

## Market Front Page

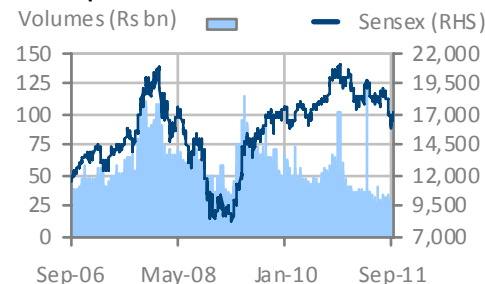
Index Movements	Closing	% Chg	% YTD	ADR/GDR (US\$)	Latest	% Chg	% Prem
Sensex	16,467	(0.2)	(19.7)	HDFC Bank	30.8	(0.1)	4.4
Nifty	4,941	(0.1)	(19.5)	Reliance	34.1	0.6	0.0
BSE Smallcap	7,169	0.0	(25.9)	Infosys	48.1	1.2	2.9
CNX Midcap	7,241	0.1	(18.3)	Satyam	2.8	0.7	NA
Nasdaq	2,532	1.5	(4.6)	Wipro	9.3	1.1	34.9
DJIA	11,106	0.4	(4.1)	ICICI Bank	36.8	(0.3)	2.7
IBOV	55,544	(0.3)	(19.9)	SBI	85.0	(2.3)	10.4
FTSE	5,174	0.9	(12.3)	Sterlite	10.7	(0.5)	1.8
CAC	2,895	1.4	(23.9)	Tata Motors	14.9	(1.1)	1.7
Turnover	US\$m	% Chg		Commodities	Latest	% Chg	% YTD
BSE	472	0.7		Gold (US\$/ounce)	1,844	0.5	29.8
NSE	2,066	(0.6)		Crude (US\$/bl)	90	2.3	(1.3)
Derivatives (NSE)	27,786	5.9		Aluminium (US\$/MT)	2,379	0.4	(3.7)
FII F&O (US\$m)	Index	Stocks		Copper (US\$/MT)	8,823	0.6	(8.1)
Net buying	25	65		Forex Rates	Closing	% Chg	% YTD
Open interest	15,589	6,293		Rs/US\$	47.1	0.3	5.1
Chg in open int.	164	14		Rs/EUR	64.4	1.2	7.7
Equity Flows (US\$m)	Latest	MTD	YTD	Rs/GBP	74.6	0.6	7.7
FII (12/9)	(166)	300	354	Bond Markets	Closing	bps	Chg
DII (13/9)	26	(74)	4,908	10 yr bond	8.31		2.00
MF (12/9)	(20)	(184)	1,221	Interbank call	8.05		0.00

## Chart Front Page

Sensex intraday



Sensex price volume trend



## Top Research Stories

ONGC (BUY); Sun TV (ADD); Cement; Events Calendar

## Corporate Front Page

- Maruti Suzuki India** said it has dismissed five more workers at its Manesar plant on disciplinary grounds while recruiting 100 new people to replace the existing workers, who have refused to sign the good conduct bond. (ET)
- Jaguar Land Rover** expects to decide on a local partner for production in China by the end of this year. (ET)
- United Breweries** is betting big on beer brand Heineken to take on Danish brewer Carlsberg, which has a 70% share in the super-premium beer segment in India. (ET)
- Reliance Infrastructure** subsidiary BSES Yamuna Power Ltd on Tuesday said it has tied-up with **Larsen & Toubro** to provide electricity leakage detecting devices at discounted price to consumers. (ET)
- In a bid to tap India's fast-growing water distribution segment, France's **Saint Gobain**, is in talks to acquire the pipes division of **Electrotherm (India)**. (ET)
- Ranbaxy Laboratories** has started discussions with IndSwift to source raw material to make low-cost version of the world's largest selling drug, Lipitor which it to roll out in the US by November end. (ET)
- The bottomline of **State Bank of India** and **Standard Chartered Bank** could be buoyed by Rs2.6bn and Rs3.46bn, respectively, in the September quarter as the Custodian dealing with the 1992 securities scam has secured the Special Court's order to release the money. (BL)
- Biocon** has commenced work on its Malaysian bio-pharma manufacturing facility, which is expected to be operational by 2014. (BL)

## Market Front Page

### Top Movers BSE 200

Top Gainers	Price (Rs)	Chg (%)	YTD (%)	Top Losers	Price (Rs)	Chg (%)	YTD (%)
Cairn India Ltd	288	5.6	-13.3	Tata Motors Ltd	140	-4.6	-46.7
India Cements Ltd	71	3.9	-34.2	Pipavav Shipyard Ltd	88	-3.8	1.2
IRB Infrastructure Develop	162	3.8	-28.0	United Breweries Ltd	394	-3.5	-21.9
GlaxoSmithKline Consume	2351	3.0	1.7	GVK Power & Infrastruct	17	-3.5	-59.3
Indian Bank	207	3.0	-16.3	Zee Entertainment Enter	114	-3.5	-22.6

### Volume spurts

Company	CMP	M.Cap (US\$ m)	Vol. (in '000)	10D A.Vol (in '000)	Vol % Chg
Bombay Rayon Fashions Ltd	275.3	738	472	107	342
United Spirits Ltd	889.5	2,470	544	221	146
Great Eastern Shipping Co Ltd/The	244.3	790	560	230	143
United Breweries Ltd	394.1	2,130	115	49	135
Cairn India Ltd	288.5	11,652	3,869	1,895	104
Petronet LNG Ltd	178.6	2,843	4,526	2,307	96
Biocon Ltd	332.1	1,410	564	304	85
Sintex Industries Ltd	145.0	840	1,780	991	80
NCC Ltd/India	64.6	352	3,601	2,051	76
Havells India Ltd	348.3	923	327	194	69

### FII – FII trades

Scrip	12/9/2011			13/9/2011		
	Volume '000	Price	Prem %	Volume '000	Price	Prem %
Bob	175	756	0.9	2	775	1.0
Indusind bank	97	266	3.1	-	-	-
Grasim	-	-	-	4	2,301	5.2
Pnb	88	950	1.2	69	960	1.4
Ing vysya bank	-	-	-	286	305	3.0
Maruti	160	1,100	2.5	100	1,102	2.2

## Corporate Front Page

- **Chennai Petroleum Corporation Ltd**, which runs a 0.5-million-tonne, mini refinery near Nagapattinam, has entered into an agreement with Karaikkal Port for bringing in bigger crude carriers. (BL)
- **Bank of Baroda** has hiked deposit rates in select maturities by 25-50 basis points with immediate effect. (BL)
- **Tata Steel** has announced completion of its £2mn investment at its Dudley plant in the West Midlands in the UK for upgrading its hot-rolled strip processing capabilities. (BL)
- **Marg Ltd** announced its foray into railway wagon fabrication business. (BS)
- **Future Group-owned** Indus League Clothing is in talks to launch English football club Manchester United's fashion products in the country. (ET)

## Economy Front Page

- National Housing Bank (NHB) has raised the provisioning requirement for doubtful assets up to 100% for housing finance companies (HFCs) and has directed to set aside 0.4% of the total outstanding "standard" loans as a buffer. (ET)
- The government is keen to enforce its plan to cut the US\$9bn subsidy on kerosene and cooking gas, and will penalise states that oppose reform, government officials said. (ET)
- The Government is likely to review the annual external commercial borrowings (ECB) limit of US\$30bn this month end. (BL)
- The much-awaited multi-brand retail policy allowing foreign direct investment (FDI) in the sector has been put on the back burner. (BS)

## Insider Trading

Company	Name of Acquirer / Seller	Transaction Date	Buy /Sale	Quantity	Price (Rs)	Deal Size (Rs m)	Shares Transaction (%)	Holding after Transaction (%)
Crompton Greaves	Avantha Holdings	07/09/2011	Buy	339,618	151.0	51	0.1	39.4
Crompton Greaves	Avantha Holdings	08/09/2011	Buy	223,642	152.0	34	0.0	39.5
Dynamatic Tech	Udayant Malhoutra Co.		Sell	35,200	992.0	35	0.7	11.9
Dynamatic Tech	JKM Holdings		Buy	35,200	992.0	35	0.7	15.6
HDFC Bank	Arvind Kapil	13/09/2011	Sell	15,000	468.0	7	0.0	0.0
India Securities	Essar Capital	06/09/2011	Buy	48,000,000	59.0	2,832	5.5	33.4
Indusind Bank	Zaregaonkar S V	07/09/2011	Buy	50,000	263.0	13	0.0	0.0
Indusind Bank	Sumant Kathpalia	23/08/2011	Sell	49,000	242.0	12	0.0	0.0
ITC	Yogesh Chander Deveshwar	02/09/2011	Sell	787,926	203.0	160	0.0	0.0
IVRCL	E Sudhir Reddy	09/09/2011	Buy	1,062,992	44.0	47	0.0	5.4
IVRCL	E Sudhir Reddy	08/09/2011	Buy	500,100	46.0	23	0.0	5.0
JK Paper	Fenner (India)	08/09/2011	Buy	17,767,500	45.0	800	13.0	18.6
Jyothy Laboratories	M P Ramachandran	07/09/2011	Buy	50,000	177.0	9	0.0	44.3
Mahindra & Mahindra	Arun Kumar Nanda	02/09/2011	Buy	9,858	765.0	8	0.0	0.1
Mahindra & Mahindra Financial Services	Ramesh Iyer & V Ravi	06/09/2011	Sell	28,279	652.0	18	0.0	1.4
Man Industries (India)	Heena V Kalantri	02/09/2011	Buy	58,571	149.0	9	0.1	3.2
Man Industries (India)	Heena V Kalantri	02/09/2011	Buy	53,895	149.0	8	0.1	3.1
Manappuram Finance	M Anandan	05/09/2011	Sell	100,000	58.0	6	0.0	0.1
Parsvnath Developers	Pradeep Kumar Jain	06/09/2011	Buy	1,000,000	58.0	58	0.2	21.6
Ratnabali Capital Markets	Nishtha Investment & Consultancy Services Pvt	05/09/2011	Sell	110,739	96.0	11	2.1	4.2
Safari Industries India	Dr. Jagdish N Sheth	06/09/2011	Sell	1,950,000	158.0	308	65.2	-
Safari Industries India	Sailesh J Mehta	06/09/2011	Sell	1,850,000	158.0	292	61.9	-
Safari Industries India	Safari Investments Pvt	06/09/2011	Sell	454,693	158.0	72	15.2	-
Safari Industries India	Akshit S Mehta	06/09/2011	Sell	148,850	158.5	24	5.0	-
Safari Industries India	Amul S Mehta	06/09/2011	Sell	125,000	158.0	20	4.2	-
Safari Industries India	Mrs. Mrudula Mehta	06/09/2011	Sell	124,750	158.0	20	4.2	-
Safari Industries India	Touristor Premises Pvt	06/09/2011	Sell	118,325	158.0	19	4.0	-
Safari Industries India	Senator Investment Pvt	06/09/2011	Sell	85,300	158.0	13	2.9	-
Safari Industries India	Mrs Mairti C Shah	06/09/2011	Sell	75,000	158.0	12	2.5	-
Safari Industries India	Yugush S Mehta	06/09/2011	Sell	60,200	158.0	10	2.0	-

Deal size worth more than Rs5m considered. The exchange does not report transaction prices, so we have assumed them to be closing prices for the respective days. Hence, actual deal sizes may vary from the figures above.

## Insider Trading

Company	Name of Acquirer / Seller	Transaction Date	Buy /Sale	Quantity	Price (Rs)	Deal Size (Rs m)	Shares Transaction (%)	Holding after Transaction (%)
Safari Industries India	Mrs. Jayendra Mehta	06/09/2011	Sell	40,818	158.0	6	1.4	-
Sanghvi Movers	Chandrakant P Sanghvi	10/09/2011	Buy	9,150,000	121.0	1,107	0.0	23.0
Sanghvi Movers	Rishi C Sanghvi	10/09/2011	Buy	4,450,000	121.0	538	0.0	12.2
Sanghvi Movers	Mina C Sanghvi	10/09/2011	Buy	900,000	121.0	109	0.0	5.9
Sunteck Realty	Eskay Infrastructure Development Pvt	07/09/2011	Buy	211,150	255.0	54	0.3	7.2
Zee Ent	Essel Business Processes	08/09/2011	Buy	20,050,698	122.6	2,458	2.0	7.2
Zee Ent	Premier Finance & Trading Co	08/09/2011	Sell	9,992,211	122.6	1,225	1.0	5.8
Zee Ent	Veena Investments Pvt	08/09/2011	Sell	3,876,950	122.6	475	0.4	1.6
Zee Ent	Churu Trading Co Pvt	08/09/2011	Sell	3,170,072	122.6	389	0.3	4.1
Zee Ent	Prajatma Trading Co Pvt	08/09/2011	Sell	3,011,165	122.6	369	0.3	1.5

Deal size worth more than Rs5m considered. The exchange does not report transaction prices, so we have assumed them to be closing prices for the respective days. Hence, actual deal sizes may vary from the figures above.

## BSE/NSE – Bulk Deals

Company	Name of Acquirer / Seller	Transaction Date	Buy /Sale	Quantity	Price (Rs)	Deal Size (Rs m)
K S Oils Limited	Goldman Sachs Investments Mauritius I Ltd	13/9/2011	Buy	2,988,361	12.7	38
Kaveri Seed Company Limited	Reliance Mutual Fund	13/9/2011	Sell	310,700	470.0	146
Kaveri Seed Company Limited	Ashish Kacholia	13/9/2011	Buy	100,000	470.0	47
Kaveri Seed Company Limited	Bengal Finance & Investment Pvt.Ltd.	13/9/2011	Buy	210,000	470.0	99

# ONGC – BUY

14 September 2011



## Deep value, BUY

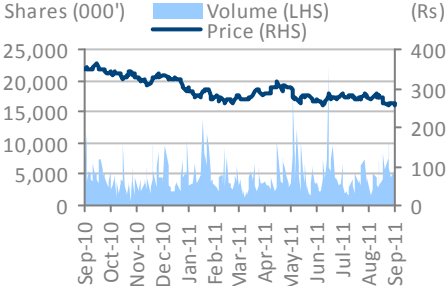
We reiterate BUY on ONGC following the 7.6% correction in its stock price last month. The stock is trading at 3.2x 1-year forward EV/EBITDA, close to its 5-year trough of 2.8x and offers attractive dividend yield of 3.8%. We expect ONGC to deliver 10.7% earnings growth YoY for FY12 assuming flat net crude realisation YoY (implying upstream share for FY12 subsidies at 39%). Our estimates incorporate the benefit from inclusion of royalty paid by ONGC on Cairn's Rajasthan Block in Cairn's cost-recovery calculations. Our target price for ONGC of Rs330 presents a 28% upside.

**Compelling valuations, attractive dividend yield:** ONGC trades at 3.2x one-year forward EV/EBITDA, close to the 5-year trough multiple of 2.8x. The stock offers attractive 3.8% dividend yield. We expect ONGC's EPS to grow 10.7% YoY in FY12 assuming flat net crude realisation YoY (implying 39% share of under-recoveries to upstream). We believe the risk to the stock is clearly on the upside.

**Marginal fields would boost domestic production by FY14:** ONGC is investing US\$8bn in capex to ramp up marginal field production from 2mmtoe in FY10 to 6mmtoe by FY15. We believe management's estimate of ramp up of crude production from 24.5mmt in FY11 to 28mmt in FY14 is achievable (we conservatively build in 25.7mmt). We expect ONGC's gas production to increase 11% over FY11-14ii led by investments in marginal fields.

**Rajasthan royalty adds Rs2.8 to FY12ii EPS, BUY:** ONGC's FY12ii EPS will receive a boost with Cairn's shareholders likely to vote in favour of accepting government's condition of making royalty cost-recoverable in Rajasthan. Royalty benefits would translate into increase in EPS of Rs2.8 for FY12ii, Rs2.8 for FY13ii and Rs3.1 for FY14ii. We assume ONGC's net crude realisation to be capped at US\$60/bbl in FY12-14ii (implying upstream share 40% of under-recoveries). Our target price, based on 10x FY13ii EPS is Rs330. We recommend BUY.

## Company update

<b>CMP</b>	<b>Rs258</b>	<b>Price performance (%)</b>			
<b>12-mth TP (Rs)</b>	<b>330 (28%)</b>		<b>1M</b>	<b>3M</b>	<b>1Y</b>
<b>Market cap (US\$ m)</b>	<b>46,413</b>	ONGC	-7.6	-4.1	-25.3
<b>Bloomberg</b>	<b>ONGC IN</b>	<b>Rel. to Sensex</b>	<b>-5.4</b>	<b>5.8</b>	<b>-11.1</b>
<b>Sector</b>	<b>Oil &amp; Gas</b>	Reliance	6.5	-12.5	-18.4
		Cairn India	3.3	-14.0	-11.8
		Oil India	-3.2	2.2	-17.3
<b>Shareholding pattern (%)</b>					
Govt of India	74.1	<b>Stock performance</b> 			
FIIIs	4.8				
DIIIs	7.4				
Others	13.7				
52Wk High/Low (Rs)	368/248				
Shares o/s (m)	8555				
Daily volume (US\$ m)	27				
Dividend yield FY12ii (%)	3.8				
Free float (%)	25.9				

## Financial summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Revenues (Rs m)	1,017,546	1,176,151	1,330,021	1,491,355	1,605,428
EBITDA Margins (%)	43.6	41.2	41.0	40.6	41.2
Pre-Exceptional PAT (Rs m)	194,035	224,559	248,482	283,218	316,185
Reported PAT (Rs m)	194,035	224,559	248,482	283,218	316,185
EPS (Rs)	22.7	26.2	29.0	33.1	37.0
Growth (%)	-2.0	15.7	10.7	14.0	11.6
IIFL vs consensus (%)			-6.1	-0.4	3.3
<b>PER (x)</b>	<b>11.4</b>	<b>9.8</b>	<b>8.9</b>	<b>7.8</b>	<b>7.0</b>
ROE (%)	19.7	20.4	19.9	20.0	19.7
Debt/Equity (x)	-0.1	-0.1	-0.2	-0.2	-0.3
<b>EV/EBITDA (x)</b>	<b>4.8</b>	<b>4.3</b>	<b>3.7</b>	<b>3.2</b>	<b>2.7</b>
Price/Book (x)	2.2	1.9	1.7	1.5	1.3

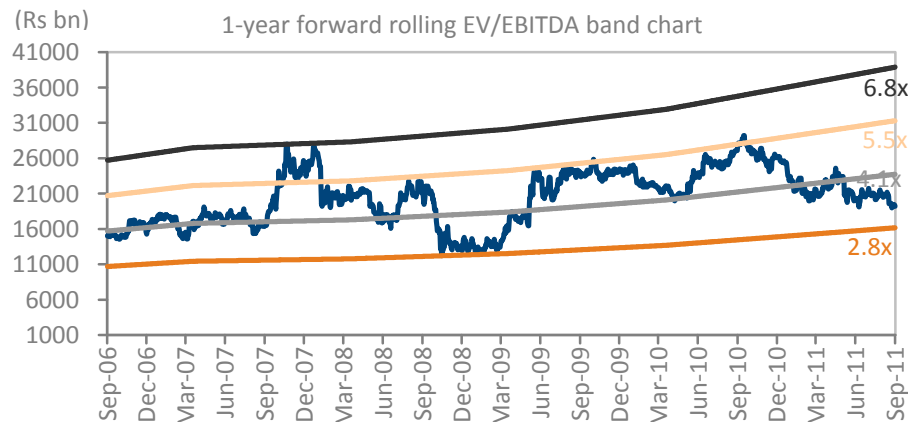
Source: Company, IIFL Research. Priced as on 13 September 2011

### Compelling valuations

ONGC currently trades at 3.2x 1-year forward EV/EBITDA, close to its 5-year trough of 2.8x. While the impending follow-on public offer (FPO) has been an overhang, we believe that given more than 10% EPS growth in FY12 and attractive dividend yield of 3.8%, current valuations are compelling.

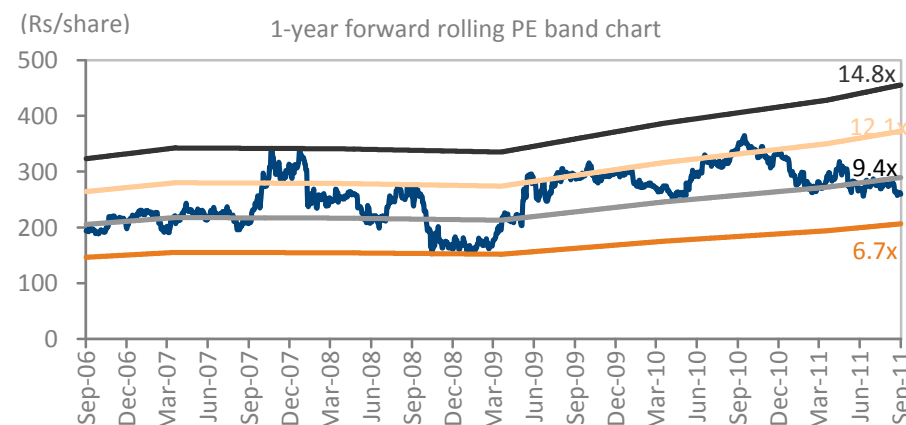
We estimate government's final formula on sharing of under-recovery for FY12-13 to cap ONGC's net crude realisation at or below US\$60/bbl. Hence, we have built in upstream share of the subsidy burden for FY12-13 such that ONGC's net crude realisation does not exceed US\$60/bbl. Thus, we allocated the share of under-recoveries for upstream at 39% in FY12ii and 45% in FY13ii. Despite this increased burden, ONGC will deliver earnings Cagr of 12.3% over FY11-13ii. At 7.8x FY13ii EPS, we believe the risk to the stock is clearly on the upside.

**Figure 1: ONGC trades close to its 5-year trough on EV/EBITDA multiple**



Source: Company, IIFL Research

**Figure 2: ONGC trades at 7.9x one-year forward PE, well below 5-year average of 10.3x**



Source: Company, IIFL Research

**Figure 3: Base case —ONGC's net crude realisation capped at \$60/bbl, company delivers 12% earnings Cagr over FY11-13ii**

	FY11	FY12ii	FY13ii	CAGR (%)
Average crude price (\$/bbl)	86.5	100.0	102.0	NA
Total under-recoveries (Rs bn)	782	1,010	808	NA
Upstream share of under-recoveries (%)	38.7	39	45	NA
<b>ONGC net crude realisation (\$/bbl)</b>	<b>54.1</b>	<b>55.3</b>	<b>60.3</b>	<b>NA</b>
<b>ONGC EPS</b>	<b>26.2</b>	<b>29.0</b>	<b>33.1</b>	<b>12.3</b>

Source: Company, IIFL Research

**Figure 4: Bull case- Upstream bears 33% of under-recoveries, ONGC delivers earnings Cagr of 20% over FY11-13ii**

	FY11	FY12ii	FY13ii	CAGR (%)
Average crude price (\$/bbl)	86.5	100.0	102.0	NA
Total under-recoveries (Rs bn)	782	1,010	808	NA
Upstream share of under-recoveries (%)	38.7	33	33	NA
<b>ONGC net crude realisation (\$/bbl)</b>	<b>54.1</b>	<b>62.0</b>	<b>71.4</b>	<b>NA</b>
<b>ONGC EPS</b>	<b>26.2</b>	<b>32.0</b>	<b>38.0</b>	<b>20.3</b>

Source: Company, IIFL Research

### Marginal field capex will aid production growth by FY14ii

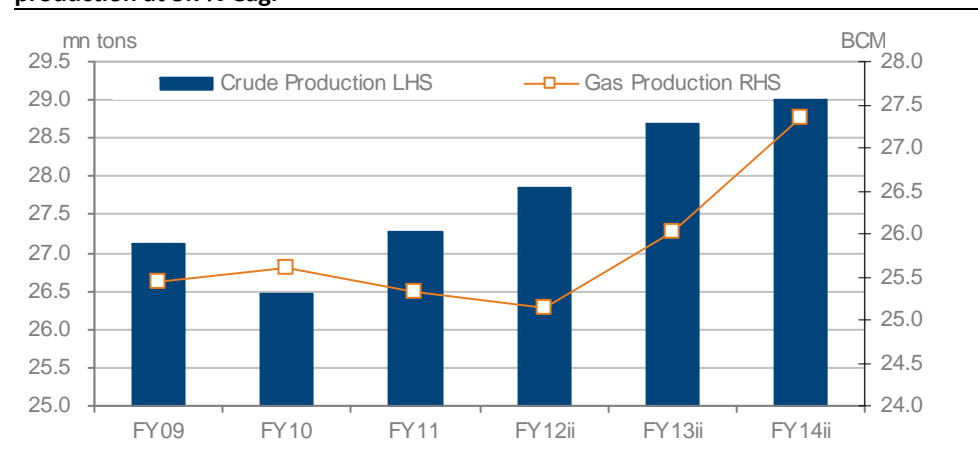
ONGC aims to ramp up marginal field production from 2mmtoe in FY10 to 6mmtoe by FY15 underpinned by a US\$8bn capex programme. In Aug 2010, the C-series started production of 1.5mmscmd gas. G-1 and GS-15 in the KG-basin are scheduled to commence production shortly (2.5mmscmd and 9kbpd at peak) followed by Tripura in Dec 2011 (1mmscmd ramping up to 4mmscmd). We expect ONGC to record crude production Cagr of 2.1% and gas production Cagr of 3.7% respectively over FY11-14ii led by investments in marginal fields. Production growth is likely to be back-ended.

**Figure 5: Ongoing capex of \$8bn on marginal fields**

Field	Recoverable oil (mmt)	Recoverable gas (bcm)	Production start	Project cost (Rs bn)
Mumbai High North Ph II	17.3	3	FY08	68.5
Mumbai High South Ph II	18.3	2.7	FY08	88.1
G-1 and GS-15	1.0	5.9	Jun-11	22.2
Heera & South Heera	10.7	2.3	FY07	23
C-series		21.2	FY10	32
North Tapti		4.1	Jun-11	7.5
B-22 cluster	2.5	7.7	Jul-11	29.2
B-46 cluster		6	Sep-12	14.5
D-1 additional	8.3		FY13	21.6
Tripura		17	Dec-11	NA
B-193 cluster	5.6	5.9	FY13	56.3
<b>Total</b>	<b>63.7</b>	<b>75.8</b>		<b>363</b>

Source: Company, IIFL Research

**Figure 6: ONGC's crude production to grow at 2.1% Cagr over FY11-14ii and gas production at 3.7% Cagr**



Source: Company, IIFL Research

### Rajasthan royalty benefit yet to play out, BUY

A majority of Cairn's shareholders are likely to decide in favour of Cairn accepting government's condition of including royalty in cost-recovery calculations from its Rajasthan Block. This would reduce ONGC's share of royalty from 100% now to 30% effective FY11. We expect the lower royalty burden to positively impact ONGC's FY12ii EPS by Rs2.8 (9.5%) and FY13ii EPS by Rs2.8 (8.3%). Earnings improvement in FY12 incorporates the benefit of reversal of royalty paid on Cairn's behalf in FY11. We believe the earnings upside does not reflect in the stock price yet, given the overhang on the FPO. We reiterate BUY with target price of Rs330 at 10x one-year forward EPS. Our target price presents 28% upside.



### Assumptions

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Brent Crude (US\$/bbl)	69.8	86.5	100.0	102.0	104.0
Rs/\$	47.4	45.6	45	45	45
Industry under-recoveries (bn)	461	782	1,010	808	907
Upstream share (%)	31.3	38.7	39.0	45.0	42.0
Crude production (mmt)					
Standalone	24.67	24.42	24.07	24.16	24.16
JV	1.80	2.86	3.78	4.54	4.54
Gas production (bcm)					
Standalone	23.11	23.09	23.12	24.21	24.21
JV	2.49	2.23	2.02	1.82	1.82
Net Realisation (\$/bbl)	56.8	54.1	55.3	60.3	60.3

Source: Company data, IIFL Research



## Financial summary

### Income statement summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Revenue	1,017,546	1,176,151	1,330,021	1,491,355	1,605,428
EBITDA	443,496	484,623	544,709	605,764	661,434
<b>EBIT</b>	<b>256,307</b>	<b>278,360</b>	<b>330,605</b>	<b>373,046</b>	<b>409,596</b>
Interest expense	-5,022	-4,374	-1,303	-1,303	-1,303
Others items	53,128	69,178	54,028	61,919	74,078
Profit before tax	304,414	343,163	383,330	433,663	482,371
Tax expense	-107,138	-114,913	-131,093	-145,875	-161,176
<b>Net Profit</b>	<b>194,035</b>	<b>224,559</b>	<b>248,482</b>	<b>283,218</b>	<b>316,185</b>

### Cash flow summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
EBIT	256,307	278,360	330,605	373,046	409,596
Depreciation & Amortization	187,188	206,263	214,104	232,718	251,838
Tax paid	-107,138	-114,913	-131,093	-145,875	-161,176
Working capital change	12,535	61,985	-20,851	-7,728	8,217
Other operating items	18,552	25,680	34,547	20,341	19,901
Operating Cash-flow	367,445	457,374	427,312	472,502	528,376
Capital expenditure	-313,263	-411,385	-303,328	-355,213	-359,415
<b>Free cash flow</b>	<b>54,182</b>	<b>45,990</b>	<b>123,984</b>	<b>117,289</b>	<b>168,961</b>
Equity raised	-29,303	-6,906	-10,107	-11,231	-12,630
Investments	-16,790	18,033	-311	0	0
Debt financing/disposal	-2,922	243	-25,022	0	0
Dividends paid	-70,583	-74,861	-82,835	-94,415	-105,406
Other items	10,681	8,614	11,972	11,972	10,322
<b>Net change in Cash &amp; cash equivalents</b>	<b>-6,627</b>	<b>55,917</b>	<b>70,406</b>	<b>84,231</b>	<b>134,022</b>

Source: Company data, IIFL Research

### Balance sheet summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Cash & cash equivalents	149,704	205,620	276,027	360,258	494,280
Sundry debtors	71,424	97,724	122,081	133,616	141,983
Trade Inventories	82,400	85,676	87,285	100,062	105,294
Other current assets	210,549	208,259	218,524	218,524	218,524
<b>Fixed assets</b>	<b>1,011,591</b>	<b>1,216,712</b>	<b>1,305,937</b>	<b>1,428,433</b>	<b>1,536,010</b>
Intangible assets	95,385	89,929	81,948	76,897	71,847
Other assets	51,593	33,560	33,871	33,871	33,871
<b>Total assets</b>	<b>1,672,647</b>	<b>1,937,479</b>	<b>2,125,672</b>	<b>2,351,661</b>	<b>2,601,809</b>
Sundry creditors	226,819	340,366	353,178	369,763	391,579
Other current liabilities	75,158	50,880	53,449	53,449	53,449
Long-term debt/Convertibles	62,669	62,912	37,891	37,891	37,891
Other long-term liabilities	277,503	310,030	352,324	384,157	414,339
Minorities/other Equity	16,432	20,019	23,774	28,344	33,354
<b>Networth</b>	<b>1,014,066</b>	<b>1,153,272</b>	<b>1,305,056</b>	<b>1,478,058</b>	<b>1,671,198</b>
<b>Total liabilities &amp; equity</b>	<b>1,672,647</b>	<b>1,937,480</b>	<b>2,125,672</b>	<b>2,351,661</b>	<b>2,601,809</b>

### Ratio analysis

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Sales growth (%)	-2.7	15.6	13.1	12.1	7.6
Core EBITDA growth (%)	6.4	9.3	12.4	11.2	9.2
Core EBIT growth (%)	-2.4	8.6	18.8	12.8	9.8
Core EBITDA margin (%)	43.6	41.2	41.0	40.6	41.2
Core EBIT margin (%)	25.2	23.7	24.9	25.0	25.5
Net profit margin (%)	19.1	19.1	18.7	19.0	19.7
Dividend payout ratio (%)	42.6	38.9	38.9	38.9	38.9
Tax rate (%)	35.2	39.0	34.2	33.6	33.4
Net Debt/Equity (%)	-9.5	-13.4	-19.5	-23.0	-28.5
Return on Equity (%)	19.7	20.4	19.9	20.0	19.7
Return on Assets (%)	12.0	12.4	12.2	12.7	12.8

Source: Company data, IIFL Research

# Sun TV Networks – ADD

14 September 2011

Earnings downgrade



**IIFL**  
Institutional Equities

## Near-term headwinds

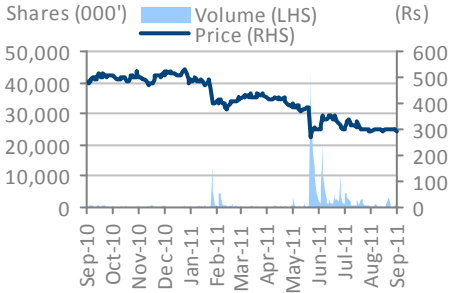
The recently-revived, state-owned MSO Arasu started operations and is offering only free-to-air channels. At present, the Tamil Nadu government is focussed on gaining stronghold in the cable distribution business in the state. However, content available on Arasu does not threaten the popularity of Sun TV's (Sun) network. Sun's 70% viewership share in Tamil Nadu makes it a dominating force. Nonetheless, in the near term, flight of LCOs to Arasu poses a credible risk to Sun's subscription revenue and ratings, leading to an earnings downgrade of 12% for FY12 and 15% for FY13. Although valuations are compelling, lack of certainty is likely to tell on the stock performance.

**Arasu launches sans Sun channels; ratings at risk:** Last week, state-owned Multi System Operator (MSO) Arasu cable commenced services by offering only free-to-air channels. As per media reports, more than 70% local cable operators (LCOs) have registered with Arasu and would gradually switch over to its network. As more LCOs move to Arasu, Sun's reach would diminish, leading to a drop in ratings.

**Present set-up looks unsustainable; possibility of throwing up surprises:** It is evident that the absence of Sun in Arasu's offering is leading to a churn in favour of DTH. Besides losing subscribers, LCOs would see a sharp drop in revenue as monthly charge is capped at Rs70/sub compared with Rs150-200/month earlier. Absence of popular free content would compel Arasu to include Sun's channels in its bouquet. This scenario, coupled with lower returns for LCOs, has the potential of throwing up surprising outcomes.

**Nonetheless, revenue at risk, more so subscription income:** Cable subscription revenues from Tamil Nadu contributed 6% to total revenues of Sun in FY11. Arasu may take time to enter into a content deal with Sun, which could lead to a sharp drop in Sun's cable subscription revenue as well as ratings. If the scenario persists, Sun's ad revenue would be at risk too.

## Company update

<b>CMP</b>	<b>Rs289</b>	<b>Price performance (%)</b>			
<b>12-mth TP (Rs)</b>	<b>314 (9%)</b>		<b>1M</b>	<b>3M</b>	<b>1Y</b>
<b>Market cap (US\$ m)</b>	<b>2,409</b>	Sun TV	-2.1	-6.2	-43.3
<b>Bloomberg</b>	<b>SUNTV IN</b>	Rel. to Sensex	-0.1	3.5	-31.0
<b>Sector</b>	<b>Media</b>	Zee	-3.8	-15.3	-17.6
<b>Shareholding pattern (%)</b>					
Promoters	77.0	<b>Stock performance</b> 			
FIIIs	13.5				
DIIIs	2.0				
Others	7.5				
52Wk High/Low (Rs)	557/260				
Shares o/s (m)	394				
Daily volume (US\$ m)	15				
Dividend yield FY12ii (%)	3.5				
Free float (%)	23.0				

## Financial summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Revenues (Rs m)	14,528	20,135	19,613	21,649	24,546
EBITDA Margins (%)	75.1	78.4	76.6	76.2	76.0
Pre-Exceptional PAT (Rs m)	5,199	7,698	7,117	7,735	8,858
Reported PAT (Rs m)	5,199	7,698	7,117	7,735	8,858
Adjusted EPS (Rs)	13.2	19.5	18.1	19.6	22.5
Growth (%)	41.2	48.1	-7.5	8.7	14.5
PER (x)	21.9	14.8	16.0	14.7	12.9
ROE (%)	27.6	34.2	27.8	26.3	25.9
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	10.0	6.8	6.9	5.9	4.8
Price/Book (x)	6.0	5.1	4.4	3.9	3.3

Source: Company, IIFL Research. Priced as on 12 September 2011

## Arasu's launch – be prepared for the unexpected

State-owned MSO Arasu Cable TV Corporation started offering services earlier this month. The Tamil Nadu government mentioned that the MSO would offer 90 channels starting with free-to-air channels. Chief Minister Mrs. Jayalalitha mentioned in her speech in that assembly that more than 34,000 LCOs with a subscriber base of 13.5mn have agreed to join Arasu's network.

The government has mentioned that Arasu would soon start talking to pay channels and paid content would be available within 10 days. The government has not mentioned whether it is likely to buy content from Sun network. The management of Sun indicated that the company has not been approached by the government.

### Besides content, several loose ends to be tie-up

First, Arasu's cable network is not well spread in the state. At present, it has head-ends only in four cities/districts. In the remaining 27 districts, the MSO would be hiring head-ends from private operators. Secondly, the network's cable does not reach the interiors of many cities. LCOs have been asked to lay cables from head-end to their respective localities. Thirdly, quality of modulator and repeater used to boost single strength at pre-fixed distance is inferior. Arasu would take a while to fix up these problems. Hence, an immediate mass migration to Arasu's network should not be expected.

### Cable operators – the biggest losers in this crossfire

Absence of Sun's popular channels is resulting in subscriber agitation in areas where Arasu has already rolled out services. Our interactions with cable operators reveal that in such localities, churn from cable to DTH is on the rise. LCOs, besides risking loss of subscribers to DTH, would also see a sharp drop in their revenue. As evident from the table below, an LCO with subscriber base of 1,000 could see a drop of 60-75% in net revenue.

**Figure 1: In new set-up LCOs would see a sharp reduction in revenue**

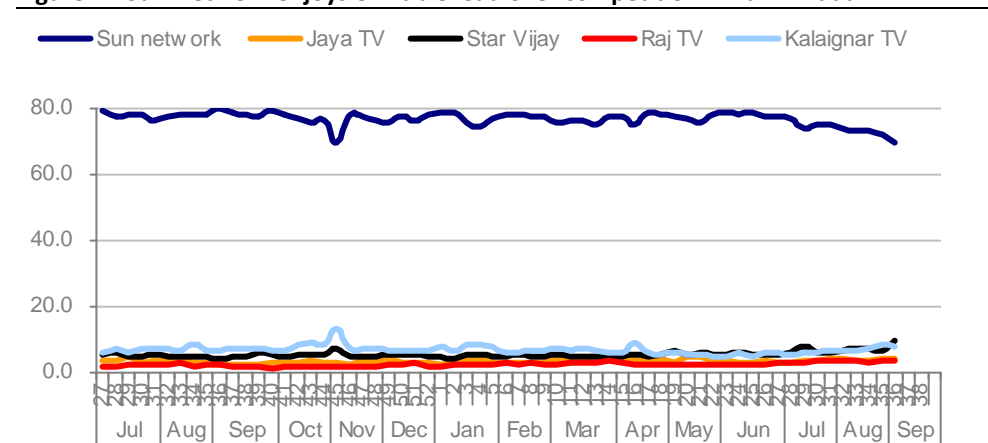
	Earlier	Now
Subscriber base (nos)	1,000	1,000
ARPU (Rs/month)	150-200	70
Payment to MSO (Rs/month)	15-20	20
Net retention (Rs/month)	135-180	50
Estimated drop in net revenues (%)		60-75

Source: Industry, IIFL research

### The current set-up is unsustainable

Sun enjoys viewership share of 70% in the Tamil Nadu market, which makes it indispensable, in our view. If Arasu cable does not start offering content from Sun, several subscribers may switch over to DTH, which offers digital quality and is competitively priced. Further, LCOs are an important intermediary in broadcasting distribution space. As explained earlier, the new regime would lead to a sharp deterioration in financials of LCOs. If this scenario persists, the LCOs may go back to other MSOs offering Sun channels.

**Figure 2: Sun Network enjoys enviable lead over competition in Tamil Nadu**

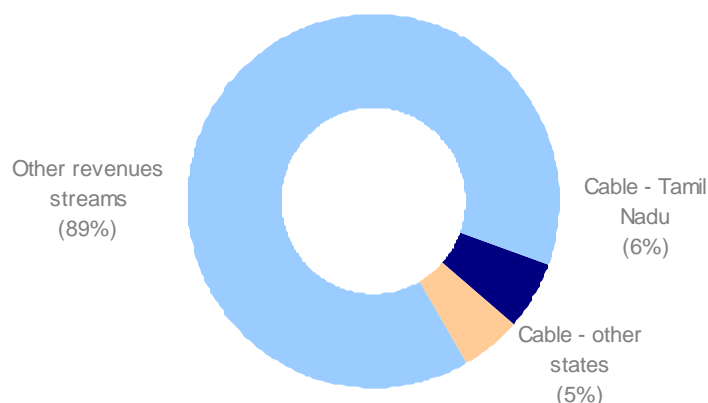


Source: TAM, IIFL Research

### Nonetheless rating and subscription revenue at risk

Media reports suggest that a large number of cable operators have switched over to Arasu. This would significantly reduce reach of Sun in Tamil Nadu as the LCOs progressively move to Arasu. The loss of eyeballs would start reflecting in weekly ratings from the coming week. This would put Sun's cable subscription revenue from Tamil Nadu at risk. Management indicated that cable subscription revenue for Tamil Nadu contributed ~6% to Sun's total revenue.

**Figure 3: Cable subscription revenue from Tamil Nadu constitute a small part of Sun's total revenue**



Source: Company, IIFL Research

### 12-15% cut in earnings

We reduce our estimate for Sun's domestic cable subscription revenue for FY12 and FY13. We are building a 25% drop in cable subscription revenue. This implies a 40% cut in cable subscription revenue from Tamil Nadu. We have also tweaked our advertising revenue growth assumptions and now build in 6% growth in FY12 and 10% in FY13. This translates into reduction in EPS of 12% for FY12 and 15% for FY13.

**Figure 4: Earnings revision table**

	Earlier		Now		Change	
	FY12ii	FY13ii	FY12ii	FY13ii	FY12ii	FY13ii
Revenues	20,519	23,435	19,613	21,649	-4.4	-7.6
Ebitda	15,904	18,253	15,033	16,491	-5.5	-9.7
PAT	8,039	9,144	7,117	7,735	-11.5	-15.4
EPS	20.4	23.2	18.1	19.6	-11.5	-15.4

Source: Company, IIFL Research

In the short term, we do not expect the recent development to have an impact Sun's advertising revenue. However, mass migration to Arasu without the Sun channels as a part of its bouquet may severely impact Sun's ratings. In such a scenario, advertisers may choose to cut back on advertising spend on Sun's channels.

### Sun to thrive on the strength of its content

At present, government's efforts are directed at gaining a foothold in the cable distribution space in Tamil Nadu. Although broadcasting distribution is a vital part of the media chain, it has to be backed by strong content. Similar to other southern markets, movie is one of the most important aspects of content strategy of channels in Tamil Nadu. Sun enjoys a large movie library with perpetual rights. Replicating this movie library would be impossible, making it difficult to compete with Sun.

Sun enjoys a strong competitive position in the other three southern markets (Telugu, Kannada and Malayalam) where it faces competition. Sun has demonstrated enviable performance over the past several years. Even in case other competing TV networks were to improve their content, Sun would remain a formidable competitor in Tamil Nadu. In the light of this, we believe the current situation is a temporary phase and eventually Sun would be able to retain its due share of subscription and advertising revenue in the Tamil Nadu market.

## Financial summary

### Income statement summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Revenue	14,528	20,135	19,613	21,649	24,546
EBITDA	10,909	15,779	15,033	16,491	18,658
<b>EBIT</b>	<b>7,700</b>	<b>10,974</b>	<b>10,017</b>	<b>10,887</b>	<b>12,504</b>
Interest expense	49	23	23	23	23
Others	350	487	536	589	648
<b>Profit before tax</b>	<b>8,000</b>	<b>11,439</b>	<b>10,530</b>	<b>11,454</b>	<b>13,130</b>
Taxes	2,991	3,831	3,475	3,780	4,333
Minorities and other	190	90	61	61	61
<b>Net profit</b>	<b>5,199</b>	<b>7,698</b>	<b>7,117</b>	<b>7,735</b>	<b>8,858</b>

### Cash flow summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Profit before tax	8,000	11,439	10,530	11,454	13,130
Depr. & amortization	3,209	4,805	5,016	5,604	6,154
Tax paid	-2,991	-3,831	-3,475	-3,780	-4,333
Working capital Δ	1,597	-1,811	624	-170	-260
<b>Other operating items</b>	<b>1,135</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operating cash flow	10,950	10,656	12,695	13,108	14,690
Capital expenditure	-5,685	-4,647	-4,164	-3,173	-2,973
<b>Free cash flow</b>	<b>5,265</b>	<b>6,010</b>	<b>8,531</b>	<b>9,935</b>	<b>11,718</b>
Investments	-466	-402	0	0	0
Debt financing/disposal	-715	0	-1	0	0
Dividends paid	-3,449	-4,015	-4,015	-4,015	-4,015
Other items	78	71	0	0	0
<b>Net change in cash</b>	<b>713</b>	<b>1,663</b>	<b>4,514</b>	<b>5,920</b>	<b>7,703</b>

Source: Company data, IIFL Research

### Assumptions

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Ad revenues (Rs m)	7,890	9,702	10,187	11,206	12,887
Subscription revenue– cable (Rs m)	1,601	2,257	1,693	1,608	1,641
Subscription revenue – DTH (Rs m)	1,830	2,900	3,480	4,106	4,722
Ebitda margins (%)	75.1	78.4	76.6	76.2	76.0

Source: Company data, IIFL Research

### Balance sheet summary (Rs m)

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Cash & equivalents	4,367	6,030	10,545	16,464	24,167
Sundry debtors	3,292	4,300	4,189	4,624	5,243
Inventories - trade	27	14	1	0	0
Other current assets	2,660	3,340	3,081	3,281	3,481
<b>Fixed assets</b>	<b>9,159</b>	<b>8,788</b>	<b>9,558</b>	<b>9,337</b>	<b>9,015</b>
Intangible assets	3,269	3,481	1,859	-351	-3,211
Investments	2,280	2,717	2,728	2,739	2,751
<b>Total assets</b>	<b>25,052</b>	<b>28,670</b>	<b>31,961</b>	<b>36,094</b>	<b>41,446</b>
Short-term debt	1	1	0	0	0
Sundry creditors	1,839	2,737	2,878	3,241	3,700
Other current liabs	2,768	1,735	1,835	1,935	2,035
Other long-term liabs	339	410	410	410	410
Minorities/other equity	1,249	1,249	1,199	1,149	1,099
<b>Net worth</b>	<b>18,856</b>	<b>22,537</b>	<b>25,639</b>	<b>29,359</b>	<b>34,202</b>
<b>Total liabs &amp; equity</b>	<b>25,052</b>	<b>28,670</b>	<b>31,961</b>	<b>36,094</b>	<b>41,446</b>

### Ratio analysis

Y/e 31 Mar	FY10A	FY11A	FY12ii	FY13ii	FY14ii
Revenue growth (%)	39.8	38.6	-2.6	10.4	13.4
Op Ebitda growth (%)	48.1	44.6	-4.7	9.7	13.1
Op Ebit growth (%)	49.1	42.5	-8.7	8.7	14.9
Op Ebitda margin (%)	75.1	78.4	76.6	76.2	76.0
Op Ebit margin (%)	53.0	54.5	51.1	50.3	50.9
Net profit margin (%)	35.8	38.2	36.3	35.7	36.1
Tax rate (%)	37.4	33.5	33.0	33.0	33.0
Net debt/equity (%)	-23.2	-26.8	-41.1	-56.1	-70.7
Return on equity (%)	27.6	34.2	27.8	26.3	25.9
Return on assets (%)	20.8	26.8	22.3	21.4	21.4

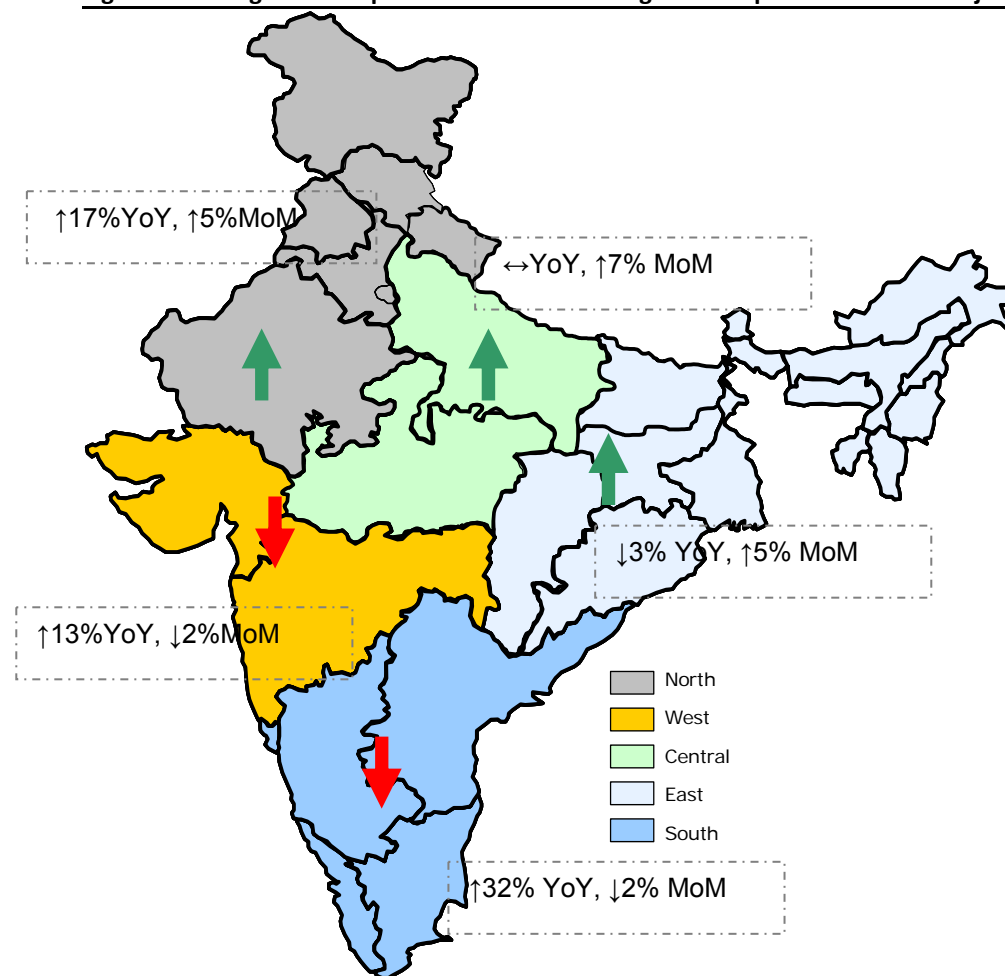
Source: Company data, IIFL Research

## Seasonal improvement in prices

- Cement prices increased by Rs5-50 per bag in the last one week across regions (except the south and Gujarat) as monsoon is nearing an end.
- Sharp price increases were seen in the institutional segments in Ludhiana, Lucknow, New Delhi and Kolkata.
- Dealers stated that producers indicated further price increases in coming weeks.
- According to dealers demand is improving in the infrastructure segment in Uttar Pradesh (pre-election spending) and in the housing segment in NCR region.
- Despatch growth is likely to be strong for the current month owing to re-stocking demand post monsoon.
- We expect demand growth to improve from the second half on likely revival in rural housing and infrastructure segments.

**North region — Institutional segment price spurts:** Dealers in the northern region indicated price increase of Rs10-50 per bag in the last one week; the sharpest increases were seen in the institutional segment in Ludhiana and New Delhi. Dealers said producers have stopped institutional segment discount in Ludhiana, which resulted in prices moving up by Rs50 per bag. In the retail segment, prices increased by Rs10-15 per bag across north India. The current price range is Rs210-245 per bag in New Delhi, Rs210-235 per bag in Jaipur and Rs250-260 per bag in Ludhiana. Dealers stated that producers indicated another two rounds of price increases in the next two weeks. We believe price increases in the north are due to demand improvement post monsoon and reduction in fight for market share with capacity of new producer Jaiprakash Associates' (JPA) largely absorbed in the market.

**Figure 1: Average cement prices increase across regions except the south and Gujarat**



Source: Industry; IIFL Research



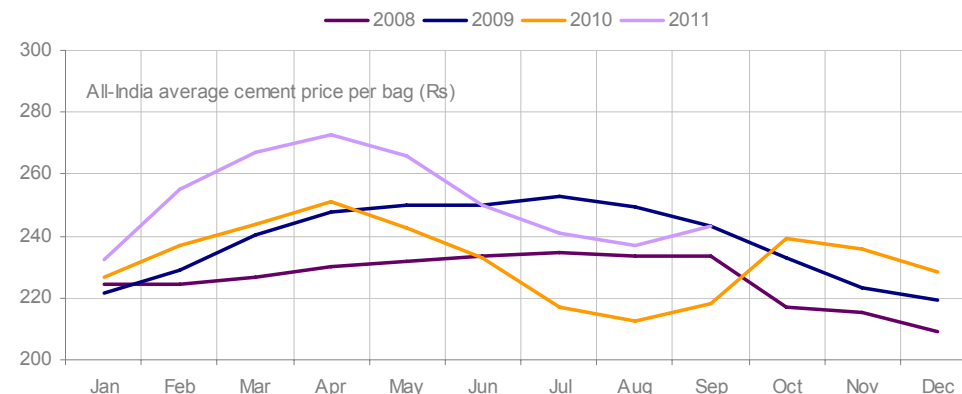
**Central region – Demand-led price increase:** Cement prices increased by Rs15-40 per bag in the central region in the past one week with sharp price increases in the institutional segment. Dealers said that demand from the government projects segment is improving post monsoon and is likely to sustain going forward owing to state elections in mid-2012. However, according to the dealers, demand from the housing segment has not yet picked up. Current price range in Lucknow is Rs210-225 per bag.

**East region – Prices increase sharply as monsoon nears an end:** Cement prices increased by Rs10-30 per bag in most of the eastern region except Orissa. Dealers indicated that fight for market share has reduced in the eastern region and institutional prices increased sharply. However, dealers pointed out that demand has not yet picked up and will likely pick up only after the festive season. Current price range is Rs230-270 per bag in Kolkata and Rs230-250 per bag in Bhubaneswar.

**West region – Prices increase in Mumbai, declines in Gujarat:** Although cement prices increased by Rs5 per bag in Mumbai as monsoon receded, they dipped by Rs15-30 per bag in the last two weeks in Gujarat. Gujarat dealers attributed the price decline to continuation of good rainfall; dealers expect prices to increase again once the rains stop. Mumbai dealers were skeptical of the price increases sustaining owing to sand shortage that is crippling construction activity in the city.

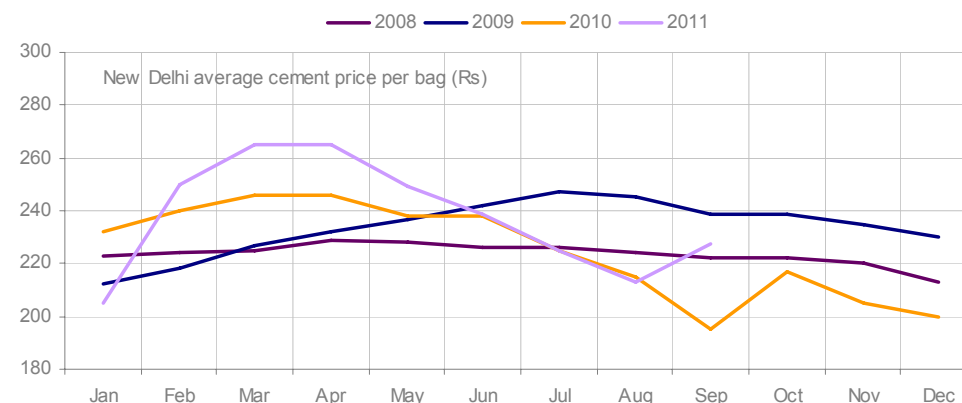
**South region – Discounts restart:** Dealers in the southern region indicated the start of discount of Rs5-10 per bag in Chennai, Hyderabad and Bangalore markets as demand continues to be sluggish. According to the dealers, JPA started sales offices in all major cities in the south and cement from JPA's new plant will hit the market in the next two months. We expect cement prices in the south to turn volatile once production from JPA's new plant enters the market.

**Figure 2: All India cement price trend is upbeat as monsoon nears an end**



Source: Industry, IIFL Research

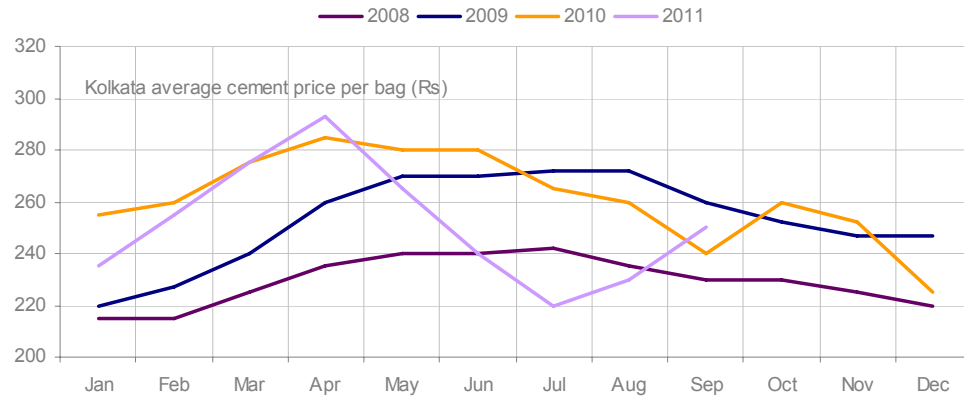
**Figure 3: New Delhi cement price trend**



Source: Industry, IIFL Research

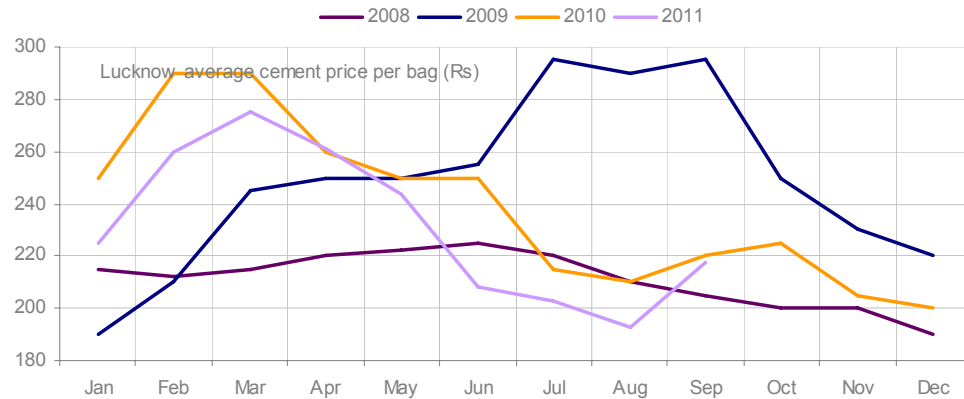


Figure 4: Kolkata cement price trend



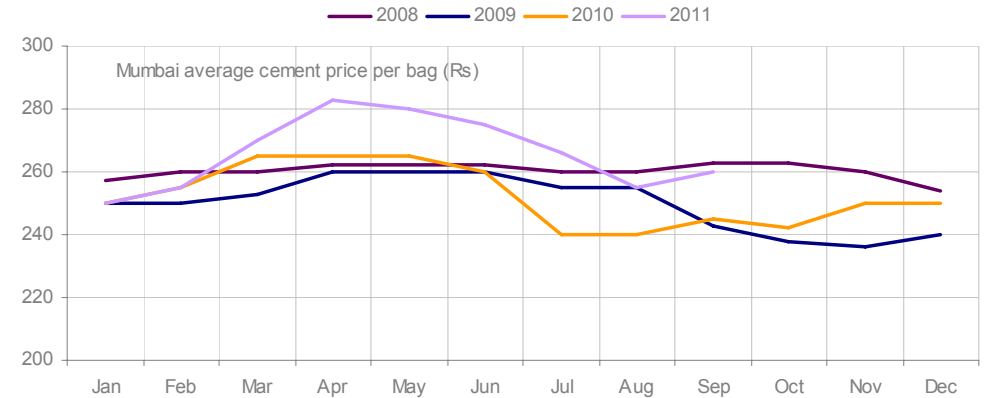
Source: Industry, IIFL Research

Figure 5: Lucknow cement price trend



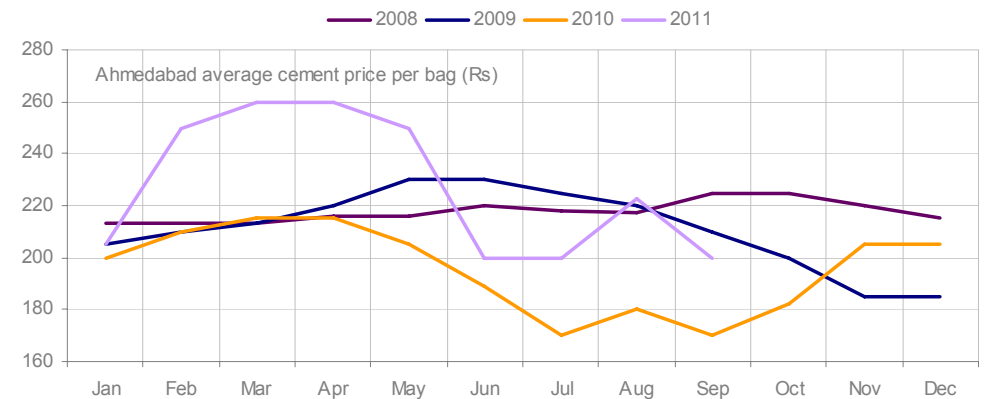
Source: Industry, IIFL Research

Figure 6: Mumbai cement price trend



Source: Industry, IIFL Research

Figure 7: Ahmedabad cement price trend



Source: Industry, IIFL Research

## Valuation snapshot

	CMP (Rs)	Mkt cap (US\$ m)	EV (US\$m)	Rating	TP (12m) (Rs)	EBITDA margin (%) FY13ii	EV/EBITDA (x)		PER (x)		ROE (%) FY13ii	P/BV (x) FY13ii	Cement capacity (mtpa) FY13ii	Cement capacity CAGR (%)		EV/tonne (US\$) FY13ii
							FY12ii	FY13ii	FY12ii	FY13ii				FY09-FY11	FY12-FY14ii	
ACC*	1,050	4,169	3,524	ADD	1,110	17.7	10.4	8.4	19.7	16.0	17.5	2.7	30.0	8.5	0	117
Ambuja Cements*	145	4,704	4,047	BUY	161	23.3	10.1	8.7	17.7	15.4	16.8	2.5	24.0	7.5	2.1	169
Grasim Inds	2,168	4,202	4,472	ADD	2,394	19.6	5.2	5.4	9.4	9.5	12.0	1.1	NA	NA	NA	NA
India Cements #	71	462	1,073	BUY	102	20.1	7.0	5.1	11.4	6.8	8.6	0.6	15.5	17.3	0.0	57
Kesoram Inds #	130	124	872	ADD	170	7.9	6.4	5.0	35.1	6.0	7.1	0.4	7.4	14.5	0	63
Madras Cements#	97	489	1,023	ADD	106	22.7	6.6	6.3	9.2	10.1	11.2	1.1	12.5	20.6	6.0	69
Shree Cement #	1,660	1,223	1,203	BUY	2466	24.6	5.6	4.1	21.1	10.4	21.8	2.0	12.0	9.7	0.0	81
UltraTech Cement	1,110	6,543	6,668	BUY	1192	19.7	8.6	7.8	17.2	15.5	15.2	2.2	49.5	11.0	5.9	135

Source: IIFL Research

\*CY11ii and CY12ii numbers; # EV/tonne adjusted for other segments; prices as at close of business on 13 September 2011

# Events calendar

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
SEPTEMBER – 2011					
			1	2 Jul Exports- 81.79% Jul Imports- 51.52%	3
5	6	7	8	9	10 Patel Engg (FY11)
12 Jul IIP- 3.30%	13	14 Aug WPI-	15	16	17
19 Aug CPI- AL/RL	20	21	22	23	24 HDFC – 17 Oct

Black: Quarterly results, Blue: Economic data, Red: India Holiday

	Jul-Sep 11	Oct-Dec 11	Jan-Mar 12
<b>Economics / Politics</b>	<ul style="list-style-type: none"> <li>RBI's Monetary Policy meeting <b>(end Jul)</b></li> <li>1QFY12 Quarterly GDP</li> </ul>	<ul style="list-style-type: none"> <li>RBI's Monetary Policy meeting <b>(end Oct)</b></li> <li>2QFY12 Quarterly GDP</li> </ul>	<ul style="list-style-type: none"> <li>RBI's Monetary Policy meeting <b>(end Jan)</b></li> <li>3QFY12 Quarterly GDP</li> </ul>
<b>Cement</b>	<ul style="list-style-type: none"> <li><b>JP Ispat:</b> 2mtpa Bokaro plant to start</li> <li><b>Madras Cements:</b> 2.4mtpa plant in Tamilnadu to start</li> <li><b>Jaiprakash Associate's</b> 3.5mtpa expansion at Nalgonda, AP</li> </ul>		
<b>Metals</b>	<ul style="list-style-type: none"> <li><b>Sterlite:</b> 2<sup>nd</sup> Phase (600MW) to begin commercial production</li> <li><b>JSW Steel:</b> 2.9mtpa expansion to be commissioned</li> </ul>		<ul style="list-style-type: none"> <li><b>Tata Steel's</b> 3MT expansion to be commissioned</li> </ul>
<b>Oil &amp; Gas</b>	<ul style="list-style-type: none"> <li>FPO of <b>ONGC</b></li> </ul>		
<b>Pharma</b>	<ul style="list-style-type: none"> <li><b>Glenmark:</b> Launch of generics Malarone in US</li> <li><b>Dr Reddy's:</b> Potential USFDA approval for fondaparinux</li> <li><b>Sun Pharma:</b> partial resolution of Caraco manufacturing quality issues in US</li> <li><b>Cipla:</b> Capacity utilization ramp up at the Indore manufacturing facility</li> <li><b>Ranbaxy:</b> partial resolution of FDA manufacturing quality at Paonta Sahib / Dewas</li> </ul>	<ul style="list-style-type: none"> <li><b>Dr Reddy's:</b> Generic olanzapine launch in US under 180-day exclusivity</li> <li><b>IPCA:</b> FDA approval of Indore facility</li> <li><b>Ranbaxy:</b> launch of generic Lipitor in US under 180-day exclusivity</li> </ul>	

	Jul-Sep 11	Oct-Dec 11	Jan-Mar 12
<b>Real Estate</b>	<ul style="list-style-type: none"> <li>Listing of Unitech Infrastructure on completion of restructuring of <b>Unitech's</b> non-core assets.</li> </ul>		
<b>Telecom</b>	<ul style="list-style-type: none"> <li><b>Idea</b> to launch 3G in all circles</li> </ul>	<ul style="list-style-type: none"> <li><b>MTNL</b> expected to decide on 3G roaming with bidders Aircel, Tata</li> <li>New Telecom Policy expected to be announced</li> </ul>	
<b>Utilities</b>	<ul style="list-style-type: none"> <li>Commissioning of <b>Tata Power</b> – Maithon Unit-1 – 525MW</li> <li>Commissioning of <b>Tata Power</b> – Mundra UMPP Unit-1 – 800MW</li> <li><b>KSK Energy</b> open offer – July 2009 to July 2011</li> <li><b>Lanco's</b> Anpara U2 (600MW) to commission in 2QFY12</li> <li><b>Adani Power's</b> Mundra-III U1&amp;2 (1320MW) to commission in 2QFY12</li> <li><b>Lanco</b> and Perdaman first court hearing on 27<sup>th</sup> July 2011</li> <li>Last date of submission of RFQ of <b>Orissa UMPP</b> is extended to 1 Aug 2011 as against 31 Mar 2011 earlier.</li> <li>Last date of submission of RFQ of <b>Chhattisgarh UMPP</b> is extended to 5 Sept 2011 as against 8 Mar 2011 earlier.</li> </ul>	<ul style="list-style-type: none"> <li>Commissioning of <b>Tata Power</b> – Maithon Unit-2 – 525MW</li> <li><b>JSPL</b> expected to add 1.5mtpa of steel capacity (plate mill) at Angul</li> <li>Commissioning of <b>JSPL</b> captive units – 270MW (2 units)</li> <li><b>NTPC's</b> Sipat-1 U2 (660MW) to commission in 3QFY12</li> <li><b>NTPC's</b> Simhadri (1000MW) to commission in 3QFY12</li> <li><b>Adani Power's</b> Mundra-III U3 (660MW) to commission in 3QFY12</li> <li><b>Adani Power's</b> Tiroda-III U1&amp;2 (1320MW) to commission in 3QFY12</li> <li><b>NHPC's</b> Chamera III (231MW) to commission in 3QFY12</li> </ul>	<ul style="list-style-type: none"> <li>Commissioning of <b>Tata Power</b> – Mundra UMPP Unit-2 – 800MW</li> <li><b>JSPL</b> expected to add 2mtpa of steel capacity (DRI) at Angul</li> <li>Commissioning of <b>JSPL</b> captive units – 405MW (3 units)</li> <li>Commissioning of <b>PTC's</b> 360MW tolling projects in Andhra Pradesh – Meenakshi and Simhapuri</li> <li><b>NTPC's</b> Sipat-1 U3 (660MW) to commission in 4QFY12</li> <li><b>NTPC's</b> Vallur U1 (500MW) to commission in 4QFY12</li> <li><b>NTPC's</b> Vallur U2 (500MW) to commission in 4QFY12</li> <li><b>NHPC's</b> Uri II (240MW) to commission in 4QFY12</li> </ul>

#### Key to our recommendation structure

**BUY** - Absolute - Stock expected to give a positive return of over 20% over a 1-year horizon.

**SELL** - Absolute - Stock expected to fall by more than 10% over a 1-year horizon.

In addition, **Add** and **Reduce** recommendations are based on expected returns relative to a hurdle rate. Investment horizon for **Add** and **Reduce** recommendations is up to a year. We assume the current hurdle rate at 10%, this being the average return on a debt instrument available for investment.

**Add** - Stock expected to give a return of 0-10% over the hurdle rate, ie a positive return of 10%+.

**Reduce** - Stock expected to return less than the hurdle rate, ie return of less than 10%.

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