

Market Snapshot

Global Indices	Closing	% Chg	% YTD
Dow Jones	10,771	0.4	(7.0)
NASDAQ	2,483	1.1	(6.4)
FTSE	5,067	0.5	(14.1)
CAC	2,810	1.0	(26.1)
DAX	5,197	0.6	(24.8)
Russia	1,318	0.2	(25.5)
Bovespa	53,230	(0.1)	(23.2)
Nikkei	8,370	(1.4)	(17.0)
Hang Seng	17,669	(1.4)	(23.3)
Shanghai Composite	2,433	(0.0)	(13.4)

Indian Indices	Closing	% Chg	% YTD
Sensex	16,162	(1.2)	(21.2)
Nifty	4,868	(1.1)	(20.6)
MSCI India	395	(1.0)	(29.4)
CNX Midcap	7,185	(0.7)	(18.9)
BSE Smallcap	7,041	(1.1)	(27.2)

Flows (USDm)	Last	MTD
FII	(253)	(1,613)
Locals	-	202

Provisional flows	(USDm)
FII	(258)
Locals	154

Volumes	USDbn	% Chg
Cash (NSE + BSE)	3.0	11.2
F&O (net)	40.4	6.2

FII F&O	Stock Fut	Index Fut
Net (\$ mn)	74	(90)
Open Int (%)	0.4	3.9

ADR/GDR Gainers	Last	% Chg
Patni	11.8	6.0
Satyam	2.8	4.9
MTNL	1.4	4.7
Infosys	48.2	2.6
ICICI Bank	34.7	2.0

ADR/GDR Losers	Last	% Chg
Reliance	30.6	(2.1)
Ranbaxy	9.4	(0.9)

FROM THE RESEARCH DESK

Coal India Limited

"BLACK DIAMOND" - the growth accelerator

Reliance Industries Limited

Capex recovery under scanner

Atul Limited

A potent concoction

Global News

- U.S. stock futures rose, following the biggest weekly drop since October 2008 for the Dow Jones Industrial Average, on speculation European policy makers will announce steps to contain the debt crisis as foreign counterparts lobby for action.
- Wall Street leaders, urging coordinated action from world governments to solve the European sovereign-debt crisis, struggled themselves during four days of meetings in Washington to agree on what's needed to end it.

Sector & Corporate News

- Maruti Suzuki:** Undeterred by ongoing stand-off with its workers at the Manesar plant, Maruti Suzuki India expressed confidence that production constraints will have no impact on supplies for the festive season sales. The company, which has so far received bookings of 1.08 lakh units for its new Swift.
- Tata Steel:** Tata Steel is confident that the first phase of its 6 million tonnes per annum steel project at Kalinganagar, in Orissa, will be complete by December 2013.
- UBS:** The recent loss of USD2.3bn at UBS due to an unauthorised trade has claimed its first major victim with the resignation of Group CEO Oswald J. Grübel.
- GVK Power and Infrastructure:** GVK Power and Infrastructure, the flagship company of Hyderabad-based GVK group, is planning to have 7,500MW thermal power generation capacity by 2016-17.
- SRF:** Leading technical textiles-maker SRF aims to become a USD1bn by 2013 on the back of robust growth in its business and investments.

Sectoral indices

	Closing	% Chg	% MTD	% YTD
BSE Auto	8,420	(1.6)	0.3	(17.7)
BSE Bank	10,761	(1.3)	(1.3)	(19.6)
BSE Cap Goods	11,164	(1.8)	(7.3)	(27.6)
BSE Cons dur	6,648	(1.4)	6.1	4.6
BSE FMCG	3,831	0.2	(3.0)	4.0
BSE IT	4,986	(0.3)	(1.5)	(26.9)
BSE Health	5,872	(0.2)	(1.5)	(12.8)
BSE Metal	11,514	(2.3)	(4.8)	(34.6)
BSE Oil	8,263	(1.3)	(1.1)	(22.1)
BSE Power	2,138	(0.1)	(4.2)	(28.5)
BSE PSU	7,485	(0.9)	(1.7)	(20.9)
BSE Realty	1,723	(0.6)	(0.9)	(39.7)
BSE TECK	3,123	(0.1)	(2.6)	(22.8)

Nifty Outperformers

	Price	% Chg	% MTD	% YTD
Tata Power Co Ltd	991	912.3	(5.2)	(27.5)
Reliance Power Ltd	82	4.0	(3.5)	(48.2)
Cipla Ltd	284	2.2	1.1	(23.2)
Grasim Industries Ltd	2,349	1.5	7.5	0.3
HCL Technologies Ltd	388	1.4	(5.6)	(14.9)
Reliance Capital Ltd	402	1.1	-	-
Punjab National Bank	970	1.1	4.4	(20.6)

Nifty Underperformers

	Price	% Chg	% MTD	% YTD
Tata Motors Ltd	147	(5.0)	(1.1)	(43.9)
Hindalco Industries Ltd	134	(3.9)	(11.1)	(45.8)
HDFC Bank Ltd	456	(3.4)	(3.3)	(2.7)
Steel Authority Of India	105	(3.0)	(3.2)	(42.7)
Housing Development Finance	625	(2.9)	(5.7)	(14.2)
Sesa Goa Ltd	207	(2.8)	(11.5)	(37.0)
Cairn India Ltd	277	(2.8)	(0.7)	(16.7)

Bulk Deals

Date	Security Name	Client Name	Buy/Sell	Qty	Price
23-Sep-11	Everonn Education Limited	Caam Funds India	SELL	150,000	408.53
23-Sep-11	LGS Glob	Venus Capital Management Inc A/C Vof Master Ltd	BUY	500,000	51.90
23-Sep-11	LGS Glob	Venus Capital Management Inc A/C If Mauritius	BUY	500,000	51.90

Derivatives Update

Long Buildup

Company	Last	% Chg	% Chg OI	OI (in 000)
CIPLA	284	2.1	6.5	4,529
GRASIM	2,336	1.6	10.8	621
BANKBARODA	775	1.4	2.2	2,157
RELCAPITAL	403	1.4	1.1	3,474

Short Buildup

Company	Last	% Chg	% Chg OI	OI (in 000)
PUNJLLOYD	55	(4.6)	9.1	24,080
TATAMOTORS	147	(4.0)	0.3	47,129
HINDALCO	134	(3.7)	12.0	23,324
HDIL	100	(3.1)	6.7	14,946

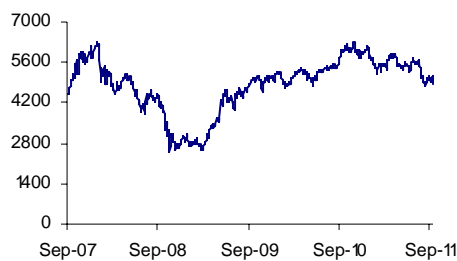
Short Covering

Company	Last	% Chg	% Chg OI	OI (in 000)
IDEA	96	1.1	(2.0)	13,536
SUZION	38	1.1	(1.3)	78,472
SBIN	1,951	1.0	(0.3)	6,353
JPASSOCIAT	68	0.9	(1.2)	43,824

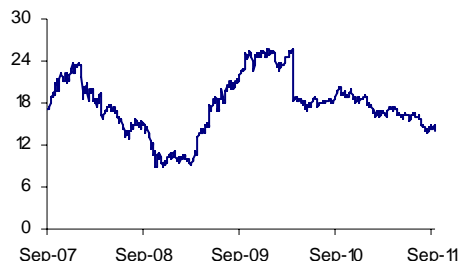
Profit Booking

Company	Last	% Chg	% Chg OI	OI (in 000)
PANTALONR	228	(4.1)	(2.9)	5,041
IFCI	32	(3.5)	(3.7)	91,020
CAIRN	277	(2.7)	(1.5)	14,262

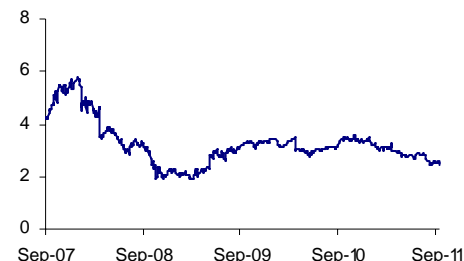
Nifty



Nifty P/E

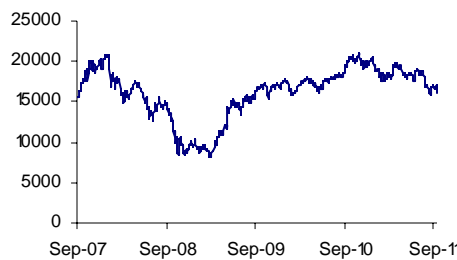


Nifty P/B

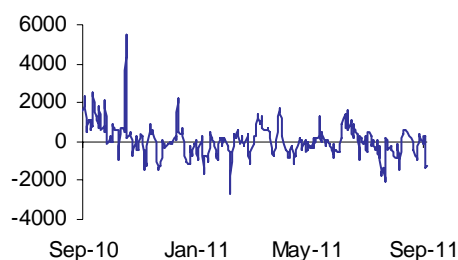


Source: Bloomberg

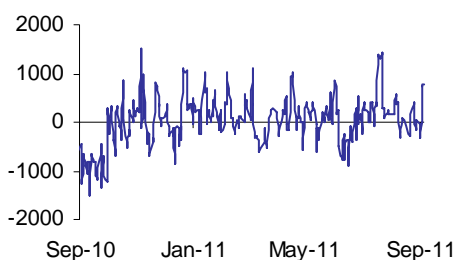
Sensex



FII Provisional Flows (INRcr)



DII Provisional Flows (INRcr)



Source: Bloomberg

Economy, Money & Banking

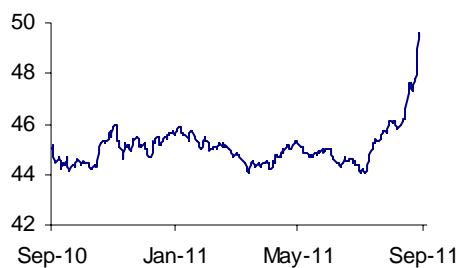
Forex Rate	Last	% Chg	% MTD	% YTD
INR~USD	49.4	0.3	(6.8)	(9.6)
INR~EUR	66.5	0.3	(0.4)	(10.1)
INR~GBP	76.3	0.1	(1.9)	(8.7)

Bond Market	Last	Chg (bps)	MTD (bps)	YTD (bps)
10 Year Bond	8.3	0	(2)	38
Interbank call	8.3	-	25	280

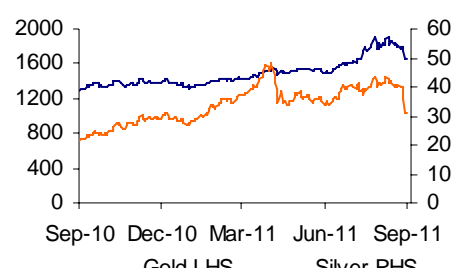
Commodities Update

Commodities	Last	% Chg	% MTD	% YTD
Gold (\$/Ounce)	1,647	(0.6)	(9.8)	15.9
Crude Oil (\$/Bbl)	80	0.3	(10.2)	(15.2)
Aluminium (\$/t)	2,174	(1.0)	(10.6)	(11.7)
Copper (\$/t)	7,343	(4.1)	(20.7)	(23.9)
Zinc (\$/t)	1,888	(5.0)	(16.6)	(22.7)
Lead (\$/t)	1,976	(6.6)	(23.8)	(22.9)
Nickel (\$/t)	18,255	(3.2)	(17.6)	(26.1)

INR/USD



Gold and silver prices

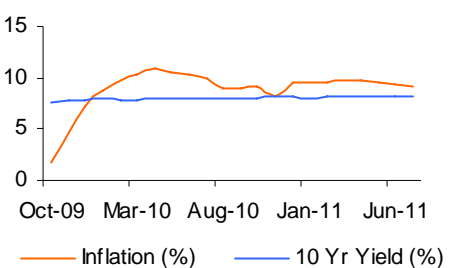


Crude prices

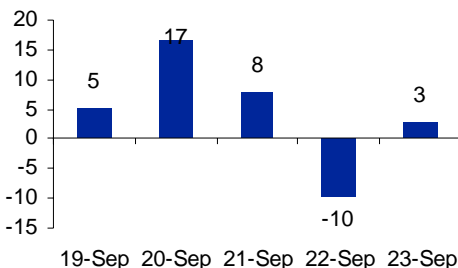


Source: Bloomberg

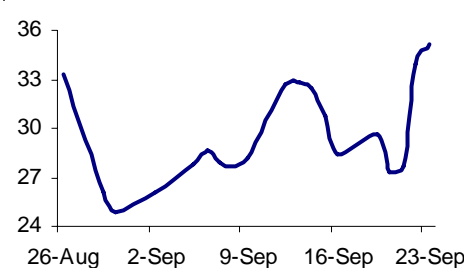
Inflation vs 10 year yield



Nifty premium/discount



NSE volatility index (%)



Source: Bloomberg

Recommendation	: BUY
CMP	: INR367
Target Price	: INR467
Potential Return	: 27%

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Market data

Sector	:	Utilities
Market Cap (INRbn)	:	2,318
Market Cap (USDbn)	:	47
O/S Shares	:	6,316
Free Float (m)	:	632
52-wk HI/LO (INR)	:	422/245
Avg Daily Vol ('000)	:	3,970
Bloomberg	:	Coal IN
Reuters	:	Coal.BO

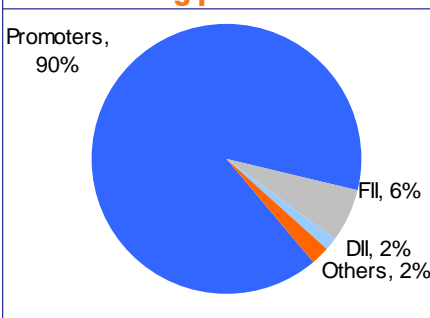
Source: Bloomberg

Returns (%)

	1 m	3 m	6 m
Absolute	(4)	(0)	6
Relative	(4)	8	18

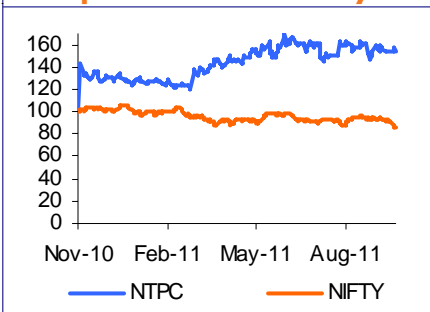
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

INITIATING COVERAGE

Coal India Limited

"BLACK DIAMOND" - the growth accelerator

Investment rationale

Coal - the fuel for India's long-term growth story

Coal accounts for ~52% of primary energy consumption and ~66% of electricity generation in the country. Given a reserve of ~61bnt, coal is the only fuel which can suffice the burgeoning demand of energy in the country as existing gas reserves of ~51tcf can support another ~10-15GW capacity. Moreover, other sources of energy like hydro and controversial nuclear power are expected to witness a moderate growth. Coal India Limited (CIL) with a coal reserve of ~20bnt and resource of ~60bnt stands to be a natural beneficiary and is expected to emerge as India's "growth accelerator".

Coal India - a "utility natured commodity"

Our analysis of the business model and earnings revealed that CIL is a "Utility natured commodity". Given the huge demand-supply gap of coal (FY11 gap of ~100mt expected to reach ~170-200mt by FY17e), Coal India doesn't face any off-take risk. This coupled with a reasonable pricing (average sale price of ~USD30/tn vis-à-vis imported coal price of ~USD60-65 CIF for similar coal), would provide cushion to CIL for long-term robust earnings. CIL has posted 5/8 year CAGR EPS growth of 12%/24% with a production growth of ~4.5%. This characterises the utility model of CIL.

While sales/tn has grown by ~6%, cost/tn has increased by only ~2.5% (2001-2011), thus conveying pricing ability. With e-auction volumes at ~12.5% of total sales, A/ B grade coal largely linked (~15% discount) to international price and non-power/fertiliser coal at higher price - the global commodity angle also comes into picture.

Valuation and outlook

Initiate Coal India with a BUY

CIL is estimated to post an EPS growth (CAGR) of ~28% over FY11-13e. Our EPS for FY12e and FY13e stands at INR24.6 and INR28.3, respectively. At the CMP of INR367, the stock trades at 13x FY13e. We have valued the stock on a DCF basis. Our value for the stock (CoE - 11%, terminal growth - 4.5%) stands at INR2,950bn - implying a target price of INR467, which provides 27% upside from current level. We initiate coverage on Coal India with a BUY rating.

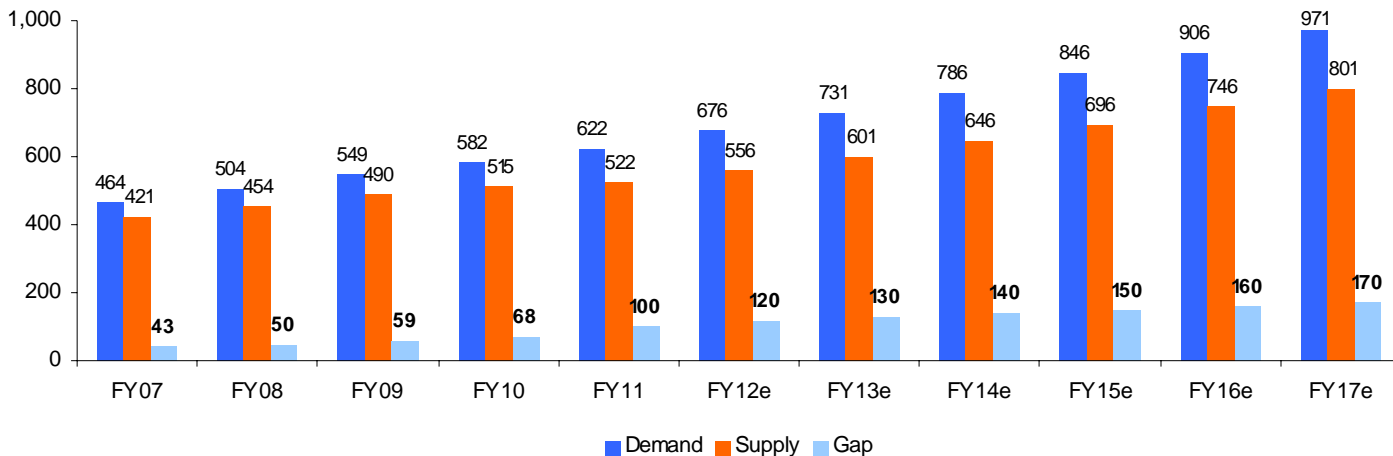
Key financials

Year ended March	2009	2010	2011	2012e	2013e
Revenue (INRm)	387,888	446,153	502,336	610,608	642,066
EBITDA (INRm)	24,611	105,361	134,791	187,120	218,046
EBITDA growth (%)	(59)	328	28	39	17
PAT (INRm)	40,351	98,831	109,275	155,259	178,581
PAT growth (%)	(3)	145	11	42	15
EPS (INR)	6.4	15.6	17.3	24.6	28.3
EPS growth (%)	(3)	145	11	42	15
PE (x)	57.4	23.5	21.2	14.9	13.0
PB (x)	12.2	9.0	7.0	5.2	4.0
EV/EBITDA (x)	78.9	18.4	14.4	10.4	8.9
RoE (%)	21.2	38.3	32.8	34.7	30.9

Source: Company, Antique

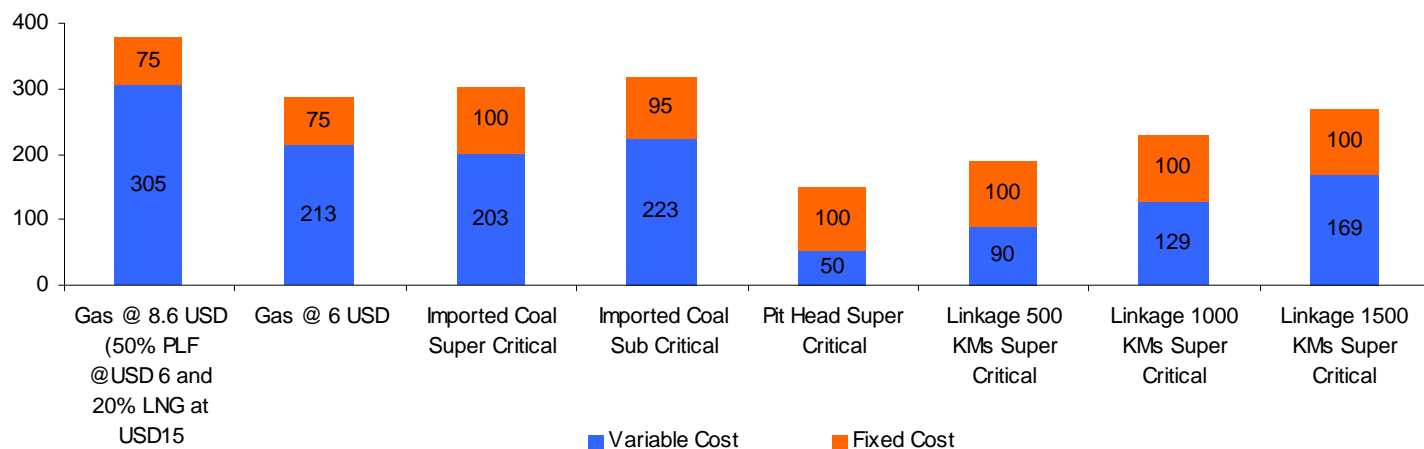
A glimpse - why we are optimistic on Coal India

Coal - Demand-supply gap (FY07-17e)



Source: Antique

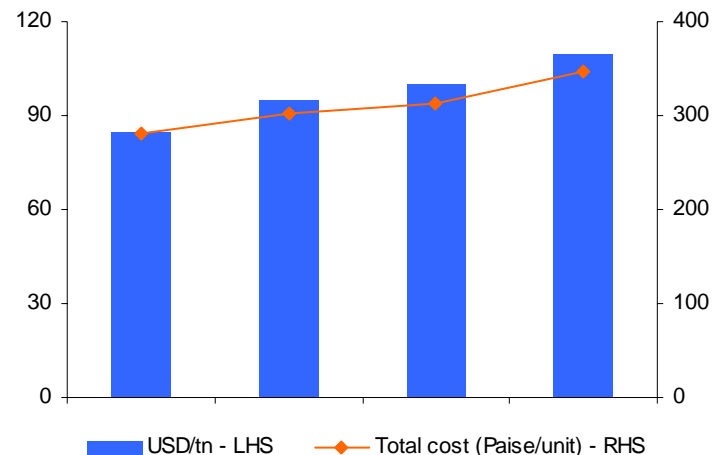
Power cost comparison (Paisa/Kwh)



Source: Antique

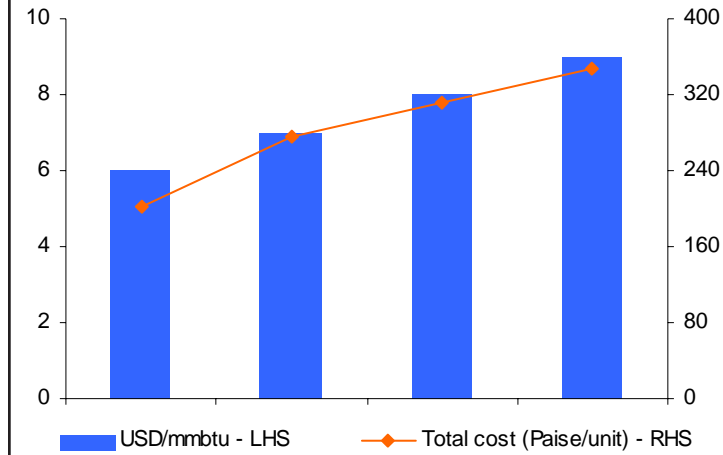
Source: Antique

International Coal prices and cost of generation



Source: Antique

Gas prices and cost of generation



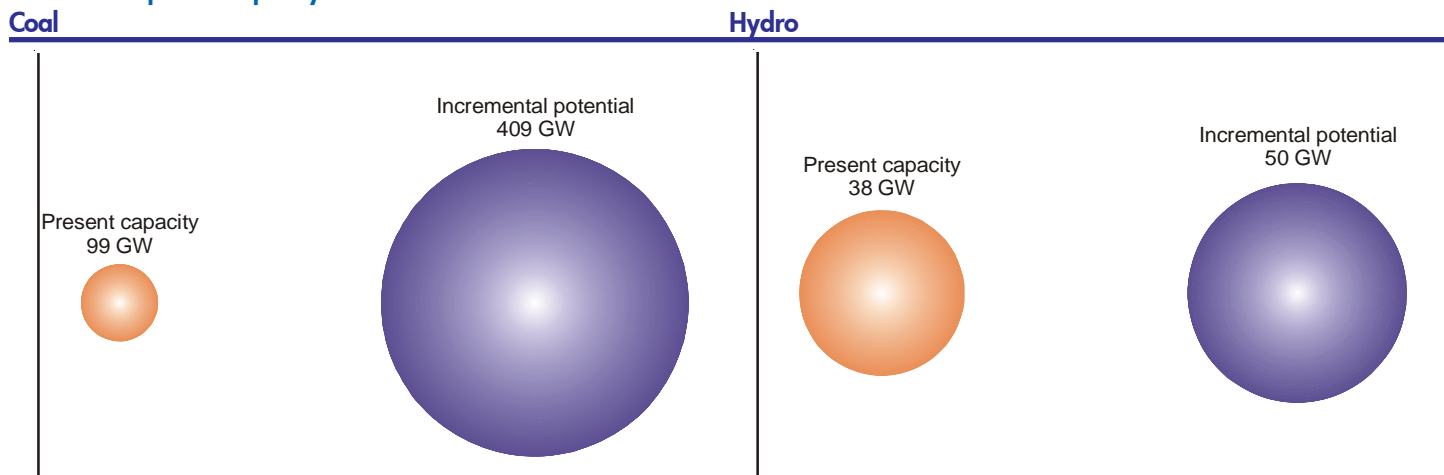
Source: Antique

Primary commercial energy requirement (FY11-FY17e)

Mtoe	FY11	% of Total	Domestic	% of Total	FY17e	% of Total	Domestic	% of Total
Oil	164	31.4	39	11.7	205	27.7	40	8.7
Of which imports	126				165			
	76.4				80.5			
Natural Gas & LNG	58	11.1	47	14.2	87	11.8	62	13.6
Of which imports	11				25			
	19.0				28.4			
Coal	273	52.2	219	66.0	407	55.1	317	69.2
Of which imports	54				90			
	19.8				22.1			
Lignite	10	1.8	10	2.9	14	1.9	14	3.1
Hydro	10	2.0	10	3.0	15	2.0	14	3.1
Of which imports	0.48				0.52			
	4.7				3.5			
Nuclear	7	1.3	7	2.1	9	1.2	9	2.0
Renewables	1	0.2	1	0.3	1	0.2	1	0.3
Total Energy	523	100	332	100	738	100	458	100
Total Imports	191				280			
% of Total Energy	36.5				38.0			

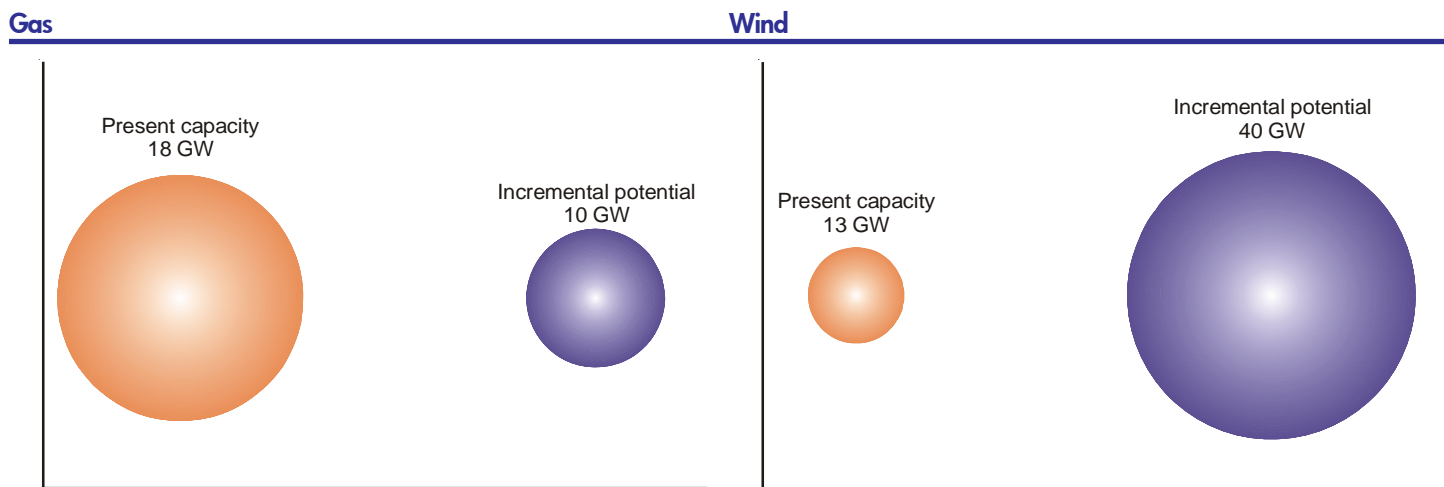
Source: Planning Commission, Antique

Incremental power capacity based on domestic reserves



Source: Antique

Source: Antique



Source: Antique

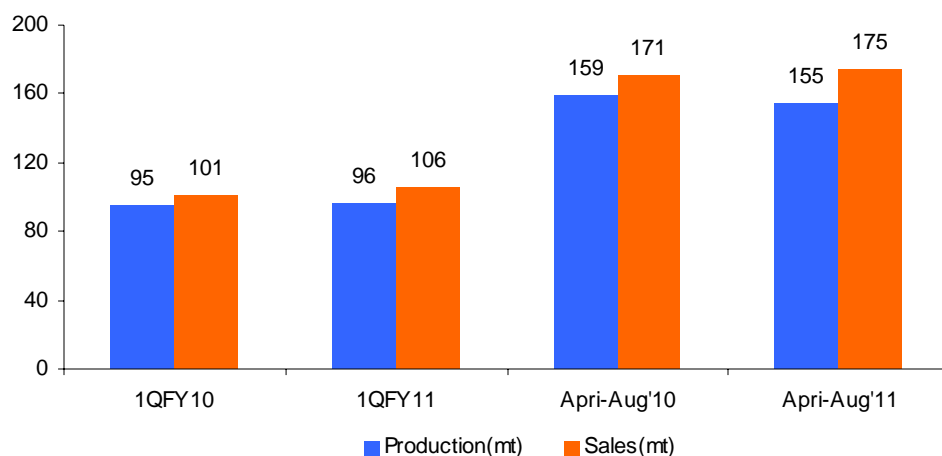
Source: Antique

Valuation and Outlook

FY12 - "Year of off-take"

In 1QFY11, CIL registered production/sales of 96.3/106.3mt. While production was mildly up (by ~1mt), sales grew by ~5.4mt due to liquidation of coal stocks at the yards on a YoY basis. Inventory liquidation in 1Q stood at 10mt. At the end of the previous month, production and sales stood at 155/175mt. On account of heavy rains, production target (~165mt) couldn't be met. The Exhibit below gives YoY comparison of the same.

Exhibit 181: Quarterly production and sales



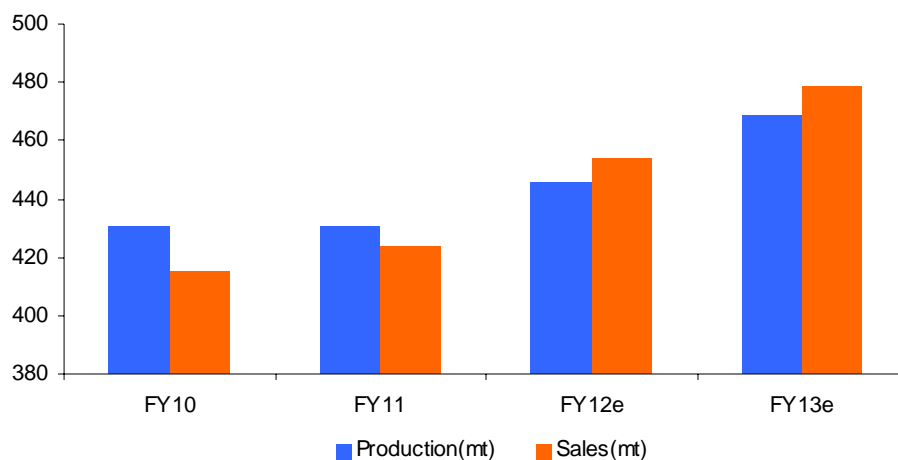
Source: Company, Antique

Coal India's production/off-take target for FY12e - 452/454mt

Till August, CIL's production has been 10mt below target

CIL has guided for production/off-take target of 452/454mt for FY12e. CIL has declared current year as "Year of Offtake" and expects to liquidate significant part of its inventory liquidation in FY12e. We note that the production growth remained stagnant in FY11 and expect a muted growth in FY12e mainly on account of inability of CIL to expand its production capacity. The same has been on account of problems related to land acquisition and environmental concerns. Till August, CIL's production has been below target by ~10mt and 4mt below last year same period, hence we believe there is some downside risk to the 452mt production target of the company. We have taken 446mt as production for the current year, but as inventory off-take has been good till date, our sales volume stands at 454mt. We estimate sales/production for FY13e at 479/468mt.

Exhibit 182: Yearly production and sales



Source: Company, Antique

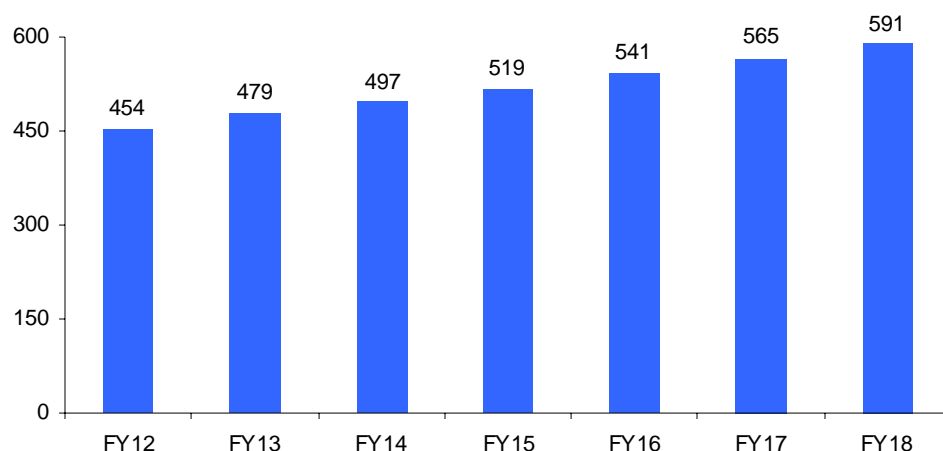
Offtake FY12e/13e - 454/479mt

Production FY12e/13e - 446/468mt

Valuation

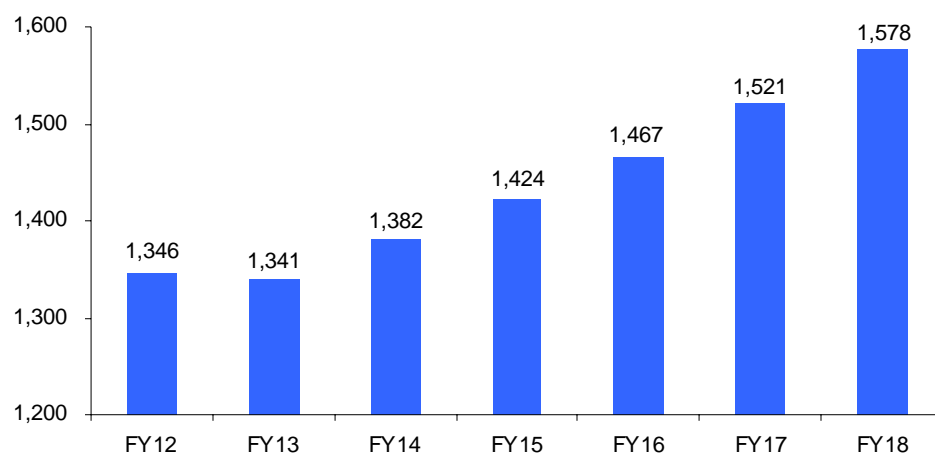
We have valued CIL on a DCF basis. We have assumed a sales volume growth of ~4.5% till FY18e (591 mt sales).

Exhibit 183: Sales (mt) projection



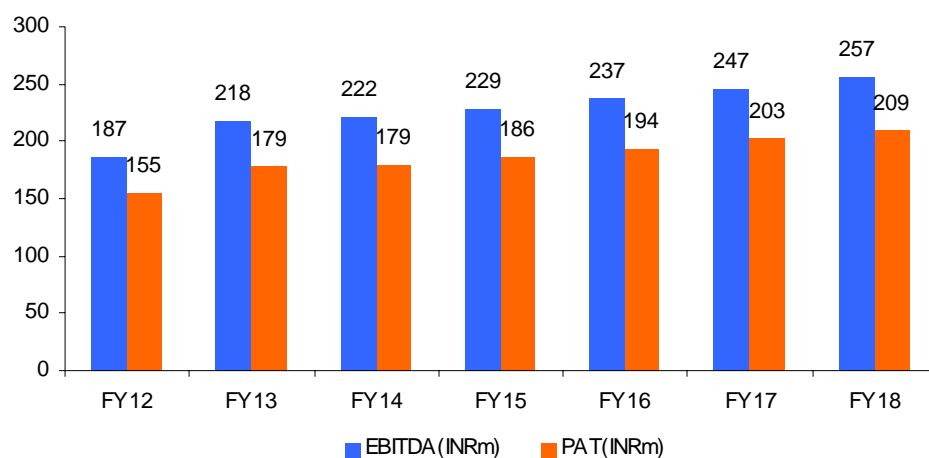
Source: Antique

Exhibit 184: Sales (INR/tn) projection



Source: Antique

Exhibit 185: EBITDA and PAT projection



Source: Antique

Exhibit 186: DCF valuation

INRm	FY12e	FY13e	FY14e	FY15e	FY16e	FY17	FY18	FY19	
PAT	108,674	155,259	178,581	179,484	186,817	194,530	203,686	210,256	245,047
Add: Depreciation	16,729	17,754	19,189	21,108	22,163	23,271	24,435	25,657	28,152
Less: Debt repayment	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,554	1,554
Less: Equity Capex	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cash flow	113,849	161,460	186,216	189,038	197,427	206,248	216,567	224,360	261,645
Discounted cash flow	113,849	161,460	167,762	153,428	144,357	135,862	128,522	119,952	126,024
Discounted cash flow till FY18	1,011,343								
Terminal Value	1,938,825								
Total value	2,950,168								
Value per share(INR)	467								

Source: Antique

Sensitivity

Our sensitivity (terminal growth vs. cost of equity) analysis shows that the fair price would range from INR397-569.

Exhibit 187: Sensitivity analysis

467	3.5%	4.0%	4.5%	5%	5.5%
10.5%	456	479	505	537	574
10.8%	441	461	485	514	547
11.0%	426	445	467	493	523
11.3%	413	430	450	473	501
11.5%	400	416	434	456	480

Source: Antique

What does the present CMP and our target factor in?

At the end of FY13e, we estimate CIL to have a cash of ~INR735bn, which implies a value of INR116/share.

At the CMP of INR367 with core EPS of INR21.6, CIL's core business is valued at 11.6x. At our target price of INR467, company's core business is valued at 16.2x.

Exhibit 188: Valuation (INR)

	FY13e
Core EPS	22
CMP	367
Cash per share	116
Implied core value	251
Implied PE (x)	11.6
Our DCF target	467
Cash per share	116
Implied core value	351
Implied PE(x)	16.2

Source: Antique

Valuing the reserves

We have further estimated terminal value at the end of FY18e by estimating the value of reserves. For FY12-18e, we have assumed the numbers similar as DCF valuation.

Reserves status:

- Extractable reserve: 21bt
- Measured resources: 54bt
- Total resources (measured + indicated + inferred): 65bt (54 + 10 + 1)

Based on these three types of reserves and resources, we have considered three scenarios. In all the three cases, the following assumptions have been undertaken:

- **Sales volume assumption:** We estimate sales volume to grow at a rate of 4.5% (post FY18) till it reaches 1,000mtpa and thereafter 4% growth has been assumed till overall reserves end.
- **Pricing assumption:** We have assumed three scenarios from FY19, i.e., USD35/40/45 per tonne.

Exhibit 189: Extractable reserve: 21bt

USD/tn	Value (INRbn)	Value/share (INR)	Net debt (INRbn)	EV (INRbn)	EV/share (INR)	EV INR/tn	EV USD/tn
35	2,441	387	(720)	1,721	273	82	1.7
40	2,607	413	(720)	1,887	299	90	1.9
45	2,773	439	(720)	2,053	325	98	2.1

Source: Antique

Exhibit 190: Measured resources: 54bt

USD/tn	Value (INRbn)	Value/share (INR)	Net debt (INRbn)	EV (INRbn)	EV/share (INR)	EV INR/tn	EV USD/tn
35	2,770	438	(720)	2,050	324	38	0.8
40	2,954	468	(720)	2,234	354	41	0.9
45	3,139	497	(720)	2,419	383	45	1.0

Source: Antique

Exhibit 191: Total resources: 65bt

USD/tn	Value (INRbn)	Value/share (INR)	Net debt (INRbn)	EV (INRbn)	EV/share (INR)	EV INR/tn	EV USD/tn
35	2,874	455	(720)	2,154	341	34	0.7
40	3,076	487	(720)	2,356	373	37	0.8
45	3,278	519	(720)	2,558	405	40	0.9

Source: Antique

Exhibit 192: Global utility valuation

Company	Ticker	Currency	Last Prices	Mcap USDbn	PE (x)		PB (x)		RoE (%)	Div Yield (%)	
					2011e	2012e	2011e	2012e		2011e	2012e
NTPC	NTPC IN equity	INR	173	30	14.4	13.0	2.1	1.8	14.3	2.5	2.7
Tata Power	TPWR IN equity	INR	992	5	10.5	10.4	1.8	1.4	16.8	1.5	1.5
CESC	CESC IN equity	INR	289	1	10.3	7.0	0.8	0.6	6.5	1.6	1.6
Reliance Infrastructure	RELI IN equity	INR	455	3	7.3	5.7	0.5	0.5	7.0	1.7	1.8
India Average				38	13.4	12.0	1.9	1.6	14.0	2.3	2.5
Hong Kong Electric	6 HK equity	HKD	63	17	14.9	14.7	2.3	2.1	13.3	3.7	3.8
China Power	2380 HK equity	CNY	2	1	8.6	7.1	0.6	0.6	5.2	3.3	3.9
Huadian Power	1071 HK equity	CNY	1	3	NA	19.8	0.5	0.5	(1.5)	0.7	1.5
Datang International	991 HK equity	CNY	2	8	10.3	8.4	0.7	0.7	8.7	2.9	3.5
Huaneng Power	902 HK equity	CNY	3	9	14.0	10.9	0.9	0.8	7.0	3.6	4.4
Tenaga	TNB MK equity	MYR	5	9	26.0	10.4	1.0	0.9	12.3	2.2	3.5
CLP Holdings Ltd	2 HK equity	HKD	75	23	17.0	15.9	2.2	2.0	13.9	3.4	3.5
China Yangtze Power Co Ltd-A	600900 CH equity	CNY	6	17	12.5	11.6	1.7	1.3	13.1	4.2	4.4
Hong Kong & China Gas	3 HK equity	HKD	19	19	24.4	22.4	3.7	3.3	15.4	1.9	2.1
Korea Electric Power Corp	015760 KS equity	KRW	22,100	12	NA	26.1	0.3	0.3	(0.0)	1.0	1.3
Power Assets Holdings Ltd	6 HK equity	HKD	63	17	14.9	14.7	2.3	2.1	13.3	3.7	3.8
Datang Intl Power Gen Co-H	991 HK equity	CNY	2	8	10.3	8.4	0.7	0.7	8.7	2.9	3.5
China Resources Power Holdin	836 HK equity	HKD	12	7	10.3	8.7	1.2	1.1	12.1	3.1	3.6
GD Power Development Co -A	600795 CH equity	CNY	2	6	13.6	11.4	1.6	1.2	6.6	0.4	0.8
China Power International	2380 HK equity	CNY	2	1	8.6	7.1	0.6	0.6	5.2	3.3	3.9
Asia Average				157.2	14.4	14.8	1.8	1.6	11.0	2.9	3.3

Source: Bloomberg, Antique

Exhibit 193: Global commodity valuation

Company	Ticker	Currency	Last Prices	Mcap USDbn	PE (x)		EV/EBITDA (x)		Div Yield (%)	
					2011e	2012e	2011e	2012e	2011e	2012e
Bumi Resources	BUMI IJ equity	USD	2,600	6.0	13.2	9.1	5.1	4.0	0.0	0.0
Adaro Energy	ADRO IJ equity	USD	1,900	6.8	12.5	8.8	5.4	4.0	0.0	0.0
Tambang Batubara	PTBA IJ equity	IDR	17,150	4.4	11.2	9.1	7.3	5.9	3.6	4.9
Indika Energy	INDY IJ equity	IDR	2,850	1.7	9.6	6.6	27.2	17.8	3.3	5.4
Bayan Resources	BYAN IJ equity	IDR	22,150	8.2	32.3	25.1	20.0	16.3	1.2	2.3
Indonesia Average				27.1	18.3	13.7	11.4	8.9	1	2
China Shenhua	1088 HK equity	CNY	35	83.9	12.6	10.9	6.6	5.7	2.4	2.8
China Coal Energy	1898 HK equity	CNY	9	17.7	10.1	8.4	6.3	5.1	2.2	2.6
Yanzhou Coal	1171 HK equity	CNY	20	18.3	8.1	7.6	7.4	6.8	3.0	3.3
Shanxi Xishan	000983 CH equity	CNY	21	10.6	18.2	14.2	9.5	7.6	1.9	2.3
Datong Coal	601001 CH equity	CNY	16	4.3	19.6	16.2	6.3	5.3	1.5	1.7
China Average				130.5	12.1	10.4	6.9	6.0	2.4	2.8
Peabody Energy	BTU US equity	USD	43	11.6	10.7	7.4	5.8	4.4	0.8	0.8
Consol Energy	CNX US equity	USD	40	9.2	14.0	9.5	7.1	5.7	1.0	1.0
Arch Coal	ACI US equity	USD	18	3.8	8.9	5.1	6.8	4.5	2.3	2.3
Alpha Natural Resources	ANR US equity	USD	27	6.1	9.8	8.0	5.9	4.0	0.0	0.0
US Average				30.7	11.2	7.9	6.3	4.7	0.9	0.9
Coal & Allied	CNA AU equity	AUD	123	10.9	17.4	12.9	10.6	7.9	2.9	2.8
New Hope Corp.	NHC AU equity	AUD	5	4.5	18.9	15.2	9.7	7.5	3.4	3.3
Macarthur	MCC AU equity	AUD	16	5.0	18.1	15.8	9.2	7.6	2.7	3.2
Australia Average				20.4	17.9	14.1	10.1	7.7	2.9	3.0
World Average					13.3	11.3	8.4	7.3	1.7	1.7

Source: Bloomberg, Antique

We believe following are the parameters which need to be watched as these have significant impact on earnings:

- Production and sales - Assumptions as above
- Wage hike - Assumed at ~25% (ref. Annexure 6)
- OBR adjustment - Assumed till FY12 only (ref. Annexure 9)
- Mining tax - Not assumed in FY13e
- Coal price hike - Not assumed in FY13e (ref. Annexure 4)
- Tax rate - Estimated at ~31% for FY12e/FY13e as ECL and BCCL would be making profit but they have accumulated loss in excess of INR145bn

Exhibit 194: Earnings sensitivity

INRm	No OBR No mining tax No price hike Base case FY13e	OBR FY13e	100% Off-set against social overhead		50% Off-set against social overhead		0% Off-set against social overhead	
			OBR Mining tax FY13e	No OBR Mining tax FY13e	OBR Mining tax FY13e	No OBR Mining tax FY13e	OBR Mining tax FY13e	No OBR Mining tax FY13e
Revenue	642,066	642,066	642,066	642,066	642,066	642,066	642,066	642,066
Growth (%)	5	5	5	5	5	5.2	5	5.2
EBITDA	218,046	193,046	193,046	218,046	193,046	218,046	193,046	218,046
Growth (%)	17	3	3	17	3	16.5	3	16.5
PAT	178,581	161,317	142,303	155,068	135,628	148,393	128,952	141,717
PAT- FY12	155,259	155,259	155,259	155,259	155,259	155,259	155,259	155,259
Growth (%)	15	4	-8	0	-13	-4	-17	-9
EPS	28.3	25.5	22.5	24.6	21.5	23.5	20.4	22.4
Growth (%)	15	4	-8	0	-13	-4	-17	-9
Ad. PAT	178,581	161,317	142,303	155,068	135,628	148,393	128,952	141,717
Variance with Base case (%)		(10)	(20)	(13)	(24)	(17)	(28)	(21)
Price hikes to offset the above								
PAT difference		17,264	36,278	23,513	42,953	30,188	49,629	36,864
PBT difference		25,020	52,577	34,077	62,251	43,751	71,926	53,426
Base revenue		642,066	642,066	642,066	642,066	642,066	642,066	642,066
New revenue		667,086	694,643	676,143	704,317	685,817	713,992	695,492
Price hike needed		3.90	8.19	5.31	9.70	6.81	11.20	8.32

Source: Antique

Sensitivity of FY12 earnings with respect to increase in production

Our sales estimates for FY12e stands at 454mt. CIL's guidance is also on similar lines, however it intends a production of 452mt and inventory liquidation of ~20mt which can take up the sales volume to ~472mt. Sensitivity of earnings for FY12e with respect to its sales volume is shown in the Exhibit below:

Exhibit 195: FY12 - Sales sensitivity

Sales - volume (mt)	454	460	465	470	475
Revenue	610,608	616,525	621,456	626,388	631,319
EBITDA	187,120	193,038	197,969	202,900	207,831
PAT	155,259	159,366	162,789	166,211	169,634
PAT variance (%)		2.6	4.8	7.1	9.3

Source: Antique

Financials

Profit and Loss Account (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Net revenues	387,888	446,153	502,336	610,608	642,066
Raw materials consumed	46,979	43,138	39,781	41,723	45,447
Staff costs	197,421	166,555	182,110	220,469	237,383
Power and fuel	15,951	17,396	17,546	19,118	20,584
Other expenses	102,927	113,702	128,107	142,178	120,606
Total Expense	363,277	340,792	367,545	423,488	424,020
EBITDA	24,611	105,361	134,791	187,120	218,046
Depreciation & amortisation	16,909	13,295	16,729	17,754	19,189
EBIT	7,702	92,066	118,062	169,366	198,857
Other income	51,196	49,006	47,963	55,157	60,673
Financial expense	1,789	886	791	821	921
Exceptional items	19,874	2,070	-	-	-
PBT	76,983	142,256	165,234	223,702	258,609
Current tax	36,632	43,425	55,959	68,443	80,028
PAT	40,351	98,831	109,275	155,259	178,581
Attributable PAT	40,351	98,831	109,275	155,259	178,581
Basic EPS (INR)	6.4	15.6	17.3	24.6	28.3
Diluted EPS (INR)	6.4	15.6	17.3	24.6	28.3

Balance Sheet (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Equity share capital	63,164	63,164	63,164	63,164	63,164
Reserves & surplus	126,918	194,789	270,008	384,091	515,310
Shareholder's funds	190,082	257,952	333,172	447,255	578,474
Minority interest	19	236	326	326	326
Debt	21,485	20,869	15,536	15,210	15,210
Deferred tax liability / (asset)	2,690	5,617	7,482	7,482	7,482
Capital employed	214,276	284,673	356,515	470,272	601,490
Gross fixed assets	332,550	349,453	367,211	389,711	421,211
Less: Accumulated depreciation	222,462	229,144	238,782	256,536	275,725
Net fixed assets	110,088	120,310	128,429	133,175	145,486
Capital work in progress	19,195	22,107	22,180	24,680	28,180
Investments	15,052	12,821	10,637	10,637	10,637
Inventory	36,669	44,018	55,856	55,266	61,328
Debtors	18,475	21,686	30,256	33,458	43,977
Cash & cash equivalent	296,950	390,778	458,623	615,665	735,387
Loans & advances and others	117,271	86,762	99,225	99,225	104,187
Current assets, loans & adv	469,364	543,244	643,960	803,614	944,879
Creditors	399,423	413,825	448,725	501,869	527,726
Current liabilities & provs	399,423	413,825	448,725	501,869	527,726
Net current assets	69,941	129,419	195,234	301,745	417,153
Misc. expenses	0	16	34	34	34
Application of funds	214,276	284,673	356,515	470,271	601,490

Per share data

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Outstanding shares (m)	6,316	6,316	6,316	6,316	6,316
BVPS (INR)	30.1	40.8	52.7	70.8	91.6
CEPS (INR)	9.1	17.8	19.9	27.4	31.3
DPS (INR)	2.7	2.7	3.5	3.9	5.6

Key assumptions

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Production (mtpa)	404	431	431	446	468
Sales (mtpa)	401	415	424	454	479
Average Realization (INR/tn)	968	1,074	1,185	1,346	1,341
E-auction as % of total		10.4	11.3	12.5	12.5
Salaries and Wages increase(%)	56	(16)	9	21	8

Cash flow statement (INRm)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
PBT	76,983	142,256	165,234	223,702	258,609
Depreciation & amortisation	16,909	13,295	16,729	17,754	19,189
Interest expense	1,789	886	791	-	-
Interest / Dividend Recd	(51,196)	(49,006)	(47,963)	-	-
Other Adjustments	55,034	46,904	49,358	-	-
(Inc)/Dec in working capital	54,307	22,290	(38,216)	50,532	4,313
Tax paid	(36,632)	(43,425)	(55,959)	(68,443)	(80,028)
CF from operating activities	117,193	133,199	89,974	223,545	202,083
Capital expenditure	(18,746)	(19,976)	(24,870)	(25,000)	(35,000)
Other items	2,127	2,230	31,844	-	-
CF from investing activities	(16,619)	(17,746)	6,974	(25,000)	(35,000)
Inc/(Dec) in debt	2,646	(616)	(4,096)	(326)	-
Other items	1,169	1,091	824	-	-
Dividends & Interest paid	(17,054)	(22,100)	(25,832)	(41,176)	(47,362)
CF from financing activities	(13,239)	(21,625)	(29,104)	(41,502)	(47,362)
Net cash flow	87,335	93,828	67,845	157,043	119,722
Opening balance	209,615	296,950	390,778	458,622	615,665
Closing balance	296,950	390,778	458,622	615,665	735,387

Growth indicators (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Revenue	18.9	15.0	12.6	21.6	5.2
EBITDA	(59.3)	328.1	27.9	38.8	16.5
PAT	(3.3)	144.9	10.6	42.1	15.0
EPS	(3.3)	144.9	10.6	42.1	15.0

Valuation (x)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
PE	57.4	23.5	21.2	14.9	13.0
P/BV	12.2	9.0	7.0	5.2	4.0
EV/EBITDA	78.9	18.4	14.4	10.4	8.9
EV/Sales	5.0	4.4	3.9	3.2	3.0
Dividend Yield (%)	0.7	0.7	1.0	1.1	1.5

Financial ratios

Year ended 31st Mar	2009	2010	2011	2012e	2013e
RoE (%)	21.2	38.3	32.8	34.7	30.9
RoCE (%)	3.6	32.3	33.1	36.0	33.1
Net Debt/Equity (x)	(1.4)	(1.4)	(1.3)	(1.3)	(1.2)
EBIT/Interest (x)	4.3	103.9	149.3	206.2	215.8

Margins (%)

Year ended 31st Mar	2009	2010	2011	2012e	2013e
Gross margin	83.8	86.4	88.6	90.0	89.7
EBITDA	6.3	23.6	26.8	30.6	34.0
EBIT	2.0	20.6	23.5	27.7	31.0
PAT	10.4	22.2	21.8	25.4	27.8



Current Reco	: HOLD
Previous Reco	: BUY
CMP	: INR768
Target Price	: INR880
Potential Return	: 15%

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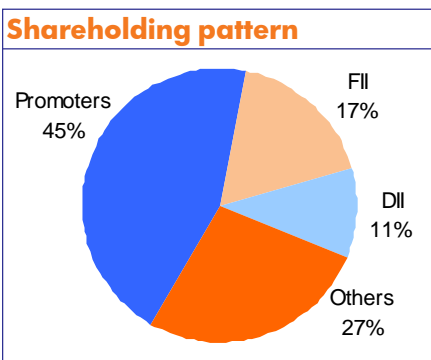
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Market data	
Sector	: Oil & Gas
Market Cap (INRbn)	: 2,523
Market Cap (USDbn)	: 51
O/S Shares	: 3,274
Free Float (m)	: 1,601
52-wk HI/LO (INR)	: 1187/712
Avg Daily Vol ('000)	: 5,554
Bloomberg	: RIL IN
Reuters	: RELI.BO

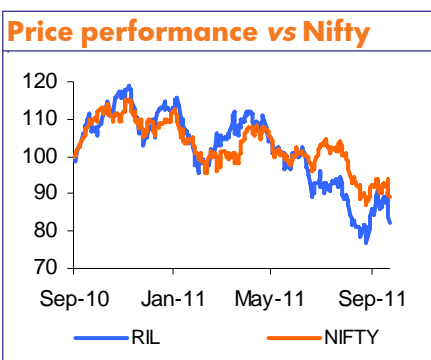
Source: Bloomberg

Returns (%)	1 m	3 m	6 m	12 m
Absolute	1	(11)	(24)	(23)
Relative	3	(3)	(14)	(5)

Source: Bloomberg



Source: BSE



Source: Bloomberg

COMPANY UPDATE

Reliance Industries Limited

Capex recovery under scanner

Key highlights

Ministry evaluating the option of limiting KG-D6 capex for cost recovery

Media reports indicated that Ministry is evaluating the option of limiting RIL's capex for cost recovery in D1-D3 to just USD3.4bn, in proportion to current gas production of 37mmcmd from these fields. RIL has so far spent USD5.7bn on the two fields and has recovered USD5.3bn as revenues till FY11. Media sources also indicate that the Oil Ministry's views have been backed by the Solicitor General of India.

Such a move, if implemented, to impact KG-D6 valuations

Our evaluation of KG-D6 model under reduced capex recovery indicates a valuation hit of INR68/share for KG-D6 block, if approved. The peak profit sharing multiple of 85% with government which was earlier expected in FY19e may come in FY14e itself. This may have ~INR10/share impact on RIL's FY14e earnings due to higher profit petroleum paid. We believe this may also deter RIL to make future investments in these fields, unless clarity emerges on treatment of capex incurred, impacting future growth opportunities in domestic E&P. We have however not accounted for the impact of this move in our valuations currently as there is no formal announcement from the ministry.

Marketing margin issue also raised - negligible impact on valuations

DGH has also indicated that the marketing margins charged by RIL may also be made a part of the approved gas price for the purpose of computing cost and profit petroleum. RIL has claimed that marketing margin is a charge for marketing of gas beyond the delivery point and hence not cost recoverable under the PSC. We calculate that, if this is implemented, it would have a very negligible impact on DCF valuations and RIL's earnings.

Valuation and outlook

We revise our valuations multiple for RIL's exploration upsides to USD1.5/boe to account for regulatory issues looming on E&P assets and consequent procedural delays. We revise RIL's refining GRM assumptions to USD9.0/bbl and USD9.2/bbl for FY12e and FY13e respectively and apply a lower EV/EBITDA multiple of 6.5x. We also revise our FY13e Petchem EBITDA to INR108bn. In light of the above changes, we revise our target price to INR880/share and downgrade our recommendation to HOLD from BUY.

Key financials

Year ended March	2009	2010	2011	2012e	2013e
Net Revenue (INRbn)	1,512	2,074	2,658	2,581	2,734
EBITDA (INRbn)	238	311	380	335	348
EBITDA growth (%)	18	30	23	(12)	4
PAT (INRbn)	153	246	193	206	219
PAT growth (%)	27	60	(21)	7	6
EPS (INR)	47	75	59	63	67
EPS growth (%)	22	60	(21)	7	6
PE (x)	18.8	11.8	15.0	14.0	13.2
PB (x)	2.1	1.9	1.7	1.5	1.4
EV/EBITDA (x)	10.8	8.3	6.7	7.6	7.3
RoE (%)	13	17	13	12	11

Source: Company, Antique

Valuation and outlook

We value RIL based on SOTP methodology:

- We estimate RIL's FY13e Petchem EBITDA at INR108bn and apply an EV/EBITDA multiple of 7.0x, implying a value of INR253/share for RIL.
- We revise RIL's refining GRM assumptions to USD9.0/bbl (USD9.2/bbl earlier) and USD9.2/bbl (USD9.9/bbl earlier) for FY12e and FY13e respectively. We also apply a lower EV/EBITDA multiple of 6.5x (earlier 7.0x) which is in line with regional peers.
- We value RIL's PMT field at EV/EBITDA multiple of 7.0x.
- For KG-D6 (D1, D3 and MA fields), we have arrived at a DCF value of INR391bn (INR131/share). We assume KG-D6 gas production at an average of ~48mmcmd for FY12-13e. We currently do not incorporate the impact of pro-rata capex recovery in our valuations.
- We apply a lower EV/boe multiple of USD1.5/boe (USD3.0/boe earlier) for RIL's other E&P assets to account for regulatory delays in getting approvals from government. We have valued contingent resources of fields/discoveries where declaration of commerciality (DoC) has been filed. The discoveries include 9 satellite discoveries at KG-D6, R-cluster at KG-D6, NEC-25 and other discoveries at GS-01 and CYD5. The DoC for these discoveries has been submitted to the DGH for approval. We have also valued D1 and D3 fields' 3P reserves, assuming a 40% recovery and the same USD1.5/boe multiple.
- RIL's investments in shale gas is valued at 1.0x P/BV and retail assets at 0.6x BV.
- We do not account for RIL's CBM fields and other SEZ assets in our valuations any more. They were earlier valued at INR21/share and INR22/share respectively.

RIL's SOTP valuation

Valuation of RIL on FY13e financials	Methodology	Multiple	EBITDA (INRbn)	EV (INRbn)	Value/share (INR)
Valuation of Petchem business	EV/EBITDA	7.0	108	753	253
Valuation of Refining business (incl RPL)	EV/EBITDA	6.5	143	933	313
Oil & Gas producing (PMT and international)	EV/EBITDA	7.0	27	190	64
KG-D6 (D1, D3 and MA fields)	DCF			391	131
NEC, KG-D6 14 discoveries and KG D1 & D3 3P reserves (7.7 tcf)	Multiple	USD1.5/boe		85	28
Retail	DCF	0.6x BV		31	10
CBM (3.5tcf)	Multiple	1.0 x		25	8
Shale Gas	Multiple	1.0x BV		146	49
Net cash				69	23
Total value				2,688	880
No of shares (m)				2,981	

Source: Antique

RIL's E&P asset valuation which was until now finding support from the USD7.2bn BP deal may not lend a hand

Ministry may enforce pro-rata cost recovery for RIL's KG-D6 field

- Media reports indicated that Ministry may limit RIL's capex for cost recovery in D1-D3 to just USD3.4bn, in proportion to current gas production from these fields.
- Such a move will however be contingent on the production sharing agreement with the government and/or D1-D3 production over the life of the asset.
- The Initial field development plan (FDP) of the D1, D3 fields was approved in Nov-04 with an estimated capex of USD2.5bn and approved production rate of 40mmcmd from 14 producing wells up to 34 producing wells with corresponding facilities.
- Later, an Addendum to the Initial development plan was approved with a revised capex of USD8.8bn and an approved production rate of 80mmcmd by Apr-2012 from 31 producing wells.
- Gas production from D1-D3 fields has however fallen to 37mmcmd during FY12 compared to projected production of 62mmcmd as per the FDP.
- Ministry has attributed the fall in output to non-fulfillment of RIL's commitment to drill 22 wells in the field.
- RIL has so far spent USD5.7bn on the two fields and has recovered USD5.3bn as revenues till FY11.

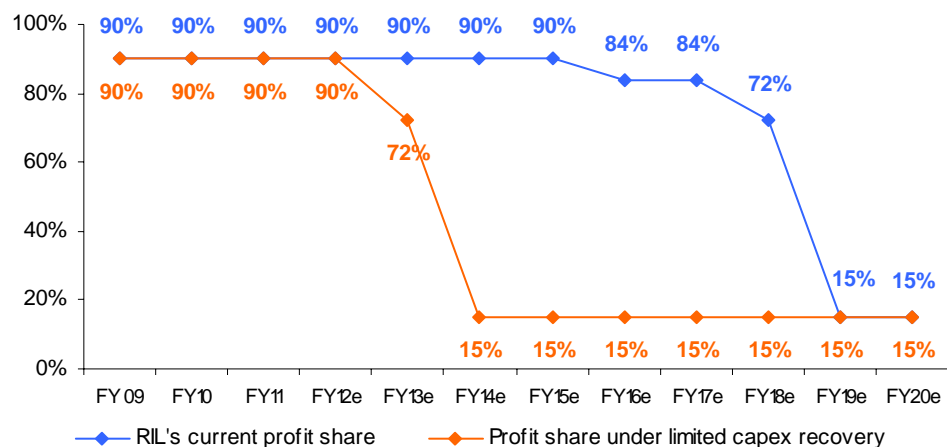
Profit sharing agreement for KG-D6 field

Recovery factor	Consortium's profit share (%)	
If Less than	1.5x	90
If Less than	2.0x	84
If Less than	2.5x	72
If greater than	2.5x	15

Source: Industry

Under the KG-D6 PSC terms, RIL and consortium's profit share from the field reduces to 15% once it has recovered 2.5x of its investments. We believe that such a move, if implemented, will reduce RIL's share of profit from these fields to 15% (from 90% currently) by FY14e itself instead of FY19e expected earlier. Thus pro-rata cost recovery is estimated to have a negative impact of INR68/share on the DCF value of D1-D3 fields.

RIL's profit share from D1-D3 field under the two scenarios



Govt. peak profit petroleum share of 85% to come much earlier than anticipated, if capex recovery is limited

Source: Industry, Antique

Financials

Profit and loss account (INRbn)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
Revenues	1,512	2,037	2,658	2,581	2,734
Expenses	(1,275)	(1,728)	(2,278)	(2,245)	(2,386)
EBITDA	238	309	380	335	348
Depreciation & amortisation	(57)	(109)	(141)	(102)	(103)
EBIT	181	200	239	233	246
Interest expense	(18)	(21)	(24)	(20)	(19)
Other income	16	199	25	45	48
Profit before tax	179	377	241	258	274
Taxes incl def. taxation	(29)	(43)	(48)	(52)	(55)
Profit after tax	150	336	193	206	219
Adjusted profit after tax	153	245	193	206	219
Recurring EPS (INR)	47	75	59	62.9	67

Balance sheet (INRbn)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
Share Capital	16.4	29.8	29.8	29.8	29.8
Reserves & Surplus	1,198	1,380	1,511	1,691	1,884
Networth	1,215	1,410	1,541	1,721	1,914
Debt	763	646	841	798	776
Capital Employed	1,977	2,056	2,382	2,519	2,689
Gross Fixed Assets	1,572	2,241	2,383	2,745	2,891
Accumulated Depreciation	501	639	802	904	1,007
Net Assets	1,070	1,602	1,581	1,841	1,884
Capital work in progress	738	170	297	80	80
Investments	66	131	216	216	216
Current Assets, Loans & Advances					
Inventory	201	344	385	366	388
Debtors	48	101	157	149	158
Cash & Bank balance	227	139	301	652	784
Loans & adv. and others	110	107	137	131	138
Current Liabilities & Provisions					
Creditors	345	381	519	741	787
Other liabilities & provisions	44	45	55	54	48
Net Current Assets	199	265	406	503	633
Def. tax assets/ (liabilities)	(96)	(107)	(111)	(113)	(116)
Minority interest	(1)	(6)	(8)	(8)	(8)
Application of Funds	1,977	2,056	2,382	2,519	2,690

Per share data

Year ended 31 Mar	2009	2010	2011	2012e	2013e
No. of shares (m)	2,888	2,978	2,981	2,982	2,983
BVPS (INR)	421	473	517	577	642
CEPS (INR)	73	119	112	103	108
DPS (INR)	13	13	7	8	8

Margins (%)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
EBITDA (%)	16	15	14	13	13
EBIT (%)	12	10	9	9	9
PAT (%)	10	12	7	8	8

Source: Company, Antique

Key Assumptions

Year ended 31 Mar	2009	2010	2011e	2012e	2013e
RIL refinery throughput(mt)	31.4	31.7	33.0	33.3	33.7
RPL new throughput(mt)			29.3	32.5	32.8
RIL refining margins(USD/bbl)	12.2	6.2	7.1	9.5	10.6
RPL refining margins(USD/bbl)			7.3	10.1	13.3
Blended margins(USD/bbl)			7.1	9.3	11.8
Gas prod from KG-D6 (mmcmd)	-	40.0	55.9	48.0	48.0
Oil prod from KG-D6 (MMbbls)	0.6	3.7	7.9	7.2	7.9
Retail (mn sq ft)	5.6	7.1	8.0	9.2	10.5

Cash flow statement (INRbn)

Year ended 31 Mar	2009	2010	2011e	2012e	2013e
EBIT	181	200	239	233	246
Depreciation & amortisation	77	140	168	102	103
Interest expense	(18)	(21)	(24)	(20)	(19)
(Inc)/Dec in working capital	(58)	(59)	(10)	25	3
Tax paid	(19)	(31)	(42)	(49)	(53)
Others	0	(23)	3	23	22
CF from operating activities	163	205	333	314	301
Capital expenditure	(279)	(233)	(339)	(145)	(145)
Inc/(Dec) in investments	34	26	(81)	6	6
Others	14	24	99	265	39
CF from investing activities	(231)	(182)	(320)	126	(100)
Inc/(Dec) in share capital	152	5	2	1	1
Inc/(Dec) in debt	184	(57)	144	(43)	(23)
Others	(85)	(60)	3	(48)	(47)
CF from financing activities	250	(111)	149	(89)	(68)
Net cash flow	182	(89)	162	350	132
Opening balance	45	227	139	301	651
Closing balance	227	139	301	651	784

Growth indicators (%)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
Revenue	33	35	30	-3	6
EBITDA	18	30	23	-12	4
PAT	27	60	-21	7	6
EPS	13	60	-21	7	6

Valuation (x)

Year ended 31 Mar	2009	2010	2011	2012e	2013e
PE	16.4	10.3	13.0	12.2	11.5
P/BV	1.8	1.6	1.5	1.3	1.2
EV/EBITDA	9.3	7.2	5.8	6.6	6.4
EV/Sales	1.5	1.1	0.8	0.9	0.8
Dividend Yield (%)	1.7	1.7	0.9	1.0	1.0

Financial ratios

Year ended 31 Mar	2009	2010	2011	2012e	2013e
RoE (%)	13	17	13	12	11
RoCE (%)	9	10	10	9	9
Debt/Equity (x)	0.6	0.5	0.5	0.5	0.4
EBIT/Interest (x)	10	10	10	12	13

Source: Company Antique

NOT RATED	
CMP	: INR210
Market Cap	: INR6.2bn

COMPANY VISIT

Atul Limited

A potent concoction

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We visited one of the facilities of Atul Limited at Valsad, Gujarat on Sep 23, 2011. Following are the key takeaways:

Diversified business model

Atul Limited (Atul) is one of the oldest players in the chemicals Industry and has a broad-based product profile with products spanning across: Aromatics, Bulk chemicals & intermediates, Colors, Pharmaceuticals & intermediates, Crop protection/ Agrochemicals, Polymers and others. Apart from a diversified products profile, Atul has also built a well-spread revenues mix both on a geographical as well as industry basis. Its products now cater to aerospace, agriculture, automobile, construction, flavor & fragrance, paint & coatings, paper, personal care, pharmaceutical, textile and tyre industries.

Positive trend in operations

In 90s, due to changing business and technological dynamics as well as altered environmental landscape, chemical business globally underwent huge structural changes. At the same time inefficiencies had also crept into Atul's operations and the same resulted in lackluster performance and a surging debt. However, over past decade the company has taken sustained steps to streamline its operations on all fronts. This has had discernible fallout, and in the last five years its revenues have posted a CAGR of 13%, operating profits posting a CAGR of 19%.

Marked improvement in capital ratios

A focus on RoCE (product range wise) has resulted in three major business lines constituting almost 2/3rd of its revenues reporting RoCE in excess of 33% in FY11 despite strong competition in most of these businesses. While other lines of business are commoditised and ail from lower returns, efforts are on to increase the operational as well as capital ratios in them. This has the potential to positively impact Atul's already improving capital ratios quite favourably. The company has managed to consistently reduce leverage over the year and improve margins as well as capital return ratios. This has also enabled it emerge as a free cash flow generating company.

Market data

Sector	:	Chemicals
Market Cap (INRm)	:	6,254
Market Cap (USDm)	:	127
O/S Shares	:	30
Free Float (m)	:	23
52-wk HI/LO (INR)	:	241/141
Avg Daily Vol	:	54,741
Bloomberg	:	ATLP.IN
Reuters	:	ATLP.BO

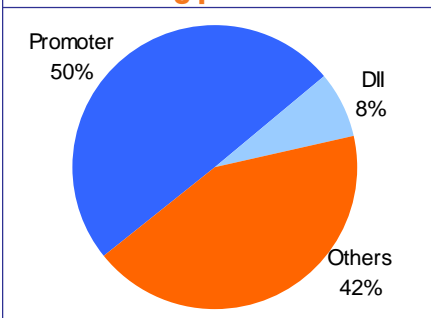
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	7	16	28	44
Relative	5	31	49	78

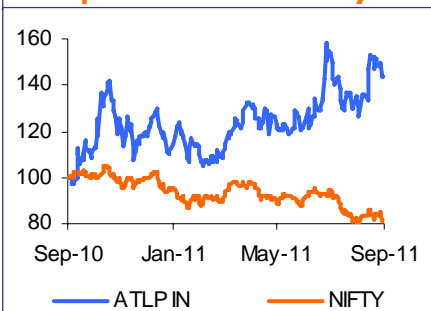
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

Key financials

YE March (INRm)	2007	2008	2009	2010	2011
Net Revenue	9,411	10,534	12,320	12,237	15,698
YoY Gr (%)	8.8	11.9	16.9	(0.7)	28.3
Operating Profits	785	803	1,183	1,367	1,876
OPM (%)	8.3	7.6	9.6	11.2	12.0
PAT	233	305	424	555	903
Dil. EPS (INR)	7.9	10.3	14.3	18.7	30.4
ROCE (%)	8.0	8.3	10.7	12.7	17.8
RONW (%)	8.1	8.4	9.6	11.8	17.1
PE (x)	26.7	20.4	14.7	11.2	6.9
EV/Sales (x)	1.0	0.9	0.7	0.7	0.6
EV/EBIDTA (x)	11.4	12.1	7.7	6.1	4.7

Source: Company, Antique

Background and Business Model

Atul Limited was incorporated in 1947 and over the years has evolved as a player with strong presence in manufacturing & marketing of chemicals. Its business line can be broadly classified into two main lines i.e Life sciences and Performance & other chemicals. Within these, the main product ranges are Aromatics, Bulk chemicals & intermediates, Colors, Pharmaceuticals & intermediates, Crop protection/Agrochemicals, Polymers and others.

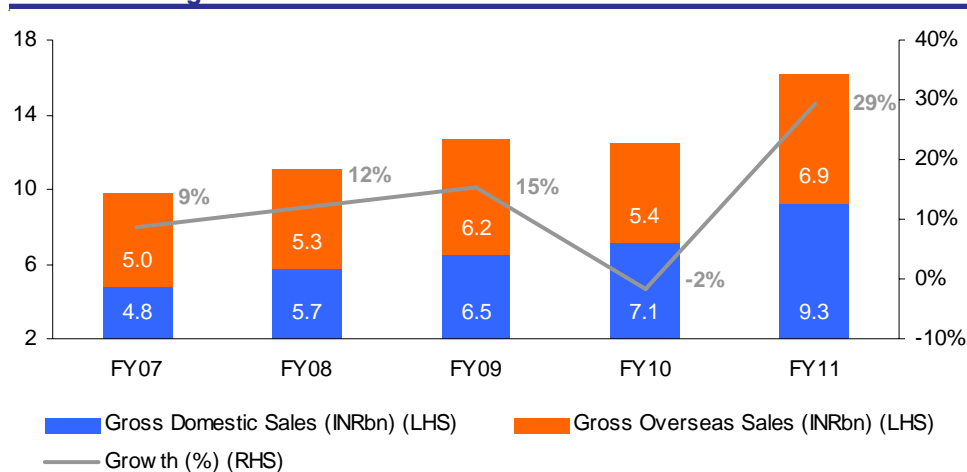
Presently, the major revenue contributors are Aromatics, Colors, Crop Protection & Polymers. Over the years, Atul has not only been able to withstand cyclical economic downturns but also has been able to build upon its competitive advantages and secured market leadership in some of its product segments domestically as well as globally.

Its client profile ranges from aerospace, agriculture, automobile, construction, flavor & fragrance, paint & coatings, paper, personal care, pharmaceutical, textile and tyre. Its domestic revenues: exports ratio was 1.3x in FY11, thus enabling it to have a diversity on geographical, client-wise as well as product range front. The company has always focused on business line and manage to eke out efficiencies from all aspects of business dynamics quite effectively.

It has manufacturing facilities in Valsad & Ankleshwar, Gujarat and Tarapur, Maharashtra, backed by an employee base of ~2,500 and manufactures over 700 products serving over 2,500 clients worldwide. To cater to global customers, it has also built up bases in China, Germany, UK & USA through a 100% subsidiary. Atul was early in tapping exports markets and the efforts have borne fruit as it now constitutes a large part of its revenues stream on a consistent basis.

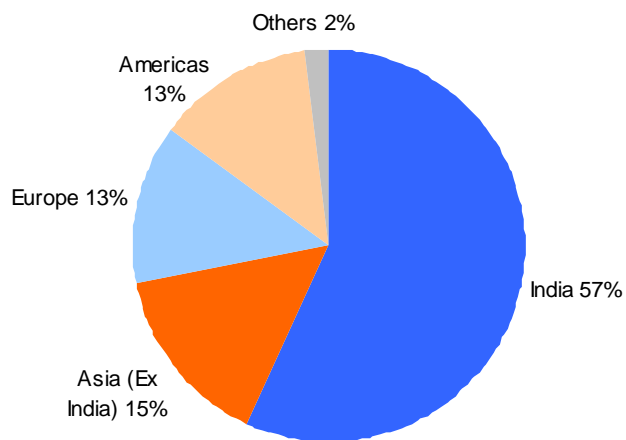
In 90s, due to changing business and technological dynamics and altered environmental landscape, chemical business globally underwent huge structural changes. At the same time inefficiencies had also crept into Atul's operations and the same resulted in lackluster performance and a surging debt. However, over past decade the company has taken sustained steps to streamline its operations on all fronts. This has had discernible fallout and in the last five years its revenues have posted a CAGR of 13%, operating profits posting a CAGR of 19%.

Revenue mix & growth



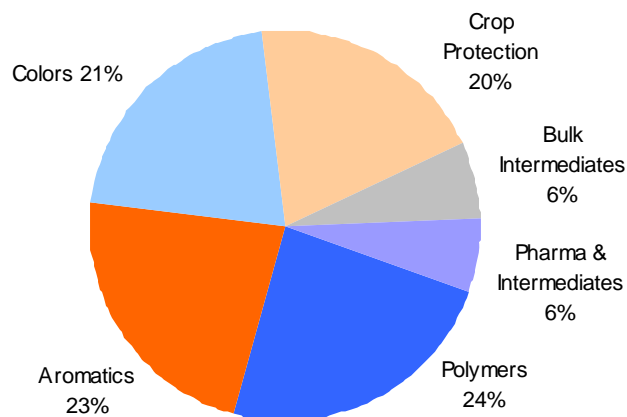
Source: Company, Antique

FY11 geographical distribution of revenues



Source: Company, Antique

FY11 revenue break-up

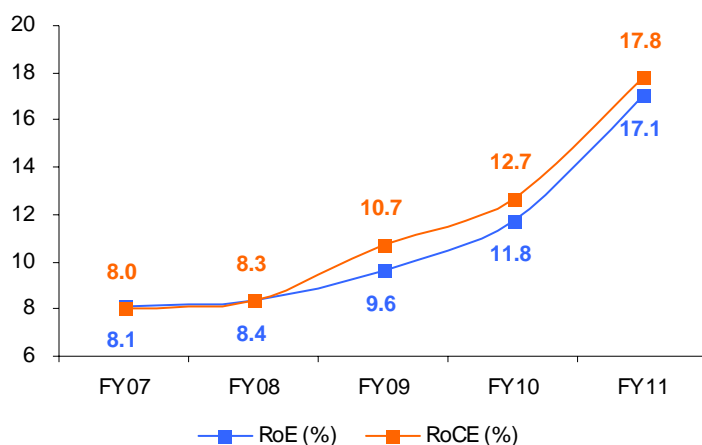


Source: Company, Antique

The apparent business driver is the focus on RoCE (product range wise) and the same has resulted in three business lines constituting almost 2/3rd of its revenues reporting RoCE in excess of 33% in FY11. This is despite strong competition in most of these businesses. Its other lines of business are almost commoditised in nature and efforts are on to increase the operational metrics and any scale up in the same has the potential to impact Atul's already improving capital ratios quite favourably.

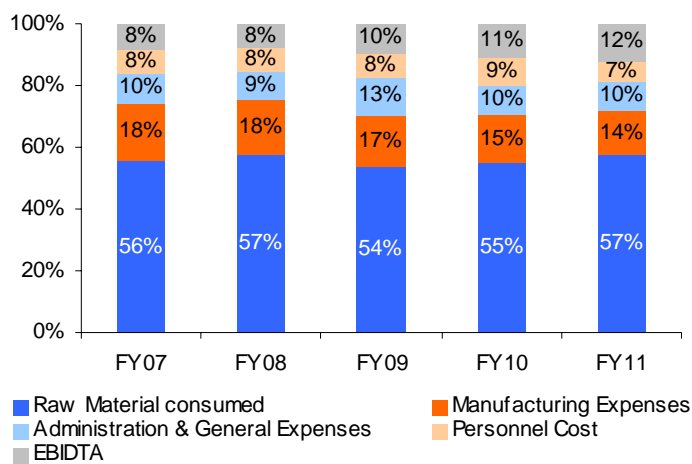
The company has exhibited a noticeable improvement in its EBIDTA margins over the past five years despite the steady uptrend in raw material prices. While exports could have provided some natural hedge, the improving efficiency of operations and product ranges have also helped.

RoE & RoCE profile



Source: Company, Antique

Costing trend



Source: Company, Antique

Product Groups

As mentioned, company's two business segments, i.e., 'Life Science Chemicals' and 'Performance & Other Chemicals' have been distributed into seven diverse product groups so that respective product team can focus on their individual businesses which would ultimately help in improving operational efficiency. These product groups are: Aromatics, Bulk chemicals & intermediates, Colors, Pharmaceuticals & intermediates, Crop protection/Agrochemicals, Polymers and others.

1. Life Science Chemicals

Crop Protection

Under the segment, Atul manufactures herbicides, fungicides and products are used by agriculture industry to protect their crops. It has a portfolio of 64 products which is distributed by 15,000 retail outlets. The major two product categories are 2,4 D group which has a 12% market share and Indoxacarb with a market share of 7%. In FY11, sales increased by 26% to INR3bn and recorded an RoCE of 45%. It is estimated that the world market for crop protection is USD44bn and Indian market currently accounts for USD1bn of the same. As population increases, the need to increase output & yield of crops would ensure sustained demand for crop protection chemical which would eventually benefit players like Atul. Currently there are 60 major companies which dominate the world market place and about 10 in India.

The company has plans to increase its presence in this business as it generates high RoCE despite the competitive pressures. Efforts are on to expand herbicide capacity, nurture branded business and also try to tap products which are coming offpatent. It is also exploring avenues of contract manufacturing through strategic alliance. However, competition from various quarters like low priced Chinese players, MNC generic players as new local entrants/ low priced suppliers could pose problems going ahead.

Pharma & Intermediates

Presently, this division is the smallest and contributes only 6% to the total revenues of the company. However, despite its size it recorded RoCE of 28% in FY11. Atul has a product portfolio of 30 products which is used by 80 clients in industries such as healthcare, Paper and aerospace.

2. Performance & Other Chemicals

Aromatics

Major product under the Aromatics division is p-cresol, and its downstream products: such as p-Anisic, Aldehyde, p-Anisic Alcohol, p-Cresidine and its byproducts: sodium sulphite & manganese sulphate. Presently Atul has 21 products under its Aromatic portfolio and the same caters to personal care, pharmaceuticals and flavor & fragrance industries. By nature, these industries are relatively insulated from economic cycles as their demand does not fluctuate drastically as compared to other industries. This product range is one of the largest as well as the most profitable for Atul as it reported revenues of INR3.5bn in FY11, with a RoCE of 40%. Exports at INR1.3bn have exhibited a growth of 22% during the same period. As this division would have substantial exposure to overseas revenues, currency movement is the perpetual overhang. The company has a very impressive share within the product category with p-cresol enjoying a global market share of 35%, p-AA 65%, p-AA1 40% and p-Cd 30%. However, company is now witnessing competition from Chinese and European manufacturers.

Bulk Chemicals & Others

This Product group spans: Sodium Hydroxide, Chlorine, Sulphuric Acid, Oleum, Sulphur Trioxide, Chlorosulphonic Acid & Resorcinol. However, the division mainly supplies chemicals to other division and recorded sales of INR980m during FY11. Apart from Oleum, which is primarily used for captive consumption, company has a domestic market share of 36% in the Resorcinol segment. It is estimated that the global market for resorcinol is USD275m and that of India currently stands at USD14m. Resorcinol is used in the automobile industry and hence its fortune has a direct correlation to the growth of this industry. As company expands its manufacturing capacities in Aromatics, Colors, Crop Protection, Pharmaceuticals & intermediates and polymers, it is expected that captive consumption of bulk chemicals would grow. However, demand and prices of bulk chemical are cyclical in nature as 60% of the division's business is commodity based and driven by uncertain trends.

Colors

This product group caters to multiple industries and contributes about 21% to the total revenues of the company and reported revenues of INR3.25bn. This segment had been reporting consistent losses over past few years, however, over last couple of years Atul has been able to successfully turnaround the operations through various restructuring initiatives and is now reporting profits at the operating level. Primary user industry of colors segment is the textile sector and as the sector grows, this segment is expected to perform well. Like textiles, automobiles, Paper dyes, HP pigments has a large market share in VAT dyes. This segment can be said to be laggard for the company as it ails from low RoCE and profitability. Efforts are on to reduce operational and fixed cost so that the profitability can be enhanced. The gameplan is to increase Vat dyes global market share through tapping overseas markets and maintain leadership in some of the product ranges.

Any improvement in this business segment has the potential to boost the overall capital ratios of the company as the segment accounts for a substantial part of revenues.

Polymers

Polymers have been one of the best performing segments during FY11, as revenues exhibited a 65% growth of INR3.6bn. This group primarily comprises epoxy resins and hardeners and formulations and has a product portfolio of 80 and 220 formulations catering to industries like aerospace, automobile, construction, defense, electronics, footwear, handicraft, marine, Paint & coatings, paper & wind energy industries. As of date, world market for epoxy resins and hardeners is USD20bn and that of India stands at USD300m. During the previous fiscal, company has been able to substantially improve their performance at the operating level with a lower capital base which meant an improvement in RoCE by 900bps to 33%.

Divisional Revenues and RoCE

Product	Revenues (INRm)	RoCE (%)
Polymers	3,640	33
Aromatics	3,500	40
Colors	3,250	7.3
Crop Protection	3,060	45
Bulk Intermediates	980	NA
Pharma & Intermediates	950	28

Source: Company, Antiqua

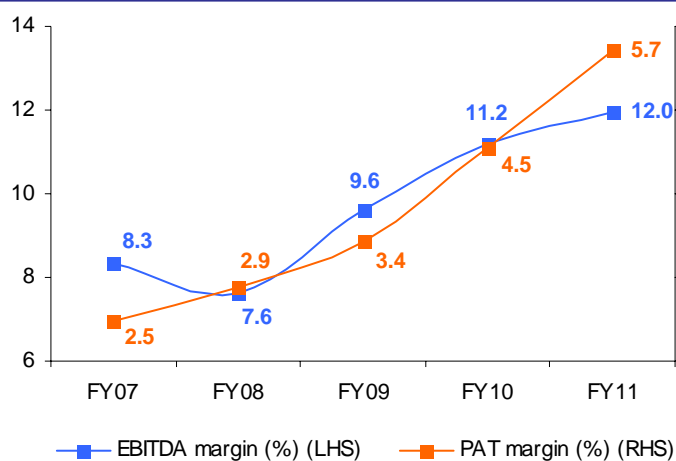
Financials

During financial year March'11, Atul recorded sales growth of 29% to INR15.6bn which was driven by 28% growth in the Life sciences chemicals segment and 30% growth in Performance & other chemicals. The growth was led by a volume improvement of ~16%, and the rest was backed by value growth. Operating margins improved by 12%, largely on account of its ability to increase prices on key product categories which ultimately led to a 37% growth in operating profits and 63% growth in the bottom line. All of above enabled the company to post RoE of 17.1% and RoCE of 17.8%; a marked improvement from 11.8% and 12.7% recorded during the previous year. However, important point to note is its ability to generate substantial cash flow from operations which has helped them strengthen their balance sheet and improve their financial ratios.

As company was earlier burdened with high debt and operational inefficiency, major part of the profits were being eaten away by high interest cost and operating expenses. Interest as a percentage of revenues stood at 10% in FY01 and has now eased to 1.7%.

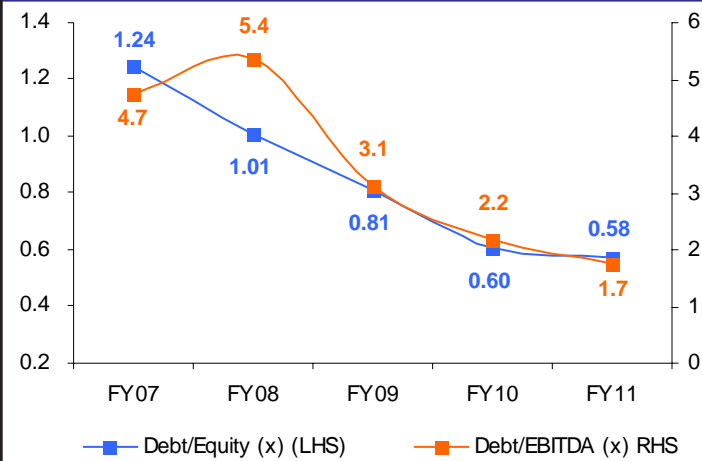
Over the last five years, the company has been able to stream line its operations and improve its operating metrics quite commendably. Its OPM improved from 8.3% in FY07 to 12% in FY11, despite raw material inflation, which resulted in it as a percentage of revenues increasing from 56% in FY07 to 57% in FY11. This conveys the improvement in operational and manufacturing efficiencies of the company. The improvement in PAT margins was from 2.5% to 5.7% during the similar period.

Margin profile



Source: Company, Antique

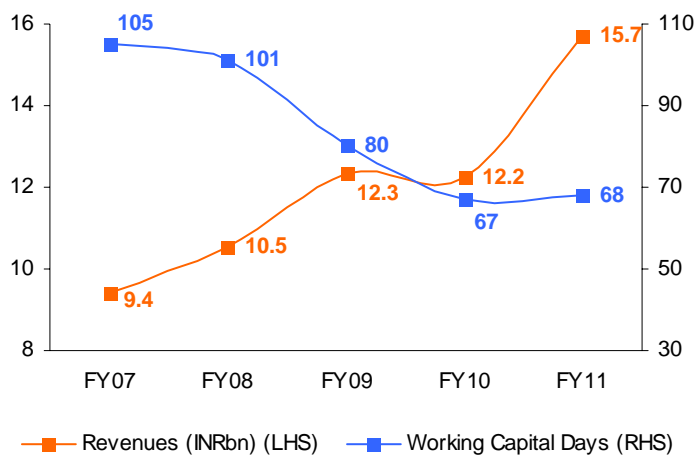
D/E and D/EBITDA ratio



Source: Company, Antique

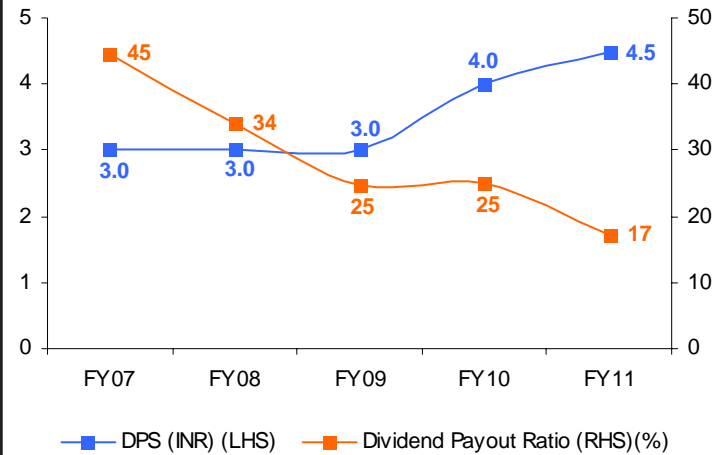
The company has also been able to improve its net working capital days considerably (from 105 days in FY07 to 68 days in FY11), despite a sharp scale up in revenues. This has enabled Atul to scale down its leverage ratio quite commendably. Also, as its capex is quite low, it has automatically translated into string cash flows and the company has all the makings of emerging as a free cash flow generating company over a sustained period of time. Ability to generate substantial cash flow from operations has meant that Atul has been able to improve its debt/equity ratio from 1.24x in FY07 to 0.58x as of FY11 and debt/EBITDA ratio from 4.7x to 1.7x which has also given them the ability to finance capex from internal sources rather than leveraging their balance sheet for funds. Return on equity and capital employed which stood at 8% and 8.1% in FY07 has now improved to 17.1% and 17.8%, respectively.

Revenue growth & working capital days



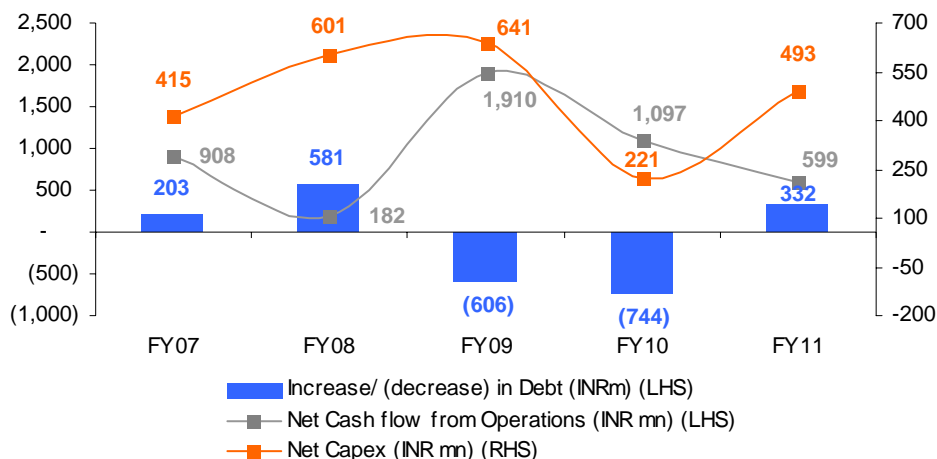
Source: Company, Antiqua

Dividend profile



Source: Company, Antiqua

Financing for capex



Source: Company, Antiqua

The company has one of the best dividend track records amongst its peers as save for FY00, it has consistently paid dividends since it commenced operations in 1952. While the dividend/share has been stable, the payout ratio has been on a downtrend i.e 45% in FY07 to 17% as of FY11.

Quarterly results

During 1QFY12, Atul witnessed sales growth of 25% to INR4,149m from INR3,328m recorded during the corresponding period of previous year. Increase in sales was mainly contributed by 34% growth in the Life sciences category; whereas Performance and other chemicals grew by 22%. 4QFY11 onwards, company has changed its segmental reporting notes. Even on a sequential basis, Life Science Chemicals has shown substantial improvement compared to Performance and other Chemicals. As per new note, Life science and chemicals segment comprises of API inters, API, Herbicides, fungicides and tissue culture products. During the quarter, company saw their raw material cost jump by 40% which impacted their operating margins by 31bps. As most of company's raw materials are based on crude oil prices, any adverse movement in the price of oil has the ability to dent their margins.

Valuation and outlook

Currently, Atul trades at a trailing PE of 6.9x and EV/EBITDA multiple of 4.7x. For FY12e, company expects their sales to reach INR21-22bn. Our back of the envelope estimates convey that they will be able to maintain an OPM of 13-13.5%. Based on low capex, reducing leverage and increasing OPM, the company has all the potential to emerge as a USD1bn revenues company with an OPM of 15% and a RoCE in excess of 25% in three years.

Other data

The company holds investments in two listed entities i.e Novartis India Ltd. (0.38m shares) and Wyeth Ltd.(1.36m shares) as of last reporting. The market value of these is estimated to be valued at INR1.67bn. While these are being carried at historical cost and there has been no indications of any divestment of the same, it is noteworthy that proceeds of any divestment can be put to good use by the company as its main line businesses are now increasing their RoCE.

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	26	26	0	69	6.3	6.7	2.4	2.5	11.0	10.6	7.7	7.2	0.8	5.4	15.1	14.6	4	(30)
Bajaj Auto	BUY	1,549	1,787	15	448	26.2	29.3	90.4	101.1	17.1	15.3	13.2	11.9	6.6	1.9	42.9	56.7	0	8
Bosch	BUY	7,104	7,940	12	223	8.6	11.3	273.5	360.0	26.0	19.7	21.2	16.4	4.4	0.8	22.4	28.5	(1)	17
Exide Industries	HOLD	131	160	22	111	6.2	6.7	7.3	7.9	18.0	16.5	12.7	11.7	3.4	0.8	20.3	30.5	(16)	(16)
Escorts	HOLD	72	114	58	8	1.0	1.7	10.1	16.3	7.1	4.4	4.4	3.1	0.4	2.9	8.5	10.7	3	(63)
Hero Honda Motors	BUY	2,037	2,330	14	407	19.3	22.6	100.5	113.4	20.3	18.0	19.0	17.1	10.2	4.9	78.5	95.0	2	13
Mahindra & Mahindra	BUY	776	843	9	476	25.4	27.5	40.6	42.0	19.1	18.4	14.3	13.0	4.1	1.4	22.5	28.4	9	12
Maruti Suzuki	BUY	1,091	1,283	18	315	23.5	22.2	79.2	76.8	13.8	14.2	7.9	8.7	2.0	0.6	14.0	22.4	(6)	(25)
Tata Motors	BUY	147	212	44	437	89.4	89.1	28.0	27.9	5.2	5.3	3.9	3.7	1.7	1.4	32.6	27.5	1	(32)
CEMENT																			
ACC	BUY	1,069	1,147	7	201	11.2	12.8	59.6	68.1	17.9	15.7	12.6	9.4	2.8	2.8	28.0	18.9	7	7
Ambuja Cements	HOLD	145	146	1	222	12.6	13.2	8.1	8.6	17.9	16.8	11.2	9.3	2.7	1.9	17.0	22.1	9	(1)
HeidelbergCement India	BUY	36	51	41	8	0.7	1.2	3.1	5.1	11.5	7.1	8.9	5.1	0.8	-	12.6	25.1	9	(28)
Shree Cements	BUY	1,804	2,101	17	63	2.1	2.6	61.2	75.8	29.4	23.8	8.0	6.6	2.7	0.7	11.7	12.7	8	(11)
Ultratech Cements	HOLD	1,162	1,206	4	318	14.4	18.7	52.4	68.2	22.2	17.0	14.3	10.2	2.6	0.5	16.6	18.3	10	12
DIVERSIFIED																			
Aditya Birla Nuvo	BUY	920	1,060	15	104	3.4	3.7	29.9	32.6	30.8	28.2	16.4	14.9	1.9	0.4	6.7	7.7	8	6
FMCG & RETAIL																			
Asian Paints	HOLD	3,090	2,883	(7)	296	8.8	10.3	87.4	102.8	35.4	30.1	22.6	19.6	12.9	1.2	43.0	43.3	(6)	13
Britannia Industries	HOLD	463	452	(2)	55	1.5	2.2	12.2	18.2	38.1	25.4	26.8	18.1	9.6	1.6	32.2	20.1	(0)	8
Colgate Palmolive India	SELL	983	832	(15)	134	4.0	4.1	29.6	30.5	33.2	32.2	28.8	26.4	30.2	2.3	104.8	108.4	3	11
Dabur India	BUY	103	111	8	179	5.7	6.6	3.3	3.8	31.4	27.1	25.4	21.1	9.9	1.4	40.8	27.3	(2)	(1)
Godrej Consumer Products	HOLD	415	411	(1)	134	4.7	5.7	14.4	17.7	28.8	23.4	23.7	17.7	6.6	1.5	35.6	38.7	(3)	2
Hindustan Unilever	HOLD	331	342	3	716	21.6	24.7	10.0	11.4	33.2	29.0	29.6	25.5	22.2	2.2	76.5	76.1	4	9
ITC	BUY	192	218	14	1,488	49.9	62.1	6.4	8.0	29.7	23.9	20.5	16.7	8.3	2.5	31.3	40.5	(6)	10
Jyothy Laboratories	SELL	165	169	2	13	0.8	0.8	9.5	9.4	17.3	17.5	11.7	11.6	2.0	2.2	11.9	11.1	(5)	(42)
Marico	BUY	145	155	7	89	2.6	2.9	4.2	4.7	34.8	30.7	23.2	19.7	7.7	0.5	28.0	19.8	(6)	15
Nestle India	SELL	4,311	3,699	(14)	416	8.4	10.4	86.8	108.3	49.7	39.8	33.1	26.4	39.8	1.8	97.8	131.2	1	32
Pantaloon Retail	BUY	229	331	45	50	1.9	2.9	8.7	12.6	26.2	18.1	8.5	6.8	1.5	0.6	8.3	11.0	(22)	(53)
Titan Industries	BUY	224	244	9	199	4.3	5.6	4.9	6.3	45.8	35.7	34.9	26.8	13.7	0.9	38.3	45.1	7	36
United Breweries	HOLD	390	434	11	99	1.7	2.2	6.5	8.7	59.6	44.7	28.8	21.3	1.5	0.2	12.0	10.4	(9)	(8)
United Spirits	HOLD	780	1,068	37	102	3.7	4.4	30.3	36.0	25.8	21.7	14.5	12.2	2.1	0.2	8.9	9.2	(18)	(51)
INFRASTRUCTURE																			
IL&FS TransportationNetworks	BUY	198	330	67	38	4.3	4.9	22.3	25.3	8.9	7.8	7.3	7.1	1.5	1.5	19.6	14.0	8	(42)
Mundra Port And SEZ	BUY	150	164	9	300	8.2	11.1	3.9	5.4	38.0	27.6	26.5	17.8	6.1	0.5	19.4	14.6	8	(10)
INFORMATION TECHNOLOGY																			
HCL Technologies	HOLD	388	427	10	268	17.1	20.0	24.6	28.5	15.8	13.6	10.3	8.8	2.8	2.1	20.2	28.2	(2)	(6)
Infosys Technologies	BUY	2,339	3,318	42	1,343	68.2	77.7	119.4	136.0	19.6	17.2	13.1	10.8	4.0	1.3	23.5	28.9	3	(22)
Persistent Systems	BUY	301	525	75	12	1.4	1.4	34.7	34.4	8.7	8.7	7.0	5.4	1.4	3.0	15.5	16.3	-	(26)
Tata Consultancy Services	BUY	990	1,344	36	1,938	90.7	106.3	29.5	17.2	33.5	57.5	16.7	12.8	6.2	1.7	34.0	41.1	1	6
Wipro	BUY	340	382	13	834	310.5	357.5	21.8	21.9	15.6	15.5	12.8	12.3	3.0	2.1	19.4	17.7	2	(23)
Financial Technologies	BUY	841	1,708	103	39	2.0	1.6	44.4	51.3	19.0	16.4	20.7	15.4	1.5	2.4	9.0	9.7	12	(39)
KPIT Cummins	BUY	152	208	37	13	0.9	1.2	11.7	14.1	13.0	10.8	8.2	6.6	1.9	0.7	17.4	18.9	2	(8)
MEDIA																			
Den Networks	BUY	55	75	35	7	0.4	0.3	2.9	2.1	19.3	26.8	6.0	6.7	0.9	-	3.5	5.2	26	(76)
Dish TV India	BUY	77	91	18	82	(1.9)	(1.2)	(1.8)	(1.1)	(43.1)	(70.7)	37.4	17.8	5.0	-	(7.0)	(0.1)	(6)	42
Hathway Cable & Datacom	BUY	83	135	63	12	(0.2)	(0.1)	(1.6)	(0.4)	(52.3)	(209.1)	7.6	6.5	1.4	-	(0.7)	1.5	(6)	(61)
TV 18 Broadcast	BUY	40	99	147	14	(0.2)	0.9	(0.5)	2.6	(79.8)	15.5	40.8	9.5	1.7	-	10.7	10.9	(14)	(68)
Sun TV Network	BUY	290	502	73	114	7.6	8.4	19.5	21.5	14.8	13.5	6.9	6.3	4.1	2.2	30.2	39.9	(4)	(43)
UTV Software Communications	HOLD	967	729	(25)	39	1.4	2.0	33.3	49.1	29.0	19.7	26.8	14.8	3.5	-	14.4	1.0	3	82
Zee Entertainment Enterprises	BUY	114	194	71	111	6.2	6.8	6.3	6.9	18.0	16.4	13.0	11.1	2.3	1.8	13.9	27.7	(7)	(25)

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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	77	111	44	15	1.9	2.1	10.3	10.6	7.4	7.2	5.8	5.6	0.9	3.9	13.1	16.0	(1)	(20)
Hindalco Industries	BUY	134	235	76	256	12.8	19.2	12.8	19.2	10.4	7.0	5.3	4.7	1.4	2.1	11.4	10.4	(8)	(29)
Hindustan Zinc	BUY	126	173	37	532	45.2	51.8	11.6	13.7	10.9	9.2	6.6	4.8	1.9	0.8	19	19	0	18
Jindal Steel & Power	UR	524	UR	NA	490	43.7	48.3	46.1	50.9	11.4	10.3	8.0	6.7	2.8	0.8	28	17	4	(25)
JSW Steel	HOLD	633	944	49	141	20.1	25.0	90.1	104.0	7.0	6.1	4.2	3.5	0.7	2.4	11.7	11.1	(6)	(50)
Monnet Ispat	BUY	493	618	25	32	2.6	3.2	40.9	50.2	12.1	9.8	13.1	10.5	16.4	3.2	17.4	13.2	2	(1)
Prakash Industries	BUY	53	107	102	7	2.2	2.1	16.3	15.7	3.3	3.4	3.0	3.2	0.4	-	11.6	12.8	(2)	(68)
Sesa Goa	HOLD	207	218	5	180	42.2	34.5	49	40	4.3	5.2	1.5	2.0	1.2	1.6	33.0	23.0	(7)	(38)
Steel Authority of India	SELL	105	108	3	432	48.8	38.1	11.8	9.2	8.8	11.3	6.1	7.6	1.1	3.2	9.9	8.6	(6)	(49)
Sterlite Industries	BUY	123	206	68	412	50.4	52.0	15.0	15.5	8.2	7.9	5.1	4.4	0.9	0.9	11.3	12.0	(4)	(29)
TATA Steel	HOLD	433	423	(2)	415	89.8	79.6	93.7	82.0	4.6	5.3	5.9	6.2	0.9	2.7	17.9	9.0	(9)	(31)
OIL & GAS																			
Bharat Petroleum Corp.	BUY	657	766	16	238	22.2	18.3	67.7	55.7	9.7	11.8	12.4	10.4	1.4	1.9	15.8	5.3	(4)	(16)
Essar oil	BUY	87	166	90	119	6.5	7.5	4.8	5.5	18.3	16.0	9.7	9.0	1.6	-	10.2	8.0	(1)	(34)
GAIL India	HOLD	422	447	6	535	36.3	38.4	28.6	30.3	14.7	13.9	9.7	8.9	2.4	1.8	18.8	22.6	2	(12)
Gujarat State Petronet Limited	BUY	101	134	33	57	5.1	4.5	9.0	8.0	11.2	12.7	7.2	7.7	18.1	7.4	18.7	19.6	5	(8)
Hindustan Petroleum Corp.	BUY	372	480	29	126	15.4	12.0	45.4	35.3	8.2	10.5	11.3	9.9	0.9	2.8	12.3	5.1	(4)	(31)
Indian Oil Company	BUY	313	432	38	760	74.5	77.3	31.4	32.6	10.0	9.6	10.9	8.0	1.2	2.8	13.5	6.6	(1)	(28)
MRPL	BUY	64	117	83	112	12.3	8.1	7.0	4.6	9.1	13.8	5.9	8.0	7.6	1.4	11.2	8.5	(1)	(19)
Oil India	BUY	1,309	1,638	25	315	28.9	33.2	120.1	138.2	10.9	9.5	5.2	3.9	1.8	2.9	18.6	21.3	(1)	(13)
Oil & Natural Gas Corp.	BUY	258	342	33	2,206	189.2	222.1	112.3	30.4	2.3	8.5	5.2	4.6	2.0	0.1	19.4	19.2	(7)	(28)
Petronet LNG	BUY	165	189	15	124	6.2	9.4	8.3	12.5	20.0	13.2	13.3	9.4	3.6	1.5	19.7	15.9	(10)	54
Reliance Industries	BUY	771	991	29	2,523	209.4	238.7	64.0	72.9	12.0	10.6	7.9	6.7	1.3	1.0	12.3	9.9	1	(23)
PHARMACEUTICALS																			
Aurobindo Pharma	BUY	132	273	107	39	5.8	5.3	19.9	18.2	6.6	7.3	6.2	6.7	1.5	0.5	16.1	22.9	0	(37)
Cadila Healthcare	BUY	807	1,050	30	165	7.1	8.8	33.3	43.0	24.2	18.8	16.9	12.9	5.7	0.9	21.6	35.9	(5)	27
Claris Lifesciences	BUY	120	262	118	8	1.5	1.9	24.1	29.2	5.0	4.1	3.6	3.3	0.7	6.1	16.5	21.5	(1)	-
Dr Reddy's Limited	BUY	1,487	1,867	26	252	10.0	11.5	59.0	68.0	25.2	21.9	17.6	13.7	5.1	1.1	20.7	25.8	3	(0)
Indoco Remedies	BUY	395	584	48	5	0.5	0.6	39.2	50.3	10.1	7.8	6.9	5.0	1.2	2.9	16.4	16.6	(0)	(5)
Ipca Laboratories	BUY	271	394	45	34	2.4	3.4	19.2	27.3	14.1	9.9	9.7	6.8	2.3	-	18.5	26.8	(12)	(10)
Lupin	BUY	476	515	8	212	8.8	10.9	19.9	24.5	23.9	19.4	17.1	13.5	5.0	0.5	29.1	28.7	9	19
Sun Pharma	HOLD	469	527	12	483	15.5	21.7	15.0	20.9	31.4	22.4	24.6	17.4	4.4	0.5	22.4	21.4	(0)	24
Ranbaxy Laboratories Limited	SELL	473	385	(19)	199	15.9	7.8	35.5	18.4	13.3	25.7	7.0	14.3	3.2	0.4	9.6	13.0	1	(16)
REAL ESTATE																			
D B Realty	UR	56	UR	NA	14	3.8	4.8	15.6	19.6	3.6	2.8	3.3	2.6	0.3	-	12.2	16.4	(15)	(87)
DLF	UR	198	UR	NA	335	16.4	14.9	9.7	8.8	20.4	22.5	15.0	14.4	1.2	1.0	5.5	6.2	8	(43)
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	(7)	(62)
Indiabulls Real Estate	UR	75	UR	NA	30	1.6	2.8	4.0	6.5	18.7	11.5	19.0	9.5	0.3	-	1.6	2.0	(6)	(57)
Phoenix Mills	UR	218	UR	NA	32	0.9	1.1	6.5	7.9	33.5	27.7	29.5	19.6	1.8	0.6	5.6	3.6	7	(9)
Sobha Developers	UR	220	UR	NA	22	1.9	2.3	19.5	23.0	11.2	9.5	9.7	8.4	1.0	1.3	10.9	9.5	(4)	(40)
Unitech	UR	27	UR	NA	71	5.7	6.4	2.2	2.4	12.7	11.2	13.6	11.3	0.6	-	4.9	5.1	3	(67)
SHIPPING AND LOGISTICS																			
Container Corp. of India	HOLD	917	1,161	27	119	8.3	9.3	63.9	71.9	14.4	12.8	9.3	8.6	2.1	2.0	16.4	21.9	(2)	(30)
Essar Ports Ltd	BUY	63	159	151	26	0.5	1.4	1.1	3.2	56.4	20.0	14.0	9.9	1.1	-	5.7	7.4	(14)	(63)
Great Eastern Shipping Co	BUY	251	329	31	38	4.2	4.8	27.8	31.7	9.0	7.9	9.1	8.6	0.6	3.2	7.5	6.5	7	(18)
Great Offshore	BUY	129	315	144	5	0.6	0.9	17.4	24.8	7.4	5.2	8.6	7.2	0.4	3.1	7.5	6.1	(11)	(66)
Mercator Lines	BUY	25	48	91	6	1.0	1.3	3.8	4.8	6.6	5.3	5.0	5.3	0.3	4.0	5.6	5.6	(1)	(53)
SUGAR																			
Balrampur Chini Mills	BUY	50	70	41	12	1.7	0.7	6.4	3.0	7.8	16.7	6.2	10.0	1.0	2.0	5.7	6.3	(9)	(43)
Shree Renuka Sugars	BUY	57	85	50	38	7.0	3.2	10.5	4.8	5.4	5.4	8.3	6.5	1.5	1.8	12.9	12.6	(0)	(29)
Triveni Engineering & Ind	BUY	22	49	119	6	2.0	2.6	7.6	9.9	3.0	2.3	3.0	2.0	0.4	6.4	18.6	23.6	(1)	(80)

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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	752	533	(29)	159	2.2	3.6	10.4	17.0	72.6	44.1	187.3	29.4	5.6	0.0	12.8	16.5	(4)	(14)
Adani Power	UR	85	UR	NA	184	10.6	21.8	4.9	10.0	17.3	8.5	23.0	10.4	1.9	-	22.8	8.7	(6)	(38)
BGR	BUY	335	618	84	24	3.2	3.7	44.9	51.5	7.5	6.5	4.8	5.8	2.0	3.4	34.1	19.9	4	(56)
Bharat Heavy Electricals	BUY	1,599	2,384	49	783	54.8	64.7	112.0	132.2	14.3	12.1	9.1	7.4	3.2	2.2	26.9	34.4	(9)	(35)
CESC	BUY	278	391	41	35	2.5	3.0	20.1	23.9	13.8	11.6	12.1	13.5	0.7	2.1	8.6	3.1	(10)	(31)
Lanco Infrastructure	BUY	16	35	115	39	4.5	6.0	1.9	2.5	8.7	6.5	15.0	9.1	0.9	-	13.3	7.8	(3)	(76)
Larsen & Toubro	BUY	1,451	1,776	22	887	43.3	51.1	71.2	84.0	20.4	17.3	15.3	13.1	2.9	1.0	16.9	11.5	(9)	(27)
NTPC	BUY	167	203	21	1,377	93.7	97.8	11.4	11.9	14.7	14.1	11.1	10.3	1.9	2.8	13.3	10.8	(3)	(19)
Power Grid	BUY	96	114	19	445	24.3	29.1	5.2	6.3	18.3	15.3	12.1	10.7	1.9	1.6	11.2	8.1	(5)	(9)
PTC India	BUY	69	96	38	20	1.4	1.3	4.7	4.4	14.6	15.9	9.7	10.1	0.9	2.2	7.6	5.3	(4)	(42)
Reliance Infrastructure	BUY	428	1,065	149	115	15.0	16.0	65.6	70.2	6.5	6.1	12.2	11.8	0.4	5.7	6.4	2.0	(5)	(60)
Siemens	SELL	855	818	(4)	291	9.8	11.0	29.1	32.7	29.4	26.1	20.8	18.9	22.9	0.8	21.8	30.8	(2)	9
Suzlon Energy	BUY	38	70	82	68	(5.5)	4.9	(3.0)	2.6	(12.9)	14.7	23.5	8.3	1.1	1.2	7.5	7.4	(1)	(28)
Tata Power	SELL	991	917	(7)	235	20.6	19.0	86.8	77.1	11.4	12.8	10.0	7.8	1.7	1.3	12.9	4.3	(9)	(25)
Tecpro Systems	BUY	232	379	63	12	1.3	1.7	7.0	30.0	33.2	33.2	2.6	1.8	1.8	1.8	21.3	21.9	(9)	-

MISCELLANEOUS

Amtek Auto	HOLD	131	NA	NA	30	1.6	4.0	6.9	17.2	19.0	7.6	6.2	5.1	0.6	1.5	7.4	8.9	(6)	(24)
Bajaj Electricals Ltd.	BUY	181	303	68	18	1.4	1.6	14.5	16.5	12.4	10.9	7.2	6.4	2.4	1.7	24.2	35.4	1	(39)
Gayatri Projects	BUY	140	494	252	2	0.7	0.9	47.9	64.6	2.9	2.2	2.8	2.4	0.4	3.2	19.4	20.7	(9)	(65)
Havell's India	BUY	360	492	37	45	3.0	4.2	24.3	33.5	14.8	10.7	9.7	7.2	4.4	0.8	57.6	30.1	8	(7)
Maharashtra Seamless	BUY	360	492	37	25	3.5	3.7	49.2	51.8	7.3	6.9	5.2	4.1	0.9	1.7	14.2	20.3	3	(7)
Mahindra Holidays	BUY	321	481	50	27	1.0	1.4	12.5	16.4	25.8	19.6	20.9	13.5	4.5	1.6	25.0	13.5	(8)	(35)
Nava Bharat Ventures	BUY	192	277	45	17	3.1	1.4	33.9	15.9	5.7	12.0	5.1	7.7	0.9	1.4	7.5	6.2	10	(52)
Opto Circuits	BUY	232	314	36	43	3.7	4.9	19.7	26.2	11.8	8.8	11.2	7.3	2.4	1.9	31.1	24.9	(18)	(25)
Rainbow Papers	HOLD	66	60	(10)	6	0.4	0.6	4.1	6.2	16.3	10.8	10.3	6.3	1.8	0.8	14.7	9.5	16	20
REI Agro Ltd	BUY	25	34	35	24	2.7	4.6	2.8	4.8	9.0	5.3	6.4	5.3	0.9	1.6	16.5	13.3	11	15
S Kumars Nationwide	BUY	45	89	99	13	2.8	3.8	9.5	12.7	4.7	3.5	4.5	3.8	0.4	-	15.5	14.9	2	(43)
Spice Jet	BUY	23	41	78	9	1.0	0.4	2.6	0.9	9.0	26.2	1.5	2.6	2.6	-	9.8	(1.3)	(3)	(70)
Sterlite Technologies	BUY	38	59	55	15	1.4	1.7	3.8	4.5	10.2	8.5	7.1	5.4	0.5	1.3	14.6	16.8	(4)	(62)
V-Guard Industries Ltd.	HOLD	221	240	8	7	0.4	0.5	14.3	17.5	15.5	12.7	10.9	7.6	3.1	1.4	27.1	27.7	8	17
West Coast Paper Mills	BUY	71	104	47	4	0.9	1.2	14.4	18.4	5.0	3.9	6.8	4.9	0.6	2.8	14.2	7.7	(10)	(29)

UR: Under Review

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	1,087	1,580	45	448	34	41	83	100	13.2	10.9	0.3	0.3	2.4	1.5	19.8	1.5	0	(27)
Bajaj Auto Finance	BUY	654	945	45	24	2	3	67	78	16.1	8.4	1.8	1.8	2.3	1.5	19.4	2.7	(1)	(15)
HDFC	HOLD	625	714	14	920	35	40	24	27	25.9	22.7	0.4	0.4	5.4	1.4	21.8	2.8	(3)	(14)
HDFC Bank	HOLD	456	515	13	1067	39	51	17	22	26.8	20.8	0.2	0.3	4.2	0.8	18.7	1.7	(1)	(7)
ICICI Bank	BUY	844	1,320	56	972	52	66	45	57	18.9	14.7	1.1	1.3	2.0	1.9	11.5	1.5	(1)	(23)
LIC Housing Finance	HOLD	206	238	16	98	10	11	21	24	10.0	8.8	0.0	0.1	2.3	1.8	24.3	1.9	(0)	(21)
Punjab National Bank	BUY	970	1,340	38	307	44	50	140	158	6.9	6.1	0.8	0.6	1.7	0.3	21.2	1.2	(2)	(24)
Shriram Transprt finance	BUY	603	778	29	136	12	15	54	65	11.1	9.3	0.0	0.0	2.8	0.5	26.4	4.1	0	(21)
State Bank Of India	BUY	1,950	2,764	42	1238	83	115	130	164	15.0	11.9	1.4	1.3	2.4	1.5	14.5	0.9	(5)	(38)
YES Bank	HOLD	267	330	23	94	7	9	21	25	12.8	10.9	0.0	0.0	2.5	1.1	20.5	1.3	(4)	(21)
Bank of Baroda	BUY	776	1,063	37	304	42	48	108	121	7.2	6.4	0.3	0.5	1.6	2.5	20.8	1.2	5	(10)
Union Bank of India	BUY	243	407	68	127	21	26	40	50	6.1	4.9	1.2	0.9	1.4	3.3	21.8	1.0	(2)	(36)
Rural Electrification Corp	BUY	174	220	27	171	26	30	24	30	7.2	5.8	0.0	0.0	1.3	3.5	21.5	3.0	(2)	(49)
Power Finance Corp	BUY	150	200	33	198	27	30	23	23	6.4	6.6	-	-	1.1	3.3	16.7	2.6	0	(56)

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