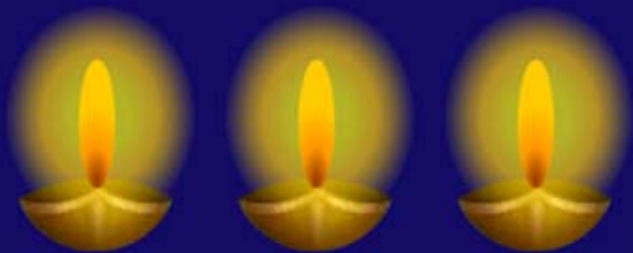


दीवाली दीहालाका

Sense over Sensex

14 attractive stock ideas!



IndiaInfoline

IT'S ALL ABOUT MONEY, HONEY!

Sense over Sensex

It's been a cracker of a year with the stock market illuminating the lives of the investing community. Fears are being eliminated as if no worries exist (or seem to matter). The market has also seen some amazing display of firepower in terms of liquidity, both from foreign and domestic institutions. The celebrations ought to continue though the action, in our opinion, will move to stocks beyond the main indices, which explains our theme – Sense over Sensex.

Any fog-end introspection is invariably a rewarding experience. The patterns of the year 2009 have lent enough perspectives on the dynamics of a liquidity-led market that, in turn, helps predict the evolving and emerging trends of the immediate future.

Liquid facts

The best thing about this scenario has been the visible boost to the fortunes of many Indian corporates, which were otherwise grappling with balance sheet woes. The money pumped in gave them an opportunity to grow and expand their horizons of choice. The positive loop from access to capital and the associated revenue gains has been the highlight of the growth story.

The scenario globally, in our view, is nowhere close to a strong footing as perceived. While, world markets will sail through this year, a global correction is likely sometime next year. The Indian bazaar, convalescing on the saline of liquidity, will obviously take a beating as markets are correlated. The gravity of the correction in India would be much less as compared to the world markets though.

By virtue of its emerging value and the sheer wealth of opportunities for global investment across verticals, India would actually be in a sweet spot of sorts. We seem well poised to outperform the world in the years to come. Several factors augur well for this emerging place of pride.

India Shining

The RBI has shown remarkable prudence in consciously giving growth a higher priority and proactively responding to counter the fiscal crisis following the global debacle. Only once the credit growth is fully revived, the RBI will commence the gradual tightening of money supply. In April 2010, WPI is likely to be 6.5%+. After March/April 2010, we could possibly witness a tightening of policy rates.

While the fiscal deficit continues to loom large, most other macro indicators are registering incremental growth. IIP is reviving, railway traffic is back to 8 to 9% levels, property prices are bouncing back and employment opportunities are mushrooming across verticals.

The government sops have also been a big boost. The ongoing rural employment guarantee scheme, farm waivers, dearness allowance hike and high-er minimum support prices is translating into more purchasing power for the rural and middle-class segments – both together forming the bulk of India. The ensuing wave, consumerism, will undoubtedly strengthen market confidence. And going by historical evidence, there could be a bounce-back in agriculture in 2011, typical of the year following a drought. We expect GDP growth to be 7.6-7.9% in FY11 due to a much improved investment outlook, especially for infrastructure, a recovery in consumption demand and a perception change in the external environment. A low base in agriculture from FY10 also contributes to higher GDP growth expectations.

Sense over Sensex...

Bottom up Cheer

We believe non-index stocks are poised to outperform their larger peers. Investors would do well to adopt a bottom-up approach while buying. We recommend additional buys on any market dip. Despite rich valuations for most Sensex stocks, the market sentiment is positive enough to see us sail through in 2009. Hence, from a medium term perspective, the period beginning now till the point of global correction next year is conducive for investment. Besides, in inflationary times, it's best to stay invested in some asset rather than cash. Currently, equities score over Gold or any other asset.

The legendary Warren Buffet often said:

"I don't look to jump over 7-foot bars: I look around for 1-foot bars that I can step over"

Never let the thought of the impending correction ever perplex you and don't be hypnotized by the honeymoon of liquidity either. Look around for the 1-foot bars, which will be the stepping stones to your portfolio's success.

Festive Shopping

Popularly known as the 'festival of lights', Diwali also signifies 'the awareness of the inner light'. Last Diwali, when the street was plagued with pessimism, we had recommended a portfolio of 15 large cap stocks. Needless to say, the performance of the portfolio has been stupendous. This year, one needs to dig deep as discount sales may be missing in the main index stocks. However, there are bargains to be hunted in the broader market with several noteworthy stocks to be picked up even at current levels. Some do not seem attractive at a cursory glance, but there is tremendous value if one delves deeper. We bring you 14 stocks to buy during Muhurat Trading.

Happy Diwali! Happy investing!

Top picks

Company	Target price (Rs)	Company	Target price (Rs)
Ahluwalia Contracts India	214	Gayatri Projects	445
Anant Raj Industries	178	Infotech Enterprises	306
Bank of Baroda	592	KPIT Cummins Infosystems	107
Canara Bank	446	Lakshmi Energy & Foods	152
Ceat Ltd	225	Sanghvi Movers	228
Consolidated Construction Consortium	397	Suzlon Energy	107
Dhampur Sugar Mills	141	3i Infotech	115

Warm Regards,

India Infoline Research Desk

Ahluwalia Contracts India

Sector: Construction

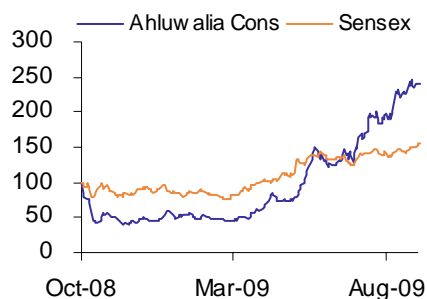
Sensex:	17,195
CMP (Rs):	169
Target price (Rs):	214
Upside (%):	26.6
52 Week h/l (Rs):	177 / 25
Market cap (Rscr) :	1,061
6m Avg vol ('000Nos):	207
No of o/s shares (mn):	63
FV (Rs):	2
Bloomberg code:	AHLU IB
Reuters code:	AHLU.BO
BSE code:	532811
NSE code:	-

Prices as on 15 Oct, 2009

Shareholding pattern

September '09	(%)
Promoters	74.5
Institutions	6.5
Non promoter corp hold	13.1
Public & others	5.9

Share price trend



- ✦ ACIL, one of the largest civil contractors in India, will be the key beneficiary of the upturn in real estate market. Further, the current order backlog of Rs46bn, 3.5x FY09 revenues, provides strong earnings visibility.
- ✦ In order to de-risk its business model, the company is increasing exposure to Government contracts, thus providing cushion against any slowdown in orders from private players in future.
- ✦ ACIL has also diversified into urban infrastructure projects like sewage treatment, bridges and pavements. This is a high-growth segment as Government plans to invest Rs1.3trn during the XIth plan (already spent 33% over FY08 and FY09).
- ✦ With change in business mix, better order inflow and zero debt levels, we expect margins to contract by 20bps, thus translating into 19% earnings growth.
- ✦ We value the core contracting business at 13x FY11E EPS and BOT project at 15% capitalized rate. Recommend BUY with a target price of Rs214.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	8,801	11,916	14,957	20,273
yoy growth (%)	31.5	35.4	25.5	35.5
Operating profit	1,063	1,463	1,810	2,453
OPM (%)	12.1	12.3	12.1	12.1
Pre-exceptional PAT	517	573	706	996
Reported PAT	517	573	706	996
yoy growth (%)	64.1	10.8	23.2	41.2
EPS (Rs)	8.2	9.1	11.2	15.9
P/E (x)	20.5	18.5	15.0	10.6
Price/Book (x)	8.5	6.0	4.4	3.1
EV/EBITDA (x)	9.4	7.3	5.8	4.3
Debt/Equity (x)	0.5	0.5	0.4	0.3
RoE (%)	50.5	37.9	33.6	34.2
RoCE (%)	57.0	49.4	43.5	44.9

Source: India Infoline Research

Anant Raj Industries

Sector: Real Estate

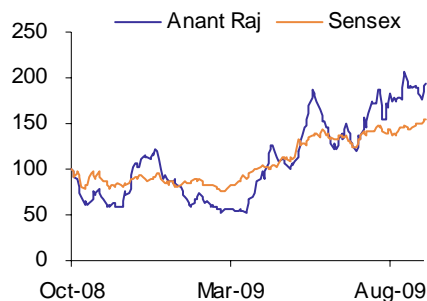
Sensex:	17,195
CMP (Rs):	140
Target price (Rs):	178
Upside (%):	27.3
52 Week h/l (Rs):	161 / 37
Market cap (Rscr) :	4,125
6m Avg vol ('000Nos):	824
No of o/s shares (mn):	295
FV (Rs):	2
Bloomberg code:	ARCP IB
Reuters code:	ANRA.BO
BSE code:	515055
NSE code:	ANANTRAJ

Prices as on 15 Oct, 2009

Shareholding pattern

March '09	(%)
Promoters	61.4
Institutions	24.2
Non promoter corp hold	6.6
Public & others	7.9

Share price trend



- ✦ ARIL is a NCR-centric real estate player with 982 acres of land bank representing a total developmental area of 62mn sqft.
- ✦ Strong presence in NCR is a key positive for the company as realty prices in this region have revived. Since March'09, the company has already sold 10mn sqft of residential property indicating a faster revival in the region.
- ✦ Company has acquired land through government allotments thus having the advantage of low land cost.
- ✦ ARIL intends to develop 21.3mn sqft of residential projects in and around Delhi over the next three years. Further, in the commercial segment, company is developing a portfolio of leased assets on which it will earn consistent revenues on an annuity basis.
- ✦ We value its land bank at Rs144/share, current residential projects at Rs7/share and hotel business at Rs28/share. Recommend BUY.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	6,038	4,138	5,580	8,764
yoy growth (%)	190.2	(31.5)	34.8	57.1
Operating profit	5,622	3,852	3,584	5,436
OPM (%)	93.1	93.1	64.2	62.0
Pre-exceptional PAT	4,362	3,671	3,214	4,950
Reported PAT	4,364	3,658	3,214	4,950
yoy growth (%)	247.8	(16.2)	(12.1)	54.0
EPS (Rs)	14.8	12.4	10.9	16.8
P/E (x)	10.1	12.0	13.7	8.9
Price/Book (x)	1.5	0.8	0.7	0.7
EV/EBITDA (x)	6.8	5.9	6.4	4.8
Debt/Equity (x)	-	0.1	0.0	0.0
RoE (%)	15.2	12.0	9.6	11.6
RoCE (%)	18.9	11.7	9.3	10.2

Source: India Infoline Research

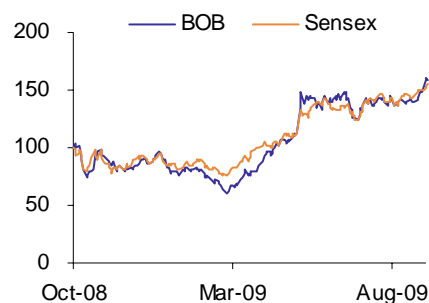
Bank of Baroda

Sector: Banking	
Sensex:	17,195
CMP (Rs):	518
Target price (Rs):	592
Upside (%):	14.2
52 Week h/l (Rs):	520 / 181
Market cap (Rscr) :	18,876
6m Avg vol ('000Nos):	1,112
No of o/s shares (mn):	364
FV (Rs):	10
Bloomberg code:	BOB IB
Reuters code:	BOB.BO
BSE code:	532134
NSE code:	BANKBARODA

Prices as on 15 Oct, 2009

Shareholding pattern	
September '09	(%)
Promoters	53.8
Institutions	35.6
Non promoter corp hold	4.0
Public & others	6.6

Share price trend



- With an asset base of Rs2,323bn, BOB is the third largest PSU bank in India. The bank's balance sheet have witnessed a CAGR of 26% over FY06-09 aided by strong 34% CAGR in loan book.
- Its loan book is set to witness a CAGR of 18% over FY09-11E, given market share of 3.8% in system loans and deposits. Retail lending remains small at 19%, thereby reducing the risk of delinquencies.
- We expect net interest margin to improve by 40-45bps as the bank re-prices some of its high cost deposits. The CASA ratio for the bank remain comfortable at 35.1%.
- Adequately capitalised with CAR of 14.6% and Tier I CAR at 8.8%, it has sufficient headroom for a sustainable 17% balance sheet growth.
- Significant improvement in asset quality in Q1 FY10 with high NPL coverage at 82%. Restructuring for the bank remains minimal.
- With annualized RoE of 22.7% at end Q1 FY10, the stock trades at attractive valuation of 1.2x FY11E P/BV.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Total operating income	59,628	78,811	92,488	108,857
yoy growth (%)	20.2	32.2	17.4	17.7
Pre-provisions profit	30,286	43,050	51,463	61,816
Net profit	14,355	22,272	25,126	30,252
yoy growth (%)	39.8	55.1	12.8	20.4
EPS (Rs)	39.3	60.9	68.7	82.8
BVPS (Rs)	253	294	352	423
P/E (x)	13.2	8.5	7.5	6.3
P/BV (x)	2.0	1.8	1.5	1.2
ROE (%)	16.4	22.3	21.3	21.4
ROA (%)	0.9	1.1	1.0	1.0
Dividend yield (%)	1.5	1.7	1.8	1.9
CAR (%)	12.9	14.1	13.5	13.0

Source: India Infoline Research

Canara Bank

Sector: Banking

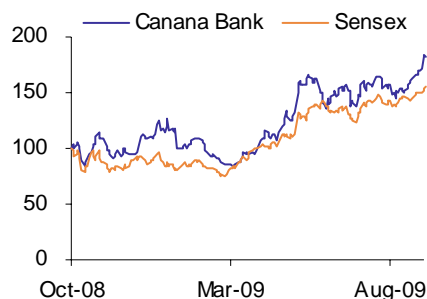
Sensex:	17,195
CMP (Rs):	370
Target price (Rs):	446
Upside (%):	20.6
52 Week h/l (Rs):	375 / 135
Market cap (Rscr) :	15,168
6m Avg vol ('000Nos):	1,001
No of o/s shares (mn):	410
FV (Rs):	10
Bloomberg code:	CBK IB
Reuters code:	CNBK.BO
BSE code:	532483
NSE code:	CANBK

Prices as on 15 Oct, 2009

Shareholding pattern

September '09	(%)
Promoters	73.2
Institutions	20.5
Non promoter corp hold	0.7
Public & others	5.6

Share price trend



- Canara Bank is set to witness a balance sheet CAGR of 18% over FY09-11. The 5th largest PSU bank expects loan book growth ahead of system growth during FY10. International business constitutes mere 2.3% of advances.
- Margins improved by 13bps yoy in Q1 FY10 as it rebalanced liabilities in favour of core deposits. Full year margins are expected to improve by 10-15bps on the back of strong 18% loan growth and lower cost-of-funds.
- CASA ratio set to improve from 28% at end-Q1 FY10. The bank has shifted its focus towards garnering retail deposits, the rates on which have declined by ~200-250bps over the past three quarters.
- Comfortable capital with CAR of 13.6% and Tier I CAR at 8.1% and Government holding of 73.2% provide significant cushion for the bank for raising further capital.
- Asset quality to improve from Q2 FY10. The incremental slippages during Q1 FY10 were largely on account of technical grounds. The bank has been following a conservative provisioning policy.
- With average RoE of 21% over FY09-11E, the stock trades at attractive 1.1x FY11 P/BV.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Total operating income	57,507	70,290	80,252	93,079
yoy growth (%)	5.0	22.2	14.2	16.0
Pre-provisions profit	29,594	39,638	44,285	53,564
Net profit	15,650	20,724	22,322	26,362
yoy growth (%)	10.1	32.4	7.7	18.1
EPS (Rs)	38.2	50.5	54.4	64.3
BVPS (Rs)	202	245	289	343
P/E (x)	9.7	7.3	6.8	5.8
P/BV (x)	1.8	1.5	1.3	1.1
ROE (%)	19.1	22.6	20.4	20.3
ROA (%)	0.9	1.0	0.9	0.9
Dividend yield (%)	2.2	2.2	2.3	2.4
CAR (%)	13.3	14.1	13.6	13.2

Source: India Infoline Research

Ceat Ltd

Sector: Tyres

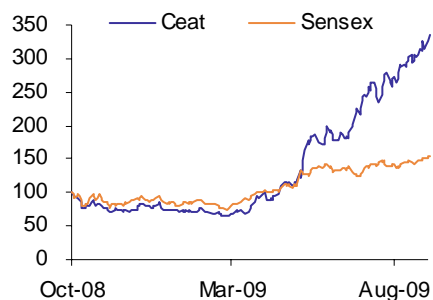
Sensex:	17,195
CMP (Rs):	169
Target price (Rs):	225
Upside (%):	32.9
52 Week h/l (Rs):	176 / 31
Market cap (Rscr) :	580
6m Avg vol ('000Nos):	214
No of o/s shares (mn):	34
FV (Rs):	10
Bloomberg code:	CEAT IB
Reuters code:	CEAT.BO
BSE code:	500878
NSE code:	CEAT

Prices as on 15 Oct, 2009

Shareholding pattern

September '09	(%)
Promoters	48.0
Institutions	22.2
Non promoter corp hold	6.7
Public & others	23.1

Share price trend



- ✦ Ceat has a 13% market share in the Indian tyre industry and is amongst the best proxy plays on the prospects of the Indian Auto Industry.
- ✦ In the near term, OEM sales are expected to rise 8-10%, while replacement market is likely to report robust growth on back of ~30mn new vehicles sold in the last three years.
- ✦ Ceat is setting up a new radial tyre capacity of 145TPD at Baroda to leverage on the under penetration of radial tyres in the truck and bus segment (currently at 10%). The plant will be operational by October 2010 and will involve a capex of Rs2.5bn.
- ✦ With change in product mix towards radial tyres, increasing share of replacement market in sales and return of pricing power with respect to OEM players, OPM is expected to increase from 0.4% in FY09 to 9.6% in FY10E.
- ✦ We believe the stock is attractively valued at 3.7x FY10E earnings of Rs45.3. We recommend a BUY with a target price of Rs225 at 5x FY10E earnings.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	23,300	25,137	28,016	30,023
yoy growth (%)	9.1	7.9	11.5	7.2
Operating profit	1,842	90	2,695	2,827
OPM (%)	7.9	0.4	9.6	9.4
Pre-exceptional PAT	687	(161)	1,553	1,580
Reported PAT	1,486	(161)	1,553	1,580
yoy growth (%)	278.6	(110.8)	-	1.8
EPS (Rs)	43.4	(4.7)	45.3	46.2
P/E (x)	3.9	(35.9)	3.7	3.7
Price/Book (x)	0.3	0.3	0.3	0.2
EV/EBITDA (x)	5.5	113.4	3.8	3.3
Debt/Equity (x)	0.9	1.3	0.9	0.7
RoE (%)	29.0	(3.3)	24.1	19.7
RoCE (%)	15.3	(1.5)	19.2	18.5

Source: India Infoline Research

Consolidated Construction Consortium

Sector: Construction

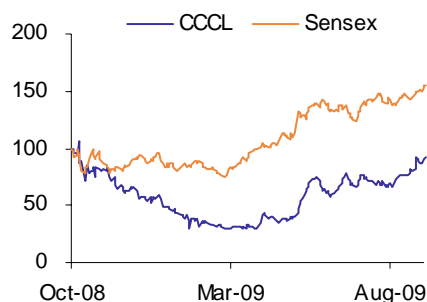
Sensex:	17,195
CMP (Rs):	323
Target price (Rs):	397
Upside (%):	22.9
52 Week h/l (Rs):	380 / 105
Market cap (Rscr) :	1,193
6m Avg vol ('000Nos):	39
No of o/s shares (mn):	37
FV (Rs):	10
Bloomberg code:	CCCL IB
Reuters code:	CCCL.BO
BSE code:	532813
NSE code:	CANDC

Prices as on 15 Oct, 2009

Shareholding pattern

June '09	(%)
Promoters	50.5
Institutions	11.3
Non promoter corp hold	5.9
Public & others	32.3

Share price trend



- ✦ CCCL, a turnkey contractor catering to the construction space, is expected to benefit from the continued focus on infrastructure spending.
- ✦ Current order backlog of Rs36.5bn, 2x FY09 revenues, to be executed over the next 30 months provides strong earnings visibility. Infrastructure & commercial sectors together account for 88% of the order book while the industrial segment accounts for the balance.
- ✦ CCCL's ability to efficiently sweat its assets has enabled it to report higher return ratios (17-18%) vis-à-vis peers.
- ✦ CCCL has maintained low debt levels (0.3x-0.4) in the capital intensive industry vis a vis peers (0.8x to 1x levels)
- ✦ We expect CCCL's earnings to witness a 33% CAGR over FY09-11 driven by improved execution, lower commodity prices and better working capital management.
- ✦ Trading at 9.4x FY11E EPS, we believe there is enough room for upside.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	14,772	18,413	22,218	26,542
yoy growth (%)	71.0	24.6	20.7	19.5
Operating profit	1,392	1,223	1,755	2,122
OPM (%)	9.4	6.6	7.9	8.0
Pre-exceptional PAT	889	728	1,013	1,278
Reported PAT	889	728	1,013	1,278
yoy growth (%)	86.4	(18.1)	39.1	26.2
EPS (Rs)	24.1	19.6	27.3	34.5
P/E (x)	13.5	16.5	11.9	9.4
Price/Book (x)	2.6	2.3	2.0	1.7
EV/EBITDA (x)	10.1	12.5	9.2	7.9
Debt/Equity (x)	0.3	0.4	0.5	0.5
RoE (%)	19.6	14.1	16.7	17.7
RoCE (%)	21.3	17.0	19.0	21.0

Source: India Infoline Research

Dhampur Sugar Mills

Sector: Sugar

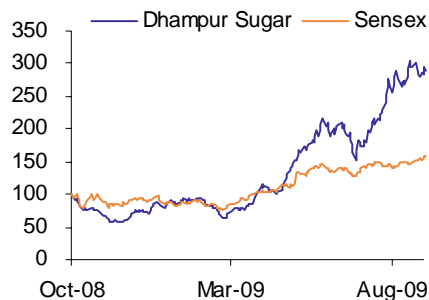
Sensex:	17,195
CMP (Rs):	105
Target price (Rs):	141
Upside (%):	33.8
52 Week h/l (Rs):	113/20
Market cap (Rscr) :	486
6m Avg vol ('000Nos):	833
No of o/s shares (mn):	46
FV (Rs):	10
Bloomberg code:	DSM IB
Reuters code:	DAMS.BO
BSE code:	500119
NSE code:	DHAMPURSUG

Prices as on 15 Oct, 2009

Shareholding pattern

June '09	(%)
Promoters	42.6
Institutions	15.3
Non promoter corp hold	12.0
Public & others	30.1

Share price trend



- ✦ Sugar in the midst of the strongest cyclical upturn in the past 15 years; Sep' 10 closing stock (including imports ~5.5mn tonnes) at less than 2.5 months worth of consumption.
- ✦ International prices unlikely to cool off until domestic production rebounds; this would ensure import prices closely track domestic ex-factory realizations.
- ✦ Dhampur Sugar is likely to process 0.2mn tonnes of imported raw sugar in the current crushing season, which will offset the company's potentially tight cane supply scenario.
- ✦ We factor in a 27% CAGR in profit over F9/09-11, driven by ~20% jump in sugar realizations and 30% increase in power tariffs (to ~Rs4/unit) in the current fiscal.
- ✦ Lack of capital expenditure implies gross D/E is likely to halve to 0.8x in F9/11 from current 1.5x with stable return ratios.
- ✦ Recommend BUY with a Target of Rs141 on the back of attractive valuations of ~6x one year forward earnings.

Valuation Summary

Y/e 30 Sep Rs m	F9/08	F9/09E	F9/10E	F9/11E
Revenues	6,679	8,920	11,614	10,336
yoy growth (%)	12.3	33.6	30.2	(11.0)
Operating profit	1,138	2,055	2,265	2,119
OPM (%)	17.0	23.0	19.5	20.5
Pre-exceptional PAT	216	570	935	920
Reported PAT	36	570	935	920
yoy growth (%)	(105.9)	1,487.0	64.0	(1.5)
EPS (Rs)	0.7	10.8	17.7	17.4
P/E (x)	154.4	9.7	5.9	6.0
P/BV (x)	1.2	1.1	0.9	0.8
EV/EBITDA (x)	12.6	6.3	5.4	5.1
Debt/Equity (x)	2.0	1.5	1.2	0.8
ROE (%)	0.9	12.2	17.3	14.5
ROCE (%)	7.4	12.3	14.2	13.1

Source: India Infoline Research

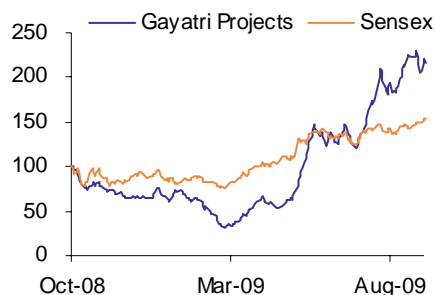
Gayatri Projects

Sector: Construction	
Sensex:	17,195
CMP (Rs):	374
Target price (Rs):	445
Upside (%):	19
52 Week h/l (Rs):	392 / 42
Market cap (Rscr) :	378
6m Avg vol ('000Nos):	69
No of o/s shares (mn):	10
FV (Rs):	10
Bloomberg code:	GAYP IB
Reuters code:	GAPR.BO
BSE code:	532767
NSE code:	-

Prices as on 15 Oct, 2009

Shareholding pattern	
June '09	(%)
Promoters	60.2
Institutions	5.7
Non promoter corp hold	9.2
Public & others	24.9

Share price trend



- ✦ Gayatri is one of the construction companies in India executing major civil works on turnkey basis in road and irrigation segment and has presence in five BOT projects.
- ✦ Company has an order backlog of Rs60bn, 6x FY09 revenues. 91% of orders are from irrigation and road projects having a gestation period of 38 months.
- ✦ Gayatri's order book has been shifting towards irrigation projects, which will improve margins by 70bps over next two years . Company recently bagged a large irrigation project worth ~Rs13.5bn.
- ✦ The company has formed a strategic alliance with DLF Group for jointly developing road and highway projects across the country.
- ✦ Gayatri has five BOT road projects under its portfolio. The replacement of Maytas as JV partner in two BOT project has added certainty.
- ✦ In addition, it also plans to set-up 1,320MW coal based power plant in Andhra Pradesh at an estimated cost of Rs70bn.
- ✦ Our SoTP value of Rs445/share values its infrastructure contract business at Rs405/share (7x FY11E EPS) and BOT projects at Rs40/share.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	7,524	10,046	12,400	15,080
yoy growth (%)	49.8	33.5	23.4	21.6
Operating profit	1,058	1,136	1,476	1,810
OPM (%)	14.1	11.3	11.9	12.0
Pre-exceptional PAT	401	423	523	642
Reported PAT	401	423	523	642
yoy growth (%)	70.0	5.6	23.6	22.8
EPS (Rs)	40.1	41.9	47.1	57.8
P/E (x)	9.3	8.9	7.9	6.5
Price/Book (x)	2.1	1.7	1.5	1.2
EV/EBITDA (x)	6.6	7.2	6.3	5.8
Debt/Equity (x)	2.0	2.1	2.0	2.0
RoE (%)	17.8	14.8	15.2	15.4
RoCE (%)	22.4	19.5	18.7	18.8

Source: India Infoline Research

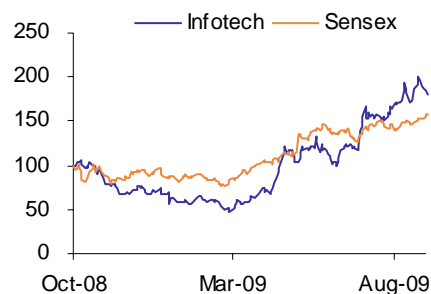
Infotech Enterprises

Sector: Information Technology	
Sensex:	17,195
CMP (Rs):	255
Target price (Rs):	306
Upside (%):	20.1
52 Week h/l (Rs):	298 / 68
Market cap (Rscr) :	1,407
6m Avg vol ('000Nos):	59
No of o/s shares (mn):	55
FV (Rs):	5
Bloomberg code:	INFTC IB
Reuters code:	INFE.BO
BSE code:	532175
NSE code:	INFOTECENT

Prices as on 15 Oct, 2009

Shareholding pattern	
June '09	(%)
Promoters	23.4
Institutions	30.1
Non promoter corp hold	4.3
Public & others	42.2

Share price trend



- ✦ In an improving demand outlook for IT services, Infotech is one of our preferred fundamental picks in the mid-cap IT space. Niche character and deep relationships with large clients provide the company better revenue visibility than similar-sized peers.
- ✦ Robust 37% and 45% growth in revenues from Top 5 and Top 10 clients respectively over the past six quarters, despite a global recession, further emphasizes Infotech's rich clientele.
- ✦ Management expects Q3 FY10 revenues to be marginally higher than Q2 FY10, despite lower number of working days. Revenue growth is expected to accelerate from Q4 FY10.
- ✦ With <50% of revenues coming from the US region, the weakening of US\$ against GBP and Euro would benefit Infotech more than peers.
- ✦ Company has a strong fungible balance sheet with cash & equivalents at Rs3.6bn (~27% of market cap), equivalent to 36% of FY09 total assets and 51% of FY09 opex.
- ✦ Post steady Q2 FY10 results, we have upgraded Infotech to BUY with target price of Rs306 by assigning a 10x P/E to FY11E earnings and adding the net-cash/share value of Rs62.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09E	FY10E	FY11E
Revenues	6,741	8,899	9,358	10,083
yoy growth (%)	24.3	32.0	5.2	7.7
Operating profit	1,220	1,786	1,987	2,047
OPM (%)	18.1	20.1	21.2	20.3
PAT	856	925	1,481	1,349
yoy growth (%)	2.3	8.1	60.1	(8.9)
EPS (Rs)	16.4	16.7	26.8	24.4
P/E (x)	15.2	14.9	9.3	10.2
Price/Book (x)	1.9	1.8	1.5	1.3
EV/EBITDA (x)	9.8	5.8	4.8	4.3
Net Debt/Equity (x)	(0.1)	(0.4)	(0.4)	(0.5)
RoE (%)	19.7	13.9	18.0	14.1
RoCE (%)	20.9	13.8	22.3	18.1

Source: India Infoline Research

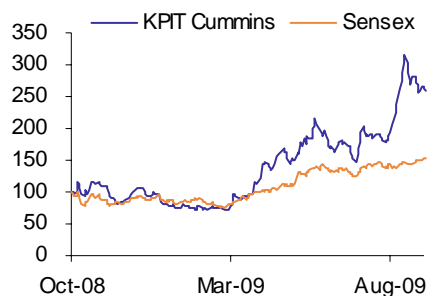
KPIT Cummins Infosystems

Sector: Information Technology	
Sensex:	17,195
CMP (Rs):	78
Target price (Rs):	107
Upside (%):	36.7
52 Week h/l (Rs):	90 / 20
Market cap (Rscr) :	611
6m Avg vol ('000Nos):	409
No of o/s shares (mn):	78
FV (Rs):	2
Bloomberg code:	KPIT IB
Reuters code:	KPIT.BO
BSE code:	532400
NSE code:	KPIT

Prices as on 15 Oct, 2009

Shareholding pattern	
June '09	(%)
Promoters	27.4
Institutions	22.2
Non promoter corp hold	9.7
Public & others	40.7

Share price trend



- After surviving through the tough business environment in FY09, KPIT has entered a phase of growth certainty. Manifesting this, company delivered a strong operating performance in Q2 FY10 with 6% qoq volume growth and 5ppt+ qoq margin improvement.
- Management is confident about sustaining revenues and containing margin over the next two quarters despite seasonal weakness and enhanced business investments. Utilization of operational levers such as offshoring and fixed price shift is expected to continue.
- The trend of steep rupee appreciation would least impact KPIT in the sector with company holding significant hedges equivalent to 0.9x FY09 revenues, the average rate of which is near the spot Re/US\$.
- Further, rupee appreciation has reduced the balance sheet risk (significant hedging reserves) substantially over the past two quarters. Hedging reserves are expected to decline further in the next two quarters.
- Trading currently at inexpensive 6.6x FY11 P/E, we believe KPIT could witness sharp valuation re-rating in the near-term on improved business outlook and lower forex risk.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	6,005	7,846	6,904	7,341
yoy growth (%)	29.5	30.7	(12.0)	6.3
Operating profit	923	1,678	1,567	1,505
OPM (%)	15.4	21.4	22.7	20.5
PAT	513	659	941	928
yoy growth (%)	1.6	28.4	42.9	(1.4)
EPS (Rs)	6.6	8.4	12.1	11.9
P/E (x)	11.8	9.2	6.5	6.6
Price/Book (x)	2.3	3.6	1.7	1.3
EV/EBITDA (x)	6.7	3.3	3.1	3.0
Net Debt/Equity (x)	0.0	(0.3)	(0.4)	(0.4)
RoE (%)	21.9	30.1	35.5	22.5
RoCE (%)	20.0	25.6	31.0	22.8

Source: India Infoline Research

Lakshmi Energy & Foods

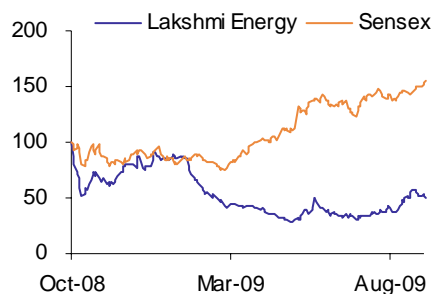
Sector: FMCG	
Sensex:	17,195
CMP (Rs):	126
Target price (Rs):	152
Upside (%):	21
52 Week h/l (Rs):	228 / 62
Market cap (Rscr) :	811
6m Avg vol ('000Nos):	746
No of o/s shares (mn):	63
FV (Rs):	2
Bloomberg code:	LKEF IB
Reuters code:	LAKO.BO
BSE code:	519570
NSE code:	LAKSHMIEFL

Prices as on 15 Oct, 2009

Shareholding pattern

June '09	(%)
Promoters	45.0
Institutions	29.8
Non promoter corp hold	13.3
Public & others	12.0

Share price trend



- ✦ Lakshmi Energy (LEFL), India's largest rice producer, plans to expand its processing capacity to 3mtpa from the existing 1.2mtpa.
- ✦ A drought monsoon will impel the Food Corporation of India (FCI) to increase its procurement of rice, which it had reduced in F9/09 due to rise in inventory levels. FCI accounts for 70% of LEFL's sales. This will be a key driver for the company in F9/10.
- ✦ With the recent classification of PUSA 1121 as basmati rice, export revenues of the company are expected to nearly triple to Rs4.5bn during F9/10.
- ✦ LEFL had changed its product mix in favour of by-products (higher margin segment) when FCI had reduced rice offtake last year. With rice offtake now expected to normalize, we believe margins will settle at around 23% for F9/10E.
- ✦ With its 30MW husk based power plant operational and sale agreement signed with PTC at Rs7/unit, we conservatively expect 35% earnings (at 75% PLF) to accrue from this venture.
- ✦ With changing fortunes and an expectation of 36% earnings CAGR over F9/09-11E, we believe the stock trades cheaply at 5.8x F9/10E EPS of Rs21.8. Recommend BUY.

Valuation Summary

Y/e 31 Dec (Rs m)	F9/08*	F9/09E	F9/10E	F9/11E
Revenues	15,402	6,898	13,989	20,670
yoy growth (%)	121.2	(44.0)	102.8	47.8
Operating profit	3,281	2,111	3,227	3,942
OPM (%)	21.3	30.6	23.1	19.1
Pre-exceptional PAT	1,590	844	1,291	1,577
Reported PAT	1,590	844	1,291	1,577
yoy growth (%)	163.7	(33.6)	52.9	22.1
EPS (Rs)	26.5	13.4	21.8	26.3
P/E (x)	4.7	9.4	5.8	4.8
Price/Book (x)	1.5	1.3	1.1	0.8
EV/EBITDA (x)	3.6	5.6	4.8	5.0
Debt/Equity (x)	0.9	0.7	1.1	1.4
RoE (%)	33.1	14.9	18.6	18.5
RoCE (%)	21.0	12.9	11.8	10.6

Source: India Infoline Research, * F9/08 refer to 15 months ended Sept 2008

Sanghvi Movers

Sector: Capital Goods

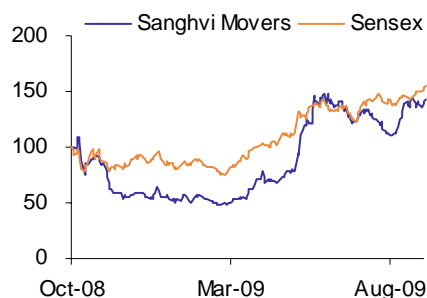
Sensex:	17,195
CMP (Rs):	184
Target price (Rs):	228
Upside (%):	24.0
52 Week h/l (Rs):	199 / 60
Market cap (Rscr) :	796
6m Avg vol ('000Nos):	91
No of o/s shares (mn):	43
FV (Rs):	2
Bloomberg code:	SGM IB
Reuters code:	SNGM.BO
BSE code:	530073
NSE code:	SANGHVIMOV

Prices as on 15 Oct, 2009

Shareholding pattern

September '09	(%)
Promoters	44.5
Institutions	28.4
Non promoter corp hold	3.2
Public & others	23.9

Share price trend



- ✦ Sanghvi Movers, third largest crane service provider in Asia, is one of the best plays on the increasing infrastructure spend in the country, especially in the power sector (40,000MW addition in next three years).
- ✦ Huge capacity expansion plans in other sectors such as cement, steel, roadways and railways would further propel order inflows for Sanghvi Movers.
- ✦ To leverage on the current opportunity, the company plans to expand its lifting capacity to 53,950MT by FY10.
- ✦ With 60%+ market share in 250+MT segment, the company enjoys a near monopoly status, which leads to better pricing power and thus higher margins.
- ✦ Further, the company has in-house logistics support, which not only reduces costs but also saves time spent in transporting cranes.
- ✦ Valuations are attractive at 7.3x FY11E EPS of Rs25.3, recommend BUY.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	2,543	3,575	3,679	3,910
yoy growth (%)	42.4	40.6	2.9	6.3
Operating profit	1,869	2,738	2,785	2,952
OPM (%)	73.5	76.6	75.7	75.5
Pre-exceptional PAT	761	1,011	977	1,098
Reported PAT	761	1,011	977	1,098
yoy growth (%)	61.2	32.9	(3.4)	12.4
EPS (Rs)	17.3	23.3	22.6	25.3
P/E (x)	10.6	7.9	8.2	7.3
Price/Book (x)	2.7	2.1	1.6	1.3
EV/EBITDA (x)	6.3	4.7	4.4	3.9
Debt/Equity (x)	1.2	1.3	0.9	0.6
RoE (%)	25.1	25.6	19.9	18.2
RoCE (%)	19.5	21.7	20.2	20.3

Source: India Infoline Research

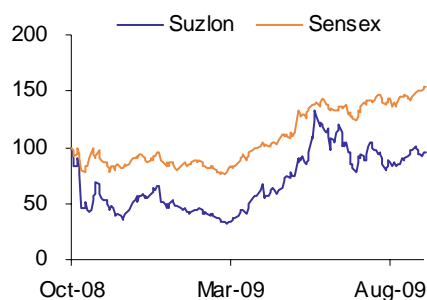
Suzlon Energy

Sector: Utilities	
Sensex:	17,195
CMP (Rs):	89
Target price (Rs):	107
Upside (%):	20.4
52 Week h/l (Rs):	146 / 33
Market cap (Rscr) :	13,878
6m Avg vol ('000Nos):	66,857
No of o/s shares (mn):	1,557
FV (Rs):	2
Bloomberg code:	SUEL IB
Reuters code:	SUZL.BO
BSE code:	532667
NSE code:	SUZLON

Prices as on 15 Oct, 2009

Shareholding pattern	
June '09	(%)
Promoters	59.8
Institutions	22.5
Non promoter corp hold	3.5
Public & others	14.2

Share price trend



- ✦ We recommend Suzlon as a contra buy' the only large cap stock in our Diwali report, on the back of a revival in business from US and Europe.
- ✦ Following the recent notification by CERC on renewable energy, indicating that wind turbines are 'must run' plants, demand for wind turbines is likely to surge and improve Suzlon's order book position.
- ✦ To allay balance sheet concerns, Suzlon recently raised funds via GDR. Further, it plans to sell its stake in Hansen Transmission and reduce its working capital cycle.
- ✦ Likely H1 FY10 loss of Rs7bn is expected to be offset in H2 FY10 as execution gathers momentum.
- ✦ We believe the 35% correction in the stock price over the past four months factors in almost all concerns. At current levels, the stock is a good bet for high risk investors. We would also recommend adding on any dip in the price. Pick-up in order inflows and balance sheet restructuring represent upside risks to our target price.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	137,111	262,588	240,077	300,740
yoy growth (%)	71.0	91.5	(8.6)	25.3
Operating profit	21,172	29,687	20,888	33,331
OPM (%)	15.4	11.3	8.7	11.1
Pre-exceptional PAT	13,134	10,397	2,576	11,096
Reported PAT	10,301	2,365	2,576	11,096
yoy growth (%)	19.2	(77.0)	8.9	330.8
EPS (Rs)	8.8	6.9	1.7	7.1
P/E (x)	10.2	12.8	53.8	12.5
Price/Book (x)	1.6	1.6	1.5	1.4
EV/EBITDA (x)	7.7	8.5	11.8	7.7
Debt/Equity (x)	1.2	1.8	1.6	1.5
RoE (%)	22.6	12.7	3.0	11.8
RoCE (%)	14.8	11.5	6.3	10.7

Source: India Infoline Research

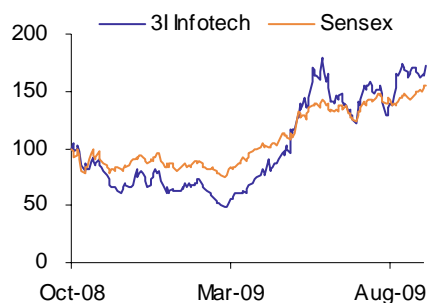
3i Infotech

Sector: Information Technology	
Sensex:	17,195
CMP (Rs):	95
Target price (Rs):	115
Upside (%):	21.1
52 Week h/l (Rs):	103 / 25
Market cap (Rscr) :	1,601
6m Avg vol ('000Nos):	4,289
No of o/s shares (mn):	169
FV (Rs):	10
Bloomberg code:	III IB
Reuters code:	TIIN.BO
BSE code:	532628
NSE code:	3IINFOTECH

Prices as on 15 Oct, 2009

Shareholding pattern	
June '09	(%)
Promoters	39.5
Institutions	24.7
Non promoter corp hold	9.6
Public & others	26.2

Share price trend



- 3i Infotech is one of the most diversified plays in the mid-cap IT space. The company offers variety of IT products, IT services and BPO services and has revenues spread across different geographies.
- A diversified model enabled 3i to sustain its revenue and operating profitability through the recent difficult business environment. With outstanding 12-month order book of Rs14.5bn, equivalent to 0.6x FY09 sales, company has healthy revenue visibility.
- 3i recently raised ~Rs3.2bn via QIP route for retiring a portion of its high cost debt. Post repayment, D/E would improve significantly from 2x to 1.3x. It will also lead to interest savings to the tune of Rs350-400mn.
- Further, continued buy back of FCCBs at discount by the company would also improve the quality of Balance Sheet. Over the longer term, 3i intends to lower its D/E to 1:1.
- Reduction of financial risk is expected to re-rate the stock, which has been trading at a material discount to median mid-cap IT valuations. Very recently, CRISIL upgraded its rating outlook on 3i to 'Stable' from 'Negative'.

Valuation Summary

Y/e 31 Mar (Rs m)	FY08	FY09	FY10E	FY11E
Revenues	12,053	22,856	26,399	29,356
yoy growth (%)	83.9	89.6	15.5	11.2
Operating profit	2,549	4,344	5,070	5,491
OPM (%)	21.1	19.0	19.2	18.7
Pre-exceptional PAT	1,766	2,820	2,635	2,775
yoy growth (%)	89.8	59.7	(6.6)	5.3
EPS (Rs)	9.8	15.0	13.2	13.5
P/E (x)	9.7	6.3	7.2	7.0
Price/Book (x)	1.9	1.3	1.1	1.0
EV/EBITDA (x)	9.0	7.6	6.7	6.2
Net Debt/Equity (x)	2.2	2.5	1.5	1.2
RoE (%)	19.0	21.5	16.2	14.1
RoCE (%)	15.4	14.2	11.7	12.8

Source: India Infoline Research

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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India Infoline Ltd. One India Bull Center, Jupiter Mill Compound, 841, Senapati Bapat Marg, Nr, Elphinstone Road, Lower Parel (W), Mumbai – 400 013.

For Research related queries, write to: Amar Ambani at amar@indiainfoline.com or research@indiainfoline.com

For Sales and Account related information, write to customer care: info@5pmail.com or call on 91-22 4007 1000