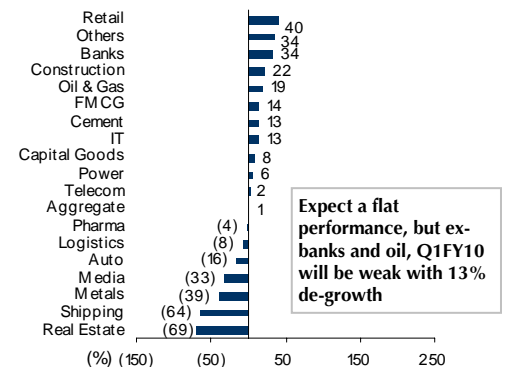


## Q1FY10 Preview

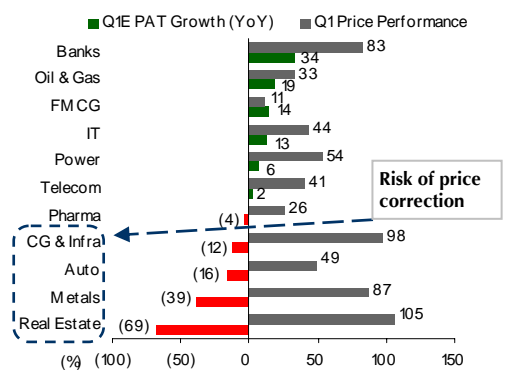
### Sensex PAT to drop 9.7%

- ❖ Q1FY10 is low on expectations and hence could prove to be something of a non-event. Instead, the budget outcome and the monsoons are the highest event risks today.
- ❖ We expect Sensex PAT to de-grow by 9.7% YoY in Q1FY10 – the third straight quarter of decline. Sensex sales and EBITDA are likely to fall by 4% and 22% respectively.
- ❖ Banks and Oil & Gas are expected to be the best performers for the quarter. Excluding these two sectors, Sensex PAT is likely to decline by 12% while the RHH universe profits (141 companies) would drop by 13.2%. Operating and net profit margins are expected to shrink 327bps and 300bps respectively. Construction and cement sectors are likely to report better results.
- ❖ Stock prices for real estate, metals, auto, capital goods and infrastructure have run ahead of fundamentals. With Q1FY10 performance expected to be weak YoY, we see a risk of price corrections.
- ❖ The earnings downgrade cycle has ended with Sensex EPS stabilising at Rs 849 for FY10; signs of upgrades will take the market higher. However, Q1FY10 fails to provide early indications of upgrades as the truant monsoons and budget uncertainty cloud sentiment. Accordingly, any upward earnings revision would be back-ended with the performance of H2FY10 likely to be better than that of the first half.

RHH universe: Q1FY10E PAT growth YoY



RHH universe: Q1FY10 price performance vs expected corporate performance



#### Top Buys

Maruti  
ONGC  
HUL  
Bharti  
Hero Honda  
M&M  
HDFC Bank

#### Top Sells

Rcom  
Tata Motors  
Hindalco  
BHEL  
Sun Pharma  
TCS  
Rel Infra

Fig 1 - Sales growth YoY

(%)	Q2FY09	Q3FY09	Q4FY09	Q1FY10E
RHH universe	36.9	9.7	(3.8)	(11.8)
RHH ex-Banks, Oil	29.2	12.7	8.0	7.8
Sensex	26.6	3.8	(1.3)	(4.1)
Sensex ex-Banks, Oil	23.1	9.6	7.0	6.1
Sensex ex-Banks	25.8	2.7	(1.6)	(4.6)

Fig 2 - PAT growth YoY

(%)	Q2FY09	Q3FY09	Q4FY09	Q1FY10E
RHH universe	(25.5)	(5.0)	29.0	0.6
RHH ex-Banks, Oil	14.5	(12.7)	(13.2)	(13.2)
Sensex	11.3	(11.6)	(7.9)	(9.7)
Sensex ex-Banks, Oil	15.3	(11.4)	(12.6)	(12.1)
Sensex ex-Banks	10.2	(16.3)	(11.3)	(13.1)



## Quarterly estimates – RHH universe (141 companies)

Sector (Rs mn)	Sales			EBITDA			PAT		
	Q4FY09E	Q4FY08	YoY (%)	Q4FY09E	Q4FY08	YoY (%)	Q4FY09E	Q4FY08	YoY (%)
Auto	252,784	246,379	2.6	27,385	22,889	19.6	14,421	17,215	(16.2)
Capital Goods	234,736	187,476	25.2	24,563	20,560	19.5	15,658	14,520	7.8
Cement	115,025	100,376	14.6	33,490	28,828	16.2	20,524	18,220	12.6
Construction	112,571	90,386	24.5	14,214	11,095	28.1	5,869	4,795	22.4
FMCG	118,514	107,175	10.6	25,252	20,860	21.1	18,087	15,840	14.2
IT	241,778	217,170	11.3	58,003	51,579	12.5	42,827	38,054	12.5
Logistics	9,496	9,210	3.1	2,607	2,747	(5.1)	2,038	2,227	(8.5)
Retail	28,647	24,809	15.5	2,507	1,966	27.5	693	494	40.2
Media	16,684	16,339	2.1	4,211	4,762	(11.6)	2,483	3,685	(32.6)
Metals	243,083	264,412	(8.1)	58,658	94,680	(38.0)	35,638	58,403	(39.0)
Others	22,610	19,975	13.2	3,867	3,037	27.3	2,239	1,669	34.2
Pharma	114,411	102,216	11.9	25,139	22,856	10.0	18,881	19,585	(3.6)
Shipping	20,114	21,758	(7.6)	9,747	10,909	(10.6)	2,851	7,836	(63.6)
Real Estate	28,322	63,206	(55.2)	13,525	38,439	(64.8)	9,253	29,430	(68.6)
Telecom	205,114	174,248	17.7	76,576	68,582	11.7	41,049	40,290	1.9
Power	137,374	118,281	16.1	30,631	27,821	10.1	20,649	19,396	6.5
<b>Aggregate (Ex-Banks, Oil &amp; Gas)</b>	<b>1,901,264</b>	<b>1,763,417</b>	<b>7.8</b>	<b>410,376</b>	<b>431,611</b>	<b>(4.9)</b>	<b>253,159</b>	<b>291,659</b>	<b>(13.2)</b>
Sector (Rs mn)	NII			PPP			PAT		
	Q4FY09E	Q4FY08	YoY (%)	Q4FY09E	Q4FY08	YoY (%)	Q4FY09E	Q4FY08	YoY (%)
Banks	197,139	177,136	11.3	169,155	138,237	22.4	85,451	63,964	33.6
<b>Aggregate (Including Banks)</b>	<b>2,098,403</b>	<b>1,940,553</b>	<b>8.1</b>	<b>579,530</b>	<b>569,848</b>	<b>1.7</b>	<b>338,611</b>	<b>355,623</b>	<b>(4.8)</b>
Sector (Rs mn)	Sales			EBITDA			PAT		
	Q4FY09E	Q4FY08	YoY (%)	Q4FY09E	Q4FY08	YoY (%)	Q4FY09E	Q4FY08	YoY (%)
Oil & Gas	1,656,368	2,317,739	(28.5)	221,382	195,533	13.2	123,041	103,480	18.9
<b>Aggregate (Incl Banks, Oil &amp; Gas)</b>	<b>3,754,772</b>	<b>4,258,293</b>	<b>(11.8)</b>	<b>800,912</b>	<b>765,381</b>	<b>4.6</b>	<b>461,651</b>	<b>459,103</b>	<b>0.6</b>

Source: RHH

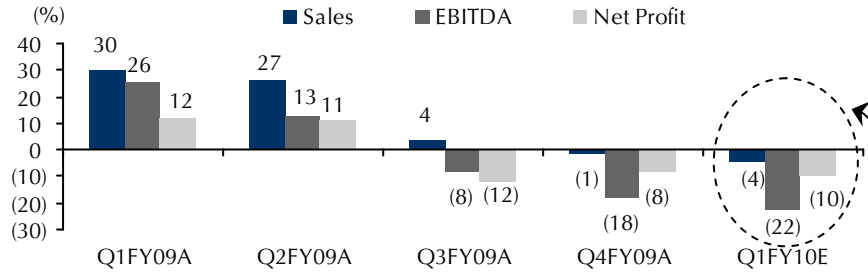
The RHH universe is expected to post PAT growth of 0.6% YoY, aided by the Banking and Oil & Gas sectors (up 33.6% and 18.9% respectively). In contrast, the Sensex is headed for a YoY de-growth of 9.7%. Excluding OMCs for a closer comparison, net profit for the RHH universe will de-grow by 7.6%.



## Sensex earnings – signs of a shift in momentum

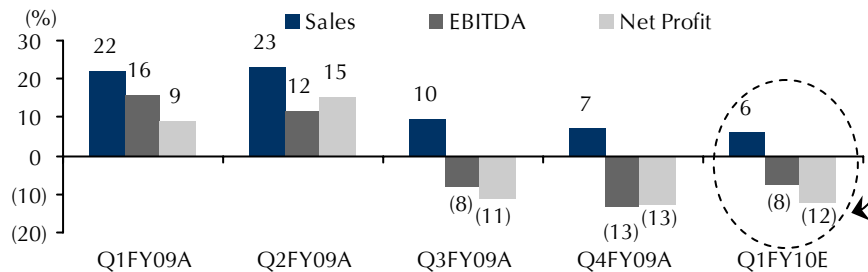
### Sensex YoY

Sensex: YoY growth



Source: RHH

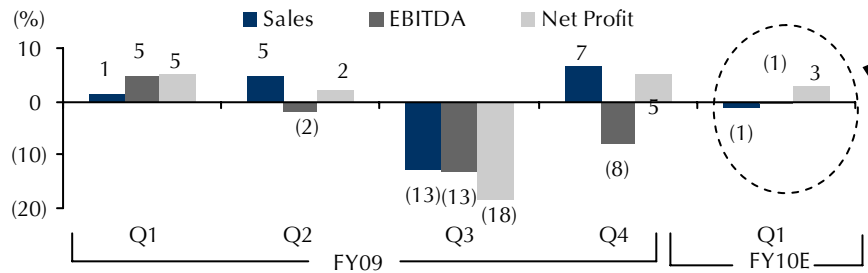
Sensex ex-Banks and Oil & Gas: YoY growth



Source: RHH

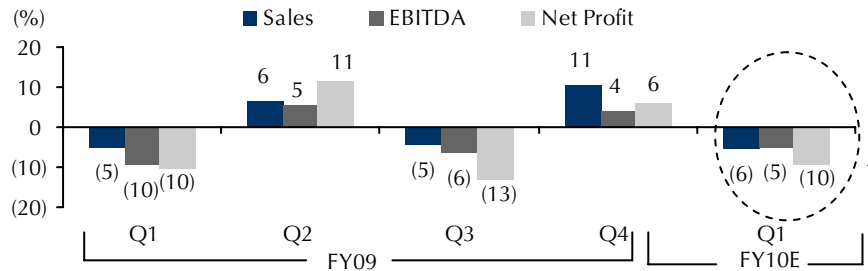
### Sensex QoQ

Sensex: QoQ growth



Source: RHH

Sensex ex-Banks and Oil & Gas: QoQ growth



Source: RHH

Sensex stocks are witnessing the third straight quarter of a sales slowdown, resulting in a continued PAT decline

Excluding Banks and Oil & Gas, net profit to de-grow 12% YoY

Despite a positive surprise in Q4FY09, expectations are very low for Q1FY10

Ex-Banks and Oil & Gas, net profit to de-grow 10% QoQ

Q1FY10 may end up being a non-event as the market has already factored in flat FY10 earnings and is now floating on high budget expectations

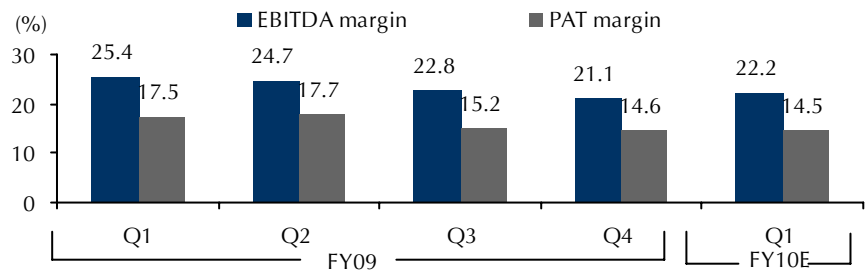


## Sensex margins

EBITDA margins are likely to see some respite with an increase of 110bps QoQ...

...but on a YoY basis, we anticipate a contraction of 320bps

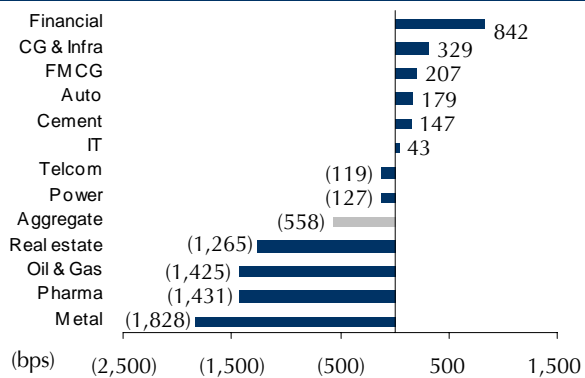
Sensex ex-Banks and Oil & Gas: EBITDA margin trend (YoY)



Source: RHH

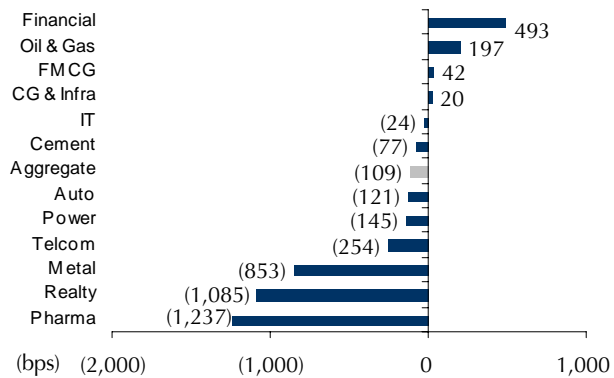
FMCG, Auto and Cement the highest gainers in terms of margins

Sensex: Sector-wise EBITDA margin change (YoY)



Source: RHH

Sensex: Sector-wise PAT margin change (YoY)



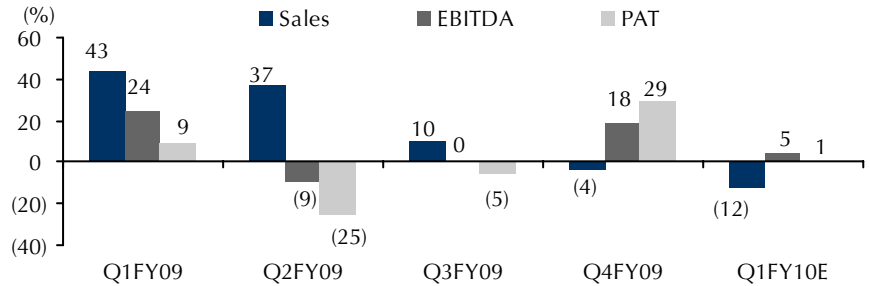
Source: RHH



## RHH universe

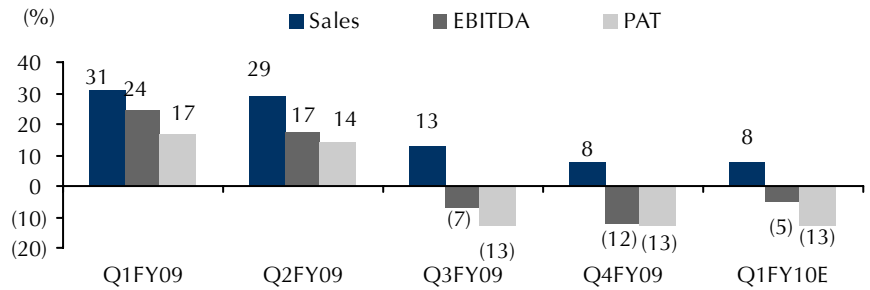
### RHH YoY

RHH universe: YoY sales & profit growth



Source: RHH

RHH universe ex-Banks and Oil & Gas: YoY sales & profit growth

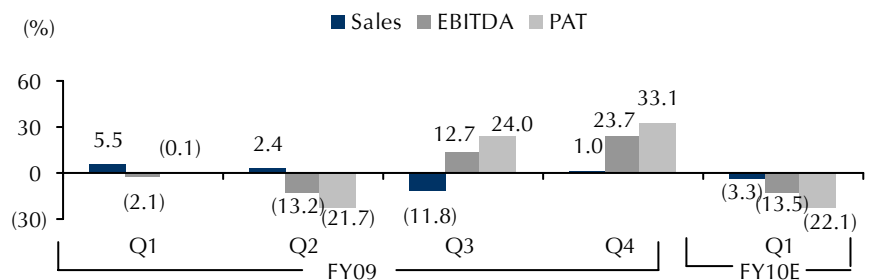


Source: RHH

RHH universe too enters into its third quarter of YoY profit de-growth

### RHH QoQ

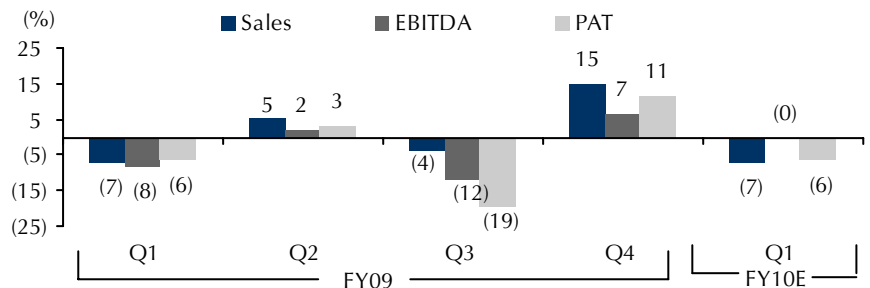
RHH universe: QoQ growth



Source: RHH

Excluding Oil & Gas, the broader universe performance shows relative resilience

RHH universe ex-Banks and Oil & Gas: QoQ growth



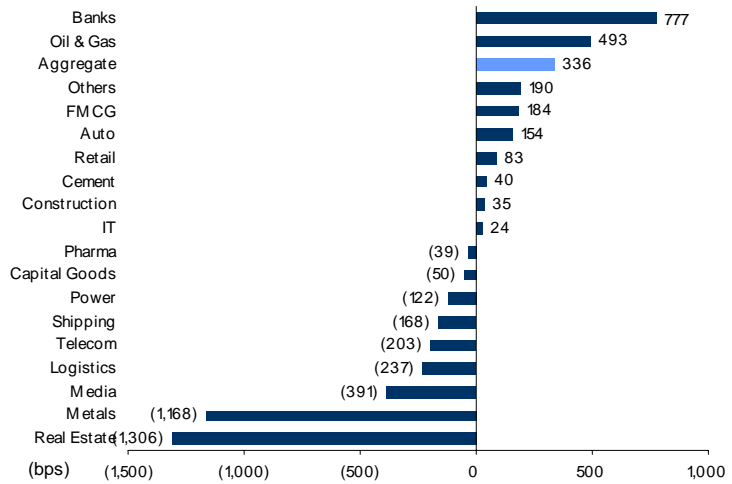
Source: RHH



## RHH margins

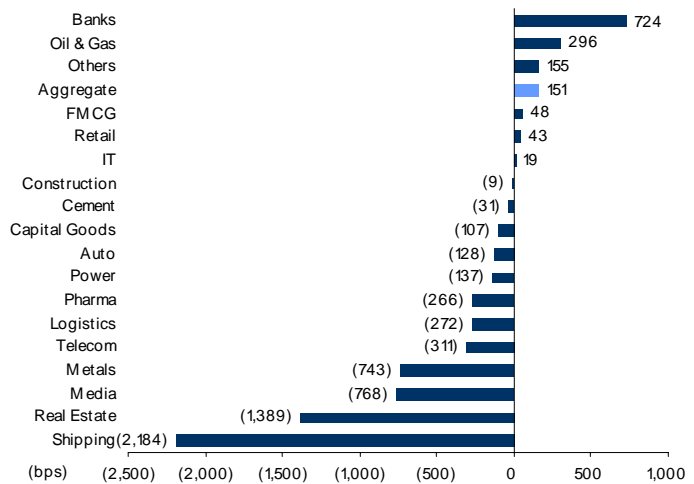
**Banks and Oil & Gas to witness substantial margin expansion**

RHH universe: Sector-wise EBITDA margin change (YoY)



Source: RHH

RHH universe: Sector-wise PAT margin change (YoY)



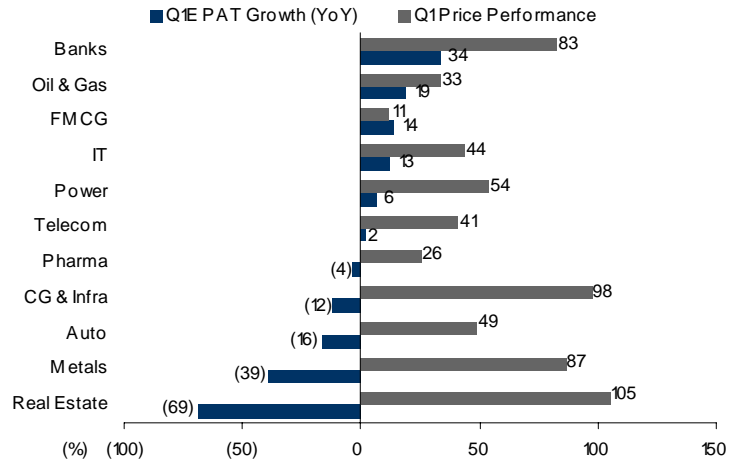
Source: RHH



## Q1FY10 Price performance vs expected corporate performance

### RHH universe: Sector-wise PAT v/s Price performance (YoY)

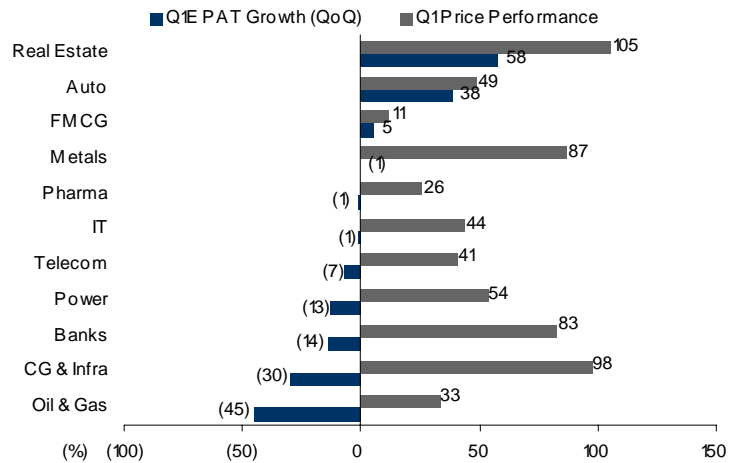
FMCG has been the biggest price underperformer on a YoY basis



Source: RHH

### RHH universe: Sector-wise PAT v/s Price performance (QoQ)

QoQ relative outperformance of Auto, Real Estate and Metals already in the price



Source: RHH

Risk of stock price correction in Automobiles, Real Estate, Metals, Capital Goods and Infrastructure sectors as earnings likely to disappoint.



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# Sectors

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Fig 1 - Automobiles – Quarterly estimates

Piyush Parag (91-22) 6766 3456 | Kaushal Maroo (91-22) 6766 3457

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)			PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	
Apollo Tyres	31	44	Buy	11,665	10,759	8.4	10.5	10.2	500	486	2.7	❖ Overall, Q1FY10 to be a strong quarter. Two-wheelers and four-wheelers set to report a healthy performance aided by both volume growth and EBITDA margin expansion. Pressure on volumes to continue for CV manufacturers, but volumes of Tata Motors displaying signs of stability. ❖ Two-wheeler laggards, Hero Honda and Bajaj Auto, likely to be clear winners for the quarter, with strong margin expansion. M&M's estimates not strictly comparable as Q1FY10 projections include Punjab Tractor's financials. ❖ Bharat Forge's performance to remain subdued on account of sluggishness in the global automobile market.	
Ashok Leyland	30	28	Hold	6,872	18,839	(63.5)	4.3	8.0	(55)	845	NM		
Bajaj Auto	994	1,061	Buy	23,377	23,108	1.2	16.4	11.5	2,541	1,751	45.1		
Bharat Forge	144	181	Hold	3,243	6,374	(49.1)	16.8	24.5	39	959	(95.9)		
Hero Honda	1,398	1,327	Hold	39,578	28,435	39.2	16.0	12.0	4,658	2,729	70.7		
M&M	693	633	Sell	36,594	32,934	11.1	9.9	7.5	2,397	1,593	50.5		
Maruti Suzuki	1,065	1,029	Buy	61,763	47,536	29.9	9.5	9.8	4,025	4,659	(13.6)		
Tata Motors	291	332	Hold	59,271	69,284	(14.5)	8.6	7.5	74	4,123	(98.2)		
TVS Motors	45	36	Sell	10,422	9,111	14.4	5.3	3.4	243	70	245.5		
<b>Aggregates</b>				<b>252,784</b>	<b>246,379</b>	<b>2.6</b>	<b>10.8</b>	<b>9.3</b>	<b>14,421</b>	<b>17,215</b>	<b>(16.2)</b>		

Fig 2 - Banking – Quarterly estimates

Abhishek Agarwal (91-22) 6766 3466 | Ishank Kumar (91-22) 6766 3467

Company	CMP (Rs)	Target (Rs)	Rating	NII (Rs mn)			PPP (Rs mn)			PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	
Allahabad Bank	78	113	Buy	5,359	4,955	8.1	5,339	3,067	74	2,719	934	191.2	❖ Systemic credit growth remained muted during the quarter leading to lower incremental C/D ratio. This coupled with PLR cuts would impact NII growth and NIMs for the sector. Positive impact of reduced deposit rates to come only with a time lag. ❖ Non-interest income growth to remain robust. Fee income could moderate in line with muted credit offtake, but treasury profits expected to hold strong. Uptick in equity markets could add to treasury gains. ❖ Provisions set to be lower as banks complete the restructuring exercise under the RBI scheme. Also, Q1FY09 included substantial MTM losses which would be absent this quarter. ❖ Asset quality expected to remain stable sequentially while profits could be used to build up provisioning coverage.
Axis Bank	832	840	Hold	9,928	8,105	22.5	10,829	8,023	35	5,338	3,301	61.7	
Bank of Baroda	445	480	Hold	13,237	10,570	25.2	10,321	8,602	20	5,746	3,709	54.9	
Bank of India	353	363	Hold	13,402	11,808	13.5	11,981	10,724	11.7	6,465	5,620	15.1	
Dena Bank	56	70	Buy	2,294	2,188	4.9	1,581	1,241	27.3	837	683	22.6	
Federal Bank	248	284	Hold	2,991	2,782	7.5	2,551	2,535	0.6	1,154	682	69.4	
HDFC Bank	1,493	1370	Hold	19,261	17,235	11.8	13,927	10,275	35.5	6,118	4,644	31.7	
ICICI Bank	722	770	Hold	21,282	20,898	1.8	20,492	17,140	19.6	7,888	7,280	8.3	
Indian Bank	146	185	Buy	6,075	5,395	12.6	5,300	4,366	21.4	3,036	2,176	39.5	
IOB	87	111	Buy	7,287	6,687	9	5,387	2,412	123.4	2,784	2,560	8.8	
PNB	678	800	Buy	18,112	14,448	25.4	13,508	9,824	37.5	7,388	5,124	44.2	
South Indian Bk	91	120	Buy	1,281	1,028	24.6	685	694	(1.3)	418	386	8.2	
SBI	1,745	1710	Hold	49,381	48,177	2.5	43,293	39,623	9.3	19,842	16,408	20.9	
UBI	242	267	Buy	8,940	8,100	10.4	6,786	6,160	10.2	3,529	2,283	54.6	
<b>Agg – Banking</b>				<b>178,828</b>	<b>162,373</b>	<b>10.1</b>	<b>151,979</b>	<b>124,688</b>	<b>21.9</b>	<b>73,262</b>	<b>55,788</b>	<b>31.3</b>	



Fig 3 - NBFC – Quarterly estimates

Abhishek Agarwal (91-22) 6766 3466 | Ishank Kumar (91-22) 6766 3467

Company	CMP (Rs)	Target (Rs)	Rating	NII (Rs mn)			PPP (Rs mn)			PAT (Rs mn)			
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	
PFC	195	185	Hold	6,712	5,140	30.6	6,658	5,047	31.9	5,292	2,964	78.6	❖ Reduction in borrowing cost and strong demand for loans would keep NII growth strong for NBFCs under our coverage.
REC	163	165	Hold	5,028	4,060	23.8	5,375	4,140	29.8	3,924	2,730	43.7	
STFL	300	260	Hold	4,661	4,067	14.6	3,262	2,839	14.9	1,653	1,436	15.1	❖ For PFC, exchange gains on account of rupee appreciation would add to operational performance while, for others, strong operational performance would percolate to the bottomline.
LIC Housing	619	641	Hold	1,910	1,497	27.6	1,881	1,523	23.5	1,322	1,047	26.3	
<b>Agg – NBFCs</b>				<b>18,312</b>	<b>14,763</b>	<b>24</b>	<b>17,176</b>	<b>13,549</b>	<b>26.8</b>	<b>12,190</b>	<b>8,176</b>	<b>49.1</b>	
<b>Agg – (Banks + NBFCs)</b>				<b>197,139</b>	<b>177,136</b>	<b>11.3</b>	<b>169,155</b>	<b>138,237</b>	<b>22.4</b>	<b>85,451</b>	<b>63,964</b>	<b>33.6</b>	

Fig 4 - Capital Goods – Quarterly estimates

Kunal Sheth (91-22) 6766 3476 | Rahul Gajare (91-22) 6766 3477

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)			PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	YoY (%)	
ABB*	784	345	Sell	15,355	16,163	(5.0)	10.0	11.8	1,014	1,318	(23.1)		
BHEL	2,224	2,151	Hold	53,977	43,292	24.7	10.5	8.6	4,860	3,844	26.4		
Emco	84	95	Hold	2,072	1,833	13.0	13.0	13.0	103	100	2.8	❖ Sales for the sector are estimated to grow 25% YoY on account of strong project execution by larger players like BHEL and L&T.	
Everest Kanto	195	240	Buy	1,621	1,891	(14.3)	26.0	28.5	116	350	(66.9)		
Jyoti Structure	135	101	Hold	4,637	4,016	15.5	11.0	11.9	200	203	(1.3)	❖ Pressure on EBITDA margin to continue due to high cost inventory and lower margin orders.	
Kalpataru Power	770	852	Buy	5,106	4,750	7.5	10.8	11.8	233	291	(19.9)		
KEC Intl	405	493	Buy	6,813	6,000	13.6	11.0	10.3	361	387	(6.8)	❖ Strong order flows expected for players in the power space.	
Larsen & Toubro	1,591	1,498	Hold	80,377	69,014	16.5	10.0	9.5	5,709	4,945	15.4		
Sterlite Tech	173	182	Hold	5,338	4,042	32.1	10.5	10.4	288	178	61.8	❖ Suzlon's topline growth to be driven by REpower. Ex-Suzlon, the sector is expected to grow by 15%.	
Thermax	411	413	Buy	7,097	7,169	(1.0)	12.0	12.7	618	639	(3.3)		
Voltamp	824	635	Hold	1,749	1,701	2.8	20.0	20.2	249	231	7.8		
Suzlon	103	128	Hold	50,594	27,605	83.3	10	15.36	1,906	2,033	(6.3)		
<b>Aggregates</b>				<b>234,736</b>	<b>187,476</b>	<b>25.2</b>	<b>10.5</b>	<b>11.0</b>	<b>15,658</b>	<b>14,520</b>	<b>7.8</b>		

\*Y/E Dec



Fig 5 - Cement – Quarterly estimates

Mihir Jhaveri | (91-22) 6766 3459

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
ACC*	764	595	Sell	19,674	18,218	8.0	32.0	22.7	3,961	2,622	51.1	❖ Volumes set to increase YoY but decline sequentially for most companies. ❖ Margins to expand sequentially as the full impact of price hikes will be reflected in Q1FY10. ❖ Adjusted PAT growth of 12.6% YoY for our coverage universe would come on the back of higher operating profits. ❖ Short-term pressures to assail the cement industry as demand slows down on account of the monsoons even as additional capacities come onstream, leading to pricing headwinds.
Ambuja*	89	68	Sell	17,960	15,698	14.4	29.9	30.2	3,523	3,100	13.7	
Birla Corp	211	197	Hold	4,538	3,959	14.6	24.0	28.9	795	918	(13.4)	
Grasim	2,315	2,105	Hold	28,250	25,923	9.0	25.0	29.0	4,099	5,142	(20.3)	
India Cements	135	124	Sell	9,521	8,375	13.7	27.0	35.6	1,275	1,639	(22.2)	
JK Lakshmi	107	74	Hold	3,131	2,694	16.2	30.9	23.9	757	387	95.7	
Mangalam Cem	115	67	Sell	1,524	1,189	28.2	26.0	27.2	237	192	23.5	
Orient Papers	48	66	Buy	3,639	3,218	13.1	23.0	24.0	551	461	19.4	
Shree Cements	1,204	1,340	Buy	7,968	6,143	29.7	42.0	34.3	1,891	1,109	70.5	
UltraTech	691	532	Hold	18,820	14,960	25.8	29.5	29.8	3,165	2,650	19.4	
<b>Aggregates</b>				<b>115,025</b>	<b>100,376</b>	<b>14.6</b>	<b>29.1</b>	<b>28.7</b>	<b>20,524</b>	<b>18,220</b>	<b>12.6</b>	

\* Y/E Dec

Fig 6 - Construction – Quarterly estimates

Nimit Shah (91-22) 6766 3464 | Hardik Shah (91-22) 6766 3465

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Ahluwalia Contr	97	42	Hold	3,400	2,540	33.9	10.5	11.2	132	129	2.9	❖ Robust project execution driven by a strong order book would support 21.8% YoY revenue growth for our construction universe. ❖ Margins to be maintained at 11.5%, up by 40bps YoY, led by stable raw material prices. ❖ PAT would grow at 17.4% YoY on the back of stable margins and a lower increase in interest cost. ❖ Government spending on infrastructure to be the key growth driver in future.
Gammon	185	73	Hold	6,528	5,852	11.5	7.5	8.4	104	132	(21.7)	
HCC	106	55	Hold	10,273	8,659	18.6	12.5	10.5	231	195	18.0	
IVRCL	355	370	Buy	12,058	9,285	29.9	9.0	8.8	431	435	(0.8)	
L&T	1,591	1,498	Hold	80,377	69,014	16.5	10.0	9.5	5,709	4,945	15.4	
NCC	137	121	Hold	10,885	9,709	12.1	9.2	9.4	399	371	7.7	
Punj Lloyd	220	165	Hold	29,594	26,488	11.7	8.0	9.8	1,031	1,371	(24.8)	
Patel Engg	433	406	Hold	4,827	3,962	21.8	15.0	14.3	307	311	(1.3)	
Simplex Infra	390	483	Buy	12,188	10,167	19.9	9.5	10.8	327	421	(22.2)	
Unity Infra	346	157	Buy	2,910	2,238	30.0	14.0	12.7	157	156	0.4	
JP Associates	213	120	Hold	19,909	11,487	73.3	26.8	27.2	2,749	1,273	116.0	
IRB Infra	172	165	Buy	4,062	2,301	76.5	43.6	50.8	495	542	(8.6)	
<b>Aggregates</b>				<b>197,010</b>	<b>161,701</b>	<b>21.8</b>	<b>11.5</b>	<b>11.1</b>	<b>12,073</b>	<b>10,282</b>	<b>17.4</b>	



Fig 7 - FMCG – Quarterly estimates

Gaurang Kakkad (91-22) 6766 3470 | Ram Patnaik (91-22) 6766 3471

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)			PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)		
Dabur	126	123	Buy	7,067	6,040	17.0	15.4	14.4	846	707	19.8	❖ Net sales growth for the sector estimated at 10.6% YoY driven primarily by volume growth.	
GCPL	165	163	Hold	4,168	3,616	15.3	18.9	13.7	604	391	54.5	❖ Operating margins will improve by 180bps YoY on the back of a fall in commodity prices.	
HUL	267	280	Buy	45,529	42,157	8.0	15.0	13.1	6,108	5,582	9.4		
ITC	190	209	Buy	42,897	38,997	10.0	31.0	28.9	8,505	7,487	13.6	❖ PAT growth expected at 14.2% YoY for the sector led by margin improvement across all companies.	
Marico	72	67	Hold	6,730	6,009	12.0	13.2	12.6	526	463	13.7		
Nestle	2,001	1,900	Hold	12,123	10,356	17.1	19.5	18.8	1,497	1,211	23.7		
<b>Aggregates</b>				<b>118,514</b>	<b>107,175</b>	<b>10.6</b>	<b>21.3</b>	<b>19.5</b>	<b>18,087</b>	<b>15,840</b>	<b>14.2</b>		

Fig 8 - IT Services – Quarterly estimates

Anurag Purohit | (91-22) 6766 3446

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)			PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	QoQ (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	QoQ (%)		
TCS	388	423	Buy	69,795	71,718	(2.7)	24.1	26.2	12,423	13,140	(5.5)	❖ Volumes to remain flat QoQ. Downward pressure on pricing witnessed in Q4FY09 to ease, with pricing to remain flat or decline marginally QoQ.	
Infosys	1,777	1,826	Buy	54,141	56,319	(3.9)	31.3	33.5	14,058	15,955	(11.9)	❖ EBITDA margins to decline sequentially for most players due to rupee appreciation, lower utilisation rates and seasonal weakness.	
Wipro	378	407	Hold	65,222	65,460	(0.4)	19.5	20.1	9,209	9,073	1.5		
HCL Tech*	186	198	Hold	28,245	28,615	(1.3)	21.2	21.3	3,424	2,178	57.2	❖ Cross-currency movement to impact revenues positively, especially for companies like HCL Tech, Tech Mahindra and Infotech Enterprises that have higher non-US dollar billings.	
Tech Mahindra	732	694	Hold	10,721	10,513	2.0	26.6	24.6	1,992	1,971	1.0		
MindTree	469	405	Sell	3,534	3,381	4.5	22.3	25.6	490	188	160.7		
Patni**	259	273	Buy	7,739	7,955	(2.7)	18.1	16.7	884	761	16.2	❖ Other income boost due to forex gains as against losses in previous quarter as rupee has appreciated QoQ. Impact would be greater for MindTree and Infotech as forex loss provision would be reduced, raising reported PAT.	
Infotech Ent	178	192	Buy	2,381	2,350	1.3	20.7	21.7	348	185	87.5		
<b>Aggregates</b>				<b>241,778</b>	<b>246,310</b>	<b>(1.8)</b>	<b>24.0</b>	<b>25.3</b>	<b>42,827</b>	<b>43,451</b>	<b>(1.4)</b>		

\* Y/E June \*\* Y/E Dec



Fig 9 - Logistics – Quarterly estimates

Ankur Periwal | (91-22) 6766 3469

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
GDPL	104	125	Buy	1,241	982	26.4	29.2	36.4	157	209	(24.7)	❖ Sluggish Exim volumes to keep Concor's revenue growth under pressure, while higher domestic volumes will drive GDL's revenues in the quarter.
Concor	970	1004	Hold	8,255	8,228	0.3	27.2	29.0	1,881	2,018	(6.8)	❖ Lower dwell time to mute EBITDA margin for both players.
<b>Aggregates</b>				<b>9,496</b>	<b>9,210</b>	<b>3.1</b>	<b>27.5</b>	<b>29.8</b>	<b>2,038</b>	<b>2,227</b>	<b>(8.5)</b>	❖ Margin contraction and sluggish revenues will strain profits for both players. But GDL to witness a sharper PAT drop due to continuing losses from the rail business.

Fig 10 - Media – Quarterly estimates

Ram Patnaik (91-22) 6766 3471 | Gaurang Kakkad (91-22) 6766 3470

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Cinemax	46	61	Hold	199	284	(30.0)	(7.3)	15.2	(59)	36	(262.1)	❖ Topline growth for the sector to remain flat as most multiplex and production companies witness revenue de-growth on account of the producer-multiplex owner standoff in Q1FY10.
HT Media	93	64	Sell	3,475	3,247	7.0	13.7	20.4	266	377	(29.4)	
Jagran Prakashan	75	74	Hold	2,230	2,065	8.0	24.6	24.1	347	317	9.4	❖ Operating margin squeeze to continue with Cinemax, PVR and UTV likely to report operating losses.
PVR	111	124	Hold	400	602	(33.6)	(20.0)	16.1	(115)	39	(396.4)	
UTV	362	258	Sell	1,174	1,358	(13.6)	(20.5)	12.2	5	251	(98.0)	❖ Aggregate PAT expected to decline 33% YoY on account of pressure on operating margins of most companies.
Zee Ent	176	111	Sell	5,149	5,420	(5.0)	21.2	26.6	765	1,547	(50.5)	
Zee News	40	40	Hold	1,375	1,127	22.0	19.1	15.3	139	93	49.3	
Sun TV	234	253	Hold	2,683	2,236	20.0	80.8	75.3	1,135	1,025	10.6	
<b>Aggregates</b>				<b>16,684</b>	<b>16,339</b>	<b>2.1</b>	<b>25.2</b>	<b>29.1</b>	<b>2,483</b>	<b>3,685</b>	<b>(32.6)</b>	



Fig 11 - Metals – Quarterly estimates

Amresh Kumar | (91-22) 6766 3472

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Hindustan Zinc	608	755	Buy	13,395	16,437	(18.5)	50.3	59.5	6,862	8,478	(19.1)	
SAIL	155	139	Sell	110,031	110,294	(0.2)	18.5	25.1	14,446	18,352	(21.3)	❖ Stability returning to the metal sector with an uptick in volumes and price. India May'09 production increased 9% YoY.
Tata Steel	404	-	NR	51,589	61,650	(16.3)	29.4	49.1	7,202	14,884	(51.6)	
JSW Steel	619	645	Buy	43,850	44,562	(1.6)	18.1	26.6	1,651	6,220	(73.5)	❖ On a QoQ basis we expect margins to improve and PAT to stabilise.
Sesa Goa	188	124	Hold	9,373	12,517	(25.1)	42.4	64.0	3,159	6,447	(51.0)	
JSPL	2,565	2,525	Hold	14,845	22,161	(33.0)	30.1	31.8	2,318	4,023	(42.4)	
<b>Aggregates</b>				<b>243,083</b>	<b>264,412</b>	<b>(8.1)</b>	<b>24</b>	<b>36</b>	<b>35,638</b>	<b>58,403</b>	<b>(39.0)</b>	

Fig 12 - Oil &amp; Gas – Quarterly estimates

Sudeep Anand (91-22) 6766 3436 | Arindam Pal (91-22) 6766 3437

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Cairn India*	233	215	Hold	2,023	4,036	(49.9)	25.4	56.8	571	1,386	(58.8)	❖ Crude oil prices declined 52% YoY to average US\$ 59.2/bbl in Q1FY10, which is likely to hurt revenue growth.
Reliance Ind	2,023	2,073	Hold	304,258	415,790	(26.8)	22.9	14.7	43,166	41,100	5.0	
GAIL India	288	279	Hold	61,348	57,307	7.1	16.5	24.4	6,205	8,969	(30.8)	❖ GRM to remain low during the quarter, which would dent margins for refiners. But lower under-recoveries of ~Rs 56bn would benefit OMCs.
ONGC	1,067	1,027	Hold	167,530	200,522	(16.5)	53.1	58.6	48,041	65,929	(27.1)	
Petronet LNG	70	56	Hold	24,912	16,459	51.4	9.1	11.7	1,295	1,056	22.6	❖ Gas production from KG basin to drive RIL's net profit during the quarter.
IOC	532	627	Hold	590,145	883,996	(33.2)	5.0	1.1	15,491	4,151	273.2	
BPCL	430	506	Hold	259,664	390,220	(33.5)	4.1	(2.0)	4,602	(10,667)	-	❖ For ONGC, net realisations would be lower at US\$ 53.3/bbl in Q1FY10 compared to the exceptionally high figure of US\$ 69.1/bbl in Q1FY09, which is expected to hurt profits.
HPCL	299	384	Hold	244,084	347,493	(29.8)	3.5	(1.2)	3,206	(8,881)	-	
IGL	135	187	Buy	2,405	1,916	25.5	33.9	39.9	464	437	6.2	
<b>Aggregates</b>				<b>1,656,368</b>	<b>2,317,739</b>	<b>(28.5)</b>	<b>13.0</b>	<b>8.0</b>	<b>123,041</b>	<b>103,480</b>	<b>18.9</b>	

\* Y/E Dec



Fig 13 - Pharmaceuticals – Quarterly estimates

Vikas Sonawale (91-22) 6766 3447 | Urnil Negandhi (91-22) 6766 3448

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)			PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)		
Biocon	219	234	Buy	4,574	2,639	73.3	21.3	24.2	705	495	42.3		
Cadila	379	352	Hold	7,957	7,140	11.4	20.2	22.6	955	1,028	(7.1)	❖ Earnings for the sector to benefit from favourable currency movement, with the US dollar depreciating 11.3% YoY against the rupee. But appreciation of the dollar QoQ will have a negative margin impact sequentially.	
Cipla	253	250	Hold	13,683	12,071	13.4	23.0	22.4	2,243	2,147	4.5		
Dishman	185	225	Buy	2,890	2,359	22.5	25.2	28.1	430	443	(2.8)		
Dr Reddy's	778	758	Buy	20,537	15,038	36.6	22.9	12.1	3,622	2,147	68.7		
GSK Pharma*	1,194	1,261	Hold	4,578	4,169	9.8	35.9	36.2	1,266	1,149	10.2	❖ For Sun Pharma, limited competition 'one-time' income will be lower YoY. Omeprazole OTC revenues (inventory) an important earnings catalyst for Dr Reddy's.	
Glenmark	218	178	Sell	5,746	4,603	24.8	29.5	30.5	1,412	1,149	22.9		
Jubilant	166	222	Buy	8,859	8,266	7.2	20.6	20.1	1,055	1,204	(12.3)	❖ Cipla to gain from the favourable US dollar. However, this could be the last quarter of YoY currency gains.	
Lupin	817	792	Hold	10,040	8,623	16.4	16.1	17.7	1,214	1,120	8.4		
Opto Circuits	163	208	Buy	2,216	1,774	25.0	30.2	31.5	562	449	25.1	❖ Overall, we estimate 11.9% YoY revenue growth for the sector, 39bps EBITDA margin contraction and 3.6% YoY decline in adjusted PAT (Sun Pharma effect).	
Piramal	312	336	Buy	7,083	7,083	0.0	16.9	16.9	715	715	0.0		
Ranbaxy*	245	NA	NR	16,314	18,212	(10.4)	9.4	12.0	1,066	2,526	(57.8)		
Sun Pharma	1,091	1,321	Buy	9,932	10,239	(3.0)	38.2	52.5	3,636	5,015	(27.5)		
<b>Aggregates</b>				<b>114,411</b>	<b>102,216</b>	<b>11.9</b>	<b>22.0</b>	<b>22.4</b>	<b>18,881</b>	<b>19,585</b>	<b>(3.6)</b>		

\* Y/E Dec

Fig 14 - Power – Quarterly estimates

Kunal Sheth (91-22) 6766 3476 | Rahul Gajare (91-22) 6766 3477

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)			PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)		
GIPCL	79	83	Hold	2,617	2,625	(0.3)	22.0	21.1	261	225	15.8	❖ Expect increased capacity in Tata Power to boost topline and margins for the company.	
NTPC	193	183	Sell	112,875	95,395	18.3	23.0	25.4	18,131	17,265	5.0		
Tata Power	1,152	NA	NR	21,882	20,261	8.0	18.6	15.0	2,258	1,906	18.5	❖ Gas availability from the KG basin to help power companies post better PLF.	
<b>Aggregates</b>				<b>137,374</b>	<b>118,281</b>	<b>16.1</b>	<b>22.3</b>	<b>23.5</b>	<b>20,649</b>	<b>19,396</b>	<b>6.5</b>		



Fig 15 - Realty – Quarterly estimates

Suman Memani (91-22) 6766 3439 | Ronald Siyoni (91-22) 6766 3440

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Anant Raj Ind	109	188	Buy	500	1,721	(71.0)	76.0	94.8	417	1,524	(72.7)	❖ Revenues expected to decline YoY, though an improvement in sentiments will lead to better growth sequentially.
DLF	324	229	Sell	13,420	38,106	(64.8)	48.9	61.5	5,109	18,640	(72.6)	
HDIL	237	335	Buy	4,300	5,701	(24.6)	55.5	81.7	1,133	3,179	(64.4)	
Peninsula land	68	38	Sell	1,634	1,239	31.9	37.5	33.1	500	313	60.0	❖ Likely contraction in EBITDA margin as the sector focuses on affordable housing which generates lower margins in comparison to commercial and luxury residential segments.
Parsvnath	85	79	Sell	923	3,728	(75.2)	35.7	34.3	144	740	(80.5)	
Puravankara	87	84	Hold	815	1,576	(48.3)	31.6	38.3	262	619	(57.6)	❖ PAT set to improve sequentially and in the quarters ahead owing to balance sheet deleveraging.
Unitech	83	101	Buy	5,855	10,317	(43.3)	46.0	59.0	1,560	4,233	(63.1)	
Orbit	163	201	Buy	875	818	6.9	35.0	40.5	128	182	(29.8)	
<b>Aggregates</b>				<b>28,322</b>	<b>63,206</b>	<b>(55.2)</b>	<b>47.8</b>	<b>60.8</b>	<b>9,253</b>	<b>29,430</b>	<b>(68.6)</b>	

Fig 16 - Retail – Quarterly estimates

Ankur Periwal | (91-22) 6766 3469

Company	CMP	Target	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
	(Rs)	(Rs)		Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Titan Industries	1,078	970	Hold	9,140	8,103	12.8	6.5	6.9	337	322	4.5	❖ Modest topline growth seen in retail due to a slowdown in consumer spends. Revenue growth to be much lower for luxury retailers like Shoppers Stop, while Pantaloon may see relatively higher growth.
Pantaloon*	310	194	Hold	16,577	13,814	20.0	10.6	10.2	392	325	20.7	
Shoppers Stop	159	89	Sell	2,931	2,892	1.4	5.3	(0.2)	(36)	(153)	NA	❖ Lacklustre net profit growth anticipated in Q1FY10, though Pantaloon may buck the trend on account of better margins and lower interest outgo.
<b>Aggregates</b>				<b>28,647</b>	<b>24,809</b>	<b>15.5</b>	<b>8.8</b>	<b>7.9</b>	<b>693</b>	<b>494</b>	<b>40.2</b>	

\* Y/E June





Fig 17 - Shipping – Quarterly estimates

Piyush Parag (91-22) 6766 3456 | Abhishek Banerjee (91-22) 6766 3455

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Aban Offshore*	895	620	Hold	9,071	7,483	21.2	56.1	53.5	1,006	1,082	(7.0)	<ul style="list-style-type: none"> <li>❖ Weak tanker market likely to affect earnings of GE Shipping and Mercator Lines. Impact to be relatively deeper for GE Shipping due to the company's higher exposure to tanker revenues as compared to Mercator.</li> <li>❖ Great Offshore and Garware Offshore pegged as best performers among our shipping universe for the quarter. Over 85% of their revenues are on firm contracts, thereby providing security of cash flows.</li> <li>❖ Aban Offshore's revenue would be muted in Q1FY10 as six of its assets remained idle during the quarter.</li> </ul>
Garware Offsh	148	154	Buy	618	294	110.0	54.8	56.8	172	99	73.1	
GE Shipping	219	275	Hold	3,145	7,024	(55.2)	30.4	54.6	179	5,262	(96.6)	
Great Offshore**	423	390	Buy	2,627	2,027	29.6	51.5	41.6	795	357	122.7	
Mercator Lines	59	79	Buy	4,653	4,929	(5.6)	43.2	41.8	699	1,036	(32.6)	
<b>Aggregates</b>				<b>20,114</b>	<b>21,758</b>	<b>(7.6)</b>	<b>48.5</b>	<b>50.1</b>	<b>2,851</b>	<b>7,836</b>	<b>(63.6)</b>	

\*Under Review

\*\*Open offer is on

Fig 18 - Telecom – Quarterly estimates

Himanshu Shah | (91-22) 6766 3444

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Bharti Airtel	802	726	Hold	97,342	84,833	14.7	41.4	41.5	24,816	20,252	22.5	<ul style="list-style-type: none"> <li>❖ Sales growth not comparable to the previous year due to the reduction in IUC charges from 30 paise to 20 paise w.e.f. 1 April 2009.</li> <li>❖ Lower IUC charges to have marginal negative impact on GSM players (Bharti and Idea) being net receivers, and positive impact on Rcom being a net-payer on the EBITDA level.</li> <li>❖ Since it is a pass-through charge, IUC reduction would result in 80–90bps improvement in EBITDA margin. This would be offset by increased network operating cost, resulting in an overall 210bps decline in margin.</li> <li>❖ Profit growth to remain muted due to higher depreciation and interest costs, primarily for Rcom and Idea, on account of aggressive network expansion.</li> </ul>
Idea Cellular	71	74	Buy	29,151	21,781	33.8	26.9	33.1	2,834	2,633	7.6	
Rcom	290	241	Sell	62,636	53,222	17.7	39.4	42.3	12,111	15,123	(19.9)	
Onmobile	433	324	Hold	1,245	779	59.9	34.5	26.8	263	152	72.8	
Tanla	68	80	Buy	1,524	1,669	(8.6)	36.0	48.2	278	564	(50.8)	
Tata Comm	475	480	Sell	8,692	8,632	0.7	20.6	22.3	111	983	(88.7)	
Tulip Telecom	844	922	Buy	4,523	3,333	35.7	21.8	21.5	636	582	9.3	
<b>Aggregates</b>				<b>205,114</b>	<b>174,248</b>	<b>17.7</b>	<b>37.3</b>	<b>39.4</b>	<b>41,049</b>	<b>40,290</b>	<b>1.9</b>	



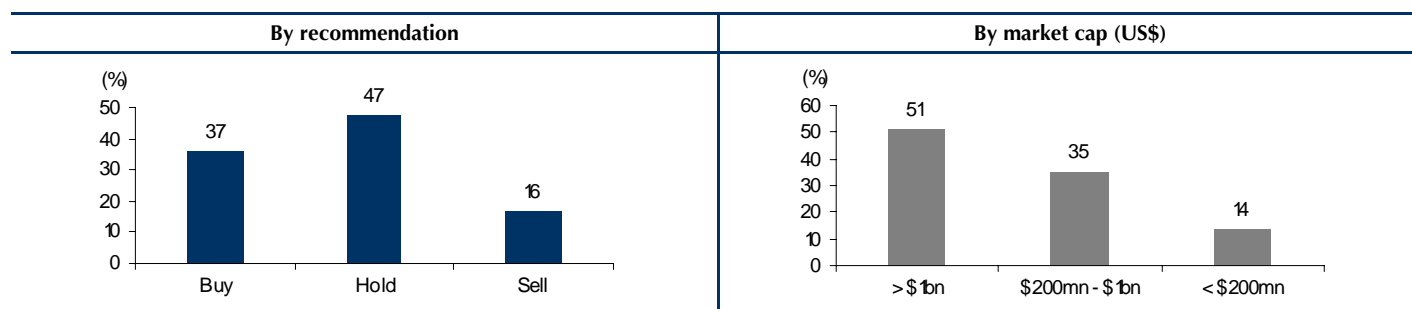
Fig 19 - Others – Quarterly estimates

Company	CMP (Rs)	Target (Rs)	Rating	Sales (Rs mn)			EBITDA margin (%)		PAT (Rs mn)			Comments
				Q1FY10E	Q1FY09	YoY (%)	Q1FY10E	Q1FY09	Q1FY10E	Q1FY09	YoY (%)	
Sintex Industries	219	273	Buy	7,696	7,148	7.7	16.5	11.0	896	567	57.9	❖ Sintex: Higher revenues from monolithic and pre-fabricated businesses to drive growth.
Time Technoplast	39	46	Buy	2,219	1,888	17.5	19.8	20.8	222	195	13.5	❖ Time Technoplast: Packaging and battery division continue to drive growth.
Deepak Fertilisers	90	110	Hold	3,582	3,327	7.7	20.0	20.2	356	449	(20.8)	❖ Deepak Fertilizer: Better utilisation level to boost topline but lower other income to contract PAT.
Bata India*	149	176	Buy	3,184	2,869	11.0	10.4	9.1	190	162	17.1	❖ Bata: Focus on volumes will lead to sales growth.
Jain Irrigation	633	593	Hold	5,930	4,743	25.0	18.7	19.5	544	296	84.1	❖ Jain Irrigation: Growth in Micro Irrigation System (MIS) segment to continue.

\* Y/E Dec



### Coverage Profile



### Recommendation interpretation

Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Recommendation structure changed with effect from March 1, 2009

Expected absolute returns are based on share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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*"Religare Enterprises Limited proposes, subject to receipt of requisite approvals, market conditions and other considerations, to make a rights issue of its equity shares to its existing shareholders and has filed a draft letter of offer ("DLOF") with the Securities and Exchange Board of India ("SEBI"). The DLOF is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) as well as on the websites of the lead manager at [www.enam.com](http://www.enam.com). Investment in equity shares involves a high degree of risk and for details relating to the same, please refer to the section titled "Risk Factors" of the DLOF."*