Bonanza
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Monthly Bulletin

Vol 5 Issue 4 1st April 10

Index

ECONOMY UPDATE

FII's Buying accelerates

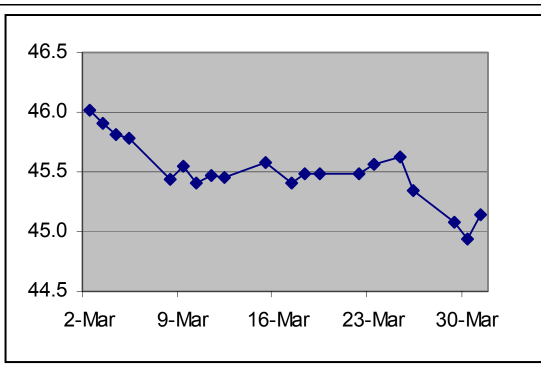
FII's were net buyers on every day of the month. The net purchases made by FII's exceeded USD 4 billions during the month and equaled USD 4.372 billions. This is the highest level of monthly purchases in H2FY10.

Forex Reserves – a marginal fall

India's Forex reserves have recorded a marginal decline of about half a billion USD in the four - week period ending Mar 19. The country's forex reserves as on Mar 19 stood at USD 278.2 bn as compared to USD 278.7 bn on Feb 19.

INR appreciates.

The INR showed strength through out the month. The INR which was at Rs 46 to a dollar appreciated to beyond Rs 45 to a dollar. The strengthening of INR gets significance as USD has been moving up against other currencies. A stronger Rupee can help fight inflation but could be negative for exports and trade deficit.



No Revenue Deficit

13th Finance commission has recommended that there should be no revenue deficit and fiscal deficit of the states be within 3% of Gross State Domestic Product. This should be achieved by 2014-15.

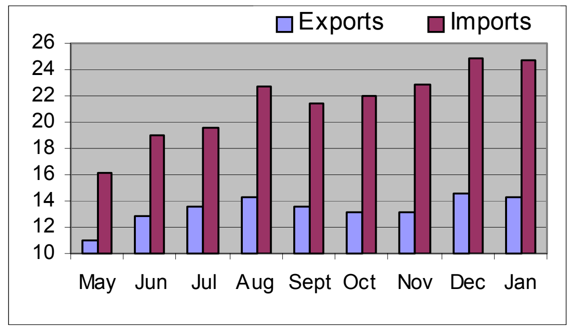
Direct Tax Collections below target

The direct tax collections up to March 18 were Rs 3.3 Trillions. The target for FY10 was revised up wards to Rs 4.0 Trillions. With the advance tax payment due in March having come in, it is felt that the target may not be met. This may cause Fiscal Deficit to expand.

Gold and Crude make sideways moves

The gold and crude made sideways moves during the month. Gold touched a high of USD 1145.80/oz on 3 Mar and hit a low of USD 1086.00/oz on 24 Mar. Crude touched a high of USD 84.27/barrel on 31 Mar and low of USD 78.44/ barrel on 1 Mar.

Trade deficit more than USD 10 Billions



The trade deficit in Jan 10 was at the highest level in the current fiscal. The trade deficit touched a level of USD 10.4 bn. The high trade deficit was caused by a surge in imports which jumped by 35.5% YoY to USD 24.7 bn. Exports growth was relatively modest at 11.5%YoY and touched a level of USD 14.3bn. Exports as well as imports were both a shade lower than that recorded in the month of Dec 09.

IIP grows at 16.7% in January

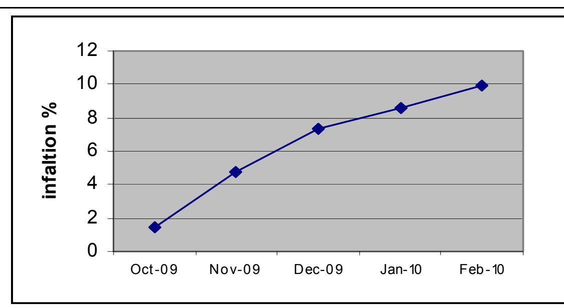
In Jan 10, Index of Industrial Production expanded by 16.7% YoY. In Jan 10, the manufacturing sector led the growth with 17.9% YoY. The mining and electricity rose by 14.6% YoY and by 5.6% YoY respectively. Core sector recorded a growth of 4.5% in Feb 10.

RBI acts to fight inflation

With a view to contain inflation, RBI decided to step up the repo rate and reverse repo rate by 25 basis points. This happened at a time when market was not expecting. RBI was concerned with acceleration in the prices of non-food manufactured goods and fuel items. RBI has also noted that the economy has been recovering steadily.

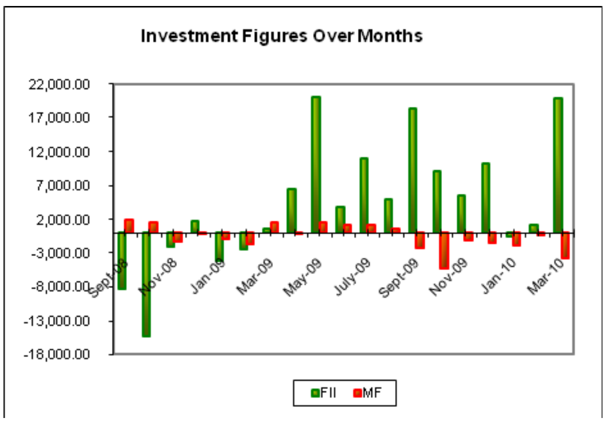
Inflation keeps rising

The annual inflation rose to 9.89% in Feb 2010, compared with 7.31% and 8.56% rise in Dec 2009 and Jan 2010. The inflation has exceeded the target RBI had given for the Mar 2010



MARKET ACTIVITY

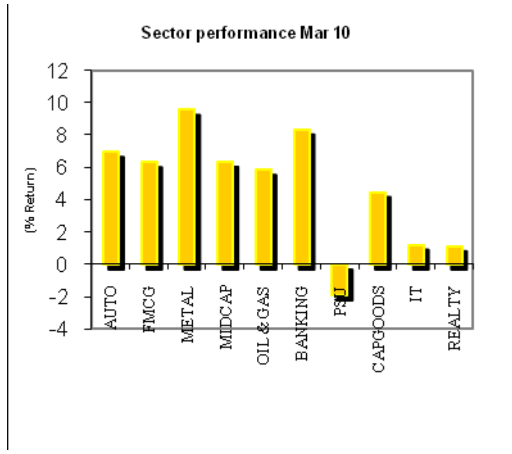
Nifty started the month of March 2010 on a positive note at 4935.60 levels and showed good strength throughout the month and made new 52-week high of 5329.55during last trading week of the month. However, Bulls could not sustain above 5300 levels and Nifty closed on a positive note in green at 5249.10 levels with 6.64% gain. Technically, Nifty is showing strength in near term, as it has been trading above 50-Day Moving Average (DMA) of 5020 levels. Medium term trend remains up as Nifty trades well above 200DMA level of 4842 levels.



During the month ended Mar'10, FIIs have been net buyers of about Rs 19928.20 Cr in comparison to net buyers of 1216.90 Cr in previous month. Mutual Funds have been net sellers of Rs 3807 Cr in month ended Mar'10 i.e. after May 2009, FII have highest investment figure in Indian Equity market in a single month and Mutual funds have been negative for consecutive seven months.

As per the sector performance, buying interest was seen in all major sectors as both Nifty and Sensex closed with 6.64% and 6.68% gains respectively in month ended Mar'10.

Metal sector outperformed the month ended Mar'10 and was the top gainer (up by 9.59%), followed by Banking (up by 8.38%), Auto (up by 6.98%), Midcap (up by 6.38%), FMCG (up by 6.35%), Oil&Gas (up by 5.87%), Capital Goods (up by 4.5%), IT (up by 1.23%) and Realty (up by 1.14%) were major gainers. Selling pressure was seen in PSU sector and sector was down by 1.91% in month ended Mar'10.



Future Outlook:

In the month of Feb'10, the Nifty made monthly bullish hammer candlestick pattern from support near 4700 levels. Follow-through was seen in March month and Nifty continued its upward momentum till 5249.10 levels. After 10 years, Nifty closed on a positive note for consecutive 5th quarter s. However, Bulls have not been fully able to show strength above crucial resistance at 5300 levels and Nifty has been consolidating in broadly 4550-5300 range for past 7 months. As per international indices, US markets along with some European markets are showing strength on intermediate basis. But, Asian markets are still to catch momentum.

Nifty is now near its crucial resistance level of 5300. If it sustains above this level then likely target is 5750 in medium term. However, if Nifty does not sustain above 5300 levels then range bound scenario may be continuing with important support at 5150 levels.

For the month of April 2010, if Nifty sustains above 5300 level, then likely target on the upsides is 5400-5550-5625. On the downside, support levels are 5160-5090-4950.

DAILY CHART

WEEKLY CHART

Technical Levels

Resistance levels: 5400-5550-5625

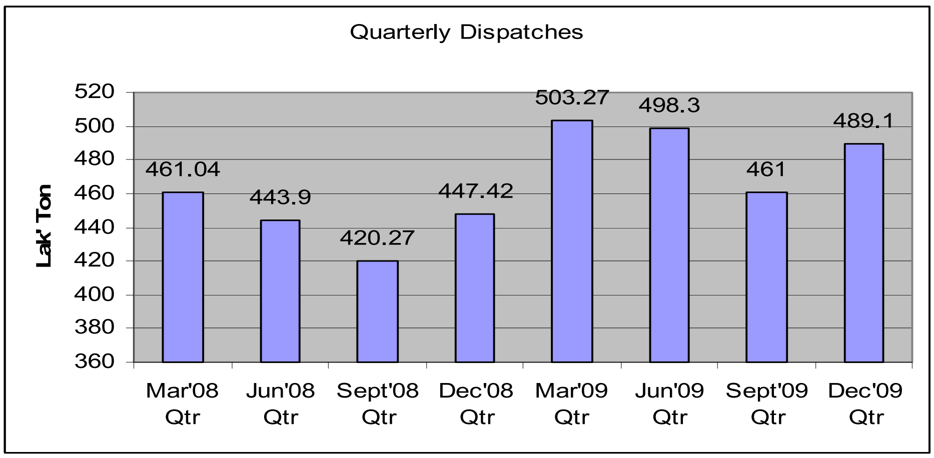
Support levels: 5160-5090-4950

Cement Sector India

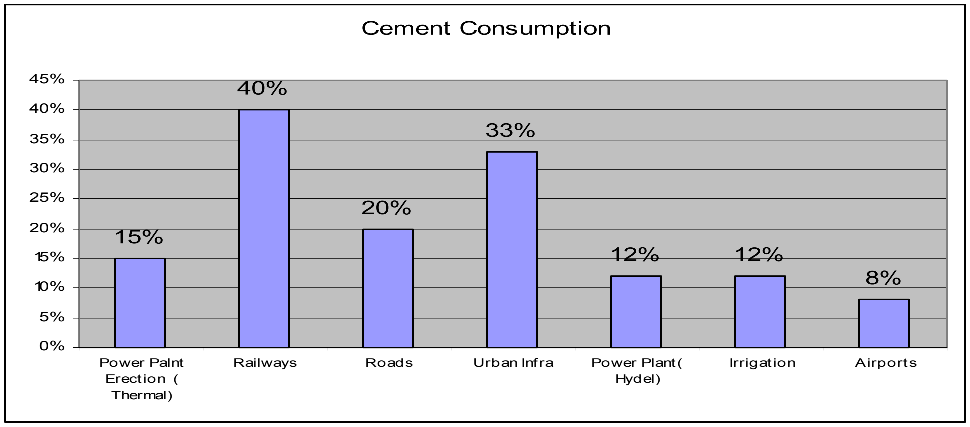
The cement sector in India has been in expansion mode since the past few years. The total production for the sector has nearly doubled since 2001 and is currently at 181.9 Lakh metric tons. The growth in the sector is driven mainly by expected rise in Demand of cement from the Housing and Infrastructure sectors. At present bulk of the demand comes from the housing sector.

Demand Drivers for Cement Industry

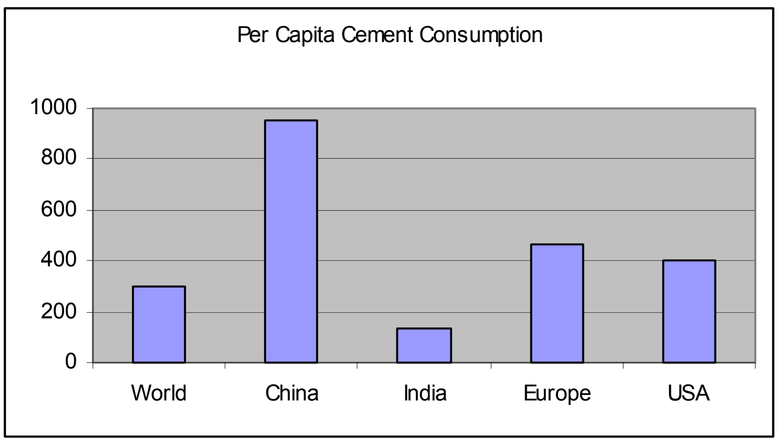
- **Cement consumption to grow at over 10% for next two years:-**With the pick up in cement despatches, demand growth of over 10% is expected in FY10. Further, with the sustained government thrust on infrastructure development and a revival in the real estate sector, consumption of cement is expected to increase in the coming years. In January '10, the industry clocked healthy dispatch growth of 12.4% YoY, with a majority of the off take concentrated in the northern, central and eastern regions.



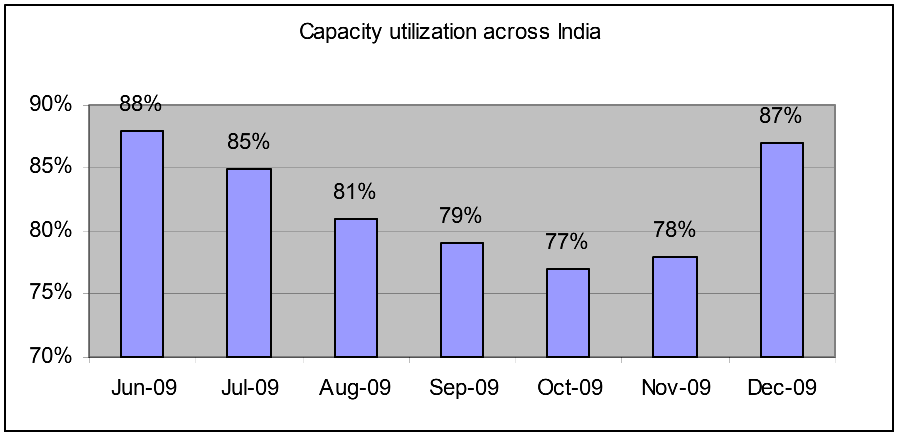
- **Infrastructure sector is a key demand driver.** Infrastructure projects account for 18% of cement demand in India. The planned spend on Infrastructure development has been increased from USD 500 Bn in the eleventh five year plan to USD One trillion in the 12th five year plan. The Indian government expects to raise the total investment in infrastructure from an estimated 5.4% of GDP in FY07 to 9.3% by FY14. Infrastructure Construction would share nearly 50% this investment fund at USD 245 Bn .The major investments projected in 111th five year plan is as: US$ 60 billion for Roads, US$ 75 billion for Power, US$ 22 billion for Telecom, US$ 10 billion for Ports, US$ 70 billion for Railways, and US$ 9.25 billion for Civil Aviation The primary growth drivers would be roads, power, railways and irrigation. Cement is an important raw material in each of these segments and would hence witness a strong concurrent rise in demand.



- **Low per capita consumption: -** India has very low per capita cement consumption. It is expected that as per capita Income for the country improves, so would the demand for cement from Infrastructure demand. Demand for cement has a traditional correlation range of 1.2–1.3x GDP. The correlation coefficient could increase in case the share of housing and infrastructure in the GDP increases.



- **Demand gathers steam in H2FY10:-**Over the last three months, demand for cement has gathered momentum on account of higher government expenditure on infrastructure and strong rural demand. In Q3FY10, cement prices dropped across regions (higher drop across southern region) on account of slackening demand and an increase in capacities. However, cement players have been able to affect price hikes in the last two months. Prices have been raised in the range of Rs 10–40/bag, supported by strong demand and supply shortages in some regions on account of logistical constraints. The price hikes have been noticed in the northern, central and eastern regions, while the south remains a laggard. With the healthy demand and pick up in pricing, we expect cement manufacturers in catering to northern markets to report margin improvement in FY10.



- **Northern Region fares better than southern region**: - Over the last month cement prices have moved up in the northern and central regions, while remaining stagnant in the south. This has largely been due to more capacity additions in southern India than Northern India. Thus, northern Cement manufacturers are well shielded from a over-depression in prices of cement.

Risk and Concerns

- **Capacity additions to add to price pressures and decline in utilization: -** Despite the price hikes seen over the past two months, the capacity addition cycle will put downward pressure on pricing. With 53% of the total fresh capacity planned for FY10 concentrated in the south, pricing pressure would be strongest in this region in the coming quarters. In FY11, 23% of the new capacity is expected to come in southern region. While the south will bear the brunt, pricing pressures are likely to be felt across regions. With the delays in capacity additions, the sector will be shielded from pricing headwinds in the short term. However, overcapacity is imminent in the medium term. 53mn tonnes (mt) of capacity to be added in FY10 and another 30mt in FY11 are eminent. Assuming a 10%-plus growth rate in despatches, utilization is expected to drop to 80% in FY11 from 86% in FY10.
- **Coal cost on the rise**: - Coal prices have been increasing since the past four months. Coal India has announced increasing domestic coal prices by 10-12%. Increase in coal prices would result in increasing in variable cost in the production of cement. This may erode profitability.
- **Margins may cool down in FY11**:- The margins for the sector, in general, may head south due to excess capacity addition over FY10-FY11. Moreover, logistical constraints may result in increase in transportation cost. In case the companies, in the sector, are not able to pass this cost to its clients further erosion of margins can be expected.

Recommendation

Cement Industry derives demand from Housing & Infrastructure sector. However, over the last few quarters, the expected demand did not materialize. The availability of credit was an important constraint. This has led to excess capacity and prices are low in certain pockets. This has led to the fall in the prices of cement shares. Some stocks are available at significant discount to the fair value. We consider JK Lakshmi Cement is a good stock to pick up.

Company Classification

FY2009 (Rs. Crore)						(in lacs Tonnes)				TTM – Dec09	
Company	**Sales**	**PBIDT**	**PAT**	**PBIDTM,%**	**PATM,%**	**Capacity**	**Production**	**EPS,Rs**	**CEPS,Rs**	**P/E**	**P/CEPS**
ACC	7943	2741	1607	31.4	20.2	261.7	213.7	81.6	99.8	10.2	8.4
Ambuja Cements	7041	2123	1218	23.4	17.3	220.0	188.3	7.6	9.5	13.0	10.4
Binani Cement	1494	306	109	17.9	7.3	60.0	42.9	5.0	8.9	5.1	3.9
Chettinad Cement	1138	472	-4	35.7	-0.4	40.0	3.1	-	142.3	0.0	3.0
Dalmia Cement	1759	490	159	18.0	9.0	65.0	33.8	19.1	29.9	7.4	4.5
Grasim Industries	10864	2847	1648	23.5	15.2	202.1	167.6	175.3	225.1	10.4	8.3
India Cements	3358	964	432	27.2	12.9	129.5	91.1	15.0	22.2	8.7	5.6
J K Cements	1664	341	142	18.2	8.6	48.7	40.5	19.8	27.3	4.3	3.4
JK Lakshmi Cements	1224	345	179	24.6	14.6	47.5	37.0	28.5	39.8	3.1	2.5
JP Associates	5769	2142	897	35.1	15.5	147.0	76.3	7.4	10.1	35.6	24.0
Madras Cement	2531	794	364	27.3	14.4	99.9	65.3	14.9	20.7	6.7	4.6
OCL India	1120	272	116	21.4	10.3	53.5	26.9	19.9	29.9	5.4	2.9
Shree Cement	2716	1005	578	32.5	21.3	68.3	77.7	164.2	223.1	6.7	5.0
UltraTech Cements	6386	1810	977	25.3	15.3	219.0	158.6	77.6	103.6	9.7	7.3

Source: Capitaline and Bonanza Research

Note: JP Associates is a diversified infrastructural company with significant interests in Cement.
Grasim Industries is a diversified company with significant interests in Cement.

Investment Idea

JK Laxmi Cement Ltd Buy CMP:-Rs 71

Date: - 26th March 10

In Rs Cr	Q3FY10	Q3FY09	Var (%)	Q2FY10	Var (%)	FY09	FY10E	Var (%)
Net Sales	353.24	297.35	18.8	345.19	2.33	1224	1410	15.20
Total Income	354.63	297.74	19.1	347.74	1.98	1230.6	1420	15.39
Total Expenditure	264.29	219.16	20.6	231.11	14.36	913.97	995	8.87
PBIDT	90.34	78.58	15	116.63	-22.54	316.63	432	34.23
PBDT	85.46	73.85	15.7	111.27	-23.20	295.79	416	37.94
APAT	45.35	56.04	-19.1	47.17	-3.86	178.29	211	14.42
Equity (FV-5)	61.19	61.19		61.19		61.19	61.19	
EPS	3.71	4.58		3.85		14.57	17.2	
CMP	71	71		71		71	71	
PE	4.79	3.88		4.61		4.87	4.12	

Company Background

JK Lakshmi cement started its operation in the year 1938 in Sirohi district located in Rajasthan. It is part of diversified JK Group having business ventures in various segments such as paper, tyres, sugar, agri genetics and clinic research.

Products

- **Cement**- It has annual production capacity of 4.75 million tonnes of cement.
- **Plaster**- It also manufactures plaster of paris and markets it under the name JK Lakshmi plast.

- **RMC**-It also manufactures Ready mix cement (RMC) and markets it under JK Lakshmi Power Mix.

Investment Rationale

- **Infrastructure spent to go up in the coming years to boost cement demand:-**The government has projected capital spend of USD 1 trillion in the 12th five year plan (2012-2017). With the government impetus on infrastructure intensifying, we expect companies manufacturing cement, RMC etc to do well. The company had also stated that the demand for cement is firming up. The demand is showing positive signs with the company's core market viz Gujarat plus Bombay, showed a growth of nearly 11%, Gujarat registered a growth of 7%, north registered a growth of 9% overall.
- **Top line and bottom-line showing growth: -** The Company has reported a CAGR of 16% in the past nine years, since FY01. Bottom-line has also witnessed good growth. The company has been able to undertake capacity expansion at critical junctures of operation that has resulted in top line growth. Going forward, the company has lined up more capex that would result in further increase in top line and bottom-line due to increase in sales volume.
- **Cement prices firming up again: -** The cement prices, which had fallen by Rs 18 -20 for a 50 Kg bag, has started firming up. We expect the prices of cement to head north in the coming summer quarters as demand for cement pick up, especially in North Indian markets.
- **Increased production to drive profits -** JK Lakshmi cement has reported higher level of production and that would drive the top line as well as bottom line. In the projections the margins recorded in Q3 have been considered. Any improvement in margins due to rising prices would add to the bottom line.
- **Capex plans in tunes of Rs 1550 Cr: -** The Company has planned capital expenditure of Rs 145 crore in its various ongoing expansions besides the power plants, which is Rs 205 Cr, while around Rs 1200 crore would be spend on the green field project in Durg plant that would take three years to completion. The total projected capex for the company is Rs 1550 Cr over the next three years period.
- **Excess power capacity to add to top and bottom-line: -** The Company's current captive power capacity is 36 MW, which is being expanded to 60 MW through installation of 12 MW waste heat recovery and 18 MW thermal power Plants.The Company currently requires 58 MW of power requirement for manufacturing cement and has sourced power from V S Lignite power at Rs 3.30 per unit. Going ahead the power requirement will increase to 62 MW from the financial year 2011-2012. However by 2011-2012 the company would have captive power capacity of 87 MW against a requirement of 62 MW. The surplus hence would be sold in the open market.
- **Dividend History:** - The Company returned to dividend list in FY 2007. The dividend yield is 3.5%. The company has paid an interim dividend of 20% (Rs 2 per share) in Q2FY10. A step-up in dividend in FY10 can be expected due to better EPS of Rs 16.78 per share.
- **Cash and Debt position:** - The Company has cash and bank balance of Rs 550 Cr at the end of Q3FY10. The debt position for the company was at Rs 580 Cr with an interest rate of 9%. We believe this net debt position of Rs 30 Cr to be at comfortable level. Going ahead, the company plans to raise debt to fund its expansion. We believe that the company is in a good position to do so.

Risk and Concern

- **Company to raise Rs 1000 Cr to fund expansion: -** The Company would have to raise at least Rs 1000 crores of debt in the next 3 years for funding capital expenditure requirement including the green-field plant in Durg. Around Rs 200 odd crore would be raised during the current year while Rs 300 to Rs 400 crore would be raised during the next financial year and then balance in 2011-12. In case the company is unable to raise funds, its expansion plans can go awry.
- **Fluctuation in raw material cost, particularly coal, to erode operating profit margins: -** Profitability of cement manufacturers is sensitive to raw material and power cost. In FY09, most of the cement companies had reported erosion of OPM due higher raw material cost and power cost, which together constitute the variable cost for cement production. Any increase in variable cost can result in a similar situation rising for the company and industry thus eroding profitability.
- **Cement industry geo centric: -** Incase the demand in one region dries up; the escalation in cost of transportation can result in erosion of OPM.

- **Risk of over addition in capacity can affect cement prices:** - Many companies have undertaken capex for augmentation of capacity. This can lead to over capacity of production and thus the cement can sell at lower cost than current price in market. If this happens Company's top line can come under pressure.

Recommendation

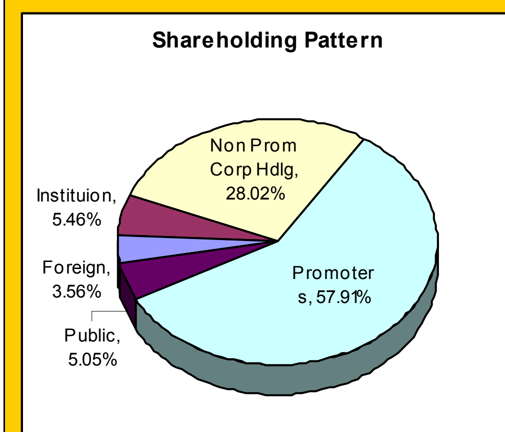
With fresh impetus on infrastructure and construction we expect the cement demand to go up. The summer quarters are particularly better for the cement companies. We have estimated an EPS of Rs 17.2 for FY10 for the company, which is trading at an earning multiple of 4.12x. Although, concerns regarding cost of cement remain, still we recommend long term investors to buy the counter on declines with a target of Rs 80 in the mid-term.

Era Infra Engineering Ltd — Hold — CMP:-Rs 212

(High Risk-High Return)

Date:- 5th March 10

Key Data	
Face Value:	2
52 week High:	215
52Week Low:	65
NSE Code:	ERAINFRA
Average Vol. (Monthly)	174458



Company Background

Era Infra Engineering Ltd (EIEL), the flagship company of Era Group, is a fully integrated infrastructure development company. The company is primarily engaged in construction activities such as Power Projects, Roads, Railways & other infrastructure projects. EIEL has four strategic business units:-

1.) Construction & Contracts: - This is the oldest segment for the company. This SBU has presence in Power, Urban Infrastructure, commercial complexes, housing, industrial, institutional sectors, steel healthcare and oil& gas. The company plans to diversify into larger sectors such as Refineries, hydroelectricity, irrigation and Ports.

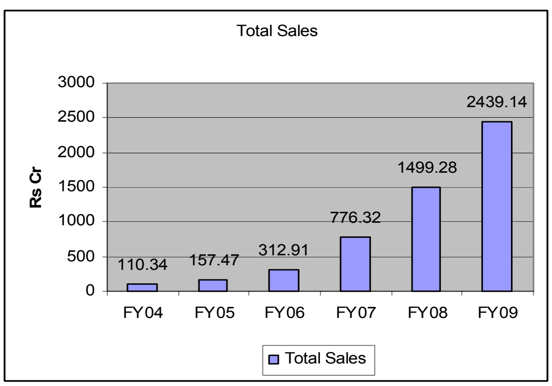
2.) EPC & International.:- The company, post the PPP model undertaken by the government, is looking to expand aggressively in EPC vertical. The company, through strategic JV in various regions across the globe, is looking to expand its EPC foot prints in Europe, Africa and Middle East.

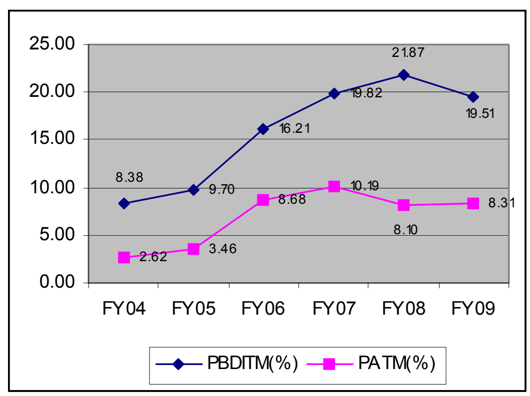
3.) Equipment Management: - To crater to the growing demand for high end equipment in infrastructure sector, the company has forayed in infrastructure equipment management. 60% of the equipment revenue is form external consumption.
4.) Ready Mix concrete (RMC):- RMC division was formed with the objective of catering to the robust need of RMC in Infrastructure sector.

Investment Rationale

- Big Budget spending By GOI in Infrastructure Domain: - The Government of India (GOI) had earmarked USD 500 Bn for infrastructure development in the 11th Five year plan i.e 2007-2011. However, the work in many of the targeted sectors such as Roads etc is behind schedule. The government in its budget for 2010-11 has given fresh impetus to get the Infrastructure on track. In its Budget for 2010-11 the government has :-
    - Rs 1,73,552 crore provided for infrastructure development which accounts for over 46 per cent of the total plan allocation.
    - Allocation for road transport increased by over 13 per cent from Rs. 17,520 crore to Rs 19,894 crore.
    - Rs 16,752 crore provided for Railways, which is about Rs.950 crore more than last year.

  Going ahead, with government spend all set to increase in the coming two fiscal years Infrastructure companies would do well and order books for them would swell. We consider Era Infrastructure would bag more contracts and report increase in toppling and bottom-line.
- Good Business Mix:- Era Infra is a diversified infrastructure player and through its 4 SBU's presence in construction cash contracts, EPD/turnkey projects, PPP projects, equipment leasing and ready mix concrete (RMC), etc. It has also forayed into international Infrastructure space through JV's and Consortiums abroad. The company, over the years, has secured several pre-qualifications across verticals such as power, buildings, roads, ports, etc. It has also planned to venture into new business verticals such as irrigation, hydro power, etc.
- Good Growth in top line and bottom-line: - The Company has reported CAGR of close to 53% in topline and 67% in bottom-line in the last decade, since 2000. We expect the company to continue on the growth trajectory. With increased government spend; EIEL would report a robust growth. The company has been able to maintain its margin in spite of stiff competition in the sector. In 9MFY10 the company had reported an increase of nearly 71% in top-line and 78% increase in bottom-line over 9MFY09.





- Capex plans underway: - The management has stated that the company has substantial expansion plans and has allocated a capex of Rs 600 crore over FY10 and FY11. Of this, Rs 400 crore has been earmarked for equipment management division and the company has purchased Rs.150 crore worth of equipment YTD. The company has six units of RMC and plans to expand to sixty units with pan India presence. Remaining Rs 200 Cr is for the remaining divisions.
- Order book in tunes of Rs 8000 Cr:-The Company has a good order-book. We have estimated that the current outstanding order book for the company is above Rs 8000 Cr at the end of Feb'10, which is 3.28x the sales of Rs 2359 Cr in FY09. The order book offers revenue visibility for the next two to three years. Nearly 60% of the order book stems from infrastructure projects that including roads,

railways, airports and power. The remaining order book is from stadiums, hospitals and private constructions. Government agencies constitute nearly 77% of its order book. Also, increased government focus on infrastructure through proposed creation of roads, power projects, irrigation projects, etc should further strengthen order intake for the company.

- Well established client base:- The company has a client base that includes the likes of NTPC, PGC, NHPC, RVNL, BHEL, IRWO, NBCC, PWD, NALCO, RVNL, Airport Authority of India, Delhi Metro Rail Corporation Limit to name a few. With a well established network of clients and partners, EIEL stands in good stead to boost its topline and order book in the coming years.
- Maintains dividend percentage even in testing times:- The company has been able to maintain its dividend percentage and going ahead with improved PAT and EPS the dividend percentage for the stock holder can be scaled up.

Financial Highlights

In Rs Cr	**Q3FY10**	**Q3FY09**	**Var (%)**	**9MFY10**	**9MFY09**	**Var (%)**
Sales	891.19	614.04	45.14	2434.55	1423.93	70.97
OP	156.76	114.21	37.26	457.12	280.95	62.71
Other income	5	-21.86	-122.87	67.08	-2.49	-2793.98
PBIDT	161.76	92.35	75.16	524.2	278.46	88.25
Interest	67.61	46.17	46.44	182.82	125.94	45.16
Depreciation	18.54	10.39	78.44	51.25	27.15	88.77
PBT	75.61	35.79	111.26	290.13	125.37	131.42
Total Tax	18.37	4.91	274.13	72.91	30.42	139.68
PAT	57.24	30.88	85.36	217.22	94.95	128.77
EPS (Rs)	3.2	1.73	84.97	12.14	11.65	4.21
Equity(FV2)	35.74	28.6	24.97	3.2	1.73	84.97

Segments	**Q3FY10**	**Q3FY09**	**Var (%)**	**% to Total**	**9MFY10**	**9MFY09**	**Var (%)**	**% to Total**
Sales(Rs Cr)								
Contracts	780.25	525.55	48.46	85	2022.27	1262.66	60.16	80.89
Equipment Hiring	44.89	25.51	75.97	4.89	117.76	78.65	49.73	4.71
Ready Mixing	16.75	14.11	18.71	1.82	45.79	35.2	30.09	1.83
Energy	0.77	0.78	-1.28	0.08	4.84	4.82	0.41	0.19
Trading	75.27	88.04	-14.5	8.2	309.27	88.04	251.28	12.37
TOTAL	917.93	653.99	40.36	100	2499.93	1484.39	68.41	100
PBIT(Rs Cr)								
Contracts	94.66	78.08	21.23	72.33	288.96	174.23	65.85	74.94
Equipment Hiring	33.9	18.06	87.71	25.9	85.38	60.29	41.62	22.14
Ready Mixing	0.24	-1.45	-116.55	0.18	0.35	-2.11	-116.59	0.09
Energy	0.04	0.09	-55.56	0.03	2.53	2.78	-8.99	0.66
Trading	2.04	2.48	-17.74	1.56	8.39	2.48	238.31	2.18
TOTAL	130.88	97.26	34.57	100	385.61	238.08	61.97	100
PBIT/SALES (%)								
Contracts	12.13	14.86			14.29	13.80		
Equipment Hiring	75.52	70.80			72.50	76.66		
Ready Mixing	1.43	-10.28			0.76	-5.99		
Energy	5.19	11.54			52.27	57.68		
Trading	2.71	2.82			2.71	2.82		
TOTAL	14.26	14.87			15.42	16.04		

Peer Set

Rs. Crore (FY 09)	EIEL	CCCL	Nagarjuna Const
Total Income	2439	1850.3	4802
PBDIT	475.84	131.75	517.73
Net Profit	202.61	72.6	181.34
Q3 FY10 Sales	896	452	1188.41
Q3 FY10 PBDIT	161.76	41.5	119.43
Q3 FY10 Net Profit	57.24	21.22	47.86
Equity	35.74	36.96	51.32
Face Value (Rs.)	2	2	2
FY 09 EPS (Rs.)	11.34	3.93	7.07
CMP Rs./Sh	212	77	159.4
PE (X)	18.70	19.60	22.56
FY 09 PBDIT (%)	19.51	7.12	10.78
FY 09 NPM (%)	8.31	3.92	3.78
Div. Rs./Share (Adj)	0.4	0.5	1.1
Market Cap	3788.44	1422.96	4090.20
M Cap/Sales	1.55	0.77	0.85

Risk and Concern

- Slow down in Infrastructure spending can adversely impact the sector as a whole.
- Any steep rise in commodity prices can impact margins. Any delays in projects or deviation in government policies too can impact revenues.
- Infrastructure construction business is a capital intensive business that requires good cash flows for ongoing projects. In case the company fails to meet its debt obligation and maintain adequate levels of cash flows, the ongoing projects can suffer.
- There is not very high transparency in the sector and margins vary widely for similar businesses.
- EIEL is expanding outside India. There are risks associated with expansion to other countries as currency, execution risks due to geographical, social, political issues with these countries.

Valuation and recommendation

The company has good order book. Visibility for the next two years, it has shown good growth rate in the past few years. With governments focus on infrastructure, EIEL can bag more orders. The company has been able to lower its D-E ratio by issuing shares. At current market price the stock is trading at an earning multiple of 13.01 x for EPS of 16.3 in FY10. However, larger debt on company books remains a concern. Investors can buy the counter at CMP with a target of Rs 275 in medium tem.

Earnings Table		*(Rs Cr)*		
Particulars	***FY08***	***FY09***	***FY10E***	***FY11E***
Net Sales	1464.48	2376.90	3475	4564
Change %		62.30	46	31
Total Income	1499.28	2439.14	3525	4600
Total Expenditure	1171.38	1963.30	2815	3695

Balance Sheet			*(Rs Cr)*	
Particulars	***FY08***	***FY09E***	***FY10E***	***FY11E***
Share Capital	23.10	28.71	35.80*	35.80
Reserves	443.11	850.18	1687	2081
Shareholder's Fund	489.59	878.89	1722	2117
Loan Funds	1451.95	1796.35	1641	1730

PBDIT	327.90	475.84	710	905
Depreciation	20.12	45.94	70	89
PBIT	307.78	429.90	640	816
Interest	98.05	172.83	251	280
PBT	209.73	257.07	389	536
Tax	88.36	54.46	97	129
Reported PAT	121.37	202.61	292	407
Adjusted PAT	121.37	202.61	292	407
Change %		*66.94*	*44*	*40*
Cash Profit	141.49	248.55	362	496

Total Liabilities	1941.54	2675.24	3364	3847
Net Fixed Assets	709.85	1200.98	1481	1642
Investments	218.49	176.14	190	200
Net Current Assets	1071.45	1389.17	1805	2130
Net Deferred tax	-58.25	-91.05	-112.23	-125.00
Total Assets	1941.54	2675.24	3364	3847

*FCCB conversion at a premium of Rs 156

Key Ratios

Particulars	***FY08***	***FY09***	***FY10E***	***FY11E***
EBDIT (%)	21.87	19.51	20.14	19.67
PBIT (%)	20.53	17.63	18.16	17.74
PAT (%)	8.10	8.31	8.28	8.85
RoCE (%)	15.85	16.07	19.03	21.21
RoE (%)	24.79	23.05	16.94	19.23
Debt-Equity	2.97	2.04	0.95	0.82

Valuations

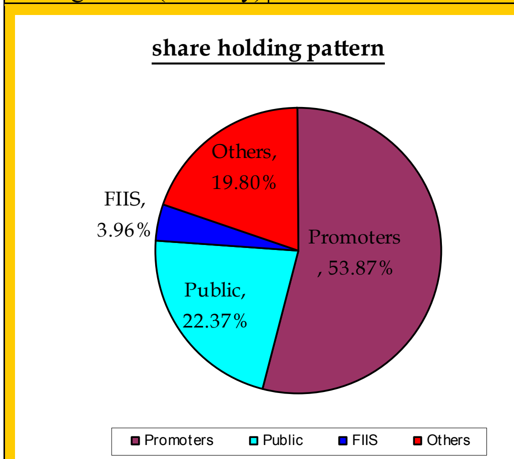
Particulars	***FY08***	***FY09***	***FY10E***	***FY11E***
Adjusted EPS (Rs)	10.51	14.11	16.30	22.75
Cash EPS (Rs)	12.25	17.31	20.21	27.72
BV Per Share	42.39	61.23	96.22	118.28
Dividend per share	0.40	0.40	0.50	0.60
P/E	20.17	15.02	13.01	9.32
P/BV	5.00	3.46	2.20	1.79
M-Cap/Sales	1.67	1.28	1.09	0.83

Vijaya Bank BUY CMP:-Rs 46.9

Date: - 16th March 10

Key Data

Face Value:	10
52 week High:	58.75
52Week Low:	19.85
NSE Code:	VIJAYABANK
Average Vol. (monthly)	2196316

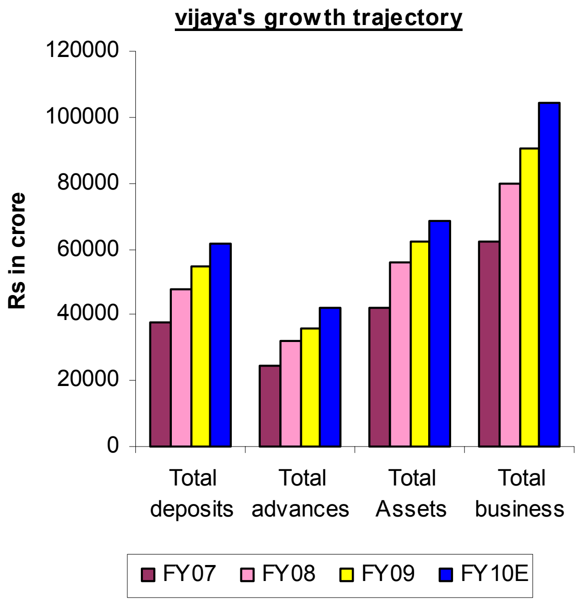


Company background:

Vijaya bank is a Karnataka based public sector bank got nationalized in April 1980.In Jan 2001 it came out with IPO and in Sept 2003 it again raised about Rs 240 cr through FPO. With that FPO govt share holding reduced to 53.87%.Currently the bank is operating with 1149 branches ,43 extension counters and 376 ATMs under 100% CBS set up.

Investment Rationale:

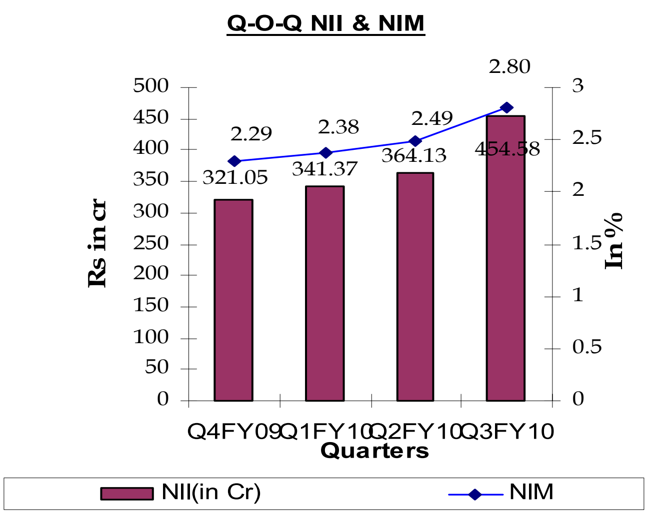
Growing core business:



Rs in crore	FY07	FY08	FY09	FY10E
Total deposits	37604	47952	54535	61874
Total advances	24644	32019	35875	42118
Total Assets	42358	56185	62382	68529
Total business	62248	79971	90410	103992

There is a continuous increase in bank's core business with its 1149 pan India branches working under 100% CBS. Its total core business is growing at a CAGR of 20.5% over 07-09. During 2009 on account of global financial crisis the performance of the bank was not up to the expectation but in the FY 10 the has improved its business substantially and in line with management forecast to achieve 18%y-o-y growth of total business.

Increase NII & NIM status



	Q4FY09	Q1FY10	Q2FY10	Q3FY10
NIM(%)	2.29	2.38	2.49	2.80
NII(in Cr)	321.05	341.37	364.13	454.58

For the last three quarter of FY10, VB registering a strong growth in Net interest income (NII) and able to generate a NII of Rs 1160cr in 9MFY10 with a record 44% y-o-y. Consistent growth in core income became a key to the bank's improved efficiency and profitability. Strong NII growth is also visible in progressive improvement in NIM implying that the core business of the bank is enjoying higher profit.

Other highlights:

- At CMP Rs 46.9 ,the share is available at a discount to its FY09 Book value of Rs 53.47
- VB has been paying dividend since 2003. It had reduced its dividend to 10% in FY09 from 20% in FY08. VB is expected to step up the dividend with the improved performance in the current year.
- At present VB has NNPA of about Rs 512cr which is 1.30% of gross advances is major concern area, but during FY10 VB has managed to reduce the NNPA from 1.58% in Q1FY10 to 1.30% in Q3FY10 and is targeted to contain it within 1% by Q4FY10.
- VB maintaining a CAR of 13.34% with 8.29% of Tire- I capital well above the BASEL-II requirement. With a view to raise capital in future in Nov 09 VB has increased authorized capital from Rs 1500cr to Rs 3000cr.
- VB business is concentrated in southern India with 44% branches located in Karnataka state. Now the bank is trying to spread its business in the other regions of the country to make its pan India network stronger and to generate more business.
- To strengthen its retail sector portfolio from auto loans During Dec09 VB has signed an agreement with Tata Motors ltd (TML) to finance up to 85 percent of sale price of the vehicle. Good demand for CV of TML in domestic market could be a beneficial for VB
- The bank is aggressively extending its lending port folio with significant rise in SME and other priority sector lending contributing to its profit margin.
- With the advantage of 100% CBS VB has implemented IT-enabled Smart Card project model in RBI designated village Chillahalli, Karnataka and planning to extend this service to additional centers. VB is planning to launch online trading services, mobile banking and phone banking services to provide added services to its strong client base.
- VB planning to Re-enter into insurance business other financial services to increase its fee based income

Rs Crore	Q3F09	Q3FY10	%y-o-y	Q2FY10	%q-o-q	FY09	FY10E	FY11E
Interest earned	1377	1344	-2.4%	1337	0.51%	5238	5394	5610
other income	258	103	-60.1%	120	-14.18%	699	494	519
Total income	1635	1447	-11.5%	1458	-0.70%	5937	5888	6129
Interest expense	1064	890	-16.4%	973	-8.59%	4113	3748	3898
Operating Expense	291	259	-11.1%	250	3.39%	925	1072	1115
Total Expense	1355	1149	-15.2%	1224	-6.14%	5038	4820	5013
Profit bfr tax &prov.	280	299	6.7%	234	27.76%	899	1068	1116
Provisions	-62	131	-312.1%	101	30.27%	357	340	347
prov.forTax	185	43	-76.8%	25	73.95%	279	228	232
Net profit	157	125	-20.7%	108	14.90%	262	500	579
NII	313	455	45.2%	364.13	24.84%	1125	1646	1712
EPS (Rs)						6.05	11.53	13.37
CMP (Rs)	46.9	46.9		46.9		46.9	46.9	46.9
P/E(x)						7.74	4.06	3.51

Key parameters	FY07	FY08	FY09	FY10E
NIM%	NA	1.99	2.04	3.0
CAR%	11.22	11.22	13.15	13.5
CASA %	NA	NA	24.0	25.0
Gross NPA%	2.29	1.6	1.95	2.0
Net NPA%	0.59	0.57	0.82	1.0
NPA provision coverage%	NA	64.78	57.36	60.5
Credit/Deposit %	69.6	65.35	65.53	67.00
Dividend%	20	20	10	20
Div. payout%	27.27	25.02	17.00	25.00
EPS (Rs)	7.33	7.99	6.05	11.53
ROA%	0.92	0.75	0.59	0.95
BV/shr (Rs)	42.7	48.59	53.47	65
Business/Branch (Rs cr)	48	76	82	87
Business/Employee (Rs cr)	5.78	7.33	7.85	8.30

Vijaya Vs Peerset

FY09	Andhra	Vijaya	B O maharashtra
Total income	6140	5936.63	4791.56
Net profit	653	262.48	375.17
Equity	485	433.35	430.52
EPS	12.7	6.05	8.46
CMP	98.8	46.95	50
div/share	4.5	1	1.5
CASA	31	24	35
branches	1366	1101	1421
NNPA%	0.18	0.82	0.79
BV/shr	75.2	53.47	47.97
PE	7.78	7.76	5.91
P/BV	1.31	0.88	1.04

Concerns:

- VB counted as one of few banks who have high NPA % in their balance sheet which is a major concern area**.**
- The competition for core banking that is for deposits and lending is increasing from banking and other agencies. Recent govt decision to issue more banking license would also increase the competition further.
- Hardening of interest rates can cause deterioration in the quality of assets and depreciate the value of investment portfolio of the bank.

Recommendation:

For the sixth consecutive quarter VB has recorded a strong growth in NII on the back of consistent growth in core business of the bank. High NIM suggests efficient allocation of fund. The stock is available at a discount to its current book value. Although high NPA level is a major concern area for the bank but q-o-q reduction in NPA level create a hope . At CMP Rs 46.8 the share is trading at a forward earning multiple of 4.06 x for FY10E and 3.51 x. Investor can buy at CMP with a target of Rs 60in the medium term.

Cummins India Ltd Hold CMP:-Rs 472.8

Date: - 5th March 10

Target Rs 525

Rs. In Crore	Q3 FY09	Q3 FY10	%y-o-y	Q2FY10	%q-o-q	FY09	FY10E	FY11E
Net Sales	750	815	8.6%	608	34.1%	3529	3173	3648
Other Income	53	34	-36.6%	28	20.6%	158	132	145
Total Income	803	848	5.7%	636	33.5%	3687	3305	3794
Raw Material	475	480	1.1%	403	19.1%	2311	1959	2312
Other Expenses	134	158	17.9%	103	54.1%	688	573	630
Total Expenses	609	638	4.8%	506	26.2%	2999	2532	2942
PBDIT	194	210	8.4%	130	61.9%	688	773	852
Interest	0.02	0.35	1650.0%	0.76	-53.9%	3.0	2.1	2.6
Depreciation	11	8	-31.1%	10	-23.4%	48	36	42
PBT	183	202	10.6%	119.29	69.7%	637	734	807
Tax	50	54	8.9%	31.55	72.0%	174	187	192
PAT	133	148	11.3%	88	68.9%	463	547	615
CP	144	156	8.0%	98		511	583	657
Extra-Ordinary	14	0		0		14	0	0
Net Profit	119	148	24.3%	88	68.9%	449	547	615
Equity (FV 2)	39.6	39.6	0.0%	39.6	0.0%	39.6	39.6	39.6
EPS(Rs)						22.68	27.63	31.07
CMP(Rs)	472.8	472.8		472.8		472.8	472.8	472.8
P/E						20.85	17.11	15.22
PBDITM%	25.9%	25.8%	-0.2%	21.4%	20.7%	19.5%	24.4%	23.3%
PATM%	17.8%	18.2%	2.4%	14.4%	25.9%	13.1%	17.2%	16.9%

** Quarterly results are standalone and Annual results are consolidated

** Results of q-o-q & y-o-y are not comparable due to the merger of Cummins sales and service (CSS) with CIL.

**Q3 FY09 does not include CSS results where as Q3FY10 includes CSS results.

** Merger of CSS with CIL effective from 1st Apr 2008 but financial consolidation had not done in Q3 FY09.

Result Highlights:

- Cummins India reported a improved quarterly result strengthening its domestic revenue with a rise of 51%y-o-y where as its export revenue declined by 76% y-o-y.
- CIL has paid a 300% interim dividend in Q3 FY10 on the back of higher profit and better cash position.
- Net sales of CIL (including CSS) grew by 8.6%y-o-y to Rs 814 cr for Q3 FY10 but excluding CSS sales declined by 9%y-o-y.
- CIL registered a 11% y-o-y rise in PAT in Q3FY10 while q-o-q PAT grew by 70%

- CIL managed to reduce q-o-q expenses by 26% led to higher profit margins.
- PBDITM and PATM increased to 25.8% and 18.2% in Q3 FY10 respectively as compared to 21.4% and 14.4% .in Q2FY10.
- CIL's auto engine sales doubled y-o-y basis with demand coming from gas based engines for OEM as well as for replacement of the existing diesel engines.
- Although CIL's export segment received a subdued response due to slower global recovery its domestic demand from auto and construction did well in this quarter.
- Management is hopeful to recover the hampered production (on account of strike at Kothrud plant, Pune From (15^{th} Sep-20^{th} Nov 09 as) in coming quarters.
- CIL planning to incur a cap ex of around Rs100-125 cr in CY 2010 largely to increase the capacity of high HP power engine and to provide facilities for reconditioning of component and engines.
- CIL has revived its expansion plans and new product projects which were started earlier.

Recommendation:

Cummins India Ltd (CIL) has reported a impressive q-o-q result on the basis of strong domestic sales although there is a significant decline in export front which expected to pick up with the global recovery. At CMP Rs 472.8 the share is trading at a forward multiple of 17.11x of FY10E and 15.22x of FY11E. Investor can hold the share for a target of Rs 525.

Status of past Recommendation

Date	Company Name	MP@ Reco	Nifty @ Reco	Reco	Target	Price on 31/3/10	Nifty on Exit/Hold	Remark	Revision Date	Absolute return	Excess return over nifty
20-Oct-09	Apollo Tyres	54.95	5110	Buy	75	70.9	5237	PB @ 77.1	19-Mar-10	40.31	37.82
10-Dec-09	GMR Infra	71.55	5096	Buy	84	62.7	5249			-12.37	-15.37
26-Feb-10	Lloyd Elec.	56.5	4985	Buy	64	62.5	5249			10.62	5.32
26-Feb-10	Brandhouse Retail	32.5	4970	Buy	38	33.9	5249			4.31	-1.31
17-Mar-10	Vijaya Bank	47.8	5177	Buy	60	47.35	5249			-0.94	-2.33

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