
PINC RESEARCH
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Ashok Leyland
Bajaj Auto
Godawari Power
HCL Tech
IRB Infra
Jagran Prakashan
Jyothy Labs
Lupin
M&M
Nestle
NIIT Tech
Phoenix Mills
Tata Steel
UltraTech
Usha Martin
PINC POWERPICKS
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Small World, Infinite Opportunities

Here's the roster for the PINC PowerPicks:

Company	Sector	CMP (Rs)	Recom.	TP (Rs)	Upside (%)	Market Cap (Rs bn)	P/E (x)		EV/EBITDA (x)		Earnings gr. (%)	ROE (%)	ROCE (%)
							FY11E	FY12E	FY11E	FY12E	(FY10-12E)	FY11E	FY11E
Ashok Leyland	Auto	55	BUY	76	40	73	12.7	10.0	9.2	7.5	30.8	22.8	17.0
Bajaj Auto	Auto	1,356	BUY	1,649	22	392	15.3	13.2	11.2	9.4	28.3	67.1	67.4
Godawari Power	Metals	172	BUY	272	58	5	7.0	4.8	4.4	3.2	40.6	13.6	11.6
HCL Tech	IT services	464	BUY	615	33	322	19.5	14.6	9.5	7.1	28.4	19.9	23.0
IRB Infra	Const & Infra	185	BUY	269	45	62	12.4	11.3	8.9	8.3	18.9	22.0	23.4
Jagran Prakashan	Media	116	BUY	165	42	37	16.3	14.1	9.8	8.1	21.8	27.5	34.2
Jyothy Labs	FMCG	237	BUY	281	19	19	20.2	14.9	15.1	10.8	31.3	19.1	23.2
Lupin	Pharma	394	BUY	537	36	176	20.9	16.2	17.6	14.1	26.0	29.0	26.2
Mahindra & Mahindra	Auto	662	BUY	903	36	375	18.2	15.0	13.0	11.3	15.0	30.9	28.0
Nestle	FMCG	3,852	SELL	3,208	(17)	371	37.2	31.1	24.5	20.5	20.6	82.4	123.2
NIIT Tech	IT services	184	BUY	300	63	11	5.9	5.5	4.6	3.7	24.9	27.6	20.9
Phoenix Mills	Real Estate	170	BUY	240	41	25	20.7	11.9	18.9	9.8	82.5	7.2	5.3
Tata Steel	Metals	601	BUY	817	36	621	10.2	9.7	5.3	4.7	NA	18.8	9.7
UltraTech Cement	Cement	1,028	BUY	1,177	14	282	19.5	14.9	10.7	7.0	(11.3)	16.4	17.9
Usha Martin	Metals	53	BUY	82	56	16	11.1	6.0	5.1	3.4	26.3	8.3	8.5

PINC POWERPICKS is a list of our high-conviction stock ideas, a choice of stocks from across sectors in our coverage universe.

What moved in and what moved out:

In our March issue of PINC Power Picks, we have introduced Nestle and Phoenix Mills.

15th March 2011

ASHOK LEYLAND: BUY, TP-Rs76 (40% upside)

Sector: Auto
CMP: Rs55; Mcap: Rs73bn
Bloomberg: AL IN; Reuters: ASOK.BO

What's the theme?

The commercial vehicle (CV) segment took a hit for a couple of months to absorb pre-buying due to new emission norms, effective October 1, 2010. The domestic truck segment picked up momentum in December 2010 on strong economic growth. Further, increased production at Ashok Leyland's Uttarakhand facility is expected to boost margins.

What will move the stock?

1) Management targets 95k units during FY11 while we estimate volume of 89k units. We expect the company to surpass our estimates by 4-5%. In FY12, we expect Ashok Leyland to record volume growth of 10% to 97k units with an upward bias. 2) Due to fiscal benefits available at the Pantnagar unit, we expect Ashok Leyland to realize significant savings per vehicle produced at the facility. Production is expected to ramp up to 15k units in Q4FY11 as against the YTD number of 5K units. We estimate margin expansion of 100bps in FY12 due to increased contribution from this facility. 3) Ashok Leyland entered into a JV with Nissan, to capture the high growth in the LCV segment. The JV is likely to commence production by H2 CY11. However, in our earning estimates, we have not considered any volumes for this JV during FY12. Commissioning of this JV would boost our FY12 earnings estimate.

Where are we stacked versus consensus?

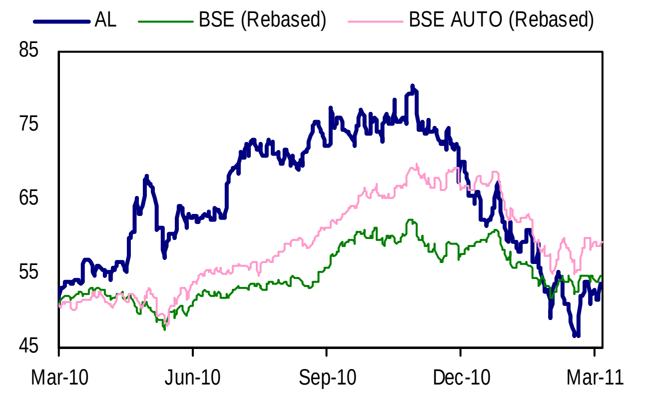
Our earnings estimates for FY11 and FY12 are Rs4.3 and Rs5.5 respectively. Our FY12 earnings estimate is 3.6% lower than consensus estimate of Rs5.7. We have a 'BUY' recommendation on the stock with a target price of Rs76, which discounts FY12E earnings by 14x.

What will challenge our target price?

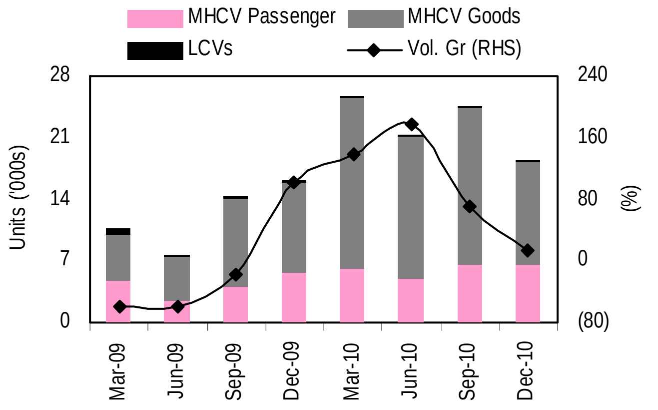
1) Increase in prices of raw materials such as steel and rubber affecting profitability; and 2) Significant rise in interest rates increasing cost of ownership.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	59,811	72,447	99,597	37.5	112,149	12.6
EBITDA	4,559	7,596	10,682	40.6	13,185	23.4
EBITDA Marg. (%)	7.6	10.5	10.7	20 bps	11.8	100 bps
Adj. Net Profits	1,900	4,237	5,723	35.1	7,252	26.7
Dil. EPS (Rs)	1.4	3.2	4.3	35.1	5.5	26.7
PER (x)	38.2	17.1	12.7	-	10.0	-
ROE (%)	13.3	19.0	22.8	380 bps	24.8	200 bps
ROCE (%)	9.6	13.7	17.0	330 bps	18.3	130 bps

Price performance



Sales Volume



vineet.hetamasaria@pinc.co.in +91-22-6618 6388
nikhil.deshpande@pinc.co.in +91-22-6618 6339

BAJAJ AUTO: BUY, TP-Rs1,649 (22% upside)

Sector: Auto
CMP: Rs1,356; Mcap: Rs392bn
Bloomberg: BJAUT IN; Reuters: BAJA.BO

What's the theme?

With the success of Pulsar135 and Discover twins (100cc and 150cc), Bajaj Auto's brand-centric strategy has been validated. The high-margin brands, Pulsar and Discover, now account for 70% of the company's motorcycle sales. In addition, continued demand for three-wheelers and robust exports would help Bajaj Auto achieve volume growth of 37.8% and 13.8% in FY11E and FY12E respectively. We expect profitability to be maintained at the current level of 20%.

What will move the stock?

1) Despite increasing competition, we expect Bajaj Auto to maintain its market share with domestic volume growth of 14%, in line with the industry. 2) Export outlook continues to be stable with total exports expected to touch 1.4mn in FY12. 3) Increased proportion of high-margin motorcycles and continued contribution of three-wheelers would enable the company to maintain margins at current levels. 4) Bajaj Auto is expected to launch the new Discover 125cc in Q1FY12. 5) Management expects to improve its market share with growth of 22% to 4.8mn units during FY12 as against our volume estimate of 4.5mn units.

Where are we stacked versus consensus?

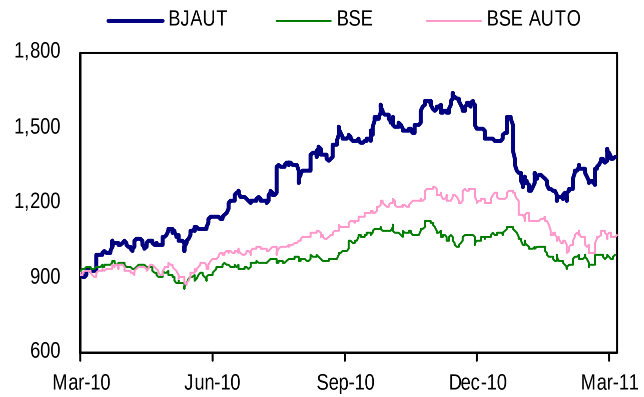
Our FY11 and FY12 earnings estimates are Rs88.8 and Rs103.1 respectively. We have a 'BUY' recommendation on the stock with a target price of Rs1,649, discounting FY12E earnings at 16x. Our FY12 earnings estimate is 1.5% higher than consensus estimate of Rs101.6.

What will challenge our target price?

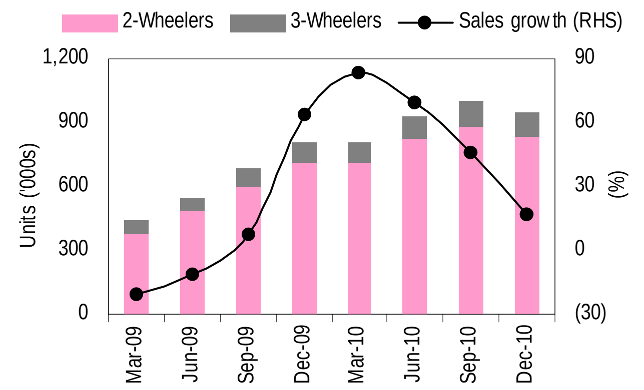
Significant increase in prices of commodities such as steel and rubber are likely to increasingly pressurise margins.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	84,369	115,085	162,081	40.8	188,832	16.5
EBITDA	8,295	21,835	28,120	28.8	32,474	15.5
EBITDA Marg. (%)	13.4	21.6	20.3	(130)bps	19.9	(50)bps
Adj. Net Profits	7,939	18,118	25,705	41.9	29,821	16.0
Dil. EPS (Rs)	27.4	62.6	88.8	41.9	103.1	16.0
PER (x)	49.4	21.7	15.3	-	13.2	-
ROE (%)	48.5	78.5	67.1	(1150)bps	51.4	(1570)bps
ROCE (%)	36.5	65.4	67.4	200 bps	57.0	(1040)bps

Price performance



Sales Volume



vineet.hetamasaria@pinc.co.in +91-22-6618 6388
nikhil.deshpande@pinc.co.in +91-22-6618 6339

GODAWARI POWER: BUY, TP-Rs272 (58% upside)

Sector: Metals
CMP: Rs172; Mcap: Rs5bn
Bloomberg: GODPI IN; Reuters: GDPI.BO

What's the theme?

We expect GPIL to benefit from earnings CAGR of 41% over FY10-FY12E on volume growth and margin expansion. This would be driven by higher output from Ari Dongri mines, 0.6mntpa pellet plant, and 20MW biomass power plant that have started yielding results from Q3FY11. Further, 0.6mntpa pellet plant of Ardent Steel (75% subsidiary) has also started to stabilize and it is expected to provide additional earnings growth (not factored in our earnings estimates).

What will move the stock?

1) Stabilization of the newly commissioned 20MW biomass power plant would ensure further power availability for captive use; sale of surplus power would be revenue accretive. 2) Higher output from Ari Dongri iron ore mine and 0.6mntpa pellet plant would aid revenue growth and margin expansion. 3) Contribution from Ardent Steel to consolidated earnings is expected from Q4FY11 onward (not included in our earnings and TP estimates). 4) Boria Tibu mines, impacted by delay in handover of forest area, are now expected to commence mining from Q1FY12.

Where are we stacked versus consensus?

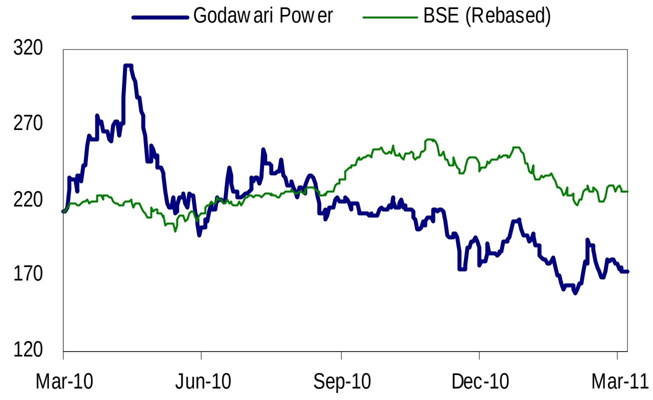
Our earnings estimates are below consensus, mainly because we have not included Ardent Steel in our estimates.

What will challenge our target price?

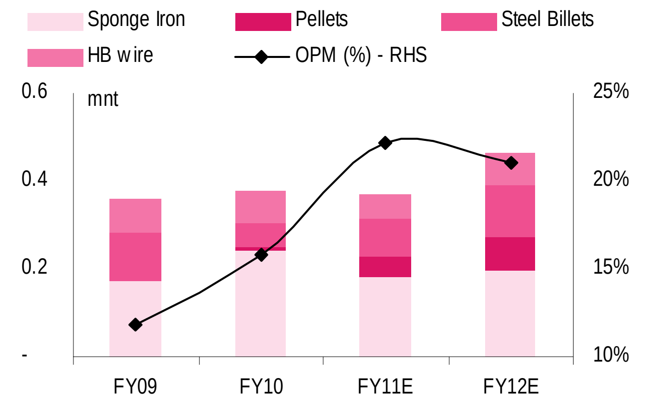
1) Impediments in ramping up of output from the pellet plant (own as well as Ardent Steel's) and 20MW power plant; 2) Concerns on foray into 50MW Solar power project; 3) Continued delay in acquiring forest land in the Boria Tibu mine; and 4) Simultaneous decline in steel prices and power tariff.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	10,355	7,764	7,932	2.2	10,652	34.3
EBITDA	1,226	1,226	1,762	43.7	2,241	27.2
EBITDA Marg. (%)	11.8	15.8	22.2	642 bps	21.0	(118)bps
Adj. Net Profits	645	514	692	34.7	1,016	46.8
Dil. EPS (Rs)	23.0	18.3	24.7	34.7	36.2	46.8
PER (x)	5.7	9.4	7.0	-	4.8	-
ROE (%)	15.7	11.2	13.6	237 bps	17.4	383 bps
ROCE (%)	13.6	10.0	11.6	156 bps	14.1	259 bps

Price performance



Volume growth and margin expansion



bikash.bhalotia@pinc.co.in +91-22-6618 6387
harleen.babber@pinc.co.in +91-22-6618 6389
dipti.vijaywargi@pinc.co.in +91-22-6618 6393

HCL TECH: BUY, TP-Rs615 (33% upside)

Sector: Information Technology
CMP: Rs464; Mcap: Rs322bn
Bloomberg: HCLT IN; Reuters: HCLT.BO

What's the theme?

Uptick in discretionary IT spend and recovery in the European market will boost volume growth for HCL Tech. Further, strengthening of EUR against USD will have a positive near-term impact.

What will move the stock?

1) Strongest volume growth of 6.5% QoQ among peers in Q3FY11; 2) Outperformance in emerging verticals such as energy and utilities and retail; 3) One of the highest bookings in terms of new deals won in the recent quarter; 4) High growth in IMS and the custom application segment driven by discretionary spend; 5) Higher EBIDTA margins in the near term, supported by higher offshoring and utilization; 6) Absence of forex losses (cash flow hedges) supporting the bottom line.

Where are we stacked versus consensus?

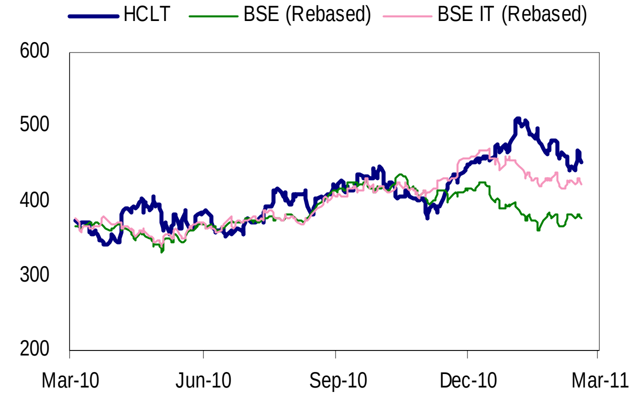
Our revenue estimates vary from consensus by -2% for FY13. Our FY12 and FY13 EBITDA margin forecasts are ~50bps higher than consensus. Our FY13 EPS estimate is in line with consensus.

What will challenge our target price?

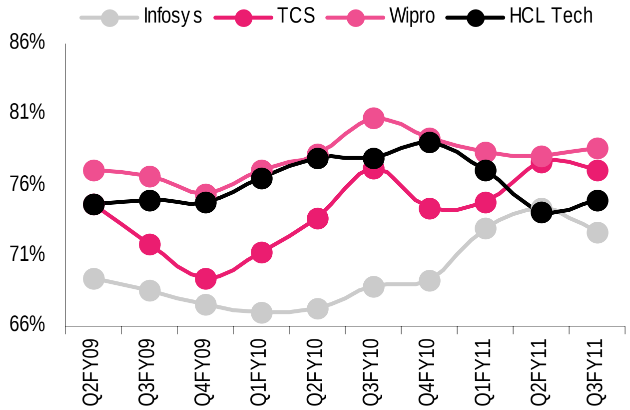
1) Slower recovery in the US economy; 2) Appreciation of INR vs. USD; 3) Lower discretionary spending; 4) Higher attrition and wage increments.

(Rs mn)	FY10E	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	125,650	153,222	189,143	23.4	230,002	21.6
EBITDA	25,729	26,687	34,735	30.2	41,931	20.7
EBITDA marg. (%)	20.5	17.4	18.4	95 bps	18.2	(13)bps
Adj. Net Profits	13,029	16,056	21,466	33.7	26,493	23.4
Dil. EPS (Rs)	18.9	23.3	31.1	33.7	38.4	23.4
PER (x)	24.0	19.5	14.6	-	11.8	-
ROE (%)	18.5	19.9	21.6	168 bps	21.5	(9)bps
ROCE (%)	24.6	23.0	25.7	277 bps	26.4	68 bps

Price performance



Utilisation rates - scope for expansion



rohit.anand@pinc.co.in +91-22-6618 6372

IRB INFRA: BUY, TP-Rs269 (45% upside)

Sector: Construction & Infrastructure
CMP: Rs185; Mcap: Rs62bn
Bloomberg: IRB IN; Reuters : IRBI BO

What's the theme?

IRB infra is a proxy play on the Indian road sector. It is among the largest BOT operators in India with in-house execution capabilities; it currently has 16 BOT projects, of which ten are operational, six are under construction. IRB is well positioned to add projects worth $1bn - about 4-6 BOT projects per annum - without any equity dilution.

What will move the stock?

1) Timely execution of projects under construction will act as a catalyst for stock price.
2) NHAI's order awarding this year was laggard, we expect awarding activity to pick up in FY12, as the new Road Minister Mr C P Joshi has set out a target of awarding 11,151km for next year. Hence, we expect IRB to be major beneficiary of awarding process as IRB is pre-qualified for projects worth Rs250bn.
3) After the recent stock price correction, the stock is available at a compelling P/BV of 2.5 & 2.1 for FY11E and FY12E resp and is trading at a PE 11.3x FY12.

Where are we stacked versus consensus?

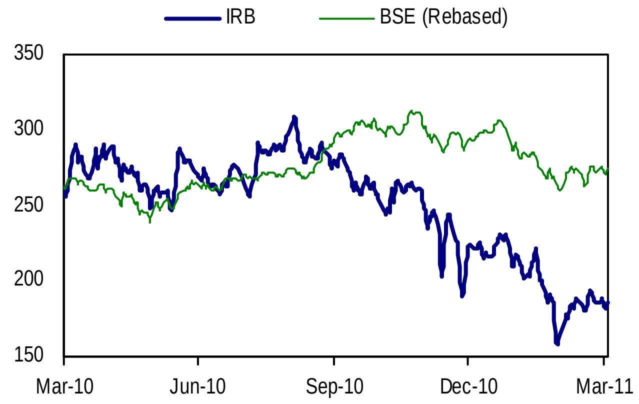
Our FY11E and FY12E earnings estimates are at Rs14.9 and Rs16.4, which are 3.6% higher and inline for FY12 consensus estimates. We expect topline growth of 47.6% at Rs 25.2bn for FY11 and 40% at Rs35.2bn for FY12 vs consensus estimate of 53.2% at Rs26.1bn and 49% at Rs38.9bn.

We believe recent stock price correction provides good entry point for long term investors with upside potential of 45% on our SOTP based target price of Rs269 vs consensus target of Rs275.

What will challenge our target price?

1) Lower traffic growth; 2) Slowdown in execution of current orders; 3) Any change in government policy that may adversely affect current tolling charges.

Price performance



(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	9,918	17,049	25,160	47.6	35,219	40.0
EBITDA	4,388	7,990	11,010	37.8	13,250	20.3
EBITDA Marg. (%)	44.2	46.9	43.8	(311)	37.6	(614)
Adj. Net Profits	1,758	3,854	4,958	28.6	5,452	10.0
Dil. EPS (Rs)	5.3	11.6	14.9	28.6	16.4	10.0
PER (x)	35.0	16.0	12.4	-	11.3	-
ROE (%)	10.5	20.4	22.0	155	20.1	(185)
ROCE (%)	12.7	19.4	23.4	407	22.0	(146)

SOTP

Particulars	Rs/Share	Percentage
BOT	160	59.5%
Construction business	84	31.2%
Real Estate	10	3.7%
Cash in hand	15	5.6%
Total	**269**	
Upside (%)	**45.2**	

vinod.nair@pinc.co.in +91-22-6618 6379
subramaniam.yadav@pinc.co.in +91-22-6618 6371

JAGRAN PRAKASHAN (JPL): BUY, TP-Rs165 (42% upside)

Sector: Media
CMP: Rs116; Mcap: Rs37bn
Bloomberg: JAGP IN: Reuters: JAGP BO

What's the theme?

We like JPL for its its leadership position in UP (the largest print market in terms of readership and print ad value), strong position in growing regions like Bihar and Jharkhand, better cost efficiency, phased and planned expansion into other forms of media businesses, and a wider portfolio (including Mid-Day). 9MFY11 business growth (20% ad growth) strengthens our belief that the company is well poised to benefit from steady growth in the print media sector.

What will move the stock?

1) Robust ad growth of 18% CAGR FY10-FY12E coupled with margin enhancement would drive overall growth for the company; 2) Broad based growth across various other business verticals; 3) Blackstone investment to support its inorganic growth.

Where are we stacked versus consensus?

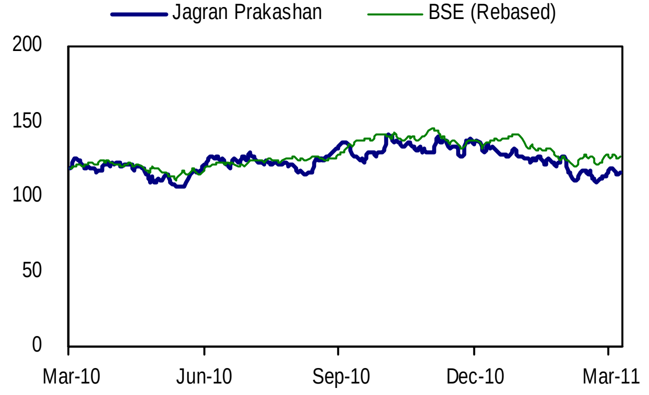
Our revenue estimates vary from consensus by ~5%, mainly due to incorporation of Mid-day numbers in FY12. Our FY12 net margin forecast of 19% is in line with consensus. Our FY12 EPS estimate is 4% higher than consensus.

What will challenge our target price?

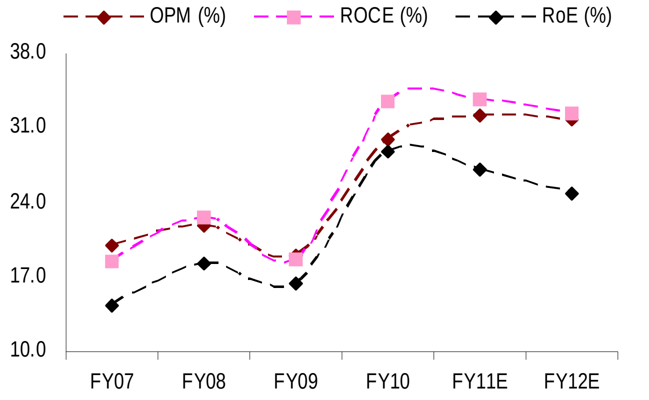
1) Increase in newsprint prices; 2) Slow down in economic activity; 3) Increased competition in current markets where JPL is present.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	8,234	9,419	11,422	21.3	13,643	19.4
EBITDA	1,567	2,823	3,686	30.6	4,342	17.8
EBITDA Marg. (%)	19.0	30.0	32.3	230 bps	31.8	(44)bps
Adj. Net Profits	916	1,759	2,254	28.2	2,608	15.7
Dil. EPS (Rs)	3.0	5.8	7.1	22.4	8.2	15.5
PER (x)	38.7	20.0	16.3	-	14.1	-
ROE (%)	16.4	28.7	27.5	(120)bps	24.7	(280)bps
ROCE (%)	18.7	33.6	34.2	60 bps	32.2	(200)bps

Price performance



Financial Performance



namrata.sharma@pinc.co.in +91-22-6618 6412
ronak.bakshi@pinc.co.in +91-22-6618 6411
rohit.anand@pinc.co.in +91-22-6618 6372

JYOTHY LABS: BUY, TP-Rs281 (19% upside)

Sector: FMCG
CMP: Rs237; Mcap: Rs19bn
Bloomberg: JYL IN; Reuters: JYOI.BO

What's the theme?

We are bullish on Jyothy's long-term growth as it rolls out key brands nationally and expands its laundry business. Excluding QIP funds and the underlying value of its subsidiary, JFSL (laundry business), would result in lower valuation for its FMCG business. Jyothy has underperformed the BSE FMCG Index by 10% in the past three months and offers room for further upside.

What will move the stock?

1) Full impact of the price increase of Ujala Supreme will support revenue and profitability growth. Pricing power in Ujala Supreme will underpin volume growth as well; 2) Launch of Maxo Military will enhance revenue growth. We assume ~Rs600mn revenue from this brand, at ~7% of total sales, in FY12E; 3) Aggressive marketing efforts on Techno Bright (Washing powder) and Exo would translate into improved performance in FY12.

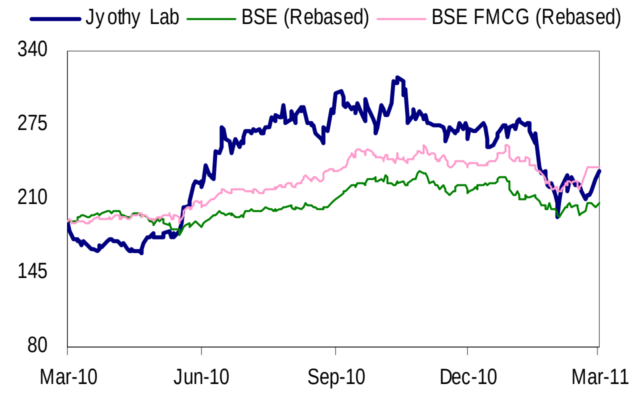
Where are we stacked versus consensus?

Our estimates are among the highest on the street, led by expectation of superior margins from Ujala Supreme and Maxo. We assign P/E of 18x on FY12E core EPS (Rs14/share - excluding other income from QIP funds) and add Rs28/share of QIP cash to derive our TP of Rs281.

What will challenge our target price?

1) Change in input cost assumptions owing to volatility in crude prices; 2) Jyothy's inability to attract retail clients in the laundry business; 3) Abrupt reduction in Maxo Military volumes on discontinuation of sales promotion activities; 4) Higher brand building investments; and 5) Retail participation for Maxo Military.

Price performance



(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	3,619	5,963	6,770	13.5	8,575	26.7
EBITDA	494	929	1,024	10.2	1,382	35.0
EBITDA Marg. (%)	13.6	15.5	15.1	(48)bps	16.1	103bps
Adj. Net Profits	383	742	945	27.3	1,279	35.3
Dil. EPS (Rs)	4.7	9.2	11.7	27.3	15.9	35.3
PER (x)	50.0	25.7	20.2	-	14.9	-
ROE (%)	13.8	11.0	19.1	811bps	14.1	(509)bps
ROCE (%)	18.8	14.2	23.2	894bps	15.0	(817)bps

Sales & Gross Profit Mix in FY12E (%)

Products	Sales Mix %	Gross Profit Mix %
Ujala Supreme	28%	43%
Ujala Washing Powder	11%	9%
Stiff & Shine	4%	6%
Maxo	28%	20%
Exo	19%	14%
Laundry	5%	7%
Maya & Jeeva	6%	1%

naveent@pinc.co.in +91-22-6618 6384

LUPIN: BUY, TP-Rs537 (36% upside)

Sector: Pharma
CMP: Rs394; Mcap: Rs176bn
Bloomberg: LPC IN; Reuters: LUPN.BO

What's the theme?

Lupin is one of the best plays in the pharma space, given its strong execution capabilities, improving financial performance and diversifying business model. The high-margin branded generic business has been the key differentiator. Strong growth in the US (in branded generic and generic segments) and improvement in operating margins would maintain the growth momentum.

What will move the stock?

1) Strong traction in the high-margin Suprax product (chewable tablets approved; double strength tablets now enjoy more than 50% of total Suprax prescription share) and gradual pick-up in Antara prescription. 2) Approval of less competitive OC products (generic market size of >US$ 1bn) in 2HFY2012 and launch of 10-12 generic products (other than OC) in the next 12 months. 3) Commencement of API supplies from Goa facility to Kyowa a boost to margins. 4) Inorganic growth (Latam market, US branded generic the key target segments), given a strong balance sheet.

Where are we stacked versus consensus?

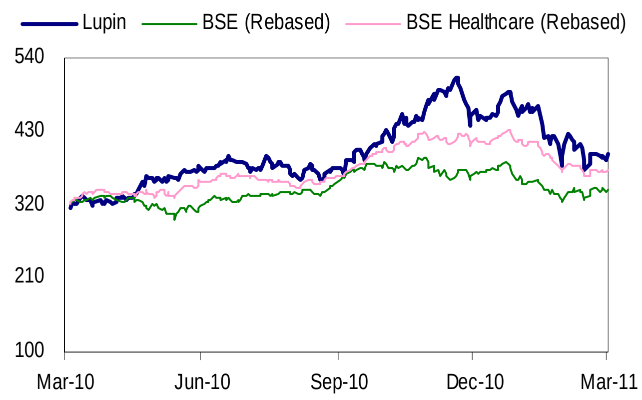
Our FY12 estimates are higher than consensus. We expect net sales and earnings CAGR of 20.6% and 26.0% to Rs68,956mn and Rs24.3 respectively over FY10-12. We value the company at 22x (in line with the big players in the sector) FY12E earnings, which yields a TP of Rs537.

What will challenge our target price?

1) Earlier-than-expected competition in Suprax. 2) Further delay in OC generic product approvals.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	37,967	47,405	57,434	21.2	68,956	20.1
EBITDA	6,694	8,536	11,027	29.2	13,791	25.1
EBITDA Marg. (%)	17.6	18.0	19.2	119bps	20.0	80bps
Adj. Net Profits	5,224	6,816	8,422	23.6	10,864	29.0
Dil. EPS (Rs)	12.6	15.3	18.9	23.2	24.3	28.9
PER (x)	31.2	25.7	20.9	-	16.2	-
ROE (%)	38.6	34.1	29.0	(511)bps	29.8	73bps
ROCE (%)	26.1	26.9	26.2	(71)bps	27.7	152bps

Price performance



Sales Break-up

(Rs mn)	FY2011E	FY2012E	CAGR FY10-12 (%)
US	21,404	27,216	28.4
Japan	6,340	7,443	18.0
Europe	2,035	2,786	37.0
RoW	3,868	4,636	22.6
Domestic	18,115	21,137	17.0
API	5,671	5,737	1.6
Total	**57,434**	**68,956**	**20.6**

sushant.dalmia@pinc.co.in +91-22-6618 6462

Mahindra & Mahindra: BUY, TP-Rs903 (36% upside)

Sector: Auto
CMP: Rs662; Mcap: Rs375bn
Bloomberg: MM IN; Reuters: MAHM.BO

What's the theme?

With significant rural presence, M&M would benefit from strong monsoons this year. The automobile segment is expected to record growth of 22.4% in FY11 and 13.2% in FY12, led by new product launches. The tractor segment too is expected to grow 15.8% in FY11, underpinned by higher crop output.

What will move the stock?

1) The creditors of Ssangyong have approved M&M's offer of taking a haircut of USD100mn. M&M has made the balance 90% payment for 70% ownership stake. The acquisition would enable the company to make a 2-3 year leap in terms of product development. Two SUVs from Ssangyong Motors' portfolio (Rexton and Korando) would be assembled at M&M's Chakan facility. 2) Production and marketing of MHCVs has begun in a JV with Navistar. M&M is currently in the roll-out phase and is increasing its geographical spread. 3) M&M launched the Genio pick-up in Jan'11, which would help it expand its pick-up portfolio. A new SUV is expected to be launched by year-end. 4) Demand for small commercial vehicles (SCVs), the fastest-growing CV segment, is strong; M&M recently entered this space with the launch of Maximmo and Gio. 5) The company is expected to roll out capacity expansion plans considering current growth in the tractor segment.

Where are we stacked versus consensus?

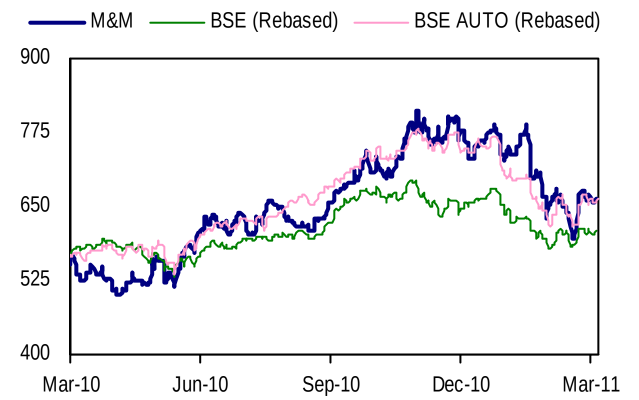
We expect EPS of Rs44.1 and Rs48.0 in FY11 and FY12 respectively. Our FY12 earnings estimate is 4.7% lower than consensus estimate of Rs50.4. We value M&M using SOTP at Rs903, discounting the standalone business at 15x FY12E earnings.

What will challenge our target price?

1) Steep raw material price increases and M&M's inability to pass them on to customers; 2) Increased competition in the UV segment on new launches affecting market share; and 3) Litigation with Global Vehicles Distributor, USA.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	126,491	180,381	221,278	22.7	247,516	11.9
EBITDA	10,923	29,758	34,652	16.4	38,045	9.8
EBITDA Marg. (%)	8.3	16.0	15.3	(70)bps	15.0	(30)bps
Adj. Net Profits	8,287	20,181	25,354	25.6	28,039	10.6
Dil. EPS (Rs)	16.2	36.3	44.1	21.4	48.0	8.9
PER (x)	40.9	18.2	15.0	-	13.8	-
ROE (%)	17.3	30.9	27.7	(320)bps	24.4	(340)bps
ROCE (%)	13.8	28.0	28.9	90 bps	26.9	(210)bps

Price performance



SOTP Valuation

	Valuation Method	Per share (Rs)	Multiple	Value (Rs)
M&M (Standalone)	P/E	45.5	15	683
Tech Mahindra	CMP	67.7	0.8	54
Mahindra Holidays	CMP	42.9	0.8	34
M&M Financial Services	CMP	70.5	0.8	56
Mahindra Lifespace	CMP	12.6	0.8	10
M&M (Treasury Stocks)	CMP	58.7	0.8	47
Swaraj Engines	CMP	3.1	0.8	2
Mahindra Forgings	CMP	4.4	0.8	3
Mahindra Ugine Steel	CMP	1.5	0.8	1
Mahindra Composites	CMP	1.2	0.8	1
Mahindra Navistar	P/BV	6.8	1.5	10
SOTP Value (Rs)				**903**

vineet.hetamasaria@pinc.co.in +91-22-6618 6388
nikhil.deshpande@pinc.co.in +91-22-6618 6339

NESTLE: SELL, TP-Rs3,208 (17% downside)

Sector: FMCG
CMP: Rs3,852; Mcap: Rs371bn
Bloomberg: NEST IN; Reuters: NEST.BO

What's the theme?

We believe the entry of new players in the hitherto-secure noodles segment challenges Nestle's 'cash cow' - Maggie noodles. Further, we believe the premium enjoyed by the stock vis-à-vis FMCG peers is unjustified and would correct.

What will move the stock?

1) Intense competition in the noodle segment (~35% of total EBITDA) would impact Nestle's pricing power. We expect decline in EBITDA margin by 50bps and 60bps in CY11 and CY12; 2) Nestle currently trades at ~48% premium over FMCG sector. However considering lower pricing power for key products and pressure on return ratios, we believe that this premium will narrow to 25% (last two-year average).

Where are we stacked versus consensus?

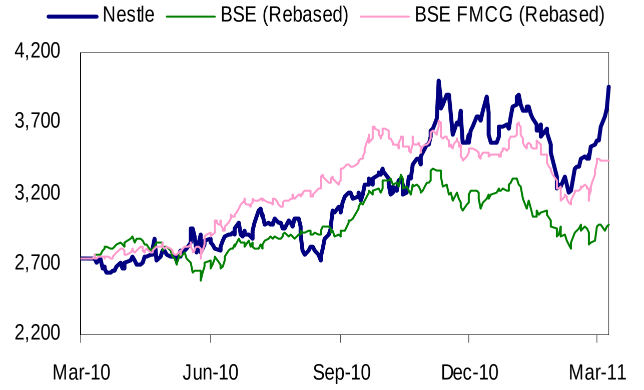
Our estimates and target price are among the lowest on the street, underpinned by pressure on EBITDA margin and narrowing of Nestle's P/E premium to 25%. We assign P/E of 30x on next 12-months earnings to derive TP of Rs3,208.

What will challenge our target price?

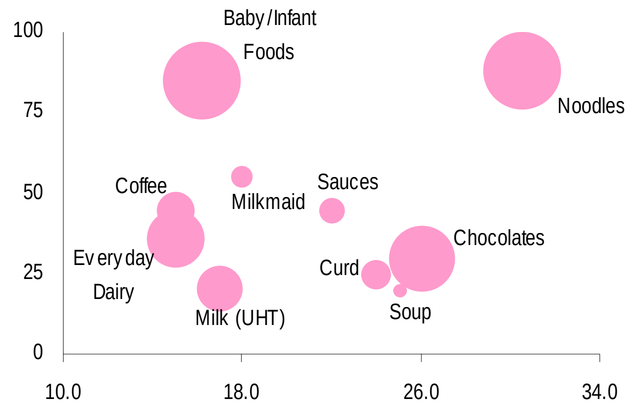
1) We expect Nestle would focus on retaining volume market share for Maggi noodles and therefore assume volume-driven growth going forward. This assumption would result in lower profitability for Nestle. Any change in this strategy would impact our estimates; 2) We expect ITC, GSK Consumer and HUL to be aggressive in the noodle segment; any delay in such efforts would again help Nestle record better profitability.

(Rs mn)	CY09	CY10	CY11E	YoY %	CY12E	YoY %
Net Sales	51,395	62,632	75,961	21.3	92,659	22.0
EBITDA	10,448	12,621	14,924	18.2	17,646	18.2
EBITDA Marg. (%)	20.3	20.2	19.6	(50)bps	19.0	(60)bps
Adj. Net Profits	6,575	8,217	9,982	21.5	11,955	19.8
Dil. EPS (Rs)	68.2	85.2	103.5	21.5	124.0	19.8
PER (x)	56.5	45.2	37.2	-	31.1	-
ROE (%)	113.1	96.0	82.4	(1,363)bps	73.0	(939)bps
ROCE (%)	179.7	147.5	123.2	(2,430)bps	107.7	(1,543)bps

Price performance



Key brands' sales (Rsmn), growth (%) & market share (%)



Source: PINC Research, Industry, Company

Note: X Axis –Expected Sales Growth in CY10 (%), Y Axis – Expected Market Share in CY10 (%), Size of bubble – Expected Revenue in CY10

naveent@pinc.co.in +91-22-6618 6384

NIIT TECH: BUY, TP-Rs300 (63% upside)

Sector: Information Technology
CMP: Rs184; Mcap: Rs11bn
Bloomberg: NITEC IN; Reuters: NIITT.BO

What's the theme?

NIIT Tech has large exposure to high-growth niche verticals such as insurance and travel. New service lines would boost non-linear growth and lead to improvement in realizations. NIIT Tech has no exposure to the PIIGS zone and it has been able to achieve volume growth in Europe despite economic headwinds.

What will move the stock?

1) Recent wins in the Indian market: Five-year BSF contract of Rs2,280mn; 2) Good performance in the BFSI and travel and transport verticals, which contribute ~73% to revenue; 3) Large untapped opportunity in the APAC markets, which are expected to be highest IT spenders in CY11; 4) Strong order book and high growth in top 10 clients; and 5) Stable EBIDTA margins at 22% in the IT services business, highest among mid-tier peers.

Where are we stacked versus consensus?

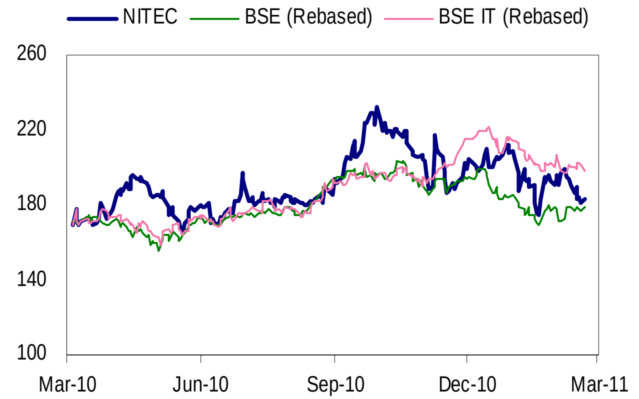
Our FY12 top-line estimate varies from consensus by ~2.4%, underpinned by stronger volumes and modest uptick in pricing. Our FY12 EBITDA margin estimate is 22.1% higher than consensus estimate of 20.3%. Our FY12 EPS estimate is 12.7% higher than consensus.

What will challenge our target price?

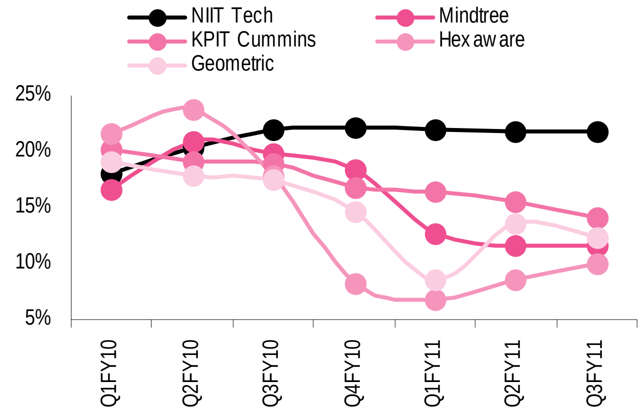
1) Slower recovery in Europe; 2) Sharp currency volatility; 3) Higher attrition and wage increments; and 4) Project delays and cancellation of government contracts.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	9,800	9,138	12,244	34.0	13,483	10.1
EBITDA	1,765	1,889	2,385	26.3	2,979	24.9
EBITDA marg. (%)	18.0	20.7	19.5	(119)bps	22.1	261 bps
Adjusted Net Profit	1,148	1,265	1,839	45.4	1,972	7.2
Dil. EPS (Rs)	19.6	21.5	31.3	45.4	33.6	7.2
PER (x)	9.4	8.5	5.9	-	5.5	-
ROE (%)	29.5	21.7	27.6	591 bps	27.9	27 bps
ROCE (%)	17.1	19.1	20.9	182 bps	22.9	197 bps

Price performance



Strongest EBITDA margin among peers



rohit.anand@pinc.co.in +91-22-6618 6372

PHOENIX MILLS LTD: BUY, TP-Rs240 (41% upside)

Sector: Real Estate
CMP: Rs170; Mcap: Rs25bn
Bloomberg: PHNX IN; Reuters: PHOE.BO

What's the theme?

PHNX's key project, High Street Phoenix (HSP), is now fully operational and it may generate rental income of Rs2-2.2bn in FY12E. In addition, rental income would accrue from renewal of 0.15 msf in HSP.

What will move the stock?

We see the following near-term triggers for the stock: (1) Commencement of three Market City Projects in Q1FY12. (2) Commencement of the first phase of Shangri-La Hotel in Q2FY12. (3) HSP-Phase IV (0.25 msf) - although it gives a strong delta to the company's valuation, it may add significant upside if PHNX manages to get the hospitality FSI (5x).

Where are we stacked versus consensus?

Our EPS estimates for FY11 and FY12 are Rs8.2 and Rs14.3 respectively. Our FY12 earnings estimate is 21.1% higher than consensus estimate of Rs11.8. We have a 'BUY' recommendation on the stock with a target price of Rs240, which discounts FY12E Gross NAV by 20%.

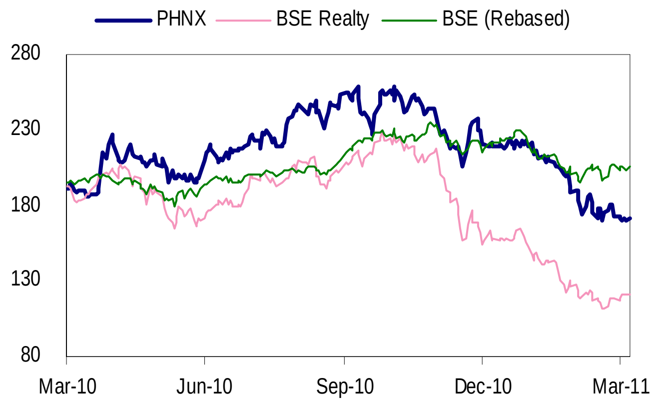
What will challenge our target price?

1) Slowdown in execution in Market City projects and extending free rental periods may hamper holding company profitability.

2) Economic slowdown may affect revenue from Market City and HSP.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	996	1,230	2,621	113.1	5,095	94.4
EBITDA	602	775	1,613	108.2	3,106	92.5
EBITDA Marg. (%)	60.4	63.0	61.5	(145)bps	61.0	(59)bps
Adj. Net Profits	767	620	1,185	91.2	2,064	74.2
Dil. EPS (Rs)	5.3	4.3	8.2	91.2	14.3	74.2
PER (x)	32.1	39.7	20.7	-	11.9	-
ROE (%)	5.5	4.0	7.2	318 bps	11.5	430 bps
ROCE (%)	4.4	3.2	5.3	210 bps	8.2	288 bps

Price performance



PHNX One year forward NAV

Project	NPV (Rs)
High Street Phoenix	141
Market City (Kurla, Bengaluru, Chennai, Pune)	94
Other Residential	18
Investment in Treasure World Developers	18
Investment in Galaxy Entertainment	1
Investment in Phoenix construction	0.1
Other investments	27
Shangrila hotel	21
HSP Phase IV	14
Less: Net Debt	36
G. NAV	**297**
Less: 20% Discount to NAV	59
Net NAV	**238**

suman.memani@pinc.co.in +91-22-6618 6479
abhishek.kumar@pinc.co.in +91-22-6618 6398

TATA STEEL: BUY, TP-Rs817 (36% upside)

Sector: Metals
CMP: Rs601; Mcap: Rs621bn
Bloomberg: TATA IN; Reuters: TISC.BO

What's the theme?

We expect Tata Steel's EBITDA to grow at 42% CAGR over FY10-12, driven by: 1) Higher profitability of integrated Indian operations; 2) Turnaround at Tata Steel Europe (TSE), led by improved capacity utilization, sale of TCP and leaner cost structure; and 3) Improved capital structure post FPO. We expect Tata Steel's consolidated net profit to be Rs60.7bn in FY11 and Rs64.0bn in FY12. Growth triggers include: 1) Improving share of highly profitable Indian operations with completion of 2.9mntpa brownfield expansion at Jamshedpur in FY12; and 2) partial raw material integration for TSE on commencement of mining at Riversdale and New Millennium. We believe the stock is attractively valued at 4.7x FY12E EV/EBITDA.

What will move the stock?

1) Brownfield expansion of 2.9mntpa at Jamshedpur - this would increase the share of profitable Indian operations (FY11E EBITDA/t of USD382 vs. USD141 at the consolidated level); 2) Improved capital structure with manageable financial leverage (1.2x pre-FPO vs. 1.0x post-FPO); 3) better outlook provided by global steel majors; 4) progress on raw material integration in TSE; and 5) increased stake in Riversdale to 27.1%, for which Rio Tinto has raised bid-price for takeover.

Where are we stacked versus consensus?

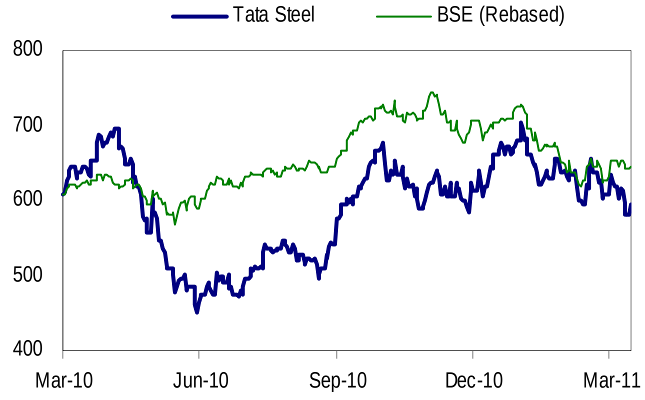
Our consolidated estimates are slightly lower vs. consensus. We value Tata Steel using SOTP methodology at Rs817.

What will challenge our target price?

1) Weak recovery in Europe - this could lead to TSE not being able to pass on increase in raw material cost, resulting in EBITDA losses; 2) Delay in brownfield expansion; and 3) Delay in commencing mining at Riversdale/New Millennium.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	1,473,293	1,023,931	1,130,648	10.4	1,200,867	6.2
EBITDA	181,277	80,427	154,997	92.7	161,226	4.0
EBITDA Marg. (%)	12.3	7.9	13.7	585 bps	13.4	(28)bps
Adj. Net Profits	90,454	(6,430)	60,680	NA	64,050	5.6
Dil. EPS (Rs)	104.1	(6.8)	58.7	NA	62.0	5.6
PER (x)	4.4	-	10.2	-	9.7	-
ROE (%)	26.4	-	18.8	NA	16.0	(277)bps
ROCE (%)	13.7	-	9.7	NA	9.9	19 bps

Price performance



SOTP Valuation (Based on EV/EBITDA multiple)

In Rs mn	Target EV/EBIDTA	Target EV	Residual Equity	Target Price (Rs)
Tata Steel India	6.5	799,775	878,548	850
Tata Steel Europe (Corus)	5.0	160,151	(61,960)	(60)
Tata Steel Thailand	4.5	8,788	8,788	9
Natsteel	4.5	18,903	18,903	18
Tata Steel cons.	**6.1**	**987,616**	**844,279**	**817**

bikash.bhalotia@pinc.co.in +91-22-6618 6387
harleen.babber@pinc.co.in +91-22-6618 6389
dipti.vijaywargi@pinc.co.in +91-22-6618 6393

ULTRATECH CEMENT: BUY, TP-Rs1,177 (14% upside)

Sector: Cement
CMP: Rs1,028; Mcap: Rs282bn
Bloomberg: UTCEM IN; Reuters: UTCL BO

What's the theme?

The cement industry is suffering from over-supply and substantial rise in costs. Cement demand is expected to pick up in the current quarter and continue until the onset of monsoons, giving price flexibility to manufacturers. Although all is still not well for the sector, the intense pain of Q2FY11 appears to be behind.

What will move the stock?

1) UTCEM has the most balanced geographical spread of cement capacities with major demand centers, North, West and South, each accounting for 25% of total capacity. We expect UTCEM to achieve volume of 42mn mt in FY12. 2) The demand-supply gap in South had widened due to newer capacities being commissioned and slump in demand in the key AP state. With realisations plummeting, the industry moved into the red. Nevertheless, the cement industry maintained production discipline, which supported growth in realisations, engendering marginal profit for incumbents. The discipline is expected to hold on until visible growth in demand emerges. 2) Developmental projects in AP, which were stalled, should receive a boost considering easing political tensions in the state, which has been the trouble spot for the cement industry. 3) With growth in realizations, we expect a 300bps expansion in margins in FY12. 4) UTCEM has lined up capex of Rs100bn to add 9.2mn mt capacity over the next three years.

Where are we stacked versus consensus?

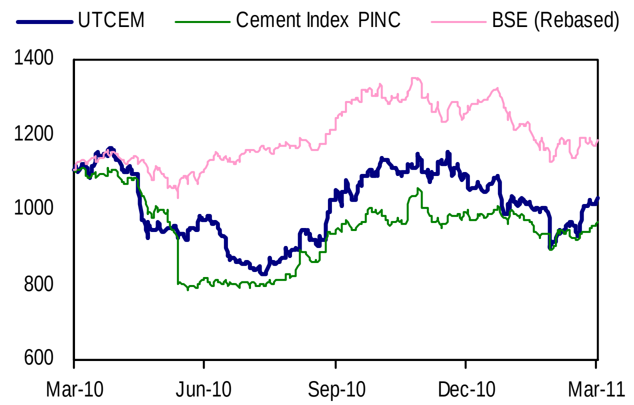
Our FY11 and FY12 earnings estimates are Rs52.6 and Rs69.1 respectively. Our FY12 earnings estimate is 10.8% higher than consensus estimate of Rs62.4. We have a 'BUY' recommendation on the stock with a target price of Rs1,177, which discounts FY12E EBITDA by 8x.

What will challenge our target price?

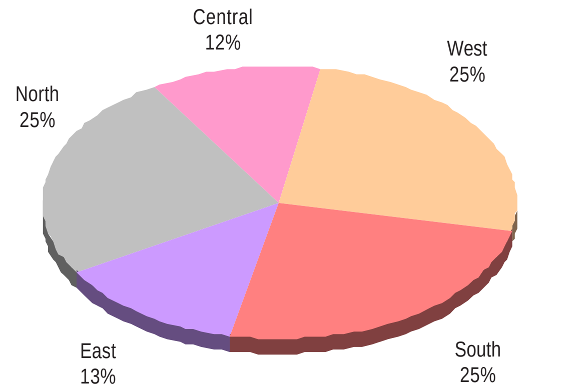
1) Substantial increase in fuel costs especially coal would impact margins ; 2) Escalation of unrest in AP in view of the Telangana issue stalemate would undermine demand growth.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	63,830	70,497	133,822	89.8	168,358	25.8
EBITDA	17,310	20,354	27,202	33.6	39,195	44.1
EBITDA Marg. (%)	27.0	28.6	20.2	(840)bps	23.1	300 bps
Adj. Net Profits	9,488	10,932	12,446	13.8	18,944	52.2
Dil. EPS (Rs)	76.2	87.8	52.6	(40.1)	69.1	31.4
PER (x)	13.5	11.7	19.5	-	14.9	-
ROE (%)	30.1	26.6	16.4	(1020)bps	16.6	20 bps
ROCE (%)	25.4	25.2	17.9	(730)bps	17.9	0 bps

Price performance



Capacity - Regional spread



vineet.hetamasaria@pinc.co.in +91-22-6618 6388
nikhil.deshpande@pinc.co.in +91-22-6618 6339

USHA MARTIN: BUY, TP-Rs82 (56% upside)

Sector: Metals
CMP: Rs53; Mcap: Rs16bn
Bloomberg: USM IN; Reuters: USBL.BO

What's the theme?

We expect Usha Martin to benefit from 32% volume CAGR over FY10-FY12E and an improved cost structure; expansion of metallics and steel capacities and commencement of captive coal make the company fully integrated from mineral resources to value-added products. On a consolidated level, we estimate 29% EBITDA CAGR and 26% EPS CAGR over FY10-FY12. Further, FY12E EV/EBITDA of 3.4x adequately factors-in concerns of disappointing results; the risk-reward seems favorable.

What will move the stock?

1) Sequential improvement in Q4FY11 results, on resumed operation of 30MW captive power; transportation of captive coal could ease concerns of disappointing results and revive investor confidence; 2) Volume would grow on higher metallics and billet output from recently-commissioned capacities; and 3) Foreign subsidiaries are expected to perform better.

Where are we stacked versus consensus?

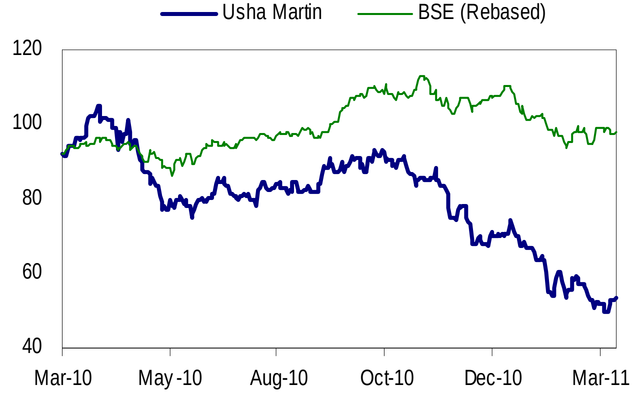
Our earnings estimates are almost in line with consensus estimates.

What will challenge our target price?

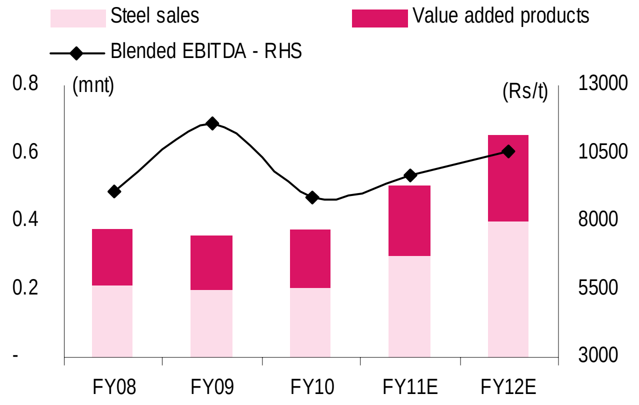
1) Continued under-performance and inability to grow volumes and expand margins despite integrated operations; 2) Weak recovery in Europe, which contributes >10% to consolidated revenue; 3) Impact on mining operations either due to regulatory changes or naxalite activities; and 4) Severe decline in steel profitability.

(Rs mn)	FY09	FY10	FY11E	YoY %	FY12E	YoY %
Net Sales	29,619	25,344	30,191	19.1	41,516	37.5
EBITDA	5,258	4,895	5,896	20.4	8,177	38.7
EBITDA Marg. (%)	17.8	19.3	19.5	21 bps	19.7	17 bps
Adj. Net Profits	1,853	1,686	1,444	(14.4)	2,691	86.4
Dil. EPS (Rs)	7.4	5.5	4.7	(14.4)	8.8	86.4
PER (x)	8.8	9.5	11.1	-	6.0	-
ROE (%)	17.6	11.9	8.3	(365)bps	14.1	584 bps
ROCE (%)	11.5	9.5	8.5	(91)bps	10.3	176 bps

Price performance



Sales volume & EBITDA growth



bikash.bhalotia@pinc.co.in +91-22-6618 6387
harleen.babber@pinc.co.in +91-22-6618 6389
dipti.vijaywargi@pinc.co.in +91-22-6618 6393

PINC RESEARCH

T E A M

EQUITY DESK

Sadanand Raje	Head - Institutional Sales Technical Analyst	*sadanand.raje@pinc.co.in*	91-22-6618 6366

RESEARCH

Vineet Hetamasaria, CFA	**Head of Research**, *Auto, Cement*	*vineet.hetamasaria@pinc.co.in*	91-22-6618 6388
Nikhil Deshpande	*Auto, Auto Ancillary, Cement*	*nikhil.deshpande@pinc.co.in*	91-22-6618 6339
Tasmai Anil Merchant	*Auto, Auto Ancillary, Cement*	*tasmai.merchant@pinc.co.in*	91-22-6618 6377
Vinod Nair	*Construction, Power, Capital Goods*	*vinod.nair@pinc.co.in*	91-22-6618 6379
Ankit Babel	*Capital Goods*	*ankit.b@pinc.co.in*	91-22-6618 6551
Hitul Gutka	*Power*	*hitul.gutka@pinc.co.in*	91-22-6618 6410
Subramaniam Yadav	*Construction*	*subramaniam.yadav@pinc.co.in*	91-22-6618 6371
Madhura Joshi	*Power*	*madhura.joshi@pinc.co.in*	91-22-6618 6395
Satish Mishra	*Fertiliser, Engineering*	*satish.mishra@pinc.co.in*	91-22-6618 6488
Urvashi Biyani	*Fertiliser, Engineering*	*urvashi.biyani@pinc.co.in*	91-22-6618 6334
Naveen Trivedi	*FMCG*	*naveent@pinc.co.in*	91-22-6618 6384
Rohit Kumar Anand	*IT Services*	*rohit.anand@pinc.co.in*	91-22-6618 6372
Namrata Sharma	*Media*	*namrata.sharma@pinc.co.in*	91-22-6618 6412
Ronak Bakshi	*Media*	*ronak.bakshi@pinc.co.in*	91-22-6618 6411
Bikash Bhalotia	*Metals, Mining*	*bikash.bhalotia@pinc.co.in*	91-22-6618 6387
Harleen Babber	*Metals, Mining*	*harleen.babber@pinc.co.in*	91-22-6618 6389
Dipti Vijaywargi	*Metals, Mining*	*dipti.vijaywargi @pinc.co.in*	91-22-6618 6393
Sushant Dalmia, CFA	*Pharma*	*sushant.dalmia@pinc.co.in*	91-22-6618 6462
Suman Memani	*Real Estate, Mid caps*	*suman.memani@pinc.co.in*	91-22-6618 6479
Abhishek Kumar	*Real Estate, Mid caps*	*abhishek.kumar@pinc.co.in*	91-22-6618 6398

SALES

Rajeev Gupta	*Equities*	*rajeev.gupta@pinc.co.in*	91-22-6618 6486
Ankur Varman	*Equities*	*ankur.varman@pinc.co.in*	91-22-6618 6380
Himanshu Varia	*Equities*	*himanshu.varia@pinc.co.in*	91-22-6618 6342
Shailesh Kadam	*Derivatives*	*shaileshk@pinc.co.in*	91-22-6618 6349
Ganesh Gokhale	*Derivatives*	*ganeshg@pinc.co.in*	91-22-6618 6347

DEALING

Mehul Desai	*Head - Sales Trading*	*mehul.desai@pinc.co.in*	91-22-6618 6303
Naresh Panjnani	*Co-Head - Sales Trading*	*naresh.panjnani@pinc.co.in*	91-22-6618 6333
Amar Margaje		*amar.margaje@pinc.co.in*	91-22-6618 6327
Ashok Savla		*ashok.savla@pinc.co.in*	91-22-6618 6321
Sajjid Lala		*sajjid.lala@pinc.co.in*	91-22-6618 6337
Raju Bhavsar		*rajub@pinc.co.in*	91-22-6618 6322
Kinjal Mehta		*kinjal.mehta@pinc.co.in*	91-22-6618 6333
Chandani Bhatia		*chandani.bhatia@pinc.co.in*	91-22-6618 6324
Hasmukh D. Prajapati		*hasmukhp@pinc.co.in*	91-22-6618 6325
Kamlesh Purohit		*kamlesh.purohit@pinc.co.in*	91-22-6618 6357

SINGAPORE DESK

Amul Shah		*amul.shah@sg.pinc.co.in*	0065-63270626/27

DIRECTORS

Gaurang Gandhi		*gaurangg@pinc.co.in*	91-22-6618 6400
Hemang Gandhi		*hemangg@pinc.co.in*	91-22-6618 6400
Ketan Gandhi		*ketang@pinc.co.in*	91-22-6618 6400

COMPLIANCE

Rakesh Bhatia	Head Compliance	*rakeshb@pinc.co.in*	91-22-6618 6400

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1216, Maker Chambers V, Nariman Point, Mumbai - 400 021; Tel.: 91-22-66186633/6400 Fax : 91-22-22049195