved 15 ANDAs in H1FY12. Growth momentum in US will continue with new niche product launches and gaining market share in existing products.

Taro acquisition would lead to a value creation in coming period: Acquisition of Taro pharmaceutical has completed during Q2FY11. Now SPIL has 66% stake of Taro Pharma. With the acquisition of majority shares of Taro, US revenues moves up significantly this quarter supported by strong financials of Taro Pharmaceutical. Taro Pharmaceutical has posted a good performance during Q2FY12 registering a sales growth of US\$138 million, an increase of 34% y-o-y. Taro's improved performance has been supported by forex gains, lower spending on R&D and some short-term opportunities in the market. Recently management has made an offer to buy out all the outstanding shares of Taro that are currently not owned by Sun Pharma or its affiliates, if that happen will be positive move for SPIL's US business and would add value for SPIL in the coming period.

Significant ramp up in ANDA approvals: During Q2FY12 SPIL received the final abbreviated new drug application (ANDA) approval for 6 products taking the total number of approvals to 238. Meanwhile it has also filed 5 more ANDAs (4 by Caraco-Sun Pharma and 1 by Taro) with the US Food and Drug Administration (USFDA). With that now SPIL has filed, cumulatively ANDAs for 388 products with the USFDA. Presently SPIL is expecting ANDA approval for 150 products including 18 tentative approvals which is one of the highest in the Indian pharma space. Getting approval of these products in subsequent period would significantly contribute towards the topline of the SPIL.

Strong fundamentals with clean balance sheet: SPIL has one of the strongest balance sheets as compared to its peers, with cash of around Rs2200cr. Management has indicated that, it is looking for some inorganic growth through acquisitions, especially in the US and emerging markets.

Well developed R&D activities with new discoveries in pipeline: SPIL has a strong set up, equipped with the most modern infrastructure and capable research team in generics, finished dosages development and for biological support activities. It has continue to be one of the most aggressive investors(spend around 5%of their net sales) and developers of generic-related pharmaceutical research and technology in the country, which helps it to maintain their leadership position in the domestic market with specialty formulations and derive cost advantage from API's developed and scaled up In-house. Further, R&D activities help it to compete in the international regulated markets, developing new innovative product as per their market requirement.

SPIL's R&D team works on projects involving complex drug delivery systems for India Complex API like steroids, sex hormones , peptides, carbohydrates and taxanes which require special skills and technology, are developed and scaled up for both API and dosage forms. This complete integration for some products will give an advantage for SPIL as against its peer and could be a value addition for the company going forward.

Q2FY12 result review:

- In Q1FY12 SPIL's consolidated revenue grew by 38.3% y-o-y to Rs 1895cr on the back of strong growth in Taro's performance as well as healthy growth in export as well.

- During Q2FY12, EBDITA grew by 67.8% y-o-y to Rs 784cr as against Rs 467cr in Q2FY11. EBDITA margin during the quarter up by 630 bps to 41.4% on the back of robust margins clocked by Taro.
- PAT grew by 18.6% y-o-y to Rs 597cr. PAT grew at a lower rate as compared to EBITDA, mainly on account of higher tax provision and higher minority interest.
- Domestic branded formulations grew by 15% y-o-y on the back of leadership in chronic portfolio and 10 new product launches this quarter taking the total to 17 for the first half. Adjusting for third-party sales, domestic revenues grew by 18% y-o-y
- US formulations grew by 77% YoY to US\$175mn led by Taro delivering strong topline of US\$138mn
- Sale of generic formulations in markets outside of India and US accounted for \$ 56 million in Q2FY12. Sales for the first half are at \$ 112 million.
- Consolidated R&D expense for Q2 FY12 is Rs 93 crores, or 5% of sales. For the first half, R&D expense is Rs 186 crores, equivalent to 5% of sales.
- Going forward - Management has maintained its guidance of ~28-30% growth in top-line for FY12

Risk & Concerns

- Getting timely approval of drugs from various agencies always a key area of concern for any Pharmaceutical company.
- Strong competition in key therapy areas of the domestic market and greater vulnerability to currency fluctuations (with international business now accounting for more than 50% sales) remain the key concern.
- Risk associated with policy changes in domestic and international market is also there

Recommendation:

SPIL is a leading pharma player in Indian pharma space, delivered a better quarterly (Q2FY12) result driven by strong performance by Taro pharma. Its strong foothold in domestic as well as in international markets justifies its growth potentials. Strong cash position would help it to grow inorganically in emerging markets to increase market share going forward. Management's is also hopeful to maintain the FY12 guidance on the back of further improvement in US and domestic market. The stock is trading at earnings multiple of 24.7x of FY12E. Investors can accumulate the stock for a target of Rs 590 in medium term.

Financials:

<i>Earnings Table</i>		<i>(Rs Cr)</i>		
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
Net Sales	4272.30	4007.45	5721.43	7209.15
<i>Change %</i>		-6.20	42.77	26.00
Total Income	4359.14	4212.79	5994.14	7459.15
Total Expenses	2408.42	2644.64	3754.28	4721.89
PBDIT	1863.88	1362.81	1967.15	2487.10
Depreciation	123.29	153.31	204.06	273.94
PBIT	1827.43	1414.84	2035.80	2463.16
Interest	-121.74	0.00	0.00	0.00
PBT	1949.17	1414.84	2035.80	2463.16
Tax	71.16	67.86	128.44	197.05

<i>Balance Sheet</i>		<i>(Rs Cr)</i>		
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
Share Capital	103.56	103.56	103.56	103.56
Reserves	6941.36	7725.35	9379.76	11136.10
Shareholder's Fund	7044.92	7828.91	9483.32	11239.66
Loan Funds	178.89	171.15	425.58	391.53
deferred tax lib	-67.90	-89.04	-365.23	-365.23
Total Liabilities	7352.95	8104.21	10390.82	11265.96
Net Fixed Assets	1945.68	2083.64	3566.00	3572.06
Investments	1859.49	3166.38	2230.96	2585.20
Net Current Assets	3547.78	2854.19	4593.86	5108.70
Total Assets	7352.95	8104.21	10390.82	11265.96

Reported PAT	1878.01	1346.98	1907.36	2266.11
Adjusted PAT	1817.73	1351.08	1816.05	2174.80
<i>Change %</i>		-25.67	34.41	19.75
Cash Profit	1941	1504.39	2020.11	2448.74

<i>Key Ratios</i>				
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
EBDIT (%)	43.63	34.01	34.38	34.50
PBIT (%)	41.92	33.58	33.96	33.02
PAT (%)	42.55	33.71	31.74	30.17
RoCE (%)	24.10	15.12	17.79	19.03
RoE (%)	25.80	17.26	19.15	19.35
Debt-Equity	0.03	0.02	0.04	0.03

<i>Valuations</i>				
<i>Particulars</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12E</i>
Adj. EPS (Rs)	87.76	65.23	17.54	21.00
Cash EPS (Rs)	93.71	72.63	19.51	23.65
BV Per Share	340.14	377.99	91.57	108.53
Div. per share	13.75	13.75	3.50	3.50
P/E	5.92	7.96	29.62	24.73
P/BV	1.53	1.37	5.67	4.79
M-Cap/Sales	2.52	2.68	9.40	7.46

Derivatives Statistics

SYMBOL	PCR OI			TOTAL FUTURES OI		
	PREV. WEEK	CURR. WEEK	% CHANGE	OI PREV. WEEK	OI CURR. WEEK	% CHANGE
BANKNIFTY	1.03	0.79	-23.30	1,919,175	1,885,425	-1.76
MININIFTY	1.04	0.58	-44.23	1,464,340	1,268,900	-13.35
NIFTY	1.31	1.08	-17.56	23,910,500	22,074,050	-7.68
ACC	1.53	1.37	-10.46	1,009,000	999,000	-0.99
AMBUJACEM	1.75	1.40	-20.00	8,378,000	8,026,000	-4.20
AXISBANK	0.28	0.33	17.86	6,884,000	6,513,250	-5.39
BAJAJ-AUTO	0.93	0.94	1.08	1,130,000	1,047,750	-7.28
BHARTIARTL	0.97	0.46	-52.58	11,193,000	12,883,000	15.10
BHEL	0.79	0.46	-41.77	10,951,000	11,334,500	3.50
BPCL	0.85	0.78	-8.24	965,500	963,500	-0.21
CAIRN	0.58	0.40	-31.03	9,339,000	10,087,000	8.01
CIPLA	2.29	2.24	-2.18	2,798,000	2,589,000	-7.47
COALINDIA	0.69	0.44	-36.23	7,745,000	8,295,000	7.10
DLF	1.38	1.05	-23.91	22,182,000	22,139,000	-0.19
DRREDDY	1.62	1.15	-29.01	757,750	710,500	-6.24
GAIL	0.69	0.50	-27.54	1,529,000	1,751,500	14.55
GRASIM	0.64	0.64	0.00	500,625	542,500	8.36
HCLTECH	0.84	0.57	-32.14	3,022,500	3,310,500	9.53
HDFC	0.81	0.83	2.47	7,706,500	7,309,500	-5.15
HDFCBANK	1.42	1.09	-23.24	14,570,500	14,303,000	-1.84
HEROMOTOCO	0.97	0.89	-8.25	1,275,125	1,119,125	-12.23
HINDALCO	1.24	0.97	-21.77	19,404,000	18,700,000	-3.63
HINDUNILVR	0.91	0.89	-2.20	10,084,000	9,364,000	-7.14
ICICIBANK	0.79	0.40	-49.37	12,292,250	12,500,250	1.69
IDFC	0.83	0.57	-31.33	25,828,000	25,778,000	-0.19
INFY	0.95	0.80	-15.79	2,640,500	2,578,000	-2.37
ITC	0.73	0.55	-24.66	18,728,000	21,892,000	16.89
JINDALSTEL	0.40	0.40	0.00	3,863,500	4,052,000	4.88
JPASSOCIAT	0.66	0.63	-4.55	33,132,000	35,376,000	6.77
KOTAKBANK	1.18	1.03	-12.71	3,758,500	3,995,000	6.29
LT	0.60	0.46	-23.33	4,740,500	4,840,750	2.11
M&M	0.76	0.57	-25.00	4,236,000	4,469,000	5.50
MARUTI	0.70	0.75	7.14	2,407,750	2,600,250	8.00
NTPC	0.66	0.65	-1.52	12,552,000	14,916,000	18.83
ONGC	0.37	0.33	-10.81	9,526,000	9,154,000	-3.91
PNB	0.83	0.88	6.02	3,518,000	3,608,750	2.58
POWERGRID	0.32	0.27	-15.63	6,592,000	6,904,000	4.73

RANBAXY	0.30	0.27	-10.00	4,581,500	4,602,000	0.45
RCOM	0.60	0.56	-6.67	22,974,000	21,178,000	-7.82
RELIANCE	0.88	0.53	-39.77	11,650,750	13,203,000	13.32
RELINFRA	0.92	0.74	-19.57	3,962,000	4,453,500	12.41
RPOWER	0.41	0.35	-14.63	19,336,000	18,228,000	-5.73
SAIL	0.26	0.22	-15.38	16,934,000	18,898,000	11.60
SBIN	0.98	0.88	-10.20	8,241,125	8,473,250	2.82
SESAGOA	0.79	0.36	-54.43	8,412,000	9,031,000	7.36
SIEMENS	0.78	0.89	14.10	716,750	618,500	-13.71
STER	0.51	0.26	-49.02	26,712,000	28,008,000	4.85
SUNPHARMA	1.25	0.85	-32.00	2,646,000	2,845,000	7.52
TATAMOTORS	0.89	0.71	-20.22	42,767,500	41,564,250	-2.81
TATAPOWER	0.41	0.39	-4.88	9,178,500	8,451,000	-7.93
TATASTEEL	1.13	0.94	-16.81	19,296,000	19,759,500	2.40
TCS	1.39	1.25	-10.07	6,023,250	6,089,500	1.10
WIPRO	0.83	1.29	55.42	3,161,500	3,377,000	6.82

Nifty Stock Level (Cash)

SCRIPS	LTP	R1	R2	S1	S2	trend
ACC	1163.80	1210.00	1256.00	1139.00	1113.00	Downtrend
AMBUJACEM	159.60	165.00	171.00	155.00	150.00	Uptrend
AXISBANK	991.90	1037.00	1083.00	962.00	932.00	Downtrend
BAJAJ-AUTO	1670.35	1721.00	1772.00	1638.00	1605.00	Downtrend
BHARTIARTL	358.70	388.00	418.00	340.00	321.00	Downtrend
BHEL	263.75	284.00	304.00	252.00	240.00	Downtrend
BPCL	554.50	565.00	576.00	542.00	529.00	Downtrend
CAIRN	306.65	323.00	340.00	296.00	285.00	Downtrend
CIPLA	325.65	332.00	339.00	320.00	314.00	Downtrend
COALINDIA	316.05	335.00	355.00	301.00	286.00	Downtrend
DLF	213.85	225.00	237.00	205.00	196.00	Downtrend
DRREDDY	1572.45	1606.00	1640.00	1537.00	1501.00	Uptrend
GAIL	392.55	403.00	414.00	384.00	375.00	Downtrend
GRASIM	2411.75	2479.00	2547.00	2353.00	2294.00	Downtrend
HCLTECH	407.75	421.00	435.00	399.00	390.00	Downtrend
HDFC	655.40	672.00	689.00	645.00	634.00	Downtrend
HDFCBANK	443.75	463.00	483.00	432.00	420.00	Downtrend
HEROMOTOCO	2033.40	2080.00	2127.00	1999.00	1964.00	Downtrend
HINDALCO	132.15	140.00	148.00	125.00	117.00	Downtrend
HINDUNILVR	385.70	396.00	407.00	380.00	374.00	Downtrend
ICICIBANK	731.15	774.00	817.00	705.00	678.00	Downtrend
IDFC	109.65	117.00	124.00	106.00	101.00	Downtrend
INFY	2710.30	2769.00	2828.00	2656.00	2601.00	Uptrend
ITC	197.15	206.00	215.00	191.00	184.00	Downtrend
JINDALSTEL	532.15	546.00	560.00	516.00	499.00	Downtrend
JPASSOCIAT	63.35	69.00	75.00	60.00	57.00	Downtrend
KOTAKBANK	488.90	502.00	516.00	475.00	461.00	Downtrend
LT	1226.85	1302.00	1378.00	1185.00	1143.00	Downtrend
M&M	703.25	746.00	789.00	679.00	654.00	Downtrend
MARUTI	985.80	1016.00	1046.00	956.00	925.00	Uptrend
NTPC	166.10	175.00	184.00	160.00	153.00	Downtrend
ONGC	261.40	271.00	281.00	256.00	250.00	Downtrend
PNB	927.00	947.00	968.00	904.00	881.00	Uptrend
POWERGRID	98.55	104.00	110.00	95.00	91.00	Downtrend
RANBAXY	415.95	439.00	462.00	399.00	381.00	Downtrend
RCOM	76.05	81.00	86.00	72.00	67.00	Downtrend
RELIANCE	755.70	800.00	844.00	732.00	707.00	Downtrend
RELINFRA	387.90	412.00	436.00	375.00	361.00	Downtrend
RPOWER	84.45	91.00	97.00	80.00	75.00	Downtrend
SAIL	83.00	87.00	92.00	80.00	77.00	Downtrend
SBIN	1865.55	1944.00	2023.00	1803.00	1740.00	Downtrend

SESAGOA	174.60	188.00	203.00	166.00	158.00	Downtrend
SIEMENS	690.65	724.00	758.00	668.00	645.00	Downtrend
STER	101.30	109.00	117.00	97.00	92.00	Downtrend
SUNPHARMA	512.90	534.00	556.00	498.00	483.00	Downtrend
TATAMOTORS	183.00	193.00	204.00	176.00	169.00	Downtrend
TATAPOWER	95.20	100.00	105.00	92.00	88.00	Downtrend
TATASTEEL	397.55	416.00	435.00	385.00	372.00	Downtrend
TCS	1172.40	1190.00	1209.00	1157.00	1142.00	Downtrend
WIPRO	404.95	418.00	432.00	389.00	373.00	Uptrend

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