Earnings Preview (Oct-Dec 2009)

IDFC - SSKI Research

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January 2010

Q3FY10E earnings highlights

Sensex earnings to witness growth of 15.8% yoy
Domestic cyclicals(ex-financials) to drive earnings growth (17% yoy), aided by Oil & Gas

IDFC-SSKI Universe earnings expected to grow ~16% yoy

Topline growth returns to a strong 23% for Sensex buoyed by base effect over previous year;
IDFC-SSKI Universe topline improving; estimated to grow 12% yoy

EBITDA margins (ex-financials) continue to witness expansion led by strong volume growth and stable input costs

Robust earnings growth expected for Automobiles, Cement;
Power Equipment, Construction to witness strong earnings momentum;
Private Banks, NBFCs earnings to stay healthy

IT services seeing strong sequential improvement in earnings;
We see the earnings growth momentum sustaining ahead as private capex revives

Sensex earnings likely to witness ~30% yoy growth in FY11;
Maintain FY11E Sensex EPS at Rs1,032

Sensex earnings growth turns positive at ~16% yoy

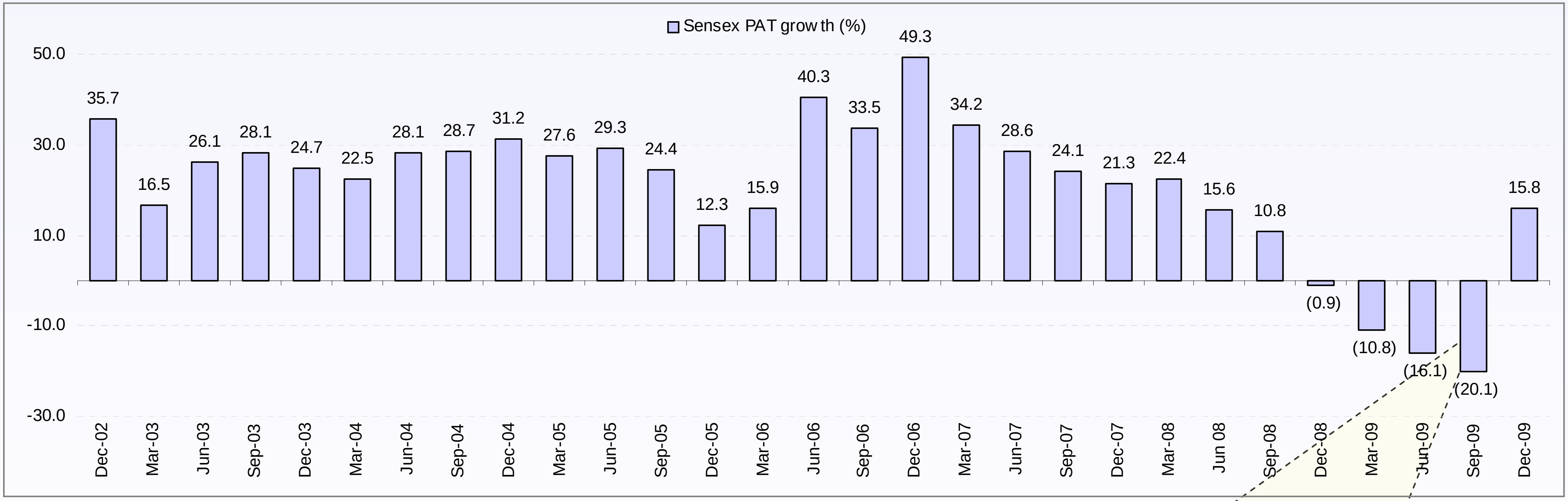
- Commodities earnings to witness ~24% yoy growth led by cement and oil& gas companies
- Automobiles earnings to surge 319% on high volumes in passenger car segment and a recovery in CV sales
- Power equipment (up ~30%) and Construction (up ~22%) likely to report strong earnings growth
- Consumer goods (up ~16%) earnings growth healthy; Financials (~6%) earnings growth to stay subdued
- IT services seeing sequential uptick in earnings; Telecom (down ~18%) earnings to stay depressed

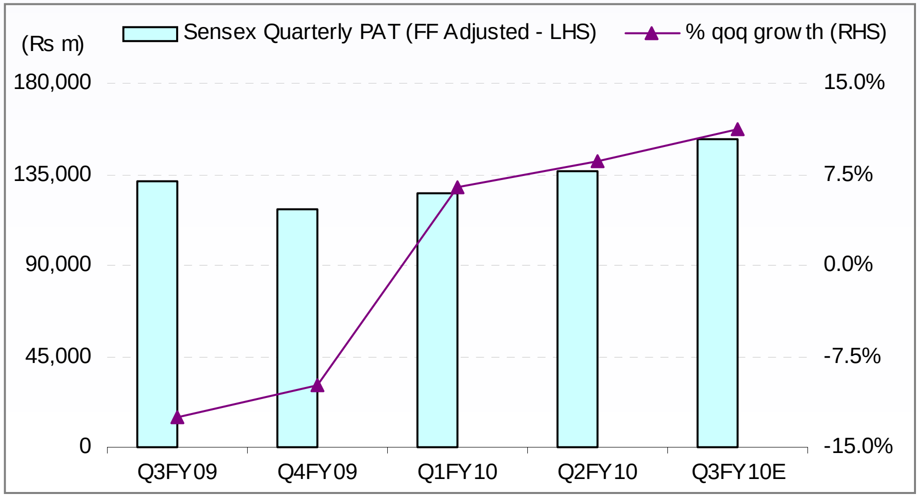
(Rs m - FF adjusted)	Net Sales			EBITDA			Profit After Tax		
Sector	**Q3FY10E**	**Q3FY09**	**% chg yoy**	**Q3FY10E**	**Q3FY09**	**% chg yoy**	**Q3FY10E**	**Q3FY09**	**% chg yoy**
Automobiles	141,434	84,538	67.3	19,279	5,772	234.0	11,954	2,851	319.2
Cement	31,909	30,429	4.9	9,503	5,959	59.5	5,815	4,134	40.7
Construction	106,816	84,615	26.2	12,910	8,535	51.3	7,910	6,467	22.3
Consumer goods	54,020	48,549	11.3	16,028	13,466	19.0	10,829	9,373	15.5
Metals	294,433	281,246	4.7	30,654	26,974	13.6	6,994	6,688	4.6
Oil & Gas	33,948	25,077	35.4	17,376	10,207	70.2	8,698	4,950	75.7
Petrochemicals	262,685	157,815	66.5	34,324	26,815	28.0	19,857	17,505	13.4
Pharmaceuticals	4,378	3,673	19.2	1,768	1,654	6.9	1,723	1,634	5.4
Power Equipment	26,347	21,078	25.0	4,641	3,572	29.9	3,629	2,798	29.7
Power Utilities	48,465	44,903	7.9	9,665	6,949	39.1	7,125	6,373	11.8
IT Services	83,006	84,192	(1.4)	24,172	25,664	(5.8)	19,914	20,025	(0.6)
Telecoms	53,927	54,193	(0.5)	21,001	22,042	(4.7)	10,276	12,494	(17.8)
Real Estate	3,285	3,418	(3.9)	1,628	1,930	(15.7)	987	1,705	(42.1)
(Rs m)	**NII**			**Pre-provisioning profit**			**Profit After Tax**		
Financials	76,797	69,984	9.7	72,741	67,416	7.9	36,106	34,081	5.9
Commodities	**622,975**	**494,567**	**26.0**	**91,856**	**69,955**	**31.3**	**41,364**	**33,277**	**24.3**
Non-commodities	**598,474**	**499,142**	**19.9**	**183,832**	**157,000**	**17.1**	**110,452**	**97,801**	**12.9**
Sensex	**1,221,449**	**993,709**	**22.9**	**275,688**	**226,955**	**21.5**	**151,817**	**131,078**	**15.8**

Improving economic scenario driving Sensex earnings growth; aided by base effect

Q3FY10... Sensex PAT growth back in black

Rolling quarter Sensex earnings growth





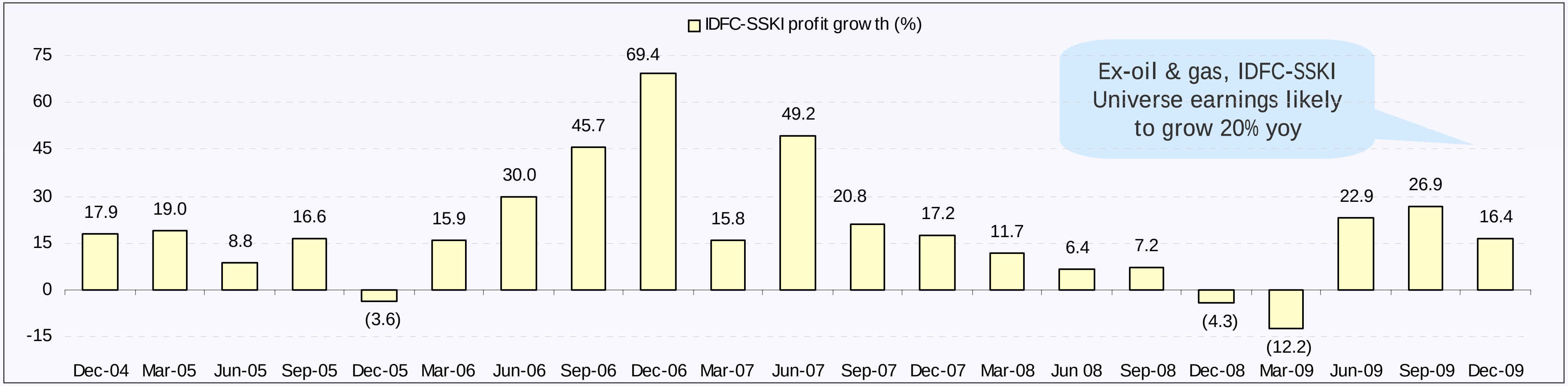
- ✓ We expect Sensex earnings to expand by ~16%yoy in Q3FY10 on a low base of Q3FY09
- ✓ However, Sensex earnings continue to improve seuqentially; expect Sensex earnings to grow 11.2% qoq
- ✓ We see earnings momentum for Sensex companies continuing through Q4FY10 in FY11

IDFC-SSKI Universe earnings set to grow ~16% yoy...

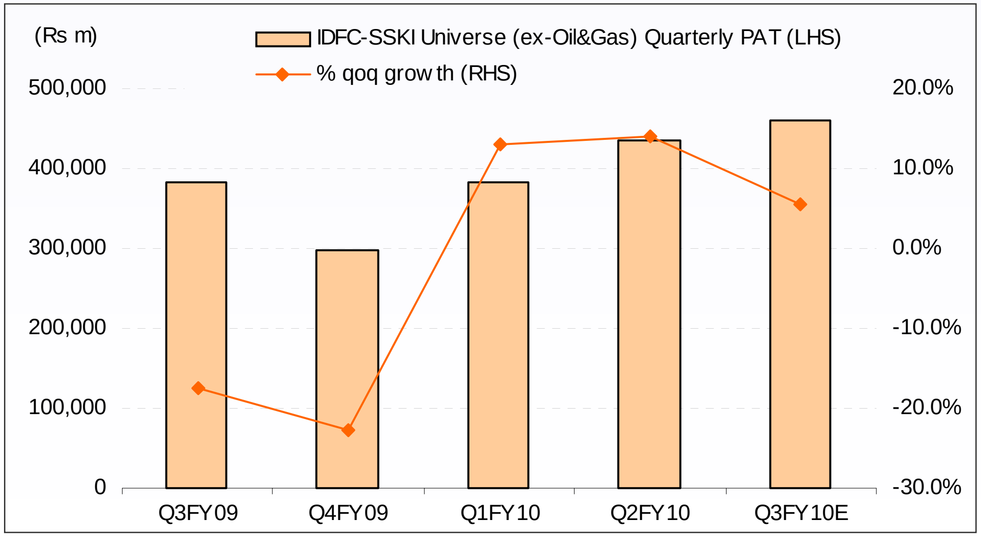
(Rs m)	Net Sales			EBITDA			Profit After Tax#		
Sector	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Alcoholic Beverages	16,992	14,137	20.2	2,912	1,524	91.1	1,147	322	256.6
Auto Components	33,745	29,955	12.7	6,326	4,135	53.0	2,546	1,220	108.7
Automobiles	302,663	185,706	63.0	41,952	14,444	190.4	25,595	6,941	268.8
Cement	82,658	78,211	5.7	23,731	17,140	38.5	14,201	10,942	29.8
Construction	179,889	144,488	24.5	21,793	14,879	46.5	11,445	9,361	22.3
Consumer goods	129,514	113,936	13.7	32,533	26,650	22.1	22,708	19,115	18.8
Education	5,868	4,677	25.5	1,729	1,169	47.9	689	398	73.1
Exchanges	750	624	20.2	319	167	91.1	563	432	30.4
Engineering	26,787	24,804	8.0	3,363	2,980	12.8	2,181	1,994	9.4
Logistics	17,807	17,184	3.6	3,884	3,611	7.6	2,902	2,723	6.6
Infra Developers	41,300	32,784	26.0	14,133	9,221	53.3	6,561	5,145	27.5
Media	28,340	24,200	17.1	6,640	3,777	75.8	1,996	637	213.2
Metals	622,985	573,790	8.6	97,904	66,226	47.8	44,485	27,669	60.8
Oil & Gas	1,390,533	1,437,616	(3.3)	110,220	98,132	12.3	39,678	45,813	(13.4)
Others	95,845	98,232	(2.4)	10,825	9,170	18.0	2,229	2,301	(3.1)
Petrochemicals	525,369	315,630	66.5	68,649	53,630	28.0	39,714	35,010	13.4
Pharmaceuticals	111,159	100,512	10.6	23,765	19,562	21.5	17,584	6,286	179.7
Pipes	36,117	45,914	(21.3)	5,651	5,580	1.3	2,735	2,208	23.9
Power Equipment	122,764	105,463	16.4	18,894	15,420	22.5	13,799	11,241	22.8
Power Utilities	231,106	194,047	19.1	48,970	33,339	46.9	32,427	27,279	18.9
Retail	36,282	30,409	19.3	3,424	2,599	31.7	1,333	796	67.4
IT Services	246,195	241,328	2.0	63,053	62,972	0.1	50,184	46,694	7.5
Telecoms	182,444	182,141	0.2	66,603	69,946	(4.8)	29,882	37,891	(21.1)
Tyre	16,551	12,243	35.2	2,503	1,123	122.9	1,203	284	323.4
Real Estate	18,282	18,582	(1.6)	9,269	10,181	(9.0)	5,666	8,200	(30.9)
(Rs m)	**NII**			**Pre-provisioning profit**			**Profit After Tax**		
Financials	260,510	234,734	11.0	235,524	216,249	8.9	125,721	117,948	6.6
Commodities	**2,621,545**	**2,405,246**	**9.0**	**300,504**	**235,128**	**27.8**	**138,078**	**119,434**	**15.6**
Non-commodities	**2,140,909**	**1,856,100**	**15.3**	**624,065**	**528,696**	**18.0**	**361,096**	**309,416**	**16.7**
IDFC-SSKI Universe	**4,762,454**	**4,261,346**	**11.8**	**924,569**	**763,825**	**21.0**	**499,174**	**428,851**	**16.4**

...as recovery gains ground

Rolling quarter IDFC-SSKI Universe earnings growth



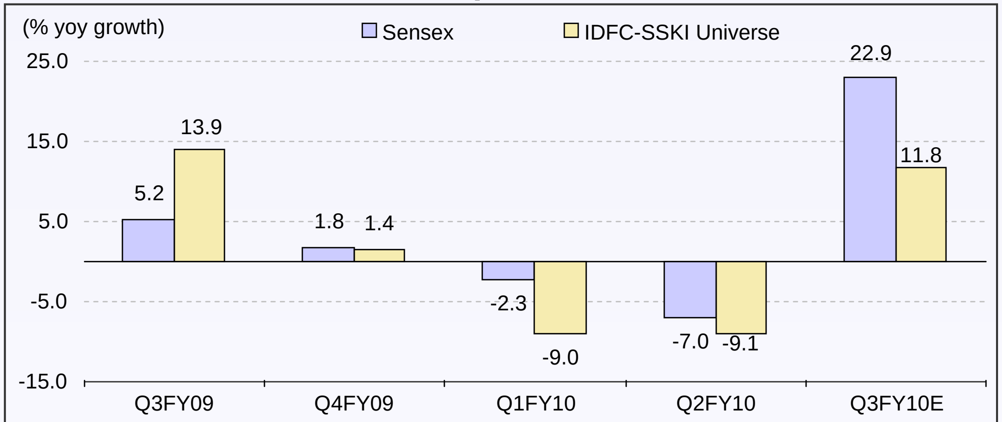
IDFC-SSKI Universe earnings (ex-Oil & Gas)



- Sectors seeing strong earnings growth
  - Automobiles/Auto components earnings led by higher volumes, favorable input costs
  - Infrastructure –linked companies (Construction, Power Equipment, Infra Developers, Cement) to report healthy earnings growth
  - IT Services witnessing sequential improvement in earnings
  - Media and Retail earnings to report huge yoy increase
- IDFC-SSKI Universe earnings, sequentially, on an uptrend (5% growth qoq)

Topline revival across the board

Sensex & IDFC-SSKI Universe topline



- Sensex and IDFC-SSKI Universe set to grow 23% yoy and 12%, respectively

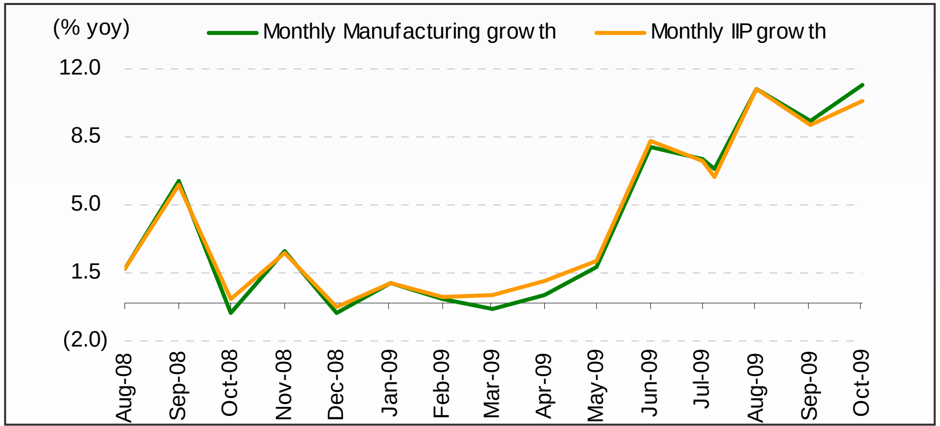
Sensex

- Automobiles (67%), Power Equipment(25%) & Construction (26% yoy) topline growth to stay strong
- Petrochemicals to witness strong topline growth
- Telecoms (0.5%), Cement (5%) and Metals toplines(1.4%) to stay muted

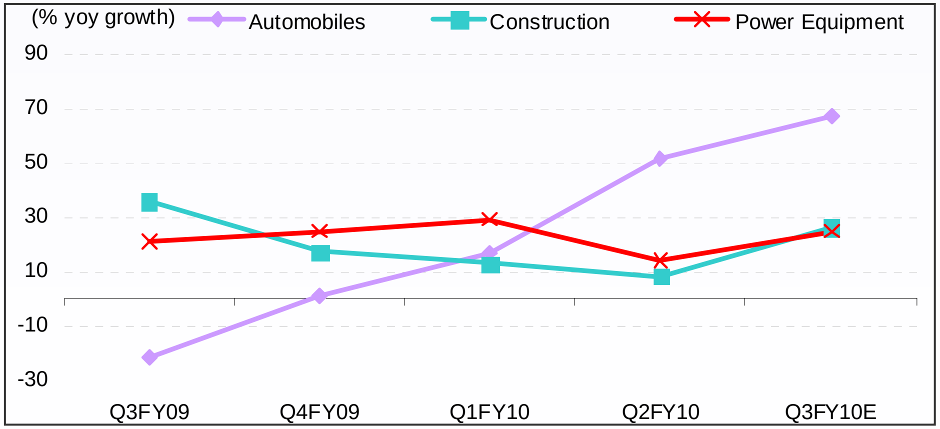
IDFC-SSKI Universe

- Strong revenue expansion likely for Automobiles (63%) Construction (25%), Power Utilities (19%), and Infra developers (26% yoy)
- Power Equipment (16%) and Power Utilities (19%) to see healthy revenue growth
- Consumer goods (14% yoy), Financials (11% yoy) to register modest topline growth
- Pharmaceuticals, IT Services, Cement toplines to remain muted

Revival in economic environment….



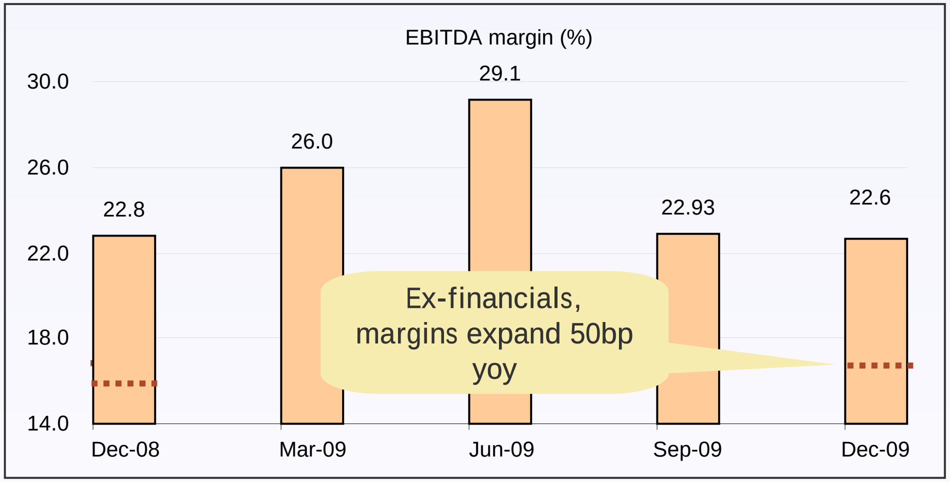
Driving revenue growth for domestic cyclicals



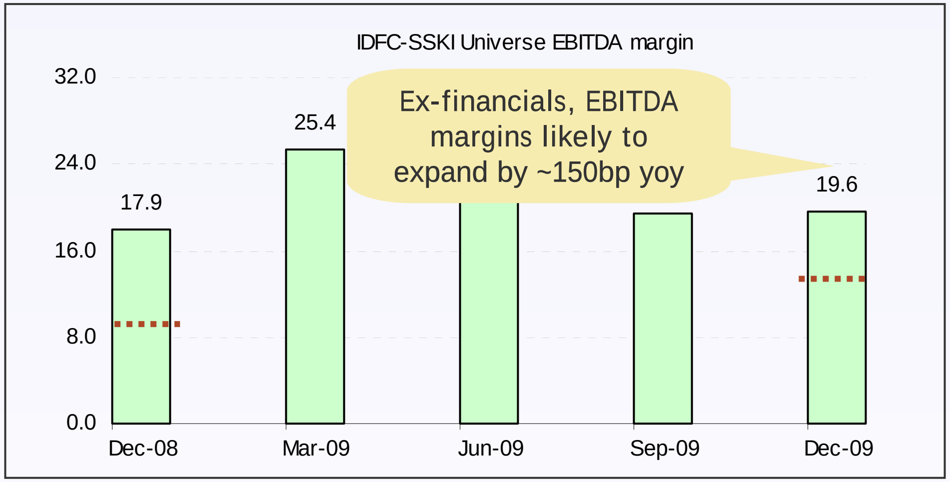
Strong volume growth and returning pricing power driving revenue growth; aided by higher oil prices

EBITDA margins – the expansion continues

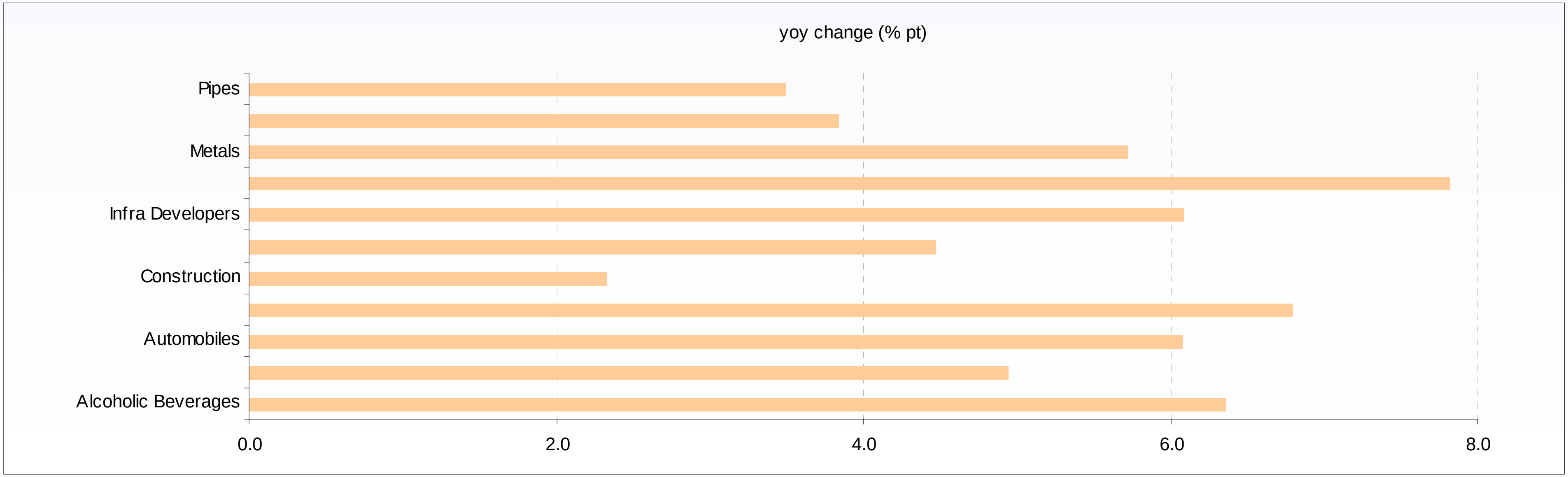
Sensex EBITDA margins



IDFC-SSKI Universe EBITDA margins



EBITDA margin to witness expansion across most sectors



IDFC-SSKI Winners & Losers

Winners

- **Automobiles:** Strong volume growth (in passenger cars as well as CVs)
- **Power equipment :** High visibility on order backlogs and operating margin expansion
- **Cement:** Margin expansion yoy and high volumes
- **Private Banks:** Low wholesale borrowing costs and lower provisioning (as asset quality improves)
- **NBFCs:** Strong loan growth, high pricing power and low wholesale borrowing costs to drive earnings
- **Construction:** Execution of strong order backlogs and benefits of stable commodity prices
- **Media:** Improving ad spends in line with economic recovery

Sectors seeing sequential uptick

- **IT Services:** Strong sequential improvement in demand environment leading to improved earnings
- **Real Estate:** Volumes are improving, but earnings growth some time away due to high leverage and lower property prices yoy

Losers

- **Telecoms:** Huge competition driving down ARPUs
- **PSU Banks:** While NII growth would stay sluggish, MTM losses on AFS portfolios would dent earnings
- **Steel:** Subdued realizations to lead to weak earnings
- **Refiners/Petrochemicals:** Pressure on GRMs continues to impinge on earnings

Earnings momentum to continue into FY11

	Net sales		EBITDA		PAT	
(% yoy growth)	**FY10E**	**FY11E**	**FY10E**	**FY11E**	**FY10E**	**FY11E**
Automobiles	12.9	15.0	53.4	33.3	187.2	59.3
Cement	13.1	6.7	41.2	0.3	35.1	(0.8)
Construction	21.7	23.6	25.2	28.2	4.2	30.5
Consumer goods	1.3	15.4	18.9	17.1	10.9	18.2
Metals	(29.2)	8.8	(41.4)	(6.6)	(76.5)	460.9
Oil & Gas	9.2	9.5	4.9	16.0	2.1	23.3
Petrochemicals	26.6	21.6	34.2	39.2	18.1	44.8
Pharmaceuticals	(0.6)	18.5	(22.0)	15.5	(20.8)	8.1
Power Equipment	23.2	22.2	51.8	29.9	40.6	28.7
Power Utilities	12.2	18.8	47.5	19.4	21.0	16.1
Software	1.9	8.6	0.8	9.7	3.3	12.8
Telecoms	5.0	6.7	2.9	4.5	(13.2)	(8.2)
Real Estate	(31.0)	22.7	(43.9)	27.2	(50.1)	27.9
Financial	11.8	17.3	17.2	16.8	17.3	21.0
Sensex	**1.0**	**14.8**	**8.8**	**17.5**	**5.1**	**30.2**

Strong earnings growth lies ahead; our FY11 Sensex EPS estimates at Rs1032

Sector-wise earnings preview (Q3FY10)

Q3FY10 earnings preview

Agri-related

- ✓ **Jain Irrigation Systems (JISL)**
  - JISL revenue growth expected at 15% with MIS business continuing to grow at over 25%.
  - The Andhra Pradesh market accounts for 18% of JISL's revenues. Hence the ongoing political instability in the state and floods during the quarter is likely to impact their MIS operations.
  - We expect the onion dehydration and fruit processing segments to see a strong growth on the back of new order inflows during the quarter
  - While the business of PC sheets has been discontinued from this quarter, PVC pipes is expected to witness a 30%+ growth while PE pipes would continue to witness a decline.
  - Also, while PBT growth is expected at 8%, full tax payment in Q3FY10 (unlike till FY09 when tax for the year was paid in Q4) would result in yoy decline in net profits.
  - Reiterate Outperformer
- ✓ **Ruchi Soya Industries**
  - With edible oil prices higher by ~35%yoy (low base effect), we expect revenues to increase by 12% in Q3FY10
  - Firm soya seed prices have resulted in sub optimal spreads in curshing operations - margins are expected to be at 3.2% (0.8% in Q3FY09).
  - RSIL is increasing its focus on palm plantation business – potential to explore 89,000 hectares of plantation in India
  - We maintain our Neutral stance on the stock

Q3FY10 earnings preview

Agri-related

Company	Key monitorables
Jain Irrigation Systems Ltd	MIS business growth
Ruchi Soya	Edible oil spreads

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Jain Irrigation Systems Ltd	6,183	5,377	15.0	1,342	1,165	15.2	509	666	NA*
Ruchi Soya	33,915	30,281	12.0	1,075	233	361.3	432	114	279.8

** Full tax payment in Q3FY10*

Q3FY10 earnings preview

Agri-inputs

United Phosphorus

- ✓ UPL to report healthy earnings growth of 42% yoy aided by sharply lower interest costs. UPL had reported Rs300mn forex losses last year which are likely to be reversed partially this year as the rupee has appreciated. Expect EBITDA margins to stay flat with modest topline growth

Advanta

- ✓ Advanta earnings are likely to be flat due to higher interest costs as well as continued weather challenges in key geographies

Company	Key monitorables
Advanta	Topline growth; EBITDA Margins
United Phosphorus	Topline growth; interest costs

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Advanta	1,911	1,891	1.1	333	304	9.5	167	156	7.3
United Phosphorus	11,814	10,839	9.0	1,940	1,848	5.0	870	610	42.6

Q3FY10 earnings preview

Alcoholic Beverages

- ✓ While volumes will see a pick up post the festive season in the previous quarter, price revisions of ~8-10% in the Andhra market would drive value growth.
- ✓ We expect United Spirits to garner a strong growth of 19.3% in revenues, on the back of 13% volume growth.
- ✓ Further, the ongoing sugarcane crushing season is expected to keep molasses prices steady. With molasses prices hitting an all-time high in Q3FY09, United Spirits would witness superior EBITDA margin expansion of 780bp in the current quarter.
- ✓ We believe re-financing of dollar denominated debt by rupee debt would result in marginal increase in interest cost
- ✓ United Breweries is expected to witness a 20% revenue growth during the quarter with underlying volume growth at ~13%. Further, we expect a margin expansion of 109bp primarily driven by subdued barley prices.
- ✓ **Heineken deal** – The key implication of the agreement is that the APB brewery will be merged into UBL (transaction details awaited), post which UBL will handle brewing, distribution and bottling of *Heineken* brand in India. Also, UBL would leverage Heineken's distribution to launch *Kingfisher* in the international markets.
- ✓ We remain bullish on United Spirits, while maintaining our Neutral call on United Breweries.

Company	Key monitorables
United Breweries	Volume growth
United Spirits	Volume growth

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
United Breweries	4,482	3,735	20.0	470	351	34.0	142	16	803.9
United Spirits	12,408	10,402	19.3	2,366	1,173	101.7	956	306	212.5

Q3FY10 earnings preview

Automobiles

- ✓ Automobile companies under our coverage space are expected to post robust 64%yoy topline growth over a low base and led by sustained volume momentum on account of the partial payout of the Sixth Pay Commission recommendations
- ✓ Except Ashok Leyland (ALL), all the other OEMs have maintained a robust volume momentum even in Q3FY10. ALL was unable to ramp up its volumes as the Southern markets, where it has a strong presence, have failed to pick up
- ✓ Higher raw material costs are expected to partially impact margins in Q3FY10 while the full impact is likely in Q4FY10
- ✓ Margin pressure during the quarter is likely to be partially offset by robust volume growth by all the OEMs
- ✓ On a qoq basis, while topline growth is expected to be marginally up 1.3%, we expect earnings to decline 19% on account of margin pressure
- ✓ Automobile companies within our coverage universe are likely to post a robust 249%yoy PAT growth over a low base – down 19%qoq

Company	Key monitorables
Two wheeler majors	Robust volume growth likely to partially offset rising raw material cost pressures
Ashok Leyland / Tata Motors	TML has maintained its CV momentum while car volumes have improved qoq, however, ALL has failed to ramp up its volumes on expected lines
Mahindra & Mahindra	While tractor volumes have improved, UV sales have corrected qoq
Maruti Suzuki	Robust domestic growth and sustained export momentum likely to partially offset rising raw material cost pressures

Q3FY10 earnings preview

Automobiles

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Ashok Leyland	16,272	10,008	62.6	1,537	681	125.6	727	2	43,389.9
Bajaj Auto	32,645	20,048	62.8	6,889	3,058	125.2	4,361	1,643	165.5
Hero Honda Motors	38,695	28,813	34.3	6,457	4,170	54.8	5,095	3,004	69.6
Mahindra & Mahindra	45,419	25,193	80.3	7,265	2,205	229.5	4,980	1,213	310.6
Maruti Suzuki	74,211	45,371	63.6	9,202	2,968	210.1	5,652	2,136	164.6
Tata Motors	84,860	47,586	78.3	10,001	916	991.2	4,743	(1,047)	(553.0)
TVS Motor Company	10,560	8,687	21.6	602	445	35.1	37	(10)	(481.6)

Q3FY10 earnings preview

Auto Ancillaries

- ✓ While domestic volume momentum has sustained, pick-up in exports is expected to further boost topline growth
- ✓ We expect ancillary companies within our coverage space to post 28%yoy topline growth in Q3FY10
- ✓ The ramp up in domestic CV volumes is likely to boost revenues of companies like Amtek Auto, Bharat Forge, Bosch and Sundram Fasteners
- ✓ In case of Bharat Forge, the impact of the restructuring exercise undertaken by the company across all it business units is likely to be evident from Q3FY10
- ✓ Rising raw material cost pressures likely to partially impact margins in Q3FY10 while the full impact is expected only in Q4FY10
- ✓ Given the rising cost pressures (especially rubber), tyre companies have taken price hikes across segments during the quarter
- ✓ Expect 149%yoy PAT growth for our coverage space over a low base, down 3.6%qoq on account of margin pressures

Company / Industry	Key monitorables
Amtek Auto / Bharat Forge	Sustained domestic CV offtake and an improved performance from overseas subsidiaries likely to boost earnings
Rico Auto	Strike at Rico Auto would lead to lower volume offtake and hence impact its earnings in Q3FY10
Tyre companies	Full impact of rising rubber prices expected only in Q4FY10 on account of consumption of low cost rubber inventory as well as price hikes taken during the quarter
Bosch / Sundaram Fasteners	Improved CV offtake would help improve margins
Apollo Tyres	Rubber prices
Balkrishna Industries	Rubber prices

Q3FY10 earnings preview

Auto Ancillaries

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Amtek Auto	8,542	8,512	0.4	1,879	1,097	71.3	404	142	185.8
Bharat Forge	4,667	4,531	3.0	1,095	886	23.6	333	241	38.4
BOSCH	13,454	10,462	28.6	2,551	1,754	45.4	1,629	942	72.9
Rico Auto Industries	1,547	2,081	(25.7)	125	156	(19.8)	(43)	(16)	178.9
Sona Koyo Steering Systems	2,104	1,503	40.0	187	(94)	(299.5)	26	(165)	(115.8)
Sundaram Fasteners	3,431	2,866	19.7	488	335	45.7	196	76	159.4
Apollo Tyres	13,228	9,033	46.4	1,627	527	209.1	769	55	1,296.6
Balkrishna Industries	3,323	3,211	3.5	875	596	46.8	434	229	89.4

Q3FY10 earnings preview

Cement

- ✓ Revenues of cement companies expected to grow by 5.7% in Q3FY10 due to strong volume growth compensating fall in realizations
- ✓ EBITDA of our cement universe likely to increase by 38.5% yoy, led mainly by higher volumes
  - Sequential margins to drop sharply on lower cement prices across regions during the quarter
- ✓ Pre-exceptional earnings for cement companies under our coverage to grow by 29.8%, mainly led by higher volumes and control over costs
- ✓ We reiterate our Underweight stance on the sector due to oversupply concerns in the domestic market
  - Certain large capacities have already been commissioned, while visibility on other large projects is high
- ✓ Retain Grasim as Outperformer on the back of the cushion to earnings from non-cement businesses

Key Sector monitorables
Industry capacity additions and price trends

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
ACC*	20,839	19,140	8.9	5,951	4,023	47.9	3,738	3,022	23.7
Ambuja Cement*	18,183	16,228	12.0	5,174	3,814	35.6	3,250	2,241	45.0
Grasim Industries	27,263	26,536	2.7	8,306	4,995	66.3	5,012	3,296	52.1
UltraTech Cem	16,373	16,308	0.4	4,301	4,308	(0.2)	2,200	2,384	(7.7)

** 4QCY09 estimates*

Q3FY10 earnings preview

Construction

- ✓ Construction companies to report revenue growth of 24.5% yoy for the quarter driven by strong order backlogs
  - Companies with exposure to irrigation projects in Andhra Pradesh likely to see lower than average growth in revenues, led by slower execution due to political uncertainty
- ✓ Operating margins to improve by +182bps, driven by stable commodity prices and revenue growth of ~25%
  - JPA to see a 650bps yoy improvement in margins, led by strong real estate revenues, growing cement volumes and strong construction revenues
- ✓ Interest costs to rise 53.3% yoy for the universe, led by increased borrowings
- ✓ On a q-o-q basis, interest costs to stabilize, led by softening interest rates and easing working capital cycles
- ✓ NCC, HCC, Lanco and L&T to benefit in interest costs, from funds raised through QIP in earlier quarters
- ✓ Earnings (pre-exceptional) likely to improve 22.3% yoy during the quarter
- ✓ We maintain our overweight stance on the sector with our top picks being Jaiprakash, IVRCL, NCC

Q3FY10 earnings preview

Construction

Company	Key monitorables
HCC	Order inflows and existing order book execution
IVRCL Infrastructures	Order execution and new order inflows
Jaiprakash Associates	Execution of power sector orders, cement capacity additions
Larsen & Toubro	Order inflows
Madhucon Project	New Order inflows and order execution
Nagarjuna Construction	Order execution and new order inflows
Simplex Infrastructures	Order execution and new order inflows

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
HCC	9,587	8,194	17.0	1,249	1,060	17.8	289	300	(3.8)
IVRCL Infrastructures	14,870	11,896	25.0	1,309	1,085	20.6	554	479	15.7
Jaiprakash Associates	22,679	13,217	71.6	5,720	2,473	131.3	2,130	1,655	28.7
Larsen & Toubro	104,825	85,940	22.0	10,849	7,972	36.1	7,487	6,174	21.3
Madhucon Project	2,682	2,273	18.0	283	234	20.6	104	139	(24.9)
Nagarjuna Construction	11,909	10,266	16.0	1,155	899	28.5	513	363	41.3
Simplex Infrastructures	13,338	12,703	5.0	1,229	1,156	6.3	369	253	46.1

Q3FY10 earnings preview

Education

- ✓ Educomp Solution is expected to report a Smart Class led growth, leading to a 50% growth in revenues (standalone). The company has rolled out a new Smart Class model since Q2FY10, post which the accounting will lead to front loading of revenues (leading to a optically positive free cash flow model), which could lead to a positive surprise on numbers.
- ✓ Everonn Education is expected to report a consolidated revenue growth of 64% at Rs715m, driven by strong growth in VITELS.
- ✓ NIIT is expected to report a 6.4% growth in revenues at Rs3bn, EBITDA growth of 63% at Rs376m, driven my margin expansion in the CLS business.

Company	Key monitorables
Educomp Solution	Volumes and yields in Smart Class. Securitization of smart class recievables (standalone numbers)
Everonn Systems	Additions in VITELS schools and colleges (consolidated numbers)
NIIT	Volume and margins in CLS business (profit numbers do not include numbers from associate)

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Educomp Solution	2,186	1,453	50.5	1,090	767	42.1	525	316	66.4
Everonn Systems	715	436	64.1	263	172	53.0	113	79	44.1
NIIT	2,967	2,789	6.4	376	230	63.4	51	4	1,169.4

Q3FY10 earnings preview

Engineering

- Engineering companies likely to report 8% yoy growth led by higher revenues for Voltas, Carborundum and Elecon as last year (3Q09) due to pick up in execution as also low base effect, which had been impacted sharply due to the slowdown
  - Thermax to witness fall of 7% yoy led by slower order book at the start of the year
  - AIA to witness a 7% fall in revenues as it passes on the lower raw material prices to its clients (lower realisations)
- Operating margins to improve led by lower RM costs
  - Voltas and Carborundum margins to improve sharply by 590bps due to lower input prices and higher revenues
  - Thermax and AIA margins likely to decline on back of slower revenues
- Net earnings (pre-exceptionals) for companies to grow by 9% yoy

Company	Key monitorables
AIAE	Mining volumes and realisation
Carborundum Universal	Revenue growth and margins
Elecon Engineering	Order inflow and margins
Thermax India	Execution and margins
Voltas	Order inflow and margins

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
AIA	2,538	2,729	(7.0)	603	697	(13.4)	441	470	(6.2)
Carborundum	3,471	3,042	14.1	590	339	74.1	278	164	70.0
Elecon engg	2,727	2,457	11.0	409	370	10.6	137	114	19.7
Thermax	7,394	7,951	(7.0)	961	1,074	(10.5)	689	797	(13.6)
Voltas	10,657	8,625	23.5	799	501	59.7	636	449	41.6

Q3FY10 earnings preview

Entertainment & Media

- ✓ Improving macro-economic environment and thereby buoyancy in ad spends is expected to drive a 18% revenue growth for the Indian media sector. Telecom, FMCG and auto continue to remain the key spenders in Media.
- ✓ Operating leverage coming into play – **EBITDA growth of 129%**
- ✓ **Broadcasting:** Growth in revenues expected at 17.6% albeit lower than the previous quarter which saw strong momentum on the back of the festive season
- ✓ In the GEC space, Colors (GRPs of ~325) is leading with a high margin of 70GRPs over Star and Zee TV
- ✓ ZEEL to expected to be back on growth track – 4.5% vis-à-vis 5.4% decline in Q2FY10 on the back of better yields and low base effect
- ✓ Zee Group is re-structuring its business into three separate verticals – entertainment, news and education. All the broadcasting ventures have been brought into Zee Entertainment, while Zee News will operate pure news based channels and a new entity – Zee Learn will be listed for the education venture.
- ✓ NDTV has sold 76% stake in *NDTV Imagine* to Turner Asia Pacific valuing the entity at US$90m and effective stake of NDTV in NDTV Imagine would drop to ~3%. Further, they have roped in Scripps Networks in the lifestyle business by placing 69% for US$55m. This has facilitated NDTV to fund the buyback of 26% from NBC Universal and the US$100m step up bonds for US$72m.
- ✓ TV18 has rightsized its staff strength by 12% which would result in savings of Rs250m annually. However, TV18 would account for once time provisioning in Q3FY10
- ✓ **Television distribution space has raised ~USD187m -** Dish TV raised USD100m through GDR and DEN raised US$87m via their public issuance
- ✓ **Multiplex:** PVR has acquired DT Cinemas, the multiplex business arm of the DLF Group, in a stock-cum-cash deal of ~Rs600m. This will add 29 screens to PVR's portfolio. PVR has also raised Rs420m through preferential allotment to Major CIneplex

Q3FY10 earnings preview

Entertainment & Media

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Balaji Telefilms	450	506	(11.1)	(15)	24	-	10	6	86.2
Dish TV India	2,798	1,927	45.2	343	(389)	-	(507)	(1,180)	-
Entertainment Network	1,125	1,103	2.0	125	59	111.6	(35)	(137)	-
HT Media	3,558	3,371	5.6	848	457	85.6	410	76	438.6
IBN18 Broadcast	1,650	738	123.5	(130)	(181)	-	(315)	(342)	-
Jagran Prakashan	2,360	2,070	14.0	695	301	131.1	414	155	167.6
NDTV	1,552	1,294	20.0	(409)	(955)	-	(705)	(1,195)	-
PVR*	1,030	766	34.5	192	144	33.2	70	47	49.6
Sun TV Network	3,385	2,708	25.0	2,585	2,013	28.5	1,404	1,122	25.1
T.V. Today Network	706	653	8.1	186	139	33.7	140	87	62.2
Television Eighteen	1,322	1,305	1.3	(23)	(147)	-	(488)	(227)	-
UTV Software	2,177	1,349	61.4	241	(148)	-	119	294	(59.4)
Wire And Wireless India	681	818	(16.8)	(94)	8	-	(404)	(227)	-
Zee News	1,652	1,430	15.5	302	299	1.1	156	151	2.9
Zee Entertainment	5,702	5,456	4.5	1,624	1,200	35.3	1,122	824	36.2

** Q3FY10 financials are for the consolidated entity*

Q3FY10 earnings preview

Exchanges

Financial Technologies (FTIL)

- ✓ FTIL is expected to garner a steady 20% growth in revenues on the back of increasing penetration of trading solutions and partial billing on exchange solutions
- ✓ However, since marginal exchange based revenues were booked in Q3FY09, the current quarter would see a sharp margin expansion. We expect EBITDA margins to increase from 26.7% in Q3FY09 to 42.5% in Q3FY10.
- ✓ Thus, we expect net profits to increase by 30% during the quarter, supported by a strong stream of interest income to the tune of Rs400m given the capital gains of Rs2.4bn in Q2FY10.
- ✓ The divestment process of MCX-SX, which would mark FTIL's entry into the equity market, remains to be the key monitorable for the stock.
- ✓ Reiterate Outperformer with an SoTP based price target of Rs2000.

Company	Key monitorables
Financial Technologies	Exchange solutions revenue booking

(Rs m)	Net Sales			EBITDA			Adjusted Profit after tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Financial Technologies	750	624	20.2	319	167	91.1	563	432	30.4

Q3FY10 earnings preview

FMCG

- ✓ FMCG Sector expected to witness a 13.4% growth in Q3FY10 (a sustained growth momentum compared to the 13% growth witnessed in Q2FY10).
- ✓ While the growth is expected to be driven by 20% growth in Dabur and 57% in GCPL (including Sara Lee portfolio), HUL would continue to be a drag with 7% growth in Q3FY10
- ✓ With commodity prices continuing to be benign, the trend of gross margin expansion to continue in Q3FY10. FMCG sector continues to re-direct the savings towards higher ASP spends – 58% growth on 12% sales growth
- ✓ While the impact of food inflation has led to some downtrading within the soaps and detergents categories, the impact on the entire sector has been minimal so far.
- ✓ HUL – While low base effect and regained focus on mass segments would help improve upon volume growth.
- ✓ ITC – Cigarettes volume growth to remain strong at ~6%. While other FMCG and agri business growth to be similar to Q2FY10, expect improvement in hotels business performance with higher occupancies – upward of 60%
- ✓ GCPL – GCPL has received approval for raising upto Rs30bn in the quarter. The proceeds could be potentially used for the acquisition of the remaining 51% stake in Sara Lee (an expected outgo of ~Rs80bn) and other international acquisitions.
- ✓ Marico numbers to be impacted by lower price realisation in Saffola

Q3FY10 earnings preview

FMCG

Company	Key monitorables
Godrej Consumer	Growth in Sara Lee and Hair Color business
Hindustan Unilever	Volume growth and realization impact
ITC	Volume growth in cigarettes

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Colgate-Palmolive	4,905	4,192	17.0	952	746	27.7	904	777	16.2
Dabur India	9,411	7,842	20.0	1,861	1,345	38.4	1,430	1,085	31.9
Godrej Consumer	5,386	3,421	57.4	1,062	483	119.8	851	401	112.4
HUL	46,092	43,077	7.0	8,361	7,640	9.4	6,621	6,101	8.5
ITC	44,248	38,587	14.7	16,925	13,780	22.8	10,740	9,032	18.9
Marico*	6,789	6,228	9.0	1,003	791	26.7	589	509	15.8
Nestle India**	12,763	10,901	17.1	2,384	2,123	12.3	1,585	1,211	30.9

** After accounting for Rs120m of provisioning; **Nestle financials for Q4CY09*

Q3FY10 earnings preview

Financials

- ✓ **Credit off-take improving sequentially:** Bank credit off-take remains sluggish with credit growth hitting a 15-yr low of 11.2% in Dec-09. However, systemic CD-ratio has improved on a sequential basis.
- ✓ **Uptick in Net Interest Income:** NII growth for our banking universe is expected to remain subdued at ~9% yoy and qoq on the high base of last fiscal. While PSU banks' NII is seen increasing at lower 6% yoy and 8% qoq, private banks (ex-ICICI Bank) and NBFCs are likely to see a strong 25% yoy and 24% yoy rise, respectively.
  - **Full benefits of deposit re-pricing to accrue…:** Full impact of deposit re-pricing of deposits at lower rates is likely to be visible in Q3FY10
  - **….driving a sequential expansion in NIMs:** We expect benefits of deposits to lead to a ~10bp expansion in NIMs for our coverage universe on a sequential basis.
- ✓ **CASA to remain stable:** CASA ratio is expected to remain largely stable owing to increased focus by banks and low systemic deposit rates
- ✓ **Other income to stay sluggish:** Overall non-interest income to be lacklustre at 3.5% yoy decline.
  - Lower credit off-take and tepid third party fees would play spoilsport for fee income of PSU Banks.
  - Absence of outsized treasury profits due to rising G-sec yields as well as RBI halting its OMO programme to impinge on PSU Banks treasury profits.
- ✓ **Do not expect incremental asset quality deterioration:** With improving economic scenario, capital raising by corporates and limited incremental restructurings, we do not expect incremental slippages on asset quality.
- ✓ **Provisions to come-off sequentially:** Provisions are expected to decline sequentially in Q3FY10, led by easing asset quality pressures (especially private banks). However, for PSU Banks, MTM depreciation on AFS portfolios might keep provisions elevated.

Q3FY10 earnings preview

Financials

(Rs m)	NII			Operating profit			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Allahabad Bank	6,156	6,041	1.9	5,631	6,661	(15.5)	2,720	3,695	(26.4)
Axis Bank	12,557	9,297	35.1	13,254	9,096	45.7	6,447	5,009	28.7
Bank of Baroda	15,603	14,618	6.7	12,994	13,456	(3.4)	7,702	7,084	8.7
Bank of India	15,942	15,217	4.8	13,638	17,616	(22.6)	7,543	8,722	(13.5)
Canara Bank	14,228	12,443	14.3	12,734	12,141	4.9	7,884	7,015	12.4
Corporation Bank	5,643	4,780	18.1	5,529	4,494	23.0	2,796	2,565	9.0
HDFC	9,100	8,160	11.5	9,726	7,936	22.6	6,816	5,468	24.7
HDFC Bank Ltd	22,856	19,793	15.5	17,506	14,581	20.1	8,087	6,217	30.1
ICICI Bank Ltd	21,939	19,904	10.2	25,173	27,708	(9.1)	11,448	12,722	(10.0)
IDBI	5,107	4,713	8.4	5,342	3,906	36.8	2,048	2,226	(8.0)
Indian Bank	7,852	7,196	9.1	5,725	6,237	(8.2)	3,491	3,507	(0.5)
IndusInd Bank	2,261	1,166	93.9	1,655	1,040	59.2	768	451	70.5
ING Vysya Bank Ltd	1,940	1,727	12.3	1,376	1,065	29.2	571	520	9.7
MMFS	2,548	2,120	20.2	1,852	1,475	25.6	699	445	57.0
PNB	22,091	19,674	12.3	19,699	18,060	9.1	11,074	10,059	10.1
Shri Ram Transport	5,561	4,233	31.4	4,121	3,021	36.4	2,107	1,493	41.1
Shriram City Union Finance	1,555	1,143	36.0	923	596	54.8	426	259	64.4
State Bank of India	60,534	57,582	5.1	53,187	44,826	18.7	25,889	24,784	4.5
Union Bank of India	9,656	11,284	(14.4)	8,845	8,548	3.5	5,343	6,717	(20.5)
Yes Bank	1,789	1,204	48.6	2,197	1,844	19.2	1,212	1,058	14.5
LIC Housing Finance	2,302	1,999	15.2	2,276	1,854	22.7	1,609	1,343	19.8
PFC	7,083	5,610	26.3	6,883	5,490	25.4	5,012	3,402	47.4
REC	6,266	4,460	40.5	6,290	4,597	36.8	4,717	3,187	48.0

Q3FY10 earnings preview

Financials

Company	Key monitorables
Allahabad Bank	Treasury gains, MTM losses, NIMs, NPA provisions
Axis Bank (Ex-UTI Bank)	Fee income growth, NPA provisions
Bank of Baroda	Credit growth, fee income, margins
Bank of India	NPA slippages, loan growth, NIMs, CASA
Canara Bank	NIMs, treasury gains, credit off-take
Corporation Bank	Loan growth, NIMs, CASA
HDFC	Disbursements, spreads, NPA levels
HDFC Bank	Asset growth, NIMs, CASA, fee income growth, NPA provisions
ICICI Bank	NIMs, NPA slippages, CASA, operating expenses
IDBI	Loan growth, margins, traction in fee income
Indian Bank	Business growth, NPA provisions, restructured assets
IndusInd Bank	Margins, fee income, provisions to shore up coverage ratio
ING Vysya Bank	NIMs, fee income growth, provisions
M&M Finance	Recoveries, provision expenses, disbursement growth, securitization
LIC Housing Finance	Disbursements, margins
Power Finance Corporation	Disbursements, margins
Punjab National Bank	Margins, asset growth, NII growth, NPA provisions
Rural Electrification Corp	Disbursements, margins
Shriram City Union Finance	Disbursements, expenses, asset quality, loan mix
Shriram Transport	Disbursements, NPA levels, margins
State Bank of India	NIMs, credit off-take, treasury gains, slippages, NPA provisions to shore up coverage ratio
Union Bank of India	Margins, asset growth, net treasury income, asset quality

Q3FY10 earnings preview

India Organized Retail

- ✓ With improving consumer sentiments, retail industry is expected to see further improvement in growth momentum – up from 12% growth in Q2FY10 to 19% in Q3FY10
- ✓ Pantaloon Retail is expected to see 22% growth in revenues on the back of double digit growth in same store sales
- ✓ Titan is expected to see growth recovery – while watches business expected to grow at 15%, jewelry business to gain on account of higher realization (gold prices had reached all time high of Rs1800/gram) and lower volume decline at ~5% (vis-à-vis 9% in Q2FY10)
- ✓ Shoppers Stop to continue to witness operating leverage gains – expect 310bp of margin expansion on QoQ basis at 9.7%
- ✓ Pantaloon Retail has raised Rs5bn through QIP issuance and Rs1.9bn by transferring Future Knowledge, Future Learning and Future Brands to promoter group company. PIL is in process of restructuring its financial services and insurance business
- ✓ Shoppers Stop has issued 4m warrants to the promoters at Rs307/share; has taken an approval to raised further funds by placing 4m shares through QIP/preferential allotment basis
- ✓ We maintain our bullish stance on the sector with Pantaloon and Provogue as top picks

Q3FY10 earnings preview

India Organized Retail

Company	Key monitorables
Pantaloon Retail	Like to Like sales growth
Shoppers' Stop	Same store sales growth; volume growth - watches and jewelry business
Titan Industries	Volume growth - watches and jewelry business

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Pantaloon Retail*	18,613	15,257	22.0	1,960	1,573	24.6	482.3	335	43.8
Provogue India	1,167	1,015	15.0	139	93	50.3	91	72	25.2
Shoppers' Stop	4,287	3,897	10.0	368	212	73.4	153	(33)	(568.3)
Titan Industries	12,215	10,240	19.3	957	721	32.8	608	421	44.2

**Pantaloon financials for Q1FY10*

Q3FY10 earnings preview

Infrastructure developers

- ✓ Infrastructure developers likely to report a 26% yoy rise in revenues
  - Growth in revenues led by GVK (higher power division revenues due to gas availability for Gautami and Jegurupadu-I and II)
  - Growth in revenues of GMR due to higher power division revenues (gas availability for Vemagiri) and commissioning of road assets
  - Strong growth expected for airport divisions of both GMR and GVK on back of pickup in passenger volumes in 3QFY10
- ✓ EBITDA likely to increase by 53%, also led by commissioning of gas-based power plants and new road assets
- ✓ Earnings growth (pre-exceptional) likely to increase by 28% yoy during the quarter

Company	Key monitorables
Adani Enterprises	Volumes in coal mining business
GMR Infrastructure	Pax growth at Delhi and Hyderabad airport; Traffic on road assets
GVK Power	Pax growth at Mumbai airport; real estate land sales at Mumbai airport
Mundra Port & Special Economic Zone	Income from land sales

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Adani Enterprises	20,839	19,140	8.9	5,951	4,023	47.9	3,738	3,022	23.7
GMR Infrastructure	11,666	9,592	21.6	4,202	2,878	46.0	659	661	(0.3)
GVK Power	5,416	1,043	419.0	1,571	432	263.5	416	223	86.4
Mundra Port & Special Economic Zone	3,379	3,009	12.3	2,409	1,888	27.6	1,748	1,239	41.1

Q3FY10 earnings preview

IT Services

- ✓ Revenue growth of 4-5% qoq for tier1 IT companies and 1-3% for tier2 IT companies – despite a seasonally weakness (due to Diwali/ Christmas holiday)
- ✓ Revenue growth to be largely volume driven; we expect ~1% decline in price realizations across the board
- ✓ Margins to decline by 1-3% on back of INR strength and pricing decline; for Infosys wage hike would be additional headwind
- ✓ All companies are likely to report forex gains – the highest would be for TCS on account of large hedge position
- ✓ Management commentaries, hiring outlook and Q4 guidance would be a few key things to watch for; we expect largely upbeat comments even though management might not have significant clarity on 2010 IT budgets as yet

Key monitorable for sector
Commentary on outlook; 3Q guidance; Hiring plans

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
HCL Technologies	30,182	24,908	21.2	6,460	5,601	15.3	4,148	3,653	13.5
Infosys Technologies	55,587	57,860	(3.9)	17,883	20,310	(11.9)	14,773	16,410	(10.0)
Patni Computer	7,853	8,570	(8.4)	1,637	1,618	1.2	1,501	782	91.9
Tata Consultancy	74,944	72,770	3.0	20,575	19,474	5.7	17,213	13,523	27.3
Tech Mahindra	11,260	11,322	(0.5)	2,505	3,180	(21.2)	1,582	2,228	(29.0)
Wipro	66,369	65,898	0.7	13,994	12,789	9.4	10,967	10,098	8.6

Q3FY10 earnings preview

Logistics

- ✓ Logistics companies to report revenue growth of 4% yoy for the quarter
  - Volumes across all companies are likely to increase on yoy and qoq basis driven by improvement of international trade and low base effect
  - Allcargo’s revenues to be impacted due to lower revenues in ECU line
- ✓ Operating margins to improve during the quarter
  - Arshiya’s margins to expand due to higher value added services and higher margin container rail business
  - Allcargo margins to improve due to higher revenues from high margin equipment leasing business
  - Both Concor and GDL to witness lower margins led by lower ground rent on terminal revenues (high base effect)
- ✓ Consequently, earnings (pre-exceptional) to grow by 7% yoy during the quarter
- ✓ We maintain our Overweight stance on the sector

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Allcargo*	5,317	6,382	(16.7)	639	575	11.2	413	298	38.7
Arshiya International	1,280	1,142	12.1	224	174	28.8	133	130	2.3
Container Corporation	9,816	8,459	16.0	2,680	2,442	9.7	2,167	2,064	5.0
Gateway Distripark	1,394	1,202	16.0	341	420	(18.8)	188	231	(18.3)

** Allcargo yearend December – Q4CY09E*

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Q3FY10 earnings preview

Logistics

Company	Key monitorables
Allcargo	Margins of ECU line
Arshiya International	Revenue growth and margin improvement
Container Corporation	Volume growth & empty running (margins)
Gateway Distripark	Volumes and rail business profitability

Q3FY10 earnings preview

Metals

- ✓ Impact of high iron ore prices to impact profitability of ferrous companies with low captive resources under our coverage
- ✓ Tata Steel consolidated profitability to be under pressure on account of high operating and financial leverage of UK operations
- ✓ Impact of high priced coking coal inventory and higher iron ore prices expected to govern SAIL's profitability in Q3FY10
- ✓ JSWS to benefit from high volume growth. Improvement in product mix will help improve realizations
- ✓ Higher non-ferrous metal prices (up 10-85%yoy) to offset the decline in sales volume. Operating margins to remain stable, though depreciating rupee (4.4%%yoy) to partially negate the impact

Company	Key monitorables
Hindalco	Base metal premium, product mix in Aluminum business, TC-RC margins in Copper business
Hindustan Zinc	Base metal premium, by-product realization, Concentrate sales
Jindal Steel & Power (Consol)	PLF at merchant power operations, Spot power tariff which are on a declining trend q-o-q
JSW Steel (Consol.)	Improvement in product mix; significant upside in volumes
Nalco	Shortage of linkage coal to shoot power & fuel exps
Sterlite Industries	Base metal premium, TC-RC margins in copper business, Iron ore realizations
Tata Steel	Impact of roll over of coking coal volumes on raw material costs, cost savings at european operations
SAIL	Employee costs, impact of coking coal contracts

Q3FY10 earnings preview

Metals

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10	Q3FY09E	% chg yoy
Hindalco	51,682	41,172	26	7,660	7,793	(2)	4,741	5,449	(13)
Hindalco (Consol)	136,383	186,436	(27)	11,178	12,956	(14)	1,739	2,688	(35)
Hindustan Zinc	20,088	10,692	88	12,527	3,051	311	10,722	3,688	191
Jindal Steel & Power	15,653	17,811	(12)	5,224	6,120	(15)	2,768	3,252	(15)
Jindal Steel & Power (Consol)	22,261	29,417	(24)	10,298	15,063	(32)	5,645	8,998	(37)
JSW Steel	42,668	28,267	51	10,042	3,087	225	3,356	(1,287)	Nmf
JSW Steel (Consol)	44,468	(2,698)	Nmf	9,988	(32,083)	Nmf	2,418	(36,745)	Nmf
Nalco	11,582	10,157	14	1,165	2,453	(53)	1,435	2,194	(35)
Sterlite Industries	66,351	44,456	49	15,753	4,746	232	10,200	5,137	99
Tata Steel	56,090	48,021	17	17,795	14,780	20	8,808	4,662	89
Tata Steel (Consol)	241,582	441,990	(45)	22,486	82,497	(73)	1,696	47,036	(96)
SAIL	88,678	89,206	(1)	19,529	11,286	73	12,570	8,433	49

Source: IDFC-SSKI Research

Q3FY10 earnings preview

Oil & Gas & Petrochemicals

- ✓ Crude remained strong during Q3, with demand supply fundamentals offsetting positive economic signals emanating from OECD countries. Average price of crude was at ~US$74/bbl, against ~US$68/bbl in Q2FY10.
- ✓ However, weak middle distillate spreads, and the narrowing heavy-light spread continued to put pressure on GRMs for the Indian refiners, with GRMs expected at US$4-5.5 for the Indian refiners (Singapore GRMs seen at ~US$1.7/bbl).
- ✓ OMCs expected to report much weaker numbers for Q3, as under recovery has flared up substantially in Q3 (we estimate Rs.29bn under recovery burden for 9MFY10). Also Inventory gains are expected to be much lower in the current quarter due to stable crude prices. The continued uncertainty on the exact quantum, timing and methodology of compensating the OMCs for under recovery losses means that even for this quarter HPCL and BPCL are expected to report losses, while we estimate IOCL to report small profits
- ✓ For private refiners, we see RIL continuing to maintain strong outperformance of its GRMs against regional benchmarks (US$5.6/bbl), while Essar Oil expected to be relatively weaker in terms of outperformance (US$3.8/bbl). We note that both the refiners are expected to be ahead of Singapore benchmarks.
- ✓ RIL expected to show another quarter of strong performance from its petrochemical segment, while KG output is also expected to ramp up to an average of ~44 mmscmd for the quarter.
- ✓ Upstream expected to see stable realizations on a qoq basis (US$56/bbl net), but higher under recovery share, depreciation and exploration write-offs to offset this somewhat for ONGC.

Q3FY10 earnings preview

Oil & Gas & Petrochemicals

Company / Industry	Key monitorables
Bharat Petroleum Corporation	GRMs, Under recovery sharing, volumes
Essar Oil	GRMs, volumes
Hindustan Petroleum Corporation	GRMs, Under recovery sharing, volumes
Indian Oil Corporation	GRMs, Under recovery sharing, volumes
Oil & Natural Gas Corpn	Under recovery sharing, volumes, net Realisation
Reliance Industries	GRMs. KG prod, Petchem spreads, Refining Volumes

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
BPCL	280,615	319,080	(12.1)	1,361	15,445	(91.2)	(3,486)	7,998	NM
Essar Oil	90,868	84,200	7.9	5,406	(7,470)	(172.4)	(190)	(12,300)	NM
HPCL	254,790	294,438	(13.5)	2,143	5,295	(59.5)	(3,275)	(4,220)	NM
Indian Oil Corporation	594,521	614,511	(3.3)	14,431	33,830	(57.3)	3,137	29,587	(89.4)
Oil & Natural Gas Corpn	169,739	125,387	35.4	86,879	51,033	70.2	43,491	24,748	75.7
Reliance Industries	525,369	315,630	66.5	68,649	53,630	28.0	39,714	35,010	13.4

Q3FY10 earnings preview

Pharmaceuticals

- ✓ With USD/INR appreciating marginally on qoq basis, expect limited impact of forex movements
- ✓ Sun – Post a surge in Q2FY10, Para IV sales will be the key monitorable for the quarter. Given the tepid growth in US base and India formulations, uptick in these segments will be critical
- ✓ Cipla – Expect strong earnings growth led by robust operating performance, higher licensing income and lower forex losses
- ✓ Ranbaxy – Expect sharp profit growth on the backup of Valtrex exclusivity launch as well as reversal in forex losses. Pick-up in base business across key geographies will be a key monitorable
- ✓ DRL – Expect significant decline in reported numbers due to high base effect of Imitrex exclusivity in previous year. With no exclusivity in current quarter, numbers will reflect robustness of underlying base business. Betapharm is another key factor
- ✓ Lupin – Expect strong performance due to steady growth across all geographies aided by partial contribution from Antara
- ✓ Glenmark – US revenues remain the key monitorable. Stabilization of sales in LatAm/SRMs (post re-stocking) to be watched our.
- ✓ Ipca – Expect strong operating performance in Q3FY10 led by strong topline growth and steady operating margins
- ✓ Piramal – Expect modest CRAMS growth due to continued destocking with innovators. Pickup in Minrad sales along with continued momentum in domestic formulations to be the key.
- ✓ Dishman – Expect earnings to be impacted by reduction in EM sales to Solvay as well as sluggish growth in Carbogen Amcis
- ✓ Potential positive surprises – Ranbaxy and Ipca; Potential negative surprises – Sun Pharma and Dishman

Q3FY10 earnings preview

Pharmaceuticals

Company	Key monitorables
Aventis Pharma	Pick-up in sales; EBITDA Margins
Biocon	Margins; CR revenues; outlook on Insulin
Cipla	EBITDA margins; Impact of INR appreciation
Dishman Pharmaceuticals	EM offtake by Solvay; outlook on CRAMS business
Dr Reddys Laboratories	US business momentum; German sales
Glaxosmithkline Pharma	Revenue growth; new product launches
Glenmark Pharma	US base business revenues; Outlook on Melogliptin
IPCA Laboratories	Operating profit growth
Lupin	US business momentum; Regulated market sales
Piramal Healthcare	Minrad sales and Domestic market momentum; CRAMS business outlook
Ranbaxy Laboratories	US business outlook
SUN Pharma	Update on Caraco; revised FY10 guidance

Q3FY10 earnings preview

Pharmaceuticals

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Aventis Pharma	2,668	2,699	(1.2)	423	466	(9.2)	422	453	(6.7)
Biocon	5,680	4,362	30.2	1,100	943	16.6	680	282	141.3
Cipla	15,411	13,420	14.8	3,930	3,385	16.1	2,887	2,234	29.2
Dishman Pharmaceuticals	2,750	2,822	(2.5)	688	719	(4.4)	388	398	(2.5)
Dr Reddys Laboratories	17,527	18,401	(4.7)	2,339	4,202	(44.3)	1,609	1,924	(16.4)
Glaxosmithkline Pharma	4,171	3,685	13.2	1,215	1,048	16.0	1,072	892	20.2
Glenmark Pharma	6,410	5,815	10.2	1,731	1,903	(9.1)	914	813	12.3
IPCA Laboratories	3,760	3,133	20.0	827	712	16.1	475	232	105.0
Lupin	11,958	9,618	24.3	2,033	1,537	32.3	1,553	1,173	32.4
Piramal Healthcare	9,731	8,326	16.9	1,849	1,598	15.7	1,134	599	89.4
Ranbaxy Laboratories	20,149	19,049	5.8	3,213	(1,086)	(396.0)	2,143	(6,799)	(131.5)
SUN Pharma	10,945	9,183	19.2	4,419	4,134	6.9	4,307	4,086	5.4

Q3FY10 earnings preview

Pipes

- ✓ Higher crude prices and increasing rig count, indicate higher exploration and development capex impairing future revenue visibility of pipe companies. Global rig count continues to increase sequentially
- ✓ Order book position of pipe companies continue to increase sequentially; growing earning visibility over a few quarters

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10	Q3FY09E	% chg yoy
Jindal Saw*	12,233	15,479	(21)	1,558	1,960	(21)	775	865	(10)
Maharashtra Seamless	3,338	5,881	(43)	861	871	(1)	553	641	(14)
PSL	5,472	9,988	(45)	588	898	(35)	114	247	(54)
Welspun Gujarat Stahl Rohren Ltd	15,074	14,566	3	2,644	1,851	43	1,293	455	184

**year ending December; Source: IDFC-SSKI Research*

Q3FY10 earnings preview

Power equipment

- ✓ Equipment companies to report growth in revenues of 16.4% yoy
  - Subdued revenue growth for ABB (2.6% yoy) and Crompton (6% yoy) to offset robust sales growth of BHEL (25% yoy) and Emco (19% yoy)
- ✓ Operating margins to rise by +77bps
  - Crompton margins to improve (+150bps), on back of improved efficiencies
  - ABB's margins to decline 76bps yoy due to muted revenue growth
- ✓ Earnings growth (pre-exceptional) likely to be at 22.8% yoy during the quarter

Company	Key monitorables
ABB	Margin and order backlog growth
Bharat Heavy Electricals	Execution, margin and capacity addition
Crompton Greaves	Margins in both standalone & int'l subsidiaries; order backlog
EMCO	Margin and order backlog growth

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
ABB*	22,223	21,663	2.6	2,580	2,680	(3.7)	1,667	1,931	(13.7)
Bharat Heavy Electricals	75,278	60,223	25.0	13,261	10,207	29.9	10,368	7,996	29.7
Crompton Greaves	22,788	21,498	6.0	2,735	2,256	21.2	1,627	1,232	32.1
EMCO	2,474	2,079	19.0	318	277	15.0	137	82	66.7

** Q4CY09 estimates*

Q3FY10 earnings preview

Power transmission

- ✓ Power transmission companies to witness strong execution, which is likely to drive a 19% yoy growth in revenues
- ✓ Operating margins are likely to improve strongly led by pick up in execution as also low base effect
- ✓ Interest expenses to fall on yoy basis led by release in working capital and lower interest rates
- ✓ Net earnings (pre-exceptionals) for companies to grow sharply by 42% yoy
- ✓ Overall, we expect power transmission companies to show a pick up in order inflows
- ✓ We maintain our overweight stance on the sector with Kalpataru as our top pick

Company	Key monitorables
Jyoti Structures	Order inflow and execution
Kalpataru Power Transmission	Order inflow and execution
KEC International	Order inflow and execution

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Jyoti Structures	5,077	4,302	18.0	548	488	12.4	220	181	21.7
Kalpataru Power Transmission	5,685	4,181	36.0	716	413	73.6	359	199	80.2
KEC International	9,929	8,865	12.0	1,043	893	16.7	471	359	31.1

Q3FY10 earnings preview

Power utilities

- ✓ Utilities to witness 19% yoy growth in revenues
  - New capacity additions to drive revenues of NTPC and Tata Power
  - JHPL to see a 145% yoy jump in revenues on merger of the company with Jaiprakash Power Ventures
- ✓ EBITDA margins to rise by 401bps on a yoy basis
  - NTPC to see a sharp jump in margins, led by a higher RoE under the new tariff guidelines
- ✓ Net earnings (pre-exceptionals) for companies to witness 19% growth in Q3FY10
- ✓ We maintain our overweight stance on the sector with our top pick being Reliance Infrastructure, JHPL

Company	Key monitorables
CESC	Volume growth, PLF of existing plants
Jaiprakash Hydro Power	Units generated from Baspa and Vishnuprayaag
KSK Energy Ventures	Units generated from Arasmeta, Sai Regency and Sitapuram units; commissioning of VS Lignite and Wardha Warora plant
Lanco Infratech	Order execution; commisioning of Amarkantak and Kondapalli units
NTPC	Volume growth, new capacity additions, government proposal to allow part of unallocated power in open market
PTC	Cost of purchased power, volume growth
Reliance Infrastructure	Volume growth, execution of in-house orders
Tata Power	Volume growth

Q3FY10 earnings preview

Power utilities

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
CESC	8,874	7,520	18.0	1,997	1,510	32.2	1,113	980	13.6
Jaiprakash Hydro Power	1,353	552	145.0	1,220	495	146.7	330	236	39.4
KSK Energy Ventures	1,091	646	68.9	320	334	(4.2)	242	(24)	(1,117.5)
Lanco Infratech	20,109	18,201	10.5	3,368	2,086	61.4	1,286	480	167.8
NTPC	122,818	101,718	20.7	35,473	23,910	48.4	23,892	20,330	17.5
PTC	32,102	21,168	51.7	190	27	597.0	256	237	8.0
Reliance Infrastructure	25,774	26,473	(2.6)	2,758	2,416	14.1	3,478	4,077	(14.7)
Tata Power	18,985	17,769	6.8	3,645	2,560	42.4	1,830	963	90.0

Q3FY10 earnings preview

Real estate

- ✓ Expect ~2% yoy fall in top line of our sector universe due to lower revenue recognized based on POCM
- ✓ PAT of our sector universe would decline by ~31% yoy as higher interest costs and affordable housing launches reduce margins
- ✓ Unitech has put on hold its non-core asset monetization program as liquidity pressures have receded, to sell hotel properties only after development. Aggressive new launches continue with ~23msf launched; ~13msf of new projects sold already against our full year target of ~15msf
- ✓ DLF has finalised the share swap merger for integration of DAL with itself (60:40) and is in advanced stages of concluding the sale of wind power business for ~Rs9.5bn. The company targets to enter value housing in a big way and increase volumes significantly

Company / Industry	Key monitorables
Unitech	✓ Completion and delivery of ongoing projects ✓ Absorption rates in the new launches ✓ Scale up of Mumbai developments
DLF	✓ Integration of DLF-DAL and proposed listing on Singapore Stock exchange ✓ Completion of announced sale of the wind power business ✓ Target launches in the Value housing segment

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
DLF	13,140	13,670	(3.9)	6,510	7,720	(15.7)	3,947	6,820	(42.1)
Unitech	5,142	4,912	4.7	2,759	2,461	12.1	1,719	1,380	24.6

Q3FY10 earnings preview

Telecom

- ✓ We estimate 8-11%qoq growth in average subscribers
- ✓ Per-second billing and tariff cuts would likely lead to ~5 -9%qoq drop in wireless revenue/min (RPM)
- ✓ Drop in RPM for RCOM would be cushioned by our assumption that recharge revenue from customers migrating to 'Simply Reliance' plans would be accounted upfront. Bharti/Idea likely to amortize the same over a year. We have assumed 15-25% of the 2Q10 subscriber base have migrated to new plans
- ✓ ARPU drop of 9-14%qoq is estimated to translate into 2-4%qoq decline in wireless revenue. Wireless margins likely to decline sequentially by 70-420bps. We believe Idea would be impacted by new market launches (Kolkata, WB, J&K, Assam, North East) also
- ✓ Consolidated PAT for RCOM expected to decline sequentially due to tax write back in 2QFY10. Bharti/Idea estimated to report sharp decline in net profit due to lower EBITDA

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Bharti Airtel	96,595	96,334	0.3	39,659	39,452	0.5	21,716	21,593	0.6
IDEA Cellular	28,509	27,305	4.4	6,699	6,969	(3.9)	608	2,195	(72.3)
Reliance Communication	57,482	58,502	(1.7)	20,343	23,525	(13.5)	7,643	14,103	(45.8)

Q3FY10 earnings preview

Transportation

GE Shipping

- ✓ While the worst is over, GE Shipping would continue to disappoint in Q3FY10 as indeed FY10
- ✓ Standalone shipping revenues are expected to report a 11% growth qoq and a 31% decline yoy
- ✓ The quarter does not include any gain on sale of ships as against a gain of Rs271 in Q3FY09
- ✓ The global economic recovery, and thereby improvement in freight rates beyond the winter months, remains a key moniterable

Jet Airways

- ✓ With passenger traffic returning into the system and yields ~15% higher than last quarter, the macro-economic environment is turning favorable for aviation
- ✓ Coupled with costs at its bare bones, Jet Airways is expected to report lower losses – consolidated net loss for the quarter is expected at Rs1.3bn as against Rs5bn in Q2FY10 and Rs2.3bn in Q3FY09
- ✓ We could see some losses for 1-2 months due to grounding of aircrafts - 5 out of the 9 aircrafts on wet lease are expected to come off between September – November-09
- ✓ Jet reported consolidated gross debt at $3.1bn ($2.2bn is aircraft debt) last quarter. The current payment obligations amount to ~$330m. While Jet has received the required approvals to raise $400m of funds, ability to raise funds is a key moniterable

Q3FY10 earnings preview

Transportation

Company	Key monitorables
Jet Airways	Ability to raise funds to the tune of $400m (consolidated numbers)
GE Shipping	Global freight rates in shipping (standalone numbers)

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy
Jet Airways	29,401	34,625	(16.8)	2,919	1,303	68.4	(1,329)	(2,362)	na
Great Eastern Shipping	4,816	7,017	(31.4)	1,830	3,045	(39.9)	832	2,410	(65.5)

Q3FY10 earnings preview

Others

✓ **Sintex**

- Government's sustained focus on rural infrastructure development along with improving domestic demand visibility, to enhance revenue visibility of Sintex's domestic operations
- Synergy benefits from over seas operations and management's continuous focus on cost savings to see gradual improvement in operating margins at consolidated level

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q3FY10E	Q3FY09	% chg yoy	Q3FY10E	Q3FY09	% chg yoy	Q3FY10	Q3FY09E	% chg yoy
Sintex (Consol)	7,535	8,202	(8)	1,262	1,273	(1)	703	708	(1)

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