

Major indices movements

Major indices	Clsg	1d (%)	3m (%)	6m (%)
BSE Sensex	18,274	0.4	(10.0)	0.6
Nifty	5,481	0.5	(10.5)	0.5
Dow	12,227	(0.3)	9.1	18.7
Nikkei	10,788	0.4	10.1	17.3
Hang Seng	22,928	0.1	(3.2)	8.6
Brasil Bovespa	66,341	(0.3)	(5.7)	0.1
Mexico Bolsa	36,951	(0.1)	2.5	15.1

Turnover

Value Traded (Rs bn)	15 Feb 2011	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	37.9	9.4	105.2	19.1
Cash NSE	134.9	4.6	298.5	42.2
Total	172.8			
Del.(%)	39.9			
F&O	1507.2	4.3	2525.1	226.0
Total Trade	1680.0			

Fund Activity

Net Inflows				
(Rs bn)	Purch	Sales	Net	YTD
14 Feb 2011				
FII's	31.3	(29.0)	2.3	233.4
Domestic Funds	6.8	(4.3)	2.5	98.8
15 Feb 2011				
Cash Provisional			(1.3)	
F&O - Index	96.6	(100.5)	(3.9)	(27.6)
F&O - Stock	27.9	(23.8)	4.1	(11.6)

Advances/declines BSECash

15 Feb 2011	A	B1	B2	Total
Advance	117	945	223	1,285
Decline	85	792	188	1,065

Commodity Prices

Commodity	16 Feb 2011	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	101.5	0.3	20.5	35.6
Copper(usd/t)	10,011	(1.5)	15.8	39.9
Aluminum H.G.(usd/t)	2,505	(0.4)	4.4	18.7
Zinc(usd/t)	2,491	(1.2)	6.5	21.7

Debt/Forex Mkt	Clsg	1d (%)	3m (%)	6m (%)
Re/USD	45.52	(0.0)	(0.6)	2.8
10 yr Gsec Yield	8.09	(0.3)	0.3	2.9

Contents

Research Update included

McNally Bharat Q3FY11 Result Update; On track, Reiterate BUY

IVRCL Infrastructure Q3FY11 Result Update; Result in line – Upgrade to Buy

CRISIL Q4CY10 Result Update; Results ahead of expectations; Accumulate

Rcom Q3FY11 Result Update; Wait and watch, still time for revenue accretion; Reduce

Voltamp Q3FY11 R Update; Q3FY11 weak; volume growth to drive FY12 earnings; Hold

Tulip Telecom Q3FY11 Result Update; Result in-line, Reiterate BUY

Garware Offshore Q3FY11 R Update; Number above estimates-Upgrade to Accum

TNPL Q3FY11 R Update; Results disappoint on lower margins; Buy

Technical Comments

News clippings

- **Tata Consultancy Services (TCS)** has commercially launched cloud computing services and which could generate \$1 billion in revenue over five years from the small and medium business segment. Cloud computing helps users get access to hardware and software from companies like TCS on pay-per-use basis, without having to set up their own IT infrastructure.
- **Tata Motors'** global sales increased by 16 per cent to 98,998 units in January on robust demand for both commercial and passenger vehicles, over the same month previous year. Sales of luxury brands from Jaguar Land Rover were at 20,377 units in January, up 25 per cent over the same period a year ago.
- The Government of Rwanda in its cabinet meeting held on Feb. 11, 2011 has approved the sale of 60% shares of Gisovu Tea Company to Borelli Tea Holdings, UK a wholly owned subsidiary of **Mcleod Russel India**.
- **McNally Bharat Engineering Company** has received an order from Goa Shipyard for supply of one number 45 ton level luffing crane for jetty for a value of Rs 138.1 million inclusive of taxes and duties. The schedule time for completion is 14 months.
- **GEI Industrial Systems** has bagged four orders worth Rs 600 million, for the supply of air cooled vacuum steam condensers from three leading Indian companies. The company secured two orders from Ultratech Cements, one of the leading cement companies in India for their captive power plants at Rawan Cement Works and Rajshree Cement Works units.

February 15, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs 214	Rs 292
EPS change FY11E/12E (%)	-6 / -4
Target Price change (%)	-30
Nifty	5,456
Sensex	18,202

Price Performance

(%)	1M	3M	6M	12M
Absolute	(13)	(16)	(23)	20
Rel. to Nifty	(12)	(24)	(35)	1

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Material Handling
Bloomberg	MCNA@IN
Equity Capital (Rs mn)	311
Face Value(Rs)	10
No of shares o/s (mn)	31
52 Week H/L	385/191
Market Cap (Rs bn/USD mn)	7/154
Daily Avg Volume (No of sh)	65453
Daily Avg Turnover (US\$m)	0.3

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	30.6	30.6	30.6
FII/NRI	18.1	19.2	19.7
Institutions	23.0	23.2	22.3
Private Corp	6.7	6.5	6.5
Public	21.6	20.6	21.0

Source: Capitaline

Pritesh Chheda, CFA

pritesh.chheda@emkayglobal.com
+91 22 6612 1273

Prerna Jhavar

prerna.jhavar@emkayglobal.com
+91 22 6612 1337

- **Standalone performance ahead estimates with net profit growth at 63% yoy to Rs113 mn. But subsidiaries posts unsatisfactory performance – MSE PAT at Rs20 mn (+20%)**
- **Muted order inflows at Rs3.5 bn (-64% yoy) – pushes up asking rate for Q4FY11E to Rs14.6 bn. L1 orders worth Rs5 bn. Group order book at Rs43.7 bn**
- **MBE tones down revenue guidance to Rs23.5 bn (Vs Rs25 bn) with EBITDA margins at 8-9% (Vs 9%)**
- **Revise earnings down by 6% in FY11E to Rs22.9 and by 4% in FY12E to Rs29.2. Valuations attractive at 7.3X FY12E. Reiterate 'BUY' rating with revised target of Rs292/Share**

Standalone net profit up 63% yoy to Rs113 mn – Ahead estimates

McNally Bharat (MBE) reported healthy standalone operational performance with EBITDA margins at 6.5% - despite subdued revenue growth. Revenue growth was lower than estimates at Rs3.8 bn, up 14% yoy. EBITDA margins were in line with estimates at 6.5% (down 40 bps yoy), despite sharp jump in other expenditure (up 42% qoq to Rs684 mn). Despite lower than expected revenues, APAT at Rs113 mn (up 63% yoy) was ahead estimates – aided by (1) high other income – up 322% yoy to Rs53 mn and (2) decline in interest costs - down 22% yoy to Rs106 mn.

Subsidiaries performance not up to the mark

- **McNally Sayaji (MSE)** continued to disappoint with tepid revenue traction (1) Revenues grew 9% yoy to Rs742 mn (2) EBITDA margins declined 280 bps yoy to 16.8% and (3) Net profits grew 20% yoy to Rs73 mn – below estimates.
- **CMT (Coal & Mineral Technology) Business, Germany** (i.e. Humboldt Wedag) witnessed sharp drop in performance sequentially from a high base in Q2FY11 – below estimates (1) Revenues declined 67% qoq to Rs365 mn (2) EBITDA stood at Rs3 mn – down 98% qoq (3) PBT stood at Rs21 mn.

Muted order inflows at Rs3.5 bn, Asking rate for Q4FY11E inches up to Rs14.6 bn

Consolidated order backlog declined sequentially for the second consecutive quarter to Rs43.7 bn (down 3% qoq) – led by muted order inflow at Rs3.5 bn (down 64% yoy). Order book break-up is Standalone – Rs39.2 bn, MSE - Rs2.6 bn and CMT – Rs1.9 bn. Low order inflows for the second consecutive quarter has increased the Q4FY11E asking rate to Rs14.6 bn – equivalent to 49% of FY11E target. However MBE has indicated robust order bid-pipeline at Rs90 bn and is L1 in orders worth Rs4.7 bn – expecting finalisation by Q1FY12E.

Consolidated Financial Snapshot

YE-Mar	Rs Mn									
	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS %Chg	ROE (%)	P/E	EV/EBITDA	P/BV
FY09	11,132	1,028	9.2	205	6.6	-15.5	9.3	32.5	8.2	3.0
FY10P	18,028	1,478	8.2	521	16.7	154.2	16.5	12.8	6.0	2.1
FY11E	23,896	1,885	7.9	713	22.9	36.9	20.2	9.3	4.7	1.7
FY12E	29,346	2,360	8.0	908	29.2	27.4	20.9	7.3	4.0	1.4

Standalone Quarterly Results

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	Gr (%)
Revenue	3,325	5,624	2,839	4,018	3,788	13.9	-5.7	10,645	8,907	19.5
Expenditure	3,095	5,216	2,683	3,799	3,541	14.4	-6.8	10,023	8,294	20.9
Consumption of RM	2,238	3,345	1,411	2,245	1,810	-19.1	-19.4	5,467	5,724	-4.5
as % of sales	67.3	59.5	49.7	55.9	47.8			51.4	64.3	
Job Work Outsourcing Exps	571	1,171	680	759	721	26.2	-5.1	2,160	1,558	38.6
as % of sales	17.2	20.8	24.0	18.9	19.0			20.3	17.5	
Employee Cost	194	205	246	314	326	67.8	3.8	885	506	74.9
as % of sales	5.8	3.6	8.7	7.8	8.6			8.3	5.7	
Other expenditure	93	495	346	481	684	636.5	42.2	1,511	506	198.6
as % of sales	2.8	8.8	12.2	12.0	18.1			14.2	5.7	
EBITDA	230	408	156	219	247	7.5	12.9	622	614	1.3
Depreciation	13	15	18	21	22	68.8	3.8	60	27	120.1
EBIT	217	394	138	198	225	3.9	13.9	561	586	-4.2
Other Income	13	13	15	35	53	321.6	49.7	103	18	461.7
Interest	136	69	60	87	106	-22.1	22.4	253	327	-22.8
PBT	93	337	93	146	172	84.5	17.5	412	277	48.4
Total Tax	24	122	32	50	59	149.4	17.7	140	66	111.2
Adjusted PAT	70	215	62	97	113	62.7	17.4	272	211	28.7
Extra ordinary items	4	10	0	0	0	-100.0	NA	0	-48	-100.0
Reported PAT	74	224	62	97	113	53.5	17.4	272	163	66.6
Adjusted EPS	2.2	6.9	2.0	3.1	3.6	62.7	17.4	8.7	6.8	28.7

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	6.9	7.3	5.5	5.4	6.5	-40	110	5.8	6.9	360	
EBIT	6.5	7.0	4.9	4.9	6.0	-60	100	5.3	6.6	420	
PBT	2.8	6.0	3.3	3.6	4.5	170	90	3.9	3.1	340	
PAT	2.1	3.8	2.2	2.4	3.0	90	60	2.6	2.4	180	
Effective Tax rate	25.2	36.3	33.9	34.0	34.1	890	10	34.0	23.9	610	

MBE tones down FY11E revenue and EBIDTA margin guidance

MBE marginally toned down its FY11E guidance for revenues and EBITDA margins as shared in Q2FY11 – (1) Revenue guidance revised down to Rs23.5 bn from Rs25.0 bn (2) A broader EBITDA margin band of 8-9% as against a narrower 9% previously. Correspondingly, we have fine-tuned our revenue estimates down by 6% for FY11E and FY12E each – largely attributed to inadequate improvement in subsidiaries' performance. Our revised earning estimates for FY11E and FY12E stand at Rs22.9 (down 5.5% from Rs24.3) and Rs29.2 (down 4.4% from 30.6) respectively. The extent of revision in our earning estimates is lower as we had always factored EBITDA margins of 8% (the lower band of guidance).

Revision in Earning Estimates

Y/E, Mar (Rs. mn)	FY11E			FY12E		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	25,474	23,896	(6.2)	31,102	29,346	(5.6)
EBITDA	2,040	1,885	(7.6)	2,477	2,360	(4.7)
EBITDA Margin (%)	8.0	7.9	-10 bps	8.0	8.0	10 bps
APAT	754	713	(5.5)	950	908	(4.4)
EPS (Rs)	24.3	22.9	(5.5)	30.6	29.2	(4.4)

Retain 'Buy' rating with revised price target of Rs292

We retain our positive bias for MBE in view of (1) quality order book at Rs43.7 bn – lending revenue visibility for next 2 years (2) satisfactory progress in key orders (3) strong order bid-pipeline (4) low probability of negative earning surprises (5) moving up the value chain - from a pure play MHE contractor to cater to the entire BoP space. At CMP of Rs214, the stock is trading attractively at 9.3X FY11E and 7.3X FY12E consolidated earnings of Rs22.9 and Rs29.2 per share respectively. We retain our BUY recommendation with revised target price of Rs292/Share.

Subsidiaries Performance

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)
McNally Sayaji Engineering							
Revenues	683	1,246	522	620	742	8.7	19.8
EBITDA	134	196	72	100	125	-7.0	25.0
EBITDA Margin (%)	19.6	15.7	13.9	16.1	16.8	-280 bps	70 bps
APAT	61	107	15	52	73	20.2	40.6
Coal & Mineral Technology Business (CMT)							
Revenues			760	1112	364.8	-	-67.2
EBITDA			30	152	3.2	-	-97.9
EBITDA Margin (%)			3.9	13.7	0.9	-	-1280 bps
PBT			24	126	21	-	-83.3

Group Order Backlog Details

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)
Order Inflows	9,848	8,319	8,701	2,691	3,520	-64.3	30.8
Order Backlog	37,690	42,719	48,030	45,180	43,700	15.9	-3.3
Standalone	35,000	36,939	42,000	40,060	39,200	12.0	-2.1
MSE	2,690	2,200	2,480	2,770	2,620	-2.6	-5.4
CMT	-	3,580	3,550	2,350	1,880	-	-20.0

Key Consolidated Financials

Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	11,132	18,028	23,896	29,346
<i>Growth (%)</i>	<i>101.1</i>	<i>61.9</i>	<i>32.6</i>	<i>22.8</i>
Expenditure	10,105	16,550	22,011	26,987
Materials Consumed	6,545	10,232	13,527	16,730
Employee Cost	668	1,272	1,687	2,071
Manufacturing Exp	2,119	3,736	5,139	6,311
Other Exp	773	1,309	1,659	1,875
EBITDA	1,028	1,478	1,885	2,360
<i>Growth (%)</i>	<i>143.2</i>	<i>43.8</i>	<i>27.6</i>	<i>25.2</i>
EBITDA margin (%)	9.2	8.2	7.9	8.0
Depreciation	95	164	233	276
EBIT	933	1,314	1,652	2,084
EBIT margin (%)	8.4	7.3	6.9	7.1
Other Income	-12	4	120	48
Interest expenses	331	395	577	617
PBT	589	923	1,195	1,514
Tax	288	331	406	515
<i>Effective tax rate (%)</i>	<i>48.9</i>	<i>35.9</i>	<i>34.0</i>	<i>34.0</i>
Adjusted PAT	301	592	789	999
<i>Growth (%)</i>	<i>34.7</i>	<i>96.6</i>	<i>33.2</i>	<i>26.7</i>
Net Margin (%)	2.7	3.3	3.3	3.4
(Profit)/loss from JVs/Ass/MI	96	72	76	91
Adjusted PAT After JVs/Ass/MI	205	521	713	908
E/O items	231	(25)	-	-
Reported PAT	435	495	713	908
<i>Growth (%)</i>	<i>93.9</i>	<i>13.7</i>	<i>43.9</i>	<i>27.4</i>

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT	820	898	1,195	1,514
Depreciation	95	164	233	276
Interest Provided	331	395	577	617
Other Non-Cash items	-134	138	0	0
Chg in working cap	-1,184	-977	-1,074	-873
Tax paid	-137	-266	-406	-515
Operating Cashflow	-209	351	524	1,020
Capital expenditure	-1,471	-700	-500	-500
Free Cash Flow	-1,680	-349	24	520
Other income	0	1	2	3
Investments	136	50	0	0
Investing Cashflow	136	51	2	3
Equity Capital Raised	0	24	0	0
Loans Taken / (Repaid)	1,603	1,370	0	400
Interest Paid	-331	-395	-577	-617
Dividend paid (incl tax)	-39	-46	-61	-79
Income from investments	0	0	0	0
Others	0	0	0	0
Financing Cashflow	1,232	952	-637	-296
Net change in cash	-312	655	-612	227
Opening cash position	706	418	1,246	632
Closing cash position	418	1,246	632	856

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	311	311	311	311
Reserves & surplus	1,766	2,318	2,970	3,799
Net worth	2,077	2,629	3,281	4,110
Minority Interest	123	534	610	702
Secured Loans	2,130	3,413	3,413	3,813
Unsecured Loans	5	72	72	72
Loan Funds	2,135	3,485	3,485	3,885
Net deferred tax liability	142	174	174	174
Total Liabilities	4,478	6,822	7,550	8,870
Gross Block	2,590	3,782	4,282	4,782
Less: Depreciation	334	574	806	1,083
Net block	2,255	3,208	3,475	3,699
Capital work in progress	113	41	41	41
Investment	15	27	27	27
Current Assets	9,265	16,706	17,512	21,609
Inventories	773	1,173	1,290	1,584
Sundry debtors	6,935	11,346	12,598	15,689
Cash & bank balance	418	1,246	632	856
Loans & advances	1,139	2,090	2,140	2,628
Other current assets	2,976	4,198	5,750	7,208
Current lia & Prov	7,172	13,161	13,505	16,506
Current liabilities	7,033	12,932	13,276	16,277
Provisions	139	229	229	229
Net current assets	2,094	3,545	4,006	5,103
Misc. exp	0.2	0.1	0.1	0.1
Total Assets	4,478	6,822	7,550	8,870

Key ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	9.2	8.2	7.9	8.0
Net Margin	2.7	3.3	3.3	3.4
ROCE	21.2	19.8	25.3	26.5
ROE	9.3	16.5	20.2	20.9
RoIC	23.7	23.9	24.1	26.2
Per Share Data (Rs)				
EPS	6.6	16.7	22.9	29.2
CEPS	8.5	21.0	27.9	35.1
BVPS	70.8	101.7	125.1	154.7
DPS	1.3	1.5	2.0	2.5
Valuations (x)				
PER	32.5	12.8	9.3	7.3
P/CEPS	25.2	10.2	7.7	6.1
P/BV	3.0	2.1	1.7	1.4
EV / Sales	0.8	0.5	0.4	0.3
EV / EBITDA	8.2	6.0	4.7	4.0
Dividend Yield (%)	0.6	0.7	0.9	1.2
Gearing Ratio (x)				
Net Debt/ Equity	0.8	0.7	0.7	0.6
Net Debt/EBIDTA	1.6	1.2	1.3	1.1
Working Cap Cycle (days)	55.2	57.1	57.7	56.6

February 15, 2011

Reco	Previous Reco
Buy	Hold
CMP	Target Price
Rs72	Rs101
EPS change FY11E/12E (%)	-1 / -16
Target Price change (%)	-37
Nifty	5,456
Sensex	18,202

Price Performance

(%)	1M	3M	6M	12M
Absolute	(34)	(48)	(55)	(55)
Rel. to Nifty	(32)	(42)	(55)	(60)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Construction
Bloomberg	IVRC@IN
Equity Capital (Rs mn)	534
Face Value(Rs)	2
No of shares o/s (mn)	267
52 Week H/L	194/60
Market Cap (Rs bn/USD mn)	19/418
Daily Avg Volume (No of sh)	3370252
Daily Avg Turnover (US\$m)	7.3

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	9.5	9.5	9.6
FII/NRI	57.9	58.2	55.8
Institutions	5.3	8.6	13.3
Private Corp	15.6	12.1	10.5
Public	11.7	11.6	10.8

Source: Capitaline

Ajit Motwani

ajit.motwani@emkayglobal.com
+91 22 6612 1255

Jitesh Bhanot

jitesh.bhanot@emkayglobal.com
+91 22 6624 2491

- **IVRCL Q3FY11 APAT at Rs 506 mn (+18.7% yoy) above estimates (Rs482 mn) even after a sharp 60% yoy increase in interest charges. Execution improves revenues up 15% yoy**
- **Adj. EBITDA at Rs 1.44 bn (+32%yoy) ahead of estimates as margins at 10.2% (+137 bps yoy) surprises positively, buildings & industrial led to improved margins**
- **We cut 12E EPS by -16.0% led by delayed financial closure of road BOTs in IVR Assets, delayed execution on AP based water projects and higher interest cost. Cut target to Rs 101**
- **Though IVRCL continues to face execution headwinds, post a 49% correction in stock price, valuations at 5.3x (ex the value) of subs seems to factor in a lot of negatives. Upgrade to Buy**

Revenue up 14.5% yoy led by better execution

IVRCL's revenue grew by 14.5% with revenues of Rs14.1 bn (our estimate Rs14.4 bn) in line with expectation. Executions improved with slight improvement at AP irrigation projects (run rate stands at Rs1 bn) and pick up in building & industrial segment. Overall order backlog stands at Rs 242 bn, out of which AP order backlog stands at Rs30 bn. Though the execution of AP still remain sluggish, we believe the strategy to be prudent as the slower pace does not allow the receivables to pile up in their books.

Adjusted EBITDA margins at 10.2% - expanded by 137 bps yoy

Adjusting for a one time provision (Rs 120 mn) on account of doubtful debts, EBITDA was up 32.1 % yoy to Rs 1.44 bn. After a disastrous Q2FY11 that witnessed a contraction in EBITDA margins (-237 bps, qoq) to 6.7%, the margins rebounded sharply (+349 bps, qoq) to 10.2%, surprising us positively. IVRCL reported its second best quarterly margin in the last 11 quarters. EBITDA margins also expanded due to higher proportion of execution from the high margin Buildings and Industrial segment.

APAT at Rs 506 mn up 18.7% yoy – interest expense spoils a stellar quarter

Though the Q3FY11 APAT at Rs 506 mn, came in better than estimates, the 18.7% growth was lower than 32% EBITDA growth due to a sharp 60% jump in interest expenses. Interest cost rose led by gross debt of Rs22bn and increase in Interest rates on account tight credit situation, thereby spoiling the otherwise stellar operating performance during the quarter.

Management Confident of maintain execution

IVRCL management remains confident of pick up pace of execution and has maintained its FY11 revenue guidance of Rs62.5 bn, implying a steep Q4FY11E revenue growth of 42%. Management highlighted that the company is not witnessing significant cash crunch and they will be in a position to execute the entire portfolio, albeit only by selling minority stakes in some of their BOT projects.

Financial Snapshot (consolidated)

								Rs Mn			
YE-	Net	EBITDA		EPS	EPS	RoE	EV/				
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV	
FY09	49,804	4,218	8.5	2,333	8.7	7.2	13.7	8.2	7.6	2.6	
FY10	54,923	5,313	9.7	2,067	7.7	-11.4	11.3	9.3	6.3	2.5	
FY11E	57,398	5,252	9.1	1,889	7.1	-8.6	9.8	10.2	7.9	2.3	
FY12E	67,710	6,263	9.2	2,071	7.8	9.6	9.8	9.3	6.8	2.1	

Source: Emkay Research

Quarterly Results

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11A	yoy	qoq	YTD'10	YTD'09	YoY (%)
Revenue	12322	18870	11062	10502	14104	14.5%	34.3%	35668	35654	0.0%
Expenditure	11233	16920	10057	9797	12664	12.7%	29.3%	32518	32421	0.3%
<i>as % of sales</i>	<i>91.2</i>	<i>89.7</i>	<i>90.9</i>	<i>93.3</i>	<i>89.8</i>					
Consumption of RM	4263	6847	3606	4095	5325	24.9%	30.0%	13027	13300	-2.1%
<i>as % of sales</i>	<i>34.6</i>	<i>36.3</i>	<i>32.6</i>	<i>39.0</i>	<i>37.8</i>					
Construction Expenses	2563	3575	1901	1684	1894	-26.1%	12.4%	5479	7271	-24.6%
<i>as % of sales</i>	<i>20.8</i>	<i>18.9</i>	<i>17.2</i>	<i>16.0</i>	<i>13.4</i>					
Masonry and Other labour	3672	5159	3614	3033	4551	23.9%	50.0%	11198	9861	13.6%
<i>as % of sales</i>	<i>29.8</i>	<i>27.3</i>	<i>32.7</i>	<i>28.9</i>	<i>32.3</i>					
Employee Cost	479	716	652	633	604	26.2%	-4.6%	1888	1310	44.2%
<i>as % of sales</i>	<i>3.9</i>	<i>3.8</i>	<i>5.9</i>	<i>6.0</i>	<i>4.3</i>					
Other expenditure	256	624	283	352	291	13.6%	-17.3%	925	679	36.2%
<i>as % of sales</i>	<i>2.1</i>	<i>3.3</i>	<i>2.6</i>	<i>3.3</i>	<i>2.1</i>					
EBITDA	1090	1950	1005	706	1440	32.1%	104.1%	3150	3233	-2.6%
Depreciation	139	141	157	184	199	43.3%	7.9%	540	401	34.6%
EBIT	951	1810	848	521	1241	30.5%	138.0%	2610	2832	-7.8%
Other Income	64	54	11	304	95	48.7%	-68.8%	411	230	78.3%
Interest	372	525	453	480	592	59.0%	23.2%	1525	1115	36.8%
PBT	642	1338	406	345	744	15.8%	115.5%	1496	1947	-23.2%
Total Tax	216	486	125	112	238	10.1%	111.5%	476	690	-31.1%
Adjusted PAT	426	852	281	233	506	18.7%	117.5%	1020	1257	-18.8%
(Profit)/loss from JV's/Ass/MI										
APAT after MI	426	852	281	233	506	18.7%	117.5%	1020	1257	-18.8%
Extra ordinary items	0	0	0	0	-84					
Reported PAT	426	852	281	233	422	-1.0%	81.4%	936	1257	-25.5%
Reported EPS	1.6	3.2	1.1	0.9	1.9	18.7%	117.5%	3.8	4.7	-18.8%

Margins						bps	bps			bps
EBIDTA	8.8%	10.3%	9.1%	6.7%	10.2%	136.6	349.0	8.8%	9.1%	-23.6
EBIT	8%	10%	8%	5%	9%	108.2	383.4	7%	8%	-62.6
EBT	5%	7%	4%	3%	5%	6.2	198.9	4%	5%	-126.8
PAT	3%	5%	3%	2%	3%	-46.6	77.8	3%	4%	-90.0
Effective Tax rate (%)	34%	36%	31%	33%	32%	-166.6	-61.1	32%	35%	-365.8

Order backlog at Rs 242bn– visibility at 4.4x FY10 revenues

Current order backlog stands at Rs 242 billion which provides strong visibility at 4.4x FY10 revenues, however, 39% of the order backlog which includes Rs 65bn from the transportation vertical and Rs 30bn from AP is slow moving and face execution issues. AP is facing execution delays due to state government finances and pending receivables. Transportation vertical which includes road projects from IVR assets holding is facing delays due to lack of financial closures and tardy process of land acquisition and other clearances.

Management remains confident on executing all the road projects and has indicated that the subsidiary (IVR Asset) remains well funded to meet the capex obligations of FY12E with. Also the management is confident that dilution of minority stakes in BOT SPV's will take care of any additional equity requirement post FY12E.

Order-book backlog and Order inflow details

Order book details	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11A	yoy	qoq
Opening order backlog	146000	220000	233750	233750	240000	64.4%	2.7%
Order inflow	86327.18	32626.8	11069.44	16754.7	16111.96	-81.3%	-3.8%
Revenue Booked	12327.18	18876.8	11069.44	10504.7	14111.96	14.5%	34.3%
Closing Order backlog	220000	233750	233750	240000	242000	10.0%	0.8%

Source: Company. Emkay Research

IVRCL continues to face execution headwinds Downgrading FY11E/12E EPS estimates by -1%/-16%

Though management remains confident of achieving 15% growth in FY12E over the FY11E revenue guidance of Rs 6.25 bn, we remain skeptical on the pace of ramp up in AP projects and transportation vertical. We have built in execution delays on the water & irrigation side as well as on the transportation vertical. We have also built in lower order inflow assumptions led by tardy pace of order awarding by NHA and slow down in water and water related orders. Consequently we cut our estimates by -1%/ -16% for FY11E and FY12E.

Downgrading FY11/12 EPS estimates by -1%/-16%

Rs mn	FY11E			FY12E		
	Earlier	Revised	% chg	Earlier	Revised	% chg
Sales	60,323	57398	-5%	76,357	67,710	-11%
EBIDTA	5,411	5252	-3%	6,887	6,263	-9%
EBIDTA (%)	8.97%	9.10%		9.02%	9.25%	
Net Profit After Minority	1,913	1889	-1%	2,467	2,071	-16%
EPS (Rs/per share)	7.2	7.1		9.2	7.8	

Source: Emkay Research

Cut target to Rs101 – Valuing core business at 9x FY12E earnings

IVRCL has been facing execution headwinds led by slower ramp up in irrigation projects and road projects which has led to lowering of our earnings growth from 29% earlier to 10% and FY12E ROE from 11.6% to 9.8%. This has also resulted in the FY12E leverage going up from 1X to 1.1 xs. In order to factor in lower earnings growth and lower ROE, we cut our target construction business PER from 11x to 9x. This lowers our target from Rs 160 to Rs 101.

IVRCL's SOTP value at Rs 101

Business	Valuation Basis	Multiple (x)	Value (Rsmn)	Value per share (Rs)
Construction business	FY12E, PE (x)	9.0x	18639	70
Hindustan Dorr Oliver	M Cap	25% discount to M Cap	2529	9
IVR Asset Holding	M Cap	25% discount to M Cap	5925	22
Total Fair value			27,093	101.0

Source: Emkay Research, Capitaline

Post 49% correction in stock price, valuations at 5.3 X PER seems to factor in a lot of negatives. Upgrade to Buy.

Though IVRCL faces a lot of execution issues, we believe post the 49% correction in stock price; valuation at FY12E PER 5.3 xs (Ex the value of subs) seems to have factored a lot of these negatives. We have evaluated the sensitivity under 3 scenarios which seems to indicate the risk reward situation has turned in favorable and has little downside from the present levels. The 3 scenarios are discussed here under :

1. Ex the value of listed subsidiaries (at 25% discount to CMP) IVRCL core construction business is trading at PER of 5.25x FY12E earnings which is at significant 39% discount to its peers universe which trades at a PER of 8.56x.
2. Ex the value of listed subsidiaries (at 25% discount to CMP) and assigning a PER of 9x based on a 40% discount to its 10 year average PER of 15X, the stock at the price of Rs 72 is implying an FY12E EPS of Rs4.5, which is 55% & 40% lower than street and our estimates respectively.
3. Even if we assume no revenue booking from Rs 60bn worth of order book (Rs 30bn - Goa-Karnataka project, Rs 30 bn from AP irrigation) and a 50% decline in fresh order inflow for FY12E, our FY12 EPS would stand at ~Rs5.1, implying a PER of 8.0x FY12E construction earnings.

The above scenarios clearly imply that the worst seems to be over for the stock and the valuation offers significant comfort -upgrade our rating on the stock to BUY.

Key Financials

Income Statement

Y/E, Mar (Rs. m)	FY09	FY10	FY11E	FY12E
Net Sales	49804	54923	57398	67710
<i>Growth (%)</i>	36.1	10.3	4.5	18.0
Expenditure	45587	49610	52146	61447
Materials Consumed	16578	19151	21122	24850
Construction Exp	26179	27130	27034	31892
Employee Cost	1953	2026	2612	3081
Other Exp	876	1303	1378	1625
EBITDA	4218	5313	5252	6263
<i>Growth (%)</i>	16.7	26.0	-1.1	19.3
EBITDA %	8.5	9.7	9.1	9.2
Depreciation	473	543	723	808
EBIT	3745	4770	4529	5456
EBIT margin (%)	7.5	8.7	7.9	8.1
Other income	299	155	459	339
Interest expenses	1233	1681	2169	2703
PBT	2811	3244	2819	3091
Total Tax	478	1177	930	1020
<i>Effective tax rate (%)</i>	17.0	36.3	33.0	33.0
Adjusted PAT	2333	2067	1889	2071
<i>Growth (%)</i>	7.2	-11.4	-8.6	9.6
Net Margin (%)	4.7	3.8	3.3	3.1
(Profit)/loss from JVs/Ass/MI	0	0	0	0
Adjusted PAT After JVs/Ass/MI	2333	2067	1889	2071
E/O items	-73	44	-80	0
Reported PAT	2260	2111	1809	2071
<i>Growth (%)</i>	7.4	-6.6	-14.3	14.5

Balance Sheet

Y/E, Mar (Rs. m)	FY09	FY10	FY11E	FY12E
Equity share capital	267	534	534	534
Reserves & surplus	17839	17999	19588	21441
Networth	18106	18533	20122	21975
Minority Interest				
Secured Loans	10185	12688	19688	20688
Unsecured Loans	3795	3445	3410	3410
Loan Funds	13980	16133	23098	24098
Deferred tax liability	117	125	125	125
Total Liabilities	32203	34791	43345	46198
Gross Block	6624	7502	8502	9502
Less: Depreciation	1417	1838	2560	3368
Net block	5207	5664	5941	6134
Capital work in progress	196	353	353	353
Investment	3892	6138	6138	6138
Current Assets	40144	47005	53580	59268
Inventories	8892	10295	12580	13913
Sundry debtors	13430	19445	21229	24116
Cash & bank balance	1009	1644	890	822
Loans & advances	16803	15618	18871	20406
Other current assets	10	3	10	11
Current lia & Prov	17235	24369	22587	25615
Current liabilities	16795	23924	22173	25201
Provisions	440	445	414	414
Net current assets	22909	22636	30993	33653
Total Assets	32203	34791	43426	46278

Cash Flow

Y/E, Mar (Rs. m)	FY09	FY10	FY11E	FY12E
Pre-tax profit	2738	3288	2819	3091
Depreciation	473	543	723	808
Interest Provided	962	1448	2169	2703
Other Non-Cash items	-43	291	0	0
Chg in working cap	-2914	-2480	-9080	-2729
Tax paid	-1018	-1293	-930	-1020
Operating cash Inflow	197	1797	-4299	2853
Capital expenditure	-2153	-1196	-1000	-1000
Free Cash Flow	-1957	601	-5299	1853
Other income	299	155	459	339
Investments	11	-1088	0	0
Investing Cashflow	-2142	-2284	-1000	-1000
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	3221	2199	6965	1000
Interest Paid	-1628	-1904	-2169	-2703
Dividend paid (incl tax)	-189	-215	-250	-219
Income from investments	171	20	0	0
Others	0	0	0	0
Financing Cashflow	1576	101	4546	-1922
Net chg in cash	-268	600	-754	-68
Opening cash position	1213	945	1644	890
Closing cash position	945	1545	890	822

Key Ratios

Y/E, Mar (Rs. m)	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	8.5	9.7	9.1	9.2
Net Margin	4.7	3.8	3.3	3.1
ROCE	13.7	14.7	12.8	12.9
ROE	13.7	11.3	9.8	9.8
RoIC	15.5	17.7	14.5	14.6
Per Share Data (Rs)				
EPS	8.7	7.7	7.1	7.8
CEPS	10.3	10.9	9.8	10.8
BVPS	67.8	69.4	75.4	82.3
DPS				
Valuations (x)				
PER	8.2	9.3	10.2	9.3
P/CEPS	7.0	6.6	7.4	6.7
P/BV	1.1	1.0	1.0	0.9
EV / Sales	0.6	0.6	0.7	0.6
EV / EBITDA	7.6	6.3	7.9	6.8
Dividend Yield (%)	1.9	1.4	1.4	1.4
Gearing Ratio (x)				
Net debt/ Equity	0.7	0.8	1.1	1.1
Net Debt/EBITDA	3.1	2.7	4.2	3.7
Working Cap Cycle (days)	40.5	38.7	70.0	70.0

February 15, 2011

Reco Changed from
Accumulate Accumulate

CMP Target Price
Rs5,910 Rs7,000

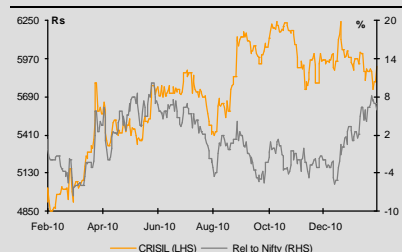
EPS change CY10E/11E (%) NA
Target Price change (%) NA
Nifty 5,456
Sensex 18,202

Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	(4)	9	19
Rel. to Nifty	2	7	8	6

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector Financial Services
Bloomberg CRISIL@IN
Equity Capital (Rs mn) 71
Face Value(Rs) 10
No of shares o/s (mn) 7
52 Week H/L 6,350/4,741
Market Cap (Rs bn/USD mn) 42/923
Daily Avg Volume (No of sh) 4140
Daily Avg Turnover (US\$m) 0.5

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	52.4	51.5	51.5
FII/NRI	10.3	9.3	9.3
Institutions	17.7	17.3	17.6
Private Corp	1.8	3.7	3.0
Public	17.8	18.2	18.5

Source: Capitaline

Kashyap Jhaveri

kashyap.jhaveri@emkayglobal.com
+91 22 6612 1249

Pradeep Agrawal

pradeep.agrawal@emkayglobal.com
+91 22 6612 1340

- **CRISIL's Q4CY10 operating revenue grew by strong 11% qoq. A strong 16% qoq growth in research surprised positively. Stable currency means FTEs have grown strong**
- **Research business reports highest ever revenues. Pipal Research acquisition completed in December 2010. We expect CRISIL to replicate IREVNA success with Pipal too.**
- **Operating leverage leads to ~490bps qoq expansion in OPMs to 39.3% (adjusted for forex). However, net profit growth lower at 11% yoy due to higher effective tax rate**
- **To benefit from diversified revenue stream and normalcy in global fin markets. Maintain ACCUMULATE rating with TP of Rs7000. Remains one of strong picks in mid cap financials**

Research reports strong revenues; more than compensates for others

The operating revenues for the quarter have grown by 19.2% yoy and 11% qoq to Rs1.8bn driven by strong growth in research business. The revenues from research business were highest ever at Rs868mn (including Pipal Research) Strong sequential growth in research despite the currency remaining stable, means that growth in the full time equivalents (FTE) is picking up strong momentum.

Income from operations

%	Q4CY09	Q1CY10	Q2CY10	Q3CY10	Q4CY10	YoY (bps)	QoQ (bps)
Rating Services Fees	634	650	710	735	746	17.7	1.5
Advisory services Fees	194	132	130	102	152	-21.9	49.0
Res. and Inf. Services	652	646	666	749	868	33.1	15.9
Other operating income	1	6	6	6	0	-	-
Total Revenues	1,481	1,433	1,512	1,591	1,765	19.2	10.9

Source: Company, Emkay Research

Note: The research revenues for Q4CY10 include 29 days of Pipal Research revenues

Revenue growth likely to remain strong

We expect the momentum in the revenue growth to sustain in coming quarters driven by rating and research over CY11E/CY12E. The momentum in the rating business will be driven by bank loan rating and the implementation of the base rate. Moreover the acquisition of Pipal research will further add to the growth trajectory in research segment in CY11E.

Valuation table

YE- Mar	Net Sales	EBITDA (Core)	(%) APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV	
CY09	5,373	2,024	37.7	1,608	215.5	14.8	47.7	27.4	19.8	11.7
CY10	6,310	2,184	34.6	2,052	248.5	15.3	46.5	23.8	18.4	10.6
CY11E	8,324	2,953	35.5	2,271	320.0	28.8	44.9	18.5	12.9	6.8
CY12E	10,083	3,585	35.6	2,845	400.9	25.3	39.6	14.7	10.0	5.1

Source: Company, Emkay Research

Key financials – Quarterly

Rs mn	Q4CY09	Q1CY10	Q2CY10	Q3CY10	Q4CY10	YoY (%)	QoQ (%)	CY10	CY09	YoY (%)
Revenue	1,481	1,433	1,512	1,591	1,765	19.2	10.9	6,302	5,397	16.8
Expenditure	925	972	1,043	1,029	1,080	16.7	4.9	4,124	3,387	21.8
as % of sales	62.5	67.8	69.0	64.7	61.2			65.4	62.7	
Rent	73	115	111	106	104	42.7	-2.3	436	288	51.5
as % of sales	4.9	8.0	7.4	6.7	5.9			6.9	5.3	
Employee Cost	520	590	651	681	651	25.0	-4.5	2,573	2,079	23.8
as % of sales	35.1	41.2	43.0	42.8	36.9			40.8	38.5	
Other expenditure	242	177	202	202	246	1.7	21.8	827	762	8.5
as % of sales	16.3	12.3	13.4	12.7	13.9			13.1	14.1	
EBITDA	555	462	469	562	685	23.4	21.9	2,178	2,011	8.3
Depreciation	36	52	50	54	56	55.7	4.1	213	149	43.1
EBIT	519	410	418	508	629	21.1	23.8	1,965	1,862	5.5
Other Income	44	208	39	43	19	-57.9	-56.5	308	210	46.7
Interest	0	0	0	0	0			0	0	
PBT	564	618	457	551	648	14.9	17.6	2,273	2,072	9.7
Total Tax	124	156	87	193	150	21.6	-22.2	587	467	25.8
Adjusted PAT	450	485	362	439	499	11.0	13.8	1,785	1,617	10.4
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
APAT after MI	450	485	362	439	499	11.0	13.8	1,785	1,617	10.4
Extra ordinary items	38	85	-29	316	6			379	42	
Reported PAT	488	570	333	755	506	3.7	-33.0	2,164	1,659	30.5
Reported EPS	67.5	78.9	46.1	104.5	70.0	3.7	-33.0	300	230	30.5

Margins (%)	Q4CY09	Q1CY10	Q2CY10	Q3CY10	Q4CY10	(bps)	(bps)	CY10	CY09	(bps)
EBIDTA	37.5	32.2	31.0	35.3	38.8	131	350	34.6	37.3	-270
EBIT	35.1	28.6	27.7	31.9	35.6	57	371	31.2	34.5	-332
EBT	38.1	43.1	30.2	34.6	36.7	-137	207	36.1	38.4	-232
PAT	30.4	33.8	23.9	27.6	28.3	-208	72	28.3	30.0	-163
Effective Tax rate	20.2	21.5	20.8	20.4	22.9	269	254	21.3	22.0	-62

Source: Company, Emkay Research

Operating leverage helps margins

The operating margins for the quarter expanded by 490bps qoq to 39.3% (adjusted for forex gains/losses) driven by operating leverage. While, the revenues have grown by 11% qoq, the expenses were up just about 5% qoq resulting in 22% qoq growth in operating profit. On yoy basis, the operating margins were flat (adjusted for forex gains/losses)

EBIDTA margins up 350bps sequentially

%	Q4CY09	Q1CY10	Q2CY10	Q3CY10	Q4CY10	YoY (%)	QoQ (%)	CY10	CY09	YoY (%)
Income from operations	1,481	1,433	1,512	1,591	1,765	19.2	10.9	6,302	5,397	205.8
Total Expenditure	925	972	1,043	1,029	1,080	16.7	4.9	4,124	3,387	213.6
EBITDA	555	462	469	562	685	23.4	21.9	2,178	2,011	193.4
EBITDA margin (%)	37.5	32.2	31.0	35.3	38.8	131	350	34.6	37.3	-157
Forex gain/ (loss)	-28	-38	-6	15	-8	-	-	-37	-23	-
Adjusted EBITDA	583	500	475	547	693	18.9	26.8	2,215	2,034	193.3
Adj EBITDA margin (%)	39.4	34.8	31.4	34.4	39.3	-10	491	35.1	37.7	-161

Source: Company, Emkay Research

Research business with strong growth in revenues obviously witnessed maximum expansion in EBIT margins of 351bps yoy and 156bps qoq.

Segmental results (reported)

	Q4CY09	Q1CY10	Q2CY10	Q3CY10	Q4CY10	YoY (%)	QoQ (%)	CY10	CY09	YoY (%)
EBIDTA (Rs mn)										
Rating Services	259	288	298	296	307	18.4	3.5	1,189	1,007	18.1
Advisory services	64	24	18	-12	50	-21.8		80	130	-38.6
Research and Inf. Serv.	229	177	150	278	336	46.3	20.7	940	861	9.2
Total	552	489	466	562	692	25.3	23.1	2,209	1,999	10.5
EBIDTA margins (%)										
Rating Services	40.9	44.3	42.0	40.3	41.1	25	81	41.9	42.2	-31
Advisory services	32.9	18.2	13.6	-11.6	32.9	4		15.5	21.7	-623
Research and Inf. Serv.	35.2	27.4	22.5	37.1	38.7	351	156	32.1	36.1	-400
Total	37.3	34.1	30.8	35.3	39.2	192	387	35.1	37.0	-197

Source: Company, Emkay Research

Valuation and view

We have always been saying that the diversified revenue stream and gradual normalization of the global financial markets give CRISIL an edge in the event of slow down in the domestic business and current quarterly numbers prove the same. At the CMP, the stock is quoting at 19.1x/14.7x CY11E/12E core EPS. We have included Pipal Research numbers in our estimates. We have assigned a PER of 18x CY12E and have added cash of Rs840/share giving a price target of Rs7,000.

Key Financials

Income Statement

Y/E, Mar (Rs. mn)	CY09	CY10	CY11E	CY12E
Net Sales	5,373	6,310	8,324	10,083
<i>Growth (%)</i>	4.4	17.4	31.9	21.1
Expenditure	3,349	4,125	5,372	6,498
Materials Consumed	628	784	1,018	1,233
Employee Cost	2,099	2,581	3,351	4,051
Other Exp	622	760	1,003	1,214
EBITDA	2,024	2,184	2,953	3,585
<i>Growth (%)</i>	8.1	7.9	35.2	21.4
EBITDA margin (%)	38	35	35	36
Depreciation	149	213	221	239
EBIT	2,009	2,268	3,111	3,897
EBIT margin (%)	37.4	35.9	37.4	38.7
Other Income	134	296	379	551
Interest expenses	0	0	0	0
PBT	2,075	2,639	3,111	3,897
Tax	467	587	840	1,052
<i>Effective tax rate (%)</i>	22.5	22.2	27.0	27.0
Adjusted PAT	1,608	2,052	2,271	2,845
<i>Growth (%)</i>	14.4	27.6	10.7	25.3
Net Margin (%)	29.9	32.5	27.3	28.2
(Profit)/loss from JVs/Ass/MI	0	0	0	0
Adjusted PAT After JVs/Ass/MI	1,557	1,763	2,271	2,845
E/O items	65	371	0	0
Reported PAT	1,608	2,052	2,271	2,845
<i>Growth (%)</i>	14.4	27.6	10.7	25.3

Cash Flow

Y/E, Mar (Rs. mn)	CY09	CY10	CY11E	CY12E
PBT (Ex-Other income)	1,941	2,342	2,732	3,346
Depreciation	149	213	221	239
Interest Provided	0	0	0	0
Other Non-Cash items	17	0	0	0
Chg in working cap	-143	-94	-2,276	-2,054
Tax paid	-467	-587	-840	-1,052
Operating Cashflow	2,097	2,757	1,056	2,082
Capital expenditure	-619	-1,391	-213	-221
Free Cash Flow	1,478	1,367	843	1,861
Other income	134	296	379	551
Investments	-5	422	0	0
Investing Cashflow	129	718	379	551
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	0	0	0	0
Interest Paid	0	0	0	0
Dividend paid (incl tax)	-846	-831	-831	-831
Income from investments				
Others				
Financing Cashflow	-846	-831	-831	-831
Net chg in cash	174	-424	-34	-22
Opening cash position	437	612	188	153
Closing cash position	612	188	153	131

Balance Sheet

Y/E, Mar (Rs. mn)	CY09	CY10	CY11E	CY12E
Equity share capital	72	71	71	71
Reserves & surplus	3,574	3,874	6,108	8,122
Net worth	3,646	3,945	6,179	8,193
Minority Interest	0	0	0	0
Secured Loans	0	0	0	0
Unsecured Loans	0	0	0	0
Loan Funds	0	0	0	0
Net deferred tax liability	-101	-143	-143	-143
Total Liabilities	3,545	3,802	6,035	8,049
Gross Block	1,856	3,246	3,459	3,680
Less: Depreciation	-710	-998	-1,219	-1,458
Net block	1,146	2,248	2,240	2,222
Capital work in progress	637	0	0	0
Investment	1,175	262	262	262
Current Assets	3,227	3,430	6,219	8,739
Inventories				
Sundry debtors	922	1,087	1,429	1,730
Cash & bank balance	453	500	697	875
Loans & advances	139	139	139	139
Other current assets	1,713	1,704	3,955	5,995
Current lia & Prov	2,002	2,139	2,708	3,208
Current liabilities	1,615	1,677	1,993	2,281
Provisions	387	462	715	927
Net current assets	1,224	1,291	3,511	5,531
Misc. exp	0	0	0	0
Total Assets	3,545	3,802	6,035	8,049

Key ratios

Y/E, Mar	CY09	CY10	CY11E	CY12E
Profitability (%)				
EBITDA Margin	37.4	35.9	37.4	38.7
Net Margin	29.9	32.5	27.3	28.2
ROCE	63.3	61.7	63.4	55.6
ROE	47.7	46.5	44.9	39.6
RoIC	216.5	108.5	96.6	118.3
Per Share Data (Rs)				
EPS	215.5	248.5	320.0	400.9
CEPS	236.1	278.4	351.2	434.5
BVPS	504.7	555.9	870.6	1,154.4
DPS	100.0	100.0	100.0	100.0
Valuations (x)				
PER	27.4	23.8	18.5	14.7
P/CEPS	25.0	21.2	16.8	13.6
P/BV	11.7	10.6	6.8	5.1
EV / Sales	7.4	6.4	4.6	3.6
EV / EBITDA	19.8	18.4	12.9	10.0
Dividend Yield (%)	2.3	1.7	1.7	1.7
Gearing Ratio (x)				
Net Debt/ Equity	-	-	-	-
Net Debt/EBITDA	-	-	-	-
Working Cap Cycle (days)	-	-	-	-

February 15, 2011

Reco	Previous Reco
Reduce	Reduce
CMP	Target Price
Rs97	Rs85

EPS change FY11E/12E (%)	-24.6/-26.9
Target Price change (%)	-37
Sensex	18,202
Nifty	5,456

Price Performance

(%)	1M	3M	6M	12M
Absolute	(30)	(43)	(40)	(43)
Rel. to Nifty	(27)	(36)	(41)	(49)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Telecommunications
Bloomberg	RCOM@IN
Equity Capital (Rs mn)	10320
Face Value(Rs)	5
No of shares o/s (mn)	2064
52 Week H/L	205/90
Market Cap (Rs bn/USD mn)	201/4,418
Daily Avg Volume (No of sh)	7854856
Daily Avg Turnover (US\$mn)	22.6

Shareholding Pattern (%)

	Dec-10	Sep-10	Jun-10
Promoters	67.9	67.7	67.7
FII/NRI	9.7	9.7	9.3
Institutions	9.1	9.2	9.3
Private Corp	2.1	2.2	2.6
Public	11.3	11.2	11.0

Source: Capitaline

Naval Seth

naval.seth@emkayglobal.com
+91 22 6624 2414

- **Q3FY11 EBIDTA declined 2.3% QoQ to Rs15.3bn (below est of Rs16.8bn), PAT of Rs4.8bn (our est Rs3.25bn) led by lower interest expense and higher other income**
- **ARPU falls 9.0% QoQ to Rs111 purely on MOU decline as RPM remains stable. Wireless traffic declined 3.3% due to reduction in free minutes on the network**
- **Cons. revenue fell 3.1% qoq led by 2.3% decline in mobility rev. Focusing on re-balancing of business with erosion of free min. from network to focusing on data segment**
- **Maintain our REDUCE rating with target price to Rs84 (from Rs135). Valuations at 9.1x and 7.9x EV/EBIDTA for FY11E and FY12E respectively**

Revenue & EBITDA below estimates, PAT rise due to other income

RCOM's Q3FY11 revenues declined 3.1% to Rs48.6bn, lower than our expectation of Rs52.6bn. The management is on high focus to re-frame its wireless business and it is continuously reducing free minutes on the network from last quarter. It is betting high on the data usage with the higher spectrum availability post erosion of free mins. EBIDTA declined by 2.3% QoQ to Rs15.3bn (below our estimate of Rs16.5bn). Network operating exp fell 10% QoQ, which helped improve margins by 29bps. Although PAT of Rs4.8bn was above our estimate of Rs2.25bn, the same was entirely driven by lower interest expense coupled with higher other income. Interest expense decreased by 53.7% QoQ to Rs1.3bn v/s our estimate of Rs2.8bn.

Fading of free mins. keep KPI's under pressure

The company has been reducing free minutes on network from last quarter which has resulted in 3.3% decline in the traffic on network consequently MoU stood at 251 down 6.1% qoq. ARPU fell 9% qoq to Rs111 while ARPM at Rs0.44 was flat qoq. We expect the stabilization in MoU in next couple of quarters as the free mins would be taken out from network.

EBIDTA & EPS est. cut by 8.4%/2.9% and 24.6%/26.9% for FY11E/12E

Given the pressure on revenue margins due to re-structuring of business model we have cut our revenue and EBIDTA estimates by 5.3% /2.6% and 8.4% /2.9% for FY11E /12E. Factoring higher depreciation and interest expenses on the large debt of Rs324bn as of Q3FY11 (which we estimate at Rs339bn by FY11), we have cut our EPS estimate by 24.6% /26.9% for FY11E /12E to Rs7.3 /6.6.

Maintain REDUCE with revised target price of Rs85 (from Rs135)

We maintain our REDUCE rating on the stock with revised target price of Rs85 (from Rs135). At CMP of Rs97, the stock trades at 9.1x and 7.9x EV/EBIDTA and 13.4x and 14.7x our revised EPS for FY11E and FY12E respectively. High debt on books (net-debt/ EBIDTA at 5.1x FY12E) remains prime risk especially given the slow recovery in revenue and profitability of the company.

Financial Snapshot

Rs Mn

Y/E	Net Sales	EBIDTA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (%)	P/E	EV/EBITDA	P/BV
FY09	222420	85985	38.7	60449	29.3	11.9	13.4	3.3	6.9	0.5
FY10	214964	71852	33.4	46556	22.6	-23.0	6.2	4.3	6.9	0.4
FY11E	200260	62781	31.3	15045	7.3	-67.7	2.9	13.4	9.1	0.4
FY12E	215988	69721	32.3	13678	6.6	-9.1	3.2	14.7	7.9	0.4

EBIDTA cut by 8.4% /2.9% and EPS by 24.6% /26.9% for FY11E /12E

	FY10	FY11E			FY12E		
		Old	New	Chg %	Old	New	Chg %
Revenues (Rs mn)	222,502	21,1490	200260	(5.3)	22,1762	215988	(2.6)
EBIDTA (Rs mn)	78,869	6,8509	62781	(8.4)	7,1809	69721	(2.9)
EBIDTA %	35.4	32.4	31.3	-104 bps	32.4	32.3	-10 bps
PAT (Rs mn)	48,813	19949	15045	(24.6)	18722	13678	(26.9)
EPS (Rs)	22.8	9.7	7.3	(24.6)	9.1	6.6	(26.9)

Wireless business performance

	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	QoQ %	Remarks
Revenues (Rs mn)	40,100	40,225	40,900	41,528	41,613	40,644	-2.3	Wiping of free minutes from network has led to qoq decline in wireless revenue
EBIDTA (Rs mn)	13,132	12,550	11,815	11,989	12,101	11,792	-2.6	
EBIDTA %	32.7	31.2	28.9	28.9	29.1	29.0	-10bps	
Subs ('000)	86,118	93,796	102,422	110,806	117,337	125,652	7.1	
ARPU (Rs)	161	149	139	130	122	111	-9.0	
MOU (mins)	340	330	318	295	276	251	-9.1	MOU continues declining trend
RPM (Re)	0.47	0.45	0.44	0.44	0.44	0.44	0.0	RPM has remained stable for last 3 quarters at the cost of MOU fall
Minutes (bn)	84.5	89.1	93.6	94.4	94.5	91.5	-3.2	Traffic on network declined due to lesser free minutes on network

Outlook

The management has shifted its focus from just adding number of subscribers to the quality of subscribers. To arrest the falling ARPM, it has been reducing free minutes on the network from last quarter. The company is also reducing the focus on low margin PCO business. Due to re-balancing happening in the mobility business, the revenues declined 2.3% qoq and the trend is expected to continue for next 1-2 quarters. As per the management comments, it is reducing free minutes to vacate the excess spectrum for data services on CDMA platform. We have cautious view on the stock due to 1) high debt on the balance sheet and 2) ongoing legal inquiry pertaining to allegation by government authority for higher than prescribed cross holding in the erstwhile Swan Telecom. Furthermore, we need to wait and watch how the re-structuring delivers in terms of revenues and EBITDA margins going forward.

The company has capitalized Rs 1.2bn of interest charges pertaining to 3G debt. Considering, the higher interest cost and depreciation on account of amortization of 3G spectrum in coming quarters, we have revised our EPS estimates downward by 24.6% and 26.9% for FY11E and FY12E, respectively.

Quarterly financials

Particulars	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Wireless	40,225	40,900	41,528	41,613	40,644	1.0	(2.3)	123,785	128,256	(3.5)
Global	19,818	20,278	18,137	18,391	19,233	(3.0)	4.6	55,761	61,305	(9.0)
Broadband	7,045	6,798	6,763	6,617	6,184	(12.2)	(6.5)	19,564	21,587	(9.4)
Others	2,898	1,833	2,941	3,031	1,716			7,688	3,604	
Total gross Sales	69,986	69,809	69,369	69,652	67,777	(3.2)	(2.7)	206,798	214,752	(3.7)
Inter-segmental elimination	17151	19894	18684	19422	19127	11.5	(1.5)	57232.7	48524.5	17.9
Net Sales	52,835	49,915	50,685	50,230	48,650	(7.9)	(3.1)	149,565	166,227	(10.0)
Network Operating	16708.0	15251.0	13078.7	13813.0	12493.0	(25.2)	(9.6)	39,385	46,483	(15.3)
as % of sales	31.6	30.6	25.8	27.5	25.7			26.3	28.0	
Employee Expenses	3676.5	3396.0	3535.0	3596.4	3558.4	(3.2)	(1.1)	10,690	11,605	(7.9)
as % of sales	7.0	6.8	7.0	7.2	7.3			7.1	7.0	
Access Charge	5500.8	6293.5	6610.3	6571.7	6639.6	20.7	1.0	19,822	15,084	31.4
as % of sales	10.4	12.6	13.0	13.1	13.6			13.3	9.1	
License Fee	2836.0	2668.1	3101.8	3033.3	2829.9	(0.2)	(6.7)	8,965	8,783	2.1
as % of sales	5.4	5.3	6.1	6.0	5.8			6.0	5.3	
Administrative expenses	6250.0	7300.0	8445.8	7574.0	7840.0	25.4	3.5	23,860	26,771	(10.9)
as % of sales	11.8	14.6	16.7	15.1	16.1			16.0	16.1	
Total operating expenditure	34971	34909	34772	34588	33361	(4.6)	(3.5)	102721	108726	(5.5)
EBITDA	17863.7	15006.7	15913.4	15641.5	15289	(14.4)	(2.3)	46,844	57,502	(18.5)
Depreciation	8330.6	10847.0	9647.7	9553.0	10337.7	24.1	8.2	29538.4	26618.6	11.0
EBIT	9533.1	4159.7	6265.7	6088.5	4951.3	(48.1)	(18.7)	17306	30883	(44.0)
Other Income	262.0	1011.7	407.0	953.1	1391.1	-	-	2751.2	5347.3	(48.5)
Interest	-4075.5	-8134.0	4396.7	2797.0	1296.3	(131.8)	(53.7)	8490.0	-3727.5	(327.8)
Business restructuring exp.	220.5	15.0	0.0	0.0	0.0			0.0	360.1	
PBT	13650.1	13290.4	2276.0	4244.6	5046.1	(63.0)	18.9	11566.7	39597.9	(70.8)
Tax	2002.6	1923.0	-718.6	-660.9	-213.7	(110.7)	(67.7)	-1593.2	2530.6	(163.0)
PAT before MI	11647.5	11367.4	2994.6	4905.5	5259.8	(54.8)	7.2	13159.9	37067.3	(64.5)
MI	560.5	-826.0	489.1	447.0	454.2			1390.3	2197.1	(36.7)
Profit from Associates	-7.6	0.0	3.4	0.8	-3.0			1.2	-23.0	(105.4)
PAT	11079.4	12193.4	2508.9	4459.3	4802.6	(56.7)	7.7	11770.8	34847.2	(66.2)

Margins (%)						bps chg	bps chg			bps chg
EBIDTA	33.8	30.1	31.4	31.1	31.4	(238)	29	31.3	34.6	(327)
EBIT	18.0	8.3	12.4	12.1	10.2	(787)	-194	11.6	18.6	(701)
EBT	25.8	26.6	4.5	8.5	10.4	(1,546)	192	7.7	23.8	(1,609)
PAT	22.0	22.8	5.9	9.8	10.8	(1,123)	105	8.8	22.3	(1,350)
ETR	14.7	14.5	(31.6)	(15.6)	(4.2)	(1,891)	1134	(13.8)	6.4	(2,016)

Financials**Profit & Loss**

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	222,420	214,964	200,260	215,988
<i>Growth (%)</i>	-17.7	-3.4	-6.8	7.9
	16,766	15,001	14,308	15,500
Marketing expenses	39,863	35,328	31,862	33,819
Access charge	23,779	21,377	26,641	27,337
Network operating charge	44,163	59,955	52,571	56,929
License fee	11,865	11,451	12,096	12,682
Total operating expenditure	136,435	143,112	137,479	146,268
EBITDA	85,985	71,852	62,781	69,721
<i>Growth (%)</i>	-24.4	-16.4	-12.6	11.1
Depreciation	46,308	55,705	40,548	44,763
Other non-operating expenses	-10,156	-17,865	0	0
EBIT	49,833	34,012	22,234	24,958
<i>EBIT margin (%)</i>	22.4	15.8	11.1	11.6
Other Income	7,065	6,359	3,451	4,000
Interest expenses	-5,070	-11,863	9,888	11,286
PBT	61,967	52,235	15,797	17,672
Tax	-518	4,454	-1,001	2,474
<i>Effective tax rate (%)</i>	-0.8	8.5	-6.3	14.0
PAT before MI	62,485	47,781	16,798	15,198
Share of MI and Associates	2,036	1,224	1,753	1,520
Adjusted PAT	60,449	46,556	15,045	13,678

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10E	FY11E	FY12E
Equity share capital	10,320	10,320	10,320	10,320
Reserves & surplus	412,481	441,301	454,901	467,134
Net worth	422,801	451,621	465,221	477,455
Minority Interest	6,549	6,549	8,303	9,823
Loan Funds	391,623	297,150	372,677	352,677
Net deferred tax liability	281	281	281	281
Total Liabilities	821,254	755,601	846,483	840,236
Gross Block	755,101	786,653	964,060	1,009,060
Less: Depreciation	141,144	190,668	231,216	275,978
Net block	613,957	595,985	732,844	733,081
Capital work in progress	113,096	116,557	55,000	55,000
Investment	147,872	93,824	93,824	93,824
Current Assets	147,143	136,587	147,859	167,236
Inventories	5,427	5,446	4,430	6,222
Sundry debtors	39,618	33,117	34,642	38,439
Cash & bank balance	16,827	23,199	33,417	40,274
Loans & advances	67,557	54,098	54,042	58,272
Other current assets	17,714	20,726	21,328	24,029
Current lia & Prov	200,814	187,351	183,045	208,905
Current liabilities	159,718	147,085	143,704	164,006
Provisions	41,096	40,267	39,341	44,899
Net current assets	-53,671	-50,765	-35,186	-41,670
Total Assets	821,254	755,601	846,483	840,236

Cash Flow Statement

Y/E, Mar (Rs. mn)	FY09	FY10E	FY11E	FY12E
PBT	44,687	27,973	12,347	13,672
Depreciation	46,308	55,705	40,548	44,763
Interest	-5,070	-11,863	9,888	11,286
Other Non-Cash items	61,747	-1,026	-1,446	-1,445
Chg in working cap	-33,243	3,465	-5,361	13,341
Tax paid	518	-4,454	1,001	-2,474
Operating Cashflow	114,949	69,800	56,976	79,143
Capital expenditure	-250,235	-41,194	-115,850	-45,000
Free Cash Flow	-135,287	28,606	-58,874	34,143
Other income	7,065	6,359	3,451	4,000
Investments	-2,206	54,016	1	0
Investing Cashflow	-245,377	19,181	-112,398	-41,000
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	133,406	-94,472	75,527	-20,000
Interest Paid	5,070	11,863	-9,888	-11,286
Dividend paid (incl tax)	0	0	0	0
Financing Cashflow	138,475	-82,609	65,639	-31,286
Net chg in cash	8,047	6,372	10,218	6,857
Opening cash position	8,780	16,827	23,199	33,417
Closing cash position	16,827	23,199	33,417	40,274

Ratios

Y/E, Mar	FY09	FY10E	FY11E	FY12E
Profitability (%)				
Core EBITDA Margin	38.7	33.4	31.3	32.3
Net Margin	18.0	6.9	11.8	9.9
ROCE	6.7	2.9	3.2	3.4
ROE	13.4	6.2	2.9	3.2
Per Share Data (Rs)				
EPS (adjusted)				29.3
CEPS	41.6	31.7	26.1	29.1
BVPS	208.0	222.0	229.4	236.1
DPS	0.8	0.8	0.7	0.7
Valuations (x)				
PER	3.3	4.3	13.4	14.7
P/CEPS	2.3	3.1	3.7	3.4
P/BV	0.5	0.4	0.4	0.4
EV / Sales	2.7	2.3	2.8	2.5
EV / EBITDA	6.9	6.9	9.1	7.9
Dividend Yield (%)	0.8	0.9	0.7	0.7
Gearing Ratio (x)				
Net Debt/ Equity	0.9	0.6	0.7	0.7
Net Debt/EBITDA	4.6	4.1	5.9	5.1

February 15, 2011

Reco	Previous Reco
Hold	Hold
CMP	Target Price
Rs 630	Rs 656
EPS change FY11E/12E (%)	-10 -13
Target Price change (%)	-22
Nifty	18,202
Sensex	5,456

Price Performance

(%)	1M	3M	6M	12M
Absolute	(10)	(25)	(30)	(28)
Rel. to Nifty	(7)	(17)	(31)	(36)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Transformer
Bloomberg	VAMP@IN
Equity Capital (Rs mn)	101
Face Value(Rs)	10
No of shares o/s (mn)	10
52 Week H/L	1,135/580
Market Cap (Rs bn/USD mn)	6/132
Daily Avg Volume (No of sh)	32672
Daily Avg Turnover (US\$m)	0.5

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	46.1	46.1	46.1
FII/NRI	27.1	23.1	24.2
Institutions	8.2	10.2	11.0
Private Corp	8.0	10.5	8.9
Public	10.7	10.2	9.9

Source: Capitaline

Amit Golchha

amit.golchha@emkayglobal.com
+91 22 6624 2408

Nihag Shah, CFA

nihag.shah@emkayglobal.com
+91 22 6624 2486

- **Volume decline (-22% yoy to 2,213MVA) & competition led significant hit (940 bps yoy) in the EBITDA margins to 10.8%, resulted in PAT decline of 39% yoy**
- **One more qtr (Q4FY11) of high base of margins; Volume growth (have build in 15%) to determine earnings gr. In FY12E assuming EBITDA margins remain at FY11 level ~11%**
- **Cut earnings by -10/-13% for FY11E/12E driven by lower volumes (9% cut) and margins (11.2/11.5% in FY11E/12E); Expect earnings downgrade phase to end at max in Q411**
- **Valuations not cheap at 10x FY12E earnings and 5.1x FY12E EBITDA (13% premium to peers); Maintain Hold, Reduce target price to Rs656/Share**

PAT decline led by decline in volumes and higher competition

Voltamp reported numbers which were below expectations mainly due decline in volumes (down 22% to 2,213MVA) and higher competition impacting margins (-940bps). Revenues stood at Rs1.3bn, down 5% yoy and lower than our expectations of Rs1.9bn. The realizations increased by 23% yoy - key reason can only be increased commodity prices and product mix. As expected, the competition impact continued during the quarter, leading to EBITDA margin decline of 940 bps yoy to 10.8% lower than our estimate of 13%. PAT for the quarter stood at Rs128mn down 39% yoy, below our estimate of Rs166mn.

Earnings downgrade phase to end at max in Q4FY11; volume growth to drive earnings growth in FY12E

We expect the earnings downgrade cycle to end at max in Q4FY11 (which is the last qtr of high base of margins). Thereafter we expect the margins to stabilize at FY11E levels of ~11%, the reason being better volume growth expected in FY12E. Thus, volume growth (we have build in volume growth of 15% in FY12E) is likely to drive FY12E earnings. Since the volume growth is likely to be better in FY12E compared with FY11E driven by last year of 11th plan period – earnings downgrades to end at max by Q4FY11E. However, led by lower volumes/margins in Q3FY11 - we lower our volume estimates for FY11E/12E by 9% to 10,523MVA and 12,102MVA and cut our EBITDA margin assumption by 80bps/150bps in FY11E/12E to 11.2%/11.5%. As a result, our FY11E/12E earnings are now lower by 10%/13% to Rs51.4/share and Rs62.7/share.

But valuations not cheap; maintain Hold

At CMP of Rs630, the stock is trading at 10x FY12E earnings, 1.5x FY12E Book value (ROE of 16%) and 5.1x FY12E EBITDA. On EV/EBITDA basis, the stock is trading at 10% premium to peers. We have valued Voltamp at 15% premium (considering strong balance sheet and track record) to peers, on EV/EBITDA basis. We maintain Hold rating on the stock and cut our price target to Rs656/Share versus earlier target of 840/Share.

Financial Snapshot

								Rs Mn		
YE-	Net	EBITDA			EPS	EPS	RoE	EV/		
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY09	6,442	1,456	22.6	1,082	106.9	35.5	50.4	5.6	3.4	2.4
FY10	5,361	993	18.5	796	78.6	(26.4)	26.6	7.7	4.9	1.9
FY11E	6,091	685	11.2	520	51.4	(34.7)	14.8	12.3	6.3	1.7
FY12E	7,214	829	11.5	635	62.7	22.2	16.1	10.0	5.1	1.5

Quarterly Results

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	9mFY10	9mFY11	YoY (%)
Revenue	1,400	1,801	1,193	1,243	1,336	-4.5	7.5	3,554	3,773	6.2
Expenditure	-1,117	-1,452	-1,063	-1,118	-1,192	6.7	6.6	-2,910	-3,373	15.9
<i>as % of sales</i>	<i>-79.8%</i>	<i>-80.6%</i>	<i>-89.1%</i>	<i>-89.9%</i>	<i>-89.2%</i>			<i>-81.9%</i>	<i>-89.4%</i>	
Consumption of RM	-1,062	-1,384	-996	-1,045	-1,133	6.7	8.4	-2,648	-3,175	19.9
<i>as % of sales</i>	<i>-75.9%</i>	<i>-76.8%</i>	<i>-83.5%</i>	<i>-84.1%</i>	<i>-84.8%</i>			<i>-74.5%</i>	<i>-84.1%</i>	
Power and Fuel	0	0	0	0	0			0	0	
<i>as % of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>			<i>0</i>	<i>0</i>	
Other Mfg Expenses	0	0	0	0	0			0	0	
<i>as % of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>			<i>0</i>	<i>0</i>	
Employee Cost	-36	-40	-41	-41	-39	8.1	-4.6	-114	-121	6.1
<i>as % of sales</i>	<i>-2.6%</i>	<i>-2.2%</i>	<i>-3.4%</i>	<i>-3.3%</i>	<i>-2.9%</i>			<i>-3.2%</i>	<i>-3.2%</i>	
Other expenditure	-18	-28	-26	-32	-19	3.6	-40.6	-147	-77	-47.5
<i>as % of sales</i>	<i>-1.3%</i>	<i>-1.5%</i>	<i>-2.2%</i>	<i>-2.6%</i>	<i>-1.4%</i>			<i>-4.1%</i>	<i>-2.0%</i>	
EBITDA	283	349	130	125	145	-48.8	15.7	644	400	-37.9
Depreciation	-20	-20	-18	-16	-18	-9.0	9.6	-40	-52	30.8
EBIT	263	330	112	109	127	-51.8	16.7	604	347	-42.5
Other Income	0	0	0	0	0			0	0	#DIV/0!
Interest	43	68	44	43	47	8.9	7.6	177	134	-24.3
PBT	306	398	156	152	173	-43.3	14.1	781	481	-38.4
Total Tax	-110	-133	-48	-59	-46	-58.5	-22.6	-264	-153	-42.2
Adjusted PAT	196	265	107	93	128	-39.1	37.2	516	328	-36.4
Extra ordinary items	45	0	0	0	0			45	0	
Reported PAT	241	265	107	93	128	-46.9	37.2	561	328	-41.5
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
PAT after MI	241	265	107	93	128	-46.9	37.2	561	328	-41.5
Reported EPS	19.4	26.1	10.6	9.2	12.6	-39.1	37.2	51.0	32.5	-36.4

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	20.2	19.4	10.9	10.1	10.8	-936	77	18.1	10.6	-752
EBIT	18.8	18.3	9.4	8.7	9.5	-930	75	17.0	9.2	-778
EBT	25.1	22.1	13.0	12.2	13.0	-1208	75	22.0	12.8	-921
PAT	14.0	14.7	9.0	7.5	9.6	-442	207	15.8	8.7	-709
Effective Tax rate	31.3	33.5	31.0	38.7	26.3	-506	-1245	33.9	31.7	-214

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	6,442	5,361	6,091	7,214
<i>Growth (%)</i>	16.0	-16.8	13.6	18.5
Expenditure	4,986	4,368	5,406	6,385
Raw Materials	4,698	4,111	5,136	6,084
Construction Exp	102	96	103	117
Employee Cost	181	155	166	185
Other Exp	5	6	0	0
EBITDA	1,456	993	685	829
<i>Growth (%)</i>	24.5	-31.8	-31.0	21.0
EBITDA margin (%)	22.6	18.5	11.2	11.5
Depreciation	45	60	70	75
EBIT	1,411	934	615	753
EBIT margin (%)	21.9	17.4	10.1	10.4
Other Income	174	245	180	209
Interest expenses	0	0	7	0
PBT	1,585	1,179	787	962
Tax	503	383	268	327
<i>Effective tax rate (%)</i>	31.9	32.5	34.0	34.0
Adjusted PAT	1,082	796	520	635
(Profit)/loss from JV's/Ass/MI	0	0	0	0
Adjusted PAT after MI	1,082	796	520	635
<i>Growth (%)</i>	35.5	-26.4	-34.7	22.2
Net Margin (%)	16.8	14.8	8.5	8.8
E/O items	66	30	0	0
Reported PAT	1,148	826	520	635
<i>Growth (%)</i>	43.7	-28.1	-37.0	22.2

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT (Ex-Other income)	1,511	979	608	753
Depreciation	45	60	70	75
Interest Provided	0	0	7	0
Other Non-Cash items	0	0	0	0
Chg in working cap	-99	-450	75	-289
Tax paid	-510	-423	-219	-272
Operating Cashflow	946	165	541	268
Capital expenditure	-174	-207	0	-200
Free Cash Flow	772	-42	541	68
Other income	174	245	180	209
Investments	0	0	0	0
Investing Cashflow	0	38	180	9
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	-10	0	0	0
Interest Paid	0	0	-7	0
Dividend paid (incl tax)	-126	-126	-149	-149
Income from investments	-24	-21	0	0
Others	0	2	0	0
Financing Cashflow	-160	-145	-156	-149
Net chg in cash	786	58	564	128
Opening cash position	627	1,413	1,471	2,035
Closing cash position	1,413	1,471	2,035	2,163

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	101	101	101	101
Reserves & surplus	2,546	3,224	3,595	4,080
Net worth	2,647	3,325	3,696	4,181
Minority Interest	0	0	0	0
Secured Loans	0	0	0	0
Unsecured Loans	0	0	0	0
Loan Funds	0	0	0	0
Net deferred tax liability	-6	-3	-3	-3
Total Liabilities	2,642	3,323	3,693	4,179
Gross Block	371	682	687	887
Less: Depreciation	190	245	315	391
Net block	180	437	372	496
Capital work in progress	144	35	30	30
Investment	0	0	0	0
Current Assets	3,017	3,493	4,095	4,603
Inventories	523	605	641	759
Sundry debtors	1,019	1,304	1,319	1,563
Cash & bank balance	1,413	1,471	2,035	2,163
Loans & advances	63	113	100	118
Other current assets	0	0	0	0
Current lia & Prov	699	642	803	950
Current liabilities	424	392	505	596
Provisions	275	250	298	354
Net current assets	2,318	2,851	3,292	3,653
Misc. exp & Def. Assets				
Total Assets	2,642	3,323	3,693	4,179

Key Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	22.6	18.5	11.2	11.5
Net Margin	16.8	14.8	8.5	8.8
ROCE	65.5	31.2	17.5	19.1
ROE	50.4	26.6	14.8	16.1
RoIC	134.0	64.1	35.6	41.6
Per Share Data (Rs)				
EPS	106.9	78.6	51.4	62.7
CEPS	111.3	84.5	58.3	70.2
BVPS	261.6	328.6	365.2	413.2
DPS	12.5	12.5	14.8	14.8
Valuations (x)				
PER	5.6	7.7	12.3	10.0
P/CEPS	5.7	7.5	10.8	9.0
P/BV	2.4	1.9	1.7	1.5
EV / Sales	0.8	0.9	0.7	0.6
EV / EBITDA	3.4	4.9	6.3	5.1
Dividend Yield (%)	2.0	2.0	2.3	2.3
Gearing Ratio (x)				
Net Debt/ Equity	-0.5	-0.4	-0.6	-0.5
Net Debt/EBIDTA	-1.0	-1.5	-3.0	-2.6
Working Cap Cycle (days)	51	94	75	75

February 15, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs168	Rs218

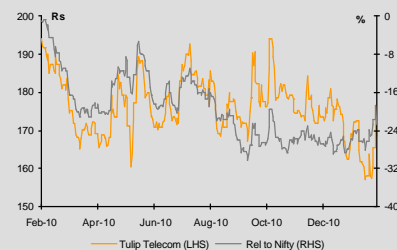
EPS change FY11E/12E (%)	-7.6 / NA
Target Price change (%)	-9.2
Sensex	18,202
Nifty	5,456

Price Performance

(%)	1M	3M	6M	12M
Absolute	9	(1)	(4)	(10)
Rel. to Nifty	13	10	(4)	(20)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Telecom
Bloomberg	TTSL@IN
Equity Capital (Rs mn)	290
Face Value(Rs)	2
No of shares o/s (mn)	145
52 Week H/L	201/154
Market Cap (Rs bn/USD mn)	26/571
Daily Avg Volume (No of sh)	280343
Daily Avg Turnover (US\$m)	1.1

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	69.0	69.0	69.0
FII/NRI	19.6	21.1	25.1
Institutions	1.9	2.0	1.4
Private Corp	5.7	4.0	1.5
Public	3.9	3.9	3.1

Source: Capitaline

Naval Seth

naval.seth@emkayglobal.com
+91 22 6624 2414

- **Q3FY11 EBIDTA grew 27.1% to Rs1.7bn and APAT grew 19.1% yoy to Rs817mn, in line with estimate**
- **Revenue at Rs 6.0bn (in line with estimates) grew 20.2% yoy, led by increase in order inflow from high bandwidth services which resulted in margin expansion of 154bps**
- **Net-debt rises to Rs12.4bn v/s Rs11.6bn in Q2FY11. Debt/EBITDA stands at 2.1x which is expected to increase post acquisition of data centre**
- **Retain est, BUY rating but revised target price of Rs216. Valuations at FY12E EV/EBIDTA of 3.3x & P/E 6.6x, attractive**

Strong revenue growth and profitability but in line with estimates

Q3FY11 net sales increased by 20.2% yoy to Rs 6.0bn (in line with our estimate of Rs5.9bn), led by strong order growth in high bandwidth fiber led data connectivity along with wireless business segment. EBIDTA increased by 27.1% yoy to Rs 1.7bn (in-line with estimate) with margins expanding by 154bps yoy to 28.5%. Margin expansion supported APAT growth of 19.1% yoy to Rs817mn.

Fiber based data connectivity business continues to drive revenue

While the pace of wireless IP VPN business growth has moderated, the fiber based data connectivity revenues continued to register strong growth during the quarter. 40% of the incremental order book during the quarter came from fibre network. Revenue contribution from fibre was at 30% in Q3FY11, the management indicated of being on track to achieve 2/3rd of revenues from fiber over next 18 months.

Net-debt rises to Rs12.4bn mainly on account of working cap requirement

The net-debt on the books increased to Rs12.4bn in Q3FY11 from Rs11.6bn in Q2FY11. The increase has been primarily due to the working capital requirement. While Tulip generated cash profit of Rs1.25bn, it incurred capex of Rs1.4bn. Capex guidance of Rs4.5bn maintained for FY11E.

Acquires data centre in Bengaluru & N-t-N interconnection agreement with HGC

Tulip announced the acquisition of a data center facility in Bengaluru by acquiring 100% shares of SADA IT Parks Private Limited (SADA) at a value of Rs 2.3bn. The Bengaluru facility is spread across an area of 9 lac sq. ft. and is a level 4 Data Center. Total investment of Rs. 9.0bn spread over a period of 3 years.

The company has also tied up with Hutchison Global Communications (HGC) for Network-to-Network Interconnection to strengthen its footprints to serve the domestic clients with presence in foreign markets.

Valuations attractive - BUY with revised target of Rs218

Considering in-line results and continued strong growth momentum, we retain our EPS est. (fully diluted post dilution on FCCB) of Rs25.9 for FY12E. At CMP of Rs168, Tulip trades at extremely attractive valuations of 6.6x P/E and 3.3x EV/EBIDTA for FY12E. We retain BUY rating with revised target price Rs218.

Financial Snapshot

Rs Mn

Y/E	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS %chg	ROE (%)	P/E	EV/EBITDA	P/BV
March										
FY09	16144	3367	20.9	2505	17.3	33.8	44.5	9.8	7.1	3.6
FY10	19664	5255	26.7	2755	19.0	10.0	34.2	8.9	4.5	2.6
FY11E	23886	6732	28.2	3213	19.5	2.8	29.7	8.6	4.2	2.2
FY12E	28451	8211	28.9	4226	25.7	31.5	29.3	6.6	3.3	1.7

Quarterly financials

Particulars	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Sales	5,009	5,307	5,252	5,853	6,022	20.2	2.9	17,127	14,348	19.4
Raw Material	3306.5	3301.0	3474.6	3834.1	3887.5	17.6	1.4	11,196	9,652	16.0
as % of sales	66.0	62.2	66.2	65.5	64.6			65.4	67.3	
Employee Cost	204.7	223.0	215.0	218.6	235.2	14.9	7.6	669	601	11.3
as % of sales	4.1	4.2	4.1	3.7	3.9			3.9	4.2	
SG&A expenses	147.4	237.7	144.8	167.2	183.8	24.7	9.9	496	391	26.7
as % of sales	2.9	4.5	2.8	2.9	3.1			2.9	2.7	
Total operating expenditure	3658.7	3761.7	3834.4	4219.9	4306	17.7	2.1	12361	10644	16.1
EBITDA	1350.0	1544.9	1417.4	1632.9	1716	27.1	5.1	4,766	3,705	28.7
Depreciation	409.2	155.3	375.0	419.5	440.9	7.7	5.1	1235.4	1197.7	3.1
EBIT	940.9	1389.6	1042.4	1213.4	1275.0	35.5	5.1	3531	2507	40.8
Other Income	103.6	56.7	-13.4	13.8	11.3	(89.0)	(17.6)	11.7	252.0	(95.3)
Interest	186.2	184.6	184.8	189.6	211.8	13.8	11.7	586.2	531.4	10.3
PBT	858.3	1261.8	844.2	1037.5	1074.5	25.2	3.6	2956.3	2227.5	32.7
Tax	172.2	466.9	202.7	257.6	257.1	49.3	(0.2)	717.3	432.5	65.9
Effective tax rate%	20.1	37.0	24.0	24.8	23.9					
PAT	686.1	794.9	641.6	780.0	817.4	19.1	4.8	2238.9	1794.9	24.7

Margins (%)						bps chg	bps chg			bps chg
EBIDTA	27.0	29.1	27.0	27.9	28.5	154	59	27.8	25.8	201
EBIT	18.8	26.2	19.8	20.7	21.2	239	44	20.6	17.5	314
EBT	17.1	23.8	16.1	17.7	17.8	71	12	17.3	15.5	174
PAT	13.7	15.0	12.2	13.3	13.6	(12)	25	13.1	12.5	56
ETR	20.1	37.0	24.0	24.8	23.9	386	-90	24.3	19.4	485

Financials

Profit & Loss

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	16,144	19,664	23,886	28,451
<i>Growth (%)</i>	<i>32.4</i>	<i>21.8</i>	<i>21.5</i>	<i>19.1</i>
Raw material	11,559	12,953	15,466	17,652
Employee cost	712	825	926	1,167
SG&A expenses	506	632	763	1,423
Total operating expenditure	12,777	14,409	17,154	20,241
EBITDA	3,367	5,255	6,732	8,211
<i>Growth (%)</i>	<i>37.1</i>	<i>56.1</i>	<i>28.1</i>	<i>22.0</i>
Depreciation	414	1,353	1,690	1,844
EBIT	2,953	3,902	5,042	6,366
EBIT margin (%)	18.3	19.8	21.1	22.4
Other Income	344	468	32	120
Interest expenses	462	716	818	926
PBT	2,835	3,654	4,256	5,561
Tax	330	899	1,042	1,335
<i>Effective tax rate (%)</i>	<i>11.6</i>	<i>24.6</i>	<i>24.5</i>	<i>24.0</i>
PAT	2,505	2,755	3,213	4,226
<i>% Growth</i>	<i>34%</i>	<i>10.0%</i>	<i>16.7%</i>	<i>31.5%</i>

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10E	FY11E	FY12E
Equity share capital	290	290	329	329
Reserves & surplus	6,530	8,989	12,048	16,120
Net worth	6,820	9,279	12,377	16,450
Secured Loans	5,141	5,476	10,919	10,919
Unsecured Loans	6,083	6,715	4,507	4,507
Loan Funds	11,224	12,191	15,426	15,426
Net deferred tax liability	9	29	29	29
Total Liabilities	18,053	21,499	27,833	31,905
Gross Block	9,437	14,502	17,882	20,262
Less: Depreciation	1,061	2,414	4,104	5,948
Net block	8,376	12,088	13,778	14,314
Capital work in progress	3,772	1,209	500	500
Investment	0	0	0	0
Current Assets	8,722	11,037	15,615	18,285
Inventories	916	688	867	836
Sundry debtors	3,242	5,320	6,099	7,115
Cash & bank balance	3,470	3,470	6,923	8,563
Loans & advances	1,093	1,559	1,727	1,771
Current lia & Prov	2,821	2,838	2,064	1,198
Current liabilities	2,821	2,838	2,064	1,198
Net current assets	5,901	8,199	13,551	17,087
Misc. exp & Def. Assets	4	4	4	4
Total Assets	18,053	21,499	27,833	31,905

Cash Flow Statement

Y/E, Mar (Rs. mn)	FY09	FY10E	FY11E	FY12E
PBT	2,491	3,186	4,224	5,441
Depreciation	414	1,353	1,690	1,844
Interest	462	716	818	926
Other Non-Cash items	773	-907	2,055	-154
Chg in working cap	-165	-2,297	-1,900	-1,896
Tax paid	-330	-899	-1,042	-1,335
Operating Cashflow	3,645	1,151	5,844	4,826
Capital expenditure	-7,365	-2,502	-2,671	-2,380
Free Cash Flow	-3,720	-1,351	3,173	2,446
Other income	344	468	32	120
Investments	0	0	0	0
Investing Cashflow	-7,021	-2,033	-2,640	-2,260
Equity Capital Raised	-4	1	39	0
Loans Taken / (Repaid)	2,286	966	3,235	0
Interest Paid	-462	-716	-818	-926
Dividend paid (incl tax)	-912	632	-2,208	0
Financing Cashflow	908	883	249	-926
Net chg in cash	-2,468	0	3,453	1,640
Opening cash position	5,938	3,470	3,470	6,923
Closing cash position	3,470	3,470	6,923	8,563

Ratios

Y/E, Mar	FY09	FY10E	FY11E	FY12E
Profitability (%)				
Core EBITDA Margin	20.9	26.7	28.2	28.9
Net Margin	16.2	15.0	15.9	17.0
ROCE	35.9	32.7	26.6	25.6
ROE	44.5	34.2	29.7	29.3
RoIC	155.7	52.6	38.8	37.2
Per Share Data (Rs)				
EPS (adjusted)	17.3	19.0	19.5	25.7
CEPS	20.1	28.3	29.8	36.9
BVPS	4.7	6.4	7.5	10.0
DPS	0.1	0.2	0.1	0.1
Valuations (x)				
PER	9.8	8.9	8.6	6.6
P/CEPS	8.4	5.9	5.7	4.6
P/BV	3.6	2.6	2.2	1.7
EV / Sales	1.5	1.2	1.2	1.0
EV / EBITDA	7.1	4.5	4.2	3.3
Dividend Yield (%)	0.0	0.1	0.0	0.0
Gearing Ratio (x)				
Net Debt/ Equity	1.1	0.9	0.7	0.4
Net Debt/EBITDA	2.3	1.7	1.3	0.8

Number above estimates-Upgrade to ACCUMULATE

February 15, 2011

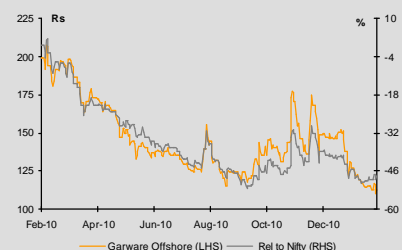
Reco	Previous Reco
Accumulate	Hold
CMP	Target Price
Rs113	Rs130
EPS change FY11E/12E (%)	-21.5 / -9.3
Target Price change (%)	-18.7
Nifty	5,481
Sensex	18,274

Price Performance

(%)	1M	3M	6M	12M
Absolute	(11)	(30)	(13)	(42)
Rel. to Nifty	(8)	(22)	(14)	(49)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Offshore Oil Field Services
Bloomberg	GWOS@IN
Equity Capital (Rs mn)	238
Face Value(Rs)	10
No of shares o/s (mn)	24
52 Week H/L	212/102
Market Cap (Rs bn/USD mn)	3/66
Daily Avg Volume (No of sh)	52468
Daily Avg Turnover (US\$m)	0.2

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	30.6	30.6	30.6
FII/NRI	31.6	31.7	31.7
Institutions	6.8	6.8	6.8
Private Corp	8.9	8.8	9.3
Public	22.1	22.1	21.7

Source: Capitaline

Ajit Motwani

ajit.motwani@emkayglobal.com
+91 22 6612 1255

Chandan Asrani

chandan.asrani@emkayglobal.com
+91 22 6624 2241

- **Q3FY11 APAT at Rs80.5 mn (-6.7% yoy) above estimates. Revenues decline 20.9% yoy on account of lower utilisation of fleet**
- **EBIDTA at Rs235 mn (-11.4%) yoy above estimates, due to lower than expected other expenses - EBIDTA margins expand by 498bps to 46.5%**
- **Though numbers ahead of estimates, lower utilisation of new PSV lead to 21.5%/9.3% downgrade in FY11E/12E earnings**
- **Post 32% stock price correction valuations at PER of 5.4X and EV/EBIDTA of 6.6X appear attractive. Upgrade to ACCUMULATE with TP of Rs130**

Revenue declined 20.9% yoy

GOSL's consolidated revenue for the quarter at Rs505 mn, in line with estimates. Revenues declined 20.9% on account of partially idle status of two bareboat charter vessels (in the Singapore subsidiary).

EBIDTA margins expand by 498bps yoy led by subleasing of vessel

With EBITDA margins expanding by 498 bps yoy and 840 bps qoq to 46.5%, EBIDTA at Rs169 mn declined by 11.4% yoy lower than the revenue decline. However the same was above estimates on account of lower than estimated other expenses at Rs170 mn (Vs estimates of Rs212mn). Other expenses declined 34% yoy and 19% yoy as GOSL subleased one of its bareboat charter (under Singapore sub) vessel to another operator, which lead to lower crew & other operating expenses for the Singapore subsidiary.

APAT declines 6.7% yoy

With higher than expected EBIDTA, APAT at Rs80.5 mn (-6.7% yoy) came in above estimates of Rs53 mn. Interest costs at Rs67 mn declined 15% yoy while depreciation charges of Rs86.5 mn declined 5.9%. Reported Net profit at Rs153 mn grew 16% yoy. This includes other Operating Income realized from foreign exchange gain on account of the replacement of a high cost loan on one of the Company's vessels' (treated as an extraordinary item).

Post 30% correction in stock price valuation at 5.4X PER looks attractive – Upgrade to ACCUMULATE

GOSL is expected to bag term contracts for 2 of its AHTs (currently operating in spot), improving revenue backlog by 30% to USD 62mn. Further term contract for the new large PSV can improve backlog by further 50%. Post the recent stock price correction (30% in last 3 months) GOSL's valuations at PER of 5.4X and EV/EBIDTA of 6.6 appears attractive. Upgrade rating to ACCUMULATE with Target price of Rs130.

Financial Snapshot (Consolidated)

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
Mar										
FY09	1632	873	53.5	401	16.8	51.5	23.0	6.7	10.4	1.8
FY10	2124	1021	48.0	415	17.4	3.5	20.1	6.5	7.5	1.0
FY11E	2005	939	46.8	275	11.6	(33.6)	10.1	9.8	10.2	0.9
FY12E	2376	1321	55.6	499	21.0	81.2	16.2	5.4	6.6	0.8

Results table

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Revenue	638	573	485	493	505	-20.9	2.4	1,484	1,750	-15.2
Expenditure	374	358	291	305	270	-27.6	-11.5	867	939	-7.7
<i>as % of sales</i>	<i>58.5</i>	<i>62.5</i>	<i>59.9</i>	<i>61.9</i>	<i>53.5</i>			<i>58.4</i>	<i>53.7</i>	
Stock Adjustment	-8	-11	-1	-15	-7	-2.6	-50.9	-24	-16	51.4
<i>as % of sales</i>	<i>-1.2</i>	<i>-1.8</i>	<i>-0.3</i>	<i>-3.0</i>	<i>-1.5</i>			<i>-1.6</i>	<i>-0.9</i>	
Employee Cost	124	98	90	111	108	-12.6	-2.5	309	307	0.8
<i>as % of sales</i>	<i>19.4</i>	<i>17.1</i>	<i>18.6</i>	<i>22.5</i>	<i>21.4</i>			<i>20.9</i>	<i>17.5</i>	
Other expenditure	257	271	202	209	170	-34.1	-19.0	581	648	-10.4
<i>as % of sales</i>	<i>40.3</i>	<i>47.2</i>	<i>41.6</i>	<i>42.5</i>	<i>33.6</i>			<i>39.2</i>	<i>37.0</i>	
EBITDA	265	215	194	188	235	-11.4	25.1	617	811	-23.9
Depreciation	92	95	81	81	87	-5.9	6.4	249	254	-2.0
EBIT	173	120	114	106	148	-14.3	39.3	368	557	-33.9
Other Income	2	7	1	1	0	-84.5	-70.1	2	5	-54.8
Interest	79	62	59	63	67	-15.1	6.7	190	247	-23.3
PBT	95	65	55	44	81	-14.7	84.0	180	315	-42.6
Total Tax	9	0	1	1	1	-93.3	-36.1	2	11	-79.7
Adjusted PAT	86	65	55	43	80	-6.7	86.6	178	304	-41.3
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0		#DIV/0!	0	0	#DIV/0!
APAT after MI	86	65	55	43	80	-6.7	86.6	178	304	-41.3
Extra ordinary items	45	0	0	0	72	59.9		72	45	59.7
Reported PAT	131	65	55	43	153	16.2	254.2	251	349	-28.2
Reported EPS	3.6	2.7	2.3	1.8	3.4	-6.7	86.6	7.5	12.8	-41.3

Margins (%)					(bps)	(bps)			(bps)	
EBIDTA	41.5	37.5	40.1	38.1	46.5	498	841	41.6	46.3	-475.4
EBIT	27.1	20.9	23.4	21.6	29.3	226	776	24.8	31.8	-702.1
EBT	14.9	11.4	11.4	8.9	16.1	117	712	12.2	18.0	-581.2
PAT	13.5	11.4	11.3	8.7	15.9	242	719	12.0	17.4	-534.4
Effective Tax rate	9.2	0.1	1.2	2.1	0.7	-846	-136	1.2	3.4	-221.0

Downgrade FY11E/12E by 21.5% /9.3%

We are downgrading our FY11 EPS estimates by 21.5% (EPS of Rs12) & FY12 by 9.3 % (EPS of Rs21), led by 1. Lower day rates for vessels in Singapore subsidiary 2. Lower utilisation of new large PSV. We also lower our target to Rs130 (Rs160 earlier) which is based on average of 1) 7X PER 2) 1.2X P/B & 3) 6X EV/EBIDTA for FY12 numbers.

	Earlier	Revised	%change	Earlier	Revised	%change
Revenues	2126	2005	-5.7%	2674	2376	-11.1%
EBITDA	1047	939	-10.3%	1375	1321	-3.9%
EBITDA(%)	49.2%	46.8%		51.4%	55.6%	
PAT	351	275	-21.5%	550	499	-9.3%
EPS	15	12	-21.5%	23	21	-9.3%

Financials

Income Statement

Y/E, Dec (Rs. M)	FY09	FY10	FY11E	FY12E
Net Sales	1632	2124	2005	2376
Growth (%)	43.6	30.1	-5.6	18.5
Total Expenditure	759	1104	1066	1056
Manpower Costs	274	434	405	401
Consumption of stores	78	122	114	113
Repairs & Rentals to machinery	70	110	102	101
Other Exps	147	229	214	212
EBIDTA	190	209	230	228
Growth (%)	873	1021	939	1321
EBIDTA %	35.4	16.8	-8.0	40.6
Depreciation	53.5	48.0	46.8	55.6
EBIT	229	345	359	399
EBIT margin (%)	644	676	580	922
Other income	39.5	31.8	29.0	38.8
Interest	22	72	25	20
EBT	261	310	322	428
Tax	406	438	284	515
Effective tax rate (%)	5	23	9	15
Adjusted PAT	1.3	5.3	3.0	3.0
Growth (%)	401	415	275	499
Net Margin (%)	51.5	3.5	-33.6	81.2
(Profit)/loss from JVs/Ass/MI	24.6	19.5	13.7	21.0
Adjusted PAT After JVs/Ass/MI				
E/O items	401	415	275	499
Preference dividend	11	0	0	0
Reported PAT	411	415	275	499
Growth (%)	-3.2	0.9	-33.6	81.2

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT (Ex-Other income)	408	433	259	495
Depreciation	229	341	359	399
Interest Provided	255	309	322	428
Other Non-Cash items	-17	-6	0	0
Chg in working cap	164	-440	101	-47
Tax paid	-3	-35	-9	-15
Operating Cashflow	1036	602	1031	1258
Capital expenditure	-3758	482	-2640	0
Free Cash Flow	-2722	1084	-1608	1258
Other income	7	6	25	20
Investments	-8	-16	0	0
Investing Cashflow	-3759	472	25	20
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	3065	-727	2015	-460
Interest Paid	-253	-310	-322	-428
Dividend paid (incl tax)	-56	-72	-54	-54
Income from investments	0	0	0	0
Others	1	27	0	0
Financing Cashflow	2757	-1083	1639	-942
Net chg in cash	35	-9	56	336
Opening cash position	84	118	109	165
Closing cash position	119	109	165	501

Balance Sheet

Y/E, Dec (Rs. m)	FY09	FY10	FY11E	FY12E
Equity share capital	238	238	238	238
Reserves & surplus	1269	2391	2612	3057
Networth	1507	2629	2850	3295
Minority Interest				
Secured Loans	6541	5028	7043	6583
Unsecured Loans	0	0	0	0
Loan Funds	6541	5028	7043	6583
Net deferred tax	0	0	0	0
Total Liabilities	8048	7657	9893	9878
Gross Block	8369	7792	10598	10598
Less: Depreciation	736	938	1297	1696
Net block	7632	6854	9301	8903
CWIP (incl cap adv)	192	176	10	10
Investment	6	4	4	4
Current Assets	755	843	791	1208
Inventories	165	207	165	195
Sundry debtors	306	340	275	326
Cash & bank balance	119	109	165	501
Loans & advances	166	186	186	186
Other current assets				
Current Liab & Prov	536	221	214	248
Current liabilities	482	191	184	218
Provisions	54	30	30	30
Net current assets	219	622	577	960
Misc. exp				
Total Assets	8048	7657	9893	9878

Key Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	53.5	48.0	46.8	55.6
Net Margin	24.6	19.5	13.7	21.0
ROCE	10.2	8.6	6.6	9.3
ROE	23.0	20.1	10.1	16.2
RoIC	11.4	9.0	6.8	9.7
Per Share Data (Rs)				
EPS	16.8	17.4	11.6	21.0
CEPS	26.4	31.9	26.6	37.7
BVPS	63.3	110.4	119.7	138.3
DPS	2.0	2.0	2.0	2.0
Valuations (x)				
PER	6.7	6.5	9.8	5.4
P/CEPS	4.3	3.5	4.2	3.0
P/BV	1.8	1.0	0.9	0.8
EV / Sales	5.6	3.6	4.8	3.7
EV / EBITDA	10.4	7.5	10.2	6.6
Dividend Yield (%)	1.8	1.8	1.8	1.8
Gearing Ratio (x)				
Net Debt/ Equity	4.3	1.9	2.4	1.8
Net Debt/EBIDTA	7.4	4.8	7.3	4.6
Working Cap Cycle (days)	-2.6	61.2	47.0	47.0

February 15, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs 128	Rs 200
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Nifty	5,481
Sensex	18,274

Price Performance

(%)	1M	3M	6M	12M
Absolute	(5)	(12)	(10)	51
Rel. to Nifty	(2)	(2)	(11)	32

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Paper
Bloomberg	TNNP@IN
Equity Capital (Rs mn)	692
Face Value(Rs)	10
No of shares o/s (mn)	69
52 Week H/L	163/77
Market Cap (Rs bn/USD mn)	9/198
Daily Avg Volume (No of sh)	71896
Daily Avg Turnover (US\$m)	0.2

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	35.3	35.3	35.3
FII/NRI	2.7	2.8	5.3
Institutions	35.2	35.5	31.8
Private Corp	6.6	6.9	8.9
Public	20.2	19.5	18.7

Source: Capitaline

Rohan Gupta

rohan.gupta@emkayglobal.com
+91 22 6612 1248

Pragya Bhardwaj

pragya.bhardwaj@emkayglobal.com
+91 22 6612 1272

- **Revenues Rs 2.7 bn (+11% yoy / -8% qoq), APAT Rs 286 mn (+42% yoy / -30% qoq) below estimates due to disappointment at EBITDA margin level**
- **EBITDA margins at 26.2% (-230 bps yoy / -540 bps qoq) were below estimates due to 1) no pulp sales 2) lower paper sales and realisations 3) raw material cost pressure**
- **Short term pressure on margins may exist however company expected to benefit from increase in paper and pulp capacity and tax benefits - likely in FY12**
- **Maintain BUY on attractive valuations of FY12 P/E 5.2x and dividend yield of ~4%**

Revenues inline but EBITDA margins disappointed at 26%

TNPL's Q3FY11 results were subdued and remained below estimates. Net revenues at Rs 2.7 bn, +11.4% yoy were inline with estimates. During the quarter EBITDA margins disappointed us at 26.2% (-230bps yoy / -540 bps qoq) as against our expectation of 31%. Resulting EBITDA increased by 2.4% yoy to Rs 720 mn but was below estimates of Rs 889 mn. We have adjusted previous period results for Rs 120 mn included in sales – relating to one time income from sale of power.

No pulp sale and higher raw material cost affected margins

EBITDA margins for the quarter dropped due to various reasons which include – 1) No pulp sales for the quarter resulting into lower EBITDA by ~Rs 50 mn. 2) Lower than expected paper sales volumes and realisations (due to change in product mix), adversely affected EBITDA by ~ Rs 50 mn. 3) Increase in coal prices and higher raw material costs further affected EBITDA margins. Though we expect input cost pressure is likely to continue in the near future, recent price increase of Rs 1,000 / mt (2.3%) effective Feb'2011 may compensate for higher cost.

APAT up by 42% to Rs 286 mn, below estimates

Due to lower than estimated EBITDA, PBT at Rs 353 mn (+19.6% yoy / -40% qoq) was below our estimates of Rs 522 mn. TNPL has started accounting tax benefit under section 80 I-A related to its captive power plant from current quarter, thus lowering its effective tax rate to 19%. The company expects this benefit to continue for the next 2-3 years and has guided for tax rate of ~25% for FY12. With lower tax rate, APAT for the quarter increased by 42% yoy to Rs 286 mn (below estimates of Rs 365 mn) with AEPS of Rs 4.1. It reported EO income of Rs 78.4 mn resulting from profit from sale of fuel resulting into net profit of Rs 365 mn.

Expect margin pressure in the short term but valuations remain attractive

Though we expect short term margins may to remain under pressure, but commissioning of its paper plant (capacity increased from 245,000 mt to 400,000 mt) and increase its captive pulp capacity (from 260,000 mt to 280,000 mt) by Q4FY11 is expected to drive revenues and PAT. We believe that with expected dividend yield ~4% and valuations at P/E of 5.2x FY12 estimates, TNPL offers lucrative investment opportunity. We maintain BUY recommendation on the stock.

Financial Snapshot

Rs Mn

	Net Sales	EBITDA (Core)	EBITDA (%)	APAT (Rs)	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
YE-Mar										
FY2009	10,968	2,859	26.1	894	12.9	(20.9)	13.7	10.0	5.8	1.3
FY2010	10,687	3,067	28.7	1,200	17.3	34.2	16.3	7.4	7.1	1.1
FY2011E	12,327	3,986	32.3	1,549	22.3	29.1	17.9	5.7	5.8	1.0
FY2012E	15,555	5,456	35.1	1,720	24.8	11.1	17.4	5.2	4.2	0.8

Quarterly and Annual Results

Rs Mn

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Revenue	2,467	3,556	2,972	2,972	2,749	11.4	(7.5)	8,694	7,010	24.0
Expenditure	1,765	2,646	2,074	2,032	2,030	15.0	(0.1)	6,136	4,960	23.7
<i>as % of sales</i>	<i>71.5</i>	<i>74.4</i>	<i>69.8</i>	<i>68.4</i>	<i>73.8</i>			<i>70.6</i>	<i>70.7</i>	
Consumption of RM	529	1,227	609	810	662	25.1	(18.3)	2,081	1,020	103.9
<i>as % of sales</i>	<i>21.4</i>	<i>34.5</i>	<i>20.5</i>	<i>27.3</i>	<i>24.1</i>			<i>23.9</i>	<i>14.6</i>	
Power & Fuel	478	643	703	477	632	32.2	32.7	1,812	1,806	0.3
<i>as % of sales</i>	<i>19.4</i>	<i>18.1</i>	<i>23.6</i>	<i>16.0</i>	<i>23.0</i>			<i>20.8</i>	<i>25.8</i>	
Employee Cost	218	228	271	285	287	31.5	0.8	843	647	30.2
<i>as % of sales</i>	<i>8.8</i>	<i>6.4</i>	<i>9.1</i>	<i>9.6</i>	<i>10.4</i>			<i>9.7</i>	<i>9.2</i>	
Other expenditure	539	548	490	461	449	(16.7)	(2.6)	1,400	1,486	(5.8)
<i>as % of sales</i>	<i>21.9</i>	<i>15.4</i>	<i>16.5</i>	<i>15.5</i>	<i>16.3</i>			<i>16.1</i>	<i>21.2</i>	
EBITDA	703	911	899	940	720	2.4	(23.4)	2,558	2,051	24.7
Depreciation	281	321	273	291	284	1.0	(2.4)	847	834	1.5
EBIT	422	589	626	649	436	3.3	(32.9)	1,711	1,217	40.7
Other Income	3	33	4	3	3	(3.8)	(26.5)	10	17	(42.2)
Interest	129	63	78	66	85	(34.0)	29.2	229	414	(44.5)
PBT	295	560	552	587	353	19.6	(39.8)	1,492	819	82.0
Total Tax	141	(12)	153	179	67	(52.5)	(62.5)	399	265	50.6
Adjusted PAT	154	572	399	408	286	85.5	(29.8)	1,093	555	97.0
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
APAT after MI	154	572	399	408	286	85.5	(29.8)	1,093	555	97.0
Extra ordinary items	156	10	0	123	78			202	109	
Reported PAT	310	582	399	531	365	17.5	(31.4)	1,294	664	95.0
Reported EPS	4.5	8.4	5.7	7.7	5.3	17.5	(31.4)	18.7	9.6	95.0

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	28.5	25.6	30.2	31.6	26.2	(231)	(545)	29.4	29.3	0.6
EBIT	17.1	16.6	21.1	21.8	15.9	(125)	(599)	19.7	17.4	13.4
EBT	11.9	14.8	18.4	19.6	12.8	89	(687)	17.0	11.5	48.9
PAT	6.2	16.1	13.4	13.7	10.4	416	(332)	12.6	7.9	58.9
Effective Tax rate	47.8	(2.2)	27.7	30.5	19.0	(2,881)	(1,151)	26.7	32.3	(17.2)

Source: Company, Emkay Research

Segmental Analysis										Rs Mn
Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
Revenues										
Paper	2376	3409	2803	2797	2603	9.6	(6.9)	8,203	6,636	23.6
Energy	330	332	419	469	437	32.4	(6.8)	1,324	1,178	12.4
Total	2706	3740	3222	3265	3040	12.4	(6.9)	9,527	7,814	21.9
Segment Results										
Paper	587	644	614	644	412	(29.8)	(36.1)	1,669	1,362	22.5
Energy	-4	14	52	53	46	NA	(12.4)	151	89	69.7
Total	583	658	665	697	458	(21.5)	(34.3)	1,820	1,451	25.4
EBIT %										
Paper	24.7	18.9	21.9	23.0	15.8	(888)	(721)	20.3	20.5	(18)
Energy	-1.2	4.3	12.4	11.2	10.6	1,171	(67)	11.4	7.5	384
Total	21.5	17.6	20.7	21.3	15.1	(649)	(627)	19.1	18.6	53

Source: Company, Emkay Research

Concall Highlights

Paper sales increase by 10% but the company stops selling surplus pulp

Although, paper sales volumes for the quarter increased by 9.8% yoy to 61,928 (-1% qoq), the company did not sell any pulp during the quarter since it was accumulating the pulp inventory to be consumed captively – post the commissioning of its paper machine. By the end of Dec'2010, the company had pulp inventory of ~7,000 mt. Management's outlook for paper demand remains encouraging as its order book is full and hence it does not foresee any difficulty in selling additional paper which it will start producing from Q4FY11. The company expects total paper sales volumes of 275,000 mt in FY11 and 390,000 mt in FY12.

Commissioning of paper machine and pulp machine by Q4FY11

TNPL has increased its paper capacity from 245,000 mt to 400,000 mt effective from Jan'2011. Further it has plans to increase captive pulp capacity from 260,000 mt to 280,000 mt by debottlenecking its bagasse based pulp plant. Though due to increase in its paper capacity, company's total pulp requirement now stands at approximately 340,000 mt, resulting in pulp deficit of 60,000 mt or 20% of its total pulp requirement which is likely to be met through imported pulp.

Recently pulp prices have been on higher side at US\$ 650 / mt as against its historical average of US\$ 500 / mt (Source - Industry). Such high pulp prices are likely to put pressure on the company's margins in the near future.

Tax benefit under section 80 – IA

TNPL has started accounting tax benefit under section 80-IA on its captive power plant. It has reduced its tax outgo to 19% in the current quarter from the previous 30%. This tax benefit is likely to continue for the next 2-3 years.

Dividend rate is likely to be maintained

TNPL has maintained dividend rates at approximately 45% resulting into dividend payout ratio of ~30% - which the company expects to continue in the near future too. This results into dividend yield of ~3.5%.

Coal contract till June'2011 and fixed interest rates – likely to help maintain margins

In light of rising coal prices, TNPL has contracted its coal requirement till June'2011 at a price of US\$ 81 / mt. It is to note that current coal prices are hovering at US\$ 100 / mt, which is significantly higher than the contracted price. Further, the company has long term debt of Rs 11 bn and short term debt of Rs 3 bn resulting into total debt of Rs 14 bn. However the company has entered into these contracts with interest rate swaps - hedging contracts with average debt cost of ~8.25%.

Key Financials

Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	10,968	10,687	12,327	15,555
Growth (%)	16.9	(2.6)	15.3	26.2
Expenditure	8,109	7,620	8,341	10,099
Materials Consumed	2,401	2,248	2,669	3,267
Power & Fuel	2,963	2,449	2,609	3,267
Employee Cost	814	875	1,031	1,322
Other Exp	1,931	2,049	2,032	2,244
EBITDA	2,859	3,067	3,986	5,456
Growth (%)	23.3	7.3	30.0	36.9
EBITDA margin (%)	26.1	28.7	32.3	35.1
Depreciation	1,008	1,156	1,313	1,920
EBIT	1,851	1,911	2,673	3,536
EBIT margin (%)	16.9	17.9	21.7	22.7
Other Income	35	50	13	12
Interest expenses	493	462	487	1,090
PBT	1,393	1,499	2,199	2,458
Tax	500	299	650	737
Effective tax rate (%)	35.9	20.0	29.6	30.0
Adjusted PAT	894	1,200	1,549	1,720
Growth (%)	(20.9)	34.2	29.1	11.1
Net Margin (%)	8.1	11.2	12.6	11.1
(Profit)/loss from JVs/Ass/MI	-	-	-	-
Adjusted PAT After JVs/Ass/MI	894	1,200	1,549	1,720
E/O items	180	61	-	-
Reported PAT	1,074	1,261	1,549	1,720
PAT after MI	894	1,200	1,549	1,720
Growth (%)	(20.9)	34.2	29.1	11.1

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT (Ex-Other income)	1,358	1,449	2,186	2,446
Depreciation	1,008	1,156	1,313	1,920
Interest Provided	493	462	487	1,090
Other Non-Cash items	99	336	-	-
Chg in working cap	(1,508)	(659)	(320)	(688)
Tax paid	-500	-299	-650	-737
Operating Cashflow	951	2,444	3,016	4,030
Capital expenditure	(2,883)	(7,114)	(3,000)	(2,500)
Free Cash Flow	-1,932	-4,670	16	1,530
Other income	35	50	13	12
Investments	160	(103)	-	-
Investing Cashflow	195	-53	13	12
Equity Capital Raised	-	-	-	-
Loans Taken / (Repaid)	2,540	5,565	1,000	-
Interest Paid	(493)	(462)	(487)	(1,090)
Dividend paid (incl tax)	(364)	(363)	(365)	(406)
Income from investments	-	-	-	-
Others	-	-	-	-
Financing Cashflow	1,683	4,740	148	-1,496
Net chg in cash	-54	17	177	46
Opening cash position	230	177	194	371
Closing cash position	177	194	371	417

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	694	694	694	694
Reserves & surplus	5,949	7,351	8,535	9,849
Net worth	6,643	8,045	9,229	10,543
Minority Interest	0	0	0	0
Secured Loans	6,850	10,549	10,549	10,549
Unsecured Loans	1,214	3,080	4,080	4,080
Loan Funds	8,065	13,629	14,629	14,629
Net deferred tax liabilities	2,199	2,101	2,101	2,101
Total Liabilities	16,906	23,775	25,959	27,274
Gross Block	21,822	23,084	31,609	34,609
Less: Depreciation	9,559	10,547	11,860	13,780
Net block	12,263	12,537	19,749	20,829
Capital work in progress	2,627	8,525	3,000	2,500
Investments	11	114	114	114
Current Assets	5,047	5,940	6,889	8,331
Inventories	1,914	1,691	2,026	2,557
Sundry debtors	1,697	1,996	2,026	2,557
Cash & bank balance	177	194	371	417
Loans & advances	1,259	2,059	2,465	2,800
Other current assets	-	-	-	-
Current lia & Prov	3,042	3,341	3,793	4,500
Current liabilities	2,033	2,250	2,702	3,409
Provisions	1,009	1,091	1,091	1,091
Net current assets	2,005	2,599	3,096	3,830
Misc. exp	-	-	-	-
Total Assets	16,906	23,775	25,959	27,274

Key Ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	26.1	28.7	32.3	35.1
Net Margin	8.1	11.2	12.6	11.1
ROCE	12.3	9.6	10.8	13.3
ROE	13.7	16.3	17.9	17.4
RoIC	15.1	13.2	14.3	15.1
Per Share Data (Rs)				
EPS	12.9	17.3	22.3	24.8
CEPS	27.4	33.9	41.3	52.5
BVPS	95.8	116.0	133.0	152.0
DPS	4.5	4.5	4.5	5.0
Valuations (x)				
PER	10.0	7.4	5.7	5.2
P/CEPS	4.7	3.8	3.1	2.4
P/BV	1.3	1.1	1.0	0.8
EV / Sales	1.5	2.1	1.9	1.5
EV / EBITDA	5.8	7.1	5.8	4.2
Dividend Yield (%)	3.5	3.5	3.5	3.9
Gearing Ratio (x)				
Net Debt/ Equity	1.2	1.7	1.5	1.3
Net Debt/EBIDTA	2.8	4.3	3.5	2.6
Working Cap Cycle (days)	53	49	40	40

Indices

Indices	Today's close	% chg
Sensex	18,273.80	0.39
Nifty	5,481.00	0.46
S&P CNX 500	4384.60	0.43
BSE 500	7,058.03	0.40
BSE Mid-Cap	6,699.35	-0.07
BSE Small-Cap	8,164.86	0.59
BSE Auto	8,875.58	0.71
BSE Health	6,008.05	-0.39
BSE FMCG	3,281.25	-0.29
BSE IT	6,245.08	-0.40
BSE PSU	8,637.79	1.10
BSE Bankex	12,429.32	1.53
BSE Oil & Gas	9,497.05	1.85
BSE Metal	15,760.88	-0.36
BSE Cons Dur	5,726.39	0.13
BSE Cap Good	13,068.59	-1.75
BSE Realty	2,112.90	-1.33
BSE Power	2,639.59	0.14

Levels to watch

	Sensex	Nifty
Day's High	18,361	5,506
Day's Low	18,050	5,408
20 DSMA	18,395	5,504
50 DSMA	19,274	5,765

Nifty Intraday levels to watch

	Support	Resistance
Nifty	5408/5459	5506/5556

Sarvendra Srivastava

Technical Strategist

sarvendra.srivastava@emkayglobal.com

+91 22 66121243

Dharmesh Patel

Associate Technical Analyst

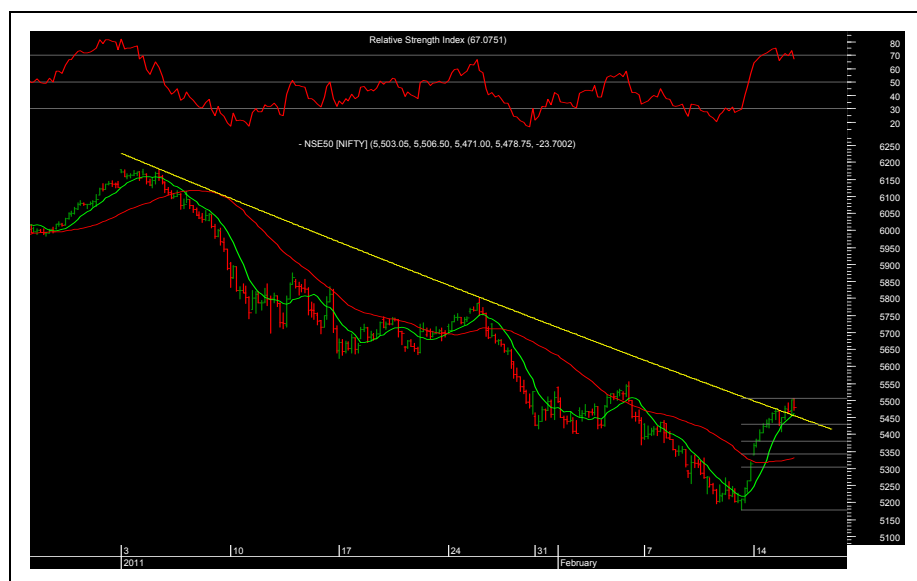
dharmesh.patel@emkayglobal.com

+91 22 66121242

TechCheck

Nifty

In the midst of a choppy trade, Nifty maintained its winning streak for the third consecutive session to end with a gain of 25 points on close. Since, the hourly RSI has hit the overbought region and is sloping differently from the price chart line (hinting at a divergence), we feel that the current leg which started from 5177 is quite mature. Moreover, if Nifty breaks 5459 and starts trading below the resistance line (yellow one), then a minimum of 38.2% retracement of this entire 3 days up move (from 5177 to 5503), seems possible. Hence, the supports to watch out for bottom fishing opportunities is 5380 (38.2% retracement) and below that 5342 (50% retracement).



[Home](#)

Emkay Global Financial Services Ltd.

Paragon Center, H -13 -16, 1st Floor, Pandurang Budhkar Marg, Worli, Mumbai – 400 013. Tel No. 6612 1212. Fax: 6624 2410

DISCLAIMER: This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Emkay Global Financial Services Ltd. is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Emkay Global Financial Services Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Emkay Global Financial Services Ltd.'s prior written consent. No part of this document may be distributed in Canada or used by private customers in the United Kingdom. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.