



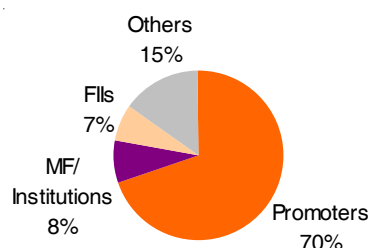
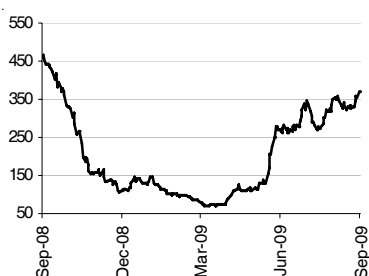
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Unity Infraprojects

Vulture's Pick
Stock Update
Bagged orders worth Rs400 crore
Buy; CMP: Rs369
Company details

Price target:	Rs430
Market cap:	Rs493 cr
52 week high/low:	Rs474/67
NSE volume: (No of shares)	63,034
BSE code:	532746
NSE code:	UNITY
Sharekhan code:	UNITYINFRA
Free float: (No of shares)	0.4 cr

Shareholding pattern

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	6.0	37.7	350.2	-19.9
Relative to Sensex	5.9	27.5	153.4	-26.4

Key points

- Unity Infraprojects has announced an order inflow aggregating ~Rs400 crore. The orders include a Rs325-crore project from the Municipal Corporation of Greater Mumbai. It involves the replacement of two pipelines and is executable over a period of 45 months. The company has also bagged a Rs72-crore order from Central Public Works Department for the redevelopment of Dev Nagar in west Delhi.
- With the strong order inflow, the company's order book has grown to ~Rs2,800 crore, which is 2.5x its FY2009 revenues. Apart from these orders, the company is the L-1 bidder for projects aggregating Rs1,100 crore. The L-1 bids consist of three to four bids. This clearly indicates that the average ticket size of the L-1 bids is ~Rs275-Rs370 crore. The company is looking to diversify its order inflow from the transportation and urban infrastructure verticals.
- The current L-1 bids indicate the higher average ticket size of the orders the company is targeting. Unity Infraprojects bagged a Rs375-crore order in FY2009 and also announced another order of Rs325 crore recently. There were apprehensions in the street that the order inflow from Maharashtra might slow down on account of the assembly election in the state (the company's major geography) in FY2010. However, Unity Infraprojects' recent big-ticket order wins and higher average bid size for L-1 orders have eased these concerns.
- Given the increase in the average ticket size of its orders, the company's capital expenditure (capex) and working capital requirement would also increase going ahead. To fund its capex and working capital requirement as well as to repay part of its debt, the company may raise funds through a qualified institutional placement (QIP) aggregating Rs220-Rs250 crore (the company has already passed an enabling resolution for a QIP up to Rs400 crore). As highlighted in our previous update on the company, going by the fund requirement of Rs220-Rs250 crore and assuming an earnings dilution of 5-15%, the QIP could be in the range of Rs405-Rs555 per share as per our sensitivity analysis.

Key financials

Particular	FY2008	FY2009	FY2010E	FY2011E
Net sales (Rs cr)	849.5	1130.8	1375.0	1560.0
Net profit (Rs cr)	60.0	69.7	76.9	82.2
No of shares (cr)	1.3	1.337	1.3	1.3
EPS (Rs)	44.9	52.1	57.5	61.5
% y-o-y growth	41.7	16.2	10.2	7.0
PER (x)	8.2	7.1	6.4	6.0
Price/BV (x)	1.4	1.2	1.0	0.8
EV/EBITDA (x)	6.3	5.8	4.8	5.4
RoCE (%)	21.7	19.0	18.6	17.7
RoNW (%)	18.2	17.9	16.6	15.1

- ♦ We have not factored in any dilution from the likely QIP in our estimates due to lack of clarity on the QIP. In view of the company's ability to bag big-ticket orders and the order inflow of ~Rs400 crore seen by the company in the financial year till date (~28% of our FY2010 order inflow), we remain positive on Unity Infracore. We maintain our Buy recommendation on the stock with a price target of Rs430. At the current market price, the stock is trading at attractive valuations of 6.4x FY2010 earnings estimate and 6.0x FY2011 earnings estimate.

The author doesn't hold any investment in any of the companies mentioned in the article.

Maruti Suzuki India

Apple Green

Stock Update

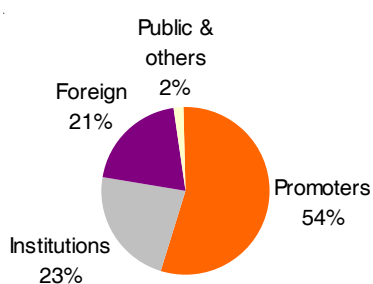
Price target revised to Rs1,609

Hold; CMP: Rs1,546

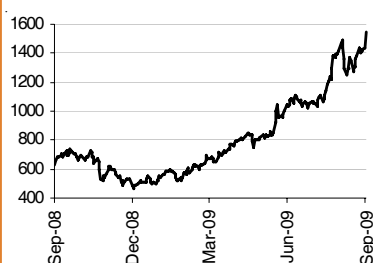
Company details

Price target:	Rs1,609
Market cap:	Rs44,679 cr
52 week high/low:	Rs1,562/428
NSE volume: (No of shares)	12.2 lakh
BSE code:	532500
NSE code:	MARUTI
Sharekhan code:	MARUTIUD
Free float: (No of shares)	13.2 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	1.9	40.4	112.8	121.9
Relative to Sensex	1.8	30.0	19.8	103.9

Maruti Suzuki India (Maruti) continued to deliver robust sales with the August 2009 sales volume growing by stupendous 41.6% year on year (yoy), beating our expectations. Thus in the year to date (YTD) period Maruti reported a strong sales growth of 25.3% yoy, which is much higher than the industry growth and is also above our expectations. Further, this volume growth has come from the sale of premium end models (A2 and A3 segment that grew by 25% and 34.7% respectively), which will help the company garner higher blended realisations.

We have thereby revised our FY2010 and FY2011 estimates upwards by 2.5% and 4% respectively to factor in the higher volumes and realisations. Taking into account the robust growth outlook we value the company at 20x FY2011E earnings and consequently upgrade our price target to Rs1,609. However with the sharp run-up in the stock price and the minimal upside from the current market price of Rs1,546 we believe the risk-reward ratio has turned unfavourable. We therefore advise investors to take some profits off the table by booking partial profit in the stock and accumulate the stock at lower levels. We maintain our Hold recommendation on the stock. At the current market price, the stock is trading at 19.2x its FY2011E earnings and enterprise value (EV)/earnings before interest, tax, depreciation and amortisation (EBITDA) of 11.8x.

Valuation table

Particulars	FY2007	FY2008	FY2009	FY2010E	FY2011E
Net sales (Rs cr)	14,611.5	17,936.2	20,455.3	27,170.3	31,666.0
Net profit (Rs cr)	1,532.9	1,696.5	1,218.7	1,913.5	2,325.5
EPS (Rs)	53.0	58.7	42.2	66.2	80.5
% y-o-y growth	23.5	10.7	-28.2	57.0	21.5
OPM (%)	13.7	12.8	7.0	9.4	10.1
PER (x)	29.1	26.3	36.7	23.3	19.2
P/B (x)	6.5	5.3	4.7	4.0	3.3
EV/EBIDTA (x)	20.2	17.4	27.9	15.3	11.8
RoCE (%)	35.2	34.0	17.6	25.4	26.4
RoNW (%)	24.9	20.2	12.8	17.0	17.4

The author doesn't hold any investment in any of the companies mentioned in the article.

Automobiles

Sector Update

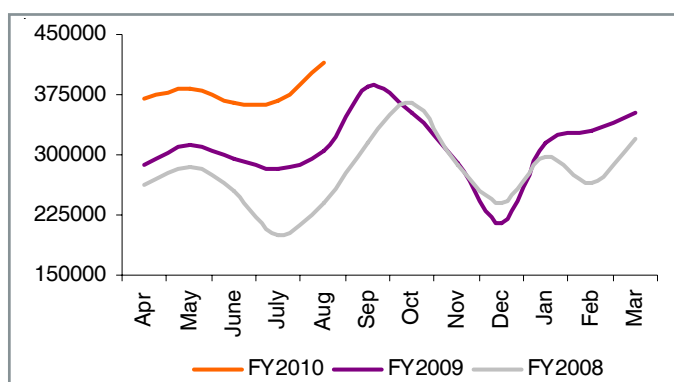
Gearing up for the festive season

In August 2009 automobile sales continued to be robust on account of a stupendous performance by the major automakers. The robust growth in the automobile sales could be attributed to the build-up of inventory before the festive season and the year-on-year (y-o-y) impact of the incremental volumes of the newly launched products. Major automakers Maruti Suzuki India (Maruti) and Hero Honda Motors (Hero Honda) continued to outperform the industry while the other players continued to benefit from the positive demand environment. Passenger car leader Maruti Suzuki reported a staggering 41.6% y-o-y growth in its total sales for August 2009. Hero Honda, the market leader in the two-wheeler segment, continued its leadership position, reporting a 35.9% growth in its sales for August 2009.

Hero Honda Motors

- ♦ In August 2009, again Hero Honda delivered a staggering performance by clocking 415,137 units, indicating a growth of 35.9% year on year (yoy).
- ♦ On a monthly basis, the sales grew by a strong 13.2%.

Hero Honda's motorcycle sales



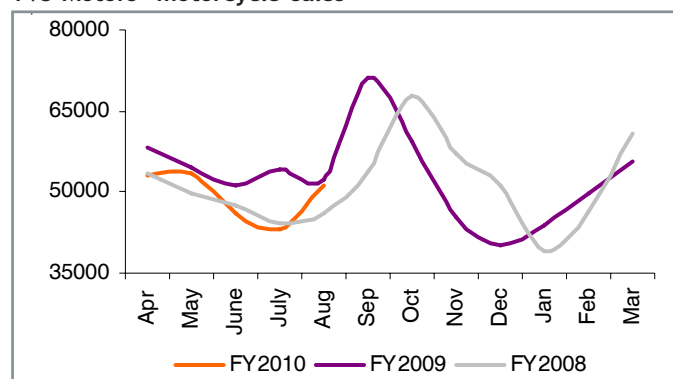
Sales performance for August 2009

Segment	August 2009	August 2008	% yoy	% mom	YTD 2010	YTD 2009	% yoy
Hero Honda Motors							
Total sales	415,137	305,516	35.9	13.2	1,900,932	1,481,077	28.3
TVS Motor Company							
Motorcycles	51,127	52,304	-2.3	18.9	246,903	270,709	-8.8
Others	75,715	62,017	22.1	-2.9	348,114	293,981	18.4
Total	126,842	114,321	11.0	4.8	595,017	564,690	5.4
Exports out of the above	11,747	18,083	-35.0	-10.1	56,164	73,392	-23.5

TVS Motor Company

- ♦ TVS Motor Company's total sales increased by 11% yoy to 126,842 units in August 2009 from 114,321 units in the same month of the last year.
- ♦ Its motorcycle sales for the month stood at 51,127 units, down by 2.3% yoy. However, the motorcycle sales grew by a strong 18.9% on a monthly basis.
- ♦ The company sold 28,582 units of scooters, implying a growth of 12.6% yoy. The growth was achieved on the back of the strong performance of *Scooty Streak*. During the month the company sold 47,133 units of mopeds, indicating a growth of 28.7% over the same month of the last year.
- ♦ Its exports registered a sharp decline of 35% during August 2009 at 11,747 units.

TVS Motors' motorcycle sales

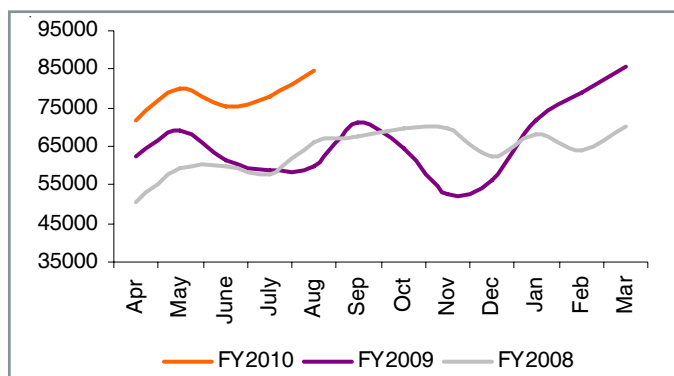


Maruti Suzuki India

- ♦ Maruti reported a whopping y-o-y growth of 41.6% in its overall sales of 84,808 units for August, mainly on the back of strong export volumes. The domestic sales recorded a jump of 29.3% during the month, primarily on the back of a strong performance in the A2 segment and a stupendous growth in the A3 segment.

- ♦ The A2 segment (comprising *Alto*, *Wagon R*, *Zen*, *Swift*, *A-Star* and *Ritz*) recorded a 39.3% growth during the month with sales of 52,473 vehicles mainly on the back of incremental volumes of the newly launched *Ritz* and strong sales of *Swift* and *A-Star*. On the other hand, the A3 segment's sales increased by 44.1% to 7,821 vehicles on account of a healthy y-o-y performance by *SX4* and *Dzire*. However, on a monthly basis, the A2 segment grew by 9% whereas the A3 segment registered a decline of 14%.
- ♦ The C segment's sales were marginally up by 1% yoy to 6,601 vehicles. The sales in the multi-utility vehicle (MUV) segment reported a massive y-o-y decline of 56.4% at 332 units. However, on a monthly basis, the MUV segment reported a growth of 55.1% after the launch of the new version of *Grand Vitara 2.4*.
- ♦ Exports for August 2009 reported a growth of 156.2% yoy at 14,847 units, indicating the highest ever exports by the company in any month.
- ♦ The management has indicated that the monthly sales are unlikely to cross the 85,000 mark on account of production constraints at its plants. Also, on the discount front, the management has indicated that due to the festive season there ought to be some discounts on the regular models (where there is no supply shortage). However, for models like *Swift*, *Dzire* and *Ritz*—where the demand is higher—the waiting period is longer due to production constraints. Hence, the company does not intend to give any discounts on these models.

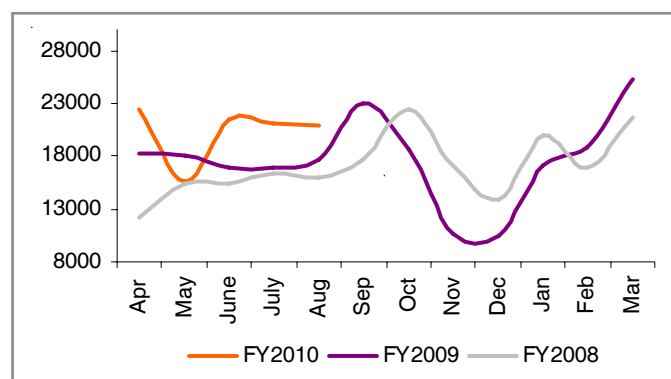
Maruti's total vehicle sales



Mahindra and Mahindra

- ♦ Mahindra and Mahindra (M&M)'s utility vehicle (UV) segment registered a robust performance yet again, with a sales growth of 41.8% yoy to 16,631 units for August 2009. *Scorpio* reported sales of 3,032 units as compared to 2,700 units in August 2008, indicating a growth of 12.3%. *Xylo*'s sales stood at 2,005 units as against 2,130 units in the previous month.
- ♦ The company's three-wheeler sales for the month stood at 3,652 units, indicating a decline of 15.4% yoy. The sales declined mainly on account of the poor performance of the goods carrier segment.
- ♦ The sales of its light commercial vehicles (LCVs) dropped by 18.9% yoy to 658 units during the month.
- ♦ In the tractor segment, the volumes are now comparable on a y-o-y basis due to the merger of Punjab Tractors with the company on August 1, 2008. In August this year, the company sold a total of 10,594 units of tractors, indicating a growth of 1.6% yoy. The domestic tractor segment grew by a marginal 3.4% yoy whereas the tractor exports plunged by a massive 25.1% yoy in the same month.
- ♦ The sales of *Logan* for the month plummeted by 68% yoy to 469 units.

M&M's automotive sales



Sales performance for August 2009

Segment	August 2009	August 2008	% yoy	% mom	YTD 2010	YTD 2009	% yoy
Maruti Suzuki India							
A1	2,734	3,717	-26.4	-2.2	12,649	25,319	-50.0
C	6,601	6,540	0.9	-9.6	36,136	33,554	7.7
A2	52,473	37,667	39.3	9.1	247,321	197,889	25.0
A3	7,821	5,427	44.1	-14.1	36,869	27,376	34.7
Total passenger vehicles	69,629	53,351	30.5	3.4	332,975	284,138	17.2
MUV	332	762	-56.4	55.1	1,929	2,979	-35.2
Domestic sales	69961	54113	29.3	3.6	334904	287117	16.6
Exports	14,847	5,795	156.2	40.8	54,707	23,918	128.7
Total	84,808	59,908	41.6	8.6	389,611	311,035	25.3

Sales performance for August 2009

Segment	August 2009	August 2008	% yoy	% mom	YTD 2010	YTD 2009	% yoy
Mahindra and Mahindra							
Automotive							
Utility vehicles	16,631	11,731	41.8	-0.3	82,039	60,322	36.0
Three-wheelers	3,652	4,315	-15.4	-4.0	16,490	19,791	-16.7
LCVs	658	811	-18.9	-35.4	4,170	4,912	-15.1
Total domestic (UVs+3W)	20,283	16,046	26.4	-1.0	98,529	80,113	23.0
Exports	653	890	-26.6	29.1	2,304	5,182	-55.5
Total auto sales (A)	20,936	16,936	23.6	-0.3	100,833	85,295	18.2
Tractors							
Domestic	10,110	9,781	3.4	-16.6	64,201	44,236	45.1
Exports	484	646	-25.1	-33.0	2,626	3,789	-30.7
Total tractors (B)	10,594	10,427	1.6	-17.6	66,827	48,025	39.2
Grand total (A+B)	31,530	27,363	15.2		167,660	133,320	25.8

The author doesn't hold any investment in any of the companies mentioned in the article.

Sharekhan Stock Ideas

Evergreen

Housing Development Finance Corporation
HDFC Bank
Infosys Technologies
Larsen & Toubro
Reliance Industries
Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
Apollo Tyres
Bajaj Auto
Bajaj Finserv
Bajaj Holdings & Investment
Bank of Baroda
Bank of India
Bharat Electronics
Bharat Heavy Electricals
Bharti Airtel
Corporation Bank
Crompton Greaves
Glenmark Pharmaceuticals
Godrej Consumer Products
Grasim Industries
HCL Technologies
Hindustan Unilever
ICICI Bank
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ITC
Mahindra & Mahindra
Marico
Maruti Suzuki India
Lupin
Piramal Healthcare (Nicholas Piramal India)
Punj Lloyd
Sintex Industries
State Bank of India
Tata Tea
Wipro

Cannonball

Allahabad Bank
Andhra Bank
IDBI Bank
Madras Cements
Phillips Carbon Black
Shree Cement
Tourism Finance Corporation of India

Emerging Star

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Orchid Chemicals & Pharmaceuticals
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Thermax
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Ugly Duckling

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Deepak Fertilisers & Petrochemicals Corporation
Genus Power Infrastructures
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India Cements
Ipca Laboratories
Jaiprakash Associates
Mold-Tek Technologies
Orbit Corporation
Punjab National Bank
Ratnamani Metals and Tubes
Selan Exploration Technology
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Torrent Pharmaceuticals
UltraTech Cement
Union Bank of India
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Zensar Technologies

Vulture's Pick

Esab India
Mahindra Lifespace Developers
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