Earnings Preview (Jan-Mar 2010)

IDFC - SSKI Research

91-22-6622 2500

April 2010

Q4FY10E earnings highlights

Strong economic growth (IIP growth clocks a 15-year high in Jan-10, GDP growth at 8% plus for Q4FY10) to translate into corporate earnings

Sensex earnings likely to expand 24% qoq (highest in nine quarters) and ~72% yoy
yoy earnings growth led by commodities (metals return to profitability) and a low base;
ex-metals profit growth at 23%

IDFC-SSKI earnings growth healthy at 18% yoy (14% qoq) led by non-commodities (31% yoy growth)

Topline momentum gathers pace for Sensex (27% yoy) and IDFC-SSKI Universe (21% yoy) led by improved pricing power;
Sensex EBITDA margins likely to expand 280bp qoq; expect a 340bp qoq expansion for IDFC-SSKI Universe

Robust earnings growth expected for automobiles (profits to grow ~2.2x), petrochemicals (~52%), power equipment (~40%), and metals;
cement (26%), Consumer goods (19%) and financials (14%) to witness strong earnings momentum

Expect rising capacity utilization and improved business confidence to drive revival in corporate capex; consequently, expect medium-term earnings growth to remain strong

FY10 Sensex earnings upgraded by 2%;
FY11 and FY12 earnings growth to stay strong at 27% and 20%, respectively

Sensex earnings growth broad-based…

- Metals companies to drive overall Sensex earnings growth on a low base
- Automobiles earnings growth continues to be strong (over 1.1x) on high volumes in passenger car segment and CVs
- Power equipment (up ~47%), power utilities (up ~32%) and cement (up ~34%) likely to report strong earnings growth
- Financials' earnings growth likely to revive to 19% yoy; 18% yoy for consumer goods
- Telecom earnings to stay depressed; likely to decline by 34% yoy

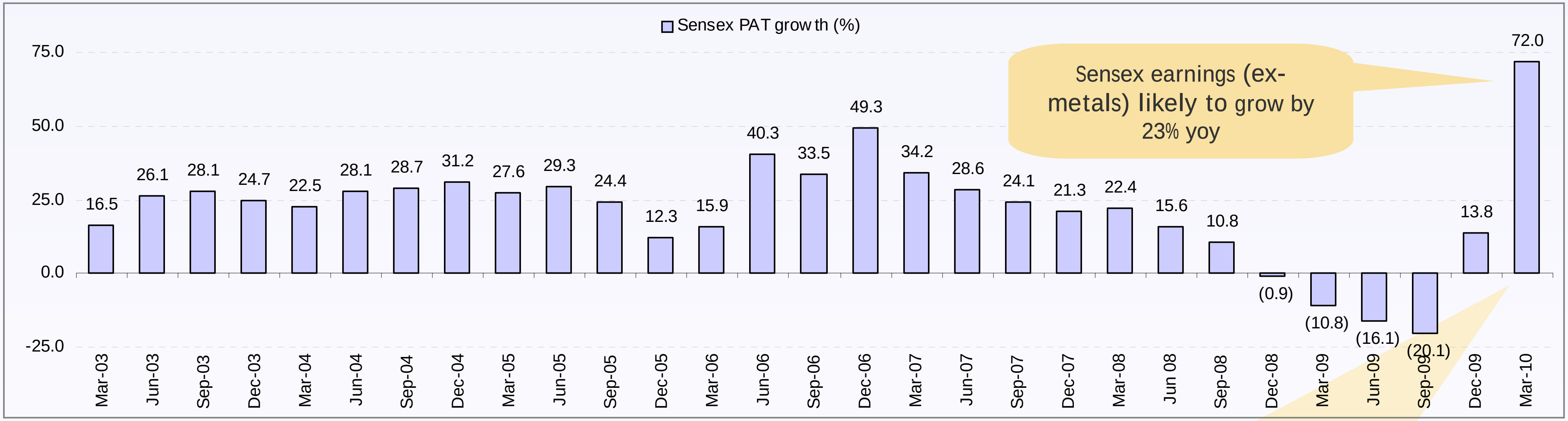
(Rs m - FF adjusted)	Net Sales			EBITDA			Profit After Tax		
Sector	**Q4FY10E**	**Q4FY09**	**% chg yoy**	**Q4FY10E**	**Q4FY09**	**% chg yoy**	**Q4FY10E**	**Q4FY09**	**% chg yoy**
Automobiles	170,640	116,892	46.0	22,353	10,500	112.9	12,741	6,012	111.9
Cement	36,513	32,955	10.8	11,353	8,660	31.1	6,848	5,112	34.0
Construction	129,467	105,686	22.5	19,098	16,935	12.8	12,102	12,401	(2.4)
Consumer goods	53,755	47,434	13.3	14,639	12,070	21.3	9,661	8,174	18.2
Metals	313,074	298,525	4.9	74,174	14,677	405.4	18,694	(27,494)	NA
Oil & Gas	31,984	27,667	15.6	16,056	11,819	35.8	6,650	4,414	50.7
Petrochemicals	295,082	141,810	108.1	50,016	26,500	88.7	29,495	19,370	52.3
Pharmaceuticals	4,434	4,538	(2.3)	1,563	1,655	(5.6)	1,474	1,737	(15.1)
Power Equipment	44,376	36,814	20.5	8,534	5,598	52.5	6,696	4,543	47.4
Power Utilities	55,517	51,980	6.8	12,049	9,188	31.1	9,290	7,051	31.8
IT services	86,407	82,468	4.8	26,274	24,516	7.2	20,403	19,656	3.8
Telecoms	53,618	55,845	(4.0)	20,254	22,407	(9.6)	8,813	13,402	(34.2)
Real Estate	3,750	2,806	33.6	1,452	387	275.7	2,531	398	536.4
(Rs m)	**NII**			**Pre-provisioning profit**			**Profit After Tax**		
Financial	82,863	67,023	23.6	76,583	67,222	13.9	37,274	31,425	18.6
Commodities	**676,652**	**500,958**	**35.1**	**151,599**	**61,657**	**145.9**	**61,687**	**1,401**	**NA**
Non-commodities	**684,827**	**571,484**	**19.8**	**202,799**	**170,478**	**19.0**	**120,985**	**104,799**	**15.4**
Sensex	**1,361,479**	**1,072,442**	**27.0**	**354,399**	**232,135**	**52.7**	**182,672**	**106,199**	**72.0**

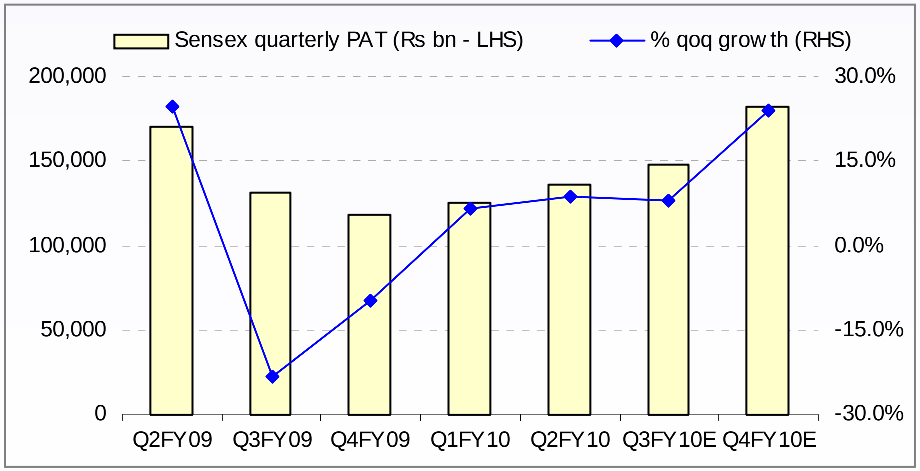
Sensex earnings growth to remain strong; aided by base effect

IDFC SSKI

Highest qoq PAT growth for Sensex since Q2FY09

Rolling quarter Sensex earnings growth





- ✓ At 24%, Sensex qoq profit growth is strongest in the past nine quarters
- ✓ Sensex earnings growth (ex-commodities) likely to be 15% yoy
- ✓ We expect Sensex earnings to expand by ~72%yoy in Q4FY10 on a low base of Q4FY09

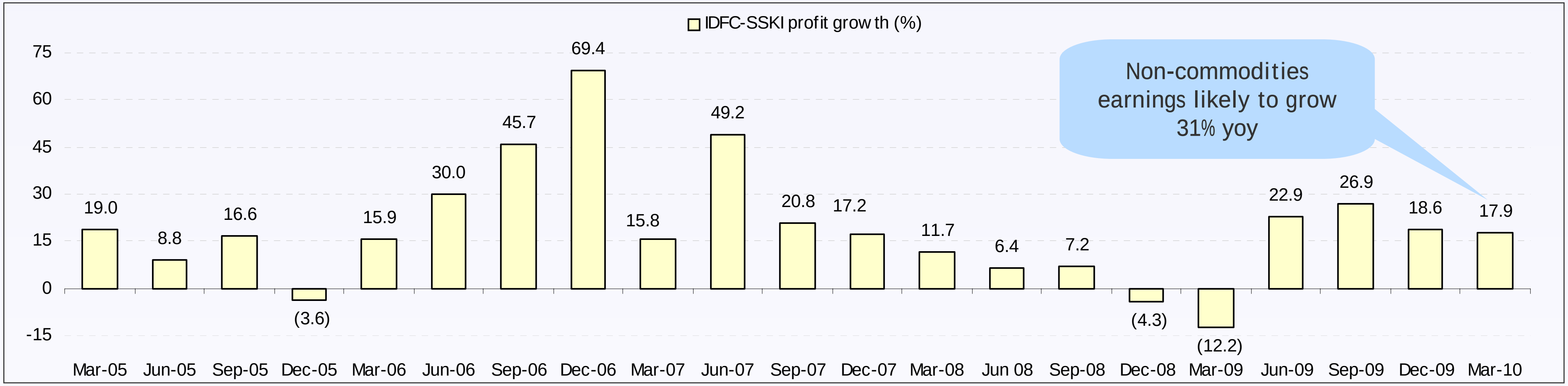
Sensex earnings growth aided by base effect & metals companies turning profitable

IDFC-SSKI Universe earnings set to grow ~18% yoy...

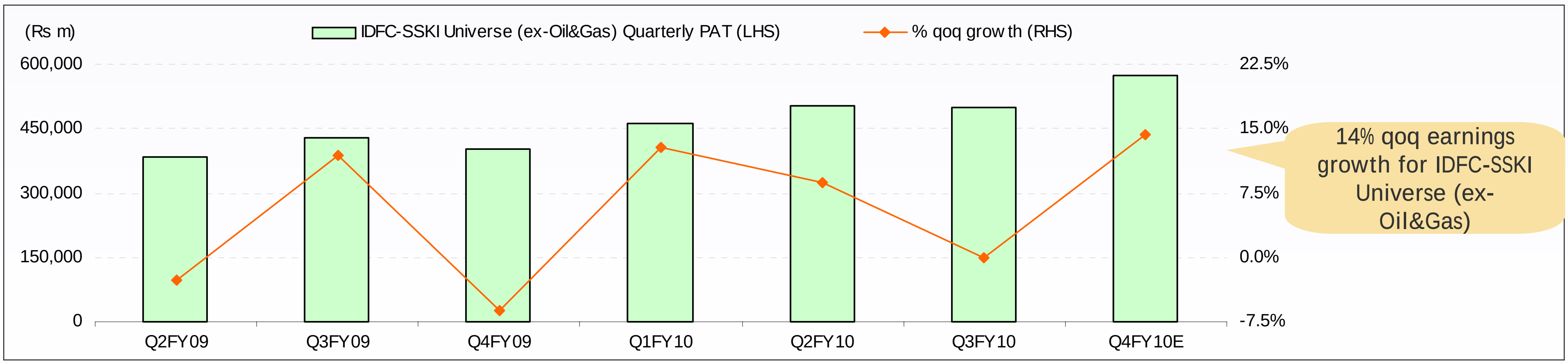
(Rs m)	Net Sales			EBITDA			Profit After Tax#		
Sector	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Alcoholic Beverages	16,592	13,865	19.7	3,014	2,463	22.4	1,304	884	47.5
Auto Components	37,908	26,755	41.7	6,068	3,280	85.0	2,297	445	416.0
Automobiles	371,706	245,966	51.1	49,917	22,799	118.9	40,257	12,577	220.1
Cement	96,689	86,498	11.8	30,374	23,851	27.3	18,018	14,330	25.7
Construction	234,441	199,734	17.4	32,730	28,707	14.0	18,357	18,327	0.2
Consumer goods	130,334	112,773	15.6	31,126	25,541	21.9	21,269	17,929	18.6
Education	6,735	5,205	29.4	1,871	1,296	44.4	763	687	11.0
Exchanges	735	1,085	(32.2)	288	579	(50.3)	246	785	(68.6)
Engineering	31,512	30,077	4.8	3,941	3,637	8.4	2,616	2,405	8.8
Logistics	17,215	15,329	12.3	3,758	3,268	15.0	2,662	2,403	10.8
Infra Developers	22,520	17,793	26.6	9,995	4,879	104.9	3,635	1,842	97.3
Media	28,820	23,272	23.8	7,409	2,794	165.1	2,958	(25)	NA
Metals	749,183	662,074	13.2	200,325	71,201	181.4	84,891	(6,491)	NA
Oil & Gas	1,498,067	1,329,299	12.7	201,580	265,656	(24.1)	76,126	189,008	(59.7)
Others	114,588	101,868	12.5	12,297	11,654	5.5	2,790	4,656	(40.1)
Petrochemicals	590,163	283,620	108.1	100,032	53,000	88.7	58,989	38,740	52.3
Pharmaceuticals	112,469	102,160	10.1	24,870	19,313	28.8	18,738	(6,608)	NA
Pipes	44,169	50,615	(12.7)	7,078	5,117	38.3	3,607	2,279	58.3
Power Equipment	196,538	167,418	17.4	32,438	23,319	39.1	23,602	16,921	39.5
Power Utilities	228,126	210,340	8.5	54,265	44,072	23.1	35,932	27,921	28.7
Retail	36,679	29,547	24.1	3,660	2,304	58.9	1,433	193	641.7
IT services	275,838	259,046	6.5	71,529	66,794	7.1	52,553	47,144	11.5
Telecoms	186,266	188,981	(1.4)	66,134	72,148	(8.3)	26,843	40,842	(34.3)
Tyre	17,311	14,332	20.8	2,111	1,788	18.1	898	729	23.3
Real Estate	28,009	18,655	50.1	10,862	3,777	187.6	13,943	4,946	181.9
(Rs m)	NII			Pre-provisioning profit			Profit After Tax		
Financials	292,538	226,809	29.0	259,479	225,235	15.2	133,533	116,869	14.3
Commodities	2,934,102	2,361,491	24.2	532,311	413,709	28.7	238,025	235,586	1.0
Non-commodities	2,431,049	2,061,623	17.9	694,839	574,764	20.9	410,237	314,153	30.6
SSKI Universe	5,365,151	4,423,114	21.3	1,227,151	988,473	24.1	648,262	549,739	17.9

Strong qoq PAT growth for IDFC-SSKI Universe

Rolling quarter IDFC-SSKI Universe earnings growth



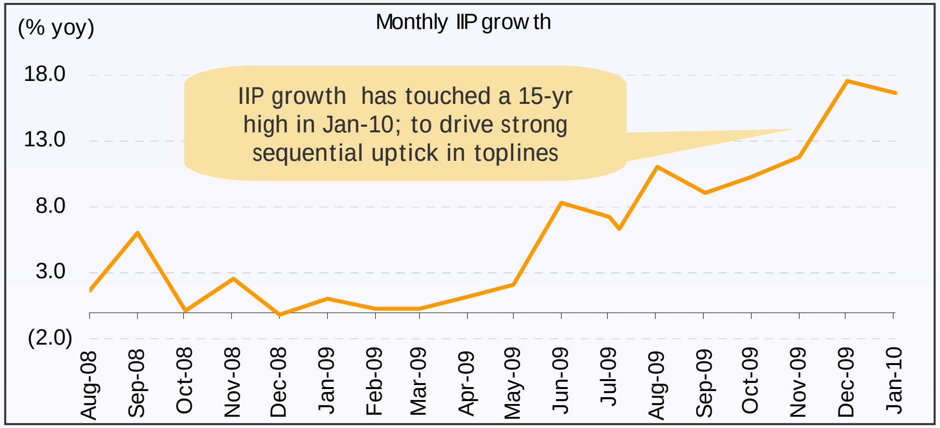
IDFC-SSKI Universe earnings qoq (ex-Oil & Gas)



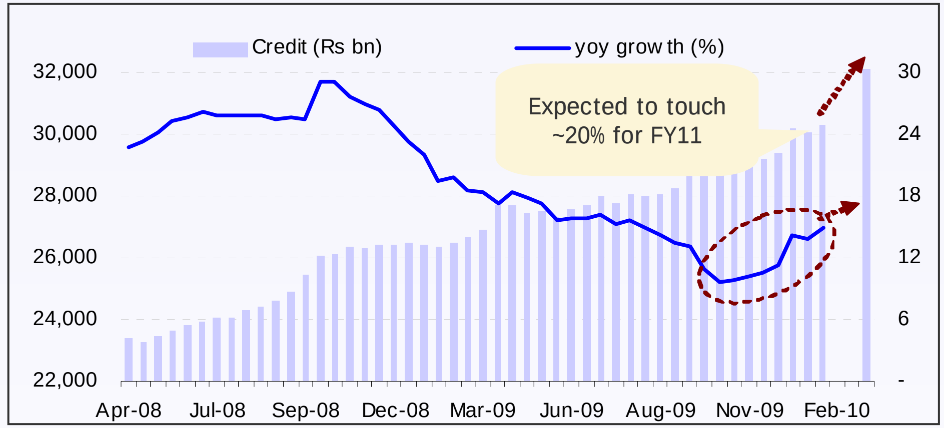
Earnings growth for IDFC-SSKI Universe led by non-commodities (31% yoy growth)

Firm economic growth driving topline

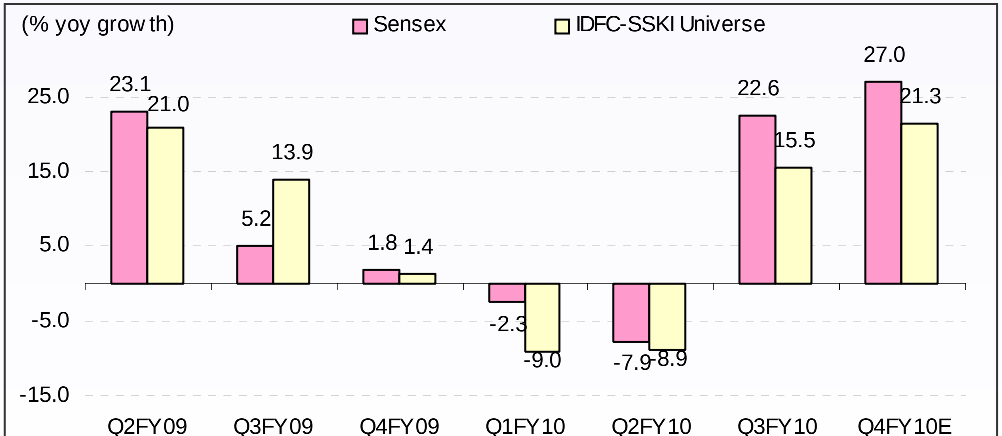
Industrial production on a firm footing...



...credit growth on an uptick



Reflected in topline momentum



Sensex and IDFC-SSKI Universe set to grow 27% yoy and 21%, respectively

Sensex revenue growth at 27% yoy

- Automobiles (46%), construction (23% yoy) and real estate (34%) topline growth to stay strong
- Financials to see uptick in NII (24%)
- Petrochemicals to witness strong topline growth
- Cement (~11%) and power utilities toplines(7%) to stay muted

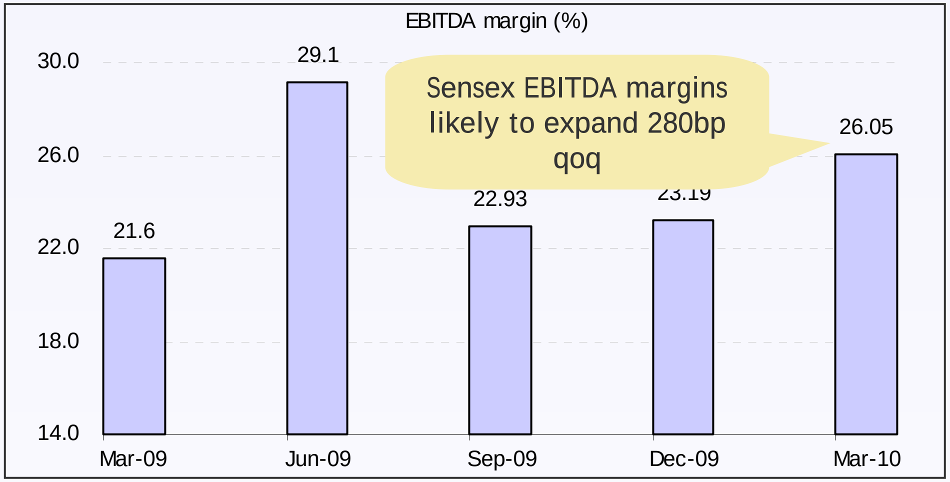
IDFC-SSKI Universe revenues to grow by 21% yoy

- Strong revenue expansion likely for automobiles (51%), infra developers (27%) and real estate (50%)
- Power equipment (17%), consumer goods (16% yoy) and financials (29%) see healthy revenue growth
- Retail and Media (24%) seeing revival in toplines

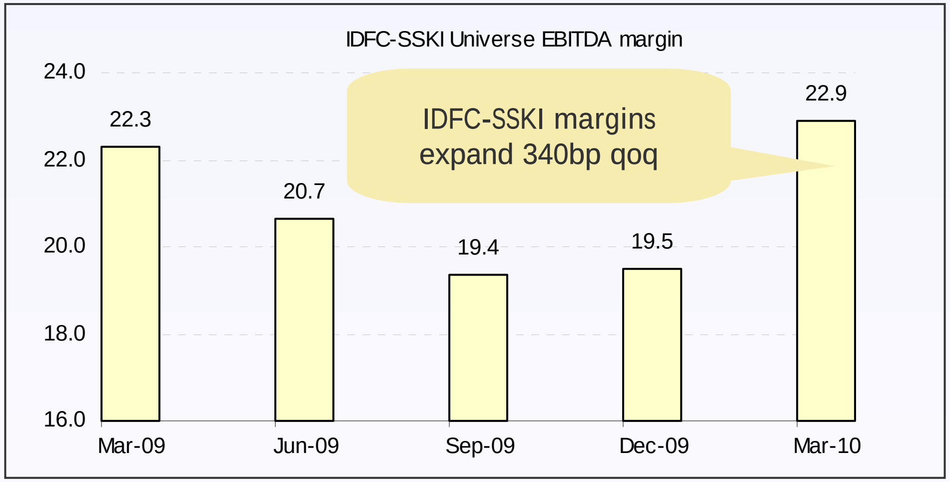
Strong volume growth and return of pricing power driving revenue expansion

EBITDA margins – expanding on qoq basis

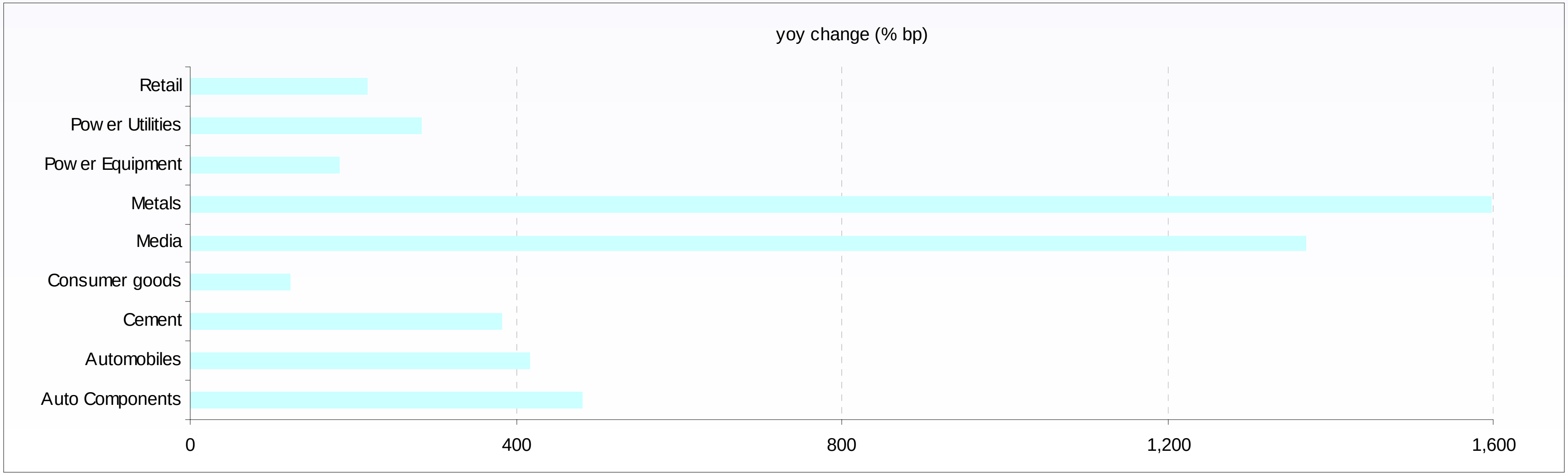
Sensex EBITDA margins



IDFC-SSKI Universe EBITDA margins



EBITDA margins to expand in most sectors



IDFC-SSKI Winners & Losers

Winners

- **Petrochemicals and Oil&Gas:** Improving GRMs and lower under recoveries (for upstream companies) to drive strong earnings growth
- **Automobiles:** Strong volume growth (in passenger cars as well as CVs)
- **Power equipment :** High visibility on order backlogs and operating margin expansion
- **Metals:** Revival in volumes aided by uptick in prices to drive strong earnings growth
- **Financials:** Revival in credit growth to lead to margin expansion
- **Media:** Improving ad spends in line with the economic recovery
- **Retail:** Revenue growth for the sector picking up; expect healthy earnings growth

Losers

- **Telecoms:** Huge competition driving down ARPUs
- **Construction:** While order backlog remains strong; execution delays to impact near-term earnings

Expect earnings momentum to remain strong

(% yoy)	Sales growth			EBITDA growth			PAT growth		
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Automobiles	26.1	13.3	16.8	93.3	20.7	15.5	379.4	22.6	16.5
Cement	12.9	4.9	7.6	45.9	(5.6)	4.5	29.0	(8.3)	0.2
Construction	11.9	19.8	29.6	21.5	20.6	44.0	26.1	(2.2)	29.5
Consumer goods	1.0	11.7	13.5	18.3	12.9	14.1	10.6	14.0	14.6
Financial	8.9	17.0	16.8	12.8	17.4	18.3	15.3	22.1	25.7
Metals	(22.0)	16.0	15.2	(16.0)	40.7	23.2	(70.5)	347.3	47.6
Oil & Gas	3.2	9.7	6.5	8.7	7.5	6.2	(6.3)	26.9	6.2
Petrochemicals	28.8	18.9	9.7	32.3	41.3	8.7	16.4	46.9	9.2
Pharmaceuticals	(6.2)	10.4	15.6	(28.2)	11.5	17.7	(21.7)	1.2	15.1
Power Equipment	22.1	22.2	21.4	48.9	30.6	18.7	39.9	29.3	18.4
Power Utilities	4.3	19.5	14.6	29.6	23.0	21.7	14.6	22.7	13.6
Real Estate	(31.0)	22.7	21.9	(45.0)	27.2	20.1	(48.3)	27.9	15.9
Software	5.2	12.3	18.6	11.2	10.8	19.6	9.4	10.6	19.3
Telecoms	3.5	4.0	13.7	(0.8)	(1.4)	18.2	(19.7)	(14.9)	17.3
Sensex	**4.1**	**15.1**	**15.2**	**15.0**	**20.1**	**17.2**	**8.1**	**26.6**	**19.8**

Present Sensex valuations (at 16x FY11E, excluding non-consol subs) are attractive; maintain our bullish stance with a target of 20,000 on the Sensex (by end-CY10)

Sector-wise earnings preview (Q4FY10)

Q4FY10 earnings preview

Agri-related

- ✓ **Jain Irrigation Systems (JISL)**
  - JISL revenue growth expected at 36% with MIS business continuing to grow at over 45%.
  - Growth in the MIS business is expected to recover sharply after two quarters of subdued growth
  - While mix is turning favourable with MIS business growing faster as also onion dehydration business picking up, we expect an EBITDA margin expansion of 48bp during the quarter.
  - Also, while PBT growth is expected at 51%, quarterly tax payments in FY10 (unlike till FY09 when tax for the year was paid in Q4) would result in a 198% growth in net profits.
  - Reiterate Outperformer
- ✓ **Ruchi Soya Industries**
  - With edible oil prices higher by ~15%yoy (low base effect), we expect revenues to increase by 10% in Q4FY10
  - Firm soya seed prices have resulted in poor spreads and thereby the crushing capacity utilization remains low at ~30%.
  - Margins are expected to be at 1.8% (0.9% in Q4FY09)
  - RSIL is increasing its focus on palm plantation business – potential to explore 89,000 hectares of plantation in India. Incrementally, they have also signed an MOU with the Ethiopian government for 123,550 acres for soyabean cultivation
  - RSIL has recently signed a LLP with IOCL to produce biofuels. The total project cost estimated to be Rs4.36bn which will be partly funded by the UP government under the NREGS scheme. The equity portion of Rs1.26bn will be equally funded by Ruchi Soya and IOCL
  - We maintain our Neutral stance on the stock

Q4FY10 earnings preview

Agri-related

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Jain Irrigation Systems	9,500	6,985	36.0	2,180	1,570	38.9	1,011	339	198.0
Ruchi Soya	41,476	37,705	10.0	747	322	132.1	262	19	1,242.2

Q4FY10 earnings preview

Agri-inputs

United Phosphorus

- ✓ UPL to report healthy earnings growth of 29% yoy aided by sharply lower interest costs. UPL had reported ~Rs300mn forex losses last year which are likely to be reversed partially this year as the rupee has appreciated. Expect EBITDA margins to stay flat with ~10% growth

Advanta

- ✓ Advanta earnings are likely to be flat due to marginally lower profitability. This is seasonally Advanta's weakest quarter

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Advanta	1,628	1,380	18.0	155	144	7.4	(35)	(37)	(4.6)
United Phosphorus	15,392	13,917	10.6	3,275	2,930	11.8	1,907	1,480	28.9

Q4FY10 earnings preview

Alcoholic Beverages

- ✓ We expect United Spirits to garner a strong growth of 22% in revenues, on the back of 13% volume growth.
- ✓ Further, with molasses price benign, United Spirits is expected to witness superior EBITDA margin expansion of 109bp in the current quarter.
- ✓ We believe re-financing of dollar denominated debt by rupee debt would keep interest costs firm. Thus net profit growth of 36% is expected during the quarter.
- ✓ United Breweries is expected to witness a 15% revenue growth during the quarter with underlying volume growth at ~10%.
- ✓ With respect to margins, we expect a contraction of 101bp primarily driven by IPL spends during the quarter. However, high interests costs in Q4FY09 due to forex translation losses will result in a 44% growth net profits (low base effect) during the quarter.
- ✓ We maintain outperformer call on United Spirits, while maintaining our Neutral call on United Breweries.

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
United Breweries	5,331	4,636	15.0	936	861	8.7	475	329	44.4
United Spirits	11,260	9,229	22.0	2,078	1,602	29.7	829	555	49.3

Q4FY10 earnings preview

Automobiles

- ✓ Automobile companies under our coverage space are expected to post 51%yoy topline growth led by sustained volume momentum across product segments on account of the pre-buying ahead of the anticipated excise duty hike in the budget
- ✓ Significant operating leverage would partially offset the impact of rising input cost pressures; margins likely to decline qoq for all the auto majors
- ✓ Despite margin pressure, absolute EBIDTA for auto companies within our coverage space is expected to increase 6%qoq on account of the significant ramp up in volumes
- ✓ Apart from the robust volume growth (32%qoq), Tata Motors PAT would further be buoyed by the profit from stake sale (20%) of Telcon to Hitachi during the quarter
- ✓ Automobile companies within our coverage universe are likely to post a robust 220%yoy PAT growth (up 49%qoq) in Q4FY10

Company	Key monitorables
Two wheeler majors	Margins likely to be maintained qoq led by significant operating leverage
Ashok Leyland / Tata Motors	Significant increase in raw material prices (especially tyre) likely to impact margins
Mahindra & Mahindra	Sustained ramp up in both tractor and UV volumes, however, rising input cost pressures likely to impact margins qoq
Maruti Suzuki	Appreciating INR against the Euro to impact export realisations, margins likely to be under pressure qoq

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Q4FY10 earnings preview

Automobiles

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Ashok Leyland	29,133	12,181	139.2	2,902	968	199.7	1,632	443	268.8
Bajaj Auto	31,746	17,875	77.6	7,184	2,859	151.3	4,700	1,523	208.7
Escorts	6,302	4,816	30.9	594	359	65.5	403	78	415.9
Hero Honda Motors	40,831	34,225	19.3	7,005	5,491	27.6	5,653	4,022	40.6
Mahindra & Mahindra	50,437	36,365	38.7	6,945	4,028	72.4	4,332	2,795	55.0
Maruti Suzuki	81,851	63,344	29.2	10,539	4,493	134.6	6,467	2,431	166.0
Tata Motors	119,118	68,056	75.0	13,954	4,145	236.6	16,908*	1,149	1,371.2
TVS Motor Company	12,287	9,104	35.0	794	456	74.2	161	136	18.6

**Includes profit from stake sale of Telcon to Hitachi worth Rs11.2bn*

Q4FY10 earnings preview

Auto Ancillaries

- ✓ Strong OE volume growth and pick up in exports to drive topline growth
- ✓ We expect ancillary companies within our coverage space to post 34%yoy topline growth in Q4FY10
- ✓ The ramp up in domestic CV volumes is likely to boost revenues of companies like Amtek Auto, Bharat Forge and Sundram Fasteners
- ✓ The strike at Bosch's Naganathapura and Bangalore facilities likely to impact earnings in Q1CY10
- ✓ Rising input cost pressures likely to impact margins across the coverage space during the quarter
- ✓ For tyre companies, price hikes and better volume offtake likely to partially mitigate significant increase in raw material costs (especially rubber)
- ✓ Expect 172%yoy PAT growth for our coverage space over a low base in Q4FY10

Company / Industry	Key monitorables
Amtek Auto / Bharat Forge	Sustained domestic CV offtake and an improved performance from overseas subsidiaries likely to boost topline
Bosch	Strike at its two plants likely to impact earnings in Q1CY10
Tyre companies	Sharp increase in rubber prices likely to impact margins qoq
Sona Koyo	Improved offtake from its key clients including Maruti, Hyundai to boost topline growth

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Q4FY10 earnings preview

Auto Ancillaries

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Amtek Auto	9,789	7,409	32.1	2,251	1,463	53.9	649	189	244.2
Bharat Forge	5,811	2,916	99.3	1,413	427	231.0	553	(80)	NM
BOSCH	13,619	10,060	35.4	1,498	1,023	46.3	830	493	68.3
Rico Auto Industries	2,597	2,177	19.3	248	97	155.0	38	(129)	NM
Sona Koyo Steering Systems	2,474	1,936	27.8	233	102	127.5	55	(46)	NM
Sundaram Fasteners	3,620	2,258	60.3	425	167	154.9	171	19	818.5
Apollo Tyres	13,932	11,106	25.5	1,410	1,127	25.2	575	462	24.4
Balkrishna Industries	3,379	3,226	4.7	701	662	5.9	323	267	21.4

Q4FY10 earnings preview

Cement

- ✓ Revenues of cement companies expected to grow by 12% in Q4FY10, led by growth in both volumes and realizations
- ✓ EBITDA of our cement universe likely to increase by 27.3% yoy, led mainly by the growth in revenues and cost savings
  - ✓ Ambuja to see significant savings in raw material costs, on the back of lower clinker purchases
- ✓ Pre-exceptional earnings for cement companies under our coverage to grow by 25.7%
- ✓ We reiterate our Underweight stance on the sector due to oversupply concerns in the domestic market
  - Certain large capacities have already been commissioned, while visibility on other large projects is high
- ✓ Retain Grasim as Outperformer on the back of the cushion to earnings from non-cement businesses

Key Sector monitorables
Capacity additions

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
ACC*	23,361	20,551	13.7	6,995	6,474	8.0	4,300	4,048	6.2
Ambuja Cement*	20,814	18,476	12.7	6,975	5,247	32.9	4,338	3,341	29.8
Grasim Industries	33,019	28,870	14.4	10,008	6,800	47.2	5,978	3,847	55.4
UltraTech Cem	21,495	18,601	15.6	6,396	5,331	20.0	3,402	3,095	9.9

** Q1CY10 estimates*

Q4FY10 earnings preview

Construction

- ✓ Construction companies to report revenue growth of 17.4% yoy for the quarter driven by strong order backlogs
  - Jaiprakash expected to report 43% yoy growth in revenues led by higher cement and construction revenues
  - Gammon India and Madhucon expected to report yoy fall in revenues due to high base effect
  - Revenues from projects in AP expected to remain subdued
- ✓ Operating margins to marginally fall by 41bps
  - Margins of construction companies expected to improve led by changing revenue mix (higher share of power, roads orders)
  - Expect margins for L&T, JPA to fall on yoy basis due to base effect of higher than average margins in Q4FY09
- ✓ Earnings (pre-exceptional) flat on yoy basis during the quarter
  - L&T and Gammon expected to report fall in earnings due to higher base effect of Q4FY09
- ✓ We maintain our overweight stance on the sector with our top picks being Jaiprakash, IVRCL, NCC

Q4FY10 earnings preview

Construction

Company	Key monitorables
HCC	Order execution of AP projects; interest costs
IVRCL Infrastructures	Order execution of AP projects
Jaiprakash Associates	Construction revenue booking, cement realisations
Larsen & Toubro	Order execution
Madhucon Projects	Order booking and execution
Nagarjuna Construction	Order booking and execution
Simplex Infrastructures	Order booking

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Gammon India	14,997	19,017	(21.1)	1,376	2,117	(35.0)	496	1,166	(57.5)
HCC	11,372	9,797	16.1	1,483	1,506	(1.6)	459	362	26.8
IVRCL Infrastructures	19,886	16,176	22.9	1,853	1,313	41.2	896	789	13.7
Jaiprakash Associates	29,863	20,846	43.3	9,040	7,050	28.2	4,618	3,853	19.8
Larsen & Toubro	125,602	104,690	20.0	15,695	14,509	8.2	10,624	11,424	(7.0)
Madhucon Project	3,697	4,367	(15.3)	405	268	51.5	194	54	257.1
Nagarjuna Construction	13,742	10,981	25.1	1,380	838	64.7	562	382	47.2
Simplex Infrastructures	15,282	13,861	10.3	1,498	1,108	35.2	507	298	70.2

Q4FY10 earnings preview

Education

- ✓ Educomp Solutions changed the model of its Smart Class business Q2FY10 onwards. The company has transferred 818 existing school contracts to EDUSMART; we expect to see the remaining contracts (order book at Rs10bn) transferred over the next few quarters.
- ✓ Everonn Education is expected to report a consolidated revenue growth of 118% at Rs780m, driven by strong growth in VITELS.
- ✓ NIIT is expected to report a 2.7% growth in revenues at Rs3bn, EBITDA growth of 10% at Rs402m. Margin expansion in the CLS business remains a key moniterbale.

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Educomp Solution*	2,864	1,839	55.7	1,219	827	47.4	573	545	5.2
Everonn Systems	780	358	118.0	250	104	139.4	99	46	113.3
NIIT	3,091	3,008	2.7	402	364	10.3	91	96	(4.9)

**Q4FY10 numbers are consolidated, Q4FY09 numbers are standalone*

Q4FY10 earnings preview

Engineering

- ✓ Engineering companies likely to report 5% yoy growth led by higher revenues for Carborundum and Elecon due to pick up in execution as also low base effect, which had been impacted sharply due to the slowdown
  - Thermax to witness slower growth of 4% yoy led by slower execution
  - AIA to witness a 2% fall in revenues as it passes on the lower raw material prices to its clients (lower realisations)
  - Voltas to witness 4% fall in revenues led by high base effect as also slower execution
- ✓ Operating margins to improve led by lower RM costs
  - Voltas, Carborundum and AIA margins to improve due to lower input prices and low base effect
  - Thermax margins are likely to decline sharply on back of slower revenues
- ✓ We expect order backlogs across companies to expand as inflows have picked up during the quarter
- ✓ Net earnings (pre-exceptionals) for companies to grow by 9% yoy

Company	Key monitorables
AIA Engineering	Pick up in mining volumes and realisations
Voltas, Elecon	Order inflow and execution
Thermax	Execution and margins

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
AIA Engineering	2,707	2,644	2.4	670	566	18.4	463	403	14.9
Carborundum	3,426	2,606	31.5	637	367	73.7	299	204	46.5
Elecon engg	3,488	2,885	20.9	531	450	17.9	230	170	35.6
Thermax	9,877	9,483	4.2	1,138	1,591	(28.5)	890	1,110	(19.8)
Voltas	12,013	12,460	(3.6)	964	663	45.4	733	518	41.6

Q4FY10 earnings preview

Entertainment & Media

- ✓ Improving macro-economic environment and thereby buoyancy in ad spends is expected to drive a 24% revenue growth for the Indian media sector. Telecom, FMCG and auto continue to remain the key spenders in Media.
- ✓ Operating leverage coming into play – **EBITDA growth of 165%**
- ✓ **Broadcasting:** Growth in revenues expected at 26% and EBITDA growth of 119%; could have been higher but for IPL3 competition
- ✓ In the GEC space, recent weeks have seen volatility in viewership among the top 3 channels - Colors, Star and Zee TV
- ✓ DTH industry adds 2.5m subscribers during the quarter with Airtel Digital accounting for almost 25% of these
- ✓ Zee Group has re-structured its business into three separate verticals – entertainment, news and education. All the broadcasting ventures have been brought into Zee Entertainment, while Zee News will operate pure news based channels and a new entity – Zee Learn will be listed for the education venture.
- ✓ **Fund raising through primary market:** DB Corp rasied Rs3.8bn and Hathway raised Rs4.8bn during the quarter
- ✓ **Multiplex:** PVR called off the deal to acquire DT Cinemas, the multiplex business of DLF. Inox has acquired promoter stake in Fame India
- ✓ WWIL has announced its exit from HITS

Q4FY10 earnings preview

Entertainment & Media

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Balaji Telefilms	392	494	(20.6)	5	(174)	(102.8)	8	(143)	(105.8)
Dish TV India	2,911	1,644	77.1	240	41	482.3	(712)	(787)	(9.5)
Entertainment Network	1,139	990	15.0	190	(120)	(258.5)	29	(290)	(110.1)
HT Media	3,861	3,375	14.4	888	438	102.6	446	234	90.9
IBN18 Broadcast	2,012	465	332.2	162	(107)	(251.4)	(36)	(163)	(77.6)
Jagran Prakashan	2,280	2,013	13.3	689	390	76.6	410	218	87.9
PVR	950	580	63.8	140	61	128.8	23	(11)	(310.0)
Sun TV Network	3,450	2,760	25.0	2,680	2,258	18.7	1,468	1,141	28.7
T.V. Today Network	675	537	25.8	155	52	201.1	110	81	35.5
Television Eighteen	1,600	1,361	17.6	251	(1,273)	(119.7)	(9)	(1,153)	(99.2)
Utv Software Comm.	1,710	1,821	(6.1)	180	(193)	(193.4)	103	106	(3.6)
Wire And Wireless India	750	711	5.5	(50)	11	(537.1)	(210)	(311)	(32.5)
Zee News*	699	1,384	(49.5)	25	207	(88.1)	8	88	(90.4)
Zee Entertainment*	6,253	5,137	21.7	1,718	1,202	43.0	1,230	965	27.5

Zee News numbers excludes numbers for regional GEC, now a part of Zee Entertainment numbers

Q4FY10 earnings preview

Exchanges

Financial Technologies (FTIL)

- ✓ FTIL's quarterly financials are not strictly comparable as the business model has lumpiness due to booking of exchange solutions during different quarters of the year
- ✓ FTIL is expected to garner revenues of Rs735m during the quarter which will imply a 32% decrease yoy on the back of higher exchange solution booking in Q4FY09
- ✓ Similarly, as exchange solutions entail higher margins, Q4FY10 EBITDA margins are expected to be at 39.2% margins as against 53% in Q4FY09.
- ✓ We expect net profits to stand at Rs247m during the quarter – resulting in a 69% yoy decrease.
- ✓ The divestment process of MCX-SX, which would mark FTIL's entry into the equity market, remains to be the key monitorable for the stock.
- ✓ Reiterate Outperformer with an SoTP based price target of Rs2000.

Company	Key monitorables
Financial Technologies	Divestment process of MCX-SX

(Rs m)	Net Sales			EBITDA			Adjusted Profit after tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Financial Technologies	735	1,085	(32.2)	288	579	(50.3)	246	785	(68.6)

Q4FY10 earnings preview

FMCG

- ✓ FMCG Sector expected to witness 15.6% growth in Q4FY10, higher than 14.2% in Q3FY10
- ✓ While the growth is expected to be driven by 20% growth in Dabur and 65% in GCPL (including Sara Lee portfolio), HUL is expected to grow by 6.9% on a lower base.
- ✓ With commodity prices firming up on a sequential basis, expect lower expansion in gross margin as against Q3FY10. FMCG sector is expected to continue to re-direct the savings towards higher ASP spends – 36% growth
- ✓ Competitive intensity within the FMCG space has increased between HUL and P&G – aggressive price cuts taken in detergents
- ✓ ITC – Excise increase of 13-14% during Union Budget. Inline with the hike, ITC has taken ~7% price hike across its portfolio.
- ✓ GCPL – Acquired Tura, a Nigeria based skin care company with revenues at ~$50m. The acquisition is inline with GCPL's aggressive stance towards inorganic growth.
- ✓ 31st March 2010 marks the end of the sunset clause for investments in Uttarakhand and HP.
- ✓ Downgraded Dabur during the quarter from Outperformer to Neutral – valuation concerns

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Colgate-Palmolive	5,227	4,555	14.8	1,017	761	33.7	929	771	20.6
Dabur India	8,836	7,363	20.0	1,818	1,342	35.5	1,362	1,043	30.7
Godrej Consumer	5,655	3,427	65.0	1,150	661	74.0	932	587	58.8
Hindustan Unilever	42,628	39,883	6.9	6,426	5,963	7.8	5,156	5,021	2.7
ITC	46,345	39,275	18.0	16,324	12,984	25.7	10,118	8,091	25.1
Marico Industries	6,274	5,612	11.8	1,027	733	40.1	591	444	33.2
Nestle India	15,369	12,659	21.4	3,365	3,097	8.6	2,181	1,973	10.5

Q4FY10 earnings preview

Financials

- ✓ **Uptick in credit continues:** Bank credit off-take picks up with an increase of 16% yoy (per RBI data dated 12th March 2010) on back of improving economic activity.
- ✓ **Rising net interest income:** NII growth for our banking universe is expected to increase by ~30% yoy and ~8% qoq benefiting from expansion in margins and improving loan volumes. While PSU banks' NII growth is seen increasing at ~30% yoy on a low base, private banks and NBFCs are also likely to see a strong ~25% yoy rise, respectively.
  - **Last leg of deposit re-pricing…:** While the margins benefitted significantly in Q3 owing to deposit re-pricing at lower rates, last leg of deposit re-pricing is likely to aid NIMs in Q4FY10 as well
  - **….driving a sequential expansion in NIMs:** We expect benefits of lower costs deposits to drive a ~10-15bp expansion in NIMs for our coverage universe on a sequential basis.
- ✓ **Some improvement in CASA:** CASA ratio is expected to witness a slight uptrend owing to increased focus by banks, low systemic deposit rates as well as year end current account floats
- ✓ **Other income to pick-up:** Overall non-interest income will sequentially improve by 10.8% though decline by 9.5% on yoy basis, owing to outsized treasury gains booked in Q4FY09
  - Improvement in credit off-take and favorable market condition would provide the necessary impetus to the fee income.
  - While treasury gains are likely to be subdued, decline in yields from the peak of 8% is likely to restrict the MTM depreciation for the quarter.
- ✓ **Asset quality deterioration to be similar as Q3FY10:** With improving economic scenario and comfortable liquidity, we expect slippages to be similar to the levels of Q3. We believe that pace of NPA accretion has likely peaked and will recede significantly post Q1FY11
- ✓ **Provisions to remain high:** Provisions are expected to increase in Q4FY10, though sequentially decline for private banks and NBFCs, led by easing asset quality concerns. Relatively, PSU banks can face some pressure though we believe it to be only a short term issue as net impaired loans have peaked in the system.

Q4FY10 earnings preview

Financials

(Rs m)	NII			Operating profit			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Allahabad Bank	7,453	5,924	25.8	6,743	6,141	9.8	2,545	2,640	(3.6)
Axis Bank	14,370	10,326	39.2	15,007	11,385	31.8	7,417	5,815	27.6
Bank of Baroda	17,839	14,708	21.3	15,357	13,045	17.7	8,369	7,527	11.2
Bank of India	16,103	14,334	12.3	11,792	14,081	(16.3)	4,929	8,104	(39.2)
Canara Bank	15,530	13,053	19.0	13,332	12,726	4.8	8,153	7,188	13.4
Corporation Bank	6,591	4,283	53.9	6,050	6,747	(10.3)	2,902	2,605	11.4
HDFC	12,215	10,033	21.7	12,593	10,396	21.1	8,642	7,334	17.8
HDFC Bank	23,694	18,520	27.9	17,677	15,705	12.6	8,219	6,309	30.3
ICICI Bank	22,418	21,388	4.8	24,127	21,555	11.9	10,516	7,438	41.4
IDBI	7,738	4,374	76.9	6,624	4,839	36.9	3,008	3,137	(4.1)
Indian Bank	9,044	6,676	35.5	7,128	6,357	12.1	4,739	3,941	20.3
Indusind Bank	2,631	1,443	82.4	1,996	1,513	31.9	952	505	88.5
ING Vysya Bank	2,295	1,624	41.3	1,646	1,221	34.9	674	491	37.2
LIC Housing Finance*	2,578	2,115	21.9	3,926	2,210	77.7	2,801	1,576	77.8
Mahindra & Mahindra Fin.	2,987	2,622	13.9	2,304	2,063	11.7	1,184	1,080	9.6
Power Finance Corporation	7,838	6,370	23.1	7,619	6,334	20.3	5,679	3,904	45.5
Punjab National Bank	24,736	19,065	29.7	20,411	15,882	28.5	10,780	8,656	24.5
REC	6,770	4,819	40.5	7,105	5,712	24.4	4,879	3,880	25.7
Shri Ram Transport	6,077	4,522	34.4	4,815	3,170	51.9	2,445	1,539	58.9
Shriram City Union Finance	1,598	1,376	16.1	1,052	731	43.9	450	327	37.4
State Bank of India	67,769	48,419	40.0	59,957	52,771	13.6	27,568	27,423	0.5
Union Bank of India	11,728	9,264	26.6	9,907	9,115	8.7	5,543	4,651	19.2
Yes Bank	2,304	1,552	48.4	2,332	1,539	51.5	1,265	801	57.8

** Inclusive of profit on stake sale in LIC MF; PAT of Rs1.78bn excluding this gain*

Q4FY10 earnings preview

Financials

Company	Key monitorables
Allahabad Bank	Treasury gains, MTM losses, NIMs, NPA provisions
Axis Bank (Ex-UTI Bank)	Fee income growth, NPA provisions
Bank of Baroda	Credit growth, fee income, margins
Bank of India	NPA slippages, loan growth, NIMs, CASA
Canara Bank	NIMs, treasury gains, credit off-take
Corporation Bank	Loan growth, NIMs, CASA
HDFC	Disbursements, spreads, NPA levels
HDFC Bank	Asset growth, NIMs, CASA, fee income growth, NPA provisions
ICICI Bank	NIMs, NPA slippages, CASA, operating expenses
IDBI	Loan growth, margins, traction in fee income
Indian Bank	Business growth, NPA provisions, restructured assets
IndusInd Bank	Margins, fee income, provisions to shore up coverage ratio
ING Vysya Bank	NIMs, fee income growth, provisions
M&M Finance	Recoveries, provision expenses, disbursement growth, securitization
LIC Housing Finance	Disbursements, margins
Power Finance Corporation	Disbursements, margins
Punjab National Bank	Margins, asset growth, NII growth, NPA provisions
Rural Electrification Corp	Disbursements, margins
Shriram City Union Finance	Disbursements, expenses, asset quality, loan mix
Shriram Transport	Disbursements, NPA levels, margins
State Bank of India	NIMs, credit off-take, treasury gains, slippages, NPA provisions to shore up coverage ratio
Union Bank of India	Margins, asset growth, net treasury income, asset quality
Yes Bank	Credit growth, CASA levels, margins, fee income

Q4FY10 earnings preview

India Organized Retail

- ✓ Revenue growth for the sector is picking up with improved consumer sentiments – up from 21% to 24%
- ✓ Pantaloon Retail to report 26% growth on the back of 9-10% same store sales growth and ~0.4m sq. ft. of retail space expansion during the quarter
- ✓ With gold prices remaining stable and early wedding season, Titan is expected to sustain double digit volume growth in watches and high single digit growth in jewelry opertaions
- ✓ Shoppers' Stop same store sales growth has picked up to high single digit during the quarter
- ✓ Provogue has handed over the Aurangabad property for fit outs to the anchor tenants

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Pantaloon Retail	20,690	16,421	26.0	2,185	1,730	26.3	607	344	76.6
Provogue India	1,068	791	35.0	151	100	50.5	90	83	8.5
Shoppers' Stop	4,155	3,521	18.0	226	42	436.4	58	(317)	(118.1)
Titan Industries	10,766	8,814	22.2	1,068	431	148.0	657	84	686.0

**Pantaloon financials for Q3FY10*

Q4FY10 earnings preview

Infrastructure developers

- ✓ Infrastructure developers likely to report a 30% yoy rise in revenues
  - Growth in revenues led by GVK (higher power division revenues due to gas availability for Gautami and Jegurupadu-I and II)
  - Fall in GMR revenues on yoy basis, as Tanir-bavi barge mounted plant is out of operation (being shifted to AP from Karnataka)
  - Strong growth expected for airport divisions of both GMR and GVK on back of sharp rise in passenger volumes in 4QFY10 on yoy basis
- ✓ EBITDA likely to increase by 126%, also led by commissioning of gas-based power plants as well as new road assets
- ✓ Earnings growth (pre-exceptional) likely to increase by 102% yoy during the quarter

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
GMR Infrastructure	12,568	13,278	(5.3)	5,357	2,862	87.2	989	532	85.8
GVK Power	6,013	1,670	260.2	1,854	361	414.1	612	137	348.1
Mundra Port	3,939	2,845	38.4	2,785	1,656	68.2	2,034	1,173	73.3

Q4FY10 earnings preview

IT Services

- ✓ With focus on next year's guidance and outlook commentary, Q4FY10 results are likely to be more of a non-event for the IT services sector. We expect Infosys to conservatively guide to 10-12% USD revenue growth and 5-7% INR EPS growth in FY11 as it builds in caution for possibility of a double-dip recession in developed markets, stronger INR, some margin decline and higher taxes.
- ✓ We expect our coverage universe to report 3-5% sequential growth in USD revenues for Q4FY10. This would be driven by 4-7% qoq volume growth but ~2% qoq decline in pricing realizations (primarily on cross currency headwinds).
- ✓ We expect a 6.5% yoy growth in revenues (in INR terms) with a PAT growth of 11.5% yoy for our coverage universe
- ✓ This revenue growth would be slower qoq (compared to last quarter) as annual IT budgets were still in the process of getting finalized during the quarter (especially in 1st half of January).
- ✓ The commentary on IT services market place, we believe, is the key monitorable. We expect most of the companies to make optimistic statements about IT services market place and demand for offshore IT services.

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
HCL Technologies	30,882	28,615	7.9	6,300	6,103	3.2	3,045	1,995	52.6
Infosys Technologies	57,751	56,350	2.5	19,490	18,910	3.1	15,270	16,130	(5.3)
Patni Computer	7,957	7,969	(0.2)	1,488	1,432	3.9	1,159	761	52.3
Tata Consultancy	77,358	71,718	7.9	22,271	18,796	18.5	17,434	13,143	32.6
Tech Mahindra	11,976	10,513	13.9	2,565	2,842	(9.7)	1,488	2,305	(35.4)
Mphasis	11,873	10,485	13.2	2,894	2,818	2.7	2,479	2,245	10.4
MindTree	3,286	3,381	(2.8)	647	865	(25.3)	324	188	72.3
KPIT Cummins	1,939	2,098	(7.6)	405	618	(34.4)	204	193	5.5
Hexaware	2,262	2,643	(14.4)	336	392	(14.2)	184	173	6.4
Wipro	70,555	65,275	8.1	15,133	14,019	7.9	10,966	10,012	9.5

Q4FY10 earnings preview

Logistics

- ✓ Logistics companies to report revenue growth of 11% yoy for the quarter
  - Volumes across all companies are likely to increase on yoy and qoq basis driven by improvement of international trade and low base effect
  - Concor's revenues to be impacted due to lower realisations in the quarter
- ✓ Operating margins to improve during the quarter
  - Higher volumes and lower empty running to drive higher margins for Concor, Arshiya and GDL
  - Allcargo margins to be impacted due to lower margins in ECU line business
- ✓ Consequently, earnings (pre-exceptional) to grow by 11% yoy during the quarter
- ✓ We maintain our Overweight stance on the sector

Company	Key monitorables
Allcargo	ECU line margins
Arshiya International & Gateway Distriparks	Volume growth and rail business profitability
Container Corporation	Volume growth and margins

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Allcargo	5,527	4,806	15.0	608	557	9.2	335	276	21.4
Arshiya International	1,395	940	48.3	246	148	65.9	149	120	23.6
Container Corporation	8,939	8,412	6.3	2,549	2,253	13.2	1,942	1,882	3.2
Gateway Distripark	1,354	1,170	15.7	354	309	14.4	236	125	89.6

** Allcargo yearend December – Q1CY10E*

Q4FY10 earnings preview

Metals

- ✓ Higher steel prices to more than offset the increase in raw material prices. Steel companies across our coverage are likely to report higher realizations
- ✓ Reduced availability of linkage coal will result in an increase in fuel costs for most of the non-ferrous companies
- ✓ SAIL to benefit from high volume growth. Improvement in product mix will help improve realizations
- ✓ Higher non-ferrous metal prices (up 10-85%yoy) will result in improved realization despite a flat sales volume growth. Operating margins to remain stable, though appreciating rupee (4.4%%yoy) to partially negate the impact.

Company	Key monitorables
Hindalco	Product mix in Aluminum business, TC-RC margins in Copper business, Increase in fuel costs
Hindustan Zinc	Base metal premium, by-product realization, Concentrate sales
Jindal Steel & Power (Consol)	PLF at merchant power operations, Spot power tariff which are on a declining trend q-o-q
JSW Steel (Consol.)	Improvement in product mix; Higher realizations
Bhushan Steel	Upside in volumes; Higher realizations
Nalco	Shortage of linkage coal to shoot power & fuel exps
Sterlite Industries	Base metal premium, TC-RC margins in copper business
Tata Steel	Impact of roll over of coking coal volumes on raw material costs, cost savings at european operations
SAIL	Employee costs, impact of coking coal contracts; Significant upside in volumes

Q4FY10 earnings preview

Metals

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10	Q4FY09E	% chg yoy
Bhushan Steel	18,438	11,200	64.6	4,092	2,720	50.4	905	1,164	(22.3)
Hindalco Industries	167,749	134,279	24.9	45,940	15,691	192.8	8,971	1,889	374.9
Hindustan Zinc	23,238	12,627	84.0	14,109	5,813	142.7	11,845	5,515	114.8
Jindal Steel & Power	29,615	28,613	3.5	17,376	14,933	16.4	11,006	9,015	22.1
JSW Steel	55,656	36,221	53.7	14,505	2,360	514.6	6,266	(740)	(946.8)
National Aluminium Company	14,276	10,884	31.2	3,301	583	466.2	2,568	830	209.4
SAIL	135,500	120,578	12.4	33,628	21,077	59.5	21,614	14,866	45.4
Sterlite Industries (India)	70,594	43,361	62.8	20,584	7,693	167.6	11,148	5,983	86.3
Tata Iron & Steel Co.	234,117	264,311	(11.4)	46,790	331	14,036.0	10,568	(45,013)	(123.5)

Q4FY10 earnings preview

Oil & Gas & Petrochemicals

- ✓ Revenues are higher due to higher crude prices yoy, higher refining volumes from RIL's new refinery and higher volumes for our natural gas universe
- ✓ GRMs at US$3.5-4/bbl for OMCs, US$7.5-8/bbl for RIL and US$5-5.5/bbl for Essar Oil, driven by better market conditions, demand revival of gasoline and heating oil and better availability of cheaper crude
- ✓ Volumes expected to remain robust for the OMCs, RIL and Essar, with domestic market continuing to grow robustly, and international demand also reviving sequentially
- ✓ For OMCs, the key question remains the extent to which subsidy will be met by the Government/upstream. We build in only ~20% contribution by OMCs towards cooking fuel subsidy, with the balance being met by the Government. Any slip up on this front will mean a substantially lower earnings number than what we build in for FY10E.
- ✓ However, a windfall similar to last year, where the entire subsidy gap was reimbursed in Q4FY09 could imply much higher earnings than estimates for the OMCs. Our estimates currently point to material decline in profitability for the OMCs
- ✓ For the gas companies Transmission volumes will grow marginally on a MoM basis for GAIL and GSPL, while GGCL expected to post another strong quarter on the back of 3% growth in distribution volumes to ~3 mmscmd
- ✓ Earnings growth strong for ONGC, RIL and gas companies

Q4FY10 earnings preview

Oil & Gas & Petrochemicals

Company / Industry	Key monitorables
OMCs	GRMs, Inventory movement and under recovery levels (Our estimates suggest ~Rs430bn for FY10, at Indian basket of crude at US$67-69/bbl for the full year
Essar Oil	GRMs and volumes, we estimate GRMs at higher levels than Q3FY10, due to better economic environment
RIL	GRMs, Petchem spreads and KG volumes
Gas T&D	Transmission volumes for GAIL/GSPL, Distribution volumes and gross spreads for GGCL
ONGC	Under recovery share, production volumes

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
BPCL	313,230	265,253	18.1	26,980	41,734	(35.4)	7,308	36,280	(79.9)
Essar Oil	75,116	68,150	10.2	8,530	10,130	(15.8)	2,261	6,600	(65.7)
HPCL	246,084	253,637	(3.0)	10,367	52,779	(80.4)	3,019	51,040	(94.1)
Indian Oil Corporation	628,669	537,201	17.0	58,656	89,585	(34.5)	22,879	66,233	(65.5)
GAIL (India)	67,583	62,339	8.4	13,302	10,645	25.0	6,161	6,074	1.4
Gujarat Gas Company	4,215	3,064	37.6	860	560	53.6	525	366	43.5
Gujarat State Petronet	3,250	1,320	146.2	2,606	1,129	130.8	724	347	108.7
Oil & Natural Gas Corpn	159,920	138,336	15.6	80,279	59,095	35.8	33,249	22,068	50.7
Reliance Industries	590,163	283,620	108.1	100,032	53,000	88.7	58,989	38,740	52.3

Q4FY10 earnings preview

Pharmaceuticals

- With USD/INR appreciating by 140bps on qoq basis, expect operating margins to start coming under pressure for the sector
- **Sun** – Expect profitability to decline by 15%yoy on back of high base effect (due to Protonix sales) and continuing uncertainty at Caraco operations. Eloxatin sales during the quarter may provide upsides
- **Cipla** – Expect sales to grow by 7%yoy primarily on back of management's conscious decision to reduce sales contribution from low margin ARV tenders
- **Ranbaxy** – Expect sharp profit growth on the back of Valtrex sales and possible contribution from the encashment of Flomax exclusivity during the quarter. Revenues expected to grow by 28% yoy to Rs19.9bn for the quarter.
- **DRL** – Expect decline in top line growth due to high base effect of Imitrex exclusivity in previous year. Improvement in base business and Prilosec OTC sales to partially off set high base effect.
- **Lupin** – Expect strong performance due to steady growth across all geographies aided by contribution from Antara and Lotrel
- **Glenmark** – US revenues remain the key monitorable. Stabilization of sales in LatAm/SRMs (post re-stocking) to be watched our.
- **Ipca -** Expect strong operating performance in Q4FY10 led by strong topline growth and steady operating margins
- **Piramal** – Continuing softness in CRAMS business and critical care business to partially offset strong growth in domestic formulation business. Pickup in Minrad sales along with continued momentum in domestic formulations to be the key.
- **Dishman** – Expect earnings to be impacted by reduction in EM sales to Solvay as well as sluggish growth in Carbogen Amcis. Inventory write-offs at Carbogen Amcis to be key monitorable.

Q4FY10 earnings preview

Pharmaceuticals

Company	Key monitorables
Aventis Pharma	Pick-up in sales; EBITDA Margins
Biocon	Margins; CR revenues; outlook on Insulin
Cipla	EBITDA margins; Impact of INR appreciation
Dishman Pharmaceuticals	EM offtake by Solvay; outlook on CRAMS business
Dr Reddys Laboratories	US business momentum; German sales
Glaxosmithkline Pharma	Revenue growth; new product launches
Glenmark Pharma	US base business revenues; Outlook on Melogliptin
IPCA Laboratories	Operating profit growth
Lupin	US business momentum; Regulated market sales
Piramal Healthcare	Minrad sales and Domestic market momentum; CRAMS business outlook
Ranbaxy Laboratories	US business outlook; Flomax contribution
SUN Pharma	Update on Caraco

Q4FY10 earnings preview

Pharmaceuticals

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Aventis Pharma	2,719	2,515	8.1	625	616	1.5	423	405	4.3
Biocon	6,214	4,663	33.3	1,263	900	40.3	758	250	203.2
Cipla	14,679	13,667	7.4	4,123	3,592	14.8	3,208	2,529	26.8
Dishman Pharmaceuticals	2,581	2,971	(13.1)	514	782	(34.3)	213	436	(51.1)
Dr Reddys Laboratories	17,164	19,851	(13.5)	2,570	4,684	(45.1)	1,834	(9,777)	(118.8)
Glaxosmithkline Pharma	5,212	4,572	14.0	1,876	1,645	14.0	1,418	1,254	13.1
Glenmark Pharma	6,582	4,911	34.0	1,843	(433)	(525.6)	970	(1,207)	(180.4)
IPCA Laboratories	3,558	3,175	12.1	652	538	21.3	295	79	272.9
Lupin	13,233	10,434	26.8	2,607	1,890	37.9	2,126	1,574	35.0
Piramal Healthcare	9,576	8,509	12.5	2,102	1,784	17.8	1,361	1,118	21.7
Ranbaxy Laboratories	19,866	15,548	27.8	2,788	(823)	(438.7)	2,446	(7,611)	(132.1)
SUN Pharma	11,086	11,344	(2.3)	3,907	4,138	(5.6)	3,686	4,342	(15.1)

Q4FY10 earnings preview

Pipes

- ✓ Rising crude prices and increasing rig count, indicate higher exploration and development capex impairing future revenue visibility of pipe companies. Global rig count continues to increase sequentially
- ✓ Order book position of pipe companies continue to increase sequentially; growing earning visibility over a few quarters
- ✓ Ebitda margins are expected to rise sequentially coupled with a flattish volume growth

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10	Q4FY09E	% chg yoy
Jindal Saw	16,236	14,637	10.9	2,245	1,867	20.2	1,290	978	31.9
Maharashtra Seamless	3,720	5,495	(32.3)	1,076	1,020	5.5	701	647	8.3
PSL	8,541	12,165	(29.8)	1,030	624	65.1	389	136	186.0
Welspun Gujarat Stahl Rohren	15,672	18,318	(14.4)	2,727	1,606	69.8	1,227	518	136.9

**year ending December; Source: IDFC-SSKI Research*

Q4FY10 earnings preview

Power equipment

- ✓ Equipment companies to report growth in revenues of 13.8% yoy
  - Robust growth in BHEL (+17.2% yoy as per provisional results)
- ✓ Operating margins to rise by +221bps
  - BHEL margins improve 300bps yoy, led by benefits of operating leverage
- ✓ Earnings growth (pre-exceptional) likely to be at 38% yoy during the quarter
- ✓ We maintain Outperformer on Crompton, Neutral on BHEL and Underperformer on ABB

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
ABB	15,116	13,931	8.5	1,364	1,271	7.3	857	784	9.3
Bharat Heavy Electricals	123,280	105,182	17.2	22,445	15,995	40.3	18,859	12,979	45.3
Crompton Greaves	25,526	24,600	3.8	3,411	3,287	3.8	2,029	1,939	4.7
EMCO	2,081	2,079	0.1	266	277	(4.0)	100	82	22.4

** Q1CY10 estimates*

Q4FY10 earnings preview

Power transmission

- ✓ Power transmission companies to witness strong execution, which is likely to drive strong growth in revenues
- ✓ Operating margins are likely to improve strongly led by pick up in execution as also lower input prices
  - KEC margins to fall led by high base effect (high margin order executed in 4QFY09)
- ✓ Interest expenses to fall on yoy basis led by release in working capital and lower interest rates
- ✓ Net earnings (pre-exceptionals) for Jyoti likely to grow by 18% led by pick up in execution
- ✓ While we expect KEC's profits to fall by 2.5% (lower margins), reported profits are likely to be higher due to tax benefit on merger with RPG cables
- ✓ We maintain our overweight stance on the sector

Company	Key monitorables
Jyoti Structures, KEC International	Order inflows, execution and margins

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Jyoti Structures	5,659	4,699	20.4	612	490	24.8	249	210	18.2
KEC International	13,332	11,346	17.5	1,409	1,425	(1.1)	678	695	(2.5)

Q4FY10 earnings preview

Power utilities

- ✓ Utilities to witness 8% yoy growth in revenues
  - Pass through of lower fuel costs to offset higher tariffs under new CERC norms for NTPC
- ✓ EBITDA margins to rise by 283bps on a yoy basis
  - NTPC to see a sharp jump in margins, led by a higher RoE under the new tariff guidelines
- ✓ Net earnings (pre-exceptionals) for companies to witness a 29% growth in Q4FY10
- ✓ We maintain our overweight stance on the sector with our top pick being Reliance Infrastructure, Lanco

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
CESC	8,953	7,410	20.8	2,032	1,520	33.7	1,124	940	19.6
Jaiprakash Hydro Power	3,804	543	600.1	3,430	480	614.4	1,215	240	405.4
KSK Energy Ventures	1,130	1,012	11.7	260	577	(54.9)	62	66	(6.7)
Lanco Infratech	17,878	20,534	(12.9)	3,828	3,015	27.0	827	1,144	(27.8)
NTPC	120,854	130,327	(7.3)	37,981	35,455	7.1	26,368	21,171	24.5
PTC	28,657	11,777	143.3	186	23	694.4	304	143	111.9
Reliance Infrastructure	28,955	24,019	20.5	2,617	95	2,651.6	4,125	2,677	54.1
Tata Power Company	17,893	14,716	21.6	3,930	2,907	35.2	1,908	1,539	24.0

Q4FY10 earnings preview

Real estate

- ✓ Expect ~50% yoy growth in top line of our sector universe - Unitech leading the pack with highest growth
- ✓ Low base effect to result in 182% PAT growth yoy for our sector universe (Q4FY09 being one of the worst quarters)
- ✓ DLF has completed the merger of DAL with DLF Cyber City and listing now appears to be the next right step. Our estimates of Q4FY10 includes asset/land sales of Rs.12.5bn (reported numbers could be lower as no announcement has come so far)
- ✓ Unitech continue to consolidate on its ~25msf of launches by increasing sales volumes in the quarter. We expect ~15msf of sales in FY10. Early conversion of warrants (50m) by promoters will boost cashflows by ~Rs1.9bn
- ✓ We expect HDIL to sell ~1.7msf of TDRs in Q4FY10 at an average price of Rs2,500psf. Cash flows are expected to remain strong given the excellent response received for residential and commercial projects in Virar

Company / Industry	Key monitorables
DLF	✓ Proposed listing of DLF Cyber City on Singapore Stock exchange, progress on asset sales (wind power, land plots) and launches in value housing segment
Unitech	✓ Completion and delivery of ongoing projects, absorption rates in the new launches and scale up of Mumbai developments
HDIL	✓ Completion of MIAL Phase I and launch of Phase II, movement in demand and price of TDRs and progress on rental housing project (Virar)

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
DLF	14,999	11,223	33.6	5,808	1,546	275.7	10,125	1,591	536.4
Unitech	9,019	3,853	134.1	2,964	1,266	134.1	2,000	2,736	(26.9)
HDIL	3,991	3,579	11.5	2,090	965	116.6	1,818	619	193.7

Q4FY10 earnings preview

Telecom

- ✓ We estimate 7-12%qoq growth in average subscribers
- ✓ Continued migration to lower tariff plans would likely lead to ~3 -6%qoq drop in wireless revenue/min (RPM). We estimate migration to lower tariffs would be largely complete by 4QFY10 and the decline in RPM should moderate in FY11
- ✓ ARPU drop of 6-8%qoq is estimated to be offset by robust subscriber additions leading to mostly flat wireless revenue. Idea likely to gain moderately from new market launches.
- ✓ Wireless margins are expected to decline sequentially by 50-200bps. Idea impacted by new market launches (Kolkata, WB, J&K, Assam, North East) in 3QFY10
- ✓ Reported PAT for RCOM and Bharti is expected to be cushioned by significant derivative gains resulting from 3.5% appreciation in Rupee during 4QFY10.
- ✓ Recurring consolidated PAT is estimated to be mostly flat for Bharti and RCOM. Idea to report 8.7%qoq decline in net profit primarily due to higher losses in new circles and full merger of Spice operations w.e.f. 12th March 2010.

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Bharti Airtel	98,445	98,245	0.2	39,253	40,014	(1.9)	20,411	24,755	(17.5)
IDEA Cellular	33,072	29,425	12.4	8,266	8,127	1.7	1,663	2,550	(34.8)
Reliance Communication	54,749	61,311	(10.7)	18,615	24,007	(22.5)	4,769	13,537	(64.8)

Q4FY10 earnings preview

Transportation

GE Shipping

- ✓ On the back of a severe winter, we except to see a sequential improvement in numbers.
- ✓ Standalone shipping revenues are expected to report a 20% growth qoq and a flattish growth yoy.
- ✓ The quarter include gain of ~Rs50m on sale of vessels (MPSV).
- ✓ The global economic recovery, and thereby improvement in freight rates beyond the winter months, remains a key moniterable.

Jet Airways

- ✓ With passenger traffic returning into the system and constrained supply, the macro-economic environment is turning favorable for aviation.
- ✓ Post a profitable quarter, we expect Jet to slip into losses due to the seasonality. We expect to see a net loss of Rs2.6bn in the quarter.
- ✓ Jet Airways has signed a new dry lease agreement for three of its B-777-300 aircraft with Thai Airways. This agreement is valid for a period of three years with immediate effect. The impact has already been factored in our numbers. The lease agreements with Thai Airways are in addition to the four other B777-300 aircraft currently on a dry lease with Turkish Airlines.
- ✓ Jet reported consolidated gross debt at $3.1bn ($2.2bn is aircraft debt) last quarter. The current payment obligations amount to ~$330m. While Jet has received the required approvals to raise $400m of funds, ability to raise funds is a key moniterable.

Q4FY10 earnings preview

Transportation

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy
Jet Airways	30,419	27,744	9.6	1,854	2,356	(21.3)	(2,648)	(786)	236.9
Great Eastern Shipping*	5,603	5,608	(0.1)	2,073	2,650	(21.8)	1,018	2,501	(59.3)

**Numbers are standalone*

Q4FY10 earnings preview

Others

Sintex

- ✓ Government's sustained focus on rural infrastructure development along with improving domestic demand visibility, to enhance revenue visibility of Sintex's domestic operations
- ✓ Synergy benefits from over seas operations and management's continuous focus on cost savings to see gradual improvement in operating margins at consolidated level

(Rs m)	Net Sales			EBITDA			Profit After Tax		
	Q4FY10E	Q4FY09	% chg yoy	Q4FY10E	Q4FY09	% chg yoy	Q4FY10	Q4FY09E	% chg yoy
Sintex (Consol)	10,570	8,530	23.9	2,013	1,683	19.6	1,276	1,140	11.9

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