

## Major indices movements

Major indices	Clsq	1d (%)	3m (%)	6m (%)
BSE Sensex	17,977	0.6	2.3	6.6
Nifty	5,399	0.6	2.5	7.2
Dow	10,121	(1.1)	(9.1)	(0.5)
Nikkei	9,215	(0.7)	(15.8)	(13.0)
Hang Seng	20,424	(0.3)	(4.8)	(1.5)
Brasil Bovespa	64,477	0.0	(7.1)	(2.6)
Mexico Bolsa	32,109	0.3	(4.6)	4.1

## Turnover

Value Traded (Rs bn)	21 July 2010	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	46.0	19.9	94.0	28.6
Cash NSE	125.6	15.9	241.6	18.2
<b>Total</b>	<b>171.6</b>			
Del.(%)	39.9			
F&O	919.0	21.2	1661.9	358.0
<b>Total Trade</b>	<b>1090.6</b>			

## Fund Activity

Net Inflows				
(Rs bn)	Purch	Sales	Net	YTD
<b>20 July 2010</b>				
FII's	16.7	(13.0)	3.7	233.4
Domestic Funds	3.5	(4.9)	(1.5)	98.8
<b>21 July 2010</b>				
Cash Provisional			(1.3)	
F&O - Index	90.0	(50.5)	39.5	(27.6)
F&O - Stock	37.8	(34.3)	3.6	(11.6)

## Advances/declines BSECash

21 July 2010	A	B1	B2	Total
Advance	135	1005	224	1,364
Decline	69	899	218	1,186

## Commodity Prices

Commodity	22 July 2010	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	74.5	(0.1)	(12.0)	4.0
Copper(usd/t)	6,860	3.3	(11.6)	(5.7)
Aluminum H.G.(usd/t)	2,008	1.9	(14.6)	(10.3)
Zinc(usd/t)	1,918	2.3	(20.9)	(20.1)

Debt/Forex Mkt	Clsq	1d (%)	3m (%)	6m (%)
Re/USD	47.17	0.4	(5.5)	(2.5)
10 yr Gsec Yield	7.68	0.6	(4.1)	1.2

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## News clippings

- **BGR Energy Systems** electrical project division has secured a contract for Rs 170.2 million from Nuclear Power Corporation of India (NPCIL). The order work includes design, engineering, manufacture, supply, erection and commissioning of cabling systems and other electrical works for Power Island Area in the 500 MW Prototype Fast Breeder Reactor (PFBR) project of Bharatiya Nabhikiya Vidyut Nigam, at Kalpakkam, Tamil Nadu.
- The share of **Maruti Suzuki** slipped below 50% for the first time in several years when it reported a 47% market share for the January-June period. The credit for this goes to a slew of cars that stormed the market at highly competitive prices from the world's cheapest car Tata Nano to Ford Figo, GM Beat and Hyundai i20.
- The Cabinet is likely to take up today the follow-on public offer from transmission utility **PowerGrid Corporation** to raise up to Rs 3,000 crore.
- The government may consider buying BP Plc's stake in a natural gas field in Vietnam after the Gulf of Mexico oil spill, BP has agreed to sell assets as part of a plan to raise funds to meet liabilities.
- Engineering exports jumped by about 90 per cent on year-on-year basis in June to \$5.1 billion despite concerns of financial problems in some European economies. Of the total \$32.5-billion engineering exports in 2009-10, EU accounted for about 30 per cent. Cumulative performance for the first quarter of the current fiscal improved by 45 per cent over the same period last fiscal.
- Finance Minister Pranab Mukherjee has proposed a three-rate structure for the Goods and Services Tax (GST) -- which will simplify the indirect tax regime -- under which goods will attract 20 per cent levy, services 16 per cent and essential items a concessional 12 per cent.

## Research views

### Bharat Bijlee

Reco	CMP	TP
BUY	1,240	1,200

### Financials

In Rs Million	Q1FY11E	Q1FY10	YoY Gr (%)
Net Sales	1,336	1,132	18.1
Operating Profit	166	82	101.8
Operating Mrgn (%)	12.4	7.3	510 bps
Adjusted PAT	87	41	109.0
EPS (Rs)	15.3	7.3	109.0

### Bharat Bijlee Q1FY11E Result Estimates

Driven by low base, healthy revenue growth (18% yoy to Rs1.34bn) and improvement (510 bps yoy to 12.4%) in EBITDA margins to continue. The PAT is expected to grow by whopping 109% YoY to Rs87mn. Key things to watch - (1) performance of motors business, (2) order inflows and realizations trend in transformers and (3) overall margins.

### Bajaj Auto Limited (BAL) – Q1FY11 result expectation

Despite strong volumes up 70% YoY and 15% on QoQ, we expect EBIDTA margins to decline 30bps YoY and 370bps QoQ. Pressure on margins is largely due to raw material cost and change in product mix. Key things to watch out for (1) Raw material price contracts and (2) export targets (can result in upward revision of margins).

- We expect net sales to grow by 64.5% YoY and 13.2% QoQ to Rs 38.5 bn
- We expect EBIDTA to grow by 61.9% YoY but decline 5.1% QoQ to Rs 7.4 bn
- EBIDTA margin are likely to decline by 30bps YoY and 370bps QoQ to 19.2%.
- We expect APAT to grow by 64.3% YoY but decline 9.6% QoQ to Rs 5.1 bn

Y/e Mar (Rs Mn)	Q1FY10	Q1FY11E	4QFY10	%Change YoY	%Change QoQ
Net Sales	23,385	38,480	33,995	64.5	13.2
Adj.EBITDA	4,554	7,374	7,771	61.9	(5.1)
EBITDA %	19.5	19.2	22.9		
APAT	3,105	5,103	5,642	64.3	(9.6)
DEPS (Rs.)	21.5	35.3	39.0	64.3	(9.6)

## Research views

### Punjab National Bank Q1FY11 result estimates

We expect sharp growth of 40% in PNB's NII driven by a strong 25% growth in advances and 50bps expansion NIMs which will more than offset the low trading gains during the quarter. Key thing to watch out will be behaviour of the restructured asset which were on higher side for PNB amongst PSBs. Strong growth in income to help provide higher for NPAs too.

### Punjab National Bank

Reco	CMP	TP
ACCUMULATE	1061	1100

Y/e Mar	FY10	FY11E	FY12E
Net income (Rsm)	120,883	137,332	160,235
PPP (Rsm)	73,359	89,124	106,951
PAT (Rsm)	39,148	46,670	56,130
FDPER (x)	8.5	7.2	6.0
P/ABV (x)	2.2	1.8	1.4
RoE (%)	24.2	23.8	23.5

Rs mn	Q1FY11	Q1FY10	Q4FY10	% yoy change	% qoq change
NII	26,015	18,618	24,980	39.7	4.1
Pre-provision profit	20,035	15,694	22,510	27.7	-11.0
Net profit	10,545	8,321	11,353	26.7	-7.1
NIM (%)	3.5	3.0	3.6	56	-8

### CRISIL

Reco	CMP	TP
REDUCE	5859	4800

Y/e Mar	CY09	CY10E	CY11E
Net Revenue	5,373	6,457	7,707
Net profit	1,557	1,764	2,053
EPS (Rs)	215.5	244.1	284.2
ABV (Rs)	504.7	502.9	658.3
RoE (%)	47.7	48.5	48.9
PE (x)	27.1	23.9	20.5

### CRISIL Q2CY10 result estimates

We expect CRISIL's revenues to grow by moderate 13% driven by high base in the advisory business in Q2CY09. The OPMs are expected to remain flat as CRISIL has invested in the premises over last year. Traction in IREVNA and advisory will be key things to watch out.

Rs mn	Q2CY10	Q2CY09	Q1CY10	% yoy change	% qoq change
Net Revenue	1537	1359	1433	13.1	7.2
EBIDTA	562	512	462	9.9	21.8
Adj. Net profit	424	394	462	7.5	-8.2

## Research views

### Coromandel International

Reco	CMP	TP
<b>BUY</b>	<b>491</b>	<b>470</b>

### Financials

Y/e Mar	Q1FY10	Q1FY11E	% YoY
Net Sales (Rs mn)	15880	12163	-23.4%
EBITDA (Rs mn)	744	973	30.7%
EBITDA %	4.7	8.0	+ 330 bps
APAT (Rs mn)	522	723	38.7%
EPS (Rs)	3.7	5.2	38.7%

### Coromandel International Q1FY11 Results Expectation: Net Sales Rs 12.2 bn, PAT Rs 723 mn

Coromandel International is expected to report their Q1FY11 results today i.e. July 22nd 2010.

We expect lower fertiliser sale volumes by 27% to result in 23% YoY decline in net revenues to Rs 12.2 bn. We estimate a 330 bps margin expansion to 8% with implied EBITDA / mt of Rs 1800 as against Rs 1040 / mt previous year. Resulting EBITDA is estimated to increase by 31% YoY to Rs 973 mn. Margin expansion is expected to reflect by way of 39% YoY increase in APAT to Rs 723 bn resulting in an EPS of Rs 5.2.

### Deepak Fertilisers

Reco	CMP	TP
<b>BUY</b>	<b>143</b>	<b>128</b>

### Financials

Y/e Mar	Q1FY10	Q1FY11E	% YoY
Net Sales (Rs mn)	2424	3113	28.4%
EBITDA (Rs mn)	578	795	37.6%
EBITDA %	23.8%	25.5%	+ 170 bps
APAT (Rs mn)	391	477	22.2%
EPS (Rs)	4.4	5.4	22.2%

### Deepak Fertilisers Q1FY11 Results Expectation: Net Sales Rs 3.1 bn, PAT Rs 477 mn

Deepak Fertilisers is expected to report their Q1FY11 results today i.e. July 22nd, 2010.

Fertiliser revenues are expected to decline by 15% YoY to Rs 550 mn while higher volumes are likely to result in 49% increase in chemicals revenues. We estimate 28% YoY increase in net revenues to Rs 3.1 bn. Increase in own manufactured chemical volumes due to improved availability of gas and changing product mix in favour of high margin chemical segment is expected to drive aggregate EBITDA margins by 170 bps to 25.5% and 22% increase in APAT to Rs 477 mn.

## Thermax Standalone Q1FY11 Results – First Cut Analysis

### Stellar performance – above estimates

Thermax posted second consecutive quarter of strong performance – benefiting from uptick in industrial activity.

- Led by strong growth in both segments, revenues increased by a robust 47.6% yoy to Rs7.9 bn, above estimates. Environment segment continued to witness strong traction in revenues – up 75.1% yoy to Rs2.2 bn, above estimates. Led by a growing order backlog, Energy segment grew by 42.9% yoy to Rs6.1 bn, above our estimates.
- Strong revenue growth and operating leverage negated sharp rise in raw material costs (up 410 bps yoy to 66.5%). Consequently, operating margins increased 100 bps yoy to 12.2% - in line with estimates. Energy segment EBIT margins declined 110 bps yoy to 11.2% while Environment EBIT margins contracted 80 bps yoy to 12.1%.
- Led by strong operational performance, net profits increased by 42.3% yoy to Rs662 mn, above estimates.
- At the consolidated level, revenues increased 46.8% yoy to Rs8.3 bn and net profits grew by 41.7% yoy to Rs668 mn, above estimates. The subsidiaries posted a profit of Rs6 mn after incurring losses for the past 2 quarters.
- Thermax (Group) continued to witness healthy order accretion in Q1FY11 – it received orders worth Rs20.6 bn. Consequently its order book doubled to Rs69.8 bn (up 84% yoy).

We have a positive bias on Thermax in view of uptick in industrial capex, robust order backlog and inflows, earnings visibility for next 2 years. We will upgrade our earnings by about 20% as well as our target price - being lower-end of consensus. Currently, we have earnings of Rs28.1 and Rs32.4 per share for FY11E and FY12E respectively.

### Standalone Financials

Rs mn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>5,351</b>	<b>6,804</b>	<b>7,483</b>	<b>12,193</b>	<b>7,898</b>	<b>47.6</b>	<b>(35.2)</b>
<b>Expenditure</b>	<b>4,752</b>	<b>6,011</b>	<b>6,589</b>	<b>10,727</b>	<b>6,938</b>	<b>46.0</b>	<b>(35.3)</b>
Consumption of RM	3,336	4,268	4,860	8,121	5,249	57.4	(35.4)
as % of sales	62.3	62.7	64.9	66.6	66.5		
Employee Cost	607	736	720	928	753	24.0	(18.9)
as % of sales	11.3	10.8	9.6	7.6	9.5		
Other expenditure	809	1,007	1,009	1,678	936	15.7	(44.2)
as % of sales	15.1	14.8	13.5	13.8	11.9		
<b>EBITDA</b>	<b>599</b>	<b>792</b>	<b>894</b>	<b>1,466</b>	<b>960</b>	<b>60.1</b>	<b>(34.5)</b>
Depreciation	95	104	104	101	106	10.8	4.7
<b>EBIT</b>	<b>504</b>	<b>688</b>	<b>790</b>	<b>1,365</b>	<b>854</b>	<b>69.5</b>	<b>(37.4)</b>
Other Income	193	142	74	179	140	(27.5)	(21.9)
Interest	5	1	6	3	6		
<b>PBT</b>	<b>692</b>	<b>829</b>	<b>858</b>	<b>1,541</b>	<b>988</b>	<b>42.8</b>	<b>(35.9)</b>
Total Tax	227	288	292	549	326	43.8	(40.5)
<b>Adjusted PAT</b>	<b>465</b>	<b>541</b>	<b>565</b>	<b>992</b>	<b>662</b>	<b>42.3</b>	<b>(33.3)</b>
Extra ordinary items	0	0	0	-1149	0	NA	(100.0)
<b>Reported PAT</b>	<b>465</b>	<b>541</b>	<b>565</b>	<b>-157</b>	<b>662</b>	<b>42.3</b>	<b>(522.1)</b>
<b>Adjusted EPS</b>	<b>3.9</b>	<b>4.5</b>	<b>4.7</b>	<b>8.3</b>	<b>5.6</b>	<b>42.3</b>	<b>(33.3)</b>
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>
EBIDTA	11.2	11.6	11.9	12.0	12.2	100	10
EBIT	9.4	10.1	10.6	11.2	10.8	140	-40
EBT	12.9	12.2	11.5	12.6	12.5	(40)	-10
PAT	8.7	8.0	7.6	8.1	8.4	(30)	20
Effective Tax rate	32.8	34.7	34.1	35.6	33.0	20	-260

## Thermax Standalone Q1FY11 Results – First Cut Analysis (Contd...)

### Segment Financials

Rs mn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
<b>Segment Revenues</b>							
Energy	4,243	5,213	5,603	9,072	6,066	42.9	(33.1)
Environment	1,268	1,649	2,031	3,478	2,221	75.1	(36.2)
Others	0	0	0	0	0		
Less: Intersegment Revenues	71	58	151	357	388	-	-
<b>Total</b>	<b>5,441</b>	<b>6,804</b>	<b>7,483</b>	<b>12,193</b>	<b>7,898</b>	<b>45.2</b>	<b>(35.2)</b>
<b>Segment Results</b>							
Energy	520	620	606	1,176	680	30.7	(42.2)
Environment	164	211	304	510	269	64.3	(47.3)
Others	0	0	0	0	0		
Total	684	831	910	1,687	949	38.7	(43.7)
Add- Unall Income / (Exp)	12	0	-46	-143	45	-	-
Less- Interest Exp	5	1	6	3	6	18.3	80.2
<b>PBT</b>	<b>692</b>	<b>829</b>	<b>858</b>	<b>1,541</b>	<b>988</b>	<b>42.8</b>	<b>(35.9)</b>
<b>Segment Capital Employed</b>							
Energy	3,482	1,250	1,045	1,792	1,792	(48.5)	-
Environment	1,615	929	1,067	1,013	1,013	(37.3)	-
Others	0	0	0	0	0		
Unallocated	5,052	8,464	9,139	7,703	7,703	52.5	-
<b>Total</b>	<b>10,149</b>	<b>10,644</b>	<b>11,250</b>	<b>10,508</b>	<b>10,508</b>	<b>3.5</b>	<b>-</b>
<b>Segment Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>
Energy	12.3	11.9	10.8	13.0	11.2	(110)	-180
Environment	12.9	12.8	15.0	14.7	12.1	(80)	-260
<b>Average</b>	<b>12.4</b>	<b>12.1</b>	<b>11.9</b>	<b>13.4</b>	<b>11.5</b>	<b>(100)</b>	<b>-200</b>

July 21, 2010

### HOLD

Price	Target Price
Rs 194	Rs 209
Sensex	17,878

### Price Performance

(%)	1M	3M	6M	12M
Absolute	11	(9)	(14)	54
Rel. to Sensex	9	(12)	(16)	31

Source: Bloomberg

### Stock Details

Sector	Pharmaceuticals
Reuters	GRAN.BO
Bloomberg	PNCB@IN
Equity Capital (Rs mn)	67
Face Value (Rs)	1
No of shares o/s (mn)	67
52 Week H/L (Rs)	248/119
Market Cap (Rs bn /USD mn)	13/274
Daily Avg Vol (No of shares)	217258
Daily Avg Turnover (US\$ mn)	0.9

### Shareholding Pattern (%)

	Jun'10	Mar'10	Dec'09
Promoters	68.7	68.7	68.7
FII/NRI	13.1	12.7	13.2
Institutions	0.7	3.7	3.8
Private Corp	11.2	9.6	9.3
Public	6.3	5.3	5.0

- **Favorable product mix has resulted better than expected growth in APAT to Rs339mn vs. our estimate of Rs170mn.**
- **Revenue at Rs2.58bn (up 43%) was in-line with our expectations driven by a) 46% growth in vaccines (Easyfive contributed revenue of Rs880mn) and b) 43% growth in pharma formulation business.**
- **On the back of increased contribution of high margin Easyfive vaccine, OPM for the quarter was at 23.8% (down 200bps YoY) vs. expectations of 19.4%.**
- **Lower tax provision (8% vs. est. of 25%) and lower interest cost (Rs88mn vs. Rs98mn) has resulted an EPS of Rs5.1 (up 160% YoY). We maintain our earning estimates of Rs17.1/ Rs22.8 for FY11E/ FY12E and retain Hold rating.**

### 43% revenue growth is aided by strong traction across the segment

Panacea has reported robust revenue growth of 43% largely driven by a) strong traction in Easyfive (Rs880mn vs. Rs187mn in Q1FY10) and BOPV vaccine (Rs350mn) which resulted 46% growth in vaccine business and b) commencement of supply of organ transplant products in Lat Am countries which resulted in 406% growth in export pharma formulation segment. Domestic pharma business for the quarter grew by 14%. The supply of Easyfive to UNICEF under new contract began from Jan'10 onwards and company has a long term contract worth US\$222mn to be executed till Dec'2012.

### Segment wise revenue break-up

Segment	Q12011	Q12010	Gr Y-o-Y	Q42010	Gr Q-o-Q
TOPV1	186.8	795.1	-77%	1180	-84%
MOPV1	207.9	0		250	-17%
MOPV3	56.9	160.6	-65%	80	-29%
BOPV	350	0	NA	420	-17%
Easy five	880	187	371%	560	57%
JV	80.8	61.8	31%	40	102%
others	0	0		70	-100%
<b>Total</b>	<b>1762.4</b>	<b>1204.5</b>	<b>46%</b>	<b>2600</b>	<b>-32%</b>
<b>Pharma</b>	<b>777</b>	<b>568</b>	<b>37%</b>	<b>591.6</b>	<b>31%</b>
<b>Total</b>	<b>2539.4</b>	<b>1772.5</b>	<b>43%</b>	<b>3191.6</b>	<b>-20%</b>

### Favorable product mix improved operating performance

Though operating margins for the quarter were down by 200bps to 23.8% mainly on account of higher overages in OPV vaccine but they were better than our expectations (19.4%). This is largely driven by improved contribution of high margin Easyfive and BOPV vaccine and lower contribution of low margin TOPV vaccine. On QoQ basis, operating margins expanded by 850bps. Despite 520 and 180bps reduction in other expenditures and employee cost, the 200bps YoY reduction in employee cost was largely because of 850bps increase in raw material cost.

### Financial Snapshot

YE-	Net	EBITDA		EPS	EPS	RoE		EV/		
Mar	Sales	(Cr)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBIT	P/B
									DA	V
FY09	7,882	1,585	20.1	753	11.3	(41.6)	12.4	17.1	9.7	2.1
FY10	9,256	1,505	16.3	765	11.5	1.6	11.2	16.9	10.0	1.9
FY11E	11,780	2,516	21.4	1,142	17.1	49.3	15.9	11.3	6.8	1.8
FY12E	12,697	3,137	24.7	1,520	22.8	33.1	17.6	8.5	4.7	1.5

**160% growth in APAT driven by strong operating performance & lower tax provision**

The PBT for the quarter was up by 74% to Rs368mn driven by robust revenue growth and strong operating performance. This coupled with lower tax provision (8% vs. est. of 24%) and interest cost (down by 13%) has resulted 160% growth in APAT to Rs339mn. Management has indicated that lower tax provision was mainly because of utilization of MAT credit. However for FY11E as a whole, they have guided 23% tax rate. Similarly, on interest front, company expects the cost to rise in the coming quarters because of high working capital utilization.

**Announced buy-back of 5.5mn shares at a price not exceeding Rs229**

Panacea Biotec has recently announced the buy-back up to maximum of 5.59mn shares (8.3% of existing equity) at a price not exceeding Rs229. Company has already got the SEBI approval for the same. The total outlay for this buy back would be in the range of Rs1bn to 1.25bn and it will be done through both internal accruals as well as external funds. As of now, we are not factoring any change in our number.

**Maintain earning estimates and Hold rating with a price target of Rs209**

Despite better than expected operating performance, we are not changing our earning estimates because of uncertainty in product mix associated with OPV vaccine. With Easyfive supply already commissioned, we expect a significant jump in revenue in next two years. This will not only improve the top-line of the company but also have positive impact on the bottom-line as realization in Easyfive is even higher than MOPV vaccines. However, because of lower realization in OPV vaccines due to overages, we maintain our earning estimates of Rs17.1 and Rs22.8 for FY11E and FY12E respectively. We retain our Hold rating on the stock with a target price of Rs209. At CMP of Rs194, the stock is trading at 11.3x FY11E and 8.5x FY12E.



## Income Statement

Rs mn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)	YTD'10	YTD'09	YoY (%)
<b>Revenue</b>	<b>1,809</b>	<b>1,701</b>	<b>2,314</b>	<b>3,287</b>	<b>2,584</b>	42.9	(21.4)	<b>2,584</b>	<b>1,809</b>	42.9
<b>Expenditure</b>	<b>1,352</b>	<b>1,409</b>	<b>1,908</b>	<b>2,783</b>	<b>1,970</b>	45.7	(29.2)	<b>1,970</b>	<b>1,352</b>	45.7
<i>as % of sales</i>	74.7	82.8	82.5	84.7	76.2			<b>76</b>	<b>75</b>	
Consumption of RM	697	729	1,279	1,976	1,214	74.2	(38.6)	<b>1,214</b>	<b>697</b>	74.2
<i>as % of sales</i>	38.5	42.9	55.3	60.1	47.0			<b>47</b>	<b>39</b>	
Employee Cost	231	271	244	244	285	23.3	16.8	<b>285</b>	<b>231</b>	23.3
<i>as % of sales</i>	12.8	15.9	10.6	7.4	11.0			<b>11</b>	<b>13</b>	
Other expenditure	424	409	385	563	471	11.1	(16.4)	<b>471</b>	<b>424</b>	11.1
<i>as % of sales</i>	23.4	24.0	16.6	17.1	18.2			<b>18</b>	<b>23</b>	
<b>EBITDA</b>	<b>457</b>	<b>292</b>	<b>406</b>	<b>504</b>	<b>615</b>	34.5	22.0	<b>615</b>	<b>457</b>	34.5
Depreciation	161	162	164	178	174	8.2	(2.4)	<b>174</b>	<b>161</b>	8.2
<b>EBIT</b>	<b>296</b>	<b>130</b>	<b>242</b>	<b>326</b>	<b>441</b>	48.7	35.3	<b>441</b>	<b>296</b>	48.7
Other Income	13	-	11	17	13	(0.8)	(27.6)	<b>13</b>	<b>13</b>	(0.8)
Interest	98	100	86	99	86	(12.6)	(13.4)	<b>86</b>	<b>98</b>	(12.6)
<b>PBT</b>	<b>211</b>	<b>30</b>	<b>167</b>	<b>244</b>	<b>368</b>	74.1	50.5	<b>368</b>	<b>211</b>	74.1
Total Tax	81	9	94	197	28	(64.9)	(85.6)	<b>28</b>	<b>81</b>	(64.9)
<b>Adjusted PAT</b>	<b>130</b>	<b>21</b>	<b>73</b>	<b>183</b>	<b>339</b>	160.5	85.2	<b>339</b>	<b>130</b>	160.5
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			<b>0</b>	<b>0</b>	
<b>APAT after MI</b>	<b>130</b>	<b>21</b>	<b>73</b>	<b>183</b>	<b>339</b>	160.5	85.2	<b>339</b>	<b>130</b>	160.5
<b>Extra ordinary items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>528</b>	<b>14</b>		(97.4)	<b>14</b>	<b>0</b>	
<b>Reported PAT</b>	<b>130</b>	<b>21</b>	<b>73</b>	<b>574</b>	<b>326</b>	149.9	(43.3)	<b>326</b>	<b>130</b>	149.9
<b>Reported EPS</b>	<b>1.9</b>	<b>0.3</b>	<b>1.1</b>	<b>2.7</b>	<b>5.1</b>	160.0	84.8	<b>5</b>	<b>2</b>	160.0
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>			<b>(bps)</b>
EBIDTA	25.3	17.2	17.5	15.3	23.8	(150)	850	<b>23.8</b>	<b>25.3</b>	(150)
EBIT	16.4	7.7	10.4	9.9	17.1	70	720	<b>17.1</b>	<b>16.4</b>	70
EBT	11.7	1.8	7.2	7.4	14.2	250	680	<b>14.2</b>	<b>11.7</b>	250
PAT	7.2	1.3	3.2	5.6	13.1	590	750	<b>13.1</b>	<b>7.2</b>	590
Effective Tax rate	38.3	29.7	56.0	80.6	7.7			<b>7.7</b>	<b>38.3</b>	-

## Income Statement

Y/E, Mar (Rs. mn)	FY09	FY10P	FY11E	FY12E
<b>Net Sales</b>	<b>7,882</b>	<b>9,256</b>	<b>11,780</b>	<b>12,697</b>
<i>Growth (%)</i>	(6.3)	17.4	27.3	7.8
<b>Expenditure</b>	<b>6,296</b>	<b>7,750</b>	<b>9,264</b>	<b>9,560</b>
Materials Consumed	2,686	4,720	5,964	6,186
Employee Cost	957	1,036	1,100	1,187
Other Exp	2,653	1,994	2,200	2,187
<b>EBITDA</b>	<b>1,585</b>	<b>1,505</b>	<b>2,516</b>	<b>3,137</b>
<i>Growth (%)</i>	(23.6)	(5.0)	67.1	24.7
<b>EBITDA margin (%)</b>	<b>20.1</b>	<b>16.3</b>	<b>21.4</b>	<b>24.7</b>
Depreciation	545	676	719	746
<b>EBIT</b>	<b>1,040</b>	<b>830</b>	<b>1,797</b>	<b>2,390</b>
<b>EBIT margin (%)</b>	<b>13.2</b>	<b>9.0</b>	<b>15.3</b>	<b>18.8</b>
Other Income	312	47	95	98
Interest expenses	348	385	408	454
<b>PBT</b>	<b>1,004</b>	<b>492</b>	<b>1,483</b>	<b>2,034</b>
<b>Tax</b>	<b>-207</b>	<b>404</b>	<b>341</b>	<b>514</b>
<i>Effective tax rate (%)</i>	(20.6)	82.0	23.0	25.3
<b>Adjusted PAT</b>	<b>753</b>	<b>765</b>	<b>1,142</b>	<b>1,520</b>
<i>Growth (%)</i>	(41.6)	1.6	49.3	33.1
<b>Net Margin (%)</b>	<b>9.6</b>	<b>8.3</b>	<b>9.7</b>	<b>12.0</b>
(Profit)/loss from JVs/Ass/MI	-	-	-	-
<b>Adjusted PAT After JVs/Ass/MI</b>	<b>753</b>	<b>765</b>	<b>1,142</b>	<b>1,520</b>
E/O items (net of Tax)	(1,412)	476	-	-
<b>Reported PAT</b>	<b>-660</b>	<b>724</b>	<b>1,142</b>	<b>1,520</b>
<i>Growth (%)</i>	(29.6)	95.2	12.8	9.5

## Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10P	FY11E	FY12E
<b>PBT (Ex-Other income)</b>	-867	1,127	1,483	2,034
Depreciation	545	676	719	746
Interest Provided	348	385	408	454
Other Non-Cash items	-	-	-	-
Chg in working cap	(310)	(954)	(1,092)	(199)
Tax paid	207	-404	-341	-514
<b>Operating Cashflow</b>	<b>-77</b>	<b>830</b>	<b>1,177</b>	<b>2,522</b>
Capital expenditure	(2,516)	(123)	(200)	(700)
<b>Free Cash Flow</b>	<b>-2,593</b>	<b>707</b>	<b>977</b>	<b>1,822</b>
Other income	312	47	95	98
Investments	(548)	-	-	-
<b>Investing Cashflow</b>	<b>-236</b>	<b>47</b>	<b>95</b>	<b>98</b>
Equity Capital Raised	0	0	-800	0
Loans Taken / (Repaid)	3,044	(800)	284	(1,300)
Interest Paid	(348)	(385)	(408)	(454)
Dividend paid (incl tax)	-	(20)	(39)	(78)
Income from investments	-	-	-	-
Others	-352	48	48	0
<b>Financing Cashflow</b>	<b>2,344</b>	<b>-1,156</b>	<b>-915</b>	<b>-1,833</b>
<b>Net chg in cash</b>	<b>-485</b>	<b>-403</b>	<b>156</b>	<b>87</b>
Opening cash position	1,547	748	299	360
<b>Closing cash position</b>	<b>748</b>	<b>299</b>	<b>360</b>	<b>350</b>

## Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10P	FY11E	FY12E
Equity share capital	67	67	67	67
Reserves & surplus	6,005	6,757	7,108	8,550
<b>Net worth</b>	<b>6,072</b>	<b>6,824</b>	<b>7,175</b>	<b>8,617</b>
<b>Minority Interest</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>
Secured Loans	328	28	1,528	528
Unsecured Loans	6,703	6,203	4,986	4,686
<b>Loan Funds</b>	<b>7,030</b>	<b>6,230</b>	<b>6,514</b>	<b>5,214</b>
Net deferred tax liability	335	335	335	335
<b>Total Liabilities</b>	<b>13,465</b>	<b>13,417</b>	<b>14,052</b>	<b>14,194</b>
Gross Block	9,026	9,926	10,626	11,326
Less: Depreciation	2,213	2,889	3,608	4,354
<b>Net block</b>	<b>6,813</b>	<b>7,037</b>	<b>7,018</b>	<b>6,971</b>
Capital work in progress	1,777	1,000	500	500
<b>Investment</b>	<b>701</b>	<b>701</b>	<b>701</b>	<b>701</b>
<b>Current Assets</b>	<b>7,725</b>	<b>6,403</b>	<b>7,846</b>	<b>8,156</b>
Inventories	4,513	2,809	3,744	3,865
Sundry debtors	1,202	2,063	2,509	2,708
Cash & bank balance	748	299	360	350
Loans & advances	1,233	1,233	1,233	1,233
Other current assets	29	-	-	-
<b>Current lia &amp; Prov</b>	<b>3,554</b>	<b>1,728</b>	<b>2,017</b>	<b>2,138</b>
Current liabilities	1,693	1,615	1,914	1,975
Provisions	1,861	113	103	162
<b>Net current assets</b>	<b>4,171</b>	<b>4,676</b>	<b>5,830</b>	<b>6,018</b>
Misc. exp	4.2	4.2	4.2	4.2
<b>Total Assets</b>	<b>13,465</b>	<b>13,417</b>	<b>14,052</b>	<b>14,194</b>

## Key ratios

Y/E, Mar	FY09	FY10P	FY11E	FY12E
<b>Profitability (%)</b>				
EBITDA Margin	20.1	16.3	21.4	24.7
Net Margin	9.6	8.3	9.7	12.0
ROCE	8.3	6.2	13.1	16.9
ROE	12.4	11.2	15.9	17.6
<b>Per Share Data (Rs)</b>				
EPS	11.3	11.5	17.1	22.8
CEPS	17.7	15.6	27.9	36.9
BVPS	90.9	102.2	107.4	129.0
DPS	-	0.3	0.5	1.0
<b>Valuations (x)</b>				
PER	17.1	16.9	11.3	8.5
P/CEPS	10.9	12.3	6.9	5.2
P/BV	2.1	1.9	1.8	1.5
EV / Sales	1.9	1.6	1.5	1.2
EV / EBITDA	9.7	10.0	6.8	4.7
Dividend Yield (%)	0%	13%	13%	13%
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	1.0	0.9	0.9	0.6
Net Debt/EBIDTA	4.0	3.9	2.4	1.5
Working Cap Cycle (days)	158.5	172.6	169.5	160.4

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### BUY

Price Rs 76	Target Price Rs 90
Sensex	17,878

### Price Performance

(%)	1M	3M	6M	12M
Absolute	4	1	13	177
Rel. to Sensex	2	(2)	10	135

Source: Bloomberg

### Stock Details

Sector	Financial Services
Reuters	MGFL.BO
Bloomberg	MGFL@IN
Equity Capital (Rs mn)	3404
Face Value(Rs)	10
No of shares o/s (mn)	325
52 Week H/L	85/27
Market Cap (Rs bn/USD mn)	26/549
Daily Avg Volume (No of sh)	808,104
Daily Avg Turnover (US\$m)	1.3

### Shareholding Pattern (%)

	M'10	D'09	S'09
Promoters	41.0	30.4	30.7
FII/NRI	42.1	40.7	40.1
Institutions	1.8	0.6	0.7
Private Corp	0.4	0.8	0.5
Public	14.8	27.6	28.0

- **MAGFIL reported robust numbers on expected lines for Q1FY11 with NII at Rs1.4bn and PAT at Rs462mn, up 27% and 13% qoq**
- **The AUMs has grown by 30% yoy with NIMs of 18.8%. However, sharp increase in ad expenses only partially offset strong revenue performance**
- **Gross NPAs (gold) have come down by a third while net NPAs have remained stable despite sharp growth in AUMs**
- **Valuations at 2.3x FY12E ABV still attractive with RoEs of 30-36%. We maintain BUY rating with price target of Rs90**

### Robust NII growth

MAGFIL's Q1FY11 NII was marginally ahead of estimates, as the same grew by 27.6% qoq to Rs1.4bn driven by 30%qoq growth in AUMs and stable NIMs

### Yield Analysis

%	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (bps)	QoQ (bps)
Yield on assets*	27.0	20.8	26.1	25.4	24.9	-212	-47
Cost of funds*	7.9	8.1	7.2	7.8	6.3	-160	-147
NIM*	19.1	12.7	18.9	17.6	18.6	-52	100

Source: Company, Emkay Research

# Calculated based on average quarterly balances

### Business growth robust

The company's AUMs grew by a robust 30% qoq to Rs33.7bn in Q1FY11 led by 42% qoq growth in gold loans. The AUMs for FY10 also include assignment portfolio of Rs7.4n.

### Advances growth @ 15.0%qoq

(%)	Q4FY10	Q4FY09	Q3FY10	yoy chg	qoq chg
Advances	26,507	8324.7	18,694	218.4	41.8
Assignments	7,258	7055.3	7,290		
AUMs	33,765	15380	25,984	119.5	29.9

Source: Company, Emkay Research

### Valuation table

Y/E March 31	Net Rev	APAT	EPS	ABV	RoA	RoE	PE	P/ABV
	Rs mn	Rs mn	(Rs)	(Rs)	(%)	(%)	(x)	(x)
FY09	1,272	301	3.5	14.5	3.6	29.1	21.5	5.2
FY10	3,409	1,195	3.5	36.7	6.0	30.3	21.6	2.1
FY11E	6,446	2,106	6.2	23.4	5.2	29.5	12.3	3.2
FY12E	10,708	3,455	10.2	32.9	5.2	35.8	7.5	2.3

Source: Company, Emkay Research

## Key financials – Quarterly

Rs mn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
Net Interest Income	502	547	950	1,115	1,422	183.5	27.6
Other Income	2	6	2	2	7	235.9	337.8
Net Income	504	552	952	1,117	1,429	183.7	28.0
Total Operating Expenses	238	242	379	432	683	186.6	58.0
As % Of Net Income	47.3	43.9	39.8	38.7	47.8		
Employee Expenses	86	92	129	190	231	168.4	21.8
As % Of Net Income	17.1	16.6	13.5	17.0	16.2		
Other Expenses	55	46	79	47	155	179.6	226.6
As % Of Net Income	11.0	8.3	8.3	4.2	10.8		
Operating Profit	256	299	558	666	723	181.9	8.5
As % Of Net Income	50.9	54.0	58.6	59.7	50.6		
Provisions	40	18	30	43	31	-21.9	-28.4
PBT	217	281	527	623	692	219.3	11.0
Total Tax	74	96	177	215	230	209.3	7.0
Adjusted PAT	142	185	350	408	462	224.6	13.1
Extra Ordinary Items	0	0	0	0	0		
Reported PAT	142	185	350	408	462	224.6	13.1
Reported EPS	8.2	10.7	20.3	12.0	6.8		

Source: Company, Emkay Research

Note: yoy numbers are not comparable due to merger of Manappuram Tamil Nadu Finance into MAGFIL wef Q3FY10.

### Opex up driven by ad expenses

The operating profit grew by slightly slower pace of 8.5% qoq as MAGFIL has started huge advertising campaign in CY10 because of which the other opex was up by 27% qoq.

### Provisions decline despite balance sheet growth

As the gross NPAs came down by approximately a third over preceding quarter, the provisions were down by 28% qoq and 22% yoy.

### NPAs profile

Rs mn	Q4FY10	Q4FY09	yoy chg
Gross NPLs	64	26	101
Net NPLs	57	25	44
Gross NPLs (%)	0.2	0.2	0.4
Net NPLs (%)	0.2	0.2	0.2

Source: Company, Emkay Research

### Capital adequacy robust

The company is comfortably placed in terms of capital requirement, as the CAR stood a healthy 22.11% as on June 30, 2010.

### Valuation and view

We continue to remain confident about MAGIL's growth driven by ability of the management to open new branches, their upscaling and also ability to contain NPAs. We expect a 70% CAGR in earnings over FY10-12E. At the current market price, the stock is quoting at 3.2x FY11E ABV and 2.3x FY12E ABV with likely RoEs of 30-36% over FY10-12E. We continue with our positive stance on the stock with BUY recommendation and price target of Rs90.

## Key Financials

### Income Statement (Rs. Mn)

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
Net interest income	1,241	3,372	6,415	10,676
Other income	31	37	31	31
Net Income	1,272	3,409	6,446	10,708
Operating expenses	601	1,395	2,833	4,794
Depreciation	34	57	67	70
Pre-provision profit	638	1,957	3,547	5,843
Provisions	178	142	331	569
Profit before tax	463	1,818	3,215	5,274
Tax	160	621	1,109	1,820
Tax rate	35	35	35	35
Adjusted Profit after tax	301	1,195	2,106	3,455

### Balance Sheet (Rs. Mn)

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
Equity share capital	213	340	680	680
Reserves And Surplus	1,436	5,886	7,373	10,589
Net worth	1,649	6,226	8,053	11,269
Borrowings	4,891	18,357	32,395	53,311
Deferred tax liability	-14	0	0	0
Current liabilities	381	1,015	1,018	1,018
Total Liabilities	6,938	25,598	41,466	65,597
Net block	280	535	525	521
Investments	29	1,407	29	29
Loans	4,500	18,956	37,714	60,947
Current assets	1,777	4,510	5,173	6,246
Total assets	6,588	25,408	43,441	67,744

### Key Ratios (%)

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
Yield on assets	19.4	23.8	22.0	22.0
Spreads	9.2	14.3	13.7	13.4
NIM	14.8	16.9	16.0	16.0
Other income	0.4	0.2	0.1	0.0
Net Income	15.1	17.1	16.0	16.0
Operating expenses	7.2	7.0	7.0	7.2
Preprovision profit	7.6	9.8	8.8	8.7
Provisions	2.1	0.7	0.8	0.9
Profit before tax	5.5	9.1	8.0	7.9
RoAA	3.6	6.0	5.2	5.2

### Valuations Table

(Year Ending Mar 31)	FY09	FY10	FY11E	FY12E
Adjusted Profit after tax (Rs mn)	301	1,195	2,106	3,455
No of shares (mn)	106.3	170.0	340.0	340.0
FDEPS (Rs)	3.5	3.5	6.2	10.2
PER (x)	21.5	21.6	12.3	7.5
Book value (Rs)	15.5	36.6	23.7	33.1
P/BV (Rs)	4.9	2.1	3.2	2.3
Adjusted book value (Rs)	14.5	36.7	23.4	32.9
P/ABV (Rs)	5.2	2.1	3.2	2.3
P/PPP (x)	12.7	6.6	7.3	4.4
RoE (%)	29.1	30.3	29.5	35.8
Dividend yield (%)	2.8	3.9	3.9	3.9

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### BUY

Price <b>Rs 62</b>	Target Price <b>Rs 80</b>
<b>Sensex</b>	<b>17,977</b>

### Price Performance

(%)	1M	3M	6M	12M
Absolute	12	7	40	54
Rel. to Sensex	10	4	37	31

Source: Bloomberg

### Stock Details

Sector	Diversified
Reuters	CNTP.BO
Bloomberg	CPBI@IN
Equity Capital (Rs mn)	222
Face Value(Rs)	1
No of shares o/s (mn)	222
52 Week H/L	67/35
Market Cap (Rs bn/USD mn)	14/296
Daily Avg Volume (No of sh)	335382
Daily Avg Turnover (US\$m)	0.4

### Shareholding Pattern (%)

	Jun-10	Mar-10	Dec-09
Promoters	85.0	85.9	85.9
FII/NRI	0.0	0.1	0.0
Institutions	1.3	1.5	1.5
Private Corp	8.9	8.2	8.7
Public	4.8	4.4	3.9

Source: Capitaline

- Century Plyboards (CPL) Q1FY11 numbers ahead of expectations- overall EBITDA at Rs 716.3 mn (+8.7% yoy) higher than estimates (Rs614 mn), led by better than expected profitability of cement & power division.
- Revenue (Rs3.1 bn) growth of +16.1%- aided by 31.4% growth in plywood & laminates (P&L) segment and 180.7% growth in power segment. Forex loss of Rs 21.98 mn drags down net profit by 3.8% yoy. Adjusted for forex PBT up 15.9%
- CPL commissions new CFS at Jinjirapole (Kolkata). 3X expansion in cement capacity on track. Kick-start of volume led growth in cement and full scale operations of CFS in FY12 to drive 23% earnings CAGR over FY10-12E.
- Management examining proposal of de-merger of CPL into three entities-Valuations at PER of 6.3X FY12E earnings remain attractive. Maintain BUY with a target of Rs80.

### Plywood & power division fuel revenue growth by 16.1%

Revenues for the quarter at Rs 3.1 bn (our est-Rs3.1 bn) have grown by 16.1%, driven by 31.3% in P&L segment, and a stupendous growth of 180.7% in the power segment (considered only external power sales). Revenue from Logistics segment (though a very small contributor to overall revenues) at Rs 47.1mn grew by 82% yoy. Cement segment (under CPL's 70.48% subsidiary CMCL) registered revenue decline of 5% as the benefits of 8% improvement in cement realisation (Rs5280/ton) were negated by 12% decline in cement volumes (208500 tons).

### EBIDTA growth of 8.7%yoy for the quarter

EBITDA at Rs 716.3 mn was better than our estimates of Rs614 mn on account of better than expected profitability of cement & power division. Overall EBIDTA grew by 8.7%yoy, lower than the topline growth of 16.1% as the 32% growth in P&L EBIT (Rs184 mn ) and 250% growth in power EBIT (Rs73 mn ) was negated by 11% decline in Cement EBIT (Rs393 mn ). Consequently overall EBITDA margins declined by 157 bps to 23%.

### Forex losses drag down net profit by 3.8% - adjusted for forex PBT up 15.9%

CPL has reported a forex loss (related to outstanding currency exposure for raw material imports) of Rs 21.98 mn as compared to Rs 115.2 mn of forex gain registered in Q1FY10. Consequently EBT declined by 9% yoy to Rs569 mn in spite of EBITDA growth of 8.7% yoy. Adjusted for the forex, PBT for the quarter grew by 15.9% to Rs591 mn. Net profit after minority interest at Rs 412 mn (our estimates of Rs 315 mn), declined of 3.8% yoy.

### Financial Snapshot (consolidated)

Rs Mn

	Net	EBITDA		AEPS	EPS	RoE		EV/		
YE-Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY09	10,398	1,863	17.9	572	2.6	-48.8	15.7	24.1	9.1	3.8
FY10E	11,629	2,450	21.1	1,456	6.6	154.5	29.6	9.5	6.9	2.8
FY11E	13,426	2,735	20.4	1,298	5.8	-10.9	21.5	10.6	7.3	2.3
FY12E	19,303	4,952	25.7	2,202	9.9	69.7	27.6	6.3	4.2	1.7

## Quarterly Results

Rs mn	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11A	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>2,681</b>	<b>2,837</b>	<b>2,851</b>	<b>3,255</b>	<b>3,113</b>	16.1	-4.4
<b>Expenditure</b>	<b>2,022</b>	<b>2,223</b>	<b>2,332</b>	<b>2,621</b>	<b>2,396</b>	18.5	-8.6
<i>as % of sales</i>	<i>75.4</i>	<i>78.3</i>	<i>81.8</i>	<i>80.5</i>	<i>77.0</i>		
Consumption of RM	922	1,130	1,098	1,257	1,199	30.1	-4.6
<i>as % of sales</i>	<i>34.4</i>	<i>39.8</i>	<i>38.5</i>	<i>38.6</i>	<i>38.5</i>		
Employee Cost	173	202	210	241	235	35.9	-2.7
<i>as % of sales</i>	<i>6.4</i>	<i>7.1</i>	<i>7.4</i>	<i>7.4</i>	<i>7.6</i>		
Other expenditure	927	892	1,024	1,123	962	3.8	-14.4
<i>as % of sales</i>	<i>34.6</i>	<i>31.4</i>	<i>35.9</i>	<i>34.5</i>	<i>30.9</i>		
<b>EBITDA</b>	<b>659</b>	<b>614</b>	<b>519</b>	<b>634</b>	<b>716</b>	8.7	12.9
Depreciation	99	104	125	124	112	13.3	-9.8
<b>EBIT</b>	<b>560</b>	<b>511</b>	<b>395</b>	<b>510</b>	<b>604</b>	7.8	18.5
Other Income	122	25	77	72	19	-84.1	-73.3
Interest	56	58	67	42	54		
<b>PBT</b>	<b>626</b>	<b>477</b>	<b>405</b>	<b>541</b>	<b>569</b>	-9.0	5.3
Total Tax	75	63	47	30	55	-27.2	81.7
<b>Adjusted PAT</b>	<b>550</b>	<b>414</b>	<b>358</b>	<b>510</b>	<b>514</b>	-6.5	0.8
(Profit)/loss from JV's/Ass/MI	121	99	43	107	102		
<b>APAT after MI</b>	<b>429</b>	<b>315</b>	<b>314</b>	<b>404</b>	<b>413</b>	-3.8	2.2
<b>Extra ordinary items</b>							
<b>Reported PAT</b>	<b>550</b>	<b>414</b>	<b>358</b>	<b>510</b>	<b>514</b>	-6.5	0.8
<b>Reported EPS</b>	<b>1.9</b>	<b>1.4</b>	<b>1.4</b>	<b>1.8</b>	<b>1.9</b>	31.0	2.2

Margins (%)						(bps)	(bps)
EBIDTA	24.6	21.7	18.2	19.5	23.0	-157.3	353.0
EBIT	20.9	18.0	13.8	15.7	19.4	-148.4	374.7
EBT	23.3	16.8	14.2	16.6	18.3	-503.9	168.9
PAT	20.5	14.6	12.5	15.7	16.5	-399.1	85.2
Effective Tax rate	12.1	13.3	11.7	5.6	9.6	-240.7	405.5

## Segmental Results

Segment Revenue (Net)	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11A	yoy	qoq
(a) Plywood and Laminates	1376	1505	1583	1732	1806	31%	4%
(b) Ferro Alloys	67	56	95	182	26	-61%	-86%
(c) Power	80	78	122	228	257	220%	13%
(d) Others	43	124	86	151	64	48%	-58%
(e) Cement	1152	1109	991	1260	1095	-5%	-13%
<b>Total Segment Revenue</b>	<b>2718</b>	<b>2873</b>	<b>2877</b>	<b>3554</b>	<b>3248</b>	19%	-9%
Less : Inter Segment Revenue	37	35	26	299	135	266%	-55%
<b>Segment Revenue after Inter Segment Adjustment (Gross)</b>	<b>2681</b>	<b>2838</b>	<b>2851</b>	<b>3254</b>	<b>3113</b>	16%	-4%

Segment Results (EBIT)	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11A	yoy	qoq
(a) Plywood & Laminates	140	148	141	50	184	32%	268%
(b) Ferro Alloys	-9	-1	-10	36	-11	13%	-130%
(c) Power	21	-3	46	57	73	251%	28%
(d) Others	4	21	32	40	8	86%	-80%
(e) Cement	439	369	214	315	393	-11%	25%
<b>Total</b>	<b>594</b>	<b>535</b>	<b>423</b>	<b>499</b>	<b>647</b>	9%	30%

EBIT margin (%)	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11A	yoy (bps)	qoq (bps)
(a) Plywood & Laminates	10%	10%	9%	3%	10%	5	731
(b) Ferro Alloys	-14%	-1%	-10%	20%	-41%	-2700	-6098
(c) Power	26%	-4%	37%	25%	28%	250	325
(d) Others	10%	17%	37%	26%	12%	248	-1421
(e) Cement	38%	33%	22%	25%	36%	-224	1085

## Segmental performance

### Plywood and laminates (P&L)

Led by strong volume pick up, price hikes and favorable impact of premium product mix, P&L segment witnessed an impressive 31.3% growth in revenues. However on account of higher raw material (timber imports) and higher freight charges EBIT margins for the quarter remained flat at 10.2%. Consequently EBIT for the quarter grew 32% yoy to Rs 184 mn, in line with revenues growth.

### Power & Ferro alloys

Impacted by lower realisation, revenues in the ferro alloy segments have declined by 61% yoy as the company restricted ferro silicon production and instead shifted to power sales. Consequently the Ferro Alloys division reported a loss of Rs 11 mn. Power segment revenues have grown impressively by 181% yoy on account of higher volumes as lower ferro production allowed external power sales. With higher power realisation, EBIT margins expanded by 250 bps to 28.4% and consequently EBIT increased 251% yoy to Rs 73 mn.

### Logistics

Logistics revenues grew 82% yoy to Rs 47 mn as Sonai CFS which started operation in Q1FY10 gained volume traction during the quarter. With operating leverage kicking in EBIT at Rs 7 mn grew 186% yoy. We would like to highlight that the EBIT growth could have been much higher but for the initial operating expenses on the Jinjirapole CFS of Rs 5mn booked in the quarter. Adjusted for these initial expenses EBIT growth for the quarter would have been 388% with margins of 25.7% as compared to reported margins of 15.1%. With volume pick up at Jinjirapole, we expect the divisions EBIT margins to improve from Q3FY11.

### Cement

CMCL, CPL's 70.48 % has (reported as cement segment in consolidated results) has registered 4.8% decline in revenues. This is mainly on account of 12% decline in cement volumes, though higher realisations of Rs5280/ton (+8% yoy) surprised us positively. Consequently EBIT margins contracted 224 bps to 35.9% with cement EBIT declining by 10.6% yoy to Rs 392.8 mn.



**CMCL on a massive capex drive - capacity to increase more than 3X**

In order to capitalize on the strong demand traction in the NE region and to maintain its market leadership position by leveraging its strong brand and distribution network, CMCL is all set to expand its cement manufacturing capacity by more than 3X. Post the completion of the above capex program, CMCL's clinker capacity would increase from current 0.79 mtpa to 2.55 mtpa while its cement manufacturing capacity will quadruple from current 1.2 mtpa to 4.4 mtpa by mid FY12. Further, CMCL is likely to have captive power capacity of 80 MW as compared to the current 17 MW.

**CMCL on a massive capex drive**

Project (Figures in Rs mn)	Targeted Completion	Project Cost	Equity	Debt	Current Status
1.75 Mn Ton Clinkerisation Plant at Lumshnong, Meghalaya in the name of Star Cement Meghalaya Ltd. (Wholly Owned Subsidiary of the company)	11-Sep	6030	2030	4000	Already placed the order for plant. Tender for Mechanical works for the plant has been released. Civil Contractor finalized.
1.6 Mn Ton Cement Grinding unit along with 10 MW captive power project at Guwahati	11-Sep	2533	783	1750	Placed the order for the grinding unit. Tender for mechanical works for the plant has also been released. Civil Contractor finalized.
1.6 Mn Ton Cement Grinding unit along with 10 MW captive power project at Kahalgaon	11-Sep	2451	751	1700	Placed the order for the grinding unit.
<b>Total Capex by CMCL</b>		<b>11014</b>	<b>3564</b>	<b>7450</b>	
Capex by Meghalaya Power, CMCL's 50% associate	11-Sep	2000	670	1330	

Source : Company

**CFS segment set to grow**

With commissioning of its new CFS at Jinjirapole (with a capacity of 1,20,000 TEUs) CPL has now become the biggest CFS operators at Kolkata port with capacity of 160000 TEUS.. We believe that with this 3 fold increase in capacity in the heavily congested Kolkata port, the CFS business could turn out to be the primary growth driver for the standalone company.

**CPL board to examine De-merger of different business segments**

The board of CPL is examining a proposal relating to de-merger of different business segments into 3 separate legal entities. The present company is expected to retaining plywood, laminate and logistics, while Ferro alloys, power and investments in power subsidiaries and investment in cement business will be hived off into two separate companies. The final decision on the de-merger will be taken in next board meeting. WE expect the de-merger to enhance focus on each business, while creating separate growth platforms and unlocking value for CPL shareholders.

**Valuations at PER of 6.3X FY12E earnings remain attractive. Maintain BUY with a target of Rs80.**

CPL is all set to capitalize on the cement demand supply gap in the NER region with its cement capacity set to expand from current 1.2mtpa to 4.4 mtpa by mid FY12. Further its new CFS at Jinjira pole at Kolkata with a capacity of 1,20,000 TEUs (current capacity of 40000 TEUs) is all set to start operation by Q2FY11. The kick-start of volume led growth in cement revenues and full scale operations of the CFS business in FY12 will lead to accelerated growth and significant improvement in its return ratios. Maintain BUY with a SoTP based target of Rs80. We have valued CPL's core plywood & laminates business at an EV/EBIDTA multiple of 5X and the ferro alloys business at just 3X EV/EBIDTA. We have valued CPL's CFS business at 7X EV/EBIDTA. We have valued CPL's 70.48% cement subsidiary, CMCL at an EV/ton of USD 110 (capital cost of setting up a cement plant).

Business segment	Valuation Measure	Rs mn	Rs/share
Target EV/Ton (USD)	EV/ton	110	
USD = INR		46	
Capacity (FY2012) (MTPA)		4.4	
Value of Cement business		22,290	100.3
CPL' stake		70.50%	
Value attributable to CPL		15,710	70.7
ADD: Value of Non Cement Business			
Plywood, Veneer & Laminates	5X EV/EBIDTA	4,392	19.8
Ferro Alloys	3X EV/EBIDTA	624	2.8
CFS	7X EV/EBIDTA	2,474	11.1
Power	1.5X P/B	1,005	4.5
Total Value Of Non Cement Business	8496	38.2	
Total Enterprise value		24,206	109.0
Less:			
Consolidated net debt*		6,352	28.6
<b>Fair Value</b>		<b>17,854</b>	<b>80.4</b>

\*Note: We have taken net standalone debt and added the 70.48% debt on CMCL debt only

**Key Financials****Income Statement**

Y/E, Mar (Rs. m)	FY09	FY10E	FY11E	FY12E
<b>Net Sales</b>	<b>10397.7</b>	<b>11629.0</b>	<b>13426.1</b>	<b>19303.5</b>
Growth (%)	19.9	11.8	15.5	43.8
<b>Expenditure</b>	<b>8535.1</b>	<b>9178.7</b>	<b>10690.6</b>	<b>14351.2</b>
Cost of Materials	4421.9	4664.2	5566.9	6807.8
Personnel Expenses	710.8	829.8	845.2	1066.6
Other Exp	3402.4	3684.7	4278.5	6476.9
<b>EBITDA</b>	<b>1863</b>	<b>2450</b>	<b>2735</b>	<b>4952</b>
Growth (%)	-12.8	31.6	11.6	81.0
<b>EBITDA margin (%)</b>	<b>17.9</b>	<b>21.1</b>	<b>20.4</b>	<b>25.7</b>
Depreciation	393.2	451.1	474.5	959.7
<b>EBIT</b>	<b>1469</b>	<b>1999</b>	<b>2261</b>	<b>3993</b>
<b>EBIT margin (%)</b>	<b>14.1</b>	<b>17.2</b>	<b>16.8</b>	<b>20.7</b>
Other income	29.2	296.6	44.6	130.9
Interest	293.1	251.6	294.1	735.5
<b>PBT</b>	<b>859</b>	<b>2044</b>	<b>2011</b>	<b>3388</b>
<b>Total Tax</b>	<b>-1.1</b>	<b>380.3</b>	<b>422.1</b>	<b>667.2</b>
Effective tax rate (%)	-0.1	18.6	21.0	19.7
<b>Adjusted PAT</b>	<b>572.0</b>	<b>1456.0</b>	<b>1297.9</b>	<b>2202.2</b>
Growth (%)	-48.8	154.5	-10.9	69.7
<b>Net Margin (%)</b>	<b>5.5</b>	<b>12.2</b>	<b>9.6</b>	<b>11.3</b>
(Profit)/loss from JV's/Ass/MI				
<b>PAT after MI</b>	<b>572</b>	<b>1456</b>	<b>1298</b>	<b>2202</b>
E/O items				
<b>Reported PAT</b>	<b>572</b>	<b>1456</b>	<b>1298</b>	<b>2202</b>
Growth (%)	-0.5	1.5	-0.1	0.7

**Cash Flow**

Y/E, Mar (Rs. m)	FY09	FY10E	FY11E	FY12E
Pre-tax profit	859.2	2044.2	2011.4	3387.9
Depreciation	393.2	451.1	474.5	959.7
Interest Provided	249.4	251.6	294.1	735.5
Other Prov & W/O	224.6	0.0	0.0	0.0
Chg in working cap	-375.8	-696.9	1066.3	-2183.7
Tax & other	-167.6	-367.0	-422.1	-667.2
<b>Operating cash flows</b>	<b>1183.1</b>	<b>1683.1</b>	<b>3424.2</b>	<b>2232.2</b>
Capital expenditure	-1097.8	-1247.0	-7515.0	-2564.5
<b>Free Cash Flow</b>	<b>85.2</b>	<b>436.1</b>	<b>-4090.8</b>	<b>-332.3</b>
Other income	29.2	296.6	44.6	130.9
Investments	5.4	-1.3	-167.5	-167.5
<b>Investing Cashflow</b>	<b>-1181.9</b>	<b>-1248.3</b>	<b>-7682.5</b>	<b>-2732.0</b>
Equity Capital Raised	-1.5	0.0	0.0	0.0
Loans Taken / (Repaid)	704.2	138.4	4874.0	2429.2
Interest Paid	-244.5	-251.6	-294.1	-735.5
Dividend paid (incl tax)	-257.6	-38.4	-190.6	-255.1
Income from investments	0.1	0.0	0.0	0.0
Others				
<b>Financing Cashflow</b>	<b>200.5</b>	<b>-151.6</b>	<b>4389.3</b>	<b>1438.6</b>
<b>Net chg in cash</b>	<b>201.7</b>	<b>105.2</b>	<b>131.0</b>	<b>938.8</b>
Opening cash position	188.6	390.2	495.4	626.4
<b>Closing cash position</b>	<b>390.2</b>	<b>495.4</b>	<b>626.4</b>	<b>1565.2</b>

**Balance Sheet**

Y/E, Mar (Rs. m)	FY09	FY10E	FY11E	FY12E
Equity share capital	227.5	227.5	227.5	227.5
Reserves & surplus	3423.3	4698.0	5805.4	7752.6
<b>Networth</b>	<b>3651</b>	<b>4926</b>	<b>6033</b>	<b>7980</b>
<b>Minority Interest</b>				
Secured Loans	3963.3	3872.5	8944.0	11373.2
Unsecured Loans	102.4	331.6	134.1	134.1
<b>Loan Funds</b>	<b>4066</b>	<b>4204</b>	<b>9078</b>	<b>11507</b>
Deferred tax liability	2.3	12.8	12.8	12.8
<b>Total Liabilities</b>	<b>8692</b>	<b>10383</b>	<b>16656</b>	<b>21550</b>
Gross Block	4569.0	5439.0	5359.4	16435.5
Less: Depreciation	1543.8	1959.0	2433.5	3393.2
<b>Net block</b>	<b>3025</b>	<b>3480</b>	<b>2926</b>	<b>13042</b>
Capital WIP	199.2	592.2	8847.7	336.2
<b>Investment</b>	<b>3.7</b>	<b>5.0</b>	<b>172.5</b>	<b>340.0</b>
<b>Current Assets</b>	<b>5686</b>	<b>6997</b>	<b>6690</b>	<b>10815</b>
Inventories	1698.8	2107.1	2196.5	2878.9
Sundry Debtors	1094.7	1285.7	2136.7	3309.1
Cash and Bank bal	390.2	495.4	626.4	1565.2
Loans and Advances	1213.7	1734.5	1622.5	2953.4
Other Current assets	1288.7	1373.8	108.2	108.2
<b>Current lia &amp; Prov</b>	<b>1003</b>	<b>1454</b>	<b>2083</b>	<b>3085</b>
Current liabilities	912.6	1421.0	2050.0	3052.1
Provisions	90.8	32.6	32.6	32.6
<b>Net current assets</b>	<b>4683</b>	<b>5543</b>	<b>4608</b>	<b>7730</b>
Misc. exp	3.9	1.7	1.7	1.7
<b>Total Assets</b>	<b>8692</b>	<b>10383</b>	<b>16656</b>	<b>21550</b>

**Key Ratios**

Y/E, Mar	FY09	FY10E	FY11E	FY12E
<b>Profitability (%)</b>				
EBITDA Margin	17.9	21.1	20.4	25.7
Net Margin	5.5	12.2	9.6	11.3
ROCE	19.2	24.1	17.1	21.6
ROE	15.7	29.6	21.5	27.6
RoIC	20.5	23.9	27.3	28.2
<b>Per Share Data (Rs)</b>				
EPS	2.6	6.6	5.8	9.9
CEPS	5.8	8.6	8.0	14.2
BVPS	16.4	22.2	27.2	35.9
DPS	0.0	1.0	0.7	1.0
<b>Valuations (x)</b>				
PER	24.1	9.5	10.6	6.3
P/CEPS	10.7	7.2	7.8	4.4
P/BV	3.8	2.8	2.3	1.7
EV / Sales	1.4	1.3	1.3	1.0
EV / EBITDA	9.1	6.9	7.3	4.2
Dividend Yield (%)	0.0	1.6	1.2	1.6
<b>Gearing Ratio (x)</b>				
Net debt/ Equity	1.0	0.8	1.4	1.2
Net Debt/EBIDTA	2.0	1.5	3.1	2.0
Working Cap Cycle (days)	62.8	60.9	61.2	58.7

**Indices**

Indices	Today's close	% chg
Sensex	17,977	0.55
Nifty	5399	0.58
S&P CNX 500	4499	0.55
BSE 500	7,234	0.52
BSE Mid-Cap	7,426	0.49
BSE Small-Cap	9,465	0.36
BSE Auto	8,327	0.83
BSE Health	5,644	-0.27
BSE FMCG	3,174	0.05
BSE IT	5,464	0.62
BSE PSU	9,485	0.61
BSE Bankex	11,379	0.04
BSE Oil & Gas	10,522	0.71
BSE Metal	15,430	3.16
BSE Cons Dur	5,173	0.73
BSE Cap Good	15,151	0.68
BSE Realty	3,507	0.98
BSE Power	3,149	0.12

**Levels to watch**

	Sensex	Nifty
Day's High	18012	5409
Day's Low	17873	5368
21 EDMA	17708	5322
55 EDMA	17449	5239

**Trend Tracker**

	Up/ Down	Sensex/ Nifty	Sensex/ Nifty
		Target	Reversal
Short Term*	↓	17400/5225	18200/5455
Mid Term*	↓	16200/4900	18500/5550
ST: 0-14 Days		MT: 14-45 Days	

**Nifty Intraday levels to watch**

	Support	Resistance
Nifty	5382/5371	5409/5422

**TechCheck****Narrow range still in one piece**

Nifty has consolidated near 5400 mark for seventh consecutive day, after seeing a positive start on Wednesday. This shows that the tug-of-war between the bulls and the bears is still on. Metals, realty and auto companies' shares witnessed buying activity today. Key support and resistance levels to look out for are 5350 and 5420 respectively.

**Sectoral Speak****BSE Metal:**

BSE Metal index continued its northbound journey and finally closed at 15430 with a gain of 3.16%. On the daily chart this index is trading above the above 200DEMA as well as continuously making Higher Top and Higher Bottom, thus this index is still looking strong and we maintain our upside target of 15636.



## Technical Recommendations

### EPT Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
04.06.10	Hero Honda	Sell	2002.70	2123.60	1881/1751	<b>1941.00</b>	3.18	
13.07.10	McnallyB	Buy	301	277.4	323/345	<b>303.00</b>	0.66	
13.07.10	Max India	Buy	167	158.4	176/185	<b>159.90</b>	-4.25	
20.07.10	Munjaj Show	Buy	68.50	63.80	78/87	<b>69.00</b>	0.73	

### EMT Calls

Date	Stocks	Action	Reco. Price	Stop-loss	Target	Current price	% change	Comment
15.07.10	Union Bank	Buy	323.40	309.00	335/345	<b>323.10</b>	-0.09	
19.07.10	GATI	Buy	72.70	72.70	77/80	<b>72.80</b>	0.14	Stop-loss trail
19.07.10	Tilak Nagar	Buy	187.50	181.40	194/200	<b>185.70</b>	-0.96	Exit
20.07.10	Videcon	Buy	219.30	213.30	227/235	<b>216.90</b>	-1.09	
20.07.10	Welcorp	Buy	251.60	243.00	263/277	<b>251.00</b>	-0.24	
20.07.10	Unitech	Buy	84.25	81.40	90/95	<b>84.35</b>	0.12	
20.07.10	Jpassociate	Sell	127.60	131.70	123/120	<b>128.00</b>	-0.31	
20.07.10	ICICI Bank	Sell	891.00	910.60	870/851	<b>900.00</b>	-1.00	
20.07.10	Tata Steel	Sell	508.00	520.30	496/485	<b>521.00</b>	-2.50	Stop-loss triggered
21.07.10	Sail	Buy	204.25	195.30	212/220	<b>204.40</b>	0.07	

**Results Today**

ACC

Akzo Nobel

Ambuja Cem.

Bajaj Auto

Bajaj Holdings

Bharat Bijlee

Coromandel Inter

CRISIL

Deepak Fert

Dish TV

Dr Reddy's Labs

Guj Gas Company

IDBI Bank

Idea Cellular

ITC

KF Airlines

Power Fin.Corpn.

Punjab Natl.Bank

Shriram Trans.

Unichem Labs.

Vijaya Bank

**Home****Emkay Global Financial Services Ltd.**

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