

# Expect near-term softness; long-term potential intact

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## Reducing estimates 3% to 10%; Cut to Neutral

Post a strong 36% out-performance to the Sensex since Apr 09, we cut Jain Irrigation (JIL) to Neutral on expected near-term softness in domestic micro irrigation led by political uncertainty in Andhra Pradesh (~25% of segmental revenue). We cut estimates 3% to 10% and PO to INR920 (earlier PO INR950). Our new target multiple of 15x 1yr fwd PE reflects lower growth in EPS.

## Muted quarters ahead; Andhra Pradesh to be a drag

Given the uncertain political situation in Andhra Pradesh, we believe earnings growth will remain subdued for at least 2-3 quarters as new orders will likely be delayed. Moreover we anticipate a muted Dec 09 qtr with 16% yoy revenue growth and 10% yoy rise in EBITDA.

## Not U'perform; long-term micro irrigation potential intact

We remain bullish on the long-term potential of micro irrigation given i) market penetration in India remains below 5%, ii) states are likely to award an increased number of large contracts going ahead and iii) proposed target by the govt task force of a ~US\$6bn investment in Micro Irrigation in the next two years. Moreover, we believe contribution from smaller states will likely improve going ahead.

## High delta to earnings; limited upside post the run up

Prevailing political uncertainty in Andhra Pradesh poses significant upside and downside risks to our micro irrigation estimates and could swing EPS by +/-10%. Given high delta, we cut rating to Neutral. See <10% upside to the stock from current levels. The stock trades at 18xFY11e PE and 15xFY12e PE.

### Estimates (Mar)

(Rs)	2008A	2009A	2010E	2011E	2012E
Net Income (Adjusted - mn)	1,367	1,933	2,735	3,668	4,489
EPS	20.70	26.20	36.09	48.41	59.23
EPS Change (YoY)	51.0%	26.6%	37.7%	34.1%	22.4%
Dividend / Share	2.99	3.14	5.41	7.26	8.89
Free Cash Flow / Share	(74.39)	(36.20)	30.94	47.24	63.05

### Valuation (Mar)

	2008A	2009A	2010E	2011E	2012E
P/E	40.93x	32.32x	23.47x	17.50x	14.30x
Dividend Yield	0.354%	0.371%	0.639%	0.857%	1.05%
EV / EBITDA*	19.31x	14.44x	11.36x	9.28x	7.93x
Free Cash Flow Yield*	-7.84%	-4.19%	3.75%	5.73%	7.65%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 8.

### Stock Data

Price	Rs847.00
Price Objective	Rs920.00
Date Established	14-Jan-2010
Investment Opinion	C-2-7
Volatility Risk	HIGH
52-Week Range	Rs299.10-Rs932.00
Mrkt Val / Shares Out (mn)	US\$1,370 / 73.8
Average Daily Volume	137,352
BofAML Ticker / Exchange	JNIDF / BSE
Bloomberg / Reuters	JI IN / JAIR.BO
ROE (2010E)	27.2%
Net Dbt to Eqty (Mar-2008A)	175.7%
Est. 5-Yr EPS / DPS Growth	20.0% / 20.0%
Free Float	67.5%

### Key Changes

(Rs)	Previous	Current
Inv. Opinion	C-1-7	C-2-7
Inv. Rating	BUY	NEUTRAL
Price Obj.	950.00	920.00
2010E Rev (m)	37,573.9	37,107.6
2011E Rev (m)	45,238.7	43,936.5
2012E Rev (m)	53,649.1	51,956.2
2010E EPS	37.29	36.09
2011E EPS	52.62	48.41
2012E EPS	65.56	59.23
2010E EBITDA (m)	6,664.5	6,531.6
2011E EBITDA (m)	8,455.7	7,995.2
2012E EBITDA (m)	10,044.5	9,354.9
2010E DPS	5.59	5.41

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Refer to important disclosures on page 9 to 11. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7.

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## iQprofile<sup>SM</sup> Jain Irrigation Systems Ltd

Key Income Statement Data (Mar)	2008A	2009A	2010E	2011E	2012E
<b>(Rs Millions)</b>					
Sales	22,159	28,584	37,108	43,936	51,956
Gross Profit	5,983	8,433	11,596	14,011	16,488
Sell General & Admin Expense	(2,541)	(3,417)	(5,193)	(6,149)	(7,271)
Operating Profit	3,286	4,455	5,604	6,787	7,796
Net Interest & Other Income	(1,327)	(1,809)	(1,962)	(1,901)	(1,818)
Associates	NA	NA	NA	NA	NA
Pretax Income	1,959	2,646	3,642	4,886	5,979
Tax (expense) / Benefit	(540)	(659)	(908)	(1,218)	(1,490)
Net Income (Adjusted)	1,367	1,933	2,735	3,668	4,489
Average Fully Diluted Shares Outstanding	66	74	76	76	76

### Key Cash Flow Statement Data

Net Income	1,419	1,986	2,735	3,668	4,489
Depreciation & Amortization	558	684	928	1,208	1,559
Change in Working Capital	(5,705)	(2,289)	(1,279)	(1,788)	(2,088)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	1,486	1,643	1,962	1,901	1,818
Cash Flow from Operations	(2,243)	2,025	4,345	4,990	5,777
Capital Expenditure	(2,655)	(4,644)	(2,000)	(1,410)	(1,000)
(Acquisition) / Disposal of Investments	(440)	403	(50)	(50)	(50)
Other Cash Inflow / (Outflow)	227	43	0	0	0
Cash Flow from Investing	(2,867)	(4,199)	(2,050)	(1,460)	(1,050)
Shares Issue / (Repurchase)	1,782	0	421	(100)	(45)
Cost of Dividends Paid	(197)	(227)	(410)	(550)	(673)
Cash Flow from Financing	6,222	3,230	(2,302)	(3,315)	(3,300)
Free Cash Flow	(4,898)	(2,620)	2,345	3,580	4,777
Net Debt	11,720	16,995	16,652	15,673	13,482
Change in Net Debt	4,853	4,247	(344)	(979)	(2,191)

### Key Balance Sheet Data

Property, Plant & Equipment	8,963	12,903	13,975	14,177	13,619
Other Non-Current Assets	1,254	1,669	1,669	1,669	1,669
Trade Receivables	6,556	8,663	10,308	12,205	14,432
Cash & Equivalents	1,036	1,174	1,167	1,382	2,810
Other Current Assets	11,741	13,483	14,986	16,896	19,107
Total Assets	29,551	37,893	42,106	46,329	51,637
Long-Term Debt	12,756	18,170	17,819	17,055	16,291
Other Non-Current Liabilities	NA	412	412	412	412
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	7,414	9,636	11,455	13,424	15,725
Total Liabilities	20,170	28,217	29,686	30,890	32,428
Total Equity	9,381	9,675	12,421	15,439	19,209
Total Equity & Liabilities	29,551	37,893	42,106	46,329	51,637

### iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	13.6%	13.3%	14.3%	16.0%	17.0%
Return On Equity	24.6%	23.6%	27.2%	27.9%	27.1%
Operating Margin	14.8%	15.6%	15.1%	15.4%	15.0%
EBITDA Margin	17.3%	18.0%	17.6%	18.2%	18.0%

### iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	-1.6x	1.0x	1.6x	1.4x	1.3x
Asset Replacement Ratio	4.8x	6.8x	2.2x	1.2x	0.6x
Tax Rate (Reported)	27.6%	24.9%	24.9%	24.9%	24.9%
Net Debt-to-Equity Ratio	124.9%	175.7%	134.1%	101.5%	70.2%
Interest Cover	2.5x	2.5x	2.9x	3.6x	4.3x

### Key Metrics

Sales Growth (YoY)	59	29	30	18	18
EBITDA GROWTH %	74	34	27	22	17
Net Income Growth (%)	74	40	38	34	22

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

### Company Description

Jain Irrigation is the market leader in Micro Irrigation Systems in India with a 55% share. It is an early entrant in the Indian agro processing business and is the largest processor of mangoes in India, with marquee clients like Coke, and is the third largest global player in onion dehydration. It also leads in the plastic pipes business.

### Investment Thesis

We like Jain Irrigation for 1) leadership in its business segments, 2) visible earnings growth and 3) minimal impact from the global slowdown given a strong focus on India's rural economy. We expect it to continue to lead in Micro Irrigation Systems (MIS) and also scale up agro-processing, leveraging its rural setup. EPS growth will be driven by robust performance in MIS, agro-processing and plastic pipes despite plastic sheets business dragging due to slowdown. Current valuation is attractive.

### Stock Data

Price to Book Value 5.4x

## Financial tables

**Table 1: Estimates change table**

	FY10E	New FY11E	FY12E	FY10E	Old FY11E	FY12E	FY10E	Change FY11E	FY12E
Revenue (INR mn)	37,108	43,936	51,956	37,574	45,239	53,649	-1%	-3%	-3%
EBITDA (INR mn)	6,403	7,862	9,217	6,536	8,322	9,906	-2%	-6%	-7%
EBITDA %	17.3%	17.9%	17.7%	17.4%	18.4%	18.5%	-14bps	-50bps	-73bps
PAT (INR mn)	2,735	3,668	4,489	2,826	3,987	4,968	-3%	-8%	-10%
EPS (INR)	36.1	48.4	59.2	37.3	52.6	65.6	-3%	-8%	-10%

Source: BofA Merrill Lynch Global Research

**Table 2: Profit and loss statement**

(INR mn)	FY07	FY08	FY09	FY10E	FY11E	FY12E
<b>Net sales</b>	<b>13,922</b>	<b>22,159</b>	<b>28,584</b>	<b>37,108</b>	<b>43,936</b>	<b>51,956</b>
Increase/ (decrease) in stock	(887)	(2,029)	(197)	(1,037)	(1,088)	(774)
Cost of materials consumed	8,701	13,832	15,703	20,317	23,618	27,464
Manufacturing expenses	1,175	1,923	2,250	2,969	3,515	4,156
Payment to and provsn. For employees	1,249	2,450	2,927	3,896	4,613	5,455
Selling and Distribution	1,287	1,758	2,289	2,969	3,515	4,156
Admn and other exp.	522	782	1,128	2,224	2,634	3,114
Cost of self generated capital equipments			(533)	(633)	(733)	(833)
<b>EBITDA</b>	<b>1,874</b>	<b>3,442</b>	<b>5,016</b>	<b>6,403</b>	<b>7,862</b>	<b>9,217</b>
Depreciation	420	558	684	928	1,208	1,559
<b>EBIT</b>	<b>1,454</b>	<b>2,884</b>	<b>4,332</b>	<b>5,476</b>	<b>6,654</b>	<b>7,658</b>
Other income	333	401	123	128	133	138
Interest and finance charges	769	1,327	1,809	1,962	1,901	1,818
<b>PBT</b>	<b>1,018</b>	<b>1,959</b>	<b>2,646</b>	<b>3,642</b>	<b>4,886</b>	<b>5,979</b>
Tax paid	201	540	659	908	1,218	1,490
<b>PAT- recurring</b>	<b>817</b>	<b>1,419</b>	<b>1,986</b>	<b>2,735</b>	<b>3,668</b>	<b>4,489</b>
Exceptionals	13	51	53			
FCCB MTM loss			598			
<b>PAT- reported</b>	<b>804</b>	<b>1,367</b>	<b>1,335</b>	<b>2,735</b>	<b>3,668</b>	<b>4,489</b>
<b>Margins</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10E</b>	<b>FY11E</b>	<b>FY12E</b>
EBITDA	13.5%	15.5%	17.5%	17.3%	17.9%	17.7%
EBIT	10.4%	13.0%	15.2%	14.8%	15.1%	14.7%
PAT- recurring	5.9%	6.4%	6.9%	7.4%	8.3%	8.6%
Effective tax rate	19.8%	27.6%	24.9%	24.9%	24.9%	24.9%
<b>YoY growth</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10E</b>	<b>FY11E</b>	<b>FY12E</b>
Revenue growth	65.2%	59.2%	29.0%	29.8%	18.4%	18.3%
EBITDA	45.7%	83.7%	45.7%	27.7%	22.8%	17.2%
EBIT	42.7%	98.3%	50.2%	26.4%	21.5%	15.1%
PAT- recurring	8.7%	73.6%	40.0%	37.7%	34.1%	22.4%

Source: Company, BofA Merrill Lynch Global Research

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**Table 3: Balance sheet**

INR mn, yr ending 31st March	FY07	FY08	FY09	FY10E	FY11E	FY12E
<b>SOURCES OF FUNDS</b>						
<b>Shareholders' funds</b>						
Share capital	618	721	724	744	744	744
Cumulative redeemable preference shares	885	885	449	149	49	4
Share warrants	100	358	358	358	358	358
Reserves and Surplus	2,495	6,793	7,503	10,529	13,647	17,462
Accumulated translation reserve arising on consolidation	45	(26)	(63)	(63)	(63)	(63)
<b>Total shareholders' funds</b>	<b>4,143</b>	<b>8,732</b>	<b>8,971</b>	<b>11,716</b>	<b>14,734</b>	<b>18,504</b>
Minority interest	104	649	705	705	705	705
<b>Loan Funds</b>						
Secured loans	5,918	12,146	17,546	16,916	16,052	15,188
Unsecured loans	2,672	610	623	903	1,003	1,103
<b>Total loan funds</b>	<b>8,590</b>	<b>12,756</b>	<b>18,170</b>	<b>17,819</b>	<b>17,055</b>	<b>16,291</b>
<b>Total Sources of Funds</b>	<b>12,837</b>	<b>22,137</b>	<b>27,845</b>	<b>30,240</b>	<b>32,494</b>	<b>35,500</b>
<b>APPLICATION OF FUNDS</b>						
<b>Fixed assets</b>						
Gross block	8,625	12,617	17,501	20,209	21,619	22,618
Less: Accumulated depreciation	2,823	4,856	5,806	6,733	7,942	9,500
Add: Goodwill on consolidation	664	1,201	1,669	1,669	1,669	1,669
<b>Net block</b>	<b>6,466</b>	<b>8,961</b>	<b>13,365</b>	<b>15,145</b>	<b>15,347</b>	<b>14,787</b>
CWIP	792	1,202	1,208	500	500	501
Investments	200	637	201	251	301	351
Deferred tax assets net	536	53	(412)	(412)	(412)	(412)
<b>Current assets, loans and advances</b>						
Inventories	4,697	8,099	9,859	11,287	13,121	15,258
Sundry debtors	3,585	6,556	8,663	10,308	12,205	14,432
Cash and bank balances	443	1,036	1,174	1,167	1,382	2,810
Other assets	101	174	221	246	271	296
Loans and advances	1,162	2,831	3,203	3,203	3,203	3,203
<b>Total</b>	<b>9,988</b>	<b>18,697</b>	<b>23,119</b>	<b>26,211</b>	<b>30,182</b>	<b>35,998</b>
<b>Less</b>						
Current liabilities	4,861	6,793	8,787	10,342	12,105	14,166
Provisions	283	620	849	1,113	1,318	1,559
<b>Total</b>	<b>5,144</b>	<b>7,414</b>	<b>9,636</b>	<b>11,455</b>	<b>13,424</b>	<b>15,725</b>
<b>Net Current assets</b>	<b>4,843</b>	<b>11,283</b>	<b>13,483</b>	<b>14,756</b>	<b>16,758</b>	<b>20,273</b>
Miscellaneous expenses not written off						
<b>Total Application of Funds</b>	<b>12,837</b>	<b>22,137</b>	<b>27,845</b>	<b>30,240</b>	<b>32,494</b>	<b>35,500</b>

Source: Company, BofA Merrill Lynch Global Research

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**Table 4: Cash flow statement**

(INR mn)	FY07	FY08	FY09	FY10E	FY11E	FY12E
<b>Cash flow from operating activities</b>						
PBT before extraordinary items	1,042	1,941	1,995	3,642	4,886	5,979
depreciation + amortization of leased land	337	558	558	928	1,208	1,559
amounts written off & provisions	72	17	53			
Loss/ (surplus) on assets sale/ discarded	(3)	(5)	(0)			
interest and finance charges	712	1,327	1,809	1,962	1,901	1,818
provision for doubtful debts and advances written back	(95)	(64)	-			
Dividend income	(0)	(0)	(0)			
Others	(70)	(39)	123			
<b>Operating profit before WC changes</b>	<b>1,995</b>	<b>3,735</b>	<b>4,538</b>	<b>6,532</b>	<b>7,995</b>	<b>9,355</b>
Sundry debtors	(1,434)	(1,454)	(2,129)	(1,644)	(1,897)	(2,228)
Loans and advances	(246)	(958)	293	-	-	-
Inventories	(2,011)	(2,229)	(1,759)	(1,428)	(1,834)	(2,136)
Trade payables	1,945	(1,064)	1,553	1,555	1,764	2,061
Others			(246)	239	180	216
<b>Cash generated from operations</b>	<b>250</b>	<b>(1,970)</b>	<b>2,249</b>	<b>5,253</b>	<b>6,207</b>	<b>7,267</b>
Direct taxes paid	(89)	(233)	(225)	(908)	(1,218)	(1,490)
Others		(39)	-			
<b>Net cash from operating activities</b>	<b>161</b>	<b>(2,243)</b>	<b>2,025</b>	<b>4,345</b>	<b>4,990</b>	<b>5,777</b>
<b>Free Cash Flow</b>	<b>(2,401)</b>	<b>(4,672)</b>	<b>(2,613)</b>	<b>2,345</b>	<b>3,580</b>	<b>4,777</b>
<b>Cash flow from investing activities</b>						
Purchase of fixed assets	(2,563)	(2,655)	(4,644)	(2,000)	(1,410)	(1,000)
Sale of fixed assets	2	226	7			
Other current assets	(46)	(75)	(50)			
Sale of investments (net)	-	(440)	403	(50)	(50)	(50)
Acquisition of business	(664)	(485)	(449)			
Interest received	71	1	36			
Dividend income	0	0	0	-	-	-
<b>Net cash from investing activities</b>	<b>(3,200)</b>	<b>(3,428)</b>	<b>(4,698)</b>	<b>(2,050)</b>	<b>(1,460)</b>	<b>(1,050)</b>
<b>Cash flow from financing activities</b>						
Issue of new shares+ warrants+ preference	528	1,782	-	421	(100)	(45)
Total proceeds from borrowings	1,534	5,965	5,302	(351)	(764)	(764)
Dividend paid	(259)	(197)	(227)	(410)	(550)	(673)
Interest and finance charges paid	(788)	(1,328)	(1,845)	(1,962)	(1,901)	(1,818)
Others	77	(73)	(419)	-	-	-
<b>Net cash used in financing activities</b>	<b>1,093</b>	<b>6,149</b>	<b>2,812</b>	<b>(2,302)</b>	<b>(3,315)</b>	<b>(3,300)</b>
Net increase in cash and eq.	(1,947)	479	138	(7)	215	1,428
<b>Cash and eq. at the beginning of the yr</b>	<b>2,390</b>	<b>443</b>	<b>1,036</b>	<b>1,174</b>	<b>1,167</b>	<b>1,382</b>
cash and eq. on acquisition of business	-	114				
<b>Cash and eq. at the end of the yr</b>	<b>443</b>	<b>1,036</b>	<b>1,174</b>	<b>1,167</b>	<b>1,382</b>	<b>2,810</b>

Source: Company, BofA Merrill Lynch Global Research

**Table 5: Key ratios**

	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10E</b>	<b>FY11E</b>	<b>FY12E</b>
<b>Margins</b>						
EBITDA	13.5%	15.5%	17.5%	17.3%	17.9%	17.7%
EBIT	10.4%	13.0%	15.2%	14.8%	15.1%	14.7%
PAT	5.9%	6.4%	6.9%	7.4%	8.3%	8.6%
Effective tax rate	19.8%	27.6%	24.9%	24.9%	24.9%	24.9%
<b>Per Share Data</b>						
Basic EPS (INR)	13.9	21.5	27.4	36.1	48.4	59.2
Diluted EPS (INR)	13.9	21.5	26.9	36.1	48.4	59.2
CEPS (INR)	39.1	60.5	77.3	96.7	119.7	142.2
Dividend Payout %	31.7%	13.9%	11.4%	15.0%	15.0%	15.0%
Dividend Per Share (INR)	4.4	3.0	3.1	5.4	7.3	8.9
Book-value (INR)	70.7	132.2	121.6	154.6	194.4	244.2
<b>Growth Ratios</b>						
Revenue	65.2%	59.2%	29.0%	29.8%	18.4%	18.3%
EBITDA	45.7%	83.7%	45.7%	27.7%	22.8%	17.2%
EBIT	42.7%	98.3%	50.2%	26.4%	21.5%	15.1%
PAT	8.7%	73.6%	40.0%	37.7%	34.1%	22.4%
EPS diluted	8.3%	54.1%	25.4%	34.0%	34.1%	22.4%
<b>Other Key Metrics</b>						
Net debt to equity ratio	1.97x	1.34x	1.89x	1.42x	1.06x	.73x
Assets Turnover	01.08x	01.x	1.03x	1.23x	1.35x	1.46x
DSO	93	107	109	100	100	100
Current assets as a % of sales	34.8%	50.9%	47.2%	39.8%	38.1%	39.0%
Cash and cash equivalents	643	1,673	1,375	1,418	1,683	3,161
Free cash flow	(2,401)	(4,672)	(2,613)	2,345	3,580	4,777

Source: Company, BofA Merrill Lynch Global Research

## Price objective basis & risk

### Jain Irrigation Systems Ltd (JNIDF)

Our PO of INR920 implies a P/E of 15x 1yr fwd PE and a 0.55x 2yr PEG. We expect domestic Micro Irrigation performance to remain muted for 2-3 quarters given political uncertainty in the state of Andhra Pradesh which is the second largest revenue contributor. The stock is not an Underperform given we maintain our bullish view on micro irrigation market given i) <5% market penetration, ii) increasing focus of government on improving water usage efficiency.

Key risks: i) demand risks from a bad monsoon, ii) better than expected performance from Andhra Pradesh and iii) an adverse change in government subsidies.

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I, Prasad Deshmukh, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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### India - General Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
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	Balrampur Chini	BMPRF	BRCM IN	Sanjaya Satapathy
	Chambal Fertilisers & Chemicals	CHBZF	CHMB IN	Prasad Deshmukh
	Container Corp	CIDFF	CCRI IN	Sanjaya Satapathy
	Cummins India	CUIDF	KKC IN	Sanjaya Satapathy
	DLF Limited	XVDUF	DLFU IN	Unmesh Sharma, CFA
	Exide Indus Ltd	XEDRF	EXID IN	Sanjaya Satapathy

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**India - General Coverage Cluster**

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
	Housing Development and Infrastructure	XGHSF	HDIL IN	Unmesh Sharma, CFA
	Indiabulls Real Estate Ltd	IBELF	IBREL IN	Unmesh Sharma, CFA
	Jet Airways	JTAIF	JETIN IN	Anand Kumar
	Motherson Sumi	XMSUF	MSS IN	Sanjaya Satapathy
	Renuka Sugars	SRNKF	SHRS IN	Sanjaya Satapathy
	SpiceJet Ltd	MDLFF	SJET IN	Anand Kumar
	Triveni Engg	TVIEF	TRE IN	Sanjaya Satapathy
	Voltas	VTSJF	VOLT IN	Sanjaya Satapathy
<b>NEUTRAL</b>				
	Aditya Birla Nu	ADYAF	ABNL IN	Reena Verma Bhasin, CFA
	Jain Irrigation Systems Ltd	JNIDF	JI IN	Prasad Deshmukh
	Shree Cements	SREEF	SRCM IN	Reena Verma Bhasin, CFA
	Unitech Ltd	UTKIF	UT IN	Unmesh Sharma, CFA
<b>UNDERPERFORM</b>				
	Ambuja Cements	AMBUF	ACEM IN	Reena Verma Bhasin, CFA
	Assoc. Cement	ADCLF	ACC IN	Reena Verma Bhasin, CFA
	India Cements	INIAF	ICEM IN	Reena Verma Bhasin, CFA
	India Cements -G	IAMZY	ICEM LX	Reena Verma Bhasin, CFA
	Nagarjuna Fertilizers & Chemicals Ltd	NFACF	NFCL IN	Prasad Deshmukh
	Tata Chemicals Ltd	TTCXF	TTCH IN	Prasad Deshmukh
<b>RSTR</b>				
	Grasim	GRSJF	GRASIM IN	Reena Verma Bhasin, CFA
	Grasim -G	GRSJY	GRAS LX	Reena Verma Bhasin, CFA
	UltraTech Cemen	XDJNF	UTCEM IN	Reena Verma Bhasin, CFA
<b>RVV</b>				
	APIL	ANSFF	APIL IN	Gagan Agarwal
	Omaxe Limited	XOMXF	OAXE IN	Gagan Agarwal
	Puravankara Projects Ltd	XPJVF	PVKP IN	Gagan Agarwal

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Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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### JNIDF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

\*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of December 31, 2009 or such later date as indicated.

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Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	33	58.93%	Buy	12	40.00%
Neutral	8	14.29%	Neutral	6	85.71%
Sell	15	26.79%	Sell	4	30.77%

### Investment Rating Distribution: Global Group (as of 01 Jan 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1699	50.78%	Buy	904	58.82%
Neutral	841	25.13%	Neutral	491	65.03%
Sell	806	24.09%	Sell	368	49.80%

\* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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