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INDIA

Oct-Dec'09 Earnings Preview

Gathering steam

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Contents

(Prices as on January 4, 2010)

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Gathering steam

Nifty earnings gaining strength: For the first time in six quarters, revenue and earnings growth for the Nifty companies are expected to move into double digits. Overall, Nifty companies will report 19.8% YoY and 19.2% YoY growth in revenue and earnings, respectively in Q3FY10. However, given the strong base effect and subsidy-related distortion of Oil & Gas, it is best to look at numbers excluding this sector. Excluding Oil & Gas, revenue and earnings are likely to grow by 16.2% YoY and 14.3% YoY, respectively. EBITDA margins will continue to fall due to higher input prices and constrained pricing power. From 27.4% in Q1 and 26.3% in Q2, EBITDA margins for Nifty companies will further fall to 25.2% in Q3FY10.

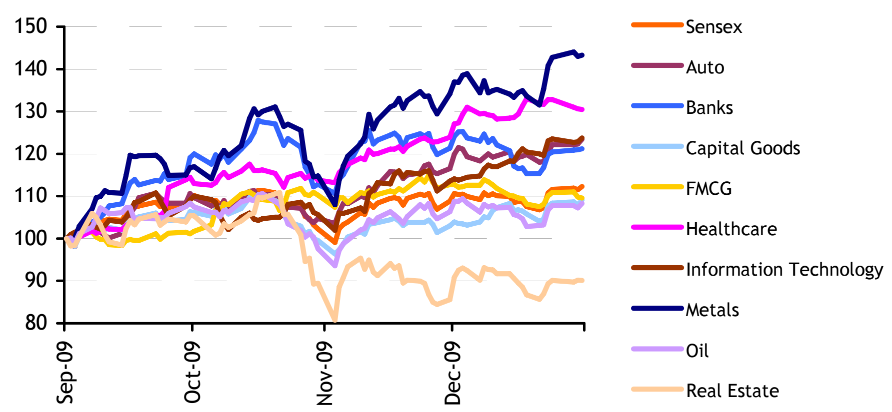
Pronounced base effect in several sectors: Picking out sectors that are expected to do well or badly, is trickier in Q3FY10 due to pronounced base effect in some of the sectors. Hence, it becomes important to look at QoQ and out-of-trend performance rather than just headline YoY growth numbers. The sectors, which we believe will report relatively strong performance, are Automobiles (solid growth), Media (higher Advertisement revenues), Technology (rising volume growth), Sugar (strong growth in realizations) and Offshore Services (rising asset deployment). Automobiles and Sugar specifically will probably report their best numbers ever in terms of growth. Weak numbers are expected from sectors like Telecom (declining ARPUs and MoUs), Oil & Gas (weak refining margins) and Cement (falling realizations).

Valuations -expensive or cheap depends on perspective: Stating that current valuations are neither cheap nor expensive is probably repeating the obvious. We have introduced our FY12 forecasts in this report which permits us to look at valuations from a long term perspective. At 20.6x FY10 earnings, NIFTY is without doubt richly valued. But at 14.0x FY12 earnings, it is still fairly attractive and leaves adequate room for further upside from a 12-18 month perspective. Returns will be led by better earnings, reviving investment cycle and reforms (modest but steadily forward). At 15x FY12 earnings, our Nifty target stands at 6200 (19% upside). Our preferred sectors are: Auto, Technology, Power Equipments & Utilities, Media and Banks.

Top Picks

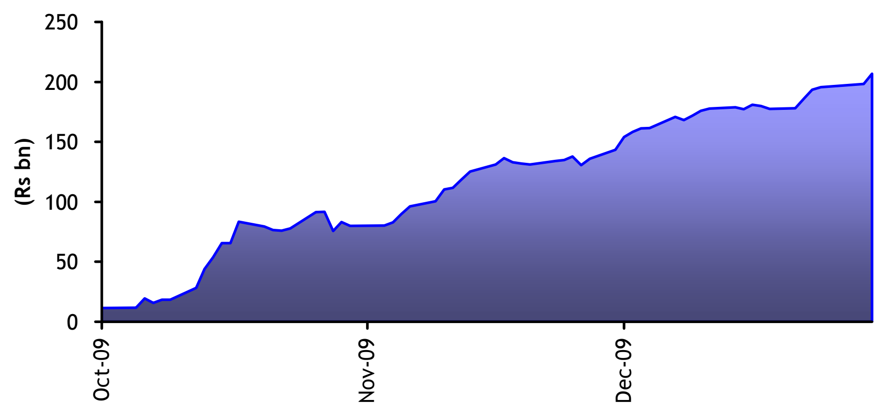
- Mahindra & Mahindra
- Kotak Mahindra Bank
- Larsen & Toubro
- GAIL
- TCS
- Tata Motors
- BHEL
- ITC
- NTPC
- PTC
- Bank of Baroda
- Crompton Greaves
- Sun TV
- DLF
- Shree Renuka Sugars

Sectoral indices in Q3FY10



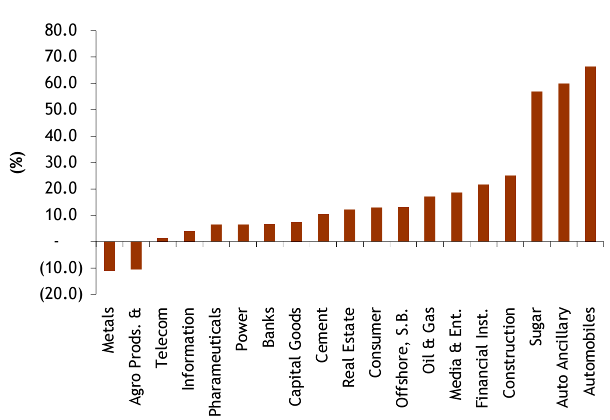
Source: Bloomberg, PL Research

Cumulative FII inflows in Q3FY10



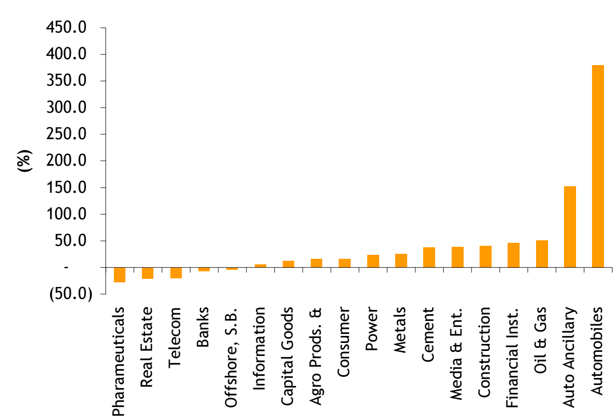
Source: SEBI, PL Research

Q3FY10 revenue growth estimate (YoY)



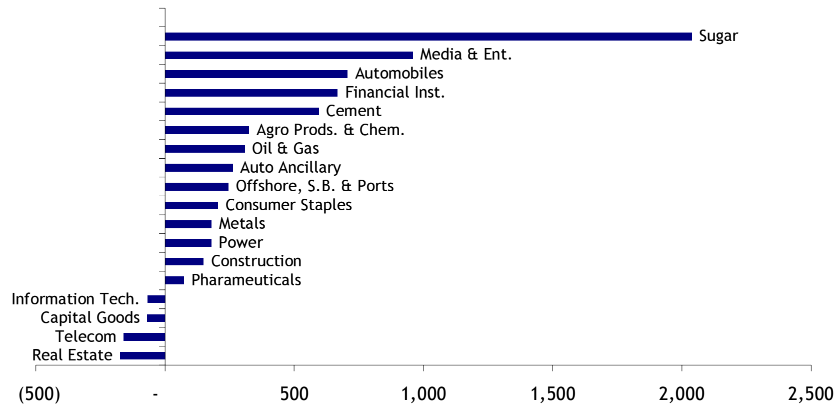
Source: PL Research

Q3FY10 profit growth estimate (YoY)



Source: PL Research

EBITDAM YoY change in Q3FY10 (bps)



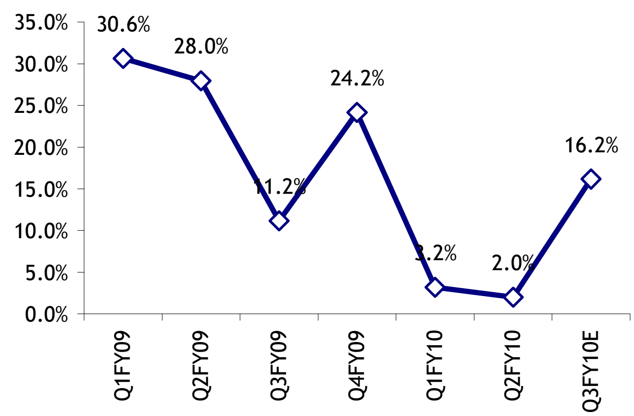
Source: PL Research

Sectorwise growth and margin expectations - Q3FY10 PL estimates

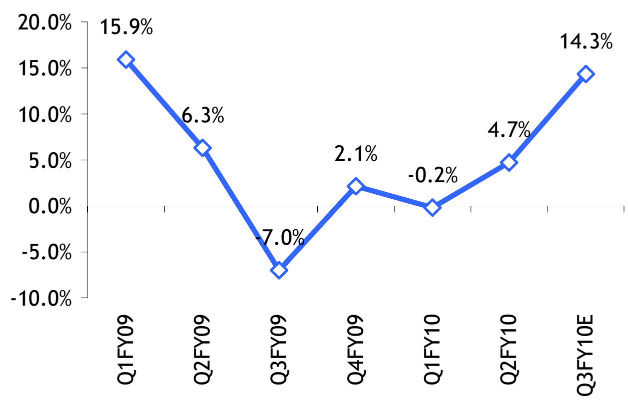
	Revenue Growth (%)		PAT Growth (%)		EBITDAM change (bps)	
	YoY	QoQ	YoY	QoQ	YoY	QoQ
Automobiles	66.3	5.0	380.0	4.2	707	(49)
Auto Ancillary	59.9	6.0	152.4	(13.8)	263	(224)
Agro Prods. & Chem.	(10.4)	5.9	15.8	(1.4)	326	(93)
Banks	6.6	8.0	(6.6)	3.7		
Capital Goods	7.5	14.6	12.4	35.8	(69)	117
Cement	10.3	1.5	37.0	(15.1)	594	(393)
Construction	25.1	28.2	40.3	12.7	149	(185)
Consumer Staples	12.9	5.9	16.3	10.5	205	43
Financial Inst.	21.7	3.3	46.5	(2.5)	668	(220)
Information Tech.	4.1	1.3	5.3	5.3	(67)	(67)
Media & Ent.	18.6	4.5	38.9	11.8	959	232
Metals	(11.1)	0.3	25.5	LTP	180	731
Offshore, S.B. & Ports	13.1	24.7	(4.3)	44.0	245	(35)
Oil & Gas	17.1	7.8	51.2	4.9	309	24
Pharameuticals	6.4	(0.6)	(27.8)	(3.9)	72	76
Power	6.5	7.8	24.1	4.1	179	108
Real Estate	12.2	(11.4)	(20.9)	(10.2)	(174)	(91)
Sugar	56.8	(1.0)	5,013.7	125.4	2,038	2,421
Telecom	1.4	(0.2)	(19.7)	(7.5)	(160)	(124)
Others	36.0	27.3	LTP	4.5	2,382	(288)
PL Universe	**12.1**	**6.9**	**18.9**	**9.3**	**200**	**42**

Source: PL Research

Nifty Revenue Growth (YoY) (excl. Oil & Gas)



Nifty PAT Growth (YoY) (excl. Oil & Gas)



Source: Company Data, PL Research

Nifty Valuation

	Weight-age (%)	FY09	FY10E	FY11E	FY12E
Banking & Fin.	**22.6%**				
PER *(x)*		18.8	15.5	12.5	9.2
PAT Growth (%)		*18.4*	*21.7*	*23.7*	*35.4*
Oil & Gas	**17.6%**				
PER (x)		19.0	17.4	12.7	10.7
PAT Growth (%)		*(3.0)*	*9.3*	*37.2*	*18.7*
Eng. & Power	**16.5%**				
PER *(x)*		44.8	40.9	34.4	29.1
PAT Growth (%)		*16.2*	*9.5*	*19.1*	*18.3*
Tech.	**12.5%**				
PER *(x)*		26.3	22.3	19.3	18.2
PAT Growth (%)		*13.8*	*18.1*	*15.5*	*5.9*
Metals	**9.0%**				
PER *(x)*		15.3	25.5	12.7	10.2
PAT Growth (%)		*123.3*	*(39.8)*	*101.4*	*23.8*
FMCG	**6.0%**				
PER *(x)*		26.5	24.5	21.3	18.8
PAT Growth (%)		*14.5*	*8.3*	*15.1*	*13.3*

	Weight-age (%)	FY09	FY10E	FY11E	FY12E
Auto	**5.3%**				
PER *(x)*		34.4	18.2	15.8	13.7
PAT Growth (%)		*(34.7)*	*89.2*	*15.2*	*15.4*
Telecom	**4.0%**				
PER *(x)*		12.0	13.4	15.7	14.5
PAT Growth (%)		*16.1*	*(10.5)*	*(14.8)*	*8.1*
Pharma	**2.4%**				
PER *(x)*		23.4	27.7	17.8	16.5
PAT Growth (%)		*29.3*	*(15.5)*	*55.1*	*7.9*
Cement	**2.3%**				
PER *(x)*		13.1	10.0	13.1	14.0
PAT Growth (%)		*73.7*	*30.9*	*(23.5)*	*(6.2)*
Real Estate	**2.1%**				
PER *(x)*		21.5	40.1	22.6	16.6
PAT Growth (%)		*(40.2)*	*(46.3)*	*77.1*	*36.7*
Nifty as on Jan 4	**5,232**				
NIFTY EPS		259.6	270.1	344.9	413.6
PER (x)		20.2	19.4	15.2	12.7
PAT Growth (%)		*13.4*	*4.0*	*27.7*	*19.9*

Source: PL Research

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Automobiles

Q3FY10 - one of the best quarters in terms of volumes & profitability

Sales performance of the auto companies was exceptional during Q3FY10. Lower interest rates, positive sentiments at the ground level compared to corresponding period of last year, led to a marked improvement in volume numbers across the segments.

New launches drive 33.5% growth in the two-wheeler domestic market:

Strong growth of the two-wheeler sector is primarily based on several factors - new launches including variants by the players, strong rural growth, less dependence on financing and down-trading by customers.

Quarterly trend in two-wheeler segment sales

Particulars	Q2FY09	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10E
Two-Wheelers	1,998,246	1,707,049	1,866,608	2,135,869	2,334,595	2,279,496
QoQ Growth	*7.1%*	*-14.6%*	*9.3%*	*14.4%*	*9.3%*	*-2.4%*

Source: SIAM, PL Research

Two-wheeler sales are showing consistent improvement in volume numbers for the past couple of quarters on the back of improvement in macro economic conditions, new launches by the players and less reliance on financing. In Q3FY10, Bajaj Auto outperformed Hero Honda in the two-wheeler space by reporting an estimated growth of 95.8% YoY, compared to a 29.6% growth reported by Hero Honda in the domestic market. This was mainly on account of the success of Bajaj's recent offering 'Discover' in the 100cc space.

New launches lower interest rate, base effect of last year, coupled with preponement of purchase due to anticipated price hike led to 46.5% growth in the passenger car segment

New launches, coupled with improvement in the availability of finance and lower base of last year, led to a robust demand for cars in October - December 2009.

Quarterly trend in passenger car segment sales

Particulars	Q2FY09	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10E
Passenger Cars	291,147	264,064	355,024	323,920	365,419	386,814
QoQ Growth	*-5.9%*	*-9.3%*	*34.4%*	*-8.8%*	*12.8%*	*5.9%*

Source: SIAM, PL Research

Maruti Suzuki reported a 37.8% YoY growth in the domestic volumes for the quarter mainly led by a growth of 38.6% YoY in A2 segment (on account of the newly launched 'Ritz' and 'A-Star').

Commercial Vehicles (CV) sales improving MoM:

CV sector has witnessed a consistent MoM improvement in the volume numbers on account of improvement in the availability of freight pick up in the movement of commodities like steel and iron ore and road/highway development activities gaining momentum.

Quarterly trend in M&HCV segment sales

Particulars	Q2FY09	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10E
M&HCVs	54,284	27,025	41,085	38,863	54,760	60,711
QoQ Growth	*-11.2%*	*-50.2%*	*52.0%*	*-5.4%*	*40.9%*	*10.9%*

Source: SIAM, PL Research

With an improvement in the movement of goods and construction activities gaining momentum, the M&HCV segment has been consistently reporting a positive growth in the last few months on a sequential basis. In addition to the above mentioned factors, the low base of last year led to a 125% YoY growth in the domestic M&HCV space in the domestic market.

Tata Motors is expected to report a 122% YoY growth, whereas Ashok Leyland is likely to report a 130% YoY growth in the domestic M&HCV volumes for Q3FY10.

Quarterly trend in LCV segment sales

Particulars	Q2FY09	Q3FY09	Q4FY09	Q1FY10	Q2FY10	Q3FY10E
LCVs	56,136	39,559	54,897	57,972	68,934	67,698
QoQ Growth	*12.3%*	*-29.5%*	*38.8%*	*5.6%*	*18.9%*	*-1.1%*

Source: SIAM, PL Research

Hub and Spoke model continues to gain momentum, with LCV segment posting a 71.1% YoY growth in volumes for the quarter led by the market leader Tata Motors, which also posted a strong growth 70.5% YoY in LCV segment volumes.

Our universe - Volume numbers

Company	Q3FY10E	*YoY gr (%)*	*QoQ gr (%)*
Ashok Leyland	15,980	*99.7*	*11.1*
Bajaj Auto	809,218	*63.9*	*17.8*
Hero Honda	1,111,372	*29.6*	*(6.1)*
Maruti Suzuki	258,026	*48.7*	*4.8*
M&M	115,703	*60.3*	*3.2*
Tata Motors	159,139	*63.0*	*5.8*

Source: Company Data, PL Research

Auto companies under our coverage have reported a spectacular set of volumes in Q3FY10. Two-wheeler sector is expected to report better operating level profitability on account of higher volumes and benefits of lower raw material cost, thereby, leading to robust EBITDA margins. In the four-wheeler space, both Maruti Suzuki and Mahindra & Mahindra are expected to report a 175.3% YoY growth and 340.9% YoY growth in profitability, respectively. Led by higher volumes due to pick up in the economy, CVs are expected to report exceptional profitability, with both Tata Motors and Ashok Leyland reporting 1150bps and 250bps improvement respectively in EBITDA margins YoY in Q3FY10. Auto companies are expected to post 66.3% growth in their topline and a 380% YoY increase in PAT in Q2FY10.

Top picks: Bajaj Auto and M&M

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	1,132,360	1,327,042	1,525,719
Growth (%)	*30.9*	*17.2*	*15.0*
EBITDA	163,928	185,018	211,294
Margin (%)	*14.5*	*13.9*	*13.8*
PAT	99,811	113,120	130,859
Growth (%)	*116.0*	*13.3*	*15.7*
PE (x)	18.9	16.7	14.4

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	296,055	178,002	*66.3*	281,913	*5.0*
EBITDA	43,665	13,675	*219.3*	42,966	*1.6*
Margin (%)	*14.7*	*7.7*	*7.1*	*15.2*	*(0.5)*
PAT (Excl. Ex Items)	26,828	5,589	*380.0*	25,745	*4.2*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Maruti Suzuki

Rating	Accumulate
Price	Rs1,551
Target Price	Rs1,589
Market Cap. (Rs bn)	448.0
Shares o/s (m)	288.9

Maruti Suzuki India (MSIL) reported a growth of 37.8% YoY in domestic sales and 167.3% YoY growth in exports to 39,116 units. We expect MSIL to report a higher average realizations/vehicle on account of better product mix skewed towards the A3 segment and exports. Due to better operating leverage, MSIL is expected to post a 271.4% YoY increase in EBITDA. However, on account of lower other income, the net profit is expected to increase by 175.3% YoY at Rs5.9bn.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	292,200	338,850	379,818
EBITDA	35,638	39,877	44,986
Margin (%)	*12.2*	*11.8*	*11.8*
PAT	23,379	25,526	28,380
EPS (Rs)	80.9	88.3	98.2
RoE (%)	*22.4*	*20.1*	*18.6*
PE (x)	19.2	17.6	15.8
P / BV (x)	3.6	3.0	2.6
EV / E (x)	12.5	11.2	9.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	76,244	45,371	68.0	72,026	213,200	143,593	48.5
EBITDA	9,258	2,493	271.4	9,161	26,352	13,353	97.4
Margin (%)	*12.1*	*5.5*	*6.6*	*12.7*	*12.4*	*9.3*	*3.1*
Reported PAT	5,879	2,136	175.3	5,700	17,414	9,756	78.5
PAT (Excl. Ex Items)	5,879	2,136	175.3	5,700	17,414	9,756	78.5
Operating Metrics							
Volumes	258,026	173,494	48.7	246,188	730,943	555,529	31.6
Avg. Realization / veh.	295,491	261,515	13.0	292,565	291,679	258,480	12.8
EBITDA / vehicle	35,882	14,369	149.7	37,213	36,051	24,036	50.0
Net profit / vehicle	22,784	12,310	85.1	23,153	23,824	17,561	35.7

Hero Honda

Rating	Accumulate
Price	Rs1,713
Target Price	Rs1,793
Market Cap. (Rs bn)	341.8
Shares o/s (m)	199.5

Hero Honda (HH) has reported a 29.6% YoY growth in volumes in Q3FY10 on account of higher sales due to new variants launched. EBITDA margins are expected to expand by 300bps at 17.5% on account of lower raw material cost on a YoY basis. Led by 62.3% YoY growth in absolute EBITDA and lower tax rate, we expect the company to post a growth of 77.5% YoY in PAT at Rs5.3bn.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	157,554	174,494	197,161
EBITDA	27,403	29,701	33,457
Margin (%)	*17.4*	*17.0*	*17.0*
PAT	21,470	23,855	27,087
EPS (Rs)	107.5	119.5	135.6
RoE (%)	*45.7*	*36.1*	*30.8*
PE (x)	15.9	14.3	12.6
EV / E (x)	12.2	10.5	8.7
P / BV (x)	6.1	4.5	3.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	38,683	28,813	34.3	40,594	117,501	89,268	31.6
EBITDA	6,768	4,170	62.3	7,442	20,711	11,929	73.6
Margin (%)	*17.5*	*14.5*	*3.0*	*18.3*	*17.6*	*13.4*	*4.3*
Reported PAT	5,333	3,004	77.5	5,971	16,305	8,796	85.4
PAT (Excl. Ex Items)	5,333	3,004	77.5	5,971	16,305	8,796	85.4
Operating Metrics							
Volumes	1,111,372	857,806	29.6	1,183,795	3,414,154	2,724,145	25.3
Avg. Realization / veh.	34,806	33,589	3.6	34,292	34,416	32,769	5.0
EBITDA / vehicle	6,090	4,861	25.3	6,286	6,066	4,379	38.5
Net profit / vehicle	4,798	3,502	37.0	5,044	4,776	3,229	47.9

Mahindra & Mahindra

Rating	Accumulate
Price	Rs1,130
Target Price	Rs1,190
Market Cap. (Rs bn)	320.8
Shares o/s (m)	284.0

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	175,306	204,290	237,233
EBITDA	28,175	31,230	35,648
Margin (%)	*16.1*	*15.3*	*15.0*
PAT	20,265	21,264	23,634
EPS (Rs)	70.2	73.6	81.8
RoE (%)	*32.9*	*26.9*	*24.2*
PE (x)*	12.4	11.8	10.6
P / BV (x)	4.5	3.6	2.9
EV / E (x)	12.1	10.6	9.4

** Adj. for Subs. Val.*

Automotive segment reported a growth of 76.8% mainly led by 73.4% YoY growth in the UV sales. Tractors reported a growth of 39.2% YoY. Average realization/ vehicle is likely to increase by 13.2% on account of higher realization for the tractors segment. Due to a robust topline growth and stable raw material cost, the operating margins are likely to expand by 730bps to 16.1%. As a result, adjusted PAT is expected to grow by 340.9% YoY at Rs5.3bn.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	45,702	25,193	*81.4*	44,853	132,981	90,573	*46.8*
EBITDA	7,346	2,206	*233.0*	7,680	21,961	5,406	*306.2*
Margin (%)	*16.1*	*8.8*	*7.3*	*17.1*	*16.5*	*6.0*	*10.5*
Reported PAT	5,348	12	–	7,029	16,386	775	*2,014.7*
PAT (Excl. Ex Items)	5,348	1,213	*340.9*	5,915	15,830	3,010	*426.0*
Operating Metrics							
Automotive Segment	71,270	40,313	*76.8*	71,237	203,897	154,195	*32.2*
Farm Equipment Segment	43,803	31,467	*39.2*	40,263	127,449	90,510	*40.8*
Total volumes	115,073	71,780	*60.3*	111,500	331,346	244,705	*35.4*
Avg. Realization / veh.	397,158	350,969	*13.2*	402,267	401,335	370,133	*8.4*
EBITDA / vehicle	63,840	30,733	*107.7*	68,878	66,278	22,094	*200.0*
Net profit / vehicle	46,477	16,900	*175.0*	53,053	47,775	12,299	*288.5*

Tata Motors

Rating	Accumulate
Price	Rs827
Target Price	Rs870
Market Cap. (Rs bn)	453.5
Shares o/s (m)	548.1

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	320,849	385,195	448,987
EBITDA	41,490	49,243	57,151
Margin (%)	*12.9*	*12.8*	*12.7*
PAT	15,318	19,863	25,148
EPS (Rs)	27.9	36.2	45.9
RoE (%)	*10.9*	*12.0*	*13.8*
PE (x)*	24.4	18.8	14.9
P / BV (x)	2.7	2.5	2.2
EV / E (x)	13.4	11.4	9.5

** Adj. for Subs. Val.*

Volumes in the M&HCV segment grew by 122%, whereas the LCV segment grew by 70.5%, resulting in 89.1% YoY growth for the CV segment in domestic market for Q3FY10. Its passenger car segment volumes grew by 39.8%. We expect the company to post a 77.4% growth in its topline to Rs84.4bn led by 63% YoY growth in overall volumes and 8.9% YoY growth in realization. EBITDA margins are expected to improve to 11.5% on account of the impact of lower raw material cost.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	84,437	47,586	*77.4*	79,788	228,272	187,659	*21.6*
EBITDA	11,308	917	*1,133.8*	10,657	29,246	11,204	*161.0*
Margin (%)	*13.4*	*1.9*	*11.5*	*13.4*	*12.8*	*6.0*	*6.8*
Reported PAT	4,758	(2,632)	*LTP*	7,291	17,189	4,298	*299.9*
PAT (Excl. Ex Items)	4,758	(2,632)	*LTP*	3,235	9,993	4,098	*143.9*
Operating Metrics							
CV Segment	100,964	54,734	*84.5*	95,908	272,666	217,887	*25.1*
Passenger Vehicle seg.	58,175	42,910	*35.6*	54,469	159,963	145,442	*10.0*
Total volumes	159,139	97,644	*63.0*	150,377	432,629	363,329	*19.1*
Avg. Realization / veh.	530,588	487,344	*8.9*	530,588	527,638	516,499	*2.2*
EBITDA / vehicle	71,057	9,386	*657.0*	70,869	67,600	30,837	*119.2*
Net profit / vehicle	29,901	(26,951)	*LTP*	21,513	23,099	11,279	*104.8*

Bajaj Auto

Rating	Accumulate
Price	Rs1,732
Target Price	Rs1,851
Market Cap. (Rs bn)	250.5
Shares o/s (m)	144.6

Bajaj Auto (BJA) reported 70.9% growth in two-wheeler sales and a 25.5% growth in the three-wheeler segment for the quarter, including exports. The average realization/vehicle is expected to decline on account of product mix skewed towards the newly launched 100cc 'Discover'. At the same time, three-wheelers accounted for 11.5% of the total volumes in Q3FY10 compared to 15.5% in Q3FY09. On account of lower provisioning of VRS expenses, the PAT is likely to grow by 176.9% YoY.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	120,180	140,044	158,289
EBITDA	24,768	25,488	29,022
Margin (%)	*20.6*	*18.2*	*18.3*
PAT	15,934	17,860	21,116
EPS (Rs)	110.1	123.4	146.0
RoE (%)	*63.3*	*45.9*	*37.8*
PE (x)	15.7	14.0	11.9
P / BV (x)	8.0	5.4	3.8
EV / E (x)	10.2	9.6	7.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	33,178	21,031	*57.8*	28,875	85,438	69,623	*22.7*
EBITDA	7,083	3,058	*131.6*	6,365	18,002	9,165	*96.4*
Margin (%)	21.3	14.5	6.8	22.0	21.1	13.2	7.9
Reported PAT	4,549	1,643	*176.9*	4,028	11,512	5,243	*119.6*
PAT (Excl. Ex Items)	4,549	1,643	*176.9*	4,028	11,512	5,243	*119.6*
Operating Metrics							
Volumes	809,218	493,748	*63.9*	686,727	2,043,607	1,753,885	*16.5*
Avg. Realization / veh.	41,000	42,595	*(3.7)*	42,047	41,807	39,696	*5.3*
EBITDA / vehicle	8,753	6,194	*41.3*	9,269	8,809	5,225	*68.6*
Net profit / vehicle	5,622	3,327	*69.0*	5,866	5,633	2,989	*88.5*

Ashok Leyland

Rating	Reduce
Price	Rs52
Target Price	Rs50
Market Cap. (Rs bn)	69.6
Shares o/s (m)	1,330.0

Ashok Leyland (AL) is expected to post a growth of 99.7% YoY in the volumes on account of a 130% YoY growth in the M&HCV goods space. The average realization/vehicle is expected to be higher compared to Q2FY10 due to change in product mix. We expect AL to report a 250bps improvement in EBITDA margins at 10.7% on account of lower raw material cost on a YoY basis.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	66,271	84,169	104,231
EBITDA	6,453	9,479	11,029
Margin (%)	*9.7*	*11.3*	*10.6*
PAT	3,444	4,751	5,493
EPS (Rs)	2.6	3.6	4.1
RoE (%)	*9.7*	*12.4*	*13.1*
PE (x)	20.2	14.6	12.7
P / BV (x)	1.9	1.8	1.6
EV / E (x)	13.6	9.5	8.3

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	17,810	10,008	*78.0*	15,777	42,712	47,593	*(10.3)*
EBITDA	1,901	831	*128.7*	1,660	3,684	3,493	*5.4*
Margin (%)	*10.7*	*8.3*	*2.4*	*10.5*	*8.6*	*7.3*	*1.3*
Reported PAT	960	189	*409.0*	886	1,924	1,364	*41.0*
PAT (Excl. Ex Items)	960	225	*326.9*	895	1,943	1,466	*32.5*
Operating Metrics							
Volumes	15,980	8,004	*99.7*	14,297	37,970	43,636	*(13.0)*
Avg. Realization / veh.	1,114,543	1,250,435	*(10.9)*	1,103,507	1,124,881	1,090,683	*3.1*
EBITDA / vehicle	118,986	103,873	*14.5*	116,143	97,012	80,057	*21.2*
Net profit / vehicle	60,105	28,109	*113.8*	62,604	51,184	33,607	*52.3*

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Auto Ancillary

Recently, there has been an increase in production schedules at auto component firms post June quarter, following the two government stimulus packages and substantial improvement in the volumes of auto companies. Though global recession had affected the Indian auto components industry, it is now slowly coming back on track.

Many of the auto ancillary companies have restructured their balance sheet and their cost structures which bodes well for these companies as these operational efficiencies positions them extremely well for the recovery in the domestic market as well as on the export side. We expect good times ahead for the auto component manufacturers. With better utilization in FY11E and recovery expected in both the domestic and export market, economies of scale will help these companies to post robust operating level performance.

Ancillary companies under our coverage are expected to post a growth of 59.9% in their topline, mainly attributed to the acquisition done by Motherson Sumi and improvement in demand for the tyre manufacturers. Their margins are expected to expand on account of lower raw material cost on a YoY basis and an uptick in demand especially on the domestic market front. Only dampener could be the higher rubber prices mainly for the tyre companies which are likely to hit their EBITDA margins the hardest on a sequential basis. Both the tyre companies under our coverage are expected to report manifold jump in profitability on account of topline growth and lower raw material cost. Hence, PAT for our coverage universe is expected to grow by 152.4% in the quarter.

Top Picks: Motherson Sumi Systems

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	217,919	270,855	313,784
Growth (%)	*34.3*	*24.3*	*15.8*
EBITDA	24,460	30,885	37,587
Margin (%)	*11.2*	*11.4*	*12.0*
PAT	9,920	13,111	17,082
Growth (%)	*68.4*	*32.2*	*30.3*
PE (x)	15.8	12.0	9.2

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	45,391	28,395	*59.9*	42,821	*6.0*
EBITDA	5,464	2,672	*104.5*	6,116	*(10.7)*
Margin (%)	*12.0*	*9.4*	*2.6*	*14.3*	*(2.2)*
PAT (Excl. Ex Items)	2,329	923	*152.4*	2,702	*(13.8)*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Bharat Forge

Rating	Accumulate
Price	Rs276
Target Price	Rs317
Market Cap. (Rs bn)	61.4
Shares o/s (m)	222.6

We expect the company to post a 11.9% growth in topline to Rs5.0bn on a standalone basis. However, on a QoQ basis, we expect the topline to post a growth of 18.6% mainly led by recovery in the domestic CV market and improvement in the export market. On account of better operating leverage, absolute EBITDA is expected to grow by 40.3% YoY. Due to higher tax rate compared to Rs24m tax credit in Q3FY09, the Adj.PAT will grow by 25.0% YoY at Rs408m.

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	35,915	47,825	57,990
EBITDA	4,579	7,934	10,378
Margin (%)	*12.7*	*16.6*	*17.9*
PAT	904	3,172	4,575
EPS (Rs)	3.8	13.2	19.1
RoE (%)	*5.4*	*17.0*	*21.0*
PE (x)	73.2	20.9	14.5
P / BV (x)	3.6	3.0	2.5
EV / E (x)	17.6	10.2	6.6

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	5,070	4,531	*11.9*	4,276	12,932	17,660	*(26.8)*
EBITDA	1,243	886	*40.3*	1,024	3,016	4,023	*(25.0)*
Margin (%)	*24.5*	*19.6*	*5.0*	*24.0*	*23.3*	*22.8*	*0.5*
Reported PAT	408	44	*826.2*	268	686	423	*62.3*
PAT (Excl. Ex Items)	408	326	*25.0*	298	864	2,273	*(62.0)*
Operating Metrics							
Raw material as % of sales	*45.0*	*46.9*	*(1.9)*	*44.1*	*45.0*	*47.0*	*(2.0)*

Motherson Sumi

Rating	Accumulate
Price	Rs142
Target Price	Rs161
Market Cap. (Rs bn)	50.6
Shares o/s (m)	355.5

According to Motherson Sumi Systems (MSSL), there are clear indications of a demand pick-up in both, domestic as well as export market. MSSL is expected to post a 205.3% YoY growth in its topline at Rs17.0bn mainly due to consolidation of SMR (Visiocorp), which is likely to contribute Rs10.5bn to the topline. Margins would continue to remain under pressure and is expected to be at 7.9% on account of the acquisition, a 490bps decline in margins.

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	64,409	76,349	87,760
EBITDA	4,473	6,746	8,523
Margin (%)	*6.9*	*8.8*	*9.7*
PAT	1,466	2,753	3,851
EPS (Rs)	3.7	7.0	9.7
RoE (%)	*17.8*	*28.3*	*31.1*
PE (x)	38.4	20.4	14.6
P / BV (x)	5.8	4.7	3.6
EV / E (x)	13.5	8.8	6.6

Quarterly Table (Consolidated) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	17,010	5,571	*205.3*	16,391	47,442	17,886	*165.2*
EBITDA	1,347	716	*88.3*	1,260	3,088	2,300	*34.3*
Margin (%)	*7.9*	*12.8*	*(4.9)*	*7.7*	*6.5*	*12.9*	*(6.4)*
Reported PAT	652	258	*153.1*	150	910	995	*(8.5)*
PAT (Excl. Ex Items)	502	402	*25.0*	380	912	1,323	*(31.1)*
Operating Metrics							
Sales within India	5,240	3,372	*55.4*	4,763	14,118	10,709	*31.8*
Sales outside India	11,671	2,093	*457.7*	11,115	32,712	6,982	*368.5*

Apollo Tyres

Rating	Accumulate
Price	Rs52
Target Price	Rs59
Market Cap. (Rs bn)	26.0
Shares o/s (m)	504.0

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	74,676	95,884	108,772
EBITDA	9,131	10,172	11,266
Margin (%)	*12.2*	*10.6*	*10.4*
PAT	3,982	3,961	4,653
EPS (Rs)	7.9	7.9	9.2
RoE (%)	*25.3*	*19.9*	*19.5*
PE (x)	6.5	6.6	5.6
P / BV (x)	0.7	0.6	0.5
EV / E (x)	4.5	4.2	3.6

We expect the company to post a 30.2% volume growth on account of lower base of last year and improvement in replacement demand. The company has taken a price increase of ~3% in October 2009 to partially offset the sequential increase of ~10-15% in the key input cost. We expect a sequential drop of 390bps in the EBITDA. However, due to slowdown in the industry in Q3FY09 on a YoY basis, EBITDA is likely to grow by 198%.

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	12,448	9,033	*37.8*	11,803	36,455	29,600	*23.2*
EBITDA	1,570	527	*198.2*	1,943	5,514	2,122	*159.9*
Margin (%)	*12.6*	*5.8*	*6.8*	*16.5*	*15.1*	*7.2*	*8.0*
Reported PAT	721	55	*1,209.0*	947	2,689	620	*333.7*
PAT (Excl. Ex Items)	721	55	*1,209.0*	947	2,689	620	*333.7*
Operating Metrics							
Raw material as % of sales	*65.2*	*75.2*	(10.0)	*60.1*	*61.6*	*72.1*	(10.6)
Sales (Tonnage)	82,000	63,000	*30.2*	82,000	159,000	143,701	*10.6*
Average Realization / kg	152	143	*5.9*	149	148	143	*3.7*
Recipe cost / kg	99	108	*(8.1)*	89	91	103	*(11.4)*

Amara Raja Batteries

Rating	Accumulate
Price	Rs165
Target Price	Rs200
Market Cap. (Rs bn)	14.1
Shares o/s (m)	85.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	14,168	17,188	20,125
EBITDA	2,824	3,209	3,701
Margin (%)	*19.9*	*18.7*	*18.4*
PAT	1,578	1,794	2,090
EPS (Rs)	18.5	21.0	24.4
RoE (%)	*33.1*	*28.6*	*26.0*
PE (x)	8.9	7.8	6.7
P / BV (x)	2.2	1.7	1.4
EV / E (x)	5.2	4.5	3.6

Amara Raja Batteries (AMRJ) is likely to post a 5.2% growth in the topline mainly on account of pick up in the automotive segment sales. However, slowdown in the telecom sector (which accounts for ~30% of the sales) leading to pricing pressure in the segment, is likely to lead to a 560bps decline in EBITDA margin on a sequential basis. At the same time, the benefit of the lag effect of the lead price impact would not be available (which played a major role in H1FY10 profits).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	3,503	3,330	*5.2*	3,612	10,180	9,882	*3.0*
EBITDA	626	431	*45.2*	851	2,195	1,424	*54.1*
Margin (%)	*17.9*	*13.0*	*4.9*	*23.6*	*21.6*	*14.4*	*7.1*
Reported PAT	346	187	*84.9*	479	1,251	524	*138.6*
PAT (Excl. Ex Items)	346	249	*38.9*	476	1,199	831	*44.3*

CEAT

Rating	Accumulate
Price	Rs149
Target Price	Rs167
Market Cap. (Rs bn)	5.1
Shares o/s (m)	34.2

CEAT is expected to post a growth of 24.1% in its topline at Rs7.4bn mainly on account of replacement demand which has been quite strong. CEAT had taken a price increase in the region of 2-4% across segments in October 2009 to partially offset higher input costs. On a sequential basis, key input prices soar up by 15-20%. We expect a sequential drop of 500bps in EBITDA margins for Q3FY10.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	28,751	33,608	39,137
EBITDA	3,454	2,825	3,719
Margin (%)	*12.0*	*8.4*	*9.5*
PAT	1,988	1,431	1,914
EPS (Rs)	58.0	41.8	55.9
RoE (%)	*33.8*	*18.9*	*20.7*
PE (x)	2.6	3.6	2.7
P / BV (x)	0.7	0.6	0.5
EV / E (x)	3.3	4.6	3.8

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	7,359	5,930	*24.1*	6,740	21,349	19,371	*10.2*
EBITDA	677	112	*503.8*	1,038	2,838	245	–
Margin (%)	*9.2*	*1.9*	*7.3*	*15.4*	*13.3*	*1.3*	*12.0*
Reported PAT	352	(216)	*LTP*	602	1,569	(611)	*LTP*
PAT (Excl. Ex Items)	352	(109)	*LTP*	602	1,569	(240)	*LTP*
Operating Metrics							
Raw material as % of sales	*65.1*	*70.9*	(5.8)	*58.8*	*60.4*	*71.8*	(11.4)
Sales (Tonnage)	46,000	39,000	*17.9*	46,000	133,000	127,000	*4.7*
Average Realization / kg	160.0	152.1	*5.2*	155.3	160.5	152.5	*5.2*
Recipe cost / kg	104	108	*(3.4)*	91	97	110	*(11.4)*

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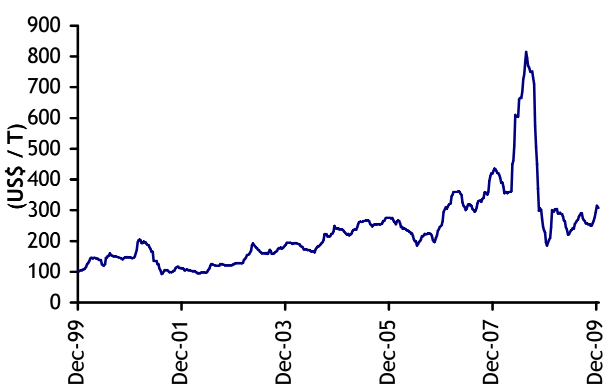
Agri Products & Chemicals

Lower profit base due to inventory losses during Q3FY09 resulted in YoY growth in Q3FY10: Q2FY09 was the best ever quarter for the fertiliser companies till date on the back of life time high prices of fertilisers. Example: Di-ammonium phosphate touched US$1225 per tonne during Q2FY09 as against US$325 per tonne at present and Urea touched US$815 per tonne during Q2FY09 v/s US$300 per tonne currently. Fertiliser companies had shown best ever profitability during Q2FY09 (companies had made almost 40-50% of annual profit in Q2FY09). The scenario is not different for other agri input companies like agrochemicals, seeds etc.

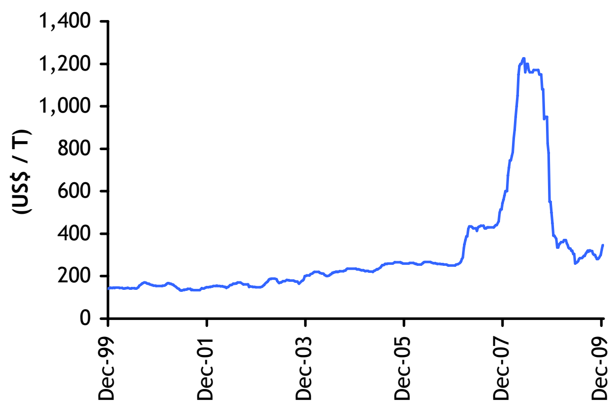
During mid Q3FY09, prices have fallen sharply and reached their normal levels. Due to a sharp price fall, companies have booked inventory losses that dragged the profitability during Q3FY09. Tata Chemicals and United Phosphorus wrote off ~Rs700m and ~Rs300m, respectively as inventory losses.

During Q3FY10, prices were at their normal levels or improve QoQ by ~10%. We expect companies to log in normal profit during Q3FY10 and show profit growth on YoY basis due to lower profit base during Q3FY09.

Urea Prices



DAP Prices



Source: Bloomberg, PL Research

Top Picks: United Phosphorus

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	297,351	349,280	393,338
Growth (%)	*(5.1)*	*17.5*	*12.6*
EBITDA	53,492	62,194	70,699
Margin (%)	*18.0*	*17.8*	*18.0*
PAT	21,984	28,174	34,718
Growth (%)	*(6.8)*	*28.2*	*23.2*
PE (x)	13.4	10.4	8.5

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	QoQ gr. (%)
Net Sales	70,118	78,265	(10.4)	66,183	5.9
EBITDA	12,593	11,508	9.4	12,505	0.7
Margin (%)	*18.0*	*14.7*	*3.3*	*18.9*	*(0.9)*
PAT (Excl. Ex Items)	5,200	4,490	15.8	5,272	(1.4)

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

United Phosphorus

Rating	BUY
Price	Rs174
Target Price	Rs200
Market Cap. (Rs bn)	81.1
Shares o/s (m)	464.7

We believe that net sales would grow by merely ~7% mainly due to lower agrochemicals prices on YoY basis. We expect that EBITDA margin would improve by 90bps QoQ (up by 40bps YoY) because the company didn't have any high cost inventory as on September 2009 (Management has guided in the September 2009 result concall). Company has incurred inventory and forex loss of ~Rs300m each during Q3FY09 which resulted in robust PAT growth of ~59% YoY to Rs1bn.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	54,656	63,320	73,536
EBITDA	10,026	12,129	14,266
Margin (%)	*18.3*	*19.2*	*19.4*
PAT	5,205	7,150	9,223
EPS (Rs)	11.2	15.4	19.8
RoE (%)	*18.2*	*20.7*	*21.6*
PE (x)	15.6	11.3	8.8
P/BV (x)	1.9	1.7	1.6
EV / E (x)	9.0	6.9	5.5

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Consolidated Net Sales	11,683	10,944	6.8	11,610	39,735	35,733	11.2
EBITDA	2,131	1,954	9.1	2,005	7,272	6,852	6.1
Margin (%)	*18.2*	*17.9*	*0.4*	*17.3*	*18.3*	*19.2*	*(0.9)*
Reported PAT	1,026	646	58.8	1,023	3,812	3,343	14.0
PAT (Excl. Ex Items)	1,026	646	58.8	1,023	3,812	3,343	14.0
Operating Metrics							
Consolidated Net Sales							
North America	1,910	1,910	0.0	2,834	9,124	8,680	5.1
India	2,625	2,500	5.0	3,132	9,437	8,360	12.9
Europe	3,100	3,010	3.0	2,770	10,720	10,020	7.0
Rest of the World	4,048	3,520	15.0	2,873	10,453	8,660	20.7

Tata Chemicals

Rating	Accumulate
Price	Rs325
Target Price	Rs344
Market Cap. (Rs bn)	79.1
Shares o/s (m)	243.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	98,908	109,551	114,644
EBITDA	18,866	20,957	22,290
Margin (%)	*19.1*	*19.1*	*19.4*
PAT	6,859	8,366	9,606
EPS (Rs)	28.2	34.4	39.4
RoE (%)	*14.3*	*15.6*	*16.0*
PE (x)	11.5	9.5	8.2
P/BV (x)	1.6	1.4	1.2
EV / E (x)	6.4	5.1	4.3

Lower fertiliser prices on YoY basis would result in de-growth in the fertilizer sales as well as overall net sales. Company has booked ~Rs700m inventory loss in Q3FY09 that resulted in lower profit base during the same period. Ultimately, it resulted in YoY growth in EBITDA and PAT in Q3FY10E. We expect soda ash sales volume to be lower YoY but improve on a QoQ basis. During the quarter, Rallis became TCL's subsidiary (since Nov 9, 2009). Hence, financials of Rallis has also been included in the consolidated Q3FY10 result.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	25,359	35,107	*(27.8)*	22,834	71,201	105,459	*(32.5)*
EBITDA	4,704	4,613	*2.0*	4,450	14,004	18,435	*(24.0)*
Margin (%)	*18.6*	*13.1*	*5.4*	*19.5*	*19.7*	*17.5*	*2.2*
Reported PAT	1,731	912	*89.8*	2,228	4,384	4,759	*(7.9)*
PAT (Excl. Ex Items)	1,731	1,651	*4.8*	1,677	4,935	9,095	*(45.7)*
Operating Metrics							
Consolidated Net Sales							
Inorganic Chemicals	14,347	14,472	*(0.9)*	13,974	41,085	43,113	*(4.7)*
Fertilisers	11,005	20,987	*(47.6)*	8,485	29,614	62,512	*(52.6)*
EBITM (%)							
Inorganic Chemicals	*20.3*	*22.3*		*19.4*	*19.8*	*19.3*	
Fertilisers	*6.2*	*1.5*		*5.5*	*5.8*	*11.0*	

Jain Irrigation

Rating	Accumulate
Price	Rs852
Target Price	Rs906
Market Cap. (Rs bn)	64.2
Shares o/s (m)	75.4

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	36,268	43,285	51,396
EBITDA	6,659	8,030	9,899
Margin (%)	*18.4*	*18.6*	*19.3*
PAT	2,394	3,430	4,633
EPS (Rs)	31.8	45.3	61.1
RoE (%)	*23.1*	*25.6*	*26.8*
PE (x)	26.8	18.8	13.9
P/BV (x)	5.5	4.3	3.3
EV / E (x)	12.4	10.2	8.1

Quarterly nos. are standalone and full year nos. are conolidated

We believe that Micro irrigation (MIS) would show robust YoY growth (~38%), resulting in ~22% growth in the net sales. We expect EBITDA to grow by ~30% due to higher contribution by MIS in overall EBITDA. PAT is likely to de-grow by ~10% due to higher tax rate (i.e.34% v/s 0.9% in Q3FY09).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	6,854	5,377	*27.5*	5,628	18,213	14,898	*22.3*
EBITDA	1,508	1,165	*29.5*	1,220	3,990	3,066	*30.2*
Margin (%)	22.0	21.7	0.3	21.7	21.9	20.6	1.3
Reported PAT	600	556	*7.9*	426	1,582	1,097	*44.2*
PAT (Excl. Ex Items)	600	666	*(9.8)*	391	1,343	1,646	*(18.4)*
Operating Metrics							
Irrigation Revenues	3,287	2,382	*38.0*	2,620	8,506	6,238	*36.4*
Piping Revenues	1,950	1,840	*6.0*	1,680	5,666	5,263	*7.7*
Agro Processing Revenues	1,004	803	*25.0*	929	2,661	2,434	*9.3*
Irrigation EBITDAM (%)	*29.5*	*30.0*		*29.5*	*30.4*	*27.8*	
Piping EBITDAM (%)	*10.9*	*10.9*		*10.7*	*10.4*	*10.4*	
Agro Pro. EBITDAM (%)	*20.0*	*18.9*		*25.8*	*23.4*	*23.8*	

K.S. Oils

Rating	BUY
Price	Rs67
Target Price	Rs88
Market Cap. (Rs bn)	29.9
Shares o/s (m)	442.8

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	41,310	59,601	71,019
EBITDA	4,936	6,510	7,945
Margin (%)	*11.9*	*10.9*	*11.2*
PAT	2,143	2,957	3,884
EPS (Rs)	4.8	6.7	8.8
RoE (%)	*17.3*	*17.3*	*19.0*
PE (x)	13.9	10.1	7.7
P/BV (x)	26.9	22.7	18.8
EV / E (x)	8.0	6.9	5.9

Quarterly nos. are standalone and full year nos. are conolidated

Net sales are expected to grow by ~21%, mainly driven by a volume growth of ~33%. We expect EBITDA margins to increase by 90bps due to higher contribution of branded mustard oil. Adjusted PAT is expected to show YoY growth of ~23%.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	10,074	8,362	*20.5*	9,498	28,804	22,688	*27.0*
EBITDA	1,202	917	*31.1*	1,229	3,600	2,562	*40.5*
Margin (%)	*11.9*	*11.0*	*1.0*	*12.9*	*12.5*	*11.3*	*1.2*
Reported PAT	529	431	*22.9*	502	1,523	1,263	*20.6*
PAT (Excl. Ex Items)	529	431	*22.9*	502	1,523	1,263	*20.6*
Operating Metrics							
Net Sales							
Mustard Oil	4,532	3,910	*15.9*	3,806	12,086	10,418	*16.0*
Refined Oil	3,480	2,488	*39.9*	3,494	10,628	6,466	*64.4*

Chambal Fertilisers

Rating	Accumulate
Price	Rs64
Target Price	Rs66
Market Cap. (Rs bn)	26.5
Shares o/s (m)	416.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	42,372	45,198	45,911
EBITDA	8,146	8,784	8,812
Margin (%)	*19.2*	*19.4*	*19.2*
PAT	3,048	3,424	3,606
EPS (Rs)	7.3	8.2	8.7
RoE (%)	*22.0*	*21.2*	*19.2*
PE (x)	8.7	7.7	7.3
P/BV (x)	1.8	1.5	1.3
EV / E (x)	5.7	4.6	3.9

Quarterly nos. are standalone and full year nos. are conolidated

Lower trading sales due to lower fertiliser prices YoY in Q3FY10 would result in ~21% de-growth in net sales. Company had incurred approx. Rs250m of forex losses on trading creditors in Q3FY09 that resulted in lower profit base in the same quarter. Subsequently, it resulted in ~4% YoY growth in adjusted PAT during Q3FY10.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	9,948	12,553	*(20.8)*	9,781	27,633	38,442	*(28.1)*
EBITDA	1,826	1,978	*(7.7)*	2,061	5,452	5,425	*0.5*
Margin (%)	*18.4*	*15.8*	*2.6*	*21.1*	*19.7*	*14.1*	*5.6*
Reported PAT	727	753	*(3.5)*	646	1,926	1,467	*31.3*
PAT (Excl. Ex Items)	727	700	*3.8*	838	2,074	1,898	*9.3*
Operating Metrics							
Fertiliser Revenues	6,525	6,634	*(1.6)*	6,703	17,585	18,991	*(7.4)*
Traded goods Revenues	1,750	3,739	*(53.2)*	1,383	5,136	13,797	*(62.8)*
Shipping Revenues	800	1,307	*(38.8)*	818	2,274	2,923	*(22.2)*
Fertiliser EBITM (%)	*15.0*	*14.3*		*19.7*	*16.4*	*15.5*	
Traded goods EBITM (%)	*3.5*	*(0.7)*		*6.3*	*4.1*	*(1.6)*	
Shipping EBITM (%)	*25.0*	*25.9*		*12.6*	*20.6*	*25.3*	

Rallis India

Rating	Accumulate
Price	Rs945
Target Price	Rs1,118
Market Cap. (Rs bn)	12.3
Shares o/s (m)	13.0

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	9,232	11,125	13,308
EBITDA	1,523	1,943	2,372
Margin (%)	*16.5*	*17.5*	*17.8*
PAT	886	1,115	1,367
EPS (Rs)	68.4	86.0	105.4
RoE (%)	*23.2*	*24.3*	*24.5*
PE (x)	13.8	11.0	9.0
P/BV (x)	3.0	2.5	2.0
EV / E (x)	8.0	6.0	4.5

Quarterly nos. are standalone and full year nos. are conolidated

We expect domestic as well as export sales to show reasonably good growth. Higher agrochemical prices have resulted in higher EBITDA margin in Q3FY09. We believe that company could maintain the same in Q3FY10 on the back of better profitable product portfolio.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	2,373	2,146	*10.6*	3,219	7,268	6,757	*7.6*
EBITDA	349	304	*14.9*	756	1,312	1,191	*10.1*
Margin (%)	*14.7*	*14.2*	*0.5*	*23.5*	*18.1*	*17.6*	*0.4*
Reported PAT	182	156	*17.0*	457	733	614	*19.5*
PAT (Excl. Ex Items)	197	171	*15.5*	478	789	718	*9.9*
Operating Metrics							
Net Sales as % of annual sales	25.7	25.1		34.9	78.7	79.0	
Tax Rate (%)	34.0	34.1		32.5	32.9	31.6	

Deepak Fertilisers

Rating	Accumulate
Price	Rs114
Target Price	Rs118
Market Cap. (Rs bn)	10.1
Shares o/s (m)	88.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	14,603	17,200	23,525
EBITDA	3,336	3,841	5,116
Margin (%)	*22.8*	*22.3*	*21.7*
PAT	1,449	1,733	2,399
EPS (Rs)	16.4	19.7	27.2
RoE (%)	*16.8*	*17.7*	*20.9*
PE (x)	6.9	5.8	4.2
P/BV (x)	1.1	1.0	0.8
EV / E (x)	4.7	4.6	3.1

Quarterly nos. are standalone and full year nos. are conolidated

We expect YoY drop in fertiliser prices to drag the fertiliser as well as overall net sales, while industrial chemicals would show better growth (QoQ as well as YoY) on the back of higher volume during Q3FY10. We estimated that adjusted PAT would show robust YoY growth due to lower profit base in Q3FY09.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	3,827	3,775	*1.4*	3,612	10,015	11,110	*(9.9)*
EBITDA	872	578	*50.9*	784	2,386	2,360	*1.1*
Margin (%)	*22.8*	*15.3*	*7.5*	*21.7*	*23.8*	*21.2*	*2.6*
Reported PAT	390	224	*74.1*	361	1,140	1,091	*4.5*
PAT (Excl. Ex Items)	390	225	*72.9*	363	1,053	1,122	*(6.1)*
Operating Metrics							
Net Sales							
Industrial Chemicals	2,411	1,748	*37.9*	2,103	6,265	6,599	*(5.1)*
Fertilisers	1,289	1,954	*(34.0)*	1,467	3,399	4,155	*(18.2)*
EBITDAM %							
Industrial Chemicals	*30.0*	*26.8*		*30.4*	*30.7*	*30.6*	
Fertilisers	*6.0*	*2.2*		*5.3*	*6.1*	*4.3*	

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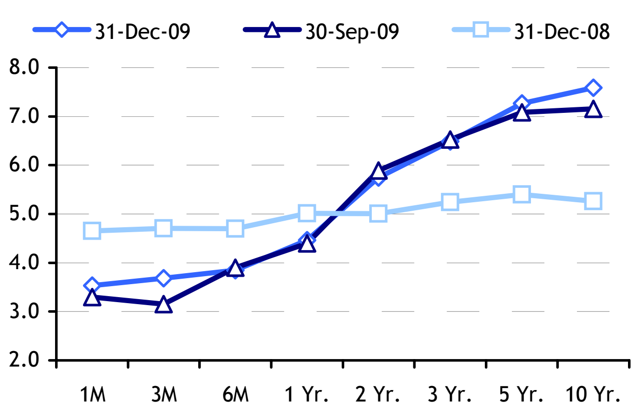
Banks

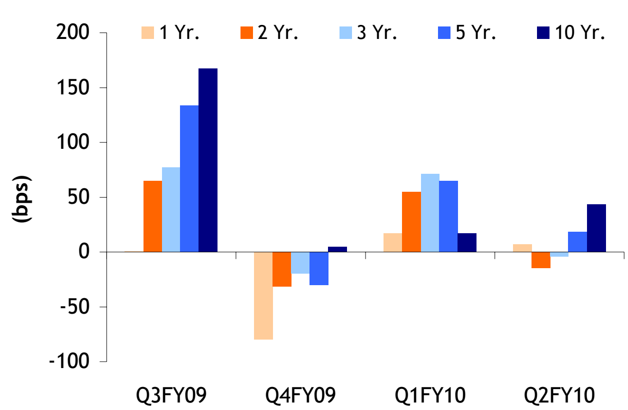
Expectations for the quarter: Though RBI kept the key rates (repo, reverse repo) and the CRR unchanged during the quarter, Central bank's focus is now clearly towards gradual exit from the easy monetary policy stance with a view to contain prices and sustain economic growth. With ample liquidity in the system the SLR was restored to 25% from 24% earlier during the quarter. Credit growth has not picked up as expected (while deposit growth has remained healthy), which is clearly evident from the sequential decline in the incremental CD ratio during the quarter. Margins are expected to improve sequentially due to deposit re-pricing, while the robust treasury gains seen during the first half of the current fiscal are behind us. Loan loss provisions for select banks are likely to remain high in order to gradually increase provision cover towards 70% by September 2010, coupled with some investment depreciation due to hardening of yields. Bankex is up by 123% YTD, clearly outperforming the broader markets (Sensex), which was up 80% YTD. Meanwhile for the quarter ended December 2009, the Bankex remained market performer with an increase of ~2%.

Result snapshot

For banks under our coverage, we expect the Net interest income (NII) to grow by 6.6% YoY and 8.0% QoQ (excluding ICICI Bank, NII is expected to grow by 6.9% YoY and 8.5% QoQ). Operating profit is likely to remain largely flattish by registering a growth of 2.0% YoY and 5.0% QoQ (excluding ICICI Bank, growth expected is 5.4% YoY and 6.5% QoQ). Core operating profit (excluding treasury) is likely to grow by 17.9% YoY and 9.2% QoQ (excluding ICICI Bank, growth expected is 17.2% YoY and 10.5% QoQ). Net profit is likely to decline by 6.6% YoY, but grow marginally by 3.7% QoQ (excluding ICICI Bank, the PAT is expected to decline by 3.6% YoY, but grow by 5.4% QoQ).

Trend in G-Sec Yields

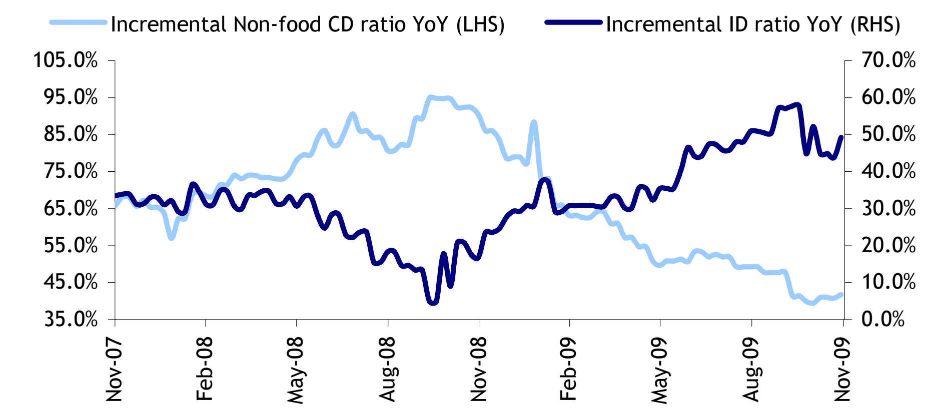




Source: Bloomberg, PL Research

Yield curve movement: The 10-year benchmark yield has climbed up 43bps upwards to 7.58% over the quarter after touching a high of 7.63% during the quarter. The yield curve has remained steep. However, the yields have softened in the short term (for 2 year maturity) by ~15bps. The hardening of the yields would lead to lower treasury gains during the quarter and also some investment depreciation on bank's bond portfolio. Nevertheless, this could be partially offset by the gains that can accrue due to buoyancy in the equity markets.

Trend in incremental CD and ID ratio



Source: Bloomberg, RBI, PL Research

Trend in banking parameters

Key indicators as on	04-Dec-09	25-Sep-09	03-Apr-09	02-Jan-09	03-Oct-08
Deposits (Rs trn)	4,204	4,120	3,830	3,569	3,439
Deposit Growth YoY	18.3%	19.8%	19.8%	20.8%	19.7%
Non-food credit (Rs trn)	2,875	2,831	2,724	2,592	2,506
Non-food Credit Growth YoY	11.0%	13.0%	17.5%	23.0%	25.3%
Investments (Rs trn)	1,385	1,373	1,166	1,090	985
Investments Growth YoY	25.6%	39.5%	20.0%	18.4%	8.3%
CD ratio	68.4%	68.7%	71.1%	72.6%	72.9%
Incremental CD ratio	43.6%	47.7%	64.1%	78.6%	89.4%
ID ratio	33.0%	33.3%	30.4%	30.5%	28.6%
Incremental ID ratio	43.4%	57.1%	30.6%	27.6%	13.3%

Source: Bloomberg, RBI, PL Research

Loan growth: The non-food credit growth has further moderated to 11.3% YoY as on December 19, 2009 as compared to 13% YoY at the beginning of the quarter. This could be partially attributed to the high base effect of the previous year and partially to lower-than-expected credit offtake during the quarter. Though the manufacturing and industrial activity has picked up recently as indicated by the strong IIP numbers, the same is yet to reflect in the credit growth. The deposit growth too has declined marginally to ~18% YoY from ~20% at the beginning of the quarter. With the deposit growth outpacing the credit growth, the incremental CD ratio has come off significantly to 43.6% in December 2009 v/s ~80% during the year ago period. For the quarter, the CD ratio stands at 68% and the ID ratio at 33%.

Margins: We expect margins to improve in the current quarter mainly on account of the lower cost of funds (as the high cost deposits get re-priced at lower rates) and some pick up seen by the banks in the credit offtake to the high-yielding retail and the SME segments during the quarter. Besides, due to the excess liquidity in the system, bulk deposit rates have remained at lower levels which again augur well for margin improvement for banks.

Fee income: The growth momentum in the fee-based income is likely to remain healthy as the loan sanctions continue to remain steady, though the disbursals lack pace. The recent pick up seen in the home loan and auto loan segment augurs well for the banks to garner processing fees apart from other non-fund based fee income sources.

Restructuring: So far the banking industry as a whole has restructured assets to the tune of ~4% of their outstanding loan portfolio (based on data available for major private & public sector banks). Of this, a significant chunk belongs to the PSBs, for whom the average restructured assets stand at ~4.8% of total loans. Meanwhile, for private players it is much lower at around 1.9%. We expect additional restructuring in select banks, but the quantum is likely to be lower on a QoQ basis. Furthermore, we believe slippages have peaked, but some addition is expected.

Provisions: The credit costs for certain banks (banks with lower provision cover such as SBI and ICICI Bank) are likely to remain high in view of the recent RBI guidelines regarding shoring up of NPA provision cover towards 70% by September 2010. Besides the hardening of G-sec yields would also result in some investment depreciation provisions during the quarter. Moreover, though the commercial real estate provisioning is hiked by 60bps, it is unlikely to make significant impact as the banks holding excess standard asset provisions.

Outlook

The markets are factoring in rate hikes and CRR tightening and we expect it to be beneficial for banks as short term rates will rise and corporates will swap their short-term borrowings with bank credit. Margins will expand and profitability will improve. Thus, we remain Overweight on the sector from a medium to long term perspective.

Top picks - HDFC Bank and Bank of Baroda

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
NII	753,161	956,015	1,189,328
Growth (%)	*12.8*	*26.9*	*24.4*
PPP	693,653	869,233	1,106,569
Growth (%)	*20.4*	*25.3*	*27.3*
PAT	323,012	401,242	536,655
Growth (%)	*13.3*	*24.2*	*33.7*
PE	14.8	11.9	8.9

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
NII	190,893	179,113	*6.6*	176,765	*8.0*
PPP	165,621	162,376	*2.0*	157,731	*5.0*
PAT	81,534	87,334	*(6.6)*	78,621	*3.7*

Note: The NII, PPP and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

State Bank of India

Rating	**Reduce**
Price	Rs2,292
Target Price	Rs2,002
Market Cap. (Rs bn)	1,447.1
Shares o/s (m)	631.5

We expect State Bank of India to report growth rates of 17.0% (advances) and 28.7% (deposits), respectively on YoY basis. The margins are likely to improve on a QoQ basis. Fee income growth is likely to remain healthy, thereby making up for lower treasury gains during the quarter. Provisioning expenses likely to remain elevated due to NPA provisions to reach for 70% provision cover and also due to low base effect of last year. We expect the bottomline to decline marginally both on a YoY as well as on a QoQ basis.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	232,463	305,507	397,160
PPP	213,604	293,946	411,525
NII Margin (%)	*2.2*	*2.4*	*2.4*
PAT	96,621	116,253	168,567
EPS (Rs)	152.2	183.1	265.5
PE (x)	12.7	10.2	7.0
P / ABV (x)	2.2	1.8	1.6

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	59,916	57,582	*4.1*	56,088	166,253	160,312	*3.7*
PPP	51,316	44,826	*14.5*	48,350	136,405	126,386	*7.9*
NIM Reported (%)	*–*	*3.2*	*–*	*2.6*	*–*	*3.2*	*–*
NIM Calculated (%)	*2.6*	*2.8*	*–*	*2.3*	*2.2*	*2.8*	*–*
PAT	23,411	24,784	*(5.5)*	24,900	71,615	63,794	*12.3*
Operating Metrics (Rs bn)							
Deposits	7,945.5	6,175.2	*28.7*	7,729.0	7,945.5	6,175.2	*28.7*
Advances	5,953.2	5,090.4	*17.0*	5,802.4	5,953.2	5,090.4	*17.0*
CASA	3,178.2	2,451.6	*29.6*	3,165.8	3,178.2	2,451.6	*29.6*
Gross NPA	182.0	118.5	*53.6*	173.8	182.0	118.5	*53.6*
Net NPA	94.6	68.6	*37.9*	99.3	94.6	68.6	*37.9*

For SBI Rs 92 per share reduced for investment in subsidiaries from Book Value & Rs 430 per share reduced from the CMP for value of subsidiary

ICICI Bank

Rating	Accumulate
Price	Rs879
Target Price	Rs971
Market Cap. (Rs bn)	976.5
Shares o/s (m)	1,112.7

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	84,161	103,020	118,894
PPP	101,904	110,383	123,403
NII Margin (%)	*2.3*	*2.7*	*2.7*
PAT	40,948	51,116	67,689
EPS (Rs)	36.8	45.9	60.8
PE (x)	20.1	15.3	11.2
P / ABV (x)	1.9	1.6	1.5

We expect ICICI Bank's balance sheet to continue to contract on a YoY basis, despite sequential increase in its business. We expect its advances and deposits to contract by 6.6% and 2.5%, respectively on a YoY basis. Margins are likely to remain stable on a sequential basis. The core fee income is likely to remain stable, but lower treasury gains would pull down the overall non-interest income growth. Other income to include gains from proceeds of its POS business. Provisions are expected to remain flat sequentially.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	20,683	19,901	*3.9*	20,361	60,896	62,275	*(2.2)*
PPP	23,633	27,710	*(14.7)*	24,355	73,280	67,697	*8.2*
NIM Reported (%)	*–*	*2.4*	*–*	*2.5*	*–*	*2.4*	*–*
NIM Calculated (%)	*2.2*	*2.1*	*–*	*2.2*	*2.2*	*2.1*	*–*
PAT	9,639	12,723	*(24.2)*	10,403	28,825	30,143	*(4.4)*
Operating Metrics (Rs bn)							
Deposits	2,037.7	2,090.7	*(2.5)*	1,978.3	2,037.7	2,090.7	*(2.5)*
Advances	1,984.9	2,125.2	*(6.6)*	1,908.6	1,984.9	2,125.2	*(6.6)*
CASA	733.6	572.8	*28.1*	730.0	733.6	572.8	*28.1*
Gross NPA	94.3	89.9	*4.9*	92.0	94.3	89.9	*4.9*
Net NPA	41.5	44.0	*(5.7)*	45.0	41.5	44.0	*(5.7)*

For ICICI Rs 69 per share reduced for investment in subsidiaries from Book Value & Rs 178 per share reduced from the CMP for value of subsidiary

HDFC Bank

Rating	Accumulate
Price	Rs1,705
Target Price	Rs1,709
Market Cap. (Rs bn)	716.5
Shares o/s (m)	422.0

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	84,225	105,210	131,513
PPP	66,561	77,548	96,935
NII Margin (%)	*4.2*	*4.4*	*4.3*
PAT	29,258	38,118	49,553
EPS (Rs)	64.8	84.4	109.7
PE (x)	26.3	20.2	15.5
P / ABV (x)	3.9	3.4	2.9

We expect HDFC Bank to grow its advances and deposits by 22.0% and 4.4%, respectively on YoY basis. The YoY advances growth is likely to be much better than peers and industry. Business growth remains healthy on a sequential basis. We expect margins to remain stable. No major negative surprises expected on the asset quality front. However, provisions may remain high to maintain healthy provision cover.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	21,336	19,793	*7.8*	19,558	59,449	55,692	*6.7*
PPP	16,714	14,581	*14.6*	15,930	47,830	36,085	*32.5*
NIM Reported (%)	*–*	*4.3*	*–*	*4.2*	*–*	*4.2*	*–*
NIM Calculated (%)	*4.4*	*4.5*	*–*	*4.1*	*4.2*	*4.3*	*–*
PAT	8,080	6,217	*30.0*	6,875	21,016	16,131	*30.3*
Operating Metrics							
Deposits	1,513.0	1,448.6	*4.4*	1,498.1	1,513.0	1,448.6	*4.4*
Advances	1,204.9	987.8	*22.0*	1,136.7	1,204.9	987.8	*22.0*
CASA	756.5	579.4	*30.6*	754.2	756.5	579.4	*30.6*
Gross NPA	20.5	19.1	*7.2*	20.3	20.5	19.1	*7.2*
Net NPA	5.7	6.1	*(6.6)*	6.0	5.7	6.1	*(6.6)*

Axis Bank

Rating	Accumulate
Price	Rs993
Target Price	Rs1,042
Market Cap. (Rs bn)	353.4
Shares o/s (m)	359.0

We expect Axis Bank to witness a slowdown in its business growth, with advances and deposits growing by 13.0% and 15.9%, respectively on a YoY basis. However, the NII growth is expected to be higher lead by sequential improvement in margins on account of fresh capital raised by the bank in the previous quarter. Fee income growth is likely to slowdown in line with the business growth. We expect the bottomline to grow at a lower pace driven by slower business growth and high base of previous year. We expect some more restructuring, but lower than Q2FY10 in absolute amount.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	49,164	61,727	77,159
PPP	53,639	62,127	77,658
NIM Margin (%)	*3.1*	*3.2*	*3.1*
PAT	24,578	31,626	39,532
EPS (Rs)	61.3	78.9	98.6
PE (x)	16.2	12.6	10.1
P / ABV (x)	2.5	2.2	1.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	12,803	9,297	*37.7*	11,497	34,756	26,536	*31.0*
PPP	12,629	9,096	*38.8*	13,058	37,450	25,864	*44.8*
NIM Margin Reported (%)	*–*	*3.1*	*–*	*3.5*	*–*	*3.3*	*–*
NIM Calculated (%)	*3.3*	*2.8*	*–*	*3.1*	*3.0*	*2.9*	*–*
PAT	6,089	5,009	*21.6*	5,315	17,025	12,339	*38.0*
Operating Metrics (Rs bn)							
Deposits	1,225.3	1,057.2	*15.9*	1,156.0	1,225.3	1,057.2	*15.9*
Advances	851.0	753.3	*13.0*	810.4	851.0	753.3	*13.0*
CASA	514.6	401.5	*28.2*	494.6	514.6	401.5	*28.2*
Gross NPA	11.1	7.9	*40.4*	11.3	11.1	7.9	*40.4*
Net NPA	3.9	3.4	*13.2*	4.2	3.9	3.4	*13.2*

Punjab National Bank

Rating	Accumulate
Price	Rs926
Target Price	Rs950
Market Cap. (Rs bn)	288.4
Shares o/s (m)	315.3

We expect PNB to report higher-than-industry business growth, with advances and deposits growing by 16.7% and 19.5%, respectively on a YoY basis. Margins are likely to remain largely stable on a QoQ basis. Though the fee income growth is expected to remain healthy, lower treasury gains are likely to pull down the overall topline growth. No major negative surprises on the asset quality front. Importantly, we expect the bank to report a flattish bottomline, despite a very high base of the previous year.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	83,538	98,415	118,099
PPP	68,447	82,285	98,741
NII Margin (%)	*3.1*	*3.1*	*3.0*
PAT	39,153	48,744	60,930
EPS (Rs)	124.2	154.6	193.2
PE (x)	7.5	6.0	4.8
P / ABV (x)	1.9	1.5	1.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	22,189	19,673	*12.8*	20,952	61,759	51,243	*20.5*
PPP	17,776	18,059	*(1.6)*	16,066	49,535	41,564	*19.2*
NIM Reported (%)	*–*	*3.9*	*–*	*3.6*	*–*	*3.6*	*–*
NIM Calculated (%)	*3.3*	*3.5*	*–*	*3.2*	*3.1*	*3.2*	*–*
PAT	10,283	10,062	*2.2*	9,272	27,876	22,258	*25.2*
Operating Metrics (Rs bn)							
Deposits	2,354.4	1,970.7	*19.5*	2,308.2	2,354.4	1,970.7	*19.5*
Advances	1,651.9	1,415.0	*16.7*	1,635.6	1,651.9	1,415.0	*16.7*
CASA	918.2	737.1	*24.6*	888.3	918.2	737.1	*24.6*
Gross NPA	26.4	32.6	*(19.0)*	26.2	26.4	32.6	*(19.0)*
Net NPA	2.6	5.5	*(52.1)*	2.3	2.6	5.5	*(52.1)*

Kotak Mahindra Bank

Rating	Accumulate
Price	Rs820
Target Price	Rs835
Market Cap. (Rs bn)	279.2
Shares o/s (m)	345.7

We expect Kotak Mahindra Bank to grow its consolidated deposits and advances by 17.3% and 15.5%, respectively. The margins are likely to be maintained with marginal upward bias. Provisioning likely to go up over next few quarters on account of the new RBI provisioning guidelines. Delinquencies have peaked and hence, asset quality levels are likely to marginally improve. Strong growth expected in auto advances, fees from the IB business to remain stable, international subsidiaries to provide some momentum as AUMs have increased sequentially.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	23,626	25,304	31,243
PPP	22,008	24,961	29,597
NII Margin (%)	*5.3*	*4.6*	*4.4*
PAT	10,915	13,448	17,663
EPS (Rs)	31.6	38.9	51.1
PE (x)	22.5	18.3	13.9
P / ABV (x)	3.5	3.0	2.6

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII - standalone	4,462	3,826	*16.6*	4,365	12,917	11,006	*17.4*
PPP - standalone	2,512	1,975	*27.2*	2,442	7,798	4,335	*79.9*
NIM Calculated (%)	*5.9*	*5.8*	*–*	*5.8*	*6.0*	*5.4*	*–*
PAT - standalone	980	711	*37.7*	1,259	3,142	1,735	*81.1*
PAT - consolidated	2,856	1,426	*100.3*	2,976	8,228	4,316	*90.6*
Operating Metrics - consolidated (Rs bn)							
Deposits	174.2	148.6	*17.3*	169.2	174.2	148.6	*17.3*
Advances	275.8	238.7	*15.5*	267.7	275.8	238.7	*15.5*
Investments	103.6	119.3	*(13.2)*	100.6	103.6	119.3	*(13.2)*
Gross NPA	11.0	8.9	*23.8*	10.7	11.0	8.9	*23.8*
Net NPA	6.1	5.6	*8.4*	6.4	6.1	5.6	*8.4*

Bank of India

Rating	Reduce
Price	Rs393
Target Price	Rs330
Market Cap. (Rs bn)	202.3
Shares o/s (m)	525.9

We expect Bank of India to report a sharp decline in its earnings on a YoY basis, while showing a decent increase sequentially. Business growth is likely to be much slower with advances and deposits growing by 12.6% and 19.2%, respectively on a YoY basis. Margins are likely to improve QoQ due to reduction in the cost of funds. On the asset quality front, though much of the pain is behind us, there could be some addition to slippages as guided by the management. Credit costs likely to remain high to increase the provision cover towards 70% levels.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	59,987	73,962	91,738
PPP	49,997	66,062	81,723
NII Margin (%)	*2.6*	*2.8*	*2.9*
PAT	20,727	25,969	38,882
EPS (Rs)	39.4	49.4	73.9
PE (x)	10.0	8.0	5.3
P / ABV (x)	1.9	1.5	1.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	15,696	15,217	3.2	14,086	42,788	40,656	5.2
PPP	12,596	17,616	(28.5)	12,057	35,590	40,488	(12.1)
NIM Reported (%)	*–*	*3.4*	*–*	*2.6*	*–*	*3.0*	*–*
NIM Calculated (%)	*2.8*	*3.0*	*–*	*2.4*	*2.4*	*2.8*	*–*
PAT	5,754	8,722	(34.0)	3,230	14,829	21,970	(32.5)
Operating Metrics (Rs bn)							
Deposits	2,046.8	1,717.2	*19.2*	1,987.2	2,046.8	1,717.2	*19.2*
Advances	1,532.4	1,361.1	*12.6*	1,502.4	1,532.4	1,361.1	*12.6*
CASA	655.0	462.9	*41.5*	527.7	655.0	462.9	*41.5*
Gross NPA	44.2	22.1	*99.8*	39.2	44.2	22.1	*99.8*
Net NPA	17.7	7.0	*153.1*	16.0	17.7	7.0	*153.1*

Bank of Baroda

Rating	BUY
Price	Rs515
Target Price	Rs585
Market Cap. (Rs bn)	185.1
Shares o/s (m)	365.5

We expect Bank of Baroda to grow its advances and deposits by 20.6% and 24.2%, respectively on YoY basis. Margins are likely to show some improvement sequentially. However, healthy business growth and margins do not translate into higher earnings growth due to the high base effect of last year on account of exceptional gain due to winding up of Hong Kong subsidiary. Fee income growth is likely to remain steady. Provisions to remain elevated, as the bank will improve coverage. Asset quality is expected to remain stable.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	58,881	77,031	92,437
PPP	48,997	63,454	76,144
NII Margin (%)	*2.4*	*2.5*	*2.5*
PAT	27,118	33,076	39,691
EPS (Rs)	74.2	90.5	108.6
PE (x)	6.9	5.7	4.7
P / ABV (x)	1.6	1.3	1.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
NII	15,393	14,618	5.3	13,886	41,330	36,526	13.2
PPP	12,178	13,456	(9.5)	10,316	32,597	29,315	11.2
NIM Reported (%)	–	3.3	–	2.6	–	2.9	–
NIM Calculated (%)	2.6	3.0	–	2.3	2.3	2.6	–
PAT	6,507	7,084	(8.1)	6,342	19,706	14,064	40.1
Operating Metrics (Rs bn)							
Deposits	2,094.3	1,686.2	24.2	2,073.6	2,094.3	1,686.2	24.2
Advances	1,533.9	1,272.0	20.6	1,489.2	1,533.9	1,272.0	20.6
CASA	633.3	492.8	28.5	627.1	633.3	492.8	28.5
Gross NPA	21.5	19.2	11.8	19.6	21.5	19.2	11.8
Net NPA	4.3	4.7	(9.1)	4.1	4.3	4.7	(9.1)

Union Bank of India

Rating	Accumulate
Price	Rs266
Target Price	Rs282
Market Cap. (Rs bn)	135.0
Shares o/s (m)	505.1

The business growth lacks momentum with advances and deposits growing by 12.3% and 18.4%, respectively on YoY basis. The margins are likely to improve QoQ due to deposit re-pricing and steady accretion in CASA deposits. However, the YoY growth numbers are likely to remain subdued as Q3FY09 was an exceptionally good quarter for the bank. Fee income growth is likely to remain steady. We expect the bottomline to shrink both on a YoY as well as on a QoQ basis.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	40,965	52,227	62,673
PPP	35,712	42,340	50,808
NII Margin (%)	*2.3*	*2.4*	*2.4*
PAT	18,363	21,242	25,491
EPS (Rs)	36.4	42.1	50.5
PE (x)	7.3	6.3	5.3
P / ABV (x)	1.7	1.4	1.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
NII	9,552	11,284	(15.3)	8,634	26,202	28,928	(9.4)
PPP	8,452	8,548	(1.1)	8,101	24,428	21,723	12.5
NIM Reported (%)	–	3.2	–	2.3	–	3.0	–
NIM Calculated (%)	2.4	3.1	–	2.0	2.1	2.8	–
PAT	4,447	6,717	(33.8)	5,051	13,920	12,632	10.2
Operating Metrics (Rs bn)							
Deposits	1,535.4	1,296.5	18.4	1,490.7	1,535.4	1,296.5	18.4
Advances	1,044.0	929.8	12.3	994.3	1,044.0	929.8	12.3
CASA	506.7	393.8	28.7	491.4	506.7	393.8	28.7
Gross NPA	20.9	15.6	33.5	19.2	20.9	15.6	33.5
Net NPA	2.5	1.3	96.6	2.2	2.5	1.3	96.6

Yes Bank

Rating	BUY
Price	Rs268
Target Price	Rs288
Market Cap. (Rs bn)	80.7
Shares o/s (m)	297.0

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	7,267	10,163	13,909
PPP	8,133	10,880	14,186
NIM Margin (%)	*2.8*	*2.9*	*3.0*
PAT	4,396	5,977	8,241
EPS (Rs)	13.5	18.3	25.2
PE (x)	19.9	14.6	10.6
P / ABV (x)	3.1	2.6	2.1

We expect business growth to pick up in the quarter gone by, with advances and deposits growing by robust 56.5% and 48.8%, respectively on a YoY basis. Margins are likely to remain stable sequentially. Moderation in treasury gains partially offsets the healthy growth seen in the fee-based income. We expect bottomline to grow moderately by 18.7% YoY and 12.4% QoQ on the back of a very high base of the previous year.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	1,873	1,204	*55.6*	1,600	5,110	3,560	*43.5*
PPP	2,073	1,844	*12.4*	1,918	5,969	3,961	*50.7*
NIM Margin Reported (%)	–	*2.8*	–	*2.7*	–	*2.6*	–
NIM Calculated (%)	*2.8*	*2.8*	–	*2.7*	*2.6*	*2.7*	–
PAT	1,255	1,058	*18.7*	1,117	3,373	2,237	*50.8*
Operating Metrics (Rs bn)							
Deposits	201.4	135.4	*48.8*	193.7	201.4	135.4	*48.8*
Advances	171.1	109.4	*56.5*	162.9	171.1	109.4	*56.5*
CASA	20.1	12.5	*61.7*	18.5	20.1	12.5	*61.7*
Gross NPA	0.6	0.5	*23.6*	0.5	0.6	0.5	*23.6*
Net NPA	0.1	0.2	*(8.1)*	0.1	0.1	0.2	*(8.1)*

Central Bank of India

Rating	Accumulate
Price	Rs160
Target Price	Rs182
Market Cap. (Rs bn)	79.1
Shares o/s (m)	525.9

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	28,883	43,447	54,505
PPP	24,651	35,248	45,848
NII Margin (%)	*1.9*	*2.4*	*2.4*
PAT	10,935	15,673	20,416
EPS (Rs)	25.4	37.0	48.7
PE (x)	6.3	4.3	3.3
P / ABV (x)	1.5	1.2	0.9

We expect Central Bank's business growth to be above industry growth, with advances and deposits expected to grow by 14.7% and 22.6%, respectively on a YoY basis. The margins are likely to improve on a QoQ basis. Provisioning expenses likely to be higher as against provision write-back during the year ago period. Consequently, the bottomline is expected to contract by 9.1% on a YoY basis, but remain largely flat sequentially.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
NII	6,991	6,719	*4.0*	5,740	18,502	17,950	*3.1*
PPP	5,741	4,665	*23.1*	5,138	14,488	9,822	*47.5*
NIM Reported (%)	–	*2.4*	–	*1.8*	–	*2.2*	–
NIM Calculated (%)	*1.6*	*1.9*	–	*1.4*	*1.5*	*1.8*	–
PAT	3,212	3,533	*(9.1)*	3,139	9,019	5,087	*77.3*
Operating Metrics							
Deposits	1,545.4	1,260.3	*22.6*	1,515.1	1,545.4	1,260.3	*22.6*
Advances	959.0	836.3	*14.7*	922.1	959.0	836.3	*14.7*
CASA	479.1	415.1	*15.4*	467.5	479.1	415.1	*15.4*
Gross NPA	24.9	22.9	*9.0*	24.3	24.9	22.9	*9.0*
Net NPA	6.2	9.5	*(34.1)*	6.3	6.2	9.5	*(34.1)*

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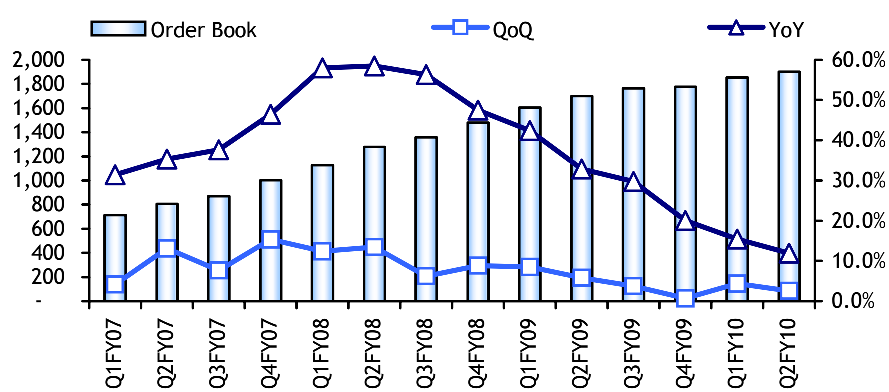
Capital Goods

To participate in the euphoria surrounding the power sector, we prefer concentrating on power equipments and EPC players. EPC players (both generation and transmission) are insulated from international competition as the international players lack the ability to tackle local risks and execution challenges. Despite increased domestic competition, incumbents are expected to continue their growth trajectory as the scope of opportunities on hand is very large and they have the ability to tackle various challenges that these projects can throw at them. We, hence, maintain our positive outlook on companies like BHEL and BGR Energy Systems. In the equipment space, we prefer Crompton Greaves, as it is the best placed player in the 765Kv range in the domestic market because in a few months time the company will be able to manufacture 765Kv equipment from its Indian facilities, thus, giving it a major cost advantage as compared to other competitors who will still have to depend on imports.

Apart from the power segment, the capital goods industry is yet to see considerable increase in order flows from other segments. While there has been a pick up in the replacement demand for various equipments, the real revival of the industrial capex cycle seems to be some time away.

Order Book



Source: Company Data, PL Research

Order inflow for capital goods companies that are reliant on the power sector is expected to be much better than companies that are reliant on industrial capex for the next 12 months at least. Order inflow for power transmission is expected to increase considerably due to orders being tendered out by PGCIL.

We expect the revenues of our coverage universe in this sector to grow by 7.5% YoY in Q3FY10. EBITDA margin is expected at 12.9% (YoY decrease of 127bps) for the coverage universe and PAT is expected to increase by 12% YoY.

Suzlon is expected to execute a considerably lower (decrease of 29% YoY) volume during the quarter. Hence, excluding Suzlon, we expect the revenues of our coverage universe in the sector to grow by 16% YoY in Q3FY10. EBITDA margin is expected to increase by 50bps YoY to 14.5% and PAT is expected to increase by 22% YoY.

Top picks: BHEL, Crompton Greaves and BGR Energy Systems

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	1,081,793	1,286,041	1,535,400
Growth (%)	*3.5*	*18.9*	*19.4*
EBITDA	133,139	173,698	210,392
Margin (%)	*12.3*	*13.5*	*13.7*
PAT	77,685	105,417	130,965
Growth (%)	*(2.0)*	*35.7*	*24.2*
PE (x)	29.1	21.4	17.2

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	236,456	219,984	*7.5*	206,274	*14.6*
EBITDA	30,556	29,948	*2.0*	24,240	*26.1*
Margin (%)	*12.9*	*13.6*	*(0.7)*	*11.8*	*1.2*
PAT (Excl. Ex Items)	17,603	15,664	*12.4*	12,964	*35.8*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

BHEL

Rating	Accumulate
Price	Rs2,423
Target Price	Rs2,843
Market Cap. (Rs bn)	1,186.2
Shares o/s (m)	489.5

Bharat Heavy Electricals (BHEL) has continued its streak of wining large-sized orders from private players. The management expects to win orders worth Rs550bn during FY10. We expect revenues to grow by 25.9% for Q3FY10. EBITDA margin is expected to improve to 19.5% (18.7% in Q3FY09) on the back of increased volume and lower cost inventory being used. We expect revenue to increase by 24.7% in FY10 and EBITDA margin to increase by 260bps to 18.5% due to stable employment cost and lower raw material cost.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	333,770	410,370	492,550
EBITDA	61,887	78,150	92,487
Margin (%)	*18.5*	*19.0*	*18.8*
PAT	43,430	53,967	63,281
EPS (Rs)	88.7	110.2	129.2
RoE (%)	*30.0*	*30.1*	*28.7*
PE (x)	27.3	22.0	18.7
P/BV (x)	7.4	6.0	4.9
EV / E (x)	17.4	13.5	11.0

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	77,435	61,489	*25.9*	67,275	201,424	160,085	*25.8*
EBITDA	15,100	11,473	*31.6*	12,318	33,338	24,196	*37.8*
Margin (%)	*19.5*	*18.7*	*0.8*	*18.3*	*16.6*	*15.1*	*1.4*
Reported PAT	10,648	7,906	*34.7*	8,579	23,933	17,906	*33.7*
PAT (Excl. Ex Items)	10,648	7,906	*34.7*	8,579	23,933	17,906	*33.7*
Operating Metrics							
% of Full year sales	*23.2*	*23.0*	0.2	*20.2*	-	-	-
RM as a % of sales	*56.5*	*57.0*	(0.5)	*56.4*	*58.2*	*57.6*	0.6
Employee expenses	11,460	9,202	*24.5*	10,690	33,287	27,053	*23.0*
Tax rate (%)	*35.0*	*35.3*	(0.3)	*35.5*	*35.1*	*35.0*	0.1

Siemens

Rating	Reduce
Price	Rs584
Target Price	Rs522
Market Cap. (Rs bn)	197.0
Shares o/s (m)	337.2

Siemens revenue is expected to grow by 15% to Rs19bn during Q1FY10. Muted order inflow from industries is expected to continue, going ahead. EBITDA margins are expected to decrease by 30bps YoY to 10.7%. PAT is expected to increase by 24% YoY for the quarter to Rs1.3bn.

Key Figures (Rs m)

Y/e Sept	FY09	FY10E	FY11E
Net Sales	93,491	103,775	119,341
EBITDA	10,515	11,415	13,008
Margin (%)	*11.2*	*11.0*	*10.9*
PAT	7,046	6,692	7,651
EPS (Rs)	16.4	19.8	22.7
RoE (%)	*26.6*	*22.4*	*22.5*
PE (x)	35.1	29.1	25.5
P/BV (x)	7.4	6.5	5.7
EV / E (x)	16.9	15.6	13.7

Quarterly Table (Rs m)

Y/e Sept	Q1 FY10E	Q1 FY09	YoY gr. (%)	Q4 FY09	12M FY10E	12M FY09	YoY gr. (%)
Net Sales	18,959	16,399	*15.6*	25,180	103,775	93,491	*11.0*
EBITDA	2,029	1,702	*19.2*	2,470	11,415	10,515	*8.6*
Margin (%)	*10.7*	*10.4*	*0.3*	*9.8*	*11.0*	*11.2*	*(0.2)*
Reported PAT	1,330	3,306	*(59.8)*	1,517	6,692	7,046	*(5.0)*
PAT (Excl. Ex Items)	1,330	1,074	*23.9*	1,690	6,692	7,046	*(5.0)*
Operating Metrics							
% of Full year sales	20.0	19.4	*0.6*	29.8	–	–	–
RM as a % of sales	76.0	75.7	*0.3*	78.7	70.0	70.3	*(0.3)*
Tax rate (%)	33.3	36.3	*(3.0)*	31.6	35.5	36.4	*(0.9)*

ABB

Rating	Reduce
Price	Rs765
Target Price	Rs666
Market Cap. (Rs bn)	162.2
Shares o/s (m)	211.9

Order inflow for ABB in the recent past has been dominated by orders from the power sector. Given that there have been no signs of revival in the industrial capex and that ABB has won large orders in the power sector, contribution from the power sector (was ~60% of revenue in CY08) is expected to increase considerably, going forward. For CY09, we expect the revenue to de-grow by 7%, with lower EBITDA margin of 9.3% (11.3% in CY08).

Key Figures (Rs m)

Y/e Dec	CY09E	CY10E	CY11E
Net Sales	63,404	68,578	77,376
EBITDA	5,869	7,263	8,828
Margin (%)	*9.3*	*10.6*	*11.4*
PAT	3,866	4,854	5,880
EPS (Rs)	18.2	22.9	27.7
RoE (%)	*16.9*	*18.1*	*18.7*
PE (x)	42.0	33.4	27.6
P/BV (x)	6.6	5.6	4.8
EV / E (x)	27.1	21.5	17.5

Quarterly Table (Rs m)

Y/e Dec	Q4 CY09E	Q4 CY08	YoY gr. (%)	Q3 CY09	12M CY09E	12M CY08	YoY gr. (%)
Net Sales	19,885	21,663	*(8.2)*	14,538	63,404	68,370	*(7.3)*
EBITDA	2,093	2,680	*(21.9)*	1,223	5,869	7,742	*(24.2)*
Margin (%)	*10.5*	*12.4*	*(1.8)*	*8.4*	*9.3*	*11.3*	*(2.1)*
Reported PAT	1,416	1,931	*(26.7)*	831	3,866	5,474	*(29.4)*
PAT (Excl. Ex Items)	1,416	1,931	*(26.7)*	831	3,866	5,474	*(29.4)*
Operating Metrics							
% of Full year sales	31.4	31.7	*(0.3)*	24.0	-	-	-
RM as a % of sales	70.2	73.1	*(2.8)*	73.1	71.0	72.4	*(1.4)*
Tax rate (%)	32.5	34.0	*(1.4)*	31.4	33.3	34.3	*(1.0)*

Crompton Greaves

Rating	Accumulate
Price	Rs434
Target Price	Rs510
Market Cap. (Rs bn)	159.0
Shares o/s (m)	366.6

We believe that Crompton Greaves (CG) is best placed to take advantage of 765Kv orders in the future. Over the next 3-4months, CG's Bhopal facility will be qualified to manufacture 765Kv equipment, which would mean that CG could manufacture the entire quantum of an order in India itself as compared to the competition which will still have to rely on imports (30% manufactured locally and 70% internationally). This will give CG a considerable cost and margin advantage.

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	94,234	109,889	127,885
EBITDA	11,876	13,609	15,688
Margin (%)	*12.6*	*12.4*	*12.3*
PAT	7,210	8,387	9,834
EPS (Rs)	19.7	22.9	26.9
RoE (%)	*29.5*	*26.6*	*24.6*
PE (x)	22.0	18.9	16.1
P/BV (x)	6.5	5.0	4.0
EV / E (x)	13.3	11.4	9.7

Quarterly Table (Consolidated) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	23,438	21,504	*9.0*	21,890	67,304	62,778	*7.2*
EBITDA	2,979	2,262	*31.7*	3,067	8,522	6,663	*27.9*
Margin (%)	*12.7*	*10.5*	*2.2*	*14.0*	*12.7*	*10.6*	*2.0*
Reported PAT	1,802	1,249	*44.3*	1,932	5,338	3,685	*44.8*
PAT (Excl. Ex Items)	1,802	1,232	*46.2*	1,934	5,339	3,660	*45.9*
Operating Metrics							
% of Full year sales	24.9	24.6	*0.3*	23.2	-	-	-
Power seg. rev gr (YoY)	5.0	28.2	*(23.2)*	1.0	4.8	30.6	*(25.9)*
Industry seg. rev gr (YoY)	4.1	5.8	*(1.7)*	5.0	2.1	10.0	*(7.9)*
Cons. prd seg. rev gr (YoY)	11.5	14.2	*(2.7)*	24.0	16.2	18.1	*(1.8)*

Suzlon Energy

Rating	Reduce
Price	Rs90
Target Price	Rs83
Market Cap. (Rs bn)	147.9
Shares o/s (m)	1,645.5

By selling off 35% in Hansen, Suzlon energy (Suzlon) realised Rs17bn which was utilised to pay off the acquisition loan in part. Once the remaining 26% is offloaded and the company completes refinancing its current debt, the company's debt worries will get resolved to a great extent. Suzlon has seen a pick up in order flow from both domestic and international markets and expects further orders in the domestic market by the end of the fiscal. But operationally, we expect the pain to continue, with revenue expected to decline by 34% on the back of lower volumes (decrease of 29% YoY).

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	197,356	230,762	288,815
EBITDA	8,899	21,960	31,872
Margin (%)	*4.5*	*9.5*	*11.0*
PAT	(4,186)	6,518	14,503
EPS (Rs)	(2.8)	3.7	8.5
RoE (%)	*(5.1)*	*7.8*	*15.8*
PE (x)	(32.6)	24.4	10.6
P/BV (x)	1.8	1.7	1.5
EV / E (x)	29.3	11.4	7.7

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	25,920	39,320	*(34.1)*	18,680	56,250	102,007	*(44.9)*
EBITDA	78	5,063	*(98.5)*	(1,560)	(3,212)	12,315	*(126.1)*
Margin (%)	*0.3*	*12.9*	*(12.6)*	*(8.4)*	*(5.7)*	*12.1*	*(17.8)*
Reported PAT	(2,513)	(5,312)	–	(4,240)	(11,153)	(11,528)	–
PAT (Excl. Ex Items)	(2,513)	(824)	–	(4,040)	(10,773)	(1,961)	–
Operating Metrics							
Volume (Mw)	480	679	*(29.3)*	283	886	1,744	*(49.2)*
Realisation	54	58	*(6.8)*	66	63	58	*8.5*
RM as a % of sales	*72.5*	*60.6*	12	*73.2*	*72.5*	*65.0*	*7.5*
Tax rate (%)	*5.0*	*23.8*	(19)	*9.0*	*5.6*	*(25.1)*	30.8

Cummins India

Rating	Not Rated
Price	Rs427
Target Price	NA
Market Cap. (Rs bn)	84.5
Shares o/s (m)	198.0

We expect Cummins' revenue to de-grow by 14% in Q3FY10 on the back of lower export volumes and overall slowdown in the industrial capex in India as well. Despite lower volumes, EBITDA margin is expected to be 15.8% on the back of lower raw material cost. On a consolidated basis, we expect Cummins topline to de-grow by 12% in FY10.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	30,975	35,357	41,669
EBITDA	4,841	5,570	6,601
Margin (%)	*15.6*	*15.8*	*15.8*
PAT	4,235	4,878	5,771
EPS (Rs)	21.4	24.6	29.1
RoE (%)	*25.2*	*24.6*	*24.6*
PE (x)	20.0	17.3	14.7
P/BV (x)	4.8	4.1	3.4
EV / E (x)	17.2	15.0	12.6

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	6,446	7,495	*(14.0)*	6,077	18,779	22,464	*(16.4)*
EBITDA	1,018	1,404	*(27.4)*	1,021	3,076	3,388	*(9.2)*
Margin (%)	*15.8*	*18.7*	*(2.9)*	*16.8*	*16.4*	*15.1*	*1.3*
Reported PAT	863	1,334	*(35.3)*	877	2,637	3,156	*(16.4)*
PAT (Excl. Ex Items)	863	1,334	*(35.3)*	877	2,637	3,156	*(16.4)*
Operating Metrics							
% of full years sales	23.1	22.9	*0.2*	19.6	-	-	-
RM as a % of sales	67.0	63.7	*3.3*	66.5	66.8	68.1	*(1.3)*
Tax rate (%)	28.0	27.0	*1.0*	26.4	27.5	28.3	*(0.8)*

Thermax

Rating	Not Rated
Price	Rs614
Target Price	NA
Market Cap. (Rs bn)	73.2
Shares o/s (m)	119.2

After marking its entry into the highly lucrative utility space, where plenty of action is expected from both state owned and private players, we expect Thermax to continue bidding and win utility level orders. For the current quarter, we expect execution to pick up pace with revenue expected to grow by 6% to Rs8.4bn with EBITDA margins of 12.8%.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	32,903	40,779	50,180
EBITDA	3,987	4,834	5,875
Margin (%)	*12.1*	*11.9*	*11.7*
PAT	2,751	3,323	4,029
EPS (Rs)	23.1	27.9	33.8
RoE (%)	*25.5*	*26.2*	*26.8*
PE (x)	26.2	21.7	17.9
P/BV (x)	6.2	5.3	4.4
EV / E (x)	17.5	14.5	11.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	8,413	7,951	*5.8*	6,804	20,593	23,161	*(11.1)*
EBITDA	1,075	968	*11.0*	792	2,556	2,811	*(9.1)*
Margin (%)	*12.8*	*12.2*	*0.6*	*11.6*	*12.4*	*12.1*	*0.3*
Reported PAT	736	723	*1.8*	541	1,742	1,930	*(9.7)*
PAT (Excl. Ex Items)	736	723	*1.8*	541	1,742	1,930	*(9.7)*
Operating Metrics							
% of Full year sales	27.0	24.4	*3*	21.8	66.0	71.0	*(5.0)*
RM as a % of sales	62.0	65.6	*(4)*	62.7	62.3	64.1	*(1.8)*
Tax rate (%)	32.0	25.2	*7*	34.7	33.1	32.1	*0.9*

Areva T&D

Rating	Reduce
Price	Rs270
Target Price	Rs248
Market Cap. (Rs bn)	64.7
Shares o/s (m)	239.1

After Alstom-Schneider's successful bid for Areva T&D global, one will have wait and watch the implication of the same on the Indian entity. (Firstly, if there will be an open offer; secondly, if the Indian entity will be split into two, transmission and distribution and run by Alstom and Schneider, respectively). We expect Areva's revenue to grow by 25% YoY in Q4CY09, with an EBITDA margin of 12.8%.

Key Figures (Rs m)

Y/e Dec	CY09E	CY10E	CY11E
Net Sales	35,455	40,443	46,632
EBITDA	4,290	5,096	5,829
Margin (%)	*12.1*	*12.6*	*12.5*
PAT	2,174	2,819	3,376
EPS (Rs)	9.1	11.8	14.1
RoE (%)	*26.9*	*28.2*	*27.3*
PE (x)	29.7	22.9	19.2
P/BV (x)	7.3	5.8	4.7
EV / E (x)	16.7	13.7	11.6

Quarterly Table (Rs m)

Y/e Dec	Q4 FY09E	Q4 FY08	YoY gr. (%)	Q3 FY09	12M FY09E	12M FY08	YoY gr. (%)
Net Sales	11,726	9,388	*24.9*	7,397	35,455	26,513	*33.7*
EBITDA	1,496	1,375	*8.8*	636	4,290	4,352	*(1.4)*
Margin (%)	*12.8*	*14.6*	*(1.9)*	*8.6*	*12.1*	*16.4*	*(4.3)*
Reported PAT	816	552	*47.7*	224	2,174	2,263	*(4.0)*
PAT (Excl. Ex Items)	816	796	*2.5*	224	2,174	2,544	*(14.6)*
Operating Metrics							
% of Full year sales	33.1	35.4	*(2.3)*	20.9	-	-	-
RM as a % of sales	69.0	68.5	*0.6*	69.9	69.0	63.6	*5.4*
Tax rate (%)	30.7	29.2	*1.5*	34.3	33.2	32.7	*0.6*

Voltas

Rating	BUY
Price	Rs176
Target Price	Rs219
Market Cap. (Rs bn)	58.0
Shares o/s (m)	330.7

We expect timely execution in the MEP division and expect it to grow by 21% YoY in Q3FY10. The engineering segment is expected to grow by 10% despite slackening demand for material handling and textile machinery business (20% of the division), due to its lower base in Q3FY09. The unitary segment is expected to continue its stable growth trajectory by growing 13% during the quarter.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	49,985	59,752	68,985
EBITDA	4,364	4,988	5,674
Margin (%)	*8.7*	*8.3*	*8.2*
PAT	3,292	3,752	4,301
EPS (Rs)	9.8	11.2	12.9
RoE (%)	*36.3*	*32.5*	*29.9*
PE (x)	17.8	15.6	13.6
P/BV (x)	5.7	4.5	3.6
EV / E (x)	14.4	13.0	11.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	10,117	8,625	*17.3*	9,993	31,813	27,873	*14.1*
EBITDA	807	460	*75.2*	1,062	2,790	1,941	*43.8*
Margin (%)	*8.0*	*5.3*	*2.6*	*10.6*	*8.8*	*7.0*	*1.8*
Reported PAT	642	424	*51.3*	807	2,185	1,897	*15.2*
PAT (Excl. Ex Items)	642	426	*50.6*	807	2,157	1,647	*31.0*
Operating Metrics							
MEP Rev. Gr. (YoY)	21	67	*(46)*	16	23	44	*(20.3)*
Eng. Rev. Gr. (YoY)	10	(31)	*41*	(28)	(14)	1	*(14.4)*
Unit. cooling rev. gr. (YoY)	13	(5)	*18*	26	13	12	*0.7*

BGR Energy Systems

Rating	Accumulate
Price	Rs490
Target Price	Rs580
Market Cap. (Rs bn)	35.3
Shares o/s (m)	72.0

BGR Energy Systems (BGR) is expected to record a very strong performance in Q3FY10 due to the start of delivery of the BTG for both, TNEB and RRVUNL EPC projects and revenue being recognised for the same. We expect revenue to grow by 56% with EBITDA margin of 11.6% (increase of 115bps YoY) and PAT of Rs462m (YoY growth of 69.8%).

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	27,416	39,246	48,953
EBITDA	3,265	4,559	5,642
Margin (%)	*11.9*	*11.6*	*11.5*
PAT	1,770	2,405	2,983
EPS (Rs)	24.6	33.4	41.4
RoE (%)	*28.1*	*30.5*	*30.0*
PE (x)	19.9	14.7	11.8
P/BV (x)	6.3	5.0	4.0
EV / E (x)	12.8	9.2	7.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	7,380	4,724	*56.2*	4,660	15,150	12,038	*25.8*
EBITDA	859	495	*73.3*	574	1,854	1,245	*49.0*
Margin (%)	*11.6*	*10.5*	*1.1*	*12.3*	*12.2*	*10.3*	*1.9*
Reported PAT	462	272	*69.8*	306	970	681	*42.4*
PAT (Excl. Ex Items)	462	272	*69.8*	306	970	681	*42.4*
Operating Metrics							
% of Full year sales	26.9	24.6	*2*	17.0	55.3	62.6	*(7.4)*
RM as a % of sales	81.0	82.0	*(1)*	80.4	79.6	82.6	*(3.0)*
Tax rate (%)	33.3	34.4	*(1)*	34.0	33.7	34.5	*(0.8)*

Kalpataru Power

Rating	Accumulate
Price	Rs1,116
Target Price	Rs1,187
Market Cap. (Rs bn)	29.6
Shares o/s (m)	26.5

Kalpataru Power (KPTL) currently has an order book of close to Rs55bn which is 2.4 x FY10E stand alone revenue. Like KEC, KPTL has also won several large-sized orders during 9MFY10. We expect KPTLs revenue to grow by 33% YoY (driven by both, transmission and infrastructure segment) with an EBITDA margin of 12.2%. PAT is expected to increase by 68% to Rs337m.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	39,085	47,286	55,013
EBITDA	4,098	5,142	5,863
Margin (%)	*10.5*	*10.9*	*10.7*
PAT	1,831	2,465	2,926
EPS (Rs)	63.3	85.7	100.7
RoE (%)	*19.4*	*22.2*	*22.1*
PE (x)	17.6	13.0	11.1
P/BV (x)	2.9	2.4	2.1
EV / E (x)	9.1	7.3	6.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	5,555	4,168	*33.3*	5,525	15,954	13,252	*20.4*
EBITDA	680	400	*70.2*	716	1,979	1,491	*32.8*
Margin (%)	*12.2*	*9.6*	*2.7*	*12.9*	*12.4*	*11.3*	*1.2*
Reported PAT	337	199	*68.8*	369	1,027	713	*44.0*
PAT (Excl. Ex Items)	337	199	*68.8*	369	1,027	713	*44.0*
Operating Metrics							
% of Full year sales	22.6	21.1	*1*	24.8	69.0	75.5	*(8.6)*
RM as a % of sales	69.0	71.8	*(3)*	68.3	69.3	72.7	*(4.8)*
Interest cost (% of sales)	244.0	200.2	*44*	239.1	623.1	585.2	*6.5*
Tax rate (%)	25.0	14.4	*11*	24.5	24.8	23.8	*3.9*

KEC International

Rating	Accumulate
Price	Rs586
Target Price	Rs676
Market Cap. (Rs bn)	28.9
Shares o/s (m)	49.3

KEC has continued its order winning streak during Q3FY10. However, this time around, it has seen increased order wins from the international markets. At the end of Q2FY10, the company had an order book of Rs55bn. The current order book would secure KECs topline growth for the next 12-18 months. EBITDA margins were hit in FY09 due to higher raw material cost and forex translation loss, given a stable currency EBITDA margin is expected to be higher at 10.7% in FY10.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	39,649	46,067	53,202
EBITDA	4,242	4,929	5,639
Margin (%)	*10.7*	*10.7*	*10.6*
PAT	1,942	2,364	2,786
EPS (Rs)	39.4	47.9	56.3
RoE (%)	*30.7*	*29.6*	*27.9*
PE (x)	14.9	12.2	10.4
P/BV (x)	4.1	3.2	2.6
EV / E (x)	8.2	7.0	6.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	10,229	8,863	*15.4*	8,686	26,180	22,928	*14.2*
EBITDA	1,088	726	*49.9*	852	2,795	1,906	*46.6*
Margin (%)	*10.6*	*8.2*	*2.4*	*9.8*	*10.7*	*8.3*	*2.4*
Reported PAT	492	250	*97.0*	364	1,238	683	*81.2*
PAT (Excl. Ex Items)	492	250	*97.0*	364	1,238	683	*81.2*
Operating Metrics							
% of Full year sales	25.3	25.9	*(0.5)*	21.9	65.6	66.9	*(1.3)*
RM as a % of sales	75.3	76.0	*(0.7)*	75.3	75.3	74.1	*1.2*
Interest cost (% of sales)	272.0	297.2	*(25.2)*	229.6	719.5	710.3	*9.2*
Tax rate (%)	34.0	34.8	*(0.8)*	34.0	34.0	34.7	*(0.7)*

Jyoti Structures

Rating	BUY
Price	Rs173
Target Price	Rs219
Market Cap. (Rs bn)	14.1
Shares o/s (m)	81.7

Jyoti Structures (JSL) had an order book of Rs39bn in Q2FY10, which is 1.9 x FY10E sales. Although in the recent past JSL has not announced any large order wins, we believe that this is just a temporary state and expect JSL to receive orders in the near term, especially in the domestic market. We expect PGCIL tenders to pick up pace in the next 3-4 months and expect JSLs revenue to grow by 26% with EBITDA margin of 11.3% in Q3FY10.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	20,842	25,481	30,568
EBITDA	2,293	2,803	3,332
Margin (%)	*11.0*	*11.0*	*10.9*
PAT	974	1,230	1,495
EPS (Rs)	11.9	15.0	18.3
RoE (%)	*21.2*	*22.1*	*22.1*
PE (x)	14.5	11.5	9.4
P/BV (x)	2.8	2.3	1.9
EV / E (x)	6.2	5.0	4.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	5,419	4,302	*26.0*	4,696	14,936	12,471	*19.8*
EBITDA	612	488	*25.5*	505	1,620	1,469	*10.3*
Margin (%)	*11.3*	*11.3*	*(0.0)*	*10.8*	*10.8*	*11.8*	*(0.9)*
Reported PAT	260	181	*44.0*	209	693	587	*18.0*
PAT (Excl. Ex Items)	260	181	*44.0*	209	693	587	*18.0*
Operating Metrics							
% of Full year sales	26.7	22.6	*4.1*	21.5	71.2	73.6	*(2.4)*
RM (% of sales)	76.6	75.1	*1.5*	78.7	78.2	77.3	*1.0*
Int. cost (% of sales)	211.0	184.4	*26.6*	173.4	562.0	492.4	*69.6*
Tax rate (%)	35.5	41.7	*(6.2)*	37.0	35.5	38.5	*(3.0)*

Hindustan Dorr Oliver

Rating	Accumulate
Price	Rs174
Target Price	Rs198
Market Cap. (Rs bn)	6.8
Shares o/s (m)	38.9

Hindustan Dorr Oliver (HDO) has an order book of more than Rs15bn. This order book is executable over the next 15-18 months and is 2xFY10E revenue. We expect the growth momentum to continue in Q3FY10, with revenue expected to grow by 54% with EBITDA margin of 11.6% (YoY decrease of 20bps).

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	8,351	10,439	12,812
EBITDA	985	1,221	1,473
Margin (%)	*11.8*	*11.7*	*11.5*
PAT	565	715	859
EPS (Rs)	14.5	18.4	22.0
RoE (%)	*29.8*	*30.4*	*33.5*
PE (x)	12.0	9.5	7.9
P/BV (x)	3.0	2.3	2.4
EV / E (x)	7.9	6.5	5.7

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	1,921	1,247	*54.0*	1,879	5,604	3,257	*72.1*
EBITDA	223	147	*51.6*	223	670	383	*74.7*
Margin (%)	*11.6*	*11.8*	*(0.2)*	*11.9*	*11.9*	*11.8*	*0.2*
Reported PAT	126	74	*69.8*	127	381	215	*77.2*
PAT (Excl. Ex Items)	126	74	*69.8*	127	381	215	*77.2*
Operating Metrics							
% of Full year sales	23.0	24.3	*(1.3)*	22.5	-	63.4	*(63.4)*
RM as a % of sales	81.0	79.0	*2.0*	80.9	80.8	78.5	*2.4*
Tax rate (%)	32.0	39.0	*(7.0)*	33.3	32.6	34.8	*(2.2)*

EMCO

Rating	Accumulate
Price	Rs93
Target Price	Rs103
Market Cap. (Rs bn)	6.0
Shares o/s (m)	65.1

The order book of Rs16bn, which consists of more than 66% of project orders, on one hand will provide a clear outlook on revenue growth but on the other will reduce the overall EBITDA margin (as projects division works on margins of 10-11%) in the future. We expect EMCO's revenue to grow by 24% to Rs2.5bn, with EBITDA margin of 12.9% and a PAT of Rs130m in Q3FY10.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	9,963	11,805	13,946
EBITDA	1,383	1,519	1,776
Margin (%)	*13.9*	*12.9*	*12.7*
PAT	532	619	754
EPS (Rs)	9.0	9.5	11.6
RoE (%)	*12.7*	*13.5*	*14.3*
PE (x)	10.9	9.0	7.4
P/BV (x)	1.1	0.9	0.8
EV / E (x)	5.6	4.9	4.6

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	2,582	2,079	*24.2*	2,014	6,523	6,219	*4.9*
EBITDA	333	277	*20.4*	260	845	823	*2.8*
Margin (%)	*12.9*	*13.3*	*(0.4)*	*12.9*	*13.0*	*13.2*	*(0.3)*
Reported PAT	130	82	*58.7*	1,079	1,290	296	*336.5*
PAT (Excl. Ex Items)	130	82	*58.7*	94	305	296	*3.2*
Operating Metrics							
% of Full year sales	24.0	20.9	*3.1*	18.7	-	-	-
RM as a % of sales	72.0	71.7	*0.3*	70.9	72.4	73.3	*(0.8)*
Tax rate (%)	33.3	32.5	*0.8*	33.7	33.5	31.4	*2.1*

Action Const. Equip.

Rating	Accumulate
Price	Rs40
Target Price	Rs48
Market Cap. (Rs bn)	3.6
Shares o/s (m)	89.9

Worries due to lack of NBFC funding have now been put to rest. We expect volumes to pick up considerably in H2FY10. On the back of lower base and improved volumes, we expect Action Construction Equipment (ACE) to show a considerable growth of 34% YoY in its revenue in Q3FY10. EBITDA margin is expected to be in the range of 8-8.5%.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	4,116	5,160	6,515
EBITDA	338	532	671
Margin (%)	*8.2*	*10.3*	*10.3*
PAT	229	378	476
EPS (Rs)	2.5	4.2	5.3
RoE (%)	*17.2*	*22.8*	*23.7*
PE (x)	15.7	9.5	7.6
EV / E (x)	10.4	6.5	5.2
P/BV (x)	2.0	1.7	1.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	1,031	766	*34.6*	980	2,820	3,634	*(22.4)*
EBITDA	88	29	*203.9*	82	224	320	*(30.1)*
Margin (%)	*8.5*	*3.8*	*4.7*	*8.4*	*7.9*	*8.8*	*(0.9)*
Reported PAT	57	8	*660.9*	54	146	218	*(33.1)*
PAT (Excl. Ex Items)	57	8	*660.9*	54	146	218	*(33.1)*
Operating Metrics							
% of Full year sales	25.0	17.4	*7.7*	23.8	-	-	-
RM as a % of sales	80.0	81.6	*(1.6)*	80.3	79.1	80.5	*(1.3)*
O.I. (Rs m, incl. serv. inc.)	14.0	10.4	*3.6*	9.8	34.3	26.8	*7.5*

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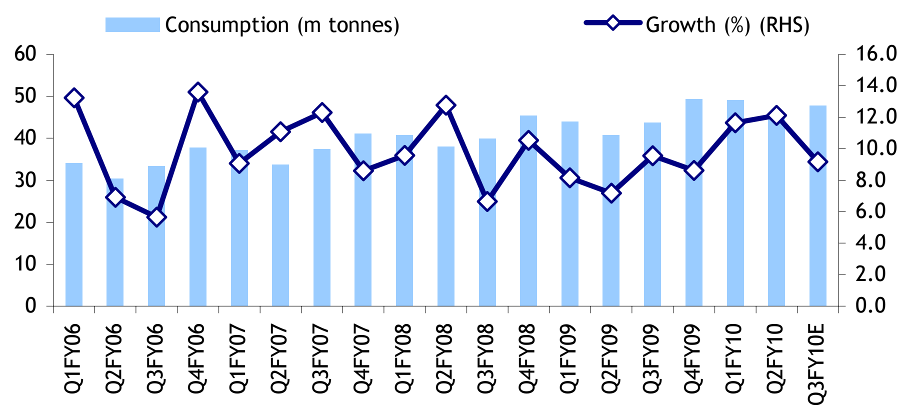
Cement

Domestic cement consumption is expected to grow by 9.4% during Q3FY10 on the back of healthy demand across the regions, except Southern region. Southern region continued its poor show during the quarter with consumption growth at 2%.

While analyzing the performance region-wise, demand remains strong across the regions, except South. Consumption in the Central and Northern region grew by 12% and 7%, respectively during October-November 2009. Southern region, one of the best performers of the previous year, managed to secure a consumption growth of only 2%. The poor show was mainly on account of flat consumption level in AP and Karnataka. Eastern region's consumption grew by 19% during the period on the back of strong demand from Bihar and Orissa.

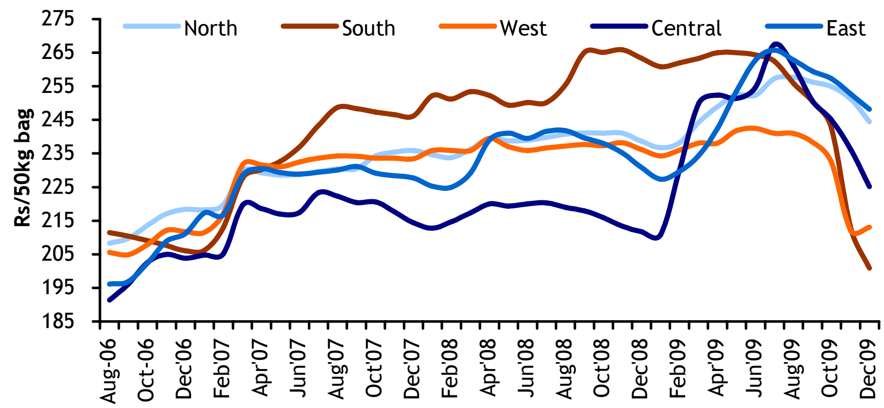
All India Consumption and Growth



Source: CMA, PL Research

Prices in Southern region declined by an average of Rs50-60 per bag during the quarter, while severity in AP market is at an extreme since prices fell by ~Rs70-80 per bag owing to complete wash-out of demand and increased supply. Prices in the UP market (primarily Central UP- Lucknow and Kanpur), after a sporadic rise, corrected by ~Rs70 per bag to Rs220 from the peak of Rs290 due to increased supply (full impact of Jaypee's 4mtpa addition in the region materialized), unreasonable price levels and down-sizing of one-off demand elements. Prices in Northern and Eastern region remained stable on the back of better demand and low inventory built-up as compared to other regions.

Region-wise Cement Prices



Source: CMA, PL Research

We maintain our Underweight rating on the sector, primarily on account of massive addition across the regions. We expect sharp cuts in the sector earnings on the back of intense competitive rivalry (due to cross regional additions by the players) and huge capacity additions carried out across the regions.

Top picks: None

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	485,945	580,003	622,777
Growth (%)	*7.8*	*19.4*	*7.4*
EBITDA	148,253	134,783	132,091
Margin (%)	*30.5*	*23.2*	*21.2*
PAT	82,392	67,547	63,709
Growth (%)	*27.0*	*(18.0)*	*(5.7)*
PE (x)	9.4	11.5	12.2

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	102,751	93,146	*10.3*	101,194	*1.5*
EBITDA	29,408	21,125	*39.2*	32,936	*(10.7)*
Margin (%)	*28.6*	*22.7*	*5.9*	*32.5*	*(3.9)*
PAT (Excl. Ex Items)	17,441	12,731	*37.0*	20,552	*(15.1)*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Grasim Industries

Rating	**Accumulate**
Price	Rs2,545
Target Price	Rs2,455
Market Cap. (Rs bn)	233.3
Shares o/s (m)	91.7

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	190,603	193,091	200,843
EBITDA	57,086	44,180	39,824
Margin (%)	*30.0*	*22.9*	*19.8*
PAT	29,022	22,626	19,439
EPS (Rs)	316.6	246.8	212.0
RoE (%)	*25.0*	*14.8*	*11.4*
PE (x)	8.0	10.3	12.0
P / BV (x)	1.6	1.4	1.3
EV / E (x)	4.7	5.8	5.8

Cement business' EBITDA is expected to grow by 42% on the back of 15% volume growth and 23% rise in EBITDA per tonne. Driven by strong demand offtake and better realisations, coupled with bottomed-out cost of production, VSF's EBITDA is expected to grow by 5x. Continued operation's (excl. sponge iron) EBITDA would grow by 108%, while on reported basis, EBITDA would grow by 88%. PAT would grow by 81% (below EBITDA growth) to Rs5.98bn due to higher depreciation and interest on account of capitalization of various expansion projects and higher tax rate.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	29,838	26,536	*12.4*	29,838	89,513	79,193	*13.0*
EBITDA	9,412	4,995	*88.4*	10,162	28,986	18,166	*59.6*
Margin (%)	31.5	18.8	67.6	34.1	32.4	22.9	41.2
Reported PAT	5,978	3,296	*81.4*	6,743	18,698	12,633	*48.0*
PAT (Excl. Ex Items)	5,978	3,296	*81.4*	6,743	18,698	12,633	*48.0*
Operating Metrics							
Cement							
Sales (Mn tonnes)	4.7	4.1	*15.3*	4.6	13.9	11.7	*18.6*
Net realisation/Tonne	3,480	3,399	*2.4*	3,689	3,549	3,403	*4.3*
EBITDA (Rs m)	5,792	4,076	*42.1*	6,831	6,133	1,409	*335.3*
EBITDA/Tonne	1,207	980	*23.2*	1,457	1,289	1,060	*21.6*
VSF							
Sales (tonnes)	70,961	53,758	*32.0*	73,993	215,914	173,054	*24.8*
Net realisation/Tonne	111,103	96,611	*15.0*	105,217	109,086	100,212	*8.9*
EBITDA (Rs m)	3,804	635	*499.1*	3,548	11,156	4,065	*174.5*

Quarterly nos. are Standalone, Full year nos. are Consolidated

Ambuja Cement

Rating	**Reduce**
Price	Rs106
Target Price	Rs87
Market Cap. (Rs bn)	161.8
Shares o/s (m)	1,525.3

Key Figures (Rs m)

Y/e Dec	CY08	CY09E	CY10E
Net Sales	70,674	71,874	76,438
EBITDA	19,001	18,657	19,411
Margin (%)	*26.9*	*26.0*	*25.4*
PAT	12,346	11,038	11,322
EPS (Rs)	8.1	7.2	7.4
RoE (%)	*20.3*	*16.2*	*15.0*
PE (x)	12.4	13.9	13.6
P / BV (x)	2.4	2.1	1.9
EV / E (x)	7.7	7.9	7.2

Net revenue is expected to grow by 10.7% on the back of 5% volume growth and 4.5% realisation growth. EBITDA would grow by 18% due to an increase in the proportion of cheaper imported coal and higher realizations. EBITDA per tonne would expand by 3.5% YoY to Rs977, while QoQ, it would decline by 10.5% due to lower realisations QoQ. Adjusted PAT would grow by 17% to Rs2.9bn.

Quarterly Table (Rs m)

Y/e Dec	Q4 CY09E	Q4 CY08	YoY gr. (%)	Q3 CY09	12M CY09E	12M CY08	YoY gr. (%)
Net Sales	17,967	16,228	*10.7*	16,284	62,416	71,413	*(12.6)*
EBITDA	4,634	3,932	*17.8*	4,474	17,848	19,304	*(7.5)*
Margin (%)	*25.8*	*24.2*	*6.4*	*27.5*	*28.6*	*27.0*	*5.8*
Reported PAT	2,890	2,429	*19.0*	3,185	13,962	12,662	*10.3*
PAT (Excl. Ex Items)	2,890	2,471	*17.0*	2,852	11,434	12,288	*(7.0)*
Operating Metrics							
Sales (Mn tonnes)	4.7	4.5	*4.8*	4.1	17.6	18.8	*(6.2)*
Net realisation/Tonne	3,745	3,585	*4.5*	3,929	3,546	3,805	*(6.8)*
EBITDA/Tonne	977	869	*12.4*	1,091	1,014	1,029	*(1.4)*

ACC

Rating	Sell
Price	Rs914
Target Price	Rs658
Market Cap. (Rs bn)	161.5
Shares o/s (m)	187.8

ACC's earnings would be entirely driven by strong realizations and lower other expenses. Sales volume would decline by 2% to 5.3m tonnes, while its realisation is expected to go up by 7% to Rs3,701 per tonne. Driven by higher realizations and decline of 9% in other expenses, EBITDA is expected to grow by 46% to Rs5.6bn. While on a per tonne basis, EBITDA is expected to rise by 49% YoY to Rs1,045.

Key Figures (Rs m)

Y/e Dec	CY09E	CY10E	CY11E
Net Sales	84,177	87,012	99,253
EBITDA	25,740	18,288	19,501
Margin (%)	*30.6*	*21.0*	*19.6*
PAT	16,134	10,298	10,462
EPS (Rs)	85.9	54.8	55.7
RoE (%)	*30.2*	*16.6*	*15.2*
PE (x)	10.6	16.7	16.4
P / BV (x)	2.9	2.6	2.4
EV / E (x)	6.5	9.5	8.5

Quarterly Table (Rs m)

Y/e Dec	Q4 CY09E	Q4 CY08	YoY gr. (%)	Q3 CY09	12M CY09E	12M CY08	YoY gr. (%)
Net Sales	20,684	19,893	*4.0*	20,774	76,921	84,980	*(9.5)*
EBITDA	5,579	3,820	*46.0*	6,541	16,755	25,638	*(34.6)*
Margin (%)	*27.0*	*19.2*	*40.5*	*31.5*	*21.8*	*30.2*	*(27.8)*
Reported PAT	3,578	2,604	*37.4*	4,149	10,989	16,430	*(33.1)*
PAT (Excl. Ex Items)	3,584	2,603	*37.7*	4,155	10,700	16,461	*(35.0)*
Operating Metrics							
Sales (Mn tonnes)	5.3	5.5	*(2.2)*	5.0	21.0	21.5	*(2.3)*
Net realisation/Tonne	3,701	3,455	*7.1*	3,931	3,479	3,759	*(7.5)*
EBITDA/Tonne	1,045	700	*49.3*	1,306	797	1,192	*(33.1)*

UltraTech Cement

Rating	Reduce
Price	Rs965
Target Price	Rs898
Market Cap. (Rs bn)	100.4
Shares o/s (m)	111.8

Hit by flat domestic realisations and sharp cut in clinker export realisations, net sales would grow by 2% despite 15% volume growth. Domestic realisations would rise by 0.9% to Rs3,488, while its clinker exports would be down by 36% YoY to Rs1,678 (clinker exports constitute ~8% of total volume). EBITDA would grow by 1.2% primarily due to higher volumes and savings in energy cost. Accordingly, EBITDA per tonne is expected to fall by 1% YoY and 19% QoQ to Rs910.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	68,119	154,187	161,427
EBITDA	20,857	34,013	31,449
Margin (%)	*30.6*	*22.1*	*19.5*
PAT	11,172	16,118	14,278
EPS (Rs)	89.6	58.8	52.1
RoE (%)	*27.0*	*14.5*	*12.4*
PE (x)	10.0	15.3	17.2
P / BV (x)	2.4	2.2	2.1
EV / E (x)	5.1	7.8	8.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	16,637	16,308	*2.0*	15,408	51,573	45,230	*14.0*
EBITDA	4,360	4,308	*1.2*	4,700	16,227	11,734	*38.3*
Margin (%)	*26.2*	*26.4*	*(0.8)*	*30.5*	*31.5*	*25.9*	*5.5*
Reported PAT	2,195	2,384	*(7.9)*	2,509	8,882	6,676	*33.1*
PAT (Excl. Ex Items)	2,195	2,384	*(7.9)*	2,509	8,882	6,676	*33.1*
Operating Metrics							
Sales (Mn tonnes)	4.8	4.7	*2.4*	4.2	14.3	13.0	*9.7*
Net realisation/Tonne	3,473	3,485	*(0.3)*	3,704	3,617	3,479	*4.0*
EBITDA/Tonne	910	920	*(1.1)*	1,130	1,138	902	*26.1*

India Cement

Rating	Sell
Price	Rs126
Target Price	Rs75
Market Cap. (Rs bn)	35.5
Shares o/s (m)	282.6

Sharp contraction of 14.2% in blended realisation would dilute the benefit of strong volume growth of 32% and incremental income of Rs520m from IPL. Accordingly, net sales would grow by 18.7%. EBITDA (including EBITDA of Rs60m regarding IPL against 70m in the Q3FY09) would increase by 9% due to lower maintenance and fuel expenses. Cement EBITDA per tonne would decline by 23% YoY and 32% QoQ to Rs717. PAT would decline marginally by 2% due to lower sales realization and increased depreciation and interest cost and freight cost.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	35,902	35,993	38,423
EBITDA	9,777	7,013	7,904
Margin (%)	*27.2*	*19.5*	*20.6*
PAT	4,089	1,765	1,787
EPS (Rs)	14.5	6.2	6.3
RoE (%)	*13.0*	*5.2*	*5.0*
PE (x)	8.7	20.1	19.9
EV / E (x)	6.1	8.8	7.4
P / BV (x)	1.1	1.0	0.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	8,941	7,529	*18.7*	9,894	28,370	17,862	*58.8*
EBITDA	1,959	1,801	*8.7*	2,977	7,799	5,907	*32.0*
Margin (%)	*21.9*	*23.9*	*(8.4)*	*30.1*	*27.5*	*33.1*	*(5.6)*
Reported PAT	752	619	*21.4*	1,369	3,564	2,764	*28.9*
PAT (Excl. Ex Items)	687	700	*(2.0)*	1,378	3,369	3,110	*8.3*
Operating Metrics							
Sales (Mn tonnes)	2.6	2.0	*32.3*	2.8	8.1	6.8	*18.9*
Net realisation/Tonne	3,112	3,625	*(14.2)*	3,439	3,225	3,549	*(9.1)*
EBITDA/Tonne	717	935	*(23.3)*	1,048	831	1,161	*(28.4)*

Shree Cement

Rating	Accumulate
Price	Rs1,964
Target Price	Rs2,136
Market Cap. (Rs bn)	56.0
Shares o/s (m)	34.8

Fuelled by a strong volume growth of 21% and 7% rise in realisation, net sales is expected to grow by 31%. EBITDA is expected to grow by 53% on the back of strong topline growth and huge savings in power and fuel cost. Power and fuel cost per tonne would decline by 26% to Rs545 due to sharp fall in price of pet coke. Accordingly, EBITDA per tonne would grow by 25% to Rs1,363, while QoQ, the decline would be 17% due to softening of prices QoQ.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	36,470	37,845	46,394
EBITDA	15,792	12,632	14,002
Margin (%)	*43.3*	*33.4*	*30.2*
PAT	9,630	5,701	6,420
EPS (Rs)	276.4	163.7	184.3
RoE (%)	*56.7*	*24.0*	*21.8*
PE (x)	7.1	12.0	10.7
P / BV (x)	3.2	2.6	2.1
EV / E (x)	4.3	5.6	4.3

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	8,685	6,653	*30.5*	8,996	26,905	19,064	*41.1*
EBITDA	3,465	2,269	*52.7*	4,082	11,798	6,202	*90.2*
Margin (%)	*39.9*	*34.1*	*17.0*	*45.4*	*43.8*	*32.5*	*11.3*
Reported PAT	2,086	1,239	*68.3*	2,889	7,886	3,423	*130.4*
PAT (Excl. Ex Items)	2,107	1,278	*64.9*	2,915	7,968	3,594	*121.7*
Operating Metrics							
Sales (Mn tonnes)	2.5	2.1	*20.7*	2.5	7.6	6.0	*25.3*
Net realisation/Tonne	3,264	3,049	*7.0*	3,449	3,145	3,096	*1.6*
EBITDA/Tonne	1,363	1,078	*26.5*	1,645	1,558	1,027	*51.8*

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Construction

The third quarter experienced fresh orders from the road Built Operate Transfer (BOT) from NHAI where projects close to Rs12bn were awarded. However, cash contracts from road and irrigation segments were nearly absent.

Orders from water and buildings segment continued for the construction companies but the ticket sizes were lower. For engineering companies, there was no significant order inflow from refineries though power sector orders contributed significantly to the order intake, especially of L&T.

The recommendations of the Chaturvedi Committee were accepted by NHAI, whereby, the suggestions were given to improve the attractiveness of road BOT projects. Some of the key recommendations were as follows:

1. The sum of grant to be paid during the construction period
2. Higher Viability Gap funding to 10%, lower attractive routes to get 20%
3. During construction, 51% stake should be maintained by the concession-aires
4. 5% conflict of interest clause revised to 25%
5. A project where single bid is received can go ahead in award
6. Pre-qualification for contractors will be done annually for newer projects

Also, NHAI is developing a road-map to tender out mega road projects totaling to 5000kms covering the states of Gujarat, Rajasthan and Andhra Pradesh.

Larsen & Toubro, yet again, experienced a robust order inflow in the third quarter. Some of the major orders bagged in the construction and engineering space are listed as follows:

Major order inflows in Q3FY10

Company	Order size (Rs bn)	Sector/Scope
IVRCL	10.0	Water & Buildings
L&T	69.0	Mahagenco for 2000 MW
L&T	17.0	BOP, MP
Era Infra	7.74	BOP, Anpara TPP

Source: Company Data

Post monsoon, we expect the execution to pick up, leading to a greater QoQ (29.6%) sales growth and cost control measures in Q2FY10 will result in a QoQ de growth in EBITDA margins by 190bps.

We expect our Construction & Engineering (C&E) universe to register a YoY growth of 25.1% in its topline, while the EBITDA margins are expected to improve by 150bps and Adjusted PAT is expected to grow YoY by 40.3 % on account of lower interest cost.

Top Picks: None

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	830,712	1,021,468	1,229,890
Growth (%)	*21.6*	*23.0*	*20.4*
EBITDA	101,158	127,708	146,212
Margin (%)	*12.2*	*12.5*	*11.9*
PAT	52,535	62,191	71,279
Growth (%)	*15.0*	*18.4*	*14.6*
PE (x)	30.7	26.0	22.7

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	QoQ gr. (%)
Net Sales	216,864	173,414	*25.1*	169,153	*28.2*
EBITDA	22,217	15,176	*46.4*	20,467	*8.6*
Margin (%)	*10.2*	*8.8*	*1.5*	*12.1*	*(1.9)*
PAT (Excl. Ex Items)	12,206	8,700	*40.3*	10,831	*12.7*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Larsen & Toubro

Rating	Accumulate
Price	Rs1,691
Target Price	Rs1,790
Market Cap. (Rs bn)	1,017.6
Shares o/s (m)	601.6

L&T's order inflow was robust at Rs118bn in Q3FY10. The company's majority intake was from the power sector. We expect the company to continue posting a good revenue run rate, with a 30bps de-growth in EBITDA margins. Interest cost is expected to decrease on account of QIP which lead to a 22% YoY growth in PAT.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	391,655	513,420	630,612
EBITDA	42,771	55,405	67,063
Margin (%)	*10.9*	*10.8*	*10.6*
PAT	31,909	38,022	45,128
EPS (Rs)	53.8	63.2	75.0
RoE (%)	*21.3*	*20.2*	*20.7*
PE (x)	31.4	26.8	22.5
P/BV (x)	5.8	5.1	4.3
EV / E (x)	25.0	19.6	16.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	105,491	85,940	*22.8*	78,662	257,780	231,776	*11.2*
EBITDA	8,973	7,582	*18.3*	7,846	24,682	21,221	*16.3*
Margin (%)	*8.5*	*8.8*	*(0.3)*	*10.0*	*9.6*	*9.2*	*0.4*
Reported PAT	7,378	15,204	*(51.5)*	5,804	29,165	24,831	*17.5*
PAT (Excl. Ex Items)	7,378	6,041	*22.1*	5,530	18,692	15,668	*19.3*
Operating Metrics							
Interest as a % to sales	*1.0*	*0.6*	*0.4*	*1.7*	*1.5*	*1.2*	*0.3*
Order Book (Rs bn)	934.0	688.0	*35.8*	816.0	934.0	688.0	*35.8*
Revenue Break -Up (%)							
E&C	83.0	78.0	*6.4*	84.0	82.0	80.0	*2.5*
E&E	9.0	7.0	*28.6*	9.0	8.5	9.0	*(5.6)*
Others	8.0	15.0	*(46.7)*	7.0	9.5	11.0	*(13.6)*

GMR Infrastructure

Rating	Reduce
Price	Rs67
Target Price	Rs71
Market Cap. (Rs bn)	243.8
Shares o/s (m)	3,641.3

The Sabiha Gokcen Airport developed by GMR led consortium was completed and inaugurated during this quarter. On account of all road assets being operational and EPC revenues, we expect the company to post a 22.7% YoY growth in sales. However, on account of capitalisation of assets PAT is expected to decline by 16.5% YoY.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	47,259	56,833	63,381
EBITDA	13,062	15,596	16,883
Margin (%)	*27.6*	*27.4*	*26.6*
PAT	1,869	1,767	1,446
EPS (Rs)	0.5	0.5	0.4
RoE (%)	*0.7*	*0.7*	*0.5*
PE (x)	130.4	138.0	168.6
EV / E (x)	31.4	29.1	29.5
P/BV (x)	3.7	3.6	3.5

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	11,770	9,592	*22.7*	11,943	35,488	26,914	*31.9*
EBITDA	3,001	2,878	*4.3*	3,801	10,015	7,737	*29.4*
Margin (%)	*25.5*	*30.0*	*(4.5)*	*31.8*	*28.2*	*28.7*	*(0.5)*
Reported PAT	475	408	*16.5*	537	1,236	1,293	*(4.4)*
PAT (Excl. Ex Items)	475	408	*16.5*	537	1,236	1,293	*(4.4)*
Operating Metrics							
Interest as a % to sales	*11.1*	*11.0*	*0.1*	*14.8*	*12.0*	*10.0*	*2.0*
Revenue Break -Up (%)							
Airport	22.0	33.6	*(34.5)*	29.0	27.0	25.0	*8.0*
Power	51.0	57.4	*(11.1)*	45.0	51.0	60.0	*(15.0)*
Roads	12.0	3.8	*215.8*	7.3	8.0	3.0	*166.7*
Others	15.0	5.8	*158.6*	19.2	14.0	12.0	*16.7*

Engineers India

Rating	Not Rated
Price	Rs1,559
Target Price	NA
Market Cap. (Rs bn)	87.5
Shares o/s (m)	56.2

We expect the company's revenue share from Lump Sum Turkey Projects to go up leading to a reduction in QoQ EBITDA margins. However, the YoY margins are expected to be stable. PAT is expected to grow by 27.7%YoY on account of a pick up in execution.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	20,012	25,012	31,013
EBITDA	4,168	5,250	6,368
Margin (%)	*20.8*	*21.0*	*20.5*
PAT	4,020	4,891	5,874
EPS (Rs)	71.6	87.1	104.6
RoE (%)	*26.87*	*27.93*	*28.70*
PE (x)	21.8	17.9	14.9
P/BV (x)	5.4	4.6	4.0
EV / E (x)	15.4	11.1	8.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	6,523	5,285	*23.4*	4,682	15,120	11,249	*34.4*
EBITDA	794	643	*23.6*	960	2,764	1,713	*61.4*
Margin (%)	*12.2*	*12.2*	*0.0*	*20.5*	*18.3*	*15.2*	*3.1*
Reported PAT	880	689	*27.7*	1,054	2,876	1,857	*54.9*
PAT (Excl. Ex Items)	880	689	*27.7*	1,054	2,876	1,857	*54.9*
Revenue Break -Up (%)							
Consultancy	42.2	45.6	*(7.5)*	54.3	43.3	46.2	*(6.3)*
LSTK	57.8	54.4	*6.3*	45.7	56.7	53.8	*5.4*

Punj Lloyd

Rating	Accumulate
Price	Rs209
Target Price	Rs257
Market Cap. (Rs bn)	63.4
Shares o/s (m)	303.5

The company did not receive any order in the current quarter. Punj Lloyd would continue to post a YoY growth in sales on account of faster execution of projects. However, the EBITDA margins are expected to expand by 50bps QoQ to 8%.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	135,054	159,258	190,563
EBITDA	11,874	14,231	17,027
Margin (%)	*8.8*	*8.9*	*8.9*
PAT	4,375	4,846	5,415
EPS (Rs)	12.5	13.9	15.5
RoE (%)	*14.2*	*12.4*	*12.4*
PE (x)	16.7	15.1	13.5
P/BV (x)	2.0	1.8	1.6
EV / E (x)	8.5	8.0	7.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	38,369	31,200	*23.0*	28,764	96,685	86,948	*11.2*
EBITDA	3,070	(963)	*LTP*	2,168	8,155	3,878	*110.3*
Margin (%)	*8.0*	*(3.1)*	*LTP*	*7.5*	*8.4*	*4.5*	*4.0*
Reported PAT	1,210	(2,266)	*LTP*	529	3,010	304	*891.4*
PAT (Excl. Ex Items)	1,210	(204)	*LTP*	1,555	3,010	4,335	*(30.6)*
Operating Metrics							
Interest as a % to sales	*2.5*	*2.9*	(0.4)	*2.8*	*3.0*	*2.5*	0.5
Order Book (Rs bn)	268.0	219.0	*22.4*	268.0	268.0	219.0	*22.4*
Revenue Break -Up (%)							
Infrastructure	20.5	40.0	*(48.8)*	18.5	25.0	40.0	*(37.5)*
Others	79.5	60.0	*32.5*	81.5	75.0	60.0	*25.0*

IVRCL

Rating	Accumulate
Price	Rs355
Target Price	Rs441
Market Cap. (Rs bn)	47.8
Shares o/s (m)	134.7

IVRCL has won orders to the tune of Rs10bn in the areas of water and buildings segment in Q3FY10. During the quarter, the company's subsidiary IVR Prime Urban Developers has emerged as L1 for two BOT projects aggregating to Rs21bn. On account of a sluggish growth in H1FY10, we expect the company's revenues to grow in Q3FY10 at 20% YoY. EBITDA margins are expected to remain stale YoY at 9.4% and PAT is expected to post a YoY growth of 35%.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	58,862	71,172	85,433
EBITDA	5,507	6,768	8,045
Margin (%)	*9.4*	*9.5*	*9.4*
PAT	2,406	2,753	3,089
EPS (Rs)	18.0	20.6	23.1
RoE (%)	*13.1*	*13.8*	*13.8*
PE (x)	19.7	17.2	15.3
P/BV (x)	2.6	2.3	2.0
EV / E (x)	12.4	10.8	6.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	14,328	11,896	*20.4*	12,178	37,368	32,547	*14.8*
EBITDA	1,346	1,084	*24.2*	1,145	3,487	2,798	*24.6*
Margin (%)	*9.4*	*9.1*	*0.3*	*9.4*	*9.3*	*8.6*	*0.7*
Reported PAT	632	465	*35.8*	488	1,473	1,461	*0.8*
PAT (Excl. Ex Items)	632	465	*35.8*	488	1,473	1,461	*0.8*
Operating Metrics							
Interest as a % to sales	*3.1*	*2.1*	1.0	*2.9*	*3.0*	*3.4*	(0.4)
Order Book (Rs bn)	160.0	143.0	*11.9*	150.0	160.0	142.0	*12.7*
Revenue Break -Up (%)							
Transport	19.0	17.0	*11.8*	18.0	20.0	19.0	*5.3*
Water	54.0	57.0	*(5.3)*	53.0	55.0	54.0	*1.9*
Others	27.0	26.0	*3.8*	29.0	25.0	27.0	*(7.4)*

Hindustan Construction

Rating	Accumulate
Price	Rs150
Target Price	Rs180
Market Cap. (Rs bn)	45.5
Shares o/s (m)	303.3

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	40,276	50,041	57,859
EBITDA	4,971	6,278	7,266
Margin (%)	*12.3*	*12.5*	*12.6*
PAT	1,024	1,249	1,548
EPS (Rs)	3.4	4.1	5.1
RoE (%)	*8.2*	*8.3*	*11.0*
PE (x)	44.4	36.4	29.4
P/BV (x)	3.0	3.0	3.5
EV / E (x)	12.0	10.6	9.8

HCC bagged orders aggregating to Rs4.9bn all in road and water sector this quarter. We expect a YoY growth in the EBITDA on account of growing share of hydro power projects. Interest cost is expected to decrease on account of debt repayment from the QIP funds, which will lead to a YoY growth in PAT of 21.7%.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	10,850	8,194	*32.4*	7,825	27,399	23,345	*17.4*
EBITDA	1,302	1,060	*22.8*	895	3,312	2,808	*18.0*
Margin (%)	*12.0*	*12.9*	*(0.9)*	*11.4*	*12.1*	*12.0*	*0.1*
Reported PAT	284	233	*21.8*	55	521	741	*(29.7)*
PAT (Excl. Ex Items)	284	233	*21.8*	233	441	150	*193.6*
Operating Metrics							
Interest as a % to sales	*5.1*	*4.6*	0.5	*6.3*	*5.0*	*5.5*	(0.5)
Order Book (Rs bn)	159.9	121.7	*31.4*	155.0	165.0	128.0	*28.9*
Revenue Break -Up (%)							
Transport	30.0	25.0	*20.0*	29.0	29.0	35.0	*(17.1)*
Power	30.0	46.0	*(34.8)*	31.0	31.0	30.0	*3.3*
Others	40.0	29.0	*37.9*	40.0	40.0	35.0	*14.3*

Nagarjuna Construction

Rating	Reduce
Price	Rs166
Target Price	Rs142
Market Cap. (Rs bn)	42.7
Shares o/s (m)	256.6

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	47,945	56,326	66,490
EBITDA	4,522	5,405	6,425
Margin (%)	*9.4*	*9.6*	*9.7*
PAT	1,818	2,044	2,443
EPS (Rs)	7.1	8.0	9.5
RoE (%)	*9.6*	*9.3*	*10.2*
PE (x)	23.5	20.9	17.5
P/BV (x)	2.0	1.9	1.7
EV / E (x)	12.0	10.5	9.2

NCC experienced muted order inflow in Q3FY10 to the tune of Rs7.2bn. We expect NCC's turnover to pick up in the current quarter and the PAT is expected to grow by 38% YoY on account of better EBITDA margins and lower interest cost.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	13,500	10,221	*32.1*	10,666	34,169	30,241	*13.0*
EBITDA	1,155	856	*34.9*	1,084	3,270	2,609	*25.3*
Margin (%)	*8.6*	*8.4*	*0.2*	*10.2*	*9.6*	*8.6*	*0.9*
Reported PAT	502	362	*38.6*	439	1,323	1,156	*14.5*
PAT (Excl. Ex Items)	502	362	*38.6*	439	1,323	1,156	*14.5*
Operating Metrics							
Interest as a % to sales	*2.2*	*3.4*	(1.2)	*3.0*	*2.4*	*3.0*	(0.6)
Order Book (Rs bn)	150.0	124.0	*21.0*	143.0	150.0	124.0	*21.0*
Revenue Break -Up (%)							
Transport	22.0	20.0	*10.0*	11.0	20.0	30.0	*(33.3)*
Water	26.0	22.0	*18.2*	27.0	24.0	23.0	*4.3*
Others	52.0	58.0	*(10.3)*	62.0	56.0	47.0	*19.1*

Era Infra Engineering

Rating	Accumulate
Price	Rs211
Target Price	Rs246
Market Cap. (Rs bn)	40.9
Shares o/s (m)	193.9

The company has bagged two road BOT projects worth Rs11bn. We expect the company to report a 38% increase in revenues and 45% growth in YoY PAT.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	35,354	46,000	59,799
EBITDA	6,261	8,312	10,166
Margin (%)	*17.7*	*18.1*	*17.0*
PAT	2,647	3,676	4,186
EPS (Rs)	13.7	19.0	21.5
RoE (%)	*16.3*	*18.4*	*17.3*
PE (x)	15.5	11.1	9.8
P/BV (x)	2.5	2.0	1.7
EV / E (x)	9.4	7.4	6.5

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	8,532	6,140	*38.9*	8,354	23,966	14,239	*68.3*
EBITDA	1,450	1,142	*27.0*	1,434	4,127	2,642	*56.2*
Margin (%)	*17.0*	*18.6*	*(1.6)*	*17.2*	*17.2*	*18.6*	*(1.3)*
Reported PAT	450	309	*45.7*	589	1,567	949	*65.1*
PAT (Excl. Ex Items)	450	309	*45.7*	589	1,567	949	*65.1*
Operating Metrics							
Interest as a % to sales	*7.0*	*7.5*	*(0.5)*	*7.2*	*7.1*	*8.0*	*(0.9)*
Revenue Break -Up (%)							
Infra	84.0	80.3	*3.7*	78.5	84.0	79.0	*5.0*
Equipment	5.0	3.9	*1.1*	5.5	5.0	4.9	*0.1*
RMC	11.0	15.8	*(4.8)*	16.0	11.0	15.8	*(4.8)*

Patel Engineering

Rating	Reduce
Price	Rs471
Target Price	Rs410
Market Cap. (Rs bn)	32.9
Shares o/s (m)	69.8

Patel Engineering raised Rs3.5bn through a QIP at a price of Rs477 per share. The company did not receive any order in the current quarter. The company is expected to report a robust growth in topline on account of faster execution. EBITDA margins are expected to contract. However, lower interest will lead to a YoY flat PAT growth.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	29,536	36,698	44,740
EBITDA	4,465	5,754	6,970
Margin (%)	*15.1*	*15.7*	*15.6*
PAT	1,572	1,807	2,151
EPS (Rs)	22.0	25.3	30.1
RoE (%)	*12.2*	*11.0*	*11.7*
PE (x)	21.5	18.6	15.6
P/BV (x)	2.8	2.1	1.9
EV / E (x)	9.1	8.5	7.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	7,500	4,947	*51.6*	6,080	20,010	14,949	*33.9*
EBITDA	1,125	893	*25.9*	1,136	3,317	2,414	*37.4*
Margin (%)	*15.0*	*18.1*	*(3.1)*	*18.7*	*16.6*	*16.1*	*0.4*
Reported PAT	395	397	*(0.5)*	407	1,165	1,009	*15.5*
PAT (Excl. Ex Items)	395	397	*(0.5)*	407	1,165	1,009	*15.5*
Operating Metrics							
Interest as a % to sales	*2.9*	*3.3*	*(0.4)*	*4.7*	*3.2*	*3.4*	*(0.2)*
Order Book (Rs bn)	70.0	71.0	*(1.4)*	70.0	70.0	71.0	*(1.4)*
Revenue Break -Up (%)							
Power	56.0	50.0	*12.0*	56.0	56.0	54.0	*3.7*
Water	32.0	35.0	*(8.6)*	33.0	31.0	31.0	*0.0*
Roads	12.0	15.0	*(20.0)*	11.0	13.0	15.0	*(13.3)*

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Consumer Staples

Continued momentum in volume growth for mid-caps, rising agri-commodity prices, series of new launches across categories and continued aggressive brand investments to protect market shares are the key highlights of Q3FY10 for the Indian consumer sector.

We believe that best of the gross margin expansion for the sector is behind us as most of the key raw material prices (crude-linked, agri commodity) are well above their respective bottoms. Hence, we expect moderation in gross margin expansion for our coverage universe barring Marico which will benefit from the 25-30% YoY decline in its key raw materials e.g. Copra, Safflower etc.

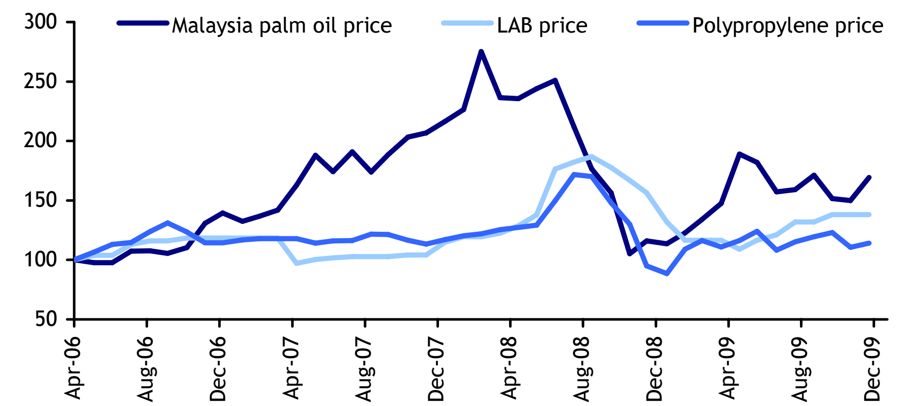
Revenue growth moderation

According to AC Nielson retail audit data, sector has witnessed a slowdown for the months of October and November 2009. However, ground evidence and conversations with company management suggest otherwise. We expect topline growth to moderate for Hindustan Unilever (HUVR) and Marico, especially as benefits from the carry forward impact of price hikes will fade as most of the price hikes in Soaps, Detergents had happened in H1FY09. For Marico, urban focused category like Kaya Skincare is yet to show complete recovery and has continued to witness a de-growth in same store sales for the month of October and November 2009. Impact of poor monsoon on rural consumption, if any, will be a key monitorable for the quarter.

Agri commodity inflation to impact gross margins of foods players

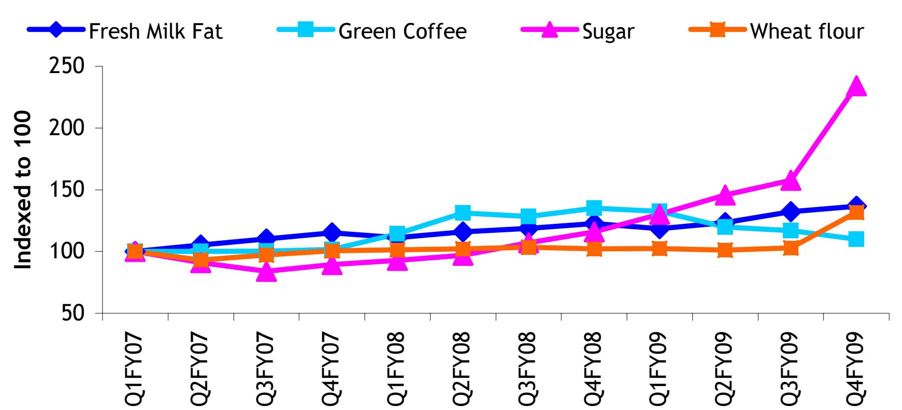
Agri commodities e.g. Wheat, Sugar, Milk have witnessed steep price inflation partly on account of deficient monsoon. Hence, we expect companies like Nestle, GSK consumer, Britannia to face pressure on gross margins. We also expect pricing action/grammage reduction from these companies to partly pass on the rising input costs.

Key RM prices rebased to 100



Source: Bloomberg, PL Research

Key RM prices for IMFL



Source: Industry, PL Research

Even crude linked inputs like Palm oil, LAB, HDPE are up 15-40% from the bottom. However, impact will be stock specific as some of the players (e.g. GCPL) have forward covers till March 2010.

P&G entered mass Detergents space, also launched new variants in Skin Care

P&G's entry in mass laundry space through "Tide Naturals" was the key highlight of the quarter. Tide Naturals was launched at aggressive price points of Rs10 and Rs20 for 200gm and 400gm, respectively. Pricing is at ~50% premium to Wheel, HUVR's mass-end detergent brand. In the key northern markets of UP, Rajasthan and MP where "Ghadi" is strong, P&G is giving additional consumer offer to the tune of 25%. Post P&G's entry, we see further pressure on HUVR's mass-end detergent volumes and market shares in the long term.

Along with Tide Naturals, P&G also launched two new variants of its existing skincare brand, Olay. The two new variants, 'Olay Naturals Lite' and 'Olay Naturals White', are at a price point of Rs99 and Rs299, respectively and positioned as premium fairness creams (day and night cream).

Foods category witnessed new launches with Nestle recently introducing Maggie Masala-ae-Magic and Maggie Rasile Chow. These are value offerings meant for low income group and are priced at Rs2 and Rs4, respectively.

Top Picks: ITC, Marico

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	499,555	562,788	632,687
Growth (%)	*2.9*	*12.7*	*12.4*
EBITDA	111,388	128,800	146,247
Margin (%)	*22.3*	*22.9*	*23.1*
PAT	77,590	90,708	105,004
Growth (%)	*12.8*	*16.9*	*15.8*
PE (x)	25.3	21.7	18.7

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	124,260	110,075	*12.9*	117,355	*5.9*
EBITDA	30,217	24,513	*23.3*	28,030	*7.8*
Margin (%)	*24.3*	*22.3*	*2.0*	*23.9*	*0.4*
PAT (Excl. Ex Items)	20,739	17,832	*16.3*	18,766	*10.5*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

ITC

Rating	BUY
Price	Rs254
Target Price	Rs290
Market Cap. (Rs bn)	957.2
Shares o/s (m)	3,774.2

Continued resilience in cigarettes volumes (expect 7% volume growth), decline in non-cigarettes FMCG losses and sequential recovery in Hotels will be the key highlights of the quarter in our view. Price hikes in cigarettes, mix improvement will aid our expectations of 15% revenue growth and 200bps EBITDA margin expansion.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	181,672	202,982	228,661
EBITDA	61,201	71,531	81,708
Margin (%)	*33.7*	*35.2*	*35.7*
PAT	40,115	47,000	53,824
EPS (Rs)	10.6	12.5	14.3
RoE (%)	*26.7*	*27.5*	*27.8*
PE (x)	23.9	20.4	17.8
P / BV (x)	6.0	5.3	4.7
EV / E (x)	15.0	12.6	10.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	44,083	38,333	*15.0*	43,453	128,363	115,957	*10.7*
EBITDA	16,443	13,527	*21.6*	15,901	45,715	36,952	*23.7*
Margin (%)	*37.3*	*35.3*	*5.7*	*36.6*	*35.6*	*31.9*	*3.7*
Reported PAT	10,537	9,032	*16.7*	10,099	29,423	24,546	*19.9*
PAT (Excl. Ex Items)	10,537	9,032	*16.7*	10,099	29,423	24,546	*19.9*
Operating Metrics							
Cigarettes	22,926	19,935	*15.0*	21,997	66,379	55,453	*19.7*
Other FMCG	8,352	7,200	*16.0*	8,633	24,558	21,688	*13.2*
Total FMCG	31,278	27,135	*15.3*	30,630	90,936	77,141	*17.9*
Hotels	2,026	2,471	*(18.0)*	1,740	5,495	7,144	*(23.1)*
Agri business	7,147	6,215	*15.0*	10,283	26,836	33,201	*(19.2)*
Paper and packaging	7,023	6,271	*12.0*	7,904	21,953	19,335	*13.5*

Hindustan Unilever

Rating	Sell
Price	Rs265
Target Price	Rs253
Market Cap. (Rs bn)	577.0
Shares o/s (m)	2,179.9

We expect HUVR to report ~5% volume growth for the quarter. However, revenue growth is likely to remain muted as carry forward impact of earlier price hikes fades away. Volume growth of ~5% will be driven by low base effect (2.3% volume growth in Dec-08) as well as sequential improvement in laundry volumes (double digit decline in mass laundry in 2QFY10). However, higher brand and promotion spending, coupled with lower other income and higher tax rate should result in 6% growth in recurring profits to Rs6.5bn in our view.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	179,379	199,883	221,635
EBITDA	25,479	28,339	31,222
Margin (%)	*14.2*	*14.2*	*14.1*
PAT	22,765	25,350	28,176
EPS (Rs)	10.4	11.6	12.9
RoE (%)	*103.0*	*107.3*	*111.2*
PE (x)	25.3	22.8	20.5
P / BV (x)	25.3	23.6	22.0
EV / E (x)	21.7	19.4	17.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	46,523	43,077	*8.0*	42,692	134,242	126,554	*6.1*
EBITDA	8,049	6,931	*16.1*	6,520	21,718	18,878	*15.0*
Margin (%)	*17.3*	*16.1*	*7.5*	*15.3*	*16.2*	*14.9*	*1.3*
Reported PAT	6,502	6,157	*5.6*	4,285	16,219	17,205	*(5.7)*
PAT (Excl. Ex Items)	6,502	6,123	*6.2*	5,058	16,940	16,271	*4.1*
Operating Metrics							
Soaps and Detergents	22,296	21,234	*5.0*	20,037	64,448	61,302	*5.1*
Personal Products	13,473	11,923	*13.0*	11,902	37,630	33,100	*13.7*
Beverages	5,821	5,106	*14.0*	5,216	16,033	13,742	*16.7*
Processed Foods	1,886	1,715	*10.0*	1,739	5,346	4,953	*7.9*
Ice Creams	343	343	*–*	504	1,732	1,529	*13.3*

Dabur India

Rating	Accumulate
Price	Rs161
Target Price	Rs170
Market Cap. (Rs bn)	139.6
Shares o/s (m)	865.1

Hair care, Health Supplements, Fem integration and continued traction in Foods and International business should drive the topline growth. We expect volume growth of 13% for the quarter. Moderate gross margin improvement and operating leverage should lead to ~140bps EBITDA margin improvement. However, higher tax rates (17% guidance for full FY10E and FY11E) and lower other income will result in 23% profit growth, in our view.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	33,659	39,459	45,518
EBITDA	6,153	7,391	8,547
Margin (%)	*18.3*	*18.7*	*18.8*
PAT	4,856	5,899	6,844
EPS (Rs)	5.6	6.8	7.9
RoE (%)	*51.7*	*48.1*	*43.7*
PE (x)	28.7	23.7	20.4
P / BV (x)	13.1	10.1	8.0
EV / E (x)	22.1	18.2	15.5

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	9,332	7,842	*19.0*	8,540	25,345	20,946	*21.0*
EBITDA	1,726	1,345	*28.3*	1,814	4,769	3,617	*31.8*
Margin (%)	*18.5*	*17.2*	*7.8*	*21.2*	*18.8*	*17.3*	*1.5*
Reported PAT	1,334	1,085	*23.0*	1,391	3,639	2,869	*26.8*
PAT (Excl. Ex Items)	1,334	1,085	*23.0*	1,391	3,639	2,869	*26.8*
Operating Metrics							
Consumer care business	7,622	6,351	*20.0*	6,538	19,799	16,232	*22.0*
Consumer health business	662	561	*18.0*	686	1,975	1,718	*14.9*
Foods business	886	733	*21.0*	1,071	3,022	2,422	*24.8*
Retail business	21	16	*35.0*	23	61	42	*45.3*
Others	232	202	*15.0*	232	597	557	*7.0*

United Spirits

Rating	Sell
Price	Rs1,317
Target Price	Rs1,150
Market Cap. (Rs bn)	135.6
Shares o/s (m)	103.0

We expect 18% topline growth led by ~15% volume growth in IMFL segment. UNSP will benefit significantly from the lower base of Q3FY09 when severe input price inflation had resulted in 800bps decline in operating margin. We expect sequentially flat operating margins for the quarter. Funds raised during the quarter (Rs16bn through QIP) were used to prepay with-recourse debt.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	57,657	66,254	74,874
EBITDA	11,113	12,967	15,067
Margin (%)	*19.3*	*19.6*	*20.1*
PAT	3,679	5,599	8,096
EPS (Rs)	29.3	44.6	64.5
RoE (%)	*11.2*	*12.4*	*15.8*
PE (x)	44.9	29.5	20.4
P / BV (x)	3.9	3.5	3.0
EV / E (x)	16.3	13.9	11.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	12,483	10,402	*20.0*	10,876	35,839	29,650	*20.9*
EBITDA	2,185	1,173	*86.2*	1,896	6,363	5,209	*22.1*
Margin (%)	*17.5*	*11.3*	*55.2*	*17.4*	*34.9*	*31.9*	*3.0*
Reported PAT	874	306	*185.9*	696	3,346	2,416	*38.5*
PAT (Excl. Ex Items)	874	306	*185.9*	696	2,646	2,416	*9.5*
Operating Metrics							
RM as % of sales	*56.0%*	*60.7%*		*55.0%*	*55.4%*	*55.4%*	
Volume growth	*15.0%*	*18.0%*		*14.0%*	-	-	

Colgate Palmolive

Rating	Sell
Price	Rs687
Target Price	Rs606
Market Cap. (Rs bn)	93.4
Shares o/s (m)	136.0

We believe strong double digit toothpaste volume growth of 13% and continued resilience in market shares across oral care categories should drive the expected 16% revenue growth. We expect operating margins to remain flat as advertising expenses to return to normal trend of 17% of sales (base quarter 11.3% of sales). However, higher expected income tax rates compared to base quarter will cap the PAT growth to 9%.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	19,753	22,788	26,285
EBITDA	3,504	3,996	4,549
Margin (%)	*17.7*	*17.5*	*17.3*
PAT	3,730	3,928	4,567
EPS (Rs)	27.4	28.9	33.6
RoE (%)	*156.0*	*137.3*	*135.1*
PE (x)	25.0	23.8	20.4
P / BV (x)	9.1	7.7	6.5
EV / E (x)	25.5	22.1	19.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	4,863	4,192	*16.0*	4,873	14,415	12,394	*16.3*
EBITDA	866	746	*16.1*	950	2,867	1,918	*49.5*
Margin (%)	*17.8*	*17.8*	*0.1*	*19.5*	*37*	*30*	*7.1*
Reported PAT	850	778	*9.3*	897	2,775	2,132	*30.2*
PAT (Excl. Ex Items)	850	778	*9.3*	897	2,775	2,132	*30.2*

Marico

Rating	BUY
Price	Rs102
Target Price	Rs115
Market Cap. (Rs bn)	62.4
Shares o/s (m)	609.0

We expect price deflation in domestic business to continue and estimate 12% topline growth. This, we believe, will be driven by robust volume growth in Parachute and Saffola, coupled with continued traction in International business division. Copra and Safflower costs were down ~20% YoY during the quarter which will aid ~100bps operating margin expansion. Same clinic sales for Kaya in India continue to remain lackluster. Management in its latest update has revised loss expectations from Kaya's business to Rs100m from earlier guidance of Rs50m.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	27,435	31,422	35,715
EBITDA	3,938	4,576	5,154
Margin (%)	*14.4*	*14.6*	*14.4*
PAT	2,446	2,932	3,497
EPS (Rs)	4.0	4.8	5.7
RoE (%)	*45.2*	*39.9*	*36.3*
PE (x)	25.5	21.3	17.8
P / BV (x)	9.9	7.4	5.7
EV / E (x)	16.6	14.1	12.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	6,976	6,228	*12.0*	6,922	20,865	18,286	*14.1*
EBITDA	949	791	*19.9*	950	2,863	2,287	*25.2*
Margin (%)	*13.6*	*12.7*	*7.0*	*13.7*	*13.7*	*12.5*	*1.2*
Reported PAT	641	509	*25.9*	624	1,825	1,443	*26.4*
PAT (Excl. Ex Items)	641	509	*25.9*	624	1,825	1,443	*26.4*
Volume growth of key brands and category							
Parachute	8.0%	9.0%		10.0%	-	-	
Saffola	15.0%	3.0%		22.0%	-	-	
Value Added Hair oils	12.0%	15.0%		17.0%	-	-	

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Financial Services

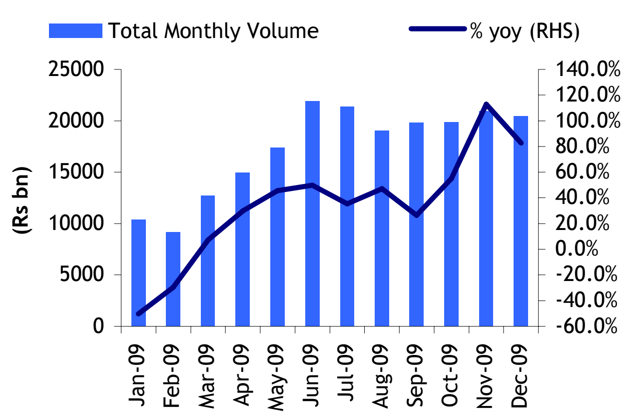
After a strong Q2, Q3FY10 was a relatively muted quarter for the Capital Market companies. Equity market grew by just 1.8% QoQ in Q3 after rising by 68.3% QoQ and 10.9% QoQ in Q1 and Q2FY10, respectively. Cash volumes in Q3 dropped by 16.4% QoQ, even as F&O volumes actually grew by 8.1 % QoQ. Translated in terms of commissions, it would mean a decline of approximately 9.0% QoQ. But worryingly, as a proportion of total, the contribution of cash volumes is at a four year low. Even as broking activity was subdued, we expect Investment Banking and Financing to maintain a steady uptrend.

Financing/Lending activity remains good for NBFCs under our coverage due to growing capital market linked and infrastructure opportunities and also still low borrowing costs. IPO financing is a good opportunity for players which is expected to get even better in Q4FY10, given the number of PSU IPOs that are slated to hit the market in that period.

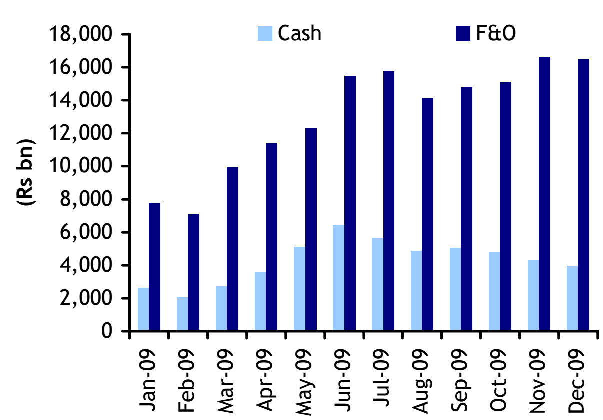
The domestic Mutual Fund business is expected to grow mainly led by higher Equity AUMs. Most, if not all, the growth in Equity AUMs is due to a rise in market levels with almost no support from fresh inflows. Unless the regulatory cap on distributor commissions is relaxed, the situation is unlikely to change for the industry.

The Insurance industry continues to be on a steady improvement. Private Sector FYPs for October are up 100.7% from April levels and overall FYPs are up 112.3% over the same period. However, with the regulatory restrictions on fees becoming effective from January 1, 2010, there remains a real fear of the Insurance distribution business also going the Mutual Fund way.

Equity Volumes

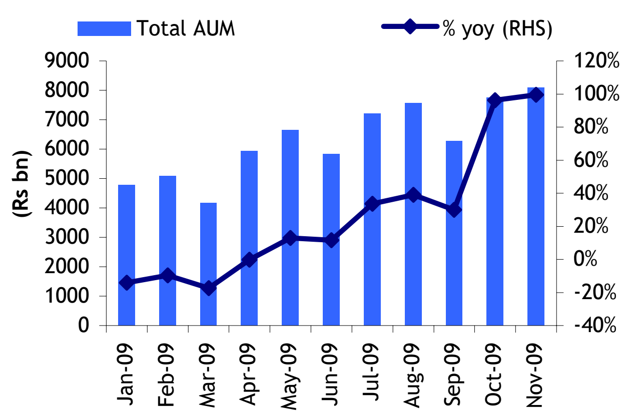


Cash & F&O Breakup

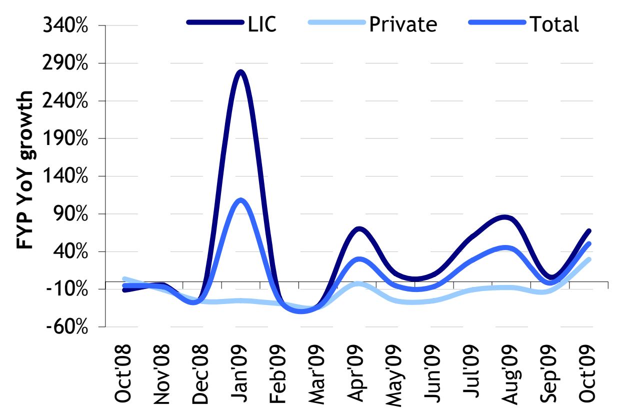


Source: BSE, NSE

Mutual Fund AUM Growth

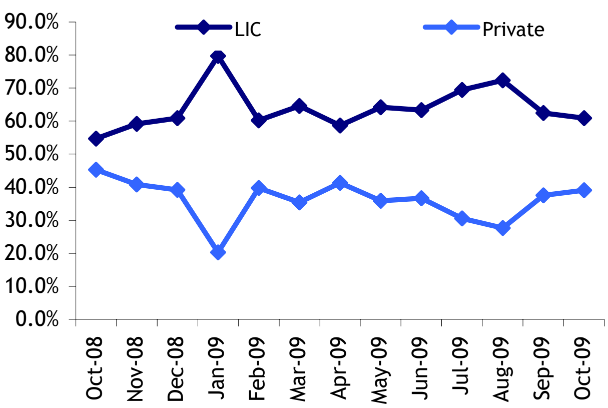


Insurance FYP Growth

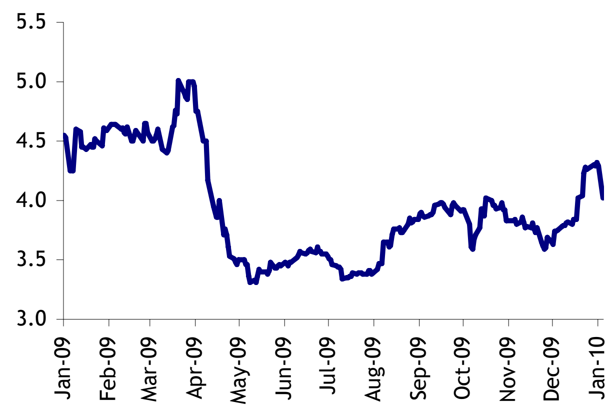


Source: Bloomberg, AMFI

Private versus Public Sector Life Insurance Market share



6M Bond Yields



Source: Bloomberg, AMFI

Top Picks: Edelweiss Capital

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales / Net Op. Inc.	205,406	239,178	281,299
Growth (%)	*17.2*	*16.4*	*17.6*
EBITDA / PPP	131,386	154,873	186,571
Margins (%)	*64.0*	*64.8*	*66.3*
PAT	83,315	96,958	117,975
Growth (%)	*26.1*	*16.4*	*21.7*
PE (x)	20.2	17.3	14.2

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales / Net Op. Inc.	52,238	42,935	*21.7*	50,359	*3.7*
EBITDA / PPP	34,602	25,573	*35.3*	34,515	*0.3*
EBITDA / PPP Margin (%)	*66.2*	*59.6*	*6.7*	*68.5*	*(2.3)*
PAT (Excl. Ex Items)	21,485	14,666	*46.5*	21,832	*(1.6)*

Note: The Net Sales / Net Op. Inc., EBITDA / PPP and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

HDFC

Rating	Accumulate
Price	Rs2,673
Target Price	Rs2,818
Market Cap. (Rs bn)	759.7
Shares o/s (m)	284.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Op. Inc.	41,873	50,435	60,522
NII	36,077	42,967	51,561
PPP	38,340	46,228	55,474
PAT	27,340	32,647	39,176
EPS (Rs)	95.1	113.6	136.3
Spread (%)	*2.4*	*2.7*	*2.7*
RoE (%)	*18.9*	*19.7*	*20.5*
PE (x)	28.1	23.5	19.6
P/BV (x)	5.0	4.3	3.7

The current quarter is expected to be good for housing finance companies in terms of overall business activity. Due to a lower base in Q3FY09, we expect its approvals and disbursements to increase sharply YoY by 51% and 27%, respectively. However, QoQ growth in approvals and disbursements are expected to decline by 10% and 12%, respectively as Q2FY10 witnessed a huge spike due to pent-up demand. Spreads are likely to improve based on higher disbursements and lower liquid investments.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Operating Inc.	9,880	8,821	*12.0*	10,137	28,880	24,957	*15.7*
NII	8,280	7,853	*5.4*	7,369	22,334	21,830	*2.3*
Non Interest Inc.	1,550	913	*69.8*	2,715	6,393	2,966	*115.5*
PPP	8,581	7,595	*13.0*	8,891	25,062	21,247	*18.0*
PAT	6,623	5,468	*21.1*	6,639	18,912	15,492	*22.1*
Operating Metrics (Rs bn)							
Disbursements	120	94	*27.3*	137	120	94	*27.3*
Approvals	146	96	*51.0*	162	146	96	*51.0*
Investments	100	105	*(5.2)*	133	100	105	*(5.2)*
Loans	962	829	*16.1*	895	962	829	*16.1*

Reliance Capital

Rating	Accumulate
Price	Rs889
Target Price	Rs1,068
Market Cap. (Rs bn)	218.7
Shares o/s (m)	246.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	63,748	70,013	77,074
EBITDA	26,017	29,492	34,521
Margin (%)	*40.8*	*42.1*	*44.8*
PAT	8,614	9,401	11,818
EPS (Rs)	35.0	38.2	48.0
RoE (%)	*11.1*	*11.2*	*12.8*
PE (x)	25.4	23.3	18.5
P/BV (x)	2.7	2.5	2.3
EV / E (x)	14.7	13.0	11.4

Reliance Capital's (RCFTs) revenue and PAT is expected to grow by 7.5% YoY and 80.3% YoY in Q3FY10. We expect to see continuing growth in Asset Management (with AUMs up about 80% YoY), steady growth in General Insurance and better performance from Consumer Finance. Broking revenues are likely to fall about 7.9% QoQ in line with the market volume decline. Proprietary investment gains are expected to stay flat sequentially due to declining unrealized gains.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	16,911	15,733	*7.5*	15,182	46,785	44,092	*6.1*
EBITDA	6,978	5,405	*29.1*	6,544	18,979	17,433	*8.9*
Margin (%)	*41.3*	*34.4*	*20.1*	*43.1*	*40.6*	*39.5*	*1.0*
Reported PAT	2,372	1,315	*80.3*	2,271	6,152	7,040	*(12.6)*
PAT (Excl. Ex Items)	2,372	1,315	*80.3*	2,271	6,152	7,040	*(12.6)*
Operating Metrics (Rs bn)							
Prop. Investments	3,400	3,288	*3.4*	3,533	10,402	12,495	*(16.8)*
Asset Management	1,550	1,111	*39.5*	1,487	4,259	3,352	*27.1*
General Insurance	6,920	6,752	*2.5*	5,392	18,538	17,699	*4.7*
Consumer Finance	3,791	3,225	*17.5*	3,446	10,119	9,033	*12.0*
Broking & Other Income	1,250	1,358	*(7.9)*	1,324	3,468	1,885	*84.0*

Power Finance Corp.

Rating	Under Review
Price	Rs256
Target Price	NA
Market Cap. (Rs bn)	293.1
Shares o/s (m)	1,147.8

We expect 15.9% YoY growth in the advances book with stable margins. No major development yet on the UMPP projects. Hence, we don't expect any significant contribution from other income. INR has gained 3.3% against USD. Hence, some MTM adjustment is expected.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
NII	29,054	34,585	41,502
PPOP	28,077	33,449	40,139
Adjusted PAT	21,252	24,207	29,151
EPS (Rs)	18.5	21.1	25.4
NIM (%)	*4.0*	*3.7*	*3.5*
RoE (%)	*17.3*	*17.3*	*17.0*
RoAA (%)	*2.9*	*2.6*	*2.6*
P / BV (x)	2.2	2.0	1.7
PE (x)	13.8	12.1	10.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net interest income	7,450	5,610	*32.8*	7,200	34,239	16,169	*111.8*
PBT	7,245	5,011	*44.6*	8,027	35,327	14,000	*152.3*
PAT	5,984	3,400	*76.0*	6,766	30,850	9,663	*219.3*
Adjusted PAT	5,984	3,589	*66.8*	6,766	18,278	9,913	*84.4*
Net interest Margin (%)	*4.0*	*3.6*		*4.0*	*4.0*	*3.4*	
Operating Metrics							
Borrowings	576,688	486,550	*18.5*	565,380	576,688	486,550	*18.5*
Advances	700,342	604,410	*15.9*	686,610	700,342	604,410	*15.9*
Assets	757,922	646,180	*17.3*	743,061	757,922	646,180	*17.3*

IDFC

Rating	Accumulate
Price	Rs155
Target Price	Rs175
Market Cap. (Rs bn)	201.1
Shares o/s (m)	1,294.3

Net Operating Income and PAT growth at IDFC is expected at 57.2% YoY and 55.4% YoY in Q3FY10. We expect the company's advances book to grow by 5.4% QoQ and 8.9% YoY. Spreads are expected to remain steady at about 270bps. Non-interest income is expected to grow by 1.3% QoQ, led essentially by Asset Management. Overall IDFC remains on a growth track, both on its Capital as well as Agency business.

Key Figures (Rs m)

Y/e March	FY09	FY10E	FY11E
Net Op. Inc.	20,313	22,749	28,127
NII	11,172	11,917	15,029
PPP	16,183	18,564	23,881
PAT	11,466	13,048	16,725
EPS (Rs)	8.9	10.1	11.2
NIM (%)	*3.6*	*3.1*	*3.1*
RoE (%)	*17.5*	*17.4*	*17.4*
PE (x)	17.5	15.4	13.8
P/BV (x)	3.1	2.7	2.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Operating Inc.	5,209	3,313	*57.2*	5,040	14,859	11,253	*32.0*
NII	2,909	2,570	*13.2*	2,770	8,119	6,690	*21.4*
Non Interest Inc.	2,300	743	*209.4*	2,270	6,740	4,563	*47.7*
PPP	4,064	2,651	*53.3*	3,943	11,620	8,878	*30.9*
PAT	2,869	1,846	*55.4*	2,962	8,559	6,344	*34.9*
Operating Metrics							
Loan Book (Rs.bn)	232	213	*8.9*	211	232	213	*8.9*
IB & Broking	610	130	*369.2*	350	1,590	860	*84.9*
Loan fee income	320	110	*190.9*	430	1,070	900	*18.9*
Prop. Investment	620	10	*6,100.0*	680	1,910	1,540	*24.0*
Asset Mgmt Income	750	480	*56.3*	720	2,160	1,250	*72.8*

Shriram Transport Fin.

Rating	BUY
Price	Rs478
Target Price	Rs540
Market Cap. (Rs bn)	101.0
Shares o/s (m)	211.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Op. Inc.	21,467	25,738	31,710
PPP	16,423	19,729	24,484
Adjusted PAT	8,067	9,949	12,068
EPS (Rs)	38.1	47.0	57.1
NIM (%)	*8.2*	*8.1*	*8.0*
RoE (%)	*29.2*	*27.4*	*26.5*
ROAA (%)	*3.4*	*3.4*	*3.3*
PE (x)	12.5	10.2	8.4
P/BV (x)	3.1	2.5	2.0

Shriram Transport Finance (SHTF's) Net Operating Income is expected to grow by 30.4% YoY and PAT by 30.1% YoY during the quarter. SHTF's advances book is expected to grow by 5.0% QoQ and 12.9% YoY led by improving conditions in the trucking industry leading to higher used vehicle sales. Provisions are expected to peak out in the current quarter and we expect to see lower provisions in the quarters ahead.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net operating Income	5,526	4,238	*30.4*	5,263	16,592	13,339	*24.4*
PPP	4,279	2,945	*45.3*	4,113	13,042	9,346	*39.5*
Net interest Margin (%)	*8.3*	*8.1*	0.3	*8.3*	*8.2*	*8.0*	0.2
NPA prov as % of avg assets	*1.0*	*1.3*	(0.3)	*0.9*	*1.0*	*1.3*	(0.3)
PAT	2,035	1,564	*30.1*	2,075	6,404	4,688	*36.6*
Operating Metrics							
AUM (Rs. bn)	275	228	*20.6*	264	275	228	*20.6*
Advances	210	186	*12.9*	200	210	186	*12.9*
Borrowing	220	172	*27.9*	210	220	172	*27.9*
Gross NPAs (%)	*2.4*	*1.9*	0.5	*2.3%*	*2.3*	*1.8*	0.5
Net NPAs (%)	*0.8*	*0.9*	(0.1)	*0.8%*	*0.8*	*0.9*	(0.1)

India Infoline

Rating	Accumulate
Price	Rs133
Target Price	Rs155
Market Cap. (Rs bn)	43.2
Shares o/s (m)	325.5

Key Figures (Rs m)

Y/e March	FY09	FY10E	FY11E
Net Sales	12,349	15,281	18,383
EBITDA	4,900	6,336	7,755
Margin (%)	*39.7*	*41.5*	*42.2*
PAT	2,378	2,817	3,304
EPS (Rs)	7.8	8.8	10.2
RoE (%)	*12.4*	*12.4*	*13.5*
PE (x)	17.1	15.1	13.1
P/BV (x)	1.9	1.7	1.5
EV / E (x)	9.1	7.0	5.9

We expect India Infoline (IIFL) to report revenue decline of 0.96% QoQ and PAT decline of 2.93% QoQ. The decline is basically due to lower Equity Broking volumes during the quarter. We expect IIFL's ADV to drop by 2% QoQ and yields to drop by 4% QoQ (due to higher F&O proportion). Interest Income is expected to rise by 10.1% QoQ due to continued growth in its advances book and some IPO financing opportunities during the quarter. Overall the quarter is likely to be tepid as compared to Q1 and Q2.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	3,104	2,295	*35.3*	3,134	8,801	7,739	*13.7*
EBITDA	1,223	600	*103.8*	1,255	3,435	4,180	*(17.8)*
Margin (%)	*39.4*	*26.1*	*13.2*	*40.0*	*39.0*	*54.0*	*(15.0)*
Reported PAT	563	298	*89.0*	580	1,660	1,195	*38.9*
PAT (Excl. Ex Items)	563	298	*89.0*	580	1,660	1,195	*38.9*
Operating Metrics							
Equity Broking	1,819	1,114	*63.4*	1,936	5,523	4,181	*32.1*
Insurance Distribution	255	240	*6.1*	241	676	936	*(27.8)*
Financing Income	800	851	*(5.9)*	727	2,016	2,309	*(12.7)*
Other Operating	230	90	*154.4*	230	586	313	*87.0*
Employee Costs	725	720	*0.7*	736	2,104	2,104	*(0.0)*

Edelweiss Capital

Rating	Accumulate
Price	Rs502
Target Price	Rs608
Market Cap. (Rs bn)	37.6
Shares o/s (m)	74.9

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	10,229	12,647	14,933
EBITDA	6,101	7,797	9,333
Margin (%)	*59.6*	*61.6*	*62.5*
PAT	2,596	3,044	3,552
EPS (Rs)	34.6	40.5	47.2
RoE (%)	*13.2*	*12.3*	*13.1*
PE (x)	14.5	12.4	10.6
P/BV (x)	1.6	1.4	1.3
EV / E (x)	9.4	7.4	6.9

Edelweiss Capital (EDEL) is likely to report a decline of 0.96% QoQ and 0.92% QoQ in Revenue and PAT respectively. Weak Institutional Equity volume is the primary culprit of this weak performance. We estimate its ADV to drop by 3% QoQ. However, its financing business activity is expected to remain strong with the advances book growing by 4.0% QoQ and interest income by 2.3% QoQ. Overall, we believe a pick up in institutional activity is essential for the Q4 performance to be better.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	2580	1,985	*30.0*	2,605	7,411	7,164	*3.5*
EBITDA	1,570	1,024	*53.3*	1,589	4,342	3,843	*13.0*
Margin (%)	*60.9*	*51.6*	*18.0*	*61.0*	*58.6*	*53.6*	*5.0*
Reported PAT	645	381	*69.3*	651	1,879	1,455	*29.1*
PAT (Excl. Ex Items)	645	381	*69.3*	651	1,879	1,455	*29.1*
Operating Metrics							
Commision & Fees	830	477	*74.2*	802	2,303	2,041	*12.8*
Interest Income	900	927	*(2.9)*	880	2,463	2,534	*(2.8)*
Trading & Arbitrage	700	448	*56.4*	718	2,208	2,003	*10.2*
Div. / Invst. Income	134	205	*(34.3)*	205	438	586	*(25.3)*
Employee Costs	390	393	*(0.8)*	393	1,175	1,361	*(13.7)*

Motilal Oswal

Rating	Accumulate
Price	Rs175
Target Price	Rs204
Market Cap. (Rs bn)	24.9
Shares o/s (m)	142.0

Key Figures (Rs m)

Y/e March	FY09E	FY10E	FY11E
Net Sales	6,374	7,732	9,049
EBITDA	2,620	3,187	3,749
Margin (%)	*41.1*	*41.2*	*41.4*
PAT	1,601	1,845	2,179
EPS (Rs)	10.8	12.6	15.0
RoE (%)	*17.8*	*17.6*	*17.9*
PE (x)	16.2	13.9	11.7
P/BV (x)	2.7	2.3	1.9
EV / E (x)	8.8	7.2	5.8

We expect Motilal Oswal Financial Services (MOFS) to report flat Revenue and PAT growth of 4.5% QoQ, respectively. Even though revenue from the Equity Broking segment is expected to decline 3.0% QoQ, the decline is likely to be less than the fall in market wide commissions due to improving yields (6.4bps in Q3 v/s 6.3bps in Q2). Investment Banking continues to be steady, and will build on the Q2 momentum. Fund-based income is expected to grow due to continuing growth in advances during the quarter.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	1,578	938	*68.2*	1,589	4,642	3,687	*25.9*
EBITDA	664	343	*93.6*	638	1,889	1,365	*38.4*
Margin (%)	*42.1*	*36.5*	*15.1*	*40.2*	*40.7*	*37.0*	*3.7*
Reported PAT	394	204	*93.0*	474	1,208	736	*64.0*
PAT (Excl. Ex Items)	394	204	*93.0*	474	1,208	736	*64.0*
Operating Metrics							
Equity Broking	1,215	694	*75.1*	1,253	3,625	2,657	*36.4*
Investment Banking	170	10	*NM*	152	418	357	*17.1*
Interest Income	128	184	*(30.5)*	120	423	515	*(17.9)*
Asset Management	65	50	*30.0*	64	176	158	*11.4*
Employee Costs	345	246	*40.4*	360	1,023	1,024	*(0.0)*

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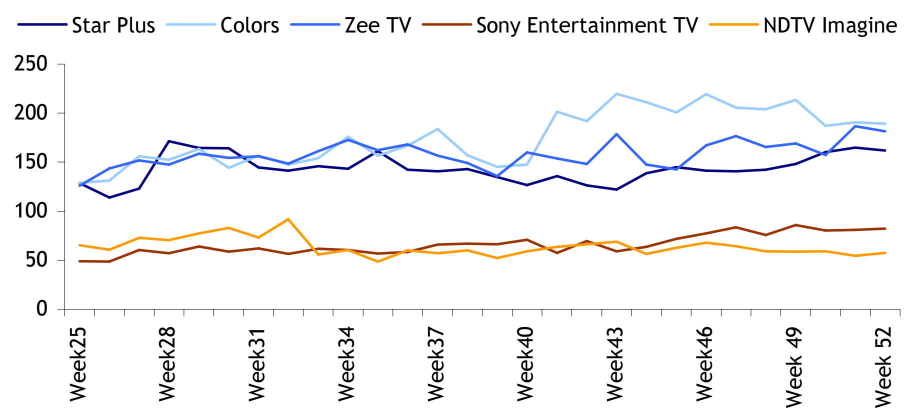
Media & Entertainment

In Q3FY10, the Media sector is expected to continue the strong revival witnessed in Q2FY10. Clearly, some of the sequential growth is seasonal (Q3 is typically the strongest quarter for the sector), but it is also due to rise in ad spends by the increasingly confident Consumer sector (Durable and Non-Durable) in India. The companies under our coverage are expected to grow revenues by 4.5% QoQ, and 18.6% YoY. PAT for the same companies is expected to grow by 11.8% QoQ due to expanding margins.

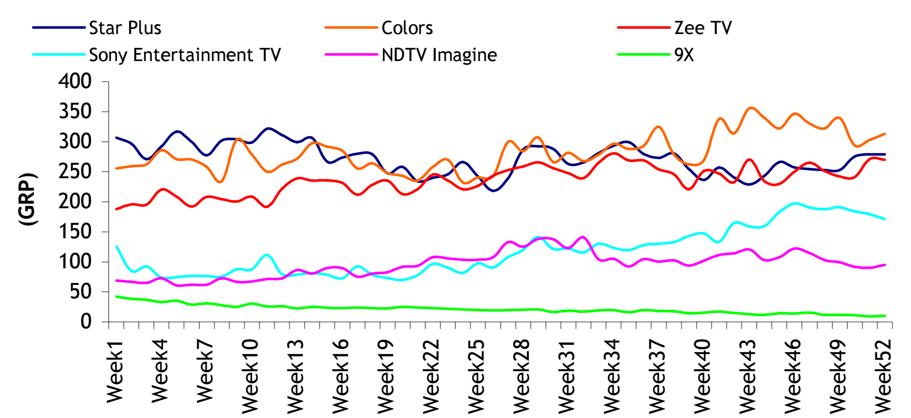
Broadcasting: Given that big events such as IPL, General Elections, Budget, etc. were all in the first half of the year, we expect to see a substantial portion of the advertising spends to flow to the General Entertainment channels (GECs) in the current quarter. A strong evidence of GECs gaining traction is seen from the marked rise in their overall GRPs from the middle of 2009. From about 675-700 levels, Prime Time GRPs of GECs have increased to about 750-800 currently. We expect both Zee and Sun to report strong numbers during the quarter.

Prime Time GRPs



Source: TAM, PL Research

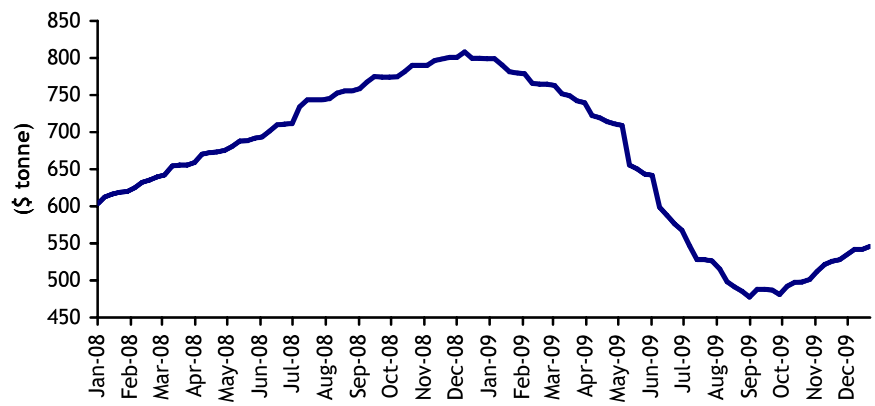
Overall GRP market share



Source: TAM, PL Research

Print: The Print sector is also expected to benefit from the improving ad spends by the Consumer sector in India. However, the rising Newsprint prices threaten the sustainability of margins for the sector. Newsprint prices increased by 18% from the bottom and effect of the same is expected to show from Q4FY10 onwards.

Newsprint Prices



Source: Bloomberg, PL Research

Cinema: The sector saw several successful releases during the quarter such as *Rocket Singh*, *3 Idiots*, *Kurbaan* etc. However, boutique production firms made a strong come back recently and are notching up greater successes at the box office compared to built-from-scratch corporate ventures. Companies such as UTV are expected to show strong performance on the back of recent successes such as *Kurbaan* and *Wake-up-Sid*, and also follow on revenues from sale of rights of past films.

Top Picks: Sun TV

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	57,293	72,886	83,088
Growth (%)	*12.9*	*27.2*	*14.0*
EBITDA	19,445	25,664	30,912
Margin (%)	*33.9*	*35.2*	*37.2*
PAT	11,475	15,469	18,513
Growth (%)	*56.6*	*34.8*	*19.7*
PE (x)	27.4	20.3	17.0

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	15,051	12,687	*18.6*	14,407	*4.5*
EBITDA	5,506	3,424	*60.8*	4,936	*11.5*
Margin (%)	*36.6*	*27.0*	*9.6*	*34.3*	*(24.7)*
PAT (Excl. Ex Items)	3,201	2,304	*38.9*	2,863	*11.8*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Sun TV

Rating	Accumulate
Price	Rs348
Target Price	Rs321
Market Cap. (Rs bn)	137.4
Shares o/s (m)	394.4

After a solid Q2, Sun TV (Sun) is expected to continue its run in Q3FY10. Revenues are expected to grow 4.6% QoQ and 23.7% YoY due to ad revenue growth. The company continues to defend its 60-65% market share in the Tamil market and between 30-40% share in other Southern markets in the face of stiff competition. PAT is likely to grow by 5.0% QoQ and 22.2% YoY.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	13,272	16,132	18,932
EBITDA	9,561	11,777	14,134
Margin (%)	*72.0*	*73.0*	*74.7*
PAT	4,972	6,151	7,360
EPS (Rs)	12.6	15.6	18.7
RoE (%)	*25.9*	*26.8*	*28.6*
PE (x)	27.6	22.3	18.7
P/BV	6.4	5.6	5.1
EV / E (x)	13.9	11.1	9.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	3,350	2,708	*23.7*	3,204	9,430	7,323	*28.8*
Total operational expenses	795	696	*14.3*	768	2,204	1,864	*18.2*
EBITDA	2,555	2,013	*27.0*	2,436	7,227	5,459	*32.4*
Margin (%)	*76.3*	*74.3*	*2.0*	*76.0*	*76.6*	*74.5*	*2.1*
Other Income	115	144	*(20.4)*	115	372	680	*(45.3)*
Interest	2	8	*(75.6)*	2	10	29	*(65.4)*
Depreciation & Amortisation	600	446	*34.7*	571	1,721	1,187	*44.9*
PBT	2,068	1,703	*21.4*	1,978	2,068	4,922	*(58.0)*
Tax	697	581	*20.0*	672	1,993	1,691	*17.9*
Reported PAT	1,371	1,122	*22.2*	1,306	3,875	1,122	*245.2*
PAT (Excl. Ex Items)	1,371	1,122	*22.2*	1,306	3,875	1,122	*245.2*

Zee Entertainment

Rating	Accumulate
Price	Rs253
Target Price	Rs251
Market Cap. (Rs bn)	109.6
Shares o/s (m)	433.6

Zee Entertainment (Zee) is expected to grow its revenues by 9.8% QoQ and 8.8% YoY, mainly led by a strong ad revenue growth. The company's flagship channel has been holding its No. 2 spot comfortably and has, of late, even taken a shot at dislodging Colors from the No.1 spot in Prime Time. PAT is likely to grow by 46.1% YoY due to continuing success with cost control initiatives.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	22,159	25,462	28,694
EBITDA	6,008	7,164	8,562
Margin (%)	*27.1*	*28.1*	*29.8*
PAT	4,622	5,304	6,212
EPS (Rs)	10.7	12.2	14.3
RoE (%)	*22.5*	*21.8*	*21.7*
PE (x)	23.7	20.7	17.7
P/BV	4.9	4.2	3.5
EV / E (x)	18.4	15.4	12.8

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	5,935	5,456	*8.8*	5,405	16,099	16,592	*(3.0)*
EBITDA	1,670	1,200	*39.1*	1,508	4,347	4,130	*5.3*
Margin (%)	*28.1*	*22.0*	*6.1*	*27.9*	*27.0*	*24.9*	*2.1*
Reported PAT	1,227	840	*46.1*	1,110	3,387	4,223	*(19.8)*
PAT (Excl. Ex Items)	1,227	840	*46.1*	1,110	3,387	4,223	*(19.8)*
Operating Metrics							
Advertising revenues	2,900	2,684	*8.0*	2,476	7,356	8,334	*(11.7)*
Subscription revenues	2,535	2,274	*11.4*	2,435	7,379	6,669	*10.7*
Other sales and services	500	497	*0.5*	494	1,364	1,590	*(14.2)*

Jagran Prakashan

Rating	BUY
Price	Rs135
Target Price	Rs128
Market Cap. (Rs bn)	40.6
Shares o/s (m)	301.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	9,820	11,428	13,168
EBITDA	3,120	3,571	4,180
Margin (%)	*31.8*	*31.2*	*31.7*
PAT	1,929	2,131	2,471
EPS (Rs)	6.4	7.1	8.2
RoE (%)	*32.9*	*32.9*	*33.5*
PE (x)	21.0	19.0	16.4
P/BV	6.6	5.9	5.1
EV / E (x)	13.3	11.7	9.9

We expect revenues and net profits of Jagran Prakashan (Jagran) to grow at 19.8% YoY and 195.5% YoY, respectively. Like most other media companies, Jagran's revenue growth is also led by advertisement growth, while subscription shows steady and modest growth. Higher newsprint prices are expected to have some impact on the margins in Q3, but a bulk of the impact is expected in Q4FY10. Jagran's margins are almost at all time high levels and we worry about its sustainability in FY11 and FY12.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	2,480	2,070	*19.8*	2,468	7,267	6,221	*16.8*
Total operational expenses	1,705	1,769	*(3.6)*	1,636	4,954	5,044	*(1.8)*
EBITDA	775	301	*157.8*	832	2,313	1,177	*96.5*
Margin (%)	*31.3*	*14.5*	*16.7*	*33.7*	*31.8*	*18.9*	*12.9*
Other Income	50	45	*11.2*	50	257	163	*57.9*
Interest	18	17	*5.4*	18	46	38	*20.7*
Depreciation	136	98	*38.3*	130	390	271	*44.0*
PBT	672	229	*193.0*	738	2,134	1,030	*107.3*
Tax	215	75	*187.9*	235	680	332	*104.9*
Reported PAT	457	155	*195.5*	503	1,455	698	*108.4*
PAT (Excl. Ex Items)	457	155	*195.5*	503	1,455	698	*108.4*

UTV Software

Rating	Reduce
Price	Rs488
Target Price	Rs328
Market Cap. (Rs bn)	16.7
Shares o/s (m)	34.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	7,619	15,231	16,923
EBITDA	531	2,408	2,979
Margin (%)	*7.0*	*15.8*	*17.6*
PAT	224	1,741	2,178
EPS (Rs)	5.7	44.4	55.5
RoE (%)	*1.3*	*8.9*	*10.1*
PE (x)	85.6	11.0	8.8
P/BV	1.0	0.9	0.8
EV / E (x)	32.7	7.4	5.7

UTV released two films during the quarter - Wake up Sid and Kurbaan (both bought out from Dharma Productions) - which performed well at the box office. However, the highlight for the quarter is the Rs950m deal for selling the Satellite Rights for movies released in the last 18-months. We expect UTV to grow its revenue by 66.8% YoY and PAT to decline by 30.9% YoY, respectively, a stark contrast from the first half's weak financial performance.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	2,250	1,349	*66.8*	2,345	5,460	4,251	*28.4*
EBITDA	380	(148)	*(356.5)*	169	(80)	(226)	*(64.6)*
Margin (%)	*16.9*	*(11.0)*	*27.9*	*7.2*	*(1.5)*	*(5.3)*	*3.8*
Reported PAT	203	294	*(30.9)*	83	203	294	*(30.9)*
PAT (Excl. Ex Items)	203	294	*(30.9)*	83	203	294	*(30.9)*
Operating Metrics							
Television	240	356	*(32.6)*	244	766	1,012	*(24.3)*
Movies	1,300	321	*305.0*	1,310	2,875	1,887	*52.4*
Games Content (Interactive)	690	346	*99.4*	577	1,384	707	*95.8*
New media	20	55	*(63.6)*	22	70	143	*(51.0)*
Broadcasting	275	300	*(8.3)*	265	717	548	*30.8*

ENIL

Rating	Reduce
Price	Rs210
Target Price	Rs195
Market Cap. (Rs bn)	10.0
Shares o/s (m)	47.7

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	4,423	4,634	5,371
EBITDA	225	743	1,057
Margin (%)	*5.1*	*16.0*	*19.7*
PAT	(272)	141	291
EPS (Rs)	(5.7)	3.0	6.1
RoE (%)	*(7.5)*	*4.1*	*8.0*
PE (x)	(33.8)	65.1	31.6
P/BV	2.8	2.8	2.7
EV / E (x)	51.6	15.5	10.7

ENIL has been steadily reducing its losses for the past couple of quarters and will show further improvement in Q3FY10. Revenue is likely to decline by just 6.1% YoY and the Net Loss will reduce to just Rs57m (compared to Rs138m in Q2) driven by better ad revenues and steady costs. Most of the company's Radio Stations are at least breaking even during the quarter and much of the losses are essentially due to the OHH business. The situation in the OOH business remains lackluster even in the current quarter.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	1,036	1,103	*(6.1)*	984	2,894	3,273	*(11.6)*
EBITDA	126	59	*114.4*	(8)	50	30	*68.1*
Margin (%)	*12.2*	*5.3*	*6.9*	*(0.8)*	*1.7*	*0.9*	*0.8*
Reported PAT	(57)	(107)	*(46.5)*	(138)	(390)	(369)	*5.6*
PAT (Excl. Ex Items)	(57)	(107)	*(46.5)*	(138)	(390)	(369)	*5.6*
Operating Metrics							
Radio	636	597	*6.5*	559	1,694	1,781	*(4.9)*
Out-Of-Home	340	398	*(14.6)*	365	1,014	1,181	*(14.1)*
Events	60	129	*(53.5)*	66	193	344	*(43.9)*
Intersegmental	-	(23)	-	(6)	(11)	(38)	*(71.1)*

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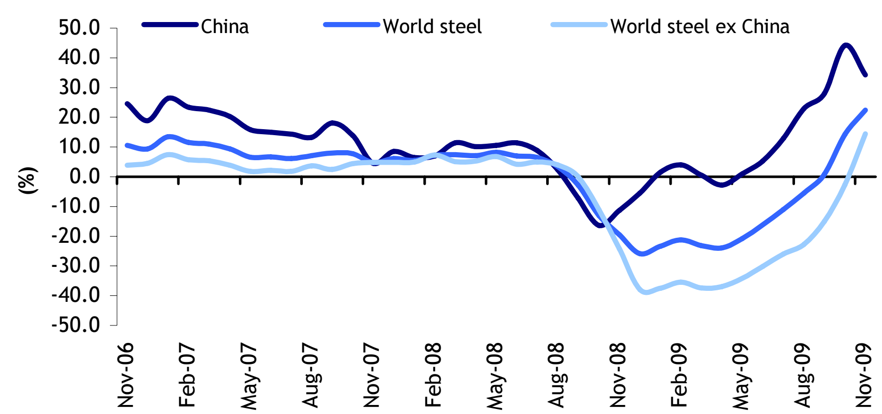
Metals

Strong activity in China led the world crude steel production to grow by 18% during the October-November 2009 period. China's crude steel production expanded by 39% YoY in the same period compared to a growth of 5% in the world, excluding China. Some pick up was witnessed in the developed economies on the back of a rise in apparent demand. Crude steel production in EU and North America was up by 1% and 4%, respectively during October-November 2009 which aggregated to 45.4m tonnes.

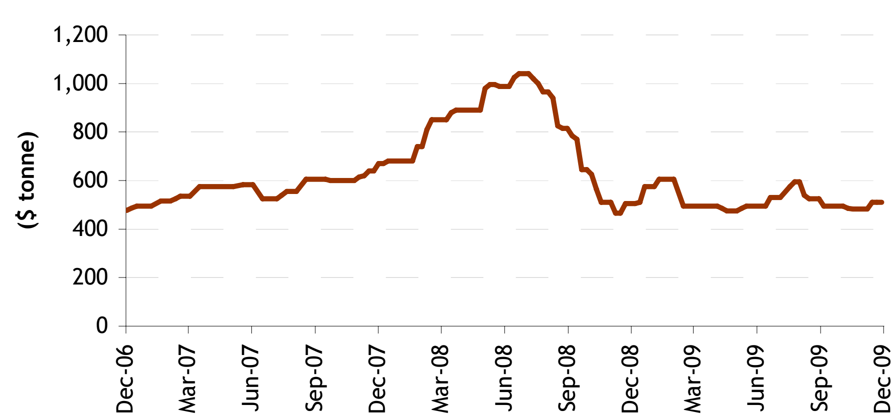
Movement in crude steel production in China and World



Source: IISI

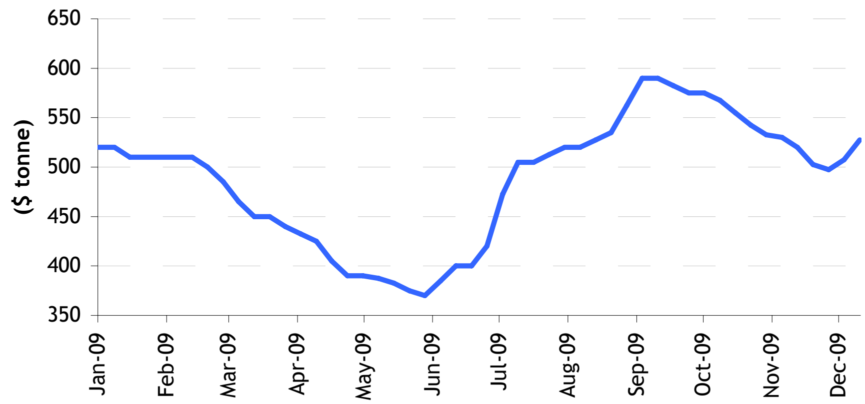
North American market witnessed marginal decline in flat steel prices, with prices weakening by ~5.6% to US$550 per short tonne during the quarter, primarily on account of a seasonal fall in apparent demand. Similar to trends in the North American market, prices in the Northern Europe market declined marginally by •25 to •410 per tonne. Chinese domestic steel prices remained very strong during the quarter which gained by US$65 (gained ~13%) to touch the level of US$552.

China Steel Price



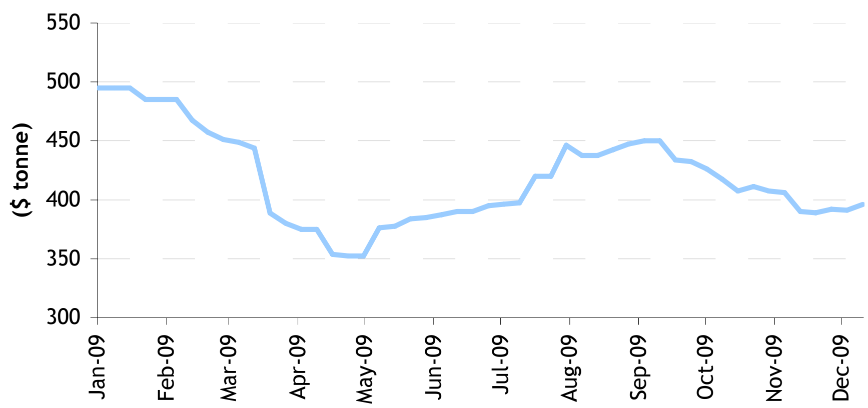
Source: SBB

North American Steel Price



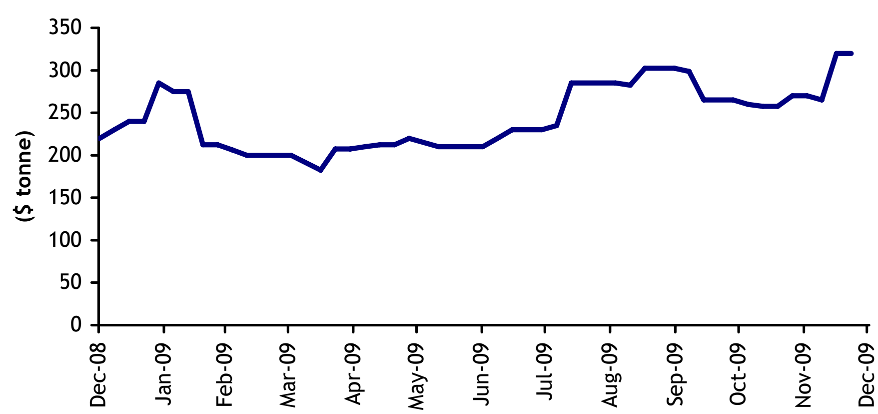
Source: SBB

Europe Steel Price



Source: SBB

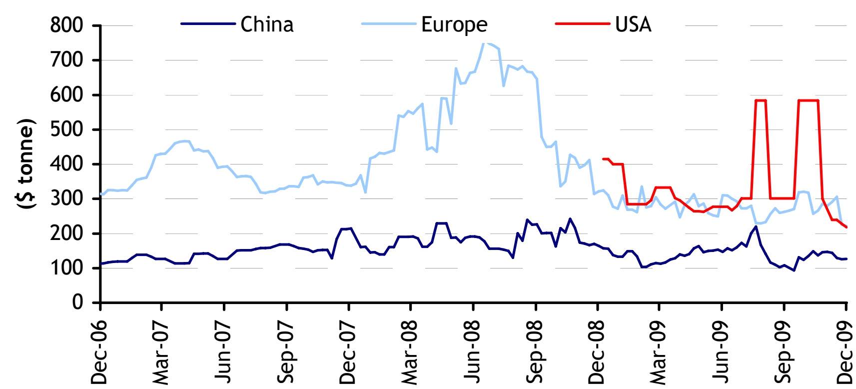
Rotterdam Scrap Prices



Source: SBB

The differential between scrap and re-bar prices which peaked during Q2 of previous year has now reversed entirely with the rise in scrap prices.

Re-bar and Scrap gap



Source: SBB

We maintain our Neutral outlook on the sector on the back of improved sentiments and bottomed out steel prices. Consistent improvement in sentiments led by improving macro indicators across regions would build strong base for future real demand.

Top picks: Sterlite Industries, Hindustan Zinc

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	1,574,835	1,956,528	2,191,345
Growth (%)	*(22.2)*	*24.2*	*12.0*
EBITDA	284,646	474,840	579,282
Margin (%)	*18.1*	*24.3*	*26.4*
PAT	107,193	248,958	309,509
Growth (%)	*(42.1)*	*132.3*	*24.3*
PE (x)	25.1	10.8	8.7

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	378,804	426,022	*(11.1)*	377,595	*0.3*
EBITDA	62,228	62,308	*(0.1)*	34,431	*80.7*
Margin (%)	*16.4*	*14.6*	*1.8*	*9.1*	*7.3*
PAT (Excl. Ex Items)	24,089	19,199	*25.5*	(13)	*LTP*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Sterlite Industries

Rating	Accumulate
Price	Rs875
Target Price	Rs1,071
Market Cap. (Rs bn)	735.3
Shares o/s (m)	840.4

Led by strong earnings growth in zinc-lead business and power business at BALCO, company's EBITDA is expected to grow by 39% QoQ. Zinc-lead and power business would constitute 78% and 7% of the EBITDA, respectively. PAT would grow by 30% QoQ, lower compared to EBITDA growth, due to higher interest cost and higher minority interest.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	221,735	317,130	392,148
EBITDA	64,544	126,402	142,754
Margin (%)	*29.1*	*39.9*	*36.4*
PAT	39,966	76,959	89,702
EPS (Rs)	47.6	91.6	106.6
RoE (%)	*12.8*	*19.0*	*18.5*
PE (x)	18.5	9.6	8.3
P / BV (x)	2.0	1.6	1.4
EV / E (x)	9.3	4.7	5.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	63,849	44,456	43.6	60,855	170,075	168,094	1.2
EBITDA	18,427	4,746	288.2	13,218	41,436	39,362	5.3
Margin (%)	*28.9*	*10.7*	*18.2*	*21.7*	*24.4*	*23.4*	*0.9*
Reported PAT	16,817	7,323	129.6	12,403	38,459	40,485	(5.0)
PAT (Excl. Ex Items)	12,493	5,137	143.2	9,589	28,808	29,417	(2.1)
Operating Metrics							
LME avg. -Aluminium (US$)	2,001	1,891	5.8	1,806	1,936	2,575	(24.8)
Aluminium volume	64,313	89,020	(27.8)	63,892	199,726	279,879	(28.6)

Jindal Steel & Power

Rating	Reduce
Price	Rs712
Target Price	Rs517
Market Cap. (Rs bn)	680.1
Shares o/s (m)	955.7

We expect Jindal Steel and Power's (JPL's) net sales to decline by 8.5% due to sharp fall of 24% in the realisation. EBITDA would decline by 15% YoY to Rs5.8bn due to lower realisations. However, the impact of fall in realisations would be partially undone by complete absorption of cheaper priced coking coal contracts. JPL is expected to report PAT of Rs5.7bn, with an average realised rate of Rs5.2 per unit. Consolidated PAT for the quarter would stand at Rs8.8bn.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	113,110	132,319	142,765
EBITDA	60,623	73,254	78,527
Margin (%)	*53.6*	*55.4*	*55.0*
PAT	38,483	47,862	51,957
EPS (Rs)	40.6	50.4	54.6
RoE (%)	*43.3*	*36.5*	*29.1*
PE (x)	17.5	14.1	13.0
P / BV (x)	6.1	4.3	3.2
EV / E (x)	12.5	10.4	9.5

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	16,284	17,800	(8.5)	15,965	48,006	58,914	(18.5)
EBITDA	5,796	6,835	(15.2)	5,496	16,875	23,211	(27.3)
Margin (%)	*35.6*	*38.4*	*(2.8)*	*34.4*	*35.2*	*39.4*	*(4.2)*
Reported PAT	3,195	3,252	(1.7)	3,050	9,246	11,775	(21.5)
PAT (Excl. Ex Items)	3,195	3,792	(15.7)	3,050	9,246	13,704	(32.5)
Operating Metrics							
Sales volume (Tonnes)	562,311	491,623	14.4	540,663	1,981,103	1,030,026	92.3
Realisation	26,500	34,869	(24.0)	27,745	22,699	38,714	(41.4)
JPL-Power sales (Mn Kwh)	347	302	15.0	323	995	831	19.8
Rate per Kwh	4.0	3.1	29.0	4.1	3.9	3.0	29.8
JPL-PAT	5,566	5,746	(3.1)	5,147	17,716	9,306	90.4

Tata Steel

Rating	Reduce
Price	Rs634
Target Price	Rs541
Market Cap. (Rs bn)	562.1
Shares o/s (m)	886.5

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	972,874	1,149,804	1,213,793
EBITDA	62,796	147,821	190,144
Margin (%)	*6.5*	*12.9*	*15.7*
PAT	(22,375)	53,257	76,272
EPS (Rs)	(25.8)	60.1	86.0
RoE (%)	*(9.4)*	*18.5*	*22.0*
PE (x)	(24.5)	10.6	7.4
P / BV (x)	5.0	3.6	2.5
EV / E (x)	18.1	7.3	5.1

Driven by higher sales volume and full absorption of low priced coking coal contracts, Tata Steel's standalone EBITDA is expected to rise by 20% QoQ due to higher volume proportion of finished products (shut down undertaken at HSM for two weeks during Q2) and full benefit of lower priced coal contracts.

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	61,333	47,357	*29.5*	56,299	173,171	175,488	*(1.3)*
EBITDA	22,248	14,115	*57.6*	18,600	57,654	74,633	*(22.7)*
Margin (%)	*36.3*	*29.8*	*6.5*	*33.0*	*33.3*	*42.5*	*(9.2)*
Reported PAT	11,293	4,662	*142.2*	9,029	28,220	37,425	*(24.6)*
PAT (Excl. Ex Items)	11,293	5,440	*107.6*	9,029	28,220	55,532	*(49.2)*
Operating Metrics							
Volume (Mn tonnes)	1.6	1.2	*29.3*	1.5	3.1	3.8	*(18.4)*
Realisation per tonne	35,972	41,666	*(13.7)*	35,652	36,443	45,296	*(19.5)*
EBITDA per tonne	13,940	13,169	*5.8*	12,768	18,833	19,896	*(5.3)*

Tata Steel

Rating	Reduce
Price	Rs634
Target Price	Rs541
Market Cap. (Rs bn)	562.1
Shares o/s (m)	886.5

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	972,874	1,149,804	1,213,793
EBITDA	62,796	147,821	190,144
Margin (%)	*6.5*	*12.9*	*15.7*
PAT	(22,375)	53,257	76,272
EPS (Rs)	(25.8)	60.1	86.0
RoE (%)	*(9.4)*	*18.5*	*22.0*
PE (x)	(24.5)	10.6	7.4
P / BV (x)	5.0	3.6	2.5
EV / E (x)	18.1	7.3	5.1

On a consolidated basis, the company is expected to report PAT of Rs4.7bn against loss of Rs18bn in prior quarter on account of EBITDA positive earnings at Corus operations. We expect Corus to report EBITDA of US$82m with EBITDA per tonne of US$20.

Quarterly Table (Consolidated) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	252,348	331,910	*(24.0)*	252,698	736,851	1,206,156	*(38.9)*
EBITDA	27,497	46,014	*(40.2)*	3,718	3,419	201,637	*(98.3)*
Margin (%)	*10.9*	*13.9*	*(3.0)*	*1.5*	*0.5*	*16.7*	*(16.3)*
Reported PAT	4,577	7,322	*(37.5)*	(27,198)	(45,006)	93,505	*(148.1)*
PAT (Excl. Ex Items)	4,707	10,028	*(53.1)*	(17,959)	(33,151)	108,881	*(130.4)*
Operating Metrics							
Sales volume at Corus	4.1	4.3	*(4.8)*	3.9	12.1	16.2	*(25.4)*
Real. per tonne-Corus	849	1,251	*(32.1)*	894	926	1,173	*(21.1)*

Hindustan Zinc

Rating	Accumulate
Price	Rs1,210
Target Price	Rs1,373
Market Cap. (Rs bn)	511.2
Shares o/s (m)	422.5

Company's PAT is expected to grow by 34% QoQ on the back of 26% rise in LME average and higher sales volume (up 7% QoQ). Sharp rise in LME was partially negated by rise in royalty rates and appreciation of Rupee against US$.

Key Figures (Rs m)

Y/e March	FY09	FY10E	FY11E
Net Sales	75,530	96,805	109,289
EBITDA	53,469	68,845	81,362
Margin (%)	*70.8*	*71.1*	*74.4*
PAT	40,707	52,167	60,852
EPS (Rs)	96.3	123.5	144.0
RoE (%)	*25.0*	*25.2*	*23.2*
PE (x)	12.6	9.8	8.4
P / BV (x)	2.8	2.2	1.8
EV / E (x)	7.4	4.9	3.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	21,210	10,314	*105.6*	17,896	54,228	44,189	*22.7*
EBITDA	13,538	2,673	*406.6*	10,468	31,684	21,804	*45.3*
Margin (%)	*63.8*	*25.9*	*37.9*	*58.5*	*58.4*	*49.3*	*9.1*
Reported PAT	11,780	3,688	*219.4*	9,350	28,318	21,761	*30.1*
PAT (Excl. Ex Items)	11,780	3,688	*219.4*	9,350	28,318	21,761	*30.1*
Operating Metrics							
Zinc (US$)	2,212	1,219	*81.4*	1,755	1,816	1,722	*5.4*
Lead (US$)	2,285	1,270	*79.9*	1,921	1,905	1,838	*3.6*
Zinc volume	157,618	170,780	*(7.7)*	172,794	492,652	476,057	*3.5*
Lead volume	26,329	20,904	*26.0*	19,723	66,653	61,536	*8.3*
EBITDA per tonne (Rs.)	73,598	13,943	*427.9*	54,372	56,650	40,559	*39.7*

JSW Steel

Rating	Reduce
Price	Rs1,023
Target Price	Rs889
Market Cap. (Rs bn)	191.4
Shares o/s (m)	187.0

Company's EBITDA is expected to fall by 14% QoQ primarily on account of lower realisations, lower volumes and increase in repairs and maintenance cost on account of heavy floods at its plant. PAT would fall by 35% due to higher other income in previous quarter which included income of Rs602m related to CERs.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	178,233	244,908	317,064
EBITDA	39,278	54,091	81,748
Margin (%)	*22.0*	*22.1*	*25.8*
PAT	10,250	18,600	30,648
EPS (Rs)	56.8	100.6	164.8
RoE (%)	*12.9*	*20.1*	*27.1*
PE (x)	18.0	10.2	6.2
P / BV (x)	2.5	2.1	1.5
EV / E (x)	9.4	7.6	4.7

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	42,825	27,855	*53.7*	44,937	126,701	107,262	*18.1*
EBITDA	9,443	3,915	*141.2*	11,034	27,714	24,774	*11.9*
Margin (%)	*22.0*	*14.1*	*8.0*	*24.6*	*21.9*	*23.1*	*(5.3)*
Reported PAT	3,041	(1,275)	*LTP*	4,515	10,957	4,093	*167.7*
PAT (Excl. Ex Items)	3,041	(93)	*LTP*	4,665	9,461	9,557	*(1.0)*
Operating Metrics							
Sales volume (Mn Tonnes)	1.43	0.71	*101.1*	1.45	4.20	2	*77.8*
Realisation per tonne	29,948	39,178	*(23.6)*	30,906	30,138	45,373	*(33.6)*
EBITDA per tonne	6,603	5,506	*19.9*	7,589	6,592	10,480	*(37.1)*

Monnet Ispat

Rating	Accumulate
Price	Rs386
Target Price	Rs363
Market Cap. (Rs bn)	18.5
Shares o/s (m)	48.0

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	13,353	15,560	16,286
EBITDA	3,937	4,428	4,747
Margin (%)	*29.5*	*28.5*	*29.1*
PAT	162	113	79
EPS (Rs)	48.0	48.0	48.0
RoE (%)	*16.4*	*16.2*	*14.1*
PE (x)	8.0	8.0	8.0
P / BV (x)	1.2	1.1	1.0
EV / E (x)	12.2	12.4	12.2

Benefited by higher excess power sales volume, Monnet Ispat's (Monnet's) EBITDA would grow 24% to Rs1.3bn, despite a sharp decline in sponge iron realizations. PAT is expected to grow by 29% on the back of higher EBITDA and other income.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	3,497	4,001	*(12.6)*	3,140	10,199	11,786	*(13.5)*
EBITDA	1,066	798	*33.6*	965	3,107	2,885	*7.7*
Margin (%)	*30.5*	*19.9*	*10.5*	*30.7*	*30.5*	*24.5*	*6.0*
Reported PAT	652	335	*94.7*	643	1,908	1,658	*15.0*
PAT (Excl. Ex Items)	652	335	*94.7*	643	1,908	1,658	*15.0*
Operating Metrics							
Sponge iron sales volume	143,225	128,115	*11.8*	142,032	411,352	339,453	*21.2*
Realisation per tonne	14,000	14,032	*(0.2)*	11,994	12,786	18,430	*(30.6)*
Power sales (Mn Kwh)	240	167	*43.3*	192	628	280	*124.6*
Rate per Kwh	4.0	6.4	*(37.0)*	4.2	4.6	5.3	*(13.1)*

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Offshore, Ports & Shipbuilding

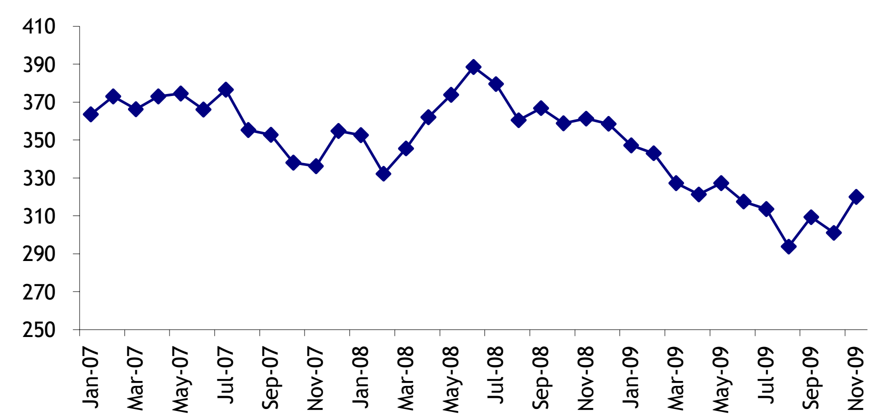
Offshore

Activities in the offshore services segment have witnessed a pick up over the last few months with a steady increase in tenders for rigs as well as offshore vessels. As per Baker Hughes data, the number of offshore rigs, since bottoming out in August 2009, has seen a steady increase. Rig utilizations too are heading in an upward direction.

The pick-up in activity has been positive for companies like Aban Offshore (Aban), whereby it was able to deploy four of its seven idle assets in Q2FY09. Great Offshore (GOFF) too, has embarked on the asset acquisition cycle, where it is has acquired assets available at attractive values from the secondary market.

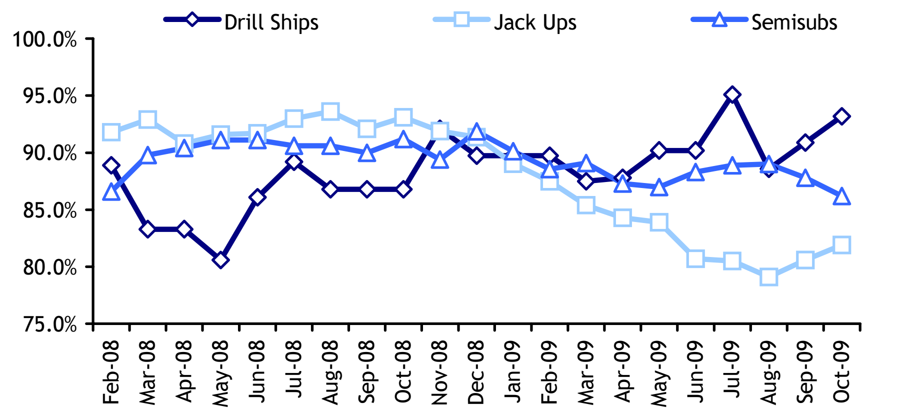
So far, day rates of rigs and offshore supply vessels (OSVs) have continued to remain under pressure. However, with oil continuing in the US$65-80 range and asset utilizations rising, we believe it's only a while away before we witness some pick-up in the day rates as well. Consequently, we expect the asset-owning companies to restart asset acquisition. However, most of these asset acquisitions are likely to take place from the secondary market where good value deals would be available.

Worldwide offshore rig count



Source: Baker Hughes

Rig utilizations



Source: Rigzone

Shipbuilding

The translation of a pick-up in offshore activity to fresh demand for the shipbuilding sector is still likely to be another 12-15 months away. Since we expect the first round of asset acquisitions to take place from the secondary market, fresh orders on asset builders is likely to take some time.

Any sort of contribution to orders from the cargo segment is also likely to take some time on account of the over capacity built-up. One of the segments on which all the Indian shipbuilders are hopeful is 'Defence'. The opportunity from the Defence segment is huge; however, the tendering process is also lengthy and could be a long time before anything substantial materializes.

Order book accretion is one the key concerns for the Indian private sector shipbuilders. These companies have not received any significant orders for over 12 months. Bharati Shipyard's (BHSL's) order book/sales ratio stands at 1.9x FY11 on account of which we have toned down our growth estimates for FY11 and FY12. In case of ABG Shipyard (ABGS), order book/sales stand at 3.6x in FY11. However, 10% of these orders are contributed by its group company. Order acquisition, thereby, remains a key parameter to monitor as far as these companies are concerned. However, we do believe that anything substantial on this front is another 12 months away.

Company's Order Book as on Q2FY10

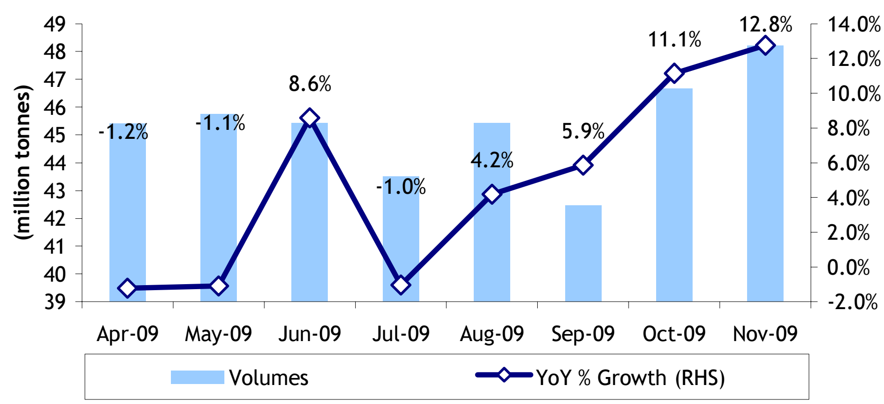
	ABG Shipyard	Bharati Shipyard
Order Book (Rs bn)	123	51
Unexecuted Order Book (Rs bn)	89	28
Order Book/Sales FY11 (x)	5.0	3.4
Unexecuted Order Book/Sales FY11 (x)	3.6	1.9

Source: Company Data, PL Research

Ports

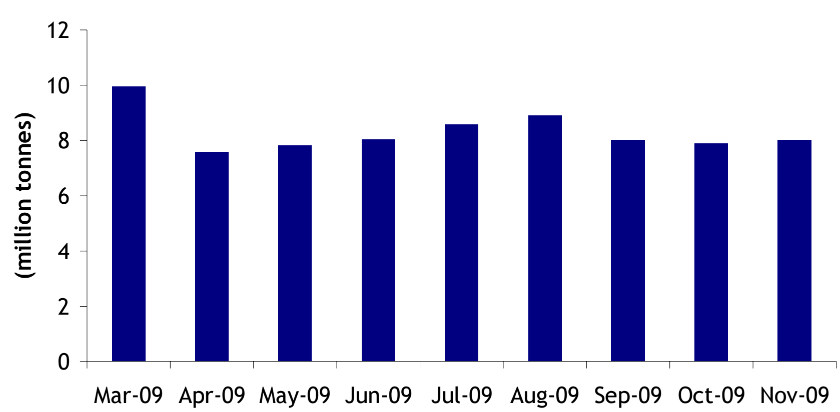
Volumes at the country's major ports have remained under pressure during the months of July-September 2009 and have only started to pick up October 2009 onwards. However, since August 2009, the ports have been registering YoY growth on account of the low base in 2008. In the month of November 2009, the growth stood at 12.8%. The mismatch between imports and exports has also been stabilizing. Container volumes at major ports have also been steady but under pressure.

Major Port Volumes



Source: IPA

Container Volumes at Major Ports



Source: IPA

Top Picks: Great Offshore, Aban Offshore

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	100,106	133,034	153,809
Growth (%)	*21.4*	*32.9*	*15.6*
EBITDA	45,459	64,895	74,697
Margin (%)	*45.4*	*48.8*	*48.6*
PAT	18,851	31,753	41,133
Growth (%)	*19.3*	*68.4*	*29.5*
PE (x)	17.8	10.6	8.2

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	25,245	22,327	*13.1*	20,245	*24.7*
EBITDA	11,737	9,834	*19.3*	9,484	*23.8*
Margin (%)	*46.5*	*44.0*	*2.4*	*46.8*	*(0.4)*
PAT (Excl. Ex Items)	4,843	5,061	*(4.3)*	3,364	*44.0*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Aban Offshore

Rating	Accumulate
Price	Rs1,332
Target Price	Rs1,420
Market Cap. (Rs bn)	58.0
Shares o/s (m)	43.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	30,501	33,077	47,304
EBITDA	17,327	16,535	29,570
Margin (%)	*56.8*	*50.0*	*62.5*
PAT	5,407	3,991	12,297
EPS (Rs)	134.6	97.2	241.7
RoE (%)	*32.1*	*19.3*	*29.2*
PE (x)	10.6	5.4	4.9
P / BV (x)	1.9	1.2	1.0
EV / E (x)	10.3	5.8	4.9

Quarterly Nos. are Standalone, Full Year are Consolidated

Five vessels commenced contracts this quarter. Of its 20 vessel fleet, only three rigs remain un-contracted as on date. We expect strong sequential growth on account of the deployment of additional rigs during the quarter.

Post the debt restructuring that the company undertook in Q2FY10, the company has raised equity to the tune of Rs7bn through a QIP at Rs1,225. With this equity issue, the company has met the repayment of its bonds which were due in December 2009.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	10,400	8,371	*24.2*	7,029	25,364	24,108	*5.2*
EBITDA	6,344	4,718	*34.5*	4,529	15,562	13,338	*16.7*
Margin (%)	*61.0*	*56.4*	*4.6*	*64.4*	*61.4*	*55.3*	*6.0*
Reported PAT	2,044	2,563	*(20.3)*	714	3,867	6,479	*(40.3)*
PAT (Excl. Ex Items)	2,044	2,563	*(20.3)*	714	3,867	6,479	*(40.3)*
Operating Metrics							
Fleet Size	20	14		20	20	14	
Uncontracted Rigs	3	0		4	3	0	
Number of vessels under dry-docking/refurbishment	1	3		2	1	3	

Great Offshore

Rating	Accumulate
Price	Rs464
Target Price	Rs679
Market Cap. (Rs bn)	17.2
Shares o/s (m)	37.1

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	12,737	15,287	18,514
EBITDA	6,284	7,447	8,610
Margin (%)	*49.3*	*48.7*	*46.5*
PAT	2,755	3,593	3,716
EPS (Rs)	74.2	96.7	100.0
RoE (%)	*38.2*	*38.3*	*30.4*
PE (x)	6.3	4.8	4.6
P / BV (x)	2.2	1.6	1.3
EV / E (x)	6.1	5.1	4.7

Quarterly Nos. are Standalone, Full Year are Consolidated

The growth in Q3FY10 is likely to be strong as compared to Q2FY10 which was a monsoon quarter. Utilizations for OSV's are likely to be much better this quarter. The company also has a larger fleet as it acquired three new vessels in Q2 and one in Q3FY10. GOFF's total fleet now stands at 65 vessels. The company is likely to continue asset acquisition as and when good attractive deals are available.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	2,725	2,758	*(1.2)*	2,287	7,305	6,379	*14.5*
EBITDA	1,175	1,157	*1.5*	971	3,132	2,476	*26.5*
Margin (%)	*43.1*	*42.0*	*1.2*	*42.5*	*42.9*	*38.8*	*4.1*
Reported PAT	477	577	*(17.4)*	314	1,013	1,398	*(27.5)*
PAT (Excl. Ex Items)	477	577	*(17.4)*	314	1,203	1,398	*(13.9)*
Operating Metrics							
Fleet Suze	65	60		64	65	60	
Utilization							
Drilling Rigs	100%	100%		100%			
Harbour Tugs	90%	100%		89%			
OSV	80%	94%		78%			
Gal Constructor	95%			97%			

Garware Offshore

Rating	Accumulate
Price	Rs176
Target Price	Rs195
Market Cap. (Rs bn)	4.2
Shares o/s (m)	23.8

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	2,199	2,744	3,107
EBITDA	1,155	1,440	1,669
Margin (%)	*52.5*	*52.5*	*53.7*
PAT	692	591	710
EPS (Rs)	29.0	24.8	29.8
RoE (%)	*26.4*	*18.6*	*19.0*
PE (x)	6.1	7.1	5.9
P / BV (x)	1.4	1.2	1.0
EV / E (x)	8.5	7.1	6.4

Two additional vessels commenced operations during the quarter. Besides, the quarter was extremely fruitful for the company as it won long-term contracts for two of its vessels. One PSV won a two year contract with British petroleum, while an AHTSV bagged a three year contract with ONGC. The company is expected to report other income of Rs220m on account of forfeiture of advance from a buyer for one of its vessel.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	609	516	*18.1*	542	1,721	1,298	*32.6*
EBITDA	310	228	*35.9*	227	857	666	*28.6*
Margin (%)	*51.0*	*44.3*	*6.7*	*41.9*	*49.8*	*51.3*	*(1.5)*
Reported PAT	355	103	*243.3*	63	573	198	*189.7*
PAT (Excl. Ex Items)	135	103	*30.6*	63	353	352	*0.1*
Operating Metrics							
Fleet Size	13	9		13	13	9	
Number of vessels under dry-docking	1	0		1	2	0	

Mundra Port & SEZ

Rating	Accumulate
Price	Rs556
Target Price	Rs637
Market Cap. (Rs bn)	222.9
Shares o/s (m)	400.7

We expect port volumes to remain flat on a sequential basis and expect 14% growth on a YoY basis. The sequential stagnation of volumes is on account of overall volumes across ports being under pressure. We expect SEZ sales to stand at approximately 75 acres for the quarter. Revenues for the quarter are likely to decline sequentially on account of lower SEZ sales. On a YoY basis, profit growth is likely to be strong at 54% on account of stronger EBITDA margins.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	14,919	22,483	30,050
EBITDA	10,520	16,248	22,091
Margin (%)	*70.5*	*72.3*	*73.5*
PAT	6,227	11,225	18,558
EPS (Rs)	15.5	28.0	46.3
RoE (%)	*18.3*	*27.2*	*33.5*
PE (x)	35.8	19.9	12.0
P / BV (x)	6.1	4.8	3.5
EV / E (x)	23.0	14.9	10.5

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	3,158	3,009	*5.0*	3,274	9,499	8,506	*11.7*
EBITDA	2,211	1,888	*17.1*	2,337	6,749	5,715	*18.1*
Margin (%)	*70.0*	*62.8*	*7.2*	*71.4*	*71.0*	*67.2*	*3.9*
Reported PAT	1,556	1,008	*54.4*	1,748	5,011	3,099	*61.7*
PAT (Excl. Ex Items)	1,556	1,008	*54.4*	1,748	5,011	3,099	*61.7*
Operating Metrics							
Port Volumes (Million Tonnes)	10.2	9.0	*13.6*	10.1	30.2	26.2	*15.2*
Avg. Rev./Tonne	290	298	*(2.8)*	287	285.7	288	*(0.8)*
SEZ sales (Acres)	75	0	–	135	215	166	*29.5*

Gateway Distriparks

Rating	Accumulate
Price	Rs135
Target Price	Rs146
Market Cap. (Rs bn)	14.6
Shares o/s (m)	107.7

We expect CFS volumes and realizations to remain flattish on a sequential basis as port volumes have picked only in the month of November post peaking in the month of July 2009. With regards to the rail business, the company has started operations at its Ludhiana ICD which is primarily focusing on EXIM business. The company has also added three rakes during the quarter, taking the count up to 18 rakes. We expect steady volume growth for its rail business.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	4,673	5,702	6,324
EBITDA	1527	1858	2037
Margin (%)	*32.7*	*32.6*	*32.2*
PAT	955	1,055	1,203
EPS (Rs)	8.8	9.7	11.1
RoE (%)	*12.9*	*13.2*	*13.9*
PE (x)	15.4	13.9	12.2
P / BV (x)	76.0	82.4	89.7
EV / E (x)	10.9	9.2	8.4

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	413.53	601.99	*(31.3)*	395.69	1200	1630	*(26.3)*
EBITDA	207	359	*(42.5)*	194	599	943	*(36.5)*
Margin (%)	*50.0*	*59.7*	*(9.7)*	*49.0*	*49.9*	*57.9*	*(8.0)*
Reported PAT	171	287	*(40.3)*	180	524	755	*(30.5)*
PAT (Excl. Ex Items)	171	287	*(40.3)*	180	524	755	*(30.5)*
Operating Metrics							
CFS Volumes (TEU's)	81,209	77,411	*4.9*	79,088	234,123	254,403	*(8.0)*
Revenue/TEU Rs.	6,365	8,996	*(29.2)*	6,249	6,357	7,464	*(14.8)*

ABG Shipyard

Rating	Accumulate
Price	Rs212
Target Price	Rs232
Market Cap. (Rs bn)	11.6
Shares o/s (m)	54.9

We expect flat YoY growth on account of the slowdown in rig construction as the installments from Essar have been delayed. On account of the same, we also expect the interest cost to remain high as the company's working capital loans continue to increase. We expect ABG to book 'other income' to the tune of Rs520m on account of the profit on the 8.3% GOFF stake it relinquished this quarter.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	19,500	24,500	29,890
EBITDA	3,998	4,729	5,530
Margin (%)	*20.5*	*19.3*	*18.5*
PAT	1,612	1,822	2,122
EPS (Rs)	29.4	33.2	38.6
RoE (%)	*25.0*	*22.9*	*21.9*
PE (x)	7.2	6.4	5.5
P / BV (x)	1.6	1.3	1.1
EV / E (x)	7.6	6.8	6.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	4,750	4,764	(0.3)	3,554	11,986	10,163	17.9
EBITDA	900	1,076	(16.4)	629	2,358	2,517	(6.3)
Margin (%)	*18.9*	*22.6*	*(3.6)*	*17.7*	*19.7*	*24.8*	*(5.1)*
Reported PAT	888	460	92.8	459	1,826	1,191	53.3
PAT (Excl. Ex Items)	273	373	(26.8)	136	713	928	(23.2)
Operating Metrics							
Order Book	123,000	116,000	6.0	123,000	123,000	116,000	6.0
Unexecuted Order Book	84,441	92,700	(8.9)	89,191	84,441	92,700	(8.9)
Subsidy Booked	350	125	180.0	461	1,061	251	322.7

Bharati Shipyard

Rating	BUY
Price	Rs233
Target Price	Rs325
Market Cap. (Rs bn)	7.1
Shares o/s (m)	30.3

On a sequential basis, we expect Bharati Shipyard's (Bharati's) topline growth to be flat. However, we expect the company's PAT to decline on account of an increase in the interest cost due to larger borrowings for GOFF's open offer. The company's debt now stands at approximately Rs12bn. The main concern for the company is its order book which has seen no accretion during this quarter as well.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	13,000	15,015	16,517
EBITDA	2,353	2,748	2,989
Margin (%)	*18.1*	*18.3*	*18.1*
PAT	845	899	1,190
EPS (Rs)	27.9	29.6	39.3
RoE (%)	*16.0*	*14.9*	*17.3*
PE (x)	8.3	7.8	5.9
P / BV (x)	1.3	1.1	1.0
EV / E (x)	7.6	6.6	5.8

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	3,190	2,307	38.3	3,163	9,398	6,447	45.8
EBITDA	590	407	45.1	596	1,749	1,182	47.9
Margin (%)	*18.5*	*17.6*	*0.9*	*18.8*	*18.6*	*18.3*	*0.3*
Reported PAT	302	318	(5.1)	327	1,001	987	1.4
PAT (Excl. Ex Items)	186	149	25.3	209	360	378	(4.9)
Operating Metrics							
Order Book	50,655	48,981	3.4	50,655	50,655	48,981	3.4
Unexecuted Order Book	24,753	33,629	(26.4)	27,943	24,753	33,629	(26.4)
Subsidy Booked	165	242	(31.9)	169	583	628	(7.2)

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Oil, Gas & Petrochemicals

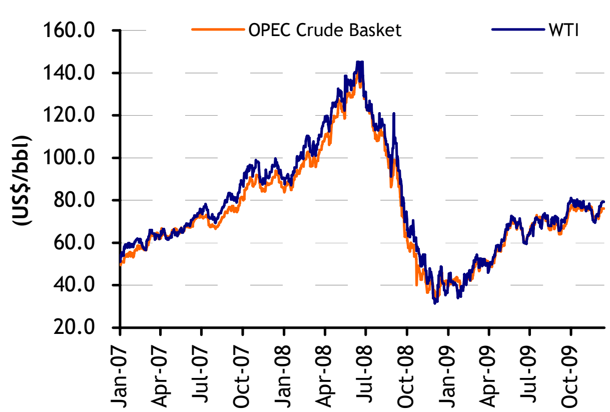
After experiencing bouts of highs and lows during Q2FY10, crude prices broadly traded in a range of about US$75-77/bbl. Nevertheless, we witnessed crude prices crossing the much coveted resistance level of US$80/bbl for a few trading sessions without decisively breaching the mark. Positive global economic data earlier during the quarter kept oil prices firm during most part of the quarter. Even after positive petroleum product demand forecasts for 2010 by the international energy agencies, product crack spreads remained weak throughout the quarter imposing pressure on GRMs. Petchem, on the other hand, remained stable during the quarter on the back of stable demand from the Asian region.

Crude - averaged at US$75.9/bbl during Q3FY10

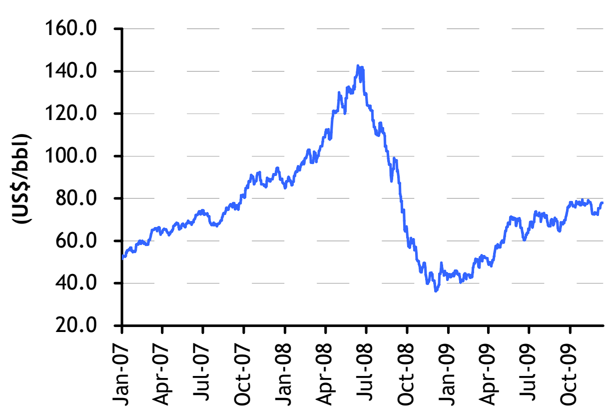
Crude prices started inching up from about US$70/bbl from the start of the quarter. With strong economic cues from the global markets, oil prices swiftly moved upwards and even crossed the US$80/bbl mark for a brief period of time. Later, oil prices remained stable at about US$76-77/bbl for a larger part of the quarter and remained volatile during December 2009. Fall in crude prices was primarily triggered by concern over US petroleum product consumption. Oil prices, thus, averaged at US$75.9/bbl during Q3FY10.

Organisation of Petroleum-Exporting countries (OPEC) once again faltered on its compliance, with average crude production further increasing from Q2FY10 level of 28.5million barrels per day (mbpd) to 28.9mbpd in Q3FY10. OPEC members retained the production targets for the member countries in its meeting held in Angola on December 22, 2010.

Crude price - WTI, OPEC

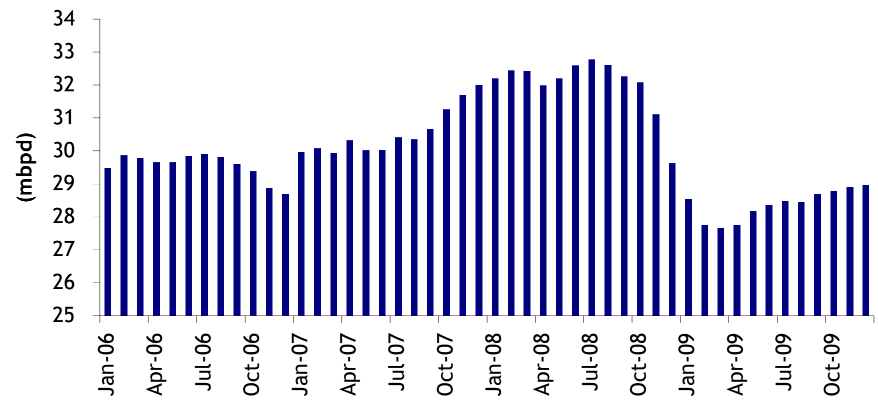


Indian crude basket



Source: Bloomberg, PNGRB, PL Research

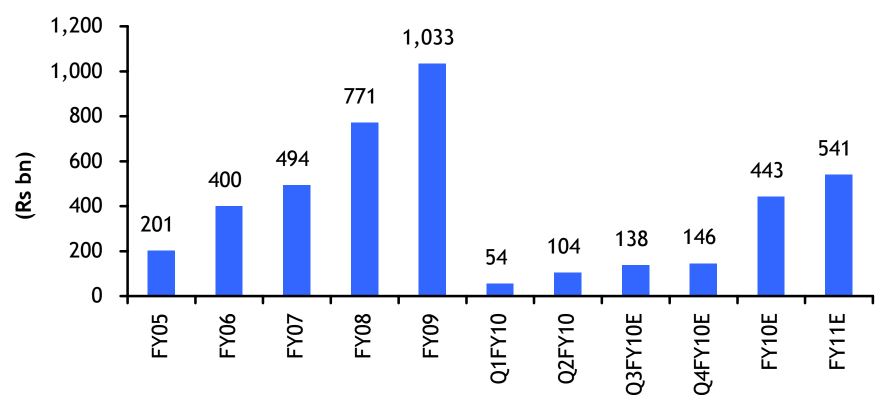
OPEC monthly crude oil production



Source: Bloomberg, PL Research

Indian crude prices during Q3FY10 averaged at US$75.4/bbl (Q2FY10 - US$68.3/bbl). Government did not announce issuance of any oil bonds for the beleaguered OMCs during the quarter. However, we believe that there will be an announcement pertaining to oil bonds sometimes during January 2010. This government support is much needed for the OMCs to report positive numbers. Since crude is traded in a narrow range, there will not be any inventory gains or losses for the OMCs for Q3FY10. Under-recoveries for Q3FY10 are expected to be about Rs138bn, of which over 41% are estimated for the auto fuels (petrol and diesel) and the rest for cooking fuels (PDS kerosene and domestic LPG).

Under-recoveries

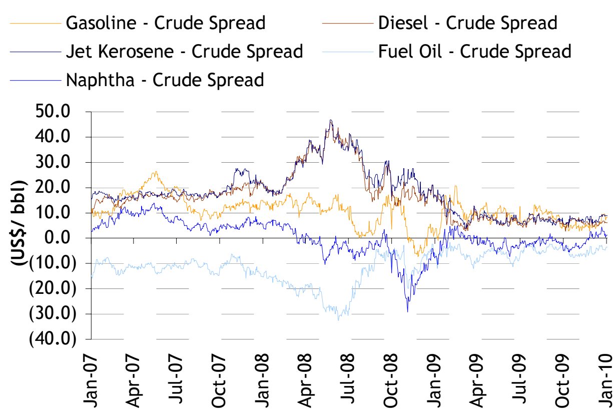


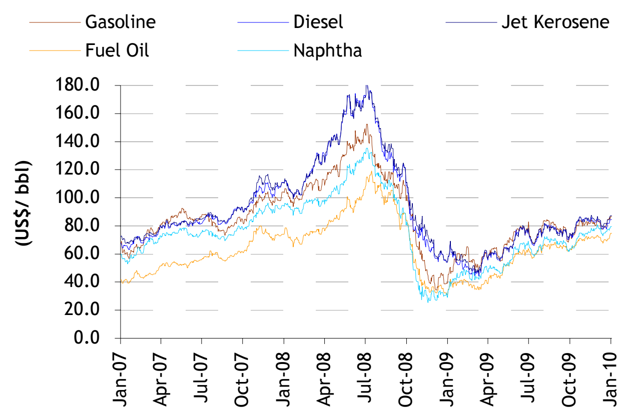
Source: PPAC, PL Research

Petroleum product prices - slip further

Petroleum product demand continued to remain weak during Q3FY10. Petroleum product crack spreads remained under pressure throughout the quarter, further impacting the refining margins. Largest contraction was witnessed in Gasoline-Crude spreads which averaged at US$5.2/bbl during Q3FY10 (Q2FY10 - US$9.0/bbl). Diesel-Crude spreads remained weak at US$6.2/bbl (Q2FY10 - US$6.9/bbl). Although, Naphtha-Crude spreads averaged at US$(1.3)/bbl during the quarter, they turned positive from mid-December and are currently trading in positive territory. Fuel Oil-Crude spreads also showed some deterioration, averaging at US$(5.5)/bbl from US$(4.2)/bbl in Q2FY10.

Petroleum product prices and spreads



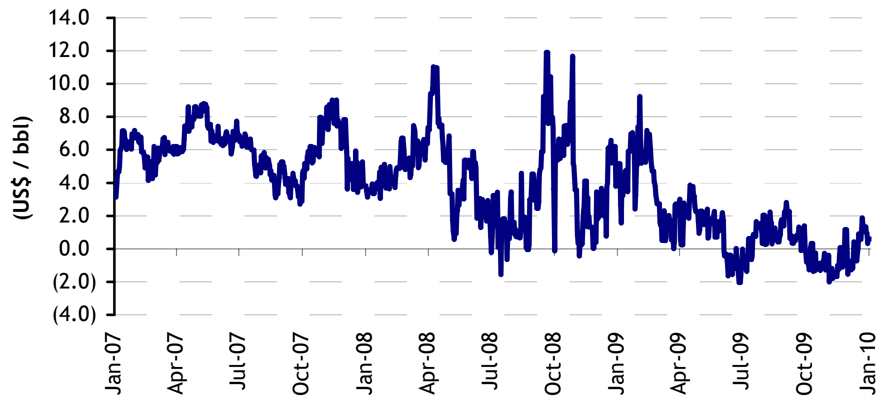


Source: Bloomberg, PL Research

GRMs - under pressure

Singapore complex GRMs remained subdued during the quarter. GRMs remained negative for most part of the quarter and averaged at US$(0.5)/bbl (Q2FY10 - US$0.9/bbl). GRMs remained under pressure despite crude oil demand upgrades by international energy agencies, implying about 1.5-2.0% YoY jump in crude demand during 2010. Crude and middle distillates inventory across the developed countries still remains high, thus, impacting the GRMs. Indian refiners are expected to post one of the worst quarterly GRMs in the last several quarters due to the subdued refining environment. Since crude traded in a very narrow range throughout the quarter, the refiners will not receive any support from inventory gains.

Singapore Complex GRMs

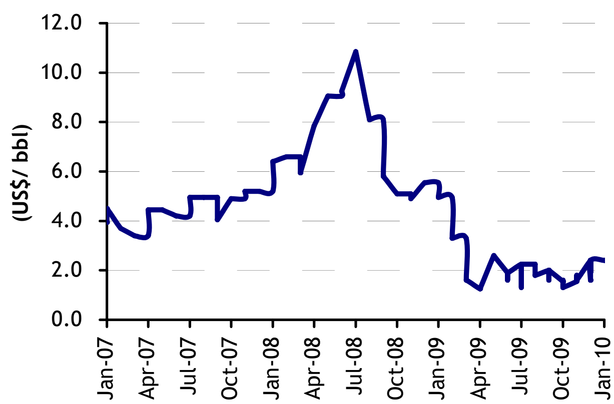


Source: Bloomberg, PL Research

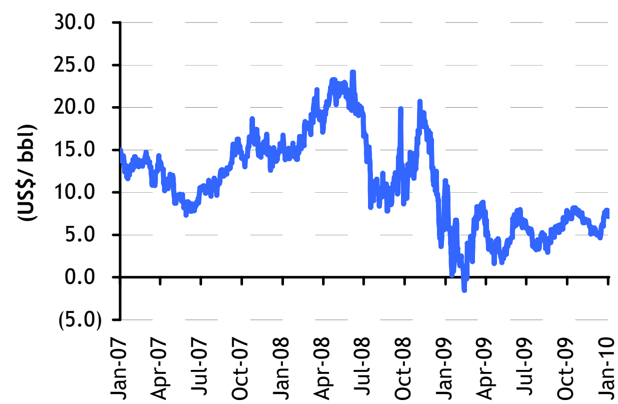
Crude differentials -complex refiners losing sheen

Sequentially, the light-heavy differentials remained stable and averaged at US$1.8/bbl. However, the WTI-WTS sweet-sour differentials improved from US$1.7/bbl to US$2.1/bbl. Substantially higher OPEC spare capacity and weak crude demand has been putting pressure on the light-heavy and sweet-sour differentials since past few quarters. Refining margins for complex refiners are getting impacted not only due to lower crack spreads but also due to declining light-heavy and sweet-sour differentials. These differentials are expected to revive only after revival in petroleum product demand.

Arab light-heavy differential



WTI-WTS sweet-sour differential

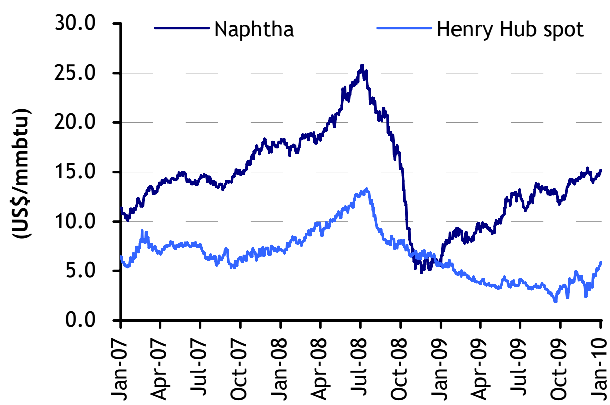


Source: Bloomberg, PL Research

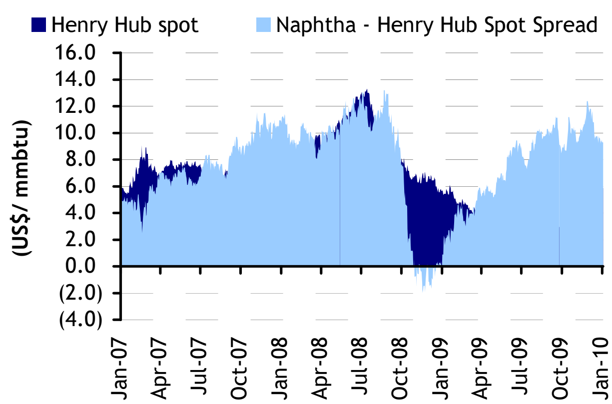
Natural gas - winter rally

US natural gas storage capacities remained at their peak levels for most part of the quarter. Henry Hub spot natural gas prices started recuperating from the beginning of the quarter and slowly increased from about US$2.3/mmbtu to about US$5.5/mmbtu, primarily owing to the start of the winter season. Spot natural gas prices, thus, averaged at US$3.9/mmbtu during Q3FY10 as against US$3.1/mmbtu in Q2FY10. However, we believe it's a phenomenon pertaining to the winter season and the prices will correct post winter season as prices are not moving up due to hike in industrial activity. The LNG market also remained vibrant, with reasonable amount of spot LNG availability in the market at reasonable prices.

Henry Hub natural gas price



Naphtha Henry Hub natural gas differential



Source: Bloomberg, PL Research

Top Picks: GAIL, Oil India, Indraprastha Gas

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	5,684,907	7,071,385	7,924,374
Growth (%)	*0.5*	*24.4*	*12.1*
EBITDA	921,178	1,166,979	1,316,056
Margin (%)	*16.2*	*16.5*	*16.6*
PAT	530,798	644,168	758,749
Growth (%)	*23.5*	*21.4*	*17.8*
PE (x)	15.0	12.4	10.5

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	1,342,016	1,146,211	*17.1*	1,245,375	*7.8*
EBITDA	196,796	132,700	*48.3*	179,584	*9.6*
Margin (%)	*14.7*	*11.6*	*3.1*	*14.4*	*0.2*
PAT (Excl. Ex Items)	106,536	70,469	*51.2*	101,606	*4.9*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Reliance Industries

Rating	Reduce
Price	Rs1,075
Target Price	Rs997
Market Cap. (Rs bn)	3,533.6
Shares o/s (m)	3,286.0

RIL is expected to report lowest ever GRMs in the past several quarters of US$5.3/bbl (incl. RPL) owing to weak refining environment during the entire Q2FY10. Petchem prices remained stable during the quarter. However, the feedstock prices moved up slightly. Hence, petchem margins are anticipated to be a tad lower sequentially. Average KG basin gas volumes are expected at 45.0mmscmd which will not only provide fillip to the profitability from oil and gas segment but also to the overall profitability.

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	1,838,092	2,346,660	2,526,987
EBITDA	287,791	426,597	474,272
Margin (%)	*15.7*	*18.2*	*18.8*
PAT	211,136	241,849	276,784
EPS (Rs)	92.1	104.0	115.5
RoE (%)	*16.3*	*16.5*	*16.6*
PE (x)	11.7	10.3	9.3
P/BV (x)	16.7	14.6	12.8
EV / E (x)	14.3	9.4	8.0

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	517,458	315,630	*63.9*	468,480	1,306,488	1,178,300	*10.9*
EBITDA	75,398	53,630	*40.6*	72,170	205,778	179,650	*14.5*
Margin (%)	*14.6*	*17.0*	*(2.4)*	*15.4*	*15.8*	*15.2*	*0.5*
Reported PAT	39,136	35,010	*11.8*	38,520	114,016	117,270	*(2.8)*
PAT (Excl. Ex Items)	39,136	35,010	*11.8*	38,520	114,016	117,270	*(2.8)*
Operating Metrics							
GRMs (US$/bbl)	5.3	13.4	*(60.4)*	6.0	12.9	14.6	*(11.3)*
Crude throughput (mmt)	16.1	8.2	*95.8*	15.7	43.7	16.3	*167.5*
Petchem. EBIT (Rs m)	20,584	18,970	*8.5*	21,950	63,334	34,760	*82.2*
Refining EBIT (Rs m)	11,742	27,740	*(57.7)*	13,470	36,362	58,140	*(37.5)*
Oil & Gas EBIT (Rs m)	17,479	6,450	*171.0*	12,260	39,819	11,480	*246.9*

Note: FY10 numbers include KG Basin estimates, Q3FY10 numbers incl. RPL consolidation

ONGC

Rating	Accumulate
Price	Rs1,187
Target Price	Rs1,282
Market Cap. (Rs bn)	2,539.5
Shares o/s (m)	2,138.9

Total O+OEG sales are expected to remain flattish sequentially on the back flattish production of both oil and natural gas. We expect Oil and Natural Gas Corporation (ONGC) to share substantially higher subsidy burden of Rs43.3bn for Q3FY10 (Q2FY10-Rs26.3bn), offering a discount of US$24.9/bbl. Crude oil net realisation, thus, will remain muted at US$51.1/bbl (Q2FY10 - US$56.4/bbl, Q3FY09 - 34.0/bbl).

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	1,086,784	1,265,876	1,414,855
EBITDA	444,925	468,878	549,080
Margin (%)	*40.9*	*37.0*	*38.8*
PAT	211,319	249,253	307,519
EPS (Rs)	98.8	116.5	143.8
RoE (%)	*21.6*	*22.2*	*23.5*
PE (x)	12.0	10.2	8.3
P/BV (x)	2.4	2.1	1.8
EV / E (x)	5.7	5.5	4.6

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	135,613	125,387	*8.2*	151,916	436,983	501,843	*(12.9)*
EBITDA	83,370	51,033	*63.4*	88,345	267,386	254,579	*5.0*
Margin (%)	*61.5*	*40.7*	*20.8*	*58.2*	*61.2*	*50.7*	*10.5*
Reported PAT	46,230	24,748	*86.8*	50,891	145,600	138,759	*4.9*
PAT (Excl. Ex Items)	46,230	24,748	*86.8*	50,891	145,600	139,194	*4.6*
Operating Metrics							
Crude Sales (MMT)	5.5	5.7	*(3.8)*	5.6	16.5	17.3	*(4.7)*
Gas sales (BCM)	5.2	5.2	*(0.1)*	5.2	15.5	15.6	*(0.6)*
Crude gross real. (US$/bbl)	76.0	59.0	*28.8*	70.5	69	101	*(31.9)*
Crude net real. (US$/ bbl)	51.1	34.0	*50.4*	56.4	55	50	*10.6*
Subsidy sharing	43,263	48,990	*(11.7)*	26,300	73,853	273,730	*(73.0)*

Cairn India

Rating	Reduce
Price	Rs286
Target Price	Rs240
Market Cap. (Rs bn)	541.6
Shares o/s (m)	1,896.7

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	29,856	96,940	125,926
EBITDA	21,829	81,277	105,385
Margin (%)	73.1	83.8	83.7
PAT	18,511	53,954	72,941
EPS (Rs)	9.8	28.4	38.5
RoE (%)	5.5	14.4	16.7
PE (x)	29.3	10.0	7.4
P/BV (x)	1.6	1.4	1.1
EV / E (x)	23.6	6.0	4.2

Crude from Rajasthan will start contributing from Q3FY10. We expect Rajasthan crude sales of about 1.4m bbls for Q3FY10. Currently, the Rajasthan block is producing on an average about 20,000bpd crude oil. However, production from Cambay and Ravva blocks is expected to be slightly lower sequentially. About 10.0% sequential jump in crude realisations will aid the revenues. However, Rajasthan crude is expected to attract a discount of about 12.0-13.0%.

Quarterly Table (Consolidated) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	9,969	2,108	*372.9*	2,298	14,316	9,351	*53.1*
EBITDA	7,422	575	*1,191.8*	1,216	9,651	5,272	*83.1*
Margin (%)	*74.5*	*27.3*	*47.2*	*52.9*	*67.4*	*56.4*	*11.0*
Reported PAT	5,260	2,364	*122.5*	4,695	10,409	6,887	*51.1*
PAT (Excl. Ex Items)	5,260	2,364	*122.5*	4,695	10,409	6,887	*51.1*
Operating Metrics							
Crude Sales (bopd)	26,199	11,929	*119.6*	11,253	16,569	11,929	*38.9*
Gas sales (mmscfd)	19.0	28.0	*(32.2)*	19.1	20.1	28.0	*(28.1)*
Crude real. (US$/bbl)	76.0	56.4	*34.8*	69.1	70.3	88.8	*(20.8)*
Cr. real. - Rajast. (US$/bbl)	66.1	-	-	-	-	-	-
Gas real. (US$/ mmscfd)	4.0	4.0	*0.0*	3.9	4.0	4.1	*(3.0)*

Note: Extraordinary item - Forex Gains

GAIL

Rating	Accumulate
Price	Rs415
Target Price	Rs416
Market Cap. (Rs bn)	526.5
Shares o/s (m)	1,268.5

Key Figures (Standalone) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	244,023	294,741	307,715
EBITDA	43,821	47,294	51,870
Margin (%)	*18.0*	*16.0*	*16.9*
PAT	29,219	32,537	35,812
EPS (Rs)	23.0	25.7	28.2
RoE (%)	*18.7*	*18.6*	*18.2*
PE (x)	18.0	16.2	14.7
P/BV (x)	3.2	2.8	2.5
EV / E (x)	11.7	11.1	10.3

Higher subsidy burden is expected to take a toll on GAIL's performance for Q3FY10. However, higher transmission volumes (about 6.0% sequential rise) due to a ramp up in KG basin gas output will support the operating performance. Also, more or less stable Petchem prices during the quarter (about US$1,350/tonne) will also aid overall EBITDA margins.

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	58,424	58,160	*0.5*	62,243	181,081	177,193	*2.2*
EBITDA	8,749	2,703	*223.6*	10,395	29,998	31,445	*(4.6)*
Margin (%)	*15.0*	*4.6*	*10.3*	*16.7*	*16.6*	*17.7*	*(1.2)*
Reported PAT	6,047	2,534	*138.7*	7,132	19,738	21,737	*(9.2)*
PAT (Excl. Ex Items)	6,047	2,534	*138.7*	7,132	19,738	21,737	*(9.2)*
Operating Metrics							
Nat. gas trans. (mmscmd)	113	84	*33.8*	107	105	84	*26.2*
LPG Transmission (TMT)	730	763	*(4.3)*	728	2,199	2,029	*8.4*
Petchm. LPG etc. (TMT)	470	484	*(2.9)*	467	1,363	1,370	*(0.5)*
Nat. gas trans. EBITDA	7,141	4,170	*71.2*	6,800	19,801	13,620	*45.4*
LPG Transmission EBITDA	782	790	*(1.0)*	760	2,402	2,130	*12.8*
Petchm. LPG etc. EBITDA	(11)	(570)	*(98.0)*	2,650	7,399	17,200	*(57.0)*

Oil India

Rating	BUY
Price	Rs1,240
Target Price	Rs1,435
Market Cap. (Rs bn)	298.2
Shares o/s (m)	240.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	86,011	84,498	96,929
EBITDA	39,913	40,147	47,561
Margin (%)	*46.4*	*47.5*	*49.1*
PAT	27,503	28,751	33,596
EPS (Rs)	114.4	119.6	139.7
RoE (%)	*23.5*	*19.2*	*19.8*
PE (x)	10.8	10.4	8.9
P/BV (x)	0.5	0.4	0.4
EV / E (x)	5.1	4.7	3.6

Oil production is expected to remain stable while gas production is expected to jump slightly sequentially. While the gross crude oil realisations are expected to be at about US$76.0/bbl, OIL is expected to offer US$18.2/bbl discount to the OMCs. Higher crude prices will result in higher subsidy sharing by OIL during Q3FY10 at Rs5.8bn (Q2FY10-Rs3.6bn).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	20,564	-	-	21,431	61,741	-	-
EBITDA	9,784	-	-	10,417	30,437	-	-
Margin (%)	47.6	-	-	48.6	49.3	-	-
Reported PAT	7,161	-	-	7,226	21,783	-	-
PAT (Excl. Ex Items)	7,161	-	-	7,226	21,783	-	-
Operating Metrics							
Production							
Crude Oil (mmt)	0.9	-	-	0.9	2.7	-	-
Natural Gas (mmscmd)	6.6	-	-	6.5	6.6	-	-
Realisations - Crude (US$/bbl)	0.0	-	-	0.0	-	-	-
Gross realisation	76.0	-	-	67.4	-	-	-
Subsidy sharing	18.2	-	-	10.5	-	-	-
Net realisation	57.8	-	-	56.9	-	-	-

BPCL

Rating	Accumulate
Price	Rs651
Target Price	Rs637
Market Cap. (Rs bn)	235.3
Shares o/s (m)	361.5

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	1,156,131	1,385,052	1,565,979
EBITDA	28,117	37,679	23,564
Margin (%)	*2.4*	*2.7*	*1.5*
PAT	13,601	12,549	7,347
EPS (Rs)	37.6	34.7	20.3
RoE (%)	*9.8*	*8.4*	*4.7*
PE (x)	17.3	18.7	32.0
P/BV (x)	1.6	1.5	1.5
EV / E (x)	14.9	10.0	14.6

We expect government support of over Rs38.2bn through oil bonds for 9MFY10 in January 2010. We don't expect any under-recoveries absorption for Bharat Petroleum Corporation (BPCL) during Q3FY10. Sequentially, the GRMs are expected to decline due to a decline in the product crack spreads. Conversely, we don't expect any benefit from inventory gains during Q3FY10.

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	306,361	319,080	*(4.0)*	270,923	832,428	1,088,062	*(23.5)*
EBITDA	7,467	15,445	*(51.7)*	(950)	14,188	(13,423)	*LTP*
Margin (%)	*2.4*	*4.8*	*(2.4)*	*(0.4)*	*1.7*	*(1.2)*	*2.9*
Reported PAT	3,840	7,998	*(52.0)*	(1,588)	8,393	(28,921)	*LTP*
PAT (Excl. Ex Items)	3,840	7,998	*(52.0)*	(1,588)	8,393	(28,921)	*LTP*
Operating Metrics							
Crude throughput (mmt)	5.0	4.8	*3.7*	5.0	14.2	15.1	*(6.0)*
Market sales (mmt)	6.8	6.8	*(0.6)*	6.5	20.2	20.1	*0.8*
Subsidy from upstream	13,573	12,401	*9.4*	8,830	23,977	73,186	*(67.2)*
Oil bonds accrued	38,237	35,984	*6.3*	0	38,237	141,468	*(73.0)*

HPCL

Rating	Accumulate
Price	Rs400
Target Price	Rs407
Market Cap. (Rs bn)	135.3
Shares o/s (m)	338.6

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	1,099,391	1,402,837	1,653,460
EBITDA	29,570	32,132	27,468
Margin (%)	*2.7*	*2.3*	*1.7*
PAT	8,534	10,769	8,479
EPS (Rs)	25.1	31.6	24.9
RoE (%)	*7.5*	*8.9*	*6.6*
PE (x)	15.9	12.6	16.1
P/BV (x)	1.2	1.1	1.0
EV / E (x)	11.0	9.2	9.6

We expect government support of over Rs41.8bn through oil bonds for 9MFY10 in January 2010. We don't expect any under-recoveries absorption for Hindustan Petroleum Corporation (HPCL) during Q3FY10. Sequentially, the GRMs are expected to decline due to a decline in the product crack spreads. Conversely, we don't expect any benefit from inventory gains during Q3FY10.

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	280,785	294,438	*(4.6)*	246,290	771,436	997,235	*(22.6)*
EBITDA	7,731	5,294	*LTP*	1,719	22,712	(23,663)	*LTP*
Margin (%)	*2.8*	*1.8*	*1.0*	*0.7*	*2.9*	*(2.4)*	*5.3*
Reported PAT	2,851	(4,220)	*LTP*	(1,367)	7,976	(45,291)	*LTP*
PAT (Excl. Ex Items)	2,851	(4,220)	*LTP*	(1,367)	7,976	(45,291)	*LTP*
Operating Metrics							
Crude throughput (mmt)	4.1	4.1	*0.5*	4.0	12.2	11.6	*5.1*
Market sales (mmt)	6.7	6.4	*4.9*	6.3	19.8	18.6	*6.7*
Subsidies	13,007	12,414	*4.8*	7,604	0	66,170	–
Oil bonds	41,876	33,186	*26.2*	0	0	126,550	–

Gujarat State Petronet

Rating	Accumulate
Price	Rs99
Target Price	Rs110
Market Cap. (Rs bn)	55.5
Shares o/s (m)	562.1

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	10,525	12,083	13,201
EBITDA	9,953	11,177	12,211
Margin (%)	*94.6*	*92.5*	*92.5*
PAT	3,058	3,335	3,579
EPS (Rs)	5.4	5.9	6.4
RoE (%)	*23.3*	*21.9*	*20.5*
PE (x)	18.1	16.6	15.5
P/BV (x)	4.2	3.6	3.2
EV / E (x)	6.9	6.3	5.7

With a rise in the KG basin production volumes, Gujarat State Petronet's (GSPL's) transmission volumes are slated to jump from 31.1mmscmd in Q2FY10 to 35.9mmscmd in Q3FY10. Average transmission tariff is expected to remain stable during the quarter. Sequential volume jump will enable the company to report sequential earnings growth.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	2,904	1,174	*147.3*	2,548	7,560	3,555	*112.6*
EBITDA	2,747	1,016	*170.3*	2,443	7,170	3,116	*130.1*
Margin (%)	*94.6*	*86.5*	*8.0*	*95.9*	*94.8*	*87.7*	*7.2*
Reported PAT	1,235	276	*346.7*	1,101	3,140	887	*254.2*
PAT (Excl. Ex Items)	1,235	276	*346.7*	1,101	3,140	887	*254.2*
Operating Metrics							
Trans. volumes (mmscmd)	35.9	13.1	*174.0*	31.1	30.8	15.5	*98.0*
Avg. trans. Tariff (Rs/ '000scm)	880	975	*(9.7)*	891	893	832	*7.4*

Petronet LNG

Rating	Reduce
Price	Rs73
Target Price	Rs68
Market Cap. (Rs bn)	54.6
Shares o/s (m)	750.0

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	109,007	150,065	177,490
EBITDA	8,736	13,332	14,117
Margin (%)	*8.0*	*8.9*	*8.0*
PAT	4,092	6,454	6,902
EPS (Rs)	5.5	8.6	9.2
RoE (%)	*19.4*	*26.0*	*23.0*
PE (x)	13.4	8.5	7.9
P/BV (x)	2.4	2.0	1.7
EV / E (x)	8.6	5.9	5.8

Sequentially, re-gasification volumes are expected to decline due to stoppage of RGPPL supplies from September 30, 2009. Spot volumes are also expected to be down due to increased KG basin gas supplies. However, blended re-gasification margins are expected to remain strong. Incrementally, the re-gasification margins will be higher due to 5% escalation exercised from January 1, 2010 (new re-gasification margins at Rs31.0/mmbtu).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	23,710	24,730	*(4.1)*	34,067	83,900	57,738	*45.3*
EBITDA	2,214	1,855	*19.4*	2,537	6,569	5,596	*17.4*
Margin (%)	*9.3*	*7.5*	*1.8*	*7.4*	*7.8*	*9.7*	*(1.9)*
Reported PAT	943	1,051	*(10.2)*	1,207	3,183	3,141	*1.4*
PAT (Excl. Ex Items)	943	1,051	*(10.2)*	1,207	3,183	3,141	*1.4*
Operating Metrics							
Contracted LNG (TBTUs)	64.5	60.1	*7.4*	62.3	189.5	189.7	*(0.1)*
Spot LNG (TBTUs)	23.0	25.0	*(8.0)*	51.5	110.6	49.2	*124.8*
Blended regas. margins	29.4	25.3	*16.1*	25.3	25.2	27.3	*(7.7)*
EBITDA/Ton	1,290.6	1,112.1	*16.0*	1,136.8	1,116.3	1,194.7	*(6.6)*

Gujarat Gas

Rating	Accumulate
Price	Rs235
Target Price	Rs268
Market Cap. (Rs bn)	30.2
Shares o/s (m)	128.3

Key Figures (Rs m)

Y/e Dec	CY09E	CY10E	CY11E
Net Sales	14,292	17,027	20,023
EBITDA	2,744	3,254	3,802
Margin (%)	*19.2*	*19.1*	*19.0*
PAT	1,730	2,073	2,464
EPS (Rs)	13.4	16.1	19.1
RoE (%)	*22.1*	*22.0*	*21.7*
PE (x)	17.6	14.7	12.3
P/BV (x)	3.5	2.9	2.4
EV / E (x)	10.6	8.6	6.9

Gujarat Gas' (GujGas)' distribution volumes are expected to jump by about 3.0% sequentially and about 16.0% YoY on the back of spot LNG volumes. The company continued to procure about 0.7-1.0mmscmd spot LNG during the quarter augmenting overall distribution volumes. EBITDA margins are expected to remain stable sequentially as tariffs remain unchanged.

Quarterly Table (Rs m)

Y/e Dec	Q4 CY09E	Q4 CY08	*YoY gr. (%)*	Q3 CY09	12M CY09E	12M CY08	*YoY gr. (%)*
Net Sales	3,956	3,309	*19.6*	3,879	13,013	14,292	*(8.9)*
EBITDA	718	471	*52.6*	709	2,352	2,744	*(14.3)*
Margin (%)	*18.1*	*14.2*	*3.9*	*18.3*	*18.1*	*19.2*	*(1.1)*
Reported PAT	449	322	*39.4*	444	1,606	1,730	*(7.2)*
PAT (Excl. Ex Items)	451	325	*38.8*	446	1,615	1,739	*(7.1)*
Operating Metrics							
Gas sales (mmscmd)	3.2	2.7	*16.0*	3.1	3.0	2.9	*3.5*
Avg. dist. Rate (Rs/scm)	13.6	12.8	*5.9*	13.5	11.7	13.3	*(11.9)*

Indraprastha Gas

Rating	BUY
Price	Rs198
Target Price	Rs227
Market Cap. (Rs bn)	27.8
Shares o/s (m)	140.0

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	10,796	15,605	21,810
EBITDA	3,778	5,211	6,725
Margin (%)	*35.0*	*33.4*	*30.8*
PAT	2,095	2,645	3,327
EPS (Rs)	15.0	18.9	23.8
RoE (%)	*28.0*	*29.6*	*30.7*
PE (x)	13.3	10.5	8.4
P/BV (x)	3.4	2.8	2.3
EV / E (x)	6.8	5.3	4.1

CNG volume growth is expected to remain buoyant at about 14.0-15.0% YoY and PNG volume growth at about 25.0% YoY. Operating margins will decline sequentially as the incremental gas purchases (beyond 2.0mmscmd) are effected at market rates.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	2,836	2,194	*29.2*	2,731	7,907	6,263	*26.3*
EBITDA	980	678	*44.5*	1,000	2,842	2,293	*24.0*
Margin (%)	*34.5*	*30.9*	*3.7*	*36.6*	*35.9*	*36.6*	*(0.7)*
Reported PAT	543	383	*41.9*	568	1,594	1,322	*20.6*
PAT (Excl. Ex Items)	543	383	*41.9*	568	1,594	1,322	*20.6*
Operating Metrics							
CNG (mn kgs)	136.0	118.1	*15.2*	134.4	390.9	339.3	*15.2*
PNG (mmscm)	17.6	14.0	*25.7*	17.0	52.1	38.9	*33.9*
CNG (Rs/ kg)	21.0	18.7	*12.0*	20.5	20.2	18.7	*7.9*
PNG (Rs/ scm)	19.0	18.7	*1.7*	18.9	18.7	18.1	*3.6*

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Pharmaceuticals

Domestic pharma market - healthy growth

The domestic pharma market is estimated to have grown by around 15.5% during Q3FY10 (it grew by 11% in Q2FY10). Increase in growth rate is because of low base effect, ease of liquidity, introduction of new products, line extensions, and in-licensing deals; there is a visible pick-up in the domestic growth rate. The domestic pharma market is growing at a steady pace of 13-14% over the last 2-3 years and will continue to grow at this rate unless the Government brings more drugs under the purview of price control.

Domestic pharma market (Rs bn)

	Market size (MAT)	*YoY gr. (%)*
Nov'08	338	*10.3*
Dec'08	341	*9.8*
Jan'09	345	*9.9*
Feb'09	349	*10.0*
Mar'09	354	*10.1*
Apr'09	357	*10.0*
May'09	360	*10.0*
June'09	365	*11.0*
July'09	368	*11.0*
Aug'09	369	*11.0*
Sept'09	377	*12.0*
Oct'09	386	*15.0*
Nov'09	392	*16.0*
Average	**362**	***11.3***

Source: ORG- MAT data

The domestic pharma market was placed at Rs392bn (IMS- ORG MAT Nov-09) and grew around 16%. The growth rate of 15.5% for Q2FY10 is healthy. There was lower growth in previous months mainly due to inventory rationalization.

Global development

With R&D costs spiralling upwards, pipeline shrinking, block buster drugs going off patent, loss of cases on blockbuster drugs by innovator companies due to para IV filings as well as increased efforts by government of several countries to reduce healthcare cost, the pharma industry is forced to undergo a consolidation phase. Following efforts by global companies indicates the same:

Glaxo eyeing stake in Dr Reddy's Laboratories: India represents a sweet spot, given its growing domestic market and the ability of its sophisticated drug industry to supply other expanding low and middle-income markets. With manufacturing facilities as well as large product base, Glaxo could get access to lower yet relatively sophisticated cost base, which then helps in terms of going into wider emerging markets with much more competitive pricing.

Eli Lilly to sell manufacturing plant: As part of its plan to cut 5500 jobs, Eli Lilly had agreed to sell one of its manufacturing unit which employs 700 people. This is a part of cost reduction exercise taken by the company.

Pfizer to close R&D sites and cut jobs: Pfizer is expected to close six research and development sites and trim jobs in the US and UK, following the acquisition of Wyeth. Due to this exercise, the company is expected to reduce R&D square footage by 35%. Pfizer will now conduct R&D at five main sites and nine specialized units around the world, as compared to 20 sites upon closing the acquisition of Wyeth.

Pfizer acquires rights to Protalix's Gaucher drugs: As a part of inorganic growth, Pfizer acquired worldwide rights to Protalix BioTherapeutics Inc's experimental Gaucher disease drug, Uplyso, for an upfront payment of US$60m. Protalix is further eligible to a milestone payment of US$55m. Main competitor of this drug is Cerezyme which has garnered sales of US$1.2bn in 2008.

Dr Reddy's launched Omeprazole in US: Dr Reddy's is the second generics maker after Perrigo to sell generic version of Prilosec. Dr Reddy's launched drug in December 2009. Hence, a full impact is anticipated in the next quarter. Including Dr Reddy's, there would be only three players to sell the product for considerable amount of time. Consequently, Dr Reddy's would be able to gain a market share as well as maintain profitability.

Ranbaxy launches herpes drug in the U.S: Ranbaxy Laboratories has launched a generic version of GlaxoSmithKline's Valtrex in the United States, with a 180-day marketing exclusivity. Ranbaxy launched 500 mg and 1 gm tablets of the drug in first week of December 2009. Market size of Valtrex is about US$1.3bn.

Pharma stocks under our coverage - marginal growth

The pharma companies under our coverage are likely to report aggregate sales growth of 6.4% on YoY basis and marginal reduction on QoQ basis. The lower growth is because of higher base of Ranbaxy, Dishman and Cipla in Q3FY09. The companies under our coverage are likely to report aggregate EBITDA margin of 23.8% during the quarter, which is quite healthy. The EBITDA margin is likely to improve by 70bps on YoY basis and QoQ basis. Net profit of these companies is expected to reduce by 27.8% on YoY basis and 3.9% on QoQ basis. This significant impact is due to a fall in operating profit of Sun pharma because of lower pantaprazole sales. The pharma companies under our coverage have a market cap of Rs1.1trn (Rs1trn in Q2FY09), indicating a 6.9% growth on QoQ basis. The companies under our coverage are trading at 27.2xFY10E earnings, 18.2x FY11E earnings and 16.3x FY12E earnings.

Mid-term growth prospects for the Indian pharma companies are intact, following a sharp rise in exports of generic products, a healthy growth rate of around 13% in the domestic market and the scale up of CRAMS contracts by the Indian companies. Moreover, the opening of generic market in Japan is likely to benefit the Indian pharma companies. The export oriented pharma companies are likely to benefit from the 4-5% depreciation of rupee against the dollar during Q3FY10.

Top picks: Dishman Pharma and Lupin

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	249,035	306,645	348,874
Growth (%)	*5.5*	*23.1*	*13.8*
EBITDA	52,468	79,771	89,166
Margin (%)	*21.1*	*26.0*	*25.6*
PAT	41,338	61,677	68,567
Growth (%)	*(11.8)*	*49.2*	*11.2*
PE (x)	27.0	18.1	16.3

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	62,768	58,992	*6.4*	63,119	*(0.6)*
EBITDA	14,963	13,636	*9.7*	14,564	*2.7*
Margin (%)	*23.8*	*23.1*	*0.7*	*23.1*	*0.8*
PAT (Excl. Ex Items)	11,366	15,738	*(27.8)*	11,828	*(3.9)*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Sun Pharmaceuticals

Rating	Accumulate
Price	Rs1,508
Target Price	Rs1,734
Market Cap. (Rs bn)	312.4
Shares o/s (m)	207.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	41,755	46,054	56,344
EBITDA	14,179	15,566	18,763
Margin (%)	*34.0*	*33.8*	*33.3*
PAT	14,465	15,373	17,962
EPS (Rs)	69.8	74.2	86.7
RoE (%)	*19.8*	*18.0*	*18.2*
PE (x)	21.6	20.3	17.4
P / BV (x)	3.9	3.4	2.9
EV / E (x)	19.4	16.8	13.5

Sun Pharma is expected to show increase in sales from Rs9.18bn to Rs11.5bn (YoY) due to healthy growth in domestic formulation business as well as lower business from exports in Q3FY09. The export sales are expected to show growth of 27.9% (YoY). EBITDA margin is also expected to decline from 45.7% to 35.6%. Net profit is expected to be at similar levels at Rs4bn.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	11,492	9,183	*25.2*	10,882	30,251	31,333	*(3.5)*
EBITDA	4,092	4,134	*(1.0)*	3,868	9,654	14,846	*(35.0)*
Margin (%)	*35.6*	*45.0*	*(20.9)*	*35.5*	*31.9*	*47.4*	*(15.5)*
Reported PAT	3,949	4,087	*(3.4)*	3,933	9,928	14,182	*(30.0)*
PAT (Excl. Ex Items)	3,949	4,087	*(3.4)*	4,539	10,026	14,675	*(31.7)*
Operating Metrics							
Domestic Formulations	4,904	4,302	*14.0*	4,710	12,743	13,071	*(2.5)*
Domestic APIs & Others	304	247	*23.0*	4,996	865	830	*4.1*
Export Formulations	5,348	4,182	*27.9*	4,999	14,681	15,736	*(6.7)*
Export APIs a& Others	1,172	726	*61.4*	7,088	3,512	2,499	*40.5*
Total Sales	**11,727**	**9,456**	***24.0***	**7,097**	**18,219**	**18,275**	***(0.3)***

Cipla

Rating	Accumulate
Price	Rs337
Target Price	R371
Market Cap. (Rs bn)	270.4
Shares o/s (m)	802.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	59,552	71,099	85,320
EBITDA	14,173	17,135	20,733
Margin (%)	*23.8*	*24.1*	*24.3*
PAT	10,962	12,950	15,668
EPS (Rs)	13.7	16.1	19.5
RoE (%)	*21.6*	*20.6*	*21.4*
PE (x)	24.7	20.9	17.3
P / BV (x)	4.7	4.0	3.4
EV / E (x)	18.9	15.6	12.4

We expect Cipla to grow by 8.5% (YoY) in sales, from Rs13.4bn to Rs14.6bn. EBITDA margin (excl, forex adjustments) is expected to improve marginally from 25.2% to 25.3%. The company is expected to show lower financial charge of Rs85m against Rs110m in Q3FY09 due to lower working capital requirements. We expect the company to show higher other income due to QIP issue. However, we expect the company to show marginal growth of 2.4% in net profit from Rs2.67bn to Rs2.73bn due to higher tax rate. The reported profit is expected to grow by 26.2% due to forex loss of Rs426m in Q3FY09.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	14,560	13,420	*8.5*	14,429	42,749	39,038	*9.5*
EBITDA	3,680	3,385	*8.7*	3,733	13,558	9,245	*46.6*
Margin (%)	*25.3*	*25.2*	*0.2*	*25.9*	*31.7*	*23.7*	*8.0*
Reported PAT	2,821	2,235	*26.2*	2,758	10,899	5,576	*95.5*
PAT (Excl. Ex Items)	2,726	2,661	*2.4*	2,683	10,554	7,371	*43.2*
Operating Metrics							
Domestic	6,619	5,781	*14.5*	6,314	19,452	17,549	*10.8*
Exports-Formulations	5,627	5,907	*(4.8)*	5,819	16,917	16,173	*4.6*
Exports-API	1,860	1,116	*66.6*	1,706	4,970	4,129	*20.4*
Other op. income	600	777	*(22.8)*	717	1,825	1,663	*9.7*
Total income	14,705	13,581	*8.3*	14,556	43,164	39,514	*9.2*

Ranbaxy Laboratories

Rating	Reduce
Price	Rs517
Target Price	Rs400
Market Cap. (Rs bn)	246.9
Shares o/s (m)	477.8

Key Figures (Rs m)

Y/e Dec	CY09E	CY10E	CY11E
Net Sales	70,763	98,782	99,491
EBITDA	5,803	24,992	23,281
Margin (%)	*8.2*	*25.3*	*23.4*
PAT	2,955	17,804	15,940
EPS (Rs)	6.2	37.3	33.4
RoE (%)	*5.7*	*23.0*	*16.0*
PE (x)	83.6	13.9	15.5
P / BV (x)	3.8	2.6	2.4
EV / E (x)	45.7	9.8	10.8

Ranbaxy had launched a generic version of Valtrex in the first week of December 2009. Due to 180 day exclusivity, we expect the company to have healthy market share as well as profitability. However, profitability would be impacted to some extent due to shift from low cost facility in India to Ohm Labs, US.. Due to appreciation of rupee, the company is expected to show forex gain of Rs2.2bn against loss of Rs13.3bn in Q4CY08. We expect sales to reduce by 12.6%, from Rs19.9bn to Rs17.4bn (YoY). The company is expected to show improvement in profit from 12.6% in Q3CY09 to 16.6% in Q4CY09. The company is expected to show net profit (excl. forex adjustments) of Rs1.7bn against Rs6.5bn in Q4CY08.

Quarterly Table (Rs m)

Y/e Dec	Q4 CY09E	Q4 CY08	YoY gr. (%)	Q3 CY09	12M CY09E	12M CY08	YoY gr. (%)
Net Sales	17,466	19,982	*(12.6)*	18,858	70,763	74,214	*(4.6)*
EBITDA	2,907	2,527	*15.0*	2,427	5,803	5,732	*1.2*
Margin (%)	*16.6*	*12.6*	*31.6*	*12.9*	*8.2*	*7.7*	*0.5*
Reported PAT	3,962	(6,798)	*(158.3)*	1,166	4,326	(9,352)	*(146.3)*
PAT (Excl. Ex Items)	1,762	6,577	*(73.2)*	1,380	2,955	9,206	*(67.9)*
Operating Metrics							
India	3,500	3,740	*(6.4)*	3,617	14,337	14,991	*(4.4)*
NA, LA & Canada#	104	128	*(19.1)*	99	394	514	*(23.3)*
EU, Asia Pacific & Others#	147	162	*(9.6)*	159	574	672	*(14.7)*
API&Global Cons. Healthcare#	34	40	*(16.2)*	23	134	147	*(9.0)*
FX Loss / (Gain)*	2,200	(13,375)	*(116.4)*	(214)	1,371	(18,740)	*(107.3)*

** - Not Comparable* *# ($ m)*

GSK Pharma

Rating	Accumulate
Price	Rs1,622
Target Price	Rs1,596
Market Cap. (Rs bn)	131.9
Shares o/s (m)	84.7

Key Figures (Rs m)

Y/e Dec	CY09E	CY10E	CY11E
Net Sales	18,790	20,764	23,132
EBITDA	6,628	7,371	8,258
Margin (%)	*35.3*	*35.5*	*35.7*
PAT	5,018	5,413	6,144
EPS (Rs)	59.2	63.9	72.5
RoE (%)	*29.8*	*28.4*	*28.9*
PE (x)	27.4	25.4	22.4
P / BV (x)	7.6	6.8	6.1
EV / E (x)	19.1	16.9	14.7

We expect GSK Pharma to report growth in sales of 11% (YoY) from Rs3.74bn to Rs4.16bn. The EBITDA margin is expected to improve from 29.7% to 31.3% for this quarter on account of patented product launches and increasing rural penetration. The company is expected to report net profit growth of 10.9% from Rs892m to Rs989m (YoY). Q4CY08 had extraordinary item of Rs1.1bn on account of sale of fine chemical business.

Quarterly Table (Rs m)

Y/e Dec	Q4 CY09E	Q4 CY08	YoY gr. (%)	Q3 CY09	12M CY09E	12M CY08	YoY gr. (%)
Net Sales	4,161	3,749	*11.0*	5,118	18,509	16,807	*10.1*
EBITDA	1,301	1,112	*17.0*	1,888	6,521	5,979	*9.1*
Margin (%)	*31.3*	*29.7*	*5.4*	*36.9*	*35.2*	*35.6*	*(0.3)*
Reported PAT	989	2,085	*(52.6)*	1,411	5,050	5,765	*(12.4)*
PAT (Excl. Ex Items)	989	892	*10.9*	1,411	4,945	4,483	*10.3*

Lupin

Rating	BUY
Price	Rs1,460
Target Price	Rs1,791
Market Cap. (Rs bn)	128.5
Shares o/s (m)	88.0

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	47,610	56,924	69,661
EBITDA	9,046	11,242	14,072
Margin (%)	*19.0*	*19.8*	*20.2*
PAT	6,713	8,308	10,584
EPS (Rs)	75.5	93.5	119.4
RoE (%)	*39.6*	*36.6*	*35.4*
PE (x)	19.3	15.6	12.2
P / BV (x)	6.6	5.0	3.5
EV / E (x)	15.2	12.1	9.3

We expect sales of Lupin to grow by 24.1%YoY from Rs9.8bn to Rs12.2bn, mainly due to 29.6% growth in export formulations. EBITDA margin is expected to improve from 17.9% to 18.9% YoY mainly due to reduction in other expenses. The company is expected to show net profit growth of 39%, from Rs1.2bn to Rs1.63bn (YoY).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	12,209	9,837	*24.1*	11,658	34,872	27,803	*25.4*
EBITDA	2,309	1,758	*31.3*	2,150	6,550	5,073	*29.1*
Margin (%)	*18.9*	*17.9*	*5.8*	*18.4*	*18.8*	*18.2*	*0.5*
Reported PAT	1,610	1,172	*37.4*	1,604	4,608	3,448	*33.6*
PAT (Excl. Ex Items)	1,629	1,172	*39.0*	1,622	4,677	3,448	*35.7*
Operating Metrics							
Formulations	10,465	8,077	*29.6*	9,203	28,839	22,229	*29.7*
API	1,652	1,492	*10.7*	1,944	5,348	5,381	*(0.6)*
CRAMS	160	150	*6.7*	0	310	392	*(20.9)*
Total	**12,277**	**9,719**	***26.3***	**11,147**	**34,497**	**28,002**	***23.2***

Dishman Pharma

Rating	BUY
Price	Rs235
Target Price	Rs277
Market Cap. (Rs bn)	19.0
Shares o/s (m)	80.7

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	10,565	13,021	14,925
EBITDA	2,639	3,464	4,060
Margin (%)	*25.0*	*26.6*	*27.2*
PAT	1,226	1,828	2,270
EPS (Rs)	15.2	22.7	28.1
RoE (%)	*15.0*	*18.5*	*19.0*
PE (x)	15.5	10.4	8.4
P / BV (x)	2.3	1.9	1.6
EV / E (x)	9.3	7.3	6.2

We expect Dishman to grow marginally by 2.1% (YoY) from Rs 2.8bn to Rs2.9bn, mainly due to lower uptake of Eprosartan mesylate from Solvay during the quarter. EBITDA margin is expected to reduce from 25.5% to 23.4% (YoY) due to lower proportion of relatively higher margin business of Eprosartan mesylate. We expect net profit (excl. forex adjustments) to reduce by 11.1%, from Rs350m to Rs311m (YoY).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	2,880	2,822	*2.1*	2,174	7,332	7,700	*(4.8)*
EBITDA	674	719	*(6.3)*	498	1,779	1,881	*(5.4)*
Margin (%)	*23.4*	*25.5*	*(8.2)*	*22.9*	*24.3*	*24.4*	*(0.2)*
Reported PAT	311	397	*(21.6)*	240	818	1,133	*(27.8)*
PAT (Excl. Ex Items)	311	350	*(11.1)*	194	618	1,656	*(62.7)*
Operating Metrics							
CRAMS	2,320	1,904	*21.9*	1,617	5,620	5,503	*2.1*
Marketable Molecules (MM)	560	916	*(38.9)*	558	1,712	2,201	*(22.2)*
Total	**2,880**	**2,820**	***2.1***	**2,174**	**7,332**	**7,704**	***(4.8)***

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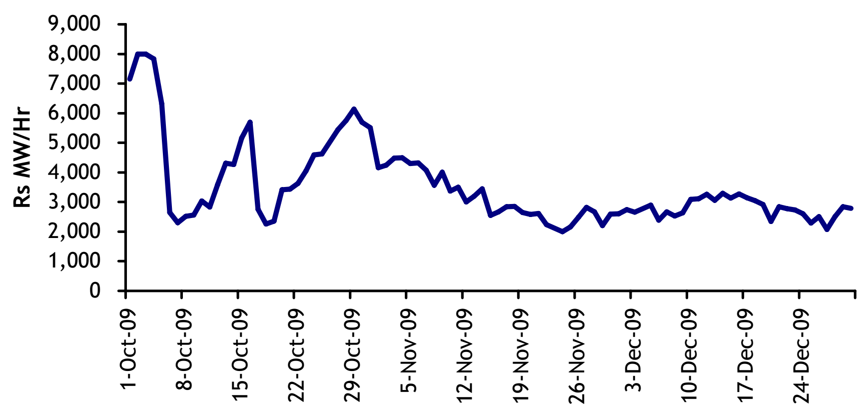
Power

Power deficit continued on account of sluggish capacity addition and high demand for the same. The Central Electricity Regulatory Commission (CERC) proposed short-term cap on traded power tariffs in the day ahead market at Rs8/unit helped to stabilise the merchant power rates for a period of 45 days.

Capacity addition for the month of October and November 2009 stood at 1019MW (-48% drop YoY) and 250MW (~66.6% growth YoY)

Merchant power traiff



Source: IEX

Top Picks: Reliance Infrastructure, PTC

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	859,584	987,370	1,211,335
Growth (%)	*16.4*	*14.9*	*22.7*
EBITDA	181,889	217,104	274,116
Margin (%)	*21.2*	*22.0*	*22.6*
PAT	127,467	136,592	155,094
Growth (%)	*12.0*	*7.2*	*13.5*
PE (x)	24.8	23.1	20.4

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	199,342	187,224	*6.5*	184,932	*7.8*
EBITDA	47,235	41,018	*15.2*	41,822	*12.9*
Margin (%)	*23.7*	*21.9*	*1.8*	*22.6*	*1.1*
PAT (Excl. Ex Items)	33,154	26,718	*24.1*	31,841	*4.1*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

NTPC

Rating	Accumulate
Price	Rs232
Target Price	Rs232
Market Cap. (Rs bn)	1,911.3
Shares o/s (m)	8,245.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	506,574	562,030	660,093
EBITDA	143,873	161,690	194,404
Margin (%)	*28.4*	*28.8*	*29.5*
PAT	89,092	94,456	108,905
EPS (Rs)	10.8	11.5	13.2
RoE (%)	*14.8*	*14.4*	*15.1*
PE (x)	21.5	20.2	17.6
P/BV (x)	3.0	2.8	2.5
EV / E (x)	14.9	14.0	12.1

The company is planning to venture in solar power with an investment outlay of Rs 30bn for setting up 301MW by 2014. Out of the 301MW, 190MW is expected to be added through solar thermal technology and the balance 111MW through solar PV technology. NTPC's Q3FY10 revenues would register a 15.6% YoY growth on account of higher volumes. We expect NTPC to sell close to 60bu for the current quarter. Aided by stable operating margins and other income, we expect PAT to grow by 26.8% YoY.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	130,359	112,771	*15.6*	107,828	358,214	304,780	*17.5*
EBITDA	40,475	32,086	*26.1*	32,137	104,369	81,780	*27.6*
Margin (%)	*31.0*	*28.5*	*2.6*	*29.8*	*29.1*	*26.8*	*2.3*
Reported PAT	24,928	22,509	*10.7*	21,520	68,383	60,879	*12.3*
PAT (Excl. Ex Items)	24,928	19,659	*26.8*	22,520	62,058	56,509	*9.8*
Operating Metrics							
Operating capacity (MW)	27,912	27,850	*0.2*	27,912	27,912	27,850	*0.2*
Avg. Coal PLF (%)	*92.0*	*91.0*	*1.1*	*91.0*	*91.0*	*89.0*	*2.2*
Generation (BU)	60.0	57.0	*5.3*	58.0	173.5	150.5	*15.3*

Reliance Power

Rating	Accumulate
Price	Rs156
Target Price	Rs181
Market Cap. (Rs bn)	374.1
Shares o/s (m)	2,396.8

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	–	10,062	38,554
EBITDA	(1,271)	3,153	14,531
Margin (%)	*–*	*31.3*	*37.7*
PAT	3,570	2,306	2,760
EPS (Rs)	1.5	1.0	1.2
RoE (%)	*0.6*	*0.4*	*0.5*
PE (x)	104.8	162.3	135.5
P/BV (x)	2.6	2.6	2.6
EV / E (x)	(339.7)	184.4	49.6

Rosa 1 first unit (300MW) was commissioned in December 2009 three months ahead of schedule. On account of early completion, the company is expected to have reaped benefits in terms of higher ROE of 16% as against 15.5% and in terms of savings of IDC to the tune of Rs 300m.

The company's Dadri project, spanning across 400 acres, has been cancelled by the Allahabad High Court, the repercussions of which are also expected to be on the entire 2100 acres of remaining land.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	–	–	–	–	–	–	–
EBITDA	(265)	(190)	*39.7*	(423)	(1,006)	(559)	*79.9*
Margin (%)	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Reported PAT	1,184	1,057	*12.0*	1,676	5,493	2,041	*169.1*
PAT (Excl. Ex Items)	1,184	1,057	*12.0*	1,676	4,309	984	*337.9*

Tata Power

Rating	Accumulate
Price	Rs1,390
Target Price	Rs1,402
Market Cap. (Rs bn)	307.8
Shares o/s (m)	221.4

On a standalone basis, Tata Power (TPWCL) is expected to report a 6.9% YoY growth in sales and 11% YoY growth in PAT. The company completed a US$250m FCCB at a price of Rs1,454, thereby, raising Rs14.7bn. TPWCL signed a JV with Norway based SN Power to develop hydro power projects in Nepal.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	78,325	85,426	89,490
EBITDA	15,897	17,456	18,631
Margin (%)	*20.3*	*20.4*	*20.8*
PAT	7,502	8,692	9,038
EPS (Rs)	30.4	35.3	36.7
RoE (%)	*9.1*	*7.7*	*7.4*
PE (x)	45.6	39.4	37.9
P/BV (x)	2.8	2.7	2.5
EV / E (x)	23.0	21.5	20.5

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	19,000	17,769	*6.9*	17,211	56,367	57,619	*(2.2)*
EBITDA	2,185	2,560	*(14.7)*	4,168	12,676	8,645	*46.6*
Margin (%)	*11.5*	*14.4*	*(2.9)*	*24.2*	*22.5*	*15.0*	*7.5*
Reported PAT	1,126	1,151	*(2.1)*	1,832	6,729	5,676	*18.5*
PAT (Excl. Ex Items)	1,126	1,011	*11.4*	1,832	2,137	5,676	*(62.3)*
Revenue Break -Up							
Million Units Sold	4,275	3,711	*15.2*	3,935	8,455	11,203	*(24.5)*
Million Units Generated	4,508	3,847	*17.2*	4,046	12,814	11,241	*14.0*
Avg Realisation pu	4.4	4.7	*(7.2)*	4.2	4.3	5.0	*(14.0)*

Nevyeli Lignite Corp.

Rating	Accumulate
Price	Rs161
Target Price	Rs165
Market Cap. (Rs bn)	269.4
Shares o/s (m)	1,677.7

Neyveli Lignite is expected to report revenues of Rs7.3bn and PAT of Rs2.2bn for the quarter. The power units sold is expected to be 2.9bn units. During the quarter, first unit of 125MW of Barsingsar Thermal project (Rajasthan) was synchronised.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	34,474	40,576	45,295
EBITDA	12,180	14,912	16,196
Margin (%)	*35.3*	*36.8*	*35.8*
PAT	11,118	12,076	13,449
EPS (Rs)	6.6	7.2	8.0
RoE (%)	*11.3*	*11.5*	*12.0*
PE (x)	24.2	22.3	20.0
P/BV (x)	19.4	18.1	16.9
EV / E (x)	21.7	18.3	18.3

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	7,390	8,339	*(11.4)*	8,816	25,049	25,892	*(3.3)*
EBITDA	1,640	3,412	*(51.9)*	2,508	7,431	11,806	*(37.1)*
Margin (%)	*22.2*	*40.9*	*(18.7)*	*28.5*	*29.7*	*45.6*	*(15.9)*
Reported PAT	2,225	2,243	*(0.8)*	2,436	7,538	6,985	*7.9*
PAT (Excl. Ex Items)	2,225	2,243	*(0.8)*	2,436	7,538	6,985	*7.9*
Operating Metrics							
Units generated (M)	3,400	2,824	*20.4*	4,351	12,687	10,221	*24.1*

Reliance Infrastructure

The company during Q3FY10 emerged L1 for two BOT projects, aggregating to Rs27bn. We expect the contribution of revenues from EPC division to increase on account of robust order book and sales from the electrical energy to decrease by 18% YoY due to decrease in costs.

Rating	BUY
Price	Rs1,171
Target Price	Rs1,437
Market Cap. (Rs bn)	264.8
Shares o/s (m)	226.1

Key Figures (Consolidated) (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	151,628	194,527	256,152
EBITDA	10,305	18,884	28,824
Margin (%)	*6.8*	*9.7*	*11.3*
PAT	15,003	17,824	19,492
EPS (Rs)	55.8	66.3	72.5
RoE (%)	*7.8*	*8.0*	*8.3*
PE (x)	21.0	17.7	16.2
P/BV (x)	1.4	1.4	1.3
EV / E (x)	17.6	11.6	8.2

Quarterly Table (Standalone) (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	28,563	27,176	*5.1*	26,496	79,522	74,812	*6.3*
EBITDA	3,089	3,120	*(1.0)*	3,129	9,213	8,750	*5.3*
Margin (%)	*10.8*	*11.5*	*(0.7)*	*11.8*	*11.6*	*11.7*	*(0.1)*
Reported PAT	3,469	2,512	*38.1*	3,069	9,704	7,927	*22.4*
PAT (Excl. Ex Items)	3,469	2,512	*38.1*	3,069	9,704	7,927	*22.4*
Revenue Break -Up (%)							
Electricity	59.2	72.3	*(18.1)*	63.2	60.0	58.0	*3.4*
EPC	39.4	25.1	*56.9*	36.8	35.0	32.0	*9.4*
Others	1.0	2.6	*(61.4)*	0.0	5.0	10.0	*(50.0)*

PTC India

PTC India is expected to report traded volumes of 4bn units for the quarter, a 6% YoY growth. Realizations are expected to be near Rs3.5kw/h, and power trading margins of Rs0.05 for the quarter.

Rating	BUY
Price	Rs117
Target Price	Rs150
Market Cap. (Rs bn)	34.3
Shares o/s (m)	294.1

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	88,583	94,750	121,751
EBITDA	905	1,009	1,531
Margin (%)	*1.0*	*1.1*	*1.3*
PAT	1,183	1,239	1,450
EPS (Rs)	4.0	4.2	4.8
RoE (%)	*6.6*	*6.0*	*6.9*
PE (x)	29.0	28.0	24.1
P/BV (x)	17.0	16.6	16.0
EV / E (x)	32.8	33.9	26.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	14,030	21,168	*(33.7)*	24,582	62,328	53,512	*16.5*
EBITDA	111	29	*280.2*	302	569	246	*131.2*
Margin (%)	*0.8*	*0.1*	*0.7*	*1.2*	*0.9*	*0.5*	*0.5*
Reported PAT	222	237	*(6.3)*	308	863	753	*14.7*
PAT (Excl. Ex Items)	222	237	*(6.3)*	308	863	753	*14.6*
Operating Metrics							
MU's Traded	4,020	3,797	*5.9*	6,388	14,612	11,643	*25.5*
Average Realization	3.49	5.58	*(37.4)*	3.85	4.33	4.66	*(7.2)*
Cost per unit	3.44	5.54	*(37.9)*	3.79	4.27	4.63	*(7.6)*
Trading margin (Rs)	0.05	0.04		0.06	0.05	0.04	

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Real Estate

Residential segment remains buoyant

The spate of residential launches over the last quarter has remained quite strong across most major cities. Most developers have scaled down the size of the product offering, thereby, making it more attractive for the mid-income group. Majority of the offerings include 2 and 3 BHK units. Besides the metros, developers have received a decent response to Tier 2 launches as well. With increased liquidity for most real estate companies, the pace of construction has also witnessed a significant improvement. Developers are focusing on delivery of pre-sold properties. The affordable housing segment too has seen a good amount of activity. Developers like DLF are likely to aggressively target this segment over the next few quarters.

Prices across the residential segment are following the 'stable to positive trend' over the past quarter, whereby certain pockets have witnessed a 10-15% increase in prices. However, price sensitivity for residential offerings continues, with offtake reducing at the higher end of price bands.

Commercial segment witnesses some amount of revival

During the quarter, the commercial segment has finally seen some green shoots. There has been some amount of absorption in markets like Mumbai, Bangalore and NCR. Companies which were adopting the 'wait-n-watch' policy have started some amount of leasing. Though rentals continue to remain subdued, occupancy levels in certain pockets have witnessed an improvement. However, we expect the recovery within this segment to be extremely slow paced on account of the strong prevalent supply.

Top picks: DLF

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	99,455	153,213	198,208
Growth (%)	*(20.9)*	*54.1*	*29.4*
EBITDA	51,822	82,364	107,712
Margin (%)	*52.1*	*53.8*	*54.3*
PAT	33,320	59,362	79,614
Growth (%)	*(39.6)*	*78.2*	*34.1*
PE (x)	24.5	13.7	10.2

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	*QoQ gr. (%)*
Net Sales	20,907	18,631	*12.2*	23,602	*(11.4)*
EBITDA	11,767	10,810	*8.8*	13,499	*(12.8)*
Margin (%)	*56.3*	*58.0*	*(1.7)*	*57.2*	*(0.9)*
PAT (Excl. Ex Items)	6,666	8,432	*(20.9)*	7,425	*(10.2)*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

DLF

Rating	Accumulate
Price	Rs365
Target Price	Rs458
Market Cap. (Rs bn)	618.9
Shares o/s (m)	1,697.2

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	71,016	114,600	144,986
EBITDA	34,087	57,300	73,943
Margin (%)	*48.0*	*50.0*	*51.0*
PAT	21,436	41,693	56,192
EPS (Rs)	12.6	24.6	33.1
RoE (%)	*8.6*	*15.2*	*17.7*
PE (x)	28.9	14.8	11.0
P / BV (x)	2.4	2.1	1.8
EV / E (x)	21.1	12.5	9.5

We expect a decline in revenue booking on a sequential basis as the previous quarters had revenues from the Capital Greens project, where revenue booking was higher on account of higher land cost. The company has launched approximately 4m sq.ft of projects in the current quarter in different locations including Goa, Gurgaon, Kochi and Chennai. Approximately 2-3m sq.ft of these project launches are city-centre launches, while 1-1.5m sq.ft are mid-income launches.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	14,395	13,667	*5.3*	17,509	48,403	89,217	*(45.7)*
EBITDA	7,198	7,720	*(6.8)*	9,138	23,777	53,335	*(55.4)*
Margin (%)	*50.0*	*56.5*	*(6.5)*	*52.2*	*49.1*	*59.8*	*(10.7)*
Reported PAT	3,392	6,708	*(49.4)*	4,397	11,749	44,701	*(73.7)*
PAT (Excl. Ex Items)	3,392	6,708	*(49.4)*	4,397	11,749	44,701	*(73.7)*
Operating Metrics							
Development Business							
Sales-Closing Balance (Msf)	35.83	20.19		32.83	35.83	20.19	
Annuity Business							
Sales-Closing Balance (Msf)	16.60	24.73		16.51	16.60	24.73	

HDIL

Rating	Accumulate
Price	Rs362
Target Price	Rs364
Market Cap. (Rs bn)	134.4
Shares o/s (m)	371.8

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	14,499	19,427	30,043
EBITDA	10,154	14,152	21,068
Margin (%)	*70.0*	*72.8*	*70.1*
PAT	6,165	9,661	14,279
EPS (Rs)	16.6	26.0	38.4
RoE (%)	*10.5*	*12.5*	*16.3*
PE (x)	21.8	13.9	9.4
P / BV (x)	1.8	1.7	1.4
EV / E (x)	14.6	10.7	7.4

Revenues are likely to be driven by sale of TDRs. We expect the volume of TDR sales to remain flat as compared to Q2FY09, while realizations are expected to be slightly better. Further, we expect land sales to contribute to revenues as well. Additional project sales are not likely to contribute to the company revenues this quarter as it books revenues on a project completion basis.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	4,110	3,138	*31.0*	3,537	10,601	13,614	*(22.1)*
EBITDA	3,083	2,169	*42.1*	2,724	8,268	10,987	*(24.7)*
Margin (%)	*75.0*	*69.1*	*5.9*	*77.0*	*78.0*	*80.7*	*(2.7)*
Reported PAT	1,931	1,849	*4.4*	1,486	4,491	7,685	*(41.6)*
PAT (Excl. Ex Items)	1,931	757	*155.2*	1,486	4,491	6,593	*(31.9)*
Break up of Sales							
Project/Land Sales	-			-		2,499	
FSI Sales	-	2,588		-		3,689	
TDR Sales	3,960	550		3,400	10,060	4,000	
(M.Sq.ft.)	1.80	0.5		1.70	5.3	2.00	
Land Development & Others	150			137	541	3,151	

Anant Raj Industries

Rating	Accumulate
Price	Rs134
Target Price	Rs175
Market Cap. (Rs bn)	39.5
Shares o/s (m)	294.6

The company's rental income is expected to further grow as they start realizing income from additional SEZ leases. Further, we expect some amount of land sales in the current quarter as well. During the quarter, Anantraj acquired 40 acres of land at Rohini in Delhi for Rs210m. This will be used for mid-income residential development to the tune of 4m sq.ft. This project has been acquired with a long-term perspective and the company expects to take it up for development over a three-year time frame.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	5,137	8,383	9,447
EBITDA	4,444	6,623	6,991
Margin (%)	*86.5*	*79.0*	*74.0*
PAT	3,305	4,562	4,691
EPS (Rs)	11.2	15.5	15.9
RoE (%)	*9.4*	*11.9*	*11.0*
PE (x)	12.0	8.7	8.4
P / BV (x)	1.1	1.0	0.9
EV / E (x)	8.1	6.9	6.3

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	902	706	*27.8*	868	2,628	3,989	*(34.1)*
EBITDA	812	652	*24.6*	805	2,410	3,781	*(36.2)*
Margin (%)	*90.0*	*92.3*	*(2.5)*	*92.7*	*91.7*	*94.8*	*(3.2)*
Reported PAT	713	657	*8.6*	711	2,141	3,448	*(37.9)*
PAT (Excl. Ex Items)	713	657	*8.6*	711	2,130	3,445	*(38.2)*
Break up of Sales							
Ceramic Tiles	27	28		26	74	128	
Rental Income	125	37		113	329	110	
Project Sales	-	-		-	-	1,616	
Land Sales	750	641		729	2,225	2,135	

Peninsula Land

Rating	Accumulate
Price	Rs79
Target Price	Rs99
Market Cap. (Rs bn)	22.0
Shares o/s (m)	279.5

Peninsula Land (PLL) has sold most of its inventory at Ashok Towers and Ashok Gardens as sales continued to remain strong during the quarter. Average realizations continue to witness an uptick at both these projects. Further, the company received Rs4.35bn from Alok Industries against the Peninsula Business Park sale. The total amount received from Alok Industries stands at Rs6.25bn till date. This is a significant positive for the company as these funds have been long awaited. PLL has broken ground at its Goa residential project and plans to start work at its Pune project in Q4FY10.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	8,804	10,803	13,731.74
EBITDA	3,136	4,290	5,710.48
Margin (%)	*35.6*	*39.7*	*41.59*
PAT	2,414	3,446	4,451
EPS (Rs)	8.6	12.3	15.93
RoE (%)	*19.2*	*21.8*	*22.2*
PE (x)	9.1	6.4	4.9
P / BV (x)	1.8	1.4	1.1
EV / E (x)	8.0	5.6	4.1

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	1,500	1,121	*33.9*	1,687	4,343	3,465	*25.3*
EBITDA	675	270	*150.2*	832	1,961	1,195	*64.1*
Margin (%)	*45.0*	*24.1*	*20.9*	*49.3*	*45.1*	*34.5*	*10.7*
Reported PAT	630	311	*102.8*	729	1,688	1,243	*35.8*
PAT (Excl. Ex Items)	630	311	*102.8*	831	1,871	1,243	*50.5*
Break up of Sales							
Ashok Towers	280	680		240	830	1,700	
Swan Mills	220	80		170	420	660	
Peninsula Business Park	950	320		1,240	2,540	969	
Centre Point	50	41		37	133	136	
Others					420	-	

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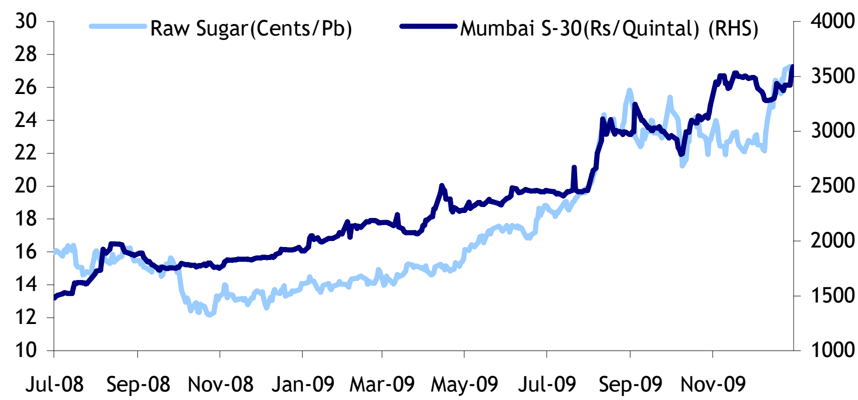
Sugar

Sugar prices rose significantly due to tight demand-supply conditions and delay in crushing in UP, both domestically as well as internationally in Q1FY10 (year ending September 2009). Domestic sugar price (Mumbai S-30) rose by 78%, from Rs18.3/Kg to Rs32.9/Kg YoY. It rose by 18% QoQ. Raw sugar rose by 57%, from 13.2UScents/Pb to 23.6US cents/Pb. It rose by 7.5% QoQ.

Rise in sugar price continues due to tight demand supply condition



Source: Bloomberg, NCDEX

Chaos over ordinance on replacing cane floor price

Till now, Central government used to declare statutory minimum price (SMP) that a cane grower should get on selling sugar cane. The State government used to declare SAP (State Advised price) as minimum price specifically for farmers of their state. The SAP resulted from the cane area reservation meetings held by the State Government, in which both millers and growers are represented. The latest Ordinance, dated October 21, has basically replaced the SMP with a FRP (fair and remunerative price) at a particular recovery. The latest ordinance also says that if SAP is higher than FRP then the state government is supposed to pay the difference between the two to farmers. However, state governments are not willing to pay the difference. Thus, FRP is yet to be completely implemented. Also, the levy price is yet to be calculated on the basis of FRP instead of SMP.

Crushing started in UP with cane price of Rs200-210/ quintal

For the crushing season 2009-10, Centre fixed FRP of Rs129.84/quintal at 9.5% recovery and UP state government fixed sap at Rs165/quintal. However, farmers of UP were not enthused to sell cane at price fixed by state. After huge agitation by UP farmers, mill owners agreed to pay Rs200-210/quintal. Due to confusion on cane pricing, crushing in UP got delayed by a month and started in December 2009.

Crushing in full swing in Maharashtra on the basis of FRP

The Centre's FRP of Rs129.84/quintal for the current season is linked to the sugar recovery of 9.5%. Since recoveries in Maharashtra at 11.5-12% are above UP's 9.5-10%, the FRP works out to be pretty decent. Taking last season's 11.5% recovery, the average FRP in Maharashtra comes to Rs157.24/quintal. Moreover, this time the mills have declared an average 'advance' cane price of Rs175/quintal. If one adds harvesting and transport charges, the gate-delivered price (corresponding to the FRP) would be upwards of Rs200/quintal. Thus, crushing started in Maharashtra by mid-November 2009.

Top Picks: Shree Renuka Sugars

Consolidated Sectoral Data

Key Figures (Rs m)

	FY09	FY10E	FY11E
Net Sales	68,690	134,611	151,725
Growth (%)	*21.0*	*96.0*	*12.7*
EBITDA	16,203	32,593	21,917
Margin (%)	*23.6*	*24.2*	*14.4*
PAT	4,898	19,431	11,348
Growth (%)	*189.4*	*296.7*	*(41.6)*
PE (x)	31.9	8.1	13.8

Quarterly Table (Rs m)

	Q1 FY10E	Q1 FY09	*YoY gr. (%)*	Q4 FY09	12M FY10E	12M FY09	*YoY gr. (%)*
Net Sales	18,688	11,919	*56.8*	18,886	134,611	68,690	*96.0*
EBITDA	6,718	1,855	*262.1*	3,480	32,593	16,203	*101.2*
Margin (%)	*36.0*	*15.6*	*20.4*	*18.4*	*24.2*	*23.6*	*0.6*
PAT (Excl. Ex Items)	4,055	79	*5,013.7*	1,799	19,431	4,988	*289.5*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Shree Renuka Sugars

Rating	BUY
Price	Rs230
Target Price	Rs272
Market Cap. (Rs bn)	76.9
Shares o/s (m)	334.0

Key Figures (Rs m)

Y/e Sept	FY09	FY10E	FY11E
Net Sales	28,165	63,705	62,419
EBITDA	4,632	13,664	7,725
Margin (%)	*16.4*	*21.4*	*12.4*
PAT	2,224	9,100	4,673
EPS (Rs)	6.7	27.3	14.0
RoE (%)	*17.9*	*42.7*	*16.2*
PE (x)	34.6	8.5	16.5
P / BV (x)	4.8	2.9	2.5
EV / E (x)	16.7	5.2	8.4

We expect 119.4% growth in revenue from Rs4.0bn to Rs8.8bn (YoY). We expect 0.22m tonnes of sugar sale in this quarter as compared to 0.13m tonnes of sugar sale (YoY) at average realization of Rs30.7/kg as compared to Rs16.5/kg (YoY). We expect alcohol sale to be 25m litres as compared to 16.8m litres (YoY) at average realization of Rs27/litre as compared to Rs24.5/litre (YoY). We expect the company to sell 96m units against 72m units (YoY) at average realization per unit of Rs6 as compared to Rs7.2 (YoY). EBITDA margin is expected to improve from 15.2% to 35% mainly due to higher sales realization from sugar (YoY). The company is expected to show net profit of Rs2.0bn against Rs110m in Q4FY08. (The estimate does not include estimation of its new Brazilian acquisition.)

Quarterly Table (Rs m)

Y/e Sept	Q1 FY10E	Q1 FY09	*YoY gr. (%)*	Q4 FY09	12M FY10E	12M FY09	*YoY gr. (%)*
Net Sales	8,780	4,002	*119.4*	10,933	63,705	28,165	*126.2*
EBITDA	3,074	608	*405.5*	1,695	13,664	4,632	*195.0*
Margin (%)	*35.0*	*15.2*	*130.4*	*15.5*	*21.4*	*16.4*	*5.0*
Reported PAT	2,026	125	*1,520.6*	1,009	9,100	2,224	*309.1*
PAT (Excl. Ex Items)	2,015	125	*1,511.8*	1,009	9,100	2,224	*309.1*
Operating Metrics							
Sugar Sold (mn Tonnes)	0.22	0.13	*115.9*	0.29	1.70	0.80	*113.3*
Avg. Realisation (Rs/Kg)	30.7	16.50	*63.6*	27.0	31.0	22.2	*39.8*
Alcohol sold (mn Litres)	25.0	16.80	*19.0*	20.0	122.2	67.9	*79.8*
Avg. Realisation (Rs/Litre)	27.0	24.50	*2.0*	25.0	27.0	24.5	*10.3*

Bajaj Hindustan

Rating	Accumulate
Price	Rs230
Target Price	Rs213
Market Cap. (Rs bn)	43.9
Shares o/s (m)	191.0

Key Figures (Rs m)

Y/e Sept	FY09	FY10E	FY11E
Net Sales	22,993	46,302	55,120
EBITDA	6,948	10,636	6,807
Margin (%)	*30.2*	*23.0*	*12.3*
PAT	580	5,089	2,144
EPS (Rs)	3.0	26.6	11.2
RoE (%)	*3.7*	*22.7*	*8.3*
PE (x)	75.8	8.6	20.5
P / BV (x)	2.2	1.8	1.6
EV / E (x)	9.7	5.2	7.9

We expect significant increase in revenue YoY from Rs3.6bn to Rs5.8bn. We expect 0.185m tonnes of sugar sale in this quarter as compared to 0.195m tonnes of sugar sale (YoY) at average realization of Rs30.7/kg as compared to Rs17.9/Kg (YoY). We expect alcohol sale to be 5.2m litres as compared to 4m litres (YoY) at average realization of Rs27/litre as compared to Rs29/litre (YoY). We expect 11m units of power to be sold in this quarter as compared to 25.7m units (YoY). EBITDA margin is expected to improve from 2.5% to 35.4% due to higher sales realization from sugar (YoY). Interest is also expected to reduce due to debt repayment from Rs486m to Rs280m (YoY). The company is expected to show net profit of Rs1.1bn against loss of Rs559m in Q1FY09.

Quarterly Table (Rs m)

Y/e Sept	Q1 FY10E	Q1 FY09	*YoY gr. (%)*	Q4 FY09	12M FY10E	12M FY09	*YoY gr. (%)*
Net Sales	5,861	3,622	*61.8*	4,153	46,302	22,993	*101.4*
EBITDA	2,074	90	*2,198.8*	935	10,636	6,948	*53.1*
Margin (%)	*35.4*	*2.5*	*1,320.8*	*22.5*	*23.0*	*30.2*	*(7.2)*
Reported PAT	1,099	(559)	*(296.4)*	273	5,089	580	*778.1*
PAT (Excl. Ex Items)	1,099	(559)	*(296.4)*	273	5,089	580	*778.1*
Operating Metrics							
Sugar Sold (mn Tonnes)	0.19	0.20	*(5.1)*	0.15	1.4	0.7	*108.3*
Avg. Realisation (Rs/Kg)	30.7	17.99	*70.7*	25.5	31.0	21.2	*46.5*
Alcohol sold (mn Litres)	5.2	4.00	*30.0*	7.0	74.1	32.1	*130.8*
Avg. Realisation (Rs/Litre)	26.0	29.00	*(10.3)*	33.0	28.0	25.4	*10.3*

Balrampur Chini

Rating	BUY
Price	Rs139
Target Price	Rs151
Market Cap. (Rs bn)	35.6
Shares o/s (m)	255.5

Key Figures (Rs m)

Y/e Sept	FY09	FY10E	FY11E
Net Sales	17,532	24,604	34,185
EBITDA	4,623	8,293	7,386
Margin (%)	*26.4*	*33.7*	*21.6*
PAT	2,095	5,242	4,531
EPS (Rs)	8.6	20.5	17.7
RoE (%)	*17.7*	*31.9*	*22.2*
PE (x)	16.3	6.8	7.9
P / BV (x)	3.3	2.5	1.9
EV / E (x)	9.5	5.2	4.9

We expect marginal reduction in revenue from Rs4.3bn to Rs4.04bn (YoY). We expect 0.12m tonnes of sugar sale in this quarter as compared to 0.20m tonnes of sugar sale (YoY) at average realization of Rs30.7/kg as compared to Rs17.7/kg (YoY). We expect alcohol sale to be 5m litres as compared to 12.2m litres (YoY) at average realization of Rs27/litre as compared to Rs26.8/litre (YoY). We expect 80m units of power to be sold in this quarter as compared to 120m units (YoY). The reduction in volume of sugar and alcohol sale is due to delay in start of crushing. EBITDA margin is expected to improve from 26.9% to 38.8% due to higher sales realization from sugar (YoY). The company is expected to show net profit of Rs942m against Rs514m in Q1FY09.

Quarterly Table (Rs m)

Y/e Sept	Q1 FY10E	Q1 FY09	*YoY gr. (%)*	Q4 FY09	12M FY10E	12M FY09	*YoY gr. (%)*
Net Sales	4,047	4,295	*(5.8)*	3,800	24,604	17,532	*40.3*
EBITDA	1,571	1,157	*35.8*	849	8,293	4,623	*79.4*
Margin (%)	*38.8*	*26.9*	*44.1*	*22.3*	*33.7*	*26.4*	*7.3*
Reported PAT	942	514	*83.3*	427	5,242	2,185	*140.0*
PAT (Excl. Ex Items)	942	514	*83.3*	517	5,242	2,185	*140.0*
Operating Metrics							
Sugar Sold (mn Tonnes)	0.12	0.2	*(39.5)*	0.13	0.68	0.65	*3.8*
Avg. Realisation (Rs/Kg)	30.7	17.7	*73.4*	25.7	31.0	21.4	*44.9*
Alcohol sold (mn Litres)	5.0	12.2	*(59.0)*	9.1	60.9	49.7	*22.4*
Avg. Realisation (Rs/Litre)	27.0	26.8	*0.7*	27.2	28.0	26.1	*7.1*

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Technology

We continue to remain positive on the Indian IT services sector as the demand environment shows steady signs of improvement. We believe that the companies are gearing up for the growth momentum as they ramp up their hiring plans. We believe that the sales cycle is still longer but the deal pipe line has shown strong recovery. We are expecting flat IT budget for CY10, which is a strong sigh of relief after a budget cut of 5-6% in CY08. Based on the interaction with the management of companies in this quarter, we inferred that the business fundamentals have indeed improved and the companies are witnessing increased RFP and sales queries, giving leads to a quicker-than-anticipated recovery.

BFSI and Retail - continue to deliver outperformance: We will continue to witness more contracts from BFSI sector as the companies in the sector will have to deal with integration issues after M&A, risk management, and new banking norms. This would provide opportunities to the Indian IT companies. Top tier Indian IT companies have got 31.5% (as of Q2FY10) of revenue coming from the BFSI vertical. As the consumer confidence index showed steady signs of improvement, we expect retail sector to continue its IT expenditure. We also expect pocket of strength from utility and energy verticals. The growth in the other verticals like retail, manufacturing and telecom would be based on the respective strengths of companies.

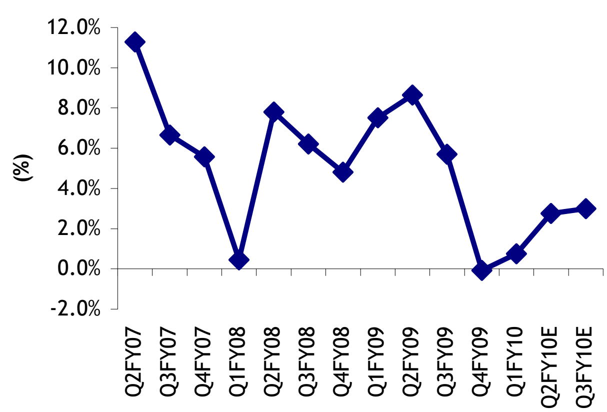
Margin erosion due to salary hike and bonus but in the tight range: We expect margin erosion to be in the order of 25-75bps for the quarter as Indian IT companies gave mid-year raise and bonuses. We are factoring 0-4% volume growth and -2-0.5% pricing increase on QoQ basis. There are concerns over the margin erosion after salary increase is overdone and we believe that companies would be able to maintain its margin as the volume growth returns.

IT budget - flat with a positive bias: Seasonally weak Q3 could positively surprise us. However, we maintain our optimistic view for a recovery in the overall demand environment. CNXIT (NIFTY IT INDEX) performance over the last quarter factors in accelerated recovery. We believe that sales cycle has improved but not in the best of its health. We believe that spate of news about hiring (esp. lateral hiring) is clear indication of improved business environment.

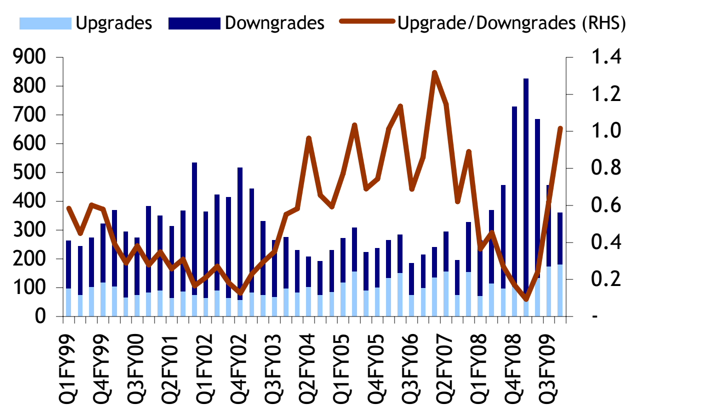
Guidance Table

	Guidance given by the company				Our Estimates		Actuals	
	Q2FY10		FY2010		Q2FY10	FY2010	Q1FY10	FY2009
Infosys Technologies								
Revenue (Rs m)	54,290	54,760	219,610	220,550	55,973	222,647	55,850	216,930
EPS (Rs)	23.4	23.6	99.6	100.0	26.2	106.9	26.9	104.4
Revenue (USD m)	1,155	1,165	4,600	4,620	1,173	4,688	1,121	4,663
Patni Computers								
Revenue (USD m)	168.0	169.0	n/a	n/a	170.1	655.5	167.2	718.9
Wipro								
Revenue (USD m)	1,092	1,113	n/a	n/a	1,110	4,365	1,065	4,323

Sector Revenue Growth (QoQ)

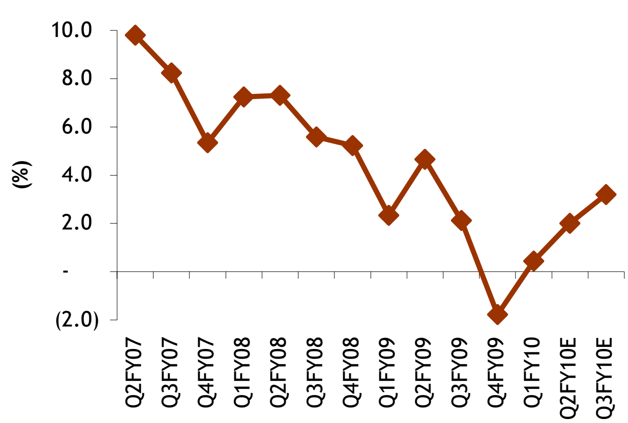


S&P500 (rating): Analysts are catching up with earning surprises

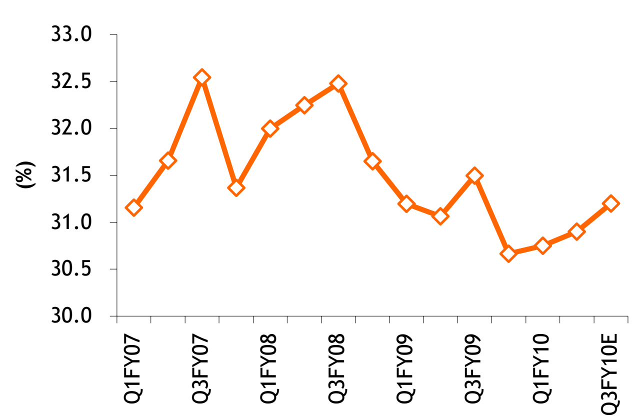


Source: Company Data, PL Research

Sector Volume Growth (QoQ)

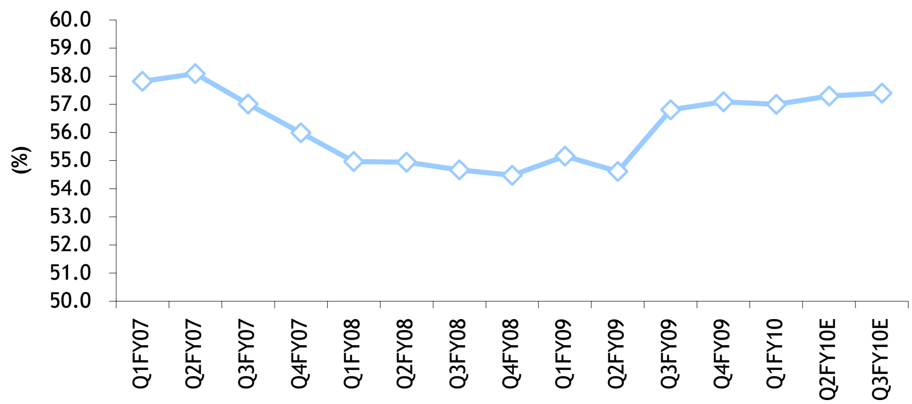


BFSI Sector Growth (QoQ)



Source: Company Data, PL Research

US Revenue Contribution



Source: Company Data, PL Research

Top Picks: TCS and Wipro

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	1,036,377	1,182,790	1,371,597
Growth (%)	*6.8*	*14.1*	*16.0*
EBITDA	287,177	323,680	361,334
Margin (%)	*27.7*	*27.4*	*26.3*
PAT	208,081	240,018	255,857
Growth (%)	*13.3*	*15.3*	*6.6*
PE (x)	22.2	19.3	18.1

Quarterly Table (Rs m)

	Q3 FY10E	Q2 FY10	*QoQ gr. (%)*	Q3 FY09	*YoY gr. (%)*
Net Sales	269,551	265,978	*1.3*	258,925	*4.1*
EBITDA	70,232	70,050	*0.3*	69,199	*1.5*
Margin (%)	*26.1*	*26.3*	*(0.3)*	*26.7*	*(0.7)*
PAT (Excl. Ex Items)	52,320	52,104	*0.4*	49,704	*5.3*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Infosys Technologies

Rating	Accumulate
Price	Rs2,614
Target Price	Rs2,900
Market Cap. (Rs bn)	1,499.2
Shares o/s (m)	573.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	222,647	256,342	295,714
EBITDA	76,543	85,114	97,396
Margin (%)	*34.4*	*33.2*	*32.9*
PAT	61,292	72,154	77,255
EPS (Rs)	106.9	125.9	134.8
RoE (%)	*25.9*	*24.5*	*21.6*
PE (x)	24.5	20.8	19.4
P / BV (x)	6.3	5.1	4.2
EV / E (x)	16.2	13.9	11.1

We expect Infosys Technologies (Infosys) to report a muted Q3FY10, beating their top-end of guidance at -1.1% QoQ growth. We expect forex movement, volume growth and pricing improvement to contribute -2.5%, 2.5% and 0.2% QoQ, respectively in INR terms. We expect salary hike and increase in S&M effort to erode margin by 71bps for the quarter.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q2 FY10	*QoQ gr. (%)*	Q3 FY09	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	55,973	55,850	*0.2*	57,860	166,543	160,580	*3.7*
EBITDA	18,975	19,330	*(1.8)*	20,310	56,985	53,040	*7.4*
Margin (%)	*33.9*	*34.6*	*(0.7)*	*35.1*	*34.2*	*33.0*	*1.2*
Reported PAT	15,041	15,400	*(2.3)*	16,410	45,711	43,750	*4.5*
PAT (Excl. Ex Items)	15,041	15,400	*(2.3)*	16,410	45,711	43,750	*4.5*
Operating Metrics (% QoQ)							
Volume Gr.	2.5	1.4	*1.1*	1.5	20.0	9.9	*10.1*
Pricing Gr.	0.2	1.4	*(1.2)*	(1.0)	3.0	(0.5)	*3.5*
Currency Effect	(2.5)	(0.8)	*(1.7)*	4.4	6.0	19.0	*(13.0)*
SW Devp. Cost (% of sales)		53.5	53.1*0.4*	53.1	53.3	54.3	*(1.0)*
SG&A (% of sales)	12.6	12.3	*0.3*	11.8	12.5	12.7	*(0.2)*

TCS

Rating	BUY
Price	Rs752
Target Price	Rs850
Market Cap. (Rs bn)	1,471.2
Shares o/s (m)	1,957.2

Key Figures (Rs m)

Y/e March	FY09E	FY10E	FY11E
Net Sales	296,837	339,218	384,174
EBITDA	83,681	95,041	107,831
Margin (%)	*28.2*	*28.0*	*28.1*
PAT	63,721	72,521	78,390
EPS (Rs)	32.6	37.1	40.1
RoE (%)	*33.1*	*31.1*	*28.0*
PE (x)	23.1	20.3	18.8
P / BV (x)	7.5	6.2	5.2
EV / E (x)	17.4	15.0	12.9

We expect Tata Consultancy Services (TCS) to report 3.5% volume growth, 0.3% QoQ pricing decline and unfavorable forex contribution of 2.5% QoQ. Erosion in EBITDA margins by 67bps is due to currency appreciation and bonus payment. We expect total other income of Rs81.4m against Rs23m in Q2FY10.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q2 FY10	*QoQ gr. (%)*	Q3 FY09	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	74,913	74,351	*0.8*	72,770	221,334	211,791	*4.5*
EBITDA	20,404	20,721	*(1.5)*	21,379	60,046	56,899	*5.5*
Margin (%)	*27.2*	*27.9*	*(0.6)*	*29.4*	*27.1*	*26.9*	*0.3*
Reported PAT	15,793	16,239	*(2.7)*	13,526	31,442	41,755	*(24.7)*
PAT (Excl. Ex Items)	15,793	16,239	*(2.7)*	13,526	31,442	41,755	*(24.7)*
Operating Metrics (% QoQ)							
Volume Gr.	3.5	4.0	*(0.5)*	(4.5)	1.8	9.5	*(7.7)*
Pricing Gr.	(0.3)	-	*(0.3)*	(1.3)	(3.8)	(1.5)	*(2.3)*
Currency Effect	(2.5)	(0.8)	*(1.7)*	4.1	6.5	15.3	*(26.6)*
SW Devp. Cost (% of sales)		52.0	51.7*0.3*	52.7	51.5	52.4	*(0.9)*
SG&A (% of sales)	19.5	19.4	*0.1*	19.7	19.8	20.3	*(0.5)*

Wipro

Rating	BUY
Price	Rs694
Target Price	Rs815
Market Cap. (Rs bn)	1,009.5
Shares o/s (m)	1,455.4

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	270,874	307,804	377,190
EBITDA	62,400	70,052	75,627
Margin (%)	*23.0*	*22.8*	*20.0*
PAT	48,269	53,937	54,747
EPS (Rs)	33.2	37.1	37.6
RoE (%)	*0.2*	*0.2*	*0.2*
PE (x)	20.9	18.7	18.4
P / BV (x)	5.4	4.5	3.8
EV / E (x)	15.7	14.0	12.6

We expect Wipro Technologies (Wipro) to report in line with their guidance of 3.5% (avg) QoQ growth for Q3FY10. We expect volumes to grow by 4.4% sequentially and pricing to be muted. Overall IT services revenue is expected to grow by 1.3% sequentially. EBITDA margins erosion is expected to be 68bps largely due to lateral hiring and currency appreciation.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q2 FY10	*QoQ gr. (%)*	Q3 FY09	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	70,143	68,937	*1.8*	65,387	202,268	189,104	*7.0*
EBITDA	15,395	14,686	*4.8*	12,728	44,909	38,106	*17.9*
Margin (%)	*21.9*	*21.3*	*0.6*	*19.5*	*22.2*	*20.2*	*2.1*
Reported PAT	11,451	11,707	*(2.2)*	8,979	33,834	25,342	*33.5*
PAT (Excl. Ex Items)	11,388	11,765	*(3.2)*	8,881	33,765	25,065	*34.7*
Operating Metrics (% QoQ)							
Volume Gr.	4.4	(1.3)	*5.7*	1.3	3.0	8.0	*(62.5)*
Pricing Gr.	0.2	4.4	*(4.2)*	(3.0)	(3.0)	(1.0)	*200.0*
Currency Effect	(2.3)	(2.7)	*0.4*	3.9	6.0	14.5	*(58.6)*
SW Devp. Cost (% of sales)		69.5	*68.90.6*	70.3	68.7	70.1	*(2.0)*
SG&A (% of sales)	12.4	12.3	*0.1*	13.4	12.4	12.9	*(4.3)*

HCL Technologies

Rating	Accumulate
Price	Rs371
Target Price	Rs430
Market Cap. (Rs bn)	248.2
Shares o/s (m)	669.9

Key Figures (Rs m)

Y/e June	FY10E	FY11E	FY12E
Net Sales	122,087	140,718	156,336
EBITDA	31,406	36,893	39,625
Margin (%)	*25.7*	*26.2*	*25.3*
PAT	14,051	19,171	20,699
EPS (Rs)	21.0	28.7	30.9
RoE (%)	*21.0*	*24.0*	*21.9*
PE (x)	17.7	12.9	12.0
P / BV (x)	3.7	3.1	2.6
EV / E (x)	8.6	7.1	6.4

Volumes for this quarter are expected to grow by 0.1% QoQ for Q2FY10 due to cross-currency headwind of 2.5% QoQ, volume growth of 2.7% QoQ and pricing decline of 0.1% QoQ. We expect margin erosion of 75bps due to higher employee cost and continued ramp-up in overseas team. We expect net forex loss to be inline with the last quarter.

Quarterly Table (Rs m)

Y/e June	Q2 FY10E	Q1 FY10	*QoQ gr. (%)*	Q2 FY09	H1 FY10E	H1 FY09	*YoY gr. (%)*
Net Sales	30,296	30,314	*(0.1)*	24,908	60,610	48,601	*24.7*
EBITDA	6,656	6,888	*(3.4)*	5,601	13,544	10,912	*24.1*
Margin (%)	*22.0*	*22.7*	*(0.8)*	*22.5*	*22.3*	*22.5*	*(0.1)*
Reported PAT	3,408	3,200	*6.5*	3,733	6,608	7,295	*(9.4)*
PAT (Excl. Ex Items)	3,408	3,200	*6.5*	3,733	6,608	7,295	*(9.4)*
Operating Metrics (% QoQ)							
Volume Gr.	2.7	3.0	*(0.3)*	3.0	7.0	12.0	*(5.0)*
Pricing Gr.	(0.1)	0.4	*(0.5)*	2.0	(2.0)	(2.0)	*0.0*
Currency Effect	(2.5)	0.4	*(2.9)*	4.0	2.0	8.0	*(6.0)*
SW Devp. Cost (% of sales)	62.4	62.4	*0.0*	60.6	62.3	61.6	*0.7*
SG&A (% of sales)	16.0	15.5	*0.5*	17.0	15.9	16.3	*(0.4)*

Tech Mahindra

Rating	Reduce
Price	Rs1,024
Target Price	Rs900
Market Cap. (Rs bn)	133.8
Shares o/s (m)	130.7

Key Figures (Rs m)

Y/e March	FY09	FY10E	FY11E
Net Sales	46,411	49,659	55,122
EBITDA	11,928	12,663	13,780
Margin (%)	*25.7*	*25.5*	*25.0*
PAT	6,992	7,646	8,178
EPS (Rs)	53.7	58.8	62.9
RoE (%)	*31.8*	*28.1*	*24.9*
PE (x)	19.0	17.4	16.3
P / BV (x)	5.5	4.5	3.7
EV / E (x)	12.0	10.9	9.7

Due to GBP depreciation against INR, we expect a negative impact of 2.0% in the revenues since 70% of company's revenues are billed in GBP. Also, we expect stability in the revenue coming from BT (British Telecom) after the ramp-up last quarter. However, higher forex loss due to currency depreciation and interest cost due to Satyam acquisition will restrict the growth of net profit to 0.7% QoQ.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q2 FY10	*QoQ gr. (%)*	Q3 FY09	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	11,688	11,418	*2.4*	11,322	22,819	23,066	*(1.1)*
EBITDA	2,992	2,925	*2.3*	3,180	5,797	6,859	*(15.5)*
Margin (%)	*25.6*	*25.6*	*(0.0)*	*28.1*	*25.4*	*29.7*	*(4.3)*
Reported PAT	1,794	1,690	*6.1*	2,229	3,110	4,717	*(34.1)*
PAT (Excl. Ex Items)	1,794	1,690	*6.1*	2,229	3,195	4,717	*(32.3)*
Operating Metrics (USD m)							
Rev. from BT	118.3	118.4	*(0.1)*	161.8	357.0	347.4	*2.8*
EBDITA Telecom Serv. Prov	82.0	77.9	*5.3*	87.9	234.0	276.8	*(15.5)*
Rev. from Non BT clients	130.1	118.3	*10.0*	107.8	355.5	426.0	*(16.6)*
SW Devp. Cost (% of sales)	61.5	61.4	*0.1*	59.0	61.2	61.3	*(0.0)*
SG&A (% of sales)	13.3	13.4	*(0.1)*	13.0	13.3	13.3	*0.0*

Mphasis

Rating	BUY
Price	Rs742
Target Price	Rs840
Market Cap. (Rs bn)	155.6
Shares o/s (m)	209.7

Key Figures (Rs m)

Y/e Oct	FY10E	FY11E	FY12E
Net Sales	49,211	57,375	66,132
EBITDA	13,345	15,080	16,804
Margin (%)	*27.1*	*26.3*	*25.4*
PAT	9,990	10,366	11,327
EPS (Rs)	47.4	49.2	53.8
RoE (%)	*30.3*	*24.3*	*21.2*
PE (x)	15.6	15.1	13.8
P / BV (x)	4.7	3.7	2.9
EV / E (x)	11.0	9.2	7.8

We expect Mphasis to continue it's earnings momentum but at a slower pace when compared to FY09. Revenue is expected to grow 3.0% sequentially led by 5% volume growth and 2% cross-currency headwind QoQ. Margins would cool off a bit (a 20bps dip expected) after sharp improvements QoQ for the last two years largely due to bonus payment and currency appreciation.

Quarterly Table (Rs m)

Y/e Oct	Q1 FY10E	Q1 FY09	*QoQ gr. (%)*	Q4 FY09	12M FY10E	12M FY09E	*YoY gr. (%)*
Net Sales	11,662	9,777	*19.3*	11,322	49,211	42,639	*15.4*
EBITDA	2,507	2,106	*19.1*	2,475	13,345	11,750	*13.6*
Margin (%)	*21.5*	*21.5*	*(0.0)*	*21.9*	*27.1*	*27.6*	*(0.4)*
Reported PAT	2,422	2,100	*15.3*	2,450	9,990	9,087	*9.9*
PAT (Excl. Ex Items)	2,422	2,100	*15.3*	2,450	9,990	9,087	*9.9*
Operating Metrics (% QoQ)							
Application Serv. Gr.	3.1	3.1	*0.0*	2.8	18.0	43.6	*(25.6)*
BPO Serv. Gr.	(1.3)	1.0	*(2.3)*	3.7	(3.0)	15.5	*(18.5)*
ITO Gr.	3.3	9.7	*(6.4)*	0.1	20.0	85.0	*(65.0)*
SW Devp. Cost (% of sales)	68.0	67.3	*0.7*	67.8	67.8	67.5	*0.3*
SG&A (% of sales)	68.0	78.5	*(10.5)*	78.1	78.6	78.3	*0.3*

Patni Computers

Rating	Accumulate
Price	Rs482
Target Price	Rs480
Market Cap. (Rs bn)	62.1
Shares o/s (m)	128.7

Key Figures (Rs m)

Y/e Dec	CY09E	CY10E	CY11E
Net Sales	656	719	774
EBITDA	135	151	162
Margin (%)	*20.6*	*21.1*	*21.0*
PAT	112	36	69
EPS (Rs)	0.9	0.9	1.1
RoE (%)	*14.8*	*15.0*	*14.3*
PE (x)	556.0	523.1	445.9
P / BV (x)	89.0	77.3	66.9
EV / E (x)	461.5	412.8	385.8

We expect Patni Computers (Patni) to beat their guidance (US$168-169m) and our estimate of US$170.1m. We expect Patni to expand their margin by 75bps due to cost-control measures. We expect forex loss of US$2.1m against US$2.3m in the last quarter. We expect management commentary on organic and inorganic growth strategy of the company.

Quarterly Table (Rs m)

Y/e Dec	Q4 CY09E	Q3 CY09	*QoQ gr. (%)*	Q2 CY08	12M CY09E	12M CY08	*YoY gr. (%)*
Net Sales	8,085	8,775	*(7.9)*	8,040	31,693	31,451	*0.8*
EBITDA	1,317	1,445	*(8.9)*	1,412	5,212	4,225	*23.4*
Margin (%)	*16.3*	*16.5*	*(0.2)*	*17.6*	*16.4*	*13.4*	*3.0*
Reported PAT	1,564	835	*87.4*	1,683	5,364	4,436	*20.9*
PAT (Excl. Ex Items)	1,564	835	*87.4*	1,683	5,364	4,436	*20.9*
Operating Metrics (% QoQ)							
Apps Devp. & Maint. Gr.	4.0	(3.3)	*7.3*	3.5	(2.8)	6.6	*(9.4)*
Package S/W Impl. Gr.	(3.0)	(13.5)	*10.5*	(3.4)	(12.0)	14.8	*(26.8)*
Product Eng. Gr.	1.8	0.6	*1.2*	1.5	(5.5)	5.6	*(11.1)*
SW Devp. Cost (% of sales)	63.5	65.9	*(2.4)*	62.9	64.7	68.3	*(3.7)*
SG&A (% of sales)	20.2	17.6	*2.6*	18.2	18.9	18.2	*0.7*

Rolta India

Rating	Accumulate
Price	Rs200
Target Price	Rs240
Market Cap. (Rs bn)	32.1
Shares o/s (m)	160.9

Key Figures (Rs m)

Y/e June	FY10E	FY11E	FY12E
Net Sales	15,758	18,301	21,194
EBITDA	5,518	6,382	7,371
Margin (%)	*35.0*	*34.9*	*34.8*
PAT	2,530	2,965	3,655
EPS (Rs)	14.3	16.7	20.6
RoE (%)	*16.5*	*17.1*	*16.1*
PE (x)	14.0	11.9	9.7
P / BV (x)	2.2	1.9	1.3
EV / E (x)	7.2	6.1	4.3

We expect a modest growth for all the three verticals for Rolta India (Rolta) wherein GIS growth is 4.1%, EDS 1.6% and EICT 11.4% QoQ. We expect the company to maintain its margin. Also, we expect further improvement in the order book and positive commentary from management on the improved demand environment.

Quarterly Table (Rs m)

Y/e June	Q2 FY10E	Q2 FY09	*QoQ gr. (%)*	Q2 FY09	H1 FY10E	H1 FY09	*YoY gr. (%)*
Net Sales	3,694	3,505	*5.4*	3,619	7,199	7,081	*1.7*
EBITDA	1,292	1,255	*3.0*	1,261	2,547	2,446	*4.1*
Margin (%)	*35.0*	*35.8*	*(0.8)*	*34.8*	*35.4*	*34.0*	*4.1*
Reported PAT	556	561	*(1.0)*	606	1,117	845	*32.2*
PAT (Excl. Ex Items)	556	561	*(1.0)*	606	1,117	845	*32.2*
Operating Metrics (% QoQ)							
GIS segment gr.	4.1	7.2	*(3.1)*	4.0	14.9	21.0	*(6.1)*
Engineering segment gr.	1.6	2.5	*(0.8)*	3.2	(17.4)	36.8	*(54.2)*
EICT segment gr.	11.4	4.8	*6.6*	7.2	2.1	247.8	*(245.7)*
SW Devp. Cost (% of sales)	37.5	37.1	*0.4*	37.5	38.0	40.0	*(2.0)*
Mat. & Sub. (% of sales)	14.5	15.0	*(0.5)*	16.2	14.5	13.5	*1.0*

KPIT Cummins

Rating	Accumulate
Price	Rs128
Target Price	Rs100
Market Cap. (Rs bn)	10.1
Shares o/s (m)	78.8

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	6,739	7,046	8,588
EBITDA	1,381	1,462	1,781
Margin (%)	*20.5*	*20.7*	*20.7*
PAT	786	900	1,155
EPS (Rs)	10.0	11.4	14.7
RoE (%)	*21.8*	*20.7*	*20.2*
PE (x)	12.8	11.2	8.7
P / BV (x)	2.6	2.1	1.9
EV / E (x)	8.2	7.7	6.3

We expect a 4.4% QoQ growth in KPIT Cummins Infosystems' (KPITs) USD revenue after a positive surprise in the last quarter of 3.0% QoQ growth, largely led by recovery in the manufacturing sector demand. EBITDA margins are likely to be eroded by 60bps to 25.9% (margins had improved sharply in H2FY09 - from 17.7% to 26.5% in H1FY10).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q2 FY10	QoQ gr. (%)	Q3 FY09	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	1,814	1,770	*2.5*	2,065	5,312	5,834	*(8.9)*
EBITDA	470	469	*0.3*	550	1,305	1,216	*7.4*
Margin (%)	*25.9*	*26.5*	*(0.6)*	*26.6*	*24.6*	*20.8*	*3.7*
Reported PAT	252	212	*18.9*	169	688	466	*47.7*
PAT (Excl. Ex Items)	252	212	*18.9*	169	688	465	*47.8*
Operating Metrics (% QoQ)							
US$ Rev.	38.0	36.4	*4.4*	42.4	111.1	131.7	*(20.6)*
Manufacturing Seg. Gr.	4.0	7.3	*23.9*	15.3	(6.3)	8.3	*(14.6)*
BFSI Seg. Gr.	0.5	(1.1)	*(0.2)*	(3.1)	-	(5.6)	*5.6*
Others Seg. Gr.	(20.0)	(36.2)	*(11.3)*	15.0	(22.3)	(5.6)	*(16.7)*
SW Devp. Cost (% of sales)	54.6	54.1	*0.4*	58.0	55.2	58.0	*(2.8)*

Geometric

Rating	Reduce
Price	Rs69
Target Price	Rs45
Market Cap. (Rs bn)	4.3
Shares o/s (m)	62.5

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	5,158	5,608	6,373
EBITDA	840	841	956
Margin (%)	*16.3*	*15.0*	*15.0*
PAT	339	320	383
EPS (Rs)	5.4	5.1	6.1
RoE (%)	*16.7*	*14.9*	*15.2*
PE (x)	12.8	13.5	11.3
P / BV (x)	1.6	1.4	1.5
EV / E (x)	5.2	5.4	4.9

Volumes and pricing (put together for Q3FY10) for the company is expected to deliver modest growth of 1%. We expect almost no spill-over of last quarter's ramp-downs. EBITDA margin is expected to be inline with the last quarter after erosion of 143bps (on adjusted basis) to 17.6%.

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q2 FY10	QoQ gr. (%)	Q3 FY09	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	1,282	1,282	*0.0*	1,631	3,857	4,561	*(15.4)*
EBITDA	224	226	*(0.6)*	304	696	631	*10.4*
Margin (%)	*17.5*	*17.6*	*(0.1)*	*18.6*	*18.0*	*13.8*	*4.2*
Reported PAT	132	133	*(1.0)*	18.27	366	213	*71.5*
PAT (Excl. Ex Items)	103	102	*0.3*	18	288	102	*181.6*
Operating Metrics (% QoQ)							
US$ rev.	27.6	26.7	*0.9*	33.5	80.7	103.0	*(22.3)*
Software seg. gr.	2.0	1.3	*0.7*	5.8	33.3	60.1	*(26.8)*
Engineering seg. gr.	0.5	0.4	*0.1*	5.6	14.6	33.6	*(19.1)*
Products seg. gr.	(3.0)	(8.7)	*5.7*	23.8	1.9	6.3	*(4.4)*
SW Devp. Cost (% of sales)	62.5	62.5	*0.0*	63.5	60.8	65.5	*(4.6)*

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Telecom

Subscriber net additions continue to be buoyant as ~34m subscribers have been garnered by telcos for the first two months of Q3FY10, a growth of 11% YoY. This was a result of Tata Docomo (Tata's) 1 paise per second launch and continuation of strong net additions by Reliance Communication (RCom), Vodafone and Bharti Airtel (Bharti). However, this rise in net addition has resulted in increase of dual SIM subscribers and may result in some flight of minutes from incumbents like Bharti, Vodafone and Idea Cellular (Idea).

Operator-wise subscriber trends

	Wirless net subscribers at end of (in million)			Net additions btwn Sep'09-Nov'09 (in mn)
	Sep'09	Oct'09	Nov'09	
Bharti Airtel	110.5	113.2	116.0	8.0
Reliance Comm	86.1	88.2	91.0	6.9
Vodafone Essar	82.8	85.8	88.6	7.7
BSNL+ MTNL	57.7	58.4	59.7	3.3
Idea Cellular	51.5	53.4	55.9	5.8
Tata Teleservices	46.8	50.7	54.0	11.2

Source: COAI, AUSPI, PL Estimates

ARPU to be under pressure as all incumbents cut tariffs: New launches by Shyam-Sistema in CDMA and Tata Docomo in GSM brought in aggressive entry strategy plans like per second billing cycle. Life time schemes (starter kit) by various operators are available at Rs200 with talktime of Rs185 which charges 72 paise/min. According to our dealer checks, average ARPU of a new subscriber is ~100. Further, the tariff cuts were across pre-paid and post-paid schemes which will hurt the overall wireless revenues.

Tariff plans of life time schemes offered by various operators

Operator	Subscription charges	Tariff
Bharti, Idea	One time charge of Rs200, with talktime of Rs180	Local/STD at 72p/min
Vodafone	One time charge of Rs206, with talktime of Rs185	Local/STD at 72p/min
RCom	SIM cost Rs30 + Scheme charge Rs91/ Rs101/Rs111	Rs 91 --- Rs 1 flat for 3 minutes Rs 101 --- 50 paise/min Rs 111 --- 1paise/second
Tata Docomo	One time charge of Rs200, with talktime of Rs184	1p/per second
Shyam-Sistema (MTS)*	One time charge of Rs149, with talktime of Rs149 (local minutes only)	1p/2 second
Aircel	One time charge of Rs 55, with talktime of Rs48	1p/per second

Source: PL Research **Tariffs valid for 6 months --- after 6 months tariffs to be 1p/per second*

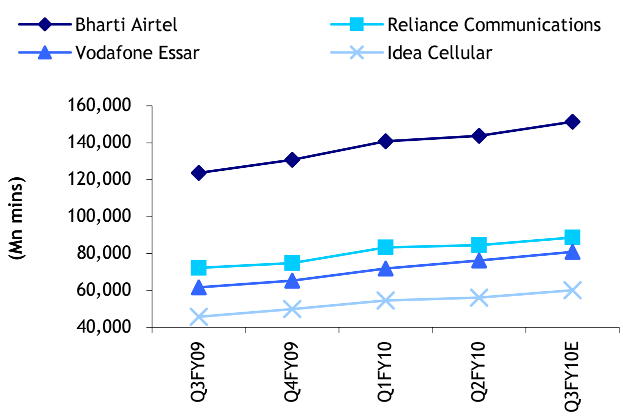
New launches in Oct-Dec period

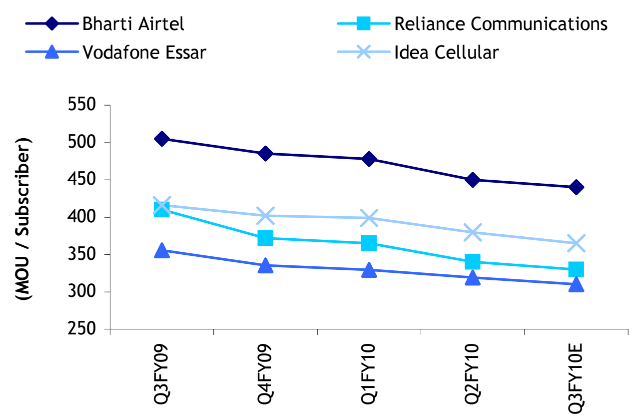
New launches	Circles launced	Circles present post launch
Tata's (GSM)	Kolkatta, Punjab, UP West, UP East, West Bengal, Bihar	Pan India CDMA + 16 circles GSM
Idea Cellular	Kolkatta, West Bengal, Assam & Jammu	22
Shyam Telelink	Karnataka	8

Source: PL Research

Traffic growth to range between 5-7% for the quarter: We expect the traffic growth for operators to be in the range of 5-7% for the quarter due to festive season and elasticity pick up due to drop in tariffs after a lull Q2FY10. Over the last four quarters, incumbents had shown traffic growth of 5-7% CQGR on back of 8-11% CQGR in subscribers.

Wireless traffic growing at 5-7% CQGR





Source: Company Data, PL Research

Key Developments

Bharti looking at acquiring 70% in Bangladesh operator Warid Telecom: Bharti is looking at acquiring a controlling stake in Warid telecom, a Bangladesh based wireless operator, having ~3m subscribers. Bharti has been looking at overseas expansion to boost its growth. In the past, it has failed twice in sealing a deal with South Africa-based MTN Group.

Indus Towers raises Rs100bn from a consortium of banks: Indus Towers has raised ~Rs100bn from a consortium of domestic banks led by SBI Caps, IDBI, IDFC and Citibank to expand its tower portfolio. Part of these proceeds would be used to pay its principal shareholders loans worth around Rs39bn to Bharti Infratel (Rs17bn), Vodafone Essar (Rs16bn) and Idea (Rs6bn).

DOT plans country wide MNP launch by March 31, 2010: DOT has decided to implement country wide MNP by March 31, 2010. However, as per the original plan, mobile users in metros and category A circles were slated to avail this provision from January 1, 2010, while the rest of the country would have had access to MNP from April 1, 2010.

3G auctions to be held in February 2010: The government is planning to auction third-generation (3G) wireless radio spectrum by mid-February 2010, about a month later than it had been scheduled earlier. The auction, which was scheduled on January 14, 2010, has been deferred several times before.

Top picks: None

Consolidated Sectoral Data

Key Figures (Rs m)

	FY10E	FY11E	FY12E
Net Sales	766,416	824,009	883,395
Growth (%)	*7.0*	*7.5*	*7.2*
EBITDA	285,053	299,628	319,867
Margin (%)	*37.2*	*36.4*	*36.2*
PAT	139,046	118,890	128,581
Growth (%)	*(10.3)*	*(14.5)*	*8.2*
PE (x)	13.1	15.4	14.2

Quarterly Table (Rs m)

	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	QoQ gr. (%)
Net Sales	189,250	186,618	*1.4*	189,653	*(0.2)*
EBITDA	68,482	70,507	*(2.9)*	70,979	*(3.5)*
Margin (%)	*36.2*	*37.8*	*(1.6)*	*37.4*	*(1.2)*
PAT (Excl. Ex Items)	30,817	38,390	*(19.7)*	33,332	*(7.5)*

Note: The Revenue, EBITDA and PAT numbers are arrived by totaling corresponding numbers of all companies under our coverage in this sector.

Bharti Airtel

Rating	**Reduce**
Price	Rs325
Target Price	Rs284
Market Cap. (Rs bn)	1,251.8
Shares o/s (m)	3,851.8

Bharti continued to add robust subscribers in the first two months of Q3FY10, with a monthly run-rate of ~2.8m subscribers. During Q3FY10, the intensity of competition has picked up with the per second pulse schemes offered by all incumbents and across the board reduction of tariffs in both voice and SMS. We have considered the impact of new launches garnering traffic on to their networks and have accordingly modelled QoQ decline of 2% in MOU to 440. However, ARPU is expected to slide by 8.7% QoQ to Rs230 due to increased competitive intensity. Traffic growth in wireless segment looks healthy with a QoQ growth of 5% to 151bn minutes.

Key Figures (Rs m)

Y/e March	FY09	FY10E	FY11E
Net Sales	394,204	404,010	425,512
EBITDA	163,475	166,699	175,464
Margin (%)	*41.5*	*41.3*	*41.2*
PAT	91,420	80,842	81,999
EPS (Rs)	23.7	21.0	21.3
RoE (%)	*27.5*	*19.7*	*17.1*
PE (x)	13.7	15.5	15.3
P/BV (x)	3.4	2.8	2.4
EV / E (x)	8.1	7.7	7.3

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	97,922	96,334	*1.6*	98,455	295,793	271,370	*9.0*
EBITDA	40,084	39,089	*2.5*	41,416	123,018	111,027	*10.8*
Margin (%)	*40.9*	*40.6*	*0.4*	*42.1*	*41.6*	*40.9*	*0.7*
Reported PAT	22,306	21,593	*3.3*	23,210	70,692	62,306	*13.5*
PAT (Excl. Ex Items)	22,306	21,593	*3.3*	23,210	70,692	62,306	*13.5*
Operating Metrics							
Subscriber net adds (M)	8.3	8.2	*1.6*	8.1	24.9	23.7	*5.2*
ARPU in (Rs)	230	324	*(29.0)*	252	253	335	*(24.4)*
MOU in minutes	440	505	*(12.9)*	450	456	522	*(12.6)*

Reliance Comm.

Rating	Reduce
Price	Rs175
Target Price	Rs182
Market Cap. (Rs bn)	361.5
Shares o/s (m)	2,064.0

RCom garnered subscribers at a monthly rate of 2.4m for the first two months of Q3FY10. We expect EBITDA margins to slow by 110bps QoQ to 34.3% due to competitive intensity and soaring network operating costs. Absolute EBITDA (which had been revolving between Rs20-24bn for last seven quarters) is expected to de-grow by 4% QoQ to Rs19.5bn.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	232,940	251,920	277,434
EBITDA	84,059	87,668	95,853
Margin (%)	*36.1*	*34.8*	*34.6*
PAT	36,356	25,766	32,841
EPS (Rs)	17.6	12.5	15.9
RoE (%)	*8.2*	*5.5*	*6.6*
PE (x)	9.9	14.0	11.0
P/BV (x)	0.79	0.75	0.70
EV / E (x)	7.5	7.3	6.2

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	56,795	58,502	*(2.9)*	57,026	175,273	168,174	*4.2*
EBITDA	19,481	23,525	*(17.2)*	20,199	64,205	69,043	*(7.0)*
Margin (%)	*34.3*	*40.2*	*(5.9)*	*35.4*	*36.6*	*41.1*	*(4.4)*
Reported PAT	6,319	14,106	*(55.2)*	7,403	30,088	44,538	*(32.4)*
PAT (Excl. Ex Items)	6,319	14,106	*(55.2)*	7,403	30,088	44,538	*(32.4)*
Operating Metrics							
Subscriber net adds (M)	7.0	5.3	*32.6*	6.6	20.5	15.5	*31.7*
ARPU in (Rs)	148	251	*(41.0)*	161	173	268	*(35.4)*
MOU in minutes	330	410	*(19.5)*	340	345	419	*(17.7)*

Idea Cellular

Rating	Reduce
Price	Rs58
Target Price	Rs51
Market Cap. (Rs bn)	180.6
Shares o/s (m)	3,100.1

Idea has added 4.5m subscribers for first two months of Q3FY10. It has rolled out operations in 4 circles, namely Kolkatta, West Bengal, Assam & Jammu in the quarter. Margins are expected to slide QoQ by 130bps to 26%, building in competitive intensity and full quarterly impact of Kolkatta and West Bengal launch. Traffic growth is expected to be healthy and grow by 7% QoQ to 60bn minutes.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	119,518	146,146	155,052
EBITDA	32,474	39,400	41,805
Margin (%)	*27.2*	*27.0*	*27.0*
PAT	8,776	9,728	10,372
EPS (Rs)	2.8	3.1	3.3
RoE (%)	*6.3*	*6.4*	*6.4*
PE (x)	20.6	18.6	17.4
P/BV (x)	1.23	1.16	1.08
EV / E (x)	8.0	6.4	5.8

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	YoY gr. (%)	Q2 FY10	9M FY10E	9M FY09	YoY gr. (%)
Net Sales	29,312	27,364	*7.1*	29,261	88,332	72,133	*22.5*
EBITDA	7,583	6,969	*8.8*	8,095	24,277	20,194	*20.2*
Margin (%)	*25.9*	*25.5*	*0.4*	*27.7*	*27.5*	*28.0*	*(0.5)*
Reported PAT	1,587	2,195	*(27.7)*	2,202	6,759	6,269	*7.8*
PAT (Excl. Ex Items)	1,587	2,195	*(27.7)*	2,202	6,759	6,269	*7.8*
Operating Metrics							
Subscriber net adds (M)	6.9	4.0	*71.6*	4.3	15.3	9.8	*56.3*
ARPU in (Rs)	186	269	*(30.9)*	213	211	267	*(20.9)*
MOU in minutes	365	423	*(13.7)*	379	382	422	*(9.4)*

Tulip Telecom

Rating	Reduce
Price	Rs976
Target Price	Rs881
Market Cap. (Rs bn)	28.3
Shares o/s (m)	29.0

Tulip Telecom is expected to add 22.5k connects for the quarter vis-à-vis 21.7 k in Q2FY10. Margins are expected to remain around 25.6% (flattish QoQ) and revenue contribution from the IP-VPN segment at 85%. The tax dispute about the quantum of exemption claimed under section 80IA is expected to settle in the next couple of months. However, we have modelled a 20% tax rate for this quarter.

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	19,753	21,933	23,897
EBITDA	5,044	5,861	6,226
Margin (%)	*25.5*	*26.7*	*26.1*
PAT	2,493	2,554	2,786
EPS (Rs)	76.7	78.6	85.7
RoE (%)	*31.5*	*25.4*	*23.0*
PE (x)	12.7	12.4	11.4
P/BV (x)	3.1	2.5	2.2
EV / E (x)	7.7	6.4	5.9

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	5,220	4,418	*18.2*	4,910	14,560	11,589	*25.6*
EBITDA	1,334	924	*44.3*	1,268	3,690	2,389	*54.5*
Margin (%)	*25.6*	*20.9*	*4.6*	*25.8*	*25.3*	*20.6*	*4.7*
Reported PAT	605	496	*21.9*	518	1,875	1,458	*28.6*
PAT (Excl. Ex Items)	605	496	*21.9*	518	1,875	1,458	*28.6*
Operating Metrics							
Network Int. Rev. (M)	779	1,007	*(22.7)*	734	2,254	3,269	*(31.0)*
No. of connects added ('000)	22.5	23.1	*(2.6)*	21.7	62.4	58.3	*7.0*
ARPU of IP VPN monthly/connect (Rs)	4,583	4,830	*(5.1)*	4,737	4,657	4,410	*5.6*

Others

Ess Dee Aluminium

Rating	BUY
Price	Rs379
Target Price	Rs461
Market Cap. (Rs bn)	10.6
Shares o/s (m)	27.8

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	6,742	8,786	10,507
EBITDA	1,710	2,196	2,679
Margin (%)	*25.4*	*25.0*	*25.5*
PAT	1,055	1,424	1,765
EPS (Rs)	38.0	51.2	63.5
RoE (%)	*27.9*	*29.3*	*28.1*
PE (x)	10.0	7.4	6.0
P / BV (x)	2.5	1.9	1.5
EV / E (x)	6.8	5.4	3.6

We expect sales of Ess Dee Aluminium (EDA) to grow by 65.2%, from Rs1bn to Rs 1.69bn (YoY) mainly due to additional sales from India Foils (IFL). However, EBITDA margin is expected to reduce from 29% to 25.2% (YoY) due to the ongoing process of integrating IFL. Net profit is expected to increase by 35%, from Rs201m to Rs271m (YoY).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	1,694	1,025	*65.2*	1,416	4,413	3,335	*32.3*
EBITDA	427	298	*43.3*	412	1,184	946	*25.2*
Margin (%)	*25.2*	*29.0*	*(3.9)*	*29.1*	*26.8*	*28.4*	*(1.5)*
Reported PAT	271	205	*32.4*	243	691	648	*6.5*
PAT (Excl. Ex Items)	271	201	*35.0*	243	689	644	*7.0*
Operating Metrics							
Ess Dee Sales (Standalone)	1,297	1,037	*25.1*	1,098	3,419	3,347	*2.2*
Operating Profit	355	296	*20.0*	337	970	944	*2.8*
India Foil Sales	397	0	*NA*	280	957	0	*NA*
Operating Profit	72	2	*NA*	48	167	2	*NA*

Phillips Carbon Black

Rating	BUY
Price	Rs160
Target Price	Rs265
Market Cap. (Rs bn)	4.5
Shares o/s (m)	28.3

Key Figures (Rs m)

Y/e March	FY10E	FY11E	FY12E
Net Sales	12,913	19,602	20,470
EBITDA	1,707	2,684	3,046
Margin (%)	*13.2*	*13.7*	*14.9*
PAT	972	1,869	2,225
EPS (Rs)	34.4	66.2	78.7
RoE (%)	*37.2*	*47.7*	*38.2*
PE (x)	4.7	2.4	2.0
P / BV (x)	1.5	0.9	0.7
EV / E (x)	4.9	2.9	1.3

We expect sales of the Carbon Black (CB) segment to rise by 59.6% (in volume terms), from 43,737MT to 69,816MT (YoY) due to revival in CB cycle as well as start of a plant at Mundra. Revenue from power is also expected to increase from Rs53m to Rs213m (YoY) due to the start of the Durgapur power plant from April 2009 and Mundra power plant from October 2009. EBITDA is expected to improve from the loss of Rs467m to Rs605m (YoY) due to upturn in the CB cycle and higher contribution in EBITDA from the power segment. Net profit is expected to change from loss of Rs463m to Rs327m (YoY).

Quarterly Table (Rs m)

Y/e March	Q3 FY10E	Q3 FY09	*YoY gr. (%)*	Q2 FY10	9M FY10E	9M FY09	*YoY gr. (%)*
Net Sales	3,605	2,870	*25.6*	2,745	9,265	9,233	*0.3*
EBITDA	605	(467)	–	518	1,393	92	*1,420.3*
Margin (%)	*16.8*	*(16.3)*	*33.1*	*18.9*	*15.0*	*1.0*	*14.0*
Reported PAT	327	(463)	–	323	856	(81)	–
PAT (Excl. Ex Items)	327	(463)	–	330	812	(81)	–
Operating Metrics							
Volume of CB sold (MT)	69,816	43,737	*59.6*	58,183	188,999	162,157	*16.6*
Avg. Real. (Rs/Tonne)	48,588	64,389	*(24.5)*	44,171	46,270	55,800	*(17.1)*
Power (Rs m)	213	53	*302.2*	169	510	183	*178.4*

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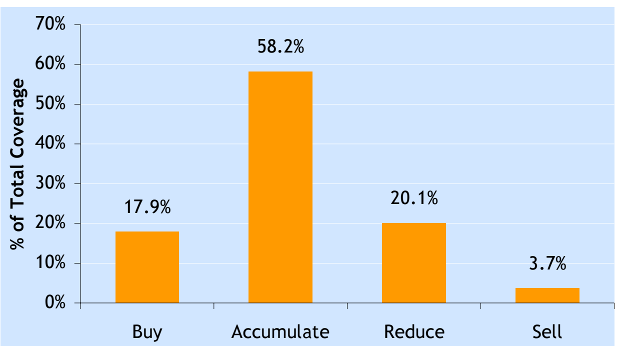
Rating Distribution of Research Coverage



PL's Recommendation Scale

BUY	: Over 15% Outperformance to Sensex over 12-months	**Accumulate**	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	**Sell**	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	**Trading Sell**	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	**Under Review** (UR)	: Rating likely to change shortly