

Apr – Jun'11 Earnings Preview

Not a pretty picture





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(All prices as on July 5, 2010)

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Not a pretty picture

Revenue growth slowing and margins dropping: Revenue growth of Nifty companies has been around the 20-25% mark for several quarters and the same is likely to continue in the current earnings as well with revenue growth of about 25.2%. PAT growth on the other hand been on a declining trend and is likely to hit slightly below zero for Q1FY12. The falling profits are essentially due to declining margins and higher interest and depreciation costs. For companies under our coverage, revenue and PAT is expected to grow by 22.2% and 10.7% respectively. EBITDA margin (ex. BFSI) is expected to decline by 133bps YoY, though likely to remain flat QoQ. The effect of higher raw material costs, reduced pricing power and weakening investment demand is clearly being felt in the financial results of corporate India.

Consumers, Technology and Oil & Gas sectors to put up a relatively better show: In an overall dismal landscape very few sectors are expected to deliver a strong showing. Consumer Staples will continue to do well led by decent rural demand and relatively better pricing power. Technology is also expected to report good numbers due to continuing volume growth in the US and marginally improved pricing power. Oil & Gas numbers are likely to be good essentially led by higher crude realization, higher refining and petchem margins and continuing volume growth for CGD players.

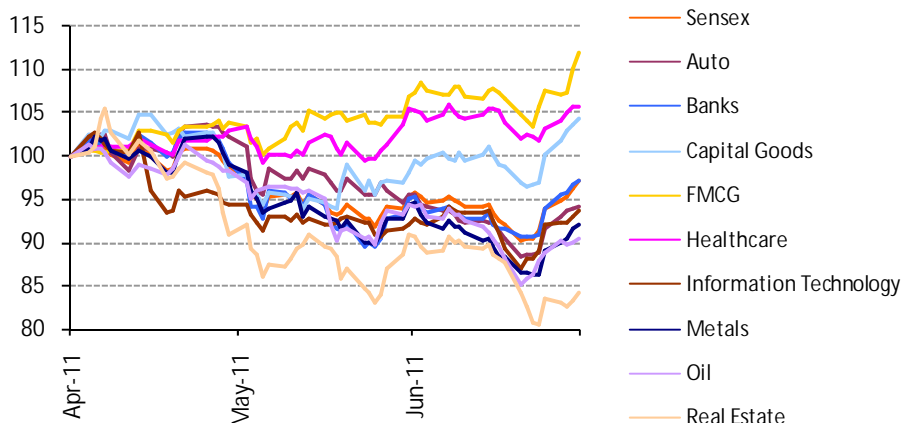
Weak performance from Banks, Construction, Real Estate and Power Utilities: Banks (particularly PSUs led by SBI) will report weak performance on account lower margins and higher provisions. We also expect to see poor numbers from construction companies due to weak order flow & execution and higher interest costs. Real Estate financials continue to be hit by poor volumes and higher input costs. Power utilities too are facing problems of low PLFs (due to coal availability) and low realizations on merchant tariffs.

Like the investment climate, the market sentiment & Outlook also remains lackluster: Given the extraordinarily poor investment climate and weakening consumer demand, we believe financial results from corporate India will remain lackluster for some more quarters. Report numbers may start improving on account of base effect or lower raw material costs, but the underlying momentum is likely to take a while to revive. For the year our analysts are forecasting 17.1% growth in Nifty earnings (slightly above consensus) though we admit there remains some downside to this forecast.

Top Picks

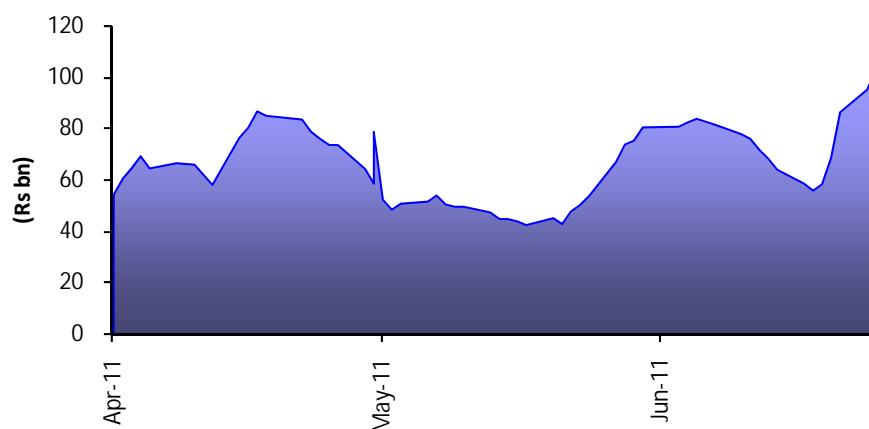
- Coal India
- ITC
- Tata Motors
- HCL Technologies
- ONGC
- ICICI Bank
- Hindustan Zinc
- NHPC
- Infosys Technologies
- HDFC Bank
- Bajaj Auto
- Crompton Greaves

Sectoral indices in Q1FY12



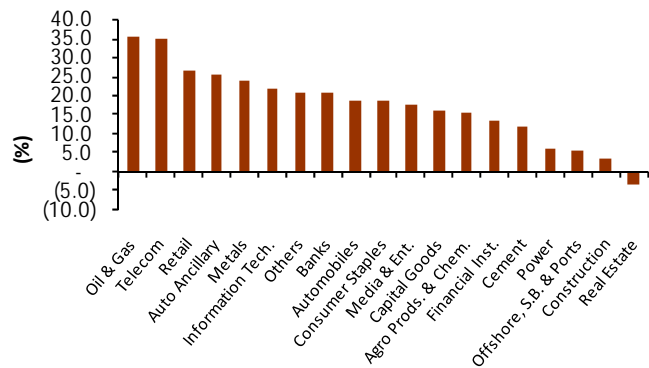
Source: Bloomberg, PL Research

Cumulative FII inflows in Q1FY12



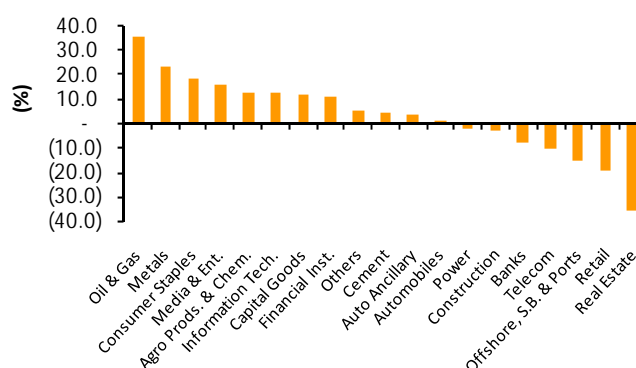
Source: SEBI, PL Research

Q1FY12 revenue growth estimate (YoY)

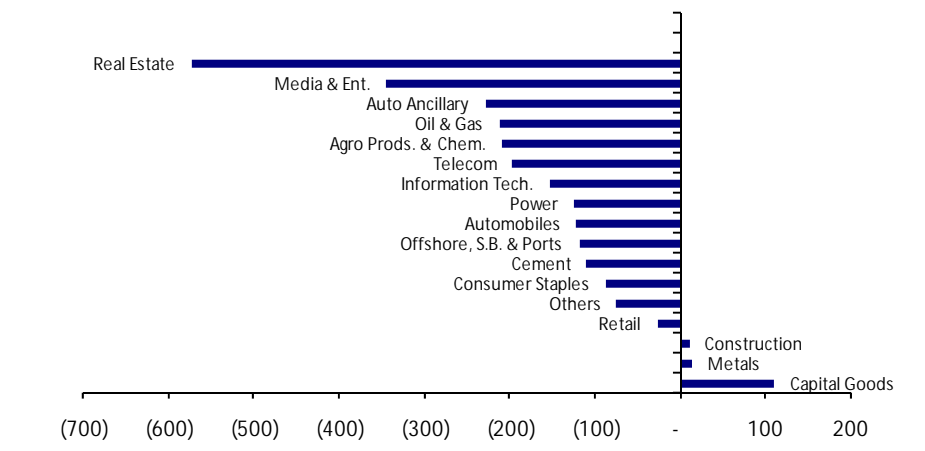


Source: PL Research

Q1FY12 profit growth estimate (YoY)



Source: PL Research

EBITDAM YoY change in Q1FY12 (bps)


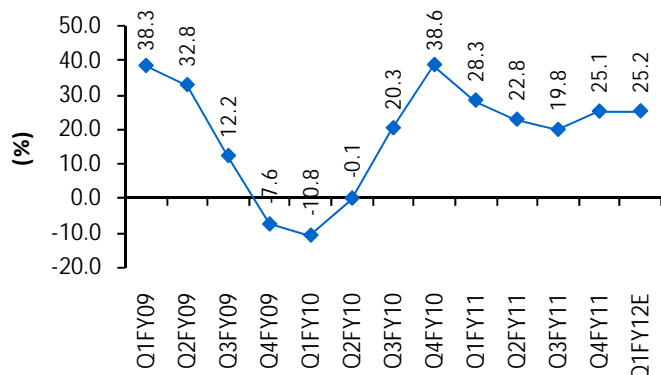
Source: PL Research

Sector-wise growth and margin expectations – Q1FY12 PL estimates

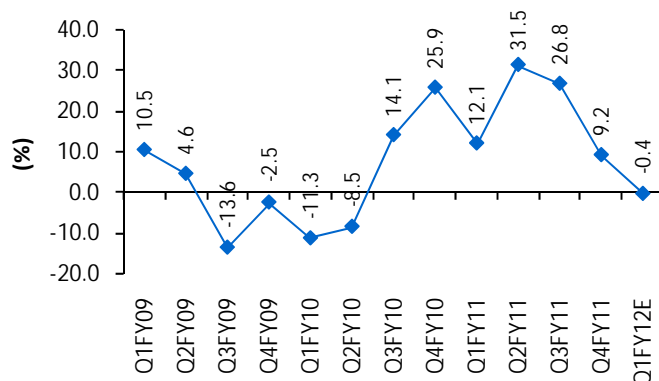
	Revenue (%)		PAT (%)		EBITDA Margin (bps)	
	YoY	QoQ	YoY	QoQ	YoY	QoQ
Automobiles	18.8	(8.1)	1.1	(15.9)	(122)	(33)
Auto Ancillary	25.2	(2.6)	3.8	(17.0)	(227)	(39)
Agro Prods. & Chem.	15.7	(0.2)	13.0	0.2	(209)	(44)
Banks	20.7	0.1	(8.1)	11.4		
Capital Goods	16.1	(38.8)	11.8	(58.4)	108	(358)
Cement	11.9	(1.1)	4.6	0.0	(110)	39
Construction	3.8	(37.5)	(3.1)	(45.1)	10	38
Consumer Staples	18.5	5.8	18.8	9.6	(89)	99
Financial Inst.	13.3	(4.7)	11.0	(4.9)		
Information Tech.	21.8	3.4	12.7	(3.9)	(153)	(111)
Media & Ent.	17.4	0.2	15.9	(15.8)	(344)	(175)
Metals	23.8	(7.2)	23.3	(15.0)	12	(28)
Offshore, S.B. & Ports	5.8	(5.5)	(15.0)	(14.9)	(118)	229
Oil & Gas	35.5	6.6	36.0	14.4	(212)	88
Power	6.0	(0.4)	(2.1)	(30.1)	(125)	(106)
Real Estate	(3.1)	(21.9)	(36.3)	(3.8)	(572)	1,403
Retail	26.5	3.3	(19.6)	15.5	(27)	69
Telecom	34.7	4.4	(10.4)	3.5	(196)	9
Others	20.8	(10.8)	5.4	3.0	(75)	482
PL Universe	22.2	(5.4)	10.7	(7.0)	(123)	51

Source: Company Data, PL Research

*EBITDA Margins are excluding BFSI

Nifty Revenue Growth (YoY) (excl. Oil & Gas)


Source: PL Research

Nifty PAT Growth (YoY) (excl. Oil & Gas)


Source: PL Research

Nifty Valuation

	Weight-age (%)	FY10	FY11	FY12E	FY13E
Banking & Fin.					
	27.3%				
PER (x)		23.5	20.7	15.7	12.2
PAT Growth (%)		13.7	13.4	32.3	28.9
Technology					
	14.0%				
PER (x)		28.4	24.9	21.1	17.4
PAT Growth (%)		19.0	13.8	18.3	20.9
Oil & Gas					
	13.1%				
PER (x)		15.8	11.2	9.7	9.3
PAT Growth (%)		5.6	41.3	15.1	5.2
Eng. & Power					
	12.9%				
PER (x)		22.3	19.6	18.7	16.5
PAT Growth (%)		19.2	13.9	4.7	13.2
FMCG					
	8.2%				
PER (x)		35.7	31.2	26.3	23.4
PAT Growth (%)		7.8	14.3	18.9	12.3
Metals					
	7.9%				
PER (x)		15.0	11.2	9.6	8.1
PAT Growth (%)		(19.2)	33.6	17.1	18.9
Auto					
	7.2%				
PER (x)		22.3	11.8	10.8	9.7
PAT Growth (%)		409.2	90.0	8.6	11.8

	Weight-age (%)	FY10	FY11	FY12E	FY13E
Pharma					
	3.8%				
PER (x)		42.4	23.7	22.0	18.4
PAT Growth (%)		51.4	78.8	7.9	19.7
Telecom					
	3.1%				
PER (x)		12.0	22.4	18.0	13.4
PAT Growth (%)		(0.6)	(46.5)	24.4	34.3
Cement					
	2.0%				
PER (x)		9.9	12.7	12.0	10.6
PAT Growth (%)		33.1	(22.0)	5.9	12.4
Real Estate					
	0.5%				
PER (x)		21.6	25.4	21.9	18.2
PAT Growth (%)		(59.4)	(15.0)	16.1	20.5
Nifty as on July 5					
	5,632				
Nifty EPS (Rs)		274.5	334.4	391.6	454.6
Growth (%)		9.7	21.8	17.1	16.1
Nifty BV (Rs)		1,600	1,930	2,298	2,613
RoE (%)		17.2	17.3	17.0	17.4
PER (x)		20.5	16.8	14.4	12.4
P/BV (x)		3.5	2.9	2.5	2.2
Sensex as on July 5					
	18,727				
Sensex EPS (Rs)		906.8	1,056.3	1,242.8	1,465.5
Growth (%)		10.7	16.5	17.7	17.9
PER (x)		20.7	17.7	15.1	12.8



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Automobiles

Hero Honda drives 13.7% YoY growth in the two-wheeler domestic market: Strong growth of the two-wheeler sector in this quarter was primarily driven by – marriage season in the north and lower inventory levels with Hero Honda dealers, strong rural growth and less dependence on financing.

Quarterly trend in two-wheeler segment sales

Particulars	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E
Two-Wheelers	2,725,326	2,900,980	3,064,742	3,099,257	3,100,000
<i>QoQ Growth (%)</i>	<i>5.1%</i>	<i>6.4%</i>	<i>5.6%</i>	<i>1.1%</i>	<i>-</i>

Source: SIAM Data, PL Research

Hero Honda (HH) reported ~5.2% QoQ growth in volumes in Q1FY12 as compared to a 7.4% QoQ decline reported by Bajaj Auto (BJA) in the domestic two-wheeler market.

YTD Two-wheeler segment sales

	Q1FY12E	Q1FY11	% chg YoY
Domestic Two-wheelers	3,100,000	2,725,326	13.7
Hero Honda	1,529,577	1,234,039	23.9
Bajaj Auto	624,292	566,121	10.3

Source: SIAM Data, PL Research

Petrol price hikes, higher interest rates and inventory build-up at the dealers end led to a slowdown in the passenger car segment reflected in a muted 6.0%:

Quarterly trend in passenger car segment sales

Particulars	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E
Passenger Cars	433,641	488,640	492,882	567,539	460,000
<i>QoQ Growth (%)</i>	<i>-4.8%</i>	<i>12.7%</i>	<i>0.8%</i>	<i>15.1%</i>	<i>-19.0%</i>

Source: SIAM Data, PL Research

Shift in consumer preference for diesel cars led to an increase in petrol car inventories both, at the company's end as well as at dealer outlets. Strike at MSIL's Manesar plant coupled with the annual maintenance shutdown at the Gurgaon plant led to a muted 3.9% YoY growth in Maruti's sales for the quarter.

YTD Passenger car segment sales

	Q1FY12E	Q1FY11	% chg YoY
Domestic Passenger Car	460,000	433,641	6.0
Maruti Suzuki	249,181	239,898	3.9
Hyundai	93,605	83,018	12.8
Tata Motors	54,346	62,589	(13.2)
Ford	23,124	22,105	4.6

Source: SIAM Data, PL Research

Medium & Heavy Commercial Vehicles (M&HCV) sales growth at 6.5% YoY
Quarterly trend in M&HCV segment sales

Particulars	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12E
M&HCVs	71,216	79,981	72,129	99,462	75,850
QoQ Growth (%)	-20.0%	12.3%	-9.8%	38.1%	-23.7%

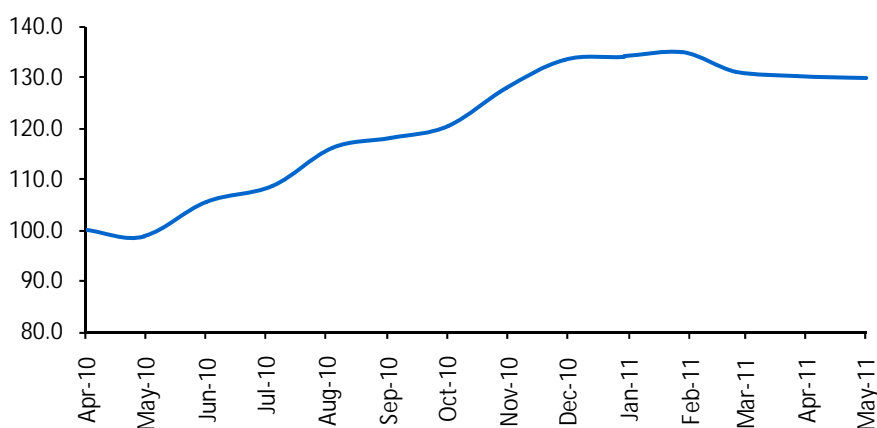
Source: SIAM Data, PL Research

Tata Motors (TAMO) reported a 8.0% YoY growth in its M&HCV volumes, whereas Ashok Leyland (AL) reported a 13.6% YoY decline in its domestic M&HCV volumes for Q1FY12.

YTD M&HCV segment sales

	Q1FY 12E	Q1FY11	% chg YoY
Domestic M&HCV	75,850	71,216	6.5
Tata Motors	45,541	42,156	8.0
Ashok Leyland	16,632	19,243	(13.6)

Source: SIAM Data, PL Research

Auto Companies - Raw Material Index


Source: PL Research

We have built a raw material index giving different weightage to different commodities. We have assign highest weight to steel (45%) followed by aluminium

(20%) and plastics / polymers (15%). Our raw material index has increased by 29% YoY, whereas on a QoQ basis, it has declined marginally by 1.9%.

Major raw materials like copper and steel have firmed up during the last few quarters, thereby, translating into a margin pressure for the sector. However, steel has stabilised and has been flat for last few months which augurs well for Commercial Vehicle manufacturers.

Our universe – Volume numbers

Company	Q1FY12E	YoY gr (%)	QoQ gr (%)
Ashok Leyland	19,277	(9.9)	(35.0)
Bajaj Auto	1,092,815	17.7	15.3
Hero Honda	1,529,577	23.9	5.2
Maruti Suzuki	281,526	(0.6)	(18.4)
M&M	155,390	19.4	(1.6)
Tata Motors	193,038	6.2	(18.3)

Source: Company Data, PL Research

Auto companies under our coverage reported a mixed bag in terms of volumes in Q1FY12E. The lower volumes sequentially are likely to impact the profitability of the companies across the board except for the two-wheeler space. Auto companies are expected to post 8.1% QoQ decline in their top-line and a 15.9% QoQ growth in PAT in Q1FY12E. Two-wheeler space is likely to outperform both in terms of volumes as well as profitability.

Top picks: Bajaj Auto, Tata Motors and M&M

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Tata Motors	(0.8)	(20.7)	(20.8)	33.1	(2.8)	(15.9)	(13.1)	25.6
Mahindra & Mahindra	7.2	(2.2)	(7.0)	17.7	5.2	2.6	0.7	10.2
Bajaj Auto	3.8	(0.7)	3.9	16.8	1.8	4.1	11.5	9.3
Hero Honda	1.9	15.4	(0.3)	(6.2)	(0.1)	20.2	7.3	(13.7)
Maruti Suzuki	(5.5)	(11.0)	(17.4)	(16.5)	(7.5)	(6.2)	(9.8)	(23.9)
Ashok Leyland	(0.7)	(11.5)	(21.1)	(21.1)	(2.7)	(6.8)	(13.4)	(28.5)

Source: Bloomberg, PL Research



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Tata Motors	Sales	325,357	270,556	20.3	356,105	(8.6)	1,404,349	1,231,333	14.1
	EBITDA	42,900	39,533	8.5	48,206	(11.0)	195,797	177,799	10.1
	<i>Margins (%)</i>	<i>13.2</i>	<i>14.6</i>		<i>13.5</i>		<i>13.9</i>	<i>14.4</i>	
	PAT	20,020	20,301	(1.4)	24,599	(18.6)	99,518	90,433	10.0
Mahindra & Mahindra	Sales	67,210	51,601	30.2	67,782	(0.8)	267,514	234,210	14.2
	EBITDA	8,863	7,756	14.3	8,879	(0.2)	38,134	34,354	11.0
	<i>Margins (%)</i>	<i>13.2</i>	<i>15.0</i>		<i>13.1</i>		<i>14.3</i>	<i>14.7</i>	
	PAT	6,041	5,624	7.4	6,065	(0.4)	26,345	24,892	5.8
Bajaj Auto	Sales	48,986	38,901	25.9	42,000	16.6	190,130	166,099	14.5
	EBITDA	9,722	7,769	25.1	8,615	12.8	37,647	33,859	11.2
	<i>Margins (%)</i>	<i>19.8</i>	<i>20.0</i>		<i>20.5</i>		<i>19.8</i>	<i>20.4</i>	
	PAT	7,252	5,902	22.9	6,759	7.3	29,471	33,407	(11.8)
Hero Honda	Sales	57,262	42,966	33.3	53,909	6.2	230,833	194,012	19.0
	EBITDA	8,766	6,026	45.5	8,299	5.6	36,389	26,171	39.0
	<i>Margins (%)</i>	<i>15.3</i>	<i>14.0</i>		<i>15.4</i>		<i>15.8</i>	<i>13.5</i>	
	PAT	5,519	4,917	12.2	5,014	10.1	22,831	20,077	13.7
Maruti Suzuki	Sales	83,171	82,315	1.0	100,922	(17.6)	406,204	370,402	9.7
	EBITDA	7,281	8,577	(15.1)	9,597	(24.1)	38,263	36,796	4.0
	<i>Margins (%)</i>	<i>8.8</i>	<i>10.4</i>		<i>9.5</i>		<i>9.4</i>	<i>9.9</i>	
	PAT	4,163	5,304	(21.5)	6,599	(36.9)	22,795	22,886	(0.4)
Ashok Leyland	Sales	23,874	23,480	1.7	38,285	(37.6)	121,652	111,177	9.4
	EBITDA	2,078	2,354	(11.7)	5,099	(59.2)	12,878	12,177	5.7
	<i>Margins (%)</i>	<i>8.7</i>	<i>10.0</i>		<i>13.3</i>		<i>10.6</i>	<i>11.0</i>	
	PAT	742	1,226	(39.5)	2,982	(75.1)	6,493	6,314	2.8

Source: Company Data, PL Research



Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	2,307,233	2,620,680	2,912,333
<i>Growth (%)</i>	<i>31.3</i>	<i>13.6</i>	<i>11.1</i>
EBITDA	321,155	359,109	404,776
<i>Margin (%)</i>	<i>13.9</i>	<i>13.7</i>	<i>13.9</i>
PAT	198,008	207,454	232,074
<i>Growth (%)</i>	<i>98.4</i>	<i>4.8</i>	<i>11.9</i>
PE (x)	11.4	10.9	9.8

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	605,860	509,818	18.8	659,003	(8.1)
EBITDA	79,560	73,175	8.7	88,695	(10.3)
<i>Margin (%)</i>	<i>13.1</i>	<i>14.4</i>	<i>(122)bps</i>	<i>13.5</i>	<i>(33)bps</i>
PAT (Excl. Ex Items)	43,733	43,274	1.1	52,019	(15.9)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Tata Motors

	Accumulate
Rating	
Price	Rs1,016
Target Price	Rs1,172
Market Cap. (Rs bn)	647.9
Shares o/s (m)	637.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	1,231,333	1,404,349	1,547,293
EBITDA	177,799	195,797	218,973
<i>Margin (%)</i>	<i>14.4</i>	<i>13.9</i>	<i>14.2</i>
PAT	90,433	99,518	109,000
EPS (Rs)	141.8	153.3	167.9
<i>RoE (%)</i>	<i>66.1</i>	<i>37.3</i>	<i>31.5</i>
PE (x)	6.0	5.6	5.1
P / BV (x)	3.4	1.9	1.9
EV / E (x)	4.9	4.5	4.0

On a standalone basis, M&HCV volumes grew by 8.0%, whereas the LCV segment grew by 23.2%. However, the passenger vehicle segment continued to be a drag with a decline of 10.3% YoY. JLR is likely to report 12.6% YoY improvement in volumes, with EBITDA margin at 14.9%, leading to a flat PAT YoY. We expect the EBITDA margin at JLR to decline 90bps QoQ on account of raw material pressure. We expect JLR to contribute ~80% of the consolidated PAT in Q1FY12.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	325,357	270,556	20.3	356,105	1,404,349	1,231,333	14.1
EBITDA	42,900	39,533	8.5	48,206	195,797	177,799	10.1
<i>Margin (%)</i>	<i>13.2</i>	<i>14.6</i>	<i>(143)bps</i>	<i>13.5</i>	<i>13.9</i>	<i>14.4</i>	<i>(50)bps</i>
Reported PAT	20,020	19,887	0.7	26,374	99,518	92,734	7.3
PAT (Excl. Ex Items)	20,020	20,301	(1.4)	24,599	99,518	90,433	10.0
Operating Metrics							
Std. Topline	122,072	104,163	17.2	148,006	539,054	480,404	12.2
<i>Std. EBITDA Marg. (%)</i>	<i>8.7</i>	<i>11.3</i>	<i>(254)bps</i>	<i>8.8</i>	<i>9.5</i>	<i>10.0</i>	<i>(44)bps</i>
Std. PAT	3,231	4,609	(29.9)	6,285	18,582	19,589	(5.1)
JLR Volumes (nos)	64,200	57,000	12.6	66,131	285,000	243,621	17.0
JLR EBITDA	28,505	23,800	19.8	29,887	125,338	114,787	9.2
<i>JLR EBITDA Marg. (%)</i>	<i>14.9</i>	<i>15.5</i>	<i>(54)bps</i>	<i>15.8</i>	<i>15.2</i>	<i>16.3</i>	<i>(119)bps</i>

Mahindra & Mahindra

	Accumulate
Rating	
Price	Rs717
Target Price	Rs739
Market Cap. (Rs bn)	421.5
Shares o/s (m)	587.6

Key Figures (Rs m) - Standalone

	FY11	FY12E	FY13E
Net Sales	234,210	267,514	300,618
EBITDA	34,354	38,134	43,341
<i>Margin (%)</i>	<i>14.7</i>	<i>14.3</i>	<i>14.4</i>
PAT	24,892	26,345	29,933
EPS (Rs)	42.4	43.6	49.5
<i>RoE (%)</i>	<i>27.4</i>	<i>23.4</i>	<i>22.4</i>
PE (x)	12.3	12.0	10.6
P / BV (x)	4.1	3.5	3.0
EV / E (x)	12.8	11.6	10.2

*Adj. for subs. Valuation at Rs194/share

Automotive segment reported a growth of 19.0% YoY, whereas, Tractors reported a growth of 20.0% YoY. Overall volumes de-grew by 1.4% QoQ, whereas average realization/vehicle is likely to increase by ~1% on account of price hikes taken during April and May'11. EBITDA margins are likely to be maintained at 13.2% levels on account of better product mix in favour of tractors (Tractors accounted for ~38.7% of overall volumes during the quarter as against 36.6% in Q4FY11)

Quarterly Table (Rs m) - Standalone

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E	FY11	gr. (%)
Net Sales	67,210	51,601	30.2	67,782	267,514	234,210	14.2
EBITDA	8,863	7,756	14.3	8,879	38,134	34,354	11.0
<i>Margin (%)</i>	<i>13.2</i>	<i>15.0 (184)bps</i>		<i>13.1</i>	<i>14.3</i>	<i>14.7</i>	<i>(41)bps</i>
Reported PAT	6,041	5,624	7.4	6,065	26,345	26,621	(1.0)
PAT (Excl. Ex Items)	6,041	5,624	7.4	6,065	26,345	24,892	5.8
Operating Metrics							
Total Automotive Sales	95,238	88,109	8.1	100,048	400,591	354,073	13.1
Total Tractor sales	60,152	50,148	19.9	57,914	239,763	212,180	13.0
Total Volumes	155,390	138,257	12.4	157,962	640,354	566,253	13.1
Net Realization / Vehicle	432,524	373,225	15.9	429,102	417,759	413,614	1.0
EBITDA / Vehicle	57,039	56,097	1.7	56,208	59,552	60,669	(1.8)
Net Profit / Vehicle	38,875	40,679	(4.4)	38,398	41,141	43,959	(6.4)

Bajaj Auto

	Accumulate
Rating	
Price	Rs1,428
Target Price	Rs1,550
Market Cap. (Rs bn)	413.1
Shares o/s (m)	289.4

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	166,099	190,130	211,183
EBITDA	33,859	37,647	42,241
<i>Margin (%)</i>	<i>20.4</i>	<i>19.8</i>	<i>20.0</i>
PAT	33,407	29,471	33,209
EPS (Rs)	90.4	101.9	114.8
<i>RoE (%)</i>	<i>66.8</i>	<i>53.2</i>	<i>48.0</i>
PE (x)	15.8	14.0	12.4
P / BV (x)	8.4	6.7	5.4
EV / E (x)	12.1	10.6	9.2

BJA reported a 16.3% YoY growth in two-wheeler sales and a 30.0% YoY growth in the three-wheeler segment for the quarter, including exports. Average realization/vehicle is expected to be higher QoQ on account of ~1.5-2% price hike undertaken across the segments. EBITDA margins are likely to decline by 70bps QoQ on account of only partial pass on of the raw material increase.

Quarterly Table (Rs m)

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E	FY11	gr. (%)
Net Sales	48,986	38,901	25.9	42,000	190,130	166,099	14.5
EBITDA	9,722	7,769	25.1	8,615	37,647	33,859	11.2
<i>Margin (%)</i>	<i>19.8</i>	<i>20.0 (13)bps</i>		<i>20.5</i>	<i>19.8</i>	<i>20.4</i>	<i>(58)bps</i>
Reported PAT	7,252	5,902	22.9	14,004	29,471	33,407	(11.8)
PAT (Excl. Ex Items)	7,252	5,902	22.9	6,759	29,471	33,407	(11.8)
Operating Metrics							
Total Volumes	1,092,815	928,336	17.7	948,195	4,326,061	3,823,924	13.1
Net Realization / Vehicle	44,826	41,904	7.0	44,294	43,950	43,437	1.2
RM Cost / Vehicle	32,023	29,819	7.4	31,395	31,712	30,855	2.8
EBITDA / Vehicle	8,896	8,369	6.3	9,085.7	8,702	8,854	(1.7)
Net Profit / vehicle	6,626	6,357	4.2	7,127.6	6,813	8,736	(22.0)

Maruti Suzuki

Rating	Reduce
Price	Rs1,166
Target Price	Rs1,100
Market Cap. (Rs bn)	337.1
Shares o/s (m)	289.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	370,402	406,204	458,601
EBITDA	36,796	38,263	44,317
<i>Margin (%)</i>	<i>9.9</i>	<i>9.4</i>	<i>9.7</i>
PAT	22,886	22,795	26,564
EPS (Rs)	81.4	78.9	91.9
<i>RoE (%)</i>	<i>18.3</i>	<i>15.3</i>	<i>15.6</i>
PE (x)	14.3	14.8	12.7
P / BV (x)	2.4	2.1	1.9
EV / E (x)	8.6	8.5	7.1

MSIL reported a flat growth in the overall volumes mainly led by a 3.9% YoY growth in domestic sales. However, exports for the quarter declined by 23.7% YoY. MSIL would continue to face pressure on margins on account of un-favourable currency movement (Yen appreciated by 2% QoQ and 10% YoY) and higher advertising spend (on account of discounts and promotional campaigns).

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	83,171	82,315	1.0	100,922	406,204	370,402	9.7
EBITDA	7,281	8,577	(15.1)	9,597	38,263	36,796	4.0
<i>Margin (%)</i>	<i>8.8</i>	<i>10.4 (167)bps</i>		<i>9.5</i>	<i>9.4</i>	<i>9.9 (51)bps</i>	
Reported PAT	4,163	5,304	(21.5)	6,599	22,795	22,886	(0.4)
PAT (Excl. Ex Items)	4,163	5,304	(21.5)	6,599	22,795	22,886	(0.4)
Operating Metrics							
Total Volumes	281,526	283,324	(0.6)	345,026	1,344,541	1,271,005	5.8
Net Realization / Vehicle	295,430	290,534	1.7	292,505	302,113	291,424	3.7
RM Cost / Vehicle	232,094	226,251	2.6	229,342	236,282	226,942	4.1
EBITDA / Vehicle	25,864	30,273	(14.6)	27,816	28,458	28,950	(1.7)
Net Profit / Vehicle	14,786	18,720	(21.0)	19,125	16,954	18,006	(5.8)
Other Exp./Unit	31,611	28,331	11.6	30,901	31,355	29,997	4.5

Hero Honda

Rating	Reduce
Price	Rs1,897
Target Price	Rs1,760
Market Cap. (Rs bn)	378.8
Shares o/s (m)	199.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	194,012	230,833	261,299
EBITDA	26,171	36,389	41,474
<i>Margin (%)</i>	<i>13.5</i>	<i>15.8</i>	<i>15.9</i>
PAT	20,077	22,831	26,030
EPS (Rs)	100.5	114.3	130.3
<i>RoE (%)</i>	<i>62.5</i>	<i>66.7</i>	<i>60.1</i>
PE (x)	18.9	16.6	14.6
P / BV (x)	12.8	9.7	7.9
EV / E (x)	14.5	10.3	8.7

Average realization/vehicle is expected to improve by 1% QoQ on account of price hikes taken during April'11. EBITDA margins are expected to decline by 150bps YoY on account of higher raw material cost. We have considered the royalty expenses below EBITDA level in depreciation charges. On account of higher amortization charges, we expect the company to post a growth of 12.2% YoY in PAT at Rs5.5bn.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	57,262	42,966	33.3	53,909	230,833	194,012	19.0
EBITDA	8,716	7,186	21.3	8,299	36,389	26,171	39.0
<i>Margin (%)</i>	<i>15.2</i>	<i>16.7 (150)bps</i>		<i>15.4</i>	<i>15.8</i>	<i>13.5 228 bps</i>	
Reported PAT	5,515	4,917	12.2	5,014	22,831	20,875	9.4
PAT (Excl. Ex Items)	5,515	4,917	12.2	5,014	22,831	20,077	13.7
Operating Metrics							
Total Volumes	1,529,577	1,234,039	23.9	1,454,431	6,185,798	5,402,444	14.5
Net Realization / Vehicle	37,436	34,817	7.5	37,066	37,317	35,912	3.9
RM Cost / Vehicle	27,337	24,791	10.3	26,999	27,169	26,120	4.0
EBITDA / vehicle	5,731	4,883	17.4	5,706.2	5,883	4,844	21.4
Net Profit / Vehicle	3,608	3,985	(9.4)	3,447.5	3,691	3,716	(0.7)



Ashok Leyland

	Accumulate
Rating	
Price	Rs52
Target Price	Rs55
Market Cap. (Rs bn)	68.8
Shares o/s (m)	1,330.3

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	111,177	121,652	133,339
EBITDA	12,177	12,878	14,432
<i>Margin (%)</i>	<i>11.0</i>	<i>10.6</i>	<i>10.8</i>
PAT	6,314	6,493	7,337
EPS (Rs)	4.7	4.9	5.5
<i>RoE (%)</i>	<i>16.5</i>	<i>16.0</i>	<i>17.1</i>
PE (x)	10.9	10.6	9.4
P / BV (x)	1.7	1.7	1.5
EV / E (x)	7.6	7.7	7.0

AL posted a 9.9% YoY decline in the volumes, mainly on account of 13.6% YoY decline in domestic M&HCV volumes. The average realization/vehicle is expected to be higher by 12.9% YoY on account of price hikes taken over the last couple of quarters. On account of lower volumes, we expect a 130bps YoY decline in EBITDA margins. On account of increased working capital borrowing due to higher finished goods inventory, the interest outgo is likely to increase during the quarter.

Quarterly Table (Rs m)

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E	FY11	gr. (%)
Net Sales	23,874	23,480	1.7	38,285	121,652	111,177	9.4
EBITDA	2,078	2,354	(11.7)	5,099	12,878	12,177	5.7
<i>Margin (%)</i>	<i>8.7</i>	<i>10.0</i>	<i>(132)bps</i>	<i>13.3</i>	<i>10.6</i>	<i>11.0</i>	<i>(37)bps</i>
Reported PAT	742	1,226	(39.5)	2,982	6,493	6,314	2.8
PAT (Excl. Ex Items)	742	1,226	(39.5)	2,982	6,493	6,314	2.8
Operating Metrics							
Total Volumes	19,277	21,402	(9.9)	29,677	99,710	94,105	6.0
Net Realization / Vehicle	1,238,454	1,097,080	12.9	1,290,067	1,220,054	1,181,415	3.3
RM Cost / Vehicle	905,000	810,483	11.7	930,113	888,975	862,975	3.0
EBITDA / vehicle	107,797	109,990	(2.0)	171,807	129,151	129,403	(0.2)
Net Profit / Vehicle	38,512	57,304	(32.8)	100,492	65,120	67,091	(2.9)

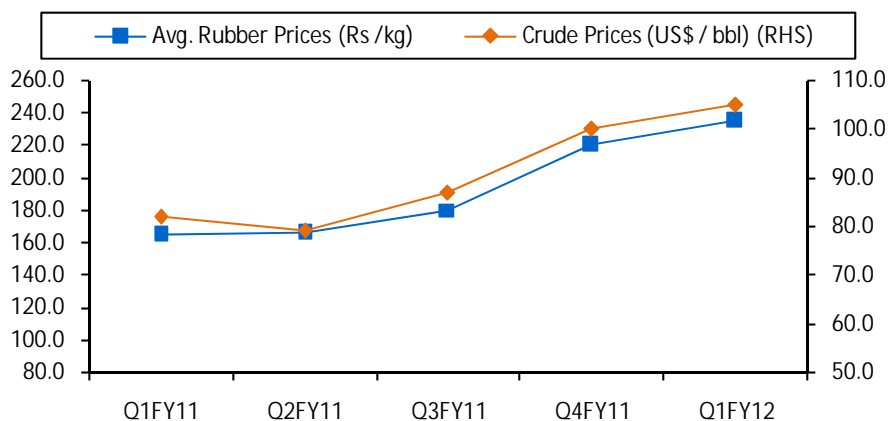
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Auto Ancillary

With better utilization in FY12E and recovery expected in the export market and economies of scale will help these companies to post robust topline performance. However, an increase in key raw materials like rubber, copper and aluminium is likely to keep the profitability of these companies under check.

Ancillary companies under our coverage are expected to post a growth of 25.2% YoY and 2.6% QoQ decline in their top-line, mainly attributed to likely robust growth by Bharat Forge on account of strong Commercial Vehicle sales and improvement in demand for battery manufacturers.

Key Raw Material



Source: PL Research

PAT, for our coverage universe, is expected to be grow by a muted 3.8% YoY. On a sequential basis, PAT is likely to decline by 17% on account of a sharp decline in profitability of the tyre companies.

Top picks: Bharat Forge and Exide Industries

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Exide Industries	(0.6)	9.7	(3.3)	28.8	(2.6)	14.5	4.4	21.4
Motherson Sumi Systems	(2.8)	3.7	18.6	48.6	(4.8)	8.5	26.3	41.1
Bharat Forge	(1.3)	(14.6)	(18.9)	5.6	(3.3)	(9.8)	(11.2)	(1.9)
Apollo Tyres	14.9	16.3	19.4	23.7	12.9	21.1	27.1	16.3
Amara Raja Batteries	8.6	22.3	21.8	28.5	6.6	27.1	29.4	21.0
CEAT	9.7	(1.3)	(19.7)	(16.6)	7.7	3.5	(12.1)	(24.1)

Source: Bloomberg, PL Research



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Exide Industries	Sales	13,292	11,521	15.4	12,481	6.5	56,049	45,775	22.4
	EBITDA	2,456	2,632	(6.7)	2,338	5.0	11,285	9,026	25.0
	Margins (%)	18.5	22.8		18.7		20.1	19.7	
	PAT	1,702	1,653	2.9	1,637	4.0	7,487	6,662	12.4
Motherson Sumi Systems	Sales	22,660	19,049	19.0	23,560	(3.8)	102,533	83,711	22.5
	EBITDA	2,361	1,900	24.3	2,602	(9.3)	11,385	8,887	28.1
	Margins (%)	10.4	10.0		11.0		11.1	10.6	
	PAT	947	633	49.7	1,209	(21.6)	4,830	3,909	23.5
Bharat Forge	Sales	7,934	6,301	25.9	8,216	(3.4)	62,334	50,873	22.5
	EBITDA	1,935	1,587	21.9	1,989	(2.7)	10,438	7,851	33.0
	Margins (%)	24.4	25.2		24.2		16.7	15.4	
	PAT	831	637	30.5	1,004	(17.2)	4,443	2,899	53.3
Apollo Tyres	Sales	26,067	18,207	43.2	27,297	(4.5)	110,687	88,680	24.8
	EBITDA	2,198	1,985	10.7	2,313	(5.0)	10,638	8,883	19.8
	Margins (%)	8.4	10.9		8.5		9.6	10.0	
	PAT	741	742	(0.2)	1,026	(27.8)	4,284	3,509	22.1
Amara Raja Batteries	Sales	4,898	4,467	9.6	5,023	(2.5)	20,711	17,672	17.2
	EBITDA	702	620	13.1	729	(3.8)	3,092	2,583	19.7
	Margins (%)	14.3	13.9		14.5		14.9	14.6	
	PAT	406	346	17.3	431	(5.6)	1,740	1,475	17.9
CEAT	Sales	9,459	7,775	21.7	10,009	(5.5)	45,880	35,162	30.5
	EBITDA	(127)	410	(130.9)	146	(186.8)	1,959	1,434	36.6
	Margins (%)	(1.3)	5.3		1.5		4.3	4.1	
	PAT	(321)	139	(331.3)	(119)	170.0	393	326	20.7

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	321,874	398,194	462,099
<i>Growth (%)</i>	<i>21.6</i>	<i>23.7</i>	<i>16.0</i>
EBITDA	38,664	48,797	59,016
<i>Margin (%)</i>	<i>12.0</i>	<i>12.3</i>	<i>12.8</i>
PAT	18,857	23,177	29,036
<i>Growth (%)</i>	<i>12.4</i>	<i>22.9</i>	<i>25.3</i>
PE (x)	19.1	15.6	12.4

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	84,310	67,320	25.2	86,586	(2.6)
EBITDA	9,525	9,134	4.3	10,117	(5.9)
<i>Margin (%)</i>	<i>11.3</i>	<i>13.6</i>	<i>(227)bps</i>	<i>11.7</i>	<i>(39)bps</i>
PAT (Excl. Ex Items)	4,307	4,150	3.8	5,187	(17.0)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Exide Industries

	Accumulate
Rating	
Price	Rs163
Target Price	Rs184
Market Cap. (Rs bn)	138.3
Shares o/s (m)	850.0

Exide is likely to post a 6.5% QoQ growth in its top-line, mainly on account of a pick-up in sales from the automotive replacement segment and new capacity coming onstream. Exide's EBITDA margins are likely to remain flat QoQ to 18.5% on easing of capacity and lead prices remaining stable. As a result, we expect the company to report a 4.0% QoQ improvement in net profit.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	45,775	56,049	64,123
EBITDA	9,026	11,285	13,351
<i>Margin (%)</i>	<i>19.7</i>	<i>20.1</i>	<i>20.8</i>
PAT	6,662	7,487	8,885
EPS (Rs)	7.3	8.8	10.5
<i>RoE (%)</i>	<i>25.0</i>	<i>24.6</i>	<i>24.0</i>
PE (x)*	20.1	16.6	14.0
P / BV (x)	5.0	4.1	3.4
EV / E (x)	15.3	12.2	10.1

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	13,292	11,521	15.4	12,481	56,049	45,775	22.4
EBITDA	2,456	2,632	(6.7)	2,338	11,285	9,026	25.0
<i>Margin (%)</i>	<i>18.5</i>	<i>22.8</i>	<i>(436)bps</i>	<i>18.7</i>	<i>20.1</i>	<i>19.7</i>	<i>42</i>
Reported PAT	1,702	1,653	2.9	1,637	7,487	6,662	12.4
PAT (Excl. Ex Items)	1,702	1,653	2.9	1,637	7,487	6,662	12.4

*Adj. for Subs. & insurance value of Rs16/share

Bharat Forge

	Accumulate
Rating	
Price	Rs308
Target Price	Rs387
Market Cap. (Rs bn)	71.8
Shares o/s (m)	233.0

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	50,873	62,334	73,612
EBITDA	7,851	10,438	12,544
<i>Margin (%)</i>	<i>15.4</i>	<i>16.7</i>	<i>17.0</i>
PAT	2,976	4,443	5,629
EPS (Rs)	12.8	19.1	24.2
<i>RoE (%)</i>	<i>17.4</i>	<i>20.4</i>	<i>20.8</i>
PE (x)	24.1	16.2	12.8
P / BV (x)	3.7	3.0	2.4
EV / E (x)	11.2	8.2	6.5

We expect the top-line to grow by 25.9% YoY, mainly led by 61.5% YoY improvement in the export revenues. We expect the company to pass on the raw material pressure to the end consumer thereby maintaining its EBITDA / tonne. On account of better operating leverage and better product mix in favour of non-auto business, EBITDA margins are likely to remain healthy at 24.4%.

Quarterly Table (Rs m)- Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	7,934	6,301	25.9	8,216	62,334	50,873	22.5
EBITDA	1,935	1,587	21.9	1,989	10,438	7,851	33.0
<i>Margin (%)</i>	<i>24.4</i>	<i>25.2</i>	<i>(81)bps</i>	<i>24.2</i>	<i>16.7</i>	<i>15.4</i>	<i>131 bps</i>
Reported PAT	831	637	30.5	1,004	4,443	2,899	53.3
PAT (Excl. Ex Items)	831	637	30.5	1,004	4,443	2,899	53.3
Operating Metrics							
Exports Revenue	3,761	2,329	61.5	3,582	17,860	12,195	46.5
Domestic Revenue	4,305	4,115	4.6	4,783	20,343	17,923	13.5

Motherson Sumi Systems

	Accumulate
Rating	
Price	Rs224
Target Price	Rs246
Market Cap. (Rs bn)	86.6
Shares o/s (m)	387.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	83,711	102,533	119,493
EBITDA	8,887	11,385	13,777
<i>Margin (%)</i>	<i>10.6</i>	<i>11.1</i>	<i>11.5</i>
PAT	3,909	4,830	6,022
EPS (Rs)	8.6	12.3	15.4
<i>RoE (%)</i>	<i>24.7</i>	<i>28.3</i>	<i>28.7</i>
PE (x)	26.0	18.2	14.6
P / BV (x)	5.6	4.7	3.8
EV / E (x)	10.7	8.2	6.6

According to MSSL, there are indications of a demand pick-up in export market. SMR is likely to grow by 14.5% YoY in revenue terms. We expect a 15% QoQ decline in the revenues on account of slowdown in the domestic passenger car segment. We expect a 60bps sequential decline in the EBITDA margins at 10.4% on account of higher raw material cost.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	22,660	19,049	19.0	23,560	102,533	83,711	22.5
EBITDA	2,361	1,900	24.3	2,602	11,385	8,887	28.1
<i>Margin (%)</i>	<i>10.4</i>	<i>10.0</i>	<i>45 bps</i>	<i>11.0</i>	<i>11.1</i>	<i>10.6</i>	<i>49 bps</i>
Reported PAT	947	595	59.3	1,209	4,830	3,333	44.9
PAT (Excl. Ex Items)	947	633	49.7	1,209	4,830	3,909	23.5
Operating Metrics							
SMR Sales	12,378	10,807	14.5	13,030	54,144	45,470	19.1
MSSL Sales exc. SMR	10,282	8,242	24.8	10,530	48,389	38,241	26.5
<i>EBITDA - SMR (%)</i>	<i>7.5</i>	<i>7.2</i>	<i>29 bps</i>	<i>7.6</i>	<i>7.5</i>	<i>6.9</i>	<i>60 bps</i>
<i>EBITDA excl SMR (%)</i>	<i>13.9</i>	<i>13.6</i>	<i>34 bps</i>	<i>15.3</i>	<i>15.1</i>	<i>15.0</i>	<i>10 bps</i>

Apollo Tyres

Rating	Accumulate
Price	Rs80
Target Price	Rs89
Market Cap. (Rs bn)	40.4
Shares o/s (m)	504.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	88,680	110,687	129,259
EBITDA	8,883	10,638	12,696
Margin (%)	10.0	9.6	9.8
PAT	3,509	4,284	5,281
EPS (Rs)	7.0	8.5	10.5
RoE (%)	16.0	16.5	17.5
PE (x)	11.5	9.4	7.7
P / BV (x)	1.7	1.5	1.2
EV / E (x)	7.2	6.0	5.1

We expect Apollo Tyres to post a 43.2% YoY growth in topline, mainly on account of a 50.4% YoY improvement in standalone top-line. This is mainly on account of a 28.2% YoY growth in volumes (Q1FY11 volumes were affected due to strike at one of the plants). On a sequential basis, we expect a 10% decline in sales at Vredestein and a flat revenue for Dunlop SA.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	26,067	18,207	43.2	27,297	110,687	88,680	24.8
EBITDA	2,198	1,985	10.7	2,313	10,638	8,883	19.8
Margin (%)	8.4	10.9	(247)bps	8.5	9.6	10.0	(41)bps
Reported PAT	741	742	(0.2)	1,926	4,284	3,509	22.1
PAT (Excl. Ex Items)	741	742	(0.2)	1,026	4,284	3,509	22.1
Operating Metrics							
Tonnage (MT)	84,000	65,500	28.2	93,000	377,400	303,200	24.5
Realization / kg	201	171	17.3	189	190	178	6.3
Recipe cost / kg	152	117	30.3	141	166	160	3.5
Standalone - Rev.	16,867	11,213	50.4	17,616	71,680	54,907	30.5
Dunlop-Rev.	3,500	2,664	31.4	3,539	13,650	11,831	15.4
VBVV Rev.	5,600	4,376	28.0	6,230	25,358	22,425	13.1

Amara Raja Batteries

Rating	Accumulate
Price	Rs230
Target Price	Rs263
Market Cap. (Rs bn)	19.7
Shares o/s (m)	85.4

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	17,672	20,711	23,460
EBITDA	2,583	3,092	3,590
Margin (%)	14.6	14.9	15.3
PAT	1,475	1,740	2,045
EPS (Rs)	17.3	20.4	23.9
RoE (%)	24.8	24.9	25.2
PE (x)	13.3	11.3	9.6
P / BV (x)	3.0	2.6	2.2
EV / E (x)	7.8	6.4	5.4

AMRJ is likely to post a flat QoQ growth in the top-line, mainly on account of a pick-up in the sales from the automotive segment. Signs of recovery in the Telecom sector (which accounts for ~30% of the sales) augurs well for the margin picture of the company. EBITDA margins are likely to remain flat on account of stable lead prices QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	4,898	4,467	9.6	5,023	20,711	17,672	17.2
EBITDA	702	620	13.1	729	3,092	2,583	19.7
Margin (%)	14.3	13.9	44 bps	14.5	14.9	14.6	31 bps
Reported PAT	406	357	13.7	411	1,740	1,481	17.5
PAT (Excl. Ex Items)	406	346	17.3	431	1,740	1,475	17.9

CEAT

	Accumulate
Rating	
Price	Rs109
Target Price	Rs137
Market Cap. (Rs bn)	3.7
Shares o/s (m)	34.3

CEAT is expected to post a growth of 21.7% YoY in its top-line, mainly on account of the price increase in the region of 17.6% across segments, to partially offset higher input costs. On a sequential basis, with key input prices soaring up by 10-12%, we expect a negative EBITDA for the quarter. On account of higher interest outgo, we expect the company to report a loss for the second consecutive quarter.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	35,162	45,880	52,153
EBITDA	1,434	1,959	3,059
<i>Margin (%)</i>	<i>4.1</i>	<i>4.3</i>	<i>5.9</i>
PAT	326	393	1,175
EPS (Rs)	9.5	11.5	34.3
<i>RoE (%)</i>	<i>5.1</i>	<i>5.9</i>	<i>15.9</i>
PE (x)	11.5	9.5	3.2
P / BV (x)	0.6	0.5	0.5
EV / E (x)	9.4	7.2	4.8

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	9,459	7,775	21.7	10,009	45,880	35,162	30.5
EBITDA	(127)	410	(130.9)	146	1,959	1,434	36.6
<i>Margin (%)</i>	<i>(1.3)</i>	<i>5.3</i>	<i>(660)bps</i>	<i>1.5</i>	<i>4.3</i>	<i>4.1</i>	<i>19</i>
Reported PAT	(321)	139	NA	(119)	393	248	58.7
PAT (Excl. Ex Items)	(321)	139	NA	(119)	393	326	20.7
Operating Metrics							
Tonnage (MT)	45,000	43,500	3.4	50,000	202,225	180,225	12.2
Realization / kg	210	179	17.6	200	225	187	20.3
Recipe cost / kg	168	129	30.3	154	154	1,434	(89.3)



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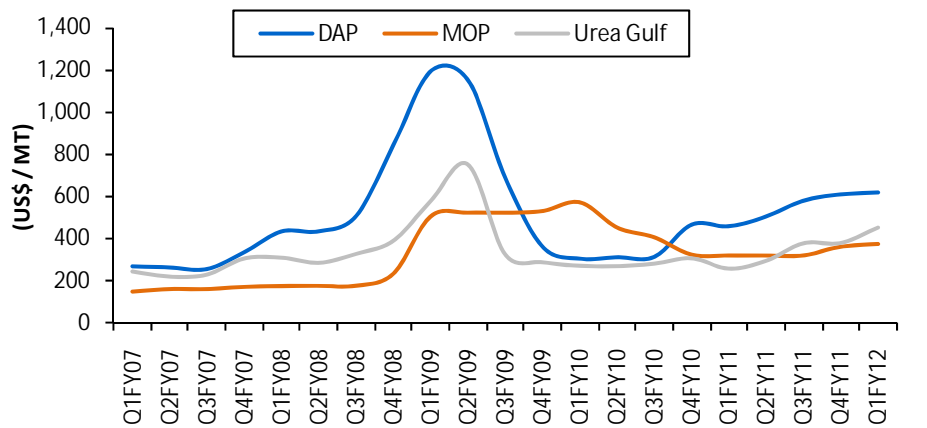
Agri Products & Chemicals

We expect moderate Sales and PAT growth during Q1FY12E: We expect that our 'Agri Products and Chemicals' universe to witness moderate sales growth of ~16% YoY, while flat growth on QoQ basis. The nature of this universe is seasonal; Hence, Q1FY12E is a pick-season for United Phosphorus (UPL), while it is an off-season for fertiliser/domestic agrochemical/micro Irrigation players. We expect that companies would see decent volume growth (10%-12%) during Q1FY12E. While, we believe that higher raw material prices would result to pricing growth on YoY basis.

We expect EBITDA margin of our universe would be lower by 209bps to 19.2% on YoY basis, while lower by 44bps on QoQ basis. Chambal Fertilizers, Deepak Fertilizers and Tata Chemicals have witnessed one off items like higher final product prices, inventory gains etc during Q1FY11. Hence, it resulted to YoY decline in EBITDA Margin. Further, companies have witnessed higher raw material prices on YoY basis. We expect that EBITDA margin would be quite stable for all the players as well as universe on QoQ basis.

We believe that adjusted PAT would grow by 13% YoY (up 0.2% QoQ) during the quarter. We expect that better growth in Jain Irrigation, UPL and Rallis would be offset by Chambal, Deepak and Tata Chemicals.

Fertiliser Prices...rising trend during Q1FY12



Source: Bloomberg, PL Research

Top picks: Chambal Fertilisers and Rallis India

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Tata Chemicals	1.3	6.9	(5.1)	16.8	(0.7)	11.7	2.6	9.3
Jain Irrigation	(4.5)	3.8	(3.6)	(12.6)	(6.5)	8.6	4.1	(20.1)
United Phosphorus	5.6	(5.2)	(22.0)	(20.5)	3.6	(0.4)	(14.3)	(28.0)
Chambal Fertilizers & Chemicals	2.2	(3.0)	(5.9)	18.6	0.2	1.8	1.7	11.1
Rallis India	4.4	8.2	9.7	37.5	2.4	13.0	17.4	30.0
Deepak Fertilisers & Petrochemicals Corporation	(10.8)	(9.8)	(8.2)	5.7	(12.8)	(5.0)	(0.6)	(1.7)

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Tata Chemicals	Sales	29,043	25,405	14.3	26,644	9.0	121,117	108,946	11.2
	EBITDA	5,228	5,375	(2.7)	4,930	6.0	22,166	19,303	14.8
	Margins (%)	18.0	21.2		18.5		18.3	17.7	
	PAT	1,901	2,160	(12.0)	1,458	30.3	8,235	6,534	26.0
United Phosphorus	Sales	17,406	14,872	17.0	18,819	(7.5)	67,347	58,982	14.2
	EBITDA	3,568	3,078	15.9	3,923	(9.0)	13,621	12,043	13.1
	Margins (%)	20.5	20.7		20.8		20.2	20.4	
	PAT	2,085	1,424	46.5	2,163	(3.6)	7,852	5,576	40.8
Jain Irrigation	Sales	9,118	7,259	25.6	12,362	(26.2)	49,167	41,625	18.1
	EBITDA	1,992	1,655	20.4	2,634	(24.4)	9,739	8,038	21.2
	Margins (%)	21.8	22.8		21.3		19.8	19.3	
	PAT	825	523	57.6	1,093	(24.5)	3,924	2,811	39.6
Chambal Fertilizers & Chemicals	Sales	9,966	9,757	2.1	8,451	17.9	62,976	57,798	9.0
	EBITDA	1,759	2,052	(14.2)	1,496	17.6	8,517	7,863	8.3
	Margins (%)	17.7	21.0		17.7		13.5	13.6	
	PAT	627	640	(1.9)	677	(7.4)	2,929	2,406	21.7
Rallis India	Sales	2,541	2,044	24.3	2,326	9.3	14,214	10,989	29.3
	EBITDA	387	243	59.5	355	9.1	2,810	2,046	37.4
	Margins (%)	15.2	11.9		15.3		19.8	18.6	
	PAT	226	148	52.3	190	19.0	1,723	1,266	36.1
Deepak Fertilisers & Petrochemicals Corporation	Sales	4,747	3,595	32.1	4,402	7.8	22,568	16,614	35.8
	EBITDA	1,064	1,013	5.1	1,020	4.3	5,017	3,895	28.8
	Margins (%)	22.4	28.2		23.2		22.2	23.4	
	PAT	458	522	(12.3)	527	(13.2)	2,363	1,875	26.0

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	294,953	337,389	366,147
<i>Growth (%)</i>	<i>19.9</i>	<i>14.4</i>	<i>8.5</i>
EBITDA	53,187	61,870	68,839
<i>Margin (%)</i>	<i>18.0</i>	<i>18.3</i>	<i>18.8</i>
PAT	20,867	27,025	32,386
<i>Growth (%)</i>	<i>7.4</i>	<i>29.5</i>	<i>19.8</i>
PE (x)	15.1	11.6	9.7

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	72,821	62,932	15.7	73,004	(0.2)
EBITDA	13,999	13,415	4.4	14,358	(2.5)
<i>Margin (%)</i>	<i>19.2</i>	<i>21.3</i>	<i>(209)bps</i>	<i>19.7</i>	<i>(44)bps</i>
PAT (Excl. Ex Items)	6,121	5,416	13.0	6,108	0.2

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Tata Chemicals

	Accumulate
Rating	
Price	Rs378
Target Price	Rs396
Market Cap. (Rs bn)	96.4
Shares o/s (m)	254.8

Key Figures (Rs m) – Consolidated

	FY11	FY12E	FY13E
Net Sales	108,946	121,117	126,085
EBITDA	19,303	22,166	23,484
<i>Margin (%)</i>	<i>17.7</i>	<i>18.3</i>	<i>18.6</i>
PAT	6,735	8,235	9,129
EPS (Rs)	25.6	32.3	35.8
<i>RoE (%)</i>	<i>12.9</i>	<i>14.4</i>	<i>14.4</i>
PE (x)	14.8	11.7	10.6
P / BV (x)	1.8	1.6	1.4
EV / E (x)	7.3	5.8	4.9

TCL's net sales is expected to grow by ~14% YoY to Rs29bn contributed by both, inorganic chemicals and fertilizer business. Company EBITDA margin is likely to come down by 316bps YoY to 18% (stable on QoQ basis). Company has booked one-time gain of ~Rs400m on fertilizer business during corresponding quarter of previous year. Excluding one-time gain, we expect that EBITDA margin would come down by 170bps YoY that is mainly on account of higher raw material prices.

Quarterly Table (Rs m) - Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	29,043	25,405	14.3	26,644	121,117	108,946	11.2
EBITDA	5,228	5,375	(2.7)	4,930	22,166	19,303	14.8
<i>Margin (%)</i>	<i>18.0</i>	<i>21.2</i>	<i>(316)bps</i>	<i>18.5</i>	<i>18.3</i>	<i>17.7</i>	<i>58 bps</i>
Reported PAT	1,901	2,337	(18.7)	1,731	8,235	6,735	22.3
PAT (Excl. Ex Items)	1,901	2,160	(12.0)	1,458	8,235	6,534	26.0
Operating Metrics							
Inorganic Chemical Sales	15,432	12,993	18.8	14,683	61,727	54,195	13.9
Fertiliser Sales	11,070	9,822	12.7	8,005	59,389	55,199	7.6
<i>Inorganic Chemical EBIT %</i>	<i>17.7</i>	<i>18.7</i>	<i>(109)bps</i>	<i>17.2</i>	<i>17.7</i>	<i>16.4</i>	<i>123 bps</i>
<i>Fertiliser EBIT %</i>	<i>9.1</i>	<i>17.5</i>	<i>(835)bps</i>	<i>11.6</i>	<i>11.1</i>	<i>10.7</i>	<i>47 bps</i>

Jain Irrigation

Rating	Accumulate
Price	Rs175
Target Price	Rs208
Market Cap. (Rs bn)	67.4
Shares o/s (m)	385.6

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	41,625	49,167	58,219
EBITDA	8,038	9,739	12,008
<i>Margin (%)</i>	<i>19.3</i>	<i>19.8</i>	<i>20.6</i>
PAT	2,803	3,924	5,441
EPS (Rs)	7.3	10.2	13.9
<i>RoE (%)</i>	<i>20.3</i>	<i>22.9</i>	<i>24.7</i>
PE (x)	24.0	17.2	12.6
P / BV (x)	4.4	3.6	2.7
EV / E (x)	11.5	9.4	7.6

We believe that Micro irrigation (MIS) would show decent YoY growth (30%), resulting in ~26% growth in the net sales. We expect that the EBITDA margin would be lower by 95bps on YoY basis (higher by 50bps QoQ) on account of higher raw material prices primarily in agro processing business. PAT is expected to show growth of ~14% YoY to Rs825m.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E*	12M FY11*	YoY gr. (%)
Net Sales	9,118	7,259	25.6	12,362	49,167	41,625	18.1
EBITDA	1,992	1,655	20.4	2,634	9,739	8,038	21.2
<i>Margin (%)</i>	<i>21.8</i>	<i>22.8</i>	<i>(95)bps</i>	<i>21.3</i>	<i>19.8</i>	<i>19.3</i>	<i>50 bps</i>
Reported PAT	825	721	14.4	1,174	3,924	2,803	40.0
PAT (Excl. Ex Items)	825	523	57.6	1,093	3,924	2,811	39.6
Operating Metrics							
MIS Sales	4,861	3,739	30.0	6,521	22,091	16,993	30.0
Piping Sales	2,708	2,355	15.0	3,147	10,886	9,466	15.0
Agro Processing Sales	885	790	12.0	1,951	5,240	4,679	12.0
Sheet Sales	417	379	10.0	381	1,541	1,401	10.0

* Consolidated

United Phosphorus

Rating	BUY
Price	Rs158
Target Price	Rs209
Market Cap. (Rs bn)	72.7
Shares o/s (m)	461.8

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	58,982	67,347	75,609
EBITDA	12,043	13,621	15,686
<i>Margin (%)</i>	<i>20.4</i>	<i>20.2</i>	<i>20.7</i>
PAT	5,716	7,852	9,637
EPS (Rs)	12.1	17.0	20.9
<i>RoE (%)</i>	<i>16.5</i>	<i>19.1</i>	<i>19.9</i>
PE (x)	13.0	9.3	7.5
P / BV (x)	1.9	1.6	1.4
EV / E (x)	7.6	6.6	5.3

We believe that UPL's sales would grow by 17% YoY that would be majorly driven by North America and rest of the world (RoW) geographies. We expect that UPL's sales would primarily driven by volume growth. We expect that UPL's EBITDA margin would be stable on YoY as well as QoQ basis. UPL is likely to show strong PAT growth of ~47% YoY because company has provided MTM loss of Rs510m during corresponding quarter of previous year.

Quarterly Table (Rs m) - Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	17,406	14,872	17.0	18,819	67,347	58,982	14.2
EBITDA	3,568	3,078	15.9	3,923	13,621	12,043	13.1
<i>Margin (%)</i>	<i>20.5</i>	<i>20.7</i>	<i>(20)bps</i>	<i>20.8</i>	<i>20.2</i>	<i>20.4</i>	<i>(19)bps</i>
Reported PAT	2,085	1,424	46.5	2,303	7,852	5,716	37.4
PAT (Excl. Ex Items)	2,085	1,424	46.5	2,163	7,852	5,576	40.8
Operating Metrics							
North America Sales	4,633	3,861	20.0	4,559	13,343	12,830	4.0
India Sales	4,052	4,052	0.0	3,028	17,629	14,940	18.0
Europe Sales	4,085	3,647	12.0	4,513	12,863	12,250	5.0
Rest of the World Sales	4,637	3,312	40.0	6,727	23,512	18,962	24.0

Chambal Fertilisers

	Accumulate
Rating	
Price	Rs82
Target Price	Rs95
Market Cap. (Rs bn)	34.0
Shares o/s (m)	416.2

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	57,798	62,976	63,878
EBITDA	7,863	8,517	8,560
<i>Margin (%)</i>	<i>13.6</i>	<i>13.5</i>	<i>13.4</i>
PAT	2,471	2,929	3,097
EPS (Rs)	5.8	7.0	7.4
<i>RoE (%)</i>	<i>16.0</i>	<i>17.4</i>	<i>16.4</i>
PE (x)	14.1	11.6	11.0
P / BV (x)	2.1	1.9	1.7
EV / E (x)	7.3	6.1	5.5

Urea sales growth is expected to contribute by volume and realization growth of 2% and 3%, respectively. We believe that urea business EBIT/MT would be stable on YoY. Trading and shipping business are expected to see lower margin on YoY basis during Q1FY12E. Company's long term contract on shipping got expired during the quarter. Hence, shipping business is likely to see margin contraction during Q1FY12E and FY12E.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E*	12M FY11*	YoY gr. (%)
Net Sales	9,966	9,757	2.1	8,451	62,976	57,798	9.0
EBITDA	1,759	2,052	(14.2)	1,496	8,517	7,863	8.3
<i>Margin (%)</i>	<i>17.7</i>	<i>21.0</i>	<i>(337)bps</i>	<i>17.7</i>	<i>13.5</i>	<i>13.6</i>	<i>(8)bps</i>
Reported PAT	627	801	(21.6)	619	2,929	2,471	18.6
PAT (Excl. Ex Items)	627	640	(1.9)	677	2,929	2,406	21.7
Operating Metrics							
Fertilizers Sales	5,521	5,260	5.0	5,399	27,272	24,142	13.0
Trading Sales	3,000	2,857	5.0	1,031	16,069	16,069	0.0
Shipping Sales	640	658	(2.7)	771	2,561	2,846	(10.0)
<i>Fertilizers EBIT %</i>	<i>15.5</i>	<i>16.1</i>	<i>(60)bps</i>	<i>8.6</i>	<i>17.4</i>	<i>15.0</i>	<i>238 bps</i>
<i>Trading EBIT %</i>	<i>4.0</i>	<i>7.0</i>	<i>(298)bps</i>	<i>11.6</i>	<i>4.0</i>	<i>5.8</i>	<i>(178)bps</i>
<i>Shipping EBIT %</i>	<i>10.5</i>	<i>26.5</i>	<i>(1,604)bps</i>	<i>20.1</i>	<i>10.5</i>	<i>19.2</i>	<i>(865)bps</i>

* Consolidated

Rallis India

	BUY
Rating	
Price	Rs1,537
Target Price	Rs1,715
Market Cap. (Rs bn)	29.9
Shares o/s (m)	19.4

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	10,989	14,214	17,327
EBITDA	2,046	2,810	3,555
<i>Margin (%)</i>	<i>18.6</i>	<i>19.8</i>	<i>20.5</i>
PAT	1,266	1,723	2,224
EPS (Rs)	65.1	88.6	114.3
<i>RoE (%)</i>	<i>27.3</i>	<i>30.5</i>	<i>31.3</i>
PE (x)	23.6	17.4	13.4
P / BV (x)	5.9	4.8	3.8
EV / E (x)	14.4	10.4	7.9

We expect that Rallis would report strong sales growth (~24% YoY) primarily led by volume growth. However, we believe that it would also be supported by better agrochemical prices. During corresponding quarter of previous year, Rallis EBITDA margin was impacted by adverse currency movement (in export) and higher marketing expenses. Hence, we expect 340bps YoY improvement in EBITDA margin to 15.2%.

Quarterly Table (Rs m) - Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	2,541	2,044	24.3	2,326	14,214	10,989	29.3
EBITDA	387	243	59.5	355	2,810	2,046	37.4
<i>Margin (%)</i>	<i>15.2</i>	<i>11.9</i>	<i>337 bps</i>	<i>15.3</i>	<i>19.8</i>	<i>18.6</i>	<i>115 bps</i>
Reported PAT	226	148	52.3	190	1,723	1,266	36.1
PAT (Excl. Ex Items)	226	148	52.3	190	1,723	1,266	36.1



Deepak Fertilisers

Rating	BUY
Price	Rs162
Target Price	Rs227
Market Cap. (Rs bn)	14.3
Shares o/s (m)	88.2

We expect that the net sales would grow by ~32% primarily led by higher chemical volume that would be contributed by newly commissioned ammonium nitrate plant. EBITDA margin is expected to be lower by 576bps to 22.4% (lower by 80bps on QoQ basis) due to higher raw material cost (essentially ammonia). Further, company has witnessed exceptionally better margin in chemical business during corresponding quarter of previous year. Adjusted PAT is expected to de-grow by ~12% YoY on account of lower EBITDA margin and incremental depreciation and interest cost on new plant.

Quarterly Table (Rs m) - Standalone

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	16,614	22,568	25,029
EBITDA	3,895	5,017	5,544
<i>Margin (%)</i>	<i>23.4</i>	<i>22.2</i>	<i>22.2</i>
PAT	1,876	2,363	2,859
EPS (Rs)	21.3	26.8	32.4
<i>RoE (%)</i>	<i>18.9</i>	<i>20.6</i>	<i>21.2</i>
PE (x)	7.6	6.1	5.0
P / BV (x)	1.3	1.2	1.0
EV / E (x)	5.0	3.8	2.9

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E*	12M FY11*	YoY gr. (%)
Net Sales	4,747	3,595	32.1	4,402	22,568	16,614	35.8
EBITDA	1,064	1,013	5.1	1,020	5,017	3,895	28.8
<i>Margin (%)</i>	<i>22.4</i>	<i>28.2 (576)bps</i>		<i>23.2</i>	<i>22.2</i>	<i>23.4 (121)bps</i>	
Reported PAT	458	522	(12.3)	495	2,363	1,876	25.9
PAT (Excl. Ex Items)	458	522	(12.3)	527	2,363	1,875	26.0
Operating Metrics							
Industrial Chemicals Sales	3,057	2,312	32.2	3,472	14,735	10,638	38.5
Fertilisers Sales	1,530	1,288	18.8	929	7,105	5,312	33.8
<i>Industrial Chemicals EBIT %</i>	<i>29.6</i>	<i>33.7 (406)bps</i>		<i>28.9</i>	<i>28.2</i>	<i>30.8 (259)bps</i>	
<i>Fertilisers EBIT %</i>	<i>5.2</i>	<i>11.5 (626)bps</i>		<i>(2.8)</i>	<i>7.0</i>	<i>5.3 169 bps</i>	

* Consolidated



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Banking

Business growth remains healthy – deposit growth picking up: Credit growth for the industry, although showing signs of moderation, remained healthy at 20.3% YoY (as on June 17, 2011) v/s 21.2% YoY at the beginning of the quarter. On the other hand, high term deposit rates has resulted into higher deposit growth of 18.2% YoY (as on June 17, 2011) v/s 15.8% YoY at the beginning of the quarter. Notably, as against the historical trend, both the industry deposit as well as credit (quarter-to-date) has remained higher as compared with the March 2011 levels.

Margin Outlook – pressures evident; SBI likely to surprise positively: Despite significant increase in lending rates seen in the last six months, we believe the increase in the deposit costs on account of 1) 0.50% increase in savings bank rate with effect from 03 May, 2011 and 2) higher re-pricing of term deposits (avg. YoY increase of ~250bps in TD rates) is likely to adversely affect margins during the quarter. However, amid all the banks, SBI is likely to stand out and could surprise positively with QoQ improvement in margins due to its significantly different liability re-pricing economics coupled with increase in lending rates during last six months.

Asset quality – continues to remain a wildcard: Asset quality is likely to remain a wildcard, as slippages for PSU banks would continue to remain elevated as migration to system based NPL recognition system continues and smaller accounts (Rs0.5-1.0mn) now being covered under this system could result in higher slippages. Moreover, exposure to troubled sectors such as aviation, telecom and microfinance among others could lead to higher restructuring during the quarter.

Result snapshot: For banks under our coverage, we expect the Net Interest Income (NII) to grow by a healthy 20.7% YoY but remain largely flat QoQ. Operating profit is likely to grow by 13.6% YoY and 7.1% QoQ. Net profit is likely to de-grow by 8.1% YoY, but increase by 11.4% QoQ. In terms of NII growth, PSBs and Private Banks stood alike with ~21% YoY growth (ex-SBI PSB NII growth stood at 22.9%). Meanwhile, we expect bottom-line for PSBs to decline by 24.1% YoY, but increase by 30.0% QoQ (ex-SBI the growth stood at 13.5% YoY and 12.4% QoQ) and for private banks to grow by 30.3% YoY, but decline by 6.9% QoQ.

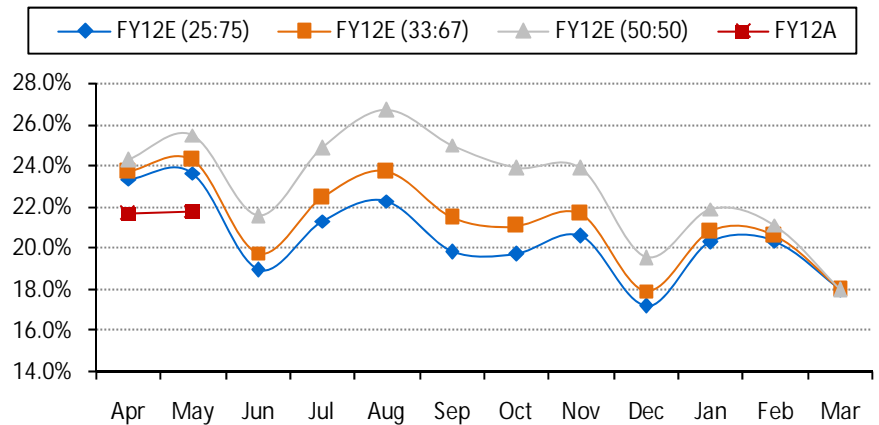
Outlook: Given the sticky nature of inflation, we expect rates to remain firm and further rate hike by the RBI to the tune of 25-50bps cannot be ruled out. Moreover, continued tightening by the RBI can put growth on a slower track and could thereby impact the system credit growth, which is a risk. Against the backdrop of such a macro economic situation, we maintain a **'Neutral'** stance on the sector and prefer to remain selective with our top picks.

Top Picks: State Bank of India, ICICI Bank, Bank of Baroda, Union Bank, IndusInd Bank and Allahabad Bank

Change in estimates and TP: We have revised our earnings estimates downwards for Allahabad Bank by ~9% for FY12 and FY13 each and for Central Bank by ~4% for FY12 to factor in higher cost of funds. We have revised our target price for Allahabad Bank to Rs270, for Central Bank to Rs150 and for Kotak Bank to Rs520.

Business growth – deposit growth picks up: Credit growth, although moderated from previous quarter, remained healthy at ~20% (as on June 17, 2011) as against ~21% YoY at the beginning of the quarter. Although the YoY growth in credit demand seems to be tapering off as the base effect of the previous year comes to play, on a quarter-to-date basis, the credit growth has been positive despite Q1 being a lean season and the industry usually witnessing QoQ decline in the credit off take during this period.

Credit growth scenarios* (FY12E – expected 18% YoY credit growth)



Source: RBI, PL Research

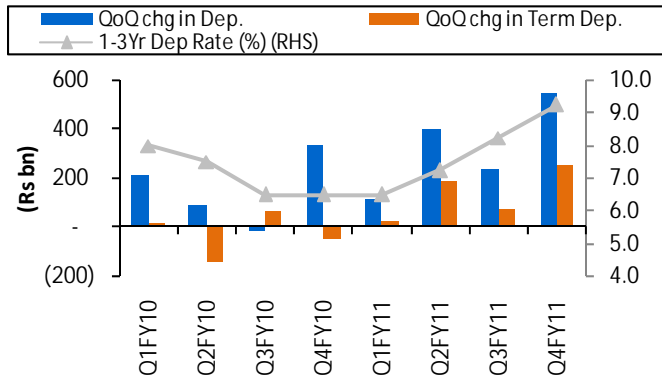
* Scenarios based on the proportion of credit growth expected during the first and the second half of FY12

On the other hand, deposit mobilization has improved as compared with the previous quarter and the gap between the credit and deposit growth has narrowed down. Deposit growth improved to 18.2% YoY (as on June 17, 2011) as compared with 15.8% at the beginning of the quarter. Resultantly, the incremental CD ratio (QoQ) stood at 35.6% v/s 75.9% at the beginning of the quarter. For the quarter, the CD ratio stands at 73.4% and the ID ratio stands at 30.0% (as on June 17, 2011).

Margin pressures evident – SBI could surprise positively: Despite significant increase in lending rates seen in the last six months, we believe the increase in deposit costs on account of 1) 0.50% increase in savings bank rate with effect from 03 May, 2011 and 2) higher re-pricing of term deposits (avg. YoY increase of ~250bps in TD rates) likely to adversely affect margins during the quarter. However, amid all the banks, SBI is likely to stand out and surprise positively with QoQ improvement in margins due to its significantly different liability re-pricing economics coupled with the increase in lending rates during the last six months. The mobilization of term deposits by banks in the past two fiscals is likely to have bearing on the margins of banks due to higher re-pricing of deposits impacting the margins. The difference in SBI’s liability re-pricing economics can be explained from the charts overleaf.

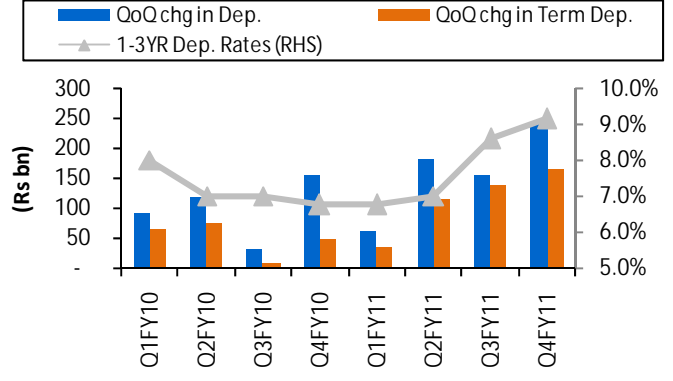
As evident in the charts below, the term deposit mobilization for SBI (in past two years) has been significantly lower as compared to peers, which should help SBI in protecting its margins vis-à-vis its peers.

Quarterly trend in deposit mobilization – SBI



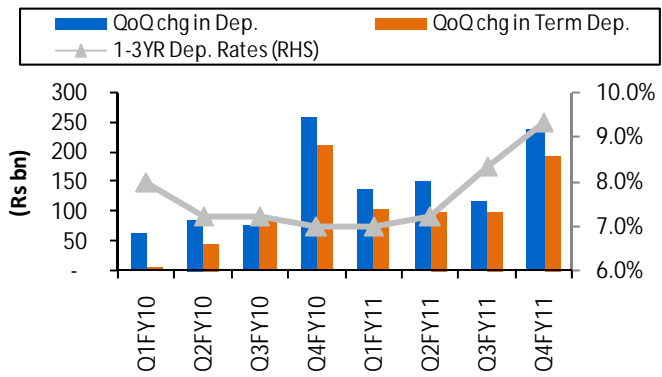
Source: Company Data, PL Research

Quarterly trend in deposit mobilization – PNB



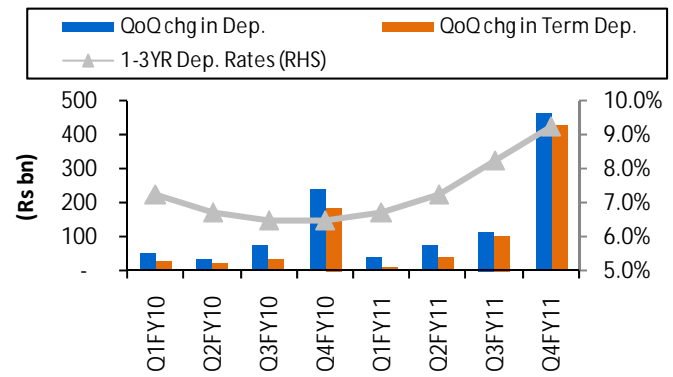
Source: Company Data, PL Research

Quarterly trend in deposit mobilization – BOB



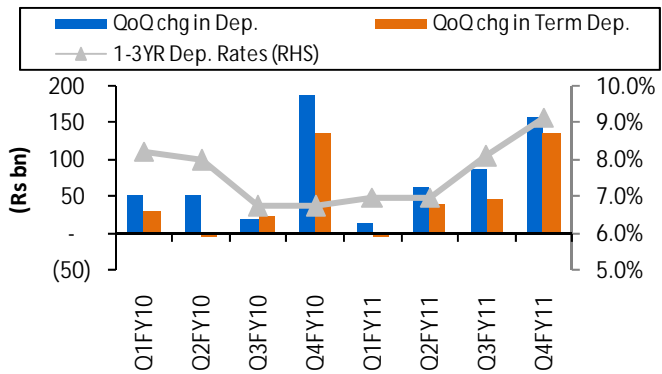
Source: Company Data, PL Research

Quarterly trend in deposit mobilization – BOI



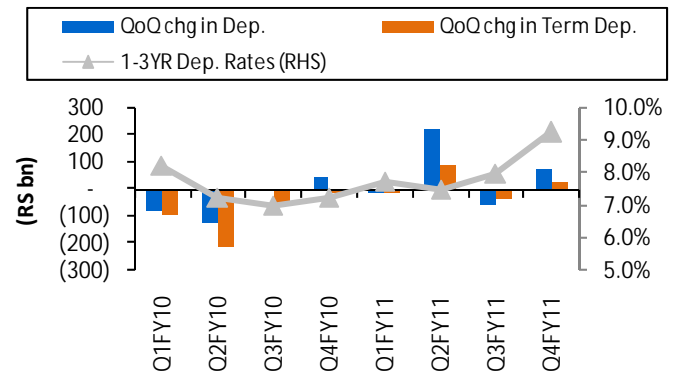
Source: Company Data, PL Research

Quarterly trend in deposit mobilization – UNBK



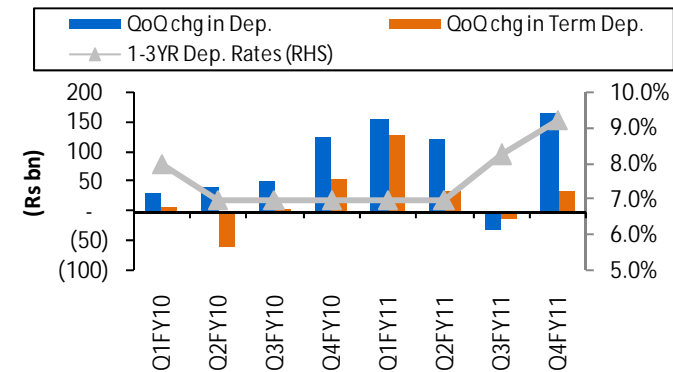
Source: Company Data, PL Research

Quarterly trend in deposit mobilization – ICICI



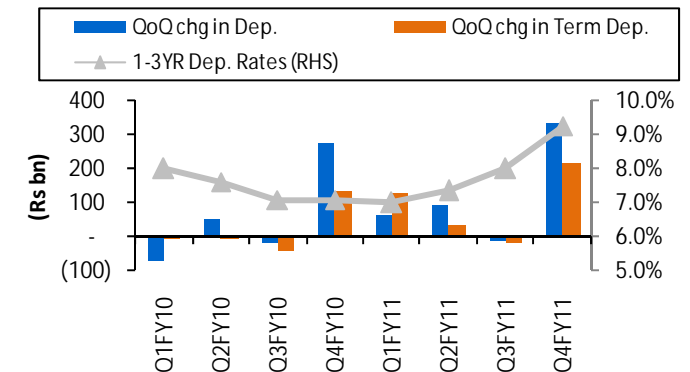
Source: Company Data, PL Research

Quarterly trend in deposit mobilization – HDFCB



Source: Company Data, PL Research

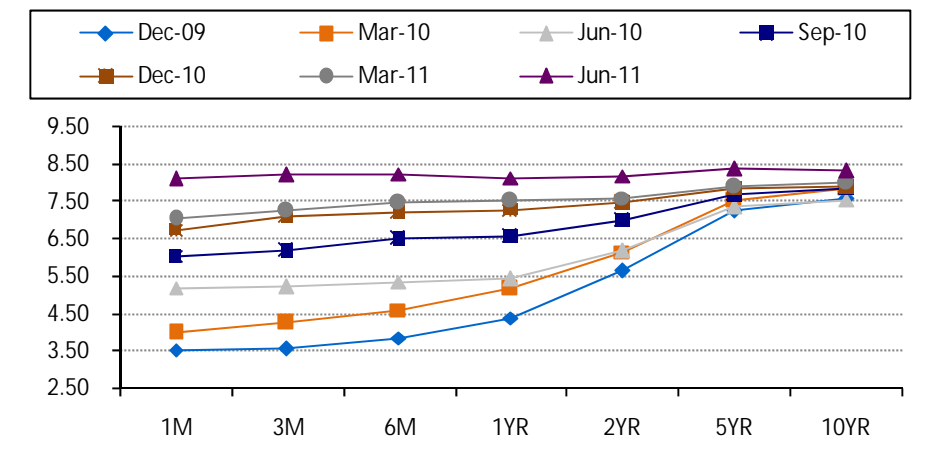
Quarterly trend in deposit mobilization – AXSB



Source: Company Data, PL Research

Rising interest rates to result into MTM losses for banks: As on June 30, 2011, the 10-year benchmark yield rose to 8.33% from 7.99% over the quarter after touching a high of 8.46% during the quarter. The yield curve has been flattening and is getting inverted, which is clearly not a positive indicator for banks as the short term rates have inched up sharply impacts margins. Moreover, steep increase in rates would likely result into mark-to-market losses for banks on their investment portfolio.

Flattening yield curve



Source: Bloomberg, PL Research

Higher provisioning expenses to mar bottom-line: Provisioning expenses for most banks are likely to remain elevated on account of 1) enhanced provisioning requirements by the RBI for standard assets and non performing loans 2) higher slippages on account of migration to system based system NPL recognition method (for PSU banks) 3) investment depreciation provisions due to increase in yields and 4) incremental loan loss provisions to meet the 70% PCR shortfall as on September 2010 for banks, who haven't been able to meet the 70% provision coverage as on that date.



Valuation Table

Banks	CMP	Rating	RoAE (%)		RoAA (%)		P/E (x)		P/ABV (x)		Tgt Price	Imp Upside
			FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E		
Public Sector Banks												
State Bank of India	2,473	BUY	15.7%	16.8%	1.0%	1.1%	11.5	8.3	1.8	1.6	2,708	9.5%
Punjab National Bank	1,135	Acc	22.7%	23.1%	1.3%	1.3%	6.7	5.4	1.5	1.2	1,465	29.1%
Union Bank of India	301	BUY	22.7%	24.6%	1.2%	1.3%	5.0	3.8	1.3	1.0	451	50.1%
Bank of Baroda	896	BUY	23.8%	24.0%	1.5%	1.5%	6.3	5.0	1.4	1.1	1,252	39.8%
Bank of India	414	BUY	20.1%	23.4%	1.0%	1.0%	6.0	4.2	1.3	1.0	629	51.8%
Central Bank of India	130	Acc	13.4%	14.5%	0.7%	0.7%	6.2	4.7	1.0	0.9	150	15.5%
Allahabad Bank	196	BUY	18.5%	21.1%	1.0%	1.1%	5.5	4.1	1.1	0.9	270	37.5%
Private Banks												
ICICI Bank	1,097	BUY	11.5%	13.3%	1.6%	1.6%	14.7	11.0	2.1	1.8	1,344	22.5%
HDFC Bank	2,541	Acc	19.7%	21.6%	1.7%	1.8%	22.8	17.4	4.2	3.4	2,675	5.3%
Axis Bank	1,328	Acc	19.4%	18.3%	1.5%	1.5%	13.6	12.0	2.5	1.9	1,645	23.9%
Kotak Mahindra Bank	484	Acc	15.8%	16.7%	2.4%	2.8%	18.1	15.0	2.8	2.4	520	7.4%
Yes Bank	323	BUY	20.0%	20.2%	1.4%	1.4%	12.6	9.3	2.1	1.7	450	39.4%
IndusInd Bank	286	BUY	17.8%	20.0%	1.5%	1.6%	17.7	13.5	3.1	2.6	325	13.5%

Source: Company Data, PL Research

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
State Bank of India	7.0	(11.5)	(8.2)	8.8	5.0	(6.8)	(0.5)	1.4
ICICI Bank	4.8	(1.3)	2.6	30.5	2.8	3.5	10.3	23.1
HDFC Bank	7.8	6.1	10.1	32.7	5.8	10.9	17.8	25.2
Axis Bank	6.9	(6.8)	1.3	7.4	4.9	(2.0)	9.0	(0.0)
Kotak Mahindra Bank	11.1	6.1	7.8	26.9	9.1	10.9	15.5	19.4
Punjab National Bank	5.0	(5.3)	(5.9)	5.6	3.0	(0.5)	1.8	(1.9)
Bank of Baroda	5.2	(6.9)	2.3	25.2	3.2	(2.1)	10.0	17.8
Bank of India	(2.4)	(15.3)	(5.7)	13.7	(4.4)	(10.5)	2.0	6.2
Union Bank of India	(5.5)	(15.0)	(7.3)	(3.7)	(7.5)	(10.3)	0.4	(11.2)
IndusInd Bank	7.2	5.4	15.0	37.8	5.2	10.2	22.7	30.4
YES Bank	10.9	3.4	10.8	20.3	8.9	8.2	18.5	12.8
Allahabad Bank	(1.0)	(16.4)	(7.5)	22.1	(3.0)	(11.6)	0.2	14.6
Central Bank of India	9.2	(11.9)	(10.9)	9.3	7.2	(7.2)	(3.2)	1.8

Source: Bloomberg, PL Research



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
State Bank of India	NII	86,069	73,037	17.8	80,581	6.8	385,832	325,264	18.6
	PPP	61,063	61,344	(0.5)	60,797	0.4	312,926	253,356	23.5
	<i>NIM Reported (%)</i>	-	3.18		3.07	-	-	3.32	
	<i>NIM Calculated (%)</i>	2.77	2.73		2.66		2.92	2.85	
	PAT	7,285	29,142	(75.0)	209	3,389.0	125,773	82,679	52.1
ICICI Bank	NII	23,874	19,911	19.9	25,097	(4.9)	101,209	90,169	12.2
	PPP	22,974	21,881	5.0	23,049	(0.3)	107,999	90,476	19.4
	<i>NIM Reported (%)</i>	-	2.50		2.70	-	-	2.60	
	<i>NIM Calculated (%)</i>	2.33	2.19		2.51		2.35	2.34	
	PAT	13,480	10,260	31.4	14,521	(7.2)	67,053	51,514	30.2
HDFC Bank	NII	29,339	24,011	22.2	28,395	3.3	124,853	105,431	18.4
	PPP	20,089	17,487	14.9	20,969	(4.2)	90,518	77,254	17.2
	<i>NIM Reported (%)</i>	-	4.30		4.20	-	-	4.22	
	<i>NIM Calculated (%)</i>	4.15	4.22		4.31		4.20	4.32	
	PAT	10,600	8,117	30.6	11,147	(4.9)	51,606	39,264	31.4
Axis Bank	NII	17,265	15,138	14.1	17,010	1.5	75,070	65,630	14.4
	PPP	16,365	14,501	12.9	18,208	(10.1)	70,134	64,157	9.3
	<i>NIM Reported (%)</i>	-	3.71		3.44	-	-	3.65	
	<i>NIM Calculated (%)</i>	2.87	3.27		3.03		2.80	3.10	
	PAT	9,290	7,419	25.2	10,201	(8.9)	40,262	33,885	18.8
Kotak Mahindra Bank (Standalone)	NII	6,266	5,082	23.3	6,216	0.8	25,428	22,451	13.3
	PPP	4,062	3,153	28.8	3,680	10.4	15,465	13,248	16.7
	<i>NIM Reported (%)</i>	-	5.70		5.60		-	5.60	
	<i>NIM Calculated (%)</i>	4.98	5.64		5.29		4.70	5.09	
	PAT	2,592	1,869	38.7	2,487	4.2	9,369	8,182	14.5
Punjab National Bank	NII	29,409	26,186	12.3	30,290	(2.9)	132,150	118,075	11.9
	PPP	26,166	20,982	24.7	25,075	4.4	104,146	90,558	15.0
	<i>NIM Reported (%)</i>	-	3.94		3.91		-	3.96	
	<i>NIM Calculated (%)</i>	3.14	3.45		3.36		3.19	3.50	
	PAT	12,506	10,683	17.1	12,009	4.1	53,811	44,336	21.4
Bank of Baroda	NII	25,791	18,580	38.8	26,139	(1.3)	107,404	88,023	22.0
	PPP	20,802	15,279	36.2	19,458	6.9	89,729	69,816	28.5
	<i>NIM Reported (%)</i>	-	2.90		3.45		-	3.12	
	<i>NIM Calculated (%)</i>	2.85	2.58		3.05		2.80	2.76	2.85
	PAT	10,718	8,592	24.7	12,944	(17.2)	55,871	42,417	31.7
Bank of India	NII	21,321	17,405	22.5	23,073	(7.6)	84,820	78,107	8.6
	PPP	17,685	14,106	25.4	12,053	46.7	63,453	53,842	17.8
	<i>NIM Reported (%)</i>	-	2.89		2.94		-	2.92	
	<i>NIM Calculated (%)</i>	2.49	2.51		2.85		2.23	2.49	
	PAT	8,195	7,251	13.0	4,936	66.0	38,047	24,887	52.9

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Union Bank of India	NII	16,417	13,480	21.8	17,165	(4.4)	66,827	62,162	7.5
	PPP	13,288	10,437	27.3	8,695	52.8	54,360	43,050	26.3
	<i>NIM Reported (%)</i>	-	3.03		3.44		-	3.33	
	<i>NIM Calculated (%)</i>	2.77	2.74		3.04		2.56	2.88	
	PAT	6,642	6,014	10.4	5,976	11.1	31,850	20,820	53.0
IndusInd Bank	NII	3,836	2,957	29.7	3,881	(1.2)	17,008	13,765	23.6
	PPP	2,894	2,306	25.5	2,980	(2.9)	14,104	10,817	30.4
	<i>NIM Reported (%)</i>	-	3.32		3.50		-	3.47	
	<i>NIM Calculated (%)</i>	3.35	3.34		3.56		3.50	3.52	
	PAT	1,704	1,186	43.8	1,718	(0.8)	7,362	5,773	27.5
YES Bank	NII	3,650	2,621	39.3	3,485	4.7	17,764	12,469	42.5
	PPP	3,350	2,490	34.6	3,488	(3.9)	16,561	11,904	39.1
	<i>NIM Reported (%)</i>	-	3.10		2.80		-	2.90	
	<i>NIM Calculated (%)</i>	2.45	2.71		2.51		2.57	2.61	
	PAT	2,144	1,564	37.1	2,034	5.4	9,882	7,272	35.9
Allahabad Bank	NII	11,032	8,503	29.7	11,513	(4.2)	43,748	40,225	8.8
	PPP	8,848	7,046	25.6	7,801	13.4	36,357	30,546	19.0
	<i>NIM Reported (%)</i>	-	3.10		3.49		-	3.38	
	<i>NIM Calculated (%)</i>	2.90	2.77		3.17		2.62	2.95	
	PAT	4,048	3,471	16.6	2,576	57.1	16,941	14,231	19.0
Central Bank of India	NII	13,220	11,185	18.2	14,285	(7.5)	55,560	53,253	4.3
	PPP	6,918	6,675	3.6	3,311	108.9	36,683	25,914	41.6
	<i>NIM Reported (%)</i>	-	2.86		3.47		-	3.31	
	<i>NIM Calculated (%)</i>	2.51	2.50		2.86		2.44	2.71	
	PAT	2,589	3,368	(23.1)	1,327	95.1	16,464	12,524	31.5

Source: Company Data, PL Research

Consolidated Sectoral Data
Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	1,075,023	1,237,672	1,540,774
<i>Growth (%)</i>	37.3	15.1	24.5
PPP	834,937	1,012,435	1,262,624
<i>Growth (%)</i>	23.1	21.3	24.7
PAT	387,783	524,292	685,235
<i>Growth (%)</i>	17.2	35.2	30.7
PE (x)	16.5	12.2	9.4

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
NII	287,488	238,095	20.7	287,129	0.1
<i>NIM (%)</i>	2.88	2.86		2.99	
PPP	224,504	197,685	13.6	209,564	7.1
PAT	92,658	100,808	(8.1)	83,197	11.4

Note: NII, PPP and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

State Bank of India

Rating	BUY
Price	Rs2,473
Target Price	Rs2,708
Market Cap. (Rs bn)	1,570.5
Shares o/s (m)	635.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	325,264	385,832	454,262
PPP	253,356	312,926	354,979
NIM (%)	2.85	2.92	2.95
PAT	82,679	125,773	171,973
EPS (Rs)	130.2	170.2	232.7
PE (x)*	15.3	11.8	8.3
P / ABV (x)*	2.4	1.8	1.6

*Rs98 & Rs109 per share reduced for investment in subsidiaries from Book Value & reduced Rs458 and Rs533 from the CMP for value of subsidiary for FY12 and FY13 respectively. Applied a 15% holding Co. discount.

We expect SBI's business growth to be tad below industry growth. Despite high base of previous year NII is likely to grow by 17.8% YoY and 6.8% QoQ. As against the industry trend margins are likely to improve by ~4-5bps QoQ. Noninterest income to decline 16.9% QoQ due to lower fee and treasury income. Higher loan loss (to meet regulatory requirements) and investment depreciation provisions likely to affect the bottom line growth. As a result, we expect bottom-line to decline by 75% YoY.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	86,069	73,037	17.8	80,581	385,832	325,264	18.6
PPP	61,063	61,344	(0.5)	60,797	312,926	253,356	23.5
NIM Reported (%)	-	3.18		3.07	-	3.32	
NIM Calculated (%)	2.77	2.73		2.66	2.92	2.85	
PAT	7,285	29,142	(75.0)	209	125,773	82,679	52.1
Operating Metrics (Rs bn)							
Deposits	9,526	8,153	16.8	9,339	10,834	9,339	16.0
Advances	7,719	6,532	18.2	7,567	8,905	7,567	17.7
Gross NPA	266	208	27.7	253	274	261	4.8
Net NPA	133	111	20.1	123	134	123	8.4

ICICI Bank

Rating	BUY
Price	Rs1,097
Target Price	Rs1,344
Market Cap. (Rs bn)	1,263.9
Shares o/s (m)	1,151.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	90,169	101,209	128,445
PPP	90,476	107,999	137,236
NIM (%)	2.34	2.35	2.59
PAT	51,514	67,053	85,647
EPS (Rs)	44.7	58.2	74.4
PE (x)*	21.3	14.6	11.0
P / ABV (x)*	2.6	2.1	1.8

Rs124 & Rs133 per share reduced for investment in subsidiaries from Book Value & Rs245 and Rs281 reduced from the CMP for value of subsidiary for FY12 and FY13 respectively. Applied a 15% holding Co. discount.

ICICI Bank's business growth is likely to be in tandem with the industry. Margin pressures are evident resulting into an expected 18bps QoQ contraction in margins. Despite lower treasury gains, non interest income is likely to increase QoQ on account of higher dividend income this quarter. Credit costs are likely to be higher due to provisions required due to regulatory requirements. Consequently, PAT is likely to grow by 31.4% YoY, but decline by 7.2% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	23,874	19,911	19.9	25,097	101,209	90,169	12.2
PPP	22,974	21,881	5.0	23,049	107,999	90,476	19.4
NIM Reported (%)	-	2.50		2.70	-	2.60	
NIM Calculated (%)	2.33	2.19		2.51	2.35	2.34	
PAT	13,480	10,260	31.4	14,521	67,053	51,514	30.2
Operating Metrics (Rs bn)							
Deposits	2,301	2,009	14.5	2,256	2,600	2,222	17.0
Advances	2,207	1,844	19.7	2,164	2,541	2,164	17.4
Gross NPA	102	98	4.1	100	91	101	(9.2)
Net NPA	26	35	(26.0)	24	23	28	(19.0)

HDFC Bank

	Accumulate
Rating	
Price	Rs2,541
Target Price	Rs2,675
Market Cap. (Rs bn)	1,163.2
Shares o/s (m)	457.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	105,431	124,853	163,277
PPP	77,254	90,518	127,004
<i>NIM (%)</i>	<i>4.32</i>	<i>4.20</i>	<i>4.41</i>
PAT	39,264	51,606	67,371
EPS (Rs)	85.8	112.7	147.2
PE (x)	29.6	22.5	17.3
P / ABV (x)	4.9	4.2	3.4

Business growth expected to remain healthy during the quarter; however, the YoY advances growth would likely seem to be subdued on account of a high base of Q1FY11. Margins are expected to contract by ~16bps QoQ on account of increase in the savings bank rate and high deposit costs. Asset quality expected to remain stable and so the credit costs as we expect the bank to continue with its prudent provisioning policy. Consequently, bottom-line is expected to grow by 30.6% YoY but decline by 4.9% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	29,339	24,011	22.2	28,395	124,853	105,431	18.4
PPP	20,089	17,487	14.9	20,969	90,518	77,254	17.2
<i>NIM Reported (%)</i>	<i>-</i>	<i>4.30</i>		<i>4.20</i>	<i>-</i>	<i>4.22</i>	
<i>NIM Calculated (%)</i>	<i>4.15</i>	<i>4.22</i>		<i>4.31</i>	<i>4.20</i>	<i>4.32</i>	
PAT	10,600	8,117	30.6	11,147	51,606	39,264	31.4
Operating Metrics (Rs bn)							
Deposits	2,190	1,830	19.7	2,086	2,430	1,992	22.0
Advances	1,680	1,462	14.9	1,600	1,997	1,604	24.5
Gross NPA	17	18	(3.7)	17	24	18	35.7
Net NPA	3	4	(16.4)	3	7	3	171.4

Axis Bank

	Accumulate
Rating	
Price	Rs1,328
Target Price	Rs1,645
Market Cap. (Rs bn)	545.2
Shares o/s (m)	410.6

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	65,630	75,070	102,035
PPP	64,157	70,134	91,238
<i>NIM (%)</i>	<i>3.10</i>	<i>2.80</i>	<i>3.08</i>
PAT	33,885	40,262	50,936
EPS (Rs)	82.5	98.1	113.1
PE (x)	16.1	13.5	11.7
P / ABV (x)	2.9	2.5	1.9

Axis Bank's business growth is expected to moderate after a strong growth seen in Q4FY11 with advances and deposits likely to grow by ~27-28% YoY each. However, NII is likely to grow at a slower rate at 14.1% YoY and remain largely flattish QoQ on account of expected sequential contraction of ~16bps in margins. Provisions are likely to remain stable QoQ. We expect earnings to grow by 25.2% YoY, but decline by 8.9% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	17,265	15,138	14.1	17,010	75,070	65,630	14.4
PPP	16,365	14,501	12.9	18,208	70,134	64,157	9.3
<i>NIM Reported (%)</i>	<i>-</i>	<i>3.71</i>		<i>3.44</i>	<i>-</i>	<i>3.65</i>	
<i>NIM Calculated (%)</i>	<i>2.87</i>	<i>3.27</i>		<i>3.03</i>	<i>2.80</i>	<i>3.10</i>	
PAT	9,290	7,419	25.2	10,201	40,262	33,885	18.8
Operating Metrics (Rs bn)							
Deposits	1,873	1,475	27.0	1,892	2,365	1,892	25.0
Advances	1,396	1,086	28.5	1,424	1,693	1,424	18.9
Gross NPA	17	13	23.1	16	17	17	3.1
Net NPA	4	4	3.8	4	7	4	65.0

Kotak Mahindra Bank

Rating	Accumulate
Price	Rs484
Target Price	Rs520
Market Cap. (Rs bn)	356.7
Shares o/s (m)	736.9

Key Figures (Consolidated) (Rs m)

	FY11	FY12E	FY13E
NII	35,069	37,245	45,439
PPP	23,950	34,575	38,043
<i>NIM (%)</i>	<i>5.09</i>	<i>4.80</i>	<i>5.03</i>
PAT	15,667	18,498	22,303
EPS (Rs)	21.3	25.1	30.3
PE (x)*	21.4	18.1	15.0
P / ABV (x)*	3.1	2.8	2.4

* Valuations adjusted for investment in subsidiaries

We expect KMB's (standalone) business to grow at a pace faster than industry as advances and deposits growth by 29.0% and 24.1% YoY respectively. However, the growth in the Kotak Prime is likely to slowdown on a higher base of last year. Margins are likely to contract by ~30bps QoQ. Asset quality to remain steady. Capital market related businesses likely to remain under pressure in line with the industry trend. On a consolidated basis, we expect bottomline to grow by 29.7% YoY but decline by 13.5% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	6,266	5,082	23.3	6,216	25,428	22,451	13.3
PPP	4,062	3,153	28.8	3,680	15,465	13,248	16.7
<i>NIM Reported (%)</i>	-	<i>5.70</i>		<i>5.60</i>		<i>5.60</i>	
<i>NIM Calculated (%)</i>	<i>4.98</i>	<i>5.64</i>		<i>5.29</i>	<i>4.70</i>	<i>5.09</i>	
PAT (Standalone)	2,592	1,869	38.7	2,487	9,369	8,182	14.5
PAT (Consolidated)	4,252	3,277	29.7	4,914	18,498	22,303	20.6
Operating Metrics (Rs bn)							
Deposits	298	241	24.1	293	363	293	24.0
Advances	299	232	29.0	293	365	293	24.6
Gross NPA	6	8	(22.4)	6	7	6	22.4
Net NPA	2	3	(31.5)	2	3	2	57.6

Punjab National Bank

Rating	Accumulate
Price	Rs1,135
Target Price	Rs1,465
Market Cap. (Rs bn)	359.4
Shares o/s (m)	316.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	118,075	132,150	163,373
PPP	90,558	104,146	129,850
<i>NIM (%)</i>	<i>3.50</i>	<i>3.19</i>	<i>3.25</i>
PAT	44,336	53,811	66,573
EPS (Rs)	139.9	169.9	210.1
PE (x)	8.1	6.7	5.4
P / ABV (x)	1.9	1.5	1.2

PNB's business growth is likely to be in line with the industry trend. Margins are expected to contract by ~22bps QoQ due to increase in cost of funds. Core fee income expected to decline on a QoQ basis as the business growth moderates. Credit costs are expected to remain higher. Asset quality needs to be monitored, especially the slippages from the restructured assets portfolio. We expect the bank to report earnings growth of 17.1% YoY and 4.1% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	29,409	26,186	12.3	30,290	132,150	118,075	11.9
PPP	26,166	20,982	24.7	25,075	104,146	90,558	15.0
<i>NIM Reported (%)</i>	-	<i>3.94</i>		<i>3.91</i>	-	<i>3.96</i>	
<i>NIM Calculated (%)</i>	<i>3.14</i>	<i>3.45</i>		<i>3.36</i>	<i>3.19</i>	<i>3.50</i>	
PAT	12,506	10,683	17.1	12,009	53,811	44,336	21.4
Operating Metrics (Rs bn)							
Deposits	3,098	2,553	21.3	3,129	3,880	3,129	24.0
Advances	2,397	1,969	21.7	2,421	2,913	2,421	20.3
Gross NPA	45	36	24.8	44	53	44	21.3
Net NPA	20	13	58.2	20	17	20	(16.0)

Bank of Baroda

Rating	BUY
Price	Rs896
Target Price	Rs1,252
Market Cap. (Rs bn)	351.9
Shares o/s (m)	392.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	88,023	107,404	133,146
PPP	69,816	89,729	111,222
<i>NIM (%)</i>	<i>2.76</i>	<i>2.80</i>	<i>2.94</i>
PAT	42,417	55,871	69,873
EPS (Rs)	108.0	142.2	177.9
PE (x)	8.3	6.3	5.0
P / ABV (x)	1.8	1.4	1.1

BoB's global business is expected to grow higher-than-industry, with its advances and deposits growing by 24.4% YoY and 22.3% YoY, respectively. Margins are expected to contract by ~20bps QoQ. Sequentially lower treasury and fee income to pull down overall noninterest income growth. Credit costs likely to remain high due to higher standard asset provisioning. We expect the bottom-line to grow by 24.7% YoY, but decline by 17.2% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	25,791	18,580	38.8	26,139	107,404	88,023	22.0
PPP	20,802	15,279	36.2	19,458	89,729	69,816	28.5
<i>NIM Reported (%)</i>	-	<i>2.90</i>		<i>3.45</i>	-	<i>3.12</i>	
<i>NIM Calculated (%)</i>	<i>2.85</i>	<i>2.58</i>		<i>3.05</i>	<i>2.80</i>	<i>2.76</i>	
PAT	10,718	8,592	24.7	12,944	55,871	42,417	31.7
Operating Metrics (Rs bn)							
Deposits	3,115	2,547	22.3	3,054	3,588	3,059	17.3
Advances	2,310	1,856	24.4	2,287	2,646	2,287	15.7
Gross NPA	34	27	28.1	32	37	30	24.5
Net NPA	9	7	23.4	8	9	8	24.5

Bank of India

Rating	Accumulate
Price	Rs414
Target Price	Rs629
Market Cap. (Rs bn)	226.8
Shares o/s (m)	547.2

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	78,107	84,820	107,624
PPP	53,842	63,453	85,363
<i>NIM (%)</i>	<i>2.49</i>	<i>2.23</i>	<i>2.41</i>
PAT	24,887	38,047	53,561
EPS (Rs)	45.5	69.5	97.9
PE (x)	9.1	6.0	4.2
P / ABV (x)	1.5	1.3	1.0

We expect BoI's YoY business growth to be largely in line with the industry, with advances and deposits growing by ~20-21% YoY each. Deposits expected to decline QoQ due to maturity of certain certificate of deposits. We expect margins to contract by ~36bps QoQ. Provisions to remain elevated due to standard asset and investment depreciation provisions. Slippages during the quarter likely to remain a key monitorable. We expect earnings to grow by 13.0% YoY and 66.0% QoQ (on a lower base).

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	21,321	17,405	22.5	23,073	84,820	78,107	8.6
PPP	17,685	14,106	25.4	12,053	63,453	53,842	17.8
<i>NIM Reported (%)</i>	-	<i>2.89</i>		<i>2.94</i>	-	<i>2.92</i>	
<i>NIM Calculated (%)</i>	<i>2.49</i>	<i>2.51</i>		<i>2.85</i>	<i>2.23</i>	<i>2.49</i>	
PAT	8,195	7,251	13.0	4,936	38,047	24,887	52.9
Operating Metrics (Rs bn)							
Deposits	2,839	2,337	21.5	2,989	3,527	2,989	18.0
Advances	2,118	1,768	19.8	2,162	2,496	2,131	17.1
Gross NPA	52	48	7.7	48	57	48	18.2
Net NPA	23	21	11.3	19	26	19	32.8

Union Bank of India

Rating	BUY
Price	Rs301
Target Price	Rs451
Market Cap. (Rs bn)	157.7
Shares o/s (m)	524.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	62,162	66,827	87,201
PPP	43,050	54,360	73,185
<i>NIM (%)</i>	<i>2.88</i>	<i>2.56</i>	<i>2.72</i>
PAT	20,820	31,850	42,035
EPS (Rs)	39.7	60.7	80.1
PE (x)	7.6	5.0	3.8
P / ABV (x)	1.6	1.3	1.0

We expect UBI's business to grow at a healthy pace on a YoY basis but remain largely flattish QoQ. Margins are expected to remain under pressure; we build in a 27bps QoQ decline in margins. Fee income to remain stable; while lower treasury income to pull down overall non-interest income growth. Provisions to remain elevated on the back of Rs2.5bn standard asset provisions. Consequently, we expect bottom-line to grow by 10.4% YoY and 11.1% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	16,417	13,480	21.8	17,165	66,827	62,162	7.5
PPP	13,288	10,437	27.3	8,695	54,360	43,050	26.3
<i>NIM Reported (%)</i>	-	<i>3.03</i>		<i>3.44</i>	-	<i>3.33</i>	
<i>NIM Calculated (%)</i>	<i>2.77</i>	<i>2.74</i>		<i>3.04</i>	<i>2.56</i>	<i>2.88</i>	
PAT	6,642	6,014	10.4	5,976	31,850	20,820	53.0
Operating Metrics (Rs bn)							
Deposits	2,045	1,715	19.2	2,025	2,511	2,025	24.0
Advances	1,515	1,247	21.4	1,530	1,808	1,510	19.7
Gross NPA	37	27	36.4	36	37	36	0.9
Net NPA	19	11	62.3	18	21	18	16.0

IndusInd Bank

Rating	BUY
Price	Rs286
Target Price	Rs325
Market Cap. (Rs bn)	130.4
Shares o/s (m)	455.1

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	13,765	17,008	22,940
PPP	10,817	14,104	18,873
<i>NIM (%)</i>	<i>3.52</i>	<i>3.50</i>	<i>3.74</i>
PAT	5,773	7,362	9,642
EPS (Rs)	12.7	16.2	21.2
PE (x)	22.6	17.7	13.5
P / ABV (x)	3.6	3.1	2.6

We expect IIB's advances and deposits to grow by 24.7% and 26.8% YoY, respectively. Margins are expected to decline by ~20-22bps on a sequential basis as the cost pressures increase. Non-interest income to decline sequentially on account of lower distribution and trading income. Asset quality is expected to remain healthy. Bottom-line is expected to grow by 43.8% YoY but decline marginally by 0.8% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	3,836	2,957	29.7	3,881	17,008	13,765	23.6
PPP	2,894	2,306	25.5	2,980	14,104	10,817	30.4
<i>NIM Reported (%)</i>	-	<i>3.32</i>		<i>3.50</i>	-	<i>3.47</i>	
<i>NIM Calculated (%)</i>	<i>3.35</i>	<i>3.34</i>		<i>3.56</i>	<i>3.50</i>	<i>3.52</i>	
PAT	1,704	1,186	43.8	1,718	7,362	5,773	27.5
Operating Metrics (Rs bn)							
Deposits	347	274	26.8	344	417	321	30.0
Advances	270	216	24.7	262	331	260	27.3
Gross NPA	3	3	(0.5)	3	5	3	53.1
Net NPA	1	1	(0.4)	1	2	1	53.1



YES Bank

Rating	BUY
Price	Rs323
Target Price	Rs450
Market Cap. (Rs bn)	112.1
Shares o/s (m)	347.2

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	12,469	17,764	26,024
PPP	11,904	16,561	23,236
<i>NIM (%)</i>	<i>2.61</i>	<i>2.57</i>	<i>2.76</i>
PAT	7,272	9,882	13,476
EPS (Rs)	20.9	25.5	34.8
PE (x)	15.4	12.6	9.3
P / ABV (x)	3.0	2.1	1.7

Business growth momentum is likely to moderate in line with the industry trend, with advances and deposits growing by 34.8% and 59.5% YoY respectively. Margins are expected to contract by -5-6bps QoQ. Lower income from financial markets and advisory to affect overall non-interest income growth. Asset quality is likely to remain steady, with only MFI exposure being a monitorable. As a result, we expect bottom-line to grow by 37.1% YoY and 5.4% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	3,650	2,621	39.3	3,485	17,764	12,469	42.5
PPP	3,350	2,490	34.6	3,488	16,561	11,904	39.1
<i>NIM Reported (%)</i>	-	<i>3.10</i>		<i>2.80</i>	-	<i>2.90</i>	
<i>NIM Calculated (%)</i>	<i>2.45</i>	<i>2.71</i>		<i>2.51</i>	<i>2.57</i>	<i>2.61</i>	
PAT	2,144	1,564	37.1	2,034	9,882	7,272	35.9
Operating Metrics (Rs bn)							
Deposits	482	302	59.5	459	597	459	30.0
Advances	354	263	34.8	344	483	344	40.4
Gross NPA	0.9	0.6	48.4	0.8	1.9	0.9	108.2
Net NPA	0.1	0.1	19.8	0.1	0.5	0.2	141.3

Allahabad Bank

Rating	BUY
Price	Rs196
Target Price	Rs270
Market Cap. (Rs bn)	93.5
Shares o/s (m)	476.2

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	40,225	43,748	56,157
PPP	30,546	36,357	47,074
<i>NIM (%)</i>	<i>2.95</i>	<i>2.62</i>	<i>2.74</i>
PAT	14,231	16,941	22,732
EPS (Rs)	29.9	35.6	47.7
PE (x)	6.6	5.5	4.1
P / ABV (x)	1.3	1.1	0.9

We expect ALBK's business growth to moderate as compared to previous year but still remain higher than industry, with advances and deposits growing by 26.1% and 25.4% YoY, respectively. Margins likely to decline by 27bps QoQ. Sequentially lower treasury gains and fee income to affect noninterest income growth. Higher provisions to meet regulatory guidelines to impact bottom line. Consequently, we expect bottom-line to grow by 16.6% YoY and 57.1% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
NII	11,032	8,503	29.7	11,513	43,748	40,225	8.8
PPP	8,848	7,046	25.6	7,801	36,357	30,546	19.0
<i>NIM Reported (%)</i>	-	<i>3.10</i>		<i>3.49</i>	-	<i>3.38</i>	
<i>NIM Calculated (%)</i>	<i>2.90</i>	<i>2.77</i>		<i>3.17</i>	<i>2.62</i>	<i>2.95</i>	
PAT	4,048	3,471	16.6	2,576	16,941	14,231	19.0
Operating Metrics (Rs bn)							
Deposits	1,358	1,083	25.4	1,319	1,604	1,315	22.0
Advances	955	757	26.1	946	1,143	936	22.0
Gross NPA	17	11	46.1	16	21	16	26.4
Net NPA	7	3	141.1	7	6	7	(15.1)



Central Bank of India

	Accumulate
Rating	
Price	Rs130
Target Price	Rs150
Market Cap. (Rs bn)	84.0
Shares o/s (m)	646.6

Key Figures (Rs m)

	FY11	FY12E	FY13E
NII	53,253	55,478	65,109
PPP	25,914	34,848	42,070
<i>NIM (%)</i>	<i>2.71</i>	<i>2.44</i>	<i>2.42</i>
PAT	12,524	14,745	17,884
EPS (Rs)	17.7	21.1	27.7
PE (x)	7.3	6.2	4.7
P / ABV (x)	1.1	1.0	0.9

We expect CBOI's business growth to track the industry growth, with advances and deposits growing by 20.9% YoY and 18.4% YoY. Margins are expected to witness pressure due to rising cost of funds and decline by ~18bps QoQ. We expect credit costs to remain stable QoQ due to higher standard asset provisions. Asset quality will remain a key monitorable with new CMD taking charge of the bank towards the end of the quarter. Consequently, we expect bottom-line to decline by 23.1% YoY, but grow by 95.1% QoQ (due to higher staff and provisioning expenses impacting bottomline in Q4FY11).

Quarterly Table (Rs m)

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E	FY11	gr. (%)
NII	13,220	11,185	18.2	14,285	55,478	65,109	4.3
PPP	6,918	6,675	3.6	3,311	34,848	42,070	41.6
<i>NIM Reported (%)</i>	<i>-</i>	<i>2.86</i>		<i>3.47</i>	<i>-</i>	<i>3.31</i>	
<i>NIM Calculated (%)</i>	<i>2.51</i>	<i>2.50</i>		<i>2.86</i>	<i>2.44</i>	<i>2.71</i>	
PAT	2,589	3,368	(23.1)	1,327	14,745	17,884	21.3
Operating Metrics (Rs bn)							
Deposits	1,829	1,546	18.4	1,794	2,116	1,794	18.0
Advances	1,301	1,076	20.9	1,314	1,500	1,297	15.6
Gross NPA	25	26	-5.5	24	34	24	42.9
Net NPA	9	8	14.9	8	14	8	61.5

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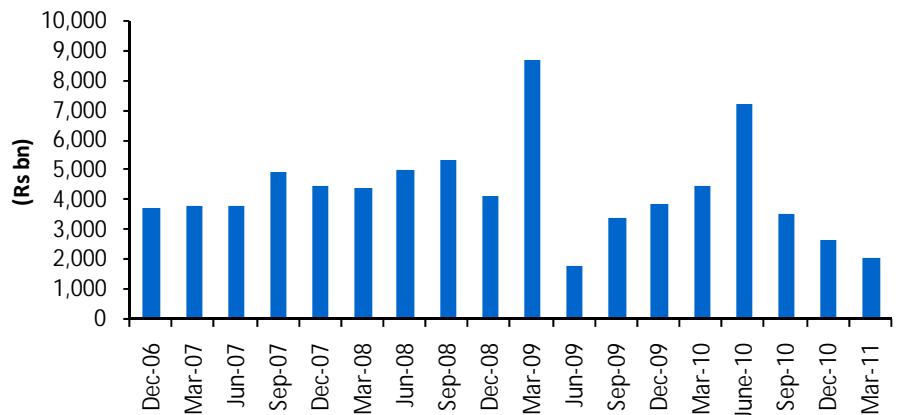
Capital Goods

Over the last three months, the capital goods index has outperformed the broader markets by ~5%. We expect sales for our coverage universe to grow by 16% YoY in Q1FY12. EBITDA margins are expected to be at 12.8% and PAT is expected to grow by 12% (excluding *Suzlon*) for the quarter.

Pace of announcement of new investments has fallen substantially. New investment announcements amounted to R2.63 trillion in Mar quarter vs R2.92 trillion in Dec vs R3.57 trillion in Sep quarter. The total new investments announced in 2010-11 were lower than in 2009-10. There has been a sudden rise in projects abandoned in the March, 2011 quarter. Projects abandoned amounted to R516 billion in the quarter. There has also been a significant delay in the commissioning of projects. In 2010-11, projects worth R8 trillion were expected to be commissioned, as per schedules given by companies. CMIE had anticipated commissioning of projects worth R6.5 trillion.

However, what we understand from most of the corporates is the enquiries levels are strong but conversion cycle has elongated significantly. We believe reforms will be key to pick up in investment cycle. .

New projects announcement



Source: Company Data, PL Research

Technical bids for the project 9x800(involving supply of boilers), saw participation from five companies/consortiums. Bharat Heavy Electricals, L&T-Mitsubishi Heavy Industries, Thermax-Babcock & Wilcox, Alstom-Bharat-Forge and BGR-Hitachi, and South Korea's Doosan Heavy Industries. For turbine tenders key power equipment manufacturers like Bhel, BGR Energy, JSW, L&T and Bharat Forge have shown interest to participate in the bidding. NTPC hopes to complete the tendering process by the end of the year.

Top picks: Crompton Greaves, BHEL and KEC International



Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
BHEL	2.1	(11.7)	(15.3)	(17.3)	0.1	(6.9)	(7.7)	(24.8)
Crompton Greaves	0.2	8.4	7.4	(0.7)	(1.8)	13.2	15.1	(8.2)
ABB	(0.5)	(9.8)	(15.4)	3.0	(2.5)	(5.0)	(7.7)	(4.5)
Cummins India	(1.0)	(3.7)	(11.8)	12.6	(3.0)	1.0	(4.1)	5.2
Thermax	(1.5)	2.5	(7.5)	(13.3)	(3.5)	7.3	0.1	(20.7)
Suzlon Energy	(1.4)	(10.8)	(31.2)	(20.8)	(3.4)	(6.0)	(23.5)	(28.3)
Areva T&D	(1.1)	(3.9)	(23.2)	(11.6)	(3.1)	0.9	(15.5)	(19.1)
Voltas	2.2	(8.7)	(23.7)	(17.4)	0.2	(3.9)	(16.0)	(24.9)
BGR Energy Systems	0.1	(11.8)	(33.7)	(34.1)	(1.9)	(7.0)	(26.0)	(41.5)
KEC International	(2.5)	(5.0)	(19.2)	(14.0)	(4.5)	(0.2)	(11.6)	(21.4)
Kalpataru Power Transmission	4.1	(6.7)	(23.8)	(38.0)	2.1	(1.9)	(16.2)	(45.5)
Jyoti Structures	(7.1)	(6.0)	(38.3)	(43.5)	(9.1)	(1.2)	(30.7)	(51.0)
Hindustan Dorr Oliver	10.7	0.2	(14.8)	(3.0)	8.7	5.0	(7.2)	(10.5)
Action Construction Equipments	(14.2)	(35.9)	(49.4)	(53.3)	(16.2)	(31.1)	(41.7)	(60.7)

Source: Bloomberg, PL Research



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
BHEL	Sales	81,771	64,790	26.2	179,214	(54.4)	511,068	415,788	22.9
	EBITDA	12,617	8,439	49.5	38,345	(67.1)	92,289	80,460	14.7
	<i>Margins (%)</i>	<i>15.4</i>	<i>13.0</i>		<i>21.4</i>		<i>18.1</i>	<i>19.4</i>	
	PAT	7,951	6,699	18.7	27,981	(71.6)	69,767	60,112	16.1
Crompton Greaves	Sales	25,553	23,022	11.0	29,080	(12.1)	113,890	100,051	13.8
	EBITDA	3,323	2,973	11.8	3,816	(12.9)	15,147	13,442	12.7
	<i>Margins (%)</i>	<i>13.0</i>	<i>12.9</i>		<i>13.1</i>		<i>13.3</i>	<i>13.4</i>	
	PAT	2,023	1,897	6.7	2,870	(29.5)	10,336	9,116	13.4
ABB	Sales	15,286	14,466	5.7	17,813	(14.2)	33,099	29,024	14.0
	EBITDA	1,001	501	99.8	870	15.1	1,871	530	252.9
	<i>Margins (%)</i>	<i>6.5</i>	<i>3.5</i>		<i>4.9</i>		<i>5.7</i>	<i>1.8</i>	
	PAT	778	384	102.7	595	30.6	1,373	451	204.7
Cummins India	Sales	10,741	9,279	15.8	10,493	2.4	49,410	40,612	21.7
	EBITDA	1,957	1,975	(0.9)	1,849	5.9	9,289	7,793	19.2
	<i>Margins (%)</i>	<i>18.2</i>	<i>21.3</i>		<i>17.6</i>		<i>18.8</i>	<i>19.2</i>	
	PAT	1,502	1,403	7.1	1,440	4.3	6,844	6,068	12.8
Thermax	Sales	9,124	7,898	15.5	17,713	(48.5)	58,246	53,366	9.1
	EBITDA	1,074	960	11.9	1,952	(45.0)	6,443	5,810	10.9
	<i>Margins (%)</i>	<i>11.8</i>	<i>12.2</i>		<i>11.0</i>		<i>11.1</i>	<i>10.9</i>	
	PAT	715	662	8.0	1,265	(43.5)	4,310	3,831	12.5
Suzlon Energy	Sales	41,161	24,044	71.2	73,721	(44.2)	263,388	183,580	43.5
	EBITDA	2,787	(5,460)	(151.1)	8,035	(65.3)	22,901	7,746	195.7
	<i>Margins (%)</i>	<i>6.8</i>	<i>(22.7)</i>		<i>10.9</i>		<i>8.7</i>	<i>4.2</i>	
	PAT	(1,723)	(8,953)	(80.8)	2,112	(181.6)	5,372	(10,724)	(150.1)
Areva T&D	Sales	10,449	8,855	18.0	9,949	5.0	20,398	16,623	22.7
	EBITDA	965	815	18.5	837	15.3	1,802	1,237	45.7
	<i>Margins (%)</i>	<i>9.2</i>	<i>9.2</i>		<i>8.4</i>		<i>8.8</i>	<i>7.4</i>	
	PAT	380	322	17.9	288	32.0	668	357	87.0
Voltas	Sales	15,133	14,032	7.9	16,708	(9.4)	56,618	51,768	9.4
	EBITDA	1,293	1,224	5.6	1,361	(5.0)	4,461	4,408	1.2
	<i>Margins (%)</i>	<i>8.5</i>	<i>8.7</i>		<i>8.1</i>		<i>7.9</i>	<i>8.5</i>	
	PAT	868	945	(8.1)	911	(4.6)	3,457	3,114	11.0
BGR Energy Systems	Sales	8,150	9,054	(10.0)	14,573	(44.1)	54,743	47,475	15.3
	EBITDA	940	1,025	(8.3)	1,630	(42.3)	5,996	5,374	11.6
	<i>Margins (%)</i>	<i>11.5</i>	<i>11.3</i>		<i>11.2</i>		<i>11.0</i>	<i>11.3</i>	
	PAT	464	605	(23.3)	984	(52.8)	3,412	3,227	5.7
Kalpataru Power Transmission	Sales	6,128	5,356	14.4	8,831	(30.6)	33,195	28,705	15.6
	EBITDA	680	699	(2.8)	970	(29.9)	3,751	3,281	14.3
	<i>Margins (%)</i>	<i>11.1</i>	<i>13.1</i>		<i>11.0</i>		<i>11.3</i>	<i>11.4</i>	
	PAT	347	368	(5.9)	616	(43.8)	2,116	1,905	11.0



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
KEC International	Sales	9,520	8,460	12.5	15,590	(38.9)	56,808	44,742	27.0
	EBITDA	995	844	17.9	1,636	(39.2)	5,676	4,625	22.7
	<i>Margins (%)</i>	<i>10.5</i>	<i>10.0</i>		<i>10.5</i>		<i>10.0</i>	<i>10.3</i>	
	PAT	319	264	21.0	786	(59.4)	2,414	2,057	17.4
Jyoti Structures	Sales	6,232	5,642	10.5	7,218	(13.7)	28,327	23,797	19.0
	EBITDA	697	638	9.2	840	(17.1)	3,113	2,639	18.0
	<i>Margins (%)</i>	<i>11.2</i>	<i>11.3</i>		<i>11.6</i>		<i>11.0</i>	<i>11.1</i>	
	PAT	274	263	4.1	350	(21.7)	1,117	1,009	10.7
Hindustan Dorr Oliver	Sales	2,725	2,523	8.0	1,952	39.6	9,917	9,445	5.0
	EBITDA	286	299	(4.4)	90	217.6	1,091	904	20.7
	<i>Margins (%)</i>	<i>10.5</i>	<i>11.9</i>		<i>4.6</i>		<i>11.0</i>	<i>9.6</i>	
	PAT	156	166	(6.0)	14	1,008.8	580	538	7.9
Action Construction Equipments	Sales	1,951	1,292	51.0	2,247	(13.2)	8,905	6,949	28.1
	EBITDA	161	109	47.8	159	1.5	855	563	51.9
	<i>Margins (%)</i>	<i>8.3</i>	<i>8.4</i>		<i>7.1</i>		<i>9.6</i>	<i>8.1</i>	
	PAT	113	80	41.4	129	(12.5)	596	400	48.9

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	1,109,349	1,361,345	1,604,907
<i>Growth (%)</i>	<i>14.7</i>	<i>22.7</i>	<i>17.9</i>
EBITDA	142,118	180,845	215,637
<i>Margin (%)</i>	<i>12.8</i>	<i>13.3</i>	<i>13.4</i>
PAT	83,152	115,829	142,140
<i>Growth (%)</i>	<i>27.0</i>	<i>39.3</i>	<i>22.7</i>
PAT*	93,877	110,457	131,680
<i>Gr. (%)*</i>	<i>25.0</i>	<i>17.7</i>	<i>19.2</i>
PE (x)*	19.2	16.3	13.7

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	202,763	174,668	16.1	331,382	(38.8)
EBITDA	25,989	20,501	26.8	54,354	(52.2)
<i>Margin (%)</i>	<i>12.8</i>	<i>11.7</i>	<i>108 bps</i>	<i>16.4</i>	<i>(358)bps</i>
PAT (Excl. Ex Items)	15,890	14,211	11.8	38,228	(58.4)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

* PAT, excluding Suzlon Energy

BHEL

Rating	BUY
Price	Rs1,952
Target Price	Rs2,565
Market Cap. (Rs bn)	955.4
Shares o/s (m)	489.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	415,788	511,068	600,724
EBITDA	80,460	92,289	107,849
<i>Margin (%)</i>	<i>19.4</i>	<i>18.1</i>	<i>18.0</i>
PAT	60,112	69,767	82,250
EPS (Rs)	122.8	142.5	168.0
<i>RoE (%)</i>	<i>33.3</i>	<i>30.4</i>	<i>28.3</i>
PE (x)	15.9	13.7	11.6
P / BV (x)	4.7	3.7	3.0
EV / E (x)	10.7	8.7	6.9

We expect robust execution to continue resulting in a sales growth of 26% YoY. Margin are likely to improve on account of employee cost % sales coming down. We expect the order booking to be subdued with no major order announced in the quarter. We expect it to announce orders worth ~Rs 80-90bn in the quarter (Rs 108bn in Q1FY11). However we expect the order booking to pick up as major order like NTPC bulk tender will come up for finalization over the next 2 quarters.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	81,771	64,790	26.2	179,214	511,068	415,788	22.9
EBITDA	12,617	8,439	49.5	38,345	92,289	80,460	14.7
<i>Margin (%)</i>	<i>15.4</i>	<i>13.0</i>	<i>240 bps</i>	<i>21.4</i>	<i>18.1</i>	<i>19.4</i>	<i>(129)bps</i>
Reported PAT	7,951	6,699	18.7	27,981	69,767	60,112	16.1
PAT (Excl. Ex Items)	7,951	6,699	18.7	27,981	69,767	60,112	16.1
Operating Metrics							
RM % sales	59.0	58.8	20 bps	50.0	60.9	54.2	666 bps
Employee Exp. % sales	17.8	20.6	(284)bps	8.1	11.9	13.0	(110)bps
% full year sales	16.0	15.6	42 bps	43.1	0.0	0.0	0 bps
Order Book (Rs bn)	1,547	1,480	4.5	1,538	1,657	1,531	8.3

Crompton Greaves

Rating	BUY
Price	Rs260
Target Price	Rs305
Market Cap. (Rs bn)	166.5
Shares o/s (m)	641.5

Key Figures (Rs m)-Consolidated

	FY11	FY12E	FY13E
Net Sales	100,051	113,890	135,602
EBITDA	13,442	15,147	17,826
<i>Margin (%)</i>	<i>13.4</i>	<i>13.3</i>	<i>13.1</i>
PAT	9,116	10,336	11,810
EPS (Rs)	14.2	16.1	18.4
<i>RoE (%)</i>	<i>31.5</i>	<i>27.3</i>	<i>24.4</i>
PE (x)	18.3	16.1	14.1
P / BV (x)	5.1	3.9	3.1
EV / E (x)	12.5	10.8	9.0

We expect Industrial & Consumer segment to continue to show a strong revenue growth, with 20% YoY growth, respectively. However, we expect domestic power segment to disappoint as pick-up by customers continues to be slow. We expect the domestic power segment revenue to grow by 1% YoY to Rs5.1bn. We expect the internal subsidiaries to show sales growth of 8% YoY to Rs10.2bn. Margins in industrial segment will continue to be subdued due to low margin legacy orders from Nelco.

Quarterly Table (Rs m) -Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	25,553	23,022	11.0	29,080	113,890	100,051	13.8
EBITDA	3,323	2,973	11.8	3,816	15,147	13,442	12.7
<i>Margin (%)</i>	<i>13.0</i>	<i>12.9</i>	<i>9 bps</i>	<i>13.1</i>	<i>13.3</i>	<i>13.4</i>	<i>(14)bps</i>
Reported PAT	2,023	1,897	6.7	2,870	10,336	9,116	13.4
PAT (Excl. Ex Items)	2,023	1,897	6.7	2,870	10,336	9,116	13.4
Operating Metrics							
Power segment	15,390	14,564	5.7	19,235	68,591	65,029	5.5
Industry segment	3,852	3,210	20.0	4,346	20,309	14,971	35.7
Consumer segment	6,382	5,318	20.0	5,508	24,658	20,212	22.0

ABB

Rating	Reduce
Price	Rs855
Target Price	Rs684
Market Cap. (Rs bn)	181.3
Shares o/s (m)	211.9

Key Figures (Rs m)

	CY10	CY11E	CY12E
Net Sales	62,871	69,553	80,075
EBITDA	837	4,869	7,207
<i>Margin (%)</i>	<i>1.3</i>	<i>7.0</i>	<i>9.0</i>
PAT	632	3,199	4,829
EPS (Rs)	3.0	15.1	22.8
<i>RoE (%)</i>	<i>2.6</i>	<i>12.6</i>	<i>16.9</i>
PE (x)	287.0	56.7	37.5
P / BV (x)	7.4	6.8	5.9
EV / E (x)	209.6	35.4	(1.8)

Though ABB started the quarter with a weak order backlog of Rs83.2bn, down 5% YoY, We expect the order flow to be up 10% YoY to Rs13.5bn mainly on account of lower base last year however the outlook continues to remain challenging given the delay in ordering in both industrial and power side. The margin were significantly lower same quarter last year on account of provision regarding exit cost of rural electrification business.

Quarterly Table (Rs m)

Y/e Dec	Q2 CY11E	Q2 CY10	YoY gr. (%)	Q1 CY11	H1 CY11E	H1 CY10	YoY gr. (%)
Net Sales	15,286	14,466	5.7	17,813	33,099	29,024	14.0
EBITDA	1,001	501	99.8	870	1,871	530	252.9
<i>Margin (%)</i>	<i>6.5</i>	<i>3.5</i>	<i>309 bps</i>	<i>4.9</i>	<i>5.7</i>	<i>1.8</i>	<i>383 bps</i>
Reported PAT	778	384	102.7	595	1,373	451	204.7
PAT (Excl. Ex Items)	778	536	45.1	595	1,373	603	127.8
Operating Metrics							
RM cost % sales	71.6	71.8	(27)bps	76.1	74.0	73.0	100 bps
ETR (%)	25.1	31.0	(590)bps	32.1	28.3	29.5	(120)bps
% full year sales	22.0	23.0	(103)bps	25.6	47.6	46.5	110 bps



Cummins India

	Accumulate
Rating	
Price	Rs674
Target Price	Rs759
Market Cap. (Rs bn)	133.4
Shares o/s (m)	198.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	40,612	49,410	60,785
EBITDA	7,793	9,289	11,245
<i>Margin (%)</i>	<i>19.2</i>	<i>18.8</i>	<i>18.5</i>
PAT	6,068	6,844	8,369
EPS (Rs)	30.6	34.5	42.2
<i>RoE (%)</i>	<i>36.0</i>	<i>33.4</i>	<i>32.9</i>
PE (x)	22.0	19.5	16.0
P / BV (x)	7.4	5.8	4.8
EV / E (x)	17.0	14.5	11.8

We expect difficult macro like high inflation and interest rate to take a toll on volumes for the company. We expect modest revenue growth of 15% YoY for the quarter. We expect the margin to moderate YoY on account of significantly high base in same quarter last year.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	10,741	9,279	15.8	10,493	49,410	40,612	21.7
EBITDA	1,957	1,975	(0.9)	1,849	9,289	7,793	19.2
<i>Margin (%)</i>	<i>18.2</i>	<i>21.3</i>	<i>(307)bps</i>	<i>17.6</i>	<i>18.8</i>	<i>19.2</i>	<i>(39)bps</i>
Reported PAT	1,502	1,403	7.1	1,440	6,844	6,068	12.8
PAT (Excl. Ex Items)	1,502	1,403	7.1	1,440	6,844	6,068	12.8
Operating Metrics							
RM % Sales	66.0	61.7	430 bps	66.5	64.5	63.5	100 bps
% Full year Sales	21.7	22.8	(111)bps	25.8	-	-	

Thermax

	Accumulate
Rating	
Price	Rs595
Target Price	Rs733
Market Cap. (Rs bn)	70.9
Shares o/s (m)	119.2

Key Figures (Rs m) -Consolidated

	FY11	FY12E	FY13E
Net Sales	53,366	58,246	67,415
EBITDA	5,810	6,443	7,519
<i>Margin (%)</i>	<i>10.9</i>	<i>11.1</i>	<i>11.2</i>
PAT	3,831	4,310	5,141
EPS (Rs)	32.2	36.2	43.1
<i>RoE (%)</i>	<i>29.6</i>	<i>26.0</i>	<i>25.2</i>
PE (x)	18.5	16.5	13.8
P / BV (x)	4.8	3.9	3.2
EV / E (x)	10.7	9.2	7.4

We expect the execution to remain weak, given the weak order carry of Rs56bn at the end of FY11. We expect the fresh order intake to be down YoY at ~Rs10bn (against Rs 17.8bn) as despite having good enquires, order finalization is taking time due to various macro concerns like high interest rate and inflation.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	9,124	7,898	15.5	17,713	58,246	53,366	9.1
EBITDA	1,074	960	11.9	1,952	6,443	5,810	10.9
<i>Margin (%)</i>	<i>11.8</i>	<i>12.2</i>	<i>(38)bps</i>	<i>11.0</i>	<i>11.1</i>	<i>10.9</i>	<i>18 bps</i>
Reported PAT	715	662	8.0	1,265	4,310	3,831	12.5
PAT (Excl. Ex Items)	715	662	8.0	1,265	4,310	3,831	12.5
Operating Metrics							
Energy segment	6,551	6,066	8.0	14,299	39,840	36,502	9.1
Environment segment	2,597	2,220	17.0	3,826	13,280	12,167	9.1
Order Book (Rs bn)	57.0	63.3	(10.0)	56.0	58.0	56.0	3.5

Suzlon Energy

Rating	Reduce
Price	Rs50
Target Price	Rs49
Market Cap. (Rs bn)	89.4
Shares o/s (m)	1,745.0

Key Figures (Rs m) -Consolidated

	FY11	FY12E	FY13E
Net Sales	183,580	263,388	317,482
EBITDA	7,746	22,901	28,802
<i>Margin (%)</i>	<i>4.2</i>	<i>8.7</i>	<i>9.1</i>
PAT	(10,724)	5,372	10,459
EPS (Rs)	(6.1)	3.0	5.9
<i>RoE (%)</i>	<i>(16.3)</i>	<i>7.1</i>	<i>11.6</i>
PE (x)	(8.2)	16.6	8.5
P / BV (x)	1.3	1.1	0.9
EV / E (x)	23.4	9.4	7.5

We expect domestic volumes to be up 66% YoY at 250MW, driven by strong domestic order book. Driving the overall volume growth of 61%. However the company will continue to be in red on account of huge interest and depreciation cost.

Quarterly Table (Rs m) – Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	41,161	24,044	71.2	73,721	263,388	183,580	43.5
EBITDA	2,787	(5,460)	(151.1)	8,035	22,901	7,746	195.7
<i>Margin (%)</i>	<i>6.8</i>	<i>(22.7)</i>	<i>NA</i>	<i>10.9</i>	<i>8.7</i>	<i>4.2</i>	<i>448 bps</i>
Reported PAT	(1,723)	(8,953)	NA	2,112	5,372	(10,864)	LTP
PAT (Excl. Ex Items)	(1,723)	(8,953)	NA	2,112	5,372	(10,724)	LTP
Operating Metrics							
Sales Domestic (MW)	250	150	66.7	415	1,500	1,169	28.3
Sales International (MW)	90	60	50.0	77	850	352	141.5

Areva T&D

Rating	Reduce
Price	Rs256
Target Price	Rs242
Market Cap. (Rs bn)	61.2
Shares o/s (m)	239.1

Key Figures (Rs m)

	CY10	CY11E	CY12E
Net Sales	40,200	47,278	53,472
EBITDA	4,238	4,964	5,775
<i>Margin (%)</i>	<i>10.5</i>	<i>10.5</i>	<i>10.8</i>
PAT	1,867	2,310	3,014
EPS (Rs)	7.8	9.7	12.6
<i>RoE (%)</i>	<i>20.0</i>	<i>21.3</i>	<i>23.7</i>
PE (x)	32.8	26.5	20.3
P / BV (x)	6.1	5.2	4.5
EV / E (x)	16.3	14.1	1.7

We expect the execution to be stable with 15% sales growth YoY. Order flow will continue to be muted on account of project deferral by customers and expected recovery towards the end of the calendar year.

Quarterly Table (Rs m)

Y/e Dec	Q2 CY11E	Q2 CY10	YoY gr. (%)	Q1 CY11	H1 CY11E	H1 CY10	YoY gr. (%)
Net Sales	10,449	8,855	18.0	9,949	20,398	16,623	22.7
EBITDA	965	815	18.5	837	1,802	1,237	45.7
<i>Margin (%)</i>	<i>9.2</i>	<i>9.2</i>	<i>4 bps</i>	<i>8.4</i>	<i>8.8</i>	<i>7.4</i>	<i>139 bps</i>
Reported PAT	380	322	17.9	288	668	357	87.0
PAT (Excl. Ex Items)	380	322	17.9	288	668	357	87.0
Operating Metrics							
RM % sales	69.0	67.2	184 bps	69.0	69.0	69.9	(90)bps
ETR %	37.2	33.7	346 bps	33.2	33.6	33.6	0 bps
% Full sales	22.6	22.0	58 bps	0.2	43.1	42.2	90 bps

Voltas

Rating	Accumulate
Price	Rs168
Target Price	Rs175
Market Cap. (Rs bn)	55.7
Shares o/s (m)	330.7

Key Figures (Rs m) – Consolidated

	FY11	FY12E	FY13E
Net Sales	51,768	56,618	66,582
EBITDA	4,408	4,461	5,475
Margin (%)	8.5	7.9	8.2
PAT	3,114	3,457	4,251
EPS (Rs)	9.4	10.5	12.8
RoE (%)	25.4	23.3	24.1
PE (x)	17.9	16.1	13.1
P / BV (x)	4.1	3.5	2.9
EV / E (x)	11.4	10.8	8.4

We expect the overall revenue growth to be muted 8% YoY at Rs15.1bn. We expect the growth in UCP segment to moderate to 18% YoY on account of lower than expected offtake during the quarter. We expect slight recovery in MEP segment revenue 5% growth YoY. Sale of material handling segment will lead to de growth in revenue in EPS segment.

Quarterly Table (Rs m) – Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	15,133	14,032	7.9	16,708	56,618	51,768	9.4
EBITDA	1,293	1,224	5.6	1,361	4,461	4,408	1.2
Margin (%)	8.5	8.7	(18)bps	8.1	7.9	8.5	(64)bps
Reported PAT	868	945	(8.1)	911	3,457	3,114	11.0
PAT (Excl. Ex Items)	868	945	(8.1)	911	3,457	3,114	11.0
Operating Metrics							
MEP	7,272	6,926	5.0	9,494	32,656	30,411	7.4
Eng. Product & services	903	1,203	(25.0)	1,740	4,793	5,638	(15.0)
UCP	6,924	5,868	18.0	5,490	19,041	15,608	22.0

BGR Energy Systems

Rating	Accumulate
Price	Rs472
Target Price	Rs569
Market Cap. (Rs bn)	34.0
Shares o/s (m)	72.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	47,475	54,743	61,927
EBITDA	5,374	5,996	6,873
Margin (%)	11.3	11.0	11.1
PAT	3,227	3,412	3,796
EPS (Rs)	44.6	47.2	52.7
RoE (%)	38.3	31.1	26.5
PE (x)	10.6	10.0	9.0
P / BV (x)	3.6	2.8	2.1
EV / E (x)	7.0	6.5	5.9

We expect the sales to de grow by 10% YoY on account of reducing orderbook (Rs 80bn at the end of Q4FY11). The dry spell in new orders continue reducing visibility for FY13 numbers.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	8,150	9,054	(10.0)	14,573	54,743	47,475	15.3
EBITDA	940	1,025	(8.3)	1,630	5,996	5,374	11.6
Margin (%)	11.5	11.3	21 bps	11.2	11.0	11.3	(37)bps
Reported PAT	464	605	(23.3)	984	3,395	3,212	5.7
PAT (Excl. Ex Items)	464	605	(23.3)	984	3,412	3,227	5.7
Operating Metrics							
RM % Sales	79.8	81.3	(153)bps	80.7	81.1	81.5	(40)bps
ETR	33.0	34.0	(95)bps	31.6	34.0	34.0	0 bps

KEC International

Rating	BUY
Price	Rs81
Target Price	Rs101
Market Cap. (Rs bn)	20.3
Shares o/s (m)	252.0

We expect steady sales growth of 12% YoY to Rs9.5bn. .KEC has reported Rs10bn worth of orders in the current quarter spread across segments like transmission (international & domestic markets, cables, water, towers etc.).

Key Figures (Rs m) – Consolidated

	FY11	FY12E	FY13E
Net Sales	44,742	56,808	66,864
EBITDA	4,625	5,676	6,709
<i>Margin (%)</i>	<i>10.3</i>	<i>10.0</i>	<i>10.0</i>
PAT	2,057	2,414	2,987
EPS (Rs)	8.2	9.6	11.9
<i>RoE (%)</i>	<i>23.7</i>	<i>23.4</i>	<i>24.1</i>
PE (x)	9.9	8.4	6.8
P / BV (x)	2.1	1.8	1.5
EV / E (x)	7.1	5.7	4.8

Quarterly Table (Rs m) – Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	9,520	8,460	12.5	15,590	56,808	44,742	27.0
EBITDA	995	844	17.9	1,636	5,676	4,625	22.7
<i>Margin (%)</i>	<i>10.5</i>	<i>10.0</i>	<i>48 bps</i>	<i>10.5</i>	<i>10.0</i>	<i>10.3</i>	<i>(34)bps</i>
Reported PAT	319	264	21.0	786	2,414	2,057	17.4
PAT (Excl. Ex Items)	319	264	21.0	786	2,414	2,057	17.4
Operating Metrics							
RM % sales	49.0	48.9	8 bps	48.8	52.9	50.4	245 bps
% full year sales	18.3	18.0	30 bps	27.4	-	-	
Order Book	80,100	57,630	39.0	78,053	966	780	23.8

Kalpataru Power Transmission

Rating	Accumulate
Price	Rs129
Target Price	Rs141
Market Cap. (Rs bn)	19.8
Shares o/s (m)	153.5

We expect steady sales growth of 14.4% YoY to Rs6.1bn..The company has announced orders worth Rs 4.5bn from domestic markets and Rs 8.6bn from international markets.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	28,705	33,195	38,838
EBITDA	3,281	3,751	4,349
<i>Margin (%)</i>	<i>11.4</i>	<i>11.3</i>	<i>11.2</i>
PAT	1,905	2,116	2,465
EPS (Rs)	12.4	13.8	16.1
<i>RoE (%)</i>	<i>15.0</i>	<i>12.9</i>	<i>13.5</i>
PE (x)	10.4	9.4	8.0
P / BV (x)	1.3	1.1	1.0
EV / E (x)	7.0	6.5	5.7

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	6,128	5,356	14.4	8,831	33,195	28,705	15.6
EBITDA	680	699	(2.8)	970	3,751	3,281	14.3
<i>Margin (%)</i>	<i>11.1</i>	<i>13.1</i>	<i>(196)bps</i>	<i>11.0</i>	<i>11.3</i>	<i>11.4</i>	<i>(13)bps</i>
Reported PAT	347	368	(5.9)	616	2,116	1,905	11.0
PAT (Excl. Ex Items)	347	368	(5.9)	616	2,116	1,905	11.0
Operating Metrics							
RM% Sales	46.6	40.1	654 bps	44.7	52.4	44.9	748 bps
% full year sales	18.5	19.0	(50)bps	22.7	-	-	
Order Book	62,102	48,125	29.0	55,125	62,208	55,243	12.6

Jyoti Structures

	Accumulate
Rating	
Price	Rs85
Target Price	Rs98
Market Cap. (Rs bn)	7.4
Shares o/s (m)	82.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	23,797	28,327	32,962
EBITDA	2,639	3,113	3,579
<i>Margin (%)</i>	<i>11.1</i>	<i>11.0</i>	<i>10.9</i>
PAT	1,009	1,117	1,292
EPS (Rs)	12.3	13.6	15.8
<i>RoE (%)</i>	<i>18.8</i>	<i>17.7</i>	<i>17.5</i>
PE (x)	6.9	6.2	5.4
P / BV (x)	1.2	1.0	0.9
EV / E (x)	4.3	3.9	3.4

We expect a muted growth of 10.5% YoY to Rs6.2bn,. Margins are expected to be remaining stable at 11.2%. It has announced orders worth RS 5bn from domestic market in the Q1FY12 quarter.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	6,232	5,642	10.5	7,218	28,327	23,797	19.0
EBITDA	697	638	9.2	840	3,113	2,639	18.0
<i>Margin (%)</i>	<i>11.2</i>	<i>11.3</i>	<i>(13)bps</i>	<i>11.6</i>	<i>11.0</i>	<i>11.1</i>	<i>(10)bps</i>
Reported PAT	274	263	4.1	350	1,117	1,009	10.7
PAT (Excl. Ex Items)	274	263	4.1	350	1,117	1,009	10.7
Operating Metrics							
Rm % sales	55.0	57.4	<i>(245)bps</i>	54.3	63.9	56.2	<i>775 bps</i>
% full year sales	22.0	21.0	<i>100 bps</i>	30.3	-	-	
Order Book	45,000	41,000	9.8	45,000	539	464	16.4

Hindustan Dorr Oliver

	Accumulate
Rating	
Price	Rs57
Target Price	Rs68
Market Cap. (Rs bn)	4.1
Shares o/s (m)	72.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	9,445	9,917	11,404
EBITDA	904	1,091	1,254
<i>Margin (%)</i>	<i>9.6</i>	<i>11.0</i>	<i>11.0</i>
PAT	538	580	646
EPS (Rs)	7.5	8.1	9.0
<i>RoE (%)</i>	<i>21.7</i>	<i>19.7</i>	<i>18.6</i>
PE (x)	7.6	7.1	6.4
P / BV (x)	1.5	1.3	1.1
EV / E (x)	6.7	5.0	4.3

HDO has an order book of Rs10bn, executable over the next 12-18 months. HDOL's fresh order inflows dried up in FY11 (INR6.2bn, down 36.8% YoY) due to delay in project mainly on metal side. We expect the order flow to continue to be subdued.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	2,725	2,523	8.0	1,952	9,917	9,445	5.0
EBITDA	286	299	<i>(4.4)</i>	90	1,091	904	20.7
<i>Margin (%)</i>	<i>10.5</i>	<i>11.9</i>	<i>(136)bps</i>	<i>4.6</i>	<i>11.0</i>	<i>9.6</i>	<i>143 bps</i>
Reported PAT	156	166	<i>(6.0)</i>	14	580	538	7.9
PAT (Excl. Ex Items)	156	166	<i>(6.0)</i>	14	580	538	7.9
Operating Metrics (%)							
RM% Sales	81.1	79.9	<i>124 bps</i>	85.3	80.8	81.9	<i>(108)bps</i>
% full year sales	34.0	34.0	<i>0 bps</i>	13.0	34.0	31.0	<i>298 bps</i>



Action Construction

Rating	BUY
Price	Rs48
Target Price	Rs66
Market Cap. (Rs bn)	4.5
Shares o/s (m)	92.7

We expect strong volume growth to help revenue grow by 51% YoY to Rs 1.9bn. We margin to dip by 18bps YoY on account of surge in commodity prices.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	6,949	8,905	10,776
EBITDA	563	855	1,175
<i>Margin (%)</i>	<i>8.1</i>	<i>9.6</i>	<i>10.9</i>
PAT	400	596	829
EPS (Rs)	3.4	5.0	7.0
<i>RoE (%)</i>	<i>18.3</i>	<i>21.8</i>	<i>26.3</i>
PE (x)	14.3	9.6	6.9
P / BV (x)	2.1	2.0	1.6
EV / E (x)	11.4	7.4	5.4

Quarterly Table (Rs m)

Y/e March	Q4 FY11E	Q4 FY10	YoY gr. (%)	Q3 FY11	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	1,951	1,292	51.0	2,247	8,905	6,949	28.1
EBITDA	161	109	47.8	159	855	563	51.9
<i>Margin (%)</i>	<i>8.3</i>	<i>8.4</i>	<i>(18)bps</i>	<i>7.1</i>	<i>9.6</i>	<i>8.1</i>	<i>150 bps</i>
Reported PAT	113	80	41.4	129	596	400	48.9
PAT (Excl. Ex Items)	113	80	41.4	129	596	400	48.9
Operating Metrics							
RM % sales	78.2	76.8	137 bps	77.5	80.0	81.1	(110)bps
ETR	26.6	26.2	40 bps	26.0	26.0	25.5	52 bps
% full year sales	21.9	18.6	332 bps	32.5	-	-	



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Cement

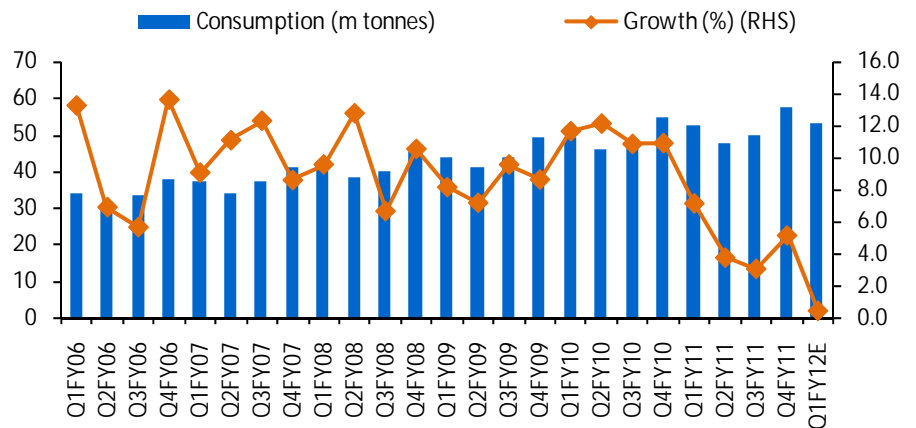
Marred by tough economic environment, all-India cement consumption is expected to grow at a decade-low rate of 0.4% for the quarter on the lean base of 7% growth. The weakness was broad-based across the regions except South where the slowdown in demand compounded with abnormal local issues.

Among regions, central and eastern regions stood relatively better than other regions with growth of 6% and 4% respectively in the consumption on the back of better demand from state government oriented projects and rural sectors. Consumption in the northern region fell by 1% due to presence of one-time Commonwealth games related demand driver in the base quarter and sluggish demand from infrastructure and individual housing sector. Finally, western region surrendered to overall weak demand environment with 1% decline in demand after posting strong growth of 15% and 11% in the prior and corresponding quarter of previous year. Southern region witnessed a decline of 5% in consumption during the quarter, given the political instability in the state of AP and lack of support from other states.

Prices started falling beginning May across the region except South and Maharashtra due to weak real demand, huge inventory pile-up and increase in competitive rivalry. Prices corrected by Rs20-25 per bag in these regions during May-June from the March end price levels. However, prices would be up by Rs8-9 per bag QoQ in these regions given the lower price levels in January and February. Thanks to strong industry discipline, prices in southern region remained firm throughout the quarter. Prices across the South are reining at peak levels of March month with no signs of weak demand and lean monsoon season. Prices in the region are up by an average of Rs17-20 per bag QoQ.

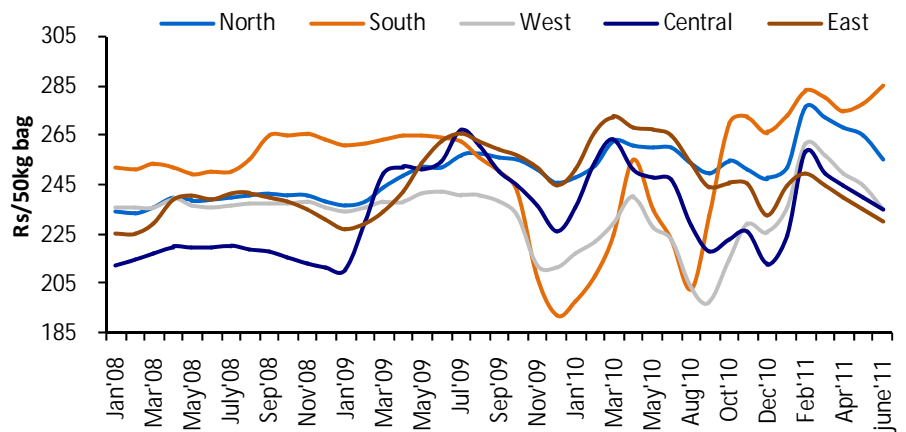
We continue to maintain negative stance on the large cap cement stocks on the backdrop of excessively expensive valuations and unattractive return profile. We continue to like Shree Cement, given its presence in better regions and attractive valuations.

All India consumption and Growth



Source: CMA, PL Research

Region-wise prices



Source: CMA, PL Research

Top picks: None

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
UltraTech Cement	(6.5)	(15.0)	(10.2)	11.1	(8.5)	(10.3)	(2.5)	3.6
Ambuja Cement	(10.1)	(15.3)	(8.7)	13.1	(12.1)	(10.5)	(1.0)	5.7
ACC	(5.6)	(13.6)	(8.1)	13.3	(7.6)	(8.8)	(0.5)	5.8
Shree Cement	(4.3)	(13.8)	(12.7)	(12.2)	(6.3)	(9.1)	(5.1)	(19.7)
India Cement	(12.7)	(26.9)	(33.2)	(31.1)	(14.7)	(22.1)	(25.6)	(38.6)

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Ultratech Cement	Sales	43,438	17,898	142.7	44,901	(3.3)	175,093	136,912	27.9
	EBITDA	10,668	4,057	163.0	10,210	4.5	34,484	25,705	34.2
	<i>Margins (%)</i>	<i>24.6</i>	<i>22.7</i>		<i>22.7</i>		<i>19.7</i>	<i>18.8</i>	
	PAT	6,169	2,427	154.1	7,268	(15.1)	17,746	13,674	29.8
Ambuja Cement	Sales	21,492	20,476	5.0	22,071	(2.6)	43,562	40,377	7.9
	EBITDA	5,786	6,032	(4.1)	6,116	(5.4)	11,902	12,258	(2.9)
	<i>Margins (%)</i>	<i>26.9</i>	<i>29.5</i>		<i>27.7</i>		<i>27.3</i>	<i>30.4</i>	
	PAT	3,833	3,912	(2.0)	4,075	(5.9)	7,908	8,333	(5.1)
ACC	Sales	25,819	21,669	19.2	25,562	1.0	51,381	44,072	16.6
	EBITDA	5,789	5,510	5.1	5,581	3.7	11,369	11,704	(2.9)
	<i>Margins (%)</i>	<i>22.4</i>	<i>25.4</i>		<i>21.8</i>		<i>22.1</i>	<i>26.6</i>	
	PAT	3,557	3,495	1.8	3,502	1.6	7,059	7,423	(4.9)
Shree Cement	Sales	10,420	9,445	10.3	10,701	(2.6)	44,460	35,119	26.6
	EBITDA	2,900	2,895	0.2	2,959	(2.0)	11,390	8,856	28.6
	<i>Margins (%)</i>	<i>27.8</i>	<i>30.6</i>		<i>27.7</i>		<i>25.6</i>	<i>25.2</i>	
	PAT	949	1,068	(11.2)	1,000	(5.1)	699	2,097	(66.7)
India Cements	Sales	9,835	8,807	11.7	9,979	(1.4)	44,186	35,093	25.9
	EBITDA	2,052	1,001	105.1	1,787	14.8	7,530	4,422	70.3
	<i>Margins (%)</i>	<i>20.9</i>	<i>11.4</i>		<i>17.9</i>		<i>17.0</i>	<i>12.6</i>	
	PAT	686	250	174.6	553	24.1	2,293	681	236.7

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	363,613	445,581	505,628
<i>Growth (%)</i>	<i>20.6</i>	<i>22.5</i>	<i>13.5</i>
EBITDA	73,092	94,000	107,602
<i>Margin (%)</i>	<i>20.1</i>	<i>21.1</i>	<i>21.3</i>
PAT	39,857	45,798	61,180
<i>Growth (%)</i>	<i>(18.8)</i>	<i>14.9</i>	<i>33.6</i>
PE (x)	18.2	15.8	11.9

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	67,565	60,397	11.9	68,313	(1.1)
EBITDA	16,527	15,438	7.1	16,443	0.5
<i>Margin (%)</i>	<i>24.5</i>	<i>25.6</i>	<i>(110)bps</i>	<i>24.1</i>	<i>39 bps</i>
PAT (Excl. Ex Items)	9,025	8,627	4.6	9,021	0.0

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Quarterly Figures are excluding UltraTech Cement

UltraTech Cement

Rating	Reduce
Price	Rs963
Target Price	Rs928
Market Cap. (Rs bn)	263.9
Shares o/s (m)	274.0

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	136,912	175,093	193,826
EBITDA	25,705	34,484	38,935
<i>Margin (%)</i>	<i>18.8</i>	<i>19.7</i>	<i>20.1</i>
PAT	13,674	17,746	20,258
EPS (Rs)	49.9	64.8	73.9
<i>RoE (%)</i>	<i>17.8</i>	<i>15.4</i>	<i>15.3</i>
PE (x)	19.3	14.9	13.0
P / BV (x)	2.5	2.1	1.9
EV / E (x)	10.3	7.9	7.3

Thanks to 4.6% QoQ growth (+Rs190 per tonne) in blended realisations, the impact of 7.5% fall in volumes was restricted to 3% on top-line. We expect escalation of Rs70 in the power and fuel cost due to upward price revision by Coal India. Hence, the benefit of Rs190 rise in realisations would reduce down to an increase of Rs122 QoQ on EBITDA level to Rs1064.. Accordingly, EBITDA would grow by 4% to Rs10.7bn. PAT would decline by 15% to Rs6.2bn due to higher tax rate.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	43,438	17,898	142.7	44,901	175,093	136,912	27.9
EBITDA	10,668	4,057	163.0	10,210	34,484	25,705	34.2
<i>Margin (%)</i>	<i>24.6</i>	<i>22.7</i>	<i>189 bps</i>	<i>22.7</i>	<i>19.7</i>	<i>18.8</i>	<i>92 bps</i>
Reported PAT	6,169	2,427	154.1	7,268	17,746	13,674	29.8
PAT (Excl. Ex Items)	6,169	2,427	154.1	7,268	17,746	13,674	29.8
Operating Metrics							
Grey cement Vol. (m te)	9.7	4.6	113.4	10.2	39.8	32.8	21.3
Net grey cement Realisation (Rs/te)	3,935	3,455	13.9	3,735	3,777	3,271	15.5
Blended EBITDA/tonne (Rs)	1,064	792	34.2	941	820	742	10.5



YoY nos not comparable

Ambuja Cement

Rating	Reduce
Price	Rs129
Target Price	Rs127
Market Cap. (Rs bn)	196.2
Shares o/s (m)	1,524.9

Key Figures (Rs m)

	CY10	CY11E	CY12E
Net Sales	73,902	83,685	93,811
EBITDA	18,230	21,016	24,139
Margin (%)	24.7	25.1	25.7
PAT	12,630	13,594	15,832
EPS (Rs)	8.0	8.8	10.3
RoE (%)	17.9	17.5	18.1
PE (x)	16.0	14.5	12.5
P / BV (x)	2.7	2.4	2.1
EV / E (x)	9.6	8.1	6.7

Despite of 2% fall in volumes, net revenue is expected to grow by 5% YoY on the back of 7% rise in realisations (+Rs272 YoY and +Rs194 QoQ per tonne). However, EBITDA would decline by 4% YoY (5% QoQ) to Rs5.8bn, owing to Rs100 YoY (Rs70 QoQ) increase in energy cost per tonne and other manufacturing costs. EBITDA per tonne would decline by 2% YoY (+2% QoQ) to Rs1,106. Adjusted PAT would decline by 2% YoY (6% QoQ) to Rs3.8bn.

Quarterly Table (Rs m)

Y/e Dec	Q2 CY11E	Q2 CY10	YoY gr. (%)	Q1 CY11	H1 CY11E	H1 CY10	YoY gr. (%)
Net Sales	21,492	20,476	5.0	22,071	43,562	40,377	7.9
EBITDA	5,786	6,032	(4.1)	6,116	11,902	12,258	(2.9)
Margin (%)	26.9	29.5	(253)bps	27.7	27.3	30.4	(304)bps
Reported PAT	3,833	3,912	(2.0)	4,075	7,908	8,534	(7.3)
PAT (Excl. Ex Items)	3,833	3,912	(2.0)	4,075	7,908	8,333	(5.1)
Operating Metrics							
Volume (m te)	5.2	5.3	(2.0)	5.6	10.9	10.6	2.4
Net Realisations (Rs/te)	4,107	3,834	7.1	3,913	4,008	3,801	5.4
EBITDA/ te (Rs/te)	1,106	1,130	(2.1)	1,084	1,095	1,155	(5.2)

ACC

Rating	Sell
Price	Rs971
Target Price	Rs842
Market Cap. (Rs bn)	182.4
Shares o/s (m)	187.9

Key Figures (Rs m)

	CY10	CY11E	CY12E
Net Sales	82,588	98,156	111,424
EBITDA	15,879	19,581	22,700
Margin (%)	19.2	19.9	20.4
PAT	10,775	11,466	13,449
EPS (Rs)	56.4	61.0	71.6
RoE (%)	17.5	17.2	18.0
PE (x)	17.2	15.9	13.6
P / BV (x)	2.9	2.6	2.3
EV / E (x)	10.3	8.4	6.9

Benefitted by 12% YoY growth in volumes associated with commissioning of capacity additions and 6% rise (+Rs246 YoY and Rs196 QoQ per tonne) in realisations, net revenue is expected to grow by 19% YoY. However, higher realisations would be almost undone by an increase of Rs122 YoY (Rs80 QoQ) per tonne in energy cost, higher freight cost (+Rs60 YoY and +Rs20 QoQ) and other costs. Hence, EBITDA per tonne is expected to decline by 6% YoY (up 8% QoQ) to Rs981. EBITDA would grow by 5% YoY (4% QoQ) to Rs5.8bn. However, PAT would grow at lower rate of 2% due to higher depreciation cost.

Quarterly Table (Rs m)

Y/e Dec	Q2 CY11E	Q2 CY10	YoY gr. (%)	Q1 CY11	H1 CY11E	H1 CY10	YoY gr. (%)
Net Sales	25,819	21,669	19.2	25,562	51,381	44,072	16.6
EBITDA	5,789	5,510	5.1	5,581	11,369	11,704	(2.9)
Margin (%)	22.4	25.4	(301)bps	21.8	22.1	26.6	(443)bps
Reported PAT	3,557	3,495	1.8	3,502	7,059	7,423	(4.9)
PAT (Excl. Ex Items)	3,557	3,495	1.8	3,502	7,059	7,423	(4.9)
Operating Metrics							
Volume (m te)	5.9	5.3	12.0	6.2	12.1	10.9	11.2
Net Realisation (Rs/te)	4,080	3,834	6.4	3,884	3,980	3,800	4.7
EBITDA (Rs/ te)	981	1,046	(6.2)	906	943	1,079	(12.6)

Shree Cement

	Accumulate
Rating	
Price	Rs1,719
Target Price	Rs2,108
Market Cap. (Rs bn)	59.9
Shares o/s (m)	34.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	35,119	44,460	54,586
EBITDA	8,856	11,390	13,645
<i>Margin (%)</i>	<i>25.2</i>	<i>25.6</i>	<i>25.0</i>
PAT	2,097	699	8,834
EPS (Rs)	74.1	24.2	255.3
<i>RoE (%)</i>	<i>13.5</i>	<i>4.2</i>	<i>36.5</i>
PE (x)	23.2	70.9	6.7
P / BV (x)	3.0	3.0	2.1
EV / E (x)	7.1	5.0	3.5

Led by 3.5% rise in realisations and 10.8% growth in volumes, revenue of cement business is expected to grow by 14.7%. Aided by 69% growth in power volumes, revenue of power business would grow by 32% despite 22% fall in realisations. However, the increase in realisations stand far lower compared to increase in energy and selling expenses. Hence, Cement EBITDA per tonne would fall by 8% YoY to Rs916. Accordingly, cement EBITDA would grow by 2% YoY to Rs2.5bn. While, power EBITDA would decline marginally by 7% YoY to Rs432m. Aggregate EBITDA would remain flat at Rs2.9bn.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	10,420	9,445	10.3	10,701	44,460	35,119	26.6
EBITDA	2,900	2,895	0.2	2,959	11,390	8,856	28.6
<i>Margin (%)</i>	<i>27.8</i>	<i>30.6</i>	<i>(282)bps</i>	<i>27.7</i>	<i>25.6</i>	<i>25.2</i>	<i>40 bps</i>
Reported PAT	949	1,059	(10.4)	657	699	2,097	(66.7)
PAT (Excl. Ex Items)	949	1,065	(10.9)	897	699	2,097	(66.7)
Operating Metrics							
Vol. (m te)-Cement	2.7	2.4	10.8	2.9	10.7	10.1	6.1
Vol. (m units)-Power	240	143	68.5	257	1,586	526	201.7
Net Realisations (Rs/te)	3,469	3,350	3.5	3,299	3,561	3,125	14.0
Realised rate (Rs/unit)	4.5	5.8	(21.7)	4.6	4.0	4.9	(19.0)
Cement EBITDA (Rs/te)	1,077	1,192	(9.6)	1,027	948	750	26.4

India Cement

	Accumulate
Rating	
Price	Rs73
Target Price	Rs93
Market Cap. (Rs bn)	22.5
Shares o/s (m)	307.2

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	35,093	44,186	51,982
EBITDA	4,422	7,530	8,182
<i>Margin (%)</i>	<i>12.6</i>	<i>17.0</i>	<i>15.7</i>
PAT	681	2,293	2,807
EPS (Rs)	2.1	7.5	9.1
<i>RoE (%)</i>	<i>1.8</i>	<i>6.4</i>	<i>7.5</i>
PE (x)	34.3	9.8	8.0
P / BV (x)	0.6	0.6	0.6
EV / E (x)	10.6	6.5	5.6

On the back of strong realisations (up 27% YoY and 7% QoQ) coupled with tight industry discipline, net revenue is expected to grow by 12% YoY despite a 12% fall in volumes. EBITDA (including EBITDA of Rs113m on account of IPL v/s Rs204m YoY) is expected to grow by 105% YoY and 15% QoQ to Rs2.05bn despite higher energy cost. Cement EBITDA per tonne would grow by 138% YoY and 29% QoQ to Rs917. We expect company to report an adjusted PAT of Rs686m against Rs155m and Rs547m in Q1FY11 and Q4FY11, respectively.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	9,835	8,807	11.7	9,979	44,186	35,093	25.9
EBITDA	2,052	1,001	105.1	1,787	7,530	4,422	70.3
<i>Margin (%)</i>	<i>20.9</i>	<i>11.4</i>	<i>950 bps</i>	<i>17.9</i>	<i>17.0</i>	<i>12.6</i>	<i>444 bps</i>
Reported PAT	686	250	174.6	553	2,293	681	236.7
PAT (Excl. Ex Items)	686	155	342.8	547	2,293	681	236.7
Operating Metrics							
Volume (m te)	2.4	2.7	(11.6)	2.5	11.8	10.3	14.6
Net Realisations (Rs/te)	4,070	3,211	26.8	3,812	3,611	3,359	7.5
EBITDA/ te (Rs/te)	917	385	138.3	709	613	405	51.3



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Construction

Construction activity in Q1FY12 is expected to move at a relatively slower pace, seasonally being the weak quarter. However slowing capex cycle and relatively fewer orders will have some effects on the execution, thus YoY growth should be muted for the companies.

On the order booking front, some pick was experienced in NHAI projects where award of close to 700kms were given out, while other segments like irrigation and industrial capex were not active. Power and building projects continue to flow in the system, while international projects were relatively absent.

On the funding front, the companies continue to face same problems of higher interest rates which will be distressing PAT growth. The BOT sector has undergone some extreme liquidity crunch and thus FC's have been relatively hard to achieve this quarter also.

NHAI and O&G orders which had led to a 20% YoY de-growth in order inflow for FY11 have started to revive. Total announced orders in Q1FY12 stands at Rs151 of which L&T and Punj were amongst the top companies to bag orders.

Some of the major orders in the construction space are listed as follows

Company	Order size Rs (bn)	Sector/Scope
HCC	7.0	Hydro power
Larsen & Toubro	41.0	Buildings & Factories
Punj Lloyd	8.2	GSPCL

Source: BSE

On the results front, we expect a modest growth of 3.8% on sales front mainly aided by execution in road BOT and Building projects. EBITDA margins are expected to remain flat YoY and PAT is expected to de-grow by 3.1% YoY on account of higher interest costs.

Top picks: None



Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Larsen & Toubro	4.6	7.4	(7.1)	0.0	2.6	12.2	0.6	(7.4)
Jaiprakash Associates	(3.1)	(16.2)	(23.7)	(34.9)	(5.1)	(11.4)	(16.0)	(42.4)
GMR Infrastructure	1.1	(19.5)	(28.9)	(44.6)	(0.9)	(14.7)	(21.3)	(52.1)
Engineers India	0.9	(12.4)	(18.1)	(22.6)	(1.1)	(7.6)	(10.4)	(30.0)
Nagarjuna Construction Company	20.5	0.7	(33.1)	(43.1)	18.5	5.5	(25.4)	(50.5)
Punj Lloyd	(1.6)	(23.1)	(43.3)	(55.1)	(3.6)	(18.3)	(35.6)	(62.6)
IVRCL Infrastructure & Projects	6.8	(14.4)	(31.0)	(43.3)	4.7	(9.6)	(23.4)	(50.7)
Hindustan Construction Company	3.0	(18.7)	(45.3)	(61.4)	1.0	(13.9)	(37.6)	(68.8)
Patel Engineering	3.4	(17.7)	(48.5)	(62.3)	1.4	(12.9)	(40.8)	(69.8)

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Larsen & Toubro	Sales	85,378	78,351	9.0	150,784	(43.4)	533,612	638,286	(16.4)
	EBITDA	10,455	9,569	9.3	20,350	(48.6)	59,015	65,557	(10.0)
	<i>Margins (%)</i>	<i>12.2</i>	<i>12.2</i>		<i>13.5</i>		<i>11.1</i>	<i>10.3</i>	
	PAT	6,999	6,662	5.1	15,048	(53.5)	39,414	41,781	(5.7)
Jaiprakash Associates	Sales	30,675	31,742	(3.4)	39,822	(23.0)	142,725	175,106	(18.5)
	EBITDA	5,982	6,421	(6.8)	8,510	(29.7)	32,626	38,111	(14.4)
	<i>Margins (%)</i>	<i>19.5</i>	<i>20.2</i>		<i>21.4</i>		<i>22.9</i>	<i>21.8</i>	
	PAT	791	1,061	(25.4)	3,020	(73.8)	8,099	9,380	(13.7)
GMR Infrastructure	Sales	12,653	12,313	2.8	19,620	(35.5)	70,293	95,683	(26.5)
	EBITDA	3,353	3,774	(11.2)	4,407	(23.9)	21,172	29,122	(27.3)
	<i>Margins (%)</i>	<i>26.5</i>	<i>30.7</i>		<i>22.5</i>		<i>30.1</i>	<i>30.4</i>	
	PAT	(450)	284	(258.6)	(3,402)	(86.8)	(722)	1,852	(139.0)
Engineers India	Sales	6,840	6,060	12.9	9,465	(27.7)	36,000	45,622	(21.1)
	EBITDA	1,605	1,453	10.4	1,905	(15.7)	8,111	9,587	(15.4)
	<i>Margins (%)</i>	<i>23.5</i>	<i>24.0</i>		<i>20.1</i>		<i>22.5</i>	<i>21.0</i>	
	PAT	1,224	1,145	6.9	1,656	(26.1)	6,148	7,013	(12.3)
Punj Lloyd	Sales	15,650	16,058	(2.5)	21,921	(28.6)	86,942	108,678	(20.0)
	EBITDA	1,352	60	2,152.7	742	82.1	4,932	7,965	(38.1)
	<i>Margins (%)</i>	<i>8.6</i>	<i>0.4</i>		<i>3.4</i>		<i>5.7</i>	<i>7.3</i>	
	PAT	239	(303)	(179.1)	178	34.6	(309)	1,265	(124.4)
Nagarjuna Construction Company	Sales	11,614	10,851	7.0	14,496	(19.9)	61,129	73,370	(16.7)
	EBITDA	1,091	1,044	4.5	1,302	(16.2)	5,727	6,736	(15.0)
	<i>Margins (%)</i>	<i>9.4</i>	<i>9.6</i>		<i>9.0</i>		<i>9.4</i>	<i>9.2</i>	
	PAT	395	414	(4.7)	357	10.6	2,010	2,233	(10.0)



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Hindustan Construction Company	Sales	9,150	9,954	(8.1)	12,021	(23.9)	48,160	56,764	(15.2)
	EBITDA	1,161	1,258	(7.7)	1,662	(30.1)	6,068	6,781	(10.5)
	<i>Margins (%)</i>	<i>12.7</i>	<i>12.6</i>		<i>13.8</i>		<i>12.6</i>	<i>11.9</i>	
	PAT	204	303	(32.5)	229	(10.8)	806	954	(15.5)
IVRCL Infrastructure & Projects	Sales	11,723	11,062	6.0	20,516	(42.9)	65,126	75,220	(13.4)
	EBITDA	1,019	1,004	1.5	1,775	(42.6)	6,071	7,163	(15.3)
	<i>Margins (%)</i>	<i>8.7</i>	<i>9.1</i>		<i>8.7</i>		<i>9.3</i>	<i>9.5</i>	
	PAT	261	280	(7.0)	643	(59.5)	1,769	2,118	(16.4)
Patel Engineering	Sales	6,649	7,023	(5.3)	15,965	(58.4)	39,110	40,480	(3.4)
	EBITDA	911	1,185	(23.1)	1,299	(29.9)	4,859	4,960	(2.0)
	<i>Margins (%)</i>	<i>13.7</i>	<i>16.9</i>		<i>8.1</i>		<i>12.4</i>	<i>12.3</i>	
	PAT	263	401	(34.3)	360	(26.8)	1,246	1,030	20.9

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	914,338	1,083,096	1,309,208
<i>Growth (%)</i>	<i>13.2</i>	<i>18.5</i>	<i>20.9</i>
EBITDA	128,040	148,580	175,982
<i>Margin (%)</i>	<i>14.0</i>	<i>13.7</i>	<i>13.4</i>
PAT	50,581	58,460	67,626
<i>Growth (%)</i>	<i>2.7</i>	<i>15.6</i>	<i>15.7</i>
PE (x)	31.2	27.0	23.3

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	190,331	183,414	3.8	304,611	(37.5)
EBITDA	26,928	25,768	4.5	41,951	(35.8)
<i>Margin (%)</i>	<i>14.1</i>	<i>14.0</i>	<i>10 bps</i>	<i>13.8</i>	<i>38 bps</i>
PAT (Excl. Ex Items)	9,927	10,248	(3.1)	18,088	(45.1)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Larsen & Toubro

Rating	Accumulate
Price	Rs1,792
Target Price	Rs1,881
Market Cap. (Rs bn)	1,083.8
Shares o/s (m)	605.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	434,959	533,612	638,286
EBITDA	52,136	59,015	65,557
<i>Margin (%)</i>	<i>12.0</i>	<i>11.1</i>	<i>10.3</i>
PAT	36,722	39,414	41,781
EPS (Rs)	65.4	65.2	69.1
<i>RoE (%)</i>	<i>20.1</i>	<i>17.5</i>	<i>16.9</i>
PE (x)*	24.1	22.5	21.2
P / BV (x)	5.1	4.5	4.3
EV / E (x)	21.8	19.6	17.7

*Adj. for Subs. Valn

L&T's order inflow was healthy to the tune of Rs83bn in Q1FY12. Buildings and Power contributed majorly to the order inflow. The company's Infra SPV bagged a order of Rs20bn from NHAI. We are expecting muted revenues and EBITDA margins YoY. PAT is expected to be at Rs6.9bn, a 5% YoY growth.

Quarterly Table (Rs m) (Standalone)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	85,378	78,351	9.0	150,784	533,612	434,959	22.7
EBITDA	10,455	9,569	9.3	20,350	59,015	52,136	13.2
<i>Margin (%)</i>	<i>12.2</i>	<i>12.2</i>	<i>3 bps</i>	<i>13.5</i>	<i>11.1</i>	<i>12.0</i>	<i>(93)bps</i>
Reported PAT	6,999	6,662	5.1	16,861	39,414	39,580	(0.4)
PAT (Excl. Ex Items)	6,999	6,662	5.1	15,048	39,414	36,722	7.3
Operating Metrics							
E&C	74,279	65,031	14.2	131,182	417,818	377,400	10.7
E&E	5,976	7,052	(15.2)	10,555	29,340	28,380	3.4
MIP	4,269	5,485	(22.2)	7,539	29,340	26,660	10.1
Others	854	784	9.0	1,508	20,905	6,600	216.7
<i>Interest as % of Sales</i>	<i>1.8</i>	<i>2.0</i>	<i>(24)bps</i>	<i>0.9</i>	<i>1.6</i>	<i>1.5</i>	<i>8 bps</i>
Order Book (Rs bn)	1,035	1,078	(4.0)	1,000	1,706	1,334	27.9

Jaiprakash Associates

	Accumulate
Rating	
Price	Rs82
Target Price	Rs101
Market Cap. (Rs bn)	174.4
Shares o/s (m)	2,125.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	132,166	142,725	175,106
EBITDA	31,388	32,626	38,111
Margin (%)	23.7	22.9	21.8
PAT	7,564	8,099	9,380
EPS (Rs)	3.6	3.6	4.2
RoE (%)	8.7	8.0	8.1
PE (x)*	10.5	9.8	8.5
P / BV (x)	1.9	1.6	1.5
EV / E (x)	10.9	11.0	10.3

*Adj. for Subs. Valn

JPA's cement dispatches for Q1FY12 were at 4.2m tonnes registering a growth of 7% YoY and de-growth of 8.7% QoQ. However, we expect the realisations to increase by Rs150-180/tonne on account of price discipline among cement manufacturers to withhold prices. EBIT margins, however, would not see a drastic change on account of increase in costs. We expect sales de-growth of 3.4% YoY along with an EBITDA margin of 19.5% (73bps down YoY).

Quarterly Table (Rs m) (Standalone)

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E	FY11	gr. (%)
Net Sales	30,675	31,742	(3.4)	39,822	142,725	132,166	8.0
EBITDA	5,982	6,421	(6.8)	8,510	32,626	31,388	3.9
Margin (%)	19.5	20.2	(73)bps	21.4	22.9	23.7	(89)bps
Reported PAT	791	5,132	(84.6)	3,020	8,099	11,661	(30.5)
PAT (Excl. Ex Items)	791	1,061	(25.4)	3,020	8,099	7,564	7.1
Operating Metrics							
Construction	12,523	14,189	(11.7)	17,522	70,423	58,686	20.0
Cement/Cement Products	14,932	14,220	5.0	15,132	71,771	51,621	39.0
Real Estate	2,520	3,619	(30.4)	5,814	7,366	14,036	(47.5)
EBIT Margin - Cem (%)	12.0	19.9	(786)bps	14.2	15.5	15.4	11 bps
EBIT Margin - EPC (%)	6.0	7.3	(129)bps	12.3	14.5	15.3	(81)bps
Interest as a % to sales	12.1	10.3	180 bps	10.2	11.3	10.5	79 bps

GMR Infrastructure

	Accumulate
Rating	
Price	Rs33
Target Price	Rs43
Market Cap. (Rs bn)	128.6
Shares o/s (m)	3,892.1

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	57,738	70,293	95,683
EBITDA	15,355	21,172	29,122
Margin (%)	26.6	30.1	30.4
PAT	(3,626)	(722)	1,852
EPS (Rs)	(2.6)	(0.2)	0.5
RoE (%)	(13.6)	(1.0)	2.6
PE (x)	(12.9)	(177.8)	69.4
P / BV (x)	1.6	1.8	1.8
EV / E (x)	19.5	15.9	13.8

The company was disallowed collection of ADF by AERA which will create the need for short term funding thereby increasing the financing cost. Power projects continue to suffer on account of lower gas availability which will effect power revenues also. GMR will be incurring a loss in Q1FY12 as capitalisation of DIAL will have a huge cost impact.

Quarterly Table (Rs m) (Consolidated)

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E	FY11	gr. (%)
Net Sales	12,653	12,313	2.8	19,620	70,293	57,738	21.7
EBITDA	3,353	3,774	(11.2)	4,407	21,172	15,355	37.9
Margin (%)	26.5	30.7	(415)bps	22.5	30.1	26.6	353 bps
Reported PAT	(450)	284	NA	(10,694)	(722)	(9,960)	NA
PAT (Excl. Ex Items)	(450)	284	NA	(3,402)	(722)	(3,626)	NA
Operating Metrics							
Airports Revenues	5,694	4,251	33.9	8,712	7,412	23,954	(69.1)
Power Revenues	3,796	5,838	(35.0)	6,012	9,248	21,858	(57.7)
Roads Revenues	1,582	984	60.8	989	2,157	3,903	(44.7)
Others Revenues	1,582	1,472	7.4	3,928	4,154	9,880	(58.0)
Interest as % of Sales	18.1	19.4	(128)bps	15.0	18.1	18.6	(57)bps

Engineers India

	Accumulate
Rating	
Price	Rs277
Target Price	Rs312
Market Cap. (Rs bn)	93.3
Shares o/s (m)	336.9

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	28,233	36,000	45,622
EBITDA	6,399	8,111	9,587
<i>Margin (%)</i>	<i>22.7</i>	<i>22.5</i>	<i>21.0</i>
PAT	5,225	6,148	7,013
EPS (Rs)	15.5	18.2	20.8
<i>RoE (%)</i>	<i>40.3</i>	<i>38.2</i>	<i>35.6</i>
PE (x)	17.9	15.2	13.3
P / BV (x)	6.5	5.2	4.3
EV / E (x)	11.8	9.2	7.4

We are expecting contribution from LSTK to grow and thus, EBITDA margin is expected to decrease by 50bps YoY as LSTK has lower margins.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	6,840	6,060	12.9	9,465	36,000	28,233	27.5
EBITDA	1,605	1,453	10.4	1,905	8,111	6,399	26.7
<i>Margin (%)</i>	<i>23.5</i>	<i>24.0</i>	<i>(52)bps</i>	<i>20.1</i>	<i>22.5</i>	<i>22.7</i>	<i>(14)bps</i>
Reported PAT	1,224	1,145	6.9	1,656	6,148	5,085	20.9
PAT (Excl. Ex Items)	1,224	1,145	6.9	1,656	6,148	5,225	17.6
Operating Metrics							
Consultancy & Engineering	2,804	2,667	5.2	3,881	14,400	11,279	27.7
LSTK	4,036	3,394	18.9	5,585	21,600	16,953	27.4

Nagarjuna Construction Co.

	Accumulate
Rating	
Price	Rs83
Target Price	Rs98
Market Cap. (Rs bn)	21.4
Shares o/s (m)	256.6

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	50,674	61,129	73,370
EBITDA	4,813	5,727	6,736
<i>Margin (%)</i>	<i>9.5</i>	<i>9.4</i>	<i>9.2</i>
PAT	1,634	2,010	2,233
EPS (Rs)	6.4	7.8	8.7
<i>RoE (%)</i>	<i>7.1</i>	<i>8.5</i>	<i>9.2</i>
PE (x)*	6.5	5.3	5.0
P / BV (x)	0.9	0.9	0.9
EV / E (x)	9.3	9.2	8.4

NCC did not bag any order in Q1FY12. On the execution front, the company will continue to report muted numbers. We expect the company's YoY revenues to grow by 7% YoY on standalone basis and international business is expected to contribute Rs2bn. Higher interest cost will led to a PAT de-growth of 5% YoY.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	11,614	10,851	7.0	14,496	61,129	50,674	20.6
EBITDA	1,091	1,044	4.5	1,302	5,727	4,813	19.0
<i>Margin (%)</i>	<i>9.4</i>	<i>9.6</i>	<i>(22)bps</i>	<i>9.0</i>	<i>9.4</i>	<i>9.5</i>	<i>(13)bps</i>
Reported PAT	395	414	(4.7)	357	2,010	1,634	23.0
PAT (Excl. Ex Items)	395	414	(4.7)	357	2,010	1,634	23.0
Operating Metrics							
Transportation	813	977	(16.8)	1,015	8,357	3,820	118.8
Water	2,323	3,255	(28.6)	2,899	11,938	9,073	31.6
Power/Electrical/Metals/O&G	2,904	1,628	78.4	3,624	7,163	11,938	(40.0)
Buildings	3,252	2,279	42.7	4,059	11,938	13,848	(13.8)
International	2,323	2,387	(2.7)	2,899	13,376	9,073	47.4
<i>Interest as % of Sales</i>	<i>3.3</i>	<i>2.7</i>	<i>57 bps</i>	<i>4.0</i>	<i>3.3</i>	<i>3.3</i>	<i>(5)bps</i>
Order Book (Rs bn)	144	160	(9.7)	156	190	261	(27.1)

*Adj. for Subs. Valn & Int earnings

Punj Lloyd

Rating	Reduce
Price	Rs76
Target Price	Rs71
Market Cap. (Rs bn)	25.2
Shares o/s (m)	331.9

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	78,496	86,942	108,678
EBITDA	3,045	4,932	7,965
Margin (%)	3.9	5.7	7.3
PAT	(511)	(309)	1,265
EPS (Rs)	(1.5)	(0.9)	3.8
RoE (%)	(1.7)	(1.0)	4.2
PE (x)	(49.3)	(81.8)	19.9
P / BV (x)	0.8	0.9	0.8
EV / E (x)	21.9	17.0	11.4

Orders continued to flow to Punj in Q1FY12 where it managed to amass projects worth Rs254bn. Hydrocarbon and EPC have been the main contributors to the order inflows. There has also been a gradual shift to domestic markets for project bidding/winning. We are expecting a PAT of Rs239m.

Quarterly Table (Rs m) (Consolidated)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	15,650	16,058	(2.5)	21,921	86,942	78,496	10.8
EBITDA	1,352	60	2,152.7	742	4,932	3,045	62.0
Margin (%)	8.6	0.4	826 bps	3.4	5.7	3.9	179 bps
Reported PAT	239	(303)	LTP	178	(309)	(511)	NA
PAT (Excl. Ex Items)	239	(303)	LTP	178	(309)	(511)	NA
Operating Metrics							
Pipeline	5,008	5,620	(10.9)	7,015	36,516	21,990	66.1
Tankages	469	642	(26.9)	658	5,224	4,530	15.3
Process	4,695	4,978	(5.7)	6,576	27,164	28,360	(4.2)
Int. as a % to sales	4.8	5.0	(22)bps	4.5	4.6	4.5	2 bps
OB (Rs bn)	275	255	7.8	266	311	228	36.3

IVRCL Infrastructure

Rating	Accumulate
Price	Rs72
Target Price	Rs87
Market Cap. (Rs bn)	19.1
Shares o/s (m)	267.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	56,174	65,126	75,220
EBITDA	4,805	6,071	7,163
Margin (%)	8.6	9.3	9.5
PAT	1,579	1,769	2,118
EPS (Rs)	5.9	6.6	7.9
RoE (%)	8.2	8.7	9.8
PE (x)*	7.4	6.6	5.5
P / BV (x)	1.0	0.9	0.8
EV / E (x)	8.0	7.9	7.1

*Adj. for Subs. Valn

The company has been awarded Rs5bn from buildings segment which is a major contributor to the total inflows of Rs8.9bn. As the work for its major road projects are in the execution front, we are expecting a 6% YoY growth in Q1FY12 at Rs11bn.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	11,723	11,062	6.0	20,516	65,126	56,174	15.9
EBITDA	1,019	1,004	1.5	1,775	6,071	4,805	26.3
Margin (%)	8.7	9.1	(39)bps	8.7	9.3	8.6	77 bps
Reported PAT	261	280	(7.0)	643	1,769	1,579	12.0
PAT (Excl. Ex Items)	261	280	(7.0)	643	1,769	1,579	12.0
Operating Metrics							
Transportation	2,345	1,549	51.4	3,693	23,004	9,000	155.6
Water	3,517	5,531	(36.4)	8,617	19,528	25,000	(21.9)
Power	938	221	323.9	1,641	7,323	9,820	(25.4)
Buildings & Oil	4,924	3,761	30.9	6,565	4,882	12,500	(60.9)
Interest as % of Sales	4.2	4.1	7 bps	3.2	4.1	3.9	24 bps
Order Book (Rs bn)	215	232	(7.2)	218	282	238	18.3

Hindustan Construction Co.

	Accumulate
Rating	
Price	Rs33
Target Price	Rs40
Market Cap. (Rs bn)	20.1
Shares o/s (m)	606.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	40,907	48,160	56,764
EBITDA	5,373	6,068	6,781
<i>Margin (%)</i>	<i>13.1</i>	<i>12.6</i>	<i>11.9</i>
PAT	710	806	954
EPS (Rs)	1.2	1.3	1.6
<i>RoE (%)</i>	<i>4.7</i>	<i>5.4</i>	<i>6.4</i>
PE (x)*	14.4	12.7	10.7
P / BV (x)	1.3	1.4	1.3
EV / E (x)	10.1	9.3	7.4

*Adj. for Subs. Valn

The order inflow for the quarter was good as award from hydro power projects revived. Overall, the quarter will see a 8% YoY de-growth in revenues and 33% de-growth in PAT on account of higher interest rates.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	9,150	9,954	(8.1)	12,021	48,160	40,907	17.7
EBITDA	1,161	1,258	(7.7)	1,662	6,068	5,373	12.9
<i>Margin (%)</i>	<i>12.7</i>	<i>12.6</i>	<i>5 bps</i>	<i>13.8</i>	<i>12.6</i>	<i>13.1</i>	<i>(53)bps</i>
Reported PAT	204	284	(28.0)	226	806	710	13.5
PAT (Excl. Ex Items)	204	303	(32.5)	229	806	710	13.5
Operating Metrics							
Transportation	3,569	3,285	8.6	4,688	10,888	7,984	36.4
Power	3,660	3,882	(5.7)	4,809	16,331	15,243	7.1
Water	732	2,190	(66.6)	962	7,258	7,258	0.0
Others	1,098	597	83.9	1,443	1,815	5,807	(68.8)
<i>Interest as % of Sales</i>	<i>6.5</i>	<i>5.8</i>	<i>71 bps</i>	<i>7.5</i>	<i>6.9</i>	<i>7.1</i>	<i>(22)bps</i>
Order Book (Rs bn)	182	193	(5.7)	181	217	182	19.4

Patel Engineering

	Reduce
Rating	
Price	Rs157
Target Price	Rs153
Market Cap. (Rs bn)	10.9
Shares o/s (m)	69.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	34,993	39,110	40,480
EBITDA	4,726	4,859	4,960
<i>Margin (%)</i>	<i>13.5</i>	<i>12.4</i>	<i>12.3</i>
PAT	1,284	1,246	1,030
EPS (Rs)	18.4	17.9	14.8
<i>RoE (%)</i>	<i>9.2</i>	<i>8.3</i>	<i>6.4</i>
PE (x)	8.5	8.8	10.6
P / BV (x)	0.8	0.7	0.7
EV / E (x)	7.2	7.8	8.6

PEC did not bag any order in Q1FY12. The company is de barred for bidding for NHAI projects for 1 year on account of FC default. However, its core sector is expected to suffer on account of cancellation of projects. We expect PEL to report a 5% YoY de-growth in consolidated sales, with 13.7% EBITDA margins.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	6,649	7,023	(5.3)	15,965	39,110	34,993	11.8
EBITDA	911	1,185	(23.1)	1,299	4,859	4,726	2.8
<i>Margin (%)</i>	<i>13.7</i>	<i>16.9</i>	<i>(318)bps</i>	<i>8.1</i>	<i>12.4</i>	<i>13.5</i>	<i>(108)bps</i>
Reported PAT	263	401	(34.3)	360	1,246	1,284	(3.0)
PAT (Excl. Ex Items)	263	401	(34.3)	360	1,246	1,284	(3.0)
Operating Metrics (%)							
Hydro Power	3,657	4,003	(8.7)	8,781	11,069	12,299	(10.0)
Irrigation	997	1,264	(21.1)	2,395	7,380	8,609	(14.3)
Transportation	1,995	1,756	13.6	4,789	6,150	3,690	66.7
<i>Interest as a % to sales</i>	<i>4.9</i>	<i>4.6</i>	<i>27 bps</i>	<i>4.6</i>	<i>4.6</i>	<i>7.7</i>	<i>(308)bps</i>
Order Book (Rs bn)	80	96	(16.4)	87	76	76	0.0



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Consumer Staples

Expect healthy double digit revenue growth; slight decline in operating margins:

We expect sales growth for over coverage universe to come in at 18.6%. However, composition of revenue growth will shift from volumes to pricing, driven by the recent price increases in HPC categories, which were necessitated by the inflation in input costs.

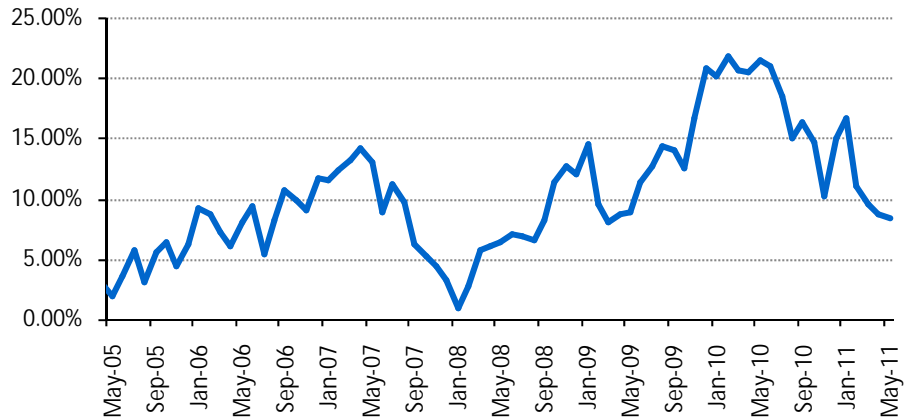
We expect operating margins to decline 70bps for our coverage universe on account of high cost inventory. Recent softening in input prices should be reflected 2QFY11e onwards, in our view. We expect advertising spends to flatten out as companies will try to manoeuvre EBITDA margins given the pressure on gross margins. We estimate PAT growth of 18% for 1QFY12E led by ITC, Dabur and HUVR (low base).

Softening in input prices to reflect in 2QFY12e onwards, in our view: Most of the input commodities have shown 10-15% decline from the top. However we believe it will be fully reflected 2QFY12e onwards as companies will still be carrying some proportion of high cost inventory. Also, food inflation has shown consistent decline from 16.7% in January '11 to 8.37% in May'11, offering a sequential relief to consumer wallets.

New launches, inorganic activity and regulatory actions marked the quarter: While Dabur launched new variant of Hajmola (Mint), Emami launched Navaratna Coconut cooling oil. GCPL acquired rights for 51% stake in pan-African hair care company, Darling Group Holdings. Liquor companies faced the brunt of higher excise duties as well as increasing the legal age barrier for drinking to 25 years in Maharashtra.

Sustained outperformance by consumer pack leaves little room for disappointment: All the consumer stocks under our coverage universe, except UNSP, have outperformed the markets in last 3 months, 6 months as well as 12 months. This, in our view, was driven by strong earnings growth, flight to quality and preference for defensives. However, this leaves very little room, if any, for earnings disappointment in our view. We see very limited absolute upside in our coverage universe in the near term. In an environment of volatile input costs and intense competitive headwinds, we continue to prefer players with strong pricing power. This underscores our relative preference for ITC.

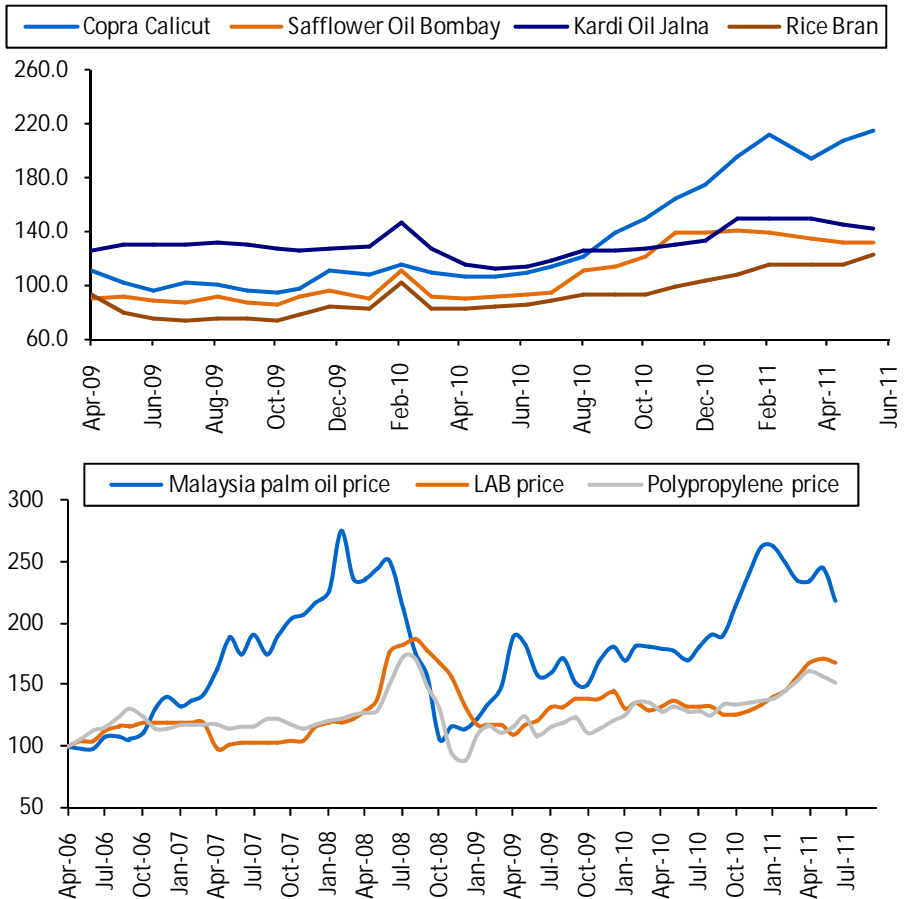
Food inflation has shown meaningful decline since Jan'11



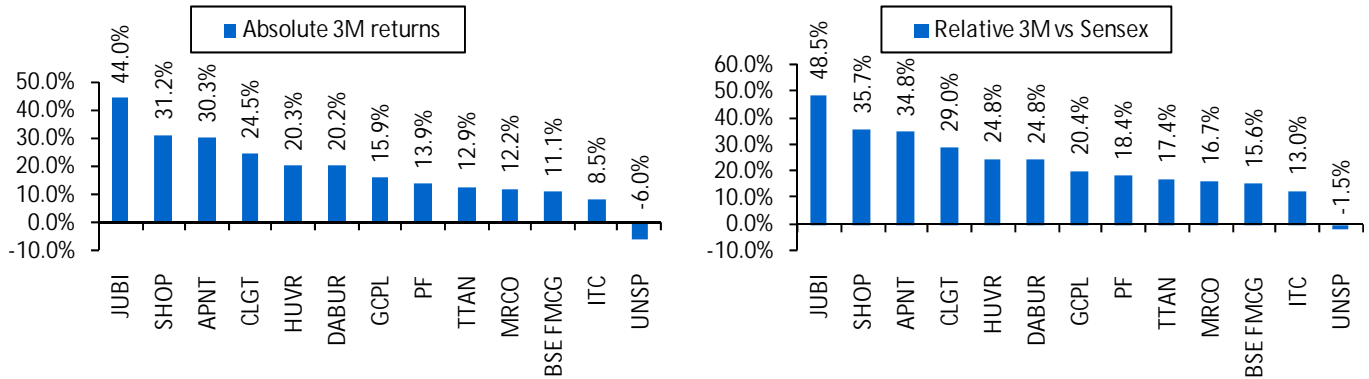
Source: Bloomberg, PL Research

Input costs continue to remain firm

Key RM prices rebased to 100



Source: Company Data, Bloomberg, PL Research

Except UNSP, every stock in our coverage universe outperformed the market


Source: Bloomberg, PL Research

Top picks: ITC
Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
ITC	2.0	7.1	9.8	30.6	0.0	11.9	17.4	23.2
Hindustan Unilever	4.5	20.9	2.2	25.0	2.5	25.7	9.8	17.6
Asian Paints	2.3	26.2	12.5	39.1	0.3	31.0	20.1	31.6
Dabur India	(1.0)	16.8	10.5	12.8	(3.0)	21.6	18.2	5.3
Colgate Palmolive	11.3	17.9	17.9	20.3	9.3	22.7	25.6	12.8
Godrej Consumer Products	6.7	16.8	11.8	26.1	4.7	21.6	19.4	18.6
United Spirits	0.7	(5.4)	(27.4)	(18.4)	(1.3)	(0.6)	(19.7)	(25.8)
Marico	8.0	9.7	23.1	22.0	6.0	14.5	30.8	14.5

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
ITC	Sales	55,632	48,166	15.5	58,363	(4.7)	260,826	222,737	17.1
	EBITDA	18,470	16,064	15.0	17,891	3.2	87,753	74,077	18.5
	Margins (%)	33.2	33.4		30.7		33.6	33.3	
	PAT	12,855	10,703	20.1	12,815	0.3	60,376	50,083	20.6
Hindustan Unilever	Sales	55,589	48,762	14.0	48,994	13.5	216,644	195,695	10.7
	EBITDA	7,671	6,809	12.7	5,792	32.4	30,092	25,363	18.6
	Margins (%)	13.8	14.0		11.8		13.9	13.0	
	PAT	6,195	5,147	20.4	4,856	27.6	24,695	21,465	15.1
Asian Paints	Sales	21,597	18,302	18.0	19,656	9.9	90,452	77,056	17.4
	EBITDA	3,693	3,471	6.4	2,894	27.6	15,383	13,118	17.3
	Margins (%)	17.1	19.0		14.7		17.0	17.0	
	PAT	2,462	2,222	10.8	1,860	32.3	10,234	8,819	16.1

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Dabur India	Sales	11,749	9,251	27.0	11,082	6.0	49,559	40,774	21.5
	EBITDA	1,821	1,454	25.3	2,056	(11.4)	9,183	7,355	24.9
	<i>Margins (%)</i>	<i>15.5</i>	<i>15.7</i>		<i>18.6</i>		<i>18.5</i>	<i>18.0</i>	
	PAT	1,296	1,068	21.4	1,470	(11.8)	7,075	5,686	24.4
Colgate Palmolive	Sales	6,134	5,288	16.0	5,818	5.4	26,116	22,206	17.6
	EBITDA	1,288	1,389	(7.3)	1,249	3.1	5,386	4,512	19.4
	<i>Margins (%)</i>	<i>21.0</i>	<i>26.3</i>		<i>21.5</i>		<i>20.6</i>	<i>20.3</i>	
	PAT	1,122	1,219	(7.9)	1,141	(1.6)	4,544	4,027	12.8
Godrej Consumer Products	Sales	9,968	6,431	55.0	9,995	(0.3)	42,512	36,430	16.7
	EBITDA	1,695	1,191	42.2	1,778	(4.7)	7,651	6,407	19.4
	<i>Margins (%)</i>	<i>17.0</i>	<i>18.5</i>		<i>17.8</i>		<i>18.0</i>	<i>17.6</i>	
	PAT	1,386	761	82.2	1,417	(2.2)	5,522	4,816	14.7
United Spirits	Sales	17,794	14,706	21.0	16,172	10.0	79,373	68,281	16.2
	EBITDA	3,203	2,888	10.9	2,333	37.3	13,939	10,920	27.6
	<i>Margins (%)</i>	<i>18.0</i>	<i>19.6</i>		<i>14.4</i>		<i>17.6</i>	<i>16.0</i>	
	PAT	1,309	1,212	8.0	774	69.0	4,909	3,644	34.7
Marico	Sales	9,798	7,901	24.0	7,786	25.8	37,088	31,383	18.2
	EBITDA	1,176	1,055	11.5	1,101	6.8	4,688	3,854	21.6
	<i>Margins (%)</i>	<i>12.0</i>	<i>13.3</i>		<i>14.1</i>		<i>12.6</i>	<i>12.3</i>	
	PAT	772	737	4.7	669	15.3	3,291	2,736	20.2

Source: Company Data, PL Research

Consolidated Sectoral Data
Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	694,562	802,570	911,605
<i>Growth (%)</i>	<i>15.8</i>	<i>15.6</i>	<i>13.6</i>
EBITDA	145,604	174,075	198,577
<i>Margin (%)</i>	<i>21.0</i>	<i>21.7</i>	<i>21.8</i>
PAT	101,276	120,646	139,031
<i>Growth (%)</i>	<i>18.0</i>	<i>19.1</i>	<i>15.2</i>
PE (x)	32.2	27.0	23.4

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	188,261	158,808	18.5	177,866	5.8
EBITDA	39,017	34,321	13.7	35,094	11.2
<i>Margin (%)</i>	<i>20.7</i>	<i>21.6</i>	<i>(89)bps</i>	<i>19.7</i>	<i>99 bps</i>
PAT (Excl. Ex Items)	27,397	23,068	18.8	25,002	9.6

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

ITC

Rating	BUY
Price	Rs196
Target Price	Rs213
Market Cap. (Rs bn)	1,514.0
Shares o/s (m)	7,638.1

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	222,737	260,826	293,215
EBITDA	74,077	87,753	97,883
Margin (%)	33.3	33.6	33.4
PAT	50,083	60,376	67,580
EPS (Rs)	6.5	7.8	8.7
RoE (%)	32.4	33.8	32.6
PE (x)	30.2	25.1	22.4
P / BV (x)	9.2	7.9	6.8
EV / E (x)	19.6	16.5	14.7

We expect 1QFY12e cigarette volume growth to come in at ~5% partly facilitated by lower base effect (Cig volumes declined 4% in 1Q FY11) and stability in retail prices as excise duty was kept unchanged in FY12e budget. Non-Cig FMCG should continue to post healthy mid-teens revenue growth, in our view. We expect flattish EBITDA margin for the quarter and recurring PAT growth of 20%.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	55,632	48,166	15.5	58,363	260,826	222,737	17.1
EBITDA	18,470	16,064	15.0	17,891	87,753	74,077	18.5
Margin (%)	33.2	33.4	(15)bps	30.7	33.6	33.3	39 bps
Reported PAT	12,855	10,703	20.1	12,815	60,376	50,083	20.6
PAT (Excl. Ex Items)	12,855	10,703	20.1	12,815	60,376	50,083	20.6
Operating Metrics							
Cigarettes	28,313	24,836	14.0	27,673	235,788	207,213	13.8
Other FMCG	11,716	10,014	17.0	13,125	53,019	45,040	17.7
Total FMCG	40,029	34,850	14.9	40,799	288,808	252,253	14.5
Hotels	2,519	2,099	20.0	3,003.3	13,401	11,494	16.6
Agri business	15,523	13,498	15.0	10,818.3	54,602	47,480	15.0

Hindustan Unilever

Rating	Sell
Price	Rs333
Target Price	Rs275
Market Cap. (Rs bn)	726.1
Shares o/s (m)	2,181.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	195,695	216,644	240,555
EBITDA	25,363	30,092	33,867
Margin (%)	13.0	13.9	14.1
PAT	21,465	24,695	27,930
EPS (Rs)	9.8	11.3	12.8
RoE (%)	73.6	76.0	81.7
PE (x)	33.8	29.4	26.0
P / BV (x)	22.9	21.8	20.7
EV / E (x)	27.9	23.3	20.5

We expect HUVR to report ~9-10% volume growth for the quarter. Continued strong volume momentum will be driven by new launches as well as aggressive consumer promotions. Recent softening of commodity prices may not be reflected in 1QFY12e. We forecast flat EBITDA margins for the quarter. Driven by higher other income we expect HUVR to report 21% PAT growth.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	55,589	48,762	14.0	48,994	216,644	195,695	10.7
EBITDA	7,671	6,809	12.7	5,792	30,092	25,363	18.6
Margin (%)	13.8	14.0	(16)bps	11.8	13.9	13.0	93 bps
Reported PAT	6,195	5,332	16.2	5,300	24,695	21,465	15.1
PAT (Excl. Ex Items)	6,195	5,147	20.4	4,856	24,695	21,465	15.1
Operating Metrics							
Soaps and Detergents	25,475	22,645	12.5	22,048	90,291	82,699	9.2
Personal Products	15,976	13,655	17.0	14,591	66,158	58,392	13.3
Beverages	6,024	5,378	12.0	6,339	28,854	26,680	8.1
Processed Foods	2,744	2,111	30.0	2,500	10,364	9,236	12.2
Ice Creams	1,277	1,046	22.0	669	3,135	2,764	13.4

Asian Paints

Rating	Accumulate
Price	Rs3,240
Target Price	Rs3,500
Market Cap. (Rs bn)	310.8
Shares o/s (m)	95.9

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	77,056	90,452	106,161
EBITDA	13,118	15,383	18,351
<i>Margin (%)</i>	<i>17.0</i>	<i>17.0</i>	<i>17.3</i>
PAT	8,819	10,234	12,409
EPS (Rs)	91.9	106.7	129.4
<i>RoE (%)</i>	<i>45.3</i>	<i>41.7</i>	<i>41.1</i>
PE (x)	35.2	30.4	25.0
P / BV (x)	14.3	11.4	9.4
EV / E (x)	23.6	19.9	16.4

APNT has taken several price hikes during the past 4 months, full impact of which should be reflected in current quarter. We expect a healthy mid teens revenue growth of 18% driven by ~8-9% volume growth (base quarter had 24% domestic volume growth). Price hikes taken during the last 4 months (1%, 4.3% and 2.4% in March, May and June respectively) should drive the sequential margin improvement. We estimate 11% PAT growth for the quarter.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	21,597	18,302	18.0	19,656	90,452	77,056	17.4
EBITDA	3,693	3,471	6.4	2,894	15,383	13,118	17.3
<i>Margin (%)</i>	<i>17.1</i>	<i>19.0</i>	<i>(187)bps</i>	<i>14.7</i>	<i>17.0</i>	<i>17.0</i>	<i>(2)bps</i>
Reported PAT	2,462	2,222	10.8	1,860	10,234	8,819	16.1
PAT (Excl. Ex Items)	2,462	2,222	10.8	1,860	10,234	8,819	16.1

Dabur India

Rating	Accumulate
Price	Rs114
Target Price	Rs120
Market Cap. (Rs bn)	198.4
Shares o/s (m)	1,740.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	40,774	49,559	57,793
EBITDA	7,355	9,183	11,265
<i>Margin (%)</i>	<i>18.0</i>	<i>18.5</i>	<i>19.5</i>
PAT	5,686	7,075	8,751
EPS (Rs)	3.3	4.1	5.0
<i>RoE (%)</i>	<i>48.9</i>	<i>44.2</i>	<i>42.3</i>
PE (x)	34.9	28.0	22.7
P / BV (x)	14.3	11.0	8.5
EV / E (x)	28.0	22.3	18.0

Driven by inorganic initiatives, we expect Dabur to post 27% revenue growth in 1QFY12e. Domestic volume growth should trend 9-10% in our view. Domestic revenue growth will be driven by Foods division given the strong sales of Real portfolio during summer. Dabur had taken price hikes in the past two quarters to pass on the impact of hardening input costs. We forecast 21% PAT growth for the quarter.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	11,749	9,251	27.0	11,082	49,559	40,774	21.5
EBITDA	1,821	1,454	25.3	2,056	9,183	7,355	24.9
<i>Margin (%)</i>	<i>15.5</i>	<i>15.7</i>	<i>(21)bps</i>	<i>18.6</i>	<i>18.5</i>	<i>18.0</i>	<i>49 bps</i>
Reported PAT	1,296	1,068	21.4	1,470	7,075	5,686	24.4
PAT (Excl. Ex Items)	1,296	1,068	21.4	1,470	7,075	5,686	24.4
Operating Metrics							
Consumer care business	9,016	7,044	28.0	8,733	36,853	31,232	18.0
Consumer health business	795	691	15.0	861	3,697	3,215	15.0
Foods business	1,527	1,317	16.0	1,264	6,239	5,073	23.0
Retail business	71.1	32.3	120.0	67.0	191	119	60.0
Others	176.3	160.3	10.0	247.1	1,197	997	20.0



Colgate Palmolive

Rating	Reduce
Price	Rs1,012
Target Price	Rs830
Market Cap. (Rs bn)	137.7
Shares o/s (m)	136.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	22,206	26,116	30,453
EBITDA	4,512	5,386	6,272
<i>Margin (%)</i>	<i>20.3</i>	<i>20.6</i>	<i>20.6</i>
PAT	4,027	4,544	5,382
EPS (Rs)	29.6	33.4	39.6
<i>RoE (%)</i>	<i>112.8</i>	<i>110.2</i>	<i>113.4</i>
PE (x)	34.2	30.3	25.6
P / BV (x)	35.8	31.2	27.1
EV / E (x)	29.6	24.3	20.6

Colgate's 16% revenue growth will be underpinned by healthy volume growth of ~10-12% in mainstay Toothpaste segment. Owing to impact of contract manufacturers merger in the base quarter, EBITDA margins comparison will look skewed. Higher tax rate of 24% will drive the PAT decline of 8% yoy.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	6,134	5,288	16.0	5,818	26,116	22,206	17.6
EBITDA	1,288	1,389	(7.3)	1,249	5,386	4,512	19.4
<i>Margin (%)</i>	<i>21.0</i>	<i>26.3</i>	<i>(527)bps</i>	<i>21.5</i>	<i>20.6</i>	<i>20.3</i>	<i>31 bps</i>
Reported PAT	1,122	1,219	(7.9)	1,141	4,544	4,027	12.8
PAT (Excl. Ex Items)	1,122	1,219	(7.9)	1,141	4,544	4,027	12.8
Operating Metrics							
Toothpaste volume growth	12.0	14.0	(200)bps	10.0	13.0	7.9	505 bps

Godrej Consumer Products

Rating	BUY
Price	Rs438
Target Price	Rs475
Market Cap. (Rs bn)	141.8
Shares o/s (m)	323.6

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	36,430	42,512	48,117
EBITDA	6,407	7,651	9,044
<i>Margin (%)</i>	<i>17.6</i>	<i>18.0</i>	<i>18.8</i>
PAT	4,816	5,522	6,627
EPS (Rs)	15.9	17.1	20.5
<i>RoE (%)</i>	<i>38.4</i>	<i>29.6</i>	<i>30.6</i>
PE (x)	27.5	25.7	21.4
P / BV (x)	8.2	7.0	6.1
EV / E (x)	24.9	20.7	17.2

GCPL's revenue growth of 55% in 1QFY12e will be driven by inorganic expansion (closed 9 deals in the last 18 months). Performance of recent acquisitions as well as operational integration will be the key monitorables. We estimate 70bps decline in operating margin for the quarter and forecast 25% PAT growth.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	9,968	6,431	55.0	9,995	42,512	36,430	16.7
EBITDA	1,695	1,191	42.2	1,778	7,651	6,407	19.4
<i>Margin (%)</i>	<i>17.0</i>	<i>18.5</i>	<i>(152)bps</i>	<i>17.8</i>	<i>18.0</i>	<i>17.6</i>	<i>41 bps</i>
Reported PAT	1,386	1,164	19.1	1,417	5,522	5,147	7.3
PAT (Excl. Ex Items)	1,386	761	82.2	1,417	5,522	4,816	14.7



United Spirits

Rating	Accumulate
Price	Rs1,042
Target Price	Rs1,190
Market Cap. (Rs bn)	136.3
Shares o/s (m)	130.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	68,281	79,373	92,311
EBITDA	10,920	13,939	16,191
<i>Margin (%)</i>	<i>16.0</i>	<i>17.6</i>	<i>17.5</i>
PAT	3,644	4,909	6,372
EPS (Rs)	27.9	37.5	48.7
<i>RoE (%)</i>	<i>9.2</i>	<i>11.3</i>	<i>13.1</i>
PE (x)	37.4	27.8	21.4
P / BV (x)	3.3	3.0	2.6
EV / E (x)	17.3	13.7	11.8

We expect 21% top-line growth led by ~13-14% volume growth in IMFL segment. Margins should continue to remain under pressure on account of resilient input cost. We expect higher interest costs to impact PAT growth. We estimate 8% PAT growth YoY.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	17,794	14,706	21.0	16,172	79,373	68,281	16.2
EBITDA	3,203	2,888	10.9	2,333	13,939	10,920	27.6
<i>Margin (%)</i>	<i>18.0</i>	<i>19.6</i>	<i>(164)bps</i>	<i>14.4</i>	<i>17.6</i>	<i>16.0</i>	<i>157 bps</i>
Reported PAT	1,309	1,212	8.0	774	4,909	3,644	34.7
PAT (Excl. Ex Items)	1,309	1,212	8.0	774	4,909	3,644	34.7

Marico

Rating	Accumulate
Price	Rs152
Target Price	Rs165
Market Cap. (Rs bn)	92.9
Shares o/s (m)	609.3

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	31,383	37,088	42,999
EBITDA	3,854	4,688	5,704
<i>Margin (%)</i>	<i>12.3</i>	<i>12.6</i>	<i>13.3</i>
PAT	2,736	3,291	3,980
EPS (Rs)	5.0	5.9	7.1
<i>RoE (%)</i>	<i>39.9</i>	<i>36.5</i>	<i>34.2</i>
PE (x)	30.7	25.7	21.4
P / BV (x)	10.8	8.3	6.5
EV / E (x)	24.8	20.3	16.2

Though commodity costs have witnessed decline of 10-20% from peak, Copra (40% of Marico's raw material costs) prices have stood firm. We expect 24% revenue growth driven by price hikes and inorganic initiatives. While MRCO has taken significant price hikes in its key brands, owing to stubborn input prices, we expect operating margin decline of ~100bps. We estimate a modest 5% PAT growth impacted by high interest cost.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	9,798	7,901	24.0	7,786	37,088	31,383	18.2
EBITDA	1,176	1,055	11.5	1,101	4,688	3,854	21.6
<i>Margin (%)</i>	<i>12.0</i>	<i>13.3</i>	<i>(135)bps</i>	<i>14.1</i>	<i>12.6</i>	<i>12.3</i>	<i>36 bps</i>
Reported PAT	772	737	4.7	669	3,291	2,736	20.2
PAT (Excl. Ex Items)	772	737	4.7	669	3,291	2,736	20.2
Volume Growth (%)							
Parachute	5.0%	14.0%	<i>(900)bps</i>	5.0%	8.0	8.0	<i>0 bps</i>
Saffola	12.0%	17.5%	<i>(550)bps</i>	14.0%	13.0	15.0	<i>(200)bps</i>
Value Add. Hair Oils	18.0%	27.0%	<i>(900)bps</i>	21.0%	15.0	17.0	<i>(200)bps</i>



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Financial Services

Capital market NBFCs have been facing poor volumes, falling commissions, rising costs and weak market opportunities for the past few years. This quarter is likely to mark the lowest point in terms of profitability seen by the sector since the financial crisis of December 2008 quarter. Equity market volumes have been exceptionally poor, equity capital raising practically dead and spreads on lending trending even lower due to rising interest rates.

Overall Equity market volumes for the quarter declined by 14.3% QoQ although up by 19.7% YoY (driven by steep increase in F&O volumes). Cash volumes fell by 12.9% QoQ while F&O volumes fell by 14.5% QoQ. Cash volumes remained weak throughout the quarter and were in fact only slightly better than the levels seen at the worst of the financial crisis of 2008-09. We expect the overall brokerage pool to have declined by about 14-15% QoQ for the industry.

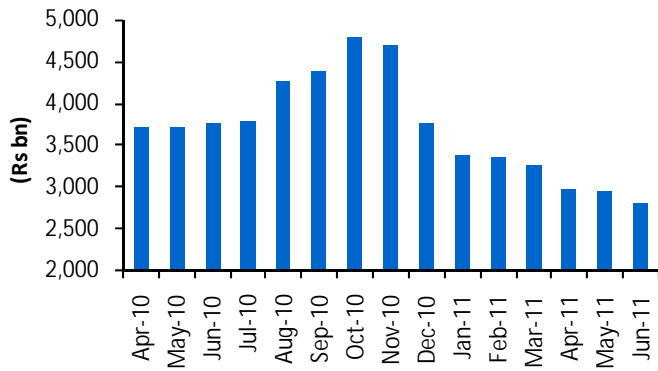
Assets under management of the mutual fund industry have remained largely flat compared to the same quarter last year with the trends in debt and equity being broadly same. Even insurance premium collections are expected to have remained flat to marginally positive compared to the same period last year.

Tight liquidity conditions have continued to keep borrowing costs high for NBFCs. We expect to see lower spreads across the lending business of most NBFCs under our coverage. Wholesale lending NBFCs have also substantially reduced their credit sanctions and disbursements.

Over the prospects for NBFCs will remain muted till there is an overall improvement in the market sentiment and interest rates start approaching a peak. It is difficult to say how much away we are from that and hence we would continue with our strategy of sticking to extreme value plays and focused niche players that have the ability to maintain margins during these times.

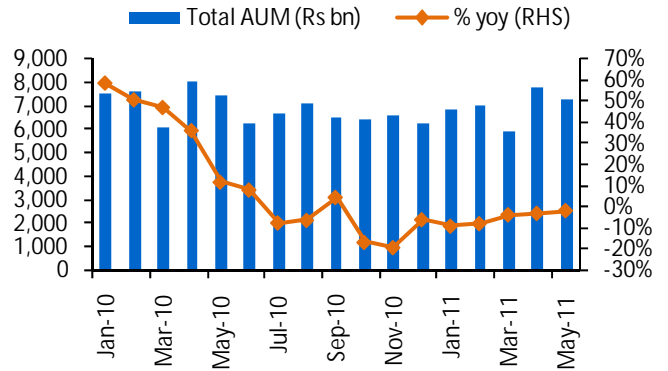
Top Picks: IDFC, Shriram Transport and Mahindra Finance

Trend in Cash Market Volumes



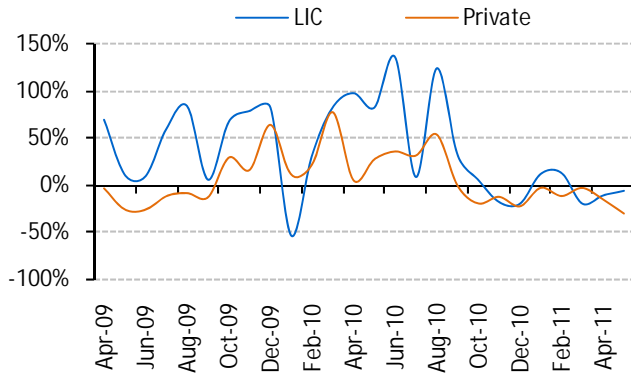
Source: BSE, NSE, PL Research

Mutual Fund AUM Growth (YoY)



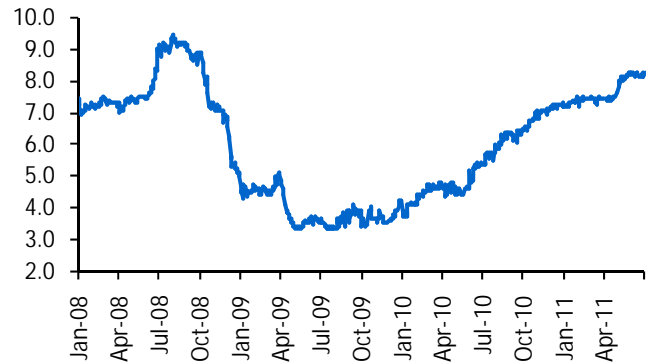
Source: AMFI, PL Research

Insurance FYP Growth (private & LIC)



Source: IRDA, PL Research

Movement in the 6M T-Bill rates



Source: Bloomberg, PL Research

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
HDFC	6.1	0.3	(1.1)	19.1	4.1	5.1	6.6	11.6
Power Finance Corporation	(5.4)	(23.3)	(35.9)	(35.0)	(7.4)	(18.6)	(28.3)	(42.5)
Infrastructure Development Finance Corporation	0.3	(16.8)	(21.7)	(24.7)	(1.7)	(12.0)	(14.1)	(32.2)
Shriram Transport Finance	(2.9)	(16.3)	(10.9)	16.6	(4.9)	(11.5)	(3.2)	9.1
Reliance Capital	16.2	(2.7)	(7.1)	(18.6)	14.2	2.1	0.5	(26.1)
Mahindra & Mahindra Financial Services	1.0	(17.7)	(9.2)	46.2	(1.0)	(12.9)	(1.5)	38.8
India Infoline	19.1	14.8	10.8	(3.4)	17.1	19.6	18.5	(10.8)
Edelweiss Capital	(6.5)	(19.3)	(28.8)	(31.9)	(8.5)	(14.5)	(21.2)	(39.4)
Motilal Oswal Financial Services	(6.1)	(27.2)	(40.4)	(43.5)	(8.1)	(22.4)	(32.8)	(51.0)

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
HDFC	Net Operating Inc.	13,935	10,824	28.7	16,549	(15.8)	63,405	53,310	18.9
	PPP	13,035	9,856	32.3	15,842	(17.7)	58,759	48,868	20.2
	PAT	9,241	6,946	33.0	11,420	(19.1)	42,493	35,099	21.1
Power Finance Corporation	Net Operating Inc.	9,558	9,230	3.6	8,328	14.8	47,631	38,059	25.1
	PPP	9,293	9,215	0.8	8,194	13.4	46,114	36,824	25.2
	PAT	6,932	6,526	6.2	6,067	14.3	33,619	27,176	23.7
Infrastructure Development Finance Corporation	Net Operating Inc.	6,833	6,130	11.5	6,272	8.9	32,186	25,115	28.2
	PPP	5,353	4,898	9.3	5,056	5.9	24,473	19,795	23.6
	PAT	3,402	3,351	1.5	2,887	17.8	15,922	12,640	26.0
Shriram Transport Finance	Net Operating Inc.	8,443	7,374	14.5	8,292	1.8	38,958	31,937	22.0
	PPP	6,393	5,626	13.6	6,335	0.9	29,958	24,398	22.8
	PAT	3,433	2,889	18.8	3,406	0.8	15,551	12,697	22.5
Mahindra & Mahindra Financial Services	Net Operating Inc.	3,234	2,699	19.8	4,067	(20.5)	18,399	13,773	33.6
	PPP	1,949	1,653	17.9	2,584	(24.6)	11,355	8,428	34.7
	PAT	937	742	26.3	1,566	(40.1)	6,015	4,929	22.0

Source: Company Data, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Reliance Capital	Sales	14,550	12,669	14.8	14,679	(0.9)	59,762	55,627	7.4
	EBITDA	5,670	4,050	40.0	2,611	117.2	24,255	18,675	29.9
	<i>Margins (%)</i>	<i>39.0</i>	<i>32.0</i>		<i>17.8</i>		<i>40.6</i>	<i>33.6</i>	
	PAT	885	770	15.0	(56)	NM	4,215	2,912	44.7
Edelweiss Capital	Sales	3,560	2,793	27.5	3,800	(6.3)	16,782	14,720	14.0
	EBITDA	1,990	1,658	20.0	2,227	(10.7)	10,757	8,834	21.8
	<i>Margins (%)</i>	<i>55.9</i>	<i>59.4</i>		<i>58.6</i>		<i>64.1</i>	<i>60.0</i>	
	PAT	366	614	(40.4)	433	(15.4)	2,460	2,330	5.6
India Infoline	Sales	3,505	3,059	14.6	3,674	(4.6)	16,337	14,720	11.0
	EBITDA	1,393	1,090	27.8	1,411	(1.3)	7,232	6,048	19.6
	<i>Margins (%)</i>	<i>39.7</i>	<i>35.6</i>		<i>38.4</i>		<i>44.3</i>	<i>41.1</i>	
	PAT	377	431	(12.6)	468	(19.4)	2,080	2,111	(1.5)
Motilal Oswal Financial Services	Sales	1,115	1,461	(23.7)	1,243	(10.3)	5,670	5,897	(3.8)
	EBITDA	334	560	(40.4)	419	(20.2)	1,970	2,189	(10.0)
	<i>Margins (%)</i>	<i>30.0</i>	<i>38.4</i>		<i>33.7</i>		<i>34.7</i>	<i>37.1</i>	
	PAT	206	375	(45.1)	243	(15.0)	1,169	1,370	(14.7)

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales / Net Op. Inc.	253,159	299,130	353,741
<i>Growth (%)</i>	<i>17.1</i>	<i>18.2</i>	<i>18.3</i>
EBITDA / PPP	174,057	214,873	257,413
<i>Margins (%)</i>	<i>68.8</i>	<i>71.8</i>	<i>72.8</i>
PAT	101,263	123,522	148,366
<i>Growth (%)</i>	<i>20.0</i>	<i>22.0</i>	<i>20.1</i>
PE (x)	18.6	15.3	12.7

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales / Net Op. Inc.	63,731	56,238	13.3	66,903	(4.7)
EBITDA / PPP	44,508	38,606	15.3	44,677	(0.4)
<i>EBITDA / PPP Margin (%)</i>	<i>69.8</i>	<i>68.6</i>	<i>119 bps</i>	<i>66.8</i>	<i>306 bps</i>
PAT (Excl. Ex Items)	25,131	22,644	11.0	26,433	(4.9)

Note: Net Sales / Net Op. Inc., EBITDA / PPP and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

HDFC

Rating	Accumulate
Price	Rs700
Target Price	Rs792
Market Cap. (Rs bn)	1,027.1
Shares o/s (m)	1,466.9

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Op. Inc.	53,310	63,405	77,376
NII	43,082	50,847	65,891
PPP	48,868	58,759	72,011
PAT	35,099	42,493	51,764
EPS (Rs)	23.9	29.0	34.0
<i>NIM (%)</i>	<i>3.5</i>	<i>3.4</i>	<i>3.4</i>
<i>RoE (%)</i>	<i>21.6</i>	<i>22.6</i>	<i>21.9</i>
PE (x)*	26.8	20.7	15.0
P/BV (x)*	8.2	5.9	3.7

We expect HDFC's approvals and disbursals to grow by 18.2% YoY and 26.6% YoY respectively, although decline on a sequential basis. Spreads are likely to remain stable sequentially. Non-interest income likely to remain healthy on a YoY basis due to dividend income received during the quarter. Asset quality is likely to remain steady. Consequently, we expect earnings to grow by 23.7% YoY, but decline by 24.8% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Operating Inc.	12,935	10,824	19.5	16,549	63,405	53,310	18.9
NII	10,885	8,972	21.3	13,027	50,847	43,082	18.0
Non Interest Inc.	2,050	1,852	10.7	3,522	12,557	10,229	22.8
PPP	12,135	9,856	23.1	15,842	58,759	48,868	20.2
PAT	8,593	6,946	23.7	11,420	42,493	35,099	21.1
Operating Metrics (Rs bn)							
Disbursements	138	109	26.6	184	732	610	20.0
Approvals	188	159	18.2	222	858	727	18.0
Investments	124	147	(15.2)	118	132	118	11.5
Loans	1,195	1,016	17.6	1,171	1,465	1,171	25.1

* Adj. for Rs195 & Rs236 per share, reduced from CMP for value given to its subs. for FY12 & FY13, resp.

Power Finance Corporation

	Accumulate
Rating	
Price	Rs193
Target Price	Rs274
Market Cap. (Rs bn)	221.5
Shares o/s (m)	1,147.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Op. Inc.	38,059	47,631	59,181
NII	36,459	46,331	57,731
PPP	36,824	46,114	57,296
PAT	27,176	33,619	41,203
EPS (Rs)	23.7	25.5	31.2
<i>NIM (%)</i>	<i>4.0</i>	<i>4.1</i>	<i>4.1</i>
<i>RoE (%)</i>	<i>19.2</i>	<i>18.5</i>	<i>18.2</i>
PE (x)	8.2	7.6	6.2
P/BV (x)	1.5	1.2	1.1

*Detailed data for Q4 & full year FY11 margins and business is unavailable as the company had filed prospectus for FPO.

We expect PFC's loan assets to grow by 20.0% YoY and 3.0% QoQ on the back of strong sanctions pipeline held by the company. We expect margins to be better than Q4FY11 as certain overseas borrowings related costs marred margins in the previous quarter. We expect PFC to report a bottomline growth of 6.2% YoY and 14.3% on a QoQ basis.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11E*	12M FY12E	12M FY11E*	YoY gr. (%)
Net Operating Inc.	9,558	9,230	3.6	8,328	47,631	38,059	25.1
NII	9,258	8,580	7.9	7,951	46,331	36,459	27.1
Non Interest Inc.	300	650	(53.8)	377	1,300	1,600	(18.8)
PPP	9,293	9,215	0.8	8,194	46,114	36,824	25.2
PAT	6,932	6,526	6.2	6,067	33,619	27,176	23.7
Operating Metrics (Rs bn)							
Sanctions	185	144	28.4	182	953	801	19.0
Disbursements	83	81	1.8	80	396	330	20.0
Loan book	1,027	856	20.0	996	1,254	996	25.9
<i>Net Interest Margin (%)</i>	<i>3.60</i>	<i>4.09</i>	<i>(49)bps</i>	<i>3.20</i>	<i>4.06</i>	<i>3.99</i>	<i>7 bps</i>

IDFC

	Accumulate
Rating	
Price	Rs136
Target Price	Rs161
Market Cap. (Rs bn)	198.3
Shares o/s (m)	1,460.9

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Op. Inc.	25,115	32,186	41,728
NII	16,363	21,871	28,955
PPP	19,795	24,473	31,285
PAT	12,640	15,922	19,691
EPS (Rs)	8.6	10.5	13.0
<i>NIM (%)</i>	<i>3.8</i>	<i>3.7</i>	<i>3.8</i>
<i>RoE (%)</i>	<i>14.6</i>	<i>14.0</i>	<i>15.0</i>
PE (x)	15.7	12.9	10.4
P/BV (x)	1.9	1.7	1.5

We expect IDFC's assets to grow at a healthy pace. Incremental spreads are expected to remain lower due to increase in cost of funds. Capital market related businesses (broking and investment banking) are expected to remain under pressure, given the industry trends, resulting into ~8% decline in revenues. Income from Principal Investments and Asset management businesses is expected to remain largely stable on a QoQ basis. We expect bottom-line to remain largely flattish on a YoY basis (on a large base) and grow by 17.8% on a QoQ basis.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Operating Inc.	6,833	6,130	11.5	6,272	32,186	25,115	28.2
NII	4,913	3,370	45.8	4,740	21,871	16,363	33.7
Non Interest Inc.	1,920	2,760	(30.4)	1,532	10,316	8,752	17.9
PPP	5,353	4,898	9.3	5,056	24,473	19,795	23.6
PAT	3,402	3,351	1.5	2,887	15,922	12,640	26.0
Operating Metrics (Rs bn)							
Principal Investments	300	1,200	(75.0)	290	2,543	1,910	33.1
Asset Management	850	650	30.8	880	3,261	2,912	12.0
Investment Banking	350	360	(2.8)	380	1,990	1,990	0.0
Loan and Other Fees	350	440	(20.5)	(90)	2,522	1,940	30.0
Advances Book (Rs bn)	390	289	34.9	376	506	376	34.6

Shriram Transport Finance

Rating	Accumulate
Price	Rs681
Target Price	Rs812
Market Cap. (Rs bn)	154.0
Shares o/s (m)	226.2

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Op. Inc.	31,937	38,958	40,682
NII	31,025	37,758	39,182
PPP	24,398	29,958	31,382
PAT	12,697	15,551	15,656
EPS (Rs)	56.1	68.8	69.2
<i>NIM (%)</i>	<i>6.4</i>	<i>7.7</i>	<i>7.3</i>
<i>RoE (%)</i>	<i>29.2</i>	<i>28.4</i>	<i>23.3</i>
PE (x)	12.1	9.9	9.8
P/BV (x)	3.2	2.5	2.1

We expect SHTF's AUMs to grow by healthy 24.2% YoY and 4.0% QoQ. The on book AUMs are likely to remain largely flattish on a YoY basis. We expect lower securitization to be done by the company during the quarter. Spreads are expected to decline on a sequential basis. Fee income is expected to remain stable on a sequential basis. We expect PAT to grow by 18.8% YoY and marginally by 0.8% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Operating Inc.	8,443	7,374	14.5	8,292	38,958	31,937	22.0
NII	3,519	3,289	7.0	3,470	37,758	31,025	21.7
Non Interest Inc.	183	360	(49.1)	174	1,200	912	31.6
PPP	6,393	5,626	13.6	6,335	29,958	24,398	22.8
PAT	3,433	2,889	18.8	3,406	15,551	12,697	22.5
Operating Metrics							
Total AUMs	363,873	302,389	20.3	360,860	442,378	398,880	10.9
On - book AUM	205,598	203,228	1.2	197,690	320,000	235,709	35.8
Off - book AUM	158,275	99,161	59.6	163,170	122,378	163,170	(25.0)

Reliance Capital

Rating	Under Review
Price	Rs609
Target Price	Rs550
Market Cap. (Rs bn)	150.0
Shares o/s (m)	246.2

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	55,627	59,762	65,830
EBITDA	18,675	24,255	26,628
<i>Margin (%)</i>	<i>33.6</i>	<i>40.6</i>	<i>40.4</i>
PAT	2,912	4,215	4,926
EPS (Rs)	11.8	17.1	20.0
<i>RoE (%)</i>	<i>3.8</i>	<i>5.4</i>	<i>6.2</i>
PE (x)	51.5	35.6	30.4
P / BV (x)	1.9	1.9	1.8
EV / E (x)	15.7	12.9	12.5

We expect RCAPT revenue to grow by 14.8% YoY but decline marginally by 0.9% QoQ on account of sequentially lower investment income and general insurance revenues. However, tight leash on costs is likely to result in strong operating profit growth. Despite rising interest costs we expect bottomline to grow by 15.0% YoY to Rs885mn as against a net loss of Rs56mn recorded in the previous quarter.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	14,550	12,669	14.8	14,679	59,762	55,627	7.4
EBITDA	5,670	4,050	40.0	2,611	24,255	18,675	29.9
<i>Margin (%)</i>	<i>39.0</i>	<i>32.0</i>	<i>700 bps</i>	<i>17.8</i>	<i>40.6</i>	<i>33.6</i>	<i>701 bps</i>
Reported PAT	885	770	15.0	(56)	4,215	2,912	44.7
PAT (Excl. Ex Items)	885	770	15.0	(56)	4,215	2,912	44.7
Operating Metrics							
Finance & Investment	2,950	2,544	16.0	3,150	11,000	11,151	(1.4)
Asset Management	1,700	1,499	13.4	1,780	7,663	6,619	15.8
General Insurance	5,300	5,092	4.1	6,784	19,610	21,809	(10.1)
Consumer Finance	3,900	3,034	28.5	3,756.4	16,177	13,368	21.0
Others	700	500	40.1	814.7	5,313	4,637	14.6

M&M Financial Services

Rating	BUY
Price	Rs666
Target Price	Rs832
Market Cap. (Rs bn)	68.3
Shares o/s (m)	102.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Op. Inc.	13,773	18,399	22,996
NII	13,773	17,684	21,990
PPP	8,428	11,355	14,626
PAT	4,929	6,015	7,869
EPS (Rs)	48.2	58.9	77.3
<i>NIM (%)</i>	<i>13.7</i>	<i>10.4</i>	<i>9.9</i>
<i>RoE (%)</i>	<i>23.0</i>	<i>21.8</i>	<i>24.0</i>
PE (x)	13.8	11.3	8.6
P/BV (x)	2.8	2.5	2.1

We expect MMFSL's disbursal growth to slow down as compared to previous year but remain healthy at ~25% levels. Spreads are likely to come under pressure on account of rising cost of funds and withdrawal of priority sector status to bank loans to NBFCs. Gross NPAs likely to spike up due to seasonal nature of business. We expect NII and earnings to decline by 21% and 40% on a QoQ basis respectively, which is again seasonal in nature.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Operating Inc.	3,234	2,699	19.8	4,067	18,399	13,773	33.6
NII	3,134	2,609	20.1	3,960	17,684	13,773	28.4
Non Interest Inc.	100	90	10.9	107	715	308	132.1
PPP	1,949	1,653	17.9	2,584	11,355	8,428	34.7
PAT	937	742	26.3	1,566	6,015	4,929	22.0
Operating Metrics							
Disbursements	35,680	28,544	25.0	38,084	172,602	142,646	21.0
AUM	154,642	108,890	42.0	153,313	188,772	153,313	23.1
Loan Book	130,883	91,488	43.1	124,650	152,235	124,650	22.1

Edelweiss Capital

Rating	Accumulate
Price	Rs33
Target Price	Rs43
Market Cap. (Rs bn)	24.9
Shares o/s (m)	750.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	14,720	16,782	20,235
EBITDA	8,834	10,757	13,230
<i>Margin (%)</i>	<i>60.0</i>	<i>64.1</i>	<i>65.4</i>
PAT	2,330	2,460	3,366
EPS (Rs)	3.1	3.3	4.5
<i>RoE (%)</i>	<i>9.9</i>	<i>9.7</i>	<i>12.1</i>
PE (x)	10.7	10.1	7.4
P / BV (x)	1.0	0.9	0.9
EV / E (x)	8.2	7.9	7.8

Edelweiss' revenues are likely to increase by 27.5% YoY but decline by 6.3% QoQ. Revenues likely to fall QoQ as the commission income is expected to decline by 14.6% QoQ in line with the sequential decline in market volumes. Interest income to remain lower on a sequential basis, while the interest expenses too are likely to remain lower on account of sequential decline in debt. The sequential decline in bottomline is expected to continue as we expect bottomline to de-grow sharply by 40.4% YoY and 15.4% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	3,560	2,793	27.5	3,800	16,782	14,720	14.0
EBITDA	1,990	1,658	20.0	2,227	10,757	8,834	21.8
<i>Margin (%)</i>	<i>55.9</i>	<i>59.4 (346)bps</i>		<i>58.6</i>	<i>64.1</i>	<i>60.0</i>	<i>408 bps</i>
Reported PAT	366	614	(40.4)	433	2,460	2,330	5.6
PAT (Excl. Ex Items)	366	614	(40.4)	433	2,460	2,330	5.6
Operating Metrics							
Fees, Brkg. & Comm. Inc.	1,090	934	16.7	1,277	5,473	5,001	9.4
Trading & Arbitrage Inc.	420	562	(25.3)	401	2,000	2,087	(4.2)
Interest Income	2,050	1,257	63.1	2,123	8,958	7,543	18.8

India Infoline

Rating	Accumulate
Price	Rs90
Target Price	Rs97
Market Cap. (Rs bn)	27.3
Shares o/s (m)	302.1

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	14,720	16,337	19,061
EBITDA	6,048	7,232	8,551
Margin (%)	41.1	44.3	44.9
PAT	2,111	2,080	2,473
EPS (Rs)	7.0	6.8	8.1
RoE (%)	13.1	12.4	13.8
PE (x)	12.9	13.4	11.2
P / BV (x)	1.7	1.6	1.5
EV / E (x)	7.7	7.1	6.7

IIFL's revenues are expected to decline by 4.6% QoQ on the back of 14.5% QoQ decline in equity broking & related revenues. However, the decline in revenues is likely to be partially made up by a 6.5% QoQ increase in the financing income (due to ~9% QoQ increase in the loan book. Interest costs likely to increase in line with the interest income. Consequently, we expect bottom-line to de-grow by 12.3% YoY and sharply by 19.2% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	3,505	3,059	14.6	3,674	16,337	14,720	11.0
EBITDA	1,393	1,090	27.8	1,411	7,232	6,048	19.6
Margin (%)	39.7	35.6	412 bps	38.4	44.3	41.1	318 bps
Reported PAT	377	431	(12.6)	468	2,080	2,111	(1.5)
PAT (Excl. Ex Items)	377	431	(12.6)	468	2,080	2,111	(1.5)
Operating Metrics							
Equity Brokerage	1,410	1,543	(8.6)	1,650	6,146	5,964	3.1
Financing Activity	1,680	1,098	53.0	1,577	7,141	6,180	15.6
Avg. Daily Vol. (Rs bn)	52	44	20.5	60	58	53	9.5
Advances Book (Rs. Bn)	36	20	83.6	33	43	33	29.1

Motilal Oswal Fin. Services

Rating	Reduce
Price	Rs99
Target Price	Rs98
Market Cap. (Rs bn)	14.3
Shares o/s (m)	144.1

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	5,897	5,670	6,651
EBITDA	2,189	1,970	2,404
Margin (%)	37.1	34.7	36.1
PAT	1,370	1,169	1,418
EPS (Rs)	9.5	8.1	9.8
RoE (%)	13.7	10.6	11.8
PE (x)	10.4	12.2	10.1
P / BV (x)	1.4	1.2	1.1
EV / E (x)	5.3	6.0	4.5

MOFS' revenues are expected to decline by 23.7% YoY and 10.3% QoQ on account of lower brokerage and investment banking income. Average Daily Volumes are expected to fall by ~14% QoQ in line with the market trends, while the yields are expected to remain stable. IB revenues are expected to decline further and touch a low seen during FY09. EBITDA margin expected to contract further to ~30% from over 33% seen in the previous quarter. As a result the bottomline is expected to decline sharply by 47% YoY and 15% QoQ.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	1,115	1,461	(23.7)	1,243	5,670	5,897	(3.8)
EBITDA	334	560	(40.4)	419	1,970	2,189	(10.0)
Margin (%)	30.0	38.4	(839)bps	33.7	34.7	37.1	(237)bps
Reported PAT	206	389	(47.0)	243	1,169	1,370	(14.7)
PAT (Excl. Ex Items)	206	375	(45.1)	243	1,169	1,370	(14.7)
Operating Metrics							
Fund based income	175	143	22.4	175	790	738	7.1
Brokerage income	755	1,112	(32.1)	877	4,022	4,334	(7.2)
Asset management fees	135	77	75.3	137	585	427	37.1
Investment Banking	50	129	(61.2)	54	273	398	(31.5)



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Information Technology

We continue to remain positive on volume growth outlook on Indian IT Services fuelled by three major factors 1) improved corporate profits 2) new technology spending and 3) gaining market share. The demand environment for Indian IT Services is back to normal in AMJ-11 quarter after below-expectation volume growth in JFM-11 quarter. We expect volume growth to be moderated to 3-5% in the current quarter. We expect demand consolidation in the US & Europe and wage hike to create margin pressure. Our channel checks and management's interactions hint at a good deal pipeline and steady demand environment.

Infosys Guidance – revise FY12 USD revenue guidance to 20-22%: We expect Infosys to revise their USD revenue growth guidance to 20-22% YoY, on the back of stronger than guided performance in Q1FY12 (translating 6-8% QoQ growth guidance for Q2-4FY12). Moreover, we expect EPS guidance to be Rs130-132. We also expect the company to change their tone to moderate bullish stance, with few words of caution on uncertainty. However, guidance >22% would make strong statement to investors.

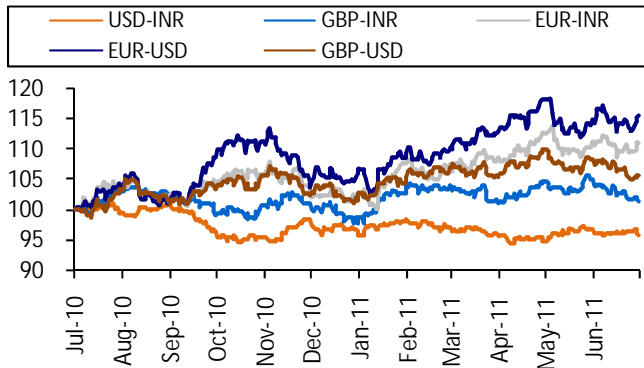
Multiple margin headwinds – currency appreciation and wage hike: Euro/GBP appreciated against USD by -5.2/1.8% and is likely to have a positive impact by ~0.3% in USD terms revenue. Moreover, rupee appreciated against USD, EUR and GBP by 1.2%, -0.6% and -4.0% QoQ, respectively, which would create a margin headwind of 30-50bps QoQ. Hence, we expect EBITDA margin of Q1FY11 to be eroded in the range of 100-150bp due to wage hike cycle. We expect hiring at the bottom of pyramid to give room for stable margin in H2FY12.

What to look for? 1) Commentary on discretionary spend and Pricing 2) Project execution status due to visa-trouble 3) Easing attrition 4) Demand environment in Europe and Continental Europe 5) Deal pipeline, (strategic & tactical deals) 6) Clarity on tax-rates (first quarter post STPI) 7) Strategy to tackle protectionism.

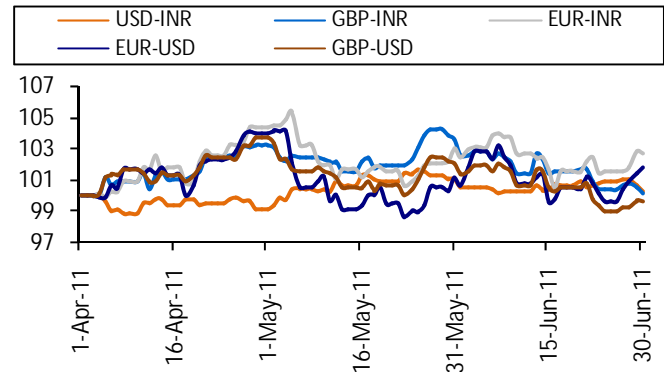
Tier-2 IT companies to participate in the growth momentum: We expect Tier-1 companies to deliver their 3-5.5% volume growth with 0-0.5% improvement in realization, whereas Tier-2 Indian IT companies are expected to report 2-6% growth. We expect margin of Tier-2 Indian IT Services companies to witness sharp erosion.

HCL Tech and Infosys – our top pick in the sector: We expect Infosys to give stronger result as compared to larger cap peers, whereas HCL Tech is likely to report strong quarter in terms of volume growth, with improvement in margins.

Top picks: HCL Technologies, Infosys Technologies and Polaris Software Lab

Currency – Unfavourable movement for USD-INR YoY basis


Source: Bloomberg, Company Data, PL Research

...and on QoQ basis


Source: Bloomberg, Company Data, PL Research

Guidance Analysis

	GUIDANCE GIVEN BY THE COMPANY				OUR ESTIMATES		ACTUALS	
	Q1FY12	FY2012			Q1FY12	FY2012	Q4FY11	FY2011
Infosys Technologies								
Revenue (Rs m)	73,110	73,820	317,270	322,700	75,261.5	328,303.2	72,500.0	275,010.0
EPS (Rs)	31.06	31.28	118.7	118.9	30.6	140.4	31.8	119.5
Revenue (US\$ m)	1,643	1,659	7,130	7,250	1,683.7	7,547.2	1,602.0	6,041.0
Wipro								
Revenue (US\$ m)	1394	1422	n/a	n/a	1,414	6,193	1400	5,221

Source: Company Data, PL Research

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Tata Consultancy Services	2.4	(4.9)	1.8	59.6	0.4	(0.1)	9.4	52.1
Infosys	5.0	(10.0)	(14.5)	8.8	3.0	(5.2)	(6.9)	1.4
Wipro	(3.4)	(11.0)	(11.9)	9.7	(5.4)	(6.2)	(4.2)	2.3
HCL Technologies	(1.1)	4.1	7.3	42.6	(3.1)	8.9	14.9	35.1
Mphasis	(1.5)	2.7	(33.8)	(24.7)	(3.5)	7.5	(26.1)	(32.2)
Tech Mahindra	6.9	2.3	0.8	(2.5)	4.9	7.1	8.5	(10.0)
Patni Computer	(4.2)	(28.0)	(26.9)	(25.0)	(6.2)	(23.2)	(19.3)	(32.4)
eClerx Services	1.2	21.6	20.2	85.1	(0.8)	26.4	27.9	77.6
Rolta India	(2.7)	(9.6)	(16.8)	(20.3)	(4.7)	(4.8)	(9.1)	(27.8)
Polaris Software Lab	2.2	(2.4)	(0.3)	2.7	0.2	2.3	7.4	(4.7)
MindTree	6.3	(4.9)	(31.0)	(33.2)	4.3	(0.1)	(23.3)	(40.7)
Persistent Systems	(4.0)	(7.3)	(16.6)	(21.9)	(6.0)	(2.5)	(8.9)	(29.3)
KPIT Cummins Infosystems	1.2	1.2	21.3	24.0	(0.8)	6.0	29.0	16.5
Geometric	(9.8)	(18.4)	(35.5)	(28.5)	(11.8)	(13.7)	(27.8)	(36.0)

Source: Bloomberg, PL Research



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q4FY11	QoQ gr. (%)	Q1FY11	YoY gr. (%)	2012E	2011	YoY gr. (%)
Tata Consultancy Services	Sales	106,161	101,575	4.5	82,173	29.2	462,135	373,245	23.8
	EBITDA	30,256	30,739	(1.6)	24,088	25.6	134,480	111,894	20.2
	Margins (%)	28.5	30.3		29.3		29.1	30.0	
	PAT	22,577	24,021	(6.0)	18,442	22.4	98,718	78,371	26.0
Infosys Technologies	Sales	75,261	72,500	3.8	61,980	21.4	328,303	275,010	19.4
	EBITDA	23,030	23,240	(0.9)	19,620	17.4	103,804	89,640	15.8
	Margins (%)	30.6	32.1		31.7		31.6	32.6	
	PAT	17,493	18,180	(3.8)	14,880	17.6	80,203	68,230	17.5
Wipro	Sales	83,542	82,715	1.0	71,906	16.2	364,895	310,542	17.5
	EBITDA	15,957	16,759	(4.8)	15,918	0.2	72,062	65,436	10.1
	Margins (%)	19.1	20.3		22.1		19.7	21.1	
	PAT	12,445	13,754	(9.5)	13,186	(5.6)	55,590	52,999	4.9
HCL Technologies	Sales	43,402	41,382	4.9	34,254	26.7	160,749	125,650	27.9
	EBITDA	7,859	7,165	9.7	6,381	23.2	27,405	25,728	6.5
	Margins (%)	18.1	17.3		18.6		17.0	20.5	
	PAT	4,977	4,682	6.3	3,418	45.6	16,967	13,001	30.5
Mphasis	Sales	13,022	12,461	4.5	12,791	1.8	37,976	36,582	3.8
	EBITDA	2,300	2,296	0.2	3,159	(27.2)	7,862	8,367	
	Margins (%)	17.7	18.4		24.7		20.7	22.9	
	PAT	1,946	2,173	(10.5)	2,712	(28.3)	6,925	7,529	(8.0)
Tech Mahindra	Sales	12,871	12,615	2.0	11,337	13.5	56,029	51,402	9.0
	EBITDA	2,484	2,590	(4.1)	2,127	16.8	10,085	10,033	0.5
	Margins (%)	19.3	20.5		18.8		18.0	19.5	
	PAT	2,210	921	140.0	1,444	53.1	8,309	6,441	29.0
Patni Computer	Sales	8,826	8,594	2.7	7,629	15.7	16,455	16,410	0.3
	EBITDA	1,324	1,380	(4.1)	1,429	(7.4)	2,753	3,015	(8.7)
	Margins (%)	15.0	16.1		18.7		16.7	18.4	
	PAT	1,155	1,196	(3.4)	1,445	(20.1)	2,600	2,707	(3.9)
eClerx Services	Sales	1,004	955	5.1	771	30.3	4,433	3,421	29.6
	EBITDA	404	401	0.7	283	42.8	1,705	1,346	26.7
	Margins (%)	40.2	42.0		36.7		38.5	39.3	
	PAT	356	295	20.5	293	21.5	1,502	1,224	22.7
Rolta India	Sales	4,835	4,603	5.0	4,121	17.3	18,126	15,327	18.3
	EBITDA	1,877	1,832	2.4	1,601	17.2	7,145	5,770	23.8
	Margins (%)	38.8	39.8		38.9		39.4	37.6	
	PAT	764	840	(9.0)	697	9.7	2,858	2,475	15.5



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q4FY11	QoQ gr. (%)	Q1FY11	YoY gr. (%)	2012E	2011	YoY gr. (%)
Polaris Software Lab	Sales	4,542	4,375	3.8	3,606	26.0	19,005	15,863	19.8
	EBITDA	500	527	(5.2)	482	3.7	2,553	2,139	19.3
	<i>Margins (%)</i>	<i>11.0</i>	<i>12.0</i>		<i>13.4</i>		<i>13.4</i>	<i>13.5</i>	
	PAT	422	585	(27.9)	469	(10.2)	2,034	2,023	0.6
MindTree	Sales	4,010	3,911	2.5	3,487	15.0	18,296	15,090	21.2
	EBITDA	413	442	(6.5)	423	(2.4)	2,467	1,778	38.7
	<i>Margins (%)</i>	<i>10.3</i>	<i>11.3</i>		<i>12.1</i>		<i>13.5</i>	<i>11.8</i>	
	PAT	208	331	(37.1)	159	31.0	1,560	1,016	53.6
Persistent Systems	Sales	2,207	2,128	3.7	1,811	21.9	9,627	7,758	24.1
	EBITDA	380	381	(0.3)	344	10.3	2,002	1,583	26.4
	<i>Margins (%)</i>	<i>17.2</i>	<i>17.9</i>		<i>19.0</i>		<i>20.8</i>	<i>20.4</i>	
	PAT	337	331	1.8	344	(1.8)	1,278	1,222	4.6
KPIT Cummins Infosystems	Sales	3,205	3,082	4.0	2,061	55.5	13,920	10,230	36.1
	EBITDA	407	433	(6.0)	339	20.0	2,181	1,522	43.3
	<i>Margins (%)</i>	<i>12.7</i>	<i>14.1</i>		<i>16.5</i>		<i>15.7</i>	<i>14.9</i>	
	PAT	171	264	(35.3)	194	(11.8)	1,315	947	38.8
Geometric	Sales	1,751	1,700	3.0	1,354	29.3	7,622	6,206	22.8
	EBITDA	208	226	(7.7)	117	77.7	1,051	751	40.0
	<i>Margins (%)</i>	<i>11.9</i>	<i>13.3</i>		<i>8.7</i>		<i>13.8</i>	<i>12.1</i>	
	PAT	79	179	(56.1)	108	(27.4)	421	576	(26.9)

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	1,330,718	1,596,322	1,966,582
<i>Growth (%)</i>	<i>19.3</i>	<i>20.0</i>	<i>23.2</i>
EBITDA	336,253	389,647	471,620
<i>Margin (%)</i>	<i>25.3</i>	<i>24.4</i>	<i>24.0</i>
PAT	247,321	288,866	347,651
<i>Growth (%)</i>	<i>10.9</i>	<i>16.8</i>	<i>20.4</i>
PE (x)	23.1	19.8	16.4

Quarterly Table (Rs m)

	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	YoY gr. (%)
Net Sales	364,641	352,597	3.4	299,280	21.8
EBITDA	87,398	88,411	(1.1)	76,311	14.5
<i>Margin (%)</i>	<i>24.0</i>	<i>25.1</i>	<i>(111)bps</i>	<i>25.5</i>	<i>(153)bps</i>
PAT (Excl. Ex Items)	65,140	67,753	(3.9)	57,792	12.7

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Tata Consultancy Services

	Accumulate
Rating	
Price	Rs1,179
Target Price	Rs1,350
Market Cap. (Rs bn)	2,308.4
Shares o/s (m)	1,957.2

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	373,245	462,135	589,743
EBITDA	111,894	134,480	168,514
<i>Margin (%)</i>	<i>30.0</i>	<i>29.1</i>	<i>28.6</i>
PAT	78,371	98,718	119,883
EPS (Rs)	40.0	50.4	61.3
<i>RoE (%)</i>	<i>33.9</i>	<i>33.6</i>	<i>31.2</i>
PE (x)	29.5	23.4	19.3
P / BV (x)	9.1	6.9	5.3
EV / E (x)	20.2	16.7	13.0

We expect TCS to report 5.3% volume growth, with touch positive bias of 0.3% on the pricing front. EBITDA margin is expected to be eroded by 176bps due to currency appreciation, wage hike and lower utilization. Contrary to Infosys, TCS cannot manage to absorb currency appreciation due to high utilization. We expect management to give commentary on client spending and improving visibility on realization improvement.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	106,161	101,575	4.5	82,173	462,135	373,245	23.8
EBITDA	30,256	30,739	(1.6)	24,088	134,480	111,894	20.2
<i>Margin (%)</i>	<i>28.5</i>	<i>30.3</i>	<i>(176)bps</i>	<i>29.3</i>	<i>29.1</i>	<i>30.0</i>	<i>(88)bps</i>
Reported PAT	22,577	24,021	(6.0)	18,442	98,718	78,371	26.0
PAT (Excl. Ex Items)	22,577	24,021	(6.0)	18,442	98,718	78,371	26.0
Operating Metrics							
Volume	449,907	427,263	5.3	353,105	2,001,408	1,588,419	26.0
Pricing	34	34	0.3	33	35	34	3.0
Currency	45	45	(1.0)	46	44	46	(4.6)
SW Devp. Cost (% of Sales)	59.0	57.6	137 bps	55.0	56.4	55.0	141 bps
SG&A (% of Sales)	12.8	12.3	48 bps	15.5	14.3	14.7	(45)bps

Infosys Technologies

Rating	BUY
Price	Rs2,956
Target Price	Rs3,750
Market Cap. (Rs bn)	1,691.1
Shares o/s (m)	572.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	275,010	328,303	403,843
EBITDA	89,640	103,804	123,233
Margin (%)	32.6	31.6	30.5
PAT	68,230	80,203	97,243
EPS (Rs)	119.3	140.2	170.0
RoE (%)	27.8	27.6	27.0
PE (x)	24.8	21.1	17.4
P / BV (x)	6.5	5.3	4.3
EV / E (x)	17.2	14.4	11.7

We expect Infosys to report a revenue growth of 3.8% in INR term and volume growth of 4.6% for Q1FY12, beating their top-end guidance in both, USD and INR terms. We expect pricing improvement to contribute 0.5% QoQ. We expect the margins to be eroded by 146bps for the quarter due to currency appreciation and wage hike. We expect Infosys to revise guidance to 20-22% YoY growth of USD revenue for FY12.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	75,261	72,500	3.8	61,980	328,303	275,010	19.4
EBITDA	23,030	23,240	(0.9)	19,620	103,804	89,640	15.8
Margin (%)	30.6	32.1	(146)bps	31.7	31.6	32.6	(98)bps
Reported PAT	17,493	18,180	(3.8)	14,880	80,203	68,230	17.5
PAT (Excl. Ex Items)	17,493	18,180	(3.8)	14,880	80,203	68,230	17.5
Operating Metrics							
Volume	267,702	255,929	4.6	233,756	1,208,094	998,425	21.0
Pricing	6,291	6,260	0.5	5,809	6,247	6,051	3.3
Currency	45	45	(1.2)	46	44	46	(4.4)
SW Devp. Cost (% of sales)	56.5	55.3	116 bps	55.5	55.6	54.7	82 bps
SG&A (% of sales)	12.9	12.6	29 bps	12.8	12.8	12.7	16 bps

Wipro

Rating	Accumulate
Price	Rs428
Target Price	Rs535
Market Cap. (Rs bn)	1,050.3
Shares o/s (m)	2,452.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	310,542	364,895	427,332
EBITDA	65,436	72,062	86,175
Margin (%)	21.1	19.7	20.2
PAT	52,999	55,590	65,468
EPS (Rs)	21.6	22.7	26.7
RoE (%)	24.3	21.4	21.7
PE (x)	19.8	18.9	16.0
P / BV (x)	4.4	3.8	3.2
EV / E (x)	15.4	13.8	11.2

We expect Wipro to report IT Services revenue growth of 1% in USD terms to US\$1,414m, in line with their guidance of 0.6%. We expect volumes to grow by 0.5% sequentially, with pricing improvement of 0.5%. EBITDA margin is expected to be eroded by 116bps largely due to currency appreciation, wage hike, and business restructuring. We are expecting management commentary on any change in strategy to perform in line with its Tier-1 competitors. We are also expecting management commentary to improve revenue from top clients.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	83,542	82,715	1.0	71,906	364,895	310,542	17.5
EBITDA	15,957	16,759	(4.8)	15,918	72,062	65,436	10.1
Margin (%)	19.1	20.3	(116)bps	22.1	19.7	21.1	(132)bps
Reported PAT	12,445	13,754	(9.5)	13,186	55,590	52,999	4.9
PAT (Excl. Ex Items)	12,445	13,754	(9.5)	13,186	55,590	52,999	4.9
Operating Metrics							
Volume	154,724	153,954	0.5	139,709	736,122	593,647	24.0
Pricing	38	38	0.5	36	37	37	1.0
Currency (INRUSD)	45	45	(1.3)	46	51	45	14.6
Sw.Devp. Cost (% of Sales)	70.4	69.4	100 bps	67.7	69.8	68.5	125 bps
SG&A (% of Sales)	10.5	10.3	16 bps	10.2	10.5	10.4	7 bps



HCL Technologies

Rating	BUY
Price	Rs507
Target Price	Rs645
Market Cap. (Rs bn)	339.5
Shares o/s (m)	670.3

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	160,749	197,933	252,586
EBITDA	27,405	33,394	41,765
<i>Margin (%)</i>	<i>17.0</i>	<i>16.9</i>	<i>16.5</i>
PAT	16,967	21,634	27,034
EPS (Rs)	25.3	32.3	40.3
<i>RoE (%)</i>	<i>22.1</i>	<i>23.6</i>	<i>24.1</i>
PE (x)	20.0	15.7	12.6
P / BV (x)	4.1	3.4	2.7
EV / E (x)	13.0	10.3	8.0

We expect HCL to report 5.2% QoQ volume growth for Q4FY11, whereas pricing is expected to improve by 0.5% QoQ. We expect margin expansion of 79bps as volume growth absorbs employee costs along with utilization improvement and currency depreciation. We expect management commentary on improving demand scenario, tight pricing environment and growth & margin outlook for FY12

Quarterly Table (Rs m)

Y/e June	Q4 FY11E	Q3 FY11	QoQ gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	43,402	41,382	4.9	34,254	160,749	125,650	27.9
EBITDA	7,859	7,165	9.7	6,381	27,405	25,728	6.5
<i>Margin (%)</i>	<i>18.1</i>	<i>17.3</i>	<i>79 bps</i>	<i>18.6</i>	<i>17.0</i>	<i>20.5</i>	<i>(343)bps</i>
Reported PAT	4,977	4,682	6.3	3,418	16,967	13,001	30.5
PAT (Excl. Ex Items)	4,977	4,682	6.3	3,418	16,967	13,001	30.5
Operating Metrics							
Volume	108,054	102,713	5.2	85,295	395,374	305,662	29.4
Pricing	36	36	0.5	35	36	36	1.5
Currency (INRUSD)	45	45	(0.9)	46	45	46	(2.5)
SW.Devp.Cost (% of sales)	67.2	68.0	(71)bps	66.9	68.0	65.2	274 bps
SG&A (% of sales)	14.7	14.7	(8)bps	14.5	15.0	14.3	68 bps

Mphasis

Rating	Reduce
Price	Rs457
Target Price	Rs400
Market Cap. (Rs bn)	95.9
Shares o/s (m)	209.9

Key Figures (Rs m)

	FY10	FY11E	FY12E
Net Sales	50,093	51,194	57,196
EBITDA	12,162	9,738	10,316
<i>Margin (%)</i>	<i>24.3</i>	<i>19.0</i>	<i>18.0</i>
PAT	10,908	8,400	8,219
EPS (Rs)	52.0	40.0	39.2
<i>RoE (%)</i>	<i>35.7</i>	<i>20.6</i>	<i>17.4</i>
PE (x)	11.4	11.7	10.7
P / BV (x)	2.2	1.9	1.7
EV / E (x)	8.5	7.6	6.4

We expect Mphasis to report 4.5% QoQ growth for the top-line in INR terms. We are expecting no more negative surprises on realization, post Q1FY11. Revenue is to be led by 4.5% QoQ volume growth. We expect margin erosion of 76bps due to currency appreciation and wage hike. Moreover, spillover impact of pricing negotiations in the previous quarters would have some headwinds in the current quarter as well.

Quarterly Table (Rs m)

Y/e Oct	Q3 FY11E	Q2 FY11	QoQ gr. (%)	Q3 FY10	9M FY11E	9M FY10	YoY gr. (%)
Net Sales	13,022	12,461	4.5	12,791	37,647	36,911	2.0
EBITDA	2,300	2,296	0.2	3,159	6,999	9,230	(24.2)
<i>Margin (%)</i>	<i>17.7</i>	<i>18.4</i>	<i>(76)bps</i>	<i>2,469.6</i>	<i>18.6</i>	<i>25.0</i>	<i>(641)bps</i>
Reported PAT	1,946	2,173	(10.5)	2,712	6,386	8,068	(20.9)
PAT (Excl. Ex Items)	1,946	2,173	(10.5)	2,712	6,386	8,068	(20.9)
Operating Metrics							
Application Serv	7,885	7,655	3.0	8,261	23,309	24,759	(5.9)
BPO Serv.	1,755	1,630	7.6	1,617	4,897	5,091	(3.8)
ITO Serv.	3,382	3,176	6.5	2,913	9,441	7,060	33.7
SW Devp.Cost (% of sales)	77.2	76.2	95 bps	70.1	76.1	69.4	669 bps
SG&A (% of sales)	8.2	8.0	17 bps	8.4	8.2	8.4	(22)bps

Tech Mahindra

Rating	Accumulate
Price	Rs735
Target Price	Rs770
Market Cap. (Rs bn)	90.0
Shares o/s (m)	122.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	51,402	56,029	61,351
EBITDA	10,033	10,085	10,736
Margin (%)	19.5	18.0	17.5
PAT	6,441	8,309	9,993
EPS (Rs)	52.6	67.8	81.6
RoE (%)	20.6	22.9	24.2
PE (x)	14.0	10.8	9.0
P / BV (x)	2.6	2.3	2.0
EV / E (x)	9.0	8.4	7.8

Due to GBP appreciation against USD and INR, we expect a positive impact of 1.5% in USD terms revenues, since 70% of company revenues are billed in GBP. Also, we expect stability in the revenue coming from British Telecom. Management commentary on client expenditure would hold the key for the growth. We expect margin to erosion by 123bps due to currency appreciation. Also, we expect positive commentary on Satyam. We expect contribution of Rs392m from Satyam.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	12,871	12,615	2.0	11,337	56,029	51,402	9.0
EBITDA	2,484	2,590	(4.1)	2,127	10,085	10,033	0.5
Margin (%)	19.3	20.5	(123)bps	18.8	18.0	19.5	(152)bps
Reported PAT	2,210	921	140.0	1,444	8,309	6,441	29.0
PAT (Excl. Ex Items)	1,818	2065	(12.0)	1,444	6,603	7,437	(11.2)
Operating Metrics							
Rev from BT	5,178	5,172	0.1	5,102	22,020	20,971	5.0
Rev. from Non BT Clients	7,693	7,443	3.4	6,235	34,009	30,431	11.8
Satyam Contribution (Rsm)	392.5	(1,144.0)	NA	-	1,706.4	(996.0)	(271.3)
SW Devp. Cost (% of sales)	64.0	63.3	69 bps	65.8	57.0	66.2	(920)bps
SG&A (% of sales)	16.7	16.2	54 bps	15.5	25.0	14.3	1,072 bps

Patni Computers

Rating	Under Review
Price	Rs341
Target Price	NA
Market Cap. (Rs bn)	44.9
Shares o/s (m)	131.6

Key Figures (Rs m)

	CY09	CY10E	CY11E
Net Sales	31,466	31,881	36,304
EBITDA	6,180	5,843	6,534
Margin (%)	19.6	18.3	18.0
PAT	5,746	6,047	5,558
EPS (Rs)	41.9	45.9	42.2
RoE (%)	18.8	15.2	12.2
PE (x)	8.1	7.4	8.1
P / BV (x)	1.3	1.0	0.9
EV / E (x)	3.9	3.1	2.5

We expect Patni to report revenue growth at 3.8% QoQ in USD terms. The growth is led by volume growth of 3.5% and pricing improvement of 0.3%. We expect margin expansion of 62bps due to project ramp up. We expect management commentary on much anticipated deal pipeline. We expect the company to give commentary on the new growth engine. We are also expecting commentary on plans to de-list the company.

Quarterly Table (Rs m)

Y/e Dec	Q2 CY11E	Q1 CY11	QoQ gr. (%)	Q2 CY10	H1 CY11E	H1 CY10	YoY gr. (%)
Net Sales	8,826	8,594	2.7	7,629	17,420	15,445	12.8
EBITDA	1,324	1,380	(4.1)	1,429	2,704	3,064	(11.8)
Margin (%)	15.0	16.1	(106)bps	18.7	15.5	19.8	(432)bps
Reported PAT	1,155	1,196	(3.4)	1,445	2,351	2,956	(20.5)
PAT (Excl. Ex Items)	1,155	1,196	(3.4)	1,445	2,351	2,956	(20.5)
Operating Metrics							
Volume	18,360	17,739	3.5	14,893	36,099	28,852	25.1
Realization	26	26	0.3	27	26	28	(5.7)
Currency	45	45	(0.6)	46	45	45	(0.3)
SW. Devp. Cost (% of Sales)	65.6%	64.8%	85	62.4%	65.2%	60.9%	430 bps
SG&A (% of sales)	19.4%	19.2%	21 bps	18.8%	19.3%	19.3%	(0)bps

eClerx Services

Rating	Accumulate
Price	Rs840
Target Price	Rs850
Market Cap. (Rs bn)	24.0
Shares o/s (m)	28.6

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	3,421	4,433	5,891
EBITDA	1,346	1,705	2,254
Margin (%)	39.3	38.5	38.3
PAT	1,224	1,502	1,946
EPS (Rs)	42.9	52.6	68.1
RoE (%)	52.8	49.4	49.4
PE (x)	19.6	16.0	12.3
P / BV (x)	9.1	7.0	5.4
EV / E (x)	17.1	13.1	9.5

We expect a strong volume growth of 5.8% QoQ for Q1FY11. Moreover, we expect realization to remain flat. Due to higher offshoring, depreciation currency would deflate the margins by 179bps. We expect the management commentary on client spend and also strategy for diversifying client base.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	1,004	955	5.1	771	4,433	3,421	29.6
EBITDA	404	401	0.7	283	1,705	1,346	26.7
Margin (%)	40.2	42.0	(179)bps	36.7	38.5	39.3	(87)bps
Reported PAT	356	295	20.5	293	1,502	1,224	22.7
PAT (Excl. Ex Items)	356	295	20.5	293	1,502	1,224	22.7
Operating Metrics							
Total Billed Man-months	9,976	9,429	5.8	7,193	45,395	33,877	34.0
Utilization	0.90	0.91	(1.1)	1	1	1	6.3
Re/\$ Rate	45	45	(1.3)	46	43	45	(5.2)
Per. Exp.(as % of sales)	41.2	39.9	134 bps	46.5	44.0	43.2	88 bps
Other OPEX (as % of sales)	18.6	18.1	45 bps	16.8	17.5	17.5	(1)bps

Rolta India

Rating	Accumulate
Price	Rs133
Target Price	Rs160
Market Cap. (Rs bn)	21.4
Shares o/s (m)	161.0

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	18,126	20,624	23,888
EBITDA	7,145	7,013	7,724
Margin (%)	39.4	34.0	32.3
PAT	2,858	2,524	2,947
EPS (Rs)	17.8	14.8	17.2
RoE (%)	14.2	10.4	10.5
PE (x)	7.5	9.0	7.7
P / BV (x)	1.0	0.8	0.8
EV / E (x)	3.5	2.8	2.4

We expect a strong growth for EGIS and EICT, growing at 5.3% and 6.3% QoQ, respectively, whereas EDOS is likely to grow by 2.9% QoQ, a bounce back from Q3FY11 decline of 7.6% QoQ. We expect margins to be eroded by 98bps due to higher employee cost. Also, we expect further improvement in the order book and positive commentary from the management on the improved demand environment.

Quarterly Table (Rs m)

Y/e June	Q4 FY11E	Q3 FY11	QoQ gr. (%)	Q4 FY10	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	4,835	4,603	5.0	4,121	18,126	15,327	18.3
EBITDA	1,877	1,832	2.4	1,601	7,145	5,770	23.8
Margin (%)	38.8	39.8	(98)bps	38.9	39.4	37.6	177 bps
Reported PAT	764	840	(9.0)	697	2,858	2,475	15.5
PAT (Excl. Ex Items)	764	840	(9.0)	697	2,858	2,475	15.5
Operating Metrics							
EGIS Rev.	2,570	2,441	5.3	2,078	9,414	7,623	23.5
EDOS Rev.	1,038	1,009	2.9	1,074	4,219	3,925	7.5
EITS Rev.	1,227	1,154	6.3	968	4,492	3,779	18.9
SW Devp. Cost (% of sales)	29.8	28.7	107 bps	28.0	29.5	32.6	(308)bps

Polaris Software Lab

Rating	BUY
Price	Rs190
Target Price	Rs240
Market Cap. (Rs bn)	18.8
Shares o/s (m)	99.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	15,863	19,005	23,033
EBITDA	2,139	2,553	2,943
Margin (%)	13.5	13.4	12.8
PAT	2,023	2,034	2,375
EPS (Rs)	20.4	20.6	24.0
RoE (%)	21.1	18.1	18.1
PE (x)	9.3	9.2	7.9
P / BV (x)	1.8	1.6	1.3
EV / E (x)	7.7	6.1	4.8

We expect *Intellect* and *Services* to grow at 4.0% and 3.9% QoQ, respectively, whereas *Optimus'* revenue is likely to de-grow by 5% QoQ. We expect margins to be eroded by 104bps due to currency appreciation and wage hike cycle. Also, we expect further improvement in the deal pipeline for Intellect and positive commentary from the management on the improved demand environment.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	4,542	4,375	3.8	3,606	19,005	15,863	19.8
EBITDA	500	527	(5.2)	482	2,553	2,139	19.3
Margin (%)	11.0	12.0	(104)bps	13.4	13.4	13.5	(5)bps
Reported PAT	422	585	(27.9)	469	2,034	2,023	0.6
PAT (Excl. Ex Items)	422	585	(27.9)	469	2,034	2,023	0.6
Operating Metrics							
Intellect Rev.	1,063	1,022	4.0	829	4,875	3,611	35.0
Optimus Rev.	37	39	(5.0)	54	138	173	(20.0)
Service Rev.	3,442	3,314	3.9	2,723	13,992	12,080	15.8
Soft. Devp. (as % of sales)	69.7	69.1	64 bps	67.4	67.4	67.6	(23)bps
Sales & Mktg. Exp (as % of sales)	11.7	11.5	22 bps	10.8	10.6	10.9	(29)bps

MindTree

Rating	Accumulate
Price	Rs377
Target Price	Rs450
Market Cap. (Rs bn)	15.1
Shares o/s (m)	40.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	15,090	18,296	22,916
EBITDA	1,778	2,467	2,917
Margin (%)	11.8	13.5	12.7
PAT	1,016	1,560	1,776
EPS (Rs)	25.4	39.0	44.4
RoE (%)	14.0	18.4	17.7
PE (x)	14.9	9.7	8.5
P / BV (x)	1.9	1.6	1.4
EV / E (x)	8.3	5.4	4.3

We expect MindTree to report USD growth of 4% QoQ, led by a growth in volumes by 4%. We anticipate margin erosion of 100bps due to currency appreciation and wage hike, but some absorption from margin utilization. However, at the bottom-line, we expect a decline of 37.1% QoQ due to lower other income and higher tax expense. We expect the management commentary on the changed corporate structure and how will it fuel the growth for the company.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	4,010	3,911	2.5	3,487	18,296	15,090	21.2
EBITDA	413	442	(6.5)	423	2,467	1,778	38.7
Margin (%)	10.3	11.3	(100)bps	12.1	13.5	11.8	170 bps
Reported PAT	208	331	(37.1)	159	1,560	1,016	53.6
PAT (Excl. Ex Items)	208	331	(37.1)	159	1,560	1,016	53.6
Operating Metrics							
Volume (Persons' Hours)	3,236,133	3,111,666	4.0	2,876,078	15,143,912	12,212,832	24.0
Realization	27	27	0.0	26	27	26	2.5
Currency INRUSD	45	45	(1.3)	45	44	45	(4.1)
SW Devp. Cost (% of Sales)	70.5	69.9	59	65.0	66.7	67.2	(56)bps
SG&A (% of sales)	19.2	18.8	41	22.9	19.9	21.0	(114)bps

Persistent Systems

Rating	BUY
Price	Rs369
Target Price	Rs525
Market Cap. (Rs bn)	14.8
Shares o/s (m)	40.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	7,758	9,627	12,176
EBITDA	1,583	2,002	2,269
Margin (%)	20.4	20.8	18.6
PAT	1,222	1,278	1,507
EPS (Rs)	30.6	32.0	37.7
RoE (%)	17.2	15.3	15.6
PE (x)	12.1	11.5	9.8
P / BV (x)	1.9	1.6	1.4
EV / E (x)	7.5	5.5	4.3

We expect Persistent Systems to grow by 5% QoQ in USD terms. We expect margins to take a further plunge due to wage hike and currency by 70bp in the current quarter. We expect positive commentary from the management on the discretionary spend of its clients. We expect further clarification on tax rate of FY12 from the company.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	2,207	2,128	3.7	1,811	9,627	7,758	24.1
EBITDA	380	381	(0.3)	344	2,002	1,583	26.4
Margin (%)	17.2	17.9	(70)bps	19.0	20.8	20.4	39 bps
Reported PAT	337	331	1.8	344	1,278	1,222	4.6
PAT (Excl. Ex Items)	337	331	1.8	344	1,278	1,222	4.6
Operating Metrics							
Volume	11,699	11,120	5.2	9,117	38,931	31,145	25.0
Realization	3,232	3,238	(0.2)	3,263	3,335	3,207	4.0
Currency	46	45	0.7	46	44	46	(4.6)
SW Devp. Cost (% of sales)	77.9	77.4	50 bps	67.3	69.0	66.7	230 bps
SG&A (% of sales)	4.9	4.7	20 bps	13.7	12.4	12.5	(15)bps

KPIT Cummins Infosystems

Rating	Accumulate
Price	Rs176
Target Price	Rs180
Market Cap. (Rs bn)	13.8
Shares o/s (m)	78.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	10,230	13,920	17,243
EBITDA	1,522	2,181	2,384
Margin (%)	14.9	15.7	13.8
PAT	947	1,315	1,537
EPS (Rs)	12.1	16.8	19.6
RoE (%)	22.1	24.5	22.7
PE (x)	14.6	10.5	9.0
P / BV (x)	2.9	2.3	1.8
EV / E (x)	9.0	5.6	4.4

We expect a 4% QoQ growth for KPIT's USD revenue after a positive surprise in the last quarter of 12.5% QoQ increase, largely led by a recovery in the manufacturing sector and *Sparta*. EBITDA margins are likely to witness erosion by 135bps to 12.7% due to currency appreciation, and wage hike. We expect management commentary on M&A strategy, including current status of '*Revolvo*'.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	3,205	3,082	4.0	2,061	13,920	10,230	36.1
EBITDA	407	433	(6.0)	339	2,181	1,522	43.3
Margin (%)	12.7	14.1	(135)bps	16.5	15.7	14.9	79 bps
Reported PAT	171	264	(35.3)	194	1,315	947	38.8
PAT (Excl. Ex Items)	171	264	(35.3)	194	1,315	947	38.8
Operating Metrics							
US\$ Revenue	72	68	5.6	45	320	224	42.8
Manufacture Seg. Rev.	2,500	2,412	3.7	1,633	6,113	6,919	(11.6)
BFSI Seg. Rev.	106	99	7.3	94	502	454	10.4
Other Seg. Rev.	599	572	4.8	334	701	558	25.6
SW Devp. Cost (% of sales)	65.3	64.5	75 bps	0.6	64.5	64.1	42 bps



Geometric

Rating	Reduce
Price	Rs53
Target Price	Rs50
Market Cap. (Rs bn)	3.3
Shares o/s (m)	62.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	6,206	7,622	9,507
EBITDA	751	1,051	1,205
Margin (%)	12.1	13.8	12.7
PAT	576	421	489
EPS (Rs)	9.3	6.8	7.8
RoE (%)	18.6	11.8	12.4
PE (x)	5.7	7.9	6.8
P / BV (x)	1.0	0.9	0.8
EV / E (x)	4.2	2.3	1.4

Volumes and pricing (put together for Q1FY12) for Geometric is expected to report a growth of 3.5% QoQ. We expect almost no spillover of previous quarter's ramp-downs. We expect EBITDA margin erosion of 137bps, after an expansion of 97bps in the last quarter due to wage hike, and currency appreciation. However, bottom-line would de-grow by 56% due to higher tax rate compared to the last quarter (Q2FY11: 2.2%, Q3FY11: 0.8%, Q4FY11: 5.7%, Q1FY12E: 28%).

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q4 FY11	QoQ gr. (%)	Q1 FY11	12M FY12E	12M FY10	YoY gr. (%)
Net Sales	1,751	1,700	3.0	1,354	7,622	6,206	22.8
EBITDA	208	226	(7.7)	117	1,051	751	40.0
Margin (%)	11.9	13.3	(137)bps	8.7	13.8	12.1	170
Reported PAT	79	179	(56.2)	110	421	579	(27.2)
PAT (Excl. Ex Items)	79	179	(56.1)	108	421	576	(26.9)
Operating Metrics							
US\$ Rev.	39	38	3.5	30	175	136	28.4
Software Seg. Rev.	954	933	2.2	811	4,154	3,531	17.6
Engineering Seg.	683	661	3.3	458	2,972	2,281	30.3
Products Seg. Rev.	113.8	105.4	8.0	85.3	495	394	25.6
SW Devp. Cost (% of sales)	66.6	65.9	65	67.7	62.7	66.2	(346)bps



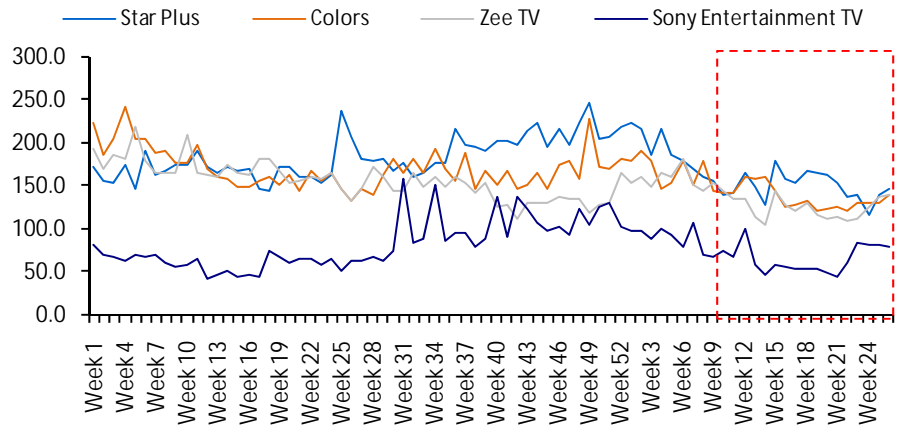
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Media & Entertainment

The slowdown in ad spends in both print and TV has been the overwhelming factor in Q1FY12. We expect a reduction in margins as the competitive scenario continues to exert an upward pressure on costs.

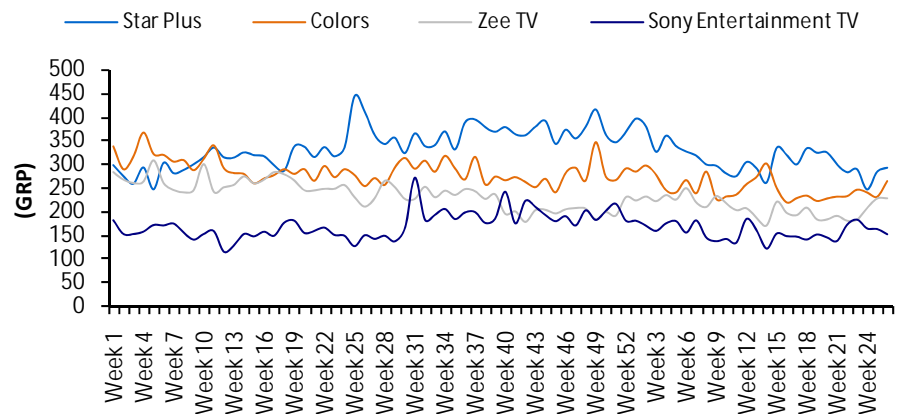
In the Hindi GEC space, Zee TV followed up on its strong performance in the cricket season as it narrowed the ratings gap with Star Plus and Colors. Zee TV's fiction properties like *Pavitra Rishta*, *Yahan Mein Ghar Ghar Kheli* and *Ram Milayi Jodi* continue to drive viewership. The leadership remains fragmented in this space, hampering the ability to implement material rate hikes. Q1FY12 was also impacted by sports owing to IPL-4.

Hindi GEC Prime Time GRPs



Source: TAM, PL Research

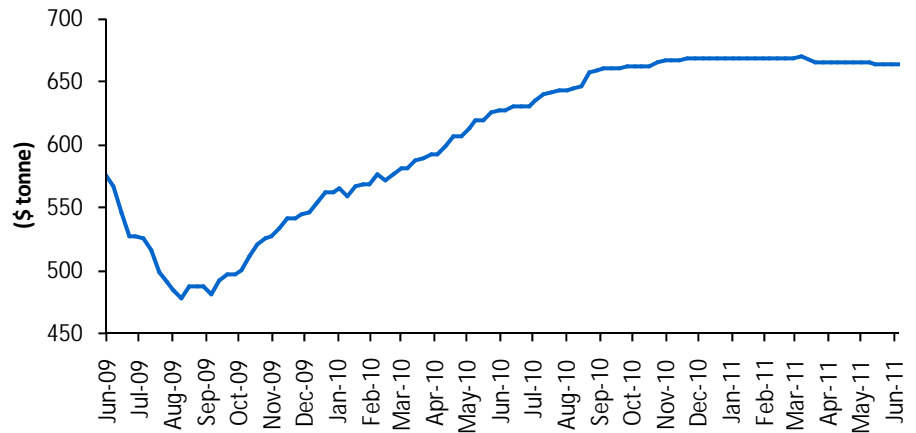
Hindi GEC All Day GRPs



Source: TAM, PL Research

The print media space was impacted by a delay in ad spends by the education sector as well as from lower spends by national advertisers. Education has emerged as a major print media advertiser helping seasonally boost Q1 revenues. Also, the incubation of new markets and higher print orders in existing markets will have an impact on margins. Newsprint prices have remained flat during the quarter, offering respite even as ad spends have slipped and competitive intensity is high.

Newsprint Price Trend



Source: Bloomberg

Overall, companies under our coverage are expected to report Revenue and PAT growth of 17% YoY and 16% YoY, respectively. EBITDA margins are expected to fall by ~344bps YoY.

Top pick: Jagran Prakashan

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Sun TV Network	16.9	(25.1)	(39.2)	(22.9)	14.9	(20.3)	(31.6)	(30.3)
Zee Entertainment	(8.8)	0.6	(8.9)	(11.5)	(10.8)	5.4	(1.2)	(19.0)
Dish TV India	17.2	32.2	26.5	99.9	15.2	37.0	34.2	92.4
DB Corp.	(1.2)	(9.6)	(15.2)	(2.3)	(3.2)	(4.8)	(7.6)	(9.8)
Jagran Prakashan	2.2	12.0	13.1	14.9	0.2	16.8	20.7	7.4
HT Media	(5.1)	(2.1)	(4.8)	(2.2)	(7.1)	2.6	2.9	(9.7)

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Jagran Prakashan	Sales	2,901	2,698	7.5	2,826	2.6	13,972	12,210	14.4
	EBITDA	744	902	(17.5)	714	4.2	4,007	3,567	12.3
	<i>Margins (%)</i>	<i>25.6</i>	<i>33.4</i>		<i>25.3</i>		<i>28.7</i>	<i>29.2</i>	
	PAT	418	556	(24.8)	421	(0.6)	2,305	2,085	10.6
Sun TV Network	Sales	4,939	4,404	12.2	5,045	(2.1)	21,490	19,668	9.3
	EBITDA	3,917	3,599	8.8	4,079	(4.0)	16,195	15,314	5.8
	<i>Margins (%)</i>	<i>79.3</i>	<i>81.7</i>		<i>80.8</i>		<i>75.4</i>	<i>77.9</i>	
	PAT	2,126	1,709	24.4	2,524	(15.7)	8,366	7,259	15.3
Zee Entertainment	Sales	7,534	6,770	11.3	7,980	(5.6)	34,133	30,114	13.3
	EBITDA	1,812	1,870	(3.1)	2,269	(20.1)	9,255	8,258	12.1
	<i>Margins (%)</i>	<i>24.0</i>	<i>27.6</i>		<i>28.4</i>		<i>27.1</i>	<i>27.4</i>	
	PAT	1,345	1,249	7.7	1,941	(30.7)	6,420	6,023	6.6
Dish TV India	Sales	4,654	3,043	52.9	4,330	7.5	20,476	14,385	42.3
	EBITDA	1,008	322	213.3	902	11.8	5,803	2,387	143.1
	<i>Margins (%)</i>	<i>21.7</i>	<i>10.6</i>		<i>20.8</i>		<i>28.3</i>	<i>16.6</i>	
	PAT	(201)	(632)	(68.2)	(370)	(45.7)	34	(1,899)	(101.8)
DB Corp.	Sales	3,312	2,987	10.9	3,174	4.4	14,558	12,656	15.0
	EBITDA	793	1,136	(30.2)	796	(0.4)	4,255	4,030	5.6
	<i>Margins (%)</i>	<i>23.9</i>	<i>38.0</i>		<i>25.1</i>		<i>29.2</i>	<i>31.8</i>	
	PAT	448	695	(35.5)	450	(0.4)	2,389	2,328	2.6
HT Media	Sales	4,780	4,042	18.3	4,704	1.6	20,235	17,545	15.3
	EBITDA	893	799	11.7	876	1.9	3,983	3,344	19.1
	<i>Margins (%)</i>	<i>18.7</i>	<i>19.8</i>		<i>18.6</i>		<i>19.7</i>	<i>19.1</i>	
	PAT	491	414	18.7	529	(7.1)	2,158	1,710	26.2

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	106,578	124,864	144,595
<i>Growth (%)</i>	<i>30.7</i>	<i>17.2</i>	<i>15.8</i>
EBITDA	36,900	43,499	52,039
<i>Margin (%)</i>	<i>34.6</i>	<i>34.8</i>	<i>36.0</i>
PAT	17,506	21,673	27,302
<i>Growth (%)</i>	<i>29.2</i>	<i>23.8</i>	<i>26.0</i>
PE (x)	26.9	21.7	17.3

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	28,121	23,944	17.4	28,059	0.2
EBITDA	9,166	8,627	6.2	9,636	(4.9)
<i>Margin (%)</i>	<i>32.6</i>	<i>36.0</i>	<i>(344)bps</i>	<i>34.3</i>	<i>(175)bps</i>
PAT (Excl. Ex Items)	4,628	3,991	15.9	5,495	(15.8)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Sun TV Network

	Accumulate
Rating	
Price	Rs332
Target Price	Rs455
Market Cap. (Rs bn)	130.8
Shares o/s (m)	394.1

We expect lower ad revenue growth of ~14% as the impact of the higher ad rates will be partially offset by declining volumes. We believe that with most of the major channels running at high capacity, going for price increases at the cost of volumes augurs well for margins in the long term. We do not expect any impact of political factors on cable revenues in this quarter. We have reduced our EPS estimates for FY12E and FY13E by 2% and 6%, respectively, to account for lower ad revenue growth.

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	19,668	21,490	25,260
EBITDA	15,314	16,195	19,097
<i>Margin (%)</i>	<i>77.9</i>	<i>75.4</i>	<i>75.6</i>
PAT	7,259	8,366	9,958
EPS (Rs)	18.4	21.2	25.3
<i>RoE (%)</i>	<i>33.6</i>	<i>30.7</i>	<i>29.5</i>
PE (x)	18.0	15.6	13.1
P / BV (x)	5.4	4.3	3.5
EV / E (x)	8.1	7.4	6.0

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E*	12M FY11*	YoY gr. (%)
Net Sales	4,939	4,404	12.2	5,045	21,490	19,668	9.3
EBITDA	3,917	3,599	8.8	4,079	16,195	15,314	5.8
<i>Margin (%)</i>	<i>79.3</i>	<i>81.7</i>	<i>(241)bps</i>	<i>80.8</i>	<i>75.4</i>	<i>77.9</i>	<i>(250)bps</i>
Reported PAT	2,126	1,709	24.4	2,524	8,366	7,729	8.2
PAT (Excl. Ex Items)	2,126	1,709	24.4	2,524	8,366	7,259	15.3
Operating Metrics							
Advertising Revenue	2,531	2,220	14.0	2,570	12,489	10,530	18.6
Subscription Revenue	1,578	1,350	16.9	1,530	6,571	5,771	13.9

* Consolidated

Zee Entertainment

Rating	Accumulate
Price	Rs128
Target Price	Rs135
Market Cap. (Rs bn)	125.1
Shares o/s (m)	978.1

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	30,114	34,133	38,737
EBITDA	8,258	9,255	10,417
<i>Margin (%)</i>	<i>27.4</i>	<i>27.1</i>	<i>26.9</i>
PAT	6,023	6,420	7,308
EPS (Rs)	6.2	6.6	7.5
<i>RoE (%)</i>	<i>14.9</i>	<i>14.3</i>	<i>14.5</i>
PE (x)	20.8	19.5	17.1
P / BV (x)	2.9	2.6	2.4
EV / E (x)	14.7	12.8	10.9

Despite a steady performance by flagship Zee TV, we expect muted ad revenue growth of 9% owing to IPL-4 and general decline in ad spends across media. The incremental hours of programming as well as the telecast of the India-West Indies cricket series will continue to exert pressure on margins. Zee's brand re-launch will also add marginally to the cost during the year. The impact of the distribution JV with Star Den will be a key factor to monitor in H2FY12.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	7,534	6,770	11.3	7,980	34,133	30,114	13.3
EBITDA	1,812	1,870	(3.1)	2,269	9,255	8,258	12.1
<i>Margin (%)</i>	<i>24.0</i>	<i>27.6</i>	<i>(358)bps</i>	<i>28.4</i>	<i>27.1</i>	<i>27.4</i>	<i>(31)bps</i>
Reported PAT	1,345	1,539	(12.6)	1,954	6,420	7,027	(8.6)
PAT (Excl. Ex Items)	1,345	1,249	7.7	1,941	6,420	6,023	6.6
Operating Metrics							
Ad Revenue	4,108	3,769	9.0	4,797	19,041	17,084	11.5
Subscription	3,127	2,614	19.6	3,107	13,290	11,227	18.4

Dish TV India

Rating	Reduce
Price	Rs90
Target Price	Rs81
Market Cap. (Rs bn)	96.0
Shares o/s (m)	1,063.4

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	14,385	20,476	24,485
EBITDA	2,387	5,803	8,260
<i>Margin (%)</i>	<i>16.6</i>	<i>28.3</i>	<i>33.7</i>
PAT	(1,899)	34	1,748
EPS (Rs)	(1.8)	0.0	1.6
<i>RoE (%)</i>	<i>(64.7)</i>	<i>1.8</i>	<i>76.7</i>
PE (x)	—	—	54.9
P / BV (x)	45.8	55.8	33.8
EV / E (x)	43.2	18.4	13.2

We expect subscriber additions to slow down to ~0.75m after the strong growth in H2FY11 driven by aggressive promotions around the ICC Cricket World Cup. The increased package prices and the higher upfront payment for STBs will help reduce SAC and improve profitability further. We also expect annual advertising expenses to be lower owing to barter deals. Consequently, we have increased our FY13E EBITDA estimate (up 8%) and our 12x FY13E EV/EBITDA based target price to Rs 81.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	4,654	3,043	52.9	4,330	20,476	14,385	42.3
EBITDA	1,008	322	213.3	902	5,803	2,387	143.1
<i>Margin (%)</i>	<i>21.7</i>	<i>10.6</i>	<i>1,109bps</i>	<i>20.8</i>	<i>28.3</i>	<i>16.6</i>	<i>1,175bps</i>
Reported PAT	(201)	(632)	NA	(370)	34	(1,899)	NA
PAT (Excl. Ex Items)	(201)	(632)	NA	(370)	34	(1,899)	NA
Operating Metrics							
Net subscriber base (m)	9	6	46.1	9	11	9	29.4

DB Corp.

	Accumulate
Rating	
Price	Rs229
Target Price	Rs264
Market Cap. (Rs bn)	42.0
Shares o/s (m)	183.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	12,656	14,558	16,996
EBITDA	4,030	4,255	4,862
<i>Margin (%)</i>	<i>31.8</i>	<i>29.2</i>	<i>28.6</i>
PAT	2,328	2,389	2,847
EPS (Rs)	12.7	13.0	15.5
<i>RoE (%)</i>	<i>31.4</i>	<i>24.8</i>	<i>23.5</i>
PE (x)	18.1	17.6	14.8
P / BV (x)	5.0	3.9	3.1
EV / E (x)	10.4	9.9	8.4

We expect total revenue growth of 11% YoY driven by a considerable deceleration in ad revenue growth to ~13% YoY. This is largely due to declining national advertising and delayed start to the education ad spends. With new editions in Jharkhand and Maharashtra being incubated and rising newsprint prices, we expect EBITDA margin to remain under pressure. Consequently, we have reduced our EPS estimates for FY12E and FY13E by 5% and 4%, respectively.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	3,312	2,987	10.9	3,174	14,558	12,656	15.0
EBITDA	793	1,136	(30.2)	796	4,255	4,030	5.6
<i>Margin (%)</i>	<i>23.9</i>	<i>38.0</i>	<i>(1,410)bps</i>	<i>25.1</i>	<i>29.2</i>	<i>31.8</i>	<i>(262)bps</i>
Reported PAT	448	695	(35.5)	450	2,389	2,588	(7.7)
PAT (Excl. Ex Items)	448	695	(35.5)	450	2,389	2,328	2.6
Operating Metrics							
Ad Revenues	2,663	2,367	12.5	2,490	11,622	10,026	15.9
Circulation Revenues	537	537	0.0	534	2,372	2,143	10.7

Jagran Prakashan

	BUY
Rating	
Price	Rs121
Target Price	Rs149
Market Cap. (Rs bn)	38.2
Shares o/s (m)	316.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	12,210	13,972	16,002
EBITDA	3,567	4,007	4,659
<i>Margin (%)</i>	<i>29.2</i>	<i>28.7</i>	<i>29.1</i>
PAT	2,085	2,305	2,779
EPS (Rs)	6.6	7.3	8.8
<i>RoE (%)</i>	<i>31.7</i>	<i>29.5</i>	<i>28.9</i>
PE (x)	18.3	16.6	13.8
P / BV (x)	5.4	4.5	3.6
EV / E (x)	11.2	9.9	8.2

We expect ad revenue growth to slow down to ~8% YoY, as the education spends, the mainstay of Q1 ad spends, have been delayed. Other national segments have also seen dismal growth during the quarter. Newsprint price increases combined with Jagran's higher print orders in Uttar Pradesh will continue to put pressure on margins. To account for the slower growth in ad revenues, we reduce our EPS estimates for FY12E and FY13E by 8% and 7%, respectively.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	2,901	2,698	7.5	2,826	13,972	12,210	14.4
EBITDA	744	902	(17.5)	714	4,007	3,567	12.3
<i>Margin (%)</i>	<i>25.6</i>	<i>33.4</i>	<i>(777)bps</i>	<i>25.3</i>	<i>28.7</i>	<i>29.2</i>	<i>(53)bps</i>
Reported PAT	418	556	(24.8)	421	2,305	2,085	10.6
PAT (Excl. Ex Items)	418	556	(24.8)	421	2,305	2,085	10.6
Operating Metrics							
Ad Revenues	2,049	1,898	8.0	1,887	8,905	7,662	16.2
Circulation Revenues	559	553	1.0	559	2,334	2,290	1.9

**HT Media**

	Accumulate
Rating	
Price	Rs166
Target Price	Rs182
Market Cap. (Rs bn)	39.0
Shares o/s (m)	235.0

We expect 18%+ YoY revenue growth, driven primarily by ad revenue growth of ~18% YoY in the Hindi segment. The English segment (~3/4th of total ad revenues) growth of ~13% will also contribute to revenue growth. Newsprint costs are expected to rise marginally as HTML has kept low inventory and the impact of higher newsprint prices have been seen in Q4FY11 itself. As a result of the strong performance in ad revenues, we increase our FY12E and FY13E EPS estimates by 1% and 3% respectively.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	17,545	20,235	23,114
EBITDA	3,344	3,983	4,744
<i>Margin (%)</i>	<i>19.1</i>	<i>19.7</i>	<i>20.5</i>
PAT	1,710	2,158	2,662
EPS (Rs)	7.3	9.2	11.3
<i>RoE (%)</i>	<i>18.2</i>	<i>22.7</i>	<i>27.6</i>
PE (x)	22.8	18.1	14.7
P / BV (x)	4.1	4.1	4.0
EV / E (x)	12.5	10.4	8.7

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	4,780	4,042	18.3	4,704	20,235	17,545	15.3
EBITDA	893	799	11.7	876	3,983	3,344	19.1
<i>Margin (%)</i>	<i>18.7</i>	<i>19.8</i>	<i>(109)bps</i>	<i>18.6</i>	<i>19.7</i>	<i>19.1</i>	<i>63 bps</i>
Reported PAT	491	414	18.7	529	2,158	1,710	26.2
PAT (Excl. Ex Items)	491	414	18.7	529	2,158	1,710	26.2
Operating Metrics							
Print Ad Revenue	3,754	3,286	14.3	3,635	16,005	13,780	16.1
Circulation Revenue	469	468	0.2	469	1,987	1,841	7.9

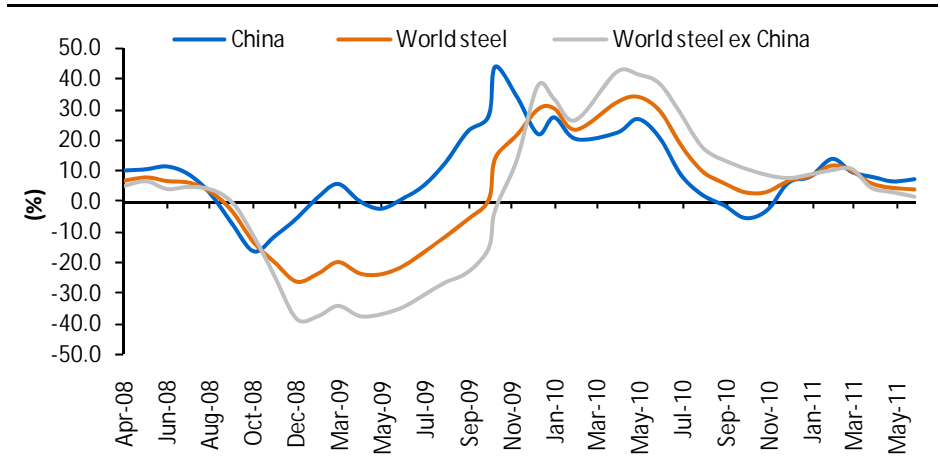


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Metals & Mining

Thanks to increased activity in Chinese and Korean steel production, world crude steel production grew by 4.5% or 11m tonnes to 256m tonnes during April-May 2011 despite of 7% fall in Japanese steel production due to unprecedented earthquake. China's steel production grew by 7% YoY, well above the 2.4% growth in RoW. Marred by sluggish domestic market condition and resurgence in imports from China, production in EU and North America grew at 0.2% and 1.5% respectively. Korea's steel production continued to expand in double digit (~14%) with an incremental advantage of reduced activity in Japan.

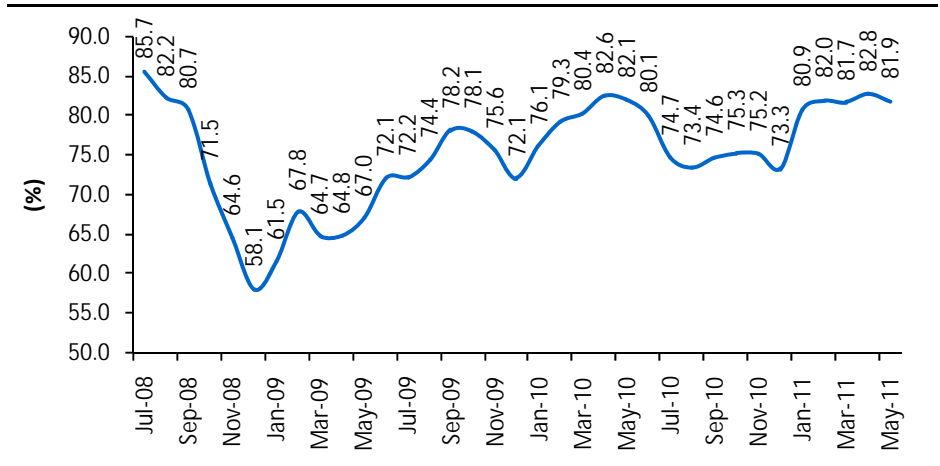
Movement in Crude Steel Production



Source: World Steel, PL Research

Capacity utilisation came off sharply by 110bps MoM in May month to 81.7% due to decline in production rate in EU and China.

Movement in World Steel capacity utilisation

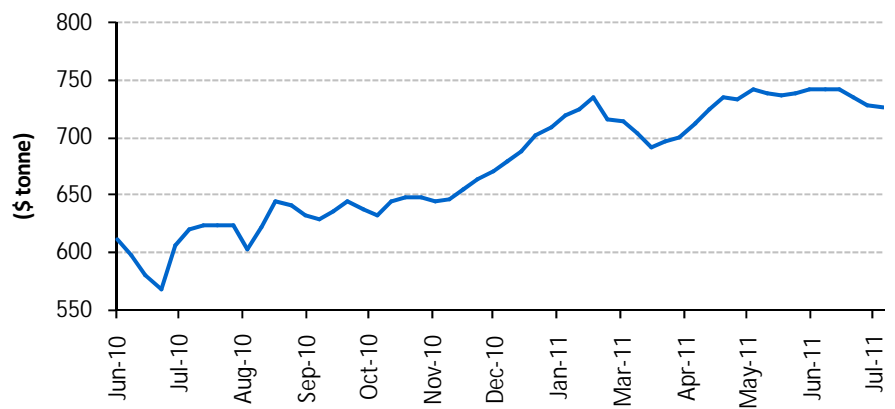


Source: World Steel, PL Research

Steel prices in North American and European markets fell by US\$130 and US\$75 per tonne respectively on quarter end to quarter end basis prices. However, prices would still be flat QoQ on average basis. Contrary to developed markets, prices in China ended higher by US\$30 on quarter end to quarter end basis. Same holds for the quarter average prices in China. However, prices have corrected in China in the later part of June by -US\$15 per tonne in tune with other markets.

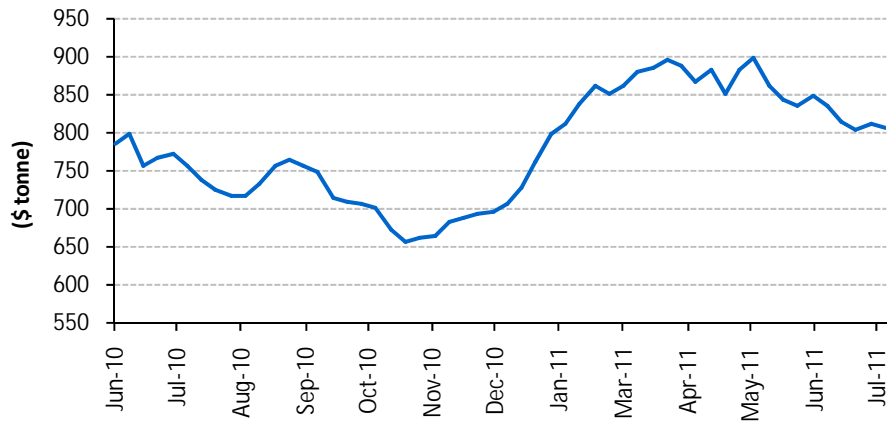
Flat steel prices in India fell by -Rs3500 per tonne to Rs33500 at the June end from the peak price of Rs37000 at March end. However, prices of long product prices rose by -Rs700 in the quarter on the back of higher scrap prices and low inventory levels.

China HRC price



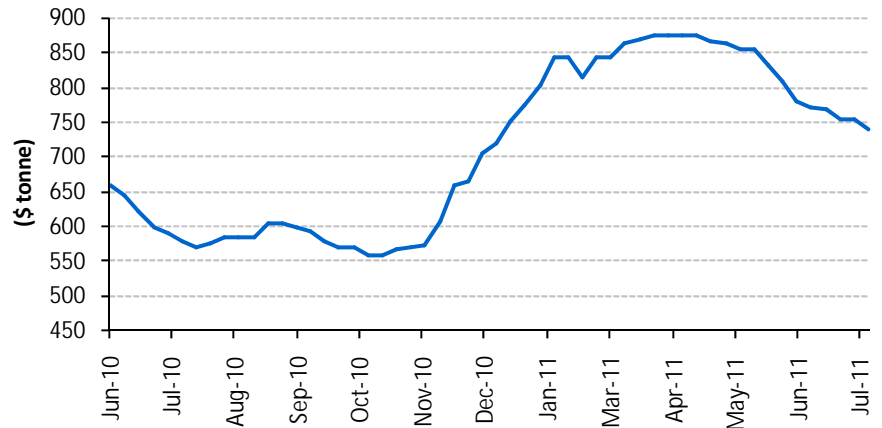
Source: SBB, PL Research

Europe HRC Price



Source: SBB, PL Research

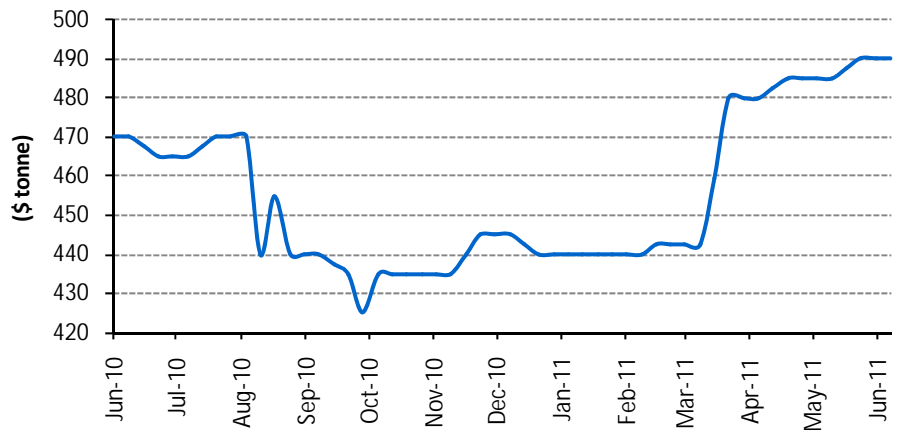
North America HRC Price



Source: SBB, PL Research

Spot Indian origin iron ore prices remained firm due to increase in export duty, sharp surge in transportation costs, supply bottlenecks and firm Chinese demand. Average prices are flat on average basis at USD181 per tonne. Prices have corrected by ~USD10 in the past one month in wake of higher supplies, seasonal pick up in despatches from India ahead of monsoon and softening Chinese demand.

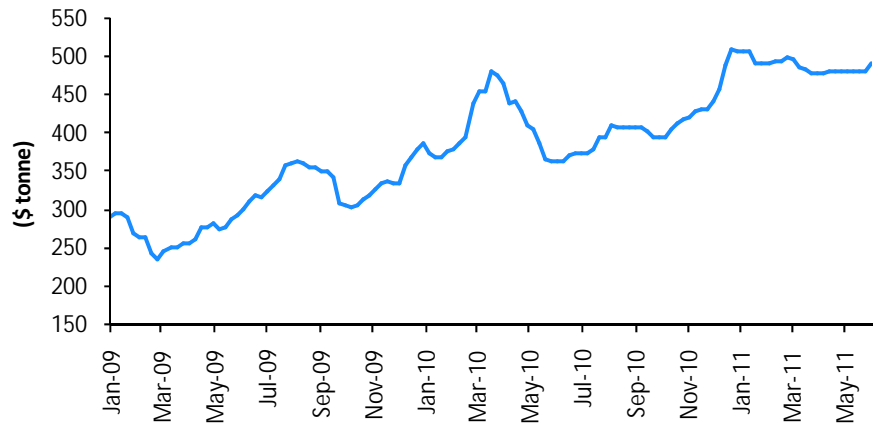
Indian origin Iron Ore (63% Fe) Export Prices (CIF) to China



Source: SBB, PL Research

Scrap prices (Rotterdam port scrap prices) remained muted during the quarter in response to weak demand from conventional EU and US steel mills. Average scrap prices are down by USD15 per tonne during the quarter.

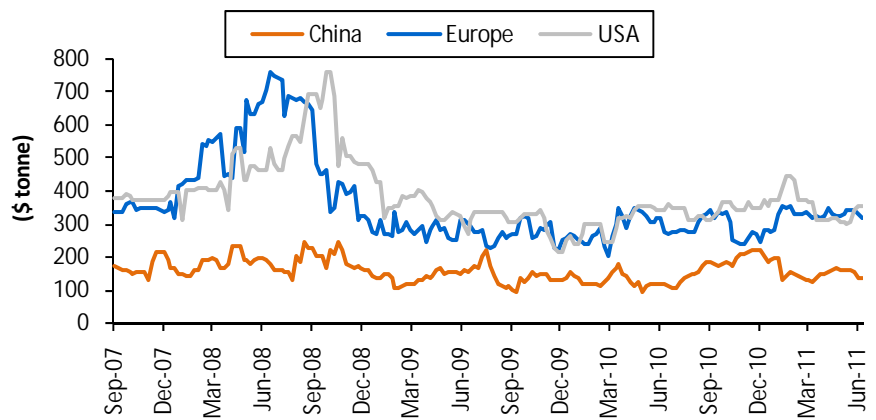
Rotterdam Scrap Prices



Source: SBB, PL Research

The differential between re-bar and scrap prices expanded in both, China and EU, owing to firm re-bar prices and falling scrap prices. However, the differential contracted in US due to sharp fall in Re-bar prices. The differential expanded in later part of June on the back of increase in Re-bar prices.

Re-bar and Scrap price differential



Source: SBB, PL Research

Demand environment has deteriorated substantially in the past one quarter owing to elevated inflation and interest rates. The impact of weak demand on sector's earnings would further aggravate with high iron ore and coking coal prices and rising competitive rivalry associated with capacity expansions by industry. We maintain our *Neutral* outlook on the sector on the backdrop of elevated concerns on earnings. However, we continue to like Tata steel in Ferrous and Hindustan zinc in Non-ferrous space, primarily on account of attractive valuations and limited downside risk.

Top picks: Tata Steel, Coal India and Hindustan Zinc

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Coal India	0.9	10.2	27.6	-	(1.1)	15.0	35.3	-
Jindal Steel & Power	0.5	(10.0)	(11.4)	4.3	(1.5)	(5.2)	(3.8)	(3.1)
Steel Authority of India	(2.5)	(18.9)	(23.3)	(25.3)	(4.5)	(14.2)	(15.7)	(32.7)
Sterlite industries	2.9	(3.0)	(9.4)	8.0	0.9	1.8	(1.8)	0.5
Hindustan Zinc	3.5	(2.2)	0.9	45.1	1.5	2.5	8.6	37.6
Tata Steel	4.2	(6.0)	(12.3)	26.6	2.2	(1.2)	(4.6)	19.2
JSW Steel	(6.7)	(11.8)	(23.7)	(14.9)	(8.7)	(7.0)	(16.0)	(22.4)

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Coal India	Sales	146,810	114,356	28.4	150,162	(2.2)	605,786	502,336	20.6
	EBITDA	53,517	30,370	76.2	51,987	2.9	178,355	134,791	32.3
	<i>Margins (%)</i>	<i>36.5</i>	<i>26.6</i>		<i>34.6</i>		<i>29.4</i>	<i>26.8</i>	
	PAT	41,391	25,370	63.2	42,039	(1.5)	145,368	108,674	33.8
Jindal Steel & Power	Sales	37,862	29,982	26.3	38,481	(1.6)	178,801	131,116	36.4
	EBITDA	17,110	15,621	9.5	17,210	(0.6)	74,609	63,433	17.6
	<i>Margins (%)</i>	<i>45.2</i>	<i>52.1</i>		<i>44.7</i>		<i>41.7</i>	<i>48.4</i>	
	PAT	10,353	9,418	9.9	9,951	4.0	46,428	38,857	19.5
Steel Authority of India	Sales	106,963	90,294	18.5	119,447	(10.5)	474,131	427,202	11.0
	EBITDA	16,314	17,389	(6.2)	21,187	(23.0)	82,115	69,751	17.7
	<i>Margins (%)</i>	<i>15.3</i>	<i>19.3</i>		<i>17.7</i>		<i>17.3</i>	<i>16.3</i>	
	PAT	10,923	11,767	(7.2)	15,071	(27.5)	51,721	48,813	6.0
Sterlite industries	Sales	88,081	59,245	48.7	100,003	(11.9)	406,140	302,481	34.3
	EBITDA	25,604	14,516	76.4	30,027	(14.7)	121,738	78,684	54.7
	<i>Margins (%)</i>	<i>29.1</i>	<i>24.5</i>		<i>30.0</i>		<i>30.0</i>	<i>26.0</i>	
	PAT	15,173	9,046	67.7	19,021	(20.2)	71,829	50,425	42.4
Hindustan Zinc	Sales	27,448	19,508	40.7	31,970	(14.1)	123,484	99,121	24.6
	EBITDA	15,189	9,992	52.0	19,282	(21.2)	71,226	54,931	29.7
	<i>Margins (%)</i>	<i>55.3</i>	<i>51.2</i>		<i>60.3</i>		<i>57.7</i>	<i>55.4</i>	
	PAT	14,355	8,909	61.1	17,713	(19.0)	65,970	49,005	34.6
Tata Steel	Sales	308,652	271,948	13.5	338,227	(8.7)	1,253,546	1,187,531	5.6
	EBITDA	39,815	44,326	(10.2)	44,661	(10.8)	153,331	159,956	(4.1)
	<i>Margins (%)</i>	<i>12.9</i>	<i>16.3</i>		<i>13.2</i>		<i>12.2</i>	<i>13.5</i>	
	PAT	13,568	18,666	(27.3)	18,962	(28.4)	95,539	89,827	6.4
JSW Steel	Sales	71,076	47,793	48.7	72,094	(1.4)	344,192	238,616	44.2
	EBITDA	13,415	10,970	22.3	15,881	(15.5)	64,838	46,223	40.3
	<i>Margins (%)</i>	<i>18.9</i>	<i>23.0</i>		<i>22.0</i>		<i>18.8</i>	<i>19.4</i>	
	PAT	4,592	3,582	28.2	7,936	(42.1)	21,414	17,540	22.1

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	2,888,403	3,386,080	3,786,184
<i>Growth (%)</i>	<i>15.5</i>	<i>17.2</i>	<i>11.8</i>
EBITDA	607,769	746,212	882,976
<i>Margin (%)</i>	<i>21.0</i>	<i>22.0</i>	<i>23.3</i>
PAT	403,140	498,269	549,310
<i>Growth (%)</i>	<i>47.3</i>	<i>23.6</i>	<i>10.2</i>
PE (x)	13.9	11.3	10.2

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	759,444	613,619	23.8	818,413	(7.2)
EBITDA	165,776	133,191	24.5	180,953	(8.4)
<i>Margin (%)</i>	<i>21.8</i>	<i>21.7</i>	<i>12 bps</i>	<i>22.1</i>	<i>(28)bps</i>
PAT (Excl. Ex Items)	96,000	77,847	23.3	112,980	(15.0)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Coal India

	Accumulate
Rating	
Price	Rs395
Target Price	Rs447
Market Cap. (Rs bn)	2,497.2
Shares o/s (m)	6,316.4

Net revenue is expected to grow by 28% YoY on the back of 4.7% volume growth and 23% increase in realization associated with upward revision in the prices announced w.e.f March, 2011. EBITDA is expected to grow by 76% YoY on the back of higher realisations and volumes. However, decline in volumes QoQ would restrict the growth in EBITDA to 3% QoQ despite full quarter benefit of price increase. PAT is expected to grow by 63% YoY to Rs41bn.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	502,336	605,786	654,947
EBITDA	134,791	178,355	197,830
<i>Margin (%)</i>	<i>26.8</i>	<i>29.4</i>	<i>30.2</i>
PAT	108,674	145,368	167,189
EPS (Rs)	17.2	23.0	26.5
<i>RoE (%)</i>	<i>36.7</i>	<i>37.8</i>	<i>33.9</i>
PE (x)	23.0	17.2	14.9
P / BV (x)	7.5	5.7	4.5
EV / E (x)	15.6	11.4	9.7

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	146,810	114,356	28.4	150,162	605,786	502,336	20.6
EBITDA	53,517	30,370	76.2	51,987	178,355	134,791	32.3
<i>Margin (%)</i>	<i>36.5</i>	<i>26.6</i>	<i>990 bps</i>	<i>34.6</i>	<i>29.4</i>	<i>26.8</i>	<i>261 bps</i>
Reported PAT	41,391	25,370	63.2	42,039	145,368	108,674	33.8
PAT (Excl. Ex Items)	41,391	25,370	63.2	42,039	145,368	108,674	33.8
Operating Metrics							
Coal desp. (m tonnes)	106	101	4.7	114	455	425	7.2
Realisation per tonne (Rs)	1,385	1,129	22.7	1,317	1,321	1,183	11.6
EBITDA per tonne (Rs)	505	300	68.4	456	392	318	23.5

Jindal Steel & Power

Rating	Reduce
Price	Rs643
Target Price	Rs651
Market Cap. (Rs bn)	600.4
Shares o/s (m)	934.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	131,116	178,801	202,081
EBITDA	63,433	74,609	84,831
<i>Margin (%)</i>	<i>48.4</i>	<i>41.7</i>	<i>42.0</i>
PAT	38,857	46,428	53,544
EPS (Rs)	41.6	49.7	57.3
<i>RoE (%)</i>	<i>31.7</i>	<i>28.6</i>	<i>25.7</i>
PE (x)	15.5	12.9	11.2
P / BV (x)	4.3	3.3	2.6
EV / E (x)	11.6	10.3	9.2

Standalone revenue is expected to grow by 16.6% YoY on the back of 5.6% rise in realisations (up 5.6% YoY and flat QoQ), 18% growth in volumes and higher revenues from pellet (+16%) and power (+90%). Standalone EBITDA would grow by 20% YoY to Rs9.4bn. Given higher depreciation and interest cost associated with increased capitalization, PAT would grow at lower rate of 10%. Jindal Power is expected to report PAT of Rs5.2bn against Rs5.6bn and Rs5bn in Q1FY11 and Q4FY11 respectively. Shadeed is expected to report an EBITDA of USD21m and PAT of USD11m. Consolidated PAT for the quarter would grow by 10% YoY (4% QoQ) to Rs10.4bn.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	37,862	29,982	26.3	38,481	178,801	131,116	36.4
EBITDA	17,110	15,621	9.5	17,210	74,609	63,433	17.6
<i>Margin (%)</i>	<i>45.2</i>	<i>52.1</i>	<i>(691)bps</i>	<i>44.7</i>	<i>41.7</i>	<i>48.4</i>	<i>(665)bps</i>
Reported PAT	10,353	9,418	9.9	9,951	46,428	38,857	19.5
PAT (Excl. Ex Items)	10,353	9,418	9.9	9,951	46,428	38,857	19.5
Operating Metrics							
Metallics-Sales (Tonnes)	45,000	89,995	(50.0)	48,952	150,910	315,583	(52.2)
Steel products-Sales (Tn)	478,200	403,814	18.4	531,104	2,350,822	1,925,322	22.1
JPL-Units sold (m units)	1,900	1,982	(4.1)	1,960	7,812	7,812	0.0
Rate per Kwh	4.2	4.7	(10.3)	4.2	4.0	4.3	(7.0)
JPL-Revenue (Rs m)	7,981.9	9,276.0	(14.0)	8,279.9	31,248.7	33,592.3	(7.0)
JPL-PAT (Rs m)	5,204	5,600	(7.1)	4,955	19,010	19,649	(3.3)

SAIL

Rating	Reduce
Price	Rs142
Target Price	Rs159
Market Cap. (Rs bn)	587.5
Shares o/s (m)	4,130.4

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	427,202	474,131	580,076
EBITDA	69,751	82,115	110,810
<i>Margin (%)</i>	<i>16.3</i>	<i>17.3</i>	<i>19.1</i>
PAT	48,813	51,721	62,603
EPS (Rs)	11.8	12.5	15.2
<i>RoE (%)</i>	<i>13.7</i>	<i>12.9</i>	<i>14.0</i>
PE (x)	12.0	11.4	9.4
P / BV (x)	1.5	1.4	1.3
EV / E (x)	8.8	8.7	7.3

Aided by strong volume growth, net revenue is expected to rise by 18.5% YoY despite of 2% decline (flat QoQ) in realisations. We expect sales volumes of 2.8m tonnes and realisations of Rs38,201 per tonne. EBITDA would decline by 6% YoY and 23% QoQ to Rs16bn due to sharp rise in coking coal and weak realisations. On tonnage basis, EBITDA would decline by 22% YoY and 14% QoQ to Rs5826. PAT would fall by 7% YoY and 28% QoQ to Rs10.9bn.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	106,963	90,294	18.5	119,447	474,131	427,202	11.0
EBITDA	16,314	17,389	(6.2)	21,187	82,115	69,751	17.7
<i>Margin (%)</i>	<i>15.3</i>	<i>19.3</i>	<i>(401)bps</i>	<i>17.7</i>	<i>17.3</i>	<i>16.3</i>	<i>99 bps</i>
Reported PAT	10,923	11,767	(7.2)	15,071	51,721	48,813	6.0
PAT (Excl. Ex Items)	10,923	11,767	(7.2)	15,071	51,721	48,813	6.0
Operating Metrics							
Sales Volume (m tonnes)	2.8	2.3	20.7	3.1	12.3	12.2	0.5
Realisation per tonne	38,201	38,920	(1.8)	38,101	37,336	34,336	8.7
EBITDA per tonne	5,826	7,495	(22.3)	6,758	6,687	6,302	6.1

Sterlite Industries

	Accumulate
Rating	
Price	Rs173
Target Price	Rs185
Market Cap. (Rs bn)	581.6
Shares o/s (m)	3,361.6

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	302,481	406,140	466,211
EBITDA	78,684	121,738	150,217
<i>Margin (%)</i>	<i>26.0</i>	<i>30.0</i>	<i>32.2</i>
PAT	50,425	71,829	82,855
EPS (Rs)	14.5	21.4	24.6
<i>RoE (%)</i>	<i>12.4</i>	<i>16.0</i>	<i>16.0</i>
PE (x)	11.9	8.1	7.0
P / BV (x)	1.4	1.2	1.1
EV / E (x)	6.5	3.9	2.7

Aided by acquisition of Anglo American zinc assets (international zinc biz) and strong earnings in zinc business, EBITDA is expected to grow by 76% YoY. We expect EBITDA of Rs4.1bn in international zinc business. Power business's EBITDA would grow by 29% YoY (111% QoQ) to Rs1.8bn on the back of full quarter benefit of 600MW in sterlite energy. However, On QoQ, consolidated EBITDA would decline by 15% due to decline in earnings across the metals businesses.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	88,081	59,245	48.7	100,003	406,140	302,481	34.3
EBITDA	25,604	14,516	76.4	30,027	121,738	78,684	54.7
<i>Margin (%)</i>	<i>29.1</i>	<i>24.5</i>	<i>457 bps</i>	<i>30.0</i>	<i>30.0</i>	<i>26.0</i>	<i>396 bps</i>
Reported PAT	15,173	10,084	50.5	19,250	71,829	50,425	42.4
PAT (Excl. Ex Items)	15,173	9,046	67.7	19,021	71,829	50,425	42.4
Operating Metrics							
LME Avg. Aluminium (US\$)	2,600	2,092	24.3	2,503	2,304	2,257	2.1
Aluminium volume	62,475	63,000	(0.8)	62,000	257,250	257,664	(0.2)

Hindustan Zinc

	Accumulate
Rating	
Price	Rs137
Target Price	Rs169
Market Cap. (Rs bn)	578.4
Shares o/s (m)	4,255.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	99,121	123,484	131,162
EBITDA	54,931	71,226	76,239
<i>Margin (%)</i>	<i>55.4</i>	<i>57.7</i>	<i>58.1</i>
PAT	49,005	65,970	73,796
EPS (Rs)	11.6	15.6	17.5
<i>RoE (%)</i>	<i>24.3</i>	<i>26.2</i>	<i>23.3</i>
PE (x)	11.8	8.8	7.8
P / BV (x)	2.6	2.0	1.6
EV / E (x)	9.6	6.6	5.2

Led by higher LME prices and increased zinc and silver volumes associated with expansion in capacity, EBITDA is expected to grow by 52% YoY to Rs15.2bn. However, EBITDA would decline by 21% QoQ as we forecast significant decline in concentrate sales volume from 24k to 4k tonnes. PAT is expected to grow at higher rate of 61% on the back of higher treasury income.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	27,448	19,508	40.7	31,970	123,484	99,121	24.6
EBITDA	15,189	9,992	52.0	19,282	71,226	54,931	29.7
<i>Margin (%)</i>	<i>55.3</i>	<i>51.2</i>	<i>412 bps</i>	<i>60.3</i>	<i>57.7</i>	<i>55.4</i>	<i>226 bps</i>
Reported PAT	14,355	8,909	61.1	17,713	65,970	49,005	34.6
PAT (Excl. Ex Items)	14,355	8,909	61.1	17,713	65,970	49,005	34.6
Operating Metrics							
Refined Zinc-Volume (tonnes)	190,000	164,445	15.5	194,491	793,050	711,518	11.5
Refined Lead-Volume (tonnes)	16,000	14,075	13.7	16,358	123,089	54,065	127.7
Silver sales volume-Kg	41,772	35,830	16.6	44,325	331,987	149,045	122.7
Zinc (US\$)	2,251	2,020	11.4	2,396	2,206	2,186	0.9

Tata Steel

	Accumulate
Rating	
Price	Rs597
Target Price	Rs644
Market Cap. (Rs bn)	572.8
Shares o/s (m)	958.7

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	1,187,531	1,253,546	1,373,531
EBITDA	159,956	153,331	188,474
<i>Margin (%)</i>	<i>13.5</i>	<i>12.2</i>	<i>13.7</i>
PAT	89,827	95,539	78,266
EPS (Rs)	61.9	59.0	80.6
<i>RoE (%)</i>	<i>20.7</i>	<i>14.8</i>	<i>17.0</i>
PE (x)	9.7	10.1	7.4
P / BV (x)	1.7	1.4	1.2
EV / E (x)	3.0	2.9	2.4

Standalone net revenue (incl. other operating income) is expected to grow by 15% YoY on the back of 4% rise in steel realisations and 11% growth in steel volumes. We assumed volumes of 1.55m tonnes (down 9% QoQ) and realisations of Rs35979 (+Rs420 QoQ). Impacted by higher coking coal prices and escalation in employee cost, EBITDA per tonne would decline by 13% YoY. EBITDA would decline by 3% YoY and 8% QoQ to Rs28.2bn. Pre-exceptional PAT is expected to fall by 3% YoY (11%).

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	75,424	65,515	15.1	83,408	322,468	293,964	9.7
EBITDA	28,231	29,165	(3.2)	30,669	115,688	114,329	1.2
<i>Margin (%)</i>	<i>37.4</i>	<i>44.5</i>	<i>(709)bps</i>	<i>36.8</i>	<i>35.9</i>	<i>38.9</i>	<i>(302)bps</i>
Reported PAT	19,993	15,794	26.6	17,077	64,077	68,657	(6.7)
PAT (Excl. Ex Items)	15,140	15,669	(3.4)	17,077	59,223	66,735	(11.3)
Operating Metrics							
Sales volume (m tonnes)	1.6	1.4	10.8	1.7	7.0	6.4	8.6
Realisation / Tonne (Rs)	35,979	34,596	4.0	35,559	37,446	33,623	11.4
EBITDA / Tonne (Rs)	18,214	20,847	(12.6)	17,935	16,607	17,825	(6.8)

Tata Steel

	Accumulate
Rating	
Price	Rs597
Target Price	Rs644
Market Cap. (Rs bn)	572.8
Shares o/s (m)	958.7

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	1,187,531	1,253,546	1,373,531
EBITDA	159,956	153,331	188,474
<i>Margin (%)</i>	<i>13.5</i>	<i>12.2</i>	<i>13.7</i>
PAT	89,827	95,539	78,266
EPS (Rs)	61.9	59.0	80.6
<i>RoE (%)</i>	<i>20.7</i>	<i>14.8</i>	<i>17.0</i>
PE (x)	9.7	10.1	7.4
P / BV (x)	1.7	1.4	1.2
EV / E (x)	3.0	2.9	2.4

Aided by strong performance in domestic operations, the impact of sluggish earnings in Corus operations (EBITDA down 26% YoY and flat QoQ) would be contained to fall of 10% on consolidated EBITDA level. We expect Corus to report EBITDA of US\$217m, with EBITDA per tonne of US\$62 v/s US\$79 YoY and US\$53 QoQ. Pre-exceptional PAT would decline by 27% due to higher interest cost and tax rate. Exceptional items includes gain of Rs61bn on sale of stake in Riversdale and refractory business.

Quarterly Table (Rs m) - Consolidated

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	308,652	271,948	13.5	338,227	1,253,546	1,187,531	5.6
EBITDA	39,815	44,326	(10.2)	44,661	153,331	159,956	(4.1)
<i>Margin (%)</i>	<i>12.9</i>	<i>16.3</i>	<i>(340)bps</i>	<i>13.2</i>	<i>12.2</i>	<i>13.5</i>	<i>(124)bps</i>
Reported PAT	74,374	18,253	307.5	41,756	95,539	89,827	6.4
PAT (Excl. Ex Items)	13,568	18,666	(27.3)	18,962	57,264	59,305	(3.4)
Operating Metrics							
Corus-Sales Vol.	3.5	3.7	(5.7)	4.1	14.5	14.8	(2.3)
Corus-EBITDA / Tonne (US\$)	62	79	(21.5)	53	50	53	(4.9)
South East - Sales Vol.	0.8	0.9	(12.8)	0.8	3.5	3.3	7.7
South East - EBITDA / Tonne (US\$)	23.0	35.3	(34.9)	26.9	25.0	24.0	4.2

**JSW Steel**

	Accumulate
Rating	
Price	Rs875
Target Price	Rs958
Market Cap. (Rs bn)	195.3
Shares o/s (m)	223.1

Led by volume growth of 44% YoY and 5% rise (flat QoQ) in realisations, consolidated revenue is expected to grow by 49% YoY. We expect volumes of 1.71m tonnes and realisations of Rs40,700 for the quarter. Hit by higher coking coal and iron ore prices, EBITDA per tonne would decline by 16% YoY (18% QoQ) to Rs7446. However, strong growth in volumes would more than offset the decline in EBITDA per tonne and drive 22% growth in EBITDA. PAT includes loss of Rs274m for its 49% share in Ispat.

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	238,616	344,192	378,177
EBITDA	46,223	64,838	74,575
<i>Margin (%)</i>	<i>19.4</i>	<i>18.8</i>	<i>19.7</i>
PAT	17,540	21,414	31,057
EPS (Rs)	78.6	89.0	123.2
<i>RoE (%)</i>	<i>14.0</i>	<i>12.1</i>	<i>14.4</i>
PE (x)	11.1	9.8	7.1
P / BV (x)	1.2	1.1	0.9
EV / E (x)	7.3	5.5	5.0

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	71,076	47,793	48.7	72,094	344,192	238,616	44.2
EBITDA	13,415	10,970	22.3	15,881	64,838	46,223	40.3
<i>Margin (%)</i>	<i>18.9</i>	<i>23.0</i>	<i>(408)bps</i>	<i>22.0</i>	<i>18.8</i>	<i>19.4</i>	<i>(53)bps</i>
Reported PAT	4,592	2,954	55.5	7,936	21,414	17,540	22.1
PAT (Excl. Ex Items)	4,592	3,582	28.2	7,936	21,414	17,540	22.1
Operating Metrics							
Sales volume (m tonnes)	1.7	1.2	43.6	1.7	8.2	6.2	32.3
Realisation per tonne	40,700	38,692	5.2	40,577	35,890	34,111	5.2
EBITDA per tonne	7,446	8,898	(16.3)	9,124	7,305	7,424	(1.6)



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Offshore, Ports & Shipbuilding

Offshore

Crude had been sustaining above USD100/barrel in the wake of MENA crisis since the end of February 2011 and a stronger than expected demand environment, and is currently still at healthy levels of close to \$90 per barrel. With E&P activities becoming extremely viable, E&P companies continue to increase spends on exploratory activities.

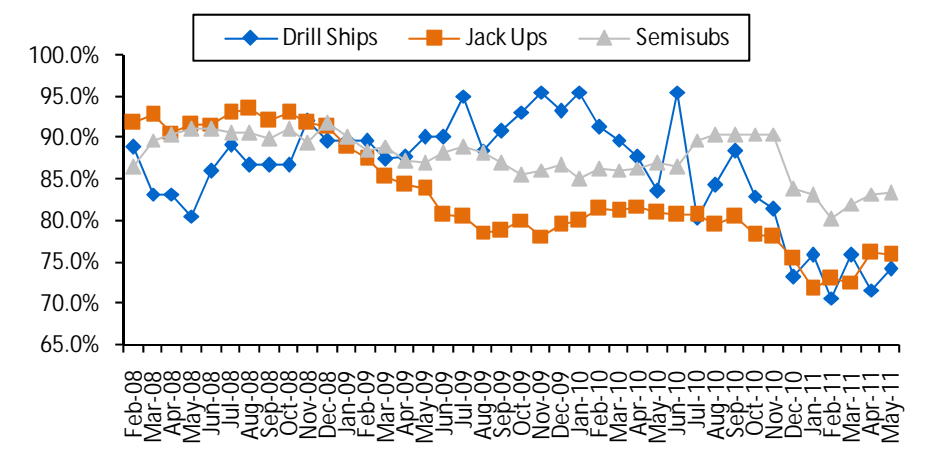
In another positive development, we are witnessing a gradual pickup in activity in the Gulf of Mexico, with the BOEMRE issuing fresh permits for drilling under new stricter safety norms post the Deepwater Horizon incident last year. The US Offshore rig count has gradually inched up to 33 from 25 in March 2011.

In addition, orders for new drilling assets continues to surprise positively with orders worth ~USD17b placed in the last 6 months. ~USD3b worth of orders on an average placed in the months of April and May, pointing to a strong revival in the sector.

Also, underperformance of the Indian offshore pack in the last 1 year versus their global peers presents an opportunity in our view, as this kind of divergence in similar businesses is not expected to sustain.

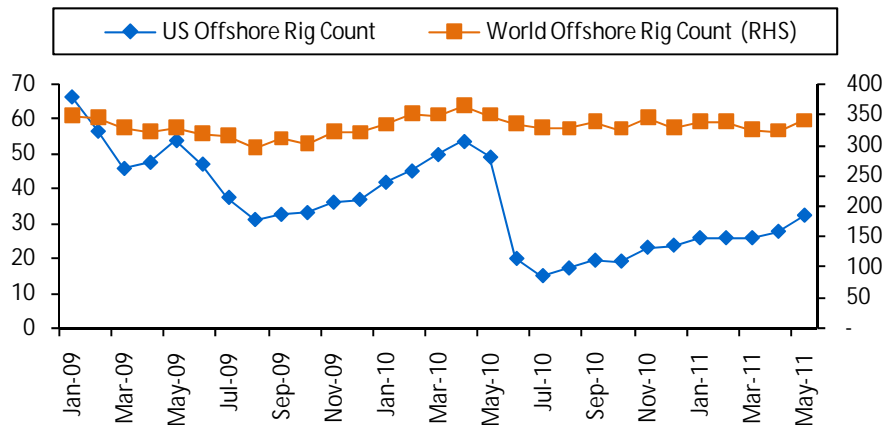
Although rig utilizations have remained stable during the quarter, with an expected increase in drilling activities utilizations are expected to inch up.

Rig Utilizations



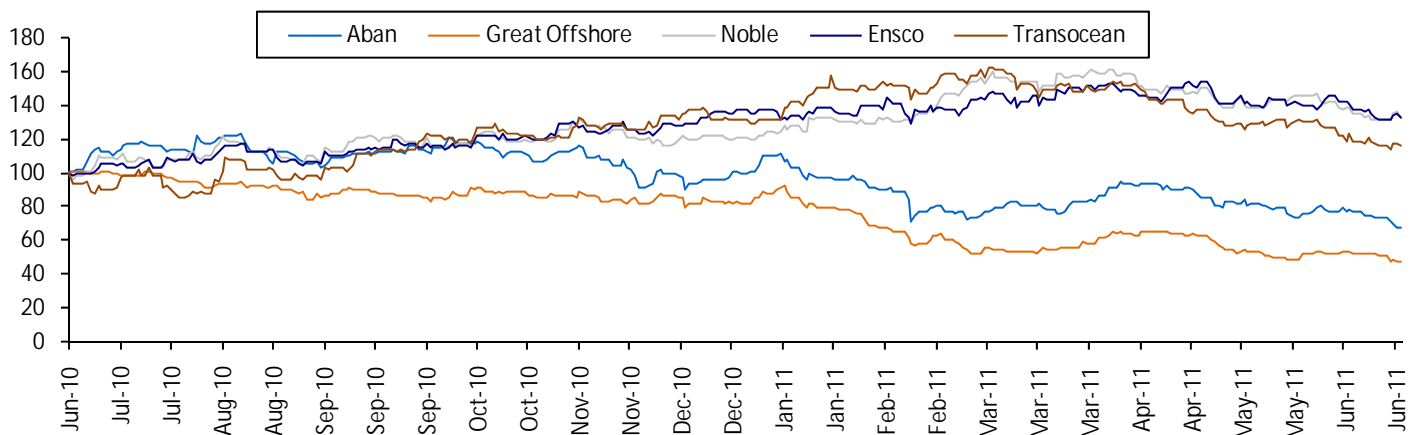
Source: Rigzone

Offshore Rig Count



Source: Baker Hughes

Relative stock performance of Global Offshore companies



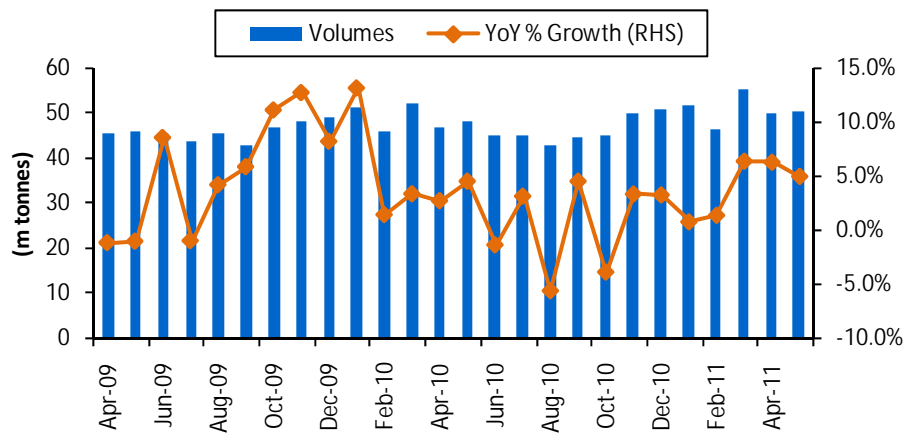
Source: Bloomberg, PL Research

Ports

Major port volumes have shown a modest 5-6% growth (YoY) for the March –May 2011 period. Container volumes remained stable at ~0.65-0.67m TEUs per month. Within the major port segment we saw differing trends, with Chennai port showing good growth of 10-13% YoY whereas JNPT witnessed a slight decline (1-3% YoY) in container volumes in the March-May 2011 period.

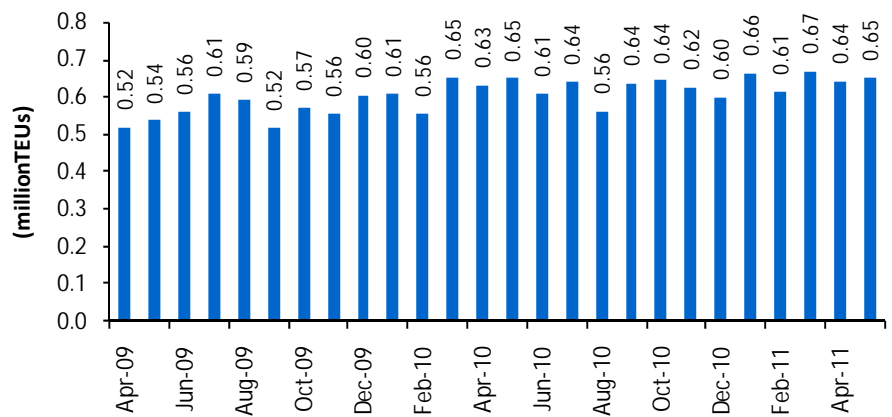
In a major development, bids for the fourth container terminal at JNPT were opened, where the consortium of PSA and ABG Infralogistics emerged as the highest bidder quoting 50.8% revenue share for the terminal. The new terminal shall take ~3-4 years to set up and may be set up in phases.

Major port volumes



Source: IPA

Container volumes at major ports

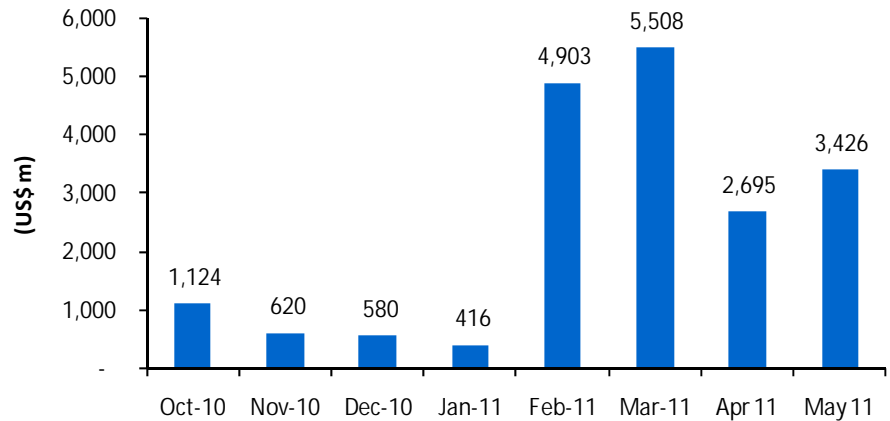


Source: IPA

Shipbuilding

Globally, new orders in the offshore segment continue to surprise positively. USD17b worth of orders have been placed in the last 6 months. However, new build orders on the merchant side are down to a trickle with an extended period of depressed freight rates.

After a long time we have seen ordering activity on the defence side, with Pipavav Shipyard and ABG Shipyard bagging orders worth Rs 29.75bn and Rs 9.7bn respectively from the Indian Navy.

Offshore newbuild orders


Source: PL Research

Merchant newbuild orders

m dwt	2010	Jan 11	Feb 11	Mar 11	Apr 11	May 11
Tanker	40.1	1.1	0.2	0.5	0.6	0.1
Bulk	83.5	15.6	6.5	2.2	3.7	1.8

Source: RS Platou

Top picks: Mundra Port & SEZ and Gujarat Pipavav Port
Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Mundra Port & SEZ	(0.7)	1.9	1.5	9.1	(2.7)	6.7	9.1	1.6
Gujarat Pipavav Port	0.4	0.4	8.1	-	(1.6)	5.2	15.8	-
Aban Offshore	(7.3)	(21.3)	(33.1)	(34.8)	(9.3)	(16.5)	(25.4)	(42.2)
ABG Shipyard	0.9	(3.2)	(9.6)	46.0	(1.1)	1.5	(2.0)	38.6
Gateway Distriparks	5.0	4.1	13.8	9.8	3.0	8.9	21.4	2.3
Great Offshore	(5.0)	(23.4)	(46.5)	(50.6)	(7.0)	(18.6)	(38.8)	(58.0)
Bharati Shipyard	0.7	(18.4)	(36.7)	(42.2)	(1.3)	(13.6)	(29.0)	(49.7)
Garware Offshore	(3.1)	(16.1)	(21.6)	(12.7)	(5.1)	(11.3)	(13.9)	(20.2)

Source: Bloomberg, PL Research



Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012	2011	YoY gr. (%)
Mundra Port & SEZ	Sales	4,750	4,157	14.3	5,176	(8.2)	26,421	20,001	32.1
	EBITDA	3,360	2,895	16.0	3,494	(3.8)	17,064	12,994	31.3
	<i>Margins (%)</i>	<i>70.7</i>	<i>69.7</i>		<i>67.5</i>		<i>64.6</i>	<i>65.0</i>	
	PAT	2,350	2,113	11.2	2,472	(4.9)	11,824	9,142	29.3
Gujarat Pipavav Port	Sales	950	616	54.2	831	14.4	1,781	1,157	53.9
	EBITDA	445	233	90.9	381	16.7	826	394	109.9
	<i>Margins (%)</i>	<i>46.8</i>	<i>37.8</i>		<i>45.9</i>		<i>46.4</i>	<i>34.0</i>	
	PAT	124	(229)	(154.3)	60	107.4	184	(525)	(135.0)
Aban Offshore	Sales	7,309	8,425	(13.2)	8,987	(18.7)	33,671	33,472	0.6
	EBITDA	4,605	5,202	(11.5)	5,154	(10.7)	21,359	21,086	1.3
	<i>Margins (%)</i>	<i>63.0</i>	<i>61.7</i>		<i>57.3</i>		<i>63.4</i>	<i>63.0</i>	
	PAT	821	2,057	(60.1)	1,633	(49.7)	4,667	5,125	(8.9)
ABG Shipyard	Sales	5,649	4,285	31.9	5,280	7.0	26,070	20,528	27.0
	EBITDA	1,199	1,034	16.0	868	38.2	5,501	4,340	26.8
	<i>Margins (%)</i>	<i>21.2</i>	<i>24.1</i>		<i>16.4</i>		<i>21.1</i>	<i>21.1</i>	
	PAT	591	521	13.5	405	46.1	2,562	2,189	17.0
Gateway Distriparks	Sales	578	382	51.3	554	4.4	6,564	5,893	11.4
	EBITDA	335	180	86.3	320	4.7	1,944	1,592	22.1
	<i>Margins (%)</i>	<i>58.0</i>	<i>47.1</i>		<i>57.8</i>		<i>29.6</i>	<i>27.0</i>	
	PAT	196	152	28.9	267	(26.6)	1,143	970	17.8
Great Offshore	Sales	2,380	2,393	(0.5)	2,163	10.0	11,422	9,536	19.8
	EBITDA	968	998	(3.0)	749	29.2	4,741	3,448	37.5
	<i>Margins (%)</i>	<i>40.7</i>	<i>41.7</i>		<i>34.6</i>		<i>41.5</i>	<i>36.2</i>	
	PAT	120	267	(55.2)	(81)	(248.4)	577	(333)	(273.0)
Bharati Shipyard	Sales	3,350	3,331	0.6	3,477	(3.7)	13,018	13,704	(5.0)
	EBITDA	600	632	(5.0)	633	(5.3)	2,226	2,543	(12.5)
	<i>Margins (%)</i>	<i>17.9</i>	<i>19.0</i>		<i>18.2</i>		<i>17.1</i>	<i>18.6</i>	
	PAT	148	221	(33.1)	382	(61.3)	382	1,128	(66.1)
Garware Offshore	Sales	511	485	5.2	486	5.0	2,340	2,042	14.6
	EBITDA	219	194	12.4	195	12.3	871	882	(1.3)
	<i>Margins (%)</i>	<i>42.8</i>	<i>40.1</i>		<i>40.0</i>		<i>37.2</i>	<i>43.2</i>	
	PAT	34	55	(37.7)	16	118.9	175	266	(34.1)

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	109,153	124,775	148,649
<i>Growth (%)</i>	<i>10.0</i>	<i>14.3</i>	<i>19.1</i>
EBITDA	48,914	56,551	66,272
<i>Margin (%)</i>	<i>44.8</i>	<i>45.3</i>	<i>44.6</i>
PAT	19,229	22,897	31,393
<i>Growth (%)</i>	<i>5.0</i>	<i>19.1</i>	<i>37.1</i>
PE (x)	21.8	18.3	13.4

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	25,477	24,073	5.8	26,955	(5.5)
EBITDA	11,730	11,368	3.2	11,795	(0.5)
<i>Margin (%)</i>	<i>46.0</i>	<i>47.2</i>	<i>(118)bps</i>	<i>43.8</i>	<i>229 bps</i>
PAT (Excl. Ex Items)	4,384	5,158	(15.0)	5,154	(14.9)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Aban Offshore

	Accumulate
Rating	
Price	Rs530
Target Price	Rs650
Market Cap. (Rs bn)	23.1
Shares o/s (m)	43.5

Three of the company's older assets were not operational during the quarter. Along with that, Aban V's contract also ended in the middle of the quarter. On the positive side, Aban Abraham has finally commenced operations in June. However, overall earnings are expected to look subdued on account of the idle assets.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	33,472	33,671	34,197
EBITDA	21,086	21,359	21,590
<i>Margin (%)</i>	<i>63.0</i>	<i>63.4</i>	<i>63.1</i>
PAT	5,125	4,667	5,415
EPS (Rs)	102.7	107.3	124.5
<i>RoE (%)</i>	<i>24.5</i>	<i>23.1</i>	<i>21.5</i>
PE (x)	5.2	4.9	4.3
P / BV (x)	1.3	1.0	0.8
EV / E (x)	7.0	6.4	5.9

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	7,309	8,425	(13.2)	8,987	33,671	33,472	0.6
EBITDA	4,605	5,202	(11.5)	5,154	21,359	21,086	1.3
<i>Margin (%)</i>	<i>63.0</i>	<i>61.7</i>	<i>125bps</i>	<i>57.3</i>	<i>63.4</i>	<i>63.0</i>	<i>44 bps</i>
Reported PAT	821	(1,439)	(157.0)	1,517	4,667	1,239	276.6
PAT (Excl. Ex Items)	821	2,057	(60.1)	1,633	4,667	5,125	(8.9)
Operating Metrics							
Fleet Size	18	19		18	18	18	
No. of uncontracted rigs	4	2		-	-	-	
No. of vessels under dry-docking	-	-		-	-	-	

Great Offshore

Rating	Reduce
Price	Rs218
Target Price	Rs200
Market Cap. (Rs bn)	8.1
Shares o/s (m)	37.2

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	9,536	11,422	13,892
EBITDA	3,448	4,741	5,866
Margin (%)	36.2	41.5	42.2
PAT	(333)	577	1,260
EPS (Rs)	(9.0)	15.5	33.8
RoE (%)	(3.0)	5.0	10.4
PE (x)	(24.3)	14.1	6.4
P / BV (x)	0.7	0.7	0.6
EV / E (x)	11.1	5.2	4.0

After an extremely dismal Q4 FY11, Q1 FY12 is expected to look slightly better with both drilling assets; Badrinath and Kedarnath deployed, as well as better performance for certain spot market assets. Margins are likely to strengthen slightly as compared to Q4 with better performance of assets in the spot market as well as change in an accounting policy whereby unused stores, spares and consumables on board a vessel shall be accounted as inventory instead of accounting in raw-material cost.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E*	12M FY11*	YoY gr. (%)
Net Sales	2,380	2,393	(0.5)	2,163	11,422	9,536	19.8
EBITDA	968	998	(3.0)	749	4,741	3,448	37.5
Margin (%)	40.7	41.7	(102)bps	34.6	41.5	36.2	535 bps
Reported PAT	120	267	(55.2)	477	577	248	132.6
PAT (Excl. Ex Items)	120	267	(55.2)	(81)	577	(333)	(273.0)
Operating Metrics							
Drilling Rigs	100%	66%		100%	80%	77%	
Harbour Tugs	97%	95%		98%	97%	98%	
OSV	88%	68%		85%	86%	74%	
Fleet Size	65.0	66.0		66.0	65.0	65.0	

* Consolidated

Global Offshore

Rating	Accumulate
Price	Rs118
Target Price	Rs145
Market Cap. (Rs bn)	2.8
Shares o/s (m)	23.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	2,042	2,340	2,581
EBITDA	882	871	1,043
Margin (%)	43.2	37.2	40.4
PAT	266	175	367
EPS (Rs)	11.2	7.4	15.4
RoE (%)	9.8	6.2	12.3
PE (x)	10.6	16.1	7.7
P / BV (x)	1.0	1.0	0.9
EV / E (x)	9.9	9.6	7.6

During the quarter, two of the company's assets; PSV Kailash and AHTSV Mahananda won long term contracts. Kailash will start its 4 year contract with Petrobras in August 2011 while Mahananda has already commenced its 3 year charter in India. Of the company's current 12 vessel fleet, 3 stand idle of which 2 are likely to be sold and one is being marketed. All the company's remaining assets are deployed on long-term charters, of which the earliest ends in December 2011.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	511	485	5.2	486	2,340	2,042	14.6
EBITDA	219	194	12.4	195	871	882	(1.3)
Margin (%)	42.8	40.1	273 bps	40.0	37.2	43.2	(600)bps
Reported PAT	34	55	(37.7)	16	175	266	(34.1)
PAT (Excl. Ex Items)	34	55	(37.7)	16	175	266	(34.1)
Operating Metrics							
Fleet Size	12	12		12	12	12	
Number of vessels under dry-docking	-	-		1	-	1	

Mundra Port & SEZ

	Accumulate
Rating	
Price	Rs160
Target Price	Rs174
Market Cap. (Rs bn)	320.3
Shares o/s (m)	2,003.4

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	20,001	26,421	33,354
EBITDA	12,994	17,064	21,889
<i>Margin (%)</i>	<i>65.0</i>	<i>64.6</i>	<i>65.6</i>
PAT	9,142	11,824	16,540
EPS (Rs)	4.6	5.9	8.3
<i>RoE (%)</i>	<i>24.2</i>	<i>25.9</i>	<i>29.4</i>
PE (x)	35.0	27.1	19.4
P / BV (x)	7.8	6.4	5.1
EV / E (x)	26.5	19.9	15.0

We expect volume momentum to remain strong. A sequential increase is expected on account of the coal terminal commencing operations. Besides, the other development during the quarter was the company winning a bid for the lease of Abbot Point Coal terminal (APCT), Australia, for a period of 99 years at a bid price of AUD18bn. The port of Abbot Point owned by PCQ (Queensland govt. entity), is a coal export terminal, with a handling capacity that shall scale up to 50mtpa by the end of 2011. The port handled 16.9mt of cargo in FY10 and 12.1mt in 9MFY11 (year-end June). This is expected to scale up to 50mt by 2016, with take or pay agreements for the entire 50mt which is already in place

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E*	12M FY11*	YoY gr. (%)
Net Sales	4,750	4,157	14.3	5,176	26,421	20,001	32.1
EBITDA	3,360	2,895	16.0	3,494	17,064	12,994	31.3
<i>Margin (%)</i>	<i>70.7</i>	<i>69.7</i>	<i>108 bps</i>	<i>67.5</i>	<i>64.6</i>	<i>65.0</i>	<i>(38)bps</i>
Reported PAT	2,350	2,113	11.2	2,472	11,824	9,142	29.3
PAT (Excl. Ex Items)	2,350	2,113	11.2	2,472	11,824	9,142	29.3
Operating Metrics							
Rev/Tonne	308	320	(3.8)	289	317	321	(1.3)
SEZ Land Sales (acres)	-	2		25	400	27	1,381.5
Port volumes	15	13	19.7	14	74	52	43.1

* Consolidated

Gujarat Pipavav Port

	Accumulate
Rating	
Price	Rs66
Target Price	Rs69
Market Cap. (Rs bn)	27.9
Shares o/s (m)	423.6

Key Figures (Rs m)

	CY10	CY11E	CY12E
Net Sales	2,839	3,977	5,268
EBITDA	1,174	2,028	2,845
<i>Margin (%)</i>	<i>41.3</i>	<i>51.0</i>	<i>54.0</i>
PAT	(509)	742	1,568
EPS (Rs)	(1.2)	1.8	3.7
<i>RoE (%)</i>	<i>(9.8)</i>	<i>9.6</i>	<i>18.2</i>
PE (x)	(54.8)	37.6	17.8
P / BV (x)	3.8	3.5	3.0
EV / E (x)	28.9	16.1	11.0

Volumes during the quarter are likely to firm up, however largely on the bulk side. We expect bulk volumes to increase by 11% on a YoY basis and 54% on a sequential basis. The strong sequential growth is on account of fertilizer volumes kicking in pre-monsoons. Capex on the land side for container cargo is on track and the company is likely to expand capacities to 0.85m TEUs by the end of the calendar year.

Quarterly Table (Rs m)

Y/e Dec	Q2 CY11E	Q2 CY10	YoY gr. (%)	Q1 CY11	12M CY11E	12M CY10	YoY gr. (%)
Net Sales	950	616	54.2	831	3,977	2,839	40.1
EBITDA	445	233	90.9	381	2,028	1,174	72.8
<i>Margin (%)</i>	<i>46.8</i>	<i>37.8</i>	<i>899 bps</i>	<i>45.9</i>	<i>51.0</i>	<i>41.3</i>	<i>966 bps</i>
Reported PAT	124	(245)	(150.6)	60	742	(547)	(235.6)
PAT (Excl. Ex Items)	124	(229)	(154.3)	60	742	(509)	(245.8)
Volumes							
Container (TEUs)	143,336	88,057	62.8	136,510	630,000	466,138	35.2
Bulk (mt)	1.00	0.90	11.1	0.65	4.1	3.4	20.0



Gateway Distriparks

	Accumulate
Rating	
Price	Rs126
Target Price	Rs131
Market Cap. (Rs bn)	13.6
Shares o/s (m)	107.9

We expect CFS volumes to hold up and realisation to strengthen on a sequential basis leading to a healthier operational performance. At the PAT level, we expect a sequential decline on account of the company now getting into the full-tax regime.

The positive development during the quarter is the tender for the 4th container terminal at JNPT finally being awarded. This, over a period of time shall lead to strengthening of GDL's CFS business.

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	5,893	6,564	8,165
EBITDA	1,592	1,944	2,501
<i>Margin (%)</i>	<i>27.0</i>	<i>29.6</i>	<i>30.6</i>
PAT	970	1,143	1,544
EPS (Rs)	9.0	10.6	14.3
<i>RoE (%)</i>	<i>14.2</i>	<i>15.6</i>	<i>19.0</i>
PE (x)	14.0	11.9	8.8
P / BV (x)	1.9	1.8	1.6
EV / E (x)	8.6	6.9	5.2

Quarterly Table (Rs m) - Standalone

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E*	FY11*	gr. (%)
Net Sales	578	382	51.3	554	6,564	5,893	11.4
EBITDA	335	180	86.3	320	1,944	1,592	22.1
<i>Margin (%)</i>	<i>58.0</i>	<i>47.1</i>	<i>1,087bps</i>	<i>57.8</i>	<i>29.6</i>	<i>27.0</i>	<i>261 bps</i>
Reported PAT	196	152	28.9	267	1,143	970	17.8
PAT (Excl. Ex Items)	196	152	28.9	267	1,143	970	17.8
Operating Metrics							
CFS Volumes (TEUs)	89,272	75,769	17.8	87,522	353,775	333,422	6.1
Revenue/TEU (Rs)	8,450	6,291	34.3	8,193	6,812	7,019	(3.0)

* Consolidated

ABG Shipyard

	Accumulate
Rating	
Price	Rs377
Target Price	Rs396
Market Cap. (Rs bn)	19.2
Shares o/s (m)	50.9

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	20,528	26,070	35,195
EBITDA	4,340	5,501	7,321
<i>Margin (%)</i>	<i>21.1</i>	<i>21.1</i>	<i>20.8</i>
PAT	2,189	2,562	3,897
EPS (Rs)	43.0	50.3	76.5
<i>RoE (%)</i>	<i>18.2</i>	<i>18.2</i>	<i>22.9</i>
PE (x)	8.8	7.5	4.9
P / BV (x)	1.5	1.3	1.0
EV / E (x)	8.7	5.4	3.9

Nos. are including Subsidy

Execution has been on track and hence we expect sequential growth in revenues given the larger capacities. Post the execution of the coast guard order in Q4 FY11 which resulted in subdued margins for the company, we expect margins to bounce back to normal levels. The large positive for the company during the quarter was the receipt of its first defence order to the tune of Rs9.7bn. The order is for 2 offshore patrol vessels (OPV's) whose delivery is scheduled within 48 months of order signing.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	5,649	4,285	31.9	5,280	26,070	20,528	
EBITDA	1,199	1,034	16.0	868	5,501	4,340	26.8
<i>Margin (%)</i>	<i>21.2</i>	<i>24.1</i>	<i>(290)bps</i>	<i>16.4</i>	<i>21.1</i>	<i>21.1</i>	<i>(4)bps</i>
Reported PAT	591	384	54.1	403	2,562	2,399	6.8
PAT (Excl. Ex Items)	591	521	13.5	405	2,562	2,189	17.0
Operating Metrics							
Order Book	140,771	121,000	16.3	136,720	125,630	136,720	(8.1)
Unexecuted Order book	101,949	78,896	29.2	97,898	81,528	97,898	(16.7)
Subsidy Booked	150	210	(28.6)	40	1,050	841	24.8

Bharati Shipyard

	Accumulate
Rating	
Price	Rs138
Target Price	Rs153
Market Cap. (Rs bn)	4.4
Shares o/s (m)	31.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	13,704	13,018	14,971
EBITDA	2,543	2,226	2,575
<i>Margin (%)</i>	<i>18.6</i>	<i>17.1</i>	<i>17.2</i>
PAT	1,128	382	658
EPS (Rs)	35.6	12.1	20.8
<i>RoE (%)</i>	<i>12.7</i>	<i>4.0</i>	<i>6.6</i>
PE (x)	3.9	11.4	6.6
P / BV (x)	0.5	0.5	0.4
EV / E (x)	14.6	15.5	13.2

Nos. are including Subsidy

The heavy interest burden continues to be a drag on the company's profits. Besides, the situation worsens on account of the depleting order book as the company has not received any orders for over eight quarters now. At the current run rate, the company has only 2 quarters of revenue visibility. We expect execution to gradually slow down if the order book does not improve.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	3,350	3,331	0.6	3,477	13,018	13,704	(5.0)
EBITDA	600	632	(5.0)	633	2,226	2,543	(12.5)
<i>Margin (%)</i>	<i>17.9</i>	<i>19.0</i>	<i>(106)bps</i>	<i>18.2</i>	<i>17.1</i>	<i>18.6</i>	<i>(146)bps</i>
Reported PAT	148	221	(33.1)	382	382	1,128	(66.1)
PAT (Excl. Ex Items)	148	221	(33.1)	382	382	1,128	(66.1)
Operating Metrics (Rs m)							
Order Book	43,001	49,979	(14.0)	46,351	32,486	40,608	(20.0)
Unexecuted Order Book	6,742	19,204	(64.9)	10,092	5,795	13,813	(58.0)
Subsidy Booked	700	295	137.1	936	2,500	2,108	18.6



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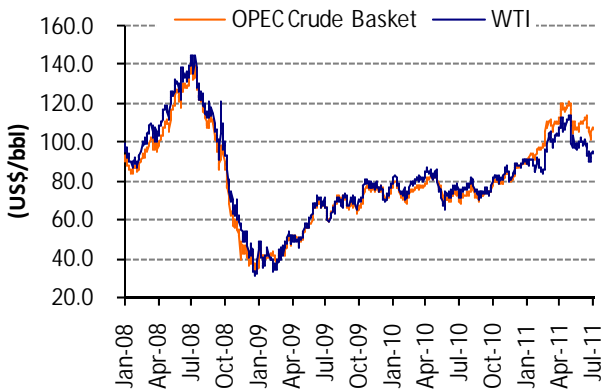
Oil & Gas

Crude oil continued its upward journey during the quarter, with Brent oil prices averaging at US\$117.1/bbl. Strong prices were a response to the disruption of crude oil exports in Libya resulting into lower OPEC spare capacity. Continuing unrest in Libya coupled with expectation of tightening of the global oil markets has led to highest crude oil prices since 2008. GRMs, during the quarter, witnessed an improvement on account of strong middle distillate cracks; the trend is particularly beneficial to the complex refineries. In the Petchem segment, cracker margins, integrated PE margins as well as non-integrated margins witnessed an improvement during the quarter.

Crude - prices soared sequentially and averaged at US\$117.1/bbl during Q1FY12

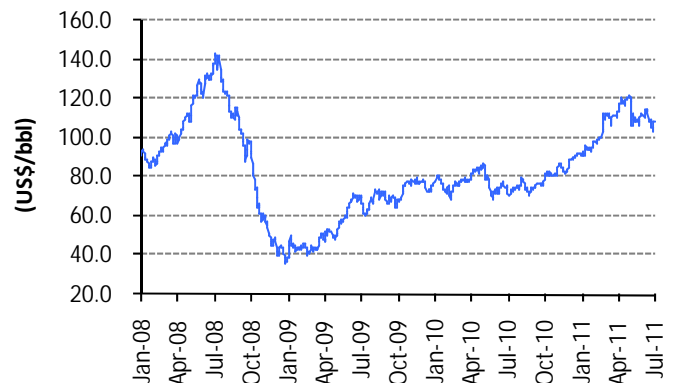
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Crude price - WTI, OPEC



Source: Bloomberg, PL Research

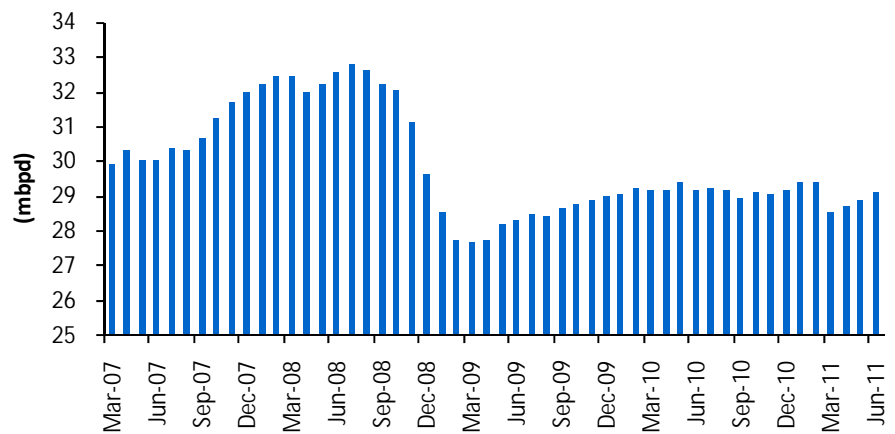
Indian crude basket



Source: Bloomberg, PL Research

OPEC is 'happy' with the current oil prices and hence, maintained a status quo with regards to production quotas. However, the same was done with significant split amongst the member countries, where the hawks such as Iran and Venezuela called for maintenance of the production quotas, however Saudi Arabia insisted on increased supplies by OPEC countries. With OPEC maintaining production, Saudi Arabia unilaterally decided to increase the production as required by the markets to keep crude prices under check. OPEC crude oil production, during the quarter, averaged at 28.91mbpd, a decline from average production of 29.10mbpd in the Q4FY2011. OPEC has not formally changed its output policy since agreeing on the record cut in December 2008 and has maintained its output in a meeting held on June 7, 2011.

OPEC monthly crude oil production



Source: Bloomberg, PL Research

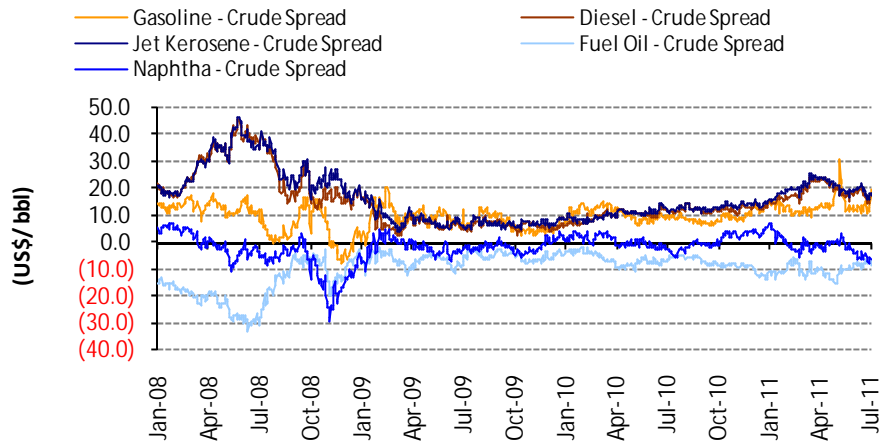
Post the OPEC decision for increasing the supplies, International Energy Agency (IEA), has announced release of 60 million barrels of oil and petroleum products into the global market over the next 30 days (equivalent to 2 million b/d). As per the official state, The move is in a bid to relieve immediate market tightness and bridge the gap until planned supply uplifts from leading spare capacity holders feed through, thus making up for the lost Libyan oil in the markets. However, we believe the move will also serve as an economic stimulus, increasing spending power and confidence at a time when many formal quantitative-easing programmes are coming to an end. The IEA move reflects increasing friction amongst the oil consumers and the oil producers. While the move is likely to keep check on the oil prices in the near term, the same could have adverse impact on the long term oil prices.

Indian crude prices averaged at US\$112.9/bbl during Q1FY12 (Q4FY11-US\$102.1/bbl). Increase in Indian crude prices, coupled with increase in the product cracks of diesel and petrol, has resulted in significant jump in the under-recoveries of the Public sector oil marketing companies. Under recoveries during the quarter are likely to stand at Rs442.9bn. We expect upstream companies to share 33% subsidy burden during the quarter on the provisional basis as the subsidy sharing matrix for the upstream companies is still under discussion.

Key product cracks witnessed an improvement

Petroleum product crack spreads further improved during the quarter, aiding the GRM expansion. Gasoline- Crude spreads witnessed an expansion during the quarter from US\$12.7/bbl during Q4FY11 to US\$15.0/bbl during Q1FY12. Middle distillate cracks were also relatively strong during the quarter; with Jet Kerosene-Crude spread at US\$20.5/bbl up from US\$20.2/bbl. Spreads were also higher for diesel at US\$19.6/bbl as against US\$18.3/bbl. The strength in the middle distillate spreads was largely on account of higher demand from China, coupled with earthquake in Japan. Naphtha spreads declined during the quarter to US\$-2.1/bbl (-0.6/bbl in Q4FY11).

Petroleum product spreads

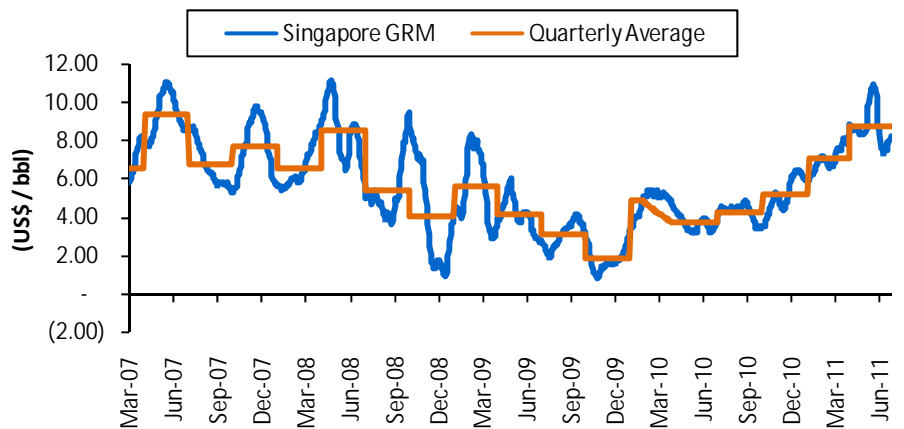


Source: Bloomberg, PL Research

GRMs – witness an expansion

Singapore complex GRMs strengthened during the quarter which is expected to aid the performance of the Indian refiners. Strength in the Singapore complex margins is largely on account of increased spreads of the key products viz. Gasoline, Gasoil and Kerosene. Singapore Complex GRMs averaged at US\$8.8/bbl in Q4FY11 from US\$7.4/bbl in Q4FY11. Increased demand for the petroleum products, coupled with refinery closures, now amounts to 0.7mbpd since Q1FY09 and the earthquake in Japan has led to an improvement in the refining margins over the last year. Similarly estimated global spare refining capacity has also fell from 7.0 million barrels per day of at end of 2009 to 5.7 million barrels per day at end of 2010

Reuters Singapore Complex GRMs

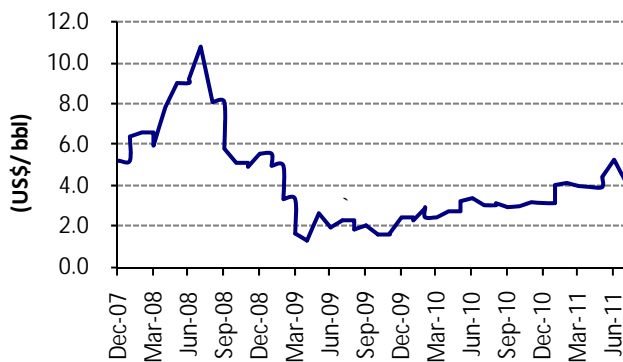


Source: Reuters, PL Research

Crude differentials – expands

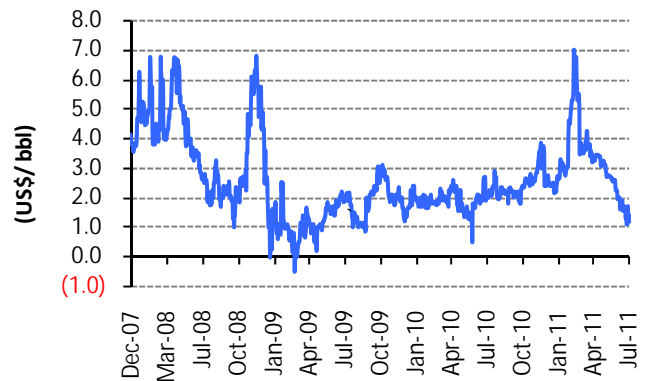
Light-heavy differentials were higher during the quarter, with AH-AL spread averaging at US\$4.51/bbl as against US\$3.99/bbl. Similarly, the spreads between Dubai Fateh-AH increased to US\$11.75/bbl as against US\$8.16/bbl in the previous quarter. Recent strength in the crude oil prices is likely to result in higher crude differentials, which in turn, is likely to benefit complex refiners over the simple refiners. The increase in the spread could be attributed to the fact that production of the lighter crude has declined post the Libyan disruption, thereby increasing the delta between the light and heavier crude.

Arab light-heavy differential



Source: Bloomberg, PL Research

WTI-WTS sweet-sour differential

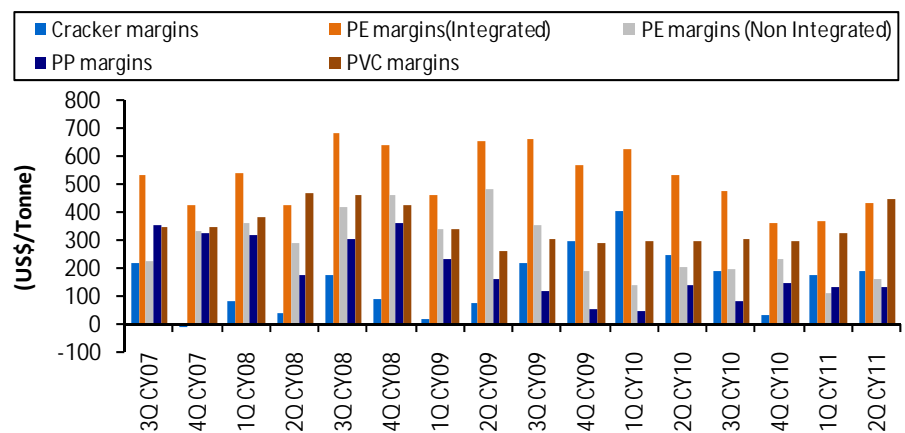


Source: Bloomberg, PL Research

Petrochemical margins improves

In the Petchem segment, cracker margins registered a slight improved, while the integrated PE margins were improved significant during the quarter. Cracker margins, during the quarter, averaged at US\$194/tonne as compared to US\$180/tonne (Q4FY11), the same was 5.3% higher than 5-year averages. Similarly, the integrated PE margins improved during the quarter, averaging at US\$437/tonne as against US\$372/tonne in Q4FY11, the same was 20% lower than 5-year averages. Non-integrated PE margins were also higher on a sequential basis at US\$ 167/tonne as against US \$114/tonne in Q4FY2011; the same was 40% lower than the 5-year averages. Margins in the PP segment were subdued during the quarter at US\$136/tonne as against US\$137/tonne in the Q4FY2011. This improvement could largely be attributed to an increase in the demand for the petrochemical products during the quarter. Margins in the PVC segment were at US\$452/tonne as against US\$328/tonne in the previous quarter. Improvement in the integrated PE margins is likely to benefit RIL.

Petrochemical Margins

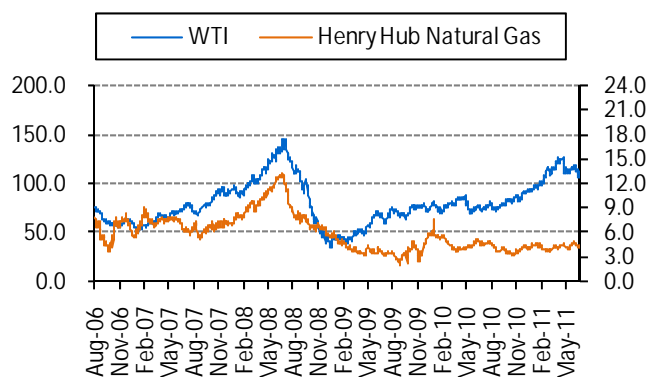


Source: Bloomberg, PL Research

Natural gas – Henry Hub prices witnessed marginal increase, ICE natural gas futures increases

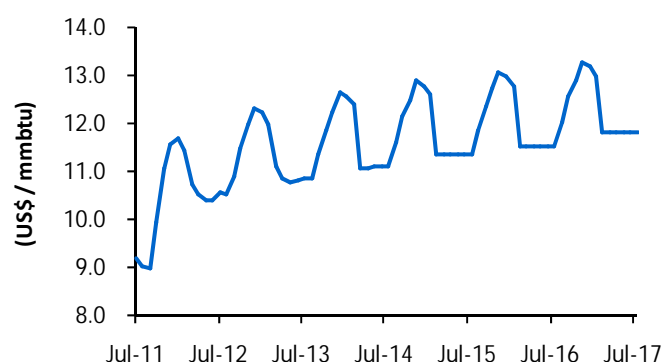
Henry Hub Natural gas prices increased marginally during the quarter, with prices averaging at US\$4.35/mmbtu as against US\$4.17/mmbtu in the previous quarter. The correlation between crude oil prices and natural gas prices further weakened during the quarter. Availability from unconventional gas like Shale gas has been improving, thereby, weakening the correlation between crude and natural gas prices. However, we believe Henry Hub natural gas prices are not the true reflection of the global gas markets and better reflection of the global natural gas prices can be gauged from the ICE natural gas futures prices. ICE natural gas futures, during the quarter, witnessed an uptick on account of varied factors such as increase in the crude oil prices and earthquake and tsunami in Japan which would boost demand. Currently, the forward ICE natural gas futures are between US\$10.5/mmbtu to US\$12.0/mmbtu over the next two years. LNG Prices also strengthened during the quarter, tracking the Brent oil prices with matters further helped by a quake in Japan.

Henry Hub natural gas price



Source: Bloomberg, PL Research

ICE Natural Gas Future Prices



Source: Bloomberg, PL Research

Top picks: Indraprastha Gas, Petronet LNG

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Reliance Industries	(9.5)	(19.3)	(21.4)	(20.8)	(11.5)	(14.5)	(13.7)	(28.3)
ONGC	(1.3)	(6.7)	(12.6)	(14.0)	(3.3)	(2.0)	(5.0)	(21.4)
Cairn India	(6.6)	(14.3)	(8.5)	6.0	(8.6)	(9.5)	(0.8)	(1.5)
GAIL	3.8	(1.1)	(13.7)	(1.8)	1.8	3.6	(6.0)	(9.3)
Oil India	0.6	(1.2)	(6.4)	(7.4)	(1.4)	3.6	1.3	(14.8)
Petronet LNG	2.0	10.5	14.3	78.7	(0.0)	15.3	22.0	71.2
Indraprastha Gas	15.2	27.1	13.9	34.8	13.2	31.9	21.5	27.3
Gujarat State Petronet	(8.2)	(11.2)	(22.6)	(12.0)	(10.2)	(6.5)	(15.0)	(19.4)
Gujarat Gas Company	1.0	0.8	1.5	30.6	(1.1)	5.6	9.2	23.1

Source: Bloomberg, PL Research



Summary Financials - Quarterly (Rs m)

		Q4FY11E	Q4FY10	YoY gr. (%)	Q3FY11	QoQ gr. (%)	2011	2010	YoY gr. (%)
Reliance Industries	Sales	788,992	582,280	35.5	726,740	8.6	3,184,312	2,481,700	28.3
	EBITDA	101,694	93,420	8.9	98,430	3.3	407,585	381,260	6.9
	Margins (%)	12.9	16.0		13.5		12.8	15.4	
	PAT	56,950	48,510	17.4	53,760	5.9	226,805	202,860	11.8
ONGC	Sales	150,179	136,656	9.9	153,962	(2.5)	1,426,374	1,176,106	21.3
	EBITDA	88,906	80,359	10.6	72,605	22.5	580,806	484,364	19.9
	Margins (%)	59.2	58.8		47.2		40.7	41.2	
	PAT	40,030	36,612	9.3	27,909	43.4	267,229	224,530	19.0
Cairn India	Sales	40,058	8,406	376.5	36,545	9.6	200,610	102,779	95.2
	EBITDA	34,744	6,472	436.9	31,382	10.7	131,009	85,229	53.7
	Margins (%)	86.7	77.0		85.9		65.3	82.9	
	PAT	26,863	3,548	657.1	25,749	4.3	91,389	65,568	39.4
GAIL	Sales	91,216	71,158	28.2	88,936	2.6	388,848	324,586	19.8
	EBITDA	12,237	14,546	(15.9)	12,724	(3.8)	60,242	54,546	10.4
	Margins (%)	13.4	20.4		14.3		15.5	16.8	
	PAT	7,471	8,869	(15.8)	7,831	(4.6)	38,506	35,611	8.1
Oil India	Sales	22,405	15,234	47.1	20,189	11.0	93,116	83,034	12.1
	EBITDA	11,297	6,388	76.9	8,595	31.4	45,696	40,290	13.4
	Margins (%)	50.4	41.9		42.6		49.1	48.5	
	PAT	8,090	5,011	61.4	5,626	43.8	31,380	28,877	8.7
Petronet LNG	Sales	43,160	25,260	70.9	39,860	8.3	188,822	131,973	43.1
	EBITDA	3,685	2,477	48.7	3,513	4.9	14,612	12,163	20.1
	Margins (%)	8.5	9.8		8.8		7.7	9.2	
	PAT	1,964	1,114	76.3	2,063	(4.8)	7,715	6,196	24.5
Indraprastha Gas	Sales	5,486	3,358	63.4	5,108	7.4	26,144	17,441	49.9
	EBITDA	1,453	1,075	35.2	1,372	5.9	6,455	4,945	30.5
	Margins (%)	26.5	32.0		26.9		24.7	28.4	
	PAT	708	571	23.9	692	2.4	3,227	2,620	23.2
Gujarat State Petronet	Sales	2,592	2,518	2.9	2,551	1.6	11,190	10,409	7.5
	EBITDA	2,378	2,381	(0.2)	2,297	3.5	10,440	9,638	8.3
	Margins (%)	91.7	94.6		90.0		93.3	92.6	
	PAT	1,174	1,051	11.7	1,506	(22.0)	5,261	5,064	3.9
Gujarat Gas Company	Sales	6,723	4,187	60.6	5,291	27.1	12,014	8,287	45.0
	EBITDA	1,145	934	22.6	1,088	5.3	2,233	1,959	14.0
	Margins (%)	17.0	22.3		20.6		18.6	23.6	
	PAT	735	572	28.3	721	1.9	1,455	1,186	22.7

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	4,346,521	5,542,286	5,299,850
<i>Growth (%)</i>	<i>23.0</i>	<i>27.5</i>	<i>(4.4)</i>
EBITDA	1,076,589	1,261,464	1,337,268
<i>Margin (%)</i>	<i>24.8</i>	<i>22.8</i>	<i>25.2</i>
PAT	573,902	674,353	692,881
<i>Growth (%)</i>	<i>189.4</i>	<i>17.5</i>	<i>2.7</i>
PE (x)	12.0	10.2	10.0

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	1,150,809	849,056	35.5	1,079,182	6.6
EBITDA	257,538	208,051	23.8	232,006	11.0
<i>Margin (%)</i>	<i>22.4</i>	<i>24.5</i>	<i>(212)bps</i>	<i>21.5</i>	<i>88</i>
PAT (Excl. Ex Items)	143,985	105,859	36.0	125,856	14.4

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Reliance Industries

	Accumulate
Rating	
Price	Rs846
Target Price	Rs1,036
Market Cap. (Rs bn)	3,426.6
Shares o/s (m)	3,270.4

On the back of strong macro environment, RIL is likely to report better set of numbers during the quarter. Benchmark Singapore GRMs has averaged at US\$8.8/bbls. However, the same should auger well for RIL to a limited extent on account of the fact that strength in the Singapore margins during the quarter was largely a function of improved gasoline cracks whereas the pre-dominant portion of RIL's product slate is composed of middle distillates. We expect GRMS of US\$10.3/bbls for RIL during the quarter.

Key Figures (Rs m) - Consolidated

	FY11E	FY12E	FY13E
Net Sales	2,481,700	3,184,312	2,786,354
EBITDA	381,260	407,585	443,153
<i>Margin (%)</i>	<i>15.4</i>	<i>12.8</i>	<i>15.9</i>
PAT	202,860	226,805	237,814
EPS (Rs)	62.0	69.3	72.7
<i>RoE (%)</i>	<i>14.9</i>	<i>14.7</i>	<i>13.7</i>
PE (x)	13.7	12.2	11.6
P / BV (x)	1.9	1.7	1.5
EV / E (x)	8.2	7.4	6.5

* Consensus Estimates

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	788,992	582,280	35.5	726,740	3,184,312	2,481,700	28.3
EBITDA	101,694	93,420	8.9	98,430	407,585	381,260	6.9
<i>Margin (%)</i>	<i>12.9</i>	<i>16.0</i>	<i>(315)bps</i>	<i>13.5</i>	<i>12.8</i>	<i>15.4</i>	<i>(256)bps</i>
Reported PAT	56,950	48,510	17.4	53,760	226,805	202,860	11.8
PAT (Excl. Ex Items)	56,950	48,510	17.4	53,760	226,805	202,860	11.8
Operating Metrics							
GRMs (US\$/bbl)	10.3	7.3	41.1	9.2	10.1	8.4	20.7
Crude throughput (mmt)	16.8	16.9	(0.9)	16.7	66.3	66.6	(0.5)
Petchem. EBIT (Rs m)	49.0	59.7	(17.9)	51.0	60.0	51.3	17.1
Refining EBIT (Rs m)	788,992	582,280	35.5	726,740	3,184,312	2,481,700	28.3

ONGC

Rating	BUY
Price	Rs277
Target Price	Rs345
Market Cap. (Rs bn)	2,365.6
Shares o/s (m)	8,555.6

Key Figures (Rs m) - Consolidated

	FY11E	FY12E	FY13E
Net Sales	1,176,106	1,426,374	1,453,400
EBITDA	484,364	580,806	596,605
<i>Margin (%)</i>	<i>41.2</i>	<i>40.7</i>	<i>41.0</i>
PAT	224,530	267,229	268,617
EPS (Rs)	26.2	31.2	31.4
<i>RoE (%)</i>	<i>20.7</i>	<i>21.7</i>	<i>19.4</i>
PE (x)	10.5	8.9	8.8
P / BV (x)	2.1	1.8	1.6
EV / E (x)	5.0	4.1	3.9

ONGC crude oil and natural gas sales volumes are likely to be mute on QoQ basis at 5.80MT and 5.75BCM, respectively during the quarter. On the back of our provisional estimate of 33% subsidy share for upstream and consequently 82% of the same to ONGC, we expect the net realization for the quarter to stand at US\$51.3/bbl (US\$48.05/bbls in Q1FY2011).

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	150,179	136,656	9.9	153,962	1,426,374	1,176,106	21.3
EBITDA	88,906	80,359	10.6	72,605	580,806	484,364	19.9
<i>Margin (%)</i>	<i>59.2</i>	<i>58.8</i>	<i>40 bps</i>	<i>47.2</i>	<i>40.7</i>	<i>41.2</i>	<i>(46)bps</i>
Reported PAT	40,030	36,612	9.3	27,909	267,229	224,530	19.0
PAT (Excl. Ex Items)	40,030	36,612	9.3	27,909	267,229	224,530	19.0
Operating Metrics							
Sale of crude oil (MMT)	5.8	5.3	9.4	5.8	23.5	22.9	2.4
Sale of Natural gas (BCM)	5.7	6.4	(10.3)	6.3	20.7	20.2	2.5
Net realisations(US\$/bbls)	51	50	3.1	39	57	54	6.2

Cairn India

Rating	Not Rated
Price	Rs313
Target Price	NA
Market Cap. (Rs bn)	608.0
Shares o/s (m)	1,943.4

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	102,779	200,610	220,742
EBITDA	85,229	131,009	137,690
<i>Margin (%)</i>	<i>82.9</i>	<i>65.3</i>	<i>62.4</i>
PAT	65,568	91,389	92,548
EPS (Rs)	33.7	47.0	47.6
<i>RoE (%)</i>	<i>17.7</i>	<i>20.7</i>	<i>17.7</i>
PE (x)	9.3	6.7	6.6
P / BV (x)	1.5	1.3	1.1
EV / E (x)	6.4	3.6	2.7

Cairn India's operating profitability is likely to get a boost due to higher crude oil prices during the quarter despite flattish production at the Mangala Fields. We expect realisation of US\$99/bbl from the Mangala fields during the quarter. On the production front, we expect production of 125,000bpd from the Mangala fields in the quarter.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	40,058	8,406	376.5	36,545	200,610	102,779	95.2
EBITDA	34,744	6,472	436.9	31,382	131,009	85,229	53.7
<i>Margin (%)</i>	<i>86.7</i>	<i>77.0</i>	<i>974</i>	<i>85.9</i>	<i>65.3</i>	<i>82.9</i>	<i>(1,762)bps</i>
Reported PAT	26,863	3,548	657.1	25,749	91,389	65,568	39.4
PAT (Excl. Ex Items)	26,863	3,548	657.1	25,749	91,389	65,568	39.4
Operating Metrics							
Rajasthan working int. vol (Th. bopd)	91	31	191.7	83	119	88	35.4

GAIL

Rating	Accumulate
Price	Rs457
Target Price	Rs492
Market Cap. (Rs bn)	579.1
Shares o/s (m)	1,268.5

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	324,586	388,848	415,588
EBITDA	54,546	60,242	69,899
<i>Margin (%)</i>	<i>16.8</i>	<i>15.5</i>	<i>16.8</i>
PAT	35,611	38,506	41,208
EPS (Rs)	28.1	30.4	32.5
<i>RoE (%)</i>	<i>19.8</i>	<i>18.7</i>	<i>17.7</i>
PE (x)	16.3	15.0	14.1
P / BV (x)	3.0	2.6	2.3
EV / E (x)	10.6	9.8	9.0

GAIL is likely to report a weaker performance for the quarter on the back of subdued transmission volumes and increase in the subsidy burden during the quarter. Transmission volumes during the quarter are likely to be around 122mmscmd. For the current quarter under consideration, we believe GAIL is likely to share subsidy of Rs10 billion.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	91,216	71,158	28.2	88,936	388,848	324,586	19.8
EBITDA	12,237	14,546	(15.9)	12,724	60,242	54,546	10.4
<i>Margin (%)</i>	<i>13.4</i>	<i>20.4</i>	<i>(703)bps</i>	<i>14.3</i>	<i>15.5</i>	<i>16.8</i>	<i>(131)bps</i>
Reported PAT	7,471	8,869	(15.8)	7,831	38,506	35,611	8.1
PAT (Excl. Ex Items)	7,471	8,869	(15.8)	7,831	38,506	35,611	8.1
Operating Metrics							
Natural Gas Trans. (mmscmd)	122	116	5.0	120	125	118	6.0
LPG Trans. (TMT)	875	788	11.0	857	3,370	3,337	1.0
Natural Gas Trans. EBITDA	7,500	7,250	3.4	6,250	34,155	29,080	17.5
LPG Trans. EBITDA	970	880	10.2	820	3,646	3,600	1.3

Oil India

Rating	Accumulate
Price	Rs1,307
Target Price	1,343
Market Cap. (Rs bn)	240.5
Shares o/s (m)	314.2

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	83,034	93,116	97,587
EBITDA	40,290	45,696	47,632
<i>Margin (%)</i>	<i>48.5</i>	<i>49.1</i>	<i>48.8</i>
PAT	28,877	31,380	32,289
EPS (Rs)	120.1	130.5	134.3
<i>RoE (%)</i>	<i>19.7</i>	<i>19.0</i>	<i>17.4</i>
PE (x)	10.9	10.0	9.7
P / BV (x)	2.0	1.8	1.6
EV / E (x)	6.1	5.1	4.6

OIL India is likely to report good set of number on account of expansion in net realisation during the quarter coupled with higher volumes (volumes were impacted during Q1FY2011 due to shutdown of Numaligarh refinery. We expect net realisation during the quarter to stand at US\$59.5/bbls up from US\$49.7/bbls in Q1FY2011. Crude oil sales volumes are likely to be around 6.96 million barrels (0.95MT) during the quarter.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	22,405	15,234	47.1	20,189	93,116	83,034	12.1
EBITDA	11,297	6,388	76.9	8,595	45,696	40,290	13.4
<i>Margin (%)</i>	<i>50.4</i>	<i>41.9</i>	<i>849 bps</i>	<i>42.6</i>	<i>49.1</i>	<i>48.5</i>	<i>55 bps</i>
Reported PAT	8,090	5,011	61.4	5,626	31,380	28,877	8.7
PAT (Excl. Ex Items)	8,090	5,011	61.4	5,626	31,380	28,877	8.7
Operating Metrics							
Oil production (mn barrels)	7.0	5.8	19.0	7	27.0	26.4	2.5
Net realisations on oil (US\$/bbl)	59.5	49.7	19.8	53	57.8	58.5	(1.2)

Petronet LNG

Rating	Accumulate
Price	Rs140
Target Price	Rs149
Market Cap. (Rs bn)	105.1
Shares o/s (m)	750.0

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	131,973	188,822	255,934
EBITDA	12,163	14,612	18,858
<i>Margin (%)</i>	<i>9.2</i>	<i>7.7</i>	<i>7.4</i>
PAT	6,196	7,715	8,288
EPS (Rs)	8.3	10.3	11.1
<i>RoE (%)</i>	<i>25.2</i>	<i>25.9</i>	<i>23.2</i>
PE (x)	17.0	13.6	12.7
P / BV (x)	3.9	3.2	2.7
EV / E (x)	10.9	9.6	6.9

Petronet LNG is likely to see an increase in volumes processed largely on account of higher tolling and spot volumes during the quarter. We expect term contract volumes during the quarter to stand at 95TBTU, spot volumes at 15TBTU and tolling volumes at 18.0TBTUs. EBITDA/TBTU is likely to increase QoQ to Rs28.79/TBTU as against Rs27.94/TBTU in Q4FY11.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	43,160	25,260	70.9	39,860	188,822	131,973	43.1
EBITDA	3,685	2,477	48.7	3,513	14,612	12,163	20.1
<i>Margin (%)</i>	<i>8.5</i>	<i>9.8 (127)bps</i>		<i>8.8</i>	<i>7.7</i>	<i>9.2 (148)bps</i>	
Reported PAT	1,964	1,114	76.3	2,063	7,715	6,196	24.5
PAT (Excl. Ex Items)	1,964	1,114	76.3	2,063	7,715	6,196	24.5
Operating Metrics							
Contracted Sales (TBTUs)	95	89	6.2	99	375	379	(1.0)
Spot LNG (TBTUs)	15	-		13	92	36	153.5
EBITDA/MMBTU	29	26	10.5	28	29	28	4.3

Indraprastha Gas

Rating	Accumulate
Price	Rs390
Target Price	Rs407
Market Cap. (Rs bn)	54.5
Shares o/s (m)	140.0

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	17,441	26,144	33,320
EBITDA	4,945	6,455	7,388
<i>Margin (%)</i>	<i>28.4</i>	<i>24.7</i>	<i>22.2</i>
PAT	2,620	3,227	3,571
EPS (Rs)	18.7	23.0	25.5
<i>RoE (%)</i>	<i>28.7</i>	<i>29.0</i>	<i>26.6</i>
PE (x)	20.8	16.9	15.3
P / BV (x)	5.4	4.5	3.7
EV / E (x)	11.0	8.7	7.7

CNG and PNG volume growth is expected to be robust on a YoY basis, registering a growth of 14.5% and a stellar growth of 91.5% YoY, respectively. EBITDA/scm is likely to be stable on QoQ on account at Rs5.1/scm.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	5,486	3,358	63.4	5,108	26,144	17,441	49.9
EBITDA	1,453	1,075	35.2	1,372	6,455	4,945	30.5
<i>Margin (%)</i>	<i>26.5</i>	<i>32.0 (552)bps</i>		<i>26.9</i>	<i>24.7</i>	<i>28.4 (366)bps</i>	
Reported PAT	708	571	23.9	692	3,227	2,620	23.2
PAT (Excl. Ex Items)	708	571	23.9	692	3,227	2,620	23.2
Operating Metrics							
CNG (mn kgs)	163	142	14.5	158	723	610	18.6
PNG (mmscm)	216	189	14.5	209	284	180	58.0
CNG (Rs/ kg)	29	22	29.9	29	31	27	17.5
PNG (Rs/ scm)	19.6	16.1	35.1	19.6	23	19	47.9

Gujarat State Petronet

Rating	Accumulate
Price	Rs92
Target Price	Rs111
Market Cap. (Rs bn)	51.8
Shares o/s (m)	562.4

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	10,409	11,190	11,232
EBITDA	9,638	10,440	10,479
Margin (%)	92.6	93.3	93.3
PAT	5,064	5,261	5,083
EPS (Rs)	9.0	9.4	9.0
RoE (%)	28.4	23.7	19.3
PE (x)	10.2	9.8	10.2
P / BV (x)	2.6	2.1	1.8
EV / E (x)	6.7	6.2	6.0

On account of lack of production increase in the KG basin production volumes, GSPL's transmission volumes are slated to be largely flat during the quarter at 36mmscmd in Q1FY12 as against 36.3mmscmd in Q1FY11. Average transmission tariff is expected to increase on YoY basis. However the same is likely to be flat on qoq basis.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11E	YoY gr. (%)
Net Sales	2,592	2,518	2.9	2,551	11,190	10,409	7.5
EBITDA	2,378	2,381	(0.2)	2,297	10,440	9,638	8.3
Margin (%)	91.7	94.6	(284)bps	90.0	93.3	92.6	71 bps
Reported PAT	1,174	1,051	11.7	1,506	5,261	5,064	3.9
PAT (Excl. Ex Items)	1,174	1,051	11.7	1,506	5,261	5,064	3.9
Operating Metrics							
Transmission volumes (mmscmd)	36.0	36.3	(0.8)	35.6	37.5	35.8	4.8
Avg. Transmission Tariff (Rs/000scm)	800	762	5.0	797	818	807	1.4

Gujarat Gas Company

Rating	Accumulate
Price	Rs387
Target Price	Rs432
Market Cap. (Rs bn)	49.7
Shares o/s (m)	128.3

Key Figures (Rs m)

	CY10	CY11E	CY12E
Net Sales	18,493	22,870	25,692
EBITDA	4,155	4,620	5,563
Margin (%)	22.5	20.2	21.7
PAT	2,577	2,841	3,463
EPS (Rs)	20.1	22.2	27.0
RoE (%)	32.0	30.7	30.9
PE (x)	19.3	17.5	14.3
P / BV (x)	5.9	4.9	4.0
EV / E (x)	12.0	10.7	8.7

GujGas' distribution volumes are expected to average at about 3.5mmscmd during Q2CY11 on the back of higher LNG imports during the quarter. Gross Gas spreads are likely to maintain during the quarter on the qoq basis on account of an increase in CNG and Industrial prices in wake of higher input cost. We expect gross gas spreads to average at Rs4.62/scm, up from Rs4.01/scm in Q2CY10 and Rs4.63/scm in Q1CY11.

Quarterly Table (Rs m)

Y/e Dec	Q2 CY11E	Q2 CY10	YoY gr. (%)	Q1 CY11	H1 CY11E	H1 CY10	YoY gr. (%)
Net Sales	6,723	4,187	60.6	5,291	12,014	8,287	45.0
EBITDA	1,145	934	22.6	1,088	2,233	1,959	14.0
Margin (%)	17.0	22.3	(527)bps	20.6	18.6	23.6	(506)bps
Reported PAT	735	572	28.3	721	1,455	1,186	22.7
PAT (Excl. Ex Items)	735	572	28.3	721	1,455	1,186	22.7
Operating Metrics							
Gas sales (mmscmd)	3.5	3.3	7.2	3.4	6.9	6.5	5.7
Avg dist. Rate (Rs/scm)	20.6	13.8	49.5	17.2	37.8	27.6	37.0



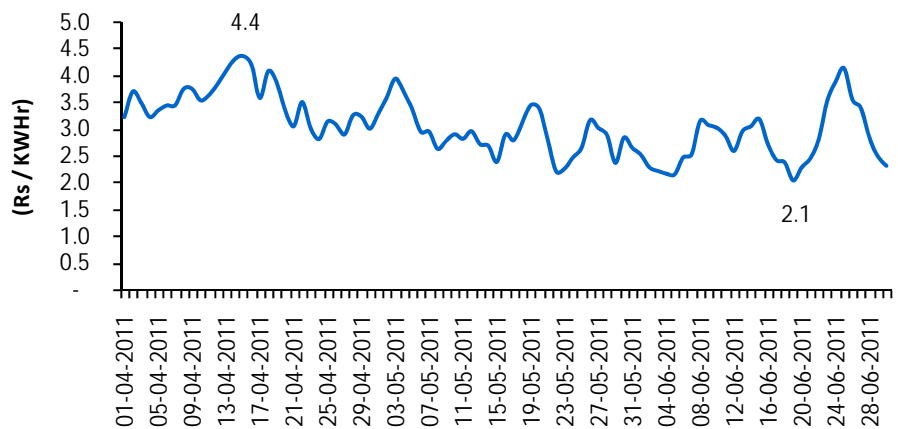
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Power

Power sector experienced lower merchant tariff rates where the average rate was Ra3.1/unit. Capacity addition for April 2011 stood at 735MW; which was 100% achievement. However, during May 2011, capacity addition stood at 550MW; this was just 48% achievement for the month with a flat YoY growth.

As far as April 2011 generation goes, units generated stood at 72bn (6.7% YoY growth). However, May saw a MoM growth of 5.6% at 75bn units and growth was 10% YoY. The short-term contract volume in April 2011 was 7719MUs.

Prices remain range bound



Source: IEX

Average Prices kw/hr

Months	OTC	IEX	PXIL
Aug	4.94	3.37	3.42
Sep	4.83	2.35	2.83
Oct	4.22	3.04	2.67
Nov	4.22	1.99	2.61
Dec	3.98	2.30	3.12
Jan'11	4.50	3.00	3.50
Feb '11	4.71	3.60	4.20
Mar'11	4.80	4.0	4.50
Apr'11	4.65	4.25	5.00

Source: CERC

For Q1FY11, we expect our Utilities universe to register a YoY growth of 5.8% in its top-line and PAT is expected to de-grow YoY by 2.9%.

Top picks: NHPC



Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
NTPC	6.1	(1.8)	(7.4)	(7.6)	4.1	3.0	0.2	(15.1)
Tata Power	5.4	0.2	(6.0)	0.6	3.4	5.0	1.7	(6.9)
NHPC	1.0	(3.9)	(12.8)	(22.2)	(1.0)	0.9	(5.1)	(29.7)
Reliance Infrastructure	3.9	(15.5)	(32.4)	(51.3)	1.9	(10.8)	(24.7)	(58.8)
Lanco Infratech	(22.7)	(37.6)	(59.8)	(62.4)	(24.7)	(32.8)	(52.1)	(69.9)
PTC India	(3.8)	(11.4)	(36.2)	(20.5)	(5.8)	(6.6)	(28.6)	(27.9)

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
NTPC	Sales	134,697	129,445	4.1	155,189	(13.2)	612,260	548,740	11.6
	EBITDA	29,342	29,868	(1.8)	38,187	(23.2)	154,639	123,105	25.6
	Margins (%)	21.8	23.1		24.6		25.3	22.4	
	PAT	19,333	18,420	5.0	27,819	(30.5)	92,060	91,059	1.1
Tata Power	Sales	56,843	51,516	10.3	50,155	13.3	258,379	194,508	32.8
	EBITDA	11,673	11,057	5.6	12,066	(3.3)	52,969	45,373	16.7
	Margins (%)	20.5	21.5		24.1		20.5	23.3	
	PAT	4,829	4,000	20.7	6,250	(22.7)	20,365	21,818	(6.7)
NHPC	Sales	11,931	10,551	13.1	11,381	4.8	45,888	42,253	8.6
	EBITDA	8,881	8,504	4.4	4,748	87.1	31,497	28,455	10.7
	Margins (%)	74.4	80.6		41.7		68.6	67.3	
	PAT	5,465	5,374	1.7	6,385	(14.4)	19,446	21,667	(10.3)
Reliance Infrastructure	Sales	38,926	37,057	5.0	37,979	2.5	194,630	154,083	26.3
	EBITDA	4,801	3,505	37.0	3,333	44.0	25,427	19,168	32.7
	Margins (%)	12.3	9.5		8.8		13.1	12.4	
	PAT	2,827	3,753	(24.7)	2,159	31.0	15,387	14,166	8.6
Lanco Infratech	Sales	21,256	21,256	-	19,992	6.3	112,150	76,230	47.1
	EBITDA	3,954	5,954	(33.6)	3,777	4.7	31,018	19,444	59.5
	Margins (%)	18.6	28.0		18.9		27.7	25.5	
	PAT	270	1,947	(86.1)	4,473	(94.0)	8,085	5,683	42.3
PTC India	Sales	30,501	27,584	10.6	20,788	46.7	112,966	90,645	24.6
	EBITDA	399	278	43.5	343	16.2	1,438	1,413	1.8
	Margins (%)	1.3	1.0		1.7		1.3	1.6	
	PAT	328	278	17.9	223	47.1	1,349	1,391	(3.0)

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	1,106,459	1,336,273	1,574,237
<i>Growth (%)</i>	<i>10.6</i>	<i>20.8</i>	<i>17.8</i>
EBITDA	236,958	296,988	375,075
<i>Margin (%)</i>	<i>21.4</i>	<i>22.2</i>	<i>23.8</i>
PAT	155,783	156,692	183,976
<i>Growth (%)</i>	<i>3.7</i>	<i>0.6</i>	<i>17.4</i>
PE (x)	15.3	15.2	12.9

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	294,155	277,409	6.0	295,483	(0.4)
EBITDA	59,050	59,165	(0.2)	62,454	(5.5)
<i>Margin (%)</i>	<i>20.1</i>	<i>21.3</i>	<i>(125)bps</i>	<i>21.1</i>	<i>(106)bps</i>
PAT (Excl. Ex Items)	33,052	33,772	(2.1)	47,309	(30.1)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

NTPC

	Accumulate
Rating	
Price	Rs185
Target Price	Rs199
Market Cap. (Rs bn)	1,522.9
Shares o/s (m)	8,245.5

The company's Dulunga coal block has been given 'GO' status by reducing the forest area of the mine. NTPC has commissioned 660MWs during this quarter at Sipat. However lower PLF's will affect the incentives and thus we are expecting a PAT growth of 5% YoY.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	548,740	612,260	699,358
EBITDA	123,105	154,639	182,132
<i>Margin (%)</i>	<i>22.4</i>	<i>25.3</i>	<i>26.0</i>
PAT	91,059	92,060	102,784
EPS (Rs)	10.7	11.2	12.5
<i>RoE (%)</i>	<i>13.6</i>	<i>12.8</i>	<i>13.0</i>
PE (x)	17.2	16.5	14.8
P / BV (x)	2.2	2.0	1.9
EV / E (x)	14.6	12.5	11.4

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	134,697	129,445	4.1	155,189	612,260	548,740	11.6
EBITDA	29,342	29,868	(1.8)	38,187	154,639	123,105	25.6
<i>Margin (%)</i>	<i>21.8</i>	<i>23.1</i>	<i>(129)bps</i>	<i>24.6</i>	<i>25.3</i>	<i>22.4</i>	<i>282 bps</i>
Reported PAT	19,333	18,641	3.7	27,990	92,060	88,365	4.2
PAT (Excl. Ex Items)	19,333	18,420	5.0	27,819	92,060	91,059	1.1
Operating Metrics							
Operating capacity (MWs)	31,490	28,912	8.9	30,830	35,850	30,830	16.3
<i>Avg. Coal PLF (%)</i>	<i>90.0</i>	<i>90.2</i>	<i>(20)bps</i>	<i>89.0</i>	<i>85.0</i>	<i>90.5</i>	<i>(550)bps</i>
Generation (Bus)	56	56	0.5	58	244	220	11.0

Tata Power

	Accumulate
Rating	
Price	Rs1,317
Target Price	Rs1,392
Market Cap. (Rs bn)	312.6
Shares o/s (m)	237.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	194,508	258,379	296,814
EBITDA	45,373	52,969	65,754
Margin (%)	23.3	20.5	22.2
PAT	21,818	20,365	22,285
EPS (Rs)	86.8	80.3	90.9
RoE (%)	17.2	14.5	15.1
PE (x)	15.2	16.4	14.5
P / BV (x)	2.5	2.3	2.1
EV / E (x)	11.7	10.9	9.4

Tata Power has completed its offering of Perpetual Debentures of Rs15bn. We expect the coal volumes to grow by 6% while the realisation will grow at 7% for the same period. EBIDTA margins will be muted on account of increase in cost of mining. Adjusted PAT growth is expected at 21% YoY (on account of loss in forex booked in CGPL last year).

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	56,843	51,516	10.3	50,155	258,379	194,508	32.8
EBITDA	11,673	11,057	5.6	12,066	52,969	45,373	16.7
Margin (%)	20.5	21.5	(93)bps	24.1	20.5	23.3	(283)bps
Reported PAT	4,829	3,177	52.0	6,250	20,365	21,818	(6.7)
PAT (Excl. Ex Items)	4,829	4,000	20.7	6,250	20,365	21,818	(6.7)
Operating Metrics							
Units Sold Mus	4,447	4,533	(1.9)	3,777	17,789	16,060	10.8
Units Generated Mus	4,066	4,386	(7.3)	3,531	18,480	15,325	20.6

NHPC

	Accumulate
Rating	
Price	Rs25
Target Price	Rs29
Market Cap. (Rs bn)	306.3
Shares o/s (m)	12,300.7

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	42,253	45,888	61,134
EBITDA	28,455	31,497	45,605
Margin (%)	67.3	68.6	74.6
PAT	21,667	19,446	26,677
EPS (Rs)	1.6	1.6	2.2
RoE (%)	8.2	7.5	9.7
PE (x)	15.4	15.8	11.5
P / BV (x)	1.2	1.1	1.1
EV / E (x)	14.9	13.6	9.9

We are expecting sales of 5.9bn units a 7% growth YoY in Q1FY12.. Jammu & Kashmir State Power Development Corporation, NHPC, and PTC India will implement Pakal Dul and other hydroelectric projects with an aggregate install capacity of about 2100 MW in the Chenab river basin of Jammu & Kashmir. Also the company has signed a MoU with Russia's largest power generating company JSC RusHydro for building hydropower projects in India and other countries.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	11,931	10,551	13.1	11,381	45,888	42,253	8.6
EBITDA	8,881	8,504	4.4	4,748	31,497	28,455	10.7
Margin (%)	74.4	80.6	(617)bps	41.7	68.6	67.3	129 bps
Reported PAT	5,465	5,374	1.7	6,385	19,446	21,667	(10.3)
PAT (Excl. Ex Items)	5,465	5,374	1.7	6,385	19,446	21,667	(10.3)



Reliance Infrastructure

Rating	Accumulate
Price	Rs579
Target Price	Rs607
Market Cap. (Rs bn)	154.8
Shares o/s (m)	267.4

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	154,083	194,630	231,776
EBITDA	19,168	25,427	33,262
Margin (%)	12.4	13.1	14.4
PAT	14,166	15,387	18,489
EPS (Rs)	58.0	57.5	69.1
RoE (%)	7.5	7.3	8.3
PE (x)	10.0	10.1	8.4
P / BV (x)	0.8	0.7	0.7
EV / E (x)	15.1	13.2	10.5

RInfra has bought back shares aggregating to 0.1m. On account of slower EPC growth we expect the company to report a 5% growth in sales and a 10% de-growth in PAT. However some of the de-growth in core business would be aided by revenues from new ventures like Metro and Road BOTs, which will also aid the EBITDA margins. Capitalization of new projects and lower OI YoY will have negative impact on PAT.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	38,926	37,057	5.0	37,979	194,630	154,083	26.3
EBITDA	4,801	3,505	37.0	3,333	25,427	19,168	32.7
Margin (%)	12.3	9.5	288 bps	8.8	13.1	12.4	62 bps
Reported PAT	2,827	3,753	(24.7)	4,109	15,387	15,516	(0.8)
PAT (Excl. Ex Items)	2,827	3,753	(24.7)	2,159	15,387	14,166	8.6
Operating Metrics							
Electricity	23,356	33,671	(30.6)	29,723.9	49	80	(38.8)
EPC	11,678	4,439	163.1	7,769.7	51	19	160.2

Lanco Infratech

Rating	Accumulate
Price	Rs25
Target Price	Rs34
Market Cap. (Rs bn)	59.6
Shares o/s (m)	2,385.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	76,230	112,150	151,994
EBITDA	19,444	31,018	46,590
Margin (%)	25.5	27.7	30.7
PAT	5,683	8,085	12,285
EPS (Rs)	2.4	3.4	5.1
RoE (%)	15.8	19.1	23.5
PE (x)	10.5	7.4	4.9
P / BV (x)	1.6	1.3	1.0
EV / E (x)	13.7	10.8	8.9

Lanco faced all possible troubles in this quarter the major being a suit of AUD\$3.5bn for non compliance of coal supply to the Australian company. The company also bagged its first international order of Rs3.5bn for power EPC. However lower PLF's will bring down the sales volumes and incentives which bring down the EBITDA margins.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	21,256	21,256	0.0	19,992	112,150	76,230	47.1
EBITDA	3,954	5,954	(33.6)	3,777	31,018	19,444	59.5
Margin (%)	18.6	28.0	(941)bps	18.9	27.7	25.5	215 bps
Reported PAT	270	1,947	(86.1)	4,473	8,085	5,683	42.3
PAT (Excl. Ex Items)	270	1,947	(86.1)	4,473	8,085	5,683	42.3
Operating Metrics							
Project Development	10,478	10,375	1.0	59,617	74,706	61,713	21.1
Sale of Energy	10,628	14,251	(25.4)	49,452	80,840	46,942	72.2
Others	50	537	(90.7)	40	400	450	(11.1)
Property Development	100	345	(71.0)	250	2,380	1,322	80.0

**PTC India**

Rating	Accumulate
Price	Rs79
Target Price	Rs99
Market Cap. (Rs bn)	23.3
Shares o/s (m)	295.0

The company is expected to clock a 15% growth in unit sales and the realisations are expected to dip by 4% YoY to 4.6/unit. Trading margins are expected to be around 5 paise/unit.

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	90,645	112,966	133,161
EBITDA	1,413	1,438	1,732
<i>Margin (%)</i>	<i>1.6</i>	<i>1.3</i>	<i>1.3</i>
PAT	1,391	1,349	1,457
EPS (Rs)	4.2	4.6	4.9
<i>RoE (%)</i>	<i>5.8</i>	<i>6.0</i>	<i>6.2</i>
PE (x)	18.7	17.3	16.0
P / BV (x)	1.0	1.0	1.0
EV / E (x)	11.6	12.4	11.1

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	30,501	27,584	10.6	20,788	112,966	90,645	24.6
EBITDA	399	278	43.5	343	1,438	1,413	1.8
<i>Margin (%)</i>	<i>1.3</i>	<i>1.0</i>	<i>30 bps</i>	<i>1.7</i>	<i>1.3</i>	<i>1.6</i>	<i>(29)bps</i>
Reported PAT	328	278	17.9	223	1,349	1,391	(3.0)
PAT (Excl. Ex Items)	328	278	17.9	223	1,349	1,391	(3.0)
Operating Metrics							
Trading Vol. (M units)	6,600	5,747	14.8	5,191	29,728	24,481	21.4
Trading margins (Rs)	0.06	0.06	7.5	0.05	0.06	0.06	0.0



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Real Estate

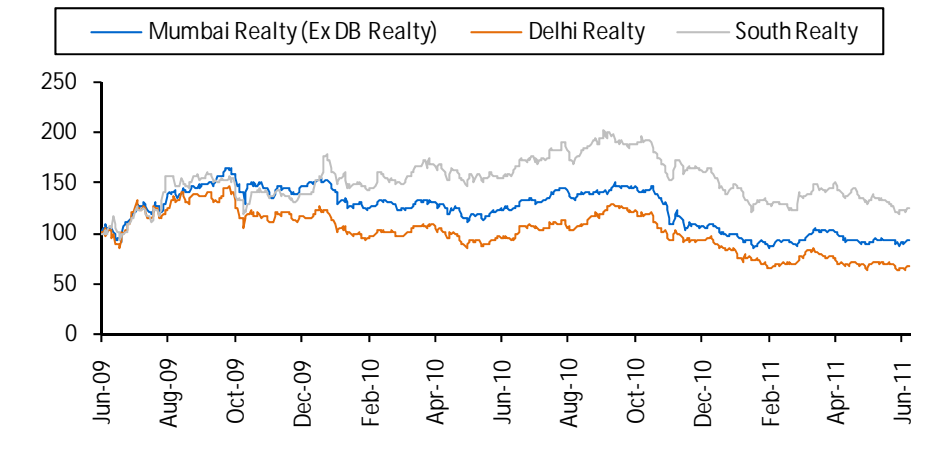
The sector continued to face headwinds from a tough macro environment, with the RBI continuing its anti inflationary stance and thereby raising interest rates by another 75 bps this quarter. With more rate hikes expected the demand environment will continue to remain challenging for the sector.

There were a few land deals this quarter, notably the Kapadia bungalow in Napean Sea road was sold to the Runwal group for Rs 3.5bn, the Mafatlal property at Byculla was sold to the Piramal Realty, and in Gurgaon, 5 acres of land was sold by Emaar MGF to Tishman Speyer for Rs 2200 m.

In a long awaited move, FSI for redevelopment of cessed buildings has been raised from 2.5 to 3 by the Maharashtra government giving a fresh impetus to redevelopment of the ~15,000 cessed buildings in the city. Although the policy comes with a few riders to ensure safety of the buildings and to safeguard the interest of the tenants, overall it is a positive development for the Mumbai realty space.

BSE Realty Index continued to underperform the Sensex in the quarter gone by delivering a -16% return compared to the Sensex return of -3%. Looking at the regional performance; stocks of Mumbai based developers are down 5% in the April-June 2011 period compared to a 11% and 21% drop for South and NCR developers respectively.

Relative Regional Stock performance



Source: Bloomberg, PL Research

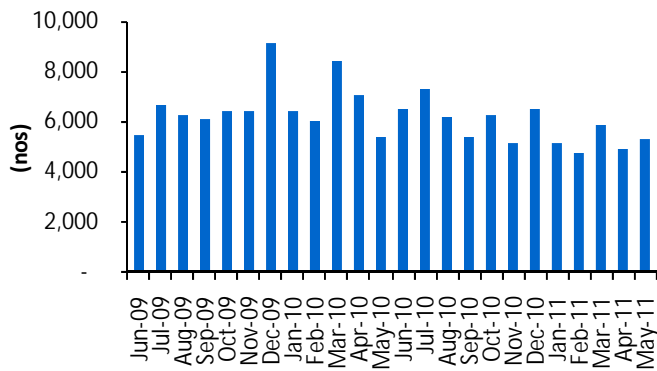
Residential

Volumes continue to be on the decline across markets. In spite of NCR witnessing a slew of launches this quarter, absorption has remained subdued on account of the upward trajectory in pricing witnessed in a few markets (+11% QoQ in the mid segment in Gurgaon).

For Mumbai, sales registrations in the city continue to languish at ~5000 levels. Affordability continues to remain the central issue with a double whammy of increasing interest rates and an absence of a meaningful correction in property prices. Meanwhile lease momentum has strengthened further with leases for the month of May 2011 at a new high of 9,950, an indication of a built-up of huge pent up demand in the system.

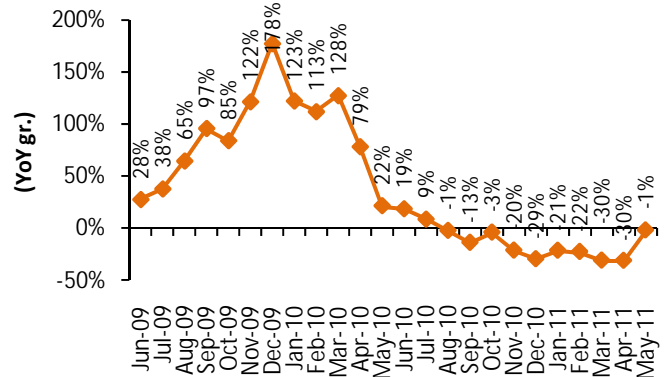
(Note: Registrations data includes residential and commercial properties)

Registration of Sale Deed agreements in Mumbai



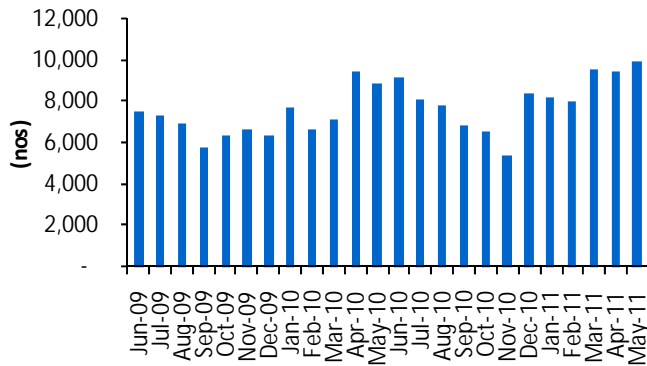
Source: DGR Mumbai, PL Research

YoY% growth in Sale Deed registrations



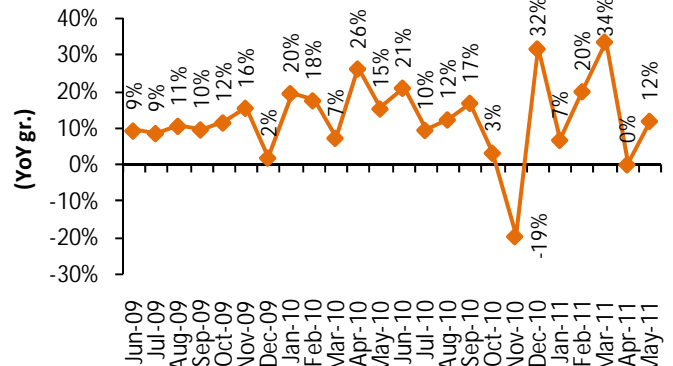
Source: DGR Mumbai, PL Research

Registration of Lease Agreements in Mumbai



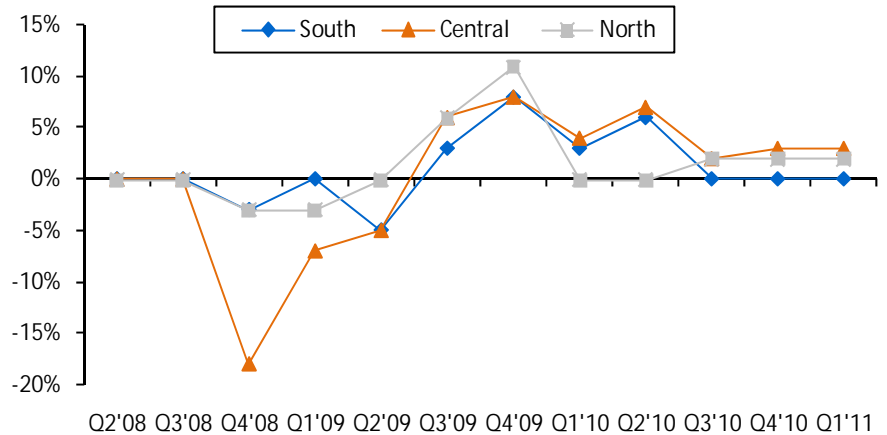
Source: DGR Mumbai, PL Research

YoY% growth in Lease Agreement registrations



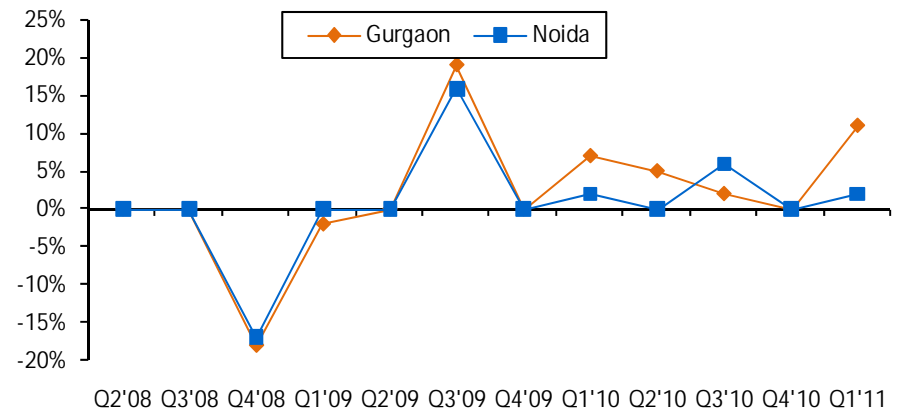
Source: DGR Mumbai, PL Research

QoQ (%) change in Mumbai mid-segment prices



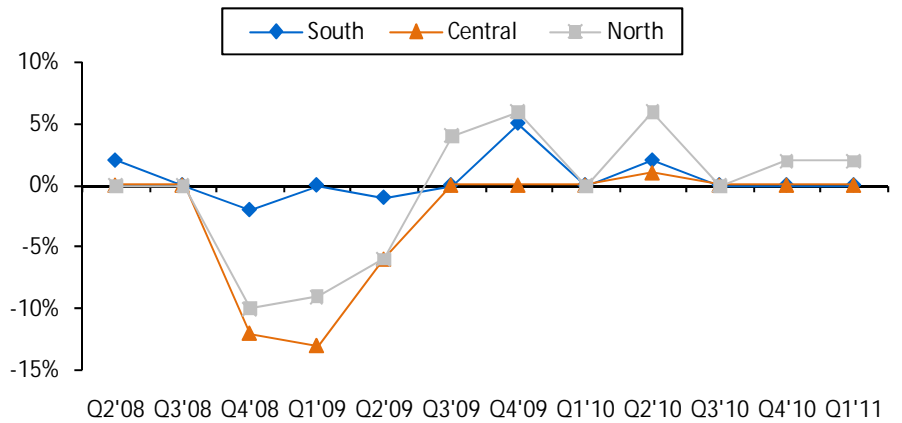
Source: Cushman & Wakefield

QoQ (%) change in Gurgaon and Noida mid-segment prices



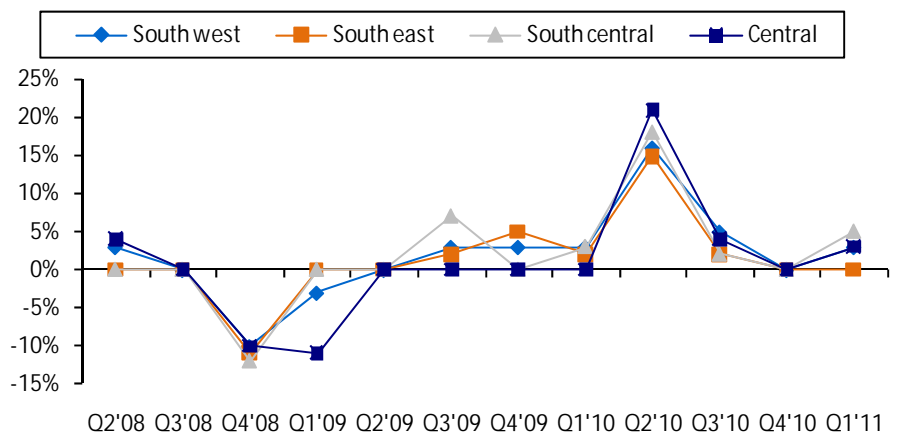
Source: Cushman & Wakefield

QoQ (%) change in Mumbai high-end prices



Source: Cushman & Wakefield

QoQ (%) change in NCR high-end prices



Source: Cushman & Wakefield



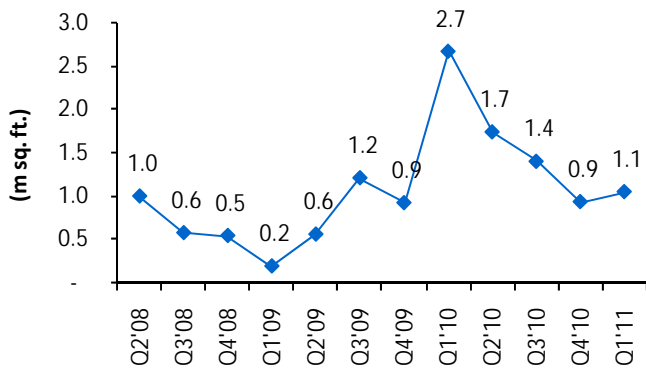
Commercial

Overall with a stable demand environment continuing this quarter, rentals have shown a slight uptick in select micro markets, however, largely they have remained stable on a QoQ basis.

In the NCR region, Gurgaon continued to witness good demand from the IT sector and with vacancy levels remaining stable, the region saw stable to slightly positive rentals. Bangalore commercial market posted another strong quarter on the back of strong demand in Q4 2010, with leasing demand continuing at the level of 3.8 msf. With vacancy levels falling marginally to 16% on account of little new supply, rentals moved up by 2-6 % QoQ across micro markets.

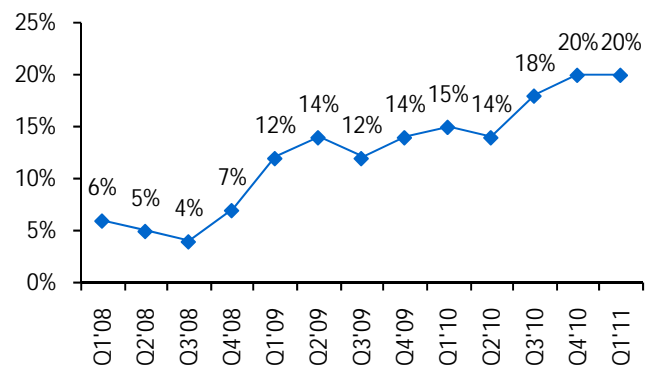
Mumbai commercial market continued to witness high vacancy levels of 20%, although with stable leasing demand. Rentals have largely remained stable except in certain micro markets like Lower Parel where there is large upcoming supply and high vacancy levels in completed projects.

Mumbai Rental Demand



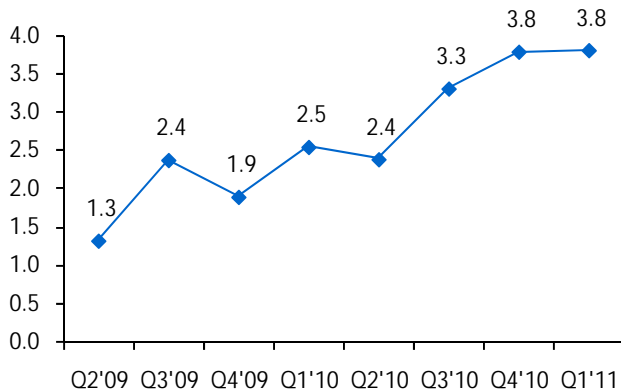
Source: Cushman & Wakefield, PL Research

Mumbai Vacancy Rate



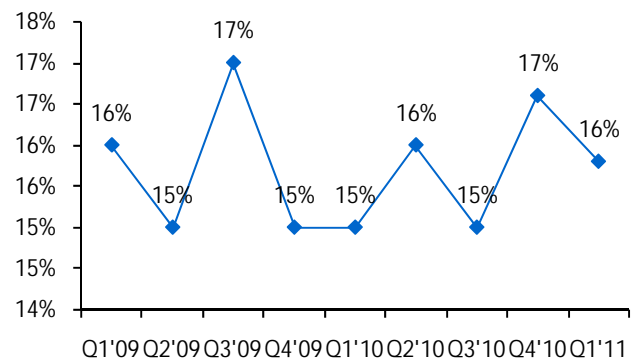
Source: Cushman & Wakefield, PL Research

Bengaluru Rental Demand

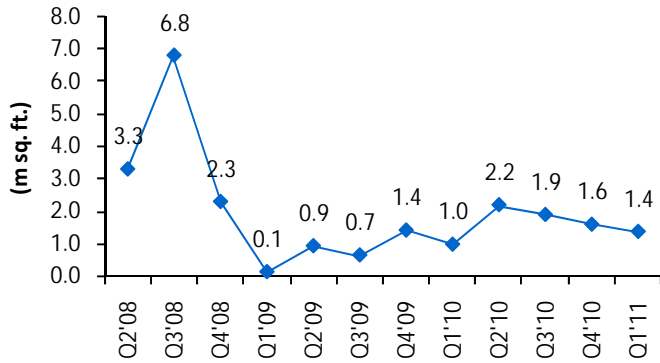


Source: Cushman & Wakefield, PL Research

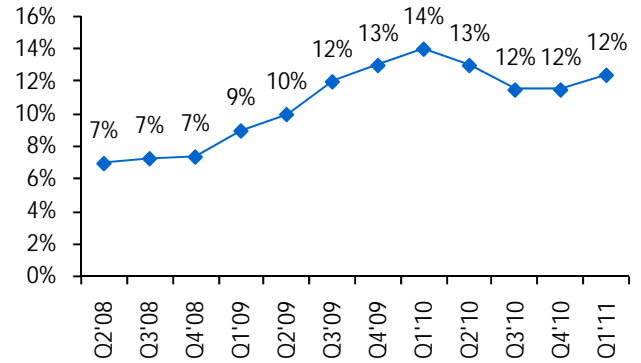
Bengaluru Vacancy Rate



Source: Cushman & Wakefield, PL Research

NCR Rental Demand


Source: Cushman & Wakefield, PL Research

NCR Vacancy Rate


Source: Cushman & Wakefield, PL Research

Top picks: None

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
DLF	(1.2)	(14.1)	(18.1)	(17.8)	(3.2)	(9.3)	(10.4)	(25.2)
Unitech	(2.9)	(22.3)	(48.9)	(54.2)	(4.9)	(17.5)	(41.2)	(61.7)
Housing Development & Infrastructure	1.6	(9.1)	(11.2)	(31.6)	(0.4)	(4.3)	(3.5)	(39.0)
Anant Raj Industries	(2.2)	(22.8)	(33.3)	(41.3)	(4.2)	(18.1)	(25.6)	(48.7)
Peninsula Land	(10.9)	(12.7)	(23.7)	(28.8)	(12.9)	(7.9)	(16.1)	(36.3)

Source: Bloomberg, PL Research

Summary Financials - Quarterly

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
DLF	Sales	21,305	20,290	5.0	26,831	(20.6)	112,391	95,606	17.6
	EBITDA	8,410	9,800	(14.2)	6,662	26.2	47,317	37,527	26.1
	Margins (%)	39.5	48.3		24.8		42.1	39.3	
	PAT	1,890	4,110	(54.0)	2,508	(24.7)	17,900	15,424	16.1
Unitech	Sales	7,545	8,286	(8.9)	10,542	(28.4)	34,725	31,871	9.0
	EBITDA	2,339	2,938	(20.4)	1,309	78.6	10,494	9,239	13.6
	Margins (%)	31.0	35.5		12.4		30.2	29.0	
	PAT	1,352	1,802	(25.0)	630	114.7	6,403	5,653	13.3
HDIL	Sales	4,036	4,509	(10.5)	5,237	(22.9)	24,843	18,500	34.3
	EBITDA	2,058	2,674	(23.0)	2,556	(19.5)	11,244	11,035	1.9
	Margins (%)	51.0	59.3		48.8		45.3	59.6	
	PAT	1,738	2,343	(25.8)	1,973	(11.9)	7,809	8,263	(5.5)
Anant Raj Industries	Sales	643	1,025	(37.2)	618	4.1	5,470	4,241	29.0
	EBITDA	450	574	(21.6)	438	2.7	2,762	2,355	17.3
	Margins (%)	70.0	56.0		70.9		50.5	55.5	
	PAT	280	464	(39.6)	299	(6.4)	1,514	1,676	(9.7)
Peninsula Land	Sales	950	1,484	(36.0)	900	5.6	5,103	5,010	1.9
	EBITDA	600	354	69.6	576	4.2	2,050	1,938	5.8
	Margins (%)	63.2	23.8		64.0		40.2	38.7	
	PAT	615	500	23.1	699	(12.0)	1,905	1,943	(2.0)

Source: Company Data, PL Research



Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	155,227	182,532	202,689
<i>Growth (%)</i>	<i>19.9</i>	<i>17.6</i>	<i>11.0</i>
EBITDA	62,094	73,867	83,833
<i>Margin (%)</i>	<i>40.0</i>	<i>40.5</i>	<i>41.4</i>
PAT	32,958	35,529	43,050
<i>Growth (%)</i>	<i>(8.6)</i>	<i>7.8</i>	<i>21.2</i>
PE (x)	17.7	16.4	13.5

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	34,479	35,594	(3.1)	44,128	(21.9)
EBITDA	13,857	16,339	(15.2)	11,542	20.1
<i>Margin (%)</i>	<i>40.2</i>	<i>45.9</i>	<i>(572)bps</i>	<i>26.2</i>	<i>1,403 bps</i>
PAT (Excl. Ex Items)	5,875	9,218	(36.3)	6,109	(3.8)

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

DLF

Rating	Reduce
Price	Rs231
Target Price	Rs199
Market Cap. (Rs bn)	391.9
Shares o/s (m)	1,697.4

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	95,606	112,391	122,537
EBITDA	37,527	47,317	51,711
<i>Margin (%)</i>	<i>39.3</i>	<i>42.1</i>	<i>42.2</i>
PAT	15,424	17,900	21,565
EPS (Rs)	9.1	10.5	12.7
<i>RoE (%)</i>	<i>6.3</i>	<i>7.1</i>	<i>8.1</i>
PE (x)	25.4	21.9	18.2
P / BV (x)	1.6	1.5	1.4
EV / E (x)	16.5	12.6	11.2

Towards the end of the quarter, the company launched a plotted development project in Sector 90-91, Gurgaon, where the response has been pretty strong. Besides this, the company had one more launch in Indore. On account of lower volumes in Q1 as compared to Q4 FY11, we expect a sequential decline in revenues. However we expect margins to recover as Q4 FY11 witnessed one-time booking of cost inflation across projects.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	21,305	20,290	5.0	26,831	112,391	95,606	17.6
EBITDA	8,410	9,800	(14.2)	6,662	47,317	37,527	26.1
<i>Margin (%)</i>	<i>39.5</i>	<i>48.3</i>	<i>(883)bps</i>	<i>24.8</i>	<i>42.1</i>	<i>39.3</i>	<i>285 bps</i>
Reported PAT	1,890	4,110	(54.0)	3,445	17,900	16,396	9.2
PAT (Excl. Ex Items)	1,890	4,110	(54.0)	2,508	17,900	15,424	16.1
Operating Metrics							
Development Business							
Sales (m sq.ft)	2.2	1.9	15.8	3.8	9.0	10.3	(12.3)
Annuity Business							
Leases (m sq.ft)	0.9	1.0	(9.1)	0.0	2.5	4.4	(43.1)

Unitech

	Accumulate
Rating	
Price	Rs33
Target Price	Rs49
Market Cap. (Rs bn)	86.7
Shares o/s (m)	2,616.3

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	31,871	34,725	39,118
EBITDA	9,239	10,494	12,559
<i>Margin (%)</i>	<i>29.0</i>	<i>30.2</i>	<i>32.1</i>
PAT	5,653	6,403	7,606
EPS (Rs)	2.2	2.4	2.9
<i>RoE (%)</i>	<i>5.1</i>	<i>5.4</i>	<i>6.1</i>
PE (x)	15.3	13.5	11.4
P / BV (x)	0.7	0.7	0.7
EV / E (x)	15.2	12.8	11.2

On account of strong launches of 6m sq.ft in IH CY11, we expect sales to hold up during the quarter. Margins as compared to Q1 FY11 will be weaker on account of an increase in input costs, however, as compared to the low margins in Q4 FY11 (on account of the threshold being reached on certain low margin projects), Q1 FY12 will be stronger.

Quarterly Table (Rs m)

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E	FY11	gr. (%)
Net Sales	7,545	8,286	(8.9)	10,542	34,725	31,871	9.0
EBITDA	2,339	2,938	(20.4)	1,309	10,494	9,239	13.6
<i>Margin (%)</i>	<i>31.0</i>	<i>35.5</i>	<i>(446)bps</i>	<i>12.4</i>	<i>30.2</i>	<i>29.0</i>	<i>123 bps</i>
Reported PAT	1,352	1,800	(24.9)	1,027	6,403	5,629	13.7
PAT (Excl. Ex Items)	1,352	1,802	(25.0)	630	6,403	5,653	13.3
Operating Metrics							
Sale \Volumes (m sq.ft)							
Residential	1.80	2.61	(31.0)	1.80	8.00	7.61	5.1
Non-Residential	0.20	0.40	(50.0)	0.17	2.00	1.55	29.0
Avg. Real. (Rs/sq. ft.)							
Residential	4,386	3,782	16.0	4,617	4,600	4,343	5.9
Non-Residential	8,098	7,784	4.0	8,524	6,900	6,574	5.0

HDIL

	Accumulate
Rating	
Price	Rs164
Target Price	Rs183
Market Cap. (Rs bn)	68.2
Shares o/s (m)	415.0

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	18,500	24,843	26,436
EBITDA	11,035	11,244	12,690
<i>Margin (%)</i>	<i>59.6</i>	<i>45.3</i>	<i>48.0</i>
PAT	8,263	7,809	9,150
EPS (Rs)	19.9	18.2	21.4
<i>RoE (%)</i>	<i>10.0</i>	<i>7.9</i>	<i>8.7</i>
PE (x)	8.3	9.0	7.7
P / BV (x)	0.7	0.7	0.6
EV / E (x)	9.9	9.0	7.2

We expect stable TDR volumes for the quarter on a sequential basis with realizations remaining in roughly the same range. However, in terms of FSI sale bookings, we expect a sequential decline as almost half of the Popular Car Bazaar transaction was booked in Q4 FY11. On account of FSI sales, margins are likely to look weak on QoQ basis.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1	Q1	YoY	Q4	12M	12M	YoY
	FY12E	FY11	gr. (%)	FY11	FY12E*	FY11*	gr. (%)
Net Sales	4,036	4,509	(10.5)	5,237	24,843	18,500	34.3
EBITDA	2,058	2,674	(23.0)	2,556	11,244	11,035	1.9
<i>Margin (%)</i>	<i>51.0</i>	<i>59.3</i>	<i>(830)bps</i>	<i>48.8</i>	<i>45.3</i>	<i>59.6</i>	<i>(1,439)bps</i>
Reported PAT	1,738	2,343	(25.8)	1,973	7,809	8,308	(6.0)
PAT (Excl. Ex Items)	1,738	2,343	(25.8)	1,973	7,809	8,263	(5.5)
Operating Metrics							
FSI Sales	1,750	1,264		3,027	6,000	5,671	
TDR Sales	2,286	3,245	(29.6)	2,210	6,600	12,355	(46.6)
TDR Sales m sq.ft	0.9	1.1	(18.2)	0.9	-	-	

* Consolidated

Anant Raj Industries

Rating	Accumulate
Price	Rs69
Target Price	Rs108
Market Cap. (Rs bn)	20.5
Shares o/s (m)	295.1

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	4,241	5,470	9,252
EBITDA	2,355	2,762	4,580
Margin (%)	55.5	50.5	49.5
PAT	1,676	1,514	2,680
EPS (Rs)	5.7	5.1	9.1
RoE (%)	4.6	4.0	6.9
PE (x)	12.2	13.5	7.6
P / BV (x)	0.5	0.5	0.5
EV / E (x)	12.2	10.4	6.2

Although launches were absent during the quarter, sales offtake at the company's project in Gurgaon continued, with almost 25% of the project sold so far. Part rentals from the company's Kirtinagar mall have commenced as the mall opening took place in the month of June. However, rentals have only started from the mall's anchor tenant as the other retailers are currently undergoing fit outs. The full impact of this shall be seen from Q3 onwards.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	643	1,025	(37.2)	618	5,470	4,241	29.0
EBITDA	450	574	(21.6)	438	2,762	2,355	17.3
Margin (%)	70.0	56.0	1,397bps	70.9	50.5	55.5	(504)bps
Reported PAT	280	464	(39.6)	299	1,514	1,676	(9.7)
PAT (Excl. Ex Items)	280	464	(39.6)	299	1,514	1,676	(9.7)
Operating Metrics (Rs m)							
Ceramic Tiles	6	18		-	29	27	7.3
Rental received	197	181	8.8	194	960	761	26.2
Project Sales	440	826		422	-	3,397	
Land Sales	-	-		-	-	-	

Peninsula Land

Rating	Accumulate
Price	Rs52
Target Price	Rs69
Market Cap. (Rs bn)	14.5
Shares o/s (m)	279.5

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	5,010	5,103	5,345
EBITDA	1,938	2,050	2,294
Margin (%)	38.7	40.2	42.9
PAT	1,943	1,905	2,050
EPS (Rs)	7.0	6.8	7.3
RoE (%)	14.6	12.8	12.6
PE (x)	7.4	7.6	7.1
P / BV (x)	1.0	0.9	0.9
EV / E (x)	9.8	9.7	9.0

Peninsula Business Park (PBP) has witnessed some sale deals of which we expect some part to get recognized during the quarter. Besides, the last phase of execution is going on at PBP where POCM revenues shall continue.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	950	1,484	(36.0)	900	5,103	5,010	1.9
EBITDA	600	354	69.6	576	2,050	1,938	5.8
Margin (%)	63.2	23.8	3,932bps	64.0	40.2	38.7	148
Reported PAT	615	500	23.1	699	1,905	1,943	(2.0)
PAT (Excl. Ex Items)	615	500	23.1	699	1,905	1,943	(2.0)
Operating Metrics (Rs m)							
Ashok Towers	-	80		-	480	80	500.0
Swan Mills	200	170	17.6	250	507	850	(40.4)
Peninsula Business Park	750	990	(24.2)	360	3,740	3,000	24.7
Others	-	59		290	-	644	



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Retail

Expect strong revenue growth driven by space expansion: We expect same store volume growth to show a moderate 4-5% increase in 1QFY12e, driven by the 15-20% price increase affected in the apparel segment. Overall same store revenue growth could still come in healthy at 12-14% led by the pricing component. Down-trading in the apparel section should benefit private brands sales. We expect our retail coverage universe to show strong 27% revenue growth YoY. This will be driven by a combination of space expansion as well as healthy same store sales growth. However we expect a moderate 30bps decline in operating margins owing to high input costs. Jubilant Foodworks should continue to report strong revenue growth driven by new store openings as well as healthy demand during the IPL season.

Input costs pressure will impact margins: Despite the price hikes taken by retailers in apparel segment, we don't expect margin expansion. We project a moderate 30bps decline in operating margins as we believe benefits of price hikes will not accrue in current quarter due to timing mis-match of price hike vs inflation.

Specialty retail to outperform: We expect specialty retailers like Titan and Jubilant Foodworks to continue to report strong numbers. Jewellery sales should report robust performance driven by wedding season purchases. We expect Watches to continue the growth momentum and report 15% plus sales growth.

FDI in multi-brand retail continues to remain key catalyst: Noise around permitting FDI in multi-brand retail has increased recently with positive voices emanating from the policy circles. Though it will be beneficial, as always the devil lies in details. Finer details around the permissible magnitude of investment, sourcing, back-end, location (will it be restricted to metros etc) will have a significant say in the medium to long term.

Relatively prefer Titan, Shoppers stop: Given Titan's strong expansion plans in Jewellery as well watches, we expect Titan to report strong performance in the medium term. While traditional retailers grapple with the price hikes and input cost pressure for next couple of quarters, we expect this to impact the near term margins. We continue to maintain Titan as our top pick.

Top picks: Titan Industries, Shoppers Stop

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Pantaloon Retail India	16.0	6.3	(15.6)	(21.9)	14.0	11.0	(7.9)	(29.4)
Jubilant FoodWorks	1.3	42.2	33.9	152.5	(0.7)	47.0	41.6	145.1
Shoppers Stop	16.6	28.2	21.5	69.2	14.6	33.0	29.1	61.7
Titan Industries	0.7	10.3	19.8	87.3	(1.3)	15.1	27.5	79.8

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Pantaloon Retail India	Sales	31,221	26,685	17.0	28,119	11.0	115,922	89,261	29.9
	EBITDA	2,591	2,139	21.2	2,479	4.5	9,585	8,191	17.0
	Margins (%)	8.3	8.0		8.8		8.3	9.2	
	PAT	525	1,259	(58.3)	505	3.9	2,512	2,302	9.1
Jubilant FoodWorks	Sales	2,168	1,356	60.0	1,937	11.9	9,952	6,785	46.7
	EBITDA	368	251	46.4	330	11.4	1,839	1,201	53.1
	Margins (%)	17.0	18.5		17.1		18.5	17.7	
	PAT	193	153	26.3	193	(0.1)	994	720	38.1
Shoppers Stop	Sales	5,983	3,744	59.8	6,429	(6.9)	23,288	18,797	23.9
	EBITDA	239	201	19.3	148	61.7	1,910	1,485	28.6
	Margins (%)	4.0	5.4		2.3		8.2	7.9	
	PAT	110	93	18.4	77	42.6	1,048	797	31.5
Titan Industries	Sales	16,663	12,528	33.0	17,775	(6.3)	80,784	65,337	23.6
	EBITDA	1,333	1,113	19.7	1,057	26.1	8,017	5,880	36.3
	Margins (%)	8.0	8.9		5.9		9.9	9.0	
	PAT	1,036	813	27.5	838	23.7	5,679	4,340	30.9

Source: Company Data, PL Research

Consolidated Sectoral Data
Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	206,841	255,383	304,093
Growth (%)	33.2	23.5	19.1
EBITDA	18,152	23,549	28,570
Margin (%)	8.8	9.2	9.4
PAT	8,369	10,985	13,865
Growth (%)	48.7	31.3	26.2
PE (x)	20.4	15.5	12.3

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	56,035	44,313	26.5	54,260	3.3
EBITDA	4,532	3,704	22.4	4,015	12.9
Margin (%)	8.1	8.4	(27)bps	7.4	69 bps
PAT (Excl. Ex Items)	1,864	2,318	(19.6)	1,614	15.5

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Pantaloons Retail India

Rating	BUY
Price	Rs316
Target Price	Rs332
Market Cap. (Rs bn)	68.6
Shares o/s (m)	217.2

Key Figures (Rs m)

	FY11E	FY12E	FY13E
Net Sales	115,922	141,359	165,353
EBITDA	9,585	11,783	13,535
<i>Margin (%)</i>	<i>8.3</i>	<i>8.3</i>	<i>8.2</i>
PAT	2,512	3,264	3,901
EPS (Rs)	11.6	14.6	17.4
<i>RoE (%)</i>	<i>8.6</i>	<i>10.3</i>	<i>11.2</i>
PE (x)	27.3	21.6	18.1
P / BV (x)	2.3	2.1	1.9
EV / E (x)	12.0	9.9	8.8

We expect 17 % revenue growth in core retail driven primarily by price hikes taken in the apparel segment. Though overall same store growth should remain healthy, component of volume growth should moderate to 6-8%. However, we expect gross margins and operating margins to remain subdued owing to higher input costs. PAT is not comparable because base quarter included exception other income of Rs750mn on account of profit on sale of investments.

Quarterly Table (Rs m) - Standalone

Y/e June	Q4 FY11E	Q4 FY10	YoY gr. (%)	Q3 FY11	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	31,221	26,685	17.0	28,119	115,922	89,261	29.9
EBITDA	2,591	2,139	21.2	2,479	9,585	8,191	17.0
<i>Margin (%)</i>	<i>8.3</i>	<i>8.0</i>	<i>29</i>	<i>8.8</i>	<i>8.3</i>	<i>9.2</i>	<i>(91)bps</i>
Reported PAT	525	1,259	(58.3)	505	2,512	2,302	9.1
PAT (Excl. Ex Items)	525	1,259	(58.3)	505	2,512	2,302	9.1

Jubilant FoodWorks

Rating	Reduce
Price	Rs835
Target Price	Rs800
Market Cap. (Rs bn)	54.2
Shares o/s (m)	64.8

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	6,785	9,952	13,991
EBITDA	1,201	1,839	2,546
<i>Margin (%)</i>	<i>17.7</i>	<i>18.5</i>	<i>18.2</i>
PAT	720	994	1,410
EPS (Rs)	11.1	15.3	21.8
<i>RoE (%)</i>	<i>48.1</i>	<i>44.8</i>	<i>43.9</i>
PE (x)	75.2	54.5	38.4
P / BV (x)	29.8	20.6	14.2
EV / E (x)	44.8	29.1	20.7

After the spectacular performance of FY11 (37% SSS growth) we expect high base to catch up with JFL despite the strong demand during the quarter (IPL ran through April and May). We expect a 60% revenue growth driven by mid-teens SSS growth of 18% as well as store expansion. However JFL will be paying full tax for FY12e. Hence PAT growth for the quarter should come in at a relatively sedate 27%.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	2,168	1,356	60.0	1,937	9,952	6,785	46.7
EBITDA	368	251	46.4	330	1,839	1,201	53.1
<i>Margin (%)</i>	<i>17.0</i>	<i>18.5</i>	<i>(157)bps</i>	<i>17.1</i>	<i>18.5</i>	<i>17.7</i>	<i>78 bps</i>
Reported PAT	193	153	26.3	193	994	720	38.1
PAT (Excl. Ex Items)	193	153	26.3	193	994	720	38.1

Shoppers Stop

Rating	Accumulate
Price	Rs465
Target Price	Rs475
Market Cap. (Rs bn)	38.2
Shares o/s (m)	82.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	18,797	23,288	28,475
EBITDA	1,485	1,910	2,449
Margin (%)	7.9	8.2	8.6
PAT	797	1,048	1,356
EPS (Rs)	9.7	12.8	16.5
RoE (%)	26.1	28.2	28.3
PE (x)	47.9	36.4	28.1
P / BV (x)	11.6	9.2	7.0
EV / E (x)	26.9	21.0	16.2

Shoppers Stop should witness ~60% revenue growth driven by space expansion and strong growth in Hypercity (Hypercity numbers were not included in base quarter). Recent price hikes to pass on the input cost inflation in Cotton as indeed the imposition of excise on branded apparel should result in slower volume growth (~4-6%). Same store growth of 10% (base quarter SSS growth of 21%) will primarily be driven by pricing improvement. However we expect Hypercity to report another quarter of loss (~Rs100mn). Consolidated operating margins should come in 140bps lower at 4% owing to impact of Hypercity.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	5,983	3,744	59.8	6,429	23,288	18,797	23.9
EBITDA	239	201	19.3	148	1,910	1,485	28.6
Margin (%)	4.0	5.4	(136)bps	2.3	8.2	7.9	30 bps
Reported PAT	110	93	18.4	77	1,048	797	31.5
PAT (Excl. Ex Items)	110	93	18.4	77	1,048	797	31.5

Titan Industries

Rating	BUY
Price	Rs218
Target Price	Rs240
Market Cap. (Rs bn)	9.7
Shares o/s (m)	44.4

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	65,337	80,784	96,275
EBITDA	5,880	8,017	10,040
Margin (%)	9.0	9.9	10.4
PAT	4,340	5,679	7,197
EPS (Rs)	97.8	127.9	162.1
RoE (%)	49.2	46.2	43.0
PE (x)	2.2	1.7	1.3
P / BV (x)	0.9	0.7	0.5
EV / E (x)	1.7	1.0	0.5

Wedding season demand and retail network expansion (e.g. opening of large format Tanishq store in Mumbai) should drive Titan's Jewellery revenues which we expect to grow by 35%. We expect Watches to report 15% revenue growth. We expect slight deterioration in operating margins (90bps) as expansion related costs kick in ahead of turnover. We estimate 27% PAT growth for the quarter.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	16,663	12,528	33.0	17,775	80,784	65,337	23.6
EBITDA	1,333	1,113	19.7	1,057	8,017	5,880	36.3
Margin (%)	8.0	8.9	(89)bps	5.9	9.9	9.0	92 bps
Reported PAT	1,036	813	27.5	838	5,679	4,340	30.9
PAT (Excl. Ex Items)	1,036	813	27.5	838	5,679	4,340	30.9
Operating Metrics							
Watches Revenue	2,921	2,540	15.0	3,290	14,848	12,680	17.1
Jewellery Revenue	12,832	9,505	35.0	13,733	62,697	50,494	24.2



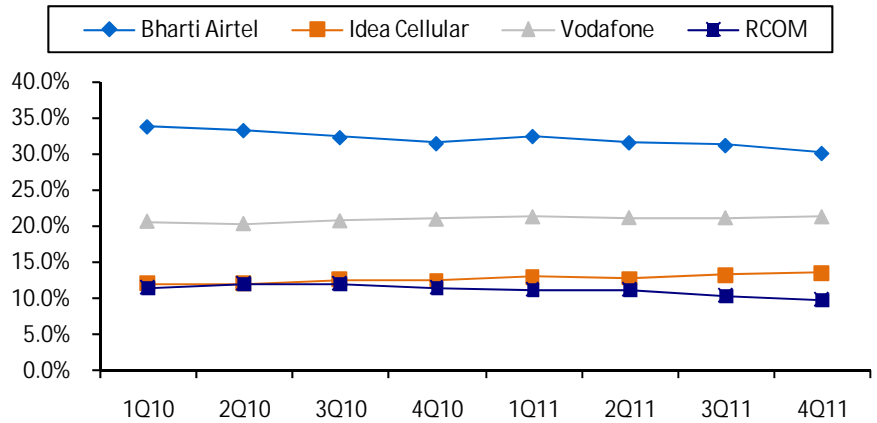
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Telecom

With moderation in competitive intensity, we expect volume growth to remain strong for wireless incumbents like Bharti and Idea. Pricing declines, although decelerating, will continue to exert a drag on revenue growth. While improvement in elasticity will help EBITDA margins, the higher depreciation/ amortization costs and interest costs related to 3G will impact net profits.

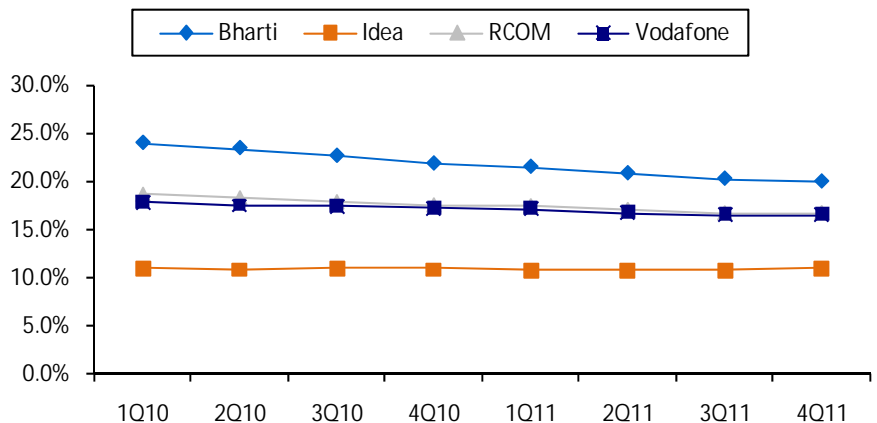
While Bharti has lost 140bp in revenue market share in FY11, Idea has increased its share not only in new circles but also in its established circles.

Revenue market share



Source: TRAI

Subscriber market share



Source: TRAI

Top pick: Bharti Airtel

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Bharti Airtel	1.0	6.1	9.5	42.9	(1.0)	10.9	17.2	35.5
Idea Cellular	9.5	9.8	10.8	29.7	7.5	14.6	18.5	22.3

Source: Bloomberg, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Bharti Airtel	Sales	169,476	122,309	38.6	162,654	4.2	715,721	594,673	20.4
	EBITDA	57,617	44,890	28.4	54,442	5.8	243,016	201,834	20.4
	<i>Margins (%)</i>	<i>34.0</i>	<i>36.7</i>		<i>33.5</i>		<i>34.0</i>	<i>33.9</i>	
	PAT	15,849	17,323	(8.5)	14,008	13.1	70,075	62,057	12.9
Idea Cellular	Sales	44,468	36,537	21.7	42,347	5.0	192,282	155,032	24.0
	EBITDA	10,605	8,884	19.4	10,752	(1.4)	46,723	37,907	23.3
	<i>Margins (%)</i>	<i>23.8</i>	<i>24.3</i>		<i>25.4</i>		<i>24.3</i>	<i>24.5</i>	
	PAT	1,484	2,014	(26.3)	2,745	(45.9)	6,377	8,987	(29.0)

Source: Company Data, PL Research

Consolidated Sectoral Data
Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	749,705	908,002	1,068,489
<i>Growth (%)</i>	<i>38.2</i>	<i>21.1</i>	<i>17.7</i>
EBITDA	239,741	289,738	362,015
<i>Margin (%)</i>	<i>32.0</i>	<i>31.9</i>	<i>33.9</i>
PAT	71,044	76,452	116,252
<i>Growth (%)</i>	<i>(35.0)</i>	<i>7.6</i>	<i>52.1</i>
PE (x)	24.0	22.3	14.7

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	213,944	158,846	34.7	205,001	4.4
EBITDA	68,223	53,774	26.9	65,194	4.6
<i>Margin (%)</i>	<i>31.9</i>	<i>33.9</i>	<i>(196)bps</i>	<i>31.8</i>	<i>9 bps</i>
PAT (Excl. Ex Items)	17,333	19,337	(10.4)	16,753	3.5

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.



Bharti Airtel

Rating	Accumulate
Price	Rs382
Target Price	Rs401
Market Cap. (Rs bn)	1,451.6
Shares o/s (m)	3,797.6

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	594,673	715,721	847,695
EBITDA	201,834	243,016	304,985
<i>Margin (%)</i>	<i>33.9</i>	<i>34.0</i>	<i>36.0</i>
PAT	62,057	70,075	106,514
EPS (Rs)	16.3	18.5	28.0
<i>RoE (%)</i>	<i>13.6</i>	<i>13.4</i>	<i>17.4</i>
PE (x)	23.4	20.7	13.6
P / BV (x)	3.0	2.6	2.2
EV / E (x)	9.8	7.9	6.0

We expect a ~2% QoQ decline in ARPM, which will drive strong volume growth (Total MOU growth of 7.8% QoQ) as competition moderates. Although subscriber additions have moderated, we expect per sub MOU to grow ~2% QoQ as elasticity improves. EBITDA margin expansion in wireless segments as well as in Africa to help maintain consolidated margins. Higher depreciation/ amortization costs and interest costs related to 3G will impact net profits.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	169,476	122,309	38.6	162,654	715,721	594,673	20.4
EBITDA	57,617	44,890	28.4	54,442	243,016	201,834	20.4
<i>Margin (%)</i>	<i>34.0</i>	<i>36.7</i>	<i>(270)bps</i>	<i>33.5</i>	<i>34.0</i>	<i>33.9</i>	<i>1 bps</i>
Reported PAT	15,849	17,323	(8.5)	14,008	70,075	62,057	12.9
PAT (Excl. Ex Items)	15,849	17,323	(8.5)	14,008	70,075	62,057	12.9
Operating Metrics							
India Wireless Subs (m)	170	137	24.2	162	194	162	19.3
Voice ARPU (Rs)	171	197	(13.1)	171	169	181	(6.7)
MOU (minutes)	459	480	(4.5)	449	458	456	0.5

Idea Cellular

Rating	Reduce
Price	Rs77
Target Price	Rs72
Market Cap. (Rs bn)	254.1
Shares o/s (m)	3,300.2

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	155,032	192,282	220,794
EBITDA	37,907	46,723	57,030
<i>Margin (%)</i>	<i>24.5</i>	<i>24.3</i>	<i>25.8</i>
PAT	8,987	6,377	9,738
EPS (Rs)	2.7	1.9	3.0
<i>RoE (%)</i>	<i>7.4</i>	<i>4.9</i>	<i>7.0</i>
PE (x)	28.3	39.8	26.1
P / BV (x)	2.0	1.9	1.8
EV / E (x)	9.9	7.9	5.0

We expect Total MOU growth of ~9.6% QoQ driven by ~7% growth in subs and ~2% increase in MOU per sub. ARPM decline of ~2% QoQ will exert a drag, resulting in revenue growth of 5% QoQ. EBITDA margins are expected to remain flat, adjusting for the one-time operating expenses in Q4FY11. Higher depreciation/ amortization costs and interest costs related to 3G will impact net profits.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY12E	12M FY11	YoY gr. (%)
Net Sales	44,468	36,537	21.7	42,347	192,282	155,032	24.0
EBITDA	10,605	8,884	19.4	10,752	46,723	37,907	23.3
<i>Margin (%)</i>	<i>23.8</i>	<i>24.3</i>	<i>(47)bps</i>	<i>25.4</i>	<i>24.3</i>	<i>24.5</i>	<i>(15)bps</i>
Reported PAT	1,484	2,014	(26.3)	2,745	6,377	8,987	(29.0)
PAT (Excl. Ex Items)	1,484	2,014	(26.3)	2,745	6,377	8,987	(29.0)
Operating Metrics							
Subscriber Base (m)	93	66	39.5	86	105	80	31.7
ARPU (Rs)	160	182	(12.0)	161	153	160	(4.1)
MOU (minutes)	403	415	(3.0)	397	411	390	5.4

Others

Stock Performance

	Absolute				Relative to Sensex			
	1M	3M	6M	12M	1M	3M	6M	12M
Bombay Rayon Fashions	0.1	3.7	38.8	15.0	(1.9)	8.4	46.5	7.5
Ess Dee Aluminium	(15.5)	(13.1)	(20.2)	(29.1)	(17.5)	(8.3)	(12.5)	(36.6)
Siyaram Silk	2.2	6.2	13.1	66.9	0.2	11.0	20.8	59.4

Source: Company Data, PL Research

Summary Financials - Quarterly (Rs m)

		Q1FY12E	Q1FY11	YoY gr. (%)	Q4FY11	QoQ gr. (%)	2012E	2011	YoY gr. (%)
Bombay Rayon Fashions	Sales	5,995	5,049	18.7	6,974	(14.0)	32,509	27,212	19.5
	EBITDA	1,497	1,302	15.0	1,374	8.9	7,057	5,522	27.8
	Margins (%)	25.0	25.8		19.7		21.7	20.3	
	PAT	470	522	(9.9)	591	(20.5)	2,335	2,042	14.3
Ess Dee Aluminium	Sales	1,883	1,531	23.0	1,785	5.5	9,334	6,805	37.2
	EBITDA	489	429	14.0	291	68.2	2,324	1,640	41.7
	Margins (%)	26.0	28.0		16.3		24.9	24.1	
	PAT	343	272	25.8	122	180.9	1,634	1,118	46.2
Siyaram Silk	Sales	2,122	1,697	25.0	2,455	(13.6)	10,555	8,588	22.9
	EBITDA	265	195	35.7	320	(17.0)	1,396	1,087	28.4
	Margins (%)	12.5	11.5		13.0		13.2	12.7	
	PAT	114	85	33.8	186	(38.8)	730	576	26.7

Source: Company Data, PL Research

Consolidated Sectoral Data

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	42,605	52,398	62,716
Growth (%)	38.8	23.0	19.7
EBITDA	8,249	10,777	13,405
Margin (%)	19.4	20.6	21.4
PAT	3,736	4,700	6,582
Growth (%)	25.0	25.8	40.0
PE (x)	14.2	11.3	8.1

Quarterly Table (Rs m)

	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	QoQ gr. (%)
Net Sales	9,999	8,277	20.8	11,214	(10.8)
EBITDA	2,252	1,926	16.9	1,985	13.4
Margin (%)	22.5	23.3	(75)bps	17.7	482 bps
PAT (Excl. Ex Items)	927	879	5.4	899	3.0

Note: Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Bombay Rayon Fashions

Rating	Accumulate
Price	Rs287
Target Price	Rs291
Market Cap. (Rs bn)	37.9
Shares o/s (m)	132.1

Key Figures (Rs m) - Consolidated

	FY11	FY12E	FY13E
Net Sales	27,212	32,509	38,472
EBITDA	5,522	7,057	8,723
Margin (%)	20.3	21.7	22.7
PAT	2,042	2,335	3,591
EPS (Rs)	15.5	17.7	25.3
RoE (%)	9.0	8.4	11.5
PE (x)	18.6	16.2	11.4
P / BV (x)	1.4	1.3	1.2
EV / E (x)	12.5	9.4	7.1

We believe that BRFL would show strong net sales growth of ~19% YoY primarily driven by better volume growth, both in garment and fabric business during the quarter. EBITDA margin is expected to be lower by 81bps YoY. We believe that higher depreciation and interest cost due to Tarapur new plant would result to de-growth in adjusted PAT.

Quarterly Table (Rs m) - Standalone

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY11E*	12M FY10*	YoY gr. (%)
Net Sales	5,995	5,049	18.7	6,974	32,509	27,212	19.5
EBITDA	1,497	1,302	15.0	1,374	7,057	5,522	27.8
Margin (%)	25.0	25.8	(81)bps	19.7	21.7	20.3	141 bps
Reported PAT	470	522	(9.9)	591	2,335	2,042	14.3
PAT (Excl. Ex Items)	470	522	(9.9)	591	2,335	2,042	14.3
Operating Metrics							
Fabric Vol. (m mtr.)	22.9	20.8	10.0	24.4	100.0	90.0	11.1
Garment Vol. (m pcs)	12.0	9.9	21.2	11.2	56.5	41.5	36.1
Fabric Sales (Rs m)	2,680	2,333	14.9	2,864	11,712	10,334	13.3
Garment Sales (Rs m)	3,240	2,694	20.2	3,075	15,698	11,305	38.8

* Consolidated

Ess Dee Aluminium

Rating	BUY
Price	Rs362
Target Price	Rs450
Market Cap. (Rs bn)	11.6
Shares o/s (m)	32.0

Key Figures (Rs m)

	FY11	FY12E	FY13E
Net Sales	6,805	9,334	11,830
EBITDA	1,640	2,324	3,088
Margin (%)	24.1	24.9	26.1
PAT	1,118	1,634	2,175
EPS (Rs)	34.9	51.0	67.9
RoE (%)	17.7	18.0	20.2
PE (x)	10.4	7.1	5.3
P / BV (x)	1.4	1.2	1.0
EV / E (x)	7.7	5.4	4.1

We expect Ess Dee to report 23% topline growth YoY driven by better volumes from the India Foils facility. We expect the margins to remain suppressed and estimate a 200bps decline for Q1FY12E at 26%. Clarity on the Hoera facility ramp up will be the key monitorable.

Quarterly Table (Rs m)

Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	1,883	1,531	23.0	1,785	9,334	6,805	37.2
EBITDA	489	429	14.0	291	2,324	1,640	41.7
Margin (%)	26.0	28.0	(205)bps	16.3	24.9	24.1	80 bps
Reported PAT	343	272	25.8	122	1,634	1,568	4.3
PAT (Excl. Ex Items)	343	272	25.8	122	1,634	1,118	46.2
Operating Metrics							
Ess Dee Sales	1,452	1,231	18.0	1,680	6,975	5,946	17.3
Operating Profit	392	394	(0.5)	537	2,009	1,694	18.5
EBITDA Margin (%)	27	32	(15.6)	32	29	29	1.1

**Siyaram Silk**

Rating	BUY
Price	Rs392
Target Price	Rs523
Market Cap. (Rs bn)	3.7
Shares o/s (m)	9.4

Siyaram's net sales are expected to grow by 25% YoY on the back of strong volume growth. We expect that EBITDA margin would be higher by 99bps YoY to 12.5% (lower 50bps QoQ). PAT is expected to show robust growth of ~34% YoY.

Key Figures (Rs m) - Standalone

	FY11	FY12E	FY13E
Net Sales	8,588	10,555	12,415
EBITDA	1,087	1,396	1,594
<i>Margin (%)</i>	<i>12.7</i>	<i>13.2</i>	<i>12.8</i>
PAT	576	730	816
EPS (Rs)	61.6	77.9	87.1
<i>RoE (%)</i>	<i>29.6</i>	<i>29.0</i>	<i>25.5</i>
PE (x)	6.4	5.0	4.5
P / BV (x)	1.7	1.3	1.0
EV / E (x)	6.0	4.7	4.4

Quarterly Table (Rs m) - Standalone

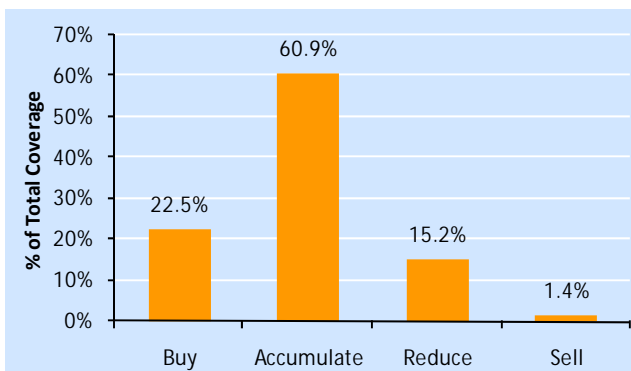
Y/e March	Q1 FY12E	Q1 FY11	YoY gr. (%)	Q4 FY11	12M FY11E	12M FY10	YoY gr. (%)
Net Sales	2,122	1,697	25.0	2,455	10,555	8,588	22.9
EBITDA	265	195	35.7	320	1,396	1,087	28.4
<i>Margin (%)</i>	<i>12.5</i>	<i>11.5</i>	<i>99 bps</i>	<i>13.0</i>	<i>13.2</i>	<i>12.7</i>	<i>56 bps</i>
Reported PAT	114	85	33.8	187	730	576	26.7
PAT (Excl. Ex Items)	114	85	33.8	186	730	576	26.7

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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