

FROM THE RESEARCH DESK

NTPC Limited
Fuel availability to improve, reiterate BUY
Sesa Goa Limited
Uncertain times

Global News

- U.S. stocks rose this week, driving the Standard & Poor's 500 Index toward the biggest monthly gain since 1974, after European leaders agreed to expand the region's bailout fund and American economic growth accelerated.
- Hewlett-Packard Co. (HPQ) had its credit ratings placed on review for possible downgrade by Moody's Investors Service after the company decided to keep its personal computer business.

Sector & Corporate News

- **Maruti:** The country's largest car-maker Maruti Suzuki India reported 59.8% fall in net profit at INR2.4bn for 2QFY12, mainly due to production loss at Manesar because of labour unrest. The company's board, meanwhile, has approved to purchase land in Gujarat to set up manufacturing facilities.
- **JSW:** JSW Steel stated that Japanese major JFE Steel Corporation has evinced interest in joining hands with it in its proposed 10 million tonne per annum steel project in West Bengal. However, JSW would decide on taking JFE (it holds 14.78% in JSW) on board for its West Bengal project on a later date.
- **BGR Energy:** The Directorate General of Central Excise Intelligence unit has issued a show cause notice to engineering, procurement and construction major BGR Energy Systems, following alleged evasion of service tax to the tune of INR1.07bn.
- **Air India:** The Group of Ministers on rescuing government-owned Air India recommended a plan to infuse equity of INR230bn into the ailing airline by 2020-21. The infusion will be with a condition that the carrier increases occupancy in its flights to 73% by 2015 and 75% by 2020 from the current 69.5%.
- **Shree Ganesh Jewellery:** Handcrafted gold and diamond jewellery producers and exporters Shree Ganesh Jewellery House (SGJHL) has formed a 50:50 joint venture with Italy's SALP SPA to manufacture machine-made light weight gold jewellery for the domestic wholesale market.
- **PizzaExpress:** Gourmet Investments, promoted by Bharti Family Office and the UK-based PizzaExpress Holdings, have announced a 50-50 joint venture to launch the PizzaExpress chain of restaurants in India. This will be the second coming for PizzaExpress. Its first India venture was with the V K Modi group some seven years before.

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	12,231	0.2	5.6
NASDAQ	2,737	(0.1)	3.2
FTSE	5,702	(0.2)	(3.4)
CAC	3,349	(0.6)	(12.0)
DAX	6,346	0.1	(8.2)
Russia	1,609	(0.1)	(9.1)
Bovespa	59,513	0.4	(14.1)
Nikkei	9,020	(0.3)	(10.6)
Hang Seng	20,019	1.7	(13.1)
Shanghai Composite	2,473	-	(11.9)

Indian Indices	Closing	% Chg	% YTD
Sensex	17,805	3.0	(13.2)
Nifty	5,361	3.1	(12.6)
MSCI India	441	4.8	(21.1)
CNX Midcap	7,240	2.3	(18.3)
BSE Smallcap	6,960	0.9	(28.0)

Flows (USDm)	Last	MTD
FII	-	(289)
Locals	7	27

Provisional flows	(USDm)
FII	438
Locals	(218)

Volumes	USDbn	% Chg
Cash (NSE + BSE)	3.5	(0.8)
F&O (net)	19.5	(61.8)

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	97	250
Open Int (%)	0.5	2.3

ADR/GDR Gainers	Last	% Chg
Tata Motors	21.3	6.0
SBI	84.0	3.6
Sterlite	10.8	3.1
Wipro	10.8	2.9
Satyam	2.9	2.7

ADR/GDR Losers	Last	% Chg
Patni	14.0	(2.2)
Infosys	60.2	(1.0)

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	9,571	2.9	12.6	(6.5)
BSE Bank	11,372	3.7	4.8	(15.0)
BSE Cap Goods	11,036	3.6	2.7	(28.4)
BSE Cons dur	6,633	0.2	4.3	4.3
BSE FMCG	4,153	1.3	6.2	12.7
BSE IT	5,830	1.4	10.5	(14.6)
BSE Health	6,171	1.5	5.2	(8.4)
BSE Metal	12,143	6.3	10.4	(31.0)
BSE Oil	9,179	2.2	8.1	(13.4)
BSE Power	2,217	2.7	4.3	(25.8)
BSE PSU	7,616	2.4	2.9	(19.5)
BSE Realty	1,923	5.3	9.1	(32.7)
BSE TECK	3,522	1.1	8.3	(13.0)

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Hindalco Industries Ltd	142	11.0	8.3	(42.4)
Reliance Infrastructure Ltd	464	9.6	24.4	(44.9)
Sterlite Industries India Ltd	133	8.7	16.8	(28.9)
DLF Ltd	249	8.3	13.7	(14.8)
Jaiprakash Associates Ltd	79	8.0	8.1	(25.7)
Tata Motors Ltd	207	7.8	32.5	(21.0)
Jindal Steel & Power Ltd	579	7.6	14.3	(18.7)

Bulk Deals

Date	Security Name	Client Name	Buy/Sell	Qty	Price
28-Oct-11	Edelweiss Fin Serv Ltd	First Carlyle Ventures Mauritius	BUY	29,118,922	29.50
28-Oct-11	Edelweiss Fin Serv Ltd	Reliance Mutual Fund	SELL	28,059,643	29.50
28-Oct-11	Indiabulls Financial Serv	Direct Investments Limited Gdr	SELL	5,424,115	152.32
28-Oct-11	Indiabulls Financial Serv	Orthia Land Development Private Limited	BUY	5,000,000	152.00
28-Oct-11	Indiabulls Financial Serv	Oberon Limited	SELL	1,600,000	160.01
28-Oct-11	Shiv-Vani Oil & Gas Explo	Tempelton Strategic Emerging Markets Fund Iii Ldc	BUY	1,250,000	200.00
28-Oct-11	Zenith Info	Amansa Investments Limited	SELL	214,730	53.10
28-Oct-11	Jaihind Proj	Apollo Pipes Limited	BUY	50,000	189.98

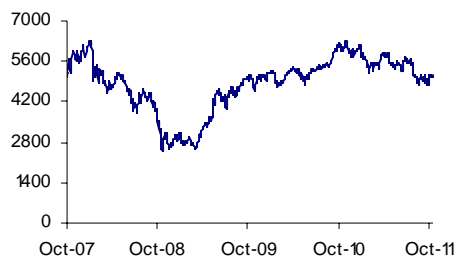
Delivery Spike

Company	Volume	Spike (%)	Chg (%)
India Bulls	8,493,429	3120	(6.55)
Asian Paints	185,217	568	(0.27)
HPCL	1,094,603	259	(1.84)
JP Associate	9,362,721	187	8.04
BPCL	691,099	167	(3.05)
Cairn	3,269,931	159	2.47
Tata Motors	9,963,714	128	7.82
HDIL	3,850,872	125	6.30
Ambuja Cements	3,453,019	113	3.99
Sterlite	8,423,535	110	8.67

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Bharat Petroleum Corp Ltd	637	(3.1)	(1.7)	(3.2)
Maruti Suzuki India Ltd	1,126	(2.0)	4.0	(20.8)
Bharti Airtel Ltd	392	(0.3)	3.7	9.2
Ranbaxy Laboratories Ltd	515	(0.2)	-	-
Bajaj Auto Ltd	1,757	(0.1)	14.4	14.0
Gail India Ltd	429	0.2	4.5	(16.3)
Sesa Goa Ltd	206	0.3	2.5	(37.4)

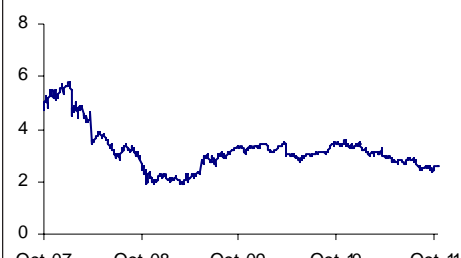
Nifty



Nifty P/E

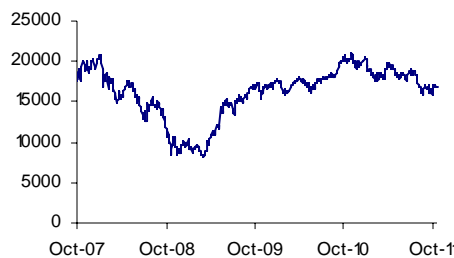


Nifty P/B

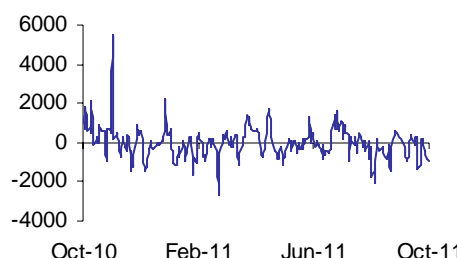


Source: Bloomberg

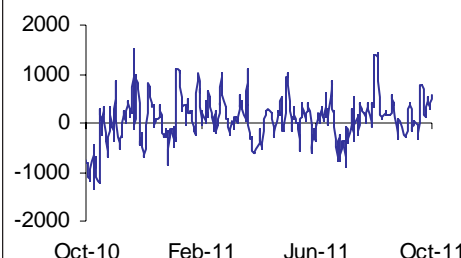
Sensex



FII Provisional Flows (INRcr)



DII Provisional Flows (INRcr)



Source: Bloomberg

Economy, Money & Banking

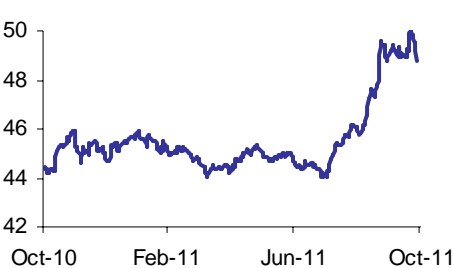
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	48.8	1.5	0.4	(8.3)
INR~EUR	69.0	(0.0)	(3.5)	(13.4)
INR~GBP	78.7	(0.2)	(3.0)	(11.4)

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	8.9	9	42	93
Interbank call	8.5	-	20	300

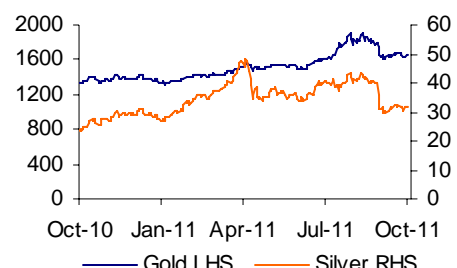
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,744	-	7.4	22.7
Crude Oil (\$/Bbl)	93	(0.0)	17.6	(1.3)
Aluminium (\$/t)	2,223	(0.6)	4.7	(9.7)
Copper (\$/t)	8,170	0.3	16.7	(15.3)
Zinc (\$/t)	1,969	2.2	7.1	(19.5)
Lead (\$/t)	2,071	2.6	2.6	(19.2)
Nickel (\$/t)	19,680	(1.0)	12.0	(20.3)

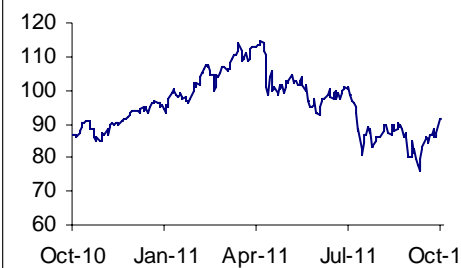
INR/USD



Gold and silver prices

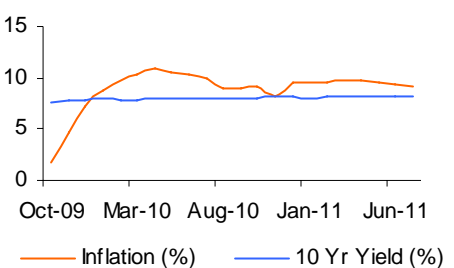


Crude prices

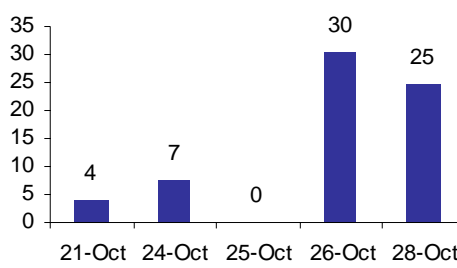


Source: Bloomberg

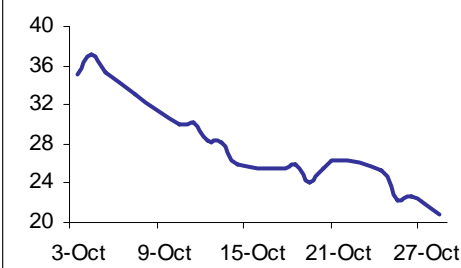
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR179
Target Price	: INR203
Potential Return	: 13%

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Market data

Sector	:	Utilities
Market Cap (INRbn)	:	1,472
Market Cap (USDbn)	:	29
O/S Shares	:	8,245
Free Float (m)	:	973
52-wk HI/LO (INR)	:	209/160
Avg Daily Vol ('000)	:	1,509
Bloomberg	:	NTPC IN
Reuters	:	NTPC.BO

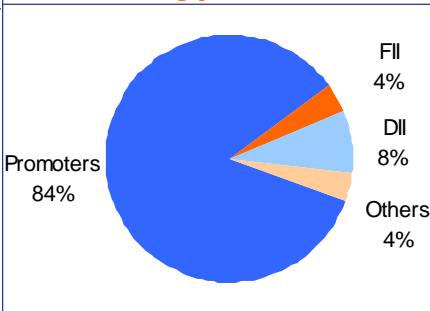
Source: Bloomberg

Returns (%)

	1 m	3 m	6 m	12 m
Absolute	4	(5)	(7)	(16)
Relative	(3)	3	6	(2)

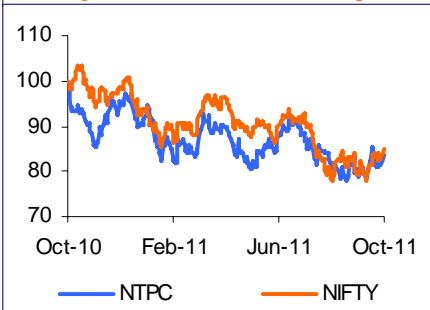
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

2QFY12 RESULTS REVIEW

NTPC Limited

Fuel availability to improve, reiterate BUY

Results highlights

Earnings and profitability

NTPC reported sales and earnings of INR157bn and INR24.2bn respectively. The reported sales include INR7.5bn (+ve), interest and finance charges include INR2bn (+ve) and tax expense includes INR2.7bn (+ve) pertaining to prior years. Adjusting for the same, sales stood at INR149bn and PAT at INR18.9bn, an increase of 2% YoY. We believe that profitability for the quarter has been impacted due to lower PLF and PAF for the quarter (explained below) leading to lower incentives and lower recovery of fixed charges from coal TPS. Other income has increased due to higher interest earned on cash surplus, interest on income tax refund and interest earned on tariff pertaining to earlier years.

Operational performance - Coal supply bottlenecks

Owing to higher nuclear and hydro generation, backing down by beneficiaries and coal supply issues during the quarter, PLF for NTPC coal-based TPS declined by 453bps YoY to 78.38% and PLF for gas-based TPS declined by 717bps YoY to 60.84%. Nuclear and hydro generation increased by 44% YoY to 8.1BU and 28% YoY to 47.7BU, respectively. In addition, domestic coal supply declined by 11% YoY to 25.7mt in the quarter due to heavy monsoon in CIL mines and strike in SCCL. While the PAF for NTPC coal-based TPS was 83.4% and gas-based station was 92.3%.

Improved fuel supply outlook

As explained above, PLF and PAF for coal-based station declined during the quarter significantly due to one off problems. However, the recent actions from ministry sources clearly indicate that government is serious about solving the coal supply issues specially for NTPC. This is evident with recent initiatives - diversion of e-auction coal to power houses in October 2011, quota of coal from e-auction to be allotted to NTPC. We believe the company is best placed and is among the favoured ones to receive supply of coal and expect PLF and PAF to improve in 2HFY12e.

Valuation and outlook

Given that coal/gas remains a major concern for all the generating assets in the country, we believe NTPC is best-placed to tide the storm with all of its assets being under regulated mechanism and it remains one of the favoured entities to receive coal. We believe recent diversion of coal to NTPC units reduce the risk to fuel availability. We maintain our target price of INR203 and recommend a BUY rating on the stock.

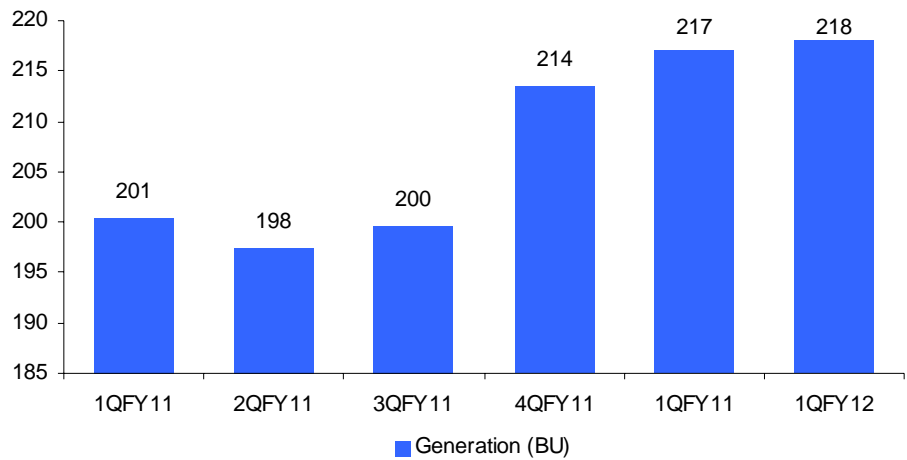
Quarterly financials

INRm	2QFY12	2QFY11	Chg (%)	1QFY11	Chg (%)
Revenue	156,988	147,526	6	145,242	8
Expense	121,388	112,419	8	113,053	7
EBITDA	35,600	35,107	1	32,190	11
Other income	6,881	6,147	12	6,437	7
Interest expense	3,312	5,902	-44	3,744	(12)
Depreciation	6,583	5,063	30	6,411	3
PBT	32,586	30,290	8	28,472	14
Tax	8,345	9,216	-9	7,714	8
Reported PAT	24,241	21,074	15	20,758	17
Adjusted PAT	18,913	18,590	2	21,278	(11)

Source: Company, Antique

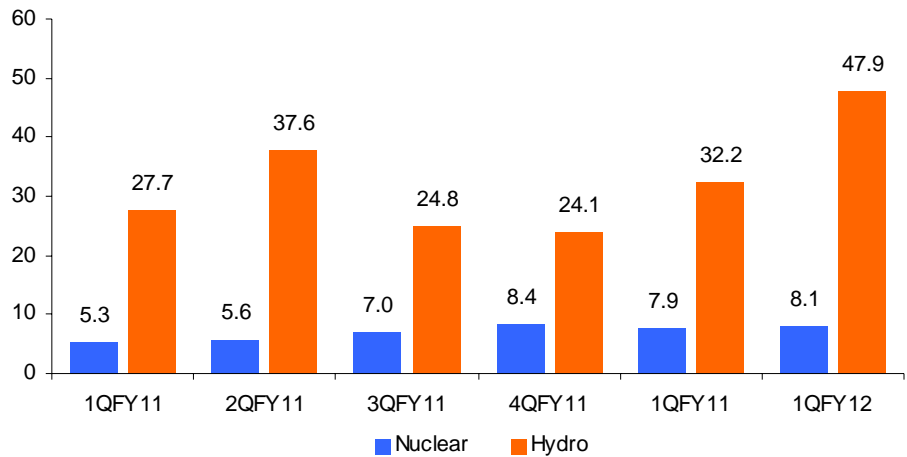
Operational performance

Overall generation (BU)



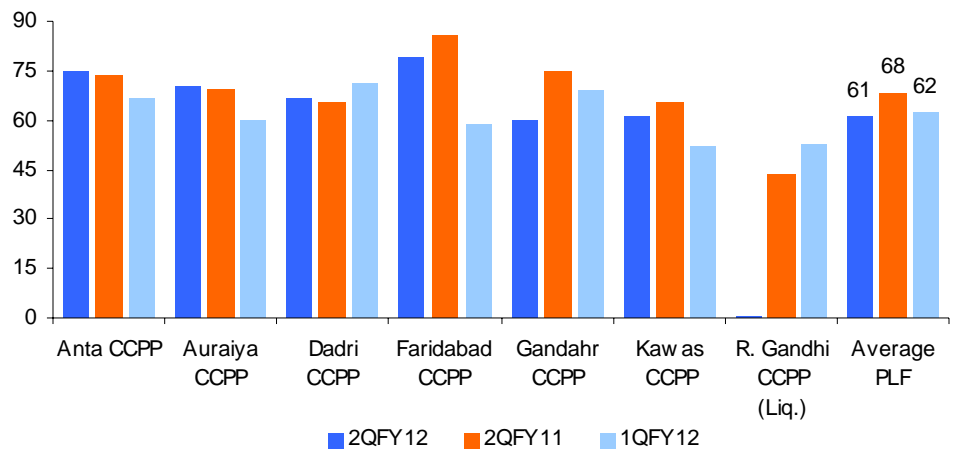
Source: CEA, Antique

Hydro and Nuclear generation up by 44% and 28% respectively



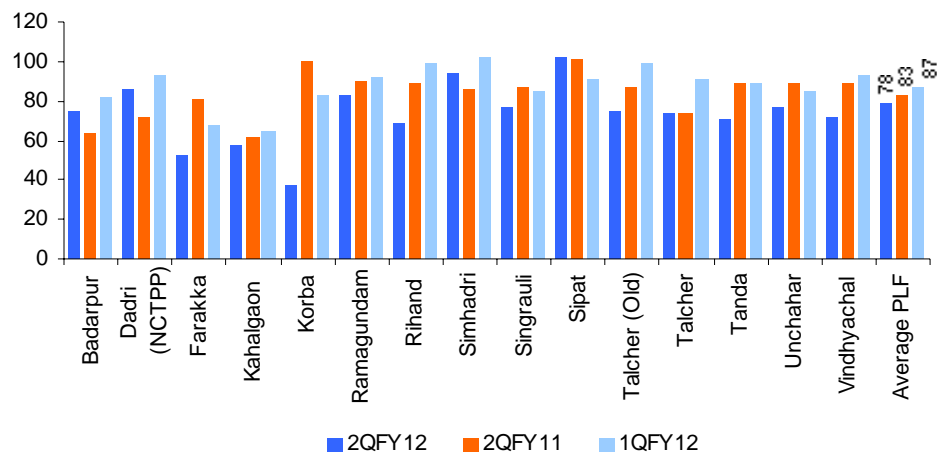
Source: CEA, Antique

Quarterly PLF for gas-based station (%)



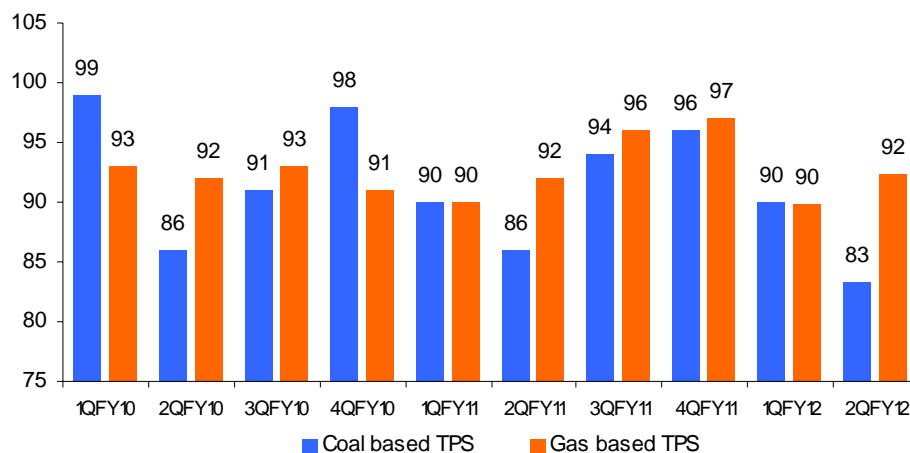
Source: CEA, Antique

Quarterly PLF for coal-based station (%)



Source: CEA, Antique

Quarterly PAF for NTPC station (%) - Historically, availability better in 3rd and 4th Quarter



Source: CEA, Antique

Key takeaways from conference call and our view

Debtor days: The sundry debtors are INR111.6bn as at the end of September 30, 2011 which is equivalent to 69 days. This sum also includes unbilled revenue as company is billing provisionally to beneficiaries for 95% of revenue pending final tariff order. Excluding the same, debtor days would fall below 60 days. There is increase in debtor days compared to previous year (debtor days in previous year was ~33days) which is being witnessed due to stretched financial of SEBs. However, the management has been able to receive all dues within 60 days and remain confident of maintaining the same going forward for the year.

Our view: We believe the risk of default to NTPC is low as it has tripartite agreement with RBI, concerned state government and is expected to recover the cost directly from central grant to state in case of extreme situation.

Capacity addition: Management guided that they remain confident of adding capacity of 4320MW in FY2012.

Our view: We remain cautious on capacity addition and expect commissioning of 1,320MW on its own balance sheet and 1,000MW in JVs based on CEA report of August 2011 on status of capacity addition.

Capacity addition status

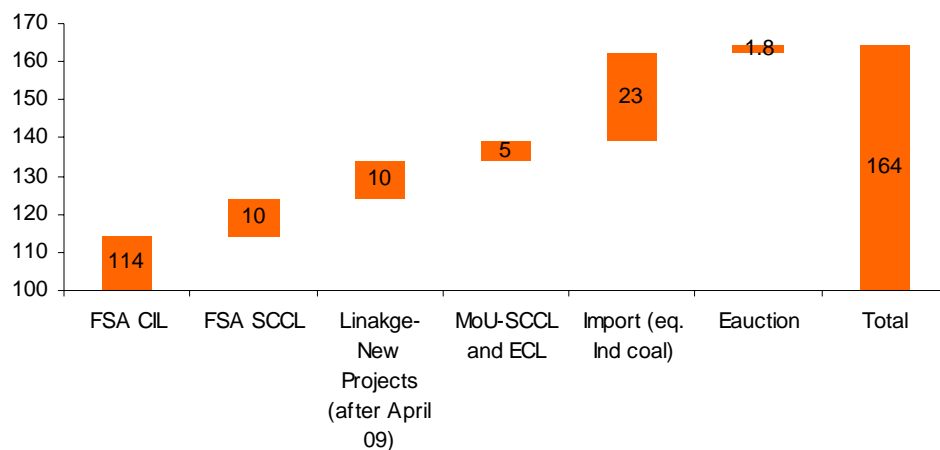
Thermal Power Station	Capacity (MW)	Status (As per CEA Monitoring Report)
Sipat, Stage- I	1,320	660MW commercialized in October 2011 and 660MW to be commissioned in November 2011
Simhadri Stage- II	500	Commissioning in Q1 2013
Mouda Stage- I	500	Commissioning in Q1 2013
In Joint Ventures		
Jhajjar Unit 2 & 3	1,000	Unit 2 commissioning by November 2011 and Unit 3 commissioning in Q1FY13
Vallur	1,000	500MW in Q4FY12 and 500MW in Q1FY13
Total	4,320	

Source: CEA, Antique

Fuel receipts and availability: Domestic coal receipts in second quarter of current fiscal were affected due to a high rainfall in mine areas of Coal India Limited as well as Telangana strike in Andhra Pradesh which affected coal supply from SCCL. This led to a reduction of 11% of domestic coal receipt to 25.67 million metric tonne in 2QFY12. The cumulative receipt for domestic coal against annual contracted quantity for the half year ended September 2011 was 91.17% as against 94.49% in the corresponding period in 2010-11. The cumulative coal received has been 63.5mt, a decrease of 2.2%. The cumulative loss in 1HFY12 in generation is only 3BU (~1.2% of targeted generation of 235BU).

Our view: We expect company to have better availability on account of improved outlook on domestic fuel availability. As shown in chart below, company needs 164mt of Indian Coal to achieve 90-92% availability during the year. The recent actions from ministry sources clearly indicate that government is serious about solving the domestic coal supply issues for NTPC. This is evident with recent initiatives - diversion of e-auction coal to power houses in October 2011, quota of coal from e-auction to be allotted to NTPC. Further, it has already contracted for 14mt of imported coal and has already received 7.2mt of imported coal in 1HFY12. In addition, company has taken planned shutdown for some of the units in the quarter. We expect these measures to help in achieving much better availability and improved PLF of coal-based NTPC in coming quarters. We highlight that rake availability to power stations has increased significantly in October 2011 as per media reports and in addition many of the power plants of NTPC are located close to pitheads which will help it in offtake of coal from e-auction quota allocated to it.

Requirement of coal based on 92% availability



Source: Company, Antique

Fuel supply agreements: NTPC has signed FSA for fuel supply agreement for three coal-based stations commissioned before April 01, 2009 for supplying coal of ~16mt to Farakka - I, Kahalgaon - I and Ramagundam - III. It also expects to sign FSA for coal-based TPS commissioned after April 01, 2009 by the end of FY12.

Valuation and outlook

Given that coal/gas remains a major concern for all the generating assets in the country, we believe NTPC is best placed to tide the storm with all of its assets being under regulated mechanism, and it remains one of the favoured entities to receive coal. We believe recent diversion of coal to NTPC units reduce the risk to fuel availability. We have valued the stock on the basis of average of multiple and DCF as shown in table below. At current price, stock is trading at 14.8 x FY12 earnings and 2x FY12 book value. We maintain our target of INR203 and recommend a BUY rating on stock.

Valuation Table

Multiple Valuation	INR
FY12 Book Value	89.2
Target PB (x)	2.25
Value (A)	201
EPS FY12	11.9
Target PE (x)	18
Value (B)	214
Average value per share (A+B)/2 (C)	207
DCF valuation	
Rf	8%
Rm	5%
Beta	0.7
CoE	11.50%
Terminal growth	3%
Value (INRbn)	1,631
Value per share (D)	198
Target Price - (C+D)/2	203

Source: Antique

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2008	2009	2010	2011	2012e
Revenues	386,695	426,957	482,987	536,626	603,484
Expenses	269,471	320,081	352,414	375,370	416,419
EBITDA	117,224	106,876	130,573	161,256	187,064
Depreciation & amortisation	22,060	24,949	28,944	32,013	40,126
EBIT	95,164	81,927	101,629	129,243	146,938
Interest expense	18,581	21,167	20,782	33,450	41,841
Other income	29,547	33,066	28,792	25,412	21,391
Profit before tax	106,130	93,826	109,639	121,205	126,489
Taxes incl deferred taxation	28,722	11,943	19,790	27,473	28,671
Profit after tax	77,408	81,883	89,849	93,732	97,818
Adjusted profit after tax	74,699	80,926	88,379	93,734	97,820
Recurring EPS (INR)	9.1	9.8	10.7	11.4	11.9

Balance sheet (INRm)

Year ended 31st Mar	2008	2009	2010	2011	2012e
Share Capital	82,455	82,455	82,455	82,455	82,455
Reserves & Surplus	446,174	491,621	543,824	600,186	652,551
Networth	528,629	574,076	626,279	682,641	735,006
Debt	303,147	388,226	441,485	498,134	617,624
Capital Employed	849,306	989,946	1,087,273	1,196,422	1,365,023
Gross Fixed Assets	556,472	647,410	715,268	791,106	991,598
Accumulated Depreciation	274,868	297,755	327,226	359,239	399,365
Net Assets	281,604	349,655	388,042	431,867	592,233
Capital work in progress	256,296	309,293	376,820	448,567	503,538
Investments	134,470	116,960	117,776	102,776	88,776
Current Assets, Loans & Advances					
Inventory	27,512	33,616	35,330	38,729	43,786
Debtors	31,727	38,189	70,808	80,412	60,289
Cash & Bank balance	153,605	172,505	160,530	134,586	124,073
Loans & advances and others	50,313	80,323	65,487	72,750	81,815
Current Liabilities & Provisions					
Creditors	62,155	87,191	97,579	105,800	119,613
Other liabilities & provisions	24,070	33,143	31,503	11,125	13,531
Net Current Assets	176,932	204,299	203,073	209,553	176,818
Deferred tax assets/(liabilities)	(2)	9,733	1,355	3,652	3,652
Misc. Expenses	6	6	6	6	6
Application of Funds	849,306	989,946	1,087,072	1,196,422	1,365,023

Per share data

Year ended 31st Mar	2008	2009	2010	2011	2012e
No. of shares (m)	8,246	8,246	8,246	8,246	8,246
BVPS (INR)	64.1	69.6	76.0	82.8	89.1
CEPS (INR)	11.7	12.8	14.2	15.3	16.7
DPS (INR)	3.5	3.6	3.8	3.9	4.7

Margins (%)

Year ended 31st Mar	2008	2009	2010	2011	2012e
EBITDA	30.3	25.0	27.0	30.1	31.0
EBIT	24.6	19.2	21.0	24.1	24.3
PAT	19.3	19.0	18.3	17.5	16.2

Source: Company, Antique

Key Assumptions

Year ended 31st Mar	2008	2009	2010	2011	2012e
Power capacity			31,704	33,934	39,734
Coal - MW			24,885	26,365	30,415
Gas - MW			3,955	3,955	3,955
JV - capacity - MW			2,864	3,614	5,364
Yearly capacity addition - MW				2,230	5,800
Consultancy revenue growth			25	20	15
Salaries and Wages increase			14	12	14
Tax rate			20	23	23

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010	2011	2012e
EBIT	95,164	81,927	101,629	129,243	146,938
Depreciation & amortisation	22,060	24,949	28,944	32,013	40,126
Interest expense	(18,581)	(21,167)	(20,782)	(33,450)	(41,841)
(Inc)/Dec in working capital	(163,930)	(264,652)	(283,413)	(303,552)	(469,912)
Tax paid	(28,722)	(11,943)	(19,790)	(27,473)	(28,671)
CF from operating activities	(94,009)	(190,886)	(193,412)	(203,219)	(353,359)
Capital expenditure	98,960	143,935	135,385	147,586	255,462
Inc/(Dec) in investments	(16,958)	(17,510)	816	(15,000)	(14,000)
Income from investments	29,547	33,066	28,792	25,412	21,391
CF from investing activities	111,549	159,491	164,993	157,998	262,854
Inc/(Dec) in debt	32,952	85,079	53,259	56,649	119,489
Dividends paid	(33,868)	(34,784)	(36,815)	(37,372)	(45,456)
CF from financing activities	(916)	50,295	16,444	19,277	74,034
Net cash flow	16,624	18,900	(11,975)	(25,944)	(16,472)
Opening balance	136,981	153,605	172,505	160,530	140,545
Closing balance	153,605	172,505	160,530	134,586	124,073

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010	2011	2012e
Revenue		10	13	11	12
EBITDA		-9	22	23	16
PAT		8	9	6	4
EPS		8	9	6	4

Valuation (x)

Year ended 31st Mar	2008	2009	2010	2011	2012e
PE	19.4	17.9	16.4	15.5	14.8
P/BV	2.7	2.5	2.3	2.1	2.0
EV/EBITDA	16	17.2	14.1	11.4	9.8
EV/Sales	4.8	4.3	3.8	3.4	3.0
Dividend Yield (%)	2.0	2.0%	2.2	2.2	2.7

Financial Ratios

Year ended 31st Mar	2008	2009	2010	2011	2012e
RoE (%)	14	14	14	14	13
RoCE (%)	11	8	9	11	11
Debt/Equity (x)	0.6	0.7	0.7	0.7	0.8
EBIT/Interest (x)	5.1	3.9	4.9	3.9	3.5

Source: Company Antique

Current Reco	:	HOLD
Previous Reco	:	HOLD
CMP	:	INR204
Target Price	:	INR205
Potential Return	:	0%

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Market data

Sector	:	Metals
Market Cap (INRbn)	:	179
Market Cap (USDbn)	:	4
O/S Shares	:	869
Free Float (m)	:	390
52-wk HI/LO (INR)	:	349/189
Avg Daily Vol ('000)	:	2,596
Bloomberg	:	SESA IN
Reuters	:	SESA.BO

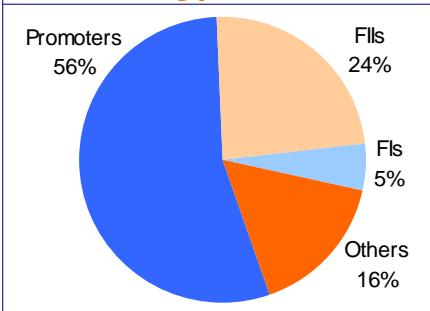
Source: Bloomberg

Returns (%)

	1 m	3 m	6 m	12 m
Absolute	5	(29)	(36)	(36)
Relative	(3)	(27)	(30)	(29)

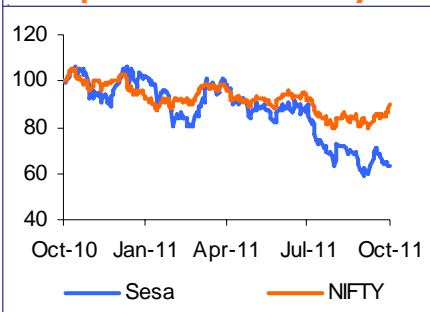
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

2QFY12 RESULTS REVIEW

Sesa Goa Limited

Uncertain times

Results highlights

Core business getting weaker

Sesa Goa Ltd.'s (SGL) financial performance reflected the headwinds faced by merchant miners in India. Revenues declined by 14% YoY to INR7.9bn with 15% fall in iron ore sales volumes to 1.55mt due to Orissa closure. Blended realisations were flat at USD84/tn despite higher benchmark iron ore prices due to Karnataka ex mine sales. EBITDA declined by 14% YoY to INR2.6bn with weaker operating leverage despite iron ore EBIT at USD33/tn was still +30% YoY. MTM forex losses of INRm led to reported PAT of 13m.

Growth plans bring no respite in medium term

The management has maintained its volume guidance for full year at 18dmt, assuming Karnataka operations delivering 2mt in 4QFY12e. Inventory as on Sep 30, 2011 was 3.5mt, net debt increased to INR33bn as the company incurred cash outflow towards capex (INR1.5bn), working capital (INR4bn), investment in Western Cluster (INR4bn), tax payment (INR4.5bn) and dividend payout (INR3.5bn).

Valuation and outlook

Iron ore merchant mining business model in India is facing multiple headwinds with regulatory actions, logistics and infrastructure issues. SGL will continue to face uncertain outlook on the volumes for the next two to four quarters and added to that the iron ore prices have corrected by 34% since start of Sep 2011. Indian ferrous players (Tata Steel Ltd., SAIL, JSW Steel Ltd.) are factoring in margin squeeze and SGL us yet to factor in the same. So, risk reward ratio for ferrous players is improved significantly compared to SGL and we continue to expect the stock to underperform. We have valued SGL's iron ore business at 3x EV/EBITDA - lower than the global average and historical multiples to factor in deteriorating outlook and Cairn investment value at 20% discount to Antique's target price of INR312, arriving at a target price of INR205. The key risks to our view are higher than expected iron ore prices, volume improvement visibility and higher Cairn investment value. We maintain a HOLD at current levels.

Quarterly financials

Consolidated P&L (INRm)	2QFY12	2QFY11	Chg YoY (%)	1QFY12	Chg QoQ (%)
Revenues	7,897	9,183	(14)	21,089	(63)
Operating expenses	5,297	6,150	(14)	9,630	(45)
EBITDA	2,600	3,034	(14)	11,458	(77)
EBITDA margin	30.9	29.8	114	50.7	(1,978)
Depreciation & amortization	243	194	25	269	(10)
EBIT	2,357	2,840	(17)	11,189	(79)
Interest	516	140	268	493	5
Other income	504	1,368	(63)	1,521	(67)
PBT	4	4,068	(100)	12,217	(100)
Provision for tax	(9)	189	(105)	3,811	(100)
Minority interest	-	30	NA	-	NA
PAT	13	3,849	(100)	8,406	(100)

Source: Company, Antique

Iron ore details

Particulars	2QFY12	2QFY11	Chg YoY (%)	1QFY12	Chg QoQ (%)
Production(DMT)	1.12	2.88	(61)	4.40	(75)
Sales(DMT)	1.55	1.82	(15)	4.30	(64)
Realisation (USD per DMT)	83.7	75.9	10	90.5	(8)

Source: Company, Antique

Consolidated P&L (INRm)

	2QFY12	2QFY11	Chg YoY (%)	1QFY12	Chg QoQ (%)
Revenues	7,897	9,183	(14)	21,089	(63)
Consumption of raw material	1,507	871	73	974	55
Purchase of ore	346	1,068	(68)	871	(60)
Change in stock	(852)	(1,387)	(39)	(1,090)	(22)
COGS	1,001	551	82	755	33
Staff cost	625	466	34	545	15
Stores consumption	719	614	17	913	(21)
Export duty	872	527	65	3,454	(75)
Inland transportation	491	1,739	(72)	1,203	(59)
Other services	652	938	(30)	902	(28)
Other Exp	938	1,346	(30)	1,937	(52)
Less: Exp recovered	(1)	(32)	(96)	(79)	(98)
Operating expenses	5,297	6,150	(14)	9,630	(45)
EBITDA	2,600	3,034	(14)	11,458	(77)
EBITDA margin	30.9	29.8	114	50.7	(1,978)
Depreciation & amortization	243	194	25	269	(10)
EBIT	2,357	2,840	(17)	11,189	(79)
Interest	516	140	268	493	5
Other income	504	1,368	(63)	1,521	(67)
PBT	4	4,068	(100)	12,217	(100)
Provision for tax	(9)	189	(105)	3,811	(100)
Effective Tax Rate	(246)	5	(25,059)	31	(27,714)
Minority interest	-	30	NA	-	NA
PAT	13	3,849	(100)	8,406	(100)
Net margin (%)	0	38	(3,760)	37	(3,702)

Source: Company, Antique

Valuation

Particulars	Valuation method	FY13e Multiple	INRm	Value/share (INR)
Core business	EV/EBITDA	3x	98,264	113
20% stake in Cairn	20% discount to TP	INR312	95,597	110
Net debt		1x	15,755	18
Value			114,019	205

Source: Antique

Financials

Profit and loss account (INRm)

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
Revenues	49,591	58,583	92,051	89,061
Expenses	24,170	27,097	39,989	53,576
EBITDA	25,421	31,486	52,063	35,485
Depreciation & amortisation	517	745	964	1,271
EBIT	24,904	30,741	51,099	34,214
Interest expense	43	555	901	2,400
Other income	2,240	4,260	5,399	1,250
Profit before tax	27,102	34,446	55,596	33,064
Taxes incl deferred taxation	7,153	8,056	13,372	10,911
Profit after tax	19,949	26,391	42,224	22,153
Minority int/associates	(99)	-	-	20,678
Adjusted profit after tax	19,881	26,291	42,224	41,628
Diluted EPS (INR)	25.3	31.6	48.6	25.5

Balance sheet (INRm)

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
Share Capital	787	831	869	869
Reserves & Surplus	46,370	78,346	127,235	146,347
Networth	47,157	79,177	128,104	165,123
Debt	19	19,606	9,995	39,995
Minority Interest	334	433	-	-
Capital Employed	47,510	99,216	138,099	187,210
Gross Fixed Assets	8,863	27,510	30,648	41,985
Accumulated Depreciation	3,422	5,741	6,492	7,763
Net Assets	5,441	21,770	24,156	34,222
Capital work in progress	489	787	7,287	800
Investments	31,252	45,649	87,998	137,773
Current Assets, Loans & Adv				
Inventory	2,642	5,025	7,438	9,965
Debtors	2,982	3,381	6,830	6,608
Cash & Bank balance	177	23,918	8,970	5,905
Loans & advances and others	11,032	11,455	13,217	3,217
Other Current Assets	-	396	141	141
Current Liab & Provisions				
Creditors	3,376	8,302	12,946	6,429
Other liabilities & provisions	2,464	4,114	4,310	4,310
Net Current Assets	10,992	31,760	19,340	15,097
Deferred tax assets/(liabilities)	664	750	682	682
Application of Funds	47,510	99,216	138,099	187,210

Per share data

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
No. of shares (m)	787	831	869	869
BVPS (INR)	60	95	147	169
CEPS (INR)	26	33	50	27
DPS (INR)	2.3	3.2	3.2	3.2

Margins (%)

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
EBITDA	51	54	57	40
EBIT	50	52	56	38
PAT	40	45	46	25

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
PBT	27,102	34,446	55,596	33,064
Depreciation & amortisation	517	745	964	1,271
Interest expense	(1,913)	(1,701)	(4,323)	(2,400)
(Inc)/Dec in working capital	3,145	1,791	(3,037)	1,178
Tax paid	(7,210)	(7,644)	(13,678)	(10,911)
Others	(296)	(1,924)	(188)	(1,250)
CF from operating activities	21,343	25,713	35,334	20,952
Capital expenditure	(1,473)	(1,495)	(9,887)	(4,850)
Inc/(Dec) in investments	(9,647)	(13,643)	(41,309)	(49,775)
Others	1,132	(38,803)	21,548	1,250
CF from investing activities	(9,989)	(53,941)	(29,647)	(53,375)
Inc/(Dec) in share capital	-	29,178	-	-
Inc/(Dec) in debt	(10,000)	(230)	(333)	30,000
Dividends & Interest paid	(1,390)	(2,127)	(3,864)	(642)
CF from financing activities	(11,390)	26,821	(4,197)	29,358
Net cash flow	(35)	(1,407)	1,490	(1,666)

Growth indicators (%)

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
Revenue	30	18	57	(3)
EBITDA	10	24	65	(32)
PAT	29	32	61	(48)
EPS	29	25	54	(48)

Valuation (x)

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
PE	9.3	7.4	4.8	9.2
P/BV	3.9	2.5	1.6	1.4
EV/EBITDA	6.8	4.9	2.2	6.7
EV/Sales	3.5	2.6	1.3	2.7
Dividend Yield (%)	1.0	1.4	1.4	1.4

Financial ratios

Year ended 31st Mar	FY10	FY11	FY12e	FY13e
RoE	42.2	33.2	33.0	15.0
RoCE	52.4	31.0	37.0	18.3
Debt/Equity (x)	0.0	0.2	0.1	0.3
EBIT/Interest (x)	583.2	55.4	56.7	14.3

Source: Company Antique

Valuation Guide

Company	Reco	CMP	TP	Return	M.Cap	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
		(INR)	(INR)	(%)	(INRbn)	FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12	FY12	FY12	FY12	FY12	1m	12m
AUTOMOBILES																			
Ashok Leyland	HOLD	27	26	(3)	72	6.3	6.7	2.4	2.5	11.3	10.9	7.8	7.4	0.8	5.2	15.1	14.6	1	(29)
Bajaj Auto	BUY	1,757	1,935	10	508	26.2	32.0	90.4	110.7	19.4	15.9	14.9	12.3	8.0	2.8	50.4	67.9	16	18
Bosch	BUY	6,935	7,940	14	218	8.6	11.3	273.5	360.0	25.4	19.3	20.7	16.0	4.3	0.8	22.4	28.5	(3)	13
Exide Industries	SELL	120	102	(15)	102	6.2	4.4	7.3	5.1	16.4	23.4	11.6	16.4	3.3	0.8	14.1	20.8	(8)	(22)
Escorts	HOLD	86	114	33	9	1.0	1.7	10.1	16.3	8.5	5.3	5.1	3.6	0.4	2.4	8.5	10.7	14	(63)
Hero MotoCorp	BUY	2,157	2,672	24	431	19.3	23.5	100.5	117.6	21.5	18.3	20.1	17.3	10.8	4.6	79.1	96.0	10	13
Mahindra & Mahindra	BUY	871	843	(3)	534	25.4	27.5	40.6	42.0	21.4	20.7	16.0	14.5	4.7	1.2	22.5	28.4	10	19
Maruti Suzuki	BUY	1,126	1,283	14	325	23.5	22.2	79.2	76.8	14.2	14.7	8.1	9.0	2.1	0.6	14.0	22.4	4	(27)
Tata Motors	BUY	207	212	3	610	89.4	89.1	28.0	27.9	7.4	7.4	4.9	4.7	2.4	1.0	32.6	27.5	33	(13)
CEMENT																			
ACC	HOLD	1,224	1,147	(6)	230	11.2	12.8	59.6	68.1	20.5	18.0	14.4	10.9	3.2	2.5	28.0	18.9	12	25
Ambuja Cements	HOLD	160	146	(9)	246	12.6	13.2	8.1	8.6	19.8	18.6	12.6	10.4	3.0	1.7	17.0	22.1	9	13
HeidelbergCement India	BUY	35	51	44	8	0.7	1.2	3.1	5.1	11.3	6.9	8.8	5.0	0.8	-	12.6	25.1	(2)	(24)
Shree Cements	BUY	1,870	2,101	12	65	2.1	2.6	61.2	75.8	30.5	24.7	8.2	6.8	2.8	0.6	11.7	12.7	5	(10)
Ultratech Cements	BUY	1,164	1,206	4	319	14.4	18.7	52.4	68.2	22.2	17.1	14.3	10.2	2.6	0.5	16.6	18.3	1	7
DIVERSIFIED																			
Aditya Birla Nuvo	BUY	917	1,060	16	104	3.4	3.7	29.9	32.6	30.7	28.1	16.3	14.9	1.9	0.4	6.7	7.7	(0)	11
FMCG & RETAIL																			
Asian Paints	HOLD	3,061	3,102	1	293	8.8	10.3	87.4	102.8	35.0	29.8	22.4	19.4	12.8	1.2	43.0	43.3	(2)	16
Britannia Industries	HOLD	470	452	(4)	56	1.5	2.2	12.2	18.2	38.6	25.8	27.1	18.3	9.7	1.6	32.2	20.1	3	12
Colgate Palmolive India	SELL	997	832	(17)	136	4.0	4.1	29.6	30.5	33.7	32.7	29.2	26.8	30.6	2.3	104.8	108.4	3	14
Dabur India	BUY	101	111	10	175	5.7	6.6	3.3	3.8	30.8	26.5	24.9	20.7	9.7	1.4	40.8	27.3	(2)	1
Godrej Consumer Products	HOLD	432	411	(5)	140	4.7	5.7	14.4	17.7	30.0	24.4	24.6	18.4	6.9	1.5	35.6	38.7	7	3
Hindustan Unilever	HOLD	351	342	(3)	759	21.6	24.7	10.0	11.4	35.2	30.7	31.4	27.1	23.5	2.1	76.5	76.1	5	21
ITC	HOLD	216	218	1	1,675	49.9	62.1	6.4	8.0	33.4	26.9	23.1	18.9	9.4	2.3	31.3	40.5	9	30
Jyothy Laboratories	SELL	141	169	20	11	0.8	0.8	9.5	9.4	14.8	14.9	9.3	9.2	1.7	2.5	11.9	11.1	(9)	(50)
Marico	HOLD	154	144	(6)	95	2.6	2.9	4.2	4.7	36.9	32.5	24.5	20.9	8.2	0.4	28.0	19.8	6	10
Nestle India	SELL	4,256	3,699	(13)	410	8.4	10.4	86.8	108.3	49.0	39.3	32.6	26.1	39.3	1.8	97.8	131.2	(0)	23
Pantaloon Retail	BUY	191	331	73	42	1.9	2.9	8.7	12.6	21.9	15.1	7.6	6.0	1.3	0.7	8.3	11.0	(11)	(59)
Titan Industries	BUY	217	248	14	193	4.3	5.6	4.9	6.3	44.5	34.7	33.9	26.0	13.3	0.9	38.3	45.1	5	25
United Breweries	HOLD	420	434	4	107	1.7	2.2	6.5	8.7	64.1	48.1	31.0	23.0	1.6	0.2	12.0	10.4	6	(5)
United Spirits	HOLD	860	1,068	24	113	3.7	4.4	30.3	36.0	28.4	23.9	15.5	13.0	2.3	0.2	8.9	9.2	7	(42)
INFRASTRUCTURE																			
IL&FS TransportationNetworks	BUY	203	330	62	40	4.3	4.9	22.3	25.3	9.1	8.0	7.4	7.2	1.6	1.5	19.6	14.0	1	(35)
Mundra Port And SEZ	BUY	163	164	0	327	8.2	11.1	3.9	5.4	41.5	30.2	28.6	19.2	6.7	0.5	19.4	14.6	2	6
INFORMATION TECHNOLOGY																			
HCL Technologies	HOLD	452	428	(5)	312	17.1	20.0	24.6	28.6	18.4	15.8	11.9	10.1	3.1	1.8	19.8	27.3	12	11
Infosys Ltd.	BUY	2,859	3,318	16	1,641	68.2	83.5	119.4	146.1	23.9	19.6	16.5	13.2	5.0	1.0	25.0	29.7	16	(4)
Persistent Systems	BUY	311	418	34	12	1.4	1.4	34.7	33.9	9.0	9.2	7.2	5.2	1.4	2.9	15.7	16.1	2	(22)
Tata Consultancy Services	BUY	1,122	1,344	20	2,195	90.7	105.7	29.5	16.5	38.0	67.9	19.0	15.2	7.2	1.5	34.7	43.1	7	7
Wipro	BUY	374	382	2	919	310.5	357.5	21.8	21.9	17.2	17.1	14.1	13.5	3.3	1.9	19.4	17.7	8	(12)
KPIT Cummins	BUY	163	208	28	14	0.9	1.2	11.7	14.1	13.9	11.5	8.8	7.1	2.0	0.6	17.4	18.9	7	(3)
MEDIA																			
Den Networks	BUY	80	75	(6)	10	0.4	0.3	2.9	2.1	27.8	38.6	8.9	9.7	1.4	-	3.5	5.2	19	(66)
Dish TV India	HOLD	75	80	6	80	(1.9)	(1.3)	(1.8)	(1.2)	(42.1)	(61.9)	36.7	18.9	4.9	-	(7.9)	0.1	(4)	33
Hathway Cable & Datacom	BUY	117	119	2	17	(0.3)	0.0	(2.1)	0.1	(54.3)	1,411.6	13.1	10.4	2.0	-	0.1	3.2	24	(37)
TV 18 Broadcast	BUY	46	74	60	17	(0.2)	0.7	(0.7)	1.9	(63.1)	24.0	47.8	15.6	1.7	na	7.2	6.4	11	(61)
Sun TV Network	BUY	254	454	79	100	7.7	8.0	19.5	20.4	13.0	12.4	6.0	5.6	3.8	3.6	30.5	40.0	(3)	(49)
UTV Software Communications	HOLD	954	729	(24)	39	1.4	2.0	33.3	49.1	28.6	19.4	26.5	14.6	3.5	-	14.4	1.0	0	69
Zee Entertainment Enterprises	BUY	118	148	26	115	6.4	6.2	6.5	6.3	18.1	18.7	13.5	12.8	3.3	1.5	17.6	23.7	1	(15)

UR: Under Review

Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					FY12	FY12
METALS																			
Graphite India	BUY	74	111	51	14	1.9	2.1	10.3	10.6	7.1	6.9	5.6	5.4	0.9	4.1	13.1	16.0	(2)	(22)
Hindalco Industries	BUY	142	235	65	272	12.8	19.2	12.8	19.2	11.1	7.4	5.5	4.9	1.5	2.0	11.4	10.4	8	(34)
Hindustan Zinc	BUY	128	148	16	540	49.2	48.4	11.6	11.5	11.0	11.2	6.9	6.2	2.0	0.9	18.1	18.1	6	3
Jindal Steel & Power	BUY	579	603	4	541	37.5	44.0	47.1	55.4	12.3	10.4	10.7	9.5	2.9	0.3	23.8	14.6	11	(16)
JSW Steel	BUY	666	750	13	149	20.1	10.8	90.1	44.8	7.4	14.8	6.9	7.6	0.8	1.5	5.4	5.5	17	(50)
Monnet Ispat	BUY	458	618	35	29	2.6	3.2	40.9	50.2	11.2	9.1	12.7	10.3	15.2	3.4	17.4	13.2	(7)	(27)
Prakash Industries	BUY	46	107	131	6	2.2	2.1	16.3	15.7	2.8	2.9	2.7	2.9	0.3	-	11.6	12.8	(12)	(69)
Sesa Goa	HOLD	206	218	6	179	42.2	34.5	49	40	4.2	5.2	1.5	2.0	1.2	1.6	33.0	23.0	5	(36)
Steel Authority of India	HOLD	116	108	(7)	479	48.8	38.1	11.8	9.2	9.8	12.6	6.7	8.3	1.2	2.8	9.9	8.6	8	(43)
Sterlite Industries	BUY	133	148	12	446	50.4	44.4	15.0	13.2	8.9	10.0	5.6	5.0	1.0	0.8	9.8	11.4	10	(22)
TATA Steel	HOLD	484	423	(13)	464	89.8	79.6	93.7	82.0	5.2	5.9	6.2	6.6	1.1	2.4	17.9	9.0	13	(20)
OIL & GAS																			
Bharat Petroleum Corp.	HOLD	637	607	(5)	230	17.2	12.6	52.4	38.3	12.2	16.6	12.2	12.7	1.4	1.3	12.2	5.4	(0)	(12)
Cairn India	HOLD	305	312	2	580	63.2	72.0	33.3	43.6	9.2	7.0	6.7	4.7	2.6	2.0	17.5	17.7	9	(4)
Essar oil	BUY	85	166	95	116	6.5	7.5	4.8	5.5	17.8	15.6	9.6	8.9	1.6	-	10.2	8.0	2	(39)
GAIL India	HOLD	429	463	8	544	35.6	41.2	28.1	32.5	15.3	13.2	10.0	8.6	2.4	1.7	18.5	21.6	1	(12)
Gujarat State Petronet Limited	BUY	100	134	34	56	5.1	4.5	9.0	8.0	11.1	12.6	7.1	7.6	21.2	7.5	18.7	19.6	(2)	(11)
Hindustan Petroleum Corp.	HOLD	338	356	5	114	15.4	5.7	45.4	17.0	7.4	19.9	11.0	13.3	0.9	1.5	12.3	5.0	(6)	(31)
Indian Oil Company	HOLD	295	314	6	716	74.5	38.7	31.4	16.3	9.4	18.1	10.5	11.5	1.2	1.7	13.5	6.6	(6)	(30)
MRPL	BUY	65	108	65	114	11.6	7.2	6.6	4.1	9.9	15.9	5.3	10.5	7.6	0.7	10.5	9.7	4	(20)
Oil India	BUY	1,305	1,638	25	314	28.9	33.2	120.1	138.2	10.9	9.4	5.2	3.9	1.8	3.0	18.6	21.3	(3)	(8)
Oil & Natural Gas Corp.	BUY	285	342	20	2,437	189.2	222.1	112.3	30.4	2.5	9.4	5.7	5.1	2.2	0.1	19.4	19.2	8	(13)
Petronet LNG	BUY	165	216	31	123	6.2	10.5	8.3	14.0	19.9	11.8	13.7	8.6	3.5	1.5	29.8	21.8	5	44
Reliance Industries	HOLD	900	880	(2)	2,947	192.9	206.1	58.9	62.9	15.3	14.3	9.2	9.2	1.6	0.9	12.0	9.2	13	(17)
PHARMACEUTICALS																			
Aurobindo Pharma	BUY	129	273	113	37	5.8	5.3	19.9	18.2	6.4	7.1	6.1	6.6	1.4	0.6	16.1	22.9	2	(46)
Cadila Healthcare	BUY	773	1,050	36	158	7.1	8.8	33.3	43.0	23.2	18.0	16.2	12.4	5.4	0.9	21.6	35.9	(1)	8
Claris Lifesciences	BUY	122	262	116	8	1.5	1.9	24.1	29.2	5.0	4.2	3.7	3.4	0.7	6.0	16.5	21.5	2	-
Dr Reddy's Limited	BUY	1,671	1,867	12	283	10.0	11.5	59.0	68.0	28.3	24.6	19.6	15.3	5.8	1.0	20.7	25.8	12	2
Indoco Remedies	BUY	370	584	58	5	0.5	0.6	39.2	50.3	9.4	7.3	6.5	4.7	1.1	3.1	16.4	16.6	(4)	(27)
Ipca Laboratories	BUY	241	394	63	30	2.4	3.4	19.2	27.3	12.5	8.8	8.7	6.1	2.1	-	18.5	26.8	(10)	(26)
Lupin	BUY	475	515	8	212	8.8	10.9	19.9	24.5	23.9	19.4	17.0	13.4	4.9	0.5	29.1	28.7	(0)	8
Sun Pharma	HOLD	510	527	3	525	15.5	21.7	15.0	20.9	34.0	24.3	26.7	19.0	4.8	0.5	22.4	21.4	8	20
Ranbaxy Laboratories Limited	SELL	515	385	(25)	217	15.9	7.8	35.5	18.4	14.5	28.0	7.6	15.5	3.4	0.4	9.6	13.0	4	(11)
REAL ESTATE																			
D B Realty	UR	71	UR	NA	17	3.8	4.8	15.6	19.6	4.5	3.6	4.0	3.0	0.4	-	12.2	16.4	35	(84)
DLF	UR	249	UR	NA	422	16.4	14.9	9.7	8.8	25.8	28.3	17.3	16.6	1.5	0.8	5.5	6.2	11	(30)
HDIL	UR	100	UR	NA	42	8.3	8.8	19.9	19.9	5.0	5.0	7.5	6.1	0.4	-	8.1	7.9	(1)	(60)
Indiabulls Real Estate	UR	74	UR	NA	30	1.6	2.8	4.0	6.5	18.6	11.4	18.9	9.5	0.3	-	1.6	2.0	(1)	(62)
Phoenix Mills	UR	200	UR	NA	29	0.9	1.1	6.5	7.9	30.7	25.4	27.4	18.3	1.6	0.6	5.6	3.6	(5)	(20)
Sobha Developers	UR	256	UR	NA	25	1.9	2.3	19.5	23.0	13.1	11.1	10.8	9.3	1.2	1.1	10.9	9.5	16	(29)
Unitech	UR	29	UR	NA	76	5.7	6.4	2.2	2.4	13.4	11.9	14.1	11.7	0.6	-	4.9	5.1	7	(66)
SHIPPING AND LOGISTICS																			
Container Corp. of India	HOLD	997	1,161	16	130	8.3	9.3	63.9	71.9	15.6	13.9	10.4	9.6	2.3	1.8	16.4	21.9	9	(23)
Essar Ports Ltd	BUY	67	120	79	28	0.5	1.4	1.1	3.2	59.6	21.1	14.3	10.1	1.2	-	5.7	7.4	9	(60)
Great Eastern Shipping Co	BUY	237	329	39	36	4.2	4.8	27.8	31.7	8.5	7.5	8.9	8.4	0.6	3.4	7.5	6.5	(2)	(27)
Great Offshore	BUY	123	315	156	5	0.6	0.9	17.4	24.8	7.1	5.0	8.6	7.1	0.4	3.2	7.5	6.1	(2)	(67)
Mercator Lines	BUY	26	48	82	6	1.0	1.3	3.8	4.8	7.0	5.5	5.1	5.4	0.4	3.8	5.6	5.6	9	(61)
SUGAR																			
Balrampur Chini Mills	BUY	55	70	28	13	1.7	0.7	6.4	3.0	8.5	18.4	6.5	10.3	1.1	1.8	5.7	6.3	19	(35)
Shree Renuka Sugars	BUY	58	83	43	39	7.0	3.2	10.5	4.8	5.5	5.5	8.3	6.6	1.5	1.7	12.9	12.6	5	(35)
Triveni Engineering & Ind	BUY	23	49	113	6	2.0	2.6	7.6	9.9	3.0	2.3	3.0	2.0	0.4	6.2	18.6	23.6	5	(81)

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Valuation Guide

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		EV/EBITDA (x)		P/BV (x)	Div Yld (%)	RoE (%)	RoCE (%)	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					FY12	FY12
UTILITIES & INDUSTRIALS																			
ABB	SELL	714	533	(25)	151	2.2	3.6	10.4	17.0	69.0	41.9	177.8	27.9	5.4	0.0	12.8	16.5	(3)	(18)
Adani Power	UR	88	UR	NA	191	10.6	21.8	4.9	10.0	17.9	8.8	23.4	10.6	2.0	-	22.8	8.7	5	(32)
BGR	BUY	327	618	89	24	3.2	3.7	44.9	51.5	7.3	6.4	4.7	5.7	1.9	3.5	34.1	19.9	0	(57)
Bharat Heavy Electricals	BUY	327	358	9	801	54.8	63.1	22.4	25.8	14.6	12.7	9.5	7.6	3.3	2.2	25.8	32.8	(0)	(33)
CESC	BUY	270	391	45	34	2.5	3.0	20.1	23.9	13.4	11.3	11.9	13.3	0.7	2.2	8.6	3.1	(3)	(27)
Coal India	BUY	338	467	38	2,136	109.3	155.3	17.3	24.6	19.5	13.8	12.6	8.2	4.8	0.3	34.7	36.0	(5)	-
Lanco Infrastructure	BUY	16	35	124	38	4.5	6.0	1.9	2.5	8.4	6.3	14.9	9.1	0.8	-	13.3	7.8	(2)	(76)
Larsen & Toubro	BUY	1,417	1,643	16	866	44.6	49.7	73.2	81.6	19.4	17.4	15.0	13.4	3.0	1.2	17.2	11.4	1	(29)
McNally Bharat Eng. Ltd.	BUY	121	202	68	4	0.6	0.8	20.4	25.3	5.9	4.8	5.0	4.4	1.0	1.7	20.8	16.6	3	(54)
NTPC	BUY	179	203	13	1,472	93.7	97.8	11.4	11.9	15.7	15.1	11.7	10.8	2.0	2.6	13.3	10.8	6	(8)
Power Grid	BUY	105	124	18	486	23.9	29.1	5.2	6.3	20.3	16.7	12.2	10.9	2.1	1.5	12.3	8.1	8	5
PTC India	BUY	72	96	33	21	1.4	1.3	4.7	4.4	15.2	16.5	10.2	10.7	0.9	2.1	7.6	5.3	5	(47)
Reliance Infrastructure	BUY	464	1,065	129	124	15.0	16.0	65.6	70.2	7.1	6.6	13.0	12.5	0.5	5.3	6.4	2.0	13	(56)
Siemens	SELL	852	818	(4)	290	9.8	11.0	29.1	32.7	29.3	26.0	20.8	18.8	22.8	0.8	21.8	30.8	2	4
Suzlon Energy	BUY	39	70	82	68	(5.5)	4.9	(3.0)	2.6	(13.0)	14.7	23.5	8.3	1.1	1.2	7.5	7.4	4	(33)
Tata Power	SELL	102	92	(10)	242	20.6	19.0	86.8	77.1	1.2	1.3	10.2	8.0	0.2	12.9	12.9	4.3	1	(28)
Tecpro Systems	BUY	219	379	73	11	1.3	1.7	7.0	30.0	31.4	31.4	2.5	1.7	1.7	1.9	21.3	21.9	(5)	(44)

MISCELLANEOUS

Amtek Auto	HOLD	124	NA	NA	29	1.6	4.0	6.9	17.2	18.1	7.2	6.0	4.9	0.5	1.6	7.4	8.9	(3)	(23)
Bajaj Electricals Ltd.	BUY	199	303	52	20	1.4	1.6	14.5	16.5	13.7	12.0	7.9	7.0	2.7	1.5	24.2	35.4	10	(29)
Cummins India Ltd.	BUY	385	474	23	107	6.3	6.4	22.9	23.1	16.8	16.7	16.0	14.5	4.6	2.1	27.6	29.2	(7)	(31)
Gayatri Projects	BUY	149	494	232	2	0.7	0.9	47.9	64.6	3.1	2.3	2.8	2.4	0.4	3.0	19.4	20.7	5	(60)
Havell's India	BUY	364	492	35	45	3.0	4.2	24.3	33.5	15.0	10.9	9.8	7.3	4.4	0.8	57.6	30.1	1	(11)
Maharashtra Seamless	BUY	330	492	49	23	3.5	3.7	49.2	51.8	6.7	6.4	4.7	3.8	0.8	1.8	14.2	20.3	(7)	(22)
Mahindra Holidays	BUY	345	481	39	29	1.0	1.4	12.5	16.4	27.7	21.0	22.5	14.6	4.9	1.4	25.0	13.5	6	(18)
McLeod Russel Ltd.	BUY	260	319	22	28	2.3	2.7	21.2	24.2	12.3	10.7	10.8	8.2	1.7	1.9	16.3	18.7	12	15
Nava Bharat Ventures	BUY	176	277	57	16	3.1	1.4	33.9	15.9	5.2	11.1	4.7	7.0	0.8	1.5	7.5	6.2	(4)	(53)
Opto Circuits	BUY	249	314	26	46	3.7	4.9	19.7	26.2	12.6	9.5	11.9	7.8	2.6	1.8	31.1	24.9	8	(14)
Rainbow Papers	HOLD	64	60	(7)	6	0.4	0.6	4.1	6.2	15.8	10.5	10.4	6.4	1.7	0.8	14.7	9.5	(3)	18
REI Agro Ltd	BUY	24	34	44	23	2.7	4.6	2.8	4.8	8.4	4.9	6.3	5.1	0.8	1.7	16.5	13.3	(5)	(12)
S Kumars Nationwide	BUY	40	89	124	11	2.8	3.8	9.5	12.7	4.2	3.1	4.3	3.7	0.4	-	15.5	14.9	(10)	(51)
Spice Jet	BUY	24	41	74	10	1.0	0.4	2.6	0.9	9.2	26.9	1.6	2.6	2.6	-	9.8	(1.3)	4	(72)
Sterlite Technologies	HOLD	40	39	(3)	16	1.4	1.0	3.8	2.7	10.8	15.0	7.8	7.6	0.5	1.2	9.0	13.3	7	(52)
V-Guard Industries Ltd.	HOLD	216	240	11	6	0.4	0.5	14.3	17.5	15.1	12.3	10.7	7.5	3.0	1.4	27.1	27.7	3	13
West Coast Paper Mills	BUY	70	104	49	4	0.9	1.2	14.4	18.4	4.9	3.8	6.8	4.9	0.6	2.9	14.2	7.7	(0)	(30)

Company	Reco	CMP (INR)	TP (INR)	Return (%)	M.Cap (INRbn)	Net profit (INRbn)		EPS (INR)		PE (x)		NNPA Ratio (%)		P/AdjBV (x)	Div Yld (%)	RoE (%)	RoA (%)	Absolute (%)	
						FY11	FY12	FY11	FY12	FY11	FY12	FY11	FY12					FY11	FY12

FINANCIALS

Axis Bank	BUY	1,151	1,580	37	474	34	41	83	100	13.9	11.5	0.3	0.3	2.5	1.4	19.8	1.5	7	(20)
Bajaj Auto Finance	BUY	697	945	36	26	2	3	67	78	17.1	8.9	1.8	1.8	2.4	1.4	19.4	2.7	10	(10)
HDFC	HOLD	689	714	4	1014	35	40	24	27	28.6	25.1	0.4	0.4	6.0	1.3	21.8	2.8	8	(1)
HDFC Bank	HOLD	483	515	7	1129	39	51	17	22	28.4	21.9	0.2	0.3	4.5	0.8	18.7	1.7	5	6
ICICI Bank	BUY	933	1,320	41	1076	52	66	45	57	20.9	16.3	1.1	1.3	2.2	1.7	11.5	1.5	7	(14)
LIC Housing Finance	HOLD	229	238	4	109	10	11	21	24	11.2	9.7	0.0	0.1	2.6	1.7	24.3	1.9	10	(15)
Punjab National Bank	BUY	962	1,340	39	305	44	50	140	158	6.9	6.1	0.8	0.6	1.7	0.3	21.2	1.2	(0)	(27)
Shriram Transprt finance	BUY	617	778	26	140	12	15	54	65	11.4	9.5	0.0	0.0	2.8	0.5	26.4	4.1	0	(27)
State Bank Of India	BUY	1,910	2,764	45	1213	83	115	130	164	14.7	11.7	1.4	1.3	2.3	1.6	14.5	0.9	(3)	(40)
YES Bank	HOLD	316	330	5	111	7	9	21	25	15.1	12.8	0.0	0.0	2.9	0.9	20.5	1.3	16	(12)
Bank of Baroda	BUY	740	1,063	44	290	42	48	108	121	6.8	6.1	0.3	0.5	1.5	2.6	20.8	1.2	(7)	(27)
Union Bank of India	BUY	222	321	45	116	21	26	40	50	5.6	4.4	1.2	0.9	1.3	3.6	21.8	1.0	(11)	(41)
Rural Electrification Corp.	BUY	185	220	19	182	26	30	24	30	7.6	6.2	0.0	0.0	1.4	3.2	21.5	3.0	7	(49)
Power Finance Corp.	BUY	155	200	29	205	27	30	23	23	6.7	6.8	-	-	1.2	3.2	16.7	2.6	2	(57)
Bank of India	BUY	326	452	39	178	25	28	45	51	7.2	6.3	2.3	2.5	1.2	2.5	15.3	0.7	3	(35)

UR: Under Review

Events Calendar

October/November 2011

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sun
31 Oct	1 Nov	2 Nov	3 Nov	4 Nov	5 Nov	6 Nov
Dabur India Colgate Palmolive Bharat Petroleum Corp Wipro Hindustan Unilever Bank of Baroda Havells India United Breweries	Aditya Birla Nuvo ACC Ambuja Cements Mcleod Russel Punjab National Bank Bajaj Electricals Essar Oil Hindustan Petroleum		Sun TV Network Ashok Leyland SAIL	ONGC Marico		
7 Nov	8 Nov	9 Nov	10 Nov	11 Nov	12 Nov	13Nov
	ABB Opto Circuits	Power Finance Corp Indian Oil Corp	Hindalco Industries Tata Steel Britannia Ind Cummins India	UTV Software Comm Lanco Infra Mundra Port & SEZ	Coal India	
14 Nov	15 Nov	16 Nov	17 Nov	18 Nov	19 Nov	20Nov
Mahindra & Mahindra Tata Motors BGR Energy	Tata Power Company					
21 Nov	22 Nov	23 Nov	24 Nov	25 Nov	26 Nov	27Nov
28 Nov	29 Nov	30 Nov				

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