1QFY11 Quarterly Results Preview

Earnings growth to moderate

Divergent sectoral earnings trends

Moderation in earnings growth

After a strong growth in the preceding few quarters, we estimate earnings growth to moderate in 1QFY11. Sectoral earnings trends are likely to be sharper during the quarter.

We estimate an earnings growth of 8% YoY (ex oil&gas sector) for our coverage universe. Private banks, construction/engineering, upstream oil companies (RIL and Cairn), metals, auto, retail and fertilisers lead the earnings growth. We see a negative/weak earnings growth in PSU banks, telecom and cement sectors.

Revenue growth would be strong in metals, capital goods, auto, real estate, retail, pharma and media. However, we estimate operating margins to drop sequentially in most sectors (the major exception being retail sector).

For Nifty, we estimate an earnings growth of 24% and 16% for FY11 and FY12, respectively.

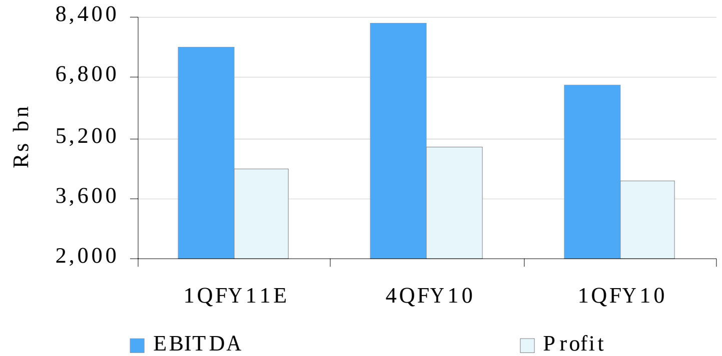
Recommendations

Top buys: Tata Motors, M&M, ONGC, GAIL, Axis Bank, ITC and Lupin.

Mid-cap buys: IDBI Bank, IRB Infrastructure, Patel Engineering, Maharashtra Seamless, Jagran Prakashan, Sun TV, Godrej Consumer Products, Pantaloon Retail and GSPL.

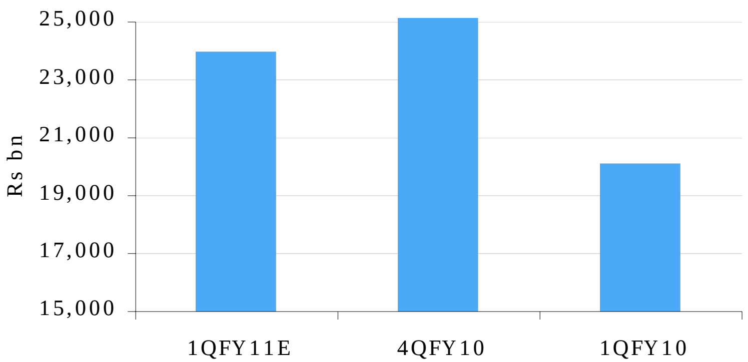
Top sells: ABB, HCC, Ranbaxy and India Cements.

Quarterly earnings – coverage universe ex Oil & Gas



Source: Alchemy estimates.
Note: Alchemy estimate for Jun'10.

Revenues



Source: Alchemy estimates.
Note: Ex Oil & Gas/financials. Alchemy coverage estimate for Jun'10

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Banks drag earnings growth

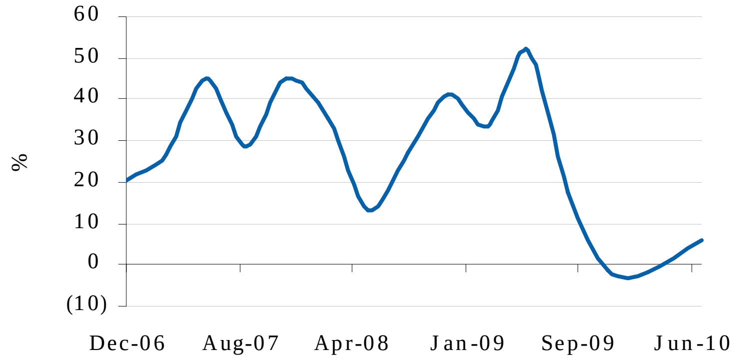
Banks earnings drag broad market earnings growth

After a period of strong growth led by tightening in external funding, easing of NPA norms by RBI and high MTM gains, banks earnings weakened in the past few quarters.

The trend of weak earnings is likely to continue during the quarter and we estimate an 4.7% YoY earnings growth for banks under our coverage. We estimate 17% growth in private banks and flat earnings in PSU banks.

We expect banks earnings to improve in 2HFY11 led by improved credit off-take and stabilisation in restructured assets.

Banks' earnings growth (% YoY)

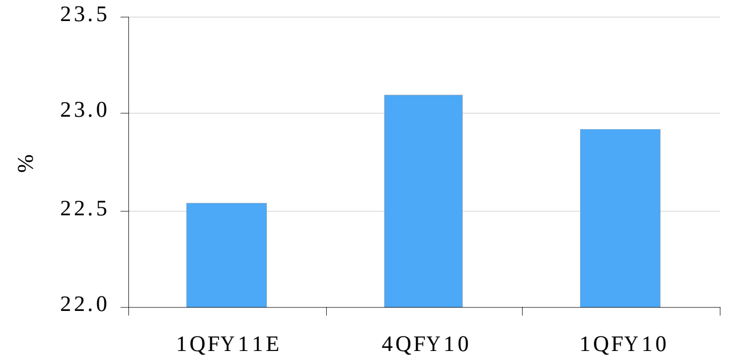


Source: CMIE, Alchemy estimates.
Note: Alchemy estimate for Jun'10

Margins to dip marginally

Margins are likely to decline marginally QoQ. Telecom, real estate, auto and metals are likely to see a drop in margins.

Operating margins ex Oil & Gas/Financials



Source: CMIE, Alchemy estimates.
Note: Alchemy estimate for Jun'10

Quarterly estimates – Sectoral snapshot

	Topline	Growth (%)		Operating profit	Growth (%)		Net profit	Growth (%)	
Rs mn	**1QFY11E**	**YoY**	**QoQ**	**1QFY11E**	**YoY**	**QoQ**	**1QFY11E**	**YoY**	**QoQ**
Services									
Banks - PSU	243,556	17.0	(7.5)	134,220	18.9	(9.9)	68,856	2.2	(2.6)
Banks - Private	98,532	6.1	(1.3)	55,425	2.2	(3.3)	25,261	17.7	(8.0)
NBFCs	25,204	11.8	20.0	23,362	5.7	20.8	16,767	4.6	11.9
Telecom	189,433	(0.6)	2.4	63,307	(15.2)	(0.3)	25,582	(42.5)	(27.8)
IT Services	246,089	12.7	3.7	63,767	10.1	(1.4)	47,873	9.1	(4.9)
Midcap IT	27,764	8.7	2.1	5,448	(4.5)	(8.4)	4,289	7.9	(17.9)
Infrastructure & ancillaries									
Capital Goods	249,808	20.9	(27.2)	27,749	17.1	(43.4)	17,269	13.1	(41.7)
Construction/Engineering	74,005	14.4	(22.0)	12,705	14.5	(6.3)	3,781	27.2	(34.0)
Power Utilities	180,460	(1.1)	0.7	57,324	1.2	7.4	33,130	5.6	10.1
Pipes	41,208	(6.9)	10.6	7,578	7.6	7.2	3,974	9.8	(3.9)
Power Transmission	14,345	18.3	(24.7)	1,567	12.0	(23.4)	652	7.6	(26.0)
Consumption									
Auto	391,808	42.0	(3.4)	54,119	57.1	(4.9)	33,616	53.1	(4.1)
Real Estate	40,398	40.6	(3.3)	16,527	24.1	(1.1)	9,439	24.7	(4.0)
FMCG	175,744	17.2	5.4	35,919	11.8	6.5	24,434	10.3	1.2
Retail	25,695	26.3	(1.9)	2,826	34.9	11.0	876	98.1	21.1
Pharma	130,713	18.2	3.8	31,745	57.4	5.1	25,009	16.8	(15.3)
Media	22,063	26.3	4.0	7,706	72.7	2.0	4,158	55.3	0.2
Materials/Commodities									
Oil & Gas, Petchem	2,527,526	46.4	7.3	267,053	4.8	(9.9)	132,171	(13.9)	(23.3)
Fertiliser	71,895	7.5	10.5	12,786	23.9	19.9	6,691	79.1	28.9
Metals	379,360	25.1	(14.8)	104,081	39.0	(24.4)	62,894	31.5	(33.7)
Cement	115,179	35.1	(3.4)	30,592	4.4	(4.2)	15,904	(11.7)	(5.0)
Sugar	29,284	78.9	12.8	3,306	(11.6)	(26.4)	782	(58.3)	(69.4)
Other Midcaps	41,643	9.1	(9.6)	6,876	(1.5)	(2.8)	4,889	(2.2)	(15.7)
Total	**5,341,713**	**30.0**	**(0.2)**	**1,025,613**	**12.2**	**(8.5)**	**568,297**	**2.0**	**(15.2)**
Total ex oil&gas	**2,814,187**	**18.2**	**(6.1)**	**758,560**	**15.1**	**(8.0)**	**436,127**	**8.0**	**(12.4)**
Total ex oil&gas/financials	**2,446,895**	**18.9**	**(6.3)**	**545,553**	**16.1**	**(8.9)**	**325,243**	**8.8**	**(15.5)**

Note: Banks' revenue includes NII and other income and operating profit refers to PPOP.

Quarterly estimates

	Topline	Growth (%)		Operating profit	Growth (%)		Net profit	Growth (%)	
Rs mn	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ
Services									
Banks - PSU	**243,556**	**17.0**	**(7.5)**	**134,220**	**18.9**	**(9.9)**	**68,856**	**2.2**	**(2.6)**
BOB	23,176	21.5	(10.6)	12,479	23.6	(23.4)	6,472	(5.6)	(28.6)
BOI	20,682	6.3	(9.1)	10,714	(2.0)	(16.0)	3,862	(33.9)	(9.7)
Corporation Bank	8,662	4.8	(5.1)	5,688	(0.4)	4.4	2,967	13.6	(5.0)
IDBI Bank	12,428	15.8	(4.9)	6,587	(13.1)	(5.1)	2,023	16.6	(36.5)
J&K Bank	3,994	4.6	2.6	2,053	(20.0)	(16.0)	1,146	(2.1)	(18.1)
OBC	11,896	35.8	(5.2)	6,446	24.7	(17.0)	3,219	25.0	1.5
PNB	31,594	11.6	(8.0)	18,496	17.9	(20.7)	9,649	16.0	(15.0)
SBI	103,478	20.4	(7.9)	51,175	39.3	(1.5)	23,976	2.9	28.4
Union Bank	17,117	28.7	(9.4)	10,053	27.7	(12.4)	5,013	13.4	(15.5)
Banks - Private	**98,532**	**6.1**	**(1.3)**	**55,425**	**2.2**	**(3.3)**	**25,261**	**17.7**	**(8.0)**
Axis Bank	23,216	15.8	(3.0)	12,818	9.0	(7.4)	6,470	15.1	(15.4)
HDFC Bank	32,385	11.7	(0.5)	17,055	12.3	0.7	7,822	29.1	(6.5)
ICICI Bank	38,891	(4.6)	(0.9)	23,017	(9.0)	(4.1)	9,509	8.3	(5.4)
Yes Bank	4,040	30.8	(0.1)	2,535	28.2	(1.6)	1,459	45.8	4.2
NBFCs	**25,204**	**11.8**	**20.0**	**23,362**	**5.7**	**20.8**	**16,767**	**4.6**	**11.9**
HDFC	12,347	(7.7)	22.5	11,500	(10.2)	25.9	8,043	(13.0)	17.2
LIC HF	4,716	123.5	36.0	4,097	129.1	43.5	2,979	140.5	39.5
Power Finance	8,140	15.4	9.1	7,764	3.5	5.6	5,746	3.5	(4.0)
Telecom	**189,433**	**(0.6)**	**2.4**	**63,307**	**(15.2)**	**(0.3)**	**25,582**	**(42.5)**	**(27.8)**
Bharti (pre Zain)	102,350	3.0	1.8	38,322	(7.7)	0.3	19,691	(21.8)	(4.2)
Idea Cellular	35,481	19.3	6.0	8,834	2.9	(4.4)	1,341	(54.9)	(49.7)
Reliance Communications	51,602	(16.0)	1.3	16,151	(34.1)	0.8	4,550	(72.2)	(62.7)
IT Services	**246,089**	**12.7**	**3.7**	**63,767**	**10.1**	**(1.4)**	**47,873**	**9.1**	**(4.9)**
HCL Tech	32,837	12.9	6.8	6,357	(1.3)	4.7	3,149	(4.8)	(8.5)
Infosys	62,362	14.0	4.9	20,298	8.7	0.5	15,719	3.1	1.3
TCS	80,613	11.9	4.2	22,283	13.6	(3.6)	17,425	14.6	(9.8)
Wipro	70,276	12.5	0.6	14,829	12.3	(2.8)	11,581	14.6	(4.2)
Midcap IT	**27,764**	**8.7**	**2.1**	**5,448**	**(4.5)**	**(8.4)**	**4,289**	**7.9**	**(17.9)**
Tech Mahindra	11,774	5.8	(0.5)	2,584	(7.9)	(7.3)	2,183	55.8	(3.8)
Patni Computers	8,073	4.4	4.2	1,553	0.3	(4.1)	1,291	(5.6)	(13.7)
Mindtree	3,545	16.3	2.9	431	(14.9)	(31.9)	207	(63.4)	(61.9)
Infotech Enterprises	2,573	10.6	5.4	485	(7.4)	(7.9)	307	(33.6)	(40.2)
Persistent Systems	1,800	36.3	4.8	394	22.5	2.9	300	71.2	(24.5)

Note: Banks' revenue includes NII and other income and operating profit refers to PPOP.

Quarterly estimates (cont'd)

	Topline	Growth (%)		Operating profit	Growth (%)		Net profit	Growth (%)	
Rs mn	**1QFY11E**	**YoY**	**QoQ**	**1QFY11E**	**YoY**	**QoQ**	**1QFY11E**	**YoY**	**QoQ**
Infrastructure & ancillaries									
Capital Goods	**249,808**	**20.9**	**(27.2)**	**27,375**	**15.6**	**(44.2)**	**17,269**	**13.1**	**(35.8)**
ABB	17,507	16.3	20.3	1,479	7.3	564.0	939	12.4	12.7
Areva T&D	9,541	21.0	22.8	855	(20.1)	102.4	301	(42.8)	(47.2)
BHEL	69,952	25.0	(48.4)	8,604	45.3	(70.1)	6,121	30.1	(54.6)
L&T	97,448	32.4	(27.1)	10,416	25.2	(49.2)	6,897	19.3	(39.6)
Punj Lloyd	27,770	(6.0)	63.3	2,519	(18.6)	NM	752	(40.9)	NM
Siemens	18,980	(1.0)	(14.7)	2,409	(6.3)	(15.8)	1,546	(7.9)	(31.5)
Thermax	8,610	60.1	(29.4)	1,092	(18.1)	(25.5)	713	53.4	(23.3)
Construction/Engineering	**74,005**	**14.4**	**(22.0)**	**12,705**	**14.5**	**(6.3)**	**3,781**	**27.2**	**(34.0)**
Gammon India	10,584	24.5	(36.6)	953	(4.8)	(13.5)	311	24.0	(43.3)
GMR Infrastructure	12,124	3.0	7.8	3,346	4.2	6.4	269	19.4	(63.2)
GVK Power	4,445	33.8	(9.0)	1,278	35.4	73.3	470	43.6	42.0
HCC	8,625	(10.5)	(21.0)	1,028	(13.7)	(17.6)	192	(25.7)	(55.3)
IRB Infrastructure	5,980	44.4	19.2	2,449	47.4	6.0	1,094	34.3	(22.8)
IVRCL Infrastructure	13,423	23.6	(29.0)	1,279	28.4	(35.6)	537	53.0	(37.0)
Nagarjuna Construction	11,518	15.1	(24.3)	1,209	16.5	(20.8)	513	34.1	(26.6)
Patel Engineering	7,306	13.6	(39.0)	1,164	10.1	(22.9)	396	8.9	(44.9)
Power Utilities	**180,460**	**(1.1)**	**0.7**	**57,324**	**1.2**	**7.4**	**33,130**	**5.6**	**20.0**
NTPC	121,901	(2.7)	(4.3)	37,458	1.2	23.1	25,718	5.0	27.4
Power Grid Corporation	18,481	15.0	(17.7)	15,434	17.5	(16.0)	5,245	9.6	(17.5)
PTC India	20,795	(12.4)	67.2	165	6.3	74.8	246	(26.2)	58.6
Tata Power	19,282	10.6	13.6	4,266	(32.5)	(5.0)	1,921	9.5	110.8
Pipes	**41,208**	**(6.9)**	**10.6**	**7,578**	**7.6**	**7.2**	**3,974**	**9.8**	**(3.9)**
Jindal Saw	11,180	(25.5)	2.9	2,390	0.4	(17.0)	1,294	(4.9)	(28.2)
Maharashtra Seamless	4,353	2.9	7.4	1,103	11.0	0.0	858	31.5	14.3
PSL	9,025	44.9	8.3	835	30.8	56.6	269	19.4	11.7
Welspun Corporation	16,650	(11.4)	18.9	3,250	7.3	27.2	1,553	12.4	15.9
Power Transmission	**14,345**	**18.3**	**(24.7)**	**1,567**	**12.0**	**(23.4)**	**652**	**7.6**	**(26.0)**
Jyoti Structures	5,806	19.5	6.0	653	21.1	(9.0)	266	18.7	5.0
KEC International	8,540	17.5	(37.1)	914	6.3	(31.2)	386	1.0	(38.5)

Quarterly estimates (cont'd)

	Topline	Growth (%)		Operating profit	Growth (%)		Net profit	Growth (%)	
Rs mn	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ
Consumption									
Auto	**391,808**	**42.0**	**(3.4)**	**54,119**	**57.1**	**(4.9)**	**33,616**	**53.1**	**(4.1)**
Apollo Tyres	14,854	25.9	13.2	1,916	(1.4)	3.8	948	0.1	(18.4)
Ashok Leyland	22,321	144.6	(24.1)	2,612	2,046.2	(31.0)	1,381	1,678.2	(38.0)
Bajaj Auto	39,377	68.4	15.8	8,447	85.5	8.7	5,949	102.7	12.5
Bharat Forge	5,320	48.3	(5.4)	1,272	69.8	(9.6)	415	4,225.2	(32.2)
Exide Industries	11,373	25.9	10.4	2,513	20.0	15.6	1,529	24.9	13.7
Hero Honda	43,224	13.1	4.9	7,305	12.4	2.6	5,940	18.8	(0.8)
Mahindra & Mahindra	52,295	23.3	(1.4)	7,897	29.7	(6.6)	5,493	37.0	(3.7)
Maruti Suzuki	83,875	30.4	(0.4)	10,568	135.2	(4.9)	6,357	161.4	(3.2)
Tata Motors	106,105	65.7	(13.2)	10,611	45.7	(13.9)	5,337	3.9	(10.6)
TVS Motors	13,064	32.1	7.4	980	56.5	3.9	267	47.2	31.4
Real Estate	**40,398**	**40.6**	**(3.3)**	**16,527**	**24.1**	**(1.1)**	**9,439**	**24.7**	**(4.0)**
Anant Raj Industries	277	(66.4)	(18.7)	162	(78.7)	(38.3)	174	(74.8)	(43.9)
DLF	18,851	14.3	(5.5)	9,065	21.8	(9.4)	4,084	3.1	(20.5)
HDIL	4,531	53.4	4.4	2,506	115.9	10.3	1,997	85.8	12.3
Indiabulls Real Estate	500	179.4	(17.6)	(146)	NM	NM	47	NM	(25.1)
Orbit Corp	1,346	22.0	55.7	627	32.4	52.3	263	45.5	31.2
Phoenix Mills	390	57.3	13.1	245	30.0	24.0	157	2.2	(0.2)
Sobha developers	3,168	78.9	(20.7)	824	88.2	(14.6)	453	256.5	(18.7)
Unitech	11,335	120.1	0.1	3,243	2.9	19.0	2,266	43.6	38.7
FMCG	**175,744**	**17.2**	**5.4**	**35,919**	**11.8**	**6.5**	**24,434**	**10.3**	**1.2**
Asian Paints	17,289	18.4	(7.9)	2,939	6.6	(5.5)	1,903	8.1	(1.2)
Colgate	5,368	14.7	3.9	1,251	18.9	0.3	1,082	5.3	(5.4)
Dabur	8,787	18.3	3.5	1,432	21.1	(11.6)	1,090	19.5	(18.1)
GCPL	6,292	43.4	23.6	1,195	38.3	11.2	931	33.7	1.5
HUL	48,614	8.6	12.6	6,490	(5.7)	22.2	5,117	(5.1)	(3.3)
ITC	50,179	22.9	(0.7)	15,681	17.3	1.8	10,358	17.9	0.7
Marico	7,845	12.6	30.3	957	(0.8)	12.7	622	3.6	9.3
Nestle	14,248	17.8	(3.7)	2,978	13.8	(2.1)	1,891	16.7	(6.3)
Radico Khaitan	2,190	19.3	2.6	263	25.8	(5.3)	165	54.5	72.4
United Spirits	14,932	20.3	19.3	2,733	23.1	50.7	1,275	2.6	124.2
Retail	**25,695**	**26.3**	**(1.9)**	**2,826**	**34.9**	**11.0**	**876**	**98.1**	**21.1**
Pantaloon Retail	21,146	27.2	2.8	2,457	34.1	13.9	735	101.5	31.5
Provogue	832	17.3	(46.4)	134	24.8	(8.9)	53	(21.0)	40.4
Shoppers Stop	3,717	23.5	(8.8)	235	52.4	(3.1)	88	764.8	(30.5)

Note: Standalone estimates for M&M, Tata Motors.

Quarterly estimates (cont'd)

	Topline	Growth (%)		Operating profit	Growth (%)		Net profit	Growth (%)	
Rs mn	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ
Pharma	**130,713**	**18.2**	**3.8**	**31,745**	**57.4**	**5.1**	**25,009**	**16.8**	**(15.3)**
Aurobindo	8,737	7.9	(3.0)	1,747	14.5	18.2	1,176	(29.4)	(3.0)
Cadila	10,448	18.7	28.1	2,142	18.7	35.0	1,872	50.0	57.7
Cipla	14,959	12.9	13.5	3,441	8.3	71.3	2,924	21.0	6.1
Dishman	2,648	16.3	6.8	662	24.4	33.8	442	12.9	108.8
Divi's Labs	3,087	50.0	(1.7)	1,343	101.4	(11.2)	1,103	2,470	(39.9)
Dr Reddy's	18,327	0.8	11.6	2,841	(24.6)	32.4	2,090	(14.5)	25.4
Glenmark	6,460	18.8	(8.9)	1,615	33.1	(9.4)	1,585	196.6	54.5
GSK Pharma	5,220	14.1	(3.5)	1,918	17.8	(4.1)	1,526	22.8	(5.3)
Lupin	13,278	22.3	3.3	2,656	36.8	6.6	2,012	43.6	(8.8)
Pfizer	2,121	14.1	4.7	424	62.2	(9.3)	396	26.6	(6.7)
Piramal	9,731	18.4	3.3	1,946	25.0	(10.0)	1,207	41.8	(21.8)
Ranbaxy	23,757	32.6	(4.5)	6,652	1,514.6	(13.8)	4,693	(32.3)	(51.1)
Sun Pharma	10,642	35.1	(1.7)	3,884	202.1	(0.9)	3,661	123.5	(7.2)
Wyeth	1,297	13.1	21.7	473	21.8	10.2	320	9.7	5.2
Media	**22,063**	**26.3**	**4.0**	**7,706**	**72.7**	**2.0**	**4,158**	**55.3**	**0.2**
ENIL	1,057	21.1	(12.1)	126	NM	(63.2)	7	NM	(95.4)
HT Media	3,954	18.0	2.7	857	24.0	(7.8)	433	33.6	(9.8)
Jagran Prakashan	2,604	12.3	10.2	859	21.9	35.9	518	4.5	42.2
PVR	909	163.3	26.4	141	NM	109.0	33	NM	796.9
Sun TV Network	4,094	42.3	4.5	3,279	46.6	(0.9)	1,638	36.7	(0.8)
TV Today	741	4.2	(6.1)	148	(24.0)	428.9	61	(63.4)	NM
UTV Software	1,606	85.7	26.6	334	NM	(9.5)	180	NM	(41.1)
Zee Entertainment	6,488	36.3	(0.1)	1,890	61.6	2.9	1,260	23.6	(1.1)
Zee News	610	(55.6)	1.6	72	(71.0)	85.4	29	(76.1)	37.7

Quarterly estimates (cont'd)

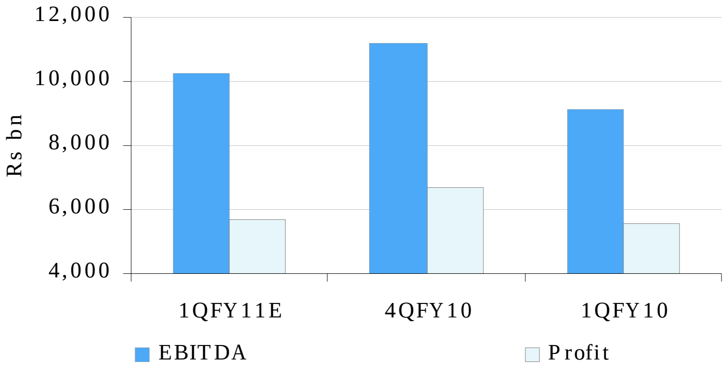
	Topline	Growth (%)		Operating profit	Growth (%)		Net profit	Growth (%)	
Rs mn	**1QFY11E**	**YoY**	**QoQ**	**1QFY11E**	**YoY**	**QoQ**	**1QFY11E**	**YoY**	**QoQ**
Materials/Commodities									
Oil & Gas, Petchem	**2,527,526**	**46.4**	**7.3**	**267,053**	**4.8**	**(9.9)**	**132,171**	**(13.9)**	**(23.3)**
BPCL	320,522	25.7	(14.6)	9,560	28.3	(15.2)	4,619	(24.8)	(34.3)
Cairn India	12,183	494.5	75.8	7,256	616.7	195.0	5,632	1,139.5	129.7
CPCL	51,288	(9.4)	(6.2)	1,003	(78.6)	NM	(17)	NM	NM
GAIL	71,601	18.9	9.8	12,621	18.5	(4.2)	8,234	25.6	(9.6)
GSPL	2,736	29.8	2.6	2,540	28.3	3.3	1,054	30.9	(2.3)
HPCL	345,491	41.4	10.3	8,962	(32.4)	(31.8)	3,992	(38.5)	(47.3)
IOCL	842,158	42.3	9.0	37,166	(25.7)	(49.1)	18,505	(49.8)	(66.7)
Oil India	16,335	(15.4)	(10.8)	7,812	(20.4)	17.3	5,457	(26.2)	26.6
ONGC	142,497	(4.2)	(3.2)	84,008	(11.6)	3.3	37,478	(22.7)	(0.8)
Petronet LNG	24,471	(6.3)	2.6	2,432	33.8	20.3	1,079	4.4	10.9
Reliance Industries	698,243	117.8	21.3	93,693	58.2	2.6	46,138	26.9	(2.0)
Fertiliser	**71,895**	**7.5**	**10.5**	**12,786**	**23.9**	**19.9**	**6,691**	**79.1**	**28.9**
Chambal Fertiliser	8,316	6.9	16.9	1,512	5.0	1.5	588	6.4	19.2
Coromandel International	15,858	(0.1)	16.2	1,800	142.0	50.9	1,173	129.5	42.1
Deepak Fertiliser	3,863	62.0	21.0	844	46.1	5.2	542	39.4	22.8
Tata Chemicals	23,727	4.4	(0.6)	4,844	12.1	24.1	1,963	361.7	53.1
Rallis India	1,892	15.8	(1.6)	288	74.6	6.8	195	107.2	(10.7)
United Phosphorus	18,240	10.9	19.1	3,498	13.9	16.4	2,228	26.4	15.5
Metals	**379,360**	**25.1**	**(14.8)**	**104,081**	**39.0**	**(24.4)**	**62,894**	**31.5**	**(33.7)**
Hindustan Zinc	20,767	36.0	(18.4)	10,970	40.2	(29.1)	9,061	26.1	(26.9)
Hindalco Industries*	50,418	29.3	(6.7)	8,020	5.8	(4.0)	5,001	4.1	(24.7)
JSW Steel*	54,456	39.0	(2.9)	11,652	56.0	(12.4)	4,307	26.7	(39.9)
SAIL	94,858	3.6	(28.6)	19,618	4.6	(36.7)	12,679	(4.4)	(37.9)
Sesa Goa	18,640	84.3	(22.9)	10,968	142.1	(27.0)	9,045	114.2	(25.4)
Sterlite Industries	69,511	51.8	(3.8)	15,214	49.0	(30.4)	8,658	28.7	(37.3)
Tata Steel*	63,626	13.3	(13.3)	26,048	49.5	(16.8)	13,499	70.9	(37.6)
Usha Martin	7,083	15.2	3.0	1,592	45.9	15.2	643	101.0	(7.2)
Cement	**115,179**	**35.1**	**(3.4)**	**30,592**	**4.4**	**(4.2)**	**15,904**	**(11.7)**	**(5.0)**
ACC	20,031	(3.8)	(4.7)	5,745	(21.7)	(7.7)	3,606	(25.7)	(11.0)
Ambuja Cement	20,692	12.0	4.0	6,721	40.1	7.9	4,203	29.5	(4.9)
Grasim Industries	9,885	NA	(13.4)	2,608	NA	(23.5)	1,770	NA	(38.8)
Samruddhi Cement	22,488	NA	(2.1)	5,532	NA	(12.1)	2,621	NA	(16.4)
India Cements	9,520	(0.2)	(1.3)	1,688	(41.0)	34.0	400	(72.2)	4.5
Madras Cements	7,269	(5.4)	25.9	2,252	(22.2)	81.9	934	(32.5)	219.3
Shree Cements	8,675	(6.0)	(8.1)	2,665	(37.4)	(18.4)	794	(72.7)	NM
UltraTech	16,619	(14.9)	(13.0)	3,380	(52.8)	(16.0)	1,576	(62.3)	(31.0)

Quarterly estimates (cont'd)

	Topline	Growth (%)		Operating profit	Growth (%)		Net profit	Growth (%)	
Rs mn	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ	1QFY11E	YoY	QoQ
Sugar	**29,284**	**78.9**	**12.8**	**3,306**	**(11.6)**	**(26.4)**	**782**	**(58.3)**	**(69.4)**
Bajaj Hindusthan	12,203	218.1	115.1	803	(34.2)	2.9	(263)	NM	NM
Balrampur Chini	4,779	(11.2)	1.6	696	(46.5)	(14.6)	174	(73.8)	(37.0)
Shree Renuka	12,302	71.9	(21.0)	1,807	48.0	(37.5)	871	42.5	(55.6)
Other Midcaps	**41,643**	**9.1**	**(9.6)**	**6,876**	**(1.5)**	**(2.8)**	**4,889**	**(2.2)**	**(15.7)**
Bluestar	6,286	16.5	(28.1)	710	13.7	(36.6)	483	17.3	(38.5)
Castrol	6,975	9.4	6.7	1,814	(7.3)	1.9	1,191	(7.2)	1.6
Elecon Engineering	2,426	14.3	(26.3)	340	4.2	(22.3)	108	27.6	(59.9)
Everest Kanto	1,911	24.9	0.7	287	(13.5)	NM	91	(45.4)	(68.6)
Praj Industries	1,270	0.5	0.0	146	(38.8)	30.5	186	(26.7)	(6.2)
Concor	9,186	1.2	(3.4)	2,425	(2.2)	10.2	1,933	(3.8)	11.9
Voltas	13,589	9.4	(8.2)	1,155	12.6	(22.8)	897	13.6	(33.9)
Total	**5,341,713**	**30.0**	**(0.2)**	**1,025,613**	**12.2**	**(8.5)**	**568,297**	**2.0**	**(15.2)**
Total ex oil&gas	**2,814,187**	**18.2**	**(6.1)**	**758,560**	**15.1**	**(8.0)**	**436,127**	**8.0**	**(12.4)**
Total ex oil&gas/financials	**2,446,895**	**18.9**	**(6.3)**	**545,553**	**16.1**	**(8.9)**	**325,243**	**8.8**	**(15.5)**

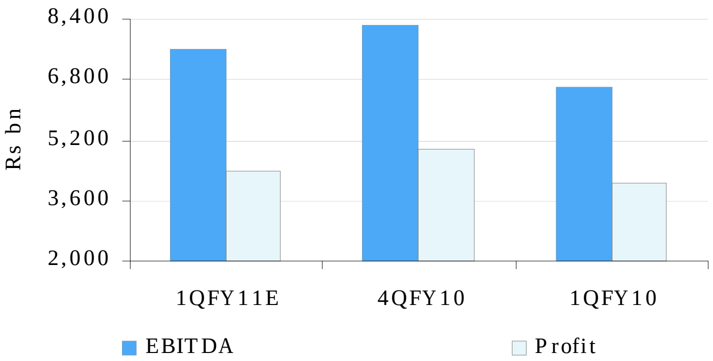
Sequential decline in earnings

Coverage universe



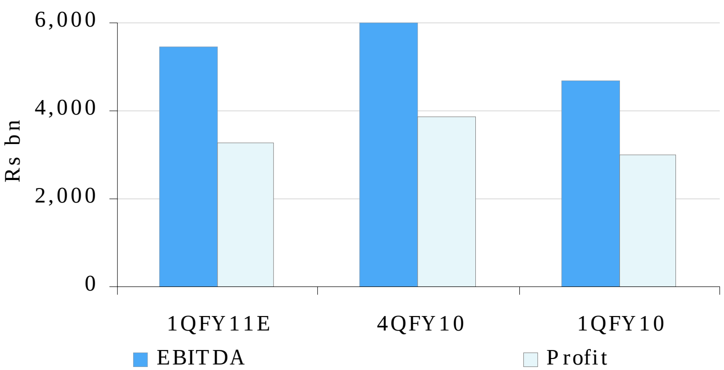
Source: Alchemy estimates.

Coverage universe ex Oil & Gas



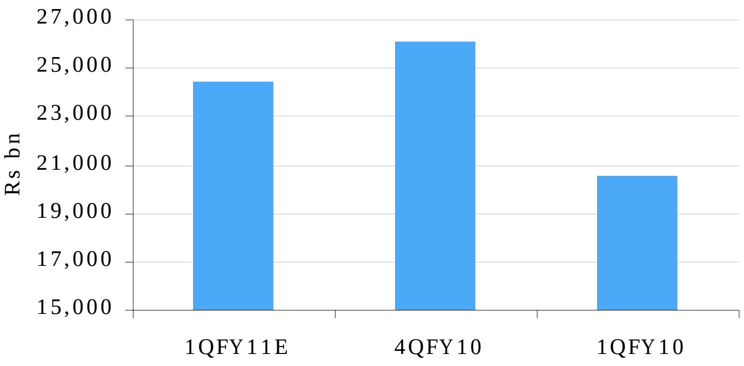
Source: Alchemy estimates.

Coverage universe – ex Oil & Gas/ Financials



Source: Alchemy estimates.

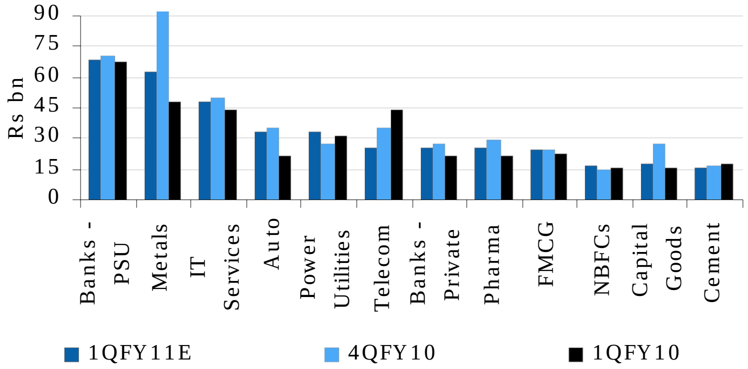
Revenues – ex Oil & Gas/ Financials



Source: Alchemy estimates.

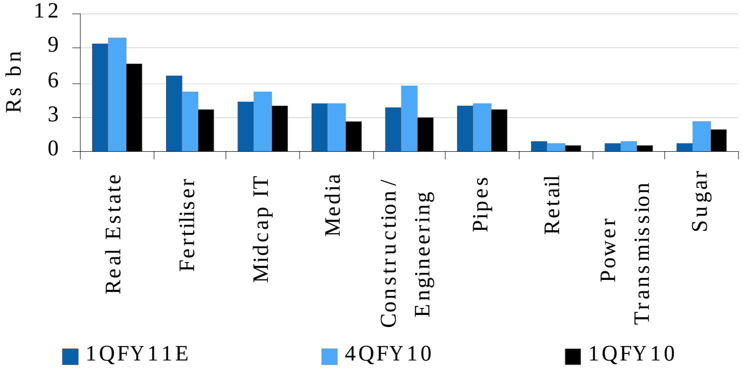
Sectoral estimates

Earnings - large sectors



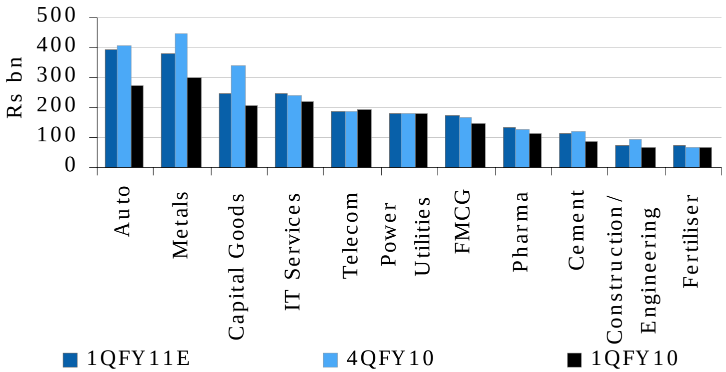
Source: Alchemy estimates.

Earnings – rest of sectors



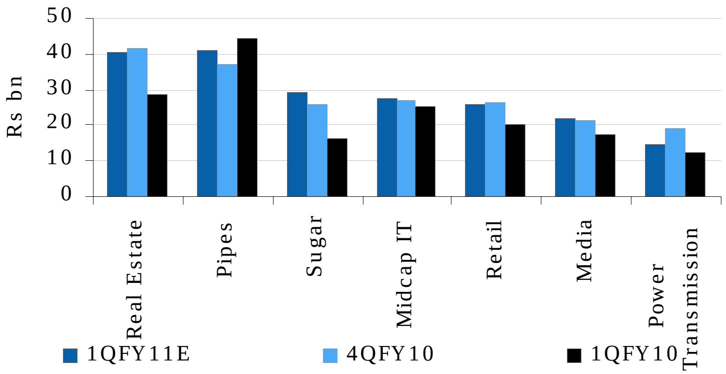
Source: Alchemy estimates.

Revenues - large sectors



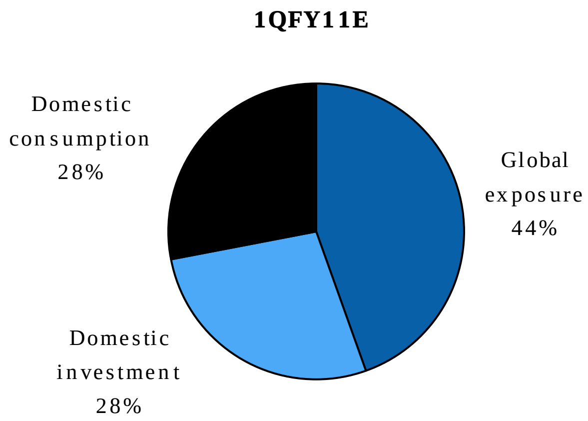
Source: Alchemy estimates.

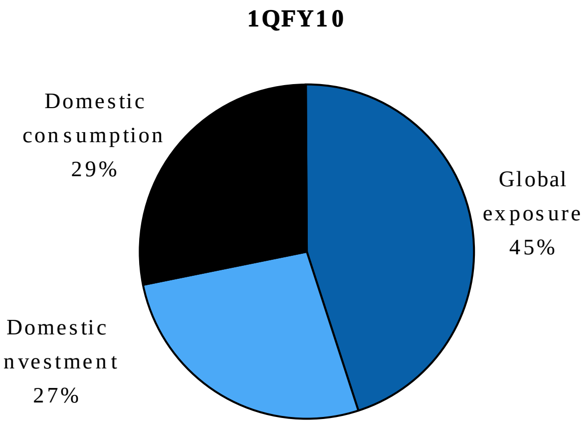
Revenues – rest of sectors

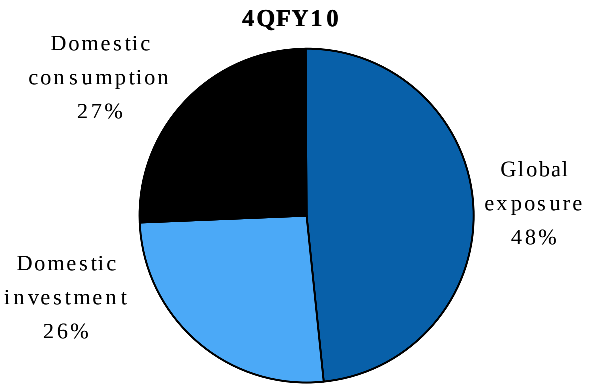


Source: Alchemy estimates.

Segmental earnings distribution



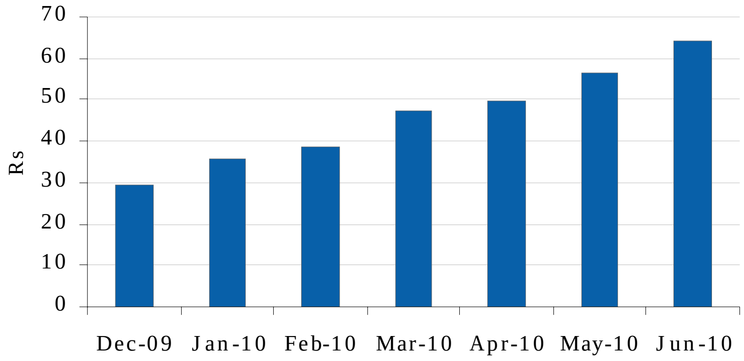




Note: Global exposure includes oil & gas, metals and IT. Investment includes banks, capital goods, power utilities, construction/engineering, pipes and power transmission. Consumption includes auto, NBFCs, telecom, FMCG, pharma, media, real estate, cement and retail.

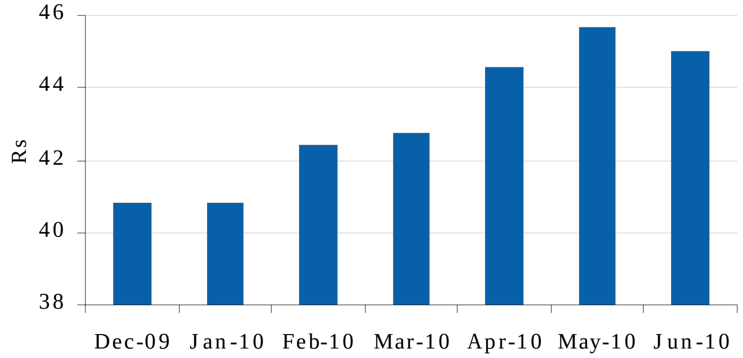
Major earnings upgrades in Nifty stocks

Tata Motors



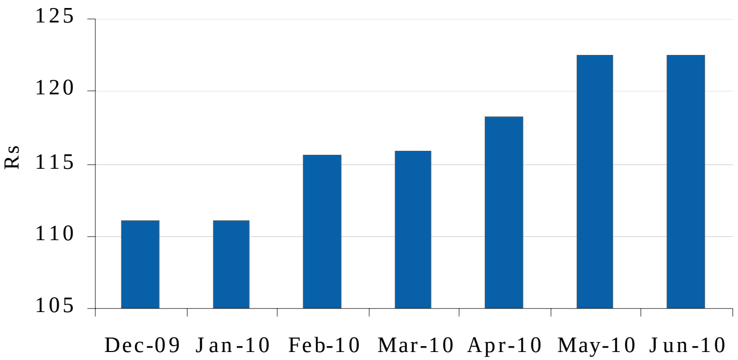
Source: Datastream.

Mahindra & Mahindra



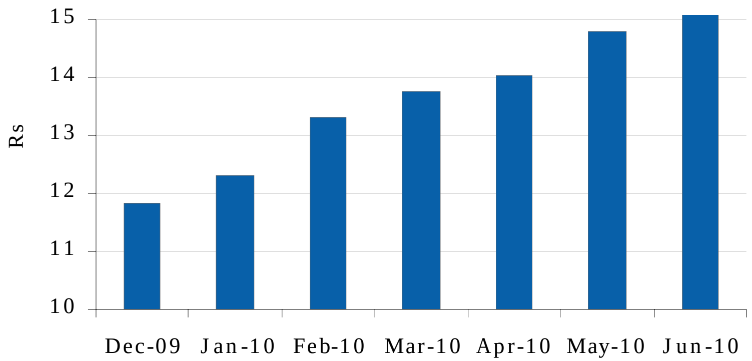
Source: Datastream.

Hero Honda



Source: Datastream.

Hindalco

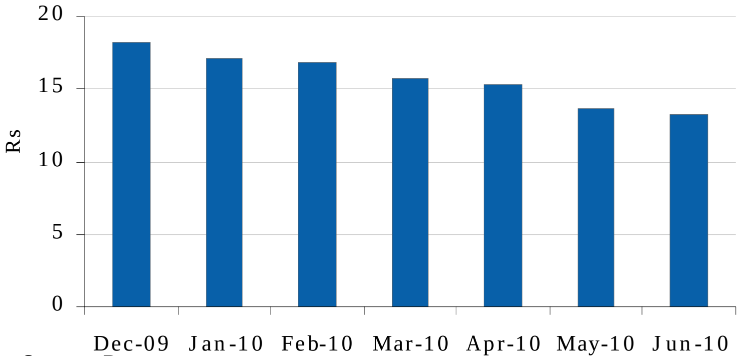


Source: Datastream.

Note: FY11E consensus EPS estimates

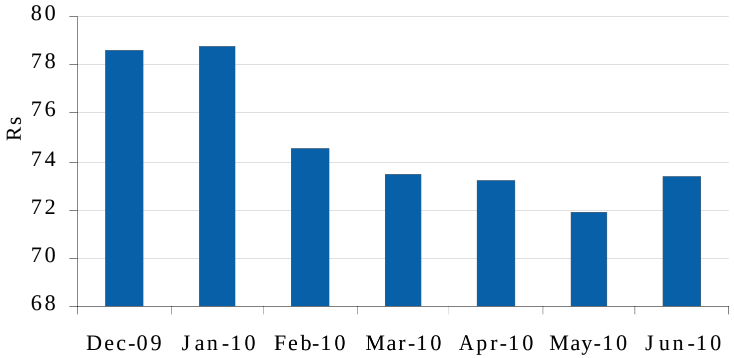
Major earnings downgrades in Nifty stocks

Reliance Communication



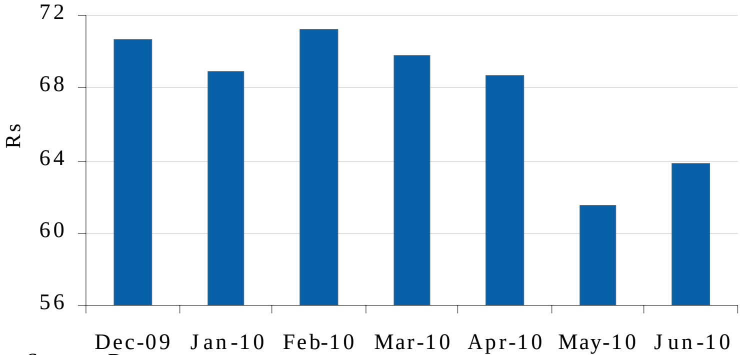
Source: Datastream.

Reliance Industries



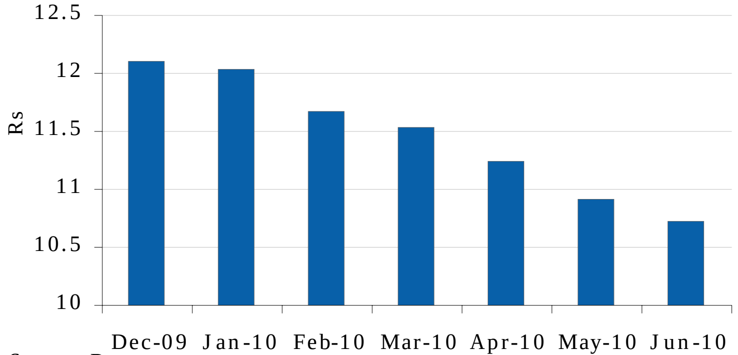
Source: Datastream.

Reliance Infrastructure



Source: Datastream.

Hindustan Unilever



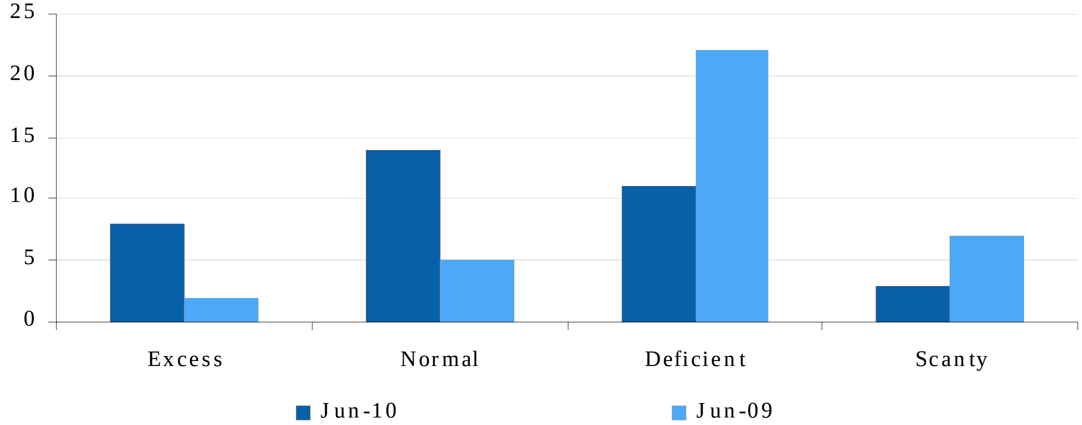
Source: Datastream.

Note: FY11E consensus EPS estimates

Monsoon – Gradual improvement

- The cumulative seasonal rainfall for the country as a whole during this year's monsoon has so far been 16% below the long period average (LPA).
- Out of 36 meteorological sub-divisions, the rainfall (since 01 June 2010) has been excess in 8, normal in 14 and deficient /scanty in 14 sub-divisions.
- Southern region received better rainfall till date, while Central India fell short the most.

Monsoon performance across 36 sub-divisions - June 2010 vs June 2009

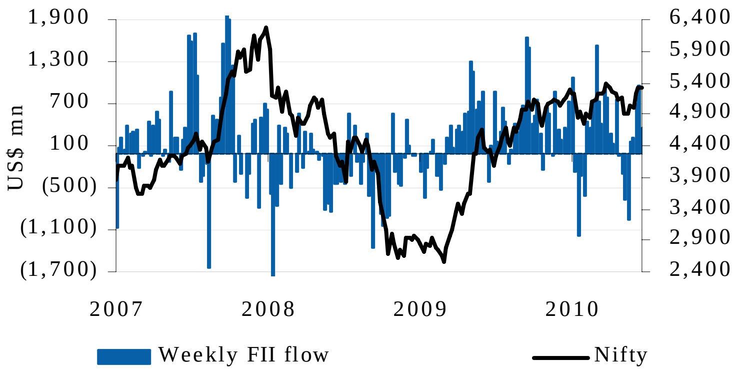


Source: IMD, CMIE.

Institutional buying

- FII invested US$2.1bn in (June 2010) Indian market after an outflow of US$2bn in May 2010.
- Out of US$6.9bn FII inflows in 2010, US$4.4bn is through secondary market and US$2.5bn through primary market.

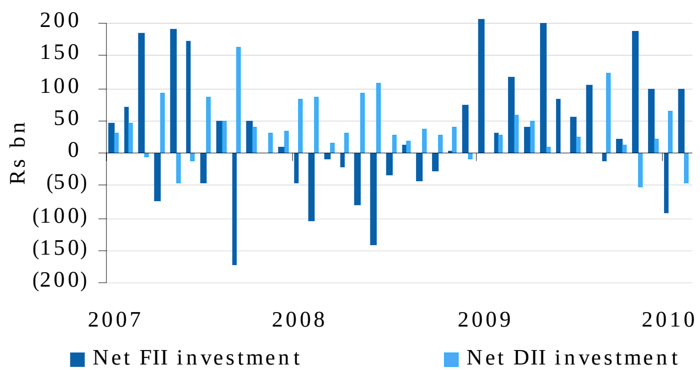
FII weekly buying



Source: SEBI, Bloomberg.

- Domestic institutional investors (DIIs) turned sellers in June 2010 and maintained their negative correlation with FIIs.
- Total DII net buying was Rs262bn in 2009 compared to Rs729bn in 2008. In 2010, DII buying is Rs124bn till date.

DIIs inverse correlation with FIIs

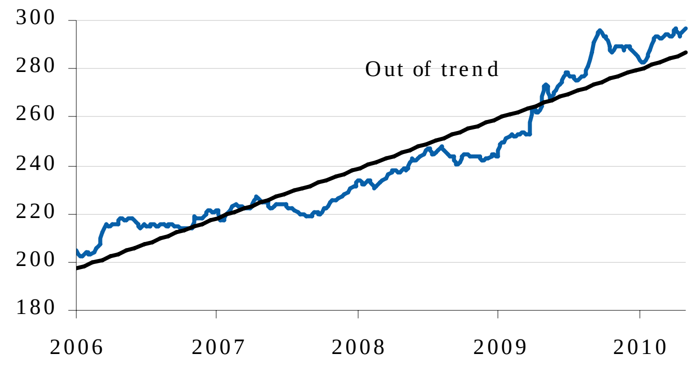


Source: SEBI.

Inflation in stabilisation mode

- Food price index started moving out of trend since July 2009 as the economy received lower rainfall and prices surged until November 2009. The initial signs of monsoon remain good and a normal crop could lead to some easing or stabilization in food prices.
- Weakness in crude and metal prices due to global concerns could also help easing in inflation price indices in the coming months.
- Both WPI and consumer prices are likely to fall in the comfortable zone by 2HFY11.

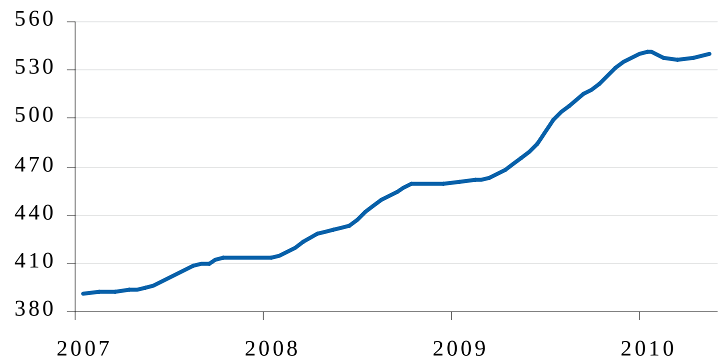
Food inflation stabilising recently



Source: CMIE.
Note: Chart shows food price index from WPI.

- Consumer price indices also stabilised in the last few months.
- The indices, which are dominated by food weights (47% for food, beverages and tobacco), could see some easing along with food prices.

Consumer price indices stabilised in the last five months



Source: CMIE.
Note: Chart shows CPI index (agricultural labour).

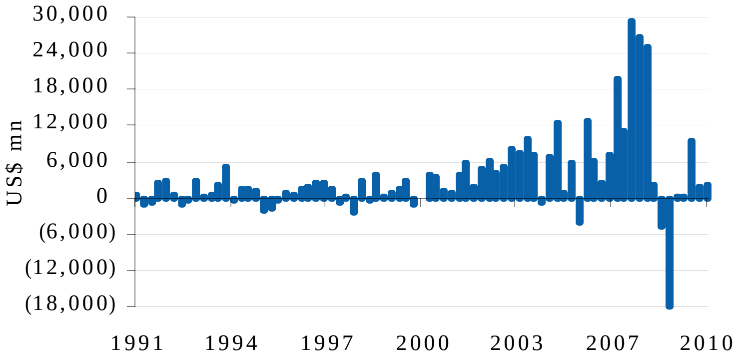
Balance of Payments – portfolio flows lead to surplus

- India's balance of payments (BoP) stayed positive in 4QFY10 led by strong portfolio flows of US$8.8bn. The BoP surplus for 4QFY10 was US$2.1bn compared to surplus of US$1.8bn in 3QFY10.
- Current account deficit was US$13bn due to high trade deficit which was partly offset by invisibles surplus.
- Invisibles surplus was US$18.5bn, little changed from to previous quarter. Software service receipts increased 13% QoQ.
- FII flows and strong short-term trade credit helped capital account surplus. Banking capital (net), ECBs (net) and NRI deposits remained weak during the quarter.
- BoP likely moved into negative zone during 1QFY11 as portfolio flows dropped to $3.7bn during the quarter.

US$ mn	Jan-Mar		Oct-Dec	
	2009-10	2008-09	2009-10	2008-09
BoP Balance	**2,100**	**300**	**1,767**	**(17,881)**
Current Account	**(13,000)**	**4,747**	**(12,030)**	**(13,033)**
Trade Balance	(31,500)	(14,598)	(30,726)	(34,704)
Exports	52,400	39,820	44,648	37,257
Imports	83,900	54,418	75,374	71,961
Invisibles	18,500	19,345	18,696	21,671
Remittances, Net	13,200	9,586	12,885	10,150
Net software exports	14,300	10,727	12,665	10,864
Capital Account	**15,100**	**(4,447)**	**13,797**	**(4,848)**
FDI, net	3,200	3,185	2,393	444
Portfolio Investment	8,800	(2,693)	5,654	(5,820)
Banking Capital	(400)	(5,436)	1,321	(5,998)
ECBs	100	1,117	1,545	3,883
NRI Deposits	(600)	2,175	610	1,042
Short term trade credit	5,000	(5,492)	3,283	(3,992)
Other foreign capital	(900)	1,147	(1,806)	5,182

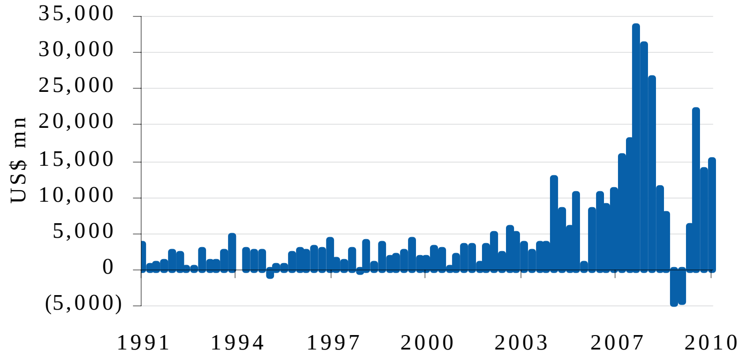
BoP trends

BoP balance



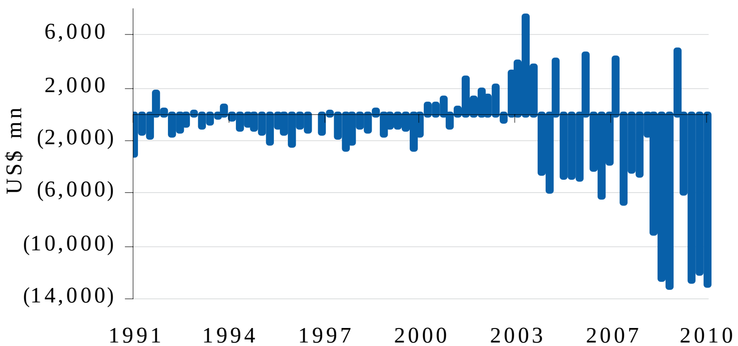
Source: CMIE.

Capital account balance



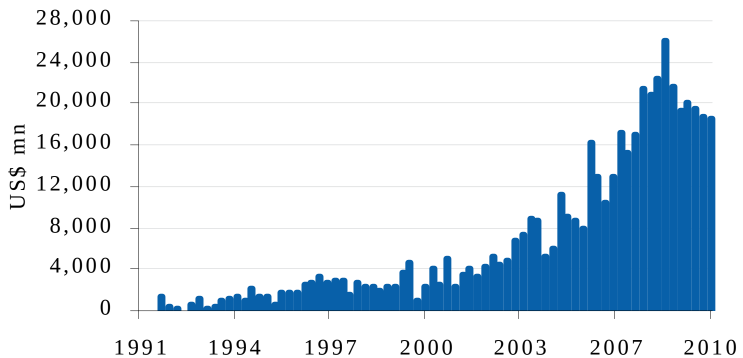
Source: CMIE.

Current account balance



Source: CMIE.

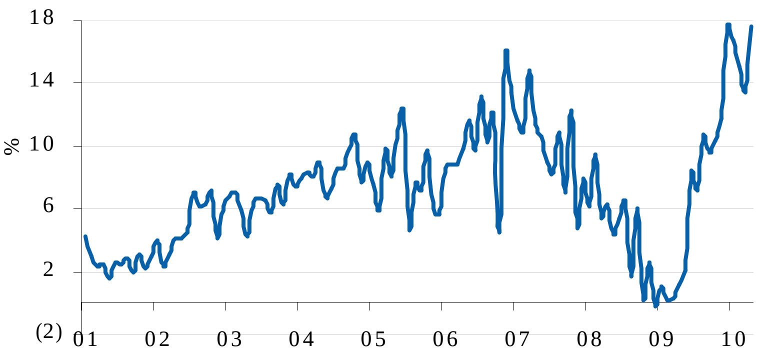
Net invisibles



Source: CMIE.

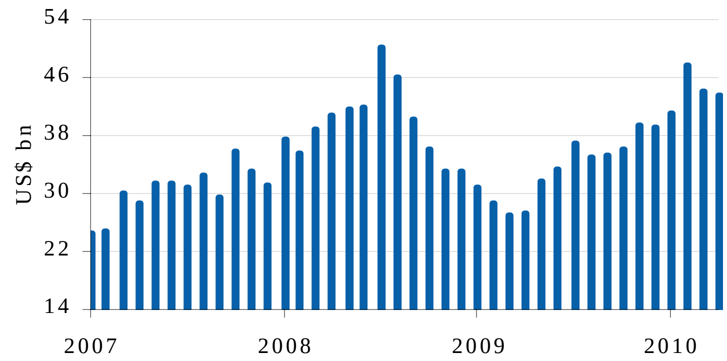
Economic indicators

Monthly IIP growth



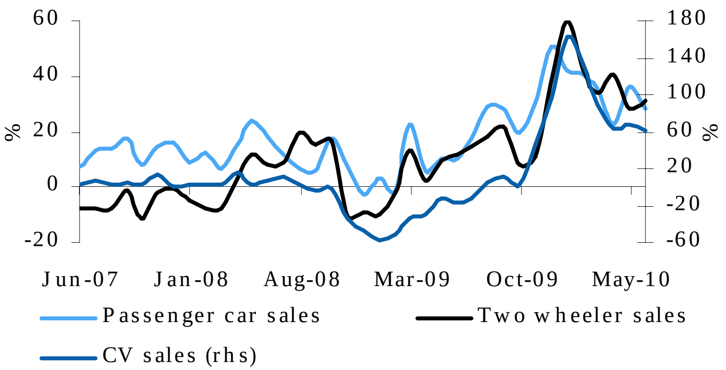
Source: CMIE.

Total trade (exports and imports)



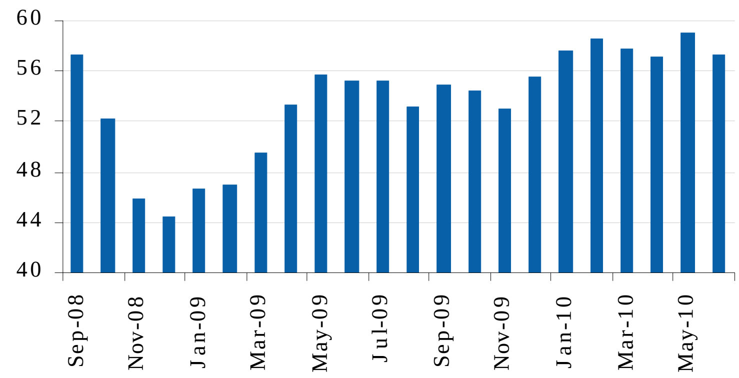
Source: CMIE.

Vehicle sales growth (% YoY)



Source: CMIE.

India monthly PMI



Source: Bloomberg.

Financials

Loan growth on strong footing

Rise in payout on savings deposits to mute margins

Trading gains could surprise

Asset quality hangover to continue

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Loan growth on strong footing; asset quality hangover to continue

What to expect in 1QFY11E

Loan growth picks up: higher payout on savings deposits to impact margins

- The systemic advances posted a strong growth of 19% YoY (as of 04 June 2010), aided by higher off-take by the telecom sector. Deposits grew by 14.3% YoY (04 June 2010). The systemic CD ratio continues to remain strong at 72%. The loan growth for banks under our coverage is at 19% YoY with the state-owned banks growing by 21% YoY. Corporation Bank (32% YoY), IDBI (42% YoY) and Union Bank of India (27%) are estimated to post highest growth amongst the state-owned banks. The deposit growth for banks under coverage is 14% YoY with Axis Bank (29% YoY), HDFC Bank (19% YoY) and IDBI Bank (40% YoY) posting the highest growth.
- Margins for the banks are estimated to dip sequentially led by relatively benign earning yields and rise in cost of deposits. RBI's change in the interest payout on savings account to daily average balance would lead to rise in cost of funds, despite adequate systemic liquidity and benign bond rates.
- The NII growth for banks under our coverage is estimated at 19% YoY and net profit growth is expected to be at 21% YoY.

Asset quality to have hangover of slippages due to Debt Relief Scheme: trading gains a dark horse

- We estimate the slippage to continue on the higher side with maximum being reported by Bank of India (2.4%), Corporation Bank (1.6%) and SBI (2.2%). As the extended deadline for the last installment expired on June 2010 under Debt Waiver Scheme 2008, any NPA arising out of them can impact the asset quality of the banks, especially state-owned. The provisions for banks under our coverage stand at 1.1% of the advances.
- The benchmark bond yields have remained relatively stable compared to period end indicating lower MTM related provisions. However, there was relatively higher volatility in the overall market yields, the banks with active treasury operations could witness swings in performance.

Housing finance: disbursals continues to be strong, spreads to remain stable sequentially

- The loan growth for housing finance companies continues to remain strong in light of improvement in property prices.
- The spreads are likely to remain stable due to business mix.

Our view

- The systemic loan growth for 1QFY11 at 19% has shown pick up in the off-take, aided by disbursals to the telecom sector. We expect the systemic loan growth for FY11E at 20% YoY. However with implementation of base rate, part of the low yielding loans could be originated by issue of bonds thereby impacting overall loan growth. The margins for 1QFY11E are estimated to dip on account of relatively higher rise in cost of savings deposits compared to earning yields. We expect the margins to stablise 2HFY11E onwards due to commensurate rise in the earning yields. Trading gains could surprise due to market bond volatility witnessed during the quarter. Asset quality will continue to act as overhang on the valuation as slippages could rise from the Debt Waiver Scheme 2008.
- With the focus on margins and relatively stable asset quality, our top pick in the sector are Axis Bank, Power Finance Corporation, Corporation Bank and Oriental Bank of Commerce.

Banks

Key banks details

Private Banks

- **Axis Bank:** NII growth to remain muted at -1% QoQ led by rise in costs of savings deposits. We expect the fee income to expand by 31% YoY led by rise in the bond originations. The business growth is expected at 32% YoY with further improvement in business mix.
- **HDFC Bank:** The cost of deposit would rise sharply as the proportion of CASA deposits continues to be at ~50% of total deposits. With recent expansion in the branch network, we expect the cost to remain on firm side. Fee income growth is expected to be at 21% YoY.
- **ICICI Bank:** The NII is expected to expand by 4.7% YoY. We expect the fees to be at Rs15bn, expanding by 16% YoY. Employee related expenses are expected to fall sequentially as the current quarter will not have impact of bonuses. We expect the provisions to continue at 2% of the advances as the bank would continue to make higher provisions for reaching 70% coverage. Amalgamation of Bank of Rajasthan will lead to 3% dilution in the equity and we have not built the same in estimates.
- **Yes Bank:** The business growth is expected to be at 80% YoY to Rs504bn. The cost of deposits is expected to expand by 20bps QoQ to 6.8%, relatively lower due to lower proportion of the CASA deposits. Fee income is expected to expand by 11% QoQ to Rs1.2bn

State-owned banks

- **Bank of Baroda:** The business growth is estimated to be at 20% YoY. The NII is expected to remain flat sequentially largely on account of rise in cost of deposits. Other income at Rs5.7bn is lower by 32% QoQ on account of absence of one-time gains such as profit on sale of UTI AMC. The gross slippages are estimated at 1.2% for 1QFY11, including ~Rs1bn on account of outstanding installment on agriculture debt waiver.
- **Bank of India:** The business growth is expected to be at 16.4% YoY. The fee income is estimated at Rs2.7bn, up by 4% YoY. We expect the gross slippage at Rs6bn (1.4% of advances). The NPA coverage is expected to improve to 60% led by higher asset provisions and lower investment related MTM provisions. Asset quality has been one of the hangover on the price performance and any signs of improvement in same could lead to re-rating of earnings and valuations.

Banks

Key banks details

- **Corporation Bank:** The business growth is estimated at 26% YoY with improvement in mix by ~300bps QoQ to 72%. The proportion of CASA deposits is expected to be at 24%. NII is expected to expand by 38% YoY. We are waiting for details regarding the change in management which can impact performance and valuations.
- **IDBI Bank:** The business growth is estimated to be at 41% YoY, highest amongst the state-owned banks. Fee income is expected to expand by 30% YoY to Rs2.7bn. Indicated equity infusion of Rs33bn by the government will aid business momentum.
- **OBC:** NII is estimated to fall by 9% QoQ, led by rise in cost of funds. The business growth is estimated at 17% YoY. The gross slippages are expected to be at ~Rs3.3bn, including ~Rs0.8bn from the government's debt relief scheme.
- **PNB:** The business growth is estimated to be at 16% YoY. The cost of deposit is expected to rise by 40bps QoQ to 5.2% led by rise in cost of savings deposit. Fee income is estimated to decline by 27% YoY led by lower origination fees. The gross slippages for 1QFY11 is estimated to be at 1.2% of advances.
- **SBI:** The business growth is expected to be at 11%, below the system growth led by slowdown in deposits (5.6% YoY). Fee income is expected to grow by 31% YoY to Rs24bn. The provisions are estimated to be at 1% of the total advances. The gross slippages are estimated to be at 2.2% of advances including debt waiver.
- **Union Bank:** The business growth is estimated to be at 21% YoY, higher than systemic business growth. In the recent past, the bank has seen rising slippages. The gross slippages are estimated at 1.2% of the gross advances for 1QFY11E.

Housing finance companies

- **HDFC Ltd:** The loans are expected to expand by 16% YoY to Rs1,011bn. The calculated spreads are expected to decline sequentially largely on account of benign yields.
- **LIC Housing:** Loan growth is estimated to be strong at 34% YoY led by recovery in the property markets. In other income, we have accounted for the Rs1.7bn gains on sale of stake in the LIC Mutual fund.

Introduction of base rate, earnings neutral

- Most of the banks have announced base rate in line with RBI direction to move away from PLR based loan pricing.
- We believe any incremental exposure below the base rate will be routed by investments. This would also lead to structural change in the balance sheet of banks with rising proportion of investments, but is unlikely to change the ALMs.
- Also depending on liquidity in the system, the pricing of such short-term investments are likely to rise compared to current loan rates, as the rates would include intermediation costs and MTM related provisions.

Public Sector Banks	Base rate (%)	PLR (%)	Spread (%)
Allahabad	8.00	12.00	4.00
Andhra Bank	8.25	12.00	3.75
BOB	**8.00**	**12.00**	**4.00**
BOI	**8.00**	**12.00**	**4.00**
Central Bank	8.00	12.00	4.00
Corporation Bank	**7.75**	**12.00**	**4.25**
Dena Bank	8.25	12.50	4.25
Indian Bank	8.00	12.75	4.75
IDBI	**8.00**	**12.75**	**4.75**
IOB	8.25	12.00	3.75
J&K	**8.25**	**12.75**	**4.50**
OBC	**8.00**	**12.50**	**4.50**
PNB	**8.00**	**11.50**	**3.50**
SBI	**7.50**	**11.75**	**4.25**
SBBJ	7.75	12.25	4.50
State Bank of Mysore	7.75	13.25	5.50
Syndicate Bank	8.25	12.00	3.75
Union Bank of India	**8.00**	**11.75**	**3.75**
UCO Bank	8.00	12.25	4.25

Source: Banks, Alchemy Research, Indian Banks Association

New Private Sector Banks	Base rate (%)	PLR (%)	Spread (%)
ICICI	**7.50**	**15.75**	**8.25**
HDFC	**7.25**	**13.75**	**6.50**
Axis	**7.50**	**14.75**	**7.25**
Kotak	7.25	15.50	8.25
BOR	8.00	15.00	7.00

Old Private Sector Banks	Base rate	PLR (%)	Spread (%)
Federal Bank	7.75	14.50	6.75
Dhanalakshmi Bank	7.00	16.00	9.00
Karnatak Bank	8.75	13.75	5.00
SIB	8.10	16.00	7.90
Karur Vysya Bank	8.50	12.50	4.00

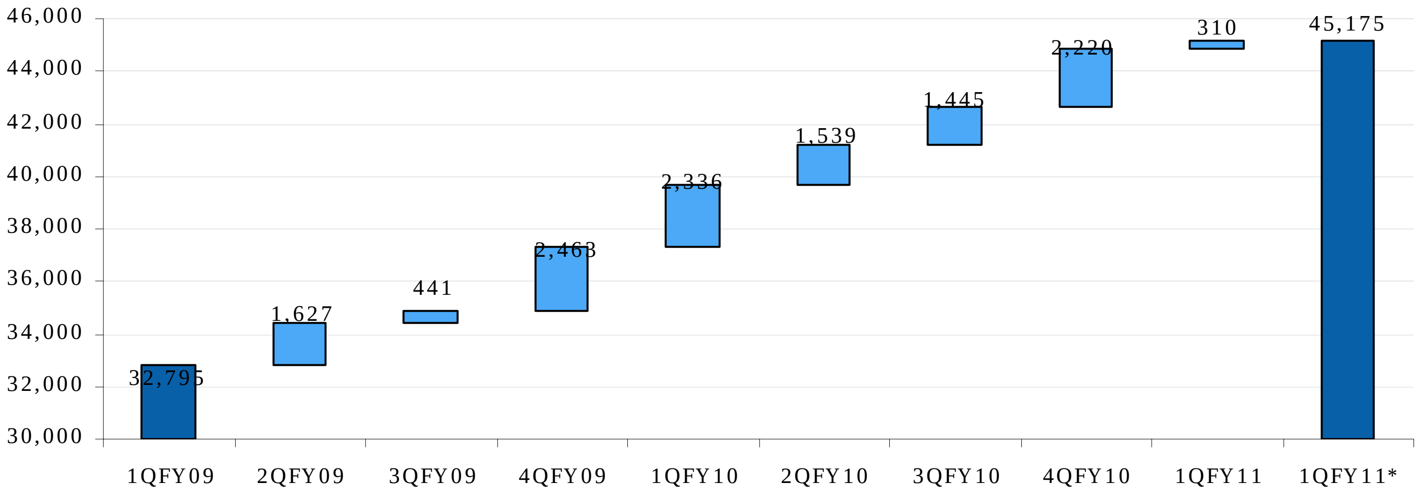
Foreign Banks	Base rate	PLR (%)	Spread (%)
DBS Bank	7.00	NA	NA
Citi	7.25	15.00	7.75

Systemic business growth

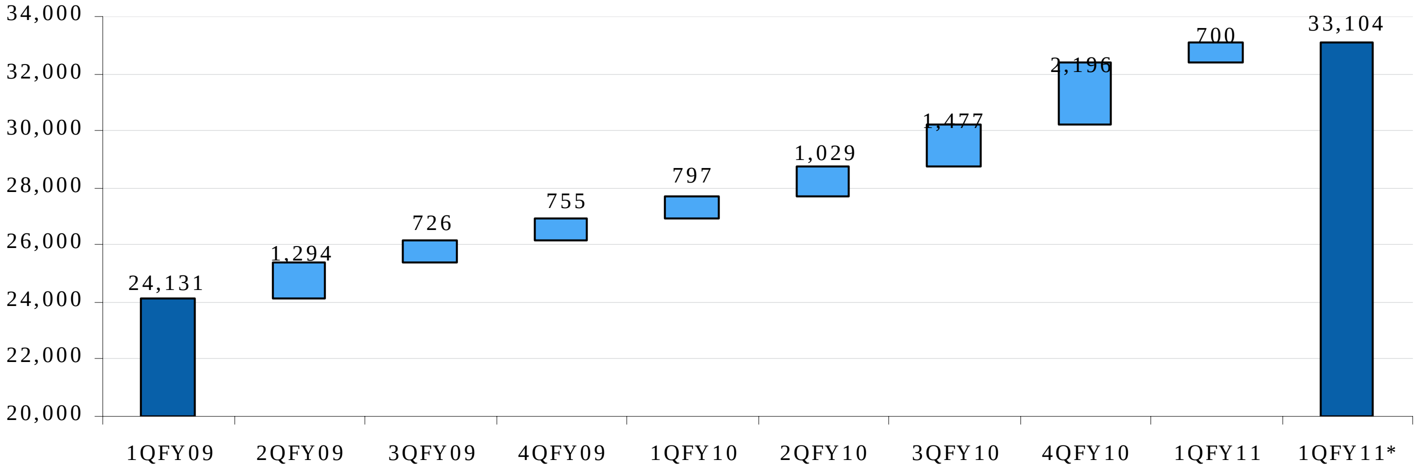
Rs bn	Deposits	YoY (%)	Incremental Deposit	Advances	YoY (%)	Incremental Advances	CD	TTM CD ratio	Qtly Incremental CD
Q1FY11*	45,175.4	13.9	309.7	33,104.2	19.6	700.2	73.3	98.3	226.1
Q4FY10	44,865.7	17.0	2,220.3	32,404.0	16.7	2,195.9	72.2	71.2	98.9
Q3FY10	42,645.4	17.6	1,445.3	30,208.1	13.7	1,476.5	70.8	56.9	102.2
Q2FY10	41,200.1	19.8	1,538.6	28,731.6	12.6	1,029.4	69.7	47.3	66.9
Q1FY10	39,661.5	22.0	2,336.5	27,702.2	15.8	797.0	69.8	52.2	34.1
Q4FY09	37,325.0	21.6	2,462.8	26,905.1	29.4	754.7	72.1	63.3	30.6
Q3FY09	34,862.2	21.0	440.8	26,150.4	29.0	725.7	75.0	97.1	164.6
Q2FY09	34,421.4	19.8	1,626.7	25,424.7	24.8	1,294.0	73.9	88.8	79.5
Q1FY09	32,794.7	20.6	873.3	24,130.7	25.7	645.8	73.6	88.6	73.9
Q4FY08	31,921.4	22.2	2,394.9	23,484.9	21.6	2,004.0	73.6	71.9	83.7
Q3FY08	29,526.5	23.6	883.5	21,480.9	21.4	1,227.0	72.8	67.0	138.9
Q2FY08	28,643.0	23.9	1,614.4	20,254.0	21.9	1,110.3	70.7	65.9	68.8
Q1FY08	27,028.6	23.2	1,086.0	19,143.6	23.4	(88.3)	70.8	71.2	(8.1)

Banks/NBFCs

Deposits (Rs bn)



Advances (Rs bn)

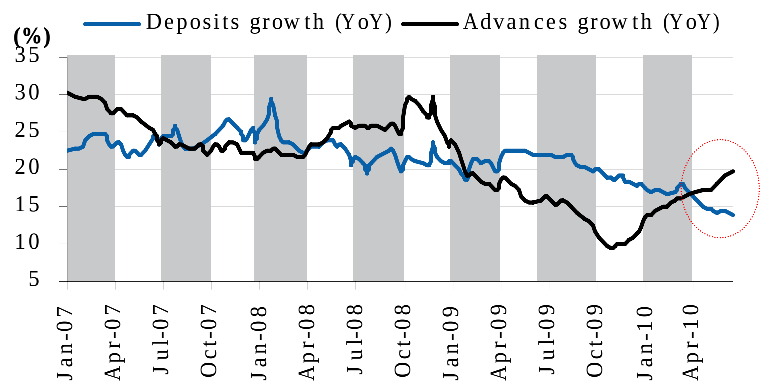


Source: Alchemy Research

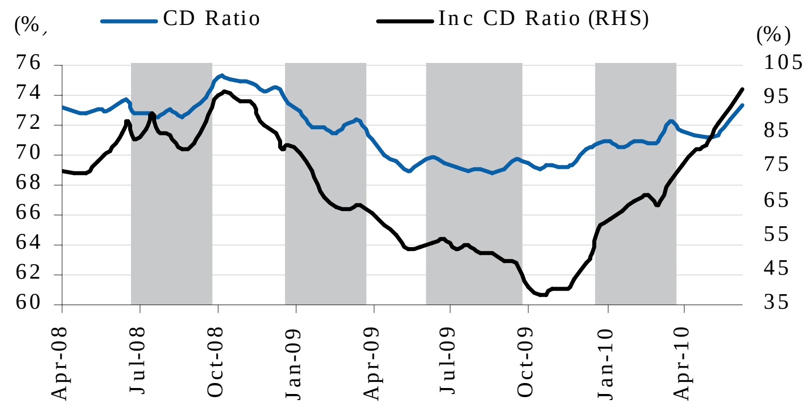
**As reported for 02 July 2010*

Sector charts

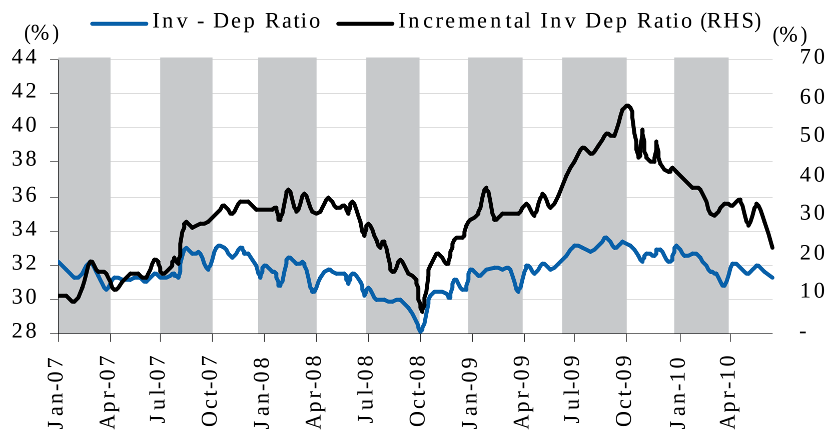
Systemic - Business growth



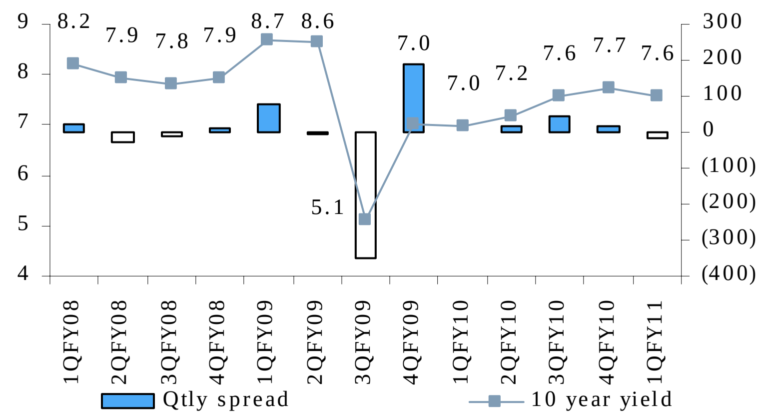
Systemic - CD ratio



Investment- deposit ratio

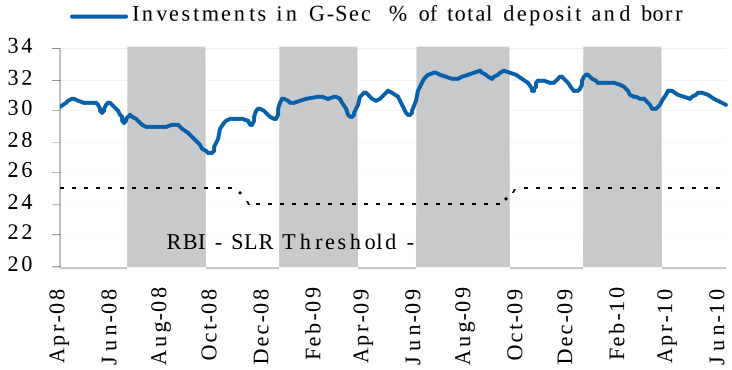


Bond yields

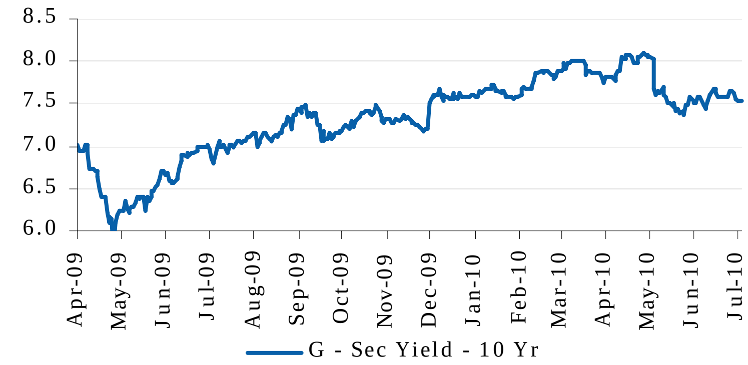


Sector charts

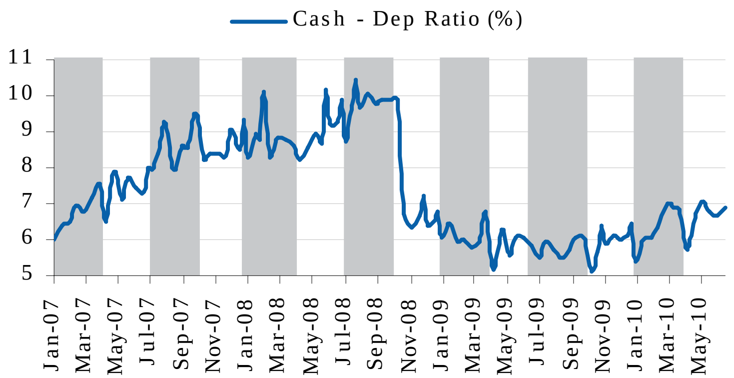
Investment to deposit ratio



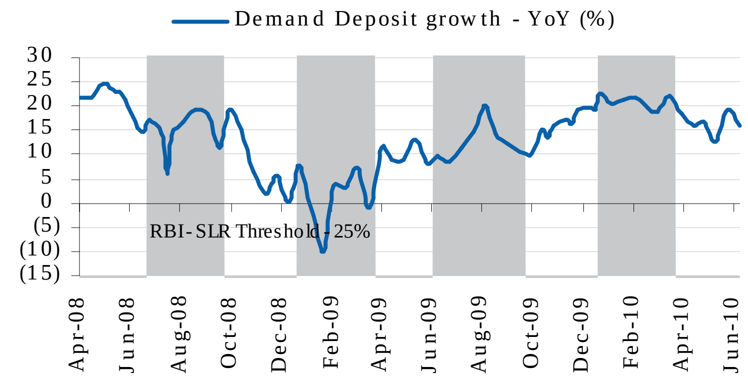
10Yr yield movement



Cash to deposit ratio

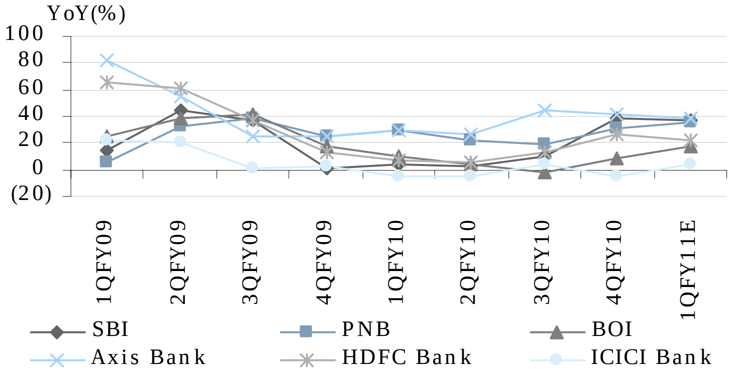


Demand deposit growth

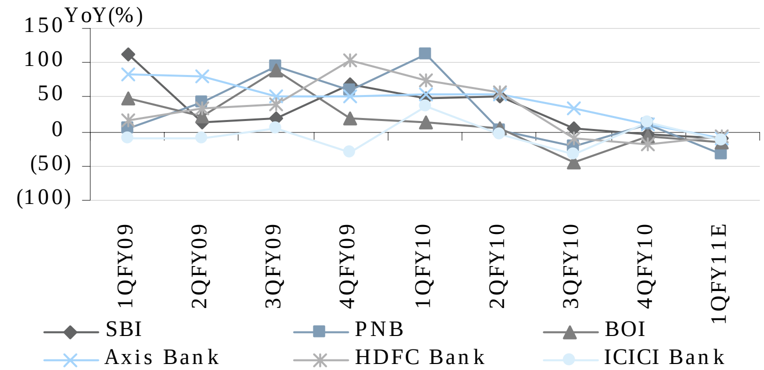


Key performance indicators

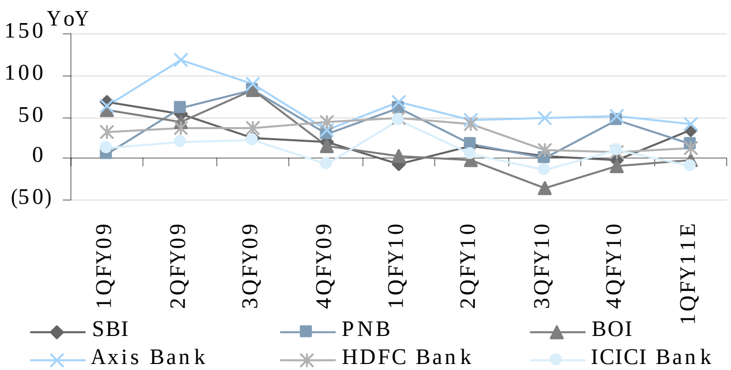
NII growth



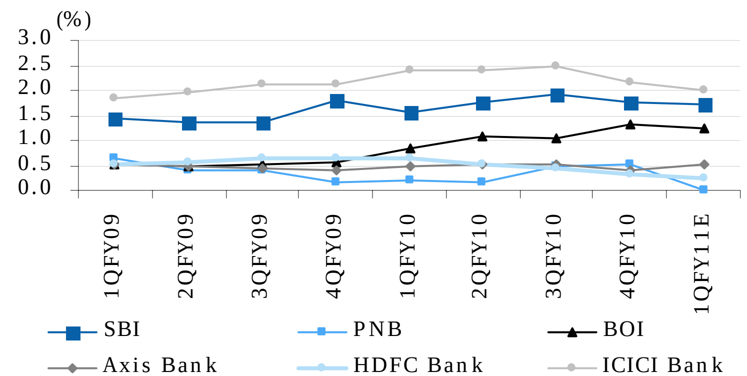
Other income growth



PPP growth

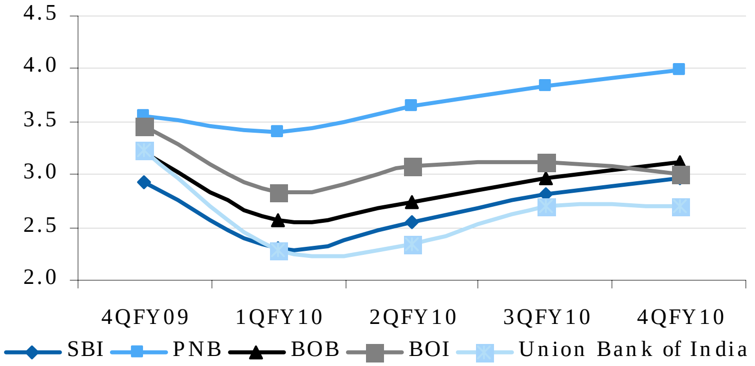


Net NPA

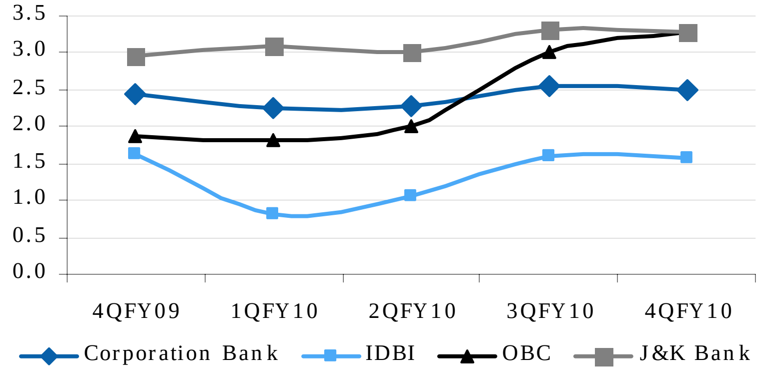


NIMs to dip led by disproportionate rise in cost

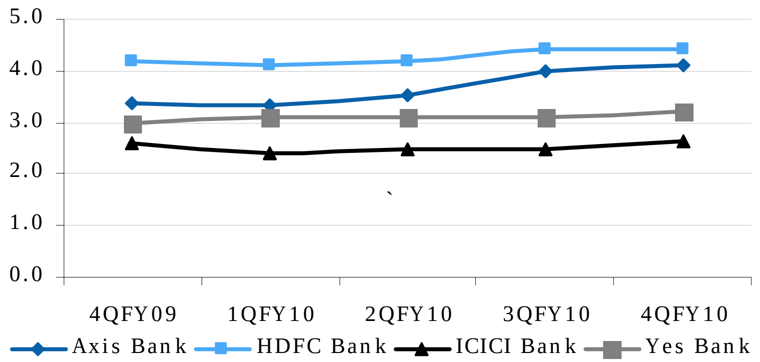
Public Banks



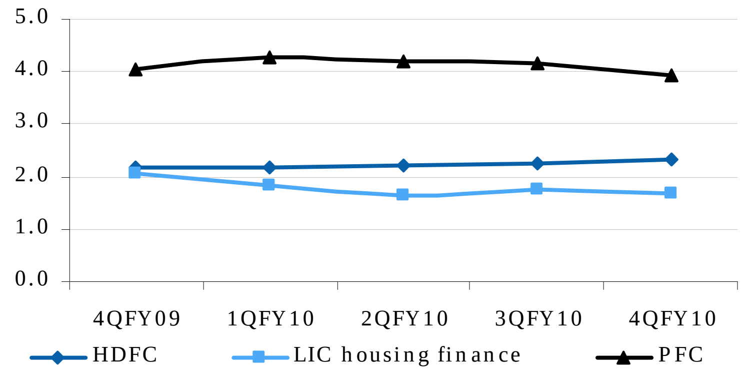
Public Banks



Private Banks



NBFCs



Trading gains to surprise

	Other income			Fee income			Non Fee income		
(Rs mn)	1QFY11E	Q1FY10	YoY (%)	1QFY11E	Q1FY10	YoY (%)	1QFY11E	Q1FY10	YoY (%)
Public Sector Banks									
Bank of Baroda	5,718	7,030	(19)	3,218	3,013	7	2,500	4,017	(38)
Bank of India	5,437	6,459	(16)	2,737	2,630	4	2,700	3,829	(29)
Corporation Bank	2,213	3,593	(38)	1,193	817	46	1,020	2,776	(63)
IDBI	4,360	7,570	(42)	2,760	2,130	30	1,600	5,440	(71)
OBC	2,920	3,919	(25)	1,770	1,091	62	1,150	2,828	(59)
Punjab National Bank	6,470	9,702	(33)	3,345	4,589	(27)	3,125	5,113	(39)
State Bank of India	32,501	35,688	(9)	24,401	18,620	31	8,100	17,067	(53)
Union Bank of India	4,065	5,287	(23)	1,815	2,740	(34)	2,250	2,547	(12)
Private Banks									
Axis Bank	8,736	9,586	(9)	8,186	6,266	31	550	3,319	(83)
HDFC Bank	9,638	10,437	(8)	7,883	6,493	21	1,755	3,944	(55)
ICICI Bank	18,112	20,899	(13)	15,362	13,190	16	2,750	7,709	(64)
J&K Bank	787	1,157	(32)	562	489	15	225	668	(66)
Yes Bank	1,506	1,452	4	1,256	602	109	250	850	(71)

Quarterly performance

Banks	NII	yoy gr.	qoq gr.	Other inc	yoy gr.	qoq gr.	PPP	yoy gr.	qoq gr.	PAT	yoy gr.	qoq gr.
	(Rs mn)	(%)	(%)	(Rs mn)	(%)	(%)	(Rs mn)	(%)	(%)	(Rs mn)	(%)	(%)
Public sector banks												
Bank of Baroda	17,458.7	44.9	0.1	5,717.5	(18.7)	(32.6)	12,478.8	23.6	(23.4)	6,472.1	(5.6)	(28.6)
Bank of India	15,245.3	17.2	(1.8)	5,437.2	(15.8)	(24.8)	10,713.5	(2.0)	(16.0)	3,862.0	(33.9)	(9.7)
Corporation Bank	6,449.2	37.9	0.8	2,213.3	(38.4)	(18.8)	5,688.2	(0.4)	4.4	2,966.7	13.6	(5.0)
IDBI	8,067.6	154.9	6.1	4,360.0	(42.4)	(20.3)	6,586.5	(13.1)	(5.1)	2,023.1	16.6	(36.5)
OBC	8,975.8	85.4	(9.3)	2,920.0	(25.5)	10.0	6,445.8	24.7	(17.0)	3,218.9	25.0	1.5
Punjab National Bank	25,123.8	34.9	0.6	6,469.9	(33.3)	(30.8)	18,496.1	17.9	(20.7)	9,648.7	16.0	(15.0)
State Bank of India	70,977.4	41.3	5.6	32,500.6	(8.9)	(27.9)	51,175.2	39.3	(1.5)	23,976.0	2.9	28.4
Union Bank of India	13,052.4	62.8	(6.5)	4,064.5	(23.1)	(17.5)	10,052.8	27.7	(12.4)	5,013.0	13.4	(15.5)
Private banks												
Axis Bank	14,480.5	38.5	(0.8)	8,735.9	(8.9)	(6.4)	12,818.2	9.0	(7.4)	6,469.9	15.1	(15.4)
HDFC Bank	22,747.1	22.6	(3.3)	9,637.6	(7.7)	6.7	17,055.4	12.3	0.7	7,822.1	29.1	(6.5)
ICICI Bank	20,778.9	4.7	2.1	18,112.1	(13.3)	(4.2)	23,016.8	(9.0)	(4.1)	9,509.2	8.3	(5.4)
J&K Bank	3,206.4	20.5	9.3	787.4	(31.9)	(17.8)	2,053.3	(20.0)	(16.0)	1,146.0	(2.1)	(18.1)
Yes Bank	2,533.9	54.8	3.8	1,506.0	3.7	(6.0)	2,535.1	28.2	(1.6)	1,459.4	45.8	4.2
NBFC												
HDFC	10,353.7	(8.2)	31.0	1,993.2	(5.1)	(8.4)	11,499.8	(10.2)	25.9	8,043.0	(13.0)	17.2
LIC Housing	2,616.5	50.2	(12.2)	2,099.9	469.9	329.2	4,097.4	129.1	43.5	2,978.6	140.5	39.5
PFC	7,919.0	18.1	9.4	221.5	(36.6)	1.9	7,764.4	3.5	5.6	5,745.7	3.5	(4.0)

Performance matrix

NII

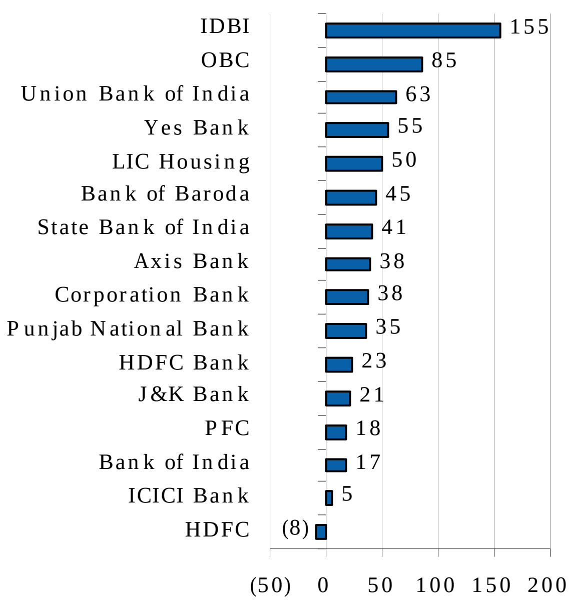
Bank /NBFC	Rs mn	YoY(%)
IDBI	8,068	155
OBC	8,976	85
Union Bank of India	13,052	63
Yes Bank	2,534	55
LIC Housing	2,616	50
Bank of Baroda	17,459	45
State Bank of India	70,977	41
Axis Bank	14,481	38
Corporation Bank	6,449	38
Punjab National Bank	25,124	35
HDFC Bank	22,747	23
J&K Bank	3,206	21
PFC	7,919	18
Bank of India	15,245	17
ICICI Bank	20,779	5
HDFC	10,354	(8)

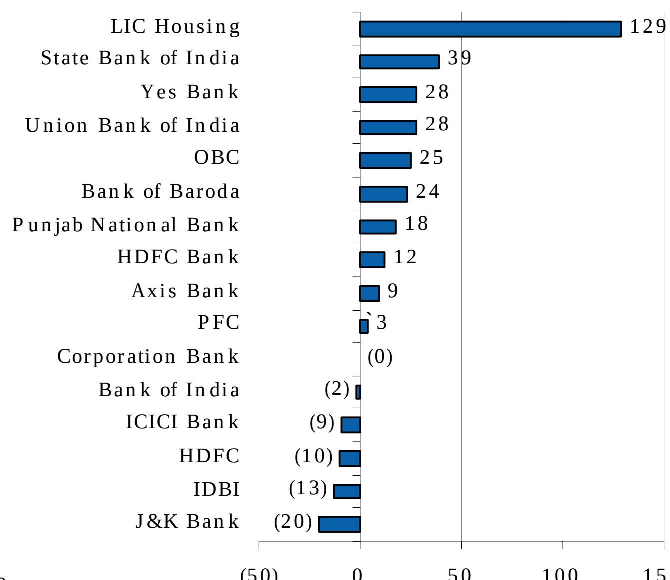
PPP

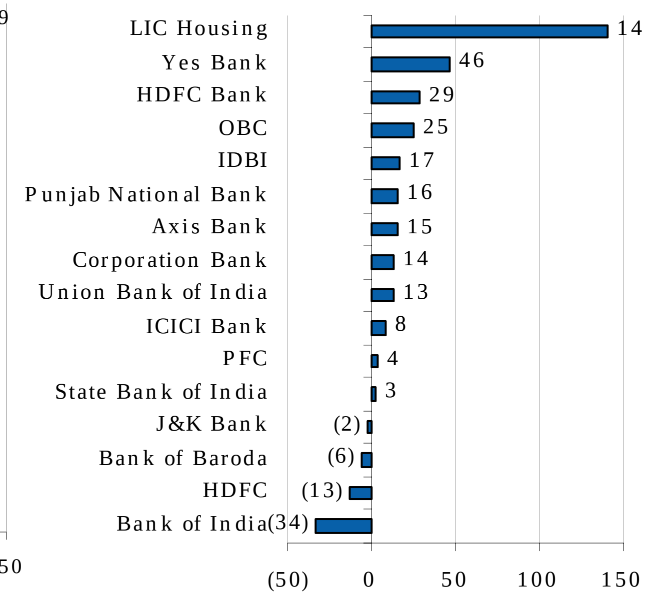
Bank /NBFC	Rs mn	YoY(%)
LIC Housing	4,097	129
State Bank of India	51,175	39
Yes Bank	2,535	28
Union Bank of India	10,053	28
OBC	6,446	25
Bank of Baroda	12,479	24
Punjab National Bank	18,496	18
HDFC Bank	17,055	12
Axis Bank	12,818	9
PFC	7,764	3
Corporation Bank	5,688	(0)
Bank of India	10,714	(2)
ICICI Bank	23,017	(9)
HDFC	11,500	(10)
IDBI	6,587	(13)
J&K Bank	2,053	(20)

PAT

Bank /NBFC	Rs mn	YoY(%)
LIC Housing	2,979	141
Yes Bank	1,459	46
HDFC Bank	7,822	29
OBC	3,219	25
IDBI	2,023	17
Punjab National Bank	9,649	16
Axis Bank	6,470	15
Corporation Bank	2,967	14
Union Bank of India	5,013	13
ICICI Bank	9,509	8
PFC	5,746	4
State Bank of India	23,976	3
J&K Bank	1,146	(2)
Bank of Baroda	6,472	(6)
HDFC	8,043	(13)
Bank of India	3,862	(34)







Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E
Services							
Banks - PSU							
BOB	715	261	Accumulate	7.9	6.9	1.7	1.4
BOI	365	191	Reduce	9.2	6.7	1.6	1.3
Corporation Bank	520	75	Buy	5.3	4.6	1.1	0.9
IDBI Bank	118	86	Buy	7.5		1.1	
J&K Bank	829	40	Accumulate	8.0	6.3	1.2	1.0
OBC	322	81	Accumulate	5.8	4.8	1.1	0.9
PNB	1,075	339	Accumulate	8.1	6.9	1.8	1.4
SBI	2,273	1,443	Accumulate	13.1	10.9	2.3	2.0
Union Bank	312	158	Accumulate	6.8	5.8	1.6	1.3
Banks - Private							
Axis Bank	1,236	503	Buy	16.2	13.5	2.8	2.4
HDFC Bank	1,915	880	Accumulate	23.7	18.7	3.7	3.2
ICICI Bank	841	938	Accumulate	18.9	16.7	1.8	1.7
Yes Bank	268	91	Accumulate	16.5	11.4	2.5	2.1
NBFCs							
HDFC	2,939	854	Marketperform	24.9	21.1	4.7	4.0
IDFC	180	235	Reduce	19.1	17.0	3.4	2.9
LIC HF	978	93	Accumulate	9.9	8.7	2.4	2.0
Power Finance	297	341	Accumulate	13.8	11.1	2.2	1.9

Telecom

Competitive activities have remained low this quarter, as operators remained busy with 3G and BWA auctions. Even capex activities are expected to remain low as operators delay their 2G capex to make it in line with the 3G rollout.

Competitive activities are expected to shift to non-prepaid segments, like postpaid, data, international calling and so on.

MNP implementation could increase the competition in the postpaid segment, where YoY ARPU decline has remained low at 3-5%, as against above 30% YoY for prepaid.

Expect ARPM decline of 3-5% and flat to declining MOUs in 1QFY11E.

TRAI's recommendations add to ever increasing regulatory burden. If accepted, they will be negative for incumbents in particular.

Our outlook on the sector remains cautious, with no buy recommendations.

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Sector view

- In the last 3-4 quarters, we have witnessed stiff competition, most of which have remained confined to the prepaid segment. However, lately prepaid tariffs have not seen much corrections as tariffs have inched closure to per minute cost. With 3G and BWA auctions ending and mobile number portability (MNP) due to be launched, the focus should shift on the postpaid segment, which has remained largely insulated so far. In 3QFY10, Indian GSM prepaid reflected an APRU decline of 34.5% YoY, as against 5.2% YoY for postpaid. Vodafone reported a postpaid ARPU dip of 6% YoY in 4QFY10, as against a dip of 30% YoY for the prepaid ARPU.

- The tariff rate decline, to the tune of what was witnessed in the last two quarters, should come down. ARPM is expected to come down by 3-5% QoQ, with flat to declining MOU. Margins are expected to remain stable and bottom line is expected to decline sequentially for all the operators.

- TRAI's recommendations are negative for incumbents. Not only do they have immediate negative financial implications (payout for spectrum above 6.2 MHz), they also have long-term unfavourable consequences. TRAI recommends bringing tower companies under the licence regime (reducing EBITDA margin of tower companies) and refarming the 900 MHz spectrum on licence renewal (will increase the network opex). Even the much awaited pro-M&A guideline were found missing, as TRAI recommended reducing revenue/subscriber share cap to 30%, from 40%, for the consolidated entity.

- Capex is likely to remain low this quarter. Operators are likely to incur next phase of 2G capex in line with their 3G strategies to avoid network duplicity. The next two quarters should see up-tick in capex activities.

- We have incorporated 3G and BWA auctions' outgo in our estimates for all the operators. Operators are expected to launch 3G services in 4QFY11E and accordingly, interest payment (on debt raised to service 3G payout) is capitalised till then. Even amortisation of the 3G payout will start subsequent to 3G spectrum allocation, which is expected in 3QFY11E. As a result, FY12E bottom line will take the full impact of increased amortisation and interest charges. Combined with the impending MNP launch, increased competition in non-prepaid segments and regulatory hurdles, the sector outlook remain cautious, with no buy recommendations.

Financials to remain suppressed

1QFY11E outlook

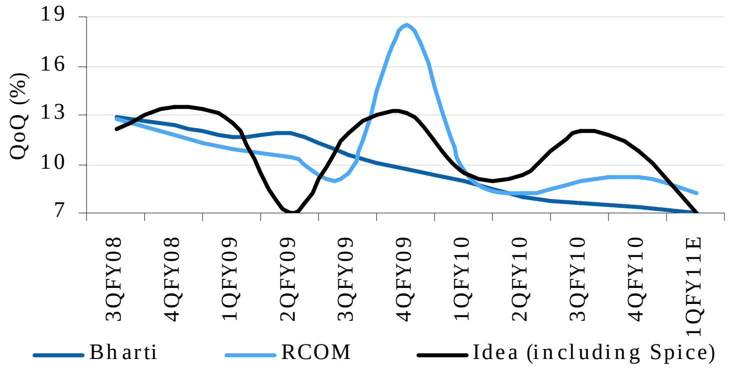
- **Bharti:** Mobile segment is expected to remain muted, we estimate ARPM/MOU/ARPU of Re0.45/463minutes/Rs208, QoQ growth of -3%/-1%/-5.3%. Among the non-wireless segments, we expect passive-infrastructure to remain strong with 5% QoQ revenue growth. We do not factor in any major turnaround in the enterprise and telemedia segments. We see a consolidated revenue growth of 1.7% at Rs102bn. As mentioned, lack of major capex and relatively lower competitive activities will keep the EBITDA stable. We expect EBITDA to remain flat QoQ. Forex loss is estimated at Rs1.5bn. We expect the company to report a PAT of Rs19.7bn, down 4.2% QoQ.

- **RCOM:** We expect operational and financial performance to lag its peer group. For 1QFY11, we expect ARPM/MOU/ARPU of Re0.42/308minutes/Rs131, QoQ growth of -3%/-3%/-6.1%. Despite a high decline in ARPU, wireless is expected to do well, with 2% QoQ revenue growth, as subscriber addition has remained strong during the quarter. However, no significant volume or pricing improvements are estimated for broadband segment. EBITDA should remain stable at Rs16bn. Since the rupee depreciated as against the US dollar by more than 3%, forex losses (on its Rs187bn foreign debt) are expected this quarter, which will hit the bottom line. PAT expected at Rs4.5bn, lowest in last 16 quarters.

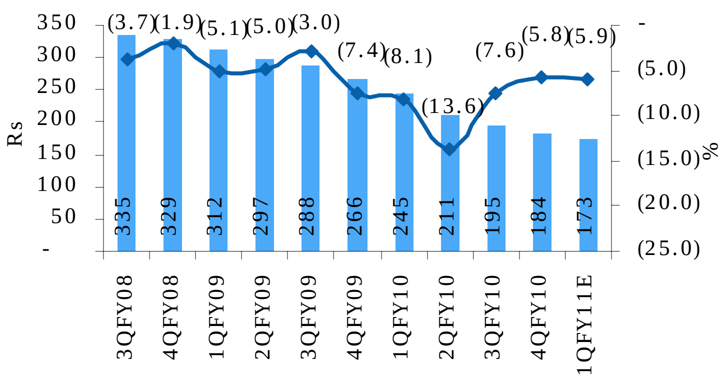
- **Idea Cellular:** The company's numbers will not be comparable sequentially or yearly, as they will also include Spice's numbers for the full quarter, as against for one month in 4QFY10. Revenue is expected to increase to Rs35.5bn. Margins will come down QoQ to 24.9%, from 27.6% last quarter, adjusted for one-time cost reversal (of Rs600mn) reported in 4QFY10. Also, one-time income of Rs346mn reported in 4QFY10 will not support the bottom line this time and PAT is expected to come down to Rs1.3bn, from Rs2.7bn last quarter. Operationally, blended ARPU (blended for new and established operations) should see 7% QoQ fall.

Sectoral trends

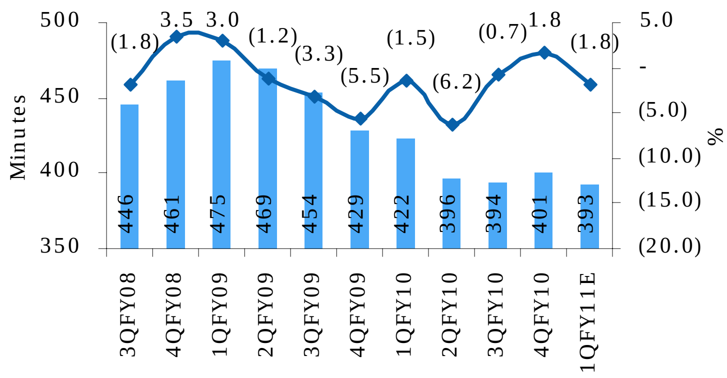
Wireless subscriber growth (QoQ)



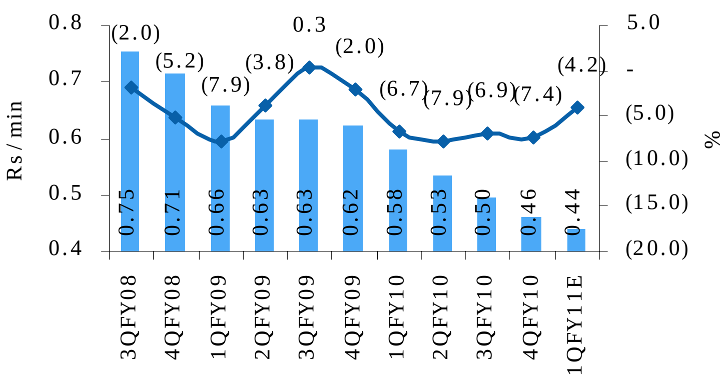
Sector ARPU



Sector MOU



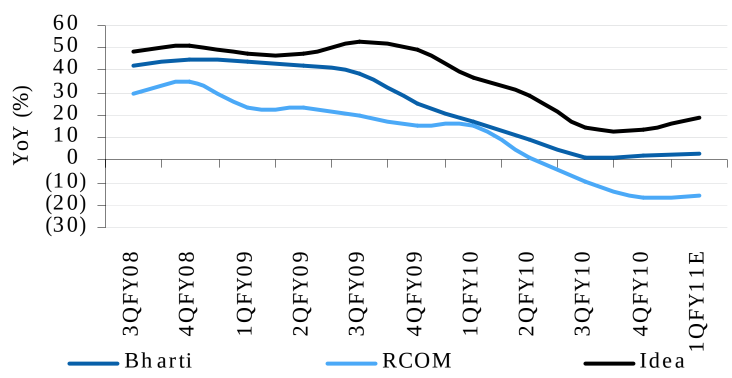
Sector ARPM



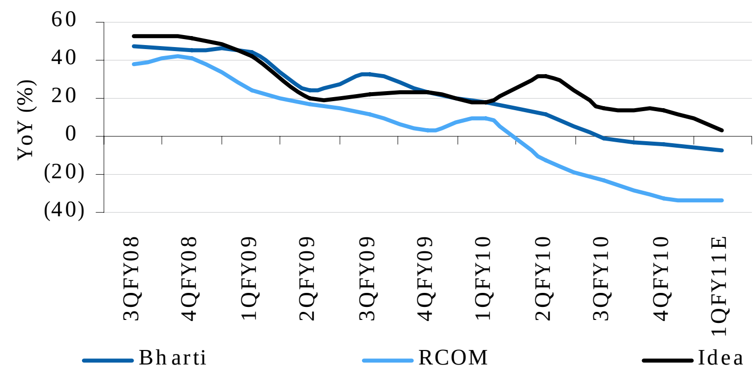
Source: Company, Alchemy Research.
Note: For calculating sector ARPU, MOU and ARPM, we have taken weighted average of the operational parameters for Bharti, RCOM and Idea. Weights for a particular period have been decided based on the subscriber base.

Financial performance

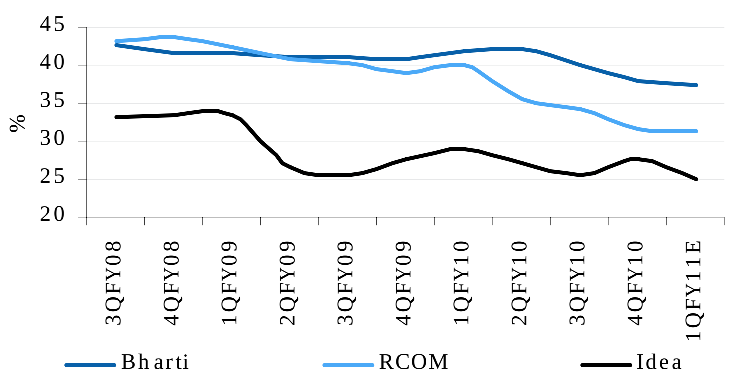
Revenue growth



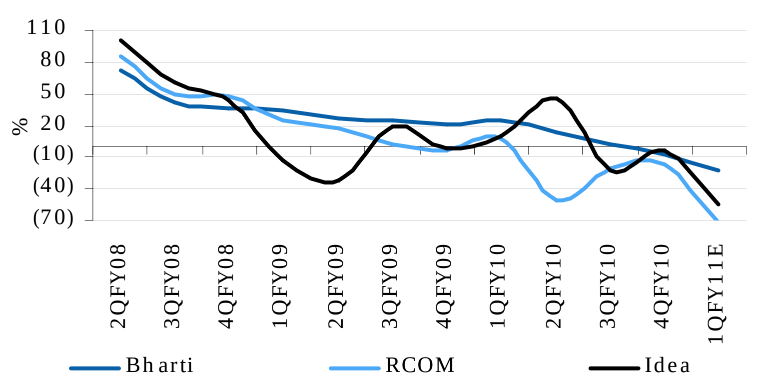
EBITDA growth



EBITDA margin (%)



PAT growth (YoY)



Source: Company, Alchemy Research

Estimate summary

Bharti

Year-end March, Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	102,350	100,557	1.8	99,416	3.0
EBITDA	38,322	38,221	0.3	41,518	(7.7)
EBITDA margin (%)	37.4	38.0	-	41.8	-
PAT	19,691	20,551	(4.2)	25,167	(21.8)

RCOM

Year-end March, Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	51,602	50,928	1.3	61,452	(16.0)
EBITDA	16,151	16,020	0.8	24,525	(34.1)
EBITDA margin (%)	31.3	31.5	-	39.9	-
PAT	4,549	12,195	(62.7)	16,366	(72.2)

Idea

Year-end March, Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	35,481	33,478	6.0	29,748	19.3
EBITDA	8,834	9,236	(4.3)	8,588	2.9
EBITDA margin (%)	24.9	27.6	-	28.9	-
PAT	1,341	2,666	(49.7)	2,971	(54.8)

Operating metrics

Metrics, 1QFY11E	ARPM (Re.min)	QoQ (%)	YoY (%)	MOU (minutes)	QoQ (%)	YoY (%)	ARPU (Rs)	QoQ (%)	YoY (%)
Bharti	0.45	(4.3)	(22.6)	463	(1.0)	(3.1)	208	(5.3)	(25.0)
RCOM	0.42	(3.0)	(26.3)	308	(3.2)	(15.7)	131	(6.1)	(37.8)
Idea	0.44	(5.3)	(24.3)	391	(1.8)	(2.0)	172	(7.0)	(25.8)

Source: Company, Alchemy Research

Relative performance and valuations

Relative performance

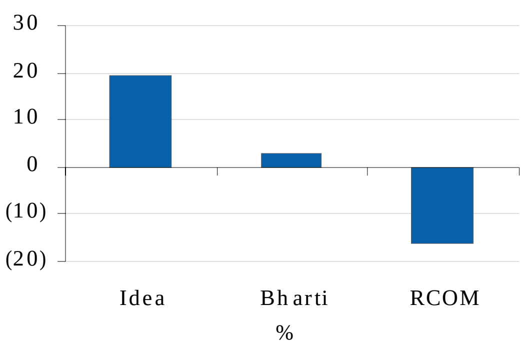
Revenues	
Companies	**YoY growth (%)**
Idea	19.3
Bharti	3.0
RCOM	(16.0)

EBITDA margin	
Companies	**YoY (bps)**
Idea	(396.6)
Bharti	(436.2)
RCOM	(860.9)

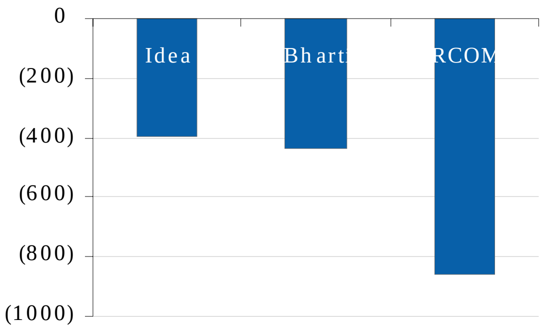
Net profit	
Companies	**YoY growth (%)**
Bharti	(21.8)
Idea	(54.8)
RCOM	(72.2)

Source: Company, Alchemy Research

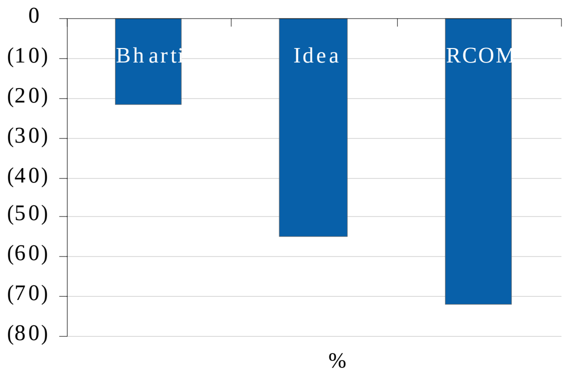
Sales performance (YoY growth)



EBITDA margin performance (bps YoY)



Adj. profit performance (YoY growth)



Valuations

				P/E (x)		P/BV (x)		EV/EBITDA (x)	
	Price (Rs)	**Mkt Cap (Rs bn)**	**Rating**	**FY11E**	**FY12E**	**FY11E**	**FY12E**	**FY11E**	**FY12E**
Bharti (pre Zain)	267	1,016	Reduce	13.9	13.7	2.0	1.7	6.8	5.8
Idea Cellular	59	196	Reduce	39.6	49.5	1.7	1.6	8.5	7.1
Reliance Communications	186	383	Reduce	16.6	16.3	0.8	0.7	9.7	8.1

Source: Bloomberg, Alchemy Research

IT Services

Volume growth for the tier-1 players to be 3-6% QoQ.

Cross-currency headwinds to have a negative impact of 1-2% on US dollar revenues of the companies.

Margins expected to decline across all the players due to salary hikes and increased recruitment.

Amongst tier-1, we expect Infosys Technologies to lead the revenue and margin performance.

We expect Infosys Technologies to raise the US dollar revenue growth guidance for FY11 from 16-18% to 18-20%. Rupee EPS guidance is expected to be raised to Rs116.

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Margin performance to be the focus point

Sector view

- The news flow in the Indian IT services continued to be positive during 1QFY11. Important indicators of technology spending continued to point towards a growing demand environment. Though we expect volume growth to continue in 1QFY11, the investor focus would shift to margins which are expected to decline on QoQ basis.

Volume growth to remain strong

- We expect volume growth for the tier-1 players to be 3-6% QoQ in 1QFY11 with Infosys Technologies showing strong performance. The trend for tier-2 players is expected to be more varied with volumes growing between 1.5% and 6.0% QoQ.
- The GBP and the euro further depreciated by 7.9% and 4.4% QoQ respectively as against the US dollar on average basis. This would result in a cross-currency impact of 1-2% on the reported US dollar revenues of the players.
- Though the rupee depreciated by 2.8% QoQ on point-to-point basis as against the US dollar compared to the end of 4QFY10, the benefit on revenues and margins would be limited in 1QFY11. Rather on average basis, the rupee depreciated by 0.6% QoQ as against the US dollar.
- For the companies under our coverage, we expect the US dollar and the rupee revenues to grow by 4.3% and 3.5% QoQ respectively on aggregate basis. On YoY basis, the aggregate rupee revenue growth rate would be in double digits at 12% YoY.

Margins to decline 140bps QoQ

- The focus of the quarter would be on margin performance. We expect EBITDA margin to decline for all the players in our coverage due to salary hikes given in the quarter.
- Utilisation levels, which so far has been the most important margin lever, is expected to inch down on QoQ basis due to increased recruitment by players and thus further putting pressure on margins. Infosys Technologies is expected to be an exception to this trend where we expect net utilisation rate to improve by 115bps QoQ to 78.3%.
- We expect net profit growth for most of the players to be negative sequentially owing to margin pressure and forex losses due to the rupee depreciation in the quarter.

Expecting Infosys Technologies to raise revenue and EPS guidance

- With expectation of 5.5% QoQ US dollar revenue growth in 1QFY11 as against the upper end of the guidance of 3.4%, we expect Infosys Technologies to increase its US dollar revenue guidance to 18-20%. Despite the raised guidance, the implied growth rate for rest of the quarters would be still conservative at 3.5% QoQ.
- The upper end rupee EPS guidance is expected to be raised by 4% to Rs116, due to revision in revenue guidance and favourable exchange rate scenario at the end of the quarter.

Infosys expected to lead amongst tier-1

- **Infosys Technologies:** We expect the company to lead the growth rate in tier-1 with a volume growth of 6% QoQ in IT services. This along with stable pricing in the quarter would lead to the US dollar revenue growth of 5.5% QoQ as against the upper end of the guidance at 3.4% QoQ. EBITDA margin are expected to decline by 143bps QoQ to 32.5% due to salary hikes. The fall in margins is expected to be comforted by 115bps improvement in net utilisation rate to 78.3%. The US dollar revenue growth guidance is expected to be raised by 2% to 18-20% YoY. The EPS guidance in the rupee terms is expected to be increased from Rs111.3 to Rs116.

- **Tata Consultancy Services:** Volumes in international IT services are expected to increase by 4.5% QoQ resulting in the US dollar revenue growth of 4.9% QoQ. Cross-currency headwinds to have a negative impact of 1.2% QoQ on the US dollar revenues in 1QFY11. EBITDA margin to decline sharply by 224bps QoQ to 27.6% due to 10% offshore and 2% onsite salary hikes. Utilisation rates would be under pressure as the company is expected to have 6,000 net additions of employees in 1QFY11.

- **Wipro:** Revenues in IT services are expected to grow by 3.6% QoQ in the US dollar terms, in the range of 2.1-4.2% guidance. Consolidated revenues in the rupee terms are expected to remain flat on QoQ basis. Though on consolidated basis EBITDA margin is expected to decline by 74bps QoQ, IT services EBITDA margin is expected to decline by 200bps to 25.3%. The decline is attributed to salary hikes given in June but effective from April and 90bps QoQ in gross utilisation rates.

- **HCL Technologies:** The US dollar revenues to grow by 3.5% QoQ impacted by cross-currency headwinds of 2% sequentially. Infrastructure management services expected to continue to lead the growth with 7.5% QoQ US dollar revenue growth whereas BPO revenues expected to stabilise after a sharp decline in the previous quarter. EBITDA margin decline to by 39bps QoQ, lowest in the top-4 players due to the absence of salary hikes in the quarter. The decline is attributed to change in portfolio mix in favour of lower margin infrastructure management services vertical. However, net profit is expected to decline by 8.5% QoQ due to higher forex losses relative to 3QFY10.

Tier-2 performance to be mixed

- **Tech Mahindra:** Revenue growth in the rupee terms to be -0.5% QoQ due to 4.9% QoQ rupee appreciation as against the GBP on average basis. Revenues from BT are expected to decline by 2-3% QoQ in absence of one-time revenues present in last quarter. EBTIDA margin is expected to decline by 161bps QoQ to 21.9% due to salary hikes and negative currency impact.

- **Patni Computers:** The US dollar revenue growth is expected to remain muted at 1.2% QoQ but would still be higher than the flat QoQ guidance for 2QCY10. However, we are expecting a strong US dollar revenue growth guidance of 3-4% QoQ for 3QCY10. Utilisation is expected to drop by 200bps to 78% due to net additions 790 employees as against -36 in 1QCY10. This along with salary hikes would lead to 168bps QoQ decline in EBITDA margin.

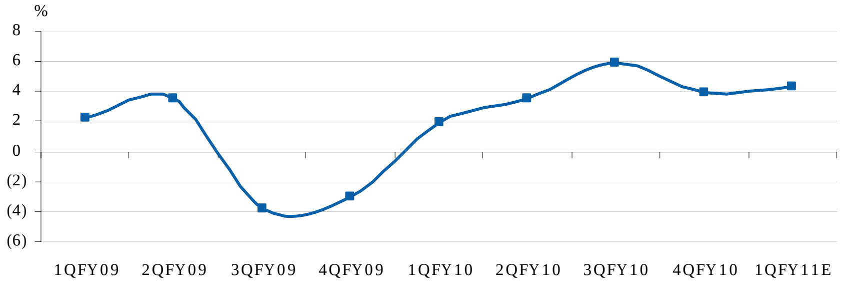
- **MindTree:** After a sluggish volume growth in 4QFY10, we expect the volumes to increase 4.0% QoQ in 1QFY11. Contribution of fixed price projects in revenues expected to go up further having a 0.3% QoQ impact on realised pricing. Margins likely to take significant hit due to investments in the product business. We have factored in US$5.5mn expenses on this front. This along with salary hikes in quarter would lead to 621bps QoQ decline in EBITDA margin.

- **Infotech Enterprises:** We expect a strong revenue growth of 6.4% QoQ in the US dollar terms as ramp-ups happen in the large deals won in the EMI vertical in last two quarters. EBTIDA margin is expected to decline by 271bps QoQ due to salary hikes and increased investments in S&M activities. Excluding the reversal in forex loss provision in 4QFY10 of Rs170mn, net profit is likely to decline 10% QoQ.

- **Persistent Systems:** Volume growth is expected to remain strong at 6% QoQ. Blended pricing is expected to inch down as contribution of offshore in effort mix increases in 1QFY11. Though salary hikes would put pressure on margins, we expect higher contribution of offshore to have an offsetting impact. Overall we expect EBITDA margin to decline by 42bps QoQ to 21.9%.

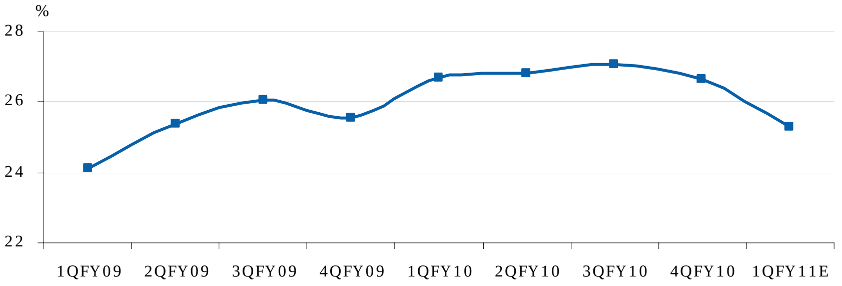
Sector charts

Sector aggregate – US$ revenue growth QoQ



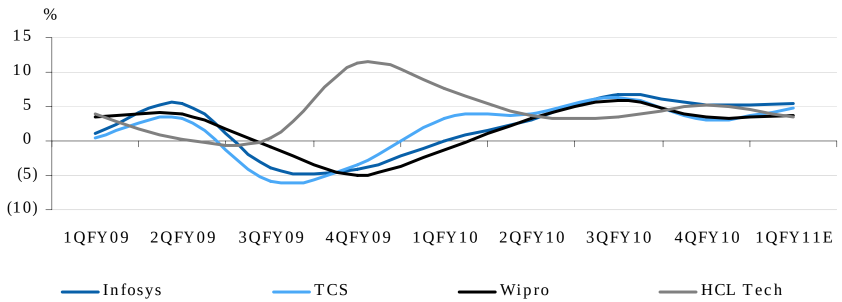
Source: Alchemy Research.

Sector aggregate – EBITDA margin trend



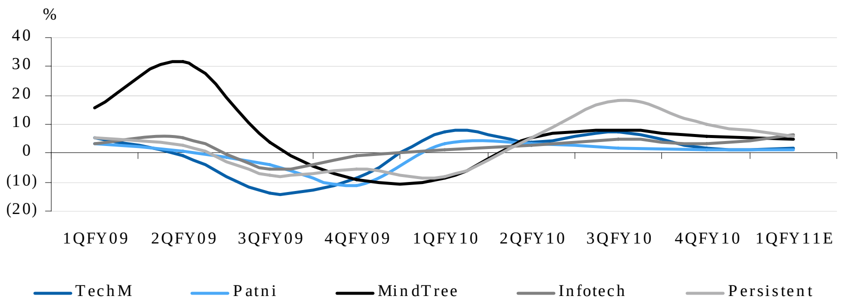
Source: Alchemy Research.

US$ revenue growth QoQ – tier-1



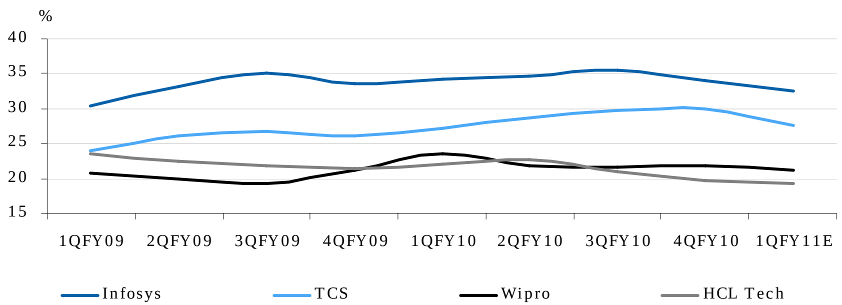
Source: Alchemy Research.

US$ revenue growth QoQ – tier-2



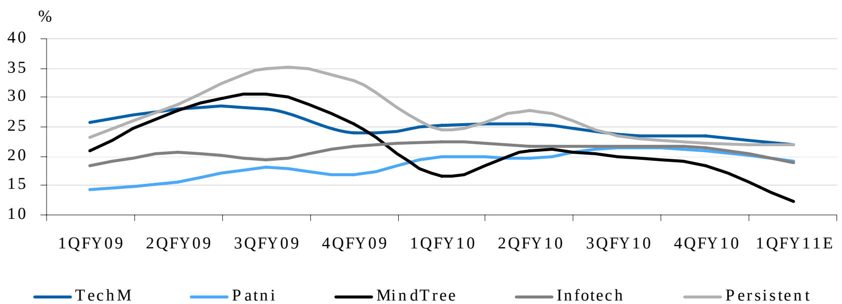
Source: Alchemy Research.

EBITDA margin trend – tier-1



Source: Alchemy Research.

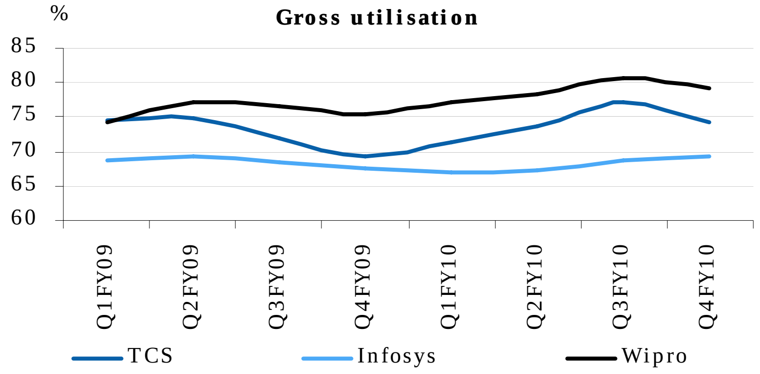
EBITDA margin trend – tier-2



Source: Alchemy Research.

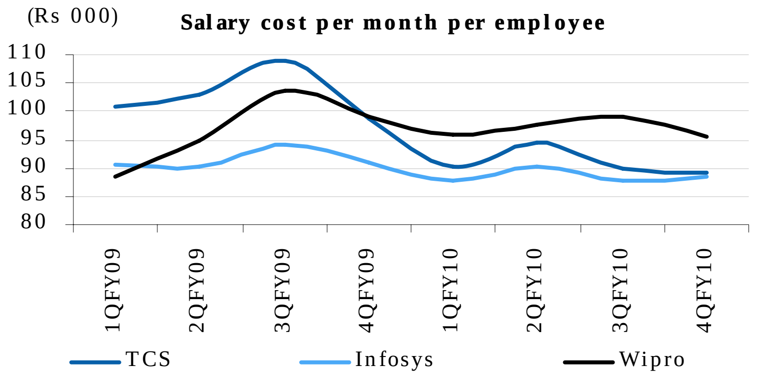
Margin levers under pressure

Hiring to put pressure on utilisation



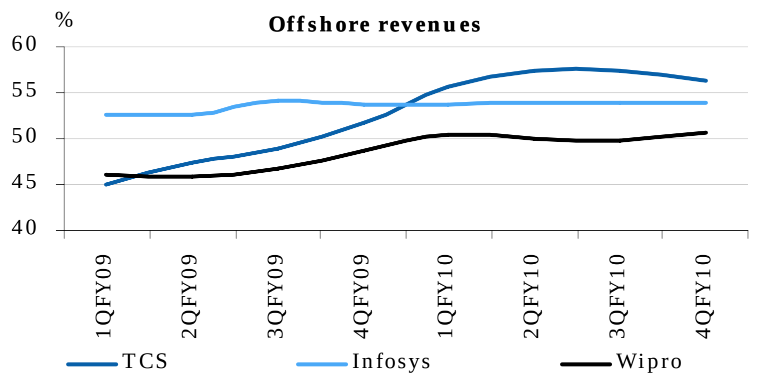
Source: Alchemy Research.

Salary hikes in 1QFY11



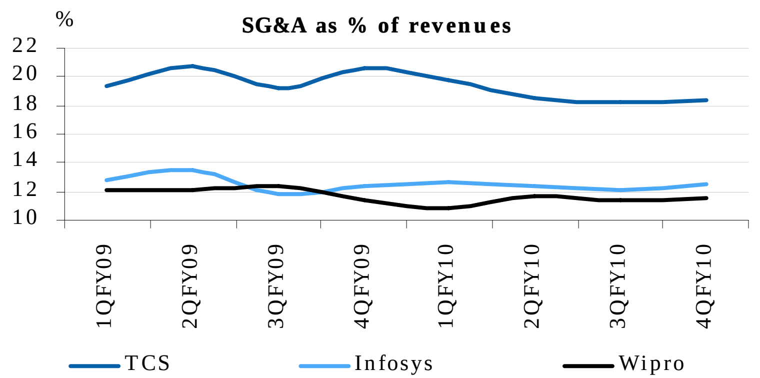
Source: Alchemy Research.

Onsite-offshore mix has stabilised



Source: Alchemy Research.

SG&A investments expected to increase



Source: Alchemy Research.

Estimate summary

Infosys Technologies

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues (US$ mn)	1,368	1,296	5.5	1,121	22.0
Revenues	62,362	59,440	4.9	54,720	14.0
EBITDA	20,298	20,200	0.5	18,680	8.7
EBITDA margin	32.5	34.0	(143bps)	34.1	(159bps)
Net profit	15,719	15,520	1.3	15,250	3.1

TCS

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues (US$ mn)	1,768	1,686	4.9	1,480	19.4
Revenues	80,613	77,365	4.2	72,070	11.9
EBITDA	22,283	23,121	(3.6)	19,619	13.6
EBITDA margin	27.6	29.9	(224bps)	27.2	42bps
Net profit	17,425	19,312	(9.8)	15,203	14.6

Wipro

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues - IT services	1,208	1,166	3.6	1,033	17.0
Revenues	70,276	69,829	0.6	62,463	12.5
EBITDA	14,829	15,251	(2.8)	13,204	12.3
EBITDA margin	21.1	21.8	(74bps)	21.1	(4bps)
Net profit	11,581	12,091	(4.2)	10,105	14.6

HCL Tech

Rs mn	4QFY10E	3QFY10	QoQ (%)	4QFY09	YoY (%)
Revenues (US$ mn)	709	685	3.5	607	16.8
Revenues	32,837	30,759	6.8	29,085	12.9
EBITDA	6,357	6,074	4.7	6,438	(1.3)
EBITDA margin	19.4	19.7	(39bps)	22.1	(278bps)
Net profit	3,149	3,440	(8.5)	3,306	(4.8)

Tech Mahindra

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues (US$ mn)	264	259	1.9	228	15.8
Revenues	11,774	11,833	(0.5)	11,130	5.8
EBITDA	2,584	2,788	(7.3)	2,805	(7.9)
EBITDA margin	21.9	23.6	(161bps)	25.2	(325bps)
Net profit	2,183	2,270	(3.8)	1,401	55.8

Patni Computers

Rs mn	2QCY10E	1QCY10	QoQ (%)	2QCY09	YoY (%)
Revenues (US$ mn)	174	172	1.2	162	7.7
Revenues	8,073	7,745	4.2	7,729	4.4
EBITDA	1,553	1,620	(4.1)	1,548	0.3
EBITDA margin	19.2	20.9	(168bps)	20.0	(79bps)
Net profit	1,291	1,497	(13.7)	1,368	(5.6)

MindTree

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues (US$ mn)	78	75	4.3	62	25.2
Revenues	3,545	3,444	2.9	3,048	16.3
EBITDA	431	633	(31.9)	507	(14.9)
EBITDA margin	12.2	18.4	(621bps)	16.6	(447bps)
Net profit	207	545	(61.9)	567	(63.4)

Infotech Enterprises

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues (US$ mn)	56	53	6.4	48	18.0
Revenues	2,573	2,441	5.4	2,326	10.6
EBITDA	485	526	(7.9)	524	(7.4)
EBITDA margin	18.8	21.6	(271bps)	22.5	(367bps)
Net profit	307	514	(40.2)	463	(33.6)

Persistent Systems

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues (US$ mn)	39	37	5.2	27	43.9
Revenues	1,790	1,717	4.2	1,320	35.6
EBITDA	392	383	2.3	322	21.7
EBITDA margin	21.9	22.3	(42bps)	24.4	(249bps)
Net profit	298	398	(25.1)	175	70.0

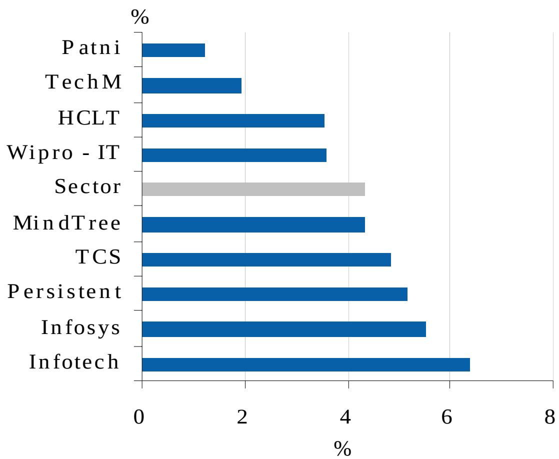
Relative performance

US$ Revenues	
Company	**Growth QoQ (%)**
Infotech Enterprises	6.4
Infosys Technologies	5.5
Persistent Systems	5.2
TCS	4.9
MindTree	4.3
Sector aggregate	**4.3**
Wipro - IT services	3.6
HCL Tech	3.5
Tech Mahindra	1.9
Patni Computers	1.2

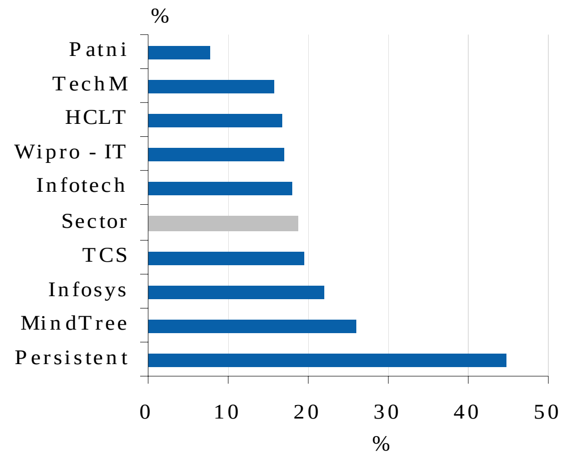
US$ Revenues	
Company	**Growth YoY (%)**
Persistent Systems	44.7
MindTree	26.0
Infosys Technologies	22.0
TCS	19.4
Sector aggregate	**18.8**
Infotech Enterprises	18.0
Wipro - IT services	17.0
HCL Tech	16.8
Tech Mahindra	15.8
Patni Computers	7.7

EBITDA margin	
Company	**QoQ change (bps)**
HCL Tech	(39)
Persistent Systems	(42)
Wipro	(74)
Sector aggregate	**(141)**
Infosys Technologies	(143)
Tech Mahindra	(161)
Patni Computers	(168)
TCS	(224)
Infotech Enterprises	(271)
MindTree	(621)

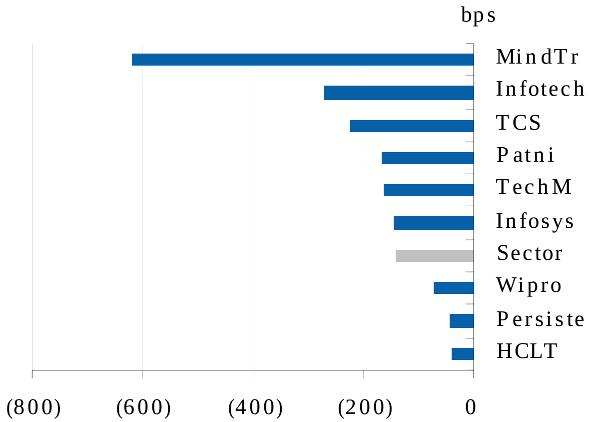
US$ sales performance (QoQ growth)



US$ sales performance (YoY growth)



EBITDA margin performance (QoQ growth)



Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
HCL Tech	355	241	Accumulate	13.8	12.6	2.9	2.5	8.7	7.1
Infosys	2,743	1,574	Accumulate	22.4	19.4	5.3	4.4	15.2	12.7
TCS	739	1,446	Accumulate	18.4	17.3	6.3	5.2	14.3	12.2
Wipro	390	955	Reduce	18.4	17.3	4.1	3.6	13.6	11.5
Midcap IT									
Tech Mahindra	754	94	Accumulate	12.1	13.2	2.6	2.2	9.3	8.3
Patni Computers	514	67	Accumulate	12.1	11.7	1.8	1.6	7.0	5.7
Mindtree	565	22	Reduce	15.9	10.6	2.8	2.2	8.8	6.0
Infotech Enterprises	186	21	Buy	11.4	10.5	1.9	1.6	6.3	4.8
Persistent Systems	475	19	Buy	13.0	12.3	2.5	2.1	8.2	6.3

Capital Goods

Order inflow growth to remain muted for our coverage universe. L&T and Thermax are expected to report order inflow growth in percentage terms due to low base effect. Book-bill ratio continues to remain high for the sector.

We expect 21% revenue growth for our coverage universe owing to low base effect and increase in pace of execution.

Thermax (low base) and BHEL (revenue growth and margin expansion) are expected to report highest earnings growth.

Forex losses to continue in ABB India and Areva T&D India.

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Order inflow to be muted, lower base to result in strong revenue growth

ALCHEMY

Sector view

- We expect muted order inflow growth for our coverage universe in percentage terms based on order inflow announcements so far. Except for BHEL's Rs650bn order from Raichur Power Corporation, there has been no big ticket order announcement. We expect L&T and Thermax to report growth in order inflow due to low base effect.
- For the June quarter, we expect revenue growth of ~21% YoY, EBITDA growth of 17% YoY and net profit growth of 13% YoY for capital goods and engineering sector. We expect margins to contract by ~40bps for our coverage universe.
- We expect BHEL, L&T and Thermax to report highest growth in revenues due to low base effect. We expect margin contraction for all power T&D companies due to execution of orders won against competitive pricing pressures. Thermax (low base) and BHEL (revenue growth and margin expansion) are expected to report highest earnings growth.
- ABB India and Areva T&D India's March quarter results were impacted due to forex losses arising due to the sharp rupee appreciation as against the euro (9.7% from December to March). The same trend has continued in June quarter as well. (~5.8% rupee appreciation). This would result in further MTM losses and affect reported earnings.

Estimates summary and aggregates

Rs mn	Net sales				EBITDA				EBITDA margins				Adjusted PAT			
Company	**Jun-10**	**Mar-10**	**Jun-09**	**YoY (%)**	**Jun-10**	**Mar-10**	**Jun-09**	**YoY (%)**	**Jun-10**	**Mar-10**	**Jun-09**	**YoY (bps)**	**Jun-10**	**Mar-09**	**Jun-09**	**YoY (%)**
BHEL	69,952	135,591	55,957	25	8,604	28,728	5,920	45	12.3	21.2	10.6	170	6,121	13,475	4,706	30.1
L&T	97,448	133,749	73,627	32	10,416	20,508	8,319	25	10.6	15.1	11.2	(60)	6,897	11,423	5,783	19.3
ABB	17,507	14,559	15,050	16	1,479	223	1,379	7	8.4	7.1	9.1	(70)	939	833	836	12.4
Areva T&D	9,541	7,768	7,883	21	855	423	1,071	(20)	9.0	5.4	13.6	(460)	301	569	525	(42.8)
Siemens	18,980	22,261	19,177	(1)	2,409	2,861	2,571	(6)	12.7	12.9	13.4	(70)	1,546	2,255	1,679	(7.9)
Thermax	8,610	12,193	5,376	60	1,466	1,466	1,333	10	12.7	12.0	12.8	(10)	713	930	465	53.4
Sum	**249,808**	**343,121**	**206,620**	21	**27,749**	**49,061**	**23,687**	17	**11.1**	**14.3**	**11.5**	**(40)**	**17,269**	**26,907**	**15,266**	13.1

Source: Companies, Alchemy Research.

Order inflow to be muted

- **BHEL:** BHEL has announced receipt of Rs65bn order from Raichur Power (JV between BHEL and KPCL). We expect the company to report 25% YoY revenue growth in June quarter. EBITDA margin expansion is expected to continue in 1QFY11 as the trend of lower raw material cost started from 2QFY10. Adjusted PAT to grow by 30% YoY to Rs6.1bn.

- **L&T:** Order inflow growth to be muted based on order inflow announcements so far. We expect revenue growth to be 32% due to low base effect (1QFY10 recorded revenue growth of mere 7%). However, margins to moderate by ~60bps YoY and adjusted PAT to grow at 19% YoY to Rs6.9bn.

- **ABB:** We expect order inflow de-growth of 25% YoY and revenue growth of ~16% YoY. Reported margins are expected to be affected by foreign exchange losses due to the rupee appreciation as against the euro. We expect adjusted PAT to grow by 12% YoY to Rs939mn.

- **Areva T&D:** The company is expected to record 21% YoY revenues growth owing to a strong book-bill ratio at 1.26x. However, margins are expected to correct in line with the trend in recent quarters reflecting lower pricing of orders won last year. This along with higher depreciation cost would result in adjusted PAT to de-grow by 43% YoY to Rs300mn.

- **Siemens:** Order inflow to grow by ~20% resulting in improving book-bill ratio to 1.7x. We expect revenue growth to remain flat (-1% YoY). Quarterly EBITDA margin trend has been quite volatile. EBITDA margins to decline moderately by ~70bps YoY.

- **Thermax:** We expect strong revenue growth of ~60% YoY (due to low base effect) and order inflow growth of ~25% YoY this quarter. EBITDA margins are expected to remain flat. On an adjusted basis, we expect PAT to increase by ~53% YoY to Rs713mn.

Estimate summary

In Rs mn

BHEL	Jun-10	Jun-09	YoY (%)
Net Sales	69,952	55,957	25.0
EBITDA	8,604	5,920	45.3
EBITDA Margin	12.3	10.6	172 bps
Adjusted PAT	6,121	4,706	30.1

L&T	Jun-10	Jun-09	YoY (%)
Net Sales	97,448	73,627	32.4
EBITDA	4,706	3,431	37.2
EBITDA Margin	10.6	11.2	-60 bps
Adjusted PAT	6,897	5,783	19.3

ABB	Jun-10	Jun-09	YoY (%)
Net Sales	17,507	15,050	16.3
EBITDA	1,479	1,379	7.3
EBITDA Margin	8.4	9.1	-73 bps
Adjusted PAT	939	836	12.4

Areva T&D	Jun-10	Jun-09	YoY (%)
Net Sales	9,541	7,883	21.0
EBITDA	855	1,071	(20.1)
EBITDA Margin	9.0	13.6	-462 bps
Adjusted PAT	301	525	(42.8)

Source: Company, Alchemy Research

Siemens	Jun-10	Jun-09	YoY (%)
Net Sales	18,980	19,177	(6.6)
EBITDA	2,409	2,571	(18.0)
EBITDA Margin	12.7	13.4	-179 bps
Adjusted PAT	1,546	1,679	(19.7)

Thermax	Jun-10	Jun-09	YoY (%)
Net Sales	8,610	5,376	60.1
EBITDA	1,466	1,333	10.0
EBITDA Margin	12.7	12.8	-15 bps
Adjusted PAT	713	465	53.4

Sector charts

Order inflow growth to be be muted

Rs bn	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	YoY (%)	QoQ (%)
BHEL	124.0	80.2	163.0	231.9	88.0	(29)	(62)
L&T	95.7	183.7	177.9	238.4	105.3	10	(56)
ABB	21.1	18.9	23.8	16.9	15.8	(25)	(6)
Areva T&D	7.8	10.4	14.2	10.2	5.5	(30)	(46)
Siemens	23.4	26.2	51.7	22.4	28.1	20	25
Thermax	10.6	23.5	15.5	14.6	14.0	32	(4)

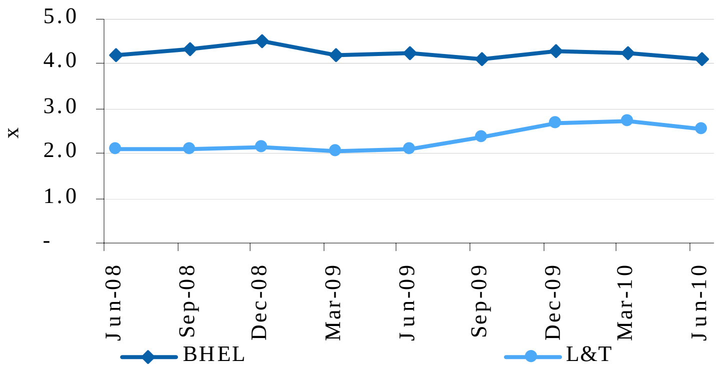
Source: Companies, Alchemy Research.

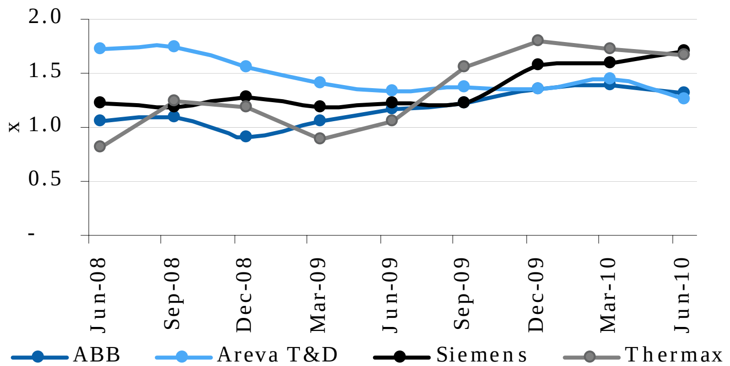
Revenue visibility remains high

Rs bn	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	YoY (%)	QoQ (%)	Book to Bill
BHEL	1,240	1,251	1,340	1,456	1,471	22.8	8.6	4.1
L&T	725	816	911	1,002	1,009	42.6	10.0	2.6
ABB	76	80	85	88	86	24.5	3.2	1.3
Areva T&D	42	45	48	50	46	17.5	4.3	1.3
Siemens	101	103	136	134	144	38.5	(1.2)	1.7
Thermax	34	51	56	60	65	93.8	6.3	1.4

*Source : Company, Alchemy Research, *based on ttm revenues*

Book-bill ratio





*Source : Company, Alchemy Research, *based on ttm revenues*

Relative performance

Relative performance

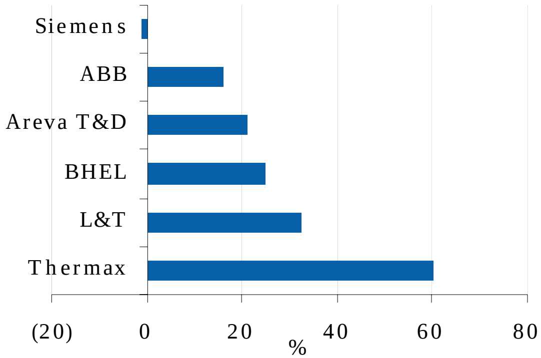
Sales	YoY (%)
Thermax	60.1
L&T	32.4
BHEL	25.0
Areva T&D	21.0
ABB	16.3
Siemens	(1.0)

EBITDA Margin	YoY (bps)
BHEL	170
Thermax	(10)
L&T	(60)
ABB	(70)
Siemens	(70)
Areva T&D	(460)

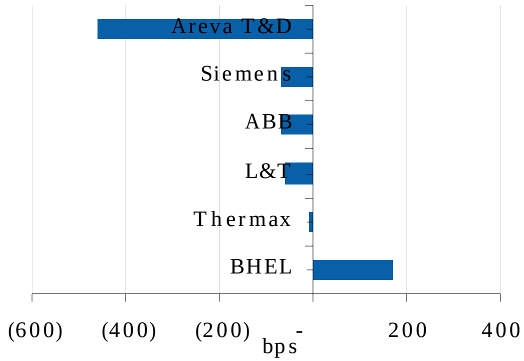
Adjusted Profit	YoY (%)
Thermax	53.4
BHEL	30.1
L&T	19.3
ABB	12.4
Siemens	(7.9)
Areva T&D	(42.8)

Source: Alchemy Research

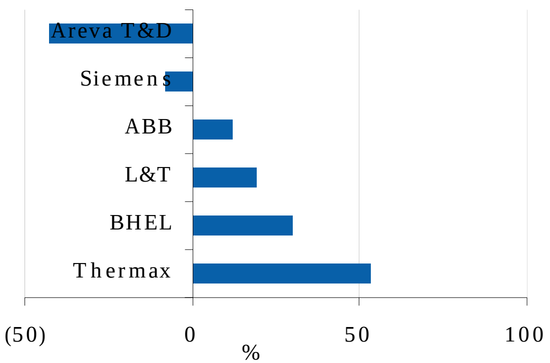
Sales performance (YoY)



EBITDA margin performance (bps YoY)



Adj. profit performance (YoY)



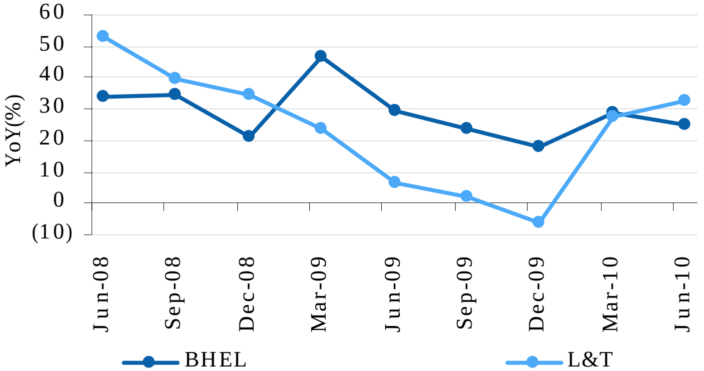
Valuations

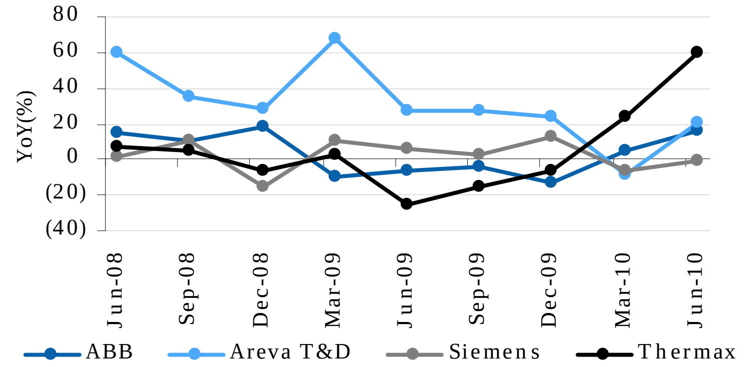
				P/E (x)		P/BV (x)		EV/EBITDA (x)	
	Price (Rs)	Mkt Cap (Rs bn)	Rating	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
ABB	861	183	Sell	39.4	30.4	6.4	5.4	24.9	19.2
Areva T&D	290	69	Reduce	34.0	25.4	6.8	5.6	16.3	13.0
BHEL	2,360	1,155	Reduce	22.0	17.8	19.9	16.3	13.9	11.3
L&T	1,791	1,080	Accumulate	29.3	23.3	5.2	4.5	20.7	16.4
Siemens	715	241	Reduce	28.3	24.0	6.9	5.8	17.5	14.4
Thermax	752	90	Accumulate	24.9	19.1	6.7	5.3	15.3	11.5

Source: Alchemy Research, Company

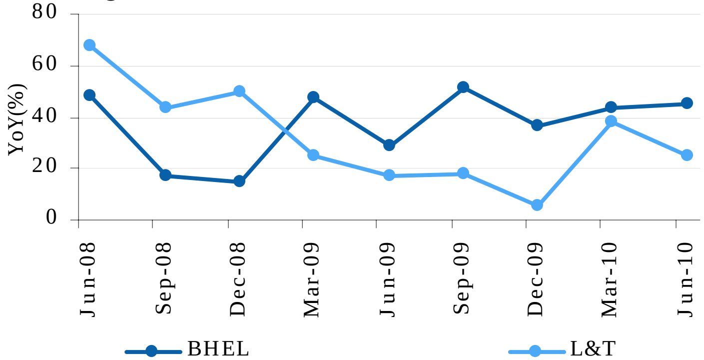
Performance trends

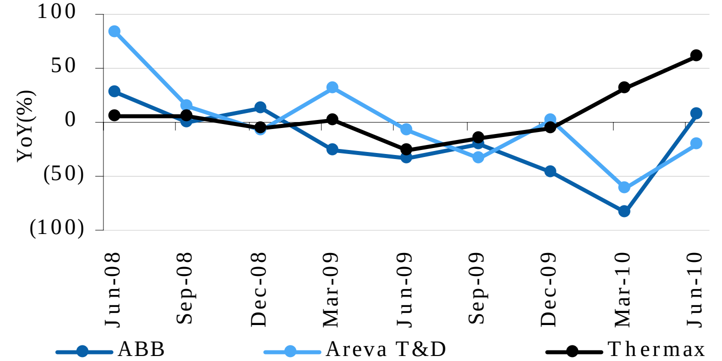
Revenue growth trend



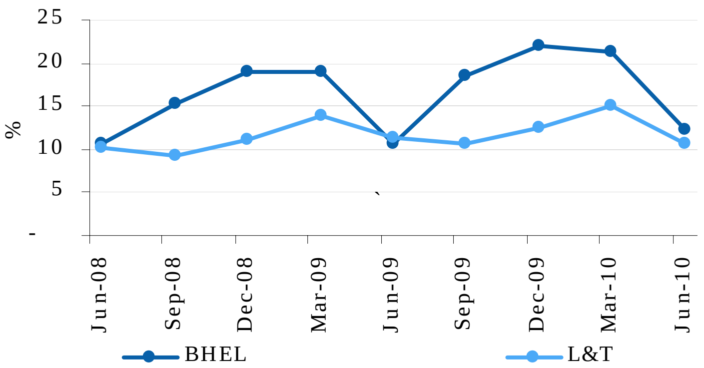


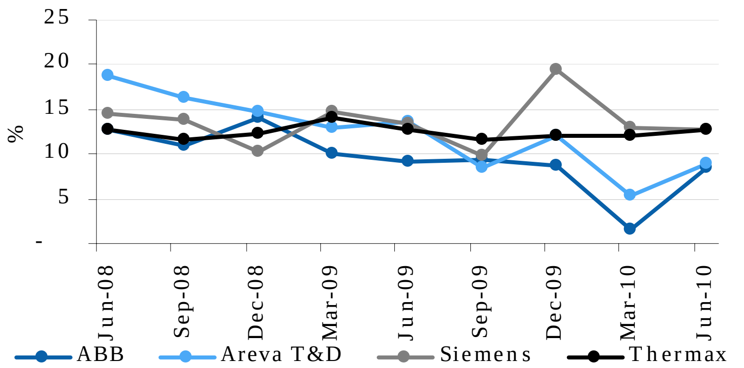
EBITDA growth trend





EBITDA margin trend





Source: Companies, Alchemy Research.

Power Utilities

The 1QFY11 target of generation capacity addition is 4,800 MW. Only 800 MW has been commissioned at all India level by May 2010.

Various key regulatory discussions were held last quarter. Important regulatory changes include: a) UI regulations which make significant changes to UI price vector and UI cap rate and b) regulations on 'Sharing of Inter State Transmission Charges and Losses'.

Merchant power rates (Exchange traded) which surged in May 2010 has started declining in June 2010.

NTPC's gross generation is expected to increase by ~1% due to lower PLF of coal based stations. Adjusted PAT is expected to increase by 5% YoY.

Tata Power's adjusted EBITDA to grow by 7% YoY while adjusted PAT to register a growth of ~9.6% YoY.

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Going steady; reforms continue

Sector View:

The 1QFY11 target of generation capacity addition is 4,800 MW. Only 800 MW has been commissioned at all India level by May 2010.

Key regulations/ regulatory discussions during the quarter

- CERC amended Unscheduled Interchange (UI) regulations which make significant changes to UI price vector and UI cap rate. UI price vector is now a step function, with steep increase in UI rates below 49.7 Hz. This will discourage consistent overdrawal of Discoms at lower frequency.
- CERC has notified its regulations on 'Sharing of Inter State Transmission Charges and Losses. These regulations would implement the point of connection method of sharing the cost of inter-state transmission services in India, replacing the present system of regional postage stamps.
- CERC has firmly ruled in favour of shifting to a tariff-based competitive bidding regime for future power projects from January, citing better price discovery and lower retail tariffs through the bidding route.
- CERC advisory committee meeting held on 16 June 2010 discussed the price cap on short-term market. CERC presented two alternatives: a) price cap on hydro and thermal based stations at Rs5 per unit. Imposing cap on OTC market and leaving out exchanges and b) uniform price cap based on most expensive unit.

- **Merchant power rates** (Exchange traded) which surged in May 2010 started declining in June 2010

- **NTPC:** Despite the incremental capacity addition of 990 MW YoY, the gross generation is expected to increase by ~1%. This is due to lower PLF of coal-based stations owing to low coal availability. Adjusted PAT is expected to increase by 5% YoY.

- **Tata Power (Standalone):** For 1QFY11, we expect generation growth to remain flat at ~1% YoY. Revenues are expected to increase by 10% YoY due to higher tariffs. We expect adjusted EBITDA to grow by 7% YoY and adjusted PAT to grow by ~9.6% YoY to Rs1.92bn

- **Powergrid:** We expect revenue growth of 15% YoY (adjusted for FERV) driven by incremental operational capacity. As a result, we expect adjusted PAT to register a growth of ~9.6% YoY.

- **PTC:** We expect trading volume for 1QFY10 to increase at 20% YoY. Trading margins are also expected to increase due to recent CERC regulation. Lower rebate paid on sale can potentially increase the margins. However, we expect adjusted PAT to decline by 26% YoY due to lower other income.

Estimates and valuations

Quarterly estimates summary (Rs mn)

NTPC	Jun-10	Mar-10	Jun-09	YoY (%)
Gross generation (Mn units)	55,917	58,361	55,473	0.8
Net sales	121,901	127,315	125,280	(2.7)
EBITDA	37,458	30,439	37,010	1.2
PAT Reported	21,595	20,177	21,936	(1.6)
PAT recurring	25,718	21,378	24,494	5.0

Tata Power	Jun-10	Mar-10	Jun-09	YoY (%)
Gross generation (Mn units)	4,315	3,790	4,260	1.3
Net sales	19,282	16,978	17,432	10.6
EBITDA	4,266	4,491	6,323	(32.5)
PAT reported	1,921	2,306	3,771	(49.1)
PAT recurring	1,921	1,983	1,754	9.5

Powergrid	Jun-10	Mar-10	Jun-09	YoY (%)
Net sales	18,481	22,465	16,070	15.0
EBITDA	15,434	18,366	13,139	17.5
EBITDA margin	83.5	81.8	81.8	175 bps
Adjusted PAT	5,245	6,598	4,784	9.6

PTC	Jun-10	Mar-10	Jun-09	YoY (%)
Trading volume	5,035	3,200	4,204	19.8
Net sales	20,795	12,435	23,725	(12.4)
EBITDA	165	95	156	6.3
EBITDA margin	0.8	0.8	0.7	14 bps
Adjsuted PAT	246	139	333	(26.1)

Source: Company, Alchemy Research.

Valuations

				P/E (x)		P/BV (x)		EV/EBITDA (x)	
	Price (Rs)	Mkt Cap (Rs bn)	Rating	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
NTPC	200	1,649	Reduce	15.4	14.1	2.4	2.2	13.9	12.4
Power Grid Corporation	102	430	Accumulate	16.4	13.9	2.2	2.0	11.3	9.4
PTC India	99	29	Buy	24.0	18.8	1.4	1.3	21.2	13.9
Tata Power	1,309	311	Accumulate	41.2	40.2	2.7	2.6	20.8	20.5

Source: Company, Alchemy Research., Bloomberg

Relative performance

Relative performance

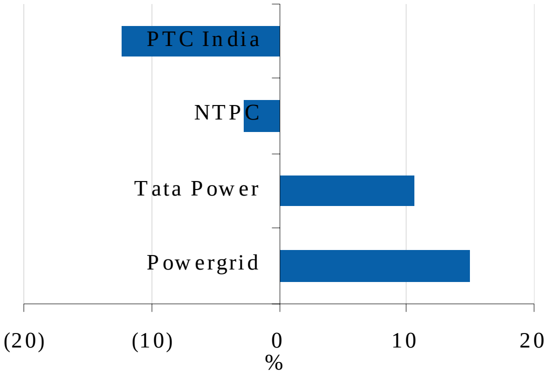
Sales	YoY (%)
Powergrid	15.0
Tata Power	10.6
NTPC	(2.7)
PTC India	(12.4)

EBITDA margin	YoY (bps)
Powergrid	180
NTPC	120
PTC India	10
Tata Power	(1,410)

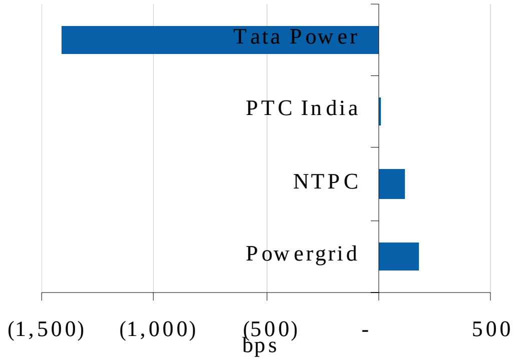
Adjusted Profit	YoY (%)
Powergrid	9.6
Tata Power	9.5
NTPC	5.0
PTC India	(26.2)

Source: Company, Alchemy Research.

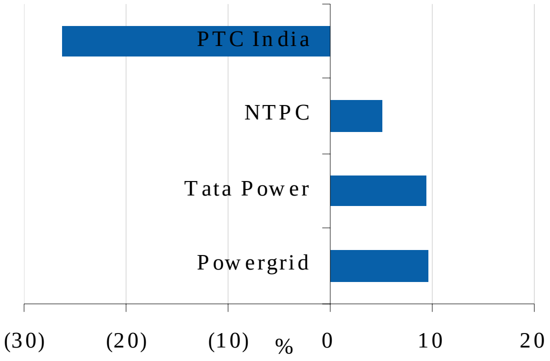
Sales relative performance(YoY)



EBITDA margin (YoY bps)

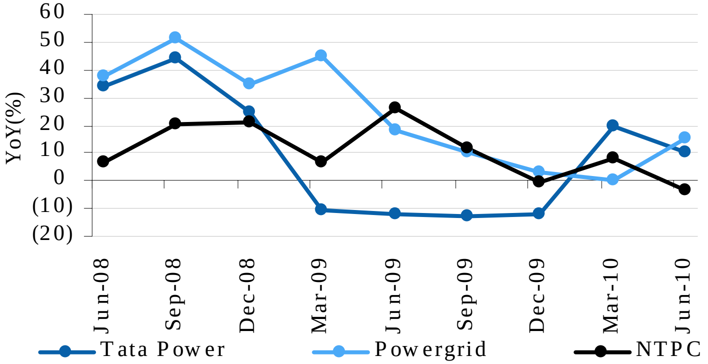


Adjusted Profit (YoY)

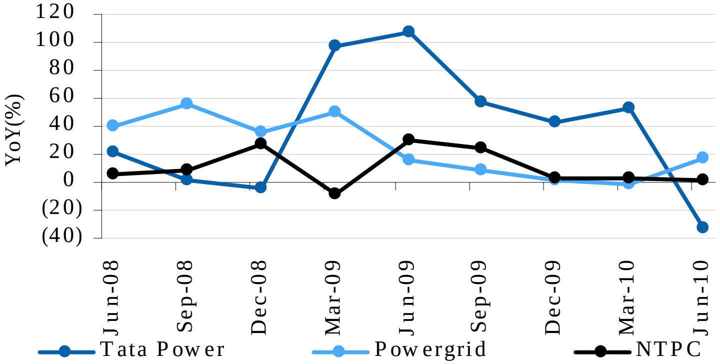


Performance trends

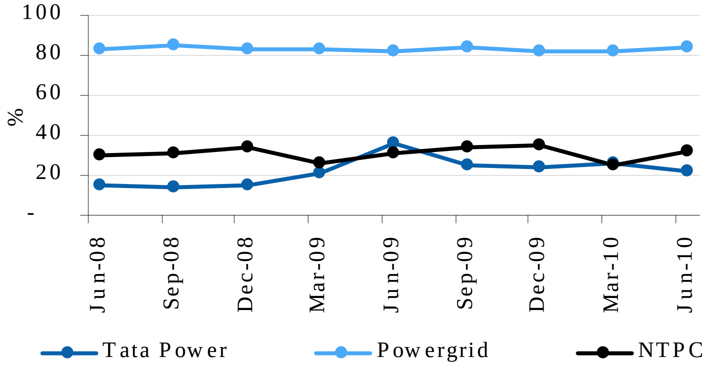
Revenue growth trend



EBITDA growth trend



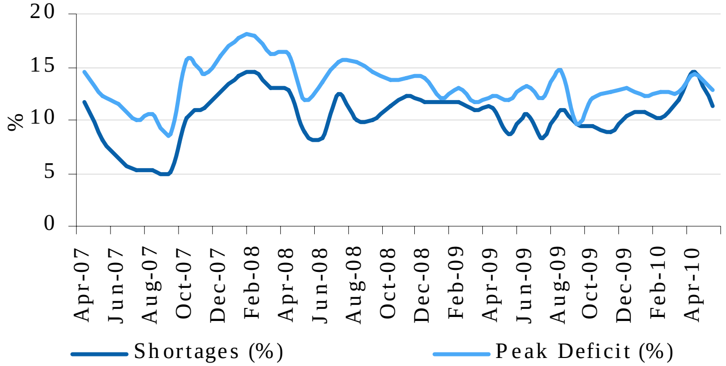
EBITDA margin trend



Source: Company, Alchemy Research.

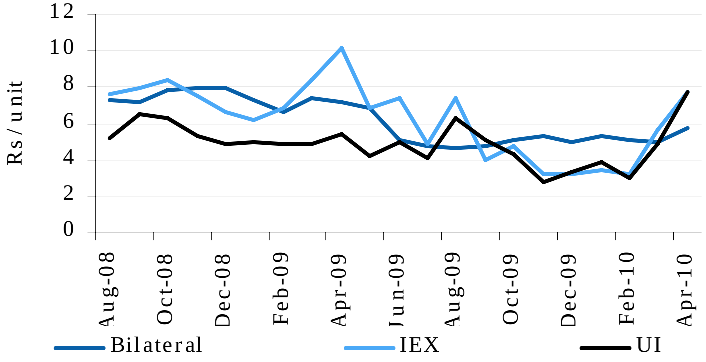
Sector charts

Electricity shortages and peak deficit



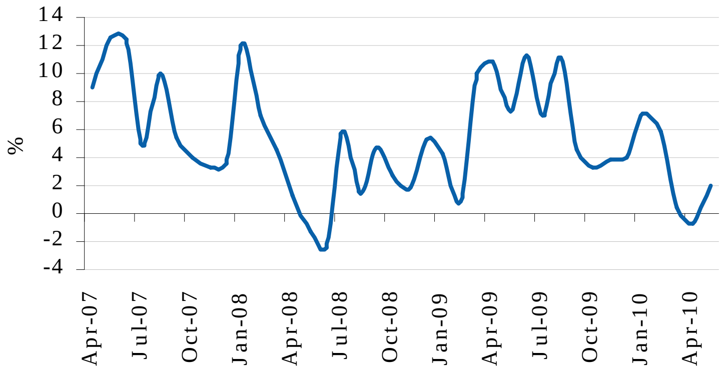
Source: CEA, Alchemy Research.

Traded power price trend



Source: CEA, Alchemy Research.

NTPC generation growth



Source: CEA, Alchemy Research.

Infrastructure

Strong order book at the end of FY10 expected to result in higher executions in this quarter.

Operating margins expected to contract for a few construction companies due to increasing exposure to transport projects.

Key milestones awaited for various assets with the infrastructure companies.

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Sector developments – executions to pickup

Sector view

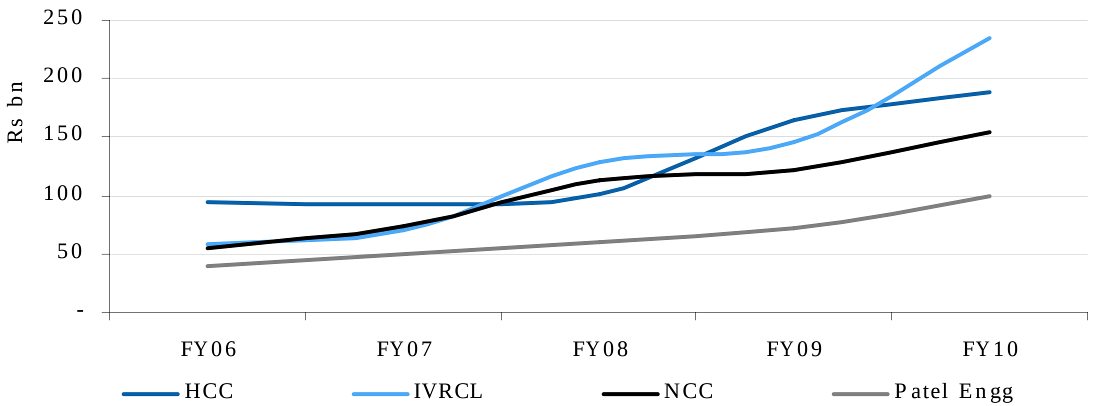
- All the construction companies reported strong order book at the end of FY10, which we expect would lead to strong executions in the next three quarters. However, the order inflow for the quarter has been rather muted for the sector.

- The share of irrigation projects in the order book of the companies is gradually decreasing due to fewer awards from A.P. and the recent impetus on road projects by NHAI. Recovery of the receivables from the A.P. government should improve the working capital situation of the companies like IVRCL, HCC and Patel Engineering with high exposure to projects in the state.

- Increasing exposure to transport projects is expected to lead to decline in EBITDA margins for HCC and Patel Engineering, which traditionally had higher share of hydro projects in their order book.

- For the infrastructure asset owners, key milestones are awaited for various projects. No new assets commenced operations in this quarter for GMR, GVK and IRB.

Order book growth for construction companies



Expecting a good start to the year

- **GMR Infrastructure:** Revenues to remain largely flat - zero contribution from the GMR Energy power plant to be compensated by the higher traffic at airport and road projects. We expect a Rev/EBITDA/Net Profit (including share from associates) of Rs12.1bn/3.3bn/269mn, an EBITDA margin of 27.6%.
- **GVK Power & Infrastructure:** Higher traffic at the Jaipur-Kishengarh expressway and increased stake in Gautami Power plant are expected to boost revenues. The net profit will get an additional lift from the consolidation of the Bangalore Airport results. Any development on the sale of 20% power from plants on merchant basis in A.P will be keenly sought. We expect a Rev/EBITDA/Net Profit (including share from associates) of Rs4.4bn/1.3bn/470mn, an EBITDA margin of 28.7%. We maintain **Accumulate** rating on the stock.
- **IRB Infrastructure:** Executions on the Kolhapur and the four NHAI projects should lead to higher revenues for the company, on YoY and QoQ basis. Interest rate reset should lead to higher PAT margins in the BOT segment. We would be looking out for any news on the fund raising plans by the company. We expect a Rev/EBITDA/Net Profit of Rs5.9bn/2.5bn/1093mn, an EBITDA margin of 41%. We maintain **Buy** rating on the stock.
- **Gammon India:** The 4QFY10 saw decent order inflow for the company, part of which is expected to show up in the executions for this quarter. We would be looking forward for an update on the performance of the Italian subsidiaries. We expect a standalone Rev/EBITDA/Net Profit of Rs10.5bn/952mn/310mn, an EBITDA margin of 9%.
- **HCC:** We expect executions to remain subdued as ~30% of the company's order book remains dormant (Sawalkote and A.P. projects). Any development on the receivables from NHAI and A.P. government should act as a positive trigger. We expect a standalone Rev/EBITDA/Net Profit of Rs8.6bn/1.1bn/192mn, an EBITDA margin of 11.9%. We maintain **Sell** rating on the stock.
- **IVRCL Infrastructure:** The company reported a strong order book of Rs230bn at the end of FY10, which should help in higher executions in this quarter compared to 1QFY10. Work on the recently awarded NHAI BOT projects is yet to begin. We expect a standalone Rev/EBITDA/Net Profit of Rs13.4bn/1.3bn/537mn, an EBITDA margin of 9.5%. We maintain **Accumulate** rating on the stock.
- **Nagarjuna Construction:** The FY10 order book of ~Rs150bn is expected to lead to higher revenues in this quarter, relative to 1QFY10. We expect a standalone Rev/EBITDA/Net Profit of Rs11.5bn/1.2bn/512mn, an EBITDA margin of 10.5%. We maintain **Accumulate** rating on the stock.
- **Patel Engineering:** A rather muted quarter for the company in terms of order wins. We would be keenly watching any progress on the 1,200 MW power project in Tamil Nadu and real estate monetisation. We expect a Rev/EBITDA/Net Profit Rs7.3bn/1.16bn/395mn, an EBITDA margin of 16%. We maintain **Buy** rating on the stock.
- **Recommendation**

  Top Buy: IRB Infrastructure and Patel Engineering

  Top Sell: HCC

Estimate summary

GMR Infrastructure

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	12,123.6	11,775.2	3.0	11,249.6	7.8
EBITDA	3,346.3	3,212.6	4.2	3,145.7	6.4
EBITDA margin (%)	27.6	27.3		28.0	
Net income	269.0	225.3	19.4	730.5	(63.2)

GVK Power

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	4,444.8	3,322.0	33.8	4,886.2	(9.0)
EBITDA	1,277.6	943.8	35.4	737.3	73.3
EBITDA margin (%)	28.7	28.4		15.1	
Net income	470.1	327.3	43.6	331.1	42.0

IRB Infrastructure

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	5,980.4	4,141.4	44.4	5,017.6	19.2
EBITDA	2,449.2	1,661.8	47.4	2,310.4	6.0
EBITDA margin (%)	41.0	40.1		46.0	
Net income	1,093.8	814.7	34.3	1,416.8	(22.8)

Estimates not taking into account forex gains/losses

Source: Company, Alchemy Research

<u>Exceptional cases:</u>

GMR reported deferred tax write back of Rs749mn in 4QFY10, leading to a QoQ decline in the Net income for the company in 1QFY11E.

IRB availed MAT credit in 4QFY10, leading to a QoQ decline in the Net income for the company in 1QFY11E.

Gammon India

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	10,584.3	8,504.5	24.5	16,692.8	(36.6)
EBITDA	952.9	1,000.9	(4.8)	1,101.9	(13.5)
EBITDA margin (%)	9.0	11.8		6.6	
Net income	310.6	250.6	24.0	547.8	(43.3)

IVRCL Infrastructure

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	13,423.0	10,860.3	23.6	18,904.4	(29.0)
EBITDA	1,278.7	995.9	28.4	1,984.5	(35.6)
EBITDA margin (%)	9.5	9.2		10.5	
Net income	537.2	351.1	53.0	852.6	(37.0)

HCC

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	8,625.1	9,640.9	(10.5)	10,917.1	(21.0)
EBITDA	1,027.8	1,191.5	(13.7)	1,246.8	(17.6)
EBITDA margin (%)	11.9	12.4		11.4	
Net income	192.0	258.4	(25.7)	429.7	(55.3)

Nagarjuna Construction

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	11,517.8	10,003.9	15.1	15,218.0	(24.3)
EBITDA	1,209.4	1,037.9	16.5	1,527.2	(20.8)
EBITDA margin (%)	10.5	10.4		10.0	
Net income	512.5	382.2	34.1	698.2	(26.6)

Patel Engineering

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ (%)
Revenues	7,306.3	6,430.0	13.6	11,971.0	(39.0)
EBITDA	1,163.6	1,056.6	10.1	1,509.0	(22.9)
EBITDA margin (%)	15.9	16.4		12.6	
Net income	395.6	363.4	8.9	718.0	(44.9)

Relative performance

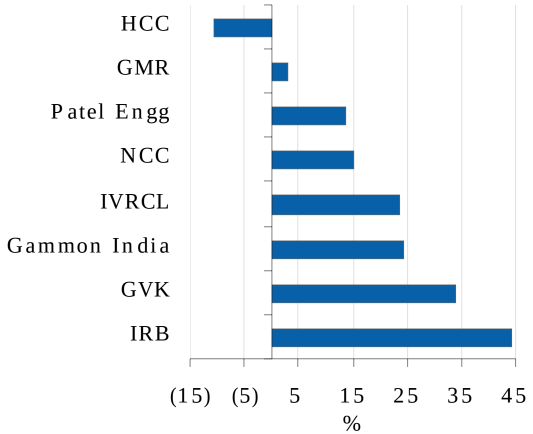
Relative performance

Topline	
Stock	**YoY growth (%)**
IRB Infrastructure	44
GVK Power	34
Gammon India	24
IVRCL	24
Nagarjuna Construction	15
Patel Engineering	14
GMR Infrastructure	3
HCC	(11)

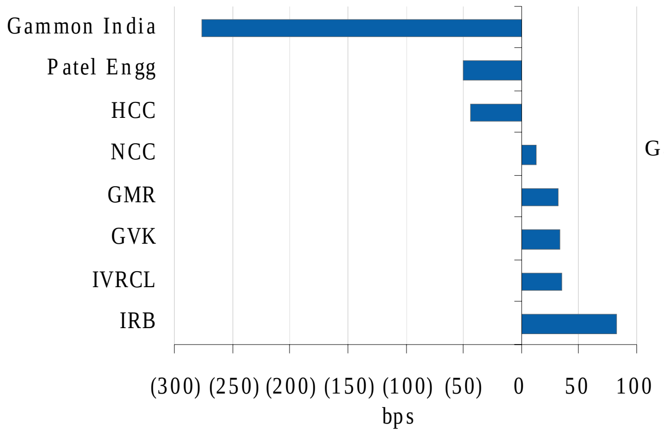
OPM	
Stock	**YoY growth (bps)**
IRB Infrastructure	83
IVRCL	36
GVK Power	33
GMR Infrastructure	32
Nagarjuna Construction	13
HCC	(44)
Patel Engineering	(51)
Gammon India	(277)

Net Profit	
Stock	**YoY growth (%)**
IVRCL	53
GVK Power	44
IRB Infrastructure	34
Nagarjuna Construction	34
Gammon India	24
GMR Infrastructure	19
Patel Engineering	9
HCC	(26)

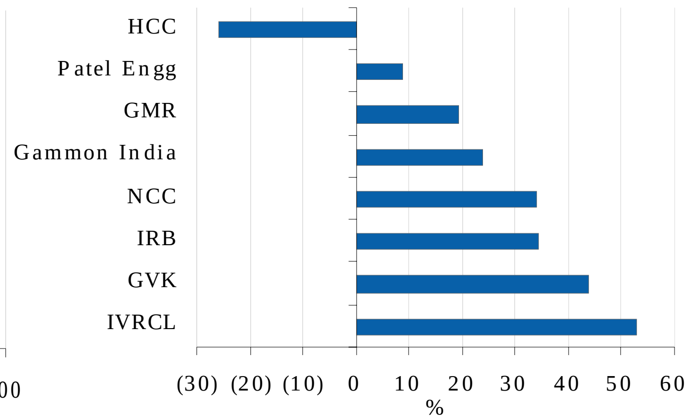
Revenue (YoY growth)



Operating margin (YoY growth)



Net profit (YoY growth)

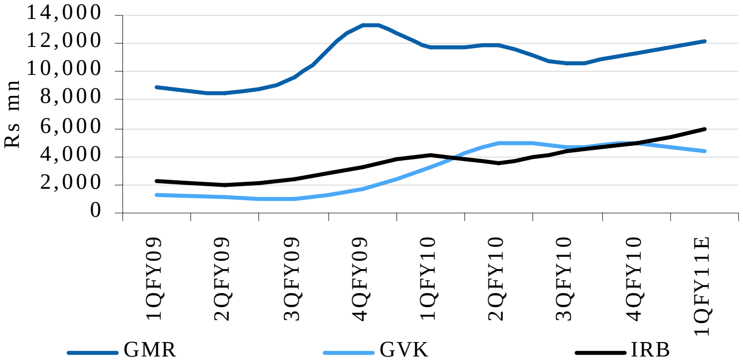


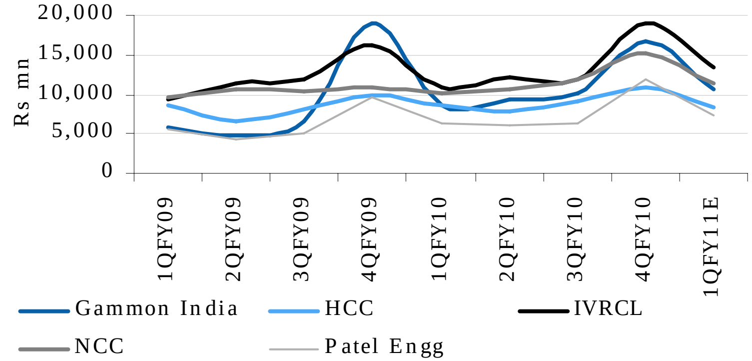
Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
Gammon India	216	27	Not rated	17.3	15.7	1.4	1.3	9.3	8.7
GMR Infrastructure	60	232	Not rated	129.9	106.6	2.3	2.2	21.6	19.3
GVK Power	44	69	Accumulate	24.3	18.8	1.7	1.4	17.0	15.2
HCC	117	35	Sell	37.0	28.7	2.2	2.1	12.4	11.3
IRB Infrastructure	264	88	Buy	18.8	13.0	3.1	2.5	10.5	9.1
IVRCL Infrastructure	185	49	Accumulate	16.8	13.1	2.2	1.9	9.8	8.0
Nagarjuna Construction	186	48	Accumulate	18.6	13.5	1.9	1.7	10.3	8.4
Patel Engineering	416	29	Buy	13.3	10.9	1.6	1.4	8.5	8.1

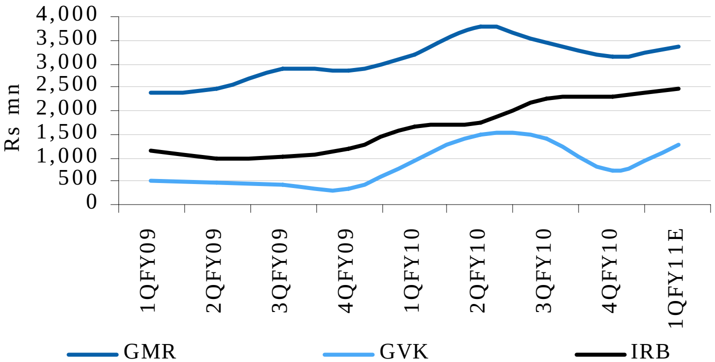
Performance trends

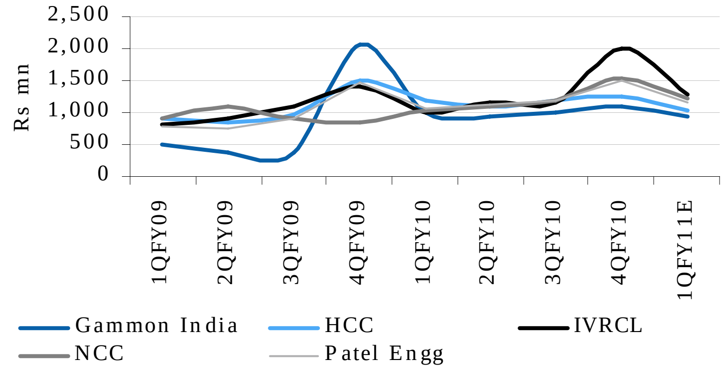
Revenue growth trend



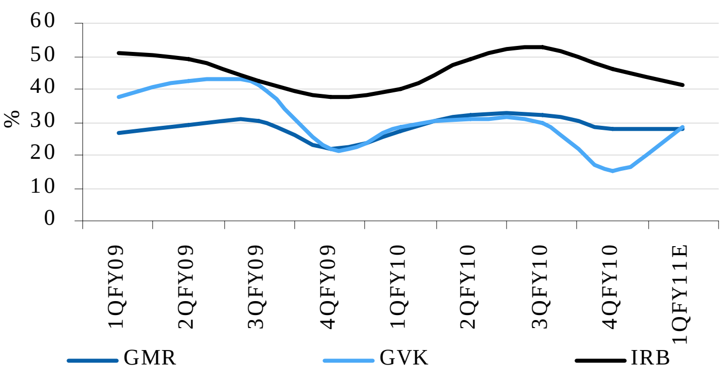


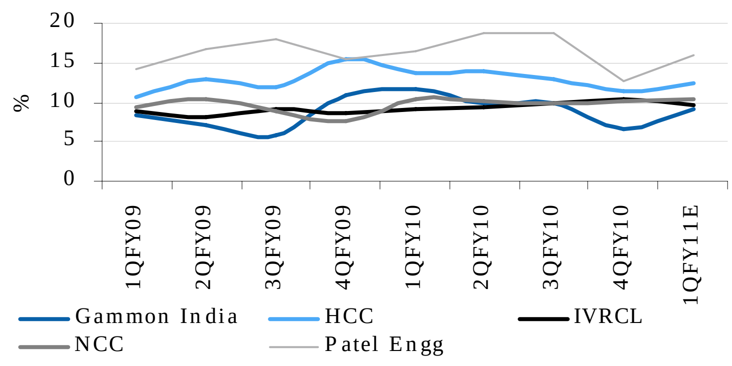
EBITDA growth trend





EBITDA margin trend





ALCHEMY

Pipes

Welspun and Jindal SAW to report +10% YoY growth, while Maharashtra Seamless is expected to show +15% YoY in volumes.

EBIDTA is expected to be in the range of Rs10,000-12,500/tonne for SAW pipes as against Rs10,500-13,000/tonne same quarter last year (excluding PSL) and Rs16,500/tonne for seamless pipes as against Rs18,600/tonne same quarter last year.

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Pipes

Sector view

- After pick up in order inflow in January-March 2010 quarter, there were no major order announcements in the current quarter (except for Rs7bn order for Welspun Corporation in June 2010). Consequently, the order book visibility of the companies under our coverage is either expected to decline (Jindal SAW and PSL) or remain flat (Welspun and Maharashtra Seamless) in 1QFY11 on QoQ basis.
- EBIDTA margin are expected to be relatively lower on incremental order inflows, especially in domestic market, due to intense competition.
- In the quarter, we expect volume growth of ~11% and realisation decline of ~15% YoY for our pipes universe. On the volume front, Maharashtra Seamless is expected to report +15% YoY growth, Welspun and Jindal SAW are expected to report +10% YoY growth in shipments.
- EBIDTA is expected to be in the range of Rs6,700-10,000/tonne for SAW pipes (depending upon the composition of orders) and Rs16,500/tonne for seamless pipes.

Top Buy: Maharashtra Seamless

Jindal Saw

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	11,180	15,002	(25.5)	10,863	2.9
EBIDTA	2,390	2,381	0.4	2,880	(17.0)
EBIDTA (Rs/Tonne)	11,116	12,532	(11.3)	12,997	(14.5)
Net income	1,294	1,360	(4.9)	1,803	(28.2)

Maharashtra Seamless

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	4,353	4,231	2.9	4,053	7.4
EBIDTA	1,103	993	11.0	1,103	0.0
EBIDTA (Rs/Tonne)	12,284	13,073	(6.0)	13,566	(9.4)
Net income	858	652	31.5	751	14.3

PSL

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	9,025	6,228	44.9	8,333	8.3
EBIDTA	835	638	30.8	533	56.6
EBIDTA (Rs/Tonne)	6,679	7,762	(14.0)	7,379	(9.5)
Net income	269	226	19.4	241	11.7

Welspun Corporation

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	16,650	18,798	(11.4)	14,006	18.9
EBIDTA	3,250	3,030	7.3	2,554	27.2
EBIDTA (Rs/Tonne)	10,000	10,262	(2.6)	10,061	(0.6)
Net income	1,553	1,382	12.4	1,341	15.9

Order book

Companies	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
Jindal Saw	36,240	37,380	33,913	34,500	35,490
Maharashtra Seamless	5,000	4,010	4,120	5,500	4,140
PSL	37,200	39,000	30,000	28,000	20,000
Welspun Gujarat	71,000	68,336	78,000	66,000	64,300
Total	**149,440**	**148,726**	**146,033**	**134,000**	**123,930**

Source : Company, Alchemy

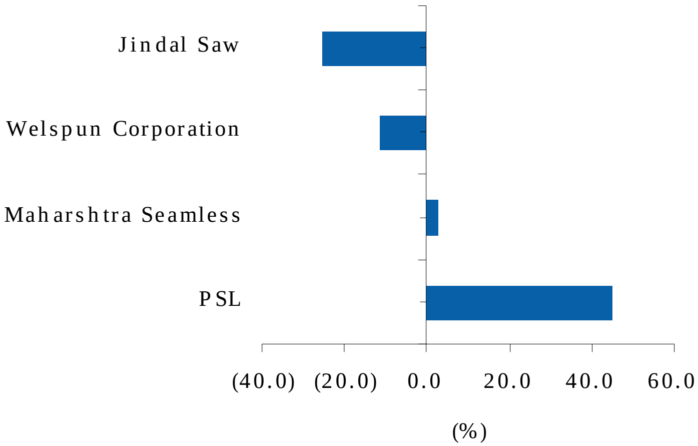
Relative performance

Top line	
Company	YoY growth (%)
PSL	44.9
Maharshtra Seamless	2.9
Welspun Corporation	(11.4)
Jindal Saw	(25.5)

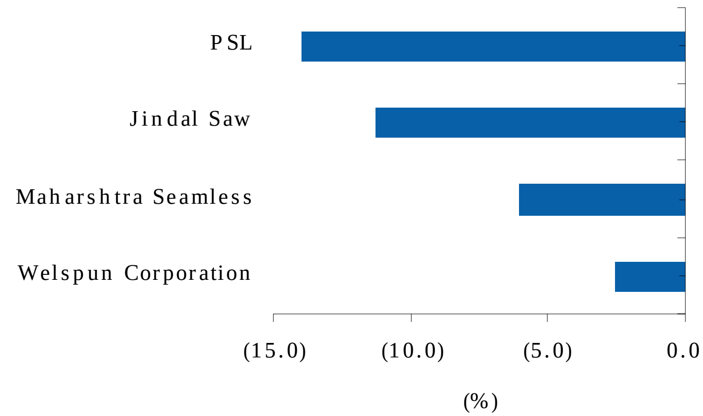
EBIDTA/MT	
Company	YoY change (bps)
Welspun Corporation	(2.6)
Maharshtra Seamless	(6.0)
Jindal Saw	(11.3)
PSL	(14.0)

Net profit	
Company	YoY growth (%)
Maharshtra Seamless	31.5
PSL	19.4
Welspun Corporation	12.4
Jindal Saw	(4.9)

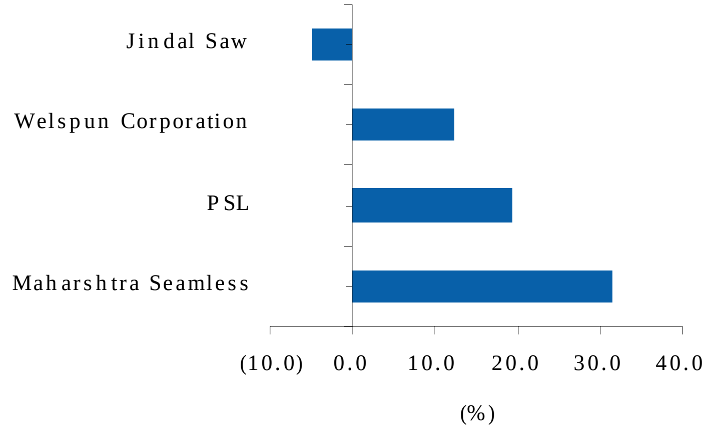
Revenue (YoY growth)



Operating margin (YoY growth)



Net profit (YoY growth)



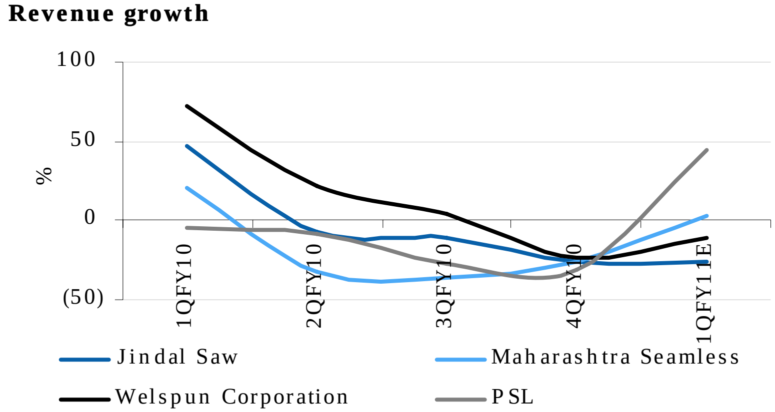
Source : Company, Alchemy

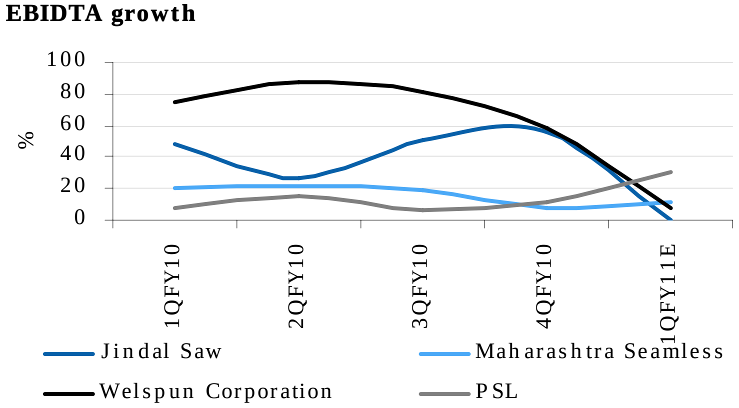
Valuations

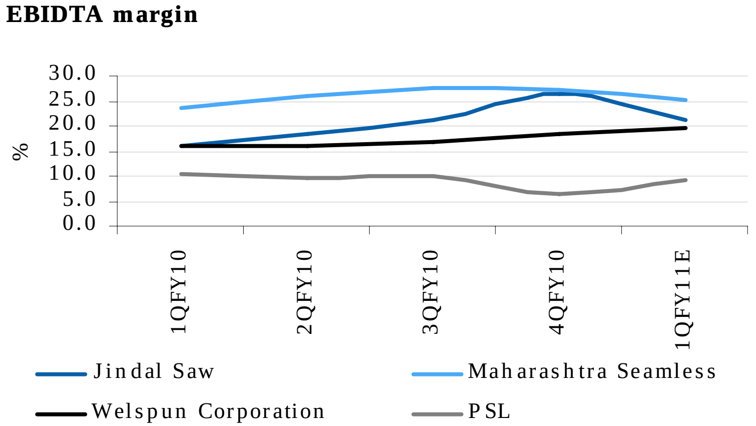
	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x)		P/BV (x)		EV/EBITDA (x)	
				FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Jindal Saw	198	55	Buy	10.1	6.7	1.3	1.1	6.5	4.5
Maharashtra Seamless	395	28	Buy	8.9	7.8	1.6	1.3	5.2	4.1
PSL	125	7	Buy	5.4	5.0	0.6	0.6	5.6	5.3
Welspun Corporation	228	47	Buy	7.6	6.2	1.5	1.2	4.9	3.7

Source : Company, Alchemy

Performance trends







Source : Company, Alchemy

Auto

Continues to witness robust volume growth in 1QFY11, despite price hike of ~1-2%.
Margins to come off compared to 4QFY10 due to increased raw material prices like steel, aluminium and rubber.

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Robust volumes; margins under pressure

Sector view

Most auto companies raised the prices by ~1-2% in 1QFY11 to mitigate increasing input costs. This is the third hike in CY11 following ~2% hike in January owing to higher input costs and 2% hike in March caused by excise roll-back. Despite these hikes, the sector continued to witness robust volume growth in 1QFY11. Demand outlook is very robust substantiated by the intent of all companies to take price hikes to sustain historically high margins. The reported sales in June 2010 were more than previous month for two wheelers and passenger vehicles. The constraining factor was the inability of auto ancillaries to match up with the production requirement of OEMs rather than demand. The commercial vehicle segment continued their strong show in June 2010.

- **MSIL:** Maruti Suzuki continued to show robust sales in 1QFY11. The company's sales crossed the 100,000 mark in May 2010. In June the company sold ~89,000 cars due to routine annual plant shutdown of six days. In the newly launched cars, Ford Figo is the only car which has seen robust sales as of now. Maruti Suzuki improved its passenger car market share from 47.7% in April 2010 to 49.5% in May 2010. We maintain **Accumulate** rating.
- **M&M:** The company continued to post strong quarterly sales volume in 1QFY11 led by ~16% YoY growth in tractors and ~30% YoY growth in auto sector. We expect EBIDTA margin to decline compared to 4QFY10. We remain bullish on M&M as it continues to post strong growth, especially in its farm equipment sector (tractors) led by strong demand due to high farm income.
- **Tata Motors:** The CV segment registered robust volume growth. The M&HCV segment grew ~58% YoY and LCV segment grew by ~21% YoY. The domestic passenger car sales are improving on MoM basis led by Nano, the new Indica Vista and Indigo Manza. We expect margins to decline by 10bps QoQ at 10%. We continue to remain bullish on Tata Motors.
- **Ashok Leyland:** The biggest top line gainer in 1QFY11 with volumes up 153% YoY. This is mainly because of a low base and high growth in this quarter. Despite price hike across all its products, we expect margins to decline by 120bps compared to 4QFY10. We are bullish on CV growth and maintain **Accumulate** rating.
- **Hero Honda:** Continues to maintain strong volume growth. We expect the company to report 13% revenues growth owing to 10% volume growth; operating profits to decline by 40bps compared to 4QFY10. The company continues to dominate the Indian two-wheeler industry and has planned to launch four new models in the next six months. We maintain **Accumulate** rating.
- **Bajaj Auto:** The company posted highest growth in the two-wheeler space with 71% YoY growth in sales volume. Discover 100cc and Pulsar 135cc are generating volumes for the company. Even the three-wheeler registered ~58% YoY growth. Exports continue to be high at ~35% of total sales. We expect margins to decline by 140bps QoQ. The stock has witnessed a sharp rally in the recent past, we recommend to book profits at these levels.

Robust volumes; margins under pressure

- **TVS Motors:** We expect top line to grow by 32% YoY owing to ~28% YoY volume growth. The company expects its scooter segment to grow by 16-18% during this fiscal and also expects to increase its market share by at least 2%. We expect margins to decline by 30bps QoQ on higher input costs. We maintain **Accumulate** rating although we believe the upside is limited from these levels.
- **Bharat Forge:** The CV demand in India has led to strong revival in volumes for Bharat Forge. We expect the top line to grow ~48% YoY. Operating margins may decline by 110bps QoQ due to higher input costs. We believe valuations are rich and maintain **Reduce** on the stock.
- **Exide Industries:** The company is the largest supplier of batteries to the OEM segment with almost 70% market share. We expect top line to grow around 26% YoY. Operating margins may improve by 100bps compared to 4QFY10 on lower lead prices. The company will benefit from the strong demand in OEM segment and replacement market. We maintain **Accumulate** rating.
- **Apollo Tyres:** The company continues to register strong growth in the replacement market and in the OEM segment. We expect the company's top line to grow by 26% YoY. The company has increased its product prices by 2-4% during the quarter to mitigate all time high rubber prices. Despite this, margins may decline compared to 4QFY10 by 210bps to 12%. It has announced 2-3% hike in its prices effective from 01 July 2010. We maintain **Buy** rating.

Recommendation

- **Top Buys:** Mahindra & Mahindra, Tata Motors, Hero Honda and Apollo Tyres.
- **Top Sells:** Bajaj Auto and Bharat Forge.

Estimate summary

MARUTI SUZUKI

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Volume	283,324	226,729	25.0	287,422	(1.4)
Revenues	83,874.8	64,930.0	29.2	84,245.5	(0.4)
EBIDTA	10,568.2	7,931.7	33.2	11,110.8	(4.9)
EBIDTA margin	12.6	12.2	40 bps	13.2	(60 bps)
Net Income	6,356.5	5,835.5	8.9	6,565.6	(3.2)

HERO HONDA

Rsmn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Volume	1,234,039	1,118,987	10.3	1,186,536	4.0
Revenues	43,223.8	38,224.4	13.1	41,223.2	4.9
EBIDTA	7,304.8	6,501.2	12.4	7,117.4	2.6
EBIDTA margin	16.9	17.0	(10 bps)	17.3	(40 bps)
Net Income	5,940.5	5,001.1	18.8	5,988.1	(0.8)

MAHINDRA AND MAHINDRA

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Volume	132,125	106,251	24.4	136,704	(3.3)
Revenues	52,294.9	42,425.9	23.3	53,046.3	(1.4)
EBIDTA	7,896.5	6,089.7	29.7	8,455.8	(6.6)
EBIDTA margin	15.1	14.4	70 bps	15.9	(80 bps)
Net Income	5,493.3	4,008.5	37.0	5,702.6	(3.7)

BAJAJ AUTO

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Volume	928,336	547,662	69.5	808,929	14.8
Revenues	39,376.5	23,384.7	68.4	33,994.5	15.8
EBIDTA	8,446.6	4,554.2	85.5	7,771.0	8.7
EBIDTA margin	21.5	19.5	200 bps	22.9	(140 bps)
Net Income	5,948.60	2,934.9	102.7	5,286.6	12.5

TATA MOTORS

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Volume	182,245	123,113	48.0	210,056	(13.2)
Revenues	106,105.1	64,046.3	65.7	122,297.0	(13.2)
EBIDTA	10,610.5	7,280.0	45.7	12,326.3	(13.9)
EBIDTA margin	10.0	11.4	(140 bps)	10.1	(10 bps)
Net Income	5,337.4	5,137.6	3.9	5,970.8	(10.6)

TVS MOTORS

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Volume	445,794	349,386	27.6	419,098	6.4
Revenues	13,063.8	9,887.0	32.1	12,159.9	7.4
EBIDTA	979.8	626.1	56.5	943.3	3.9
EBIDTA margin	7.5	6.3	120 bps	7.8	(30 bps)
Net Income	266.7	181.2	47.2	202.9	31.4

ASHOK LEYLAND

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Volume	19,502	7,698	153.3	25,807	(24.4)
Revenues	22,321.0	9,124.5	144.6	29,390.4	(24.1)
EBIDTA	2,611.6	121.7	2,046.2	3,783.7	(31.0)
EBIDTA margin	11.7	1.3	1060 bps	12.9	(120 bps)
Net Income	1,381.3	77.7	1,678.2	2,226.3	(38.0)

Source: Company, Alchemy Research

Estimate summary

BHARAT FORGE

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Revenues	5,320.3	3,586.4	48.3	5,623.7	(5.4)
EBIDTA	1,271.6	748.9	69.8	1,405.9	(9.6)
EBIDTA margin	23.9	20.9	300 bps	25.0	(110 bps)
Net Income	415.2	9.6	4,225.2	612.6	(32.2)

EXIDE INDUSTRIES

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Revenues	11,372.8	9,034.6	25.9	10,302.8	10.4
EBIDTA	2,513.4	2,094.5	20.0	2,175.0	15.6
EBIDTA margin	22.1	23.2	(110 bps)	21.1	100 bps
Net Income	1,529.2	1,224.0	24.9	1,345.4	13.7

APOLLO TYRES

Rsmn	1QFY11E	1QFY10	yoy (%)	4QFY10	qoq (%)
Revenues	14,854.5	11,802.6	25.9	13,127.8	13.2
EBIDTA	1,916.2	1,942.5	(1.4)	1,845.7	3.8
EBIDTA margin	12.9	16.5	(360 bps)	14.1	(120 bps)
Net Income	947.8	946.7	0.1	1,161.8	(18.4)

Source: Company, Alchemy Research

Relative performance

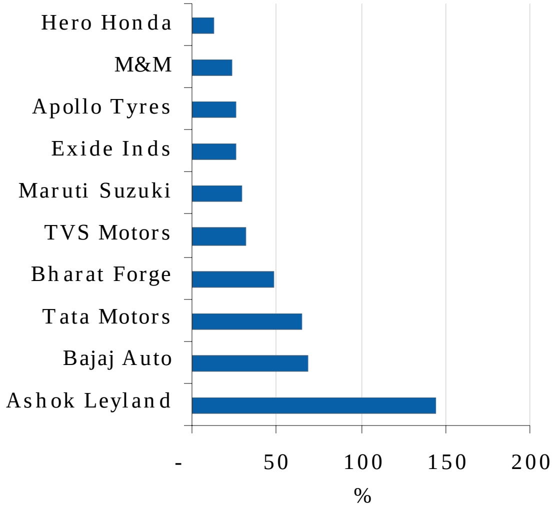
Topline	
	YoY growth (%)
Ashok Leyland	145
Tata Motors	66
Bajaj Auto	68
Bharat Forge	48
TVS Motors	32
Maruti Suzuki	29
Exide Inds	26
Apollo Tyres	26
M&M	23
Hero Honda	13

OPM	
	bps growth
Ashok Leyland	1060
Bharat Forge	300
Bajaj Auto	200
TVS Motors	120
M&M	70
Maruti Suzuki	40
Hero Honda	(10)
Exide Inds	(110)
Tata Motors	(140)
Apollo Tyres	(360)

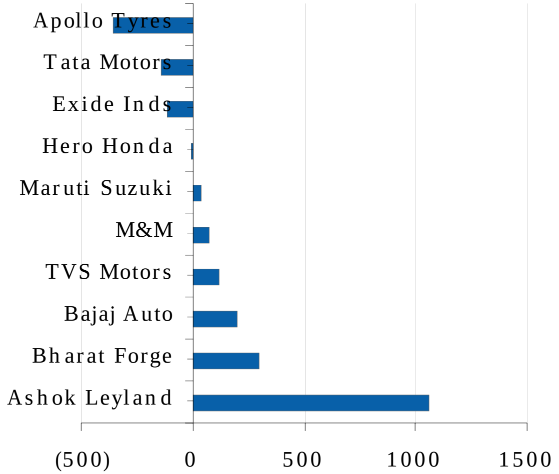
Net profit	
	YoY growth (%)
Bharat Forge	4,225
Ashok Leyland	1,678
Bajaj Auto	103
TVS Motors	47
M&M	37
Exide Inds	25
Hero Honda	19
Maruti Suzuki	9
Tata Motors	4
Apollo Tyres	0

Source: Company, Alchemy Research

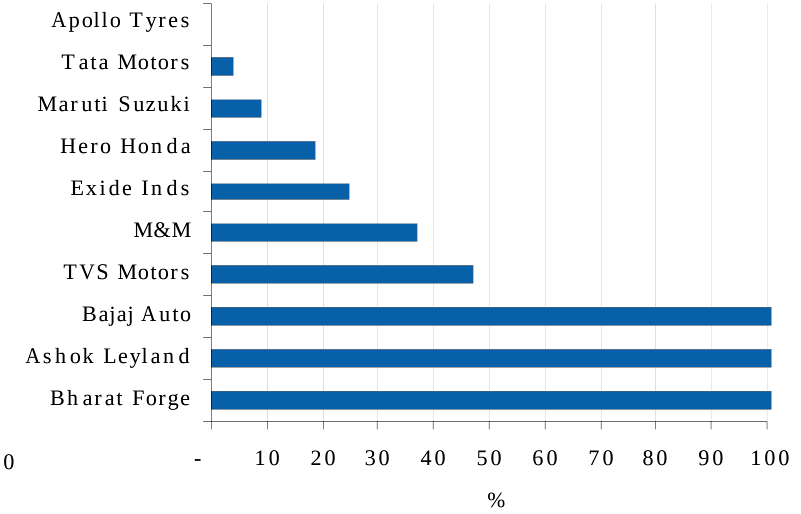
Revenue (YoY growth)



Operating margin (bps growth)



Net profit (YoY growth)



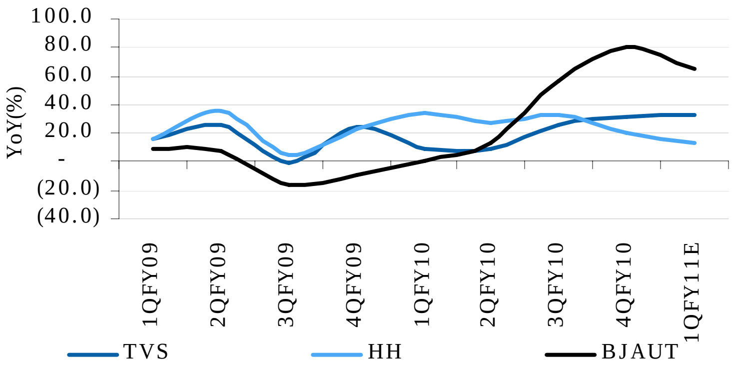
Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
Apollo Tyres	65	33	Buy	7.4	7.0	1.5	1.3	4.0	3.3
Ashok Leyland	66	87	Accumulate	17.7	14.6	2.2	2.0	10.5	8.9
Bajaj Auto	2,445	354	Reduce	15.7	14.2	7.3	5.3	11.6	10.3
Bharat Forge	292	68	Reduce	36.7	26.7	3.4	3.1	14.7	12.1
Exide Industries	126	107	Accumulate	17.2	15.4	4.8	3.8	10.6	9.4
Hero Honda	2,022	404	Accumulate	16.8	15.3	8.2	6.1	13.6	12.1
Mahindra & Mahindra	610	353	Buy	13.7	11.7	3.8	2.9	10.4	8.8
Maruti Suzuki	1,396	403	Accumulate	15.5	13.7	2.9	2.4	9.7	8.6
Tata Motors	763	418	Buy	16.3	12.5	2.3	2.0	8.4	6.8
TVS Motors	114	27	Accumulate	25.2	19.9	2.7	2.5	9.0	8.0

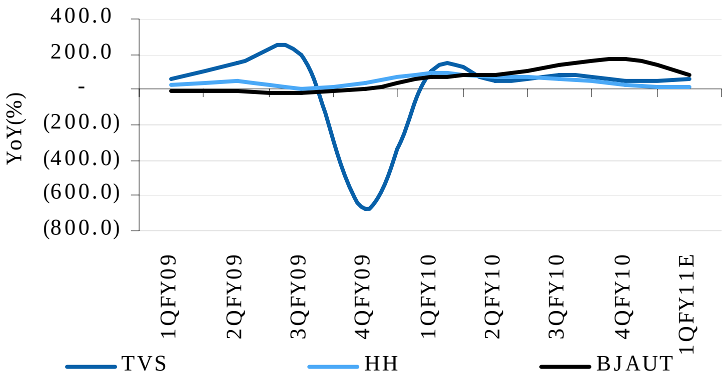
Source: Company, Alchemy Research

Performance trends

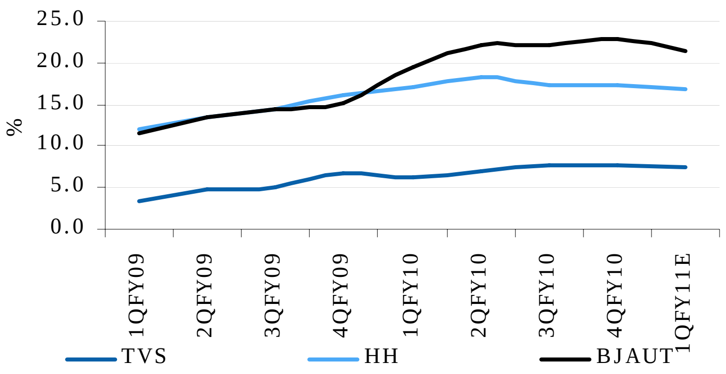
Revenue growth



EBITDA growth



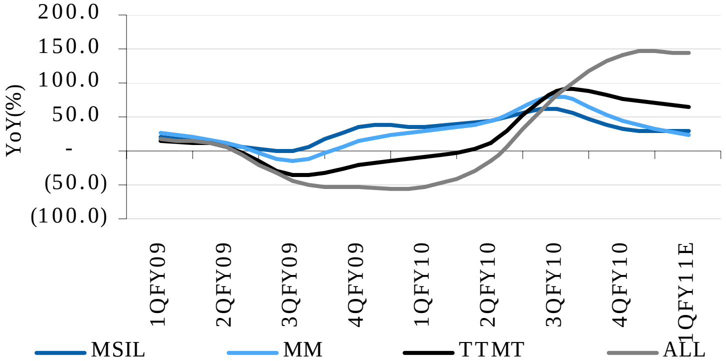
EBITDA margin



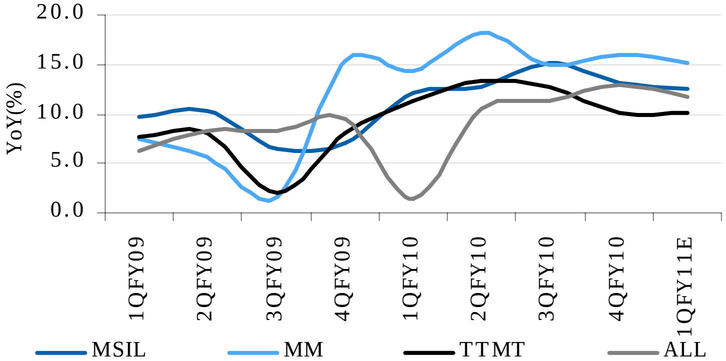
Source: Company, Alchemy

Performance trends

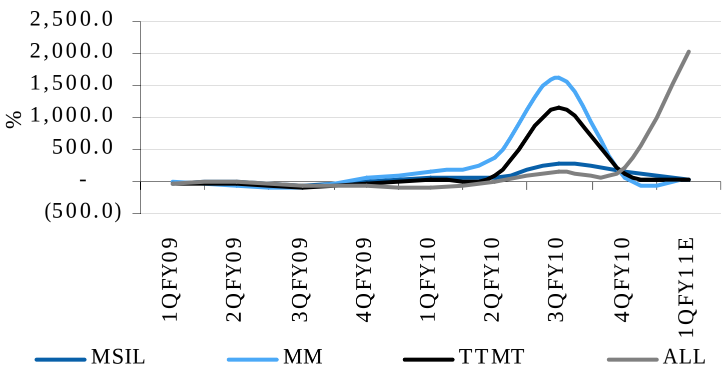
Revenue growth



EBITDA growth



EBITDA margin



Source: Company, Alchemy

Real Estate

Bookings expected to be robust.

Flat top line growth on a QoQ basis.

Operating margin and EBITDA to be flat on QoQ basis.

Net profits will be boosted by lower interest expenses.

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Robust volumes and execution progress to drive the quarter

Sector view:

- **Bookings**

  Although most of the pent-up demand was satiated over the last year, we expect robust booking volumes from real demand hereon in tandem with economic growth.

- **Revenues**

  We expect improving liquidity to result in better execution and hence recognition of revenues through percentage of completion method (POCM) during 1QFY11. However, with peak volumes (from pent-up demand) mostly behind us, we expect revenues to be flat on a QoQ basis but grow over +41% YoY for the sector due to easier comparisons.

- **Margins**

  We expect margins and EBITDA growth to be flat on a QoQ basis driven by higher mix of lower margin revenues.

- **Profits**

  Net profits overall for the sector are expected to be marginally higher on a QoQ basis driven by de-leveraging in several companies and grow +25% YoY.

- **Key investor focus items** during the quarter are: 1) launch/sales bookings progress 2) free cash flows 3) debt reduction progress and 4) execution progress.

Top picks: Unitech and Sobha Developers

- **DLF:** On a QoQ basis, we expect the company to report a marginal decline in revenue, lower EBITDA and net profit. We estimate Rev/EBITDA/Net profit of Rs18.9bn/9.1bn/4.1bn, bookings of 3.25msf and an EBITDA margin of 48%. The absence of DAL revenues will be compensated by an additional Rs1.5bn of rental revenues from Caraf. Higher depreciation (due to Caraf merger) and higher interest expenses due to SC Asia stake buyout will result in lower net profit YoY. The 1QFY11 bookings are expected from: 1) DLF Capital Greens Phase III, Delhi 2) Gurgaon Phase V inventory 3) Chennai (Egmore) 4) New Town Heights and Express Greens (New Gurgaon) and other projects in Bangalore and Hyderabad. On a YoY basis, we see 14%, 11% and -12% increase in revenues, EBITDA and net profit.

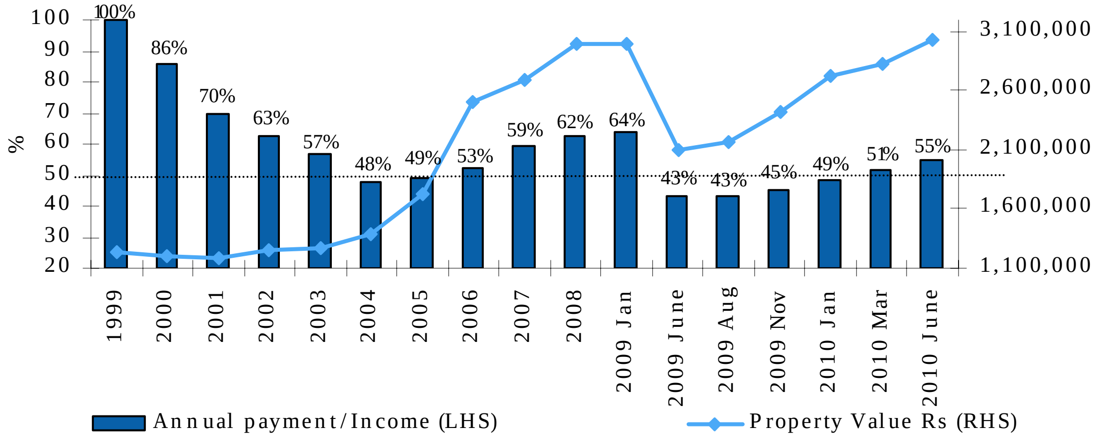
- **Unitech:** We expect the company to report a marginal QoQ improvement in revenues from faster execution and the onset of revenue recognition more newly sold properties. We expect Rev/EBITDA/Net profit of Rs11.3bn/3.2bn/2.3bn, an EBITDA margin of 29% and sales booking of 3msf during the quarter. EBITDA margins will continue to be impacted by cost overruns in their older projects. We expect further de-leveraging from operating cash flows and inflows from promoter warrants during the quarter.

Robust volumes and execution progress to drive the quarter

- **HDIL:** Our Rev/EBITDA/Net profit estimates of Rs4.5bn/2.5bn/2.0bn are mainly driven by 1.5msf of TDR sales @Rs2,750psf. As per our channel checks, TDR sales volumes picked up in June after the HC judgment as against the government increasing base FSI to 1.33 in Mumbai's suburbs. As the company follows the project completion method of recognition, bookings in Andheri (W), Kurla, Bhandup, Virar, Goregaon and other projects are not being recognised in the current quarter.
- **IBREL:** Our Rev/EBITDA/Net profit estimates are Rs500mn/-146mn/47mn. Our estimates do not assume revenue recognition from the 2.5msf bookings in FY10 during this quarter. The profit this quarter will once again be driven by interest income from cash/investments at IBREL and Indiabulls Power (IBREL owns a 57.8% stake in Indiabulls Power).
- **Anant Raj Industries:** We expect Anant Raj to report Rev/EBITDA/Net income of Rs277mn/Rs162mn/Rs174mn. Rental revenues of Rs168mn and FSI sales of Rs90mn account for the majority of revenues. The company has recently launched a residential project in Manesar and is expected to launch the Hauz Khas (South Delhi) project later this year. Leasing progress in their Kirti Nagar mall, Manesar IT Park, IT SEZ in Rai, Hotels in Delhi and their residential property launch timeline are key points to track for this company.
- **Sobha Developers:** Our Rev/EBITDA/Net income estimates are Rs3.2bn/Rs824mn/Rs453mn. We estimate booking volumes of 0.75msf for the quarter. Land sales (the company set a target of Rs2.5bn for FY11) could drive the upside to our estimates.
- **Phoenix Mills:** We estimate Rev/EBITDA/Net income of Rs390mn/Rs245mn/Rs157mn. Palladium is expected to contribute Rs152mn (at 80% average occupancy) to the top line. EBITDA margins are expected to be higher QoQ (63% versus 57% in 4QFY10) due to the progressive ramp up at Palladium.
- **Orbit:** We expect the company results to show strength QoQ due to the expected onset of revenue recognition in Orbit Residency Park and Orbit Grand. Our estimates for Rev/EBITDA/Net income are Rs1.35bn/Rs627mn/Rs263mn.

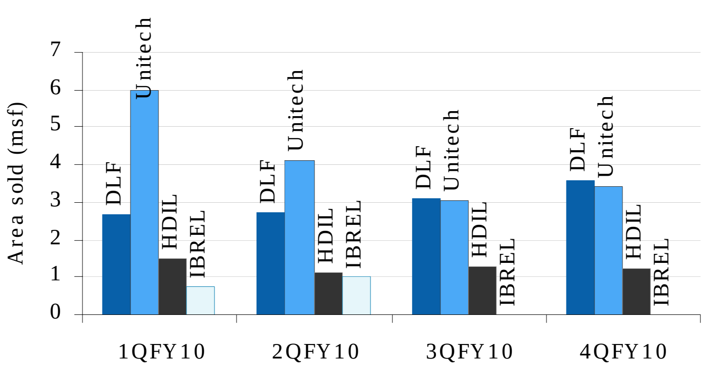
Bookings still expected to be robust

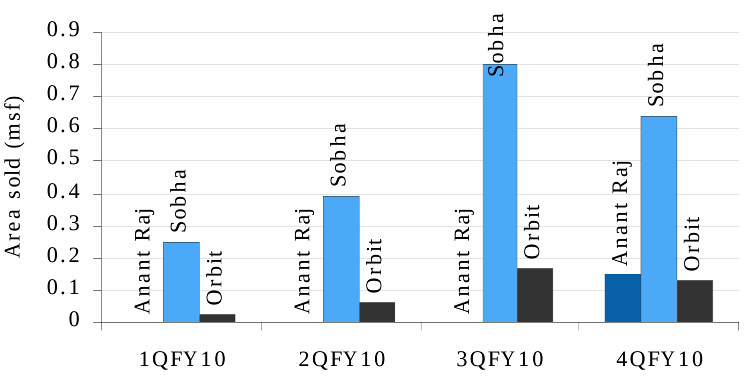
Affordability still not unattractive, even as prices breach all-time high



Source: HDFC, Alchemy Research.

Pent-up demand has been satiated but volumes still robust





Source: Company, Alchemy Research.

Estimate summary

DLF

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	18,851	19,944	(5.5)	16,499	14.3
EBITDA	9,065	10,000	(9.4)	7,441	21.8
EBITDA margin (%)	48.1	50.1		45.1	
Net Income	4,084	5,136	(20.5)	3,960	3.1

Anantraj Industries

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	277	341	(18.7)	825	(66.4)
EBITDA	162	262	(38.3)	760	(78.7)
EBITDA margin (%)	58	77		92	
Net Income	174	309	(43.9)	689	(74.8)

Unitech

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	11,335	11,325	0.1	5,149	120.1
EBITDA	3,243	2,725	19.0	3,151	2.9
EBITDA margin (%)	29	24		61	
Net Income	2,266	1,634	38.7	1,578	43.6

Sobha Developers

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	3,168	3,995	(20.7)	1,771	78.9
EBITDA	824	965	(14.6)	438	88.2
EBITDA margin (%)	26	24		25	
Net Income	453	557	(18.7)	127	256.5

HDIL

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	4,531	4,341	4.4	2,954	53.4
EBITDA	2,506	2,271	10.3	1,161	115.9
EBITDA margin (%)	55	52		39	
Net Income	1,997	1,779	12.3	1,075	85.8

Phoenix Mills

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	390	345	13.1	248	57.3
EBITDA	245	198	24.0	189	30.0
EBITDA margin (%)	63	57		76	
Net Income	157	157	(0.2)	153	2.2

IBREL

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	500	607	(17.6)	179	179.4
EBITDA	(146)	(120)	21.0	(300)	(51.5)
EBITDA margin (%)	(29)	(20)		(168)	
Net Income	47	62	(25.1)	(193)	(124.2)

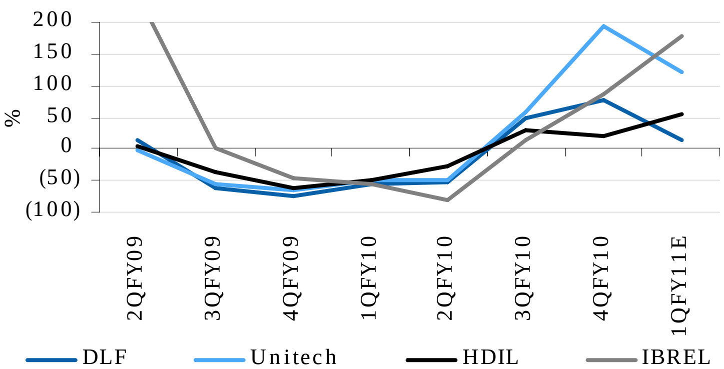
Orbit Corp

Rs mn	1QFY11E	4QFY10	QoQ (%)	1QFY10	YoY (%)
Revenues	1,346	865	55.7	1,103	22.0
EBITDA	627	412	52.3	474	32.4
EBITDA margin (%)	47	48		43	
Net Income	263	200	31.2	180	45.5

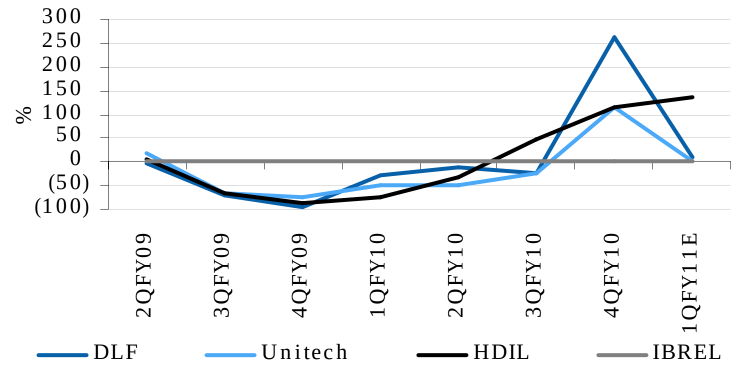
Source: Company, Alchemy Research.

Performance trends - Large caps

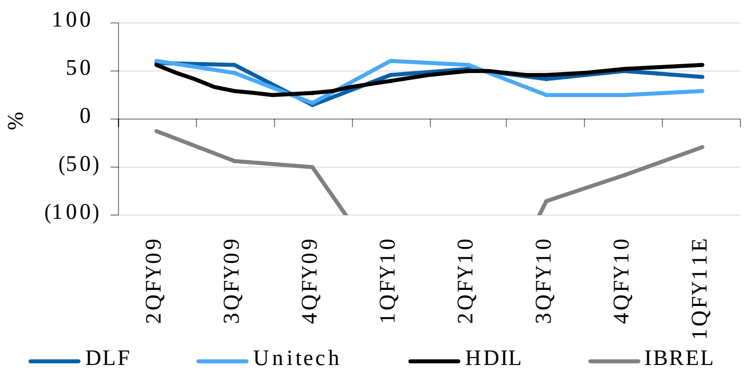
Revenue growth (YoY)



EBITDA growth (YoY)



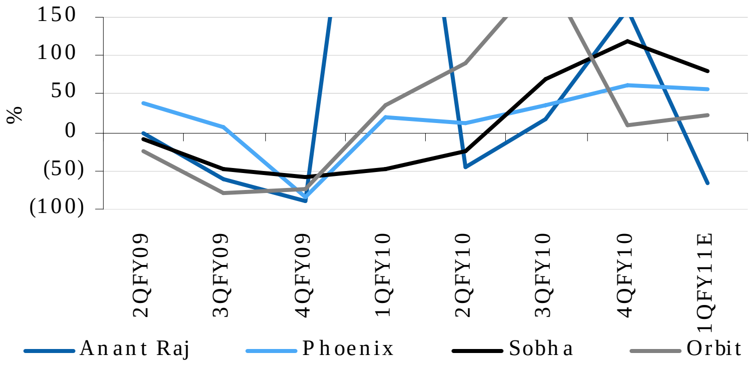
EBITDA margins



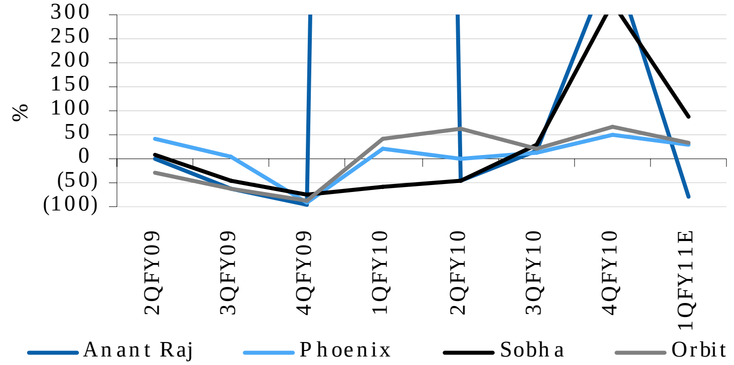
Source: Company, Alchemy Research.

Performance trends - Midcaps

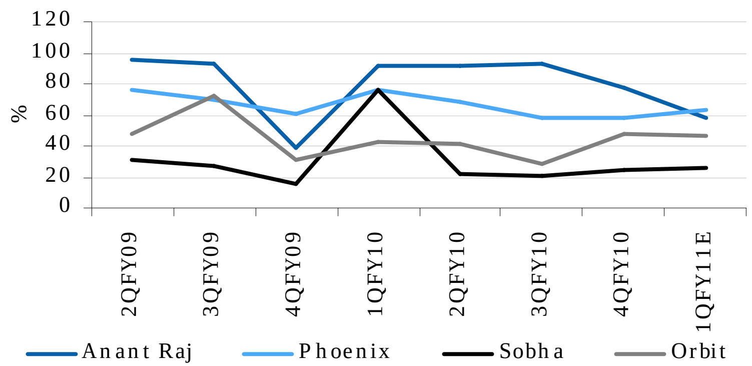
Revenue growth (YoY)



EBITDA growth (YoY)

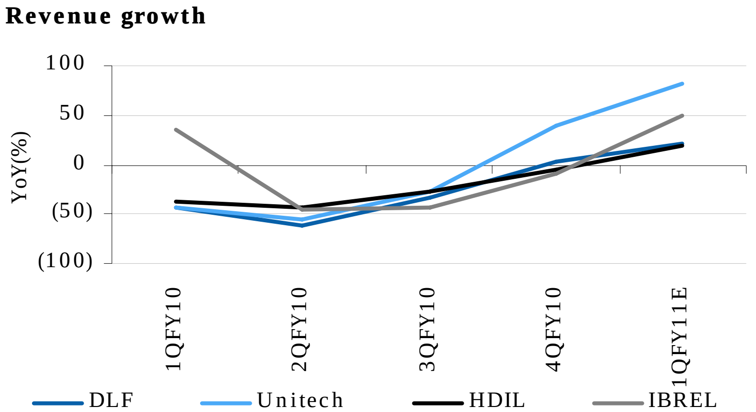


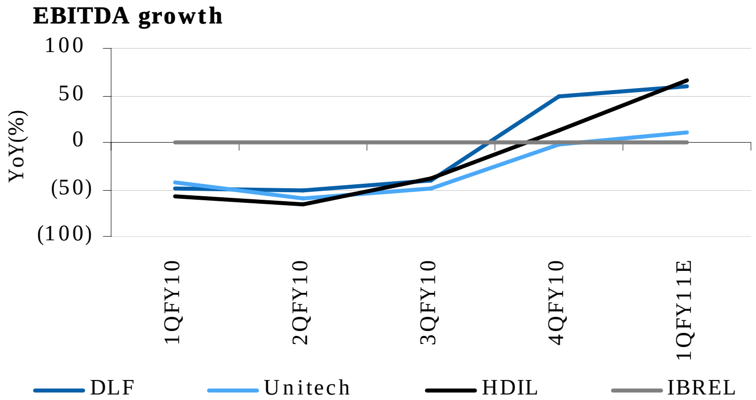
EBITDA margins

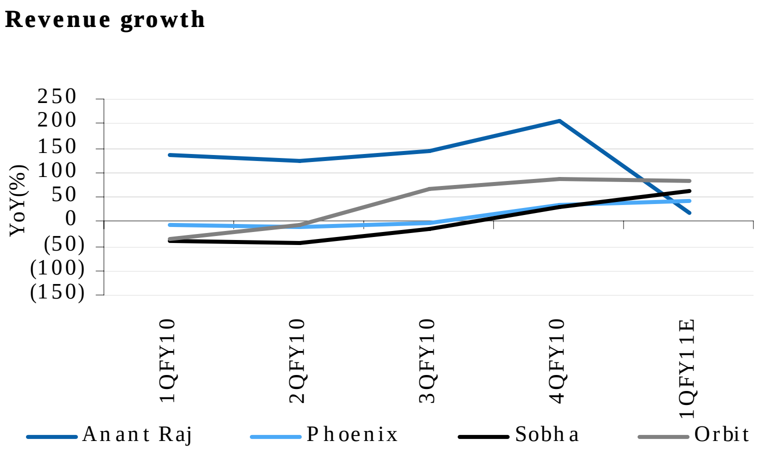


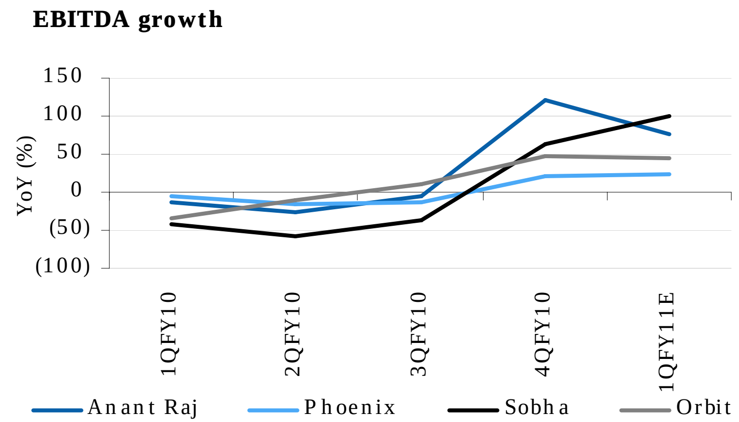
Source: Company, Alchemy Research.

Performance trends – trailing average four quarter basis









Source: Company, Alchemy Research.

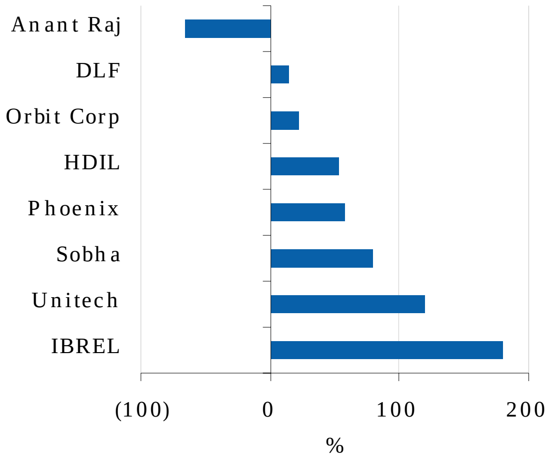
Relative performance

Relative performance

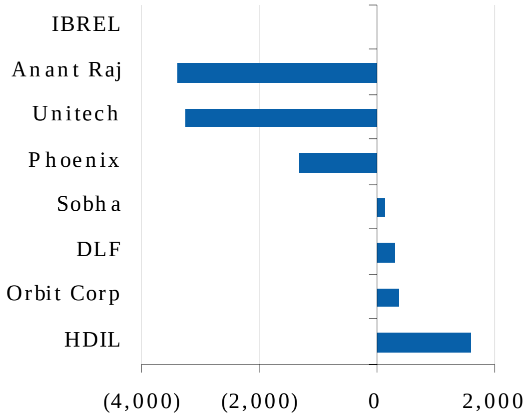
Top line		Operating margin		Net profit	
Company	**%YoY Growth**	**Company**	**YoY Change (bps)**	**Company**	**%YoY Growth**
IBREL	179.4	HDIL	1,600	Sobha	257
Unitech	120.1	Orbit Corp	366	HDIL	86
Sobha	78.9	DLF	298	Orbit Corp	45
Phoenix	57.3	Sobha	129	Unitech	44
HDIL	53.4	Phoenix	-1,321	DLF	3
Orbit Corp	22.0	Unitech	-3,258	Phoenix	2
DLF	14.3	Anant Raj	-3,378	Anant Raj	-75
Anant Raj	-66.4	IBREL	NM	IBREL	-124

Source: Company, Alchemy Research.

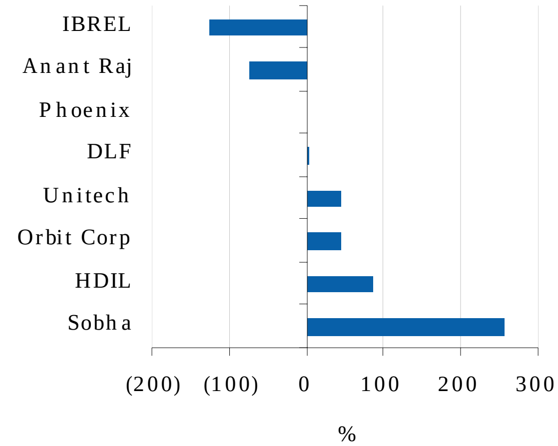
Revenue (YoY growth)



Operating margin (YoY change bps)



Net profit (YoY growth)



Valuations

Valuations

	P/BV (x)	P/E (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)		D/E (%)	EVpsf
	FY11E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E	
DLF Ltd	1.6	19.9	14.8	14.4	11.6	7.9	10.2	6.4	8.0	0.6	1,531
Unitech Ltd	1.5	15.5	11.4	13.5	9.6	10.9	12.7	7.4	9.6	0.3	470
Indiabulls Real Estate Lt	0.6	99.2	39.8	154.9	38.1	0.7	1.6	0.7	1.5	0.1	302
HDIL Ltd	1.1	9.8	6.0	10.9	6.3	11.6	16.2	8.1	11.6	0.5	554
Anantraj Industries	0.9	23.8	7.3	19.5	5.4	4.1	12.2	4.1	11.9	0.0	1,563
Phoenix Mills	2.0	45.7	38.5	29.9	26.0	4.4	5.0	4.6	5.2	0.1	953
Sobha Developers	1.4	11.7	11.4	9.4	8.7	13.2	11.9	9.2	9.0	0.5	284
Orbit Corporation	1.4	9.5	4.2	6.5	3.5	16.4	31.9	12.6	21.4	0.9	2,871

	Rating	Price	Closing	Mkt Cap	EV	Revenues (Rs mn)		EBITDA (Rs mn)		EPS	
		Target	Price	(Rs mn)	(Rs mn)	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
DLF Ltd	Accumulate	325	282	479,481	661,598	94,255	112,838	46,046	56,392	14.2	19.1
Unitech Ltd	Strong Buy	105	73	173,111	211,278	45,338	62,022	17,345	23,109	4.7	6.4
Indiabulls Real Estate Lt	Under review		156	58,974	64,983	5,432	11,431	444	1,852	1.6	3.9
HDIL Ltd	Buy	300	242	86,821	121,909	21,574	36,010	11,169	18,364	24.7	40.4
Anantraj Industries	Accumulate	135	119	35,079	34,165	2,512	8,011	1,750	6,077	5.0	16.4
Phoenix Mills	Buy	247	222	32,157	32,389	1,666	1,902	1,084	1,235	4.9	5.8
Sobha Developers	Buy	390	294	28,882	38,121	15,518	17,186	4,075	4,087	25.2	25.8
Orbit Corporation	Buy	190	134	14,172	20,673	6,731	10,982	3,179	5,870	14.0	31.8

Source: Alchemy Research.

FMCG

Volume growth likely to drive strong top line for most FMCG companies, despite being impacted by price cut in few categories.

Margins expected to come under pressure owing to higher input cost and competition led increased brand spends.

HUL will continue to invest behind brands resulting in lower EBITDA margin, while ITC's cigarettes volume could decline on average 13% YoY price hike.

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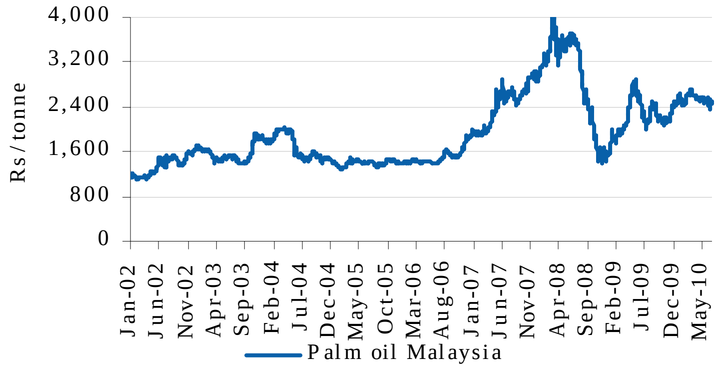
Higher RM prices, ad spend to keep margins under check

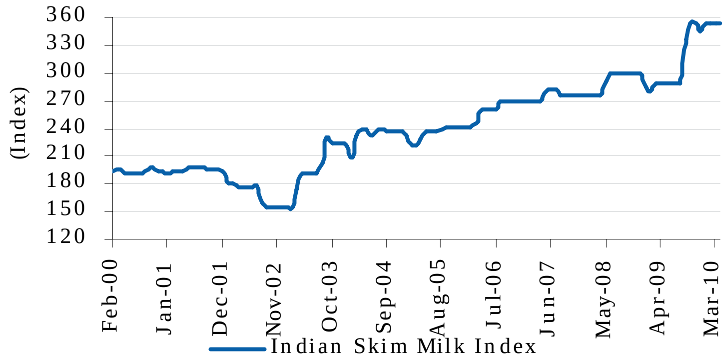
Sector view

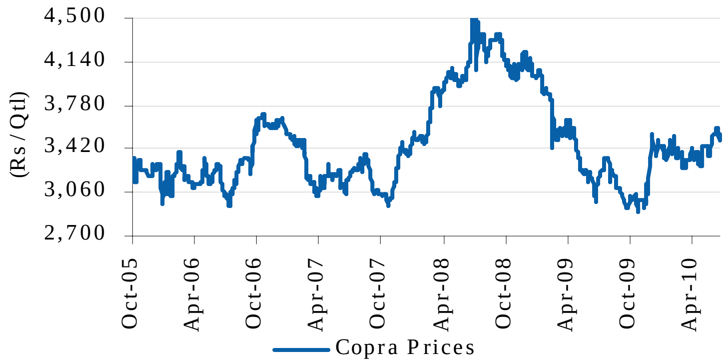
Volume growth likely to drive strong top line for most FMCG companies, despite being impacted by price cut in few categories . Margins expected to come under pressure owing to higher input cost and competition led increased brand spends.
Higher competition and new brand launches (Knorr soupy noodles, Sure and Comfort) will result in higher brand spend for HUL. We expect strong quarterly performance from ITC, despite expected decline in its cigarettes volume, while GCPL and Dabur are expected to lead mid-cap packs in the quarterly earnings.

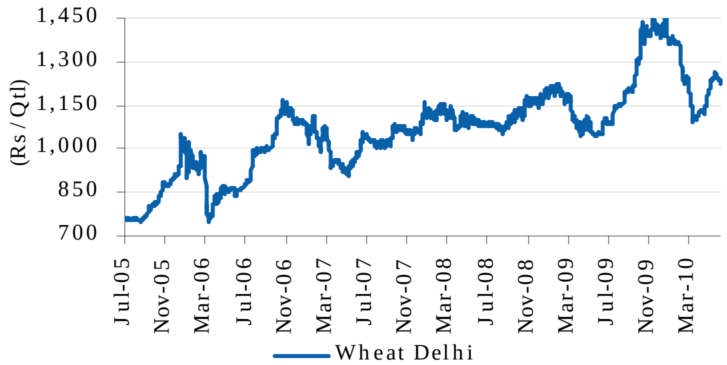
- **Asian Paint:** Top line to remain strong led by double digit volume growth and price hike taken in its domestic decorative paints. However, rising input prices could put margins under pressure. Margins in international business should witness improvement owing to sale of its loss-making units in China and Thailand.
- **Colgate:** Volumes expected to remain in double digits. EBITDA margin expected to remain high due to lower input cost and benefits from amalgamation of its Goa unit. Higher tax rate, owing to partial rollback of tax exemption on completion of five years of term in Baddi, could dent profits.
- **Dabur:** Continued double digit volume growth should drive a strong top line. EBITDA margins expansion to continue albeit at lower pace. Increase in taxes owing to higher MAT rates could dent profitability.
- **GCPL:** Strings of recent acquisitions expected to drive a strong top line growth. Domestic business could also be expected to post strong numbers driven by better soaps sales. EBITDA margins expected to remain healthy, despite consolidation of lower margin acquisitions. Tax rate could be higher on increased minimum alternate tax (MAT) rate and higher tax rate in international operations.
- **HUL:** Volume growth expected to be in double digit driven by aggressive promotions, increase in distribution and grammage in its select mass brands. Sales growth though is expected to be affected by price cuts. New brand launches entails continued higher brand spends which could impact EBITDA margin.
- **ITC:** Cigarettes volume expected to decline following average price hike by 13%. FMCG-others expected to post strong growth with lower losses (YoY) while hotels is expected to report improved performance. Increasing pulp cost could weigh on paper performance. EBITDA margin likely to be impacted by higher input cost across most of its segments.
- **Nestlé:** Sales growth expected to be led by price hikes and revival in urban demand. Higher input prices of milk, wheat and packaging materials could impact EBITDA margins. Tax benefits from Uttaranchal unit should continue to help in better profitability.
- **Marico:** Strong volume growth across its major brands including Parachute and Saffola to drive top line growth. Impact of price cuts in Parachute recruiter packs likely to be partially offset by price hike in larger packs. EBITDA margins may be impacted due to higher input price on YoY basis. We have also factored in Rs100mn of excise provision on small coconut oil packs (now under litigation with excise department).
- **Radico:** Double digit volume growth to drive top line growth. Lower input prices should drive EBITDA margin expansion. Profit should be boosted by lower interest cost (reduction in debt following capital raising from QIP).
- **United Spirits:** Top line to be driven by continued double digit volume growth and price hike. EBITDA margin expected to expand on lower molasses prices. However, profits could be hit on higher interest cost owing to part financing of overseas debt through rupee denominated loans and higher working capital requirement. Adjusted profit (base quarter had an exceptional income of Rs700mn from sale of treasury stock) to grow by 2.6% YoY.

High crude prices and food inflation play spoilsport









Source: Bloomberg, Alchemy Research

Estimate summary

Asian Paints

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	17,289	14,602	18.4	18,768	(7.9)
EBITDA	2,939	2,758	6.6	3,109	(5.5)
EBITDA margin (%)	17.0	18.9	(189)	16.6	44
Net income	1,903	1,761	8.1	1,926	(1.2)

Colgate

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	5,368	4,680	14.7	5,166	3.9
EBITDA	1,251	1,052	18.9	1,247	0.3
EBITDA margin (%)	23.3	22.5	83	24.1	(84)
Net income	1,082	1,028	5.3	1,144	(5.4)

Dabur

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	8,787	7,427	18.3	8,488	3.5
EBITDA	1,432	1,182	21.1	1,620	(11.6)
EBITDA margin (%)	16.3	15.9	38	19.1	(278)
Net income	1,090	912	19.5	1,331	(18.1)

Godrej Consumer

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	6,292	4,389	43.4	5,092	23.6
EBITDA	1,195	864	38.3	1,075	11.2
EBITDA margin (%)	19.0	19.7	(69)	21.1	(212)
Net income	931	697	33.7	918	1.5

Radico Khaitan

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	2,190	1,835	19.3	2,135	2.6
EBITDA	263	209	25.8	277	(5.3)
EBITDA margin (%)	12.0	11.4	62	13.0	(99)
Net income	165	107	54.5	96	72.4

HUL

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	48,614	44,757	8.6	43,158	12.6
EBITDA	6,490	6,881	(5.7)	5,310	22.2
EBITDA margin (%)	13.4	15.4	(202)	12.3	105
Net income	5,117	5,394	(5.1)	5,291	(3.3)

ITC

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	50,179	40,827	22.9	50,538	(0.7)
EBITDA	15,681	13,371	17.3	15,401	1.8
EBITDA margin (%)	31.3	32.8	(150)	30.5	78
Net income	10,358	8,787	17.9	10,282	0.7

Nestle

Rs mn	2QCY10E	2QCY09	Change (%)	1QCY10	Change (%)
Revenues	14,248	12,095	17.8	14,798	(3.7)
EBITDA	2,978	2,618	13.8	3,040	(2.1)
EBITDA margin (%)	20.9	21.6	(74)	20.5	35
Net income	1,891	1,620	16.7	2,019	(6.3)

Marico

Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	7,845	6,967	12.6	6,023	30.3
EBITDA	957	965	(0.8)	849	12.7
EBITDA margin (%)	12.2	13.8	(165)	14.1	(190)
Net income	622	600	3.6	569	9.3

United Spirits

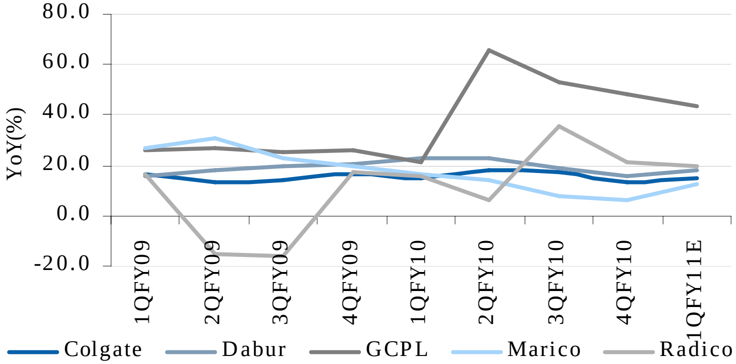
Rs mn	1QFY11E	1QFY10	Change (%)	4QFY10	Change (%)
Revenues	14,932	12,417	20.3	12,521	19.3
EBITDA	2,733	2,219	23.1	1,813	50.7
EBITDA margin (%)	18.3	17.9	43	14.5	382
Net income	1,275	1,243	2.6	569	124.2

Source: Company, Alchemy Research

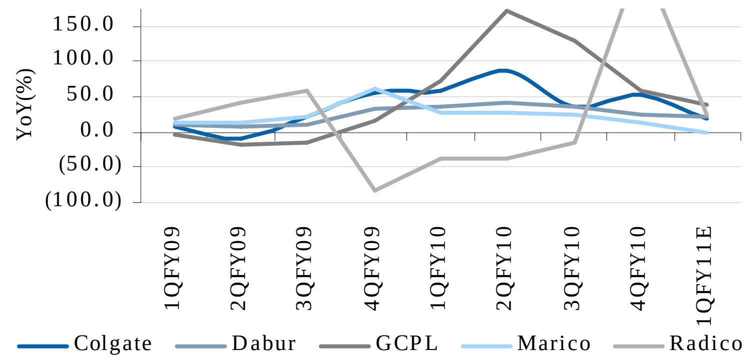
Note: GCPL's number include its recent acquisitions from the date of completion of the respective acquisition.
United Spirits and Radico Khaitan are not under active coverage. Nestlé's fiscal year ends in December.

Performance trends

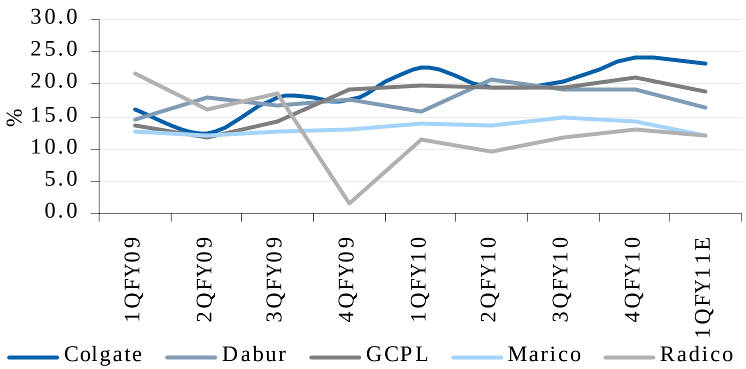
Revenue growth



EBITDA growth



EBITDA margin



Source: Company, Alchemy Research

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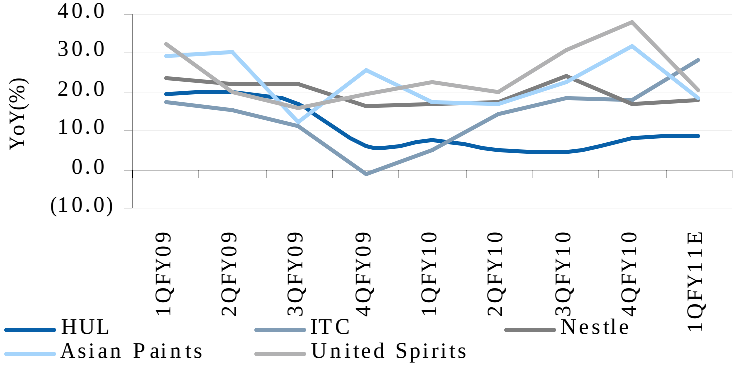
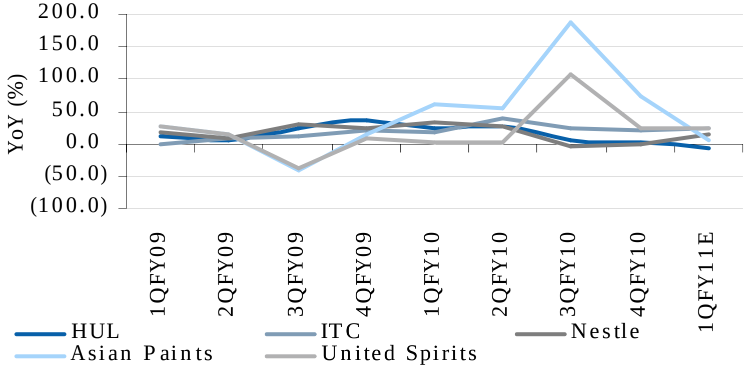
Performance trends

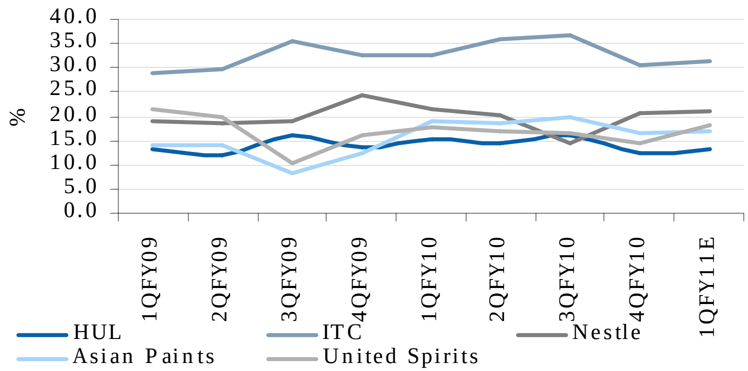
Revenue growth



EBITDA growth



EBITDA margin



Source: Company, Alchemy Research

Note: United Spirits and Radico Khaitan are not under active coverage. Nestlé's fiscal year ends in December.

Relative performance

Relative performance

Topline	
Company	**YoY growth (%)**
GCPL	43
ITC	23
United Spirits	20
Radico Khaitan	19
Asian Paints	18
Dabur	18
Nestle	18
Colgate	15
Marico	13
HUL	9

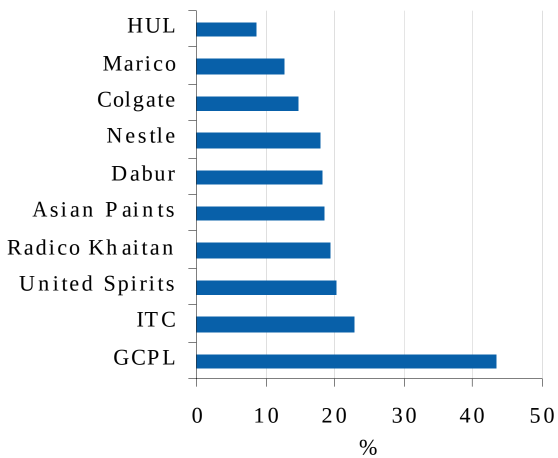
Operating margin	
Company	**YoY bps**
Colgate	83
Radico Khaitan	62
United Spirits	43
Dabur	38
GCPL	(69)
Nestle	(74)
ITC	(150)
Marico	(165)
Asian Paints	(189)
HUL	(202)

Net profit	
Company	**YoY growth (%)**
Radico Khaitan	55
GCPL	34
Dabur	20
ITC	18
Nestle	17
Asian Paints	8
Colgate	5
Marico	4
United Spirits	3
HUL	(5)

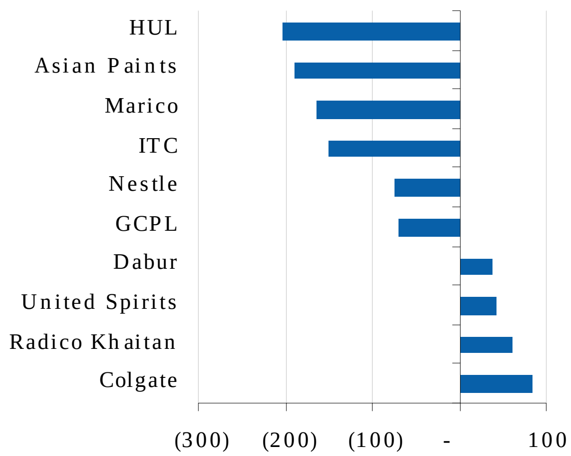
Source: Alchemy Research

Note: GCPL's number include its recent acquisitions from the date of completion of the respective acquisition.
Nestlé's fiscal year ends in December.

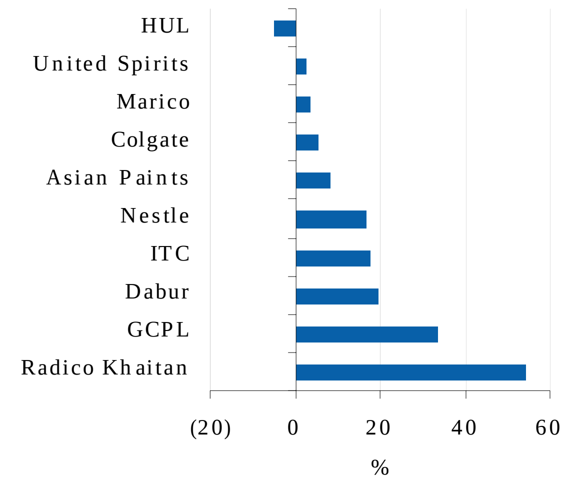
Revenue (YoY growth)



Operating margin (YoY bps)



Net profit (YoY growth)



Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
FMCG									
Asian Paints	2,330	223	Reduce	28.5	24.6	10.4	8.8	17.6	15.3
Colgate	842	114	Accumulate	27.3	24.1	43.1	40.2	22.9	19.9
Dabur	202	176	Accumulate	30.2	25.4	12.5	9.9	22.9	19.1
GCPL	348	108	Buy	24.4	18.3	6.8	5.5	17.5	13.1
HUL	266	581	Accumulate	25.8	23.0	20.8	16.9	20.2	17.8
ITC	302	1,154	Buy	23.4	20.2	7.2	6.2	15.3	13.1
Marico	125	76	Accumulate	28.5	23.9	9.2	7.1	18.5	15.6
Nestle	3,085	297	Reduce	37.7	31.5	41.2	33.4	25.2	21.1
Radico Khaitan	118	16	Not Rated	19.7	15.6	2.3	2.1	12.7	10.6
United Spirits	1,277	160	Not Rated	30.2	23.0	2.9	2.6	14.4	12.0

Source: Bloomberg, Alchemy Research

**December ending*

Retail

Strong top line growth driven by SSS growth and area expansions.

Margin expansion story to continue driven by operating leverage.

Net profits will be further boosted by lower interest expenses as a percentage of sales.

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Revenue growth with margin expansion to continue

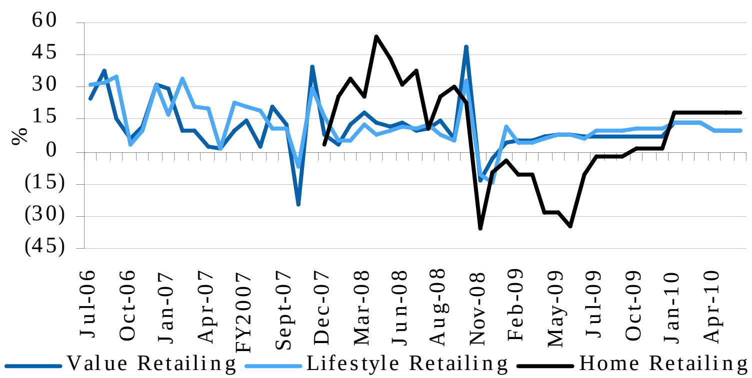
Sector view:

- We expect to see robust top line growth driven by same-store sales (SSS) and area expansions.
- EBITDA margin expansion will be driven by higher operating leverage.
- Interest cost as a percentage of sales is expected to continue to decline further driving net profits.
- Service tax provisioning may begin this quarter, although the expense is relevant only until GST will be implemented after which it will be fully offset.
- **Provogue and Pantaloon are our top picks at current valuations.**

- **Pantaloon Retail:** We estimate Rev/EBITDA/Net profit of Rs21.1bn/2.5bn/735mn and an EBITDA margin of 11.6%. Key assumptions include SSS growth of 10% and area expansion of 0.65msf. Gross margins may continue to see pressure (30bps YoY contraction) due to discounting but higher operating leverage will result in EBITDA margin expansion of 60bps YoY. Interest cost as a percentage of sales should fall marginally to 4.1%. Our estimates do not assume: 1) de-merger of Value Retail and 2) merger of Home solutions into PRIL. Provision for service tax for the current quarter would result in additional expenses of Rs126mn which will impact EBITDA, net profit margins by 60bps each.
- **Shoppers Stop:** We expect a Rev/EBITDA/Net profit of Rs3.7bn/235mn/88mn, and an EBITDA margin of 6.3%. We estimate SSS growth of 15% for the quarter driven by easier comparisons and rising consumer sentiment. Our estimates imply gross and EBITDA margin expansions of 10bps and 120bps YoY, respectively. Falling interest expenses as a percentage of sales will drive NPM by 200bps. Provision for service tax for the current quarter would result in additional expenses of Rs24mn which will impact EBITDA and net profit margins by 65bps and 50bps, respectively.
- **Provogue:** We expect Rev/EBITDA/Net profit of Rs832mn/134mn/53mn and an EBITDA margin of 16.1%. We estimate SSS growth of 8% for the quarter. The company has already been providing for the service tax in its statements, so there will be no impact on profitability.

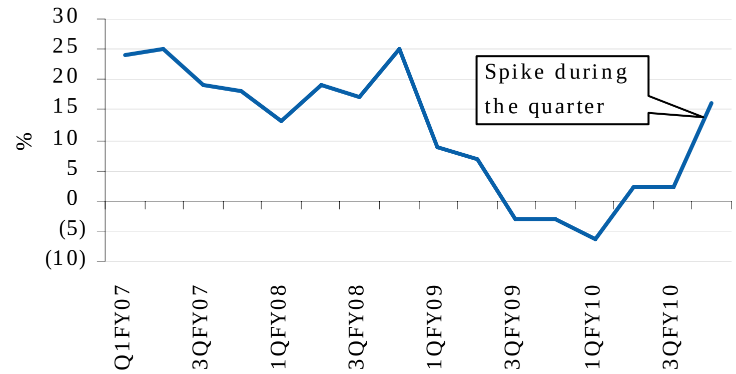
SSS growth rising/stabilising

Pantaloon



Source: Company, Alchemy Research.

Shoppers Stop



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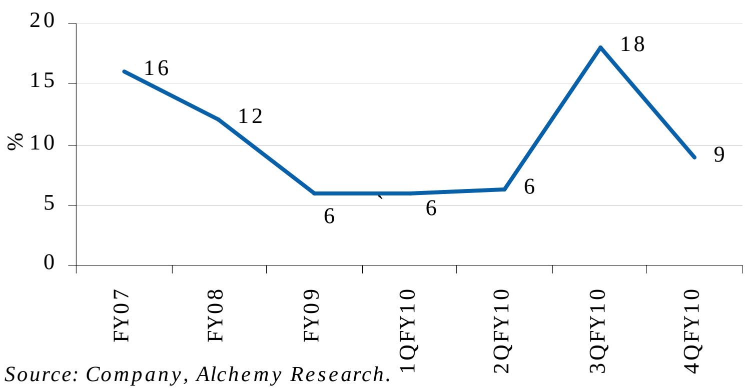
Provogue



Source: Company, Alchemy Research.

Estimate and valuations

Pantaloon

Rs mn	4QFY10E	3QFY10	qoq (%)	4QFY09	yoy (%)
Revenues	21,146	20,576	2.8	16,627	27.2
EBITDA	2,457	2,156	13.9	1,832	34.1
EBITDA margin (%)	11.6	10.5		11.0	
Net Income	735	559	31.5	365	101.5

Shoppers Stop

Rs mn	1QFY11E	4QFY10	qoq (%)	1QFY10	yoy (%)
Revenues	3,717	4,074	-8.8	3,010	23.5
EBITDA	235	243	-3.1	154	52.4
EBITDA margin (%)	6.3	6.0		5.1	
Net Income	88	126	-30.5	10	764.8

Provogue

Rs mn	1QFY11E	4QFY10	qoq (%)	1QFY10	yoy (%)
Revenues	832	1,553	-46.4	710	17.3
EBITDA	134	147	-8.9	107	24.8
EBITDA margin (%)	16.1	9.5		15.1	
Net Income	53	38	40.4	67	(21.0)

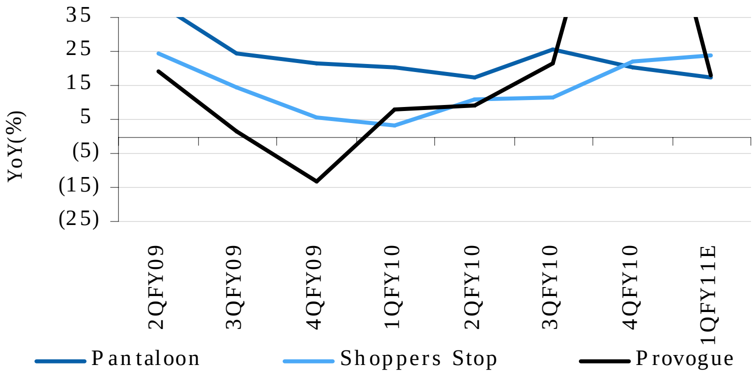
Valuations

	Rating	Mcap	PBV (x)	PE (x)		EV/EBITDA (x)		ROE (%)		D/E (%)
		Rs mn	FY10E	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E	FY11E
Pantaloon Retail	Buy	85,232	2.64	25.28	17.31	10.85	8.57	11.0	14.1	0.9
Provogue India Ltd.	Strong Buy	6,501	0.87	23.65	15.88	12.99	9.92	3.8	5.3	0.3
Shoppers Stop Ltd.	Accumulate	19,508	5.29	32.40	23.79	16.97	12.82	19.4	20.0	0.6

Source: Company, Alchemy Research.

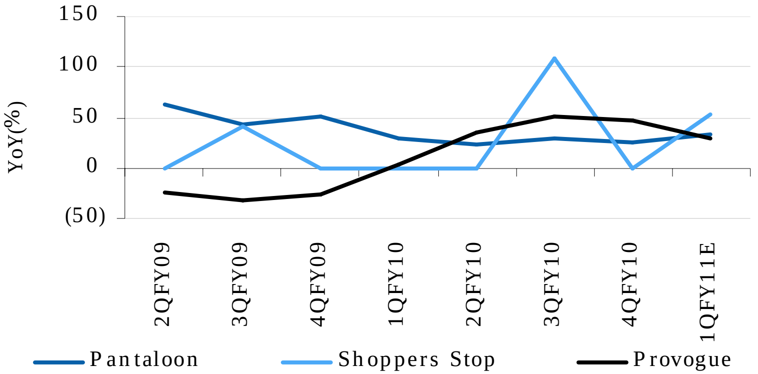
Performance trends

Revenue growth



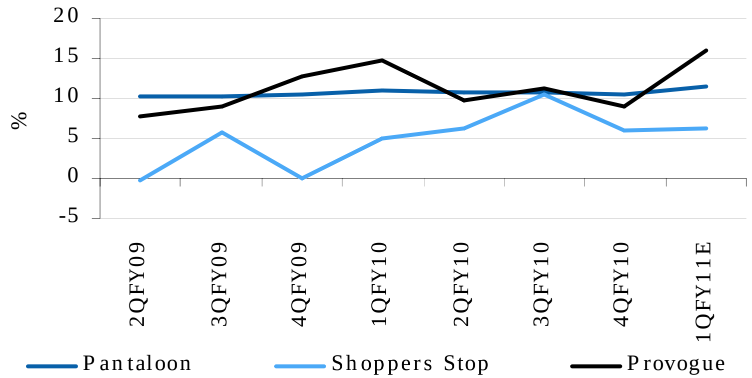
Source: Company, Alchemy Research.

EBITDA growth



Source: Company, Alchemy Research.

EBITDA margins



Source: Company, Alchemy Research.

Relative performance

Relative performance

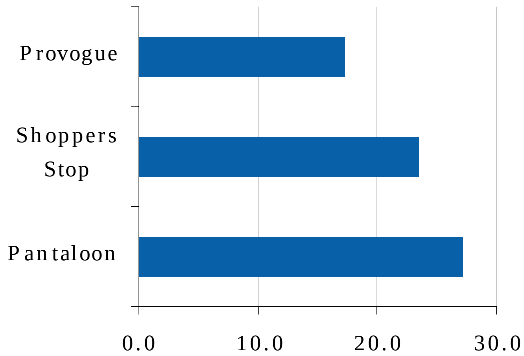
Top line	
Company	**%YoY Growth**
Pantaloon	27.2
Shoppers Stop	23.5
Provogue	17.3

Source: Company, Alchemy Research.

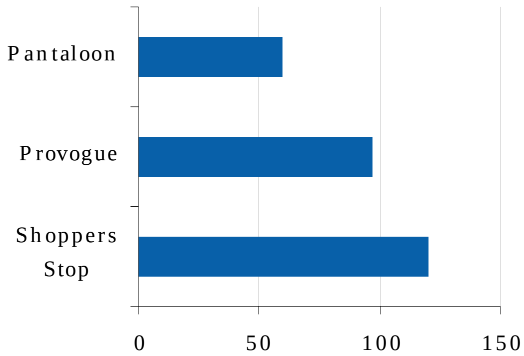
Operating margin	
Company	**YoY Change (bps)**
Shoppers Stop	120
Provogue	97
Pantaloon	60

Net profit	
Company	**%YoY Growth**
Shoppers Stop	764.8
Pantaloon	101.5
Provogue	-21.0

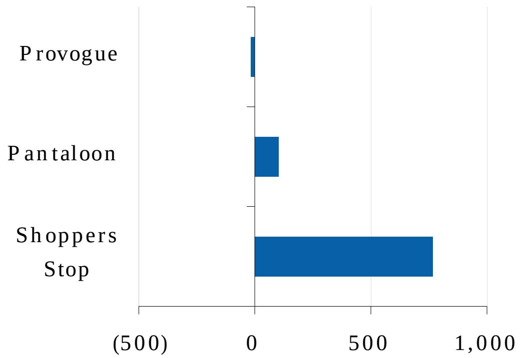
Revenue YoY growth



Operating margin YoY growth



Net profit YoY growth



Pharmaceuticals

Favourable outlook for the sector with generics in flavour.

More consolidation and partnering deals expected as MNCs show increasing interest in emerging markets like India.

We see a strong recovery in CRAMS, albeit off a low base. Domestic formulations sales growth to remain strong at 14%.

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Domestic sales and CRAMs recovery to drive growth

Sector view

1QFY11 expectations: On the domestic formulations front, we estimate the strong growth momentum to continue. Excluding Sun Pharma, we see 14.4% increase in the domestic formulations revenue for our coverage universe. On exports formulations, we expect 13% growth; given the upsides from Sumatriptan in 1QFY10 will be partially offset by upsides from Valacyclovir.

We forecast a strong 29% YoY recovery in CRAMS earnings, mainly off a low base of corresponding quarter previous year. We expect revenue to remain flat on a sequential basis. On the margin front, a strong surge in 620bps is expected largely driven by a strong profitability in Ranbaxy and Sun Pharma as against a low base. We do not expect an adverse impact on currency fluctuation owing to 3% rupee appreciation during the quarter.

During the quarter, the extraordinary item are US$20mn from Sanofi for Glenmark and US$10mn from Abbott for Cadila.

View: We maintain our favourable stance on the sector, with a bias towards generic companies like Sun Pharma and Lupin on account of their robust product pipeline. We expect the companies to benefit from the burgeoning opportunities of patent expiry (US$80bn worth is expected to go off-patent by 2014). We also like Aurobindo owing to its attractive valuations (trading at 8x FY12E). We expect to see a strong recovery in the CRAMS revenue, though the growth will come off a low base. We recommend Buy rating on Dishman as we anticipate robust earnings in FY12E owing to the commencement of HiPo, China facility and attractive valuations. We expect the robust growth momentum in domestic formulations to continue with new launches (including patented launches from MNCs). Key risks for the sector remain any untoward development from the USFDA or any regulatory changes.

Stock Ideas: Top Buy: Lupin and Sun Pharma; **Top Sell:** Ranbaxy

- **Aurobindo Pharma:** Revenue growth is expected to be moderate at 8% owing to lower ARV and API sales. We expect the US formulations business to grow by 12% to Rs2.6bn. Driven by higher contribution from formulation sales in US and EU market, operating margins are expected to improve to 20%. Given the negligible rupee movement during the quarter, we are not factoring in any forex losses in our estimates.
- **Cadila:** Another strong quarter expected with revenue of Rs10.5bn, up 19% YoY. The US and Latin American markets are expected to steer exports formulations growth to Rs4.3bn, up 30% YoY. On the domestic formulations front, the growth is expected to be marginally above the industry growth rate at 15%. We expect margins to remain flat at 21%. With a strong operating performance and US$10mn from Abbott, we expect to see a strong 50% surge in PAT to Rs1.9bn.
- **Cipla:** Moderate quarter expected with domestic market growth of 12% in line with the industry. On the exports front, API earnings are expected to remain weak. We expect marginal decline in margins of 100bps as against the high margin in 1QFY10 where performance was boosted by favourable currency fluctuations. PAT likely to grow at 21% driven by operating performance, technology income and absence of currency losses.
- **Dishman:** We expect 16% sales growth, coming off the weak base of 1QFY10. We see recovery in both CRAMS and MM segment; however expect growth to remain sluggish on a QoQ basis. With operating margins at 25%, PAT for the quarter is expected to grow by 13% to Rs442mn.

Domestic sales and CRAMs recovery to drive growth

- **Divi's:** We expect a strong quarter with 50% revenue growth to Rs3.1bn. This growth comes off the low base of 1QFY10, where performance was severely impacted by inventory correction. Operating margins are also expected to bounce back to ~44%, thus pushing PAT to Rs1.1bn. The 1QFY10 PAT was also impacted by tax provisioning of Rs540mn along with weak performance.
- **Dr Reddy's:** Adjusting for upsides from Sumatriptan in 1QFY10, we expect 13% revenue growth to Rs18bn for the quarter. While the PSAI revenue growth will be in higher single digit, we expect formulations sales in India, US and CIS to drive performance. We also expect contribution from Omeprazole OTC of US$5mn. Margins are expected to decline to 14% YoY in the absence of contribution from exclusivities.
- **Glenmark:** A strong growth from both the specialty and generic segment is expected during 1QFY11. Outperformance in domestic formulations is expected to sustain, which will be supported by robust growth of 25% in the semi-regulated markets. On the generic front, we expect revenue in US to register 15% growth with contribution from the OC launch. Operating margins to remain strong at 25%, thus will support to adjusted PAT growth of 28%.
- **Lupin:** The strong earnings momentum is expected to sustain in 1QFY11 as well, as the company will benefit from robust performance across key markets. A strong growth in domestic revenue along with upsides from Antara launch in the US will push revenue up by 22% to Rs13.3bn and PAT by 44% to Rs2.0bn.
- **Piramal:** We expect a strong performance in domestic market (17% growth expected) and contribution from GCC of Rs950mn. We see YoY recovery in the CMO segment, revenue expected to be up by 20% with the commenced of renewed Pfizer deal.
- **Ranbaxy:** Another strong quarter expected, as the company continues to enjoy upsides from the exclusivity on generic Valtrex. Given the healthy market share in the drug, we expect sale of generic Valtrex to contribute US$120mn for the quarter. We also expect to witness recovery across key emerging markets like India, Africa, CIS and Latin America. Operating margins will remain strong at 28%, mainly from upsides on Valtrex.
- **Sun Pharma:** Performance is strictly not comparable to the corresponding quarter last year, as the domestic revenue was adversely impacted following the inventory push in 4QFY09. As against a low base, we estimate ~70% rise in domestic formulations revenue. We expect revenue of US$65mn from Caraco with higher contribution from Oxaliplatin sales. Operating margins are expected to remain strong 37% with PAT of Rs3.7mn.
- **GSK Pharma:** We expect 14% revenue growth to Rs5.2bn owing to new launches. With improvement of 120bps in operating profitability and contribution from other income, PAT is expected to rise by 23% to Rs1.5bn.
- **Pfizer:** We expect 14% revenue growth with domestic pharma segment growing marginally ahead of the industry. Expect a strong improvement in margins nearly 600bps.
- **Wyeth:** We expect the strong performance to continue with revenue growth of 13% to Rs1.3bn and operating margins of ~37%. With lower contribution from other income and marginally higher tax assumption, the PAT as per our estimates is expected to rise by 10%.

Estimate summary

Sun Pharma

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	10,642	7,876	35.1	10,825	(1.7)
EBIDTA	3,884	1,286	202.1	3,919	(0.9)
EBIDTA margin (%)	36.5	16.3		36.2	
Net income	3,661	1,638	123.5	3,945	(7.2)

Dr Reddy's

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	18,327	18,189	0.8	16,424	11.6
EBIDTA	2,991	3,802	(21.3)	2,383	25.5
EBIDTA margin (%)	16.3	20.9		14.5	
Net income	2,090	2,445	(14.5)	1,667	25.4

Cipla

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	14,959	13,253	12.9	13,175	13.5
EBIDTA	3,991	3,685	8.3	2,580	54.7
EBIDTA margin (%)	26.7	27.8		19.6	
Net income	2,924	2,417	21.0	2,755	6.1

Ranbaxy

Rs mn	2QCY10E	2QCY09	YoY(%)	1QCY10	QoQ(%)
Revenues	23,757	17,919	32.6	24,867	(4.5)
EBIDTA	7,652	1,285	495.5	10,517	(27.2)
EBIDTA margin (%)	32.2	7.2		42.3	
Net income	4,693	6,931	(32.3)	9,606	(51.1)

Lupin

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	13,278	10,856	22.3	12,848	3.3
EBIDTA	2,906	2,091	38.9	2,924	(0.6)
EBIDTA margin (%)	21.9	19.3		22.8	
Net income	2,012	1,401	43.6	2,206	(8.8)

Cadila

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	10,448	8,803	18.7	8,159	28.1
EBIDTA	2,865	2,037	40.6	1,894	51.3
EBIDTA margin (%)	27.4	23.1		23.2	
Net income	1,872	1,248	50.0	1,188	57.7

Glenmark

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	6,460	5,437	18.8	7,091	(8.9)
EBIDTA	1,615	1,214	33.1	1,783	(9.4)
EBIDTA margin (%)	25.0	22.3		25.1	
Net income	1,585	535	196.6	1,026	54.5

Aurobindo

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	8,737	8,097	7.9	9,011	(3.0)
EBIDTA	2,147	1,957	9.7	1,715	25.2
EBIDTA margin (%)	24.6	24.2		19.0	
Net income	1,176	1,666	(29.4)	1,212	(3.0)

Source: Company, Alchemy Research

Estimate summary

Piramal Healthcare

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	9,731	8,215	18.4	9,418	3.3
EBIDTA	1,946	1,557	25.0	2,163	(10.0)
EBIDTA margin (%)	20.0	19.0		23.0	
Net income	1,207	851	41.8	1,543	(21.8)

Divi's

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	3,087	2,058	50.0	3,141	(1.7)
EBIDTA	1,363	784	74.0	1,522	(10.4)
EBIDTA margin (%)	44.1	38.1		48.4	
Net income	1,103	43	2,470.3	1,834	(39.9)

Dishman

Rs mn	1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)
Revenues	2,648	2,277	16.3	2,479	6.8
EBIDTA	762	687	10.9	519	46.8
EBIDTA margin (%)	28.8	30.2		20.9	
Net income	442	392	12.9	212	108.8

GSK Pharma

Rs mn	2QCY10E	2QCY09	YoY(%)	1QCY10	QoQ(%)
Revenues	5,220	4,574	14.1	5,411	(3.5)
EBIDTA	1,968	1,674	17.6	2,056	(4.3)
EBIDTA margin (%)	37.7	36.6		38.0	
Net income	1,526	1,244	22.8	1,612	(5.3)

Pfizer

Rs mn	2QCY10E	2QCY09	YoY(%)	1QCY10	QoQ(%)
Revenues	2,121	1,859	14.1	2,026	4.7
EBIDTA	484	330	47.0	517	(6.4)
EBIDTA margin (%)	22.8	17.7		25.5	
Net income	396	313	26.6	425	(6.7)

Wyeth

Rs mn	2QCY10E	2QCY09	YoY(%)	1QCY10	QoQ(%)
Revenues	1,297	1,147	13.1	1,066	21.7
EBIDTA	478	404	18.4	433	10.5
EBIDTA margin (%)	36.9	35.2		40.6	
Net income	320	292	9.7	304	5.2

Source: Company, Alchemy Research

Relative performance

Top line	
Company	**YoY growth (%)**
Divi's Labs	50.0
Sun Pharma	35.1
Ranbaxy	32.6
Lupin	22.3
Glenmark	18.8
Cadila	18.7
Piramal	18.4
Dishman	16.3
Pfizer	14.1
GSK Pharma	14.1
Wyeth	13.1
Cipla	12.9
Aurobindo	7.9
Dr Reddy's	0.8

Given the low base in 1QFY10, we see a strong surge in YoY earnings for **Divi's Labs**, with the conclusion of inventory correction activities.

Sun Pharma is expected to register a strong growth in domestic formulations business, off the low base of last year.

Muted revenue growth for **Dr Reddy's** as 1QFY10 includes upsides from Sumatriptan exclusivity.

Operating margin	
Company	**YoY change (bps)**
Ranbaxy	2,570.1
Sun Pharma	2,017.3
Divi's Labs	1,110.4
Pfizer	593.0
Glenmark	267.8
Wyeth	261.1
Lupin	211.2
Dishman	163.4
Aurobindo	115.2
GSK Pharma	113.6
Piramal	104.5
Cadila	(0.4)
Cipla	(97.6)
Dr Reddy's	(521.0)

Steep margin decline for **Dr Reddy's** owing to the absence of exclusivity income. Dr Reddy's enjoyed upsides from Sumatriptan in 1QFY10.

For **Sun Pharma** 1QFY10 was the weakest with margins at a low of 16%. We expect margins in line with core business performance.

Margin for **Cipla** in1QFY10 was higher on account of favourable currency movement.

Net profit	
Company	**YoY growth (%)**
Divi's Labs	2,470.3
Glenmark	196.6
Sun Pharma	123.5
Cadila	50.0
Lupin	43.6
Piramal	41.8
Pfizer	26.6
GSK Pharma	22.8
Cipla	21.0
Dishman	12.9
Wyeth	9.7
Dr Reddy's	(14.5)
Aurobindo	(29.4)
Ranbaxy	(32.3)

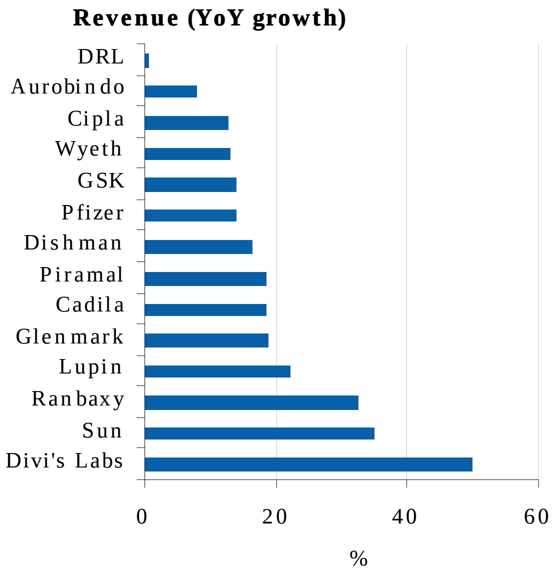
Ranbaxy's 2QCY09 PAT included upsides of ~Rs10bn from favourable currency movement. PAT adjusted for forex is expected to grow by ~9x.

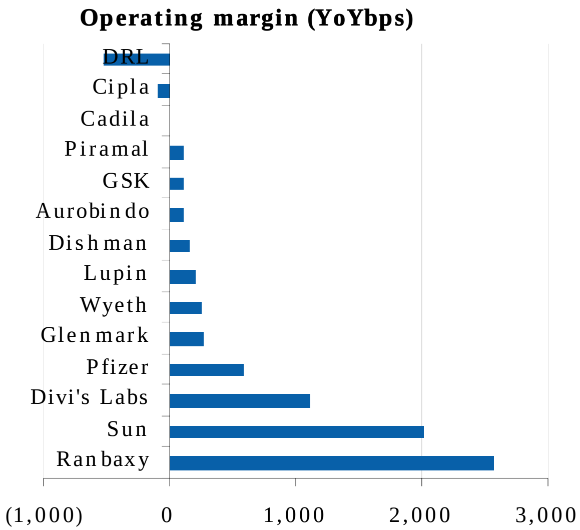
Divi's reported muted PAT of Rs43mn owing to tax provision of Rs540mn.

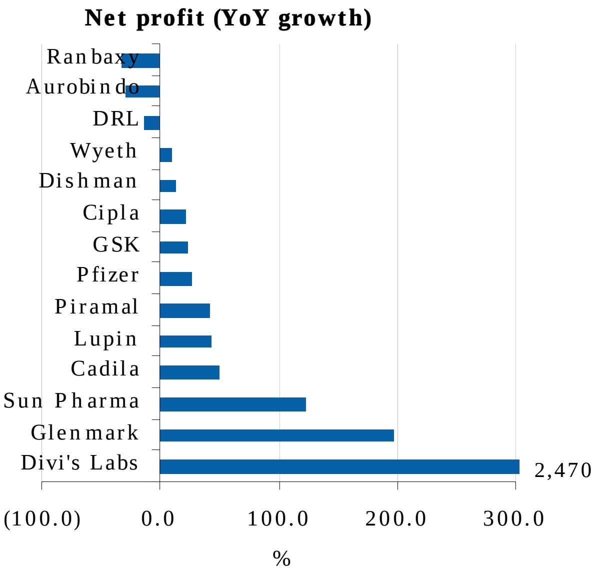
Glenmark's 1QFY11 earnings includes US$20mn received from Sanofi-Aventis on outlicensing GRC 15300.

Source: Company, Alchemy Research

Relative performance

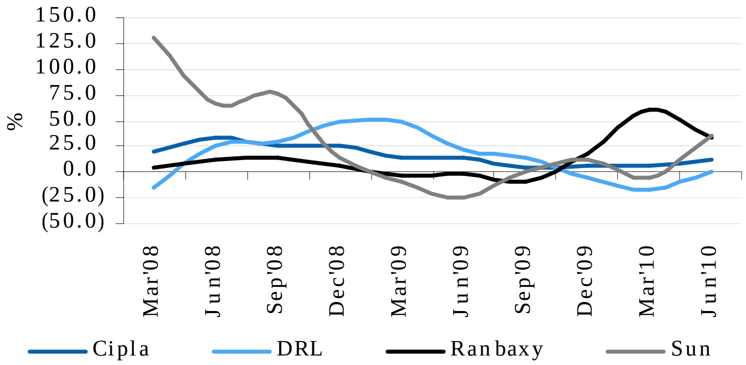




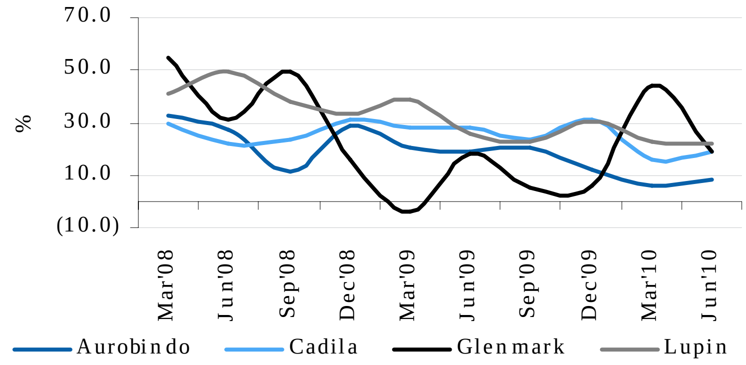


Performance trends – revenue growth

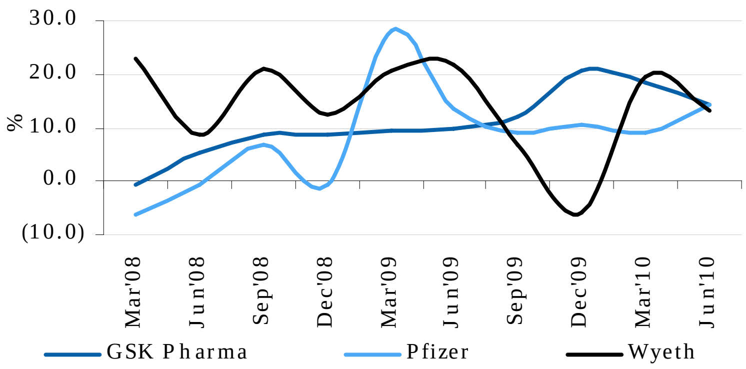
Large Caps



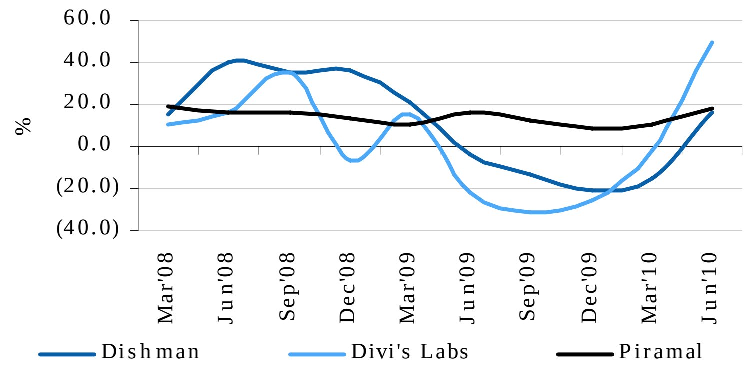
Mid Caps



MNCs



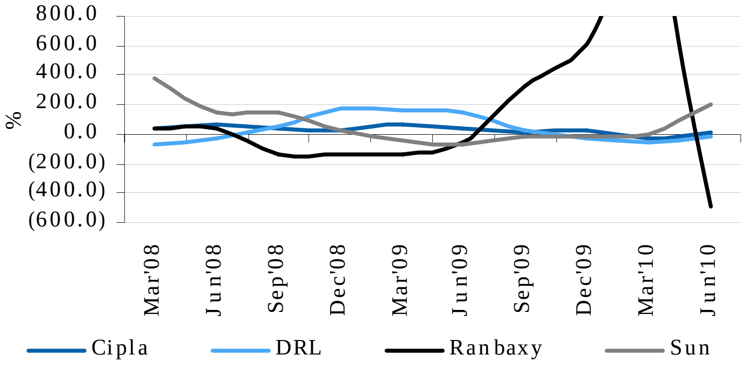
CRAMS



Source: Company, Alchemy Research

Performance trends – EBIDTA growth

Large Caps



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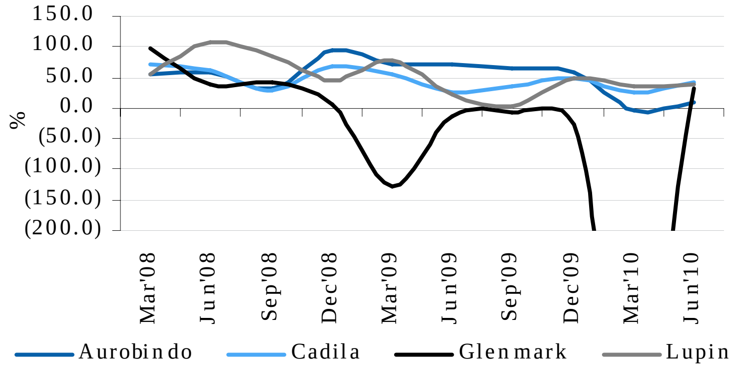

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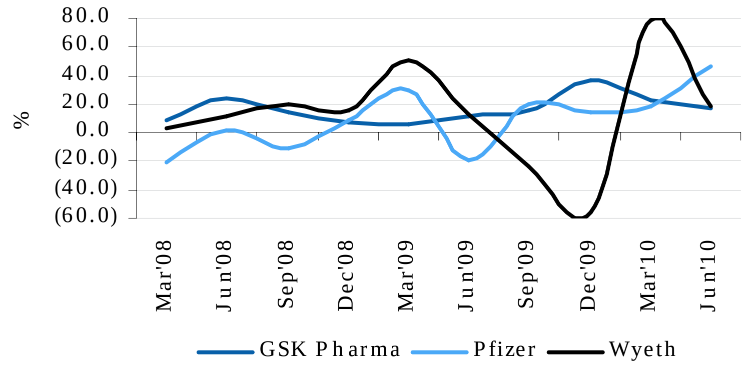
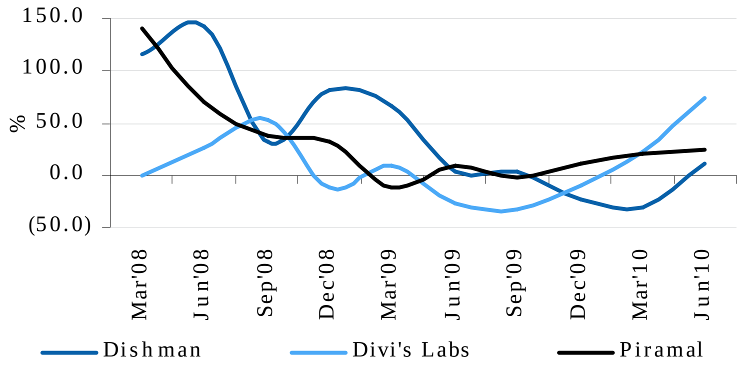


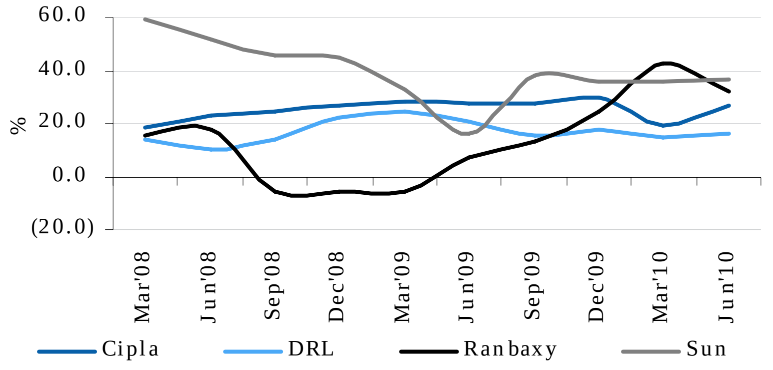
CRAMS



Source: Company, Alchemy Research

Performance trends – EBIDTA margin

Large Caps



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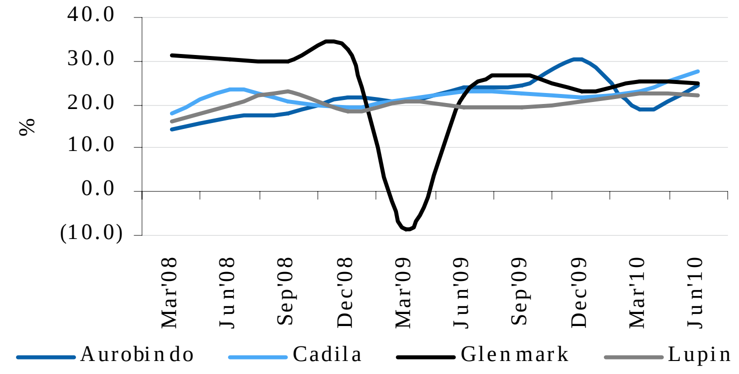
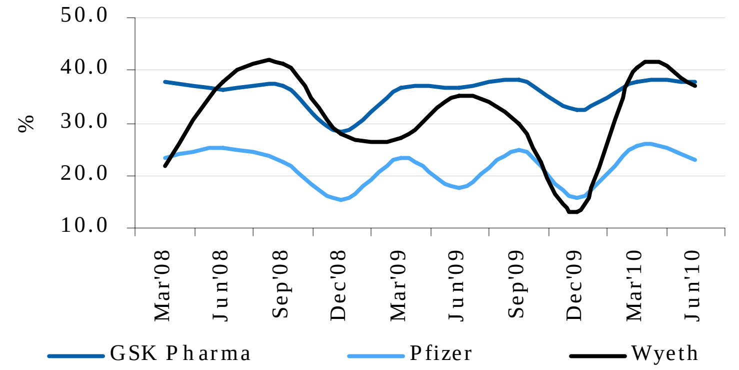
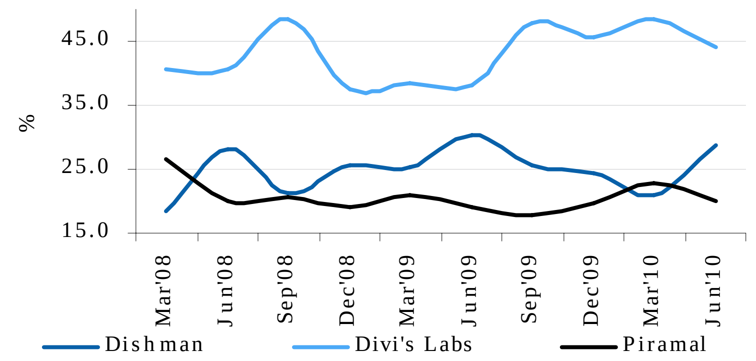


MNCs



CRAMS



Source: Company, Alchemy Research

Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
Aurobindo	923	52	Buy	9.6	8.1	2.2	1.7	7.6	6.2
Cadila	658	135	Accumulate	20.1	16.5	6.0	4.6	14.3	11.8
Cipla	337	271	Accumulate	28.3	21.1	4.1	3.5	19.7	15.1
Dishman	211	17	Buy	11.1	8.1	1.8	1.5	9.3	7.1
Divi's Labs	770	102	Accumulate	23.4	19.2	5.5	4.3	19.3	15.6
Dr Reddy's	1,461	247	Accumulate	27.0	23.1	4.9	4.1	19.0	15.9
Glenmark	273	74	Buy	17.0	12.6	2.6	2.1	12.1	9.6
GSK Pharma	2,169	184	Accumulate	31.2	26.3	9.0	7.5	21.0	17.3
Lupin	1,925	171	Buy	19.7	15.1	6.3	4.6	14.5	11.1
Pfizer	1,171	35	Accumulate	21.6	19.1	3.9	3.5	15.5	13.0
Piramal	501	105	Accumulate	18.5	14.7	4.9	3.9	12.7	10.5
Ranbaxy	460	194	Sell	20.6	31.1	3.6	3.4	13.6	21.4
Sun Pharma	1,740	358	Buy	23.9	20.2	3.8	3.3	20.3	16.8
Wyeth	825	19	Accumulate	18.7	15.5	6.4	5.7	11.3	9.5

** Ranbaxy CY10E includes upsides from Valtrex exclusivity.*

Source: Company, Alchemy Research

Media

Revenue growth for media companies to see impact of ad rate hikes.

Expect strong YoY earnings performance from entertainment companies (UTV and PVR) compared to low base last year (standoff between multiplexes and producers last year resulted in high operational losses).

Earnings for our universe of media and entertainment stocks are expected to grow by 55% YoY.

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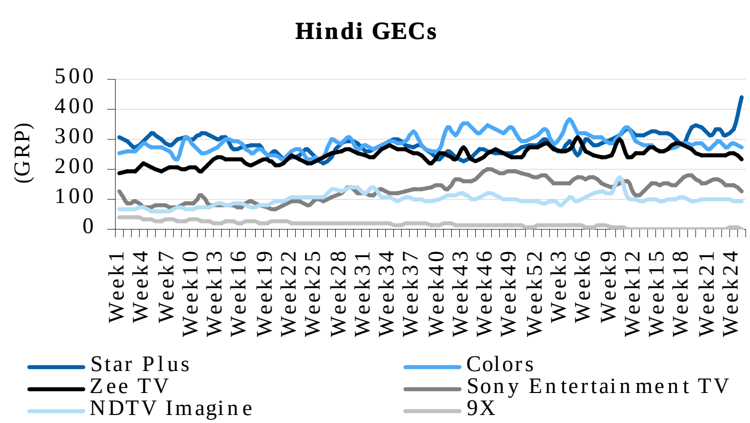
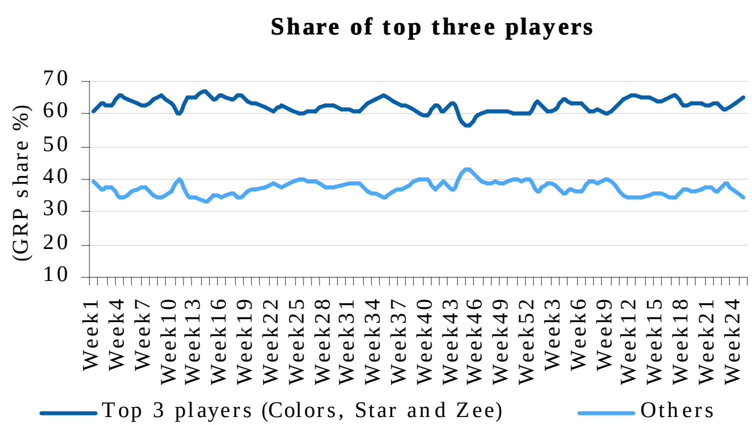
Strong earnings growth momentum to continue…

Television: During the quarter we have seen a series of sporting events viz., IPL Season 3 (31 matches), ICC T20 World Cup, India-Sri Lanka-Zimbabwe Tri-series (Micromax Cup) ODI followed by FIFA World Cup in South Africa and Asia Cup Cricket series. Except for IPL Season 3, most of the other sporting events have seen a lukewarm performance in terms of ratings. India's early exit from the ICC T20 World Cup hit tournament ratings. While the first 16 matches of IPL garnered an average TVR of 4.1, the non-India matches in the ICC World Cup could fetch an average TVR of 1.7. Micromax cup which aired on Ten Sports pre-sold 60% of its total ad inventory of 5,000 seconds per match. However, concerns remain about spot sales as the first five matches managed only an average TVR of 1.18 (*Source: Indiantelevision.com*). Also, the tournament lacked participation from key team players like Sachin Tendulkar and Mahendra Singh Dhoni. It is estimated that the ongoing FIFA World Cup will garner advertisement revenues of Rs1.5bn.

The sporting events did not have any major impact on the viewership of Hindi GEC genre, which during the quarter garnered an average of 1,360 GRPs as against 1,385 GRPs in 4QFY10. Within the genre, the successful re-branding of Star Plus (443 GRPs, Week 25 CY10) has helped the channel to widen its gap from its immediate competitors Colors (276 GRPs, Week 25 CY10) and Zee TV (231 GRPs, Week 25 CY10). While major contribution to the genre's ratings have come from the top three players – Colors, Star Plus and Zee TV accounting for 65% (Week 25, CY10) of the genre's total GRPs.



Source: TAM



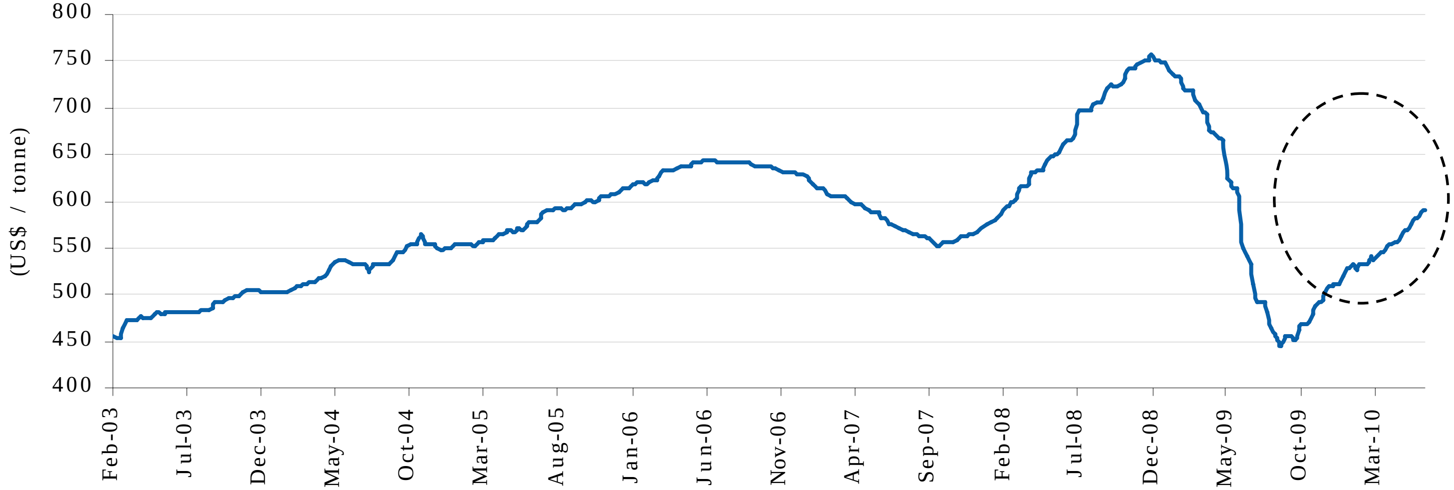
Source: TAM

Media

Print Media: With improved ad sentiment and also to the extent of the rise in newsprint prices, the increase in ad rates was due for print media majors. During the quarter, DB Corp has undertaken ~12-14% ad rate hike, effective from 01 April 2010. Jagran Prakashan has also undertaken ~10% ad rate hike, effective from the same month.

Newsprint prices for the industry have risen by 32% from their bottom of US$446/tonne since October 2009 to US$590/tonne, currently. However, forward contracts at prices lower than current prevailing prices and low-cost inventory will keep a check on newsprint cost until 2HFY11.

Trend in US newsprint prices



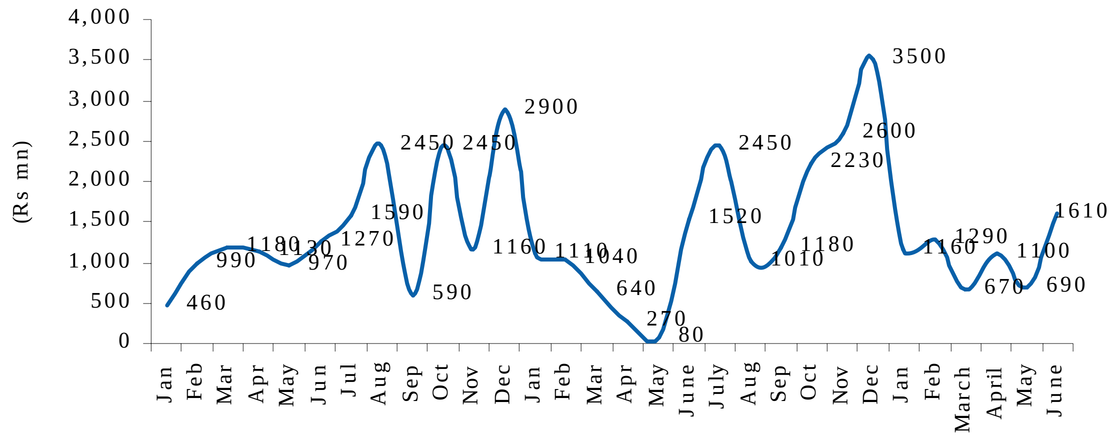
Source: Bloomberg

Radio: The Indian radio industry has seen a sharp recovery since 2HFY10, as indicated by increasing utilisation levels of the market leader, Radio Mirchi and also a series of ad rate hikes announced during the quarter by players like Red FM (12-15%) and My FM (20-25%). Though we believe any meaningful growth for the industry, through an increase in ad rates, would be possible only from 2HFY11.

Movies: Post-IPL 3, there were only three major Hindi movie releases namely, *Housefull*, *Badmaash Company* and *Kites*. Of these, *Kites* could not make any material impact at the box office. This was reflected by a drop in the MoM box office collections.

The recovery from satellite rights proved to be a savior for some of the recent movies showcasing mediocre performance at the box office. For instance, Colors, which bought the satellite rights of *Kites* soon after its theatrical release, would help the movie recover certain portion of its production cost. However, with the release of *Raajneeti* in June, the industry heaved a sigh of relief with phenomenal box office collections. Apart from domestic collections of ~Rs720mn (net in ten days), the movie also fetched Rs220mn from sale of its music and satellite rights.

Box office trend



Source: IBOS

Media

- **ENIL:** Seasonality will have its impact on ENIL's radio revenues as inventory utilisations tend to dip on a sequential basis. For the quarter under review, we expect the radio business to report revenues of Rs574mn, growing by 14.2% YoY. The segment is expected to clock in an operating profit of Rs108mn with margins of 18.7%. At a consolidated level, we expect the company to report revenues of Rs1,057mn, growing by 21.1% YoY with an operating profit of Rs126mn. However, high depreciation and amortisation expenses will limit net profit to Rs7mn.

- **HT Media:** Consolidated revenues for 1QFY11 are expected to report a moderate increase of 2.7% QoQ (YoY comparison not possible) from Rs3.85bn to Rs3.95bn. Sequential increase in domestic newsprint cost and higher sales promotion expenses should result in 246bps contraction in operating profit margins to 21.7%. Net profit accordingly will decline by 9.8% QoQ to Rs433mn.

- **Jagran Prakashan:** We have built in for a 12.3% YoY revenue growth from Rs2.3bn to Rs2.6bn. Average newsprint cost of ~Rs24.25 per kg for the quarter will help the company to see margin improvement from 30.4% to 33.0%. Accordingly net profit for the quarter is expected to grow by 4.5% YoY to Rs518mn. This lower earnings growth is due to high base in 1QFY10 resulting from higher other income (~Rs40mn of foreign exchange gains and ~Rs70mn of income from FMP).

- **PVR:** The company's organic expansion for its exhibition continues with 13 new screen additions (Chennai and Ahmadabad) during the quarter. With regards to the operational performance, the company is expected to report a strong YoY growth of 163.3% in revenues to Rs909mn. Last year, standoff between multiplexes and producers resulted in poor operational performance. Since then the issue has long been resolved and the company has successfully maintain healthy ATP and occupancy. Accordingly for the quarter under review, we expect the company to report operating profit of Rs141mn as against operational losses of Rs89mn in 1QFY10. Net profit for the quarter is estimated at Rs33mn.

- **Sun TV Networks:** We expect YoY ad revenue growth momentum to continue, as the company has seen a successful pass through of ad rate hike (12-15%) effective from 01 January 2010. Amortisation cost is expected to increase on a sequentially basis as Sun Pictures had two (medium budget) movie releases during the quarter, unlike one movie release (medium budget) seen in 4QFY10. For the quarter, we expect revenues for the company to grow by 42.3% YoY to Rs4.09bn with an operating profit margin of 80.1%. Earnings for the quarter are expected to grow by 36.7% YoY to Rs1.64bn.

- **TV Today (TVTN):** Financials of TVTN are not comparable due to merger of radio business in 4QFY10. During the quarter TVTN's flagship channel *Aaj Tak* maintained its leadership position with an average market share of 17.8%. Revenues for the quarter are expected to grow by 4% YoY to Rs741mn. Losses in radio business will result in 740bps YoY contraction in operating profit margins to 20%. Further, interest cost and higher depreciation on account of the merger of radio business will result in 63.4% YoY decline in earnings to Rs61mn.

Media

- **Zee Entertainment (ZEE):** Results for ZEE would not be comparable on yearly basis due to the merger of regional GECs with the company. The company's flagship channel Zee TV attained a market share of 19.1% with an average of 259 GRPs. However amongst the regional GECs, Zee Bangla (now part of ZEE) continues to see loss in market share to Star Jalsha. The channel attained an average market share of 19.7% in 1QFY11 compared to 20.8% in 4QFY10. For the quarter we expect the consolidated business (ZEE + R-GECs) to report revenues of Rs6.5bn with an operating margin of 291%. Net profit for the quarter is estimated at Rs1.26bn.

- **UTV Software:** The movie segment had just one new release during the quarter, *Rajneeti*. The movie till date has made a gross box office collection of Rs1.2bn while the music and satellite rights for the movie were pre-sold for an additional Rs220mn. One-time write-off of movie inventory (in 4QFY10) will result in lower amortisation expenses for the broadcasting segment. For the quarter, we expect the company to clock in revenues of Rs1,606mn, growing by 85.7% YoY. Overall earnings for the quarter are pegged at Rs180mn.

- **Zee News:** Results for Zee News are not comparable on yearly basis with the de-merger of regional GECs effective from 01 January 2010. For the quarter, we expect the company to report revenues of Rs610mn, up 1.6% QoQ. However, we expect operating margin to expand by 534bps QoQ to 11.8% due to lower staff expenses (4QFY10 staff cost included one-time bonus payout). Accordingly, we expect net profits to grow by 37.7% QoQ to Rs29mn.

- **Top Picks:** Sun TV and Jagran Prakashan

Quarterly estimates

HT Media

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	3,954	3,351	*18.0*	3,851	2.7
EDITDA	857	691	*24.0*	929	(7.8)
EDITAM (%)	21.7	20.6	*105 bps*	24.1	*(246 bps)*
Net Income	433	324	*33.6*	480	(9.8)

TV Today

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	741	710	*4.2*	789	(6.1)
EDITDA	148	195	*(24.0)*	28	428.9
EDITAM (%)	20.0	27.4	*(742 bps)*	3.5	*1641 bps*
Net Income	61	166	*(63.4)*	(101)	(160.5)

Jagran Prakashan

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	2,604	2,319	*12.3*	2,363	10.2
EDITDA	859	705	*21.9*	633	35.9
EDITAM (%)	33.0	30.4	*259 bps*	26.8	*624 bps*
Net Income	518	495	*4.5*	364	42.2

UTV Software

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	1,606	865	*85.7*	1,268	26.6
EDITDA	334	(629)	*(153.2)*	369	(9.5)
EDITAM (%)	20.8	-72.7	*9352 bps*	29.1	*(831 bps)*
Net Income	180	(341)	*(152.8)*	305	(41.1)

PVR

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	909	345	*163.3*	719	26.4
EDITDA	141	(89)	*(258.9)*	68	109.0
EDITAM (%)	15.5	-25.8	*4131 bps*	9.4	*615 bps*
Net Income	33	(109)	*NA*	4	796.9

Zee Entertainment

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	6,488	4,759	*36.3*	6,493	(0.1)
EDITDA	1,890	1,170	*61.6*	1,836	2.9
EDITAM (%)	29.1	24.6	*487 bps*	28.3	*117 bps*
Net Income	1,260	1,019	*23.6*	1,273	(1.1)

Sun TV Network

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	4,094	2,877	*42.3*	3,919	4.5
EDITDA	3,279	2,236	*46.6*	3,309	(0.9)
EDITAM (%)	80.1	77.7	*235 bps*	84.4	*(433 bps)*
Net Income	1,638	1,198	*36.7*	1,651	(0.8)

Zee News

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	610	1,374	*(55.6)*	601	1.6
EDITDA	72	248	*(71.0)*	39	85.4
EDITAM (%)	11.8	18.0	*(624 bps)*	6.5	*534 bps*
Net Income	29	119	*(76.1)*	21	37.7

ENIL

Rs mn	1QFY11E	1QFY10	yoy (%)	4QFY10	QoQ (%)
Revenues	1,057	873	*21.1*	1,203	(12.1)
EDITDA	126	(64)	*(295.2)*	342	(63.2)
EDITAM (%)	11.9	(7.4)	*1927 bps*	28.4	*(1651 bps)*
Net Income	7	(194)	*(103.7)*	154	(95.4)

Source: Company, Alchemy Research
Note: Financials of Zee, Zee News and TV Today are not comparable on a YoY basis

Relative performance

Relative performance

Top line

Company	YoY growth (%)
PVR	163.3
UTV Software	85.7
Sun TV	42.3
Zee Entertainment Enterprise	36.3
ENIL	21.1
HT Media	18.0
Jagran Prakashan	12.3
TV Today	4.2
Zee News	(55.6)

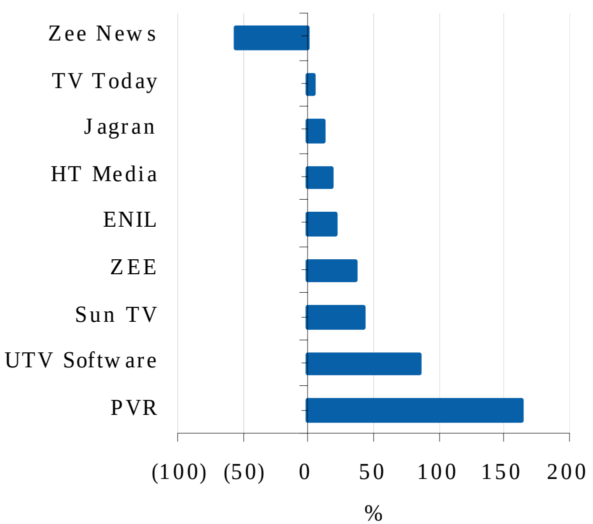
Operating margin

Company	YoY change (bps)
UTV Software	9352
PVR	4131
ENIL	1927
Zee Entertainment Enterprise	455
Jagran Prakashan	259
Sun TV	235
HT Media	105
Zee News	(623.5)
TV Today	(742.2)

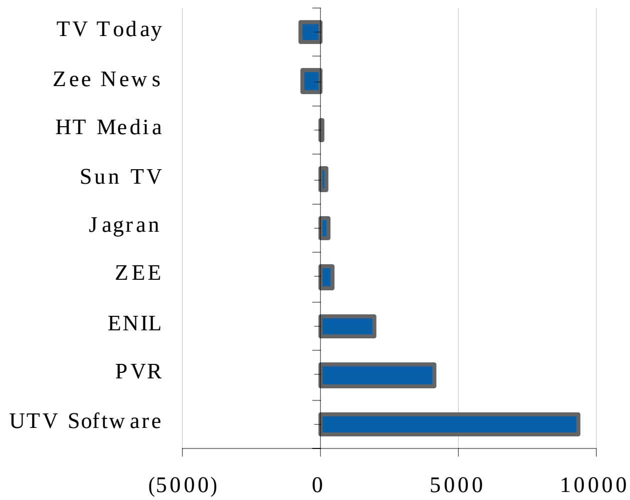
Net profit

Company	YoY growth (%)
Sun TV	36.7
HT Media	33.6
Zee Entertainment Enterprise	23.6
Jagran Prakashan	4.5
TV Today	(63.4)
Zee News	(76.1)
ENIL	(103.7)
PVR	(130.4)
UTV Software	(152.8)

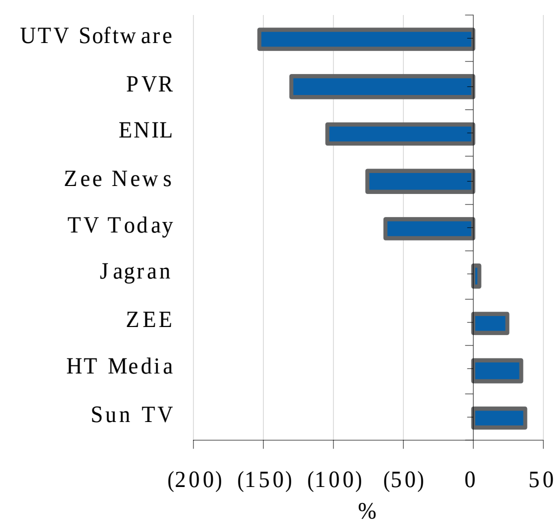
Revenue (YoY growth)



Operating margin (YoY change bps)



Net profit (YoY growth)



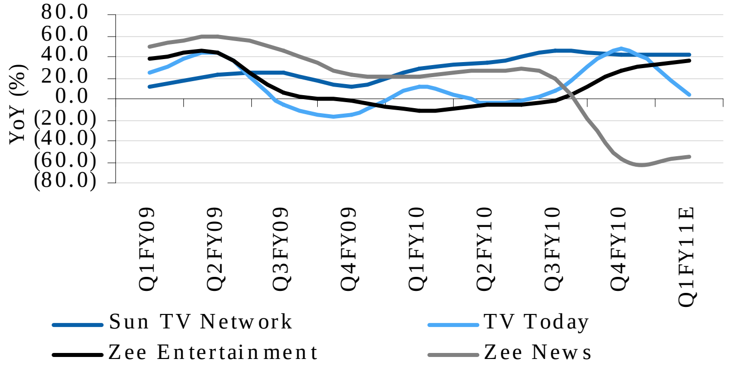
Valuations

				P/E (x)		P/BV (x)		EV/EBITDA (x)	
	Price (Rs)	Mkt Cap (Rs bn)	Rating	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
ENIL	237	11	Accumulate	42.9	25.9	2.9	2.6	14.2	9.6
HT Media	145	34	Reduce	20.2	18.6	2.4	2.2	9.1	8.3
Jagran Prakashan	124	37	Buy	17.8	16.2	5.5	4.9	11.0	9.9
PVR	157	4	Accumulate	19.0	11.0	1.2	1.1	3.5	2.9
Sun TV Network	430	170	Buy	24.3	21.1	7.0	5.8	11.5	10.3
TV Today	100	6	Under Review	10.0	9.2	1.4	1.2	4.5	3.5
UTV Software	394	16	Accumulate	12.5	8.0	1.5	1.3	10.1	5.7
Zee Entertainment	294	142	Accumulate	23.7	19.3	3.4	3.0	16.7	13.5
Zee News	14	3	Reduce	28.7	21.9	2.0	1.9	14.8	13.1

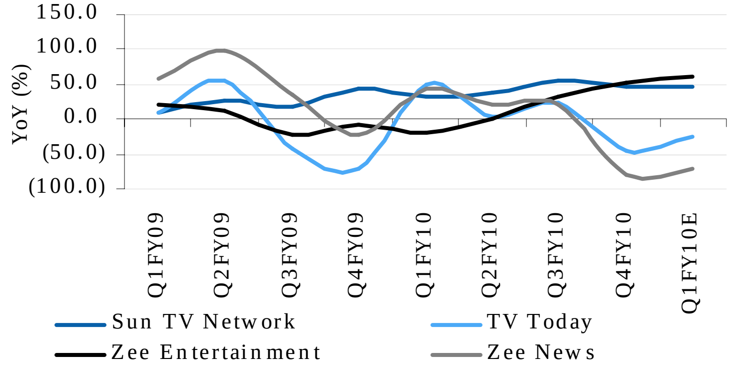
Source: Alchemy Research

Performance trends - Television

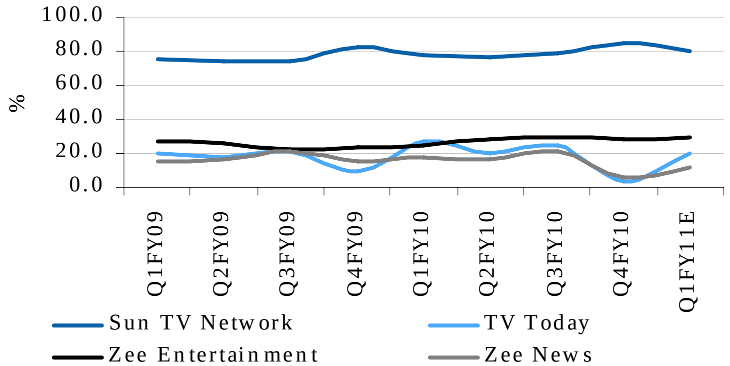
Revenue growth



EBITDA growth

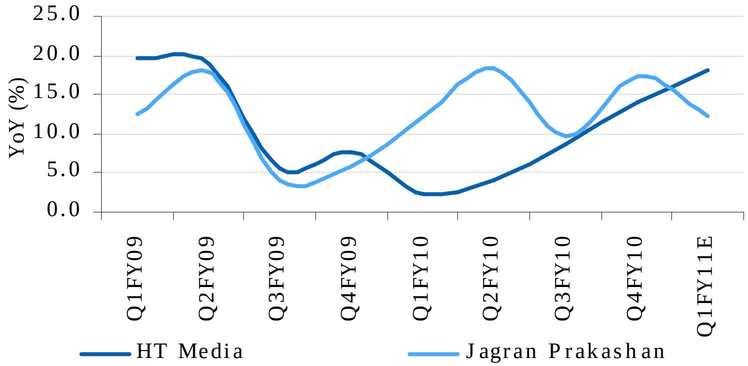


EBITDA margin

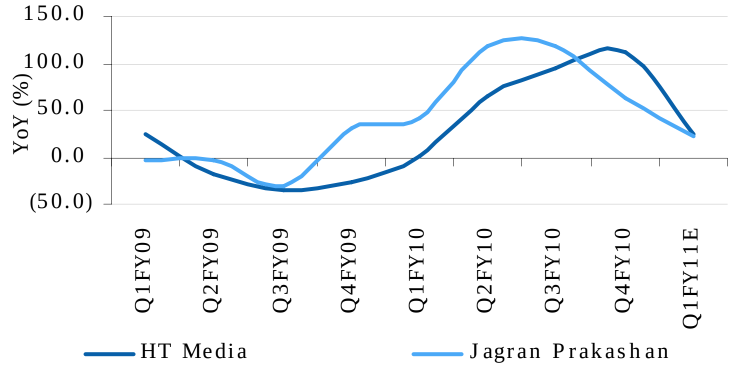


Performance trends – Print Media

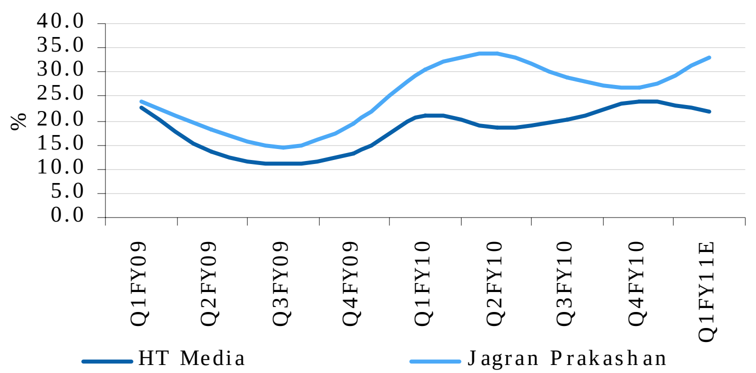
Revenue growth



EBITDA growth

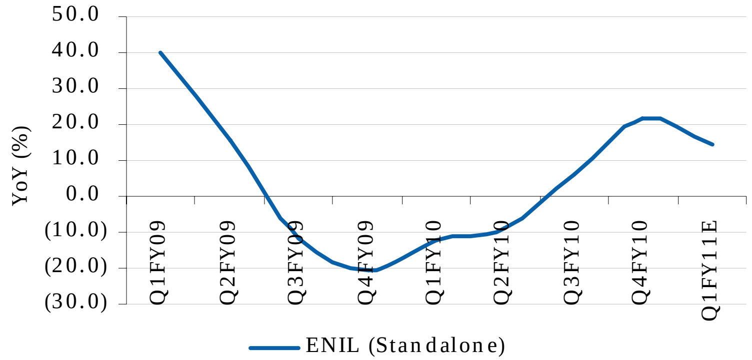


EBITDA margin

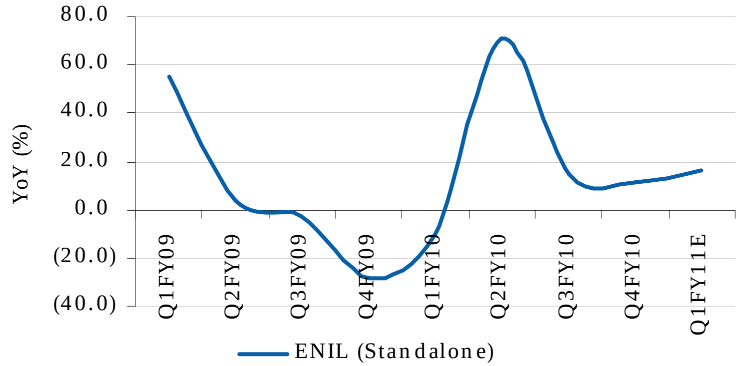


Performance trends – Radio

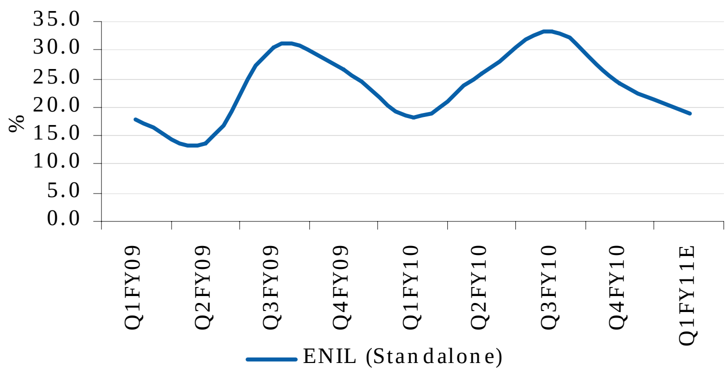
Revenue growth



EBITDA growth

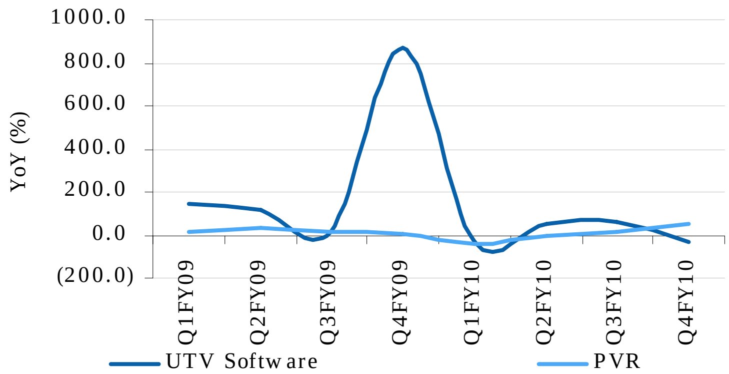


EBITDA margin

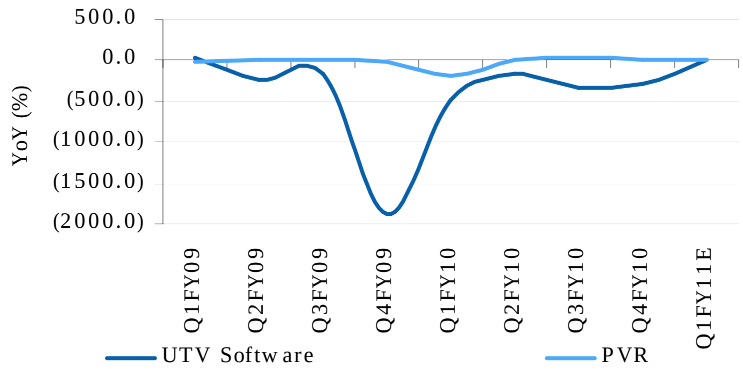


Performance trends – Movies

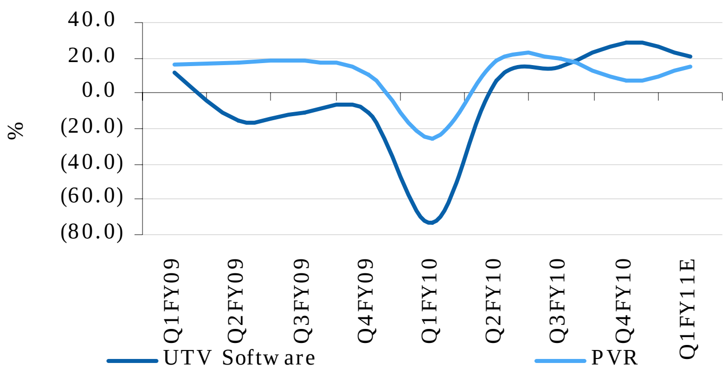
Revenue growth



EBITDA growth



EBITDA Margin



Oil & Gas, Petrochemicals

Refining margins in a consolidation phase, decline on QoQ basis.

Cracker margins decline QoQ; margins under pressure in June 2010 as ethylene prices decline.

RIL to witness a strong profit growth on YoY basis led by start of new refinery and increase in KG basin gas production; however on QoQ basis, we expect small decline in profits.

Increase in gas production from KG basin to help transmission companies like GAIL and GSPL on a YoY basis.

OMC under-recoveries increased due to rise in crude prices and higher product cracks; we factor in full compensation by upstream companies and government.

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Refining margins consolidate, cracker margins weakens during the quarter

Sector view: The oil marketing companies (OMCs) are expected to face higher marketing under-recoveries in 1QFY11 due to higher oil prices along with higher cracks on HSD and kerosene. Estimate total under-recoveries to move up sequentially from Rs167bn to Rs201bn, with Rs98bn on account of auto fuels and Rs103bn on account of cooking fuels. We expect OMCs to be fully reimbursed of the under-recoveries for the quarter. We factor in upstream companies to bear 33.7% (Rs68bn) of the total under-recoveries, with the balance borne by the government (Rs133bn).

Singapore GRMs declined on QoQ basis by US$0.5/bbl to US$3.9/bbl (US$4.5/bbl in 4QFY10 and US$2.6/bbl in 1QFY10), on account of decline in spreads of MS, LPG, Naphtha and FO. On the petrochemicals front, while cracker margins during the quarter declined by 21%, PP margins showed improvement and averaged at US$101/tonne compared to US$60/tonne in 4QFY10. For RIL, we have built in US$7/bbl refining margins compared to US$7.5/bbl in 1QFY10. There is an upside risk to our margin assumption as cracks on HSD and kerosene, has strengthened, which form the major part of RIL product slate. However, because of export focus of RIL's SEZ refinery, there may be pressure on realisations compared to Asia Pacific markets. Increase in gas production from RIL's KG basin would help transmission companies like GAIL and GSPL to report better profitability on YoY basis

- **OMCs:** OMCs performance will depend on whether the government will provide them support in 1QFY11. We are building in normative margins for OMCs by factoring in reimbursement from the government and upstream companies. However, similar to last year if the government chooses to defer compensation to later quarters, OMCs may report losses.

  Currently, we are focusing on OMC's full year earnings instead of quarterly variations. In terms of core business performance, refining margins are expected to decline both on QoQ and YoY basis. For the quarter, we estimate under-recoveries on diesel at Rs4.5/litre (Rs2.9/litre) and on petrol at Rs4.6/litre (Rs3.9/litre). We expect IOC, BPCL and HPCL to post PAT of Rs18.5bn, Rs4.6bn and Rs3.9bn, respectively.

- **RIL:** We expect the company to record 58% YoY increase in EBIDTA and 27% in PAT due to new revenue streams coming in from the merger of RPL refinery and commencement of gas production from KG basin. However on QoQ basis, we expect operating profits to grow by 2.5% to Rs93.7bn. PAT is expected to decline by 2% QoQ to Rs46.1bn.

  Though we have built in lower GRMs for the quarter (US$7/bbl compared to US$7.5/bbl in 4QFY10), higher oil production from KG (30,000 bpd compared to 13,845 bpd in 4QFY10) and better PP and polyester margins are likely to offset the decline. We factor in gas volumes of average 62 mmscmd for the quarter as against 60 mmscmd in 4QFY10.

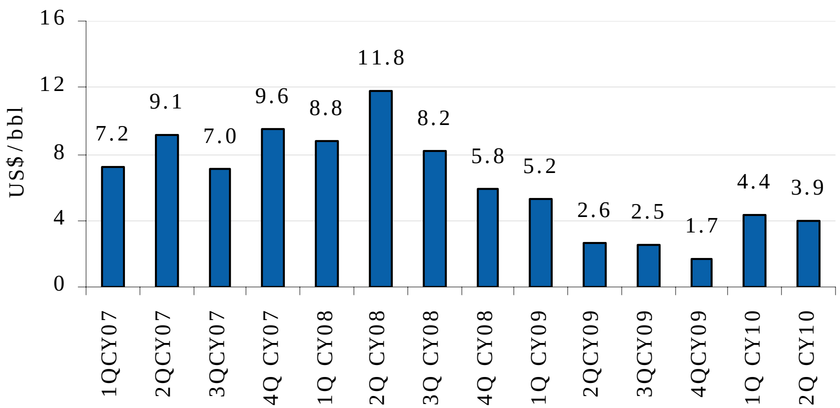
- **ONGC:** The company is expected to post decline in both revenues and profitability on YoY basis on account of decline in net realisations on sale of crude oil. Net realisation on sale of crude oil after sharing subsidy burden is expected at US$51.8/bbl compared to US$58.3/bbl in 1QFY10 and US$51.4/bbl in 4QFY10. For the quarter, we expect the company to share Rs56.5bn of subsidy. However, higher gas prices after the recent APM gas price hike will be the positive contributor to profitability. The company has booked higher gas selling price for June 2010. Net sales are expected to decline 4% on YoY basis at Rs142.5bn. EBIDTA is expected to decline by 11.6% on YoY basis and increase by 3% on QoQ basis to Rs84bn. PAT is expected to decline 22% YoY and remain flat at Rs37.5bn QoQ.

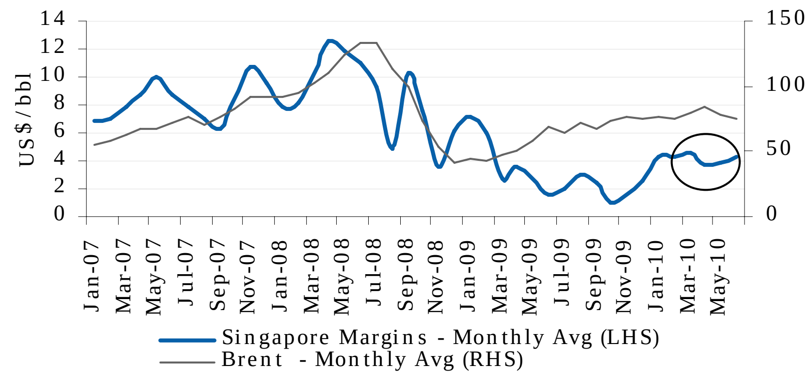
Refining margins consolidate, cracker margins weakens during the quarter

- **GAIL:** On a YoY basis, we expect the company to post good set of numbers on account of ramp up of KG gas and higher petrochemical prices. In 1QFY11, we expect gas transmission volumes to increase 20% on YoY basis to 116 mmscmd. Moreover, with higher oil prices, petrochemical realisations are also expected to rise 6% YoY. For the quarter, revenues are expected to grow by 19% YoY to Rs71.6bn. EBIDTA is expected to grow by 18.5% on YoY basis to Rs12.6bn. PAT is expected to grow 25% YoY to Rs8.2bn. We expect the company to bear Rs4.1bn of subsidies.
- **GSPL:** The company is expected to report robust growth in profits on YoY basis on account of increase in transmission volumes. Volumes have increased owing to commencement of gas production from RIL's KG basin. We expect GSPL to do transmission volumes of 3,367 mmscm (37 mmscmd) in 1QFY11 compared to 2,304 mmscm (25.3 mmscmd) in 1QFY10. We have factored in transmission tariff of Rs820/tcm as against Rs910/tcm in 1QFY10.
- On sequential basis, results are expected to be flat due to delay in ramp up of KG gas and absence of spot cargoes. We expect the company to report 30% YoY revenues growth to Rs2,736mn. EBIDTA for the quarter is expected to jump 29% to Rs2,540mn. In line with sales and EBIDTA, PAT is expected to jump by 31% YoY to Rs1,054mn.
- **OIL:** OIL India is expected to suffer on account of lower YoY realisations on sale of crude oil and lower production of oil and gas. Crude oil production during the quarter suffered on account of 100 day shutdown of Numaligarh refinery and we expect 10% YoY decline in crude oil volumes. Revenues for the quarter are expected to decline by 15% YoY to Rs16.3bn. EBIDTA for the quarter is expected to decline 20.4% YoY to Rs7.8bn. On account of higher DDA expenses, PAT is expected to decline 26% YoY to Rs5.45bn.
- **CPCL:** The company's refinery was shutdown for the major part of the quarter, which is expected to impact the throughput and profitability. Throughput for the quarter is expected at 2mn tonnes compared to 2.7mn tonnes in 1QFY10. We expect the company to report GRMs of US$3.5/bbl compared to US$6.9/bbl in 1QFY10 and US$4.3 in 4QFY10. Revenues for the quarter are expected to decline by 11.8% on account of lower throughput to Rs59.4bn. EBIDTA is expected at Rs1bn, down 78% YoY. We expect the company to report loss of Rs17mn during the quarter.
- **Cairn India:** The company will benefit from higher production of crude oil following the commissioning of Mangala field. We model an average of 45,000 bpd of production during the quarter. In June 2010, Mangala reached production level of 60,000 bpd. In addition, higher oil prices (up 34% YoY) will be additional growth driver. We expect sales of Rs12.2bn, up 495% YoY. EBIDTA is expected to jump seven-fold to Rs7.2bn compared to just Rs1bn in 2QFY10. PAT is expected at Rs5.6bn. Recently Cairn India carried out review of resource potential in Rajasthan field, and increased its estimate of in place resources to 6.5bn barrels.

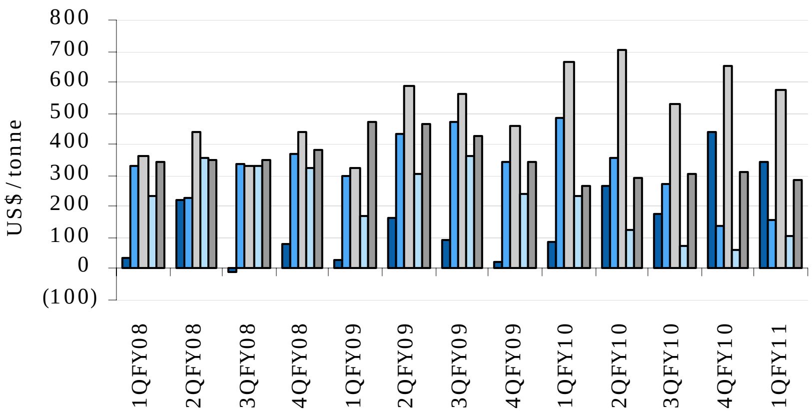
Refining and petrochemicals margin trend

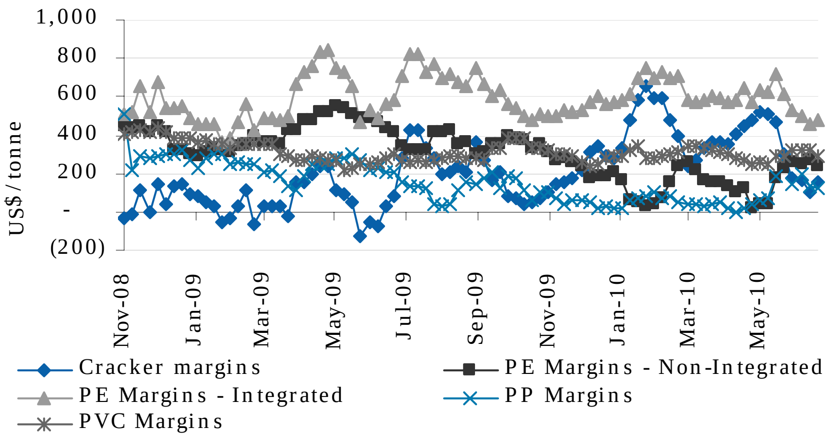
Singapore GRMs





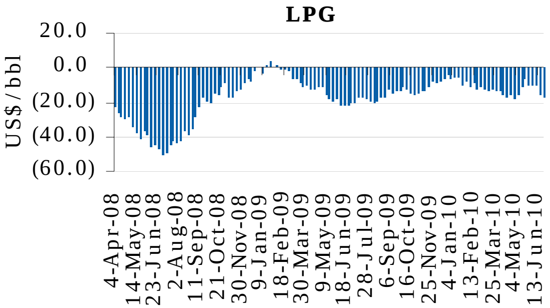
Petrochemical cracks

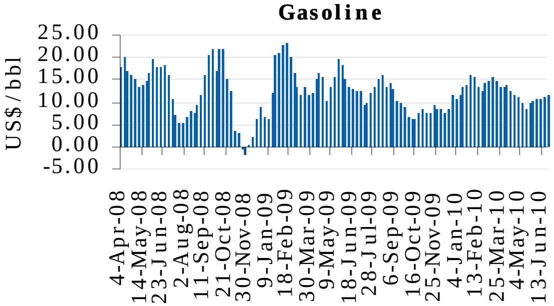


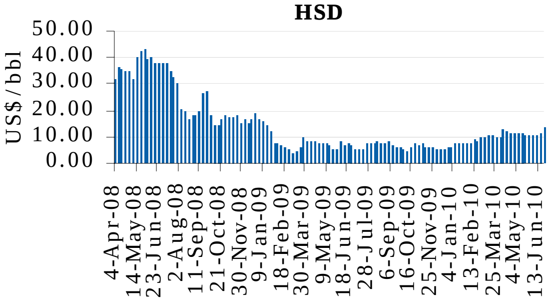


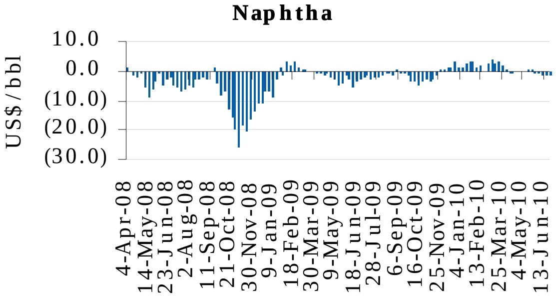
Source: Bloomberg, Alchemy Research

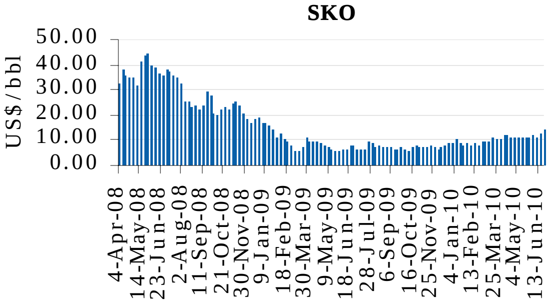
Refinery product cracks

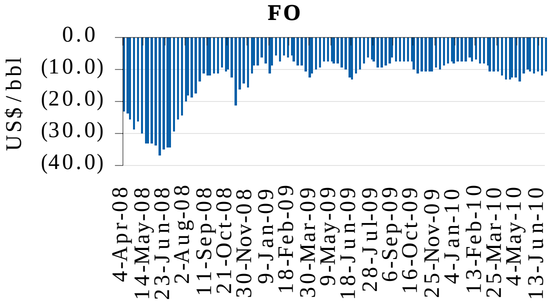






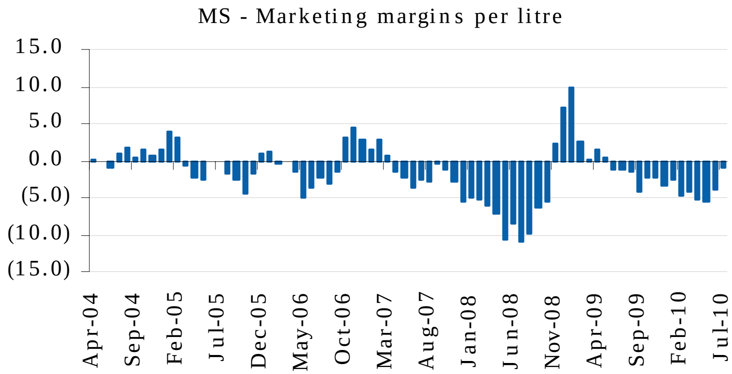


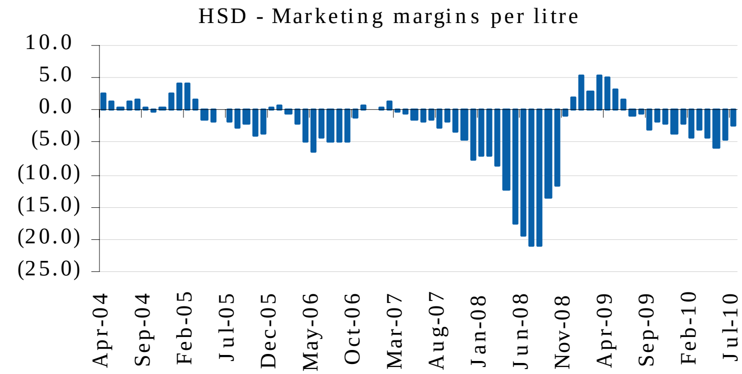


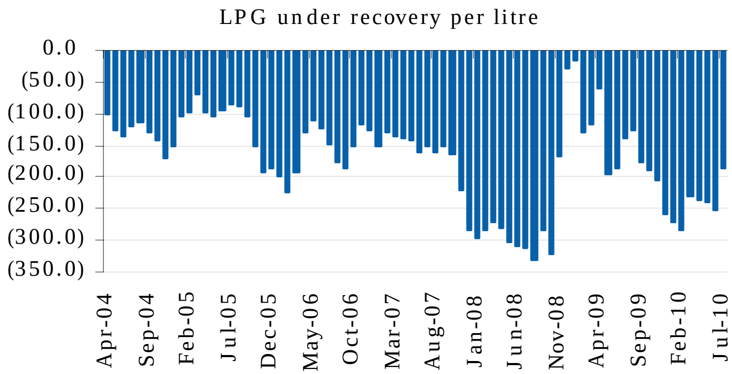


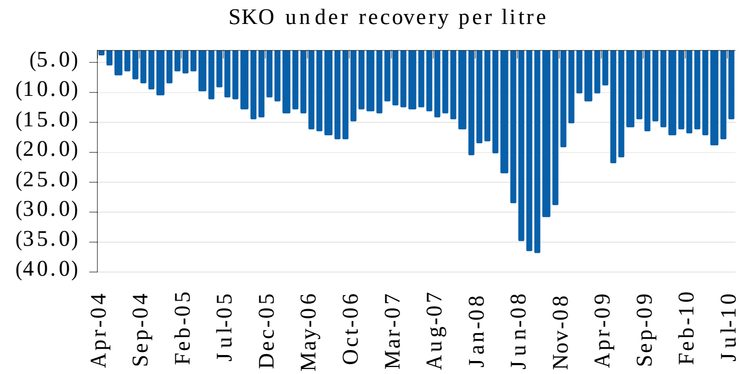
Source: Bloomberg, Alchemy Research

Marketing margins/under-recoveries









Under - recoveries

Rs bn	1QFY11E	4QFY10E
HSD	77.6	43.2
MS	20.4	15.2
Auto Fuels	98.0	58.4
LPG	50.5	60.6
SKO	52.7	47.9
Total	201.2	166.9

Source: Bloomberg, Alchemy Research

Estimate summary

Stock		1QFY11E Rs mn	1QFY10 Rs mn	YoY (%)	4QFY10 Rs mn	QoQ (%)
IOC	Revenues	842,158	591,796	42.3	772,299	9.0
	EBDITA	37,166	49,990	(25.7)	72,986	(49.1)
	PAT Adj	18,505	36,828	(49.8)	55,568	(66.7)
	EPS	7.6	15.2	(49.8)	22.9	(66.7)
BPCL	Revenues	320,522	254,928	25.7	375,509	(14.6)
	EBDITA	9,565	7,454	28.3	11,272	(15.1)
	PAT Adj	4,622	6,141	(24.7)	7032	(34.3)
	EPS	12.8	17.0	(24.8)	19.4	(34.3)
HPCL	Revenues	345,491	244,362	41.4	313,213	10.3
	EBDITA	8,962	13,262	(32.4)	13,139	(31.8)
	PAT Adj	3,992	6,491	(38.5)	7,575	(47.3)
	EPS	11.8	19.2	(38.5)	22.3	(47.3)
CPCL	Revenues	59473	67399	(11.8)	63375	(6.2)
	EBDITA	1003	4677	(78.6)	(568)	(276.5)
	PAT Adj	(17)	3047	(100.6)	(611)	(97.2)
	EPS	(0.1)	20.5	(100.6)	(4)	(97.2)
ONGC	Revenues	142,497	148793	(4.2)	147133	(3.2)
	EBDITA	84,008	95010	(11.6)	81290	3.3
	PAT Adj	37,478	48479	(22.7)	37764	(0.8)
	EPS	17.5	22.7	(22.7)	17.7	(0.8)
GAIL	Revenues	71601	60214	18.9	65221	9.8
	EBDITA	12621	10655	18.5	13168	(4.2)
	PAT Adj	8234	6558	25.6	9108	(9.6)
	EPS	6.5	5.2	25.6	7.2	(9.6)

Source: Alchemy Research

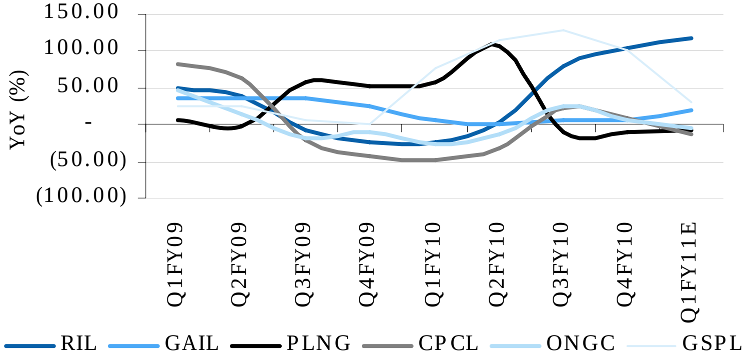
Estimate summary

Stock		1QFY11E Rs mn	1QFY10 Rs mn	YoY (%)	4QFY10 Rs mn	QoQ (%)
RIL	Revenues	698,243	320550	117.8	575700	21.3
	EBDITA	93,693	59210	58.2	91360	2.6
	PAT Adj	46,138	36360	26.9	47100	(2.0)
	EPS	14.0	11.1	26.9	14.3	(2.0)
Cairn	Revenues	12,183	2,050	494.5	6,928	75.8
	EBDITA	7,256	1,012	616.7	2,459	195.0
	PAT Adj	5,632	454	1139.5	2,452	129.7
	EPS	3.0	0.2	1138.8	1.3	129.7
PLNG	Revenues	24,471	26,124	(6.3)	23,855	2.6
	EBDITA	2,432	1,818	33.8	2,022	20.3
	PAT Adj	1,079	1,033	4.4	973	10.9
	EPS	1.4	1.4	4.4	1.3	10.9
GSPL	Revenues	2736	2108	29.8	2668	2.6
	EBDITA	2540	1980	28.3	2460	3.3
	PAT Adj	1054	805	30.9	1079	(2.3)
	EPS	1.9	1.4	30.9	1.9	(2.3)
OIL	Revenues	16,335	19,318	(15.4)	18,321	(10.8)
	EBDITA	7,812	9,808	(20.4)	6,658	17.3
	PAT Adj	5,457	7,397	(26.2)	4,310	26.6
	EPS	22.7	31	(26.2)	17.9	26.6

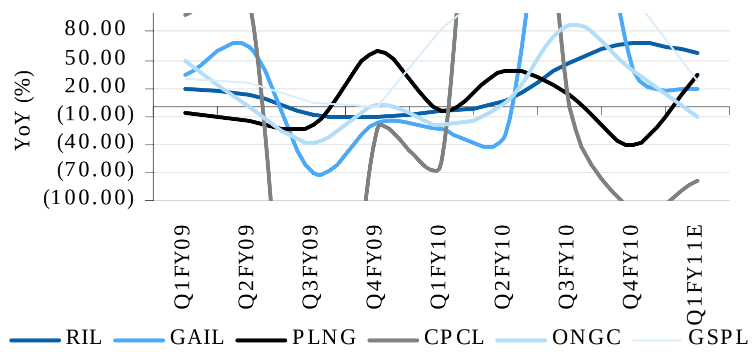
Source: Alchemy Research

Performance trends

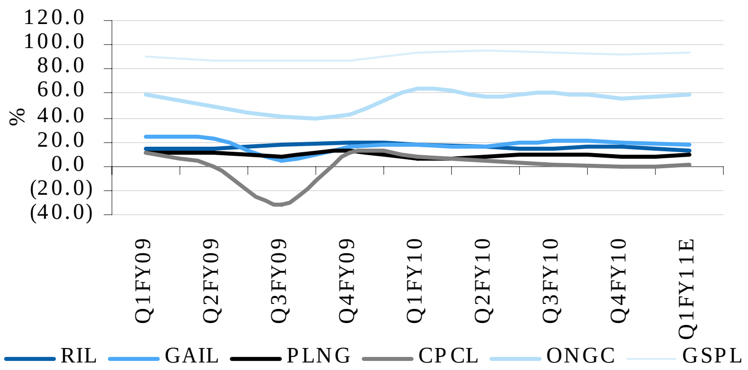
Revenue growth



EBITDA growth



EBITDA margins



Source: Alchemy Research

Relative performance

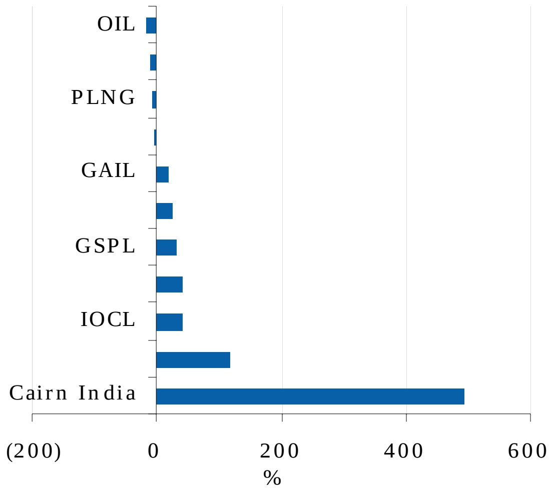
Revenue	
Company	**YoY growth (%)**
Cairn India	494
RIL	118
IOCL	42
HPCL	41
GSPL	30
BPCL	26
GAIL	19
ONGC	(4)
PLNG	(6)
CPCL	(12)
OIL	(15)

Source: Alchemy Research

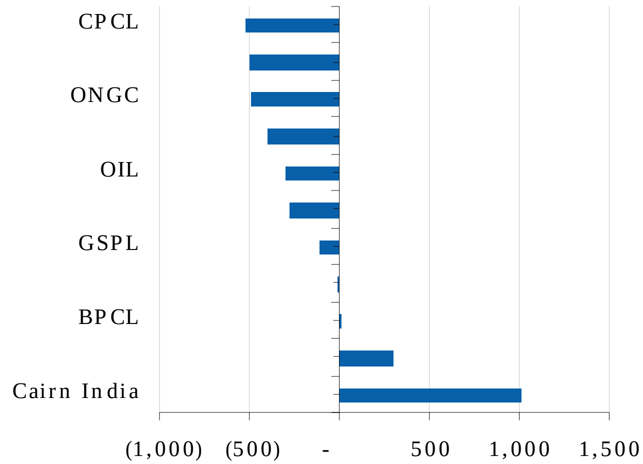
OPM	
Company	**YoY change (bps)**
Cairn India	1,016
PLNG	298
BPCL	6
GAIL	(7)
GSPL	(108)
HPCL	(283)
OIL	(295)
IOCL	(403)
ONGC	(490)
RIL	(505)
CPCL	(525)

PAT	
Company	**YoY growth (%)**
Cairn India	1,139
GSPL	31
GAIL	26
RIL	27
Petronet LNG	4
ONGC	(23)
BPCL	(25)
OIL	(26)
HPCL	(39)
IOC	(50)
CPCL	(101)

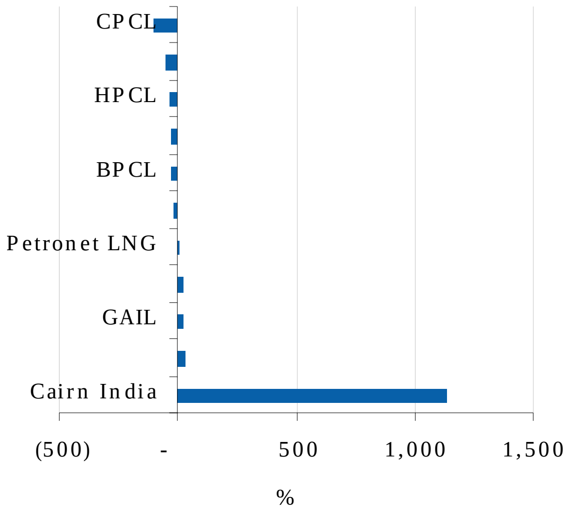
Revenue (YoY growth)



Operating margin (YoY change bps)



Net profit (YoY growth)



Valuations

				P/E (x)		P/BV (x)		EV/EBITDA (x)	
	Price (Rs)	Mkt Cap (Rs bn)	Rating	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
BPCL	659	238	Accumulate	11.6	12.1	1.5	1.3	6.3	6.5
Cairn India	295	560	Accumulate	10.6	6.9	1.4	1.2	7.1	4.0
CPCL	262	39	MarektPerform	9.5	6.6	1.0	0.9	7.4	5.8
GAIL	465	590	Buy	14.3	12.5	3.0	2.5	9.2	9.1
GSPL	105	59	Buy	12.0	10.8	2.9	2.4	6.1	5.2
HPCL	466	158	Buy	8.9	8.9	1.2	1.1	6.8	6.2
IOCL	399	968	Accumulate	12.4	11.1	1.7	1.5	8.6	6.8
Oil India	1,411	339	Buy	10.7	9.9	2.1	1.9	5.7	5.1
ONGC	1,285	2,749	Buy	11.8	11.3	2.3	2.1	5.6	5.3
Petronet LNG	78	59	Sell	12.5	11.9	2.3	2.0	8.4	7.7
RIL	1,068	3,494	Reduce	16.6	13.8	2.4	2.1	9.2	7.4

Source: Bloomberg, Alchemy Research.

Fertilisers and agrochemicals

Fertiliser and agrochemical companies are expected to post robust YoY growth. NBS policy which came into effect from 1QFY11 to benefit phosphatic players.

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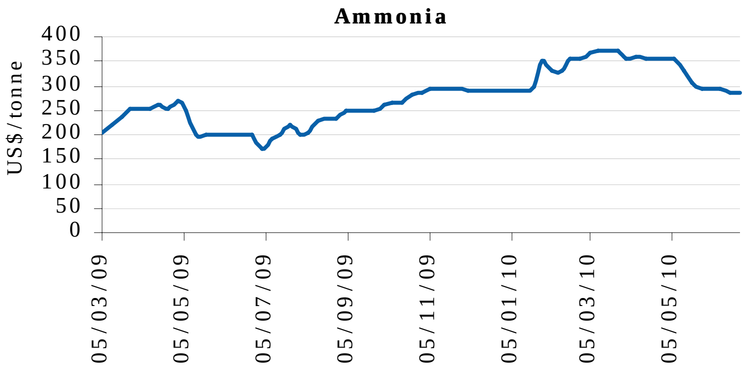
Fertiliser and agrochemicals

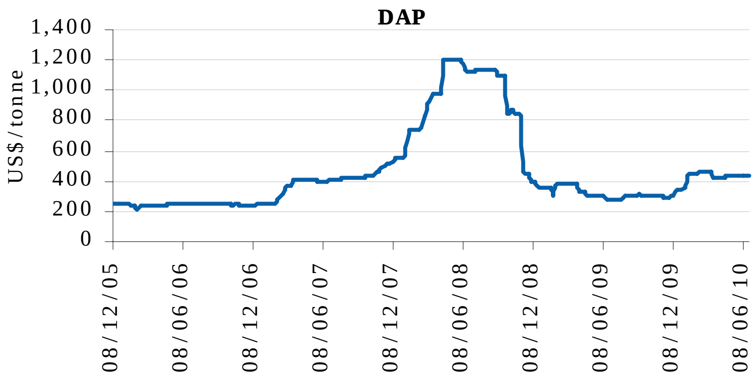
Sector view

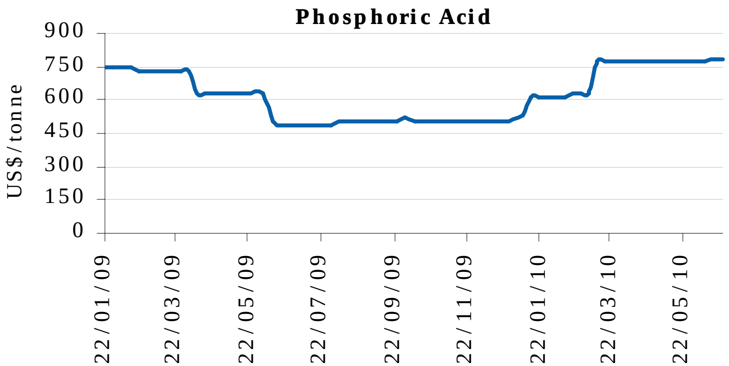
The implementation of Nutrient Based Subsidy (NBS) policy with effect from 1QFY11 will benefit phosphatic players. International prices of all the fertilisers remained stable, allowing successful implementation of NBS. The companies were able to take 6-7% hike in fertiliser prices, leading to much better control on margins. In the agrochemicals space, with forecasts of normal monsoon and focus on branding initiatives, we expect the companies to report robust YoY growth.

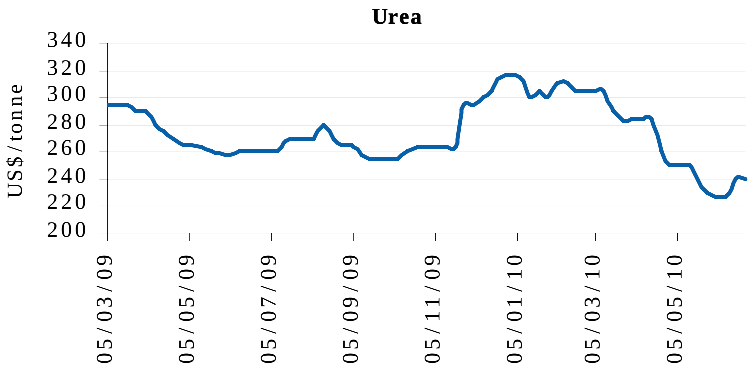
- **Tata Chemicals:** We expect the company to post higher revenue and operating profits on YoY basis led by higher soda ash volumes (up 9.5% YoY), better phosphatic fertiliser margins and good performance from their phosphoric acid subsidiary IMACID. In terms of financial performance, we expect net sales for the quarter to increase by 4.4% YoY to Rs23.7bn. EBIDTA is expected to grow by 12% to Rs4.8bn. PAT for the quarter is expected to increase by 360% YoY to Rs1.96bn as last year the company wrote-off Rs630mn net of tax on account of restructuring of Netherlands plant. In addition, last year the company booked Rs472mn loss on foreign exchange differential. On QoQ basis, we expect the company to benefit from better profitability of Brunner Monde subsidiary.
- **Deepak Fertiliser:** We expect the company to report good set of numbers led by higher chemical volumes and stable prices. The company is likely to report better volumes across all chemicals on YoY basis. Overall, we expect 75% YoY and 20% QoQ growth in volumes on account of higher plant utilisation. Revenues for 1QFY11 are expected to rise by 62% on YoY basis to Rs3.8bn. EBIDTA for the quarter is expected to grow by 46% YoY to Rs844mn. PAT for the quarter is expected at Rs542mn, up 39% YoY.
- **Coromandel International:** In 1QFY11, the company is expected to report revenues of Rs15.8bn, flat on YoY basis. However, EBIDTA for the quarter is expected to increase by 142% YoY to Rs1.8bn due to under-recoveries on DAP sales last year. Due to sharp fall in prices last year, the company took some hit on EBIDTA margins. In line with EBIDTA, PAT for the quarter is expected to increase by 130% YoY to Rs1.17bn.
- **Chambal Fertiliser:** The company is expected to benefit from higher urea volumes in 1QFY11. We expect urea volumes to increase by 17% YoY to 440,000 tonnes. Net sales are expected to increase 7% YoY to Rs8.3bn. EBIDTA is expected to grow by 5% YoY to Rs1.5bn. PAT for the quarter is expected to grow by 6.4% YoY to Rs588mn.
- **Rallis India:** The company will benefit due to strong demand growth in agrochemicals and higher operating margins on YoY basis. We expect the company to report 15.8% growth in top line to Rs1,892mn. EBIDTA is expected to grow strongly by 74% YoY due to improvement in margins (up 500bps). PAT for the quarter is expected to jump 110% YoY to Rs195mn.
- **United Phosphorus:** In 1QFY11, we expect the company’s top line to grow by 11% YoY to Rs18.2bn. While growth in the Europe and US markets are expected to be soft, we expect strong growth in RoW and Indian markets. EBIDTA for the quarter is expected to grow by 16% YoY to Rs3.5bn led by 50bps margin expansion. PAT for the quarter is expected to grow by 26% YoY to Rs2.2bn.

Price trends







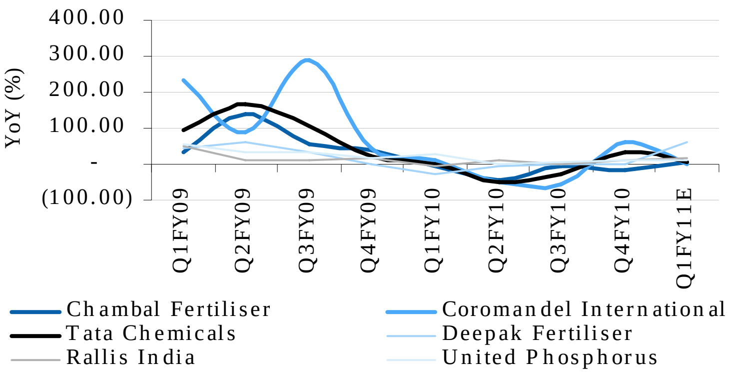


Estimate summary

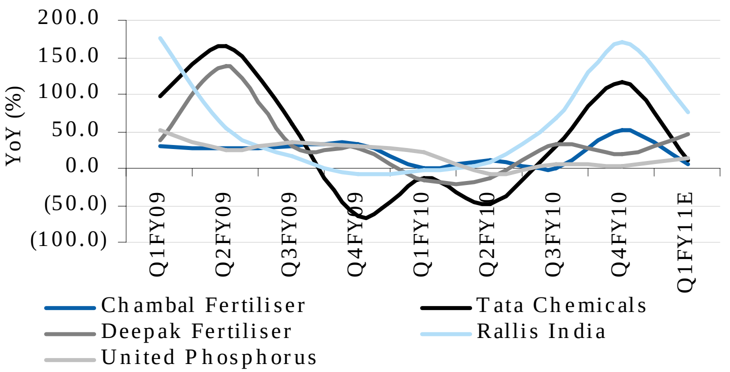
Stock		1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
		Rs mn	Rs mn		Rs mn	
Chambal Fertiliser	Revenues	8,316	7,778	6.92	7,114	16.9
	EBDITA	1,512	1,440	5.00	1,489	1.5
	PAT Adj	588	553	6.37	494	19.2
	EPS	1.4	1.3	6.37	1.2	19.2
Tata Chemical	Revenues	23,727	22,736	4.36	23,858	(0.6)
	EBDITA	4,844	4,322	12.07	3,903	24.1
	PAT Adj	1,963	425	361.73	1,282	53.1
	EPS	8.1	1.7	361.73	5.3	53.1
Coromandel Fertiliser	Revenues	15,858	15,880	(0.1)	13,648	16.2
	EBDITA	1800	744	142.00	1,193	50.9
	PAT Adj	1173	511	129.46	826	42.1
	EPS	8.4	3.7	128.96	5.9	42.1
Deepak Fertiliser	Revenues	3,863	2,384	62.02	3,193	21.0
	EBDITA	844	578	46.11	803	5.2
	PAT Adj	542	389	39.42	442	22.8
	EPS	6.2	4.4	39.42	5.0	22.8
Rallis	Revenues	1,892	1,633	15.83	1,923	(1.6)
	EBDITA	288	165	74.64	269	6.8
	PAT Adj	195	94	107.19	218	(10.7)
	EPS	10.0	4.8	107.19	11	(10.7)
United Phosphorus	Revenues	18,240	16,442	10.94	15,310	19.1
	EBDITA	3,498	3,004	16.44	3,070	13.9
	PAT Adj	2,228	1,763	26.41	1,929	15.5
	EPS	5.1	4.0	26.49	4.4	15.6

Performance trends

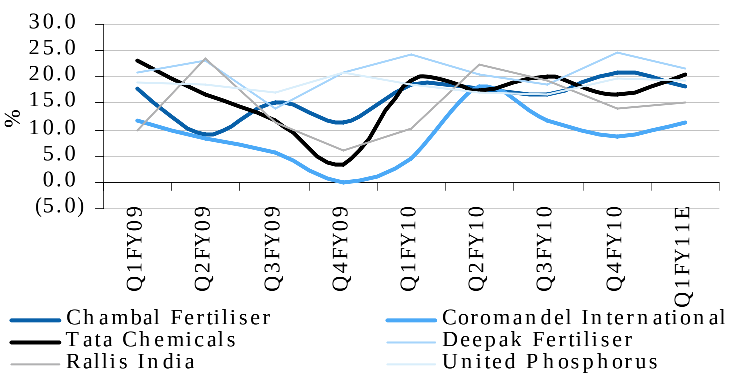
Revenue growth



EBITDA growth



EBITDA margins



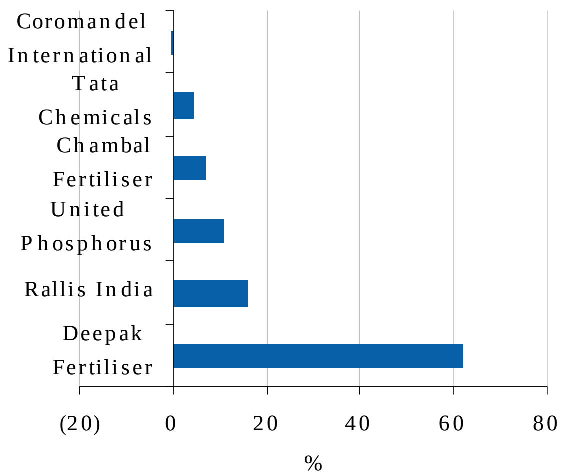
Relative performance

Revenue	
Company	YoY growth (%)
Deepak Fertiliser	62
Rallis India	16
United Phosphorus	11
Chambal Fertiliser	7
Tata Chemicals	4
Coromandel International	0

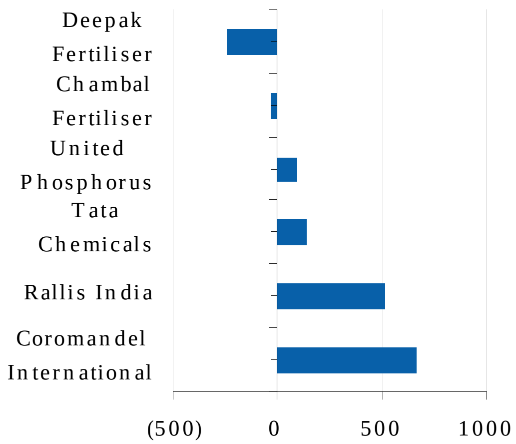
OPM	
Company	YoY change (bps)
Coromandel International	667
Rallis India	512
Tata Chemicals	141
United Phosphorus	91
Chambal Fertiliser	(33)
Deepak Fertiliser	(238)

PAT	
Company	YoY growth (%)
Tata Chemicals	362
Coromandel International	129
Rallis India	107
Deepak Fertiliser	39
United Phosphorus	26.4
Chambal Fertiliser	6.4

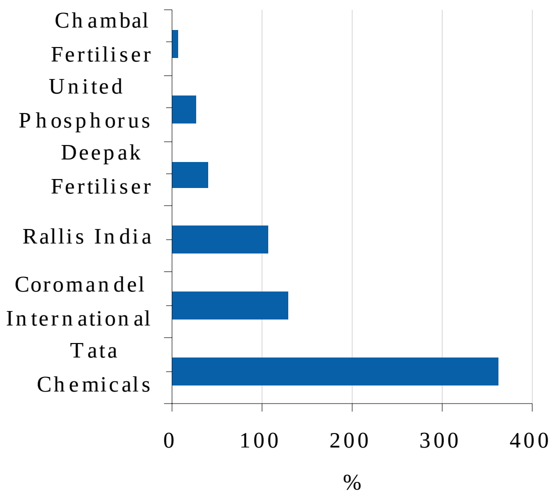
Revenue (YoY growth)



Operating margin (YoY change bps)



Net profit (YoY growth)



Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
Chambal Fertiliser	69	29	Buy	9.7	9.4	1.8	1.6	6.8	6.3
Coromandel International	475	67	Accumulate	13.6	12.2	3.7	3.0	8.3	6.9
Deepak Fertiliser	153	14	Buy	8.4	6.9	1.3	1.1	5.7	4.6
Tata Chemicals	324	79	Accumulate	9.4	8.6	1.3	1.2	5.6	5.0
Rallis India	1,119	22	Buy	16.9	14.6	4.3	3.5	11.6	9.6
United Phosphorus	180	79	Accumulate	12.4	9.9	2.1	1.8	6.9	5.4

Source: Alchemy Research

Metals

Steel volumes are expected to decline QoQ while average realisations are expected to increase due to increase in domestic and international steel prices during the quarter. Prices of iron ore and coking coal are expected to increase further QoQ.

We expect steel players to partly absorb the hike in raw material price, thereby impacting their margins (higher impact for non-integrated players).

Prices of major non-ferrous metals like aluminum, zinc, lead and copper declined QoQ. Average aluminium and copper prices declined marginally but zinc and lead prices fell significantly QoQ.

Top picks: *Usha Martin and Tata Steel*

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Average realisation to increase in 1QFY11 QoQ; expect declines in 2QFY11

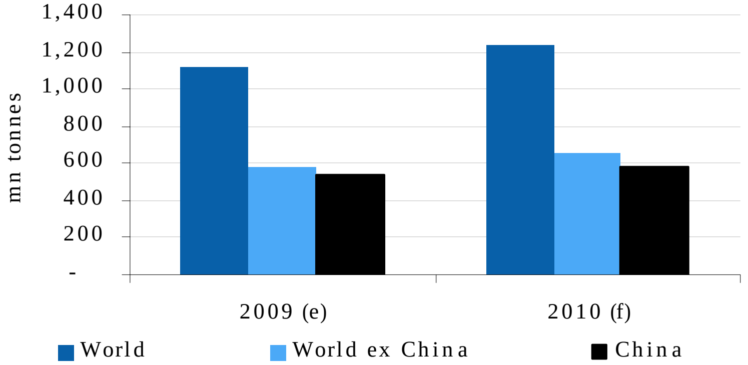
Sector view: Steel volumes are expected to decline QoQ owing to higher base in 4QFY10 (being the year end). However, average realisations are expected to increase QoQ on account of hike in domestic and global steel prices. Companies with product mix in favour of flat products are expected to have better realisations than those with higher long products in their portfolio. Prices of raw materials like iron ore and coking coal are also expected to increase QoQ. We expect steel players to partly absorb the hike in raw material price, thereby impacting their margins (higher impact for non-integrated players).

Global view

Apparent steel demand increasing

As per the recent estimates of the World Steel Organisation, global apparent steel consumption is projected to increase by 10.7% to 1,241mn tonnes in 2010; after contracting by 6.7% in 2009. Absolute demand in 2010 is estimated to exceed pre-crisis levels of 2007.

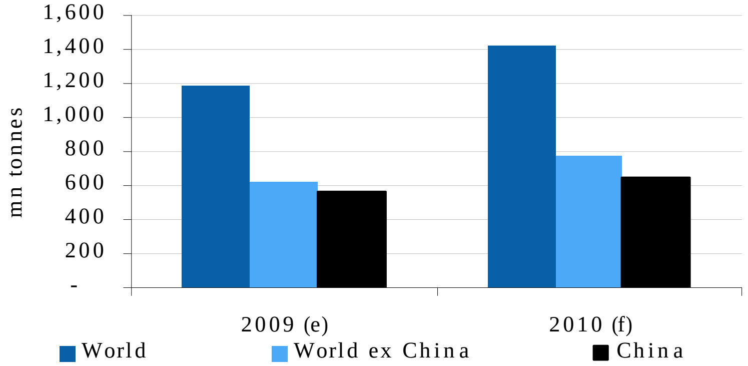
Expected apparent steel consumption



However, supply is increasing at a faster rate.

Annualising the first five months of steel production, global production is estimated to be 1,423mn tonnes in 2010 (~19% YoY growth) thereby creating a surplus of ~180mn tonnes.

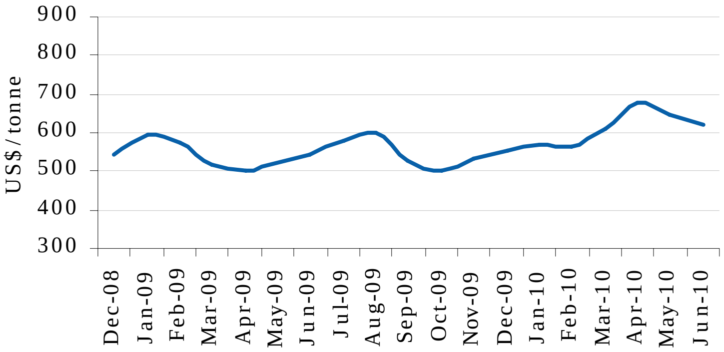
Expected world steel production



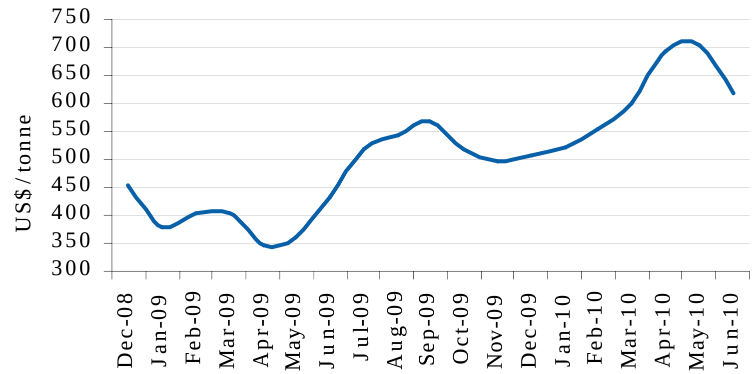
Source: World Steel, Alchemy Research

Global HRC price trend - on a decline

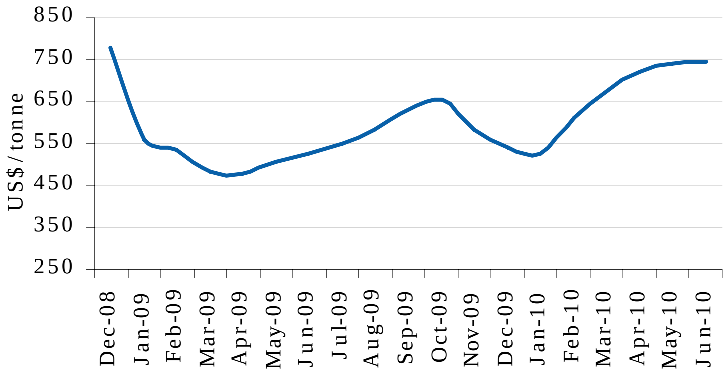
China



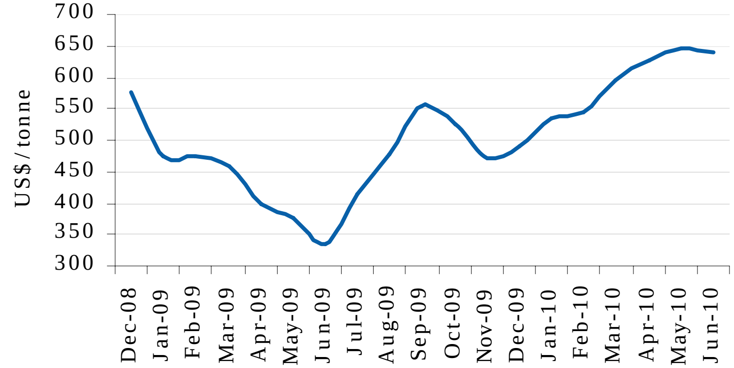
CIS countries



Europe



US



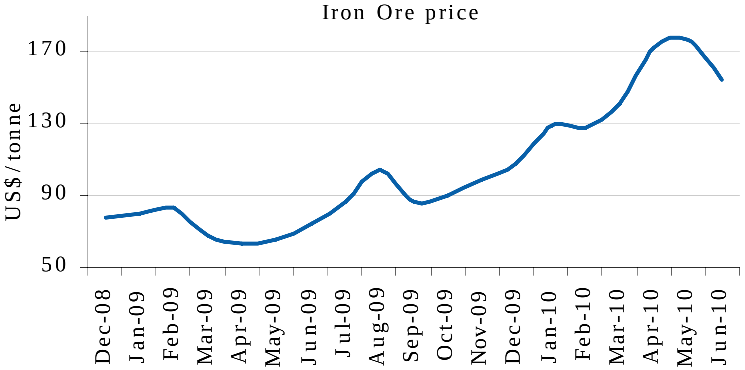
Source: Bloomberg, Alchemy Research

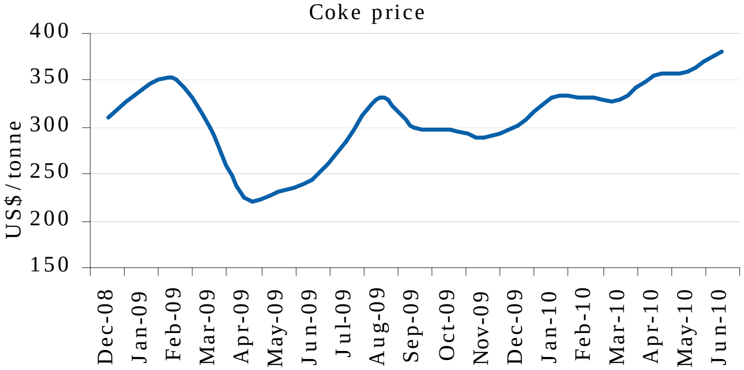
- In China, HRC spot price is at US$615/tonne versus the peak of US$690/tonne in April (a fall of 11%).
- In CIS, HRC prices fell sharply by ~19% from the recent peak (current price is at US$580/tonne).
- In Europe, prices are sustaining in dollar terms at US$750/tonne because of the weak euro versus the US dollar.
- In USA, the current price is US$625/tonne versus the recent peak of US$645/tonne.

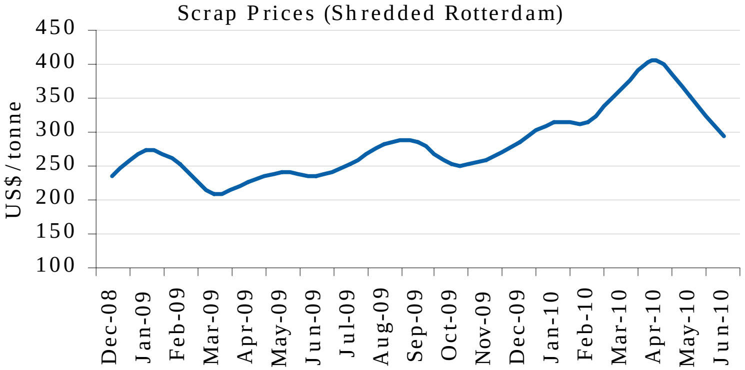
Steel prices to remain under pressure in near term

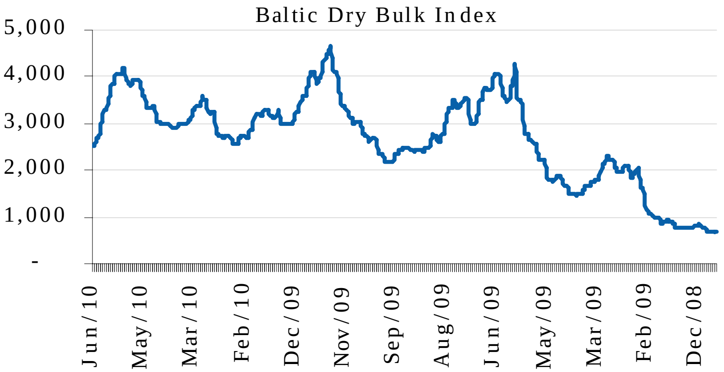
- Global steel prices expected to remain weak in the near term
  - Chinese steel exports may increase to take advantage of current export rebate (which is set to go off from mid July 2010), depressing prices further.
  - Seasonal downturn
- However, we do not expect significant declines from current levels as production cuts and higher cost for marginal players may support steel prices.

Movements in raw materials prices and freight rate









Source: Bloomberg

- Spot iron ore prices fell from the recent high of US$186/tonne to US$140/tonne (still higher than mid-March 2010 levels).
- Scrap prices crashed from the recent high of US$430/tonne to US$264/tonne before crawling back to US$295/tonne.
- Freight rates (as indicated by Baltic Dry Freight Index) have also crashed by 40% in the last one and a half month.
- In contrast, coke prices continued to surge due to higher coking coal prices.

Iron ore: spot prices likely to fall from the current levels

Reasons

- Chinese steel production may fall in the coming months due to low demand. Baosteel has already announced that the incremental new orders are poor. Besides cutting its list price by RMB400 (~US$60/tonne) for HRC, the company would also be reducing steel production.
- Chinese iron ore production (adjusted in line with the imported grade) has increased in the last two months. Currently, it is meeting 45-50% of the total domestic requirement versus ~40% in January-February 2010. Even at the current iron ore prices, miners in China continue to make healthy margins, leaving scope for further price declines in case of low demand.
- Hence, if steel production reduces in the coming months, demand for iron ore imports may slow down.
- Sea freight rates have declined by 40% in the last one and a half month (indicated by Baltic dry index). This may put further pressure on iron ore prices.
- Iron ore inventory at the major ports in China is at a near term high (~72mn tonnes).

Margins estimated to improve QoQ for integrated players

Earnings summary

Rs mn		1QFY11E	4QFY10	QoQ(%)	1QFY10	YoY(%)	key factors to watch for
JSW Steel	Revenue	54,456	56,073	(2.9)	39,168	39.0	Steel prices are expected to increase by ~7% QoQ. Volumes are expected to decrease marginally by 3% QoQ. However, we expect its margins to be hit due to its inability to fully pass on the higher raw material prices.
	EBITDA	11,652	13,308	(12.4)	7,467	56.0	
	Margins(%)	21.4	23.7		19.1		
	PAT	4,307	7,170	(39.9)	3,400	26.7	
SAIL	Revenue	94,858	132,804	(28.6)	91,528	3.6	Higher steel realisations (higher by ~6% QoQ) are expected to nulify the affect of lower volumes (decline by ~27% QoQ) partially. Volumes are expected to be lower due to high base (march ending company). Employee expenses and the extent of use of higher priced old contract coking coal are the factors to look at
	EBITDA	19,618	30,971	(36.7)	18,756	4.6	
	Margins(%)	20.7	23.3		20.5		
	PAT	12,679	20,412	(37.9)	13,261	(4.4)	
Tata Steel*	Revenue	63,626	73,394	(13.3)	56,156	13.3	Higher steel realisations (higher by ~5% QoQ) are expected to nulify the affect of lower volumes (decline by ~18% QoQ). Volumes are expected to be lower due to high base (march ending company)
	EBITDA	26,048	31,307	(16.8)	17,422	49.5	
	Margins(%)	40.9	42.7		31.0		
	PAT	13,499	21,623	(37.6)	7,898	70.9	
Usha Martin	Revenue	7,083	6,875	3.0	6,151	15.2	We expect steel volumes to increase by ~20% QoQ due to capacity expansion. Benefits of coal integration to come in during this quarter.
	EBITDA	1,592	1,382	15.2	1,091	45.9	
	Margins(%)	22.5	20.1		17.7		
	PAT	643	693	(7.2)	320	101.0	
Sesa Goa	Revenue	18,640	24,189	(22.9)	10,115	84.3	Being seasonal in nature, it should be comparable on a YoY basis. Volumes are expected to be flat. However, with realisation expected to be almost double YoY, profits should increase by more than double
	EBITDA	10,968	15,030	(27.0)	4,531	142.1	
	Margins(%)	58.8	62.1		44.8		
	PAT	9,045	12,129	(25.4)	4,223	114.2	

Source: Alchemy Research

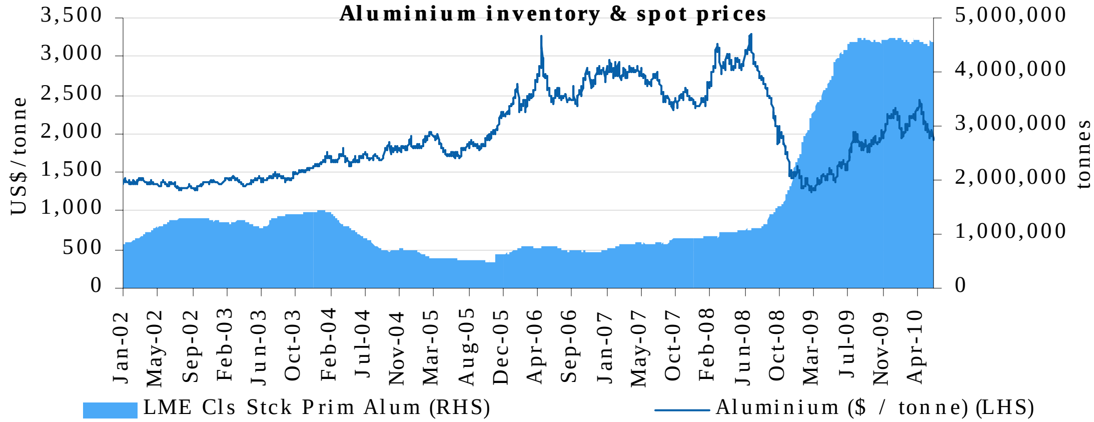
Valuations

				P/E (x)		P/BV (x)		EV/EBITDA (x)	
	Price (Rs)	Mkt Cap (Rs bn)	Rating	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Ferrous									
JSW Steel	1,029	222	Accumulate	11.6	7.1	1.5	1.3	7.0	4.9
SAIL	190	786	Reduce	10.3	9.6	2.0	1.7	6.4	6.1
Sesa Goa	347	308	Accumulate	8.6	6.9	2.3	1.8	5.1	3.4
Tata Steel	472	419	Buy	7.6	6.2	1.5	1.2	5.6	4.8
Usha Martin	81	25	Buy	8.1	6.4	1.2	1.1	4.4	3.3

Non-ferrous: average prices declined sequentially

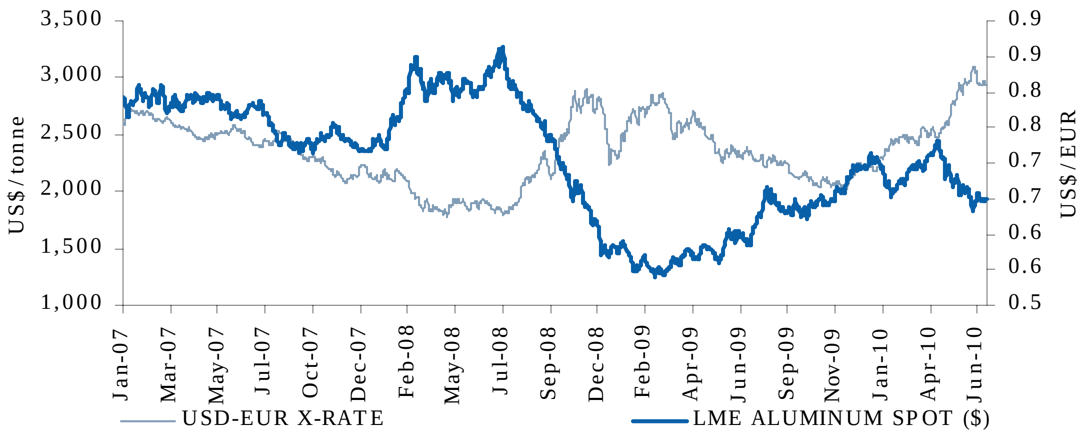
Non-ferrous Metals: Average prices for 1QFY11 for non-ferrous metals like aluminum, zinc, lead and copper declined QoQ (zinc and lead prices fell sharply by ~11% whereas aluminium price fell moderately by ~3% QoQ).

Aluminum



LME inventory continues to remain at an all time high.

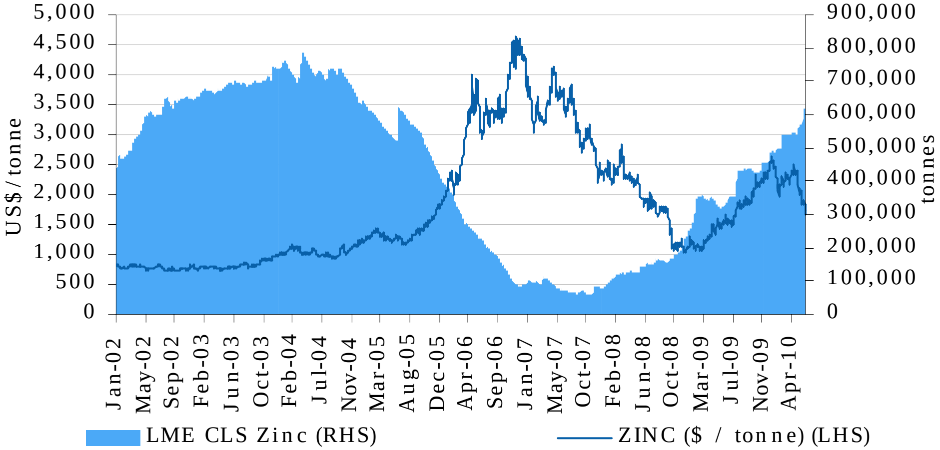
LME aluminium price versus EUR:US$ exchange rate



Source: Bloomberg

Zinc: prices fell significantly

LME zinc prices



LME inventory increased during the quarter

LME zinc price versus EUR:US$ exchange rate

Source: Bloomberg

Margins expected to decline for zinc, stable for aluminium

Sector view

With average zinc prices down by ~11% QoQ, margins of companies like Hindustan Zinc and Sterlite are expected to be lower. Hindalco is expected to show stable performance QoQ as aluminium prices at LME fell marginally by ~3%. Current non-ferrous metal prices are lower than 1QFY11 average. We now do not expect these prices to fall significantly from the current levels.

Earnings summary

Rs mn		1QFY11E	4QFY10	QoQ(%)	1QFY10	YoY(%)	
Hindalco*	Revenue	50,418	54,044	(6.7)	38,995	29.3	Marginal decline in aluminium prices are expected to reduce operational profits sequentially
	EBITDA	8,020	8,354	(4.0)	7,578	5.8	
	Margins(%)	15.9	15.5		19.4		
	PAT	5,001	6,639	(24.7)	4,806	4.1	
Hindustan Zinc	Revenue	20,767	25,449	(18.4)	15,266	36.0	Refined zinc volumes are expected to increase by ~8% QoQ due to capacity expansion; zinc realisation are expected to fall by ~11% due to weak zinc prices at LME. Thus, margins are likely to be depressed
	EBITDA	10,970	15,482	(29.1)	7,823	40.2	
	Margins(%)	52.8	60.8		51.2		
	PAT	9,061	12,390	(26.9)	7,188	26.1	
Sterlite Industries	Revenue	69,511	72,278	(3.8)	45,789	51.8	Lower profitability from its zinc business along with marginal pressure from other business segments will lead to lower overall profits
	EBITDA	15,214	21,855	(30.4)	10,209	49.0	
	Margins(%)	21.9	30.2		22.3		
	PAT	8,658	13,809	(37.3)	6,727	28.7	

Source: Alchemy Research

**standalone*

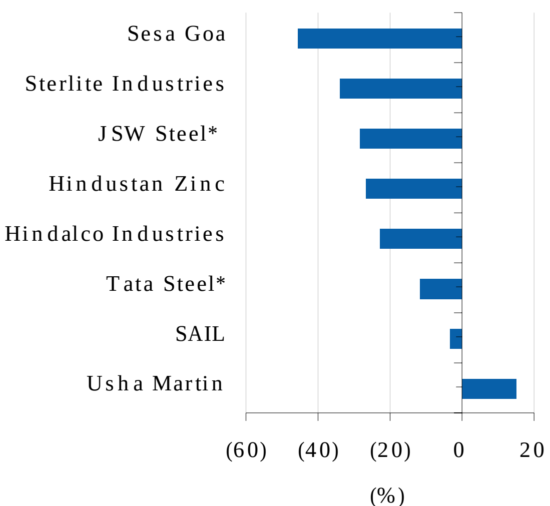
Relative performance and valuations

Topline	
Company	**YoY growth(%)**
Usha Martin	15
SAIL	(4)
Tata Steel*	(12)
Hindalco Industries*	(23)
Hindustan Zinc	(26)
JSW Steel*	(28)
Sterlite Industries	(34)
Sesa Goa	(46)

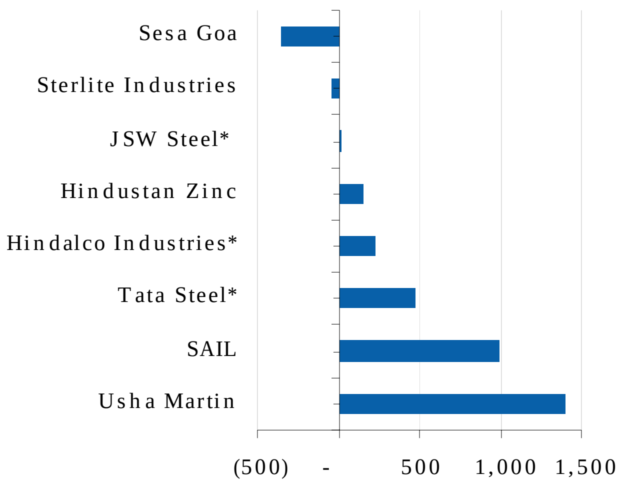
OPM	
Company	**YoY growth(bps)**
Sesa Goa	1,404
Tata Steel*	991
Usha Martin	474
JSW Steel*	233
Hindustan Zinc	158
SAIL	19
Sterlite Industries	(41)
Hindalco Industries*	(353)

Net profit	
Company	**YoY growth(%)**
Sesa Goa	114
Usha Martin	101
Tata Steel*	71
Sterlite Industries	29
JSW Steel*	27
Hindustan Zinc	26
Hindalco Industries*	4
SAIL	(4)

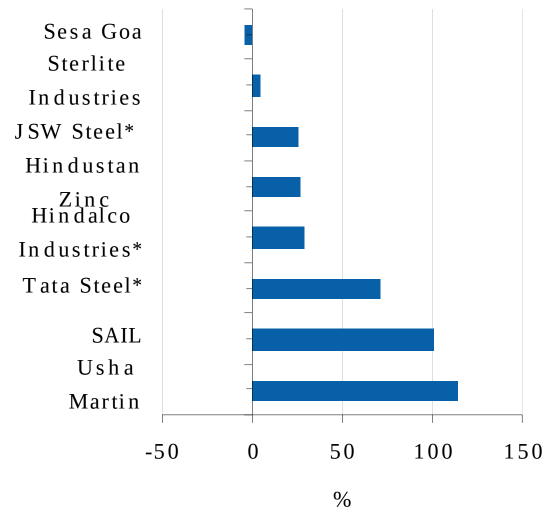
Revenue (YoY growth)



Operating margin (YoY change bps)



Net profit (YoY growth)



Valuations

				P/E (x)		P/BV (x)		EV/EBITDA (x)	
	Price (Rs)	**Mkt Cap (Rs bn)**	**Rating**	**FY11E**	**FY12E**	**FY11E**	**FY12E**	**FY11E**	**FY12E**
Non-ferrous									
Hindustan Zinc	944	399	Accumulate	9.6	8.4	1.8	1.5	5.2	3.6
Hindalco Industries*	142	271	Accumulate	8.3	7.8	1.1	1.0	6.5	6.7
Sterlite Industries	160	538	Accumulate	13.9	10.0	1.2	1.1	5.0	3.5

**standalone*

Cement

Realisation for the quarter estimated to remain nearly flat except for south based companies (as the prices in South were firm in April and for the major part of May 2010).

Volume growth expected to remain muted except for Ambuja Cements owing to capacity expansion.

Imported coal prices increased by an average ~8% QoQ thereby impacting margins.

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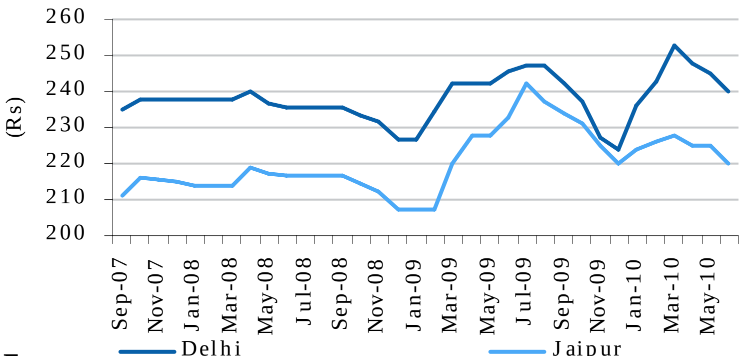
Margins to decline due to muted realisation growth and increased energy cost

Key highlights for the sector during the quarter

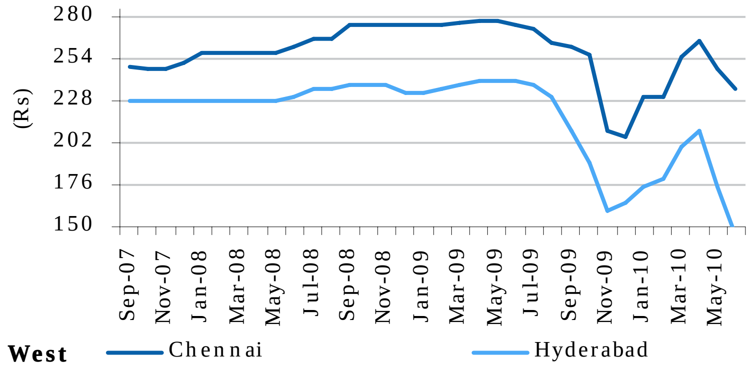
- **Price corrections begin in the pre-monsoon period:** This the first time in last several years that the cement prices have declined in the pre-monsoon period (usually considered to be a busy construction period). Surplus capacity coinciding with lukewarm demand growth is exerting downward pressure on the cement prices across the country (more so in the South and West region).
- **Demand growth in single digit since February 2010:** Industry demand growth has remained below expectations, with single digit growth since February 2010.
- **Power & fuel cost to increase across companies QoQ:** High international coal prices (which increased by an average of ~8% QoQ) are estimated to increase the energy cost of companies.
- **Sector view:** We remain negative on the sector as we believe cement prices (across regions) will decline further with the onset of the monsoon and the recent hike in diesel cost will push up the freight rates higher; thereby denting margins going ahead.

Region-wise price trend

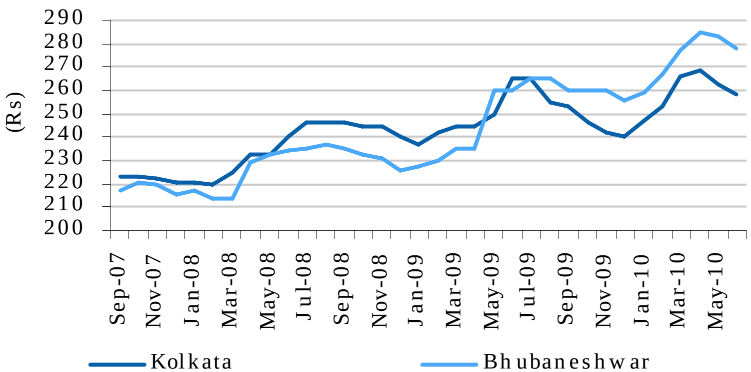
North



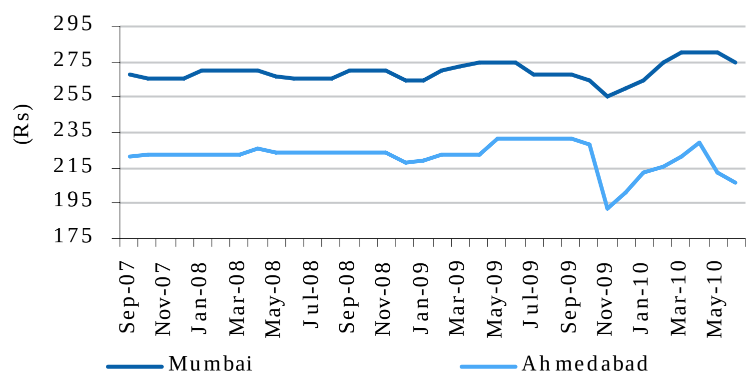
South



East



West

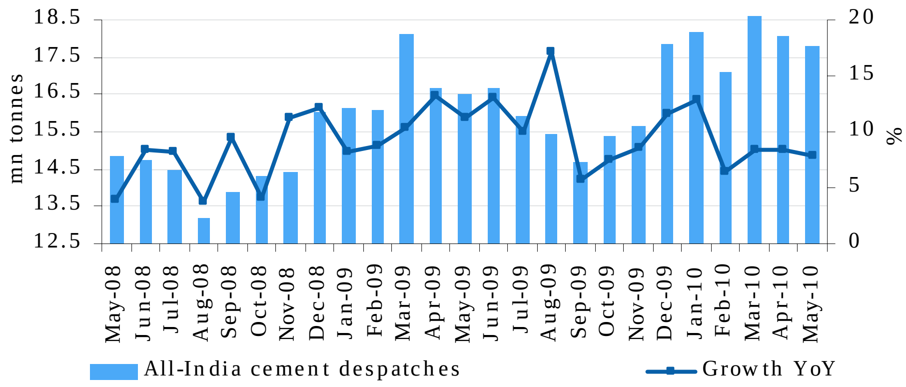


Source : Alchemy Research

Realisations and volumes expected to be down QoQ

Industry volume growth has remained lukewarm since February 2010.

All India cement dispatches



Source : CMA

Estimated realisations and volume growth for our coverage universe

Company		1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
ACC Ltd	Volume (mn tns)	5.32	5.42	(1.9)	5.58	(4.7)
	Realization	3,767	3,840	(1.9)	3,767	0.0
Ambuja Cements	Volume (mn tns)	5.45	4.9	11.9	5.27	3.4
	Realization	3,798	3,793	0.1	3,776	0.6
Grasim Industries(VSF)	Volume (mn tns)	0.0700	0.0674	3.8	0.0857	(18.3)
	Realization	115,955	97,543	18.9	111,644	3.9
Samruddhi Cement	Volume (mn tns)	5.23	4.88	7.2	5.33	(1.8)
	Realization	3,378	3,664	(7.8)	3,378	0.0
India Cements	Volume (mn tns)	2.73	2.46	11.0	2.95	(7.4)
	Realization	3,392	3,677	(7.7)	3,134	8.2
Madras Cements	Volume (mn tns)	1.94	1.9	3.6	2.2	(10.0)
	Realization	3,511	3,883	(9.6)	NA	NA
Shree Cements	Volume (mn tns)	2.59	2.55	1.5	2.73	(5.2)
	Realization	3,134	3,588	(12.7)	3,308	(5.3)
UltraTech Cements	Volume (mn tns)	5.20	5.31	(2.1)	6.01	(13.4)
	Realization	3,195	3,678	(13.1)	3,179	0.5

Source: Alchemy Research

Earnings summary

Company		1QFY11E	1QFY10	YoY(%)	4QFY10	QoQ(%)	Comments
		Rs mn	Rs mn		Rs mn		
ACC Ltd.	Revenues	20,031	20,813	(3.8)	21,018	(4.7)	Average realisations estimated to remain flat QoQ despite prices declining in U.P. and M.P. mainly due to higher average prices in South. PAT estimated to decline QoQ due to lower volumes.
	EBDITA	5,745	7,337	(21.7)	6,222	(7.7)	
	EBDITA margins (%)	28.7	35.3	(6.6)	29.6	(0.9)	
	PAT Adj	3,606	4,856	(25.7)	4,051	(11.0)	
Ambuja Cements Ltd.	Revenues	20,692	18,474	12.0	19,902	4.0	Despite the average realisation estimated to remain flat QoQ, margins are likely to improve due to reduced raw material cost (following the commissioning of its new clinker units, it has stopped buying clinker from third parties).
	EBDITA	6,721	4,797	40.1	6,227	7.9	
	EBDITA margins (%)	32.5	26.0	6.5	31.3	1.2	
	PAT Adj	4,203	3,247	29.5	4,421	(4.9)	
Grasim Industries Ltd* (VSF + Chemicals + Textiles) ^	Revenues	9,885	NA	NA	11,409	(13.4)	With production cut for over a month at its VSF manufacturing facility at Nagda (capacity 425 TPD), VSF volumes for the quarter are estimated to decline ~18% QoQ. Margins are estimated to decline QoQ owing to increase in the input cost on account of pulp and sulphur.
	EBDITA	2,608	NA	NA	3,410	(23.5)	
	EBDITA margins (%)	26.4	NA	NA	29.9	(3.5)	
	PAT Adj	1,770	NA	NA	2,894	(38.8)	
Samruddhi Cement^	Revenues	22,488	NA	NA	22,964	(2.1)	With realisations estimated to remain flat QoQ, margins are expected to decline due to increase in the input cost.
	EBDITA	5,532	NA	NA	6,293	(12.1)	
	EBDITA margins (%)	24.6	NA	NA	27.4	(2.8)	
	PAT Adj	2,621	NA	NA	3,136	(16.4)	
India Cements Ltd	Revenues	9,520	9,535	(0.2)	9,643	(1.3)	We estimate the average realisation in South for the quarter to be higher QoQ (as prices were firm in April and major part of May 2010) leading to margin expansion, despite increase in the cost of imported coal. For the quarter, we estimate the company to report forex translation loss of Rs118mn.
	EBDITA	1,688	2,863	(41.0)	1,260	34.0	
	EBDITA margins (%)	17.7	30.0	(12.3)	13.1	4.7	
	PAT Adj	400	1,443	(72.2)	383	4.5	
Madras Cements Ltd *	Revenues	7,269	7,684	(5.4)	5,774	25.9	With average realisation for the quarter estimated to increase QoQ (due to firm prices in South in April and major part of May 2010), margins are expected to improve QoQ.
	EBDITA	2,252	2,894	(22.2)	1,238	81.9	
	EBDITA margins (%)	31.0	37.7	(6.7)	21.4	9.5	
	PAT Adj	934	1,384	(32.5)	293	219.3	
Shree Cements Ltd	Revenues	8,675	9,224	(6.0)	9,440	(8.1)	Domestic sales exposure of ~27% to Central India (where price declines have been sharp) will impact realisations by ~5% QoQ. With realisation for power sales also estimated to be low QoQ, margins are estimated to be under pressure.
	EBDITA	2,665	4,255	(37.4)	3,266	(18.4)	
	EBDITA margins (%)	30.7	46.1	(15.4)	34.6	(3.9)	
	PAT Adj	794	2,911	(72.7)	(714)	NA	
UltraTech Cements Ltd	Revenues	16,619	19,528	(14.9)	19,094	(13.0)	Increase in the average realisation in South is likely to be off set by expiry of VAT exemption in Gujarat and West Bengal; keeping the average realisation for the quarter nearly flat. Margins may decline marginally QoQ due to lower volumes.
	EBDITA	3,380	7,168	(52.8)	4,026	(16.0)	
	EBDITA margins (%)	20.3	36.7	(16.4)	21.1	(0.7)	
	PAT Adj	1,576	4,178	(62.3)	2,285	(31.0)	

Source : Alchemy Research ^ Prior to 4QFY10, Grasim standalone numbers were inclusive of cement and hence not comparable with 1QFY10

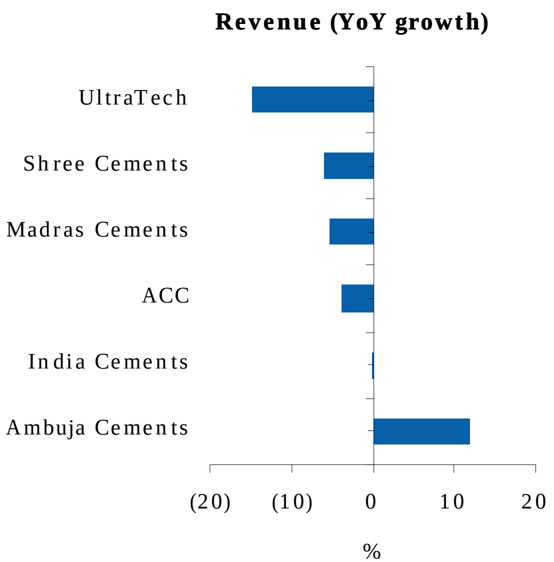
** The 4QFY10 numbers of Madras Cements are not comparable due to year end re-grouping.*

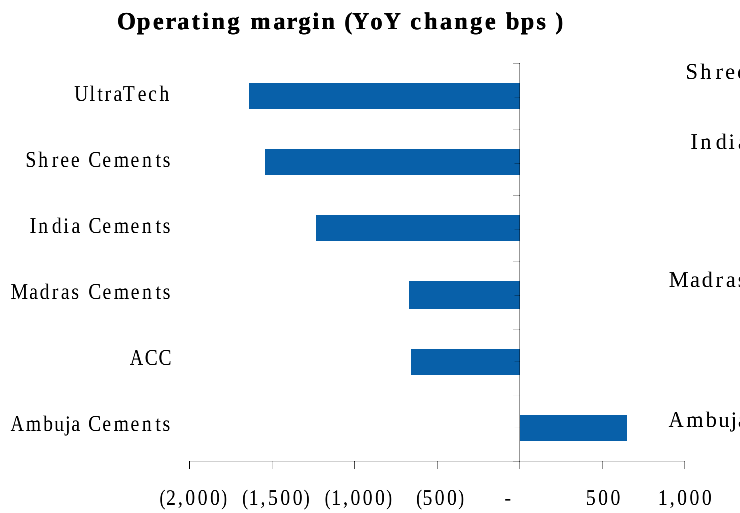
Relative performance

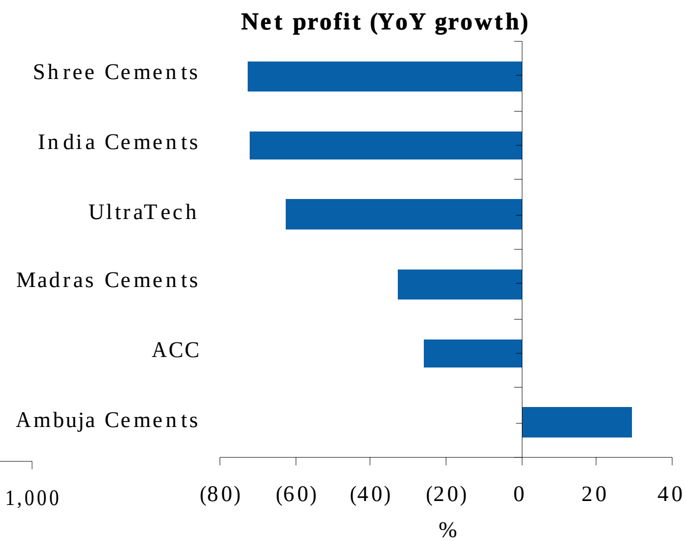
Top line	
Company	**YoY growth (%)**
Ambuja Cements	12.0
India Cements	(0.2)
ACC	(3.8)
Madras Cements	(5.4)
Shree Cements	(6.0)
UltraTech	(10.4)
Grasim	NA

Operating margin	
Company	**YoY change (bps)**
Ambuja Cements	891
ACC	(657)
Madras Cements	(668)
India Cements	(1,230)
UltraTech	(1,339)
Shree Cements	(1,541)
Grasim	NA

Net profit	
Company	**YoY growth (%)**
Ambuja Cements	39.9
ACC	(25.7)
Madras Cements	(32.5)
UltraTech	(51.1)
India Cements	(72.2)
Shree Cements	(72.7)
Grasim	NA

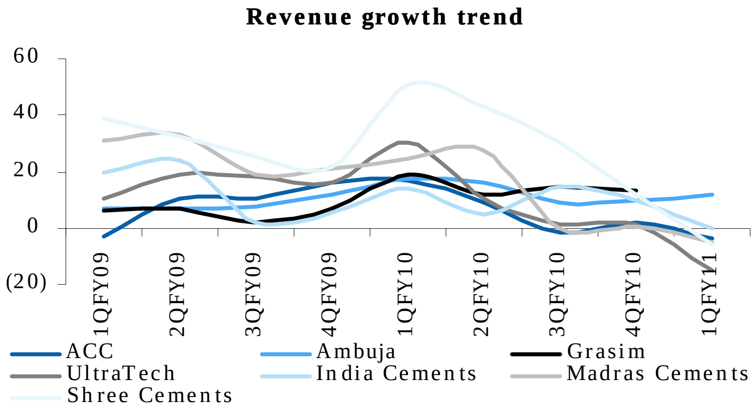


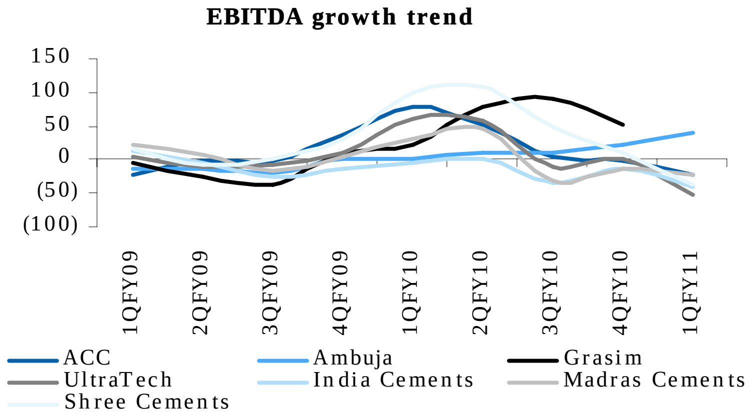


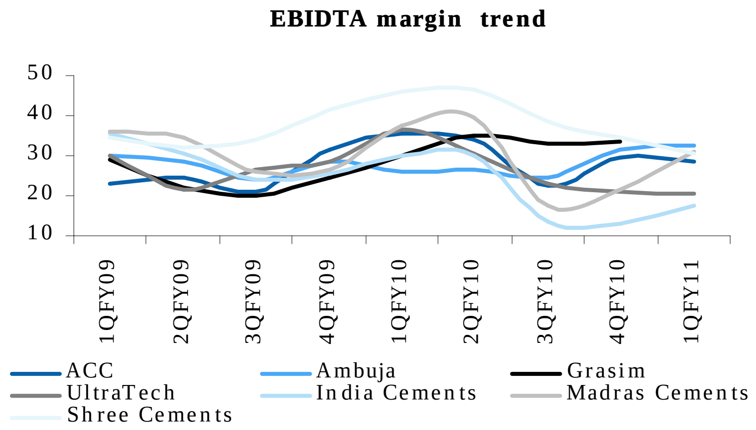


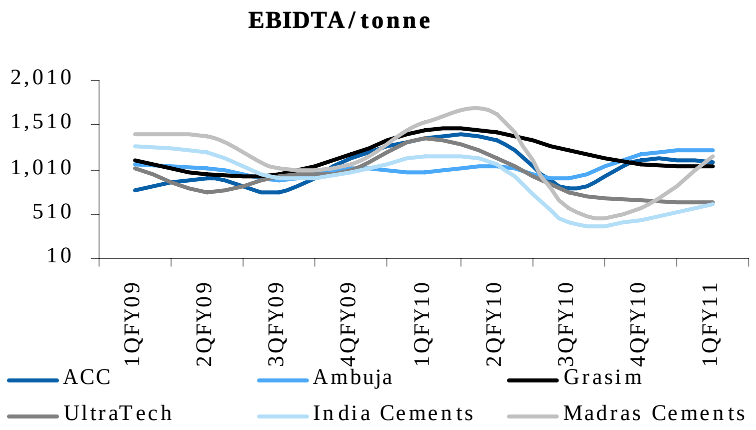
Source : Alchemy Research

Performance trends









Source : Alchemy Research

Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
ACC	863	162	Reduce	12.1	12.3	2.2	2.1	6.7	6.4
Ambuja Cement	114	173	Sell	16.5	13.4	2.4	2.1	9.0	7.7
Grasim Industries*	1,828	168	Accumulate	9.1	7.0	1.2	0.9	3.2	2.6
India Cements	107	33	Sell	13.0	10.5	0.7	0.7	7.1	5.9
Madras Cements	99	24	Reduce	7.4	8.0	1.3	1.3	5.4	5.7
Shree Cements	1,958	68	Buy	13.8	6.9	3.0	2.1	5.3	2.7
UltraTech	867	108	Reduce	13.1	10.7	2.0	1.7	6.9	5.4

Source: Company, Alchemy

** Grasim is now a VSF operating and cement holding company. Even though valuations on a consolidated basis appear attractive, we prefer direct exposure to cement companies then through a holding company.*

Sugar

Ex-factory sugar realisation to be Rs27-28/kg in 3QFY10 as against Rs32-33/kg in 2QFY10 and Rs22-23/kg in 3QFY09.

EBIDTA margin to decline (on YoY basis) due to sharp decline in sugar realisations. However, inventory write-back on account of levy sugar price revision to mitigate the impact.

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Sugar

Sector view

- The domestic sugar prices were in the range of Rs26-28/kg in the quarter as against Rs31-33/kg in 2QFY10 (January-March 2010). This was mainly due to: a) higher than anticipated sugar production in India and b) stricter controls imposed by the government to improve availability of sugar.
- India's sugar production in SS10E (October 2009-September 2010) expected to be +18.5mn tonnes (as against earlier expectation of 15mn tonnes) primarily led by higher than anticipated sugar production in Maharashtra and U.P. Consequently, the deficit is expected to narrow down to 5mn tonnes.
- We expect sugar prices to remain under pressure owing to commencement of Brazilian crushing season from April 2010 and anticipation of higher sugar production (21mn-23mn tonnes) in India in SS11E. Hence, favourable demand-supply scenario is expected to reverse with sharp reduction in sugar deficit next season.
- We expect ex-factory sugar realisation to be Rs27-28/kg in 3QFY10 (adjusting for 20% levy quota) compared to Rs32-33/kg in 2QFY10 and Rs22-23/kg in 3QFY09.
- In the distillery segment, alcohol realisation is expected to be at Rs23-25/litre. In the cogen segment, the realisation of U.P. based mills is expected to be Rs4 per unit with hike in tariff with U.P. State Electricity Board. In case of Shree Renuka Sugars, we expect realisations to be Rs5 per unit on account of its merchant sale based power plants.
- EBIDTA margin of the companies are expected to decline on YoY basis due to inventory losses on cane-based on sugar with ex-factory realisations lower than the cost of production*. However, inventory write-back on account of levy sugar price revision to mitigate the impact. (*cost of production in the current season is expected to be Rs27.5-29/kg as against current realisation of Rs26.5-28/kg)
- **Top Sell:** Bajaj Hindusthan

Bajaj Hindusthan

Rs mn	3QFY10E	3QFY09	YoY (%)	2QFY10	QoQ (%)
Revenues	12,203	3,836	218.1	5,674	115.1
EBIDTA	803	1,220	(34.2)	781	2.9
EBIDTAM (%)	6.6	31.8	(2520) bps	13.8	(720) bps
Net income	(263)	601	(143.7)	318	(182.6)

Balrampur Chini

Rs mn	3QFY10E	3QFY09	YoY (%)	2QFY10	QoQ (%)
Revenues	4,779	5,381	(11.2)	4,705	1.6
EBIDTA	696	1,300	(46.5)	814	(14.6)
EBIDTAM (%)	14.6	24.2	(960) bps	17.3	(280) bps
Net income	174	663	(73.8)	276	(37.0)

Shree Renuka Sugars

Rs mn	3QFY10E	3QFY09	YoY (%)	2QFY10	QoQ (%)
Revenues	12,302	7,155	72	15,570	(21)
EBIDTA	1,807	1,221	48	2,894	(38)
EBIDTAM (%)	14.7	17.1	(240) bps	18.6	(390) bps
Net income	871	611	43	1,959	(56)

Source : Company, Alchemy

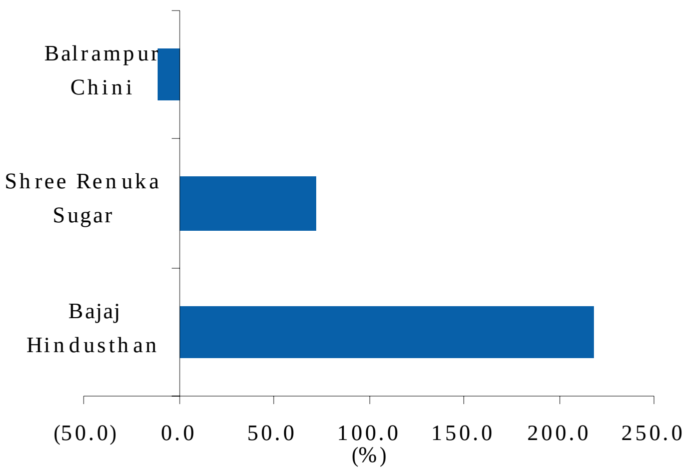
Relative performance

Top line	
Company	**YoY growth (%)**
Bajaj Hindusthan	218.1
Shree Renuka Sugar	71.9
Balrampur Chini	(11.2)

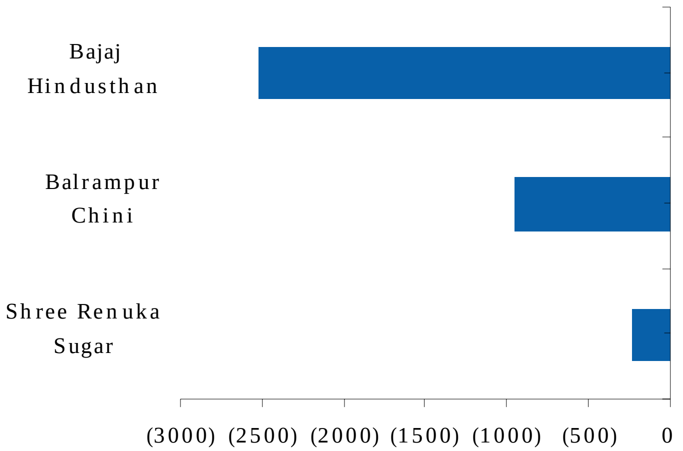
Operating margin	
Company	**YoY change (bps)**
Shree Renuka Sugar	(237)
Balrampur Chini	(961)
Bajaj Hindusthan	(2522)

Net profit	
Company	**YoY growth (%)**
Shree Renuka Sugar	42.5
Balrampur Chini	(73.8)
Bajaj Hindusthan	(143.7)

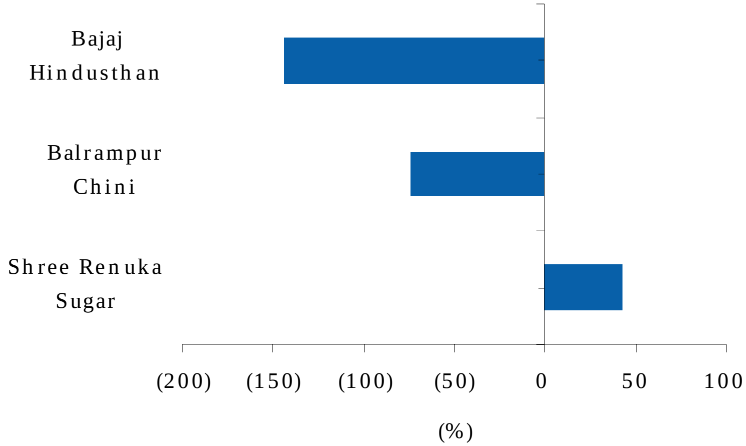
Revenue (YoY growth)



Operating margin (YoY change bps)

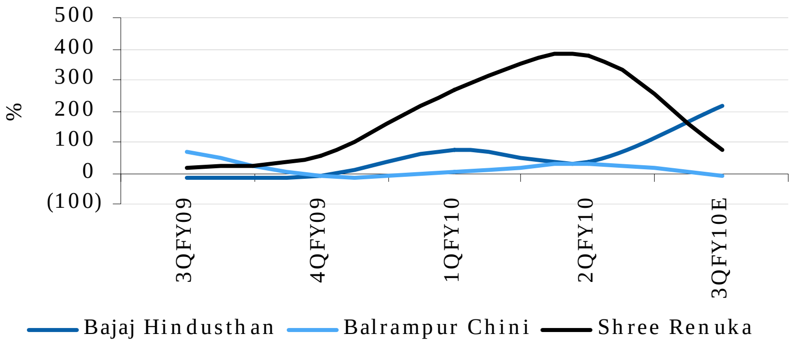


Net profit (YoY growth)

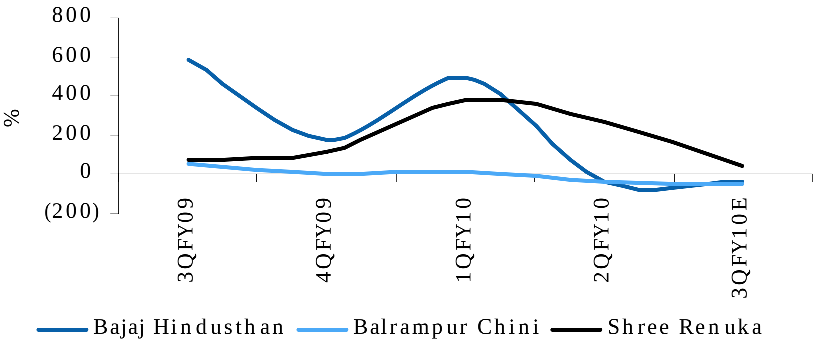


Performance trends

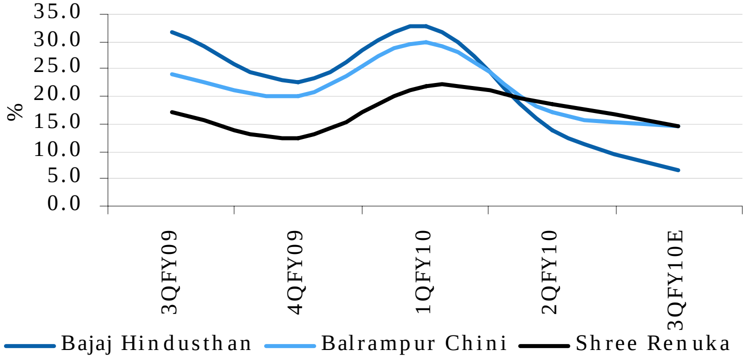
Revenue growth



EBIDTA growth



EBIDTA margin



Source : Company, Alchemy

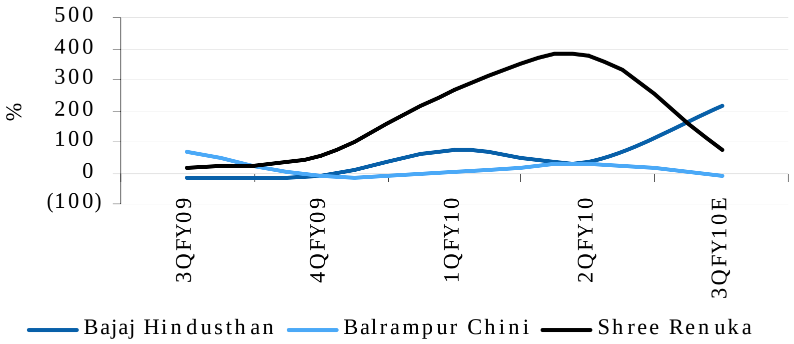
Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x)		P/BV (x)		EV/EBITDA (x)	
				FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Sugar									
Bajaj Hindusthan	116	22	Sell	NM	25.4	1.1	1.0	15.5	7.8
Balrampur Chini	84	22	Reduce	28.6	12.6	1.9	1.6	9.9	6.7
Shree Renuka	68	46	Accumulate	20.4	6.5	1.9	1.7	5.4	7.2

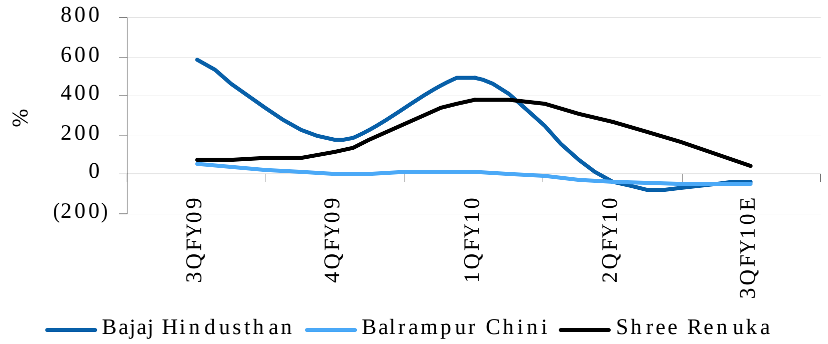
Source : Company, Alchemy

Performance trends

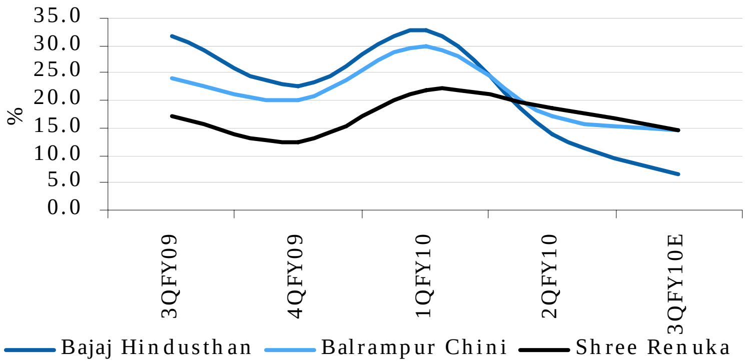
Revenue growth



EBIDTA growth



EBIDTA margin



Source : Company, Alchemy

Other Midcaps

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Other Midcaps

Elecon Engineering

- We expect revenue growth of 14.3% YoY owing to 10%* growth in material handling equipments (MHE) and 20% growth in industrial gears (IG). (*adjusting for inter-segment revenues)
- After four quarters of consecutive decline, the order book is expected to grow sequentially in 1QFY11 due to strong order inflows of ~Rs4.3bn from across sectors.
- EBIDTA margin is expected to decline 130bps to 14% due to higher raw material cost.

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	2,426	2,123	14.3	3,291	(26.3)
EBIDTA	340	326	4.2	437	(22.3)
EBIDTAM (%)	14.0	15.3	(130) bps	13.3	70 bps
Net income	108	85	27.6	271	(59.9)

Source : Company, Alchemy

Everest Kanto Cylinder

- We expect 25% YoY growth in consolidated revenues owing to 18% volume growth and 5% realisation growth.
- The volume growth will be led by India (up 17% YoY) due to pick up in OEM demand and Dubai (up 100% YoY) led by revival in orders from Iran.
- While EBIDTA margin is expected to decline on YoY basis, there will be an sharp improvement on QoQ basis to ~15% due to complete liquidation of high cost inventory in previous quarter.

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	1,908	1,530	24.7	1,898	0.5
EBIDTA	286	331	(13.6)	(74)	(486.8)
EBIDTAM (%)	15.0	21.7	(670) bps	(3.9)	NA
Net income	90	166	(45.6)	289	(68.8)

Source : Company, Alchemy

Other Midcaps

Power Transmission

- We expect Jyoti Structures and KEC International to report 20% and 18% growth in revenues respectively owing to strong order book.
- EBIDTA margin is expected to remain in the range of 10-11% (excluding forex adjustments).
- Given PGCIL's budgeted capex of Rs290bn in the next two years, we expect strong order inflows. On exports front, we expect substantial order inflows from Middle-east with revival in global cues.

Jyoti Structures

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	5,806	4,858	19.5	5,477	6.0
EBIDTA	653	539	21.1	717	(9.0)
EBIDTAM (%)	11.3	11.1	20 bps	13.1	(180) bps
Net income	266	224	18.7	253	5.0

KEC International

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	8,540	7,268	17.5	13,571	(37.1)
EBIDTA	914	860	6.3	1,328	(31.2)
EBIDTAM (%)	10.7	11.8	(110) bps	9.8	90 bps
Net income	386	382	1.0	628	(38.5)

Source : Company, Alchemy

Praj Industries

- Revenues are expected to be flat at Rs1.27bn owing to decline in order book. However, we expect gradual revival in order inflows with improvement in macro-economic conditions and rise in crude oil prices.
- The EBIDTA margin is expected to decline 740bps YoY to 11.5% due to higher proportion of relatively low margin domestic orders.
- The margins will also vary depending upon the revenue mix of design and engineering contracts versus supply of critical equipments.

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	1,270	1,264	0.5	1,269	0.0
EBIDTA	146	239	(38.8)	112	30.5
EBIDTAM (%)	11.5	18.9	(740) bps	8.8	170 bps
Net income	186	253	(26.7)	198	(6.2)

Source : Company, Alchemy

Other Midcaps

Blue Star

- We expect 16.5% YoY growth in revenues owing to 17.5% growth in CAS, 15% growth in cooling products and 20% growth in professional electronics and industrial equipments. The revenue booking in CAS is expected to accelerate with favorable macro-economic environment and improvement in liquidity scenario.
- We expect substantial pick up in order inflows in 2HFY11E owing to recovery in IT/ITES and strong demand from infrastructure segments such as power, telecom, hotels, airports etc.
- The EBIDTA margin is expected to be at 11.3% in 1QFY11 as against 11.6% in 1QFY10.

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	6,286	5,398	16.5	8,747	(28.1)
EBIDTA	710	625	13.7	1,120	(36.6)
EBIDTAM (%)	11.3	11.6	(30) bps	12.8	(150) bps
Net income	483	412	17.3	785	(38.5)

Source : Company, Alchemy

Voltas

- We expect 9.4% YoY growth in revenues owing to 2.5% growth in electro-mechanical projects (EMP), 10% growth in engineering agency and services (EAS) and 20% growth in unitary cooling. The revenue growth in EMP is expected to be muted due to flat order book of Rs47bn on YoY basis.
- EAS division is expected to come back to growth trajectory owing to strong IIP numbers and pick up in construction activities.
- The EBIDTA margin is expected to decline 20bps to 8.5% due to higher raw material cost and increase in competition.

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	13,589	12,419	9.4	14,806	(8.2)
EBIDTA	1,155	1,025	12.6	1,497	(22.8)
EBIDTAM (%)	8.5	8.3	20 bps	10.1	(160) bps
Net income	897	790	13.6	1,358	(33.9)

Source : Company, Alchemy

Other Midcaps

Castrol

- Castrol's revenues are expected to grow by ~10% YoY led by volume and realisation growth at ~5% each.
- The company did not take any price hike in this quarter.
- The decline in margin is mainly due to an exceptional margin (caused by all-time low base oil prices) in 2QCY09.
- Consequently, the net profit is expected to decline by ~7% YoY in 2QCY10.

Rs mn	2QCY10E	2QCY09	YoY (%)	1QCY10	QoQ (%)
Revenues	6,975	6,375	9.4	6,540	6.7
EBIDTA	1,814	1,956	(7.3)	1,780	1.9
EBIDTAM (%)*	26.0	30.7	(470) bps	27.2	(120) bps
Net income	1,191	1,284	(7.2)	1,172	1.6

Source : Company, Alchemy

**Exceptional margin*

CONCOR

- We expect muted growth in revenues owing to 8% growth in volumes and 6.5% decline in realisation (due to shorter lead distance).
- We expect 5% growth in EXIM volumes and 20% growth in domestic volumes.
- EBIDTA margin is expected to marginally decline (down 90bps YoY) owing to higher rail freight expenses.
- Consequently, the net profit is expected to decline by ~4% YoY.

Rs mn	1QFY11E	1QFY10	YoY (%)	4QFY10	QoQ (%)
Revenues	9,186	9,074	1.2	9,505	(3.4)
EBIDTA	2,425	2,478	(2.2)	2,201	10.2
EBIDTAM (%)	26.4	27.3	(90) bps	23.2	320 bps
Net income	1,933	2,009	(3.8)	1,727	11.9

Source : Company, Alchemy

Relative performance – Power Transmission

Recommendations

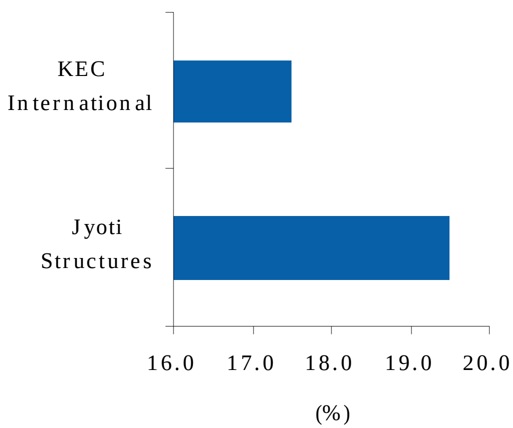
Top Buy: Jyoti Structures; **Top Sell:** Praj Industries

Top line	
Company	**YoY growth (%)**
Jyoti Structures	19.5
KEC International	17.5

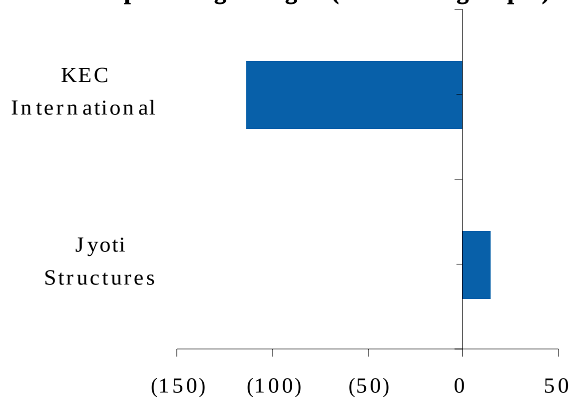
Operating margin	
Company	**YoY change (bps)**
Jyoti Structures	14.5
KEC International	(113.0)

Net profit	
Company	**YoY growth (%)**
Jyoti Structures	18.7
KEC International	1.0

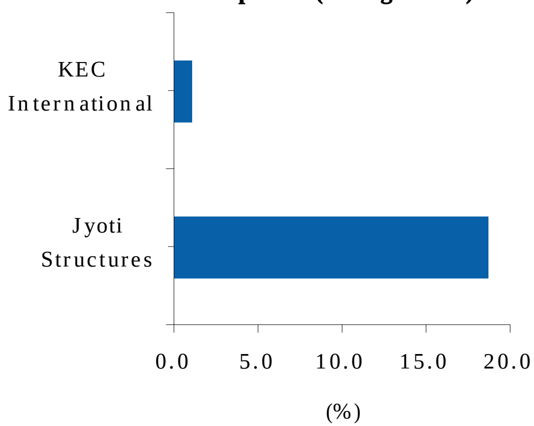
Revenue (YoY growth)



Operating margin (YoY change bps)



Net profit (YoY growth)



Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x)		P/BV (x)		EV/EBITDA (x)	
				FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Jyoti Structures	150	12	Buy	11.1	9.2	2.0	1.7	5.8	5.0
KEC International	468	24	Accumulate	11.0	9.2	2.5	2.0	6.2	5.2

Source : Company, Alchemy

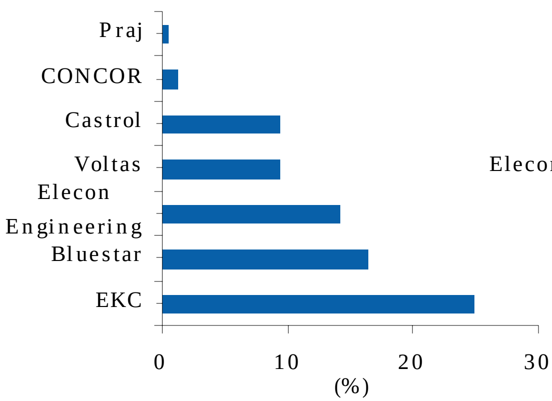
Relative performance – Other Midcaps

Top line	
Company	**YoY growth (%)**
EKC	24.9
Bluestar	16.5
Elecon Engineering	14.3
Voltas	9.4
Castrol	9.4
CONCOR	1.2
Praj	0.5

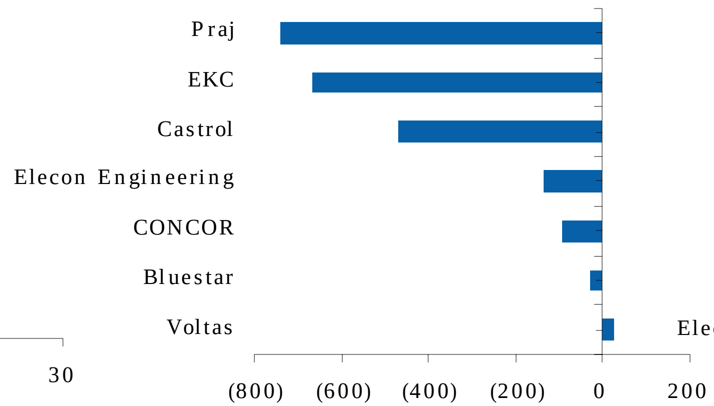
Operating margin	
Company	**YoY change (bps)**
Voltas	24
Bluestar	(28)
CONCOR	(91)
Elecon Engineering	(135)
Castrol	(468)
EKC	(665)
Praj	(739)

Net profit	
Company	**YoY growth (%)**
Elecon Engineering	27.6
Bluestar	17.3
Voltas	13.6
CONCOR	(3.8)
Castrol	(7.2)
Praj	(26.7)
EKC	(45.4)

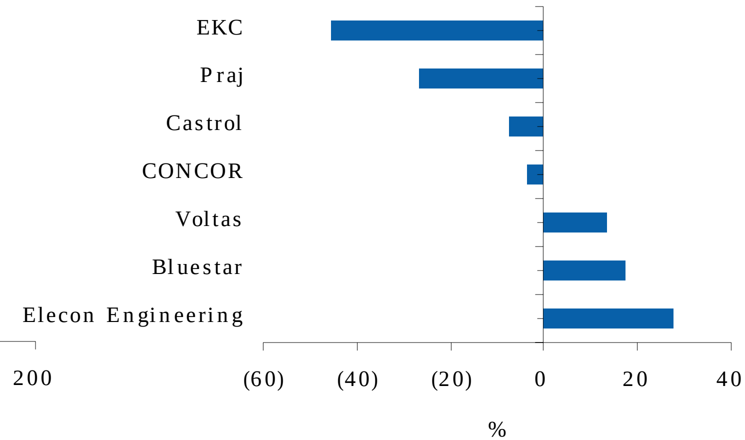
Revenue (YoY growth)



Operating margin (YoY change bps)



Net profit (YoY growth)



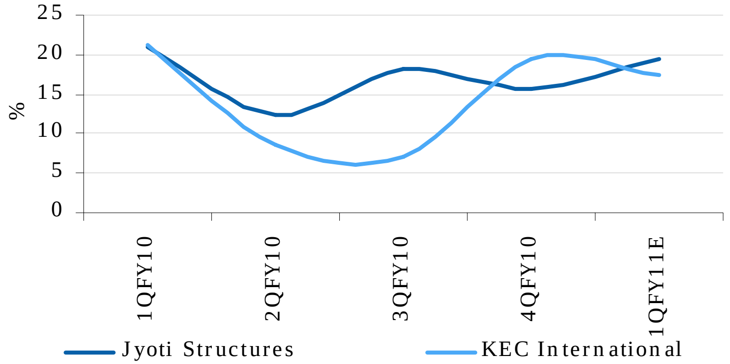
Valuations – Other Midcaps

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x)		P/BV (x)		EV/EBITDA (x)	
				FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Bluestar	426	38	Accumulate	16.5	13.4	6.1	4.7	11.3	9.1
Castrol	430	106	Accumulate	25.0	22.8	16.2	14.9	14.9	13.5
Elecon Engineering	88	8	Accumulate	12.3	9.2	2.2	1.9	7.1	5.7
Everest Kanto	134	14	Accumulate	19.6	12.3	1.9	1.7	10.5	7.4
Praj Industries	81	15	Reduce	16.5	13.8	2.7	2.4	16.6	12.9
Concor	1,418	184	Accumulate	20.3	17.9	3.7	3.2	14.5	12.5
Voltas	204	68	Accumulate	17.2	14.7	4.9	3.9	11.5	9.1

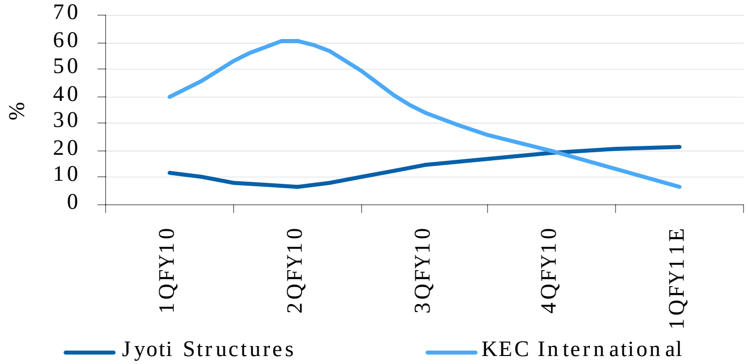
Source : Company, Alchemy

Performance trends – Power transmission

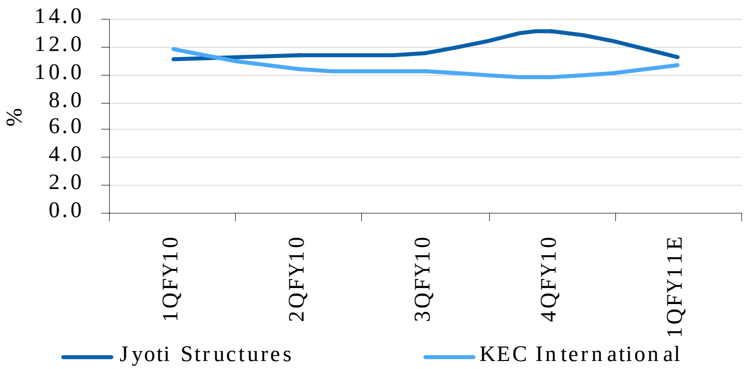
Revenue growth



EBIDTA growth



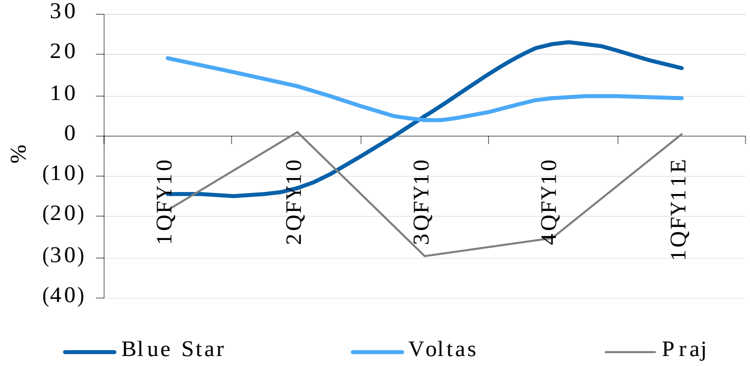
EBIDTA margin



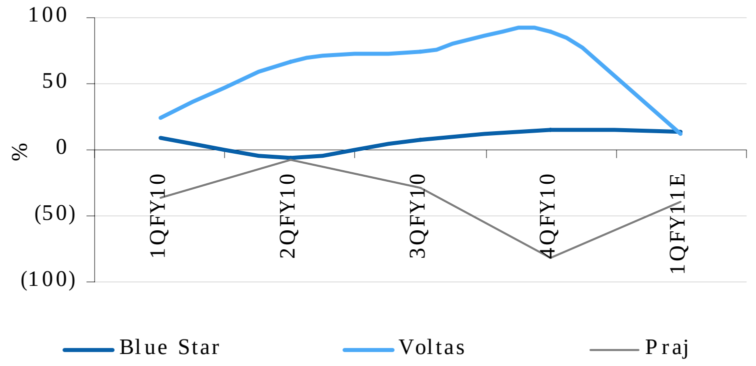
Source : Company, Alchemy

Performance trends – Other Midcaps

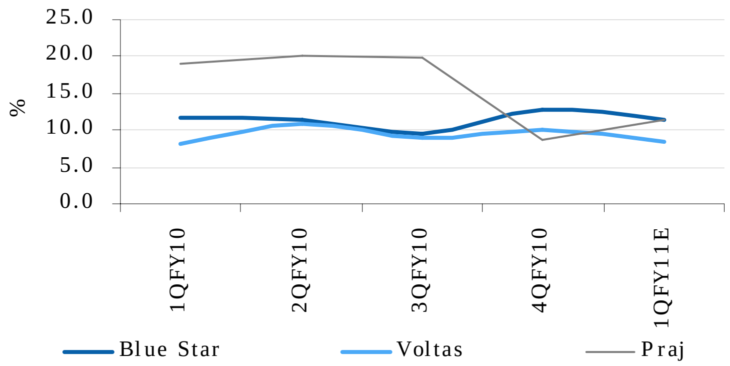
Revenue growth



EBIDTA growth



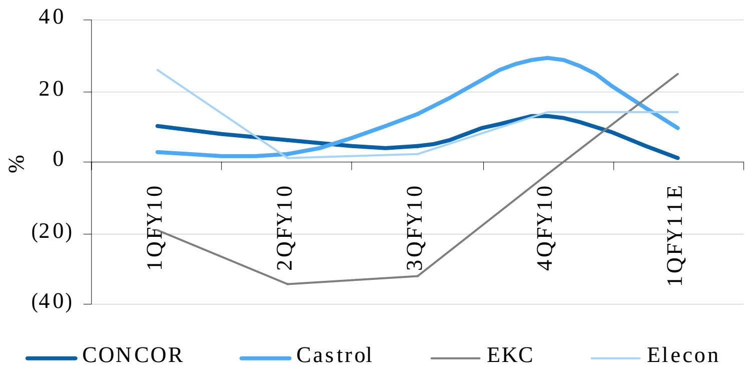
EBIDTA margin



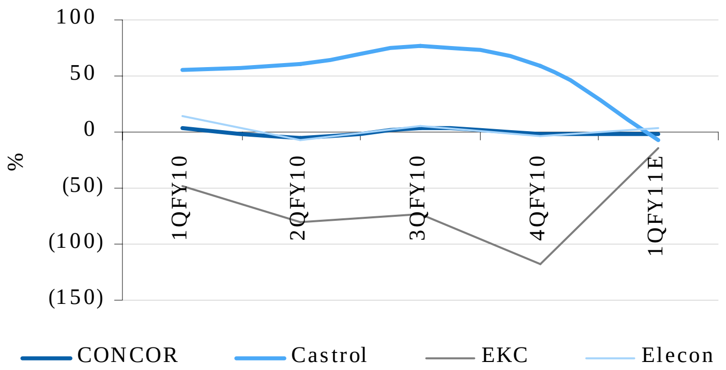
Source : Company, Alchemy

Performance trends – Other Midcaps

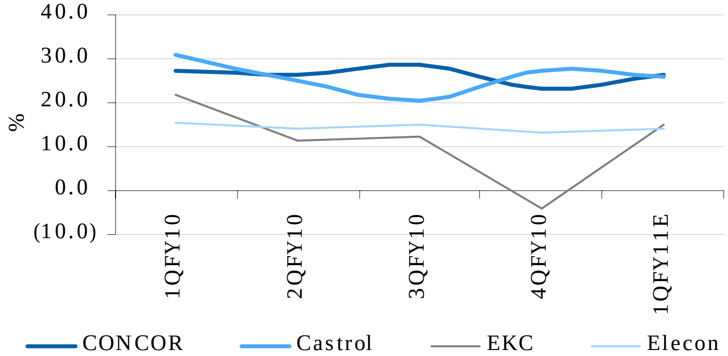
Revenue growth



EBIDTA growth



EBIDTA margin



Source : Company, Alchemy

Valuations

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x)		P/BV (x)	
				FY11E	FY12E	FY11E	FY12E
Services							
Banks - PSU							
BOB	715	261	Accumulate	7.9	6.9	1.7	1.4
BOI	365	191	Reduce	9.2	6.7	1.6	1.3
Corporation Bank	520	75	Buy	5.3	4.6	1.1	0.9
IDBI Bank	118	86	Buy	7.5		1.1	
J&K Bank	829	40	Accumulate	8.0	6.3	1.2	1.0
OBC	322	81	Accumulate	5.8	4.8	1.1	0.9
PNB	1,075	339	Accumulate	8.1	6.9	1.8	1.4
SBI	2,273	1,443	Accumulate	13.1	10.9	2.3	2.0
Union Bank	312	158	Accumulate	6.8	5.8	1.6	1.3
Banks - Private							
Axis Bank	1,236	503	Buy	16.2	13.5	2.8	2.4
HDFC Bank	1,915	880	Accumulate	23.7	18.7	3.7	3.2
ICICI Bank	841	938	Accumulate	18.9	16.7	1.8	1.7
Yes Bank	268	91	Accumulate	16.5	11.4	2.5	2.1
NBFCs							
HDFC	2,939	854	Marketperform	24.9	21.1	4.7	4.0
IDFC	180	235	Reduce	19.1	17.0	3.4	2.9
LIC HF	978	93	Accumulate	9.9	8.7	2.4	2.0
Power Finance	297	341	Accumulate	13.8	11.1	2.2	1.9

Valuations (cont'd)

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
Telecom									
Bharti (pre Zain)	267	1,016	Reduce	13.9	13.7	2.0	1.7	6.8	5.8
Idea Cellular	59	196	Reduce	39.6	49.5	1.7	1.6	8.5	7.1
Reliance Communications	186	383	Reduce	16.6	16.3	0.8	0.7	9.7	8.1
IT Services									
HCL Tech	355	241	Accumulate	13.8	12.6	2.9	2.5	8.7	7.1
Infosys	2,743	1,574	Accumulate	22.4	19.4	5.3	4.4	15.2	12.7
TCS	739	1,446	Accumulate	18.4	17.3	6.3	5.2	14.3	12.2
Wipro	390	955	Reduce	18.4	17.3	4.1	3.6	13.6	11.5
Midcap IT									
Tech Mahindra	754	94	Accumulate	12.1	13.2	2.6	2.2	9.3	8.3
Patni Computers	514	67	Accumulate	12.1	11.7	1.8	1.6	7.0	5.7
Mindtree	565	22	Reduce	15.9	10.6	2.8	2.2	8.8	6.0
Infotech Enterprises	186	21	Buy	11.4	10.5	1.9	1.6	6.3	4.8
Persistent Systems	475	19	Buy	13.0	12.3	2.5	2.1	8.2	6.3
Infrastructure & ancillaries									
Capital Goods									
ABB	861	183	Sell	39.4	30.4	6.4	5.4	24.9	19.2
Areva T&D	290	69	Reduce	34.0	25.4	6.8	5.6	16.3	13.0
BHEL	2,360	1,155	Reduce	22.0	17.8	19.9	16.3	13.9	11.3
L&T	1,791	1,080	Accumulate	29.3	23.3	5.2	4.5	20.7	16.4
Siemens	715	241	Reduce	28.3	24.0	6.9	5.8	17.5	14.4
Thermax	752	90	Accumulate	24.9	19.1	6.7	5.3	15.3	11.5
Construction/Engineering									
Gammon India	216	27	Not rated	17.3	15.7	1.4	1.3	9.3	8.7
GMR Infrastructure	60	232	Not rated	129.9	106.6	2.3	2.2	21.6	19.3
GVK Power	44	69	Accumulate	24.3	18.8	1.7	1.4	17.0	15.2
HCC	117	35	Sell	37.0	28.7	2.2	2.1	12.4	11.3
IRB Infrastructure	264	88	Buy	18.8	13.0	3.1	2.5	10.5	9.1
IVRCL Infrastructure	185	49	Accumulate	16.8	13.1	2.2	1.9	9.8	8.0
Nagarjuna Construction	186	48	Accumulate	18.6	13.5	1.9	1.7	10.3	8.4
Patel Engineering	416	29	Buy	13.3	10.9	1.6	1.4	8.5	8.1
Power Utilities									
NTPC	200	1,649	Reduce	15.4	14.1	2.4	2.2	13.9	12.4
Power Grid Corporation	102	430	Accumulate	16.4	13.9	2.2	2.0	11.3	9.4
PTC India	99	29	Buy	24.0	18.8	1.4	1.3	21.2	13.9
Tata Power	1,309	311	Accumulate	41.2	40.2	2.7	2.6	20.8	20.5

Valuations (cont'd)

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
Pipes									
Jindal Saw	198	55	Buy	10.1	6.7	1.3	1.1	6.5	4.5
Maharashtra Seamless	395	28	Buy	8.9	7.8	1.6	1.3	5.2	4.1
PSL	125	7	Buy	5.4	5.0	0.6	0.6	5.6	5.3
Welspun Corporation	228	47	Buy	7.6	6.2	1.5	1.2	4.9	3.7
Power Transmission									
Jyoti Structures	150	12	Buy	11.1	9.2	2.0	1.7	5.8	5.0
KEC International	468	24	Accumulate	11.0	9.2	2.5	2.0	6.2	5.2
Consumption									
Auto									
Apollo Tyres	65	33	Buy	7.4	7.0	1.5	1.3	4.0	3.3
Ashok Leyland	66	87	Accumulate	17.7	14.6	2.2	2.0	10.5	8.9
Bajaj Auto	2,445	354	Reduce	15.7	14.2	7.3	5.3	11.6	10.3
Bharat Forge	292	68	Reduce	36.7	26.7	3.4	3.1	14.7	12.1
Exide Industries	126	107	Accumulate	17.2	15.4	4.8	3.8	10.6	9.4
Hero Honda	2,022	404	Accumulate	16.8	15.3	8.2	6.1	13.6	12.1
Mahindra & Mahindra	610	353	Buy	13.7	11.7	3.8	2.9	10.4	8.8
Maruti Suzuki	1,396	403	Accumulate	15.5	13.7	2.9	2.4	9.7	8.6
Tata Motors	763	418	Buy	16.3	12.5	2.3	2.0	8.4	6.8
TVS Motors	114	27	Accumulate	25.2	19.9	2.7	2.5	9.0	8.0
Real Estate									
Anant Raj Industries	118	35	Accumulate	23.6	7.2	0.9	0.8	19.4	5.4
DLF	281	477	Accumulate	19.8	14.7	1.6	1.4	14.3	11.5
HDIL	240	88	Buy	9.7	6.0	1.0	0.9	11.0	6.3
Indiabulls Real Estate	155	62	Under review	98.4	39.5	0.6	0.6	39.0	11.6
Orbit Corp	133	14	Buy	9.5	4.2	1.4	1.3	6.5	3.5
Phoenix Mills	217	31	Buy	44.6	37.5	1.9	1.8	29.2	25.4
Sobha developers	288	28	Buy	11.4	11.1	1.4	1.3	9.2	8.5
Unitech	72	176	Strong Buy	15.3	11.2	1.5	1.3	12.4	8.8

Valuations (cont'd)

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
FMCG									
Asian Paints	2,330	223	Reduce	28.5	24.6	10.4	8.8	17.6	15.3
Colgate	842	114	Accumulate	27.3	24.1	43.1	40.2	22.9	19.9
Dabur	202	176	Accumulate	30.2	25.4	12.5	9.9	22.9	19.1
GCPL	348	108	Buy	24.4	18.3	6.8	5.5	17.5	13.1
HUL	266	581	Accumulate	25.8	23.0	20.8	16.9	20.2	17.8
ITC	302	1,154	Buy	23.4	20.2	7.2	6.2	15.3	13.1
Marico	125	76	Accumulate	28.5	23.9	9.2	7.1	18.5	15.6
Nestle	3,085	297	Reduce	37.7	31.5	41.2	33.4	25.2	21.1
Radico Khaitan	118	16	Not Rated	19.7	15.6	2.3	2.1	12.7	10.6
United Spirits	1,277	160	Not Rated	30.2	23.0	2.9	2.6	14.4	12.0
Retail									
Pantaloon Retail	421	85	Buy	24.9	17.1	2.6	2.3	10.5	8.3
Provogue	60	7	Strong Buy	25.1	16.8	0.9	0.9	13.6	10.4
Shoppers Stop	550	19	Accumulate	31.9	23.4	5.2	4.3	15.2	11.4
Pharma									
Aurobindo	923	52	Buy	9.6	8.1	2.2	1.7	7.6	6.2
Cadila	658	135	Accumulate	20.1	16.5	6.0	4.6	14.3	11.8
Cipla	337	271	Accumulate	28.3	21.1	4.1	3.5	19.7	15.1
Dishman	211	17	Buy	11.1	8.1	1.8	1.5	9.3	7.1
Divi's Labs	770	102	Accumulate	23.4	19.2	5.5	4.3	19.3	15.6
Dr Reddy's	1,461	247	Accumulate	27.0	23.1	4.9	4.1	19.0	15.9
Glenmark	273	74	Buy	17.0	12.6	2.6	2.1	12.1	9.6
GSK Pharma	2,169	184	Accumulate	31.2	26.3	9.0	7.5	21.0	17.3
Lupin	1,925	171	Buy	19.7	15.1	6.3	4.6	14.5	11.1
Pfizer	1,171	35	Accumulate	21.6	19.1	3.9	3.5	15.5	13.0
Piramal	501	105	Accumulate	18.5	14.7	4.9	3.9	12.7	10.5
Ranbaxy	460	194	Sell	20.6	31.1	3.6	3.4	13.6	21.4
Sun Pharma	1,740	358	Buy	23.9	20.2	3.8	3.3	20.3	16.8
Wyeth	825	19	Accumulate	18.7	15.5	6.4	5.7	11.3	9.5

Valuations (cont'd)

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x) FY11E	P/E (x) FY12E	P/BV (x) FY11E	P/BV (x) FY12E	EV/EBITDA (x) FY11E	EV/EBITDA (x) FY12E
Media									
ENIL	237	11	Accumulate	42.9	25.9	2.9	2.6	14.2	9.6
HT Media	145	34	Reduce	20.2	18.6	2.4	2.2	9.1	8.3
Jagran Prakashan	124	37	Buy	17.8	16.2	5.5	4.9	11.0	9.9
PVR	157	4	Accumulate	19.0	11.0	1.2	1.1	3.5	2.9
Sun TV Network	430	170	Buy	24.3	21.1	7.0	5.8	11.5	10.3
TV Today	100	6	Under Review	10.0	9.2	1.4	1.2	4.5	3.5
UTV Software	394	16	Accumulate	12.5	8.0	1.5	1.3	10.1	5.7
Zee Entertainment	294	142	Accumulate	23.7	19.3	3.4	3.0	16.7	13.5
Zee News	14	3	Reduce	28.7	21.9	2.0	1.9	14.8	13.1
Materials/Commodities									
Oil & Gas, Petchem									
BPCL	659	238	Accumulate	11.6	12.1	1.5	1.3	6.3	6.5
Cairn India	295	560	Accumulate	10.6	6.9	1.4	1.2	7.1	4.0
CPCL	262	39	MarektPerform	9.5	6.6	1.0	0.9	7.4	5.8
GAIL	465	590	Buy	14.3	12.5	3.0	2.5	9.2	9.1
GSPL	105	59	Buy	12.0	10.8	2.9	2.4	6.1	5.2
HPCL	466	158	Buy	8.9	8.9	1.2	1.1	6.8	6.2
IOCL	399	968	Accumulate	12.4	11.1	1.7	1.5	8.6	6.8
Oil India	1,411	339	Buy	10.7	9.9	2.1	1.9	5.7	5.1
ONGC	1,285	2,749	Buy	11.8	11.3	2.3	2.1	5.6	5.3
Petronet LNG	78	59	Sell	12.5	11.9	2.3	2.0	8.4	7.7
RIL	1,068	3,494	Reduce	16.6	13.8	2.4	2.1	9.2	7.4
Fertiliser & Agrochem									
Chambal Fertiliser	69	29	Buy	9.7	9.4	1.8	1.6	6.8	6.3
Coromandel International	475	67	Accumulate	13.6	12.2	3.7	3.0	8.3	6.9
Deepak Fertiliser	153	14	Buy	8.4	6.9	1.3	1.1	5.7	4.6
Tata Chemicals	324	79	Accumulate	9.4	8.6	1.3	1.2	5.6	5.0
Rallis India	1,119	22	Buy	16.9	14.6	4.3	3.5	11.6	9.6
United Phosphorus	180	79	Accumulate	12.4	9.9	2.1	1.8	6.9	5.4

Valuations (cont'd)

	Price (Rs)	Mkt Cap (Rs bn)	Rating	P/E (x)		P/BV (x)		EV/EBITDA (x)	
				FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Metals									
Hindustan Zinc	944	399	Accumulate	9.6	8.4	1.8	1.5	5.2	3.6
Hindalco Industries	142	271	Accumulate	8.3	7.8	1.1	1.0	6.5	6.7
JSW Steel	1,029	222	Accumulate	11.6	7.1	1.5	1.3	7.0	4.9
SAIL	190	786	Reduce	10.3	9.6	2.0	1.7	6.4	6.1
Sesa Goa	347	308	Accumulate	8.6	6.9	2.3	1.8	5.1	3.4
Sterlite Industries	160	538	Accumulate	13.9	10.0	1.2	1.1	5.0	3.5
Tata Steel	472	419	Buy	7.6	6.2	1.5	1.2	5.6	4.8
Usha Martin	81	25	Buy	8.1	6.4	1.2	1.1	4.4	3.3
Cement									
ACC	863	162	Reduce	12.1	12.3	2.2	2.1	6.7	6.4
Ambuja Cement	114	173	Sell	16.5	13.4	2.4	2.1	9.0	7.7
Grasim Industries*	1,828	168	Accumulate	9.1	7.0	1.2	0.9	3.2	2.6
India Cements	107	33	Sell	13.0	10.5	0.7	0.7	7.1	5.9
Madras Cements	99	24	Reduce	7.4	8.0	1.3	1.3	5.4	5.7
Shree Cements	1,958	68	Buy	13.8	6.9	3.0	2.1	5.3	2.7
UltraTech	867	108	Reduce	13.1	10.7	2.0	1.7	6.9	5.4
Sugar									
Bajaj Hindusthan	116	22	Sell	NM	25.4	1.1	1.0	15.5	7.8
Balrampur Chini	84	22	Reduce	28.6	12.6	1.9	1.6	9.9	6.7
Shree Renuka	68	46	Accumulate	20.4	6.5	1.9	1.7	5.4	7.2
Other Midcaps									
Bluestar	426	38	Accumulate	16.5	13.4	6.1	4.7	11.3	9.1
Castrol	430	106	Accumulate	25.0	22.8	16.2	14.9	14.9	13.5
Elecon Engineering	88	8	Accumulate	12.3	9.2	2.2	1.9	7.1	5.7
Everest Kanto	134	14	Accumulate	19.6	12.3	1.9	1.7	10.5	7.4
Praj Industries	81	15	Reduce	16.5	13.8	2.7	2.4	16.6	12.9
Concor	1,418	184	Accumulate	20.3	17.9	3.7	3.2	14.5	12.5
Voltas	204	68	Accumulate	17.2	14.7	4.9	3.9	11.5	9.1

** Grasim is now a VSF operating and cement holding company. Even though valuations on a consolidated basis appear attractive, we prefer direct exposure to cement companies then through a holding company.*

Sales

91-22-6639 9159	91-22-6639 9126	91-22-6639 9178	91-22-6639 9161

Trade execution

91-22-6639 9121	91-22-6639 9134	91-22-6639 9167

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