India Strategy 2010

Opportunities in Engineering Sector

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Contents

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About Us

Shriram Wealth Advisors Ltd. launched in the year 2009 and promoted by **Shriram Group, Chennai,** a multi faceted financial services conglomerate with an impeccable reputation for effectiveness, transparency and integrity, with Asset Under Management exceeding Rs 25,000 crores. The Group's clientele comprises 40 lacs people, served by 80,000 agents and 25,000 employees.

The Group's business ventures are identified through a constant search for ways to be useful to the largest number of common people. Thanks to this People-First philosophy, the **Shriram Group Companies** are market leaders in Commercial Vehicle Finance, Consumer Finance and Chit Funds, and have a significant presence in Life and Non-Life Insurance, Stock Broking, Financial Product Distribution among others. The group's recent foray into Wealth Management is again a strong expression of this commitment.

Shriram Wealth will take Wealth Advisory Services, which were hitherto available to only a few privileged people, to a large number of people, who do need financial planning.

Wealth Management process at **Shriram Wealth** shall begin at financial planning and shall continue its journey with its clients in actualising their financial goals. State of art technology and various tools will enable in:

- Identifying financial goals of a particular investor
- Helping prioritize these goals
- Choosing the right investment options
- Striking a balance between risk and return and
- Reviewing client Investments on a continuous basis

In the course of the advisory, we shall start with suggesting an array of asset classes including, equity, mutual fund, portfolio management, insurance and structured & fixed income products, and add more asset classes as we go along.

We have developed this platform as an open architecture, wherein asset allocation and investment options shall be considered purely based on its suitability to investors. The sound advice would come from a team of Wealth Managers and Certified Financial Planners supported by strong research team handling various asset classes

The entire process of client servicing and execution shall be complimented by state-of-the-art technology. Our website will not only give up-to-date information on various investments, but will also allow our clients to review portfolio at their own leisure.

World's Quotes on India

"By 2032, India will be among the three largest economies in the world"

BRIC Report, Goldman Sachs

"India is a developed country as far as intellectual capital is concerned"

Jack Welch
General Electric

"India has evolved into one of the world's leading technology centers"

Craig Barrett
Intel Corporation

"India is now truly a land of opportunity"

John Redwood - Eco. Competitiveness Group, UK

ShriramWealth
Live your dreams

Strategy 2010

The BSE Sensex doubles from its low in March-09 on back of strong liquidity.

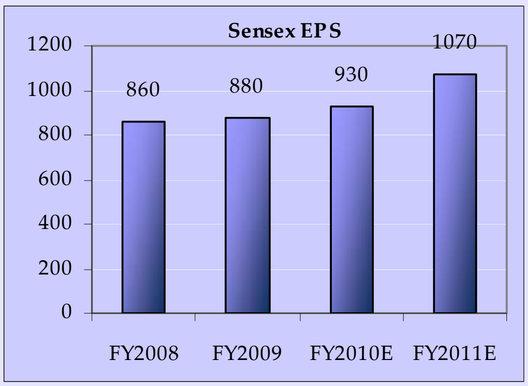
India's structural growth continues to remain strong, on back of high domestic savings rate and growth-supportive macro-economic environment.

In 2009, we have witnessed one of the sharpest rally in Equity markets across the globe including India. The BSE Sensex doubles from its low in March-09 on back of strong liquidity.

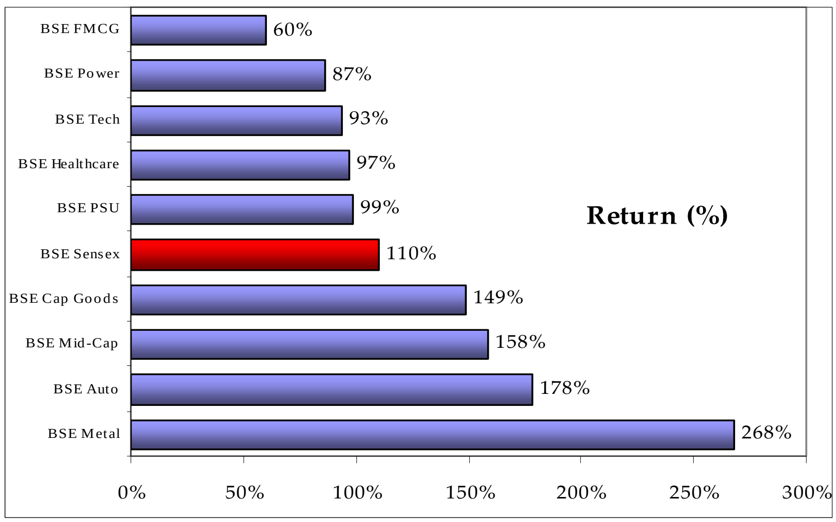
Fiscal stimulus packages combined with monetary efforts were brought in to cushion economies from further serious despair. Several agencies are revising their growth forecasts, particularly for 2010. IMF's projection for CY10 global growth is now revised up to 2.5% from 1.9% (projected in April).

We believe, India's structural growth continues to remain strong, on back of high domestic savings rate and growth-supportive macro-economic environment. IIP is in pace, inflation is inching higher on crude and commodity prices, interest rates are soft and the currency is appreciating.

BSE Sensex - EPS



Performance of Indices from March-09 lows



We recommend investors to BUY on dips.

We expect short-term volatility to continue. We have Sensex earnings estimate of Rs930 and Rs1,070 for FY10E and FY11E respectively.

We expect BSE Sensex to trade in the 14,500-21,000 band implying a P/E band of 13.6x – 19.6x on FY11E EPS. The index currently trades at 16.3x FY11EPS.

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Our high conviction sectors are Infrastructure, Power, Capital Goods, FMCG and Auto.

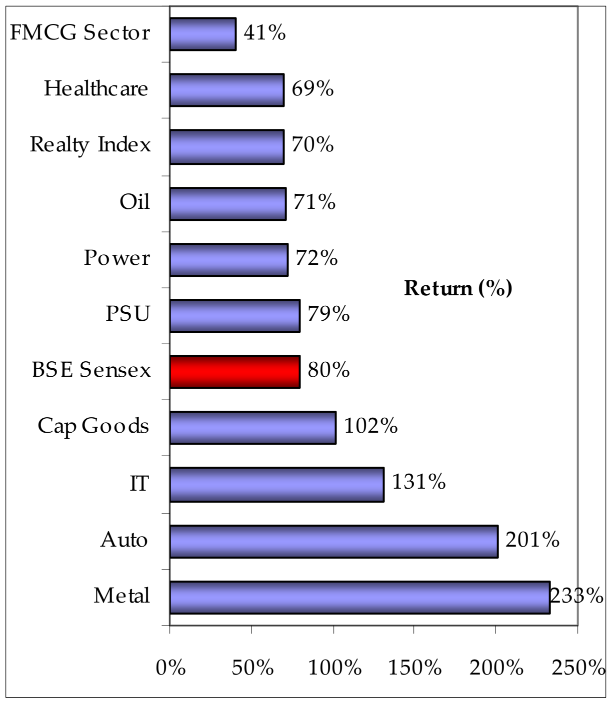
Factors to watch out for

- Corporate Earnings
- USD movement
- Commodity prices and world market performance
- Any other unexpected global shock
- FII outflows
- Fed undertaking policy rate

Performance of 2009

In 2009, Best performing sectors were Metal (surged 233%), Auto (surged 201%) and IT. Tata Motor was the biggest wealth creator in Nifty 50 stocks gaining 395%, followed by Jindal Steel up 368%. M&M gained 287%, Sterlite 229%,

Worst-performing sectors were Telecoms, FMCG & Realty. Telecom was the worst performer sector on back of tariff wars. Reliance Com fell 24% and Bharti Airtel was down 9% in 2009. Few other stocks which underperformed in 2009 are HUL, Idea and NTPC, which were up 6%, 12% and 29% respectively.



Nifty Performance in 2009

Best Performer

Sr	Nifty	Price (30-Dec-09)	Price (31-Dec-08)	Return (%)
1	Tata Motors	788	159	395%
2	Jindal Steel	712	152	368%
3	M & M	1,062	275	287%
4	Sterlite Inds.	858	261	229%
5	HCL Technologies	372	115	222%

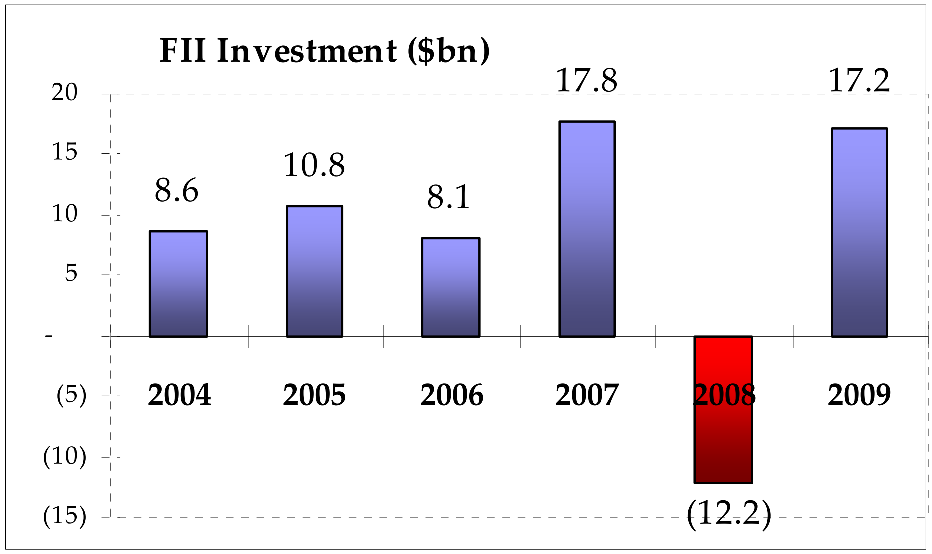
Worst Performer

Sr	Nifty	Price (30-Dec-09)	Price (31-Dec-08)	Return (%)
1	Rel. Comm.	174	227	-24%
2	Bharti Airtel	326	358	-9%
3	Hind. Unilever	265	250	6%
4	Idea Cellular	59	53	12%
5	NTPC	233	181	29%

FII Investment

FII have invested over $17bn into the equity markets in 2009

FII inflows have been one of the drivers for the up-move in the markets. FII have invested over $17bn into the equity markets in 2009, while the mutual funds continue to remain net sellers in the market.



As economic growth accelerates and tax compliance improves over the next few years, India is well positioned to attract FII flows over the long term. FII flows into India will continue to be strong.

Inflation

The RBI estimates inflation would climb to 6.5% by the end of this fiscal

Rising inflation expectations and robust recovery in the domestic economy have increased the risk of an early reversal in the government's monetary policy stance.

The RBI estimates inflation would climb to 6.5% by FY2010. A rising inflation rate is cause for worry as it brings higher interest rates in its wake.

Inflation jumped to 4.78% in November (1.34% in October) on account of rising prices of food items like potato, sugar and pulses, and may prompt the RBI to squeeze money supply to tame price rise.

A sharper rise in manufacturing clearly indicates that the pricing power is gradually returning as the broad group within manufacturing products have registered month-on-month increase in the index numbers.

IPO review and Outlook

The IPO market is showing signs of momentum over the next few months and the list of companies wanting to hit the capital market looks quite robust. However, the retail participation is muted. The subscription levels in these IPOs are heavily towards QIBs and the response from HNIs is moderate.

In 2009, 20 companies have entered the capital market and collected around Rs200bn.

Sectors, including power, real estate and infrastructure, are in the queue to float their IPOs. However, the IPO market has not taken off in direct proportion to the revival in the capital market, especially when compared to the boom year 2007-08.

In spite of poor response from retail investors and bad debut on bourses by many companies in 2009, India Inc is queuing up to tap the capital market.

46 companies are in the pipeline to raise about Rs400bn through IPO. Some of the prominent companies whose IPOs are currently in the pipeline are Reliance Infra Tel looking to raise Rs50bn, Jindal Power – Rs72bn, Emaar MGF – Rs39bn and Sahara Prime City Rs35bn.

Besides IPOs, several FPOs, are also expected from PSUs across India, on the backdrop of disinvestment

IPO Performance in 2009

Best Performer

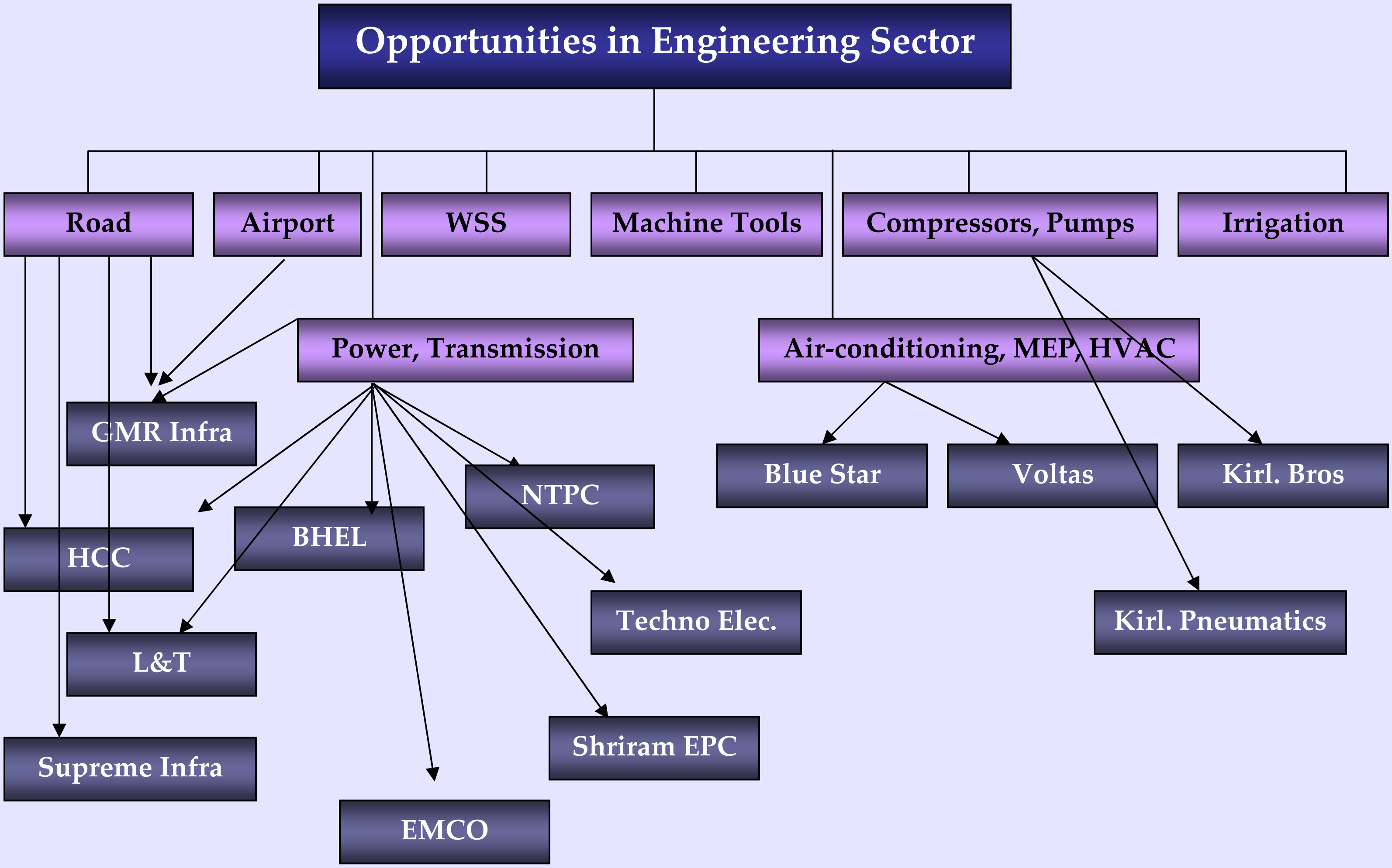
Sr	CompanyName	Date of Listing	Issue Price	Current Price	Return (%)
1	Edserv Softsystems	2-Mar-09	60	227	278%
2	Thinksoft Global	26-Oct-09	125	307	146%
3	Mahindra Holidays	16-Jul-09	300	461	54%
4	CoxandKings	11-Dec-09	330	438	33%
5	Jindal Cotex	22-Sep-09	75	96	28%

Worst Performer

Sr	CompanyName	Date of Listing	Issue Price	Current Price	Return (%)
1	Euro Multivision	15-Oct-09	75	30	-60%
2	Rishabhdev Tech.	29-Jun-09	33	18	-46%
3	Raj Oil Mills	12-Aug-09	120	72	-40%
4	Excel Infoways	3-Aug-09	85	57	-33%
5	Indiabulls Power	30-Oct-09	45	33	-26%

IPOs in pipeline

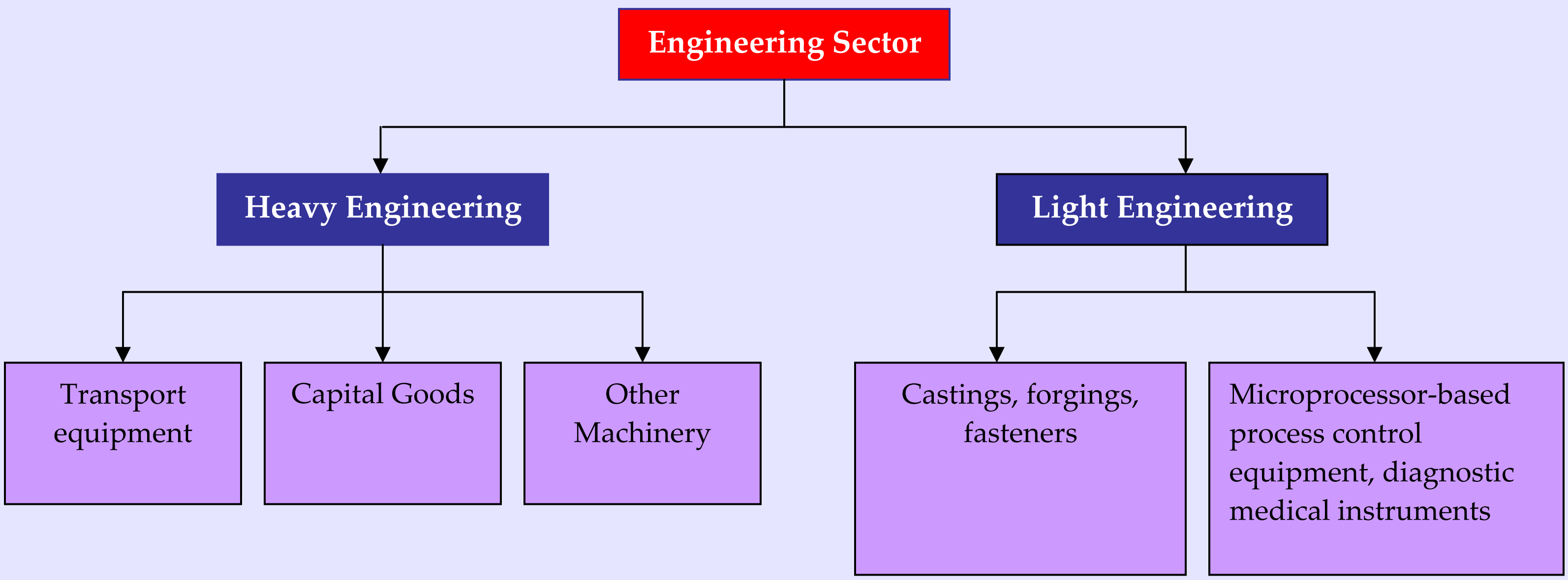
1. Reliance Infra Tel
2. Jindal Power
3. Emaar MGF
4. Sahara Prime
5. Sterlite Energy
6. Lodha Developers
7. Jaypee Infratech
8. DB Realty
9. Ambience
10. Prestige Estates
11. IL&FS Transportation
12. Hathway Cable
13. Glenmark Generics
14. Vascon Engineers
15. Nitesh Estates
16. Kumar Urban


Opportunities in Engineering Sector
Road
Airport
WSS
Machine Tools
Compressors, Pumps
Irrigation
Power, Transmission
Air-conditioning, MEP, HVAC
GMR Infra
NTPC
BHEL
HCC
Techno Elec.
L&T
Supreme Infra
Shriram EPC
EMCO
Blue Star
Voltas
Kirl. Bros
Kirl. Pneumatics

Sector Coverage

Engineering Sector

The Engineering sector witnessed tremendous growth in past on back of increased investments in infrastructure development and industrial production. The engineering sector has been growing on the back of growth in the user industries and several new projects being undertaken in various core industries such as railways, power, infrastructure, etc. Capacity creation in sectors such as infrastructure, oil & gas, power mining, automobiles, auto components, steel, refinery, consumer durables, etc, is driving growth of the engineering sector. The sector can be broadly divided into heavy engineering and light engineering.



Increased investment in infrastructure

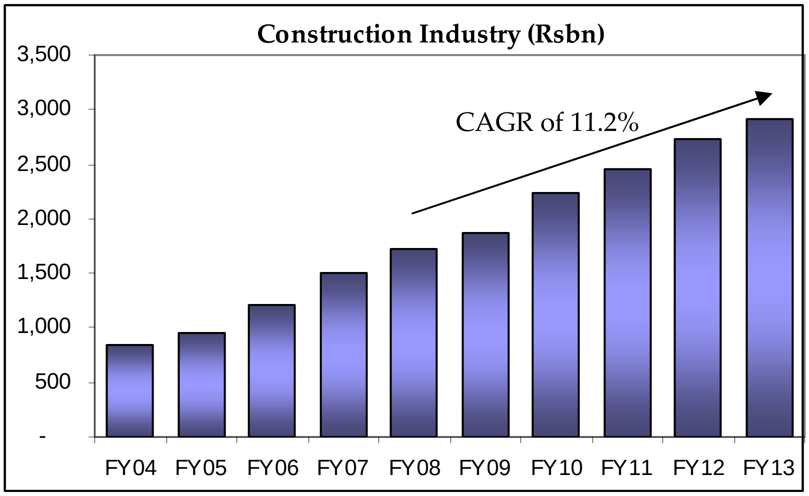
India needs strong investment in infrastructure to maintain its targeted GDP growth of 9% and above. The robust investment and consumption demand has driven the industrial growth to more than 10% over last three years. The key driver of the impending growth of the sector is the expected surge in infrastructure spending of over $500bn in the 11th Five plan. The growth should largely be driven by power, accounting for 41% of the total investment, followed by roads, oil & gas, and smaller sectors like ports and airports.

The Eleventh five-year plan (2007-2012) has envisaged an investment of around US$500bn in infrastructure

The Eleventh five-year plan (2007-2012) has envisaged an investment of around US$500bn in infrastructure between the Center, States and the Private sector. In 11th five year plan, the investments worth Rs3142bn are expected to be made in the Roads and Bridges, from Rs1450bn in 10th five year plan. In the total investments, the share of private sector is expected to go up to 30% in 11th five year plan from 20% in 10th five year plan, which would provide robust boost to the civil infrastructure segment.

Investment in construction accounts for around 11% of GDP and has a positive effect on supplier industries, thereby contributing immensely to economic development. Roads, Irrigation and urban infrastructure constitute 70% on an average of infrastructure investments.

According to Crisil Research, the construction industry is set to grow at a CAGR of 11.2% during the period FY08-FY13.



Source: CRISIL, Shriram Wealth

Sector-wise Investments under Eleventh Plan

Rsbn	FY2008	FY2009	FY2010	FY2011	FY2012	Total 11th FYP
Roads and Bridges	**518**	**548**	**592**	**684**	**800**	**3,142**
Centre	183	195	207	226	263	1,074
States	175	182	189	206	248	1,000
Private	160	172	196	251	289	1,068
Irrigation	**275**	**359**	**472**	**623**	**804**	**2,533**
Centre	34	40	48	57	69	248
States	241	319	424	565	736	2,285
WSS	**193**	**228**	**273**	**333**	**411**	**1,438**
Centre	52	64	80	100	125	420
State	135	156	183	220	270	963
Private	7	8	10	13	17	54

Source: CRISIL, Shriram Wealth

Road Sector

India has the second largest network in the world after the US, which is stretched at 3.32mn kilometer. Roads continue to provide the most common means of transportation carrying 65% of the freight and 87% of the passenger traffic. However, the effectiveness is weighed down by several deficiencies. Therefore, there is need of rapid expansion and strengthening of the road network.

Indian Road Network	Km	% of Total
Expressway	200	0.006%
National highway	66,590	2.0%
State highway	131,899	4.0%
Major district highways	467,763	14.1%
Rural & other roads	2,650,000	79.9%
Total length	**3,316,452**	**100%**

Source: NHAI, CRISIL, Shriram Wealth

In the Eleventh Five Year Plan, investment in the road and infrastructure sector is expected to increase 2.2x to Rs3142bn during the Eleventh Five Year Plan from the Tenth Five Year Plan.

The government has set up NHAI as the lead agency for development of quality roads in the country. NHAI is implementing road development programmes over seven phases under the NHDP. In the Eleventh Five Year Plan, investment in the road and infrastructure sector is expected to increase 2.2x to Rs3142bn during the Eleventh Five Year Plan from the Tenth Five Year Plan.

The road sector took hit between FY07-FY09 due to frequent changes in the regulatory framework such as delay in terms of land acquisition and environmental clearances, sharp rise in the cost of debt due to financial and credit market meltdown and disputes related to the new modern concession agreement and issues on request-for-qualification (RFQ) and request for proposal (RFP) procedures. However, the Road Transport and Highway Minister (Kamal Nath) is trying to sort out the hurdles and has set out an ambitious plan

- Building 20 km per day from 4 km per day currently.
- **Restructure future projects:** Including 48 remaining projects that were to be allotted last year, such as change in BOT mode from toll to annuity for some projects
- **Change in land acquisition norms: A**warding contracts only after 80% of the land acquisition compared to 50% land acquisition earlier
- **Accessibility of funds**: IIFL has been authorised to raise Rs400bn, Rs100bn has already been raised
- **Change in new toll policy**: The commitment of the government to road projects and making policies attractive should improve the developer's interest.
- In the revised work plan, NHAI is looking to award roads aggregating 12,652 km. According to our calculation, these projects would be worth Rs960bn.

NHAI Work plan I (2009-10)

	Length (km)	Est TPC (Rsbn)
BOT (Toll)	8808	730
BOT (Annuity)	2620	175
EPC	1224	55
Total	**12652**	**960**

Source: NHAI, CRISIL, Shriram Wealth

Tenders awarded in 2009

Sr	Name of project	State	Length (km)	Cost (Rsmn)	Names of awardees
1	Pimpalgaon-Nasik-Gonde	Maharashtra	60	9400	L&T-ABL consortium
2	MP/Mah border - Dhule	Maharashtra	97	8350	HCC-John Laing-Sadbhav
3	Pune-Sholapur (pkg-I)	Maharashtra	110	11100	Navinya-Buildcon-Atlantia Spa
4	Gujarat Mah Border-Surat-Hazira	Gujarat	133	15091	Isolux-SOMA
5	Cuduppah-Mydukur-Kurnool	Andhra Pradesh	188	15850	KMC-IVRCL
6	Vadakkancherry-Thrissur of NH7	Kerela	30	6170	KMC-CR18
7	Elev.road Chenna port-Maduravoyal	Tamil Nadu	19	13450	SOMA Enterprises
8	Kishangarh-Beawar	Rajasthan	94	7950	Isolux-SOMA
9	Hyderabad-Vijawada	Andhra Pradesh	181	17400	GMR-Punj Lloyd
10	Armur-Adloor Yellareddy of NH7	Andhra Pradesh	60	4905	Navyuga-KPCL
11	Hazaribagh-Ranchi	Jharkhand	71	6251	IL&FS TNL - Punj Lloyd
12	Kannur-Kuttipuram (Pkg I)	Kerela	83	13660	KMC Construction
13	Kannur-Kuttipuram (Pkg II)	Kerela	82	13120	KMC Construction
14	Anritsar-Pathankot	Punjab	102	7050	IRB-MRM
15	Pune-Sholapur (pkg-II)	Maharashtra	110	8350	ILFS Transportation Network
16	Talegaon-Amravati	Maharashtra	67	5670	IRM-MRM
17	MP/Mah border - Nagpur section	Maharashtra	95	11705	Oriental Structural Engineers
18	Indore-Gujarat/MP border	Madhya Pradesh	155	11750	IVRCL
19	Hyderabad-Yadgiri	Andhra Pradesh	36	3880	Sadbhav
20	Bareilly - Sitapur	Uttar Pradesh	152	10460	Nagarjuna Const. Co.
21	Muzaffarnagar-Haridwar	UP / Uttarakhand	80	7540	IRA Const
22	Rohtak-Panipat	Haryana	81	8070	Sadbhav
23	Samakhiyali-Gandhidham	Gujarat	56	8050	L&T
24	Muradabad-Bareilly	Uttar Pradesh	121	12670	ILFS Transportation Network
25	Pune-Satara	Maharashtra	140	17250	Reliance Infrastructure
26	Krishnagar-Bahrampore	West Bengal	78	6720	NA
27	Bahrampore -Farakka	West Bengal	102	9990	NA
28	Farakka-Raiganj	West Bengal	103	10790	HCC
29	Raiganj-Dalkhola	West Bengal	50	5800	Bid Unopened
30	Kandla- - Mundra Port	Gujarat	72	9540	Reliance Infrastructure
31	Parwanoo-Solan	Himachal Pradesh	40	5360	NA
32	Ahmedabad-Godhra	Gujarat	118	10090	Essel Infrastructure
33	Rohtak - Bawal	Haryana	83	6500	JMC
34	Haridwar-Dehradoon	Uttarakhand	37	4900	NA
35	Godhra-Gujarat/MP Border	Gujarat	84	7170	B Sennaih
36	Ranchi-Jamshedpur	Jharkhand	164	16360	NO bidders
37	Chengapalli-Walayar	Tamil Nadu	55	8520	IVRCL

Source: NHAI, Shriram Wealth

Snapshot of Companies under Engineering/Road Sector

Rsmn

Sr	Company Name	Close Price (30-Dec-09)	Latest EPS	P/E Ratio	P/BV	Market Cap	52 Week High	52 Week Low	Net Sales	Net Profit
1	Larsen & Toubro	1,665	50	34	7.0	1,008,060	1,800	557	403,712	37,903
2	JP Associates	142	4	33	5.0	311,700	180	40	47,754	4,203
3	Lanco Infratech	566	18	32	5.4	139,135	604	99	60,720	3,451
4	Engineers India	1,545	76	20	6.3	87,085	1,578	405	15,514	3,511
5	IRB Infra.Devl.	245	2	134	6.0	81,328	280	77	9,919	1,759
6	Punj Lloyd	206	8	26	2.0	68,087	299	67	118,761	(2,253)
7	BEML Ltd	1,109	60	19	2.5	46,951	1,220	322	28,009	2,701
8	IVRCL Infra.	357	16	22	2.6	46,798	425	82	50,741	2,250
9	Hind.Construct.	148	4	39	3.0	44,282	155	29	35,603	592
10	Nag. Constructn.	162	6	27	2.1	42,510	184	34	47,717	1,813
11	BGR Energy Sys.	477	17	28	6.3	35,453	536	107	19,303	1,154
12	Patel Engg.	450	23	19	2.4	31,239	526	103	21,476	1,805
13	Simplex Infra	556	22	25	3.1	27,410	561	102	47,126	1,234
14	Gammon India	227	13	18	1.8	27,277	255	50	51,154	563
15	Alfa Laval (I)	1,216	61	20	7.1	21,918	1,334	830	7,999	902
16	Texmaco	166	6	27	4.5	20,784	171	36	10,072	761
17	Praj Inds.	101	8	14	4.4	19,532	123	45	9,542	1,212
18	Gammon Infra.	23	0	146	3.2	16,912	31	9	1,905	339
19	C C C L	414	20	21	3.0	15,391	472	105	18,413	728
20	Sadbhav Engg.	1,190	52	24	4.5	15,330	1,260	221	10,974	429
21	Rel. Indl. Infra	914	15	63	9.7	14,387	1,287	231	710	450
22	Madhucon Proj.	173	6	27	2.4	12,683	187	21	10,254	469
23	IVR-Prime Urban	175	-	-	1.1	11,210	189	24	457	8
24	Shriram EPC	229	10	24	2.7	10,227	265	77	10,058	475
25	Sanghvi Movers	227	22	10	2.5	9,736	237	60	3,575	1,011
26	B.L.Kashyap	470	17	27	2.0	9,388	516	86	13,973	688
27	Maytas Infra	159	-	-	5.7	9,334	182	31	16,447	(4,735)
28	Elecon Engg.Co	86	5	17	3.0	8,171	111	24	9,566	575
29	Titagarh Wagons	467	25	18	2.1	8,170	489	119	6,890	641
30	Unity Infra.	522	49	11	1.6	8,038	550	67	11,659	703
31	Noida Tollbridg.	38	2	23	1.8	7,057	48	20	798	335
32	Hind.Dorr-Oliver	167	12	14	3.9	6,055	178	24	5,135	311
33	Subhash Projects	142	11	12	1.5	5,217	171	36	13,252	564
34	Pratibha Inds	304	28	11	2.3	5,115	327	55	8,058	447

Source: Capitaline, Shriram Wealth

.In the Eleventh Five Year Plan, the government has increased the planned outlay by 2.3x to Rs2533bn

Irrigation Sector

The Eleventh Five-Year Plan has a target of developing 16mn hectares through irrigation works. There is a considerable potential for development which could be exploited by the construction companies. The government is making efforts to ensure availability of water for irrigation. In the Eleventh Five Year Plan, the government has increased the planned outlay by 2.3x to Rs2533bn. The government has initiated major schemes such as Accelerated Irrigation Benefit Program (AIBP), Bharat Nirman and Restoration of Water Bodies to ensure that there is an adequate supply of water for irrigation in order to maximise the performance of the agricultural sector.

Top 10 state irrigation outlay in Eleventh Plan

State	Rsbn
Andhra Pradesh	343
Gujarat	292
Maharashtra	268
Karnataka	260
Uttar Pradesh	163
Madhya Pradesh	149
Bihar	79
Rajasthan	77
Orissa	65
Chhattisgarh	40

Source: Planning Commission, Shriram Wealth

Water Supply and Sanitation

Increasing urbanization of India has led to a renewed focus on addressing the backlog in investment in urban water and sanitation infrastructure through the JNNURM. The JNNURM aims to encourage reforms and fast track planned development of certain identified cities in India to meet deficiencies in urban infrastructure. According to the Ministry of Urban Development, implementing agencies participating in the JNNURM are expected to leverage sanctioned funds under the JNNURM 46 to attract greater private sector investments through PPP that enables sharing of risks between the private and public sector. Sectors eligible for JNNURM assistance include, among other things, projects involving development, improvement and maintenance of basic services to the urban poor and projects on water supply, sewerage, drainage, community toilets and baths etc.

Investment in the XI Plan in Rural and Urban Water Supply and Sanitation Rsbn

Year	FY2008	FY2009	FY2010	FY2011	FY2012	Total XI Plan
Rural	126	146	172	208	255	907
Urban	67	82	101	125	155	530
Total	193	228	273	333	411	1,437

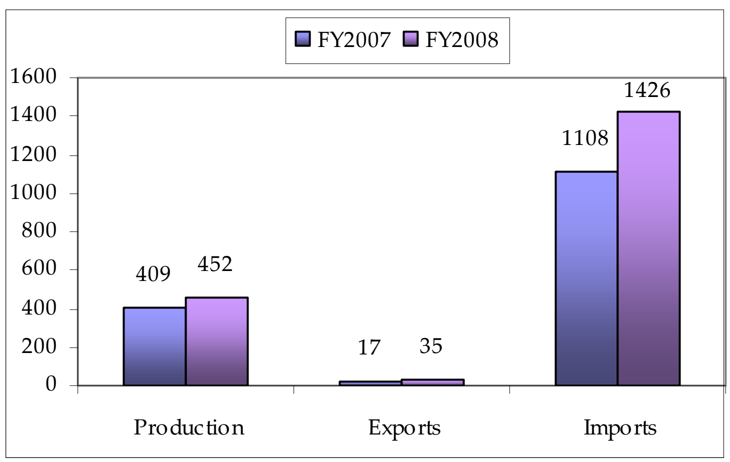
Source: Planning Commission, Shriram Wealth

Given the low levels of capital formation in the water supply and sanitation sector in the past and the need to urgently increase coverage in both rural and urban areas, the total investment during the Eleventh Plan is projected to amount to Rs420bn, with approximately Rs54bn (3.8%) invested by the private sector. The private sector is projected to invest 80% in water supply and 20% in sanitation. The National Water Policy of 2002 recommends private sector participation in water resources projects.

Machine tools

The machine tool industry mainly covers manufacturers of metal cutting and metal forming tools. They also classified into conventional and CNC machine tools. Machine tool demand largely depends on growth in capital goods sectors, especially in the automobile and textile industry. The rising fortunes of these sectors are driving the demand for machine tools. In keeping with users preference towards higher productivity, superior precision and accuracy, as well as low-cost manufacturing solutions, CNC machine tools comprised the bulk of the manufacture from the Indian stable.

This segment achieved a 70% share in the total metalworking machine tools. The size of the machine tool market is expected to be USD 500 million and is growing by over 20% y-o-y. CNC machines are experience a turnover growth of 50% over the past 3 years.



Fluid-moving equipment (Compressors, pumps, etc.)

Compressors find application across various manufacturing industries such as air conditioning and refrigeration industry (ACR), petrochemicals, refining, fertilizers, natural gas and oil exploration. The demand for compressors is likely to rise in coming years, driven primarily by growth in the high-value screw air pumps segment.

The Indian pump industry has a turnover of $7.5mn and is expected to grow by 7.9% p.a. There are more than 500 manufacturers of pumps in the country who together produce more than 1.2 mn pumps every year. The industry meets 95% of the domestic demand.

The Indian pump industry is characterized by the large number of SSI units, some large manufacturers like Kirloskar as well as plenty of foreign manufacturers. The greatest demand for pumps originates from moving water from waterways & sources to residential & industrial users. The key demand drivers are agriculture, industrial sector, construction and urban infrastructure.

Global Pump market

The world pump market is governed by the demand in United States, European Union and Japan. The global market for centrifugal pumps in 2009 and 2010 is likely to contract, while that for positive displacement pumps will post good gains. Consolidation of players in the pump industry through mergers and acquisitions may catch momentum in 2009 -10 in spite of the present recessionary trends.

Factors affecting growth of the global pump industry:

- Per capita availability of water in Asia is less than other continents; and it will continue to grow rapidly, thus increasing demand for delivery and treatment of that water. Rising consumption with decreasing supplies of uncontaminated water is pushing up the market of desalination plants for treating seawater.

- Urbanization of Asia has seen relocation of more than one billion migrants from villages to cities. This is creating pressure on the existing infrastructure including delivery of utility water and removal and treatment of wastewater.

Snapshot of Companies under Pump Industry Rsmn

Sr	Company Name	Close Price (30-Dec-09)	Latest EPS	P/E Ratio	P/BV	Market Cap	52 Week High	52 Week Low	Net Sales	Net Profit
1	Kirl. Brothers	255	8	32	4	27,664	265	59	24,511	853
2	KSB Pumps	429	37	11	3	7,389	460	176	4,668	510
5	WPIL	172	13	14	6	1,380	194	35	1,595	83
4	Shakti Pumps	118	14	9	2	784	125	55	1,068	78
3	Roto Pumps	67	12	6	1	205	77	26	500	33

Source: Capitaline, Shriram Wealth

Air-conditioning

MEP (Mechanical, Electrical and Plumbing), HVAC (Heating, ventilation & air conditioning)

The Indian players in the MEP/ HVAC industry include Voltas and Blue Star with a combined market share of 55-60% in MEP/HVAC, packaged air conditioners and industrial air conditioning.

MEP, an important aspect of the construction sector, accounts for the second largest component after civil works. The MEP players provide one-stop solutions for manufacturing, contracting, commissioning and after-sales service.

The Indian players in the MEP/ HVAC industry include Voltas and Blue Star with a combined market share of 55-60% in MEP/HVAC, packaged air conditioners and industrial air conditioning. These companies also have a significant presence in home segment ACs with a combined market share of 22%.

In FY2009, the estimated market size of AC in India around Rs100bn. Of which, the market for central AC, including central plants, packaged and VRF systems is around Rs55bn, while the market for room AC comprised the balance Rs.45bn.

In FY2009, the economic slowdown coupled with the liquidity squeeze affected certain segments such as retail and builders. Project expansion plans in the IT/ITES segment were also delayed mainly due to the uncertain impact of the US recession on this segment.

However, the AC market witnessed significant growth in segments such as hospitality, healthcare and education. In addition, infrastructure segments such as airports, power plants and metro rail were unaffected by the economic downturn and project plans were on track.

Snapshot of Companies under AC Sector Rsmn

Sr	Company Name	Close Price (30-Dec-09)	Latest EPS	P/E Ratio	P/BV	Market Cap	52 Week High	52 Week Low	Net Sales	Net Profit
1	Voltas	173	8	22	7.9	57,345	182	31	43,259	2,514
2	Blue Star	374	21	19	9.5	34,820	425	125	25,523	1,803
3	Hitachi Home	142	12	12	3.1	3,193	157	26	4,701	211
4	Fedders Lloyd	82	6	13	1.7	2,489	86	15	4,602	113
5	Lloyd Electric	66	7	9	0.6	2,077	70	14	7,234	34

Source: Capitaline, Shriram Wealth

Airport Sector

In FY09, the Passenger traffic was down by 6.85% to 108.9mn. The air-cargo movements for FY09, were marginally down to 1.70mn tonnes, from 1.72mn tonnes in FY08

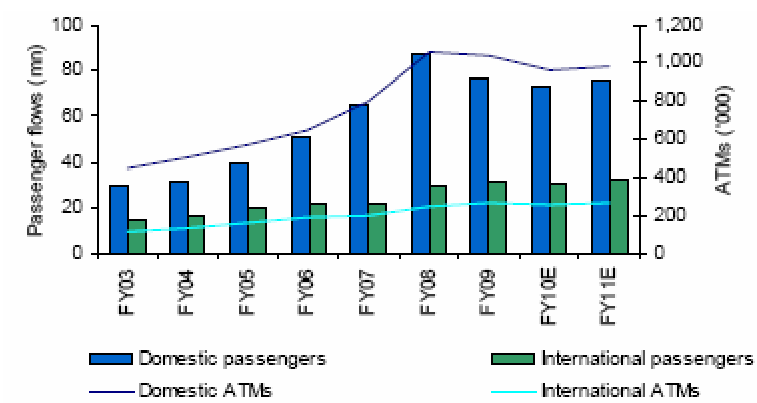
In FY09, the Passenger traffic was down by 6.85% to 108.9mn. The air-cargo movements for FY09, were marginally down to 1.70mn tonnes, from 1.72mn tonnes in FY08. However, the CAGR growth in passenger and the freight traffic for the past five financial years at 16.4% and 7.3% respectively, give an indication of the pace of growth of the industry.

Airports are one of the most important economic drivers of the country. Apart from direct contributions, their indirect contributions are also vast. The Indian aviation market crossed the 100 million passenger traffic milestone for the first time. In FY08, India has become 9th largest aviation market in the world. The growth in passenger traffic is led by tier-2 cities both in the domestic as well as in the international traffic.

The introduction of low-cost airlines, air-traffic has zoomed. Total passenger traffic grew 23% in FY06, 32% in FY07, and 28% in FY08

Air-traffic in India between FY2001 to 2005 grew at a CAGR of 9%. In 2005, the focus shifted to airport modernization. However. The introduction of low-cost airlines, air-traffic has zoomed. Total passenger traffic grew 23% in FY06, 32% in FY07, and 28% in FY08. A major portion of this growth came from domestic traffic; international traffic also has been accelerating, growing 14-15% in each of the three periods.

Passenger Traffic & ATMs



To meet India's huge demand for capacity addition in the aviation sector, investments of US$9 billion for the development of airports till 2013-14 would be required

To meet India's huge demand for capacity addition in the aviation sector, investments of US$9 billion for the development of airports till 2013-14 would be required. Significant portion of the requirement investment has to come from the private sector.

Approximately US$6.9 billion would come from Public Private Partnerships (PPPs). The international airports in Delhi and Mumbai are being modernised and upgraded through private sector participation. The GMR Group has developed the Hyderabad international airport. Delhi and Hyderabad, together, account for 26.5%of passenger traffic in India.

The Ministry of Civil Aviation envisages to handle 280mn passengers by 2020 with investment opportunities of $110bn billion, of which $80bn in new aircraft and $30 billion in development of airport infrastructure (source: Investment Commission of India report titled 'India: Opportunities in the world's largest democracy'). This shows the huge untapped potential for the industry which can lead tremendous growth in the aviation sector and the scenario is encouraging over the long term.

Key Growth drivers of Airport Sector

- Robust growth of the economy
- Expansion in network of low-cost airlines
- India emerging as a global hub for manufacturing as well as services
- India emerging as a popular international tourist destination

Snapshot of Companies under Airport Sector

Rsmn

Sr	Company Name	Close Price (30-Dec-09)	P/BV	Market Cap	52 Week High	52 Week Low	Net Sales	Net Profit
1	GMR Infra.	67	4.2	244,432	92	31	44,762	2,795
2	GVK Power Infra.	48	3.0	73,512	54	17	5,138	1,076

Source: Capitaline, Shriram Wealth

GMR has three operating airports

- Delhi International Airport (P) Ltd. (DIAL)
- GMR Hyderabad International Airport Ltd (GHIAL)
- Istanbul Sabiha Gokcen International Airport (SGIA)

GMR Infra – Airport Snapshot

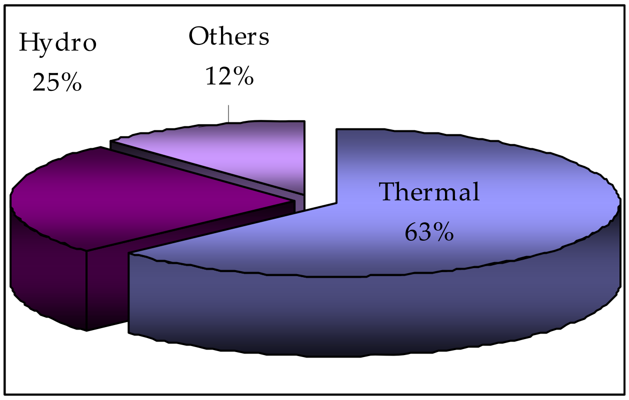
Phase	Expected completion	Pass. capacity (PAX mnpa)	Cargo cap ('000 Tonnes)	Runaways
Delhi				
Phase 1A	Jul-08	26	539	2
Phase 1B	Mar-10	46	638	2
Phase 2	Mar-17	59	900	2
Phase 3	Mar-22	75	1,400	3
Phase 4	Mar-27	89	2,100	4
Phase 5	Mar-37	99	3,600	4
Hyderabad				
Phase 1A	Mar-08	12	100	1
Phase 1B	Mar-08	12	100	1
Phase 2	Mar-16	20	160	1
Phase 3	Mar-24	32	250	2
Phase 4	Mar-33	40	350	2

Source: Company. Shriram Wealth

Power Sector

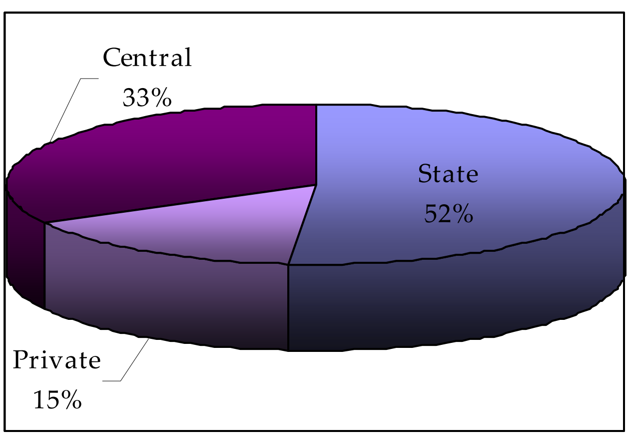
As of FY2009, India's power system had an installed capacity of around 147,965 MW

As of FY2009, India's power system had an installed capacity of around 147,965 MW. Thermal power plants powered by coal, gas, and diesel accounted for 63% of total capacity, hydro-electric stations for 25% and others (including renewable sources of energy and nuclear stations) accounted for 12%.



Power sector reforms have evolved over time and created an environment for private players to capture significant value from the huge demand for power in India. Historically, the responsibility for generation, transmission and distribution of power in India rested only with the Central and the State Governments. Power generation capacity grew at about 4.4% CAGR in last ten years and failed to keep up with the demand growth, leading to a situation of persistent power outages. To give a boost to power generation, the Indian Government introduced the first wave of reforms in the power sector in 1991.

The Central Public Sector Undertakings (CPSU) accounted for around 33% of total power generation capacity the various state entities accounted for 51% and private sector companies accounted for approximately 16%.



Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. From April 2002 - March 2009, India faced an energy shortage of approximately 9% of total energy requirements and 12.9% of peak demand requirements.

The Planning Commission of India estimates that the power sector would need investments to the tune of $180bn between FY07 to FY12.

Capacity addition for XI Plan (2007-12) - MW

	Central	State	Private	Total
Thermal	26,800	24,347	7,497	58,644
Hydero	9,685	3,605	3,263	16,553
Nuclear	3,380	-	-	3,380
Total	**39,865**	**27,952**	**10,760**	**78,577**

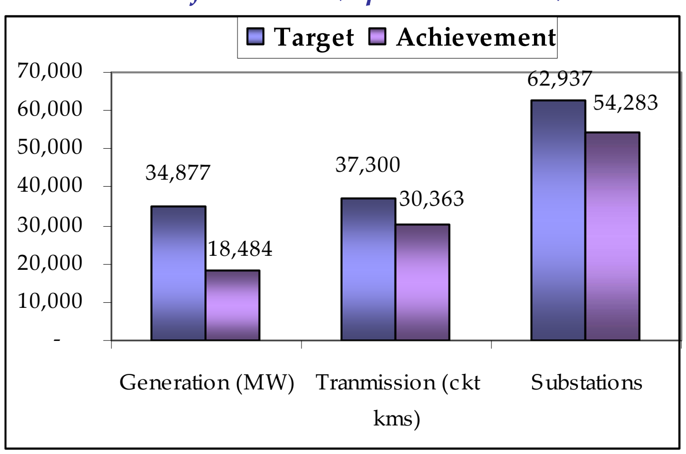
Source: CEA

It is expected that 13,500 MW would be added through non-conventional energy sources, 12,000 MW through captive power plants and 10,000 MW through merchant power plants.

XIth Plan Performance (Apr'08 - Oct'09)

Total 18,484 MW capacity is added during the 11th till October 09, which is 53% of the targeted capacity and 23.5% of the overall target.

XIth Plan Performance (Apr'08 - Oct'09)



Transmission: Total 30,363 ckm added till October 09, which is 81% of the target thus far and 31.9% of the overall target.

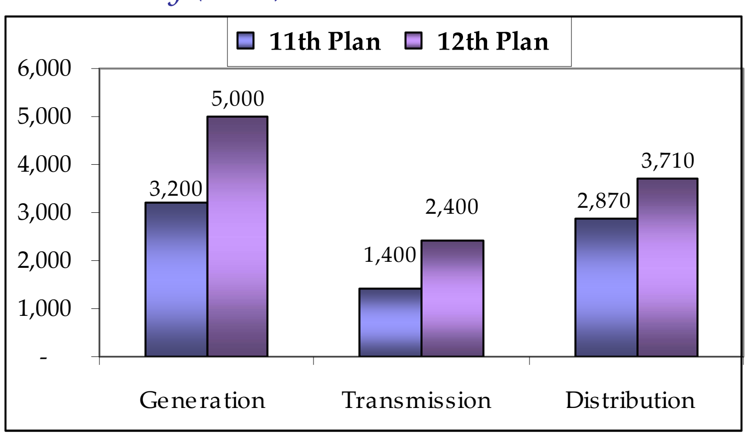
Sub-stations: Total addition during 11th plan till October is at 54,283 MVA, 86% of the target thus far and 42.4% of the overall target.

Capacity under construction: 62,734 MW of the power generation capacity is under construction including 47,498 MW thermal, 12076 MW hydro and 3160 MW nuclear. The share of central, state and private sector is 43%, 23% and 34%, respectively.

Outlay Rsbn	11th Plan	12th Plan	% Chg
Generation	3,200	5,000	56%
Transmission	1,400	2,400	71%
Distribution	2,870	3,710	29%
Total	**7,470**	**11,110**	**49%**
Capacity Target			
Generation (MW)			
Thermal	59,693	76,600	28%
Hydro	15,627	20,000	28%
Nuclear	3,380	3,400	1%
Total	**78,700**	**100,000**	**27%**
Transmission Lines			
765	5,428	25,000	361%
HVDC +/-500 KV	5,206	5,000	-4%
400 KV	49,278	50,000	1%
230/220 KV	35,370	40,000	13%
Total	**95,282**	**120,000**	26%
Transformation & substation MVA			
765	51,000	120,000	135%
400 KV	52,058	80,000	54%
230/220 KV	73,500	95,000	29%
Total	**176,558**	**295,000**	67%

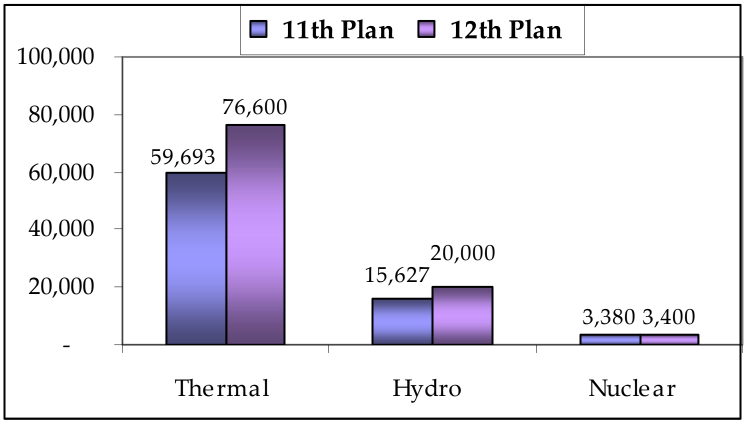
Source: CEA

Total Outlay (Rsbn)

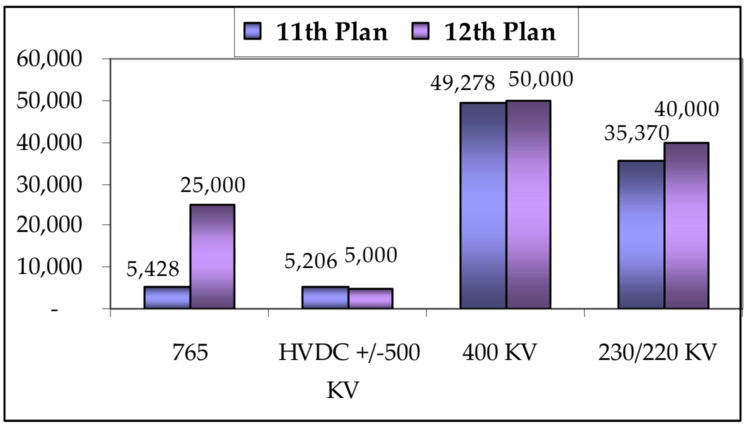


Capacity Target

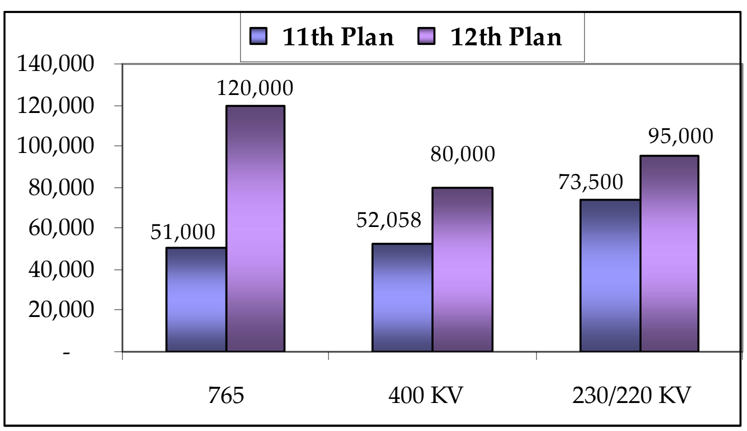
Generation MW



Transmission Lines



Transmission & Substation MVA



Companies to benefit from huge CAPEX in Power Sector

Rsmn

Segment	Key Beneficiaries	Remarks
Boiler, Turbine, Generator (BTG)	BHEL, L&T, Alstom	The necessity of super critical technology & investment in the generation segment these companies to gain with capacity expansions underway due to supply shortage & technology tie-ups.
Balance of Plant (BOP)	Elecon, BGR, Mcnally Bharat, Thermax, TRF, ION Exchange, Gammon India	There is a huge requirement for ash, coal & fuel handling, wagons, motors, watersystem packages, cooling water system
High Range Transformers	ABB, Areva, Siemens, Crompton	PGCIL is taking steps to develop an efficient transmission system to wheel bulk power & reduce losses which mandates adoption of new technologies supported by high range(Kv) transformers.
Low Range Transformer Transmission Lines	Bharat Bijlee, Voltamp, EMCO, Indotech, T&R Jyoti Structures, KEC international, Kalpataru Power	In order to strengthen the distribution system & reduce AT&C losses low range tranformers are expected to witness fresh & replacement demand which would be beneficiary for transformer companies.

Snapshot of Companies under Power Sector

Rsmn

Sr	Company Name	Close Price (30-Dec-09)	Latest EPS	P/E Ratio	P/BV	Market Cap	52 Week High	52 Week Low	Net Sales	Net Profit
1	NTPC	233	11	22	3.2	1,943,455	242	166	442,967	80,925
2	Power Grid Corpn	109	5	23	3.1	463,393	128	71	65,798	16,906
3	NHPC Ltd	34	1	36	1.9	418,840	40	30	34,937	12,442
4	Reliance Power	156	1	117	2.7	371,744	210	89	-	2,445
5	Tata Power Co.	1,356	43	32	3.7	326,836	1,487	602	175,832	12,187
6	Reliance Infra.	1,149	54	21	2.5	259,681	1,404	428	127,244	13,532
7	Neyveli Lignite	150	6	27	2.7	256,690	163	63	33,600	8,211
8	Adani Power	98	-	-	3.8	216,041	108	90	-	(26)
9	Torrent Power	314	12	28	4.7	152,294	351	64	43,252	4,064
10	KSK Energy Ven.	203	2	81	3.0	74,656	250	147	3,496	1,359
11	GVK Power Infra.	48	0	423	3.0	73,512	54	17	5,138	1,076
12	Indiabulls Power	34	1	66	1.8	70,190	46	31	-	1,062
13	CESC	389	34	11	1.4	48,296	410	180	41,083	775
14	BF Utilities	1,307	2	-	21.1	48,224	1,479	268	7,239	1,233
15	JP Power Ven.	74	3	25	3.4	36,113	104	24	3,018	1,429
16	Kalpataru Power	1,075	42	26	3.5	28,951	1,145	222	32,311	1,109
17	K E C Intl.	579	30	20	5.2	28,935	624	113	34,285	1,168
18	Guj Inds. Power	117	5	22	1.5	17,832	133	40	11,550	853
19	Jyoti Structures	175	10	17	3.4	14,161	179	44	18,382	851
20	Sujana Towers	51	4	13	1.1	4,109	61	8	7,545	415
21	Indowind Energy	60	3	20	2.2	2,879	68	17	609	115
22	Energy Devl.Co.	60	4	15	1.7	1,687	82	31	1,172	167
23	Surya Chak.Pow.	22	0	93	1.2	1,648	24	8	1,705	18

Source: Capitaline, Shriram Wealth

Valuation Guide

Sr	Under Coverage	Sector	FY2011E Net Sales	EBITDA	EBITDA Mar (%)	Net Profit	EPS	PE	CMP (30-Dec-09)	Target Price	Return (%)	Reco
1	L&T	Engineering	549,511	70,392	12.8%	46,010	78.6	21	1,660	1,964	18%	BUY
2	B H E L	Engineering	417,536	66,806	16.0%	45,989	93.9	25	2,360	2,724	15%	BUY
3	GMR Infra.	Engineering	65,895	18,946	28.8%	1,004	0.6	122	67	80	19%	BUY
4	HCC	Engineering	46,842	6,090	13.0%	1,407	5.5	27	148	165	11%	HOLD
5	Shriram EPC	Engineering	14,299	1,287	9.0%	661	15.2	14	215	273	27%	BUY
6	Supreme Infra	Engineering	7,187	1,222	17.0%	528	38.0	5	191	228	19%	BUY
7	NTPC	Power	538,084	153,892	28.6%	97,425	13.0	18	232	260	12%	HOLD
8	Techno Electric	Power	7,144	850	11.9%	973	17.0	12	198	256	29%	BUY
9	EMCO	Power	12,567	1,646	13.1%	689	10.6	8	90	117	30%	BUY
10	Blue Star	MEP	33,653	3,768	11.2%	2,341	26.0	14	370	450	22%	BUY
11	Voltas	MEP	58,154	4,827	8.3%	3,561	10.8	16	172	205	19%	BUY
12	Kirl. Brothers	Pumps	31,750	2,635	8.3%	1,488	14.1	18	252	296	17%	BUY
13	Kirl.Pneumatic	Comressors	5,974	765	12.8%	501	39.0	11	420	491	17%	BUY
14	Asian Paints	Paints	77,414	11,612	15.0%	7,464	77.8	23	1,760	2,179	24%	BUY
15	Jyothy Lab.	FMCG	6,732	1,057	15.7%	833	11.5	14	160	207	29%	BUY
16	Kewal Kiran	Textiles	2,148	448	20.9%	325	26.4	10	255	316	24%	BUY

ShriramWealth
Live your dreams

Larsen & Toubro **BUY** **Target: 1964**

Sector	**Engineering**
Major Products	**Infra, IT, NBFC**
Price (Rs)	1,660
Equity (Rsmn)	1,201
52 Week High/Low (Rs)	1800/556
Market Cap (Rsmn)	996,415
Shares Outstanding (Mn)	600
Face Value (Rs)	2

Share Holding Pattern (%)

Foreign	20%
Institutions	37%
Corporate Holding	6%
Promoters	0%
Public & Others	38%

Share Price Chart

Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	291,985	401,870	441,293	549,511
Growth (%)	43%	38%	10%	25%
EBITDA	33,485	45,311	53,838	70,392
Net Profit	22,715	29,355	35,566	46,010
Growth (%)	0%	29%	21%	29%
EPS (RS)	39	50	61	79
PE Ratio (x)	43	33	27	21
EV/EBITDA (x)	15	23	17	14
ROCE (%)	15%	13%	19%	20%
ROE (%)	21%	21%	21%	23%
EBITDA (%)	11.5%	11.3%	12.2%	12.8%
Net Margin (%)	7.8%	7.3%	8.1%	8.4%

Source: Company, Shriram Wealth

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Larsen and Toubro (L&T) is leading engineering and construction conglomerate with interests in IT and electrical business, L&T is best placed to exploit the maximum potential of big-ticket projects as it satisfies basic requirements such as balance-sheet size, past track record, technical know-how and has adequate liquidity. L&T is, in a sense, a proxy play on India's capex and infrastructure growth story.

Investment Rationale

Strong Order Book

Order book of L&T as on Q2FY10 stands at Rs816bn (up 30% yoy) with fresh orders for the quarter being Rs184bn (up by 47% yoy). Of the total order book the segmental order book of E&C business of the company was Rs798bn. The order intake for the quarter was driven largely by quite few big orders in hydro carbon and power sector. Excluding the order inflows of RMC business in Q2FY09 the order inflow for the quarter was higher by 51%.

Entering into new segments & geographies

L&T is continuously developing new skill sets and entering new segments and geographies. Its entry into new areas like power equipment, nuclear power plants, defense, shipbuilding, power development projects, and forgings (thermal and nuclear), increased presence in the Middle East, and its ability to take new PPP projects (due to strong balance sheet) will help L&T to ensure long-term sustainability of order flow.

Management Guidance

The management has maintained its guidance for order inflow growth expectation to 30-35% (Rs670-700bn). However, revenue guidance was moderately tapered to 15% YoY growth (Rs390bn) from a 15-20%

Outlook & Valuations

L&T is well poised to exploit emerging opportunities to the fullest extent. The economy has started showing signs of recovery providing the much needed boost to the investment climate and spurring the demand for capital goods. The Infrastructure sector is seeing Government's deep commitment to encourage fast-track development and attract private investment. The Power sector is also witnessing increasing investment interest from the private sector. We expect revenue and profits to grow at CAGR of 17% and 25% respectively, between FY09 and FY11E. At current price, the stock is trading at 27xFY10E & 21xFY11E. We recommend the stock as "HOLD" with a 12-month target price of Rs1964. (25xFY11E)

BHEL

BUY

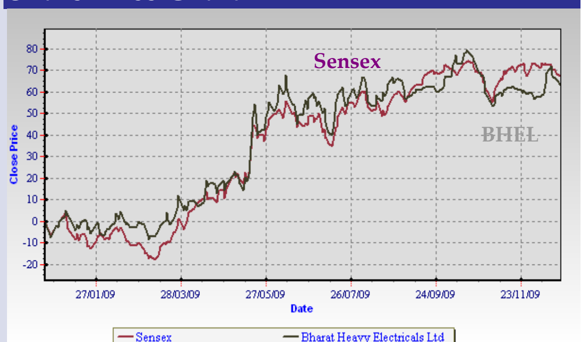
Target: 2724

Sector	Engineering
Price (Rs)	2,360
Equity (Rsmn)	4,895
52 Week High/Low (Rs)	2550/1250
Market Cap (Rsbn)	1,155
Shares Outstanding (Mn)	490
Face Value (Rs)	10

Share Holding Pattern (%)

Foreign	16%
Institutions	10%
Corporate Holding	4%
Promoters	68%
Public & Others	2%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	194,921	268,586	334,029	417,536
Growth (%)	13%	38%	24%	25%
EBITDA	36,054	44,260	54,838	66,806
Net Profit	28,593	31,384	39,785	45,989
Growth (%)	18%	10%	27%	16%
EPS (RS)	58	64	81	94
PE Ratio (x)	40	37	29	25
EV/EBITDA (x)	28.8	23.3	18.5	14.8
ROCE (%)	41%	37%	38%	36%
ROE (%)	27%	24%	25%	24%
EBITDA (%)	18.5%	16.5%	16.4%	16.0%
Net Margin (%)	14.7%	11.7%	11.9%	11.0%

Source: Company, Shriram Wealth

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BHEL is India's dominant producer of power & industrial machinery with 14 plants & 8 service centers. It accounts for 64% of India's total installed power capacity. BHEL has ambitious plans to double its capacity by 2012. The company's core competence is in sub critical 500 MW thermal power size, but has oflate ventured into 600 MW sub critical as well as super critical thermal power plant of size 660 and 800 MW.

Investment Rationale

Strong Order Book

The current order book of BHEL stands at Rs1258bn, the order intake in Q2FY10 was Rs130bn (8000 MW). BHEL has further orders in the pipeline for which the formal award is expected shortly, the management's guidance for order inflows amounting to Rs550bn. The power sector constituted 82% of its order book. In H1FY2010, 78% of the order intake was from the private sector.

Capacity Expansion

BHEL is in the process of increasing its power manufacturing capacity from 10,000 MW to 15,000MW by March 2010 and 20,000MW by March 2011. The company plans to fund all the expansion initiatives through internal sources and become a debt free company in the next five years. Apart from ramping up the plant equipment capacity, the company is also ramping up its power plant commissioning capability.

JV with MAHANGO

BHEL has entered into a JV with MAHANGO to built, own, and operate a 2x660MW thermal power plant. BHEL will provide equity only if it gets assured equipment orders. Pricing, however, will be benchmarked through a competitive bid.

Management Guidance: The management has maintained its guidance for a 20-25% topline and a 30% bottomline growth for FY10. It is looking at order inflows of Rs 500–550bn in the current year.

Outlook & Valuation

The Company is set to become a world-class engineering company. We expect BHEL to have robust order inflows on the back of expected strong order intake from the power sector. We expect revenue and profits to grow at CAGR of 25% and 21% respectively, between FY09 and FY11E. At current price, the stock is trading at 29xFY10E & 25xFY11E. We recommend the stock as “BUY” with a 12-month target price of Rs2724. (29xFY11E)

GMR Infrastructure

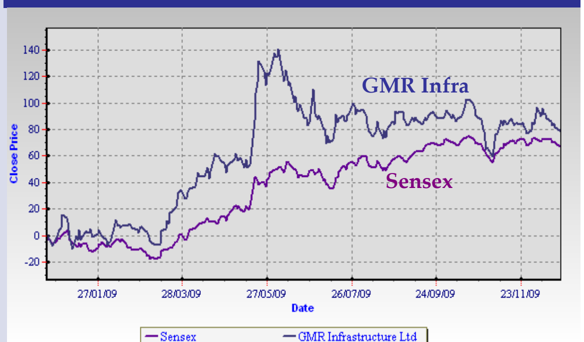
BUY **Target: 80**

Sector	**Engineering**
Major Products	**Airport, Power**
Price (Rs)	67
Equity (Rsmn)	3,641
52 Week High/Low (Rs)	91/30
Market Cap (Rsmn)	243,967
Shares Outstanding (Mn)	3,641
Face Value (Rs)	1

Share Holding Pattern (%)

Foreign	10%
Institution	8%
Corporate Holding	2%
Promoters	74%
Public & Others	6%

Share Price Chart



Financial Summary

Rsmn	FY09	FY10E	FY11E	FY12E
Net Sales	44,762	53,448	65,895	86,532
Growth (%)	66%	19%	23%	31%
EBITDA	10,668	15,635	18,946	26,831
Net Profit	2,772	2,358	1,004	4,010
Growth (%)	6%	-15%	-57%	299%
EPS (Rs)	1.5	1.3	0.6	2.2
PE Ratio (x)	43	50	118	30
EV/EBITDA (x)	21	19.1	18	15
ROCE (%)	3%	4.0%	4.5%	5.5%
ROE (%)	4%	3.5%	1.5%	5.7%
EBITDA (%)	23.8%	29.3%	28.8%	31.0%
Net Margin (%)	6.2%	3.5%	1.2%	3.7%

Source: Company, Shriram Wealth

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GMR Infrastructure is a comprehensive Infrastructure play with presence in airports, power, highways, mines and SEZ.

Investment Rationale

Major boost from Airports

GMR operating India's busiest airports Delhi & Hyderabad and one airport in Turkey. Together both India's airports account for 27% of the overall Indian passenger traffic.

Hyderabad Airport (GMR infra holding 63%) was commissioned in March 08. Currently it has a passenger capacity of 12mn million. The plan is to expand it to 40mn. In FY09, the airport handled 6.3mn passengers. It has 1000 acres of real estate which it plans to develop an 'Aerotropolis'. It also has 250 acres of logistics SEZ and 250 acres of Aviation SEZ.

Delhi Airport: (GMR infra holding 54%) phase I is expected to be complete by March 2010. On completion of the passenger capacity would be 60mn. The plan is to expand capacity to 100 million by 2035. In FY09, the airport handled 22.9 million passengers. The total project cost for Delhi Airport Phase-I expansion is expected to be Rs100bn. It has 250 acres of commercially developable land near Delhi

Turkey Airport: (GMR holding -40%) is currently handing passenger capacity of 4.4mn with a capacity of 6mn passengers..

Opportunity in Power Sector

GMR has 14 power projects out of which three are operational and the other 11 are at various stages of implementation. The operational capacity of GMR is 823 MW and 7,636 MW of capacity is at various stages of implementation. The capacities are expected to be implemented from 2012-2016. The operational power plants are Basin Bridge in Chennai, Tanir Bavi in Karnataka and Vemagiri in AP.

Opportunity in Road Sector

GMR has six road projects and recently expanded its portfolio, adding two projects of a combined 210km to take the total to 631km. The two new projects are the Hyderabad–Vijaywada Expressways (toll) and the Chennai Outer Ring Road (annuity).

Outlook & Valuations

GMR plans to raise Rs75bn in equity at the parent and subsidiary in next three years. We rate GMR Infra BUY with NPV based target price of Rs80. Airport, along with real estate, accounts for Rs28 per share, power segment Rs25 per share while remaining Rs27 per share comes from various other segments.

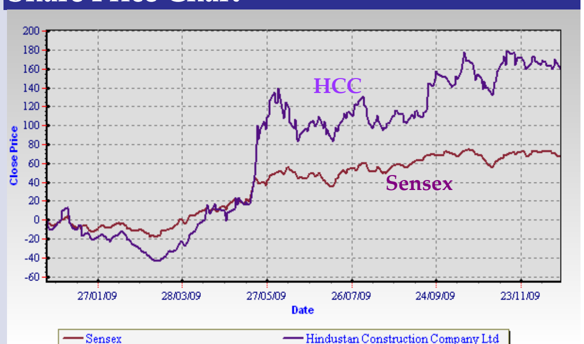
HCC | HOLD | Target: 165

Sector	Engineering
Major Products	EPC, Reality
Price (Rs)	148
Equity (Rsmn)	303
52 Week High/Low (Rs)	150/28
Market Cap (Rsmn)	44,874
Shares Outstanding (Mn)	303
Face Value (Rs)	1

Share Holding Pattern (%)

Foreign	27%
Institutions	15%
Corporate Holding	5%
Promoters	40%
Public & Others	14%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	30,828	33,137	39,035	46,842
Growth (%)	31%	7%	18%	20%
EBITDA	3,779	3,804	5,043	6,090
Adj. Net Profit	1,112	832	1,075	1,407
Growth (%)	198%	-25%	29%	31%
EPS (RS)	4.3	3.2	4.2	5.5
PE Ratio (x)	31	42	32	25
EV/EBITDA (x)	13	14	11	10
ROCE (%)	11%	11%	10%	12%
ROE (%)	11%	12%	9%	11%
EBITDA (%)	12.3%	11.5%	12.9%	13.0%
Net Margin (%)	3.6%	2.5%	2.8%	3.0%

Source: Company, Shriram Wealth

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Hindustan Construction Company (HCC) is one of the largest private sector engineering and construction company transforming itself from being a pure construction contractor to an EPC player. It has presence across various business in the construction segment includes hydro, water, transportation, nuclear & special projects and EPC.

Investment Rationale

Strong Order Book

Order book of HCC as on Q2FY10 stands at Rs136bn of which about 54% is from power sector, 31% from water, 13% from transportation and 2% from nuclear & special projects, offering good revenue visibility for next 2 years. We expect its proven execution capabilities to enable it to bag large orders in its core areas of hydro, nuclear, thermal power and road projects. HCC expecting to achieve order book target of Rs200bn by FY10.

Nirmal BOT (Andhra - Annuity): The Company has completed the project three months ahead of schedule, thus entitling it to early commissioning bonus. **Badarpur Elevated Expressway (Delhi – Haryana, BOT)**: The construction of the project commenced in January 2009 and so far, 30% of the project has already been completed. The project is scheduled to be completed by December 2010. **Dhule – Maharashtra /MP Border Road Project**: The project has been awarded to the HCC-John Laing-Sadbhav consortium and the concession agreement was signed on June 24, 2009.

Property Portfolio

HCC forayed into property development with Lavasa township and Vikhroli 247 IT park. While the Lavasa's first phase is adequately funded and already started delivering numbers.

Lavasa: It achieved pre-sales of Rs10bn in Q2FY10 and recognized income from operations amounting to Rs1bn, though its PAT stood at Rs300mn. Lavasa's business sales have been advanced by two years. Lavasa witnessed an infusion of revenues amounting to Rs6.5bn from various banks.

Vikhroli 247 IT Park: The construction of the project is in full swing and nearly 65% of its leasing has been completed to the various groups and the HCC Group itself. KEC International and Dow Chemicals have already begun operating from the project.

Outlook & Valuations

HCC is well placed to opportunities in the infrastructure space. HCC currently has a land bank of around 14,000 acres, including 12,500 acres in Lavasa. HCC aims to grow its BOT portfolio from Rs23bn to Rs100bn by FY14 – covering roads, hydropower and airports. We expect revenue and profits to grow at CAGR of 19% and 30% respectively, between FY09 and FY11E. At current price, the stock is trading at 32xFY10E & 25xFY11E. We recommend the stock as "HOLD" with a 12-month target price of Rs165.

Shriram EPC

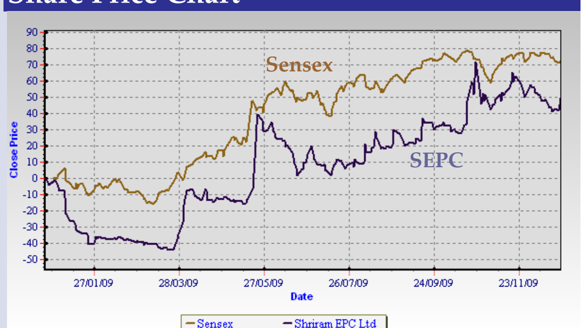
BUY | **Target: 273**

Sector	Engineering
Major Products	EPC, WTG
Price (Rs)	215
Equity (Rsmn)	435
52 Week High/Low (Rs)	265/77
Market Cap (Rsmn)	9,350
Shares Outstanding (Mn)	43
Face Value (Rs)	10

Share Holding Pattern (%)

Foreign	38%
Institutions	5%
Corporate Holding	3%
Promoters	42%
Public & Others	11%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	6,999	10,058	11,721	14,299
Growth (%)	137%	44%	17%	22%
EBITDA	750	890	1,020	1,287
Net Profit	350	413	557	661
Growth (%)	167%	18%	35%	19%
EPS (Rs)	8	10	13	15
PE Ratio (x)	27	23	17	14
EV/EBITDA (x)	12	13	12	10
BV	79	89	100	113
P/BV	2.7	2.4	2.2	1.9
ROCE (%)	16%	13%	13%	15%
ROE (%)	10%	11%	13%	13%
EBITDA (%)	10.7%	8.8%	8.7%	9.0%
Net Margin (%)	5.0%	4.1%	4.7%	4.6%

Source: Company, Shriram Wealth

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Shriram EPC (SEPC) is broadly present in two major areas comprising EPC and WTG. EPC business involves turnkey services related to metallurgical and process plants, biomass-based power plants, other bio-energy plants, Water and waste water treatment plant. WTG business provides integrated solutions including manufacture, supply, erection, site indentification technical planning, grid connectivity and O&M (operation & maintenance).

Investment Rationale

Strong Order Book

The standalone order book of SEPC stands at around Rs15bn as on Q2FY10. Major orders bagged during the quarter includes the Rs368mn order from Orient Green Power (OGPL) for EPC works at the 10MW Biomass Power Plant at Sangaria District in Rajasthan and the Rs95.7mn order from SIEMENS VAI Metals Technologies for Handling, Storage, Installation, Erection of Mechanical and Auxiliary Equipments. The process and metallurgy will account for 50%, and municipal services account for 20% of total orders. The share of OGPL order in the total order book is in the range of 20-25%.

Recently SEPC received orders worth Rs1560mn

- Order of Rs900mn from to its subsidiary Hamon Shriram Cottrell Ltd from Mangalore Refinery
- An order of Rs300mn from Kerala Feeds Ltd.
- An order of Rs360mn from the Kerala Water Authority

New facility

SEPC commissioned its integrated wind turbine manufacturing facility in Gummidipoondi, Tamil Nadu in Sep 09. The Gummidipoondi facility has the capacity to manufacture 120 units of MW class wind turbines a year and will increase to 250 units a year by FY11. The company also manufactures 250KW turbines at its facilities in Chennai & Puducherry.

Partnership with Roberts & Schaefer

SEPC entered into a partnership with Roberts & Schaefer, an American company for material handling business. This is an extension of the company's practice of building these systems itself for turnkey contracts executed by it earlier.

Outlook & Valuations

The Company’s WTG exports will be focused on Europe, North America, Latin America and others. We expect revenue and profits to grow at CAGR of 19% and 27% respectively, between FY09 and FY11E. At current price, the stock is trading at 17xFY10E & 14xFY11E. We recommend the stock as “BUY” with a 12-month target price of Rs273 (18xFY11E)

Supreme Infra

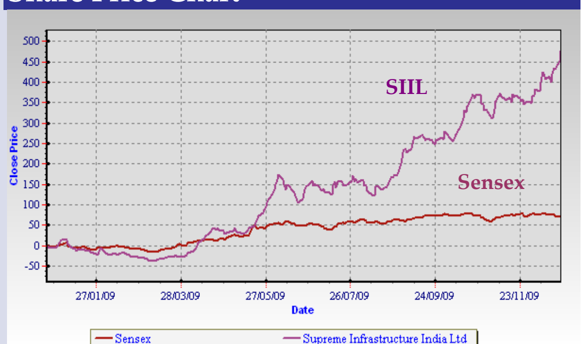
BUY | **Target: 228**

Sector	**Engineering**
Major Products	**Infrastructure**
Price (Rs)	191
Equity (Rsmn)	139
52 Week High/Low (Rs)	187/20
Market Cap (Rsmn)	2,651
Shares Outstanding (Mn)	14
Face Value (Rs)	10

Share Holding Pattern (%)

Foreign	4%
Institutions	5%
Corporate Holding	11%
Promoters	61%
Public & Others	19%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	1,582	4,044	5,208	7,187
Growth (%)	72%	156%	29%	38%
EBITDA	354	651	833	1,222
Net Profit	192	270	331	528
Growth (%)	50%	41%	23%	60%
EPS (Rs)	14	19	24	38
PE Ratio (x)	13.8	9.8	8.0	5.0
EV/EBITDA (x)	9.3	7.2	5.8	4.3
BV	68	83	106	142
P/BV	2.8	2.3	1.8	1.3
ROCE (%)	17%	16%	16%	20%
ROE (%)	20%	23%	23%	27%
EBITDA (%)	22.4%	16.1%	16.0%	17.0%
Net Margin (%)	12.1%	6.7%	6.4%	7.3%

Source: Company, Shriram Wealth

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Supreme Infrastructure India (SIIL) is a medium-sized construction company, core activity includes roads and highways, widening of highways, and execution of contracts. The company started its operations by executing orders for BMC and PWD and concreting of roads and went on to secure orders from MMRDA and MSRDC. Supreme Infrastructure India Ltd (SIIL) has a unique integrated business model operate with RMC plants, wet mix plant, Asphalt plants and Crushing units.

Investment Rationale

Execution skills with backward integration

SIIL enjoys one of the best margins in the industry on back of strong project execution skills with backward integration. It has crushing plants, RMC plants, and asphalt plants, wet mix plants. Its manufacturing plants are strategically located near the project sites thereby helping save on logistics costs. SIIL invested in the earthmoving and construction equipments like tippers, mixers, pavers, excavators, cranes, rollers etc.

Strong Order Book

The current order book of SIIL stands at Rs15bn or 3.7 FY09 sales. Roads and bridges segment that constitutes 50% of the total order book. The company is currently executing six roads and bridges projects and has secured a cash contract worth Rs3.3bn from Punjab State Highway for construction of a 30 km stretch. SIIL also has a L1 status for a Haryana-based BOT project of Rs9.5bn.

Recent orders - Bhiwandi BOT

SIIL has recently secured BOT project worth Rs4.5bn to construct 65 km fourlane stretch between Manor and Bhiwandi. The project is under SPV called Supreme Infra BOT Pvt Ltd. The construction is estimated to take 28 months; concession period for the project stands at 20 years and 10 months. After completion, the Company will get a daily toll of around Rs1.8mn.

Management guidance:

The management has maintained its guidance for revenues of Rs5250mn and a Net profit of Rs430mn for FY10. The Company has target sales of Rs7500mn and Net profit of Rs600mn for FY11.

Outlook & Valuations

We are positive on the long term prospects of SIIL which is using its expertise in entire gamut of Infrastructure. We expect revenue and profits to grow at CAGR of 33% and 40% respectively, between FY09 and FY11E. At current price, the stock is trading at 8xFY10E & 5xFY11E. We recommend the stock as "BUY" with a 12-month target price of Rs228 (6xFY11E)

NTPC

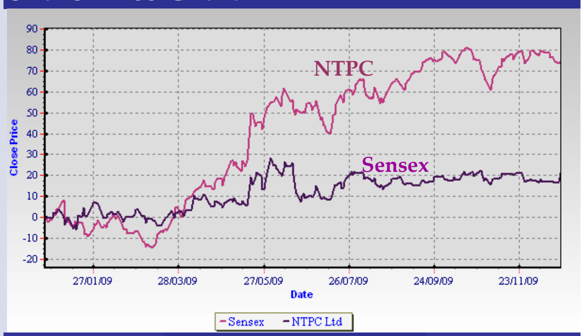
Hold | **Target: 260**

Sector	Power
Price (Rs)	232
Equity (Rsmn)	82,455
52 Week High/Low (Rs)	233/113
Market Cap (Rsbn)	1,913
Shares Outstanding (Rsmn)	8,245
Face Value (Rs)	10

Share Holding Pattern (%)

Foreign	2.6%
Institutions	4.7%
Corporate Holding	1.2%
Promoters (GOI)	89.5%
Public & Others	2.1%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	370,501	442,967	489,167	538,084
Growth (%)	9%	20%	10%	10%
EBITDA	112,239	104,793	137,062	153,892
Net Profit	74,148	80,925	92,644	97,425
Growth (%)	7%	9%	14%	5%
EPS (RS)	9.0	9.8	11.2	13.0
PE Ratio (x)	25.8	23.6	20.6	17.9
EV/EBITDA (x)	17	19	15	12
ROCE (%)	14%	12%	13%	14%
ROE (%)	14%	14%	14%	14%
EBITDA (%)	30.3%	23.7%	28.0%	28.6%
Net Margin (%)	20.0%	18.3%	18.9%	18.1%

Source: Company, Shriram Wealth

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NTPC is the largest thermal power generation company in India with a total installed capacity of 28,350MW (FY09), out of which 86% is coal based and 14% is gas based. NTPC has 19% share in total capacity of country & generates 29% of total generation. Currently, the company is executing power capacity addition of 18,000 MW which is planned to be completed by FY12 taking the total capacity to more than 48,000 MW

Investment Rationale

Largest power generation Company

NTPC is largest power generation Company with installed capacity of 30,144 MW, around 19% of the total capacity in the country. In FY09, the company generated 206.2 Bn units of power which accounted for 29% of the total power generated in India. NTPC has targeted commissioning of 22,430 MW during the 11th five year plan (FY08-FY12). Of this, 17,690 MW is planned to be added in NTPC stand-alone while the balance 4,740 MW is to be added in its various joint ventures.

Power deficit in India

India has huge power deficit with base deficit of more than 10%. The power demand is expected to grow at a CAGR of 7.5% to 1,114Bn units, between FY09-14. The deficit situation is set to come down to 6% by FY14.

Financials

In FY09, NTPC reported revenue growth of 13%, on account of 14% increase in average tariff per unit, from Rs1.8 in FY08 to Rs2.1 in FY09. The company sold around 194bn units (BU) of electricity during the year, which was up by 3%. The PLF came down by around 1% (to 91.1%) on account of planned maintenance of these plants and coal constraints. The PLF of gas based stations also came down by 1%, to 67%. NTPC commissioned 1,000 MW of new generation capacity in FY09, thereby taking its total capacity to 30,144 MW.

Outlook & Valuations

NTPC incurred capex of around Rs127bn during FY09 (on a standalone basis), which was higher by 45% YoY. For the current fiscal (FY10), the company is targeting a capex of Rs177bn for which it has already tied up the necessary financing. At current price, the stock is trading at 20.6xFY10E & 17.9xFY11E. We recommend the stock as "HOLD" with a 12-month target price of Rs260 (20xFY11E)

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Live your dreams

Techno Electric

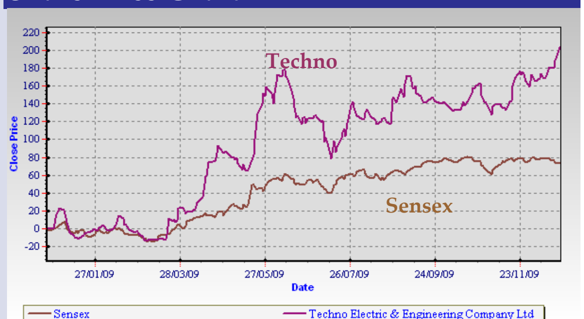
BUY | **Target: 256**

Sector	Power
Price (Rs)	198
Equity (Rsmn)	114
52 Week High/Low (Rs)	198/48
Market Cap (Rsmn)	11,306
Shares Outstanding (Mn)	57
Face Value (Rs)	2

Share Holding Pattern (%)

Foreign	1%
Institutions	4%
Promoters	55%
Public & Others	40%
Foreign	1%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	4,296	4,860	5,581	7,144
Growth (%)	22%	13%	15%	28%
EBITDA	520	576	680	850
Net Profit	491	630	862	973
Growth (%)	75%	28%	37%	13%
EPS (Rs)	9	11	15	17
PE Ratio (x)	23.0	17.9	13.1	11.6
EV/EBITDA (x)	20	19	15	12
BV	30	40	54	70
P/BV	6.59	4.96	3.67	2.83
ROCE (%)	37%	33%	32%	29%
ROE (%)	29%	28%	28%	24%
EBITDA (%)	12.1%	11.9%	12.2%	11.9%
Net Margin (%)	11.4%	13.0%	15.5%	13.6%

Source: Company, Shriram Wealth

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Techno Electric is well placed to capture the opportunities coming from investment in the power sector. It involved in the business of EPC in power generation, power transmission & distribution, and industrial sectors. It also involved in design and engineering in the electro mechanical balance of plant.

Investment Rationale

Healthy Order book providing revenue visibility

The current order book of Techno Electric stands at Rs15bn (3xFY09), contributed mainly by transmission & distribution segment (Rs10bn), generation segment (Rs4.5bn) and balance by industrial segment. The average completion time of these orders is around 18-22 months.

Ventured into wind energy space

With the acquisition of Super Wind Project, Techno Electric has ventured into the wind energy space and looking for opportunities in the non-conventional energy space. Super wind project has a capacity of 45 MW, Tamil Nadu (33 MW) and Karnataka (12 MW). The company is likely to add 20 MW capacities each in FY12E and FY13E from biomass energy in the subsidiary.

Benefit from the capacity addition in the power sector

Techno Electric has the expertise to cater to around 20% of the total spend required in power generation plants. The targeted power generation capacity addition in the 11th Five-Year plan (FY08-12) is 78,700 MW by 2012 and in the 12th Five-Year plan (FY13-17) is 86,500MW. Large scale investment has been outlined, with active participation of both public and private utilities to achieve the targeted capacity addition.

Outlook & Valuation

Between, FY04 to FY09, Techno Electric's revenue and net profit have grown at CAGR of 40% and 67% respectively. EBITDA margin have improved from 3.6% in FY04 to 11.9% in FY2009. Net margin has increased from 4.5% in FY04 to 13.0% in FY09.

Techno electric is set to benefit from significant capacity addition planned in XIth & XIIth five year plan, resulting in large investment across power sector. We expect revenue and profits to grow at CAGR of 21% and 24% respectively, between FY09 and FY11E. At current price, the stock is trading at 13.1xFY10E & 11.6xFY11E. We recommend as a "BUY" with a 12-month target price of Rs256 (15xFY11E).

ShriramWealth
Live your dreams

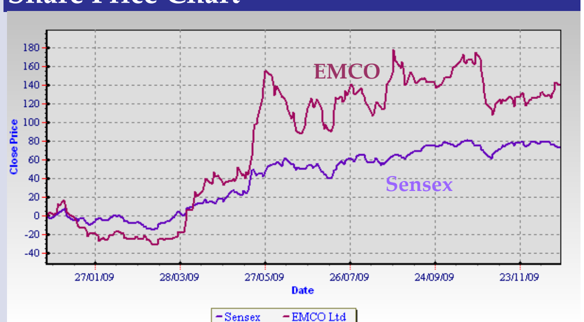
EMCO | **BUY** | **Target: 117**

Sector	Power
Price (Rs)	90
Equity (mn)	118
52 Week High/Low (Rs)	106/26
Market Cap (Mn)	5,292
Shares Outstanding (Mn)	59
Face Value (Rs)	2

Share Holding Pattern (%)

Foreign	6%
Institutions	13%
Corporate Holding	25%
Promoters	33%
Public & Others	23%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	9,443	9,963	10,928	12,567
Growth (%)	44%	6%	10%	15%
EBITDA	1,412	1,382	1,421	1,646
Net Profit	645	531	614	689
Growth (%)	59%	-18%	16%	12%
EPS (Rs)	11.0	9.0	9.4	10.6
PE Ratio (x)	8.2	10.0	9.5	8.5
EV/EBITDA (x)	5.0	5.5	6.2	5.7
ROCE (%)	20%	16%	29%	16%
ROE (%)	17%	13%	38%	14%
EBITDA (%)	15.0%	13.9%	13.0%	13.1%
Net Margin (%)	6.8%	5.3%	5.6%	5.5%

Source: Company, Shriram Wealth

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EMCO is the 3rd largest Transformer manufacturer in India. It is a leading player in the 132KV, 220KV and 400KV rating transformer with an annual capacity of 20,000 MVA. EMCO has four divisions namely Transformer division, Project division, Meter division and the International division. With the recently acquired URJA Engineers Ltd., a Baroda based transmission line Company executing turnkey transmission line projects up to 400 kV, & 765kv, the company has ventured into the business of setting up towers for transmission lines.

Investment Rationale

Strong Order Book

EMCO has a strong order book of Rs16bn at the end of Q3FY10 which is 1.6xFY09 revenue. This order backlog is executable in around next 18-20 months thus providing a good revenue visibility. Transformers contribute 66% to the order book while contribution from projects and meters division is 33% and 1% respectively. Around 70% of EMCO's total order backlog comes from Government entities (SEBs). In current market condition, this place EMCO in a favorable position bearing in mind that orders from government bodies will be the least impacted due to government's ongoing thrust for capacity addition in power sector.

Recently EMCO has received 5 orders worth Rs5500mn from Power Grid Corporation of India Ltd for a 765 kV overhead transmission line.

Capacity Expansion

EMCO is setting up of a 570 MW coal based power plant at Warora in Chandrapur district of Maharashtra. The company is already in possession of land, water, coal linkage and all clearances as required for the project. The first phase of this project has already achieved the financial closure. Selection of EPC contractor for installation of project is under final stage of discussions.

Outlook & Valuation

EMCO's strategy to invest in the coal mine will pay rich dividends in the near future. EMCO Ltd is looking attractive considering its well-diversified business portfolio and strong order book position (around 70% of orders are from Government entities) providing a good revenue visibility. Also there will be significant value accretion for the company from its ventures in power generation, T&D business & coal mining. We expect revenue and profits to grow at CAGR of 12% and 14% respectively, between FY09 and FY11E. At current price, the stock is trading at 9.5xFY10E & 8.5xFY11E. We recommend as a "BUY" with a 12-month target price of Rs117 (11xFY11E).

Blue Star

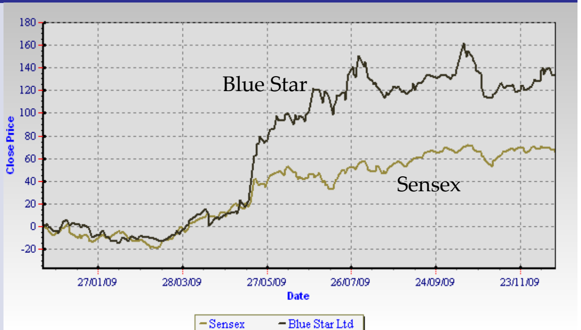
BUY **Target: 450**

Sector	MEP, HVAC,
Price (Rs)	370
Equity (Rsmn)	180
52 Week High/Low (Rs)	425/122
Market Cap (Rsmn)	33,282
Shares Outstanding (mn)	90
Face Value (Rs)	2

Share Holding Pattern (%)

Foreign	8%
Institutions	7%
Corporate Holding	9%
Promoters	40%
Public & Others	35%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	22,216	25,523	29,524	33,653
Growth (%)	*39%*	*15%*	*16%*	*14%*
EBITDA	2,230	2,558	3,276	3,768
Net Profit	1,740	1,802	2,042	2,341
EPS (Rs)	19.4	20.0	22.7	26.0
PE Ratio	19	18	16.3	14.2
EV/EBIDTA	14.7	12.7	10.0	8.7
Price/BV	12.3	8.8	9.3	8.1
EBITDA (%)	10.0%	10.0%	11.1%	11.2%
Net Margin (%)	7.8%	7.1%	6.9%	7.0%

Source: Company, Shriram Wealth

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Blue Star Ltd (BSL) is one of the India's largest central airconditioning company that stand to benefit from the continuing infrastructure boom in India. BSL has strong project execution record and the established relationship. The debt-equity ratio for the company stands at 0.1. Dividend payout ratio works out at about 42%. At current price, the stock is trading at 15.9xFY10E & 13.8xFY11E. We recommend the stock as BUY at with a 12-month target price of Rs450. (17xFY11E)

Investment Rationale

Leader in central air-conditioning with 30% market share

Blue star is a leader in central airconditioning business with market share of 30%. This segment continues to be the key growth driver for its revenues which contributed to over 70% of the total revenue. The business of Blue Star is linked with the infrastructure activity in India. There is some slow down in enquiry flow from key segments like retail and IT & ITES however, the management is positive to get new orders form Metro Rail, power, hotel, hospital, and IT SEZ sectors.

Acquisition of Naseer Electricals

To support its competencies in the MEP (mechanical, electrical and plumbing) segment, the company has to acquired Naseer Electricals Pvt. Ltd based in Bangalore is an electrical contracting firm with a turnover of Rs 1.07 bn (FY07) have a strong presence in South India.

Outlook & Valuations

BSL has a healthy carry-forward order book of Rs17bn and focuses to reap the benefits from the growth in infrastructure, health care and hospitality sectors. During FY04 to FY09, BSL's net revenue and net profit have grown at CAGR of 30% and 41% respectively. EBITDA margin have increased from 5.3% in FY04 to 10.0% in FY2009. Net margin has increased from 4.7% in FY04 to 7.1% in FY09.

The growing Indian economy and the construction boom offer attractive business opportunities for the overall business of BSL. The management is positive to get new orders form Metro Rail, power, hotel, hospital, and IT SEZ sectors. We expect revenue and profits to grow at CAGR of 15% and 14% respectively, between FY09 and FY11E. At current price, the stock is trading at 16.3xFY10E & 14.2xFY11E. We recommend the stock as BUY at with a 12-month target price of Rs450. (17xFY11E)

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Voltas

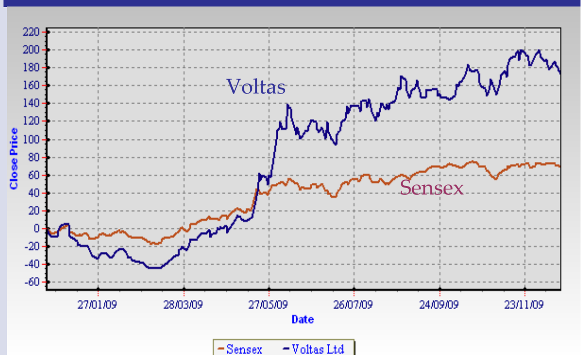
BUY | **Target: 205**

Sector	**MEP, HVAC,**
Price (Rs)	172
Equity (Rsmn)	331
52 Week High/Low (Rs)	267/31
Market Cap (Rsmn)	56,915
Shares Outstanding (Mn)	331
Face Value (Rs)	1

Share Holding Pattern (%)

Foreign	12%
Institutions	29%
Corporate Holding	9%
Promoters	28%
Public & Others	22%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10	FY11
Net Sales	32,029	43,259	49,704	58,154
Growth (%)	27%	35%	15%	17%
EBITDA	2,520	2,742	4,005	4,827
Net Profit	2,076	2,545	3,069	3,561
EPS (RS)	6.3	7.7	9.3	10.8
PE Ratio (x)	27.4	22.3	18.5	16.0
EV/EBITDA (x)	20	19	12	10
ROCE (%)	48%	39%	41%	39%
ROE (%)	36%	32%	30%	27%
EBITDA Margin (%)	7.9%	6.3%	8.1%	8.3%
Net Margin (%)	6.5%	5.9%	6.2%	6.1%

Source: Company, Shriram Wealth

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Voltas, is a leading provider of engineering solutions for a wide spectrum of industries such as heating, ventilation and air conditioning (HVAC), refrigeration, electro-mechanical projects, textile machinery, machine tools, mining and construction equipment, materials handling, water management, building management systems, indoor air quality and chemicals.

Investment Rationale

Strong Order Book

The current order book of Voltas stands at Rs56bn, the Company is also looking to secure multiple projects in H2FY10. In the domestic business, the order booking trend has been positive, both in MEP and Water Business. The slow down in Textiles Machinery Business is continuing however, the trend of order booking is positive. While H2FY10 is expected to be better than H1 FY10, management expects that FY11 should be significantly better.

Cash rich, zero debt Company

Voltas is almost debt free with small ticked sizes of working capital on the books. As of FY09, the company has cash of Rs4.5bn. Voltas is well placed for inorganic and in August 2008 it has acquired 51% stake in Rohini Electricals for Rs620mn. This has helped bring in expertise in the area of electrical contracting for power projects.

Strong CAPEX in Middle East (Ex. Dubai)

Voltas has a strong existence in the Middle East & domestic market as a reputation as a strong MEP player. In next 10 years, an investment of $580bn is expected in middle east. The Saudi Arabia has the largest real estate market in GCC with a nominal GDP of $608bn.

Outlook & Valuations

Voltas is a well-diversified company with a strong position in Electromechanical projects with market share of 30% in the domestic market. The Company's net revenue and net profit have grown at CAGR of 26% and 45% respectively between FY04 to FY09. We expect revenue and profits to grow at CAGR of 16% and 18% respectively, between FY09 and FY11E. At current price, the stock is trading at 18.5xFY10E & 16xFY11E. We recommend the stock as "BUY" with a 12-month target price of Rs205. (19xFY11E)

Kirloskar Bros

BUY

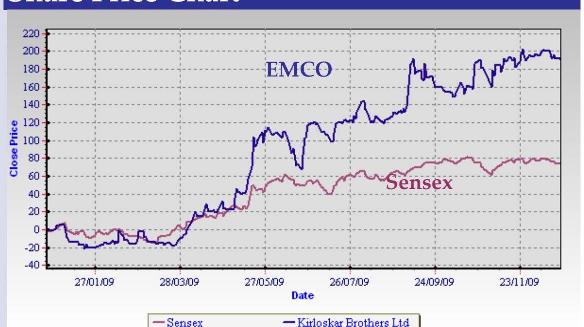
Target: 296

Sector	**Capital Goods**
Major Products	**Pumps**
Price (Rs)	252
Equity (Rsmn)	212
52 Week High/Low (Rs)	264/60
Market Cap (Rsmn)	26,649
Shares Outstanding (Mn)	106
Face Value (Rs)	2

Share Holding Pattern (%)

Foreign	2%
Institutions	13%
Corporate Holding	4%
Promoters	62%
Public & Others	20%

Share Price Chart



Financial Summary

Rs in MN	FY08	FY09	FY10E	FY11E
Net Sales	20,551	24,511	28,995	31,750
Growth (%)	16%	19%	18%	10%
EBITDA	1,923	1,746	2,350	2,635
Net Profit	1,329	833	1,309	1,488
Growth (%)	-51%	-37%	57%	14%
EPS (Rs)	12.6	7.9	12.4	14.1
PE Ratio (x)	20.0	32.0	20.4	17.9
EV/EBITDA (x)	14	16	12	11
BV	70	76	86	97
P/BV	3.6	3.3	2.9	2.6
ROCE (%)	22%	16%	17%	18%
ROE (%)	18%	10%	14%	15%
EBITDA (%)	9.4%	7.1%	8.1%	8.3%
Net Margin (%)	6.5%	3.4%	4.5%	4.7%

Source: Company, Shriram Wealth

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Kirloskar Brothers Ltd (KBL) is one of the largest manufacturers & exporters of pumps in India. It has four strategic business units Projects & Engineered Pumps, Industrial Pumps, Valves and Agricultural & Domestic Pumps, which focus on different segments of pump users.

Investment Rationale

Proxy of water resources revolution in India

KBL is set to become a proxy of water resources revolution underway in India. It has wide range of pumps from 0.1 KW to 16,000 KW to cater to diversified market segments including irrigation, power, water distribution & management, industry, building & construction, oil & gas, marine & defence, etc., all of which need to move water and other fluids where pumps & valves are required; and all these user segments offer high growth potential.

Strong foothold in the applications

KBL has strong footholds in various segments like water, irrigation and power segments. It derives around 50% of its revenues form lift irrigation projects, which is the fastest growing segment. In the products business, KBL enjoys a market shares in the range of 10 - 29% for various industrial segments and applications. In the projects side of the business the company enjoys 40-80% market shares in segments like water, irrigation and power in the domestic market.

Acquisition of SSP pumps – Global Footprints

KBL has global footprint in the business of fire fighting pumping system thru its 100% subsidiary SPP Pump - UK, also undertakes EPC contracts for water treatment & sewerage systems / water management thru its other subsidiaries, JVs and associate companies like Ebara, Corrocoat, Gondwana Engineers, Aban Constructions, etc.

Strong Order book – Earning Visibility

KBL's order book stands very healthy at Rs40bn providing good visibility for the next few years. 67% order backlog has an execution time period of 24-30 months and the balance of 18-20 months.

Outlook & Valuations

Market value of quoted investment is around Rs5bn (Rs47per share) and unquoted investment is around at Rs2.85bn (Rs27 per share). Margins are likely to improve due to lower commodity prices. We expect revenue and profits to grow at CAGR of 14% and 34% respectively, between FY09 and FY11E. At current price, the stock is trading at 20.4xFY10E & 17.9xFY11E. We recommend stock as a "BUY" with a 12-month target price of Rs296 (21xFY11E).

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Kirloskar Pneumatic

BUY

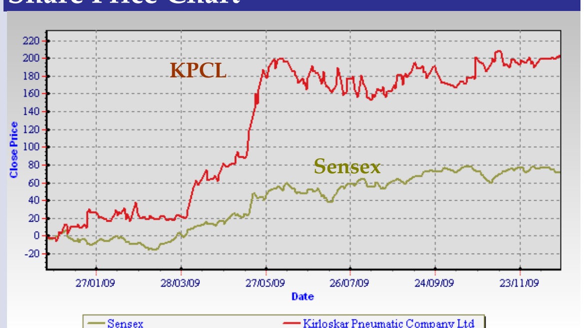
Target: 491

Sector	**Engineering**
Major Products	**Compressors**
Price (Rs)	420
Equity (Rsmn)	128
52 Week High/Low (Rs)	453/125
Market Cap (Rsmn)	5,393
Shares Outstanding (Mn)	13
Face Value (Rs)	10

Share Holding Pattern (%)

Foreign	0.23%
Institutions	14%
Corporate Holding	8%
Promoters	56%
Public & Others	22%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	3,988	5,149	5,195	5,974
Growth (%)	13%	29%	1%	15%
EBITDA	380	667	613	765
Net Profit	298	409	400	501
Growth (%)	-31%	37%	-2%	25%
EPS (Rs)	23	32	31	39
PE Ratio (x)	18.1	13.2	13.5	10.8
EV/EBITDA (x)	14	8	9	7
BV	81	102	123	150
P/BV	5.2	4.1	3.4	2.8
ROCE (%)	33%	41%	31%	32%
ROE (%)	29%	31%	25%	26%
EBITDA (%)	9.5%	12.9%	11.8%	12.8%
Net Margin (%)	7.5%	7.9%	7.7%	8.4%

Source: Company, Shriram Wealth

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Kirloskar Pneumatic Company Ltd (KPCL) is likely to benefit from increasing CAPEX of user industries like Steel, Power generation, Infrastructure & Oil & Gas. The increasing need for alternate sources of energy and the growing demand for windmills from corporate India, given the tax concessions, are likely to lead to a buoyant market for windmill gearboxes.

Investment Rationale

Compression & Transmission – Growing segments:

KPCL operates in two Business Segments, Compression systems and transmission products. The compression systems division manufactures compressors and also undertakes design and packaging of refrigeration systems. This division also packages gas compression systems for CNG stations, refineries and petrochemical industries.

The transmission products division undertakes the manufacture of rail traction gears, wind turbine gearboxes, marine gearboxes for naval and commercial ships and also manufactures gearboxes for other industrial applications.

Dominance in defense railway applications:

Indian Navy's focus on indigenization provides an opportunity to continue its dominance in air-conditioning and refrigeration compressors in India for both industrial and defence applications. Within the transmission products segment, the increase in demand for rolling stock for the Railway and technology upgradation will result in a substantial rise in business. The company has become the leader in supplying gears and pinions to Indian Railways.

Financials:

In FY2009, net profit has increased by 36.9% on 29% growth in sales. During FY04 to FY09, KPCL's net revenue and net profit have grown at CAGR of 19% and 112% respectively.
For Q2FY10, KPCL's sales de-grew by 3.8% to Rs1101mn and Net profit grew by 101% to Rs140mn.

Outlook % Valuation:

KPCL is likely to benefit from increasing CAPEX of user industries. The growing demands for windmills from corporate India, given the tax concessions, are likely to lead to a buoyant market for windmill gearboxes. At current price, the stock is trading at 13.5xFY10E & 10.8xFY11E. We recommend the stock as BUY at with a 12-month target price of Rs491. (13xFY11E)

Asian Paints

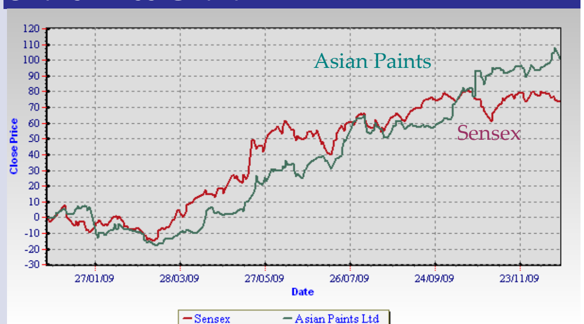
BUY **Target: 2179**

Sector	Paints
Price (Rs)	1,735
Equity (Rsmn)	959
52 Week High/Low (Rs)	1820/680
Market Cap (Rsmn)	168,819
Shares Outstanding (Mn)	96
Face Value (Rs)	10

Share Holding Pattern (%)

Foreign	16%
Institutions	14%
Corporate Holding	6%
Promoters	50%
Public & Others	14%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	45,880	57,371	66,166	77,414
Growth (%)	20%	25%	15%	17%
EBITDA	6,550	6,720	9,886	11,612
Net Profit	4,281	4,195	6,969	7,464
Growth (%)	51%	-2%	66%	7%
EPS (Rs)	45	44	73	78
PE Ratio (x)	39	40	24	23
EV/EBITDA (x)	26	25	17	14
ROCE (%)	50%	41%	50%	43%
ROE (%)	44%	33%	40%	33%
EBITDA (%)	14.3%	11.7%	14.9%	15.0%
Net Margin (%)	9.3%	7.3%	10.5%	9.6%

Source: Company, Shriram Wealth

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Asian Paints Ltd (APL) is India's largest, Asia's 3rd largest & World's 10th largest paint company, operating in 22 countries with 30 manufacturing facilities. APL is leader with 45% market share in decorative paints. The Company has presence in automotive segment via JV with PPG Industries of US.

Investment Rationale

Strong Brand

Asian Paints has strong brands, a wide range of offerings across all product categories, and the most extensive distribution network in the Indian paint industry. The fully integrated paint company operates in 22 countries and has 30 facilities in the world servicing consumers in over 65 countries including South Asian countries, China, Australia, the Caribbean and the Middle East. Besides APL, the group operates around the world through its subsidiaries Berger International, Apco Coatings, SCIB Paints and Taubmans.

Leader in Decorative Paint

Fresh painting accounts for 25-30% of the decorative paints demand and will be the growth driver on account of the boom in India's real-estate industry. Indian property market is expected to grow at 20% CAGR over the next five years, driven by the residential, commercial and organised retail markets. Repainting which accounts for 80% of APL's revenue is expected to grow on back of change in lifestyle.

International Business

International business contributes about 18% to the revenue. About 65% of the revenue is from the high potential Middle East and Caribbean markets. International business grew about 20%, led by buoyant Middle East and South Asian markets.

Industrial Segment

Demand from the industrial segment is expected to increase on account of increase in consumption in the automobile segment. Domestic and global auto majors have long-term plans for the Indian market. The automotive industry is expected to grow at 15% CAGR over the next three years.

Outlook & Valuation

We expect the company to outperform the industry growth and maintain its leadership position on back of brand equity, huge distribution network and presence in all price ranges. We expect revenue and profits to grow at CAGR of 16% and 33% respectively, between FY09 and FY11E. We recommend the stock as "BUY" with a 12-month target price of Rs2179. (28xFY11E)

Jyothy Lab.

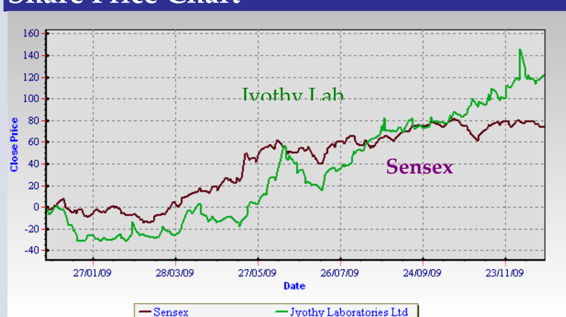
BUY **Target: 207**

Sector	**FMCG**
Major Products	**Ujala, Maxo**
Price (Rs)	160
Equity (Rsmn)	72.6
52 Week High/Low (Rs)	193/42
Market Cap (Rsmn)	11,616
Shares Outstanding (Mn)	73
Face Value (Rs)	1

Share Holding Pattern (%)

Foreign	16%
Institutions	14%
Corporate Holding	6%
Promoters	50%
Public & Others	14%

Share Price Chart



Financial Summary

Rsmn	Jun-08	Mar-09	FY10E	FY11E
Net Sales	3,976	3,852	5,705	6,732
Growth (%)	-6%	-3%	48%	18%
EBITDA	610	488	848	1,057
Net Profit	499	374	695	833
Growth (%)	-3%	-25%	86%	20%
EPS (Rs)	7	5	10	11
PE Ratio	23	31	17	14
EV/EBITDA (x)	17	22	12	9
ROCE (%)	21%	14%	22%	23%
ROE (%)	15%	11%	18%	18%
EBITDA (%)	15.3%	12.7%	14.9%	15.7%
Net Margin (%)	12.5%	9.7%	12.2%	12.4%

Source: Company, Shriram Wealth

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Jyothy Labs Ltd (JLL) offers branded products including fabric whitener (Ujala – Market share of 73%) mosquito repellent (Maxo – Market Share of 22%), dishwashing, bath and incense products. JLL has employee strength of 3500 people servicing 2,500 distributors and 29 Lakh retail outlets across India. JLL has 21 manufacturing facilities in 14 locations in India, of which eight facilities enjoy tax exemptions

Investment Rationale

Brand extensions

JLL is looking at more brand extensions after washing powder and fabric stiffener. JLL plans to increase investment in Maxo and Exo brands. Maxo commands a 23% share of the mosquito repellent market on the back of an 18% CAGR in last four years Exo dish-cleaners are still available only in the southern markets, commanding 25% share in the region. The brand will be rolled out nationally in a phased manner.

Fabric Spa – Laundry care

JLL is foraying into laundry services through its subsidiary, Jyothy Fabricare Services (JFSL) with an initial investment of Rs350mn in the IT-BPO hub, Bangalore. The services will range from basic solutions like wet wash, dry clean, press, folding and packing, door to door pick up and delivery. Currently, JFSL has opened up 2 Fabrispa stores within the city. This is complemented with the 30 outlets of Snoways chain (economy segment) acquired earlier and then expanded. The company has registered all the major airlines coming to Bangalore. The capacity is 40,000 garments a day and currently working at 50% utilisation.

New initiatives

JLL has entered into new product categories like fabric washing powder, fabric stiffener, mosquito repellent aerosol, dish wash bar, dish scrubbers and incense sticks. Ujala Stiff & Shine has witnessed a 50% growth in volumes since its nationwide launch in April-08.

Outlook & Valuations

JLL is forayed into laundry services with an initial investment of Rs350mn in Bangalore. JLL also is looking at more brand extensions after washing powder and fabric stiffener. JLL plans to increase investment in Maxo and Exo brands. JLL is a cash rich, zero-debt with market leader in Ujala. The company spends 8-9% of sales on advertising. We expect revenue and profits to grow at CAGR of 32% and 49% respectively, between FY09 and FY11E. At current price, the stock is trading at 17xFY10E & 14xFY11E. We recommend the stock as "BUY" with a 12-month target price of Rs207 (18xFY11E)

Kewal Kiran

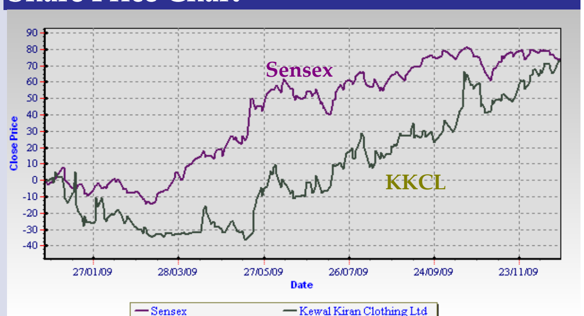
BUY **Target: 316**

Sector	**Textile, Retail**
Major Products	**Killer, Lawman**
Price (Rs)	255
Equity (Rsmn)	123
52 Week High/Low (Rs)	259/86
Market Cap (Rsmn)	3,144
Shares Outstanding (Mn)	12
Face Value (Rs)	10

Share Holding Pattern (%)

Foreign	10%
Institutions	1%
Corporate Holding	3%
Promoters	74%
Public & Others	12%

Share Price Chart



Financial Summary

Rsmn	FY08	FY09	FY10E	FY11E
Net Sales	1,596	1,446	1,718	2,148
Growth (%)	19%	-9%	19%	25%
EBITDA	303	201	380	448
Net Profit	211	143	278	325
Growth (%)	13%	-32%	95%	17%
EPS (Rs)	17	12	23	26
PE Ratio (x)	14.9	22.0	11.3	9.7
EV/EBITDA (x)	9	13	7	5
BV	115	123	142	164
P/BV	2.2	2.1	1.8	1.6
ROCE (%)	21%	13%	22%	22%
ROE (%)	15%	9%	16%	16%
EBITDA (%)	19%	14%	22%	21%
Net Margin (%)	13%	10%	16%	15%

Source: Company, Shriram Wealth

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KKCL is an integrated player in branded clothing with in-house designing, manufacturing, distribution and retailing of branded apparels. It has established brands which include Killer, Lawman pg3, Easies, and Integriti. It also owned retail format known as K-Lounge.

Highlights of the visit

Manufacturing facilities

KKCL manufactures its own apparel, with five operational plants and will add one more shortly, bringing the total yearly production capacity to more than four million units.

Positive inventory cycle

KKCL delivers to its franchisees on outright sale basis at a WSP (Whole sale price). The company is protected from inventory load up which is a big concern in the garment industry.

Expansion Plan & store counts

With 135 outlets currently, KKCL plans to increase store count to 165 by FY10, with the CAPEX of Rs250mn. Franchises mode already being used for expansion with 89 of its stores entirely owned by franchisees and a further 44 operated by KKCL. New store expansion will also see the franchise mode being adopted. It has target of 143 K-Lounge outlets by FY10.

H1FY10

For HFY10, Net revenues of KKCL registered growth of 20% to Rs904mn, EBITDA margin improved to 26.7% in H1FY10 from 12.4% in H1FY09 with 158% growth in EBITDA to Rs241mn. Net Profit grew by 164% to Rs178mn, net margin improved to 19.6% from 8.9%.

Financials

KKCL's net revenue and net profit have grown at CAGR of 45% and 30% respectively between FY04 to FY09.

Outlook & Valuation

KKCL set to expand at a time when rentals are lower and owners open to varied rental models which could not have been possible during the boom years. A low debt-equity ratio of 0.1 further supports expansion capabilities. A good many retailers who took on debt to step up store network are now looking at raising equity to balance massive debt and fund expansion. We expect revenue and profits to grow at CAGR of 22% and 51% respectively, between FY09 and FY11E. At current price, the stock is trading at 11.3xFY10E & 9.7xFY11E. We recommend the stock as BUY at with a 12-month target price of Rs316 (12xFY11E)

Contact Us

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About Us

Shriram Wealth Advisors Ltd. launched in the year 2009 and promoted by **Shriram Group, Chennai,** a multi faceted financial services conglomerate with an impeccable reputation for effectiveness, transparency and integrity, with Asset Under Management exceeding Rs 25,000 crores. The Group's clientele comprises 40 lacs people, served by 80,000 agents and 25,000 employees.

The Group's business ventures are identified through a constant search for ways to be useful to the largest number of common people. Thanks to this People-First philosophy, the **Shriram Group Companies** are market leaders in Commercial Vehicle Finance, Consumer Finance and Chit Funds, and have a significant presence in Life and Non-Life Insurance, Stock Broking, Financial Product Distribution among others. The group's recent foray into Wealth Management is again a strong expression of this commitment.

Shriram Wealth will take Wealth Advisory Services, which were hitherto available to only a few privileged people, to a large number of people, who do need financial planning.

Wealth Management process at **Shriram Wealth** shall begin at financial planning and shall continue its journey with its clients in actualising their financial goals. State of art technology and various tools will enable in:

- Identifying financial goals of a particular investor
- Helping prioritize these goals
- Choosing the right investment options
- Striking a balance between risk and return and
- Reviewing client Investments on a continuous basis

In the course of the advisory, we shall start with suggesting an array of asset classes including, equity, mutual fund, portfolio management, insurance and structured & fixed income products, and add more asset classes as we go along.

We have developed this platform as an open architecture, wherein asset allocation and investment options shall be considered purely based on its suitability to investors. The sound advice would come from a team of Wealth Managers and Certified Financial Planners supported by strong research team handling various asset classes

The entire process of client servicing and execution shall be complimented by state-of-the-art technology. Our website will not only give up-to-date information on various investments, but will also allow our clients to review portfolio at their own leisure.