PINC RESEARCH

PINC POWERPICKS

Ashoka Buildcon

Bajaj Auto

Godawari Power

HCL Tech

IRB Infra

Jagran Prakashan

Jyothy Labs

Mahindra & Mahindra

Nestle

NIIT Tech

Phoenix Mills

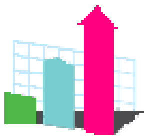
Sintex

Tata Steel

Infinity.com
Financial Securities Ltd
SMALL WORLD, INFINITE OPPORTUNITIES

Here's the roster for the PINC PowerPicks:

Company	Sector	CMP (Rs)	Recom.	TP (Rs)	Upside (%)	Market Cap (Rs bn)	P/E (x)		EV/EBITDA (x)		Earnings gr. (%)	ROE (%)	ROCE (%)
							FY12E	FY13E	FY12E	FY13E	(FY11-13E)	FY12E	FY12E
Ashoka Buildcon	Infrastructure	280	BUY	363	29	15	10.1	8.6	6.0	4.9	30.6	16.2	13.9
Bajaj Auto	Auto	1,431	BUY	1,665	16	414	13.3	11.6	9.4	7.9	16.8	54.5	68.5
Godawari Power	Metals	164	BUY	278	70	5	3.6	3.6	3.3	3.0	29.6	21.5	13.3
HCL Tech	IT Services	490	BUY	630	29	343	15.0	12.1	7.4	6.2	27.3	21.9	26.3
IRB Infra	Infrastructure	187	BUY	227	21	62	13.4	17.9	9.3	9.1	(12.3)	17.7	21.3
Jagran Prakashan	Media	114	BUY	150	31	38	15.8	13.7	9.7	8.4	12.7	29.8	36.9
Jyothy Labs	FMCG	217	BUY	265	22	17	23.4	13.7	16.8	11.9	36.5	16.0	11.7
Mahindra & Mahindra	Auto	713	BUY	836	17	419	17.1	14.9	12.8	10.8	5.2	21.8	23.8
Nestle	FMCG	4,323	SELL	3,208	(26)	417	42.5	35.7	26.0	21.7	19.4	81.4	125.3
NIIT Tech	IT Services	199	BUY	285	44	12	6.6	5.6	3.2	2.4	6.7	21.9	21.0
Phoenix Mills	Real Estate	219	BUY	240	10	31	15.0	13.5	12.3	11.0	38.9	11.5	8.2
Sintex	Diversified	181	BUY	240	32	49	9.0	7.7	7.2	6.4	18.4	20.8	12.3
Tata Steel	Metals	577	BUY	713	24	589	11.2	9.2	5.1	5.1	6.1	12.1	7.1



PINC POWERPICKS is a list of our high-conviction stock ideas, a choice of stocks from across sectors in our coverage universe.

What moved in and what moved out:

In our July issue of PINC Power Picks, we have dropped Lupin as the stock has reached its target level.

15th July 2011

ASHOKA BUILDCON: BUY, TP-Rs363 (29% upside)

Sector: Infrastructure
CMP: Rs280; Mcap: Rs15bn
Bloomberg: ASBL IN; Reuters: ABDL.BO

What's the theme?

Ashoka Buildcon (ABL) has experience of over a decade in BOT road projects. It has 23 projects in its portfolio of which 16 are operational. ABL is among the few BOT developers who have seen complete life cycle of a project. It has handed over four BOT assets back to the government. ABL also has a strong in-house EPC arm, which executes in-house as well as third-party contracts.

What will move the stock?

1) Post IPO, ABL aims to be in the next league with an aggressive but calculated bidding strategy. In FY11, ABL has won projects worth more than Rs30bn. We expect ABL to maintain its market share of 3.5% for FY12 and FY13 in NHAI bidding.
2) No dilution likely in the medium term; ABL would require equity of Rs8bn in next 3 years, which is likely to come from internal accruals and securitization / stake sale of existing projects.

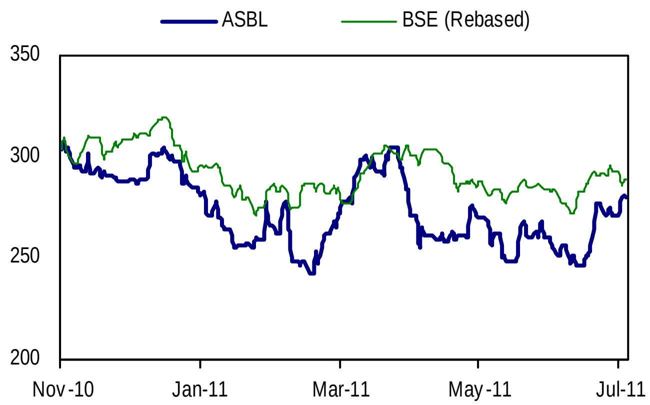
Valuation & Recommendation

We value ABL's BOT project (DCF basis) at equity multiple of 1.6x and 1.1x FY12E and FY13E. Our SOTP-based target price is Rs363, with BOT valued at Rs208 and EPC at Rs155 at 9x FY12E earnings. We have a 'BUY' recommendation on the stock.

What will challenge our target price?

1) Further increase in interest rate lowering IRR; 2) Lower traffic growth; 3) Slowdown in execution of current orders; 4) Any change in government policy adversely affecting tolling charges.

Price performance



(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	7,956	13,020	20,603	58.2	23,806	15.5
EBITDA	2,143	2,496	4,207	68.6	5,160	22.6
EBITDA Marg. (%)	26.9	19.2	20.4	125 bps	21.7	6 bps
Adj. Net Profits	804	1,008	1,465	45.3	1,719	17.4
Dil. EPS (Rs)	17.6	19.2	27.8	45.3	32.7	17.4
PER (x)	15.9	14.6	10.1	-	8.6	-
ROE (%)	20.6	31.2	16.2	(1499)bps	17.1	83 bps
ROCE (%)	12.5	17.1	13.9	(318)bps	10.9	(306)bps

SOTP

Particulars	Rs/Share	Percentage
BOT Operational (SPV)	95	26.1%
BOT Operational (Standalone)	28	7.6%
BOT Under construction	86	23.6%
Construction business	155	42.8%
Total	**363**	
Upside (%)	**29.4**	

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BAJAJ AUTO: BUY, TP-Rs1,665 (16% upside)

Sector: Auto
CMP: Rs1,431; Mcap: Rs414bn
Bloomberg: BJAUT IN; Reuters: BAJA.BO

What's the theme?

With the success of Pulsar135 and Discover twins (100cc and 150cc), Bajaj Auto's brand-centric strategy has been validated. In its attempt to leverage its highly successful 'Pulsar' and 'Discover' brands Bajai Auto recently launched Discover125cc and is all set to launch Pulsar250cc in September'11. These high-margin brands now account for 70% of the company's motorcycle sales. In addition, continued demand for three-wheelers and robust exports would help Bajaj Auto achieve volume growth of 16.2% in FY12 and 11.9% in FY13.

What will move the stock?

1) Despite rising macro headwinds, we expect Bajaj Auto to be less sensitive to such concerns and the slew of product launches in the future would help the company maintain its market share with domestic volume growth of 16%, in line with industry. 2) Export outlook continues to be stable with total exports expected to touch 1.4mn in FY12. 3) Management expects to improve market share with growth of 22% to 4.8mn units during FY12 as against our volume estimate of 4.5mn units. 4) Increased proportion of high-margin motorcycles and continued contribution of three-wheelers would enable the company to tide over the input cost pressures and restrict the contraction in margins to 70bps 5) The DEPB export incentive was extended by three months up to end Sep'11 post which incentive in the form of duty drawback are expected to continue with a reduced rate of 4-5%. With price increases in the export markets and better cost efficiency, management expects to maintain margins.

Where are we stacked versus consensus?

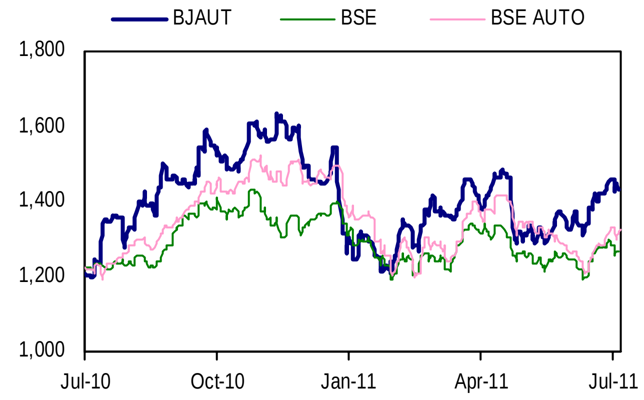
Our FY12 and FY13 earnings estimates are Rs107.5 and Rs123.3 respectively. We have a 'BUY' recommendation on the stock with a target price of Rs1,665, discounting FY13E earnings at 13.5x. Our FY12 earnings estimate is 6.1% higher than consensus estimate of Rs101.3.

What will challenge our target price?

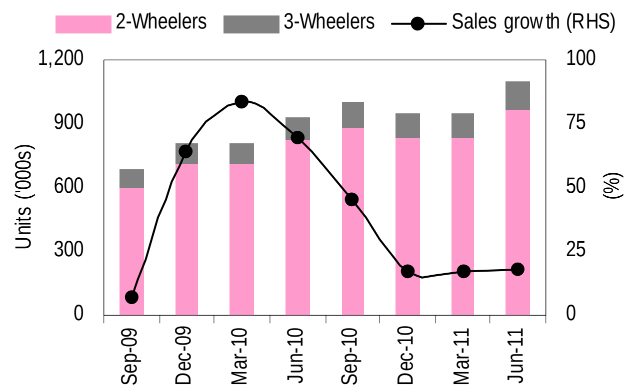
1) Significant increase in prices of commodities such as steel and rubber are likely to increasingly pressurise margins. 2) The company draws significant benefits from DEPB export benefit scheme and in case the scheme is entirely withdrawn our earnings estimate would reduce to the tune of 10%.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	115,085	159,981	192,131	20.1	218,257	13.6
EBITDA	25,752	33,836	39,090	15.5	44,112	12.8
EBITDA Marg. (%)	21.6	20.4	19.7	(70)bps	19.6	(10)bps
Adj. Net Profits	18,118	26,152	31,106	18.9	35,691	14.7
Dil. EPS (Rs)	62.6	90.4	107.5	18.9	123.3	14.7
PER (x)	22.9	15.8	13.3	-	11.6	-
ROE (%)	78.5	66.7	54.5	(1220)bps	48.0	(660)bps
ROCE (%)	65.4	73.4	68.5	(490)bps	61.4	(710)bps

Price performance



Sales Volume



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GODAWARI POWER: BUY, TP-Rs278 (70% upside)

Sector: Metals
CMP: Rs164; Mcap: Rs5bn
Bloomberg: GODPI IN; Reuters: GDPI.BO

What's the theme?

We expect GPIL to benefit from earnings CAGR of 30% over FY11-FY13E on volume growth and margin expansion. This would be driven by higher output from the Ari Dongri mines, the 0.6mntpa pellet plant, and the 20MW biomass power plant. Further, 0.6 mntpa pellet plant of 75% subsidiary Ardent Steel also started stabilizing with 37% CU in Q4FY11 and is expected to provide additional earnings growth.

What will move the stock?

1) Stabilisation of the newly commissioned 20MW biomass power plant; 2) Higher output from the Ari Dongri iron ore mine and 0.6mntpa pellet plant, helping revenue growth and margin expansion; 3) Stabilisation of operations at Ardent Steel providing additional volume and earnings growth; 4) Mining commencing at the Boria Tibu, impacted by delay in handover of forest area.

Where are we stacked versus consensus?

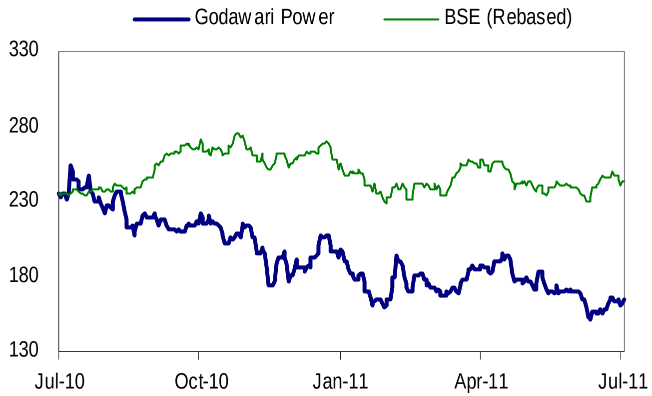
Our FY12 EBITDA stands 22% above consensus as we expect improved performance from Ardent Steel. For Ardent Steel, we assume CU of 60% in FY12E and 70% in FY13E.

What will challenge our target price?

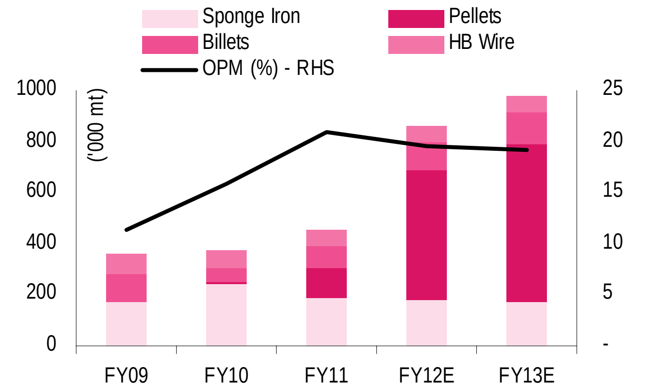
1) Impediments in ramping up of output from the pellet plant (own as well as in sub. Ardent Steel) and 20MW power plant; 2) Negative impact of foray into 50MW Solar power project. GPIL already invested Rs1.2bn equity (valued at 10% discount to invested capital) and achieved financial closure for debt requirement of Rs5.8bn for the project,); 3) Continued delay in acquiring forest land in the Boria Tibu mine, and 4) Simultaneous decline in steel prices and power tariff.

Consolidated (Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	8,224	11,161	17,300	55.0	18,087	4.5
EBITDA	1,305	2,323	3,383	45.6	3,457	2.2
EBITDA Marg. (%)	15.9	20.8	19.6	(126)bps	19.1	(44)bps
Adj. Net Profits	572	859	1,443	68.1	1,442	(0.1)
Dil. EPS (Rs)	20.4	27.0	45.4	68.1	45.4	(0.1)
PER (x)	7.2	6.1	3.6	-	3.6	-
ROE (%)	12.1	15.6	21.5	589 bps	17.9	(360)bps
ROCE (%)	9.2	12.4	13.3	90 bps	11.5	(181)bps

Price performance



Volume growth and margin expansion (standalone)



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HCL TECH: BUY, TP-Rs630 (29% upside)

Sector: Information Technology
CMP: Rs490; Mcap: Rs343bn
Bloomberg: HCLT IN; Reuters: HCLT.BO

What's the theme?

Uptick in discretionary IT spend and recovery in the European market will boost volume growth for HCL Tech. Margin expansion through improving employee pyramid and scale efficiencies.

What will move the stock?

1) Strongest volume growth of ~5%QoQ, highest among peers in Q4FY11; 2) Outperformance in emerging verticals like energy and utilities and retail; 3) High growth in Enterprise Application Services and Custom Applications segments driven by discretionary spend; 4) Higher EBITDA margins in the near term supported by higher offshoring and utilization; 5) Support to EBITDA margin due to improvement in employee pyramid as last 4-5 quarters have seen huge lateral addition that is likely to be subdued going ahead; 6) Absence of forex losses (cash flow hedges) will provide positive support to the bottom-line.

Where are we stacked versus consensus?

Our revenue estimates vary from consensus by ~(1)% for FY12 and for FY13 it is in line with consensus, underpinned by stronger volumes and modest uptick in pricing. Our EBITDA margin forecast for FY12 and FY13 is higher than consensus by 70bps and 20bps respectively. Our FY12 EPS estimate is in line with consensus whereas for FY13 it is 1% higher than consensus.

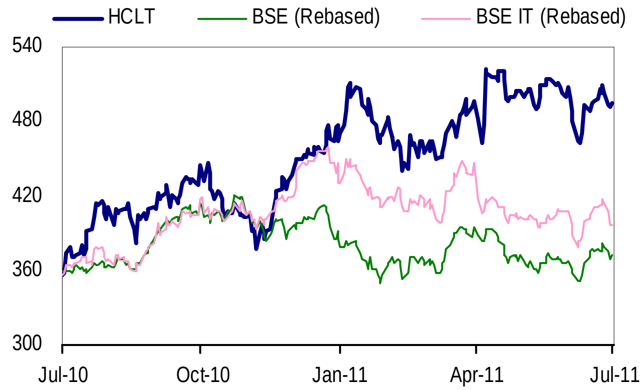
What will challenge our target price?

1) Slower recovery in the US economy; 2) Appreciation of INR vs. USD and strengthening of USD against EUR 3) Higher attrition and wage increments;

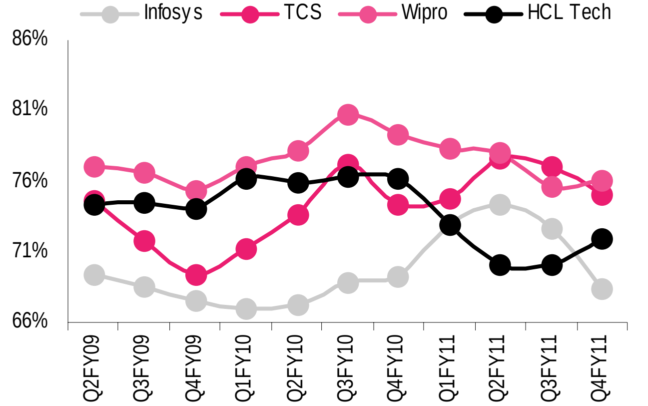
(Rs mn)	FY10	FY11E	FY12E	YoY %	FY13E	YoY %
Net Sales	125,650	158,226	196,794	24.4	239,307	21.6
EBITDA	25,729	27,095	35,796	32.1	42,682	19.2
EBITDA Marg. (%)	20.5	17.1	18.2	107 bps	17.8	(35)bps
Adj. Net Profits	13,029	16,766	22,058	31.6	27,181	23.2
Dil. EPS (Rs)	18.9	24.3	32.0	31.6	39.4	23.2
PER (x)	25.3	19.7	15.0	-	12.1	-
ROE (%)	18.5	20.6	21.9	129 bps	21.7	(19)bps
ROCE (%)	24.6	23.2	26.3	309 bps	26.5	28 bps

** June year end*

Price performance



Utilisation rates - scope for expansion



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IRB INFRA: BUY, TP-Rs227 (21% upside)

Sector: Construction & Infrastructure
CMP: Rs187; Mcap: Rs62bn
Bloomberg: IRB IN; Reuters: IRBI BO

What's the theme?

In the Infra segment that has been languishing due to fundamental issues, we prefer IRB for its unique ability to manage and win competitive projects. We strongly believe in the sustainability of IRB's business model. The company is well positioned to add projects worth $1bn per annum.

What will move the stock?

1) NHAI is likely to award 7,300km of projects in FY12. With the Ahm-Vado project in its bag, the road ahead becomes easier. We expect IRB to maintain 8% share in the medium term.

2) Recent underperformance due to the Ahm-Vado project provides cushion to its stock price; we expect this project to be a strategic fit to IRB and expect it to provide 12% equity IRR and 7% project IRR.

Where are we stacked versus consensus?

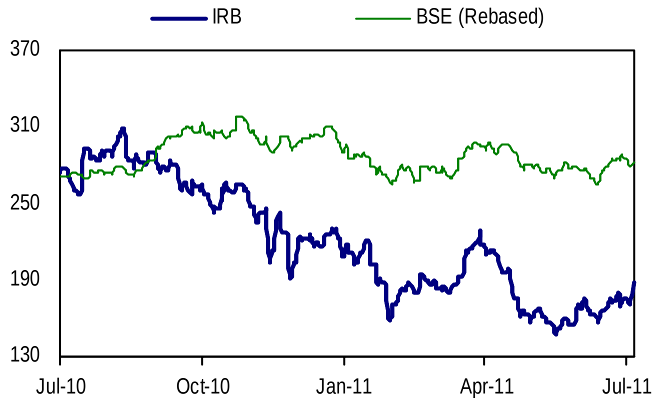
Our FY12E and FY13E earnings estimates are at Rs14.0 and Rs10.5, which are 5.3% and 36.1% lower than consensus estimates respectively. We expect top-line growth of 27.7% at Rs 31.1bn for FY12E and 18.1% at Rs36.7bn for FY13E vs. consensus estimate of 36.1% at Rs33.2bn and 30.7% at Rs43.4bn respectively.

We believe the recent correction in stock price provides a good entry point for long-term investors. The stock offers an upside potential of 20.9% at our SOTP-based target price of Rs227 vs. consensus target of Rs234.

What will challenge our target price?

1) Further increase in interest rate, would lower IRR. 2) Infusion of Rs12.8bn equity in Ahm-Vado project may strain the balance sheet 3) Lower traffic growth 4) Any change in government policy would adversely affect IRB's tolling charges.

Price performance



(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	17,049	24,381	31,131	27.7	36,770	18.1
EBITDA	7,990	10,939	12,474	14.0	14,025	12.4
EBITDA Marg. (%)	46.9	44.9	40.1	(480)bps	38.1	(193)bps
Adj. Net Profits	3,854	4,524	4,656	2.9	3,478	(25.3)
Dil. EPS (Rs)	11.6	13.6	14.0	2.9	10.5	(25.3)
PER (x)	16.2	13.8	13.4	-	17.9	-
ROE (%)	20.4	20.2	17.7	(253)bps	11.7	(598)bps
ROCE (%)	19.4	23.8	21.3	(249)bps	15.8	(547)bps

SOTP

Particulars	Rs/Share	Percentage
BOT	126	55.6%
Construction business	75	33.3%
Real Estate	10	4.4%
Cash in hand	15	6.6%
Total	227	
Upside (%)	**20.9**	

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JAGRAN PRAKASHAN (JPL): BUY, TP-Rs150 (31% upside)

Sector: Media
CMP: Rs114; Mcap: Rs38bn
Bloomberg: JAGP IN: Reuters: JAGP BO

What's the theme?

We like JPL for its leadership in UP (the largest print market in terms of readership and print ad value). The company's strong position in growing regions such as Bihar and Jharkhand, good cost efficiency, phased and planned expansion into other media businesses, and wide portfolio (including Mid-day, I-next and Cityplus) strengthen our belief that it is well poised to benefit from steady growth in the print media sector. In FY11, JPL's revenue increased 18.5% to Rs 11.1bn and net profit increased 17% to Rs 2.1bn. Improved ad yields and increased focus on color ads led to 20% ad revenue growth and 3.5% circulation revenue growth (despite increased competition from Hindustan and Dainik Bhaskar).

What will move the stock?

1) Momentum in ad revenue underpinned by anticipated growth across sectors such as education and financial services (we expect 17% CAGR over FY11-FY13E); 2) Broad-based growth across various other business verticals (including event and outdoor businesses); 3) Attractive valuation: At CMP, the stock is attractive, valued at 14xFY13E EPS.

Where are we stacked versus consensus?

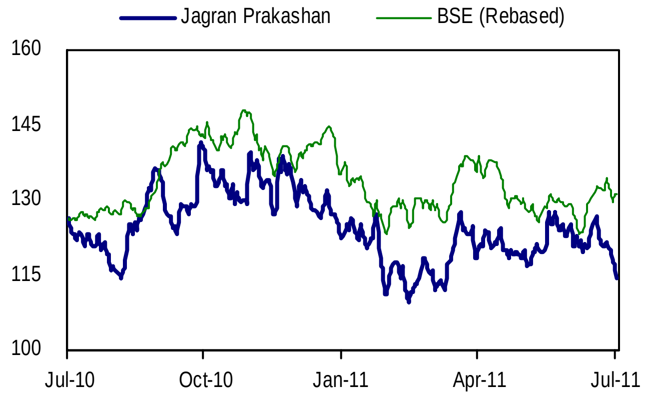
Our revenue estimate for FY13 is 3% above consensus. However our EPS estimate of Rs8.3 for FY13 is 7.5% below consensus.

What will challenge our target price?

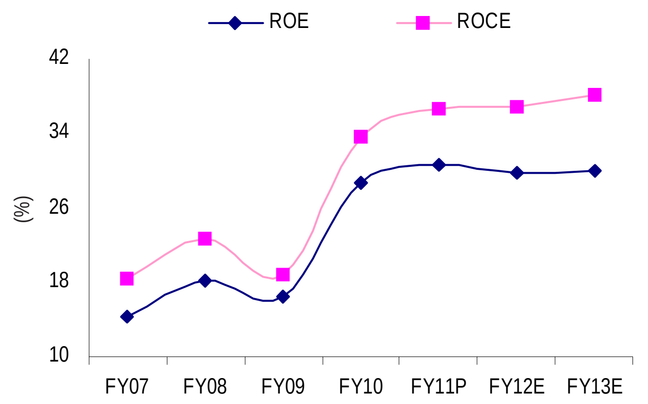
1) Increase in newsprint prices; 2) Slowdown in the economy; 3) Increased competition in current markets where JPL has a presence.

(Rs mn)	FY10	FY11P	FY12E	YoY %	FY13E	YoY %
Net Sales	9,419	12,211	14,009	14.7	15,861	13.2
EBITDA	2,821	3,568	4,048	13.5	4,631	14.4
EBITDA Marg. (%)	29.9	29.2	28.9	(32)bps	29.2	30 bps
Adj. Net Profits	1,757	2,078	2,293	10.4	2,639	15.1
Dil. EPS (Rs)	5.8	6.6	7.3	10.4	8.3	15.1
PER (x)	19.7	17.4	15.8	-	13.7	-
ROE (%)	28.7	30.2	29.8	(43)bps	30.0	26 bps
ROCE (%)	33.6	35.9	36.9	108 bps	38.2	130 bps

Price performance



Financial Performance



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JYOTHY LABS: BUY, TP-Rs265 (22% upside)

Sector: FMCG

CMP: Rs217; Mcap: Rs17bn

Bloomberg: JYL IN; Reuters: JYOI.BO

What's the theme?

Following the Henkel India acquisition, we expect numerous positives for Jyothy in the medium to long term that would improve profitability. Jyothy is among the few companies in the FMCG space which has immense potential for long-term profitability.

What will move the stock?

1) The acquisition of Henkel India added 4-5 established brands that improved Jyothy's sales mix; 2) Full impact of the price increase of Ujala Supreme will support revenue and profitability growth; 3) Maxo Military will add Rs600mn and Rs700mn revenue in FY12 and FY13 respectively; 4) We expect improvement in profitability in Henkel India; 5) Debt restructuring can lead to higher profits; 6) Merger of Jyothy and Henkel India will engender massive tax benefits of Rs1.2bn.

Where are we stacked versus consensus?

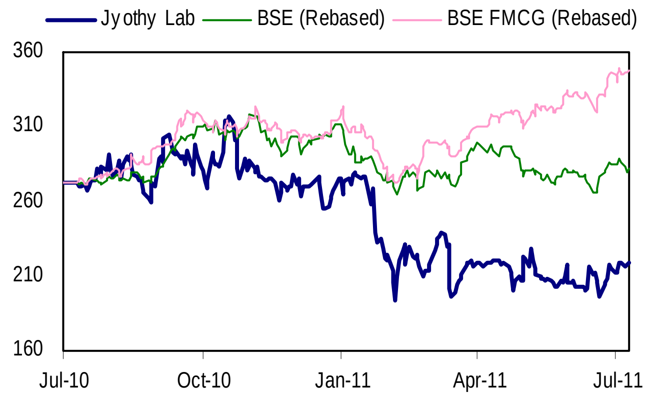
Our estimates for FY13 are among the highest on the street, led by expectation of profitability improvement in Henkel India and 50% debt repayment during FY13. We assign 16x to FY13 earnings and add Rs12/share NPV on tax saving of Rs1.2bn @12% discount rate to derive the TP of Rs265.

What will challenge our target price?

1) Change in our estimates for input costs owing to volatility in crude prices; 2) Inability to attract retail clients in the laundry business; 3) Higher brand building investments; and 4) Any delay in operational improvement in Henkel will start impacting the overall profitability.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	5,975	6,209	12,474	100.9	14,104	13.1
EBITDA	929	749	1,313	75.4	1,803	37.3
EBITDA Marg. (%)	15.5	12.1	10.5	(153)bps	12.8	225bps
Adj. Net Profits	742	687	746	8.6	1,279	71.4
Dil. EPS (Rs)	9.2	8.5	9.3	8.6	15.9	71.4
PER (x)	23.6	25.5	23.4	-	13.7	-
ROE (%)	19.1	10.8	16.0	522bps	23.0	698bps
ROCE (%)	23.2	10.7	11.7	99bps	19.9	818bps

Price performance



Product Portfolio post acquisition (Rs mn)

Brands	FY11P	FY12E	FY13E
Ujala Supreme	2,040	2,429	2,682
Techno Bright and Ujala	684	787	944
Henko	1,378	772	959
Mr White	550	578	606
Check	400	420	441
Stiff & Shine	260	296	341
Maxo & Maxo Military	1,456	2,098	2,207
EXO	1,140	1,482	1,927
Prill	702	626	723
Margo	756	617	667
Fa	201	179	213
Laundry Business	119	374	460

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MAHINDRA & MAHINDRA: BUY, TP-Rs836 (17% upside)

What's the theme?

With a wide product range, M&M has gained a significant market share in the utility vehicle (UV) segment. It is all set to strengthen its dominance through new launches. Forecast for a normal monsoon augurs well for the company due to its strong rural presence. This would help the company achieve double digit-growth of 11% in the tractor segment during FY12. In the automotive segment too, we expect volumes to grow in double digits at 13.2% .

What will move the stock?

1) M&M expanded its range of pickup vehicles through the launch of Genio pickup in Jan'11. It followed this with the launch of double cabin variant of the same product, which would further help it expand its pickup portfolio. In the UV segment, a new SUV is expected to be launched by the year end. 2) Demand for small commercial vehicles (SCVs), the fastest-growing commercial vehicles (CV) segment remains strong and M&M has been successful in garnering 20% market share in the segment within 18 months of launch. 3) M&M is working on turning around its recent acquisition of Ssangyong, Korea. In CY11, M&M targets revenue of USD3bn from Ssangyong vs.USD2bn in CY10. Two SUVs from the Ssangyong Motors' portfolio (Rexton and Korando) would be assembled at M&M's Chakan facility. 4) Through its JV with Navistar, M&M continues to expand its sales network for commercial vehicles.

Where are we stacked versus consensus?

We expect EPS of Rs41.6 and Rs47.9 in FY12 and FY13 respectively. Our FY12 earnings estimate is 8.8% lower than consensus estimate of Rs45.6. We value M&M using SOTP at Rs836, discounting the standalone business at 13x FY13E earnings.

What will challenge our target price?

1) Steep raw material price increases and any further fuel price increases would weaken M&M's ability to pass on costs to the customers; 2) Increased competition in the UV segment on new launches would affect market share; and 3) Abnormal monsoons would negatively affect rural demand.

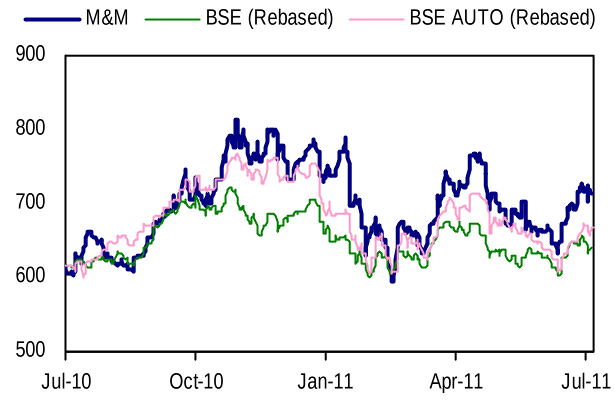
(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	180,381	227,575	250,403	10.0	279,739	11.7
EBITDA	29,758	34,581	33,732	(2.5)	38,611	14.5
EBITDA Marg. (%)	16.0	14.7	13.1	(160)bps	13.4	30 bps
Adj. Net Profits	20,181	25,443	24,450	(3.9)	28,151	15.1
Dil. EPS (Rs)	36.3	44.1	41.6	(5.7)	47.9	15.1
PER (x)	19.6	16.2	17.1	-	14.9	-
ROE (%)	30.9	28.1	21.8	(620)bps	21.4	(40)bps
ROCE (%)	28.0	28.5	23.8	(470)bps	24.1	20 bps

Sector: Auto

CMP: Rs713; Mcap: Rs419bn

Bloomberg: MM IN; Reuters: MAHM.BO

Price performance



SOTP Valuation

	Valuation Method	Per share (Rs)	Multiple	Value (Rs)
M&M (Standalone)	P/E	44.8	13	582
M&M Veh. Mfg. (MVML)	EV/EBITDA	8.6	4	34
Tech Mahindra	CMP	70.5	0.8	56
Mahindra Holidays	CMP	43.0	0.8	34
M&M Financial Services	CMP	64.2	0.8	51
Mahindra Lifespace	CMP	13.2	0.8	11
M&M (Treasury Stocks)	CMP	59.6	0.8	48
Swaraj Engines	CMP	2.9	0.8	2
Mahindra Forgings	CMP	5.8	0.8	5
Mahindra Ugine Steel	CMP	1.4	0.8	1
Mahindra Composites	CMP	1.3	0.8	1
Mahindra Navistar	P/BV	6.8	1.5	10
SOTP Value (Rs)				**836**

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NESTLE: SELL, TP-Rs3,208 (26% downside)

Sector: FMCG
CMP: Rs4,323; Mcap: Rs417bn
Bloomberg: NEST IN; Reuters: NEST.BO

What's the theme?

We believe entry of new players in the hitherto-secure noodles segment challenges Nestle's 'cash cow'. Further, we believe the premium enjoyed by the stock vis-à-vis FMCG peers is unjustified and would correct.

What will move the stock?

1) Intense competition in the noodle segment (consist ~35% of total EBITDA) would impact the pricing power. We expect decline in EBITDA margin by 31bps and 56bps in CY11 and CY12; 2) Nestle currently trades at ~38% premium over FMCG sector however considering lower pricing power for key products and pressure on return ratios we argue that Nestle should trade at a 25% premium (last two-year average).

Where are we stacked versus consensus?

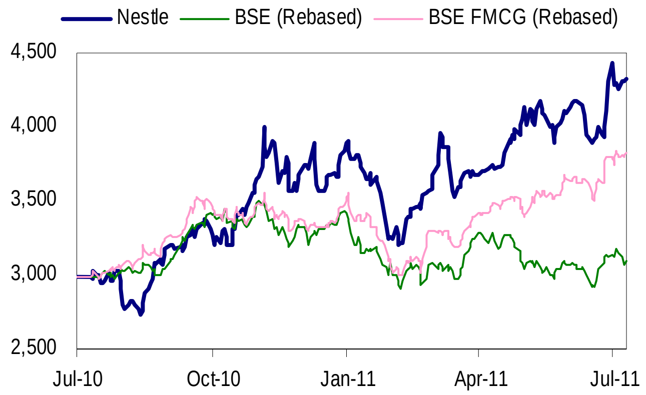
Our estimates and target price are among the lowest on the street, led by pressure on EBITDA margin and argument of narrowing down the Nestle's P/E premium to 25%. We assign P/E of 30x on next 12-months earnings to derive TP of Rs3,208.

What will challenge our target price?

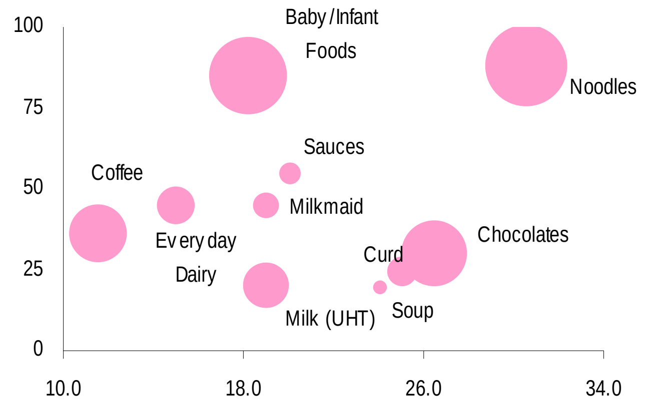
1) We expect Nestle would focus on retaining the volume market share for Maggi noodles therefore assumes volume driven growth going forward. This assumption would result in lower profitability for Nestle and any change in this proposition might change our estimates; 2) We expect ITC, GSK consumer and HUL to be very aggressive in noodle segment, any delay in such efforts would again help Nestle to earn better profitability.

(Rs mn)	CY09	CY10	CY11E	YoY %	CY12E	YoY %
Net Sales	51,395	62,609	76,424	22.1	93,844	22.8
EBITDA	10,448	12,559	15,092	20.2	18,003	19.3
EBITDA Marg. (%)	20.3	20.1	19.7	(31)bps	19.2	(56)bps
Adj. Net Profits	6,575	8,188	9,803	19.7	11,681	19.2
Dil. EPS (Rs)	68.2	84.9	101.7	19.7	121.2	19.2
PER (x)	63.4	50.9	42.5	-	35.7	-
ROE (%)	113.1	95.7	81.4	(1,436)bps	72.0	(931)bps
ROCE (%)	179.7	146.8	125.3	(2,156)bps	111.0	(1,422)bps

Price performance



Key brands' sales (Rsmn), growth (%) & market share (%)



Source: PINC Research, Industry, Company

Note: X Axis –Expected Sales Growth in CY10 (%), Y Axis – Expected Market Share in CY10 (%), Size of bubble – Expected Revenue in CY10

NIIT TECH: BUY, TP-Rs285 (44% upside)

Sector: Information Technology
CMP: Rs199; Mcap: Rs12bn
Bloomberg: NITEC IN; Reuters: NIITT.BO

What's the theme?

NIIT Tech has large exposure to high-growth niche verticals such as insurance and travel. New service lines would boost non-linear growth and lead to improvement in realizations. NIIT Tech has no exposure to the PIIGS zone and it has been able to achieve volume growth in Europe despite economic headwinds. Further, it has a differentiated strategy with new development of IPs in emerging technologies (cloud services) and emerging verticals (healthcare).

What will move the stock?

1) Good performance in the BFSI and travel and transport verticals, which contribute ~74% to revenue; 2) Large untapped opportunity in the APAC markets that are expected to be highest IT spenders in CY11; 3) Strong order book and high bookings in Q4FY11 (USD116mn compared with USD50mn in Q3FY11 and USD150mn in 9MFY11); 4) New order win announcements with recent JV with Morris Communication (aggregate deal amount of USD85mn over 5 years); 5) Highest EBITDA margins among mid-tier peers in the IT services business.

Where are we stacked versus consensus?

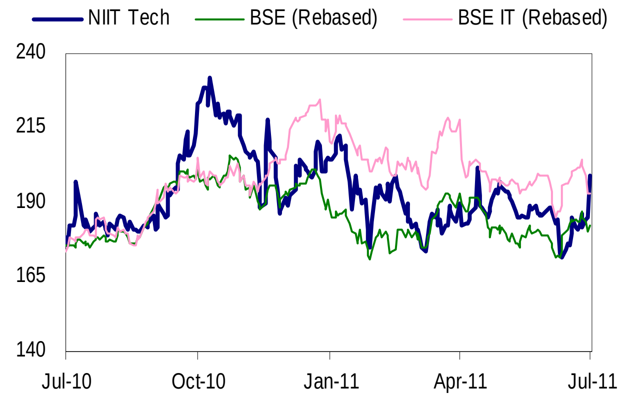
Our top-line estimates for FY12 and FY13 is in line with consensus, underpinned by stronger volumes and modest uptick in pricing. Our EBITDA margin estimate for FY12 is 20.4% and for FY13 is 20.3%, in line with consensus. Our EPS estimate for FY12 is 1.2% and for FY13 is 5.8% higher than consensus.

What will challenge our target price?

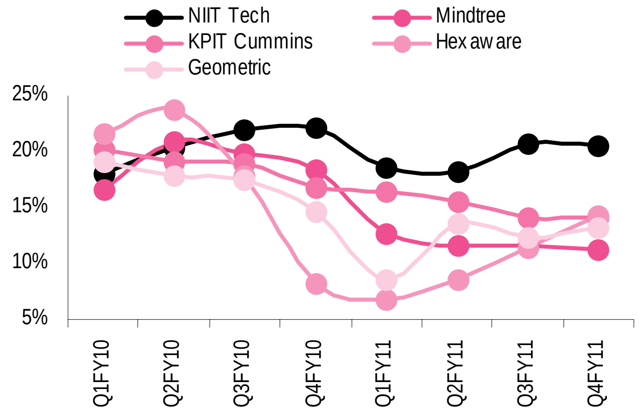
1) Slower recovery in Europe; 2) Sharp currency volatility; 3) Higher attrition and wage increments; and 4) Project delays and cancellation of government contracts.

(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	9,138	12,323	13,319	8.1	15,517	16.5
EBITDA	1,889	2,363	2,723	15.2	3,145	15.5
EBITDA Marg. (%)	20.7	19.2	20.4	127 bps	20.3	(17)bps
Adj. Net Profits	1,265	1,823	1,759	(3.5)	2,076	18.0
Dil. EPS (Rs)	21.5	30.9	29.9	(3.5)	35.2	18.0
PER (x)	9.2	6.4	6.6	-	5.6	-
ROE (%)	21.7	24.2	21.9	(236)bps	21.6	(25)bps
ROCE (%)	19.1	20.4	21.0	60 bps	20.5	(50)bps

Price performance



Strongest EBITDA margin among peers



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PHOENIX MILLS: BUY, TP-Rs240 (10% upside)

Sector: Real Estate
CMP: Rs219; Mcap: Rs31bn
Bloomberg: PHNX IN; Reuters: PHOE.BO

What's the theme?

PHNX's key project, High Street Phoenix (HSP), is now fully operational and is likely to generate rental income of Rs2-2.2bn in FY12E.

What will move the stock?

We see the following near-term triggers for the stock: (1) Commencement of three Market City Projects in Q2 -Q4 FY12; (2) Commencement of the first phase of Shangri-La Hotel in Q2-Q3FY12;

(3) HSP-Phase IV (0.25 msf) - although this provides a strong delta to the company's valuation, it may add significant upside if PHNX manages to secure hospitality FSI (5x).

Where are we stacked versus consensus?

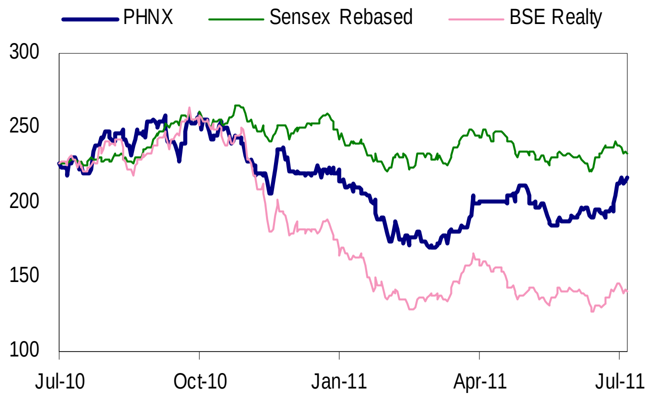
Our EPS estimates for FY12 and FY13 are Rs14.3 and Rs15.8 respectively. Our FY12 earnings estimate is 45% higher than consensus estimate of Rs9.1. We have a 'BUY' recommendation on the stock with a target price of Rs240, which discounts FY12E Gross NAV by 20%.

What will challenge our target price?

1) Slowdown in execution in Market City projects and extending free rental periods may hamper holding company profitability; economic slowdown may affect revenue from Market City and HSP.

(Rs mn)	FY10	FY11P	FY12E	YoY %	FY13E	YoY %
Net Sales	1,230	2,621	5,095	94.4	6,194	21.6
EBITDA	775	1,613	3,106	92.5	3,461	11.4
EBITDA Marg. (%)	63.0	61.5	61.0	(59)bps	55.9	(508)bps
Adj. Net Profits	620	1,185	2,064	74.2	2,288	10.8
Dil. EPS (Rs)	4.3	8.2	14.3	74.2	15.8	10.8
PER (x)	50.0	26.2	15.0	-	13.5	-
ROE (%)	4.0	7.2	11.5	430 bps	11.4	(3)bps
ROCE (%)	3.2	5.3	8.2	288 bps	8.1	(2)bps

Price performance



PHNX One year forward NAV

Project	NAV (Rs)
High Street Phoenix	141
Market City (Kurla, Bengaluru, Chennai, Pune)	94
Other Residential	18
Investment in Treasure World Developers	18
Investment in Galaxy Entertainment	1
Investment in Phoenix construction	0.1
Other investments	27
Shangrila hotel	21
HSP Phase IV	14
Less: Net Debt	36
G. NAV	**298**
Less: 20% Discount to NAV	60
Net NAV	**238**

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SINTEX INDUSTRIES: BUY, TP-Rs240 (32% upside)

Sector: Diversified
CMP: Rs181; Mcap: Rs49bn
Bloomberg: SINT IN; Reuters: SNTX.BO

What's the theme?

Sintex has a diversified business model marked by low volatility in sales, profit and cash flows. It is a market leader in the Monolithic and Prefab segment.

What will move the stock?

We like Sintex primarily because of: -

- Monolithic and Prefab segment are expected to show CAGR of 25% and 27% during FY11-FY13E respectively.
- Acquired overseas and domestic subsidiaries likely to show operational improvement with 300bps increase in subsidiary margin to 12.2% in FY13e vs. FY10.
- Emerging cash flow positive in FY12-FY13e through better management.

Where are we stacked versus consensus?

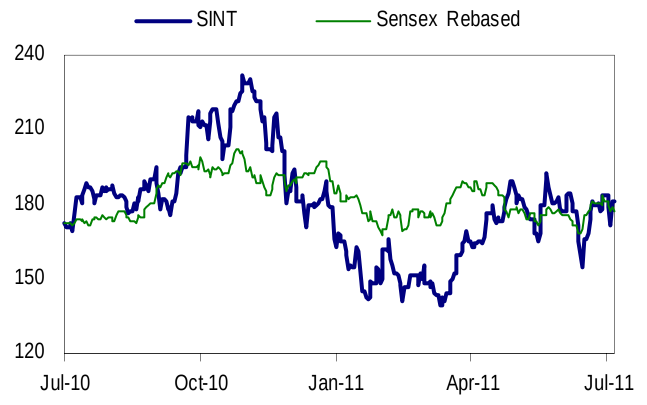
Our earnings estimates (EPS) for FY12 and FY13 are Rs20.2 and Rs23.6 respectively. Our FY12 earnings estimate is 19% higher than consensus estimate of Rs19.9. We have a 'BUY' recommendation on the stock with a target price of Rs240, which discounts FY12E earnings by 12x.

What will challenge our target price?

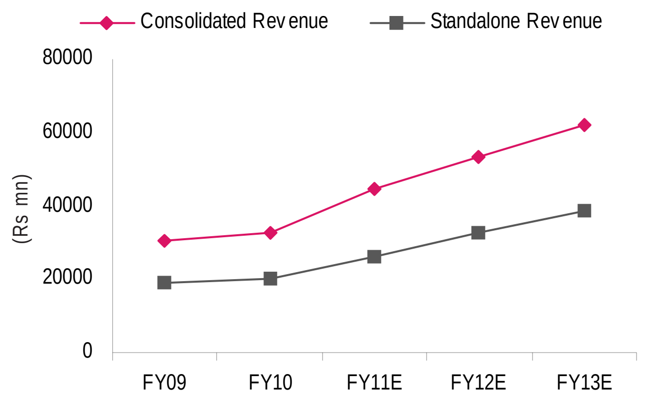
- Execution risks in the Monolithic and Prefab segments.
- Fluctuation in raw material prices denting margin.
- Delay in improvement of subsidiaries.

(Rs mn)	FY10	FY11P	FY12E	YoY %	FY13E	YoY %
Net Sales	32,816	44,751	53,371	19.3	61,880	15.9
EBITDA	5,005	8,154	9,161	12.3	10,426	13.8
EBITDA Marg. (%)	15.3	18.2	17.2	(106)bps	16.8	(32)bps
Adj. Net Profits	3,311	4,583	5,501	20.0	6,430	16.9
Dil. EPS (Rs)	12.1	16.8	20.2	20.0	23.6	16.9
PER (x)	14.9	10.8	9.0	-	7.7	-
ROE (%)	18.1	21.1	20.8	(39)bps	20.0	(78)bps
ROCE (%)	9.2	11.4	12.3	87 bps	12.5	26 bps

Price performance



Revenue



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TATA STEEL: BUY, TP-Rs713 (24% upside)

Sector: Metals
CMP: Rs577; Mcap: Rs589bn
Bloomberg: TATA IN; Reuters: TISC.BO

What's the theme?

We expect Tata Steel's EBITDA to grow at 5% CAGR over FY11-13E, driven by: 1) Improving share of highly profitable integrated Indian operations with completion of 2.9mntpa brownfield expansion at Jamshedpur in FY12; 2) Transformation steps taken at TSE (reduced headcount, sale of TCP, downsizing at Scunthorpe) to improve profitability, 3) Improved capital structure (FY11 net D/E of 1.0x - improved further to 0.9x on sale of stake in Riversdale mining vs. 1.3x in FY10) and 4) Hedging of high RM cost at TSE on commencement of mining at Riversdale (1HFY12) and New Millennium (FY13). We find the stock attractively valued at 5.1x FY12E EV/EBITDA.

What will move the stock?

1) Brownfield expansion of 2.9mntpa at Jamshedpur to increase share of profitable Indian operations (FY11 EBITDA/t of USD353 vs. consolidated USD138); 2) Improved capital structure with manageable financial leverage (FY11 net D/E of 1.0x vs. 1.3x in FY10); 3) Progress on raw material integration in TSE; 4) Commencement of coal mining from Benga project in Mozambique, in which Tata Steel has 35% equity and 40% offtake stake; 5) Expected improvement in steel profitability as high raw material prices ease.

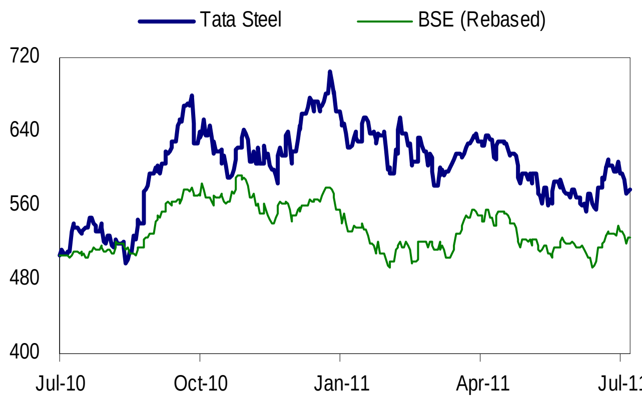
Where are we stacked versus consensus?

Our consol.estimates are lower than the street. We value Tata Steel at Rs713 using SOTP methodology.

What will challenge our target price?

1) Raw material prices remaining high, squeezing margin for non-integrated operation of TSE resulting in losses at the EBITDA level; 2) Delay in brownfield expansion; and 3) Delay in commencing mining at Riversdale/ New Millennium.

Price performance



(Rs mn)	FY10	FY11	FY12E	YoY %	FY13E	YoY %
Net Sales	1,023,931	1,187,531	1,211,085	2.0	1,232,271	1.7
EBITDA	80,427	155,235	151,886	(2.2)	171,873	13.2
EBITDA Marg. (%)	7.9	13.1	12.5	(53)bps	13.9	141 bps
Adj. Net Profits	(6,430)	56,869	53,118	(6.6)	64,812	22.0
Dil. EPS (Rs)	(6.8)	55.7	51.4	(7.7)	62.7	22.0
PER (x)	-	10.4	11.2	-	9.2	-
ROE (%)	(2.2)	17.0	12.1	(493)bps	12.8	70 bps
ROCE (%)	-	8.3	7.1	(120)bps	8.6	146 bps

SOTP Valuation (Based on FY12E EV/EBITDA multiple)

In Rs mn	Target EV/EBIDTA	Target EV	Residual Equity	Target Price (Rs)
Tata Steel India	6.2	793,586	803,221	777
Tata Steel Europe (Corus)	5.0	97,768	(88,012)	(85)
Tata Steel Thailand	5.0	4,116	4,116	4
Natsteel	5.0	17,556	17,556	17
Tata Steel cons.	6.0	913,027	736,881	713

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