RESULT PREVIEW Q1 FY09

Q1 FY09 RESULT PREVIEW

(Rs crores)	Net Sales Q1 FY09 (E)	Net Sales Q1FY08	YoY (%)	EBIDTA Q1 FY09 (E)	EBIDTA Q1FY08	YoY (%)	Net Profit Q1 FY09 (E)	Net Profit Q1FY08	YoY (%)
GSPL	116.9	95.8	22.1	102.6	83.4	23.0	30.3	17.9	69.3
HCC	890.0	729.0	22.1	95.2	78.8	20.9	21.9	35.0	-37.3
HUL	4097.0	3481.4	17.7	587.4	512.0	14.7	535.3	471.9	13.4
JSW Steel	3438.2	2190.7	56.9	761.3	694.9	9.5	340.6	427.8	-20.4
Nagarjuna	1054.0	762.2	38.3	89.6	79.4	12.9	43.6	36.0	21.0
NTPC	10226.0	8969.7	14.0	2945.1	2694.5	9.3	1836.1	2369.9	-22.5
Pantaloon Retail	1644.0	1019.6	61.2	125.2	56.7	120.8	38.1	6.4	494.8
Sadbhav	262.5	179.6	46.2	26.9	21.9	22.7	11.7	11.1	5.3
SAIL	9672.5	8039.5	20.3	2808.4	2382.9	17.9	1606.6	1525.1	5.3
Simplex	954.0	594.4	60.5	93.6	58.4	60.3	33.8	19.7	71.6
Tata Steel*	5158.8	4197.6	22.9	2063.5	1361.2	51.6	1242.1	1222.1	1.6
Visa Steel	270.0	69.4	289.0	55.8	9.5	488.9	29.4	5.1	472.2
Voltas	977.2	824.9	18.5	64.5	73.5	-12.3	60.7	52.6	15.4

*Standalone Basis
Note: Pantaloon Retail- June year ending, HUL- Q2 CY08, Tata Steel result on standalone basis.

(Rs crores)	Net Sales Q1 FY09 (E)	Net Sales Q4FY08	QoQ (%)	EBIDTA Q1 FY09 (E)	EBIDTA Q4FY08	QoQ (%)	Net Profit Q1 FY09 (E)	Net Profit Q4FY08	QoQ (%)
Idea Cellular	2181.6	1972.4	10.6	725.4	662.1	9.6	288.4	278.2	3.7
Reliance Comm.	5644.7	5311.4	6.3	2502.6	2316.4	8.0	1493.6	1503.2	-0.6
Vishal Retail	377.9	318.4	18.7	40.8	34.7	17.7	11.8	10.4	13.1

CONSTRUCTION

HCC	Neutral
Nagarjuna	Outperformer
Sadbhav	Neutral
Simplex	Neutral

- We expect the construction companies under our coverage to witness robust revenue growth (about 40% YoY) driven by strong order book position (more than 3 × FY08 Sales).
- While projects of most of the companies are protected by price escalation clause, not all the projects are 'star rated' (allowed full pass through of increments in raw material costs) and are instead linked to WPI or similar indices. This mechanism does not entirely protect the margins when price of an input commodity (for instance, steel) rises improportionally. To factor in this, we have downgraded operating margins for all the companies by a full percentage point on average.
- We have also incorporated higher interest cost to factor in the recent monetary tightening.
- Thus lower operating margins coupled with higher interest cost are likely to result in lower earnings for construction companies in FY09.

STEEL

Riding and doubling of input costs of raw materials like Iron ore, coking coal and met coke have led to an unprecedented increase in the steel prices globally. However, the major domestic companies have been holding the prices in the past three months at the request of government to control inflation. But average prices were much higher in 1QFY2009 due to the hefty price hikes affected in March and April. The domestic prices have been trading at almost 20% discount to the international prices giving the steel players a hope to increase the prices going ahead after July 2008. Profit margins of all companies are expected to hit due to increase in Raw Material cost and ceiling on selling prices by Government to control Inflation.

Tata Steel — Outperformer

- EBIDTA Margins is expected to rise by 50%, because company has 100% self-sufficiency in iron ore and 70% in coking coal. This implies its domestic operations will see a minimal increase in cost of production
- The stock trades at an EV/EBITDA of 4x FY09E and P/E of 6x FY09E.

SAIL — Neutral

- SAIL has very consistent production volume growth planned for the next five years to take its current capacity of 13mn tonnes to a total of 23m tonnes mostly through brown-field expansions.
- SAIL is 100% captive for Iron ore and partly captive in Coal. SAIL's annual contracts for coking coal follow the July–June calendar, thus significant rise in coking coal price will not result in higher input cost for SAIL in 1QFY09 and is expected to give EBIDTA margin of 18%

JSW Steel — Neutral

- JSWS operating margins are expected to see downward pressure, due to higher raw material costs and ceiling over selling prices.
- Maintenance shutdown, lower production levels, cap over selling prices, to see JSW's profits degrow by 20% YoY.
- But JSW Steel has plans to to do Sales Volume growth of 50% in FY09 and its plan are on schedule and also to attain maximum self- sufficacy in Raw material, so from next quarters we might see good set bottomline figures.

Visa Steel — Outperformer

- Visa presently manufactures Pig iron, Ferro chrome and Coke. And these products prices have more than doubled in last one year leading to sales growth of 290% on YoY basis.
- Post completion of Orissa project it would become a fully integrated low-cost player in special/stainless steel sector with captive linkages for coke, ferro chrome and power. This would provide it a competitive cost advantage over its peers.
- The stock trades at an EV/EBITDA of 2.4x FY09E and P/E of 3x FY09E

RETAIL

Pantaloon Retail — Outperformer

- We expect Pantaloon Retail to reap scale benefits this quarter to report sales growth of 61%.
- Strong growth of Home Solutions due to lower base and expansion.
- Operating Margins are likely to ease this quarter on higher raw material prices and greater share of value retailing due to higher inflation.
- Key to the full year performance would be consolidated results.
- At the expected EPS of Rs. 9.56, stock is trading at P/E ratio of 11.46

Vishal Retail — Neutral

- Aggressive expansion plans continue to be the main agenda in case of Vishal Retail.
- Revenues growth will be higher as new opened stores mature and footfalls increase.
- Higher material and interest cost will keep margins under pressure

ENGINEERING

Voltas — Outperformer

- Realisations from projects initiated in 2HFY08 and seasonal boom in case of third segment will boost revenues growth.
- Rising raw material costs will affect operating margins.
- Lower interest costs and higher interest income from investments will improve overall profitability

TELECOM

Telecom players are expected to report healthy topline on back of strong growth in subscribers but subdued bottomline due to falling ARPUs and higher financing cost. Sector also remained in limelight in the current quarter

		whether it was Bharti withdrawing from MTN bid & Reliance joining the race or recent spat between Ambani Bros on MTN issue.
Reliance Communication	Outperformer	☐ Reliance communication is expected to report good topline growth but subdued profitability. ☐ Topline is expected to grow 6% yoy due to higher subscriber growth while profit is expected to remain flat due to higher financing cost & higher tax outgo. ☐ ARPU is expected to decline marginally to Rs315. ☐ At CMP of Rs438, the stock is trading at 15x its Q1FY09E annualized EPS of Rs29
Idea	Neutral	☐ We expect Idea to report topline growth of 10.6% qoq to Rs2182 cr on back of 13% addition in subscriber base. ☐ We expect ARPU to decline by 3.5% to Rs269. Net Profit growth is expected to be 4% at Rs288 cr.
UTILITIES GSPL	Outperformer	☐ GSPL is expected to report growth of 22% yoy to Rs117 cr due to rising volumes & higher tariffs. ☐ Net Profit is expected to be Rs30 cr up by 70% yoy due to higher volumes and improving margins. ☐ AT CMP of Rs58, the stock is trading at 16x its FY10 EPS of Rs3.7.
NTPC	Neutral	❑ We expect revenues to grow at 14% for Q1 FY09. q Although fuel cost are pass through EBITDA margins to be affected. q PLF for gas plants to take a hit on back of gas supply constraints.
FMCG HUL	Neutral	❑ We expect HUL to report a 17.7% YoY growth in sales at 4097 Cr. and a 13.4% rise in the Net Profit. ❑ Due to the steep rise in the commodity prices like Palm oil, LAB (linear Alkyl Benzene) etc. the company had recently increased the prices of most of its products. We believe the rising commodity prices and the price hikes going forward can put pressure on both margins and volume growth. ❑ In Q2CY08 Despite of the hike in prices we expect the company to continue to show strong growth in the Soap & Detergent and Personal products segment.