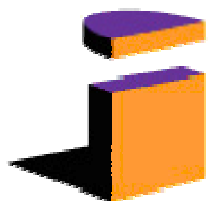
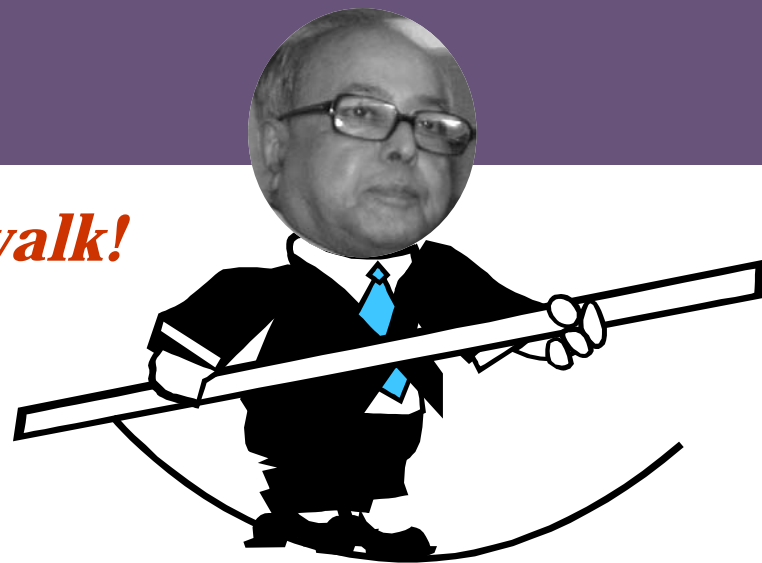


Union Budget 2011-12

Tightrope walk!

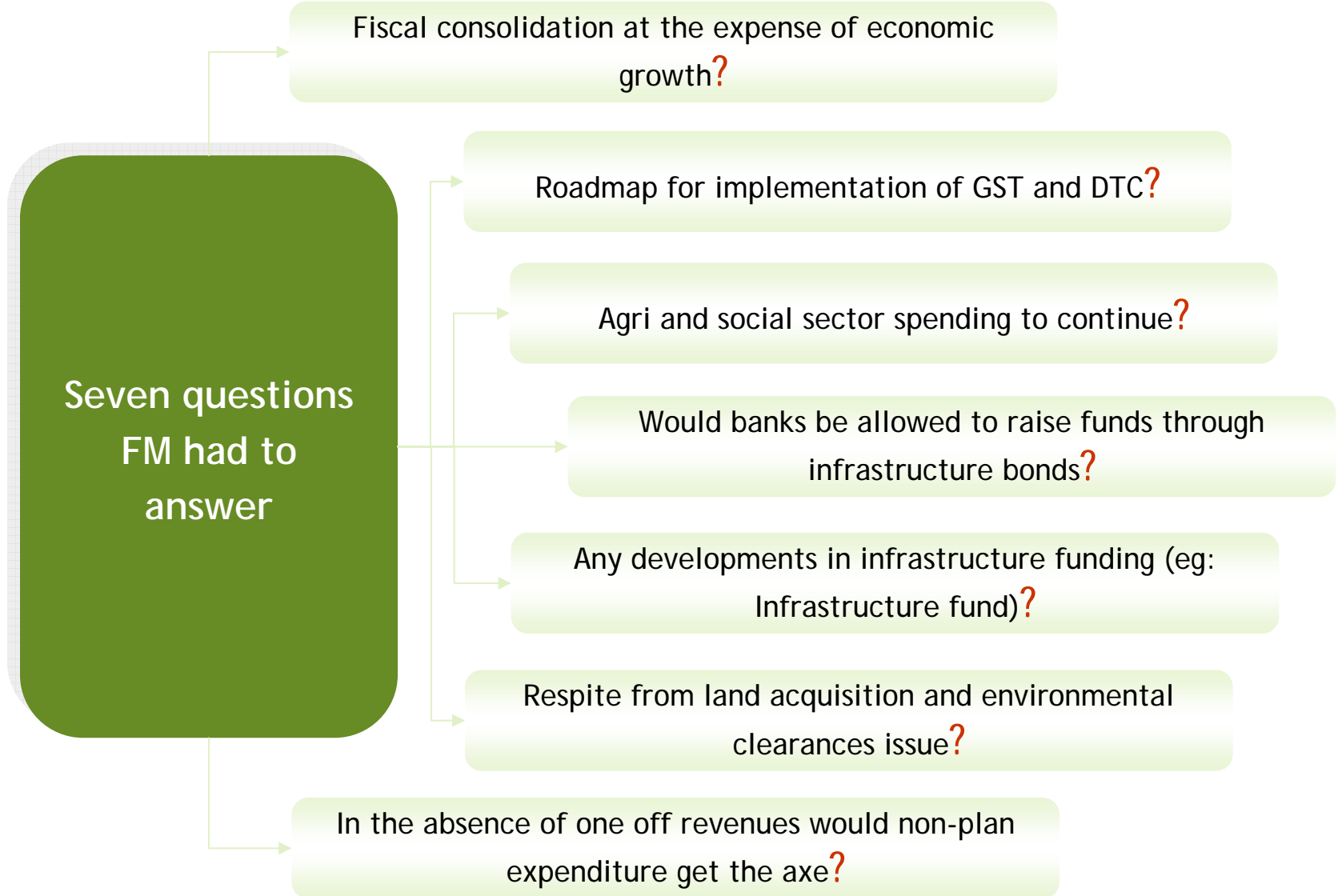


IDFC

IDFC Securities Research

February 2011

SEVEN questions investors had for FM



Public finances - a balancing act

Rs bn	FY10A	FY11RE	% Growth	FY12BE	% Growth
Interest payments	2,131	2,408	13.0	2,680	11.3
Subsidies	1,414	1,642	16.1	1,436	(12.5)
Food	584	606	3.7	606	(0.0)
Fertilizers	613	550	(10.3)	500	(9.1)
Petroleum	150	384	156.7	236	(38.4)
Interest	27	52	94.4	69	31.5
Other subsidies	40	50	24.0	25	(49.9)
Others	3,667	4,166	13.6	4,046	(2.9)
Non plan expenditure	7,211	8,216	13.9	8,162	(0.7)
Plan expenditure	3,034	3,950	30.2	4,415	11.8
Total expenditure	10,245	12,166	18.7	12,577	3.4
Revenue receipts					
Direct taxes	3,775	4,460	18.1	5,327	19.4
Indirect taxes	2,454	3,390	38.2	3,978	17.4
Taxes of states & UT	16	19	18.3	20	3.3
Gross Tax revenue	6,245	7,869	26.0	9,324	18.5
Less: Transferred to state & UT's	1,648	2,193	33.0	2,635	20.1
Less: NCCD to NDRF	32	39	23.4	45	16.0
Net tax revenue	4,565	5,637	23.5	6,645	17.9
Non tax revenue	1,163	2,201	89	1,254	(43)
Total revenue receipts	5,728	7,838	36.8	7,899	0.8
Non debt capital receipts	332	317	(4)	550	73
Total receipts	6,060	8,156	34.6	8,449	3.6

Food security bill would increase the subsidy burden by ~Rs300bn

Non plan expenditure shows a decline on the back of reduced subsidies for fuel and fertilizer

Non tax revenue includes proceeds from FM phase III auction and BWA

Govt has maintained FY12 divestment proceeds at Rs400bn

Fiscal consolidation process on track

Govt borrowings under control

(Rs bn)	FY10A	FY11RE	FY12BE
Gross Market Borrowings	4,510	4,470	4,171
Less: Redemptions	526	1,116	741
Net Market borrowings	3,984	3,354	3,430
Fiscal deficit/ GDP (%)	6.4	5.1	4.6
Primary deficit/ GDP (%)	3.1	2.0	1.6
Revenue deficit/ GDP (%)	5.2	3.4	3.4

- Net tax revenue growth of 18% for FY12 looks achievable...
- ...easing concerns on Govt net market borrowings!

- We do note our reservation on the provision for fuel subsidies and probable slippage of fiscal deficit from budgeted estimates
- But even assuming an extreme scenario where crude sustains at US\$95, the worst case FY12 fiscal deficit would be at 5% of GDP!

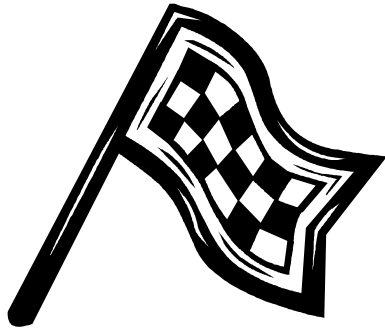
Though, crude could play spoilsport...

FY12		Base	High	Strong bull run
Assumption of crude - Brent	US\$/bbl	85	90	95
Indian crude basket	US\$/bbl	82	87	91
Total under recovery	Rs bn	642	821	1,034
GOI share at 50% (Fuel subsidy)	Rs bn	321	410	517
Budgeted FY12 Fuel subsidy	Rs bn	236	236	236
Excess fuel subsidy	Rs bn	84	174	280
Revised fiscal deficit	Rs bn	4,212	4,302	4,409
Fiscal deficit as % of GDP	%	4.7	4.8	4.9

Fiscal deficit remains at comforting level!

Roadmap for DTC and GST implementation...

Reforms to enable moderation of rates, simplification of laws and better compliance!



Implementation of DTC on track and will be effective from April 2012

In dialogue with states, over differences in GST implementation



Reforms process – On the right path!

Continues to invest in priority sectors...

Agri focus - Rs4.75trn of agri credit

- Agri credit increased to Rs4.75trn from Rs3.75trn in the previous year
- Interest rate subvention of 1% on crop loans extended to FY12; additional subvention for timely payment increased to 3%
- Total investment of Rs18bn on production of food articles to mitigate the supply side impact on inflation

Social spending- Rs1.6trn

- Total spend on social sector at 36.4% of plan outlay
- Plan spend on education increased by 24% to Rs521bn
- Wages in MGNREGA to be indexed to Consumer Price Index -Agriculture Labour
- Spend on Bharat Nirman increased by 21% to Rs580bn

Eases funding for infrastructure projects...

Funding issues addressed

- FII limit for investing in corporate bonds, with residual maturity greater than 5 years, increased by US\$20bn
- Tax free bonds of Rs300bn to be raised by Govt undertakings in FY12, to boost infrastructure development
- Tax exemption of Rs20,000 for investment in infrastructure bonds extended for another year

Creation of Infrastructure fund

- SPV to be created in the form of notified infrastructure debt funds
- Withholding tax rate reduced to 5% from 20% on the interest payments of borrowings of these funds
- Income of these funds would be exempted from tax

Execution issues untouched

- Union budget remained silent on issues pertaining to land acquisition and environmental clearances which have caused delays in order inflows and execution of infrastructure projects

Non plan expenditure gets the axe!

(Rs bn)	FY10A	FY11RE	% Growth rate	FY12BE	% Growth rate
Interest payments	2,131	2,408	13.0	2,680	11.3
Subsidies	1,414	1,642	16.1	1,436	(12.5)
Food	584	606	3.7	606	(0.0)
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Petroleum	150	384	156.7	236	(38.4)
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Other subsidies	40	50	24.0	25	(49.9)
Others	3,667	4,166	13.6	4,046	(2.9)
Non plan expenditure	7,211	8,216	13.9	8,162	(0.7)

- Govt has cut its non plan expenditure by 0.7% in FY12 BE, with reductions in fuel and fertilizer subsidy
- However, given the pressure on crude oil prices, we anticipate a slippage of ~ Rs200bn in fuel subsidy at an average crude price of US\$87
- In spite of possible increase in fuel subsidy, non plan expenditure growth remains muted at 1.8% for FY12

Crusade against black money

Unlike in the past, we do not see much chance of amnesty schemes to bring 'black money' under the purview of tax

Govt has put into operation a five-fold strategy to combat the menace of 'black money'

Tax Information Exchange Agreements (TIEAs) have been concluded with 11 countries which would enable tracking of illegal funds

It is a step towards better governance and would enhance transparency in all monetary transactions

In the long term, it would also enhance the taxable income for the govt

Remain convinced on long-term outlook

	Sales		EBITDA		PAT	
(% yoy)	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
Automobiles	25.8	16.1	43.3	14.2	61.0	13.7
Construction	23.2	22.9	19.3	29.3	(11.7)	21.9
Consumer goods	14.7	15.8	13.0	21.2	14.8	20.3
Financial	28.5	21.2	20.7	18.6	28.3	25.3
IT Services	20.8	20.1	18.2	21.2	15.2	21.4
Metals	13.6	4.2	35.1	19.6	114.8	18.7
Oil & Gas	18.9	5.7	15.6	4.8	31.4	5.2
Petrochemicals	11.5	6.3	23.3	(2.3)	32.3	6.3
Pharmaceuticals	10.7	15.3	3.0	21.1	5.9	17.5
Power Equipment	22.4	21.4	36.0	19.6	35.5	19.7
Power Utilities	8.4	15.2	2.3	18.3	(6.0)	19.9
Real Estate	25.3	19.0	18.7	21.5	(5.6)	25.0
Telecoms	24.7	20.4	9.7	21.4	(26.1)	13.8
Sensex	18.2	12.5	23.4	15.4	28.0	17.3

FY12 Sensex EPS at Rs1222
Reiterate 12-month Sensex target at 22000

Winners and losers

Winners

- ✓ **ITC** - No increase in Excise in itself a big positive. ITC can flex pricing power over the current year. Earnings upgraded by 5%. Target price of Rs200.
- ✓ **Banks** - Government borrowings lower than expectations, will lead to lower yield. Banks being bond proxies, should be positive for banks. BoB, Canara Bank and OBC.
- ✓ **Jain Irrigation** - Continued impetus to Rural India. Higher Direct Allocations (up 15%) for Micro Irrigation and increased thrust on Agri development. Estimated allocations at Rs25-30bn.

Losers

- ✓ **OMCs (IOCL, HPCL, BPCL)** remain skeptical on earnings visibility, no duty benefit from Budget, Limited chance of diesel price hike in near term
- ✓ **Sesa Goa** - Export duty on Iron Ore lumps and fine increased from 5% and 15% to 20%. Should lead to a 14% erosion in EPS.
- ✓ **Adani Power / Mundra Port** - SEZ developers now under the ambit of MAT. This will lead to their tax liability coming in at 18.5%+(surcharge) against Nil earlier. Earnings or NAV likely to be hit by 10% odd

Union Budget FY12: Sectoral Impact

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ With food security a concern, expect increase in allocation for agriculture, irrigation and agri-infrastructure.	<ul style="list-style-type: none">✓ Direct allocation for MIS increased by 13% to Rs11.3bn✓ Allocation for Rashtriya Krishi Vikas Yojna increased by 16% to Rs78bn✓ Indirect allocation for various schemes;✓ Rs12bn for National Horticulture Mission (13% increase)✓ Rs12.5bn for National Food security Mission✓ Rs5.5bn for integrated oilseeds, oil palm, pulses and maize development✓ Rs6.5bn for macro management of agriculture✓ Interest subvention raised to 3% (from 2%) for timely payment of short-term crop loans by farmers, taking the annual effective rate to 4% pa	<ul style="list-style-type: none">✓ Positive for Jain Irrigation: The largest provider of MIS with a 40%+ market share✓ With central government contributing 40% to the subsidy pool for MIS, the allocation of Rs11.3bn for MIS intuitively translates to a Rs29bn-30bn opportunity✓ This imparts strong visibility for JISL and assures sustainable 30%+ growth in the MIS business over the next few years

Earnings Impact; Top Picks

Top Picks: Jain Irrigation

Schemes (Rs m)	MIS Share	2010-11	2011-12	Increase
Micro Irrigation	100%	10,000	11,300	13%
Horticulture and Vegetable Crops	20-30%	2,935	3,031	3%
National Horticulture Board	20-30%	1,200	1,420	18%
National Horticulture Mission	20-30%	10,620	12,000	13%
Rashtriya Krishi Vikas Yojna (RKVY)	10-15%	67,220	78,109	16%
National Food Security Mission	10-15%	12,205	12,500	2%
Technology Mission on Oilseeds and Pulses	10-15%	4,810	5,481	14%
Intensive Cotton Development Programme	10-15%	104	153	47%
Macro Management of Agriculture	10-15%	7,720	6,500	-16%
Rainfed Area Development Programmes	10-15%	90	10	-89%
National Project on Mgt of Soil, Health & Fertility	5-10%	200	270	35%
Support to State Extension Services	5-10%	2,250	4,500	100%
Control of Shifting Cultivation	5-10%	400	500	25%
Integrated Watershed Management Programme	5-10%	22,091	22,932	4%
Total	19.10%	141,845	158,706	12%

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Jain Irrigation	183	66.2	Outperformer	4.4	7.3	11.1	58.2	41.4	25.2	16.5	4.9	11.1	8.4

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ Increase in excise duty on cars by 2%✓ Increase in additional duty on UVs from Rs15000 to Rs25000✓ Increase in excise duty on diesel cars✓ Aligning duty rates on tyre import and rubber import to address disparity	<ul style="list-style-type: none">✓ No change in excise duty✓ Focus on hybrid car manufacturing<ul style="list-style-type: none">✓ No customs duty on batteries imported for electric cars✓ 10% excise on vehicles based on fuel cell technology✓ No customs duty on critical parts used for hybrid vehicles✓ No change in customs duty on tyres✓ Increase in agricultural credit flow from Rs3.75trn to Rs4.75trn	<ul style="list-style-type: none">✓ Neutral✓ Small steps in the direction of promoting hybrid cars; still a long way before it converts into volumes✓ M&M and Escorts to gain from higher agricultural credit flow

Earnings Impact; Top Picks

- ✓ No impact on earnings
- ✓ Top picks - Tata Motors, Bajaj Auto and Apollo Tyres

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Automobiles													
Ashok Leyland	47	62.2	Outperformer	3.2	4.5	5.5	31.3	14.7	10.4	8.5	10.5	7.2	6.3
Bajaj Auto	1,269	367.2	Outperformer	64.7	89.2	101.2	25.1	19.6	14.2	12.5	14.6	11.1	9.8
Escorts	113	11.9	Outperformer	13.7	14.0	19.0	17.9	8.3	8.1	5.9	5.0	4.6	3.4
Hero Honda	1,465	292.6	Neutral	111.8	104.9	126.1	6.2	13.1	14.0	11.6	10.3	11.5	9.1
M & M	616	348.5	Under Review	41.4	42.9	50.3	10.2	14.9	14.3	12.2	8.7	8.5	7.4
Maruti Suzuki	1,208	349.4	Underperformer	85.1	80.2	96.4	6.4	14.2	15.1	12.5	9.1	9.3	7.4
Tata Motors	1,083	666.5	Outperformer	49.5	143.6	153.0	75.8	21.9	7.5	7.1	10.9	5.2	4.7
TVS Motor	51	24.1	Underperformer	1.8	4.4	5.8	77.8	27.4	11.4	8.7	13.7	8.0	6.0
Auto Components													
Bharat Forge	306	71.3	Underperformer	(0.1)	12.3	18.0	n/a	n/a	24.8	17.0	25.6	11.0	8.1
BOSCH	5,999	188.4	Outperformer	188.1	261.2	313.0	29.0	31.9	23.0	19.2	21.3	13.8	11.0
Rico Auto	17	2.5	Underperformer	(0.4)	0.6	1.7	n/a	n/a	27.5	10.0	7.6	6.6	5.1
Sona Koyo	16	3.1	Underperformer	0.9	1.0	1.3	22.9	18.3	15.2	12.1	7.4	6.1	5.6
Sundram Fasteners	48	10.0	Underperformer	2.2	4.7	5.7	59.7	21.3	10.1	8.4	11.6	7.8	6.7
Tyres													
Apollo Tyres	52	26.4	Outperformer	13.0	6.6	8.6	(18.8)	4.0	8.0	6.1	3.4	4.8	4.1
Balkrishna Industries	134	13	Outperformer	21.6	19.0	21.4	(0.5)	6.2	7.1	6.3	4.8	4.9	4.7

Expectations

Budget Provisions

Impact

- ✓ Increase in service tax of Rs50 for domestic economy travel and Rs250 for international economy travel

- ✓ Marginal impact. Reflects increase in service tax over the existing Rs100 and Rs500 for economy travel
- ✓ Expect Jet airways to pass on additional service tax charges through ~2% increase in airfare

Earnings Impact; Top Picks

Top Pick: Jet Airways

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Jet Airways	417	36.0	Outperformer	(63.6)	25.9	61.6	n/a	n/a	16.1	6.8	16.0	7.8	6.3

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ Retention of excise duty on clinker and cement✓ Continuation of tax sops on housing loans✓ Retention of customs duty on cement✓ Retention of excise duty on VSF	<ul style="list-style-type: none">✓ Basis of excise duty levy changed from retail sale price (RSP) to ex-factory<ul style="list-style-type: none">✓ Rate of duty retained at 10%✓ Additional flat levy of Rs160/ton in case of RSP more than Rs190/bag and Rs80/ton in case of RSP less than Rs190/bag✓ Excise duty on clinker changed from flat Rs375/ton to 10% ad valorem plus Rs200/ton✓ Tax sops on housing loans retained✓ No change in customs duty on cement✓ No change in excise duty on VSF	<ul style="list-style-type: none">✓ Net increase in excise duty incidence by Re1-2/bag likely✓ Cement companies expected to pass on hike to consumers✓ Continued thrust on housing and infrastructure positive for cement demand

Earnings Impact; Top Picks

- ✓ No impact on earnings of cement companies

Top Pick: Retain Grasim as top pick due to cushion to earnings from non-cement businesses

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
ACC	969	182.0	Underperformer	85.5	53.8	58.8	(17.1)	11.3	18.0	16.5	6.7	10.0	9.3
Ambuja Cement	118	179.2	Underperformer	7.7	7.9	7.2	(3.5)	15.3	14.9	16.4	8.8	8.6	9.0
Grasim Industries#	2,255	206.8	Outperformer	(887.1)	216.8	219.1	n/a	n/a	10.4	10.3	(3.5)	4.7	4.9
UltraTech Cement#	931	255.0	Underperformer	43.9	50.8	53.9	10.8	21.2	18.3	17.3	11.7	11.1	9.2

* Calendar year ending

Construction & Infra developers: Positive

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none"> ✓ Tax holiday for SEZs to be continued ✓ Focus on infrastructure spending to continue ✓ Tax rates unlikely to be changed; 80IA benefits for developers to continue ✓ Measures to improve financing for infrastructure; road map on operationalizing the Rs500bn infra debt fund announced earlier 	<ul style="list-style-type: none"> ✓ Tax holiday for SEZs discontinued; now MAT applicable for SEZ developers and units in SEZ ✓ Allocation for Bharat Nirman increased by 23% to Rs580bn ✓ Surcharge on base rate reduced to 5% from 7.5%; Section 80IA benefits to continue to 31 March 2012 ✓ Tax free bonds of Rs300bn proposed to be issued by government undertakings during 2011-12 	<ul style="list-style-type: none"> ✓ Negative for SEZ developers like MPSEZ ✓ Positive for construction companies - higher allocation expected to translate into improved order inflow ✓ Positive - surcharge on base rate reduced to 5% from 7.5%; Section 80IA benefits to continue to 31 March 2012 ✓ We expect financing of infra projects to improve

Earnings Impact; Top Picks

- ✓ MPSEZ: FY12E and FY13E earnings downgraded by 17% and 19% to Rs5.2/share and Rs7.8/share respectively; revised fair value estimate for MPSEZ of Rs153/share
- ✓ No earnings impact for other construction and infrastructure companies under coverage

Construction & Infra developers: Positive

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	Unadjusted PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Construction													
Gammon India	115	15.6	Outperformer	13.7	10.0	8.9	(19.4)	14.8	28.5	16.7	2.4	4.6	3.9
HCC	34	20.6	Outperformer	1.6	1.5	1.7	2.8	21.5	23.4	20.3	2.6	3.2	2.5
IVRCL Infrastructures	69	18.5	Outperformer	7.7	7.3	9.0	7.6	9.0	9.5	7.7	0.5	1.2	0.9
Jaiprakash Associates	77	163.8	Outperformer	8.7	8.5	10.6	10.3	8.9	9.1	7.3	8.5	6.3	4.6
Larsen & Toubro	1,528	909.1	Outperformer	53.0	61.1	73.4	17.7	28.8	25.0	20.8	17.1	15.1	11.9
Madhucon Project	95	7.0	Outperformer	6.2	6.1	7.5	10.1	15.3	15.5	12.6	(2.2)	(1.2)	(1.4)
Nagarjuna Construction	101	25.9	Outperformer	9.7	10.6	12.7	14.6	10.4	10.6	9.0	4.9	5.4	4.8
Simplex Infrastructures	326	16.1	Neutral	25.7	26.7	31.2	10.3	12.7	12.2	10.4	6.3	5.9	5.0
Infra Developers													
Adani Enterprise	611	672.2	Outperformer	18.2	20.2	33.0	34.9	33.6	30.2	18.5	29.7	23.0	10.9
Gammon Infrastructure	18	12.8	Outperformer	0.4	0.2	0.2	(36.6)	47.0	97.1	116.7	22.5	23.2	17.6
Gujarat Pipavav	58	24.6	Outperformer	(3.5)	(1.4)	0.7	n/a	n/a	n/a	78.8	70.2	25.4	18.5
GMR Infrastructure	41	159.8	Outperformer	0.4	(0.1)	(0.4)	n/a	101.7	n/a	n/a	23.3	23.1	19.3
GVK Power	26	41.6	Outperformer	1.0	1.0	1.6	27.1	25.9	26.3	16.0	14.7	11.8	11.0
Lanco Infratech	38	91.9	Outperformer	2.3	2.3	4.1	34.2	16.8	16.7	9.3	10.2	13.9	7.1
Mundra Port & SEZ	138	276.5	Outperformer	3.3	4.3	5.2	24.7	41.4	32.2	26.6	31.1	24.0	16.8

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ Increase in spends towards SSA and skill development✓ Development on PPP model for K-12 schools	<ul style="list-style-type: none">✓ Total allocation for the education sector increased by 24% to Rs520bn✓ Allocation for Sarva Siksha Abhiyan (SSA) increased by 40% to Rs210bn✓ National Skill Development Fund - Additional allocation of Rs5bn; 26 projects currently operational, expected to lead to 40m skilled workers over the next 10 years✓ Allocation of Rs103.8bn for National Programme of Mid-Day Meals in schools✓ Allocation of Rs56.6bn for technical education and Rs52.5bn for University Grants Commission	<ul style="list-style-type: none">✓ Government intent and focus towards education sector reiterated✓ While there may be no direct fallout of the funds earmarked for private players (except ICT for government schools), increased investment by the government in the space will open up PPP opportunities for private players

Earnings Impact; Top Picks

Top Picks: Educomp Solutions, Everonn Education

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Educomp Solution	468	44.4	Outperformer	29.1	34.8	36.8	12.5	16.1	13.4	12.7	10.1	10.6	8.3
Everonn Systems	569	10.8	Outperformer	30.1	33.0	43.7	20.6	18.9	17.2	13.0	8.9	7.2	5.3
NIIT	49	8.2	Outperformer	4.3	4.8	7.2	29.8	11.6	10.2	6.9	7.4	7.1	5.2

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ Spend on defence to continue✓ Stimulus for textile industry✓ Maintain focus on power sector investments	<ul style="list-style-type: none">✓ Defence capital spend increased by 14% yoy to Rs692bn✓ Sops to continue for textile sector - excise duty reduced from 10% to 5% on parts of specified textile machinery, etc✓ Increased thrust on power sector investment	<ul style="list-style-type: none">✓ BEL is a key beneficiary of capital expenditure of the Defence Ministry✓ Voltas, being the largest agent for LMW, to benefit from stimulus provided to the textile sector✓ Increased power sector investments to benefit Elecon and AIA Engineering, both suppliers of equipment for power projects

Earnings Impact; Top Picks

- ✓ No change in earnings estimates
- Top Pick: Havells and AIA engineering**

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
AIAE	321	30.3	Outperformer	18.1	19.2	23.6	14.1	17.7	16.7	13.6	12.4	11.9	9.4
Bharat Electronics	1,659	132.8	Outperformer	96.1	98.2	112.8	8.3	17.3	16.9	14.7	12.3	10.9	9.1
Carborundum Universal	240	22.4	Outperformer	10.8	14.9	17.3	26.3	22.2	16.1	13.9	12.7	11.0	9.1
Elecon Engineering	69	6.4	Outperformer	5.7	7.4	8.1	19.2	12.1	9.3	8.5	7.5	6.3	5.6
Engineers India	283	95.5	Outperformer	13.0	14.5	17.1	14.4	21.7	19.5	16.6	15.6	11.2	8.3
Havell India	317	39.5	Outperformer	3.1	21.0	27.0	195.6	102.5	15.1	11.7	16.9	10.5	8.1
Thermax India	556	66.3	N	20.2	32.4	41.5	43.1	27.5	17.1	13.4	16.2	10.8	8.2
Voltas	165	54.5	Outperformer	10.5	9.9	11.4	4.1	15.7	16.7	14.5	10.9	11.1	9.0

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none"> ✓ FY12 fiscal deficit estimated at ~5% of GDP ✓ Capitalization of PSU Banks 	<ul style="list-style-type: none"> ✓ FY12 fiscal deficit lower than expectations at 4.6% of GDP; lower than 5.1% in FY11 ✓ Recapitalization for PSU banks to the tune of Rs60bn in FY12 ✓ Size of home loans eligible for priority sector increased from Rs2m to Rs2.5m in urban areas ✓ Life insurance services now under the service tax coverage ✓ Interest subvention on crop loans given by banks of 1% to continue; additional 3% on timely payment by farmers ✓ Farm credit target for FY11 at Rs4.7trn (up 25% yoy) ✓ Limit on FII investment in infra corporate bonds increased to USD25bn from USD5bn earlier 	<ul style="list-style-type: none"> ✓ Positive. Lower deficit should ease stress on G-Sec yields and aid trading gains ✓ Positive for PSU banks with Tier I ratio of less than 8% ✓ Offers some reprieve to banks facing shortage of avenues of priority credit ✓ Negative for life insurers ✓ Neutral, as subvention is supported by budgetary allocation ✓ Neutral ✓ Positive for infra NBFCs - PFC and REC under our coverage

Earnings Impact; Top Picks

- ✓ No change in earnings estimates
- ✓ Our top picks (no specific budget picks) are ICICI Bank, Axis Bank, IndusInd Bank, ING Vysya Bank, Shriram Transport, Bajaj Finance, Bank of Baroda, OBC and Yes Bank

Valuation Matrix

	Price	Mkt Cap	Adj EPS (Rs)		Adj Book value (Rs)		2yr EPS cagr	RoE (%)		PE (x)		P/Adj. Book Value	
	28th Feb	(Rs bn)	FY11E	FY12E	FY11E	FY12E	FY10-FY12	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
PSU Banks													
Allahabad Bank	198	89	35.7	43.2	160	197	26.4	24.6	24.6	5.6	4.6	1.2	1.0
Bank of Baroda	871	317	112.6	135.3	463	569	28.7	27.1	26.6	7.7	6.4	1.9	1.5
Bank of India	440	231	51.9	60.8	275	339	35.5	20.0	19.8	8.5	7.2	1.6	1.3
Canara Bank	614	252	104.1	125.6	369	476	30.5	29.6	27.7	5.9	4.9	1.7	1.3
Corporation Bk	547	79	101.5	121.0	477	577	21.8	23.0	23.0	5.4	4.5	1.1	0.9
Indian Bank	204	87	41.6	54.2	201	250	22.1	22.9	24.5	4.9	3.8	1.0	0.8
OBC	325	81	63.2	74.3	337	407	28.0	17.8	18.0	5.1	4.4	1.0	0.8
PNB	1,062	335	143.9	184.0	632	785	21.9	25.0	26.0	7.4	5.8	1.7	1.4
State Bank of India	2,630	1,670	182.9	225.3	1,470	1,767	24.9	16.5	17.7	14.4	11.7	1.8	1.5
Union Bank	314	159	42.6	56.9	209	261	17.7	22.2	24.2	7.4	5.5	1.5	1.2
Pvt Banks													
Axis Bank	1,219	494	82.5	107.1	470	566	27.6	19.2	21.2	14.8	11.4	2.6	2.2
Dhanlaxmi Bank	104	9	3.4	10.3	97	106	68.4	4.6	9.9	30.1	10.1	1.1	1.0
HDFC Bank	2,052	943	85.5	111.0	544	640	28.9	17.0	19.1	24.0	18.5	3.8	3.2
ICICI Bank	971	1,117	45.7	58.7	478	521	27.5	9.9	11.8	21.3	16.5	2.03	1.86
IndusInd Bank	219	102	12.4	16.9	83	98	37.0	19.4	19.2	17.7	13.0	2.6	2.2
ING Vysya Bank	300	36	26.5	35.6	199	230	42.1	13.5	16.0	11.3	8.4	1.5	1.3
Yes Bank	256	87	21.5	29.1	109	135	43.9	21.5	24.0	11.9	8.8	2.3	1.9
NBFCs													
Bajaj Finance	615	22	64.7	91.0	361	425	93.0	19.1	23.2	9.5	6.8	1.7	1.4
HDFC	629	915	24.1	28.3	119	136	19.7	21.4	22.2	26.1	22.2	5.3	4.6
LIC Housing	188	89	4.0	25.3	93	113	34.7	24.8	25.7	9.5	7.4	2.0	1.7
Mahindra Finance	709	69	48.2	61.4	230	294	34.8	24.4	25.0	14.7	11.6	3.1	2.4
Power Finance	248	285	23.4	29.1	131	150	19.1	19.0	20.8	10.6	8.5	1.9	1.7
Rural Electrification	236	233	25.7	32.5	129	152	22.4	21.3	23.1	9.2	7.3	1.8	1.6
Shri Ram Transport	746	168	54.5	71.9	222	284	33.0	28.3	29.4	13.7	10.4	3.4	2.6
Shriram City Union	501	25	49.7	65.1	245	313	28.4	22.4	24.2	10.1	7.7	2.0	1.6

Expectations

- ✓ 5-7% increase in excise duty in cigarettes
- ✓ Agri-focused measures with increase in spends like NREGA

Budget Provisions

- ✓ No increase in cigarette excise
- ✓ Allocation for Bharat Nirman programme to be increased by Rs100bn to Rs580bn
- ✓ MAT increased from 18 to 18.5%
- ✓ Excise duty of 1% on new items earlier exempt; change in base rate from 4% to 5%

Impact

- ✓ Positive for ITC. Price increases will boost profits (as against offsetting excise duty hikes)
- ✓ Measures like Bharat Nirman will boost rural consumption
- ✓ Negligible impact from MAT and excise duty increase

Top picks

- ✓ No increase in excise duty a boost for ITC profits. EPS upgraded by 5% to 7.7 for FY12E. Price target at Rs200.

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Colgate-Palmolive	821	111.7	Underperformer	32.1	30.8	33.7	2.4	25.6	26.7	24.4	21.3	18.7	15.3
Dabur India	100	173.4	Neutral	2.9	3.4	4.6	26.5	34.6	29.0	21.6	26.3	20.8	15.2
Godrej Consumer	360	116.5	Outperformer	11.0	15.0	18.4	29.3	32.7	24.0	19.5	26.6	15.9	12.7
Hindustan Unilever	282	615.2	Outperformer	10.1	9.6	11.7	7.8	28.0	29.4	24.1	23.4	25.7	20.4
ITC	169	1,308.8	Outperformer	5.3	6.4	7.7	20.2	31.8	26.3	22.0	20.2	17.1	13.9
Marico Industries	119	72.5	Neutral	3.8	4.7	5.4	18.7	31.0	25.5	22.0	19.4	17.4	14.1
Nestle India	3,549	342.1	Outperformer	67.9	85.0	103.7	23.5	52.2	41.8	34.2	32.9	27.0	22.2

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ No extension in STPI	<ul style="list-style-type: none">✓ MAT rate increased to 18.5% (18% in FY11)✓ SEZ profits to come under MAT lenses; no extension in STPI✓ Decrease in excise duty on kit for converting conventional fuel vehicle to hybrid vehicle to 5% (from 10% earlier)	<ul style="list-style-type: none">✓ Provisions A & B - neutral; most IT companies already pay tax rate >20%, hence no impact of MAT increase/ SEZ under MAT lens✓ Provision C - marginally positive for KPIT Cummins; lower excise to reduce REVOLLO payback for end user

Earnings Impact; Top Picks

- ✓ No material earnings impact; marginally positive for KPIT as its REVOLLO product would attract a lower excise duty of 5% (this is likely to be passed on to consumers and reduce REVOLLO payback for end-user)
- ✓ Top picks (large cap): TCS, Infosys and HCLT
- ✓ Top picks (small cap): KPIT Cummins and Persistent Systems

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
HCL Technologies	442	301.7	Outperformer	18.0	23.2	31.5	32.2	24.5	19.1	14.0	11.7	11.1	8.3
Hexaware Technologies	53	15.4	Outperformer	4.6	2.9	4.4	(1.6)	11.6	18.6	12.0	5.5	11.5	6.6
Infinite Computer	159	7.0	Outperformer	21.4	23.7	28.2	14.8	7.4	6.7	5.6	5.4	5.4	3.4
Infosys Technologies	2,997	1,712.1	Outperformer	109.0	120.8	149.7	17.2	27.5	24.8	20.0	19.9	17.0	13.6
KPIT Cummins Infosystems	146	11.7	Outperformer	10.8	11.7	14.7	16.7	13.5	12.5	9.9	7.1	(0.0)	0.3
Mahindra Satyam	62	73.0	Outperformer	2.7	2.6	4.7	33.2	23.2	23.6	13.1	7.3	12.7	5.9
Mindtree	369	14.7	Outperformer	52.8	29.0	46.5	(6.1)	7.0	12.7	7.9	5.7	6.8	4.6
Mphasis	432	90.9		51.7	43.8	55.1	3.2	8.3	9.8	7.8	5.9	5.8	4.0
Patni Computer	449	58.4	Underperformer	35.6	42.4	35.9	0.3	12.6	10.6	12.5	5.8	6.8	5.9
Persistent Systems	377	15.1	Outperformer	32.1	35.1	34.0	3.0	11.8	10.8	11.1	7.9	8.6	6.4
Tata Consultancy	1,110	2,173.3	Outperformer	35.1	44.2	52.8	22.6	31.6	25.1	21.0	24.5	18.9	14.8
Tech Mahindra	645	79.6	Outperformer	41.7	39.8	48.9	8.2	15.5	16.2	13.2	8.0	9.0	7.2
Wipro	438	1,067.5	Outperformer	18.8	21.7	24.7	14.6	23.3	20.2	17.8	17.2	15.6	12.4

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none"> ✓ Funding for freight corridor and timeline for implementation to be outlined 	<ul style="list-style-type: none"> ✓ Focus on Dedicated Freight Corridor retained ✓ Investment-linked tax incentive for setting up <ul style="list-style-type: none"> ✓ cold chain facilities ✓ warehousing facilities for storage of agricultural produce 	<ul style="list-style-type: none"> ✓ Dedicated Freight Corridor to improve turnaround time; to result in better asset utilization and higher volumes. However, implementation only over a longer time frame ✓ Incentives for investment in cold chain positive for companies like Concor and GDL

Earnings Impact; Top Picks

- ✓ No change in earnings estimates
- ✓ Top Pick: GDL

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Allcargo	136	17.8	Neutral	10.6	13.1	14.6	17.0	12.8	10.4	9.4	8.8	8.1	7.1
Container Corporation	1,112	144.5	Neutral	60.5	64.9	74.5	10.9	18.4	17.1	14.9	12.7	11.4	9.5
Gateway Distripark	119	12.8	Outperformer	7.3	7.9	9.3	12.7	16.2	15.0	12.8	11.3	7.7	6.5

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ Marginal increase in export duty on iron ore lumps✓ Increase in import duty on steel (from 5% to 10%) and ferro alloys (from 5% to 7.5%)✓ Formation of coal regulator for incremental coal block allocation	<ul style="list-style-type: none">✓ Export duties on iron ore lumps and fines increased to a uniform 20% from 15% and 5% respectively✓ No announcement on import duty on steel; basic customs duty on ferronickel reduced from 5% to 2.5%✓ MAT increased from 18% to 18.5%; surcharge reduced from 7.5% to 5%✓ Stainless steel scrap exempt from basic customs duty	<ul style="list-style-type: none">✓ Negative for Sesa Goa and NMDC; positive for non-integrated steel players as it will reduce iron ore sourcing costs✓ No other material impact

Earnings Impact; Top Picks

- ✓ **Sesa Goa:** Proposed hike in export duty on iron ore fines a major negative for Sesa Goa. We downgrade our FY12 EPS for Sesa Goa by ~14% to Rs51.6.
- ✓ However, we have upgraded our Q4FY11 average realizations to US\$110 led by buoyant spot prices; hence, despite higher export taxes for March, we upgrade FY11E EPS by 6.7% to Rs53.9
- ✓ Post ~8% correction in today's session, the stock is trading at 2.6x core FY12E EV/EBITDA vis-à-vis ~4x for global peers. We see value after the recent sharp correction and would revisit our view on the stock shortly.

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Metals													
Bhushan Steel	376	79.9	Outperformer	39.1	43.6	51.3	14.7	9.6	8.6	7.3	12.0	7.4	7.0
Coal India	328	2,069.8	Outperformer	15.2	15.8	20.2	15.3	21.5	20.8	16.2	13.2	11.6	8.6
Hindalco Industries	201	385.3	Outperformer	20.9	16.6	16.7	(10.7)	9.6	12.1	12.1	6.7	6.9	7.4
Hindustan Zinc	1,266	534.8	Outperformer	95.6	107.2	135.4	19.0	13.2	11.8	9.4	8.9	7.1	4.8
Jindal Steel & Power **	658	612.2	Neutral	38.2	43.2	56.6	21.6	17.2	15.2	11.6	12.0	10.8	8.6
JSW Steel	870	221.1	Outperformer	69.8	64.8	115.3	28.5	12.5	13.4	7.6	8.0	7.4	3.5
Monnet Ispat	562	35.5	Outperformer	58.7	46.2	55.9	(2.4)	9.6	12.2	10.1	9.1	11.7	9.0
National Aluminium	424	273.5	Underperformer	13.5	15.7	16.4	10.4	31.6	27.0	25.9	22.1	17.6	16.2
SAIL	153	630.1	Neutral	16.3	11.6	16.6	0.9	9.3	13.2	9.2	5.9	8.8	6.2
Sesa Goa	261	232.4	Neutral	29.6	53.9	51.6	32.1	8.8	4.8	5.1	6.8	3.2	5.5
Sterlite Industries	164	566.3	Outperformer	11.7	12.6	18.8	26.8	14.0	13.0	8.7	12.1	11.6	8.1
Tata Steel	607	582.5	Outperformer	(22.6)	67.9	72.7	n/a	n/a	8.9	8.3	12.6	6.9	5.8
Pipes													
Jindal Saw	198	59.3	Outperformer	18.2	18.2	25.8	19.1	10.9	10.9	7.7	6.4	5.6	4.1
Maharashtra Seamless	342	24.1	Neutral	40.4	40.9	42.3	2.3	8.5	8.3	8.1	4.6	5.1	4.4
PSL	70	3.0	Neutral	24.0	28.5	42.6	5.6	2.9	2.4	2.6	3.9	3.2	2.8
Welspun Corp	191	42.9	Outperformer	27.2	29.1	30.8	6.5	7.0	6.6	6.2	5.4	5.0	4.0

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none"> ✓ Roll-back of customs duty ✓ Reduction of excise duty ✓ Clarification on definition of mineral oil, inclusion of natural gas for Sec 80 IB benefits ✓ Reduction of LNG import duty 	<ul style="list-style-type: none"> ✓ No change in customs or excise duty ✓ No change in import duty ✓ Status quo on natural gas eligibility under sec 80 IB (no inclusion) Entire benefit of seven-year tax holiday even for crude oil producers has been abolished for blocks to be auctioned after 31 March 2011 ✓ SEZ units now subject to MAT 	<ul style="list-style-type: none"> ✓ RIL earnings decline due to SEZ change; we estimate a 2.9% decline in FY12E EPS due to Jamnagar SEZ now paying MAT ✓ OMCs remain vulnerable as the Rs1.1-1.2/ltr reduction in under-recovery on MS/HSD hasn't happened

Earnings impact; Top Picks

- ✓ OMCs - we remain skeptical on earnings visibility as the Budget has provided the expected duty benefit and due to limited chances of a diesel price hike in the near term
- ✓ RIL - effective tax rate increases to 24% post Budget; we see Rs7.5bn hit in FY12 earnings

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
BPCL	553	200.1	Neutral	47.3	51.1	62.9	15.3	11.7	10.8	8.8	15.2	11.6	9.1
Cairn India	339	643.3	Outperformer	5.5	22.1	39.5	166.9	61.2	15.3	8.6	86.5	11.9	6.3
Essar Oil	107	146.1	Outperformer	0.2	3.7	5.3	398.9	503.4	28.8	20.2	16.5	9.9	7.2
GAIL (India)	427	541.1	Outperformer	26.2	28.0	33.5	12.9	16.3	15.2	12.8	9.9	9.0	7.2
Gujarat Gas Company	343	44.0	Outperformer	13.6	17.1	19.9	21.2	25.3	20.0	17.2	15.3	11.6	10.1
Gujarat State Petronet	90	50.6	Outperformer	7.4	8.1	8.4	6.8	12.2	11.1	10.7	6.5	5.8	5.5
HPCL	320	108.6	Neutral	43.4	42.0	51.3	8.7	7.4	7.6	6.2	12.4	12.4	9.5
IOC	299	725.8	Neutral	44.1	40.8	44.2	0.1	6.8	7.3	6.8	7.3	6.0	5.4
Oil India	1,237	297.3	Outperformer	108.6	133.6	159.9	21.4	11.4	9.3	7.7	5.5	5.0	3.8
ONGC	270	2,313.0	Outperformer	22.7	29.9	31.4	17.6	11.9	9.1	8.6	5.0	4.7	4.6
Petronet LNG	110	82.5	Outperformer	5.4	7.5	8.7	27.3	20.4	14.6	12.6	12.3	8.9	7.8
Petrochemicals													
Reliance Industries	964	3,153.1	Outperformer	48.6	64.3	68.4	18.6	19.8	15.0	14.1	12.1	9.3	8.0

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ Excise duty on drugs to be maintained at 4%✓ No taxation on SEZ profits and no extension of EoU sunset clause	<ul style="list-style-type: none">✓ Excise duty increased to 5%✓ SEZ profits to be taxed at MAT rate and no extension of sunset clause	<ul style="list-style-type: none">✓ Unlikely to have an impact as duty hikes will be passed to customers✓ Levying MAT rate is negative for companies who have invested aggressively in SEZs for future growth, e.g. Cipla, Biocon, etc.✓ While difficult to ascertain exact impact, directionally, the move to eliminate incentives is negative for Sun Pharma

Earnings Impact; Top Picks

- ✓ Cipla's FY11/ FY13E earnings reduced by 3.3/ 3.7% to account for higher tax rates in Indore SEZ earnings
- ✓ DRL's FY12E earnings reduced by 3.5% to take into account higher taxes
- ✓ Biocon's FY12E earnings reduced by 6.2% factoring in higher taxes
- ✓ We remain positive on Sun, Dr Reddy's, Strides and Glenmark

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Aventis Pharma	1,887	43.4	Neutral	68.5	68.5	84.6	11.1	27.5	27.5	22.3	19.5	17.9	13.6
Biocon	311	62.3	Neutral	14.7	19.3	21.2	20.3	21.2	16.1	14.7	13.9	9.9	8.7
Cipla	300	240.9	Outperformer	12.3	13.0	15.3	11.5	24.4	23.0	19.6	17.3	16.8	13.7
Dishman Pharma	90	7.3	Underperformer	14.5	8.3	9.0	(21.3)	6.2	10.8	10.0	7.1	10.1	7.5
Dr Reddys Lab	1,546	261.0	Outperformer	50.9	61.3	89.5	32.6	30.3	25.2	17.3	18.7	16.7	11.4
Glaxosmithkline Pharma	2,209	187.1	Neutral	59.6	68.7	79.4	15.4	37.0	32.1	27.8	25.9	22.5	19.2
Glenmark Pharma	251	68.1	Outperformer	12.2	18.2	19.2	25.4	20.6	13.8	13.1	13.3	10.7	9.4
IPCA Laboratories	275	34.4	Outperformer	16.6	19.9	24.0	20.2	16.5	13.8	11.4	11.9	10.9	8.5
Lupin	381	169.9	Outperformer	15.3	19.6	21.6	19.0	24.9	19.5	17.6	18.2	15.4	12.9
Piramal Healthcare	458	95.8	Neutral	23.4	10.6	23.4	0.1	19.6	43.3	19.6	14.9	(10.2)	(8.4)
Ranbaxy Lab	435	183.0	Outperformer	7.1	35.6	40.0	138.3	61.6	12.2	10.9	34.8	10.4	7.3
Strides Arcolab	309	17.9	Outperformer	21.9	21.2	34.1	24.9	14.1	14.6	9.1	15.3	9.4	8.5
SUN Pharma	424	438.5	Outperformer	13.0	17.6	19.0	20.8	32.5	24.1	22.3	29.7	20.2	17.1
Torrent Pharma	529	44.8	Outperformer	27.3	35.1	41.7	23.6	19.4	15.1	12.7	13.7	12.8	10.3

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none">✓ Tax rates unlikely to be changed; 80IA benefits for developers to continue✓ Increase in clean energy cess on coal✓ Import duty exemption on power equipment for Mega Power Projects to continue✓ Thrust on schemes such as R-APDRP and RGGVY to continue✓ Central Excise Duty exemption on power equipment supplied to Mega Power Projects to continue✓ Tax holiday for SEZs to continue	<ul style="list-style-type: none">✓ Surcharge on base rate reduced to 5% from 7.5%; Section 80IA benefits continued till 31 March 2012✓ No change in coal cess of Rs50/ton✓ No change in import duty exemption for mega power projects✓ Continued allocation for schemes such as R-APDRP and RGGVY✓ Central excise duty exemption to equipment for mega and ultra mega power project continued✓ Tax holiday for SEZs discontinued; now MAT applicable to SEZ developers and units in SEZ	<ul style="list-style-type: none">✓ Marginal reduction in full tax rate to 32.45%✓ Neutral for coal-based power producers✓ Positive impact of continued supply of lower-cost imported power equipment✓ Continued opportunity for power equipment companies✓ Positive for mega and ultra mega power project developers✓ Negative for power companies based in SEZs

Earnings Impact

- ✓ **KSK** (co-developer of Wardha Warora SEZ): FY12E and FY13E earnings downgraded by 16% and 12% to Rs9.7/share and Rs17.2/share respectively; revised fair value estimate for KSK of Rs230/share
- ✓ **Adani Power** (co-developer of Mundra SEZ): FY12E and FY13E earnings downgraded by 19% and 23% to Rs10.1/share and Rs6.9/share respectively (taking into account the effect of both MAT payable and Rs100/ton increase in coal cost for linkage to Mundra-IV plant from MCL); revised fair value estimate of Rs145/share

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Power Utilities													
Adani Power	119	259.8	Outperformer	0.8	2.8	10.1	258.7	152.1	42.0	11.8	138.8	39.9	10.5
CESC	299	37.6	Outperformer	34.5	38.3	41.7	10.0	8.7	7.8	7.2	6.7	5.2	4.9
Jaiprakash Power	38	101.0	Outperformer	1.2	0.6	3.8	78.6	31.7	60.9	9.9	28.9	37.4	12.7
KSK Energy	105	39.0	Outperformer	4.1	5.6	9.7	53.8	25.4	18.6	10.8	31.8	19.9	15.9
NTPC	170	1,400.5	Neutral	10.6	9.8	11.8	5.3	16.0	17.4	14.5	12.1	12.0	11.1
Nava Bharat Ventures	228	20.7	Outperformer	63.8	35.3	38.2	(22.6)	3.6	6.5	6.0	2.4	7.1	8.2
PTC	81	23.8	Neutral	3.3	3.9	4.8	21.1	24.7	20.6	16.9	7.8	4.2	3.0
Reliance Infrastructure	610	163.1	Outperformer	46.8	39.1	45.8	(1.0)	13.0	15.6	13.3	6.8	4.6	2.4
Tata Power	1,150	273.0	Outperformer	30.5	29.4	32.8	3.7	37.6	39.1	35.0	17.9	19.8	16.6
Power Equipment													
ABB	667	141.3	Underperformer	16.7	7.4	12.3	(14.4)	39.8	89.5	54.4	25.8	75.8	35.7
BHEL	2,001	979.6	Neutral	87.3	118.2	141.5	27.3	22.9	16.9	14.1	15.8	11.4	9.1
Crompton Greaves	245	157.0	Outperformer	12.9	14.0	16.5	13.2	19.0	17.5	14.9	11.7	10.6	8.7
EMCO	59	3.6	Neutral	6.0	(7.4)	1.4	(52.4)	9.7	n/a	42.9	4.0	(107.4)	8.0
Jyoti Structures	81	6.7	Outperformer	11.2	13.1	15.2	16.5	7.3	6.2	5.4	4.1	3.8	3.4
Kalpataru Power	121	18.6	Outperformer	13.4	13.8	16.6	11.1	9.0	8.8	7.3	5.8	4.9	4.0
KEC International	79	20.3	Outperformer	7.5	8.1	9.7	14.2	10.6	9.7	8.1	6.7	6.8	5.5

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none"> ✓ Providing industry status to the sector ✓ Relaxation of end-use restrictions on use of proceeds from external commercial borrowings (ECB) ✓ Increase in exemption limit (Interest on home loan) from Rs0.15m to Rs0.3m ✓ Priority for township development by giving it infrastructure status 	<ul style="list-style-type: none"> ✓ Interest subvention of 1% on housing loans up to Rs1.5m (cost of house not exceeding Rs2.5m) extended up to 31 March 2012 ✓ Housing loan limit under priority sector lending increased from Rs2m to Rs2.5m ✓ Developers of SEZs brought under MAT (exempt earlier); dividend distribution tax (DDT) exemption also discontinued 	<ul style="list-style-type: none"> ✓ Positive as government thrust on affordable housing continues; will help sustain demand momentum ✓ Positive for mid-income and affordable housing developers ✓ Negative for SEZ developers; marginal impact though as the current tax rate for most developers are already higher than MAT rate (18.5%)

Earnings Impact; Top Picks

- ✓ Positive for affordable housing players in our coverage - HDIL and Jaypee Infratech
- ✓ Marginally negative for DLF and Unitech due to withdrawal of MAT exemption; minimal impact on earnings as existing tax rate is higher than MAT rate

Top Pick: Jaypee Infratech and Sunteck Realty are our top picks

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
DLF	212	359.5	Outperformer	11.3	10.7	13.3	8.6	18.8	19.9	15.9	16.0	13.7	11.2
Godrej Properties	606	42.3	Outperformer	17.6	15.8	24.6	18.1	34.4	38.3	24.7	52.4	48.5	16.4
Jaypee Infratech	59	82.0	Outperformer	4.0	10.1	7.5	37.6	14.8	5.8	7.8	18.9	7.3	7.0
Sunteck Realty	331	20.8	Outperformer	0.6	1.9	128.4	1,319.7	518.7	170.2	2.6	287.8	284.4	1.2
HDIL	158	65.5	Outperformer	15.9	27.3	33.1	44.0	9.9	5.8	4.8	11.4	6.0	4.2
Unitech	34	88.6	Outperformer	2.8	2.6	3.7	13.6	11.9	13.2	9.2	14.0	13.7	7.3

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none"> ✓ No expectations 	<ul style="list-style-type: none"> ✓ No announcement on FDI in retail ✓ 10% excise duty on 60% of the retail price of branded garments made mandatory ✓ 1% excise duty on branded jewelry 	<ul style="list-style-type: none"> ✓ Pantaloon, Shoppers Stop will have to take price hike of 6% ✓ Margins may be impacted in the short run, but do not see pressure of passing on 6% in fashion segment ✓ Provogue, with a facility in Baddi, Himachal Pradesh, will have to take a lower price increase ✓ No impact on Titan

Earnings Impact

- ✓ No earnings impact
- ✓ Top Picks - Titan, Pantaloon Retail, Provogue

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Pantaloon Retail	262	58.6	Outperformer	11.1	9.9	14.5	14.4	23.7	26.4	18.1	9.9	8.8	7.4
Provogue India	41	4.7	Outperformer	2.5	3.7	4.1	28.0	16.4	11.0	10.0	12.8	7.6	6.7
Shoppers' Stop	361	29.5	Outperformer	5.1	6.5	10.2	41.2	70.9	55.5	35.6	25.5	24.5	17.3
Titan Industries	3,328	147.7	Outperformer	56.6	103.2	130.4	51.8	58.8	32.2	25.5	37.0	22.9	18.3

Expectations	Budget Provisions	Impact
	<ul style="list-style-type: none"> ✓ Import duty exemption on imports of spares and capital goods for ship owners 	<ul style="list-style-type: none"> ✓ Marginally positive for industry. No impact for GE Shipping ✓ Will lower repair costs for some companies by 8-10% ✓ GE Shipping already gets this benefit under EXIM- Duty free credit entitlement, hence no impact.

Top Picks

✓ Great Eastern shipping

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Great Eastern Shipping	255	38.8	Outperformer	47.7	36.7	43.8	(4.2)	5.3	6.9	5.8	6.4	8.0	6.6

Expectations	Budget Provisions	Impact
<ul style="list-style-type: none"> ✓ Increase in MAT rate ✓ Increase in customs duty on telecom equipment ✓ Increased focus on social schemes like NREGAs ✓ Imposition of import duty on mobile handsets 	<ul style="list-style-type: none"> ✓ MAT rate increased from 18% to 18.5%; surcharge reduced from 7.5% to 5% ✓ No change in customs duty for equipment ✓ Rs580bn spend earmarked for various social schemes; NREGA wages linked to inflation and wages for Anganwadi workers doubled ✓ Concession for import of parts and components to manufacture handsets extended to March 2012 	<ul style="list-style-type: none"> ✓ Positives of lower surcharge on circle operations out of MAT offset by 10bp higher effective MAT payout for other circles ✓ Potentially positive for rural demand ✓ Positive for handset manufacturer like Spice Mobility (mfg. unit in Himachal)

Valuation Matrix

	Price	Mkt Cap	Reco	EPS (Rs)			EPS CAGR (%)	PE (x)			EV/EBITDA (x)		
	(Rs)	(Rs bn)		FY10	FY11E	FY12E	FY10-FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E
Bharti Airtel	331	1,258.1	Outperformer	23.6	17.4	21.2	(5.2)	14.0	19.0	15.6	7.8	9.2	7.0
IDEA Cellular	58	190.0	Underperformer	2.6	2.4	3.6	17.5	22.2	24.3	16.1	7.6	8.0	5.9
Reliance Communication	86	177.0	Underperformer	11.0	8.3	6.8	(21.6)	7.8	10.4	12.6	4.9	7.5	6.6

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