

Major indices movements

Major indices	Cls	1d (%)	3m (%)	6m (%)
BSE Sensex	18,086	(0.3)	(0.7)	(7.7)
Nifty	5,421	(0.3)	(0.7)	(8.0)
Dow	12,560	0.6	1.4	12.1
Nikkei	9,651	(0.1)	(11.0)	(3.7)
Hang Seng	23,165	0.7	(1.8)	(1.9)
Brasil Bov espa	62,841	(1.3)	(7.7)	(11.4)
Mexico Bolsa	35,364	1.6	(5.8)	(3.4)

Turnover

Value Traded (Rs bn)	18 May 2011	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	26.1	23.8	128.3	19.1
Cash NSE	105.6	25.9	298.5	42.2
Total	131.7			
Del.(%)	39.9			
F&O	1204.2	21.3	2772.8	226.0
Total Trade	1335.9			

Fund Activity

Net Inflows (Rs bn)	Purch	Sales	Net	YTD
17 May 2011				
FII's	38.3	(40.7)	(2.4)	233.4
Domestic Funds	2.8	(9.1)	(6.3)	98.8
18 May 2011				
Cash Provisional			(1.3)	
F&O - Index	76.7	(72.9)	3.9	(27.6)
F&O - Stock	27.4	(26.6)	0.8	(11.6)

Advances/declines BSECash

18 May 2011	A	B1	B2	Total
Advance	168	1166	238	1,572
Decline	34	689	171	894

Commodity Prices

Commodity	19 May 2011	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	113.0	0.4	10.5	35.1
Copper(usd/t)	9,065	3.0	(8.1)	7.6
Aluminum H.G.(usd/t)	2,556	2.2	(0.5)	10.7
Zinc(usd/t)	2,188	4.6	(14.3)	0.1

Debt/Forex Mkt	Cls	1d (%)	3m (%)	6m (%)
Re/USD	45.06	0.2	0.3	0.4
10 yr Gsec Yield	8.30	0.4	2.4	3.4

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News clippings

- **Larsen & Toubro (L&T)** has won a offshore process platform contract from **Gujarat State Petroleum Corporation (GSPC)** valued at Rs 14.5 billion (USD 317.5 million). GSPL awarded this offshore process cum living quarters platform project to L&T under international competitive bidding to meet its challenging target of production of hydrocarbon by Jul. 2013 from KG Basin, off the East Coast of India.
- **Reliance Industries** has countered a report that the oil regulator, the DGH, used to target it for falling gas production from the KG-D6 fields, saying the study was done without visiting the fields and the company was not given an opportunity to present its views.
- **Reliance ADA Group** will invest between \$5 billion and \$10 billion in coal sector, in power plants and mining infrastructure in Indonesia.
- **Aurobindo Pharma** has paid \$139.2 million (over Rs 600 crore) for the redemption of outstanding overseas bonds issued in 2006. With the latest payout, the company has now paid an aggregate amount of \$203.86 million for redemption of two tranches of foreign currency convertible bonds (FCCBs) issued in May, 2006.
- **Varun Shipping Company** has signed contracts with Petrobras, Brazil, a Government of Brazil undertaking, for three anchor handling towing and supply vessels (AHTS) — Suvarna, Subhiksha and Sudaksha. The total contract value estimated for the firm period is Rs 690-crore and for the extension period is Rs 690-crore. Accordingly, the total contract value works out to Rs 1,380-crore.
- According to Revenue Secretary Sunil Mitra, the Union Finance Ministry would not extend the Duty Entitlement Pass Book (DEPB) scheme beyond June 30.
- Indian GSM telecom operators added 11.10 million subscribers in April, taking the all-India GSM cellular subscriber base to 580.66 million. This is the lowest subscriber addition since October, 2009, when 10.76 million users were added to the GSM network.

Research views

Met HVAC (Air Conditioning) Companies, Business Is Experiencing Difficult Times

Met HVAC Company, One Listed Entity and Another Un-Listed Entity - Business Is Experiencing Tough Times- For Both EMP (Projects) Business and Unitary Cooling (Products) Business.

EMP (Projects) Business - Has seen complete wash-out of order inflows in the domestic market, especially led by Commercial (Offices) segment, which has seen virtual stoppage in activity.

Unitary Cooling (Products) Business - Not seen pick-up in air-conditioners until May 2011, owing to climatic conditions and general propensity to spend on white goods. Hence, earstwhile growth assumptions of 25% in the business segment would be revised downwards, owing to wash-out of January-June season (peak season for Unitary Cooling Products).

Possible Revision In Assumptions

- Growth in EMP (Projects) Business for FY12E would be revised downwards - Domestic growth reduced from 16% to 8% and International growth reduced from 16% to 13%
- Growth in Unitary Cooling (Products) Business for FY12E would be revised downwards - Room Air Conditioners growth reduced from 25% to 5% and Commercial Refrigeration growth maintained at 16%

Earnings Impact

For Q4FY11E, we are outliers in the earnings estimates for Bluestar and Voltas...

Bluestar, Emkay Estimates at Rs840 Mn Versus Consensus Estimates at Rs610 Mn- Most likelihood, expect positive surprise (22%) to Consensus earnings and negative surprise (11%) to EMKAY earnings - Expect APAT of Rs750 Mn

Voltas, Emkay Estimates at Rs1230 Mn Versus Consensus Estimates at Rs1130 Mn- Most likelihood, expect negative surprise (5%) to Consensus earnings and negative surprise (13%) to EMKAY earnings - Expect APAT of Rs1070 Mn

For FY12E, we are outliers in the earnings estimates for Bluestar, but matching Consensus estimates for Voltas. The earnings would be revised for changes in assumptions on (1) reduction of growth in EMP (Projects) ((2) reduction of growth in Unitary Cooling (Projects)

Bluestar, Emkay Estimates is Rs26/Share and Consensus Estimates is Rs23/Share, there is high probability of earnings revised to Rs22/Share i.e. 4% downgrade to Consensus earnings and 15% downgrade to EMKAY earnings.

Voltas, Emkay Estimates is Rs12.8/Share and Consensus Estimates is Rs12.5/Share, there is high probability of earnings revised to Rs11/Share i.e. 12% downgrade to Consensus earnings and 15% downgrade to EMKAY earnings.

Stock Impact

With 30% fall in stock prices in last 3 months for Bluestar and Voltas, there is equivalent PER de-rating - Bluestar de-rated from 19X to 12X and Voltas de-rated from 20X to 12X. Would re-iterate our stance in earlier report 'At Crossroads' - we do not foresee any further PER de-rating. We expect stock to react to extent of earnings downgrades - 12% on higher-end. Reaction would be severe in Voltas vis-a-vis BlueStar.

Voltas

Reco	CMP	TP
Buy	161	250

Financials

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E
Revenues	48,059	51,333	61,417
EBITDA	4,727	4,928	5,976
EBITDA Margin (%)	9.8	9.6	9.7
APAT	3,442	3,508	4,264
EPS (Rs)	10.3	10.5	12.8

Blue Star

Reco	CMP	TP
Buy	336	455

Financials

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E
Revenues	25,250	29,628	36,011
EBITDA	2,935	3,066	3,843
EBITDA Margin (%)	11.6	10.3	10.7
APAT	1,999	1,814	2,341
EPS (Rs)	22.2	20.2	26.0

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Research views

L&T Q4FY11E results expectations

After posting strong performance in Q3FY11, expect subdued performance in Q4FY11E –

- Net sales growth at 18% yoy to Rs160.4 bn. Segment-wise revenue growth at 8.8% yoy in E&C to Rs132 bn, 8.5% yoy in E&E to Rs10.7 bn, 8.0% in M&IP to Rs7.4 bn and 69% yoy in Others to Rs1.7 bn
- 140 bps yoy drop in EBIDTA margins to 13.6% – attributed to unfavorable revenue mix and high base of Q4FY10
- 6.4% yoy growth in APAT to Rs14.2 bn – due to 48% yoy drop in other income.

Expect L&T to miss order inflow guidance by significant margin (high asking rate at Rs393 bn).

Revenue and order inflow guidance for FY12E and order execution risk will be key monitorable

L&T

Reco	CMP	TP
Buy	1,506	2,015

Financial Snapshot - Consolidated

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E
Revenues	436,989	531,244	655,163
EBITDA	65,390	81,213	100,857
EBITDA Margin (%)	15.0	15.3	15.4
APAT	33,816	42,653	53,417
EPS (Rs)	56.2	70.3	88.1

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Quarterly Snapshot - Standalone

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11E	YoY (%)	QoQ (%)	YTD'11	YTD'10	Gr (%)
Revenues	135,851	78,853	93,308	114,131	160,365	18.0	40.5	446,656	370,368	20.6
EBITDA	20,508	10,071	10,657	12,379	21,883	6.7	76.8	54,989	47,258	16.4
EBITDA Margin (%)	15.1	12.8	11.4	10.8	13.6	-140 bps	280 bps	12.3	12.8	-40 bps
APAT	13,374	6,652	6,241	8,052	14,236	6.4	76.8	35,181	29,966	17.4
EPS (Rs)	22.2	11.0	10.3	13.2	23.4	5.5	76.8	57.9	49.8	16.3

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Research views

Voltas Q4FY11E results expectations

After a dismal 9MFY11 (APAT down 4% yoy), expect improved operational performance in Q4FY11E – we are at higher end of consensus estimates.

- Expect 9% yoy revenue growth to Rs16.2 bn – led by pick-up in revenue booking in EMP segment (up 3% yoy to Rs9.6 bn) and sustained traction in UCP (up 21% yoy to Rs5.1 bn) and EPS (up 33% yoy to Rs1.6 bn) divisions.
- Expect EBITDA growth at 19% yoy to Rs1.7 bn – led by 90 bps yoy expansion in operating margins to 11.0%.
- However, APAT growth to be flat at 0.3% yoy – due to higher tax incidence.

Keenly await management outlook on order inflows, international business & Rohini Electricals.

Voltas

Reco	CMP	TP
Buy	161	250

Financials

Y/E, Mar (Rs. mn)	FY10	FY11E	FY12E
Revenues	48,059	51,333	61,417
EBITDA	4,727	4,928	5,976
EBITDA Margin (%)	9.8	9.6	9.7
APAT	3,442	3,508	4,264
EPS (Rs)	10.3	10.5	12.8

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Quarterly Snapshot – Consolidated

Rs m n	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11E	YoY (%)	QoQ (%)	YTD'11	YTD'10	Gr (%)
Revenues	14,842	14,083	10,651	10,422	16,176	9.0	55.2	12	12	-4.8
EBITDA	1,499	1,276	1,075	793	1,784	19.0	125.0	3,388	3,469	-2.3
EBITDA Margin (%)	10.1	9.1	10.1	7.6	11.0	90 bps	340 bps	6.4	7.0	-60 bps
APAT	1,231	940	746	551	1,235	0.3	124.1	7	7	-3.9
EPS (Rs)	3.7	2.8	2.3	1.7	3.7	0.3	124.1	6.8	7.0	-3.9

Research views

Ashok Leyland Limited (ALL) – Q4FY11 result expectation

We expect ALL to report strong earnings growth of 24% YoY/300% QoQ driven by robust volumes of 15% YoY/14% QoQ. Margins to decline 30 bps YoY but improve by 400 bps QoQ due to benefit of operating leverage and higher production at Pantnagar (7000 units in 4QFY11). Key things to watch out for (1) Ramup in volume at Pantnagar and (2) raw material cost pressures.

- We expect net sales to grow by 22% YoY and 61% QoQ to Rs 35.8bn
- We expect EBIDTA to grow by 19% YoY and 134% QoQ to Rs 4.5bn
- EBIDTA margin is likely to decline by 30bps YoY but expand 400 bps QoQ to 12.6%.
- We expect APAT of Rs. 2.7bn, up 24% YoY and 300% QoQ

Y/e Mar (Rs Mn)	Q4FY11	Q4FY10	Q3FY11	%Chg YoY	%Chg QoQ
Net Sales	35,828	29,390	22,272	21.9	60.9
Adj.EBITDA	4,502	3,784	1,920	19.0	134.4
EBITDA %	12.6	12.9	8.6		
APAT	2,753	2,231	694	23.4	296.9
DEPS (Rs.)	2.1	1.7	0.3	23.4	296.9

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Impressive English ad growth, Re-iterate BUY

May 18, 2011

Reco	Previous Reco
BUY	Buy
CMP	Target Price
Rs156	Rs183
EPS change FY12E/13E (%)	NA
Target Price change (%)	4.6
Nifty	5,439
Sensex	18,137

Price Performance

(%)	1M	3M	6M	12M
Absolute	1	13	(2)	4
Rel. to Nifty	8	6	7	(3)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Print Media
Bloomberg	HTML@IN
Equity Capital (Rs mn)	470
Face Value(Rs)	2
No of shares o/s (mn)	235
52 Week H/L	186/125
Market Cap (Rs bn/USD mn)	37/824
Daily Avg Volume (No of sh)	76104
Daily Avg Turnover (US\$m)	0.2

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	68.8	68.8	68.8
FII/NRI	11.7	12.4	12.5
Institutions	13.6	13.6	14.1
Private Corp	3.6	2.9	1.6
Public	2.3	2.3	3.0

Source: Capitaline

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- Q4FY11 revenues in line, growing 22.1% yoy at Rs 4.7bn. Print ad-rev grew by 20.5% yoy with Hindi ad-revenue growing 19.5% yoy and English by 21% yoy (higher than est. of 16%)
- EBIDTA margins at 18.6% (our est. of 18.9%) declined by 550bps yoy, led by 43.3% rise in raw material cost. However, Radio EBITDA improved to Rs67mn v/s -2mn in Q4FY10
- PAT at Rs529mn (our estimate of Rs470mn) was up 10.3% yoy, primarily on account of higher other income
- Valuations at 15.9x FY12E and 12.8x FY13E. Maintain BUY with revised target price of Rs183

Revenue & EBITDA in line, while other income supports higher PAT

HT Media reported results for Q4FY11, which were in line with expectation on revenue and EBITDA front. Improving yields and volumes led to robust print ad growth of 20.5% yoy. English ad grew 21% yoy and Hindi grew by 20% yoy. Radio revenues grew whopping 80% yoy to Rs 258 million. EBITDA margins at 18.6% declined 550 bps yoy due to higher operating expenditure. Higher EBITDA contribution from radio business aided the margin during the quarter. APAT during the quarter stood at Rs529mn (higher than our estimate of Rs 470mn) recording growth of 10.8% yoy, driven by higher other income.

Hindi business (HMVL) margins improves on QoQ

Ad revenue growth stood at Rs 939 million, growing 20% yoy, lower than our estimate of 28% growth. Circulation revenue grew 7% yoy at 306 million, led by increase in circulation across its markets. EBITDA margin stood at 15.3% v/s 18.6% in Q4FY10 and 14.1% in Q3FY11. Stable raw material cost and lower ad expense during Q4FY11 led to margin improvement on sequential basis. It has launched Hindustan Jobs, employment weekly newspaper at cost of Rs7/ copy.

Radio business – once again superlative performance

Driven by improvement in ad volumes coupled with higher yields, Radio segment registered 80% yoy revenue growth at Rs258mn. Higher revenue realization and controlled cost structure, it reported strong EBITDA of 67mn v/s loss of 2mn in Q4FY10. EBITDA margin stood at 26.0%.

Maintain BUY with revised target price of Rs183

Better than expected English ad revenue growth indicates improvement in both volumes and yields. We believe higher yields would propel ad revenue growth going forward, unlike volume driven growth in FY11. HT Media took an ad rate hike in last quarter, impact of which would be visible in following quarters. Internet business is expected to bleed for sometime, due to continuous investments.

The company has managed to control its raw material cost on sequential basis. Further, international newsprint price have also stabilized at \$665/MT that also indicates the stabilization in raw material prices. We maintain BUY rating on the stock with target price of Rs183. At CMP of Rs156 stock trades at 15.9x and 12.8x our estimated EPS of Rs9.8 and Rs12.2 for FY12E and FY13E, respectively.

Financial Snapshot

Y/E	Rs Mn									
	Net Sales	EBITDA (Core)	EBITDA (%)	PAT (Rs)	EPS (Rs)	EPS % chg	ROE (%)	P/E	EV/ EBITDA	P/BV
FY10	14129	2554	18.1	1359	6.1	725.2	14.0	25.7	15.0	3.7
FY11P	17879	3375	18.9	1831	7.8	28.2	16.0	20.0	11.6	3.1
FY12E	20401	4229	20.7	2304	9.8	25.8	16.9	15.9	8.7	2.5
FY13E	23071	5105	22.1	2867	12.2	24.4	17.5	12.8	7.2	1.9

Quarterly financials

Particulars	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	FY11P	FY10	YoY (%)
Sales	3,851.0	4,042.0	4,455.4	4,651.0	4,703.9	22.1	1.1	17,852.3	14,378.2	24.2
Raw Material	1152.9	1350.6	1624.0	1659.0	1652.4	43.3	(0.4)	6,286	4,761	32.0
<i>as % of sales</i>	29.9	33.4	36.5	35.7	35.1			35.2	33.1	
Employee Cost	630.6	749.0	734.4	760.0	765.9	21.5	0.8	3,009	2,520	19.4
<i>as % of sales</i>	16.4	18.5	16.5	16.3	16.3			16.9	17.5	
SG&A expenses	270.4	286.0	322.5	360.0	384.6	42.2	6.8	1,353	1,158	16.8
<i>as % of sales</i>	7.0	7.1	7.2	7.7	8.2			7.6	8.1	
Other Operating Exp.	868.2	863.0	983.9	989.0	1024.9	18.0	3.6	3,861	3,176	21.6
<i>as % of sales</i>	22.5	21.4	22.1	21.3	21.8			21.6	22.1	
Total Expenditure	2922.1	3248.6	3664.8	3768.0	3827.8	31.0	1.6	14509.2	11614.6	24.9
EBITDA	928.9	793.4	790.6	883.0	876.1	(5.7)	(0.8)	3343.1	2763.6	21.0
Depreciation	180.6	194.0	211.0	217.0	219.6	21.6	1.2	841.6	707.2	19.0
EBIT	748.3	599.4	579.6	666.0	656.5	(12.3)	(1.4)	2502	2056	21.6
Other Income	45.3	58.0	61.1	64.0	116.7	157.6	82.3	299.8	159.7	87.7
Interest	70.9	64.0	54.7	46.0	71.0	0.1	54.3	235.7	295.8	(20.3)
Exceptional Items	15.0	0.0	0.0	0.0	0.0			0.0	29.0	
PBT	707.7	593.4	586.0	684.0	702.2	(0.8)	2.7	2565.6	1891.3	35.7
Tax	222.3	197.0	165.5	184.0	166.4	(25.1)	(9.6)	712.9	536.2	33.0
PAT before MI	485.4	396.4	420.5	500.0	535.8	10.4	7.2	1852.7	1355.1	36.7
Minority interest	5.5	-12.0	32.5	22.0	6.4			48.9	-10.9	
PAT	480	408.4	388.0	478.0	529.4	10.3	10.8	1803.8	1366.0	32.1
Margins (%)						bps chg	bps chg			bps chg
EBIDTA	24.1	19.6	17.7	19.0	18.6	(550)	(36)	18.7	19.2	(49)
EBIT	19.4	14.8	13.0	14.3	14.0	(547)	(36)	14.0	14.3	(29)
EBT	18.4	14.7	13.2	14.7	14.9	(345)	22	14.4	13.2	122
PAT	12.5	10.1	8.7	10.3	11.3	(121)	98	10.1	9.5	60
ETR	31.4	33.2	28.2	26.9	23.7	(771)	(320)	27.8	28.4	(56)

Financials

Income statement

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Net Sales	14,129	17,879	20,401	23,071
<i>Growth (%)</i>	4.9	26.5	14.1	13.1
Raw material	4,761	6,281	6,984	7,791
Employee cost	2,520	3,009	3,244	3,526
SG&A expenses	4,295	5,214	5,944	6,649
Total operating expenditure	11,575	14,504	16,172	17,966
EBITDA	2,554	3,375	4,229	5,105
<i>Growth (%)</i>	190.6	32.2	25.3	20.7
Depreciation	707	847	923	1,003
EBIT	1,847	2,528	3,306	4,102
EBIT margin (%)	13.1	14.1	16.2	17.8
Other Income	409	300	385	473
Interest expenses	295	236	168	139
Exceptional items	69	0	0	0
PBT	1,891	2,592	3,523	4,435
Tax	536	713	1,057	1,331
<i>Effective tax rate (%)</i>	28.4	27.5	30.0	30.0
PAT before MI	1,355	1,880	2,466	3,105
Minority interest	-4.3	48.9	162.4	238.0
Adjusted PAT	1,359	1,831	2,304	2,867

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
PBT	1,476	2,293	3,138	3,963
Depreciation	707	847	923	1,003
Interest	295	236	168	139
Other Non-Cash items	-162	-99	-99	-99
Chg in working cap	1,909	989	-910	1,237
Tax paid	-536	-713	-1,057	-1,331
Operating Cashflow	3,689	3,553	2,164	4,913
Capital expenditure	-1,295	-2,000	-1,000	-1,000
Free Cash Flow	2,394	1,553	1,164	3,913
Other income	409	300	385	473
Investments	-1,720	0	-1,000	-800
Investing Cashflow	-2,606	-1,700	-1,615	-1,328
Equity Capital Raised	277	303	542	1,170
Loans Taken / (Repaid)	-581	0	-1,300	-300
Interest Paid	-295	-236	-168	-139
Dividend paid (incl tax)	0	0	0	0
Financing Cashflow	-600	67	-926	731
Net chg in cash	483	1,920	-378	4,317
Opening cash position	708	1,191	3,111	2,733
Closing cash position	1,191	3,111	2,733	7,050

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Equity share capital	470	470	470	470
Reserves & surplus	9,244	10,976	13,181	15,949
Net worth	9,714	11,446	13,651	16,419
Secured Loans	3,125	3,125	1,825	1,525
Loan Funds	3,125	3,125	1,825	1,525
Net deferred tax liability	178	178	178	178
Minority Interest	218	570	1,274	2,683
Total Liabilities	13,236	15,319	16,929	20,805
Gross Block	9,702	11,514	12,676	13,491
Less: Depreciation	2,498	3,155	3,890	4,708
Net block	7,204	8,359	8,785	8,782
Capital work in progress	1,101	1,100	750	750
Investment	4,755	4,755	5,755	6,555
Current Assets	6,809	9,665	10,422	15,552
Inventories	1,200	1,520	1,755	2,007
Sundry debtors	2,422	2,574	3,127	3,320
Cash & bank balance	1,191	3,111	2,733	7,050
Loans & advances	1,959	2,414	2,754	3,115
Other non current assets	36	46	53	60
Current liabilities	6,377	8,220	8,436	10,400
Provisions	279	360	370	456
Net current assets	153	1,084	1,616	4,696
Misc. exp & Def. Assets	22	22	22	22
Total Assets	13,236	15,319	16,929	20,805

Ratios

Y/E, Mar	FY10	FY11P	FY12E	FY13E
Profitability (%)				
Core EBITDA Margin	18.1	18.9	20.7	22.1
Net Margin	9.4	10.3	11.3	12.4
ROCE	14.4	17.4	21.4	22.9
ROE	14.0	16.0	16.9	17.5
RoIC	28.8	40.5	47.2	58.2
Per Share Data (Rs)				
EPS (adjusted)	6.1	7.8	9.8	12.2
CEPS	19.2	15.8	10.6	22.7
BVPS	42.2	51.0	63.4	81.2
DPS	0.3	0.3	0.3	0.3
Valuations (x)				
PER	25.7	20.0	15.9	12.8
P/CEPS	8.1	9.9	14.8	6.9
P/BV	3.7	3.1	2.5	1.9
EV / Sales	2.7	2.2	1.8	1.6
EV / EBITDA	15.0	11.6	8.7	7.2
Dividend Yield (%)	0.2	0.2	0.2	0.2
Gearing Ratio (x)				
Net Debt/ Equity	0.2	0.0	-0.1	-0.3
Net Debt/EBIDTA	-1.1	-1.4	-1.6	-2.4

May 18, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs 1,287	Rs 1,650
EPS change FY12E (%)	NA
Target Price change (%)	NA
Nifty	5,421
Sensex	18,086

Price Performance

(%)	1M	3M	6M	12M
Absolute	(10)	(3)	(18)	18
Rel. to Nifty	(5)	(2)	(9)	10

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Automobiles
Bloomberg	BJAUT@IN
Equity Capital (Rs mn)	2894
Face Value(Rs)	10
No of shares o/s (mn)	289
52 Week H/L	1,665/1,000
Market Cap (Rs bn/USD mn)	372/8,256
Daily Avg Volume (No of sh)	83295
Daily Avg Turnover (US\$m)	2.5

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	50.0	49.7	49.7
FII/NRI	16.5	18.3	18.9
Institutions	7.9	6.2	5.1
Private Corp	8.6	8.7	8.9
Public	17.0	17.2	17.4

Source: Capitaline

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- APAT at Rs 6.75bn was marginally ahead of our est. of Rs 6.6bn driven by higher margin of 20.5% (est 20%). Net sales at Rs 42bn was in line with our est. of Rs 42.3bn
- Believe that DEPB concerns are in the valuations (13.5x FY12 EPS ex DEPB). Expect FY12 EPS downgrade of ~10% due to DEPB. Declares DPS of Rs 40 per share (3.1% yield)
- Key concerns arise from subdued domestic volumes in last two months. Volumes should find support from additional 130 dealers (April 2011)
- Retain our EPS of Rs 106.8 for FY12 and BUY rating as of now. Shall revise post conference call scheduled tomorrow

Net Sales – In line with expectations

Net sales at Rs 42bn (23.5% YoY, 0.5% QoQ) came broadly in line with our est. of Rs 42.3bn. Average selling price at Rs 42,734 increased by 5.1% YoY and 0.4% QoQ against our est. of Rs 43,321

Product mix %	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11
Motorcycles	88.1	89.2	88.3	88.6	88.2
Three-Wheelers	11.9	10.8	11.7	11.4	11.8
Total	100.0	100.0	100.0	100.0	100.0
Exports	26.6	34.8	30.7	31.3	29.1
Domestic	73.4	65.2	69.3	68.7	70.9
Units Sold	808,929	928,333	1,000,548	946,850	948,195

Source: SIAM, Emkay research

Product mix %	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11
Motorcycles (Domestic)					
upto 125cc	56.4	55.0	45.4	44.4	47.8
125cc to 250cc	43.6	45.0	54.6	55.6	52.2
Motorcycles (Exports)					
upto 125cc	76.8	63.4	64.4	65.4	70.3
125cc to 250cc	23.2	36.6	35.6	34.6	29.7

Source: SIAM, Emkay research

EBITDA at Rs 8.6bn vs our est. of Rs 8.5bn

EBITDA margins at 20.5% came ahead of our est. of 20%. While RM/sales declined 50 bps QoQ to 70.9%, higher staff costs at 3.1% of sales (our est, of 2.7%) partially offset the decline.

Financial Snapshot

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
Mar										
FY09	87,556	11,373	13.0	8,616	29.8	0.4	40.1	43.2	32.4	22.1
FY10	118,637	25,353	21.4	18,651	64.5	116.5	73.8	20.0	13.6	12.7
FY11E	166,094	33,855	20.4	26,166	90.4	40.3	85.3	14.2	9.5	7.6
FY12E	196,565	38,869	19.8	30,899	106.8	18.1	54.7	12.1	7.8	5.8

Source: Company, Emkay Research

Quarterly Summary

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	FY11	FY10	YoY (%)
Revenue	33,995	38,901	43,418	41,771	42,000	23.5	0.5	166,090	119,210	39.3
Expenditure	26,224	31,131	34,297	33,298	33,390	27.3	0.3	132,115	93,284	41.6
as % of sales	77.1	80.0	79.0	79.7	79.5			79.5	78.3	
Consumption of RM	23,544	27,682	30,712	29,826	29,770	26.4	(0.2)	117,990	80,704	46.2
as % of sales	69.3	71.2	70.7	71.4	70.9			71.0	67.7	
Employee Cost	862	1,264	1,142	1,086	1,300	50.8	19.7	4,791	3,995	19.9
as % of sales	2.5	3.2	2.6	2.6	3.1			2.9	3.4	
Other expenditure	1,818	2,186	2,443	2,386	2,320	27.6	(2.7)	9,334	8,585	8.7
as % of sales	5.3	5.6	5.6	5.7	5.5			5.6	7.2	
EBITDA	7,771	7,769	9,122	8,473	8,610	10.8	1.6	33,974	25,926	31.0
Depreciation	341	318	300	310	300	(12.0)	(3.2)	1,228	1,374	(10.6)
EBIT	7,430	7,451	8,822	8,163	8,310	11.8	1.8	32,747	24,552	33.4
Other Income	425	817	837	995	1,010	137.6	1.5	3,658	1,225	198.6
Interest	(1)	6	7	4	-		(100)	16	59	(72.1)
PBT	7,856	8,262	9,653	9,154	9,320	18.6	1.8	36,389	25,718	41.5
Total Tax	2,214	2,360	2,724	2,503	2,570	16.1	2.7	10,157	7,561	34.3
Adjusted PAT	5,642	5,902	6,928	6,651	6,750	19.6	1.5	26,231	18,158	44.5
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-			-	-	
Adj. PAT after MI	5,642	5,902	6,928	6,651	6,750	19.6	1.5	26,231	18,158	44.5
Extra ordinary items	(354)	-	(108)	-	7,250					
Reported PAT	5,287	5,902	6,821	6,651	14,000	164.8	110.5	26,231	18,158	44.5
Reported EPS	18.3	20.4	23.6	23.0	48.4	164.8	110.5	115.3	58.7	96.4

Margins (%)						(bps)	(bps)			
EBIDTA	22.0	22.9	20.0	21.0	20.3	(167)	(72)	20.4	21.3	(86)
EBIT	20.8	21.9	19.2	20.3	19.5	(130)	(78)	19.7	20.1	(40)
EBT	21.9	23.1	21.2	22.2	21.9	0	(32)	21.8	21.0	85
PAT	15.4	16.6	15.2	16.0	15.9	56	(3)	15.7	14.7	101
Effective Tax rate	29.9	28.2	28.6	28.2	27.3	(253)	(88)	28.0	29.9	(190)
Per Vehicle (Rs)						YoY (%)	QoQ (%)			
Revenue	36,619	41,904	43,394	44,116	44,295	21.0	0.4	43,434	41,789	3.9
RM	25,361	29,819	30,695	31,500	31,396	23.8	(0.3)	30,856	28,291	9.1
Staff Cost	928	1,361	1,141	1,147	1,371	47.7	19.5	1,253	1,400	(10.5)
Other exp.	1,958	2,354	2,442	2,520	2,447	24.9	(2.9)	2,441	3,010	(18.9)
EBITDA	8,371	8,369	9,117	8,949	9,080	8.5	1.5	8,885	9,088	(2.2)

Source: Company, Emkay Research

APAT – marginally ahead of our est.

Adjusted net profits at Rs 6.75bn were marginally above our est. of Rs 6.6bn primarily due to better operating performance and slightly lower tax rate. The company reported one time gain of Rs 8.3bn representing surplus on prepayment of sales tax deferral loan. Company had a payment of Rs 3.7bn. it also recorded diminution in value of its investment in Indonesia (Rs 1bn).

Valuations and View

At Rs 1,287, the stock trades at PER of 12.1x and EV/EBIDTA of 7.8x our FY12 estimates respectively. Even after lowering the earnings for DEP impact (~10%), the stock trades at a PER of 13.5x and EV/EBIDTA of 9x our FY12 estimate. We would revise our earnings estimates post discussion in tomorrow's conference call. Key risk arises from below than expected volumes given the disappointing domestic performance in last 2 months.

Financials

Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11P	FY12E
Net Sales	87,556	118,637	166,094	196,565
Growth (%)	(2.2)	35.5	40.0	18.3
Expenditure	76,183	93,284	132,239	157,696
Materials Consumed	64,635	80,704	117,979	141,058
Employee Cost	3,544	3,995	4,771	5,486
Other Exp	8,004	8,585	9,490	11,152
EBITDA	11,373	25,353	33,855	38,869
Growth (%)	(5.2)	122.9	33.5	14.8
EBITDA margin (%)	13.0	21.4	20.4	19.8
Depreciation	1,298	1,365	1,230	1,422
EBIT	10,075	23,989	32,625	37,447
EBIT margin (%)	11.5	20.2	19.6	19.1
Other Income	1,767	1,798	3,671	4,712
Interest expenses	210	60	20	5
PBT	11,632	25,726	36,276	42,154
Tax	3,016	7,075	10,110	11,255
Effective tax rate (%)	25.9	27.5	27.9	26.7
Adjusted PAT	8,616	18,651	26,166	30,899
Growth (%)	0.4	116.5	40.3	18.1
Net Margin (%)	9.8	15.7	15.8	15.7
(Profit)/loss from JV's/Ass/MI	-	-	-	-
Adj. PAT After JV's/Ass/MI	8,616	18,651	26,166	30,899
E/O items	(2,051)	(1,615)	7,250	-
Reported PAT	6,565	17,036	33,416	30,899
Growth (%)	(13.2)	159.5	96.1	(7.5)

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11P	FY12E
PBT (Ex-Other income)	9,865	23,929	32,605	37,442
Depreciation	1,298	1,365	1,230	1,422
Interest Provided	210	60	20	5
Other Non-Cash items	(3,886)	(2,170)	5,981	-
Chg in working cap	(345)	11,263	2,638	4,802
Tax paid	(3,016)	(7,075)	(10,110)	(11,255)
Operating Cashflow	4,126	27,371	32,364	32,416
Capital expenditure	(3,428)	(485)	(1,544)	(1,966)
Free Cash Flow	697	26,886	30,821	30,450
Other income	1,767	1,798	3,671	4,712
Investments	(426)	(22,949)	(7,737)	(18,000)
Investing Cashflow	1,341	(21,151)	(4,066)	(13,288)
Equity Capital Raised	-	-	1,447	-
Loans Taken / (Repaid)	2,357	(2,314)	(10,134)	(1,000)
Interest Paid	(210)	(60)	(20)	(5)
Dividend paid (incl tax)	(3,724)	(6,749)	(13,497)	(16,214)
Income from investments				
Others	347	3,033		
Financing Cashflow	(1,230)	(6,090)	(22,204)	(17,219)
Net chg in cash	808	(355)	4,550	(57)
Opening cash position	561	1,369	1,014	5,565
Closing cash position	1,369	1,014	5,565	5,508

Source: Emkay Research

Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11P	FY12E
Equity share capital	1,447	1,447	2,894	2,894
Reserves & surplus	17,250	27,837	46,209	60,894
Net worth	18,697	29,283	49,102	63,787
Minority Interest	-	-	-	-
Secured Loans	-	130	-	-
Unsecured Loans	15,700	13,256	3,252	2,252
Loan Funds	15,700	13,386	3,252	2,252
Net deferred tax liability	42	17	297	297
Total Liabilities	34,439	42,686	52,651	66,336
Gross Block	33,502	33,793	35,496	37,462
Less: Depreciation	18,079	18,997	20,227	21,649
Net block	15,423	14,796	15,270	15,813
Capital work in progress	221	415	255	255
Investment	18,084	40,215	47,952	65,952
Current Assets	23,253	15,838	28,726	32,635
Inventories	3,388	4,462	5,473	6,507
Sundry debtors	3,587	2,728	3,628	4,313
Cash & bank balance	1,369	1,014	5,565	5,508
Loans & advances	13,652	6,574	11,896	14,143
Other current assets	1,257	1,060	2,164	2,164
Current lia & Prov	24,376	28,579	39,553	48,321
Current liabilities	12,134	20,263	24,267	30,243
Provisions	12,242	8,316	15,287	18,078
Net current assets	(1,123)	(12,740)	(10,828)	(15,686)
Misc. exp	1,833	-	2	2
Total Assets	34,438	42,686	52,651	66,336

Key Ratios

Y/E, Mar	FY09	FY10	FY11P	FY12E
Profitability (%)				
EBITDA Margin	13.0	21.4	20.4	19.8
Net Margin	9.8	15.7	15.8	15.7
ROCE	38.2	68.5	76.1	70.9
ROE	40.1	73.8	66.8	54.7
RoIC	88.5	343.4	-	-
Per Share Data (Rs)				
EPS	29.8	64.5	90.4	106.8
CEPS	34.3	69.2	94.7	111.7
BVPS	58.3	101.2	169.7	220.4
DPS	11.0	20.0	40.0	48.1
Valuations (x)				
PER	43.2	20.0	14.2	12.1
P/CEPS	37.6	18.6	13.6	11.5
P/BV	22.1	12.7	7.6	5.8
EV / Sales	3.7	3.1	2.2	1.7
EV / EBITDA	32.4	13.6	9.5	7.8
Dividend Yield (%)	0.9	1.6	3.1	3.7
Gearing Ratio (x)				
Net Debt/ Equity	0.2	(0.7)	(0.9)	(1.0)
Net Debt/EBITDA	(3.9)	0.0	(0.4)	(0.9)
Working Cap Cycle (days)	(21.5)	(40.2)	(33.3)	(36.1)

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Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs 737	Rs 840
EPS change FY12E/13E (%)	0.4 / 7.3
Target Price change (%)	13
Nifty	5,421
Sensex	18,086

Price Performance (%)	1M	3M	6M	12M
Absolute	2	10	9	118
Rel. to Nifty	8	11	20	104

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	IT Services
Bloomberg	ECLX@IN
Equity Capital (Rs mn)	289
Face Value(Rs)	10
No of shares o/s (mn)	29
52 Week H/L	798/318
Market Cap (Rs bn/USD mn)	21/466
Daily Avg Volume (No of sh)	14244
Daily Avg Turnover (US\$mn)	0.2

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	59.3	59.4	59.6
FII/NRI	22.9	20.1	18.1
Institutions	8.2	9.2	10.1
Private Corp	1.7	3.1	3.7
Public	7.9	8.3	8.7

Source: Capitaline

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- eClerx's March'11 results yet again exhibit the consistent and impressive execution with US\$ revenues up by ~7.7% QoQ and margins improving by ~230 bps on a like to like basis
- Reported profits at Rs 295 mn(-18%QoQ) below expectations impacted by goodwill write-off of ~Rs 103 mn Adjusted profits at Rs 398, significantly beat expectations (Rs 346 mn)
- Tweak estimates for higher US\$ revenues (31.7%/28.4% YoY growth V/s 28.3%/26% earlier) driving a 0.4%/7.3% raise in FY12/13E earnings to Rs 51.4/61.9(refer section below)
- Retain ACCUMULATE with a revised DCF based March'12 TP of Rs 840(V/s Rs 740 earlier), implying ~13.5x March'13 earnings

Continues to impress on flawless and consistent execution

eClerx reported March'11 qtr revenues of US\$ 21.1 mn (+7.7% QoQ), marginally ahead of Emkay estimates of ~US\$ 20.8mn. Operating margins improved by ~30 bps sequentially on reported basis (note that margin expansion was higher at ~230 bps on a like to like basis given that Q3FY11 margins benefited from certain cost reversals) While reported profits at Rs 295 mn (-18% QoQ) missed estimates, they were impacted by goodwill write-off of ~Rs 103 mn. Net employee addition during the quarter was relatively soft at 131, taking the yr end headcount to 3,908 (+28% YoY). Revenue growth during the quarter was led by North America (+14% QoQ) with revenues from Europe and ROW flat on a QoQ basis. Company indicated that it was continuing to drive investments in the client facing role which should help reduce client concentration (given that 3-4 non top 5 clients are reaching inflection points with revenues inching towards US\$ 1 mn+)

Dividend payout at ~55%, good work on working capital management

eClerx has announced a final dividend of Rs 22.5/share, translating into a dividend payout of ~55% and a dividend yield of ~3% which is decent in our view. We also highlight that the company has done a good job at working capital management during the year with working capital (ex Cash) reducing by ~50% in FY11.

Retain ACCUMULATE with a revised TP of Rs 840

We tweak our earnings estimates for (1) higher US\$ revenues (now build in ~32%/28% YoY revenue growth V/s 28%/26% earlier) and (2) higher tax rates in FY12 (V/s 12% earlier) thereby driving a 0.4%/7.3% raise in our FY12/13E earnings to Rs 51.4/61.9 respectively. We continue to like eClerx for its flawless and consistent execution, strong cash generation backed by high return ratios (ROE's to be 50%+ over FY11-13E) despite increase in cash/share to Rs 90/share V/s ~Rs 60/share currently. Retain ACCUMULATE with a revised March'12 TP of Rs 840 implying ~13.5x March'12 earnings

Financials

Y/E March (in Rs mn)	Net Sales	EBITDA	EBITDA %	PAT	EPS (Rs)	ROE %	P/E (x)	EV/ EBITDA	P/B (x)
FY10	2,570	1,004	39.1	736	24.9	40.3	29.7	20.5	10.9
FY11	3,421	1,346	39.3	1,224	40.6	60.6	16.7	15.2	9.3
FY12E	4,474	1,790	40.0	1,548	51.4	56.7	14.3	11.3	7.2
FY13E	5,746	2,271	39.5	1,865	61.9	52.1	11.9	8.6	5.5

Quarterly performance

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3 FY11	Q4 FY11	YoY (%)	QoQ (%)	FY 11	FY 10	YoY (%)
Revenue	691	713	771	823	872	955	34.0	9.6	3,421	2,570	33.1
Operating Expenditure	412	452	488	525	508	554	22.6	9.1	2,075	1,567	32.5
Cost of revenues	282	312	358	371	367	381	22.0	3.9	1,477	1,078	37.0
as % of sales	40.8	43.8	46.5	45.1	42.1	39.9			43.2	41.9	
SG&A expenses	130	140	130	154	141	173	24.0	22.9	599	489	22.5
as % of sales	18.8	19.6	16.8	18.8	16.2	18.2			17.5	19.0	
EBITDA	279	261	283	298	364	401	53.7	10.2	1,346	1,004	34.1
Depreciation	18	19	15	23	25	27	42.3	7.9	91	70	30.4
EBIT	261	242	268	275	339	374	54.6	10.3	1,255	934	34.3
Other Income	(20)	26	66	38	61	74			240	(105)	
PBT	241	268	334	313	400	448	67.3	11.9	1,494	828	80.4
Total Tax	27	25	41	37	40	50	95.7	23.6	167	93	80.6
Adjusted PAT	213	242	293	276	360	398	64.3	10.6	1,327	736	80.4
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0				0	0	
APAT after MI	213	242	293	276	360	398	64.3	10.6	1,327	736	80.4
Extra ordinary items	0	0	0	0	0	-103			-103	-	
Reported PAT	213	242	293	276	360	295	21.9	(17.9)	1,224	736	66.4
Reported EPS	7.2	8.2	9.9	9.3	12.2	9.8	19.8	(19.4)	41.2	24.9	65.7

Margins (%)							(bps)	(bps)			
EBIDTA	40.3	36.6	36.7	36.2	41.8	42.0	538	23	39.3	39.1	28
EBIT	37.7	33.9	34.7	33.4	38.8	39.1	521	27	36.7	36.3	34
EBT	34.8	37.5	43.3	38.0	45.9	46.9	933	100	43.7	32.2	1146
PAT	30.9	34.0	38.0	33.5	41.3	41.7	769	40	38.8	28.6	1017
Effective Tax rate	11.3	9.5	12.2	11.8	10.1	11.1	160.9	104.9	11.2	11.2	1

Source: Company, Emkay Research

Revenues growth during the quarter was led completely by North America

Revenue by Geography (%)	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11
North America	61%	61%	63%	60%	58%	61%
North America revenues(in US\$ mn)	9.1	10	10.6	10.9	11.4	12.9
QoQ growth, %	20.8%	6.0%	9.8%	2.7%	4.6%	13.2%
Europe	35%	32%	30%	34%	34%	32.0%
European Revenues(in US\$ mn)	5.2	5.0	5.04	6.1	6.7	6.8
QoQ growth, %	10.0%	-4.5%	1.2%	21.0%	9.3%	1.3%
Rest of the World	4.0%	7.5%	7%	5.1%	8%	7.0%
ROW Revenues(in US\$ mn)	0.6	1.2	1.2	0.91	1.6	1.5
QoQ growth, %	-5.4%	98.3%	-0.5%	-22.4%	71.9%	-5.8%

Co's attempts at reducing client exposure through greater mining beginning to yield results

Client contribution to revenue (in US \$mn except %)	Dec'09	March'10	June'10	Sep'10	Dec'10	March'11
Top 5, %	82.6	84.5	87.0	87.0	86.0	86.0
Top 5 client revenues	12.3	13.3	14.6	15.7	16.9	18.1
QoQ growth, %	16.7	8.4	9.5	7.1	7.6	7.7
Non Top 5 client revenues	2.6	2.5	2.2	2.3	2.7	3.0
QoQ growth, %	10.0	-5.3	-10.9	7.1	17.3	7.7

Source: Company, Emkay Research

Increase our FY12/13E earnings by 0.4% / 7.3% to Rs51.4 / 61.9 respectively

(in Rs mn, except EPS)	FY12E			FY13E		
	Old	New	change	Old	New	change
Revenues(US\$ mn)	96.6	99.4	2.9%	121.6	127.7	5.0%
Revenues	4,349	4,474	2.9%	5,474	5,746	5.0%
EBITDA	1,656	1,790	8.1%	2,087	2,271	8.8%
Net Profits	1,542	1,548	0.4%	1,707	1,865	9.2%
EPS	51.2	51.4	0.4%	57.7	61.9	7.3%

Financials

Income Statement

Y/E, Mar (Rs. m)	FY10	FY11	FY12E	FY13E
Net Sales	2,570	3,421	4,474	5,746
Growth (%)		33	31	28
Total Expenditure	(1,567)	(2,075)	(2,684)	(3,475)
Growth (%)		32	29	29
EBIDTA	1,004	1,346	1,790	2,271
Growth (%)		34	33	27
EBIDTA %	39.1	39.3	40.0	39.5
Other Income	(105)	137	268	198
Depreciation	(70)	(91)	(122)	(137)
EBIT	828	1,392	1,936	2,331
Interest	-	-	-	-
EBT	828	1,392	1,936	2,331
Tax	(93)	(167)	(387)	(466)
EAT	736	1,224	1,548	1,865
Growth (%)		66	26	20
EAT (%)	28.6	35.8	34.6	32.5

Balance Sheet

Y/E, Mar (Rs. m)	FY10	FY11	FY12E	FY13E
Equity share capital	193	291	291	291
Reserves & surplus	1,806	2,092	2,791	3,783
Minority Interest	-	-	-	-
Networth	1,999	2,383	3,082	4,075
Secured Loans	-	-	-	-
Unsecured Loans	-	-	-	-
Loan Funds	-	-	-	-
Total Liabilities	1,999	2,383	3,083	4,075
Goodwill	101	-	-	-
Gross Block	446	684	895	1,149
Less: Depreciation	(246)	(338)	(460)	(597)
Net block	300	347	435	552
Capital WIP	22	23	23	23
Investment	775	279	279	279
Current Assets	1,366	2,873	3,270	4,489
Inventories	-	-	-	-
Sundry debtors	392	659	797	1,023
Cash & bank balance	472	1,515	1,677	2,443
Loans & advances	206	698	368	472
Other current assets	295	-	429	551
Current Liab & Prov	471	1,144	931	1,275
Current liabilities	220	349	441	614
Provisions	251	795	490	661
Net current assets	895	1,728	2,339	3,214
Misc exps	-	-	-	-
Deferred Tax	7	7	7	7
Total Assets	1,999	2,383	3,082	4,075

Cash Flow

Y/E, Mar (Rs. m)	FY10	FY11	FY12E	FY13E
Net Profit after Tax	736	1,224	1,548	1,865
Add : Depreciation	70	91	122	137
Add : Misc exp w/off				
Net changes in WC	(147)	(229)	(144)	(280)
Operational Cash Flows	659	1,263	1,642	1,838
Capital expenditure	(82)	(138)	(211)	(255)
Investments				
Investing Cash Flows	(82)	(138)	(211)	(255)
Borrowings	-	-	-	-
dividend paid	(686)	(793)	(725)	(873)
Issue of shares	429	125	(0)	(0)
Share Premium				
Financing Cash Flows	(257)	(668)	(725)	(873)
changes in cash	183	547	162	766
Opening balance	1,064	1,247	1,794	1,956
Closing balance	1,247	1,794	1,956	2,721

Key Ratios

Y/E, Mar	FY10E	FY11	FY12E	FY13E
EPS (Rs)	24.9	40.6	51.4	61.9
CEPS (Rs)	27.2	47.1	55.4	66.4
Book Value Per Share (Rs)	67.5	79.1	102.3	135.2
Dividend Per Share (Rs)	21.3	22.5	20.6	24.8
Valuations Ratios (x)				
PER	29.7	16.7	14.3	11.9
P/CEPS	27.1	15.7	13.3	11.1
P/BV	10.9	9.3	7.2	5.5
EV/EBIDTA	20.5	15.2	11.3	8.6
EV/Sales	8.0	6.0	4.5	3.4
M-Cap/sales	8.5	6.5	5.0	3.9
Profitability Ratios (%)				
RoCE	51.1	57.3	61.0	59.6
RoNW	40.3	60.6	56.7	52.1
EBITDA Margin	39.1	39.3	40.0	39.5
EBIT Margins	36.3	36.7	37.3	37.1
Net Profit Margin	28.6	35.8	34.6	32.5

CERC's forward curve price can be misleading

May 18, 2011

Price Performance

APL

(%)	1M	3M	6M	12M
Absolute	(3)	(2)	(17)	(6)
Rel. to Nifty	3	(8)	(9)	(12)

JSW Energy

(%)	1M	3M	6M	12M
Absolute	(12)	1	(40)	(41)
Rel. to Nifty	(6)	(4)	(35)	(45)

Lanco

(%)	1M	3M	6M	12M
Absolute	(23)	(15)	(45)	(45)
Rel. to Nifty	(18)	(20)	(40)	(49)

RPL

(%)	1M	3M	6M	12M
Absolute	(13)	3	(36)	(21)
Rel. to Nifty	(7)	(3)	(30)	(26)

JPVL

(%)	1M	3M	6M	12M
Absolute	(5)	30	(26)	(31)
Rel. to Nifty	1	22	(19)	(36)

KSK

(%)	1M	3M	6M	12M
Absolute	8	3	(30)	(37)
Rel. to Nifty	15	(3)	(23)	(41)

NBVL

(%)	1M	3M	6M	12M
Absolute	(18)	(13)	(32)	(45)
Rel. to Nifty	(13)	(18)	(25)	(48)

NTPC

(%)	1M	3M	6M	12M
Absolute	(7)	3	(9)	(15)
Rel. to Nifty	(1)	(3)	(0)	(21)

GIPCL

(%)	1M	3M	6M	12M
Absolute	(10)	(6)	(28)	(29)
Rel. to Nifty	(4)	(11)	(21)	(33)

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- In CERC's Apr 11 report on power trading, it has predicted - July and Aug 11 (monsoon period), bilateral merchant tariffs of Rs4.56/unit, higher than Jun 11 prediction of Rs4.08/unit.
- +31% revision from last report in Mar11. We believe these predictions can be misleading as contracts in Apr11 are mostly 1 month delivery & at best representative of May11
- No reason for higher tariffs in Jul/Aug 11 vs. Jun11 as (1) it's a period just after elections, (2) monsoon est. normal, (3) lots of MWs coming up in Q1/Q212E & (4) demand not encouraging (2% gr.) even in Mar-Apr11 (pre-election month).
- Foresee bilateral merchant prices heading towards avg. Rs3.5-3.7/unit in FY12E & Rs3.0-3.2/unit in FY13E from about Rs4.7/unit in FY11P; Use any upswings to reduce weights

Apr11 report has upped Jul/Aug11 bilateral tariff prediction to Rs4.56/unit (+31%)

CERC's monthly (latest - April 2011) report on power trading, predicts that during July and August 2011 (monsoon period), the bilateral merchant power prices would be Rs4.56/unit, higher than June 2011 (start of monsoon) prices of Rs4.08/unit. This is a significant upward revision (+31%) from there last report in March 2011 in which they had predicted July 2011 prices of Rs3.49/unit.

But report also says most of the contracts entered in Apr11 are one month contracts

However, important to note is that report also says most of the contracts entered in April 2011 are one month contracts (refer to page 5, para 1) out of total 78 contracts. Further only 5 contracts are above three month contracts from which the prediction for August month would have been derived.

Thus, these contracts are at best representative of May11 prices and not beyond

Since most of the contracts are 1 month delivery meaning delivery max upto May11. Therefore, at best these contracts are representative of May month prices (prediction of Rs4.67/unit). Predictions for the period June and July 11 are based on very few contracts and can be misleading. Further, since prediction for August 11 is based on only 5 contracts - which again can be misleading.

Also there isn't too much to look into Apr11's huge contract volumes

CERC has reported that volumes contracted in Apr11 went up significantly to 9.3bn units vs 1.4bn units contracted in Mar11. However, we believe that since most of these contracts were for one month (delivery max up to May 2011), these were driven by state elections (5 states in April and May). We expect contract volumes to come back to normal levels from May11 reporting.

Also our analysis of CERC's all prediction reports indicates actual prices always have been lower

Our analysis of the forward curve predictions from August 2010 to April 2011 (refer table on next page) shows that (1) actual prices have always been lower (1% to 17%) than predictions, (2) normally the predictions comes down as we approach nearer to a particular month, (3) the yoy trend in prices is downwards only – infact even in Mar11 (pre-election month), bilateral merchant prices were down 13% yoy despite the fact that there was no seasonal or abnormal (monsoon or elections) impact in Mar10 and (4) and (4) July and August prices are based on very few contracts.

Do not see any reason why July and August 2011 prices should be higher than June 2011

We believe that there is no reason as of now for bilateral prices in July and August 2011 to be higher than June 2011 prices as (1) it is a period just after state elections (normally relatively lower demand), (2) monsoon estimates are normal, (3) lot of capacities are coming up especially merchant in Q1 and Q2FY12E and (4) the demand numbers are not that encouraging even in Mar-Apr11 (pre-election months) – energy demand growth of just 2% and deficit of 7.5%.

We believe that merchant power prices are headed towards Rs3.2/unit in FY13E; use any upswings to reduce weights

FY11P bilateral merchant prices stood at Rs4.7/unit mainly driven by prices in first 6 months. Our analysis of (1) electricity demand, (2) supplies scheduled, (3) state distribution company losses - we believe that merchant power prices including bilateral are headed towards Rs3.5-3.7/unit (average) in FY12E and Rs3.0-3.2/unit in FY13E. Our estimate of sustainable merchant power prices stands at Rs2.7/unit (tariff at which discom's losses do not increase) beyond FY13E. We continue to prefer NTPC and Power grid over private players and recommend any upswings in stock prices to be used to reduce weights.

Forward curve predictions, actual bilateral prices and deviation from predictions

Month	Predictions (months back)				Actual	yoy %	Deviation From		
	4	3	2	1			Avg Predictions	1st Est.	1 month back
Sep-10				5.20	4.73	0.0%	-9.1%	-9.1%	-9.1%
Oct-10			4.29	4.62	4.00	-21.1%	-10.2%	-6.7%	-13.4%
Nov-10		4.28	4.65	4.21	3.91	-26.6%	-10.8%	-8.6%	-7.2%
Dec-10		4.75	4.40	4.30	3.95	-20.8%	-11.9%	-16.8%	-8.1%
Jan-11		4.38	4.38	4.25	4.00	-24.0%	-7.7%	-8.7%	-5.9%
Feb-11	4.37	4.37	4.27	4.29	4.24	-16.0%	-2.0%	-3.0%	-1.2%
Mar-11	4.35	4.32	4.36	4.41	4.30	-13.0%	-1.4%	-1.1%	-2.5%
Apr-11	4.59	4.60	4.68	4.68					
May-11	4.81	4.85	4.83	4.67					
Jun-11	4.04	4.05	4.08						
Jul-11	3.49	4.56							
Aug-11	4.58								

Observations – (1) actual prices always lower than predictions, (2) predictions comes down as we approach nearer to a particular month, (3) yoy trend in prices is downwards only and (4) July and August prices are based on very few contracts

Source: CERC, Emkay Research

Mute electricity demand growth even in Mar-Apr11 (pre-election months)

Month	Energy Demand (Mn units)	Y-o-Y Growth	Energy Deficit
Mar-10	76,787	10.3%	-11.9%
Apr-10	75,259	10.7%	-14.6%
May-10	74,363	8.6%	-11.5%
Jun-10	70,972	2.1%	-9.5%
Jul-10	70,620	3.3%	-8.5%
Aug-10	70,378	-4.0%	-7.3%
Sep-10	67,756	-1.8%	-5.4%
Oct-10	73,277	5.1%	-6.8%
Nov-10	64,193	2.0%	-6.3%
Dec-10	71,249	3.8%	-8.1%
Jan-11	75,489	7.4%	-7.9%
Feb-11	69,501	6.0%	-7.8%
Mar-11	79,510	3.5%	-7.5%
Apr-11	74,843	-0.6%	-7.6%

Source: CEA

Even the peak demand growth is not encouraging

Month	Peak Demand (MW)	Y-o-Y Growth	Demand Deficit
Mar-10	119,166	8.8%	-12.7%
Apr-10	119,437	7.6%	-14.3%
May-10	117,171	8.6%	-12.1%
Jun-10	116,706	4.5%	-12.5%
Jul-10	114,015	4.1%	-12.5%
Aug-10	114,844	-1.2%	-10.8%
Sep-10	117,076	1.7%	-8.7%
Oct-10	117,479	1.8%	-8.7%
Nov-10	112,900	2.9%	-7.5%
Dec-10	117,355	4.4%	-10.7%
Jan-11	120,575	7.2%	-10.3%
Feb-11	120,536	5.4%	-10.2%
Mar-11	122,287	2.6%	-9.8%
Apr-11	124,333	4.1%	-10.8%

Source: CEA

Valuation Table – Power Utilities

Companies	Rating	Target	PE (x)		P/BV (x)		EV/EBITDA (x)		RoE (%)	
			FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
APL	REDUCE	103	10.5	6.7	2.7	1.9	11.1	6.9	30.7	35.4
JSW Energy	REDUCE	78	9.1	11.4	1.6	1.4	9.5	11.7	20.0	13.3
RPL	ACCUMULATE	157	50.3	15.0	1.8	1.6	45.4	14.4	3.7	11.3
Lanco	BUY	56	8.8	6.8	1.2	1.0	7.7	6.8	19.0	20.7
JPVL	HOLD	47	25.5	20.9	2.1	1.8	11.9	12.4	11.0	9.3
KSK Energy	HOLD	110	12.2	9.8	1.4	1.2	13.8	11.7	12.6	14.0
NBVL	ACCUMULATE	328	5.0	5.0	0.8	0.7	4.7	5.2	17.8	14.9
NTPC	BUY	204	14.8	13.2	1.9	1.8	11.5	10.6	13.3	13.8
PGCIL	NOT RATED	101	15.4	12.9	1.8	1.7	12.1	10.2	12.3	13.5
GIPCL	HOLD	101	8.0	7.7	0.9	0.8	5.0	4.9	11.2	10.9

Indices

Indices	Today's close	% chg
Sensex	18,086.20	-0.28
Nifty	5420.60	-0.34
S&P CNX 500	4375.25	-0.47
BSE 500	7,044.24	-0.50
BSE Mid-Cap	6,762.85	-0.61
BSE Small-Cap	8,189.57	-0.80
BSE Auto	8,970.16	-0.98
BSE Health	6,108.96	-1.40
BSE FMCG	3,791.91	0.20
BSE IT	6,016.98	0.24
BSE PSU	8,408.99	-1.77
BSE Bankex	12,079.45	-0.69
BSE Oil & Gas	9,185.86	-1.88
BSE Metal	15,127.58	-0.13
BSE Cons Dur	6,250.49	-0.54
BSE Cap Good	12,543.56	-0.03
BSE Realty	2,120.45	-0.92
BSE Power	2,562.19	-0.25

Levels to watch

	Sensex	Nifty
Day's High	18,218	5,460
Day's Low	18,020	5,401
20 DSMA	18,845	5,635
50 DSMA	18,818	5,644

Nifty Intraday levels to watch

	Support	Resistance
Nifty	5348/5400	5460/5492

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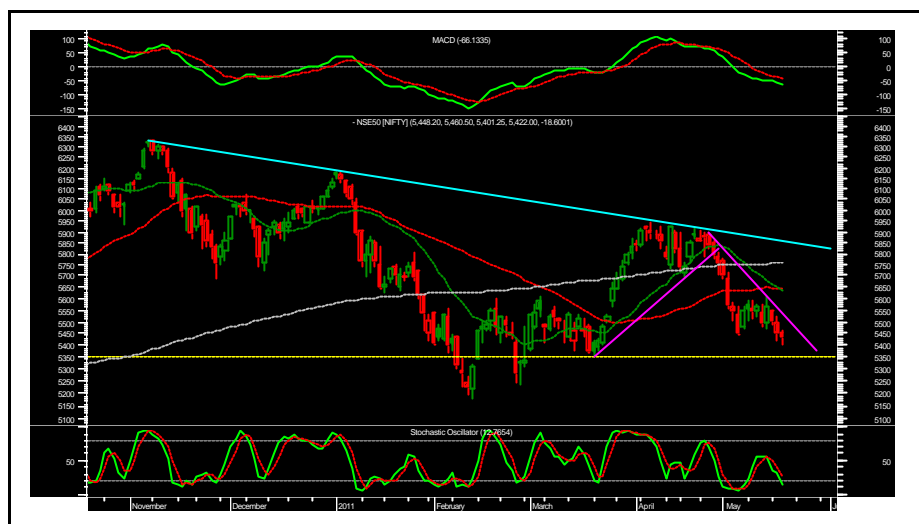
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TechCheck**Nifty**

Currently, Nifty is getting closer to the key support of 5348, which is the low of March, 2011. Since, Stochastic (5,3,3) on the both the degrees (i.e. daily as well as weekly) is showing oversold readings and daily MACD (12,26,9) is trading below the zero line for past couple of days, we feel that it's a good time to turn bullish with a bottom fishing game plan in mind. Moreover, for bullish confirmation one can wait for violation of 5461 or falling trendline break (violet one), packed at 5530. The target for this view stands at 5736, which is 61.8% retracement mark of the entire fall from 5944 to 5401.



Results Today

Ashok Leyland	Pidilite Inds.
Bayer Crop Sci.	Redington India
Emami	SREI Infra. Fin.
Gammon Infra.	Tata Power Co.
Jet Airways	Voltas
Larsen & Toubro	Wockhardt

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