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Sharekhan Special

Q3FY2011 Retail earnings preview

Retail counter continues ringing

The continued consumer confidence on the back of sustained economic buoyancy, the festive season (Diwali, Chirstmas) that fell this time in the third quarter and a strong winter across the country kept the retail stores busy with increased footfalls and higher conversion.

Our talks with various retailers (listed as well as non-listed) have revealed that the same-store sales growth momentum remains strong in the high teens, with home retailing witnessing strong traction along with the other lifestyle categories.

We expect Pantaloon Retail to post a growth of 12%, 15% and 12% in the same-store sales of the value retailing, lifestyle retailing and home retailing segments respectively. The 41.3% year-on-year revenue growth may not be very meaningful as the third quarter's numbers would include the results of the home retailing business, which was part of the consolidated entity last year.

Shoppers Stop, riding the lifestyle segment with robust expansion activity, is likely to witness a growth of over 10% in its same-store sales. The year-on-year revenue comparison again would be misleading due to the inclusion of Hypercity's financials in the third quarter. Nevertheless, the revenue momentum continues to be strong and we expect Shoppers Stop's lifestyle segment to deliver a 27.8% growth in the third quarter.

Among the other retailers, Titan Industries would continue to have another strong quarter (28% growth year on year) on the back of a 29% growth in the jewellery business and a 16% growth in the watch business.

Jubilant Foodworks' store expansion spree continues and we expect another blockbuster quarter from the company with a 40% year-on-year growth driven by a 30% growth in the same-store sales.

Single category retailers like Page Industries (Jockey), Kewal Kiran Clothing (Killer) and Provogue India are also likely to see a strong revenue growth upwards of 20% in the core retail segment. Kewal Kiran Clothing, amongst our retail coverage, is likely to see a strong year-on-year revenue growth of about 51% during the quarter.

Quarterly estimates Rs (crore)

Company	Sales			Operating profit			OPM (%)		PAT		
	Q3FY11	Q3FY10	% YoY	Q3FY11	Q3FY10	% YoY	Q3FY11	Q3FY10	Q3FY11	Q3FY10	% YoY
Coverage											
KKCL	58.7	38.9	50.9	15.6	9.2	69.9	26.6	23.6	10.8	6.4	69.8
Provogue India	137.9	123.1	12.0	17.1	13.9	22.7	12.4	11.3	9.7	9.7	-0.2
Non-coverage											
Pantaloon Retail#	2,702.9	1,912.8	41.3	243.0	203.4	19.4	9.0	10.6	66.9	50.7	32.0
Shoppers' Stop*	705.0	393.0	79.4	38.6	25.0	54.4	5.5	6.4	4.7	13.6	-65.4
Titan Industries	1,705.0	1,333.6	27.8	165.0	107.5	53.5	9.7	8.1	120.9	75.4	60.3
Jubilant	164.4	117.4	40.0	28.4	19.9	42.7	17.3	17.0	17.2	11.6	48.3
Page Industries	112.2	89.8	24.9	22.4	15.3	46.7	20.0	17.0	13.9	9.0	54.0
Sharekhan's universe	**5,586.0**	**4,009.0**	**39.4**	**530.14**	**394.3**	**34.5**	**9.5**	**9.8**	**244.1**	**176.4**	**38.4**

Pantaloon's results are for Q2FY2011 and include only the core retail business of the company; hence not comparable on a Y-o-Y basis due to the inclusion of the financials of the home solutions business in the current quarter

*Shoppers Stop's consolidated numbers not comparable on a Y-o-Y basis as the current quarter's financials include loss-making Hypercity's financials

Core EBITDA margin strong, in certain cases headline margin may mask the true picture

Despite rising employee and certain other overhead costs, the reasonable rentals (booked earlier) and sustained strong demand environment led to booking higher full price sales continues to help the retailers to earn high gross margins and similarly decent operating profit margins. In certain cases, the consolidated margins may mask the true picture like in case of Pantaloon Retail (the merger of its loss-making home retail business) and Shoppers Stop (the inclusion of its loss-making Hypercity format).

Earnings growth to mirror or exceed operating profit

Over the past 12 months, retail companies have undertaken stringent cost-control measures, rationalisation of overheads and inventory, and the streamlining of the working capital cycle. They have also taken care of the leverage position in this period. Thus, overall we expect the below-earnings before interest, tax, depreciation and amortisation (EBITDA) level costs like interest and depreciation to remain benign. We, therefore, expect a strong earnings growth from the sector. In our retail universe, we expect a 38.4% year-on-year earnings growth for the quarter.

Kewal Kiran Clothing amongst our retail coverage is likely to see a strong year-on-year earnings growth of about 70% in the third quarter of FY2011.

Player	Key monitorables
KKCL	◆ Road map and strategy ahead for achieving 5x revenue target aimed by the company ◆ Performance of brands, Integriti and Easies, and success of accessories category ◆ Operating leverage status
Provogue India	◆ The occupancy and the revenue status of the Aurangabad mall ◆ The roadmap for site commencement of the other projects ◆ Check on inventory levels
Pantaloon Retail	◆ Same-store sales across categories and business environment post-festive season ◆ Asset turns in the home segment and its performance and operating leverage ◆ Inventory rationalisation's impact and working capital cycle ◆ Management's thoughts on foreign direct investment in the retail sector and strategic investor induction in its newly formed Future Value Retail business
Shoppers Stop	◆ Demand environment post-festive season and store performance in tier-2 cities ◆ Cost structure and the strategy ahead for the Hypercity format
Titan Industries	◆ Performance of the eyewear segment and the break-even period there ◆ Asset turns in the jewellery segment and share of studded jewellery in the total mix
Jubilant Foodworks	◆ Same-store sales growth ◆ Management guidance on the sustainability of the same-store sales growth in the long term ◆ Performance of the new stores added in the hinterland ◆ Status and development of the inorganic plans
Page Industries	◆ Sensitivity of rising raw material prices on the margin ◆ Business opportunities in Sri Lanka and Bangladesh, and plans to capitalise on them

The author doesn't hold any investment in any of the companies mentioned in the article.

Sharekhan Special

Q3FY2011 earnings preview

Key points

- The third quarter of FY2011 started on an extremely positive note with the equity markets surging sharply in September 2010 on the back of the continued momentum in economic revival and strong foreign inflows. However, the sentiments turned edgy by the end of the quarter due to a series of negative news flow (scams, political instability etc) and the emergence of macro headwinds in forms of rising commodity prices globally and stubbornly high food inflation domestically.

- On the earnings front, the news flow remains positive. In spite of the higher base of the previous year and the emerging macro headwinds, the cumulative earnings of the Sensex companies in Q3 are estimated to grow at a healthy rate of 21.8% (over Q3FY2010) and the Sensex' earnings (ex-oil companies) are estimated to grow by 16.3% year on year (YoY).

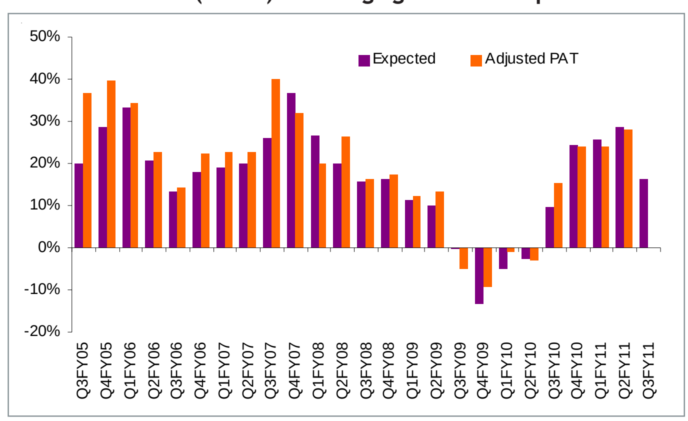
- The growth in the earnings of the Sensex companies (ex-oil companies) would mainly be achieved on the back of a relatively better performance in the oil & gas companies (up 75.9% YoY); the automobile sector (a 54.3% year-on-year [Y-o-Y] earnings growth) and the metal sector (a 50.0% Y-o-Y earnings growth). Meanwhile, the telecommunications (telecom), utilities (power generation) and pharmaceuticals (pharma) sectors are likely to be a drag on the Sensex' earnings.

- Within sectors, the stocks that will comprehensively outperform their peers in terms of better Q3FY2011 results are Tata Motors, Tata Steel, Tata Power, HDFC Bank, Tata Consultancy Services (TCS), Bharat Heavy Electricals Ltd (BHEL) and ITC whereas the underperformers would be Maruti Suzuki, Reliance Communications, National Thermal Power Corporation and Cipla.

- Given the expectations of the Q3 report card, the implied growth for earnings in Q4 works out to a steep 25-26% to achieve the consensus estimate for FY2011. This leaves little scope for error. Consequently, it would not be surprising if the Street downgrades the FY2011 and FY2012 earnings estimates marginally after the announcement of the Q3 results especially given the pressure on the input cost and the stressed liquidity during the third quarter.

- At the current level, the Sensex is trading at 15.5x one-year forward earnings (on a rolling basis) which is close to its long-term average multiple. The valuations are not expensive anymore and would limit the downside risk from the current levels.

Trend in Sensex (ex-oil)' earnings growth vs expectations

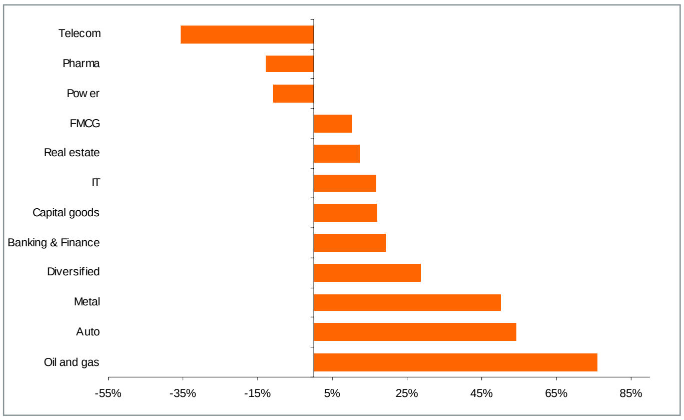


Source: Sharekhan Research

Likely leaders and laggards in Q3FY2011

Outperformers	Underperformers
ITC, Keval Kiran Beverages	Marico, Tata Global
Mahindra & Mahindra, Bajaj Auto	Ashok Leyland
BHEL, V-Guard, Thermax	Emco
Sun Pharma, Glenmark	United Phos, Opto Circuits
Union Bank, Yes Bank, Axis Bank	Andhra Bank
Infosys, HCL Technologies	3i Infotech
IRB Infra	Apollo Tyres

Sector-wise earnings growth in Q3FY2011



Sectoral previews

Auto: Strong volume growth but operating environment challenging

- **Strong volume led top line growth...:** The automobile industry reported record volumes during the festive quarter of FY2011. Hero Honda Motors crossed the 5 lakh monthly mark in two-wheelers while Maruti Suzuki created a new monthly record in passenger cars. We expect the top line of the automotive companies under our coverage to show a 27% Y-o-Y growth and a 3% quarter-on-quarter (Q-o-Q) rise in Q3FY2011.

  We expect the revenue growth to be largely volume driven as the industry shied away from meaningful price hikes during this quarter. For instance, tyre manufacturers were price leaders in the previous few quarters but remained laggards in Q3FY2011 in spite of a spike in natural rubber prices. Similarly, leaders such as Maruti Suzuki, and Mahindra and Mahindra (M&M) restrained from price increases to protect their market share as competition intensified. The industry, however, took pricing action of 1-3% from January 1, 2011 and would see the benefit of the same coming through in Q4FY2011 only.

- **...translating into a modest bottom line:** We expect our coverage universe to report a 13% Y-o-Y bottom line growth but a 9.8% sequential decline for Q3FY2011. Outperformance based on the Q3FY2011 earnings can be expected from Bajaj Auto and M&M amongst the original equipment manufacturers (OEMs) and Greaves Cotton, SKF India and Fag Bearings in the ancillary space.

- **What to focus on?** For all OEMs we would see their contribution per vehicle as the primary checkpoint of quarterly performance as it would reflect the pricing power of their business. We also expect higher volumes to selectively yield favourable operating leverage. Similarly, in the auto ancillary space, we would keep an eye on the contribution margins. Overall, we expect the Q3FY2011 contribution margins to decline by an average of 50 basis points sequentially.

Automobiles: Quarterly estimates Rs (cr)

Company	Net sales		EBIDTA (%)		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	YoY bps	Q3 FY11E	% YoY
Coverage						
Maruti Suzuki	9,692.2	29.2	999.7	-11.8	601.5	-12.5
Bajaj Auto	4,170.4	26.5	835.5	15.5	631.6	32.9
M&M	5,972.1	32.8	937.8	40.1	648.1	56.7
Ashok Leyland	2,136.6	17.7	202.0	-2.1	78.0	-26.1
Apollo Tyres*	1,457.8	10.2	150.9	-26.4	55.9	-45.2
Subros	292.1	27.8	26.4	1.5	8.1	-7.9
Greaves Cotton#	395.7	15.5	63.3	8.6	37.1	13.5
Non-coverage						
Hero Honda	5,092.8	33.1	695.3	5.2	572.5	6.9
Exide Industries	1,186.8	30.0	262.9	20.2	170.6	30.7
SKF India	545.3	16.3	65.2	30.3	40.4	29.8
FAG Bearings	278.3	26.9	49.3	81.2	32.6	98.0
Timken India	116.2	45.6	16.9	82.6	12.8	124.1
Suprajit Eng	96.9	50.8	16.5	18.3	9.0	10.4
Total auto universe	**31,433.2**	**27.9**	**4,321.6**	**8.0**	**2,898.1**	**13.5**
OEMs	27,064.1	29.3	3,670.3	8.1	2,531.8	14.2

*Stand-alone numbers #June ending company

Banking: Strong growth despite hurdles

- **Strong growth despite hurdles:** Banks under our coverage are expected to post a strong growth in their net income driven by a pick-up in the credit growth coupled with an increase in the lending rates (prime lending rate [PLR] and base rate). Despite a lower treasury income and a rising credit cost, we expect the banks to post a healthy growth in their profits (up 22% YoY and 3.1% QoQ ex-Union Bank of India [UBI]), led by a strong growth in their net interest income (NII) and the low base of the previous year.

- **Healthy operating performance:** Led by a pick-up in the credit growth (up 24% YoY vs a rise of 19% YoY in Q2FY2011), an increase in the lending rates and improved yields on investment, we expect these banks to report a strong growth during Q3FY2011. We expect the NII of the private banks to grow by 28% YoY on an average (ex-ICICI Bank) and by 35% for the public sector banks (PSBs). Sequentially, we expect an NII growth of 3.8% for the PSBs and that of 3.5% for the private banks.

Most of the banks have increased their PLR/base rates by 100 to 150 basis points which would ensure a strong growth in the top line.

- **Earnings—growth to sustain:** Though the profit growth is likely to get affected by lower treasury gains, rising credit cost and increased operating expenses, we expect a healthy growth in the profits. Tight liquidity during the quarter led to an increase in the benchmark yields, which resulted in lower treasury gains and increased investment provisions during the period. In addition, the operating expenses are likely to go up (especially for the private banks) due to higher employee expenses.

- **Margins and cost pressure likely:** We expect the net interest margin (NIM) to decline by about 10-15 basis points sequentially due to a sharp increase in the deposit rates. Most of the banks have increased deposit rates by 150 to 200 basis points between October and December of 2010 which is likely to affect the third quarter's margins. However, the impact of the rates hikes will mostly get reflected in the ensuing quarters. On an average, we expect the NIM to stabilise 25 to 30 basis points lower than the current levels. In case of excessive monetary tightening by the RBI, there will be greater pressure on the margins of these banks.

- **Asset quality:** We expect the asset quality of banks to remain largely stable in Q3FY2011, with some blips in case of the PSBs. Slippages from restructured assets coupled with system-based non-performing asset (NPA) recognition had contributed to an increase in the NPAs during Q2FY2011. While we believe the slippages from the restructured assets have peaked and there could be some slippages from sectors like small and medium enterprises (SME) and real estate. Broadly we expect the NPAs to improve in case of the private banks; the PSBs may see NPAs in line with the Q2FY2011 level.

- **Outlook:** Bank stocks have corrected significantly following the steep increase in deposits rates, rising inflation and eruption of several scams. As the inflation rate continues to head northwards, the RBI may resume monetary tightening which may lead to a higher interest rate scenario and affect the credit growth over time. However, we expect liquidity to ease in Q4FY2011 led by government spending and better deposit growth which will support the credit growth. Further, the economy is back on growth path and most of the sectors are contributing to the growth, which lessens the impact on the asset quality of banks. Given the macro environment, the banking sector is likely to underperform in the near term. However, we are sanguine about the medium-to-long-term growth story in the sector and believe that the on-going weakness would provide attractive entry point for investors.

Banking: Quarterly estimates Rs (cr)

Banks	NII		PPP		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
Axis Bank	1670	23.7	1550	13.1	820	25.0
HDFC Bank	2655	19.4	2010	24.1	1050	28.0
ICICI Bank	2240	8.7	2440	3.0	1354	23.0
Federal Bank	458	20.2	390	18.2	150	36.4
Yes Bank	318	50.7	300	36.4	182	44.4
Pvt bank total	**7341**	**17.9**	**6690**	**13.2**	**3556**	**26.4**
Allahabad Bank	1050	55.3	805	23.8	395	14.4
Andhra Bank	805	38.2	563	16.8	310	12.6
Bank of Baroda	2127	32.9	1701	35.0	1010	21.7
Bank of India	1830	22.8	1430	26.5	660	61.0
Corp Bank	751	25.4	601	9.1	347	14.1
IDBI Bank	1211	68.5	1026	60.3	421	46.4
PNB	3141	34.9	2280	25.4	1170	15.7
SBI	8320	31.6	6460	39.8	2820	13.7
UBI	1650	55.7	1170	28.6	621	17.2
PSB total	**20885**	**35.8**	**16036**	**33.0**	**7754**	**19.8**
Banks total	28226	30.7	22726	26.5	11310	21.8

NBFCs Rs (cr)

Company	NII		Operating profit		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
HDFC	1040	21.7	1195	22.2	827	23.3

Stand-alone

Capital goods & engineering: Top line growth to pick up on improved execution

- **Top line growth to perk up in Q3FY2011:** We expect most of the capital goods companies under our coverage to report a pick-up in execution in Q3FY2011 and post a cumulative top line growth of 25.3% Y-o-Y. This would provide the needed boost to their overall FY2011 performance as their H1FY2011 results were largely a disappointment on the execution front. In H1FY2011, our capital goods universe reported a subdued 16.5% Y-o-Y growth in the top line on account of slower execution of projects, delay in pick-up from the client side and sluggishness in global demand.

- **OPM to witness pressure:** Most of the capital goods companies under our coverage saw their operating profit margin (OPM) improve in FY2010, especially on account of margin expansion in H2FY2010. We have seen their margins continue with the growth trend in

H1FY2011 on a yearly basis on the back of a higher base of sales as well as a favourable commodity cycle. Now, we feel that the impact of a rise in the prices of commodities like copper and a higher base effect would start reflecting in subdued margins. EMCO is one company which requires to be very closely watched for its operating performance in Q3FY2011. The company reported an operating loss in H1FY2011 marred by severe competitive pricing pressure in the transformer segment and cost overruns in its project business.

- **...moderate growth in net profit:** We have assumed the interest expense of most of the companies to be slightly higher for the third quarter compared with H1FY2011 levels amid hardening working capital requirements and rising interest rate scenario. In view of the lower OPM on a Y-o-Y basis, we expect the cumulative bottom line of the companies under our coverage to grow by 16.6% YoY.

- **Outlook:** The concerns over competitive pressure in the wake of a slew of boiler turbine generator orders won by Chinese power equipment manufacturers from Indian power developers in the last two months have aggravated. This has also led to the underperformance of the capital goods index against the broad indices. However, we feel that the concerns with regard to competition are overdone as there are many more orders expected in the power sector particularly from the state utilities. Further, due to the impending closure of the 11th Five-Year Plan we are expecting accelerated investment in the power T&D space. This would benefit particularly the transformer companies like Crompton Greaves and EMCO under our coverage. We also believe that better than expected order intake and execution would act as positive triggers for this space. Also, the recent correction has provided a good entry point to the investors in this space. Our top picks in the space would be L&T, BHEL, Thermax and V-Guard Industries.

Capital goods & engineering: Quarterly estimates Rs (cr)

Company	Net sales		OPM (%)		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	YoY bps	Q3 FY11E	% YoY
BHEL	9,068.9	27.7	19.0	-121	1,285.1	19.8
Crompton#	2,428.7	8.1	13.9	-34	216.1	8.2
EMCO	232.6	11.8	7.0	-577	1.8	-82.0
Genus Power	152.4	13.9	15.5	706	9.7	282.4
L&T	10,211.3	26.5	11.0	-85	782.7	12.4
Thermax*	1,051.4	44.8	11.7	-59	79.2	40.2
V-Guard Ind	175.0	46.3	9.4	10	7.3	38.7
Total sales	**23,320.3**	**25.3**	**14.4**	**-89**	**2,381.9**	**16.6**

*Stand-alone #Consolidated

Cement: Poor volume coupled with cost pressure to dent earnings

- **Prolonged monsoon disappoints cement offtake during Q3FY2011:** Due to the prolonged monsoon and poor demand from the real estate segment, the cement off take in the domestic market was severely affected in Q3FY2011. The all India cement dispatches year till date (YTD; April-Nov 2010) grew by around 6.1% as compared to industry's expectation of a volume growth of 8-9% for FY2011. The performance of the industry in terms of volume growth in Q3FY2011 is likely to deteriorate as the volume growth for October-November was restricted to just 5.1% on a Y-o-Y basis. Particularly the volumes during the quarter have declined for the companies operating in the southern region. Thus, among the companies in the Sharekhan's cement universe, the south based ones like India Cements, Madras Cements and Orient Paper &Industries (Orient Paper) are likely to register a sharp decline in their dispatches for Q3FY2011. Whereas JP Associates is expected to post healthy volume growth.

- **Prices recovered due to supply discipline by manufacturers:** Cement prices were quite volatile during Q3FY2011 as they underwent movement in the southward as well as the northward direction. Due to the unabsorbed impact of the price hike undertaken at the end of Q2FY2011, the average price of cement for Q3FY2011 is expected to register a sharp sequential growth for the south based companies. Among our coverage companies the realisation on a sequential basis is expected to improve in the range of 6% to 15%. Companies with higher exposure to the southern region like India Cements, Madras Cements and Orient Paper are expected to post a sharp sequential growth in their realisations. As per the recent channel check, the prices are stabilising and are set to increase in January with a gradual pick up in cement offtake.

- **Cost pressure to offset positive impact of increase in realisation:** Given the poor volume offtake, the revenues of most of the companies under our coverage are likely to decline in the range of 1% to 8%. Further, cost inflation in terms of higher coal/pet coke prices and an increase in freight cost (due to increase in lead distance and diesel price) are expected to offset the positive impact of increase in realisations. The OPM performance of companies under our coverage is likely to be mixed with south based companies expected to register an expansion in their margins in the range of 3 to 4 percentage points whereas other companies are expected to show a contraction in their margins in the range of 5 to 20 percentage points.

- **Poor performance at the bottom line:** In addition to the poor performance in top line and cost pressure, the cement companies are expected to have faced more pressure on their bottom lines in Q3FY2011 due to a sharp increase in the interest and depreciation charges due to capacity addition carried out in the last one year. The bottom lines of India Cements and Madras Cements are expected to grow by over 30% due to the low base effect and a sharp price recovery whereas the bottom lines of Grasim Industries (Grasim), Shree Cement and Orient Paper are likely to decline in the range of 30% to 77%. Further, the bottom line of diversified JP Associates is expected to fall by 22.7%.

Cement: Quarterly estimates Rs (cr)

Company	Net sales		OPM (%)		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	YoY bps	Q3 FY11E	% YoY
Grasim*	4,748.0	-0.8	22.3	-659	496.8	-30.6
Ultratech	3,644.5	120.6	18.4	-478	288.8	47.3
Shree Cement	836.0	-3.5	19.3	-1,937	37.8	-77.6
Orient Paper	387.0	4.6	11.8	-639	15.9	-47.3
India Cements	792.2	-8.3	17.0	355	35.4	30.4
Madras Cement	537.8	-11.4	21.7	403	21.5	34.4
JP Associate	3,706.4	29.9	22.0	-510	243.38	-22.7

UltraTech is post-merger of Samruddhi Cement, hence non-comparable on YoY

*Consolidated

Construction: Execution picks up post monsoon but high interest cost to dampen growth

- **Execution to pick up post-monsoon:** With the monsoon season over, we expect the execution of projects to pick up. Thus, we expect the revenue of the engineering, procurement and construction (EPC) companies (ex-Punj Lloyd) in our universe to grow by 20% YoY. On the asset development side, we expect a 62% year-on-year (Y-o-Y) growth for IRB Infrastructure Developers (IRB Infra) on the back of robust EPC revenues as two to three of its projects commenced construction during the quarter. We expect a 4% quarter-on-quarter (Q-o-Q) growth for IL&FS Transportation Networks (India) Ltd (ITNL; the Y-o-Y figure is not available) as four of its projects that had commenced construction in Q2 picked up momentum in the third quarter.

- **Higher working capital during H1FY2011 to put pressure on earnings:** Poor execution during H1FY2011 had resulted in a surge in the working capital days across the construction industry. This resulted in higher borrowings which will lead to a higher interest cost during the third quarter. Thus, despite a flat OPM YoY, a higher interest cost will lead to a 16.4% Y-o-Y growth in the profit after tax (PAT) for the EPC companies (ex-Punj Lloyd). In case of IRB Infra, we expect a 14% Y-o-Y growth in the PAT due to a lower operating margin on account of a higher contribution from the EPC business. For ITNL we expect a flat growth sequentially.

- **Sluggish order inflow in Q3FY2011, Q4 to see revival:** The order inflow for the whole of Q3FY2011 was muted at Rs36,170 crore and saw a fall of 19% YoY and that of 23% QoQ. In fact, the order inflow has been consistently falling since the last three quarters. We believe the telecommunications (telecom) scam along with the LIC Housing Finance scam resulted in weak momentum during the quarter. However, the last fortnight of the quarter (accounting for one-third of the total inflow during Q3) showed a pick-up in the project awarding activity and we believe the trend should continue in Q4FY2011.

- **Watch out for execution, be selective:** After witnessing a slowdown in the project awarding activity over the last two to three quarters, the order inflow seems to be picking up recently. This will keep the order book position for the construction companies healthy, thus providing a strong growth visibility. However, the pick-up in execution remains one of the key variables and re-rating factors to watch out. Normally, the second half of a fiscal is robust for construction companies in terms of execution. Hence, execution should pick up from Q3FY2011 onwards. Given the recent steep correction and underperformance of this sector, the valuations of the major companies in this space have turned attractive. We like ITNL and IRB Infra among the larger players and Pratibha Industries among the smaller players.

Construction: Quarterly estimates Rs (cr)

Company	Net sales		OPM (%)		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	YoY bps	Q3 FY11E	% YoY
Coverage						
IL&FS Trans	916.6	-	32.1	-	107.9	-
IRB Infra	700.2	61.7	39.3	-1310	104.5	14.3
Gayatri Pro	402.7	20.6	12.3	1	18.6	21.4
Pratibha Ind	315.8	34.7	13.8	-34	16.4	49.7
Punj Lloyd	2489.6	-14.3	8.5	125	56.5	352.9
Unity Infra	469.9	17.0	13.5	94	28.4	16.3
Non-coverage						
C&C Constn	333.3	18.8	18.0	-418	15.6	-20.6
Simplex Infra	1296.5	17.8	9.9	55	33.1	27.5

FMCG: Volume-led top line growth; margin pressure persists

- **Top line growth—largely volume driven:** We expect the top line growth of Sharekhan's FMCG universe to be at around 16.0% YoY, primarily driven by strong sales volume in various categories during the quarter. The strong volume growth can be attributed to buoyancy in rural demand due to better monsoon, improved consumer sentiments and sustained higher investments on advertisement and promotional activities. Most of the companies have implemented price hikes to cover the sharp increase in the input cost during the quarter. With improved macro parameters and consequential pick-up in consumption, we don't expect these price hikes to have any significant impact on the sales volume of the categories (except the highly competitive categories such as soaps, detergents and shampoos). In fact, it will add on to the overall value growth of the companies in Q3FY2011.

- **Higher commodity prices continue to hurt margins:** The sharp increase in the key input prices and sustenance of higher investments towards advertisement and promotional activites would significantly affect the operating margins of the companies under the Sharekhan's FMCG universe in Q3FY2011. Although the companies have implemented price hikes (in the range of 5-15%), these are not enough to cover the spike in the input prices (especially palm oil and copra). Hence we expect the bottom line growth to be lower compared to the top line growth for most of the companies in Q3FY2011.

- **Sector outlook:** With the on-going festive season and improved consumer sentiments, we expect the sustenance of the strong sales volume growth in the domestic market in the coming quarter. However any further increase in the key input prices would continue to hurt the margins going forward. Thus we expect the companies to further increase the product prices in the coming quarters. We expect these price hikes to get absorbed by the market and would not have any significant impact on the sales volumes of the companies.

  On the other hand, the longer term consumption story remains intact and we expect all the FMCG companies to continue to grab opportunities in the domestic market. Further, most of the FMCG companies (including Godrej Consumer Products Ltd [GCPL], Marico and Dabur) have enhanced their focus towards building up international portfolios and expanding their reach into various international markets (especially the growing economies). The international business currently contributes around 20-30% to the overall turnover of these companies. This augurs well for these companies from the long-term growth perspective.

- **Top picks in the sector:** With a de-risked business model and strong earnings visibility over the long run, we maintain our penchant for ITC in the large cap FMCG space. On the other hand, with a recovery in the core soap segment and expected strong performance by the recent acquisitions, we like GCPL among the mid-cap FMCG stocks.

Others

- **Indian Hotels—increase in occupancies and ARRs to boost profitability:** We expect Indian Hotels Company Ltd (IHCL)'s top line to grow by 12.7% YoY to Rs493.6 crore. The double-digit growth is attributable to a strong improvement in occupancies and an increase in the average room rentals (ARRs). With a strong growth in foreign tourist arrivals and buoyancy in domestic tourism, we expect the occupancy ratio to stand at 73% and the average room rate (ARR) to increase by more than 10% in Q3FY2011. Thus, we expect the OPM to improve by 167 basis points YoY to 36.2% and the operating profit to increase by 18.2% YoY. This along with the expected lower interest cost would result in around 25% Y-o-Y growth in the adjusted PAT.

FMCG: Quarterly estimates Rs (cr)

Company	Net sales		Operating profit		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
HUL	5087.1	12.9	692.6	-3.6	622.1	3.2
ITC	5306.7	15.9	1956.7	14.6	1304.9	14.0
GCPL	966.9	86.8	178.9	75.0	124.3	46.1
Marico	765.8	14.4	92.1	-6.7	66.8	1.7
TGBL*	1580.0	2.0	156.7	-20.0	85.9	-17.1
Zydus Wellness	94.6	26.0	22.6	9.3	16.2	12.8
Total	**13801.1**	**16.0**	**3099.7**	**9.0**	**2220.2**	**10.1**
Other						
Indian Hotels	493.6	12.7	178.7	18.2	82.5	25.6

*Adjusted PAT before minority interest/share of profit from associates

IT: Expect to exceed expectations...

- **Revenue growth could surprise in a traditionally weak quarter:** The December quarter has traditionally been weak for information technology (IT) companies owing to a lower number of working days as compared to the number of days in the other quarters. However, this year we expect the IT companies to spring some positive surprises on the revenue front led by the continuity of demand traction from the previous quarters and a demand uptick in the lagging sectors. We expect the revenues of the top four IT companies to show an average growth of 7% QoQ in this December quarter. In terms of the demand outlook for FY2012, the market will keenly monitor the management commentary on client budget for CY2011 (which is expected to be higher by 2-2.5% as per recent consensus management expectations), the broad-based recovery and the sustainability of the demand in verticals other than the banking, financial services and insurance (BFSI) vertical.

- **Margin performance could be better than the Street's expectations:** The key differentiator for the top-tier IT companies' valuations in a strong demand scenario would be their margin performance and their outlook on the same. We expect the margin performance to be better than the Street's expectations, with some significant outperformance from Tata Consultancy Services (TCS) and HCL Technologies (HCL Tech); both the companies' managements had earlier hinted at pressure on the margins for the December quarter.

Key things to watch out for...

- Employee attrition (expected to remain stable, with a marginal improvement).
- The overall demand outlook, clients' IT budgets for CY2011, update on the European region, uptick in discretionary spend.
- Pricing environment.
- Update on hiring plans (lateral hiring plans).

- **Valuation—eye will be on margin hiring, demand environment already in comfort zone:** In the last few quarters we have already witnessed some significant revenue upgrades for the IT sector. We expect the demand to get more broadbased and the uptick in the pricing to further propel revenue upgrades for FY2012. However, we still have concerns on the margin lever execution for FY2012 on account of a higher people related cost and fatigue in the existing margin levers like utilisation. Nevertheless, we expect the consensus earnings upgrades to continue in the coming quarters with the sustained buoyancy in the demand. In recent months the entire IT sector has ridden the growth momentum and continued to outperform the broader market indices. The current valuations of the tier-I IT companies appear a bit stretched and we expect consensus earnings upgrades for FY2012 which will provide some cushion to the current risk-reward parity. We remain positive on the IT sector and our top IT picks remain HCL Tech and Polaris Software Lab (Polaris).

IT: Quarterly estimates Rs (cr)

Company	Net sales		EBITDA		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
Infosys Tech	7197.3	25.4	2418.9	18.7	1848.1	16.8
TCS	9627.0	25.8	2826.5	24.4	2194.5	22.1
Wipro *	8103.8	16.8	1503.2	11.1	1303.3	8.3
HCL Tech#	3887.2	28.2	661.9	3.7	399.3	34.6
Polaris Software	397.2	17.2	59.6	8.7	51.9	29.3
Allied Digital	212.2	18.7	46.5	30.6	33.8	24.6
3i Infotech	649.8	9.0	127.4	6.5	64.4	18.1

*EBIT # June ending

Oil & Gas: Strong earnings growth for upstream companies

- **Improved gasoline and naphtha crack spread led to higher GRMs in Q3FY2011:** The regional benchmark Singapore gross refining margin (GRM) averaged $5.5/barrel (bbl) in Q3FY2011 against $4.2/bbl in Q2FY2011 and $1.9/bbl in Q3FY2010. The strong Q-o-Q and Y-o-Y GRM performance is mainly led by higher gasoline and naphtha crack spreads.

- **Brent crude oil prices improve; Rupee appreciates:** Average Brent crude oil's price increased by 13.2% QoQ and 16.5% YoY to $87.7 per barrel in Q3FY2011. This is likely to positively affect the earnings from the exploration and production (E&P) businesses of the oil and gas companies. The exchange rate of the Indian Rupee (INR) against the US Dollar (USD) appreciated by 3.8% on QoQ as well as YoY basis to $44.85 during the quarter.

- **Light-heavy crude price differential improves significantly in Q3FY2011:** The Arab light-heavy differential increased by around 10% QoQ to $3.1/bbl in Q3FY2011 as compared to $2.8/bbl in Q2FY2011. However, the same is up strongly by 107% YoY.

- **Petrochemical—polyester spread increases in Q3FY2011:** The polymer spreads were down by around 3% QoQ while the integrated polyester spreads were up around 15% QoQ in Q3FY2011. As most of the new petrochemical plants in the Middle East and China started operations, we believe that the Asian petrochemical markets would add some surplus capacities going forward, thus putting pressure on the overall petrochem margins. However, a strong demand in the domestic market should protect Reliance Industries' (RIL) and GAIL's petrochem margins.

- **Subsidy burden to increase by 51% QoQ:** We expect under-recoveries of Rs17,086 crore in Q3FY2011, which is higher by 51% on a Q-o-Q basis, mainly on the back of an increase in the international crude oil prices. On the assumption that upstream would bear one-third under-recoveries, we expect the upstream share of under-recoveries to be Rs5,695 crore. The remaining under-recoveries would be shared between the government and the oil-marketing companies (OMCs). However, as of now there is no exact clarity on the government's share in the under-recoveries.
- **Outlook:** We mention in this note that the lack of clarity on the subsidy sharing mechanism and the timing of diesel de-regulation would remain an overhang on the OMCs. Upstream companies (ONGC, OIL and GAIL) are expected to report strong earnings growth in Q3FY2011 despite an increase in their burden of under-recoveries. We expect refining margins to improve gradually while the excess petrochemical capacity would keep the petrochem margins under check in the near to medium term. We expect GAIL to outperform the Indian oil and gas space on the back of its strong earnings growth outlook.

Oil & Gas: Quarterly estimates Rs (cr)

Company	Net sales		EBITDA		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
Under coverage						
RIL	61119	6.3	9879	5.1	5158	4.8
GAIL*	7716	24.7	1594	25.5	1029	19.6
Non-coverage						
ONGC*	16909	10.4	10823	18.4	5372	75.9
OIL	2327	14.0	1313	23.5	900	25.4
Cairn India	3537	613.9	2901	856.7	2076	613.4

* Stand-alone numbers

Others

Sintex

- The revenue visibility in the monolithic business of Sintex Industries continues to be strong, with the current order book position pegged at approximately Rs2,600 crore (3.6x FY2010 revenues), similar to the levels seen at the end of Q2FY2011.
- Aided by a strong execution-led growth in the monolithic segment and increasing uptake from the custom moulding segments, the company's top line is expected to post a growth a 17% YoY with a margin of 18.1% for the quarter and adjusted earnings growth of 19%. We estimate the top line figure at Rs978 crore for Q3FY2011, with a strong 55% Y-o-Y growth in the monolithic segment. For the quarter we expect a 70-basis-point expansion in the margin from 17.9% in FY2010.

Sintex: Quarterly estimates Rs (cr)

Company	Net sales		Operating profit		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
Sintex	978	17	179	41	86.4	19

Pharmaceutical: Another strong quarter

- **Steady growth continues in Q3FY2011:** We expect the pharmaceutical (pharma) companies to report a steady growth in Q3FY2011. The growth is expected to be driven by new product launches in the US, a strong growth in India and a higher penetration in the emerging markets. However the contract research and manufacturing services (CRAMS) business would recover gradually as demand is picking up at a snail's pace. A sharp pick-up in the abbreviated new drug application (ANDA) approvals, updates on research and development (R&D) pipelines and out licensing deals would act as re-rating factors for generic companies like Glenmark Pharmaceuticals (Glenmark), Cadila Healthcare (Cadila), Lupin, Torrent Pharmaceuticals (Torrent) and Sun Pharmaceutical Industries (Sun pharma) under our coverage universe.
- **Buy Glenmark and Sun pharma to play on results:** We believe Glenmark and Sun pharma are result plays with a possible strong YoY growth. Sun pharma is expected to put up a strong growth due to the integration of Taro, whereas midcap companies like Cadila, Glenmark and Lupin are likely to put on a good show with a better product mix and niche product opportunities in the US generic market. Piramal Healthcare (Piramal) completed its buyback after the sale of Abbott India (Abbott) and the diagnostics business during the quarter and hence the numbers are not strictly comparable. The Indian currency appreciated by about 4% against the USD during the quarter which would slightly temper the sales for companies like Opto Circuits (Opto; high growth seen due to the inclusion of Cardiac Science numbers) and Torrent among the companies under our coverage. Although the pharma sector witnessed fair valuations during the quarter, yet we believe any weakness around the results will be an opportunity to buy. We adopt a pick-and-choose strategy and find value in generic companies with niche/ low competition products, strong ANDA pipelines in the US, and strong momentum in the domestic market.

- *Sun pharma:* Integration of Taro and contribution from low competition products.
- *Glenmark:* Improved base business momentum from the US (Tarka sales) and the semi-regulated markets.
- *Cadila:* Growth driven by domestic and export formulation sales; improved profitability from its foreign subsidiaries.

- **Maintain positive bias:** The BSE Healthcare index continued its outperformance over the Sensex. We like companies with niche/differentiating products having prerequisites to build a strong generic business to drive long term growth. Although some companies do look priced in, yet we believe there is further upside in select pharma companies with a host of product launches (Para IVs, limited competition), joint ventures, and mergers and acquisitions acting as re-rating triggers. We believe focusing on companies with quality and visibility of earnings would be the recipe to outperform the market, peers as well as the sector.

Pharma: Quarterly estimates Rs (cr)

Company	Net sales		OPM (%)		Adj. PAT*	
	Oct-Dec 10	% YoY	Oct-Dec 10	YoY bps	Oct-Dec 10	% YoY
Sun Pharma	1635.5	60.2	32.3	-376	467.2	37.8
Lupin	1451.5	15.6	19.0	-60	215.4	34.1
Piramal	397.5	-56.2	6.5	-134	7.2	-94.6
Cadila Health	1147.5	15.8	22.5	0	165.3	18.3
Glenmark	757.6	22.5	24.5	-99	116.5	23.8
Ipca Lab	480.9	21.5	21.5	-130	63.5	6.0
Opto Circuits	374.3	45.6	25.5	-880	71.2	-0.8
JB Chemicals	229.8	16.0	22.0	160	39.4	33.6
Torrent Pharma	550.4	18.6	17.4	-270	75.5	-9.0
Total	**7025.0**	**15.0**	**23.0**	**48**	**1221.2**	**10.0**

*Excluding forex impact & EO items

Real estate: Pick-up in execution and higher realisation will lead to good results

- With the monsoon season over and construction activity ramping up, the real estate companies are expected to post a good set of numbers for the third quarter of FY2011. Many projects were launched in H2FY2010 revenues from which started flowing from Q3FY2011. A pick-up in execution of these projects will result in higher revenue recognition during the third quarter. Further, the residential prices have risen by 10-20% in this fiscal which has kept the realisations for the real estate companies on an uptrend or firm. Even the commercial sector has seen some firmness. Thus, the Q3 OPM will see an improvement on a Y-o-Y basis as the construction cost has not increased at a similar pace.

- Volumes of the real estate companies are expected to be healthy across India given the festive season during the third quarter. However, in Mumbai the volumes will see a decline given the steep price rise witnessed in M9FY2011.

- **Mahindra Lifespace Developers:** We expect Mahindra Lifespace Developers' revenues to grow by 5.8% YoY to Rs115 crore on the back of the revenue booking from the Aura and Splendour projects which were launched in H2FY2010. Further, the company launched Aura Phase II, Eminente Phase III and Aquality phase II during H1FY2011 which will keep the volume intact. The net income is expected to fall by 4% YoY to Rs26.7 crore.

- **Orbit Corporation:** The volumes are expected to be muted during the quarter, given that there had been no new launches during the last three months. Thus, only the launches that were done earlier in H1FY2011 will keep the volumes ticking.

  We expect Orbit Corporation's revenues to fall by 24% YoY on account of a high base effect but expect it to grow by 17% QoQ to Rs114 crore. We expect Orbit Grand, Orbit Residency and Villa Orb Annex (the new projects launched in the last fiscal) to meet the revenue recognition criteria in this fiscal, thereby driving the revenue growth. We expect the operating profit to grow by 30% YoY on account of expansion in the margin from 28.4% in Q3FY2010 to 48.5% in Q3FY2011. The third quarter of FY2010 was one of the quarters wherein the OPM was very low mainly on account of an increase in the cost of a few projects, which again improved from Q4FY2010 onwards. However, despite a strong growth at the operating level, a higher interest cost along with a higher tax outgo will result in the Q3 PAT dipping by 39% YoY to Rs19.5 crore. In the last fiscal the company had claimed minimum alternative tax (MAT) credit which had resulted in a tax write-back in Q3FY2010.

Real estate: quarterly estimates Rs (cr)

Company	Net sales		Operating profit		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
Mah Lifespace	115.2	5.8	30.2	-1.0	26.7	-4.4
Orbit Corp	114.3	-23.6	55.4	30.3	19.5	-39.1

Retail sparkles—festive season perks up revenue and margin

- **Retail counter continues ringing:** The continued consumer confidence on the back of sustained economic buoyancy, the festive season (Diwali, Chirstmas) that fell this time in the third quarter and a strong winter across the country kept the retail stores busy with increased footfalls and higher conversion.

  The same-store sales growth momentum remains strong in the high teens, with home retailing witnessing strong traction along with the other lifestyle categories.

- **Core EBITDA margin strong:** Despite rising employee and certain other overhead costs, the reasonable rentals (booked earlier) and sustained strong demand environment led to booking higher full price sales and continue to help the retailers earn high gross margins and similarly decent operating profit margins.

- **Earnings growth to mirror or exceed operating profit:** We expect a strong earnings growth from the sector. In our retail universe, we expect a 38.4% Y-o-Y earnings growth for the quarter.

  Kewal Kiran Clothing amongst our retail coverage is likely to see a strong year-on-year earnings growth of about 70% in the third quarter of FY2011.

Company	Key monitorables
KKCL	◆ Road map and strategy ahead for achieving 5x revenue target aimed by the company ◆ Performance of brands, Integriti and Easies, and success of accessories category
Provogue	◆ The occupancy and the revenue status of the Aurangabad mall ◆ The roadmap for site commencement of the other projects ◆ Check on inventory levels
Pantaloon	◆ Same-store sales across categories and business environment post-festive season ◆ Inventory rationalisation's impact and working capital cycle ◆ Management's thoughts on foreign direct investment in the retail sector and strategic investor induction in its newly formed Future Value Retail business
Shoppers Stop	◆ Cost structure and the strategy ahead for the Hypercity format
Titan Ind	◆ Performance of the eyewear segment and the break-even period there ◆ Asset turns in the jewellery segment and share of studded jewellery in the total mix
Jubilant Food	◆ Same-store sales growth ◆ Management guidance on the sustainability of the same-store sales growth in the long term ◆ Status and development of the inorganic plans
Page Ind	◆ Sensitivity of rising raw material prices on the margin

Retail: quarterly estimates Rs (cr)

Company	Net sales		Operating profit		Adj. PAT	
	Q3 FY11E	% YoY	Q3 FY11E	% YoY	Q3 FY11E	% YoY
Coverage						
KKCL	58.7	50.9	15.6	69.9	10.8	69.8
Provogue India	137.9	12.0	17.1	22.7	9.7	-0.2
Non-coverage						
Pantaloon#	2702.9	41.3	243.0	19.4	66.9	32.0
Shoppers' Stop*	705.0	79.4	38.6	54.4	4.7	-65.4
Titan Industries	1705.0	27.8	165.0	53.5	120.9	60.3
Jubilant	164.4	40.0	28.4	42.7	17.2	48.3
Page Industries	112.2	24.9	22.4	46.7	13.9	54.0
Sharekhan's universe	**5586.0**	**39.4**	**530.1**	**34.5**	**244.1**	**38.4**

Pantaloon's results are for Q2FY2011 and include only the core retail business of the company; hence not comparable on a Y-o-Y basis due to the inclusion of the financials of the home solutions business in the current quarter

*Shoppers Stop's consolidated numbers not comparable on a Y-o-Y basis as the current quarter's financials include loss-making Hypercity's financials

Telecom: Strong quarter on revenue front—led by frenetic subscriber addition and strong traffic growth

- **Domestic mobile business expected to post a sequential revenue growth of 3.1%:** On the back of the strong subscriber addition seen in the last quarter and a buoyant festive season (more so with a soft base of Q2FY2011), we expect the traffic momentum to be strong. Hence, we have modeled a 9% sequential growth in the traffic. With a stable tariff environment and a good minute's growth, we expect the mobile business to show a 3.1% sequential growth in the revenues.

  In the last three quarters, there has been a considerable improvement in the domestic telecom environment, which is now witnessing reduced competitive intensity as is visible in the form of lower tariff reduction and a strong volume growth. Along with stabilising tariffs, there has been a strong upsurge in the volume growth witnessed by the incumbent players like Bharti Airtel in the last three quarters.

- **Increasing cost coupled with higher branding spent and Zain consolidation to take a toll on margins:** Despite the strong revenue momentum and a relatively benign competitive environment, the margins for the quarter would be hurt by the increase in the network operating cost and the surge in the selling, general and administration expense due to the re-branding exercise undertaken during the quarter. We expect the quarterly margin at 33.4% as against 33.7% in Q2FY2011.

- **African operations:** The consolidated Q3FY2011 earnings of Bharti Airtel are not comparable on a Y-o-Y basis. For Africa we expect a sequential revenue growth of 3.1% and an EBITDA margin of 23%.

Key result monitorables

- The sustainability of the improvement in the domestic competitive environment and the company's 3G roll-out strategy.
- The financials and the cost structure of Zain Africa and Bharti Airtel's long-term operational strategy in improving the African business.
- The regulatory environment and management commentary on the same.

Telecom: quarterly estimates Rs (cr)

Company	Net sales		Operating profit		Adj. PAT	
	Q3 FY11E	% QoQ	Q3 FY11E	% QoQ	Q3 FY11E	% QoQ
Bharti Airtel	15,897	4.5	5,306	3.6	1,647	-0.9

The author doesn't hold any investment in any of the companies mentioned in the article.

Evergreen

Housing Development Finance Corporation
HDFC Bank
Infosys Technologies
Larsen & Toubro
Reliance Industries
Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
Apollo Tyres
Bajaj Auto
Bajaj FinServ
Bajaj Holdings & Investment
Bank of Baroda
Bank of India
Bharat Electronics
Bharat Heavy Electricals
Bharti Airtel
Corporation Bank
Crompton Greaves
GAIL India
Glenmark Pharmaceuticals
Godrej Consumer Products
Grasim Industries
HCL Technologies
Hindustan Unilever
ICICI Bank
Indian Hotels Company
ITC
Mahindra & Mahindra
Marico
Maruti Suzuki India
Lupin
Piramal Healthcare (Nicholas Piramal India)
Punj Lloyd
Sintex Industries
State Bank of India
Tata Global Beverages (Tata Tea)
Wipro

Cannonball

Allahabad Bank
Andhra Bank
IDBI Bank
Madras Cements
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Shree Cement

Emerging Star

3i Infotech
Allied Digital Services
Axis Bank (UTI Bank)
Cadila Healthcare
Emco
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Greaves Cotton
IL&FS Transportation Networks
IRB Infrastructure Developers
Max India
Opto Circuits India
Patels Airtemp India
Thermax
Yes Bank
Zydus Wellness

Ugly Duckling

Ashok Leyland
BASF India
Deepak Fertilisers & Petrochemicals Corporation
Federal Bank
Gayatri Projects
Genus Power Infrastructures
India Cements
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JB Chemicals & Pharmaceuticals
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Polaris Software Lab
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Provogue India
Punjab National Bank
Ratnamani Metals and Tubes
Selan Exploration Technology
Shiv-Vani Oil & Gas Exploration Services
Subros
Sun Pharmaceutical Industries
Torrent Pharmaceuticals
UltraTech Cement
Union Bank of India
United Phosphorus
V-Guard Industries

Vulture's Pick

Mahindra Lifespace Developers
Orient Paper and Industries
Tata Chemicals
Unity Infraprojects