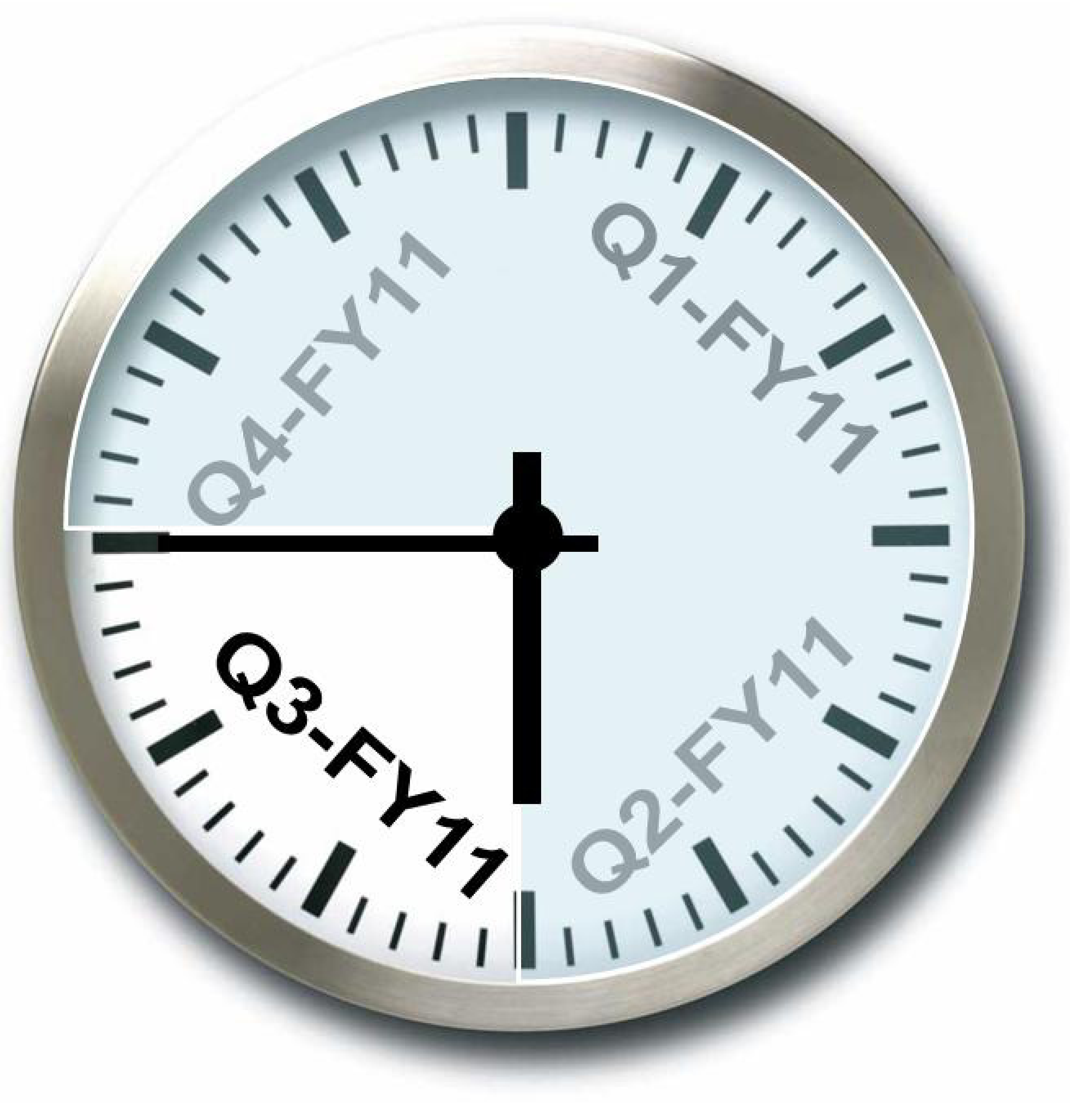

QUARTERLY EARNINGS PREVIEW
Q3 -FY11

Wealth Research, Unicon Financial Intermediaries Pvt Ltd.
Email: wealthresearch@uniconindia.in

Executive Summary

Indian economy continues to grow at a robust pace supported by strong industrial production numbers and agriculture & service sector growth. The global economic recovery is also providing the needed support to the markets. However, inflation, rising interest rates, higher crude prices and political disturbances are the challenges which the economy faces.

The emerging markets, including India, have continued to attract FII funds on a continued basis despite, the premium that Indian markets are trading at. The benchmark indices are trading at 16x FY12e earnings, which is on the higher side compared to other emerging markets. Nifty lost ~3% during the quarter, despite a 65% YoY increase in FII investments. The exchange rate remained flat around INR 45 during the quarter. The strong inflows in India were witnessed on account of robust earnings, higher industrial production & strong credit growth. FIIs have now been allowed to invest more in corporate debt which could accelerate growth in sectors such as Infrastructure & Banks, over the next 3-5 years. As global funds search for growth, we continue to expect better allocations towards India from foreign Institution and will be a desired destination for inflows.

On the domestic front Indian growth has recovered well, led by industry & services. The rural story is unfolding which is positive for the economy. We expect GDP to grow at 9% in FY12 driven by both investment and consumption theme. The third quarter earnings would act as the next trigger for the indices followed by the Union Budget in February. Reforms pertaining to various sectors and FDI would continue to have positive impact. Also Currency appreciation is expected with increased inflow and recovery. Additionally, markets are trading ~16x FY12e earnings, which is on the higher side compared to other emerging markets. We feel the markets would remain range bound due to both positive and negative factors hovering in the investors mind.

The broad based market might move up by 12% to 15% CY11 as the first half would be in consolidation mode. However, market would provide immense opportunities to pick up fundamentally strong stocks which would be multi baggers in years to come. We expect IT, Infrastructure, Power Transmission, Natural Gas & Agrochem stocks to do well over the next two quarters. Consumption theme would continue to attract investments.

Table of Content

Sr. No.	Sector / Company Name	Rating	CMP	52 Week H / L
VI	**Metal and Mining**			
1	Tata Steel Ltd	Hold	704	739 / 449
2	Jsw Steel Ltd	Accumulate	1191	1400 / 930
3	National Aluminium Co Ltd	Hold	392	527 / 331
4	Nmdc Ltd	Buy	284	572 / 227
5	Msp Steel & Power Ltd	Buy	69	80 / 30
6	Pennar Industries Ltd	Buy	51	57 / 28
VIII	**Banking & Finance**			
1	State Bank Of India	Accumulate	2811	3515 / 1863
2	Union Bank Of India	Buy	347	427 / 237
3	Hdfc Bank Ltd	Buy	2346	2540 / 1549
4	Idbi Bank Ltd	Buy	165	202 / 106
5	United Bank Of India	Buy	99	152 / 66
6	Axis Bank Ltd	Buy	1350	1609 / 965
7	Allahabad Bank	Buy	225	272 / 126
8	Oriental Bank Of Commerce	Accumulate	405	546 / 224
9	Yes Bank Ltd	Buy	312	388 / 223
10	Magma Fincorp Ltd	Buy	72	88 / 32
11	Icici Bank Ltd	Buy	1145	1279 / 712
12	Corporation Bank	Buy	636	815 / 405
IX	**Media**			
1	Deccan Chronicle Hldgs Ltd	Buy	106	180 / 86
2	Ht Media Ltd	Buy	145	186 / 125
3	Jagran Prakashan Ltd	Buy	129	157 / 104
4	D.B. Corp Ltd	Hold	265	310 / 201
5	Zee Entertainment Enterprise	Hold	143	162 / 119
6	Utv Software Communications	Accumulate	558	620 / 390
7	Sun Tv Network Ltd	Accumulate	526	550 / 340
X	**Telecom**			
1	Idea Cellular Ltd	Hold	71	80 / 49
2	Bharti Airtel Ltd	Hold	359	377 / 252
XII	**Pharmaceuticals**			
1	Dr. Reddy'S Laboratories	Hold	1694	1855 / 1051
2	Biocon Ltd	Accumulate	412	473 / 252
3	Opto Circuits India Ltd	Accumulate	255	328 / 203
XIII	**Sugar**			
1	Shree Renuka Sugars Ltd	Buy	97	124 / 51
2	Balrampur Chini Mills Ltd	Accumulate	88	146 / 67

Sr. No.	Sector / Company Name	Rating	CMP	52 Week H / L
XIV	**Fertiliser**			
1	Deepak Fertilizers & Petro	Buy	162	213 / 93
2	Chambal Fertilizers & Chem	Accumulate	85	105 / 53
3	Nagarjuna Fertilizers & Ch	Buy	32	42 / 27
XV	**Agri Chem**			
1	United Phosphorus Ltd	Accumulate	158	220 / 143
2	Rallis India Ltd	Accumulate	1396	1591 / 623
3	Tata Chemicals Ltd	Accumulate	392	447 / 274
	J.B. Chemicals & Pharma Ltd	Accumulate	139	147 / 53
XVI	**FMCG**			
1	Dabur India Ltd	Accumulate	100	112 / 73
2	Emami Ltd	Buy	404	519 / 225
3	Godrej Consumer Products Ltd	Accumulate	387	485 / 225
4	Jyothy Laboratories Ltd	Accumulate	270	323 / 151
5	Marico Ltd	Accumulate	120	153 / 93
XVII	**Hotel**			
1	Hotel Leelaventure Ltd	Accumulate	47	59 / 40
2	Royal Orchid Hotels Ltd	Accumulate	84	94 / 55
3	Taj Gvk Hotels & Resorts Ltd	Buy	133	188 / 111
XVIII	**IT**			
1	Tata Consultancy Svcs Ltd	Hold	1165	1180 / 676
2	Patni Computer Systems Ltd	Hold	476	552 / 382
3	Hcl Technologies Ltd	Accumulate	456	463 / 318
4	Infosys Technologies Ltd	Hold	3442	3470 / 2306
5	3I Infotech Ltd	Buy	60	98 / 51
6	Bartronics India Ltd	Buy	89	187 / 72
7	Sasken Communication Techno	Buy	180	238 / 161
XIX	**Shipping and Logistics**			
1	Allcargo Global Logistics Lt	Buy	147	214 / 141
2	Arshiya International Limite	Accumulate	274	363 / 156
3	Container Corp Of India Ltd	Hold	1257	1500 / 1072
XX	**Aviation**			
1	Spicejet Ltd	Accumulate	81	97 / 50
2	Jet Airways India Ltd	Accumulate	763	926 / 380
XXI	**Others**			
1	Hindustan Natl Glass & Indus	Buy	259	284 / 145
2	Hsil Ltd	Buy	127	154 / 70
3	Piramal Glass Ltd	Accumulate	113	142 / 66
4	Asian Paints Ltd	Hold	2879	3027 / 1712
5	Ganesh Polytex Ltd	Buy	76	80 / 32
6	Ess Dee Aluminium Ltd	Accumulate	460	537 / 344

Wealth Research, Unicon Financial Intermediaries Pvt Ltd.
Email: wealthresearch@uniconindia.in

Infrastructure and Capital Goods

Order-intake and project funding in the sector are not major concerns anymore. However, companies (barring a few) are still struggling to execute projects in time due to factors beyond their control, like Geo-political reasons and supply of input material. It goes without saying that the order inflows would be the key element, to watch out for most in the days to come. Working capital management is another issue that remains to be addressed by the industry.

We expect growth traction to gain momentum in both the sectors from now onwards and 2HFY11 would be better than 1HFY11. However, prices of key commodities like copper, which have surged sharply over the last 3-4 months would put pressure on margins of most of the capital goods companies.

We prefer BHEL and Larsen in large cap and Nagarjuna Constructions, Unity Infra in the mid-cap segment

Hindustan Constn. Co. Ltd. (HCC)

CMP: 49 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	10,644	8,871	8,846	20.0	20.3	11,087	(4.0)
Operating Expenses	9,334	7,854	7,713	18.8	21.0	9,654	(3.3)
EBITDA	1,309	1,017	1,133	28.7	15.5	1,433	(8.6)
EBITDA (%)	12.3	11.5	12.8	84 bps	-51 bps	12.9	(4.8)
Reported PAT	234	148	121	58.2	93.5	271	(13.6)
PAT (%)	2.2	1.7	1.4	53 bps	83 bps	2.4	(10.0)
EPS	0.4	0.3	0.2	58.2	97.8	0.5	(20.9)

Market Cap: 29,720 **P/E (FY12E): 19.4x**

**Standalone financials*

Valuation and Outlook

During the quarter, HCC bagged an order from Hindalco valued at INR 514.1Mn to be executed within 15 months. HCC's ambitious Township development project at Lavasa got notice from the Environment Ministry to show cause for alleged violation of the provisions of Environment. Consequently, its proposed IPO is also got delayed. At the CMP, stock trades (excluding its Lavasa Value) at 11.5x its FY12e. Buy for price target of INR 60.

Larsen & Toubro Ltd. (L&T)

CMP: 1976 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	98,380	80,714	92,608	21.9	6.2	100,799	(2.4)
Operating Expenses	86,673	55,037	82,551	57.5	5.0	88,546	(2.1)
EBITDA	11,707	25,677	10,057	(54.4)	16.4	12,253	(4.5)
EBITDA (%)	11.9	31.8	10.9	-1991 bps	104 bps	12.2	(2.1)
Reported PAT	7,674	7,588	7650	1.1	0.3	8,103	(5.3)
PAT (%)	7.8	9.4	8.3	-160 bps	-46 bps	8.0	(3.0)
EPS	12.9	12.7	12.66	1.1	1.6	13.5	(4.7)

Market Cap: 1,201,023 **P/E (FY12E): 24.7x**

**Standalone financials*

Valuation and Outlook

During the quarter under review, L&T bagged orders across all verticals in infrastructure aggregating to INR 110.62bn. The company has also filed DRHP for listing of its finance arm, L&T Finance Ltd. Over FY12-15, the company also intends to unlock the value of its shareholders by listing its IT and Infrastructure arm. Going forward, working capital management and commodity price remain the major issue to be tackled to protect its margin apart from timely execution of projects, which does not seem to be a big issue for the engineering behemoth. At the CMP, stock trades around 24.3x its standalone revenue for FY12e. Hold, for price target of INR 2,100.

IVRCL Infra. & Projects Ltd. (IVRCL)

CMP: 129 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	16,237	11,815	10,502	37.4	54.6	15,872	2.3
Operating Expenses	14,727	10,659	9,549	38.2	54.2	14,314	2.9
EBITDA	1,510	1,156	953	30.6	58.5	1,558	(3.1)
EBITDA (%)	9.3	9.8	9.1	-48 bps	23 bps	9.8	(5.3)
Reported PAT	520	458	233	13.4	123.0	610	(14.9)
PAT (%)	3.2	3.9	2.2	-68 bps	98 bps	3.8	(16.8)
EPS	2.0	1.7	0.87	13.4	124.3	2.4	(17.7)

Market Cap: 34,444 **P/E (FY12E): 10.6x**

**Standalone financials*

Valuation and Outlook

IVRCL, for the quarter bagged several contracts worth INR 35.95bn. The company has also forayed into overseas market by winning few orders in the ME region in the area of Water transmission and hydro electric projects. Besides, diversifying into new segments and geography, the company aims to build its order-book comprising ~20% from overseas market. Order-book diversification in new segment and new geography improve the revenue visibility for the company. Buy for price target of INR 170.

Nagarjuna Consn. Co. Ltd. (NJCC)

CMP: 141 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	15,815	11,865	11,986	33.3	31.9	14,934	5.9
Operating Expenses	14,218	10,684	10,752	33.1	32.2	13,428	5.9
EBITDA	1,597	1,181	1,234	35.3	29.4	1,506	6.1
EBITDA (%)	10.1	10.0	10.3	15 bps	-20 bps	10.1	1.6
Reported PAT	601	479	460	25.5	30.6	590	1.9
PAT (%)	3.8	4.0	3.8	-24 bps	-4 bps	4.0	(15.1)
EPS	2.3	1.9	1.79	25.5	30.4	2.2	6.1

Market Cap: 36,178 **P/E (FY12E): 12.6x**

**Standalone financials*

Valuation and Outlook

During the quarter under review, NJCC secured a contract worth INR 5400Mn. While there are overhangs like the delay in its power venture as well as its real-estate business in Dubai, NJCC is attractively trading for its core construction business. Buy for target price of 165.

Unity Infraprojects Ltd. (UIL)

CMP: 103 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Dev (%)
Revenue from Operations	4,938	4,015	3,461	23.0	42.7	NA	NA
Operating Expenses	4,203	3,479	2,931	20.8	43.4	NA	NA
EBITDA	736	536	530	37.3	38.8	NA	NA
EBITDA (%)	14.9	13.3	15.3	155 bps	-41 bps	NA	NA
Reported PAT	296	244	215	21.4	37.8	NA	NA
PAT (%)	6.0	6.1	6.2	-8 bps	-21 bps	NA	NA
EPS	4.5	3.7	2.91	21.4	54.0	NA	NA
Market Cap: 7,631						**P/E (FY12E):**	**6.1x**

**Standalone financials*

Valuation and Outlook

During Q1FY11, (till date) Unity Infraprojects has secured contracts worth INR 1,620Mn. Accumulate for price target of INR 130.

Patel Engg. Co. Ltd. (PEL)

CMP: 305 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	7,533	6,330	7,659	19.0	(1.6)	NA	NA
Operating Expenses	6,410	5,138	6,498	24.8	(1.3)	NA	NA
EBITDA	1,122	1,192	1,161	(5.8)	(3.3)	NA	NA
EBITDA (%)	14.9	18.8	15.2	-393 bps	-26 bps	NA	NA
Reported PAT	441	444	436	(0.8)	1.1	NA	NA
PAT (%)	5.9	7.0	5.7	-116 bps	16 bps	NA	NA
EPS	6.6	6.6	6.25	(0.8)	5.1	NA	NA
Market Cap: 21,297						**P/E (FY12E):**	**8.9x**

**Consolidated financials*

Valuation and Outlook

While overhang continues to remain over its water projects in the state of AP (constitutes over 25% of its current order-book), no order-intake during the quarter, and lower revenue guidance by the management post its Q1FY11 result, led to under-performance of stock. Lower our price target to ~ INR 480, maintain Buy. Key risk to our rating, going forward could be lower order-intake.

Crompton Greaves Ltd. (CGL)

CMP: 310 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	24,916	22,464	23,979	10.9	3.9	24,120	3.3
Operating Expenses	21,552	19,264	20,647	11.9	4.4	20,804	3.6
EBITDA	3,364	3,200	3,332	5.1	1.0	3,316	1.4
EBITDA (%)	13.5	14.2	13.9	-75 bps	-40 bps	13.7	(24.8)
Reported PAT	2,118	1,996	2136	6.1	(0.8)	2,100	0.9
PAT (%)	8.5	8.9	8.9	-39 bps	-41 bps	8.7	(20.6)
EPS	3.3	3.1	3.33	6.1	(0.9)	3.2	3.1
Market Cap: 198,862						**P/E (FY12E):**	**18.9x**

**Consolidated financials*

Valuation and Outlook

With improved outlook in the Euro region, and its strategy to increase its footprints in this region, we continue to believe in long term growth story of the company. The current valuation factors in the growth of the company, but near term triggers for upside would be listing of its subsidiary engaged in Power business. Hold for price target of INR 330-350.

Bharat Heavy Electricals Ltd. (BHEL)

CMP: 2333 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	96,325	71,003	83,284	35.7	15.7	94,159	2.3
Operating Expenses	78,408	55,386	66,960	41.6	17.1	74,692	5.0
EBITDA	17,916	15,617	16,324	14.7	9.8	19,467	(8.0)
EBITDA (%)	18.6	22.0	19.6	-339 bps	-100 bps	20.7	(207.5)
Reported PAT	13,582	10,726	11423	26.6	18.9	13,593	(0.1)
PAT (%)	14.1	15.1	13.7	-101 bps	38 bps	14.4	(33.7)
EPS	27.7	21.9	23.33	26.6	18.9	28.6	(3.1)
Market Cap: 1,142,050						**P/E (FY12E):**	**16.6x**

**Standalone financials*

Valuation and Outlook

BHEL secured contracts worth INR 78.55bn during the quarter under review. Owing to recent run up in stock price, we change our rating from Accumulate to Hold for price target of INR 2800.

Simplex Infrastructure Ltd

CMP: 412 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	13,124	10,650	10,499	23.2	25.0	13,419	(2.2)
Operating Expenses	11,956	9,681	9,442	23.5	26.6	12,211	(2.1)
EBITDA	1,168	969	1,057	20.5	10.5	1,208	(3.3)
EBITDA (%)	8.9	9.1	10.1	-20 bps	-117 bps	9.0	(10.2)
Reported PAT	315	231	269	36.4	17.1	348	(9.5)
PAT (%)	2.4	2.2	2.6	23 bps	-16 bps	2.6	(19.3)
EPS	6.4	4.7	5.43	36.4	17.3	7.0	(9.5)

Market Cap: 20,383 **P/E (FY12E): 10.8x**

**Standalone financials*

Valuation and Outlook

Management guides for 15-20% growth for FY11. Company had de-growth of 5% in FY10. Over FY12, company's revenue is expected to grow at CAGR of ~20% and net profit of ~25-30%, owing to cost rationalization and improved working capital cycle. Accumulate for price target of INR 540.

Punj Lloyd Ltd. (PLL)

CMP: 112 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	27,395	29,040	19,580	(5.7)	39.9	29,042	(5.7)
Operating Expenses	25,806	26,797	17,748	(3.7)	45.4	27,173	(5.0)
EBITDA	1,589	2,243	1,832	(29.2)	(13.3)	1,869	(15.0)
EBITDA (%)	5.8	7.7	9.4	-192 bps	-356 bps	6.4	(63.6)
Reported PAT	362	125	239	189.3	51.3	554	(34.7)
PAT (%)	1.3	0.4	1.2	89 bps	10 bps	1.9	(58.8)
EPS	1.1	0.4	0.72	189.3	52.7	1.7	(34.2)

Market Cap: 37,195 **P/E (FY12E): 12.7x**

**Consolidated financials*

Valuation and Outlook

PLL secured several contracts, largely in domestic market worth INR 42.09bn. The overhang still remains as to the performance for few of its overseas contracts coupled with high debt and working capital on book. However long term investor with high risk appetite can accumulate the stock at lower level for price target of INR 125.

Cement

Cement companies are expected to report poor set of numbers, especially southern based companies like Dalmia Cement, India Cement etc., due to good and extended monsoon during this year. Recent price correction (during the last month), higher input cost and lack of inadequate power supply have caused cement manufacturers extra worry. This is because over-supply has capped their ability to pass on the additional cost to user, eating into the margin.

Prefer India Cement and Shree Cement.

Shree Cement Ltd. (SCL)

CMP: 2030 **Accumulate**

							(INR in Mn)
Particulars	**Q3FY11E**	**Q3FY10**	**Q2FY11**	**YoY(%)**	**QoQ(%)**	**Bloomberg**	**Variance**
Revenue from Operations	9,117	8,660	7,176	5.3	27.0	9,322	(2.2)
Operating Expenses	7,412	5,308	5,758	39.6	28.7	7,024	5.5
EBITDA	1,705	3,352	1,418	(49.1)	20.2	2,298	(25.8)
EBITDA (%)	18.7	38.7	19.8	-2001 bps	-106 bps	24.7	(595.1)
Reported PAT	711	1,674	105	(57.5)	577.3	764	(6.9)
PAT (%)	7.8	19.3	1.5	-1153 bps	634 bps	8.2	(39.6)
EPS	0.2	0.4	0.72	(57.5)	(77.6)	0.2	(6.9)
Market Cap: 70,720						**P/E (FY12E):**	**11.9x**

**Standalone financials*

Valuation and Outlook

We expect SCL to report better numbers on sequential basis both for its Cement as well as Power segment. Realisation and margin are expected to remain under pressure due to higher input cost and lower off-take during monsoon season. Accumulate for price target of 2250.

India Cement Ltd. (ICL)

CMP: 108 **Accumulate**

							(INR in Mn)
Particulars	**Q3FY11E**	**Q3FY10**	**Q2FY11**	**YoY(%)**	**QoQ(%)**	**Bloomberg**	**Variance**
Revenue from Operations	9,995	8,641	8,412	15.7	18.8	9,761	2.4
Operating Expenses	8,861	7,357	8,109	20.4	9.3	8,350	6.1
EBITDA	1,134	1,284	303	(11.6)	274.4	1,411	(19.6)
EBITDA (%)	11.4	14.9	3.6	-351 bps	775 bps	14.5	(310.5)
Reported PAT	230	348	-336	(33.9)	(168.4)	386	(40.4)
PAT (%)	2.3	4.0	(4.0)	-173 bps	629 bps	4.0	(165.1)
EPS	0.3	0.4	0.72	(33.9)	(65.1)	0.4	(40.4)
Market Cap: 33,175						**P/E (FY12E):**	**15.4x**

** Standalone Financials*

Valuation and Outlook

IICL's margin is expected to remain under pressure both on account of higher input cost as well as higher power and fuel charges. Stock is relatively trading at attractive valuation on replacement basis. Moreover, due to the valuation of its Franchisee rights in Chennai Super King, we retain our rating of Accumulate for the Stock for target price of INR 125.

Wealth Research, Unicon Financial Intermediaries Pvt Ltd.
Email: wealthresearch@uniconindia.in

Oil & Gas

Global oil demand has been exceptionally robust despite the headwinds, indicating improving demand/supply fundamentals. Crude oil prices have started moving upwards and crossed USD 90 per barrel after a long time. In 2010, global oil prices have risen 18% to $91.5 per barrel, and OPEC, which controls a third of the global supplies, says crude prices could soon reach the triple-digit mark

As per the Oil Market Report December 2010 by the International Energy Agency, global oil demand will increase by 1.5% to 88.8 mb/d in 2011 from 87.4 mb/d. We expect crude prices to remain firm on the back of a continuing recovery in global economic data and a general upward trend in commodities due to a weak dollar. We remain positive on the upstream companies like ONGC and Cairn India. However, oil refining and marketing companies may come under pressure due to higher crude prices.

Oil & Natural Gas Corp Ltd (ONGC)

CMP: 1293 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	183,680	153,145	181,936	19.9	1.0	176,400	4.1
Operating Expenses	68,600	33,468	68,718	105.0	-0.2	65,500	4.7
EBITDA	115,080	119,677	113,218	-3.8	1.6	110,900	3.8
EBITDA (%)	62.7	78.1	62.2	-1549 bps	42 bps	62.9	-22 bps
Reported PAT	54,680	30,536	53,888	79.1	1.5	55,800	-2.0
PAT (%)	29.8	19.9	29.6	983 bps	15 bps	31.6	-186 bps
EPS	25.6	14.3	25.2	79.0	1.5	NA	NA

Market Cap: 2765135 **P/E (FY12E): 10.5x**

*** Standalone Financials**

Valuation and Outlook

The recent rise in the price of APM gas to USD4.2/MMBTU in order to bring it in line with KGD6 Gas price is positive for ONGC. The deregulation of petrol prices and the proposed deregulation of diesel and cooking fuel also would also help reduce the subsidy burden. However, the rising crude prices remain a concern as deregulation is unlikely in the short term. The company plans to invest USD 10 billion to develop the finds in the KG Basin and we expect oil production volumes to remain healthy over the next couple of years. We remain positive on ONGC with a target of INR 1800.

GAIL (India) Ltd (GAIL)

CMP: 515 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	80,350	61,878	81,041	29.9	-0.9	71,919	11.7
Operating Expenses	63,370	49,004	66,471	29.3	-4.7	56,803	11.6
EBITDA	16,980	12,875	14,570	31.9	16.5	15,117	12.3
EBITDA (%)	21.1	20.8	18.0	33 bps	315 bps	21.0	11 bps
Reported PAT	9,580	8,600	9,236	11.4	3.7	9,614	-0.4
PAT (%)	11.9	13.9	11.4	-197 bps	53 bps	13.4	-144 bps
EPS	7.6	6.8	7.3	11.4	3.7	7.6	-0.6

Market Cap: 653330 **P/E (FY12E): 15.6x**

* **Standalone Financials**

Valuation and Outlook

GAIL has completed first phase of expansion of Dahej-Vijaipur pipeline to increase the company's capacity to move gas from west coast to markets in the north to 35 million standard cubic meters per day (mmscmd) from 24 mmscmd with an investment of INR 9.8 billion. In the second phase, a 48-inch parallel line will be laid by April 2011 that would raise the capacity to 75 mmscmd. The company plans to invest INR 62 billion in capital expenditure this fiscal and plans to borrow INR 40 billion in the next, to meet expenditure on pipelines and petrochemical businesses.We remain positive on GAIL with a target of INR 580.

INDRAPRASTHA GAS LTD (IGL)

CMP: 350 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	4,675	2,846	4,451	64.3	5.0	4,734	-1.2
Operating Expenses	3,474	2,649	3,204	31.1	8.4	3,502	-0.8
EBITDA	1,201	197	1,247	510.0	-3.7	1,232	-2.5
EBITDA (%)	25.7	6.9	28.0	1877 bps	-233 bps	26.0	-33 bps
Reported PAT	617	589	663	4.7	-6.9	629	-1.9
PAT (%)	13.2	20.7	14.9	-751 bps	-169 bps	13.3	-9 bps
EPS	4.4	4.2	4.7	4.7	-6.8	4.5	-2.1

Market Cap: 49007 **P/E (FY12E): 16.5x**

* **Standalone Financials**

Valuation and Outlook

IGL is in the midst of a huge expansion to augment its infrastructure in existing areas as well as in new areas in and around Delhi. The company plans to provide new PNG connection to over 50000 domestic households and further expand its CNG infrastructure as well as its compression capacity to supplement its addition in the number of CNG stations. It plans to add 40 CNG stations each over the next two years. IGL plans to incur a capital expenditure of INR 6.5 billon and INR 7 billion in FY11 and FY12 respectively. This would further cement its monopolistic position to deter further entrants post expiry of its exclusive marketing agreement in January 2012. We have a hold rating on the stock with a target price of INR 350.

GUJARAT STATE PETRONET LTD (GSPL)

CMP: 118 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	2,745	2,685	2,530	2.2	8.5	1,343	104.5
Operating Expenses	220	154	193	42.5	13.8	(1,189)	-118.5
EBITDA	2,525	2,531	2,336	-0.2	8.1	2,531	-0.2
EBITDA (%)	92.0	94.3	92.4	-227 bps	-37 bps	188.5	-9654 bps
Reported PAT	1,070	1,154	915	-7.2	16.9	1,154	-7.3
PAT (%)	39.0	43.0	36.2	-399 bps	280 bps	86.0	-4698 bps
EPS	1.9	2.1	1.6	-7.2	16.7	1.8	5.7

Market Cap: 66214 **P/E (FY12E): 14.3x**

* Standalone Financials

Valuation and Outlook

GSPL is well placed to benefit from the growth of the natural gas market in Gujarat where it is strategically located. Gujarat accounts for around more than half of the energy requirements in India and because of the huge demand for natural gas, Gujarat is set to witness a growth in gas supply. GSPL is having a network of 1400 kms of pipeline in Gujarat and plans to expand it to more than 2000 kms. It is also planning to expand outside the state, as the company has submitted bids for four pipelines with a total length of 5,675km. The company does not run the risk of volatility in gas prices, being a pure play transmission player. However, the stock seems reasonable in terms of valuations and we feel investors can hold the stock at this juncture for a target price of INR 125.

WELSPUN CORP LTD (Welspun)

CMP: 173 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	19,280	24,218	18,524	-20.4	4.1	18,470	4.4
Operating Expenses	15,930	20,437	15,083	-22.1	5.6	15,132	5.3
EBITDA	3,350	3,781	3,442	-11.4	-2.7	3,338	0.4
EBITDA (%)	17.4	15.6	18.6	176 bps	-120 bps	18.1	-70 bps
Reported PAT	1,820	1,906	1,778	-4.5	2.4	1,540	18.2
PAT (%)	9.4	7.9	9.6	157 bps	-16 bps	8.3	110 bps
EPS	8.9	9.3	8.7	-4.7	2.4	7.2	24.1

Market Cap: 35388 **P/E (FY12E): 5x**

* Consolidated Financials

Valuation and Outlook

Welspun has undertaken a large capex plan to increase its pipe capacity to 2.2 million MT by the end of Q1FY12. This expansion makes Welspun well positioned to take advantage of the rising demand on the back of rising crude prices, when most global pipe manufacturers are running at full capacities and are facing supply constraints in meeting this demand. The current order book stands at USD 1.4 billion with raw material tied up for all outstanding orders and majority of the shipping being finalised. The concerns of the SEBI ban on its promoters from trading in the stock have resulted in the stock correcting sharply. The fundamentals of the company however remain intact and we would advise high risk investors to buy the stock for a target price of INR 225.

PSL Ltd (PSL)

CMP: 95 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	6,850	8,693	7,429	-21.2	-7.8	6,890	-0.6
Operating Expenses	5,954	7,720	6,500	-22.9	-8.4	6,103	-2.4
EBITDA	896	973	929	-7.9	-3.5	787	13.9
EBITDA (%)	13.1	11.2	12.5	189 bps	58 bps	11.4	166 bps
Reported PAT	196	207	139	-5.1	40.6	215	-8.8
PAT (%)	2.9	2.4	1.9	49 bps	98 bps	3.1	-26 bps
EPS	3.7	3.9	2.9	-5.5	28.6	NA	NA

Market Cap: 5065 **P/E (FY12E): 4.5x**

*** Consolidated Financials**

Valuation & Outlook

PSL is one of the largest HSAW pipe manufacturers in India with the global pipe manufacturing capacity of 1.8 MTPA. The company recently commissioned a pipe manufacturing capacity of 150,000 MT at its Madhuranthakam facility, near Chennai, in Southern India. Demand for pipes is expected to remain strong on the back of rising crude prices and various projects being implemented by large companies such as GAIL, Reliance, GSPL and others. However, the stock seems reasonable in terms of valuations and we feel investors can buy the stock for a target price of INR 125.

Power

Capacity added during the month of October & November stood at 2085MW & 39MW respectively v/s a target of 1474MW & 930MW. Generation for the month of October & November stood at 69.8 BUs & 62.2 BUs respectively. We are Positive on the sector given the expected accelerated pace of capacity additions. The power ancillary companies are expected to post robust earnings on the back of strong execution of their order book. However, they would face pressure on the margin front. Powergrid (PGCIL) is expected to come out with large tenders in FY11 as it goes in for capacity expansion. We expect transmission & distribution companies to do well on the back of expected PGCIL & SEB contracts. The investment by the central transmission company are on track to achieve their 11th plan targets, while the investment by the state transmission companies is lagging the targets. The first competitive based bidding for transmission tariffs by the private sector in the central grid is expected in January 2011. Merchant power tariffs would continue to remain under presurre in the short term and are expected to stabalize at INR 4-4.5 in the long term.

Our top picks are Adani Power, BGR Energy and Diamond Power Infrastructure

BGR Energy Systems Ltd (BGR)

CMP: 726 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	11,101	6,351	11,356	74.8	-2.2	10,843	2.4
Operating Expenses	9,837	5,637	10,033	74.5	-2.0	9,617	2.3
EBITDA	1,264	714	1,323	77.0	-4.5	1,226	3.1
EBITDA (%)	11.4	11.2	11.7	14 bps	-27 bps	11.3	11 bps
Reported PAT	753	419	778	79.6	-3.2	724	3.9
PAT (%)	6.8	6.6	6.8	18 bps	-7 bps	6.7	7 bps
EPS	10.5	5.8	10.8	79.55	-3.2	10.0	4.5
Market Cap: 52,351							**P/E (FY12E): 14.3x**

***Standalone Financials**

Valuation & Outlook

BGR's order book at the end of Q2FY11 stood at INR 105 bn which is ~3.4x its FY10 revenues. Majority of the order book is executable over a period of 26 – 32 months. The company's current order book would help to sustain the growth momentum in the near term. The company is well placed in the NTPC bulk tendering. We expect BGR to win atleast one of the two EPC orders (2 x 660 MW) from Rajasthan. We expect order book to increase to INR 150 bn by FY11. Maintain Buy with a revised price target of INR 963.

Jyoti Structures Ltd

CMP: 133 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	5,836	5,121	5,423	14.0	7.6	5,706	2.3
Operating Expenses	5,177	4,527	4,792	14.4	8.0	5,054	2.4
EBITDA	659	594	631	11.0	4.5	652	1.1
EBITDA (%)	11.3	11.6	11.6	-30 bps	-34 bps	11.4	-13 bps
Reported PAT	262	234	248	12.1	5.4	275	-4.7
PAT (%)	4.5	4.6	4.6	-7 bps	-9 bps	4.8	-33 bps
EPS	3.2	2.9	3.0	11.89	5.6	3.4	-4.5

Market Cap: 10,913 **P/E (FY12E): 8.6x**

* Consolidated Financials

Valuation & Outlook

Jyoti Structures has an order book position of about INR 42.5 bn as of September'10, which is 1.97x its FY10 revenues. Nearly 77% of the total orders are from domestic market and the rest are from exports. The average execution cycle of the order book is 18 months and provides good revenue visibility for FY11 & FY12. Order tendering from Power Grid is expected to pick up in the second half of FY11 and we expect Jyoti Structures to benefit from this. Order execution is expected to improve in the coming quarters, which would help drive the earnings growth of the company. We have a Buy rating on the stock with a target price of INR 171.

Diamond Power Infrastructure Ltd (DPIL)

CMP: 212 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	3,013	2,099	3,501	43.6	-13.9	NA	NA
Operating Expenses	2,584	1,814	3,005	42.5	-14.0	NA	NA
EBITDA	429	285	496	50.5	-13.5	NA	NA
EBITDA (%)	14.2	13.6	14.2	66 bps	7 bps	NA	NA
Reported PAT	243	139	278	74.8	-12.5	NA	NA
PAT (%)	8.1	6.6	7.9	144 bps	14 bps	NA	NA
EPS	6.5	5.0	7.5	31.31	-12.9	NA	NA

Market Cap: 7,887 **P/E (FY12E): 6.7x**

* Consolidated Financials

Valuation & Outlook

DPIL being the only fully integrated player in the power T&D space in India, it is well positioned to benefit from the demand for T&D infrastructure in India. With its capex plans done for the year, it stands to benefit from its recent capacity expansions. DPIL plans to revive Apex electricals which would help the company enter the power transformer segment. Expect a strong quarter on the back of its current order book execution. We recommend Buy with a target price of INR 284.

Adani Power Ltd (Adani)

CMP: 130 **Accumulate**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	4,546	2,336	3,952	94.6	15.0	4,338	4.8
Operating Expenses	2,082	1,064	1,857	95.8	12.1	1,933	7.7
EBITDA	2,464	1,272	2,095	93.7	17.6	2,405	2.4
EBITDA (%)	54.2	54.5	53.0	-27 bps	119 bps	55.4	-124 bps
Reported PAT	1,455	725	1,258	100.7	15.6	1,259	15.5
PAT (%)	32.0	31.0	31.8	97 bps	15 bps	29.0	298 bps
EPS	0.7	0.5	0.6	37.50	13.8	0.6	10.0

Market Cap: 283,404 **P/E (FY12E): 9.4x**

* Consolidated Financials

Valuation & Outlook

Adani's project execution remains on track and we can see high earnings growth visibility. The company successfully synchronized India's first supercritical unit of 660-MW. With synchronization of this unit, the company's current coal-fired thermal generation capacity stands at 1,980-MW. The company has highly sustainable earnings, as ~78% of its capacity is tied up on long term basis and has secured fuel supply. We have a Hold rating on the stock with a target price of INR 148.

Tata Power Ltd

CMP: 1365 **Hold**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Dev (%)
Revenue from Operations	50,727	43,404	48,095	16.9	5.5	NA	NA
Operating Expenses	39,415	37,937	36,722	3.9	7.3	NA	NA
EBITDA	11,312	5,468	11,373	106.9	-0.5	NA	NA
EBITDA (%)	22.3	12.6	23.6	970 bps	-135 bps	NA	NA
Reported PAT	3,957	1,467	7,305	169.7	-45.8	NA	NA
PAT (%)	7.8	3.4	15.2	442 bps	-739 bps	NA	NA
EPS	10.5	3.9	28.3	169.66	-62.9	NA	NA

Market Cap: 323,924 **P/E (FY12E): 14.4x**

* Consolidated Financials

Valuation & Outlook

The first unit of 1050MW 'Maithon' thermal power project is expected to commission in Q4FY11 and expected to start contributing fully to FY12 earnings. With coal volumes/realizations improving on account of robust demand from China and India, Tata Power is expected to benefit as Bumi plans to grow its production to 110mtpa by CY2012 from the current 60mtpa. New projects are likely to double the generation capacity. We expect the coal business which could witness a transformed period of high growth aided by rising demand, to do well in the near term. Recommend Hold with a target price of INR 1450.

Thermax Ltd

CMP: 871 **Hold**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	11,084	7,483	10,916	48.1	1.5	10,459	6.0
Operating Expenses	9,776	6,589	9,630	48.4	1.5	9,397	4.0
EBITDA	1,308	894	1,286	46.3	1.7	1,062	23.1
EBITDA (%)	11.8	11.9	11.8	-15 bps	2 bps	10.2	164 bps
Reported PAT	887	565	895	56.9	-1.0	701	26.5
PAT (%)	8.0	7.6	8.2	45 bps	-20 bps	6.7	130 bps
EPS	7.4	4.7	7.5	56.12	-1.5	5.9	25.4

Market Cap: 103,785 **P/E (FY12E): 22.3x**

*** Consolidated Financials**

Valuation & Outlook

Expect momentum in order inflows to sustain in the coming quarters. The recent acquisition of Danstoker would help the company expand its reach Europe, Middle East and South East Asian countries. Traction remains strong in Thermax's traditional industrial businesses. Margins will remain steady for the coming quarters. The water segment is expected to ramp up its scale of operations. Recommend Hold with a target price of INR 910.

Wealth Research, Unicon Financial Intermediaries Pvt Ltd.
Email: wealthresearch@uniconindia.in

Auto & Auto Ancillaries

Automotive sales have been robust in the domestic market despite price hikes on account of increased costs due to rising raw material prices, specially rubber. As expected in the previous quarter, the momentum has continued on the back of improving economic scenario, strong rural demand and better employment outlook. Going forward, we believe sales are expected to remain robust, particulary two wheeler sales, due to strong underlying demand and favorable factors such as buoyant economic growth, higher disposable income, lower vehicle penetration levels etc. With higher expected Auto production, we expect good times ahead for the auto component manufacturers.

Maruti Suzuki India Ltd (MSIL)

CMP: 1,421 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	92,158	73,727	89,371	25.0	3.1	89,407	3.1
Operating Expenses	82,205	62,387	79,768	31.8	3.1	79,619	3.2
EBITDA	9,953	11,339	9,603	-12.2	3.6	9,789	1.7
EBITDA (%)	10.8	15.4	10.7	-458 bps	5 bps	10.9	-15 bps
Reported PAT	6,175	6,875	5,982	-10.2	3.2	6,039	2.2
PAT (%)	6.7	9.3	6.7	-263 bps	1 bps	6.8	-5 bps
EPS	21.4	23.8	20.7	-10.20	3.2	20.4	4.8

Market Cap: 410,426 **P/E (FY12E): 15.1x**

*Standalone Financials

Valuation & Outlook

MSIL is planning to launch seven new cars in its Indian portfolio in next two years including Maruti Kizashi and a mini SUV (Sports Utility Vehicle). The new mini SUV is expected to be developed on the lines of Suzuki's Jimny, which is currently available in the Japanese market. The company has planned to invest INR 19.2bn during FY11-13 to increase its capacity by 0.5mn units (total existing capacity: 1.2mn units) at Manesar plant (Haryana). We believe margins would remain under pressure on increasing input costs. We have Accumulate rating for a target price of INR 1,570 for 12-18 months investment horizon.

Bajaj Auto Ltd (BAL)

CMP: 1,542 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	44,005	31,658	41,809	39.0	5.3	42,823	2.8
Operating Expenses	34,412	24,423	32,837	40.9	4.8	34,122	0.9
EBITDA	9,593	7,235	8,972	32.6	6.9	8,702	10.2
EBITDA (%)	21.8	22.9	21.5	-105 bps	34 bps	20.3	148 bps
Reported PAT	6,821	4,751	6,821	43.6	0.0	6,537	4.3
PAT (%)	15.5	15.0	16.3	49 bps	-81 bps	15.3	23 bps
EPS	23.6	16.4	23.6	43.55	-0.1	30.0	-21.3

Market Cap: 446,059 **P/E (FY12E): 15.7x**

*Standalone Financials

Valuation & Outlook

BAL is well on track to achieve its beginning of the year volume guidance of 4mn vehicles (sold 1.93 mn units in H1FY11) driven by strong traction from Discover and Pulsar range of products. Despite high commodity prices, we believe ~22% EBITDA margin is sustainable for the company due to higher realisation from three-wheeler segment and on the back of BAL's focus on premium bike segment. We maintain Accumulate rating for a target price of INR 1,702 for 12-18 months investment horizon considering robust demand in three wheeler segment, as well as gaining market share in the two wheeler segment

Tata Motors Ltd

CMP: 1,306 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	303,961	259,796	285,727	17.0	6.4	297,687	2.1
Operating Expenses	263,535	230,079	258,468	14.5	2.0	257,817	2.2
EBITDA	40,427	29,718	27,259	36.0	48.3	39,870	1.4
EBITDA (%)	13.3	11.4	9.5	186 bps	376 bps	13.4	-9 bps
Reported PAT	20,061	6,503	22,230	208.5	-9.8	20,487	-2.1
PAT (%)	6.6	2.5	7.8	410 bps	-118 bps	6.9	-28 bps
EPS	39.6	11.0	35.8	260.48	10.6	28.4	39.4

Market Cap: 661,486 **P/E (FY12E): 8.5x**

*** Consolidated Financials**

Valuation & Outlook

We believe JLR's (Jaguar & Land Rover) new product launches and performance of existing models would support the growth going forward. Initiatives like cost cutting, new assembly plants in low cost areas would support margins by FY11 onwards. Other segment like domestic CVs & cars is expected to perform better on turnaround of commercial vehicle cycle. Standalone margins to remain under pressure on increasing input costs, whereas JLR's margin is expected to improve on better product mix and realisation. We maintain Accumulate rating on the stock with a target price of INR 1,550.

TVS Motors Ltd (TVS)

CMP: 71 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	15,768	10,726	15,898	47.0	-0.8	15,342	2.8
Operating Expenses	14,664	9,889	14,823	48.3	-1.1	14,516	1.0
EBITDA	1,104	837	1,075	31.9	2.7	826	33.6
EBITDA (%)	7.0	7.8	6.8	-80 bps	24 bps	5.4	162 bps
Reported PAT	489	235	548	107.7	-10.8	431	13.4
PAT (%)	3.1	2.2	3.4	91 bps	-35 bps	2.8	29 bps
EPS	1.0	0.5	1.2	107.85	-10.5	0.9	13.1

Market Cap: 33,565 **P/E (FY12E): 10.5x**

*** Standalone Financials**

Valuation & Outlook

TVS continues to maintain its sales target of 2mn vehicles for FY11. Three wheeler sales have been growing and the company intends to sell ~45,000 units in FY11. It intends to increase its market share in the two-wheeler segment from ~15% currently to 20% in the next two years. After the success of Jive and Wego, TVS is planning to launch two more prodcuts in the next 6–8 months. In order to protect its EBIDTA margin, the company is considering to increase the prices of its products. We have Buy rating on the stock with a target price of INR 85.

Banco Products (India) Ltd (BPIL)

CMP: 87 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	1,311	1,066	1,184	23.0	10.7	1,334	-1.7
Operating Expenses	1,023	802	946	27.4	8.1	1,046	-2.2
EBITDA	288	263	238	9.5	21.1	288	0.1
EBITDA (%)	22.0	24.7	20.1	-271 bps	188 bps	21.6	41 bps
Reported PAT	184	192	147	-4.6	24.6	182	0.8
PAT (%)	14.0	18.1	12.4	-405 bps	156 bps	13.6	36 bps
EPS	2.6	2.7	2.1	-4.60	24.6	2.5	2.6

Market Cap: 6,194 **P/E (FY12E): 4.5x**

* Standalone Financials

Valuation & Outlook

BPIL has expanded its presence in European countries by acquiring NRF (Nederlandse Radiateuren Fabriek B.V.) which is catering to a niche marine cooler market. Considering strong domestic clientele (Tata Motors, M&M and Indian Railways) and established network of NRF in European countries, we expect BPIL's sales to grow at a CAGR of 42% between FY10 to FY12. However, margins would remain under pressure on account of higher raw material prices. We maintain Buy rating on the stock for a target price of INR 149, with an investment horizon of 12-18 months.

Exide Industries Ltd (Exide)

CMP: 167 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	12,137	9,126	11,267	33.0	7.7	12,088	0.4
Operating Expenses	9,431	6,939	8,812	35.9	7.0	9,382	0.5
EBITDA	2,707	2,187	2,455	23.8	10.3	2,706	0.0
EBITDA (%)	22.3	24.0	21.8	-167 bps	51 bps	22.4	-9 bps
Reported PAT	1,687	1,305	2,129	29.3	-20.8	1,661	1.6
PAT (%)	13.9	14.3	18.9	-40 bps	-500 bps	13.7	16 bps
EPS	2.0	1.6	2.5	21.77	-20.6	2.0	1.8

Market Cap: 141,780 **P/E (FY12E): 16.2x**

* Standalone Financials

Valuation & Outlook

The auto and industrial battery segments have been witnessing strong growth and the company plans to increase its battery capacity with an investment of INR 4bn in FY11 to cater to the growing demand from replacement market. We believe EBITDA margin to remain less affected on increasing lead prices as Exide has planned to increase its captive sourcing of lead & lead alloys to ~70% (from existing ~50%) by FY12 from recently acquired smelters. The current valuation seems attractive considering expected growth potential in the automotive and the industrial segments. Therefore, we maintain Accumulate rating on the stock with a target price of INR 195

Apollo Tyres Ltd (ATL)

CMP: 67 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	16,145	13,233	11,756	22.0	37.3	16,191	-0.3
Operating Expenses	14,401	12,940	10,541	11.3	36.6	14,468	-0.5
EBITDA	1,744	293	1,215	494.8	43.5	1,724	1.2
EBITDA (%)	10.8	2.2	10.3	858 bps	47 bps	10.6	16 bps
Reported PAT	727	1,020	374	-28.8	94.5	716	1.5
PAT (%)	4.5	7.7	3.2	-321 bps	132 bps	4.4	8 bps
EPS	1.4	2.0	0.7	-28.64	94.8	1.4	3.0

Market Cap: 33,618 **P/E (FY12E): 7.1x**

* Standalone Financials

Valuation & Outlook

ATL is expected to spend ~INR 14bn over FY11-FY12E to expand capacity at Chennai. This would increase capacity from the recently commenced 100 Tons Per Day (TPD) to 250 TPD and 400 TPD in FY12E and FY13E respectively. Given robust growth of the Indian automotive industry, we expect this capacity increases to drive growth of ATL's domestic business. We believe the margins would remain under pressure on account of higher rubber prices. However, the company is planning to increase the prices for its products to maintain the margins at current level. We have Accumulate rating on the stock with a target price of INR 77.

Ceat Ltd (Ceat)

CMP: 134 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	8,508	7,398	8,317	15.0	2.3	NA	NA
Operating Expenses	8,040	6,914	7,878	16.3	2.1	NA	NA
EBITDA	468	485	439	-3.4	6.7	NA	NA
EBITDA (%)	5.5	6.6	5.3	-105 bps	23 bps	NA	NA
Reported PAT	170	240	153	-29.2	11.4	NA	NA
PAT (%)	2.0	3.2	1.8	-125 bps	16 bps	NA	NA
EPS	5.0	7.0	4.5	-29.11	11.4	NA	NA

Market Cap: 4,577 **P/E (FY12E): 3.3x**

* Standalone Financials

Valuation & Outlook

Ceat is setting up a new radial tyre plant (investment of INR 6bn) with manufacturing capacity of 300,000 passenger car radial tyres and 40,000 truck & bus radial tyres per month at Halol (Gujarat). This plant is expected to achieve its full capacity by 1HFY12 end. Given robust growth of the Indian automotive industry, we expect additional capacity would drive growth of the company's domestic business. We believe the margins would remain under pressure on account of higher rubber prices. We have Accumulate rating on the stock with a target price of INR 175.

Steel Sector

Steel production is targeted at 100 MT by FY13 and 200 MT by FY20. Crude steel production in India was 60.7MT in the January-November 2010 period, a growth of 6.2% over the same period last year. The shut down of the Ispat plant recently has affected the growth to an extent. However, demand for the metal remains strong.

Steel prices have also been in an uptrend due to restocking in most major markets. Domestically too, steel players have increased prices during the quarter. Iron ore and coking coal prices have increased sharply during the quarter. Iron ore prices increased from USD 110 per tonne to USD 145 per tonne. Iron ore exports however fell 15.7% between April and November due to the export ban in Karnataka. This is negative for the iron ore companies especially Sesa Goa. Coking coal prices too have seen an increase of 12% from USD 220 per tonne to USD 230 per tonne during the quarter. Record rain in parts of Australia, the world's largest coking coal producing nation, is disrupting supplies from mines of BHP, Rio Tinto Group and Xstrata Plc, driving prices of coking coal higher. Coking coal is in global short supply and prices are not expected to cool down in the near future.

While the rising input costs are positive for the mining companies, it is putting pressure on the steel companies. All major players including Sail, Tata Steel, JSW Steel and Essar Steel, are expected to hike steel prices in January by 3-5% (INR 1000-1200 per tonne) on the back of rising input costs.

Domestic base metal companies are also expected to register higher profits in FY11, as prices of metals like aluminium, copper, nickel, among others, will see an upward trend on the back of higher demand from emerging economies like India and China, rising crude oil prices and greater economic activity in the United States. Copper prices have risen around 30% from USD 7,100 per tonne in January to USD 9,400 per tonne in December. Aluminium prices have also jumped 10% from USD 2,232 per tonne to USD 2445 per tonne in December. Companies like National Aluminium Company Ltd, Vedanta, Hindalco, Hindustan Copper, among others, would witness higher operating margin due to the spurt in metal prices.

Tata Steel Ltd

CMP: 704 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	284,355	260,686	280,909	9.1	1.2	275,051	3.4
Operating Expenses	250,266	231,180	244,186	8.3	2.5	239,171	4.6
EBITDA	34,089	29,506	36,723	15.5	-7.2	35,880	-5.0
EBITDA (%)	12.0	11.3	13.1	67 bps	-108 bps	13.0	-106 bps
Reported PAT	22,689	4,727	19,788	380.0	14.7	12,112	87.3
PAT (%)	8.0	1.8	7.0	617 bps	93 bps	4.4	358 bps
EPS	25.1	5.3	22.0	371.8	14.1	12.7	98.3

Market Cap: 635204 **P/E (FY12E): 8.8x**

* Consolidated Financials

Valuation & Outlook

Tata Steel had raised the prices of its structural steel products in the United Kingdom by about GBP 50 per tonne on account of a pick-up in demand from the construction sector earlier this month. Steel prices could also see another hike in January on account of a hike in raw material prices. However, the company stands to benefit due to high integration in the domestic market. The Brownfield expansion at Jamshedpur is on track and 2.9 MT of capacity would be commissioned by Dec 2011. We remain positive on Tata Steel with a target of INR 750.

JSW Steel Ltd (JSW)

CMP: 1191 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	63,340	47,960	59,081	32.1	7.2	62,980	0.6
Operating Expenses	53,660	37,172	48,854	44.4	9.8	50,277	6.7
EBITDA	9,680	10,788	10,227	-10.3	-5.3	12,703	-23.8
EBITDA (%)	15.3	22.5	17.3	-721 bps	-203 bps	20.2	-489 bps
Reported PAT	4,940	4,297	3,733	15.0	32.3	4,433	11.4
PAT (%)	7.8	9.0	6.3	-116 bps	148 bps	7.0	76 bps
EPS	22.1	23.0	19.5	-3.6	13.4	25.5	-13.0

Market Cap: 265755 **P/E (FY12E): 9.7x**

* Consolidated Financials

Valuation & Outlook

JSW had raised its hot-rolled coil prices by 1-1.5% in December and may increase prices further in January in line with other players due to a hike in raw material prices. JSW has successfully commenced commercial production at its Salem unit in the previous quarter and added rolled- long capacity of 0.25MT. The 3.2MT expansion project at Vijaynagar is also on the verge of completion, which will increase the company's steel production capacity to 11 MTPA by March 2011. We expect JSW to deliver 26% revenue CAGR over FY10-12 on the back of strong volume growth, high domestic steel prices and low conversion costs. We remain positive on JSW Steel with a target of INR 1323.

NATIONAL ALUMINIUM CO LTD

CMP: 392 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	15,208	13,865	14,548	9.7	4.5	14,506	4.8
Operating Expenses	11,104	10,904	11,070	1.8	0.3	10,232	8.5
EBITDA	4,104	2,961	3,477	38.6	18.0	4,274	-4.0
EBITDA (%)	27.0	21.4	23.9	563 bps	308 bps	29.5	-248 bps
Reported PAT	2,980	1,552	2,240	92.0	33.0	2,796	6.6
PAT (%)	19.6	11.2	15.4	840 bps	419 bps	19.3	32 bps
EPS	4.6	2.4	3.5	91.9	32.9	4.8	-2.8

Market Cap: 252570 **P/E (FY12E): 16.9x**

* Standalone Financials

Valuation & Outlook

We expect National Aluminium to post strong growth in revenues and margins during the quarter due to rising base metal prices. Strong growth in industrial production coupled with rising demand from China and a weak dollar will result in base metal prices remaining firm going ahead. The company is working on mega expansions in Orissa and Andhra Pradesh on domestic front and is also pursuing multi-billion dollar projects in Indonesia and Iran. However, the valuations look a little expensive and we recommend to hold the stock with a target price of 410.

NMDC LTD

CMP: 284 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
							(INR in Mn)
Revenue from Operations	23,890	15,876	24,600	50.5	-2.9	NA	NA
Operating Expenses	5,850	5,090	6,195	14.9	-5.6	NA	NA
EBITDA	18,040	10,786	18,404	67.3	-2.0	NA	NA
EBITDA (%)	75.5	67.9	74.8	757 bps	70 bps	NA	NA
Reported PAT	13,350	8,600	13,785	55.2	-3.2	NA	NA
PAT (%)	55.9	54.2	56.0	171 bps	-16 bps	NA	NA
EPS	3.4	2.2	3.5	55.2	-3.2	NA	NA
Market Cap: 1124788							**P/E (FY12E): 13.8x**

* Standalone Financials

Valuation & Outlook

NMDC's numbers may be slightly affected due to a shutdown called by Maoists since Dec 2. As per news sources Dantewada district of Chhattisgarh produces more than 75% of its total annual iron ore output and daily iron ore shipment have been reduced by more than 30%. The production has not been hit but low dispatches have forced NMDC to cut short iron ore supply to several domestic steel makers. However the expansion plan to increase production remains on track and the company is likely to raise iron ore prices by 3% for the January- March quarter. We remain positive on NMDC with a target of INR 350.

MSP Steel & Power Ltd

CMP: 69 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
							(INR in Mn)
Revenue from Operations	1,245	944	892	31.9	39.5	NA	NA
Operating Expenses	889	773	658	15.0	35.1	NA	NA
EBITDA	356	171	234	108.1	51.9	NA	NA
EBITDA (%)	28.6	18.1	26.3	1047 bps	233 bps	NA	NA
Reported PAT	178	81	110	119.6	61.4	NA	NA
PAT (%)	14.3	8.6	12.4	571 bps	194 bps	NA	NA
EPS	3.1	1.4	1.9	119.6	61.2	NA	NA
Market Cap: 3991							**P/E (FY12E): 7.3x**

* Standalone Financials

Valuation & Outlook

MSP has undertaken a massive phase wise expansion plan to increase its pellets, sponge iron and power capacity by FY12. It also expects to start operations at its mines by FY13. The expansion would drive revenues going forward and we expect its operating income to increase at a compounded annual growth rate (CAGR) of 36% till FY14. Post expansion the company would be an integrated player right from mining its own iron ore and coal to manufacturing pellets to producing value added steel products. This will result in an increase in its margins gradually from 16.5% in FY10 to 34.3% in FY14. We remain positive on MSP with a target of INR 114.

Pennar Industries

CMP: 51 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	3,000	1,955	2,835	53.5	5.8	NA	NA
Operating Expenses	2,625	1,679	2,472	56.3	6.2	NA	NA
EBITDA	375	276	363	36.0	3.2	NA	NA
EBITDA (%)	12.5	14.1	12.8	-161 bps	-31 bps	NA	NA
Reported PAT	183	136	181	34.5	0.9	NA	NA
PAT (%)	6.1	7.0	6.4	-86 bps	-29 bps	NA	NA
EPS	1.5	1.1	1.5	36.34	0.7	NA	NA

Market Cap: 6,223 **P/E (FY12E): 7.3x**

*** Consolidated Financials**

Valuation & Outlook

We expect a strong growth in revenues and net profit for 3QFY11 on YoY basis. This growth is backed by continued strong demand from auto and railways segments, and contribution from its subsidiary PEBS Pennar which started operations in Jan 2010. EBITDA margins are expected to fall marginally due to PEBS Pennar for which the margins are in the range of 9-10%. We recommend a Buy with a target price of INR 63.

Banking

The robust results in the last few quarters have bestowed strength in the banking sector. The strong credit growth of ~20% is expected to continue in the future on back of strong demand for capex, infrastructure and agriculture. Banks are on expansion spree as the RBI has sanctioned licenses to banks to focus more on rural and unbanked areas. Expansion of branch network would help banks in increasing their CASA base. Banking stocks corrected across the board, on the PSU banks 'bribery for loans' scam, 2G and MFI loans, liquidity concerns and rising G-Sec yields. We believe the sector would continue to remain under pressure in the near term until a sharp uptick in credit and deposits growth alongside pressure on yields easing off. We have seen interest rates on the deposits side, money markets, etc. inching up at a much faster pace on account of continued liquidity shortfall which would affect banks NIMs. Banks with higher CASA will be able to ride the wave better and protect NIMs. We expect higher interest rate regime to increase banks NPAs. However, the inherent strengths of the Indian banking industry is likely to offset this impact.

Preferred Picks: IDBI, HDFC Bank, Axis Bank, Allahabad Bank

State Bank of India (SBI)

CMP: 2,811 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	209,966	177,797	198,081	18.1	6.0	NA	NA
Interest Expense	122,779	114,634	116,932	7.1	5.0	NA	NA
Net Interest Income	87,187	63,163	81,149	38.0	7.4	NA	NA
Operating Profit	68,955	46,181	63,570	49.3	8.5	NA	NA
Operating Profit (%)	32.8	26.0	32.1	26 bps	2 bps	NA	NA
Reported PAT	23,104	24,790	25,013	-6.8	-7.6	NA	NA
PAT (%)	11.0	13.9	12.6	-294 bps	-163 bps	NA	NA
EPS	36.34	39.05	39.39	-6.94	-7.74	NA	NA

Market Cap: 1,784,980 **P/BV (FY12E): 2.1x**

*** Standalone Financials**

Valuation & Outlook

SBI to deliver strong fee income growth, strong loan growth, improving asset quality & stable opex in FY12E. Further with amendment bill, SBI will be able to raise capital which would help it to expand its business. Additionally, merging of the subsidiaries would lead to business consolidation for SBI. However, RBI's policy actions are likely to affect the bank's margins. We expect SBI to increase its provisioning which would affect the profitability of bank. At the CMP, stock trades at 2.1x of its FY12E P/BV. On back of tighter monetary policy going ahead, we lower our target price to INR 3262 with an Accumulate rating.

Union Bank of India

CMP: 347 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
							(INR in Mn)
Interest Income	42,684	32,936	39,522	29.6	8.0	NA	NA
Interest Expense	25,614	22,289	24,164	14.9	6.0	NA	NA
Net Interest Income	17,070	22,289	24,164	-23.4	-29.4	NA	NA
Operating Profit	12,978	9,142	11,306	42.0	14.8	NA	NA
Operating Profit (%)	30.4	27.8	28.6	264 bps	179 bps	NA	NA
Reported PAT	4,443	5,341	3,034	-16.8	46.4	NA	NA
PAT (%)	10.4	16.2	7.7	-581 bps	273 bps	NA	NA
EPS	8.80	10.57	6.01	-16.75	46.42	NA	NA

Market Cap: 175,276 **P/BV (FY12E): 1.3x**

*** Standalone Financials**

Valuation & Outlook

Union Bank of India is expected to grow deposits & credit ~20-22% & ~22-24% in FY12E respectively and fee-based income in line with the loan-book thus overall profitability should be up by 25% in FY12E. In view of strong fee income growth, increasing CASA share and improving margins, Union Bank of India is expected to give robust performance in FY12E. However, asset quality remains a concern for the bank which is likely to be addressed by the management for the future growth. At the CMP, stock trades at 1.3x of its FY12E book value. We have BUY rating on stock for the price target of INR 407.

HDFC Bank

CMP: 2,346 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
							(INR in Mn)
Interest Income	51,467	40,348	48,100	27.6	7.0	NA	NA
Interest Expense	25,121	18,109	22,837	38.7	10.0	NA	NA
Net Interest Income	26,346	22,239	25,263	18.5	4.3	NA	NA
Operating Profit	19,300	16,237	18,071	18.9	6.8	NA	NA
Operating Profit (%)	37.5	40.2	37.6	-274 bps	-7 bps	NA	NA
Reported PAT	9,682	8,185	9,121	18.3	6.2	NA	NA
PAT (%)	18.8	20.3	19.0	-148 bps	-15 bps	NA	NA
EPS	20.93	17.98	19.72	16.41	6.14	NA	NA

Market Cap: 1,088,012 **P/BV (FY12E): 3.8x**

*** Standalone Financials**

Outlook & Valuation

HDFC Bank is expected to keep ~22-25% of credit growth & to maintain CASA ratio at ~50% in FY12E. With continuous growth momentum, strong business & credit growth, improvement in asset quality & strong capital adequacy HDFC bank commands a premium in its valuations. We maintain BUY rating on the stock qith revise target price of INR 2710 (P/BV for FY12E 3.8x) on expectations of ensuing macro economic scenario.

IDBI Bank

CMP: 165 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	56,301	40,078	45,773	40.5	23.0	NA	NA
Interest Expense	42,616	32,891	34,092	29.6	25.0	NA	NA
Net Interest Income	13,685	7,187	11,680	90.4	17.2	NA	NA
Operating Profit	12,047	6,402	10,256	88.2	17.5	NA	NA
Operating Profit (%)	21.4	16.0	22.4	543 bps	-101 bps	NA	NA
Reported PAT	4,006	2,871	4,291	39.5	-6.6	NA	NA
PAT (%)	7.1	7.2	9.4	-4 bps	-225 bps	NA	NA
EPS	4.06	3.96	4.36	2.53	-6.88	NA	NA

Market Cap: 162,440 **P/BV (FY12E): 1.0x**

* Standalone Financials

Valuation & Outlook

IDBI is expected to focus more on infrastructure, SME & retail sector to expand its loan book. On back of liability re-pricing, NIMs are expected to improve resulting in higher earnings. However, asset quality is likely to be under pressure because of restructuring and incremental high slippages. IDBI is expected to focus on CASA growth leveraged by its branch network. Moreover, the government's capital infusion would support future growth and capitalization. At the CMP, IDBI trades at 1x P/BV for FY12E which is substantially lower than the industry peers. We have "BUY" rating on the stock for the target price of INR 242

United Bank of India

CMP: 99 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	15,812	-	15,059		5.0	NA	NA
Interest Expense	10,238	-	9,797		4.5	NA	NA
Net Interest Income	5,574	-	5,262		5.9	NA	NA
Operating Profit	3,923	-	3,546		10.6	NA	NA
Operating Profit (%)	24.8	-	23.5		127 bps	NA	NA
Reported PAT	1,192	-	1,097		8.7	NA	NA
PAT (%)	7.5	-	7.3		25 bps	NA	NA
EPS	3.77	-	3.47		8.65	NA	NA

Market Cap: 31,327 **P/BV (FY12E): .9x**

* Standalone Financials

Outlook & valuation

United Bank of India to focus on MSME and agriculture sector and to expand its product suite and services resulting in a healthy bottom line growth in FY11-12E. However, RBI's policy measures are likely to affect the bank's margins going ahead. At the CMP, stock trades at 0.9x of its FY12E book value. We maintain our BUY rating on the stock for revised target prices of INR 131.

Axis Bank

CMP: 1,350 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	39,142	28,837	36,243	35.7	8.0	NA	NA
Interest Expense	21,699	15,345	20,092	41.4	8.0	NA	NA
Net Interest Income	17,443	13,491	16,151	29.3	8.0	NA	NA
Operating Profit	16,006	13,746	14,864	16.4	7.7	NA	NA
Operating Profit (%)	40.9	47.7	41.0	-678 bps	-12 bps	NA	NA
Reported PAT	8,154	6,560	7,351	24.3	10.9	NA	NA
PAT (%)	20.8	22.8	20.3	-192 bps	55 bps	NA	NA
EPS	19.94	16.25	17.98	22.71	10.90	NA	NA

Market Cap: 553,366 **P/BV (FY12E): 2.5x**

*** Standalone Financials**

Outook & Valuation

Axis bank is targeting a credit growth of ~25% in FY11-12 higher than 20% system growth anticipated by RBI. Management also expects fee income to grow in-line with its loan book. On the back of branch expansion, cost-income ratio is expected to gradually move up to 44-45%. In tighter monetary policy regime banks NIMs are cushioned with higher CASA ratio. At CMP, the stock is trading at 2.5x its FY12E book value. Based on strong core performance and lower-than-expected slippages. We have BUY rating on the stock with a revise target price of INR 1579.

Allahabad Bank (ALBK)

CMP: 225 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	29,004	21,078	26,367	37.6	10.0	NA	NA
Interest Expense	17,844	14,322	16,677	24.6	7.0	NA	NA
Net Interest Income	11,159	6,756	9,690	65.2	15.2	NA	NA
Operating Profit	9,600	6,501	7,813	47.7	22.9	NA	NA
Operating Profit (%)	33.1	30.8	29.6	230 bps	350 bps	NA	NA
Reported PAT	4,675	3,454	4,025	35.4	16.1	NA	NA
PAT (%)	16.1	16.4	15.3	-27 bps	86 bps	NA	NA
EPS	10.47	7.73	9.01	35.45	16.20	NA	NA

Market Cap: 100,508 **P/BV (FY12E): 1.0x**

*** Standalone Financials**

Valuation & Outlook

ALBK is on a strong growth trajectory and is expected to outperform the Indian banking industry. Its strong distribution network and vast customer base in CASA-rich states enables it to leverage significant business opportunities in the current rising interest rate scenario. This along with a balanced loan portfolio and high proportion of low-cost funds would help the bank earn better margins compared with other public sector banks. In addition, ALBK is well positioned with good asset quality backed by provisioning of more than 70% to achieve the business growth targets as per management guidance. The stock trades at 1x of its FY12E BV. We have BUY rating on the stock, valuing the stock at 1.3x FY12E BV to arrive at target price of INR 304.

Oriental Bank of Commerce (OBC)

CMP: 405 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	31,714	26,715	29,919	18.7	6.0	NA	NA
Interest Expense	20,106	17,987	19,148	11.8	5.0	NA	NA
Net Interest Income	11,609	8,728	10,771	33.0	7.8	NA	NA
Operating Profit	8,859	6,227	8,059	42.3	9.9	NA	NA
Operating Profit (%)	27.9	23.3	26.9	462 bps	99 bps	NA	NA
Reported PAT	4,105	2,894	3,976	41.8	3.2	NA	NA
PAT (%)	12.9	10.8	13.3	211 bps	-35 bps	NA	NA
EPS	16.38	11.55	15.87	41.82	3.21	NA	NA

Market Cap: 101,469 **P/BV (FY12E): 1.0x**

* Standalone Financials

Valuation & Outlook

OBC is expected to expand its branch network by opening ~175 branches in FY11. This would leverage the CASA growth to reach ~30% in FY11E. The bank will also focus on Agriculture, Mid-Corporate, SME, Priority Sector and Retail Credit to augment its advances growth ~22% & deposits ~23%. At the CMP, OBC trades at 1x of its FY12E book value. We have BUY rating on the stock for target price from INR 458.

YES Bank

CMP: 312 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	10,015	6,264	9,538	59.9	5.0	NA	NA
Interest Expense	6,663	4,154	6,406	60.4	4.0	NA	NA
Net Interest Income	3,352	2,109	3,132	58.9	7.0	NA	NA
Operating Profit	2,980	2,162	2,814	37.8	5.9	NA	NA
Operating Profit (%)	29.8	34.5	29.5	-476 bps	25 bps	NA	NA
Reported PAT	1,805	1,259	1,763	43.4	2.4	NA	NA
PAT (%)	18.0	20.1	18.5	-207 bps	-45 bps	NA	NA
EPS	5.23	4.19	5.11	24.82	2.35	NA	NA

Market Cap: 28,780 **P/BV (FY12E): 2.3x**

* Standalone Financials

Valuation & Outlook

YES Bank has been able to register a strong business growth, profitability with stable margins & strong asset quality. With a strong business model we expect loan growth of 40-45% in FY12E along with the bank expanding ~125 branches every year, which would help to improve its CASA ratio 15% in FY12E. We remain positive on long term prospect of the bank. At the CMP stock trades at 2.3x of its FY12E Book Value. We maintain BUY rating on the stock for a revise target price of INR 420.

Magma Fincorp Ltd (Magma)

CMP: 72 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	2,104	1,766	1,913	19.1	10.0	NA	NA
Interest Expense	767	691	710	11.0	8.0	NA	NA
EBIDT	1,337	1,075	1,203	24.4	11.1	NA	NA
EBIDT (%)	64.0	61.0	63.0	300 bps	100 bps	NA	NA
Reported PAT	299	164	244	82.3	22.5	NA	NA
PAT (%)	14.0	9.0	13.0	500 bps	100 bps	NA	NA
EPS	12.70	7.56	9.43	67.99	34.68	NA	NA

Market Cap: 9,344 **P/BV (FY12E): 1.4x**

* Standalone Financials

Outook & Valuation

Magma, a leading asset financing company in the country is expected to disburse INR 2.4 bn in retail loans in various states in FY11. By penetrating deeper, it will focus on providing asset finance to the economically disenfranchised in the state. Magma Fincorp is aiming to take its loan book to INR 55 Bn this fiscal which would be a 25% rise from the last year. Magma Fincorp has significantly improved NIMs to 5.4% in H1FY11 from 5% in FY10. However, in current increasing interest rate scenario the company could face some pressure on NIMs. At CMP, stock is trading at 1.4x its FY12E Book Value. We have BUY rating on the stock for a target price of INR 101.

ICICI Bank

CMP: 1,145 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	67,507	60,896	63,091	10.9	7.0	NA	NA
Interest Expense	43,510	40,315	41,047	7.9	6.0	NA	NA
Net Interest Income	23,997	20,581	22,044	16.6	8.9	NA	NA
Operating Profit	24,075	23,688	22,119	1.6	8.8	NA	NA
Operating Profit (%)	35.7	38.9	35.1	-324 bps	60 bps	NA	NA
Reported PAT	13,072	11,011	12,363	18.7	5.7	NA	NA
PAT (%)	20.3	18.1	19.6	222 bps	70 bps	NA	NA
EPS	11.91	9.88	10.74	20.55	10.89	NA	NA

Market Cap: 1,315,064 **P/BV (FY12E): 2.3x**

* Standalone Financials

Outlook & Valuation

ICICI Bank's growth in the past has been mainly retail-driven, the bank is now looking forward to grow its large corporate and SME segment loan book as well. Progress on the '4C' strategy (CASA, capital conservation, cost control and credit charges) has been good. As of Q1FY11, CASA rose to 42%, the bank was well-capitalised with total CAR of 20%. Management has now set its sight on achieving the RoE target of 14% by FY12E. At the CMP, stock trades at 2.3x of its FY12E P/BV. We have BUY rating on the stock for a target price of INR 1306.

Corporation Bank

CMP: 636 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Interest Income	22,660	18,606	21,581	21.8	5.0	NA	NA
Interest Expense	14,862	12,612	14,429	17.8	3.0	NA	NA
Net Interest Income	7,799	5,994	7,152	30.1	9.0	NA	NA
Operating Profit	6,242	5,517	5,735	13.1	8.8	NA	NA
Operating Profit (%)	27.5	29.6	26.6	-210 bps	90 bps	NA	NA
Reported PAT	3,862	3,050	3,517	26.6	9.8	NA	NA
PAT (%)	17.0	16.4	16.3	60 bps	70 bps	NA	NA
EPS	26.90	21.30	24.50	26.29	9.80	NA	NA

Market Cap: 91,228 **P/BV (FY12E): 1.1x**

*** Standalone Financials**

Outook & Valuation

Corporation Bank is continuously improving its asset quality along with higher business growth, we expect credit growth of ~24% in FY11E; however, margins improvement is going to be a challenge in increasing interest rate cycle. However, margins are likely to be cushioned with higher CASA growth of ~26% in FY11E. At CMP stock trades at 1.1x its FY12E book value. We have BUY rating on the stock for a target of INR 797.

Wealth Research, Unicon Financial Intermediaries Pvt Ltd.
Email: wealthresearch@uniconindia.in

Media and Entertainment

The overall advertising growth would remain firm in Q3FY11 as the festive season moved to the 3Q this year, which was in 2Q pervious year. Heavy ad spends from telecom operators, as they roll-out their 3G services, implement mobile number portability and aggressive advertising from FMCG companies are expected to expand the overall advertising pie.

Print media companies are also expected to register strong advertising growth in line with the overall industry, but could witness pressure on the cost side due to firming up of newsprint prices and muted growth in the subscription revenues due to existing player's launching issues in new territories, following an aggressive penetration strategy. There were no major changes in the readership of the major publication, in 3Q2010 IRS survey. Specific markets like Delhi reported a decline in readership in major English dailies. However, Hindustan Times in Mumbai surpassed DNA in terms of average issue readership (AIR). Among key Hindi markets, Jharkhand saw a readership growth (IRS 3Q 2010 over 2Q 2010) of 10.2%, followed by Madhya Pradesh at 7.7%. The broadcasting space looks attractive due to rising subscription revenue from the DTH. The recent regulator's recommendation for complete digitalization has given a boost to the pay TV distribution companies.

Deccan Cronicale Holding Ltd

CMP: 106.3 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	2,623	2,334	2,367	1238%	1082%	NA	NA
Operating Expenses	1,301	1,068	1,095	2182%	1881%	NA	NA
EBITDA	1,322	1,266	1,272	443%	394%	NA	NA
EBITDA (%)	5040%	5424%	5374%	-384 bps	-334 bps	NA	NA
Reported PAT	770	777	826	-93%	-680%	NA	NA
PAT (%)	2935%	3329%	3490%	-394 bps	-555 bps	NA	NA
EPS	3.3	3.2	3.4	405%	-147%	NA	NA

Market Cap: 27220 **P/E (FY12E): 8x**

* Standalone Financials

Valuation & Outlook

We believe that the company will register revenue growth of 12% YoY on account of festive session this quarter which was in second quarter previous year. Revival in English print media has been slower as compared to its Hindi counterparts. However, stronger revival Q3 FY11 onwards is expected to boost earning going forward. The company has launched Coimbatore edition on 28 Dec 2010, which is expected to consolidate its position in the southern market. Moreover potential value-unlocking in the IPL franchisee (three-year lock-in to complete on 31 Dec 2010) and buy-back approval of upto INR 2.7 bn at a maximum buy-back price of INR 180 will acts as catalyst for the stock. The stock trades at a PE of 8x FY12E. We maintain Buy with a target price of INR 156 based on SOTP

HT Media Ltd

CMP: 145 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	4798.0	3594.0	4310.0	33.5	11.3	4831	-0.7
Operating Expenses	3848.0	2849.0	3519.0	35.1	9.3	3804	1.2
EBITDA	950.0	745.0	791.0	27.5	20.1	1027	-7.5
EBITDA (%)	19.8	20.7	18.4	-93 bps	145 bps	21	-146 bps
Reported PAT	455.0	358.0	388.0	27.1	17.3	459	-0.9
PAT (%)	9.5	10.0	9.0	-48 bps	48 bps	10	-2
EPS	1.94	1.52	1.65	27.38	17.34	2	-12.0

Market Cap: 34075 **P/E (FY12E):17 x**

Valuation & Outlook

HT Media's strong presence in key metros and diversified business model with radio and internet segments, makes the company uniquely positioned in Indian media industry. We believe improvement in English ad volumes from 2QFY11 would continue in 2HFY11 as the festive season has moved to Q3FY11. We are positive about decreasing losses from radio business and other verticals, which are expected to contribute to overall margin improvement of the company. However, concerns over rising newsprint prices may continue to dent margin performance going forward. In addition, the circulation revenue would remain under pressure due to the competition in its Hindi markets. At the CMP of INR 145, the stock is trading at a PE multiple of 19x and 17x for FY11E and FY12E. We maintain BUY on the stock with a target price of INR 180.

Jagran Prakashan Ltd

CMP: 129 **BUY**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	2980.0	2229.0	2709.0	33.7	10.0	2830	5.3
Operating Expenses	2030.0	1576.0	1801.0	28.8	12.7	1909	6.3
EBITDA	950.0	653.0	908.0	45.5	4.6	921	3.1
EBITDA (%)	31.9	29.3	33.5	258 bps	-164 bps	33	-66 bps
Reported PAT	580.0	397.0	555.0	46.1	4.5	571	1.6
PAT (%)	19.5	17.8	20.5	165 bps	-102 bps	20	-71
EPS	1.93	1.32	1.84	46.10	4.50	2	1.4

Market Cap: 38851 **P/E (FY12E): 15x**

* Standalone Financials

Valuation & Outlook

At the CMP of INR 129, the stock is trading at a PE multiple of 18x and 15x for FY11E and FY12E. The company has maintained its leadership position (pan-India readership of 16mn for flagship daily 'Dainik Jagran') in key Hindi/Regional markets and is well placed to capture the high growth story in the existing Hindi/Regional print markets. The likelihood of improved literacy penetration, rising income levels in rural India is expected to aguer well for the company. The MidDay deal, which is EPS neutral (as a result of dilution in the company) would prove beneficial in the long run, due to the access it provides to newer markets like Mumbai, Bangalore, Gujarat and the Urdu market in UP. Newsprint price and increasing competation is expected to affect the margins in near term. We maintain BUY on the stock with a target price of INR 156.

D B Corp. Ltd (DBCL)

CMP: 265 **Hold**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
							(INR in Mn)
Revenue from Operations	3385.0	2716.0	2912.6	24.6	16.2	3269	3.5
Operating Expenses	2328.9	2059.0	1943.7	13.1	19.8	2200	5.9
EBITDA	1056.1	657.0	968.9	60.7	9.0	1069	-1.2
EBITDA (%)	31.2	24.2	33.3	701 bps	-207 bps	33	-150 bps
Reported PAT	677.0	409.5	606.0	65.3	11.7	639	5.9
PAT (%)	20.0	15.1	20.8	492 bps	-81 bps	20	45
EPS	3.73	2.26	3.34	65.02	11.72	4	6.6
Market Cap: 52152							**P/E (FY12E): 20x**

Valuation & Outlook

DBCL is a leading print media company, publishing 7 newspapers and 52 editions in 3 languages (Hindi, Gujarati and English) across 13 states in India. The company has a record of successfully penetrating new geographical areas. Dainik Bhaskar is the only vernacular print play to have multistate leadership, which augurs well for its advertising-focused business strategy. In addition recent launch in Jamshedpur will provide strength its reginal footprint. However, increase in selling and distribution expenses and rising news print cost are expected to pull the EBITDA margins from 2QFY11high. At the CMP of INR 265, the stock is trading at a PE multiple of 22x and 20x for FY11E and FY12E earning respectively. We maintain Hold rating on the stock with a price target of INR 290.

ZEEL

CMP: 142.9 **Hold**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
							(INR in Mn)
Revenue from Operations	7352.0	5309.0	7116.0	38.5	3.3	7467	-1.5
Operating Expenses	5381.7	3736.0	5221.0	44.0	3.1	5417	-0.6
EBITDA	1970.3	1573.0	1895.0	25.3	4.0	2050	-3.9
EBITDA (%)	26.8	29.6	26.6	-283 bps	17 bps	27	-66 bps
Reported PAT	1543.9	1364.0	1257.0	13.2	22.8	1592	-3.0
PAT (%)	21.0	25.7	17.7	-469 bps	334 bps	21	-32
EPS	1.58	1.57	1.12	0.57	40.98	2	-4.9
Market Cap 141772.1							**P/E (FY12E): 22x**

Valuation & Outlook

Zee TV currently has a market share of ~14.5%. It has steadily lost market share and on GRP basis the channel has been averaging below 200 for last two months compared to 263 in Q4FY10. Sony TV has overtaken Zee TV for the first time in last 4 years. International subscription revenues also continued to disappoint. Sports business posted a loss of INR 900 mn during 1HFY11, management believes losses will be capped at INR 1.8 bn for FY11. The company has recently launched two new channels in sports and food genre which are expected to take time, to stabilize. At the CMP of INR 142.9, the stock is trading at a PE multiple of 25x and 22x its FY11E and FY12E earning respectively. We maintain Hold rating on the stock with a price target of INR 150 per share.

UTV Software Communications Ltd

CMP: 558 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	3918.0	2162.0	2378.0	81.2	64.8	3942	-0.6
Operating Expenses	3138.0	1785.0	1919.0	75.8	63.5	3157	-0.6
EBITDA	780.0	377.0	459.0	106.9	69.9	785	-0.6
EBITDA (%)	19.9	17.4	19.3	247 bps	61 bps	20	-1 bps
Reported PAT	450.0	378.0	402.0	19.0	11.9	453	-0.6
PAT (%)	11.5	17.5	16.9	-600 bps	-542 bps	11	0
EPS	11.00	9.31	9.89	18.15	11.22	12	-5.2

Market Cap : 22958 **P/E (FY12E):14 x**

Valuation & Outlook

UTV Software is one of the most diversified media houses in the country with presence across filmed entertainment, television broadcasting, new media and gaming. UTV has a strong pipeline of movies for the next 12-18 months. In FY11 itself UTV is planning to release 10 films of which six have been released to date and its has a slate of 12 movies for FY12. UTV's ability to pre-sell satellite rights de-risks the model and gives better revenue visibility. UTV's content and broadcasting business are expected to be profitable by the end of FY11. At the CMP of INR 558, the stock is trading at a PE multiple of 19x and 14x its FY11E and FY12E earning respectively. We maintain Accumulate on the stock.

SUN TV Ltd

CMP: 526 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	5980.0	3951.0	4248.0	51.4	40.8	5918	1.0
Operating Expenses	1285.0	826.0	925.0	55.6	38.9	1242	3.5
EBITDA	4695.0	3125.0	3323.0	50.2	41.3	4676	0.4
EBITDA (%)	78.5	79.1	78.2	-58 bps	29 bps	79	-50 bps
Reported PAT	2150.0	1519.0	1687.0	41.5	27.4	2145	0.2
PAT (%)	36.0	38.4	39.7	-249 bps	-376 bps	36	-29
EPS	5.46	3.86	4.25	41.34	28.37	6	-7.7

Market Cap: 207289 **P/E (FY12E): 25x**

Valuation & Outlook

Sun TV is a market leader in three of the four markets it operates in, namely Tamil Nadu (~60%), Karnataka and Andhra Pradesh (~40% each), while it ranks second in Kerala (~26% as against 30% for Asianet). With a strong presence across the South, it has high bargaining power besides being indispensible to advertisers and content producers. Sun's sponsored content model allows it to offload content-risk, unlike national GECs, and partial ~1/3 ownership of ad inventory boosts returns. Moreover, the international distribution focus will aid to revenue growth. At the CMP of 526 the company trades at PE multiple of 28.4x and 24.5x. We maintain Accumulate on the stock with a traget price of INR 600.

Telecom

The total SIM base reached 724 mn by addition of 23 mn in November 2010, which was the highest ever addition witnessed in the industry. This was due to strong festive season demand and launches in newer circles to escape the wrath of DOT, which was likely to penalize the companies for not meeting the roll out obligation. The pan India launch of Mobile Number Portability (MNP) is expected by mid-January. This could affect the subscription figures of some companies. RCOM and TTSL (along with state-owned telcos) have launched 3G operations and 3G headline tariff. We believe, that the companies are showing signs of rationalization and not following a competitive pricing. Moreover, most of the companies will start amortizing the 3G cost which could affect the bottom-line.

Idea Cellular Ltd (Idea)

CMP: 71 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	39283.0	31358.2	36366.5	25.3	8.0	39586	-0.8
Operating Expenses	30188.0	23216.8	27578.2	30.0	9.5	29890	1.0
EBITDA	9095.0	8141.4	8788.3	11.7	3.5	9696	-6.2
EBITDA (%)	23.2	26.0	24.2	-281 bps	-101 bps	24	-134 bps
Reported PAT	1950.0	1701.1	1797.4	14.6	8.5	2085	-6.5
PAT (%)	5.0	5.4	4.9	-46 bps	2 bps	5	-30
EPS	0.59	0.55	0.54	7.40	9.39	1	-6.2

Market Cap: 234373 **EV/EBITDA (FY12E): 7.4x**

Valuation & Outlook

Idea's net subscriber additions had also improved to 1.8m in October, and given that 89% of Idea's subscribers are active as per TRAI. We believe seasonal strength should drive traffic growth for Idea. RPM are expected to remain under pressure in the 2HFY11. Moreover, the amortization cost for 3G spectrum will be ~0.7bn/ quarter will increase affect the companies PAT. At CMP of INR 71 he stock trades at a EV/EBITDA of 9.3x and 7.4x for FY11E and FY12E respectively. We have a Hold rating on the stock with a target price of INR 76.

Bharti Airtel Ltd (BAL)

CMP: 359 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	155046.3	103049.5	152150.0	50.5	1.9	155846	-0.5
Operating Expenses	103164.3	62602.4	100941.0	64.8	2.2	102930	0.2
EBITDA	51882.0	40447.1	51209.0	28.3	1.3	52916	-2.0
EBITDA (%)	33.5	39.3	33.7	-579 bps	-19 bps	34	-49 bps
Reported PAT	16510.3	22369.0	16612.0	-26.2	-0.6	16710	-1.2
PAT (%)	10.6	21.7	10.9	-1106 bps	-27 bps	11	-7
EPS	4.35	5.89	4.37	-26.19	-0.51	5	-5.3

Market Cap: 1363338 **EV/EBITDA (FY12E): 5.5x**

Valuation & Outlook

At CMP of INR 359 the stock trades at a EV/EBITDA multiple of 6.8 x and 5.5x for FY11E and FY12E respectively. The next few quarter will see the launch of 3G operations with this BAL will start amortizing license fee and interest charge. Rebranding cost will take away the growth in minutes on network (MoN) which would be witnessed in 3QFY11. Moreover, revenue traction will be visible at the end of FY12. African operation will start inching to world higher EBITDA as outsourcing contracts will bear fruits from FY12 onwards.

Pharma Sector

Dr Reddy's Laboratories Ltd. (DRL)

CMP: INR 1694 **Hold**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	20,231	17,036	18,704	19%	8%	19583	3%
Operating Expenses	16,063	13,206	15,696	22%	2%	15853	1%
EBITDA	4,168	3,829	3,008	9%	39%	3730	12%
EBITDA (%)	21%	22%	16%	-188 bps	452 bps	19%	155 bps
Reported PAT	2,711	(2,331)	2,868	NA	-5%	2653	2%
PAT (%)	13%	-14%	15%	NA	-193 bps	14%	-15 bps
EPS	16.0	-13.8	17.0	-216%	-5%	20.7	-22%

Market Cap: 286,545 **P/E (FY12E):23.7 x**

* Consolidated Financials

Valuation & Outlook

DRL would benefit from strong product pipeline, higher sales in Russia and new product launches. In Q2FY11, it launched 41 new generic products, filed 21 ANDA and 13 DMF globally. It recently acquired GSK's oral penicillin manufacturing facility in Bristol USA, along with brand rights for Augmentin and Amoxil in US market. The company generated sales of USD 73mn for GSK in CY09. DRL is currently trading at 23.7x its FY12E earnings.We expect DRL to show strong growth in long run and recommend ACCUMULATE on the stock with price target of INR 1874.

Biocon Ltd

CMP: INR 412 **Accumulate**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	7,113	6,351	6,788	12%	5%	7175	-1%
Operating Expenses	5,804	5,065	5,340	15%	9%	5698	2%
EBITDA	1,309	1,286	1,448	2%	-10%	1477	-11%
EBITDA (%)	18%	20%	21%	-184 bps	-293 bps	21%	-219 bps
Reported PAT	839	809	892	4%	-6%	892	-6%
PAT (%)	12%	13%	13%	-94 bps	-134 bps	12%	-63 bps
EPS	4.2	4.2	4.6	1%	-8%	4.5	-6%

Market Cap: 82,200 **P/E (FY12E):19.1 x**

* Consolidated Financials

Valuation & Outlook

Biocon would continue to maintain growth momentum in domestic formulations and Immunosuppressant sales in US. It is liable to receive USD 100mn in Q3FY11 to carry the Pfizer deal forward. Traction in biosimilar business and growth in US sales due to launch of new products would boost Biocon's topline in coming quarters. Stock is currently trading at 19x its FY12E earnings. We recommend a BUY with a price target of INR 495.

Opto Circuits (India) Ltd. (OPTC)

CMP: INR 255 **Accumulate**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	3,365	2,570	3,314	31%	2%	3452	-3%
Operating Expenses	2,301	1,689	2,257	36%	2%	2412	-5%
EBITDA	1,063	881	1,057	21%	1%	1040	2%
EBITDA (%)	32%	34%	32%	-268 bps	-30 bps	30%	147 bps
Reported PAT	855	657	774	30%	10%	832	3%
PAT (%)	25%	26%	23%	-15 bps	205 bps	24%	130 bps
EPS	4.7	3.6	4.2	30%	11%	NA	NA

Market Cap: 46,249 **P/E (FY12E):10.1 x**

* Consolidated Financials

Valuation & Outlook

OPTC recently announced the acquisition of 76% stake in US-based Cardiac Sciences for USD 42mn. It would further increase its stake investing a total capital of USD 85-90mn for the acquisition. OPTC is expected to show traction in revenues through combination of organic & inorganic growth in next 2-3 years. Access to new markets, integration of Unetixs and launch of new products would further boost the topline. Stock is currently trading at 10.1x its FY12E earnings. We recommend ACCUMULATE on the script with long term prespective.

Sugar Sector

India is expected to produce bumper cane production of 338 mn tonnes in current sugar year SY11 (Oct10-Sep11). Area under cane cultivation saw a jump of ~22% to 5.2 mn hectare over last sugar year. Average yield per hectare is expected to stay around 65 tonne per hectare. Sugar production for the current SY is expected to be in the range of 24.5-26.0 mn tonnes, providing a potential to export 2-3 mn tonnes this year.

In the new export scheme designed the govt, mills would be allowed to ship 2.5% of their average three-year sugar production as part of the first batch of the 500,000 tons exports and traders are allowed to buy from mills. Currently, sugar is quoted at INR 3,000 per 100 kilograms, ~30% lower than record high of INR 4,050 seen in January in Mumbai's wholesale market. International sugar prices are hovering ~15% higher than our domestic market level, making exports a preferable choice for millers.

Shree Renuka Sugars Ltd (SHRS)

CMP: INR 97 **Buy**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	26,101	14,287	24,600	83%	6%	NA	NA
Operating Expenses	22,968	10,676	21,180	115%	8%	NA	NA
EBITDA	3,132	3,611	3,420	-13%	-8%	NA	NA
EBITDA (%)	12%	25%	14%	-1327 bps	-190 bps	NA	NA
Reported PAT	2,453	2,609	1,169	-6%	110%	NA	NA
PAT (%)	9%	18%	5%	-886 bps	465 bps	NA	NA
EPS	3.7	4.1	1.7	-11%	110%	NA	NA

Market Cap: 65,400 **P/E (SY11E):7.8 x**

*** Consolidated Financials**

Valuation & Outlook

SHRS would benefit from low cane price & high utilisation rate in domestic market in current sugar year(SY: Oct beginning). Strong margins are expected from Brazilian subsidiaries (VDI & Equipav) due to high international prices. Export of Indian sugar and increase in ethanol volume would also contribute to SHRS's topline and bottomline growth. Power & Distillery businesses are expected to show marginal growth. The stock is trading at 7.8x its SY11E earning of INR 12.5. We recommend BUY on the stock with long term price target of INR 117.

Balrampur Chini Mills Ltd (BCML)

CMP: INR 88 **Accumulate**

(*in Mn)*

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	8,560	4,395	5,127	95%	67%	NA	NA
Operating Expenses	7,208	3,079	5,671	134%	NA	NA	NA
EBITDA	1,352	1,316	(544)	3%	NA	NA	NA
EBITDA (%)	16%	30%	NA	-1456 bps	NA	NA	NA
Reported PAT	693	766	(783)	-9%	NA	NA	NA
PAT (%)	8%	18%	NA	-955 bps	NA	NA	NA
EPS	2.7	3.0	-3.0	-10%	NA	NA	NA

Market Cap: 22,665 **P/E (SY11E):7.8 x**

*** Standalone Financials**

Valuation & Outlook

BCML's fate continues to hang in balance as domestic sugar prices have fallen from INR 42 per kg to current level of INR 30 per kg. The average inventory cost for BCML is INR 28 per kg which poses huge risk in the current sugar year (SY). Further, low SAP (state advised price) in UP would also pressurize sugar margins. Power business of the company would continue to gain on account of favorable power policies in UP. We expect BCML to benefit from increase in utilisation rate and enhancement in cost efficiencies. The stock is trading at 7.8x its SY11E earnings of INR 11.3, hence we recommend an ACCUMULATE on the stock with a long term perspective.

Fertilizer Sector

Fertiliser sector would show mixed performance in medium term, as revised Nutrient based scheme prices have reduced margins for companies. Strong consumption story on back of normal monsoons would continue to drive the sector performance. New investments in urea and decontrol of urea price could further trigger sector growth. Slow down could be observed if delay in KG basin supply and gas grid implementation continue forward. Implementation of Nutrient based scheme (for urea) or any act of decontrol would lead to re-rating of stocks with 10-15% potential upside.

Deepak Fertilizers & Chemicals Ltd (DFPC)

CMP: INR 162 **Buy**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	4,374	3,621	4,058	21%	8%	3792	15%
Operating Expenses	3,548	2,727	3,342	30%	6%	2998	18%
EBITDA	827	894	716	-7%	15%	794	4%
EBITDA (%)	19%	25%	18%	-579 bps	126 bps	21%	-204 bps
Reported PAT	556	529	414	5%	34%	420	32%
PAT (%)	13%	15%	10%	-190 bps	249 bps	11%	164 bps
EPS	6.3	6.0	4.7	5%	34%	5.2	21%

Market Cap: 14,280 **P/E (FY12E):6.6 x**

* Standalone Financials

Valuation & Outlook

DFPC would gain from additional techincal ammonium nitrate (TAN) capacity in H2FY11. Demand for TAN is expected to improve due to higher infra and mining demand. In the fertiliser segment trade volumes are expected to stay high in H2FY11. New agreements in retail business are expected to contribute only after completion of FY11. The stock is trading at attractive valuation of 6.6x FY12E earning. We recommend BUY on the stock with a long term price target of INR 202.

Chambal Fertilizers Ltd

CMP: INR 85 **Accumulate**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	13,358	11,417	15,351	17%	-13%	NA	NA
Operating Expenses	11,190	9,522	13,220	18%	-15%	NA	NA
EBITDA	2,168	1,894	2,131	14%	2%	NA	NA
EBITDA (%)	16%	17%	14%	-36 bps	235 bps	NA	NA
Reported PAT	912	797	861	14%	6%	NA	NA
PAT (%)	7%	7%	6%	-15 bps	122 bps	NA	NA
EPS	2.2	1.9	2.1	14%	6%	NA	NA

Market Cap: 35,353 **P/E (FY12E):10.0 x**

* Standalone Financials

Valuation & Outlook

Fertiliser consumption is expected to stay high in H2FY11 due to higher cultivated land. Trade volume and margin are also expected to be strong in the coming quarters. Change in Urea investment policy provides strong opportunity to Chambal to expand its business. Decontrol of Urea price could be another trigger for the sector. Stock is trading at 10x its FY12E earnings. We maintain BUY on the stock with a price target of INR 102.

Nagarjuna Fertilz. & Chem. Ltd. (NFCL)

CMP: INR 32 **Buy**

(in Mn)

Particulars	**Q3FY11E**	**Q3FY10**	**Q2FY11**	**YoY(%)**	**QoQ(%)**	**Bloomberg***	**Dev (%)**
Revenue from Operations	7,216	6,096	11,220	18%	-36%	NA	NA
Operating Expenses	6,343	5,769	10,049	10%	-37%	NA	NA
EBITDA	873	327	1,172	167%	-25%	NA	NA
EBITDA (%)	12%	5%	10%	674 bps	166 bps	NA	NA
Reported PAT	245	121	284	102%	-13%	NA	NA
PAT (%)	3%	2%	3%	141 bps	87 bps	NA	NA
EPS	0.6	0.3	0.7	105%	-13%	NA	NA

Market Cap: 13,744 **P/E (FY12E):8.6 x**

*** Standalone Financials**

Valuation & Outlook

The stock looks attractive at current valuation considering strong capex in fertiliser sector, possibility of urea price decontrol and high trade volume in the current fiscal. It would also gain from investment in 6mn MTPA crude oil refinery at Cuddalore, Tamil Nadu; which is expected to commission by FY13. (NFCL holds 51% stake in Nagarjuna Oil Corporation Limited.) The stock is trading at 8.6x its FY12E earnings. We recommend BUY on the stock with long term price target of INR 39.

Agri Chem

India is a highly populated country with low arable land on per capita basis. It constantly faces a challenge to address its food requirements and hence agricultural growth is crucial for India's food security. Fertiliser, agri-chemicals, hybrid seeds and irrigation facilities are the key pillars for sustainable agricultural growth. Hence, we remain positive on these sectors with a long term perspective.

Global market for agchem was valued at USD 40bn in 2008. This sector has an oligopoly structure with 6 top companies namely Bayer, Syngenta, Monsanto, BASF, DuPont and Dow holding 28% and 32% market share in patent and off-patent markets. Entire chain of innovation is mostly lead by these few players.

The off-patent market provides huge opportunity to Indian generic producers like Tata Chemicals, Rallis India, United Phosphorus and others. These companies have strong brand value and wide distribution network with ability to manufacture various generics. They have the potential to educate Indian farmers and market new products in the agrarian economy. Off-patent market is expected to outperform the industry growth as patent worth USD 3-4bn would expire during 2009-14.

United Phosphorus Ltd. (UPL)

CMP: INR 158 **Accumulate**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	12,643	11,112	12,247	14%	3%	13496	-6%
Operating Expenses	10,203	9,160	9,921	11%	3%	10869	-6%
EBITDA	2,440	1,952	2,326	25%	5%	2627	-7%
EBITDA (%)	19%	18%	19%	174 bps	31 bps	19%	-17 bps
Reported PAT	1,353	641	1,147	111%	18%	1326	2%
PAT (%)	11%	6%	9%	493 bps	134 bps	10%	87 bps
EPS	2.9	1.4	2.6	113%	12%	3.2	-9%

Market Cap: 73,322 **P/E (FY12E):9.8 x**

* Consolidated Financials

Valuation & Outlook

UPL is expected to show muted growth in the quarter due to strong rainfall in Oct-Nov in certain parts of the country. However, recent acquisition of Mancozeb products from DuPont and RICECO are expected to cushion the sales. RICEO deal would add ~USD 25-35 mn to UPL's topline and strengthen its presence in rice herbicide segment (through foray in new geographies). UPL is currently trading at 9.8x its FY12E earnings. We recommend BUY on the stock with a long term price target of INR 192.

Rallis India Ltd. (RALI)

CMP: INR 1396 **Accumulate**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	2,843	2,029	3,631	40%	-22%	NA	NA
Operating Expenses	2,291	1,601	2,749	43%	-17%	NA	NA
EBITDA	551	428	883	29%	-38%	NA	NA
EBITDA (%)	19%	21%	24%	-169 bps	-491 bps	NA	NA
Reported PAT	412	241	587	71%	-30%	NA	NA
PAT (%)	15%	12%	16%	264 bps	-167 bps	NA	NA
EPS	21.2	12.8	30.2	66%	-30%	NA	NA

Market Cap: 27,202 **P/E (FY12E):15.2 x**

* Standalone Financials

Valuation & Outlook

RALI is expected to maintain healthy sales in pesticides segment in H2FY11. It has strengthened its grip on the seed business by acquisition of Metahelix Life Sciences a seed research company having 13 products in market and 17 products in pipeline. RALI is posied for strong growth on account of strong product mix, ability to launch new products successfully, commissioning of Dahej facility, strong distribution channel and contract manufacturing alliance with several multinational agrochemical companies. Stock is trading at 15.2x its FY12E earnings. We recommend ACCUMULATE with a price target of INR 1598.

Tata Chemicals (TCH)

CMP: INR 392 **Accumulate**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	26,550	26,223	29,347	1%	-10%	21169	25%
Operating Expenses	22,355	20,662	25,166	8%	-11%	15915	40%
EBITDA	4,195	5,561	4,182	-25%	0%	5254	-20%
EBITDA (%)	16%	21%	14%	-541 bps	155 bps	25%	-902 bps
Reported PAT	1,800	2,124	1,271	-15%	42%	2192	-18%
PAT (%)	7%	8%	4%	-132 bps	245 bps	10%	-358 bps
EPS	7.1	9.0	5.1	-22%	38%	9.0	-22%

Market Cap: 98,845 **P/E (FY12E):12.5 x**

* Consolidated Financials

Valuation & Outlook

TCH is expected to continue its strong run based on strong soda ash sales in US, acquisition of British Salt (UK) and growth in domestic agri-based business. Soda-ash & Salt divisions are expected to maintain their momentum in H2FY11. Acquisition of Rallis provides TCH immense opportunity to tap new markets in domestic region with a wider product range. Synergy benefits of these businesses would also boost its margin going forward. TCH is trading at 12.5x its FY12E earnings and we recommend ACCUMULATE on the stock.

JB Chemicals Ltd (JBCL)

CMP: INR 139 **Accumulate**

(in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	2,285	1,981	2,331	15%	-2%	NA	NA
Operating Expenses	1,801	1,537	1,744	17%	3%	NA	NA
EBITDA	484	443	588	9%	-18%	NA	NA
EBITDA (%)	21%	22%	25%	-119 bps	-400 bps	NA	NA
Reported PAT	334	296	446	13%	-25%	NA	NA
PAT (%)	15%	15%	19%	-30 bps	-450 bps	NA	NA
EPS	4.0	3.5	5.3	13%	-25%	NA	NA

Market Cap: 11,745 **P/E (FY12E):7.6 x**

* Standalone Financials

Valuation & Outlook

JBCL would grow on back of deeper penetration in the existing markets, entry into newer markets and launch of new products. We expect stable growth in its domestic and international business as all its manufacturing facilities are approved by leading market regulators. Low Debt-to-equity and strong cash flow provide further opportunity to expand. Stock is currently trading at 7.6x its FY12E earnings. We recommend ACCUMULATE with a price target of INR 156 .

FMCG

The fast moving consumer goods (FMCG) industry is likely to record higher levels of growth in the current fiscal owing to focused initiatives and strategic mergers and acquisitions as well as new product innovations. Increased competition at home is leading FMCG companies to seek growth opportunities in other emerging as well as developed markets. Indian FMCG companies looked to fast track their way to international expansion through acquisitions, mostly global, led by Godrej, which had seven acquisitions on its account, domestic firms, including Marico (two), Dabur (two) and Emami (one) which went on a global buying spree during the year. India's FMCG sector has registered a growth of 11.4% in the first quarter of 2010-11 compared to 12% in the like period of last fiscal. But the industry is optimistic about maintaining higher growth at 13% in the fiscal year 2010-11, as commodity prices are expected to cool down in view of a good monsoon. The Confederation of Indian Industry (CII) has also predicted a growth of 13% this fiscal for the sector.

Rural sector accounts for about 33% of sector's total revenue. The FMCG market in rural India is booming on the back of rising demand driven by rising income levels, changing lifestyles and favorable demographics. Better penetration of organized retail in Tier 2 & Tier 3 cities and demonstration effect have accelerated the growth in the sector. At present, rural consumers spend about USD 9 billion per annum on FMCG items and product categories, with the pace of consumption growing much faster than urban areas. The industry has made highly recognisable product innovations, including smaller packs (sachets) to tap the vast niche segment and aggressive rural market penetration to cater to rising rural demand. Though rising food inflation and high input costs have hurt the FMCG sector in the first half of the financial year 2010-11, the industry is optimistic about its performance during the full year.

Dabur India Ltd

CMP: 100 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	10817.5	9262.0	9728.0	16.8	11.2	11161	-3.1
Operating Expenses	8732.5	7449.0	7646.0	17.2	14.2	9102	-4.1
EBITDA	2085.0	1813.0	2082.0	15.0	0.1	2059	1.3
EBITDA (%)	19.3	19.6	21.4	-30 bps	-213 bps	18	83 bps
Reported PAT	1712.0	1378.0	1604.0	24.2	6.7	1703	0.5
PAT (%)	15.8	14.9	16.5	95 bps	-66 bps	15	-17
EPS	0.98	0.79	0.92	24.24	6.73	1	0.5

Market Cap: 174508 **P/E (FY12E): 23.6x**

*Consolidated Financials

Valuation & Outlook

Dabur is likely to report steady growth, across its businesses with no significant input cost pressures leading to stable margins outlook. The stock is currently trading at an FY12 P/E multiple of ~24x. The company has a strategy of strengthening presence in existing categories & markets as well as entering new geographies. We believe, that improved domestic growth momentum, the recent international acquisition of Namaste group which is expected to be EPS accretive from first year and inorganic growth opportunities would drive company's performance over the near term. We have an Accumulate rating on the stock with a price objective of ~INR 111.

Emami Ltd

CMP: 404 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	3202.3	3495.8	2723.8	-8.4	17.6	NA	NA
Operating Expenses	2241.6	2448.0	1895.1	-8.4	18.3	NA	NA
EBITDA	960.7	1047.8	828.7	-8.3	15.9	NA	NA
EBITDA (%)	30.0	30.0	30.4	3 bps	-42 bps	NA	NA
Reported PAT	604.3	780.5	533.5	-22.6	13.3	NA	NA
PAT (%)	18.9	22.3	19.6	-346 bps	-72 bps	NA	NA
EPS	3.99	5.16	3.53	-22.58	13.26	NA	NA

Market Cap: 61077 **P/E (FY12E): 25.4x**

*Consolidated Financials

Valuation & Outlook

At current market price, the stock trades at ~25x its FY12e EPS. The company's bid to aquire Paras was unsucessful and Emami is ready with another list of companies, it is looking at for inorganic growth. The company is also looking to enter new business segments such as wellness centres, herbal gardens, ayurvedic museums, tourist facility, hotels, spas, independent cottages and yoga centres given its strong Ayurveda heritage and research and development capabilities. Considering the strong growth in FMCG sector and the company's expansion plans, we recommend to BUY the stock for a price objective of ~INR 499.

Godrej Consumer Products Ltd (GCPL)

CMP: 387 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	9261.4	5183.7	9647.3	78.7	-4.0	9239	0.2
Operating Expenses	7548.0	4161.5	7837.7	81.4	-3.7	7473	1.0
EBITDA	1713.4	1022.2	1809.6	67.6	-5.3	1767	-3.0
EBITDA (%)	18.5	19.7	18.8	-122 bps	-26 bps	19	-62 bps
Reported PAT	1342.9	851.2	1310.5	57.8	2.5	1273	5.5
PAT (%)	14.5	16.4	13.6	-192 bps	92 bps	14	1
EPS	4.15	2.63	4.05	57.77	2.47	4	5.5

Market Cap: 125197 **P/E (FY12E): 20.9x**

*Consolidated Financials

Valuation & Outlook

GCPL is expected to deliver a strong Q3 FY11 and its thrust on the 3*3 strategy of focusing on three product categories and three regions will continue to pay off. We expect GCPL to benefit from the higher than average growth rates over its peers from the completed acquisitions translating to strong financial growth. It has also taken price rise to counter the increase in raw material. At CMP, the company is trading at ~21x its FY12e earnings and we expect the company to have synergy benefits going forward which would improve its operating margins. We recommend BUY with a price objective of ~INR 452.

Jyothy Laboratories Ltd

CMP: 270 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	1598.2	1352.0	1479.8	18.2	8.0	NA	NA
Operating Expenses	1374.5	1165.4	1287.2	17.9	6.8	NA	NA
EBITDA	223.8	186.6	192.6	19.9	16.2	NA	NA
EBITDA (%)	14.0	13.8	13.0	20 bps	99 bps	NA	NA
Reported PAT	191.8	168.4	154.5	13.9	24.2	NA	NA
PAT (%)	12.0	12.5	10.4	-46 bps	156 bps	NA	NA
EPS	2.38	2.09	1.92	13.89	24.17	NA	NA

Market Cap: 21746 **P/E (FY12E): 17.1x**

*Standalone Financials

Valuation & Outlook

At current market price, the stock is trading at ~17x its FY12e EPS. The company is targeting two regional acquisitions this year, probably in the fabric care domain for a total consideration of INR 3 bn. It has been extending a number of its in-house brands beyond the four southern markets of Kerala, Tamil Nadu, Andhra Pradesh and Karnataka, in an attempt to boost revenues. The company is expected to deliver strong revenue growth while operating margins are expected to remain healthy despite high input costs and ad-spends.We recommend to Accumulate the stock with a price objective of ~INR 315.

Marico Ltd

CMP: 120 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	7630.3	6695.7	7787.7	14.0	-2.0	7974	-4.3
Operating Expenses	6714.6	5707.9	6839.0	17.6	-1.8	6913	-2.9
EBITDA	915.6	987.8	948.6	-7.3	-3.5	1061	-13.7
EBITDA (%)	12.0	14.8	12.2	-275 bps	-18 bps	13	-131 bps
Reported PAT	706.6	622.0	715.6	13.6	-1.3	741	-4.6
PAT (%)	9.3	9.3	9.2	-3 bps	7 bps	9	106
EPS	1.15	1.01	1.17	13.60	-1.26	1	-4.6

Market Cap: 73504 **P/E (FY12E): 20.1x**

*Consolidated Financials

Valuation & Outlook

At current market price, the stock is trading at ~20x its FY12e EPS. The company has taken some price increases during Q3 FY11 as a result of raising input costs. We expect the margins to improve going ahead, aided by the price hikes. With the Kaya Skin care business back on track in international markets, we expect the earnings to further improve going forward. There is also buzz that Marico is looking at picking up controlling stake in Paras Pharma with the objective of expanding its brand and product portfolio. The company's continuous efforts of expanding its brand and product portfolio would subsequently add to the revenue growth. We recommend to BUY the stock with a price objective of ~INR 142.

Wealth Research, Unicon Financial Intermediaries Pvt Ltd.
Email: wealthresearch@uniconindia.in

Hotel

Hotel Industry is back on track after witnessing a slowdown last year. Uptick was seen in the average room rates (ARR). However, hotels gave precedence to occupancy over room tariff, capping the raise. The tourism industry is expected to grow at a CAGR of 7.6% for the next 10 years. Tourist arrivals and business travel are set to grow with strong economic growth. With increase in disposable incomes and favorable demography domestic leisure travel is set to grow at a healthy pace. Growth in demand is seen across business as well as leisure destinations and we maintain our positive stance on the hotel industry, on the back of the improving dynamics despite huge inventory lined up and foreign players also queuing up to be a part of domestic hospitality growth saga. There might be some rate corrections across hotel categories owing to competition from leading international and domestic brands entering the market as well as the availability of quality options in the mid-market and budget category.

Hotel Leela Venture Ltd (HLV)

CMP: 47 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	1348.2	1277.4	1056.3	5.5	27.6	NA	NA
Operating Expenses	806.3	766.0	813.2	5.3	-0.8	NA	NA
EBITDA	541.9	511.4	243.1	6.0	122.9	NA	NA
EBITDA (%)	40.2	40.0	23.0	16 bps	1718 bps	NA	NA
Reported PAT	305.8	288.6	-47.5	6.0	743.8	NA	NA
PAT (%)	22.7	22.6	0.0	9 bps	2268 bps	NA	NA
EPS	0.79	0.74	NA	5.96	NA	NA	NA

Market Cap: 18344 **P/E (FY12E): 21x**

*Standalone Financials

Valuation & Outlook

At current market price, the stock trades at ~21x its FY12e EPS. Hotel Leela enjoys presence across key tourist and business destinations and its new properties are also strategically planned in key cities of India. This significantly lowers probability of vacancy. HLV revenues will benefit from growth in the industry along with distinct location advantage besides higher ARR in the 5-star deluxe segment. We recommend investors to Accumulate the stock with a price objective of ~INR 55.

Royal Orchid Hotels Ltd

CMP: 84 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	395.5	313.0	343.2	26.4	15.2	NA	NA
Operating Expenses	297.2	235.6	256.4	26.2	15.9	NA	NA
EBITDA	98.3	77.4	86.8	27.0	13.3	NA	NA
EBITDA (%)	24.9	24.7	25.3	13 bps	-44 bps	NA	NA
Reported PAT	39.5	30.0	20.3	31.7	94.6	NA	NA
PAT (%)	10.0	9.6	5.9	40 bps	407 bps	NA	NA
EPS	1.45	1.10	0.75	31.65	94.56	NA	NA

Market Cap: 2282 **P/E (FY12E): 11.1x**

*Consolidated Financials

Valuation & Outlook

At current market price, the stock trades at ~11x its FY12e EPS. Considering the industry growth, traction in occupancy rates and new capacity addition, the revenues are expected to grow at a healthy rate going forward. The Indian IT/ITES industry is back on growth trajectory, contributing to more corporate travel. Bengaluru, Hyderabad and Pune being the IT/ITES hubs of the country, The company's properties in these cities will see improved ARR as occupancy stabilizes ~70% or above levels. This will in-turn translate to better margins. We recommend investors to Accumulate the stock for a price objective of ~INR 95.

Taj GVK Hotels & Resorts Ltd (TAJGVK)

CMP: 133 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	717.1	643.6	597.6	11.4	20.0	NA	NA
Operating Expenses	430.3	382.6	404.7	12.5	6.3	NA	NA
EBITDA	286.8	261.0	192.9	9.9	48.7	NA	NA
EBITDA (%)	40.0	40.6	32.3	-55 bps	772 bps	NA	NA
Reported PAT	144.5	122.0	74.3	18.4	94.5	NA	NA
PAT (%)	20.1	19.0	12.4	119 bps	772 bps	NA	NA
EPS	2.30	1.95	1.19	18.44	94.45	NA	NA

Market Cap: 8342 **P/E (FY12E): 11.8x**

*Standalone Financials

Valuation & Outlook

At current market price, the stock trades at ~12x its FY12e EPS. Considering strong economic growth, we expect destinations like Hyderabad, Chandigarh and Chennai to benefit from business travel. TajGVK has a significant presence in these cities. Demand is expected to improve and so are the occupancy rates, translating to better ARRs going forward. Despite concerns over the rise in room supply in Hyderabad, Taj GVK is expected to maintain its market share as it is competitively positioned in terms of ARRs against its competitors. Considering the company's competitive pricing power, sound balance sheet and balanced expansion plans, we recommend to BUY the stock, with a price objective of ~INR 165.

IT

The IT sector has been doing well recently, mainly due to the US economy stabilizing. There is more visibility on IT spend from clients. Volume growth has increased by 7-10% in the last three quarters primarily due to an uptick in the BFSI segment. There has been significant shift towards consulting and package implementation services and we expect this trend to continue going forward. However, we don't expect big IT companies to post 20-25% profit margins going forward mainly due to higher tax incidence and higher wages. An appreciating rupee will pose a risk to realizations for companies. Billing rates are likely to remain flat or at best grow marginally from current levels. We expect strong volume growth for tier-1 IT companies, backed by revival in discretionary IT spend and strong traction in the BFSI domain, but pricing pressure will continue to remain. Margins for mid cap IT companies will continue to remian under pressure as they try to retain their workforce by higher wages. Companies with strong domain expertise in the mid cap sector are expected to do well.

Our top picks are TCS, HCL Technologies and 3i Infotech.

Tata Consultancy Services Ltd

CMP: 1165 **Hold**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	92,405	76,485	92,864	20.8	-0.5	95,681	-3.4
Operating Expenses	65,069	53,758	65,102	21.0	-0.1	67,528	-3.6
EBITDA	27,336	22,727	27,762	20.3	-1.5	28,153	-2.9
EBITDA (%)	29.6	29.7	29.9	-13 bps	-31 bps	29.4	16 bps
Reported PAT	20,945	18,442	21,990	13.6	-4.8	21,519	-2.7
PAT (%)	22.7	24.1	23.7	-144 bps	-101 bps	22.5	18 bps
EPS	10.6	9.3	11.1	13.57	-4.4	11.0	-3.9

Market Cap: 228,0162 **P/E (FY12E): 23.8x**

* Consolidated Financials

Valuation & Outlook
Growth in revenues is expected to continue, with strong BFSI presence to continue to drive this growth. Margins to remain flat. Demand environment remains strong for the company with incrementally positive cues from its clients on the CY11 budgets. Going forward we expect significant hiring to happen in FY11 and utilisations to remain on the higher side (~78-80%). Hold with a target price of INR 1240.

Patni Computer Systems Ltd

CMP: 476 **Hold**

Particulars	Q4CY10E	Q4CY09	Q3CY10	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	7,959	7,900	8,584	0.8	-7.3	8,277	-3.8
Operating Expenses	6,286	5,987	6,670	5.0	-5.8	6,834	-8.0
EBITDA	1,673	1,913	1,914	-12.6	-12.6	1,443	15.9
EBITDA (%)	21.0	24.2	22.3	-320 bps	-128 bps	17.4	359 bps
Reported PAT	1,304	2,055	1,445	-36.5	-9.7	1,211	7.7
PAT (%)	16.4	26.0	16.8	-963 bps	-44 bps	14.6	175 bps
EPS	10.1	15.9	11.1	-36.55	-8.9	10.8	-6.5

Market Cap: 62,344 **P/E (CY11E): 11.8x**

* Consolidated Financials

Valuation & Outlook

Revenue growth outlook for Q4CY10 is muted at 0.7-1.2% QoQ to USD 180 - 181mn and PAT of USD 22.5 - 23mn. Hiring in Q3 and guidance of 1,000 net add in Q4 is encouraging for growth. However in short term margin will dip as utilisation is expected to fall. Taking into account the management guidance and relatively slow growth for the company as compared to the industry, we have a Hold rating on the company with a target price of INR 484.

HCL Technologies Ltd

CMP: 456 **Accumulate**

Particulars	Q2FY11E	Q2FY10	Q1FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	38,686	30,325	37,081	27.6	4.3	37,334	3.6
Operating Expenses	32,047	24,913	31,889	28.6	0.5	31,003	3.4
EBITDA	6,639	5,412	5,192	22.7	27.9	6,331	4.9
EBITDA (%)	17.2	17.8	14.0	-69 bps	316 bps	17.0	20 bps
Reported PAT	3,954	2,968	3,309	33.2	19.5	3,675	7.6
PAT (%)	10.2	9.8	8.9	43 bps	130 bps	9.8	38 bps
EPS	5.9	4.4	5.0	33.22	17.5	5.4	8.8

Market Cap: 310,079 **P/E (FY12E): 14.9x**

* Consolidated Financials

Valuation & Outlook

The company has seen robust client additions apart from signing multi year multi service deals which should provide revenue visibility for the company going forward. Deal pipeline is strong and we expect margin improvement this quarter. Keeping in view the strong expected topline growth backed by Infrastructure management services & Custom Applications, we remain positive on the stock with a target price of INR 540.

Infosys Technologies Ltd

CMP: 3442 **Hold**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	68,886	57,410	69,470	20.0	-0.8	70,732	-2.6
Operating Expenses	45,852	37,030	48,490	23.8	-5.4	47,151	-2.8
EBITDA	23,034	20,380	20,980	13.0	9.8	23,581	-2.3
EBITDA (%)	33.4	35.5	30.2	-206 bps	324 bps	33.3	10 bps
Reported PAT	17,490	15,820	17,370	10.6	0.7	18,110	-3.4
PAT (%)	25.4	27.6	25.0	-217 bps	39 bps	25.6	-21 bps
EPS	30.5	27.8	30.4	9.80	0.2	31.3	-2.7

Market Cap: 1,975,827 **P/E (FY12E): 23.3x**

* Consolidated Financials

Valuation & Outlook

The near term demand outlook looks robust for the company with stability in pricing. We expect traction from APAC to remain strong. BFSI, Retail and Manufacturing verticals will continue to drive growth. Early indications suggest flat CY11 budgets for the company's clients. Discretionary spend will be a critical factor for Infosys. We recommend Hold with a target price of INR 3600.

3i Infotech Ltd

CMP: 60 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	6,579	5,962	6,434	10.3	2.3	NA	NA
Operating Expenses	5,216	4,766	5,138	9.4	1.5	NA	NA
EBITDA	1,364	1,196	1,296	14.0	5.2	NA	NA
EBITDA (%)	20.7	20.1	20.1	66 bps	58 bps	NA	NA
Reported PAT	657	505	638	30.0	3.0	NA	NA
PAT (%)	10.0	8.5	9.9	151 bps	7 bps	NA	NA
EPS	3.4	4.2	3.2	-17.59	5.6	NA	NA

Market Cap: 11,513 **P/E (FY12E): 4.2x**

* Consolidated Financials

Valuation & Outlook

Management has revised down its guidance for FY11 from 10–14% YoY revenue growth to 5% due to unanticipated drop in cheque processing volumes. The IT solutions segment is currently witnessing good traction whereas the transaction services segment is currently witnessing a huge decline in volumes. This trend is likely to continue going forward. Traction from emerging markets will continue, whereas growth from the developed markets will remain sluggish in the coming quarters.The stock currently trades at x its FY12 earnings, which is at a significant discount compared to its peers. We recommend Buy with a target price of INR 88.

Bartronics India Ltd

CMP: 89 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	2,495	2,388	2,241	4.5	11.3	NA	NA
Operating Expenses	1,915	1,723	1,754	11.1	9.2	NA	NA
EBITDA	580	665	487	-12.7	19.2	NA	NA
EBITDA (%)	23.2	27.8	21.7	-459 bps	153 bps	NA	NA
Reported PAT	236	218	165	8.2	42.6	NA	NA
PAT (%)	9.5	9.1	7.4	33 bps	208 bps	NA	NA
EPS	6.9	7.0	4.9	-1.43	42.0	NA	NA

Market Cap: 3,030 **P/E (FY12E): 1.5x**

* Consolidated Financials

Valuation & Outlook

Aapke Dwar project has started generating advertisement revenues from some kiosks starting from October 1, 2010. At present, 160 kiosks are operational and it is expected to increase to 1,200 by January, 2011 and 2000 by March, 2011. Revenues from the US subsidiary would continue to decline, however the domestic and South Asia operations are on track and major revenue growth is expected from these markets.Recommend Buy with a price target of INR 116.

Sasken Communication Technologies

CMP: 180 **Buy**

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg	Variance
Revenue from Operations	1,475	1,452	1,338	1.6	10.2	NA	NA
Operating Expenses	1,215	1,206	1,097	0.7	10.8	NA	NA
EBITDA	260	246	242	5.8	7.6	NA	NA
EBITDA (%)	17.6	16.9	18.1	71 bps	-43 bps	NA	NA
Reported PAT	170	171	157	-0.8	8.1	NA	NA
PAT (%)	11.5	11.8	11.7	-28 bps	-22 bps	NA	NA
EPS	6.2	6.1	5.5	1.69	12.4	NA	NA

Market Cap: 4,957 **P/E (FY12E): 5.5x**

* Consolidated Financials

Valuation & Outlook

With the start of new contracts in the services segment and higher employee utilisations in the current quarter, we expect total revenues to grow at 10.2% QoQ basis. Further, the product segment is expected to witness a strong growth backed by continued demand in smartphone market. However, higher employee costs could impact the margins marginally which we have already factored in our estimates. We recommend a Buy with a target price of INR 226.

Logistics/Shipping

The Indian economy has witnessed phenomenal growth over the last decade, making it one of the preferred investment locations across the globe. We believe that sustained growth in the Indian economy with GDP growth expected at 8.5% over the next few years, as well as emergence of India as a global outsourcing hub will facilitate the country's container trade. In the current decade, container traffic registered ~12% CAGR. We expect this trend to continue over the next five years, driven by the addition of new container terminals and increased containerisation. In addition, the Government's focus on infrastructure development will fuel the growth of logistics sector in India. With expansion in the manufacturing sector and fast emerging retail market, we expect the sector to do well.

AllCargo Global Logistics Ltd

CMP: 147 **Buy**

(INR in Mn)

Particulars	Q4CY10E	Q4CY09	Q3CY10	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	7,953	5,436	7,039	46.3	13.0	NA	NA
Operating Expenses	7,047	4,920	6,257	43.2	12.6	NA	NA
EBITDA	907	515	781	75.9	16.0	NA	NA
EBITDA (%)	11.4	9.5	11.1	192 bps	30 bps	NA	NA
Reported PAT	573	284	567	101.8	0.9	NA	NA
PAT (%)	7.2	5.2	8.1	198 bps	-86 bps	NA	NA
EPS	4.4	2.3	4.4	92.32	0.9	NA	NA

Market Cap: 19,212 **P/E (CY11E): 7.0x**

* Consolidated Financials

Valuation & Outlook

AllCargo has planned to spend ~INR 1.0bn for doubling its current capacity to 288,000 TEUs (Twenty Foot Equivalent Units) at JNPT CFS (Container Freight Station) which is expected to be completed by 2HCY12.. Therefore, we believe contribution in revenues from CFS business would increase to ~10% in CY11 as compared to existing ~8%. CFS business commands higher margins compared to other business segments thus EBIT margin would improve by 250bps to 10.5% in CY11 from 8% in CY09. We have Buy rating on the stock with a price target of INR 233 for 12 to 18 months.

Arshiya International Ltd (AIL)

CMP: 274 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	2,004	1,336	1,951	50.0	2.7	NA	NA
Operating Expenses	1,659	1,119	1,619	48.3	2.5	NA	NA
EBITDA	345	217	332	59.0	3.9	NA	NA
EBITDA (%)	17.2	16.2	17.0	98 bps	19 bps	NA	NA
Reported PAT	188	539	181	-65.0	4.1	NA	NA
PAT (%)	9.4	40.3	9.3	-3094 bps	12 bps	NA	NA
EPS	3.2	9.2	3.1	-65.04	4.1	NA	NA

Market Cap: 16,081 **P/E (FY12E): 14.4x**

* Consolidated Financials

Valuation & Outlook

AIL's first free trade warehousing zone (FTWZ) at Mumbai (spread over 165 acres) started commercial operations from August 2010. The company is also working on its second FTWZ at Khurja (investment of INR 4.2bn) which is expected to become operational in H1FY12. The third FTWZ will come up in Nagpur (investment of INR 4.9bn)) for which the land has already been acquired. The impact of Mumbai's FTWZ on revenues and profit margin of the company would start coming in from Q3FY11. We have Accumulate rating on the stock with a target price of INR 315.

Container Corporation of India Ltd (Concor)

CMP: 1,257 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	11,498	8,845	9,442	30.0	21.8	NA	NA
Operating Expenses	8,336	6,295	6,818	32.4	22.3	NA	NA
EBITDA	3,162	2,550	2,624	24.0	20.5	NA	NA
EBITDA (%)	27.5	28.8	27.8	-133 bps	-29 bps	NA	NA
Reported PAT	2,495	2,006	2,067	24.4	20.7	NA	NA
PAT (%)	21.7	22.7	21.9	-98 bps	-20 bps	NA	NA
EPS	19.2	15.4	15.9	24.40	20.7	NA	NA

Market Cap: 163,362 **P/E (FY12E): 15.7x**

* Standalone Financials

Valuation & Outlook

During FY11, Concor has planned to add 20 rakes in its portfolio and has already added ~7-8 rakes in H1FY1. The company has also planned to add six more terminals during the year. We believe improvement in EXIM trade and the large domestic market will provide enough room for growth in the coming few years. We believe the margins would remain under pressure on account of inability to pass on the entire hike in haulage charges to shipping lines. We feel the stock is fairly valued at this juncture and we have a Hold rating on the stock for a target price of INR 1,300.

Aviation

The strong macroeconomic growth, affordable airlines fares and shift in the sector towards low cost carrier (LCC) model have fuelled the passenger traffic growth (18.2% YoY during Apr-Nov 2010) in the domestic market. In August 2010, the Government approved the purchase of 46 new aircraft by LCCs such as SpiceJet (30), IndiGo (14) and JetLite (2) for a total consideration of ~INR 190bn. The delivery of aircraft is expected to begin in FY14. We have positive outlook on the Indian airlines sector as majority of the players such as Jet Airways and SpiceJet have successfully recovered from the economic slowdown and generated positive operational results in the recent past. However, rise in crude oil price from the current level (~USD 90 per barrel) would put pressure on the margins.

SpiceJet Ltd

CMP: 81 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	8,347	6,421	6,030	30.0	38.4	8,585	-2.8
Operating Expenses	7,137	5,400	5,995	32.2	19.0	NA	NA
EBITDA	1,210	1,021	35	18.5	3370.7	NA	NA
EBITDA (%)	14.5	15.9	0.6	-140 bps	1392 bps	NA	NA
Reported PAT	1,127	1,089	101	3.4	1014.1	1,194	-5.6
PAT (%)	13.5	17.0	1.7	-347 bps	1182 bps	13.9	-41 bps
EPS	2.9	4.5	0.3	-35.28	983.4	NA	NA

Market Cap: 31,165 **EV/EBITDAR (FY12): 7.8x**

* Standalone Financials

Valuation & Outlook

Spice Jet is leveraging its strong balance sheet to add capacity and to capture higher share of incremental demand. The company has placed an order for 15 aircraft (Bombardier Q400s), delivery of which would start in June 2011. Therefore, we believe market share of the company would increase to ~16% by FY12 from existing ~12.6%. Margins of the company are expected to remain strong on the back of lower maintenance costs, better fuel efficiency, and saving on airport navigation & landing charges on account of introduction of the Bombardier Q400s. We have Accumulate rating on the stock with a target price of INR 90.

Wealth Research, Unicon Financial Intermediaries Pvt Ltd.
Email: wealthresearch@uniconindia.in

Jet Airways (India) Ltd

CMP: 763 **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	33,217	27,227	28,025	22.0	18.5	NA	NA
Operating Expenses	29,629	22,142	23,317	33.8	27.1	NA	NA
EBITDA	3,587	5,085	4,708	-29.5	-23.8	NA	NA
EBITDA (%)	10.8	18.7	16.8	-788 bps	-600 bps	NA	NA
Reported PAT	1,495	1,058	124	41.3	1105.4	NA	NA
PAT (%)	4.5	3.9	0.4	61 bps	406 bps	NA	NA
EPS	17.3	12.3	1.4	41.34	1102.3	NA	NA

Market Cap: 65,860 **EV/EBITDAR (FY12): 8.0x**

* Standalone Financials

Valuation & Outlook

Low Cost carrier airline (Jet Lite) of Jet Air is expected to break even by FY12 on the back of restructuring at the operation level. We believe the international operation of the company would continue to perform well on the back of a strong network of 24 international destinations. The bottom-line is expected to expand after reduction of its debt and thereby lower interest payment. We have Accumulate rating on the stock with a target price of INR 850.

OTHER

Hindustan National Glass & Industries Ltd

CMP: 259							Buy
							(INR in Mn)
Particulars	**Q3FY11E**	**Q3FY10**	**Q2FY11**	**YoY(%)**	**QoQ(%)**	**Bloomberg***	**Dev (%)**
Revenue from Operations	4185.6	3577.4	3706.4	17.0	12.9	NA	NA
Operating Expenses	3290.6	2861.6	2998.5	15.0	9.7	NA	NA
EBITDA	895.0	715.8	707.9	25.0	26.4	NA	NA
EBITDA (%)	21.4	20.0	19.1	137 bps	228 bps	NA	NA
Reported PAT	350.0	330.6	273.4	5.9	28.0	NA	NA
PAT (%)	8.4	9.2	7.4	-88 bps	99 bps	NA	NA
EPS	4.01	3.79	3.13	5.87	28.02	NA	NA
Market Cap: 22616							**P/E (FY12E): 13.9x**

***Standalone Financials**

Valuation & Outlook
At current market price, the stock is trading at 14x its FY12e EPS. The company has taken some price increases during Q2 FY11 as a result of raising input costs. We expect the margins to improve going ahead, aided by the price hikes and the light weight bottle technology. The float glass business is expected to improve margins further. The company's continuous efforts of expanding its brand and product portfolio would subsequently add to the revenue growth. We recommend to BUY the stock with a price objective of ~INR 320.

HSIL Ltd

CMP: 127							Buy
							(INR in Mn)
Particulars	**Q3FY11E**	**Q3FY10**	**Q2FY11**	**YoY(%)**	**QoQ(%)**	**Bloomberg***	**Dev (%)**
Revenue from Operations	2844.6	2069.2	2219.9	37.5	28.1	NA	NA
Operating Expenses	2268.6	1693.9	1770.8	33.9	28.1	NA	NA
EBITDA	576.0	375.3	449.1	53.5	28.3	NA	NA
EBITDA (%)	20.3	18.1	20.2	211 bps	2 bps	NA	NA
Reported PAT	187.6	99.7	139.3	88.2	34.7	NA	NA
PAT (%)	6.6	4.8	6.3	178 bps	32 bps	NA	NA
EPS	2.84	1.51	2.11	88.15	34.66	NA	NA
Market Cap: 8385							**P/E (FY12E): 8.5x**

***Standalone Financials**

Valuation & Outlook
At current market price, the stock trades at ~8x its FY12e EPS. HSIL's sanitary-ware business would benefit from the revival in the housing sector while growing disposable income levels in India will aid demand in industries like alcohol, beverages, pharma and food packaging serviced by container glass segment of HSIL. The company's strong brand recall, wide distribution network for sanitary-ware and its complementary range of products for bathrooms and kitchens and expansion of product profile with faucets will drive revenue growth going forward. We recommend to BUY with a price target of ~INR 171.

Piramal Glass Ltd

CMP: 113 — **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	3227.1	2862.3	3067.0	12.7	5.2	NA	NA
Operating Expenses	2496.8	2308.8	2361.0	8.1	5.8	NA	NA
EBITDA	730.3	553.5	706.0	31.9	3.4	NA	NA
EBITDA (%)	22.6	19.3	23.0	329 bps	-39 bps	NA	NA
Reported PAT	203.1	107.8	206.7	88.4	-1.8	NA	NA
PAT (%)	6.3	3.8	6.7	253 bps	-45 bps	NA	NA
EPS	2.52	1.34	2.57	88.38	-1.75	NA	NA

Market Cap: 9065 — **P/E (FY12E): 6.9x**

*Consolidated Financials

Valuation & Outlook

At current market price, the stock trades at ~7x its FY12e EPS. The company's increasing focus on C&P business, significant cost advantage over its competitors in other parts of the world, growing market share in the premium segment and shift of manufacturing to India from their US plant, would lead to substantial improvement in revenue and margins going forward. We recommend BUY on the stock for a price target of ~INR 135.

ESS DEE ALUMINIUM LTD

CMP: 460 — **Accumulate**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	1,720	1,577	1,622	9.1	6.0	NA	NA
Operating Expenses	1,231	1,097	1,176	12.2	4.7	NA	NA
EBITDA	489	480	446	1.9	9.6	NA	NA
EBITDA (%)	28.4	30.4	27.5	-201 bps	94 bps	NA	NA
Reported PAT	405	310	405	30.5	0.0	NA	NA
PAT (%)	23.5	19.7	25.0	387 bps	-143 bps	NA	NA
EPS	12.6	11.2	12.8	13.3	-1.3	NA	NA

Market Cap: 14742 — **P/E (FY12E): 7.9x**

* Consolidated Financials

Valuation & Outlook

Ess Dee aluminium has successfully started the operations at the India foils unit which has resulted in an increase in its total capacity to 37,000 MTPA. However concerns remain due to high aluminium prices which accounts for ¬44.6% and 56.1% of its sales and total cost respectively. We feel the stock is reasonably valued at this juncture and investors can accumulate the stock for a target price of INR 540.

GANESH POLYTEX LTD (GPL)

CMP: 76 **Buy**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	584	526	552	11.1	5.8	NA	NA
Operating Expenses	503	464	477	8.4	5.5	NA	NA
EBITDA	81	62	75	31.2	7.7	NA	NA
EBITDA (%)	13.9	11.7	13.6	212 bps	25 bps	NA	NA
Reported PAT	39	29	37	36.7	6.7	NA	NA
PAT (%)	6.7	5.4	6.6	125 bps	6 bps	NA	NA
EPS	2.9	2.8	2.6	4.9	10.5	NA	NA

Market Cap: 1010 **P/E (FY12E): 5x**

* Consolidated Financials

Valuation & Outlook

GPL is the largest recycler of pet bottles with a recycling capacity of 57600 tonnes per annum. Due to increasing use of pet bottles in daily consumption, the amount of pet waste is going to grow by leaps and bounds. This offers a tremendous opportunity for which the company has earmarked Rs 125 crore for funding its ambitious organic growth plans over the next one year. The company plans to setup greenfield plastic recycling projects with the capacity to covert 15,000 tonnes per annum of waste into partially oriented yarn (POY) and texturised yarn. As part of forward integration, the company will create capacities for manufacture of 5,000 tpa of spun yarn out of recycled polyester staple fibre. Considering the strong expansion plan, good management and environmental friendly nature of the business, investors can buy the stock for a target price of Rs 96.

Asian Paints Ltd

CMP: 2879 **Hold**

(INR in Mn)

Particulars	Q3FY11E	Q3FY10	Q2FY11	YoY(%)	QoQ(%)	Bloomberg*	Dev (%)
Revenue from Operations	20099.9	16200.0	18108.0	24.1	11.0	20412	-1.5
Operating Expenses	16301.9	13019.0	14793.0	25.2	10.2	16595	-1.8
EBITDA	3798.0	3181.0	3315.0	19.4	14.6	3817	-0.5
EBITDA (%)	18.9	19.6	18.3	-74 bps	59 bps	19	20 bps
Reported PAT	2395.0	1986.0	2147.0	20.6	11.6	2477	-3.3
PAT (%)	11.9	12.3	11.9	-34 bps	6 bps	12	216
EPS	24.97	20.70	22.38	20.62	11.57	26	-3.3

Market Cap: 276124 **P/E (FY12E): 25x**

*Consolidated Financials

Valuation & Outlook

At current market price, the stock is trading at ~25x its FY12E EPS. With the festive season in the third quarter and price increases taken to ward off the input cost pressures, we believe the company's sales and margins would witness an improvement. We recommend a HOLD rating on the stock with a target price of ~INR 2995.

Research Recommendation

Date of Recommendation	Company Name	Report Type	Sector	Recommendation	Recommended Price	Target	CMP	Recommendation @ CMP
31-Dec-10	Hathway Cable & Datacom Ltd	Initiating Coverage	Media	Buy	164.0	227.0	169.0	**Buy**
31-Dec-10	Jindal Poly Films Ltd	Investment Idea	Packaging	Accumulate	525.0	620.0	532.0	**Accumulate**
31-Dec-10	Allahabad Bank	Investment Idea	Banking	Buy	225.0	304.0	226.0	**Buy**
22-Dec-10	Sasken Communication Tech. Ltd	Investment Idea	IT	Buy	168.0	226.0	178.1	**Buy**
30-Nov-10	Banco Product	Initiating Coverage	Auto	Buy	93.0	149.0	86.9	**Buy**
30-Nov-10	Allcargo Global Logistics	Investment Idea	Shipping & Logistics	Buy	155.0	233.0	143.7	**Buy**
18-Nov-10	Jyoti Structure	Investment Idea	Power	Buy	137.0	171.0	127.5	**Buy**
16-Nov-10	Pennar Industries	Investment Idea	Steel	Buy	49.0	63.0	50.7	**Buy**
3-Nov-10	HSIL Ltd	Initiating Coverage	Building Product	Buy	141.0	171.0	127.9	**Buy**
27-Oct-10	IDBI Bank	Initiating Coverage	Banking	Buy	171.0	228.0	163.2	**Buy**
26-Oct-10	MSP Steel and Power	Initiating Coverage	Steel	Buy	72.0	114.0	68.8	**Buy**
29-Sep-10	Nakoda Textiles	Investment Idea	Textiles	Buy	15.0	23.0	16.0	**Buy**
20-Sep-10	MSP Steel and Power	Investment Idea	Steel	Buy	63.2	114.0	68.8	**Buy**
16-Sep-10	Kajaria Ceramics	Investment Idea	Ceramic Tiles	Buy	70.0	88.0	73.8	**Buy**
15-Sep-10	Gokul Refoils	Investment Idea	Food Processing	Accumulate	97.3	109.0	96.3	**Buy**
14-Sep-10	Aqua Logistic	Investment Idea	Logistic	Hold	59.1	60.8	40.7	**Buy**
31-Aug-10	Lakshmi Precision Screws	Investment Idea	Fastner	Accumulate	79.8	91.8	62.5	**Buy**
27-Aug-10	BGR Energy System	Initiating Coverage	Power	Buy	786.0	1020.0	726.0	**Buy**
30-Jul-10	Patel Engineering	Initiating Coverage	Infrastructure	Buy	416.0	480.0	304.0	**Buy**
26-Jul-10	KPR Mills Ltd	Investment Idea	Textiles	Accumulate	156.0	181.0	202.8	**Hold**
14-Jul-10	IDBI Bank	Investment Idea	Banking	Accumulate	125.0	142.0	163.2	**Buy**
9-Jul-10	Opto Circuit	Initiating Coverage	Healthcare	Buy	243.0	293.0	268.8	**Accumulate**
26-Jun-10	BGR Energy System Ltd	Investment Idea	Capital Goods	Accumulate	697.0	820.0	726.0	**Accumulate**
23-Jun-10	Biocon Ltd	Investment Idea	Pharmaceuticals	Buy	321.0	387.0	422.2	**Hold**
19-Jun-10	Emmbi Polyarns	Investment Idea	Packaging	Buy	15.6	26.0	17.3	**Buy**
18-Jun-10	Indian Bank	Investment Idea	Banking	Buy	221.0	276.0	245.7	**Accumulate**
17-Jun-10	Diamond Power & Infrastructure Ltd	Investment Idea	Power Ancillary	Accumulate	196.0	226.0	205.8	**Accumulate**
12-Jun-10	Man Industries	Investment Idea	Steel Pipes	Buy	85.0	102.0	82.0	**Buy**
5-Jun-10	Usher Agro	Investment Idea	Food Processing	Buy	79.0	110.0	92.5	**Accumulate**
10-May-10	Greaves Cotton	Investment Idea	Construction	Buy	67.0	82.0	99.0	**Hold**
30-Apr-10	Indraprastha Gas Ltd	Initiating Coverage	Gas Distribution	BUY	233.0	290.0	342.2	**Hold**
16-Apr-10	Heidelburg Cement	Investment Idea	Cement	Accumulate	59.0	60.0	43.0	**Buy**
16-Apr-10	KEC International Ltd	Investment Idea	Power Transmission	Accumulate	570.0	655.5	101.9	**Buy**
16-Apr-10	Piramal Glass Ltd	Investment Idea	Packaging	Accumulate	97.0	111.6	110.0	**Hold**
13-Apr-10	Electrotherm India	Investment Idea	Steel	Buy	336.0	441.0	271.9	**Buy**
7-Apr-10	Setco Automative	Investment Idea	Auto Ancillaries	Buy	90.0	135.0	125.0	**Hold**
6-Apr-10	Den Networks	Investment Idea	Media	Accumulate	197.0	226.6	181.0	**Buy**
5-Apr-10	Arshiya International	Investment Idea	Logistic	Buy	204.0	291.0	277.2	**Hold**
31-Mar-10	Welspun Gujarat SR	Initiating Coverage	Steel Pipes	Buy	273.0	365.0	172.3	**Under Review**
22-Feb-10	Patni Computer	Initiating Coverage	IT	Buy	475.0	590.0	474.2	**Buy**
6-Feb-10	Shree Cement Ltd	Initiating Coverage	Cement	Buy	1995.0	2470.0	1995.4	**Buy**

Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

Disclaimer

Address:
Wealth Management
Unicon Financial Intermediaries Pvt. Ltd.
Ground Floor, Jhawar House,
285, Princess Street, Mumbai-400002
Ph: 022-43591200 / 100
Email: wealthresearch@uniconindia.in
Visit us at www.uniconindia.in