Anagram

Decisive Thinking Pays

5th January 2011

Anagram's New Year Picks 2011

Growth Momentum to Continue

2010 turned out to be a fabulous year for the Indian Capital Markets and to a very large extent this was possible due to the massive funds flows coming in from Foreign Institutional Investors which pumped in a record $28bn during 2010, which resulted in sharp liquidity driving market valuations higher and keeping market indices moving up sharply. On the other hand the domestic Mutual Fund industry witnessed a record outflow of Rs28238 crs in 2010, despite many mutual fund schemes outperforming the broad markets.

On a annualized basis, compared to last year the BSE Sensex was up by 17% at 20509 levels. The NSE NIFTY also was up by 18% finally settling down at 6134.50 level.

Sectorially stocks from the Banking, Autos,(CVs, Passenger Cars, Two Wheelers, Tractors and Utility Vehicle Segments) Auto Components, select Pharmaceuticals stocks and large cap and mid sized IT Services players gave excellent stock returns, however stocks from the Infrastructure, Construction, Telecoms, and Real Estate verticals underperformed the broad markets.

The year 2010 will also be remembered for the large PSU IPO's like Coal India, Manganese Ore India Limited and several PSU Banks which offered the retail investor an opportunity to make excellent stock returns from such IPO's making it a win win situation for both the government and small retail investors thereby mproving the market sentiment from the small retail investors.

Going ahead in 2011, we believe that the PSU divestment will continue to gather momentum as several large PSU IPO's are planned in the first quarter of 2011 and this will definitely be an interesting investment theme going ahead provided IPO valuations are right and there is adequate upside profit opportunity for the incoming retail investors.

So, how does the year 2011 look forward and how is this going to be different from last year?

Our view on the Markets in 2011 – Cautiously Optimistic

Broadly on the positive side, corporate earnings by way of advance tax going by the Q3 numbers, are going to be positive. Second, from all that we hear and we see, the allocation of foreign capital flows towards India will continue to be very positive, and particularly on the back of quantitative easing 2, We think it is only going to increase and certainly not decrease.

On the negative side, there are two things. we believe that this whole government impasse is not a good thing because everything stops and there are no reforms that can happen if the impasse continues. Second, issue is of about governance issues which has been a big dampener and it certainly doesn't exude confidence in our markets. Third is input prices and crude prices going up is not very good.

India still remains among the few growth markets globally and steady corporate earnings growth also augers well. So, net-net, outlook for 2011 is going to be positive. We don't think it's going to be runaway rally, but also we also do not expect markets to show a major down side in the near to medium term. We expect markets to witness consolidation in the H1 of 2011 and thereafter move up gradually on strong FII flows driving the markets upwards.

Markets need a strong political message from the ruling Congress Govt –

2010 will also be remembered as a year of political scams wherein the 2G Telecom scandal and the Common Wealth Games Scam clearly exposed the governments inability to protect public interests at large. While corruption has always been a bane for India, in the last 6 months the number of such scandals and the scale of corruption by political names alleged to be involved have all shocked the nation.

We believe that the congress government at the centre has to provide fast track solutions to such scams and should use this opportunity to clean the system and send a strong political message to all that its means to do clean business. If done quickly and correctly we believe that this would significantly re-rate our markets.

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Events to watch out for –

Euro Zone issues and China Tightening
US Recovery in 2011
Rising Crude Oil Prices
Higher Interest rates and rising inflation which could impact earnings growth negatively
Going ahead the Union Budget for this year and government finances

On the Index a return of 10-15% would be a reasonable estimate over the next one year. For FY12, a 15% to 17% earnings growth looks easily manageable and we expect that PEs should be sustained at an average level of around 16x. Overall we expect the Sensex and Nifty to a close the year at around 22000-23000 levels and 6800-7000 levels. We believe that investors adopting a stock specific approach would reap good dividends rather than following a index based investing approach in 2011.

Sectors where we remain Positive: Autos, Capital Goods, Power Equipments, Construction, Infra, Metals, Fertilizer and Agri. Related, Pharma, IT and Banks.

Sectors where we remain Negative: Real Estate, Telecom and Cement.

In terms of the macro economy, 8.9% GDP for three consecutive quarters running is what we are coming from, but there are building in pressures of inflation and a lot of people are raising the red flag over that the global commodity prices are not helping at all, nor are food prices. Hence although the growth momentum will be maintained, GDP growth is not going to be as strong as what we saw this year.

We have two three reasons. One is that base effects are going to start hitting us just like they were helping us this year. Second is interest rates are moving up and inflation is the key theme, so we are starting to see interest rates move up and that at some point will start hurting. Third is that investment demand has slowed down a bit, projects are not coming on as fast as one has been expecting, there has been variety of reasons which are tending to slow this down. However it is not like India is going to slowdown dramatically, but it's not going to be as fast as what we saw this year.

Oil prices are going up which from India's point of view is probably one of the toughest things to watch out for. So, we will have growth which again is not going to fall off dramatically, but we are not going to see a repeat of earnings that we have seen in FY11. So, on the profit margin front, is not good for India in 2011 as it was in 2010.

Burgeoning Price Levels – Pressure on Central Bank

After remaining in double digits for five successive months, year-on-year headline WPI inflation declined to 8.8% in August 2010 and further to 7.5% in November 2010. Consumer price inflation for industrial workers and rural/agricultural labourers softened to single digit rates from August 2010, after remaining in double-digits for over a year. In addition, inflation for non-food primary articles such as raw cotton, raw rubber and minerals rose sharply during the year.

Though inflation has moderated, inflationary pressures persist both from domestic demand and higher global commodity prices. The pace of decline in food price inflation has been slower than expected due largely to structural factors. There is a risk that rising international commodity prices will spill over into domestic inflation. Going forward, rising domestic input costs for the manufacturing sector combined with aggregate demand pressures could weigh on domestic inflation, increasing the risk to RBI's projection of 5.5% by Mar 11.

Tax Collections in line with Expectations

The government's kitty swelled by 18% to Rs 296121 crore from direct taxes till the mid of Dec month in the current fiscal, driven by robust corporate tax payments, including advance tax.

During the nine-month period this year, corporate tax grew by 21.3% and personal income tax rose by 16.2%, as compared to the corresponding period last year. Revenues from indirect taxes also jumped up 42.3% to Rs.207756 crore in the first eight months of the current fiscal, led by 67 % higher collection from custom duties.

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The government has budgeted Rs 430000 crore from direct taxes and Rs 313000 crore from indirect taxes for the current fiscal. But it needs a higher revenue growth than budgeted, having committed an additional expenditure of more than Rs 75,000 crore through two supplementary demands for grants, wiping out the windfall gain of Rs 1,00,000 crore from auction of 3 G.

The governments subsidy bill is also expected to cross the budget estimates, following the spike in global commodity prices. The fertilizer ministry has projected a revised demand of Rs 82245 crore as against the budgeted Rs 52837 crore, citing hardening international prices of key inputs and imported fertilizers. The petroleum ministry could also seek extra funds to compensate oil companies for higher losses incurred in selling fuel at below cost as global crude prices have risen to over $90 a barrel. However with economic growth showing impressive resilience, the government is confident of reaching its tax collection targets, both in the direct and indirect tax segments.

Current A/C Deficit at 2.9% of GDP

India's current account deficit has widened further during the second quarter of the fiscal year at $15.8 billion as against $ 9.2 billion of the same period of previous year, primarily on account of higher imports and lower net invisibles, whereas for the first half of the year it doubled to $ 27.9 billion as compared to $ 13.3 billion of H1FY10. This is largely on account of economic recovery and larger payments overseas for certain services such as travel, business and financial services and investment income.

With the imports rising at a greater pace than exports, trade deficit expanded to $ 35.4 billion for the Q2FY11 as against $29.6 billion of Q2 FY10. For the period of Apr-Nov 10, it stood at $81.7 billion as compared to $68.4 billion of the same period of previous year with 26.5% YoY growth of exports and 11.2% rise in imports for the month of November. With this, the current account deficit stood at 2.9 % of GDP of last fiscal and the continuation of the same trend may take it to higher than 3%.

Outlook on Commodities –

Gold -

Gold price has rallied more than +27% so far this year, marking the strongest rise since 1979 when price more than doubled. There are 2 main reasons driving the metal higher: Sovereign crisis in the European periphery and QE by the Fed. These 2 factors will continue to support gold next year. In 2Q10, gold made a record high of 1266 as Greece was facing insolvency and the euro was threatened to be disintegrated. At that time, gold was trading in sync with US dollar, signaling extreme risk aversion. In early November and early December, gold also surged to all-time highs of 1424 and 1432 respectively amid resurfacing of sovereign concerns in the 16-nation region.

Despite Gold's 27% increase in 2010, it remains 35% below its inflation adjusted high of January 1980 which was $2,300/oz. Although we have concerns that the current rally appears to be a momentum driven bubble, it may well continue through 2011.

As long as the US Federal Reserve is engaged in efforts to stimulate the US economy with rock bottom interest rates and quantitative easing programmes, gold will find favour among investors. Eurozone debt default is another cause of concern for wary investors, while Chinese investment demand is also growing strongly but quietly in the background. Gold will rise probably in 2011, too, to break new records and target $1600 at COMEX. We are still far away from euphoria. Although gold has attracted some first time investors prompted by fear and searching for a safe haven for their capital, gold is far away from being a crowded trade.

Crude Oil –

Crude oil has underperformed the commodities space in the most recent rally, despite the fact that the benchmark U.S. crude oil price averaged 15% higher than the beginning-of-year consensus of $71 per barrel; and around 5% higher compared to the previous Energy Information Administration's outlook for $78.67 per barrel. The price of Crude oil at $91 stands at a historic juncture. The demand picture continues to be mixed. Despite the moderation in the Chinese economy, crude oil imports are still higher than in recent years. In contrast, U.S. oil

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demand is well below historical averages. Crude oil inventories in the U.S. are still running above historical averages, which have capped oil prices. But broad U.S. dollar weakness and gradually improving risk appetite should support oil.

On the negative side are the renewed concerns on the euro zone peripheral debt situation, interest rate hikes in Asia, and some lingering risk aversion, as well as increase in supply from OPEC (Iraq, Kuwait and Saudi spare capacity) and non–OPEC (gas liquids, Brazil) sources.

Also, as and when there is a decline in inventories to below the five-year average, the liquefied natural gas story will start playing out. Going ahead the prices of crude oil are likely to average around $86 per barrel in 2011.

Investment Strategy –

We continue to believe that the India long term story continues to remain robust despite temporary global and local hiccups. Here it would be interesting to know that the Sensex which was around 3972 level at the beginning of the decade closed 2010 at 20510, a gain of 416% clearly signifying the fact that investors who remained invested benefited significantly whis is more important than timing investments in the stock markets.

On the global front, economic conditions continue to be challenging, with the US struggling with unemployment, high deficits and huge debt. The European markets have also continued to struggle with bailout packages announced in 2010 and indications are that recovery here will take some more time. The Chinese economy also continues to chug along with robust growth but the challenge here is to slow down the economy as inflation concerns are growing.

We hence believe that the domestic economic environment will be challenging in 2011 and expect the markets to stay in a consolidation mode in the H1 wherein the markets are likely witness the impact of high inflation, higher crude prices, tight monetary policy and political uncertainty given the recent spate of events. In the H2, we expect markets to be driven by strong macro economy numbers and steady growth seen in corporate earnings. Investors should use market corrections to accumulate quality stocks on market declines.

We continue to remain bullish on sectors like Autos, Capital Goods, Construction, Power Equipment Pharma and Banks . Infrastructure stocks have not done well in the last 6-8 months and with increased government spending they should also attract investor attention in the months to come.

In the large caps stocks we like TCS, HCL Technologies, BHEL, L&T, BGR Energy, Tata Motors, M&M, Bajaj Auto and Ashok Leyland.

In the mid cap segments we like JB Chemical & Pharma, Diamond Power and Infra, Supreme Infra, C&C Construction, Balkrishna Industries and Glenmark Pharma which we believe offer good quality businesses at reasonable valuations from a 12 month perspective.

In conclusion we wish all our customers.....

a Happy & Prosperous new year

and

Profitable year ahead in 2011

Best Wishes

Anagram Research Team

Fundamental Picks

C & C Construction

C & C Construction is a Gurgaon based infrastructure developer providing engineering, procurement and construction services in India and Afghanistan. While historically the company has focused on projects in roads and highways, it has lately diversified into power transmission, water & sanitation and commercial buildings. In India the company mainly works for various state and central authorities like NHAI, PWD Punjab, AAI etc.

CMP : 209
TARGET PRICE : 325
UPSIDE : 55%

BUY

KEY DATA

Sector	Construction
Market Cap (INR bn)	6.04
Market Cap (USD mn)	134.30
O/S Shares (mn)	2.33
Free Float (mn)	0.85
52-wk HI/LO (INR)	Rs 203 - Rs 286
Avg 12m Vol ('000)	15.30
Bloomberg	CCON IN
Reuters	CCCL.BO

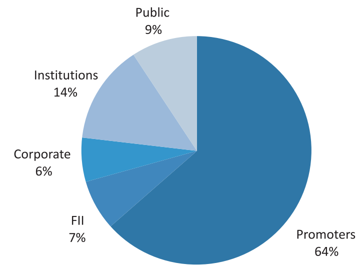
Sources:- Company, Anagram research

Returns (%)

	1 m	3m	6m	12m
Absolute	2.76	9.29	5.2	16.02
Relative	3.246	-3.23	-10.67	-11.97

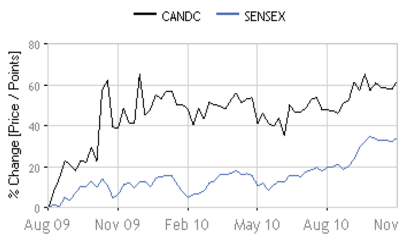
Sources:- Company, Anagram research

SHAREHOLDING PATTERN (%)



Sources:- Company, Anagram research

PRICE PERFORMANCE



Source: Capitaline

Highest Operating Margins in the Industry

The company has specialized bidding and executing projects in adverse terrains like Bihar and Afghanistan in order to secure better margins. It has consistently reported operating margins of around 20% for many years as compared to industry margins around 10%-12%.

Foray into BOT and other High Growth Segments

The company moved into asset ownership by bagging its first BOT road project in 2007. The company further strengthened its BOT projects by bagging Mohali Inter State Bus Terminus Project (ISBT) in 2009 which also has commercial real estate element attached to it. The company has recently bagged three new road BOT projects including 1 in L1 stage. The company now plans to diversify into other high growth segments like transmission towers, water & sanitation and commercial buildings.

Attractive Valuations

Despite of expectations of strong revenue growth for the next 2-3 years and high margins, the company currently trades at 6.5 times and 5 times FY11 and FY12 expected earnings. We continue to believe that the stock at current market price provides a good long term investment opportunity. Our 1 year forward price target for the stock stands at Rs 325 which includes Rs 292 contribution from the EPC business (8 times FY11E EPS), Rs 19.5 per share from Kurali Kiratpur BOT project and Rs 13 per share from Mokama Munger BOT project.

Y/E March	2009	2010	2011E	2012E	2013E
Revenue	750.1	1168.4	1728.0	2228.8	2750.6
YoY%	40.7	55.8	47.9	29.0	23.4
EBIDTA	152.7	218.5	316.2	403.4	489.6
EBIDTA (%)	20.4	18.7	18.3	18.1	17.8
PAT	41.1	69.1	99.8	128.5	167.5
YoY%	0.5	68.1	44.5	28.7	30.4
Fully DEPS	22.5	29.6	40.0	51.5	67.2
ROE (%)	12.5	15.6	17.2	18.3	19.6
RoCE (%)	17.7	16.5	17.5	18.0	19.3
P/E	11.5	8.7	6.5	5.0	3.9
EV/EBIDTA	7.2	5.6	4.7	3.9	3.2

Sources:- Company, Anagram research

Supreme Infrastructure (India) Ltd

We initiate coverage on Supreme Infrastructure (India) Ltd (SIIL) with FY12 end target price of Rs 343 per share i.e. 38% upside from the current market price. Our SOTP based target price incorporates Rs 319 per share value of the core EPC business where it enjoys higher than industry operating margins of around 17%, Rs 20.4 per share from its Manor Wada Bhiwandi road BOT project which is expected to be benefitted from the commercial / industrial belt along the highway and Rs 3.8 per share value from its Kasheli Bridge BOT project where it is sharing 10% of the total revenue.

Solid Top-line Growth Expected Owing to Strong Order Book

Supreme Infra has registered phenomenal top line growth over the past 3 years -90% CAGR between FY07-FY10 - on the back of a solid 82% CAGR in the Order Book over the same period. The current order book of the company at Rs 2343 Cr is 4.4 times its FY10 sales providing strong revenue visibility. This coupled with impressive execution track record of the company, makes us believe that the top line will grow at 35% CAGR over FY10E-FY13E.

Benefiting From Backward Linkages of Key Construction Inputs

The company owns and operates a number of crushers, Asphalt, RMC and Wet Mix plants for captive consumption. Due to the ready availability of key raw materials, the company has been able to shorten the project cycle owing to assured and un-interrupted supply. The in house production differentiates SIIL from other construction players and results in better than average industry margins of around 18%.

Looking out for New verticals for Diversification

In order to benefit from the bigger Infrastructure scenario prevailing in the country, Supreme Infra has recently forayed into Power, Sewerage and Irrigation related work while continuing to firm up its presence further in roads and buildings. We believe that SIIL is well placed to capitalize on planned Investment in Infrastructure in the country.

Increasing BOT Projects to Provide Steady Revenue Stream

From mere being an EPC player the company has forayed into BOT space and has already bagged 3 BOT projects and is also L1 in one more project. Apart from providing a steady revenue stream from a different business vertical (toll), the BOT projects also contribute significantly to the EPC order book of the company.

CMP : 248
TARGET PRICE : 343
UPSIDE : 38%

BUY

KEY DATA

Sector	Construction
Market Cap (INR bn)	3.84
Market Cap (USD mn)	83.48
O/S Shares (mn)	13.88
Free Float (mn)	5.40
52-wk HI/LO (INR)	320 - 107
Avg 6m Vol ('000)	58.62
Bloomberg	SPII IN
Reuters	SIIL.BO

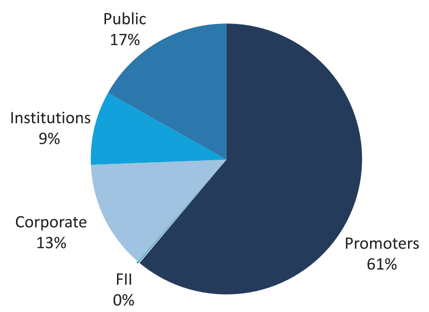
Sources:- Company, Anagram research

Returns (%)

	1 m	3m	6m	12m
Absolute	-11.0	-2.1	37.2	87.7
Relative	-13.0	-13.6	22.3	72.4

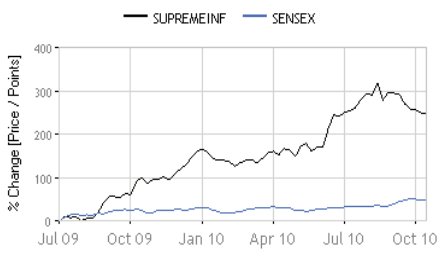
Sources:- Company, Anagram research

SHAREHOLDING PATTERN (%)



Sources:- Company, Anagram research

PRICE PERFORMANCE



Source: Capitaline

Valuation

We are bullish on SIIL due to its high margin profile, growth prospects and relatively lower valuation. We believe that Infrastructure industry is to witness many folds investment over the next few years and SIIL is well positioned to benefit from this as it already has exposure to most of the Infrastructure verticals.

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Our SOTP based FY12 end target price for the stock is Rs 343 implying 38% upside. We have valued EPC business of SIIL at Rs 319 based on DCF and the two BOT projects at Rs 24 based on NAV. At the target value of Rs 319, the EPC business will trade at 9.4 times and 7.1 times FY11E and FY12E earnings respectively.

Y/E March (Rs Crs.)	2010	2011E	2012E	2013E
Revenue	533.3	758.6	1047.1	1304.5
YoY%	39.5	42.3	38.0	24.6
EBIDTA	94.7	139.7	183.8	220.5
EBIDTA (%)	17.8	18.4	17.5	16.9
PAT	39.2	56.8	75.0	89.4
YoY%	45.2	45.0	31.9	19.2
Fully DEPS	28.2	33.9	44.8	53.4
ROE (%)	28.9	28.7	27.2	25.4
RoCE (%)	18.7	19.2	19.1	18.3
P/E	9.2	7.6	5.8	4.9
EV/EBIDTA	4.5	3.6	2.8	2.3

Sources:- Company, Anagram research

Diamond Power Infrastructure

Diamond power infra is the only EPC player with major captive facilities (80% of the project cost) which gives the company an advantage (higher margins & lesser volatility, lower cost of carry) over other EPC player who outsources 60 to 70% of the project work. With adequate liquidity in place, and experience in T&D over years DPIL will be able to monetise on $100 bn spend in T&D sector. Moreover company has not only targeted to increase top-line but has made constant efforts to improve and sustain margins through backward integration (Conductors, EPC and cables).

While long-term looks promising, in medium term PGCIL pending order finalisation, strong execution and earning surprise could act as catalyst. We initiate coverage on the stock with "BUY" rating with target price of Rs 297 ,a potential upside of 43%.

Only EPC player with Integrated Model

Diamond power infra is the only EPC player with major captive facilities (80% of the project cost) which gives the company an advantage over other EPC player who outsources 60 to 70% of the project work. We believe this will not only accelerate the margins but help company to bid competitively and reduce carrying cost of inventory. Company commenced EPC business in 2006 and now has healthy order book of Rs 806 cr (2.4x FY10 sales) and L1 bids of another Rs 600 cr. DPIL along with Skoda has bid for 8 projects. Order wins in 440 kv class would be an upside to our estimate due to higher margins.

Cash conservation for growth - Equity Infusion & relaxed debt terms have eased liquidity situation

Due to equity infusion (Rs 132 cr @ Rs 204/share) and easing liquidity situation Crisil has upgraded rating on DPIL by two notches from BBB+ to A- with a positive outlook, which has resulted in lower interest rate (by 275 bps) on a Rs 130 cr term loan from ICICI and the debt repayment has been deferred till 2014. Even the short term working capital, which was around 13%, is now expected to be at 11%. This will help company to conserve its cash for its growth for the next three years.

Higher voltage + In-house manufacturing = Higher Margins

The company was present in low voltage products like LT cables and distribution transformers. Expansion into new product and niche segment like EHV cables (132 kv to 550 kv), HT cables, Power transformers will enable company to increase margins. As company starts bidding for T&D projects we believe benefits from in-house manufacturing will kick-in significantly, which will lead to margins expansion by 100 bps in FY13.

CMP : 208
TARGET PRICE : 297
UPSIDE : 43%

BUY

KEY DATA

Sector	Elect. Equip
52 week H/L (Rs)	264.2/113.4
Market Cap (Rs Cr)	807
Avg. daily vol. 6m	177043
Face Value (Rs)	10
BSE Code	522163
NSE Code	DIAPOWER
BLOOMBERG	DIPI IN
REUTERS	DIAC.BO

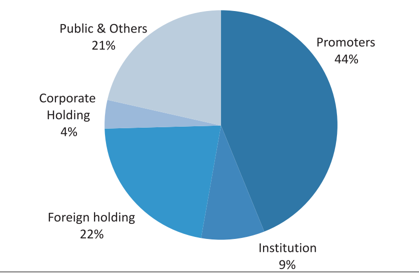
Sources:- Company, Anagram research

Returns (%)

	1mnth	3 mnth	6mnth	12mnth
Absolute	-8	14	27	68
Relative	-10	1	8	35

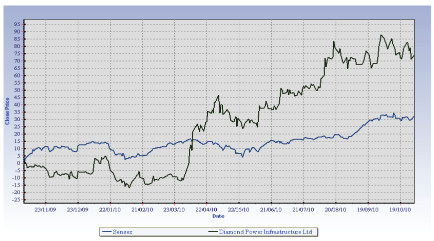
Sources:- Company, Anagram research

SHAREHOLDING PATTERN (%)



Sources:- Company, Anagram research

PRICE PERFORMANCE



Source: Capitaline

Analyst: Sahil Shah
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Expansion will accelerate topline while de-risking the product portfolio

Capacity expansion and foray into transmission project will enable company to achieve robust growth over coming years. While demand in high voltage segment remains good, revenue visibility in near term also remains across the segment. We expect stronger execution on EPC side in H2 FY11 as compared to H1 FY11.

Valuation

We expect Sales and EPS to grow by 42% CAGR over 2010-13 led by capacity expansion, entry into new segments, margin expansion and lower interest cost. At the current market price of Rs 197 the stock trades at 6.5/4.6x its FY11E/FY12E EPS of Rs 30/42 and 5.1/3.7x its FY11E/FY12E EBITDA. At our target price of Rs 297 the stock would trade at P/E of 7 and EV/EBITDA of 5.

(Rs crores)	2009	2010	2011 E	2012 E	2013 E
Net Sales	698	848	1,451	2,092	2,489
EBITDA	90	115	211	325	409
EBITDA Margin	12.9%	13.6%	14.6%	15.6%	16.4%
PAT	56	60	110	177	233
PAT mgn(%)	8.1%	7.1%	7.6%	8.5%	9.4%
EPS (Rs)	26.7	21.5	29.5	47.6	62.6
P/E(x)	8.7	10.8	7.9	4.9	3.7
RoE (%)	30.8%	19.8%	24.1%	23.3%	25.5%
RoCE (%)	26.2%	18.1%	18.4%	17.6%	20.1%
EV/EBITDA(x)	7.9	8.5	5.8	3.9	3.0

Sources:- Company, Anagram research

Glenmark Pharmaceuticals Ltd

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CMP : 365
TARGET PRICE : 473
UPSIDE : 29%

BUY

KEY DATA

Sector	Pharmaceutical
Market Cap (INR Bn)	96.3
Market Cap (USD mn)	2,155.4
O/S Shares (mn)	269.7
Free Float (mn)	139.2
52-wk HI/LO (INR)	408/115
Avg 6m Vol ('000)	177.4
Bloomberg	GNP IN
Reuters	GLEN.BO

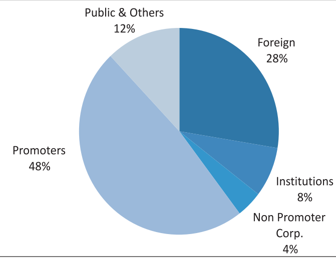
Sources:- Company, Anagram research

Returns (%)

	1mnth	3 mnth	6mnth	12mnth
Absolute	2.8	21.5	33.7	31.9
Relative	(0.2)	20.9	16.0	14.2

Sources:- Company, Anagram research

SHAREHOLDING PATTERN (%)



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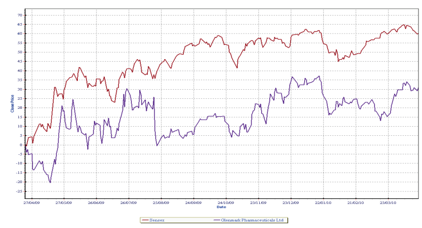

Source: Capitaline

Analyst: Vrijesh Kasera
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Strong Core business growth to support earning momentum

Glenmark over the last few quarters has seen a revival in the financials driven by the strong growth in its core business with healthy growth coming in from across all the geographic segments of the company. Our conservative estimate sees a CAGR of 19% over the next 3 years in its base business driven by the sustained high growth in the domestic formulation segment and turnaround of the US operations owing to the flurry of ANDA approvals (14 approvals from Apr-Dec 2010) and niche product launches. Further glenmark is expected to record a CAGR of 28% over FY10-13E in the other markets where it is present considering the company's significant investments in these markets and expected high growth in the Latin American market and other Semi-Regulated markets.

Several Niche Generic opportunities to start contributing from FY12

The company has already launched Tarka (at-risk) in the US and is expected to enjoy an extended exclusivity from the drug, along with this the company would launch Malarone (as per the settlement with GSK) and here too the company is expected to enjoy extended exclusivity as it is still the only filer for the drug. Further the company is awaiting approval for its NDA of Oxycodone filed by its partner LVT, when approved the drug would offer a market opportunity of $ 16mn which the company expect to expand by around 25-30% post the approval and USFDA driving the other players out of the market until they obtain an ANDA approval for themselves.

Research activities back on track

The company's in-licensed opportunity of Crofelmer has finished Phase 3 trials and the management expects to launch the same in FY12, glenmark expects peak revenues from this noval drug to the tune of $80 mn from the exclusive distribution & marketing rights it has across 140 countries, further it is the only supplier for its API globally. Along with this the company has again proved its worth of its research capabilities by entering into another out-licensing deal with Sanofi Aventis valued at $325 mn for its GRC15300 molecule to treat chronic pain. Further the company has a good pipeline of novel drugs creating possibilities for closing more such out-licensing deals in the future.

Valuation

The stock is currently trading at attractive valuations of 15.3x and 12.4x its FY12E and FY13E earnings respectively. We further continue to believe that the company is trading at a discount to its peers. We value the company's base business at 14x its FY13E EPS of Rs. 29.4 considering strong traction in the base business, while we value the research pipeline (Crofelmer & GRC15300) at Rs. 62, which gives us a 15 month price target of Rs. 473/share.

(Rs. Crs)	2009	2010	2011E	2012E	2013E
Revenue	2,116.0	2,500.6	2,981.8	3,555.9	4,198.5
Growth (%)	5%	18%	19%	19%	18%
EBITDA (%)	22%	25%	28%	29%	29%
FDEPS	7.7	12.3	18.3	23.8	29.4
Growth (%)	-70%	59%	49%	30%	24%
RoE (%)	12%	16%	19%	21%	21%
RoCE (%)	17%	14%	18%	20%	21%
P/E	46.2	29.1	19.5	15.0	12.2
EV/EBITDA	25.6	18.4	13.2	10.5	8.5

Sources:- Company, Anagram research

J B Chemicals & Pharmaceuticals Ltd

Anagram
Decisive Thinking Pays

Ready to Storm the Domestic Market

J B Chem as a part of its future strategy to accelerate growth in the domestic market, expects increased sales through key brands focus and strengthening its presence in the rural market, it also plans to increase its field force from 450 to around 800 by the end of this fiscal and to 2000 by end of next financial year. With these initiatives taken by the company it is expected to clock a CAGR of 19% over FY10-13E, above the industry growth rate of 13-15% and strengthen its position in the domestic market.

Russian Market Continues to Add Value

J B Chem has 126 product registration application made in Russia, Ukraine & CIS countries, while 128 products received registration in these markets in FY10. About 130 more product registration application is planned for submission during this fiscal. Further the company plans to launch 2-3 products in Russia every year to enable it to clock a CAGR of 14% in the market over FY10-13E.

Row Market to See Huge Upside

J B Chem launched 14 products across the market in FY10, while 68 product registration applications were made across the RoW market, while 9 products received registrations in these markets. About 105 more product registration application is planned for submission during this fiscal. In addition, the company is currently marketing 3 products in the US, during the current year 2 more ANDA's will be commercialized, while the company plans to file 4 ANDA's by next year. With adequate capacities in place, the RoW business of JB Chemicals is expected to grow at a CAGR of 29% over FY10-13E.

Contract Manufacturing in Focus

J B Chem has entered into new contracts with British, Australian and South African companies for supply of Lozenges, the company expects to start the supply of the same this fiscal. The company is aggressively exploring opportunities for new site transfers and CRAMS projects, though the company remains conservative on the growth prospects for CRAMS. We believe any such deals would add to the company's future growth prospects.

Time to Cash in on Investments Made

The company made significant investments during FY07 for expansion of capacities, setting up a new unit at Panoli and acquisition of people. Now with the investment phase over, JB Chemicals is set to reap the benefits of the same through penetration in the existing markets through new product launches and entry into new geographies.

Valuation

The stock is currently trading at attractive valuations of 7.1x and 6.1x its FY12E and FY13E earnings respectively. Also, JB Chemicals is trading at a discount to the average of its peers at all valuation parameter. Though considering the lower diversification risks associated with JB Chemicals we conservatively give a discount of 30% to the average FY13E P/E of its peer group and value the company at 7.9x its FY13E earnings which gives us a 15 month price target of Rs. 181.

CMP : 140
TARGET PRICE : 181
UPSIDE : 29%

BUY

KEY DATA

Sector	Pharmaceutical
Market Cap (INR Bn)	12.2
Market Cap (USD mn)	273.9
O/S Shares (mn)	84.4
Free Float (mn)	37.5
52-wk HI/LO (INR)	133/46
Avg 6m Vol ('000)	190.0
Bloomberg	JBCP IN
Reuters	JBCH.BO

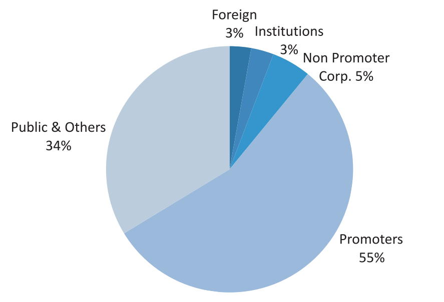
Sources:- Company, Anagram research

Returns (%)

	1 m	3m	6m	12m
Absolute	16.9	37.1	51.2	133.5
Relative	14.0	36.6	33.5	115.7

Sources:- Company, Anagram research

SHAREHOLDING PATTERN (%)



Sources:- Company, Anagram research

PRICE PERFORMANCE

Source: Capitaline

Analyst: Vrijesh Kasera
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(Rs. Mn)	2009	2010	2011E	2012E	2013E
Revenue	717.1	741.0	878.8	1,027.6	1,157.8
Growth (%)	28%	3%	19%	17%	13%
EBITDA (%)	8%	21%	21%	22%	23%
FDEPS	3.0	14.1	16.3	19.7	22.9
Growth (%)	-43%	362%	15%	21%	16%
RoE (%)	10%	6%	23%	22%	22%
RoCE (%)	8%	24%	24%	25%	24%
P/E	47.6	10.3	8.9	7.3	6.3
EV/EBITDA	23.9	8.4	6.4	5.1	4.0

Sources:- Company, Anagram research

IL&FS Investment Managers Ltd

First Mover Advantage

The company is reaping the benefits of first mover advantage in the space of infrastructure focused fund that was introduced in 1996. Recognizing the latent potential and investment needs of the real estate sector, it took initiative in bringing private equity in real estate in 2005. The company is the first to structure participation of Foreign Institutions in the PE framework.

Excellent Management Panel

With a talent pool of 52 professionals, IIML has exhibited its deal sourcing capabilities driven by considerable experience of its team members. Due to its deep local knowledge and relationships, the Team is able to create and structure proprietary investment opportunities with companies that the Team considers to possess the best potential for growth.

Continued Source of Revenue

With a diverse kind of business model, the company enables to generate continued stream of revenue in terms of management fees that is insensitive to market conditions. A management fee that is a percentage of funds under management, usually 1.25-2.00%, provides a stable and predictable source of revenue akin to an annuity. With a fund raising plan of the company going ahead, this revenue line is expected to rise proportionately.

Carry Profit – Adding further Value

Another source of earning for IIML is in the form of carry profit that is received at the time of expiry of the funds after considering the repayments to investors and hurdle rates. IIML is expected to get incessant flow of carry profit from 2012 onwards. Further with the augmentation of AUM, this stream is likely to generate a continued source of income in the long term.

Saffron merger will Provide a Momentum

IIML successfully completed the merger of the Mumbai-based private equity real estate firm Saffron Assets Advisors Pvt. Ltd. The deal also involves the merger of Mauritius units of Saffron and IIML. The deal brought another two funds under management of IIML of US $ 400 ml i.e. Euronext-listed Yatra Capital Ltd of Euro 220 ml and Saffron India Real Estate Fund I of US $ 103 ml.The cost of acquisition was equivalent to 8.75% of total combined AUM that worked out at US $ 35 ml for which the company paid US $ 15 ml from its internal accruals while debt of US $ 25 ml was raised via redeemable debentures.

Valuation

On a MktCap/AUM valuation basis IIML stock is trading at 0.08x of its AUM of $ 2.8 billion as on March 2010. The unlocking value in terms of carry profit will start to materialize from FY2012 onwards. We have derived present value of carry profit at Rs 10 per share, considering IRR and hurdle rate of each fund. Adding this value to Rs 55 at MktCap/AUM of 0.07x of FY12E, the target price is arrived at Rs 65. Hence we recommend **BUY rating** on this stock with a medium to long term perspective. We have not considered any upside in our Valuation from the Saffron Fund Merger of which details are likely to come in Q3FY11.

CMP : 41
TARGET PRICE: 65
UPSIDE : 57%

BUY

KEY DATA

Sector	Finance
Market Cap (INRbn)	8.4
Market Cap (USDm)	188.5
O/S Shares (m)	203
Free Float shares (m)	102.31
52 Wk Hi/Lo (INR)	54.7/ 38.2
Ave 12m Vol ('000)	157
Bloomberg	ILFS IN
Reuters	ILFS.BO

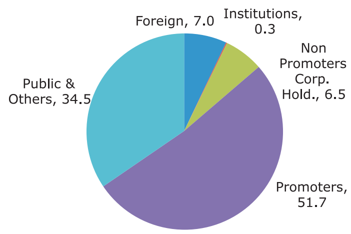
Sources:- Company, Anagram research

Returns (%)

	1mnth	3 mnth	6mnth	12mnth
Absolute	-3.5	-18.4	-5.9	-8.0
Relative	-6.2	-18.5	-23.5	-24.8

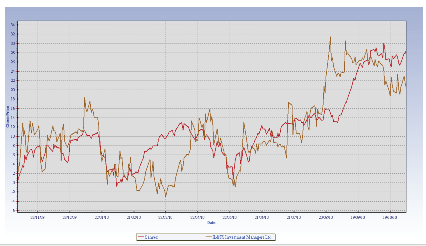
Sources:- Company, Anagram research

SHAREHOLDING PATTERN (%)



Sources:- Company, Anagram research

PRICE PERFORMANCE



Source: Capitaline

Analyst: Krinal Shah
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Analyst : Punit Chande
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Y/E March (Rs cr)	FY08	FY09	FY10	FY11E	FY12E
Operating Income	105.1	158.2	176.0	190.0	215.0
% Change		50.5	11.2	8.0	13.2
Gross Profit	56.8	106.4	113.3	119.3	134.9
% Change		87.4	6.5	5.3	13.1
Net Profit	31.9	62.3	74.2	77.9	88.9
% Change		95.2	18.9	5.1	14.1
EPS (Rs)	12.0	15.7	3.9	3.8	4.4
BVPS (Rs)	5.1	4.5	6.5	8.5	10.8
P/E (x)	4.1	3.1	12.4	12.7	11.2
P/BV (x)	9.6	10.9	7.5	5.7	4.5
Mkt Cap/AUM	0.15	0.08	0.08	0.07	0.06

Sources:- Company, Anagram research

Balkrishna Industries Ltd.

Balkrishna Ind has presence in niche Off-the highway (OHT) Tyre market and majorly exports farm, construction and mining tyres. Leveraging on the structural benefit the company is expanding its capacity by 90% by 2013 and it has sufficient headroom to increase prices and maintain margins which will have minimal risk on cash flows and capex plans. Company has delivered superior performance in past with 30% earnings CAGR over past 5 years and average ROE of 27%.

The recent stock correction (-17%) we believe factors in the margin pressure (QoQ) going to be witnessed in H2FY11, (rubber hedged @USD3500 against current price of USD 4500). While price hikes in coming months (in line with global players) and volume pick-up from Q2FY12 (13% capacity addition through debottlenecking) is expected. We believe at P/E of 6.6 and EV/ sales of 0.7 the stock is attractively priced and initiate coverage with BUY with target price of Rs 169, potential upside of 32%.

Structurally well placed to double global market share

BIL has presence in niche Off-the highway (OHT) Tyre market which is currently pegged at USD 11.5 bn and has historically grown at 3-4%, we expect OHT industry to be USD 13.6 bn in 2014. We believe the company will be able to penetrate into the OHT market and double its market share due to competitive pricing and quality due to avaibility of cheap technically skilled manpower and significant capacity addition at Bhuj. OHT business is highly labor intensive and low volume for most of the other tyre maker's to enter this segment offering lesser competition from local players to Balkrishna. Threat of Indian tyre and Chinese companies moving into farm tyre market in US and Europe is less likely. Also competitive position will provide resilience to de-growth in developed economies as witnessed in 2009.

Sufficient headroom to increase prices

BIL provides quality products which are at 30% discount to global OHT manufacturers. Given significant price differential, together with global peers having already announced price hikes in OHT segment we don't foresee any risk in terms of price differential getting narrowed or risk emerging from lower than expected EBITDA margins delaying the capex plans. Company has done forward contract for rubber at USD 3500/ tonne (against current prevailing price of USD 4580/tonne) which will take care for rest of H2 FY11 rubber requirement and company will be insulated from the prevailing high rubber price. Company is planning to take price hike of 8-10% in January 2011.

Excellent R&D with 1900 SKUs

BKT has established its brand image through quality and after sales service and the brand "BKT" enjoys good reputation in the domestic as well as international market. The key reason BKT tyres are globally competitive is its engineering talent. BIL develops over 150 new tyre sizes every year, coupled with a low turn-around time of 8 to 10 weeks for new product development. Radial OTR & Agri-Radial Tyre Technology has been developed in-house. The company is expanding market share by increasing penetration of existing distributors and adding new distributors. (200 distributors).

CMP : 128
TARGET PRICE: 169
UPSIDE : 32%

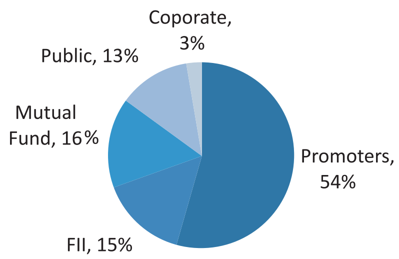
BUY

KEY DATA

Sector	
Marketcap(INR bn)	1247
Marketcap(USDm)	277
O/S Share(m)	9.7
52-wk-HI/LO	100.7-161.6
Avg. daily vol. 2 week (lakhs)	44512
BSE Code	502355
NSE Code	BALKRISIND
Bloomberg	BIL IN
Reuters	-

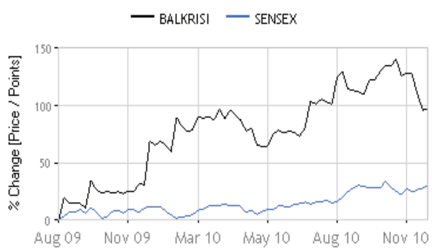
Sources:- Company, Anagram research

SHAREHOLDING PATTERN (%)



Sources:- Company, Anagram research

PRICE PERFORMANCE



Source: Capitaline

Analyst: Sahil Shah
sahil.shah@anagram.co.in

Contd...

Valuation

We expect 26% CAGR in sales and 11% CAGR in earnings (due to base effect -exceptional EBITDA margins in FY10) over 2010-2014. BIL has historically traded at a premium to Michelin, Titan and Apollo. We owe this to higher growth and ability to pass-on higher raw material cost. Currently the stock is trading significantly below hist avg (EV/TTM sales) compared to its peers. Our target price of Rs 169 would imply 8.6/7.1x to its FY12E/FY13E EPS of Rs 19.6/23.7 and 0.9/0.8x its FY12E/FY13E sales.

(Rs crores)	2008	2009	2010	2011 E	2012 E
Net Sales	1,120	1,367	1,527	2,066	2,388
Growth	30%	22%	12%	35%	16%
EBITDA Margin	20.1%	17.8%	25.2%	16.7%	16.8%
PAT	112	74	217	167	187
Growth	34%	-33%	191%	-23%	12%
EPS	11.6	7.7	22.4	17.3	19.4
P/E	11.2	16.9	5.8	7.5	6.7
ROE	29.2%	16.6%	37.4%	22.1%	20.4%
ROCE	15.1%	16.1%	20.6%	15.8%	15.2%
EV/EBITDA	8.3	7.7	4.9	5.4	4.7

Sources:- Company, Anagram research

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RATING INTERPRETATION :

BUY Expected to appreciate more than 20% over a 12-month period
Accumulate Expected to appreciate up to 20% over a 12-month period
Neutral Expected to remain in a narrow range
SELL Expected to depreciate more than 10% over a 12-month period

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