Economy News

- The rupee gained 30 paisa to close at 46.36 against the dollar, a fresh 13-month high, on speculation that higher local growth will help draw more funds from foreign investors. (BS)
- Imports will attract Goods and Services Tax (GST) under the new tax regime to be ushered in from next year (BL)
- A near - doubling of imports of edible oil in the first four months of the fiscal pushed up imports of the sensitive items by 34.5%.(ET)
- Wholesale Price Index (WPI) for the week ended September 26 was at 0.7%, marginally lower than previous weeks level of 0.83% as the food items became cheaper (ET)

Corporate News

- **MTNL** has joined the race to acquire majority stake in Zambia Telecommunications Company (Zamtel). The Zambian government plans to sell 75% equity of Zamtel, valued at around $200 million, in a bid to stabilise the ailing operator. (ET)
- **L&T** has raised $600 million (about Rs 2,800 crore at current exchange rate) through sale of shares and bonds to institutional investors, as it gets set to cash in on a government drive to build infrastructure. (BS)
- Home ministry puts off decision on Balco stake sell to **Sterlite** after Korba tragedy (ET)
- UK-based GlaxoSmithKline Plc has emerged as frontrunner for a phased buy-in of **Dr Reddy's Laboratories Ltd.** Glaxo likely to acquire stake of just under 5%, worth around $165 million (around Rs764 crore). (Mint)
- The Essar Group may sell stake in its oil **(Essar Oil)** and shipping units **(Essar Shipping)**, as part of a global expansion plan, said Prashant Ruia, the groups chief executive officer. (ET)
- **Provogue India** has invested over Rs 1,500 crore for setting up six new malls, which would be developed by its real estate arm, Prozone Enterprises, and come up in the next two years. (BS)
- **BPCL** has decided to take a tough stance against Kingfisher Airlines on non-payment of aviation turbine fuel dues totalling Rs 314 crore (including interest). (BL)
- **Shree Cement** on Thursday announced its foray into commercial power business, and will invest Rs 1,200 crore in the next two years to set up a 300-MW thermal power plant in Rajasthan. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

Equity

	8 Oct 09	% Chg 1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	16,844	0.2	4.1	22.4
NIFTY Index	5,002	0.3	3.9	22.6
BANKEX Index	9,930	1.0	14.2	33.1
BSET Index	4,339	(1.9)	1.2	38.7
BSETCG INDEX	13,885	(0.0)	5.3	20.2
BSEOIL INDEX	10,307	1.4	(0.6)	16.8
CNXMcap Index	6,773	0.7	8.9	28.9
BSESMCAP INDEX	7,423	0.2	3.3	39.3
World Indices				
Dow Jones	9,787	0.6	2.5	19.6
Nasdaq	2,124	0.6	3.1	21.2
FTSE	5,155	0.9	3.0	23.9
Nikkei	9,832	0.3	(4.1)	6.5
Hangseng	21,493	1.2	3.1	20.9

Value traded (Rs cr)

	8 Oct 09	% Chg - Day
Cash BSE	6,183	(3.9)
Cash NSE	20,823	(1.0)
Derivatives	69,732	(13.9)

Net inflows (Rs cr)

	7 Oct 09	% Chg	MTD	YTD
FII	773	2,362	1,939	62,421
Mutual Fund (6-Oct)	(721)	(20)	(2,404)	188

FII open interest (Rs cr)

	7 Oct 09	% Chg
FII Index Futures	11,380	0.3
FII Index Options	31,242	0.5
FII Stock Futures	24,511	2.2
FII Stock Options	558	5.9

Advances / Declines (BSE)

8 Oct 09	A	B	S	Total	% total
Advances	123	713	176	1,012	44
Declines	78	913	233	1,224	53
Unchanged	2	64	16	82	4

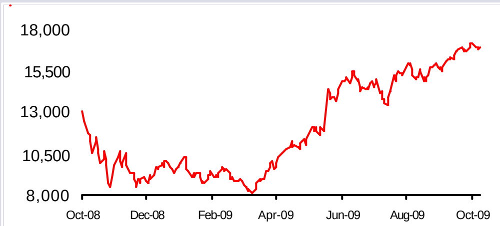
Commodity

	8 Oct 09	% Chg 1 Day	1 Mth	3 Mths
Crude (NYMEX) (US$/BBL)	71.3	(0.6)	(0.0)	18.0
Gold (US$/OZ)	1,055.1	1.0	5.5	14.8
Silver (US$/OZ)	17.8	1.3	8.0	36.9

Debt / forex market

	8 Oct 09	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.40	7.46	7.56	7.05
Re/US$	46.34	46.68	48.48	48.89

Sensex



RESULTS PREVIEW

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Q2FY10 RESULTS PREVIEW

Revenue growth expected to remain decent

We expect stocks under our coverage (ex-banking / NBFCs) to report revenue growth of about 9% on a YoY basis. Capital Goods / Power and Construction are the sectors which are expected to lead this growth. Mid-caps are also expected to contribute to this growth. The IT sector is expected to report a growth of about 5% YoY despite the almost 10% depreciation in the rupee v/s USD.

On the other hand, we expect the metals / mining sector to drag the overall growth lower. Realisations in this sector have fallen over the corresponding previous quarter and this will get reflected in the 17% drop in revenues YoY. Excluding metals / mining, revenues for our coverage universe are expected to rise by nearly 13%.

Banks / NBFCs under our coverage are expected to post an 11% rise in NII. Credit growth has been moderate at about 13% levels (as on September 26, 2009). During the same period, deposits have grown by 19.7% YoY.

Margins are expected to rise

EBIDTA margins for the companies under our coverage are expected to improve on a YoY basis. Companies in the Media, Cement, Construction, Metals/Mining and IT sectors are expected to witness improved profitability. While media companies are expected to benefit from the fall in newsprint prices and overall cost control, higher cement prices will allow cement companies to report higher profitability.

In the IT sector, the rupee depreciation is expected to account for a large part of the improvement in profitability on a YoY basis. The metals sector is expected to report improved margins because of lower raw material prices.

As far as banks are concerned, pre-provisioning profits are expected to rise by 17% due to the relatively higher other income component. Higher balance sheet liqudity will lead to lower NIMs for the quarter (YoY). NBFCs are expected to report a growth of about 19% in pre-provisioning profits.

Q2FY10 estimates - Banking & NBFC

Sector	Net Interest Income			Pre-Provisioning Profit			PAT		
(Rs mn)	Q2FY10	Q2FY09	YoY (%)	Q2FY10	Q2FY09	YoY (%)	Q2FY10	Q2FY09	YoY (%)
Banking (11)	125,552	114,040	10.1	106,512	91,098	16.9	50,862	43,700	16.4
NBFCs (6)	30,256	25,884	16.9	26,086	21,899	19.1	17,667	14,233	24.1
Coverage Universe	**155,808**	**139,924**	**11.4**	**132,598**	**112,997**	**17.3**	**68,529**	**57,933**	**18.3**

Source: Companies, Kotak Securities - Private Client Research

Q2FY10 estimates - ex-Banking & NBFCs

Sector	Revenues (Rs mn)			EBIDTA (%)		EBIDTA (Rs mns)			PAT (Rs mns)		
	Q2FY10	Q2FY09	YoY (%)	Q2FY10	Q2FY09	Q2FY09	Q2FY09	YoY (%)	Q2FY10	Q2FY09	YoY (%)
C Goods (15)	331,860	285,812	16.1	11.9	11.6	39,646	33,043	20.0	23,576	19,093	23.5
Power (1)	109,906	96,614	13.8	29.6	30.8	32,537	29,773	9.3	18,020	17,264	4.4
Media (9)	18,370	19,113	-3.9	22.5	17.0	4127.3	3,246	27.2	2,619	2,278	15.0
Mid - caps (9)	56,190	39,926	40.7	16.1	18.3	9,058	7,313	23.9	4,321	3,429	26.0
Logistics (7)	58,225	57,113	1.9	12.1	12.0	7,030	6,843	2.7	4,640	4,418	5.0
Mining / Metals (2)	107,752	129,418	-16.7	28.6	26.5	30,780	34,320	-10.3	21,203	23,494	-9.7
Cement (5)	54,285	47,201	15.0	33.3	24.4	18,095	11,524	57.0	10,511	6,894	52.5
Construction (8)	100,396	81,933	22.5	14.2	12.3	14,224	10,107	40.7	14,031	5,257	166.9
IT (14)	264,860	253,164	4.6	25.7	24.1	68,140	61,036	11.6	51,508	46,342	11.1
Coverage universe	**1,101,843**	**1,010,294**	**9.06**	**20.3**	**19.5**	**223,636**	**197,205**	**13.40**	**150,430**	**128,469**	**17.09**

Source: Companies, Kotak Securities - Private Client Research

Future visibility to be of paramount importance

While the July - September 09 results will be watched closely, we believe that, increased visibility on 2HFY10 (and FY11, wherever possible) performance will be of paramount importance.

The recessionary conditions in the global economy have impacted the export demand. On the other hand, there have been signs of a revival in the domestic economy. The fiscal stimulus provided by the Government have started showing results.

However, concerns still persist that, the global economy may recover only in the middle of the next calendar. This logically leads to concerns on the top-line growth of corporate India in the next few quarters. The initial signs of revival need to be sustained in the medium term for private investments to pick up steam.

We will look at management comments to get further comfort on FY10 revenue growth and visibility for FY11.

Conclusion

Markets have been on an uptrend in the past quarter, post the budget announcement. Expectations are running high about the ability of the Indian economy to return back to high growth rates ahead of most other economies. Consequently, corporate profit growth is also expected to re-bound sharply.

To that extent, we believe that, markets have prices in these positives which can come through in the near term and these positives need to now come through. If the markets have to sustain the current levels and move up in a sustainable manner, it will also need to have more confidence in the medium-to-long term growth rates of Corporate India.

In case management commentary is able to provide enough visibility and comfort for the medium term, markets may sustain current levels. However, the room for disappointment is very limited in our view. Disappointment in earnings or on future outlook may result in corresponding specific corrections.

Apart from the quarterly results and outlook, we will watch out for the movement in commodity prices and inflation. These factors have a bearing on the interest rate expectations and their actual levels. Any sudden rise in commodity prices preceding the actual economic recovery will be a concern for us.

RESULTS PREVIEW

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BANKING

- **Stocks under our coverage universe are expected to register NII growth of 10.1%(YoY), Pre-provisioning profit and Net income to grow at 16.9% (YoY) and 16.4% (YoY), respectively on back of decent growth in non-interest income.**
- **Credit off-take (as on September 26, 2009) has been moderate at 13.0% (YoY); deposits grew 19.7% (YoY), during the same period. Incremental C/D ratio during Q2FY10 (as on September 26, 2009) stands at 69.6%, as against 5.4% during Q1FY10 (as on June 26, 2009).**
- **NIMs to decline YoY; however it is likely to remain almost stable on QoQ basis. The excess B/S liquidity is likely to put some pressure on the NIM of the banks. However, we expect some benefits of deposit re-pricing to partly compensate this.**
- **Marginal increase in 10-year yield during Q2FY10, would not lead to any meaningful MTM hit on investment portfolio of the banks.**
- **With bulk of the stressed accounts already restructured during recent times (Q4FY09 & Q1FY10) under RBI's "Special dispensation scheme", we expect incremental deterioration to be limited.**
- **Top Picks: Axis Bank, BoB, Union Bank, PNB, Indian Bank**

Top Picks:
Axis Bank, BoB, Union Bank, PNB, Indian Bank

Moderate growth in core earnings is expected

Core earnings during Q2FY10 are likely to be moderate on the back of moderate loan growth (13.0% YoY, as on September 26, 2009) and likely pressure on their NIMs (YoY).

The banking sector under our coverage universe is expected to register NII growth of 10.1% (YoY). However, Pre-provisioning profit and Net income is expected to grow at higher levels of 16.9% (YoY) and 16.4% (YoY), respectively on back of decent growth in non-interest income.

Moderating loan growth; up-tick in loan growth expected in H2FY10

Credit off-take (as on September 26, 2009) has been moderate at 13.0% (YoY) whereas deposits grew 19.7% (YoY), during the same period. In Q2FY10, loans have increased Rs.952 bn as against the deposit growth of Rs.1366 bn leading to incremental C/D ratio at 69.6% during Q2FY10 (as on September 26, 2009), as against 5.4% during Q1FY10 (as on June 26, 2009).

We expect this moderation in loan growth to continue for few more months before reviving meaningfully in the later part of H2FY10. We have assumed 16-17% growth in loan book during FY10 for banks under our coverage.

Trend in business growth

(Rs bn)	26-Sep-09	26-Jun-08	26-Sep-08	YoY (%)
Aggregate Deposits	41200	39834	34421	19.7
Bank Credit	28735	27783	25425	13.0
Non-food credit	28307	27219	24973	13.4
Incremental C/D ratio (YOY-%)	48.8	51.9	89.5	
C/D Ratio (%)	69.7	69.7	73.9	

Source: RBI

NIMs to decline YoY; however it is likely to remain almost stable on QoQ basis

Strong growth in deposits without corresponding increase in loan growth is creating surplus liquidity in the system. The incremental C/D ratio has fallen to a five year low of 48.8% (as on September 26, 2009). Banks have been parking a daily average of Rs.1.3 trillion during Q2FY10 in reverse repo under LAF window.

Banks have been aggressively buying G-Secs and now at the end of Q2FY10 SLR investments stand at around 33% of its NDTL, as against 30.4% at the end of FY09.

This excess B/S liquidity is adversely impacting the NIMs of the banks. However, most banks are also likely to benefit in terms of lower cost of deposits on back of downward re-pricing of their deposits. This is likely to help them in partly mitigating the negative impact of excess liquidity.

We believe, full benefits of deposit re-pricing are likely to accrue in H2FY10. We expect, NIM to decline YoY but sequentially it is likely to remain stable with positive bias. In H2FY10, margin would improve on back of lower deposit rates (e.g. 1-yr card rate has already come down to 6.5-7.5%), impact of reduction in wholesale deposits along with improvement in C/D ratio with revival in loan growth.

Lower provision on investment depreciation

Marginal increase in 10-year yield (16 bps) during Q2FY10, would not lead to any meaningful MTM hit on investment portfolio of the banks. Our interaction with the bankers suggests that most of them are cushioned till 10-yr yield moving to 7.25-7.5%. Apart from this, most of the banks have de-risked their investment book by reducing their share of AFS/HFT portfolio along with reduction in the duration of these books.

Consequently, banks are likely to make very low provisions for investment depreciation, in our view.

Lower slippage expected

With bulk of the stressed account already restructured during recent times (Q4FY09 & Q1FY10) under RBI's "Special dispensation scheme", we expect incremental deterioration to be limited.

However, few private sector banks are likely to report addition to their restructured loan pool in Q2FY10 also. Private sector banks had restructured only 1-3% of customer assets as against 3-8% reported by the PSU banks.

Top Picks: Axis Bank, BoB, Union Bank, PNB, Indian Bank

Quarterly estimates - Banking

Company	Net Interest Income (Rs mn)					Pre-Provisioning Profit (Rs mn)					PAT (Rs mn)					EPS (Rs)				
	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)
Allahabad Bank	6,413	6,291	1.9	4,935	29.9	4,506	5,906	(23.7)	3,142	43.4	2,006	3,029	(33.8)	417	381.3	4.49	6.76	(33.6)	0.93	382.9
Andhra Bank	4,836	4,414	9.6	4,335	11.5	3,703	3,480	6.4	2,784	33.0	1,953	2,562	(23.8)	1,615	20.9	4.03	5.28	(23.8)	3.33	20.9
Axis Bank	11,724	10,456	12.1	9,135	28.3	11,288	11,764	(4.0)	8,744	29.1	5,288	5,620	(5.9)	4,029	31.3	13.15	15.64	(15.9)	11.23	17.1
BOB	13,061	12,047	8.4	11,338	15.2	10,015	10,099	(0.8)	8,456	18.4	5,015	6,854	(26.8)	3,953	26.9	13.72	18.82	(27.1)	10.85	26.5
HDFC Bank	21,268	18,556	14.6	18,665	13.9	16,282	15,187	7.2	11,229	45.0	6,882	6,061	13.5	5,280	30.3	16.05	14.16	13.3	12.40	29.4
ICICI Bank	21,468	19,853	8.1	21,476	(0.0)	24,440	25,291	(3.4)	22,849	7.0	10,040	8,782	14.3	10,142	(1.0)	9.02	7.89	14.3	10.33	9.1
Indian Bank	7,429	7,377	0.7	6,819	8.9	6,065	6,305	(3.8)	5,328	13.8	3,165	3,317	(4.6)	2,830	11.9	7.36	7.44	(1.0)	6.35	16.0
IOB	8,026	7,684	4.4	7,850	2.2	5,553	4,286	29.5	6,014	(7.7)	2,953	3,018	(2.2)	3,590	(17.8)	5.42	5.54	(2.2)	6.59	(17.8)
J&K Bank	2,796	2,660	5.1	2,613	7.0	2,132	2,565	(16.9)	1,876	13.7	1,132	1,171	(3.3)	1,159	(2.3)	23.35	24.15	(3.3)	23.91	(2.3)
PNB	19,586	18,618	5.2	17,122	14.4	14,741	15,693	(6.1)	13,678	7.8	8,141	8,321	(2.2)	7,071	15.1	25.82	26.39	(2.2)	22.43	15.1
Union Bank	8,945	8,016	11.6	9,753	(8.3)	7,786	7,875	(1.1)	6,997	11.3	4,286	4,422	(3.1)	3,615	18.6	8.49	8.75	(3.1)	7.16	18.5
TOTAL	**125,552**	**115,971**	**8.3**	**114,040**	**10.1**	**106,512**	**108,451**	**(1.8)**	**91,098**	**16.9**	**50,862**	**53,156**	**(4.3)**	**43,700**	**16.4**					

Source: Companies; Kotak Securities - Private Client Research

RESULTS PREVIEW

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CAPITAL GOODS

The Capital Goods sector Index underperformed the broader market on rich valuations and deceleration in order booking in Q2FY10.

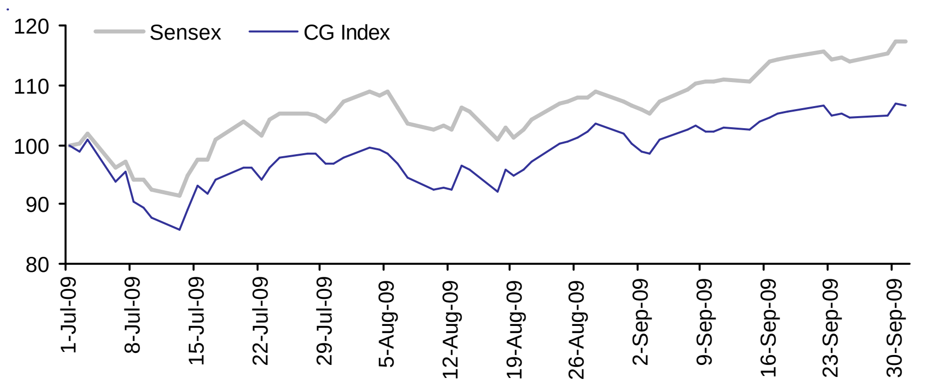
Recent IIP numbers indicate improvement in industrial activity. The IIP Index for June and July 2009 rose 8.2% and 6.8% YoY respectively. However, the trend in Capital Goods index has not been consistent. This index grew 13% yoy in June but slowed down to 2% yoy in July 2009. On an overall basis, Capital Goods Index for April-July 2009 rose 2% as against a growth of 10% in the corresponding period of the previous year.

Preview Highlights

We recommend selective buying in stocks like L&T, Crompton Greaves, Blue Star, Kalpataru Power Transmission and Hind Dorr Oliver

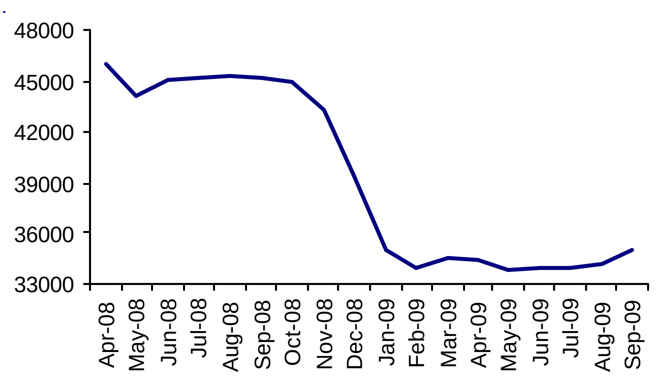
- We expect aggregate revenue growth of 16% yoy in the second quarter.
- EBITDA growth of 20% yoy mainly driven by BHEL and L&T
- Aggregate PAT to grow 24% yoy.
- The business outlook for Capital Goods has improved though it is yet to translate in to orders especially from the non-Power sector side.
- There has been sharp rise in the Capital Goods stocks without a commensurate increase in order booking and revenue visibility. In view of this, we remain selectively positive on the sector.
- We would recommend selective buying in stocks like L&T, Crompton Greaves, Blue Star, Kalpataru Power Transmission and Hind Dorr Oliver.

Capital goods index vs Sensex



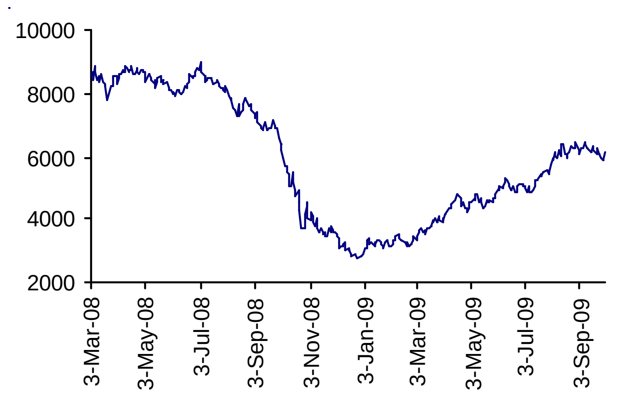
Source: Capitaline

HR coil price (Rs/ton)



Source: Capitaline

Copper on LME (US$/ton)



Source: Capitaline

Capital goods

- **Suzlon:** We expect another set of poor results from Suzlon as the combined impact of lower volumes and higher interest costs erode profitability. The company has not had any major success in building its order book during the quarter.
- **BHEL:** Second quarter numbers would be impressive as robust execution coupled with margin expansion (led by operating leverage) drives earnings growth.
- **ABB:** In recent quarters, revenue growth for ABB has clearly moderated. We expect muted growth in order booking. We forecast flat earnings for the quarter. The company's revenue growth has suffered in recent past as it has moved out of the Rural Electrification business. Based on recent interactions with players, there are signs of competitive pricing pressure for projects from PGCIL.
- **Crompton Greaves:** CGL should report healthy earnings for the quarter mainly aided by the lower interest charges and higher other income. The company is cash surplus at standalone level and has a minor net debt at consolidated level.
- **Siemens:** We forecast modest revenue growth for Siemens as the company has commenced the year with a lower order backlog.
- **Voltamp:** Voltamp reported sharp decline in EBITDA margins in the first quarter. Based on our interactions, the management expects that margin pressure may continue into the second quarter. Thus, we forecast a 23% decline in profits in the second quarter.
- **Larsen & Toubro:** We expect the company to report healthy revenue growth as project execution is expected to have gained traction on overall improvement in economic scenario. Operating margins would likely remain higher given material prices are lower on a yoy basis.
- **Cummins India:** Cummins numbers are not comparable since Q2 FY09 did not include numbers from its amalgamated subsidiary CDSS. We expect further strength in domestic market sales and sequential improvement in export sales.

Quarterly estimates - Capital Goods

Company	Revenues (Rs mn)					EBIDTA (%)			PAT (Rs mn)					EPS (Rs)				
	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	Q1 FY10	Q2 FY09	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)
Capital Goods																		
Voltamp	1,347	1,042	29.27	1,700	(20.8)	16.7	15.6	22.3	211	149	41.6	274	(23.0)	20.9	14.8	41.2	27.0	(22.6)
Cummins	7,443	6,256	18.97	7,898	(5.8)	17.5	18.8	15.6	837	897	(6.7)	939	(10.9)	4.2	4.5	(6.7)	4.7	(10.6)
BEL	8,665	9,106	-4.84	7,877	10.0	21.0	10.1	21.5	1,329	727	82.8	1,237	7.4	16.6	9.1	82.4	15.5	7.1
Blue Star	6,595	5,385	22.47	6,466	2.0	11.0	11.6	10.7	474	412	15.0	449	5.6	5.3	4.6	15.2	5.0	6.0
Voltas	11,406	12,419	-8.16	9,180	24.2	8.5	9.0	8.8	666	768	(13.3)	591	12.7	2.0	2.3	(13.0)	1.8	11.1
Thermax	7,275	5,228	39.15	7,907	(8.0)	12.5	13.2	11.8	613	465	31.8	570	7.5	5.1	3.9	30.8	4.8	6.3
Hind Dorr	1,514	1,804	-16.08	1,164	30.1	11.3	12.4	11.6	101	128	(21.1)	80	26.3	2.8	3.6	(22.2)	2.2	27.3
L&T	88,345	73,627	19.99	76,822	15.0	10.2	11.2	8.8	6,096	5,783	5.4	4,603	32.4	10.4	9.9	5.1	7.9	31.6
ABB	16,971	14,060	20.70	16,163	5.0	11.0	10.0	11.8	1,186	784	51.3	1,318	(10.0)	5.6	3.7	51.4	6.2	(10.0)
Areva	7,741	7,883	-1.80	5,865	32.0	14.0	13.6	16.3	530	501	5.8	504	5.2	2.2	2.1	4.8	2.2	-
Siemens	25,669	19,096	34.42	24,216	6.0	14.0	13.5	14.0	2,420	1,727	40.1	2,251	7.5	7.3	5.2	40.4	6.8	7.4
BHEL	68,826	55,956	23.00	53,426	28.8	16.0	10.6	13.3	8,222	4,706	74.7	6,158	33.5	16.8	9.6	75.0	12.6	33.3
CGL	22,872	21,975	4.08	20,984	9.0	11.0	11.3	11.3	1,523	1,605	(5.1)	1,201	26.8	4.2	4.4	(4.5)	3.3	27.3
Suzlon	52,000	41,714	24.66	41,818	24.3	7.0	0.3	9.9	(960)	(4,443)	(78.4)	(1,305)	(26.4)	(0.6)	(2.9)	(79.3)	(0.9)	(31.0)
Kalpataru Power	5,191	4,873	6.53	4,326	20.0	12.0	12.0	12.1	328	321	2.2	223	47.1	12.4	12.1	2.5	8.4	47.6
TOTAL	**331,860**	**280,424**	**18.34**	**285,812**	**(1.9)**	**11.9**	**10.0**	**11.6**	**23,576**	**14,530**	**62.3**	**19,093**	**23.5**	**115.2**	**86.9**	**32.6**	**107.6**	**7.1**
Power																		
NTPC	109,906	120,027	-8.43	96,614	13.8	31.0	30.8	30.8	18,020	21,134	(14.7)	17,264	4.4	2.2	2.6	(15.4)	2.1	4.8

Source: Companies, Kotak Securities - Private Client Research

- **Hind Dorr Oliver:** We forecast strong revenue and profit growth of 30% and 27% yoy for the quarter. The company has an order backlog of Rs 14 bn and expected to post revenue of Rs 7.5 bn in FY10. HDO is one of our preferred midcaps.
- **Thermax:** We estimate continued subdued numbers for Thermax in the wake of overall slack in new project activity. However, the stock has been a strong outperformer during the quarter aided by revival in order booking.
- **Voltas:** We expect healthy growth in the projects division (60-65% of the revenues) as the order backlog has been strong. We believe unitary cooling products business will report better performance on a yoy basis. However, profit growth likely to be moderate due to margin contraction led by the engg services segment.
- **Bharat Electronics:** We forecast moderate growth in revenues and profits for the company.
- **Areva:** Areva's profit growth would be dampened by higher interest charges as the company has completed a significant investment programme in Q1CY09.
- **Kalpataru Power Transmission:** We expect acceleration in revenue growth for the company as the huge order book of the company translates into revenue. A critical issue would be watched in the results would be the status of the company's working capital which had increased at the end of FY09 mainly due to a specific project.
- **Blue Star:** We expect modest numbers from Blue Star. Project activity has slowed down though some traction has started in the second quarter.
- **NTPC:** Generation volumes are up 7% but down on a sequential basis by 9%. The previous year's corresponding quarter had a tax writeback which had boosted profit figure.

RESULTS PREVIEW

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CEMENT

Cement sector in Q2FY10 has started witnessing price declines as well as demand moderation as we had expected. New supplies have started putting pressure on the cement realizations while demand has also slowed down in few areas. With commissioning of further new capacities, capacity utilizations along with cement prices would further start coming under pressure. Cost pressures are also likely to increase going forward due to increase in limestone royalty as well as expected increase in coal prices, thereby impacting margins negatively. We would thus maintain a negative stance on the sector. We would prefer players catering to northern and eastern markets where demand is still strong and players have significant capacity and volume expansion in next 6-9 months.

Key highlights during Q2FY10

Volume growth impacted by monsoons and demand slowdown in few areas

Volume growth in Q2FY10 has seen moderation due to monsoons as well as demand slowdown witnessed in few areas such as Southern and Western regions. Northern India continues to witness strong demand due to investments in infrastructure as well as rural housing projects. However, Southern region has witnessed lower than expected demand. The higher supply led by commissioning of incremental capacities by several players has led to an oversupply situation. We expect Northern and eastern regions to continue to witness higher demand but southern region is further likely to be impacted by floods primarily in AP.

Decline witnessed in cement prices

Cement prices have been continuously witnessing decline in Southern region while prices remained stable till mid - August in other regions due to below average monsoons and extended construction activities in July and August. However, post mid-August, cement prices have witnessed a decline of Rs 4-5/bag in almost all the regions due to monsoons as well as incremental supplies. We expect pricing pressures to continue going forward also due to demand moderation as well as upcoming supplies.

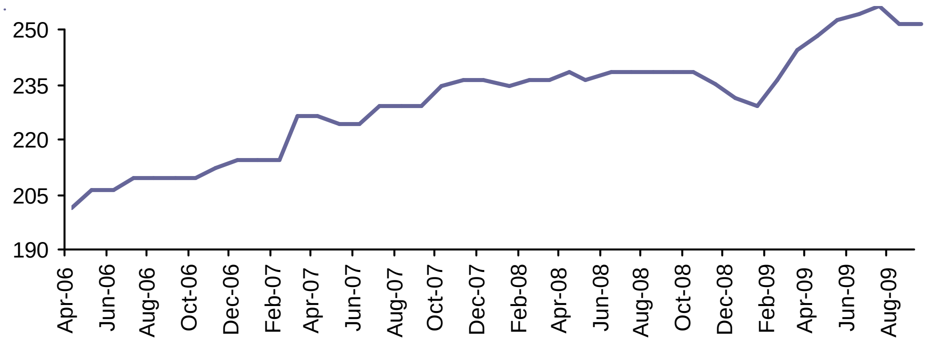
Cost benefits likely to moderate in another one quarter

Cement companies had witnessed a sharp decline in their overall costs in past two quarters due to decline in the power and fuel cost as well as reduction in other expenditure, resulting in improvement in their operating margins. We do not expect further reduction in the overall costs and with increase in the limestone royalty and expected increase in the coal prices going forward, we expect operating margins to witness downward pressure.

Pricing trend in different regions

Prices remained firm till mid August in the northern region and then witnessed a decline of Rs 4-5/bag due to monsoons.

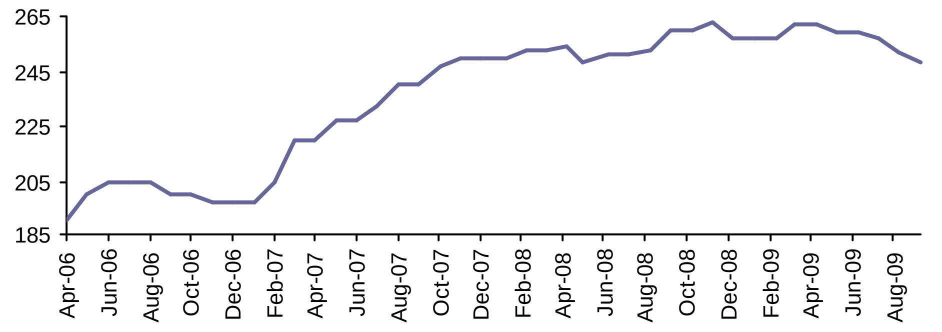
North (Rs/bag)



Source: CMA

Prices have been continuously under pressure since June due to lack of demand and oversupplies. Some areas in southern region have witnessed a correction of Rs 5-15/bag in Q2FY10

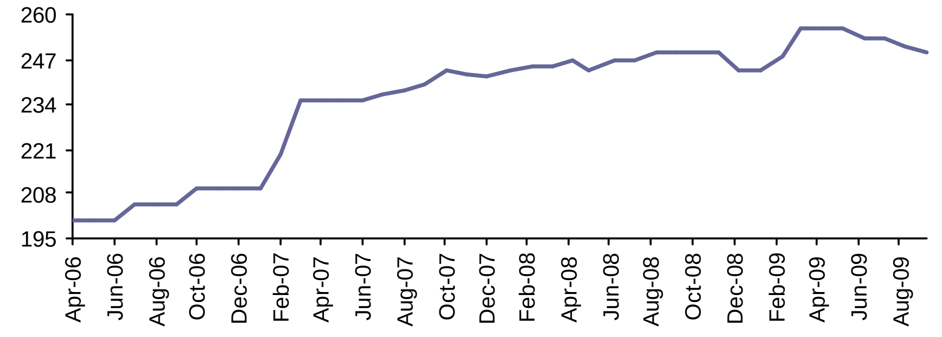
South (Rs/bag)



Source: CMA

Prices have remained fairly firm in the eastern region in July-August but witnessed a marginal correction in September.

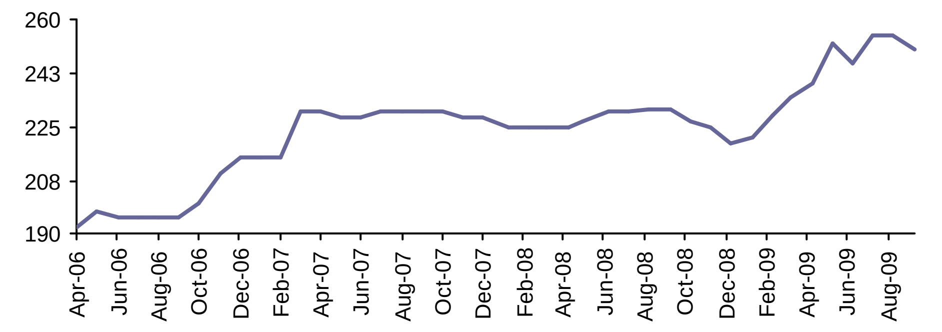
East (Rs/bag)



Source: CMA

Western region has been witnessing pricing pressure due to lower than expected demand.

West (Rs/bag)



Source: CMA

Companies

- **Grasim** -. We expect Grasim's consolidated revenues to be around Rs 45.7bn led by dispatches of 9MT in cement and improvement in VSF realizations. Operating margins are expected to be around 29% and net profits to be around Rs 6.2bn in Q2FY10 as against revenues of Rs 44.5bn, operating margins of 21% and net profits of Rs 4.9bn in Q2FY09. Net profit is expected to be impacted by higher depreciation and higher tax rate in Q2FY10.
- **ACC** - Dispatches for ACC for Q3CY09 are expected to be around 5.06MT as against 4.86MT in Q3CY08. We expect prices to be lower than Q2CY09 due to decline witnessed in cement prices in most parts of the country. However, even after price cuts, realizations are still higher than Q3CY08. Thus, operating margins are also expected to be improved to 34% as against 22% for Q3CY08. Net profits are expected to be around Rs 4.2bn for Q3CY09 as against Rs 2.8bn for Q3CY08.

- **Ultratech Cement** - Dispatches for Ultratech Cements for Q2FY10 are expected to be 4.5 MT as against 3.98MT in Q2FY09 due to commissioning of new capacities. Operating margins are expected to be in the range of 31% as against 21% for Q2FY09. Net profits are expected to be around Rs 2.6bn for Q2FY10 as against Rs 1.6bn for Q2FY09.
- **India Cement** - We expect India Cement's dispatches to be around 2.58MT for Q2FY10 as against 2.43MT for Q2FY09. Cement realizations have witnessed a decline primarily in the southern regions, thus operating margins are expected to be around 27% for Q2FY10 as against 31% for Q2FY09. Net profit growth is expected to be muted on an yearly basis.
- **Shree Cement** - Dispatches for Shree Cements for Q2FY10 are expected to be 2.4 MT as against 2.0MT in Q2FY09 led by capacity expansion. With current cement realizations better than last year and decline in the power costs, operating margins are expected to be in the range of 44%, as against 29% for Q2FY09. Net profits are expected to be around Rs 2.4bn for Q2FY10 as against Rs 1.1bn for Q2FY09.

Quarterly estimates - Cement

Company	Revenues (Rs mn)					EBIDTA (%)			PAT (Rs mn)					EPS (Rs)				
	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	1Q FY10	2Q FY09	Q2 FY10	1Q FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)
Grasim	45,716	50,803	(10.0)	44,525	2.7	29.0	31.1	20.7	6,184	10,800	(42.7)	4,859	27.3	67.4	117.8	(42.7)	53.0	27.3
ACC*	19,228	20,813	(7.6)	17,492	9.9	33.5	35.3	21.9	4,184	4,856	(13.9)	2,835	47.6	22.3	25.8	(13.9)	15.1	47.6
Ultratech Cement	15,975	19,528	(18.2)	13,962	14.4	31.0	36.7	21.3	2,624	4,178	(37.2)	1,642	59.8	21.1	33.6	(37.2)	13.2	59.8
India Cement	9,962	9,535	4.5	9,455	5.4	26.9	30.0	30.7	1,326	1,443	(8.1)	1,343	(1.3)	4.7	5.1	(8.1)	4.8	(1.5)
Shree Cement	9,120	9,224	(1.1)	6,292	45.0	44.1	46.1	29.0	2,378	2,911	(18.3)	1,075	121.2	68.3	83.6	(18.3)	30.9	121.2
TOTAL	**54,285**	**59,100**	**(8.1)**	**47,201**	**25.2**				**10,511**	**13,388**	**(21.5)**	**6,894**	**52.5**					

*Source: Companies, Kotak Securities - Private Client Research; Note: *ACC is CY ending company; results are for Q2CY09*

RESULTS PREVIEW

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CONSTRUCTION

Scenario for construction sector for Q2FY10 has improved in terms of higher order inflows as well as successful fund raising by construction companies through QIP or NCDs. Fund raising has helped companies reduce their high cost debt as well as enable them to invest in several projects. Improved activity in terms of higher order inflows from domestic as well as international markets is also positive for sustaining growth in revenues going forward for the companies. Along with this, order inflow is likely to pace up going forward in the coming quarters due to increased allocations for various segments announced in the Union Budget 2009-10. We also expect increased activity in the road segment in the coming quarters which will be positive for players like NCC, MPL, IVRCL under our coverage universe.

We recommend BUY on Unity Infra and ACCUMULATE on JP Associates, NCC, IVRCL, Punj Lloyd on declines.

We continue to maintain our positive stance on the sector and would recommend buying Unity Infra and accumulating JP Associates, NCC, IVRCL, Punj Lloyd on declines.

Key highlights about the sector during Q2FY10

Order inflow witnessed an improvement in Q2FY10

Order inflow momentum has picked up in Q2FY10 from both the domestic as well as international markets with key players bagging huge orders in these segments. Along with that, company managements are quite confident of the future order inflows and expect FY11 to be an excellent year in terms of order inflows. Current order book of most of the companies provides visibility for next 2-3 years. Revenues of the construction companies in Q2FY10 are expected to be impacted by monsoons. However, slow pace of implementation in the current quarter is expected to be overcome by robust growth in the coming quarters.

Order inflow table in Q2FY10

(Rs mn)	Q2FY10	Q1FY10	Q4FY09	Q3FY09	Q2FY09	Q1FY09
Punj Lloyd	114,881	-	13,112	8,257	54,700	29,400
IVRCL	17,378	10,910	6,700	26,681	22,500	17,900
NCC	24,940	3,580	9,750	10,110	13,300	11,600
Patel Engineering*	-	7,080	7,990	13,507*	7,000	6,020
Unity Infra	7,622	-	740	3,752	2,300	8,300
BGR energy	32,920	-	429	-	80,400	427
Simplex Infra	10,000	10,000	11,000	14,500	12,200	20,500
Madhucon	-	1,962	-	-	9,900	-

*Source: Company; Note: * Corresponding to 35% share of Patel Engg in Rs.38590mn order won by consortium of Patel Engg, BHEL, Navyuga Construction in Q3FY09*

Easier availability of funds

Several companies have raised funds through QIP and few others have taken board resolutions to raise funds to meet their capex, investment and working capital requirements. Punj Lloyd has successfully managed to raise around Rs 6.7bn through a QIP issue and another Rs 6bn through Non Convertible Debentures on private placement basis. NCC has also raised approximately Rs 3.7bn through a QIP issue. Unity Infra has taken a board approval for raising Rs 2.5bn through QIP at an appropriate time and Madhucon Projects is also planning to raise money through its subsidiary. Along with this, availability of credit from banks has also eased and companies can easily raise debt for funding their working capital requirements. Thus we believe that easier availability of funds has enabled the companies meet their funding requirements and sustain the required growth rate.

Operating margins to remain a mixed bag

Operating margin performance of the companies is expected to be a mixed bag depending upon the contracts executed in the current quarter. Operating margins had witnessed an improvement for most of the companies under our coverage universe for Q1FY10 due to reduction in raw material cost. We expect full year FY10 operating margins to remain similar to FY09 levels or improve marginally from those levels.

Net profits are expected to witness improvement led by revenue growth

Net profits of construction companies are expected to witness an improvement on sequential as well as yearly basis primarily led by healthy revenue growth and improvement in the operating margins.

Valuations

Construction stocks are currently trading at fair valuations based on FY10 estimates. We believe that further upsides are likely to come on incremental order inflow announcements thereby increasing future revenue visibility going forward. However, we continue to remain positive on the sector due to focus of government on infrastructure spending, diversified business model, easier availability of credit and current prevailing lower interest rates as against last year. We would recommend **BUY** on Unity Infra and **ACCUMULATING** JP Associates, NCC, IVRCL, Punj Lloyd on declines.

Quarterly estimates - Construction

Company	Revenues (Rs mn)					EBIDTA (%)			PAT (Rs mn)					EPS (Rs)				
	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	Q1 FY10	Q2 FY09	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)
Punj Lloyd	32,665	29,551	10.5	29,261	11.6	9.5%	9.9%	9.3%	1,377	1,250	10.2	1,430	(3.7)	4.2	4.1	0.9	4.7	(11.8)
Jaiprakash Associates	19,697	20,671	(4.7)	11,826	66.6	31.0%	26.2%	29.4%	10,689	4,912	117.6	2,031	426.2	7.6	3.5	117.6	1.7	340.6
IVRCL	13,200	10,860	21.5	11,366	16.1	9.2%	9.2%	8.0%	499	352	42.1	571	(12.6)	3.7	2.6	42.1	4.3	(12.6)
NCC	11,267	10,010	12.6	10,459	7.7	10.0%	10.4%	9.4%	477	382	24.9	423	12.7	2.1	1.7	24.9	1.8	12.7
BGR energy	5,760	3,111	85.2	4,246	35.7	13.0%	13.6%	10.3%	370	202	83.0	237	56.2	5.1	2.8	83.0	3.3	56.2
Simplex Infra	12,000	11,082	8.3	10,051	19.4	10.0%	9.9%	8.7%	335	257	30.6	281	19.3	6.7	5.2	30.6	5.7	18.8
Madhucon Projects	2,994	2,848	5.1	2,429	23.3	12.0%	12.5%	16.6%	127	131	(3.3)	128	(1.1)	3.4	3.6	(3.3)	3.5	(1.1)
Unity Infra	2,812	2,786	0.9	2,295	22.5	13.0%	13.6%	12.9%	157	158	(0.8)	156	0.5	11.7	11.8	(0.8)	11.7	0.5
TOTAL	**100,396**	**90,919**	**10.4**	**81,933**	**11.0**				**14,031**	**7,643**	**83.6**	**5,257**	**166.9**					

Source: Companies, Kotak Securities - Private Client Research

RESULS PREVIEW

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INFORMATION TECHNOLOGY

We expect the quarterly results to reflect an improved macro scenario for the Indian IT services vendors, with better sequential revenue growth. Customer willingness to re-evaluate the budgets and a larger deal pipe-line bode well for the revenue growth in the medium - to - long term. However, our interaction with the industry makes us believe that, the pace of order flows has not accelerated yet. We expect the same to start happening by 1QCY10.

We will also closely track management comments on i) pace of deal-flows, ii) pricing levels & expectations and iii) employee hiring plans and salary hikes. While upgrades to the previously provided earnings guidance will most likely take place, valuations have largely discounted the same, we believe. Thus, the room for disappointment is limited, post the recent out-performance v/s the broader indices.

We retain Infosys as our preferred pick in the sector. Within mid-caps, Mphasis and Patni are our preferred picks.

While we remain optimistic on the medium-to-long term prospects of the sector, the risks appear to outweigh the potential rewards, in the near term. We will turn more positive on stocks on better visibility for FY11. Infosys remains our preferred large-cap pick; Mphasis and Patni are the preferred mid-caps.

Higher sequential volume growth expected; 0.2% - 4% YoY growth for Top 3

We expect the top-tier companies to report higher volume growth as compared to the previous quarter. The growth is also expected to be higher than what was guided. We expect Infosys to report a 2% volume growth v/s its guidance of a maximum 0.8% rise. The growth rates should improve due to lesser client specific ramp downs and a general improvement in project releases and execution.

Select verticals like the BFSI and manufacturing have stabilized with companies starting to release a few of the postponed projects. Recent M&As across sectors have also thrown up opportunities for IT services vendors. However, most of the budgets which have been released are run-the-business budgets, whereas the discretionary budgets are still on hold.

If we compare the revenue growth on a YoY basis, the Top 3 companies are expected to report a 0.2% - 4% growth in INR terms during the quarter. This is despite the near 10% depreciation in the average exchange rate (INR – USD) during the quarter.

Impact of cross currency movements

The USD has depreciated against the Euro and GBP by about 5% and 5.8%, respectively. This is expected to aid the sequential revenue growth (in USD terms) for companies by about 0.5% - 1.5%, depending on the proportion of revenues earned in various currencies.

On the other hand, the depreciation of the rupee v/s USD, GBP and Euro on a quarter average basis, will also benefit the Indian GAAP numbers. However, the impact on the net income may vary depending on the extent of hedging done by various companies.

For the Top 4 companies, we expect revenues to grow by 1.9% QoQ in INR terms. For the coverage universe, we expect the INR revenue growth to be 2.4% QoQ. The revenue growth also gets impacted by any increase in off-shore ratio (increase expected during the quarter) and any fall in average realizations (marginal reduction expected in 2QFY10).

Margins – a mixed picture

We expect the margins to fluctuate in a narrow band over the previous quarter levels. In the previous quarter, companies had shed employees with a view to protect profitability. However, we expect campus recruits to join 2QFY10 onwards and this may put some pressure on margins. Higher SG&A expenses should also keep margins subdued. On the other hand, the favourable currency impact and higher offshore revenues should help restrict the fall.

We expect the EBIDTA for companies in our universe to be marginally lower v/s the previous quarter. Net profits are also expected to grow marginally over the previous quarter.

Factors to watch

We will closely track management comments on important issues like i) pace of deal-flows, ii) pricing levels & expectations and iii) employee hiring plans and salary hikes. An increase in the pace of budget re-evaluation and deal closures will lend more comfort on the immediate revenue growth for vendors and will also increase comfort on the medium term prospects.

Pricing is expected to have largely stabilized during 2QFY10 with no major re-negotiations. Increased management confidence on pricing stability would provide more comfort. Net addition of employees (campus and laterals) would imply better revenue visibility and more comfort on costs for companies.

Markets have largely discounted these potential positives and any disappointment on these may impact sentiments in the short term

Remain positive on medium-to-long term prospects, but cautious on near term valuations

We maintain our positive bias on sector fundamentals over the medium-to-long term. A recovery in the global economy should reflect in increased business for Indian IT vendors. Increase M&A activity will also lead to better business prospects for the vendors.

There have been these initial signs of stability in the global economy, which is encouraging. However, we would like to have some more proof of a sustainable stabilization and recovery process having started in developed economies. Also, this has to lead to an increased velocity of business which, in our view, has not yet happened.

We believe that, the instances of stability in the US economy are already captured in the valuations post the recent increase in stock prices. Thus, we maintain our cautious stance in the short-term.

We retain Infosys as our preferred pick in the sector. Within mid-caps, Mphasis and Patni are our preferred picks.

Quarterly estimates - Information Technology

Company	Revenues (Rs mn)					EBIDTA (%)			PAT (Rs mns)					EPS (Rs)				
	2Q FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)	2Q FY10	1Q FY10	2Q FY09	2Q FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)	2Q FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)
Infosys	55,841	54,720	2.0	54,180	3.1	33.0	34.1	33.1	14,997	15,270	(1.8)	14,320	4.7	26.2	26.7	(1.8)	25.0	4.7
Wipro	65,260	62,462	4.5	65,073	0.3	21.1	21.1	19.5	10,655	10,153	4.9	9,782	8.9	7.3	6.9	4.9	6.7	8.9
TCS	72,367	72,070	0.4	69,534	4.1	27.3	27.2	26.2	14,863	15,204	(2.2)	12,615	17.8	7.6	7.8	(2.2)	6.4	17.8
HCL Tech *	29,092	29,085	0.0	23,693	22.8	21.8	22.1	22.4	3,408	3,095	10.1	3,375	1.0	4.8	4.4	10.1	4.8	1.0
TOTAL	**222,560**	**218,337**	**1.9**	**212,480**	**4.7**				**43,923**	**43,721**	**0.5**	**40,092**	**9.6**					
Patni **	8,046	7,729	4.1	8,522	(5.6)	20.3	20.0	16.8	1,318	1,369	(3.7)	2,002	(34.2)	10.3	10.7	(3.7)	12.3	(16.4)
Oracle	7,948	7,100	11.9	7,074	12.4	32.3	33.2	16.9	2,467	1,859	32.7	933	164.4	29.5	22.2	32.7	11.1	164.4
Mphasis ^	11,239	11,056	1.7	8,947	25.6	26.5	26.4	18.9	2,282	2,292	(0.4)	1,829	24.8	10.9	11.0	(0.4)	8.7	24.8
Infotech Ent	2,340	2,326	0.6	2,214	5.7	21.9	22.5	20.6	313	463	(32.4)	349	(10.5)	5.6	8.3	(32.4)	6.2	(10.5)
NIIT Ltd	3,218	2,610	23.3	3,095	4.0	16.0	11.0	13.1	288	99	190.8	297	(3.1)	1.7	0.6	190.8	1.8	(3.1)
NIIT Tech	2,214	2,182	1.5	2,587	(14.4)	19.3	18.1	17.7	303	176	72.4	367	(17.4)	5.2	3.0	72.4	6.3	(17.4)
TOTAL	**35,004**	**33,003**	**6.1**	**32,439**	**7.9**				**6,971**	**6,257**	**11.4**	**5,777**	**20.7**					
KPIT	1,742	1,728	0.8	2,010	(13.3)	20.1	21.2	19.4	191	224	(14.7)	167	14.3	2.4	2.9	(14.7)	2.1	14.3
Geometric	1,318	1,293	1.9	1,526	(13.6)	19.3	18.4	12.9	104	83	24.1	33	213.9	1.7	1.4	24.1	0.5	213.9
Subex	1,223	1,176	4.0	1,421	(13.9)	16.6	12.7	14.5	45	21	117.2	21	111.4	6.4	2.9	117.2	0.6	934.0
R Systems **	772	825	(6.4)	921	(16.1)	9.7	10.1	12.0	37	46	(21.1)	66	(44.1)	2.9	3.7	(21.1)	4.9	(40.2)
TOTAL	**5,056**	**5,022**	**0.7**	**5,878**	**(14.0)**				**376**	**375**	**0.5**	**287**	**31.2**					
TOTAL	**262,620**	**256,362**	**2.4**	**250,787**	**4.7**				**51,271**	**50,353**	**1.8**	**46,157**	**11.1**					

Source: Companies, Kotak Securities - Private Client Research

* - *Estimates are for 1QFY10*

** - *Estimates are for 3QCY09.*

^ - *Figures are for the August - October quarter*

RESULTS PREVIEW

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LOGISTICS

We expect logistics companies under our coverage to report decent growth in revenues in Q2FY10 on YoY basis. The profitability is likely to be higher on account of pick up in domestic volumes, emphasis on cost reduction and better utilisation of fixed assets. The Indian economy has picked up during the quarter with increased industrial activity. However exports and imports have continued to de-grow thereby impacting volumes to certain extent. Our top pick in the logistics sector is Mundra Port.

Top Pick

Mudra Port

Companies

- **Allcargo Global Logistics.** We expect the company to report de-growth in revenues and profitability on account of global economic downturn which is impacting its MMTO and CFS businesses.
- **CONCOR.** We expect the company to report flattish revenues and profitability due to the fact that de-growth in the EXIM business would be compensated by growth in the domestic business.
- **Gateway Distriparks.** We expect GDL to report steady growth in revenues due to expansion of its rail business. However the consolidated profitability is expected to be lower as rail operations have lower operating margins then CFS business.
- **Gati.** We expect Gati to report growth in revenues due to increased contribution from the coast-to-coast shipping business of the company due to addition of new ship during the previous quarter. Also there has been pickup in the express distribution and supply chain management business of the company due to pickup in the Indian economy. The profitability is expected to be significantly better as it would not have losses of the discontinued air freighter running business.
- **Mundra Port & SEZ.** We expect the company to report steady growth in revenues and profitability due to growing cargo volume at the port. The port has been able to grow cargo volume on YoY basis on account of higher imports of bulk commodities and scaling up of car exports during the quarter.
- **Redington.** On a consolidated basis, we expect the company to report steady growth in revenues and profitability due to increased contribution form the high margin non-IT products.
- **TCI.** We expect TCI to report steady growth in revenues and profitability due the fact that the industrial activity had picked up during the quarter. This is expected to lead to increased transportation of goods within the country.

Overall outlook

Overall, we feel that the increased industrial activity and growth in overall Indian economy would lead to increased transportation of goods within the country and at its ports and this is positive for the entire logistics sector. We continue to remain positive on the logistics sector in the medium to long term.

Top Pick

Our top pick in the logistics sector is **Mundra Port.**

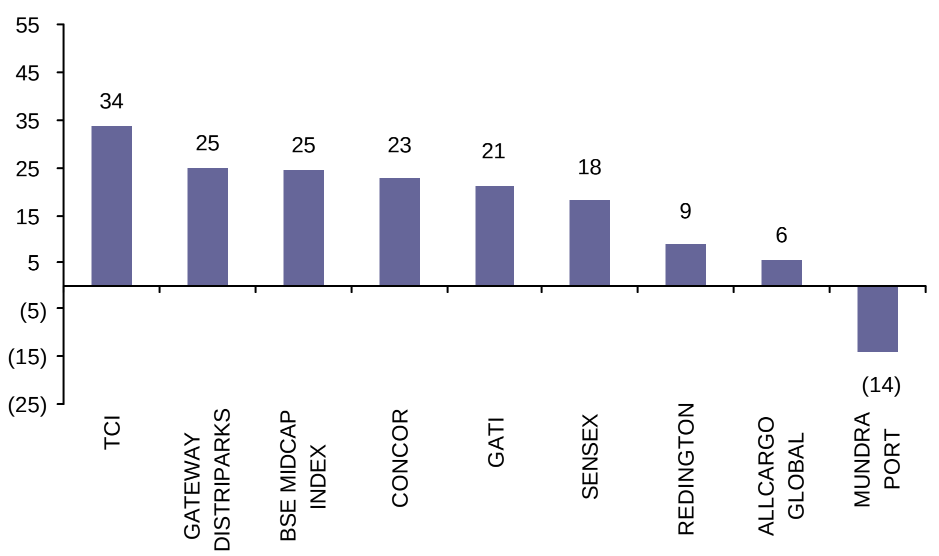
Q2FY10 estimates: Logistics

	Revenues (Rs mn)			EBIDTA (%)			PAT (Rs mn)			EPS (Rs)		
	Q2 FY10	Q2 FY09	YoY (%)	Q2 FY10	Q2 FY09	YoY (%)	Q2 FY10	Q2 FY09	YoY (%)	Q2 FY10	Q2 FY09	YoY (%)
CONCOR	9,100	9,034	0.7	28.6	29.8	(4.0)	2,250	2,237	0.6	17.3	17.2	0.6
Gateway Distriparks	1,325	1,184	11.9	28.3	35.5	(20.3)	195	232	(16.1)	1.8	2.2	(16.1)
Mundra Port & SEZ	3,250	2,949	10.2	69.2	69.3	(0.2)	1,325	1,123	18.0	3.3	2.8	18.0
Redington	33,500	32,676	2.5	2.2	2.2	0.4	365	344	6.1	4.7	4.4	6.1
TCI*	3,550	3,378	5.1	7.0	5.4	30.7	85	56	51.8	1.2	0.8	51.8
June end	Q1 FY10	Q1 FY09	YoY (%)	Q1 FY10	Q1 FY09	YoY (%)	Q1 FY10	Q1 FY09	YoY (%)	Q1 FY10	Q1 FY09	YoY (%)
GATI*	1,750	1,577	11.0	8.9	5.5	60.5	25	4.2	495.2	0.3	0.0	-
December end	Q3 CY09	Q3 CY08	YoY (%)	Q3 CY09	Q3 CY08	YoY (%)	Q3 CY09	Q3 CY08	YoY (%)	Q3 CY09	Q3 CY08	YoY (%)
Allcargo Global	5,750	6,315	(8.9)	11.7	11.3	3.5	395	421	(6.2)	17.7	18.8	(6.2)

	Reco	CMP (Rs)	Target (Rs)	Upside (%)	Diluted Shares (mn)	Mkt Cap (Rs bn)	EPS (Rs) FY09	EPS (Rs) FY10E	PE (x) FY09	PE (x) FY10E
Allcargo Global Logistics	REDUCE	818	825	0.9	22.4	18.3	48.1	65.0	17.0	12.6
CONCOR	ACCUMULATE	1232	1100	(10.7)	130.0	160.1	60.9	72.5	20.2	17.0
Gateway Distriparks	REDUCE	116	110	(5.2)	107.7	12.5	7.5	8.5	15.5	13.6
GATI	ACCUMULATE	57	62	8.8	84.9	4.8	(2.2)	1.9	(25.9)	30.0
Mundra Port & SEZ	BUY	511	650	27.2	400.7	204.8	10.8	15.0	47.3	34.1
Redington	ACCUMULATE	250	275	10.0	77.9	19.5	20.5	23.1	12.2	10.8
TCI	REDUCE	85	75	(11.8)	72.5	6.2	4.6	5.9	18.5	14.4

*Source: Companies, Kotak Securities - Private Client Research; Bloomberg; * FV-Rs.2*

Stock price performance in Q2FY10 (% rise)



Source: Bloomberg; Kotak Securities - Private Client Research

RESULTS PREVIEW

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MEDIA

Revenues to stabilize; rebound in profitability likely on the back of cost control. Print players to be beneficiaries of a meaningful fall in newsprint prices. JPL & ZEEL remain preferred picks; to gain from an improving advertising environment

- **For Q2FY10, we expect revenues to contract c4% YoY across the coverage universe; on the back of cost control and falling RM prices we expect EBITDA and PAT to rebound by growing 27% & 15% YoY. Print (HT Media, JPL) and TV broadcasting (ZEEL, ZNL) are likely to show QoQ improvement.**
- **An early festive season, improved consumer and corporate sentiment likely to aid revenue growth in an otherwise seasonally tepid quarter.**
- **We share the industry's optimism regarding a revival in advertising revenue trends on the back of a recovery in economic growth and corporate earnings, starting 2HFY10E. We reiterate that traditional media (print, TV broadcasting) will be the early beneficiaries of a pick-up.**
- **While the macro-environment is materially better than two quarters ago; we have pointed out in earlier notes that stock prices were factoring in a significant up tick in advertising revenue trends. We await more visibility on a sustainable revenue outlook and will prefer to focus on stock specific opportunities.**
- **Belying of hopes of a recovery in economic growth and corporate earnings and excessive competition pose key downside risks for the sector. Retain positive bias for ZEEL, JPL; and negative outlook on ENIL, BTL**

Early festive season and an improved consumer sentiment to impact revenues positively. Regional franchises, established media to fare better

- For the Q2 of FY10 we expect an early festive season, improved consumer and corporate sentiment likely to aid revenue growth in an otherwise seasonally tepid quarter. We expect a 3.5% contraction in revenues YoY, across our coverage universe. Within segments, we expect revenues from TV broadcasting (ZEEL) and the filmed segment (UTV, PVR) to decline YoY. Regional franchises like ZNL, JPL are expected to grow 8-9% YoY, higher than national media properties.
- ZEEL is expected to see a de-growth in revenues by c8% YoY given the muted outlook for advertising revenues in the quarter; QoQ however we expect decent improvement due to contribution from sports properties and also a lower base in the previous Q. We had earlier stated that Q1 FY10 is the likely bottom for ZEEL advertising revenues when we had upgraded our outlook on the stock, and continue to expect a revival 2HFY10E onwards. Recent stable ratings have been heartening from Zee TV's perspective, with an improvement in ratings; we see the benefits of these gains to come together Q3 onwards.
- Competitive positioning of its bouquet, rating gains in newer markets and relative strength in regional markets is expected to benefit ZNL; we expect 10% revenue growth YoY. Traction in the pay revenue stream is however expected to support revenue growth, to an extent for the broadcasters; more so ZEEL.
- For the filmed segment (PVR, UTV), we expect this quarter to be better QoQ, given Q1 being a wash out due to the industry dispute. While UTV may be relatively better off given diversification of revenues; and reasonable performance of releases in the Q, exhibitors like PVR are likely to see impact of investments towards new properties, for the quarter.

- All the print stocks (JPL, DCHL and HT) are expected to display growth; expect them to report revenue growth between - 4-9% YoY. NP prices which have moderated significantly to $500/Mt levels are a significant positive for all print companies. We expect this quarter to see benefits of NP easing that started in Q4FY08- JPL and HT are more levered in our opinion to NP weakening benefits.
- JPL is our preferred exposure to print given our optimism on regional advertising spends trends in the longer term versus a saturated print market in the metros. We have also recently upgraded our recommendation on HT, given the material benefit likely to accrue on the costs side.
- Radio (ENIL) will likely post a 2% YoY growth in overall revenues; for radio. Growth in radio will be lower than what the private FM industry is growing. This, in our opinion reflects the impact of competition on ENIL, and also the impact of an advertising slowdown on alternate media platforms like radio and OoH. ENIL's OoH business remains in investment mode and hampered by the delays in the DIAL property. We expect this to remain a drag on consolidated financials and a continued pressure point for the stock.
- Content players like BTL are expected to see sharp declines in revenue and also profitability, post the disengagement with Star and loss of key programs. A lack of scale, changing macro for TV content providers and loss of marquee relationships will weigh heavily on BTL's immediate prospects. Cash on books (Rs.35 per share) is the only lever that may provide any downside support.

Margins- print, TV broadcasting to show QoQ benefits. Low NP prices- likely large plus for print player profitability

- For our coverage universe we expect average EBITDA margins at 22% up nearly 550bps YoY. The prime contributor for this being the expected margin expansion for print stocks (HT, JPL & DC).
- Newsprint prices continued to spiral down and were down another 26.4% QoQ; they have dropped c45% from their highs in 2008. This coupled with rupee appreciation will lead to significant cost savings for print companies. While JPL witnessed the impact in Q1FY10, HT Media will, in our opinion benefit from Q2FY10.
- In addition to this, all companies have embarked on strict cost control; as a result, the coverage universe is expected to report a 20% YoY EBITDA growth. Profit growth, as a result is expected to be close to 15% YoY for the universe. Print companies will be the likely stand-outs with 50-100% YoY growth, being the expectation.
- We expect regional franchises (JPL and ZNL) to continue outperformance and be better off given relative resilience in markets and also stronger positioning of their franchises.

Recommendation- stick to market leaders, strong franchises and healthy balance sheets. Q2 results could and likely stock weakness may provide opportunity for ZEEL

- Our preference for investments in the media sector has consistently been to back market leaders in their respective segments. We stick to that thesis-Zee News (TV broadcasting) and JPL (print) are our bets at this point.
- For ZEEL we believe the previous quarter was the bottom in terms of advertising revenue growth; we expect QoQ improvement, even as YoY numbers may be relatively weak. ZNL, (PT Rs.48) operates in a strong niche- regional news and GEC. It enjoys strong positioning for its bouquet, a healthy balance sheet and has displayed reasonable amount of financial discipline- the same keep us relatively sanguine.
- Belying of hopes of a recovery in economic growth and corporate earnings and excessive competition pose key downside risks for the sector.

Things to look for- how much has the macro improved, will be the key question, and whether stocks discount most of it

- We will look for management comments on the pricing power of media companies (impact of competition) and their expectations on the outlook for advertising revenues in the print, radio and broadcasting segments. This will be vital given the high co-relation that exists between industry growth rates and the overall economic growth momentum, in our opinion.
- We will keenly await details and industry outlook on newsprint pricing for print companies; which after being on an uptrend in CY08, have now started to ease. Current prices are close to $500/Mt, significantly off the highs of $800 levels in Q3'09 and also our FY10 estimate of $620/Mt.
- Management comments on the evolving DTH/CAS scenario and their outlook on the traction in the subscription revenue stream will also be of interest to us.
- Execution schedules of multiplex players will be watched as players have experienced delays in bringing new screens on line due to mall availability and/ or regulatory reasons.

Quarterly estimates - Media

Company	Revenues (Rs mn)					EBIDTA (%)			PAT (Rs mn)					EPS (Rs)				
	Q2 FY10E	Q2 FY09	YoY (%)	Q1 FY10	QoQ (%)	Q2 FY10E	Q2 FY09	Q1 FY10	Q2 FY10E	Q2 FY09	YoY (%)	Q1 FY10	QoQ (%)	Q2 FY10E	Q2 FY09	YoY (%)	Q1 FY10	QoQ (%)
Balaji Telefilms	460	1,034	(55.5)	398	15.6	13.0	22.3	8.3	64	181	(64.7)	90	(28.6)	1.0	2.8	(64.7)	1.4	(28.6)
Deccan Chronicle	2,450	2,264	8.2	2,166	13.1	49.8	34.2	48.9	686	453	51.5	770	(10.9)	2.8	1.8	51.5	3.1	(10.9)
ENIL	950	1,096	(13.3)	871	9.0	(4.0)	(5.7)	(7.6)	(150)	(182)	NA	(194)	NA	(3.2)	(3.8)	(17.7)	(4.1)	(22.7)
HT Media*	3,450	3,307	4.3	3,281	5.2	19.5	11.0	18.9	350	163	115.0	324	8.0	1.5	0.7	115.0	1.4	8.0
Jagran Prakashan	2,280	2,086	9.3	2,319	(1.7)	29.0	18.2	30.4	405	227	78.4	495	(18.2)	1.3	0.8	78.4	1.6	(18.2)
PVR*	750	788	(4.9)	345	117.3	15.0	19.0	(25.8)	39	79	(50.8)	(109)	(135.7)	1.6	3.3	(50.8)	(4.5)	(135.7)
UTV Software	1,410	1,544	(8.7)	865	63.0	(8.0)	(15.7)	(72.7)	85	251	(66.2)	(233)	(136.4)	2.1	6.3	(66.2)	(5.9)	(136.4)
ZEEL	5,220	5,716	(8.7)	4,759	9.7	24.9	25.2	24.6	1,020	991	2.9	913	11.7	2.4	2.3	2.9	2.1	11.7
Zee News	1,400	1,277	9.6	1,374	1.9	18.0	16.6	18.0	120	115	4.7	119	0.8	0.5	0.5	4.7	0.5	0.8
Total	**18,370**	**19,113**	**(3.9)**	**16,379**	**12.2**				**2,619**	**2,278**	**15.0**	**2,175**	**20.4**					

*Source: Kotak Securities - Private Client Research; * Standalone financials*

RESULTS PREVIEW

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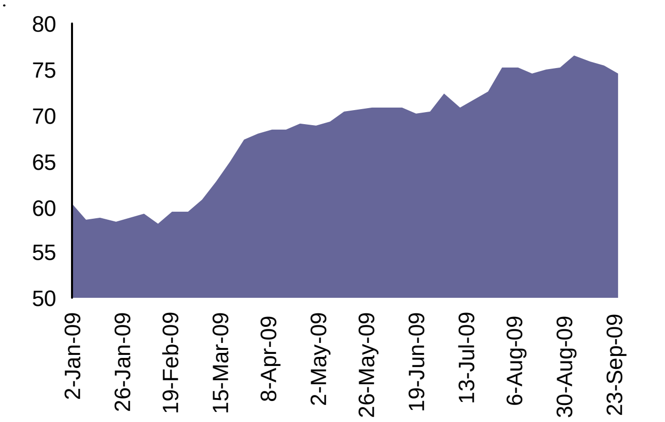
METALS & MINING

Turning cautious for near term on valuations

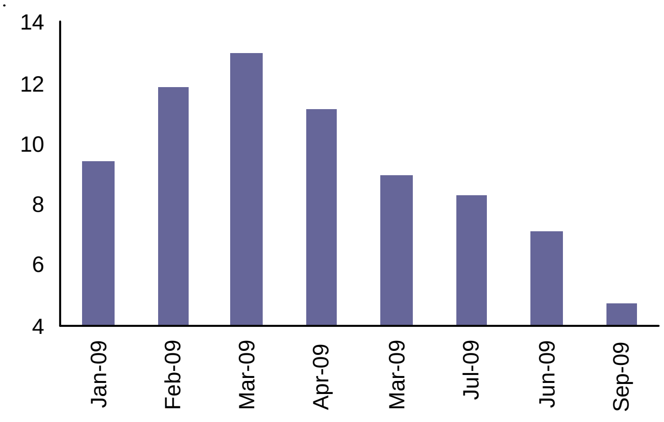
- Industry outlook has improved sharply over the last quarter and the consequent sharp stock price run up has made stock valuations rich. This makes us cautious for the near term.
- China steel production has gone up sharply exceeding the domestic demand leading to sharp fall in steel prices in China over the last two months and there is risk of increase in imports from China going forward.
- Long steel product prices were lower QoQ, as Q2FY being monsoon season is a weak quarter for construction related activities. Flat steel prices were higher QoQ based on improved demand from the automobiles and the consumer durable sector.
- Globally, base metals prices for Q2 were higher 20-30% QoQ on improved industrial activity, economic outlook and weakening US dollar.
- Iron ore prices shot up sharply in the first half of Q2 and then corrected sharply in latter half. Demand from China has remained reasonably stable.
- SAIL is expected to report excellent financials in Q2FY10 on QoQ basis. We expect revenues to grow 10% sequentially while net profitability is expected to grow at impressive 40% driven by sharp fall in coking coal prices and higher sales volumes.
- Employee cost of SAIL has been varying sharply over the last several quarters and it significantly impacts the quarterly net profit. We have assumed 30% QoQ growth in employee cost but still this line item can surprise on either side.
- Sesa Goa is likely to report disappointing quarterly financials even on YoY basis as spot iron ore prices were almost half of the last year levels.
- Dempo acquisition is unlikely to contribute in this quarter as its mine are located in Goa where operations come to almost standstill in the monsoon quarter.
- Sesa Goa's outlook for Q3FY09 and Q4FY09 remains strong and this quarter results are not going to materially impact the FY10 outlook.

China iron ore port inventory (mn tonnes)



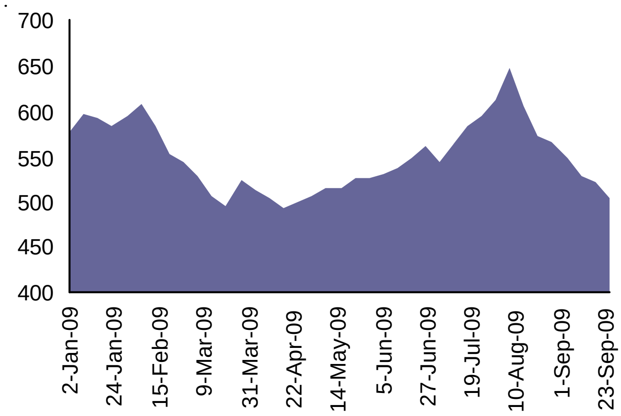
Source: Bloomberg

Indian iron ore exports to China (mn tonnes)



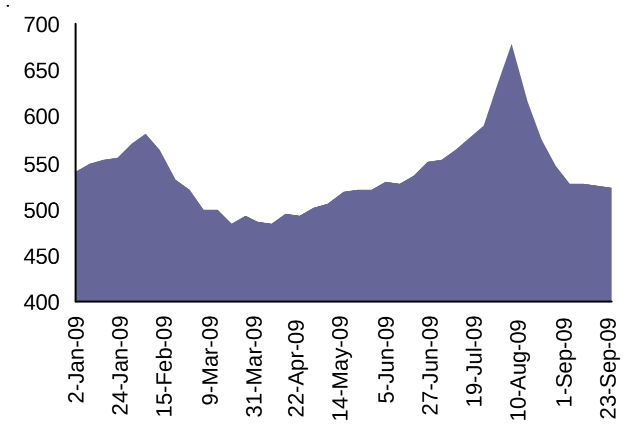
Source: Bloomberg

China domestic HRC prices (USD)



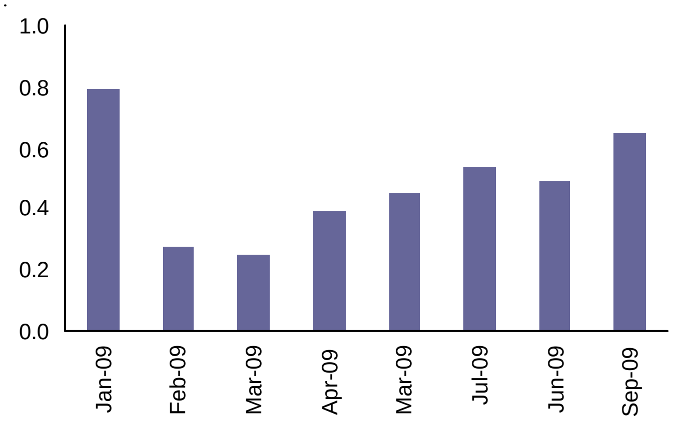
Source: Bloomberg

China domestic Rebar prices (USD)



Source: Bloomberg

China steel exports to India (mn tonnes)



Source: Bloomberg

Quarterly estimates - Mining

Company	Revenues (Rs mn)					EBIDTA (%)			PAT (Rs mn)					EPS (Rs)				
	Q2 FY10E	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10E	Q1 FY10	Q2 FY09	Q2 FY10E	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)	Q2 FY10E	Q1 FY10	QoQ (%)	Q2 FY09	YoY (%)
Sesa Goa	5,907	10,115	(41.6)	8,757	(32.5)	42.6	44.9	48.0	2,309	4,241	(45.6)	3,398	(32.0)	2.81	5.17	(45.6)	4.27	(34.2)
SAIL	101,845	92,659	9.9	120,661	(15.6)	27.8	20.2	25.0	18,894	13,261	42.5	20,096	(6.0)	4.57	3.21	42.5	4.87	(6.1)

Source: Company, Kotak Securities - Private Client Research

RESULTS PREVIEW

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MIDCAPS

We expect the midcap companies under our coverage to report good set of numbers for Q2FY10. This is backed by increased revenues due to pick up in the Indian economy. Also the companies have continued with various cost reduction initiatives which would lead to increased profitability. We continue to remain positive on the midcap companies under our coverage with medium to long term perspective due to capacity expansions and strong and scalable business models. Our top pick in the midcap segment is Time Technoplast.

Top Pick

Time Technoplast

Companies

- **AIA Engineering (AIA).** We expect AIA to report flattish growth in revenues and profitability due to fall in key raw material prices, which are passed on to its customers. However the volumes are expected to grow due to commencement of supplies of mill internals to the mining segment.
- **Everest Kanto Cylinders (EKC).** We expect EKC to report decline in revenues and profitability due to decline in sales volumes of CNG cylinders for commercial vehicles in India and lower exports from Dubai plant for automobiles. However, we expect pick up in volumes on sequential basis due to pick up in demand for commercial vehicles in India.
- **Gujarat State Petronet (GSPL).** We expect GSPL to report robust growth in revenues and profitability due to increased volume of gas being transported through its pipeline primarily the KG basin gas and expanded capacity at Petronet LNG terminal at Dahej. GSPL is not likely to provide for the payment of 30% of PBT for Q2FY10E as it has not yet received any eligible projects form Gujarat Socio Economic Development Society.
- **Indraprastha Gas (IGL).** We expect IGL to report strong growth in revenues due to increasing business from the private, transport and commercial vehicles in Delhi. The profits are also expected to improve due to price increase that the company had undertaken in June 2009.
- **JBF Industries (JBF).** We expect strong growth in the revenues and profitability of JBF on YoY basis due to expansion of the chips plant at Sarigam, Gujarat and successful ramping up of the pet grade chips and polyester films units of RAK plant.
- **Nitin Fire Protection Industries (NFPIL).** We expect NFPIL to report decline in revenues and profitability due to decline in volumes in the CNG cylinders manufacturing and trading business of the company due to decline in sales volumes of CNG cylinders for commercial vehicles in India.
- **Petronet LNG (PLNG).** We expect PLNG to report strong growth in revenues on the back of doubling of capacity leading to increased volumes and LNG price hikes. However the operating margins are expected to be lower as its re-gasification charges per MMBTU remains the same whereas the cost of LNG has gone up significantly.
- **Sunil Hi-tech Engineers (SHEL).** We expect robust growth in the revenues of SHEL on the back of part execution of its strong order book of Rs.11.5 bn. However operating margins are expected to be under pressure due to increased component of with material contract which typically have lower operating margins.
- **Time Technoplast (TTL).** We expect steady growth in revenues and profitability of TTL due to increased contribution form the battery, healthcare and infrastructure vertical. Also newer products like pipes, prefabricated shelters etc. would start contributing to the top line of the company.

Overall outlook

Overall, we continue to remain positive on the midcaps under our coverage in medium to long term. This is primarily due to capacity expansions and strong and scalable business models.

Top picks

Our top pick in the midcap segment is **Time Technoplast.**

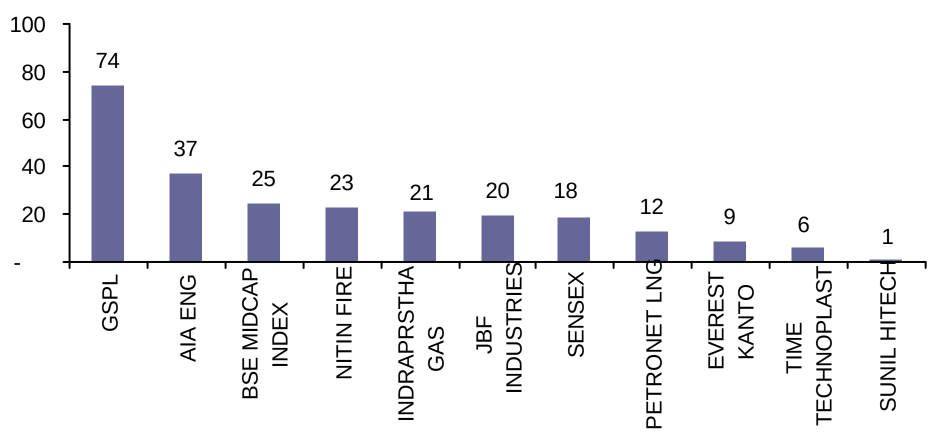
Q2FY10 estimates: Midcaps

	Revenues (Rs mn)			EBIDTA (%)			PAT (Rs mn)			EPS (Rs)		
	Q2 FY10	Q2 FY09	YoY (%)	Q2 FY10	Q2 FY09	YoY (%)	Q2 FY10	Q2 FY09	YoY (%)	Q2 FY10	Q2 FY09	YoY (%)
AIA Engineering*	2,900	2,861	1.4	25.9	23.4	10.6	450	444	1.4	4.8	4.7	1.4
Everest Kanto*	1,850	2,210	(16.3)	24.3	31.8	(23.4)	250	432	(42.1)	2.5	4.3	(42.1)
GSPL	2,375	1,186	100.3	90.5	86.3	4.8	975	284	243.3	1.7	0.5	243.3
Indraprastha Gas	2,500	2,152	16.2	36.0	39.5	(9.0)	550	502	9.6	3.9	3.6	9.6
JBF Industries	13,250	10,942	21.1	13.8	13.7	0.6	525	368	42.7	8.4	5.9	42.7
Nitin Fire	615	665	(7.5)	20.8	20.3	2.5	106	111	(4.5)	8.4	8.8	(4.5)
Petronet LNG	28,500	16,549	72.2	7.5	11.0	(31.5)	1,150	1,034	11.2	1.5	1.4	11.2
Sunil Hitech	1,950	1,311	48.7	11.8	14.4	(18.2)	90	69	30.4	7.3	5.6	30.4
Time Techno**	2,250	2,050	9.8	21.1	20.6	2.6	225	185	21.6	1.1	0.9	21.6

	Reco	CMP (Rs)	Target (Rs)	Upside (%)	Diluted Shares (mn)	Mkt Cap (Rs bn)	EPS (Rs)		PE (x)	
							FY09	FY10E	FY09	FY10E
AIA Engineering*	ACCUMULATE	308	300	(2.6)	94.3	29.0	18.4	24.0	16.7	12.8
Everest Kanto *	REDUCE	202	175	(13.4)	101.2	20.4	13.6	14.1	14.9	14.3
GSPL	ACCUMULATE	81	70	(13.6)	561.0	45.4	2.2	3.8	36.8	21.3
Indraprastha Gas	ACCUMULATE	162	175	8.0	140.0	22.7	12.3	15.0	13.2	10.8
JBF Industries	BUY	93	120	29.0	62.2	5.8	30.3	36.0	3.1	2.6
Nitin Fire	ACCUMULATE	325	350	7.7	12.6	4.1	27.5	35.0	11.8	9.3
Petronet LNG	REDUCE	73	70	(4.1)	750.0	54.8	6.9	7.5	10.6	9.7
Sunil Hitech	ACCUMULATE	184	200	8.7	12.3	2.3	19.8	30.0	9.3	6.1
Time Techno**	BUY	41	65	58.5	209.3	8.6	3.3	4.7	12.4	8.7

*Source: Companies, Kotak Securities - Private Client Research, Bloomberg; *FV-Rs.2; **FV-Re.1*

Stock price performance over Q2FY10



Source: Bloomberg; Kotak Securities - Private Client Research

RESULTS PREVIEW

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NBFCs

- **In the wake of improved operating conditions coupled with softening of interest rates, we expect strong traction in the loan growth for all NBFCs. Improved operating conditions and supporting policies are expected to support growth.**
- **For Q2FY10, we expect healthy earnings growth on the back of stable NIM, better operating efficiencies. We also expect improvement in asset quality as the overall operating conditions has witnessed an upturn.**

Top Picks:

LIC Housing Finance, Shriram Transport Finance, SREI Infrastructure Finance

Traction in advances growth

In the wake of improved operating conditions, coupled with softening of interest rates we expect strong traction in loan growth for all NBFCs. The renewed buying interest in real estate sector is expected to give a fillip to disbursement of housing finance companies. Furthermore, government's thrust on infrastructure development (transportation power etc) will support growth in advances for specialised financial institutions.

Margins to remain stable

In the backdrop of improved market liquidity, cost of funds have eased. Bulk borrowers like HDFC, PFC, LICHF have been able to raise funds at competitive rates. Going forward, the benefit of easing cost of funds will be gradually passed on the customers; however, we expect net margins to remain stable.

Asset quality likely to improve

Improved market liquidity has lead to relatively better operating conditions; thus financial institutions are less likely to witness further slippages. Moreover, asset quality of the financial service companies is expected to witness some improvement. This would lead to relatively lower loan loss provisions and will thus support earnings growth for the financial service companies.

- **HDFC** - Improved real estate demand is expected to boost disbursements during Q2FY10. A bulk borrower like HDFC follows a flexible borrowings mix, which changes in accordance with the market liquidity conditions, is expected to support HDFC's NIM. HDFC has raised funds at competitive rates by issue of NCDs along with convertible warrants. We opine that better margins and improved mortgage loan growth is expected to support its earnings growth.
- **LIC Housing Finance** - During Q2FY10 we expected strong traction in the retail mortgaged loans, following improved real estate demand coupled with the competitive rates offered by the HFC to new customers. Net margins are expected to remain stable; we expect some improvement on sequential basis. Asset quality is also expected to improve, and thus we expect lower loan loss provision for Q2FY10LICHF sold its 17.3% stake (out of 39%) in LIC Mutual Fund for Rs. 1380mn. The proceeds from the same will be reflective in its Q3FY10 number. It has also raised close to Rs 6580mn by preferential placement of 10mn share. For Q2FY10 we expect a net profit of Rs.1635mn and EPS of Rs.19.2.
- **Power Finance Corporation** - We expect a strong advances growth of 22% to drive earnings growth during Q2FY10. Stable margins, lower tax rate (26%) are expected to drive earnings growth. Some forex gains on account of rupee appreciation may lead to higher earnings growth. We have not factored in the same in our estimates.

- **IDFC** - For Q2FY10, infrastructure loan disbursements are expected to witness some relative improvement. Margins in the infrastructure lending business are expected to remain stable. In the wake of buoyant market conditions, fee contribution from capital market related business (investment banking and brokerage income) is expected to improve. Growing mutual fund AUM will contribute to asset management fee. Better treasury gains will also support earnings growth.

- **SREI Infrastructure Finance** - We expect some improvement in SREI's advances growth both at the parent as well as at the JV level. Following the softening of interest rates we expect some improvement in margins as well. We have factored in full tax rate (at 33.3%) to arrive at our estimates for Q2FY10 earnings growth, however during Q1FY10, SREI's provision for income tax was nil due to MAT credit entitlement.

- **Shriram Transport Finance** - Loan growth to witnesses some revival, however is likely to witness some relative moderation. STFC has raised Rs. 10bn by issue of NCDs at competitive rates, we opine that this coupled with easing cost of funds, will support margins. Uptick in freight rates and better operating conditions for truck operators will help contain further slippages, we expect asset quality to improve.

Quarterly estimates - NBFC

Company	Net Interest Income (Rs mn)					Operating Profit (Rs mn)					PAT (Rs mns)					EPS (Rs)				
	2Q FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)	2Q FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)	2Q FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)	2Q FY10	1Q FY10	QoQ (%)	2Q FY09	YoY (%)
HDFC	9,965	8,862	12.5	8,633	15.4	9,125	8,042	13.5	7,760	17.6	6,280	5,772	8.8	5,342	17.5	22.1	20.3	8.8	18.8	17.4
LIC HF	2,502	1,967	27.2	2,092	19.6	2,259	1,788	26.4	1,782	26.8	1,635	1,240	31.9	1,351	21.0	17.2	13.1	31.9	15.9	8.3
PFC	6,928	7,036	-1.5	5,492	26.2	6,783	6,879	-1.4	5,442	24.6	4,901	5,519	-11.2	3,293	48.8	4.3	4.8	-11.2	2.9	48.8
IDFC	4,787	4,679	2.3	4,246	12.7	3,746	3,718	0.8	3,317	13.0	2,772	2,724	1.8	2,323	19.4	2.1	2.1	1.8	1.8	19.4
SREI Infra Finance	826	878	-5.9	1,052	-21.5	530	582	-8.9	544	-2.6	260	384	-32.3	267	-2.7	2.2	3.3	-32.3	2.3	-2.7
Shriram Trans	5,248	4,852	8.2	4,369	20.1	3,642	3,358	8.5	3,055	19.2	1,819	1,819	0.0	1,656	9.9	8.9	8.1	10.7	8.2	9.3
TOTAL	**30,256**	**28,272**	**7.02**	**25,884**	**16.89**	**26,086**	**24,367**	**7.06**	**21,899**	**19.12**	**17,667**	**17,459**	**1.19**	**14,233**	**24.13**	**48**	**44**	**10.09**	**42**	**15.09**

Source: Kotak Securities - Private Client Research

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
8-Oct	Aarey Drugs	Chetan Kiritbhai Mehta	S	25,000	43.4
8-Oct	Amrit Corp	Usha Sanghavi	B	26,231	84.0
8-Oct	Arvind Inter	Visagar Polytex Limited	B	34,390	10.3
8-Oct	Arvind Inter	Ranju Maheswari	S	50,000	10.3
8-Oct	Axon Infotec	Vijay Kumar Banarsi Jayswal	B	5,000	15.4
8-Oct	Comp-U-Learn	Kishore Baburamineni	B	70,000	25.4
8-Oct	Elnet Techno	Sainath Herbal Care Marketing P.Ltd	S	20,026	62.7
8-Oct	Fiem Inds	Setu Securities Pvt Ltd	B	61,096	105.6
8-Oct	Filat Fash	Haresh Thakar Panna	B	50,000	27.3
8-Oct	Flex Foods L	Bharat Jayantilal Patel	S	75,000	34.7
8-Oct	Gayatri Proj	Il & FS Private Equity Trust A/C. Leverage India Fund	S	65,000	350.2
8-Oct	Great Offsh	Dhanashree Properties Private Ltd	B	302,140	555.0
8-Oct	India Co Ven	Dabur Investment Corporation	B	194,500	55.0
8-Oct	India Co Ven	V I C Enterprises P L	B	244,000	56.3
8-Oct	India Co Ven	Poonam Ishwarlal Advani	S	244,000	56.3
8-Oct	India Co Ven	Dilip Ishwar Advani	S	193,500	55.0
8-Oct	India Foils	Sainath Herbal Care Marketing P.Ltd	B	299,941	16.6
8-Oct	India Foils	Shilpa Milind Desai	S	200,000	16.0
8-Oct	Nitco Ltd	Pritesh Bipin Patel	B	287,569	63.0
8-Oct	Nitco Ltd	Emerging Markets Management Llc A/C The Emm Umbrella Funds Emergi	S	337,790	59.5
8-Oct	Nitco Ltd	Pritesh Bipin Patel	S	287,569	62.1
8-Oct	Om Met Infra	India Discovery Fund Limited	B	500,000	31.9
8-Oct	Om Met Infra	Copthall Mauritius Investment Ltd	S	1,054,951	31.9
8-Oct	Om Met Infra	Macquarie Bank Limited	S	1,745,993	31.9
8-Oct	Pace Textiles	Suttam Chand	S	160,000	108.0
8-Oct	Parshart Inv	Jayesh Kumarchimanlal Soni	B	22,000	27.6
8-Oct	Parshart Inv	Susmitaben Pradipbhai Patel	S	57,287	27.6
8-Oct	Ranklin Solu	Tejanaga Venkata Ambicarama Sudarsan	B	27,000	37.5
8-Oct	Ranklin Solu	Nibu Krishnan	S	27,100	37.5
8-Oct	Sampada Chem	Dolex Commercial Private Limited	S	33,500	29.8
8-Oct	Sampada Chem	Shree Satyanarain Properties Private Ltd	S	28,000	29.8
8-Oct	Scenario Med	Kusum Gupta	S	5,000	121.8
8-Oct	United Brew	Tree Line Asia Master Fund Singapore Pte	B	5,000,000	141.0
8-Oct	United Brew	Deutsche Securities Mauritius Limited	S	5,000,000	141.0
8-Oct	Varun Inds	Hitesh Shashikant Jhaveri	B	118,050	187.7
8-Oct	Well Pack Pa	Buniyad Chemicals Ltd	B	25,000	274.5
8-Oct	Yuken India	Swarnaratna Securities P. Ltd	B	20,000	76.4
8-Oct	Yuken India	Aparajeeta It Software Soultions	S	46,000	72.8
8-Oct	Yuken India	Equity Intelligence India Private Ltd	S	15,000	76.9

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
ITC	251	2.4	5.4	6.5
Reliance Ind	2,120	0.9	4.8	7.0
Tata Steel	535	3.5	4.0	9.2
Losers				
Bharti Airtel	334	(6.9)	(11.2)	41.6
Infosys Tech	2,211	(1.9)	(7.3)	2.3
L&T	1,651	(1.6)	(5.6)	2.5

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
9-Oct	Infosys arnings expected; Pipavav Shipyard holds press meet at listing of shares
10-Oct	Kajaria Ceramics, Penland, Venus Sugar earnings expected
11-Oct	South Indian Bank earnings expected
12-Oct	Axis Bank, Sintex Industries, DCB, Exide Industries, Praj Industries earnings expected

Source: Bloomberg, BSE

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